National Bank of Moldova

Translation

Inflation Report

no. 4, November 2013

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Note

Statistical data were taken from the National Bureau of Statistics,

Ministry of Economy, Ministry of Finance,

Eurostat, International Monetary Fund,

National Energy Regulatory Agency,

State Hydrometeorological Service.

Likewise were selected certain statistical data provided by the international community and by the Central Banks of the neighboring states.

The calculation of the statistical data was carried out by the National Bank of Moldova.

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Contents

List of acronyms

CHIBID	Average interest rate at which the contributors banks are available to borrow funds in MDL from other banks, on the interbank monetary market
CHIBOR	Average interest rate at which the contributors banks are available to lend funds in MDL to other banks, on the interbank monetary market
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
ECB	European Central Bank
EU	European Union
EUR	European Single Currency
FCC	Freely convertible currency
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPPI	Industrial Producer Price Index
MDL	Moldovan leu
NBC	Certificates issued by the National Bank of Moldova
NBM	National Bank of Moldova
NBR	National Bank of Romania
NBS	National Bureau of Statistics of the Republic of Moldova
NEA	National Employment Agency
NEER	Nominal effective exchange rate of the national currency
PMI	Purghasing Manager's Index
REER	Real effective exchange rate of the national currency
RON	Romanian leu
RUB	Russian ruble
SS	State Securities
UAH	Ukrainian hryvnia
USD	US Dollar

Summary

Inflation developments

In the third quarter of 2013, the annual inflation rate reached the level of 4.0 percent, by 1.2 percentage points lower than in the previous quarter. This decrease was mainly due to reduced inflationary pressures from food prices as a result of a rich harvest of fruits and vegetables this summer. Core inflation recorded a modest annual growth of 4.3 percent during the reporting period, given the moderate domestic demand. The depreciation of the national currency has mitigated some of the disinflationary effects generated by the evolution of food prices and favored the slight increase of core inflation. Both the annual inflation rate and the annual core inflation rate have further fallen within the range of ± 1.5 percentage points from the 5.0 percent target set in the Medium-term monetary policy strategy of the National Bank of Moldova. The annual inflation rate in the third quarter of 2013 was only by 0.1 percentage points above its anticipated value in the projection (3.9 percent) published in the Inflation Report no. 3, 2013.

External environment

After a lull in the financial markets, the autumn has brought attention to several issues which strongly influenced the global economy. Thus, the last few weeks have been rich in events that influenced the evolution of the main macroeconomic indicators. Among the most important centers of financial distress there should be mentioned the Syrian conflict worsening, which resulted in a significant increase in oil prices and the delay in terminating the monetary stimulus program of the Federal Reserve System (Fed) in conjunction with the deepening problems of U.S. public debt, which constituted the basis for the significant depreciation of the U.S. dollar, while the opposite was expected. Also, special attention was paid to monetary policy, especially in emerging economies, given that several currencies have depreciated significantly against the background of massive capital outflows. It should be mentioned that inflation in most economies was relatively low as a result of lower demand and lower food prices. However, the euro area is gradually coming out of recession, which underlies the optimism in the financial markets.

Economic developments

After a growth of 3.5 percent in the first quarter of this year, the economic growth became more pronounced in the second quarter of 2013, GDP increasing by 6.1 percent over the same period of the previous year. The positive dynamics was driven by the domestic demand, the external demand having less influence. Thus, the final consumption of households has increased by 7.8 percent, the gross fixed capital formation - by 3.0 percent, and the exports grew only by 1.2 percent. Government final consumption has decreased by 0.4 percent. Specifically for the Republic of Moldova's economy, the domestic demand growth has resulted in increased imports, which were higher by 6.7 percent in the second quarter of 2013. Industry generated a considerable contribution to the GDP growth, while agriculture recorded a slight increase of 3.8 percent during the reporting period. Gross value added of services recorded an increase of 4.3 percent. Net taxes on products increased by 6.7 percent in the second quarter of 2013 compared to the same period of the previous year. In the second quarter of 2013, both employment and unemployment increased. As a result, the unemployment rate grew to 4.7 percent and the economically active population increased by 1.7 percent compared to the second quarter of 2012.

Monetary policy

In the third quarter of 2013 there have been three meetings of the Council of Administration of the National Bank of Moldova for monetary policy decisions, within which the updated balance of risks for future inflation prospects in the short and medium term has been reviewed. Thus, there have been taken three decisions to keep the base rate at the level of 3.5 percent annually, a level set within the meeting of April 25, 2013. During the reporting period, the NBM promoted an expansionary monetary policy and its efforts were oriented towards combating disinflationary pressures and achieving the objective of keeping inflation within the range of ± 1.5 percentage points from the 5.0 percent target. The average annual inflation rate was 4.0 percent in the third quarter of 2013.

In the context of the promoted monetary policy and the consolidation of foreign exchange reserves, the NBM intervened in the third quarter of 2013 as a buyer of foreign currency. During this period, the volume of NBM transactions carried out on the interbank foreign exchange market against MDL was USD 248.8 million.

In the third quarter of 2013, the growth rate of monetary aggregates remained high, the quarterly average in annual terms of M2 constituted 25.7 percent, down by 0.4 percentage points from growth recorded in the previous quarter, and the quarterly average in annual terms of M3 accounted for 21.9 percent, which is similar to the growth recorded in the second quarter of 2013. Average interest rates charged by licensed banks in the third quarter of 2013 had a stable downward trend. In late September 2013, the average interest rate on new loans in national currency recorded a new historical minimum level of 11.79 percent and the new loans in foreign currency - 7.07 percent. In turn, the return on term deposits in national currency recorded lower values than in the previous quarter – 6.62 percent and the deposits in foreign currency stood at the level of June 2013 of 4.36 percent.

Medium-term inflation forecasting

Current projection places the annual CPI inflation rate at the average level of 4.5 percent for the year 2013, by 0.2 percentage points higher than anticipated in the Inflation Report no.3, 2013. For 2014, the average annual inflation rate is forecasted to reach the level of 4.7 percent, by 0.9 percentage points more compared to the previous report. According to the current projection, the annual inflation rate will fall within the range of ± 1.5 percentage points from the inflation target of 5.0 percent annually throughout the 24 months forecasting period. External assumptions of current forecasting round are based on the most recent data and the recorded developments are superior compared to the previous report. Thus, the forecasts for raw material and energy resources prices recorded increases compared to the forecasts assumed in the projection published in the Inflation Report no.3, 2013.

The GDP gap will record positive values for the entire forecasting period, thus placing the economic activity above its potential level, exerting pro-inflationary pressures from domestic demand. Positive quarterly GDP gap for the forecasting period is largely due to the incentive nature of real monetary conditions versus the Inflation Report no. 3, 2013. The evolution of real monetary conditions will be determined both by the incentive nature though the real interest rate channel and by the incentive effect of the real effective exchange rate channel.

Chapter 1

Inflation development

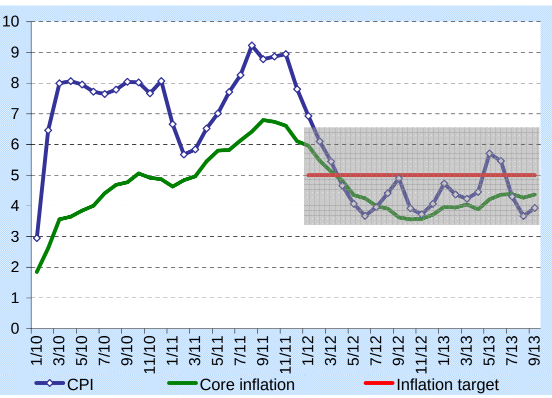
The annual inflation rate returned to the lower band of the range of ± 1.5 percentage points from the target of 5.0 percent and amounted to 4.0 percent in the third quarter of 2013, by 1.2 percentage points lower than in the previous quarter. The decrease of the annual rate of CPI was mainly due to reduced inflationary pressures from food prices as a result of a rich harvest of fruits and vegetables this summer. Core inflation recorded a modest annual growth given the moderate domestic demand. The national currency's depreciation has mitigated some of the disinflationary effects generated by the evolution of food prices and favored the slight increase of core inflation. The annual inflation rate in the third quarter of 2013 was only by 0.1 percentage points above its anticipated value in the projection (3.9 percent) published in the Inflation Report no. 3, 2013. The annual rate of the industrial production price index in the third quarter of 2013 was 3.4 percent, by 0.2 percentage points higher than in the previous quarter. The annual rate of construction prices was 7.8 percent, declining by 0.2 percentage points from the previous quarter.

1.1 Consumer price index

In the third quarter of 2013, the average annual inflation rate was 4.0 percent, by 1.2 percentage points lower than in the previous quarter. After a two-month period when it stood above the inflation target, in July, August and September 2013 the annual inflation rate has returned to the lower band of the range of 5.0 percent ± 1.5 percentage points, recording values of 4.3, 3.7 and 3.9 percent, respectively. Thus, the annual inflation rate continues to meet the objective set in the Medium-term monetary policy strategy for more than 20 consecutive months.

Similar to previous periods, the annual core inflation stood in the lower band of the inflation target range. However, there is a slight upward trend started at the end of this year. Thus, core inflation increased from 3.6 percent in September 2012 to 4.4 percent in September 2013.

Chart 1.1: The annual rate of CPI and core inflation (%)



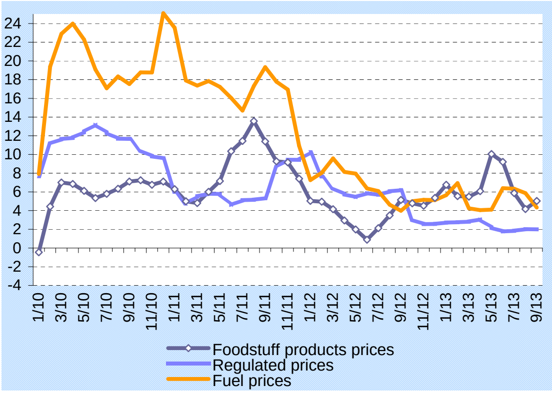
Source: NBS, NBM calculus

The decrease of the annual rate of CPI was mainly due to reduced inflationary pressures from food prices as a result of a rich harvest of fruits and vegetables this summer. A slight increase in their positive contribution to the CPI dynamics has been recorded in September, along with cooler and rainy weather conditions. Thus, food prices contributed with about 1.9 percentage points to the CPI dynamics, a significantly lower contribution than in the previous quarter. Core inflation generated almost a similar contribution (1.2 percentage points) to the previous quarter.

This slight increase is more the result of the national currency's depreciation, the domestic demand continuing to be modest. The contribution of regulated prices to the CPI dynamics declined marginally compared to the previous quarter, representing 0.6 percentage points. The contribution from fuel prices was similar to the previous quarter and represented 0.3 percentage points.

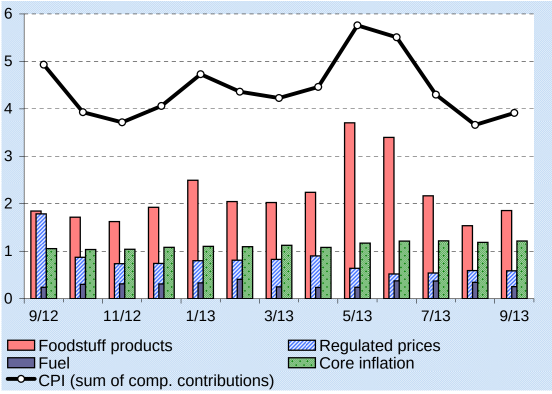
Within the components structure, in September 2013 compared to September 2012, foodstuff prices (5.0 percent) recorded the largest increase, followed by non-foodstuff products (4.3 percent) and services (2.1 percent).

Chart 1.2: Annual rate of inflation subcomponents (%)



Source: NBS

Chart 1.3: Evolution of annual inflation and subcomponents contribution (p.p.)



Source: NBS, NBM calculus

Box no.1

The main features of the inflation targeting regime

In 2010, to ensure its basic objective of maintaining and ensuring price stability, the NBM began to set quantitative targets for annual inflation, which was a necessary precondition of transition to the inflation targeting regime. Thus, according to the monetary policy strategy of the National Bank of Moldova for 2010-2012, for 2010 it aimed to steer inflation to the level of 5.0 percent with a possible deviation of ± 1.0 percentage points. In the period 2011 - 2012, NBM aimed to ensure the inflation rate within the mid-single digit range. The actual transition to the regime of direct inflation targeting came with the publication of the Medium-term monetary policy strategy (approved by Decision of the Council of Administration no.303 of December 27, 2012). According to this strategy, NBM sets its inflation target of 5.0 percent annually, calculated based on the consumer price index, with a possible deviation of ± 1.5 percentage points.

Inflation targeting is a monetary policy regime that involves five main elements:

Inflation targeting regime

1) public announcement of numerical targets for inflation over the medium term

2) institutional commitment to price stability as the primary objective of the monetary policy, to which the others are subordinated

3) a comprehensive analysis and forecasting system that includes a variety of variables, not just monetary aggregates and the exchange rate, for monetary policy decisions

4) a transparent monetary policy strategy that involves communication to the public and the markets of the plans, objectives, rationale for central bank decisions

5) mechanisms by which the central bank is responsible to achieve the inflation target

In other words, inflation targeting does not only mean communication to the public of numerical values of inflation for the next year. The efficiency of such a monetary policy strategy is determined by the existence of the other four criteria and the assurance of their sustainability.

Thus, besides the fact that the numerical value of the medium-term inflation is communicated in the monetary policy strategy for the medium term, the other aforementioned elements are also met in the Republic of Moldova. The institutional commitment to ensure price stability is provided by the amendments to the Law on the National Bank of Moldova made in 2006. At the same time, the NBM has developed a comprehensive system of analysis and forecast of key macroeconomic variables in the short and medium term that includes a suite of techniques and econometric models and a dynamic general equilibrium model which are continuously re-estimated and recalibrated. The transparency criterion is ensured by publishing monthly releases on monetary policy decisions, press conferences and quarterly inflation reports showing the inflation evolution and forecast in the Republic of Moldova. At the same time, the NBM explains in its reports the main factors that determine the actual inflation deviation from the forecast, showing its accountability for the undertaken commitment.

The adoption of this strategy can be justified by the advantages it possesses compared to targeting the exchange rate or monetary aggregates. Thus, inflation targeting enables monetary policy to focus on domestic situation and react to both external and domestic shocks. Inflation targeting enables the monetary authority to make use of all the information, not just the information contained in several indicators, to determine the time and intensity of its actions. At the same time, the monetary policy regime has the advantage of being easier to understand by the public and, thus, being more transparent.

	Year of adoption of the inflation targeting regime	**The inflation target for 2012, %**	**Average inflation in 2012, %**
Moldova	***2010*/2013***	5.0 ±1.5 percentage points	4.6
Romania	***2005***	3.0 ±1.0 percentage points	3.33
Czech Republic	***1997***	2.0 ±1.0 percentage points	3.3
Poland	***1998***	2.5 ±1.5 percentage points	3.7
Hungary	***2001***	3.0	5.7

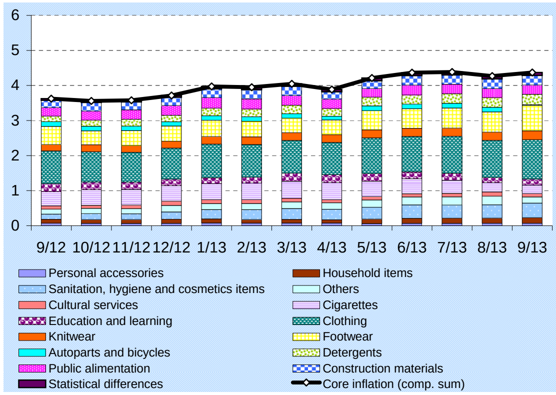
* establishment of the quantitative inflation target

Although NBM has recently switched to this monetary policy regime and has less experience than other countries in the region (see table), it has managed to develop the main elements of this regime and through its instruments to direct the inflation towards its target in the medium term. Thus, in the last three years, the NBM managed to ensure the disinflation trajectory of the annual CPI rate, so that starting with February 2012 until now, it always has fallen within the range of ± 1.5 percentage points from the target of 5.0 percent as stipulated in the Medium-term monetary policy strategy.

Core inflation index

The annual growth rate of core inflation has registered a slight upward trajectory in the third quarter of 2013, increasing from 4.2 percent in the second quarter of 2013 up to 4.3 percent in the reporting period, an evolution driven by factors identical to the previous quarter. Thus, in the third quarter of 2013, the influence from the components "footwear", "clothing" and "articles of sanitary, hygiene and cosmetics" has increased, while the influence of the component "cigarettes" has decreased.

Chart 1.4: Components contribution to the annual growth rate of core inflation (p.p.)



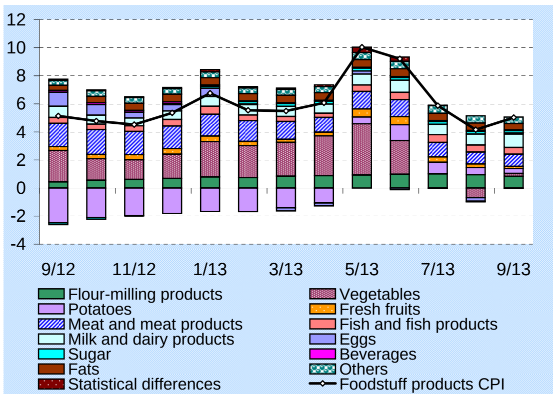
Source: NBS, NBM calculus

The depreciation of the MDL against the USD (by 3.1 percent from the second quarter of 2013) and against the EUR (by 4.6 percent from the second quarter of 2013) contributed to the increase in core inflation in the analyzed period. However, despite this depreciation, the core inflation recorded a modest growth rate, giving evidence to the lack of significant inflationary pressures from domestic demand.

By groups of goods and services, the core inflation growth in September 2013 compared to September 2012 was generated mainly by price increases of "clothing", "footwear" and "articles of sanitary, hygiene and cosmetics" by 5.3, 5.4 and 3.7 percent, respectively. Significant contributions, but of lower intensity, were determined by the increase of prices of "public alimentation", "building materials" and "detergents" by 3.7, 4.1 and 3.7 percent compared to September 2012 (Chart 1.4).

Food prices

Chart 1.5: Components contribution to the annual growth rate of food prices (p.p.)



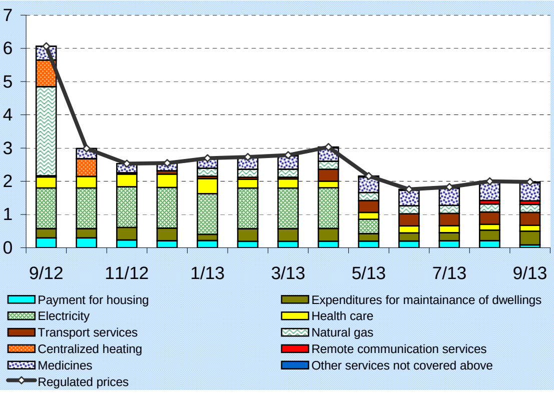
Source: NBS, NBM calculus

Compared with the second quarter of 2013, the annual rate of food prices recorded a pronounced slowdown in the third quarter of 2013. The average annual rate for the third quarter of 2013 (5.0 percent) was by 3.4 percentage points lower than in the second quarter of 2013. This dynamic of the annual rate was determined mainly by the disappearance of the positive contribution generated by the group "vegetables", due to a sharp decrease in vegetable prices as the effect of a rich market offer (Chart 1.5).

Favorable weather conditions in the spring and summer of 2013 have helped to create a suitable environment for the development of crops. At the same time, the disinflationary pressures generated by international food prices have intensified in the third quarter of this year. Thus, in the third quarter of 2013 the annual growth rate of international food prices decreased by 8.8 percentage points compared with the previous quarter, recording an annual growth rate of minus 5.5 percent. The increase in annual terms of food prices in September 2013 was mainly due to the rise in prices of "milk and dairy products" (7.4 percent), "fats" (6.6 percent), "fish and canned fish" (6.5 percent), "milling and bakery products" (4.6 percent), and "meat and meat products"' (4.3 percent).

Regulated prices

Chart 1.6: Components contribution to the annual growth of regulated prices (p.p.)



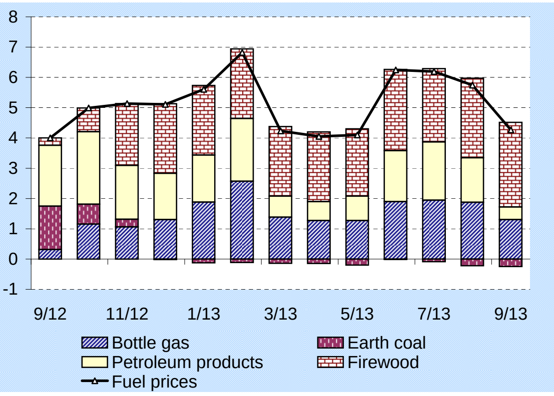
Source: NBS, calcule NBM

In the third quarter of 2013, the annual rate of regulated prices experienced a downward trend, recording the level of 2.0 percent, by 0.3 percentage points lower than in the previous quarter. This was due to the decrease of pressures from the subcomponent "electricity". At the same time, the dynamics of regulated prices was supported by the increased positive contribution from remote communication services and medications (Chart 1.6).

The increase of regulated prices in annual terms in the third quarter of 2013 was mainly determined by the price increase of medicines, public utilities and transportation, which increased by 3.3, 1.4 and 4.8 percent in September 2013 compared with the same month of the previous year. The increase in expenses for payment of utilities was driven by the tariff increase of water and sewerage by 11.1 percent, network gas by 1.8 percent, and housing payment by 1.1 percent.

Fuel prices

Chart 1.7: Components contribution to the annual growth in fuel prices (p.p.)



