



**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 4.1 percent in December 2012, increasing by 0.4 percentage points versus the previous month, falling within the inflation target limits of 5.0 percent \pm 1.5 percentage points for the tenth consecutive month.

The inflationary risks balance continues to be influenced both by internal and external factors, with a slight pronouncement of pro-inflationary factors. The oil prices remain volatile on the international markets, although recorded a slight decrease in the last period. Additional inflationary pressures will occur as a result of increases in indirect taxes as of January 1, 2013 and as a result of increases in food prices, caused by severe drought in major agricultural regions, although the drought effect will dissipate in the following quarters.

The slowdown in the economic activity and low domestic and foreign demand will represent the main disinflationary factors this year.

The annual inflation rate in December 2012 recorded the level of 4.1 percent, increasing by 0.4 percentage points, due to the pressures from food prices. The evolution of the CPI annual rate in the fourth quarter of 2012 is slightly below the inflation forecast published in the Inflation Report of November 2012. Thus, the annual average inflation rate during that period was by 0.2 percentage points lower than anticipated, deviation due mainly to favorable weather conditions in the autumn, which prevented the expected increase in food prices.

In 2012, the National Bank created the necessary conditions for inflation rate to fall within the range of 5.0 percent \pm 1.5 percentage points target set for 2012, according to the Monetary policy strategy of the National Bank of Moldova for 2010-2012, so that by the end of 2012, the annual inflation rate was close to the inflation target in the medium term.

The monthly inflation rate constituted 0.5 percent, being determined by higher prices for foodstuff products by 1.1 percent and non-foodstuff products by 0.3 percent, as well as by higher tariffs for services rendered to population by 0.1 percent. The monthly inflation rate growth in December 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 December 2012.

This dynamics was mainly determined by the positive contribution of foodstuff products prices and core inflation. The contribution of regulated prices was insignificant. The core inflation has continued to generate a modest influence, similar to the previous months, in the absence of pressures from aggregate demand. In December 2012, the contribution of foodstuff products prices was more significant, although much below the contribution recorded in the third quarter of 2012. The positive contribution from regulated prices was mainly generated by the increase in medicines prices.

The annual core inflation¹ recorded a level of 3.7 percent in December 2012 increasing by 0.1 percentage points as compared to the previous month.

Foodstuff prices increased by 1.1 percent during the analyzed period compared to the previous month. This dynamics was mainly determined by higher prices of fresh vegetables (by 7.9 percent), potatoes (by 3.2 percent), fish and canned fish (by 1.3 percent), eggs (by 1.0 percent), milk and dairy products (by 0.9 percent) and fats (by 0.6 percent). The increase in prices of the aforementioned products occurred as a result of the propagation of side effects caused by the draught in the summer of 2012. After excluding the seasonal factor, the foodstuff products prices recorded a slight increase of 0.5 percent.

In December 2012, the fuel prices decreased by 0.05 percent as compared to the previous month. This decrease occurred especially as a result of lower pump price of petrol and bottled gas by 0.7 and 0.3 percent respectively. At the same time, the negative contribution of the aforementioned components was mitigated by higher prices of firewood (by 0.8 percent) and earth coal (by 0.1 percent).

In December 2012, regulated prices recorded an increase of 0.1 percent as compared to the previous month as a result of higher prices of medicines (by 0.3 percent). The increase in tariffs of international railway and air transport by 3.7 and 7.1 percent has contributed positively to the monthly development of regulated prices. The annual rate of regulated prices constituted 2.6 percent, remaining at the previous month level.

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).