



**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 7.0 percent in January 2012, decreasing by 0.8 percentage points versus the previous month. The annual core inflation registered a rate of 6.0 percent, decreasing by 0.1 percentage points compared to the previous month.

The ongoing uncertainty regarding the settlement of euro area sovereign debt crisis, with implications for investment, the volatility of capital flows and the European and global economic growth, will support the increased disinflationary pressures in the upcoming quarters. These risks may cause a reduction in external demand and in the volume of remittances that would cause a strong decrease in the level of domestic economic activity. Consequently, this could create conditions that could lead to a slowdown in price increases.

The disinflationary pressures may be tempered by the imminent rise of fuel prices due to higher excise duties on petroleum products and the introduction of excise duties on liquefied gas starting with January 1, 2012. The worsening situation in the Middle East could destabilize the international oil market, causing increases in energy prices. Difficult weather conditions in the last six months could affect food supply, particularly cereals, in the region.

The annual inflation rate for January 2012 constituted 7.0 percent, decreasing by 0.8 percentage points versus the previous month and by 1.9 percentage points versus November 2011, thus recording a clear downward trend. The monthly inflation rate registered an increase of 0.3 percent, driven by the increases in food prices - by 0.3 percent, non-foodstuff - by 0.1 percent and tariffs for public services - by 0.5 percent. The development of monthly inflation rate for January 2012 was due mainly to the seasonal effect, which had a positive impact on food prices.

The annual core inflation¹ recorded for the last 12 months a level of 6.0 percent (by 0.1 percentage points less compared to the previous month). Thus, starting with September 2011, there

¹ 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 NBS, 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).



is a tendency to reduce the annual rate of core inflation, which can be associated with a more moderate increase in domestic and external demand, because of tempering of population disposable income growth and uncertainty created by the sovereign debt crisis in the euro area. In January 2012, the monthly rate of core inflation constituted 0.3 percent. This dynamic of the monthly rate of core inflation was driven mainly by positive contributions from the following subcomponents: education and training, catering, abroad travelling, printed editions and furniture.

In January 2012, foodstuff prices increased by 0.3 percent compared to the previous month. This increase was mainly due to higher prices of fresh vegetables (by 2.5 percent), alcoholic beverages (by 2.1 percent), meat, processed and canned meat (by 0.7 percent), partially offset by the reduction of prices of eggs (by 7.9 percent), sugar (by 1.3 percent) and potatoes (by 0.6 percent). Excluding the seasonal factors, food prices decreased by 1.0 percent. Potatoes and fresh vegetables price reduction occurred as a result of an oversupply of these products, both on domestic and regional markets.

In January 2012, fuel prices rose by 0.2 percent as compared to the previous month, due to increase of 0.1 percent in earth coal price, as a result of increased demand generated by the frosty weather and by heating season. However, this development was tempered by a decline of 1.1 percent in the price of bottled gas, following the import price decrease from December for this type of fuel. The price of fuel has seen a slight decrease (0.1 percent), its contribution to the dynamics of fuel prices being negligible.

After the significant increases recorded in October and November, following the adoption of new tariffs for natural gas and heating, the regulated prices recorded in the last two months a more modest development. Thus, in January 2012, they increased by 0.3 percent compared to the previous month. This dynamic has been driven by the increase in water and sewerage tariffs by 6.7 percent, following the adjustments of tariffs carried out by the local authorities from Cahul and Comrat, but also by the increase in tariffs for air and rail transport by 8.7 and 3.8 percent respectively. A minor negative contribution to the dynamics of regulated prices was driven by lower prices for medicines by 0.1 percent.

The evolution of CPI in January is consistent with the main assumptions related to medium-term forecast published in February 2012 and the monetary policy taken measures.

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.