



National
Bank of Moldova

Inflation report

August 2025



*National Bank of Moldova
1 Grigore Vieru Avenue
MD-2005, Chişinău
Tel.: (373 22) 822 606
Fax: (373 22) 220 591
web page: <http://bnm.md>*

ISBN 978-9975-169-33-2
ISBN 978-9975-169-39-4 (PDF)

© National Bank of Moldova, 2025

Mission of the National Bank of Moldova

The National Bank of Moldova, as the central bank of the Republic of Moldova, is an autonomous public legal person, which establishes and promotes monetary and foreign exchange policy in the state, a fact stipulated in article 5 paragraph (1) letter a) of Law No. 548/1995 on the National Bank of Moldova.

Under the provisions of article 4 paragraph (1) of the Law No. 548/1995 on the National Bank of Moldova, the fundamental objective of the National Bank of Moldova is to ensure and maintain price stability. At the same time, article 4 paragraph (2) provides that, without prejudice to its fundamental objective, the National Bank within the limits of its powers, contributes to the stability of the financial system and supports the general economic policy of the state.

The fundamental objective is achieved through the monetary policy framework associated with the direct inflation targeting regime.

The quantitative objective – the inflation target is to maintain inflation, as measured by the consumer price index, at 5.0% annually with a possible deviation of ± 1.5 percentage points.

In this regard, the National Bank of Moldova has a wide and well-defined range of instruments through which it promotes monetary policy and ensures the achievement of the inflation target. These include open market operations – the main monetary policy instrument, and the ancillary instruments are the standing facilities, the required reserve ratio and interventions on the domestic foreign exchange market.

At the same time, in order to achieving the inflation target, the National Bank of Moldova steers the conditions on the money market by setting by the Executive Board the main indicator for the short-term interbank money market – the base rate.

The exchange rate regime implemented by the National Bank of Moldova is that of managed floating and, respectively, the interventions on the domestic foreign exchange market are used only to support the effects of the implementation of open market operations, to the extent that they will be necessary to achieve the inflation target and without influencing the fundamental trends of the exchange rate of the national currency. At the same time, the NBM reserves the right to carry out foreign exchange interventions in order to mitigate excessive exchange rate fluctuations, to stop speculative operations and to replenish international foreign exchange reserves, without prejudice to the achievement of the inflation target.

The monetary policy decision regarding the base rate, the standing facility rates and the required reserve ratio is taken by the Executive Board of the NBM on the basis of the analysis of the latest information on the macroeconomic situation in the Republic of Moldova and the external economic environment, the trend of macroeconomic indicators in the medium-term, as well as the short- and medium-term inflation outlook, provided by the Monetary Policy Department of the NBM.

In this respect, the Executive Board of the NBM meets eight times a year in ordinary monetary policy meetings according to the approved schedule. Four monetary policy meetings are associated with the Inflation Report, while the other four meetings are devoted to the assessment of the deviation risks to the inflation forecast. At the same time, the Executive Board of the NBM reserves the right to meet in extraordinary meetings.

Introductory note

The National Bank of Moldova appreciates the role of monetary policy transparency and predictability in strengthening institutional credibility and ensuring the inflation target.

*In this context, the **Inflation Report** is the main communication tool reflecting the latest analysis of the situation in the internal and external environment, developments in the inflation process and economic activity, along with aspects related to the conduct of monetary policy.*

At the same time, the Report incorporates the inflation forecast for the eight-quarter horizon and the risks and uncertainties associated with this projection.

The summaries of the minutes of the meetings of the Executive Board of the NBM regarding the promotion of the monetary policy are part of the Report and are published with a frequency of six months from the adoption of the decision in line with the Medium-term monetary policy strategy of the NBM (approved by the decision of the Council of Administration of the NBM no. 303 of December 27, 2012).

Statistical data have been taken from the National Bureau of Statistics, Ministry of Economic Development and Digitalization, Ministry of Finance, Eurostat, International Monetary Fund, National Agency for Energy Regulation, State Hydrometeorological Service.

Statistical information provided by international bodies, national statistical offices and central banks was also analyzed.

Some statistical data have been calculated by the National Bank of Moldova.

According to article 69 paragraph (2), the Inflation Report shall be submitted to the Parliament and the Government within 45 days after the end of the reporting quarter.

The Inflation Report, August 2025 was considered and approved for publication at the meeting of the Executive Board of the NBM on August 7, 2025.

All rights reserved. The reproduction of the publication is prohibited, and the use of the data in various works is permitted only if the source is indicated.

The Inflation Report, August 2025 is a translation of Raport asupra inflației, august 2025 in Romanian. In case of discrepancies, the version of the Report in the original language prevails.

Contents

Summary	8
1 Inflation evolution	11
1.1 Consumer price index	11
1.2 Inflation evolution and short-term forecast assessment from the Inflation Report, May 2025	15
1.3 Industrial production prices	16
2 External environment	17
2.1 World economy, financial and commodities markets	17
2.2 Evolution in major economies	25
2.3 Economic evolution in neighbouring countries and main trading partners	26
3 Economic developments	29
3.1 Demand	29
3.2 Production	37
3.3 Labor market	40
3.4 External sector	42
4 Monetary policy	43
4.1 Monetary policy instruments	43
4.2 Dynamics of monetary indicators	45
5 Forecast	55
5.1 External assumptions	55
5.2 Internal environment	57
5.3 Forecasts comparison	60
5.4 Risks and uncertainties	63
6 Monetary policy decisions	66

List of acronyms

ANRE	National Agency for Energy Regulation
BPM6	"Balance of payments and international investment position" Manual, 6th edition
CBOE	Chicago Board Options Exchange
CHIBOR	Average interest rate at which the contributors banks are available to lend funds in MDL to other banks, on the interbank monetary market
CIS	Commonwealth of Independent States
CPI	Consumer price index
ECB	European Central Bank
EU	European Union
EUR	Single European currency
FAO	Food and Agriculture Organization of the United Nations
FCC	Freely convertible currency
FRS	Federal Reserve System
GDP	Gross Domestic Product
GVA	Gross Value Added
IFAD	International Fund for Agricultural Development
LB	Local budgets
LNG	Liquefied Natural Gas
MHIF	Mandatory Health Insurance Fund
MDL	Moldovan leu
NBC	Certificates issued by the National Bank of Moldova
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of the Republic of Moldova
NEER	Nominal effective exchange rate of the national currency
OPEC+	The alliance between the Organization of the Petroleum Exporting Countries (OPEC) and a group of non-OPEC oil-producing countries.
OVX	Crude Oil Volatility Index
PMI	Purchasing Manager's Index
REER	Real effective exchange rate of the national currency
SB	State budget
SS	State Securities

SSIB	State social insurance budget
STA	Single treasury account
TTF	Title Transfer Facility
USA	United States of America
USD	US Dollar
VAT	Value Added Tax

Summary

Inflation

In the second quarter of 2025, the annual inflation rate moderated compared to the beginning of the current year. Thus, it decreased from 8.8% in March 2025 to 8.2% in June 2025. At the same time, the average annual inflation rate was 7.9% in the second quarter of 2025, about 0.9 percentage points lower than in the previous quarter. Starting from December 2024 and in the first half of this year, the annual inflation rate was above the upper limit of the inflation target variation range, a fact determined by the dynamics of regulated prices in the context of the tariff adjustment for mains gas, thermal and electric energy. It should be noted that the annual inflation rate excluding that impact was about 5.7% in June 2025, being within the range of variation of the inflation target. At the same time, in the second quarter of 2025, the annual inflation rate was marginally higher than the value anticipated in the Inflation Report, May 2025. The annual increase in prices in the first half of this year was mainly supported by some supply shocks, including the adjustment of the tariff for mains gas, heat and electric energy, as well as by unfavorable agrometeorological conditions that exerted pressure on food prices. According to estimates, the aggregate demand continued to exert a disinflationary impact on prices during the reference period. The adjustment of energy resource tariffs, from the end of the previous year and the beginning of the current year, will support the placement of the annual inflation rate above the upper limit of the inflation target variation range in the coming period. The manner in which tariffs are adjusted, as well as the tense situation in the region and the risk of its escalation, keeps the inflation outlook highly uncertain related to the inflation forecast.

External environment

In the second quarter of 2025, the evolution of the world economy was determined by the trade tariffs chronicle, the lack of results in the Russia – Ukraine peace negotiations, and the intensification of tensions in the Middle East. All attention is now focused on the trade tariff ping-pong and the totality of information is becoming increasingly difficult to estimate. In June 2025, military offensives between Israel and Iran were at their peak, which amplified the risk of closing the Strait of Hormuz and caused significant increases in oil prices, as well as other relevant prices. Although spirits have calmed down in a few weeks, the lack of a truce between the countries involved in the Middle East conflict means that the related risk persists. Despite the fact that quick results were promised, peace negotiations between Russia and Ukraine have not had a positive outcome, and in the recent weeks the attacks have intensified, which minimizes the possibility of an economic recovery in the region in the near future. After the adoption of the 18th package of economic sanctions against the Russian Federation, Europe is focusing on redistributing the budget towards defense, minimizing the consequences of US trade tariffs, and further adjusting trade tariffs with China. Since in Romania in 2024, the budget deficit stood at 9.3% of GDP, and the public debt/GDP ratio rose to 54.8%, the Council of the European Union requested Romania to act quickly to comply with the requirements of the excessive deficit procedure. Thus, the Romanian Government announced a substantial package of austerity measures. Although funding sources will substantially decrease, the expected VAT increase will cause inflationary pressures to increase in the coming months. The increase in investment attractiveness has led to a significant appreciation of the single European currency against the US dollar. European natural gas prices are under pressure as natural gas stocks in Europe are lower than the previous year's level. The cumulative evolution of international food prices is quite balanced, given that the surplus supply in some segments counterbalances some registered deficits.

Economy

At the beginning of this year, the annual GDP rate continued the negative dynamics that began in the second half of the previous year. In this way, in the first quarter of 2025, GDP contracted by 1.2%, compared to the same period in 2024. These dynamics were slightly higher than anticipated in the Inflation Report, May 2025, primarily due to the negative impact of net external demand. Domestic demand, both from the population, in the context of rising real income growth, and from economic agents, partly offset this effect. At the same time, it is worth mentioning the negative impact on GDP dynamics from the agricultural sector, as well as from industry, professional, scientific and technical activities. This was partially mitigated by positive developments in the construction sector, the information and communications sector, and the financial and insurance activities sector. At the same time, the seasonally adjusted series reflects a 1.1% increase in GDP compared to the fourth quarter of 2024.

Monetary policy

In the second quarter of 2025, excessive liquidity amounted to MDL 7.2 billion, decreasing by MDL 3,471.0 million compared to the first quarter of 2025.

During this period, the M3 monetary aggregate recorded an annual growth rate of 11.7% per year. The main contribution came from the balance of deposits in the national currency.

During the second quarter of 2025, two meetings of the Executive Board of the National Bank of Moldova were held regarding monetary policy decisions. Following the assessment of the balance of internal and external risks and the inflation outlook in the short- and medium-term, the Executive Board of the National Bank of Moldova decided, at its meetings on May 12, 2025 and June 19, 2025, to maintain the base rate at the level of 6.50% annually, set on February 5, 2025. At the same time, rates on standing facilities and repo operations were also maintained. The required reserve ratio of funds attracted in MDL and in non-convertible currency was maintained at 22.0% of the calculation basis, while the required reserve ratio of funds attracted in freely convertible currency – at 31.0% of the calculation basis.

These measures were adopted in the context of tempering inflationary trends and the propagation of previously adopted restrictive monetary policy measures, the effects of which will continue to act, considering the gaps in their transmission.

At the meeting of August 7, 2025, the Executive Board of the NBM adopted by a unanimous vote the reduction of the base rate applied to the main monetary policy operations, the rates on standing facilities, as well as the rate on repo operations by 0.25 percentage points each. Thus, the base rate was set at 6.25%, interest rates on overnight credits and overnight deposits were set at 8.25% and 4.25%, respectively. The interest rate on repo operations was set at 6.50%. At the same time, the required reserve ratio for funds attracted in MDL and in non-convertible currency and for funds attracted in freely convertible currency was maintained at 22.0 and 31.0% of the calculation basis, respectively.

In the context of moderate annual inflation, the decision of the NBM to resume monetary policy easing measures emphasizes stimulating aggregate demand, including by encouraging consumption and investment, balancing the national economy and the current account, as well as anchoring inflationary expectations, taking into account temporary lags in monetary policy transmission through the interest rate channel.

In the second quarter of 2025, in the national currency segment, the weighted average interest rates on new granted loans and on term deposits extended their upward trend under the impact of monetary policy measures. Thus, the weighted average rate on loans was 8.99%, and that on deposits – 4.91%, up by 0.52 and 0.77 percentage points, respectively, compared to the first quarter of 2025.

Average interest rates on the balance of loans in the national currency increased, compared to the first quarter of 2025, by 0.20 percentage points, to the level of 8.72%, and on term deposits – by 0.44 percentage points, to the level of 3.88%.

Medium-term inflation projection

In the current round of forecasts, the external environment continues to present an uncertain picture with predominantly disinflationary risks. If in the previous round of forecasting the trade war initiated by President Donald Trump was only in its initial phase, now we can talk about a process in full swing, with no clear end in the near future.

At the same time, the lack of results in the peace negotiations between the Russian Federation and Ukraine led the European Commission to adopt the 18th package of economic sanctions against the Russian Federation, and President Donald Trump threatened to impose tariffs on countries importing from the Russian Federation. Although the geopolitical tensions in the Middle East have moderated, the risk of escalation persists, which determines the maintenance of a high risk premium in oil price formation. Natural gas prices in Europe continue to be determined by temperature levels and the level of filling of natural gas storage capacities. International food prices are following a stable upward trend in line with expectations from the latest round of forecasts.

The annual inflation rate will have a downward trend during the current year and the first half of next year, and will subsequently register a stable trend until the end of the forecast period¹. In the current year, the inflation rate will be above the upper limit of the variation range, and starting from the first quarter of 2026, it will return and remain within the range, close to the lower limit, until the end of the forecast period. The maximum value will be recorded in the third quarter of this year, while the minimum value in the third quarter of 2026. The annual core inflation rate will have a relatively stable trend until the beginning of next year, after which it will have a decreasing trend until the end of the forecast period. The annual rate of food prices will have a downward trend until the third quarter of 2026, after which, by the end of the forecast period, it will register a slightly increasing trend. The annual rate of regulated prices will decline sharply until the first quarter of next year, after which it will have a relatively stable trajectory until the end of the forecast period. The annual rate of fuel prices will have an upward trend throughout the forecast period, although it will register negative values until the first quarter of 2026.

Aggregate demand will recover by the end of this year, after which it will have a decreasing trend with a slight recovery towards the end of the forecast period.

Real monetary conditions will be restrictive on aggregate demand throughout the forecast period.

The current inflation forecast, compared to the inflation in the previous inflation report², has been revised slightly upwards for the current year and insignificantly downwards for the rest of the comparable period³. The current forecast for the annual core inflation rate has been revised downwards, predominantly, for the entire comparable period. The annual rate of food prices was revised significantly upwards for the entire comparable period. The current forecast for the annual rate of regulated prices has been significantly revised downwards during the current year and the next year. The forecast for the annual pace of fuel prices was increased until the first half of next year and has been revised downwards thereafter, until the end of the comparable period.

¹Third quarter of 2025 – second quarter of 2027

²Inflation Report, May 2025

³Third quarter of 2025 – first quarter of 2027

Chapter 1

Inflation evolution

1.1 Consumer price index

In the second quarter of 2025, the annual inflation rate moderated compared to the beginning of the current year. However, during the period between April and June 2025 it continued to be above the upper limit of the inflation target variation range. At the same time, in the second quarter of 2025, the annual inflation rate was marginally higher than the value anticipated in the Inflation Report, May 2025.

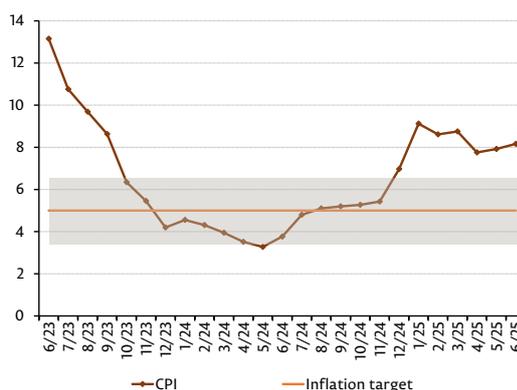
The annual inflation rate decreased from 8.8% in March 2025 to 8.2% in June 2025. At the same time, the average annual inflation rate was 7.9% in the second quarter of 2025, about 0.9 percentage points lower than in the previous quarter. However, the annual inflation rate, starting from December 2024, and in the first half of the current year, was above the upper limit of the inflation target variation range, a fact determined by the dynamics of regulated prices in the context of the tariff adjustment for mains gas, thermal and electricity energy. It should be noted that the annual inflation rate without the respective impact was about 5.7% in June 2025, being within the range of the inflation target variation range.

The annual price increase in the first half of this year was mainly supported by some supply shocks, including the adjustment of the mains gas tariff, thermal and electricity energy, as well as by unfavorable agrometeorological conditions that exerted pressure on food prices. According to estimates, aggregate demand continued to exert a disinflationary impact on prices during the reference period.

In the CPI structure (Chart 1.2), the annual rate of regulated prices moderated significantly in April 2025, after which it outlined a slightly upward trend. The annual rate of food prices continued the upward trend of previous periods. The annual rate of fuel prices continued to be placed in negative territory but showed an upward trend in June 2025. At the same time, the annual core inflation rate also showed a moderation in the second quarter of 2025.

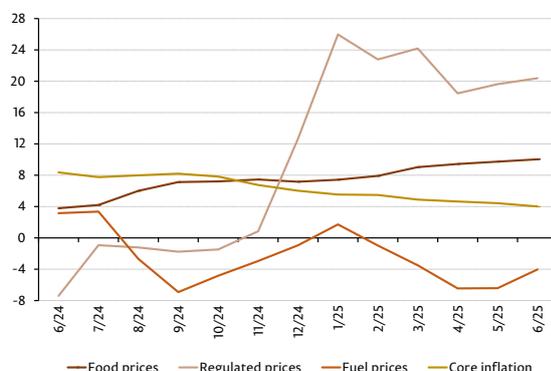
The adjustment of energy resource tariffs at the end of the previous year and at the beginning of the current year will support the placement of the annual inflation rate above the upper limit of the inflation target variation range in the coming period. The method of tariff adjustment, as well as the tense situation in the region and the risks of its escalation, maintain the significant uncertainty related to the inflation forecast.

Chart 1.1: Annual CPI rate (%)



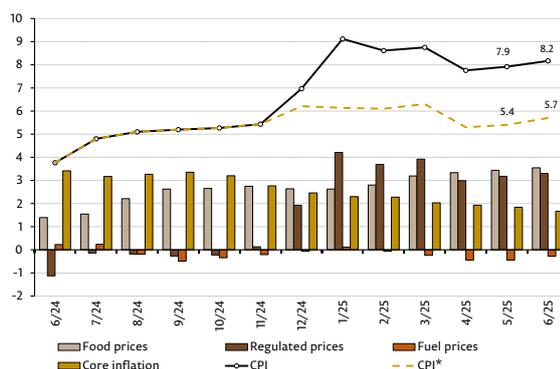
Source: NBS, NBM

Chart 1.2: Annual rate of the main CPI subcomponents (%)



Source: NBS

Chart 1.3: Annual inflation evolution (%) and contribution of subcomponents (percentage points)



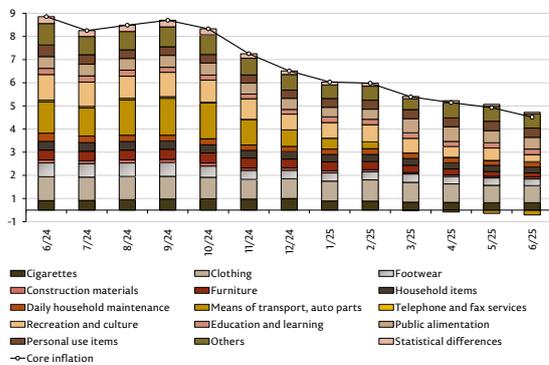
Source: NBS, NBM calculations
 Note: CPI* – estimated by excluding adjusted tariffs starting with December 2024

Core inflation

In the second quarter of 2025, the annual core inflation rate continued the downward trajectory initiated at the end of the previous year, registering in June 2025 the value of 4.0% or 0.9 percentage points lower than in March 2025.

Similar to previous periods, according to estimates, aggregate demand continued to exert disinflationary pressures on core inflation components in the second quarter of 2025, while the impact of some previously observed adverse sectoral effects gradually lost intensity, which supported the moderation of its annual rate.

Chart 1.4: Contribution of subcomponents (percentage points) to annual core inflation dynamics (%)

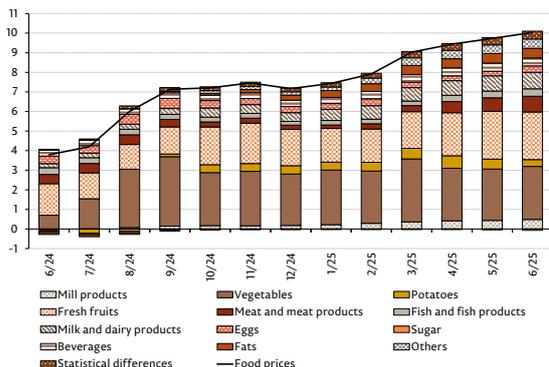


Source: NBS, NBM calculations

In this regard, in terms of structure, the moderation of the annual core inflation rate was mainly driven by the reduced impact of the "recreation and culture" subcomponent, largely as a result of the moderation of annual rate of prices for tourism packages from 24.8% in March 2025 to 1.3% in June 2025. At the same time, a significant impact was also exerted by the dynamics of the "means of transport, auto parts" subcomponent (Chart 1.4). Thus, the annual rate of new car prices moderated up to -2.0% in June 2025, from 0.4% in March 2025. At the same time, the decrease in the annual core inflation rate was also determined by the decrease in the contribution from prices to the "public alimentation" subcomponent. In this regard, their annual rate decreased from 7.6% in March 2025 to 5.8% in June 2025, in the context of the gradual dissipation of the effects of the increase in energy resource tariffs. In the context of weak demand, the annual price rate for "furniture", "clothing" and "footwear" moderated up to 2.9%, 4.8% and 5.8%, respectively, in June 2025, further contributing to the decrease in the annual core inflation rate in the second quarter of 2025. The annual rate of "cigarettes" prices decreased from 9.2% in March 2025 to 8.5% in June 2025.

The subsequent trend in the price evolution of important categories of goods and services included in core inflation, in the absence of supply imbalances, will continue to reflect the effect of reduced domestic demand.

Chart 1.5: Contribution of components (percentage points) to annual food prices dynamics (%)



Source: NBS, NBM calculations

Food prices

In the second quarter of 2025, the annual rate of food prices continued the upward trend that began in the second quarter of 2024.

Thus, in the second quarter of 2025, it recorded an average rate of 9.7% or 1.6 percentage points higher than in the first quarter of 2025. It should be noted that, during the analyzed period, the acceleration of the annual rate of food prices was supported by the intensification of inflationary pressures associated with such groups as "fresh fruits" and "meat and meat products" (Chart 1.5).

The increase in fresh fruits prices was supported by moderate domestic supply, amid losses caused by late spring frosts and

severe hailstorms, which affected orchards nationwide. At the same time, the increase in meat prices was determined by the decrease in domestic production, mainly caused by the reduction in the pig herd, as a result of the spread of African swine fever, as well as by secondary effects felt in the meat processing industry, in particular on the sausage manufacturing segment.

The levels of food prices on the international market were above those recorded in the similar period of the previous year (Chart 1.6), thus generating inflationary pressures on domestic prices. In the second quarter of 2025, the annual rate of food prices on the international market was 6.3%.

In the second quarter of 2025, the contribution of food prices to the formation of the annual overall inflation rate increased by 0.5 percentage points to the level of 3.4 percentage points.

Regulated prices

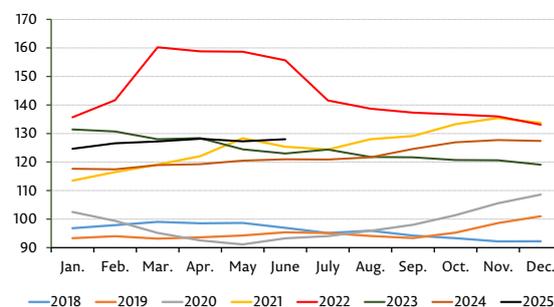
The annual rate of regulated prices moderated significantly in April 2025, after which a slightly upward trend was outlined.

Thus, the annual rate of regulated prices amounted to 20.4% in June 2025, by 3.8 percentage points lower than in March 2025. The average annual rate of regulated prices in the second quarter of 2025 registered 19.5%, by 4.8 percentage points lower than in the first quarter of 2025.

The moderation of the annual rate of regulated prices in April 2025 was mainly determined by the reduction of the impact of the subcomponent "central heating" and "mains gas" (Chart 1.7). Thus, in April 2025, the annual rate of prices for central heating and mains gas considerably decreased in the context of the effect of the base period, following the completion of the energy resource tariff compensation period in April 2024.

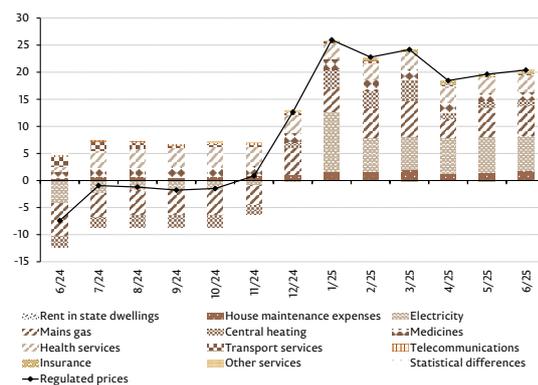
Subsequently, the annual rate of regulated prices recorded a slightly upward trend until June 2025 in the context of both the effects of the base period related to the price of mains gas and the adjustment of some utility tariffs during the current year. In this regard, in the period between April and June 2025, prices for water supply and sewage increased by about 12.1%, as a result of the partial reflection of the adjustment of the water and sewage tariff in the city of Chişinău⁴, of March 2025,

Chart 1.6: Evolution of the international food price index, FAO index



Source: FAO, NBM calculations

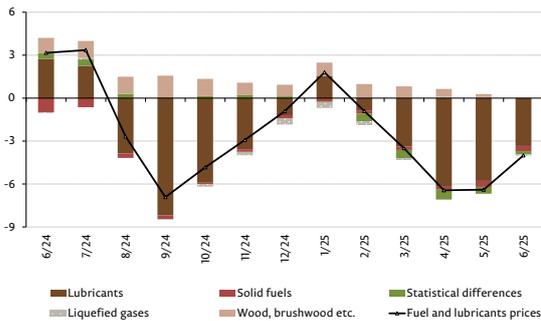
Chart 1.7: Evolution of regulated prices (%) and contribution of subcomponents (percentage points)



Source: NBS, NBM calculations

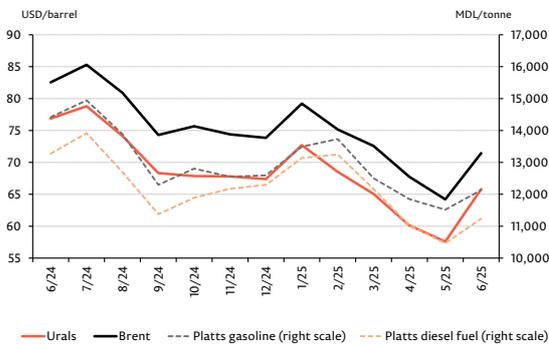
⁴Decision on the approval of tariffs for the provision/ delivery of public water supply, sewerage and wastewater treatment services by S.A. "Apă-Canal Chişinău": No. 191 of March 21, 2025. *Monitorul Oficial al Republicii Moldova*. 2025, No. 148-150 (9658-9660), p. 24. ISSN 2587-389X, e-ISSN 2587-3903.

