



### The evolution of inflation rate in September 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 3.9 percent in September 2013, increasing by 0.2 percentage points versus the previous month, remaining close to the inflation target of 5.0 percent  $\pm 1.5$  percentage points.

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 modest aggregate demand. Gradual economic recovery in the European Union, international oil prices increase on the backdrop of the intensification of tensions in the Middle East and maintaining the domestic demand will offset the deceleration in inflation.

The annual inflation rate in the third quarter of 2013 confirmed the assumptions set out in the inflation forecast published in the Inflation Report of August 2013, being only by 0.1 percentage points higher than projected. Cold weather in September and monetary policy measures undertaken in the last two months have neutralized the pronounced disinflationary risks, which were identified in the previous round of forecasting and that could materialize through a temporary inflation deviation from the range from the target set for since August and September 2013.

The annual rate of inflation in September was 3.9 percent, by 0.2 percentage points higher than the previous month, due to higher contribution of food prices.

The monthly inflation rate recorded an increase of 1.1 percent, determined by the seasonal effect, the adverse impact of colder weather in September, and moderate depreciation of the national currency. These developments were influenced by the increase in food prices by 2.5 percent, non-food prices by 0.5 percent and tariffs for public services by 0.1 percent.

The annual core inflation<sup>1</sup> recorded a level of 4.4 percent in September 2013, increasing only by 0.1 percentage points compared to the previous month, 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 September 2013 was 0.5 percent, by 0.3 percentage points higher than the previous month. This development was driven, mainly, by higher prices of education and

<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).



training, footwear, clothing, knitwear, detergents and cigarettes. Excluding seasonal factors, core inflation grew by 0.4 percent in the analyzed period compared to August 2013.

Foodstuff prices increased by 2.5 percent during the analyzed period compared to the previous month. This decrease was mainly determined by higher prices of eggs by 28.7 percent, fresh vegetables by 14.8 percent, milk and milk products by 2.1 percent and meat and meat products by 1.3 percent, partially offset by the reduction in prices of fresh fruits by 1.8 percent and potatoes by 1.2 percent.

The annual growth rate of food prices was 5.0 percent, by 0.8 percentage points higher than the previous month.

The increase of prices for vegetables contributed significantly to accelerating the pace of monthly growth rate in food prices, being determined by less favorable weather conditions in September the for the collection and sale of these products. After excluding seasonal factors, food prices have registered a modest growth of 1.2 percent.

In September 2013, fuel prices have increased by 0.2 percent compared to the previous month, as a result of higher prices for firewood by 0.7 percent. The liquid fuel and bottled gas prices remained at the previous month level.

The annual growth rate in fuel prices was 4.3 percent, by 1.6 percentage points lower than the previous month.

In September 2013, regulated prices recorded an increase of 0.2 percent as compared to the previous month, as a result of increased costs for house maintenance by 1.8 percent (“water supply and sanitation” tariffs in Comrat), medicines prices increase by 0.3 percent and payment for housing by 0.1 percent. The tariffs for international rail services have declined by 3.5 percent, but their negative contribution was insignificant. The annual growth rate of regulated prices was 2.0 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.