



Banca Națională a Moldovei



Medium-Term Inflation Forecast

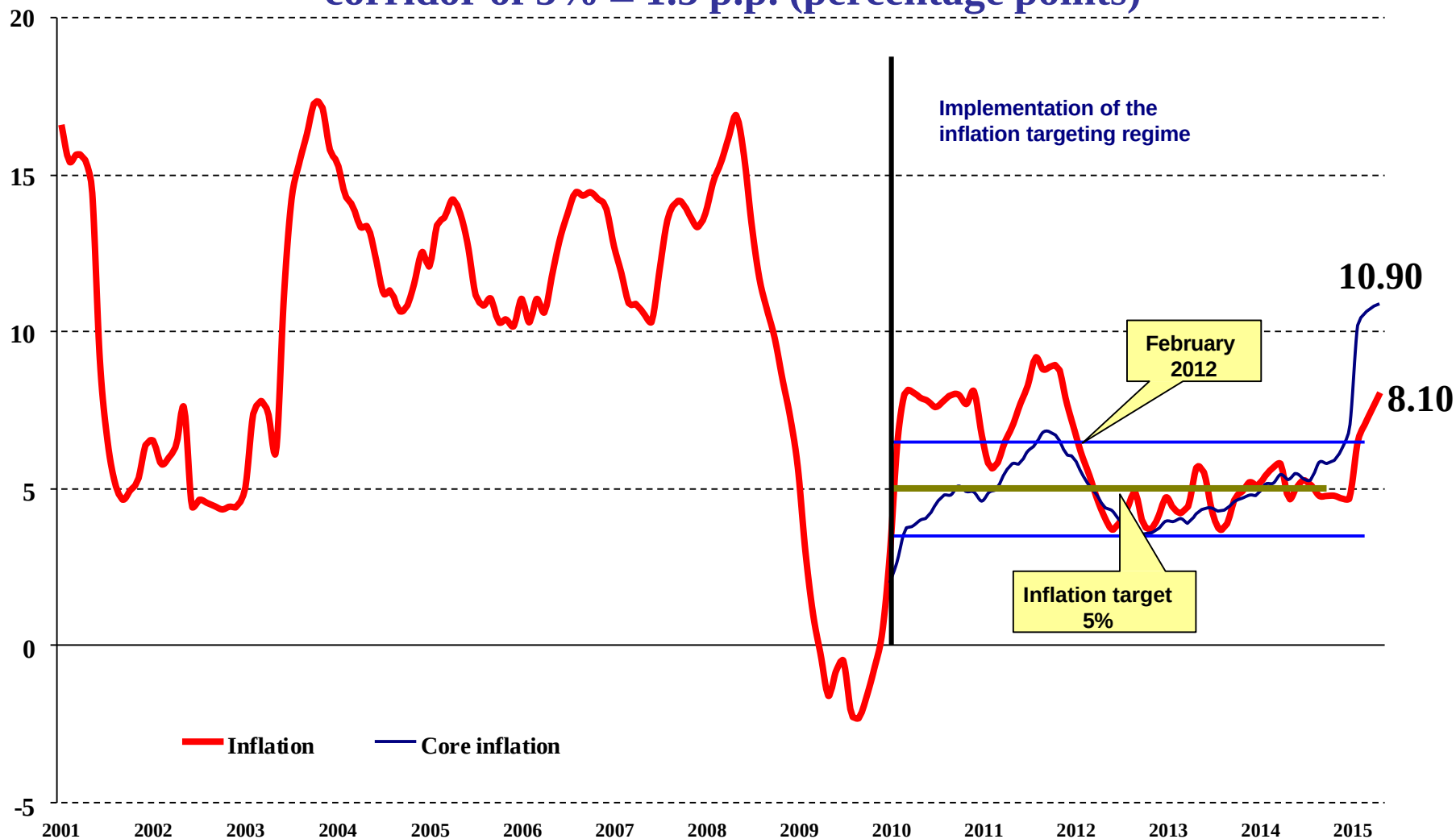




Banca Națională a Moldovei



For the first time in the past 12 quarters the inflation went out of the corridor of $5\% \pm 1.5$ p.p. (percentage points)



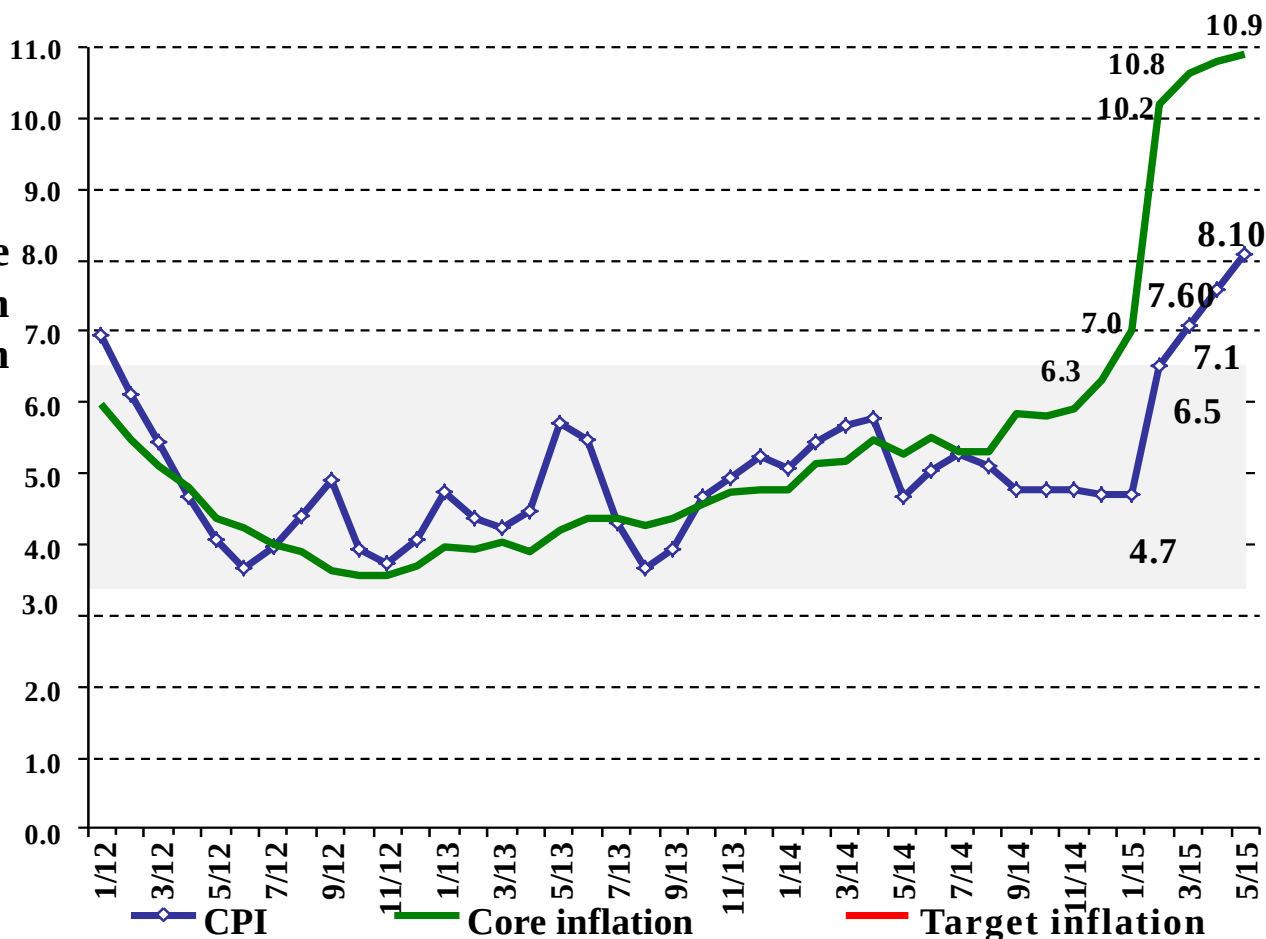


CPI inflation and core inflation (annual rates)

•The annual inflation rate increased from 4.7% in December 2014 to 8.1% in April 2015.

The core inflation rate increased from 6.3% in December 2014 to 10.9% in April 2015.

The increase in the annual inflation rate was due to the increasing pressure exerted by the core inflation and the prices for foodstuffs.





Annual CPI rate is increasing mainly due to the accelerated core inflation because of national currency depreciation (p.p.)

1. Food prices (3.1 p.p.)

- Good harvest in 2014
- Evolution of food prices worldwide
- Russian embargo
- Depreciation of the national currency against USD and EUR

