

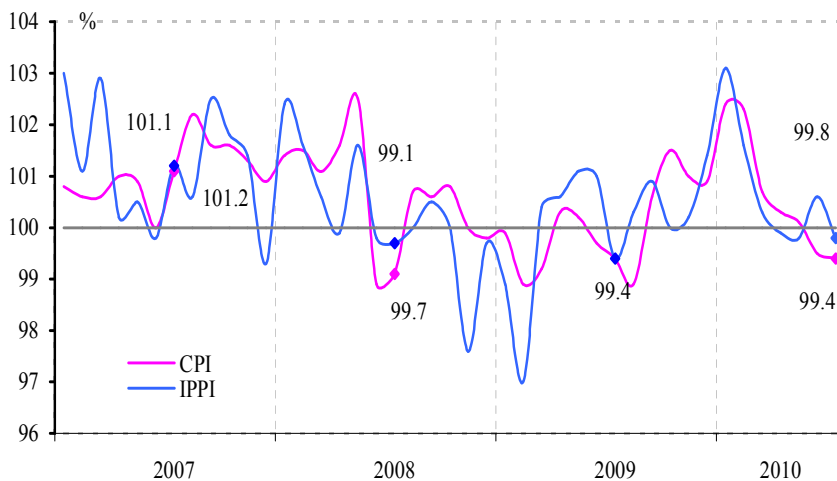
MONTHLY BULETIN no. 7* 2010

July

Inflation level

In July 2010 the consumer prices decreased by 0.6% compared to June 2010, including for foodstuff products – by 1.9%, non-foodstuff products – 0.1%, while for services rendered to population the prices increased by 0.3% (chart no.1).

Chart no. 1. Monthly evolution of consumer prices index (CPI) and of the industrial producers' prices index (IPPI)



As compared to the previous month, price decreases for **foodstuff products** were recorded for potatoes – by 17.0%, fresh vegetables – by 15.8%, fresh fruit – by 5.4%, rice – by 0.9%, sugar – by 0.4%, fish and canned fish – by 0.3%, meat and canned meat – by 0.1%.

Price increases were recorded for dietetic eggs – by 16.8%, soft drinks – by 0.9%, vegetal oil – by 0.4%, milling and bakery products, butter and dairy products – by 0.1%.

Within the category of **non-foodstuff products** significant price decreases were noted for:

medicines – by 2.0%, footwear – by 0.4%, ready-made clothes – by 0.3%, knitwear – by 0.2%. At the same time, price increases were recorded for: tobacco – by 0.4%, fuel – by 1.2%, auto parts – by 0.3%, construction materials, detergents – by 0.2% each.

Within the group of **services rendered to the population** the prices advanced in tourism services abroad – by 13.6%, international rail services - by 3.4%, air transport services - by 2.0%, education and training services - by 0.7 percent, medical services, catering service and maintenance - by 0.2 % each.

The inflation level in July 2010 versus July 2009 constituted 7.6%, including for foodstuff products – by 5.8%, for non-foodstuff products – by 7.1%, and for services rendered to population – by 10.6%.

Since the beginning of 2010, the consumer prices increased by 4.7 percent, including for foodstuff products – by 1.4%, non-foodstuff products – by 4.4%, and for services rendered to population – by 9.3%.

Table no. 1. Contribution to CPI formation by components, %

	June 2010 / May 2010		July 2010 / June 2010	
	contribution	contribution / CPI	contribution	contribution / CPI
CPI	-0.5	100%	-0.6	100%
Foodstuff products	-0.9	180.0	-0.7	116.7
Non-foodstuff products	0.0	0.0	0.0	0.0
Paid services	0.4	-80.0	0.1	-16.7

Source: NBS and NRM

Components' contribution to CPI formation is shown in table no.1.

In July 2010, **the industrial production prices** have decreased by 0.2% compared to June 2010. The highest prices decreases were observed for the following activities: processing and preserving of fruit and vegetables

– by 12.9%, clothes items manufacturing, furs preparing and dyeing – by 1.5%, manufacture of machinery and equipment – by 1.0%, production of distilled strong drinks – by 0.8%, dairy production – by 0.6%.

Simultaneously, prices increases were noted for the activities: tobacco articles manufacturing – by 11.2%, metallurgy – by 4.9%, chemical industry - by 3.9%, production machinery and appliances - by 3.5%, manufacture of prepared animal feeds, publishers, polygraph and informative materials reproduction – by 3.1% each; the activity of wood processing and wood items production – by 3.0%, manufacture of textiles – by 2.9%, production of leather, leather goods and footwear – by 2.0%, furniture production – by 1.3%, manufacture of fabricated metal products, exclusively machinery – by 1.2% each, cocoa, chocolate and confectionary manufacturing, wine production – by 1.1% each.

Prices for electricity, heating, gas, water and extractive industry rose by 0.3% and 2.0% respectively in July 2010 compared to June 2010.

In July 2010, prices increases were recorded for industrial production - by 8.1 % compared to July 2009, including in processing industry - by 6.0 %, electricity, heating, gas and water supply - by 18.2%, extractive industry- by 0.9%.

