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At the November 14th 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 0.8% inflation in October of 2017 against that of 0.5% registered in the same month of the previous year, and the 12-month inflation rate amounted to 1.2% in the end of the month. Meanwhile, acceleration of the 12-month core inflation, observable in the last months, continues, from 0.7% in July to 2.4% in October. Headline inflation, the CBA Board estimates, remains low owing to slower-than-expected pace in price inflation on fruits and vegetables, the impact of which will, however, phase out in the upcoming months, and the inflation will be within the confidence band.

In the external environment, the global economic growth outlook further followed a positive track while inflationary patterns persisted in world commodity markets. In view of such developments, the CBA Board expects certain inflationary effects from the external sector, as external demand recovers.

The CBA Board notes that based on the results of the first nine months of 2017, compared to the same reference period last year, economic activity remained strong mainly due to high growth in services sector. Domestic demand continues recovering faster than expected, which is attributable to an implemented expansionary monetary policy and somewhat recovered growth in remittances from abroad. Strong growth in imports as well as the way core inflation behaves also points to the recovering domestic demand. In the meantime, inflation expectations of households are growing slightly faster, deriving from the rise in international prices in individual food product markets and supply-driven price increases.

Although certain expanding of the inflation environment and higher inflation expectations are possible, the CBA Board still finds it reasonable to keep monetary conditions expansionary. At the same time, the Board believes that in light of predicted developments a gradual offsetting of expansionary monetary conditions would be needed

in the near future to fulfil the inflation target in the medium run.

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, 4th quarter 2017), to be published by November 24, 2017.