

The Board of the CBA left the refinancing rate unchanged 8.5 percent

2013-09-24

Interest rate unchanged, 8.5 percent

In the September 24th of 2013 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at an 8.5 percent level.

There was 0.3 percent inflation in August of 2013 against 0.4 percent deflation recorded in the same period of the previous year, and the 12-month inflation in late September reached 9.3 percent. The Board admits that in the upcoming months the inflation will reduce to approach the forecast path. In view of easing inflationary pressures from both external and domestic environment as well as slowing economic activity, the Board reckons that current monetary conditions can allow keeping risks to expansion of the inflation environment and declining economic activity in balance. Given the inflation reduces gradually and the domestic demand remains sluggish, the Board will respond by easing the monetary conditions.

The Board acknowledged that the developments in the external sector were in line with the projections. Trends of slowing global economy persisted whilst certain deflationary trends were observable in raw materials and food product markets in the world. On the back of such developments, no significant inflationary pressures from the external environment will be expected in the forecast horizon.

The developments in the domestic economy marked a weakening domestic demand attributable to the slower private consumption growth rates and reduced private investment. In addition, the current fiscal policy is further leaving a contractionary impact on the domestic demand.

The Board anticipates that in the short run the inflation will gradually reduce and return to its target level; furthermore, it will keep within the confidence band in the forecast horizon.

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

October 4th, 2013.