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The evolution of inflation rate in May 2014

According to the data published by the National Bureau of Statistics (NBS), in May 2014, the consumer prices index (CPI) for the last 12 months constituted 4.7 percent, decreasing by 1.1 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 of internal and external factors, with the prevalence of disinflationary factors. Disinflationary pressures are determined in particular by the depreciation of currencies of main trade partners and the slow decline of domestic aggregate demand. The inflationary pressures could be determined by the intensification of geopolitical tension in the region and a possible increase in food prices in international markets.

The annual rate of inflation in May was 4.7 percent, by 1.1 percentage points lower than the previous month and by 1.1 percentage points lower than in May 2013. This evolution was driven by the base effect and the diminution of contribution from food prices by 1.1 percentage points. The contributions of the regulated prices and fuel were respectively 0.6 and 0.2 percentage points, being similar to those recorded in April.

The monthly inflation rate recorded an increase of 0.1 percent, determined by the increase in non-food prices by 0.3 percent and tariffs for public services by 0.1 percent. Food prices had a null contribution to monthly inflation.

The annual core inflation recorded a level of 5.3 percent in May 2014, by 0.2 percentage points less compared to the previous month.

In May 2014, the monthly core inflation rate was 0.3 percent, by 0.3 percentage points lower than in April. The most significant price increases related to core inflation were recorded by transport, auto parts, building materials, cigarettes, clothing, footwear, knitwear and catering.

Food prices in the reporting month remained similar to those of previous month. Thus, there were increases in the prices of potatoes by 28.0 percent, sugar by 5.2 percent, fresh fruits by 5.1 percent, rice by 0.6 percent, non-alcoholic drinks by 0.5 percent and alcoholic drinks by 0.4 percent. In May 2014, there were decreases in prices of eggs by 18.2 percent, vegetables by 5.0 percent, milk and dairy products by 1.4 percent, fish and canned fish by 0.6 percent.

Excluding seasonal factors, food prices increased by 0.5 percent compared to April. The increase of the prices for products above mentioned was mainly influenced by the emergence of strong character seasonal products (potatoes, vegetables and fruits) and by the dynamics of the national currency against foreign currencies in recent months.

The annual growth rate of food prices was 5.7 percent, by 3.0 percentage points lower compared to April and by 4.3 percentage points less than in May 2013.

It should be mentioned that the vegetative process of plants was earlier by 1-2 weeks because of high thermal regime, thus contributing to faster development (in calendar terms) of certain categories of vegetables and fruits. Therefore, the appearance of some products on market and, respectively, the decrease in prices began earlier compared to previous year. At the same time, the displacement in April of seasonal effect characteristic to Easter has contributed to the emergence of the gap between the monthly rate of food prices recorded in May 2014 and May 2013.

In May 2014, fuel prices recorded a decrease of 0.3 percent compared to the previous month. Thus, the prices of firewood and earth coal have decreased by 0.5 and 0.3 percent, respectively. At the same time, the prices of fuel, bottled gas and liquid fuel have remained at the previous month level. The prices of firewood and earth coal decreased following the end of the heating season, which reduced the demand for these products.

The annual growth rate in fuel prices was 2.9 percent, by 0.2 percentage points lower than in April and by 1.2 percentage points less than in May 2013.

In the reporting period, the prices for regulated services increased by 0.2 percent compared to April, mainly as a result of the increase of the medicines prices by 0.7 percent and of distance communication services by 0.4 percent. Positive contributions in the monthly evolution of regulated prices, but less significant, were determined by the growth of prices of international air and rail transport services.

The annual growth rate in prices of regulated products and services was 2.6 percent, by 0.1 percentage points higher to the previous month level and by 0.4 percentage points more than in May 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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