Chart 1.8: Contribution of components (percentage points) to the annual increase in fuel and lubricants prices (%)



Source: NBS, NBM calculations

Chart 1.9: Evolution of average Platts quotations and Urals and Brent oil prices



Source: ANRE, NBM calculations

as well as the adjusted tariffs within the analyzed quarter in the city of Bălți⁵, town of Edineț⁶ and town of Ungheni⁷.

At the same time, it is worth mentioning that, during the second quarter of 2025, air transport prices increased by about 19.3%. Also, in June 2025, prices for public transport (urban) increased by 0.6% compared to the previous month, in the context of the adjustment of the fee for these services in the municipality of Bălți, starting from June 1, 2025⁸. In the structure of regulated prices, price adjustments were also noted, but their impact was minor.

Maintaining a still relatively high annual rate of regulated prices is mainly due to the effects of the tariff adjustment for mains gas, thermal and electricity energy from the end of 2024 and the beginning of this year.

Fuel and lubricants prices

The annual rate of fuel and lubricants prices remained negative throughout the second quarter of 2025.

Thus, the annual rate of fuel and lubricants prices decreased from -3.5% in March 2025 to -4.0% in June 2025. The average annual rate of fuel and lubricants prices in the second quarter of 2025 was -5.6%, by 4.7 percentage points lower than in the first quarter of 2025, mainly under the influence of the dynamics of "lubricants" prices (Chart 1.8).

The negative contribution of lubricants prices was determined by the dynamics of gasoline and diesel prices set by PECO stations during the respective quarter. These evolutions were dictated by the average Platts quotes for gasoline and diesel, which averaged about MDL 11,833.7/tonne and MDL 10,908.2/tonne in the second quarter of 2025. Thus, the average Platts quotations for gasoline decreased by about 10.6%, while the average Platts quotations for diesel decreased by about 15.1%, compared to the first quarter of 2025 (Chart 1.9). The decrease in the above-mentioned quotations was supported by the downward trend in the price of Brent crude oil (from USD 75.6/barrel in the first quarter of 2025, to USD 67.8/barrel in the second quarter of 2025).

During the second quarter of 2025, prices of "solid fuels" continued to have a negative impact, while prices for "wood, brushwood etc." had a positive impact on the annual rate of fuel and lubricants prices.

⁵Decision on the approval of tariffs for the provision of public water supply services by the Î.M. Regia "Apă-Canal Bălți", in the restructuring plan procedure: No. 345 of May 22, 2025. *Monitorul Oficial al Republicii Moldova*. 2025, No. 245-248 (9755-9758), p. 124. ISSN 2587-389X, e-ISSN 2587-3903.

⁶Decision on the approval of tariffs for the provision/ delivery of public water supply, sewerage and wastewater treatment services by the Î.M."Apă-Canal Edineț": No. 302 of April 30, 2025. *Monitorul Oficial al Republicii Moldova*. 2025, No. 201-203 (9711-9713), p. 52. ISSN 2587-389X, e-ISSN 2587-3903.

⁷Decision on the approval of tariffs for the provision/ delivery of public water supply, sewerage and wastewater treatment services by the SRL "Apă-Canal Ungheni": No. 366 of May 28, 2025. *Monitorul Oficial al Republicii Moldova*. 2025, No. 257-260 (9767-9790), p. 118. ISSN 2587-389X, e-ISSN 2587-3903.

⁸TV-Nord. *Higher fares for public transport in the municipality of Bălți, starting from June 1, 2025*. Bălți: TVN.md, updated on May 16, 2025. Available: <https://tvn.md/higher-tariffs-for-public-transport-in-balti-municipality-starting-from-june-1-2025/>

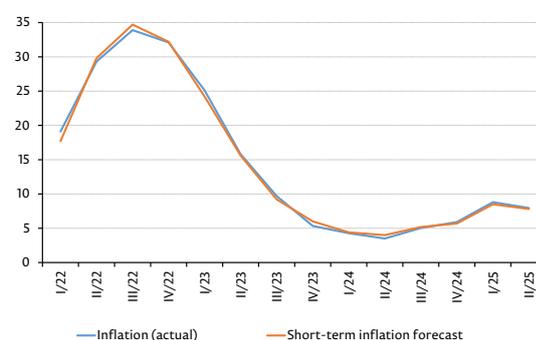
1.2 Inflation evolution and short-term forecast assessment from the Inflation Report, May 2025

In the forecast round of the Inflation Report, May 2025, a significant decrease in the annual inflation rate was anticipated for April 2025 and subsequently a relatively stable trajectory until the end of the second quarter of 2025. At the same time, for the second quarter of 2025, the annual inflation rate was expected to remain above the upper limit of the inflation target variation range and register an average value of 7.8%⁹.

In the second quarter of 2025, the average annual inflation rate was 7.9% and was thus slightly higher than that anticipated in the forecast (Table 1.1). The deviation was mainly due to an increase in food prices above expectations, in the context of adverse weather conditions in the spring of this year, which influenced the fruit harvest, as well as the outbreaks of swine fever, which determined meat prices. Thus, the average annual rate of food prices amounted to 9.7%, by 0.4 percentage points higher than the figure anticipated in the Inflation Report, May 2025.

At the same time, the positive deviation of the forecast for the second quarter of 2025 was also supported by the above-expected evolution of fuel prices and the regulated prices, mainly in the last month of the forecast. Thus, in the context of the military conflict in the Middle East, oil prices increased more sharply than anticipated, which supported a higher dynamics of fuel prices on the domestic market in June 2025. As a result, in the second quarter of 2025, the average annual rate of fuel prices was -5.6%, by 0.4 percentage points higher than anticipated. At the same time, the average annual rate of regulated prices in the second quarter of 2025 was 19.5%, by 0.1 percentage points higher than the anticipated one. The average annual core inflation rate in the second quarter of 2025 was 4.4%, similar to the anticipated one.

Chart 1.10: Annual rate of CPI (%)



Source: NBS, NBM

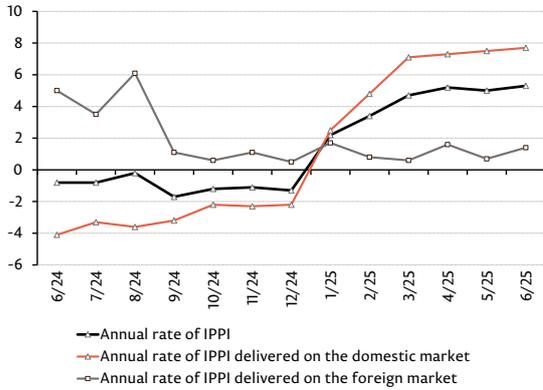
Table 1.1: The evolution and forecast of CPI and its components

	De facto Q II, 2025/ Q II, 2024 (%)	Forecast* Q II, 2025/ Q II, 2024 (%)	Deviation (De facto- forecast) (p.p.)
CPI	7.9	7.8	0.1
Core inflation	4.4	4.4	0.0
Food prices	9.7	9.3	0.4
Regulated prices	19.5	19.4	0.1
Fuel prices	-5.6	-6.0	0.4

Source: NBS, NBM calculations
*Forecast from Inflation Report, May 2025

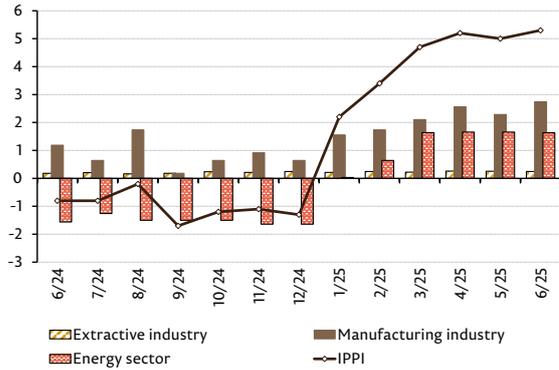
⁹Given the higher volatility of the monthly values, but also some possible measurement errors, which should normally not influence monetary policy decisions, the short-term inflation forecast is carried out at a quarterly frequency. This value is an input to the medium-term inflation projection, which similarly has a quarterly frequency and underpins monetary policy decisions. At the same time, it is reported in the Inflation Reports. However, the actual monthly CPI data, as they are published by the NBS during the quarter, are analyzed and compared with the short-term forecast for the whole quarter to assess whether the main assumptions are confirmed or whether there is a risk of marked deviations from the forecast. Therefore, deviations between the actual data available for the months within the quarter and the short-term inflation forecast should be treated appropriately, also taking into account the assumptions/ expectations for the remaining months of the quarter.

Chart 1.11: Annual industrial prices rate (%)



Source: NBS

Chart 1.12: Annual industrial prices rate (%) and its components contribution classified by main branches (percentage points)



Source: NBS, NBM calculations

1.3 Industrial production prices

In the second quarter of 2025, the annual industrial prices rate recorded an average level of 5.2%, by 1.7 percentage points higher than in the previous quarter.

In terms of structure, the annual rate of prices for products delivered on the domestic market accelerated sharply, while the annual rate of prices of products delivered on the external market remained practically at the level recorded in the previous quarter, with a slight positive variation (Chart 1.11).

Analyzing the evolution of the annual industrial prices rate by main branches, it can be seen that its acceleration was supported by the evolution in the manufacturing industry and the energy sector (Chart 1.12). In the second quarter of 2025, the annual prices rate in the manufacturing industry recorded a level of 2.8%, or 0.8 percentage points higher than in the previous quarter. The increase in contributions from "food industry" and "other non-metallic mineral products" mainly contributed to the upward dynamics of the annual prices rate in the manufacturing industry. At the same time, the annual prices rate in the energy sector was 25.3%, by 13.5 percentage points higher than in the first quarter of 2025. In the second quarter of 2025, prices in the extractive industry increased in annual terms by 12.7%, generating a minor contribution to the overall prices dynamics in the industry.

Chapter 2

External environment

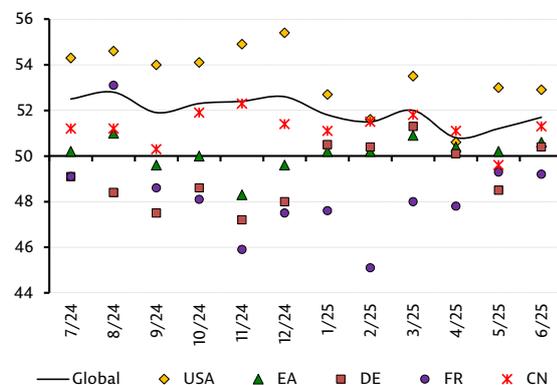
In the second quarter of 2025, the evolution of the world economy was determined by the trade tariffs chronicle, the lack of results in the Russia - Ukraine peace negotiations, and the intensification of tensions in the Middle East. All attention is now focused on the trade tariff ping-pong and the totality of information is becoming increasingly difficult to quantify. In June 2025, military offensives between Israel and Iran were at their peak, which amplified the risk of closing the Strait of Hormuz and caused significant increases in oil prices, as well as other relevant prices. Although spirits have calmed down in a few weeks, the absence of a ceasefire between the countries involved in the Middle East conflict means that the related risk persists. Although quick results were promised, peace negotiations between Russia and Ukraine have not reached a positive outcome, and in the recent weeks the attacks have intensified, which minimizes the possibility of an economic recovery in the region in the near future. After the adoption of the 18th package of economic sanctions against the Russian Federation, Europe is focusing on redistributing the budget towards defence, minimizing the consequences of US trade tariffs, and further adjusting trade tariffs with China. Since in Romania in 2024, the budget deficit stood at 9.3% of GDP, and the public debt/GDP ratio rose to 54.8%, the Council of the European Union requested Romania to act quickly to comply with the requirements of the excessive deficit procedure¹⁰. Thus, the Romanian Government announced a substantial package of austerity measures. Although funding sources will substantially decrease, the expected VAT increase will cause inflationary pressures to increase in the coming months. The increase in investment attractiveness has led to a significant appreciation of the single European currency against the US dollar. European natural gas prices are under pressure as natural gas stocks in Europe are lower than the previous year's level. The cumulative evolution of international food prices is quite balanced, given that the surplus supply in some segments offsets the recorded deficits.

2.1 World economy, financial and commodities markets

In the last months of analysis, **composite PMI indexes** denote a concentration towards the reference value of 50. Apparently, the economic activity in the US is moderating, in China is recording stable growth, while in the euro area it is stagnating. Further, the manufacturing industry in most of the analysed economies is in decline, while the service sector manages to compensate for losses in industry. As the global composite PMI index has been slightly above 50 in recent months and in the context of the recent economic crises and lingering uncertainties, global economic growth is expected to be stable (Chart 2.1).

If we analyze the available **PMI indexes for the manufacturing industry** for the countries in the region, we can see a rather alarming situation (Chart 2.2). Industrial activity in Romania,

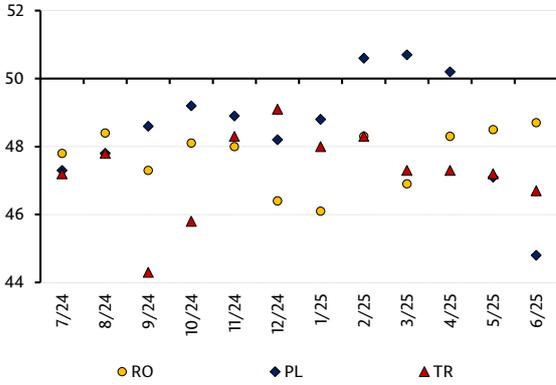
Chart 2.1: Developments of composite PMI indexes



Source: Markit

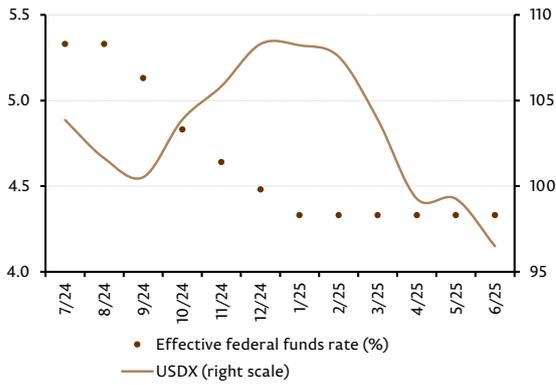
¹⁰Council of the European Union Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Romania Brussels: July 1, 2025. Available: <https://data.consilium.europa.eu/doc/document/ST-10349-2025-INIT/en/pdf>

Chart 2.2: Developments of PMI indexes for the manufacturing industry in Romania, Poland and Türkiye



Source: Markit

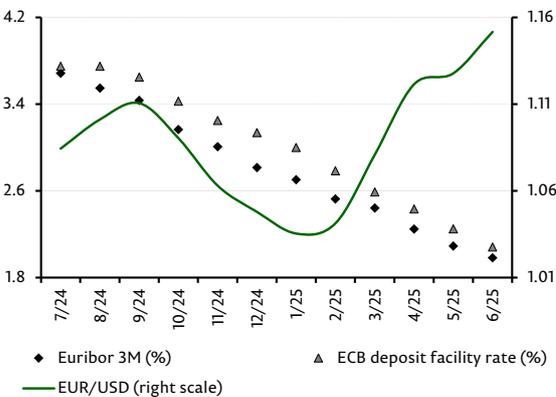
Chart 2.3: Evolution of USD index (DXY*) in the context of monetary policy of FRS



Source: FRS, Bloomberg

*DXY is an index calculated by the weighted geometric average of the value of the US dollar against a basket of currencies: euro – 57.6%, Japanese yen – 13.6%, Pound sterling – 11.9%, Canadian dollar – 9.1%, Swedish krona – 4.2%, Swiss franc – 3.6%

Chart 2.4: Developments of EUR/USD (monthly average) and interest rates in the euro area



Source: ECB

Poland and Türkiye – the economies with industrial potential, has shown a substantial decline in the last 12 months. The number of new orders fell sharply, and a determining factor was export sales, which declined further as a result of increasing hesitation from international customers. Low demand has been a problem for the manufacturing sector in the economies under review and given that there does not appear to be a real and sustained improvement at this level, we should be cautious about a significant recovery in the manufacturing sector this year, even with a promising trend.

Since the beginning of 2025, the FRS has maintained the interest rate range at the current level of 4.25-4.5% (Chart 2.3), even though the US President’s pressures to lower rates and dismiss FRS, Jerome Powell, have been repeatedly exposed. Thus, the **US dollar** is under pressure from expectations of monetary easing in the US, as well as the prospect that the next head of the FRS will fulfil Donald Trump’s requests and aggressively reduce interest rates. At the same time, the depreciation of the US dollar against the euro and speculators’ bets on a continuation of this trend are a consequence of the divergence of monetary policy rates in the US and the euro area. Economic experts anticipate a reduction in US interest rates by the end of the year, while the ECB appears to be nearing the end of its monetary easing cycle. The depreciation of the US dollar by over 10% since the beginning of the year is due to policy instability, increase in debt and deficits. The US public debt is approaching USD 30 trillion, with the deficit set to reach USD 2 trillion in 2025. The US dollar appreciation is being supported by labor market statistics, which are relatively satisfactory compared to expectations, as well as announcements regarding trade tariffs, especially with countries where the US trade balance was significantly negative.

Since the beginning of this year, the **single European currency** appreciated significantly against the US dollar, and the interest rates in the euro area continued to fall (Chart 2.4). In June 2025, the euro reached its highest level since September 2021 and has risen by about 14% since the beginning of 2025. The increase in the parity of the single European currency was driven by the prolonged depreciation of the US dollar and was reinforced in recent weeks by the increasing likelihood that the US Federal Reserve System is preparing to ease monetary policy, while the European Central Bank is ending its interest rate reduction phase. The latest data regarding inflation in the euro area gives the ECB no reason to change its position. Annual inflation rose in France and Spain but was stable in Italy and unexpectedly fell in Germany, reinforcing the ECB’s view that inflation will steadily move towards its 2% target. At the same time, after Donald Trump threatened the EU with 30% tariffs on July 12, 2025, the euro reacted with a moderate depreciation.

Oil quotations had a mixed evolution in the second quarter of 2025, the downward trend that began in January 2025 were interrupted in June by the intensification of tensions in the Middle East (Chart 2.5). The decrease in oil quotations was determined by the worsening prospects for the global economy following the application of trade tariffs, as well as a result of the gradual elimination of voluntary OPEC+ oil production cuts. So, at the OPEC+ meeting on July 5, 2025, it was decided that OPEC+ would sharply increase oil production in August by 548 thousand barrels/day, much more than the expected 411 thousand barrels/day. Thus, the group led by Saudi Arabia is trying to take

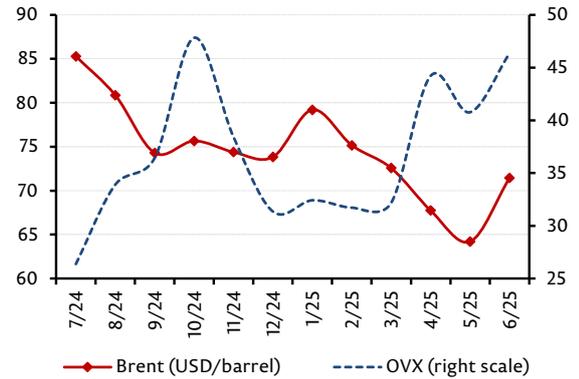
advantage of strong summer demand as part of its strategy to regain market share. At the same time, in June 2025, oil prices rose sharply following mutual missile attacks between Israel and Iran and the increasing likelihood of the closure of the Strait of Hormuz. This event caused the Brent price to return to almost USD 80/barrel. Later, following the easing of tensions in the Middle East, oil prices fell to their previous levels.

After a period of several months, when **natural gas purchase prices** by S.A. "Moldovagaz" from S.A "Energocom" aligned with European Netherlands TTF quotations (Chart 2.6), a significant difference has been recorded again since March 2025. The last value reported by S.A. "Moldovagaz" is that of April 2025, of EUR 546.79/1,000 cubic meters. The decline in European natural gas prices was driven by the prolonged debates over the publication of the European Commission's plan for a gradual phase-out of Russian fossil fuels, which was finally approved in June 2025¹¹. Also, Russia has declared that a deal with the US could bring back cheap Russian gas supplies to the European market, which contributed to the decrease in European natural gas prices. Another factor in the decline in European natural gas prices was economic concerns about the trade war led by the US. However, in June 2025, during the missile attacks between Iran and Israel, natural gas prices in Europe reacted by rising, like many other raw materials. It should be noted that tariff threats and logistics shocks contribute to price volatility. By July 2025, purchases of liquefied natural gas increased in some parts of North Asia amid hot weather, diverting the deliveries to Europe. Currently, the filling level in Europe is approximately 67.2% (the average of the last 5 years was 75.7%¹²), so the European stocks are still low for this time of year. However, the rise in gas prices is being held back by risks to global economic growth caused by US tariff policies.

International commodity price indexes calculated by the World Bank reflect a significant change in the evolution of commodity prices. Thus, starting from January 2025, the annual growth rate of fertilizer prices recorded significantly positive values. The increase has been driven by rising production costs, particularly for natural gas, trade restrictions, production shortfalls, especially in the case of urea, and strong demand. At the same time, energy resources prices have decreased since February 2025 due to the decline in oil and natural gas prices. After a gradual increase in the agricultural product index, in the last 3 months, they have stagnated, largely reflecting the dispersion of the statistical effect of the base year, as well as the compensation at times between the positions taken into account. The falling metal prices reflect the effect of the Trump administration's trade tariffs. Overall, the world price index in March 2025 recorded negative annual growth rates (Chart 2.7).

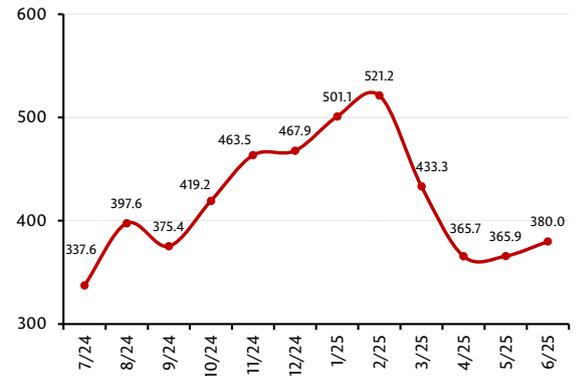
Starting from September 2024, the average international food prices, reflected in the **FAO index**, registered a stable positive growth trend (Chart 2.8). In June 2025, the FAO index recorded an increase of 5.8% compared to June 2024, but remained by 20.1% below the peak reached in March 2022. Although price indexes for

Chart 2.5: Oil market



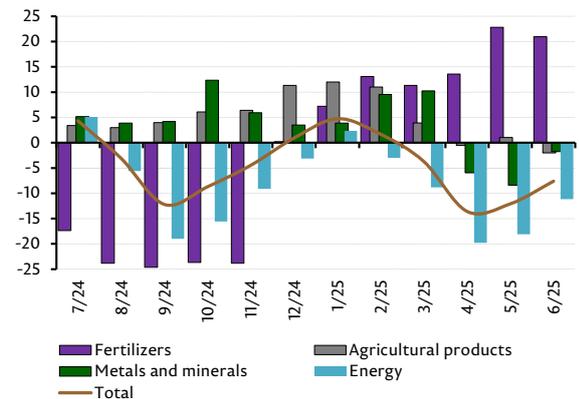
Source: World Bank, CBOE
 Note: CBOE – Chicago Board Options Exchange
 OVX – Crude Oil Volatility Index

Chart 2.6: Netherlands TTF quotation evolution (EUR/1,000 cubic meters)



Source: World Bank, NBM calculations

Chart 2.7: The annual growth rate of world price indexes (%)

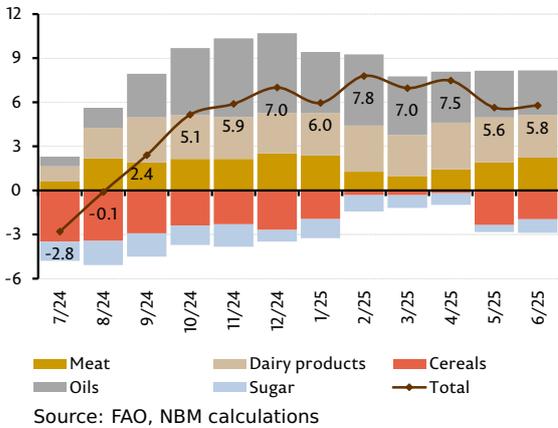


Source: World Bank, NBM calculations

¹¹European Commission *Commission proposes gradual phase-out of Russian gas and oil imports into the EU* Strasbourg: June 17, 2025. Available: https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1504

¹²Swiss Federal Office of Energy SFOE *Gas storage levels EU* Bern: July 29, 2025. Available: <https://energiedashboard.admin.ch/gas/eu-gasspeicher>

Chart 2.8: Annual growth rate of international food prices (FAO index, %)



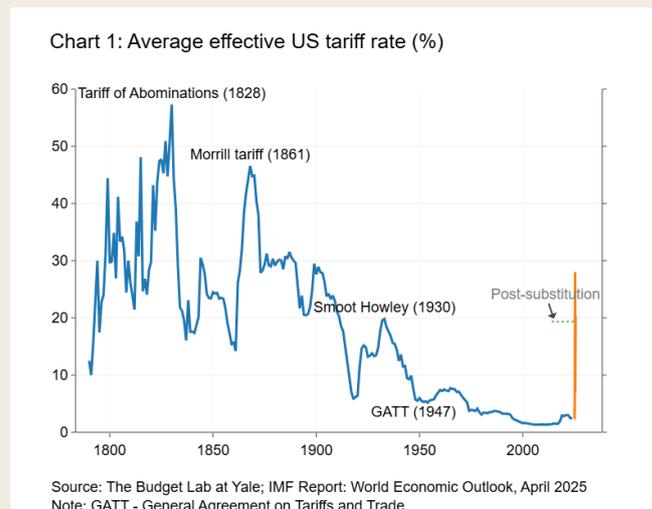
cereals and sugar fell, these declines were offset by increases in indexes for dairy products, meat and vegetable oils. Global corn prices have fallen sharply as the increased seasonal supply from Argentina and Brazil has intensified competition among major export origins. Instead, despite the supply pressure from the Northern Hemisphere, the international wheat prices have increased from month to month, mainly reflecting weather concerns in some key producing areas, including the Russian Federation and some parts of the European Union and the United States of America. International palm oil prices remained at a high level, due to the reduced supply as a result of last year’s El Niño effect, as well as strong import demand. Instead, global sunflower oil prices remained stable amid expectations of a satisfactory harvest in the Black Sea region. The increase in meat prices was driven by higher prices for all meat categories. The continued upward trend in dairy products prices was mainly driven by persistent deficits in Oceania and the European Union, coupled with strong demand for imports from Asia, including the Middle East. The decline in sugar prices mainly reflects the result of improving supply prospects in the main producing countries.

Box

Risks generated by the slowdown in the US economy

The beginning of USA President Donald Trump second term was marked by turbulence that called into question the future evolution of the world's largest economy and indirectly, the global economy.

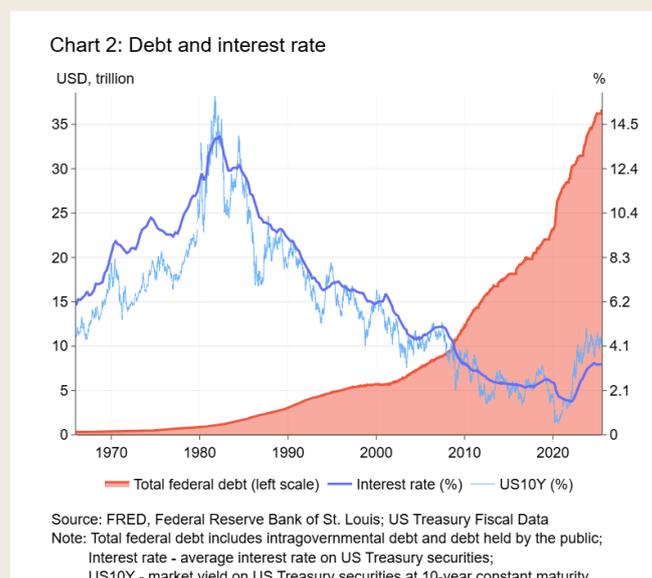
The customs tariffs imposed by Donald Trump on imports from several countries, including from among the main trading partners and allies, led to the fact that the US consumers currently are facing an average effective tariff rate of 20.2%. After the reorientation of consumption^a, the average tariff rate will be 19.3%, the highest since 1933 (Chart 1)¹.



