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The evolution of inflation rate in July 2014

According to the data published by the National Bureau of Statistics (NBS), in July 2014, the consumer prices index (CPI) for the last 12 months constituted 5.3 percent, increasing by 0.3 percentage points versus the previous month, being maintained within the range of variation of ± 1.5 percentage points from 5.0 percent inflation target.

The balance of risks to inflation in the medium term continues to be influenced by a complex number of internal and external factors with the predominance of disinflationary factors. Disinflationary pressures are determined in particular by the stagnation of domestic aggregate demand and the depreciation of currencies of main trade partners. The intensification of geopolitical tension in the region could induce inflationary pressures.

The annual rate of inflation in July was 5.3 percent, by 0.3 percentage points higher than the previous month and by 1.0 percentage points higher than in July 2013. This evolution was mainly due to the higher contribution from food prices of 2.7 percentage points. The core inflation, the regulated prices and fuels contributed to annual inflation by 1.7, 0.7 and, respectively, 0.2 percentage points.

The monthly inflation rate recorded a decrease of 0.7 percent, mainly determined by the decrease in food prices by 2.1 percent. At the same time, the tariffs for public services increased by 0.2 percent and the non-food prices remained at the previous month level.

The annual core inflation recorded a level of 5.4 percent in July 2014, decreasing by 0.1 percentage points compared to the previous month.

In July 2014, the monthly core inflation rate was null. The most significant price increases related to core inflation were recorded by cigarettes, catering, cultural and entertainment services, household, sanitary ware, hygiene and cosmetics.

Food prices in the reporting month decreased by 2.1 percent compared to the previous month level. Thus, there were decreases in the prices of potatoes by 27.3 percent, fresh vegetables by 21.5 percent, fresh fruits by 2.5 percent and milk and dairy products by 0.1 percent. In July 2014, there were increases in prices of eggs by 6.0 percent, sugar by 1.2 percent, rice by 0.6 percent, oil by 0.5 percent non-alcoholic drinks by 0.4 percent and alcoholic drinks by 0.3 percent.

Excluding seasonal factors, food prices decreased by 0.4 percent compared to June. This dynamics was determined by the rich supply of certain seasonal products (vegetables and potatoes). The dynamics of the national currency against foreign currencies in recent months continued to exert pro-inflationary pressures relating to food products.

The annual growth rate of food prices was 7.1 percent, by 0.7 percentage points higher compared to June and by 1.3 percentage points higher than in July 2013.

In July 2014, fuel prices remained to the previous month level. Thus, the prices of firewood and liquid fuel remained unchanged. The prices of earth coal recorded an increase of 0.9 percent, which was mitigated by the decrease in prices of bottled gas and fuel (by 0.8 and 0.1 percent, respectively).

The annual growth rate in fuel prices was 3.6 percent, by 0.3 percentage points higher to the value recorded in June and by 2.7 percentage points lower than in July 2013.

In the analyzed period, the prices for regulated services increased by 0.2 percent compared to June, mainly as a result of the increase in the medicines prices by 0.7 percent and health services by 0.5 percent. The increase in prices of international rail transport and the decrease in tariffs of international air transport have recorded less important contributions in the monthly evolution of regulated prices.

The annual growth rate in prices of products and regulated services was 2.8 percent, by 0.1 percentage points higher to the previous month level and by 0.9 percentage points higher than in July 2013.

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

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