

**NATIONAL BANK OF SERBIA'S MEMORANDUM  
ON INFLATION TARGETS UNTIL 2018  
(Consolidated version)<sup>1</sup>**

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 years 2017 and 2018.

In line 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 Monetary Strategy*, pursuant to which the National Bank of Serbia has 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 January 2017 – December 2018 at the level of 3.0%, with a tolerance band of  $\pm 1.5$  percentage points. The inflation targets for 2015 and 2016 have not been changed from the levels determined earlier.

The trajectory of targeted inflation reflects the intention to achieve price stability without causing any disruptions to macroeconomic processes. The inflation target for 2017 and 2018 continues to be above the quantitative definition of price stability and the inflation targets of advanced economies (2.0% or 2.5%). Such inflation target supports the nominal, real and structural convergence to the European Union.

It should be borne in mind that the inflation target is a medium-term objective, i.e. that the actual inflation may temporarily deviate from the target 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 term warrants monetary changes that would cause additional disruptions to macroeconomic processes. This applies to sudden changes in primary commodity prices or to deviations of the planned growth in product prices under the Government's direct or indirect regulation. 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.

---

<sup>1</sup> This consolidated version was composed on the basis of the *National Bank of Serbia's Memorandum on Inflation Targets Until 2018*, adopted at the 15<sup>th</sup> meeting of the NBS Executive Board in 2015, which took place on 13 August 2015, and amendments to the text adopted at the 14<sup>th</sup> meeting of the NBS Executive Board in 2016, held on 10 November 2016.