

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

2014-06-24

Interest rate lowered, to 7.00 percent

In the June 24, 2014 Meeting, the Board of the CBA decided to lower the Refinancing Rate of the CBA by 0.25 pp to 7.00 percent.

There was 0.8 percent of deflation in May of 2014, in relation to an unchanged price level recorded in the same month of the previous year, with the 12-month inflation of 3.6 percent in late May. In the coming months, the Board considers, the inflation rate will keep on easing as the impact of energy prices, increased in July 2013, phases out, and it will further pace down the lower bound of the confidence band most probably during the third quarter.

The Board admits that uncertainties in the external sector in connection with global economic outlook and growth perspectives in trade partners are persisting amidst geopolitical developments even though inflationary pressures from the external sector are not discernable yet.

The Board estimates that, based on the first half 2014 results, the economic growth remains within the projection. Relative sluggishness in industry and a slow pace with which construction recovers were offset by higher-than-expected growth in agriculture and services. An expansionary fiscal policy expected from the second half of 2014 as well as the monetary conditions which the CBA has eased will lead to a broadening aggregate demand and rebounding inflation rates. As a result, in the fourth quarter the 12-month inflation rate will increase and rest within the lower bound of the band by the end of the year. In such a situation, the Board finds it reasonable to continue easing the monetary conditions by cutting the refinancing rate.

The Board agrees 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 medium run.

More information on setting of the interest rate will be available in Press Release (Interest

Rate Minutes) due on July 4th, 2014.