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In the August 13th of 2013 Meeting the Board of CBA decided to raise the Refinancing Rate of CBA by 0.5pp, setting it at 8.5 percent.

There was 0.4 percent inflation recorded in July of 2013 mainly due to the rise of energy tariffs. With the 1.5 percent deflation reported for same period of the previous year this led to the increase of the 12-month inflation up to 8.5 percent at the end of July. The CBA decision is aimed to anchor the inflation expectations formed under the developments of the domestic economy, and to tame the second-round effects of energy tariffs rise. It is also important for the Board to keep the positive real interest rates. Owing to the CBA policy it is expected that within the coming months inflation will gradually reduce. Under the gradually reduce of inflation and possible economic growth slowdown the Board will react correspondingly by easing the monetary conditions.

The Board acknowledged that the external environment remained in the frames of the forecast. The trends of the global economic growth slowdown continued and the deflationary trends were observable in raw materials and food product world markets. In the light of such developments, the external sector is expected to have no additional inflationary effects in the forecast horizon.

The Board estimates that in line with the developments of the domestic economy in the first halfyear the level of inflation has exceeded expectations and that was mainly due to developments in the agricultural sector (heavy hails and partial delay of growing season) and some services price rise.

The Board reckons that inflation will gradually reduce and reach its target and will be a confidence band in the forecast horizon.