

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

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Interest rate unchanged, 8 percent

In the August 7th of 2012 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 1.5 percent deflation recorded in July of 2012, and the 12-month inflation amounted to 2.3 percent, approaching the lower border of the confidence band.

The Board admitted that minor inflationary and stabilization trends are expected in the main commodities markets amid slowly recovering world demand. However, anticipation of an inflationary environment in world wheat markets due to dry weather in Russia, Kazakhstan and USA is a risk which can be essential in terms of expansion of the inflation environment in Armenia.

Further developments in the Armenian economy are estimated to be slightly inflationary, which is determined by faster growing rates of private consumption driven by currently lower inflationary environment and persisted high growth in economy lending. Moreover, private consumption will possibly be growing farther in the upcoming months, pushing aggregate demand up and creating a potential for inflation.

In anticipation of inflation rising from a low level as prices of agricultural products drop notably in the second quarter of 2012, as well as in view of the above risks to expanding of inflation environment, the Board decided to withhold from changing the Refinancing Rate. Under such circumstance, in the one-year horizon the 12-month inflation will be within the confidence band of 4% +/- 1.5 pp.

More information on the setting of interest rate will be available in the Minutes on Interest Rate due on August 17, 2012.