



**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 7.7 percent in June 2011, increasing by 0.7 percentage points versus the previous month. The annual core inflation registered a rate of 3.4 percent, increasing by 0.1 percentage points compared to the previous month.

The annual inflation rate for June 2011 constituted 7.7 percent, increasing by 0.7 percentage points versus the previous month. The monthly inflation constituted 0.1 percent, being determined by the increases in foodstuff prices by 0.4 percent and tariffs for services rendered to population by 0.1 percent, partially tempered by lower prices in non-foodstuff products by 0.1 percent. The monthly inflation growth rate for June 2011 has been mainly influenced by the increase in prices foodstuff prices as a result of the influence of unfavorable factors such as weather and economic circumstances in the period, overlapping with the second round effects of higher fuel prices, natural gas and electricity at the beginning of this year, and the moderate increase in prices of goods and services related to core inflation.

The annual core inflation¹ recorded for the last 12 months a level of 3.4 percent (by 0.1 percentage points more compared to the previous month). In June 2011, the monthly core inflation rate constituted 0.1 percent, being higher compared to the previous month. This development was due to positive contributions arising from the following sub-components: articles of cosmetics, catering services and footwear. This increase was driven by increased costs as a result of increased tariffs, fuel prices in earlier periods and food prices.

Monthly increase in foodstuff prices in June constituted 0.4 percent, increasing by 0.3 percentage points compared to the previous month. This development was driven mainly by higher prices for eggs (10.6 percent), potatoes (5.8 percent), sugar (4.0 percent), fresh fruits (2.3 percent) and bakery products (0.5 percent), being partially mitigated by the reduction of fresh vegetables prices (5.1 percent) against the background of seasonal factors. The increase in egg prices was caused by their intensive export at a higher price, which eliminated the excess supply recorded in the spring. The increase in potato prices was driven by heavy rains in June 2011 that disfavored the collection and marketing of these products. However, the sugar price increased as a result of its diminishing supply and increased demand, overlapping with the propagation of seasonal factor and expectations about the price for sugar.

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 persistence of aggregate demand risks arising from increasing disposable income of the population as a result of increases in wages, social transfers and remittances and the reduction of the volume of payments for utilities, as the cold season has ended, combined with further propagation of second round effects as a result of increases in regulated tariffs and fuel prices recorded in the recent months, have also affected, in turn, the consumer prices in the analyzed period.

In June 2011, the fuel prices fell by 1.1 percent compared to the previous month as a result of reducing bottled gas prices by 6.0 percent in the through the reduction of its import price. However, the price of earth coal increased by 0.7 percent.

Regulated prices, recording an upward trend during the fourth consecutive month, remained at the level of the previous month in June 2011, not affecting directly the inflation development in the Republic of Moldova in the analyzed period.

The information on consumer prices development in the Republic of Moldova in June 2011, provided by the National Bureau of Statistics, fully confirms the medium-term inflation forecast made by the National Bank of Moldova and published in the Inflation Report no. 2, May 2011. Thus, there are reasonable premises for recording at the end of 2011 an inflation of about 8.4 percent. Main pro-inflationary risks in the coming quarters will come from the developments in world food and oil prices, which will be reflected on the evolution of regulated prices, and on all other components of consumer prices both directly and through the effects of round second.

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, for achieving medium-term inflation target of 5 percent \pm 1.5 percentage points.