

The Board of the CBA lowered the refinancing rate by 0.5 percent

2013-11-12

Interest rate lowered by 0.5 percent

In the November 12th of 2013 Meeting the Board of CBA decided to cut the Refinancing Rate of CBA by 0.5 percent to 8.0 percent.

There was 0.3 percent inflation in October of 2013 against 1.2 percent inflation recorded in the same period of the previous year; the 12-month inflation continued to reduce and in late October it reached 7.1 percent. The down-sloping path of inflation was mainly driven by tightened monetary conditions and lower-than-projected economic growth rates. The Board reckons that the 12-month inflation will subside in the upcoming months too, pointing to the inflationary expectations as they further remain anchored.

The Board acknowledged that the developments in the external sector were in line with the projections. Trends of slower global economic recovery were maintained whilst certain non-inflationary 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 for the past nine months marked some slowing in the economic growth rates amid reduced value added in construction as well as high inflationary environment fuelled by the increases in energy tariffs. The Government's fiscal policy carried out early in the year also contributed to the weakening of the domestic demand. However, starting from the fourth quarter, the Government is implementing an expansionary fiscal policy, which will continue throughout the next year, according to the draft budget 2014. The Board believes currently lax monetary conditions match up with the slowing of economic activity and mitigating inflationary environment, while further course of the monetary policy of the CBA will also depend on how the fiscal policy will progress.

The Board has consensus that, in expectation of economic developments, the 12-month inflation would reduce faster than previously forecast and return to its target in the mid of 2014. The Board also anticipates that in the forecast horizon the inflation would remain

within the confidence band.

More information on setting of the interest rate will be available in Inflation Report (Q4 2013 Monetary Policy Program) due on November 22nd, 2013.