

The Board of the CBA left the refinancing rate unchanged 8 percent

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Interest rate unchanged, 8 percent

In the May 14th of 2013 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 0.1 percent deflation recorded in April of 2013, with the 12-month inflation of 3.9 percent, almost in concurrence with the target inflation. According to the CBA estimations, the 12-month inflation will go up by the end of the second quarter, staying at the upper bound, but it will however stabilize around the target in the forecast horizon.

The Board acknowledged that the global demand remains weak, and in the beginning of the second quarter some deflationary trends were observable in raw materials and food product markets in the world.

The Board reckons that some rise in prices of agricultural products in the short run is possible. This is attributable to the agricultural supply shock having receded during the previous year, which will offset a deflationary impact on inflation expected from the external sector. Meanwhile, economic activity in Armenia in the first quarter of 2013 was strong enough due to high growths reported in industry and services (trade volumes, in particular), coupled with increased private consumption this quarter, as well. Note that the impact of private consumption on domestic prices came in mostly moderate as the Government's fiscal policy in the first quarter was more contractionary in relation to the 1st quarter baseline scenario outlined in MP program.

In view of the aforementioned developments, the CBA Board finds it reasonable to continue carrying out a neutral monetary policy. In this case the 12-month inflation is estimated to remain around the 4.0% target in the forecast horizon.

The Board also admits that inflationary risks may emerge in the short-run perspective as bad weather conditions lately could leave an influence on agriculture and a possible revision of energy tariffs is ahead. The adjustment of the policy rate by the CBA is

therefore possible.

More information on setting of the interest rate will be available in Inflation Report (Q2, 2013 Monetary Policy Program) due on May 24, 2013.