Source: NBS, NBM calculus

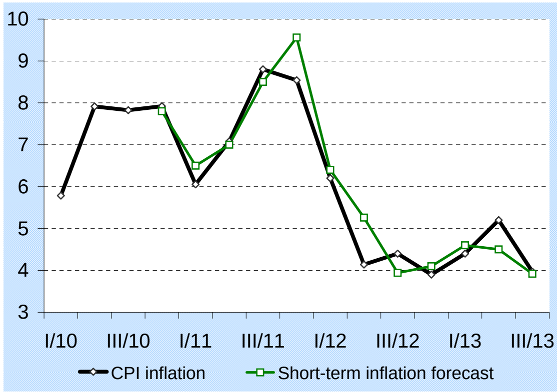
In the third quarter of 2013, the average annual growth rate of fuel prices was 5.5 percent, by 0.7 percentage points higher than in the previous quarter (Chart 1.7).

Acceleration of fuel prices increase in annual terms was driven largely by higher contribution of fuel prices and bottled gas prices. The annual rate of these components increased solely due to the effect of the base period. There were made no price increases in the marketing of gasoline, diesel fuel or liquefied gas during the analyzed period. However, oil price continued to rise in the third quarter of 2013, under the influence of the complex geopolitical situation in the Middle East and the U.S. declaration on a possible military operation in Syria. Thus, in the third quarter of 2013, Urals brand oil prices reached an average value of USD 110.1 per barrel, which represents an increase of 7.9 percent compared with the previous quarter. At the same time, the national currency has depreciated by about 3.1 percent against the U.S. dollar compared to the second quarter of 2013. These developments have led to the increase of fuel prices in October 2013. Firewood prices resulted in a significant influence on the dynamics of fuel prices, their contribution increasing in the third quarter of 2013 up to 2.6 percentage points. Earth coal contribution was negative for the tenth consecutive month. However, its intensity was reduced, which had a smaller impact on the annual growth rate of fuel prices.

1.2 Comparing forecasts of the Inflation Report no.3, 2013 with the inflation developments in the third quarter of 2013

Inflation in the third quarter of 2013 confirmed the assumptions stated in its forecast in the Inflation Report no. 3, 2013. The average annual rate for this period (4.0 percent) is only by 0.1 percentage points higher than anticipated. At the same time, this means that the cold weather recorded in September, along with the monetary policy measures undertaken in the last two months, have neutralized the pronounced disinflationary risks identified in the previous round of forecast, driven by the modest domestic demand, but also by the larger harvest this year that could have lead the inflation to fall temporarily outside its target starting with August and September 2013. The lack of significant deviations of the main subcomponents of the CPI from the projection should be mentioned. In this regard, the average annual growth rate in the third quarter of 2013 of food prices, regulated prices and fuel prices represented 5.0, 2.0 and 5.5 percent respectively, only by 0.1 percentage points higher than expected. Core inflation recorded a negative deviation of 0.2 percentage points from the expected 4.5 percent.

Chart 1.8: Evolution and forecast of CPI since the implementation of inflation targeting regime (%)



Source: NBM

Table 1.1: Evolution and forecast of CPI and its components

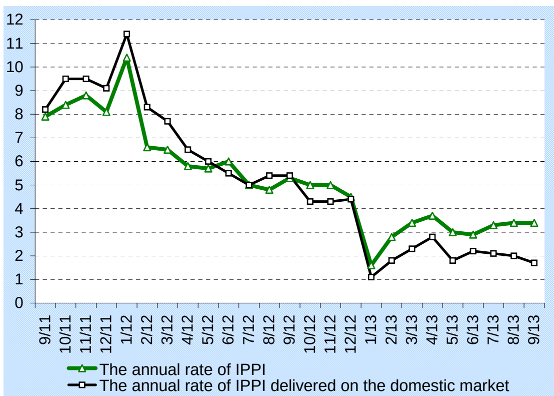
	De facto	Forecasted (IR no.3,2013)
	Q III,2013/ Q III,2012	Q III,2013/ Q III,2012
CPI	**4.0**	**3.9**
Core inflation	4.3	4.5
Foodstuff products	5.0	4.9
Regulated prices	2.0	1.9
Fuel	5.5	5.4

Source: NBS, NBM calculus

1.3 Industrial production price index

The annual growth rate of industrial production price index in the third quarter of 2013 was 3.4 percent, by 0.2 percentage points higher than in the previous quarter. In July 2013 it reached the level of 3.3 percent, thus reversing its downward trend recorded in the previous quarter, while in the next two months recorded similar growth rates of 3.4 percent (Chart 1.9). Within the structure, in September 2013, manufacturing prices recorded the largest increases in annual terms - by 4.2 percent. Extractive industry prices recorded a more modest growth (1.1 percent), while prices

Chart 1.9: Annual rate of IPPI (%)

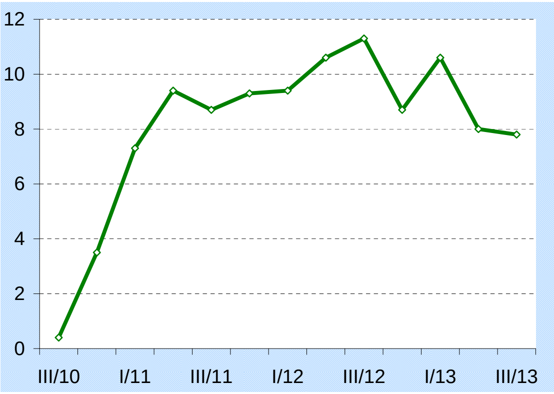


Source: NBS

of the energy sector decreased by 2.4 percent. It should be mentioned that during the last year prices of products supplied to foreign markets have constantly exceeded the prices of products supplied to domestic market. This development was due to the depreciation of the national currency on an annual basis against the currencies of major trading partners.

The acceleration of the IPPI annual growth rate during the third quarter of 2013 was influenced solely by the increase of prices of products supplied to foreign markets, as prices of products supplied to domestic market decreased by 0.4 percentage points compared to the previous quarter.

Chart 1.10: Evolution of construction price index (%, versus the same period of the previous year)



Source: NBS

1.4 Construction prices

In the third quarter of 2013, the annual growth rate of construction prices represented 7.8 percent, decreasing by 0.2 percentage points compared to the previous quarter (Chart 1.10).

Within the structure of the national economy, the largest increases in the third quarter of 2013, compared to the third quarter of 2012, were recorded in the following sectors: “housing construction” (10.7 percent), “other constructions” (8.9 percent), “agriculture” (8.5 percent), “trade and public alimentation” (7.8 percent) and “manufacturing” (7.7 percent).

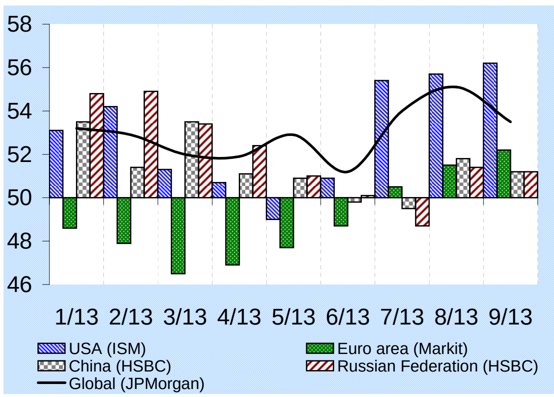
Chapter 2

External environment

After a lull in the financial markets, the autumn has brought attention to several issues which strongly influenced the global economy. Thus, the last few weeks have been rich in events that influenced the evolution of the main macroeconomic indicators. Among the most important centers of financial distress there should be mentioned the Syrian conflict worsening, which resulted in a significant increase in oil prices and the delay of ending the monetary stimulus program of the Federal Reserve System (Fed) in conjunction with the deepening problems of U.S. public debt, which constituted the basis for the significant depreciation of the U.S. dollar, while the opposite was expected. Also, special attention was paid to monetary policy, especially in emerging economies, given that several currencies have depreciated significantly against the background of massive capital outflows. It should be mentioned that inflation in most economies is relatively low as a result of lower demand and lower food prices. At the same time, the euro area is gradually coming out of recession, which was the basis for optimism in financial markets.

The improvement of external macroeconomic environment was reflected in the **PMI indexes** increase both globally and for the major economies separately. To note that after a long period, the PMI indexes for the euro area exceeded the level of 50, thus supporting the continuing growth recorded in the second quarter of 2013. In China and Russia the indexes have fluctuated contradictorily from month to month, which reflected the indolence of developments of the respective economies. Overall, the PMI index at the global level (JP Morgan Global PMI) rose sharply in July and August as a result of positive statistics of the United States and the euro area, and recorded a slight decline in September on the background of deepening problems related to public debt in the United States (Chart 2.1). In the third quarter of 2013, the **U.S. dollar** depreciated against the **European single currency** on average by 1.4 percent compared to the previous quarter. The evolution was driven by positive euro area statistics in correspondence with the postponement of the limitation of asset purchase program by the Fed and deepening public debt problems of the United States of America. It should be mentioned

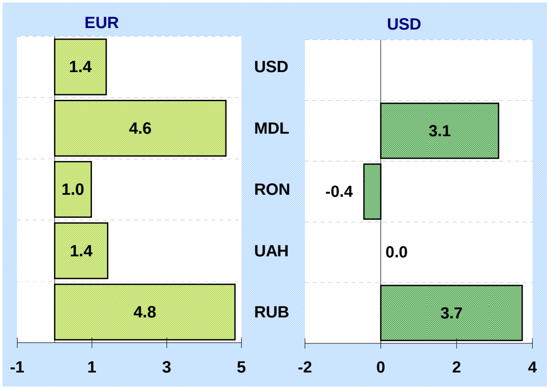
Chart 2.1: Evolution of PMI indexes*



Source: Bloomberg

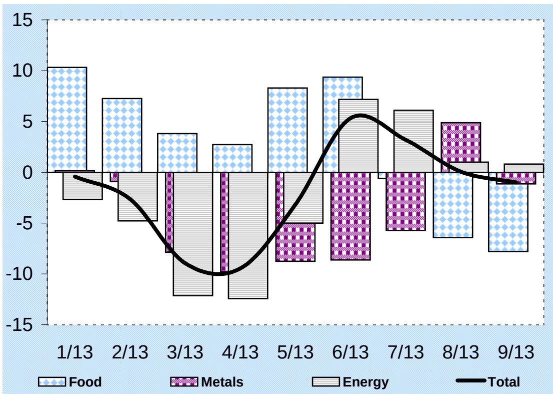
*Composite Purchasing Manager's Index

Chart 2.2: Average exchange rate appreciation (-) / depreciation (+) in QIII, 2013 of MDL, RON, RUB, UAH against USD and EUR compared to the previous period (%)



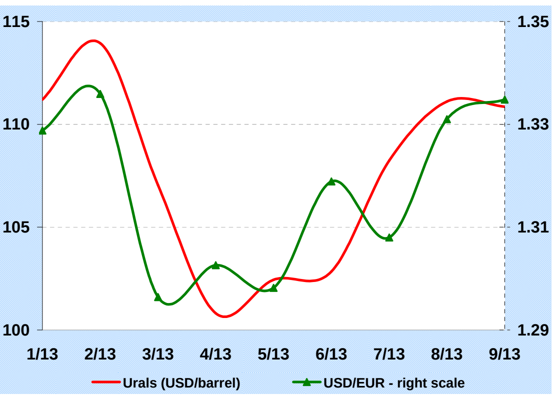
Source: ECB, NBM, NBR, CBR, NBU

Chart 2.3: The annual growth rate of world price indexes (%)



Source: IMF

Chart 2.4: Evolution of the average monthly oil price and exchange rate of USD/EUR



Source: Bloomberg, BCE, NBM calculus

that the currencies of neighboring countries have depreciated against the EUR, while against USD had a mixed evolution, the RON appreciated on average by 0.4 percent and the RUB depreciated on average by 3.7 percent. Although oil prices were relatively high in the analyzed period, they did not support the RUB, which is contradictory to the known correlation between these two variables (Chart 2.2).

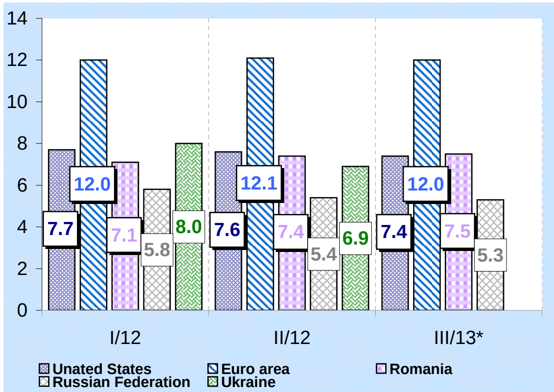
Expectations of the harvest of the main agricultural areas this year proved out, so food prices have been significantly reduced in recent months. At the same time, metals and energy prices remain low, given that global demand is recovering slowly. Thus, according to the IMF data, the **international prices** decreased on average by 0.7 percent in the third quarter of 2013 compared with the same period of the previous year, but increased by 3.2 percent compared with the second quarter of 2013, due to the slight increase in metals prices and significant increase in energy prices (Chart 2.3).

As a result of the predominance of upside factors, **international oil prices** in the third quarter of 2013 have advanced significantly, the average price for Urals[1] brand oil being USD 110.1 per barrel. Thus, along with the U.S. dollar depreciation, the increase of oil prices on international stock exchanges were influenced by a significant increase in the premium risk on the background of deep tensions in the Syrian conflict, the violence in Egypt and production disruptions in Libya. The positive statistics in the United States and the euro area have also contributed to rising oil prices. The resumption of the dialogue between Iran and the U.S.A. on the Iranian nuclear program has influenced the oil prices reduction, international markets already anticipating the possibility of lifting the embargo on Iranian oil imports. Also, issues related to the deepening of the U.S. debt crisis and rising oil reserves in the U.S. have contributed, in part, to the decrease in oil prices, especially since the second half of September (Chart 2.4). According to "Moldovagaz", the import price of natural gas in the second quarter of 2013 was USD 386.3 per 1000 m^3, which represents an increase of 0.3 percent compared with the previous period. For the third quarter of 2013, the import price of natural gas is estimated at USD 372.7 per 1000 m^3. Global trends show that the unemployment rate is slightly declining in many economies, which is probably a sign of the resumption of economic growth. In the United States, the unemployment rate continued its downward trend recording in August the level of 7.3 percent. The unemployment rate in the euro area decreased slightly to the level of 12.0 percent in August 2013. The unemployment rate in the Russian Federation decreased on the backdrop of increased seasonal employment, while in Romania it increased slightly to the level of 7.5 percent (Chart 2.5).

[1] Ministry of Economic Development of the Russian Federation

The economy of the **United States of America** recorded an advance of 0.6 percent in the second quarter of 2013 from the previous period and 1.6 percent from the same period of the previous year (Table 2.1). Macro statistics of recent weeks show further economic development according to the trends recorded in recent quarters. The unemployment rate in August fell to the level of 7.3 percent, the annual inflation rate reached the level of 1.5 percent and industrial production rose by 2.7 percent compared with the same period last year. At the same time, the Fed postponed in September the limitation of asset purchase program, contrary to the expectations of experts, which led to the depreciation of the U.S. dollar. The failure to approve the public budget by the Congress was another problem in the American economy, which led to the freezing of tax allowances and unemployment in the budgetary sector. On October 17, 2013 after weeks of talks, the U.S. Congress found a common ground, raising again the debt ceiling.

Chart 2.5: Unemployment rate in the U.S., euro area and neighboring countries (%)



Source: Eurostat (euro area and Romania – seasonally adjusted series), Russia's Federal Statistics Service, State Statistics Service of Ukraine.
*arithmetic average for July and August 2013

After a long period of crisis, the **euro area** economy is recovering slowly and gradually. For the second quarter of 2013, Eurostat estimated a GDP growth of 0.3 percent from the first quarter of 2013 (seasonally adjusted). As compared to the same quarter of the previous year, gross domestic product contracted by 0.6 percent (Table 2.1). The latest statistics on euro area economy show a chaotic development of indicators in industry and construction, reflecting the fragility of resumption of economic growth. At the same time, the unemployment rate is slightly decreasing, the unemployment rate in the euro area being estimated at 12.0 percent for August. The PMI indexes for the euro area show a relatively satisfactory development of the business environment for all months of the third quarter of 2013, the respective indicators exceeding the level of 50. Although the problems of debt crisis persist, particularly in Greece, recent improvements have led organizations to reduce the level of euro area economic contraction for 2013 and, respectively, to increase the forecasted GDP for 2014.

The pace of economic activity in **Romania**, although slightly tempered, is stable and one of the most advanced among the EU countries. In the second quarter of 2013, the gross domestic product of Romania grew by 0.5 percent compared with the previous quarter (seasonally adjusted) and by 1.5 percent compared to the same period of the previous year (Table 2.1). The significant agricultural output and the significant exports growth served as basis for the economic advancement in the second quarter of 2013 and these are expected to also have a significant contribution to the GDP growth in the third quarter of 2013. In the period from July to October 2013, the NBR lowered the monetary policy rate three times, from 5.25 to 4.25 percent, thus anticipating the deflationary pressures from agricultural prices. In September 2013, the annual inflation totaled 1.9 percent, decreasing from 3.7 percent in August 2013.

Table 2.1: Evolution of GDP in 2013*

	quarterly growth rate		annual growth rate	
	Q I	Q II	Q I	Q II
USA	0.3	0.6	1.3	1.6
Euro area	-0.2	0.3	-1.2	-0.6
Germany	0.0	0.7	-0.3	0.5
France	-0.1	0.5	-0.5	0.4
Romania	0.4	0.5	2.3	1.4
China	1.6	1.7	7.7	7.6
Russian Federation	-0.2	-0.3	1.6	1.2
Ukraine	0.6	-0.5	-1.1	-1.3

Source: Eurostat, Eurostat, NSOs
*based on seasonally adjusted series of statistical offices, except for annual growth in China, Russian Federation and Ukraine, which according to the rigorous methodologies are based on unadjusted gross series.

Like many other emerging economies, the economy of the **Russian Federation**, continued to be clearly affected by the unsatisfactory developments in the external environment. Thus, in the second quarter of 2013, gross domestic product of the Russian Federation registered for the second consecutive quarter a negative quarterly rate of minus 0.3 percent (seasonally adjusted). Compared to the same period last year, gross domestic product grew by 1.2 percent (Table 2.1). Increased consumption of the population continued to be the basis for the economic progress, while the government expenditure and gross capital formation was in decline. The statistics of the months July to September 2013 indicate no significant changes, the main industry indicators showing the persistence of the precarious situation and the agriculture output remaining satisfactory as expected. At the same time, the decline in the annual inflation rate in September up to 6.1 percent, due to the reduction in food prices, could provide an impetus to review the monetary policy of the Central Bank of the Russian Federation in the near future, which could help to increase domestic demand. Another phenomenon characteristic for the Russian economy in recent months is the significant depreciation of the Russian ruble against the backdrop of massive capital outflows, the relatively high oil prices being not enough, as in the past, to maintain the level of the Russian ruble.

Poor conditions of the external environment and the postponement of internal reforms in **Ucraina** led to a decline in economic activity in the first half of 2013, real GDP falling by 1.1 and 1.3 percent in the first and second quarters compared to the same period last year (Table 2.1). Reduced external demand for metals and engineering products has caused the decline of industrial production in the period January – August 2013 by 5.2 percent from the same period of the previous year. The decline in industrial production was partially offset by the relatively good results in agriculture and retail. Domestic consumption is steadily growing, but the growth rate is lower compared to last year, which can be deduced from the slowdown in the growth rate of retail sales compared with the same period last year, from 12.0 percent in January 2013 to 6.7 percent for the period January – August 2013. Inflation has remained low, due to the decline in domestic food prices, postponement in tariff adjustment and maintaining the UAH/USD exchange rate level. Following the policy of the National Bank of Ukraine (NBU), in late September 2013, the NBU's foreign exchange reserves fell to USD 21639 million (a level that covers 2.4 months of imports[2]).

[2]World Bank – Ucraine Economic Update, October 7, 2013

Chapter 3

Economic developments

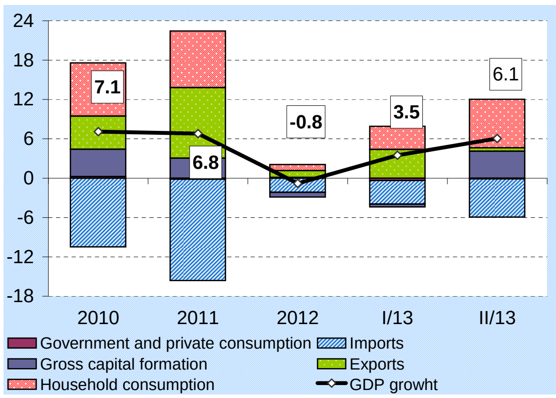
3.1 Demand and output

After a 3.5 percent growth in the first quarter of this year, the economic growth became more pronounced in the second quarter of 2013, GDP increasing by 6.1 percent over the same period last year. Thus, the Moldovan economy grew by 4.9 percent in the first half of the year. In the second quarter of 2013, the positive dynamics was driven by the domestic demand, the external demand having less influence. The significant impact of industry has been considered a positive moment. Despite positive developments after the drought last year, the agriculture has not yet generated a significant contribution to the GDP growth. The trend of depreciation of the national currency against the currencies of major trading partners in the first half of this year had a stimulating effect on the national economy branches and cut the negative impact of a less favorable external environment characteristic for the reporting period. In this way, the depreciation of the national currency determined the increase of the volume of remittances denominated in MDL and tax revenue and had a positive effect on net exports.

Demand

In terms of uses (Chart 3.1), unlike the previous period, in the second quarter of 2013, the positive development of the economy was mainly driven by domestic demand. In this way, the final consumption of households increased by 7.8 percent, on the background of increased funding sources, generating the largest contribution to the GDP growth. Investments had a significant impact on the GDP growth (similar to that of 2010), which was mostly due to positive evolution of component changes in inventories. Gross fixed capital formation registered a modest growth (3.0 percent).

Chart 3.1: Contribution of demand components to GDP growth (p.p.)



