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On the August 15th of 2017 meeting the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the 6.0% level.

At the end of the second quarter of 2017 the 12-month inflation rate was 1.1%, which was 0.3 pp higher than the level as anticipated in the monetary policy program for the second quarter. In July 2.6% deflation was recorded due to the seasonal fall in prices of agricultural products, and the 12-month inflation rate has reduced slightly, amounting to 0.9% as of end-July.

In the external environment, the global economic growth outlook is further improving, and prices in international commodity markets have shown trends of stabilization. Based on this, the Board of the Central Bank expects no significant inflationary effects from the external sector in the forthcoming months.

The Board notes that, according to the actual second quarter of 2017 data, the economic activity remained strong and domestic demand continued recovering. This, under the currently implemented contractionary fiscal policy, is determined by expansionary monetary policy of the Central Bank.

In consideration of this situation, the Board of the Central Bank finds it reasonable to leave the monetary conditions unchanged. This will gradually increase the inflation as a result – it will be shaping within the confidence band by the end of 2017 and will 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 expansionary for a while.

However, should there emerge risks to the economic growth outlook and 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 Q3, 2017), to be published by August 25, 2017.