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

09.09.2020

Monetary policy decision: the base rate was decreased

The Executive Board of the National Bank of Moldova (NBM) decided, by unanimous vote, to decrease the base rate applied to the main short-term monetary policy operations by 0.25 percent to 2.75 percent annually. This decision has an incentive nature and is aimed at achieving the NBM fundamental objective, as well as at supporting the lending process in order to support the domestic aggregate demand and the national economy.

The decision was taken in the conditions in which the consumer prices evolution is determined by disinflationary pressures manifested both in the internal and external environment. These conditions refer, on the one hand, the maintenance of the negative effects of the aggregate demand, to the decrease in regulated tariffs for electricity, the appreciation of the national currency, and on the other hand, to the lower dynamics of prices for energy and international food and to the decrease in the global economic activity.

At the meeting it was also decided that interest rates on overnight loans decreased up to the level of 5.25 percent annually and those on overnight deposits up to the level of 0.25 percent annually.

The required reserves ratio from the financial means attracted in freely convertible currency increased by 1.5 percentage points up to 30.0 percent of the calculation base, for the application periods of 16 October - 15 November 2020 and 16 November - 15 December 2020, respectively. The decision further balances the application of this monetary policy instrument in order to optimize the financial intermediation in the banking sector and strengthen the monetary and foreign exchange policy transmission mechanism.

Thus, the NBM uses the entire arsenal of monetary policy instruments to maintain the inflation within the variation of ± 1.5 from the 5 percent target - conditioned by a sustainable economic activity, while other stimulus measures are needed to support and amplify this effect, including fiscal budgetary and structural ones, etc.

The today's decision was taken based on recent data that confirmed the main assumptions and conclusions reflected in the Inflation Report no. 3, 2020. At the same time, against the background of the amplification of the disinflationary pressures mentioned above, it is possible that, in the current year, the inflation will fall below the range of variation of ± 1.5 from the 5 percent target and will remain until the end of next year.

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

The next monetary policy meeting will take place on 30 October 2020, according to the published schedule [1].

Evolution of the NBM interest rates [2]

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