

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

Within the meeting of March 28, 2013, the Council of Administration of the NBM 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 the current macroeconomic environment shows a reduced annual inflation rate and its maintaining within the range of variation of ± 1.5 percentage points from the 5.0 percent target.

The annual inflation rate for February 2013 reached the level of 4.3 percent or by 0.3 percentage points less as compared to the previous month. The slowdown in the inflationary rate occurred mainly as a result of pressure from slight moderation in food prices. The annual rate of core inflation¹ remained at the previous month level, constituting 3.9 percent.

The unfavorable development of industrial production in January 2013 confirms the hypothesis previously announced on contracting economic activity during the reference period, thereby contributing to the maintenance of disinflationary pressures from the aggregate demand. At the same time, there is an improvement in terms of household income, so that the real average wages in the economy increased in January 2013 by 4.0 percent and remittances to individuals increased by 21.7 percent.

The annual growth rate of new loans and deposits traded in February 2013 remained negative. Thus, the volume of new loans granted in the reporting period decreased by 25.8 percent and the new attracted deposits decreased by 13.9 percent compared to February 2012.

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 recorded a slight upward trend in February 2013. Thus, the average rate on new loans increased by 0.82 percentage points compared to January, representing 13.23 percent and the new attracted deposits increased slightly by 0.01 percentage points, recording the level of 8.56 percent.

The monetary policy continues to be affected by the complexity of risks balance, with the prevalence of disinflationary ones. The disinflationary environment is generated by the reduction in domestic and external demand, international oil and food prices, and the domestic food price developments. The pro-inflationary risks may arise from the adjustment of fiscal policy for 2013.

Although the risks and uncertainties to inflation continue to persist, the outlook for the CPI developments in the medium term remain favorable, resulting in maintaining the adequate character of the monetary policy.

In these circumstances, the Council of Administration of the NBM decided within its meeting of March 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 April 25, 2013, according to the announced schedule.