



Translation  
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**PRESE RELEASE  
OF THE NATIONAL BANK OF MOLDOVA**

**According to the data published by the National Bureau of Statistics (NBS), the consumer price index (CPI) for the last 12 months constituted in May 7.9 percent this year, declining by 0.2 percentage points compared with April 2010. The direct effects of higher prices in January have already been absorbed. The price increase in May will have a lower impact on the consumer prices compared with the increase in January 2010. However, the inflationary pressures of the supply still persist. The annual inflation in May falls within the limits of the NBM forecast on the inflation of 10.8 percent for end of 2010.**

The pace growth mitigation of the inflation rate is due mainly to the following factors: slower growth in non-food prices, tariffs for public services and aggregated decrease of the food prices. The evolution of food prices is influenced by the favorable weather conditions. Also, a significant contribution to food price formation is made of seasonal factors, particularly by lower prices of meat, fish and dairy products. Potatoes and fresh fruit prices have been increased by 9.0 and 1.3 percent respectively.

The core inflation<sup>1</sup> is within the target limits for the end of this year, recording an increase of 5.1 percent for the last 12 months, which confirms the increased influence of non-monetary factors on the inflation process. The monthly pace of the core inflation (including the increase of non-food prices) keeps the downward trend from the beginning of the year, as a result of the national currency appreciation against the currencies of the major trading partners of Moldova: euro area and the Russian Federation.

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



The regulated prices rose by 1.9 percent compared to the previous month, being determined mainly by the increase of the delivery prices of natural gas imported by Moldova. As a result, the gas prices were increased by 14.1 percent, 17.5 and 15.9 percent for the heating prices supplied by Termocom and CET-Nord respectively, which resulted in an increase of 4.6 percent for heating in May, compared to April. At the same time, the regulated price changes in May have contributed to the increase of the prices for water supply and sanitation, as well as to the tariffs for urban transport services in some localities of Moldova. Fuel prices rose by 0.6 percent, as compared to April, due to rising coal prices by 0.6 percent and fuel by 1.0 percent, which was a prerequisite for CPI increase.

The trend reversal in the foreign exchange market, as a result of the impact of the tax problems in a number of countries from the euro zone, has led to the depreciation of the single currency, thus the MDL registered a significant appreciation against the euro, which supports the previously published expectations of the NBM on mitigating the inflationary pressures.

The NBM will continue to closely monitor the internal and external macroeconomic developments and to promote a prudent monetary policy. In the case of deviation of the medium-term forecast from the stated objective, the NBM will promptly use the monetary policy instruments to achieve the objectives stipulated in the medium term monetary policy strategy.