National Bank of Moldova

Inflation report

May 2025

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Mission of the National Bank of Moldova

The National Bank of Moldova, as the central bank of the Republic of Moldova, is an autonomous public legal person, which establishes and promotes monetary and foreign exchange policy in the state, a fact stipulated in article 5 paragraph (1) letter a) of Law No. 548/1995 on the National Bank of Moldova.

Under the provisions of article 4 paragraph (1) of the Law No. 548/1995 on the National Bank of Moldova, the fundamental objective of the National Bank of Moldova is to ensure and maintain price stability. At the same time, article 4 paragraph (2) provides that, without prejudice to its fundamental objective, the National Bank within the limits of its powers, contributes to the stability of the financial system and supports the general economic policy of the state.

The fundamental objective is achieved through the monetary policy framework associated with the direct inflation targeting regime.

The quantitative objective – the inflation target is to maintain inflation, as measured by the consumer price index, at 5.0% annually with a possible deviation of ±1.5 percentage points.

In this regard, the National Bank of Moldova has a wide and well-defined range of instruments through which it promotes monetary policy and ensures the achievement of the inflation target. These include open market operations – the main monetary policy instrument, and the ancillary instruments are the standing facilities, the required reserve ratio and interventions on the domestic foreign exchange market.

At the same time, in order to achieving the inflation target, the National Bank of Moldova steers the conditions on the money market by setting by the Executive Board the main indicator for the short-term interbank money market – the base rate.

The exchange rate regime implemented by the National Bank of Moldova is that of managed floating and, respectively, the interventions on the domestic foreign exchange market are used only to support the effects of the implementation of open market operations, to the extent that they will be necessary to achieve the inflation target and without influencing the fundamental trends of the exchange rate of the national currency. At the same time, the NBM reserves the right to carry out foreign exchange interventions in order to mitigate excessive exchange rate fluctuations, to stop speculative operations and to replenish international foreign exchange reserves, without prejudice to the achievement of the inflation target.

The monetary policy decision regarding the base rate, the standing facility rates and the required reserve ratio is taken by the Executive Board of the NBM on the basis of the analysis of the latest information on the macroeconomic situation in the Republic of Moldova and the external economic environment, the trend of macroeconomic indicators in the medium-term, as well as the short- and medium-term inflation outlook, provided by the Monetary Policy Department of the NBM.

In this respect, the Executive Board of the NBM meets eight times a year in ordinary monetary policy meetings according to the approved schedule. Four monetary policy meetings are associated with the Inflation Report, while the other four meetings are devoted to the assessment of the deviation risks to the inflation forecast. At the same time, the Executive Board of the NBM reserves the right to meet in extraordinary meetings.

Introductory note

The National Bank of Moldova appreciates the role of monetary policy transparency and predictability in strengthening institutional credibility and ensuring the inflation target.

*In this context, the **Inflation Report** is the main communication tool reflecting the latest analysis of the situation in the internal and external environment, developments in the inflation process and economic activity, along with aspects related to the conduct of monetary policy.*

At the same time, the Report incorporates the inflation forecast for the eight-quarter horizon and the risks and uncertainties associated with this projection.

The summaries of the minutes of the meetings of the Executive Board of the NBM regarding the promotion of the monetary policy are part of the Report and are published with a frequency of six months from the adoption of the decision in line with the Medium-term monetary policy strategy of the NBM (approved by the decision of the Council of Administration of the NBM no. 303 of December 27, 2012).

Statistical data have been taken from the National Bureau of Statistics, Ministry of Economic Development and Digitalization, Ministry of Finance, Eurostat, International Monetary Fund, National Agency for Energy Regulation, State Hydrometeorological Service.

Statistical information provided by international bodies, national statistical offices and central banks was also analyzed.

Some statistical data have been calculated by the National Bank of Moldova.

According to article 69 paragraph (2), the Inflation Report shall be submitted to the Parliament and the Government within 45 days after the end of the reporting quarter.

The Inflation Report, May 2025 was considered and approved for publication at the meeting of the Executive Board of the NBM on May 12, 2025.

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The Inflation Report, May 2025 is a translation of *Raport asupra inflației, mai 2025* in Romanian. In case of discrepancies, the version of the Report in the original language prevails.

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List of acronyms

ANRE	National Agency for Energy Regulation
BPM6	"Balance of payments and international investment position" Manual, 6th edition
CBOE	Chicago Board Options Exchange
CHIBOR	Average interest rate at which the contributors banks are available to lend funds in MDL to other banks, on the interbank monetary market
CIS	Commonwealth of Independent States
CPI	Consumer price index
ECB	European Central Bank
ESA	European system of accounts
EU	European Union
EUR	Single European currency
FAO	Food and Agriculture Organization of the United Nations
FCC	Freely convertible currency
FRS	Federal Reserve System
GDP	Gross Domestic Product
GVA	Gross Value Added
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPPI	Industrial production prices index
LB	Local budgets
LNG	Liquefied Natural Gas
MHIF	Mandatory Health Insurance Fund
MDL	Moldovan leu
NBC	Certificates issued by the National Bank of Moldova
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of the Republic of Moldova
NEER	Nominal effective exchange rate of the national currency
OPEC+	The alliance between the Organization of the Petroleum Exporting Countries (OPEC) and a group of non-OPEC oil-producing countries.
OVX	Crude Oil Volatility Index
PMI	Purghasing Manager’s Index

RCA	Compulsory Motor Third Party Liability Insurance
REER	Real effective exchange rate of the national currency
SB	State budget
SS	State Securities
SSIB	State social insurance budget
STA	Single treasury account
TTF	Title Transfer Facility
USA	United States of America
USD	US Dollar
VAT	Value Added Tax
WTO	World Trade Organization

Summary

Inflation

In the first quarter of 2025, the annual inflation rate continued the upward trajectory that began in the middle of the previous year. In this way, the annual inflation rate increased from 7.0% in December 2024 to 8.8% in March 2025, thus being above the upper limit of the inflation target variation range in the last four months, a fact generated by the dynamics of regulated prices, in the context of adjusting tariffs for mains gas, heat energy and electricity. The annual inflation rate without that impact was about 6.3% in March 2025, being within the range of the inflation target. At the same time, the average annual inflation rate was 8.8% in the first quarter of 2025, about 2.9 percentage points higher than in the previous quarter.

The upward trajectory of the annual inflation rate in recent months was supported by some adverse sectoral developments, including the adjustment of tariffs for mains gas, thermal energy and electricity, as well as the drought conditions in the summer of the previous year that led to an increase of food prices. Aggregate demand is estimated to have continued to exert a disinflationary impact on prices during the reference period. The adjustment of energy resource tariffs in recent months will place the annual inflation rate above the upper limit of the inflation target variation range in the coming period. The manner of adjusting tariffs, as well as the tense situation in the region and the risks of its escalation, maintain the pronounced uncertainty related to the inflation forecast.

External environment

The first months of 2025 were characterized by growing economic uncertainties. In the foreground were the actions of Donald Trump, who returned to the White House for a second term as US president. He launched a series of measures with long-lasting global economic impact by imposing radical import tariffs, which provoked retaliatory measures and raised trade barriers to the level of those of the 1930s. Thus, volatility and uncertainties on international financial markets have considerably increased. Following these developments, the IMF warned that heightened trade tensions mark the beginning of a new global era of slower economic growth, and the imposed tariffs will undermine international trade and affect innovation and long-term competitiveness. The IMF has cut its global growth forecast for 2025 from 3.3 to 2.8%, while the key factors behind this slowdown were political uncertainty, trade tensions and weak demand.

Economy

After the upward trend in the first half of 2024, the annual GDP dynamics entered the negative territory in the second half of this year. In the fourth quarter of 2024, the annual decline in GDP moderated slightly, so that GDP contracted by 1.3% compared to the same period in 2023. This dynamic was mainly determined by the negative impact of net external demand. Domestic demand, both from the population, in the context of increasing incomes in real terms, and from economic agents, partially mitigated this effect. At the same time, it is worth mentioning the negative impact on GDP dynamics from the agricultural sector, due to the drought conditions in the summer of the previous year, as well as from industry, construction and education. This was partly mitigated by evolutions in the real estate transactions, trade, accommodation and food service activities, in financial and information and communications sectors. According to estimates, the domestic demand has remained moderate, as indicated by the still below than expected growth in household consumption, thus exerting a disinflationary impact during this period. At the same time, the seasonally adjusted series reflects a 0.1% increase in GDP compared to the third quarter of 2024. On the whole, in 2024, GDP increased by 0.1% compared to the previous year.

Monetary policy

In the first quarter of 2025, excess liquidity amounted to MDL 10.6 billion, increasing by MDL 2,237.5 million, compared to the fourth quarter of 2024.

During this period, the M3 monetary aggregate recorded an annual growth rate of 12.9% annually. The main contribution came from the balance of deposits in the national currency.

During the first quarter of 2025, three meetings of the Executive Board of the National Bank of Moldova were held regarding monetary policy decisions. As a result of the assessment of the balance of internal and external risks and the short- and medium-term inflation prospects, the Executive Board of the National Bank of Moldova decided at its meetings on January 10 and February 5, 2025, to increase the base rate cumulatively by 2.9 percentage points to the level of 6.50% annually. Later, at the meeting of March 20, 2025, it decided to maintain the base rate. At the same time, rates on standing facilities and repo operations were maintained. The required reserve ratio for funds attracted in MDL and in non-convertible currency was maintained at 22.0% of the calculation basis, and the required reserve ratio for funds attracted in freely convertible currency – at 31.0% of the calculation basis.

These measures were adopted in view of the need to adjust monetary policy in a way that would mitigate pressures on the inflationary process in the context of the recent tariff increases.

At the meeting of May 12, 2025, the Executive Board unanimously adopted the maintenance of the base rate at 6.50% per annum, the interest rates on overnight loans and overnight deposits at the levels of 8.50 and 4.50% annually, respectively. The interest rate on repo operations remained at the level of 6.75% annually. At the same time, the required reserves ratio for funds attracted in MDL and in non-convertible currency and for funds attracted in freely convertible currency was maintained at 22.0 and 31.0% of the calculation basis, respectively.

The decision comes in the context of the moderation of the inflationary process and the propagation of previously adopted restrictive monetary policy measures, the effects of which will continue to act, considering the lags in their transmission.

In the first quarter of 2025, in the domestic currency segment, the weighted average interest rates on new granted loans and term deposits changed their downward trend under the impact of monetary policy measures. Thus, the weighted average rate on loans amounted to 8.47%, and that on deposits was 4.14%, up by 0.21 and 0.98 percentage points, respectively, compared to the fourth quarter of 2024.

The average interest rates on the balance of loans in the national currency decreased by 0.04 percentage points, to the level of 8.52%, compared to the fourth quarter of 2024, and on term deposits they increased by 0.08 percentage points, to the level of 3.44%.

Medium-term inflation projection

In the current round of forecasts, risks and uncertainties related to the external environment have intensified. After the Trump administration imposed significant tariffs on several countries, and then delayed many of them for 90 days, the level of tariffs that will came into effect on July 10, 2025, is uncertain. While the world's major economies have shown their willingness to negotiate trade agreements with the US and some have reported progress in this regard, the announced deadline is quite narrow, which means that trade tensions persist. Peace negotiations regarding the war in Ukraine appear to have reached an impasse, but evolutions surrounding them have contributed to justifying decisions to increase defense spending in Europe. The economies of the European Union continue to face an industrial slowdown. Under these conditions, along with a stimulative monetary policy, fiscal measures aimed at the EU economic recovery are expected. Oil prices will be affected mainly by global trade tensions, as well as by OPEC+ decisions to increase production. Natural gas

prices in Europe will depend on countries' ability fill their gas storage facilities before the next cold season. International food prices are expected to develop in a balanced manner.

Starting from the second quarter of 2025, the annual inflation rate *will reverse its direction and will outline a downward trend throughout the forecast period*[1]*. During the first two consecutive quarters of the forecast, the annual inflation rate will be above the upper limit of the variation range and will return to the range starting from the fourth quarter of 2025, where it will remain until the end of the forecast period*[2]*. The annual* core inflation *rate will decrease in the first quarter of the forecast, after which it will register a relatively stable trend until the first quarter of 2026 and will decrease towards the end of the forecast period, except for the last quarter. The annual rate of* food prices *will continue to increase in the first quarter of the forecast, after which it will decrease until the first half of next year, then it will have an upward trend towards the end of the forecast period. The annual rate of* regulated prices *will decrease in the first half of the forecast period, followed by a stable trend for the rest of the forecast period, except for the first quarter of 2027, when it will decrease. The annual rate of* fuel prices *will decrease in the first quarter of the forecast and will record negative values until the second quarter of 2026, after which it will record positive growth rates starting from the third quarter of 2026.*

Negative aggregate demand *over the entire forecast period will be driven by tight real monetary conditions and, to a lesser extent, by the negative impact of external demand. The positive fiscal impulse during the first three consecutive quarters, as well as the last quarter of the forecast, will determine the mitigation of negative aggregate demand.*

Real monetary conditions *will have a restrictive character on aggregate demand throughout the forecast period.*

The current inflation *forecast, compared to that in the Inflation Report, February 2025 has been revised slightly upwards during the first two consecutive quarters of the comparable period*[3]*, and starting from the first quarter of 2026 – in a downward direction. The annual* core inflation *rate was revised upwards until the second quarter of 2026 and downwards for the rest of the comparable period. The current forecast for the annual rate of* food *prices has been increased until the third quarter of 2025 and decreased for the rest of the comparable period, except for the fourth quarter of 2026. The annual rate of* regulated *prices is revised upwards until the end of 2025 and downwards for the rest of the comparable period. The forecast for the annual rate of* fuel *prices was reduced until the second quarter of 2026 and increased by the end of the comparable period.*

[1] Second quarter of 2025 – first quarter of 2027

[2] First quarter of 2027

[3] Second quarter of 2025 – fourth quarter of 2026

Chapter 1

Inflation evolution

1.1 Consumer price index

In the first quarter of 2025, the annual inflation rate continued the upward trajectory that began in the middle of the previous year, placing itself above the upper limit of the inflation target variation range, and, at the same time, exceeding the value anticipated in the Inflation Report, February 2025.

The annual inflation rate increased from 7.0% in December 2024 to 8.8% in March 2025, placing itself above the upper limit of the inflation target variation range in the last four months, a fact determined by the dynamics of regulated prices, in the context of the adjustment of the network gas, thermal and electricity tariffs. The annual rate of inflation without the respective impact was around 6.3% in March, being within the limits of the inflation target variation range.

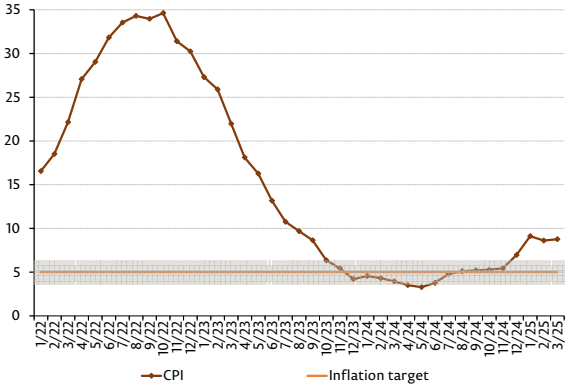
At the same time, the average annual inflation rate was 8.8% in the first quarter of 2025, by about 2.9 percentage points higher than in the previous quarter.

The upward trajectory of the annual inflation rate in recent months was supported by some adverse sectoral developments, including the adjustment of the mains gas, thermal and electricity tariffs, as well as the drought conditions in the previous summer that led to an increase in food prices. According to estimates, aggregate demand continued to exert a disinflationary impact on prices during the reference period.

In the CPI structure (Chart 1.2), the annual rate of regulated prices considerably increased in the first month of the year, after which it began to show a slightly downward trajectory. The annual rate of food prices had an upward trend in the period from January to March 2025. The annual rate of fuel prices, after registering a positive value in the first month of the year, entered a downward trajectory in the following two months, returning to negative territory. At the same time, the annual rate of core inflation registered a moderation in the first quarter of 2025.

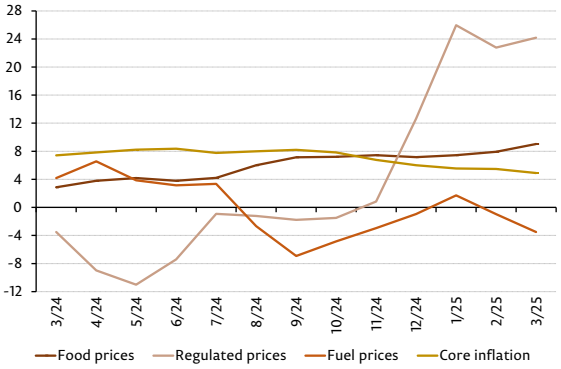
The adjustment of energy resource tariffs in recent months will place the annual inflation rate above the upper limit of the inflation target variation range in the coming period. The manner of tariff adjustment, as well as the tense situation in the region and the risks of its escalation, maintain the significant uncertainty related to the inflation forecast.

Chart 1.1: Annual CPI rate (%)



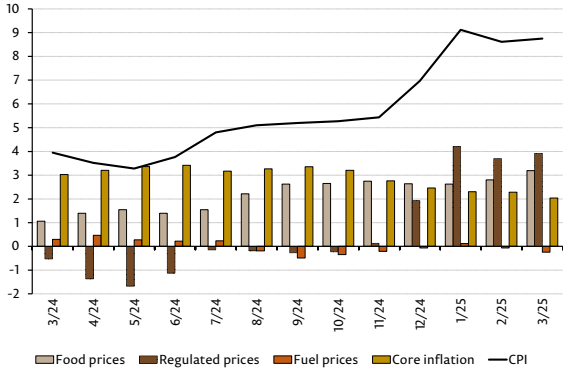
Source: NBS, NBM

Chart 1.2: Annual rate of the main CPI subcomponents (%)



Source: NBS

Chart 1.3: Annual inflation evolution (%) and contribution of subcomponents (percentage points)



Source: NBS, NBM calculations

Core inflation

In the first quarter of 2025, the annual core inflation rate continued its downward trajectory since the end of the previous year. Thus, it registered a value of 4.9% in March 2025, by 1.1 percentage points lower than in December 2024.

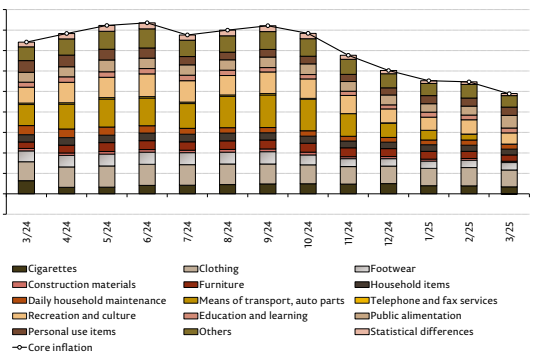
Similar to previous periods, according to estimates, aggregate demand continued to exert disinflationary pressures on the components related to core inflation in the first quarter of 2025, and the impact generated by some previously observed adverse sectoral effects gradually lost intensity.

In this regard, in structure, the moderation of the annual core inflation rate was determined, mainly, by the decrease in the impact from the subcomponent "means of transport, auto parts" (Chart 1.4). Thus, the annual rate of new car prices moderated to 0.4% in March 2025, from 6.3% in December 2024. At the same time, the decrease in the annual rate of core inflation was also generated by the decrease in contributions from prices of the subcomponents "recreation and culture", "furniture", "clothing" and "construction materials" in the context of low demand. Although decreasing, a positive contribution to the annual core inflation was also driven by the increase in cigarette prices, in the context of the adjustment of excise duties on tobacco products since the beginning of 2025. Thus, cigarette prices in March 2025 were 9.2% higher compared to those in the same month of the previous year.

Prices for public alimentation services continue to make a significant impact on the annual core inflation rate in the context of rising food prices, as well as tariffs on energy resources. Their annual rate increased to the level of 7.6% in March 2025. At the same time, higher contributions were also recorded from the "education and learning" subcomponent.

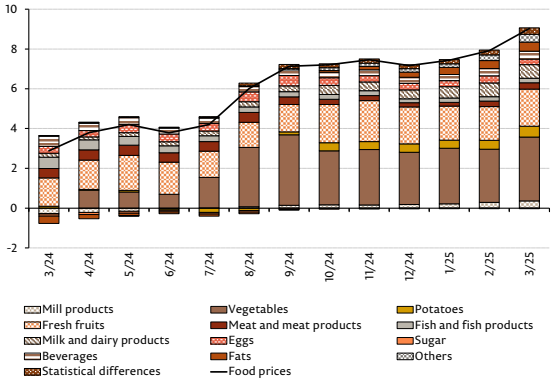
The subsequent trend in the price developments of some important categories of goods and services included in core inflation, in the absence of supply-side imbalances, will continue to reflect the effect of low domestic demand.

Chart 1.4: Contribution of subcomponents (percentage points) to annual core inflation dynamics (%)



Source: NBS, NBM calculations

Chart 1.5: Contribution of components (percentage points) to annual food prices dynamics (%)



Source: NBS, NBM calculations

Food prices

In the first quarter of 2025, the annual rate of food prices continued the upward trend that began in the second quarter of 2024, recording an average rate of 8.1% or by 0,9 percentage points higher than in the fourth quarter of 2024.

It should be noted that the maintenance of pronounced annual growth rates in food prices was determined by the persistence of inflationary pressures on the "vegetables" and "fresh fruits" groups (Chart 1.5).

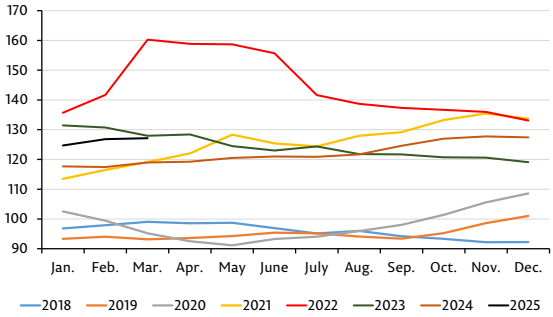
Thus, the drought conditions in the summer of 2024 both on the territory of the Republic of Moldova and in the region significantly affected the supply of vegetables and fruits, as a result, recording a considerable increase in the selling prices of these products.

At the same time, the intensification of inflationary pressures from processed goods over the last three months may be associated with the increase in costs for energy resources.

Food prices on the international market were placed above those recorded in the similar period of the previous year (Chart 1.6), thus generating inflationary pressures on domestic prices. In the first quarter of 2025, the annual rate of food prices on the international market was 6.9%.

During this period, the contribution of food prices to the annual overall inflation rate increased by 0.2 percentage points, up to the level of 2.9 percentage points.

Chart 1.6: Evolution of the international food price index, FAO index



Source: FAO, NBM calculations

Regulated prices

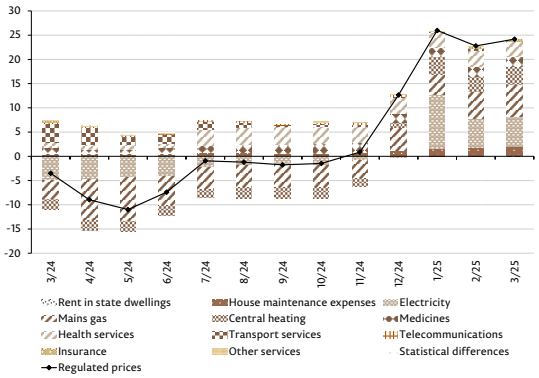
At the beginning of 2025, the annual rate of regulated prices continued the upward trend recorded at the end of the previous year, in the context of the adjustment of electricity and thermal energy tariffs.

The annual rate of regulated prices recorded 24.2% in March 2025, by 11.5 percentage points higher than in December 2024. In the first quarter of 2025, the average annual rate of regulated prices was 24.3%, by 20.3 percentage points higher than in the fourth quarter of 2024.

These dynamics were mainly determined by the adjustment of the thermal and electricity energy tariffs. Thus, in January 2025, prices for central heating increased by about 25.1%, and the prices for hot water – by about 26.7%, as a result of the adjustment of the thermal energy tariff by ANRE on January 3, 2025[4]. It should be noted that the tariff for thermal energy delivered to consumers by S.A. "Termoelectrica" was set at MDL 2,510/Gcal, by MDL 686 higher (by about 38.0%) than the previous tariff, and for consumers connected to S.A. "CET Nord" – the tariff for the delivered thermal energy was set at MDL 2,126/Gcal, by MDL 307 higher (by about 17.0%) than the previous tariff. Considering that the new tariffs entered into force on January 10, 2025, a part of the increase was reflected in February 2025 (central heating prices increased by about 8.2%, and hot water prices – by about 8,6%).

