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Inflation annual rate evolves according to the forecast

The Executive Board of the National Bank of Moldova (NBM) decided unanimously to maintain a 7.5% annual core rate applied to the main operations of monetary policy on short term. The annual values of other monetary policy instruments will remain unchanged: 10.5% interest rate of overnight credits and 4.5% interest rate of overnight deposits.

In addition, the Board decided to preserve the required reserves at their current rates of 42.5%, and 17.0%, respectively, from the calculation basis.

The decision was adopted following the assessment of the most recent internal and external macroeconomic data.

Therefore, the forecast on inflation will remain valid, while the inflationary pressures will continue by the end of this year. This trend is caused, in particular, by the aggregate demand, increase of unit labour costs and the seasonal effect. The situation will reverse in the first quarter of 2020, when inflation will start diminishing.

In September, the annual rate of inflation amounted to 6.3%, which shows an evolution according to the forecast.

According to the available data, a sharp economic growth was registered in the first half of the year, which will be preserved by the end of the year but in modest terms. In the second quarter of 2019, the investments of the population increased in relation to consumption, due to the rise of incomes.

In addition, the volume of new credits granted in national currency during the previous quarter constituted MDL 5.8 billion, which shows a rise of 26.1%. It is worth mentioning that individuals and legal entities hold similar shares of 50% of the total volume of credits granted.

At the meeting held today, the Executive Board also approved the Inflation Report no. 4, 2019, which shall be published next week.

The NBM will continue to monitor and forecast the internal and external macroeconomic evolutions, risks and uncertainties associated with the evolution of inflation, in order to assure a medium term stability of prices.

Next meeting on monetary policy will take place on 11 December 2019 [1].

Evolution of the NBM interest rates [2]

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