

Translation

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The evolution of inflation rate in March 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 4.2 percent in March 2013, decreasing by 0.2 percentage points versus the previous month, being close to the lower limit of the range of variation of the inflation target of 5.0 percent.

The inflationary risks balance continues to be influenced both by internal and external factors, with a pronunciation of inflationary factors. Disinflationary pressures will arise from the reduction in domestic and external demand, international prices for oil and food, as well as domestic food price developments. Pro-inflationary risks are generated by adjusting the fiscal policy for 2013.

However, we reiterate that the risks are unbalanced and the disinflationary factors will prevail in the coming quarters.

Inflation in the first quarter of 2013 has confirmed the main assumptions used in the last round of the forecast published in the Inflation Report in February 2013, but it was by 0.2 percentage points below the projection.

The annual inflation rate in March 2013 recorded the level of 4.2 percent, decreasing by 0.2 percentage points, due to the decreasing pressures from fuel prices.

The monthly inflation rate recorded a slight increase of 0.1 percent and shows a lack of pressures from the aggregate demand. This development was due to the higher prices for non-foodstuff products by 0.3 percent and tariffs for services rendered to population by 0.1 percent, partially offset by lower prices for foodstuff products by 0.1 percent¹. The annual inflation rate was mostly driven by rising prices of food and fuel in 2012. Price development in the reporting period was influenced by the cumulative depreciation in the last four months of nominal effective exchange rate of MDL as compared with November of the previous year by about 1.1 percent.

The annual core inflation² recorded a level of 4.0 percent in March 2013, increasing by 0.1 percentage points as compared to the previous month.

¹ According to the Methodology for the calculation of CPI, the weighting coefficients are changed annually, based on the structure of financial expenditure of the population, as in accordance with the study made on household budgets last year. The transition to new weighting coefficients was conducted in March, respectively, the CPI data for January-February 2013 has been recalculated.

² The core inflation is calculated by the NBS by excluding the prices that are outside the influence area of monetary policy measures promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices.

From January 2012, the published data are calculated by the NBS according to the changes made to the Annex no.2 of the "Methodology for the calculation of core inflation index", approved by joint order N8-07-01203/6 of January 19, 2012 of National Bank of Moldova and the National Bureau of Statistics (the change regards the inclusion of prices for remote communication services and medicines into regulated prices).

In March 2013, the monthly core inflation was 0.3 percent, by 0.1 percentage points higher than the previous month. This development was driven mainly by higher prices for education and training, cigarettes, clothing, detergents and building materials. Similar to the previous period, the seasonal factor had an insignificant evolution in the core inflation.

Foodstuff prices decreased by 0.1 percent during the analyzed period compared to the previous month. This decrease was mainly determined by lower prices of eggs (by 13.6 percent), meat and meat products (by 0.5 percent), fish and canned fish (by 0.4 percent), fresh fruits (by 0.3 percent) and milk and dairy products (by 0.2 percent). This decrease has been partly offset by the increase in prices of potatoes (by 2.6 percent), alcoholic beverages (by 0.8 percent), sugar, fresh vegetables and milling and bakery products (each by 0.7 percent).

The increase in prices of the aforementioned products occurred as a result of the propagation of side effects caused by drought in the summer of 2012. The modest dynamics of food price is determined by disinflationary pressures from aggregate demand and by the downward trend of food prices worldwide. Excluding seasonal factor, the prices for foodstuff products recorded an increase of 0.1 percent.

In March 2013, the fuel prices increased by 0.2 percent as compared to the previous month. This increase occurred especially as a result of higher fuel pump price by 0.7 percent. At the same time, prices for firewood and bottled gas remained at the previous month level, while the prices of earth coal decreased by 0.3 percent.

In March 2013, regulated prices recorded an increase of 0.1 percent as compared to the previous month as a result of higher prices of medicines and higher tariffs for health services by 0.3 percent. The decrease in tariffs of railway and air transport by 0.3 and 0.2 percent had a negative contribution, although insignificant, to the monthly development of regulated prices. The annual rate of regulated prices constituted 2.8 percent, remaining at the previous month level.

The National Bank of Moldova reiterates that it will continue to monitor vigilantly the developments in domestic and international economic environment, so that by an appropriate adjustment of monetary policy instruments to ensure the objective referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.