In the same meeting, the electricity tariff was adjusted, which determined an increase in prices within the CPI of this subcomponent by about 50.4% in January 2025 as compared to the previous month. Thus, for the consumers of the Î.C.S. "Premier Energy" S.R.L. a tariff of 410 bani/kWh was established, and for those of the S.A. "Furnizarea Energiei Electrice Nord" – 468 bani/kWh. However, given the compensations offered by the Government in the context of a support package received from the EU for the development of the resilience and energy

Chart 1.7: Evolution of regulated prices (%) and contribution of subcomponents (percentage points)



Source: NBS, NBM calculations

[4] https://www.anre.md/anre-a-ajustat-preturile-si-tarifele-pentru-energia-termica-si-energia-electrica-3-981

independence of the Republic of Moldova, the price of electricity for end consumers decreased in February 2025 by about 15.4% as compared to the previous month. In this regard, in the short-term, the support package from the EU allows for the compensation of additional electricity costs for all households, up to 110 kWh each month until December 31, 2025[5].

Also, in January 2025, prices for urban transport services increased by about 2.8%, as a result of the increase for trolleybus fare in the city of Bălți[6]. At the same time, during three months, rail transport prices within the CPI increased cumulatively by about 31.2%, in particular, as a result of the train journey Chișinău-Ungheni[7] increase. On the other hand, at the beginning of the year, airline ticket prices decreased.

Since the beginning of the year, some tariffs for medical services provided by private medical institutions have increased, which led to an increase in the "health services" subcomponent of the CPI by about 1.6% cumulatively. Simultaneously, the prices of medicines continued the upward trajectory observed in previous periods, increasing cumulatively during the first quarter of 2025 by about 1.3%. At the same time, in the context of the liberalization of the auto insurance market[8] in the Republic of Moldova, an increase in auto insurance prices was recorded at the beginning of the year.

There have also been tariff adjustments for water supply, sewage and household waste disposal services[9]. Thus, since March 21, 2025, the water tariff in Chișinău is MDL 12.99/cubic meter (MDL 2.2 higher than the previous one), and the tariff for sewage service has increased up to MDL 5.63/cubic meter (MDL 1.45 higher than the previous one)[10]. In Bălți, since March 13, 2025, the updated tariff for sewerage services is MDL 4.75/cubic meter (as compared to the previous tariff of MDL 3.9/cubic meter)[11].

Outlook for regulated prices for the next period:

- Given that the aid program for compensating citizens' electricity bills is currently underway, estimating the respective effects on the CPI in the coming period involves a certain degree of uncertainty.
- Taking into account that the decisions on the adjustment of tariffs for water supply and sewage services in Chișinău and the tariff for sewage service in Bălți were made in mid-March 2025, their full coverage will follow in April.

[5] https://www.eeas.europa.eu/delegations/moldova/comisia-european%C4%83-%C8%99i-moldova-au-convenit-asupra-unei-strategii-cuprinz%C4%83toare-pe-doi-ani-pentru_ro?s=223

[6] https://esp.md/ro/sobytiya/2024/11/12/la-balti-se-scumpesc-calatoriile-cu-troleibuzul-detalii-despre-noile-tarife#goog_rewarded

[7] https://infomarket.md/ro/transport/363705

[8] https://www.bnm.md/ro/content/hotararea-nr-301-din-28112024-cu-privire-la-aprobarea-calculului-primelor-de-asigurare-de

[9] https://ungheni.md/tarife-noi-pentru-evacuarea-deseurilor-si-serviciul-de-salubrizare/

[10] Monitorul ofcial No. 148-150 (9658-9660) of March 21, 2025, p. 24.

[11] Monitorul ofcial No. 126-129 (9636-9639) of March 13, 2025, p. 122.

- The residents of Bălți municipality could pay a higher tariff than the current one for waste disposal. After public discussions on increasing waste disposal tariffs, the Bălți Municipal Council will decide whether their implementation is necessary. It should be noted that, currently, in apartment buildings the tariff is MDL 11 per person[12].
- Tariffs for water supply and sewage services could increase in Edineț, the draft decision in this regard is placed on the official ANRE website with preliminary calculations[13]. It should be noted that the Î.M. "Apă-Canal Edineț" is arguing for the rise by increasing the price of electricity.

Fuel and lubricants prices

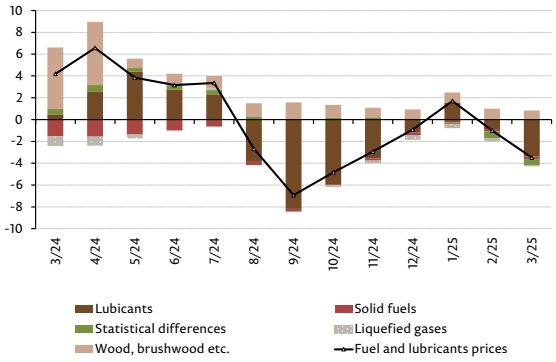
The annual rate of fuel and lubricants prices, after registering a positive value in the first month of the year, outlined a downward trajectory in the following two months, returning to negative territory.

The annual rate of fuel and lubricants prices increased from -0.9% in December 2024 to 1.7% in January 2025, after which, in the following two months, it returned to negative territory, constituting -3.5% in March 2025, fluctuations that were mainly determined by the influence of "lubricants" prices. The average annual rate of fuel and lubricants prices in the first quarter of 2025 amounted to -0.9%, 2.0 percentage points higher than in the fourth quarter of 2024 (Chart 1.8).

After the positive impact in the first month of the year, in the following two months, "lubricants" prices determined a negative impact on the annual rate of fuel and lubricants prices, generated by the dynamics of gasoline and diesel prices set by PECO stations during the respective quarter. These developments were dictated by the average Platts quotations for gasoline and diesel, which amounted on average to around MDL 12,501.4/ tonne and MDL 12,167.2/ tonne in March 2025. Thus, average Platts quotations for gasoline decreased by about 7.3%, and average Platts quotations for diesel decreased by about 7.4% as compared to January 2025 (Chart 1.9). The decrease in the above-mentioned quotations was supported by the downward trend in the price of Brent crude oil (from USD 79.2/barrel in January 2025 to USD 72.6/barrel in March 2025). At the same time, the increase in lubricants prices in January 2025 was supported by the adjustment of excise duties on petroleum products at the beginning of this year (Chart 1.10).

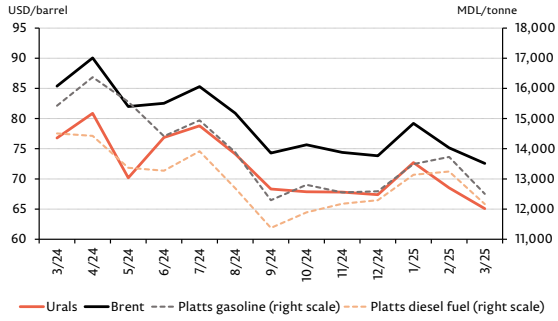
During the first quarter of 2025, prices for "solid fuels" and "liquefied gases" continued to exert a negative impact, while prices for "wood, brushwood etc." had a positive impact on the annual rate of fuel and lubricants prices.

Chart 1.8: Contribution of components (percentage points) to the annual increase in fuel and lubricants prices (%)



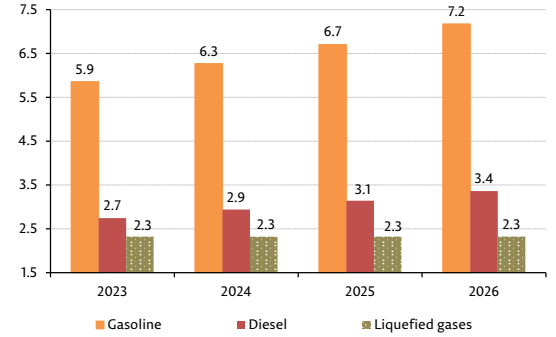
Source: NBS, NBM calculations

Chart 1.9: Evolution of average Platts quotations and Urals and Brent oil prices



Source: ANRE, NBM calculations

Chart 1.10: Evolution of excise duties (MDL/liter)

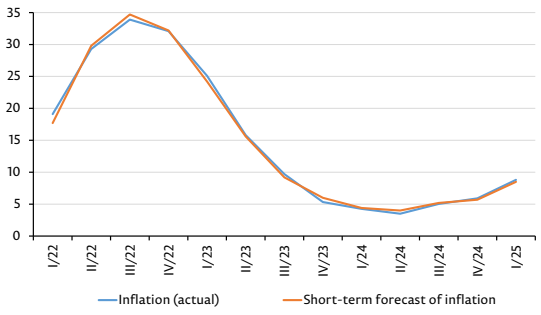


Source: Ministry of Finance, NBM calculations

[12] https://moldova1.md/p/47114/locuitorii-din-balti-ar-putea-plati-mai-mult-pentru-evacuarea-deseurilor

[13] https://www.anre.md/storage/upload/projects/announcements//tmp/phpqBLqFD/Not%C4%83%20de%20argumentare%20Edinet.pdf

Chart 1.11: Annual rate of CPI (%)



Source: NBS, NBM

Table 1.1: The evolution and forecast of CPI and its components

	De facto Q I, 2025/ Q I, 2024 (%)	Forecast* Q I, 2025/ Q I, 2024 (%)	Deviation (De facto-forecast) (p.p.)
CPI	**8.8**	**8.5**	**0.3**
Core inflation	5.3	5.3	0.0
Food prices	8.1	7.7	0.4
Regulated prices	24.3	22.7	1.6
Fuel prices	-0.9	0.7	-1.6

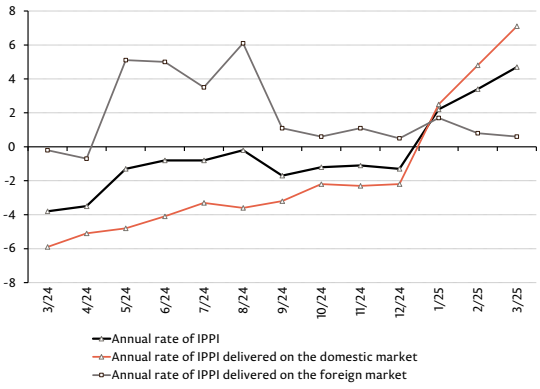
Source: NBS, NBM calculations
*Forecast from Inflation Report, February 2025

1.2 Inflation evolution and short-term forecast assessment from the Inflation Report, February 2025

In the forecast round of the Inflation Report, February 2025, it was anticipated that the annual CPI inflation rate would remain above the upper limit of the inflation target range in the first part of the year and would register an average value of 8.5% in the first quarter of 2025[14]. Inflation data for the first quarter of 2025 point to a slightly higher trajectory than anticipated in the previous round of forecast (Inflation Report, February 2025).

In the first quarter of 2025, the annual inflation rate amounted to 8.8%, increasing by 0.3 percentage points as compared to that anticipated in the forecast (Table 1.1), as a result of the deviation from the forecast of regulated prices. Their annual rate was 24.3% in the first quarter of 2025, 1.6 percentage points higher than expected. This was largely due to a lower than anticipated impact from compensations related to the adjustment of the electricity tariff. At the same time, smaller magnitude of deviation was recorded for the food price forecast. Their annual rate, in the first quarter of 2025, was 8.1%, by 0.4 percentage points higher than the anticipated one. The positive deviation was partially mitigated by the negative deviation from the fuel price forecast, with the annual rate by 1.6% lower than anticipated in the Inflation Report, February 2025. At the same time, the annual core inflation rate, in the period since January to March 2025, was identical to that anticipated in the previous forecast round.

Chart 1.12: Annual industrial price rate (%)



Source: NBS

1.3 Industrial production prices

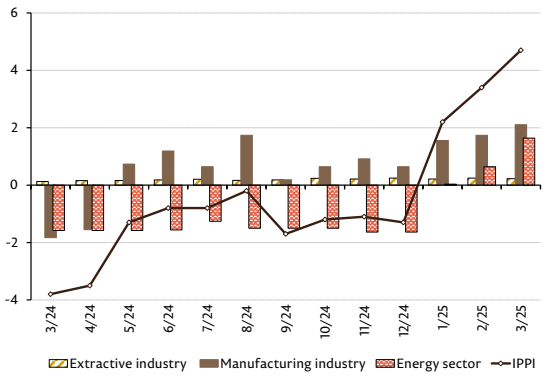
In the first quarter of 2025, the annual industrial price rate recorded an average level of 3.4%, by 4.6 percentage points higher than in the previous quarter.

In terms of structure, the annual rate of prices for products delivered on the domestic market sharply accelerated, while the annual rate of prices for products delivered on the external market remained practically at the level recorded in the previous quarter, with a slight positive variation (Chart 1.12).

[14]Given the higher volatility of the monthly values, but also some possible measurement errors, which should normally not influence monetary policy decisions, the short-term inflation forecast is carried out at a quarterly frequency. This value is an input to the medium-term inflation projection, which similarly has a quarterly frequency and underpins monetary policy decisions. At the same time, it is reported in the Inflation Reports. However, the actual monthly CPI data, as they are published by the NBS during the quarter, are analyzed and compared with the short-term forecast for the whole quarter to assess whether the main assumptions are confirmed or whether there is a risk of marked deviations from the forecast. Therefore, deviations between the actual data available for the months within the quarter and the short-term inflation forecast should be treated appropriately, also taking into account the assumptions/ expectations for the remaining months of the quarter.

Analysing the annual rate of industrial prices by main branches, it can be seen that its acceleration was supported by developments in the manufacturing industry and the energy sector (Chart 1.13). In the first quarter of 2025, the annual price rate in the manufacturing industry recorded a level of 2.0%, or 1.2 percentage points higher than in the previous quarter. The increase in the contributions from "food industry" and "other non-metallic mineral products" had an impact on the upward trajectory of the annual price rate in the manufacturing industry. At the same time, the annual price rate in the energy sector was 11.8%, by 36.2 percentage points higher than in the fourth quarter of 2024. In the first quarter of 2025, prices in the extractive industry increased in annual terms by 11.4%, generating a minor contribution to the total price dynamics in the industry.

Chart 1.13: Annual industrial price rate (%) and its components contribution classified by main branches (percentage points)



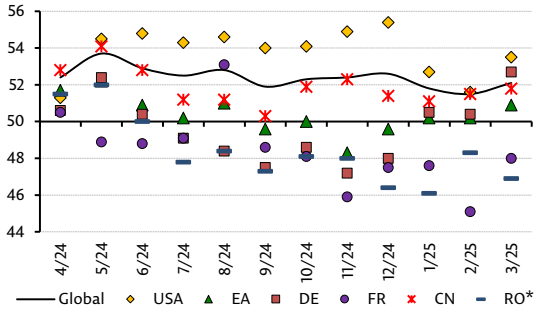
Source: NBS, NBM calculations

Chapter 2

External environment

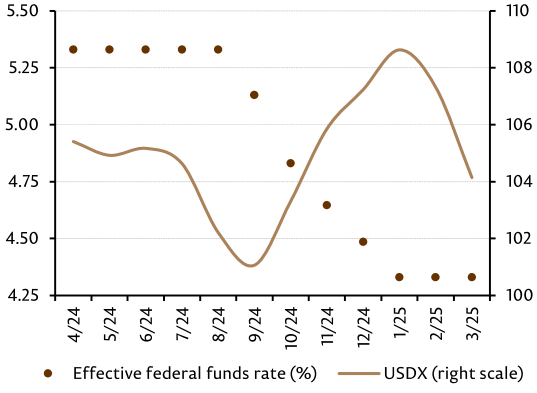
The first months of 2025 were characterized by growing economic uncertainties. In the foreground were the actions of Donald Trump, who returned to the White House for a second term as USA president. He launched a series of measures with lasting global economic impact by imposing radical import tariffs, which provoked retaliatory measures and raised the trade barriers to the level of those in the '30s of the last century. Thus, the volatility and uncertainties on the international financial markets have increased considerably. As a result of these developments, IMF warned that high trade tensions mark the beginning of a new global era of slower economic growth, and that the tariffs imposed will undermine international trade and will affect the innovation and competitiveness in the long-term. IMF has reduced its global growth forecast for 2025 from 3.3 to 2.8%, and political uncertainty, trade tensions and weaker demand are the key factors underlying this slowdown.

Chart 2.1: Developments of the PMI composite indixes



Source: Markit
*for Romania the PMI manufacturing index is presented

Chart 2.2: Developments of the USD index (DXY*) in the context of FRS monetary policy



Source: FRS, Bloomberg
*DXY is an index calculated by the weighted geometric average of the value of the US dollar against a basket of currencies: Euro – 57.6%, Japanese yen – 13.6%, Pound sterling – 11.9%, Canadian dollar – 9.1%, Swedish krona – 4.2%, Swiss franc – 3.6%

2.1 World economy, financial and commodities markets

The PMI indexes remained relatively stable in the first quarter of 2025, with a moderate acceleration in March, after two consecutive months of decline (Chart 2.1). Although the global index is now in expansionary territory, uncertainties about future developments are growing. Fall in the future production index (which tracks sentiment about conditions over a year) to the lowest levels in 2020 suggests that this rise could be short-lived. The United States economy remains in the leading position. However, there is evidence of a moderation in economic activity. While the service sector is growing, the US industrial production has entered in the contraction territory again. Germany experienced a notable recovery in the first months of the year, which boosted economic activity in the euro area. On the other hand, France still remains in the contraction zone.

During the analyzed period, the FRS kept the interest rate range at 4.25-4.5% (Chart 2.2), although inflation in the United States reached its lowest level in March 2025 since September 2024, largely due to lower fuel prices and given that the unemployment rate returned to 4.2% in March 2025.

At the same time, since the beginning of the year, the ECB has reduced the refinancing rate three times by 25 basis points, to 2.4%. The decisions reflect the ECB growing confidence that inflation is on track to sustainably return to its 2.0% target. In the first quarter of 2025, the ***single European currency*** appreciated against the US dollar by about 4.1% (March 31, 2025 vs December 31, 2024). The appreciation of the single European currency continued in the first half of April 2025, after the Trump administration imposed considerable tariffs on the rest of the world. In this way, the single European currency recovered the

ground lost in the last quarter of 2024 and appreciated to the level of February 2022 (Chart 2.3). At the same time, the weakness of the ***US dollar*** is fueled by fears regarding the independence of the FRS after President Donald Trump repeatedly criticized the work of the institution led by Jerome Powell and hinted that he might dismiss the current chairman. In the same vein, gold reached a record high on April 22, 2025 (USD 3,500/ounce).

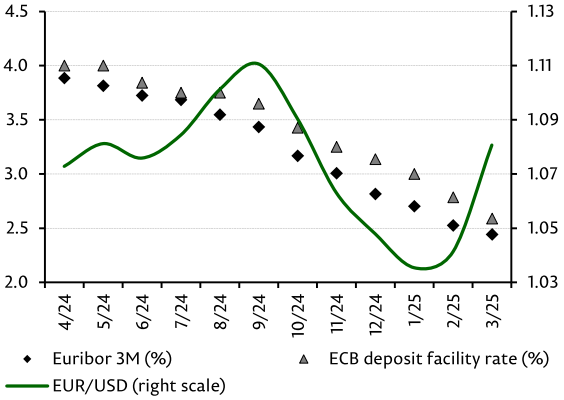
In the first quarter of 2025, spot Brent crude ***oil quotations*** fluctuated around an average of USD 75.7/barrel. The average monthly price recorded in March 2025 (USD 72.6/barrel) was by 1.7% lower than in December 2024 (Chart 2.4). With the Trump administration imposing tariffs, oil quotations fell sharply up to the level of USD 59/barrel amid the falling demand for energy resources and growing concerns about the evolution of the global economy. Subsequently, Brent crude oil quotations recovered by over 10% after the announcement of the tariff postponement. At the same time, OPEC+ decided to increase oil production faster than initially expected, by 411 thousand barrels/day starting in May 2025. Kazakhstan, a major exporter, also announced that it would prioritize national interests over the rules established by the cartel. On the other hand, the USA has imposed new sanctions targeting Iranian liquefied gas and crude oil exports, fueling speculation that the sanctions could reduce Iranian exports.

In January 2025, the ***price of natural gas*** in Europe significantly increased due to the intensification of economic and political uncertainties, but since February 2025 it began to decline in anticipation of a favorable outcome in the conflict in Ukraine, as well as due to the reduced demand on the Asian market (Chart 2.5). Already in April 2025, the price of natural gas in Europe (Netherlands TTF quotation) dropped up to USD 380/1,000 cubic meters. This development has led European countries to increase the pace of natural gas storage to a level that exceeds the average of the last 5 years. Gas reserves were almost completely exhausted during last winter. Weaker global demand for natural gas will ease competition for the liquefied gas on which Europe depends. Meanwhile, the EU is considering relaxing current rules requiring member countries to fill natural gas storage facilities to at least 90% of capacity by early November.

International commodity price indexes, calculated by the World Bank show mixed trends in commodity prices. Data for March 2025 show that out of the 67 compiled indices, 31 recorded monthly increases, and on an annual basis, 34 indices had a positive growth rate. The largest annual increases were recorded for precious metals – 37.5% and beverages – 37.2%. Prices for the agricultural products category increased by 2.8%. The fertilizers group recorded an annual price increase of 11.3%, metals and minerals – 10.2%, while energy prices decreased by 8.8% (Chart 2.6). Taking into account the fact that energy prices determine, to a large extent, the price of fertilizers, as well as of other raw materials, the pace of increase in raw material prices is expected to be more moderate in the coming period, an effect that will, however, be counterbalanced by the depreciation of the USA dollar and trade tensions.

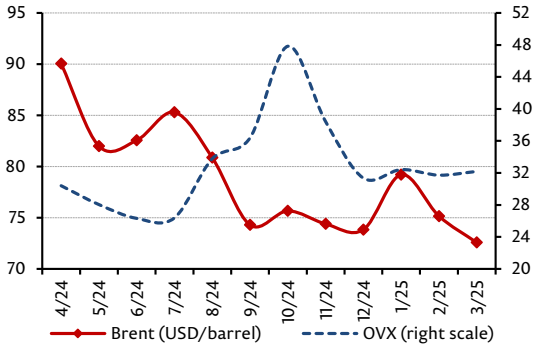
Average international food prices recorded insignificant fluctuations during the first quarter of 2025. The FAO index stood at 127.1 points in March 2025, 6.9% higher than the corresponding level a year ago, and 20.7% below the peak

Chart 2.3: Developments of EUR/USD (monthly average) and interest rates in the euro area



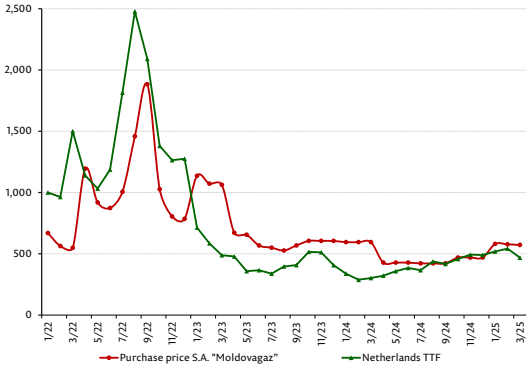
Source: ECB

Chart 2.4: Oil market



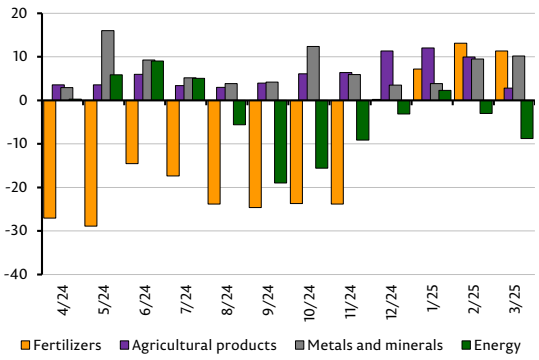
Source: World Bank, CBOE
Note: CBOE – Chicago Board Options Exchange; OVX – Crude Oil Volatility Index

Chart 2.5: Developments of natural gas prices (USD/1,000 cubic meters)



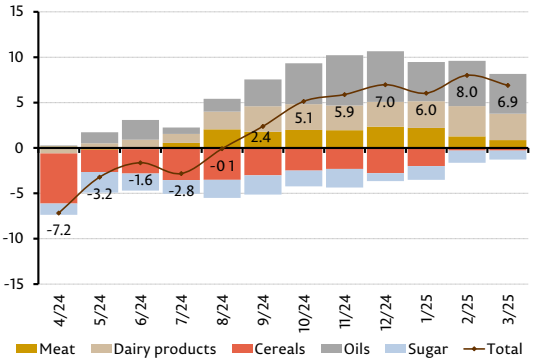
Source: S.A. "Moldovagaz", World Bank, NBM calculations

Chart 2.6: Annual growth rate of international commodity price indexes (%)



Source: World Bank, NBM calculations

Chart 2.7: Annual growth rate of international food prices (FAO index) (%)



Source: FAO, NBM calculations

reached in March 2022. The increase of the FAO index was driven by increases of prices for vegetable oils (23.9%), dairy products (19.9%) and meat (2.7%). A negative contribution was made by sugar (-12.3%) and cereal products (-1.1%). The recent increase of vegetable oil prices has been driven largely by low palm oil production in Southeast Asia. Prices of dairy products have risen partly due to weak production in Europe. In March 2025, agro-meteorological conditions turned out to be favorable, which contributed to the decline in cereals and sugar prices. The decrease is more pronounced for sugar prices, as global demand for this product is declining. On the other hand, the market sentiment was affected by the uncertainties related to the growing trade tensions.