Customs tariffs, although they will increase budget revenues, they will slow down trade and economic activity and increase inflation. The high level of uncertainty has led investors to shift to other, more predictable economies, while lenders to demand higher yields on loans to the US government.

The latter has once again brought the issue of US public debt sustainability back into the spotlight.

Currently, federal debt held by the public (which excludes intragovernmental debt) stands at USD 29.3 trillion², or about 98% of GDP³. For comparison, in 2008, this indicator was below 40%. The total federal debt is USD 36.7 trillion (Chart 2, 3).



^aRising prices cause some consumers to reorient their preferences.

Box

By June of the fiscal year 2025, debt service costs totaled USD 921 billion, representing 17% of total federal spending in the fiscal year 2025⁴.

This amount exceeds the entire budget for defense for this year (USD 895.2 billion⁵). Almost all nations that have crossed this threshold in the past have lost their "great power" status in financial markets, as Ferguson's Law says⁶.

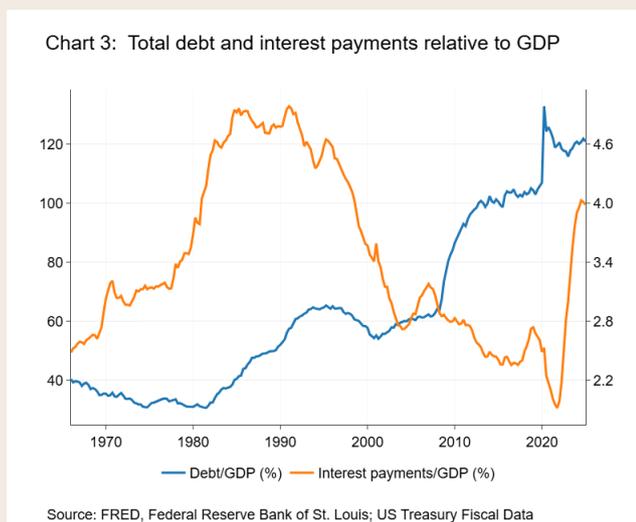
Despite concerns about the sustainability of the federal debt, Donald Trump signed the so-called law on July 4, 2025 *One Big Beautiful Bill Act*, that contains a major set of fiscal measures aimed at responding to the president's domestic agenda. According to estimates of the Congressional Budget Office, these measures will add USD 3.4 trillion to the US public debt over the next decade⁷.

For the stability of the dynamics of public debt, it is necessary (but not sufficient) that the following condition be met:

$$\frac{(1+i_t)}{(1+\pi_t)} - 1 < g_t$$

Where i_t is the interest rate paid on public debt, π_t – the rate of price growth in the economy (deflator $\frac{GDP}{100} - 1$), and g_t – the real GDP growth rate.

The left-hand side of the inequality converges over time to the real rate demanded by investors^b. The average over the past year (until July) of real rates (for 1 year) is 1.73%⁸. If GDP growth were to fall below this level for a longer period of time, the US government would have to deal with the primary deficit^c to stabilize the economy, meaning measures to increase revenues and/or cut spending. Which would be a delicate task, as raising taxes on companies could repudiate investment and cause it to relocate to more favorable states, increasing revenue by taxing labor would be an unpopular choice, especially since the majority of the population perceives the recently adopted tax measures as favoring the rich⁹. On the other hand, cutting spending may worsen the economic situation depending on the impact of these measures on the US GDP growth rate.



During periods of economic slowdown, the United States public debt tends to increase even more as a consequence of the federal government's attempts to stimulate the economy, especially when the FRS arsenal is limited.

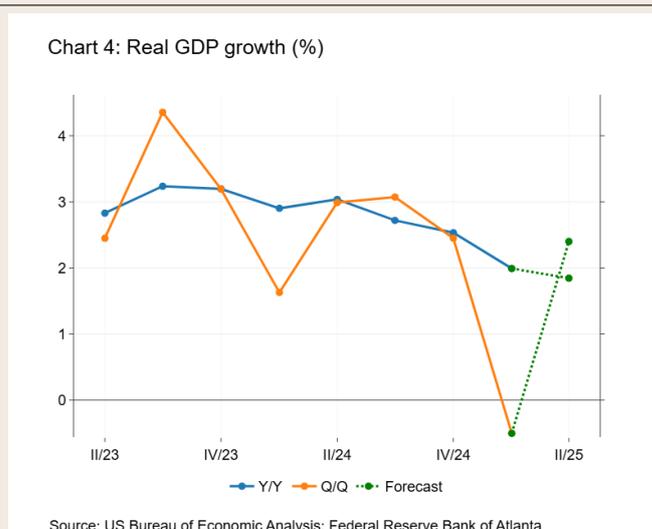
The pace of US GDP growth is on a downward trend.

For the second quarter of 2025, the *GDPNow* model of the Federal Reserve Bank of Atlanta estimates growth of 2.4% (July 25)¹⁰. If this materializes, real GDP growth, compared to the previous year (a less volatile measure), would be 1.85%, a declining pace for the fourth consecutive quarter (Chart 4).

^b i is a weighted average nominal rate.

^cThe primary deficit is the difference between government revenues (excluding interest payments) and government spending.

Box



However, US GDP is above the potential GDP for the seventeenth consecutive quarter. After World War II, only twice has US GDP remained so far above potential (24 and 20 quarters, until the fourth quarter of 1969 and the first quarter of 2001, respectively).

In anticipation of rising inflation, the FRS is forced to maintain the reference interest rate at a relatively high level.

The problem is that, in order to finance the budget deficit, the US continues to borrow at high rates (above the weighted average rate for federal debt servicing), which, with a growing deficit, leads to even greater indebtedness.

In the fiscal year ending September 30, 2024, the US budget deficit was 6.4% of GDP (or 6.6% adjusted to exclude the effects of the timing of certain payments)¹¹.

When a country runs a current account deficit, it accumulates debts to the rest of the world, which are financed by flows in the financial account. Eventually, these must be repaid¹².

The most important factor that has allowed and sustained US indebtedness to such a level and for such a long time is, without a doubt, the dominance of the US dollar.

At the end of the first quarter of 2025, about 58% of global foreign exchange reserves were in US dollars, while 10 years earlier, this share was at 65%^{13, 14}. At the beginning of 2025, about 54% of total global trade^d (USD 33 trillion¹⁵) is carried out in USD¹⁶. Additionally, individuals and business agents around the world hold US dollar as a store of value to protect themselves from inflation and currency fluctuations.

The US currency supply^e has grown rapidly in recent years, reaching approximately USD 2.39 trillion in June 2025¹⁷. If 45%^f of this is held abroad, foreigners would provide the US government with an interest-free loan of USD 1.07 trillion every year¹⁸.

The dollar is likely to maintain its dominance in the coming years. However, depriving the US economy of cheap money could trigger a spiral with negative consequences for the US economy and the entire global financial system. US government bonds, once a safe haven asset and considered "risk-free" by investors, may no longer be perceived as such.

^dData covering 115 countries accounting for 75% of global exports.

^eCash in circulation.

^fConservative estimate, according to FRS data: The International Role of the U.S. Dollar, Chart 4

Box

In global crisis situations, the US dollar has the property of increasing its influence – a property that has been called the "dollar trap"¹⁹. It would seem that this is an unstable equilibrium, with high risks for the global economy. So far, however, paradoxically, it is the fear of devastation that a possible collapse of the dollar would cause has had a stabilizing effect on it. The difference this time is that the US economy is self-isolating and possibly self-restricting.

The depreciation of the dollar should encourage exports, which would mitigate the negative impact, but trade tensions may limit this effect.

*"How did you go bankrupt?"
"In two ways: gradually, then suddenly."
– Ernest Hemingway, Fiesta*

It is unlikely that the US will go bankrupt, as the federal debt is denominated in the national currency. But, as Ken Rogoff (a professor at Harvard University and former chief economist of the IMF) pointed out, a debt crisis could take two forms:²⁰

- **An inflationary explosion, causing an economic shock.** "Exactly what that shock will look like is difficult to say, but it will likely be more painful than the COVID-19 period, that precipitated only relatively minor adjustments in bond markets";
- **The government could manage the debt by artificially keeping interest rates low and restricting capital flows.** But these measures will hurt economic growth and essentially act as a tax on people's savings.

Rogoff predicts US will enter debt crisis in next 4-5 years.

It should be noted that the relative stability of the bond market during the pandemic was practically ensured by the massive interventions of the FRS. In the event of a stronger shock, a weaker dollar, an inflated balance sheet, there are doubts that the FRS will be able to intervene in a similar manner.

"This is the moment for a global euro", proclaimed Christine Lagarde, in an opinion article published shortly after "Liberation Day" (April 2, 2025)²¹.

In the same article, Lagarde noted that increasing the euro's global status would bring tangible benefits: lower borrowing costs, reduced exposure to currency fluctuations, and protection from sanctions and coercive measures.

The opposite is true for the currencies that will drive this growth.

References:

1. State of U.S. Tariffs: July 23, 2025 | The Budget Lab at Yale
2. Debt to the Penny | U.S. Treasury Fiscal Data
3. The Federal Budget in Fiscal Year 2024: An Infographic | Congressional Budget Office
4. Understanding the National Debt | U.S. Treasury Fiscal Data
5. FY 2025 Defence Funding Levels
6. Ferguson's Law
7. H.R. 1, One Big Beautiful Bill Act (Dynamic Estimate) | Congressional Budget Office
8. Inflation Expectations
9. Most U.S. adults think the GOP tax bill will help the wealthy and harm the poor, AP-NORC poll finds | PBS News
10. GDPNow - Federal Reserve Bank of Atlanta
11. The Federal Budget in Fiscal Year 2024: An Infographic | Congressional Budget Office
12. Current Account Deficits
13. COFER
14. The US dollar's role in the international monetary system is now dangerously in flux | Chatham House – International Affairs Think Tank
15. Global trade hits record \$33 trillion in 2024, driven by services and developing economies | UN Trade and Development (UNCTAD)
16. Dollar Dominance Monitor - Atlantic Council
17. Currency in Circulation (CURRCIR) | FRED | St. Louis Fed
18. The Innocent Greenbacks Abroad: U.S. Currency Held Internationally
19. The Dollar Trap | Princeton University Press
20. US Debt Crisis Outlook: Ray Dalio, Ken Rogoff, Niall Ferguson Warnings - Business Insider
21. This is Europe's 'global euro' moment

2.2 Evolution in major economies

In the second quarter of 2025, the gross domestic product of the **United States of America** contracted slightly by 0.7% compared to the previous quarter (in seasonally adjusted terms), but was up by 1.9% compared to the second quarter of 2024. In the first half of 2025, industrial production in the US increased in average annual terms by 1.4%, and the unemployment rate remained relatively stable and recorded a level of 4.1% in June 2025. In June 2025, the consumer prices in the US increased by 0.3% compared to the previous month and by 2.7% compared to June 2024, which represented a reversal of the downward inflation trend and a first clear effect of the trade tariffs introduced by the Trump administration.

In the second quarter of 2025, economic activity in the **euro area** increased on average by 0.1% compared to the previous quarter and by 1.4% compared to the same period of the previous year (seasonally adjusted data). In the first five months of 2025, industrial production in the euro area increased by an average of 1.7% compared to the same period of the previous year. While industrial production in Germany, France and Italy continued to decline, the growth in industrial production in the euro area was ensured by Ireland, Finland and other countries. The unemployment rate in the euro area continued to remain at historically low levels and stood at 6.2% in June 2025 (seasonally adjusted). Consumer prices have stabilized, and the harmonized inflation in the euro area has reached the 2.0% target set by the ECB. The economic recovery and stability of inflationary pressures in the euro area risk being disrupted by the trade tariffs introduced by the Trump administration. Currently, general trade tariffs of 15% and 25% are in effect for steel and aluminium imports. At the same time, EU intends to reduce the budget deficit through extensive fiscal austerity measures, while significantly increasing the financing of military spending.

According to Eurostat, the economy of **Germany** decreased by 0.1% in the second quarter of 2025 compared to the first quarter of 2025, but was 0.4% higher than in the second quarter of 2024. Consumer prices in Germany in June 2025 stagnated compared to the previous month and increased by 2.0% compared to June 2024. The unemployment rate in Germany in June 2025 was 3.7%. The German economy is showing signs of stabilization after two consecutive years of recession, but uncertainties regarding its evolution in 2025 remain. The German government has worsened its economic forecast, highlighting the negative impact of uncertainties in global trade, as well as the need for measures to stimulate economic growth and manage the financial impact of the recession. Also, a challenge for the German economy will be to cope with the structural changes imposed by the decline in the competitiveness of its key industries, especially the automotive and chemical industries. Regions with a large presence of companies in these sectors are particularly at risk of facing strong unemployment growth until employees are professionally retrained.

In the second quarter of 2025, gross domestic product in **France** increased by 0.3% compared to the previous quarter and by 0.7% compared to the same period of the previous year. The outlook for the French economy in 2025 is becoming increasingly uncertain as a result of the trade war triggered by the Trump administration. At the same time, the intention of the French government to limit the public deficit will also have a negative impact on the domestic demand. France is subject to the excessive deficit procedure (EDP) and has committed to bringing by 2026 the deficit back below the limit set by the EU of 3% of GDP. In June 2025, consumer prices in France increased by 0.4% on a monthly basis and by 0.9% on an annual basis. The unemployment rate in June 2025 in France was 7.0%.

In the second quarter of 2025, gross domestic product in **Italy** decreased by 0.1% compared to the previous quarter and increased by 0.4% compared to the same period of the previous year. In June 2025, consumer prices in Italy increased by 0.2% on a monthly basis and by 1.8% on an annual basis. The unemployment rate in June 2025 in Italy was 6.3%. Italy's economy is expected to record moderate growth in 2025 due to uncertainties related to the evolution of global trade and possible increases in trade tariffs. At the same time, the exogenous risks related to the evolution of prices at the global level may influence inflation, which has reached the target limit ECB. At the same time, despite economic growth, in certain sectors, such as trade, restaurants and the hotel industry, there could be a lack of skilled labor.

The economy of **China** grew 5.2% in the second quarter of 2025 compared to the second quarter of 2024, with solid exports offsetting slowing domestic demand in the world's second-largest economy. The economic growth rate, which slightly exceeded the average estimate of 5.1% by economic analysts, was lower than the 5.4% growth in the first quarter of 2025. The biggest challenge for China's economy in the second half of the year lies in the uncertainty surrounding the US trade policy. At the same time, the Chinese policymakers are likely to adjust countercyclical measures to target annual growth of 5% in 2025.

2.3 Economic evolution in neighbouring countries and main trading partners

In the first quarter of 2025, the gross domestic product in **Romania** stagnated (in seasonally adjusted terms) compared to the previous quarter, and compared to the similar period of 2024, the gross indicator showed a growth of 0.5%. In the period between January – May 2025, industrial production in Romania contracted compared to the similar period in 2024 by 2.8% on a gross basis and by 1.3% on a seasonally adjusted basis. In June 2025, consumer prices in Romania increased by 0.45% compared to the price level of the previous month and by 5.66% compared to the price level in June 2024. The measures adopted by the Ilie Bolojan's Government aim to reduce the largest budget deficit in the European Union – 9.3% of GDP in 2024 – through a mix of tax increases and spending cuts, estimated at RON 12.7 billion (0.67%

of GDP) in 2025 and RON 10.8 billion (0.52% of GDP) in 2026¹³. The Government's fiscal plan aims to avoid sanctions from the European Commission, restore investors confidence and maintain the country's rating in the "investment-recommended" area. Thus, starting from August 2025, the standard rate of VAT in Romania is to increase from 19 to 21%, and the reduced rates (5 and 9% are unified at 11% for numerous products. Excise duties on fuel and alcohol increase by 10% and on tobacco by 3%. At the same time, a 10% health contribution is introduced for pensions higher than RON 3,000/month, an increase in the dividend tax from 10 to 16%, a doubling of the tax on bank income (from 2 to 4%), tax increases in the field of gambling, real estate and road infrastructure. Similarly, public sector salaries and pensions will be frozen in 2026, and public investment budgets will be temporarily cut in 2025 by 0.5% of GDP. Thus, Romania's economy will slow down sharply in 2025, private consumption will decline due to inflation and reduced disposable income, and public investment will suffer due to austerity. The unemployment rate could increase slightly, as employment is reduced in both the public and private sectors. Inflation is expected to peak at over 8% in autumn, due to the cumulative effect of the removal of the electricity price cap and the increase in VAT and excise duties. However, the inflationary pressure is considered temporary, with inflation expected to return to 4% by the end of 2026. The budget deficit could fall to 6.4% in 2026, but public debt will exceed 60% of GDP. If Romania demonstrates progress, it could avoid the suspension of EU funds and even receive the EUR 3-4 billion tranche from the National Recovery and Resilience Plan (NRRP) in 2026. Romania's fiscal plan is the most extensive in the last 15 years. In the short-term, it brings economic stagnation, inflation, and possible social tensions. But if it is fully implemented, the country could emerge from the crisis with a more efficient public system, a sustainable budget, and better access to European funding.

In the first quarter of 2025, the economy of **Poland** grew by 0.7% (in seasonally adjusted terms) compared to the previous quarter and by 3.6% compared to the same period of 2024. In the period between January and May 2025, industrial production in Poland increased by 1.6% on an annual basis. In June 2025, consumer prices increased insignificantly by 0.1% compared to the previous month and by 4.1% compared to June 2024. Poland's economy is expected to continue its growth trajectory in 2025, driven by strong domestic demand and investment. Although external risks and the pace of implementation of EU-funded projects will be important factors to monitor, Poland has every chance of remaining one of the fastest growing economies in the European Union. Inflation is expected to decline and fall within the tolerance range of the National Bank of Poland, although temporary increases due to adjustments to energy prices are possible. Also, gradual fiscal consolidation, deficit reduction and improved long-term fiscal sustainability are expected.

¹³Economedia.ro *The final version of the tax measures adopted by the Bolojan Government. Higher taxes on betting, lower health insurance contributions (CASS) for certain people, health insurance contributions (CASS) for pensions only until 2028, subsidy reduced by 40% for political parties* Bucharest: July 7, 2025. Available: <https://economedia.ro/varianta-finala-a-masurilor-fiscale-adoptate-de-guvernul-bolojan-surse.html?uord=kV-ZI7e8tj7hIm5E/ EkLSVVR3ouxKRVmTyTwZxxj7zigjo-HnKPPF2LMEFyVYpPm4mpt8BcoXNBPrqxqTI9H4WP9lpkOVKAQt1uyHWHljyZxJdrHui\9sTUUpICeT9o2iOFVQRd1z>

In the first quarter of 2025, **Türkiye's** economy grew by 1.0% (in seasonally adjusted terms) compared to the previous quarter and grew by 2.0% compared to the same period in 2024. In the period between January – May 2025, industrial production in Türkiye increased by 1.5% on an annual basis. Amid the cumulative effect of the depreciation of the Turkish lira, consumer prices in Türkiye continued to rise in June 2025, by 1.4% compared to the previous month and by 35.05% compared to June 2024. Even though Türkiye's economy is recovering, the challenges are multiple in the context of geopolitical tensions in the Middle East, the threat of imposing sanctions on countries importing products from the Russian Federation, and the reduced flow of tourists that will contribute to the decrease in services sector incomes.

In the first quarter of 2025, gross domestic product in **Ukraine** increased by 0.7% compared to the previous quarter (in seasonally adjusted terms) and in annual terms it increased by 0.9%. At the same time, statistical data and forecasts regarding the Ukrainian economy continue to be very bleak as the ongoing war has severely damaged industrial infrastructure and shipping. In the first five months of 2025, industrial production in Ukraine contracted by 5.2% compared to the same period of the previous year. Consumer prices continued to rise amid the depreciation of the Ukrainian hryvnia and the increase in regulated prices, with a monthly inflation rate of 0.8% in June 2025, and compared to June 2024, consumer prices in Ukraine increased by 14.3%.

Chapter 3

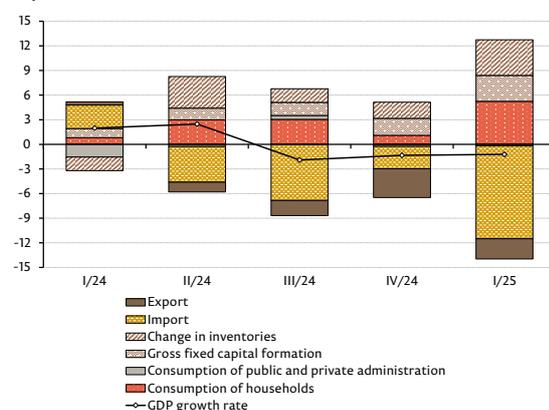
Economic developments

3.1 Demand

At the beginning of this year, the annual GDP rate continued the negative dynamics that began in the second half of the previous year. Thus, in the first quarter of 2025, GDP contracted by 1.2%, compared to the same period of 2024. The respective dynamics was slightly higher than anticipated in the Inflation Report, May 2025, mainly driven by the negative impact of net external demand. Domestic demand, both from the population, in the context of rising real incomes, and from economic agents, partially mitigated this effect. At the same time, it is worth mentioning the negative impact on GDP dynamics from the agricultural sector, as well as from industry, professional, scientific and technical activities. This was partially mitigated by positive evolution in construction, the information and communications sector, and the financial and insurance activities. At the same time, the seasonally adjusted series shows a 1.1% increase in GDP compared to the fourth quarter of 2024.

From a utilization perspective, in the first quarter of 2025 household consumption continued the positive dynamics observed in previous periods, recording an increase of 6.3% compared to the first quarter of 2024, thus generating a positive impact of 5.2 percentage points on GDP dynamics (Chart 3.1). In the first quarter of 2025 final consumption of public administration decreased by 0.6%, generating a negative impact of 0.1 percentage points on GDP dynamics. Investments generated a positive contribution of 7.5 percentage points to GDP dynamics. In terms of structure, it was determined both by the positive contribution of the change in inventories subcomponent and by the dynamics of gross fixed capital formation. In this regard, the change in inventories generated an impact of 4.4 percentage points on GDP dynamics. Gross fixed capital formation increased by 16.1% and contributed 3.2 percentage points to GDP growth at the beginning of this year. On the other hand, a pronounced negative impact was driven by the dynamics of net exports of goods and services (-13.8 percentage points). Thus, exports, in real terms, decreased by 6.8% and generated a negative impact of 2.5 percentage points. At the same time, imports in the first quarter of 2025 increased by 19.6% compared to the same period of the previous year, generating a negative contribution of 11.3 percentage points to GDP dynamics.

Chart 3.1: Contribution of demand components to GDP growth (percentage points)



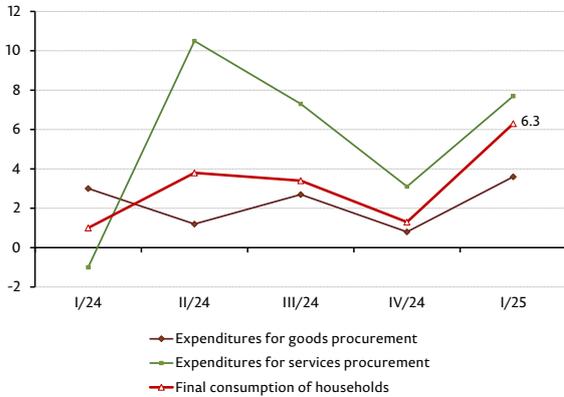
Source: NBS, NBM calculations

Household demand for consumption

The positive annual dynamics in household consumption accelerated significantly in the first quarter of 2025.

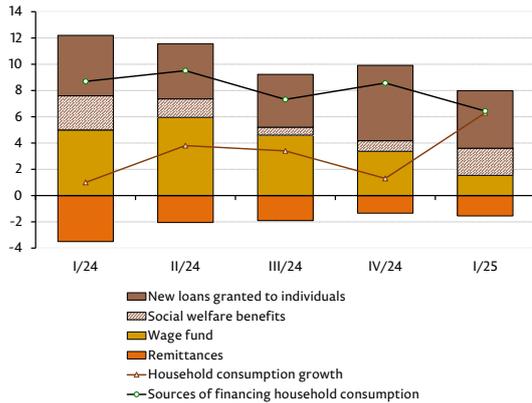
Thus, the annual rate of household final consumption recorded a level of 6.3%, which was 5.0 percentage points higher than in the fourth quarter of 2024. The respective dynamics of population

Chart 3.2: Development in household final consumption in real terms (% , compared to the previous year)



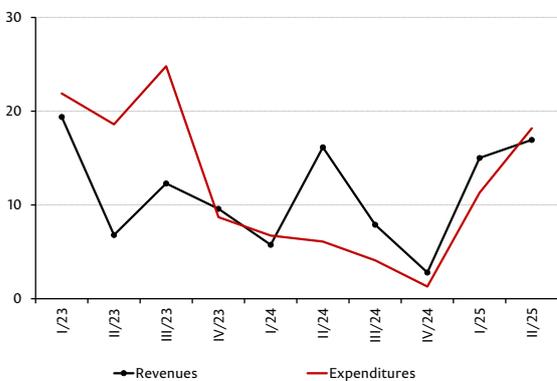
Source: NBS

Chart 3.3: Evolution of disposable income of the population (% , compared to the previous year) and subcomponents' contributions (percentage points)



Source: NBS, NBM calculations

Chart 3.4: Public revenue and expenditure dynamics (% , compared to the previous year)



Source: Ministry of Finance

consumption was supported by the increase in expenditures for services procurement by 7.7%, while expenditures for goods procurement increased by 3.6% compared to the same period of the previous year (Chart 3.2).

The upward evolution of household consumption was supported by rising real income.

In this regard, its main sources of financing, overall, continued their positive dynamics in the first quarter of 2025 (Chart 3.3).

Thus, new loans granted to the individuals, the wage fund and social welfare benefits recorded a pronounced dynamics during the first quarter of 2025, thus generating positive contributions within the potential sources of financing population consumption. On the other hand, remittances, in real terms, contracted during the period, mitigating the impact of the aforementioned components.

Public sector

According to data provided by the Ministry of Finance, during the second quarter of 2025, the national public budget revenues were accumulated in the amount of MDL 31.4 billion, 16.9% above the level accumulated in the same period of 2024 (Chart 3.4).

The major share of budget revenues was accrued from taxes and duties, which accounted for 57.2%. The compulsory state social insurance contributions and mandatory health insurance premiums constituted 30.5%, while the share of other revenues and grants amounted to 6.5% and, respectively, 5.9% of total budget revenues.

National public budget expenditures, in the second quarter of 2025, totalled MDL 35.5 billion, registering an increase of 18.2% compared to the similar period of 2024. In total expenditures, the largest share was held by social protection expenditures – 39.4%, education accounted for 17.8%, and health care – 13.2% of total expenditures.

It should be noted that, during the reference period, transfers were made from the state budget (SB) to the state social insurance budget (SSIB), to the mandatory health insurance fund (MHIF) and to local budgets (LB) in the amount of MDL 13.8 billion, increasing by 21.4% compared to the similar period of 2024 (Chart 3.5). The major share of transfers was directed to local budgets – 45.8% of total transfers, followed by transfers to SSIB accounted for 41.0%, and transfers to MHIF – about 13.2%.

In this context, in the second quarter of 2025, the execution of the national public budget resulted in a deficit of MDL 4.1 billion. In the similar period of 2024, the execution of the national public budget resulted in a deficit of approximately MDL 3.2 billion. The balances of the national public budget accounts, as of June 30, 2025, amounted to MDL 17.0 billion.

