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# The evolution of inflation rate in July 2015

**According to the data published by the National Bureau of Statistics (NBS), consumer prices index (CPI) for the last 12 months constituted 8.6 percent in July 2015, increasing by 0.3 percentage points versus the previous month, being maintained within the range of variation of ± 1.5 percentage points from 5.0 percent inflation target.**

**The balance of risks to inflation in the medium term is influenced by a complex number of external and internal factors, with a prevalence of inflationary risks. Weak economic activity in the euro area countries and the recession of the Russian Federation - the main trading partners of the Republic of Moldova maintain the risk of lowering of foreign currency income of households and domestic exporters in short-term, through remittances and foreign trade channel. This may subsequently influence inflation and the escalation of geopolitical tensions in the region may cause additional inflationary pressures.**

**The situation in the domestic banking system, stimulative fiscal policy, with the prevalence of social element in the structure of public expenditures contribute to the relatively high level of consumption, which influences the dynamics of consumer prices as from the end of the previous year. Additional adjustments of tariffs of regulated services, higher excise duties on some categories of goods, and then, second-round effects of these increases, together with unfavourable agro-meteorological situation this year, which will affect domestic agricultural production will generate additional inflationary pressures on prices that will accelerate the inflation in the coming quarters. The annual growth rate of prices will continue to upward trend, including due to a low base of comparison in the previous year.**

In July, the annual inflation rate was 8.6 percent, increasing by 0.3 percentage points compared to the previous month, by 3.3 percentage points higher than in July 2014. Similarly to previous periods, the dynamics of annual core inflation and food prices exerted the greatest impact on the annual inflation rate, but the contribution of core inflation increased to 4.0 percentage points, while that of food prices declined up to 3.0 percentage points. Significant positive contributions of core inflation and food prices are the result of national currency depreciation and fiscal policy measures in recent years. Regulated prices and fuel prices recorded less significant positive contributions to the annual inflation in the reporting period, representing 1.0 and 0.5 percentage points respectively.

In 2015, the excise duty of the following categories of goods has been increased: means of transport, fuel, alcohol, tobacco items, etc., which contributes to increasing costs of economic agents and have a direct influence on price formation of the products listed. In the first 6 months of the year, the share of expenses for compensation of employees and social benefits of the general government in total expenditure increased by approximately 8.4 percentage points compared to the previous year and amounted to 59.5 percent of the total, registering a nominal increase of 15.5 percent compared to the same period of 2014.

The monthly inflation rate decreased by 0.5 percent, being determined by the decrease of food prices by 2.5 percent, mitigated by the rise in prices of non-food products by 0.7 percent and tariffs for public services by 0.5 percent.

The annual rate of core inflation[1] registered in July 2015 the value of 11.8 percent, up by 0.7 percentage points from the previous month.

In July 2015, the annual rate of core inflation was 0.6 percent. The most significant positive contribution was generated by the change in prices for components "cigarettes"[2] (7.1 percent), and "articles of sanitation and hygiene"[3] (0.9 percent), "clothing" and "footwear" (by 0.3 percent each).

Food prices decreased by 2.5 percent in the reporting month compared to June, due to lower prices of "vegetables" by 25.2 percent, "potatoes" by 18.7 percent, "fresh fruits" by 4.4 percent, "sugar" by 2.3 percent. The effect of these reductions were partially mitigated by higher prices of "eggs" (14.5 percent), "fish and canned fish" and "milling and bakery products" (by 0.3 percent each).

Excluding seasonal factors, which was negative, food prices have remained at the June level. Anticipated seasonal decline in fruit and vegetable prices was mitigated to some extent by the dry weather conditions in May-July. However, the depreciation of the national currency against the US dollar 2.9 percent in July compared to June generated additional pressure on price growth.

The annual growth rate of food prices was 8.7 percent, by 0.5 percentage points lower than in June 2015 and by 1.6 percentage points higher than in July 2014.

In July 2015, fuel prices increased by 1.0 percent compared to June, keeping the upward trend of the previous month. This dynamics was due to rising prices for firewood by 2.0 percent and fuel by 1.6 percent, which generated contributions of 0.9 and 0.5 percentage points to the monthly rate formation. At the same time, prices of bottled liquefied gas decreased by 4.0 percent, generating a negative contribution of 0.4 percentage points. A minor contribution to the formation of the monthly fuel prices was generated by the component " earth coal", recording a decline in price of 0.2 percent. It should be mentioned that the prices of "liquid fuel" remained at the previous month level.

The annual growth rate of fuel prices was 6.9 percent, by 1.0 percentage points higher than in June 2015 and by 3.3 percentage points higher than in July 2014.

During the reporting month, the prices of regulated services recorded a more significant dynamics, increasing by 0.6 percent versus June 2015. This development was driven primarily by the emergence of a significant contribution from prices of utilities services (0.6 percent), in particular, the increase in prices for electricity and gas supply (1.2 percent and 0.5 percent), dental services (1.4 percent), and maintaining a high contribution from medicines. Contributions less pronounced to the monthly dynamics of prices for regulated services was generated by the increase in prices for international passenger rail transport by 1.6 percent and the decrease in tariffs for passenger air transport services by 1.7 percent.

The annual rate of increase in prices of regulated goods and services was 4.3 percent, by 0.4 percentage points higher compared to the previous month and by 1.5 percentage points compared to the value recorded in July 2014.

NBM will further monitor and anticipate the domestic and international economic environment developments, including household consumption dynamics, remittances, monetary and foreign exchange indicators and changing foreign trade conditions, so that by the flexibility of operational framework specific for the inflation targeting strategy to ensure price stability in the medium term.

*[1]Core inflation is calculated by the NBS, excluding prices that are outside the influence of monetary policy promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices. Data prepared and published from January 2012 are calculated by the NBS according to the modification of Annex no.2 of "Methodology for the calculation of core inflation index", approved by joint order of the National Bank of Moldova and National Bureau of Statistics N8-07-01203/6 of 19 January 2012 (the modification refers to the inclusion of prices for remote communication services and medicines in regulated prices).*

*[2] as the effect of the increase in excise duty*

*[3] This increase in the component "articles of sanitation and hygiene" means: means for toilet (1.3 percent), sanitary items (1.1 percent), cosmetics and perfumery (0.7 percent), etc.*

**Vezi și**

**Tag-uri**
the consumer prices index [1]
CPI [2]
inflation [3]
The annual core inflation [4]

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**Sursa URL:**
https://www.bnm.md/ro/node/52256

**Legături conexe:**

[1] https://www.bnm.md/ro/search?hashtags[0]=the consumer prices index [2] https://www.bnm.md/ro/search?hashtags[0]=CPI [3] https://www.bnm.md/ro/search?hashtags[0]=inflation [4] https://www.bnm.md/ro/search?hashtags[0]=The annual core inflation