30.09.2010

PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA

Within the meeting of the Council of Administration of the NBM, of September 30, 2010, the current macroeconomic situation, the trends and the medium term forecasts of the macroeconomic indicators were assessed, as well as the inflation outlook on medium and short term was quantified in case of some possible risks and uncertainties that may arise in the next period. As a result, the Council of Administration of the NBM adopted the following decision:

1. **To maintain the base rate applied on main short-term monetary policy at the current level of 7.0 percent annually.**

2. **To maintain the interest rates:**
   - **on overnight loans at the current level of 10.0 percent annually;**
   - **on overnight loans at the current level of 4.0 percent annually;**

3. **The rates mentioned in items 1 and 2 shall be applied from the effective date of this decision until the effective date of the new rates.**

4. **To maintain the rate of the required reserves attracted in MDL and in foreign currency at the current level of 8.0 % of the base.**

5. **The next meeting of the Council of Administration on monetary policy will take place on October 28, 2010, in accordance with the approved schedule.**

The evolutions in the external environment, exchange rate and the pronounced recovery of the Moldovan economy, but still below its potential level in the first half of this year have contributed to the attenuation of the inflationary process and the inflation being within the NBM forecast range published in August 2010.

Consumer price index (CPI) for the last 12 months was positioned in August at the level of 7.8 percent, and as compared to the previous month registered a monthly decrease of 0.9 percent, mainly due to the seasonal effect on food prices. The annual core inflation constituted 5.2 percent, maintaining the level of the previous month and stood within the stated objective for the end of 2010 for the seventh consecutive month. The difference of 2.6 percentage points between the annual growth rate of CPI and core inflation shows an increased influence of non-monetary factors on the inflation process.

The high volatility on the international markets of the euro as well as the consolidation problems in some EU countries, have continued the deflationary pressures.

Moldova's economy shows clear signs of recovery in the context of domestic demand. The Gross Domestic Product in the first quarter and second quarter of 2010 has increased by 4.7 percent and 6.4 percent compared to similar periods of 2009. The household consumption and gross capital formation recorded significant increases in the first half of this year. Amelioration in domestic trade of goods, external trade, and transport was recorded. The construction sector returned to the positive band after a long period of decline.

Labor market situation shows no signs of amelioration, indicating that the Moldovan economy has not yet reached its potential. As a result, the inflationary pressures influence of the real sector will be insignificant.

The balance of loans and deposits are still growing. The interest rates on loans and deposits registered a slight increase in August compared with the previous month.

In this context, the Council of administration decided to maintain the Bank's base rate at its current level of 7.0 percent in order to maintain appropriate monetary conditions for price stability and sustain the upward evolution of the national economy. The NBM will continue firmly to manage the liquidity surplus through sterilization operations in the money market. Decision of the Council of administration of the NBM regards the lending process revival and of attracting the funds by banks and ensuring optimal monetary conditions for the economic recovery.

The NBM will continue vigorously to monitor the internal evolutions and the international economic environment so that by appropriately using its instruments, to ensure the price stability in the medium and long term, and the economic and financial stability.