In the second quarter of 2025, the single treasury account (STA) was characterized by an increase in the annual rates of both payments made and receipts of funds compared to the same quarter of the previous year (Chart 3.6). As a result of account inflows and outflows, as of June 30, 2025, the balance of the STA amounted to approximately MDL 11.4 billion, recording an annual increase of 16.7% (Chart 3.7). At the same time, at the end of the reporting quarter, the balance of the Government's foreign currency deposit account with the National Bank of Moldova amounted to the equivalent of MDL 4.3 billion, compared to MDL 2.4 billion on December 31, 2024.

State debt

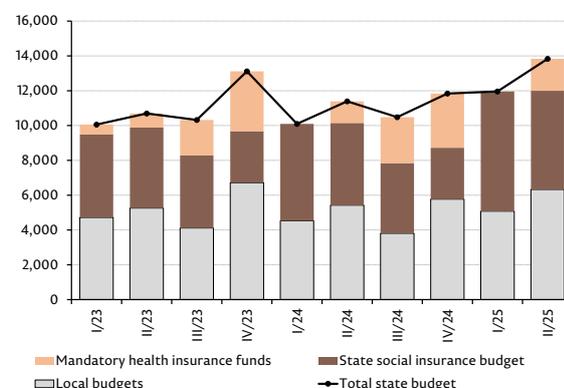
As of June 30, 2025, the balance of the state debt of the Republic of Moldova amounted to about MDL 127.2 billion, relative to GDP¹⁴ this amounted to 38.0% (Chart 3.9).

In annual terms, the state debt registered a nominal increase of 18.8% (Chart 3.8), as a result of the increase in external state debt recalculated in national currency (with a positive contribution of 14.4 percentage points) and domestic state debt (with a positive contribution of 4.4 percentage points). As of June 30, 2025, the state debt, consisted of 61.9% external state debt and 38.1% domestic state debt.

As of June 30, 2025, the balance of external state debt amounted to approximately USD 4,671.5 million, exceeding the level recorded at the end of June 2024 by USD 1,144.9 million or 32.5%. When recalculated in the national currency, the balance of external state debt amounted to about MDL 78.7 billion (23.5% of GDP¹⁴), (Chart 3.9).

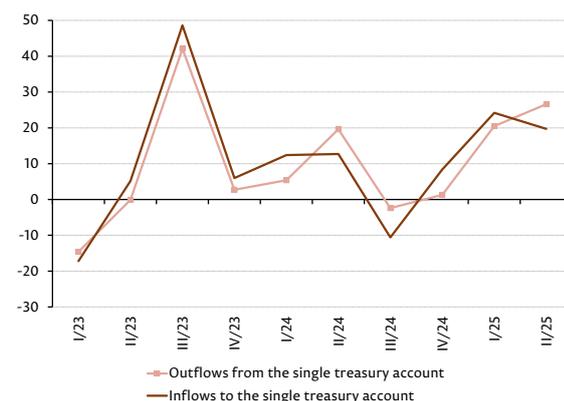
At the end of June 2025, the domestic state debt amounted to about MDL 48.5 billion (14.5% of GDP¹⁴), (Chart 3.9) higher than that of June 30, 2024 by 10.6% (Chart 3.8). The increase in domestic state debt was driven by state securities (SS) issued on the primary market, the volume of which increased by 16.1%, and direct placements from individuals. As a result of these evolutions, the domestic debt consisted of SS issued on the primary market (71.8%), SS issued for the enforcement of state guarantees (23.6%), converted SS (3.4%) and direct placements from individuals (1.3%).

Chart 3.5: Development of budgetary transfers (MDL million)



Source: Ministry of Finance

Chart 3.6: Development of the single treasury account flows (% , compared to the previous year)



Source: NBM

¹⁴GDP estimated by the NBM.

Primary market for state securities (SS)

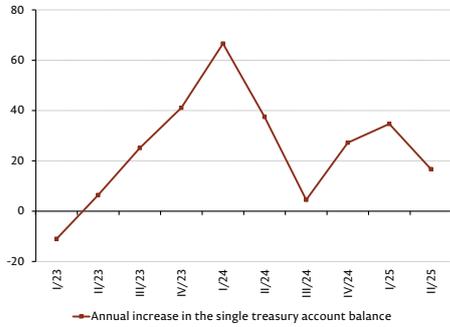
During the second quarter of 2025, the Ministry of Finance put into circulation state securities totalling MDL 11,602.9 million, 9.1% less than the initial offering volume. Compared to the previous quarter, the demand from licensed banks on the primary market of state securities recorded an increase by 28.9% (Chart 3.10). At the same time, the banks' demand was 39.2% higher than the Ministry of Finance's offer, amounting to MDL 17,758.0 million.

During the reporting period, the average effective interest rates on 91-day, 182-day and 364-day maturity treasury bills increased by 0.01 percentage points, 1.77 percentage points and 1.28 percentage points, respectively, compared to the previous quarter. Similarly, the average effective interest rates on government bonds with maturity of 2 years increased compared to the first quarter of 2025 by 1.20 percentage points, and the average effective interest rates on government bonds with maturity of 7 years decreased by 1.14 percentage points.

During this period, banks continued to prioritize investments in securities with short-term maturities, while exercising greater caution regarding to long-term commitments (Chart 3.11).

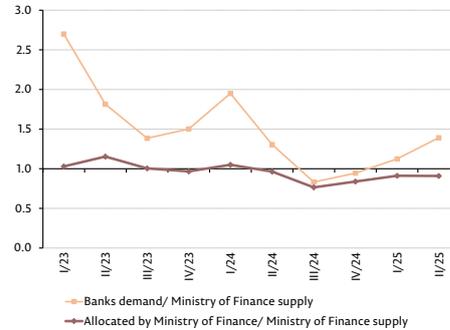
The structure of the SS portfolio put into circulation during the reference period shows that the most requested SS were those with a 364-day maturity, which accounted for 56.8% of total transactions, followed by 182-day treasury bills, the share of which constituted 40.5%, and the share of 91-day treasury bills represented 1.6%. As for government bonds, the share of those with a maturity of 2 years constituted 0.3%, of government bonds with a maturity of 7 years – 0.1%, and government bonds with a maturity of 10 years – 0.6% (Chart 3.12).

Chart 3.7: Development of the single treasury account balance (% , compared to the previous year)



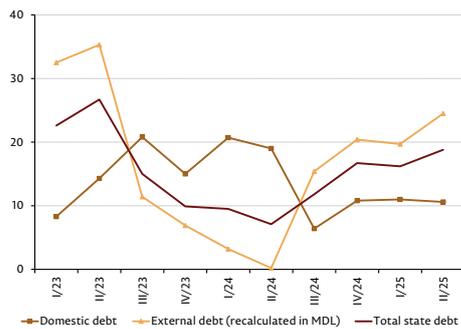
Source: NBM

Chart 3.10: Demand and supply ratio on the primary market for state securities



Source: NBM

Chart 3.8: Development of the annual growth rate of state debt (% , end of quarter)



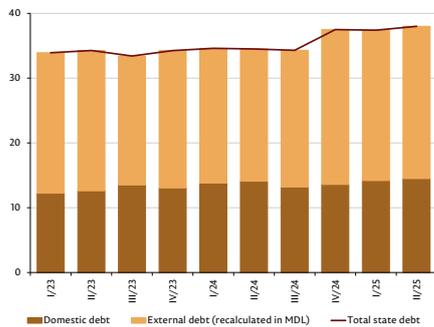
Source: Ministry of Finance

Chart 3.11: SS yield curve (%)



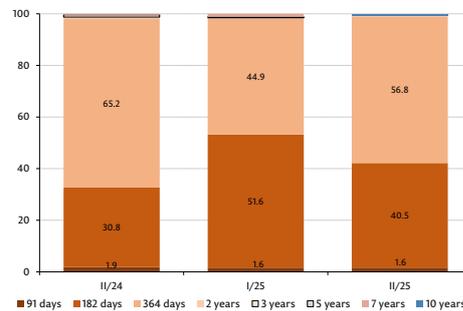
Source: NBM

Chart 3.9: Share of state debt in GDP (% , end of quarter)



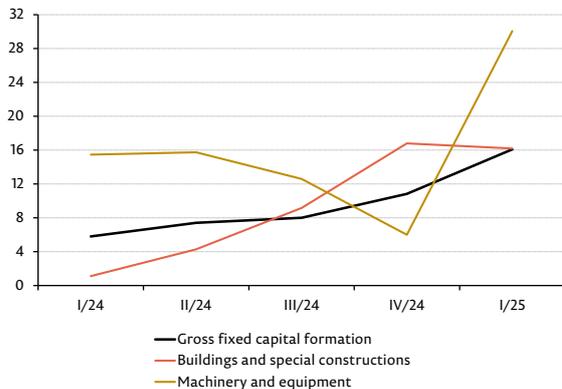
Source: Ministry of Finance

Chart 3.12: Structure of SS allocated on the primary market (%)



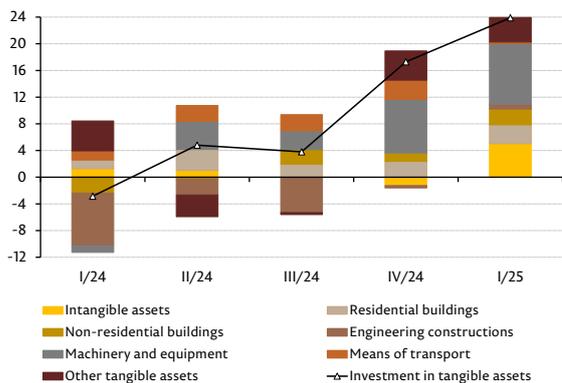
Source: NBM

Chart 3.13: Annual investment dynamics (%)



Source: NBS

Chart 3.14: Annual investment dynamics by types of fixed assets (% , real terms)



Source: NBS, NBM calculations

Investment demand

In the first quarter of 2025, the investment component generated a positive contribution of 7.5 percentage points to the dynamics of economic activity.

This evolution was determined by the positive contribution of both subcomponents: "change in inventories" with a contribution of 4.4 percentage points and "gross fixed capital formation" with a contribution of 3.2 percentage points, caused by 16.1% increase. The positive dynamics of gross fixed capital formation was influenced by the dynamics of investments oriented towards "machinery and equipment", by 30.1% increase and by the subcomponent "buildings and special constructions" by 16.2% increase, compared to the same period of 2024 (Chart 3.13).

According to operational data presented by the NBS, in the first quarter of 2025, investments in tangible assets increased by 23.9%. In terms of structure, by type of fixed assets, investments in "machinery and equipment" contributed by 9.1 percentage points to the dynamics of investments in fixed assets, "other tangible assets" – by 3.7 percentage points, investments in "residential buildings" – by 2.8 percentage points, "non-residential buildings" – by 2.3 percentage points, "engineering constructions" – by 0.8 percentage points and "means of transport" – by 0.2 percentage points. The dynamics of "intangible assets" generated a contribution of 5.0 percentage points to the evolution of investments in tangible assets (Chart 3.14).

From the perspective of investment financing sources in tangible assets for the first quarter of 2025, the positive dynamics of 23.9% was contributed by own funds with 19.7 percentage points, other sources – with 4.8 percentage points, and state budget funds – with 0.6 percentage points. A negative impact was exerted by investments financed by foreign investors (-1.0 percentage points) and ATU budget funds (-0.2 percentage points), (Chart 3.15).

Net external demand¹⁵

Data on international trade in goods presented by the NBS for the first five months of 2025 show that the current account deficit continued to deteriorate. Thus, the annual rate of exports is in negative territory for the ninth consecutive quarter, while the annual rate of imports records positive growth rates for the fifth consecutive quarter. At the same time, the severe drought in the summer of 2024 which affected the overall agricultural harvest influenced the export of agri-food products during the analysed period. It should be noted that the revival of domestic consumption, along with the substantial increase in electricity imports from Romania, against the backdrop of the suspension of deliveries from the Cuciurgan power plant, have significantly contributed

¹⁵Quarterly data on the evolution of international merchandise trade of the Republic of Moldova, expressed in thousands of US dollars, have been used.

to the recording of pronounced growth rates in imports, in annual terms.

The annual rate of exports recorded a level of -11.9% in the first quarter of 2025, or 2.6 percentage points lower than in the fourth quarter of 2024. At the same time, data for the first two months of the second quarter of 2025 show a contraction of 8.3% compared to the corresponding period of the previous year. Thus, during the analysed period, exports to the EU countries and to the countries of CIS¹⁶ generated a negative contribution to the dynamics of total exports (Chart 3.16). At the same time, exports to countries classified as Rest of the World were increasing.

The negative dynamics of total exports during the current year was mainly supported by the contraction in the export of "vehicles, optical instruments, sound recorders and reproducers equipment" and "foodstuff and animal products, beverages and fats" (Chart 3.17). The negative evolution in the agricultural sector recorded in 2024 led to a pronounced contraction in the export of agri-food products in the second semester of 2024, as well as in the first months of 2025. It should be noted that the contraction in exports of "vehicles, optical instruments, sound recorders and reproducers equipment" reflects the impact of the moderation of external demand, in a less favourable international economic context.

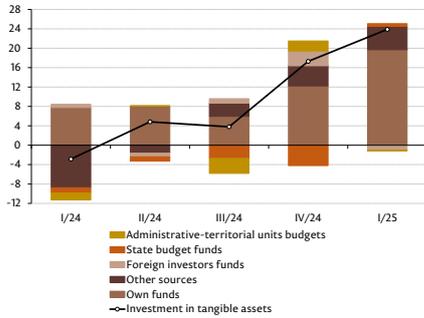
Having analysed the evolution of exports by products origin, it can be highlighted that the contraction of exports over the last four quarters was mainly driven by the dynamics of the export of domestic products. At the same time, re-exports in the first two months of the second quarter of 2025 returned to positive territory (Chart 3.18).

In the first quarter of 2025, the annual rate of imports was 18.3%, 9.9 percentage points higher than in the fourth quarter of 2024. At the same time, data for the first two months of the second quarter of 2025 show a 16.9% increase in imports compared to the corresponding period of the previous year. It should be noted that the recent dynamics of imports is marked by a significant dependence on trade flows from the EU (Chart 3.19).

By commodity group (Chart 3.20), the acceleration of the annual rate of imports in the first half of 2025 was mainly supported by the increase in the import of "mineral products". It should be noted that, after the suspension of electricity supplies from the Cuciurgan plant, the Republic of Moldova resorted to covering the consumption needs through purchases from the Romanian market. This reorientation of supply sources led to a pronounced increase in imports of mineral products. At the same time, imports of food products (of animal products, beverages and fats), vehicles, optical instruments, sound recorders or reproducers equipment, as well as articles made of metals, stones or ceramics, increased in annual terms.

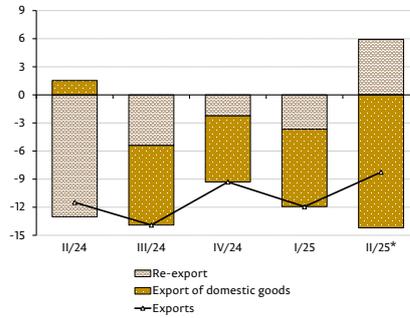
¹⁶Starting from 2024, Ukraine is not included in the Commonwealth of Independent States group in accordance with the European Union Geonomenclature, 2023 edition.

Chart 3.15: Annual investment dynamics by funding sources (% , in real terms)



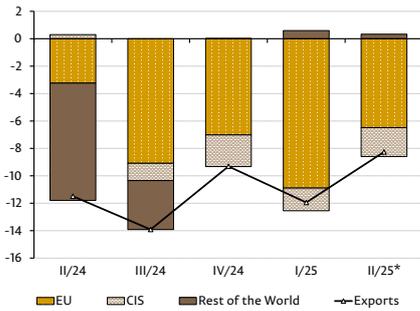
Source: NBS, NBM calculations

Chart 3.18: Development of the annual rate of exports (%) and contribution by origin (percentage points)



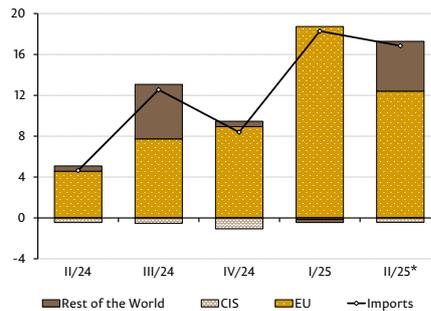
Source: NBS, NBM calculations
*April-May

Chart 3.16: Development of the annual rate of exports (%) and contribution by categories of countries (percentage points)



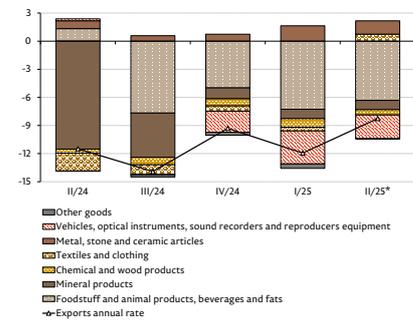
Source: NBS, NBM calculations
*April-May

Chart 3.19: Development of the annual rate of imports (%) and contribution by categories of countries (percentage points)



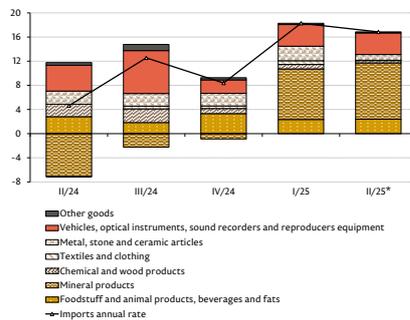
Source: NBS, NBM calculations
*April-May

Chart 3.17: Development of the annual rate of exports (%) and contribution of the components by commodity groups (percentage points)



Source: NBS, NBM calculations
*April-May

Chart 3.20: Development of the annual rate of imports (%) and contribution of the components by commodity groups (percentage points)



Source: NBS, NBM calculations
*April-May

3.2 Production

By resource categories, the contraction of GDP in the first quarter of 2025 was mainly determined by developments in industry, professional, scientific and technical activities, as well as agriculture, forestry and fishing (Chart 3.21).

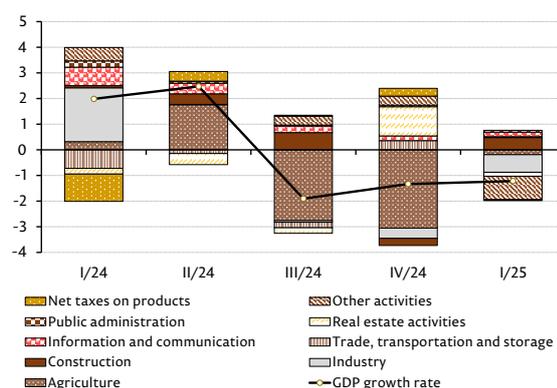
In this regard, the GVA related to the manufacturing industry decreased by 8.7% compared to the first quarter of 2024, generating a negative effect of 0.7 percentage points on the dynamics of GDP at the beginning of this year. At the same time, the GVA related to the professional, scientific and technical activities sector contracted by 20.4% and thus determined a negative impact of 0.6 percentage points on GDP dynamics in the first quarter of 2025. At the same time, a negative contribution of 0.2 percentage points was determined by the decrease in GVA in agriculture, forestry and fishing by 9.9% in the first quarter of 2025 compared to the same period of the previous year, which can be attributed to the decrease in production in the livestock sector, as a result of the spread of African swine fever. Real estate transactions contracted by 1.7% and thus determined a negative contribution of 0.1 percentage points to GDP dynamics. Net taxes on products decreased by 0.3%, contributing marginally to the decline in GDP.

The above-mentioned negative impact was partially mitigated by developments in the construction, information and communications, financial, medical and social sectors. Thus, GVA in construction sector increased by 8.6%, generating an impact of 0.4 percentage points on GDP dynamics at the beginning of this year. The information and communications sector increased by 2.1%, exerting a positive influence of 0.2 percentage points on GDP dynamics. GVA in financial and insurance activities increased by 2.4%, generating a contribution of 0.1 percentage points to GDP dynamics. A similar impact was determined by the 1.1% increase in the GVA related to the health and social assistance subcomponent. The GVA related to education increased by 1.3%, and the GVA related to the public administration and defence, mandatory social insurance subcomponent increased by 1.5%. GVA in the extractive and energy industries increased by 24.1 and 1.9%, respectively, but contributed marginally to GDP dynamics at the beginning of this year. Minor evolution was recorded by GVA in wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles (0.2%), as well as in transportation and storage (0.2%).

Goods and passenger transport

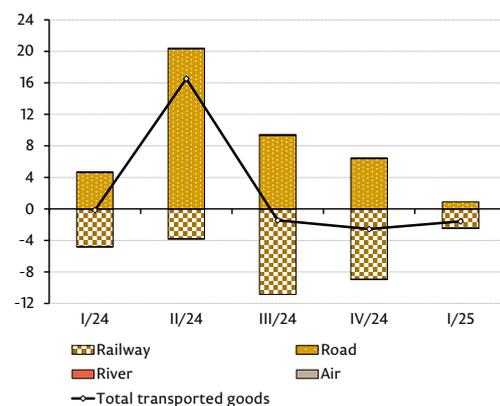
The annual rate of volume of goods transported in the first quarter of 2025 recorded a negative level of 1.6%, however, by 1.0 percentage points higher than in the fourth quarter of 2024 (Chart 3.22).

Chart 3.21: Contribution of economy sectors to GDP growth (percentage points)



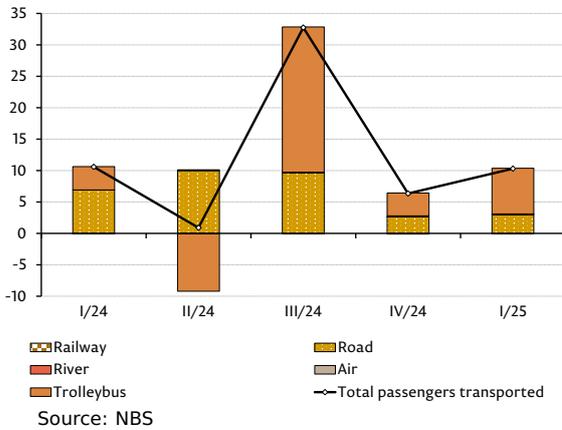
Source: NBS, NBM calculations

Chart 3.22: Development of goods transport (% compared to the previous year)



Source: NBS

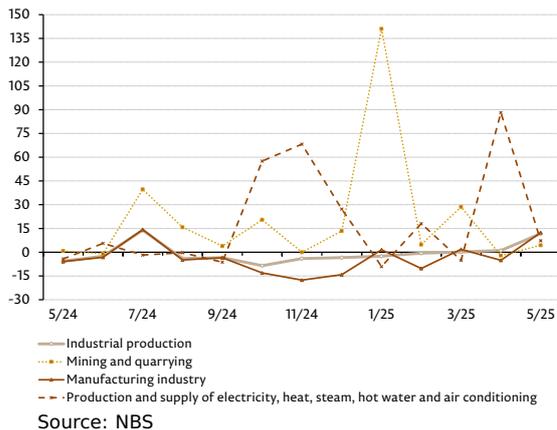
Chart 3.23: Passenger transport development (% compared to the previous year)



This evolution was driven by the annual decrease in the volume of goods transported by rail by 15.7% compared to the same period of the previous year. At the same time, the volume of goods transported by river and air decreased by 2.3 and 25.6%, respectively, compared to the first quarter of 2024, while goods transported by road increased by 1.1%.

In the first quarter of 2025, the annual rate of the number of passengers transported registered a level of 10.3%, by 4.0 percentage points higher than in the fourth quarter of 2024 (Chart 3.23). This evolution was mainly driven by the increase in annual terms in the number of passengers transported by road and trolleybuses, by 8.7 and 11.1%, respectively, compared to the same period of the previous year. At the same time, the number of passengers transported by river and air increased by 14.9 and 31.4%, respectively, compared to the first quarter of 2024, while the number of passengers transported by rail decreased by 33.3%.

Chart 3.24: Industry development in real terms (% compared to the previous year)

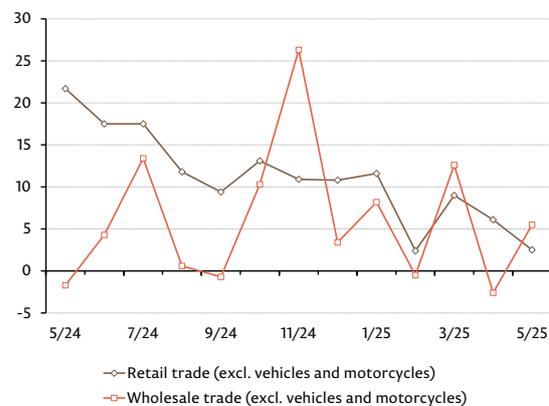


Industrial production

In the first two months of the second quarter of 2025, the annual rate of industrial production volume recorded a level of 6.4%, by 7.4 percentage points higher than in the first quarter of 2025 (Chart 3.24).

This dynamics was driven by the increase in the annual rate of the manufacturing industry (from -2.3% in the first quarter of 2025 to 3.7% in the first two months of the second quarter of 2025). At the same time, the annual production rate in the "production and supply of electricity, heat, steam, hot water and air conditioning" sector increased from 1.3% in the first quarter of 2025 to 47.7% in the first two months of the second quarter of 2025. At the same time, the annual rate of production volume in the "mining and quarrying" sector decreased by 57.0 percentage points compared to the first quarter of 2025 to the level of 1.2%.

Chart 3.25: Internal trade (based on VAT statements) (% compared to the previous year)



Internal trade

In the first two months of the second quarter of 2025, domestic retail trade (based on VAT declarations¹⁷) recorded an average increase of 4.3%, by 3.4 percentage points lower than in the previous quarter (Chart 3.25).

At the same time, domestic wholesale trade (based on VAT declarations) recorded, in the period from April to May 2025, an average growth of 1.5%, by 5.3 percentage points lower than in the first quarter of 2025.

¹⁷NATIONAL BUREAU OF STATISTICS. *Statistics on value indices of sales (deliveries) of goods and services developed for the first time based on VAT declarations*. Chişinău: NBS, 2023. Available: https://statistica.gov.md/ro/statistici-privind-indicii-valorici-ai-vanzarilor-livrarilor-de-marfuri-si-servi-12_60432.html

Agricultural production

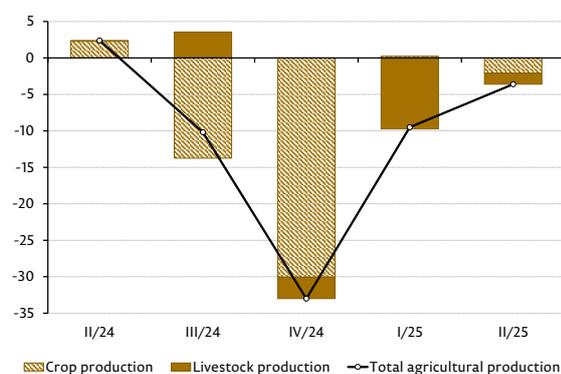
In the second quarter of 2025, total agricultural production decreased by 3.6% compared to the level in the same quarter of the previous year (Chart 3.26). This dynamics was supported by the decrease in crop and livestock production by 13.1% and 1.8%, respectively.

The contraction in crop production in the second quarter of 2025 was driven by losses caused by late spring frosts and severe hail episodes, which affected orchards nationwide.

The decrease in production in the livestock sector, during the analysed period, was determined by the reduction in meat production (in live weight), mainly caused by the decrease in the pig population, as a result of the spread of African swine fever. At the same time, milk and egg production in the second quarter of 2025 increased compared to the same quarter of the previous year.

It should be noted that, in the second half of 2025, a revival of the agricultural sector is expected, against the background of a higher harvest of both cereal crops and of technical crops compared to 2024. At the same time, on June 1, 2025, households of all categories sowed 1.3% more hectares compared to 2024.

