



Translation
25.11.2010

**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

Within the meeting of the Council of Administration of the NBM, of November 25, 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 operations 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 deposits 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 December 30, 2010, in accordance with the approved schedule.

The recent developments in the external environment, exchange rate and the persistence of clear signals of continuous recovery process of the Moldovan economy have outlined the necessary prerequisites to maintain the annual inflation at the level of the previous month and the inflation forecast limits published by the NBM in the Monetary Policy report no.4 of November 2010.

Consumer price index (CPI) for the last 12 months was positioned at the level of 8.0 percent in October, **maintaining at the level of the previous month**. In October 2010, the CPI recorded an increase of 1.5 percent compared to September 2010, being mainly determined by the seasonal factor upon the foodstuff products the second consecutive month, as well as by the persistence of the inflationary pressures from increased fuel prices and related components of core inflation. The annual core inflation recorded the level of 4.9%, increasing by 0.1 percentage points compared to the previous month and has fallen within the limits of the stated objective for the end of this year.

The discrepancy of 3.1 percentage points between the annual growth rate of CPI and core inflation shows an increased influence of non-monetary factors on inflation process.



Persistence of the risks derived from international financial instability, high unemployment rate on the international labor market and the budget constraints of the EU Member States have helped to keep the deflationary pressures. In addition, it should be mentioned that the increased volatility in the oil market would significantly influence the inflation outlook in the next period, while the foodstuff products prices on international markets have a tendency to increase.

Moldova's economy shows signs of recovery with some tendency to accelerate the economic growth that could contribute to increase the inflationary pressures. The annual rate of industrial production showed an upward trend during this period, increasing from (minus) 0.2 percent in July to 16.8 percent in October 2010. In annual terms, there has been shown amelioration for the domestic trade of goods, export, and investment in fixed capital.

The balance of loans and deposits continued its general upward trend started earlier this year. The average interest rates on loans and deposits have declined slightly in October compared with the previous month.

Thus, the Council of administration of the NBM decided to maintain the monetary policy interest rate at its current level of 7.0 percent in the creation of an appropriate monetary framework for maintaining price stability and supporting the ongoing recovery of the national economy. The NBM will continue firmly to manage the excess liquidity in the banking system through sterilization operations. The Decision of the Council of administration of the NBM regards the revival of the lending process and ensures the optimal monetary conditions for the economic recovery.

The NBM will maintain the adaptive character of the monetary policy and will continue vigorously to monitor the internal and external developments of the economic environment, so that by the use of the appropriate instruments, to ensure the objective achievement set in the Strategy for the monetary policy on the medium term.