

The Executive Board of the National Bank of Serbia (NBS) decided today to keep the reference interest rate at the level of one percent, the NBS announced.

It is estimated that the effects of the adopted monetary and fiscal measures can be expected in the coming period and that on that basis the conditions for financing the economy and citizens will remain favorable, as well as that their disposable income will grow.

The Executive Board pointed out the strong growth of gross domestic product (GDP) since the beginning of the year and expects that the growth of economic activity will continue in the following period.

“Progress in the process of immunization of the population and its impact on the reactivation of many activities within the service sector also contributes to the accelerated recovery. It is certain that there will be a recovery in external demand, with further growth in exports, which will continue to be geographically and productively. With the planned increase in capital expenditures of the state aimed at the realization of infrastructure projects, it will ensure that GDP growth reaches a frequent percentage at the level of the year, with the possibility of a higher growth rate,” the NBS said in a statement.

It was pointed out that the absence of seasonally normal growth of vegetable prices at the beginning of the year was compensated in April, which, with the effect of a low base in the prices of petroleum products, meant that year-on-year inflation in April was 2.8 percent. The Executive Board expects a slightly higher inflation rate in May as well, with its growth being temporary and primarily a consequence of the low base from the previous year, primarily for oil derivatives, which is the case in most other countries due to last year’s strong drop in world oil prices due to the pandemic.

An important factor in low and stable inflation was and will remain the relative stability of the exchange rate, as well as the anchoring of inflation expectations of the financial sector and the economy, which confirms the credibility of monetary policy, the central bank said. The priority of monetary policy will continue to be to ensure price and financial stability, with the support of faster growth of the domestic economy and employment, further growth of the export sector, as well as a favorable investment environment.

The next session of the Executive Board, at which the decision on the reference interest rate will be made, will be on July 8, Novi Magazin reports.