



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

**The Council of Administration of the NBM, within the meeting of April 28, 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 May 26, 2011, in accordance with the approved schedule.**

The annual inflation measured by CPI recorded a downward trend in the first quarter of 2011, constituting 5.8 percent in March 2011, which is consistent with the short-term inflation projection published in the Inflation Report no.1, February 2011. At the same time, the annual rate of inflation during the reference period falls within the middle range of a figure, reaching the stated inflation objective indicated in the Medium-term Monetary Policy Strategy for 2010-2012.

The regulated prices, following the approval of new tariffs for gas and centralized heating, have contributed significantly to the annual inflation rate formation in March 2011. At the same time, the food prices had a major influence as a result of food price fluctuations on the world market and increased transportation costs by overlapping with a more tempered increase of fuel and core inflation components prices.



The annual core inflation<sup>1</sup> constituted 2.8 % in March 2011, being far below the CPI level, which further indicates an increased influence of non-monetary factors on inflation process in Moldova.

During the subsequent periods, the inflation will be determined, in particular, by the persistence of inflationary pressures from the supply side, defined mainly by the regulated prices and oil prices increases on the international markets, which are beyond the control of the NBM. In turn, higher prices on the world oil market will be reflected in domestic prices by increasing prices of imported energy (oil, natural gas), but also indirectly by increasing production costs. Also, there remains the risk that prices of imported products will increase as a result of U.S. dollar depreciation against the euro, whose share is significant in the CPI basket.

As the real GDP level is in proximity to its potential level, the output gap will remain neutral throughout the forecast period, thus diminishing the probability of substantial inflationary pressure from demand side.

NBM projections indicate an acceleration of inflation in the third and fourth quarter of 2011 with a return to its target by the end of 2012. For 2011, the balance of risks related to the forecast is relatively balanced. For 2012, the risks will remain high and the budgetary and fiscal policy will be expansionary, reflecting on prices by stimulating the aggregate demand or through indirect taxes.

On April 28, 2011, the Council of Administration of the NBM decided to maintain the monetary policy interest rate at the current level of 8.0 percent and the required reserves ratio in MDL and in foreign currency at the current level of 11.0 percent. This decision aims to ensure financial sustainability and to continue to boost the economy in conjunction with optimizing the savings of the population.

NBM will continue to manage firmly the liquidity excess in the banking system through sterilization operations to streamline the transmission mechanism of monetary policy decisions on the real economy and ensure a disinflationary macroeconomic framework.

NBM will maintain the adaptive character of the monetary policy, following and anticipating further the macroeconomic indicators developments, the situation in the money and foreign exchange market in order to ensure appropriate conditions for maintaining the balance between price stability and national economic recovery.

---

<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.



If the future projections will show a high probability of materialization of risks of inflation exceeding the limits stipulated in the Medium-term Monetary Policy Strategy for 2010-2012, the NBM will tighten the monetary policy by using the monetary policy instruments to guide the inflation rate to its target.

A more detailed analysis of recent macroeconomic situation, of the medium-term outlook of inflation and the potential risks and challenges that monetary policy will face in the next period will be presented in the Inflation Report no. 2, intended for publication by the National Bank of Moldova on May 5, 2011.