

Monetary Policy Decision

March 12, 2024

March 12, 2024 Decision on the Refinancing Rate



**At its March 12, 2024 Meeting, the Board of the CBA
decreased the Refinancing Rate by 0.25 percentage
points, setting it at 8.50%.**

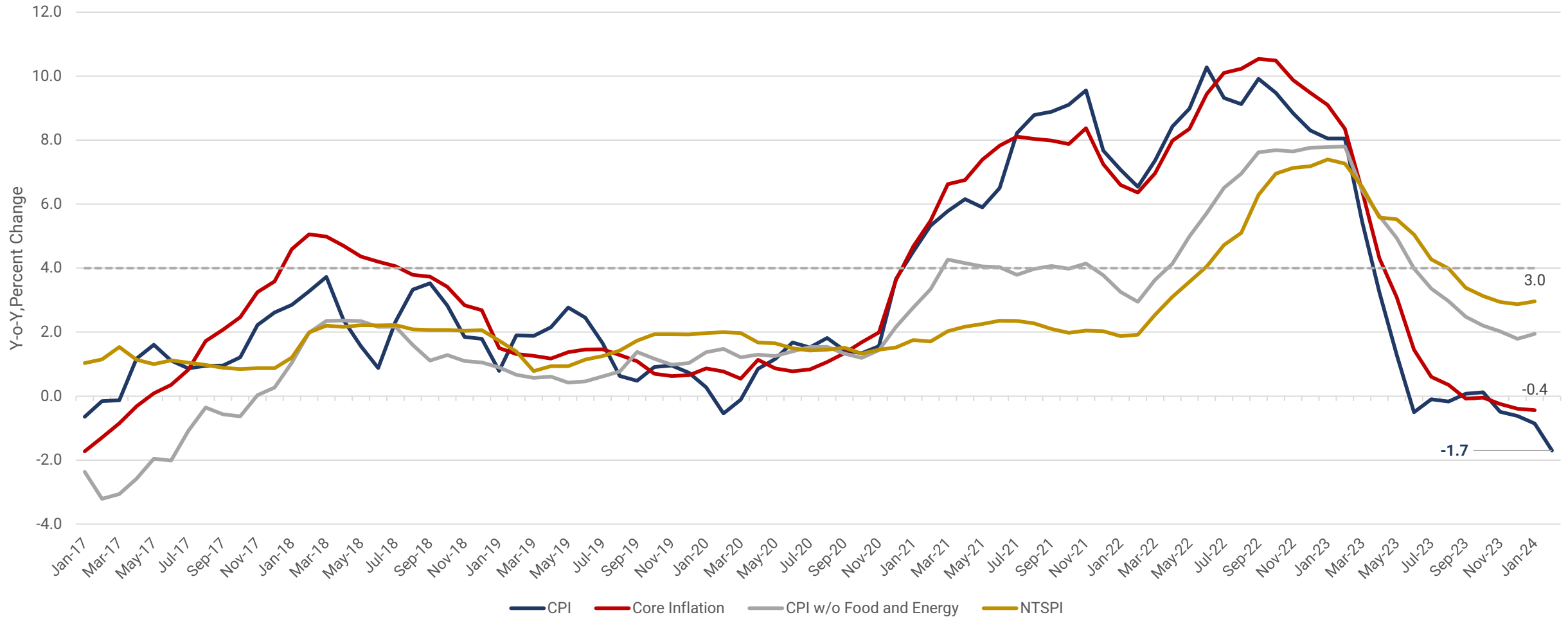
Lombard Repo Facility Rate: 10.0%

Deposit Facility Rate: 7.0%

Headline Inflation Continues to Decline, Standing at -1.7% Y-o-Y in February. Core inflation also continued to decrease, at -0.4% year-over-year in January.