The industrial production price index for domestic market rose by 0.3 % in July 2010 compared to previous month, and by 9.4% compared to July 2009.

Monetary policy instruments

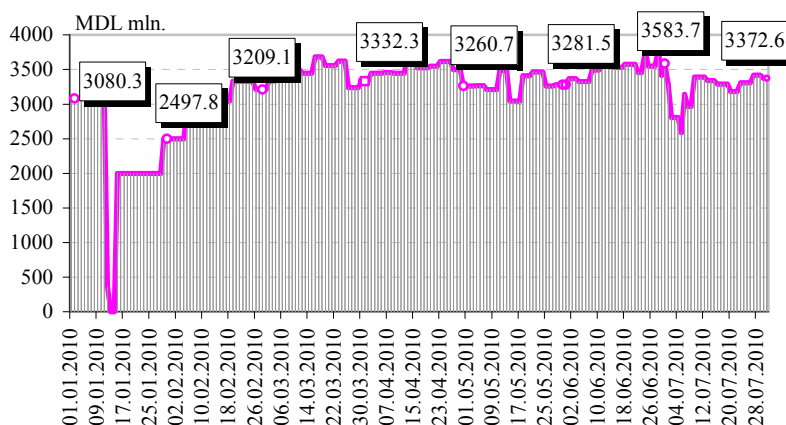
During the month of July 2010, the National Bank of Moldova has continued sterilizing the excess of liquidity in the banking system by issuing NBM certificates (CBN). Replenishment of resources of banks was carried out by the NBM lines of credit opened previously for banks to credit the real sector of economy. Simultaneously, the NBM announced weekly REPO - buying auctions of state securities (SS) at the fixed interest rate (base rate of the National Bank of Moldova).

Sterilization operations

In July 2010, the National Bank of Moldova has continued to carry weekly out two NBM certificate issuance auctions with circulation term of 7 days, with the maximum interest rate equivalent to the NBM

basic rate, which was maintained during this period at the level of 7.0 % annually. Banks bids were fully accepted.

Chart no. 2. The balance of NBM sterilization operations



During the reporting period, the daily balance of sterilization operations for a few days fell below 3.0 billion lei, accounting for the minimum value of 2585.4 million lei. At the end of the month, this indicator constituted 3372.6 million lei (chart no. 2). The average balance amount of CBN in circulation was 3221.6 million lei, compared to 3502.1 million lei registered in June.

Lending activity

Based on credit agreements concluded between the NBM and licensed banks during May-August 2009 and in April 2010, under which banks had open lines of credit for lending businesses from the real sector of economy, in July 2010 the NBM has granted loans to banks in the amount of 40.4 million lei.

During the reporting month, the amount of loans repaid by bank constituted 12.1 million lei, including the loans given to banks for crediting the real sector of the economy - 11.5 million lei, the construction credits

for CHC (construction of housing cooperatives) - 0.6 million lei.

On July 31, 2010, the licensed banks' creditor debt to the National Bank of Moldova amounted to 1169.8 million lei, made up of loans given to banks for maintaining the liquidity - 100.0 million lei, to protect the integrity of the banking system – 537.3 million lei, to credit the real sector of economy - 512.9 million lei and for crediting the construction of housing cooperatives (credits granted in previous years) - 19.6 million lei.

On July 31, 2010, compared to the end of the previous month, the balance of the loans granted to banks increased by 28.2 million lei, or by 2.5 %.

State securities (SS) REPO-buying operations

According to the schedule posted on the official website, the NBM announced weekly REPO buying auctions with circulation term of 7 days - state securities REPO-buying operations - at the rate of 7.0 % annually. Requests from the banks were not recorded.

Standing facilities

In July 2010, with the persistence of liquidity excess, the banks have frequently resorted to the overnight deposit facility, while the lending facility was not required.

The average daily balance of the overnight deposits in the given month constituted 344.7 million lei, decreasing by 48.3 million lei or by 12.3 % compared to the previous month. During the month, all the banks have placed overnight deposits at the NBM in amounts that have ranged between 49.0 and 1167.0 million lei, the total deposits volume being of 7731.5 million lei.

Required reserves

Required reserves in MDL related to the tracking period of attracted funds in July 06 - 20, 2010 and maintained by banks in the period of July 21 – August 05, 2010 equaled to 1182.0 million lei, increasing by 6.0 million lei, or by 0.5 % versus the tracking period of June 06 - 20, 2010 and maintained by banks in the period of June 21 – July 05, 2010.

Required reserves in FCC maintained by banks constituted USD 42.9 million and EUR 50.2 million on July 31, 2010, increasing by USD 0.8 million, and by EUR 1.5 million or by 1.9% and 3.0% versus the end of the previous month. The increase of the required reserves was due to the positive developments of attracted funds by banks in both MDL and nonconvertible currency, and the funds attracted in freely convertible currency.

Interest rates

Council of administration of the National Bank of Moldova, taking into account the evolution of monetary and macroeconomic indicators, including inflation, within the meeting of July 29, 2010 decided to maintain (the fifth consecutive month) the interest rates of the NBM monetary instruments at the level established in the meeting of March 25, 2010:

- ***base rate*** applied to the main monetary policy operations on short term - 7.0% annually;
- rate on overnight credits – 10.0 % annually;
- rate on overnight deposits accepted by the National Bank of Moldova – 4.0 % annually.

