



**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 8.9 percent in October 2011, increasing by 0.1 percentage points versus the previous month. The annual core inflation registered a rate of 4.5 percent, increasing by 0.1 percentage points compared to the previous month.**

The annual inflation rate for October 2011 constituted 8.9 percent, increasing by 0.1 percentage points versus the previous month. The monthly inflation rate increased by 1.5 percent, being determined by the increase in tariffs for services rendered to population by 3.0 percent, foodstuff prices by 1.1 percent and non-foodstuff prices by 0.8 percent. The evolution of monthly inflation rate for October 2011 was determined by the increase of regulated prices, following the adoption of new tariffs for gas and heating supply, the seasonal increase in prices of foodstuff products and earth coal, and the increase of population incomes in the previous periods.

The annual core inflation<sup>1</sup> recorded for the last 12 months a level of 4.5 percent (by 0.1 percentage points more compared to the previous month). In October 2011, the monthly core inflation rate constituted 0.6 percent. This development was due to positive contributions arising from the following sub-components: wearing apparel, footwear items, detergents and public catering. These increases were stimulated by the continuous propagation of the side effects, resulting from the prices increase of foodstuff, fuel and utilities tariffs increase in the previous periods, as well as from the increase of demand from the population due to higher disposable income.

In October 2011, foodstuff prices increased by 1.1 percent compared to the previous month. This increase was mainly due to higher prices of eggs (by 14.6 percent), vegetables (by 8.6 percent) and milk and dairy products (by 2.4 percent), partially mitigated by lower prices of potatoes (by 9.8 percent), fresh fruit (by 1.0 percent) and bakery products (by 0.2 percent).

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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.



Natural gas tariff increase and the continuation of drought determined the creation of a shortage of milk on the domestic market, thereby increasing the price of milk and dairy products, while lower prices for potatoes occurred due to the oversupply on the domestic and regional markets.

In October 2011, fuel prices increased by 0.9 percent compared to the previous month, mainly due to higher earth coal prices (1.9 percent), following the increased demand generated by the seasonal factor. However, the dynamics of fuel prices has been also determined by the increase of 0.7 percent of liquefied gas prices, as a result of increases made in September in the context of liquefied gas deficit in the Russian Federation. Fuel prices remained at the level of the previous month.

After a period of about 4 months of relatively stable development, in October 2011, the prices for regulated services have increased by 4.8 percent as a result of 22.3 percent increase in prices for gas with the adoption of the new tariff. At the same time, the impact of rising prices for central heating (4.1 percent) and those on medication (0.8 percent) was reflected on the dynamics of regulated prices.

The inflation development in the fourth quarter of 2011 and first quarter of 2012 will be determined by the propagation of the side effects of the increase of tariffs for natural gas and heating thus stimulating pro-inflationary pressures. At the same time, starting with the second quarter of 2012, these pressures will be fully absorbed, which will change the inflation trend in a disinflationary one.

However, a possible recession of the euro area will lead to a reduction in the worldwide demand, which will contribute to lower oil and food prices on the international markets, influencing the prices and tariffs on the domestic market. At the same time, there will be recorded decreases in the volume of remittances, which will directly affect the disposable income of the population, causing a reduction in consumption. Consequently, the economic growth of the Republic of Moldova will decrease, thus being below its potential level and creating additional disinflationary pressures.

National Bank of Moldova will vigilantly monitor the developments in domestic and international economic environment, so that by properly adjusting of monetary policy instruments, for achieving inflation target referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.