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In the June 11, 2019 meeting, the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at a 5.75% level.

There was 0.4% deflation in May of 2019 compared with that of 1.0% recorded in the same period of the previous year, in which case the 12-month inflation has increased, amounting to 2.8% at the end of the month, determined by a seasonal rise in prices of some agricultural products.

In the external sector, trade wars gaining more tension have considerably added to uncertainties over global economic development, which have touched on trends in both financial and raw commodity markets. In addition, the US economic growth outlooks have deteriorated notably considerably, with the Federal Reserve System expected to make a much milder monetary policy in the future. Although some short-term inflationary trends are observable in the main food commodity markets, the Board of the Central Bank considers that, generally, significant inflationary pressures from the external sector are not likely.

The Board states that growth rates of economic activity remain strong, and the economic growth registered in the first quarter of 2019 has outpaced the expected indicator, with high private consumption growth still as the main driver to it. The impact of fiscal policy carried out over the first half of the year on the domestic demand is estimated as contractionary. There is anticipation that in the second half of the year it will be notably expansionary and, consequently, the fiscal policy will have a neutral impact, according to the year's results.

The Board believes that the currently low inflation contributes to the anchoring of long-term inflation expectations and maintaining of purchasing power of incomes. At present, the Board prefers to letting the inflation recover gradually and finds it reasonable to keep monetary conditions expansionary by leaving the refinancing rate unchanged. At the same time, in view of the anticipated macroeconomic developments, to leave the policy's

stance expansionary for a long period of time will be needed in fulfillment of the mid-term inflation target. As a result, the expectation is that the inflation will run below the target in the coming months but will stabilizing around the target in the medium run.

It should be noted that risks to inflation deviating from the projection path, which is associated with global economic development uncertainties and the pace of a possibly more contractionary fiscal policy, are still persisting. The Central Bank will respond to the emergence of any of such risks and developments adequately while maintaining 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 for the second quarter of 2019) to be published by June 25, 2019.