

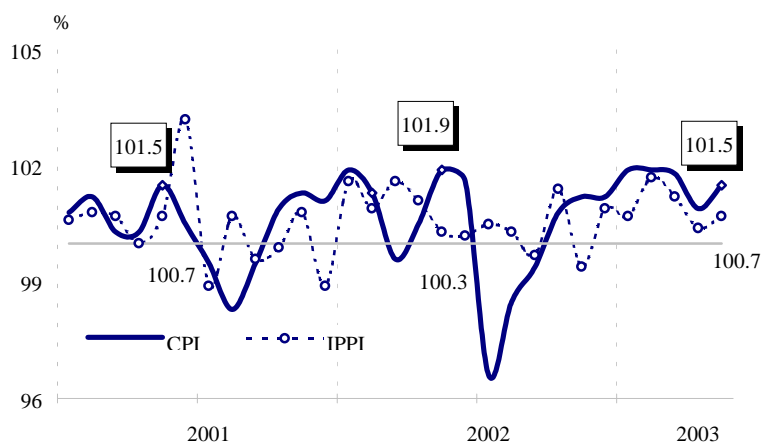
Monetary Synthesis no. 4* 2003

April

Inflation level

In April 2003 consumer prices increased by 1.5% as compared to the previous month, including prices for foodstuffs by 2.6%, for non-food products by 0.9% and for services rendered to the public by 0.2% (chart 1).

Chart 1. Monthly evolution of consumer prices index (CPI) and of industrial producers prices index (IPPI)



As compared to the previous month prices for foodstuffs registered a more significant increase (2.6% as against 1.3% in March 2003), generated by the seasonal rise in prices for fresh vegetables by 15.3%, for fresh fruit – by 9.1%, for wheat flour – by 5.1%, for sugar – by 4.3%, for eggs – by 3.5%. At the same time, reductions were recorded in prices for dairy produce by 0.4%.

The price rise by 0.9% for non-food products was caused mainly by the increase in prices for ready-made clothes by 1.5% and for foot-wear by 1.4%.

Prices for most non-food products and services rendered to the public kept the level of the previous month.

From the beginning of year 2003 **the inflation level** constituted 6.2%, including for foodstuffs – 8.3%, for non-food products – 3.4% and for services – 5.4%.

The breakdown of the consumer prices' index by constituents is shown in table 1.

Table 1. Contribution to CPI formation by components, %

	March 2003		April 2003	
	contribution	contribution / CPI	contribution	contribution / CPI
CPI	0.90	100.0%	1.50	100.0%
<i>Foodstuffs</i>	<i>0.61</i>	<i>67.8</i>	<i>1.21</i>	<i>80.7</i>
<i>Non-food products</i>	<i>0.21</i>	<i>23.3</i>	<i>0.27</i>	<i>18.0</i>
<i>Services rendered</i>	<i>0.08</i>	<i>8.9</i>	<i>0.02</i>	<i>1.3</i>

Sources: SSD, NBM

In April 2003 *the cumulative inflation* for 12 months constituted 7.3%.

Industrial output prices increased during the reported period by 0.7% (chart 1). In spite of insignificant rise in the aggregate producers prices' index, in manufacturing industry large increases recorded prices for confectionery – by 11.3%, for glass articles – by 9.6%, for textiles – by 7.9%, for tanned and dyed leather – by 6.9%, for paper articles – by 5.5%.

Monetary Policy Instruments

Interest rates

The interest rates on the NBM monetary instruments kept the level set by decision no. 60 of 20.03.2003 of the NBM Council of Administration based on the dynamics of the consumer prices' index, the monetary and macroeconomic indicators:

