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The National Bank of Moldova continues to diminish the Inflationary Pressures

The Executive Board of the National Bank of Moldova (NBM) decided unanimously to increase by 0.5 percentage points the base rate applied to the main monetary policy operations, on a short term, which now constitutes up to 7.5% annually.

Therefore, the NBM continues to promote measures aimed to diminish inflationary pressures, in the context of a persistent increase in aggregate demand. This has been caused by high growth rates of salaries, pensions and other incomes of population in the first half of 2019, as well as due to the increase in consumer loans.

According to the forecasts, in the first two quarters, the aggregate demand will diminish and inflation will drop starting with the II quarter.

The dynamics of inflation is also influenced by the increase in international food prices, regulated prices, as well as by the stimulating policy of interest rates for loans and deposits, which supply the consumption.

The growth of the base rate shall contribute to the stabilization of the exchange rate of domestic currency, which will subsequently discourage the foreign currency financial intermediation.

At the same meeting, there was decided the rise in interest rates of overnight loans by 0.5 percentage points to 10.5% annually. The same increase was applied to overnight deposits – from 4.0% to 4.5% annually. The rate of required reserves from means in Moldovan and non-convertible currency are preserved at the current level of 42.5% and 17.0%, respectively, from the base rate.

The NBM shall anticipate and continue the monitoring of internal and external macroeconomic evolutions, risks and uncertainties associated with the evolution of inflation in the short and medium term.

The next meeting on monetary policy will be held on 11 September 2019 [1].

The decision is in the process of translation and will be published soon.

Evolution of the NBM interest rates [2]

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Tags

inflation rate [3]

base rate [4]

overnight credit [5]

overnight deposit [6]

CPI [7]

core inflation [8]

Monetary policy decisions [9]

Monetary policy decision [10]

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