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The evolution of inflation rate in November 2014

According to the data published by the National Bureau of Statistics (NBS), in November 2014, the consumer prices index (CPI) for the last 12 months constituted 4.8 percent, being maintained at the previous month level within the range of variation of ± 1.5 percentage points from 5.0 percent inflation target.

The inflation development in October and November shows premises to exceed in the fourth quarter of 2014 the level projected in the Inflation Report of November 2014, as a result of higher than expected increase in food prices and core inflation due to the depreciation of the national currency against the U.S. dollar.

The balance of risks to inflation in the medium term continues to be influenced by complex internal and external factors. The more pronounced risk of a recession in euro area economies and the Russian Federation – the major trading partners of the Republic of Moldova, leads to risks of lower households and domestic exporters' income through the external trade channel and remittances. This fact may further influence the dynamics of the national currency exchange rate and, subsequently, the inflation dynamics. In October 2014, the annual rate of money transfers from abroad made by individuals through the banks of the Republic of Moldova decreased by 9.0 percent compared to the previous year and the exports of goods in January – September 2014 recorded a negative annual rate of (minus) 0.2 percent. The intensification of geopolitical tension in the region may generate additional inflationary pressures.

In the context of national currency depreciation, more significant than the values used in setting the tariffs for regulated services, there is a high risk that these will be revised upwardly in 2015.

The annual rate of inflation in November was 4.8 percent, being maintained at the previous month level and by 0.1 percentage points lower than in November 2013. This evolution was mainly due to the contribution of food prices and core inflation by 2.1 and 1.9 percentage points, respectively. The regulated prices and fuels contributed to annual inflation by 0.4 percentage points.

The monthly inflation rate recorded an increase of 0.8 percent, mainly determined by the increase in food prices by 1.5 percent and non-food prices by 0.5 percent. At the same time, the tariffs for public services registered a modest dynamics, increasing by 0.1 percent.

The annual core inflation recorded a level of 5.9 percent in November 2014, increasing by 0.1 percentage points compared to the previous month.

In November 2014, the monthly core inflation rate was 0.7 percent. The most significant price increases related to core inflation were recorded by cigarettes, footwear, detergents, education and clothing.

Food prices in the reporting month increased 1.5 percent compared to the previous month level. Thus, there were increases in the prices of fresh vegetables by 10.8 percent, eggs by 9.5 percent, rice by 1.7 percent, milk and dairy products by 1.3 percent, milling products by 1.0 percent and fresh fruits by 0.9 percent. In November 2014, there were decreases in the prices of sugar by 5.1 percent, potatoes by 0.7 percent and fish and canned fish by 0.6 percent.

Excluding seasonal factors, food prices increased by 0.8 percent compared to October. This dynamics was mainly determined by the depreciation of the national currency against the U.S. dollar during the last months.

The annual growth rate of food prices was 5.5 percent, by 0.7 percentage points higher compared to October 2014 and by 1.3 percentage points lower than in November 2013.

In November 2014, fuel prices decreased by 0.4 percent compared to the previous month. This dynamic was mainly due to the decrease in fuel prices by 1.6 percent as a result of falling prices for gasoline and diesel in the second half of November, following the decrease in oil prices on the international market. At the same time, this dynamics was also determined by the decrease in bottled gas price by 0.2 percent. The earth coal prices have also increased by 1.5 percent in the context of tense situation in the region and the import diminution from Ukraine. The prices of firewood and oil fuel remained at the previous month level.

The annual growth rate in fuel prices was 6.8 percent, by 1.1 percentage points lower than the value recorded in October and by 3.5 percentage points higher than in November 2013.

In the analyzed period, the prices for regulated services increased by 0.1 percent compared to October, as a result of the increase in medicines prices by 0.3 percent. The increase in prices of international rail and air transport has recorded less important contributions in the monthly evolution of regulated prices.

The annual growth rate in prices of products and regulated services was 1.5 percent, by 0.9 percentage points lower to the previous month level and by 1.5 percentage points than in November 2013.

The National Bank of Moldova will continue to monitor the developments in domestic and international economic environment, including the dynamics of consumption, remittances, foreign exchange market indicators 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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