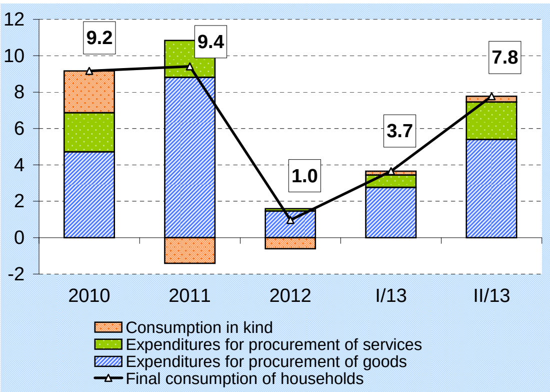
Source: NBS, NBM calculus

Government final consumption for the second consecutive quarter recorded negative growth rates. Thus, it fell by 0.4 percent, but the negative contribution to the GDP growth was insignificant. As specific for the economy of the Republic of Moldova, the augmented domestic demand has resulted in increased imports, which were higher by 6.7 percent in the second quarter of 2013, contributing to the slowdown of the annual GDP growth by 5.9 percentage points. It should be mentioned that, unlike the previous quarter when external demand contributed significantly to the revival of economic activity, in the second quarter of 2013, the exports grew significantly lower (1.2 percent), thus generating a contribution of only 0.5 percentage points.

Household consumption demand

In the second quarter of 2013, the annual household consumption grew by 7.8 percent, by 4.1 percentage points higher than in the first quarter of 2013. Thus, this dynamics generates signals of further revival in domestic demand after the sharp slowdown in the previous year. The positive dynamics of the annual rate of household final consumption has been determined by the increase in consumption in all forms.

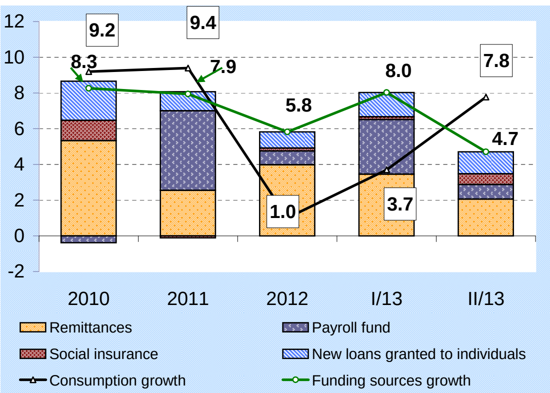
Chart 3.2: Components contribution (p.p.) to the households final consumption growth (%)



Source: NBS, NBM calculus

The acceleration of the annual household consumption in the second quarter of 2013 was mainly influenced by the development of expenditure for procurement of goods, which increased in the period by 8.8 percent, generating a contribution of 5.4 percentage points (Chart 3.2). Expenditure for procurement of services increased by 7.3 percent compared with the second quarter of the previous year, but in the context of lower weights their contribution was significantly reduced compared with that of the expenditure for procurement of goods (2.1 percentage points). It should be mentioned that for the second consecutive quarter the consumption in kind generates positive contributions, though still small, to the formation of the annual rate of household consumption, as the effect of the agricultural sector revival after the drought of 2012. Thus, the annual rate of consumption in kind has increased by 2.8 percent in the second quarter of 2013, generating a contribution of 0.3 percentage points. The annual growth rate of consumption financing sources in the second quarter of 2013 (Chart 3.3) recorded a level of 4.7 percent, by 3.3 percentage points lower than in the first quarter of 2013. It should be mentioned that, after a five quarters period when the growth rate of consumption financing sources was much higher than that of household consumption, in the second quarter of 2013 it registered a reverse situation.

Chart 3.3: Contribution of funding sources (p.p.) to the growth of real household consumption (%)



Source: NBS, NBM calculus

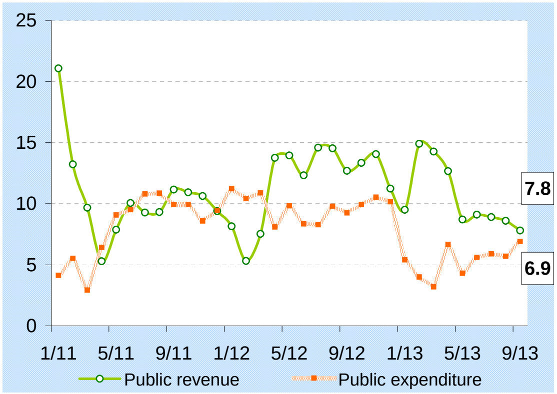
The increase in funding sources on an annual basis by 4.7 percent was mainly supported by the real growth of remittances and new loans to individuals by 5.9 and 20.4 percent, respectively, thus generating contributions of 2.1 and 1.2 percentage points. As compared to the first quarter of 2013, the contribution from the wage bill has significantly decreased, which in the reporting period recorded a modest growth (1.9 percent), generating a contribution of 0.8 percentage points. Payments related to social insurance rose by 3.6 percent, thus generating a positive contribution of 0.6 percentage points.

Public sector

Budget execution

According to data provided by the Ministry of Finance, during the months of January to September 2013, government revenues amounted to MDL 25808.9 million and exceeded by 7.8 percent the revenues accrued in the same period of 2012 (Chart 3.4). Revenues collected in the first nine months of this year were lower than originally anticipated, covering 96.5 percent of them. In real terms, revenue growth was 3.1 percent annually, far below the growth in 2012, when it was 7.4 percent. Most taxes were collected from tax revenues, which accounted for 89.5 percent of total revenue and grew by 13.3 percent over the previous year. Tax revenues were largely made up of direct and indirect taxes, which accounted for 44.5 percent and 53.0 percent, respectively, of these revenues.

Chart 3.4: Dynamics of public revenue and expenditure (annual growth %)

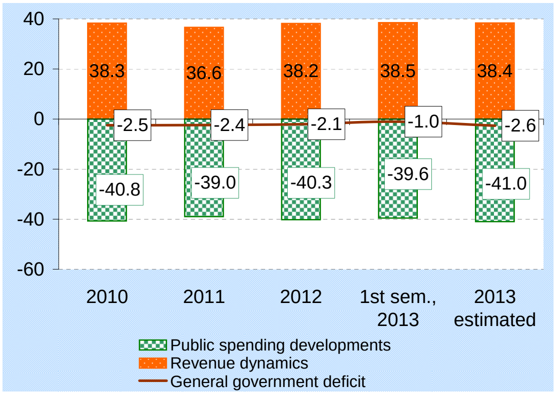


Source: Ministry of Finance

In the first 9 months of 2013, foreign assistance allocated to finance the budgetary spending decreased to MDL 722.6 million or by 38.1 percent less than in the same period of 2012. General government expenditure for January – September 2013 totaled MDL 26451.4 million, registering an increase of 6.9 percent over the same period last year. The evolution of public expenditure has contributed to their execution in the proportion of 87.4 percent compared to the previously planned expenditure. The increase in public expenditure adjusted to price trends show an increase of only 2.3 percent annually, which is net lower than the 4.2 percent recorded in the same period of 2012. Of the total expenditures, the social-cultural programs (69.4 percent) held the largest share, other areas receiving a more modest funding.

For the analyzed period, the national public budget execution resulted in a decrease in the deficit by 20.5 percent compared to the same period last year, representing a negative balance of MDL 642.5 million.

Chart 3.5: The evolution of general government indicators as a share in GDP (%)



Source: Ministry of Finance, NBM calculus

According to the operative data, the general government deficit share in GDP was 1.0 percent in the first half of 2013, decreasing by 1.1 percentage points from the annual deficit recorded in 2012. Improving deficit was a result of more efficient management of public expenditure, given that their share in GDP was 39.6 percent, down by 0.7 percentage points, and increased revenue by 0.3 percentage points up to 38.5 percent, which had a positive contribution to the deficit contraction during the period of January to June 2013 compared with 2012 (Chart 3.5).

At the same time, based on the Ministry of Economy and the Ministry of Finance forecasts for 2013 on revenue collection and allocation of public expenditure in 2013, it is estimated that the budget gap will widen by the end of the year, when it will be 2.6 percent of GDP.

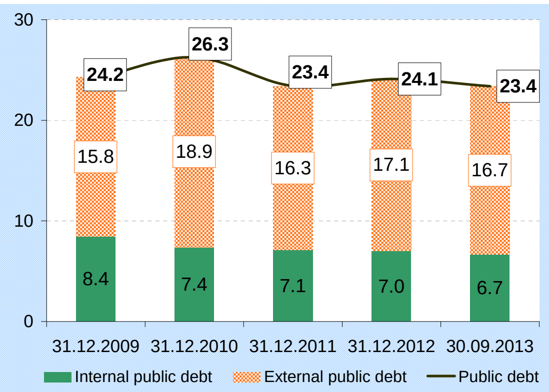
State debt

On September 30, 2013, the Republic of Moldova debt balance was MDL 22822.7 million and consisted of external state debt (71.4 percent) and domestic state debt (28.6 percent). Compared with the beginning of the year, state debt increased by MDL 1637.9 or by 7.7 percent, this increase being due to the rise in domestic state debt (with a contribution of +1.8 percentage points) and external debt (with a contribution of +5.9 percentage points).

Since early this year, the balance of external state debt has increased by approximately MDL 1261.4 million, representing MDL 16287.2 million at the end of September 2013.

During the same period, external state debt denominated in foreign currency increased by USD 12.1 million compared to the beginning of 2013, reaching the level of USD 1257.7 million, largely as a result of exchange rate fluctuations of the U.S. dollar against other foreign currencies.

Chart 3.6: State debt as a share in GDP (%)



Source: NBM

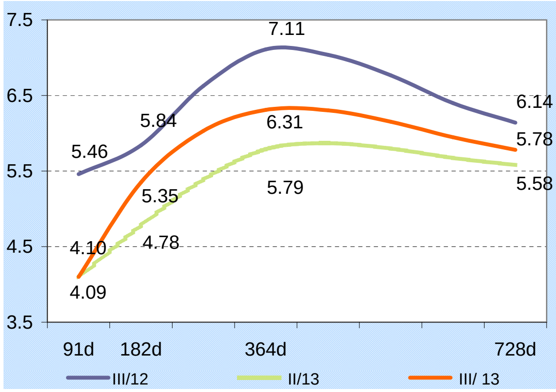
As of September 30, 2013, domestic state debt amounted to MDL 6535.5 million, exceeding by 6.1 percent or by MDL 376.5 million the balance recorded at the beginning of this year. Domestic state debt was composed of SS issued in the primary market (65.2 percent), converted SS (31.6 percent) and SS for financial stability (3.2 percent).

The ratio of the balance of state debt to GDP estimated for 2013 accounted for 23.4 percent as of September 30, 2013 or by 0.7 percentage points less than in late 2012. The reduction of state debt was due both to the smaller share of external debt of GDP by 0.4 percentage points up to 16.7 percent and to the reduction of domestic debt by 0.3 percentage point up to 6.7 percent of GDP (Chart 3.6).

SS yield curve

In the third quarter of 2013, the volume of SS traded in the primary market amounted to MDL 1881.3 million, by 0.7 percent less than in the second quarter of 2013. The decrease of SS sold was due to the fact that the Ministry of Finance put into circulation during the third quarter of 2013 96.0 percent of the bid, while in the second quarter of 2013, the volume of SS sold equaled to 100.7 percent of the initial offer. The ratio between supply and demand in the third quarter of 2013 was 1.51, lower than in the previous quarter, when demand exceeded supply by 1.78 times. The announced volume of SS for sale was MDL 1960.0 million, by 4.1 percent over the amount announced in the second quarter of 2013.

Chart 3.7: SS yield curve (%)



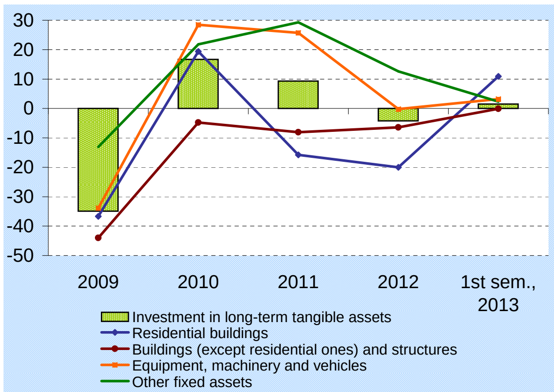
Source: NBM

The average effective interest rate on treasury bills with a maturity of 91 days was 4.1 percent during the third quarter of 2013, slightly higher compared to the previous quarter. Treasury bills of 182 days were sold at an average effective rate of 5.35 percent, while those with a maturity of 364 days at a rate of 6.31 percent, being placed above the actual average rate in the second quarter of 2013 by 0.57 and by 0.52 percentage points, respectively. Government bonds with a maturity of 2 years were sold at an average effective rate of 5.78 percent, registering an increase of 0.2 percentage points from the previous quarter. The treasury bills with a maturity of 182 days held the largest share in the volume of SS in circulation, accounting for 41.6 percent of total transactions, followed by treasury bills with a maturity of 364 days, the weight of which is increasing for two consecutive quarters, totaling 30.9 percent of the total in the third quarter of 2013. The share of treasury bills with a maturity of 91 days was 26.8 percent of the total. The volume of government bonds with the maturity of 2 years traded during the reference period totaled MDL 13.6 million or 0.7 percent of the volume of SS traded.

Investment demand

The annual rate of gross capital formation had a positive development in the first half of 2013, being determined both by the dynamic of changes in inventories component and by that of gross fixed capital formation. The latter increased by 4.5 percent compared to the corresponding period of 2012.

Chart 3.8: Investment in long-term tangible assets (%, versus the same period of the previous year)

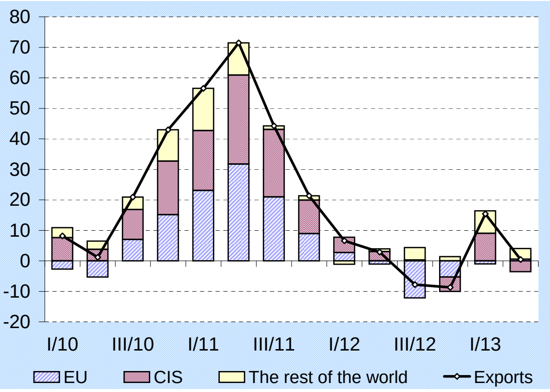


Source: NBS

This rate of growth was supported by higher construction costs (5.9 percent) and those for purchases of machinery and equipment (3.2 percent). In the second quarter of 2013, gross fixed capital formation increased by 3.0 percent, due to higher construction costs by 3.6 percent and those for machinery and equipment by 2.2 percent.

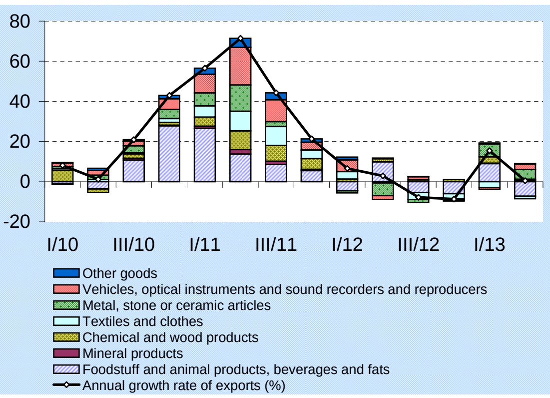
According to the information provided by the NBS, the investment in long-term tangible assets in the period of January to June 2013 increased by 1.5 percent from the same period of 2012 (Chart 3.8). The analysis of investment structure by types of fixed assets showed that the largest volume of investments were recorded by equipment, machinery and vehicles (46.1 percent of total investments), the investment in this area increased by 3.2

Chart 3.9: Evolution of exports annual rate (%) and contribution by categories of countries (p. p.)



Source: NBS, NBM calculus

Chart 3.10: Evolution of exports annual rate (%) and subcomponents contribution by groups of commodities (p.p.)



Source: NBS, NBM calculus

percent compared with the same period last year. Investment in construction of residential buildings has also evolved upwardly (10.9 percent). In the first six months of 2013, investment demand in the residential constructions turned positive, after negative records for 2 consecutive years. Investment in construction of non-residential buildings has also fallen on negative band, the volume of investments used in the construction of buildings (excluding those of housing) decreased by 0.1 percent compared to the first half of 2012. It should also be mentioned that in the first quarter of 2013 the situation has reversed for the residential and non-residential segments.

In terms of funding sources, to ensure investment needs, an important position was held by means of economic agents and population (64.7 percent of total investment), the value of which fell by 4.2 percent over the same period last year. However, the budgetary sources (47.3 percent) and means of foreign investors (61.4 percent) increased in the reporting period.

Net external demand[3]

In the second quarter of 2013, the annual growth rate of exports (expressed in U.S. dollars) has slowed down, thus decreasing by 15.0 percentage points compared to the previous quarter and recording a level of 0.4 percent.

This development was mainly influenced by the decrease in exports to CIS countries (8.7 percent), which generated a negative contribution of 3.6 percentage points. However, the volume of exports to the Rest of the world[4] (20.9 percent) and the EU (1.3 percent) has increased during the reporting period, which generated positive contributions of 3.5 and 0.6 percentage points, respectively (Chart 3.9). The increase of the volume of products exported to the Rest of the world countries was mainly due to the increase in the volume exported to Turkey by 3.6 times.

Analyzing the evolution of the annual rate of exports by group of commodities (Chart 3.10), it may be noted in the second quarter of 2013 the emergence of a significant negative contribution, generated by lower volume of goods exported of the group "foodstuff and animal products, beverages and fats" (17.8 percent). Thus, the reduction in the export volume for the agri-food sector was influenced by lower agricultural output in 2012 as a result of drought in the summer of that year.

However, positive contributions to the evolution of the annual rate of exports was generated from the groups "articles of metal,

[3]Quarterly data on the development of foreign trade of the Republic of Moldova, expressed in thousands of U.S. dollars, have been used.

[4]Rest of the world - countries that are not part of the EU and CIS.

stone or ceramic articles" and "vehicles, optical devices and sound recorders and reproducers", which generated contributions of 4.9 and 2.7 percentage points, respectively.

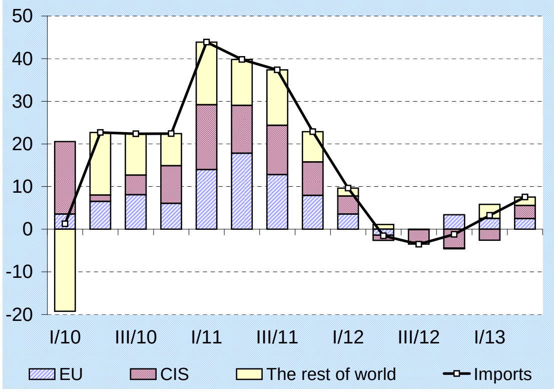
In the second quarter of 2013, as opposed to exports, the annual imports recorded a slight acceleration of 7.5 percent, by 4.3 percentage points higher than in the first quarter of 2013. This was due to the increase in imports from all groups of countries (Chart 3.11). It should be mentioned that after a period of four quarters when imports from CIS countries have generated a negative contribution to the annual growth rate of imports, in the second quarter of 2013 these have turned on the positive band with a contribution of 3.1 percentage points. At the same time, the imports from the EU and the Rest of the world have increased by 6.6 and 5.5 percent, generating contributions of 2.5 and 2.0 percentage points, respectively.

By groups of commodities (Chart 3.12), the acceleration of the annual growth rate of imports was mainly influenced by the increase in imports of "foodstuff and animal products, beverages and fats" and "mineral products" that have generated positive contributions of 2.3 and 1.9 percentage points, respectively. At the same time, negative contributions were generated by the groups "other goods" and "textiles and clothes" of 0.3 and 0.1 percentage points, respectively.

The annual rate of exports and imports recorded average annual growth rates of 11.9 and 7.0 percent during the first eight months of 2013. In the first two months of the third quarter of 2013, the annual growth of exports recorded a pronounced acceleration, thus registering an average annual rate of 25.9 percent (Chart 3.13). This acceleration was driven by the recovery of agriculture after the drought of 2012. It should be mentioned that in the period of January to August 2013 the exports of domestic goods increased by 24.9 percent compared to the same period of the previous year, as opposed to re-exports, which fell by 8.1 percent in the same period. The increase in exports during January – August 2013 compared to the same period last year was due to the increase in exports of goods to countries of all groups. Imports of foreign goods in the first eight months of 2013 rose more modest than exports, but higher than at the end of 2012.

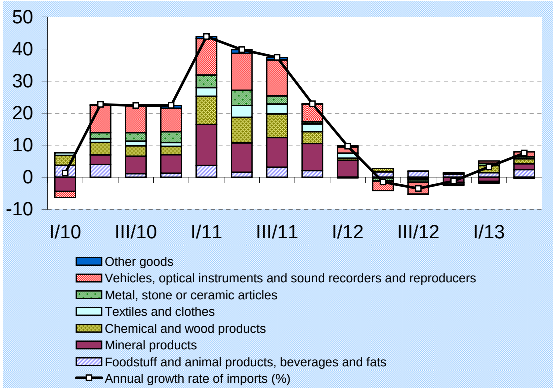
The coverage ratio of imports by exports in the analyzed period amounted to 43.4 percent, in contrast to the same period of the previous year, when the ratio reached 41.5 percent.

Chart 3.11: Evolution of imports annual rate (%) and contribution by categories of countries (p.p.)



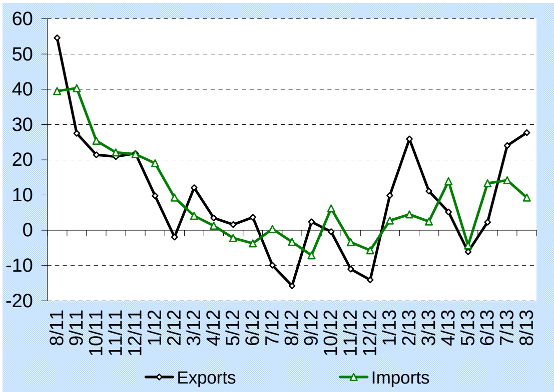
Source: NBS, NBM calculus

Chart 3.12: Evolution of imports annual rate (%) and subcomponents contribution by groups of commodities (p.p.)