Base rate on long-term credits (over 5 years) was kept at the level of 7.0% annually.

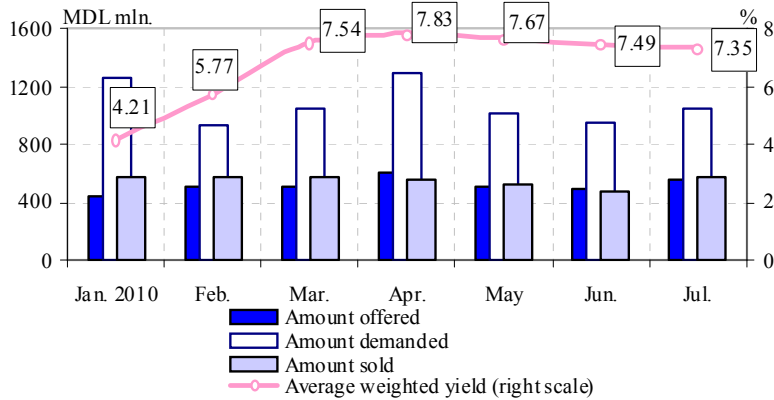
Financial markets

In July 2010, the Ministry of Finance has excluded from the auctions schedule the securities with a maturity of 21 days, while increasing the demand of securities with a maturity of 3, 6 and 12 months. The total volume of SS offered at the auctions constituted 566.0 million lei, by 65.0 million lei more compared to the

previous month.

At the same time, the demand for state securities at the auctions in the reporting month grew by 88.0 million lei compared to the previous month, amounting to 1046.5 million lei.

Chart no. 3. Total traded auctions of SS sales in the primary market



Also, in lower interest rates condition, the Ministry of Finance has sold SS over the announced bid. The cumulative volume of bonds in circulation amounted to 584.5 million lei, increasing by 20.7 percent compared to the previous month (chart no. 3).

The volume of SS purchased by non-bank investors in July 2010 has increased by 2.8 million lei, amounting to 37.3 million lei. At the same time, their share has declined from 7.1 to 6.4 percent compared to the same period.

The average weighted term of SS circulation issued in July increased by 10 days, up to 185 days, due to changes in the maturity structure of issued securities (chart no. 4).

The SS interest rates on the primary market with the maturity up to one year, issued during July, has kept their slow downward trend started in the middle of April 2010, except the securities with a maturity of 91 days, which were maintained at the average interest rate of 7.02 % annually at all auctions.

The average weighted nominal rate on treasury bills (TB) placed on the primary market during the reference period constituting 7.35 % annually, decreasing by 0.14 percentage points compared to the previous month.

Chart no. 4. Structure of SS traded in the primary market, %

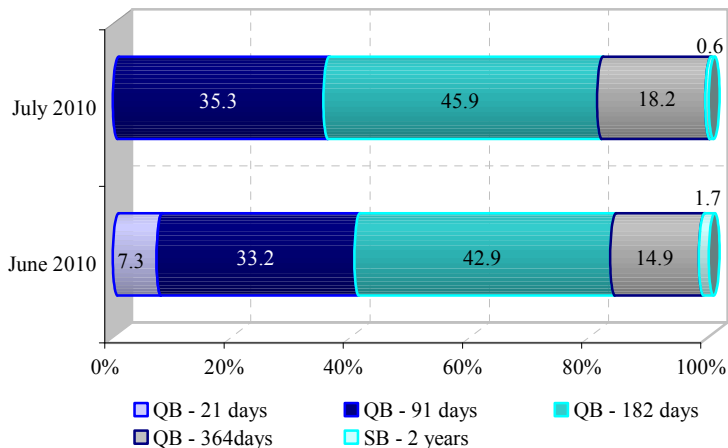


Table no. 2. Average weighted nominal and effective interest rates of the state securities (SS), %

		QB 21 days	QB 91 days	QB 182 days	QB 364 days	SB 2 years
June 2010	Nominal rate	6.95	7.04	7.64	8.35	-
	Effective rate	7.19	7.23	7.78	8.36	8.65
July 2010	Nominal rate	-	7.02	7.32	8.10	-
	Effective rate	-	7.20	7.45	8.10	8.29

Government's debt contracted from the National Bank of Moldova

State securities portfolio of the NBM

The Government's debt contracted from the National Bank of Moldova as of July 31, 2010 in the form of state securities (SS) in the NBM portfolio has not changed compared to the previous month and amounted to 2213.4 million lei (the purchase price).

State securities obtained in the NBM portfolio, as a result of the re-issuance carried out during the reporting month had maturities of 91 days and the interest rate of 7.02 % annually. The average weighted interest rate on state securities (SS) held within the portfolio as of July 31, 2010 recorded a level of 7.04 % annually, by 0.01 percentage points more as compared to the level recorded at the end of June 2010.

