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Monetary Policy

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# Monetary policy decision, 5 December 2017

**Within the meeting of 5 December 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 7.0 to 6.5 percent annually.**

**2. to decrease interest rates:**
**- on overnight loans by 0.5 percentage points, from 10.0 to 9.5 percent annually;**
**- on overnight deposits by 0.5 percentage points, from 4.0 to 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 of 40.0 percent of the base;**

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

The decision was taken based on the recent macroeconomic analyses and the short and medium-term inflation forecast adjustment against the background of the latent transmission of monetary policy impulses to inflation.

The current adjustment demonstrated the forecast validity and the assumptions underlying it. According to the current forecast adjustment, the aggregate demand will continue to generate disinflationary pressures. In the absence of pronounced deviations from the latest NBM forecast published in November 2017, the annual inflation rate [1] will return within the interval of ± 1.5 percentage points from the 5.0 percent target in the first quarter of 2018.

At the same time, it should be mentioned that the upward inflation trend recorded in October up to the level of 7.9 percent annually, mainly as a result of the increase in food prices due to unfavorable weather conditions for local fruits and vegetables in the last three months and to the meat price increase.

Thus, the inflation reached in October 2017 its maximum level and will have a downward trajectory starting with November 2017.

In the coming periods, the monetary policy configuration will be determined by the risks and uncertainties associated with the inflationary process.

The NBM will further monitor and anticipate the domestic and external economic developments, so as to ensure the medium-term price stability through the inflation targeting strategy.

The next meeting of the Executive Board of the NBM on monetary policy will take place on 27 December 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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