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In the October 29, 2019 meeting the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at 5.5%.

There was 0.2% inflation in September of 2019 compared to that of 0.3% registered in the same period of the previous year, and the 12-month inflation rate remained almost unaltered, reaching 0.5% at the end of the month. Core inflation continues to run above headline inflation, amounting to up 1.1%.

In the external sector, the slowing of global economic growth is persisting and the trend is noticeable in world commodity markets as well. Central banks of main partner countries to Armenia are further prone to easing monetary conditions. The Board of the Central Bank estimates that inflationary pressures from the external sector are not expected.

The Board admits that economic activity in Armenia remained high in the third quarter, as was projected, thanks to the productivity growth. Domestic demand also remained strong over the quarter, driven by increased private consumption, which continues to be sustained by the monetary policy's stimulative stance and largely injected dram liquidity. At the same time, notwithstanding a slightly expanded effect in the third quarter, the fiscal policy's impact on aggregate demand is still estimated to be contractionary since the beginning of the year.

Given the developments in the external environment and the stance of the fiscal policy, and in view of further preference to a gradual recovery of inflation, the Board of the Central Bank finds it reasonable to keep the monetary stimulus under current terms by leaving the refinancing rate unchanged. The Board also finds that in view of anticipated macroeconomic developments, keeping the policy stance expansionary in the medium run will be needed in order to fulfil the inflation target. As a result, the expectation is that the inflation will run below the target in the coming months but will return to the target in the mid-term perspective.

At present, downside risks to inflation deviating from the projection path are prevailing and mainly depend on the developments in the external sector. In the event such risks materialize, the Central Bank will respond adequately while maintaining price stability in the medium run.

Detailed information that underlies the decision on setting the interest rate will be available in Press Release (Minutes on Interest Rate) to be published by November 12, 2019.