



**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 8.3 percent in July 2011, increasing by 0.6 percentage points versus the previous month. The annual core inflation registered a rate of 4.0 percent, increasing by 0.6 percentage points compared to the previous month.

The annual inflation rate for July 2011 constituted 8.3 percent, increasing by 0.6 percentage points versus the previous month. The monthly inflation decreased by 0.1 percent, foodstuff prices constituting the main contribution to its mitigation. The non-foodstuff prices increase of 0.4 percent had an opposite effect on monthly inflation as well as the increase in tariffs for services rendered to population of 0.1 percent. Evolution of monthly inflation rate for July 2011 was due to propagation of the second round effects from increases in fuel prices and utility tariffs, by reducing the supply of domestic products, and to the increased demand from population to some products and services.

The annual core inflation¹ recorded for the last 12 months a level of 4.0 percent (by 0.6 percentage points more compared to the previous month). In July 2011, the monthly core inflation rate constituted 0.4 percent. This development was due to positive contributions arising from the following sub-components: construction materials, tobacco, cosmetics and footwear items. This increase was stimulated by the construction sector revival, the increase of excise duties, increased production costs, and increased transportation costs, which were influenced by the upward dynamic of fuel price recorded in the first half of this year.

Foodstuff prices were the main disinflationary factor in July, decreasing by 1.3 percentage points compared to the previous month and constituted (minus) 0.9 percent.

This evolution was driven by lower prices for fresh vegetables (by 15.2 percent), potatoes (by 14.3 percent) and fresh fruits (by 0.9 percent) as a result of seasonal factor. However, the reduction of monthly rate of foodstuff prices was favored by the vegetables weight increase in the consumer basket, given that their prices have declined significantly.

These decreases were mitigated by higher prices for eggs (by 48.7 percent), sugar (by 2.9 percent), bread from wheat flour (by 0.8 percent) and meat products and tinned meat (by 0.5 percent). Price increases of the above-mentioned products was determined by second-round effects from increases in electricity and gas tariffs, foodstuff prices increase on international markets and

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.



by the factors affecting the aggregate demand such as increased disposable income of population. Seasonal decrease in prices was lower than in 2010.

In July 2011, fuel prices have remained almost at the previous month level, as a result of insignificant reduction of fuel prices (by 0.2 percent) against the background of a weakening growth in world oil prices, and of the appreciation trend of the national currency against the U.S. dollar since the beginning of this year.

After significant increases in the first half of this year, regulated tariffs in July 2011 remained unchanged, due, mainly, to a negligible increase in tariffs for transport, education and health, and maintaining other tariffs in this category at the previous month level.

For subsequent periods, we anticipate a further increase in gas, heat, electricity and hot water tariffs as a result of the purchase price increase of imported natural gas. This development will be mitigated by the favorable agricultural harvest, which will act to reduce inflation. World oil price development, against the background of MDL appreciation against the U.S. dollar, will have a moderate influence.

Thus, the information provided by National Bureau of Statistics on consumer price growth in Moldova, in July 2011, along with recent developments in international prices, confirms the existence of the prerequisites for registration an inflation of about 8.4 percent in the fourth quarter of 2011 (inflation forecasted by the National Bank of Moldova and published in the Inflation Report no. 3, August 2011).

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 inflation target referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.