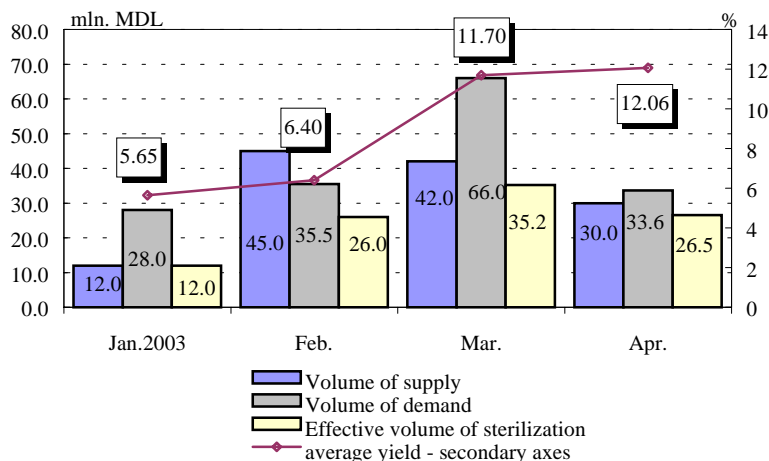
- ✓ *Base rate* applied on 2-month state securities REPO-buying operations performed within the NBM open market operations – 10.5% per year;
- ✓ Interest rate on Lombard facility – 13.5% per year;
- ✓ Interest rate on overnight credits – 16.5% per year;
- ✓ Interest rate on commercial banks' deposits accepted by the NBM – 3.0% per year.

Base rate on long-term credits (over 5 years) kept the level of 11.0% per year.

Open Market Operations

In April 3 REPO auctions were launched to sell SS from the NBM portfolio. The offered value amounted to MDL 30.0 million, by MDL 12.0 million (28.6%) less than in March. Commercial banks' demand of SS decreased by MDL 32.4 million (49.1%), amounting to MDL 33.6 million. The selling amount constituted MDL 26.5 million, by MDL 8.7 million less than in the previous month (chart 2). The average monthly weighted REPO interest rate increased by 0.36 p.p. and totalled 12.06%. The average weighted maturity of REPO transactions constituted 22 days.

Chart 2. Dynamics of open market indicators



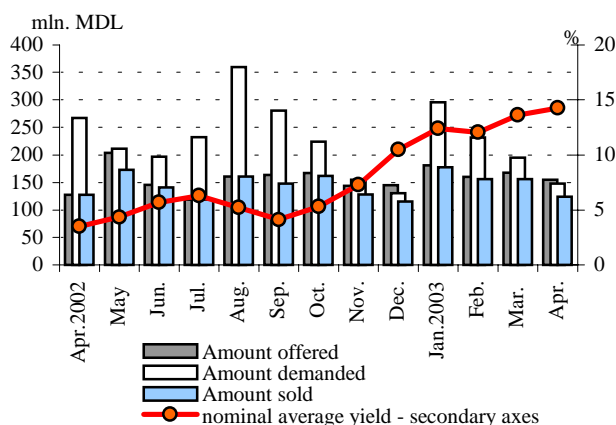
Lombard facility

In April Lombard facilities were provided to 5 commercial banks in a value of MDL 47.8 million for a term of 1 to 5 days.

Financial Markets

In April in the *SS primary market* 21 issues of SS representing both T-bills with the maturity of 28, 91, 182, 273 and 364 days, and cash discrepancy bonds with the maturity of 56 days were launched. The total value of offer constituted MDL 155.0 million, by MDL 13.0 million, or by 7.7% less than in the previous month. The commercial banks' demand decreased by MDL 47.0 million (by 24.1%), and

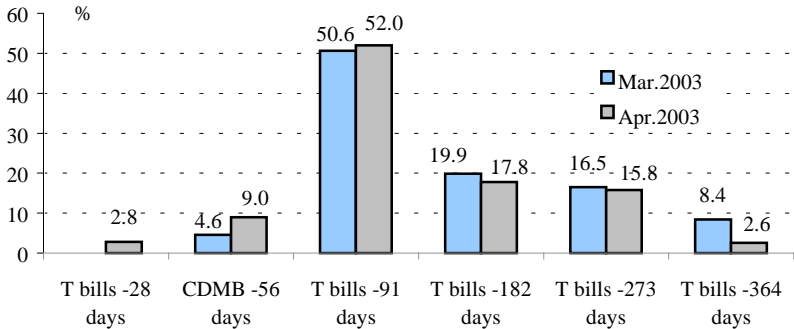
Chart 3. Total turnover of SS sales auctions in the primary market



amounted to MDL 148.3 million. The value invested at auctions constituted MDL 124.0 million, a level inferior by MDL 32.0 million (20.5%) as compared to that of March (chart 3). The value of SS purchased by commercial banks totalled MDL 116.8 million; this constitutes 94.2% of invested value. The value of SS purchased by investors amounted to MDL 7.2 million, by MDL 0.3 million more than in the previous month.

