

MONETARY POLICY PROGRAMME OF THE NATIONAL BANK OF SERBIA IN 2009

1. The primary monetary policy objective in 2009 shall be to achieve the set inflation target, whereby the National Bank of Serbia shall contribute to preserving the stability of the financial system and achieving sustainable economic growth.

2. In 2009, the monetary policy of the National Bank of Serbia shall be based on the *Memorandum of the National Bank of Serbia on Monetary Strategy*, adopted by the Monetary Policy Committee of the National Bank of Serbia on 22 December 2008, and the *Memorandum of the National Bank of Serbia on Setting Inflation Targets for the Period 2009-2011*, adopted by the Monetary Policy Committee on 22 December 2008, which envisage that inflation shall be maintained within the defined target range for headline inflation, using the key policy rate as the main monetary policy instrument.

3. The monetary policy shall have a numeric objective defined in terms of the **annual percentage change in the consumer price index**. The monetary policy objective for 2009 shall be to lower the beginning-of-year inflation (which will be in the range of 8-12%, with a midpoint at 10%) down to 6-10% (midpoint of 8%) until the end of the year.

4. The National Bank of Serbia shall pursue its inflation target by using the interest rate on two-week repo operations as its main monetary policy instrument. This interest rate shall be changed depending on economic developments and inflation projections. Other monetary policy instruments, including the reserve requirement ratio and interventions in the foreign exchange market, shall have a supporting role.

5. The National Bank of Serbia shall continue to implement the managed floating exchange rate regime. Interventions in the foreign exchange market shall only take place in order to limit excessive daily oscillations in the exchange rate for the dinar, contain threats to financial and price stability and safeguard an adequate level of foreign exchange reserves.

6. By transferring the conduct of exchange transactions to banks, the National Bank of Serbia shall continue to develop an integrated, flexible and efficient foreign exchange market. Until this process is completed, the National Bank of Serbia shall keep reselling the foreign exchange purchased in respect of exchange transactions in the interbank foreign exchange market, thereby contributing to its further integration.

7. In 2009, the National Bank of Serbia shall continue to develop and strengthen market instruments of monetary regulation and, in cooperation with banks, create conditions for a further upgrade of the interbank money market.

8. In 2009, the National Bank of Serbia shall take all necessary measures coming under its remit to ease the effects of the global financial and economic crisis and to preserve financial system stability. The stability of the financial system is a precondition to an effective transmission mechanism of the monetary policy.

9. The National Bank of Serbia will continue improving the transparency of the monetary policy and upgrading efficient communication with the general public. The Monetary Policy Committee of the National Bank of Serbia shall regularly inform the general public about the achievement of the set inflation targets and the measures taken to ensure their realization in the future.

10. If the departure of inflation from the set target lasts for more than six consecutive months, the National Bank of Serbia shall notify the Government in writing about the reasons for such departure, measures to be taken and the time needed for inflation to return within the target range.