



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

**The Council of Administration of the NBM, within the meeting of February 24, 2011, evaluated the current macroeconomic situation in Republic of Moldova and estimated the trends of the medium term macroeconomic indicators, 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 8.0 percent annually;**
- 2. to maintain the interest rates:**
  - on overnight loans at the current level of 11.0 percent annually;**
  - on overnight deposits at the current level of 5.0 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 required reserves norm from financial means attracted in MDL and foreign currency at the current level of 11.0 percent of the base;**
- 5. the next meeting of the Council of Administration on monetary policy will take place on March 31, 2011, in accordance with the approved schedule.**

The recent price developments on the international market for energy resources, disproportional recovery of world economy, exchange rate dynamics of the national currency on the domestic market and the food prices increase in the region, overlapping with the recovery of the Moldovan economy up to the level before the economic crisis, have determined the annual inflation rate to decrease compared to the previous month and its classification within the NBM forecast range published in the Inflation Report no. 1, 2011.

The annual inflation rate measured by the consumer price index (CPI) constituted 6.7 percent in January 2011, decreasing by 1.4 percentage points compared to the previous month. The core inflation<sup>1</sup> has risen by 3.5 percent for the last 12 months.

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

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



It should be mentioned that the increase in fuel prices by 3.3 percent in January 2011 versus the previous month, as a result of the increase in international prices of petroleum products was partially offset by positioning the annual rate of regulated prices on a declining track, which began in September 2010.

Moldova's economy has reached the level up to the economic crisis, so that GDP grew in real terms by 6.9 percent in 2010 compared with the previous year. By categories of resources, the positive developments in all sectors have determined the economy to emerge from the crisis. The domestic demand continues to be the key factor in GDP growth, due to the restoration of expectations regarding the development of the national economy, but also due to the increase of funding sources, which will determine additional inflationary pressures.

In January 2011, the volume of new loans registered an annual growth of 38.1 percent compared to 7.8 percent recorded in January 2010, due, in particular, to the increase of lending in foreign currency to legal entities as well as to the reduction of interest rates on loans granted in national currency by 1.8 percentage points from 17.0 percent to 15.2 percent.

Maintaining the adaptive character of the promoted monetary policy, and taking into account the necessary time to transfer monetary policy impulses, led to a slowing down of the decline of interest rates on loans and deposits, and even to a slight increase compared to the previous months.

In order to anchor the inflation expectations and mitigate the effects of the second round, on February 24, 2011, the Council of Administration of the NBM decided to maintain the monetary policy interest rate to the current level of 8.0 percent. This decision is aimed at strengthening the prospects for mitigating the inflationary process in the context of grounding favorable assumptions on long-term growth. Also, by this decision it is aimed to further support the trend to adequate the level of interest rates charged by the licensed banks and to streamline the saving process.

NBM will continue to manage firmly the liquidity excess in the banking system through sterilization operations to optimize the transmission channels of monetary policy and to ensure a disinflationary environment.

Despite the downward trend of annual inflation in the first quarter, the inflationary pressures will temporarily increase mainly in the third and fourth quarters of 2011, as a result of the influence of developments in fuel and food prices on international markets.

If the next forecast will indicate increased risk of inflation exceeding the limits established on medium term, the NBM will further tighten the monetary policy, using a mix of available instruments, including the minimum required reserves, to guide the inflation back to the established range.