During the reported month there were some modifications within the structure of SS commercialized, the weight of long-term SS (91, 273 and 364 days) decreased. Particularly, the weight of SS with the maturity of 364 days decreased by 3 times due to the increase by 2 times of the weight of SS with the maturity of 56 days. SS with the maturity of 28 days re-appeared in the market (chart 4). As a result, the average maturity significantly decreased from 157 days in March to 135 days in April 2003.

Chart 4. Structure of SS commercialised in the primary market



In April *the average nominal yield* of SS invested in the primary market followed the ascendant trend of the previous months, increasing by 0.64 p.p. up to the level of 14.24% per year. The yield of all types of SS registered an increase (table 2).

Redemption of SS due in April totalled MDL 121.0 million at nominal value. The

Table 2. Breakdown of SS average weighted nominal yield by maturities

	T bills-28 days	CDMB-56 days	T bills- 91 days	T bills-182 days	T bills- 273 days	T bills- 364 days
March 2003		10.02	13.17	14.10	14.72	15.17
April 2003	11.03	11.26	14.20	14.94	15.76	16.11

value of state securities in circulation (invested at primary market auctions) amounted at month-end to 703.4 million at selling-purchasing price, by MDL 26.8 million more as against as of 31 December 2002.

As of 31 April 2003 the total value of SS recorded in the *Book Entry System (BES)* totalled MDL 2951.2 million at nominal value, including SS issued through primary market auctions in a value of MDL 744.8 million.

In April the total value of transactions in *the secondary market of SS* decreased by MDL 24.6 million (69.1%) and constituted MDL 11.0 million. Interbank REPO transactions registered a descendent evolution, their value reduced by MDL 11.9 million (22.4%) and accounted for MDL 41.2 million.

During the reported period securities with the maturity of 28 days were the most requested, their weight in the total value of SS transacted in the secondary market constituted 76.8%. The average nominal weighted yield in the secondary market increased by 0.18 p.p. to the level of 11.83%. In April the average maturity constituted 27 days as compared to 87 days in March 2003.

Credits and deposits market

In April *the balance of credits to economy** increased by MDL 94.1 million (2.0%) and constituted MDL 4769.3 million as of 30 April 2003. This evolution was due to the growth of the balance of credits in national currency by MDL 56.6 million (2.0%) and of the balance of credits in foreign currency (expressed in MDL) by MDL 37.5 million or by 2.0%.

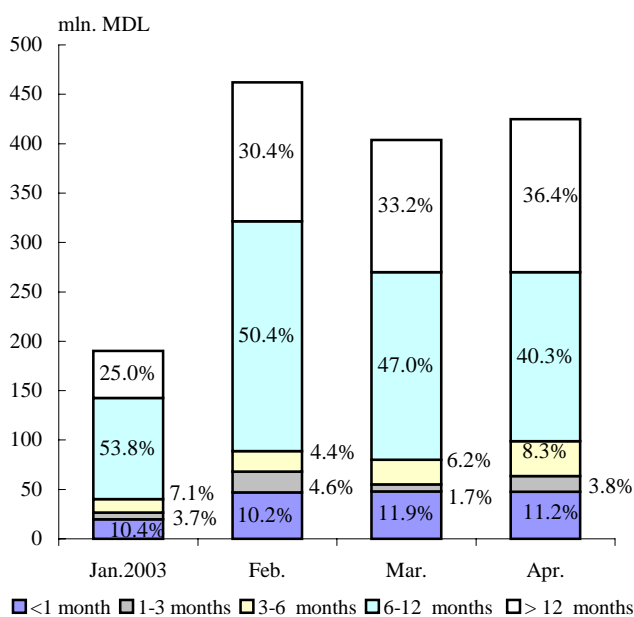
Table 3. Dynamics of credits extended by commercial banks (mln. MDL)

Period	Balance at period-end			Credits extended				
	total	in MDL	in foreign currency	total	in MDL		in foreign currency	
		value	value		value	interest, %	value	interest, %
December 2002	4165.7	2422.2	1743.5	597.4	414.1	19.29	183.3	11.90
January 2003	4166.6	2395.1	1771.5	312.6	199.8	21.23	112.8	12.09
February	4393.3	2610.5	1782.8	626.9	473.2	18.33	153.7	11.65
March	4675.2	2791.6	1883.6	657.9	417.6	19.50	240.3	11.00
April	4769.3	2848.2	1921.1	681.6	446.6	19.09	235.0	11.39

The increase of the *balance of credits in MDL* was due to the increase of the balance of credits extended to private entities and individuals by MDL 38.1 million (1.9%) and MDL 21.1 million (6.4%) respectively, while credits extended to state entities decreased by MDL 2.6 million (0.6%).

