



**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 4.4 percent in August 2012, increasing by 0.4 percentage points versus the previous month. In the next period, the inflationary risks balance will be influenced both by internal and external factors.

Increased volatility in oil and food prices in international markets are the main external sources of inflationary risks.

The disinflationary pressures will result from the decreasing nature of domestic economic activity. At the same time, the worsening recession in euro zone and a more pronounced slowdown in the global economic growth rate influence the external demand, foreign investments flow and the volume of remittances, which inhibits the domestic demand.

The unfavorable agrometeorological conditions during 2011-2012 compromised the current year's harvest, thus contributing to partial mitigation of desinflationary pressures.

The annual inflation rate for August 2012 recorded a level of 4.4 percent, increasing by 0.4 percentage points versus July 2012. The monthly inflation rate constituted 0.4 percent, being conditioned by increased prices for foodstuff products by 0.5 percent, non-foodstuff products by 0.4 percent and public services tariffs by 0.2 percent. The monthly inflation growth rate in August 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 August 2012. This increase was due to higher prices for foodstuff products. The core inflation has generated a modest influence, similar to the previous months, but the regulated and fuel prices have had little impact on monthly inflation dynamics.

The increase of prices in the last two months exceeded the estimated values within the previous forecast, as a result of the change in the trend of global oil price and an earlier manifestation than anticipated of the impact of the drought on higher prices for foodstuff products. Nevertheless, the last forecast of inflation for the end of the current year (published in the Inflation Report from August, 2012) remains valid, as the significant part of drought consequences will be reflected on foodstuff prices from August and September, but not on those from the forth quarter as it was previously anticipated.



The annual core inflation¹ recorded for the last 12 months a level of 3.9 percent (by 0.1 percentage points less compared to the previous month) and the downward trend started at the end of the previous year continued, mainly due to domestic and external demand moderation.

In August 2012, the monthly rate of core inflation was 0.4 percent, by 0.2 percentage points more as compared to the previous month. This development was mainly determined by the prices increases in the following components: cigarettes, education and training, public catering, clothing, knitwear and footwear. The prices increase of cigarettes is a result of excise increase of tobacco products from the beginning of the current year. Higher prices for services of public catering, education and training resides in increase of electric energy price from May 2012, as well as in pressure from prices for foodstuff products. At the same time, the prices increase for clothing, knitwear and footwear was determined by higher production costs due to higher prices for electricity and raw materials on external markets.

In August 2012, foodstuff price increased by 0.5 percent compared to the previous month. This dynamics was mainly due to higher prices of eggs (by 13.8 percent), meat, meat products and canned meat (by 1.4 percent), milk and dairy products (by 1.3 percent), fish and canned fish (by 0.9 percent), being partially mitigated by lower prices of fresh vegetables (by 4.1 percent), potatoes (by 0.7 percent) and fresh fruits (by 0.5 percent). Higher prices for aforementioned products were due to unfavorable local summer weather, as well as to dry weather on the international level. Price for meat and meat products has increased as a consequence of bans for pork meat imports from Ukraine. Excluding seasonal factor, the prices for foodstuff products registered an increase of 1.5 percent.

In August 2012, the fuel prices recorded an upward trend, increasing by 0.9 percent as compared to the previous month, as a result of higher prices for fuels (1.2 percent), firewood (1.1 percent) and bottled gas (0.4 percent). Prices for earth coal recorded values similar to the previous month.

In August 2012, regulated prices recorded an insignificant evolution, increasing by 0.1 percent as compared to the previous month as a result of higher tariffs for housing payments (0.4 percent) and international railway transport (3.3 percent). The annual rate of regulated prices was 6.1 percent and increased by 0.4 percentage points compared with 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).