



MONETARY AND FOREIGN EXCHANGE POLICY OF THE NATIONAL BANK OF MOLDOVA FOR THE YEAR OF 2009

The monetary and foreign exchange policy for 2009 has been worked out pursuant to the Law on the National Bank of Moldova no. 548-XIII of July 21, 1995 and has the purpose of revising and evaluating the monetary and foreign exchange policy in the course of 2008, as well as to establish the main objectives of the monetary and foreign exchange policy for 2009.

Taking into account its fundamental objective “the achievement and the maintenance of price stability”, the monetary and foreign exchange policy of the National Bank of Moldova for 2009 will be focused on the maintenance of the inflation indicator at the level of 9.0% by the end of the year, with a possible deviation of +/- 1.0 percentage point.

1. EVALUATION OF THE MONETARY AND FOREIGN EXCHANGE POLICY FOR THE YEAR OF 2008

Achieving the fundamental objective

The fundamental objective of the monetary and foreign exchange policy for 2008 was the maintenance of the inflation rate by the end of the year within the limits of 10.0%. During the first eleven months (November 2008 versus December 2007) the **cumulative inflation** constituted 7.5%, including prices for foodstuff products increased by 6.5%, non-foodstuff products by 3.4% and services rendered to the population by 16.0%. **The inflation level** in November 2008 versus November 2007 amounted to 8.5%, consumer prices for foodstuff products increased by 8.0%, for non-foodstuff products – by 4.2% and for services rendered to the population – by 16.2%.

The dynamics of the consumer prices index during January - November 2008 knew two stages:

a) by the end of May 2008, the inflation index increased rapidly and reached the level of 7.4% from the beginning of the year and the level of 16.9% as compared to May 2007. The prices increase for the given period was determined by:

- the significant increase of prices for foodstuff products generated by secondary consequences of the adverse weather conditions recorded in 2007 in the Republic of Moldova and in the region;

- the increase of prices for energy supply and of tariffs for services determined by the evolution of the world prices;

- the increase of money supply as a result of the growth of the foreign currency flows and of the rapid growth of the banking credit;

b) 2.0%-deflation was recorded in June–July, followed by a moderate inflation growth



during the months of August, September, October and November 2008 of 0.7, 0.6, 0.8, 0.0% respectively, which conditioned an inflation level of 7.5% from the beginning of the year and an annual inflation level of 8.5%.

Bringing the inflation on a descendent trend was possible due to the application of certain joint measures of the National Bank of Moldova and of the Government of the Republic of Moldova, and namely: the tightening of the monetary, budgetary and fiscal policy, as well as, the ensuring of the market activity based on free competition principles.

Another factor that influenced the reduction of the inflation level in September – October was the diminution of prices for petroleum resources, as a result of its evolution in the international market and the positive effects of rich crops from the current year.

Producers' prices for the industrial production for the first ten months of 2008 advanced by 6.2%, including for the mining and quarrying industry – by 13.9%, for the processing industry – by 4.6% and for energy, heat, gas and water supply – by 41.6%.

The analysis of the situation and of the factors that will determine the evolution of consumer prices in the subsequent period and will allow for the forecast that the inflation rate will be maintained by the end of 2008 within the limits of up to 10.0%.

Macroeconomic indicators

Gross domestic product (GDP) in January–September 2008 constituted 43534.0 million lei in current prices, increasing in real terms by 7.6% versus the corresponding period of 2007.

In January–September 2008 ***the volume of agricultural production*** equalled to 12016 million lei, increasing in real terms by 27.3% as compared to the similar period of 2007.

The industrial production volume in January–October 2008 constituted 21776.9 million lei, by 2.8% more in real terms versus the respective period of 2007.

In January–September 2008 ***fixed capital investments*** amounted to 9575.1 million lei, increasing by 9.0% in real terms as against the corresponding period of the previous year.

The monthly average salary per one employee of the national economy for the period of January–October 2008 constituted 2474.9 lei, recording an increase by 24.1% as compared to the first ten months of 2007.