The rise in the *balance of credits in foreign currency* was caused by the increase of the balance of credits extended to private entities by MDL 40.6 million (2.2%), while the balance of credits extended to state entities decreased by MDL 3.1 million (9.0%). The balance of credits in foreign currency represents the equivalent of USD 133.4 million, by USD 3.5 million or by 2.7% more as compared to March 2003.

Chart 5. Structure of credits in MDL extended by commercial banks to businesses



In April 2003 *the value of credits in MDL* increased by MDL 29.0 million (6.9%) as compared to the previous month and constituted MDL 446.6 million. This increase was based on the larger value of credits extended to businesses by MDL 21.0 million (5.2%), and that of credits extended to individuals by MDL 8.0 million (57.3%).

* according to IMF methodology total credits to economy (including the calculated interest rate on credits) are excluded: interbank credits and credits to the Government

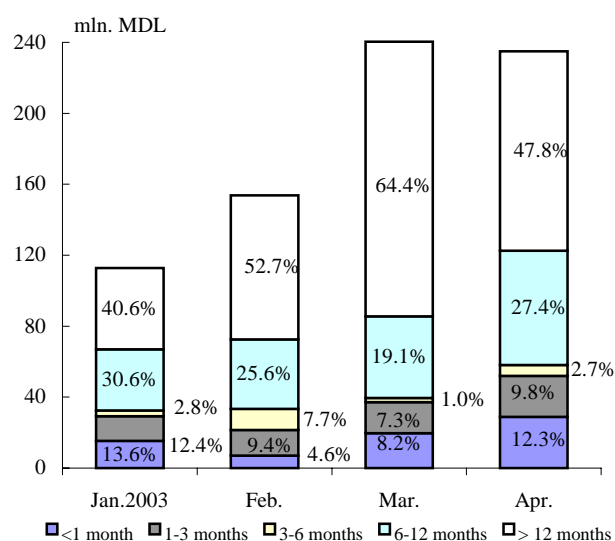
The share of credits extended to businesses reduced, as compared to the previous period, by 1.6 p.p. and constituted 95.1% of the total value of credits in national currency. Credits extended for a term of 6 to 12 months were the most attractive, these credits were provided at an average rate of 18.85% in a value of MDL 171.1 million. The weight of these credits decreased by 6.7 p.p. to the level of 40.3%, while the weight of credits extended for a term of 1 to 6 months increased by 4.2 p.p. (chart 5).

In April *the average interest rate on credits* in national currency extended to businesses decreased by 0.45 p.p. and accounted for 18.84% while that of credits extended to individuals - by 1.83 p.p. and constituted 23.79%.

The value of credits in foreign currency extended to businesses constituted MDL 235.0 million (USD 16.0 million, by USD 0.7 million less as compared to March 2003).

Credits for a term of over 12 months extended at an average rate of 10.96 % continued to hold the largest share of 47.8% within the relevant structure of credits; the weight of these loans significantly decreased by 16.6 p.p. At the same time, the weight of credits for a term of 6 to 12 months registered a considerable increase by 8.3 p.p. (chart 6).

Chart 6. Structure of credits in foreign currency extended by commercial banks to businesses



The average interest rate on credits in foreign currency increased by 0.39 p.p. and accounted for 11.39%.

During the reported period *the balance of deposits** within the banking system increased by MDL 33.9 million (0.7%) as against in March and totalled MDL 4721.8 million. Its increase was generated by the rise in the balance of deposits attracted in national currency by MDL 82.6 million (3.7%), while the balance of deposits in foreign currency decreased by MDL 48.7 million (2.0%). In the structure of total deposits the weight of the balance of sight deposits constituted 40.5%, the amount of these deposits reduced by MDL 19.6 million as compared to the previous month. The balance of time deposits increased by MDL 53.5 million and totalled MDL 2809.5 million.

* According to IMF methodology total deposits with the banking system are excluded: means by commercial banks and other financial institutions; state budget accounts; extra-budgetary means; deposits by non-resident individuals and businesses.

