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On a March 28, 2017 meeting, the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the 6.0% level.

Deflation in February of 2017 was 0.9% against that of 1.4% recorded in the same month of the previous year, in which case the 12-month inflation rate amounted to -0.2%. The 12-month inflation rate, as expected, will continue to recover and stabilize around the target in the forecast horizon.

Trends in the external sector generally persisted – the global economy continues to grow slowly, while international commodity markets face even a further expanding inflationary environment against the forecast. There are still some inflationary risks associated with how soon the US Federal Reserve System will be raising the interest rate as well as the capital outflows to the USA from developing and other developed countries. In the upcoming months significant inflationary effects from the external sector are not anticipated, however.

The Board notes that economic activity in January-February of 2017 considerably exceeded the expectations, largely due to higher growth registered in industry, services and trade sectors. At the same time, domestic demand is gradually recovering primarily thanks to expansionary effect from implementing monetary and fiscal policies during 2015-2016. In such circumstances where the refinancing rate has reduced 12 times for a total 4.5 percentage points in the last two years, the effect of which will continue to be transmitted to the economy during 2017, the Central Bank Board currently considers it appropriate to leave monetary conditions unchanged, while expecting acceleration in the recovery of economic activity and inflation rate.

Should there emerge risks to economic developments in both external and domestic environment and to the inflation deviating from the projected value, the Central Bank would react by adjusting its monetary policy directions accordingly, while fulfilling the

inflation target in the medium run.

More information on the setting of interest rate will be available in Press Release (Minutes on Interest Rate) to be published by April 7, 2017.