2. Core inflation (3.7 p.p.)

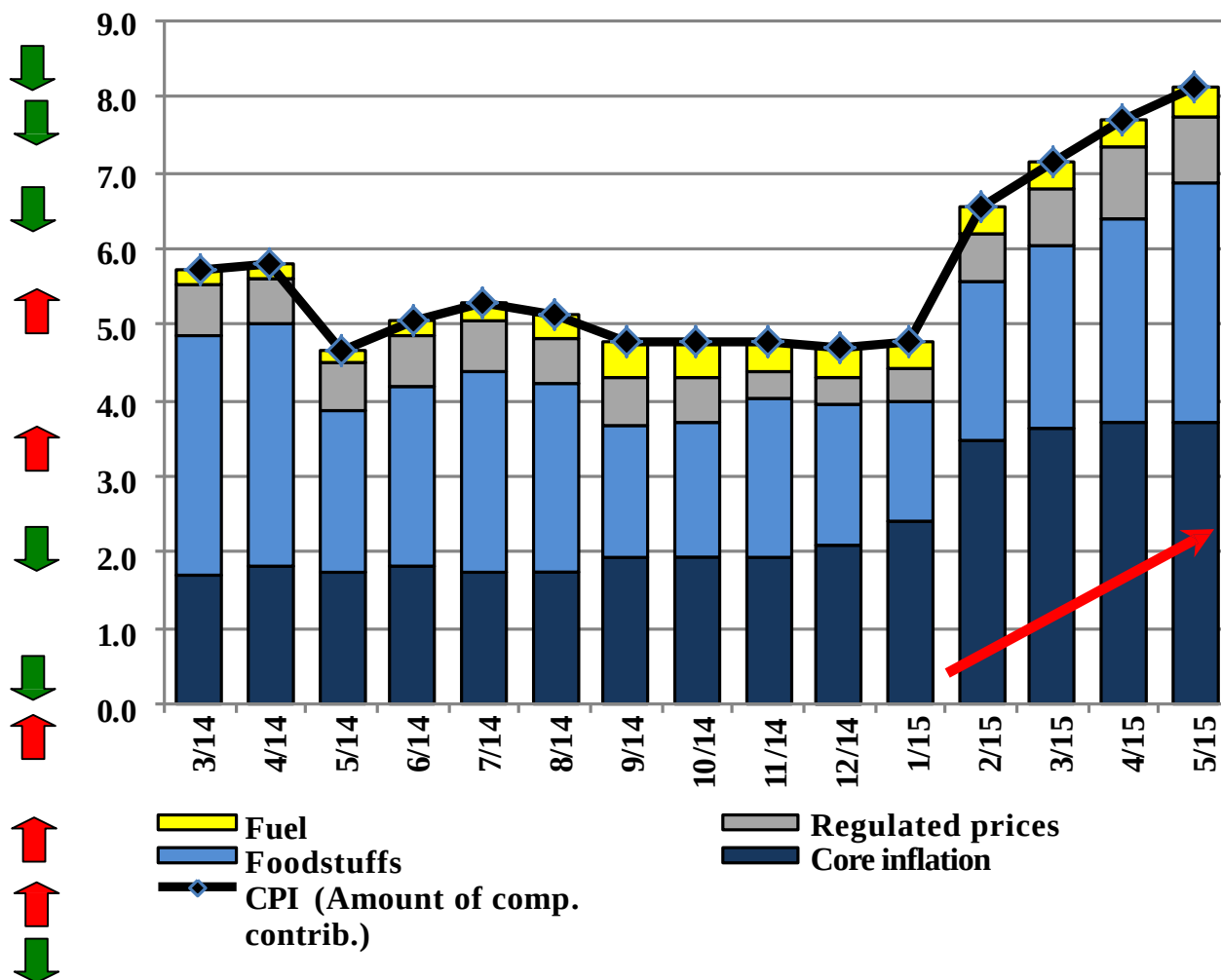
- Depreciation of the national currency against USD
- No significant inflationary pressures exerted by the domestic demand

3. Regulated prices (0.9 p.p.)

- No adjustments made to the tariffs and services related to the regulated prices
- Increase in the prices for medicines

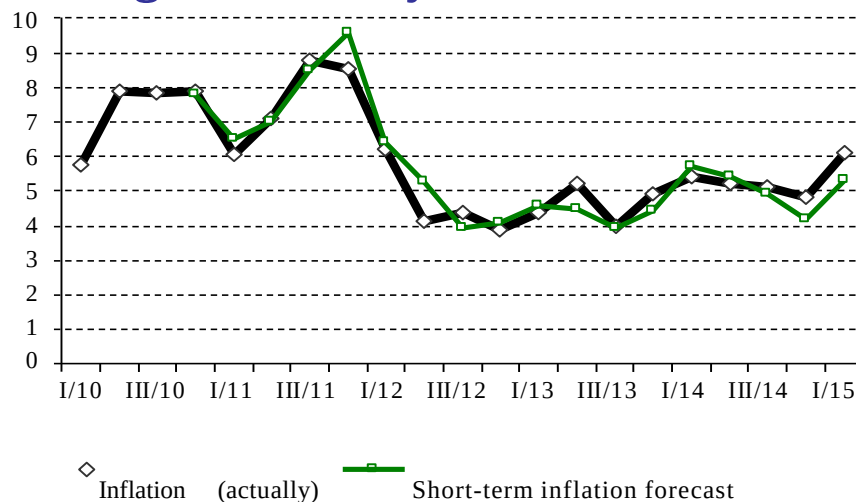
4. Fuel prices (0.4 p.p.)

- Military conflict in Eastern Ukraine
- MDL/USD exchange rate
- International oil prices





Comparison of the Forecast in the Report on Inflation No 1, 2015 against the Dynamics of Inflation in Q1, 2015



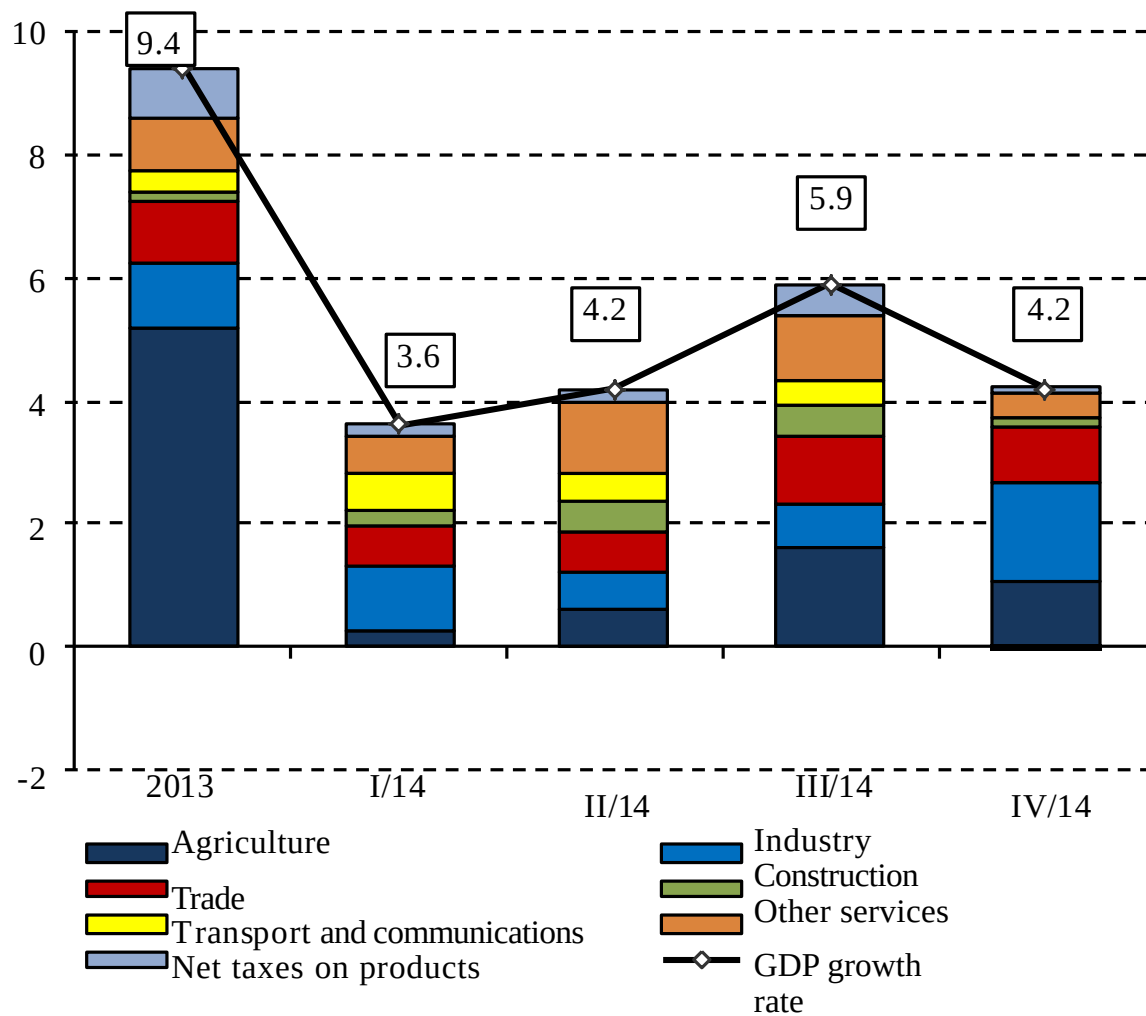
	Actual Q 1, 2015 / Q2, 2014	Forecast Q1, 2015 / Q2, 2014	Deviation	Factors of Influence
CPI	6.1	5.3	0.8	
Core inflation	9.3	7.5	1.8	Depreciation of the national currency above expectations
Foodstuffs	5.8	5.9	-0.1	Insignificant deviation
Regulated prices	2.5	1.7	0.8	Increase of the prices for medicines above expectations
Fuel	5.2	3.2	2.0	Increase in the prices for coal. Depreciation of the national currency above expectations



Contribution of the Sectors of Economy to GDP Growth (p.p.)

