



**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

According to data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 7.0 percent in May 2011, increasing by 0.5 percentage points versus the previous month. The annual core inflation registered a rate of 3.3 percent, increasing by 0.2 percentage points compared to the previous month.

NBS data on the CPI are in accordance with the NBM forecast on the evolution of inflation during 2011, published in the Inflation Report no. 2, 2011.

The annual inflation rate for May 2011 constituted 7.0 percent, increasing by 0.5 percentage points versus the previous month. The monthly inflation constituted 0.6 percent, being determined by the increases in tariffs for services rendered to population by 1.2 percent, non-foodstuff by 0.5 percent and in foodstuff prices by 0.1 percent. The monthly inflation growth rate for May 2011 has been mainly influenced by the increase in prices for regulated services, as a result of new regulated tariffs for electricity, overlapping with an increase in foodstuff prices, as a result of increased spending for transportation, and higher prices in goods and services related to core inflation as a consequence of second-round effects, as a result of increases in tariffs and fuel prices.

The annual core inflation¹ recorded for the last 12 months a level of 3.3 percent (by 0.2 percentage points more compared to the previous month). In May 2011, the monthly core inflation rate constituted 0.6 percent, being higher compared to the previous month. This development was due to positive contributions arising from the following sub-components: building materials, catering, and medications. The contributions in question were boosted by the second-round effects, felt after increases in tariffs and fuel prices, which increased the production and transport costs by overlapping with the increased demand for building materials, as a result of revival of the construction sector. At the same time, the positive contributions from the aforementioned subcomponents were slightly mitigated by the appreciation of MDL against EUR and USD as compared to April 2011.

The discrepancy between the growth rate of CPI and core inflation was estimated at 3.7 percentage points, further proving the increased influence of non-monetary factors on inflation process.

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.



The monthly increase in food prices in May 2011 recorded a level of 0.1 percent, decreasing by 1.2 percentage points as compared with the previous month. This development was caused mainly by higher prices in potatoes (5.6 percent), fresh fruit (2.4 percent), milling and baking products (0.7 percent), whose effect was moderated by the decrease in prices for eggs (24.0 percent), milk and dairy products (0.8 percent) and fresh vegetables (0.7 percent).

In May 2011, fuel prices increase of 1.8 percent was partially offset by price developments in bottled gas prices, down by 2.9 percent, which helped to maintain the price of fuel at the level of the previous month.

Regulated prices rose by 1.8 percent in May as compared to the previous month, as a result of the increase of 6.4 percent in tariffs for electricity, following the approval of new tariff by ANRE, as well as the increase in prices of international rail services by 5.3 percent due to higher prices of petroleum products, particularly for diesel.

Partial absorption of the second round effects of higher electricity tariffs and the downward evolution of foodstuff prices, determined by the seasonal factor, are real premises for slowing down the inflationary process in the upcoming months.

National Bank of Moldova will vigilantly monitor the developments in domestic and international economic environment, so that by an appropriate use of monetary policy instruments to achieve the objective stated in the Medium-Term Strategy for Monetary Policy for fulfilling and maintaining the price and financial stability.