

PRESS RELEASE

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At the November 2, 2021 meeting, the Board of the Central Bank of Armenia decided to leave the refinancing rate unchanged, at 7.25%.

Inflation in September 2021 stood at -0.1%, compared to -0.2% inflation in the same month of the previous year. As a result, the 12-month inflation remained unchanged at 8.9%. In September, the 12-month core inflation remained stable at 8.0%.

Despite the rapid spread of the new type of coronavirus worldwide, recovery of economic activity and aggregate demand continues in the main partner countries of Armenia thanks to the rapid vaccination rollout and the effort to avoid strict healthcare measures. Positive demand developments, in an environment of constrained supply conditions, have caused significant inflationary pressures in the international commodity and food markets, which is also reflected in accelerating inflation in partner countries. Under these conditions, inflationary pressures on the Armenian economy from the external sector persist.

Current developments in the Armenian economy point to somewhat weaker-than-expected economic activity, primarily due to the decline in the agricultural sector and the expected slowdown in the services sector caused by the new wave of the pandemic. Nevertheless, demand continues its recovery, primarily owing to private consumption, on the back of large inflow of remittances and declining private savings rate. The CBA Board judges that the outpacing growth of private consumption over the expansion of production capacities continues to contribute to the domestic inflationary environment. At the same time, public's inflation expectations tend to show signs of stabilization.

Despite the persisting inflationary environment in the external sector and the Armenian economy, the CBA Board assesses that the forward-looking and consistent tightening of monetary conditions since the end of last year is having sufficient impact to control the outpacing demand, contain the inflation and ensure fulfillment of the target in the medium term. The Board, therefore, judges appropriate to leave the refinancing rate unchanged. The 12-month inflation is projected to remain high until the end of the year, and then to approach the 4% target in 2022, stabilizing around it in the medium term.

The Board assesses that the risks of inflation deviating from the projected medium term path are balanced, and should they materialize, the Board will stand ready to respond accordingly in fulfillment of the price stability objective.

Detailed information about setting the interest rate level will be available in Press Release (Minutes on Interest Rate) to be published by November 16, 2021.

Press Service of the Central Bank of Armenia