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On a May 16, 2017 meeting, the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the 6.0% level.

There was 1.0% inflation in April of 2017 compared with 0.3% deflation recorded in the same month of the previous year, which has been mainly attributable to higher levels of prices of agricultural products. In this circumstance, the 12-month inflation rate has expanded and entered a positive territory; it amounted to 1.2% at the end of April, exceeding the Central Bank forecasts. The Board estimates that in the forecast horizon the inflation will continue to recover, stabilizing around the target.

In the external environment, the global economic growth outlook is improving and inflationary patterns in international commodity markets are persisting. However, the Board of the Central Bank expects only moderate inflationary effects from the external sector in the forthcoming months.

The Board notes that growth of economic activity in the first quarter of 2017 was strong enough, largely due to high growth registered in industry, rendered services and trade sectors. At the same time, the expansionary monetary policy implemented in recent years continues contributing to the recovery of domestic demand. As a result, it is expected that inflation will be within the confidence band already in 2017 and will stabilize around the target in the forecast horizon. Also, inflationary risks are estimated to be largely balanced at this point, in which case the Board considers it appropriate to leave the monetary conditions unchanged.

However, should there emerge risks to the inflation deviating from its recovery path, the Central Bank would react by adjusting its monetary policy directions accordingly, while fulfilling the inflation target in the medium run.

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

(Monetary Policy Program Q2, 2017), to be published by May 26, 2017.