

The Board of the CBA left the refinancing rate unchanged 6.75 percent

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At September 23, 2014 meeting, the Board of the Central Bank decided to leave the refinancing rate unchanged, 6.75%.

Inflation in August 2014 was 0.7% compared to 0.3% recorded for the same month last year, while the 12-month inflation has increased to some extent, making up 0.8% in late August. The Board believes that the inflationary environment will continue expanding, and in the first half of 2015 it is expected to stabilize around its target.

External demand is recovering at a slower pace, whereas certain deflationary pressures especially on the part of energy and wheat are observable in commodity markets in line with increasing supply factors. Nevertheless, the Board concludes that significant uncertainties over economic prospects of partner countries and commodity markets are still persisting under geopolitical developments in the external sector.

There was some increase in economic activity in the third quarter of 2014, yet economic growth remains sluggish. Despite low demand in external and domestic economies, the Board agrees that continued loosening of conditions of monetary policy so far implemented by the Central Bank is enough to lead to expanded aggregate demand and rebounded inflation rates in the short run, in expectation of expansionary fiscal policy in the second half of 2014 and introduction of stamp duty on a range of products starting from the fourth quarter. As a result, in the fourth quarter of 2014 and in the first quarter of 2015, the 12-month inflation rate will gradually increase, approaching the target and keeping around it up until the end of the forecast horizon.

In the medium term, in line with external and domestic economic developments, the Central Bank will adjust the directions of monetary policy, while further attaining the inflation target.

Detailed information based on the setting of interest rate will be available in press release

due on October 3rd, 2014 (Interest rate minutes).