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PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA

Within the meeting of the Council of Administration of the NBM of March 29, 2012, the current macroeconomic situation of the Republic of Moldova and the external economic environment have been assessed, estimating the trends of the medium term macroeconomic indicators. In addition, the medium and short-term inflation outlook has been quantified, as well as 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 4.5 percent annually;

2. to maintain the interest rates:

● on overnight loans at the current level of 7.5 percent annually;

● on overnight deposits at the current level of 1.5 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 ratio 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 April 26, 2012, in accordance with the approved schedule.

The current global macroeconomic situation, increased volatility in oil prices, the dynamics of the national currency exchange rate, along with the persistence of the premises of a slower domestic economic growth in the first quarter of 2012, have resulted in the consolidation of the disinflationary process in the Republic of Moldova.

Thus, the annual inflation rate for February 2012 reached the level of 6.2 percent, decreasing by 0.8 percentage points as compared to the previous month. The slowdown in the economic activity growth, which has mainly determined this dynamic, occurred in the context of lower external demand and reduced growth of remittances, on the background of the evolution of the national currency against the currencies of the main trading partners. The annual core inflation rate recorded a level of 5.5 percent[1], by 0.5 percentage points lower than the level recorded in the previous month, as a result of domestic demand reduction.

[1] Core inflation is calculated by the NBS, excluding prices that are outside the influence of monetary policy promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices. Data established and published from January 2012 are calculated by the NBS according to the modification of Annex no.2 of "Methodology for the calculation of core inflation index", approved by joint order of the National Bank of Moldova and National Bureau of Statistics N8-07-01203/6 of January 19, 2012(the modification refers to the inclusion of prices for remote communication services and medicines in regulated prices).

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According to the preliminary data presented by the National Bureau of Statistics, the gross domestic product in 2011 increased by 6.4 percent as compared to the previous year. This increment was due mainly to augmented foreign demand for domestic products and increased disposable income of the population in the analyzed period, which have resulted in positive developments in the economy. Data on industrial production and volume of goods transported in the first two months of 2012 show premises related to a continuous slowdown in the annual growth of GDP in the first quarter of 2012 in the context of increased pressures induced by the euro area sovereign debt crisis.

In February 2012, the new granted loans recorded an annual increase of 23.2 percent, amounting to 2291.1 million lei. This evolution was determined by the growth of loans in national currency by 41.7 percent and of those in foreign currency by 5.6 percent.

The new attracted deposits during February 2012 recorded an annual growth rate of 14.4 percent, constituting 3377.7 million lei. Thus, the deposits in national currency have increased by 34.1 percent while those in foreign currency decreased by 7.5 percent as compared to February 2011.

The average interest rate on new granted loans in national currency during February 2012 has returned to the downward trend, recording a new historical minimum level of 13.90 percent (by 0.82 percentage points less than in January 2012), while the average interest rate on term deposits of the banking system rose by 0.98 percentage points, reaching the level of 8.04 percent.

The increased exposure of the domestic economy to macroeconomic turbulences from the Member States of the European Union through the export channel and capital flows involves the probability of a continuous reduction of domestic demand and the maintenance of its disinflationary pressures. However, the challenge to inflation could arise from the materialization of risks related to the increase of world oil prices following the imposition of the embargo on Iranian oil imports, increase of electricity tariffs resulting from the rise of import prices, as well as the increase of food prices as result of adverse weather conditions in the recent months recorded in the country and in the region.

The updated baseline projection published in the Inflation Report from February 2012, forecasts a 4.9 percent annual inflation rate at the end of 2012.

Revaluing the risks related to the medium term inflation outlook, within the meeting of March 29, 2012, the Council of Administration of the NBM decided to maintain the monetary policy interest rate at the current level of 4.5 percent annually. At the same time, the Council of Administration of the NBM decided to maintain the minimum required reserve ratios in MDL and foreign currency at the current level of 14.0 percent of the base.

This decision aims to further ensure real overall monetary conditions appropriate for the gradual adjustment to the current international macroeconomic context and further boost of domestic demand

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through a sustainable financing of the real economy.

The National Bank of Moldova will focus on managing the liquidity in the banking system taking into account the current tasks and the medium-term perspective, which include, in particular, the formation of premises for the redistribution of banking assets to the real sector of the economy.

In this respect, the National Bank will continue to offer banks liquidity, according to the announced schedule for 2012-2013, through REPO operations on terms of 28 days, at a fixed rate equal to the National Bank base rate plus a margin of 0.25 percentage points.

Simultaneously, in the context of maintaining liquidity excess in the banking system, the liquidity absorption instrument will be maintained, through the sale of the NBM Certificates at the basic rate of the National Bank of Moldova, fully satisfying the banks requests.

The National Bank of Moldova reiterates that it will maintain the adaptive nature of the monetary policy, monitoring and anticipating further the evolutions of domestic and international economic environment, by using an appropriate mix of monetary instruments for achieving and maintaining price stability over the medium term.

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