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Inflation Report no. 4, 2021

Inflation Report no.4, November 2021 [1]

The National Bank of Moldova (NBM) has published the latest Inflation Report [2] of this year. According to it, the average quarterly annual inflation rate increased to 4.9 percent and at the end of last quarter annual inflation was 6.7 percent.

This increase was determined by internal and external factors. On the one hand, there has been an increase in demand due to the increase in the population's income and on the other hand, the prices on the local market have been influenced by the increase in the price of food, oil and other raw materials on the international market. The adjustment of tariffs related to regulated prices also had an impact.

If at the beginning of the year the global increase in proinflationary pressures was seen as a temporary effect, currently most monetary authorities, as well as the IMF, have warned of their intensification and the need for measures to counteract the negative effects.

Thus, the current inflation forecast, compared to the previous inflation report, has been revised upwardly by the NBM. The inflation forecast scenario was developed under conditions of increased uncertainty, caused in particular by the lack of clear information on the increase in natural gas tariffs for household consumers and economic agents. In this context, the magnitude of the shock to regulated prices depends also directly on the Government's compensatory measures.

The risks and uncertainties will persist in the next period. These are related to the increase in international prices for energy and food resources, the decrease in production activity, and at the local level a number of factors, such as climatic conditions, the evolution of the pandemic situation and the magnitude of the adjustment of final tariffs.

The annual inflation rate and core inflation will increase rapidly until the first half of next year, then decline rapidly towards the end of the forecast period - third quarter 2022. This trajectory will be largely supported by a positive fiscal momentum in the current year, the revival of external demand and the economic recovery in the current year.

The National Bank of Moldova will continue to monitor carefully the evolution of the Consumer Price Index, the internal and external macroeconomic situation, and at the right time will come with the necessary measures to create monetary conditions to achieve its fundamental objective.

See also

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