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At the March 27th of 2018 meeting, the Board of the Central Bank of Armenia (the CBA) decided to leave the refinancing rate unchanged, at the level of 6.0%.

There was 0.5% deflation in February of 2018, relative to 0.9% deflation registered in the same month of the previous year, with the 12-month inflation rate having amounted to 3.3% at the end of the month. The Board of the CBA considers that, in the light of expected external and internal economic developments, the inflation will be maintained within the lower part of the confidence band in the upcoming months, as was predicted.

The actual developments in the external sector at the start of the year have been in line with the CBA's forecasts, as the trends for improving global economic growth and persisting inflationary patterns in some commodity markets of the world continued. In view of such developments, the CBA Board keeps anticipating minor inflationary effects from the external sector, as external demand recovers.

The CBA Board notes that economic activity in the first quarter of 2018 has somewhat exceeded the expectations, driven by high growths reported in industry, construction and services sectors. Higher-than-anticipated growth rates were observed on the part of domestic demand, which continues to be promoted by expansionary monetary policy and high growth in lending to the economy by the financial system. At the same time, additional inflationary expectations observable since the beginning of the year have significantly mitigated while inflation expectations have generally stabilized.

Taking the abovementioned into account, the Board of the CBA finds it reasonable to keep monetary conditions at the current level. At the same time, the Board believes that, in light of predicted developments, a gradual offsetting of expansionary monetary conditions would be needed in the future to fulfil the inflation target. As a result, the 12-month inflation rate will somehow increase in the forecast horizon, floating within the confidence band and stabilizing around the target.

The risks to economic growth outlook and to the inflation deviating from its recovery path are primarily upside as further growth of aggregate demand and economy on the whole is more likely. Should there emerge any risks, the CBA would adjust the monetary policy directions accordingly, in fulfilment of the inflation target in the forecast horizon.

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 April 10, 2018.