

**MINUTES**  
**OF THE CENTRAL BANK OF ARMENIA BOARD MEETING**  
**(30.01.2024)**

**On the refinancing rate**

**The Central Bank Board Meeting of January 30, 2024 attended by Governor Martin Galstyan, Deputy Governors Armen Nurbekyan and Hovhannes Khachatryan, and Board Members Hasmik Ghahramanyan, Davit Nahapetyan, Artak Manukyan, Levon Sahakyan, and Narek Ghazaryan**

The meeting of the Board of the Central Bank of Armenia started with presentation of the *Situation Report* as of January 30, 2024. The meeting addressed the developments on inflation, external environment, and real, fiscal, financial, and monetary sectors of the economy.

Current developments in the external sector were presented. In the fourth quarter, it was noted, the economic activity in the world and Armenia's main partner countries continued to slow down, albeit at a lower-than-expected pace, in the context of ongoing geopolitical developments and persisted uncertainty. With such developments, coupled with contractionary monetary policy implemented, the inflationary environment in international commodity markets is easing and inflation in the global economy somewhat slowing. Nevertheless, positive developments in the labor market in partner countries further contribute to the expansion of demand. Meantime, in early 2024, driven by the aggravation of geopolitical developments in the Middle East, a certain increase in energy prices was recorded and risks of supply chain disruptions emerged. In such a situation, the central banks in developed countries will pursue a policy to gradually loosen contractionary monetary conditions in the near future. As a result of the aforementioned developments, the effects on the Armenian economy from the external sector are estimated to be minor deflationary.

The Board deliberated on the current developments in the Armenian economy; the economic activity, it was recorded, remains strong in the fourth quarter, mainly thanks to high growth in the services and construction sectors. During the quarter, aggregate demand also sustained high largely on account of the increased domestic demand; the latter is bolstered by private consumption which grew high amid spending of previously accumulated savings, continued increase in incomes as well as more demand for durable goods along with construction growth. At the same time, external demand is weakening to some extent subsequent to a slowing influx of international visitors and tourists.

Addressing Armenia's financial market developments, it was stated that in early 2024 short-term market interest rates came to shaping around the policy rate. At the same time, the government security market saw an increase in interest rates, especially in the mid-term and long-term segments of the yield curve. Some stability has been observable in the foreign exchange market at the beginning of the year. It

was also admitted that, with domestic demand remaining strong, consumer and mortgage lending to individuals continues to grow at particularly rapid rates.

The Board proceeded to deliberating on the inflation developments. In December 2023, it was noted, inflation stood at 0.9% due to the increase in prices of food products (by 1.8%) and service tariffs (by 0.5%), whereas the prices of non-food products dropped by 0.1%. As a result, the 12-month inflation declined reaching -0.6% at the end of December. The 12-month core inflation decreased during the month as well, amounting to -0.4%. It was recorded that in the context of deflationary effects from the external sector and the contractionary monetary policy implemented by the Central Bank of Armenia in previous years, the inflationary environment is persisting low, which is also expressed by a certain decrease in the growth rate of wages in the labor market and softening of inflationary expectations.

Following the discussion of the *Situation Report* and the macroeconomic developments in external and domestic sectors, the Board began addressing the macroeconomic scenarios and monetary policy directions, and making decision on the policy interest rate. In view of the aforementioned macroeconomic situation, the Policymakers' team provided the Board with narrative-based scenarios for the monetary risks that would possibly derive from near-term economic development outlooks. Deliberating on various scenarios for economic development, the members of the Board agreed that the inflationary environment was further low, despite sustained high economic growth and domestic demand, largely determined by deflationary effects from the external sector and the contractionary monetary policy implemented by the Central Bank of Armenia. Furthermore, as reckoned by the Board, the 12-month inflation will remain below the target in the near term. According to some Board members, a low-inflationary environment incurs solely the impact of the exchange rate appreciation and of the exogenous factors transmitted from the external sector, while the economy still faces risks of expanding domestic demand and resultant inflationary pressures and inflationary expectations. The increase of fiscal incentives expected in the near future for integrating the forcibly displaced population from Artsakh may add to these risks. Consequently, in terms of risk management, these Board members considered it reasonable to easing monetary conditions in a more conservative and gradual manner. Other members were of the opinion that the behavior of low inflation recently appears to pinpoint that demand and inflation-related factors have weakened considerably. Besides, in the event the labor supply grows high in Armenia's labor market, there will most likely be risks to wage decreases and significant weakening of the domestic demand and inflationary environment resulting from the labor market. In view of low inflation expected in the near term, these factors may hinder the policy of bringing inflation closer to the target in the medium run. Therefore, as the relatively contractionary stance of monetary policy needed to phase out quickly, the respective members of the Board considered it appropriate to ease the monetary conditions in a larger step. **As a result, the Board of the Central Bank of Armenia decided in majority voting to reduce the refinancing rate by 0.5 percentage point.** The Board also endorsed its commitment in taking adequate measures to further regulate demand and stabilize inflationary expectations. As