Deposits placed with the National Bank of Moldova

On July 31, 2010 the balance of deposits placed by the Ministry of Finance to the National Bank of Moldova amounted to 199.0 million lei.

The amount of deposits to maturity and returned in the reference month to the Ministry of Finance was 17.0 million lei.

The weighted average interest rate on the balance of deposits recorded as of July 31, 2010 constituted 10.47 percent annually, decreasing by 0.19 percentage points compared to the end of the previous month.

The average term on the balance of deposits scored 203 days, compared to 202 days in June 2010.

Banks' activity in the money market

The interbank market of credits / deposits. High excess of liquidity in the banking system, recorded in July 2010 determined the state of passivity on the interbank market, the transaction volume totaling 38.2 million lei, decreasing by 43.3 million lei, or 53.1 percent compared to the previous month.

During the reported month, a single placement transaction of overnight deposit amounting to 20.0 million lei was carried out on the interbank market of credits / deposits. The interest rate on this transaction amounted to 4.5 percent annually.

The SS secondary market. In July 2010, the total volume of SS buying-selling transactions in the secondary market decreased by 6.1 million lei compared to the previous month, totalling 11.2 million lei, of which 91.7 % are bank-client type transactions. At the same time, there was recorded a transaction in the amount of 7.0 million lei with NBM certificates.

The average weighted nominal interest rate of the SS traded on the secondary market during the reporting month constituted 6.93 %, decreasing by 0.14 percentage points compared to the previous month, in terms of the decrease of the average weighted term to the maturity from 98 to 60 days.

The average interest rate on CBN traded on the secondary market in the reference month was 7.06 % annually, the term until the maturity being of 6 days.

In July 2010 REPO operations were not registered.

The screen of the interest rate corridor. In July 2010, the average interest rate on the interbank credits / deposits fell to the level recorded in May (after the growth recorded previous month), registering the level of 4.5 % annually. At the same time, the average yield on state securities with a maturity of 91 days has remained stable the fourth consecutive month, registering 7.02 percent annually.

During July 2010, the CHIBOR reference quotations one week (1W) showed minor fluctuations, indicating at the end of period the level of 7.01 %. The reference rates in the interbank market recorded the following values at the end of the month: the CHIBID reference rate (1W) - 3.74 % annually and CHIBOR (1W) - 7.01 % annually.

Credits and deposits market

The balance of credits to economy¹ increased by 409.4 million lei (1.6 %) versus the end of June 2010 and accounted for 25312.4 million lei at the end of July 2010. This evolution was due to the increase of the balance of credits in national currency by 453.5 million lei (3.2 %), while the balance of credits in foreign currency (expressed in MDL) decreased by 44.1 million lei (0.4 %).

The increase of the ***balance of credits in MDL*** was generated by the increase of the balances of credits granted to the private sector – by 218.2 million lei (2.5%), to individuals – by 184.4 million lei (4.7 %),

¹ According to IMF methodology, out of total credits to economy (including the interest on credit and on credits of banks under liquidation) are excluded: interbank credits and credits to the Government.

other enterprises performing certain financial operations – by 36.5 million lei (3.3 %), and the balance of credits granted to state enterprises - by 14.4 million lei (4.6 %).

The **balance of credits in foreign currency** registered a decrease determined by the reduction of the balances of credits granted to individuals – by 34.8 million lei (4.3%), state enterprises - by 10.1 million lei (7.3%) and private sector - by 0.7 million lei (0.01 %). At the same time, the balance of credits granted to

other enterprises performing certain financial operations increased by 1.5 million lei (0.2%).

Expressed in USD, the balance of credits in foreign currency constituted USD 870.1 million, increasing by USD 35.2 million (4.2 %) versus June 2010.

The volume of credits in MDL equaled in July 2010 to 995.3 million lei, going down by 154.0 million lei, or by 13.4% versus

Table no. 3. Credit market indicators (million, lei)

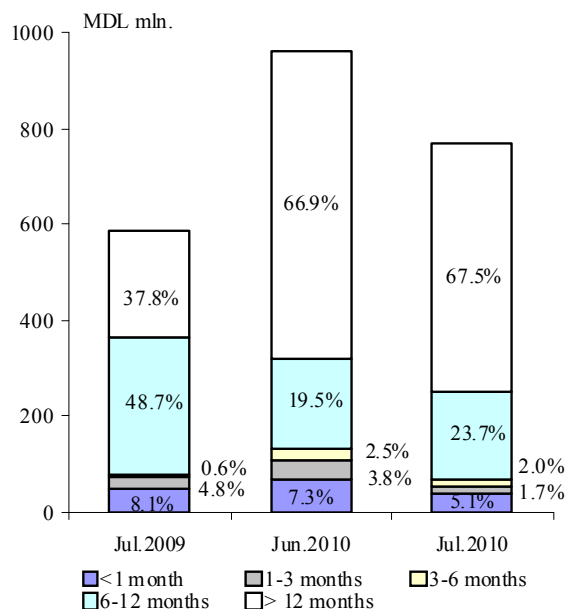
	Balance at the end of the period			New granted loans				
	Total	In MDL	In foreign currency	Total	In MDL		In foreign currency	
					Volume	Interest rate %	Volume	Interest rate %
December 2009	23884.1	13202.3	10681.8	1777.2	964.8	18.63	812.4	10.58
January 2010	23648.1	13171.2	10476.9	938.6	560.9	17.03	377.7	10.67
February	23614.9	13147.0	10467.9	1189.4	619.2	17.78	570.2	10.37
March	23740.4	13445.0	10295.4	2191.9	1167.6	17.25	1024.3	10.21
April	23849.4	13592.8	10256.6	1889.2	1039.4	16.85	849.8	10.29
May	24390.0	13921.3	10468.7	2023.4	946.4	16.81	1077.0	10.15
June	24903.0	14183.6	10719.4	2247.7	1149.3	16.46	1098.4	10.49
July	25312.4	14637.1	10675.3	1819.4	995.3	16.02	824.1	10.43

