

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

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*Interest rate unchanged, 8 percent*

In the October 9th of 2012 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 0.8 percent inflation recorded in September of 2012, and the 12-month inflation remained unchanged, 2.5 percent, which is the lower border of the confidence band.

The Board admitted that influences expected from the external sector remain minor inflationary. In spite of further uncertainties over political solutions regarding debt problems in developed countries, global demand is predicted to be weak in the forecast horizon. Yet world markets of food products still see fundamental tightness and slightly inflationary environment due to continued rise in international wheat prices. The impact of the latter on domestic prices was felt over September too, resulting in increased prices in item “bread product”.

The impact of developments in the Armenian economy on domestic prices is predicted to be inflationary in the forecast horizon, which is determined by faster growing rates of private consumption and higher-than-expected economic growth rates. The influence of the aforementioned factors on domestic prices will continue to be offset by contractionary impact of the fiscal policy.

Though the 12-month inflation maintains closer to the lower border of the band based on the last 9 months’ results, in the forecast horizon however some inflationary influences are anticipated from external sector and the Armenian economy on domestic prices. In this circumstance the Board finds it reasonable to keep the refinancing rate at the current level, which will help to bring the 12-month inflation close to the confidence band of 4% +/- 1.5 pp in the forecast horizon.

More information on the setting of interest rate will be available in the Minutes on Interest Rate due on October 19, 2012.

