

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

Within the meeting of December 27, 2012, the Council of Administration of the National Bank of Moldova approved the new Medium-term monetary policy strategy.

This paper is a continuation of the Monetary policy strategy of the National Bank of Moldova for 2010-2012 and includes the medium-term strategic directions of the activity of the monetary authority, aimed at achieving its primary objective of ensuring and maintaining price stability.

During the years 2010-2012, the NBM created conditions for strengthening the monetary policy framework specific to the direct inflation targeting regime in terms of gradually reducing the annual inflation rate, which stood in the last three years on the level of a single digit. During the last 11 months, the inflation rate was within the range of variation of ± 1.5 percentage points from the target of 5.0 percent. The flexibility of the national currency exchange rate allowed the national economy to adjust more easily to internal and external shocks. The consistent, predictable and transparent monetary policy increased the credibility of the National Bank of Moldova.

The new Medium-term monetary policy strategy of the National Bank of Moldova provides for the maintenance of the quantitative inflation objective at the level of 5.0 percent with a possible deviation of ± 1.5 percentage points, which is considered the optimal level for the sustainable economic development and growth of the Republic of Moldova on medium-term. In the long run, the configuration of some macroeconomic and monetary conditions conducive to lowering the durable pace of price increases is anticipated, so that the NBM will gradually diminish the inflation target in order to better anchor inflationary expectations.

The target of 5.0 percent annually will be achieved through the use of the main monetary policy instrument - open market operations. At the same time, the NBM will also use auxiliary monetary policy instruments, standing facilities, required reserves ratio, and in certain circumstances foreign exchange market interventions. These instruments have a direct impact on the short-term nominal interest rates in the money market. The National Bank will maintain the managed float currency regime without a default target of the exchange rate of the MDL.

In order to achieve the inflation target, the money market conditions will continue to be led by the NBM through the establishment by the Council of Administration of the main short-term interbank money market indicator - the base rate.

The medium-term strategy of the NBM sets out the monetary policy regime, monetary instruments and their application and the decision-making process, the transmission mechanism, monetary policy transparency and communication.

In the press conference for the presentation of the Inflation Report no.1 of February 7, 2013 the Governor of the NBM, Mr. Dorin Drăguțanu, will explain the conceptual aspects of the Strategy.

The medium-term monetary policy strategy is available on the official website of the National Bank of Moldova www.bnm.md.