Table 4. Dynamics of time deposits with commercial banks (mln. MDL)

Period	Balance at period end			Time deposits attracted				
	total	in MDL	in foreign currency	total	in MDL		in foreign currency	
		value	value		value	interest, %	value	interest, %
December 2002	2478.7	1172.1	1306.6	347.3	143.5	12.64	203.8	3.35
January 2003	2603.3	1213.4	1389.9	317.7	131.5	12.57	186.2	3.34
February	2675.1	1215.3	1459.8	306.7	133.6	12.21	173.1	3.02
March	2756.0	1211.9	1544.1	324.5	117.7	12.15	206.8	2.73
April	2809.5	1222.8	1586.7	336.5	137.7	11.63	198.8	3.25

The balance of time deposits in MDL amounted to MDL 1222.8 million, increasing by MDL 10.9 million due to the rise in the balance of deposits by individuals by MDL 14.9 million (1.5%). The balance of deposits by businesses decreased by MDL 4.0 million (1.8%).

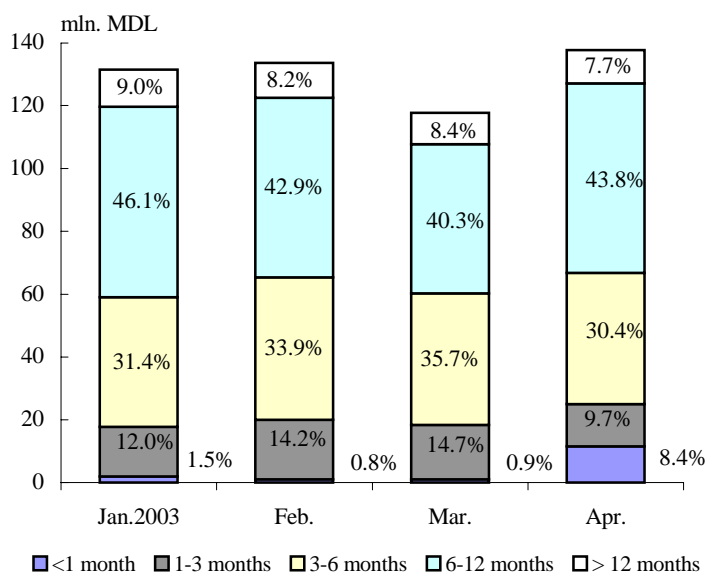
In April *the value of time deposits in MDL* constituted MDL 137.7 million (by 17.0% more as compared to March 2003).

During the reported period the weight of deposits for a term of up to 1 month registered an essential increase by 7.5 p.p. At the same time, the share of deposits for a term of 3 to 6 months decreased by 5.3 p.p. accounting for 30.4% of the total value of deposits in national currency (chart 7).

In April *the average rate on time deposits in MDL* decreased by 0.52 p.p. as against in the previous month and totalled 11.63% (9.20% for businesses and 12.83% for individuals as compared to 9.41% and 12.92%, respectively, in March 2003).

The balance of time deposits in foreign currency increased by MDL 42.6 million (2.8%) and amounted to MDL 1586.7 million. This increase was generated by the rise in the balance of deposits by individuals by MDL 49.6 million (3.9%); the balance of deposits by businesses decreased by MDL 7.0 million (2.8%).

Chart 7. Structure of time deposits in MDL with commercial banks

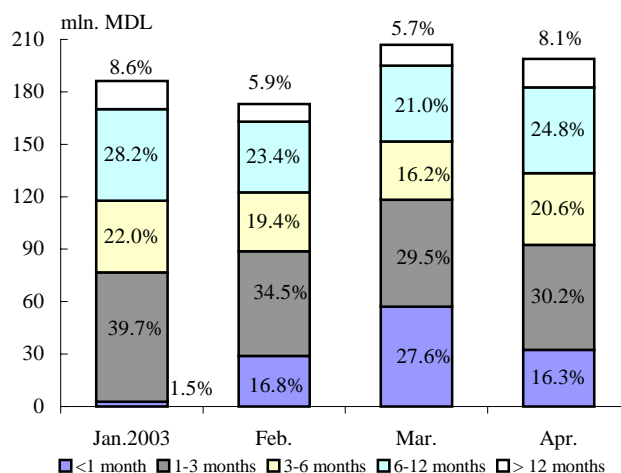


During the reported period *the value of time deposits in foreign currency* decreased by MDL 8.0 million (3.9%) and constituted MDL 198.8 million due to the reduction of deposits by businesses by MDL 20.7 million (33.3%). At the same time, the value of deposits by individuals increased by MDL 12.7 million (8.8%).

