

The Board of the CBA left the refinancing rate unchanged 6.0 percent

2018-09-25

The Board of the CBA left the refinancing rate unchanged 6.0%

At the September 25, 2018 meeting, the Board of the Central Bank of Armenia (CBA) decided to leave the refinancing rate unchanged, at the level of 6.0%.

There was 0.6% inflation in August of 2018 compared to 0.4% deflation registered in the same month of the previous year, and the 12-month inflation rate increased, amounting to 3.3% at the end of the month. The Board of the CBA states that both the headline and core inflations were within the CBA's predictions and estimates that in the upcoming months the 12-month inflation will still be running at a slightly lower level from the target.

In the external sector, global economic growth trends continued in line with expectations, with weaker inflationary patterns observable in international markets of basic commodities. At the same time, the Board of the CBA considers that despite a gradual tightening of financing conditions in global capital markets, its impact on the volatility of financial markets in the developing countries has somewhat weakened.

The Board notes that higher-than-expected economic growth (8.3%) has been reported according to the first half 2018 results, and in January-August, compared to the same period of the previous year, the economic activity indicator has reached 7.7%, largely owing to high growth in services. At the same time, the estimation is that the impact of the fiscal policy implementation (which remained contractionary over the third quarter) on aggregate demand is being partially offset by persisting investment activity in the private sector.

Taking into account the aforementioned developments, the Board of the CBA finds it appropriate to maintain expansionary monetary conditions and leave the refinancing rate unchanged. At the same time, in view of the anticipated macroeconomic developments, keeping the monetary environment expansionary is important for fulfillment of the inflation target, on condition that it gradually eliminates in the future. As a result, the expectation is that inflation will run somehow lower from the target, stabilizing around the

4% value in the forecast horizon.

Should there be risks to economic growth outlook and to the inflation deviating from its forecasted path, 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 Press Release (Minutes on Interest Rate) to be published by October 9, 2018.