

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), the consumer prices index (CPI) for the last 12 months constituted 3.7 percent in November 2012, decreasing by 0.2 percentage points versus the previous month, falling within the inflation target limits of 5.0 percent ± 1.5 percentage points for the tenth consecutive month.

The inflationary risks balance in the next period continues to be influenced both by internal and external factors, with a pronouncement of inflationary factors. The oil prices remain volatile on the international markets, although recorded a decrease in the last period. The increase of foodstuff products prices, caused by the severe draught in the main agricultural regions, will create additional inflationary pressures, although the draught effects will dissipate in the following quarters.

The slowdown in the economic activity and low domestic and foreign demand will represent the main disinflationary factors in the following quarters. The inflation development in November 2012 comes to confirm the assumptions made in the last round of forecast and comes to support the projections published in the Inflation Report no.4, November 2012.

The annual inflation rate in November 2012 recorded the level of 3.7 percent, decreasing by 0.2 percentage points, due to a favorable effect during the base period and due to the mitigation in the pressures from food prices. The evolution of the CPI annual rate in October and November is slightly less than expected for the fourth quarter of 2012. However, the main assumptions and arguments for these forecasts remain valid, so that the deviation from the forecast will diminish in December 2012.

The monthly inflation rate constituted 0.5 percent, being determined by higher prices for foodstuff products by 0.8 percent and non-foodstuff products by 0.4 percent, as well as by higher tariffs for services rendered to population by 0.3 percent. The monthly inflation rate growth in November 2012 was enhanced by the positive seasonal effect, characteristic for that period of the year, especially for prices of vegetables and clothing. Thus, after eliminating the seasonal factor, the prices recorded a slight increase of 0.3 percent in November 2012.

This dynamics was determined by the positive contribution of all subcomponents, although the fuel prices had an insignificant contribution. The core inflation has continued to generate a modest influence, similar to the previous months, in the absence of pressures from aggregate demand. After a period of negative contribution, the foodstuff products prices had a positive contribution in November,

although much below the contribution in the third quarter of 2012. The positive contribution from regulated prices was mainly generated by the increase in tariffs of drinking water and sewerage supply in some localities.

The annual core inflation¹ recorded a level of 3.6 percent in November 2012, similar to the previous month level, indicating a modest domestic demand.

Foodstuff prices increased by 0.8 percent during the analyzed period compared to the previous month. This dynamics was mainly due to the higher prices of fresh vegetables (by 5.6 percent), fats (by 1.3 percent), milk and dairy products (by 1.1 percent), fish and canned fish, milling and bakery products, and potatoes (by 0.4 percent each). The prices increase of the aforementioned products was mainly influenced by the unfavorable weather conditions recorded this summer. After excluding the seasonal factor, the foodstuff products prices recorded a slight increase of 0.2 percent.

In November 2012, the fuel prices recorded an upward trend, increasing by 0.6 percent as compared to the previous month, as a result of higher prices of firewood (3.9 percent), partially mitigated by the decrease of prices of fuels (1.5 percent) and bottled gas (0.4 percent). The earth coal prices remained at the previous month level.

In November 2012, regulated prices recorded an increase of 0.3 percent as compared to the previous month as a result of higher prices of water and sewerage (by 3.9 percent). The price increase of medicines, dental services, and air transport had positive contributions, although less significant, to the monthly development of regulated prices. The annual rate of regulated prices constituted 2.6 percent, decreasing by 0.5 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).