Publicat pe (https://www.bnm.md)

06.08.2020

NBM approved a set of incentive monetary policy measures

The Executive Board of the National Bank of Moldova (NBM) decided unanimously, at its meeting of 6 August 2020, a set of incentive monetary policy measures.

Thus, the base rate applied to the main short-term monetary policy operations decreased by 0.25 percentage points to 3.0 percent annually. This measure creates conditions for maintaining inflation in the range of ± 1.5 percentage points from the medium-term inflation target of 5.0 percent.

The decision is based on an assessment of the recent available macroeconomic information on internal and external environment and the assumptions taken into account in drawing up the new forecasting round.

At the same time, the Executive Board set the interest rates at the level of 5.5 percent on overnight loans and of 0.5 percent on overnight deposits. The decrease of 1.0 percentage points in the interest rates corridor aims to calibrate monetary policy instruments in order to streamline the monetary policy transmission mechanism.

The required reserves ratio from the financial means attracted in Moldovan lei and in non-convertible currency decreased by 1.0 percentage points, up to 32.0 percent for the application periods of 16 August 2020 – 15 September 2020, and, respectively, 16 September 2020 – 15 October 2020. The required reserves ratio from the financial means attracted in freely convertible currency increased by 3.0 percentage points, up to 27.0 percent, for the same application periods. The decision to continue balancing the required reserve ratios, also discussed in last month's talks with the IMF, aims to improve financial intermediation in the national currency.

The Inflation Report no. 3 was also approved during today's meeting, which will be published on 13 August 2020.

According to the forecast contained in the report, the aggregate demand will generate disinflationary pressures by the third quarter of 2021, mainly due to the measures taken by the authorities to mitigate the pandemic crisis and to reduce budget expenditures in the first half of this year.

In this context, the aggregate domestic demand and the negative fiscal impulse as well as the decrease in some regulated tariffs will be the main factors with disinflationary action. At the same time, a pro-inflationary influence will have the decrease of the agricultural production in the current year, the export restrictions to some agro-food products in the region, the effect of the products with a strong seasonal character and the adjustment of excise duties.

The NBM is continuously monitoring the macroeconomic situation caused by the pandemic and, in due course, without compromising its fundamental objective of ensuring price stability, will come up with the necessary measures to maintain a sufficient liquidity level for licensed banks, in support of a sustainable and stable banking system.

The next monetary policy meeting will take place on 9 September 2020, according to the published schedule [1].

Evolution of the NBM interest rates [2]

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[1] https://www.bnm.md/en/content/schedule-monetary-policy-meetings-2016 [2] https://www.bnm.md/en/content/nbm-interest-rates?base_rates_full [3] https://www.bnm.md/ro/search?hashtags[0]=inflation rate [4] https://www.bnm.md/ro/search?hashtags[0]=base rate [5] https://www.bnm.md/ro/search?hashtags[0]=overnight credit [6] https://www.bnm.md/ro/search?hashtags[0]=overnight deposit [7] https://www.bnm.md/ro/search?hashtags[0]=CPI [8] https://www.bnm.md/ro/search?hashtags[0]=core inflation [9] https://www.bnm.md/ro/search?hashtags[0]=Monetary policy decisions [10] https://www.bnm.md/ro/search?hashtags[0]=Monetary policy decision