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Translation

**Press release
of the National Bank of Moldova**

Within the meeting of the Council of Administration of the National Bank of Moldova from April 29, 2010, the current macroeconomic situation, trends and medium term forecasts of the macroeconomic indicators were assessed, as well as the inflation outlook on medium term was quantified amid the possible risks and uncertainties that may arise in the next period. As a result, the Council of Administration adopted the following decision:

1. To maintain the base rate applied to the main monetary policy operations on short term at the current level of 7.0 percent annually.
2. To maintain interest rates:
 - of overnight credits at the current level of 10.0 percent annually;
 - of overnight deposits at the current level of 4.0 percent annually.
3. To maintain the base rate of long-term loans (over five years) at the current level of 7.0 percent annually.
4. The rates mentioned in paragraphs 1, 2 and 3 shall be applied from the effective date of this decision until the effective date of new rates.
5. To maintain the norm of the obligatory reserves attracted in MDL and in nonconvertible currencies, and the norm of the obligatory reserves attracted in hard currency amounting to 8.0 percent of the base.
6. The next meeting of the Council of Administration on monetary policy will take place on May 27, 2010, in accordance with the approved schedule.

Medium-term macroeconomic forecast and analysis of the existing economic situation both external and internal, also their prospects over the forecasting period (until the end of 2011) found high probability of exceeding the upper limit of the declared range of target for 2010 of 5.0 percent \pm 1.0 percentage points.

Overcoming the inflation target during 2010, which will be a temporary one, being caused mainly by the non-monetary factors such as: increasing tariffs on services with regulated prices, increasing international fuel prices and food, increases in indirect taxes.

However, the core inflation (inflation index part) for the last 12 months, which is calculated by the National Bureau of Statistics by excluding the prices that can not be influenced by the monetary policy measures promoted by the NBM, such as food and beverages, fuels, products and services with regulated prices, constituted 5.3 % in March, standing up to the stated objective. The increase of the annual rate of core inflation in early 2010 is explained by: the prices increase of imported products, increase of indirect taxes, the second round effects of rises in regulated services and food, developments in the foreign exchange market.

The regulated prices rise, largely from increases in electricity tariffs, gas and heating as a result of price increase of imported natural gas supply to Moldova and as a result of higher prices of petroleum products on the international markets. The prices of domestic fuels increase because of their international adjustment, which increased continuously lately, as well as because of the increase in excise from the beginning of the year.

Currently, despite of the moderate recovery of the activity in some sectors of the economy reported by the NBS prompt information, the economic activity is still relatively low and the demand pressures are still disinflationary.

The labour market was seriously affected by the crisis, and the unemployment increased. The average monthly salary for the month of February 2010 showed a decrease in real terms, although in nominal terms is at a higher level versus the same period of the last year. Thus, in the near future the GDP levels will remain below its potential and will not make the inflationary pressures over the forecast horizon.

The decision of the Council of Administration from April 29, 2010 regarding the maintenance of the base rate at its current level is based on the inflation forecasts on medium-term with trend reversal and on the objective fitting during 2011.

The maintenance of the base rate will keep the current money market conditions, including the mitigation of interest rate reduction on deposits and the stimulation of the downward trend of the interest rate loans. However, National Bank aims, through rational application of the monetary policy instruments, to ensure the equilibrium conditions of temper inflationary process and the national economic recovery.

NBM will continue the ongoing monitoring of macroeconomic indicators and the situation in the money markets, currency and credit, and will respond promptly to all internal and external challenges, aiming to achieve the objectives of monetary policy strategy on medium term.



A more comprehensive and detailed analysis of medium-term outlook of inflation and macroeconomic indicators will be presented in the next Monetary Policy Report to be published by NBM on May 7, 2010.