Source: NBS, NBM calculus

Chart 3.13: Evolution in real terms of foreign trade (%, versus the same period of the previous year)

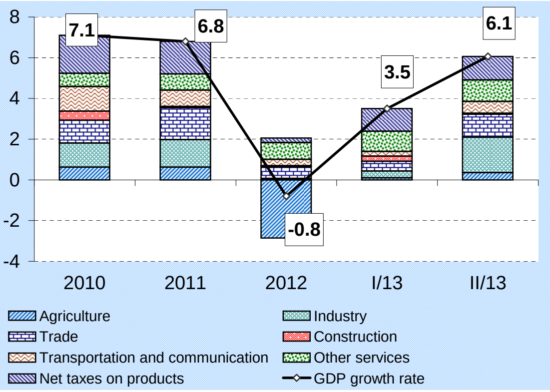


Source: NBS

Output

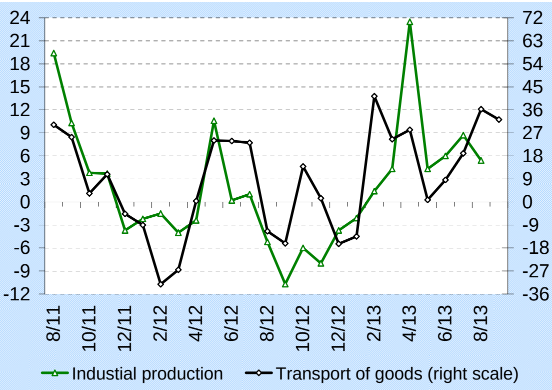
By categories of resources (Chart 3.14), the continuation of economic revival in the second quarter of 2013 was determined

Chart 3.14: Contribution of economy sectors to GDP growth (p.p.)



Source: NBS, NBM calculus

Chart 3.15: Evolution in real terms of industrial production and transported goods (right scale), (%,versus the same period of the previous year)



Source: NBS

Chart 3.16: Evolution of domestic trade (%, versus the same period of the previous year)

Source: NBS

by the positive developments from all sectors of the economy. Thus, after a period of nine months in 2012 in which agriculture has generated negative contributions to the annual growth of GDP, in 2013 it had recorded a positive development, though still modest, registering an increase in annual terms of 3.8 percent in the second quarter of 2013. It should be mentioned that industry generated a considerable contribution to GDP in the second quarter of 2013. GVA growth in industry was driven mainly by growth in manufacturing by 13.4 percent. At the same time, the extractive and energy sectors increased by 13.8 and 4.7 percent compared with the same period last year. As a result, the value added tax of the goods sector increased by 9.0 percent, generating a contribution of 2.0 percentage points to the GDP growth. At the same time, gross value added of services recorded an increase of 4.3 percent, mostly due to the development of "trade", "real estate transactions" (subcomponent "other services") and "transport and communications", which increased by 7.9, 5.8 and 5.8 percent, respectively. Net taxes on products increased by 6.7 percent in the second quarter of 2013 compared to the same period of the previous year, thus generating a contribution of 1.1 percentage points to the GDP (contribution similar to the first quarter of 2013). Operational data available for the first months of the third quarter of 2013 outline signals for recording an annual growth rate of GDP higher than in the second quarter of 2013.

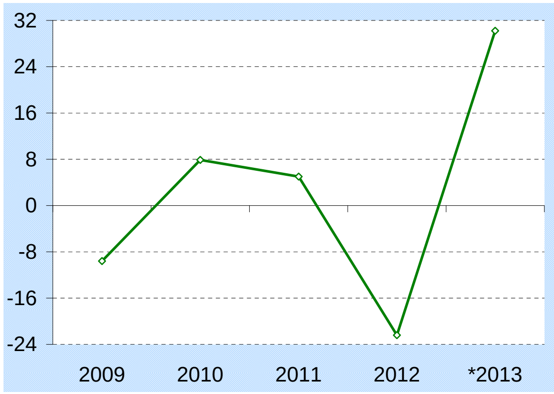
Thus, industrial production in all forms of property has increased in real terms by 6.3 percent in January – August 2013 from the same period of the previous year. In the first two months of the third quarter of 2013, the average annual rate recorded the level of 7.1 percent. This development was mainly driven by the increase in manufacturing (6.7 percent) and extractive (27.2 percent) industries.

In the first nine months of 2013, enterprises of railway, road, river and air transport have transported by 21.7 percent more goods compared to the previous year. This increase was due to increased volume of goods transported by all means of transport, except by air. It should be mentioned that the annual growth rate of freight transport increased in the third quarter of 2013 (Chart 3.15). Thus, it recorded the level of 29.2 percent, by 16.6 percentage points higher than in the second quarter of 2013. This development was mainly driven by agriculture revival after the drought last year, which helped to the increase of the transport of cereals and bakery products.

Turnover of enterprises, whose main activity is retail trade, recorded in July and August 2013 positive annual growth rates, but modest (0.6 and 0.4 percent, respectively). On the other hand, the turnover of the undertakings providing services recorded in the same period an average increase of 6.6 percent. It should be mentioned that, despite the fact that in the first months of the third quarter of 2013 compared with the second quarter of 2013 the annual growth rate of both trade in goods and services recorded a slowdown, these have stayed on the positive band. Thus, the contribution of these sectors to the GDP in the third quarter of 2013 is expected to be positive.

After the pronounced reduction in the volume of global agricultural production in 2012, in the first nine months of 2013 the analyzed indicator increased by 30.2 percent compared to the same period of the previous year (Chart 3.17). Thus, this development was driven by the 52.3 percent increase in crop production, due to favorable weather conditions. However, livestock production volume remained at the previous year's level.

Chart 3.17: Global agricultural production (%, versus the same period of the previous year)



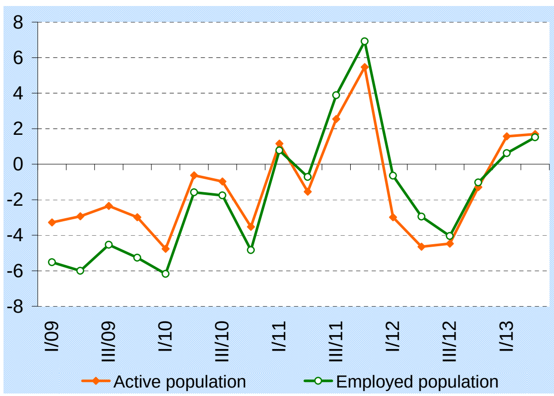
Source: NBS
*January – September, 2013

The increase of crop production in the reporting period was mainly influenced by the increase of grain yield (2.0 times), but also of barley (1.8 times). At the same time, recording a void annual growth rate of livestock production volume occurred as a result of registration of modest growth rates of milk production (1.3 percent) and eggs (2.0 percent), which were attenuated by the decrease of the production of bovines and poultry by 0.9 percent. With a relatively modest dynamic of the global agricultural production in the first half of the year, the pronounced growth rate is mainly due to its development in the third quarter of 2013.

3.2 Labor market

In the second quarter of 2013, both employment and unemployment increased. As a result, the unemployment rate increased by 0.2 percentage points compared to the second quarter of 2012, while the economically active population increased by 1.7 percent. In July – August 2013, the annual growth rate of the average real wage in the economy was 5.2 percent, significantly higher than in the second quarter of 2013.

Chart 3.18: Economically active population and employment

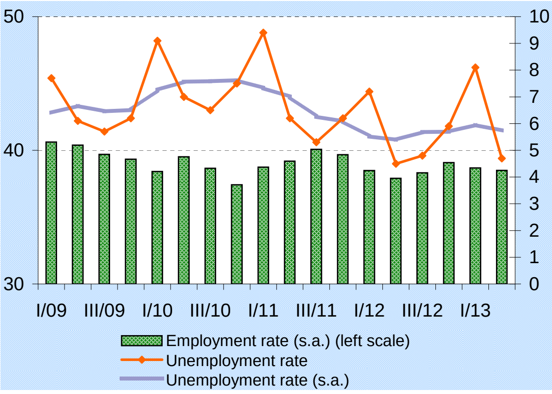


Source: NBS, NBM calculus

Workforce

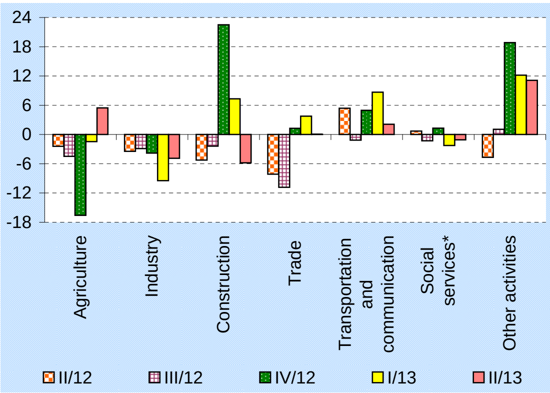
In the second quarter of 2013, the number of employed persons increased by 1.5 percent compared with the same period last year. However, the number of unemployed persons was by 3200 persons higher than in the second quarter of 2012. The unemployment rate was 4.7 percent, by 0.2 percentage points higher than the same period of the previous year (Chart 3.19). The increase of

Chart 3.19: Evolution of the unemployment and employment rate (%)



Source: NBS, NBM

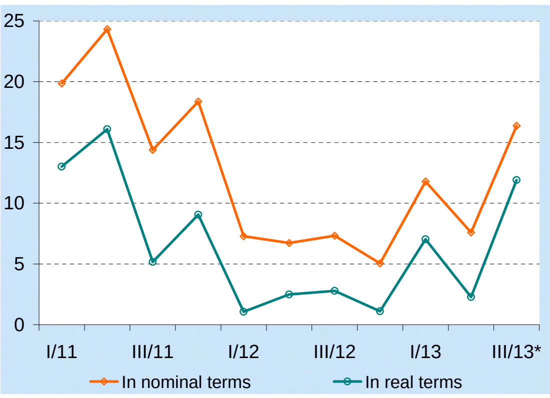
Chart 3.20: Employment by activities of national economy (%, versus the same period of the previous year)



Source: NBS, NBM calculus

*except „other activities with collective, social and personal services"

Chart 3.21: Wage bill in the economy (%, versus the same period of the previous year)



Source: NBS, NBM calculus

*July - August

employment and unemployment resulted in an increase in the economically active population by 1.7 percent. At the same time, the number of discouraged persons in finding a desirable job in the second quarter of 2013 was about 17400 persons compared to 23100 persons in 2012, which is a positive signal on the labor market.

According to the data provided by the NEA[5], the number of people laid off decreased by 28.6 percent in the second quarter of 2013 compared to the same quarter of 2012, while the number of vacancies identified increased by 6.5 percent compared to April – June 2012.

Compared with the first quarter of 2013, seasonally adjusted figures presented a more optimistic situation. Thus, on the one hand, the seasonally adjusted unemployment rate was 5.7 percent, down by 0.2 percentage points than the previous value, on the other hand, the seasonally adjusted unemployment rate decreased by 0.2 percentage points, up to a value of 38.5 percent. It should be mentioned that since 2012 the seasonally adjusted unemployment rate has fluctuated around 5.7 percent.

In distribution by activities of the national economy, the highest concentration of employment remains in the agricultural sector (32.5 percent). The number of employees in this sector in the second quarter of 2013 increased in annual terms by 5.4 percent (Chart 3.20). The number of employment has also increased in the sectors "other activities" by 11.1 percent and "transport and communications" by 2.1 percent. The most noticeable decreases compared to the same period last year occurred in the following sectors: "constructions", "industry" and "social services" (excluding other activities of collective, social and personal services). At the same time, the construction sector shows the lowest concentration of population employed (5.3 percent).

Wages

In July – August 2013, the annual growth rate of the wage bill in the economy in nominal terms was 16.4 percent and CPI deflated it recorded a level of 11.9 percent (Chart 3.21). It should be mentioned that in the first eight months of 2013, the wage bill increased in nominal terms by 11.2 percent over the first eight months of 2012.

In July – August 2013, the annual growth rate of the real average wages in the economy was 5.2 percent, much higher (4.5

[5]The National Employment Agency

percentage points) compared to the second quarter of 2013 (Chart 3.22). This increase was driven by positive dynamics of real average wages both in the public sector (8.3 percent), and in the real one (4.2 percent).

In the third quarter[6] of 2013, the average real wage growth in the budgetary sector was mainly driven by an increase of 7.3 percent of the average wage in education. This was due to the base effect for the period of July to August 2013, because the amounts calculated for the 2013 annual leave were reflected for each month of leave separately compared with the procedure of the previous year, when the payments were made in a single month (June 2012). The average real wage in the public administration (for the budgetary sector) increased in annual terms by 13.7 percent, generating a significant contribution to the development of budgetary sector wages.

The average wage growth in the real sector was mainly influenced by the increase in average wages in the following branches: “education”, “real estate”, “wholesale and retail trade” and “other activities of collective services”.

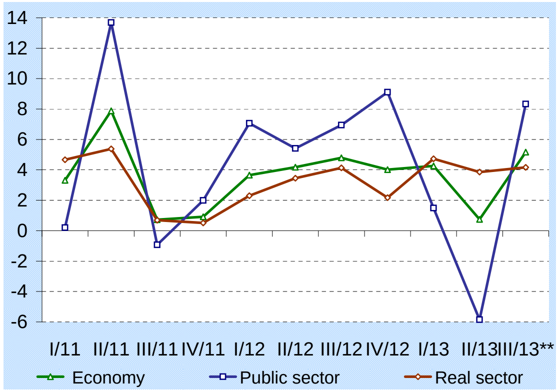
In the industrial sector, the annual change in real average wages in the third quarter of 2013 recorded an increase of 1.8 percent, by 0.9 percentage points more than in the second quarter of 2013 (Chart 3.23). However, during July – August 2013, the annual growth rate of the average real wage in the manufacturing sector amounted to 1.3 percent, higher by 1.1 percentage points from the previous quarter. This acceleration was driven by higher wages in the following sectors: “food and beverage industry”, “clothing manufacture”, “manufacture of fabricated metal products”, “production of medical equipment and instruments” and “production of furniture”. At the same time, the average real wage in the extractive industry recorded a slowdown, while the average wage growth rate in the energy sector remained at the previous quarter level.

The growth of industrial production in all industrial sectors in July (excluding the energy sector) and in August 2013 contributed to increased labor productivity. Thus, during the reference period, the annual growth of labor productivity was 6.7 percent, but the rate was lower than in the previous quarter by 4.3 percentage points.

Unit labor costs in industry in the third quarter of 2013 recorded an annual rate of minus 4.4 percent, higher than in the previous quarter (Chart 3.24). The annual growth rate of unit costs in manufacturing and the extractive industry was negative for the third consecutive quarter. Thus, these developments can be explained by the fact that the growth rate of output growth was higher than the wage bill.

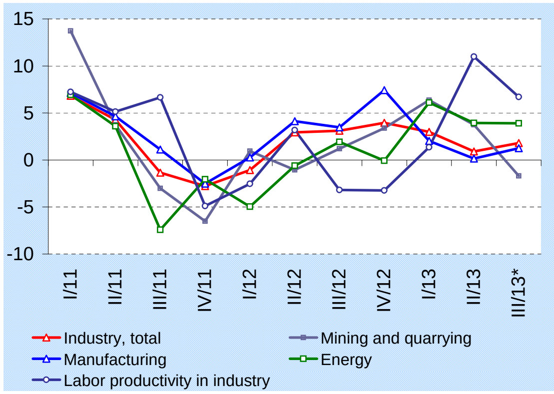
[6]July - August

Chart 3.22: Average real wage* (%, versus the same period of the previous year)



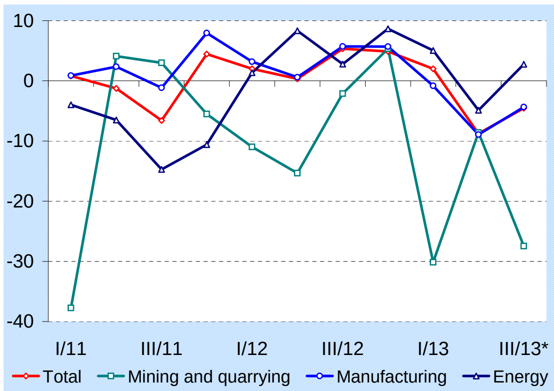
Source: NBS, NBM calculus
* CPI deflated
**July - August

Chart 3.23: Average real wage in industry (%, versus the same period of the previous year)



Source: NBS, NBM calculus
*July - August

Chart 3.24: Unit labor costs in industry (%, versus the same period of the previous year)

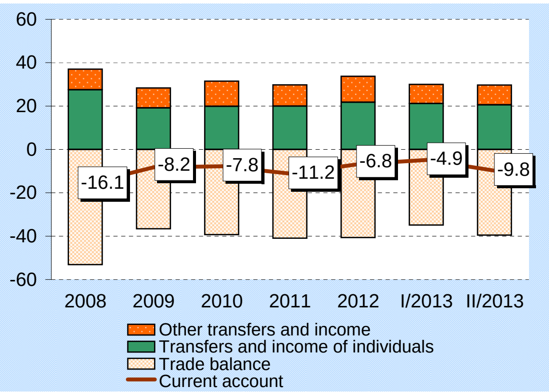


Source: NBS, NBM calculus
*July - August

3.3 External sector

After the current account deficit contracted in 2012 and in the first quarter of 2013, the balance of payments deficit has increased in the second quarter of 2013, up to 9.8 percent as a share of GDP or by 4.9 percentage points more than in previous quarter[7] (Chart 3.25). Deficit worsening was due to a significant increase in the negative balance of trade balance as a ratio to GDP, while the components with positive contribution, transfers and income of individuals, other transfers and income, recorded insignificant changes.

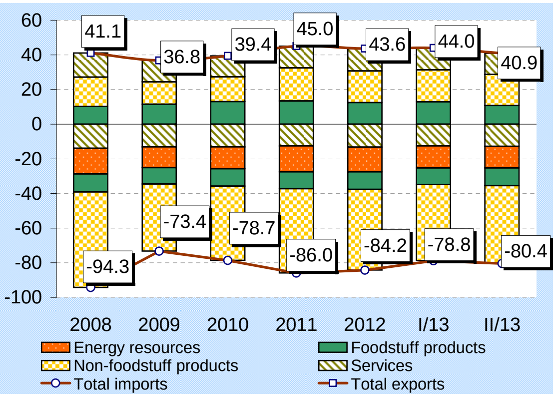
Chart 3.25: Current account share in GDP (%)



Source: NBM

The trade balance deficit in the second quarter of 2013 increased as a share of GDP by 4.7 percentage points from the first quarter of 2013, representing 39.5 percent. This was driven by increased share of imports in GDP by 1.6 percentage points and the decreased share of exports in GDP by 3.1 percentage points.

Chart 3.26: Share of exports and imports in GDP (%)



Source: NBM

In the second quarter of 2013, exports declined as a share of GDP to 40.9 percent as a result of decreasing shares of all its constituent components. The major contribution to the decline in exports was due to the decrease in the share of agri-food products by 2.1 percentage points, up to the level of 10.7 percent of GDP, non-foodstuff and services recorded a reduction of 0.5 and 0.4 percentage points, respectively, up to the level of 18.0 percent and 12.2 percent (Chart 3.26).

During the reporting period, the share of imports in GDP increased up to 80.4 percent compared to the first quarter of 2013. The upward dynamics was due to higher shares of non-foodstuff products by 1.0 percentage points and agri-food products by 0.7 percentage points, the other components recording insignificant changes. The share of imports in GDP consisted of non-foodstuff products (45.0 percent), services (12.7 percent), energy resources (12.5 percent), and agri-food products (10.2 percent).

In the second quarter of 2013, the trend of foreign trade in goods and services have contributed to lowering the coverage of imports by exports, the indicator being lowered to 50.9 percent, while in the first quarter of 2013 the coverage was 55.8 percent. According to the NBS data for the second quarter of 2013, the trading partners such as Romania, Russian Federation, Ukraine,

[7]For the analysis of the current account, the standard terminology according to IMF has not been used. The category *Total transfers of individuals* includes the compensation for work and remittances (current account items), the remaining items, except those included in the Trade Balance, grouped in the category *Other transfers and other income.*

Germany, Turkey, Italy and Belarus held a share of 71.2 percent of all business transactions conducted in export-import of goods and services.

The downward trend recorded in the first quarter of 2013 in transfers and income of individuals working abroad increased in the second quarter of 2013, decreasing to 20.6 percent as a share in GDP or by 0.6 percentage points less than in the first three months of 2013 (Chart 3.27).

This downward evolution during the reference period was determined by lower values recorded especially by the transfers from CIS countries, but also from countries classified as the Rest of the world. Thus, in the second quarter of 2013, funds transferred from the CIS countries constituted 13.9 percent of GDP or by 0.4 percentage points less, while the funds transferred from countries classified as the Rest of the world[8] held a share of 6.7 percent in GDP or by 0.2 percentage points less than in the first quarter of 2013. According to geographical distribution, transfers from the CIS countries accounted to 67.6 percent in the second quarter of 2013, while the transfers from the countries classified as the Rest of the world represented 32.4 percent.

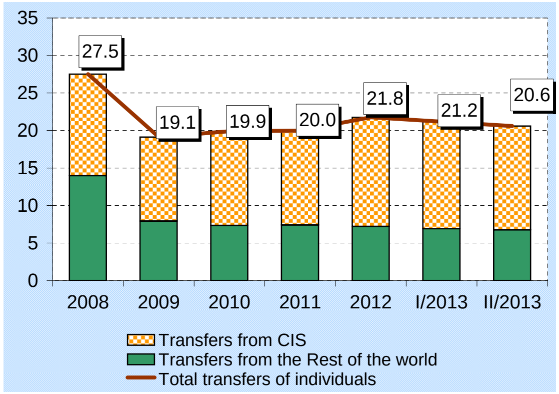
In the second quarter of 2013, the share of cash flows in GDP was 9.8 percent, double compared to the previous quarter (Chart 3.28). This was due to net inflows of commercial loans and foreign direct investment.

In the second quarter of 2013, direct investment share in GDP increased by 0.3 percentage points compared to the first quarter of 2012, representing 3.0 percent, making it the component with the most significant share in total financial flows. Direct investment flows were mainly oriented towards equity capital of companies, representing 1.2 percent in GDP (by 1.3 percentage points lower than in the previous year), and other capital, representing 1.1 percent in GDP (Chart 3.29). Reinvested income had a modest share of GDP (0.7 percent), but still positive.

