

The Board of the CBA lowered the refinancing rate 0.25 percent

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On the February 14, 2017 meeting the Board of the Central Bank of Armenia decided to lower the refinancing rate by 0.25 percentage point to 6.0%.

Inflation in January 2017 was 2.6% against 2.2% recorded in the same month last year. The 12-month deflation reduced, making up 0.6%.

Trends in the external sector generally persisted – the global economy continues to grow slowly, while international commodity markets further face some inflationary developments. In the upcoming months, the Board estimates, significant inflationary effects from the external sector are not anticipated.

The Board notes that economic growth estimates for 2016 have decreased, largely due to the influence of supply factors. At the same time, domestic demand is gradually recovering due mostly to expansionary monetary and fiscal policies implemented during 2015-2016. It should be noted that the path to achieving the inflation target will be somewhat slower compared to the previous prediction due to lower expected prices on certain non-food products and reduction in natural gas and electricity tariffs since January and February, respectively. Given these factors, as well as the Government's contractionary fiscal policy in 2017 relative to the previous year, the Board believes that easing the monetary conditions this time again is appropriate and possible.

The Board remains of the opinion that the policy implemented to date has created enough stimuli for neutralizing the deflationary environment in 2017 and fulfilling the inflation target in the forecast horizon, while future possibilities of conventional monetary policy remain limited. However, adhering to the objective of ensuring price stability, the Central Bank of Armenia will, if necessary, respond adequately by using its toolkit, in order to fulfill the inflation target in the medium term.

More information on the setting of interest rate will be available in the Inflation Report

(Monetary Policy Program, Q1, 2017) to be published on February 24, 2017.