the previous month.

The weight of credits granted to legal entities from the total volume of credits in national currency constituted 77.4 %.

The most requested, by legal entities, were the loans with terms exceeding 12 months, being granted to an average interest rate of 14.9 % from the volume of 520.2 million lei. Their share in the total volume of loans in national currency granted to legal entities constituted 67.5%, increasing by 0.6 percentage points as compared to June 2010. At the same time, the weight of loans with terms of 6 to 12 months increased by 4.2 percentage points, up to the level of 23.7 % of total (chart no. 5).

Chart no. 5 Structure of credits in MDL granted by banks to legal entities

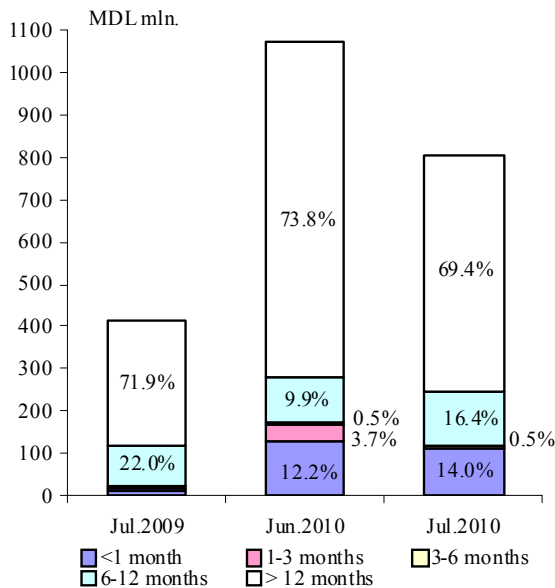


In addition, the loans with terms from 6 to 12 months experienced a stronger growth trend, their weight increasing by 6.2 percentage points, while the loans with term from 1 to 3 months decreased by 3.6 percentage points.

In July 2010, **the average interest rate on credits in national currency** decreased by 0.44 percentage points, up to the level of 16.02 %, as a result of the average interest rate decrease on loans granted to legal entities – by 0.65 percentage points, up to the level of 15.22 %, as well as the average interest rate of loans granted to individuals – by 0.72 percentage points, up to the level of 18.76%.

The volume of credits in foreign currency granted to businesses constituted 806.8 million lei (equivalent of USD 64.0 million), decreasing by USD 18.2 million versus June 2010. Within their structure, credits with terms of over 12 months prevailed (69.4 % of total, decreasing by 4.4 percentage points as compared to June 2010), being granted at an average interest rate of 9.94 % (chart no. 6). In

Chart no. 6. Structure of credits in foreign currency extended by commercial banks to businesses



The average interest rate on loans in foreign currency granted to businesses decreased by 0.08 percentage points versus the previous month and constituted 10.3 % in July 2010.

At the end of July 2010, the balance of deposits in the banking system amounted to 24484.5 million lei, increasing by 346.5 million lei (1.4 %) as compared to the previous month, on the account of the increase of the balance of deposits in national currency by 175.6 million lei (1.4 %) and on the account of the increase of the balance of deposits in foreign currency - by 170.9 million lei (1.5%).

The balance of sight deposits constituted 7540.2 million lei, increasing by 264.5 million lei versus June 2010 and represents 30.8 % of the total balance of deposits.

The balance of term deposits amounted to 16944.3 million lei, increasing by 82.0 million lei (0.5%).

The balance of term deposits in MDL constituted 8315.1 million lei at the end of July 2010, increasing by 11.2 million lei (0.1 %) versus the previous month, as a result of the increase of the balance of deposits in MDL of individuals by 58.2 million lei (0.8 %), while the balance of deposits in MDL of economic agents decreased by 47.0 million lei (3.9 %).

The balance of term deposits in foreign currency increased by 70.8 million lei (0.8%) and constituted 8629.2 million lei.

The volume of term deposits in MDL attracted in July 2010 constituted 1596.0 million lei, by 288.0 million lei less than in June 2010. This decrease was caused by a decrease in deposits attracted from legal entities with 353.7 million (37.9%), while deposits attracted from individuals increased by 65.7 million lei (6.9 %).

