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Monetary Policy

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Monetary policy decision, 27 December 2017

Within the meeting of 27 December 2017, the Executive Board of the National Bank of Moldova adopted the following decision:

1. to maintain the base rate applied on main short-term monetary policy operations at the current level of 6.5 percent annually;

2. to maintain the interest rates:

- on overnight loans at the current level of 9.5 percent annually;

- on overnight deposits at the current level of 3.5 percent annually;

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

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

The decision was made based on the outcomes of the latest macroeconomic analyses, as well as a result of the short and medium-term inflation forecast adjustment against the background of the latent transmission of monetary policy impulses to inflation.

The analyses demonstrated the validity of the November forecast, published by the NBM, and of assumptions underlying it.

At the same time, the economic growth in the third quarter of 2017 recorded 5.4 percent, a higher growth than expected compared to the same period of the previous year. This growth was mainly driven by

aggregate demand and good agricultural performance. However, according to the current adjustment of the forecast, the economic activity will move below its level of equilibrium. In the subsequent period, aggregate demand will be determined by decisions made on salaries, indexation, and early pension valuation..

It should be mentioned that in November 2017 the annual inflation [1] resumed its downward trend in accordance with the latest NBM forecast. Provided there are no considerable deviations from the latest NBM forecast, the annual inflation rate will return within the set variation interval of the 5.0 percent target, in the first quarter of 2018.

In the next quarters, the monetary policy will be determined by the trends of the inflationary process.

The next meeting of the NBM Executive Board on Monetary Policy will take place on January 30, 2018, according to the schedule to be announced in the coming days.

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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 [3]

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