Like in the previous period the deposits for a term of 1 to 3 months held the largest weight (30.2%), their level in the total value of deposits in foreign currency increased only by 0.7 p.p. (chart 8). These deposits were attracted at an average interest rate of 2.85%. Simultaneously, the weight of deposits for a term of up to 1 month registered a significant decrease (by 11.3 p.p.).

During the reported period *the average interest rate on deposits in foreign currency* increased by 0.52 p.p. and constituted 3.25% (the interest rate on deposits by businesses increased by 0.53 p.p. and accounted for 2.01%, by individuals – by 0.3 p.p. and constituted 3.57%).

Chart 8. Structure of time deposits in foreign currency with commercial banks



Money Supply

In April 2003 *money supply (M3)* increased by MDL 119.6 million, or by 1.7%, while M2 (money supply in MDL) by MDL 168.3 million, or by 3.8%.

M3 higher value was due to the rise in the value of cash in circulation by MDL 88.2 million (4.0%), and of the balance of total deposits by MDL 33.9 million (0.7%). The increase of total deposits value was generated by the opposite evolution of its components: deposits in national currency increased by MDL 82.6 million (3.7%), while those in foreign currency decreased by MDL 48.7 million (2.0%). Expressed in USD, the latest decreased by USD 2.2 million. The weight of deposits in foreign currency in the total value of money supply decreased from 35.2% in March to 33.9% in April 2003.

Modifications in the money supply structure are shown in table 5.

Table 5. Evolution of money supply structure at period-end

Components of money supply	Dec.2002	Weight, %	March 2003	Growth, %	Weight, %	Apr. 2003	Growth, %	Weight, %
MONEY SUPPLY	6511.5	100	6885.8	3.3	100	7005.4	1.7	100
MONEY IN CIRCULATION	2288.5	35.2	2193.1	-0.6	31.9	2281.3	4.0	32.6
SIGHT DEPOSITS	1056.9	16.2	1050.1	4.1	15.3	1121.8	6.8	16.0
- by businesses	869.6	13.3	871.3	5.0	12.7	941.4	8.0	13.4
- by individuals	187.3	2.9	178.8	-0.2	2.6	180.4	0.9	2.6
TIME DEPOSITS (including long-term)	1172.1	18.0	1211.9	-0.3	17.6	1222.8	0.9	17.5
- by businesses	249.5	3.8	223.2	-5.8	3.2	219.2	-1.8	3.1
- by individuals	922.6	14.2	988.7	1.1	14.4	1003.6	1.5	14.4
DEPOSITS IN FOREIGN CURRENCY	1993.6	30.6	2426.0	8.6	35.2	2377.3	-2.0	33.9
- by businesses	716.6	11.0	902.5	12.5	13.1	776.5	-14.0	11.1
- by individuals	1277.0	19.6	1523.5	6.6	22.1	1600.8	5.1	22.8
MONETARY MARKET INSTRUMENTS	0.3		4.7			2.2		

Net foreign assets (convertible) of the banking system decreased by USD 9.4 million and amounted to USD 141.2 million. The value of NBM net foreign assets did not change, while that of commercial banks decreased by USD 9.4 million.

Net domestic assets of the banking system increased by MDL 269.4 million (5.8%).

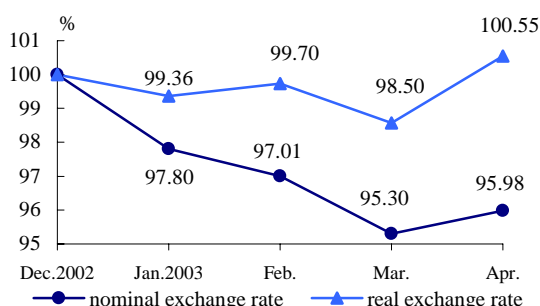
In April claims on the Government of the banking system increased by MDL 162.1 million, including NBM claims on the Government – by MDL 30.3 million. The increase of NBM claims on the Government was caused by the use of foreign exchange deposit of the Government in an amount of MDL 45.2 million to serve the state external debt and of state insurance budget in a value of MDL 0.6 million to meet expenditures. At the same time, budgetary and extra-budgetary means collection surpassed the expenditures by MDL 15.5 million.

