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Monetary Policy

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25.10.2017

Monetary policy decision, 25 October 2017

Within the meeting of 25 October 2017, the Executive Board of the National Bank of Moldova adopted the following decision by unanimous vote:

1. to decrease the base rate applied on main short-term monetary policy operations by 0.5 percentage points, from 7.5 to 7.0 percent annually.

2. to decrease the interest rates:
- on overnight loans by 0.5 percentage points, from 10.5 to 10.0 percent annually;
- on overnight deposits by 0.5 percentage points, from 4.5 to 4.0 percent annually.

3. to maintain the required reserves ratio from financial means attracted in MDL and non-convertible currency at the current level of 40.0 percent of the base.

4. to maintain the required reserves ratio from financial means attracted in freely convertible currency at the current level of 14.0 percent of the base.

The decision was taken on the basis of the latest macroeconomic analyzes and assumptions in the context of the new medium-term inflation forecasting round. Thus, inflationary pressures on medium-term offset due mainly to the slowdown in economic activity.

According to the current forecast and in the context of maintaining domestic and external macroeconomic conditions The annual inflation rate [1] will decrease rapidly since the fourth quarter of 2017. Thus, it will return within the variation range of ± 1.5 percentage points from the 5.0 percent target in the first quarter of 2018 and will remain for two consecutive quarters. As of the third quarter of 2018, the annual inflation rate will fall below the lower limit of the range for three consecutive quarters.

In the same context and in the absence of pronounced deviation of the factors and assumptions, which formed the basis of the NBM's current forecast, the policy of decreasing the base rate will continue in the coming months.
The NBM will further monitor and anticipate the domestic and external economic developments, so that by the inflation targeting strategy to ensure price stability in the medium term.

The next meeting of the Executive Board of the NBM on monetary policy will take place on 29 November 2017, according to the announced schedule [3].

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[1] Annual inflation rate represents the increase of consumer prices during a month this year compared with the same month last year. It is calculated as a ratio (expressed in percentage terms) between the price index during a month this year and price index during the same month last year, calculated on the same basis, minus 100. Statistical surveys on consumer prices are carried out by the National Bureau of Statistics (NBS) [1]. NBM sets its inflation target at the level of 5.0 percent annually, calculated based on the consumer price index (inflation rate for the last twelve months – each month of this year compared with the same month of last year), with a possible deviation of ±1.5 percentage points. (Source: Medium-term monetary policy strategy of the NBM [2].

Evolution of the NBM interest rates [4]

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