

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

Within the meeting of May 30, 2013, 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 3.5 percent annually;**
- 2. to maintain the interest rates:**
 - on overnight loans at the current level of 6.5 percent annually;**
 - on overnight deposits at the current level of 0.5 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 annual inflation rate for April 2013 reached the level of 4.5 percent or by 0.3 percentage points more as compared to the previous month. The slight increase in inflation was mainly caused by a higher contribution of food prices. The annual rate of core inflation¹ was 3.9 percent, decreasing by 0.1 percentage points compared with the previous month.

Data for the first months of the year on foreign trade, industrial production and transport of goods show some signs of economic activity's revival. Thus, the exports and imports increased by 15.4 and 3.2 percent respectively, while industrial production registered positive growth for two consecutive months, after six months of negative developments. A positive dynamics is observed in terms of consumer demand, the annual average real wage growth in the economy accounted for 4.3 percent in the first quarter of 2013, by 0.3 percentage points higher compared to the level registered in the fourth quarter of 2012.

Lending and saving processes had divergent evolutions in April 2013. Thus, the volume of new loans granted during the reporting period increased by 24.8 percent, while new attracted deposits decreased by 17.6 percent compared to the same period last year.

The average interest rates applied by banks on loans and deposits in national currency recorded a downward trend. Thus, the average interest rate on new granted loans was 12.40 percent, decreasing by

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).

0.37 percentage points compared to March 2013, while the average interest rate on new attracted deposits was 7.33 percent, decreasing by 0.73 percentage points in April 2013.

The monetary policy continues to be affected by the complexity of risks balance, with the prevalence of disinflationary ones. The disinflationary nature of risks to inflation is determined by the slowdown in international oil price increases and by the less optimistic forecasts for global economic growth (fueled both by the poor development of the euro zone economy and by an economic growth below expectations in the U.S.). Pro-inflationary pressures might arise from the recent adjustment of the fiscal policy for 2013 and from the increase in seasonal food prices.

In these circumstances, the Council of Administration of the NBM decided within its meeting of May 30, 2013, by unanimous vote, to maintain the monetary policy interest rate at the level of 3.5 percent annually. It was also decided to maintain the 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 the continuation of real monetary conditions conducive to the stimulation of lending and economic activity, as well as those related to anchoring inflation expectations in the context of maintaining inflation close to the target of 5.0 percent in the medium term, 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 liquidity excess through sterilization operations.

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

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

The next meeting of the Council of Administration of the NBM on monetary policy will take place on June 27, 2013, according to the announced schedule.