Economic growth in Q4, 2014:

- Industry: ▲ 1.6 pp (Q3 2014: ▲ 0.7 pp)
- Agriculture: ▲ 1.0 pp (Q3 2014: ▲ 1.6 pp)
- Trade: ▲ 0.9 pp (Q3 2014: ▲ 1.1 pp)
- Other service activities: ▲ 0.4 pp (Q3 2014: ▲ 1.1 pp)
- Construction: ▲ 0.2 pp (Q3 2014: ▲ 0.5 pp)
- Net taxes on products: ▲ 0.1 pp (Q3 2014: ▲ 0.5 pp)
- Transport and communications: 0.0 pp (Q3 2014: ▲ 0.4 pp)

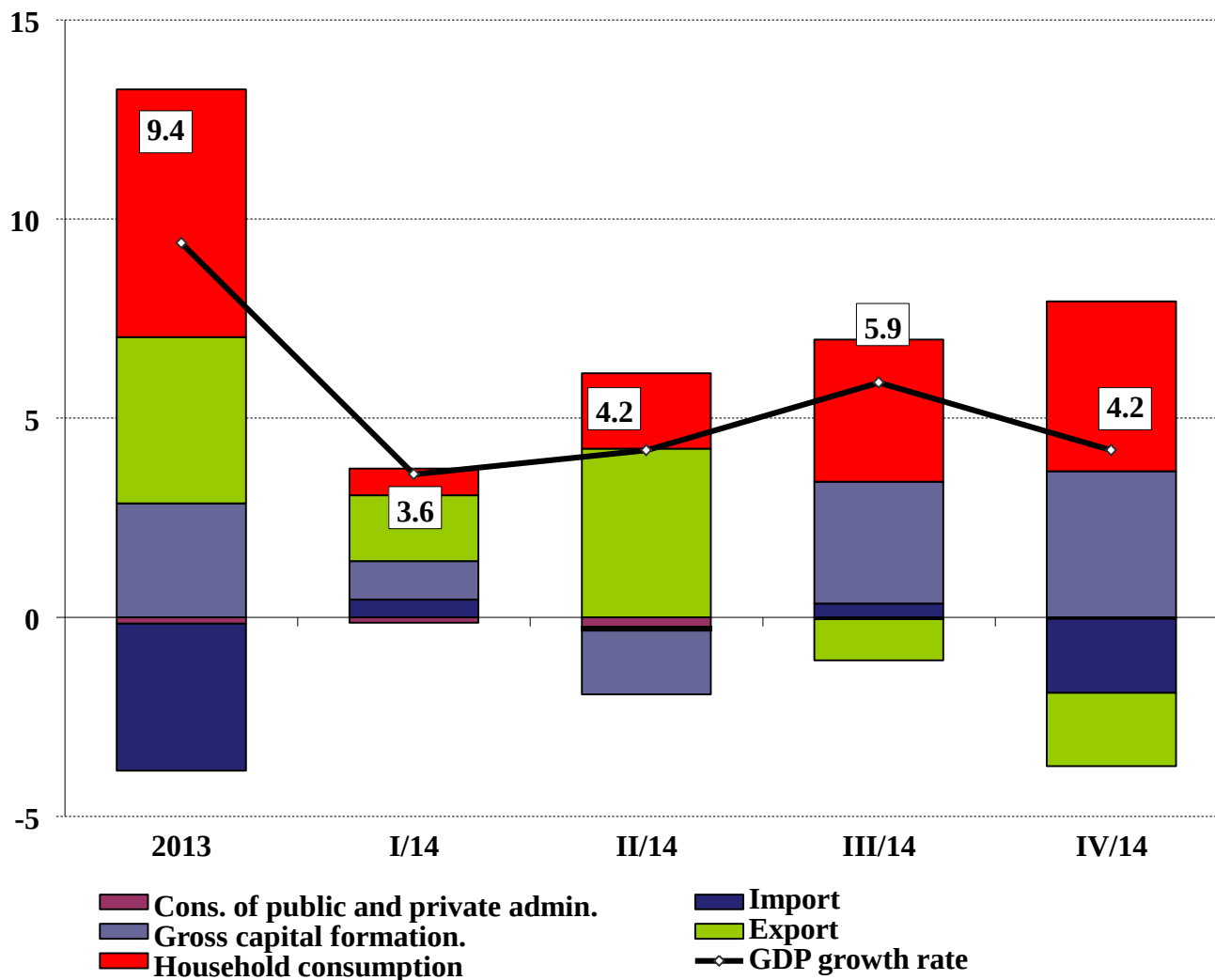




Contribution of Demand Components to GDP growth (p.p.)

Economic growth in Q4, 2014:

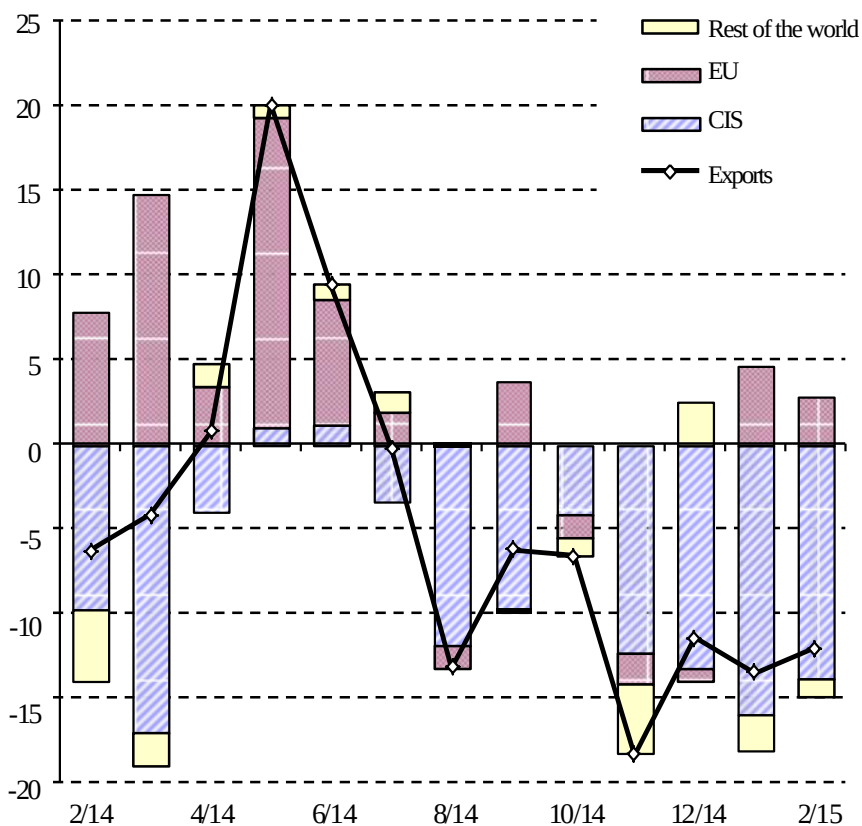
- Household consumption:
▲ 4.3 pp (Q3 2014: ▲ 3.6 pp)
- Gross capital formation:
▲ 3.7 pp (Q3 2014: ▲ 3.1 pp)
- Public administration consumption: 0.0 pp (Q3 2014: 0.0 pp)
- Export: ▼ 1.8 pp (Q3 2014: ▼ 1.0 pp)
- Import: ▼ 1.9 pp (Q3 2014: ▲ 0.3 pp)



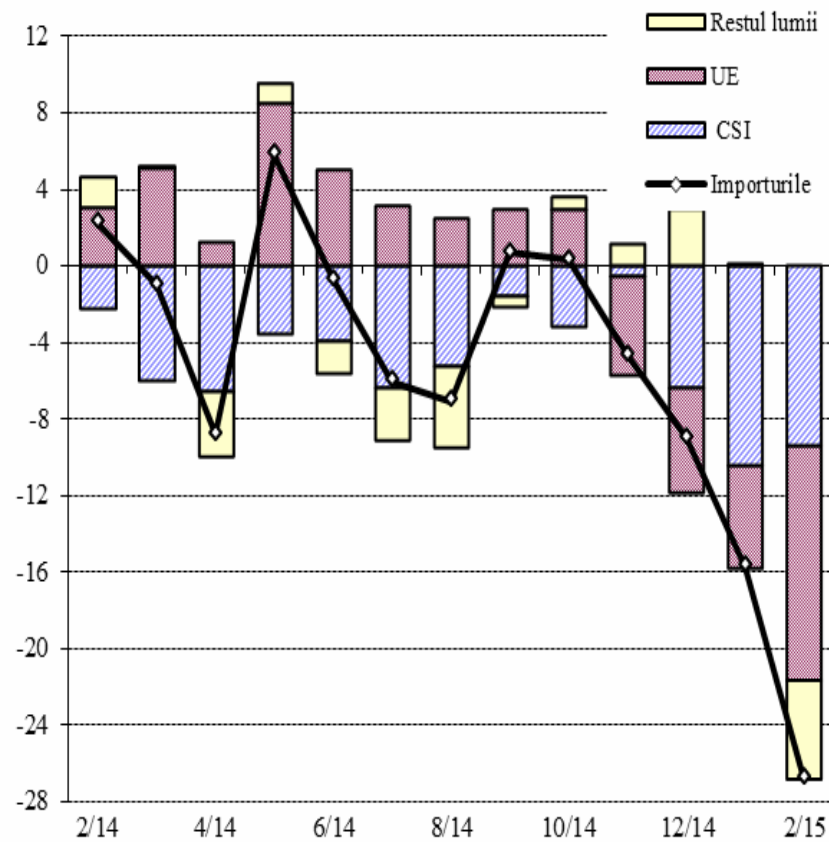


Foreign Trade (%, corresponding period of the previous year)