2.2 Developments in major economies

In the fourth quarter of 2024, the gross domestic product of the ***United States of America*** increased by 2.5% as compared to the same period in 2023. During 2024, the world's largest economy grew by 2.8%. Following the tariffs imposed by the Trump administration, financial markets have experienced major turbulence. The USA Treasury securities and bonds, although they initially rose in price, subsequently fell significantly amid fears that the United States economy was heading towards stagflation. The IMF forecasts show that the United States will be among the countries most affected by trade tensions, with economic growth for 2025 reduced from 2.7% to 1.8%. While Trump claims that tariffs will revive USA industry, the IMF states that automation, not trade, is the real cause of job losses. The cost of state debt service in 2024 amounted to USD 881 billion, exceeding the entire defense budget and being the highest in the last 28 years as a percentage of GDP. For 2025, estimates point to a level of USD 952 billion, 2.7 times higher than in 2021. If the FRS is forced to maintain the effective interest rate at a high level, it will be increasingly difficult for the United States to finance the budget deficit (at 6.3% of GDP in 2024) without considerably increasing the cost of debt service. Consequently, the USA Government will be forced to resort to reducing budget spending, which will have a negative effect on GDP growth. In the face of these challenges, despite the fact that the rate differential widened in the first months of 2025, the US dollar depreciated significantly, which will ultimately contribute to rising inflation. The increase in exports will be limited to countries with which the USA maintains stable trade relations. There is a possibility that the FRS could intervene in the event of a major crisis on the US bond market, but the institution's arsenal is reduced, taking into account the fact that the FRS balance sheet is already loaded with bonds purchased during the COVID-19 pandemic.

In the last quarter of 2024, compared to the same period of the previous year, the ***euro area*** economy recorded a growth of 1.2%. The growth for 2024 was 0.9%. Euro area countries, along with other EU countries, are facing 25% tariffs on steel, aluminum, and cars from the USA. Tariffs in the amount of 20% are pending (for 90 days) on almost all other goods and services. In 2024, the budget deficit in the euro area decreased from 3.5% to 3.1% of GDP. At the European Union level, the average deficit is 3.2% of GDP, decreasing from 3.5% in 2023, 12 member states have a budget

deficit higher than 3% of GDP. The annual inflation rate fell from 2.5% in January 2025 to 2.2% in March 2025. ECB expects inflation to moderate slightly in 2025 and return to the 2% target by the end of the year. On the other hand, the unemployment rate is at its lowest level in history, having recorded 6.1% in February 2025. Economists forecast moderate growth in 2025, due to uncertainties and imposed tariffs. But, estimates show a substantial recovery starting in 2026, due to fiscal stimulus measures in Germany and the EU.

The economy of ***Germany*** contracted in the fourth quarter of 2024 by 0.2% compared to the fourth quarter of 2023. To the same extent, the economy contracted throughout 2024. Although the index of industrial production has been on the rise during the first months of 2025, it remains in contraction territory. The industrial sector, particularly the automotive sector, continues to record declines due to relatively low competitiveness in terms of costs and quality, especially from China, the world's largest producer. The future German chancellor Friedrich Merz announced military and infrastructure investments of EUR 1 trillion, the plan being approved by the parliament still in power. He also made restoring the competitiveness of the German economy a priority. However, the EU largest economy is expected to stagnate in 2025 due to USA tariffs.

The economy of ***France*** grew by 0,6% in the fourth quarter of 2024 compared to the same period in 2023, but contracted by 0.1% compared to the third quarter of 2024. In 2024, the economy of France grew by 1.1%. At the end of February, global rating agency S&P revised its outlook on France from stable to negative, considering the increase in public debt amid weak political consensus on resolving large budget deficits of France, in the context of more uncertain economic growth prospects. Despite the fact that the government succeeded in approving the 2025 budget, the threat of another collapse of government persists. In 2024, France had a budget deficit of 5.5% of GDP. For 2025, the budget deficit is estimated at 5.4% of GDP. For 2025, the IMF estimates economic growth of 0.6%, down from its previous forecast of 0.8%.

The gross domestic product of ***Italy*** registered an increase of 0.6% in the fourth quarter of 2024, as compared to the same period of the previous year, and an increase of 0.1% as compared to the third quarter of 2024. The revised data shows an increase of 0.7% for the year 2024. Annual inflation in Italy accelerated in March 2025 to 2.0% and the unemployment rate in February 2025 was 5.9%, close to a historical low level. With a budget deficit of over 3% in the last 5 years, Italy, like France, is subject to the so-called excessive deficit procedures of the EU. The adopted budget for 2025 forecasts a GDP growth of 1.2%, in contrast to the IMF forecast of 0.7%, which was revised in April this year to 0.4%.

The economy of ***China*** grew by 5.4% on an annual basis in the first quarter of 2025, the same level recorded in the previous quarter. This growth was driven by subsidies for domestic consumption and large increase in exports to the USA in anticipation of tariffs. Recent GDP data was also supported by robust economic activity in March 2025: industrial production grew at the fastest pace since June 2021, retail sales recorded the highest growth in the last year, and the unemployment rate fell in March from a two-year high

recorded in February (5.4%), while fixed asset investment slightly exceeded expectations.

Beijing has set a target of 5% economic growth this year. Despite the expansion in recent quarters, which has exceeded analysts' expectations, the forecasts point to a deterioration in the economy since April 2025, mainly due to the imposed tariffs. For this reason, and also because the rate of growth of consumer prices is significantly below the annual inflation target of 2% turned negative in March 2025 (for the second month in a row). At the same time, IPPI has been in deflationary territory for more than two and a half years and many economists expect new commitments to intensify economic stimulus measures. The measures under consideration include the reduction of interest rates, of required reserve ratios, increased government spending and support measures for exporters. The yield on 10-year government bonds is at its lowest level ever recorded (around 1,65%). According to estimates, nearly 60% of Chinese exports to the USA are subject to tariffs of 145%, some amounting to 245%, while the rest of the goods are subject to 20-45%. In response, China imposed 125% tariffs on USA imports. China has recently filed a complaint with the WTO, accusing the USA of violating the organization's trade rules. Despite growing trade tensions, China has expressed its willingness to negotiate.

2.3 Economic developments in neighboring countries and main trading partners

According to provisional data, the economy of ***Romania*** grew by 0.5% in the fourth quarter of 2024, compared to the same quarter in 2023. The growth for 2024 was 0.8% and is mainly due to consumption and trade and service activities. It should be noted that the pace of economic growth has been in continuous decline over the past 4 years, which has caused the public debt to grow at a rapid pace, from 48.9% of GDP in 2023 to 54.8% of GDP in 2024. Public debt tripled compared to 2017, while GDP doubled. Romania had a budget deficit of 9.28% of GDP in the 2024 election year (ESA methodology), according to data published by Eurostat, having been the largest in the EU and 4 percentage points higher than the government's forecasts. The increase in the deficit resulted mainly from significant increases in pensions and salaries for public sector employees and occurred despite the collection of budget revenues above expectations (+10.4% compared to 2023). The target for 2025, as provided for in the National medium-term fiscal structural plan agreed upon with the European Commission, is 7.04%. According to the same plan, Romania (which has been in an excessive deficit procedure since 2020) would only reach a budget deficit of below 3% of GDP in 2031. The European Commission report on public debt sustainability includes Romania in the category of high-risk countries from a fiscal sustainability perspective. Rating agencies S&P and Moody's changed the outlook on the country's rating from stable to negative, citing fiscal problems, as well as the increasingly turbulent political environment.

Economists expect that, after the presidential elections, the executive will come up with several fiscal consolidation measures,

such as tax increases (increasing VAT, RCA; establishing a new tax on polluting cars), raising local taxes (on property) and cutting spending. A part of these measures could lead to higher prices for consumers. Added to this is the fact that from July 1, 2025, electricity bills will increase significantly, after the expiration of the government-established cap. For 2025, the IMF estimates economic growth of 1.6% and inflation of 4.6%, while the World Bank expects economic growth of only 1.2%.

According to the Central Statistical Office of ***Poland***, in the last quarter of 2024, gross domestic product increased by 3.2% compared to the same period in 2023. The growth for 2024 was 2.9%, largely due to the increase in domestic demand (+4.1%). The pace of investment growth slowed accounting for 1.3% compared to 12.6% in 2023. For the third consecutive month, annual inflation stood at 4.9% in March 2025, and the unemployment rate decreased to 5.3% in March 2025, compared to 5.4% in January and February 2025. After Romania, Poland is the state with the largest budget deficit in the EU (6.6% of GDP in 2024).

The economy of ***Türkiye*** grew by 3.0% in the fourth quarter of 2024, compared to the same period in 2023. The growth during 2024 stood at 3.2%, marking the weakest pace since 2020. For the current year, economists estimate growth of 3.1%. The annual inflation rate reached 38,1% in March 2025, down from 39.05% in the previous month, decreasing for the tenth consecutive month and reaching the lowest level since December 2021. However, in April 2025, the Central Bank of Türkiye increased the reference rate by 3.5 percentage points to 46.0%. The Monetary Policy Committee members noted that domestic demand had increased more than expected and expressed concern about the rise in protectionist policies in world trade and geopolitical developments. The Turkish lira has depreciated significantly after recent domestic political disputes and since September 2024, the real interest rate is in positive territory. The unemployment rate reached 8.2% in February 2025, it is its lowest level since July 2012.

The gross domestic product of ***Ukraine*** grew by 2.9% in 2024, despite an annual contraction of 0.1% in the last quarter of 2024. The annual inflation rate reached 14.6% in March 2025, up from 12.0% in December 2024. In April, the European Commission disbursed another EUR 3.5 billion from the facility intended to strengthen the country's resilience. Despite economic support from partners, Ukraine continues to be devastated by war and about 9 million people live below the poverty line, according to World Bank data[15]. The World Bank data also shows that the country will need USD 524 billion over the next decade to rebuild the country, which is approximately 2.8 times the estimated nominal GDP for 2024. At the same time, the United States and Ukraine are close to signing an agreement on rare earth mineral deposits, after a first failed attempt two months ago. This agreement would create an investment fund for reconstruction as part of an economic partnership between the two peoples and governments, but it doesn't seem to include any guarantees of lasting security. IMF expects the pace of economic growth to slow to 2% in 2025, due to substantial infrastructure damage and extended power outages.

[15] https://www.worldbank.org/en/country/ukraine/overview

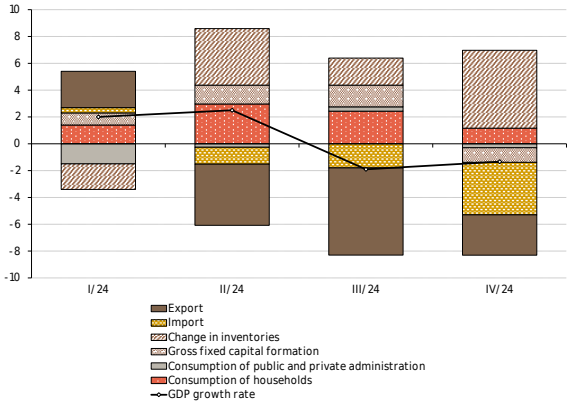
Chapter 3

Economic developments

3.1 Demand

After the upward trend in the first half of 2024, the annual GDP dynamics entered negative territory in the second half of that year. In the fourth quarter of 2024, the annual decline in GDP moderated slightly, so that GDP contracted by 1.3%, compared to the similar period of 2023. This dynamic was mainly determined by the negative impact of net external demand. Domestic demand, both from households, in the context of increasing incomes in real terms, and from economic agents, partially mitigated this effect. At the same time, it is worth mentioning the negative impact on GDP dynamics from the agricultural sector, due to the drought conditions in the summer of the previous year, as well as from industry, construction and education. This was partially mitigated by evolutions in the real estate transactions, trade, accommodation and food service activities, the financial sector and the information and communication sectors. According to estimates, domestic demand continued to be moderate, as indicated by the still below-expected evolution of household consumption, thus exerting a disinflationary impact during the respective period. At the same time, the seasonally adjusted series reflects a 0.1% increase in GDP compared to the third quarter of 2024. On the whole, in 2024, GDP increased by 0.1% compared to the previous year.

Chart 3.1: Contribution of demand components to GDP growth (percentage points)



Source: NBS, NBM calculations

It should be noted that the NBS has revised the annual rates for the first half of 2024. Thus, the annual GDP rate in the first and second quarters of 2024 have been revised up, by 0.1 percentage points each, to 2.0% and 2.5%, respectively. At the same time, the NBS also updated GDP for 2023. As a result, GDP in 2023 increased by 1.2% compared to 2022, this is 0.5 percentage points higher than the previous one (0.7%).

From a utilisation perspective (Chart 3.1), in the fourth quarter of 2024, household consumption continued the positive dynamics observed in previous periods, but registered an increase of only 1.4% compared to the fourth quarter of 2023, thus generating a positive impact of 1.2 percentage points on GDP dynamics. Consumption growth was supported by the evolution of the real disposable personal income. Final consumption of public administration decreased by 5.0%, generating a negative impact of 1.0 percentage points on GDP dynamics. Investments, despite the increased uncertainty in the region, generated a positive impact of 4.7 percentage points on GDP dynamics. In the structure, it was determined by the positive contribution from the change in inventories subcomponent. Gross fixed capital formation contracted by 5.6%.

A pronounced negative impact was determined by the dynamics of net exports of goods and services (-6.9 percentage points). Thus, exports in real terms decreased by 10.8% and generated a negative impact of 3.9 percentage points. At the same time, imports, in the fourth quarter of 2024, increased by 5.0%, generating a negative contribution of 3.0 percentage points to GDP dynamics.

Household demand for consumption

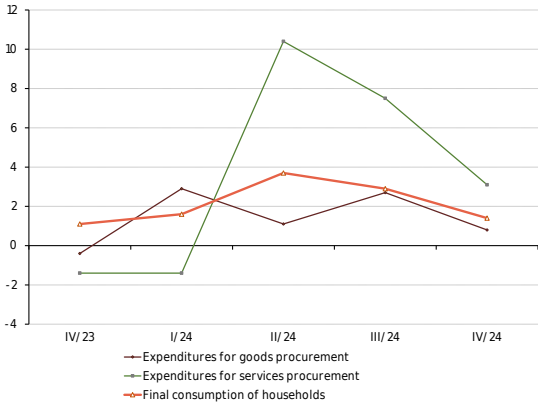
The positive annual dynamics of household consumption moderated in the fourth quarter of 2024.

Thus, the annual rate of household final consumption recorded a level of 1.4%, being 1.5 percentage points lower than in the third quarter of 2024. The respective dynamics of household consumption was supported by the increase in expenditures for services procurement by 3.1% and the increase in expenditures for goods procurement by 0.8% compared to the same period of the previous year (Chart 3.2).

The upward trend in household consumption was supported by the increase in income in real terms. In this respect, its main sources of financing, as a whole, continued their positive dynamics in the fourth quarter of 2024 (Chart 3.3).

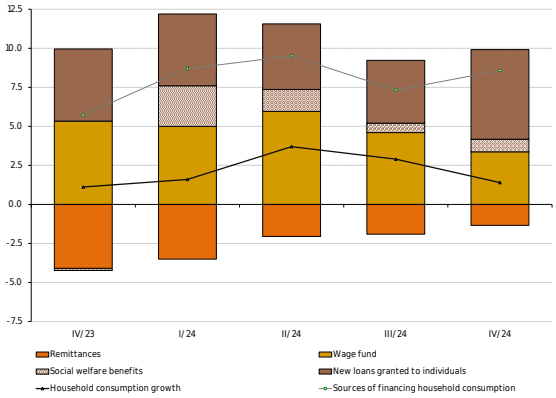
Thus, new loans granted to the individuals, the wage fund and social welfare benefits recorded a pronounced increase during the fourth quarter of 2024, generating positive contributions within the potential sources of financing household consumption. On the other hand, remittances, in real terms, contracted in the reference period, mitigating the impact of the above-mentioned components.

Chart 3.2: Development in household final consumption in real terms (%, compared to the previous year)



Source: NBS

Chart 3.3: Evolution of disposable income of the population (%, compared to the previous year) and subcomponents' contributions (percentage points)



Source: NBS, NBM calculations

Public sector

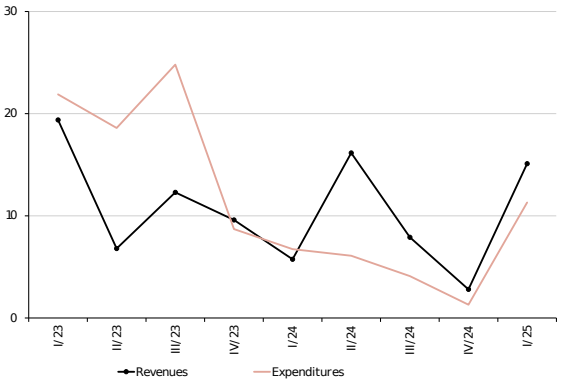
According to the data provided by the Ministry of Finance, during the first quarter of 2025, the national public budget revenues were accumulated in the amount of MDL 29.2 billion, 15.1% above the level accumulated in the same period of 2024 (Chart 3.4).

The major share of the budget revenues was accumulated from taxes and duties, which accounted for 61.2%. The compulsory state social insurance contributions and mandatory health insurance premiums amounted to 30.5%, while the share of other revenues and grants amounted to 4.9% and 3.4% of total budget revenues, respectively.

National public budget expenditures, in the first quarter of 2025, totaled MDL 30.8 billion, recording an increase of 11.3% compared to the same period in 2024. In the total expenditures, the largest share was allocated to social protection – 43.5%, education accounted for 16.3%, and healthcare – 14.6%.

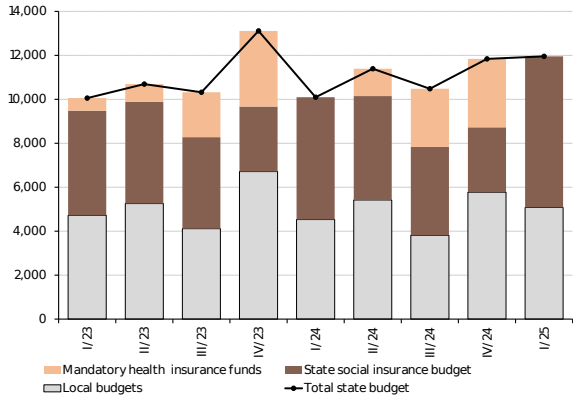
It should be noted that, during the reference period, transfers were made from the state budget (SB) to the state social insurance budget (SSIB) and to local budgets (LB) in the amount of MDL 12.0 billion, an increase of 18.4% compared to same period of 2024 (Chart 3.5). The major share of transfers were directed to SSIB – 57,5% of total transfers, followed by transfers to local budgets, about 42.5%, no transfers were made to MHIF during the first three months of 2025.

Chart 3.4: Public revenue and expenditure dynamics (%, compared to the previous year)



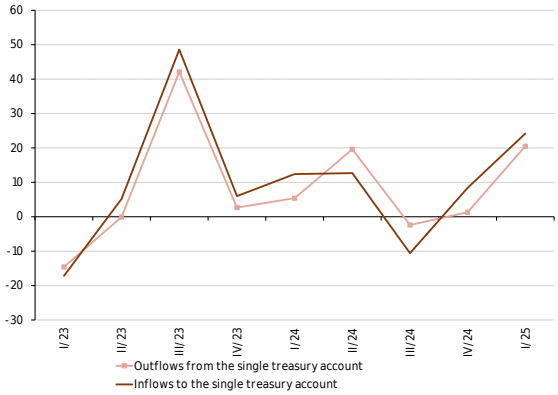
Source: Ministry of Finance

Chart 3.5: Development of budgetary transfers (MDL million)



Source: Ministry of Finance

Chart 3.6: Development of the single treasury account flows (%, compared to the previous year)



Source: NBM

In this context, in the first quarter of 2025, the execution of the national public budget resulted in a deficit of MDL 1.6 billion. In the similar period of 2024, the execution of the national public budget resulted in a deficit of MDL 2.3 billion. The balances of the national public budget accounts as of March 31, 2025 amounted to MDL 13.6 billion.

In the first quarter of 2025, the single treasury account (STA) was characterized by an increase in the annual rates of both payments made and receipts of funds compared to the previous quarter (Chart 3.6). As a result of account inflows and outflows, on March 31, 2025, the STA balance amounted to approximately MDL 13.8 billion, recording an annual increase of 34.7% (Chart 3.7). At the same time, at the end of the reporting quarter, the balance of the Government's foreign currency deposit account with the National Bank of Moldova was the equivalent of MDL 1.4 billion, compared to MDL 2.4 billion on December 31, 2024.

State debt

As of March 31, 2025, the balance of state debt of the Republic of Moldova amounted to approximately MDL 123.0 billion, in relation to GDP[16] accounted for 37.2% (Chart 3.9).

In annual terms, the state debt recorded a nominal increase of 16.2% (Chart 3.8), as a result of the increase in external state debt recalculated in the national currency (with a positive contribution of 11.8 percentage points) and internal state debt (with a positive contribution of 4.4 percentage points). The state debt, as of March 31, 2025, was composed of 62.0% external state debt and 38.0% internal state debt.

As of March 31, 2025, the balance of external state debt amounted to approximately USD 4,222.9 million, higher than at the end of March 2024 by USD 613.4 million or 17.0%. When recalculated in the national currency, the balance of external state debt amounted to approximately MDL 76.2 billion (23.1% of GDP[16]), (Chart 3.9).

At the end of March 2025, the internal state debt amounted to about MDL 46.7 billion (14.1% of GDP[16] (Chart 3.9)), higher than that of March 31, 2024 by 11.0% (Chart 3.8). The increase in internal state debt was driven by state securities (SS) issued on the primary market, the volume of which increased by 16.2%, and by direct placements by individuals. As a result of these evolutions, the internal debt consisted of SS issued on the primary market (70.1%), SS issued for the enforcement of state guarantees (24.4%), converted SS (4.4%) and direct placements from individuals (1.0%).

[16]GDP estimated by the NBM.

Primary market for state securities (SS)

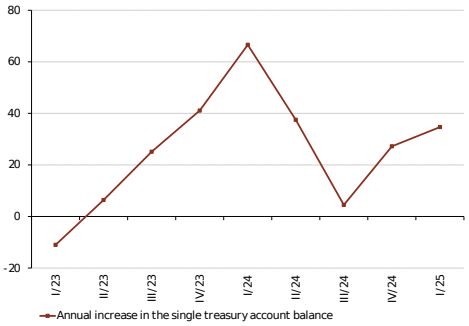
During the first quarter of 2025, the Ministry of Finance put into circulation state securities totaling MDL 11,177.2 million, 8.8% less than the initial offering volume. As in the previous quarter, the primary market for state securities recorded an increase in demand from licensed banks by 29.4% (Chart 3.10). At the same time, the banks' demand was 12.4% higher than the Ministry of Finance's offer, amounting to MDL 13,778.1 million.

During the reporting period, the average effective interest rates on 91-day, 182-day and 364-day maturity treasury bills increased compared to the previous quarter by 0.52 percentage points, 2.31 percentage points and 2.50 percentage points, respectively. Also, the average effective interest rates on government bonds with maturities of 2 years, 3 years and 5 years increased compared to the fourth quarter of 2024 by 1.95 percentage points, 1.76 percentage points and, by 2.49 percentage points, respectively.

During this period, banks continued to prioritize investments in securities with short-term maturities, while showing increased caution regarding long-term commitments (Chart 3.11).

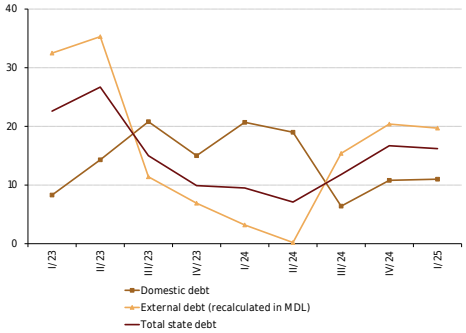
The structure of the SS portfolio put into circulation during the reference period shows that the most requested SS were those with a maturity of 182 days, which accounted for 51.6% of total transactions, followed by 364-day treasury bills, whose share constituted 44.9%, and the share of 91-day treasury bills represented 1.6%. Regarding government bonds, the share of those with a maturity of 2 years amounted to 0.3%, that of government bonds with maturity of 3 years – 0.2%, those with a maturity of 5 years – 0,1%, and government bonds with a maturity of 7 years had a share of 1.2% (Chart 3.12).