Retail trade carried out by commercial units in the period of January–October 2008 totalled 17365.4 million lei, and registered a real increase by 13.1% as compared to the corresponding period of the previous year.

The volume of ***paid services rendered to the population through the officially registered units*** in January–October 2008 constituted 9141.0 million lei, increasing in real terms by 0.2% versus the similar period of the previous year.

During the period of January–October 2008 incomes were accumulated in *the state budget* in an amount of 20383.2 million lei, which represents 105.3% versus the corresponding provisions during the reporting period. The expenditures of the national public budget constituted 20645.4 million lei and accounted for 93.9% versus the budget provisions for the first ten months of 2008. It should be mentioned that incomes increased by 15.6%, as compared to the similar period of the previous year, while expenses by 20.3%. The national public budget for the first ten months was closed with a deficit of 262.2 million lei.

The state domestic debt managed by the Government accounted as of November 30, 2008 for 3510.23 million lei, decreasing by 238.43 million lei as against as of December 31, 2007.

Balance of payments

The current account deficit of the balance of payments of the Republic of Moldova reached over the first 9 months of 2008 the level of USD 776.06 million, by 68.5% more as compared to the similar period of the previous year. This growth was determined by the increase of the deficit of trade with goods and services up to USD 2392.45 million (by 54.6% more versus the first 9 months of 2007). The cumulative surplus from incomes and current transfers in an amount of USD 1616.39 million covered the deficit of external trade with goods and services in an amount of 67.6%.

The balance of services was closed in the first 9 months of 2008 with an excess of USD 20.02 million, decreasing by 21.0% versus USD 25.34 million recorded during the corresponding period of the previous year.

The balance of incomes registered a positive value in an amount of USD 473.13 million (by 64.5% more as compared to the similar period of the previous year). Investment-related incomes recorded outflows higher by USD 113.42 million as compared to inflows. Incomes of residents working abroad were estimated at USD 639 million.

The balance of current transfers registered a positive value in an amount of USD 1143.26 million, by 43.1% higher as compared to the first 9 months of 2007, the inflows increased by 45.8% and totalled USD 1248.04 million, while the outflows – by 84.8%, up to USD 104.78 million. The current transfers of the employees working abroad amounted to USD 803.65 million.

The capital and financial account of the balance of payments was closed for the first semester of 2008 with net inflows in an amount of USD 413.77 million.

Direct foreign investments inflows into the national economy were evaluated in the net value at USD 307.70 million, of which: share capital – USD 158.28 million.

Loans contracted from abroad over Semester I, 2008 by commercial banks equalled to USD 60.82 million, while those contracted by economic agents of other sectors – USD 182.90 million. NBM rendered profitable the block in an amount of USD 18.88 million



from the credit extended by IMF, and reimbursed USD 11.01 million from the previous loans. The Government of the Republic of Moldova carried out real drawings of loans in an amount of USD 17.60 million, real payments totalled USD 16.16 million, and the rescheduled amounts under the conditions of the Paris Club constituted USD 14.10 million, of which the principal accounted for USD 9.67 million.

External debt of the Republic of Moldova equalled as of June 30, 2008 to USD 3752.44 million, of which: USD 973.36 million – for public and publicly guaranteed debt and USD 2779.08 – for private non-guaranteed debt.

Monetary policy instruments

During the year of 2008 the main monetary policy instruments used by the National Bank of Moldova were ***the level of the base rate*** and ***the required reserves ratio***.

Base rate. In 2008 modifications to the legislation related to the base rate were approved. According to these modifications, the base rate became the rate on the main short-term monetary policy operations, being applied as the maximum rate on sterilization operations of liquidity excess and respectively – the minimum rate for licensed banks.

The National Bank of Moldova establishes the base rate depending on the achievement of the fundamental objective, on the situation in the foreign exchange, credit and money market, on the evolution of the national economy, the international conjuncture, and expectations and forecasts of the economy of the Republic of Moldova.

During the year of 2008 the base rate dynamics recorded two main stages.

