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PRESS RELEASE

OF THE NATIONAL BANK OF MOLDOVA

Within the meeting of the Council of Administration of the NBM, of December 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 increase the base rate imposed on main short-term monetary policy operations by 1.0 percentage points from 7.0 to 8.0 percent annually.

2. To increase the interest rates:

● on overnight loans by 1.0 percentage points, from 10.0 to 11.0 percent annually;

● on overnight deposits by 1.0 percentage points, from 4.0 to 5.0 percent annually.

3. The rates mentioned in items 1 and 2 shall be applied from the date of entry into force of this decision until the date of entry into force 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 January 27, 2011, according to the announced schedule.

The continuous recovery of the global economy, exchange rate development and the persistence of prerequisites related to the recovery of the Moldovan economy have conditioned the decrease of the annual inflation rate compared to the previous month and its classification within the NBM forecast limits published in the Monetary Policy Report no. 4 as of November 2010.

The annual inflation rate measured by the consumer price index (CPI) for November 2010 constituted 7.7 percent, which attests the reduction trend started in September 2010. The core inflation[1] is within the limits of the objective stated for the end of this year, accounting for the last 12 months the level of 4.5 percent.

The difference of 3.2 percentage points of the annual growth rate of the CPI and core inflation confirm the increased impact of non-monetary factors on inflation process.

[1] The core inflation is calculated by the NBS by excluding the prices that are outside the area of monetary policy measures promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices.

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The level of oil prices reached its highest level in the last two years, supported by the U.S. stocks reduction, the low temperatures in the U.S. and Europe, and the intensification of global economic recovery. International oil prices will significantly influence the inflation in the future.

The price increase of imported natural gas delivery to Moldova, from January 2011, will contribute to the amplification of the inflationary pressures.

The National Bank of Moldova estimates that the Moldovan economy will fully recover this year after the decline of 2009, reaching its potential development level. Thus, the increase of domestic demand in the next period and the positive deviation of GDP may make additional inflationary pressures.

This conclusion is bolstered by the fact that in November 2010 the new loans have continued an upward trend since the beginning of this year, increasing by 2.1 times compared to November 2009.

Anticipating the additional inflationary pressures because of the risk factors mentioned above, the Council of Administration of the NBM decided to increase the monetary policy rate by 1.0 percentage points to the level of 8.0 percent. This decision will help to mitigate the spread of inflationary impulses from the supply on the inflationary expectations, will reduce the pace and extent of side effects of increases in energy prices and tariffs. In addition, it is expected that this decision will make the improvement in the foreign exchange market without significant deviation of the real GDP growth rate. This decision is also intended to stimulate saving and sustaining the downward trend of inflation.

National Bank of Moldova will continue to vigorously monitor the developments of the internal and external economic environment, to manage the liquidity in the banking system and to maintain price stability through an optimal mix of monetary policy instruments. This decision of the Council of Administration of the NBM restricts slightly the monetary policy, without affecting its adaptive nature.

The Monetary Policy Strategy of the National Bank of Moldova on medium-term was revised as well within the meeting of the Council of Administration. Thus, taking into account the delay in monetary policy impulses on inflation and national economy and the need to increase the operational flexibility, the National Bank of Moldova has extended the time horizon of monetary policy, at least 24 months. In addition, the inflation target range was enlarged to accommodate the higher degree of uncertainty of the internal and external economic environment. In 2011, the NBM will maintain the conditions necessary for the continuation of disinflation. In 2012, the National Bank of Moldova will create conditions for compliance of the inflation within the limit of 5.0 percent annually, with a possible deviation of ± 1.5 percentage points.