Export

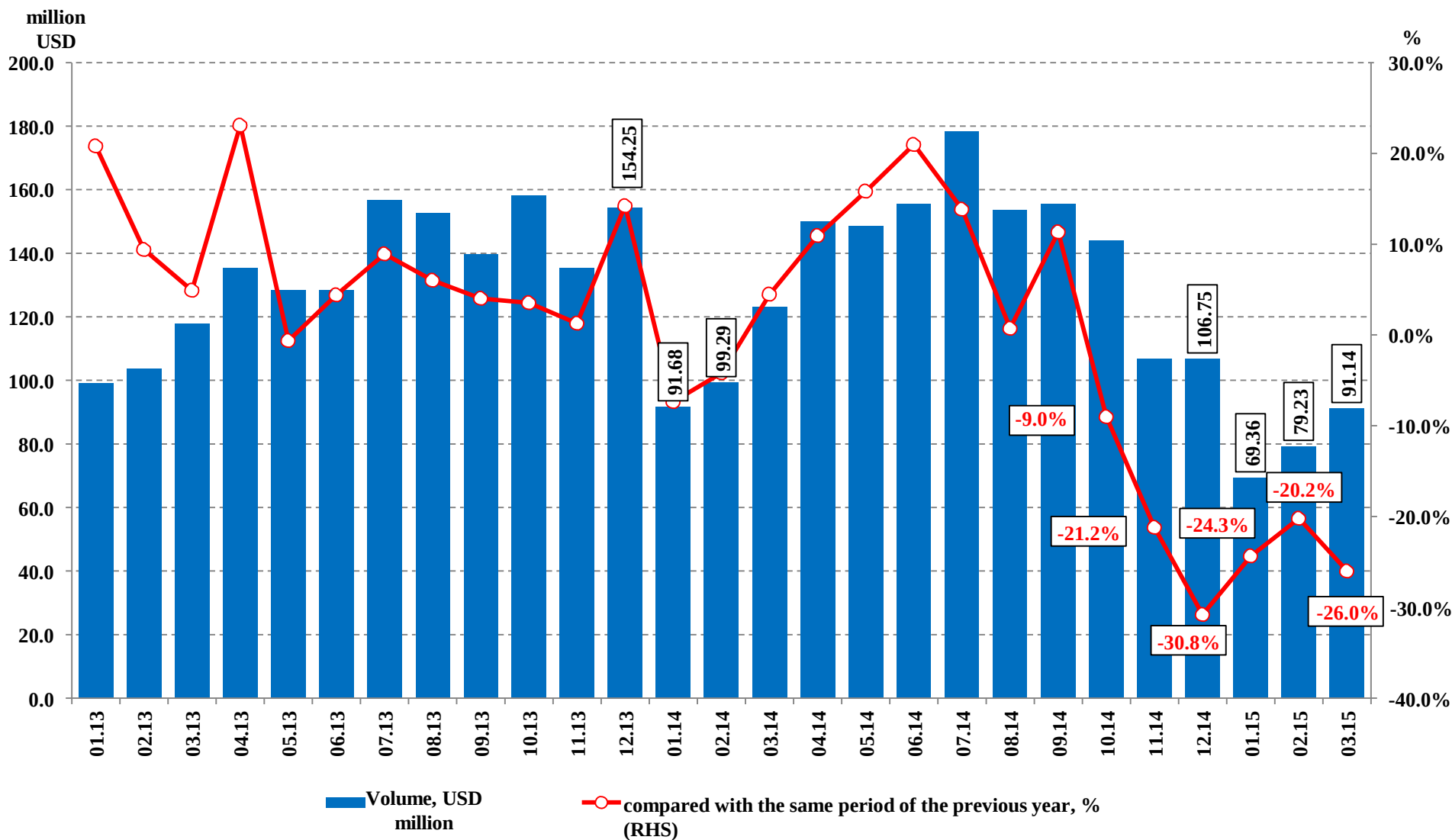


Import



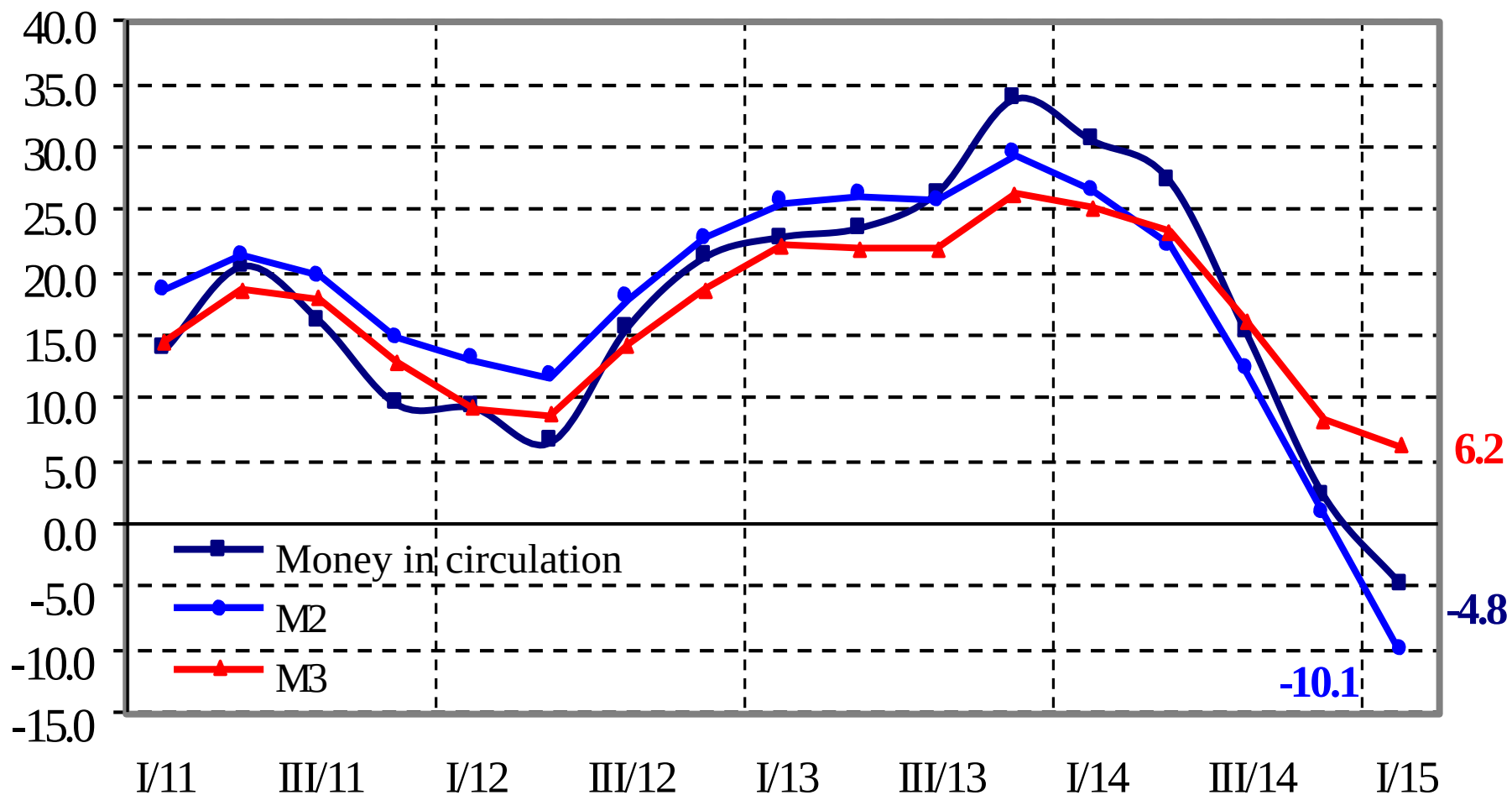


Money Transfer from Abroad to Individuals





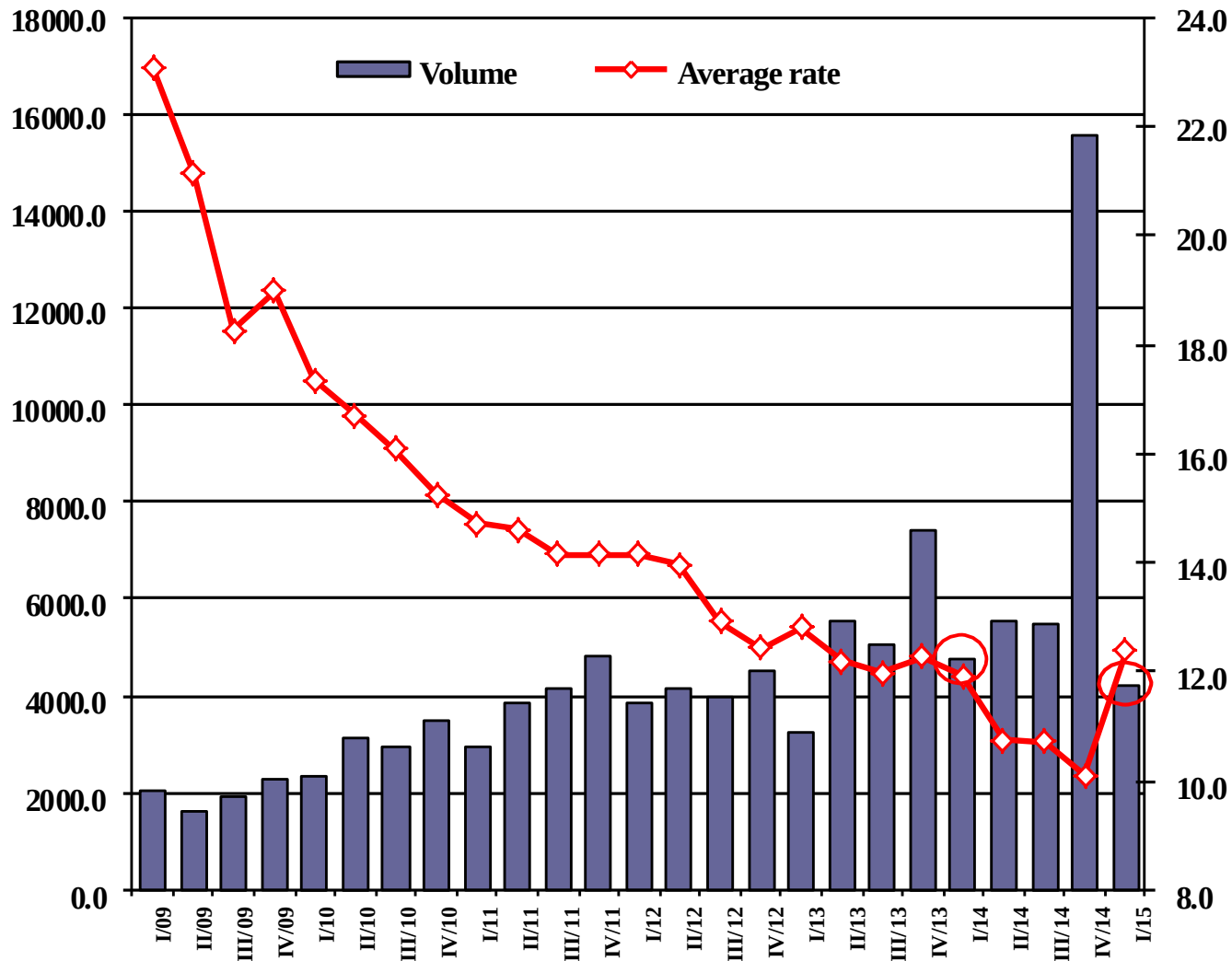
Dynamics of Monetary Aggregate Components (annual growth, %)





New Loans in MDL (quarterly)