The first stage occurred until May 2008, when an inflation rate in an amount of 16.95% per year was recorded. In order to reverse the inflation trend and to bring the inflation level within the limits of 10.0% per year, the National Bank increased three times the base rate, as follows:

1. by 2.5 percentage points, up to 16.0% per year, as of January 31, 2008;
2. by 1.0 percentage point, up to 17.0% per year, as of March 12, 2008;
3. by 1.5 percentage points, up to 18.5% per year, as of May 23, 2008.

Taking into account the 3-6 months time lag between the approved decisions and their effects on the fundamental objective, the National Bank of Moldova maintained the level of the base rate until September.

Subsequently, the National Bank of Moldova adopted the following decisions, reducing the base rate:

4. by 1.5 percentage points, to 17.0% per year, as of September 25, 2008;
5. by 1.5 percentage points, to 15.5% per year, as of November 27, 2008;
6. by 1.5 percentage points, to 14.0% per year, as of December 18, 2008.

The decisions regarding the base rate value approved by the Council of administration of the National Bank of Moldova were adequate to the economic situation



of our country, which was proved by the inflation trend reversal under the level of 10.0% in October 2008.

Sales of NBM Certificates. During the year of 2008 the National Bank of Moldova used within the open market operations NBM Certificates (NBM) as the main instrument for the excess liquidity absorption from the market. The National Bank of Moldova carried out auctions of placement of NBM Certificates by announcing the minimum price, and accepted the demands integrally.

In the course of 2008, the National Bank of Moldova issued Certificates with the maturity of 28, 14 and 7 days. Starting with June 2008 the NBM suspended the placement of Certificates with the maturity of 28 days, and offered at auctions NBC with the maturity of 7 and 14 days.

The monthly average balance of sterilization operations during January–November constituted 1256.9 million lei, the maximum value was recorded in February – 1772.2 million lei, while the minimum value in May 2008 – 1130.9 million lei.

The rate on sterilization operations was established at a value close to the base rate of the National Bank of Moldova, being modified at the same time with the latter. The monthly average interest rate on sterilization operations included values from 15.83% to 18.34% per year, while the average value for the first eleven months constituted 17.23% per year.

Required reserves. In 2008 NBM used the required reserves ratio as one of the basic monetary instruments for the liquidity management in the market. The modification of the required reserves ratio was permanently carried out along with the base rate modification.

On March 12, 2008 the Council of administration of the National Bank of Moldova decided on the increase of the required reserves ratio both in MDL and in free convertible currencies by 1.0 percentage point, and established it in an amount of 16.0% from the calculation base starting with the tracing period of funds attracted April 06-20, 2008.

The gradual increase of the required reserves ratio by 6.0 percentage points was approved on May 23, 2008, as follows:

- June 21 – July 05, 2008 - 20.0% of the calculation base;
- July 06 – July 20, 2008 - 21.0% of the calculation base;
- July 21 – August 05, 2008 - 22.0% of the calculation base.

The increase of the required reserves ratio determined the growth of required reserves during the first nine months of the year.

Concurrently with the reversal of the inflation trend along with the reduction of inflationary expectations and the reversion of the inflation forecast within the limits of the fundamental objective established for 2008, the Council of administration of the National Bank of Moldova decided:

1. at its meeting of September 25, 2008, to reduce the required reserves ratio by 1.5



percentage points, to the level of 20.5% of the calculation base, starting with the tracing period of funds attracted October 06 – October 20, 2008;

2. at its meeting of November 27, 2008, to reduce the required reserves ratio by 1.5 percentage points, to the level of 19.0% of the calculation base, starting with the tracing period of funds attracted November 21 – December 5, 2008;

3. at its meeting of December 18, 2008, to reduce the required reserves ratio by 1.5 percentage points, to the level of 17.5% of the calculation base, starting with the tracing period of funds attracted December 21, 2008 – January 5, 2009.

The amount of required reserves maintained by banks in MDL related to the tracing period of funds attracted November 06–20, 2008, maintained by banks in the period of November 21 – December 05, 2008, constituted 3170.0 million lei, increasing by 1171.6 million lei or by 58.6% versus the required reserves maintained by banks at the end of 2007.

