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On the June 27, 2017 meeting the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the 6.0% level.

There was 0.2% deflation in May of 2017 compared with that of 0.7% recorded in the same month of the previous year, under which circumstance the 12-month inflation rate continued expanding amounting to 1.6% at the end of the month. Taking into account current inflation developments, the Board of the Central Bank estimates that, by second quarter results, the inflation behavior is in line with the scenario.

In the external environment, the global economic growth outlook is further improving slowly while some short-term deflationary patterns were observable in international commodity markets. The Board of the Central Bank expects no significant inflationary effects from the external sector in the forthcoming months.

The Board notes that high growth of economic activity in the second quarter of 2017 persisted owing to high growth registered in mining industry, rendered services and trade sectors. At the same time, domestic demand continues recovering gradually which, under a contractionary fiscal policy, is determined by the influence of expansionary monetary policy implemented by the Central Bank, sustained macroeconomic stability and relatively low inflation expectations. Considering the above developments, as well as balanced inflationary risks, the Board of the Central Bank finds it reasonable to leave the monetary conditions unchanged. As a result, the inflation is expected to gradually increase, shaping within the confidence band during 2017, and to stabilize around the target in the forecast horizon. The Central Bank believes that if the macroeconomic developments proceed with the predicted scenario, the monetary conditions will remain unchanged for some time.

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 Press Release (Minutes on Interest Rate) to be published by July 7, 2017.