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Inflation rate in November 2015

In November 2015, the growth rate of consumer prices index (CPI) for the last 12 months constituted 13.5 percent, by 0.3 percentage points more compared to the previous month, exceeding further the upper limit of 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.

Additional adjustments of tariffs of regulated services, higher excise duties on some categories of goods, and then, second-round effects of these increases, will generate additional inflationary pressures on prices. The annual growth rate of prices will continue to upward trend, including due to unfavourable agri-meteorological conditions of this year and the low base of comparison in the previous year.

In November, the annual inflation rate was 13.5 percent, increasing by 0.3 percentage points compared to the previous month, by 8.7 percentage points higher than in November 2014. Similarly to previous periods, the dynamics of annual core inflation and food prices exerted the greatest impact on the annual inflation rate under the influence of the depreciation of the national currency in the last year. The contribution of food prices increased to 5.0 percentage points, while that of core inflation remained at the level of 4.8 percentage points. Significant positive contributions of core inflation and food prices are mainly the result of national currency depreciation and the drought recorded this year. At the same time, the contribution of regulated prices was lower compared to the previous month (3.3 percentage points), which is determined by higher tariffs of electricity and gas from the grid in July 2015. The contribution of fuel prices was 0.2 percentage points, slightly higher than in the previous month.

Monthly inflation rate increased by 1.1 percent mainly due to the increase of food prices by 2.4 percent and non-food prices by 0.8 percent. Prices of services have decreased by 0.2 percent.

The annual rate of core inflation registered in November 2015 the value of 14.1 percent, remaining at the previous month level.

In November 2015, the annual rate of core inflation was 0.7 percent. The most significant positive contribution was generated by the change in prices for components "cigarettes" (1.5 percent), "footwear" (1.4 percent), "clothing" (1.3 percent), and "household goods" (1.3 percent) [1]..

Food prices increased by 2.4 percent in the reporting month compared to October 2015, due to higher prices of "fresh vegetables" by 16.8 percent, "eggs" by 7.4 percent, "potatoes" by 2.5 percent, "fats" by 1.9 percent, "milk and dairy products" by 1.3 percent and "sugar" by 1.2 percent.

Excluding seasonal factors, food prices increased by 1.5 percent compared to the previous month. Thus, positive contributions to the formation of the monthly rate of food prices were recorded by sub-groups "fresh vegetables", "milling and bakery products", "fats" and "meet and meet products". It should be mentioned that the increase in prices of the aforementioned products was influenced mainly by the drought recorded in the summer 2015, which caused extensive damage to the agricultural production in the respective period. At the same time, the depreciation of the national currency against the USD by 5.3 percent in the last 3 months contributed to the increase of inflationary pressures on food prices.

The annual growth rate of food prices was 14.5 percent, by 1.0 percentage points more compared to October 2015 and by 9.0 percentage points higher than in November 2014.

In November 2015, fuel prices recorded an overall growth of 0.6 percent compared to the previous month. This development was mainly due to the increase of prices of "firewood" by 2.7 percent. Prices of "earth coal" have increased by 0.1 percent. During the reporting month, the "fuel" prices decreased by 1.9 percent as a result of the drop in prices of petrol and diesel fuel in October and November. It should be mentioned that the prices of "liquid fuel" and "bottled gas" remained at the previous month level.

The annual growth rate of fuel prices was 3.1 percent in November 2015, by 1.0 percentage points higher compared to October 2015 and by 3.7 percentage points lower than in November 2014.

During the reporting month, the regulated tariffs for natural gas supply and distribution services, tariffs for natural gas transport services and the tariffs approved by the decision of the Council of Administration of ANRE of 18 July 2015. In this context, the regulated prices reduced by 0.1 percent compared to October as a result of the drop in prices of gas from the grid (1.8 percent) and urban transport services (0.2 percent). Similarly to the previous periods, medicines prices have further increased gradually by 0.6 percent compared to October 2015. Insignificant contributions to the monthly dynamics of prices of regulated services was due to the dynamics of prices of waste transportation services (1.4 percent), medical laboratory services (3.5 percent), international rail transport services (minus 2.2 percent), air transport services (minus 3.3 percent).

The annual growth rate of prices of regulated goods and services was 13.7 percent, by 0.2 percentage points lower compared to the previous month and by 12.2 percentage points compared to the value recorded in November 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.

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[1] The increase of component "household goods" refers to vacuum cleaners and parquet polishing machines (3.9 percent), washing machines, dishwashers (2.2 percent), refrigerators and freezers (2.0 percent), etc.

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