The amount of the required reserves maintained by banks in USD and EUR amounted as of November 30, 2008 to USD 119.1 million and EUR 133.2 million, respectively, increasing by USD 51.3 million (75.7%) and by EUR 63.9 million (92.2%) as compared to the end of December 2007.

Standing facilities. During the year of 2008, the National Bank of Moldova continued to extend standing facilities as overnight credits and deposits to banks.

Overnight deposit facility. During January–November 2008 banks resorted frequently to overnight deposit facility, mainly, at the end of maintenance periods of required reserves. The daily average balance of overnight placements with the National Bank of Moldova constituted 52.0 million lei during the reported period, increasing by 19.8% versus the similar period of the previous year.

Overnight credit facility. The liquidity adequacy within the banking system determined the insignificant use by banks of overnight credit facility during the reporting period. The daily average balance of overnight credits amounted during January–November 2008 to 4.7 million lei, increasing by 88.0% versus the similar period of the previous year.

Money market

Interbank money market. During the first 11 months of 2008 the turnover of the interbank money market totalled 13628.1 million lei, increasing by about 20.1% versus the similar period of the previous year.

The main volume in the interbank transactions turnover was traditionally represented by interbank credits/deposits, which amounted to 13345.3 million lei (about 97.9% of total). The interest rates for interbank transactions displayed an ascendant trend from 12.83% to 19.56% per year, as a result of the rates policy promoted by the National Bank of Moldova.



The average weighted term for transactions carried out in the interbank money market accounted for 4 days during the analyzed period, and recorded the level of the similar period of 2007.

Reference rates in the interbank money market. The CHIBOR yields curve during the first 11 months of 2008 behaved adequately to the money market situation, and posted an upward dynamics during almost the whole period, with more significant increases during Semester II, 2008, as a result of the increase of the interest rates on the monetary policy instruments of the National Bank of Moldova.

As of November 30, 2008 the interbank reference rates recorded the following values: overnight CHIBOR – 18.09%, CHIBOR 1 month – 20.02% and CHIBOR 3 months – 20.86%.

State securities market. In the course of 2008 the National Bank of Moldova fulfilled the provisions of the Law acting as the banker and the fiscal agent of the state.

The SS volume in circulation at the end of November 2008 constituted 1296.8 million lei at purchase price and diminished by 119.6 million lei as compared to the end of the previous year.

The average interest rate on state securities with the maturity of up to one year adjudged during the first eleven months of 2008 increased versus the similar period of 2007 and constituted 17.83% per year.

Dynamics of monetary aggregates

During the period of January–November 2008 reserve money increased by 17.0% or by 1622.0 million lei, and accounted for 11159.2 million lei. The growth of reserve money was featured by the increase of currency in circulation by 398.1 million lei and of banks' reserves by 1224.0 million lei. The reserve money growth occurred due to foreign currency acquisitions, carried out in order to mitigate the excessive fluctuations of the exchange rate of national currency. With the view to reducing the inflationary pressures of this issuance, the National Bank of Moldova increased the required reserves ratio, enlarging hence both the volume of the neutralized liquidities in banks' accounts and the reserve money.

In the period of January–November 2008 broad money M2 (currency in circulation + deposits in MDL) went up by 14.9% as compared to the end of 2007, and constituted 21145.7 million lei. Within the structure of broad money M2 the balance of deposits in national currency equalled to 14064.5 million lei (increasing by 20.1%), while the balance of currency in circulation advanced by 398.0 million lei (by 6.0%). A considerable impact on cash dynamics was rendered by the following factors: withdrawals from citizens' deposit accounts (39.6%), payment of dividends, incomes, state securities amortization and purchase (22.5%), payment of pensions, allowances and insurance compensations (14.9%) and foreign currency acquisition from individuals (8.9%).

Money supply M3 (M2 + deposits in foreign currency) registered an increase by



11.9% during the reporting period and totalled 30601.7 million lei, including deposits in foreign currency by 508.7 million lei.

