

PRESS RELEASE
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In the March 12, 2019 meeting, the Board of the Central Bank of Armenia (CBA) decided to leave the refinancing rate unchanged, at a 5.75% level.

There was 0.6% inflation in February of 2019, compared with 0.5% deflation registered in the same month of 2018, in which case the 12-month inflation rate has increased, amounting to 1.9%. The rise in prices of seasonal products has totally contributed to the month's inflation.

As global economic growth rates are slowing down, the global demand has somewhat weakened, with a low inflation environment persisting in international markets of basic commodities. In the meantime, central banks of leading countries temporarily withheld from adjusting their monetary conditions. In view of these developments, the Board of the CBA considers that no inflationary pressures from the external sector are likely in the upcoming months.

The Board states that, according to Q4, 2018 actual results, the economic activity has been higher than expected, which was driven mainly by the high growth in private consumption. The relatively high economic activity was also observable at the start of 2019; it made up 6.1% in January. It should be noted that at the beginning of the year too, the fiscal policy continues to have a contractionary effect on the domestic demand, which, according to the CBA estimation, will phase out over the first half of the year.

In consideration of the current situation, the Board has a preference for the gradual recovery of inflation, as low inflation contributes to anchoring long-term inflation expectations and maintaining purchasing power of incomes. Taking into account the aforementioned trends, the Board finds it reasonable to keep monetary conditions expansionary, leaving the refinancing rate unchanged. At the same time, in view of the anticipated macroeconomic developments, to leave monetary conditions expansionary for a long period of time will be needed for maintaining price stability in the medium run. As a result, the expectation is that the inflation will be running below the target but later stabilizing around the target value in the coming months.

Risks to fulfillment of the inflation target in the forecast horizon are assessed still downside, due to both external and internal factors. An adequate monetary policy response will come along if such risks emerge, in order to maintain price stability in the medium run.

Detailed information that underlies the decision on setting of the interest rate will be available in Inflation Report (Monetary Policy Program, Q1. 2019) to be published by March 26, 2019.

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