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Within the meeting of the 26 August 2015, the Executive Board of the National Bank of Moldova adopted the following decision by unanimous vote:

1. to increase the base rate applied on main short-term monetary policy operations by 2.0 percentage points, from the level of 17.5 to 19.5 percent annually;

2. To increase the interest rates:
- **on overnight loans by 2.0 percentage points, from 20.5 to 22.5 percent annually;**
- **on overnight deposits by 2.0 percentage points, from 14.5 to 16.5 percent annually;**

3. To increase the required reserves ratio from financial means in MDL and non-convertible currency by 3.0 percentage points and set at the level of 35.0 percent of the base starting with the maintenance period of 08 October 2015 - 07 November 2015 of the required reserves in MDL;

4. To maintain the required reserves ratio from financial means attracted in freely convertible currency at the level of 14.0 percent of the base.

5. The rates referred to in items 1 and 2 shall entry into force on 02 September 2015.

The annual inflation rate reached in July 2015 the level of 8.6 percent or by 0.3 percentage points more compared to the previous month, mainly due to higher contribution from core inflation and food prices by 4.0 and 3.0 percentage points, respectively.

In July 2015, the annual rate of core inflation accounted for 11.8 percent, by 0.7 percentage points more compared to June 2015.

In the first semester, exports and imports decreased by 15.3 and 22.1 percent respectively, compared to the same period of the previous year, while the industrial output increased by 5.9 percent.

Transport of goods decreased by 7.7 percent during January - July 2015, compared to the same period of the previous year.

In terms of consumer demand, the annual average real wage growth in the economy in June 2015 was 4.0 percent, by 0.3 percentage points higher that in June 2014. Money transfers to individuals through the banks of the Republic of Moldova fell by 30.1 percent in January-July 2015 and by 37.0 percent in July 2015 compared with the same period of 2014.

At the end of July 2015, the balance of loans granted to economy decreased by 6.7 percent compared to the end of July 2014, while the that of deposits increased by 2.7 percent.

In July 2015, the average interest rates applied by banks to loans and deposits in national currency recorded an upward trend. Thus, the average annual interest rate on the loan portfolio in national currency increased by 0.08 percentage points compared to the previous month, constituting 12.14 percent. The average interest rate for deposits in MDL increased by 0.46 percentage points compared to June, registering a level of 11.03 percent.

The monetary policy continues to be affected by the complexity of risk balance, with a prevalence of inflationary risks. Weak economic activity in the euro area countries and the recession of the Russian Federation - the main trading partners of the Republic of Moldova maintain the risk of lowering of foreign currency income of households and domestic exporters in short-term, through remittances and foreign trade channel. This may subsequently influence inflation and the escalation of geopolitical tensions in the region may cause additional inflationary pressures.

The depreciation of the national currency since the beginning of this year has increased the inflationary pressures, which will subsequently determine in the future periods, through the prices of imported goods and tariffs of regulated services and later by second-round effects, the IPC to leave temporarily the upper limit of the variation range of ± 1.5 percentage point from the inflation target of 5.0 percent. It is anticipated that inflation will accelerate in the coming quarters, including due to the low calculation base of the previous year.

Against this background, within the meeting held on 26 August 2015, the members of the Executive Board of the NBM decided by unanimous vote to increase the policy rate by 2.0 percentage points from 17.5 to 19.5 percent annually.

In order to sterilize excess liquidity accumulated in recent months and improve the transmission mechanism of monetary policy decisions, the Executive Board took the decision to increase the required reserves ratio attracted in MDL and non-convertible currency by 3.0 percentage points up to 35.0 percent of the value of the base for the maintenance period of required reserves in MDL: 08 October 2015 - 07 November 2015. At the same time, the required reserves ratio from financial means attracted in freely convertible currency was maintained at the current level 14.0 percent of the base.

The decisions of the Executive Board of 26 August 2015 are aimed at anchoring inflation expectations in the context of restoring and maintaining the inflation rate close to the target of 5.0 percent over 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.

National Bank will continue to offer banks liquidity, according to the schedule announced for 2015, through REPO operations with the term of 14 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, remittances 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 Executive Board of the NBM on monetary policy will take place on 24 September 2015, according to the announced schedule.

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