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Inflation rate in September 2016

In September 2016, the annual inflation rate was 3.0 percent for the last twelve months, by 0.6 percentage points lower than the previous month, leaving the lower limit of the range of ± 1.5 percentage points from the 5.0 percent target, after reaching in August the aforementioned range.

The annual inflation rate continued its downward dynamic since the beginning of this year. This development is in line with the latest forecast of the NBM on gradual decrease of the annual inflation, due to a modest domestic demand, adjustment of electricity tariffs in April, decrease in food prices and energy resources regionally and worldwide, and also due to the high base of comparison in 2015.

The external risks associated with disinflationary pressures are marked by the weak economic activity of the euro area countries and the recession faced by the Russian Federation - the main external trade partners of the Republic of Moldova. The external risks are propagated through the channel of remittances in favour of population and external trade, leading to lower foreign currency income of population and domestic exporters in the short-term. Potential risks to inflation arise from the increased volatility of the international financial foreign exchange markets, the oil prices evolution and the uncertainties regarding the international prices for raw materials and food products. The main internal risks arise from postponing the adjustment of regulated tariffs, modification of excise duties in terms of fiscal policy conduct for 2017 and of harvest in 2016, respectively. Thus, the disinflationary risks are prevailing significantly and a decrease in annual growth rate of prices is anticipated, also due to the high base of comparison in 2015.

In September 2016, the annual inflation rate was 3.0 percent, decreasing by 0.6 percentage points compared to the previous month and by 9.6 percentage points lower than in September 2015. Similar to the previous periods, the annual dynamic of core inflation (2.0 percentage points) and food prices (1.9 percentage points) exerted the highest impact on annual inflation rate under the influence of the national currency depreciation during the last year and the drought of the previous year. It should be mentioned that their contributions are lower than the previous month. At the same time, the contributions from regulated prices and oil prices were negative: minus 0.4 and minus 0.1 percentage points, respectively.

The monthly inflation rate recorded a level of 0.6 percent, due to the increase in food prices by 0.6 percent and non-food prices by 1.1 percent and the maintenance of service prices at the level of August 2016.

The annual rate of core inflation recorded in September 2016 the level of 6.7 percent, decreasing by 0.8 percentage points compared to the previous month.

In September 2016, the annual rate of core inflation was 0.4 percent. The most significant positive contributions were generated by the change in prices of subcomponents "footwear" by 2.6 percent, "cigarettes" by 1.9 percent, "clothing" by 0.7 percent, "household articles" of 0.4 percent etc. The decrease in prices of "education and training" by 1.1 percent and "means of transport, auto parts" by 0.4 percent etc. caused the slowdown in core inflation rate during the reporting period.

In September, food prices increased in the reporting month by 0.6 percent compared to the previous month, due to higher prices of "eggs" by 4.7 percent, "fresh fruits" by 1.3 percent, "meat and meat products" by 1.2 percent, "milk and dairy products" by 1.1 percent and "potatoes" by 1.1 percent. At the same time, these increases have been mitigated the decrease in prices of "fresh vegetables" by 1.8 percent and "fish and canned fish" by 0.3 percent.

Excluding seasonal factors, food prices increased by 0.2 percent compared to the previous month. Therefore, the groups "fresh fruits" and "meat and meat products" contributed positively to the monthly growth rate of food prices.

The annual growth rate of food prices was 4.6 percent, by 1.6 percentage points lower than in August 2016 and by 8.0 percentage points than in September 2015.

In September 2016, fuel prices increased by 3.9 percent compared to the previous month. The upward development was mainly influenced by the increase in prices of "fuels" by 4.1 percent. Their dynamic is the result of the increase in petrol and diesel prices carried out by the oil companies during the reporting year and is in line with the provisions of the new Methodology of forming and applying the prices for oil products set by NERA and the trajectory of oil prices on international market. According to the last legislative amendments, NERA will set only the prices of retail trade of the petrol and diesel fuels and not of those for trading the liquefied gas. Thus, "bottled gas" prices increased by 8.2 percent. At the same time, the prices of "firewood" increased by 3.0 percent, while the prices of "liquid fuel" and "earth coal" remained at the level of August 2016.

The annual growth rate of fuel prices was minus 1.8 percent in September, by 3.7 percentage points higher than in August 2016 and by 3.7 percentage points lower than in September 2015.

In the reporting month, the prices of regulated products and services maintained practically the level of August 2016. The prices for international rail transport services recorded a decrease of 0.8 percent and those for air transport services - by 1.2 percent. At the same time, dormitories rental rate increased by 1.0 percent, while the tariffs for health services - by 0.8 percent. The medicine prices decreased in 0.2 percent, in the context of introducing the legislative amendments relating to the pharmaceutical activity adopted in spring this year, made in order to decrease the medicine prices for final consumer.

The annual growth rate of prices for regulated goods and services was minus 2.0 percent, by 0.3 percentage points lower compared to the previous month and by 15.6 percentage points lower compared to August 2015.

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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