Published on (https://bnm.md)

12.11.2026

Working Paper No. 1/2026: Constructing a financial cycle index for the Republic of Moldova

Working Paper No. 1/2026: Constructing a financial cycle index for the Republic of Moldova [1]

Authors: Alexandru Fala (National Bank of Moldova, alexandru.fala@bnm.md [2]), Vlad Tampiza

Abstract

This study constructs a composite financial cycle index for the Republic of Moldova to support the assessment of cyclical systemic risk and the calibration of macroprudential policy instruments. Using quarterly data for 2007Q2–2025Q4, the cyclical components of selected macro-financial variables are extracted through Complete Ensemble Empirical Mode Decomposition with Adaptive Noise. The extracted cycles are broadly robust to alternative specifications and stable under quasi-real-time estimation. The comparison of candidate indices with different compositions and aggregation schemes supports the selection of an equally weighted index comprising real credit, real residential property prices, and the sign-adjusted current account balance, whereas time-varying weights provide no clear advantage and the real interest rate may generate misleading signals during periods of high inflation. The resulting index provides a reasonable and transparent framework that can be used to support macroprudential policy decisions.

Keywords: financial cycle; cyclical systemic risk; composite index; Complete Ensemble Empirical Mode Decomposition with Adaptive Noise; macroprudential policy

JEL Classification: C43, E32, E44, G28

***Note**: The views expressed in this paper are entirely those of the author and do not in any way imply or represent the views of the National Bank of Moldova. All rights reserved. Reproduction of the information is permitted solely for educational and non-commercial purposes and only where the source is acknowledged.*

Tags

financial cycle [3]
cyclical systemic risk [4]
composite index [5]
Complete Ensemble Empirical Mode Decomposition with Adaptive Noise [6]
macroprudential policy [7]

Source URL:
https://bnm.md/en/content/working-paper-no-12026-constructing-financial-cycle-index-republic-moldova

Related links:

[1] https://bnm.md/files/Financial_Cycle_Index_WP+.pdf [2] mailto:alexandru.fala@bnm.md [3] https://bnm.md/en/search?hashtags[0]=financial cycle [4] https://bnm.md/en/search?hashtags[0]=cyclical systemic risk [5] https://bnm.md/en/search?hashtags[0]=composite index [6] https://bnm.md/en/search?hashtags[0]=Complete Ensemble Empirical Mode Decomposition with Adaptive Noise [7] https://bnm.md/en/search?hashtags[0]=macroprudential policy