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The evolution of inflation rate in May 2015

According to the data published by the National Bureau of Statistics (NBS), in May 2015, the consumer prices index (CPI) for the last 12 months constituted 8.1 percent, increasing by 0.5 percentage points compared to the previous month and continued to exceed the upper limit of the range of variation of ± 1.5 percentage points from the 5.0 percent target..

The balance of risks to inflation in the medium term is affected by a complex number of internal and external factors, with prevalence of the pro-inflationary risks. The weak economic activity in the euro area countries and the recession in the Russian Federation – the major trading partners of the Republic of Moldova, maintain the risks of lower household and domestic exporters' income on short-term through the external trade channel and remittances. This may influence the dynamics of the national currency exchange rate against the foreign currencies and, subsequently, the inflation dynamics. The intensification of geopolitical tension in the region may generate additional inflationary pressures.

The depreciation of the national currency from the beginning of this year accentuates the inflationary pressures, which in the next periods, will determine CPI to leave temporarily the upper limit of the range of variation of ± 1.5 percentage points from the 5.0 percent target, through the prices of imported goods and tariffs for regulated services, and subsequently through the second-round effects.

The annual rate of inflation in May was 8.1 percent, increasing by 0.5 percentage points compared to the previous month and by 3.4 percentage points higher than in May 2014. Similar to the previous periods, this dynamics was mainly due to the contribution from core inflation and food prices of 3.7 and 3.1 percentage points, respectively. The regulated prices and those of fuels have had a lower impact than those two subcomponents, contributing to annual inflation by 0.9 and 0.4 percentage points, respectively.

The monthly inflation rate recorded the level of 0.5 percent, being determined by the increase in food prices by 1.1 percent, non-food prices by 0.3 percent and tariffs for public services by 0.1 percent.

The annual core inflation recorded the level of 10.9 percent in May 2015, increasing by 0.1 percentage points compared to the previous month..

In May 2015, the monthly core inflation rate was 0.4 percent. The most significant price increases related to core inflation were recorded by clothing, footwear, sanitary and hygiene articles, catering. At the same time, data in recent months show a trend of relative stabilization of core inflation..

Food prices in the reporting month increased by 1.1 percent compared to the previous month, due to the increase in the prices of potatoes by 30.6 percent, fresh fruits by 10.7 percent, fresh vegetables by 3.3 percent, non-alcoholic drinks by 1.6 percent and sugar by 0.7 percent. There were recorded decreases in prices of eggs by minus 20.0 percent and milk and dairy products by minus 1.7 percent..

Excluding seasonal factors, food prices increased by 0.7 percent compared to April. The increase in prices of these products was mainly influenced by the emergence of strong character seasonal products (fresh

vegetables and fruits) and by the dynamics of the national currency exchange rate against the U.S. dollar during the last months.

The annual growth rate of food prices was 9.0 percent, by 1.2 percentage points higher compared to April 2015 and by 3.3 percentage points more than in May 2014.

In May 2015, fuel prices decreased by 0.2 percent compared to April, maintaining the downward trend of the previous months. This dynamics was due to the decrease in firewood by 0.5 percent and earth coal by 0.1 percent. At the same time, the prices of bottled gas, fuels and liquid fuel remained at the previous month level.

The annual growth rate of fuel prices was 5.3 percent, maintaining the level recorded in March and April 2015 and by 2.4 percentage points higher than in May 2014.

In the analyzed period, the prices for regulated services increased by 0.2 percent compared to April 2015, due to the increase in prices of medicines (0.8 percent). At the same time, the tariffs for the suburban passenger rail transport increased on average by 2.0 percent, due to the changes in tariffs for rail transport since April 2015. Contributions to the monthly dynamics of prices for regulated prices were also determined by the positive dynamics of prices for state administration services (6.7 percent) and the negative evolution of prices for air transport services (minus 0.4 percent).

The annual growth rate in prices of products and regulated services was 3.7 percent, by 0.1 percentage points lower than the previous month and by 1.1 percentage points higher than the value recorded in May 2014.

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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