- **Values registered according to the monetary statistics**
- **Decrease by 11.8% in new loans in MDL in Q1/2015 versus Q1/2014**
- **Average loan rate - 12.37% in Q1/2015**
- **For Q4/2014 the statistics are distorted by the suspicious transactions from November at BEM, Banca Sociala and Unibank**





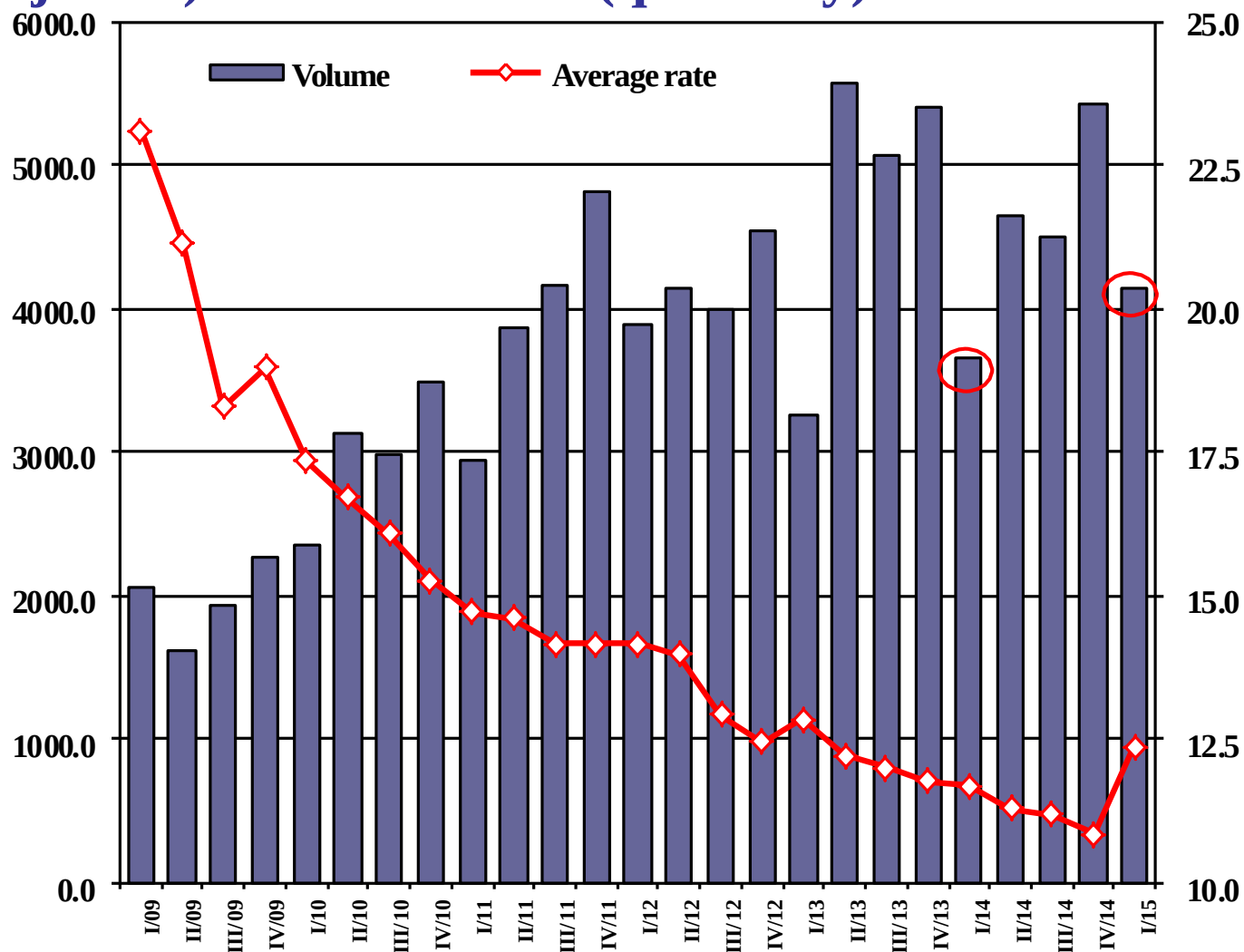
New (adjusted) Loans in MDL (quarterly)

- To facilitate the analysis, the data related to BEM, Banca Sociala and Unibank for Q4/2013 – Q1/2015 were excluded.

- Increase by 13.0% of the new (adjusted) loans in MDL in Q1/2015 versus Q1/2014

- The average loan rate - 12.37% in Q1/2015

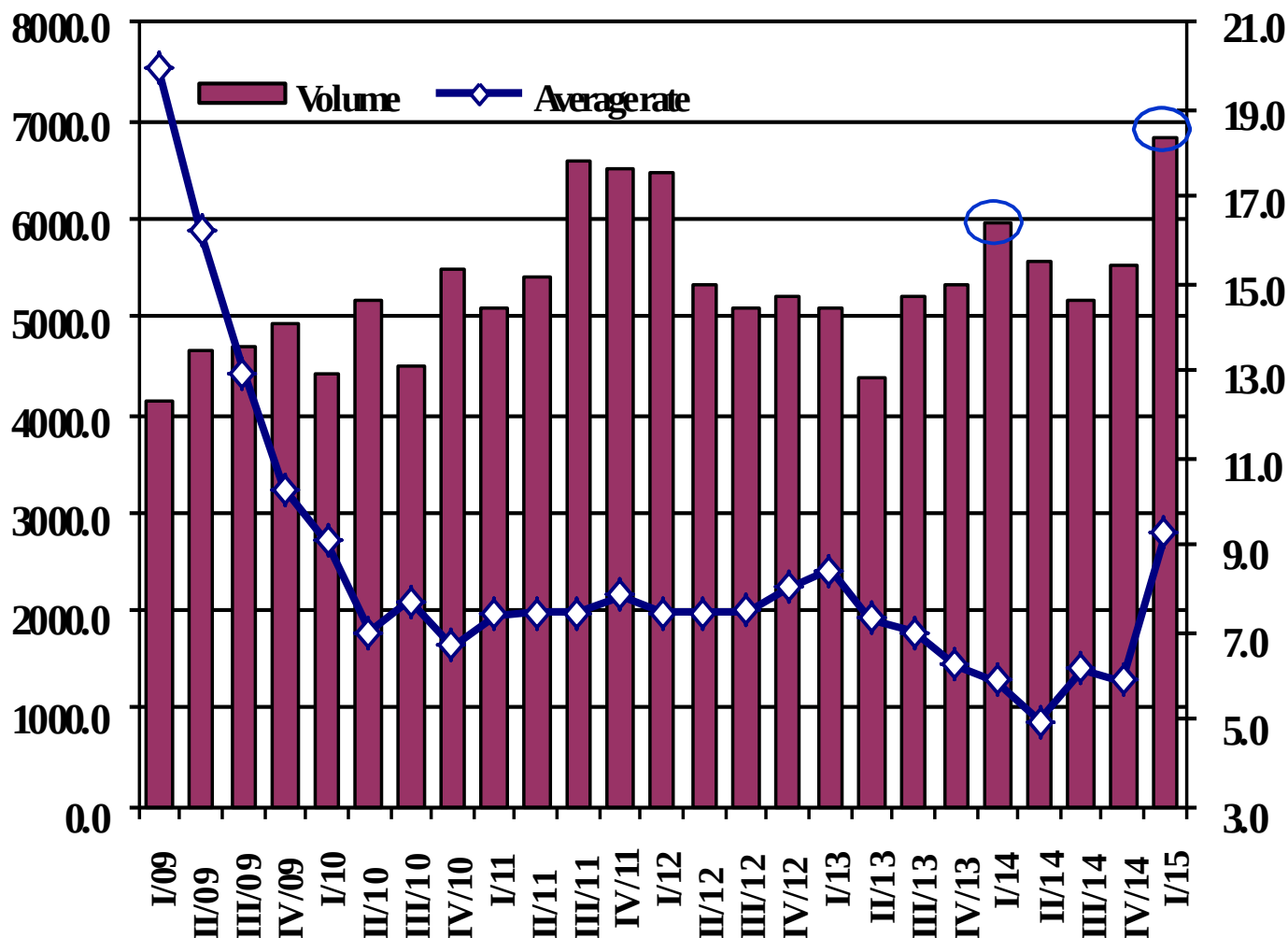
- Ascending trend of the interest rate on loans in MDL, as a response to the monetary policy decisions





New Deposits in MDL (quarterly)

- Increase by 14.7% of new deposits attracted in MDL in Q1/2015 versus Q1/2014
- Average interest rate in Q1/2015 of 9.25%
- Ascending trend of the interest rate on deposits in MDL, as a response to the monetary policy decisions





