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Monetary Policy

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Monetary Policy Decision, 07.08.2025

The Executive Board of the National Bank of Moldova, at its meeting on 7 august 2025, adopted by unanimous vote the following decision:

1. **The base rate applied to the main short-term monetary policy operations is set at 6.25% per annum.**
2. **Interest rates are set as follows:**
   a) on overnight loans, at the level of 8.25 % annually;
   b) on repo operations, at the level of 6.50 % annually;
   c) on overnight deposits, at the level of 4.25 % annually.
3. **The required reserve ratio of funds attracted in MDL and in non-convertible foreign currency is maintained at the current level of 22.0 % of the calculation base.**
4. **The required reserve ratio of funds attracted in freely convertible foreign currency is maintained at the current level of 31.0 % of the calculation base.**

The Executive Board of the National Bank of Moldova also approved today the Inflation Report for August 2025, which is scheduled to be published on 14 august 2025.

With this decision, the National Bank of Moldova aims to maintain inflation in the medium term within a range of ±1.5 percentage points around the 5.0% target, which is considered the optimal level for the economic growth and development of the Republic of Moldova.

The restrictive monetary policy cycle has come to an end. Thus, the National Bank continues to focus on stimulating aggregate demand, including by encouraging consumption and investment, balancing the national economy and the current account, and anchoring inflation expectations, taking into account the temporary lags in monetary policy transmission through the interest rate channel.

The NBM's decision to resume monetary policy easing measures is based on the confirmation of the latest forecast by the National Bank of Moldova and the associated disinflationary trend. The effects will continue to be transmitted gradually through lower interest rates in the money, deposit, and credit markets.

The moderation of annual inflation confirms and validates the correctness and timeliness of the restrictive monetary policy measures adopted previously. The shocks to certain components of the Consumer Price Index in May-June this year, as a result of tensions in the Middle East, had a very short-term inflationary impact and have partially dissipated. Previous and current forecasts confirm that inflation will fall within the target variation range in December of the current year.

According to the current forecast, by the end of this year and in the first half of next year, the annual inflation rate will follow a downward trend, and will then remain stable until the end of the forecast period against the backdrop of disinflationary aggregate demand. It should be noted that domestic economic activity and inflation continue to be influenced by the effects of supply shocks, including increases in

regulated tariffs at the end of 2024 and the beginning of this year, and a decline in agricultural production volumes affected by adverse weather conditions.

Annual inflation stood at 8.2 % in June 2025, decreasing from 8.8 % in March 2025, but still above the upper limit of the ±1.5 percentage point range from the 5.0 % inflation target. At the same time, the annual inflation rate slowed in the second quarter of 2025, standing at 7.9 %, 0.9 percentage points lower than in the previous quarter and 0.1 percentage points higher than the forecast in the May 2025 Inflation Report. The deviation from the forecast was due to the positive deviation recorded in prices for food, fuels, and regulated items, while core inflation developed as expected.

External environment. In the second quarter of 2025, the global economy was affected by changes in trade tariffs, the continuation of Russia's war in Ukraine, and intensified tensions in the Middle East. PMI indices indicate a slowdown in global economic activity. In this context, oil prices reversed their downward trend in June 2025, accelerating amid the likelihood of the closure of the Strait of Hormuz. European natural gas prices are under pressure as storage reservoir levels are below those of last year. Average international food prices have shown a steady upward trend.

Economic activity. The operational data published by the NBS for the first two months of the second quarter of 2025 outline some premises for economic recovery during the reference period, but with the economy remaining in negative territory. Industrial production remained positive for the third consecutive month, recording a 6.4 % increase, while domestic retail and wholesale trade increased by an average of 4.3 % and 1.5 %, respectively. In April-May 2025, the annual export rate was -8.3 %, while the annual import rate continued its positive dynamics, recording 16.9 % compared to the same period last year. Global agricultural production decreased by 3.6 % in the second quarter of 2025 compared to the same quarter of the previous year.

Monetary conditions. In the second quarter of 2025, weighted average interest rates on new loans and deposits in lei continued their upward trend under the impact of the transmission mechanism of previous monetary policy decisions and the situation created on the money market. Thus, the weighted average interest rate on new loans granted was 8.99 % per annum, and that on deposits was 4.91 % per annum, increasing by 0.52 and 0.77 percentage points, respectively, compared to the first quarter of 2025.

The consecutive increase in interest rates in the banking sector since the beginning of this year has led to a slowdown in lending in the national currency for the second consecutive quarter.

Forecast. The annual inflation rate will have a downward trend during the current year, although above the upper limit of the target range, and starting in the first quarter of 2026, it will return to the range, where it will remain until the end of the forecast horizon. The average annual inflation for 2025 and 2026 is forecasted at 7.7 % and 3.9 %, respectively, slightly revised by +0.2 and -0.1 percentage points compared to the previous forecast. The slight upward revision of the annual inflation rate forecast is driven by an upward estimate of short-term inflation, higher-than-expected aggregate demand, and a higher forecast for international oil prices and natural gas import prices for the entire comparable period. As for the downward revision, it is conditioned by anticipated tariff reductions, lower aggregate demand in the fourth quarter of 2026 and the first quarter of 2027, and slightly lower imported inflation in the second and third quarters of 2026.

Risks and uncertainties. The risks in the inflation forecast are balanced, with a disinflationary bias until the end of the forecast horizon. Uncertainties remain pronounced. It should be noted that important sources of risks and uncertainties to the medium-term inflation forecast are: uncertainties regarding agricultural

production in the current year, the vulnerability of domestic fruit and vegetable prices to weather conditions in the coming period, adjustments to regulated service tariffs, ensuring sufficient fiscal stimulus to revive economic activity, external financial assistance, tensions in the region and the Middle East, fragmentation of international trade, and moderation of economic growth in the European Union.

The NBM will continue to monitor the domestic and external macroeconomic situation, the risks and uncertainties associated with short- and medium-term inflation developments, and further monetary policy decisions aimed at ensuring and maintaining price stability will depend on the updated inflation outlook.

The Inflation Report, August 2025, which includes an analysis of the domestic and external economic situation, as well as the medium-term inflation forecast, will be published on 14 August 2025.

The next meeting of the NBM Executive Board on monetary policy will take place on 18 September 2025, according to the approved schedule [1].

NBM Interest rates [2]

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