

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

2012-07-10

Interest rate unchanged, 8 percent

In the July 10th 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 June of 2012, and the 12-month inflation amounted to 0.7 percent, which is still below the confidence band.

The Board admitted that actual trends in the external sector in the second quarter of 2012 were mainly consistent with the baseline scenario of the Q2 monetary policy program, namely an anticipation of non-inflationary pressures in the forecast horizon. With escalation of debt problems in Eurozone and further expectation of slowing of world demand, the deflationary environment will persist in world commodity markets, although international wheat market saw some rise in prices due to reduction in world wheat harvest.

The influence of developments in the Armenian economy on domestic prices in the forecast horizon is expected to be somewhat inflationary as higher economic growth attributable to faster growth rates in output volumes in industry and services will reflect the stimulation of aggregate demand and faster growing private consumption. The impact of fiscal policy on prices in the forecast horizon is estimated to be neutral.

In consideration of the influence of the external economies and Armenian economy, and that the dram further tended to depreciate in June, which is an easing of monetary conditions, the Board decided to withhold from changing the Refinancing Rate. This is also supported by an argument that the low level of the 12-month inflation in the last couple of months was determined mainly by prominent seasonality of prices of agricultural products, under which circumstance the 12-month core inflation remains within the confidence band.

More information on the setting of interest rate will be available in the Minutes on Interest

Rate due on July 20, 2012.