The balance of deposits at the end of November constituted 23520.5 million lei, increasing by 20.3% versus the similar period of 2007, including deposits in national currency advanced by 31.5%, while deposits in foreign currency (expressed in MDL) augmented by 6.8%. During this period, the average weighted interest rate on term deposits in national currency constituted 17.86%, while that on term deposits in foreign currency constituted 9.35%, increasing by 2.81 and 3.40 percentage points, respectively.

During the period of January–November 2008 the balance of credits to economy recorded an increase of 4005.5 million lei as compared to December 31, 2007, and accounted for 24889.3 million lei (or by 19.2% - a growth lower versus 44.2%-increase of the similar period of 2007), including credits in national currency advanced by 3214.2 million lei (by 27.3%) and credits in foreign currency – by 791.3 million lei (by 8.7%). During the analyzed period the average weighted interest rate on credits in national currency constituted 20.80%, while that on credits in foreign currency – 11.87%, increasing by 1.97 and 0.96 percentage points, respectively.

The monetary policy promoted by the National Bank of Moldova during the year of 2008, aimed at the excess liquidity withdrawal and at the money supply reduction, as well as at reversing the inflation trend had the following effect on monetary aggregates. During the period of January–November 2008 the reserve money increased by 17.0%, as compared to 41.3% during the similar period of 2007. Broad money M2 and money supply M3 increased in January–November 2008 only by 14.9 and 11.9% respectively, while in January–November 2007 broad money M2 and money supply M3 enlarged by 34.4 and 31.1%. During the year of 2008 currency in circulation registered the lowest increase – 6.0%, as compared to 17.9% in 2007. The reduction of the growth rate of monetary aggregates in 2008 versus 2007 moderated the increased demand of goods and services and allowed for the inflation trend reversal.

Foreign exchange market

The evolution of the main indicators of the domestic foreign exchange market during the period of January–November 2008 was particularly influenced by the increase of the volume of foreign currency liquidity in the domestic foreign exchange market on the background of the persistency of the significant foreign currency inflows into the country and the volatility in the international foreign exchange market conditioned by the increasing imbalances in the external markets.

During the analyzed period the official exchange rate of the Moldovan leu against USD appreciated by 8.3%, from MDL 11.3192 at the beginning of January 2008 to MDL 10.3795 at the end of November 2008, and against EUR appreciated by 19.6% (from MDL 16.6437 per EUR 1 to MDL 13.3844 per 1 EUR, respectively).

From the beginning of the year until September 3, 2008 the official exchange rate of



MDL against USD appreciated by 14.7%. Starting with September 4, 2008 under the increased demand of foreign currency especially from certain importers of energy resources, the official exchange rate of MDL against USD inversed its trend, and depreciated by 7.6%, from MDL 9.6507 as of September 3, 2008 to MDL 10.3795 per 1 USD as of November 30, 2008.

During the first 9 months of 2008 the domestic foreign exchange market recorded increases of foreign currency liquidity from the following sources:

- the increase of the net foreign currency supply from individuals by 59.7%, which, at the end of September 2008, constituted USD 1885.9 million;
- the increase of the net flow of private external credits, grants and technical assistance by 16.7%, which, at the end of September 2008, constituted USD 212.6 million;
- the increase of the net flow of direct and portfolio investments and credits contracted from the affiliates by 67.4%, which, at the end of September 2008, constituted USD 250.5 million.

During the period of January–November 2008 NBM intervened in the domestic foreign exchange market in order to reduce the excess fluctuations of the official nominal exchange rate of the national currency against USD, using the following instruments:

- USD purchases in an amount of USD 367.1 million;
- USD sales in an amount of USD 145.9 million;
- SWAP operations in USD (buying operations) in an amount of USD 1.0 million.

The real effective exchange rate of the national currency (calculated versus December 2000, taking into consideration the inflation level in the trade partner-countries and the change in the monthly average exchange rate) amounted in October 2008 to 122.7%, and recorded an appreciation by 18.0 percentage points as compared to December 2007 (104.7%).

