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Monetary Policy

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Monetary policy decision: the base rate decreases

The Executive Board of the National Bank of Moldova (NBM) voted unanimously to reduce the base rate applied to the main short-term monetary policy operations by 0.1 percentage points, to 2.65 percent annually. Similarly, interest rates on overnight loans and deposits were reduced to 5.15 percent and 0.15 percent annually, respectively.

The decision is aimed at supporting domestic aggregate demand, the lending process and the economy as a whole and was taken following the approval, at today's meeting, of the Inflation Report no. 4, 2020. The report contains the latest analyzes of the situation, from the internal and external environment associated with the inflationary process, economic activity, promotion of monetary policy. At the same time, the document, which will be published on 13 November this year, includes the new forecast, along with the risks and uncertainties associated with it.

According to the new forecast round, the annual inflation rate will decrease slightly by the end of the current year, and starting with the second quarter of 2021 will record an upward trajectory, reaching the end of the forecast horizon at the level of target inflation.

Disinflationary pressures will continue throughout the forecasting horizon - quarter IV 2020 - quarter III 2022. Among the factors decreasing aggregate demand are anti-pandemic measures, declining external demand, negative cumulative fiscal impulse since the beginning of the year, real appreciation of the national currency, as well as unfavorable agro-meteorological conditions, which affected the volume of agricultural production.

The COVID-19 pandemic involves a series of uncertainties related to the impact on the economic recovery, next year's agricultural production, the timing and magnitude of the tariff adjustment for regulated services.

The NBM emphasizes the need for continuous monitoring of the macroeconomic situation created by the pandemic implications, reiterating that, in due course, without compromising its fundamental objective of ensuring price stability, it will come up with the necessary measures to maintain a sufficient level of liquidity for licensed banks, in support of a viable and stable banking system.

The next meeting on monetary policy promotion will take place on 9 December 2020.

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