Chart 3.26: Annual rate of total agricultural production (%) and contribution by sectors (percentage points)

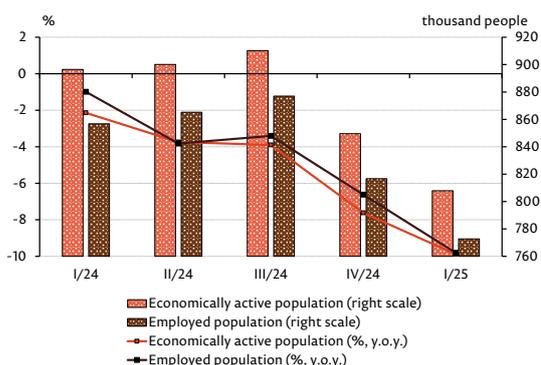


Source: NBS, NBM calculations

3.3 Labor market

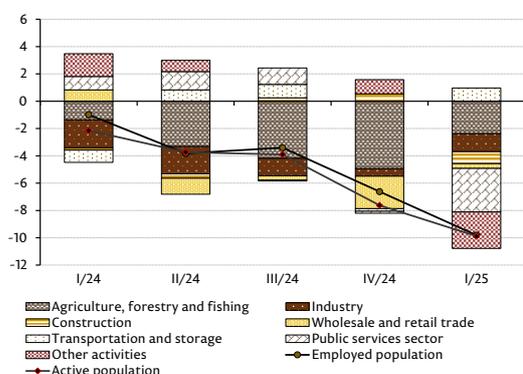
Labor force

Chart 3.27: Economically active population and employed population



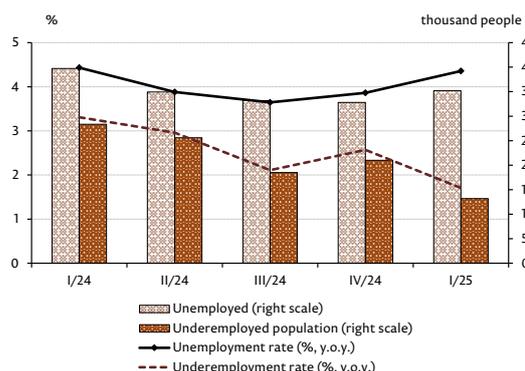
Source: NBS, NBM calculations

Chart 3.28: Contribution of sectors to the dynamics of the employed population (percentage points)



Source: NBS, NBM calculations

Chart 3.29: Evolution of unemployed and underemployed population



Source: NBS, NBM calculations

In the first quarter of 2025, the annual dynamics of the economically active and employed population continued to move into negative territory. At the same time, the unemployment rate remained practically at the level of the first quarter of 2024.

In the period from January to March 2025, the labor force amounted to 807.9 thousand people, by 9.9% lower than in the first quarter of 2024. At the same time, the employed population amounted to 772.7 thousand people, by 9.8% lower than in the similar period of 2024 (Chart 3.27).

Within the employed population, negative evolution was recorded in the wholesale and retail trade sector¹⁸ (-1.9%), industry (-10.1%), public services sector¹⁹ (-12.3%), construction sector (-13.2%), agricultural sector (-13.9%), other activities (21.8%).

At the same time, the increase in the employed population in the first quarter of 2025 was observed in the transport and storage sector²⁰ (14.4%) (Chart 3.28).

In the first quarter of 2025, the number of unemployed people amounted to 35.2 thousand people, or about 4.6 thousand people lower than in the first quarter of 2024, and the unemployment rate amounted to 4.4%, practically to the level of the first quarter of 2024 (Chart 3.29).

The underemployed population²¹, in the first quarter of 2025, decreased to about 13.2 thousand people, from 28.3 thousand people in the period from January to March 2024, while the underemployment rate was 1.7% or 1.6 percentage points lower than in the first quarter of 2024.

Wage fund

In the first quarter of 2025, the wage fund in the economy increased by 12.1% compared to the first quarter of 2024, this dynamics was 0.7 percentage points lower than that of the previous quarter.

This dynamics was mainly supported by the evolution in the wage fund in the trade sector, which contributed by 2.3 percentage

¹⁸Including "accommodation and food service activities"

¹⁹"Public administration and defense", "education", "human health and social work activities"

²⁰Including "information and communications"

²¹Underemployed people: individuals who had a job, whose total number of hours actually worked during the reference period was less than 40 hours per week, who were willing and available to work overtime.

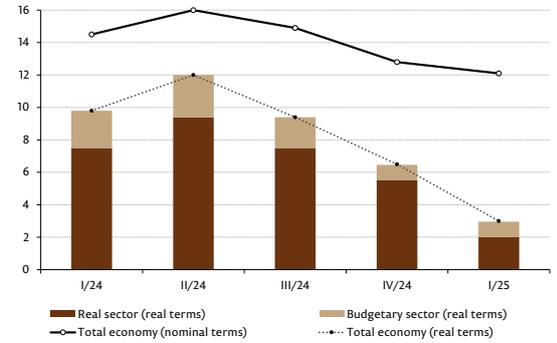
points, the education sector (1.8 percentage points), the human health and social work activities sector (1.6 percentage points), public administration and defence sector (1.4 percentage points) and from the industrial sector (1.2 percentage points).

In real terms, deflated by CPI, the wage fund in the economy increased by 3.0% compared to the same period of the previous year. The respective dynamics of the wage fund in real terms was determined by the positive evolution of both sectors of the economy: real and budgetary (Chart 3.30).

In the first quarter of 2025, the average number of employees in the national economy increased by 1.3% compared to the first quarter of 2024. The number of employees in the real sector increased by 1.5%, with a contribution of 1.1 percentage points, while the number of employees in the budgetary sector increased by 0.8%, with a contribution of 0.2 percentage points (Chart 3.31).

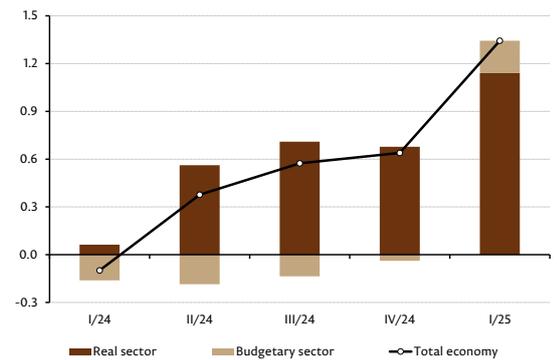
The distribution by sectors of the economy reveals more pronounced increases in the average number of employees in the areas of: accommodation and food service activities (17.4%), construction (10.1%), wholesale and retail trade (5.5%), professional, scientific and technical activities (5.2%), followed by arts, entertainment and recreation (3.1%). Contractions in the number of employees are recorded in transportation and storage (-5.0%), industry (-3.2%), agriculture, forestry and fishing (-1.8%) and other service activities (-4.7%), (Chart 3.32).

Chart 3.30: Wage fund in the economy (% , compared to the previous year) and sectors' contributions (percentage points)



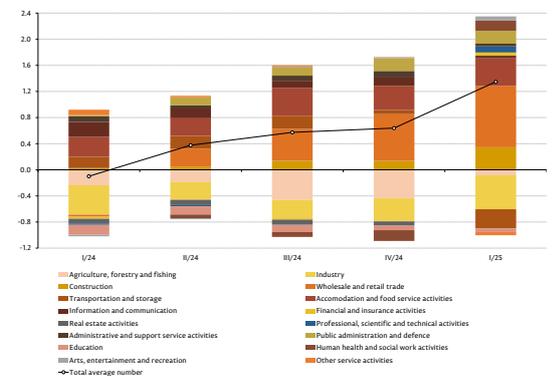
Source: NBS, NBM calculations

Chart 3.31: Average number of employees per economy (% , compared to the previous year) and sectors' contributions (percentage points)



Source: NBS, NBM calculations

Chart 3.32: Contribution of the sectors of the economy to the dynamics of the number of employees (% , compared to the previous year)

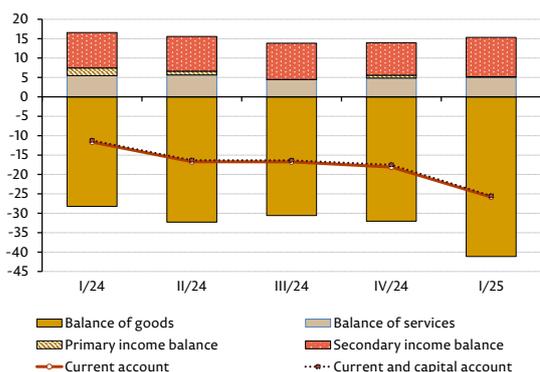


Source: NBS, NBM calculations

3.4 External sector

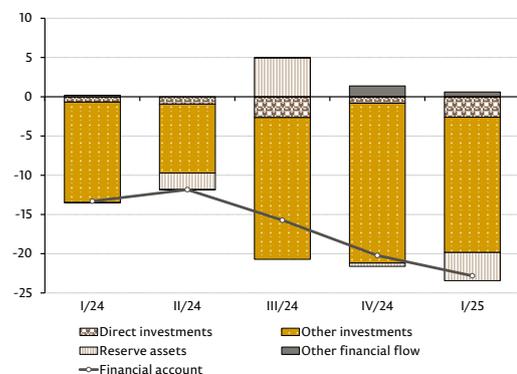
Current account

Chart 3.33: Current account share in GDP (%)



Source: NBM

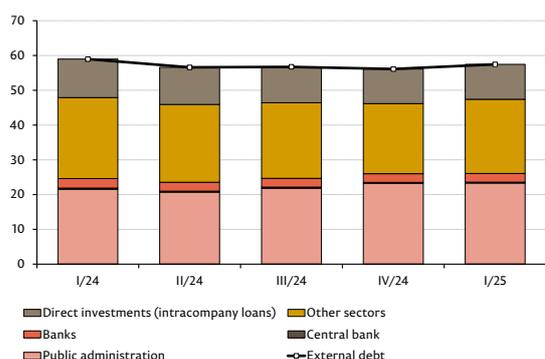
Chart 3.34: Financial account share in GDP (%)



Source: NBM

Note: (-) – net capital inflows, (+) – net capital outflows

Chart 3.35: External debt share in GDP (%)



Source: NBM

In the first quarter of 2025, the current account deficit of the balance of payments increased by 7.7 percentage points compared to the previous quarter, reaching 25.8% as a share of GDP (Chart 3.33).

The increase in the deficit of the balance of payments occurred due to the increase in the component with a negative contribution – the "balance of goods". At the same time, the components with a positive contribution: the "secondary income balance" and the "balance of services" increased, while the "primary income balance" decreased during the reference period.

Financial account

In the first quarter of 2025, the financial account, as a share of GDP, recorded a level of 22.8%, 2.6 percentage points higher than in the fourth quarter of 2024, and by 9.5 percentage points higher than in the first quarter of 2024.

There were changes in the structure of net financial flows, but the overall picture, compared to previous quarters, did not undergo essential changes (Chart 3.34). Thus, in the first quarter of 2025, the "other investments" component recorded a prominent evolution, thus contributing to a significant increase in net inflows of financial assets²². It should be noted that the net flow of direct investments, as a share of GDP, recorded a level of 2.6%, by 1.8 percentage points higher than in the fourth quarter of 2024. In the first quarter of 2025, net decreases in reserve assets were recorded (3.6% as a share of GDP).

In the first quarter of 2025, the share of external debt in GDP stood at 57.4%, by 1.3 percentage points higher than at the end of 2024 (Chart 3.35). In the structure of external debt, economic agents²³ account for the largest share of total external debt as a percentage of GDP, with 23.8%, followed by the government sector²⁴ with 23.6% and direct investments with 10.0%.

²²In the first quarter of 2025, the components "cash and deposits" and "commercial loans and advances" contributed to the significant increase in net financial inflows as "other investments" component.

²³Cumulative debt of "banks" and "other sectors"

²⁴The cumulative debt of "public administration" and "central bank"

Chapter 4

Monetary policy

4.1 Monetary policy instruments

During the second quarter of 2025, the National Bank maintained the monetary policy rate at the level of 6.50% annually. The decisions were taken in the context of tempering inflationary trends and the propagation of previously adopted restrictive monetary policy measures, the effects of which will continue to act, taking into account the gaps in their transmission, and aiming to restore and maintain inflation within the target range.

The CHIBOR 2W quotation maintained their upward trend initiated in the previous quarter, but their upward adjustment was more moderate in the second quarter of 2025. Thus, the CHIBOR 2W quotation at the end of June was 0.68 percentage points higher than that recorded on the last day of the previous quarter, constituting 9.37% (Chart 4.1).

The trajectory of interest rates on government securities with a maturity of 91 days reflected both the intention of the Ministry of Finance to channel investors' resources to longer maturities of the SS and the dampening of investors' interest in this type of investments. Thus, the value recorded by it fluctuated around 3.00% annually during the second quarter of 2025.

On the secondary segment of the state securities market, the average interest rate on transactions amounted to 9.51% (+2.25 percentage points, compared to the first quarter of 2025, mainly due to the increase in the residual maturity of the traded securities) (Chart 4.2).

Money market operations

Sales of NBM certificates (NBC)

The net debtor position of the NBM regarding the banking system contracted considerably during the quarter, but its value decreased compared to the previous period. Excess liquidity was absorbed through weekly sales operations of 14-day certificates, where banks' bids were fully allotted.

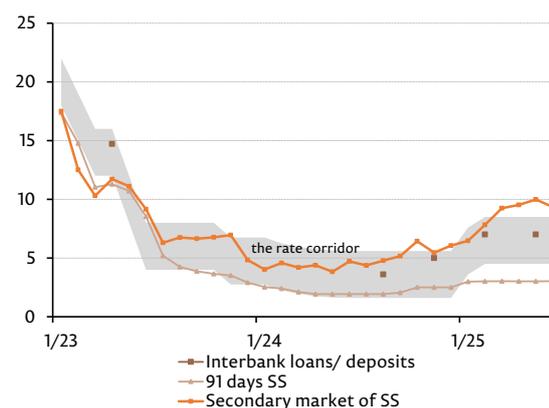
The gradual contraction of the net debtor position of the NBM towards the banking system was reflected in the evolution of the volume of NBM's monetary policy operations intended for liquidity absorption, which decreased by about 33.0% compared to that

Chart 4.1: Monthly average reference rates on the interbank market and the base rate of the NBM (%)



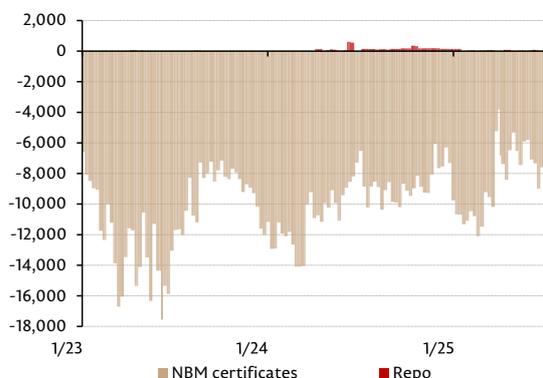
Source: NBM

Chart 4.2: Monthly evolution of the interest rates corridor (%)



Source: NBM

Chart 4.3: Development of the daily balance of sterilization operations (MDL million)



Source: NBM

recorded in the previous quarter, the situation also reflected in the quarterly average of the stock of CNB investments, which decreased from MDL 10,303.9 million, the level recorded in the first quarter of 2025, to MDL 6,920.3 million, in the second quarter of 2025. The daily stock of CNB placements varied between the maximum value of MDL 8,991.9 million and the minimum of MDL 4,623.9 million (recorded at the end of June), (Chart 4.3).

Repo operations

The liquidity-providing repo operations were conducted on a weekly basis with a 14-day maturity at fixed interest rates through open tenders. The volume of liquidity delivered during the quarter amounted to MDL 192.0 million. The balance of repo operations recorded at the end of the reporting quarter was nil.

Standing facilities

During the second quarter of 2025, banks used both standing facilities offered by the NBM.

The total amount of overnight deposits placed with the NBM amounted to MDL 21,449.7 million, 6.5% below the level recorded in the previous quarter. At the same time, the average daily stock of these placements also decreased to MDL 312.6 million (from MDL 411.9 million in the previous period). The amounts placed by banks ranged from a minimum of MDL 15.0 million to a maximum of MDL 2,000.0 million.

The total amount of overnight loans granted to banks by the NBM, for the entire second quarter of 2025, amounted to MDL 1,270.0 million, recording a decrease of about 7.3% compared to the previous period. The average daily balance of overnight loans amounted to MDL 18.8 million.

Interest rates on standing facilities remained at the level of 4.50% on overnight deposits and 8.50% on overnight loans throughout the quarter.

Interbank credit/ deposit market

The excess liquidity in the banking system continues to keep the interbank credit/ deposit market passive, with banks intervening sporadically in the market.

In the second quarter of 2025, interbank transactions were recorded in a total amount of MDL 60.0 million, the average interest rate – 7.0% per annum, the term being overnight.

Required reserves

In the second quarter of 2025, the required reserve mechanism continued to perform its monetary control and liquidity management functions in the banking system.

The required reserves in MDL maintained by banks, in the period 16.06.2025 – 15.07.2025, amounted to MDL 18,691.3 million, a volume higher by MDL 269.7 million (+1.5%) than those maintained in the period 16.03.2025 – 15.04.2025.

With regard to required reserves from the funds attracted in FCC, during the application period 16.06.2025 – 15.07.2025, they amounted to EUR 505.9 million and USD 177.8 million. Compared to the period 16.03.2025 – 15.04.2025, required reserves in EUR decreased by 1.7%, and reserves in USD recorded an insignificant decrease of 0.1%.

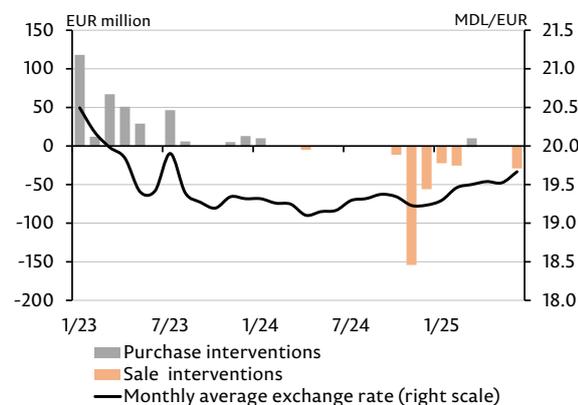
Interventions on the domestic foreign exchange market

The NBM intervened on the domestic foreign exchange market between April and June 2025 through foreign exchange sales.

During the analyzed period, the volume of transactions of the National Bank of Moldova carried out on the interbank foreign exchange market against Moldovan lei, at the reporting date, amounted to EUR 31.48 million, including sales transactions in the amount of EUR 29.10 million, as well as foreign exchange conversions with the World Bank institutions (International Bank for Reconstruction and Development and the International Development Association) in the amount of EUR 2.38 million.

At the same time, in the reporting period, the NBM carried out purchase swap operations in the amount of EUR 53.87 million (equivalent to USD 61.15 million), (Chart 4.4).

Chart 4.4: Development of the official MDL/EUR exchange rate and volume of daily transactions of the NBM



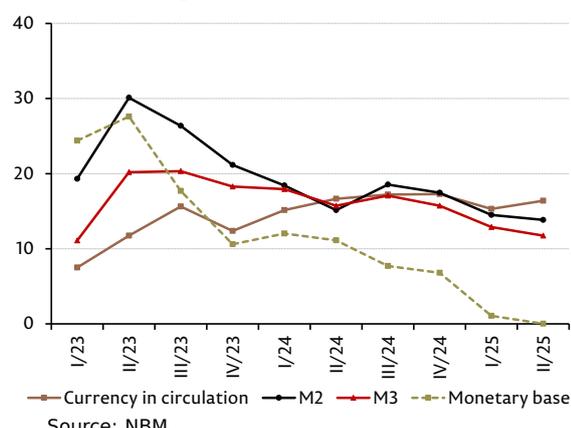
Source: NBM

4.2 Dynamics of monetary indicators

In the second quarter of 2025, the monetary aggregates M2 and M3 recorded more moderate growth rates, thus the monetary aggregate M2 recorded an annual growth rate of 13.8% (0.6 percentage points lower than the level in the first quarter of 2025), and M3 – an annual growth rate of 11.7% (1.2 percentage points lower than in the previous quarter).

The monetary base did not register annual growth (down 1.1 percentage points compared to the first quarter of 2025), (Chart 4.5).

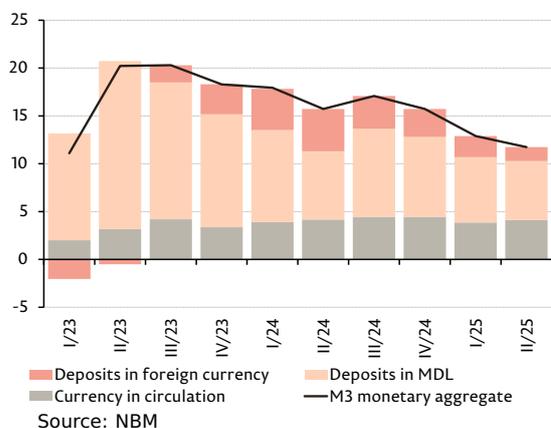
Chart 4.5: Change in monetary aggregates (% annual growth)



Source: NBM

Money supply

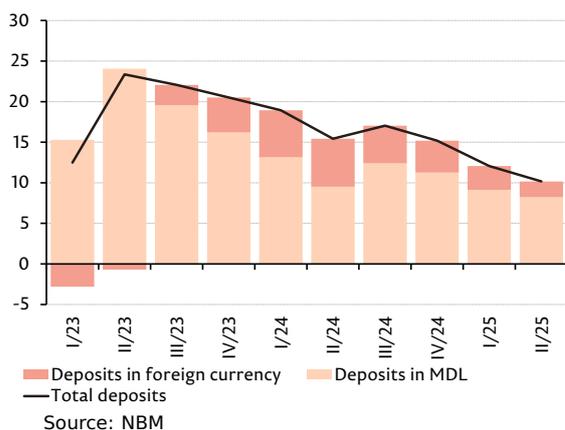
Chart 4.6: Dynamics of the monetary aggregate M3 (% contribution of the components in annual growth)



Overall, the monetary aggregate M3 recorded a moderate increase in the second quarter of 2025, the main contribution to this growth comes from deposits in the national currency by 6.1 percentage points (-0.7 percentage points) and money in circulation by 4.1 percentage points (+0.3 percentage points), followed by the contribution of deposits in foreign currency by 1.5 percentage points (-0.7 percentage points). All this provided the monetary aggregate M3 with an annual growth rate of 11.7% (Chart 4.6).

The moderation of the growth rate of the balance of deposits in the national currency to 12.5% annually (Chart 4.8) was determined by the decrease in the contribution of sight deposits by both individuals and legal entities (Chart 4.10).

Chart 4.7: Dynamics of total deposit balance (% contribution of the components in annual growth)



Deposits in foreign currency in the second quarter of 2025 also recorded a slowdown in growth to 5.7% annually, 2.7 percentage points less than the level recorded in the previous quarter, as a result of the slowdown in the growth rate of sight deposits (Chart 4.11). The positive 5.0% annual increase in foreign currency term deposits was driven by a higher contribution of deposits from individuals (Chart 4.12). At the same time, foreign currency sight deposits recorded a more moderate annual growth rate of 6.3% annually. This increase was generated by the positive contribution of sight deposits of individuals by 11.6 percentage points, being partially counterbalanced by the negative contribution of sight deposits of legal entities by -5.3 percentage points (Chart 4.13).

The growth rate of money in circulation, at the end of the second quarter of 2025, increased by 1.1 percentage points compared to the end of the previous quarter, constituting 16.4% annually. The dynamics of money in circulation was driven by both the cash flow from receipts and the cash flow from releases into commercial banks vaults. In total receipts, the largest contribution was made from receipts from the sale of consumer goods. At the same time, in terms of releases from commercial banks' vaults, the main contribution came from cash withdrawals from ATMs.

Chart 4.8: Dynamics of the deposits balance in MDL (% contribution of the components in annual growth)

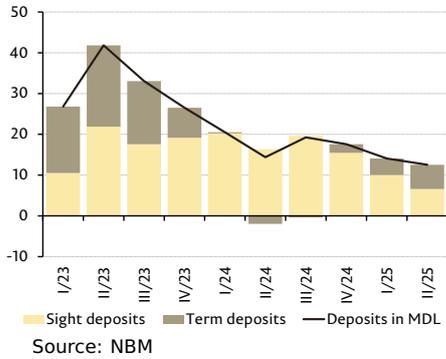


Chart 4.11: Dynamics of the deposits balance in foreign currency (% contribution of the components in annual growth)

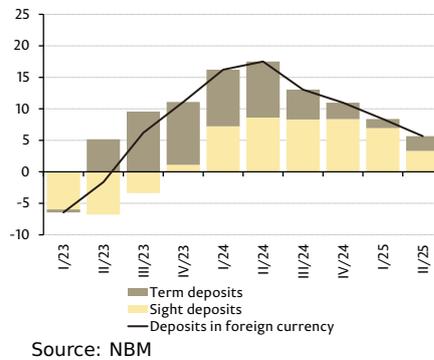


Chart 4.9: Dynamics of the term deposits balance in MDL (% contribution of the components in annual growth)

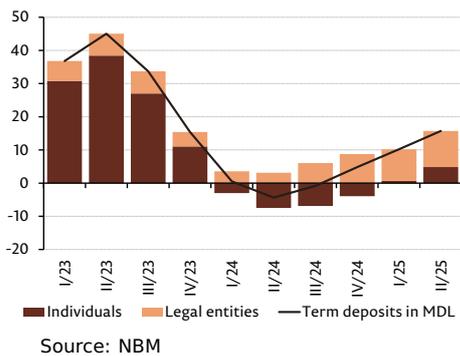


Chart 4.12: Dynamics of the term deposits balance in foreign currency (% contribution of the components in annual growth)

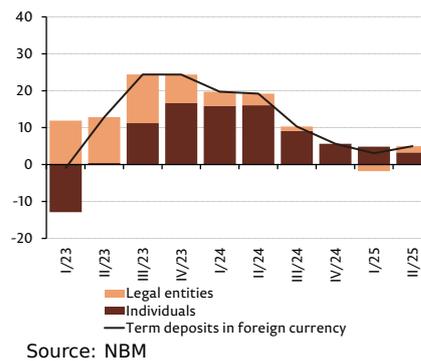


Chart 4.10: Dynamics of the sight deposits balance in MDL (% contribution of the components in annual growth)

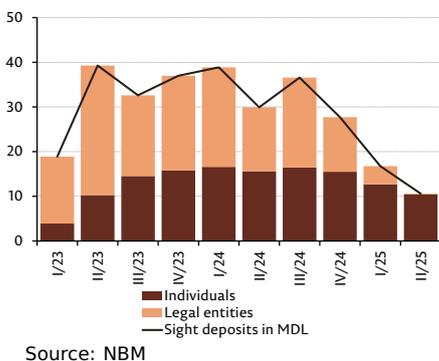


Chart 4.13: Dynamics of the sight deposits balance in foreign currency (% contribution of the components in annual growth)

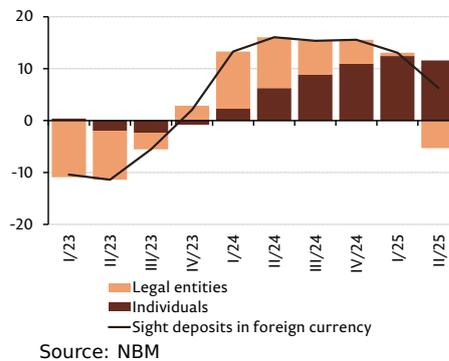
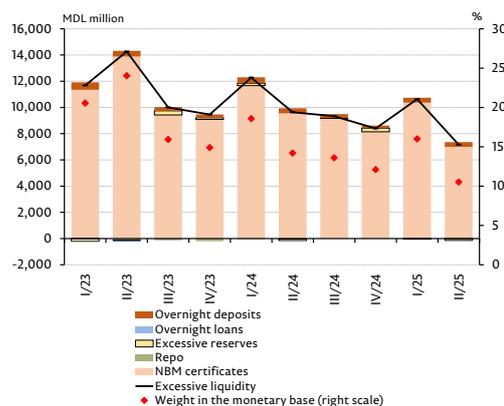
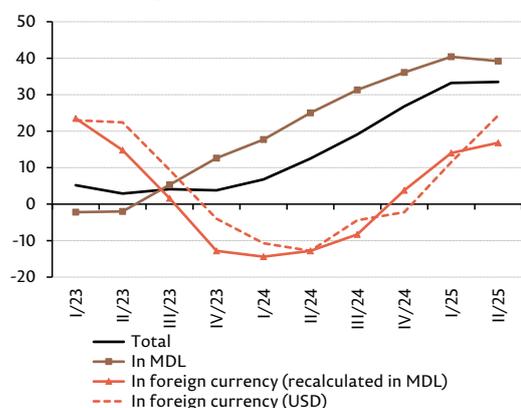


Chart 4.14: Excessive liquidity



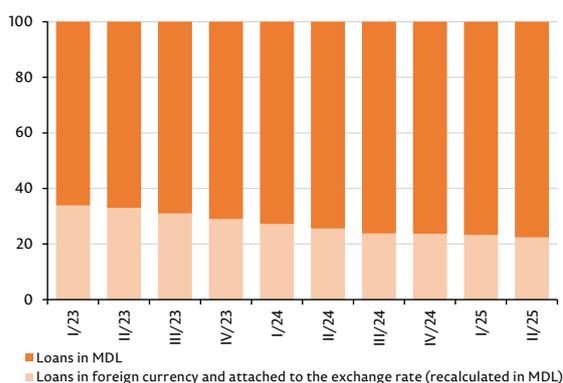
Source: NBM

Chart 4.15: Evolution of the balance of loans (% annual growth)



Source: NBM

Chart 4.16: Evolution of the weights of loans by subcomponents in the total balance (%)



Source: NBM

Excessive liquidity

In the second quarter of 2025, the average excessive liquidity in the banking system decreased by MDL 3,471.0 million. It should be noted that compared to the second quarter of 2024, the volume of excessive liquidity decreased by MDL 2,470.6 million, reaching an average value of MDL 7.2 billion (Chart 4.14).