Banca Națională a Moldovei

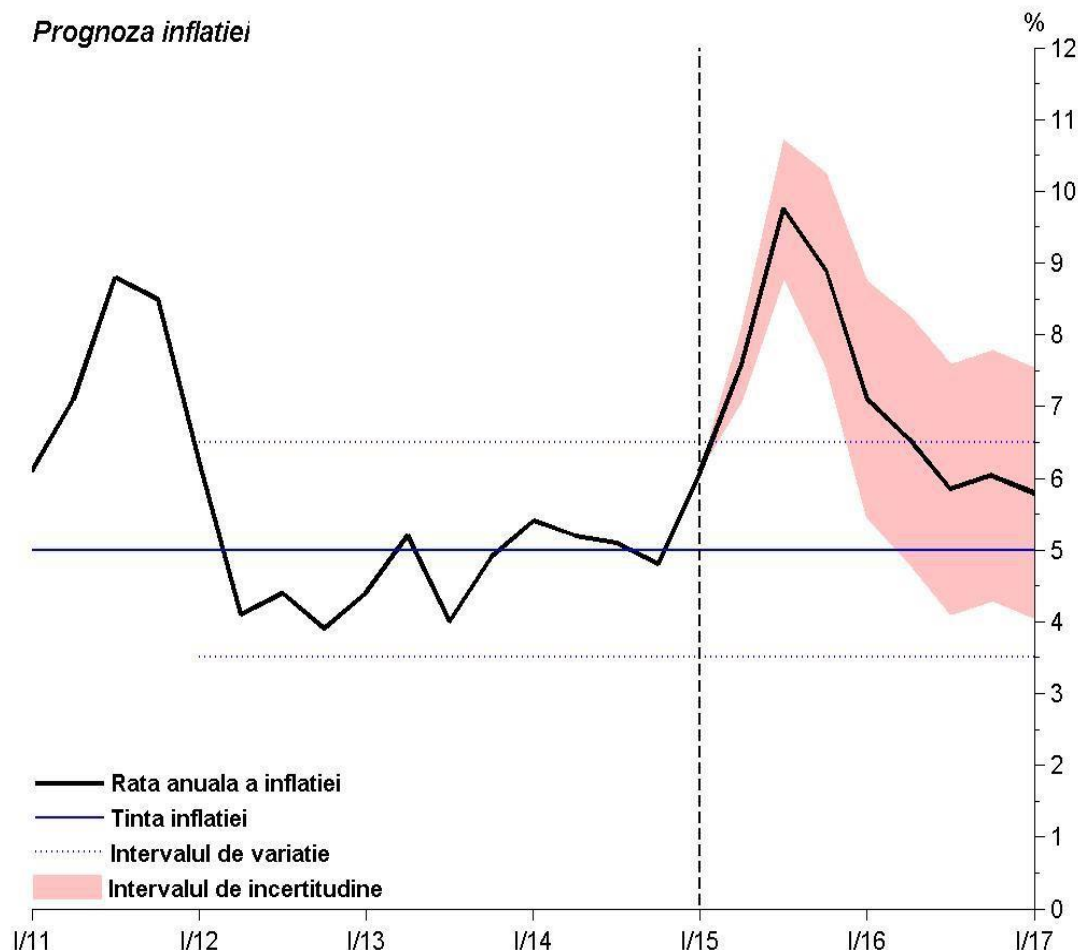
Medium-Term Inflation Forecast



Inflation Forecast Revised Upwards

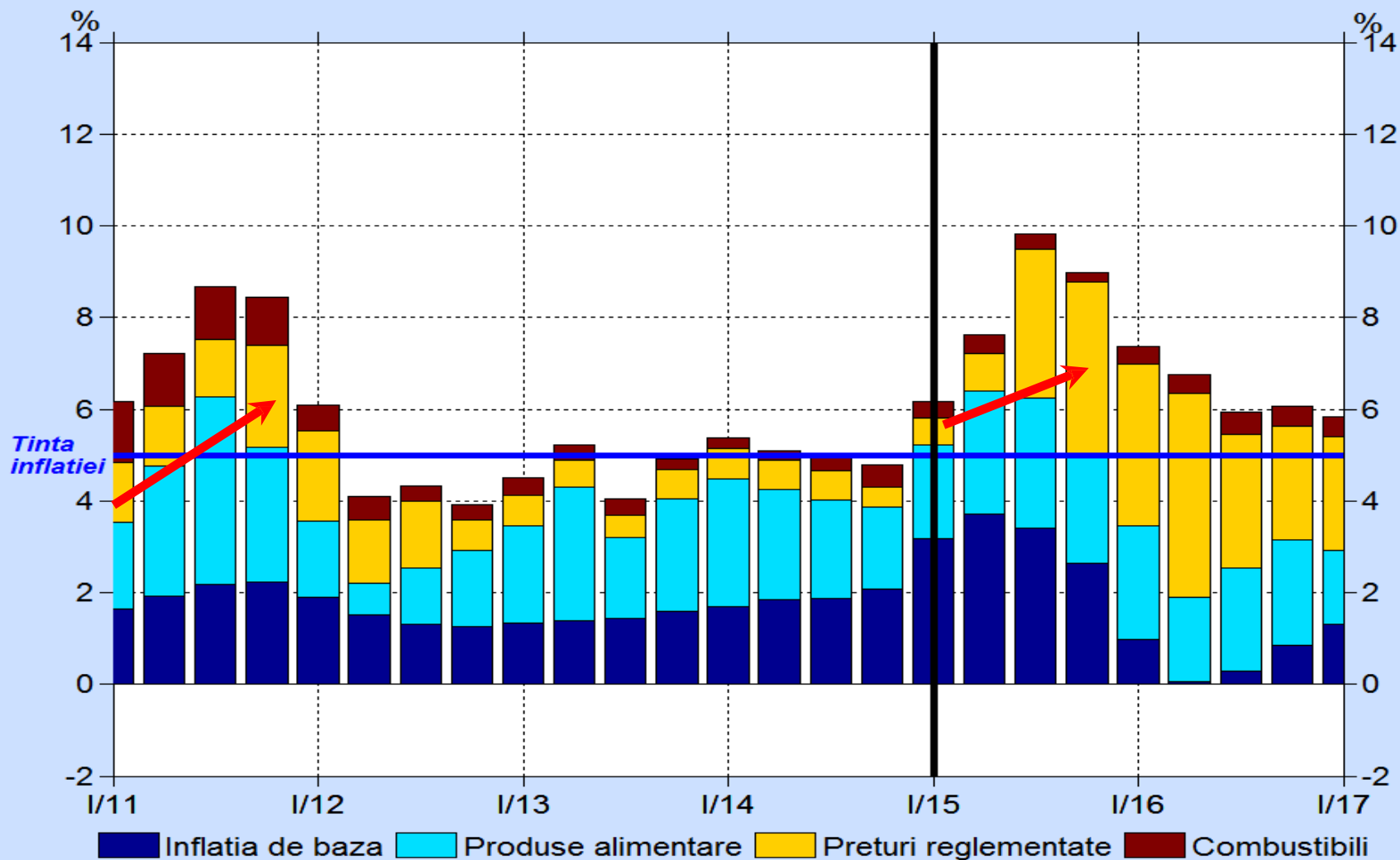
	Forecast
2015	8.1 %
2016	6.4 %

- For this year the average inflation rate will reach 8.1%, registering thus an increase by 2.3 p.p. as compared against the forecast made in January 2015.
- In 2016 the annual inflation rate will have the value of 6.4%, increasing thus by 0.3 p.p. up against the forecast made in January 2015.
- The annual inflation rate will temporarily leave the range of variation in Q2, 2015 for four consecutive quarters.