Chart 3.7: Development of the single treasury account balance (%, compared to the previous year)



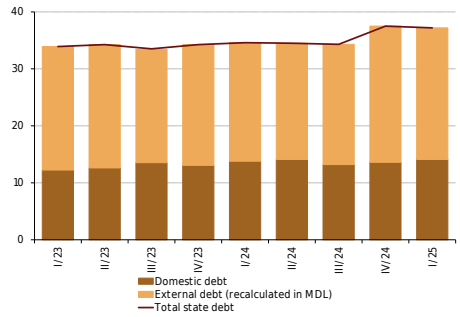
Source: NBM

Chart 3.8: Development of the annual growth rate of state debt (%, end of quarter)



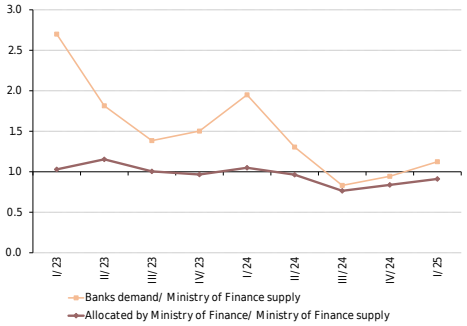
Source: Ministry of Finance

Chart 3.9: Share of state debt in GDP (%, end of quarter)



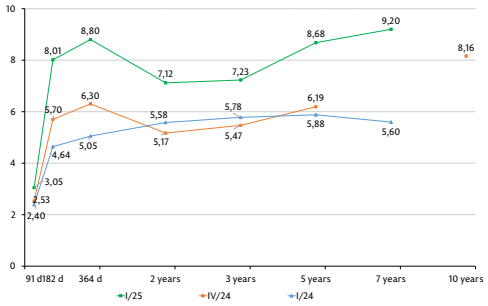
Source: Ministry of Finance

Chart 3.10: Demand and supply ratio on the primary market for state securities



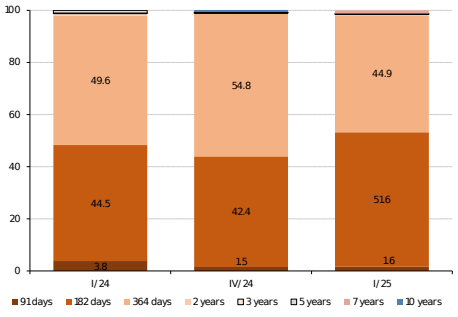
Source: NBM

Chart 3.11: SS yield curve (%)



Source: NBM

Chart 3.12: Structure of SS allocated on the primary market (%)



Source: NBM

Investment demand

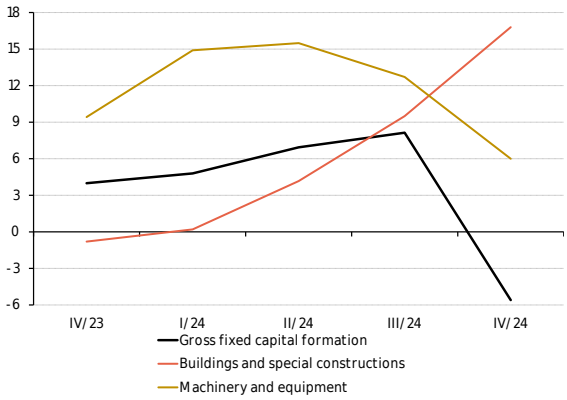
In the fourth quarter of 2024, the investment component generated a positive contribution of 4.7 percentage points to the dynamics of economic activity.

In terms of the structure, this was determined by the positive contribution from the subcomponent change in inventories. Gross fixed capital formation contracted by 5.6% (Chart 3.13). However, within it, the subcomponent "machinery and equipment" increased by 6.0%, and the subcomponent "buildings and special constructions" – by 16.8% compared to the similar period of 2023, the negative impact on gross fixed capital formation were determined by the subcomponent "others".

According to operational data presented by the NBS, in the fourth quarter of 2024, investments in fixed assets increased by 17.3%. In terms of the structure, by type of fixed assets, the subcomponents of investments in fixed assets which determined the positive contributions were: "machinery and equipment" (8.0 percentage points), "other tangible assets" (4.4 percentage points), "means of transport" (2.9 percentage points), "residential buildings" (2.4 percentage points) and "non-residential buildings" (1.3 percentage points). Negative contributions came from the subcomponents "engineering constructions" (-0.4 percentage points) and "intangible assets" (-1.3 percentage points), (Chart 3.14).

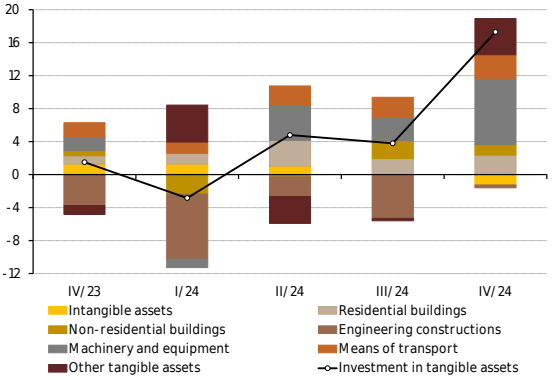
From the perspective of the investments financing sources in fixed assets in the fourth quarter of 2024, the 17.3% increase was mainly due to own funds (12.2 percentage points), other sources (4.1 percentage points), foreign investors' funds (3.1 percentage points) and the funds of the budgets of administrative-territorial units (2.1 percentage points), and a negative impact was exerted by the state budget funds (-4.2 percentage points), (Chart 3.15).

Chart 3.13: Annual investment dynamics (%)



Source: NBS

Chart 3.14: Annual investment dynamics by types of fixed assets (%, real terms)



Source: NBS, NBM calculations

Net external demand[17]

The annual rate of exports was negative for the eighth consecutive quarter, and the annual rate of imports remained positive for the fourth consecutive quarter. At the same time, the severe drought in the summer of 2024 which affected the global agricultural harvest significantly influenced the export of agri-food products during the analyzed period. It should be noted that the increase in domestic consumption, along with the substantial increase in electricity imports from Romania, against the backdrop of the suspension of deliveries from the Cuciurgan power plant, significantly contributed to the acceleration of imports, in annual terms.

The annual export rate, in the fourth quarter of 2024, recorded a level of -9.3% or 4.6 percentage points higher than in the third

[17]Quarterly data on the evolution of international merchandise trade of the Republic of Moldova, expressed in thousands of US dollars, have been used.

quarter of 2024. At the same time, data for the first two months of the first quarter of 2025 show an even more pronounced contraction in the annual export rate (-14.8%). During the analyzed period, exports to EU countries and CIS countries generated a negative contribution to the dynamics of total exports (Chart 3.16). At the same time, exports to countries classified as Rest of the World have been increasing. It should be noted that, starting since 2024, Ukraine was not included in the Commonwealth of Independent States group according to European Union's Nomenclature, edition 2023. As a result, the share of exports to CIS countries decreased significantly, from about 22.2% (in 2023) to 6.8% (in 2024).

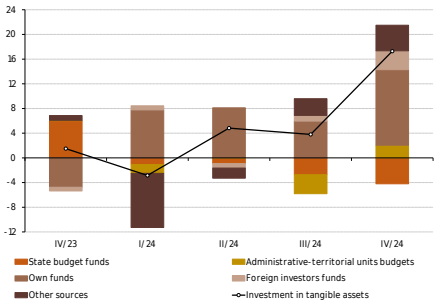
By commodity groups, the contraction in exports of "vehicles, optical instruments, sound recorders and reproducers equipment" and "foodstuff and animal products, beverages and fats" mainly determined the downward trend of total exports (Chart 3.17). The negative dynamics in the agricultural sector, recorded in 2024, determined the pronounced contraction of the export of agri-food products in the second semester of 2024, as well as in the first months of 2025. It should be noted that the decrease in exports of "vehicles, optical instruments, sound recorders and reproducers equipment" shall reflect the impact of moderate external demand, in a less favorable international economic context.

Analyzing the evolution of exports by product origin, it can be highlighted that the decrease in exports over the last three quarters was mainly determined by the dynamics of the export of domestic products. At the same time, re-exports also generated a negative contribution to the dynamics of total exports, but the impact was significantly lower (Chart 3.18).

In the fourth quarter of 2024, the annual rate of imports was 8.4%, by 4.2 percentage points lower than in the third quarter of 2024. At the same time, data for the first two months of the first quarter of 2025 outline a more pronounced increase in imports, in annual terms. It should be noted that the recent dynamics of imports is marked by a significant dependence on trade flows from the EU (Chart 3.19).

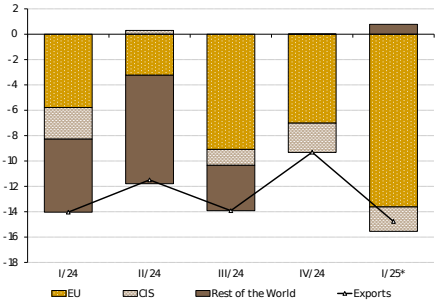
By commodity groups (Chart 3.20), the acceleration of the annual rate of imports in the first two months of 2025 was supported by the increase in the import of "mineral products". It is worth noting that, as a result of the suspension of electricity supplies from the Cuciurgan power plant, the Republic of Moldova covered its consumption needs through purchases on the Romanian market. This change in supply sources has generated a pronounced increase in imports of "mineral products".

Chart 3.15: Annual investment dynamics by funding sources (%, in real terms)



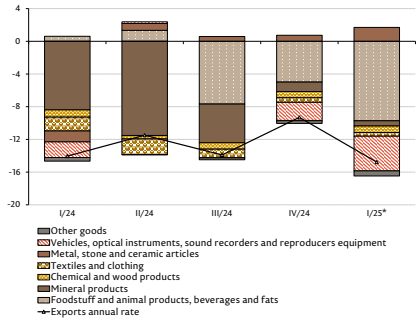
Source: NBS, NBM calculations

Chart 3.16: Development of the annual rate of exports (%) and contribution by categories of countries (percentage points)



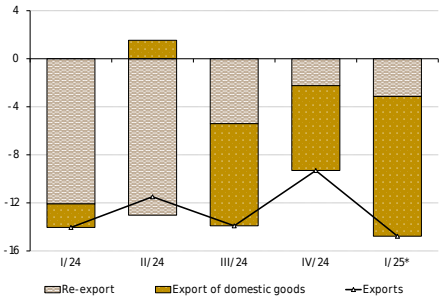
Source: NBS, NBM calculations
*January-February

Chart 3.17: Development of the annual rate of exports (%) and contribution of the components by commodity groups (percentage points)



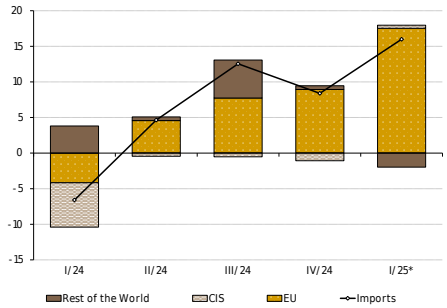
Source: NBS, NBM calculations
*January-February

Chart 3.18: Development of the annual rate of exports (%) and contribution by origin (percentage points)



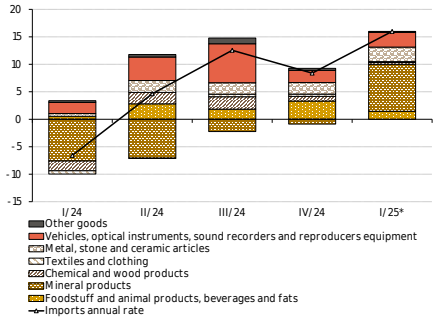
Source: NBS, NBM calculations
*January-February

Chart 3.19: Development of the annual rate of imports (%) and contribution by categories of countries (percentage points)



Source: NBS, NBM calculations
*January-February

Chart 3.20: Development of the annual rate of imports (%) and contribution of the components by commodity groups (percentage points)



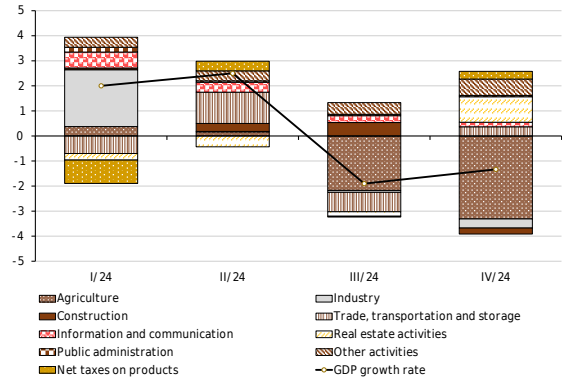
Source: NBS, NBM calculations
*January-February

3.2 Production

By resource category, the contraction of GDP in the fourth quarter of 2024 was mainly determined by the decrease in GVA in agriculture, forestry and fishing by 40.8%, in the context of drought conditions in the summer of the previous year.

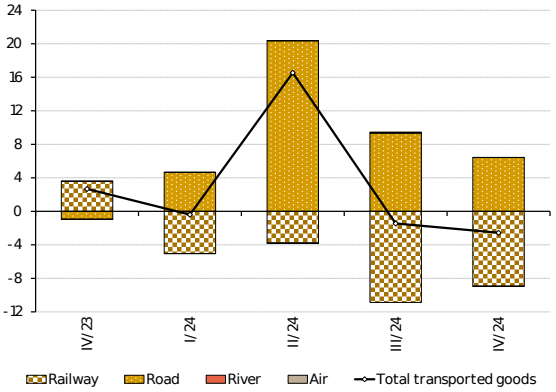
As a result, the contribution of this subcomponent to GDP dynamics was -3.0 percentage points (Chart 3.21). At the same time, a significant negative impact (-0.9 percentage points) was exerted by the decrease in GVA in the education sector by 15.2%. GVA in the manufacturing industry decreased by 5.8%, and in the energy and mining industries increased by 2.2 and 19.8%, respectively. As a whole, the industrial sector determined a negative contribution of about 0.5 percentage points to the GDP dynamics. A negative impact of 0.3 percentage points was determined by the decrease in GVA in construction by 3.1%. The negative impact mentioned above was partially mitigated by the evolution of the real estate transactions, trade, accommodation and food service activities, as well as that of information and communications. Thus, the GVA in the real estate transactions sector increased by 16.3% and contributed by 1.1 percentage points to the GDP dynamics. GVA in accommodation and food service activities increased by 22.6% and generated a positive contribution of 0.3 percentage points to GDP dynamics. A similar contribution was driven by the 1.9% increase in the subcomponent wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles. The information and communications sector increased by 3.0%, exerting a positive impact of 0.2 percentage points on GDP dynamics. GVA in financial and insurance activities increased by 1.9%, generating a contribution of 0.1 percentage points to GDP dynamics. Net taxes on products increased by 2.2% and contributed 0.3 percentage points to GDP dynamics.

Chart 3.21: Contribution of economy sectors to GDP growth (percentage points)



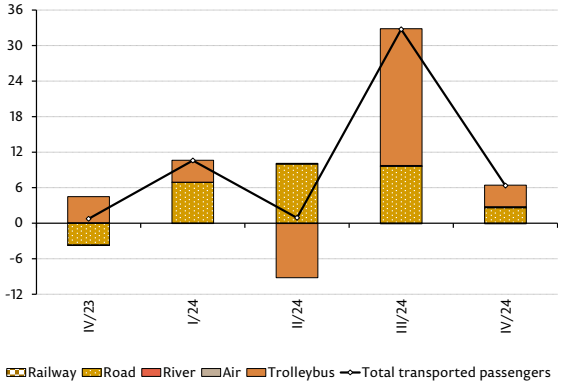
Source: NBS, NBM calculations

Chart 3.22: Development of goods transport (%, compared to the previous year)



Source: BNS

Chart 3.23: Passenger transport development (%, compared to the previous year)



Source: NBS

Goods and passenger transport

The annual rate of volume of goods transported in the fourth quarter of 2024 recorded a negative level of 2.6%, by 1.1 percentage points lower than in the third quarter of 2024 (Chart 3.22).

This dynamics was determined by the annual decrease in the volume of goods transported by rail by 52.0% compared to the same period of the previous year. At the same time, the volume of goods transported by river decreased by 7.6%.

On the other hand, the volume of goods transported by road and air increased by 7.8 and 24.7%, respectively, compared to the fourth quarter of 2023.

In the fourth quarter of 2024, the annual rate of the number of passengers transported registered a level of 6.3% which was, however, 26.4 percentage points lower than in the third quarter of 2024 (Chart 3.23). This evolution was driven

by the annual increase in the number of passengers transported by road and trolleybuses, by 8.4 and 5.4%, respectively, compared to the same period of the previous year. At the same time, the number of passengers transported by river and air increased by 26.4 and 39.0%, respectively, compared to the fourth quarter of 2023. On the other hand, the number of passengers transported by rail decreased by 34.7%.

Industrial production

In the first two months of the first quarter of 2025, the average annual rate of industrial production volume recorded a negative level of 0.7%, which was, however, 4.7 percentage points higher than in the fourth quarter of 2024 (Chart 3.24).

This dynamics was determined by the increase in the annual rate of the mining and quarrying industry (from 11.3% in the fourth quarter of 2024 to 73.0% in the first two months of the first quarter of 2025). At the same time, the annual production rate in the "production and supply of electricity, heat, steam, hot water and air conditioning" sector decreased from 51.0% in the fourth quarter of 2024 to 4.6% in the first two months of the first quarter of 2025. At the same time, the annual rate of production volume in the manufacturing industry increased by 12.0 percentage points compared to the fourth quarter of 2024, up to the level of -3.0%.

Internal trade

In the first two months of the first quarter of 2025, internal retail trade (based on VAT declarations[18]) recorded an average increase of 6.8%, a rate by 4.8 percentage points lower than in the previous quarter (Chart 3.25).

At the same time, internal wholesale trade (based on VAT declarations) recorded, in the period January-February 2025, an average increase of 3.8%, this pace was 9.6 percentage points lower than that in the fourth quarter of 2024.

Agricultural production

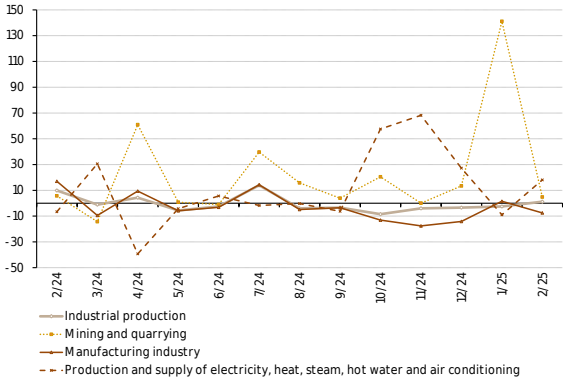
In the first quarter of 2025, total agricultural production decreased by 9.5% compared to the level in the same quarter of the previous year (Chart 3.26).

This dynamics was determined by the decrease in the volume of livestock production by 10.0%, which accounted for about 97.4% of the total volume of agricultural production.

The sharp decrease in production in the livestock sector, during the analyzed period, was due to the reduction in meat production (in live weight) by 15.1%, mainly caused by the decrease in the pig population, as a result of the spread of African swine fever. At the same time, egg and milk production was 2.9 and 0.6% higher than in the first quarter of 2024.

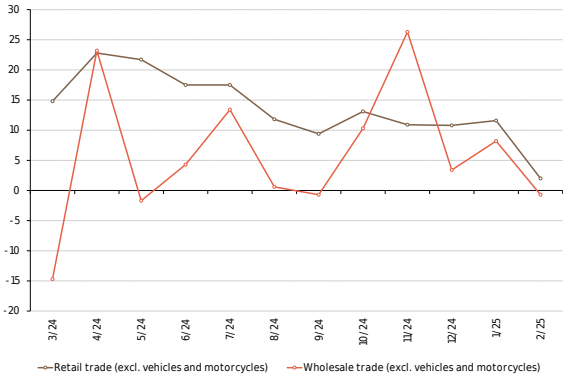
[18] https://statistica.gov.md/ro/statistici-privind-indicii-valorici-ai-vanzarilor-livrarilor-de-marfuri-si-servi-12_60432.html

Chart 3.24: Industry development in real terms (%, compared to the previous year)



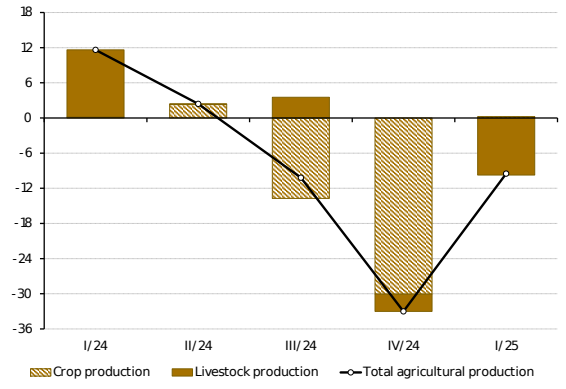
Source: NBS

Chart 3.25: Internal trade (based on VAT statements) (%, compared to the previous year)



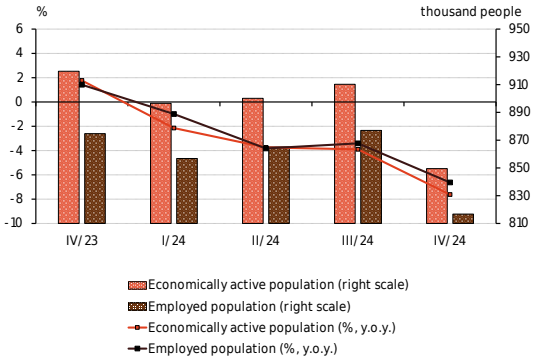
Source: NBS, NBM calculations

Chart 3.26: Annual rate of total agricultural production (%) and contribution by sectors (percentage points)



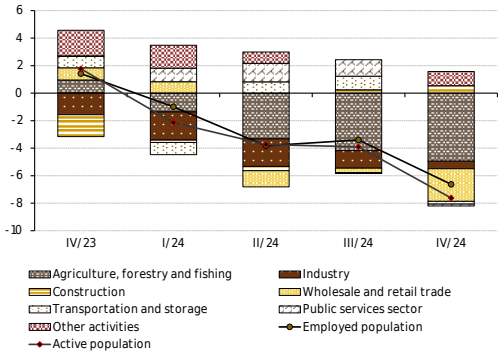
Source: NBS, NBM calculations

Chart 3.27: Economically active population and employed population



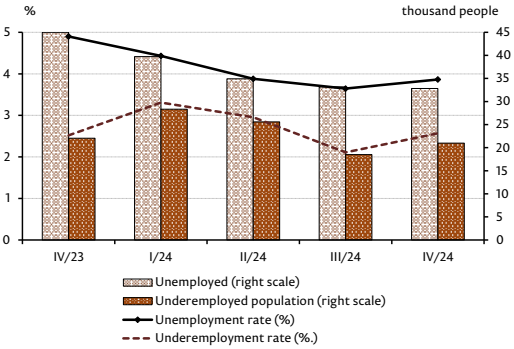
Source: NBS, NBM calculations

Chart 3.28: Contribution of sectors to the dynamics of the employed population (percentage points)



Source: NBS, NBM calculations

Chart 3.29: Evolution of unemployed and underemployed population



Source: NBS, NBM calculations

3.3 Labor market

Labor force

In the fourth quarter of 2024, the annual dynamics of the economically active and employed population was still placed in negative territory. At the same time, the unemployment rate decreased compared to the level of the fourth quarter of 2023.

In the period between October and December 2024, the labor force constituted 849.5 thousand people, by 7.6% lower than in the fourth quarter of 2023. At the same time, the employed population constituted 816.7 thousand people, by 6.6% lower compared to the similar period of 2023 (Chart 3.27).

Within the employed population, negative dynamics were recorded in the agricultural sector (-25.3%), wholesale and retail trade[19] (-12.8%), in industry (-4.2%), transportation and storage[20] (-2.4%), in the public services sector[21] (-0.6%). At the same time, the increase in the number of employed people in the fourth quarter of 2024 was observed in the following sectors: other activities (10.4%) and construction (8.1%), (Chart 3.28).

In the fourth quarter of 2024, the number of unemployed people amounted to 32.8 thousand people, or about 12.1 thousand people fewer than in the fourth quarter of 2023, and the unemployment rate amounted to 3.9%, 1.0 percentage points lower than in the fourth quarter of 2023 (Chart 3.29). The underemployed persons[22], in the fourth quarter of 2024, it decreased to about 21.0 thousand people, from 22.0 thousand people in the period between October and December 2023, and the underemployment rate was 2.6% or 0.1 percentage points higher than in the fourth quarter of 2023.

[19]Including "accommodation and food service activities".

[20]Including "information and communication".

[21]"Public administration and defence", "education", "human health and social work activities".

[22]Underemployed persons: individuals who had a job, whose total number of hours actually worked during the reference period was less than 40 hours per week, who were willing and available to work overtime.

Wage fund

In the fourth quarter of 2024, the wage fund per economy increased by 12.8% compared to the fourth quarter of 2023, 2.1 percentage points lower compared to the previous quarter.

