



**Press release
of the National Bank of Moldova**

According to data presented by the National Bureau of Statistics (NBS), the consumer prices for the last 12 months have increased in February 2010 by 6.1 %, exceeding the forecast level by 1.0 percentage points. The inflation has exceeded the upper limit of the forecast, mainly due to the following factors: a pronounced increase in food and fuel prices, superimposing the evolution of the national currency exchange market. At the same time, the core inflation is within the limits of the published forecast, and the inflationary process was influenced predominantly by non-monetary factors.

Food prices have deviated from those forecast largely due to the adjustment of the prices in the region and to the severe weather conditions early this year, which contributed to storage prices increase. The deviation of the forecast fuel prices can be explained both by the more depreciated exchange rate of the national currency than the one provided in the forecast, the more pronounced impact of excise increases on fuel prices, and by the oil world price growth.

Along with the consumer price index, the NBS has published the partial index of the inflation (core inflation), which is calculated by excluding the prices of food and beverages, fuel, products and services with regulated prices, which can not be influenced directly by the Monetary policy measures promoted by the NBM. The core inflation, in February 2010 for the last 12 months, constituted 4.3 %, exceeding the forecast level by 0.5 percentage points largely due to the more pronounced currency depreciation at the beginning of this year. However, the recorded level of the core inflation is within the stated objective in the medium term.

The analysis of factors contributing most to inflation shows that the non-monetary factors have the major impact, such as price increases on regulated goods and services, increases on food prices combined with the currency market trends, as well as the modification on indirect excises and taxes.

It is also necessary to note that the recent reversing trend on foreign exchange market confirms the previously published NBM expectations, which will lead to mitigate the inflationary pressures in the medium term.

The inflationary shocks recorded in the first two months, caused mainly by higher electricity, gas and heating tariffs, will be absorbed in the first half of this year. As a result, the stated overtaking range of the inflation rate in 2010 has a temporary character without a significant impact in the medium term.

National Bank of Moldova will continue to closely monitor the evolution in the national economy, the international economic trends, and if the medium-term forecast deviates from the stated objective, it will use promptly and appropriately the monetary policy instruments to ensure the completion target of the monetary policy strategy on medium term for 2010 - 2012, in order to maintain the price stability, contributing to the macroeconomic and financial stability.