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At the May 15th 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 0.3% deflation in April of 2018 against 1.0% inflation registered in the same month of the previous year, and the 12-month inflation rate notably reduced during the month amounting to 2.4%. The low inflation environment owed to both the slowing of core inflation rate and the decline in seasonal prices. In the upcoming months, the CBA Board estimates, the inflation will remain within the lower part of the confidence band.

The actual developments in the external sector in April demonstrate that trends for improving global economic growth and minor inflationary patterns in the main commodity markets of the world continued. In view of such developments, the CBA Board keeps anticipating inflationary effects proportional with expanding demand in the external sector.

The CBA Board notes that economic activity in the first quarter of 2018 was relatively strong, driven by high productivity growths reported in industry, construction and services sectors. This was also concomitant with high rates by which the domestic demand recovered, and it is expected that the growth of the latter will, since the second quarter, decelerate to some extent, gradually approaching its equilibrium. The Board believes that inflation expectations have stabilized over the past period of the year and no additional inflationary pressures are expected in the upcoming months. At the same time, the Board reckons that the impact of political events in April and May on the financial market has been effectively absorbed thanks to the adequate toolkit the CBA used under its independence mandate

Taking the abovementioned into account, the Board finds it appropriate that current monetary conditions will still be maintained, while considering 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 expectation is that the 12-month

inflation rate will fluctuate within the confidence band in the forecast horizon, stabilizing around the 4% target.

The risks to economic growth outlook and to the inflation deviating from its recovery path are estimated to be more balanced. Should there emerge such risks, the CBA will adjust the monetary policy directions accordingly, while ensuring the price stability.

Detailed information that underlies the decision on setting of the interest rate will be available in Inflation Report (Monetary Policy Program, 2nd quarter, 2018), to be published by May 30, 2018.