

The Board of the CBA left the refinancing rate unchanged 8 percent

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Interest rate unchanged, 8 percent

In the February 12th of 2013 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 2.9 percent inflation recorded in January of 2013, and the 12-month inflation reached 2.6 percent, staying close to the lower bound of the confidence band of 4 percent ± 1.5 pp. The Central Bank estimates that in the first half of 2013 the 12-month inflation will grow and in the forecast horizon it will stabilize around the target.

The Board admitted that because uncertainties over political solutions to debt problems in industrialized economies are persisting, it is anticipated that world economic growth rates would slowly recover. Given small impact of external demand, international prices of major raw materials and food products will behave relatively steady whilst staying at existing high levels.

In 2012, with the economy potential and agricultural output volumes growing, a real consumption surplus growth was discernible in a low inflation environment; in the forecast horizon it is anticipated that such surplus growth would gradually stabilize around the equilibrium level. Under such conditions economic growth is expected to slow to some extent and rest at a long-term steady-state level. In expectation of sluggish private demand and neutral impact of the fiscal policy, one will see a non-inflationary influence on domestic prices from the domestic economy.

The Board summed up that in view of the aforementioned developments in external and domestic economies the currently used policy rate may remain the tool with which the 4.0 percent target of the 12-month inflation can be reached. Currently, risks in the forecast horizon are estimated as balanced, associated with the development perspective of external and domestic economies. In the event such risks materialize in whatever direction, the Central Bank may consider adjusting the policy rate as appropriate.

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

will be due in the coming 10 days.