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2019-12-10

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In the December 10, 2019 meeting the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at 5.5%.

There was 1.1% inflation in November of 2019 compared to that of 1.0% registered in the same period of the previous year, and the 12-month inflation rate remained almost unaltered, reaching 1.0% at the end of the month.

In the external sector, some reducing of economic uncertainties was observable, yet the slow pace of global economic growth has been persisting, reflecting both weak global demand and low inflationary environment in international commodity markets. The Board of the Central Bank estimates that no considerable pressures from the external sector on the inflation environment are expected.

The Board admits that economic activity in Armenia in the third quarter exceeded the projected level, which will continue so during the fourth quarter, mainly thanks to the contribution by the services sector. Domestic demand remains strong as well, owing to increased private consumption, which continues to be sustained by the monetary policy's stimulative stance. At the same time, although the fiscal policy's impact on aggregate demand is estimated contractionary from the beginning of the year, the impact in the fourth quarter and throughout the next year is anticipated to be expansionary.

Given the abovementioned actual and expected developments in the external and domestic economies, 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 still expansionary will be needed. As a result, the expectation is that the inflation will run below the target in the coming months but will gradually return to the target in the mid-term perspective.

At present, risks to inflation deviating from the projection path are generally balanced; 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 Inflation Report (Monetary Policy Program, Q4, 2019) to be published by December 24, 2019.