



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

Within the meeting of the Council of Administration of the NBM of August 25, 2011, the current macroeconomic situation of the Republic of Moldova, the trends and the medium term forecasts of the macroeconomic indicators were assessed, as well as the inflation outlook on medium and short term was quantified in case of some possible risks and uncertainties that may arise in the next period. As a result, the Council of Administration of the NBM adopted the following decision:

- 1. to increase the base rate applied on main short-term monetary policy operations by 1.0 percentage points, from 9.0 to 10.0 percent annually;**
- 2. to increase the interest rates:**
 - on overnight loans by 1.0 percentage points, from 12.0 to 13.0 percent annually;**
 - on overnight deposits by 1.0 percentage points, by 6.0 to 7.0 percent annually;**
- 3. the rates mentioned in items 1 and 2 shall be applied from the effective date of this decision until the effective date of the new rates;**
- 4. to maintain the required reserves ratio from financial means attracted in MDL and foreign currency at the current level of 14.0 percent of the base;**
- 5. the next meeting of the Council of Administration on monetary policy will take place on September 29, 2011, in accordance with the approved schedule.**

Recent developments in food and fuel prices on international markets, the exchange rate dynamics of the national currency and the persistence of necessary conditions for continuous robust growth in the second quarter of 2011 have ensured compliance of the annual inflation rate with the short-term projects inflation identified in the Inflation Report no. 3, August 2011.

The annual inflation rate for July 2011 reached the level of 8.3 percent, increasing by 0.6 percentage points compared to the previous month. This dynamic was determined by the propagation of the second round effects from increases in fuel prices and utility tariffs, by reducing the supply of domestic products, and by increasing the demand from the population to some products and services. The annual rate of core inflation recorded a level of 4.0 percent, higher by 0.6 percentage points compared to the previous month value.



Data on industrial production, transport services, retail and external trade for the first half of this year outlines the prerequisites for the continuous robust growth in the second quarter of 2011. Domestic demand remains to be the determining factor in GDP growth this year due to continuous restoration of expectations on further developments of the national economy in conjunction with increased funding and real disposable incomes of the population. Thus, the real average wage in June 2011 increased by 11.4 percent compared with the same period last year, which contributed to the evolution of the inflationary process in the Republic of Moldova.

In July 2011, all components of money supply had a positive dynamics, including deposits in domestic currency increased by 23.2 percent for the last 12 months, and M2 growth was characterized by an annual rate of 20.3 percent. However, new granted loans constituted 20.7 percent in July 2011 over the level recorded in the same period of 2010, reaching the level of 2195.6 million lei.

Pro-inflationary risks remain to be significant, being supported by the possible adjustments of regulated prices, the persistence of uncertainties on the external macroeconomic environment and by the dynamics of food and fuel prices worldwide.

Current projections of medium-term inflation indicate a maximum level of inflation in the first half of 2012 with subsequent resumption of disinflationary process.

Thus, on August 25, 2011 the Council of Administration of the NBM decided to increase the monetary policy interest rate by 1.0 percentage points, up to the level of 10.0 percent annually, maintaining, at the same time, the current level of 14.0 percent of base of the minimum required reserve ratios on both MDL and foreign currency.

This decision aims at anchoring the inflationary expectations in the context of creating optimal conditions for the stability of the banking sector and increasing population's savings as a result of increase in interest rates on deposits.

NBM will continue to manage firmly the liquidity excess through sterilization operations on the monetary market in order to counter the inflationary process.

NBM will continue to promote a prudent monetary policy, monitoring and anticipating the internal and external macroeconomic developments, so that using an appropriate mix of monetary instruments to ensure price stability over the medium term.