



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

Council of Administration of the NBM within the meeting of the of February 28, 2013, adopted, by a unanimous vote, the following decision:

- 1. to maintain the base rate applied on main short-term monetary policy operations to the current level of 4.5 percent annually;**
- 2. to maintain the interest rates:**
 - on overnight loans to the current level of 7.5 percent annually;**
 - on overnight deposits to the current level of 1.5 percent annually;**
- 3. 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.**

The analysis of recent trends in macroeconomic indicators show a continued upward trend in the annual inflation rate for the second consecutive month, remaining within the range of variation of ± 1.5 percentage points from the 5.0 percent target.

The annual inflation rate for January 2013 reached the level of 4.6 percent or by 0.5 percentage points higher as compared to the previous month. The acceleration of inflationary rates was due to temporary amplification of pressure from food prices associated with dry weather in 2012, along with higher prices for some components related to the core inflation. The annual rate of core inflation¹ has increased by 0.2 percentage points as compared to December 2012, constituting 3.9 percent. Prices of catering, cigarettes, knitwear, education and training influenced the most the core inflation in January 2013.

The unfavorable dynamics of internal and external trade and industrial production in the fourth quarter of 2012 show further contraction in economic activity during the reference period, suggesting the persistence of disinflationary pressures from aggregate demand.

Credit and savings processes have slowed in January 2013 compared to the same period last year. Thus, the volume of new loans granted during the reporting period decreased by 9.0 percent and new deposits attracted fell by 14.7 percent.

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).

The average interest rates applied by banks for the operations in national currency in January 2013 have fared congruent. Thus, the average rate on new loans increased by 0.43 percentage points compared to December 2012, representing 12.41 percent and the new attracted deposits increased by 0.11 percentage points, reaching the level of 8.55 percent.

The monetary policy continues to be affected by inflation and disinflation risk balance complexity. The pro-inflationary risks of external origin are represented by the potential increase in world energy, oil and food prices, while the domestic ones can be influenced by changes in fiscal policy for 2013. The disinflationary pressures will arise from a sharp slowdown in domestic economic activity, along with weak domestic and foreign demand.

Thus, the inflation will be supply-side and respectively, the monetary policy will continue to maintain its expansionary nature to ensure the achievement of inflation target.

In these circumstances, the Council of Administration of the NBM decided within its meeting of February 28, 2013, by a unanimous vote, to maintain the monetary policy rate at the current level of 4.5 percent annually, and the minimum required reserves ratio in MDL and in foreign currency at the current level of 14.0 percent of the base.

This decision aims to ensure appropriate monetary conditions to stimulate the lending process and boost the domestic demand, as well as those related to anchoring the inflation expectations in the context of strengthening the prospects of keeping inflation around the target of 5.0 percent with a possible deviation of ± 1.5 percentage points.

In order to support the proper functioning of the interbank money market, the NBM will continue to manage firmly the surplus liquidity through sterilization operations.

At the same time, the National Bank will continue to offer banks liquidity, according to the announced schedule for the years 2013-2014, through REPO operations with 28 days maturity, at fixed rate, equal to the base rate of the NBM, plus a margin of 0.25 percentage points.

We reiterate that the NBM will continue to monitor and anticipate the developments in domestic and international economic environment, so that to ensure price stability in the medium term through the flexibility of the operational framework specific for the inflation targeting strategy.

The next meeting of the Council of Administration of the NBM on monetary policy will take place on March 28, 2013, according to the announced schedule.