

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

2013-03-26

Interest rate unchanged, 8 percent

In the March 26th of 2013 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 0.4 percent deflation recorded in February of 2013, with the 12-month inflation of 3.1 percent.

The Board acknowledged continued uncertainties over political solutions to debt problems in developed economies and slower world economic growth rates. In the meanwhile, the global market of basic raw materials posted a moderate growth trend but somewhat deflationary trends were observable in food product markets. In the light of such developments, the external sector will be marked with slow recovery rates in forecast horizon with no inflationary pressures expected from the external sector, though.

Real economic growth, as the Board estimates, exceeded the expectations, mostly owing to higher-than-anticipated growth in industry and services, coupled with reportedly more private spending growth. In the meantime, the Government's fiscal policy was more contractionary in relation to the baseline scenario outlined in line the first quarter of 2013 monetary policy, and it mostly offsets the private demand's inflationary effect on domestic prices. Under such conditions, the domestic economy's impact on prices in the forecast horizon remains minor inflationary, as was anticipated.

In view of the aforementioned developments as well as expected impact of minor inflationary environment from the domestic economy on the forthcoming 12-month inflation path, the CBA Board finds it reasonable to continue carrying out a neutral monetary policy by leaving the refinancing rate unchanged. It is therefore estimated that the 12-month inflation would, by the second quarter, reach the 4 percent target and would remain around in the forecast horizon.

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

the 5th of April, 2013.