



**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

Within the meeting of the Council of Administration of the NBM of June 30, 2011, the current macroeconomic situation, the trends and the medium term forecasts of the macroeconomic indicators were assessed, as well as the inflation outlook on medium and short term was quantified in case of some possible risks and uncertainties that may arise in the next period. As a result, the Council of Administration of the NBM adopted the following decision:

- 1. to maintain the base rate applied on main short-term monetary policy operations at the current level of 8.0 percent annually;**
- 2. to maintain the interest rates:**
 - on overnight loans at the current level of 11.0 percent annually;**
 - on overnight deposits at the current level of 5.0 percent annually;**
- 3. the rates mentioned in items 1 and 2 shall be applied from the effective date of this decision until the effective date of the new rates;**
- 4. to maintain the required reserves norm from financial means attracted in MDL and foreign currency at the current level of 14.0 percent of the base;**
- 5. the next meeting of the Council of Administration on monetary policy will take place on July 28, 2011, in accordance with the approved schedule.**

Recent developments in fuel prices on international markets and the exchange rate of the national currency, the overlap with the ongoing revitalization of the national economy, have ensured inflation to fall within the NBM forecast range, published in the Inflation Report no. 2, May 2011.

The annual inflation rate for May 2011 reached the level of 7.0 percent, increasing by 0.5 percentage points compared to the previous month. This dynamic was driven mainly by food prices increases. The prices of core inflation components and regulated prices registered in May a more modest contribution. The annual rate of core inflation continued its upward trend, so that in May was 3.3 percent, by 0.2 percentage points higher as compared to the previous month.

The significant gap of 3.7 percentage points of the growth rate of CPI and core inflation confirms the high contribution of volatile and regulated prices, which are outside the scope of influence of monetary policy pursued by the NBM.



Preliminary data presented by the National Bureau of Statistics on the evolution of GDP for the first quarter of 2011 show an encouraging increase in the national economy in real terms of 8.4 percent compared with the same period last year. Although that dynamic was generated by the positive contribution from all sectors of the economy, the domestic demand continues to be the determining factor of GDP growth. However, the actual data on freight transport and foreign trade, for the first five months of this year, outline the necessary conditions for sustained growth record of the GDP in the second quarter of 2011.

In May 2011, the balance of loans granted for the last 12 months increased by 15.5 percent or 15.4 percentage points, more than the value recorded in May last year. Within the structure, the loans granted in foreign currency showed acceleration, which increased by 17.3 percent, and the loans granted in national currency - by 14.0 percent. However, the balance of deposits increased by 18.1 percent or 11.7 percentage points, more than the value recorded in May last year. Compared with the lending process, the attracting deposits process is asymmetrical. Thus, within the structure, the deposits in national currency increased by 23.1 percent and the deposits in foreign currency - by 12.5 percent.

On June 30, 2011, the Council of Administration of the NBM adopted the decision to maintain the monetary policy interest rate and minimum required reserve ratio in MDL and in foreign currency at the current levels of 8.0 percent annually and 14.0 percent respectively of the base. This decision aims at anchoring the inflation expectations, further supporting the trend to stabilize the level of interest rates charged by licensed banks, and optimization of the saving process of the population.

NBM will continue to manage firmly the liquidity excess in the banking system through sterilization operations to ensure and maintain a deflationary macroeconomic climate.

The inflation development in the future periods will be influenced both by internal risk factors such as regulated prices and possible weather conditions, as well as external ones, such as the dynamics of exchange rates of main foreign currencies of international financial markets, increased volatility of international prices of oil and the persistent uncertainty regarding the manifestation of crisis in some peripheral countries of the euro zone.

NBM will continue to promote a prudent monetary policy, monitoring and anticipating the internal and external macroeconomic developments, so that using an appropriate mix of monetary instruments to ensure price stability over the medium term.