Publicat pe (https://bnm.md)



12.07.2017

# Inflation rate in June 2017

**In June 2017, annual inflation rate was 7.3 percent, by 0.1 percentage points lower than the previous month, and continued to be above the upper limit of the range of 5.0 percent ± 1.5 percentage points.**

**The inflation evolution in June 2017 is in line with the last forecasts of the NBM. As expected, inflation interrupted temporarily the upward trajectory observed in the first half of this year. This evolution was determined by the increase in aggregate demand and in certain tariffs, their impact being mitigated by the appreciation trend of the national currency and the decrease in oil and fuel prices on domestic market.**

At the same time, annual inflation rate decreased in June 2017 by 0.1 percentage points compared to June 2016. The highest impact on annual inflation rate was exerted by food prices (3.6 percentage points), being similar to the previous month. At the same time, the trajectory of annual inflation rate was also supported by regulated prices (1.8 percentage points). The contribution of core inflation maintained the previous month level (1.5 percentage points), while the contribution of oil prices decreased up to 0.5 percentage points.

The annual inflation rate recorded a level of minus 0.4 percent as a result of the decrease in food prices by 1.2 percent and non-food prices by 0.4 percent, while services prices increased by 0.7 percent.

The annual rate of core inflation recorded in June 2017 the level of 4.7 percent, decreasing by 0.1 percentage points compared to the previous month.

In June 2017, the annual rate of core inflation was 0.1 percent. The most significant increases of prices recorded the subcomponents: "others" due to flat rent increase, "cigarettes", "footwear", "daily household maintenance". However, these positive contributions were partially offset by the decrease in prices of "means of transport, autoparts", "education and training" due to the decrease in fees for nursery and kindergarten, "culture and leisure".

Food prices during the reporting month decreased by 1.2 percent compared to May 2017. By subcomponents, there were decreases in prices of "potatoes" by minus 11.6 percent, "fresh vegetables" by minus 9.7 percent, "fresh fruits" by minus 1.3 percent, "fats" by minus 0.6 percent, 'milk and dairy products" by minus 0.5 percent.

Excluding seasonal factors, food prices increased insignificantly by 0.2 percent compared to the previous month level. Thus, the groups "meat and meat products", "milk and dairy products" recorded the positive contributions to monthly rate formation of food prices.

The annual growth rate of food prices was 9.0 percent, by 0.1 percentage points lower than in May 2017 and by 1.4 percentage points than in June 2016.

In June 2017, fuel prices decreased by 2.0 percent compared to the previous month. This development was influenced mainly by the decrease in prices of "fuels" by 3.4 percent. Their dynamic is the result of the decrease in petrol and diesel prices by the oil companies during the reporting period, in line with oil prices

on international market (price of Urals brand oil decreased by 7.1 percent than in May) and with the appreciation trend of national currency. The prices of "earthcoal" and 'bottled gas" decreased insignificantly, generating in common a negative contribution of 0.1 percentage points to monthly rate formation, while "firewood" prices and "liquid oil" maintained the level of May 2017.

The annual growth rate of fuel prices was 7.2 percent in June 2017, by 2.6 percentage points lower than in May 2017 and by 10.4 percentage points higher than in June 2016.

In the reporting month, the prices of regulated products and services increased by 0.6 percent compared to May 2017. This development was determined mainly by the increase in water and sewerage tariffs. Thus, these increased by 15.2 percent due to the approval by NERA of new tariffs for public service of water supply, sewerage and wastewater treatment for the operators S.A. „Apă-Canal Chișinău" and Î.M. „Apă Canal" in Ungheni.

The tariffs for international rail transport services increased by 3.1 percent, while those for air transport services decreased by 2.9 percent. The prices of medicines decreased by 0.7 percent.

The annual growth rate of prices for regulated goods and services was 7.5 percent, increasing by 0.4 percentage points compared to the previous month and by 0.1 percentage points compared to June 2016.

**The 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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