During April – June 2013, the share of the "other investments" component in total financial flows increased from the previous quarter, but remained insignificant compared to the last three years (8.2 percentage points compared to 2012). Net trade credits held the largest share in the component "other investments", their volume increased in the previous quarter by 4.3 percentage points, due to the volume of trade credits reimbursed by resident exporting agents and due to new trade credits granted to local economic agents by foreign partners. The subcomponent "net

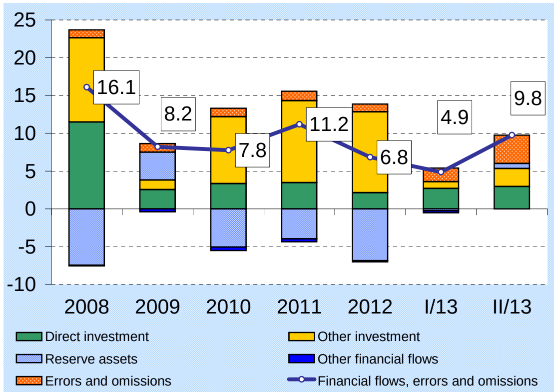
[8]It refers to transfers received from all countries, except the CIS member countries

Chart 3.27: Share of transfers in GDP (%)



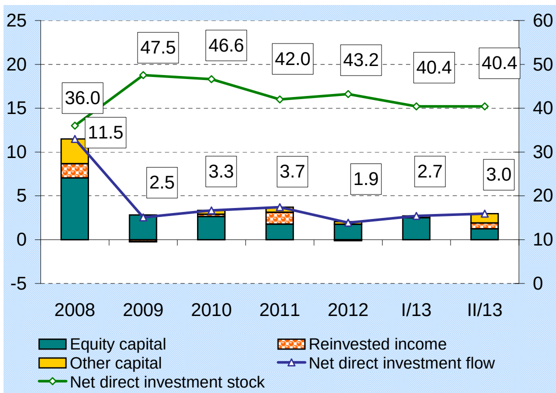
Source: NBM

Chart 3.28: Share in GDP of the movement of financial flows (%)



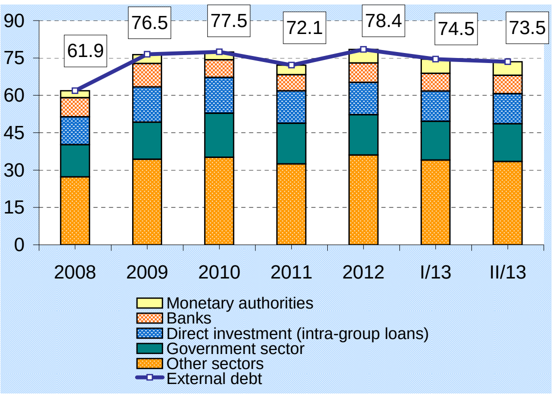
Source: NBM

Chart 3.29: Share of direct investment in GDP (%)



Source: NBM

Chart 3.30: Share of external debt in GDP (%)



Source: NBM

loans" decreased by 1.2 percentage points from the first quarter of 2013, due to the volume of loans reimbursed by residents to foreign partners. The subcomponent "foreign currency and net deposits" decreased by 0.2 percentage points compared with the previous quarter, which was boosted by the placement of deposits by non-residents in local commercial banks and by the net increase in deposits of residents in foreign banks.

In most institutional sectors (except banks), external debt to GDP decreased at the end of the second quarter of 2013 compared to the first quarter of 2013 (Chart 3.30). During the analyzed period, the share of external debt of the Republic of Moldova in GDP was 73.5 percent, by 1.0 percentage points lower than in the previous quarter. The economic agents held the largest share of 44.9 percent in total external debt, followed by government sector with a share of 20.7 percent and direct investment with 16.6 percent.

Chapter 4

Monetary Policy

4.1 Monetary Policy Instruments

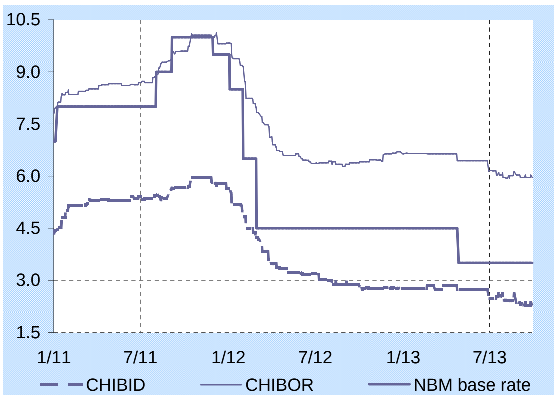
Interest rate policy

During the third quarter of 2013, the NBM adopted three monetary policy decisions to maintain the base rate at the level of 3.50 percent annually. The main rationale of these decisions was the consolidation of the disinflation trend in the Republic of Moldova.

CHIBOR/CHIBID interest rates remained generally stable throughout the quarter, registering sporadically slight changes in both directions. As a result of these developments, CHIBOR 2W interest rate recorded at the end of the quarter was lower by 0.48 percentage points than that recorded on the last day of the previous quarter, representing 5.96 percent.

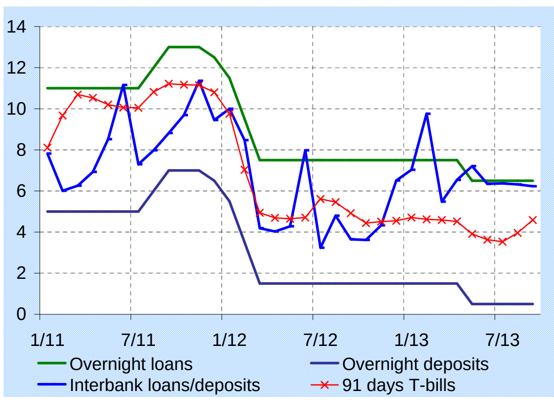
Monthly average interest rate of state securities (SS) of 91 days was stable at the beginning of the quarter and registered an upward trend in the second half of the quarter, recoding in the last month of the reporting quarter the value of 4.59 percent. Monthly average interest rate on interbank credits/deposits market registered a slight downward trend, accounting for 6.23 percent at the end of the quarter.

Chart 4.1: Average monthly reference rate in the interbank market and the base rate of the NBM (%)



Source: NBM

Chart 4.2: Monthly evolution of interest rate corridor (%)



Source: NBM

Open market operations

NBM Certificates-selling operations

During the third quarter of 2013, the excess liquidity in the banking system was drained exclusively by the NBM certificates-selling operations with a maturity of 14 days.

The NBM carried out 26 auctions with the announcement of the maximum interest rate equivalent to the NBM base rate. The participants' bids were fully awarded.

Following that the interest rates asked in the bids were equal to the maximum rate announced at the auctions, the NBC were sold at an interest rate equivalent to the NBM base rate, which was 3.50 percent throughout the quarter.

At the end of the reporting period, the balance of NBC accounted for MDL 3573.7 million, being placed at a slightly higher level (+ MDL 12.1 million) than that recorded at the end of the previous quarter. The volume of these operations decreased throughout the quarter, but as compared to the previous period, the average balance of NBC recorded the level of MDL 3452.8 million (- MDL 599.8 million).

State securities Repo-buying operations

According to the schedule published on the official website, the NBM announced weekly state securities Repo-buying operations with 28 days term and with the fixed rate (the base rate plus a margin of 0.25 percentage points). Requests from banks have not been recorded.

Lending activity

As of September 30, 2013 the credit indebtedness of the licensed banks to National Bank of Moldova constituted MDL 218.4 million, being represented by the loans granted to banks for the protection of the integrity of the banking system – MDL 209.6 million and for the cooperative societies for housing construction – MDL 8.8 million.

In the third quarter of 2013, the amount of reimbursed loans constituted MDL 23.9 million, including loans granted to banks for the protection of the banking system integrity – MDL 23.3 million and loans granted for the cooperative societies for housing construction – MDL 0.6 million.

Compared with the end of the previous quarter, the balance of loans granted to banks decreased by 10.0 percent, from MDL 242.3 million to MDL 218.4 million.

Standing facilities

The operating regime of standing facilities of the NBM allowed banks to manage efficiently their liquidity and offered the NBM more flexibility in implementing the monetary policy.

Similar to the second quarter of 2013, banks continued in the third quarter of 2013 to resort to the overnight deposits facility. The overnight credit facility was requested by one bank, which failed to adapt fully their management of liquidity to the characteristics specific for the required reserves maintenance periods.

Total volume of overnight deposits with NBM constituted MDL 15023.0 million, which indicates a daily average balance of MDL 220.6 million, decreasing by MDL 40.5 million compared to the previous quarter or by 15.5 percent.

The amount of overnight loans granted by the NBM in the reporting period was MDL 10.0 million.

The interest rate on the deposit facility during the third quarter of 2013 remained at the level of 0.5 percent annually, while the overnight lending facility – at 6.5 percent annually.

Required reserves

In the third quarter of 2013, along with open market operations, the required reserves mechanism continued to exercise the monetary control function and the liquidity management function in the banking system.

The characteristics of the required reserves mechanism were maintained both for the banks reserves in MDL and foreign currency, the required reserves ratio being maintained during the entire quarter at the level of 14.0 percent of the base.

Required reserves in MDL related to the attracted means tracking period of August 8 – September 7, 2013 maintained by banks during September 8 – October 7, 2013 constituted MDL 3417.6 million, increasing by 6.1 percent compared to the tracking period of May 8 – June 7, 2013 maintained by banks during June 8, – July 7, 2013.

Required reserves in FCC held by banks with the NBM constituted USD 71.2 million and EUR 99.0 million as of September 30, 2013, increasing by 6.7 and 4.4 percent compared to the situation as of June 30, 2013.

The upward trend of required reserves both in MDL and foreign currency was due to the increase in the funds attracted in the respective currencies.

Interbank monetary market

In the third quarter of 2013, the total volume of transactions carried out on the interbank market increased by 2.1 times compared to the second quarter of 2013, totaling MDL 13483.9 million. The interbank credits/deposits held the largest share in total transactions – 99.9 percent.

Interbank market for loans/deposits

The volume of interbank loans/deposits constituted MDL 13474.9 million in the third quarter of 2013, increasing by 2 times compared to the previous quarter. The increase in the volume of transactions is argued by the increased demand for short-term liquidity at one of the licensed banks. The volume of overnight transactions was 65.1 percent in total transactions, compared to 51.8 percent recorded in the previous quarter.

During the reporting quarter, the average monthly interest rates on interbank loans/deposits fell within the limits of the monetary policy rate corridor of the NBM. The quarterly average interest rate was 6.31 percent annually, down from the second quarter of 2013 by 0.30 percentage points.

The average term of transactions in the reporting period was 6 days, by 4 days less compared to the second quarter of 2013, under higher volume of transactions with overnight maturity.

Secondary market of state securities

An upward trend has characterized the average yield of final operations in the secondary market of state securities. Its level increased by 0.22 percentage points from the previous quarter, reaching the level of 4.26 percent, while the average weighted term to maturity increased from 125 days to 142 days.

The total volume of transactions was higher than in the second quarter of 2013, increasing from MDL 4.4 million to MDL 9.0 million in the third quarter of 2013, with a growing volume of bank-to-bank transactions.

Interventions on the domestic foreign exchange market

In the third quarter of 2013, the NBM intervened in the domestic foreign exchange market as a buyer of foreign currency, in order to promote its monetary policy and to strengthen the foreign exchange reserves.

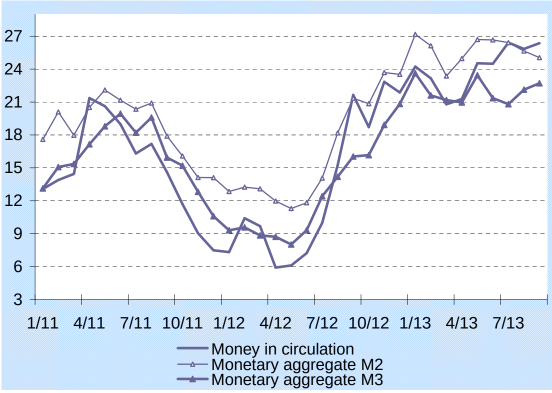
The volume of NBM transactions carried out during the analyzed period on the interbank foreign exchange market against MDL was USD 248.83 million, including the amount of USD 1.02 million that represents the foreign currency conversion with the World Bank institutions.

It should be mentioned that during the reporting period, the NBM carried out swap selling operations in the amount of USD 182.47 million, out of which USD 63.47 million represents the equivalent of EUR 48.00 million.

4.2 Dynamics of monetary indicators

Since the beginning of 2013, the monetary indicators have enhanced their growth. Thus, in the third quarter of 2013, the growth rate of monetary aggregates remained high, the quarterly average in annual terms of the M2 monetary aggregate constituted 25.7 percent (down by 0.4 percentage points from the growth recorded in the previous quarter) and the quarterly average in annual terms of the M3 monetary aggregate accounted for 21.9 percent, which is similar to the growth recorded in the second quarter of 2013 (Chart 4.3).

Chart 4.3: Monetary aggregates development (%, annual growth)

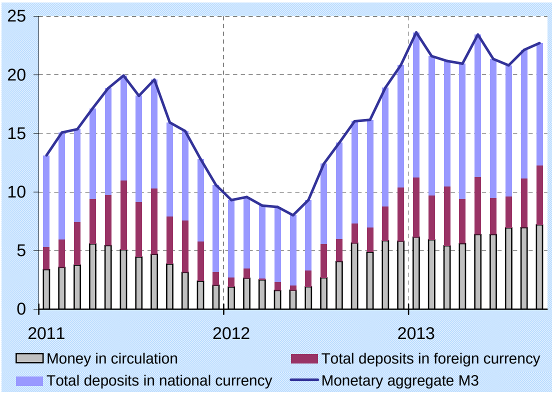


Source: NBM

Money supply

The analysis of monetary aggregates on medium term indicates that inflation growth prospects, associated with money supply, remain moderate, mainly due to the increase of money in circulation. During the third quarter of 2013, the money supply recorded an average annual growth of 21.9 percent, which is similar to the growth of the first two quarters of 2013, but more pronounced compared to 2012. Deposits in national currency had the main contribution to this growth (on average by 49.6 percent), followed by the contribution of money in circulation (by 32.2 percent) and the deposits in foreign currency (by 18.2 percent). Thus, out of the average increase of 21.9 percent over the third quarter of 2013 - 10.9 percentage points are the result of the increase in the balance of deposits in MDL, 7.0 percentage points represent the effect of the increase in the quantity of money in circulation and 4.0 percentage points are increases of the balance of deposits in foreign currency (Chart 4.4).

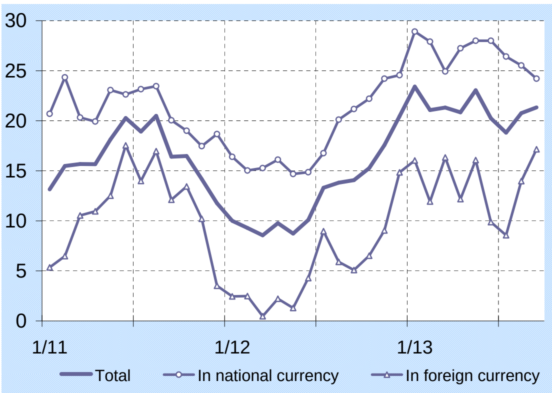
Chart 4.4: Dynamics of monetary aggregate M3 (%, components contribution to the annual growth)



Source: NBM

The structure of money supply M3 has recorded changes as compared to the end of the previous quarter, due to the increase in the share of money in circulation on average by 1.4 percentage points, the share of deposits in national currency and foreign currency decreasing by 0.7 and 0.6 percentage points, respectively.

Chart 4.5: Dynamics of deposits balance (%, annual growth)

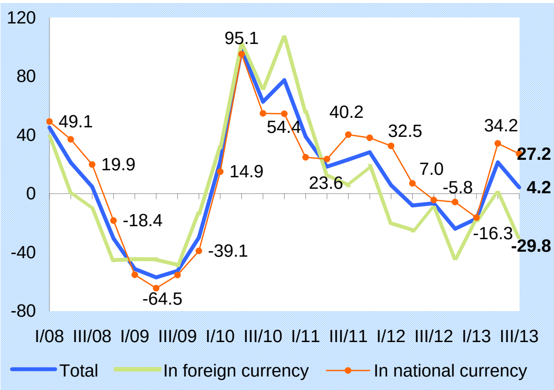


Source: NBM

The evolution of total deposits in the third quarter of 2013 recorded slightly tempered growth rates, decreasing by 1.1 percentage points compared to the growth recorded in the second quarter of 2013 and towards the end of September 2013 reached an annual growth of 21.3 percent, which is the maximum growth rate recorded throughout the quarter (Chart 4.5).

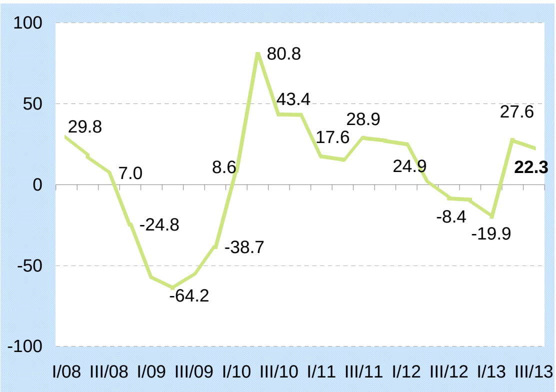
Credit market

Chart 4.6: Quarterly evolution of new granted loans (%, annual growth)



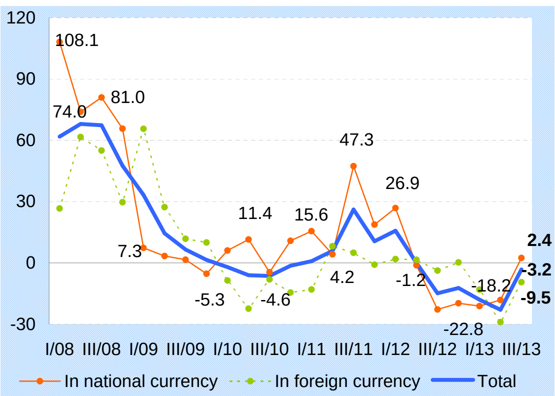
Source: NBM

Chart 4.7: Quarterly evolution of new loans granted in MDL (%, annual growth in real terms)



Source: NBM

Chart 4.8: Quarterly evolution of new attracted deposits (%, annual growth)



Source: NBM

In the third quarter of 2013, the level of lending although more moderate, has managed to stay positive for the second consecutive quarter of this year. The volume of new loans amounted to MDL 6951.7 million, which is by 4.2 percent above the level of the same period of the previous year as a result of loans in national currency expansion by 27.2 percent, and the decline of loans in foreign currency by 29.8 percent (Chart 4.6).

The loans granted in MDL accounted for MDL 5064.0 million, out of which 77.9 percent were granted to legal entities, which benefited from a loan volume higher by 32.7 percent compared with the third quarter of 2012. The loans granted in MDL to individuals increased by 11.0 percent, therefore having a modest contribution of only 2.8 percentage points to overall growth of 27.2 percent.

Loans granted in foreign currency amounted to MDL 1887.7 million, reflecting in annual terms a sharp drop of 29.8 percent and therefore helping to decrease the share of the volume of total new loans granted in foreign currency in total new loans. The negative dynamics of the loans in foreign currency was entirely due to the loans granted to legal entities, which held a share of 94.5 percent of total volume, while the loans granted in foreign currency to individuals increased almost twice compared to the third quarter of 2012.

In real terms, in the third quarter of 2013, the annual growth rate of new loans in national currency was more stable, down from this year's peak of 27.6 percent, recorded in the second quarter of 2013, to the level of 22.3 percent, or by 5.3 percentage points less (Chart 4.7).

Deposit market

Dynamics of new deposits in the third quarter of 2013 remained negative, but not as pronounced as in the previous periods, the decrease of deposits in annual terms constituting 3.2 percent, accounting for a volume of MDL 9334.7 million (Chart 4.8).

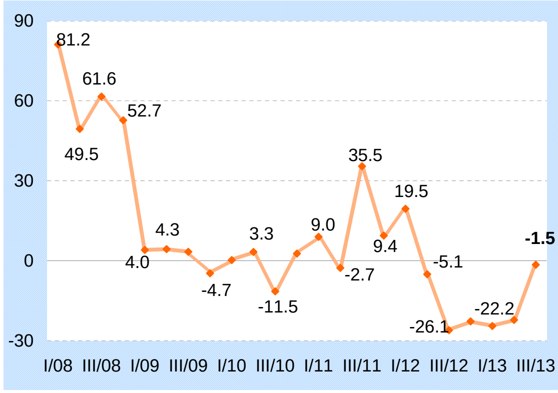
The deposits decrease was more moderate at the expense of both their components, the impact of the negative contribution of 4.5 percentage points from deposits in foreign currency being much lower compared to other quarters, while the increase of deposits in national currency contributing positively with 1.3 percentage points to the growth. In the third quarter of 2013, deposits in MDL increased by 2.4 percent from the third quarter of 2012, totaling MDL 5223.0 million as a result of higher volume of individuals' deposits by 28.0 percent, the deposits of legal entities decreasing by 27.6 percent.

Deposits attracted in foreign currency decreased by 9.5 percent compared to the same period of the previous year, totaling MDL 4111.7 million. Deposits in foreign currency were formed by contributions from individuals by 72.7 percent and from legal entities by 27.3 percent.

In the third quarter of 2013, the lower level of deposits in foreign currency compared to the third quarter of 2012 was conditioned by the deposits of economic agents that have decreased by 32.0 percent, and as a result of a modest 3.4 percent annual growth of individuals' deposits.

In real terms, the annual growth rate of deposits in national currency has been reduced significantly in the third quarter of 2013, up to the level of 1.5 percent, after the significant contraction of 22.2 percent recorded in the second quarter of 2013 (Chart 4.9).

