



**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 5.4 percent in March 2012, decreasing by 0.7 percentage points versus the previous month. The annual core inflation registered a rate of 5.1 percent, decreasing by 0.4 percentage points compared to the previous month.

Data on IPC evolution in the first quarter of this year corresponds to the inflation forecast of the NBM, published in the Inflation Report no. 1 from February 2012, which reported a significant mitigation of price increases in 2012 and 2013.

The slowdown of the global economy growth rate and the entrance into recession of some advanced economies, in the context of deepening uncertainty related to sovereign debt crisis in Europe, began to affect the national economy. Thus, the reduction of foreign demand, foreign investment flows, and the volume of remittances may determine the reduction of domestic economic activity, which directly will cause significant disinflationary pressures.

The pro-inflationary factors will occur from fuel price increase, influenced by the international stock quotes and the increase of electricity tariffs resulting from the rise of the purchase price. However, we reiterate that the risks are unbalanced and the disinflationary factors will prevail in the upcoming quarters.

The annual inflation rate for March 2012 continued its downward trend, decreasing by 0.7 percentage points versus the previous month, up to the level of 5.4 percent. The monthly inflation rate registered an increase of 0.2 percent, driven by the increases in non-foodstuff - by 0.6 percent and tariffs for public services - by 0.1 percent, while the food prices decreased by 0.1 percent¹. The evolution of monthly inflation rate for March 2012 was driven by higher fuel prices following the introduction of excise duty on liquefied gas and the increase of excise duty on gasoline and diesel fuel from the beginning of current year and, to a lesser extent, by the evolution of core inflation. Food prices and the regulated prices had a minor influence during the reporting period.

¹ In accordance with the methodology for calculating the CPI, the weighting coefficients in financial expenditure structure are annually modified according to household examination in the previous year. Switching to the new weighting coefficients was made in March 2012, recalculating the CPI data for January-February 2012..



The annual core inflation² recorded for the last 12 months a level of 5.1 percent (by 0.4 percentage points less compared to the previous month). Thus, starting with September 2011, there is a tendency to reduce the annual rate of core inflation, which can be associated with a moderation of domestic and external demand along with the mitigation of population disposable income growth in the context of an uncertainty created by the sovereign debt crisis in the euro area. At the same time, this trend has been favored by the appreciation of the national currency against the currencies of the main trading partners.

In March 2012, the monthly rate of core inflation was 0.2 percent, being similar to the level recorded in the previous month. This development of the monthly rate of core inflation was driven mainly by the increases in prices in the following components: cigarettes, footwear, wearing apparel, knitwear, public alimentation, education and training.

In March 2012, foodstuff prices decreased by 0.1 percent compared to the previous month. This decrease was mainly due to lower prices of potatoes (by 5.6 percent), fresh vegetables (by 0.9 percent), rice (by 0.8 percent), sugar (by 0.5 percent), milk and dairy products (by 0.2 percent), being partially mitigated by the increase of prices of fresh fruits (by 2.3 percent), meat, canned meat and meat products (by 0.5 percent), fish, canned fish and alcoholic beverages by 0.3 percent each.

The increase of price of meat and meat products was driven by the increase of raw material prices following a reduction in domestic supply, caused by orientation of domestic production towards external markets. The decrease of price of potatoes and vegetables occurred as a result of an oversupply of these products both on domestic and regional markets.

In March 2012, the fuel prices increased by 2.8 percent as compared to the previous month as a result of higher prices of bottled gas (by 6.1 percent) and liquid fuel (by 4.2 percent) following the increase of excise duty on these subcomponents from January 1, 2012. At the same time, the fuel price increase has been determined by the import price increase, evolution partially mitigated by the appreciation tendency of the national currency against the U.S. dollar.

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 four months a stable development. Thus, in March 2012, they recorded the level of the previous month. At the same time, the growth for February (0.2 percent) was revised (0.0 percent) due to the decrease of tariff for centralized hot water delivered to population by 20.0 percent. This fact has resulted in a negative

² 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).



contribution from that component, which thus neutralized the positive contribution of the health services.

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.