outlined in the monetary policy scenario, the 12-month inflation will remain below the target in the near future, it then will gradually increase and stabilize around the 4% target in the mid-term perspective.

The Board also estimated that the risks to inflation deviating from the projected path are mostly balanced. In the event the risks materialize in either direction, the Board will react accordingly to ensure the price stability objective.

The Board approved the decision on interest rates of monetary instruments of the Central Bank of Armenia and the proposed press release, which are attached hereto.

## **Decision on Interest Rate**

### **Code**

**050.0021 L. 30.01.24**

**January 30, 2024, No. 21 L**

## **ON THE SETTING OF INTEREST RATES OF MONETARY POLICY INSTRUMENTS OF THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA AND THE PRESS RELEASE ON THE REFINANCING RATE**

By virtue of Article 2 (3), Article 20 “c” and “e” of the Republic of Armenia Law on the Central Bank, and clauses of the Republic of Armenia Law on Normative Regulations, the Board of the Central Bank of the Republic of Armenia **enacts:**

1. Set the Refinancing rate of the Central Bank of the Republic of Armenia to be 8.75%.
2. Set the Lombard facility rate offered by the Central Bank of the Republic of Armenia to be 10.25%.
3. Set the Deposit facility rate offered by the Central Bank of the Republic of Armenia to be 7.25%.
4. Approve the Press Release on the Refinancing Rate of the Central Bank of the Republic of Armenia (attached).
5. This decision to take effect on the day following its publishing on Internet homepage of the Central Bank of the Republic of Armenia.

Martin Galstyan,  
Governor of the Central Bank of the Republic of Armenia

c. Yerevan

## PRESS RELEASE

30.01.2024

At the January 30, 2024 meeting, the Board of the Central Bank of Armenia decided to decrease the refinancing rate by 0.5 percentage points, setting it at 8.75%.

In December 2023, the 12-month CPI inflation rate decreased, amounting to -0.6% at the end of the month. The 12-month core inflation rate also decreased, amounting to -0.4%.

In the fourth quarter of 2023, economic activity globally and in the main trading partner countries of the Republic of Armenia continued to slow. The inflationary environment in international commodity markets is easing, and global inflation is slowing to some extent. However, positive developments in labor markets in partner countries continue to facilitate the expansion of demand. In early 2024, driven by the escalation of geopolitical developments in the Middle East, an increase in energy prices has been observed, while risks of supply chain disruptions have emerged. In this context, central banks in advanced economies are expected to gradually loosen contractionary monetary conditions in the near future. As a result, the effects on the Armenian economy from the external sector are expected to be minor deflationary.

Economic activity in the Republic of Armenia remained strong during the fourth quarter, further driven by high growth in the construction and services sectors. External demand has somewhat slowed as the growth rate of tourism decelerated. At the same time, domestic demand remains high, reflecting robust growth in private consumption. Given weak deflationary pressures from the external sector as well as the contractionary monetary policy stance implemented in previous years, the inflationary environment continues to remain low, which is also reflected in slightly a slower pace of wage growth in the labor market as well as somewhat reduced inflation expectations.

In this context, the **Board of the Central Bank of Armenia finds it appropriate to reduce the policy rate**. The Board will continue to be prudent in ensuring that adequate actions are taken to regulate demand and stabilize inflation expectations. As outlined in the monetary policy scenario, the 12-month CPI inflation rate will remain below the target level in the near term, and then gradually increase and stabilize around the 4% target in the medium term.

The Board estimates that the risks to inflation deviating from the projected path are mostly balanced. In the event these risks materialize in either direction, the Board will respond accordingly and ensure that the price stability objective is met.