

PRESS RELEASE

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At December 14, 2021 meeting, the CBA Board decided to raise refinancing rate by 0.5 percentage points, setting it at 7.75%.

Inflation in November 2021 totaled 1.7%, compared to 1.3% in the same month of the previous year, as a result of which the 12-month inflation grew to 9.6%. After stable performance in recent months, the 12-month core inflation increased in November, reaching 8.4%.

Strong recovery of economic activity and aggregate demand in the main partner countries of Armenia continues. In such a situation, amid remaining supply bottlenecks, a significant expansion of the inflationary environment is observed in international commodity and food markets. The latter is further reflected in the substantial acceleration of domestic inflation in partner countries as compared to previous projections. In order to mitigate high inflation expectations and to achieve the inflation target, Central Banks of partner countries continue to tighten monetary conditions. Altogether, it is expected an increase in inflationary impact from the external sector on the Armenian economy.

The current economic activity in Armenia is estimated to be lower than expected, mainly because of the slowdown of growth in agriculture and industry. Still, positive demand developments carry on, which is currently supported by external demand due to higher-than-expected growth rates of tourism. Against the background of inflationary effects from the external sector and positive demand conditions, certain acceleration of quarterly core inflation and inflation expectations is estimated.

In view of the upsurge of inflationary impacts from the external sector, as well as the estimated developments in inflation expectations, the Board judges appropriate to increase the refinancing rate. The 12-month inflation is projected to gradually decrease, approaching the target of 4% in the medium-term forecast horizon, and stabilize around it.

The CBA Board assesses that amid the still uncertain economic outlook, the risks of inflation deviating from the projected medium-term path are mainly upward, and should they materialize, the Board stands ready to respond accordingly in fulfilment of the price stability objective.

Detailed information on the interest rate decision will be available in the Inflation Report to be published by December 28, 2021 (Monetary Policy Program for QIV, 2021).