

### The evolution of inflation rate in July 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 4.3 percent in July 2013, decreasing by 1.2 percentage points versus the previous month, remaining close to the inflation target of 5.0 percent.

The inflationary risks balance continues to be influenced both by internal and external factors, with the prevalence of disinflationary factors. Disinflationary pressures are determined by the weak global economic activity and by the reduction in international food prices due to favorable meteorological conditions for harvest in 2013. However, inflationary pressures may also arise from the increase in international oil prices.

Inflation in July confirmed the main assumptions of the last round of forecasting and supports the projections published in the Inflation Report of August 2013.

The annual inflation rate in July was 4.3 percent, decreasing by 1.2 percentage points compared to the previous month, due to the diminishing contribution of food prices.

The monthly inflation rate decreased by 1.0 percent, mostly due to the negative seasonal effect characteristic for that period for food, but also due to higher yields of fruits and vegetables this year. This development was caused by the reduction in food prices by 2.8 percent. Non-foodstuff prices recorded a modest growth of 0.1 percent, while prices for services remained almost at the previous month level.

The annual core inflation<sup>1</sup> recorded a level of 4.4 percent in July 2013, remaining at the previous month level despite the recent depreciation of the national currency against the U.S. dollar and euro, signaling the absence of inflationary pressures from aggregate demand.

Monthly core inflation rate in July 2013 was 0.2 percent. This development was driven, mainly, by higher prices of clothing, construction materials and knitwear. Excluding seasonal factors, the core inflation in the analyzed month grew by 0.4 percent compared to June 2013.

Foodstuff prices decreased by 2.8 percent during the analyzed period compared to the previous month. This decrease was mainly determined by lower prices of potatoes by 33.2 percent, fresh vegetables by 23.3 percent and fresh fruits by 5.9 percent, partly offset by higher prices of eggs by 3.8

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<sup>1</sup> 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).



percent, alcoholic drinks by 0.7 percent, sugar by 0.3 percent, fish and canned fish and milling and baking products by 0.2 percent each. The annual growth rate of food prices was 5.9 percent, by 3.3 percentage points lower than the previous month.

Reduction of vegetables and fruits prices was mainly due to favorable weather conditions, which contributed to the increase in market supply. After excluding seasonal factors, food prices have declined by 1.3 percent.

In July 2013, fuel prices have decreased by 0.3 percent compared to the previous month, as a result of lower prices for bottled gas and earth coal by 1.2 and 0.9 percent respectively. The liquid fuel and firewood prices remained at the previous month level.

The growth annual rate in fuel prices was 6.3 percent, by 0.1 percentage points lower than the previous month.

In July 2013, regulated prices recorded an increase of 0.1 percent as compared to the previous month, as a result of increased medicines and transport services prices by 0.2 percent each. The growth annual rate of regulated prices was 1.8 percent, similar 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.