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In the November 13, 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 0.1% inflation in October of 2018, in which circumstance the 12-month inflation rate has reduced to 2.8% at the end of the month. At the same time, the core inflation rate has also slowed down slightly. The Board of the CBA estimates that in the upcoming months the inflation environment will be stable and the 12-month inflation rate will be running within the lower part of the confidence band.

Global economic growth trends are persisting, under which the central banks of leading countries gradually tighten their monetary policy conditions. In the meanwhile, the inflation environment in the international markets of basic commodities has somewhat weakened, and the Board of the CBA considers that inflationary pressures from the external sector are not anticipated in the coming months.

The Board notes that certain weakening of economic activity was observable over the third quarter of 2018 mainly due to contracted output in agricultural production and decelerated growth rates in the construction sector. The estimation is that the current fiscal policy continues to have a contractionary effect on domestic demand. Moreover, the pace of fiscal policy implementation in 2019 may also leave a significant impact on the developments in domestic demand.

Taking into account the aforementioned developments as well as sharing the same opinion that the monetary conditions at present are rather expansionary, the Board of the CBA finds it appropriate to maintain the refinancing rate at the current level. At the same time, in view of the anticipated macroeconomic developments, keeping the monetary environment expansionary for a longer period of time is essential for fulfillment of the inflation target, on condition that it gradually eliminates in the medium run. As a result, the expectation is that inflation will still be running within the lower part of the confidence

band, stabilizing around the 4% value at the end of forecast horizon.

Risks to fulfillment of the inflation target at the end of forecast horizon are assessed by the Board to be downside, due to external and internal factors. However, should there be risks to the inflation and economic growth outlook deviating from the prediction scenario, 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, 4th quarter 2018) to be published by November 27, 2018.