Credit market

Evolution of the balance of loans granted by licensed banks²⁵

At the end of June 2025, the total balance of loans granted by licensed banks recorded an annual increase of MDL 90,368.7 million, higher than at the end of the second quarter of 2024, by 33.5% (Chart 4.15). The increase was largely generated by the component in the national currency, whose annual dynamics amounted to 39.2%. The annual trend of the balance of loans granted in MDL was influenced by the increase in the balance of loans granted to individuals by 42.1% and those granted to legal entities by 35.3%. Against this background, the share of loans granted in the national currency accounted for 77.6% of the total balance of loans, higher than at the end of the second quarter of 2024, by 3.2 percentage points (Chart 4.16). It should be noted that the balance of loans in foreign currency and linked to the exchange rate recorded an annual growth rate of 16.8% (Chart 4.15).

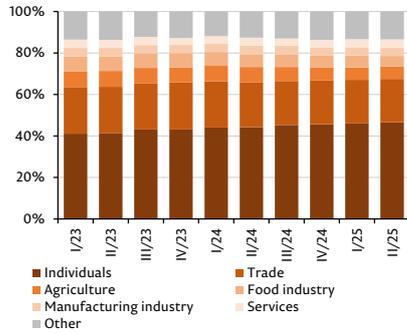
At the end of the second quarter of 2025, in the structure of the total portfolio of loans granted by licensed banks, the largest share, similar to previous quarters, belonged to loans granted to individuals (46.7%), followed by the share of loans granted to legal entities in the trade sector (20.8%), (Chart 4.17).

Evolution of new loans granted by the licensed banks

For the entire second quarter of 2025, the annual dynamics of the total volume of new loans granted by licensed banks amounted to 28.6% (Chart 4.18). Similar to previous quarters, the main contribution was from loans granted in MDL, which recorded an annual growth rate of 27.3%. This evolution of loans granted in the national currency was driven by the increase in loans granted to both individuals and legal entities (Chart 4.19). The evolution of loans granted to individuals for consumption and real estate, as well as to legal entities in the fields of trade, were decisive. The share of loans granted in the national currency, in the second quarter of 2025, constituted 75.8% of total granted loans. At the same time, the dynamics of new loans granted in foreign currency and attached to the foreign exchange rate also recorded further growth (Chart 4.18).

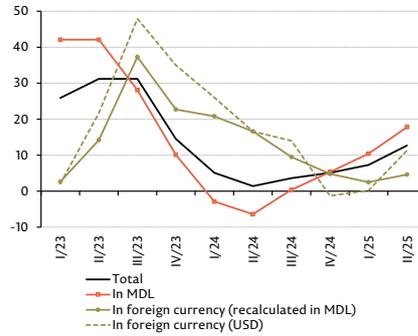
²⁵The data analysis was performed on the basis of the reports ORD 01.06 "Interest rates on balance of loans and deposits" submitted by the licensed banks up to July 11, 2025.

Chart 4.17: Loans balance structure (% in total)



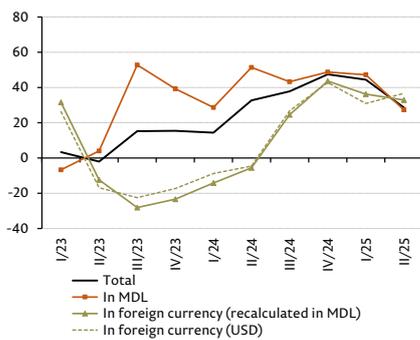
Source: NBM

Chart 4.20: Dynamics of term deposits balance (% annual growth)



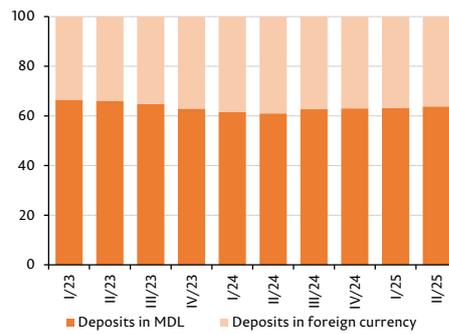
Source: NBM

Chart 4.18: Evolution of new granted loans (% annual growth)



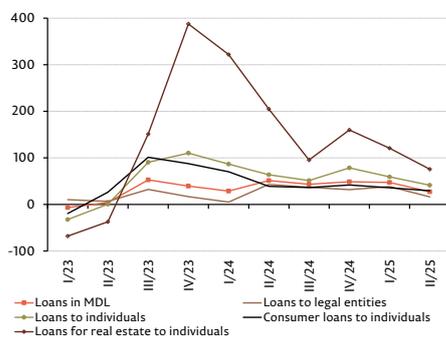
Source: NBM

Chart 4.21: Evolution of the share of term deposits by subcomponents in the total balance (%)



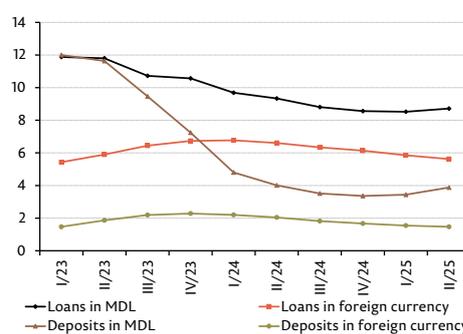
Source: NBM

Chart 4.19: Evolution of new loans granted in MDL (% annual growth)



Source: NBM

Chart 4.22: Average interest rates on balance of loans and deposits (%)



Source: NBM

The market of term deposits accepted by the licensed banks (deposit balance)²⁶

At the end of the reporting quarter, the total balance of term deposits attracted by licensed banks amounted to approximately MDL 50,994.9 million, 12.7% higher than on June 30, 2024 (Chart 4.20). The increase was largely influenced by the balance of deposits attracted in national currency. Thus, the balance of term deposits in lei recorded an annual growth rate of 17.8% (Chart 4.20), and the share increased by 2.8 percentage points and constituted 63.8% of the total balance of term deposits (Chart 4.21). The balance of term deposits placed by legal entities registered an annual increase of 66.9%. At the same time, the increase in the balance of term deposits in MDL placed by individuals amounted to 8.2% annually.

Interest rates²⁷

Base rate evolution

During the second quarter of 2025, two meetings of the Executive Board of the National Bank of Moldova were held regarding monetary policy decisions. Following the assessment of the internal and external balance and the short- and medium-term inflation outlook, the Executive Board of the National Bank of Moldova, at its meetings on May 12, 2025 and June 19, 2025, decided to maintain the base rate at the level of 6.50% annually, set on February 5, 2025.

These measures were adopted with a view of tempering inflationary trends and the propagation of previously adopted restrictive monetary policy measures, the effects of which will continue to act, considering the gaps in their transmission. The decisions aim at anchoring inflation expectations, bringing the inflation rate back to and maintaining it close to the 5.0% target over the medium-term, with a possible deviation of ± 1.5 percentage points.

Interest rate evolution on loans balance

For the second quarter of 2025, the weighted average interest rate on the balance of loans granted in MDL by licensed banks decreased compared to the second quarter of 2024, by 0.62 percentage points and amounted to 8.72% annually (Chart 4.22). From a sectoral perspective, the reduction in interest rates was more pronounced for individuals. The weighted average interest rate on balance of loans in foreign currency amounted to 5.62% annually, by 0.99 percentage points lower than in the second quarter of 2024.

²⁶The data analysis was performed on the basis of reports ORD 01.06 "Interest rates on balance of loans and deposits" submitted by the licensed banks up to July 11, 2025 and does not include sight deposits.

²⁷The analysis of the rates was based on the reports ORD 01.06 "Interest rates on balance of loans and deposits" submitted by the licensed banks up to July 11, 2025 and does not include rates on sight deposits.

Interest rate evolution on the deposits balance

For the entire reporting quarter, the weighted average interest rate on the balance of term deposits in the national currency recorded an annual decrease of 0.13 percentage points and amounted to 3.88% annually (Chart 4.22). At the same time, the weighted average interest rate on the balance of term deposits in foreign currency amounted to 1.47% annually, decreasing by 0.57 percentage points compared to the second quarter of 2024.

Evolution of interest rates on new loans and deposits granted/ attracted by the licensed banks

In the second quarter of 2025, in the national currency segment, weighted average interest rates continued their upward trend (Chart 4.23), including under the impact of the transmission mechanism of previous monetary policy decisions (increase in the base rate applied to the main monetary policy operations) and the situation created on the money market. Thus, the weighted average interest rate on new loans granted in the national currency, in the second quarter of 2025, amounted to 8.99% annually, by 0.52 percentage points higher than in the previous quarter, but without major changes compared to the second quarter of 2024. The increase reflected the increase in the weighted average interest rate on loans granted to both legal entities and individuals. At the same time, in the segment of loans granted in foreign currency and attached to the foreign exchange rate, the weighted average interest rate amounted to 5.36% annually, lower than in the previous quarter by 0.27 percentage points (Chart 4.23).

A more pronounced increase than that of the weighted average interest rate on new loans was recorded in the sector of term deposits in the national currency. Over the entire quarter, the weighted average interest rate on term deposits in MDL amounted to 4.91% annually, by 1.67 percentage points higher than in the second quarter of 2024 (Chart 4.23). The increase was influenced by the evolution of interest rates on deposits of both individuals and legal entities.

Nominal and real effective exchange rate evolution

During the second quarter of 2025, the official nominal exchange rate of the national currency depreciated by 1.5% against the euro, and appreciated by 6.7% against the US dollar compared to the level recorded at the end of the previous quarter (Chart 4.24).

On average, the Moldovan leu exchange rate recorded similar evolution, in comparable proportions: depreciation of 0.8% against the euro and appreciation of 6.5% against the US dollar, compared to the averages of the previous quarter.

As for the evolution of the currencies of the main trading partners, in the second quarter, most of the currencies of the main trading partners of the Republic of Moldova included in the basket REER depreciated in average values against the euro. In particular,

Chart 4.23: Average interest rates on new volumes of loans and deposits (%)

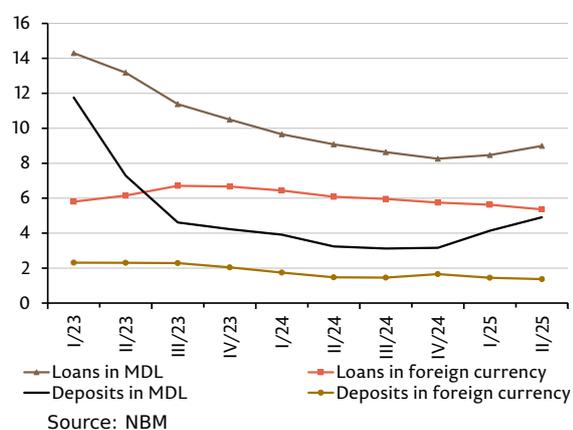


Chart 4.24: Fluctuations of the official exchange rate of the Moldovan leu against the US dollar and the euro

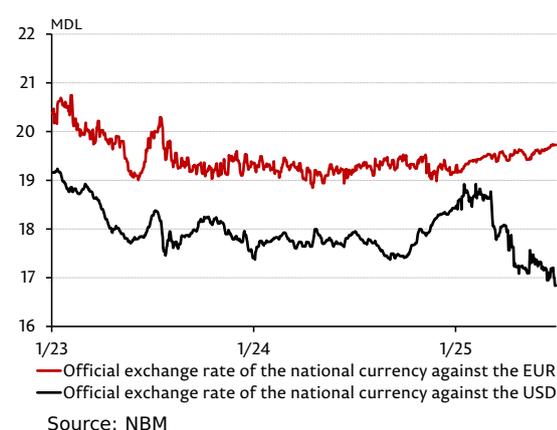
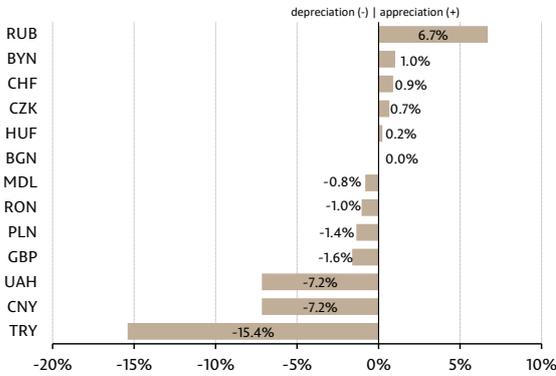
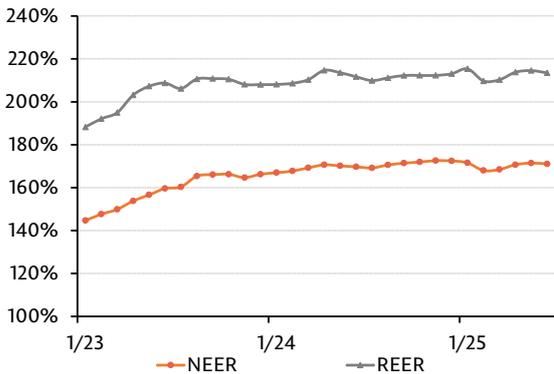


Chart 4.25: Development of the countries currencies – main trading partners against the EUR, average exchange rate in the second quarter of 2025/ first quarter of 2025 (%)



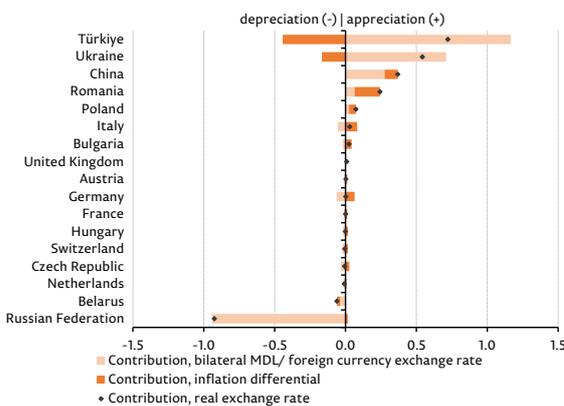
Source: NBM

Chart 4.26: Nominal effective exchange rate (NEER) and real effective exchange rate (REER) of the MDL dynamics calculated on the basis of the weight of the countries – main trading partners (Dec.2000-100%)



Source: NBM

Chart 4.27: Contribution of the main trading partners of the Republic of Moldova to the change in the real effective exchange rate in the second quarter of 2025



Source: NBM

depreciated the Turkish lira (-15.4%), the Chinese renminbi yuan and the Ukrainian hryvnia (by -7.2% each), and the Pound sterling (-1.6%). On the other hand, a more pronounced appreciation was recorded for the Russian ruble (+6.7%), (Chart 4.25).

Under these conditions, in real terms, the Moldovan leu appreciated by 1.0% against the basket of currencies of the main trading partners of the Republic of Moldova (average of the second quarter of 2025 compared to the average of the first quarter of 2025), (Chart 4.26). The largest contribution to the appreciation of the REER came from Türkiye (+0.72 percentage points) and Ukraine (+0.54 percentage points), (Chart 4.27). In the second quarter of 2025, some unfavorable fundamental trends continued, such as the decrease in transfers from abroad in favor of individuals and the deterioration of the trade balance. In this regard, the Moldovan leu exchange rate against the euro changed its position to the middle of the analyzed quarter and then remained at a higher level. At the same time, during the quarter, imbalances were recorded between the demand and supply of foreign exchange, which resulted in a foreign exchange deficit, and due to the need to mitigate and, respectively, to avoid greater fluctuations in the leu exchange rate, the NBM intervened in the market by selling foreign currency. Thus, the net supply of foreign exchange by individuals amounted to EUR 814.9 million, recording increases by 12.5% in annual terms and by 29.4% compared to the previous quarter. This dynamics differs from that of transfers from abroad in favor of individuals which, although they increased by 22.2% compared to the previous quarter, have decreased by 6.7% compared to the second quarter of 2024 (according to the data for the first two months of the quarter).

In the structure of the supply of foreign exchange from individuals, an increase in the share of the single European currency is foreseen (73.1%), (Chart 4.28).

Net demand for foreign exchange from economic agents increased both in annual terms (+24.5%) and compared to the previous quarter (+29.0%), amounting to EUR 957.3 million. The continued trend of deterioration in the trade balance of goods, the deficit of which increased by about 30.0%, according to data from the first two months of the analyzed quarter, was the main factor contributing to the increase in net demand from legal entities.

The upward dynamics of net foreign exchange demand from legal entities was mainly driven by the increase in foreign exchange demand from importers of energy resources and some importers of consumer goods and agricultural products, as well as outflows related to increased dividend payments, compared to the same period of the previous year.

Under these conditions, the degree of coverage of net demand for foreign exchange from economic agents through the net supply of foreign exchange from individuals amounted to 85.1% in the reference period (Chart 4.29), compared to 84.8% in the previous quarter and 94.2% in the first quarter of 2024. Against this backdrop, the NBM intervened through net sales of foreign exchange on the local foreign exchange market in the amount of EUR 29.1 million²⁸.

²⁸Volume calculated on the currency date.

In the monthly dynamics, the official exchange rate of the Moldovan leu against the euro tended to remain in the first half of the analyzed period, around the prevailing values, in the previous quarter, the exchange rate oscillated in a range with the lower limit of MDL 19.40 and the upper limit of MDL 19.63 for the euro, so that starting from the second half of May it would rise and remain, until the end of the second quarter, at a higher level, reaching, during this period, the maximum value of MDL 19.74 for the euro. Its behavior was based on the occurrence of temporary fluctuations in demand and supply that resulted in a foreign exchange deficit in the last month of the analyzed period.

The dynamics of the official exchange rate of the Moldovan leu against the US dollar was also influenced by the developments of the American currency against the euro on international markets. The upward trend of the EUR/USD currency pair recorded at the end of the previous quarter was maintained and amplified in the analysed quarter. In the first part of the second quarter of 2025, the US dollar depreciated against the euro, amid the unpredictable tariff regime of the US administration, which amplified global economic uncertainties and triggered a "flight" to gold and other safe haven assets. The unpredictable decisions of the US administration led to the sharp fall of the US dollar, which, in tandem with the collapse of capital markets, led to a decline in investor confidence in American markets and institutions. During this time, the euro is appreciating against the US dollar, largely as a result of investors' reorientation towards an alternative safe haven asset, due to the protectionist trade policies of the US administration.

The US dollar's downward trajectory recorded in the first month of the analyzed quarter signaled a temporary reversal in mid-May, following the agreement between the US and China to temporarily reduce mutually imposed trade tariffs. The US dollar rose against the euro, marking a strong rebound from its three-year low.

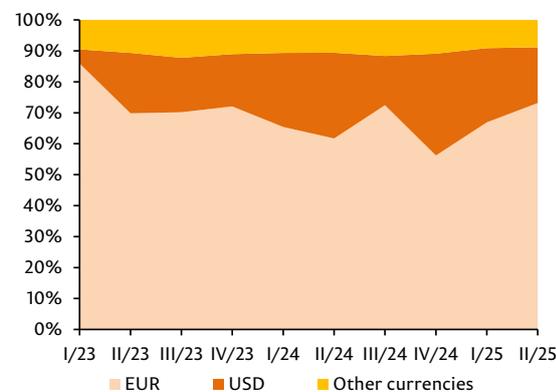
In the second half of the quarter, the US dollar showed a downward trend against the euro, amid uncertainty over US tariff policy and attacks on the independence of the FRS by the US President. Additionally, the downward adjustment of the US currency was amplified by weak data from the manufacturing sector, combined with increasing warnings regarding the sustainability of the US debt.

However, the FRS kept interest rates unchanged, amid expectations of higher inflation and slower economic growth in the future, and indicated two cuts this year. On the other hand, the European economy recorded higher growth than anticipated.

The growth was due to the rapid increase in European exports to the US before the customs duties announced by the authorities in the US were applied. In these conditions, the ECB cut interest rates twice during the quarter, but signaled that it was at the end of the monetary policy easing cycle.

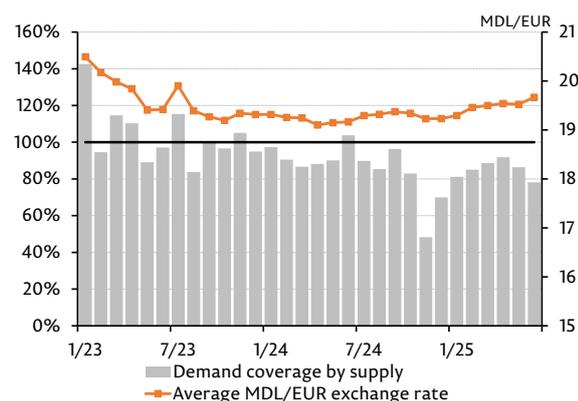
Under these conditions, the EUR/USD currency pair appreciated by 8.7% in the analyzed quarter.

Chart 4.28: Net supply of foreign currency from individuals broken down by main currencies (currencies are recalculated in USD at constant average exchange rate)



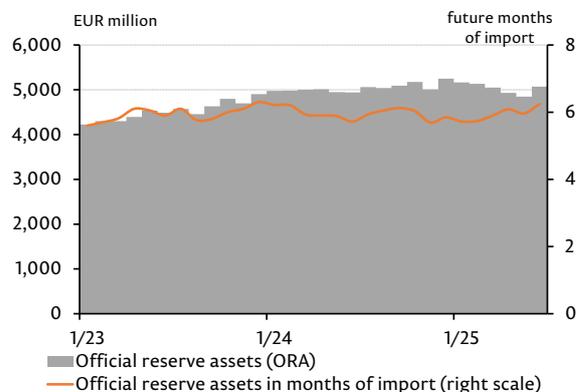
Source: NBM

Chart 4.29: The degree of net sales coverage by net supply and the official exchange rate dynamics



Source: NBM

Chart 4.30: Development of the official reserve assets expressed in months of imports of goods and services (BPM6)



Source: NBM – based on actual data and updated forecast

At the end of the analyzed quarter, the balance of official reserve assets amounted to EUR 5,070.2 million (Chart 4.30), up by EUR 19.4 million (+0.4%) compared to the end of the first quarter of 2025.

The increase in official reserve assets was mainly driven by disbursements for budget support, of which:

- EUR 350.0 million from the EU, of which the first tranche in the amount of EUR 270.0 million in the form of a loan from the Growth Plan for the Republic of Moldova and EUR 80.0 million in the form of grants under the Financing Agreement regarding the "Sector Reform Performance Contract";
- USD 28.1 million (equivalent to EUR 24.9 million) loan from the Government of Canada;
- EUR 10.1 million loan from the European Investment Bank for the rehabilitation of railway infrastructure.

Also, the Ministry of Finance of the Republic of Moldova received loans and the grants from external partners for investment projects in a total amount of EUR 18.1 million. Among these, loans and grants from the World Bank institutions in the total amount of EUR 8.2 million were highlighted, including for the projects "Higher Education" (EUR 3.0 million), "Land Registration and Valuation" (EUR 1.5 million), the loan from the European Investment Bank within the Livada Moldovei project (EUR 6.0 million) and from IFAD for the project "Capacity Building for Rural Transformation" (EUR 1.4 million).

According to the situation at the end of the second quarter of 2025, official reserve assets continued to provide a sufficient level of coverage of imports of goods and services (6.2 months of future imports²⁹).

²⁹Calculated based on the IMF forecast on the import of goods and services.

Chapter 5

Forecast

5.1 External assumptions

In the current round of forecasts, the external environment continues to present an uncertain picture with predominantly disinflationary risks. If in the previous round of forecasts the trade war initiated by President Donald Trump was only in its initial phase, now we can talk about a process in full swing, with no clear end in the near future. At the same time, the lack of results in the peace negotiations between the Russian Federation and Ukraine led the European Commission to adopt the 18th package of economic sanctions against the Russian Federation, and the US President threatened countries importing from the Russian Federation with tariffs. Although geopolitical tensions in the Middle East have moderated, the risk of escalation persists, which determines the maintenance of a high risk premium in oil price formation. Natural gas prices in Europe continue to be driven by temperature levels and the level of filling of natural gas storage capacities. International food prices follow a stable upward trend in line with expectations from the latest round of forecasts.

In the table 5.1 are stated the values of the main external assumptions accepted in the forecasting round of the Inflation Report, August 2025, with their subsequent description.

Economic growth in the euro area is forecast to be 0.9% in 2025 and 1.1% in 2026. Compared to the previous round of forecasts, this assumption has not been significantly modified as the growth factors have remained practically the same. A decrease in the surplus or even a slight deficit in the trade balance is still expected in EU and the euro area, respectively, due to reciprocal trade tariffs with the USA, China and other countries. In the context where monetary policy in the euro area is expected to remain accommodative, and fiscal policy is in some places austere, economic growth will be driven by investments in the military sector, as well as by the services sector. Growth in the manufacturing sector will remain weak, as the automotive industry will be strongly affected by the USA trade tariffs, as well as by low competitiveness compared to the Chinese production. As consumer prices in the euro area have fallen to the target of ECB of 2.0%, in the near future a pause in changes of interest rate of ECB is expected. However, for the year 2026, an **average annual inflation** of 1.6% in **euro area** is expected, which will reflect the reduction in external demand and the decrease in sources of financing consumption.

