

The Board of the CBA left the refinancing rate unchanged 7.25 percent

2010-11-09

The Board of the CBA left the refinancing rate unchanged 7.25%

In the November 9, 2010 meeting the Board of CBA decided to leave the Refinancing Rate of CBA unchanged, at 7.25 percent.

In October of 2010, 1.0 percent inflation was recorded, and the 12-month inflation indicator has grown by 0.5 pp against the previous month's respective indicator to reach 9.1 percent. The Board stated that a high level of the 12-month inflation remains to be driven by supply shocks, particularly as a result of increases in bread products, fruit and vegetable prices, all having made a total 4.4 percent contribution to the 12-month inflation in end-October.

Based on the price trends observed in the world's main food and commodity markets in the last two months, the Board has a consensus on the growing likelihood of emergence of inflationary risks in Armenian economy. On the other hand, a slow recovery of aggregate demand, driven by developments in the domestic economy, is not creating inflationary pressures yet.

The Board estimates that, in the light of perspective of economic developments, the external sector would keep on prevailing in terms of creation of an inflationary environment. Nevertheless, the refinancing rate is currently at a level enough to neutralize secondary impacts of and expectations for inflation driven by supply shocks in the forecast horizon. In this context, the Board believes that the 12-month inflation will, since the second half of 2011, rest within the target, as the supply shocks come to an end. In the meantime, depending on what extent the above mentioned risks emerge, the Board may need to revise the policy rate.