Published on (https://www.bnm.md)

14.02.2014

The evolution of inflation rate in January 2014

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 5.1 percent in January 2014, decreasing by 0.1 percentage points versus the previous month, and remaining close to the inflation target of 5.0 percent.

The balance of risks to inflation in the medium term continues to be influenced by a complex number of inflationary and disinflationary factors. Disinflationary pressures are determined, in particular, by the aggregate demand reduction and by the depreciation of main trade partners' national currencies. The recovery of the European economies and an eventual increase in food prices on international markets could offset the disinflationary process.

The annual rate of inflation in January was 5.1 percent, by 0.1 percentage points less than in the previous month, mainly due to lower contribution from regulated prices (down to 0.7 percentage points), while the contribution from food prices remained high (2.7 percentage points). The contribution from core inflation increased slightly (up to 1.6 percentage points), while that from fuel prices remained insignificant (0.2 percentage points).

The monthly inflation rate recorded an increase of 0.8 percent, determined by the increase in food prices by 1.4 percent, non-food prices by 0.4 percent and tariffs for public services by 0.3 percent.

The annual core inflation recorded a level of 4.8 percent in January 2014, remaining at the previous month's level and signaling for the lack of significant inflationary pressures from aggregate demand amid the depreciation of the national currency against the currencies of the trading partners.

In January 2014, the monthly core inflation rate was 0.6 percent, by 0.3 percentage points more than in the previous month. The most significant price increases related to core inflation were recorded by cigarettes, auto parts and bikes, public alimentation, rent of apartments, furniture and detergents. Excluding seasonal factors, core inflation increased by 0.5 percent during the reporting period compared to December 2013.

During the reporting period, food prices increased by 1.4 percent compared to the previous month. This increase was due to higher prices for fresh vegetables by 10.0 percent, potatoes by 6.5 percent, fresh fruits by 2.1 percent, milk and dairy products by 1.6 percent, and non-alcoholic beverages by 0.6 percent, being partially mitigated by lower sugar prices by 1.8 percent and eggs by 1.1 percent.

The annual growth rate of food prices was 7.3 percent, by 0.3 percentage points less compared to the previous month.

The price increases of the above-mentioned products were influenced by a smaller than expected vegetable harvest in 2013, by the evolution of the national currency and by rising international prices for dairy products. After excluding seasonal factors, food prices recorded an increase of 0.4 percent.

In January 2014, fuel prices increased by 0.1 percent compared to the previous month. Thus, the prices of

bottled gas increased by 0.2 percent, while those of earth coal and liquid fuel rose by 0.1 percent each. In January 2014, the increase operated in the last days of the month in the fuel component was only partially reflected, which was explained by the operators as being determined by the increase in excise duty and the depreciation of the national currency against the U.S. dollar.

The annual growth rate in fuel prices was 3.1 percent, by 0.3 percentage points less than in the previous month.

In January 2014, prices of regulated services increased by 0.2 percent as compared to the previous month, mainly as a result of increases in medicines prices by 0.7 percent and in the price of rent for student dormitories by 2.9 percent. The annual growth rate of regulated prices was 2.8 percent, by 0.2 percentage points lower than the value recorded at the end of 2013.

The National Bank of Moldova will continue to monitor the developments in the domestic and international economic environment, including developments in consumption, remittances and changing foreign trade conditions, so that by the flexibility of the specific inflation targeting strategy operational framework to ensure price stability in the medium term.

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