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2017-09-26

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On the September 26th of 2017 meeting the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at the 6.0% level.

There was 0.4% deflation registered in August of 2017, and the 12-month inflation rate persisted at the same level, 0.9% as of the end of August. Meanwhile, the 12-month core inflation has increased at a faster pace over the headline inflation, from 0.7% in the previous month to 1.5% this month, while the rise in seasonal prices of agricultural products has slowed down sharply to 1.2% from 7.8%.

In the external environment, the global economic growth outlook further followed a positive track in both developed and developing economies. This has pushed the copper prices considerably up while moderate price inflation has been observable in other commodity markets. Based on this, the Board of the Central Bank expects minor inflationary effects from the external sector.

The Board notes that in the first half of 2017, compared to the same period last year, economic growth had exceeded the expectations by 1.0 pp, amounting to 6.0%. Economic activity remained strong in the third quarter too, driven by the growth in industry and services sectors that have offset the decline in agriculture and construction sectors. According to the Central Bank estimates, domestic demand is recovering faster than expected, pointing to reported high growth rates in economy lending, imports and core inflation. The recovery of domestic demand has been largely conditioned by the implemented expansionary monetary policy and the fiscal policy which proved less contractionary than predicted.

In such a situation, the Board of the Central Bank is of the opinion that the current policy rate is quite expansionary and will remain so for some time according to prediction scenario. It will continue transmitting its impact on aggregate demand, prompting the inflation to increase gradually and to stabilize around the target in the forecast horizon.

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 Press Release (Minutes on Interest Rate), to be published by October 6, 2017