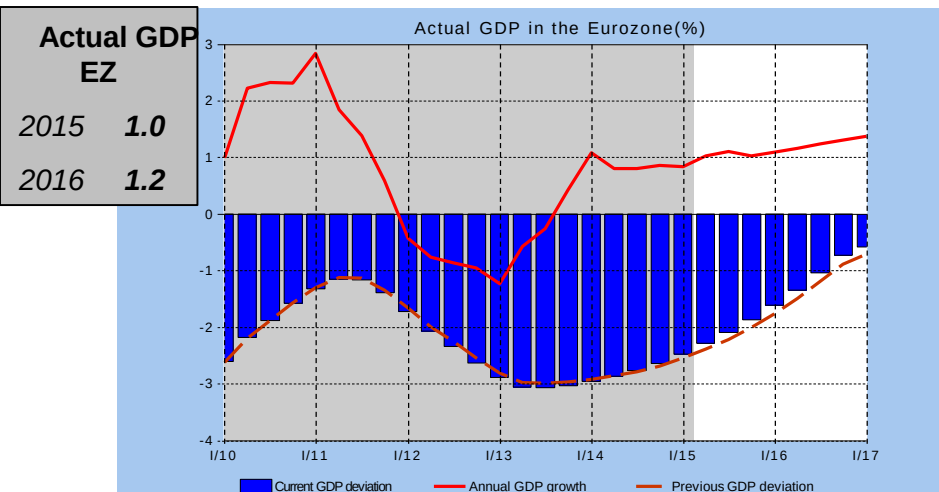
CPI Decomposition, %



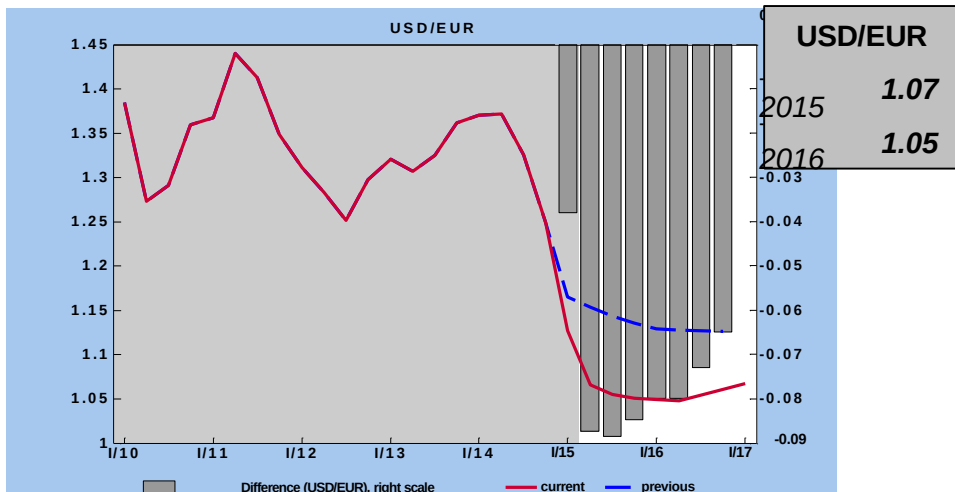


External Assumptions

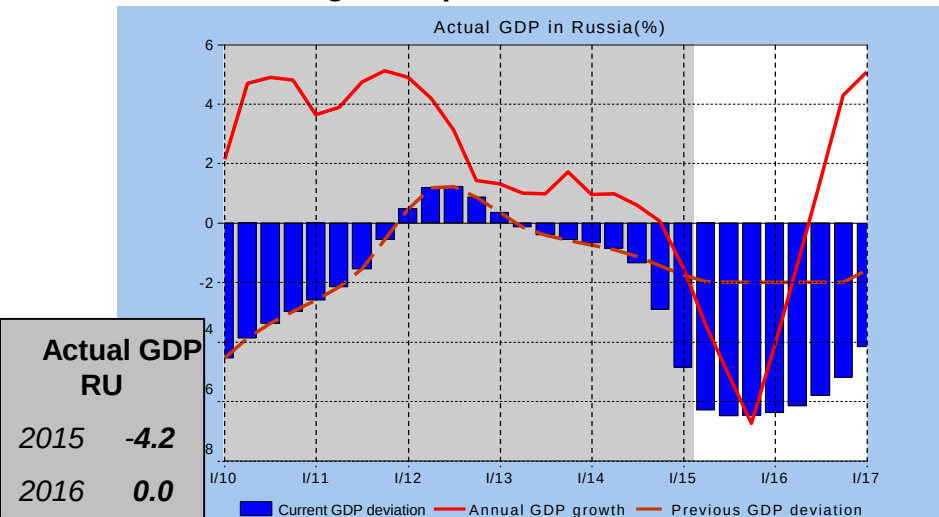
Annual GDP growth rate in the Eurozone



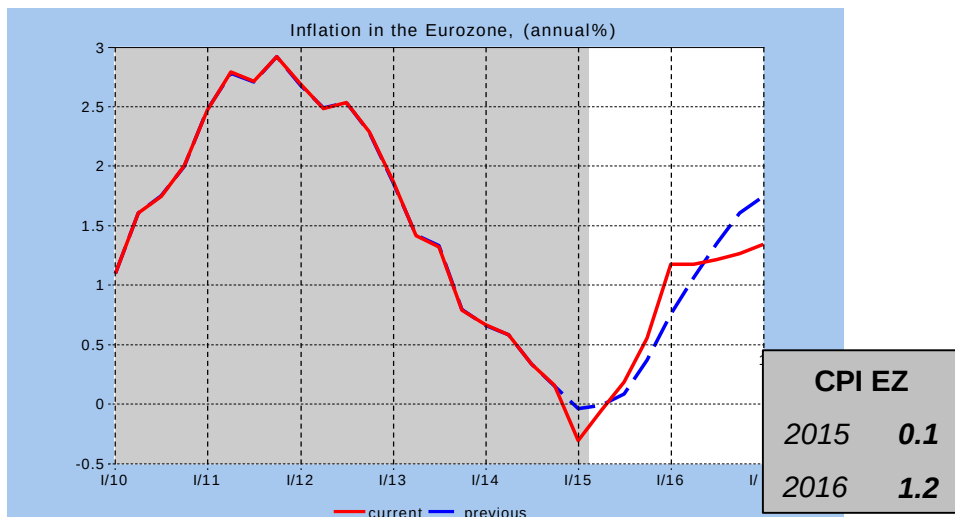
Average exchange rate USD/EUR



Annual GDP growth pace in the Russian Federation



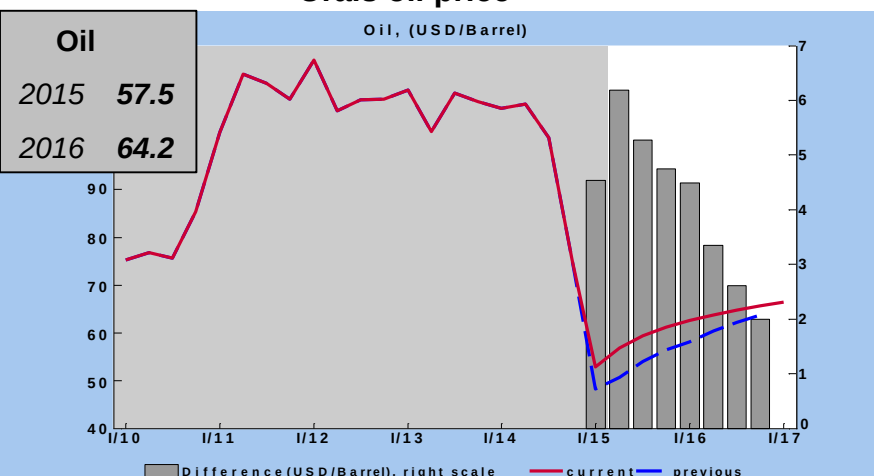
Inflation rate in the Eurozone





External Assumptions (continuation)

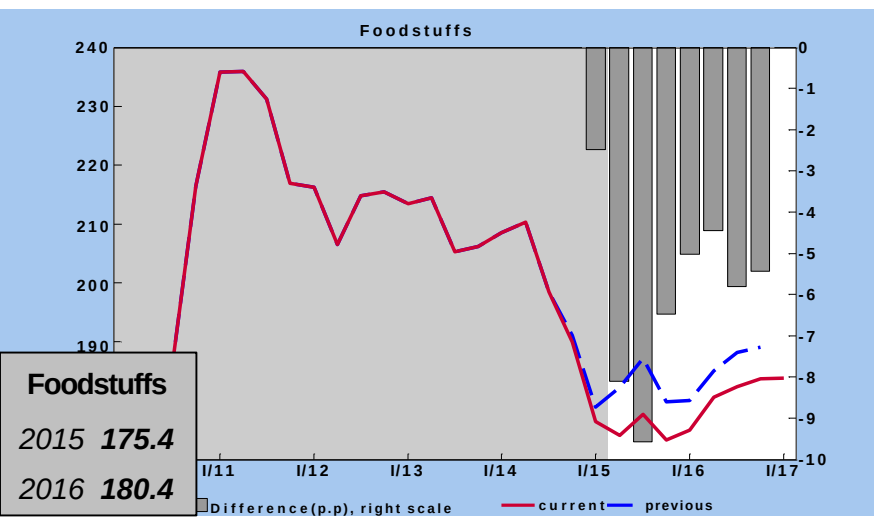
Urals oil price



Expected dynamics of external variables

	valori medii anuale	
	2015	2016
Creșterea economică în zona euro, %	1.0	1.2
Creșterea economică în Federația Rusă, %	-4.2	0.0
Inflația anuală în zona euro, %	0.1	1.2
Inflația anuală în Federația Rusă, %	15.8	7.4
USD/EUR	1.07	1.05
RUB/USD	61.6	63.2
Prețul petrolului Urals (dolari SUA/baril)	57.5	64.2
Prețurile internaționale la produsele alimentare, %	-13.1	2.9

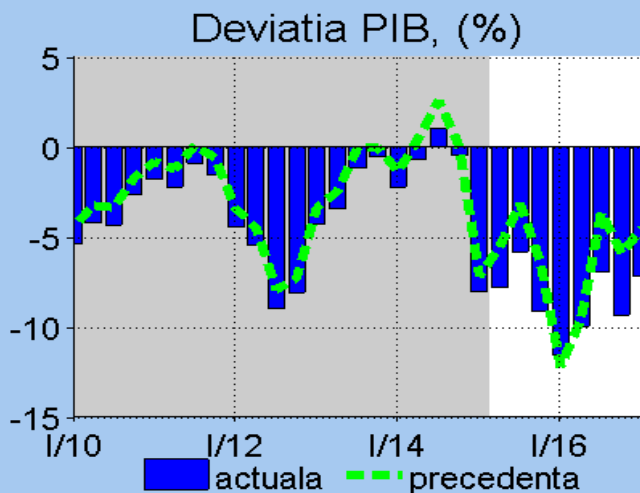
Annual growth pace of the world price index for foodstuffs



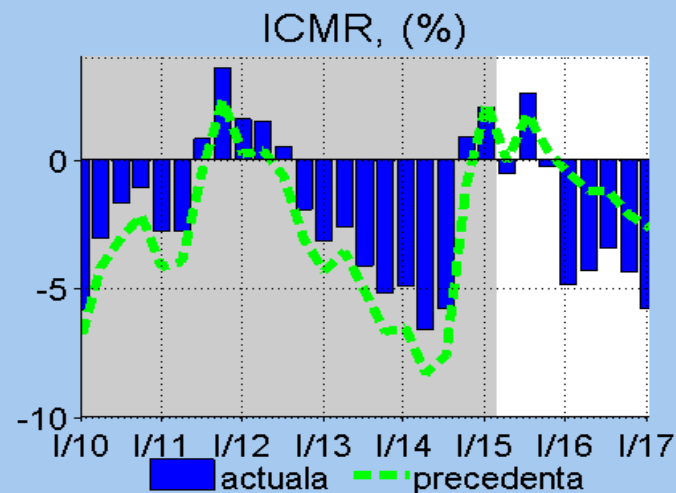


Internal Assumptions

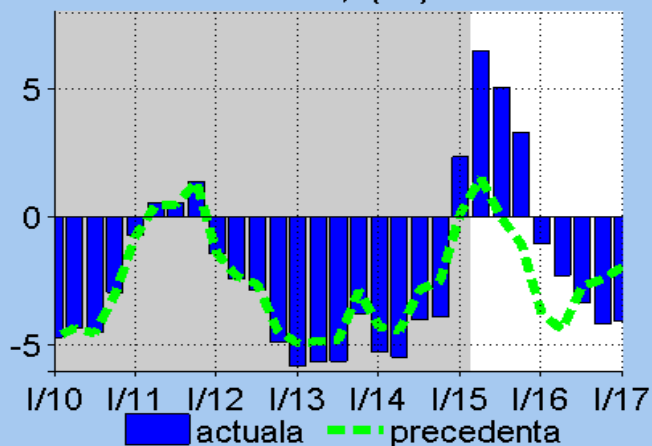
Negative GDP deviation over the entire forecast period.



