

Translation

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The evolution of inflation rate in August 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 3.7 percent in August 2013, decreasing by 0.6 percentage points versus the previous month, being close to the lower limit of the range of variation of the inflation target of 5.0 percent.

The inflationary risks balance continues to be influenced both by internal and external factors, with the prevalence of disinflationary factors. Disinflationary pressures arise from the reduction in international prices for food and the significant mitigation in the economic activity of major trading partners of the Republic of Moldova. The increase in international oil prices amid intensifying tensions in the Middle East and the gradual recovery of the economy in the European Union could offset, to some extent, the inflation deceleration.

Inflation development in July and August shows a risk of recording a negative deviation from the inflation forecast published in the Inflation Report of August 2013 due to sharper reductions in food prices than anticipated and a delayed impact of national currency depreciation on the CPI. Thus, in the coming months there is a risk of temporary lowering of annual inflation rate below the range of 5.0 percent ± 1.5 percentage points.

The annual inflation rate in August 2013 recorded the level of 3.7 percent, decreasing by 0.6 percentage points compared to the previous month, due to lower contribution of food prices.

The monthly inflation rate decreased by 0.2 percent, mostly due to the negative seasonal effect characteristic for that period for food products and due to higher yields of fruits and vegetables this year. This development was caused by the reduction in food prices by 1.1 percent. Prices of non-foodstuff and services recorded increases of 0.3 percent.

The annual core inflation¹ recorded a level of 4.3 percent in August 2013, decreasing by 0.1 percentage points as compared to the previous month despite the recent depreciation of the national currency against the U.S. dollar and against euro, signaling the absence of inflationary pressures from aggregate demand.

¹ The core inflation is calculated by the NBS by excluding the prices that are outside the influence area of monetary policy measures promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices. From January 2012, the published data are calculated by the NBS according to the changes made to the Annex no.2 of the "Methodology for the calculation of core inflation index", approved by joint order N8-07-01203/6 of January 19, 2012 of National Bank of Moldova and the National Bureau of Statistics (the change regards the inclusion of prices for remote communication services and medicines into regulated prices).

In August 2013, the monthly core inflation rate was 0.2 percent, remaining at the previous month level. This development was driven, mainly, by higher prices of training and education, cigarettes, knitwear, construction materials and clothing. Excluding seasonal factors, the core inflation in the analyzed month grew by 0.3 percent compared to July 2013.

Foodstuff prices decreased by 1.1 percent during the analyzed period compared to the previous month. This decrease was mainly determined by lower prices of potatoes by 14.4 percent, fresh vegetables by 11.9 percent, and fresh fruits by 4.0 percent, partly offset by higher prices of milk and milk products by 1.5 percent, eggs by 0.9 percent, fats by 0.8 percent, meat and meat products by 0.5 percent and alcoholic beverages by 0.3 percent.

The annual growth rate of food prices was 4.2 percent, by 1.7 percentage points lower than the previous month.

Reduction of vegetables and fruits prices was mainly due to favorable weather conditions, which contributed to the increase in market supply. After excluding seasonal factors, food prices have declined by 0.4 percent.

In August 2013, fuel prices increased by 0.4 percent compared to the previous month as a result of the increasing price of firewood by 1.6 percent. Prices for fuel and bottled gas remained at the previous month level, while the earth coal prices decreased by 1.6 percent. The growth annual rate in fuel prices was 5.9 percent, by 0.4 percentage points lower than the previous month.

In August 2013, regulated prices recorded an increase of 0.3 percent as compared to the previous month, as a result of increased prices remote communication services by 0.6 percent after the increase in internet, water and sewerage tariffs (Ungheni) by 1.8 percent, payment for housing by 0.5 percent and medicines prices by 0.3 percent. The annual growth rate of regulated prices was 2.0 percent, increasing by 0.2 percent compared to the previous month.

The National Bank of Moldova reiterates that it will continue to monitor vigilantly the developments in domestic and international economic environment, so that by an appropriate adjustment of monetary policy instruments to ensure the objective referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.