Chart 4.9: Quarterly evolution of new attracted deposits in MDL (%, annual growth in real terms)

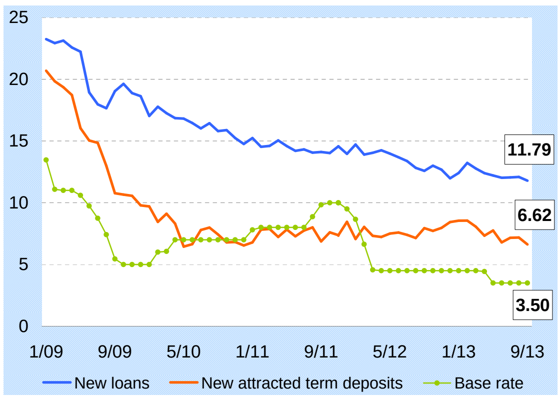


Source: NBM

Interest rates and the monetary policy transmission mechanism

In the third quarter of 2013, within three consecutive meetings on monetary policy, the members of the Council of Administration of the NBM have reviewed the updated balance of risks for future inflation prospects in the short and medium term. Thus, there have been taken three decisions to keep the base rate at the level of 3.5 percent annually, a level set within the meeting of April 25, 2013. During the reporting period, the NBM promoted a stimulating monetary policy and its efforts were oriented towards combating disinflationary pressures and achieving the objective of keeping inflation within the interval of ± 1.5 percentage points from the 5.0 percent target. The average annual inflation rate was 4.0 percent in the third quarter 2013. Similar to the previous periods, the NBM continued to firmly manage the excess liquidity in the third quarter of 2013, by the use of mixed instruments of intervention in the money market through the sale of certificates of the NBM an on the foreign exchange market - by purchasing foreign currency.

Chart 4.10: Average interest rates in MDL (%)



Source: NBM

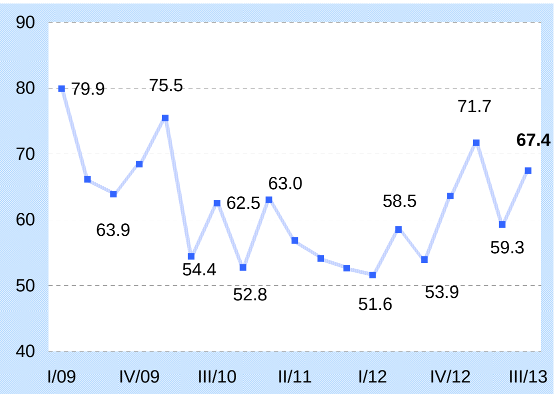
The average interest rate on new loans in national currency has decreased towards the end of the third quarter of 2013, recording a new historical minimum level of 11.79 percent in September

2013 or by 0.24 percentage points less than at the end of the second quarter of 2013, when the rate was 12.03 percent (Chart 4.10).

Funding conditions in national currency have improved enough to record historical minimum average interest rates for both legal entities and individuals, the respective rates decreasing by 0.37 percentage points and 0.30 percentage points during July – September 2013, recording new minimum values of 11.34 percent and 13.28 percent. The average interest rate on new loans in foreign currency decreased by 0.52 percentage points, therefore recording in September 2013 a new minimum level of 7.07 percent.

In July – September 2013, the average interest rate on new deposits in national currency decreased slightly by 0.17 percentage points from 6.79 percent in June 2013 to 6.62 percent in September 2013. This change in the interest rate quantified the rates decrease by 0.48 percentage points, up to 3.84 percent for the deposits of legal entities and up to a new historical minimum level of 7.83 percent for the deposits of individuals.

Chart 4.11: Dynamics of the share of new deposits attracted in MDL from individuals (%)

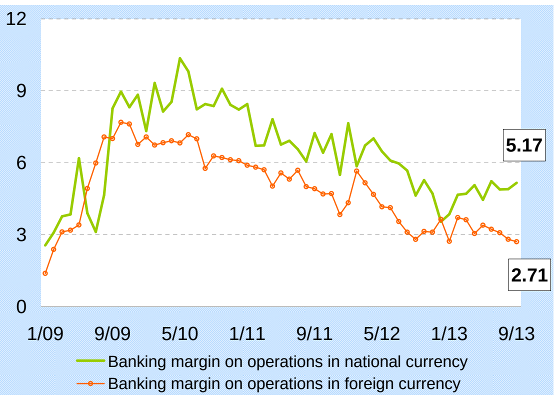


Source: NBM

The average interest rate on new deposits in foreign currency attracted in September 2013 recorded the level of June 2013 – 4.36 percent. In the third quarter of 2013, the contribution of individuals to the formation of new deposits in national currency increased up to 67.4 percent or by 8.1 percentage points higher than in the previous quarter (Chart 4.11).

The banking margin (the difference between the average interest rates on loans and deposits) related to the operations in national currency decreased to 5.17 percentage points in September 2013 or by 0.07 percentage points less than in June 2013, when it recorded the level of 5.24 percentage points (Chart 4.12). This decrease was the result of a more pronounced reduction in the average interest rate on new loans compared to the decrease of average rates of interest on deposits attracted in the period of July to September 2013.

Chart 4.12: Evolution of banking margin (p.p.)



Source: NBM

The banking margin on foreign exchange operations has decreased by 0.52 percentage points in September 2013, accounting for 2.71 percentage points compared to 3.23 percentage points recorded in June 2013. The decrease of the margin was a result of decreasing average interest rate on new loans while the average interest rate of deposits remained unchanged for the banking operations in foreign currency.

Foreign exchange market (the nominal exchange rate and real effective rate)

During the third quarter of 2013, the official nominal exchange rate of the national currency against the U.S. dollar depreciated by 3.4 percent, while against the European single currency by 7.2 percent compared to the end of the second quarter of 2013 (Chart 4.13).

The average official nominal exchange rate of the national currency against the U.S. dollar recorded the same tendency in the third quarter of 2013, depreciating by 3.1 percent, while against the European single currency by 4.6 percent compared to the average official nominal exchange rate of the national currency recorded during the previous quarter.

The nominal effective exchange rate of the national currency (NEER)[9] at the end of the third quarter recorded the level of 113.2 percent, depreciating by 3.3 percent. At the same time, the real effective exchange rate of the national currency (REER), which is calculated based on the weight of major trading partners, on the average exchange rates and on inflation, recorded a depreciation (by 3.6 percent compared to June 2013) (Chart 4.14).

All major trading partners, except Turkey, contributed to the depreciation of the real effective exchange rate, the Russian Federation and Romania holding the largest contribution (by 0.71 percentage points each), due to the depreciation of the RUB in smaller proportions and the appreciation of the RON against the USD (Chart 4.15).

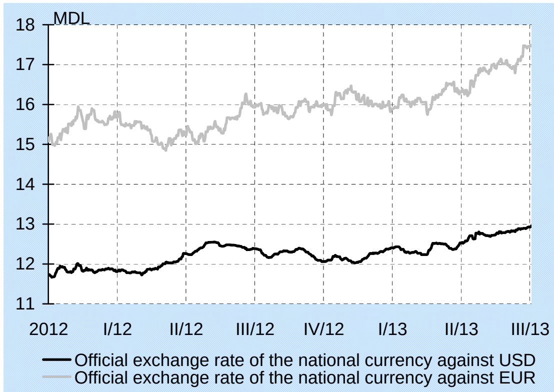
During the third quarter of 2013, the exchange rate of the national currency followed a gradual depreciation trend, being influenced by the developments of the foreign currencies on the foreign exchange markets and by the NBM interventions to absorb excess liquidity in the foreign exchange market to reduce deflationary pressures[10] and to strengthen foreign exchange reserves.

In this context, the excess liquidity in foreign currency recorded in the third quarter of 2013 was due to the seasonal fluctuations specific for this period, characterized mainly by a higher level of foreign currency supply compared to foreign currency demand.

Thus, similar to the previous year, the net supply of foreign currency from individuals in the third quarter of 2013 registered a

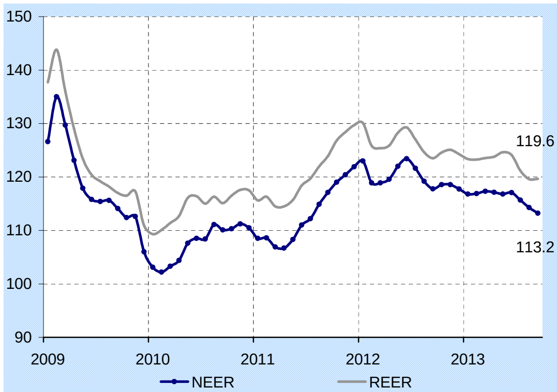
[9] calculated as compared to December 2000
[10] in the context of the inflation targeting regime

Chart 4.13: Fluctuations of official exchange rate of MDL



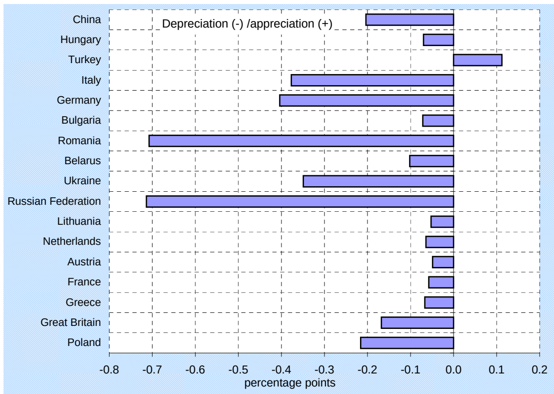
Source: NBM

Chart 4.14: Dynamics of nominal exchange rate (NEER) and real effective exchange rate (REER) of MDL calculated based on the main trade partners weights (Dec.2000-100%)



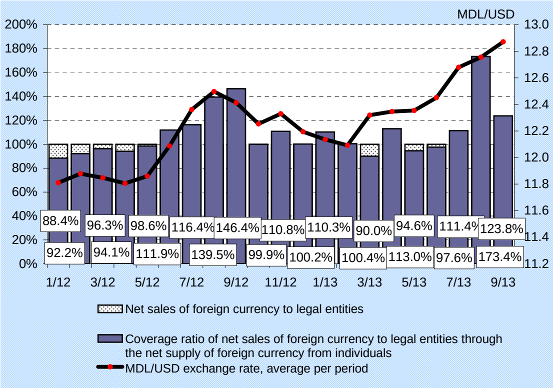
Source: NBM

Chart 4.15: Contribution of main trade partners of the Republic of Moldova to the modification of the real effective exchange rate in the QIII, 2013



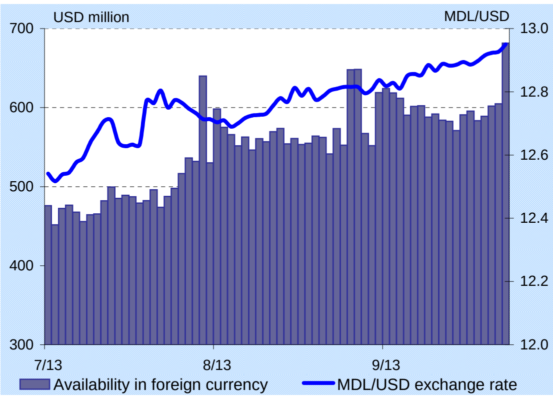
Source: NBM

Chart 4.16: Coverage ratio of net sales by the net supply and the dynamics of the official exchange rate of MDL



Source: NBM

Chart 4.17: Dynamics of the disposable funds in foreign currency and the official foreign exchange rate of MDL during the QIII, 2013



Source: NBM

record of USD 934.2 million, which supplied excessively the demand for foreign currency from economic agents by 32.5 percent more (USD 705.1 million). The supply of foreign currency increased due to a more favorable selling rate of foreign currency for the population.

In these circumstances, the NBM has absorbed the surplus of foreign currency in the third quarter of 2013 by purchasing USD 247.7 million from the foreign exchange market.

Despite these developments, compared to the previous quarter, the balance of disposable funds in foreign currency has increased by 45.7 percent, up to the level of USD 681.4 million at the end of the third quarter of 2013, accounting for 30.5 percent of the total balance of net balance sheet assets in foreign currency. The increase of disposable funds in foreign currency was mainly due to the considerable foreign loans and investments by resident legal entities in their accounts opened with local banks.

Regarding the monthly official exchange rate against the USD in July – September 2013, it should be mentioned that during the month of July both the average exchange rate and that recorded at the end of the month depreciated by 1.8 and 1.6 percent respectively, compared to the previous month. The upward trajectory of the MDL against the USD has been influenced by purchases in the amount of USD 35.9 million by the NBM in order to achieve the aforementioned objectives. Thus, the NBM intervened in the foreign exchange market given the net supply of foreign currency from individuals in the amount of USD 306.9 million, which supplied excessively (111.4 percent) the net sales of foreign currency to legal entities (USD 275.5 million) (Chart 4.16).

In July 2013, the resident legal entities attracted foreign loans and investments in the net amount of USD 57.5 million, which contributed to the increase of the amount of liquidity in foreign currency. This means, in turn, influenced the balance of disposable funds in foreign currency of local banks, which at the end of July totaled USD 639.8 million (Chart 4.17), increasing by 36.8 percent compared to the end of the previous month.

Thus, the share of disposable funds in foreign currency in the total balance of net balance sheet assets in foreign currency amounted to 29.3 percent, the licensed banks having a comfortable level of liquidity.

Similar to the previous year, in August 2013 the net supply of foreign currency from individuals reached a new historic high (USD 333.6 million), supplying in larger proportions (173.4 percent) the net sales of foreign currency by legal entities compared to August 2012, which accounted for USD 192.3 million.

In these circumstances, the NBM intervened in the foreign exchange market by purchasing USD 134.1 million. Thus, both the average exchange rate as well as the rate recorded at the end of the month showed a moderate depreciation of approximately the same proportion (0.6 percent and 0.7 percent, respectively) compared to their levels recorded in the previous month.

The balance of disposable funds of licensed banks in foreign currency amounted to USD 648.2 million at the end of August 2013, increasing by USD 8.4 million from the previous month. At the same time, attracted funds in the form of foreign loans and investments in the net amount of USD 78.0 million by resident legal entities during the month contributed to the strengthening of liquidity in foreign currency.

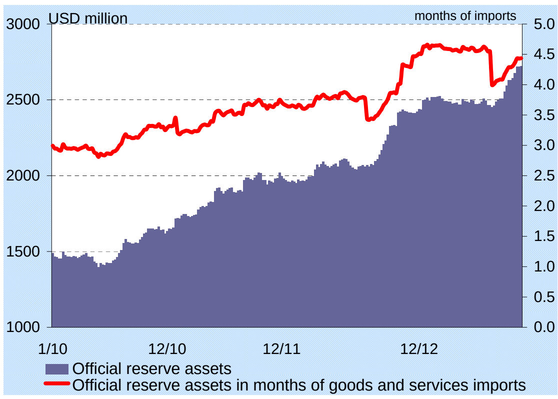
Similar trends were recorded in September. Thus, both the average exchange rate as well as the rate recorded at the end of the month depreciated by 0.9 percent and 1.1 percent, respectively. The significant depreciation against the previous month was due to the purchases of foreign currency by the NBM on the foreign exchange market in a higher volume (USD 77.8 million) than the gap between supply and demand for foreign currency.

In this context, the net supply of foreign currency from individuals amounted to USD 293.7 million, exceeding by USD 56.5 million or by 23.8 percent the demand for foreign currency of economic agents (USD 237.2 million).

The balance of disposable funds in foreign currency increased by USD 33.2 million as at the end of September, up to the level of USD 681.4 million, due to the foreign loans taken by local banks.

At the end of the third quarter of 2013, the official reserve assets amounted to USD 2722.2 million, increasing by 10.4 percent as compared to the end of the previous quarter, covering about 4.4[11] months of imports (Chart 4.18). Thus, the increase in official reserve assets was due to the purchases of foreign currency by the NBM on the foreign exchange market in the amount of USD 247.7 million.

Chart 4.18: Evolution of foreign exchange reserves expressed in months of goods and services imports



Source: NBM

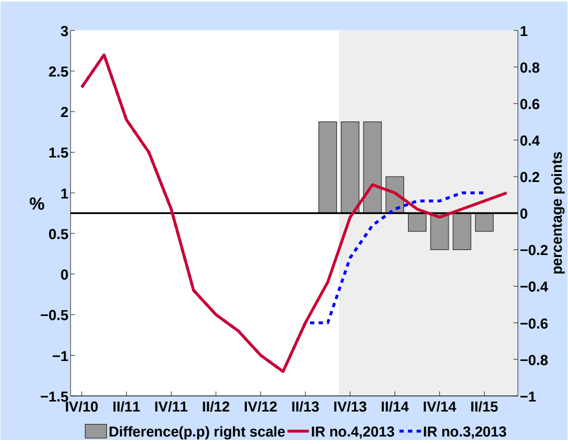
[11] calculated on the basis of forecasts relating to the import of goods and services for 2014

Chapter 5

Medium-term inflation forecasting

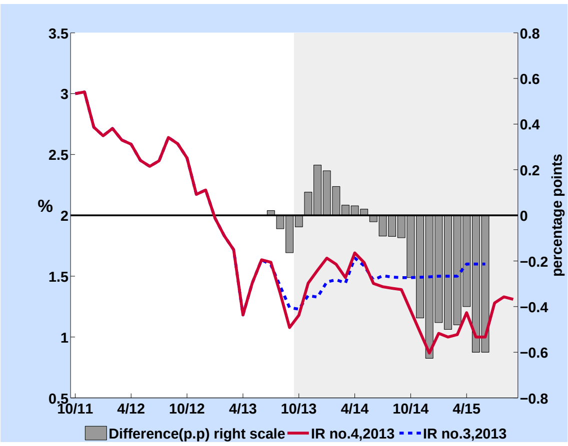
5.1 External assumptions of the forecast

Chart 5.1: Annual rate of GDP in the euro area (%)



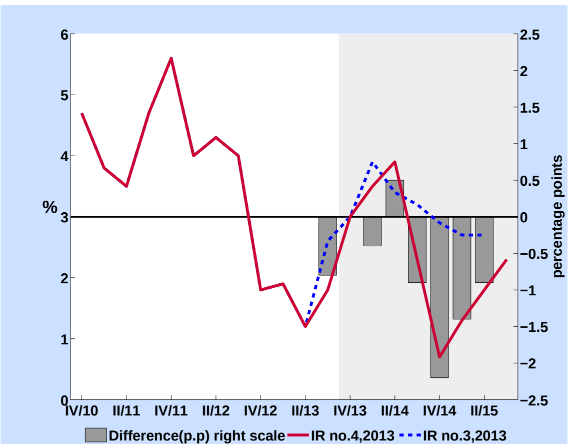
Source: Eurostat, Consensus Forecasts

Chart 5.2: Annual rate of CPI in the euro area (%)



Source: Eurostat, Consensus Forecasts

Chart 5.3: Annual rate of GDP in Russian Federation



Source: Russian Federal State Statistics Service, Consensus Forecasts

In the period of July to October 2013, the global economy has recorded significant changes and the macroeconomic forecast picture has relatively changed. The improvement of economic situation in the euro area has led the relevant organizations to increase economic growth forecasts. The unpredictable nature of the policy promoted by the Federal Reserve System (Fed) resulted in a strong volatility of the U.S. dollar and in a change in the factors that influence oil prices. The current round of forecasting is based on certain changes relating to the external environment compared to the round of forecasting published in the Inflation Report no. 3, 2013, which reflects the current situation in the world economy and, respectively, determines the need to update the forecasts for the national economy.

In the new report[12] from the International Monetary Fund, the forecast for the global economic growth for 2013 and 2014 was reduced by 0.3 and 0.2 percentage points respectively, on the background of deteriorating prospects for the development of emerging economies. Thus, for 2013 it is projected a global economic growth of 2.9 percent and for 2014 – of 3.6 percent.

In 2013, advanced economies will grow on average by 1.2 percent and in 2014 on average by 2.0 percent. Emerging economies growth forecast was reduced significantly, up to 4.5 percent in 2013 and up to 5.1 percent in 2014, which is by 0.5 and 0.4 percentage points less than in the report of July 2013.

The outlook for the euro area economy has improved significantly, after the data on gross domestic product in the second quarter of 2013 showed a growth of 0.3 percent (seasonally adjusted) compared with the previous period. Thus, the current round of

[12] IMF, World Economic Outlook, October 2013

forecasting estimates a contraction by an average of 0.3 percent of the euro area economy in 2013 compared with the 0.6 percent contraction expected in the previous round of forecasting.

At the same time, the euro area economic growth forecast for 2014 increased slightly from 0.8 to 0.9 percent, given the fact that the economic recovery occurred much earlier than anticipated, the GDP growth starting with the second half of 2014 will be slightly lower than expected in the previous round of forecasting (Chart 5.1).

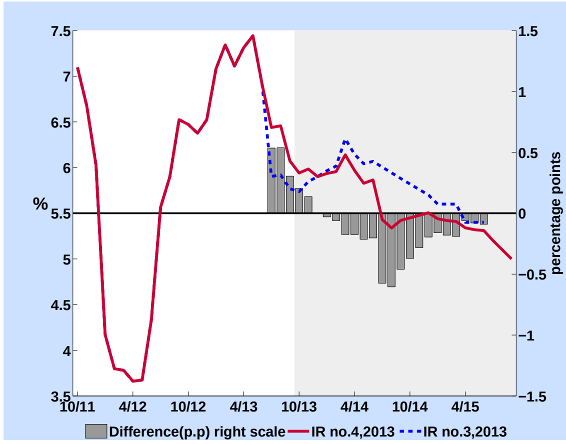
During the third quarter of 2013, the annual inflation in the euro area decreased significantly to the level of 1.1 percent in September 2013. The decrease in prices of food and energy products, compared to the same period last year, represented the base for the deflationary pressures. The relatively low rate of consumer prices is a sign that consumer demand in the euro area is still relatively weak. Anticipating a slight acceleration in prices by the end of this year, the annual inflation forecast in the euro area in 2013 is estimated to be on average of 1.5 percent. For 2014, the annual inflation in the euro area is estimated to reach on average the level of 1.4 percent, by 0.1 percentage points less than expected in the round of forecasting of the Inflation Report no. 3, 2013 (Chart 5.2).

The Russian economy has recorded unsatisfactory developments in recent months, the growth prospects deteriorated. According to the current round of forecasting, the gross domestic product of the Russian Federation is expected to increase in 2013 on average by only 2.0 percent; the previous round of forecasting anticipated an increase of 2.6 percent. The unfortunate situation in the world economy will have consequences for the Russian economy and therefore the economic growth forecast for 2014 has been also diminished. The current round of forecasting estimates a 2.6 percent increase of Russian GDP in 2014, by 0.7 percentage points less than in the previous round of forecasting (Chart 5.3).

