

PRESS RELEASE

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At the February 13th of 2018 meeting, the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the level of 6.0%.

There was 2.7% inflation in January of 2018, almost as much as the indicator registered in the same month of the previous year, and the 12-month inflation rate amounted to 2.7% at the end of the month. Moreover, direct and indirect effects of change in tax and customs duties were within the estimation by the CBA.

Actual developments in the external environment have largely reflected continued trends for improving global economic growth and persisting inflationary patterns in some commodity markets of the world. In view of such developments, the CBA Board keeps anticipating minor inflationary effects from the external sector, as external demand recovers.

The CBA Board notes that economic activity was strong enough in the fourth quarter of 2017, driven primarily by high growths reported in services and industry. High economic activity was concurrent with rapid growth in domestic private demand, which continues to be promoted by expansionary monetary policy and a relatively high growth in lending to the economy by the financial system. Nevertheless, there is still a need for monetary stimulation to secure sustained recovery of demand, especially since additional inflation expectations have rather weakened.

Taking the abovementioned into account, the CBA Board finds it reasonable to maintain the current level of monetary conditions. At the same time, the Board believes that, in light of predicted developments, a gradual offsetting of expansionary monetary conditions would be needed in the medium run to fulfil the inflation target. As a result, inflation will continue to gradually increase, floating within the confidence band and stabilizing around the target afterwards.

Should there emerge risks to economic growth outlook and to the inflation deviating from its recovery path, the CBA would adjust the monetary policy directions accordingly.

Detailed information on setting of the interest rate will be available in Inflation Report (Monetary Policy Program, Q1, 2018), to be published by February 27, 2018.

Press Service of the Central Bank of Armenia