

The evolution of inflation rate in June 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 5.5 percent in June 2013, decreasing by 0.2 percentage points versus the previous month, remaining close to the inflation target of 5.0 percent.

The inflationary risks balance continues to be influenced both by internal and external factors, with a pronouncement of disinflationary factors. Disinflationary pressures are determined by the weak global economic activity, mitigated increases in international oil prices, and by the reduction in international food prices due to favorable meteorological conditions for harvest in 2013.

The annual inflation rate in the second quarter of 2013 was slightly more than expected, mainly due to changes made by the National Bureau of Statistics in the procedure of reflecting the price growth of the products with strong seasonality. Internal and external macroeconomic conditions show no significant changes compared with those presented in the Inflation Report no.2, published in May 2013. The assumptions used in developing the latest inflation forecasts remain valid. Inflation will slow in the second half of 2013 and will fluctuate over the next eight quarters in the lower range of the variation of ± 1.5 percentage points from 5.0 percent target.

The annual inflation rate in June 2013 recorded the level of 5.5 percent, decreasing by 0.2 percentage points compared to the previous month due to lower food prices.

The monthly inflation rate has decreased by 0.5 percent, which is determined by the reduction in food prices by 1.5 percent. Non-foodstuff prices and tariffs for public services recorded an insignificant growth by 0.1 percent each. The recent depreciation of the national currency has mitigated the negative contribution from food products and favored higher prices of components included in core inflation.

The annual core inflation¹ recorded a level of 4.4 percent in June 2013, increasing by 0.2 percentage points as compared to the previous month.

¹ 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 June 2013, the monthly core inflation rate was 0.2 percent, by 0.3 percentage points less than the previous month. This development was driven, mainly, by higher prices of cigarettes, construction materials, detergents and clothing. Excluding seasonal factors, the core inflation in the analyzed month grew by 0.4 percent compared to May 2013.

Foodstuff prices decreased by 1.5 percent during the analyzed period compared to the previous month. This decrease was mainly determined by lower prices of fresh vegetables by 14.7 percent, potatoes by 10.2 percent, milk and dairy products by 1.1 percent and meat and meat products by 0.2 percent, partly offset by higher prices of fresh fruits by 1.5 percent, sugar by 0.7 percent and fish and canned fish by 0.5 percent. The annual rate of increase in food prices was 9.2 percent, by 0.8 percentage points lower than the previous month.

The attenuation of vegetable prices was mainly due to favorable weather conditions, which contributed to the increase of market supply. At the same time, the sudden reduction in vegetables prices confirms the emergence of strong disinflationary pressures in the summer months of 2013. After excluding the seasonal factors, food prices decreased by 0.4 percent.

In June 2013, fuel prices have decreased by 0.4 percent compared to the previous month. Prices for fuel and firewood recorded null increases, while the prices for bottled gas and earth coal decreased by 1.8 and 0.3 percent, respectively. The annual rate of increase in fuel prices was 6.4 percent, by 2.3 percentage points higher than the value recorded in the previous month, due to the base effect.

In June 2013, regulated prices recorded an increase of 0.1 percent as compared to the previous month, as a result of increased water and sewerage tariffs by 0.5 percent, transport services by 0.2 percent and medicines by 0.1 percent. The annual growth rate of regulated prices was 1.8 percent, decreasing by 0.4 percentage points compared with the previous month.

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.