The annual inflation rate in the Russian Federation has slowed down in recent months, but to a lesser extent than anticipated, because inflationary pressures from food prices coincided with the increase in utility tariffs. The forecast of average annual inflation in the Russian Federation for 2013 was increased by 0.2 percentage points compared with the previous round of forecasting, up to the level of 6.7 percent. On the background of continuous weakening of domestic demand, the annual average inflation forecast for 2014 was lowered from 6.0 to 5.7 percent (Chart 5.4).

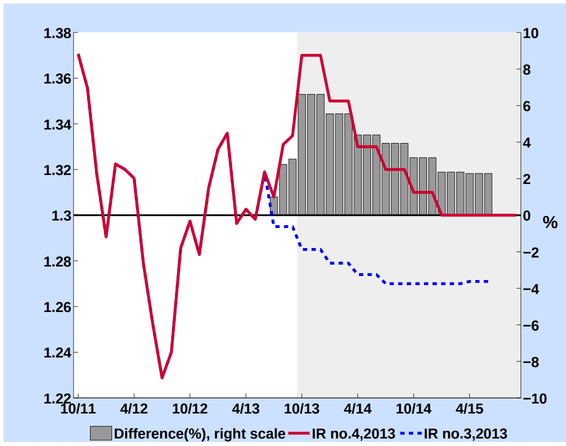
The most significant difference between the current round of forecasting and the previous one is the estimates on the evolution of the USD/EUR parity. If the anticipation of the USD appreciation

Chart 5.4: Annual rate of CPI in Russian Federation



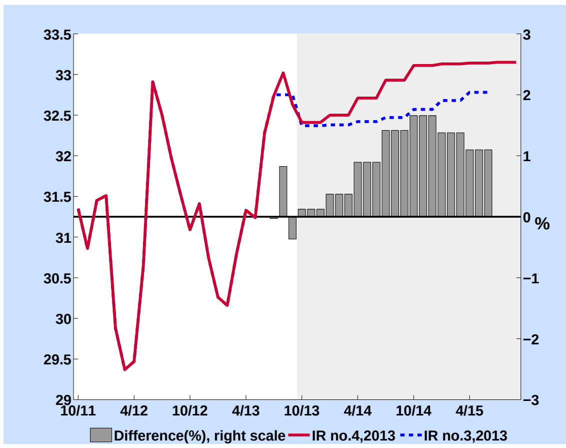
Source: Russian Federal State Statistics Service, Consensus Forecasts

Chart 5.5: Exchange rate of USD/EUR



Source: Eurostat, Consensus Forecasts

Chart 5.6: Exchange rate of RUB/USD



Source: Central Bank of the Russian Federation, Consensus Forecasts amid the gradual termination of the monetary stimulus program of the Fed served as the basis of the forecasting process in the Inflation Report no. 3, 2013, now the situation has changed radically. In September 2013, contrary to financial markets expectations, the Fed has announced about the postponement for an indefinite period of the termination of the aforementioned program, given that the U.S. economy has not yet reached a significant growth level and the problems of the state budget are still persistent. Thus, the USD has recorded a gradual depreciation in recent weeks, with no signals of a possible reversal of the trend. In 2013, the average exchange rate of USD/EUR is estimated to be 1.33, the peak being reached in the fourth quarter of 2013. In 2014, it is estimated an average exchange rate of USD/EUR of 1.33, but the trend will follow a gradually declining trajectory (Chart 5.5).

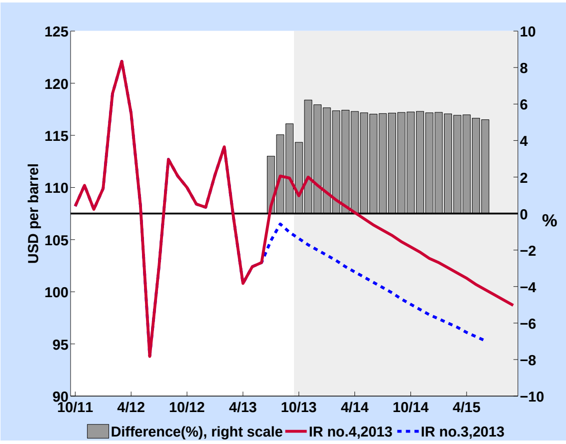
Following the strong volatility of major international currencies, the estimates of the reduction in oil prices in the coming months and, not least, as a result of the precarious situation in the Russian economy, the current round of forecasting estimated an average annual exchange of RUB/USD of 31.8 for 2013 and 32.8 for 2014 (Chart 5.6).

As a result of the significant increase in oil prices in the second half of August - the first half of September on the backdrop of worsening tensions around the Syrian conflict, the risk premium for oil futures increased substantially, thus changing upwards the forecasts for the evolution of oil prices. The current round of forecasting estimates that in 2013 the average price of oil will be USD 108.2 per barrel, by 2.4 percent higher than in the previous round of forecasting. It should be mentioned that the factors in terms of declining oil prices are now prevailing on financial markets, but recent developments have led to the increase of oil forecasted price for 2014 from USD 100.6 per barrel to USD 106.3 per barrel (Chart 5.7).

The forecast for import price of natural gas from the Russian Federation has not changed significantly as a result of extending the methodology of calculation according to the last contract. Thus, for the current year is estimated that the average import price of natural gas will be USD 379.5 per 1000 m^3. The recent increase in oil prices caused a slight increase in natural gas forecasted price for 2014, up to the level of USD 376.2 per 1000 m^3 (Chart 5.8).

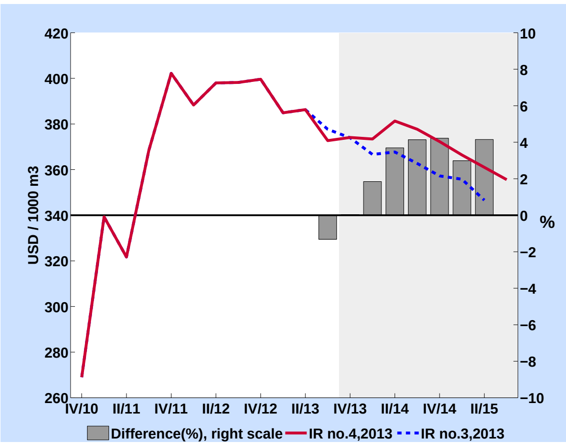
International food prices are decreasing, but to a lesser extent than expected in the previous round of forecasting. The effect in question was caused by the worsening outlook for future harvest in the Southern Hemisphere, but also due to the depreciation of the USD, which favors the acquisition of assets traded in this currency. The current round of forecasting estimates that international food prices will fall by an average of 2.4 percent in 2013 and by 3.8 percent in 2014 (Chart 5.9).

Chart 5.7: Urals brand oil prices



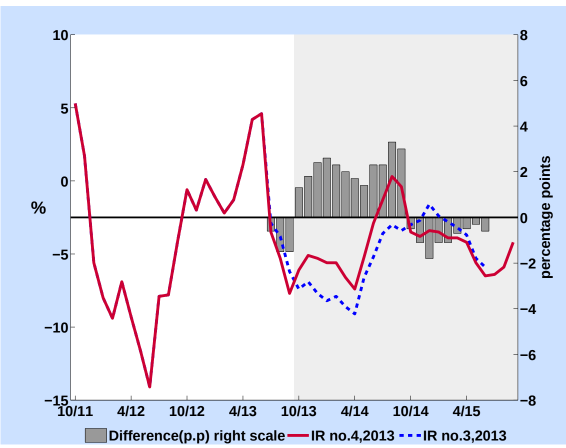
Source: Bloomberg, NBM calculus

Chart 5.8: Natural gas price



Source: ANRE, NBM calculus

Chart 5.9: The annual rate of global food price index



Source: Food and Agriculture Organization (FAO), Bloomberg, NBM calculus

Box no. 2

Usefulness of futures in developing macroeconomic forecasts

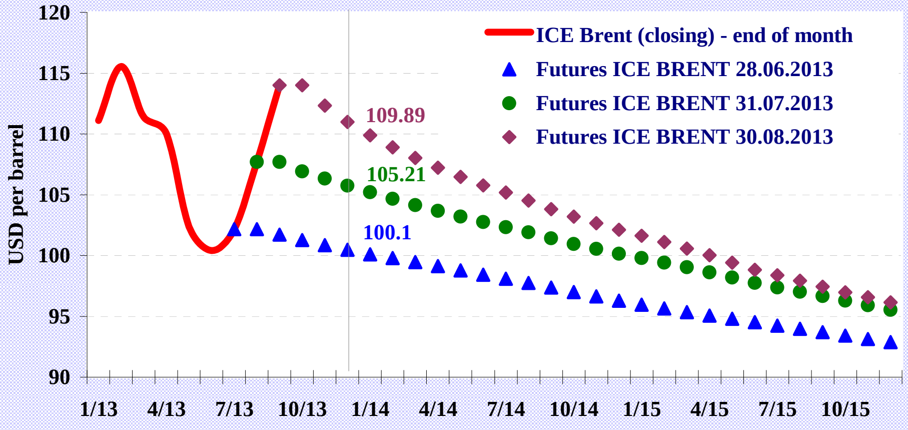
The formula of the open macroeconomic model of most countries involves a significant dependence of the economic developments on the trajectory of the economic variables of international importance. Accordingly, any macroeconomic forecast at the national and international level is based on the assumptions of variables developments of the external macroeconomic environment, the accuracy of estimated values being crucial to obtain accurate forecasts and with a minimum deviation from the actual values. Among these variables, the following can be mentioned: the oil price, exchange rates for major currencies, international commodities prices, stock indexes, shares value, etc. An advantageous option in the forecasting process is the use of forecasted values for the variables listed above on futures contracts.

Futures contracts are standardized contracts between two parties to buy or sell a specified asset of standardized quantity and quality for a price agreed upon today (the futures price or the strike price), with delivery and payment occurring at a specified future date (the delivery date). The contracts are traded on stock exchanges, which act as an intermediary between the two parties. Therefore, besides the name of the asset it is often indicated the stock exchange where the asset is quoted, for example ICE Brent Crude Oil - price in USD per barrel of Brent oil (see Box.1 of Inflation Report no. 3, 2012) quoted on the electronic platform Intercontinental Exchange or CBOT Wheat - price in cents (U.S.) for a bushel of wheat listed on the Chicago Board of Trade. In many cases, the underlying asset to a futures contract may not be traditional commodities, but financial assets, the underlying element being any financial instrument (currency, bonds). The underlying asset can be an intangible asset or reference asset, such as indexes or interest rates.

When developing macroeconomic forecasts, the need to resort to futures contracts is essential, the primary element being the relatively high frequency of reflection of the listed asset’s response to its factors of influence, i.e. every minute during the working day of the stock exchange concerned. The difference with which the indexes of different stock exchanges reflect the change in the action of factors of influence is due the time zone. Thus, it is unnecessary to develop a macroeconomic model for the forecast of oil, metals, grains prices, etc., given that the futures contracts for those assets reflect last-minute changes of supply and demand for those assets. At the same time, in order to obtain comparable forecasts in the future, it is necessary to maintain in the forecast model a certain frequency of use of the futures contracts values.

Chart no.1 reflects the closing stock market prices of Brent oil in the last days of the months June to August 2013. It can be observed that along with increasing spot price the values for futures contracts for a period of approximately six months is also increasing significantly, which is contrary to the values of futures contracts for the period of over two years - the changes are almost insignificant and this is due to the reduction in the risk premium in the long term.

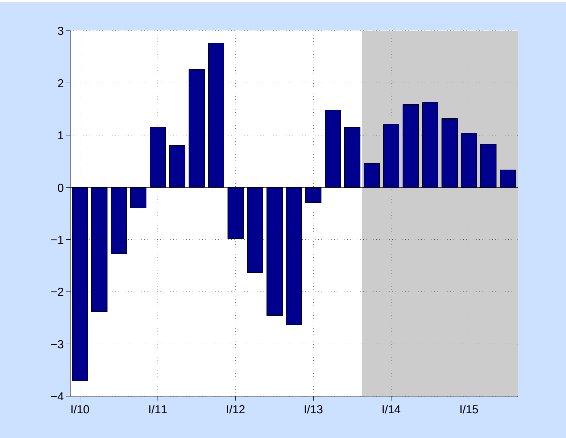
Chart no.1. **Change in ICE Brent Futures contracts values**



Source: Bloomberg

5.2 Medium term forecast

Chart 5.10: GDP deviation forecast (%)



Source: NBS, NBM calculus

Aggregate demand

It is estimated that the output gap will remain positive throughout the forecasting period (24 months). The evolution of the output gap, according to the current forecasting round, will record an accelerating pace until the mid-range forecast, followed by a slow decrease in the level of the output gap at the end of the projection horizon. The forecast indicates an economic activity above its potential level, exerting pro-inflationary pressures from domestic demand.

The maintenance of a positive level of the output gap throughout the range of the forecast is supported by the positive dynamics of economic activity in the first two quarters of 2013. According to the NBS press release, the actual data of real GDP growth in the first and second quarter of this year were 3.5 percent and 6.1 percent, respectively.

In addition, the output gap will register positive values for all forecast range due to the stimulating influence of real monetary conditions. The evolution of monetary conditions will be determined both by the maintenance of the incentive nature through the real interest rate channel and the incentive impact through the real effective exchange rate channel.

Monetary policy will continue the expansionary influence to help stabilize the economic activity. Under these conditions, the annual inflation rate will fall within the variation range throughout the forecasting horizon.

Inflation

According to the current projection, the annual average inflation will be 4.5 percent for this year. For 2014, the average annual rate of CPI inflation is forecasted to reach the level of 4.7 percent. Both values are within the range of the inflation target. Compared with the values published in the Inflation Report no. 3 of August 2013, the average values projected are higher by 0.2 and 0.9 percentage points for 2013 and 2014. The upward revision of the CPI reflects the impact of the evolution of food prices in international markets, as well as higher growth rates of regulated prices. Oil and natural gas prices are anticipated to reach higher levels as compared to those indicated in the Inflation Report no. 3, 2013, which will be reflected in higher prices of fuels.

The contribution of core inflation to the annual inflation rate is significant throughout the forecasting period. This is due to the positive dynamics of economic activity and the impact of imported inflation. The core inflation projection will fall within the range of variation throughout the forecasting horizon.

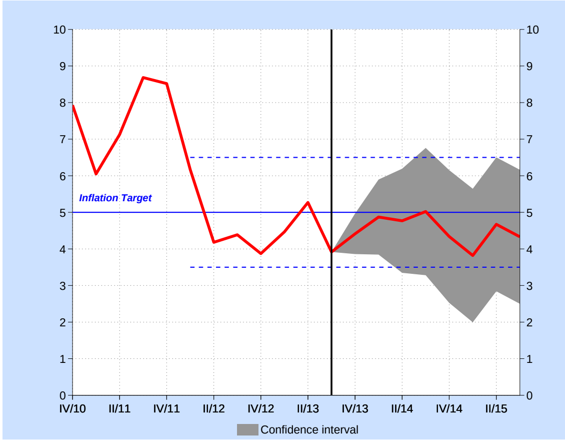
The increase in *food* prices in international markets compared with the projection of the Inflation Report no. 3, 2013 will lead to an increased contribution of food prices to the formation of the annual inflation rate.

The contribution from *regulated* prices will be higher as compared to the previous Inflation Report throughout the forecasting period as a result of estimated tariff adjustments. The latter will be determined by the accumulation of significant cost increases of the respective services.

The increased contribution of fuel prices is due to higher international prices of oil and natural gas compared to the projection of the previous report.

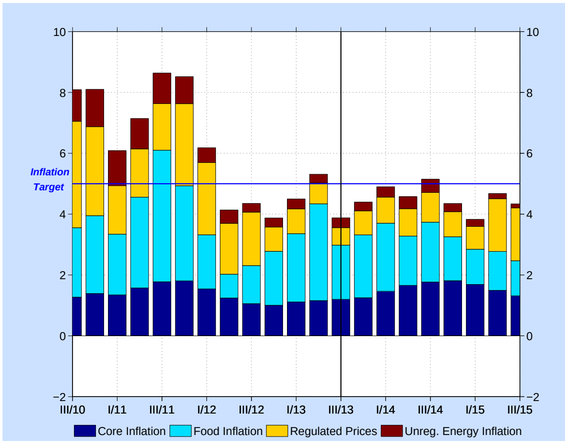
Risk assessment of current inflation projection shows further uncertainties about the external environment, which are the source of risks that could lead to adverse shocks upon inflation. The projected conduct of monetary policy will continue to pursue prudent calibration of real monetary conditions, in order to reach the inflation target.

Chart 5.11: The CPI annual rate forecast (%, annual)



Source: NBS, NBM calculus

Chart 5.12: CPI decomposition (p.p.)



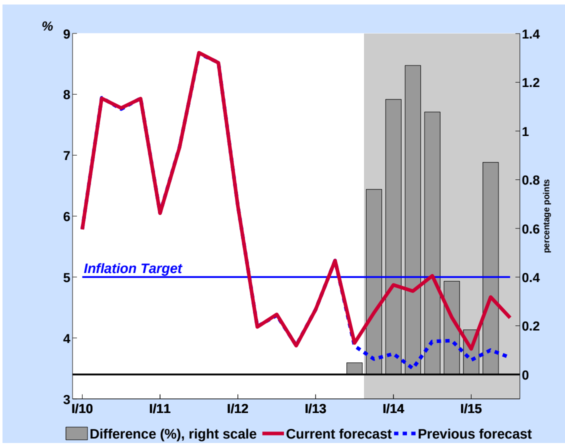
Source: NBS, NBM calculus

Comparison of current and previous forecasts

Compared with the previous Inflation Report, the projected trajectory of the annual inflation rate was revised upwardly throughout the forecasting horizon. The inflation rate in 2013 will increase on average by about 0.2 percentage points from the previous projection. For 2014, the annual inflation rate is expected to be on average higher by about 0.9 percentage points compared to the forecast of the Inflation Report no. 3, 2013 and the average value will reach the level of 4.7 percent.

High dynamics of international food prices and the high level of international prices for oil and natural gas projected for the forecasting period determine a higher trajectory of the annual inflation rate. These developments are expected to be reflected in higher contributions from food, fuel and regulated prices.

Chart 5.13: The annual CPI rate



Source: NBM calculus

Core inflation contribution to the annual rate of CPI was revised for the forecasting period, becoming slightly lower than that indicated in the previous report, which is due to lower forecast in the second half of the forecasting period of imported inflation related to core inflation compared to the previous forecast.

Risks and uncertainties

Recent developments in the external macroeconomic environment show major concerns about the fragility of global demand. Furthermore, monetary policies are overwhelmed by deflationary pressures from food prices combined with significant depreciation of currencies in emerging countries under the influence of international currency volatility and capital outflows from emerging economies.

In the last three months, the currencies of international circulation experienced increased volatility; in most cases the trends recorded in the first half of 2013 have reversed. It should be mentioned that after a long period when the U.S. dollar appreciated significantly under the influence of expectation of gradual completion of monetary stimulus program of the Fed, in September 2013, the postponement of this decision caused the depreciation of the U.S. dollar, a trend that is maintained until today. Issues related to the state budget of the U.S. have been a strong reason for the depreciation of the U.S. dollar and the deadlock solving only for a short-time was not sufficient to cause an adverse effect. On the other hand, the euro was supported by satisfactory statistics indicating a slight recovery from the recession. The greatest risk for the evolution of the aforementioned currencies is the instability of the listed factors. Thus, it is possible that in the near future the trends will reverse again, which will cause turbulence in the financial markets.

Recovery of the euro area and EU economies is beneficial for the Moldovan economy, anticipating a slight increase in remittances from European countries and an increase in exports to these countries. On the other hand, there is a risk of lower exports to the Russian Federation, following its imposition of more rigid health criteria for the food production imported from countries in the region.

Another major risk would be more restrictive migration policies in regions where the citizens of the Republic of Moldova activate, which will cause a reduction in remittances. A sudden decrease of consumption funding sources will generate disinflationary pressures.

International oil prices will be in the coming months under the monetary policy decisions of the Fed, macroeconomic statistics of major economies and the development of the Syrian conflict. Thus, in November it is expected a round of negotiations between the conflicting parties in Syria and advancing these discussions could contribute to the stabilization of the situation in the area and, respectively, to the oil price reduction. The dialogue advancement on Iran's nuclear policy could be another factor for oil price reduction, which could result in lifting the embargo on Iranian oil imports. At the same time, further satisfactory developments in the U.S. economy, the euro area and China and their reflection in macroeconomic statistics will signal a resumption of global demand, which will be a reason for the rise in oil prices.

International food prices are falling due to the rich harvest of the current year recorded in the main agricultural regions. But in the coming months, the amplitude of international food price reduction should gradually decrease as a result of the impact of the base effect of the previous year, and the outlook of poor harvest in the Southern Hemisphere.

