

The Board of the CBA raised the refinancing rate by 1.0 percent

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At the February 10, 2015 meeting, the Board of the Central Bank decided to raise the refinancing rate by 1.0 percentage point to 10.5%.

Inflation in January 2015 was 2.5%, with the 12-month inflation rate in late January having amounted to 4.3%, staying close to the target. The Board believes that the 12-month inflation rate would post a slight increase in the coming months due to a lower base compared to the same reference period last year but it would come back to the target afterwards.

In 2014, the external sector saw acceleration of the U.S. economic growth rates along with expectations for the rise in interest rates, contributing to the appreciating U.S. dollar and falling prices of commodities and food products in international markets. These developments have led to increased risks to investing in developing countries, which gave rise to high volatility in currency markets, grown interest rates and slowing economic growth in developing countries.

The Board evaluates that the developments in Armenia's financial and commodity markets due to the aforementioned developments at the end last year and geopolitical situation in the region are gradually phasing out. In such circumstances, the Board finds it appropriate to cut short-term market rates which are currently shaped around the Lombard repo rate, by reducing the CBA Lombard Repo Facility rate by 2.5 percentage points to 14.5%. With a return to normal conditions, the short-term market rates will drop to approach the refinancing rate, which had risen to 10.5%, reflecting increased investment risks and interest rate trends in developing countries over the longer term.

The Board agrees that these actions will reduce the spread of the policy rate of the Central Bank and the short-term market rates, contributing to the stabilization in the financial market and the fulfillment of the inflation target in the medium term.

Detailed information based on the setting of interest rate will be available in the Inflation

Report of the Central Bank (Monetary Policy Program, Q1, 2015), due on February 20, 2015.