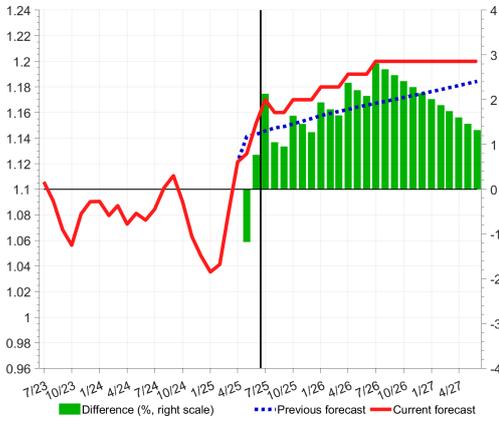
In line with the recent evolution of the single European currency and the USD the current round of forecasts anticipates an average level of **EUR/USD parity** of 1.13 for 2025 and 1.19 for 2026 (Chart 5.1). The evolution of the EUR/USD parity will continue to be influenced by tariffs, the trade balance, investor migration, as well as the difference between the **monetary policies of the ECB and FRS**. According to the latest estimates of international economic experts, ECB has ended the phase of reducing interest

Table 5.1: Expected evolution of external variables (annual average)

	2025	2026
Economic growth		
in the euro area (%)	0.9	1.1
Average annual inflation		
in the euro area (%)	2.0	1.6
EUR/USD	1.13	1.19
Euribor (%)	2.1	1.8
Brent oil price		
(USD/barrel)	69.8	65.8
Natural gas price		
Netherlands		
TTF (EUR/1,000 m3)	399.6	360.5
Increase of food		
international		
quotations (%)	5.4	1.9

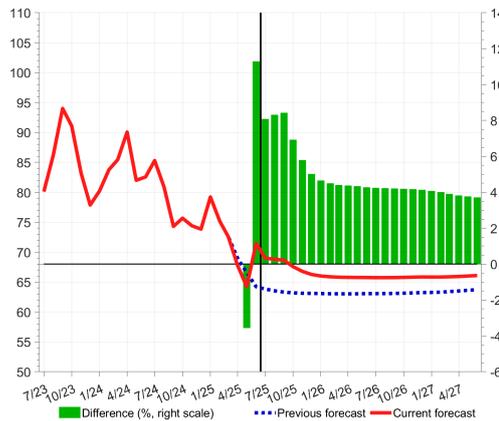
Source: Bloomberg, Consensus Forecast, NBM calculations

Chart 5.1: EUR/USD exchange rate assumption



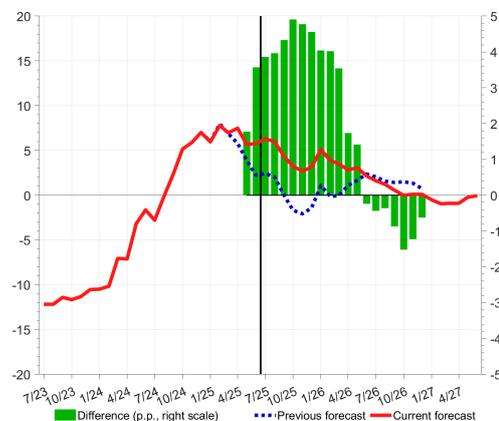
Source: ECB, Consensus Forecast, NBM calculations

Chart 5.2: International Brent oil price assumption (USD/barrel)



Source: Bloomberg, NBM calculations

Chart 5.3: International food price assumption (%)



Source: FAO, Bloomberg, NBM calculations

rates, while the FRS is expected to continue reducing interest rates. The monetary policy of the FRS in the near future will be under pressure from the US presidential administration to reduce interest rates. It should be noted that due to the increase in import tariffs, an increase in inflation is expected in the USA, a level that will be slightly above the FRS target.

As the downward trajectory of oil quotations was reversed in June 2025 by the escalation of tensions in the Middle East, the current round of forecasts anticipates an annual average price of **Brent brand** of USD 69.8/barrel in 2025 and USD 65.8/barrel in 2026, up 3.8 and 4.3% respectively from the previous round of forecast (Chart 5.2). The driving factors behind the evolution of oil prices remain the same: low demand amid the trade war and increasing oil supply from OPEC+. After the episode in June 2025, when the Brent quotation reached approximately USD 80/barrel, the risks related to geopolitical tensions remain prominent. Another factor that could disrupt the oil market and, respectively, oil prices in the near future would be the materialization of the threat of the President of the USA to impose tariffs on countries importing goods from the Russian Federation, particularly targeting countries like India and China that import oil from the Russian Federation.

The average value of the **Netherlands TTF quotation** anticipated in the current round of forecasts is EUR 399.6/1,000 cubic meters in 2025 and EUR 360.5/1,000 cubic meters in 2026, up 0.7 and 7.8%, respectively, compared to the previous round of forecasts. Currently, natural gas storage capacity filling levels in Europe are below the previous year's level, which creates pressure on price formation. But demand in Asia for LNG is very low, which is redirecting the tankers with the LNG to Europe. In general terms, the balance of risks for the Netherlands TTF is quite balanced, in the context of the structural shifts that have taken place since the beginning of the energy crisis.

In the current round of forecasts it is expected that **international food prices** will increase by an average of 5.4% in 2025 and 1.9% in 2026, by 2.8% and, respectively, by 0.7 percentage points higher than in the previous round of forecasts (Chart 5.3). Currently, there is no imbalance between the demand and supply of food products, with minor exceptions, as the expected harvest in the northern hemisphere will be in line with the averages of recent years. At the same time, the recent increase in fertilizer prices is creating inflationary pressures for future harvests. Trade tariffs could also lead to significant structural changes in agricultural and food exports.

5.2 Internal environment

Inflation

The annual inflation rate will be on a downward trend during the current year and the first half of next year, after which will register a stable trend until the end of the forecast period³⁰. In the current year, the inflation rate will be above the upper limit of the variation range, and starting from the first quarter of 2026, it will return and remain, within the range near the lower limit, until the end of the forecast period. The maximum value will be recorded in the third quarter of this year, and the minimum value – in the third quarter of 2026 (Chart 5.4).

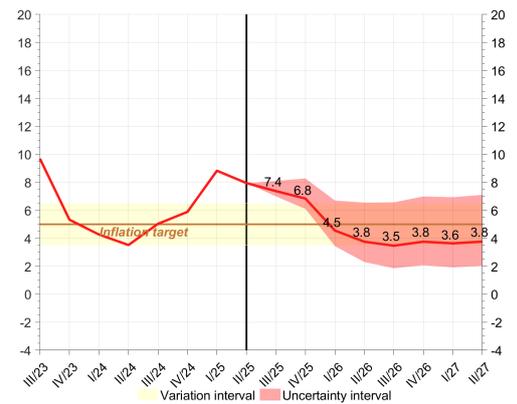
The annual inflation rate is largely determined by the positive contribution of **food prices**, **regulated prices**, **core inflation**, and to a lesser extent by **fuel prices**, except for the current year and the first quarter of next year, when they will have a slight negative impact (Chart 5.5).

The presence of factors such as (1) the persistent impact of the effects of adverse weather conditions in the spring of this year, which increased fruit prices, (2) a recovery in domestic demand by the end of this year and the end of the forecast period, (3) the trend of a slight increase in imported inflation, (4) the evolution of the single European currency against the US dollar on the external market, especially starting from next year, (5) the impact of swine fever in the spring of this year on the meat processing industry, especially on the sausage manufacturing segment, (6) the reduction or completion, starting from next year, of the support program offered by the EU, regarding the compensation of additional costs related to electricity, (7) the impact of the seasonal increase in fruit and vegetable prices in the second quarter of 2026, (8) the seasonal effect of the cold period of the year in the fourth quarter of 2026 and the first quarter of 2027, (9) the anticipation of a slightly increasing trajectory of international food prices by the beginning of next year and (10) the adjustment of excise taxes at the beginning of 2026 and 2027 will mitigate the decrease in the annual inflation rate.

However, the aggregate demand, generally disinflationary, (2) the anticipated reduction of some tariffs in the third quarter of 2025, (3) the evolution of the single European currency against the US dollar on the external market, during the current year, (4) the slightly decreasing trend in international oil prices at the end of this year and the beginning of next year, and (5) the relatively high base in the current year, will contribute to reducing the annual inflation rate.

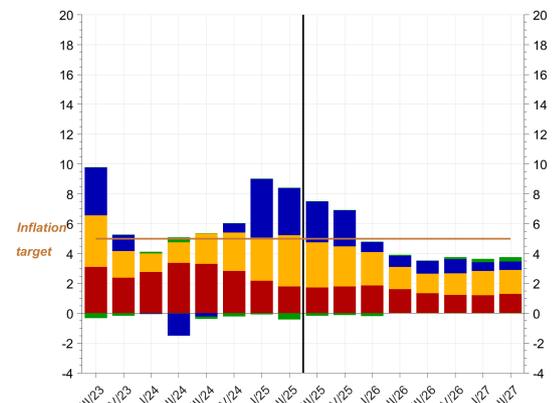
Annual inflation rate, for the forecast period, will record the maximum value of 7.4% in the third quarter of 2025, and the minimum value of 3.5% in the third quarter of 2026.

Chart 5.4: CPI with uncertainty range (% , compared to previous year)



Source: NBS, NBM calculations

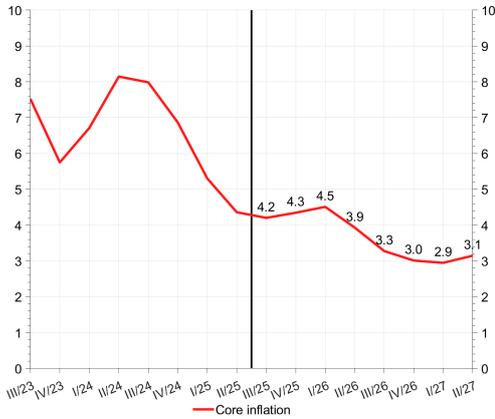
Chart 5.5: CPI decomposition (% , compared to the previous year, percentage points)



Source: NBS, NBM calculations

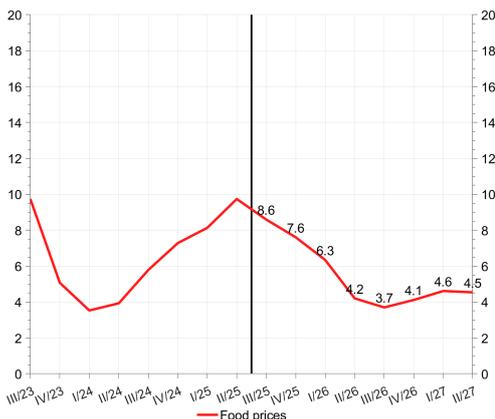
³⁰Third quarter of 2025 – second quarter of 2027

Chart 5.6: Core inflation (% , compared to the previous year)



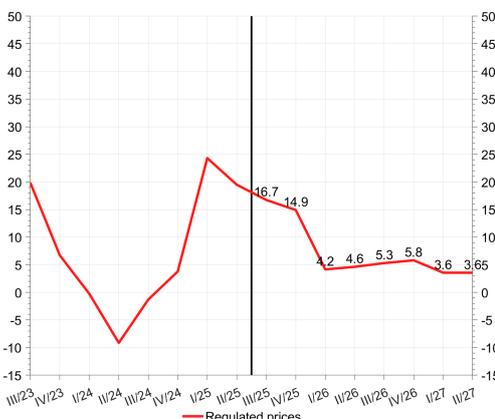
Source: NBS, NBM calculations

Chart 5.7: Food prices (% , compared to the previous year)



Source: NBS, NBM calculations

Chart 5.8: Regulated prices (% , compared to the previous year)



Source: NBS, NBM calculations

Average annual inflation will be 7.7% and 3.9% in the current year and next year, respectively.

The annual rate of core inflation will have a relatively stable trend until the beginning of next year, then it will have a decreasing trend until the end of the forecast period (Chart 5.6).

The relatively stable trend in the first three consecutive quarters of the forecast and subsequent decline will be driven by the counterbalancing of positive and negative factors. Among the factors with a positive impact are: (1) a recovery in domestic demand by the end of this year, (2) a slight increase in imported inflation in the second half of next year, (3) the evolution of the single European currency against the US dollar on the external market, especially starting from next year, and (4) the adjustment of excise duties at the beginning of 2026 and 2027. At the same time, the factors with a negative impact are: (1) aggregate demand, generally disinflationary, and (2) the decrease in imported inflation, except for the second semester of next year.

The average annual core inflation rate will be 4.5% and 3.7% in 2025 and 2026, respectively.

The annual rate of food prices will have a downward trend until the third quarter of 2026, after which, until the end of the forecast period, it will register a slightly increasing trend (Chart 5.7).

The positive rate of food prices will be influenced by (1) the persistent impact of the adverse weather conditions in the spring of this year, which increased fruit prices, (2) the impact of swine fever in the spring of this year on the meat processing industry, especially on the sausage manufacturing segment, (3) a recovery in domestic demand by the end of this year, (4) the trend of a slight increase in imported inflation, (5) the anticipation of a slightly increasing trajectory of international food prices by the beginning of next year, (6) the evolution of the single European currency against the US dollar on the external market, especially starting from next year, (7) the impact of the seasonal increase in fruit and vegetable prices in the second quarter of 2026 and (8) the seasonal effect of the cold period of the year in the fourth quarter of 2026 and the first quarter of 2027. Aggregate demand, generally disinflationary, (2) negative imported inflation in the third quarter of 2025, (3) the evolution of the single European currency against the US dollar on the external market during the current year and (4) the high base in the current year will contribute to the decrease and mitigate the subsequent increase in the annual rate of food prices.

Average annual rate of food prices will be 8.5% and 4.6% in 2025 and 2026, respectively.

The annual rate of regulated prices will decline sharply until the first quarter of next year, after which it will have a relatively stable trajectory until the end of the forecast period (Chart 5.8).

The annual rate will be driven by the anticipated adjustments in the third quarter of 2025 and the first quarter of 2026 and 2027

to some tariffs and services, as well as by the high base in the current year.

The decrease in the annual rate of regulated prices until the first quarter of 2026 will be due to the anticipated decrease in some tariffs in the third quarter of 2025, as well as to the effect of the high annual base. The reduction or completion, starting from next year, of the support program offered by the EU, regarding the compensation of additional costs related to electricity consumption up to 110 kWh per month for all households, related to the tariff increase established in January 2025, will mitigate the decrease and contribute to the subsequent increase in the annual rate.

The average annual rate of regulated prices will be 18.8% and 5.0% in 2025 and 2026, respectively.

The annual rate of fuel prices will have an upward trend throughout the forecast period, although it will register negative values until the first quarter of 2026 (Chart 5.9).

The upward trend in the annual rate of fuel prices will be driven by (1) the positive rate of imported inflation starting from the second quarter of 2026, (2) the adjustment of excise duties at the beginning of 2026 and 2027, (3) the low base from the current year and (4) the evolution of the single European currency against the US dollar on the foreign market, especially starting from next year. However, (1) the slightly decreasing trend in international oil prices at the end of this year and the beginning of next year, (2) the generally disinflationary domestic demand and (3) the negative rate of imported inflation until the first quarter of 2026, will mitigate growth and contribute to the recording of negative values of the annual rate until the first quarter of 2026.

The average annual rate of fuel prices will be -2.5% and 0.0% in 2025 and 2026, respectively.

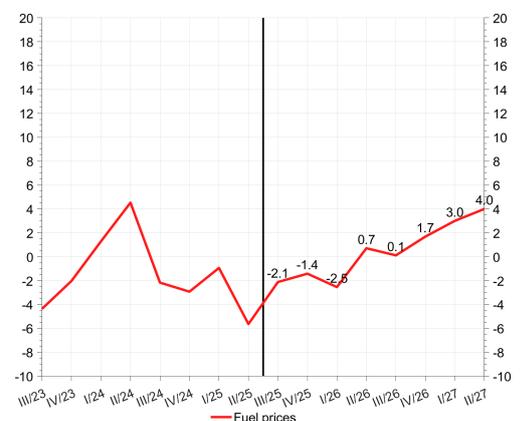
Demand

Aggregate demand will recover by the end of this year, after which it will have a downward trend with a slight recovery towards the end of the forecast period (Chart 5.10).

The contraction in GDP, in the first quarter of 2025, by 1.2% compared to the same period in 2024, (2) the restrictive nature of real monetary conditions, determined by the appreciation of the real effective exchange rate, (3) disinflationary external demand until the first half of next year, (4) the decrease in remittances in real terms and (5) the negative fiscal impulse for three consecutive quarters starting from the second quarter of 2026, will be the main factors that will determine the disinflationary aggregate demand.

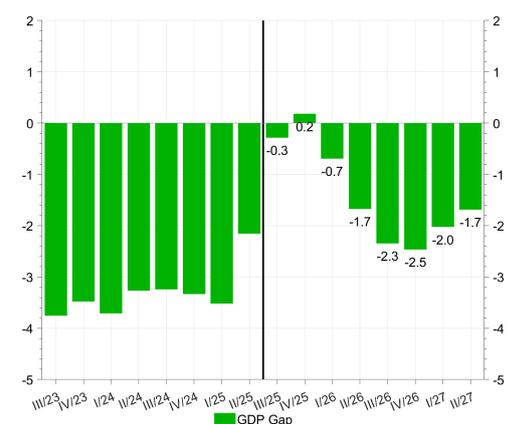
The positive fiscal impulse until the beginning of next year, the low real interest rate and the recovering external demand, starting from next year, will reduce the aggregate demand deficit and contribute to a slightly inflationary aggregate demand at the end of this year.

Chart 5.9: Fuel prices (% , compared to the previous year)



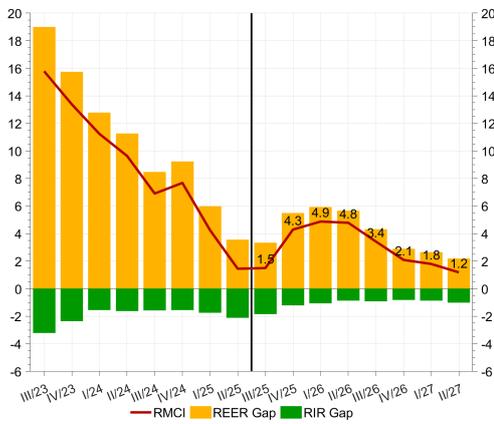
Source: NBS, NBM calculations

Chart 5.10: GDP deviation (%)



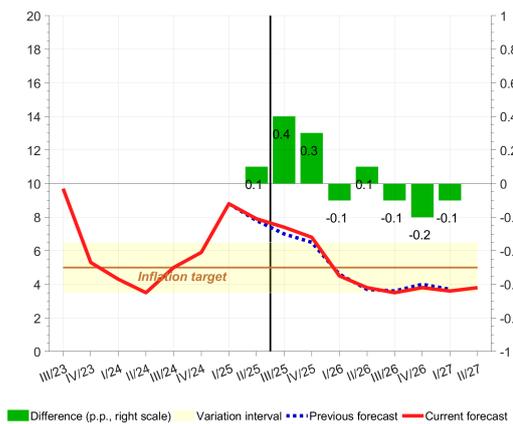
Source: NBM calculations

Chart 5.11: Real monetary conditions index and decomposition



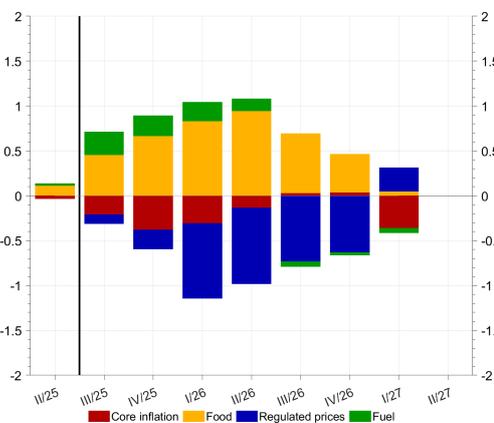
Source: NBM calculations

Chart 5.12: CPI (% , compared to the previous year, percentage points)



Source: NBS, NBM calculations

Chart 5.13: Decomposition of the difference between forecasts (percentage points)



Source: NBM calculations

Aggregate demand will be disinflationary, which is also due to the restrictive character of monetary policy throughout the forecast period. The restrictive impact of real monetary conditions will be driven by the appreciation of the real effective exchange rate. At the same time, the real interest rate will exert a stimulative influence throughout the forecast period.

Monetary policy

Real monetary conditions will have a restrictive character on aggregate demand throughout the forecast period (Chart 5.11).

Monetary policy through the real effective exchange rate will be restrictive, but through the real interest rate, it will show a stimulative character throughout the forecast period.

The real evolution of the national currency will increase the deviation of the real effective exchange rate from its equilibrium level until the beginning of next year, and subsequently the deviation will decrease until the end of the forecast period, mitigating the restrictive character on aggregate demand.

5.3 Forecasts comparison

The current inflation forecast, compared to that in the previous inflation report³¹, has been revised slightly upwards for the current year, and insignificantly downwards for the rest of the comparable period³² (Chart 5.12).

The increase in the forecast for **food prices** for the entire comparable period, less the forecast for **fuel prices** in the current year and the first half of next year and the forecast for the **regulated prices** at the end of the comparable period, determined the upward revision of the current forecast for the annual inflation rate. The downward revision of the forecast for **regulated prices** for the current and next year, and of **core inflation** for the current year and the first half of next year, including the beginning of 2027, mitigated the upward revision for the current year and determined the insignificant decrease for the rest of the comparable period, of the current forecast (Chart 5.13).

The slightly upward projection of the annual inflation rate forecast is driven by (1) an upward short-term forecast, largely driven by food prices, (2) significantly higher aggregate demand until the third quarter of 2026, (3) the evolution of the single European currency against the US dollar on the external market, (4) increased forecasts for international oil prices and the import price of natural gas over the entire comparable period, (5) higher actual inflation than anticipated in the previous quarter, (6) higher imported inflation, except for the second and the third quarter of

³¹Inflation Report, May 2025

³²Third quarter of 2025 – first quarter of 2027

2026, and (7) a higher level of international food prices over the entire comparable period.

However, (1) the anticipation of tariff reductions in the third quarter of 2025, (2) the evolution of the single European currency against the US dollar on the external market, (3) the reconsideration of a smaller increase in some tariffs in the first quarter of 2026, (4) the anticipation of lower aggregate demand in the fourth quarter of 2026 and the first quarter of 2027, and (5) slightly lower imported inflation in the second and the third quarter of 2026, mitigated the upward revision for the current year and determined the insignificant downward revision for the rest of the comparable period of the current inflation forecast.

The average annual inflation rate was increased by 0.2 percentage points for 2025 and decreased by 0.1 percentage points for 2026.

The current forecast for the annual rate of core inflation has been revised downwards predominantly over the entire comparable period (Chart 5.14).

The lower projection of the current forecast compared to the previous one is driven by (1) a decreasing short-term forecast, (2) a lower trajectory of imported inflation in the fourth quarter of 2025 and over the next year, and (3) lower aggregate demand for the fourth quarter of 2026 and the first quarter of 2027.

Significantly higher aggregate demand for the current year and the first three quarters of next year and (2) higher imported inflation in the second and third quarters of 2025, mitigated the downward revision of the current forecast.

The forecast for the average core inflation rate has been lowered by 0.4 percentage points for 2025 and by 0.2 percentage points for 2026.

The annual rate of food prices was revised significantly upwards throughout the comparable period (Chart 5.15).

The higher rate of the current forecast compared to the previous forecast is determined by (1) a significantly increasing short-term forecast, following the persistent impact of the effects of adverse weather conditions in the spring of this year, which increased fruit prices, and of the swine fever in the spring of this year on the meat processing industry, especially on the sausage manufacturing segment, (2) significantly higher aggregate demand for the current year and the first three quarters of next year, (3) a higher level of international food prices over the entire comparable period, (4) the evolution of the single European currency against the US dollar on the external market, (5) higher actual inflation than anticipated in the previous quarter and (6) higher imported inflation, except for the second and third quarters of 2026.

The anticipation of lower aggregate demand for the fourth quarter of 2026 and the first quarter of 2027, (2) the evolution of the single European currency against the US dollar on the external market, and (3) lower imported inflation in the second and third quarters of 2026, are the factors that have mitigated the upward revision of the current forecast.

Chart 5.14: Core inflation (% , compared to the previous year, percentage points)

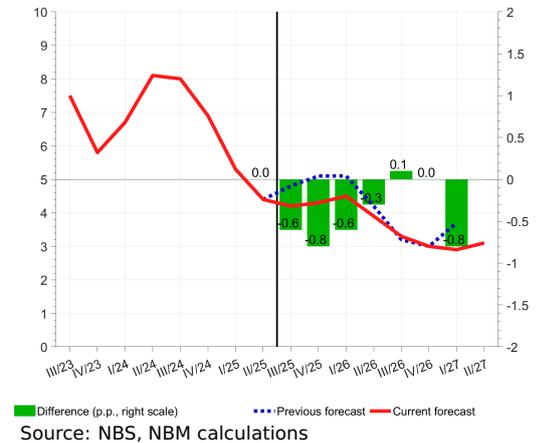


Chart 5.15: Food prices (% , compared to the previous year, percentage points)

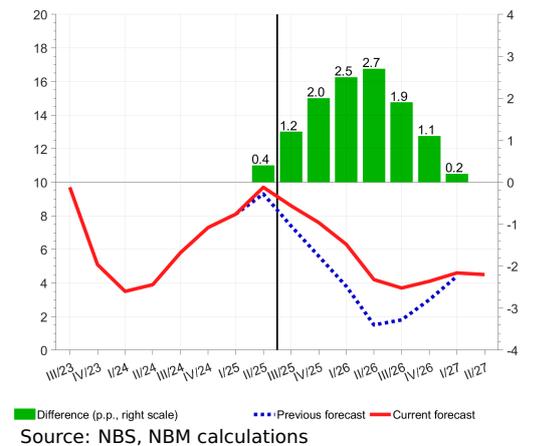
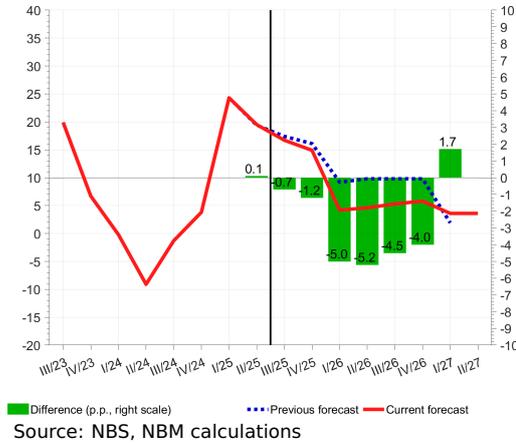


Chart 5.16: Regulated prices (% , compared to the previous year, percentage points)

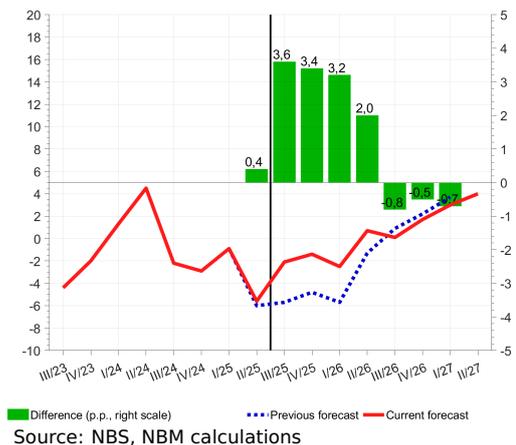


The forecast for the average rate of food prices was increased by 0.9 percentage points for 2025 and by 2.1 percentage points for 2026.

The current forecast for the annual rate of regulated prices is revised significantly downwards during the current year and next year (Chart 5.16).

The anticipation of some tariff reductions in the third quarter of 2025 and (2) the reconsideration of a smaller increase of some tariffs in the first quarter of 2026, determined the downward revision of the current forecast of the annual rate of the regulated prices. The increase in forecasts for international oil prices and the import price of natural gas moderated the downward revision of the current forecast for the annual rate of regulated prices and determined a slight increase in the first quarter of 2027.

Chart 5.17: Fuel prices (% , compared to the previous year, percentage points)



The forecast for the average rate of regulated prices was reduced by 0.4 percentage points for 2025 and by 4.6 percentage points for 2026.

The forecast for the annual rate of fuel prices was increased until the first half of next year and revised downwards thereafter, until the end of the comparable period (Chart 5.17).

The higher forecast of the annual rate of fuel prices is conditioned by (1) a higher forecast of international oil prices, (2) a significantly higher aggregate demand until the third quarter of 2026, (3) an evolution of the single European currency against the US dollar on the external market, (4) an increasing short-term forecast, (5) a higher imported inflation in the third quarter of 2025 and the last two quarters of the comparable period and (6) a higher actual inflation than anticipated in the previous quarter.

The anticipation of lower aggregate demand for the fourth quarter of 2026 and the first quarter of 2027 and (2) lower imported inflation for four consecutive quarters starting from the fourth quarter of 2025, have mitigated the upward revision of the forecast for the annual rate of fuel prices.

The forecast for the average rate of fuel prices was increased by 1.8 percentage points for 2025 and by 1.0 percentage points for 2026.

