



**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 4.0 percent in July 2012, increasing by 0.3 percentage points versus the previous month. The annual core inflation registered a rate of 4.0 percent, decreasing by 0.3 percentage points compared to the previous month.

The inflationary risks balance in the next period continues to be relatively balanced, determined both by internal and external factors. Thus, the worsening recession in the euro area and increased uncertainty about global economic trends, volatility in oil and food prices in international markets are the main external sources of risk.

The disinflationary pressures will result in the temperate nature of domestic economic activity, resulting from increased exposure of the national economy to the vulnerability of the external macroeconomic environment through the capital flows and exports.

At the same time, the recent adverse weather conditions will be reflected in the reduction of food supply on the domestic market, thereby partially alleviating the disinflationary pressures.

The evolution of inflation in July confirms the assumptions made in the last round of forecast and supports the projections published in the Inflation Report of August 2012.

The annual inflation rate for July 2012 reversed its downward trend, started at the end of the previous year, increasing by 0.3 percentage points versus June 2012, up to the level of 4.0 percent. The monthly inflation rate constituted 0.1 percent, being conditioned by higher prices for foodstuff products by 0.3 percent, while the prices for non-foodstuff products and public services remained almost at the previous month level. The monthly inflation rate growth from July 2012 was mitigated mainly by the negative seasonal effect, characteristic for that period of the year. Thus, after eliminating the seasonal factor, the prices increased by 0.7 percent in July 2012. This increase was due to food prices growth as a result of adverse weather conditions from June and July for some crops. The core inflation has generated a modest influence, similar to the previous months and the fuel prices have had little impact on monthly inflation dynamics, while the impact of regulated prices was a neutral one.

The annual core inflation¹ recorded for the last 12 months a level of 4.0 percent (by 0.3 percentage points less compared to the previous month). Thus, there is a strengthening trend of decreasing annual rate of core inflation, which started in October 2011, mainly due to domestic and external demand moderation, accompanied by the mitigation of disposable income growth of population.

In July 2012, the monthly rate of core inflation was 0.2 percent, by 0.1 percentage points more as compared to the previous month. This development was mainly determined by the prices increases in the following components: cigarettes, building materials, education and training, objects of sanitation, hygiene and cosmetics.

In July 2012, foodstuff prices increased by 0.3 percent compared to the previous month. This dynamics was mainly due to the higher of process fresh vegetables (by 4.5 percent), meat, meat products and canned meat (by 1.1 percent), milk and dairy products (by 1.0 percent), being partially mitigated by lower prices of potatoes (by 11.7 percent), eggs (by 1.1 percent), fish and canned fish (by 0.3 percent). Excluding seasonal factors, the food prices have increased by 1.6 percent.

Higher prices for vegetables and dairy products was due to dry weather, while the price increases for meat and meat products lies in price increase for raw materials, as the effect of reduced supply on the domestic market, caused by the production orientation towards external markets.

In July 2012, the fuel prices recorded a downward trend, decreasing by 0.3 percent as compared to the previous month, as a result of lower prices for bottled gas (1.4 percent) and fuels (0.6 percent), being partially balanced the higher prices of firewood (0.8 percent). Prices for earth coal recorded values similar to the previous month and therefore did not contribute to the dynamics of fuel prices.

In July 2012, regulated prices remained at the previous month level. Insignificant changes occurred in the components of the railway and air transport, but they have a neutral influence on the dynamics of regulated prices. The annual rate of regulated prices was 5.7 percent and decreased by 0.2 percentage points as compared to the previous month.

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.

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 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).