



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

Within the meeting of the Council of Administration of the NBM of September 29, 2011, the current macroeconomic situation of the Republic of Moldova, 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 10.0 percent annually;**
- 2. to maintain the interest rates:**
 - on overnight loans at the current level of 13.0 percent annually;**
 - on overnight deposits at the current level of 7.0 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 14.0 percent of the base;**
- 5. the next meeting of the Council of Administration on monetary policy will take place on October 27, 2011, in accordance with the approved schedule.**

Recent global macroeconomic developments, dynamics of the national currency exchange rate and persistence of the premises for continuing the robust growth in third quarter of 2011 have determined the acceleration of the inflationary process in the Republic of Moldova.

The annual inflation rate for August 2011 reached the level of 9.2 percent, increasing by 0.9 percentage points compared to the previous month. This dynamics was determined by the propagation of second round effects from increasing fuel prices and utility tariffs, by the reduction of food supply on the domestic market as a result of adverse weather conditions for certain crops, and by the increase in both domestic demand from the population for some products and services and in foreign demand for some local products. Annual rate of core inflation recorded a level of 4.1 percent, by 0.1 percentage point higher than the previous month.



According to the preliminary data presented by the National Bureau of Statistics, the GDP grew by 7.5 percent in the first half of this year compared with the same period last year. Increased foreign demand to domestic products in conjunction with the increase of household disposable income provided a further economic growth in the second quarter of 2011 (6.8 percent), but in a more moderate pace compared with the first quarter of this year (8.4 percent). It should be mentioned that data on industrial production, transport of goods and foreign trade for the first months of the current quarter shows persistence of prerequisites for continuing the strong economic growth in the third quarter of 2011.

In August 2011, the volume of new loans has recorded an increase of 25.0 percent as compared to the same period of the previous year recording a value of 2282.3 million lei. The recorded growth was due to the positive dynamics in lending in both domestic currency and foreign currency. This evolution is similar on both segments of customers as a result of the reduction in average interest rates on loans. However, the degree of saving of the population was consolidated, as confirmed by the increase of deposits in MDL by 23.5 percent in August compared to the same period last year.

Thus, on September 29, 2011, the Council of Administration of the NBM decided to maintain the monetary policy interest rate at the current level of 10.0 percent annually and the current level of 14.0 percent of base rate reserve ratios on both MDL and foreign currency.

This decision aims to anchor inflation expectations in the context of overall monetary conditions to ensure adequate international gradual adjustment to uncertain macroeconomic environment.

At the same time, to ensure proper functioning of the interbank money market, the NBM will continue to manage firmly the liquidity excess through sterilization operations.

Prospects for the future trajectory of inflation are affected by the high degree of uncertainty associated with the external macroeconomic environment, dynamics of international prices for food and fuel, increased volatility in international money market by overlap with possible adjustments to domestic regulated prices and increases in utility tariffs.

NBM will continue to promote a prudent monetary policy, monitoring and anticipating the internal and external macroeconomic developments, so that using promptly the monetary policy instruments to ensure price stability over the medium term.