5.4 Risks and uncertainties

External sector

- **Tempering economic growth in the European Union.** In 2025, the economies of the European Union began to recover after the energy crisis that began in 2022, but apparently, this recovery risks to be affected by the imminence of trade tariffs imposed by the administration of the President of the USA. After rounds of negotiations, on July 27, 2025, the US announced general tariffs of 15% and 25% for steel and aluminum on imports from the EU. This represents more favorable trading conditions than the 30% tariffs previously announced by the US. At the same time, bilateral trade tariffs are being discussed between the EU and China. The 18th package of economic sanctions of the European Commission against the Russian Federation is further limiting the possibilities of the EU countries to acquire energy resources from the Russian Federation. Although fiscal policies in the EU will be tight at times, they will be somewhat counterbalanced by the announced investments in the military and infrastructure sectors (disinflationary).
- **Fragmentation of international trade.** The trade war initiated by the President of the USA, posed a significant challenge to international trade, with no prospects for a short- and medium-term solution. Also, the economic sanctions imposed on the Russian Federation, as well as on other economies, are causing structural shifts in international trade. Recently, the US President announced that he will impose tariffs on countries importing from the Russian Federation. Therefore, in the coming period, an adaptation to the new conditions of international trade is expected (uncertainty, disinflationary).
- **Divergence in the evolution of commodity prices.** Due to the trade war and economic sanctions, some commodity prices are rising and others are falling, following the fragmentation of international trade. At the regional level, commodity prices will have an even more divergent evolution (uncertainty).
- **Even more pronounced appreciation of the single European currency.** The trade war initiated by the US president's administration has reduced the attractiveness of the US dollar as a reserve asset and has driven investors to reorient themselves towards the single European currency. As inflation in the euro area remains within the corridor targeted by the ECB the monetary easing phase is expected to be completed by ECB. Also, the US President's pressure to reduce interest rates FRS, creates depreciation pressures on the US dollar against other international currencies. It remains to see how the trade balance between the USA and EU will be affected by the new tariffs and how this will influence the evolution of the single European currency (disinflationary).

- ***The geopolitical situation in the Middle East.*** In June 2025, geopolitical tensions in the Middle East intensified. The increased likelihood of a closure of the Strait of Hormuz led to a substantial increase in the risk premium in the prices of energy resources and other related materials. Also, during the mentioned period, transportation and logistics services were affected. Although the USA has brokered a ceasefire between Iran and Israel, it is not definitive and the risk of escalating tensions persists (uncertainty).
- ***The uncertain situation surrounding the Ukraine – Russian Federation peace negotiations.*** Although there have been some rounds of peace negotiations between Ukraine and the Russian Federation since the beginning of the year, they have not produced any results. In addition, attacks have intensified, further destroying economic infrastructure. Currently, the level of uncertainty is at its highest, which represents a regression factor for the regional economy (uncertainty).

Real sector

- ***Uncertainties regarding the timing and magnitude of tariff adjustments to regulated services.*** The medium-term inflation forecast is based on a trajectory of prices for regulated services that corresponds to certain assumptions regarding international and regional energy resource prices, as well as other indicators relevant to the respective sector. However, given that tariffs for some regulated services have a substantial economic impact on the population, the timing of their adjustment can be based not only on economic factors, but also on the pursuit of social objectives by the involved decision-makers. Therefore, the timing and magnitude of tariff adjustments cannot be estimated with sufficient confidence (uncertainty).
- ***Decrease in the number of consumers located on the territory of the Republic of Moldova.*** The military conflict in Ukraine has led to massive population outflows from Ukraine. Some of the refugees are on the territory of the Republic of Moldova, which contributes directly to the population's increased consumption. Their return to their country of origin or their departure to other regions would lead to lower demand on the internal market (disinflationary).
- ***Vulnerability of domestic fruit and vegetables prices to weather conditions.*** According to the experience of recent years, the prices of domestic fruit and vegetables are to a pronounced extent affected by adverse weather conditions such as frosts, heavy rainfall, drought conditions both because of impediments in their cultivation, as well as the costs associated with harvesting, transportation, storage, and also their marketing in the marketing points of the country. Temperatures different from normal could lead to higher than expected food prices in the next period (inflationary).

- ***Uncertainty about this year's agricultural production.***

The current year's agricultural harvest, respectively, food prices on the internal market in the second half of the year will depend, to a large extent, on the agrometeorological conditions during the respective period. In this way, developments within the agricultural sector and, hence, the trajectory of food prices for 2025 continue to be marked by uncertainty. A more moderate agricultural harvest will generate higher inflationary pressures on food prices (uncertainty).

Monetary and public sectors

- ***External financing and fiscal impulse.*** For 2026, it is expected that the flows of external loans and grants will increase, which will facilitate the implementation of reforms in the national economy and create additional pressures on inflation (inflationary).

- ***Crediting the national economy.*** The increase in external financing will stimulate the continued growth of excessive liquidity in the banking system, which will generate, in the short-term, a positive impact on loans granted by the financial and banking sector and, respectively, on aggregate demand, and, implicitly, could cause additional inflationary pressures (inflationary).

Chapter 6

Monetary policy decisions

Summary of the meeting of the Executive Board of the National Bank of Moldova of 05.12.2024 on monetary policy promotion

The meeting chaired by: Anca-Dana Dragu, Governor – Chairman of the Executive Board

In attendees: Executive Board members – Tatiana Ivanicichina – Deputy Governor, Constantin Șchendra – Deputy Governor, Petru Rotaru – Deputy Governor

Rapporteur: Radu Cuhal – Director of the Monetary Policy Department

Guests: Daniel Savin – Director of the Financial Markets Department, Valentina Rusu – Director of Legal Department, Natan Garștea – Director of Financial Stability Department, Diana Avtudov – Director of the Banking Supervision Department, Eugeniu Aftene – Director of the Reporting and Statistics Department, Alina Boboc – Head of the Financial Education and Communication Division, Alexandru Savva, Veaceslav Negruta – Advisors to the Governor, Diana Ceaș – Head of the Governor's Cabinet

The Executive Board meeting on monetary policy promotion began with the presentation by Radu Cuhal of the latest macroeconomic developments, both domestic and external, as well as the risks and uncertainties that could influence the short- and medium-term inflation forecast in the Inflation Report, November 2024.

During the discussions associated with the evolution of inflation, Radu Cuhal mentioned that the annual inflation was 5.3% in October 2024, 0.1 percentage points higher than the September level and remained close to the target of 5.0%. Radu Cuhal emphasized that the evolution of inflation in October denotes a trajectory similar to that anticipated in the Inflation Report, November 2024. In terms of structure, the upward evolution of the annual inflation rate in October 2024 was mainly determined by core inflation and food prices that were mitigated by the dynamics of regulated and fuel prices. At the same time, it was noted that the increase in food prices in October 2024 was caused by the hydrological drought in the summer of that year, which affected the agricultural harvest.

Radu Cuhal cautioned that the recent tariff increases outline the risk of an inflation trajectory higher than anticipated for the next 3-4 months, but would not have a significant influence on the evolution of inflation in the medium-term.

Regarding the external environment, Radu Cuhal noted that the world economy was evolving amid intensifying global trade and geopolitical tensions and maintaining inflationary pressures. It was noted that the monetary policy outlook of the FRS and the ECB has changed, with a much more significant decrease in ECB interest rates expected in the context of lower economic growth in the euro area and inflation below the target level.

At the same time, Radu Cuhal highlighted that European natural gas quotations increased due to the start of the heating season, associated with an increase in demand and concerns related to the expiration of the natural gas transition contract through Ukraine at the end of 2024. The FAO international food price index increased in the current month of October for the second consecutive month, which denotes the reversal of the trend of evolution.

Continuing the meeting, Radu Cuhal presented information on national economic activity, emphasizing that the data published by the NBS for September show mixed signals in economic activity. At the same time, Radu

Cuhal noted that the annual export rate registered a level of -19.3% against the backdrop of the decrease in agricultural production, while the annual import rate increased by 10.0%. It was stated that the annual rate of industrial production was -3.3%. Radu Cuhal mentioned that the retail trade recorded an annual growth of 8.7% in September 2024, and wholesale trade contracted by 1.5%. The agricultural production in the third quarter of 2024 was 10.2% lower than in the same quarter of the previous year. Radu Cuhal noted that wages in the third quarter of 2024 recorded an increase of 14.2% and showed clear signs of a revival in consumption, which supported economic growth. Investments increased by 3.8% compared to the third quarter of 2023. In this context, Radu Cuhal emphasized that the positive GDP dynamics were expected to continue in the third quarter of 2024.

Regarding monetary conditions, Radu Cuhal emphasized that the impact of the consecutive reductions in the base rate applied to the main monetary policy operations was further reflected in the decreasing evolution of interest rates on loans granted in the national currency. It was noted that average interest rates, in the first three weeks of November 2024, recorded downward trends on new loans granted in Moldovan lei by licensed banks. Thus, the weighted average interest rate on new loans granted in lei decreased to 8.24% in the third week of November. For term deposits in the national currency, the weighted average interest rates had a slight upward trend, reaching 3.55% per annum.

At the same time, Radu Cuhal emphasized that the continuous downward evolution of interest rates on loans granted in lei positively influenced the dynamics of weekly loan volumes, whose growth rate in the first three weeks of November amounted to 89.8% annually. At the same time, the moderate increase in interest rates on term deposits in Moldovan lei contributed to a decrease in the volume of deposits in the first three weeks of November by 8.6% annually.

Further, Radu Cuhal mentioned that the balance of risks to the inflation forecast was stabilize, with a slight inflationary bias in the short-term. Uncertainties remained pronounced. It was emphasized that the main sources thereof were the tense situation in the region, moderate regional demand associated with mutual sanctions, uncertainties regarding agricultural production and the adjustment of tariffs for communal and housing services.

Next, a draft decision was presented on the NBM's actions to facilitate the implementation of monetary policy. The measures proposed by Radu Cuhal were to maintain the base rate and interest rates on standing facilities, as well as the rate on repo operations at current levels, and to reduce the required reserve ratio from funds attracted in Moldovan lei and in non-convertible currency, as well as from funds attracted in freely convertible currency, starting from the period of application of the required reserve between December 16, 2024 and January 15, 2025 to the levels of 25.0% and, respectively, 34.0% of the calculation basis and starting from the period of application of the required reserve between January 16, 2025 and February 15, 2025 to the levels of 22.0% and, respectively, 31.0% of the calculation basis.

Thus, following the discussion, the Executive Board of the NBM decided, by unanimous vote, to maintain the base rate applied to the main short-term monetary policy operations at the level of 3.60% per annum, the interest rates on overnight loans and overnight deposits at the levels of 5.60 and 1.60% per annum, respectively, on repo operations at the level of 3.85% per annum. At the same time, the EC members decided to reduce for two consecutive periods of application the required reserve ratio for funds attracted in Moldovan lei and in non-convertible currency, as well as for funds attracted in freely convertible currency to the levels proposed in the draft decision by Radu Cuhal.

The EB members noted that the adopted decision contributed to increasing the predictability of monetary policy in the conditions of information asymmetry and adjusting the behavior of money market participants in order to create the monetary conditions necessary to maintain inflation in the medium-term within the range of ± 1.5 percentage points from the target of 5.0%. At the same time, the EB members kept emphasizing that the decision to simultaneously reduce the required reserve ratio in Moldovan lei and in freely convertible currency would reduce lending costs, further supporting the lending process and beneficially influencing the national economy. It was noted that the cumulative monetary policy stimulus measures would increase excess liquidity in the banking system and allow banks to lend to individuals and legal entities, as well as invest in government securities.

The Executive Board emphasized that the NBM would continue to carefully monitor the internal and external macroeconomic situation, the risks and uncertainties associated with the evolution of inflation in the short- and medium-term and, at the appropriate time, would intervene by adjusting monetary policy instruments in order to achieve the fundamental objective of ensuring and maintaining price stability.

At the end of the meeting, the Executive Board reiterated that the NBM decision was taken in a context where real monetary conditions on the deposit, credit and foreign exchange markets indicate a favorable situation for ensuring that inflation is maintained within the range of ± 1.5 percentage points from the target of 5.0%, a level considered optimal for the growth and economic development of the Republic of Moldova in the medium-term.

Decision adopted by the Executive Board of NBM by unanimous vote:

- 1. The base rate applied to the main short-term monetary policy operations is maintained at 3.60% annually.**
- 2. Interest rates are maintained:**
 - a) for overnight loans, at the level of 5.60% annually;**
 - b) for repo operations, at the level of 3.85% annually;**
 - c) for overnight deposits, at the level of 1.60% annually.**
- 3. The required reserve ratio from funds attracted in Moldovan lei and in non-convertible currency is reduced as follows:**
 - a) starting from the period of application of required reserves in Moldovan lei between December 16, 2024 and January 15, 2025, from 27.0% to the level of 25.0% of the calculation basis;**
 - b) starting from the period of application of required reserves in Moldovan lei between January 16, 2025 and February 15, 2025, from 25.0% to the level of 22.0% of the calculation basis.**
- 4. The required reserve ratio from funds attracted in freely convertible currency is reduced as follows:**
 - a) starting from the period of application of required reserves in freely convertible currency between December 16, 2024 and January 15, 2025, from 36.0% to the level of 34.0% of the calculation basis;**
 - b) starting from the period of application of required reserves in freely convertible currency between January 16, 2025 and February 15, 2025, from 34.0% to the level of 31.0% of the calculation basis.**

Voting results of EB members

For – 4

Against – 0

Chairman of the Executive Board

Secretary of the Executive Board

Anca-Dana DRAGU

Sergiu SURDU

Summary
of the meeting of the Executive Board of the National Bank of Moldova of 10.01.2025
on monetary policy promotion

The meeting chaired by: Anca-Dana Dragu, Governor – Chairman of the Executive Board

In attendees: Members of the Executive Board – Vladimir Munteanu, First Deputy Governor – Deputy Chairman of the Executive Board, Tatiana Ivanicichina – Deputy Governor, Constantin Șchendra – Deputy Governor, Petru Rotaru – Deputy Governor

Rapporteur: Radu Cuhal – Director of the Monetary Policy Department

Guests: Daniel Savin – Director of the Financial Markets Department, Valentina Rusu – Director of Legal Department, Natan Garștea – Director of Financial Stability Department, Eugeniu Aftene – Director of the Reporting and Statistics Department, Alina Boboc – Head of the Financial Education and Communication Division, Alexandru Savva, Simona-Gabriela Tărtăcuță, Mihnea Constantinescu, Veaceslav Negruta – Advisors to the Governor

At the beginning of the unscheduled meeting of the Executive Board on monetary policy promotion, the floor was given to Radu Cuhal, who presented the analysis and assessment of macroeconomic information, both of the internal and external environment, in particular the prospects for accelerating inflation amid the increase in domestic tariffs for mains gas, thermal and electric energy, adjusted in December 2024 and January 2025. Radu Cuhal mentioned that the sharp increase in energy resource prices would generate additional inflationary pressures on the inflationary process from the perspective of production costs and prices, as well as inflationary expectations from households and economic agents.

Regarding the recent evolution of inflation, Radu Cuhal highlighted that annual inflation amounted to 6.97% in December 2024, by 1.6 percentage points higher than the previous month's level and was placed above the upper limit of the target range of 5.0% \pm 1.5 percentage points. However, it is worth mentioning that this fact was caused by the increase in the price of the mains gas by 27.6%, as a result of the adjustment by ANRE of the respective tariff in December 2024. Radu Cuhal emphasized that the annual inflation rate, without the respective impact, was about 6.25%, slightly lower than that anticipated in the Inflation Report, November 2024. At the same time, it was noted that in terms of structure, the upward evolution of the annual inflation rate in December 2024 was determined mainly by the dynamics of regulated prices, being mitigated by the dynamics of core inflation, food prices and fuel prices.

During discussions related to the external environment, Radu Cuhal stated that the world economy was evolving under conditions of maintaining geopolitical tensions and inflationary pressures. The monetary policy outlook of the FRS and ECB has changed, with a much more significant decrease in the expected ECB interest rates, in the context of lower economic growth in the euro area and inflation below the target level. Radu Cuhal highlighted the increase in European natural gas prices when low temperatures led to higher natural gas consumption and heightened concerns about the faster depletion of reserves. Europe must also cope with the cessation of natural gas supplies through Ukraine after December 31, 2024. It was stated that the international food prices have begun to increase moderately compared to the minimal prices of the summer of 2024, with the sufficiently balanced demand and supply of food products.

Further, the information on national economic activity was presented, and Radu Cuhal emphasized that after the positive evolution in the first half of 2024, the annual dynamics of GDP entered the negative territory in the third quarter of 2024. Radu Cuhal emphasized that GDP contracted, in the third quarter of 2024 by 1.9% compared to the similar period of 2023, being below the level anticipated in the previous round of forecasts. This dynamics was mainly determined by the negative impact of external demand. It was stated that domestic demand, both from the population, in the context of increasing incomes in real terms, and from economic agents, partially mitigated this effect. At the same time, Radu Cuhal mentioned the negative impact on the dynamics of GDP from the

agricultural sector in the context of drought conditions in the summer of 2024, as well as from trade and real estate transactions. This was partially mitigated by positive evolution in construction, the financial sector and the information and communications sector.

In continuation of the meeting, Radu Cuhal presented the monetary conditions and noted that the impact of the consecutive reductions in the base rate applied to the main monetary policy operations was further reflected in the decreasing trend of interest rates on loans granted in the national currency. It was noted that in the third week of December 2024, in the segment of new loans granted in Moldovan lei by licensed banks, the weighted average interest rate decreased up to 8.03% annually. On term deposits in the national currency, the weighted average interest rate had a slight upward trend, reaching 3.39% annually.

At the same time, Radu Cuhal emphasized that the continuous downward evolution of interest rates on loans granted in lei positively influenced the dynamics of weekly loan volumes, the annual growth rate of which in the first three weeks of December, amounted to 41.8% annually. Also, the moderate increase in interest rates on term deposits in Moldovan lei contributed to a decrease in the volume of deposits, in the first three weeks of December, by 22.6% annually.

Further, Radu Cuhal mentioned that based on the analysis of available information, the positive deviation of the short-term inflation forecast is attested with a firm certainty of exceeding the upper limit of the variation interval of ± 1.5 percentage points of the inflation target of 5.0% annually during several quarters of 2025. At the same time, the basic factor that determined this inflation evolution is the cessation of natural gas supplies through Ukraine after December 31, 2024. As a result, the Republic of Moldova is meeting its electricity needs from its own sources and imports, at prices that have conditioned the increase in electricity tariffs since the beginning of 2025, in the absence of deliveries from the Cuciurgan power plant. Radu Cuhal emphasized that the recent tariff adjustments for network gas and thermal energy would generate price increases for related goods and services.

It was also noted that moderate domestic demand, determined by a decrease in the growth rate of disposable income, as well as lower external demand, in particular, caused by economic activity in the European Union, will have a negative impact on the dynamics of the inflationary process.

In this context, the measures included in the draft decision on the actions of the NBM to promote monetary policy, proposed by Radu Cuhal, were to increase the base rate and interest rates on standing facilities, as well as the rate on repo operations by 2.0 percentage points each.

Thus, following the discussions, the Executive Board of the NBM decided, by unanimous vote, to increase the base rate applied to the main short-term monetary policy operations up to the level of 5.60% per annum, as well as to increase the interest rates on overnight loans and deposits and the rate on repo operations to the levels of 7.60%, 3.60% and, respectively, 5.85% per annum.

The members of the EB emphasized that the decision of the National Bank of Moldova aims to mitigate the secondary effects of the change in regulated tariffs on inflation and to anchor inflationary expectations with the aim of bringing the annual consumer price rate back within the variation corridor of ± 1.5 percentage points from the inflation target of 5.0% annually, within a reasonable time frame.

The Executive Board confirmed that the NBM would continue to carefully monitor the evolution of inflation components and factors that could influence its dynamics, the domestic and external macroeconomic situation, as well as the risks and uncertainties associated with inflation evolution in the short- and medium-term. Additionally, the members of the EB mentioned that, in order to achieve the fundamental objective of ensuring and maintaining price stability, the NBM reserved the legal right to intervene at the appropriate time by adjusting monetary policy instruments.

Decision adopted by the Executive Board of NBM by unanimous vote:

- 1. The base rate applied to the main short-term monetary policy operations is set at 5.60% annually.**
- 2. Interest rates are set:**
 - a) for overnight loans, at the level of 7.60% annually;**
 - b) for repo operations, at the level of 5.85% annually;**
 - c) for overnight deposits, at the level of 3.60% annually.**

Voting results of EB members

For – 5

Against – 0

Chairman of the Executive Board**Secretary of the Executive Board****Anca-Dana DRAGU****Sergiu SURDU**

List of Figures

1.1 Annual CPI rate (%)	11
1.2 Annual rate of the main CPI subcomponents (%)	11
1.3 Annual inflation evolution (%) and contribution of subcomponents (percentage points)	11
1.4 Contribution of subcomponents (percentage points) to annual core inflation dynamics (%)	12
1.5 Contribution of components (percentage points) to annual food prices dynamics (%)	12
1.6 Evolution of the international food price index, FAO index	13
1.7 Evolution of regulated prices (%) and contribution of subcomponents (percentage points)	13
1.8 Contribution of components (percentage points) to the annual increase in fuel and lubricants prices (%)	14
1.9 Evolution of average Platts quotations and Urals and Brent oil prices	14
1.10 Annual rate of CPI (%)	15
1.11 Annual industrial prices rate (%)	16
1.12 Annual industrial prices rate (%) and its components contribution classified by main branches (percentage points)	16
2.1 Developments of composite PMI indexes	17
2.2 Developments of PMI indexes for the manufacturing industry in Romania, Poland and Türkiye	18
2.3 Evolution of USD index (DXY*) in the context of monetary policy of FRS	18
2.4 Developments of EUR/USD (monthly average) and interest rates in the euro area	18
2.5 Oil market	19
2.6 Netherlands TTF quotation evolution (EUR/1,000 cubic meters)	19
2.7 The annual growth rate of world price indexes (%)	19
2.8 Annual growth rate of international food prices (FAO index, %)	20
3.1 Contribution of demand components to GDP growth (percentage points)	29
3.2 Development in household final consumption in real terms (% , compared to the previous year)	30
3.3 Evolution of disposable income of the population (% , compared to the previous year) and subcomponents' contributions (percentage points)	30
3.4 Public revenue and expenditure dynamics (% , compared to the previous year)	30

3.5	Development of budgetary transfers (MDL million)	31
3.6	Development of the single treasury account flows (% , compared to the previous year)	31
3.7	Development of the single treasury account balance (% , compared to the previous year)	33
3.8	Development of the annual growth rate of state debt (% , end of quarter)	33
3.9	Share of state debt in GDP (% , end of quarter)	33
3.10	Demand and supply ratio on the primary market for state securities	33
3.11	SS yield curve (%)	33
3.12	Structure of SS allocated on the primary market (%)	33
3.13	Annual investment dynamics (%)	34
3.14	Annual investment dynamics by types of fixed assets (% , real terms)	34
3.15	Annual investment dynamics by funding sources (% , in real terms)	36
3.16	Development of the annual rate of exports (%) and contribution by categories of countries (percentage points)	36
3.17	Development of the annual rate of exports (%) and contribution of the components by commodity groups (percentage points)	36
3.18	Development of the annual rate of exports (%) and contribution by origin (percentage points)	36
3.19	Development of the annual rate of imports (%) and contribution by categories of countries (percentage points)	36
3.20	Development of the annual rate of imports (%) and contribution of the components by commodity groups (percentage points)	36
3.21	Contribution of economy sectors to GDP growth (percentage points)	37
3.22	Development of goods transport (% , compared to the previous year)	37
3.23	Passenger transport development (% , compared to the previous year)	38
3.24	Industry development in real terms (% , compared to the previous year)	38
3.25	Internal trade (based on VAT statements) (% , compared to the previous year)	38
3.26	Annual rate of total agricultural production (%) and contribution by sectors (percentage points)	39
3.27	Economically active population and employed population	40
3.28	Contribution of sectors to the dynamics of the employed population (percentage points)	40
3.29	Evolution of unemployed and underemployed population	40
3.30	Wage fund in the economy (% , compared to the previous year) and sectors' contributions (percentage points)	41
3.31	Average number of employees per economy (% , compared to the previous year) and sectors' contributions (percentage points)	41

3.32 Contribution of the sectors of the economy to the dynamics of the number of employees (% , compared to the previous year)	41
3.33 Current account share in GDP (%)	42
3.34 Financial account share in GDP (%)	42
3.35 External debt share in GDP (%)	42
4.1 Monthly average reference rates on the interbank market and the base rate of the NBM (%)	43
4.2 Monthly evolution of the interest rates corridor (%)	43
4.3 Development of the daily balance of sterilization operations (MDL million)	44
4.4 Development of the official MDL/EUR exchange rate and volume of daily transactions of the NBM	45
4.5 Change in monetary aggregates (% , annual growth)	45
4.6 Dynamics of the monetary aggregate M3 (% , contribution of the components in annual growth)	46
4.7 Dynamics of total deposit balance (% , contribution of the components in annual growth)	46
4.8 Dynamics of the deposits balance in MDL (% , contribution of the components in annual growth)	47
4.9 Dynamics of the term deposits balance in MDL (% , contribution of the components in annual growth)	47
4.10 Dynamics of the sight deposits balance in MDL (% , contribution of the components in annual growth)	47
4.11 Dynamics of the deposits balance in foreign currency (% , contribution of the components in annual growth)	47
4.12 Dynamics of the term deposits balance in foreign currency (% , contribution of the components in annual growth)	47
4.13 Dynamics of the sight deposits balance in foreign currency (% , contribution of the components in annual growth)	47
4.14 Excessive liquidity	48
4.15 Evolution of the balance of loans (% , annual growth)	48
4.16 Evolution of the weights of loans by subcomponents in the total balance (%)	48
4.17 Loans balance structure (% in total)	49
4.18 Evolution of new granted loans (% , annual growth)	49
4.19 Evolution of new loans granted in MDL (% , annual growth)	49
4.20 Dynamics of term deposits balance (% , annual growth)	49
4.21 Evolution of the share of term deposits by subcomponents in the total balance (%)	49
4.22 Average interest rates on balance of loans and deposits (%)	49
4.23 Average interest rates on new volumes of loans and deposits (%)	51
4.24 Fluctuations of the official exchange rate of the Moldovan leu against the US dollar and the euro	51

4.25	Development of the countries currencies – main trading partners against the EUR, average exchange rate in the second quarter of 2025/ first quarter of 2025 (%)	52
4.26	Nominal effective exchange rate (NEER) and real effective exchange rate (REER) of the MDL dynamics calculated on the basis of the weight of the countries – main trading partners (Dec.2000-100%)	52
4.27	Contribution of the main trading partners of the Republic of Moldova to the change in the real effective exchange rate in the second quarter of 2025	52
4.28	Net supply of foreign currency from individuals broken down by main currencies (currencies are recalculated in USD at constant average exchange rate)	53
4.29	The degree of net sales coverage by net supply and the official exchange rate dynamics	53
4.30	Development of the official reserve assets expressed in months of imports of goods and services (BPM6)	54
5.1	EUR/USD exchange rate assumption	56
5.2	International Brent oil price assumption (USD/barrel)	56
5.3	International food price assumption (%)	56
5.4	CPI with uncertainty range (% , compared to previous year)	57
5.5	CPI decomposition (% , compared to the previous year, percentage points)	57
5.6	Core inflation (% , compared to the previous year)	58
5.7	Food prices (% , compared to the previous year)	58
5.8	Regulated prices (% , compared to the previous year)	58
5.9	Fuel prices (% , compared to the previous year)	59
5.10	GDP deviation (%)	59
5.11	Real monetary conditions index and decomposition	60
5.12	CPI (% , compared to the previous year, percentage points)	60
5.13	Decomposition of the difference between forecasts (percentage points)	60
5.14	Core inflation (% , compared to the previous year, percentage points)	61
5.15	Food prices (% , compared to the previous year, percentage points)	61
5.16	Regulated prices (% , compared to the previous year, percentage points)	62
5.17	Fuel prices (% , compared to the previous year, percentage points)	62

List of Tables

1.1 The evolution and forecast of CPI and its components	15
5.1 Expected evolution of external variables (annual average)	55