



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

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 4.7 percent in April 2012, decreasing by 0.7 percentage points versus the previous month. The annual core inflation registered a rate of 4.8 percent, decreasing by 0.3 percentage points compared to the previous month.

Both external and internal factors will contribute to the disequilibrium of the inflationary risks balance in the coming period. Thus, the uncertainties associated with sustainable approaches to solve the euro area sovereign debt crisis and the tensions on the international oil market are still the main external sources of risk. At the same time, disinflationary pressures may arise from domestic demand, so that the domestic economic activity will fall significantly.

The annual inflation rate for April 2012 continued its downward trend, decreasing by 0.7 percentage points versus the previous month, to the level of 4.7 percent. The monthly inflation rate registered an increase of 0.2 percent, driven by the increases in non-foodstuff prices - by 0.4 percent, food prices and tariffs for services – by 0.1 percent each. The development of the monthly inflation rate for April 2012 was due to positive seasonal effect on food prices and the continued growth of products and services reflected in core inflation. A significant negative contribution to inflation was caused by the oversupply of potatoes and vegetables in the region that attenuated the increase in food prices. Regulated and fuel prices have had little influence during the reporting period.

The annual core inflation¹ recorded for the last 12 months a level of 4.8 percent (by 0.3 percentage points less compared to the previous month). Thus, since September 2011, there is a tendency of a reducing annual core inflation rate, which can be associated with a moderation of domestic and external demand along with the mitigation of population disposable income growth in the context of an uncertainty created by the sovereign debt crisis in the euro area. At the same time,

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

From January 2012, the published data are calculated by the NBS according to the changes made to the Annex no.2 of the "Methodology for the calculation of core inflation index", approved by joint order N8-07-01203/6 of January 19, 2012 of National Bank of Moldova and the National Bureau of Statistics (the change regards the inclusion of prices for remote communication services and medicines into regulated prices).



this trend has been favored by the appreciation of the national currency against the currencies of the main trading partners.

In April 2012, the monthly rate of core inflation was 0.5 percent. This development of the monthly rate of core inflation was driven mainly by the increases in prices in the following components: construction materials, clothing, footwear, knitwear, education and training and public alimentation.

In April 2012, foodstuff prices increased by 0.1 percent compared to the previous month. This increase was mainly due to higher prices of fresh fruits (by 1.5 percent), meat, canned meat and meat products (by 1.3 percent), fish and canned fish (by 0.7 percent), being partially mitigated by the decrease of eggs prices (by 7.4 percent), potatoes (by 3.8 percent), rice (by 0.8 percent), and fresh vegetables (by 0.2 percent). Excluding seasonal factors, the food prices have decreased by 0.4 percent.

The price of potatoes and vegetables decreased as a result of an oversupply of these products both on domestic and regional markets. Increased price of meat and meat products lies in higher prices of raw material following a reduction in the supply on domestic market, determined by the orientation of domestic production towards external markets.

In April 2012, the fuel prices recorded a slight increase of 0.2 percent as compared to the previous month as a result of higher prices of bottled gas (by 0.6 percent) and liquid fuel (by 0.2 percent) following the changes made by the market operators in March. These changes were caused by the increase of excise duty at the beginning of the year for gasoline, diesel, and liquid fuel. The evolution of oil prices and foreign exchange rates did not create pressure for fuel prices in April.

In the absence of changes in rates for utilities services, regulated prices continued their relatively stable evolution recorded over the past five months. Thus, in April 2012, these increased by 0.1 percent as compared to the previous month. This dynamic was due to higher tariffs for health (1.2 percent) and international rail transport (0.4 percent). A negative contribution to the growth of regulated prices was due to the decrease by 1.5 percent of tariffs on air transport.

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