

The evolution of monetary indicators in July 2012

In July 2012, the **monetary base**¹ increased by 532.9 million lei (3.0 percent) compared to June 2012 and constituted 18113.1 million lei. The increase of the monetary base was determined by the positive development in the net foreign assets of the National Bank of Moldova by 944.8 million lei (4.6 percent). At the same time, net domestic assets decreased by 411.9 million lei (14.4 percent).

Net domestic credit increased by 12.7 million lei (0.6 percent), due to the increase of payment requests of the NBM to the Government by 149.7 million lei (18.5 percent). At the same time, the payment requests to banks decreased by 137.0 million lei (4.4 percent).

Money in circulation (M0)² increased from 11243.9 million lei in June 2012 to 11760.9 million lei in July 2012. The purchase of foreign currency from individuals was the main factor behind the increase of monetary aggregates (M0) during the analyzed period.

Money supply M2³ increased during the reporting period by 1151.7 million lei or by 3.9 percent, up to 30692.8 million lei. At the same time, **money supply M3**⁴ increased by 1546.7 million lei or by 3.6 percent in July 2012.

The analysis of the passive components of money supply (**M3**) denotes the fact that this increase was due to the upward trend of its components as a result of increasing the total balance of deposits with 1029.7 million lei and of the monetary aggregate (**M0**) with 517.0 million lei as compared to the previous month (Table no.1).

Table no.1. Passive components of money supply

INDICATORS	Jun. 2012 million, lei	Jul. 2012 million, lei	Jul. 2012/ Jun. 2012 %	Jul. 2012/ Jul. 2011 %
Money in circulation (M0)	11243.88	11760.91	4.6	10.0
Sight deposits in MDL	6156.44	6502.30	5.6	13.4
MONEY SUPPLY (M1)	17400.31	18263.20	5.0	11.2
Term deposits in MDL	12140.64	12429.48	2.4	18.6
Money market instruments	0.11	0.11	0.9	-92.6
MONEY SUPPLY (M2)	29541.06	30692.79	3.9	14.1
Deposits in foreign currency	13665.05	14060.02	2.9	9.0
MONEY SUPPLY (M3)	43206.12	44752.81	3.6	12.4

¹ The monetary base includes cash in circulation (outside banking system), banking reserves (banks' reserves in MDL on correspondent accounts maintained at the National Bank of Moldova and cash in banks), deposits at sight of other organizations with the National Bank of Moldova, "overnight" deposits of banks and required reserves in foreign currency.

² Money in circulation M0 represents cash in circulation put by the National Bank of Moldova, except for cash in banks and NBM vault.

³ Money supply M2 includes currency in circulation (M0), deposits in MDL and money market instruments.

⁴ Money supply M3 includes broad money M2 and deposits in foreign currency of residents expressed in MDL.

The balance of deposits in national currency constituted 18931.8 million lei, which share equaled to 57.4 percent of total balance of deposits and the balance of deposits in foreign currency constituted 14060.0 million lei, which share amounted to 42.6 percent (Table no.2).

Table no.2. Deposits structure

INDICATORS	Jun. 2012 million, lei	Jul. 2012 million, lei	Jul. 2012/ Jun. 2012 %	Jul. 2012/ Jul. 2011 %
Deposits balance (total)	31962.13	32991.79	3.2	13.3
Including:				
Deposits balance (in MDL)	18297.08	18931.78	3.5	16.8
The share in Deposits balance (total), %	57.25%	57.38%		
Non-banking financial sector	726.27	699.44	-3.7	-23.8
Non-financial companies sector	4928.85	5339.42	8.3	11.9
Other resident sectors (individuals, etc.)	12641.97	12892.92	2.0	22.5
Deposits balance in foreign currency (expressed in MDL)	13665.05	14060.01	2.9	9.0
The share in Deposits balance (total), %	42.75%	42.62%		
Non-banking financial sector	420.10	414.23	-1.4	61.8
Non-financial companies sector	2979.23	3123.06	4.8	22.7
Other resident sectors (individuals, etc.)	10265.72	10522.72	2.5	4.2

The increase of money supply M3 in July 2012 was determined by the upward evolution of its components, in particular, by the increase in net foreign assets of the banking system by 1251.3 million lei (6.9 percent) and net domestic assets by 295.4 million lei (1.2 percent) as compared to the previous month.

Domestic credit of the banking system increased by 847.8 million lei (2.5 percent), up to the level of 35489.0 million lei, its increase is due to the increase of credits in economy. At the same time, the net payments to the Government decreased by 4.2 million lei in July 2012 or by 0.2 percent.

The balance of credits in economy⁵ increased by 852.0 million lei (2.6 percent) in July 2012, as compared to the previous month, at the expense of the increase of credits granted to the economy in MDL by 407.8 million lei (2.2 percent) and those in foreign currency (expressed in MDL) – by 444.2 million lei (3.1 percent) (Table no.3).

The increase of the balance of credits granted to the economy in MDL was determined by the increase of the balance of credits granted to private sector by 241.5 million lei (1.9 percent), to individuals – by 115.3 million lei (2.4 percent) and state enterprises – by 55.9 million lei (10.0 percent). At the same time, the balance of credits granted to other organizations performing certain financial operations decreased by 4.9 million lei (1.4 percent).

⁵ According to the IMF methodology, the interbank credits and the credits granted to the Government are excluded from the total credits in the economy (including the interest calculated for credits and for credits of banks - in liquidation process).

Table no.3. Structure of credits granted to economy

INDICATORS	Jun. 2012 million, lei	Jul. 2012 million, lei	Jul. 2012/ Jun. 2012 %	Jul. 2012/ Jul. 2011 %
CREDITS GRANTED TO ECONOMY	32945.54	33797.58	2.6	17.4
Including:				
CREDITS GRANTED TO ECONOMY (in MDL)	18528.79	18936.58	2.2	17.3
The share of Credits granted to economy, %	56.24%	56.03%		
State enterprises	556.23	612.09	10.0	17.8
Private sector	12776.69	13018.18	1.9	29.7
Other organizations performing certain financial operations	356.52	351.68	-1.4	-70.0
Other resident sectors (individuals, etc.)	4839.35	4954.63	2.4	12.1
including : Consumer loans	1890.8	1940.6	2.6	-21.9
Real estate loans	1180.9	1211.1	2.6	43.4
CREDITS GRANTED TO ECONOMY IN FOREIGN CURRENCY (equivalent in MDL):	14416.75	14860.99	3.1	17.7
The share of Credits granted to economy, %	43.76%	43.97%		
State enterprises	613.29	619.77	1.1	108.8
Private sector	13023.01	13458.76	3.3	32.2
Other organizations performing certain financial operations	491.01	506.28	3.1	-59.7
Other resident sectors (individuals, etc.)	289.45	276.18	-4.6	-69.2
including : Consumer loans	0.48	0.44	-9.7	-
Real estate loans	78.02	79.82	2.3	-

The balance of credits granted to economy in foreign currency (expressed in MDL) increased by 444.2 million lei (3.1 percent) due to the increase of the balance of credits granted to state enterprises by 6.5 million lei, other organizations performing certain financial operations – by 15.2 million lei and the balance of credits granted to private sector – by 435.8 million lei, while the balance of credits granted to individuals decreased by 13.3 million lei.