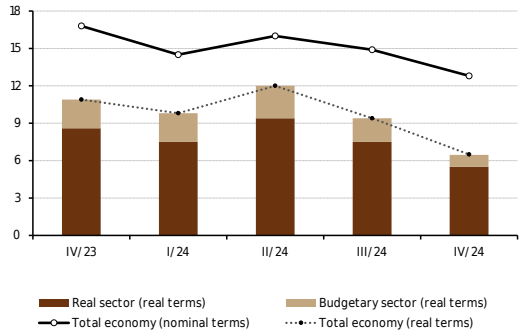
This evolution was primarily supported by the dynamics of the wage fund in the wholesale and retail trade sector (2.5 percentage points), information and communications sector (2.0 percentage points), the industrial sector (1.8 percentage points), the education sector (1.5 percentage points) and the public administration and defense sector (1.1 percentage points).

In real terms, deflated by CPI, the wage fund in the economy increased by 6.5% compared to the same period of the previous year. The respective dynamics of the wage fund in real terms was determined by the positive evolution of both sectors of the economy: real and budgetary (Chart 3.30).

In the fourth quarter of 2024, the average number of employees at the national economy level increased by 0.6% compared to the fourth quarter of the previous year. The number of employees in the real sector increased by 0.9%, with a contribution of 0.7 percentage points, while the number of employees in the budgetary sector contracted by 0.1%, with a contribution of -0.1 percentage points (Chart 3.31).

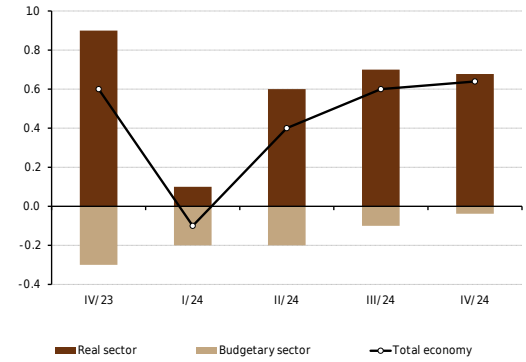
The distribution by sectors of the economy reveals more pronounced increases in the average number of employees in the following areas: accommodation and food service activities (16.9%), administrative and support service activities (5.4%), wholesale and retail trade (4.2%), construction (3.7%), information and communication (2.9%), followed by public administration and defence (2.4%). Contractions in the number of employees are recorded in agriculture, forestry and fishing (-8.5%), real estate activities (-4.2%), industry (-2.1%) and human health and social work activities (-1.5%), (Chart 3.32).

Chart 3.30: Wage fund in the economy (%, compared to the previous year) and sectors' contributions (percentage points)



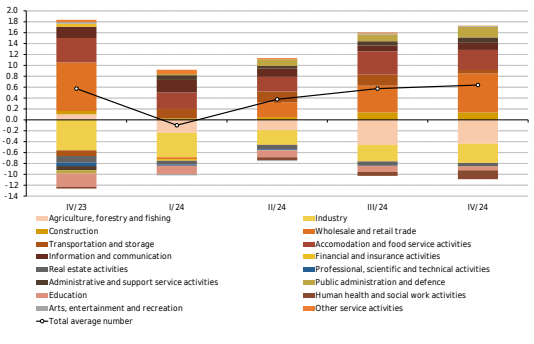
Source: NBS, NBM calculations

Chart 3.31: Average number of employees per economy (%, compared to the previous year) and sectors' contributions (percentage points)



Source: NBS, NBM calculations

Chart 3.32: Contribution of the sectors of the economy to the dynamics of the number of employees (%, compared to the previous year)



Source: NBS, NBM calculations

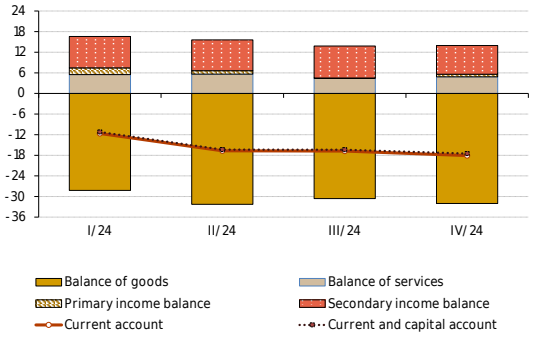
3.4 External sector

Current account

In the fourth quarter of 2024, the current account deficit on the balance of payments increased by 1.3 percentage points compared to the previous quarter, constituted 18.1% as a share in GDP (Chart 3.33).

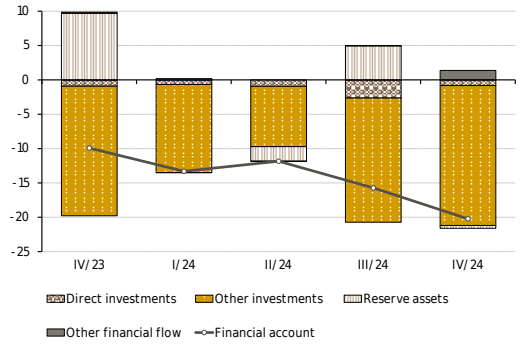
The increase in the balance of payments deficit was caused by the increase in the component with a negative contribution – the "balance of goods". At the same time, the components with a positive contribution "primary income balance" and "balance of services" increased, while the "balance of secondary income" decreased during the reference period.

Chart 3.33: Current account share in GDP (%)



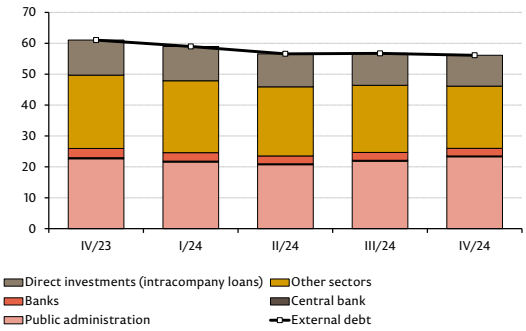
Source: NBM

Chart 3.34: Financial account share in GDP (%)



Source: NBM
Note: (-) – net capital inflows, (+) – net capital outflows

Chart 3.35: External debt share in GDP (%)



Source: NBM

Financial account

In the fourth quarter of 2024, the financial account, as a share of GDP, recorded a level of 20.2%, 4.5 percentage points higher than in the third quarter of 2024 and 10.3 percentage points higher than in the fourth quarter of 2023.

There were variations recorded in the structure of net financial flows, but the overall picture, compared to previous quarters, did not undergo significant changes (Chart 3.34). In the fourth quarter of 2024, the "other investments" component recorded a considerable increase, thus contributing to a significant increase in net financial asset inflows[23]. It should be noted that the net flow of direct investments, as a share of GDP, amounted to 0.8%, 1.8 percentage points lower than in the third quarter of 2024. In the fourth quarter of 2024, net decreases in reserve assets were recorded (0.4% as a share of GDP).

In the reference quarter, the share of external debt in GDP stood at 56.1%, 0.6 percentage points lower than in the third quarter of 2024 (Chart 3.35). It is worth noting that the external debt, as a share of the GDP of the government sector[24] (23.5%) exceeded that of economic agents[25] (22.6%). At the same time, direct investments have a share of 10.0%.

[23] In the fourth quarter of 2024, the "cash and deposits" and "loans" components contributed to the significant increase in net financial inflows as a component of "other investments".

[24] Cumulative debt of "public administration" and "central bank".

[25] Cumulative debt of "banks" and "other sectors".

Chapter 4

Monetary policy

4.1 Monetary policy instruments

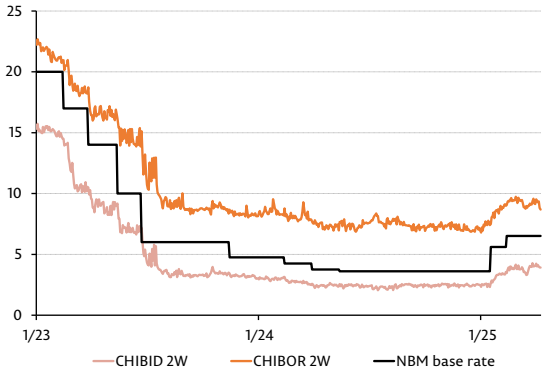
During the first quarter of 2025, the National Bank increased the monetary policy rate twice consecutively, in January and February, to the level of 6.50% annually. The decisions were taken due to the need to mitigate inflationary pressures, under the conditions of the increase in tariffs for local energy resources in the last period, at the same time, the increasing uncertainties related to developments in the world economy, as well as trade flows, in the current global context, with the aim of keeping inflation within the target range.

The increase in CHIBOR 2W quotation temporarily accelerated at the beginning of January, reflecting the increase in the base rate during this period, and continued to oscillate near the upper limit of the interest rate corridor until the end of this period. As a result of these developments, the CHIBOR 2W quotation at the end of March was significantly higher (+1.26 percentage points) than recorded on the last day of the previous quarter, constituting 8.69% (Chart 4.1).

The trajectory of interest rates on state securities with a maturity of 91 days reflected both the intention of the Ministry of Finance to channel the resources of investors on longer terms of state securities, and the decrease of interest of investors in this type of investment. Thus, the value recorded by it fluctuated around 3.0% annually during the first quarter of 2025.

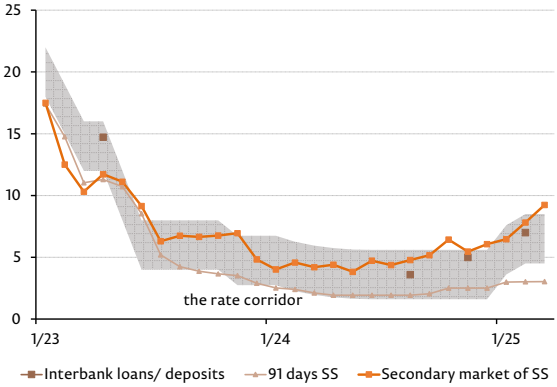
On the secondary segment of the state securities market, the average interest rate on made transactions was 7.26% (+1.25 percentage points compared to the fourth quarter of 2024, mainly due to the increase in the number of government bonds transactions), (Chart 4.2).

Chart 4.1: Monthly average reference rates on the interbank market and the base rate of the NBM (%)



Source: NBM

Chart 4.2: Monthly evolution of the interest rates corridor (%)



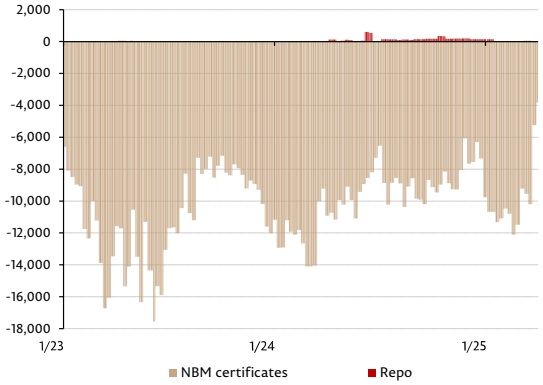
Source: NBM

Money market operations

Sales of NBM certificates (NBC)

The net debtor position of the NBM related to the banking system was maintained during the quarter, but its value increased compared to the previous period. The excess liquidity was absorbed through weekly sales operations of 14-day certificates, where banks' bids were fully allotted. The daily stock of NBC placements varied between the maximum value of MDL 12,101.0 million and the minimum of MDL 6,814.4 million (recorded at the end of March). The average quarterly balance recorded an increase of MDL 2,100.7 million compared to the fourth quarter of 2024, constituting MDL 10,303.9 million (Chart 4.3).

Chart 4.3: Development of the daily balance of sterilization operations (MDL million)



Source: NBM

Repo operations

Liquidity-providing repo operations were conducted on a weekly basis with a 14-day maturity at fixed interest rates through open tenders. The volume of liquidity delivered during the quarter amounted to MDL 277.0 million. The balance of repo operations recorded at the end of the reporting quarter was zero.

Standing facilities

During the first quarter of 2025, banks used both standing facilities offered by the NBM.

The total value of overnight deposits placed with the NBM amounted to MDL 22,933.0 million, almost double compared to the previous quarter. At the same time, the average daily stock of these placements also increased to MDL 411.9 million (from MDL 224.7 million in the previous period). The amounts placed by banks varied between a minimum of MDL 15.0 million and a maximum of MDL 2,700.0 million.

The total value of overnight loans granted to banks by the NBM for the entire first quarter of 2025 amounted to MDL 1,370.0 million, registering a decrease of about 11.7% compared to the previous period. The average daily balance of overnight loans amounted to MDL 15.2 million.

Interest rates on standing facilities at the end of the first quarter of 2025 rose to 4.50% on overnight deposits and 8.50% on overnight loans, as a result of the decisions to change the rates in January and February.

Interest rates on standing facilities, during the period between October and December 2024, were maintained at the same level: 5.60% annually on overnight loans and 1.60% annually on overnight deposits.

Interbank credit/ deposit market

The excess liquidity in the banking system continues to keep the interbank credit/ deposit market passive, with banks intervening sporadically in the market.

In the first quarter of 2025, interbank transactions were recorded in a total volume of MDL 15.0 million, with an average interest rate of 7.00% annually, with overnight maturity.

Required reserves

In the first quarter of 2025, the required reserve mechanism continued to perform its monetary control and liquidity management functions in the banking system.

At the beginning of the quarter, the required reserve ratio from funds attracted in MDL and non-convertible currency was reduced by 3.0 percentage points, from 25.0% to 22.0% of the calculation basis. Similarly the required reserve ratio from funds attracted in FCC was also reduced by 3.0 percentage points, from 34.0% to 31.0% of the calculation basis.

Required reserves in MDL maintained by banks in the period 16.03.2025 – 15.04.2025 amounted to MDL 18,421.6 million, MDL 1,455.9 million lower (-7.3%) compared to the period 16.12.2024 – 15.01.2025.

Regarding the required reserve from the funds attracted in the FCC, during the application period 16.03.2025 – 15.04.2025, they amounted to EUR 514.6 million and USD 177.9 million. Compared to the period 16.12.2024 – 15.01.2025, the required reserves in EUR decreased by 9.5%, and reserves in USD – by 9.7%.

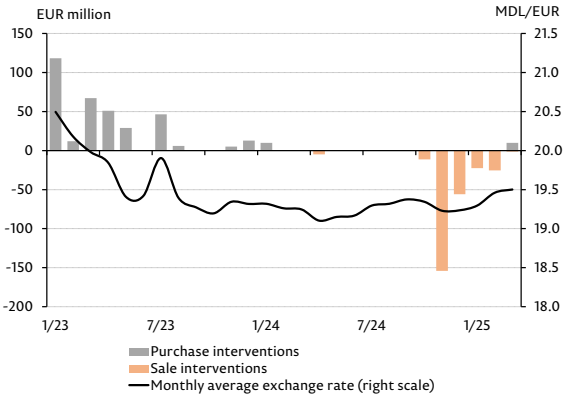
Interventions on the domestic foreign exchange market

The NBM intervened on the domestic foreign exchange market between January and March 2025, mainly through foreign exchange sales.

During the analyzed period, the volume of transactions of the National Bank of Moldova carried out on the interbank foreign exchange market against MDL, on the value date, amounted to EUR 61.4 million, including sales transactions in the amount of EUR 49.4 million, purchase transactions in the amount of EUR 10.0 million, as well as foreign exchange conversions with the World Bank institutions (International Bank for Reconstruction and Development and the International Development Association) in the amount of EUR 2.0 million.

At the same time, during the reporting period, the NBM carried out purchase swap operations amounting to EUR 24.97 million (equivalent to USD 26.24 million), (Chart 4.4).

Chart 4.4: Development of the official MDL/USD exchange rate and volume of daily transactions of the NBM

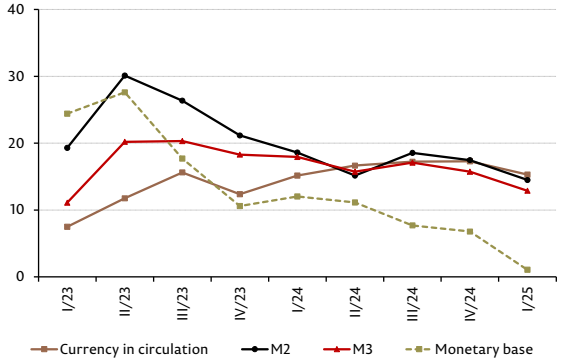


Source: NBM

4.2 Dynamics of monetary indicators

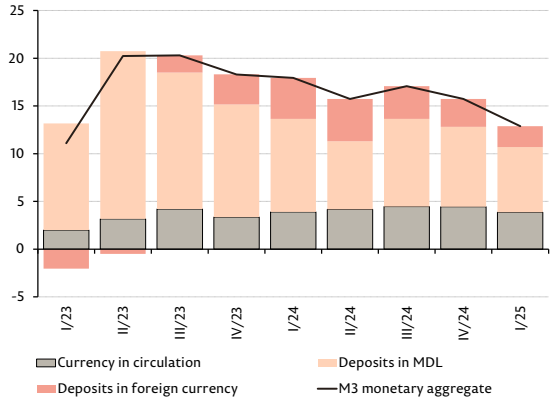
In the first quarter of 2025, the monetary aggregates M2 and M3 recorded more moderate growth rates, thus, the monetary aggregate M2 recorded an increase of 14.5% annually (3.0 percentage points lower than in the fourth quarter of 2024), while M3 – an increase of 12.9% annually (2.9 percentage points lower than in the previous quarter). The monetary base registered an increase of 1.1% annually (5.7 percentage points lower than in the fourth quarter of 2024), (Chart 4.5).

Chart 4.5: Change in monetary aggregates (%, annual growth)



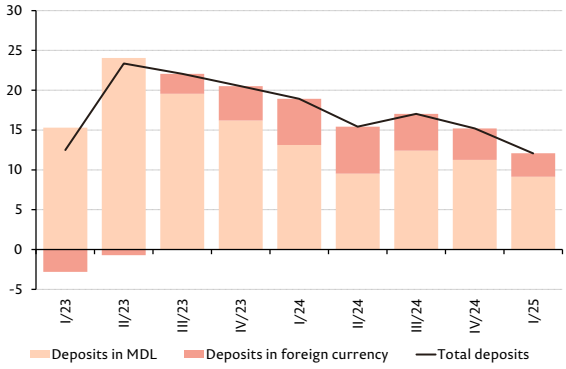
Source: NBM

Chart 4.6: Dynamics of the monetary aggregate M3 (%, contribution of the components in annual growth)



Source: NBM

Chart 4.7: Dynamics of total deposit balance (%, contribution of the components in annual growth)



Source: NBM

Money supply

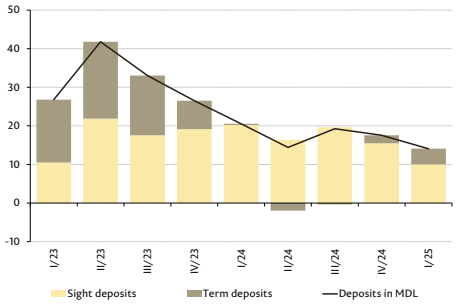
On the whole, the monetary aggregate M3 recorded a more moderate annual growth in the first quarter of 2025 compared to the previous quarter, the main contribution to this growth was from deposits in the national currency by 6.8 percentage points (-1.5 percentage points) and currency in circulation by 3.9 percentage points (-0.6 percentage points), followed by the contribution of deposits in foreign currency by 2.2 percentage points (-0.7 percentage points). All this provided the monetary aggregate M3 with annual growth of 12.9% (Chart 4.6).

The slowdown in the growth rate of the balance of deposits in the national currency to 14.1% annually (Chart 4.8) was driven by the decrease in the contribution of sight deposits of individuals, as well as legal entities (Chart 4.10).

Deposits in foreign currency in the first quarter of 2025, also moderated their growth to 8.4% annually, 2.6 percentage points lower than the level recorded in the previous quarter, as a result of the slowdown in the growth rate of both sight and term deposits (Chart 4.11). The positive annual growth of 3.1% of foreign currency term deposits was driven by a positive contribution of deposits by individuals (Chart 4.12). At the same time, sight deposits in foreign currency recorded a more moderate annual growth rate of 13.1% annually. This growth was mainly the result of an increase in individuals' sight deposits (Chart 4.13).

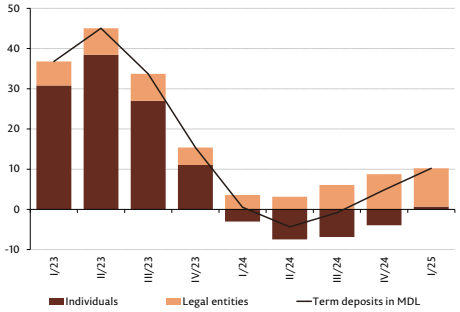
The rate of growth of money in circulation at the end of the first quarter of 2025 moderated, amounting to 15.3% annually. The dynamics of money in circulation was determined by both the cash flow of receipts and the cash flow of releases at licensed banks. In total receipts, the largest contribution was made by receipts from the sale of consumer goods. At the same time, regarding the withdrawals from licensed banks, the major share was made up of cash withdrawals from ATMs.

Chart 4.8: Dynamics of the deposits balance in MDL (%, contribution of the components in annual growth)



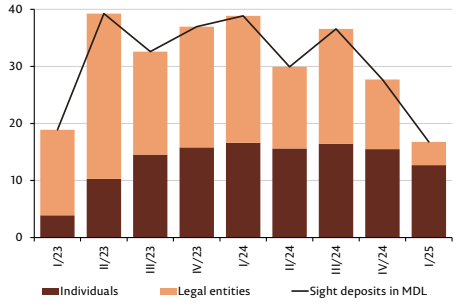
Source: NBM

Chart 4.9: Dynamics of the term deposits balance in MDL (%, contribution of the components in annual growth)



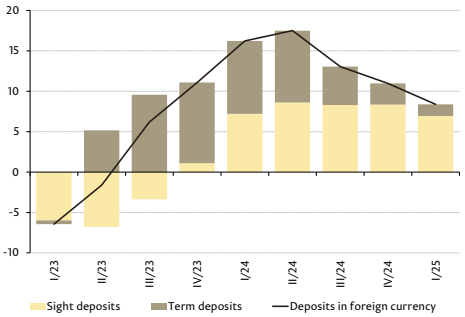
Source: NBM

Chart 4.10: Dynamics of the sight deposits balance in MDL (%, contribution of the components in annual growth)



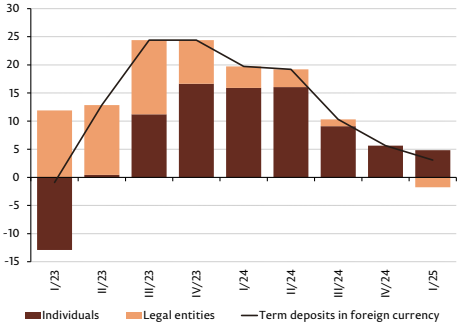
Source: NBM

Chart 4.11: Dynamics of the deposits balance in foreign currency (%, contribution of the components in annual growth)



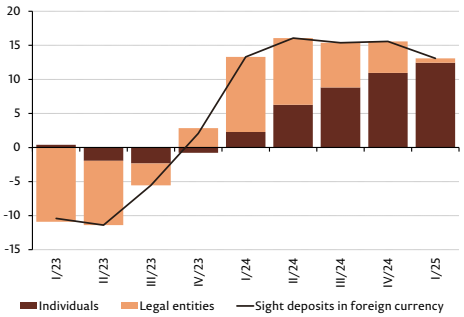
Source: NBM

Chart 4.12: Dynamics of the term deposits balance in foreign currency (%, contribution of the components in annual growth)



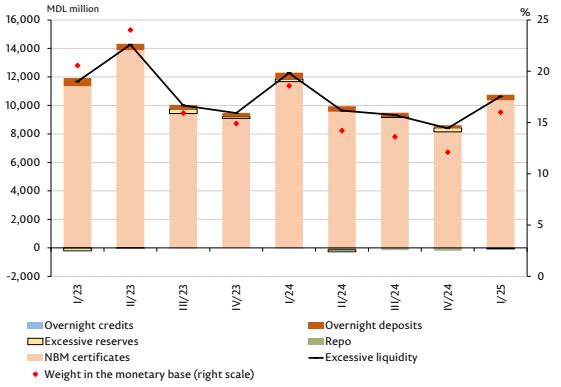
Source: NBM

Chart 4.13: Dynamics of the sight deposits balance in foreign currency (%, contribution of the components in annual growth)



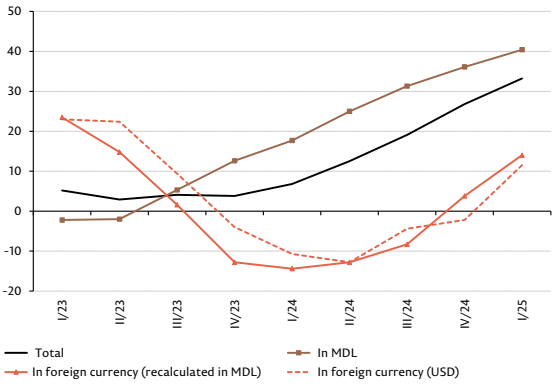
Source: NBM

Chart 4.14: Excessive liquidity



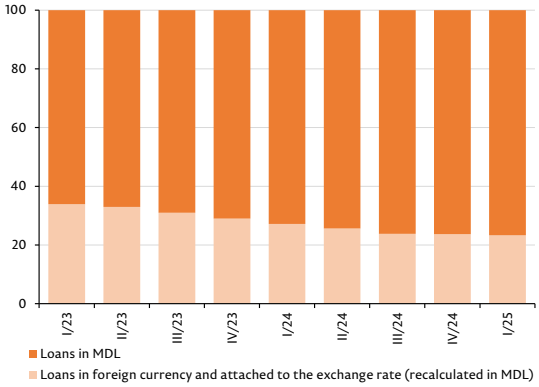
Source: NBM

Chart 4.15: Evolution of the balance of loans (%, annual growth)



Source: NBM

Chart 4.16: Evolution of the weights of loans by subcomponents in the total balance (%)



Source: NBM

Excessive liquidity

In the first quarter of 2025, the average excessive liquidity in the banking system increased by MDL 2,237.5 million. It should be noted that, compared to the first quarter of 2024, the volume of excessive liquidity decreased by MDL 1,639.3 million, reaching an average amount of MDL 10.6 billion (Chart 4.14).

