



**PRESS 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 8.1% in December 2010, increasing by 0.4 percentage points compared to the last month. The annual core inflation registered the value of 4.4%, decreasing by 0.1 percentage points and falls within the limits of the NBM forecast on the inflation for the end of 2010.

Data provided by the NBS deviates slightly from the NBM inflation forecast of 7.8% for the end of 2010, published in the Monetary Policy Report no. 4 of November 2010.

The annual inflation rate for December 2010 constituted 8.1%, increasing by 0.4 percentage points compared to the level recorded the previous month. The monthly inflation rate constituted 1.3%, due to prices increase in foodstuff products – by 2.0% and non-foodstuff products – by 1.4%, while the tariffs for services rendered to population have maintained the level of the previous month. The evolution of the monthly inflation rate was mainly determined by the seasonal factor, prices increase related to the components of core inflation and by the growth in fuel prices, which have recorded maximum values on the international markets in December 2010.

The core inflation¹ is within the target limits for the end of this year, recording - 4.4% for the last 12 months, decreasing by 0.1 percentage points as compared to the previous month. In December 2010, the core inflation rate continued its upward trend, started in the third quarter of 2010, reaching the level of 0.5% compared to the previous month. This evolution was caused by the price increases - the main components of the core inflation, in addition to those in telecommunications services, which were maintained at the level of the previous month.

The evolution of prices products and services included in the calculation of core inflation in December was slightly affected by the depreciation of national currency against the U.S. dollar and Russian ruble, which determined largely the increase in prices for imported clothing and footwear. However, the core inflation has been boosted by second-round effects caused by higher fuel prices from the beginning of December, which led to increased transportation costs.

¹ 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 CPI growth for the last 12 months is 3.7 percentage points higher than core inflation, which confirms the increased influence of non-monetary factors on the inflation process, thus the annual inflation falls slightly above the limits forecast listed in the Monetary Policy Report published at the beginning of November.

The monthly growth rate of food prices in December 2010 has grown compared to November, registering an increase of 2.0%, caused mainly by higher prices of vegetable oil (10.4%) as a result of lower yields in the region, and the increase in prices for eggs (9.7%), fresh fruits (4.7%) and vegetables (4.4%), as a consequence of the seasonal effect and second-round effects of higher fuel prices.

Fuel prices in December 2010 increased by 5.4% compared to November due to the increase of coal prices - by 6.0%, fuel prices - by 5.0% and gas in the cylinder prices - by 4.7%. The evolution of fuel prices is driven by the beginning of heating season, the increase in oil prices on international markets and by the slight depreciation of the national currency against the U.S. dollar in the corresponding period.

The annual rate of regulated prices is characterized by a downward path started in September 2010 so that its level in December was 14.3%, which helped to partially absorb the inflationary pressures in the respective month.

The increase in fuel prices in December will maintain the persistence of inflationary pressures in the coming period as a result of second round effects.

National Bank of Moldova will continue to vigorously monitor the development of national economy, international economic environmental trends, and if the medium-term forecast deviates from the stated objective, it will promptly and appropriately use the monetary policy instruments to ensure the achievement of the expected target of monetary policy strategy on medium term.