



**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 4.6 percent in January 2013, increasing by 0.5 percentage points versus the previous month, falling within the inflation target limits of 5.0 percent.

The inflationary risks balance continues to be influenced both by internal and external factors, with a slight pronouncement of pro-inflationary factors. The inflationary pressures will arise as a result of the adjustment of fiscal policy for 2013, as well as from the increasing international oil prices. The increase in food prices caused by severe drought of 2012 in the main agricultural regions will create additional inflationary pressures, although the drought effect will dissipate in the coming quarters.

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

The inflation development in January 2013 confirms the assumptions used in the last round of forecasting and supports the projections published in the Inflation Report in February 2013.

The annual inflation rate in January 2013 recorded the level of 4.6 percent, increasing by 0.5 percentage points more compared to the previous month, due to the increasing pressures from food prices.

The monthly inflation rate constituted 0.8 percent, being determined by higher prices for foodstuff products by 1.6 percent and non-foodstuff products by 0.4 percent, as well as by higher tariffs for services rendered to population by 0.3 percent. Similar to the previous month, the increase of the monthly inflation rate in January was amplified by positive seasonal effect, characteristic of this period, especially for the prices of vegetables and clothing. However, this increase was influenced by the cumulative depreciation in the months of December 2012 and January 2013 of the nominal effective exchange rate of MDL as compared with November of the previous year by about 1.5 percent. After eliminating the seasonal factor, the prices recorded a slight increase of 0.4 percent in January 2013.

This dynamics was mainly determined by the positive contribution of foodstuff products prices and core inflation. The contribution of regulated prices and oil prices were insignificant. The core inflation has continued to generate a modest influence, similar to the previous months, in the absence of

pressures from aggregate demand.

The annual core inflation¹ recorded a level of 3.9 percent in January 2013 increasing by 0.2 percentage points as compared to the previous month.

In January 2013, the monthly core inflation was 0.5 percent, by 0.2 percentage points higher than the previous month. This development was mainly driven by higher prices of catering, cigarettes, knitwear, detergents, education and training, clothing and footwear.

One of the factors that conditioned the rising prices of clothing and footwear was the increase in production costs resulting from rising prices of energy and raw materials on international markets.

Goods and services prices, included in core inflation, have been also influenced by the seasonal effect, characteristic for this period.

Foodstuff prices have increased by 1.6 percent during the analyzed period compared to the previous month. This dynamics was mainly determined by higher prices of fresh vegetables (by 10.3 percent), potatoes (by 4.8 percent), fish and canned fish (by 1.8 percent), milk and dairy products (by 1.1 percent), sugar (by 0.8 percent), and bakery and milling products (by 0.6 percent).

The increase in prices of the aforementioned products occurred as a result of the propagation of side effects caused by drought in the summer of 2012. After excluding the seasonal factor, the foodstuff products prices recorded an increase of 0.5 percent.

In January 2013, the fuel prices increased by 0.4 percent as compared to the previous month. This increase occurred especially as a result of lower pump price of bottled gas by 1.9 percent. However, prices for fuel, firewood and earth coal remained at the previous month level.

In January 2013, regulated prices recorded an increase of 0.2 percent as compared to the previous month as a result of higher tariffs of health services (by 1.3 percent) and water and sewerage tariffs in some regions by 1.9 percent. The increase of medicines prices (by 0.3 percent) had a positive contribution, but less significant, to the monthly evolution of regulated prices. The annual rate of regulated prices constituted 2.5 percent, decreasing by 0.1 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).