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Inflation rate in November 2016

In November 2016, the annual inflation rate accounted for 2.6 percent, increasing by 0.1 percentage points compared to the previous month. For the third consecutive month, this is below the lower limit of the range of ± 1.5 percentage points from the 5.0 percent target.

In November 2016, annual inflation rate reversed its downward trend recorded at the beginning of the year. The respective evolution was determined mainly by the adjustment of tariffs for remote communication services, generating a less pronounced negative impact from regulated prices compared to the previous month, along with the still modest domestic demand and the high level of the basis period of this year.

The external inflationary risks are influenced by the increase in international food and raw materials prices, along with the uncertainty in higher volatility of international oil prices and the fluctuations in the financial markets. Internal risks and uncertainties to inflation arise from the impact of possible changes in excise duties in 2017 and the harvest of next year, respectively. At the same time, the Republic of Moldova - Turkey Free Trade Agreement, together with the abolishment of custom duty on import of some products from Ukraine confer a disinflationary character to the further development of prices.

NBM estimates that at the beginning of 2017 the annual inflation rate will be within the range of ± 1.5 percentage points from the 5.0 percent target and this is in line with the inflation forecast published in the Inflation Report no.4, 2016.

At the same time, annual inflation rate decreased in November 2016 by 10.9 percentage points compared to November 2015. Similar to the previous periods, annual dynamic of core inflation (1.7 percentage points) and food prices (1.4 percentage points) exerted the highest impact on inflation. This was determined by the pronounced seasonal factor, the national currency depreciation during the last year and the drought of the previous year. Their contributions were lower than the previous months. At the same time, the contributions from regulated prices and oil prices were negative: minus 0.3 and minus 0.1 percentage points, respectively.

The monthly inflation rate recorded a level of 1.2 percent, due to the increase in food prices by 2.1 percent and non-food prices by 0.5 percent and services by 0.8 percent.

The annual rate of core inflation recorded in November 2016 the level of 5.6 percent, decreasing by 0.3 percentage points compared to the previous month.

In November 2016, the annual rate of core inflation was 0.5 percent. The most significant positive contributions were generated by the change in prices for components "cigarettes" (2.0 percent), "means of transport, auto parts" (1.2 percent), "culture and leisure" (by 0.8 percent). The decrease in prices of "education and training" by 0.1 percent has mitigated the influence of these components over the core inflation rate during the reporting period.

In November 2016, food prices increased by 2.1 percent compared to the previous month, due to higher

prices of "eggs" by 23.2 percent, "fresh vegetables" by 11.3 percent, "potatoes" by 7.1 percent, "milk and dairy products" by 2.1 percent, "fats" by 1.9 percent and "sugar" by 1.3 percent.

Excluding seasonal factors, food prices increased by 0.8 percent compared to the previous month. Therefore, the groups "eggs" and "milk and dairy products" contributed positively to the monthly growth rate of food prices. The pronounced contribution of egg prices was caused by the increase of their export for the second consecutive month, which reduced their supply on domestic market. However, the increase in prices of "milk and dairy products" was determined by less favourable meteorological conditions during November 2016 and by twice decrease in cow herds during the last 10 years.

The annual growth rate of food prices was 3.2 percent, by 0.3 percentage points lower than in October 2016 and by 11.3 percentage points than in November 2015.

In November 2016, fuel prices increased by 0.6 percent compared to the previous month. The upward development was influenced by the increase in prices of "fuels", which increased by 0.6 percent. Their dynamic is the result of the increase in petrol and diesel prices made by the oil companies during the reporting year and is in line with the provisions of the new Methodology of forming and applying the prices for oil products set by NERA, being also supported by the national currency depreciation. The prices of "bottled gas" increased by 0.6 percent. At the same time, the prices of "earth coal" and "firewood" increased by 2.5 and 0.3 percent, respectively.

The annual growth rate of fuel prices was in November 2016 minus 1.1 percent, maintaining the level of October 2016 and by 4.2 percentage points lower than in November 2015.

In the reporting period, the prices for regulated goods and services increased by 0.8 percent compared to October 2016 due to the increase in telecommunication tariffs by 4.0 percent, as a result of the changes in tariff grid for international calls using the fixed telephony services of S.A."Moldtelecom" company since 1 November 2016.

The prices for international rail transport services recorded an increase of 2.7 percent and those for air transport services decreased by 1.7 percent. The prices of medicines decreased by 0.2 percent.

The annual growth rate of prices for regulated goods and services was minus 1.2 percent, by 0.9 percentage points higher compared to the previous month and by 14.9 percentage points lower compared to November 2015.

NBM will further monitor and anticipate the domestic and international economic environment developments, so that by the flexibility of operational framework specific for the inflation targeting strategy to ensure price stability in the medium term.

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