

## **PRESS RELEASE**

**04.05.2021**

At the May 4 meeting, the CBA Board decided to raise the refinancing rate by 0.5 pp, setting it at 6.0%.

In March 2021, inflation stood at 1.0% relative to 0.5% in the same month of the previous year, in which case the 12-month inflation has increased to 5.8%. The 12-month core inflation has accelerated by the same amount, reaching 6.6% at the end of March.

In the first half of 2021, signs of faster than expected economic activity and demand recovery are observable in the main partner countries of Armenia due to the implementation of stimulative policies and some positive results of the use of coronavirus vaccines. In the light of positive expectations of the recovery of global demand and a number of supply factors, high inflationary developments continue to be seen in international food markets, which is also reflected in shaping of a higher-than-anticipated inflationary environment in partner countries. In such a situation, the CBA Board continues expecting inflationary impact from the external sector on the Armenian economy.

The developments of economic activity in the first quarter of 2021 point to more positive economic trends compared with previous forecasts of the Central Bank of Armenia. Driven by growing global demand and increased remittances from abroad, as well as more positive developments in lending, the aggregate demand will recover faster than expected, but will still remain weak. At the same time, according to the estimations of the Central Bank of Armenia, public uncertainty about the future course of inflation and, to a certain extent, the inflation expectations, have increased. As a result, as estimated by the Board, some inflationary effects from the domestic economy are also emerging.

In view of the current macroeconomic situation and the inflationary effects expected from the external and domestic economies, the CBA Board estimates that the stimulative stance of monetary policy needs to phase out gradually and considers it appropriate to raise the policy rate. The Board agrees that in the near future the monetary policy will be consistent in neutralizing the risks to accelerating inflation expectations, without harm, as much as possible, to the pace of recovery of domestic demand. Under such conditions, the 12-month inflation is projected to gradually decrease after a certain acceleration in the short run, stabilizing around the 4% target in the forecast horizon.

The CBA Board reckons that the risks to inflation deviating from the projected mid-term path amid uncertainties about economic outlook are balanced, and in case of their emergence the CBA stands ready to respond accordingly, ensuring the fulfilment of the price stability objective.

**You can read detailed information on setting of the level of interest rate in Press Release to be published by May 18, 2021 (Minutes on Interest Rate).**

**Press Service of the Central Bank of Armenia**