

# Refinancing Rate Set at 5.5 percent

2020-01-24

*Refinancing Rate Set at 5.5%*

In the January 24, 2020 meeting, the Board of the Central Bank of Armenia (CBA) decided to leave the refinancing rate unchanged, 5.5%.

There was 1.3% inflation in December of 2019 compared to that of 1.5% registered in the same period last year, with the 12-month inflation rate amounting to 0.7% for the year.

Determined by reduced economic uncertainty in the external sector and the factors of supply of certain raw materials and food products, there has been some increase in prices in international markets. However, growth rates of the world economy are still relatively low, and the global demand remains weak accordingly. In general, the CBA Board does not expect any significant impact on the inflation environment from the external sector.

The Board admits that economic activity was rather high in the fourth quarter too, under which annual estimates of economic growth will exceed expectations. Domestic demand growth is also estimated to be high, mainly due to the increase in private consumption, which is further promoted by a stimulative monetary policy. In the fourth quarter of 2019, the fiscal policy is estimated to be expansionary and is predicted to persist over this year as well; its extent will depend largely on the course of the fiscal policy being implemented.

Taking into account the actual developments of external and domestic economies and in anticipation of an expansionary fiscal policy, as well as further favoring a gradual recovery of inflation, the CBA Board finds it appropriate to maintain the current level of monetary policy stimulus by leaving the refinancing rate unchanged. In view of anticipated macroeconomic developments, keeping monetary conditions expansionary will still be needed. As a result, the expectation is that the inflation will be running below the target in the upcoming months and will gradually return to it in the medium run.

Risks to the inflation deviating from the projection path are currently in either direction; if they materialize, the CBA will react accordingly, while ensuring the price stability in the mid-term perspective.

Detailed information that underlies the decision on setting of the interest rate will be

available in Press Release (Minutes on Interest Rate) to be published by February 10, 2020.