



**PRESS RELEASE  
OF THE NATIONAL BANK OF MOLDOVA**

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 3.9 percent in October 2012, decreasing by 1.0 percentage points versus the previous month, falling within the inflation target limits of 5.0 percent  $\pm 1.5$  percentage points for the ninth consecutive month.

The inflationary risks balance in the next period continues to be influenced both by internal and external factors, with a pronouncement of inflationary factors.

Thus, the inflationary risks arise from the uncertainty about a sustainable sovereign debt crises resolution in the euro area, in the context of worsening of economic growth perspectives worldwide. The oil prices on international markets remain to be volatile, determined by the tensions persistent in the Middle East. The increase of foodstuff products prices, caused by the severe draught in the main agricultural regions, will create additional inflationary pressures, although the draught effects will dissipate in the following quarters.

The slowdown in the economic activity and low domestic demand will represent the main disinflationary factors in the following quarters.

The inflation development in October 2012 comes to confirm the assumptions made in the last round of forecast and comes to support the projections published in the Inflation Report no.4, November 2012.

The annual inflation rate for October 2012 recorded the level of 3.9 percent, decreasing by 1.0 percentage points as compared to September 2012. The monthly inflation rate constituted 0.6 percent, being determined by higher prices for foodstuff products and non-foodstuff products by 0.8 percent each, as well as by higher tariffs for services rendered to population by 0.1 percent. The monthly inflation rate growth in October 2012 was enhanced by the positive seasonal effect, characteristic for that period of the year, especially for prices of vegetables and clothing. Thus, after eliminating the seasonal factor, the prices remained in general at the previous month level. This dynamics was determined by the negative contribution of foodstuff products prices, which has been mitigated by the positive contribution of core inflation, regulated prices and oil prices. Thus, foodstuff products prices, after a period of four months where they have generated significant contributions within the inflationary process, in October 2012, due to favorable weather conditions for harvesting and selling of vegetables,

had a negative contribution. The core inflation has generated a modest influence, similar to the previous months and the regulated prices had an insignificant impact on monthly inflation dynamics.

The annual core inflation<sup>1</sup> recorded a level of 3.6 percent in October 2012, remaining at the previous month level. In October 2012, the monthly rate of core inflation was 0.6 percent, by 0.2 percentage points more as compared to the previous month. This development was mainly determined by the prices increases in the following components: cigarettes, clothing, education and training, footwear, wearing apparel, building materials, detergents and catering.

Prices for cigarettes increased as a result of higher excise duty on tobacco since the beginning of the current year. At the same time, the prices for wearing apparel increase as a result of higher production costs, determined by higher prices for energy resources and raw materials on international markets. Goods and services prices, included in core inflation, have been also influenced by the seasonal effect, characteristic for this period.

In October 2012, foodstuff prices increased by 0.8 percent compared to the previous month. This dynamics was mainly due to the higher prices of fats (by 1.8 percent), fresh vegetables (by 1.4 percent), sugar (by 1.3 percent), meat, meat products and canned meat and dairy products (by 1.1 percent each), milling and bakery products (by 0.5 percent) and fresh vegetables (by 0.4 percent). The prices increase of the aforementioned products was mainly influenced by the unfavorable weather conditions recorded this summer. Higher prices for meat and meat products have been determined by higher prices for raw material, as the effect of reduced supply on the domestic market, caused by the production orientation towards external markets. After excluding the seasonal factor, the foodstuff products prices recorded a decrease of 0.6 percent.

In October 2012, the fuel prices recorded an upward trend, increasing by 1.9 percent as compared to the previous month, as a result of higher prices for bottled gas (5.1 percent), firewood (1.7 percent) and fuels (1.0 percent). The increase of earth coal prices (0.2 percent) has not influenced significantly the dynamics of fuel prices.

In October 2012, regulated prices recorded a modest evolution, increasing by 0.1 percent as compared to the previous month as a result of higher prices for medicines and dental services by 0.2 and 0.4 percent respectively. At the same time, this development has been mitigated by the decrease of tariffs for international railway services by 1.0 percent and for air transport by 0.2 percent. The annual rate of regulated prices was 3.0 percent, decreasing by 3.2 percentage points as compared to the previous month.

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<sup>1</sup> 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).



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.