

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

2012-12-11

Interest rate unchanged, 8 percent

In the December 11th of 2012 Meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 8 percent.

There was 1.4 percent inflation recorded in November of 2012, and the 12-month inflation has been 3.6 percent, closer to the confidence band.

The Board admitted that macroeconomic developments in November were mostly in compliance with the baseline scenario in the fourth quarter's Monetary Policy Program. In the external sector uncertainties over political solutions regarding debt problems in developed countries are persisting in which context the global demand is predicted to be weak in the forecast horizon. Yet fundamental tightness will continue in world food markets. Under such conditions, the impact of the external sector on domestic prices will be minor inflationary.

In the period October-November growth rates in private spending remained strong, and non-commercial transfers of individuals reported high growth. In the meantime, the fiscal policy's impact on aggregate demand has been predominantly contractionary. As a result, the influence expected from the Armenian economy on domestic prices proved minor inflationary.

In view of the actual 12-month inflation behavior as well as persisting weak inflationary environment in the prospect of developments in external sector and domestic economy, the Board finds it reasonable to further withhold from changing the refinancing rate in December. In this circumstance, the 12-month inflation will come closer to the 4 percent target and will stay around that level in the forecast horizon.

More information on the setting of interest rate will be available in the Minutes on Interest Rate due on December 21 2012.