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Monetary Policy

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Monetary policy decision, 30 January 2018

Within its meeting of 30 January 2018, 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 adopted on the basis of the macroeconomic analysis and the assumptions made in the new medium-term inflation forecasting round. The analysis indicates an insignificant slowdown in the economic activity growth rate in 2018 and 2019, driven predominantly by disinflationary pressures of aggregate demand, as well as by the high base effect set in 2017.

According to the current forecast, the annual inflation rate [1] will continuously decrease from the level of 7.3 percent recorded in December 2017 to around 2.5 percent in the fourth quarter of 2018. Subsequently, it will return within the range of ± 1.5 percentage points from the 5.0 percent target, in the second quarter of 2019.

Therefore, inflation will reach on average the level of 3.7 and 4.7 percent in 2018 and 2019, respectively.

The next meeting of the NBM Executive Board on monetary policy will take place on 1 March 2018, according to the published 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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