Chapter 6

Monetary policy decisions

Minutes of the monetary policy meeting of the Council of Administration of the National Bank of Moldova of 28.02.2013

The meeting was chaired by Mr. Dorin Drăguţanu, Governor - Chairman of the Council of Administration of the National Bank of Moldova.
There were present: members of the Council of Administration - Mr. Marin Moloşag, First Deputy Governor - Deputy Chairman of the Council of Administration, Mrs. Emma Tăbîrţă, Deputy Governor.
Reporter: Radu Cuhal, Director of Monetary Policy and Research Department.
Invitees: Mr. Andrei Rotaru, Advisor to the Governor, Mrs. Lucia Hădârcă, Director of Foreign Exchange Operations and External Relations Department, Mrs. Nina Savin, Director of Market Operations Department, Mr. Vladimir Ţurcanu, Director of Banking Regulation and Supervision Department, Mrs. Natalia Sîrbu, Director of Legal Department.
Mr. Radu Cuhal presented the current macroeconomic situation, including the evolution of monetary, foreign exchange, credit and deposit markets, the changes in the external macroeconomic environment, the analysis of current inflation and the influential factors on the inflationary process. The members of the Council of Administration have assessed the impact of monetary policy measures previously implemented. Assumptions and scenarios of the new round of medium-term forecasting were discussed, including monetary policy measures to be adopted in order to comply with the inflation target.
The members of the Council of Administration have assessed the complexity of pro-inflationary and disinflationary risks that may affect the medium-term inflation dynamics. The focus was on the potential increase in world energy, oil and food prices, while addressing the domestic situation the attention was paid to the changes in fiscal policy for 2013. Disinflationary pressures could be due to a pronounced slowdown in domestic economic activity, along with a weak aggregate demand, below its potential economic growth of the trade partner countries, due to the persistent consequences of the sovereign debt crisis in the euro area. Recent developments in the banking market determined the immediate easing of monetary conditions, by the reduction of the base rate, to be undesirable. At that moment, it required the implementation of auxiliary instruments of monetary policy and the vigilant monitoring of conditions and prospects of internal and external macroeconomic environment.
As a result, the Council of Administration of the National Bank of Moldova adopted the following decision:
1. to maintain the base rate applied on main short-term monetary policy operations at the current level of 4.5 percent annually;
2. to maintain the interest rates:
• on overnight loans at the current level of 7.5 percent annually,
• on overnight deposits at the current level of 1.5 percent annually;
3. to maintain the required reserves ratio from financial means attracted in MDL and foreign currency at the current level 14.0 percent of the base;

Voting results

FOR – 3 AGAINST – 0 ABSTAIN – 0

Chairman of the Council of Administration **Secretary of the Council of Administration**

Dorin DRĂGUȚANU **Sergiu SURDU**

Minutes of the monetary policy meeting of the Council of Administration of the National Bank of Moldova of 28.03.2013

The meeting was chaired by Mr. Dorin Drăguţanu, Governor - Chairman of the Council of Administration of the National Bank of Moldova
There were present: members of the Council of Administration - Mr. Marin Moloşag, First Deputy Governor - Deputy Chairman of the Council of Administration, Mrs. Emma Tăbîrţă, Deputy Governor.
Reporter: Radu Cuhal, Director of Monetary Policy and Research Department.
Invitees: Mr. Andrei Rotaru, Advisor to the Governor, Mrs. Lucia Hădârcă, Director of Foreign Exchange Operations and External Relations Department, Mrs. Nina Savin, Director of Market Operations Department, Mr. Vladimir Ţurcanu, Director of Banking Regulation and Supervision Department, Mrs. Natalia Sîrbu, Director of Legal Department.
Mr. Radu Cuhal presented the current macroeconomic situation, including the evolution of monetary, foreign exchange, credit and deposit markets, the changes in the external macroeconomic environment, the analysis of current inflation and the influential factors on the inflationary process. The members of the Council of Administration have assessed the impact of monetary policy measures previously implemented. Assumptions and scenarios of the new round of medium-term forecasting were discussed, including monetary policy measures to be adopted in order to comply with the inflation target.
The members of the Council of Administration have assessed the defining aspects to inflation in the medium term, indicating mostly likely disinflationary factors. The main disinflationary factors were: weak domestic and foreign demand, the reduction in international oil and food prices, along with the development of domestic food prices. The aspects of fiscal policy adjustment for 2013 have been also addressed, which would have reflected directly on the inflationary pressures growth. Recent developments in the banking market determined the immediate easing of monetary conditions, by the reduction of the base rate, to be undesirable. At that moment, it required the implementation of auxiliary instruments of monetary policy and vigilant monitoring of conditions and prospects of internal and external macroeconomic environment.
As a result, the Council of Administration of the National Bank of Moldova adopted the following decision:
1. to maintain the base rate applied on main short-term monetary policy operations at the current level of 4.5 percent annually;
2. to maintain the interest rates:
• on overnight loans at the current level of 7.5 percent annually,
• on overnight deposits at the current level of 1.5 percent annually;
3. to maintain the required reserves ratio from financial means attracted in MDL and foreign currency at the current level 14.0 percent of the base;

Voting results

FOR – 3 AGAINST – 0 ABSTAIN – 0

Chairman of the Council of Administration **Secretary of the Council of Administration**

Dorin DRĂGUȚANU **Sergiu SURDU**

Minutes of the monetary policy meeting of the Council of Administration of the National Bank of Moldova of 25.04.2013

The meeting was chaired by Mr. Dorin Drăguţanu, Governor - Chairman of the Council of Administration of the National Bank of Moldova.
There were present: members of the Council of Administration - Mr. Marin Moloşag, First Deputy Governor - Deputy Chairman of the Council of Administration.
Reporter: Radu Cuhal, Director of Monetary Policy and Research Department.
Invitees: Mr. Andrei Rotaru, Advisor to the Governor, Mrs. Lucia Hădârcă, Director of Foreign Exchange Operations and External Relations Department, Mrs. Silvia Lizanciuc, Head of Monetary Instruments and Forecast Division, Market Operations Department, Mr. Vladimir Ţurcanu, Director of Banking Regulation and Supervision Department, Mrs. Natalia Sîrbu, Director of Legal Department.
Mr. Radu Cuhal presented the current macroeconomic situation, including the evolution of monetary, foreign exchange, credit and deposit markets, the changes in the external macroeconomic environment, the analysis of current inflation and the influential factors on the inflationary process. The members of the Council of Administration have assessed the impact of monetary policy measures previously implemented. Assumptions and scenarios of the new round of medium-term forecasting were discussed, including monetary policy measures to be adopted in order to comply with the inflation target.
Council of Administration have assessed the challenges to inflation, due to recent developments of the internal and external environment. The focus was put on the deceleration in inflation as a result of slight moderation of pressures from fuel prices and from the stabilization of food prices, as well as on the potential reduction in the annual rate of inflation following the deflationary climate prevalence, generated by lower economic growth forecast in main trading partners countries, food prices reduction amid international favorable meteorological conditions for harvest in 2013 and a significant decrease in oil prices. In order to stimulate consumption, investment and foreign trade in the context of an annual inflation rate within the range of ± 1.5 percentage points from the target of 5.0 percent, it has been resorted to the real monetary conditions easing, by the reduction of the main monetary policy indicator - the base rate. At the same time, it required the implementation of auxiliary instruments of monetary policy and vigilant monitoring of conditions and prospects of internal and external macroeconomic environment.
As a result, the Council of Administration of the National Bank of Moldova adopted the following decision:
1. to decrease the base rate applied on main short-term monetary policy operations by 1.0 percentage points, from the level of 4.5 to 3.5 percent annually;
2. to decrease the interest rates:
• on overnight loans by 1.0 percentage points, from 7.5 to 6.5 percent annually;
• on overnight deposits by 1.0 percentage points, from 1.5 to 0.5 percent annually;
3. to decrease the base rate applied on long-term loans (over 5 years) by 1.0 percentage points, from 5.0 to 4.0 percent annually;
4. the rates referred to in items 1, 2 and 3 enter into force as on 29 April 2013;
5. to maintain the required reserves ratio from financial means attracted in MDL and foreign currency at the current level 14.0 percent of the base.

Voting results

FOR – 2 AGAINST – 0 ABSTAIN – 0

Chairman of the Council of Administration | **Secretary of the Council of Administration**

Dorin DRĂGUȚANU | **Sergiu SURDU**

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Appendix A

Statistical tables

Table A.1: Average monetary policy rates (%)

	Ukraine	Russian Federation	Romania	Hungary	Belarus	Poland	Kazakhstan	Moldova	Turkey	Georgia*	Armenia
2011											
Jan.	7.8	7.8	6.3	5.8	10.5	6.3	7.0	7.8	5.3	7.5	7.3
Feb.	7.8	7.8	6.3	6.0	10.5	6.3	7.0	8.0	5.3	8.0	7.6
Mar.	7.8	8.0	6.3	6.0	11.3	6.3	7.4	8.0	5.3	8.0	8.2
Apr.	7.8	8.0	6.3	6.0	12.4	6.5	7.5	8.0	5.3	8.0	8.4
May	7.8	8.2	6.3	6.0	13.4	6.8	7.5	8.0	5.3	8.0	8.5
Jun.	7.8	8.3	6.3	6.0	16.6	7.0	7.5	8.0	5.3	8.0	8.5
Jul.	7.8	8.3	6.3	6.0	19.2	7.0	7.5	8.0	5.3	7.9	8.5
Aug.	7.8	8.3	6.3	6.0	21.0	7.0	7.5	8.9	6.8	7.6	8.5
Sep.	7.8	8.3	6.3	6.0	28.7	7.0	7.5	9.8	7.0	7.5	8.1
Oct.	7.8	8.3	6.3	6.0	32.9	7.0	7.5	10.0	7.6	7.5	8.0
Nov.	7.8	8.3	6.0	6.0	38.3	7.0	7.5	10.0	8.8	7.2	8.0
Dec.	7.8	8.2	6.0	6.7	43.2	7.0	7.5	9.5	8.8	6.9	8.0
2012											
Jan.	7.8	8.0	5.8	7.0	45.0	7.0	7.5	8.7	8.8	6.6	8.0
Feb.	7.8	8.0	5.5	7.0	44.0	7.0	7.2	6.6	8.6	6.5	8.0
Mar.	7.7	8.0	5.5	7.0	38.0	7.0	7.0	4.6	8.3	6.5	8.0
Apr.	7.5	8.0	5.3	7.0	36.0	7.0	6.5	4.5	8.3	6.5	8.0
May	7.5	8.0	5.3	7.0	35.0	7.3	6.5	4.5	8.3	6.2	8.0
Jun.	7.5	8.0	5.3	7.0	33.3	7.3	6.1	4.5	8.3	5.9	8.0
Jul.	7.5	8.0	5.3	7.0	31.5	7.3	6.0	4.5	8.3	5.8	8.0
Aug.	7.5	8.0	5.3	7.0	30.7	7.3	5.6	4.5	8.3	5.8	8.0
Sep.	7.5	8.1	5.3	6.7	30.2	7.3	5.5	4.5	8.0	5.8	8.0
Oct.	7.5	8.3	5.3	6.5	30.0	7.3	5.5	4.5	7.4	5.8	8.0
Nov.	7.5	8.3	5.3	6.2	30.0	7.0	5.5	4.5	7.2	5.7	8.0
Dec.	7.5	8.3	5.3	5.9	30.0	6.8	5.5	4.5	7.0	5.4	8.0
2013											
Jan.	7.5	8.3	5.3	5.7	30.0	6.5	5.5	4.5	6.9	5.3	8.0
Feb.	7.5	8.3	5.3	5.5	30.0	6.3	5.5	4.5	6.7	5.0	8.0
Mar.	7.5	8.3	5.3	5.2	29.1	5.8	5.5	4.5	6.4	4.7	8.0
Apr.	7.5	8.3	5.3	4.9	27.8	5.8	5.5	4.4	5.8	4.5	8.0
May	7.5	8.3	5.3	4.8	25.9	5.5	5.5	3.5	5.3	4.3	8.0
Jun.	7.2	8.3	5.3	4.7	24.0	5.3	5.5	3.5	5.0	4.2	8.0
Jul.	7.0	8.3	5.0	4.2	23.5	5.0	5.5	3.5	5.1	4.0	8.0
Aug.	6.7	8.3	4.6	4.0	23.5	5.0	5.5	3.5	5.5	3.9	8.3
Sep.	6.5	8.3	4.5	3.8	23.5	5.0	5.5	3.5	5.6	3.8	8.5

* At the end of the period
Source: Official websites of the central banks of the respective countries

Table A.2: Required reserve rates of countries in the region (%)

	Ukraine	Russian Federation	Romania	Hungary	Belarus	Poland	Kazakhstan	Moldova	Turkey	Georgia*	Armenia
2011											
Jan.	0.0	2.5	15.0	2.0	3.0	3.5	1.5	8.0	7.6	10.5	n/a
Feb.	0.0	3.3	15.0	2.0	3.0	3.5	1.5	10.3	8.9	15.3	n/a
Mar.	0.0	4.0	15.0	2.0	4.5	3.5	1.5	11.0	9.0	16.0	n/a
Apr.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	11.0	13.0	15.5	n/a
May	0.0	4.8	15.0	2.0	4.5	3.5	1.5	11.0	13.0	16.0	n/a
Jun.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	11.0	13.0	15.6	n/a
Jul.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	13.3	13.0	15.9	n/a
Aug.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	14.0	13.0	15.1	n/a
Sep.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	14.0	13.0	13.5	n/a
Oct.	0.0	4.8	15.0	2.0	4.5	3.5	1.5	14.0	13.0	14.0	n/a
Nov.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	14.0	n/a
Dec.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	12.7	n/a
2012											
Jan.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	14.1	n/a
Feb.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	14.1	n/a
Mar.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	13.7	n/a
Apr.	0.0	4.8	15.0	2.0	3.8	3.5	1.5	14.0	11.0	13.9	n/a
May	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	12.8	n/a
Jun.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	13.9	n/a
Jul.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	12.8	n/a
Aug.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	13.6	n/a
Sep.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	14.5	n/a
Oct.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	13.9	n/a
Nov.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.0	13.8	n/a
Dec.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	11.5	13.8	n/a
2013											
Jan.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	12.0	13.9	n/a
Feb.	0.0	4.8	15.0	2.0	5.0	3.5	1.5	14.0	12.5	13.4	n/a
Mar.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	12.5	13.2	n/a
Apr.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	12.5	12.9	n/a
May	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	12.5	13.1	n/a
Jun.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	13.0	12.9	n/a
Jul.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	13.0	12.9	n/a
Aug.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	13.0	12.5	n/a
Sep.	0.0	4.3	15.0	2.0	5.0	3.5	1.5	14.0	13.0	n/a	n/a

* At the end of the period

Source: Official websites of the central banks of the respective countries

Table A.3: Annual consumer price index (%)

	Ukraine	Russian Federation	Romania	Hungary	Belarus	Poland	Kazakhstan	Moldova	Turkey	Georgia*	Armenia
2011											
Jan.	8.2	9.6	7.0	4.0	10.6	4.0	8.1	6.7	4.9	12.3	10.6
Feb.	7.2	9.5	7.6	4.1	13.0	4.0	8.8	5.7	4.2	13.7	12.4
Mar.	7.7	9.5	8.0	4.5	13.9	4.4	8.6	5.8	4.0	13.9	11.5
Apr.	9.4	9.6	8.3	4.7	18.1	4.5	8.4	6.5	4.3	13.5	8.9
May	11.0	9.6	8.4	3.9	32.6	4.8	8.3	7.0	7.2	14.3	9.0
Jun.	11.9	9.4	7.9	3.5	43.8	4.0	8.4	7.7	6.2	10.0	8.5
Jul.	10.6	9.0	4.9	3.1	48.4	3.9	8.8	8.3	6.3	8.5	6.3
Aug.	8.9	8.2	4.3	3.6	60.7	4.3	9.0	9.2	6.7	7.2	4.8
Sep.	5.9	7.2	3.5	3.6	79.6	3.9	8.7	8.8	6.2	4.6	6.2
Oct.	5.4	7.2	3.5	3.9	92.3	4.0	8.0	8.9	7.7	2.3	5.7
Nov.	5.2	6.8	3.4	4.3	106.0	4.6	7.8	8.9	9.5	1.9	4.8
Dec.	4.6	6.1	3.1	4.1	108.7	4.6	7.4	7.8	10.5	2.0	4.7
2012											
Jan.	3.7	4.2	2.7	5.5	109.7	4.1	5.9	6.9	10.6	0.5	4.8
Feb.	3.0	3.7	2.6	5.9	107.4	4.4	4.7	6.1	10.4	-2.1	3.0
Mar.	1.9	3.7	2.4	5.5	106.5	4.0	4.6	5.4	10.4	-2.2	2.2
Apr.	0.6	3.6	1.8	5.7	101.1	4.1	4.8	4.7	11.1	-2.1	1.9
May	-0.5	3.6	1.8	5.3	80.5	3.6	5.0	4.1	8.3	-3.3	0.5
Jun.	-1.2	4.3	2.0	5.6	69.2	4.2	4.9	3.7	8.9	-0.2	0.7
Jul.	-0.1	5.6	3.0	5.8	65.7	4.1	4.7	4.0	9.1	0.6	2.3
Aug.	0.0	6.0	3.9	6.0	55.6	3.8	4.7	4.4	8.9	-0.4	2.5
Sep.	0.0	6.6	5.3	6.6	38.8	3.8	5.0	4.9	9.2	-0.1	2.5
Oct.	0.0	6.6	5.0	6.0	30.6	3.5	5.5	3.9	7.8	0.1	3.4
Nov.	-0.2	6.5	4.6	5.2	22.9	2.9	5.6	3.7	6.4	-0.5	3.6
Dec.	-0.2	6.6	5.0	5.0	21.8	2.6	6.0	4.1	6.2	-1.4	3.2
2013											
Jan.	-0.2	7.1	6.0	3.7	23.1	2.0	6.6	4.6	7.3	-1.6	2.6
Feb.	-0.5	7.4	5.7	2.8	22.7	1.6	7.0	4.3	7.0	-2.1	3.1
Mar.	-0.8	7.0	5.3	2.2	22.2	1.3	6.8	4.2	7.3	-2.1	3.4
Apr.	-0.8	7.2	5.3	1.7	20.7	1.1	6.4	4.5	6.1	-1.7	3.9
May	-0.4	7.4	5.3	1.9	19.7	0.8	5.9	5.7	6.5	-0.1	5.2
Jun.	-0.1	6.9	5.4	1.9	17.9	0.6	5.9	5.5	8.3	0.2	6.5
Jul.	0.0	6.5	4.4	1.8	17.5	1.4	5.9	4.3	8.8	-0.2	8.5
Aug.	-0.4	6.5	3.7	1.3	15.0	1.4	5.8	3.7	8.2	-0.4	9.3
Sep.	-0.5	6.1	1.9	1.3	15.4	1.4	5.4	3.9	7.9	-1.3	8.2

* At the end of the period
Source: Official websites of the central banks of the respective countries

Table A.4: Monetary policy real rates (%)

	Ukraine	Russian Federation	Romania	Hungary	Belarus	Poland	Kazakhstan	Moldova	Turkey	Georgia*	Armenia
2011											
Jan.	-0.4	-1.7	-0.7	1.7	-0.1	2.2	-1.0	1.0	0.3	-4.2	-3.0
Feb.	0.5	-1.6	-1.3	1.8	-2.2	2.1	-1.7	2.2	1.0	-5.1	-4.3
Mar.	0.0	-1.3	-1.6	1.4	-2.3	1.8	-1.1	2.1	1.2	-5.2	-3.0
Apr.	-1.5	-1.5	-1.9	1.2	-4.9	1.9	-0.8	1.4	0.9	-4.8	-0.4
May	-2.9	-1.2	-2.0	2.0	-14.5	1.9	-0.7	0.9	-1.8	-5.5	-0.5
Jun.	-3.7	-1.1	-1.6	2.4	-18.9	2.9	-0.8	0.3	-0.9	-1.8	0.0
Jul.	-2.6	-0.7	1.3	2.8	-19.7	3.0	-1.2	-0.2	-1.0	-0.6	2.1
Aug.	-1.0	0.1	1.9	2.3	-24.7	2.6	-1.4	-0.3	0.1	0.4	3.5
Sep.	1.7	1.0	2.7	2.3	-28.3	3.0	-1.1	1.0	0.8	2.8	1.8
Oct.	2.2	1.0	2.6	2.0	-30.9	2.9	-0.5	1.0	0.0	5.0	2.2
Nov.	2.4	1.4	2.5	1.6	-32.9	2.3	-0.3	1.0	-0.7	5.2	3.1
Dec.	3.1	2.0	2.8	2.5	-31.4	2.3	0.1	1.6	-1.5	4.8	3.2
2012											
Jan.	3.9	3.7	3.0	1.4	-30.9	2.8	1.5	1.6	-1.7	6.1	3.1
Feb.	4.6	4.1	2.9	1.0	-30.6	2.5	2.4	0.5	-1.7	8.8	4.9
Mar.	5.7	4.1	3.0	1.4	-33.2	2.9	2.3	-0.8	-2.0	8.9	5.7
Apr.	6.9	4.3	3.4	1.2	-32.4	2.8	1.6	-0.2	-2.6	8.7	6.0
May	8.1	4.2	3.4	1.6	-25.2	3.5	1.4	0.4	0.0	9.8	7.5
Jun.	8.8	3.6	3.1	1.3	-21.2	2.9	1.1	0.8	-0.6	6.1	7.2
Jul.	7.6	2.3	2.2	1.1	-20.6	3.0	1.2	0.5	-0.8	5.1	5.6
Aug.	7.5	1.9	1.3	0.9	-16.0	3.3	0.8	0.1	-0.6	6.2	5.4
Sep.	7.5	1.5	-0.1	0.1	-6.2	3.3	0.5	-0.4	-1.1	5.9	5.4
Oct.	7.5	1.6	0.3	0.5	-0.5	3.6	0.0	0.6	-0.4	5.6	4.4
Nov.	7.7	1.7	0.7	1.2	5.8	4.0	-0.1	0.8	0.7	6.2	4.2
Dec.	7.7	1.6	0.3	0.9	6.7	4.0	-0.5	0.4	0.8	6.9	4.7
2013											
Jan.	7.7	1.1	-0.7	2.0	5.6	4.4	-1.0	-0.1	-0.4	7.0	5.3
Feb.	8.0	0.8	-0.3	2.6	5.9	4.6	-1.4	0.2	-0.3	7.2	4.8
Mar.	8.4	1.2	0.0	2.9	5.6	4.4	-1.2	0.3	-0.8	7.0	4.4
Apr.	8.4	1.0	0.0	3.2	5.9	4.6	-0.8	-0.1	-0.3	6.3	3.9
May	7.9	0.9	0.0	2.8	5.2	4.7	-0.4	-2.1	-1.2	4.4	2.7
Jun.	7.3	1.3	-0.1	2.7	5.1	4.6	-0.4	-1.9	-3.0	3.9	1.4
Jul.	7.0	1.7	0.6	2.3	5.1	3.6	-0.4	-0.8	-3.4	4.2	-0.5
Aug.	7.1	1.7	0.9	2.6	7.4	3.6	-0.3	-0.2	-2.5	4.3	-0.9
Sep.	7.0	2.0	2.6	2.4	7.0	3.6	0.1	-0.4	-2.1	5.1	0.3

* At the end of the period
Source: Official websites of the central banks of the respective countries