

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

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*Interest rate unchanged, 8 percent*

In the September 4th of 2012 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 August of 2012, and the 12-month inflation amounted to 2.5 percent, which coincides with lower bound of the confidence band.

The Board admitted that in August both external and domestic economies have been progressing in line with the baseline scenario as outlined in the third quarter's monetary policy program. In the light of uncertainties over political solutions to debt problems in developed countries the low global demand will persist over the forecast horizon. In the meanwhile, the food markets of the world are seeing inflationary environment due to the persistently increasing prices in world wheat markets over the last couple of months which has already partially reflected in domestic prices.

The Board evaluated that domestic economic developments will continue to put inflationary impact on domestic prices as expected over the forecast horizon due to faster growth rates of private consumption. The latter will be somewhat mitigated through contractionary fiscal policy.

Inflationary developments over the last months indicate that they are mostly consistent with the baseline scenario as outlined in the third quarter's monetary policy program. As a result, the Board of the Central Bank follows the main monetary policy directions under the program. Under such circumstances, over the forecast horizon the 12-month inflation is expected to rest within the confidence band of 4% +/- 1.5 pp.

In the meanwhile, aimed to reduce interest rate fluctuations in interbank market, the Board keeps on reducing the spread between Deposit facility rate and Lombard Repo facility rate making a decision to lower it from 5 pp to 4 pp.

More information on the setting of interest rate will be available in the Minutes on Interest

Rate due on June 15, 2012.