In January–November 2008 the foreign exchange reserves enlarged by USD 264.8 million, from USD 1333.7 million at the end of 2007 to USD 1598.5 million as of November 30, 2008, which covered about 3.4 import months.

Banking system

As of September 30, 2008 there were 16 joint stock commercial banks on the territory of the Republic of Moldova, including 3 subsidiaries of foreign banks. The total number of separate subdivisions amounted to 1141, of which 293 branches and 848 representative offices.

During the first 9 months of 2008 Tier I Capital within the system went up by 1193.6 million lei (22.8%) and reached the value of 6421.1 million lei. The share of foreign investments in banks' capital constituted 73.1% as of September 30, 2008.

The average value of the risk-weighted capital adequacy within the system kept its



higher level and amounted to 30.8% (the minimum necessary level is 12.0%).

In the course of the first three quarters of 2008 total assets of the banking system went up to 39356.2 million lei or by 7354.2 million lei (23.0%).

The weight of unfavorable credits (substandard, doubtful and compromised) in total credits increased by 0.9 percentage points versus the beginning of the year and accounted for 4.6% as of September 30, 2008.

Credits extended to industry and trade held as of September 30, 2008 the highest weight of total credit portfolio – 48.0%, followed by credits extended for real estate, construction and development – 14.5%, credits to agriculture and food industry – 13.6% and consumer credits – 13.3%.

The liquidity indicators reflect the banks' capacity to honour both current commitments and long-term commitments. Liquid assets (cash and precious metals, liquid state securities, deposits with NBM, net interbank credits and loans with terms of up to 1 month) increased, during the first 9 months of 2008, by 3075.1 million lei (33.1%) versus December 31, 2007 and amounted as of September 30, 2008 to 12371.4 million lei. Therefore, the liquidity level according to liquidity principle II (percentage ratio of liquid assets/total assets shall not be lower than 20.0%) constituted 31.4%. The liquidity level according to liquidity principle I (assets with the term over 2 years/financial resources with the potential withdrawal term over 2 years (≤ 1)) amounted to 0.6.

Banks' liabilities increased by 6141.6 million lei (23.2%) versus the beginning of the year and ran as of September 30, 2008 into 32598.6 million lei. The increase of liabilities was mainly caused by deposits' growth, which denoted the increase of credibility in the banking system.

The growth of the income base was revealed through the essential weight of interest-bearing assets and valued 84.4% of total assets or 33214.2 million lei. This fact allowed banks to register in the first 9 months of 2008 net incomes in an amount of 1080.5 million lei, which is by 261.6 million lei (31.9%) more as compared to the similar period of the previous year.

The return on assets (net annualized income/ assets average value) and the return on equity (net annualized income/equity average value) recorded as of September 30, 2008 the values of 4.0% and 23.3%, respectively.

Government's debt contracted from the National Bank of Moldova. As of September 30, 2008 the state debt to the National Bank of Moldova totalled 2213.4 million lei, decreasing by 118.8 million lei as compared to the end of 2007, as a result of the reimbursement on March 27, 2008 of a loan contracted previously from NBM by the Ministry of Finance.

According to the Plan of conversion of the state loans contracted previously from the National Bank of Moldova into state securities (SS), approved by the Ministry of Finance and the National Bank in September 2007, the entire loan portfolio was converted, during



Quarter I, 2008, into state securities, thus the state debt to NBM is entirely made up of state securities.

The National Bank of Moldova carried out the re-issuance of state securities from own portfolio, at interest rates ranging from 15.04% to 20.61% per year, with maturities from 84 to 182 days.

Government's deposits placed with the National Bank. In 2008 the Ministry of Finance placed with the National Bank of Moldova term deposits based on the bilateral Agreement signed by parties on December 5, 2007. The amount of deposits placed during the first 9 months equalled to 1113.5 million lei, the average weighted interest rate accounted for 16.66% per year.

