



Translation

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

According to the data published by the National Bureau of Statistics (NBS) in November 2011 the consumer price index (CPI) for the last 12 months registered 8.9 percent and the annual core inflation recorded 4.5 percent, similar values to the previous month.

In the coming quarters the side effects of the increase of tariffs for natural gas and heating will be absorbed. In 2012, disinflationary pressures arising from the consequences of the euro area sovereign debt crisis will increase. The risks of registering a short-term recession in the European Union and worldwide economic slowdown have increased significantly in recent weeks. These will affect regional and global demand and contribute to the decrease of international prices for oil and foodstuff products, and thus influence the domestic market prices and tariffs. Cooling the economic activity in the region will negatively affect the volume of remittances, and therefore will cause the reduction of disposable income of the population, a fact which will reduce consumption and support the disinflation process in the Republic of Moldova.

The annual inflation rate for November 2011 reached the level of 8.9 percent. Thus, there is certified the stop of increasing tendency of the annual inflation rate registered in February of this year, mainly due to weakening inflationary pressures from foodstuff prices. The monthly inflation rate recorded an increase of 0.7 percent, being determined by the increase of foodstuff prices by 1.1 percent, for non-foodstuff products by 0.4 percent and by the increase in tariffs for services rendered to population by 0.7 percent. The evolution of monthly inflation rate for November 2011 was due in most part, to the seasonal effect and impact of the new tariff for heating and, to a lesser extent, to the growth of core inflation.

The annual core inflation¹ recorded for the last 12 months a level of 4.5 percent (similar to the previous month). In November, the monthly core inflation registered an increase inferior to the previous month, representing 0.3 percent. This dynamic was driven mainly by positive contributions arising from the following sub-components: clothing, footwear, building materials and catering. The respective increases were stimulated by the growth of population income from

¹ 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



previous periods, a fact that has actuated the demand, as well as by the follow-up of spread of side effects resulting from increasing regulated prices, for foodstuff and fuel.

In November 2011, foodstuff prices increased by 1.1 percent compared to the previous month. This increase mainly due to higher prices of eggs (by 20.1 percent), vegetables (by 7.2 percent), milk and dairy products (by 1.8 percent), fat (by 0.5 percent) and meat, prepared and preserved meat (by 0.5 percent), partially mitigated by lower prices of sugar (by 3.7 percent), fresh fruits (by 2.6 percent) and potatoes (by 2.4 percent).

The increase of prices for meat, prepared and preserved meat lies in the increase of raw material price as a result of supply decrease, and the increase of milk and dairy products price was determined by the growth of the tariff for natural gas, as well as by the extend of drought that has created milk shortage on domestic market. The price reduction for potatoes and fresh vegetables occurred as a result of an oversupply registration of these products, both on domestic and regional markets.

In November 2011, fuel prices increased by 0.4 percent compared to the previous month, mainly due to higher earth coal prices (0.9 percent) as a result of increased demand generated by the beginning of home heating season. This seasonal effect was lower as compared to the previous year. Fuel prices have registered a slight increase (0.07 percent). At the same time, the price of liquefied gas remained at the level of the previous month and therefore did not contribute to the dynamics of fuel prices.

The prices for services covered in November 2011 had a more modest trend, increasing by 0.7 percent as compared to the previous month, following the adoption of new tariffs for natural gas and heat. At the same time, from the category of regulated prices were also recorded increases for pay for housing, water supply and sanitation and medicine, but their contribution was negligible. The only decrease was recorded by the prices for international rail services.

National Bank of Moldova reiterates that it will continue to vigilantly monitor the developments in domestic and international economic environment, so that by the use of appropriate monetary policy instruments, to assure the achievement of the objective stated in the Medium-term Monetary Policy Strategy, in order to ensure and maintain price stability.