

The Board of the CBA lowered the refinancing rate by 0.25 percent

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Interest rate lowered by 0.25 percent

In the February 11, 2014 Meeting the Board of CBA decided to lower the Refinancing Rate of CBA by 0.25 percent to 7.5 percent.

Inflation in January of 2014 was 2.8 percent, with the 12-month inflation having amounted to 5.5 percent in late January and resting closer to the upper bound of the confidence band. In recent months inflation has subsided at a faster rate than forecasted, which was due to slower-than-expected economic activity and price falls on basic food commodities in international markets. The Board believes that in the coming months the 12-month inflation rate will continue to decline and rest closer to the lower bound of the band most probably during the third quarter, which will be attributable to phasing out impact of energy prices increased back in July of 2013.

The Board acknowledged that the developments in the external sector were mainly in line with the projections. Trends of slower global economic recovery are maintained, a non-inflationary environment is persisting in global markets of commodities, while deflationary patterns are observable in food product markets in the world. In the light of such developments, no inflationary pressures are anticipated from the external environment in the forecast horizon.

The Board estimates that despite some reviving of economic activity in the fourth quarter, economic growth rates remain sluggish, mostly driven by reduced value added in construction. The Board thinks that eased monetary conditions, coupled with expansionary fiscal policy and stabilizing private investment, which is expected since the second half of 2014, will lead to broadening of aggregate demand and rebounding inflation rates. As a result, late at the year the 12-month inflation will be expected to be around the target while economic growth around its equilibrium.

Yet, the Board has consensus that there is a considerable amount of uncertainties over the developments in both the external and domestic environment. As long as such developments materialize, the Central Bank would steer further directions of the monetary

policy while attempting to attain the inflation target in the medium run.

More information on setting of the interest rate will be available in Inflation Report (Monetary Policy Program Q1, 2014) due on February 21st of 2014.