



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

Within the meeting of December 26, 2013, the Council of Administration of the NBM adopted the following decision by unanimous vote:

- 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 in November 2013 reached the level of 4.9 percent or by 0.2 percentage points higher compared to the previous month. During the last 22 months, the annual inflation rate is maintained within the range of variation of ± 1.5 percentage points from 5.0 percent target.

The inflation rate recorded in November 2013 highlights the prerequisites for inflation in the fourth quarter 2013 to slightly exceed the expected value indicated in the Inflation Report no.4 published in November 2013, due to higher than expected food prices in October 2013.

The annual rate of core inflation¹ amounted to 4.7 percent in November 2013, increasing by 0.1 percentage points from the previous month.

In the third quarter of 2013, GDP grew by 12.9 percent compared to the same period of the last year, after an increase of 6.1 percent in the second quarter of this year. Higher than expected growth of the national economy was mainly due to significant increase in gross value added in agriculture after a droughty year, which resulted in an increase of goods exported and a modest growth in those imported. This process was supported by the depreciation of the national currency during the current year in relation to major trading partners, given their economic activity was less pronounced. Latest information published by the NBS on foreign trade, domestic trade, industrial production and freight transport shows continued economic growth in the fourth quarter of 2013, but more moderate compared to the third quarter of 2013.

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).



In terms of consumer demand, the annual growth rate of average real wage in the economy was 3.9 percent in October 2013, by 1.4 percentage points less than the second quarter of 2013. Cash remittances to individuals through official channels have increased by 3.3 percent compared to October 2012, the annual rate decreasing for the third consecutive month.

Lending and savings processes recorded divergent developments in November 2013. The volume of new loans granted during the reporting period increased by 25.3 percent, while the volume of deposits decreased by 11.2 percent compared to the same period of the last year. Total balances of loans and deposits at the end of November increased by 16.1 percent and by 24.2 percent respectively from the previous year.

The average interest rate on loans in national currency has increased by 0.16 percentage points, compared to October 2013, recording a level of 12.10 percent. The average interest rates on deposits attracted in national currency has decreased by 0.19 percentage points, up to the level of 6.35 in November 2013.

The monetary policy continues to be affected by the complexity of risk balance, with a prevalence of disinflationary risks. Disinflationary pressures are determined in particular by the stagnation of aggregate demand, the slowdown in consumption, reflected by lower imports, and the depreciation of currencies of main trade partners. Factors that could contribute to offsetting disinflation are: gradual economic recovery in the European Union, increasing international oil prices amid the ongoing tensions in the Middle East and domestic demand stimulation.

In these circumstances, the Council of Administration of the NBM decided within its meeting of December 26, 2013 to maintain the incentive nature of the monetary policy and 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 further ensure favorable monetary conditions to stimulate lending and the economic activity and those related to anchoring inflation expectations by 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, according to the announced schedule.

The National Bank will continue to offer banks liquidity, according to the schedule announced for the years 2013-2015, 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.



NBM will further monitor and anticipate the domestic and international economic environment developments, including household consumption dynamics and changing foreign trade conditions, so that by the flexibility of 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 January 30, 2014, according to the announced schedule.