



PRESS RELEASE OF THE NATIONAL BANK OF MOLDOVA

At the meeting of 25th of February 2010 the Council of Administration of the National Bank of Moldova evaluated the current macroeconomic situation, the trends and the medium term forecast of macroeconomic indicators including the short-term and medium term inflation rate evolution, as well as eventual challenges from the next periods. As a result, the Council of Administration of the National Bank of Moldova decided to:

1. To maintain the base rate on the main short-term monetary policy operations at the level of 6.0 % per year.
2. To maintain the interest rates:
 - on overnight credits at the current level of 9 % per year;
 - on overnight deposits at the current level of 3.0 % per year;
3. To maintain the base rate on long term credits (more than 5 years) at the current level of 6.0 % per year.
4. To maintain the reserve requirement ratio on the attracted resources in MDL and unconvertible currency, as well as the reserve requirement ratio for the attracted resources in the freely convertible currency at the level of 8.0 %.
5. The next meeting of the Council of Administration regarding the monetary policy will take place on the 25th of March 2010 according to the pre-approved schedule.

The economic analysis of the actual economic situation and the medium term macroeconomic forecast, which was developed and published on the 5th of February in the Monetary Policy Report denotes the reversal of the inflation trend on the positive band with a possible but temporary overshooting of the declared objective of $5.0\% \pm 1.0$ percentage point in 2010. The information from the National Bureau of Statistics regarding the monthly inflation rate for January, which was 2.3 %, proved the consistency of the macroeconomic analysis and medium term forecasting, as well as the correctitude of the monetary policy measures undertaken by the National Bank of Moldova.

The information regarding the external environment, including the trends of the fuel prices on the international markets, the depreciation of the European currency against the USD, as well as the evolutions on the internal currency market indicates the fact that the current situation of the national economy, as well as the medium term inflationary pressures from the economy, are within the limits of the initial forecast.

Even though the prices of the industrial products recorded a 2.6 % increase in January, their amount in real terms increased by 5.0 %. Nevertheless, the relatively low demand for consumption and investment doesn't cause a significant increase of the demand for credits in the economy.

Under these conditions and in accordance with the estimations presented by the NBM in the Monetary Policy Report, the forecast of the demand for credits in the economy continues to be at a low level compare to the previous years. The NBM forecast denotes the fact that the trends of the demand for credits in the economy will not have an inflationary behavior. The

current situation in the economy doesn't create conditions for the increase of the interest rates for the newly issued credits and there is even a possibility to decrease them.

The decision of the Council of Administration of 25th of January 2010 regarding the full sterilization of the excess liquidity will maintain the current conditions of the monetary market for future periods. This will lead to the end of the deposit interest rates decrease and might lead to a small increase of them. The slower depreciation of the national currency and the reversal of the trends on the internal exchange rate market, the preferences of the deponents to keep their savings in the national currency will influence the interest rates on the deposits market.

After analyzing the impact of the non-monetary factors on the inflation such as: the increase of tariffs for natural gas, electricity and heating, as well as the increase of the indirect taxes from the beginning of this year, it is concluded that there is a considerable increase of the production costs and of the administrative expenditures of the firms.

These factors, along with the exchange rate market trends and the increased inflationary expectations of the population, determine the most significant influence on the inflationary process at this moment.

Under these conditions, the current trends in the national economy and the analysis of the des-inflationary (depreciation of the European currency against the USD, the low demand for credits etc.) and inflationary (the increase of tariffs for energy resources, production costs etc.) factors are within the limits of the initially published forecast, and the previous assumptions don't differ significantly compare to the current ones.

The existence of some non-monetary pressures denotes a possible overshooting of the previously declared inflation rate band in 2010 which will be temporary and short-term, without a significant impact over the medium term. The NBM estimates a full return of the inflation rate towards the previously declared band in 2011.

Under current macroeconomic evolution and medium term trends, the NBM is following a prudent monetary policy. The previous adjustment of the base rate and the careful management of the liquidity on the monetary market have the goal of assurance of proper monetary conditions for maintaining the equilibrium between the price stability and the economic growth.

The NBM will continue to closely monitor the current macroeconomic evolution and the medium term trends of the foreign economic environment and, by the properly usage of monetary policy instruments, will ensure the implementation of the objectives stated in the medium term monetary policy strategy for 2010-2012, in order to maintain price stability, contributing to macroeconomic and financial stability.