Implementation conditions for the Inflation Targeting Strategy

The modification of the fundamental objective of the National Bank of Moldova from “achievement and maintenance of the national currency stability” into “achievement and maintenance of price stability” conditioned the change in the promoted monetary policy. In 2007, with the purpose of realizing a strategic and adequate transition to the inflation targeting regime, the National Bank of Moldova approved the Action Plan on the implementation of the inflation targeting strategy.

In 2008, in order to implement the Action Plan, the National Bank of Moldova accomplished the following conditions:

1. The respective subdivisions were restructured to ensure an efficient activity while passing to direct inflation targeting with further execution of the new basic attributions;
2. The rate base was assigned the role of the main monetary policy instrument, and was established depending on the achievement of the fundamental objective, inflationary expectations, external and domestic economic forecasts;
3. The optimization of the main monetary policy instruments through the reduction of the number of maturities of NBC, increasing, at the same time, the number of weekly auctions;
4. The public is permanently informed about the evolution in the credit, money and foreign exchange market, and the approved decisions accompanied by the explanations of expected effects.

II. Monetary and foreign exchange policy for 2009

In 2009 the monetary and foreign exchange policy of the National Bank of Moldova will be focussed on the ensuring and the maintenance of the annual inflation rate at the level of 9.0% by the end of 2009, with a possible deviation of +/- 1.0 percentage points.

Without prejudice to its fundamental objective, the National Bank will promote and maintain a financial system based on market principles and support the general economic policy of the state.

The base rate and the required reserves ratio will serve as the main instruments for the monetary policy promotion in 2009. The monetary aggregates will be used as intermediate objectives.

The monetary and foreign exchange policy for 2009 has been worked out based on the following assumptions and expectations:

1. Gross domestic product growth will constitute 6.0% in real terms;
2. The export with goods and services will advance in 2009 by 19.0%, while the import will register a 24.0%-increase;
3. The growth rates of the monetary aggregates will be lower as compared to the level of 2008;
4. The inflationary expectations will reduce gradually.

The monetary and foreign exchange policy of the National Bank of Moldova in 2009 will be based on the following principles:

- the base rate of the National Bank of Moldova will be maintained at a real positive level ;
- the establishment of the required reserves ratio will be carried out depending on the inflation level, inflationary expectations, economic situation and the conditions in the domestic money market;
- the monetary policy instruments will be further optimized with a view to rendering the open market operations more efficient;
- the economy monetization will be sufficient to ensure the projected economic growth;
- the floating exchange rate regime will be maintained.

In 2009 the National Bank of Moldova will continue the achievement of the Action Plan on the implementation of the inflation targeting strategy, which provides for the optimization of the National Bank's monetary policy instruments, the creation of a centralized database, as well as of the framework of analysis, modelling and forecast, the elaboration and the improvement of the methods of public information along with the measures undertaken for the increase of the civil society's confidence level in the monetary policy promoted by the National Bank of Moldova.



Monetary aggregates

The National Bank of Moldova will continue in 2009 the calculation, the monitoring and the analysis of monetary aggregates. This analysis will serve as foundation for monetary policy decisions. Simultaneously, the volume and the evolution of monetary aggregates and of components will be considered from the viewpoint of the inflation rate evolution and of inflationary expectations. The National Bank will constantly monitor the liquidities' volume within the banking system and will maintain the monetization of the economy so as to ensure the expected economic growth and the sustainable economic stability.

Monetary policy instruments

The monetary policy of the National Bank of Moldova will continue in 2009 the process of inflation reduction, by applying the available monetary policy instruments. The quantification of the applied monetary instruments will depend on the achievement of the fundamental objective, the current economic situation, macroeconomic and monetary forecasts and inflationary expectations.

Base rate

In 2009, the National Bank of Moldova will further use the base rate as the rate on the main short-term monetary policy instruments, applied as the maximum rate on sterilization operations of excess liquidity and the minimum rate for the licensed banks' refinancing.

The National Bank of Moldova will set out the base rate and maintain it at a real positive level, depending on the achievement of the fundamental objective, the situation in the money, foreign exchange and credit market, the national economy evolution, the world economy situation, expectations and forecasts for the economy of the Republic of Moldova.