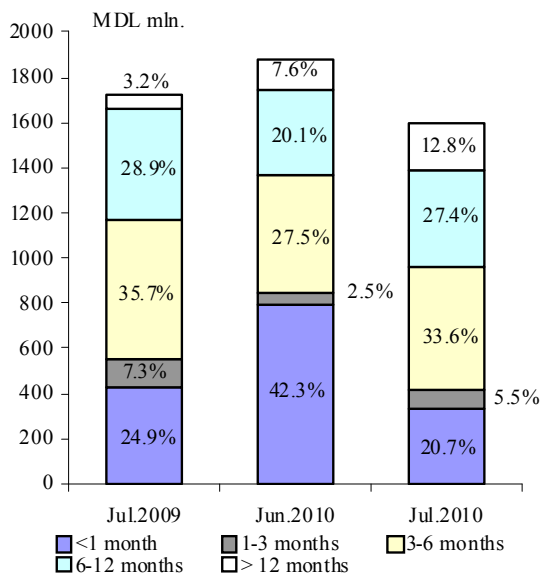
The weight of term deposits attracted in national currency of individuals increased from 50.5% in June 2010 to 63.8% of total term deposits in national currency attracted during the reported month.

In July 2010, the deposits with terms from 3 to 6 months constituted 33.6% of total (increasing by 6.1 percentage points), still holding the largest weight within the structure of deposits attracted in national currency. At the same time, the weight of deposits with terms over 12 months increased by 5.3 percentage points and accounted for 12.8 % of total

Table no. 4. Market indicators of term deposits (million, lei)

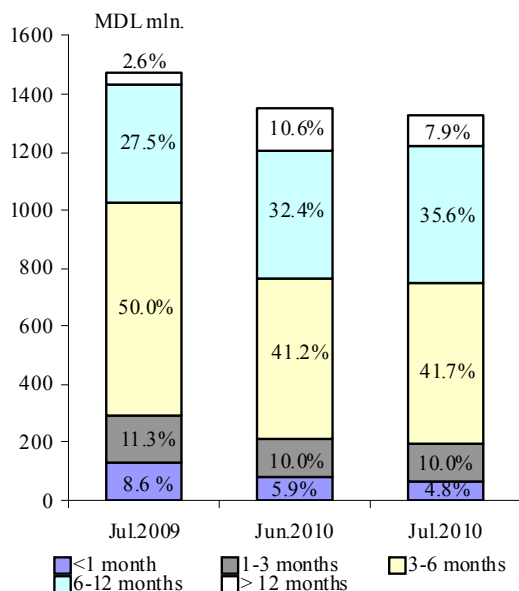
	Balance at the end of the period			New attracted deposits				
	Total	In MDL	In foreign currency	Total	In MDL		In foreign currency	
					Volume	Interest rate %	Volume	Interest rate %
December 2009	16676.9	7733.9	8943.0	3695.5	1855.3	9.79	1840.2	3.81
January 2010	16771.2	7840.4	8930.8	2862.0	1480.0	9.70	1382.0	3.59
February	17329.4	8059.1	9270.3	3220.5	1537.4	8.45	1683.1	3.63
March	17243.9	8046.8	9197.1	3016.7	1388.5	9.11	1628.2	3.37
April	17335.2	8308.9	9026.3	2611.4	1346.7	8.31	1264.7	3.37
Mai	17137.9	8382.5	8755.4	3193.6	1952.7	6.45	1240.9	3.32
June	16862.3	8303.9	8558.4	3231.2	1884.0	6.65	1347.2	3.32
July	16944.3	8315.1	8629.2	2918.7	1596.0	7.79	1322.7	3.43

Chart no. 7. Structure of terms deposits in MDL attracted by banks



attracted deposits (chart no. 7).

Chart no. 8. Structure of term deposits in foreign currency attracted by banks



The average interest rate on term deposits in MDL increased during July 2010 with 1.14 percentage points, representing 7.79 % annually (5.47 % - for legal entities and 9.1 % - for individuals, compared with 4.35% and 8.89 %, respectively in June 2010).

During the reporting period the volume of *term deposits attracted in foreign currency* amounted to 1322.7 million lei (equivalent of USD 104.9 million), increasing by USD 0.4 million at the expense of the increase of individuals' deposits - by USD 2.6 million, or 2.8 %, while the volume of deposits attracted from legal entities decreased by USD 2.1 million, or by 17.5%.

In July 2010, it was recorded an increase in the weight of term deposits from 6 to 12 months (by 3.2 percentage points, up to the level of 35.6 % of the total), with a more pronounced reduction (by 2.7 percentage points compared to June 2010) of the weight of deposits with terms over 12 months, which comprises 7.9 % of total (chart no. 8).

During the reporting period, *the average interest rate on term deposits in foreign currency* stood at the level of 3.43% (3.78% to legal entities and 3.39 % to individuals).

Dynamics of monetary indicators

Reserves money² increased by 8.0% (837.8 million lei) in July 2010 and constituted 11308.4 million lei. The monetary base growth was driven by the net domestic assets increase of 926.9 million lei (16.6 percent), as a result of increases in domestic credit by 767.2 million lei, or 16.3 percent (including: requests for payments to the Government - with 116.7 million lei, or 30.0 percent and requests for payment of the National Bank of Moldova to banks - by 650.5 million lei, or 15.1 percent).

