

The Board of the CBA left the refinancing rate unchanged 7.5 percent

2014-03-25

Interest rate unchanged, 7.5 percent

In the March 25, 2014 Meeting, the Board of the CBA decided to leave the Refinancing Rate of the CBA unchanged, at 7.5 percent.

There was 1.2 percent of deflation in February of 2014, compared with 0.4 percent of deflation recorded in the same month of the previous year, with the 12-month inflation having amounted to 4.6 percent in late February. In the coming months, the Board considers, the 12-month inflation rate will continue to decline and rest closer to the lower bound of the confidence 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 uncertainties in the external sector in connection with global economic outlook and growth perspectives in trade partners have increased considerably amidst geopolitical developments.

The Board estimates that economic growth rates remain sluggish, mostly explained by a slow pace with which construction recovers. The Board thinks that eased monetary conditions, coupled with expansionary fiscal policy, which is expected since the second half of 2014, will lead to broadening of aggregate demand and rebounding inflation rates. Late in the year the 12-month inflation is expected to be around the target, as a result. In the meantime, the dram's exchange rate depreciated since the start of the year and the reserve requirement ratio lowered in February will contribute to the broadening of aggregate demand.

Yet, the Board admits that future economic developments in both external and domestic environments may prompt the CBA to 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 Press Release (Minutes on the Policy Rate) due on April 4, 2014.

