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Inflation rate in February 2016

In February 2016, the growth rate of consumer prices index (CPI) for the last 12 months was 10.3 percent, by 3.1 percentage points less compared to the previous month, remaining further on the upper limit of the range of ± 1.5 percentage points from 5.0 percent target.

It should be mentioned that the annual rate of inflation continued its downward trend for the second consecutive month. This development confirms the last forecast of the NBM on the gradual decrease of annual inflation, including due to the high basis of comparison.

The external risks to inflation remain significant, given the weak economic activity of the euro area countries and the recession faced by the Russian Federation - the main external trade partners of the Republic of Moldova. The external risks are propagated through the channel of remittances in favour of population and external trade, leading to lower foreign currency income of population and domestic exporters in the short-term with implications for the future dynamics of inflation. Potential internal risks to inflation arise from postponing the approval of fiscal policy for 2016 and the uncertainties surrounding fiscal policy stance.

In February, the annual inflation rate was 10.3 percent, decreasing by 3.1 percentage points compared to the previous month, but increasing by 3.8 percentage points compared to February 2015. Similarly to previous periods, the dynamics of annual food prices and core inflation exerted the greatest impact on the annual inflation rate under the influence of the depreciation of the national currency in the previous year. However, their contribution was significantly lower compared to the previous month. Thus, the contribution of food prices decreased to 4.8 percentage points, while that of core inflation to 3.2 percentage points. At the same time, the contribution from regulated prices decreased to 2.4 percentage points, while the contribution of fuel prices was minus 0.2 percentage points, exerting a significant lower impact compared to other subcomponents.

Monthly inflation rate was minus 0.5 percent, due to lower food prices, non-food prices and services by 0.4, 0.5 and 0.8 percent, respectively.

The annual rate of core inflation was 10.6 percent in February 2016, decreasing by 3.6 percentage points compared to the previous month.

In February 2016, the annual rate of core inflation was 0.3 percent. The most significant positive contributions were generated by the change in prices of components "catering" (1.2 percent), "cigarettes" (0.5 percent), "clothing" (0.5 percent), and "daily household maintenance" (0.4 percent).

Food prices decreased by 0.4 percent in the reporting month compared to January 2016, due to lower prices of "eggs" by 14.4 percent, "fresh vegetables" by 1.1 percent, "meat, prepared or preserved meat" by 1.0 percent and "potatoes" by 0.7 percent.

Excluding seasonal factors, food prices decreased by 0.6 percent compared to the previous month. Thus,

negative contributions to the formation of the monthly rate of food prices were recorded by sub-groups "fresh vegetables", "fresh fruits", "potatoes", and "meat, prepared or preserved meat". It mentioned that the decrease in prices of the aforementioned products was influenced mainly by abnormally high temperatures during the month, which favoured preservation and marketing of these products.

The annual growth rate of food prices was 11.8 percent, decreasing by 2.8 percentage points compared to January 2016, but increasing by 5.8 percentage points compared to February 2015.

In February 2016, fuel prices decreased by 3.5 percent compared to the previous month. This development was mainly influenced by lower prices of "fuels" by 5.6 percent. However, the prices of "bottled gas" and "earth coal" went down by 3.5 and 0.2 percent, respectively. The prices of "firewood" and "liquid fuel" remained at the previous month level.

The annual growth rate of fuel prices was minus 2.4 percent in February 2016, by 5.1 percentage points less compared to January 2015 and by 7.7 percentage points less than in February 2015.

During the reporting month, prices of regulated products and services decreased by 1.0 percent compared to end-January 2016. This development was largely determined by the decrease in prices of gas from the grid by 10.1 percent. In February 2016, medicines prices increased by 0.4 percent compared to the previous month. At the same time, prices for international rail services have increased by 2.0 percent, while those for air services decreased by 1.9 percent. Prices for the services of lawyers and judges offices increased by 6.2 percent, but they have generated negligible contributions to monthly growth in prices of regulated services.

The annual growth rate of prices of regulated goods and services was 11.1 percent, by 2.0 percentage points lower compared to the previous month and by 8.6 percentage points more compared to the value recorded in February 2015.

NBM will further monitor and anticipate the domestic and international economic environment developments, including household consumption dynamics, remittances, monetary and foreign exchange indicators and changing foreign trade conditions, 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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