

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

2012-05-08

Interest rate unchanged, 8 percent

In the May 8th of 2012 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 1.3 percent deflation recorded in May of 2012, and the 12-month inflation amounted to 0.5 percent, which is somewhat below the confidence band.

The Board admitted that further uncertainties over political solutions to debt problems in Eurozone has led to an abrupt U.S. dollar appreciation versus currencies of Armenia's main trade partners, the European union and Russia in particular. This affected the foreign exchange market of the country as the local currency, the Dram, depreciated versus the U.S. dollar. In the meanwhile, the main commodities and food markets of the world are seeing deflationary environment in the face of risks to slowing rates of global demand.

Despite the impact of private spending and fiscal policy on domestic prices now is estimated non-inflationary, the Board reckons that the dram depreciation versus the U.S. dollar in May (which is per se easing of monetary conditions) will be going to put its inflationary impact on prices. Although the 12-month inflation now is 0.5 percent, the 12-month core inflation rests within the confidence band.

In consideration of the current situation, the Board decided to withdraw from further easing of monetary conditions through the interest rate.

Aimed to reduce interest rate fluctuations in interbank market, the Board made a decision to lessen the spread between Deposit facility rate and Lombard Repo facility rate from 6 pp to 5 pp and gradually lower it to 3 pp by the end of the year.

More information on the setting of interest rate will be available in the Minutes on Interest Rate due on June 15, 2012.

