

National Bank of Serbia's Memorandum on Inflation Targets Until 2022

To define the framework for medium-term monetary policy decision-making and to anchor and stabilise inflation expectations, the Executive Board of the National Bank of Serbia hereby sets the inflation target for the period 2020–2022.

In accordance with the *Agreement between the National Bank of Serbia and the Government of the Republic of Serbia on Inflation Targeting* and the *Memorandum of the National Bank of Serbia on Inflation Targeting as Monetary Strategy*, pursuant to which the National Bank of Serbia committed to set inflation targets in cooperation with the Government, the Executive Board of the National Bank of Serbia hereby sets **the headline inflation target (with a tolerance band), measured as an annual percentage change in the consumer price index**, for the period from January 2020 to December 2022 at the level of 3%, with a tolerance band of ± 1.5 percentage points.

The inflation target for the period 2020–2022 is still slightly above the quantitative definition of price stability and the inflation targets of advanced economies (2.0% or 2.5%). The defined inflation target reflects the assessment that the process of nominal, real and structural convergence to the European Union will not be completed until 2022.

It should be borne in mind that the inflation target is a medium-term objective, i.e. that actual inflation may deviate from the target in the short run due to exogenous shocks. The National Bank of Serbia will allow temporary deviations from the target if bringing inflation back to the target in the short run warrants monetary policy changes that would trigger additional disruption to macroeconomic processes. This relates to sudden changes in primary commodity prices. In cooperation with the Government, the National Bank of Serbia may change the targets set for inflation. Such changes will be made in exceptional circumstances only and will be explained by the National Bank of Serbia.