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At the January 21, 2015 ad hoc meeting, the Board of the Central Bank decided to raise the refinancing rate by 1.00 pp to 9.50%.

Inflation in December 2014 was 3.0%, with the 12-month inflation having amounted to 4.6%.

In the external sector, after the latest decision on the refinancing rate, deflationary trends persisted in the main commodity and food product markets. To which extent and at which speed these trends will reflect price changes in relevant domestic markets in Armenia is still uncertain. Deflationary pressures were also observed in trading partner countries, with the exception of Russia, where the ruble's unprecedented depreciation late in the year prompted an upside adjustment of prices.

Though high inflationary expectations in the domestic economy in late 2014 have somewhat moderated, these are still persisting, which is reflected in the financial market as businesses demonstrate a demand for increased interest rates on dram instruments. The Board of the Central Bank believes that existing high interest rates which were shaped around the CBA Lombard Repo Facility rate encompass the trend of rising world interest rates and risk premium in developing countries over the long-term. In view of maintaining the position of monetary policy, the Board finds it appropriate to increase the refinancing rate. At the same time, to reduce currently high market rates, the Board lowered the Lombard Repo Facility rate by 3 percentage points to 17%. As pressures in the foreign currency market are easing, this will help neutralize high inflationary expectations and achieve the fulfillment of the inflation target.

The Board's next decision on the monetary policy directions will be held on February 10th this year, according to the schedule. The decision will be followed by the publication of the first quarter 2015 monetary policy program in which the Central Bank will focus in more detail on recent developments and forecasts of the upcoming period.

