

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

2014-05-13

Interest rate lowered, to 7.25 percent

In the May 13, 2014 Meeting, the Board of the CBA decided to lower the Refinancing Rate of the CBA by 0.25 pp to 7.25 percent.

There was 0.5 percent of deflation in April of 2014, against 0.1 percent of deflation recorded in the same month of the previous year, with the 12-month inflation having amounted to 4.4 percent. In the coming months, the Board considers, the 12-month inflation rate will reduce and will 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 that had risen 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 trends remain sluggish for the past period of 2014, mostly explained by a slow pace with which construction recovers as well as current developments in industry. Although the monetary conditions eased up to now as well as an expansionary fiscal policy expected since the second half of 2014 will lead to a broadening aggregate demand and rebounding inflation rates, it will not however be enough to offset the deviation of the 12-month inflation from its target. In such a situation, the Board finds it reasonable to reduce the refinancing rate, whilst creating favorable conditions for boosting up the economy and attaining the inflation target in the medium run.

Yet, the Board admits that future economic developments in both external and domestic environments may prompt the CBA to adjust the directions of the monetary policy, while attempting to attain the inflation target in the forecast horizon.

More information on setting of the interest rate will be available in Inflation Report

(Monetary Policy Program Q2, 2014) due on May 23rd, 2014.