

Inflation rate in December 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 5.2 percent in December 2013, increasing by 0.3 percentage points versus the previous month, and remaining close to the inflation target of 5.0 percent.

Inflation development in the fourth quarter of 2013 exceeded by 0.5 percentage points the value projected in the Inflation Report published in November 2013, mainly due to the pronounced increase of food prices.

The balance of risks to inflation in the medium term continues to be influenced by a complex number of external and internal factors. Disinflationary pressures are determined in particular by the stagnation of aggregate demand and the depreciation of currencies of main trade partners. The factors that could offset the disinflationary process are: accelerating economic growth in the European Union, international commodity price increases, sharp rise in food prices and the significant GDP growth in the first three quarters of 2013.

The annual rate of inflation in December was 5.2 percent, by 0.3 percentage points higher than in the previous month, mainly due to higher contribution from food prices (2.8 percentage points), while the contribution of core inflation, regulated prices and fuel prices remained at the previous month's level.

The monthly inflation rate recorded an increase of 0.8 percent, determined by the seasonal effect and by the significant increase in food prices. This dynamics was influenced by the increase in food prices by 1.8 percent, non-food prices by 0.3 percent and tariffs for public services by 0.1 percent.

The annual core inflation¹ recorded a level of 4.8 percent in December 2013, increasing only by 0.1 percentage points compared to the previous month, signaling for the lack of significant inflationary pressures from the aggregate demand.

In December 2013, the monthly core inflation rate was 0.3 percent, by 0.2 percentage points less than in the previous month. Personal accessories, clothing, knitwear, public alimentation and construction materials recorded the most significant price increases related to core inflation. The

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).



seasonal factor in the analysis can be neglected, since after its exclusion, the core inflation remains at the same level of 0.3 percent.

Foodstuff prices increased by 1.8 percent during the analyzed period compared to the previous month. This increase was mainly determined by higher prices of potatoes by 17.7 percent, fresh vegetables by 9.5 percent, milk and dairy products by 1.9 percent, fish and canned fish by 0.9 percent, meat and meat products, and eggs by 0.7 percent each, being partially offset by the reduction in prices of sugar by 0.8 percent and fresh fruits by 0.2 percent.

The annual growth rate of food prices was 7.6 percent, by 0.8 percentage points more compared to the previous month.

In December 2013, fuel prices have remained at the previous month's level. Thus, the prices of earth coal, firewood and bottled gas did not record any increases. At the same time, liquid fuel prices decreased by 0.1 percent.

The annual growth rate in fuel prices was 3.4 percent, by 0.1 percentage points more than in November 2013.

In December 2013, regulated prices recorded an increase of 0.2 percent as compared to the previous month, as a result of higher tariffs for transport services (following the increase in tariffs of interurban transportation services by 1.8 percent and those of international railway by 4.4 percent), and higher medicines prices by 0.4 percent. The annual growth rate of regulated prices was 3.0 percent, remaining at the previous month's level.

The National Bank of Moldova will continue to monitor the developments in domestic and international economic environment, including changing foreign trade conditions, so that by the flexibility of the specific inflation targeting strategy operational framework to ensure price stability in the medium term.