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The law prohibits granting any financial assistance to the state - any loan from the NBM would lead to impoverishment of the population

Following several requests from media institutions on a possible loan to the state or the use of foreign exchange reserves, the National Bank of Moldova states:

In order to overcome the economic crisis, to support the economic agents and the population in the pandemic conditions, the executives from several countries resorts to internal or external loans. In the Republic of Moldova, the attraction of domestic resources by the executive is provided by law and the National Bank, as a state fiscal agent, places on a regular basis state securities (SS) and government bonds in the primary market.

The law on the National Bank of Moldova prohibits granting any financial assistance to the state and its bodies. Banking and non-banking financial institutions ensure state or business lending. There is currently sufficient liquidity in the banking sector.

NBM ensured the existence of a high level of liquidity in banks, namely to create conditions for lending to business and the Ministry of Finance, and therefore, they are available for the needs of the economy. Thus, the macro-monetary balance is ensured and conditions are created for lending to the economy.

Any loan from the NBM to the state would mean an additional issuance of money, which would lead to the inevitable price rise and, consequently, to the impoverishment of the population, affecting the most vulnerable layers of society.

At the same time, it is important to mention that the funds from the accounts of the Ministry of Finance obtained in the form of external financial assistance (loans and grants) are included in the official reserve assets. The Ministry of Finance uses these funds freely, including after conversion into national currency, for budget expenditures and the development of investment projects.

We will also specify that the official reserve assets are managed by the central bank to support the balance of payments and, where appropriate, to regulate its imbalances, in order to maintain confidence in the national currency and the national economy in general.

The NBM maintains foreign exchange reserves at an appropriate level. The law on the National Bank of Moldova stipulates that the NBM "maintains international reserves at a level that in its view is adequate for the implementation of the state's monetary and foreign exchange policy." Their adequacy is assessed, in accordance with international practice, based on several indicators, including the coverage of an appropriate import period and the degree of short-term external debt coverage. Currently, these indicators show a high degree of adequacy of foreign exchange reserves. This speaks to the resilience of our economy to crisis situations.

The use of foreign exchange reserves for the purposes for which they are intended, in addition to the negative effects of monetary policy, may trigger other shocks, which may increase the pressures on foreign exchange reserves. This situation is not forthcoming at all, especially now when we need strong foreign exchange reserves in the face of the current global crisis.

The conversion of foreign exchange reserves and their domestic use would immediately lead to higher prices, because for the same currency unit would be issued once again national currency units at the appropriate exchange rate. At the same time, there would be a depreciation caused by the reduction in the national currency credibility, with a consecutive valuation of population savings and a subsequent price increase - inflation.

As a result, any loan from the NBM to the state or the use of foreign exchange reserves for other purposes would

undermine the country's credibility, affect the economy and put citizens in financial difficulty.

Tag-uri

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