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

There was 2.0% inflation in November of 2017 against that of 1.0% registered in the same month of the previous year. During the month, the 12-month inflation rate accelerated and it amounted to 2.2% at the end of the month. The CBA Board anticipates that by the end of year 2017 the 12-month inflation rate will be within the lower bound of the confidence band, as was expected.

Actual developments in the external environment have been largely in line with the CBA's predictions, that is, the global economic growth kept on improving and inflationary patterns in world commodity markets persisted. In view of such developments, the CBA Board further anticipates certain inflationary effects from the external sector, as external demand recovers.

The CBA Board notes that in the period January-September of 2017, relative to the same period of the previous year, economic growth has been close to the prediction. In the meantime, the economic activity indicator for January-November has been well beyond expectations, driven primarily by high growths reported in services and industry. Domestic private demand is also expected to be higher than anticipated, as an expansionary monetary policy and low inflation environment further contribute to it. The increase of domestic demand continues to be reflected in high growths in trade and imports, as well as in the behavior of core inflation and inflation expectations.

The CBA Board finds it reasonable to leave the monetary conditions expansionary, taking into account the need to maintain a sustained recovery of demand and the overestimation of the effects of change in excise and customs duties on the inflation expectations. 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.

The Board also admits that upside risks to the inflation deviating from the current quarter's monetary policy program are increasing and, should such risks emerge, it would take action to adjust the 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 January 16, 2018.