At the same time, during the reference period the *net foreign assets* decreased by 89.1 million lei, or 0.6 percent compared to June 2010.

Currency in circulation³ increased from 8812.7 million lei in June 2010 to 9193.4 million lei in July 2010.

Within the structure of the reserve money, the weight of money in circulation decreased from 84.2 % in June 2010 to 81.3 % in July 2010. At the same time, the share of bank reserves increased from 15.8% to 18.6% respectively.

Money supply M2⁴ increased during the reporting period by 556.2 million lei, or by 2.6%, to 22358.4 million lei. At the same time, **money supply M3**⁵ increased by 727.1 million lei or by 2.2 % and constituted 33678.3 million lei at the end of July 2010 (table no. 5).

The increase of M2 indicator was determined by the increase of the balance of cash in circulation by 380.7 million lei (4.3 %) and the balance of deposits in national currency - by 175.6 million lei (1.4 percent). The balance of deposits in foreign currency (recalculated in MDL) increased by 170.9 million lei (1.5 percent). Expressed in USD, they constituted USD 54.3 million.

² Reserve money includes currency in circulation (outside the banking system), banking reserves (banks' reserves in MDL maintained on correspondent accounts with National Bank of Moldova and currency with banks' vaults) and sight deposits of other organizations with the National Bank of Moldova.

³ Currency in circulation M0 represents currency put into circulation by the National Bank of Moldova, excluding the currency with banks' vaults and with the vault of the National Bank of Moldova.

⁴ Money supply M2 includes currency in circulation (M0), deposits in MDL and money market instruments.

⁵ Money supply M3 includes broad money M2 and deposits in foreign currency of residents expressed in MDL.

The weight of deposits in foreign currency, recalculated in MDL, in the total volume of money supply (M3) decreased by 0.2 percentage points in July 2010 compared to the previous period and constituted 33.6% of total releases.

Table no. 5. Evolution of the money supply structure at the end of the period (million, lei)

Components of money supply	Dec.2009	Weight %	Jun. 2010	Weight %	Jul. 2010	Weight %	Growth %
MONEY SUPPLY (M3)	32684.37	100	32951.17	100	33678.26	100	2.2
MONEY SUPPLY (M2)	20942.03	64.1	21802.23	66.2	22358.45	66.4	2.6
MONEY IN CIRCULATION	8848.98	27.1	8812.73	26.7	9193.41	27.3	4.3
DEPOSITS AT SIGHT IN NATIONAL CURRENCY	4357.80	13.3	4685.12	14.2	4849.53	14.4	3.5
- of legal entities	3069.52	9.4	3369.00	10.2	3511.46	10.4	4.2
- of individuals	1288.29	3.9	1316.12	4.0	1338.08	4.0	1.7
TERM DEPOSITS IN NATIONAL CURRENCY (including on long-term)	7733.91	23.7	8303.90	25.2	8315.13	24.7	0.1
- of legal entities	1302.63	4.0	1207.50	3.7	1160.51	3.4	-3.9
- of individuals	6431.28	19.7	7096.40	21.5	7154.62	21.2	0.8
DEPOZITE ÎN VALUTĂ STRĂINĂ	11742.34	35.9	11148.95	33.8	11319.81	33.6	1.5
- of legal entities	2852.01	8.7	2610.08	7.9	2645.67	7.9	1.4
- of individuals	8890.33	27.2	8538.87	25.9	8674.14	25.8	1.6
MONETARY POLICY INSTRUMENTS	1.34	0.0	0.47	0.0	0.37	0.0	-21.4

Net foreign assets (convertible) of the banking system totalled USD 1278.8 million decreasing by USD 64.6 million. Within their structure, the net foreign assets (convertible) of the National Bank of Moldova increased by USD 51.2 million, and of the banks - by USD 13.4 million.

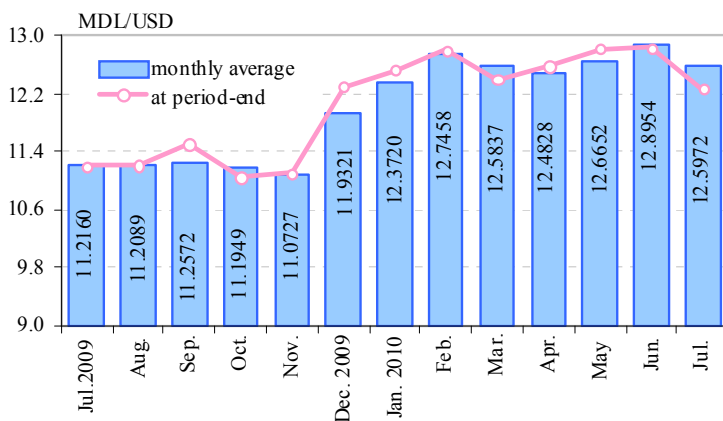
Foreign assets of the banking system totalled USD 1881.3 million in July 2010, increasing by USD 117.3 million versus the previous month. **The NBM external reserves** increased by USD 85.7 million, up to the level of USD 1507.5 million. **The external liabilities of the banking system** constituted USD 602.5 million, including those of the NBM (to the IMF) – USD 205.0 million⁶.