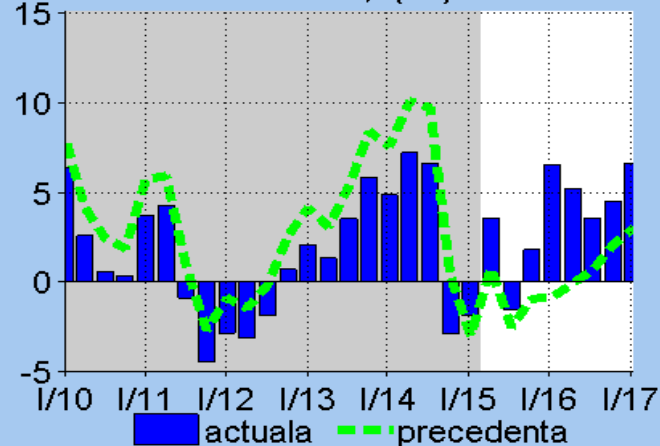
A less restrictive nature of the real monetary conditions in the first half of the forecast period



RRD, (%)



RRES, (%)

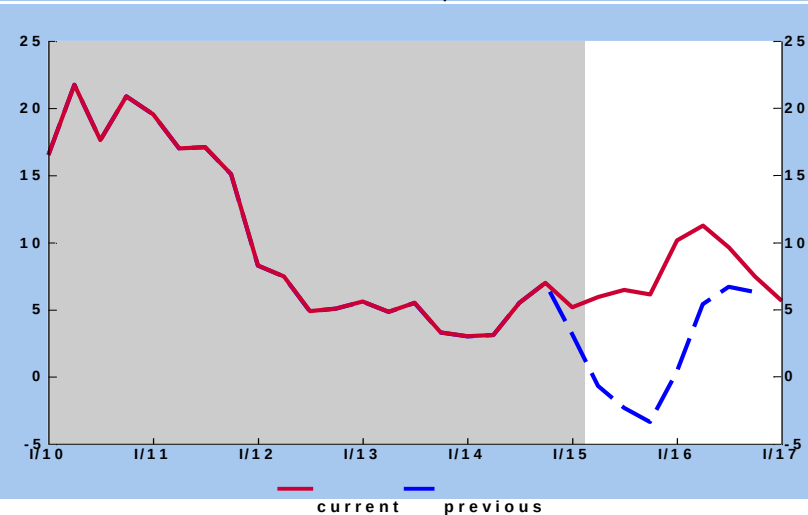
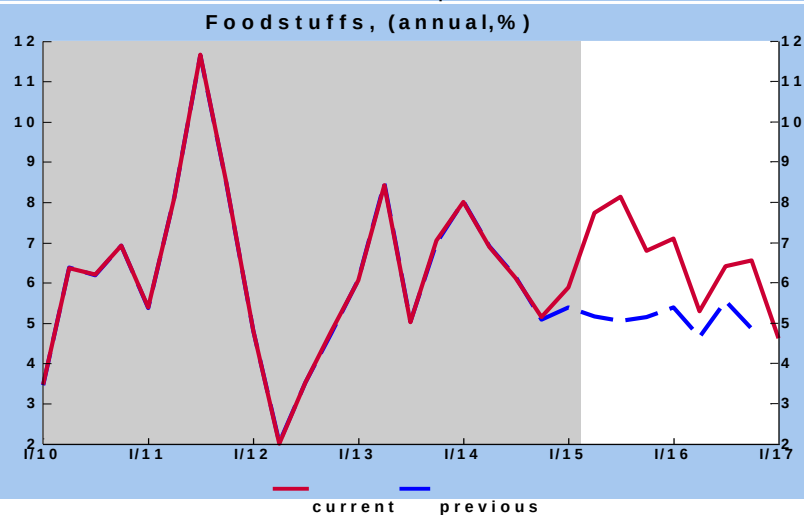
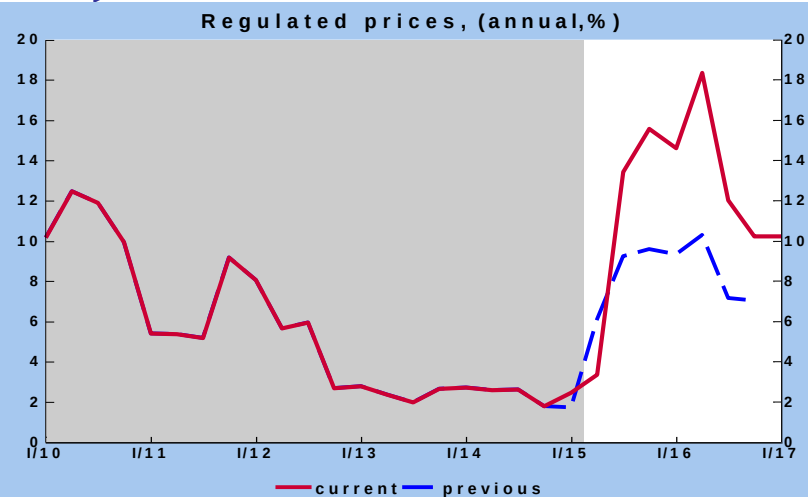
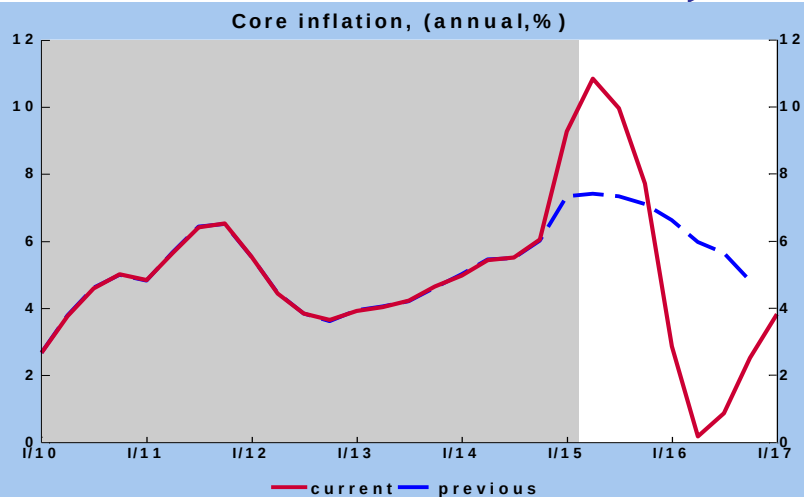


Restrictive nature of the real effective exchange rate

A less restrictive nature of the real interest rate



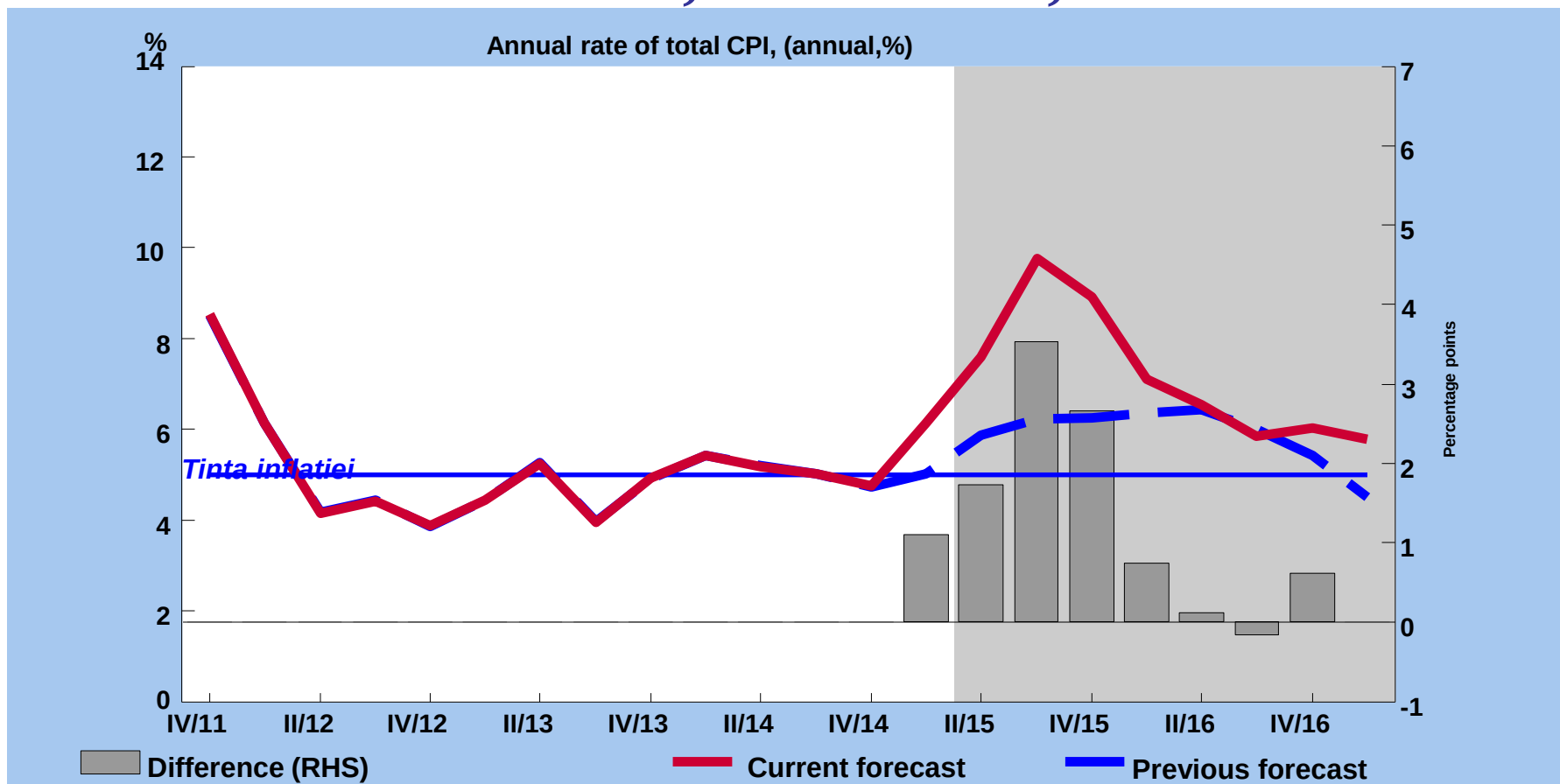
IR II, 2015 vs IR I, 2015



•The reconfiguration of the annual inflation rate forecast is mainly due to the higher contributions of the *regulated prices*, *foodstuffs* and *core inflation*.



IR II, 2015 vs IR I, 2015



•On the average, in 2015 the annual inflation rate will be by 2.3 p.p. higher, and in 2016 - by 0.3 p.p. higher than forecast previously.



Banca Națională a Moldovei



Thank you for your attention!