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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 4.1 percent in May 2012, decreasing by 0.6 percentage points versus the previous month. The annual core inflation registered a rate of 4.4 percent - by 0.4 percentage points lower compared to the previous month.

The main external sources of risk to inflation for the next period arise from the negative effects derived from the euro area sovereign debt crisis and the entry into recession of advanced economies and the evolution of oil and food prices on international markets.

At the same time, the internal factor will also contribute to the imbalance of the inflationary risks balance. Thus, the national economic growth tended to slow down, following the reduction of external demand and labor market tensions in the European Union, which determined the decrease of exports and of the volume of remittances.

The annual inflation for May 2012 continued its downward trend, decreasing by 0.6 percentage points versus the previous month, up to the level of 4.1 percent. The monthly inflation rate registered a zero increase, being conditioned by lower prices for foodstuff products by 0.9 percent, development mitigated by increases in tariffs for public services by 1.0 percent and in price for non-foodstuff products by 0.1 percent. The dynamics of the monthly inflation rate for May 2012 was influenced by increases in regulated prices, following the increases in electricity tariff and the continued growth of prices for certain products and services reflected in the core inflation. A significant negative contribution to inflation was driven by lower prices for potatoes and vegetables, following the increasing volume of early agricultural production exposed on the market, both domestic and imported products.

The annual core inflation[1] recorded for the last 12 months a level of 4.4 percent (by 0.4 percentage points less compared to the previous month). Thus, starting with October 2011, there was recorded a tendency of reduction of the core inflation annual rate, which can be associated with

[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).

a moderation of domestic and external demand. At the same time, this tendency was supported by the appreciation of the national currency against the currencies of the main trading partners.

In May 2012, the monthly core inflation rate was of 0.1 percent. This development was driven mainly by the increases in prices in the following components: cigarettes, construction materials, detergents, public catering, education and training. This prices increase was influenced by higher fixed costs per unit due to reduced sales volumes as a result of a decline in the disposable income of the population.

In May 2012, foodstuff prices decreased by 0.9 percent compared to the previous month. This decrease was mainly due to lower prices of eggs (by 20.0 percent), potatoes (by 9.9 percent), fresh vegetables (by 4.2 percent), milk and dairy products (by 0.6 percent), being partially mitigated by the increase of prices of fresh fruits (by 3.3 percent), meat, canned meat and meat products (by 0.5 percent), and sugar (by 0.5 percent). Excluding seasonal factors, the food prices have decreased by 0.1 percent.

The price of potatoes and vegetables decreased as a result of the increased volume of early agricultural production exposed on the market, both domestic and imported products. The domestic markets still have potatoes from the previous year's harvest. 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 May 2012, the fuel prices recorded a slight decrease of 0.1 percent as compared to the previous month, as a result of lower prices of liquid fuel (by 0.5 percent), following the decreases in fuel prices on international markets. At the same time, earth coal prices increased slightly, by 0.5 percent, but their contribution to the monthly rate was insignificant. Prices of bottled gas remained at the previous month level and thus, did not influence the fuel price dynamics.

After a period of five months with relatively stable development of regulated prices, in May 2012 was recorded an increase of 1.0 percent as compared to the previous month. This dynamic was due to the increases in the tariffs of “electricity” (4.7 percent) and “water and sewage” (3.9 percent).

The National Bank of Moldova reiterates that it will continue to monitor vigilantly the developments in the 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.