Required reserves

In 2009 the National Bank will continue using the required reserves ratio as one of the main instruments for the monetary policy promotion, giving priority to market-like instruments.

The size of the required reserves ratio will be determined depending on the achievement of the fundamental objective, the current economic situation, macroeconomic and monetary forecasts, as well as inflationary expectations.



Open market operations

In 2009 the National Bank of Moldova will further use a large range of open market instruments. The selection of instruments used within open market operations will depend on the real conditions of the money market segments' functioning. In case of excess liquidity persistence in the money market, the National Bank of Moldova will perform the withdrawal of the excess liquidity. In the event of liquidity deficit within the banking system, the National Bank of Moldova will carry out the licensed banks' refinancing through liquidity injection instruments.

The main open market operations will be conducted by the National Bank of Moldova within auctions according to the established schedule.

Standing facilities

The overnight credit facility and the overnight deposit facility will be made available to banks at their initiative. Concurrently, the National Bank of Moldova reserves the right to review the availability of standing facilities depending on the monetary policy achievements and forecasts.

The interest rates related to those two facilities will define the interest rates corridor of the National Bank of Moldova.

Foreign exchange policy

In 2009 the National Bank of Moldova will continue to maintain the floating exchange rate regime and will establish the official exchange rate of MDL against USD based on the prevailing foreign exchange rates in the domestic foreign exchange market.

In this context, the National Bank of Moldova reserves the right to carry out foreign exchange interventions with the purpose of mitigating the excess fluctuations of the official exchange rate and of supplementing the international foreign exchange reserves. The direct interventions in the domestic foreign exchange market, including forward transactions, as well as swap reversible operations will be used as the foreign exchange policy instruments. Within the implementation of the Foreign exchange policy for 2009, the National Bank of Moldova shall aim at maintaining the international foreign exchange reserves at an acceptable level in order to cover about three months of imports.

The state's international reserves will be placed into investment instruments, which comply with the safeguard and liquidity criteria.

Banking supervision

With a view to further strengthening the banking system and to enhancing the credibility thereof, the following actions will be promoted:

- development and achievement within banks of efficient policies in the field of assets

and liabilities management;

- ensuring the identification of real risk positions;
- observance of the admissible limits of risks and their compliance with the performed transactions' volume and type;
- improvement of methods of ensuring the compliance of the ways the commitments are achieved with the administrators' intentions and authorizations;
- correct entering of authorized, real and potential transactions and commitments;
- systematic revaluation of assets and adequate provisioning;
- efforts for the identification of banks' beneficiary owners.

Collaboration with the Government of the Republic of Moldova

In 2009 the National Bank of Moldova will continue the collaboration with the Government of the Republic of Moldova in order to harmonize the monetary policy and the budget and fiscal policy.

According to the agreement concluded between the National Bank and the Ministry of Finance on September 24, 2008, the Ministry of Finance will repurchase over 2009 the state securities issued following the conversion of loans contracted previously from the National Bank of Moldova, in an amount of 118.8 million lei.

State securities from the NBM portfolio will be reissued in the course of 2009 under market conditions, while their balance will, by the end of 2009, amount to 2094.6 million lei.

At the same time, the Ministry of Finance in the name of the Government of the Republic of Moldova and based on the concluded Agreement will have the possibility to further place deposits with the National Bank of Moldova.

The main risks that the National Bank is likely to face within the framework of monetary and foreign exchange policy promotion over 2009 are the effects of the world financial crisis triggered at the end of 2008. The financial and banking system of the Republic of Moldova is sufficiently capitalized and has enough liquidity to honour its commitments to its customers. At the same time, the decrease of the growth rates of the world economy in 2009 may affect to a certain extent the foreign exchange inflows into the Republic of Moldova. The National Bank of Moldova will cautiously monitor the respective evolutions and will timely carry out modifications to the monetary and foreign exchange policy to minimize the potential negative effects of the international economic situation on money, foreign exchange and credit markets from the Republic of Moldova.