

Serbia marches ahead and cuts rates by another 25bps

The decision was in line with our call but against the consensus. After today's inflation data we think there are more cuts on the way



Source: Shutterstock

Lower key rate but steady market rates

In our [National Bank of Serbia preview](#), we called for another rate cut mainly based on the inflation outlook and strength of the Serbian dinar, though we acknowledged there were serious uncertainties to our call. Only four out of 24 Bloomberg respondents shared our view.

To some extent, the NBS managed to address both the weaker than expected inflation by lowering the key rate but also worries related to the international context by unexpectedly narrowing the interest rate corridor from ± 1.5 to ± 1.25 percentage points. The latter decision partially offsets the impact of a lower key rate, given the unsterilised liquidity surplus in the interbank market.

In our view, the communique which followed the decision sounds rather dovish underscoring that core inflation slowed down to 0.8% in March, it's lowest level since inflation has been measured by the consumer price index and that inflation will stay around the current level in the coming months.

Where from here?

We had a forecast for the easing cycle to reach a terminal rate of 3% this year. Nevertheless, after today's inflation data we acknowledge there is still room for rate cuts in the months to come.

Accompanying them with further narrowing of the interest corridor will likely be considered as caution is still mandated amid global uncertainties.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.