Credit market

Evolution of the balance of loans granted by licensed banks[26]

At the end of March 2025, the total balance of loans granted by licensed banks recorded an annual increase amounting to MDL 84,093.0 million, higher than at the end of the first quarter of 2024 by 33.2% (Chart 4.15). The growth was largely generated by the component in national currency, whose annual dynamics continued its upward trend, reaching 40.4%. The annual trajectory of the balance of loans granted in MDL was influenced by the increase in the balance of loans granted to legal entities by 39.8% and to individuals by 40.8%. Thus, the share of loans granted in national currency accounted for 76.7% of the total balance of loans, higher than at the end of the first quarter of 2024 by 3.9 percentage points (Chart 4.16). It should be noted that the annual rate of the balance of loans in foreign currency and attached to the currency exchange rate, recalculated in the national currency, recorded a further increase (Chart 4.15).

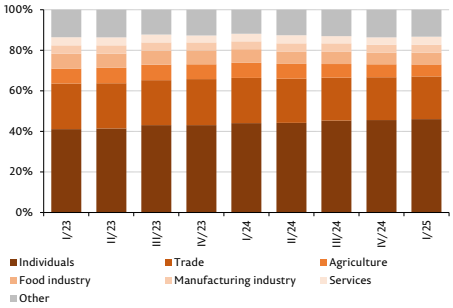
At the end of the first quarter of 2025, in the structure of the total portfolio of loans granted by licensed banks, the largest share, analogous to previous quarters, belonged to loans granted to individuals (46.1%), followed by the share of loans granted to legal entities in trade sector (21.0%), (Chart 4.17).

Evolution of new loans granted by the licensed banks

On the whole of the first quarter of 2025, the annual dynamics of the total volume of new loans granted by licensed banks amounted to 44.5% (Chart 4.18). Analogous to previous quarters, the main contribution came from loans granted in MDL, which recorded an annual growth rate of 47.2%. This evolution of loans granted in national currency was driven by the increase in loans granted to both legal entities and individuals (Chart 4.19). The key factors were the evolution of loans granted to individuals for consumption and real estate, as well as to legal entities in trade sector, energy industry, agriculture and manufacturing industry. The share of loans granted in national currency, in the first quarter of 2025, amounted to 76.4% of total loans granted, higher than in the first quarter of 2024 by 1.4 percentage points. At the same time, the dynamics of new loans granted in foreign currency and attached to the exchange rate also recorded significant increase in the contribution of legal entities (Chart 4.18).

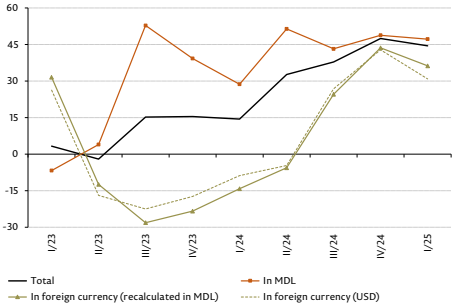
[26]The data analysis was carried out on the basis of ORD 01.06 reports "Interest rates on the balance of loans and deposits" submitted by licensed banks until April 11, 2025.

Chart 4.17: Loans balance structure (% in total)



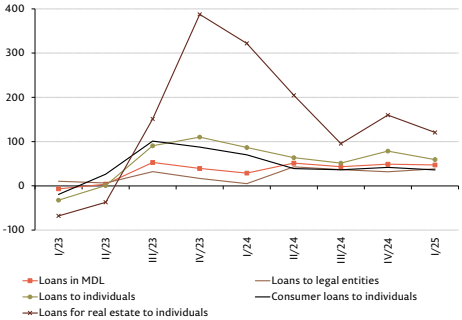
Source: NBM

Chart 4.18: Evolution of new granted loans (%, annual growth)



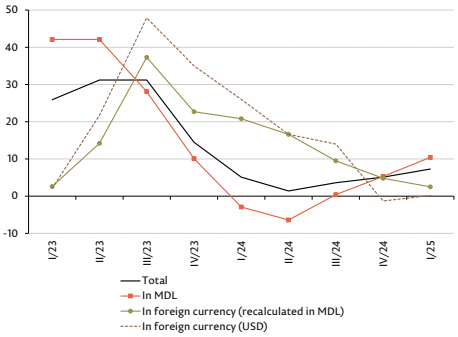
Source: NBM

Chart 4.19: Evolution of new loans granted in MDL (%, annual growth)



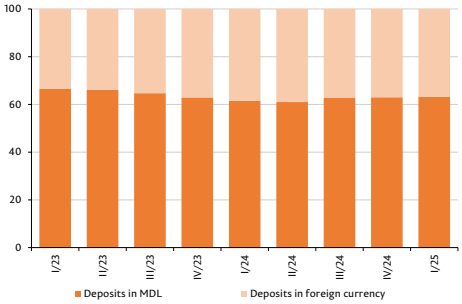
Source: NBM

Chart 4.20: Dynamics of term deposits balance (%, annual growth)



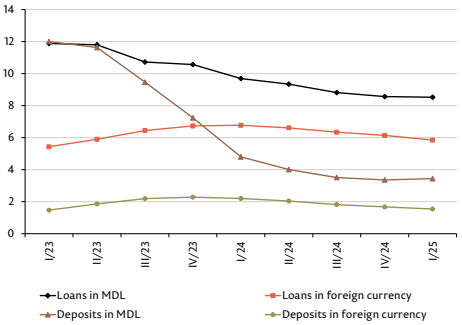
Source: NBM

Chart 4.21: Evolution of the share of term deposits by subcomponents in the total balance (%)



Source: NBM

Chart 4.22: Average interest rates on balance of loans and deposits (%)



Source: NBM

The market of term deposits accepted by the licensed banks (deposit balance)[27]

At the end of the reporting quarter, the total balance of term deposits attracted by licensed banks amounted to MDL 48,237.5 million, higher than on March 31, 2024 by 7.3% (Chart 4.20). The growth was largely influenced by the balance of deposits attracted in the national currency. Thus, the balance of term deposits in MDL recorded an annual growth rate of 10.4%. The main contribution came from deposits of legal entities, whose annual growth rate was 59.8%. The share of the balance of term deposits in MDL did not undergo any essential changes and amounted to 63.2% at the end of the reporting quarter (Chart 4.21).

Interest rates[28]

Base rate development

During the first quarter of 2025, three meetings of the Executive Board of the National Bank of Moldova were held on monetary policy decisions. Following the assessment of the internal and external balance of risks and the short- and medium-term inflation outlook, the Executive Board of the National Bank of Moldova, at its meeting on January 10, 2025, decided to increased the base rate by 2.0 percentage points, to the level of 5.60% annually. Later, at the meeting on February 5, it increased the base rate by 0.90 percentage points, up to the level of 6.50% annually. At the meeting on March 20, 2025, it decided to maintain the base rate at the level of 6.50% annually. These measures were adopted with the aim of mitigating inflationary pressures and anchoring inflationary expectations in order to return the annual rate of consumer prices within the variation corridor from the inflation target to a reasonable time frame.

Interest rate development on loans balance

For the first quarter of 2025, the weighted average interest rate related to the balance of loans granted in MDL by licensed banks decreased compared to the first quarter of 2024 by 1.17 percentage points and amounted to 8.52% annually (Chart 4.22). From a sectoral perspective, the reduction in interest rates was more pronounced for legal entities. The weighted average interest rate related to the balance of foreign currency loans amounted to 5.85% annually, lower than in the first quarter of 2024 by 0.92 percentage points.

[27] Data analysis was carried out on the basis of ORD 01.06 reports "Interest rates on the balance of loans and deposits" submitted by licensed banks until April 11, 2025 and does not include sight deposits.

[28] The analysis of rates has been carried out on the basis of ORD 01.06 reports "Interest rates on the balance of loans and deposits" submitted by licensed banks until April 11, 2025 and does not include rates on sight deposits.

Interest rate development on the deposits balance

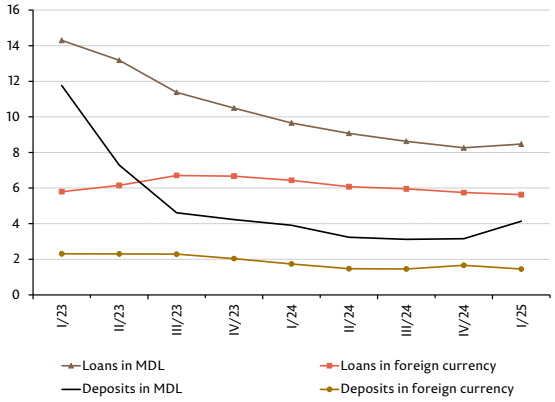
Over the reporting quarter as a whole, the weighted average interest rate related to the balance of term deposits in the national currency registered a decrease compared to the first quarter of 2024, due to decreases in rates on new transactions in previous quarters (Chart 4.22). The weighted average interest rate related to the balance of term deposits in the national currency was 3.44% annually, lower than in the first quarter of 2024 by 1.36 percentage points. At the same time, the weighted average interest rate related to the balance of term deposits in foreign currency amounted to 1.54% annually, decreasing by 0.66 percentage points compared to the first quarter of 2024.

Development of interest rates on new loans and deposits granted/ attracted by the licensed banks

In the first quarter of 2025, in the national currency segment, the weighted average interest rates changed their trend (Chart 4.23), including under the impact of the transmission mechanism of previous monetary policy decisions (the increase in the base rate applied to the main monetary policy operations) and the situation created on the money market. Thus, the weighted average interest rate on new loans granted in the national currency, in the first quarter of 2025, was 8.47% annually, higher than in the previous quarter by 0.21 percentage points. The growth reflected the increase in the weighted average interest rate on loans granted to both legal entities and individuals. At the same time, in the segment of loans granted in foreign currency and attached to the exchange rate, the weighted average interest rate was 5.63% annually, lower than in the previous quarter by 0.12 percentage points.

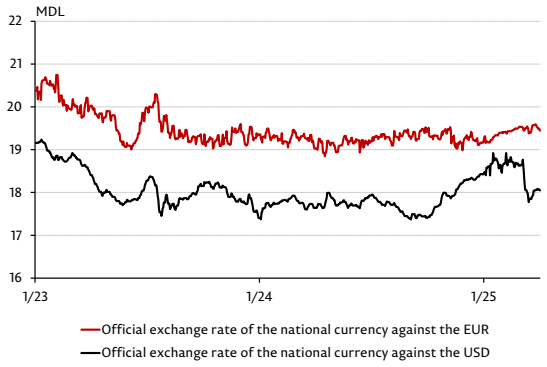
For the quarter as a whole, the weighted average interest rate on term deposits attracted in MDL was 4.14% annually, higher than that in the fourth quarter of 2024 by 0.98 percentage points (Chart 4.23). The growth was influenced by the evolution of interest rates on both individuals and legal entities. The weighted average interest rate on term deposits attracted in the national currency from individuals increased by 0.88 percentage points compared to the fourth quarter of 2024 and amounted to 4.31% annually. A similar evolution was recorded by the weighted average interest rate on term deposits attracted from legal entities, increasing by 0.82 percentage points compared to that in the fourth quarter of 2024 (3.57% annually).

Chart 4.23: Average interest rates on new volumes of loans and deposits (%)



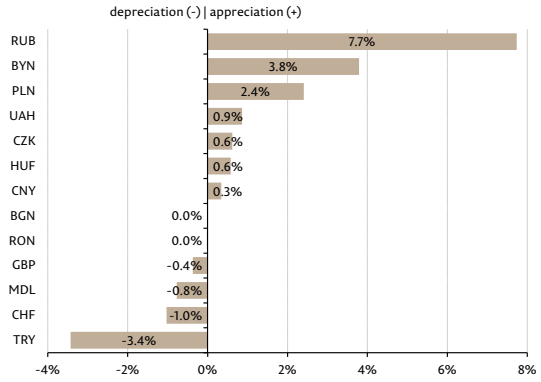
Source: NBM

Chart 4.24: Fluctuations of the official exchange rate of the Moldovan leu against the US dollar and the euro



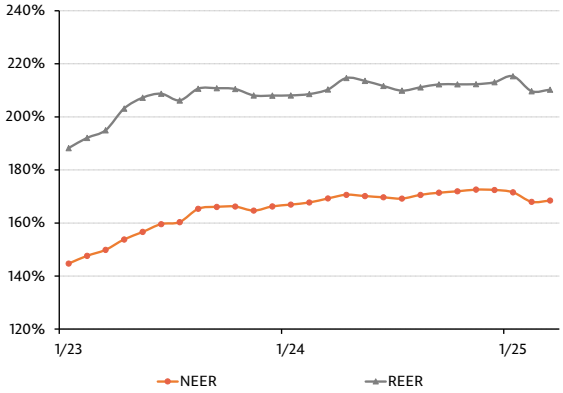
Source: NBM

Chart 4.25: Development of the countries currencies – main trading partners against the EUR, average exchange rate in the first quarter of 2025/ fourth quarter of 2024 (%)



Source: NBM

Chart 4.26: Nominal effective exchange rate (NEER) and real effective exchange rate (REER) of the MDL dynamics calculated on the basis of the weight of the countries – main trading partners (Dec.2000-100%)



Source: NBM

Nominal and real effective exchange rate development

According to the values at the end of the first quarter of 2025, the official nominal exchange rate of the national currency depreciated by 0.7% against the euro, and appreciated by 2.3% against the US dollar compared to their levels recorded at the end of the previous quarter (Chart 4.24).

In average values, the Moldovan leu depreciated against the euro by 0.8%, while against the US dollar it depreciated by 2.4%, compared to the averages of the previous quarter.

Regarding the evolution of the countries currencies – main trading partners, in the first quarter, only two currencies recorded more pronounced depreciations against the euro compared to the -0.8% of the Moldovan leu: the Turkish lira (-3.4%) and the Swiss franc (-1.0%). The Pound sterling also depreciated by 0.4% against the euro. On the other hand, the appreciation against the euro of the Russian ruble (+7.7%), the Belarusian ruble (+3.8%), the Polish zloty (+2.4%), the Ukrainian hryvnia (+0.9%), the Czech koruna and the Hungarian forint (+0.6% each) and the Chinese yuan renminbi (+0.3%) was noted, (Chart 4.25).

Under these conditions, in real terms, the Moldovan leu depreciated by 0.4% against the basket of the countries currencies – main trading partners of the Republic of Moldova (average of the first quarter of 2025 compared to the average of the fourth quarter of 2024), (Chart 4.26). The biggest contribution to the REER depreciation was made by the Russian Federation (-1.0 percentage points), Türkiye (-0.2 percentage points) and Ukraine (-0.2 percentage points), (Chart 4.27).

In the first quarter of 2025, the local foreign exchange market continued to record a foreign exchange deficit, however, with a relative improvement compared to the previous quarter. Thus, the net supply of foreign exchange from individuals amounted to EUR 629.5 million, demonstrating increases of 12.8% in annual terms and 7.3% compared to the previous quarter. The positive dynamics in annual terms of supply from individuals is mainly due to the decrease in foreign currency savings, which accumulated amid increased volatility on the foreign exchange market during the previous quarter. Regarding the dynamics of transfers from abroad in favor of individuals, according to data for the first two months of the quarter, they decreased compared to the same period of the previous year, thus slowing down the growth rate of the net foreign exchange supply.

In the structure of the net supply of foreign currency from individuals, the major share still went to the single European currency (66.9%[29]), (Chart 4.28).

Net demand for foreign exchange from economic agents increased in annual terms (+22.2%), and compared to the previous quarter it decreased (-16.4%), amounting to EUR 742.0 million. The continued trend of deterioration in the trade balance of goods, with the deficit increasing by 40.0% according to data from the first two months of the year, was the main factor contributing to the increase in net demand from legal entities.

[29]Share calculated by applying a constant exchange rate.

Compared to the same period of the previous year, on the foreign exchange demand side, there was an increase in demand from importers of energy resources, while on the supply side, there was a decrease in demand from some exporters of agricultural and food products, as well as from a number of companies operating in the manufacturing industry.

Under these conditions, the degree of coverage of the net demand for foreign currency from economic agents by the net foreign exchange supply from individuals amounted to 84.8% in the reference period (Chart 4.29), compared to 66.1% in the previous quarter and 92.0% in the first quarter of 2024. On this basis, the NBM intervened through net sales of foreign exchange on the local foreign exchange market in the amount of EUR 39.4 million[30].

In November 2024, the NBM announced the replacement of the US dollar with the euro as the reference currency for establishing the official exchange rate of the Moldovan leu, a decision that entered into force on January 2, 2025. This change was justified by the preponderance of the euro in foreign trade transactions, remittances, foreign direct investment, and the local foreign exchange market. As a result, during the first quarter of 2025, a decrease in the daily volatility of the official exchange rate of the national currency against the euro and an increase in the variability of the Moldovan leu against the US dollar were observed.

Thus, the official exchange rate of the Moldovan leu against the euro was on a slow depreciation trend during the first two months of the quarter, as the supply of foreign exchange partially covered the demand. The exchange rate fluctuated during this period within a range with a lower limit of MDL 19.16 and an upper limit of MDL 19.54 per euro. During March, fluctuations in the MDL/EUR exchange rate increased amid temporary fluctuations in demand and supply that generated a foreign exchange surplus in the first and last weeks of the month and a deficit in the middle of the month.

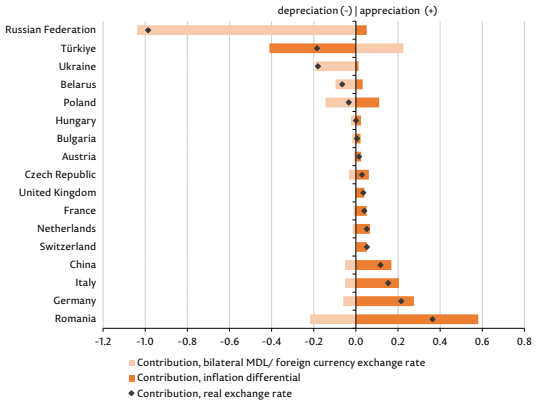
The dynamics of the official exchange rate of the Moldovan leu against the US dollar was also influenced by the evolutions of the American currency against the euro on international markets. The US dollar registered a pronounced appreciation trend at the end of the previous year, which also continued at the beginning of this year, as investors' expectations were based on the administration's promises to deregulate and implement broad tax reforms. However, the reorientation of US economic policy towards protectionism and the volatility of US foreign policy have increased the degree of uncertainty regarding the evolution of the main economies.

The EUR/USD exchange rate fluctuated moderately until the end of February 2025, driven by, on the one hand, the temporary suspension of customs duties imposed by the US on strategic trading partners, on the other hand, the broad-based economic weakness in the European Union amid geopolitical risks and trade tensions. Under these conditions, the ECB continued to ease monetary policy to stimulate anemic economic growth.

At the beginning of March 2025, the European currency recorded a jump, having settled at the end of the analyzed quarter at the level

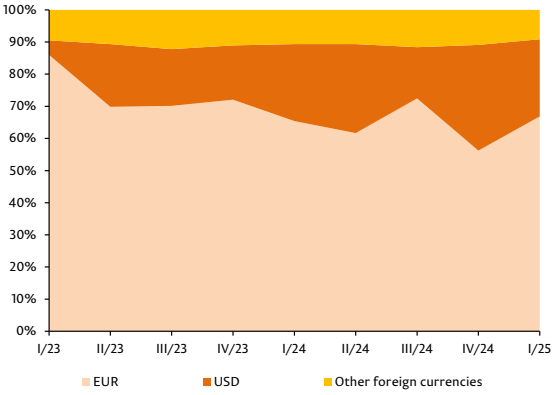
[30]Volume calculated at the currency date.

Chart 4.27: Contribution of the main trading partners of the Republic of Moldova to the change in the real effective exchange rate in the first quarter of 2025



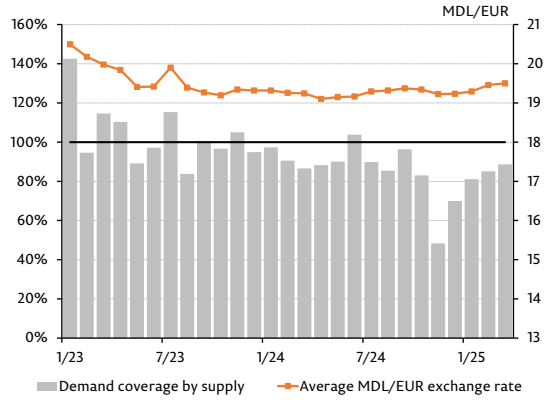
Source: NBM

Chart 4.28: Net supply of foreign currency from individuals broken down by main currencies (currencies are recalculated in USD at constant average exchange rate)



Source: NBM

Chart 4.29: The degree of net sales coverage by net supply and the official exchange rate dynamics



Source: NBM

of maximum values over the last four months. The rise of the euro and the fall of the US dollar were contributed by the volatile trade policy of the US administration, the growing concerns that the US economy is slowing, and the approval by the German parliament of an investment package worth EUR 500 billion in the military and infrastructure sectors.

Under these conditions, the US dollar depreciated in the reference quarter by 3.0% against the single European currency.

At the end of the analyzed quarter, the balance of official reserve assets amounted to EUR 5,050.9 million (Chart 4.30), decreasing by EUR 196.6 million (-3.7%) compared to the end of the fourth quarter of 2024, mainly due to payments for servicing the external public debt, outflows related to the required reserves in foreign currency of licensed banks and net interventions for the sale of foreign exchange.

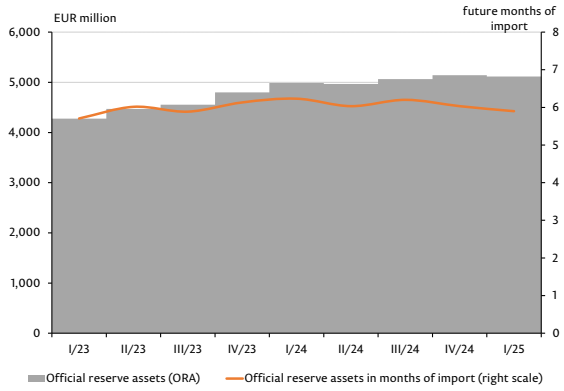
The decrease in official reserve assets was partially mitigated by disbursements for budget support, mainly in the form of grants, in a cumulative amount of EUR 47.0 million, of which:

- EUR 33.4 million in the form of grants from the governments of Germany, the Czech Republic and Lithuania to finance the "Energy Vulnerability Reduction Fund";
- EUR 13.6 million (the equivalent of SDR 10.8 million), disbursed by the IMF – the second loan tranche under the Resilience and Sustainability Facility (RSF).

Also, the Ministry of Finance of the Republic of Moldova received credits and grants from external partners for investment projects in a total amount of EUR 13.8 million. Among them, the loans from the World Bank institutions within the projects: "Higher education" (EUR 4.0 million), "Land registration and property valuation" (EUR 1.6 million) and from IFAD for the project "Capacity building for rural transformation" (EUR 2.0 million) were highlighted.

According to the situation at the end of the first quarter of 2025, official reserve assets continued to provide a sufficient level of coverage of imports of goods and services (5.9 months of future imports[31]).

Chart 4.30: Development of the official reserve assets expressed in months of imports of goods and services (BPM6)



Source: NBM – based on actual data and updated forecast

[31]Calculated based on the IMF forecast on imports of goods and services.

