

PRESS RELEASE

12.12.2023

Refinancing Rate Set at 9.25%

At the December 12, 2023 meeting, the Board of the Central Bank of Armenia decided to decrease the refinancing rate by 0.25 percentage points, setting it at 9.25%.

In November 2023, the 12-month CPI inflation rate decreased, amounting to -0.5% at the end of the month. The 12-month core inflation rate in October stood at 0.0%.

In the fourth quarter, economic activity globally and in the main trading partner countries of the Republic of Armenia continues to slow. This is reflected in declining international commodity prices and softening global inflation rates. In this context, the central banks of trading partner countries will maintain relatively contractionary monetary conditions in the near future. As a result, the effects on the Armenian economy from the external sector are expected to be deflationary.

Economic activity in the Republic of Armenia remains strong in the fourth quarter, driven by high growth in the construction and services sectors. While external demand is slowing, domestic demand continues to remain robust, driven by strong growth in private consumption. Given weak deflationary pressures from the external sector as well as the implemented contractionary monetary policy stance, the inflationary environment remains low, which is also reflected in a somewhat slower pace of wage growth as well as somewhat lower 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.

Detailed information underlying the setting of interest rate can be found in the Inflation Report (Monetary Policy Program for the fourth quarter of 2023) to be published by December 26, 2023.

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