Net domestic assets of the banking system have increased by 624.8 million lei (3.6 %) including requests for payments to the Government of the banking system - with 93.3 million (10.9 percent) and requests to the economy - by 409.4 million lei (1.6 percent).

Foreign exchange market

The monthly average official exchange rate of MDL against USD appreciated from MDL 12.8954 per USD 1 in June 2010 to MDL 12.5972 per USD 1 in July 2010 (chart no. 9).

Chart no. 9. Exchange rate of MDL/USD



During the analyzed month the **official exchange rate** of MDL against the U.S. dollar had an upward trend, recording at the beginning of the month the value of MDL 12.8400 per USD 1, and at the end of the month - MDL 12.2698 per USD 1.

The monthly average official exchange rate of MDL against EUR depreciated from MDL 15.7570 per EUR 1 in June 2010 to MDL 16.0314 per EUR 1 in July 2010. At the beginning of the month, the official exchange rate of MDL against EUR constituted MDL

⁶ Including accrued interest

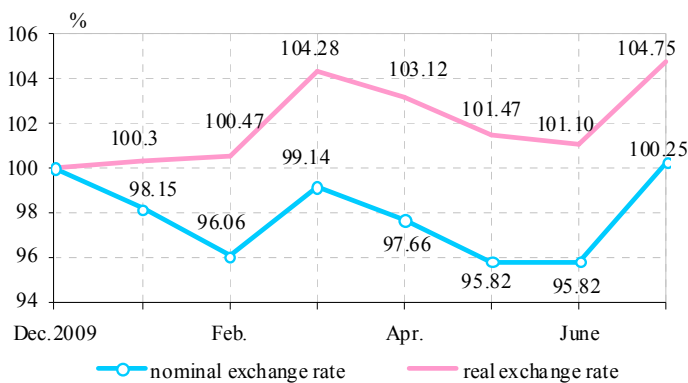
15.7771 per EUR 1, while at the end of the month – MDL 16.0557 per EUR 1.

The monthly average official exchange rate of MDL against RUB appreciated from 0.4129 per RUB 1 in June 2010, up to MDL 0.4105 per RUB 1 in July 2010. At the beginning of the reporting period, the official exchange rate of MDL against RUB constituted MDL 0.4120 per RUB 1, while at the end of the month – MDL 0.4070 per RUB 1.

The MDL exchange rates against the USD, EUR and RUB at the exchange offices reflected the same trend as the official national currency in relation to these currencies.

At the end of July 2010, compared to the end of December 2009, MDL appreciated against USD – in nominal terms by 0.25 % (indirect quotation⁷), and in real terms it appreciated – by 4.75 % (being directly proportional to the inflation level of the Republic of Moldova and inversely proportional to the inflation level of the U.S.A.) (chart no. 10).

Chart no. 10. Monthly evolution of nominal and real exchange rate (December 2009 = 100%)



The total volume of US dollars traded by banks in the interbank market in July 2010 constituted the equivalent of USD 69.16 million, increasing by USD 21.42 million versus the previous month (in June 2010 this indicator equalled to USD 47.74 million). During the reporting period, the turnover transactions carried out by the National Bank of Moldova in the interbank market totalled USD 6.50 million, increasing versus the previous month by USD 6.19 million.

The total turnover of the selling/buying transactions against MDL of main foreign currencies carried out in July 2010 in the domestic foreign exchange market totalled the equivalent of USD 785.8 million, increasing by 7.7 % as compared to the previous month (equivalent of USD 729.4 million). Acquisitions against MDL of main foreign currencies in the domestic foreign exchange market amounted to the equivalent of USD 401.5 million and sales – the equivalent of USD 384.3 million. Compared to the previous month, the acquisitions and sales against MDL increased in July 2010 by 12.8 % and 2.9 %, respectively.

Out of total turnover, the transactions in USD constituted 49.4 %, in EUR – 45.1 %, in RUB – 4.6 %, in RON – 0.3% and in UAH – 0.6 %. Compared to June 2010, during the reporting month the weight of the turnover in USD has decreased by 1.6 percentage points and the weight of the turnover in EUR increased by 1.1 percentage points.

On July 31, 2010, the stock of debt related to loans received from the IMF constituted SDR⁸ 134.5 million (the equivalent of USD 204.6 million), increasing by SDR 19.1 million compared to the end of June 2010.

The payments scheduled for July 2010 and conducted during the reporting month by the National Bank of Moldova for payment of loans granted by the IMF totalled SDR 0.92 million (U.S. dollars 1.39 million) as represented by principal payments.

On July 31, 2010, the private external debt stock subject to notification of the NBM (including interest arrears) constituted the equivalent to U.S. \$ 1268.8⁹ million, increasing by U.S. \$ 29.4 million compared to the stock at the end of June 2010.

⁷ US dollar per MDL 1

⁸ Special Drawing Right

⁹ Source: DMFAS 5.3 on 13.08.2010