Chapter 5

Forecast

5.1 External assumptions

In the current round of forecast, risks and uncertainties related to the external environment have increased. After imposing by the Trump administration significant tariffs on several countries, and then delaying many of them for 90 days, the level of tariffs that will come into force on July 10, 2025, is uncertain. While the world's major economies have shown their willingness to negotiate trade agreements with the USA and some have reported progress in this regard, the announced deadline is quite narrow, which means that trade tensions persist. Peace negotiations regarding the war in Ukraine appear to have reached an impasse, but the evolutions surrounding them have contributed to justifying decisions to increase defense spending in Europe. The economies of the European Union continue to face a slowdown in industry. In these conditions, alongside a stimulative monetary policy, fiscal measures aimed at the economic recovery of the EU are expected. Oil prices will be affected mainly by global trade tensions, as well as by the OPEC+ decisions to increase production. Natural gas prices in Europe will depend on countries' ability to fill their gas storage facilities by the next cold season. International food prices are expected to develop in a balanced manner.

Table 5.1 lists the values of the main external assumptions accepted within the forecast round related to the Inflation Report, May 2025, with their subsequent description.

Table 5.1: Expected evolution of external variables (annual average)

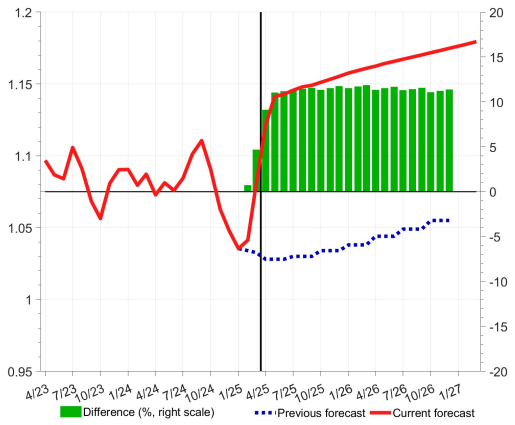
	2025	2026
Economic growth in the euro area (%)	0.9	1.2
Average annual inflation in the euro area (%)	2.2	1.9
EUR/USD	1.12	1.17
Euribor (%)	2.1	1.8
Price of Brent oil (USD/barrel)	67.2	63.1
Natural gas (USD/1,000 m3)	529.9	476.7
Increase of food international quotations (%)	2.6	1.2

Source: Bloomberg, Consensus Forecast, NBM calculations

After a 0.9% increase in gross domestic product in the euro area in 2024, it is expected to register increases of 0.9% in 2025 and 1.2% in 2026. Economic growth will continue to be ensured by household consumption, as well as by government investments directed towards defense and stimulating shrinking industrial production, which will be added to the Recovery plan for Europe. The services sector is expected to remain robust. At the same time, the high level of uncertainty and the tariffs imposed by the United States will moderate economic growth on the European continent. The appreciation of the single currency will have a negative impact on the competitiveness of European goods on foreign markets, already affected by fierce competition from China. At the same time, the appreciation of the single European currency will make imported energy resources on which Europe's major industrial centers depend cheaper. A peace agreement in Ukraine is proving to be a difficult task. If the war ends with a peace based on resilient security architecture, the regional economy will benefit significantly.

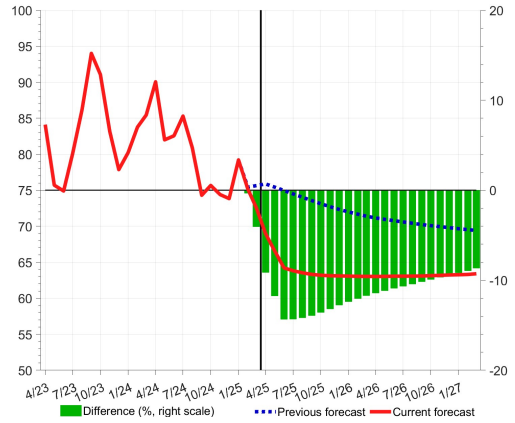
Inflation in the euro area will continue to be close to the ECB target of 2.0% over the medium-term for the entire forecast horizon. It is anticipated that the ECB future monetary policy measures will be aimed at stimulating the economy, especially in the context of escalating trade tensions with the USA. Disinflationary pressures will also be generated by the appreciation of the single European currency, as well as by falling energy resource prices.

Chart 5.1: EUR/USD exchange rate assumption



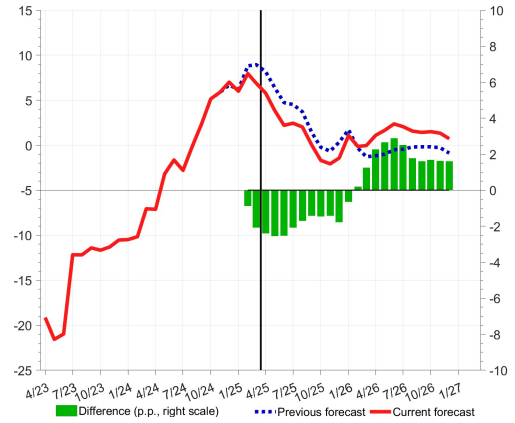
Source: ECB, Consensus Forecast, NBM calculations

Chart 5.2: International Brent oil price assumption (USD/barrel)



Source: Bloomberg, NBM calculations

Chart 5.3: International food price assumption (%)



Source: FAO, Bloomberg, NBM calculations

Based on the latest developments in the single European currency, the current forecast round anticipates an EUR/USD exchange rate of 1.12 in 2025 and 1.17 in 2026 (Chart 5.1). Market expectations for the euro are that it will strengthen against the US dollar in the coming years, due to tariffs imposed by the Trump administration, which could lead to further economic instability in the United States. This appreciation is forecast despite the fact that the differential between the ECB rate and the FRS rate is expected to remain at a relatively high level.

In the current forecast round, it is anticipated that the Brent crude oil price will average USD 67.2/barrel in 2025 and USD 63.1/barrel in 2026 (Chart 5.2). The sharp drop in oil prices comes mainly amid growing concerns about the evolution of the global economy. Trade uncertainties and tensions are expected to disrupt global supply chains, lead to a decrease in international trade and, consequently, to slower global economic growth rates. The decrease is also explained by the pace of production growth by OPEC+ countries, which exceeds market expectations. In the balance are US sanctions against Iran and the Trump administration's announced desire to fill strategic reserves.

The anticipated price for importing natural gas into the Republic of Moldova, which is correlated with prices on the European market, will continue to fluctuate around the value of USD 500/1,000 cubic meters for the entire forecast horizon. This anticipation is based on the assumption that weather temperatures do not deviate from the norm, that reservoirs in Europe will be filled according to historical schedules and that there will be no breakdowns that could disrupt natural gas deliveries both in pipelines and in the form of LNG. In the face of tight supply and strong seasonal consumption, fluctuations on the European market are mitigated by robust demand for natural gas during the warm season to replenish reserves. A significant pressure on the price is also exerted by the transformation of the energy sector in the EU, as a result of the European Green Deal adopted in 2020. About half of electricity production in 2024 was from renewable resources, compared to 34% in 2019.

Global demand and supply of food remain relatively balanced. The decrease in average annual prices (measured by the FAO index) in 2024 was revised to 2.0%. In the current round of forecasts, international food prices are expected to increase by an average of 2.6% in 2025 and 1.2% in 2026. Futures data used for forecasting indicate a stable trajectory of food prices (Chart 5.3).

5.2 Internal environment

Inflation

Starting from the second quarter of 2025, the annual inflation rate will reverse its direction and will outline a downward trend throughout the forecast period[32]. During the first two consecutive quarters of the forecast period, the annual inflation rate will be above the upper limit of the variation range and will return to the range starting from the fourth quarter of 2025, where it will remain until the end of the forecast period[33]. The maximum value of annual inflation rate will be recorded in the second quarter of 2025, and the minimum value in the third quarter of 2026 (Chart 5.4).

The annual inflation rate will be determined by the positive contribution of ***regulated prices***, of ***core inflation***, of ***food prices*** and of ***fuel prices*** starting from the third quarter of 2026. However, starting with the second quarter of 2025 and ending with the second quarter of 2026, prices for ***fuel*** will have a negative contribution to the annual inflation rate (Chart 5.5).

The presence of factors such as (1) the negative domestic demand throughout the forecast period, (2) the downward trend in the annual pace of food prices on the international market until the fourth quarter of 2025, (3) the evolution of the national currency against the US dollar until the third quarter of 2025, (4) the decrease in international oil prices until the first quarter of 2026 and (5) the high base from the previous year will contribute to the decrease in the annual pace of inflation.

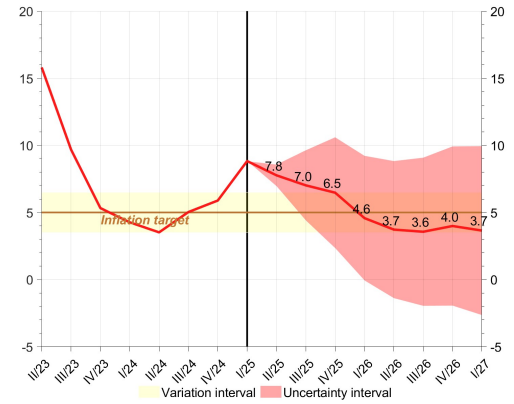
However, (1) the evolution of the national currency against the single European currency throughout the forecast period and against the US dollar, especially in the second part of the forecast period, (2) the increase of the annual pace of international food prices starting from the first quarter of 2026, (3) the slight increase of international oil prices starting from the third quarter of 2026, (4) the impact of the seasonal increase of fruit and vegetable prices in the second quarter of 2026, (5) the seasonal effect from the cold period of the year in the fourth quarter of 2026 and the first quarter of 2027, (6) the adjustment of excise duties at the beginning of 2026 and 2027 will mitigate the decrease in the annual pace of inflation.

The annual inflation rate will reach a maximum of 7.8% in the second quarter of 2025 and a minimum of 3.6% in the third quarter of 2026.

Average annual inflation will be 7.5% and 4.0% this year and next year, respectively.

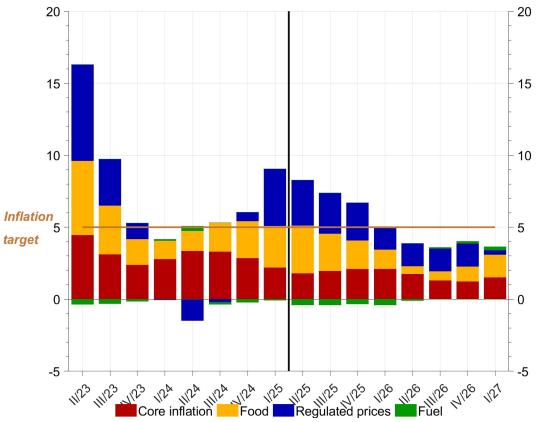
The annual rate of core inflation will decrease in the first quarter of the forecast period, after which a relatively

Chart 5.4: CPI with uncertainty range (%, compared to previous year)



Source: NBS, NBM calculations

Chart 5.5: CPI decomposition (%, compared to the previous year, percentage points)

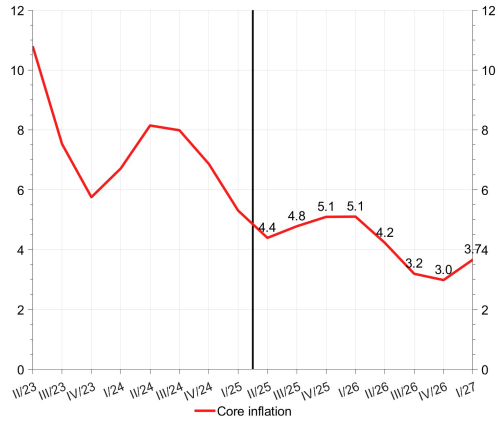


Source: NBS, NBM calculations

[32] Second quarter of 2025 – first quarter of 2027

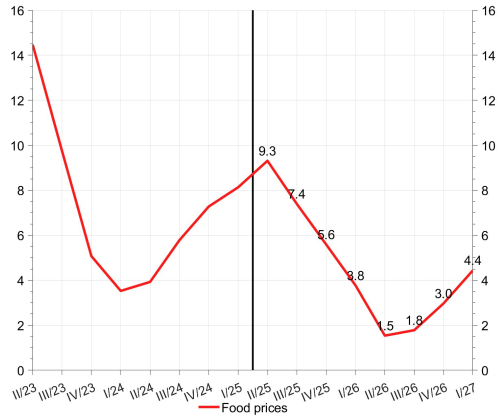
[33] First quarter of 2027

Chart 5.6: Core inflation (%, compared to the previous year)



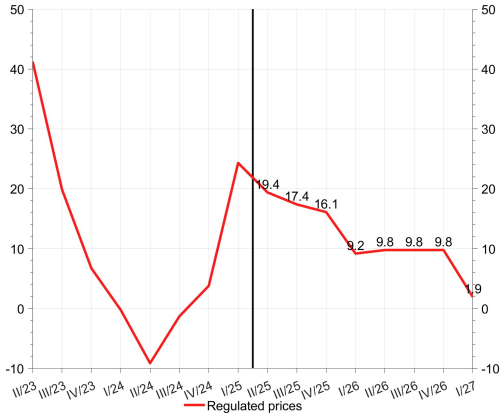
Source: NBS, NBM calculations

Chart 5.7: Food prices (%, compared to the previous year)



Source: NBS, NBM calculations

Chart 5.8: Regulated prices (%, compared to the previous year)



Source: NBS, NBM calculations

stable trend will be registered until the first quarter of 2026 and will decrease towards the end of the forecast period, except for the last quarter (Chart 5.6).

The relatively stable trend of the annual core inflation rate, starting from the second quarter of 2025 and ending with the first quarter of 2026, will be determined by the counterbalancing of positive and negative factors such as (1) the rising short-term forecast, (2) the accumulated increase in imported inflation until the first quarter of 2025, (3) the evolution of the national currency against the single European currency and (4) the negative domestic demand. However, (1) the negative domestic demand and (2) the high base of the current year will determine the downward trend of the annual core inflation rate starting from the second quarter of 2026. The adjustment of excise taxes at the beginning of 2026 and 2027, as well as the increase of imported inflation starting from the fourth quarter of 2025, will mitigate the decline and fuel the increase in the annual pace.

The average annual core inflation rate will be 4.9% and 3.9% in 2025 and 2026, respectively.

The annual rate of food prices will continue to increase in the first quarter of the forecast period, after which it will decrease until the first half of next year, thereafter it will have an upward trend towards the end of the forecast period (Chart 5.7).

The high pace of food prices in the first quarter of the forecast period is determined by (1) the accumulated increase in the annual pace for international food prices until the end of 2024 and (2) the accumulated depreciation of the exchange rate until the first quarter of 2025. However, the downward trajectory of the annual rate of food prices starting from the third quarter of 2025 will be influenced by (1) a decreasing short-term forecast, (2) negative domestic demand, (3) the decrease in the annual rate of international food prices until the fourth quarter of 2025, (4) the evolution of the national currency against the US dollar until the third quarter of 2025, (5) the negative rates of imported inflation in the first three consecutive quarters of the forecast horizon and (6) the high base in the previous year. The increase in the annual pace of international food prices starting from the first quarter of 2026, (2) the evolution of the national currency against the US dollar starting from the fourth quarter of 2025, (3) the impact of the seasonal increase of fruit and vegetable prices in the second quarter of 2026, as well as (4) the seasonal effect from the cold period of the year in the fourth quarter of 2026 and first quarter of 2027 will mitigate the decrease in the annual pace of food prices and contribute to its increase towards the end of the forecast horizon.

The average annual rate of food prices will be 7.6% and 2.5% in 2025 and 2026, respectively.

The annual rate of regulated prices will decrease in the first half of the forecast period, followed by a stable trend for the rest of the forecast period, except for the first quarter of 2027, when it will decrease (Chart 5.8).

The annual rate will be determined by recent tariff increases and anticipated adjustments in the first quarter of 2026. In the

second quarter of 2025, the estimated effects related to decisions regarding the adjustment of local tariffs for water supply and sewage will be reflected. At the same time, the estimated impact on electricity prices after the end of the compensation period was included in the first quarter of 2026, in the context of the support program offered by the EU, related to the tariff increase established in January 2025. At the same time, an upward trend similar to the previous forecasting round was observed for medicine prices and the "other" subcomponent.

The average annual rate of regulated prices will be 19.2% and 9.6% in 2025 and 2026, respectively.

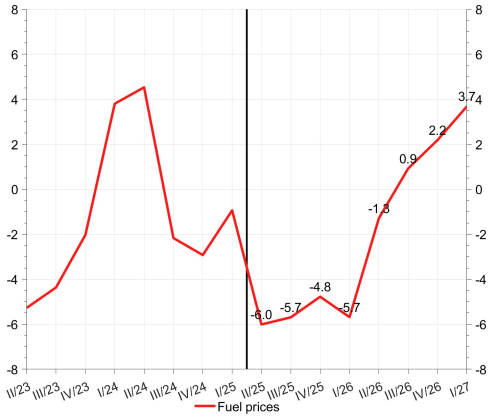
The annual rate of fuel prices will decrease in the first quarter of the forecast period and will record negative values until the second quarter of 2026, after which it will record positive growth rates starting from the third quarter of 2026 (Chart 5.9).

The downward trajectory of the annual rate of fuel prices until the second quarter of 2025, as well as their negative rates, will be determined by (1) the decrease of international oil prices until the first quarter of 2026, (2) the negative domestic demand, (3) the evolution of the national currency against the US dollar until the third quarter of 2025, and (4) the negative rates of imported inflation during the first four consecutive quarters of the forecast period.

However, (1) the slight increase of international oil prices starting from the third quarter of 2026, (2) the adjustment of excise duties at the beginning of 2026 and 2027, (3) the positive pace of imported inflation starting from the second quarter of 2026 and (4) the evolution of the national currency against the US dollar starting from the fourth quarter of 2025 will mitigate the decrease in the annual rate and contribute to its increase towards the end of the forecast period.

The average annual rate of fuel prices will be -4.3% and -1.0% in 2025 and 2026, respectively.

Chart 5.9: Fuel prices (%, compared to the previous year)



Source: NBS, NBM calculations

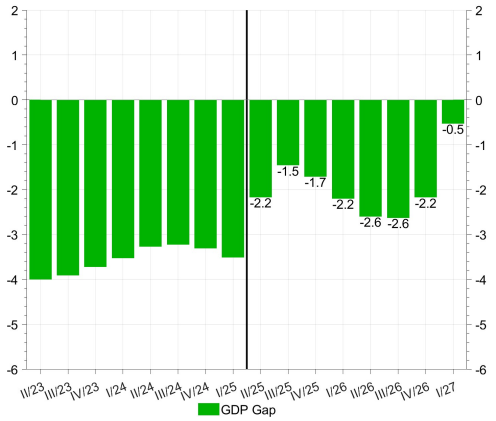
Demand

The negative aggregate demand over the entire forecast period will be driven by tight real monetary conditions and, to a lesser extent, by the negative impact of external demand. The positive fiscal impulse during the first three consecutive quarters, as well as in the last quarter of the forecast, will mitigate the negative aggregate demand (Chart 5.10).

The tight real monetary conditions throughout the forecast period and the slightly negative impact of external demand from western economic partners will lead to negative domestic demand. The positive fiscal impulse until the fourth quarter of 2025 and the first quarter of 2027 will mitigate the decline and stimulate aggregate demand growth.

The deviation of the real effective exchange rate will show a restrictive character on aggregate demand in the first half of the forecast period, subsequently decreasing. However, the restrictive pressures of the real effective exchange rate will be mitigated by the stimulative nature of the real interest rate over the same period.

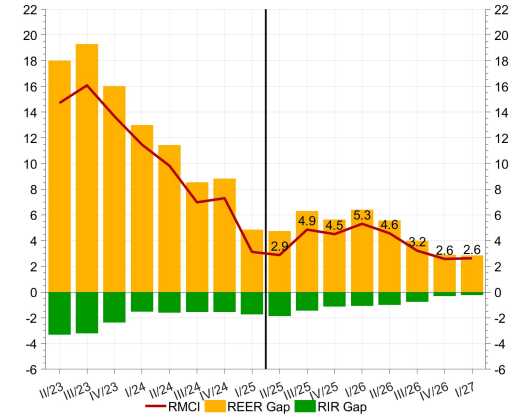
Chart 5.10: GDP deviation (%)



Source: NBM calculations

Monetary policy

Chart 5.11: Real monetary conditions index and decomposition



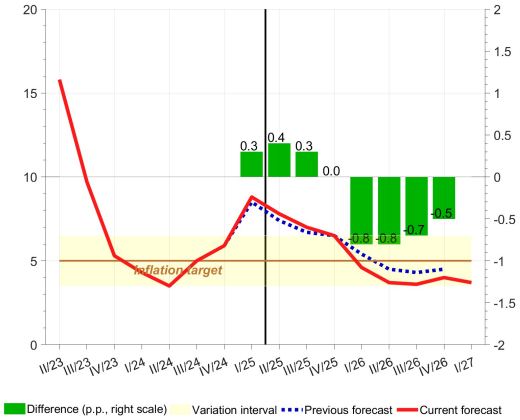
Source: NBM calculations

Real monetary conditions will have a restrictive effect on aggregate demand throughout the forecast period (Chart 5.11).

Monetary policy through the real effective exchange rate will be restrictive throughout the forecast period. At the same time, monetary policy through the real interest rate will manifest a stimulating character during the same period.

The real evolution of the national currency will increase the deviation of the real effective exchange rate from its equilibrium level in the first half of the forecast period, thus increasing the restrictive impact on aggregate demand. However, in the second half of the forecast period, a trend towards a reduction in the restrictive nature of the real effective exchange rate deviation is anticipated.

Chart 5.12: CPI (%, compared to the previous year, percentage points)



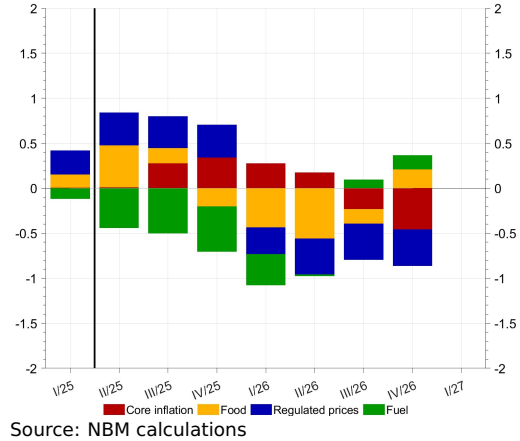
Source: NBS, NBM calculations

5.3 Forecasts comparison

The current inflation forecast, compared with the Inflation Report, February 2025, has been revised slightly upwards during the first two consecutive quarters of the comparable period[34] ***and starting from the first quarter of 2026 – in a downward direction*** (Chart 5.12).

Upward increases of the forecast for ***regulated*** prices until the fourth quarter of 2025, of ***food*** prices until the third quarter of 2025 and the fourth quarter of 2026, ***core inflation*** until the second quarter of 2026 will determine the slightly higher trend of the annual inflation rate. However, the downward revision of the current forecast is largely due to the downward revision of the forecast for ***fuel*** prices until the second quarter of 2026, of ***food*** prices starting from the fourth quarter of 2025, except the fourth quarter of 2026, of ***regulated*** prices starting from the first quarter of 2026 and of ***core inflation*** during the last two consecutive quarters of the comparable period (Chart 5.13).

Chart 5.13: Decomposition of the difference between forecasts (percentage points)



Source: NBM calculations

The increase in the current forecast, compared to the previous one, until the third quarter of 2025 is determined by (1) higher aggregate demand until the third quarter of 2025 and (2) the evolution of the national currency against the single European currency.

However, (1) the evolution of the national currency against the US dollar, (2) the anticipation of a more negative aggregate demand starting from the fourth quarter of 2025, (3) a lower projection of international food prices until the first quarter of 2026, and (4) lower oil prices on the international market during the comparable period will revise the annual pace downwards.

[34] Second quarter of 2025 – fourth quarter of 2026

The average annual inflation rate was increased by 0.2 percentage points for 2025 and decreased by 0.7 percentage points for 2026.

The annual core inflation rate has been revised upwards until the second quarter of 2026 and downwards for the rest of the comparable period (Chart 5.14).

The upward revision of the current forecast, compared to the previous one, is determined by (1) an upward short-term forecast for the second quarter of 2025, (2) an upper projection of imported inflation in the second quarter of 2025, (3) a less negative aggregate demand until the third quarter of 2025 and (4) the evolution of the national currency against the single European currency. The anticipation of more negative aggregate demand starting from the fourth quarter of 2025 and (2) a lower trend in imported inflation starting from the third quarter of 2025 has lowered the current forecast.

The forecast for the average core inflation rate was increased by 0.5 percentage points for 2025 and decreased by 0.1 percentage points for 2026.

The current forecast for the annual rate of food prices has been increased until the third quarter of 2025 and decreased for the rest of the comparable period, except for the fourth quarter of 2026 (Chart 5.15).

The increase in the current forecast, compared to the previous one, is determined by (1) higher actual inflation than anticipated in the previous quarter, (2) an upward short-term forecast for the second quarter of 2025 and (3) higher aggregate demand until the third quarter of 2025.

