



**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 7.8 percent in December 2011, decreasing by 1.1 percentage points versus the previous month, being consistent with the NBM objectives specified in the Medium-term Monetary Policy Strategy aimed at ensuring a disinflationary process. The annual core inflation registered a rate of 4.1 percent, decreasing by 0.4 percentage points compared to the previous month.

Prices increases below the anticipated values referred to in the Inflation report no. 4 was caused by both exogenous and endogenous factors. Such factors include: atypical weather conditions for that period, international foreign exchange market developments and external economic environment uncertainty, the trend of appreciation of national currency against the U.S. dollar and Euro, reduction of domestic economic activity, in the context of weaker external demand, and lower rates of increase in remittances from abroad. The incidence of these factors could not entirely be foreseen at the stage of forecasting the short-term inflation in October.

In 2012, the disinflationary pressures, generated by the potential euro zone recession, will increase. This will result in lower demand worldwide including regional, which could contribute to lower oil and food prices on international markets, thus influencing the local ones. Additional disinflationary pressures could come from reducing the domestic economic activity, in the context of weaker external demand, reducing the growth rate in remittances from abroad and salaries, as well as the national currency developments on the domestic foreign exchange market.

The annual inflation rate for December 2011 constituted 7.8 percent, decreasing by 1.1 percentage points versus the previous month. Thus, taking into account the inflation development in the first months of 2011 and the forecasts for the first quarter of 2012, it is found the beginning of a trend to reduce the annual rate of inflation.

The National Bank of Moldova maintained the necessary conditions, in 2011, for further ensuring disinflation as in accordance with its objectives stipulated in the Monetary Policy Strategy



for 2010-2012, so that the value of 7.8 percent in December 2011 is lower than the 8.1 percent recorded in December 2010.

The monthly inflation rate registered an increase of 0.2 percent, driven by the increase of foodstuff products prices by 0.3 percent and non-foodstuff products by 0.2 percent. The evolution of monthly inflation rate for December 2011 was caused mainly by positive seasonal effect.

The annual core inflation¹ recorded for the last 12 months a level of 4.1 percent (by 0.4 percentage points less compared to the previous month). Starting with October 2011, the monthly core inflation rate started a pronounced downward trend, so that constituting 0.2 percent in December 2011. This dynamic of the monthly rate of core inflation was driven mainly by positive contributions from the following subcomponents: public catering, knitwear, garments and construction materials.

In December 2011, foodstuff prices increased by 0.3 percent compared to the previous month. This increase was mainly due to higher prices of fresh vegetables (by 3.8 percent), grapes (by 3.6 percent), milk and dairy products (by 0.5 percent), partially mitigated by lower prices of sugar (by 2.7 percent), potatoes (by 1.0 percent), eggs (by 0.9 percent) and fresh fruit (by 0.6 percent). Potatoes and fresh vegetables price reduction occurred as a result of an oversupply of these products, both on domestic and regional markets. At the same time, prices of the above-mentioned products were influenced by favorable weather conditions recorded during the month, which facilitated the storage and sale of these products.

In December 2011, fuel prices remained almost at the previous month level. Thus, the slight increase of earth coal prices (0.7 percent) was offset by lower prices of bottled gas by 1.4 percent as a result of lower import prices. The fuel prices remained at the previous month level and did not contribute to the fuel prices dynamics. However, the monthly rate of increase in fuel prices, which began in September, recorded a reduction trend that was influenced by the stability of world oil prices, the appreciation trend of the national currency against the U.S. dollar and by the relatively high temperatures for this period.

After the significant increases recorded in October and November, following the adoption of new tariffs for natural gas and heating, the regulated prices recorded a slight increase in December 2011 (0.1 percent) as a result of higher medicines prices (by 0.5 percent) and housing payment component (by 0.4 percent). Prices for air transportation services fell by 5.2 percent, but their contribution to the dynamics of regulated prices was negligible.

¹ The core inflation is calculated by the NBS by excluding the prices that are outside the influence area of monetary policy measures promoted by the NBS, such as food and beverages, fuel, products and services with regulated prices.



The National Bank of Moldova reiterates that it will continue to vigilantly monitor the developments in domestic and international economic environment, so that by an appropriate adjustment of monetary policy instruments to ensure the objective referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.