

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

2012-11-06

Interest rate unchanged, 8 percent

In the November 6th of 2012 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 1.2 percent inflation recorded in September of 2012, and the 12-month inflation increased to 3.4 percent, coming closer to 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 persistently high prices of wheat point out to existing fundamental tightness in world markets. The latter will continue to have impact on domestic prices, mostly reflecting the prices in the item “bread product”. Driven by geopolitical developments, inflationary risks deriving from energy resources from external sector are possible.

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

In view of the 12-month inflation behavior in the recent months and minor inflationary impact on domestic prices expected from external sector and domestic economy, the Board finds it reasonable to withhold from changing the refinancing rate. In this circumstance, in the upcoming months the 12-month inflation will come closer to the 4 percent target and will stay around that level in the forecast horizon.

To minimize interest rate volatility in the interbank market, the Board is in the last phase whereby the spread between the CBA’s Deposit Facility and Lombard Facility rates will be narrowed from 4 pp to 3 pp.

More information on the setting of interest rate will be available in the Minutes on Interest Rate due on November 16 2012.