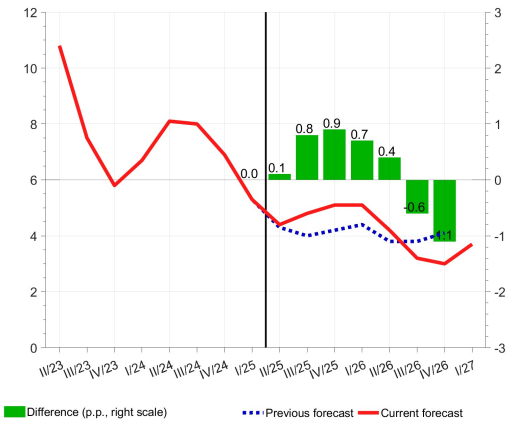
The anticipation of (1) the evolution of the national currency against the US dollar, (2) a more negative aggregate demand starting from the fourth quarter of 2025, and (3) a lower projection of international food prices until the first quarter of 2026 are the factors that have revised the current forecast downwards. However, (1) the slightly higher projection of international food prices starting from the second quarter of 2026, (2) the positive impact of the seasonal increase of fruit and vegetable prices in the second quarter of 2026, as well as (3) the seasonal effect of the cold period of the year in the fourth quarter of 2026 and the first quarter of 2027 mitigated the decrease in the annual rate.

The forecast for the average rate of food prices is increased by 0.5 percentage points for 2025 and decreased by 0.7 percentage points for 2026.

The annual rate of regulated prices is revised upwards until the end of 2025 and downwards for the rest of the comparable period (Chart 5.16).

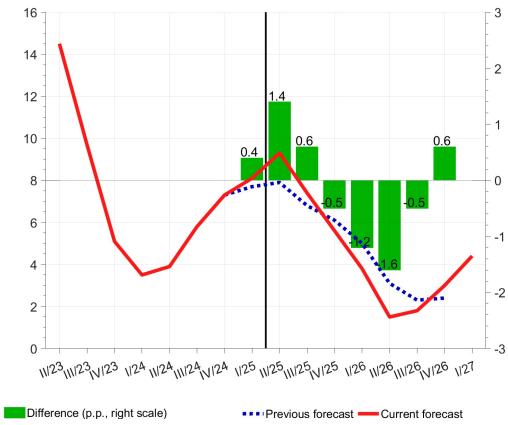
The increase in the current forecast, compared to the previous one, is determined by (1) higher actual inflation than anticipated in the previous quarter, (2) an upward short-term forecast for the second quarter of 2025. However, (1) the lower projection of international oil prices over the entire comparable period, (2) the anticipation of a lower natural gas import price until the fourth quarter of 2025 have mitigated the upward revision of the forecast

Chart 5.14: Core inflation (%, compared to the previous year, percentage points)



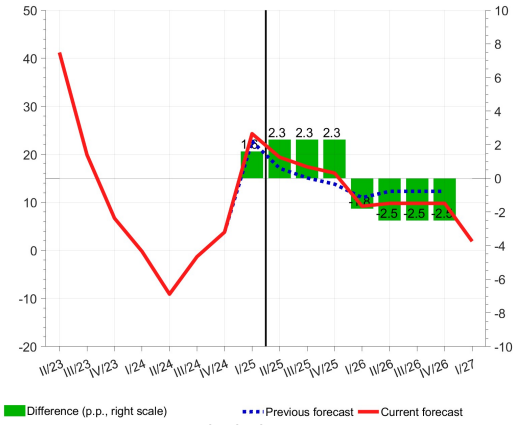
Source: NBS, NBM calculations

Chart 5.15: Food prices (%, compared to the previous year, percentage points)



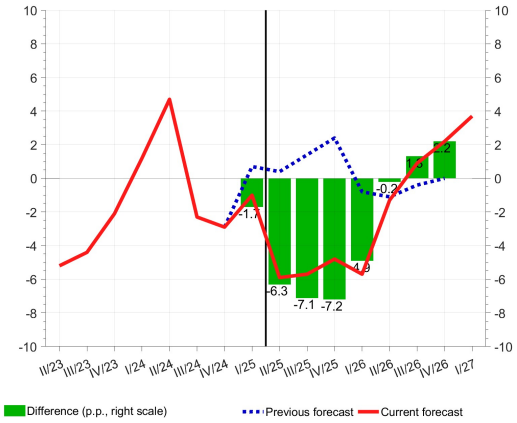
Source: NBS, NBM calculations

Chart 5.16: Regulated prices (%, compared to the previous year, percentage points)



Source: NBS, NBM calculations

Chart 5.17: Fuel prices (%, compared to the previous year, percentage points)



Source: NBS, NBM calculations

of the annual rate of regulated prices and reduced it until the end of the comparable period.

The forecast for the average rate of regulated prices was increased by 2.1 percentage points for 2025 and decreased by 2.4 percentage points for 2026.

The forecast for the annual rate of fuel prices was reduced until the second quarter of 2026 and increased towards the end of the comparable period (Chart 5.17).

The lower forecast for the annual fuel prices rate is driven by (1) lower than expected actual inflation for the previous quarter, (2) a downward short-term forecast for the second quarter of 2025, (3) a lower projection of international oil prices over the comparable period, (4) the evolution of the national currency against the US dollar, and (5) lower aggregate demand starting from the fourth quarter of 2025. The anticipation of higher imported inflation starting in the fourth quarter of 2025 has revised upwards the forecast for the annual rate of fuel prices.

The forecast for the average fuel prices rate was reduced by 5.5 percentage points for 2025 and by 0.4 percentage points for 2026.

5.4 Risks and uncertainties

External sector

- ***Fragmentation of international trade*** In the first quarter of this year, President Trump implemented his plans announced during the election campaign and imposed a series of trade tariffs on major trading partners (Canada, Mexico and China) as well as other countries. The situation is very complex, in the context where tariffs are announced and then postponed for a period of time during which it is expected that some trade negotiations will follow between the countries involved. Therefore, it is very complicated to estimate what will happen in the coming months and what the impact of this trade war will be. But we can anticipate that in the coming months we will witness a change in trade between countries, which will distort traditional trade routes (inflationary).
- ***Appreciation of the single European currency.*** In light of recent events, when the trade war initiated by the US has reduced the attractiveness of the US dollar as a reserve asset, we continue to anticipate the appreciation of the single European currency. Also, other factors such as negotiations on the war in Ukraine and fiscal stimulus measures and reorientations of industrial production in Europe will contribute to the appreciation of the single European currency. What remains uncertain is the extent to which this currency will appreciate both against the US dollar and against other currencies (inflationary).

- ***Economic recovery in Europe.*** The latest forecasts for the euro area economy look much more positive compared to those of the last two years. It is anticipated that the fiscal measures and economic plans announced by the EU, as well as the increase in the debt threshold in Germany, will contribute to the economic recovery of the euro area. At the same time, in the event of a favorable outcome in the war in Ukraine and a possible decrease in European natural gas quotations, it will again be beneficial for the economic growth of the euro area. Therefore, we anticipate an increase in external demand from the euro area as well as the EU (inflationary).
- ***The decline in global economic activity caused by trade tariffs.*** Most forecasting agencies and international organizations have already lowered their forecasts for global demand this year due to the trade war initiated by the Trump administration. As these trade tariffs are modified from one day to another and some negotiations are still pending, it is difficult to estimate the impact for each of the following periods (disinflationary).
- ***Falling of oil quotations.*** Due to the trade war and OPEC+ decision to increase oil production by 411 thousand barrels/day starting from May 2025, a decrease in global oil demand and an increase in oil production are expected. The oil surplus will affect oil prices, as well as cause oil producers to offer discounts to capture the market (disinflationary).
- ***Military conflicts in Ukraine and the Middle East.*** Several negotiations have recently taken place on resolving the conflict in Ukraine. At the moment, there has been no progress, but this is expected. Also, in recent months there has been no worsening of tensions in the Middle East, but the conflict is not over and still presents increased risks and uncertainties (uncertainty).

Real sector

- ***Uncertainties about the timing and magnitude of tariff adjustments for regulated services.*** The medium-term inflation forecast is based on a trajectory of prices for regulated services that corresponds to certain assumptions regarding international and regional energy prices, as well as other relevant sector indicators. However, given that tariffs for some regulated services have a considerable economic impact on the population, the timing of their adjustment may be driven not only by economic factors, but also by the pursuit of social or political objectives by the decision-makers involved. Therefore, the timing and magnitude of tariff adjustments cannot be estimated with sufficient confidence (uncertainty).
- ***Possible premises for adjusting the electricity tariff at the end of the heating season.*** With the end of the heating season, the amount of electricity produced in cogeneration by urban CETs[35] will decrease considerably. As a result, a significant volume of electricity is to be procured

[35] Central Heating Power Plants

from alternative sources, on the domestic or regional market. Depending on the price level of providers at the time, preconditions for an additional adjustment of the electricity tariff for consumers could arise (uncertainty).

- ***Decrease in the number of consumers in the Republic of Moldova.*** The military conflict in Ukraine has led to massive population outflows from Ukraine. Some of them are on the territory of the Republic of Moldova, which contributes directly to the population's increased consumption. Their return to their country of origin or their departure to other regions would lead to lower demand on the internal market (uncertainty, disinflationary).
- ***Vulnerability of domestic fruit and vegetable prices to weather conditions.*** According to the experience of recent years, the prices of domestic fruits and vegetables are to a pronounced extent affected by adverse weather conditions such as frosts, heavy rainfall, drought conditions both because of impediments in their cultivation, as well as the costs associated with harvesting, transportation, storage, but also their sale in the marketing points in the country. Temperatures different from normal could lead to higher than expected food prices in the next period (inflationary).
- ***Uncertainty about this year's agricultural production.*** This year's agricultural harvest and food prices on the internal market in the second half of the year will depend to a large extent on the agrometeorological conditions during that period. In this way, evolutions in the agricultural sector, and hence the trajectory of food prices for 2025, continue to be marked by uncertainty. A more moderate agricultural harvest will generate significant inflationary pressures on food prices (uncertainty).

Monetary and public sectors

- ***External financing and fiscal impulse.*** Under the terms of the amendment to the Law on the state budget for the current year, the flow of external credits and grants is expected to increase. Thus, it is planned to allocate external sources, mainly, to support the population and implement investment projects in the economy. At the same time, external financing will stimulate the continued growth of excessive liquidity in the banking system, which will have a positive impact on aggregate demand, on the exchange rate of the national currency, and will generate additional inflationary pressures (inflationary).

Chapter 6

Monetary policy decisions

Summary
of the meeting of the Executive Board of the National Bank of Moldova of 19.09.2024
on monetary policy promotion

The meeting chaired by: Anca-Dana Dragu, Governor – Chairman of the Executive Board
In attendees: Executive Board members – Vladimir Munteanu, First Deputy Governor – Deputy Chairman of the Executive Board, Tatiana Ivanicichina – Deputy Governor, Constantin Șchendra – Deputy Governor
Rapporteur: Octavian Teaca – Deputy Director of Monetary Policy Department, Head of Macroeconomic Analysis and Forecast Division
Guests: Daniel Savin – Director of the Financial Markets Department, Valentina Rusu – Director of Legal Department, Alina Boboc – Head of the Financial Education and Communication Division, Mihnea Constantinescu, Veaceslav Negruța – Advisors to the Governor, Natan Garștea – Director of Financial Stability Department, Eugeniu Aftene – Director of the Reporting and Statistics Department, Andrei Rotaru – Director of Economic and Applied Research Department

The Executive Board meeting on the promotion of monetary policy started with the presentation by Octavian Teaca of the Inflation forecast deviation risk assessment report. In this regard, information about the macroeconomic situation in the internal and external environment, obtained after preparing the forecast in the Inflation Report, August 2024 was mentioned.

Referring to the evolution of inflation in the recent period, Octavian Teaca emphasized that, in August 2024, the annual inflation amounted to 5.1%, by 0.3 percentage points higher than the previous month's level and continued, as expected, the upward trend that began in June of this year. At the same time, it was emphasized that the annual inflation rate remained close to the target of 5.0%. Among the factors that contributed to the increase in the annual inflation rate, core inflation and food prices were listed, noting that this evolution was mitigated by the dynamics of regulated prices and fuel prices.

Octavian Teaca pointed out that the most recent macroeconomic information largely confirms the validity of the latest forecast.

Analyzing the global economic conditions, Octavian Teaca emphasized that the euro area economy is evolving without significant changes, and the annual inflation decreased to 2.2% in August 2024, close to the European Central Bank's target. Oil quotations have decreased significantly compared to the averages in the first half of 2024 in the context of unfavorable expectations regarding the evolution of the US and Chinese economies. Also, natural gas quotations in Europe have recently decreased after significant volatility in August 2024, as well as against the backdrop of natural gas reserves in Europe that are at record levels and moderate demand. It was also mentioned that the FAO index of international food prices remained practically unchanged in recent months, given that pricing risks are insignificant and are mutually compensated.

Further, the discussions focused on the evolution of the national economy, pointing out that it continued, as expected, the upward trend, growing by 2.4% annually in the second quarter of 2024.

In this context, it was noted that, by the category of uses, the growth rate of economic activity was

supported by final household consumption (3.7%) and gross fixed capital formation (6.9%). This evolution was partially mitigated by the reduction in exports of goods and services by 3.4%, in final consumption of public administration by 0.9%, along with the increase in imports by 7.8%. From a supply perspective, the growth in economic activity was driven by the positive dynamics recorded in the wholesale and retail trade sector, in the information and communications sector, in the construction sector, in the agricultural production sector and by net taxes on product. At the same time, the reduction in real estate transactions, the production and supply of electricity and heat, gas, hot water and air conditioning, as well as transport and storage services generated a negative impact on the dynamics of GDP.

During the meeting, the monetary conditions were presented by noting that the cumulative monetary policy stimulus measures led to the continuous decrease in interest rates on new credits granted in lei in August 2024. Thus, the weighted average interest rate on new granted credits was 8.68% annually, decreasing by 0.14 percentage points compared to July 2024. The weighted average interest rate on deposits registered monthly fluctuations and amounted to 3.18%, by 0.19 percentage points higher than that of July of this year. It was mentioned that the consecutive reduction in interest rates led to an increase in the volume of new credits granted in lei.

Further, the risks of deviation from the inflation forecast were presented, pointing out that the inflation evolution in July and August 2024, which was lower than the anticipated values, outlines the risk of a minor deviation of the short-term inflation forecast in a downward direction for the third quarter of 2024, with its dissipation in the following quarter. It was pointed out that evolutions in oil, food and raw material quotations on the international market remain an important source of risks. At the same time, it was pointed out that the main uncertainties regarding the inflation forecast are associated with agricultural production, the tense situation at regional and global levels, as well as the risk of its escalation.

Thus, the measures included in the draft decision on the NBM actions to promote monetary policy, proposed by Octavian Teaca, were to maintain the base rate and interest rates on standing facilities, the rate on repo operations, as well as the ratio on required reserves both from funds attracted in Moldovan lei and non-convertible currency, and from funds attracted in freely convertible currency at current levels.

Thus, based on the analysis of the information and the findings made, the Executive Board of the NBM decided, by unanimous vote, to maintain the base rate applied to the main short-term monetary policy operations at the level of 3.60% annually, the interest rates on overnight loans and overnight deposits at the levels of 5.60 and 1.60% annually, respectively, on repo operations at the level of 3.85% annually, the required reserve ratio from funds attracted in Moldovan lei and non-convertible currency at the current level of 29.0% of the calculation basis and the required reserve ratio from funds attracted in freely convertible currency at the current level of 39.0% of the calculation basis.

The members of EB pointed out that the decision of the National Bank of Moldova comes in the context in which the existing monetary conditions are favorable to maintaining inflation within the range of ±1.5 percentage points from the target of 5.0%, a level considered optimal for the growth and economic development of the Republic of Moldova in the medium-term. At the same time, it was mentioned that the respective decision was adopted in the context of the further propagation of the effects of previous monetary policy decisions, given the lags associated with their transmission.

At the end of the meeting, the Executive Board emphasized the need for continuous monitoring the inflationary process, macroeconomic evolutions in the internal and external environment, the risks and uncertainties regarding the inflation forecast, in order to maintain price stability in the medium-term.

Decision adopted by the Executive Board of NBM by unanimous vote:

1. **The base rate applied to the main short-term monetary policy operations is maintained at 3.60% annually.**
2. **Interest rates are maintained:**
   a) **for overnight loans, at the level of 5.60% annually;**
   b) **for repo operations, at the level of 3.85% annually;**
   c) **for overnight deposits, at the level of 1.60% annually.**
3. **The required reserve ratio from the means attracted in MDL and non-convertible currency is maintained at the current level of 29.0% of the calculation basis.**
4. **The required reserve ratio from the means attracted in freely convertible currency is maintained at the current level of 39.0% of the calculation basis.**

Voting results of EB members

For – 4 Against – 0

Chairman of the Executive Board **Secretary of the Executive Board**

Anca-Dana DRAGU **Ion JOSAN**

Summary
of the meeting of the Executive Board of the National Bank of Moldova of 05.11.2024
on monetary policy promotion

The meeting chaired by: Anca-Dana Dragu, Governor – Chairman of the Executive Board
The attendees: Executive Board members – Tatiana Ivanicichina – Deputy Governor, Constantin Șchendra – Deputy Governor
Rapporteur: Radu Cuhal – Director of the Monetary Policy Department
Guests: Octavian Teaca – Deputy Director of Monetary Policy Department, Head of Macroeconomic Analysis and Forecast Division, Daniel Savin – Director of the Financial Markets Department, Valentina Rusu – Director of Legal Department, Natan Garștea – Director of Financial Stability Department, Andrei Rotaru – Director of Economic and Applied Research Department, Diana Avtudov – Director of the Banking Supervision Department, Victor Ababii – Head of Management and Development of the Reporting Process Division, Reporting and Statistics Department, Alina Boboc – Head of the Financial Education and Communication Division, Mihnea Constantinescu, Veaceslav Negruța – Advisors to the Governor

At the Executive Board meeting on the promotion of monetary policy, Radu Cuhal presented the latest macroeconomic evolutions, both in the internal and external environment, the new medium-term forecast, as well as the risks and uncertainties identified at the time of drafting the Inflation Report, November 2024. Radu Cuhal pointed out that the current forecast confirms, overall, the previously predicted trends.

Regarding the recent inflation evolution, it was noted that annual inflation was 5.2% in September 2024, increasing by 1.4 percentage points compared to June 2024, emphasizing that the annual inflation rate remained close to the target of 5.0%, although the upward trend that began in June of this year continued. It was emphasized that the higher evolution of the annual inflation rate in the third quarter of 2024 was determined by some adverse sectoral evolutions, including the drought conditions in the summer of this year that supported the increase in food prices. Among the factors that had a disinflationary impact on the annual inflation rate were moderate domestic demand, domestic industrial production prices, as well as food and oil prices on the international market. Thus, it was highlighted that in the third quarter of 2024, the annual inflation rate was 5.0% and was lower than that anticipated in the forecast for the Inflation Report, August 2024, mainly due to the negative deviation recorded for regulated and fuel prices.

During the discussions related to the external environment, Radu Cuhal warned that the world economy is evolving, on the one hand, against the backdrop of intensifying global trade and geopolitical tensions, and on the other hand, against the backdrop of easing of monetary policies in the USA and the euro area. Thus, the trend of increasing international raw material quotations was discussed. It was noted that oil prices in September 2024 recorded the lowest level this year against the backdrop of expectations of reduced demand from China, but, in the context of intensification of Middle East tensions, they returned to previous levels in October. Natural gas quotations in Europe also increased due to concerns about the expiration of the natural gas transit contract through Ukraine at the end of 2024. It has been established that the FAO index of international food prices increased in September for the first time since the end of 2022 which denotes trend reversal.

At the meeting, the information on the national economic activity was presented, emphasizing that the data published by the NBS for the first two months of the third quarter of 2024 outline the conditions for the continuation of the sustained growth of the economic activity in the respective quarter. Thus, it has been established that in the period from July to August 2024, the annual rate of exports recorded a level of -10.9% against the background of the decrease in agricultural production, while the annual rate of imports increased by

13.9%. It was emphasized that the upward trend in imports can be attributed to the revival in consumption. It was noted that retail and wholesale trade grew on average by 13.9 and 6.7% annually, respectively.

Further, monetary conditions were presented, stating that the cumulative monetary policy stimulus measures led to the continuous decrease in interest rates on new loans and deposits in lei, in the third quarter of 2024. Thus, the weighted average interest rate on new granted credits was 8.63%, and the interest rates on deposits was 3.12%, by 2.75 and 1.49 percentage points, respectively, lower than compared to the third quarter of 2023. It was ascertained that the consecutive reduction in interest rates generated an increase in the volume of new credits granted in lei by 43.3% in the third quarter of 2024. This dynamics was driven by the increase in credits granted both for consumption and real estate to individuals, as well as to legal entities involved in trade, transport, telecommunications and network development sectors.

Further, the medium-term inflation forecast was presented, emphasizing that the annual inflation rate will have a relatively stable trend for the entire forecast period and will remain within the range of ±1.5 percentage points from the target of 5.0%. Thus, it is anticipated that the average annual inflation for 2024 and 2025 will be 4.6 and 4.9%, respectively, being revised downwards by -0.1 and -0.4 percentage points, respectively. The current inflation forecast has been revised downwards for the fourth quarter of 2024 – the second quarter of 2026. Among the factors that contributed to the downward revision of the annual inflation rate forecast were lower than the expected actual inflation in the previous quarter, the anticipation of moderate domestic demand, the anticipation of tariff reductions in the fourth quarter of 2024, the reconsideration of the impact of drought conditions in the summer of 2024, and the lower forecast of international oil prices. As for the upward revision, it is conditional on a higher forecast for food and natural gas prices on the world market. The main risks and uncertainties regarding the medium-term inflation forecast were discussed. Thus, it was reiterated that disinflationary aggregate demand, the vulnerability of domestic fruit and vegetable prices to weather conditions in the coming period, uncertainties regarding the volume of agricultural production in 2024 and 2025, the evolution of regulated prices, the tense situation at regional and global levels, and the volatility of expectations regarding international commodity quotations will remain important sources of risks and uncertainties for the medium-term inflation forecast.

Further at the meeting, the draft decision on the NBM actions to promote monetary policy was presented. The measures proposed by Radu Cuhal were to maintain the base rate and interest rates on the standing facilities, as well as the repo operations rate at current levels, and to reduce the required reserve ratio from the funds attracted in Moldovan lei and non-convertible currency and from the funds attracted in freely convertible currency starting from the period of application of the required reserves between November 16, 2024 and December 15, 2024 to the levels of 27.0% and, respectively, 36,0% of the calculation basis.

Thus, on the basis of the analyses of information and the findings, the Executive Board of the NBM decided, by unanimous vote, to maintain the base rate applied to the main short-term monetary policy operations at the level of 3.60% annually, the interest rates on overnight loans and overnight deposits at the levels of 5.60 and 1.60% annually, respectively, on repo operations at the level of 3.85% annually. At the same time, the EB members decided to reduce the reserve requirement ratio for funds attracted in Moldovan lei and non-convertible currency and for funds attracted in freely convertible currency to the levels proposed by the draft decision.

The Executive Board pointed out that the adopted decision shall contribute to lowering lending costs, which, in turn, will further support the private sector lending process and boost the national economy. At the same time, the EB members emphasized that under the conditions in which the seasonal demand for cash and credits will exceed, the forecast made during the current forecasting round, the National Bank of Moldova will release additional volumes of liquidity into the money market by further reducing the required reserve ratio.

Additionally, the EB members reiterated that the NBM decision comes in the context in which the existing monetary conditions are favorable to maintaining inflation within the range of ±1.5 percentage points from the

target of 5.0%, a level considered optimal for the medium-term economic growth and development of the Republic of Moldova.

At the same time, during the meeting, the Executive Board of the NBM approved for publication the Inflation Report, November 2024.

Decision adopted by the Executive Board of NBM by unanimous vote:

1. **The base rate applied to the main short-term monetary policy operations is maintained at 3.60% annually.**
2. **Interest rates are maintained:**
   a) **for overnight loans, at the level of 5.60% annually;**
   b) **for repo operations, at the level of 3.85% annually;**
   c) **for overnight deposits, at the level of 1.60% annually.**
3. **The required reserve ratio from funds attracted in Moldovan lei and non-convertible currency is reduced starting from the period of application of required reserves in Moldovan lei between November 16, 2024 and December 15, 2024, from 29.0% to the level of 27.0% of the calculation basis.**
4. **The required reserve ratio from funds attracted in freely convertible currency is reduced starting from the period of application of required reserves in freely convertible currency between November 16, 2024 and December 15, 2024, from 39.0% to the level of 36.0% of the calculation basis.**

Voting results of EB members

For – 3 Against – 0

Chairman of the Executive Board **Secretary of the Executive Board**

Anca-Dana DRAGU **Sergiu SURDU**

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