During the reported period loans previously extended by the NBM to the Ministry of Finance were re-concluded in an amount of MDL 655.8 million.

In April NBM claims on commercial banks increased by MDL 19.3 million, as a result of net SS selling through REPO operations in an amount of MDL 19.7 million (repurchases – MDL 46.2 million, selling – MDL 26.5 million) and of reimbursement of credits extended to CLC in a value of MDL 0.4 million.

Foreign Exchange Market

Chart 9. Monthly evolution of nominal and real exchange rate (Dec. 2002 =100) *



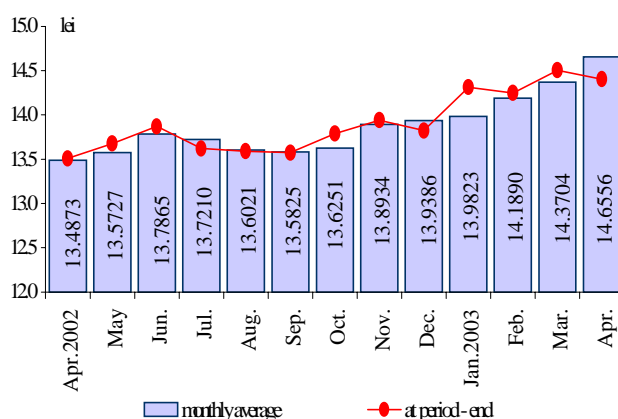
In April 2003 **the official exchange rate** of MDL as against USD appreciated from MDL 14.5383 per 1 USD at the beginning of the month to MDL 14.4015 per 1 USD at month-end.

From the beginning of year 2003, MDL depreciated by 4.02% in nominal terms and appreciated by 0.55% in real terms (chart 9)*. The average monthly official exchange rate of

MDL as against USD during the reported period as compared to the previous month depreciated from MDL 14.3704 to MDL 14.6556 per 1 USD (chart 10).

The total value of USD transacted during the reported period in the interbank market accounted for USD 45.1 million, increasing by USD 14.2 million as compared to March 2003. In April the NBM turnover in the interbank market

Chart 10. Exchange rate MDL/USD



* indirect quotation (USD/MDL)

constituted USD 2.9 million.

The average monthly official exchange rate of MDL as against RUR depreciated from MDL 0.4568 in March to MDL 0.4696 lei per 1 RUR in April 2003. At the beginning of the month the official exchange rate of MDL as against RUR constituted MDL 0.4633, while at month-end – MDL 0.4631 per 1 RUR.

In April 2003 foreign exchange offices and bureaux of commercial banks purchased as follows: USD 36.7 million; Euro 10.9 million; RUR 14.2 million; ROL 4559.9 million; UAH 1.7 million and sold as follows: USD 14.9 million; Euro 3.7 million; RUR 8.5 million; ROL 3261.5 million; UAH 1.4 million.

The stock of *direct public and public guaranteed debt* amounted as of 30.04.2003 to USD 975.16 million (including credits extended by IMF, table 6).

Table 6. External debt (mln. USD)

	Balance as of 31.03.2003	April				Balance as of 30.04.2003
		entries	repayments	interest arrears	currency valuation	
Public debt	888.33	0.00	3.92	1.95	7.07	893.43
Guaranteed public debt	82.51	0.00	1.57	0.20	0.59	81.73
Total external debt	970.84	0.00	5.49	2.15	7.66	975.16

The stock of external debt increased by USD 4.32 million in nominal terms. The rise in the stock of external debt was determined by the repayments made during the reported period in a value of USD 5.49 million, the accumulation of interest-related arrears in an amount of MDL 2.15 million and by the depreciation of USD exchange rate as against other foreign currencies in a value of USD 7.66 million.

In April new arrears accumulated in a value of USD 8.52 million.

As of 30.04.2003 the total stock of arrears (including those accumulated during the last years) amounted to USD 45.36 million.

The stock of private non-guaranteed debt (including interest-related arrears) constituted as of 30.04.2003 USD 369.41 million (source: DMFAS 5.2.).