Inflation measures, Y-o-Y growth rates, %

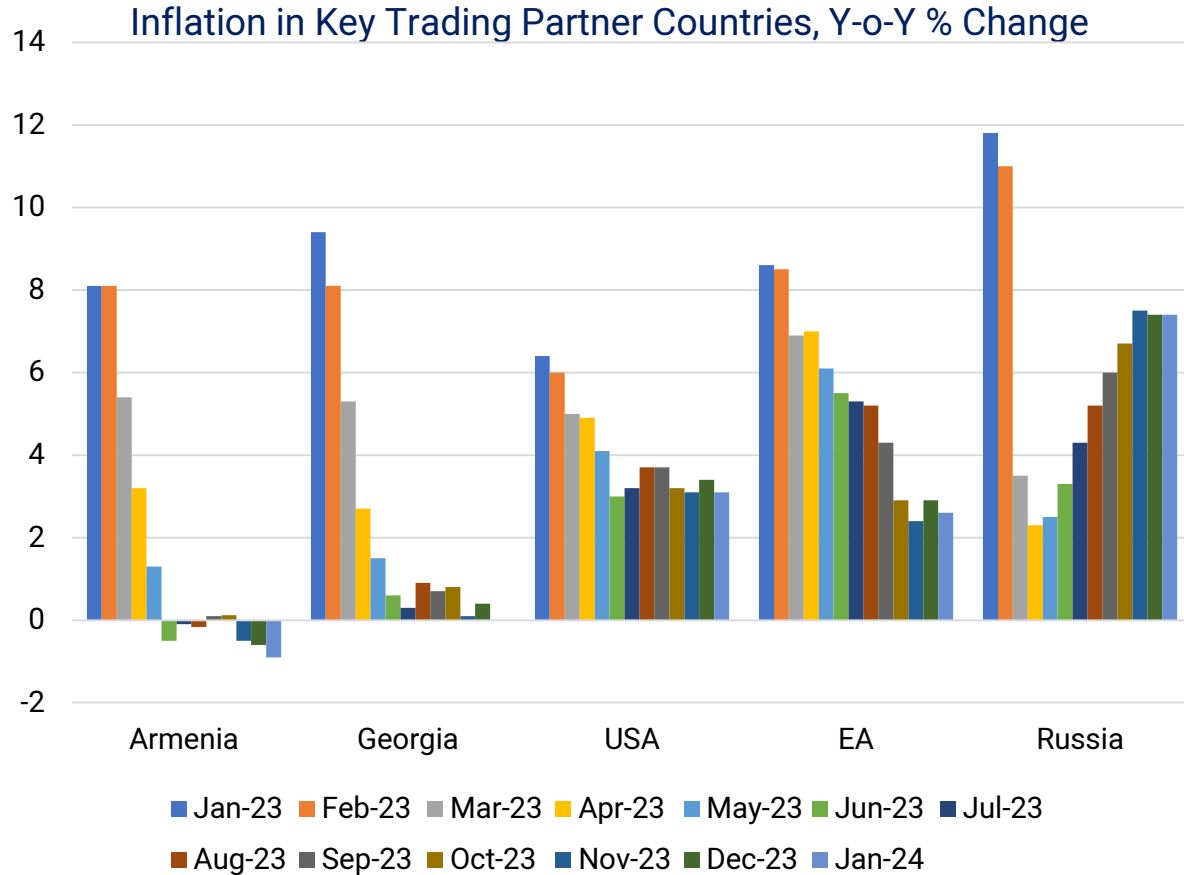


Source: Statistical Committee of the Republic of Armenia; Central Bank of Armenia

Inflationary Effects from the Global Economy on Armenia's Economy Continue to Weaken Considerably

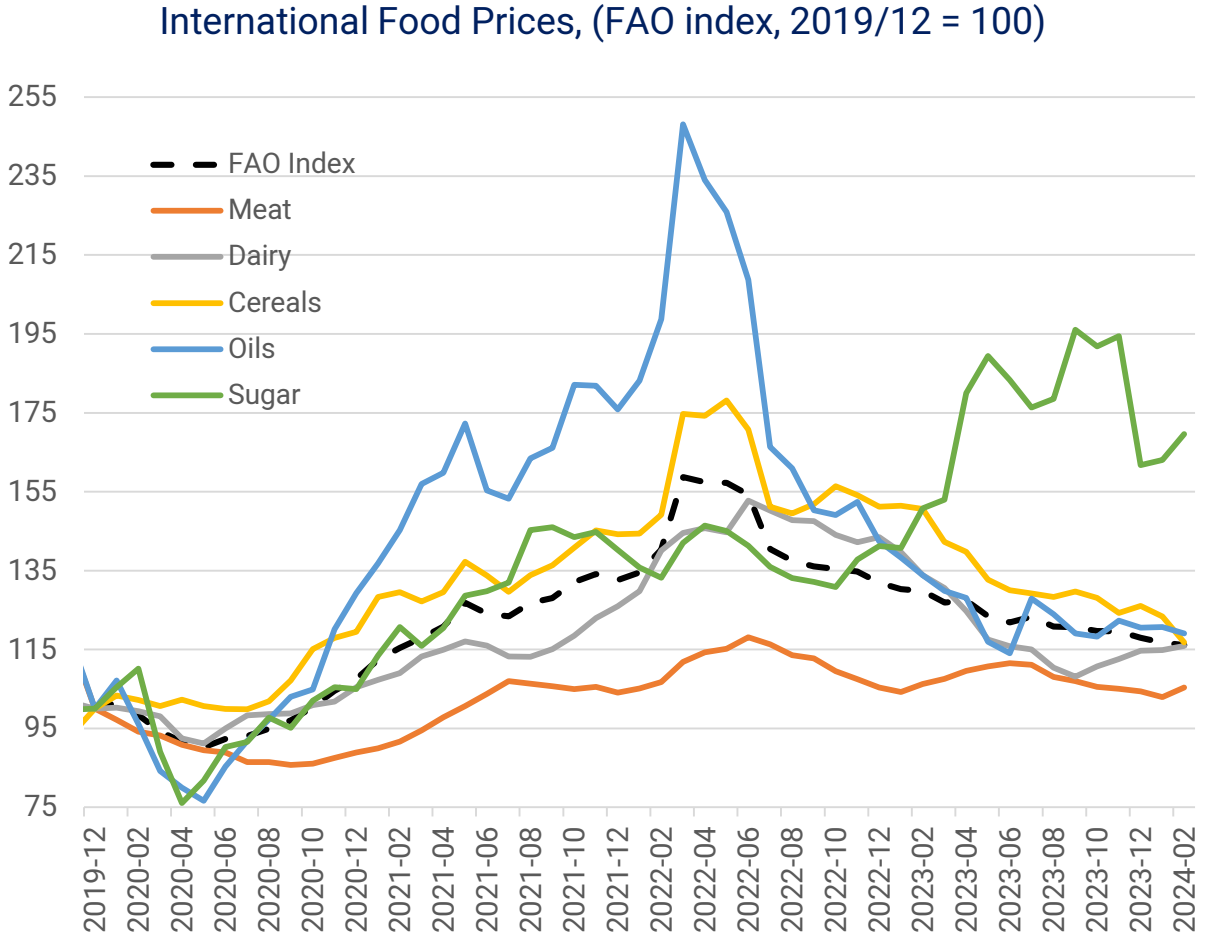


Economic Activity Globally and in Armenia's Key Trading Partner Countries Continues to Slow & Annual Inflation Continues to Decrease, though the Inflationary Environment Remains Elevated



Source: Countries' statistical agencies

Risks Persist Related to Slowing Global Economic Activity and Global Commodity Price Volatility

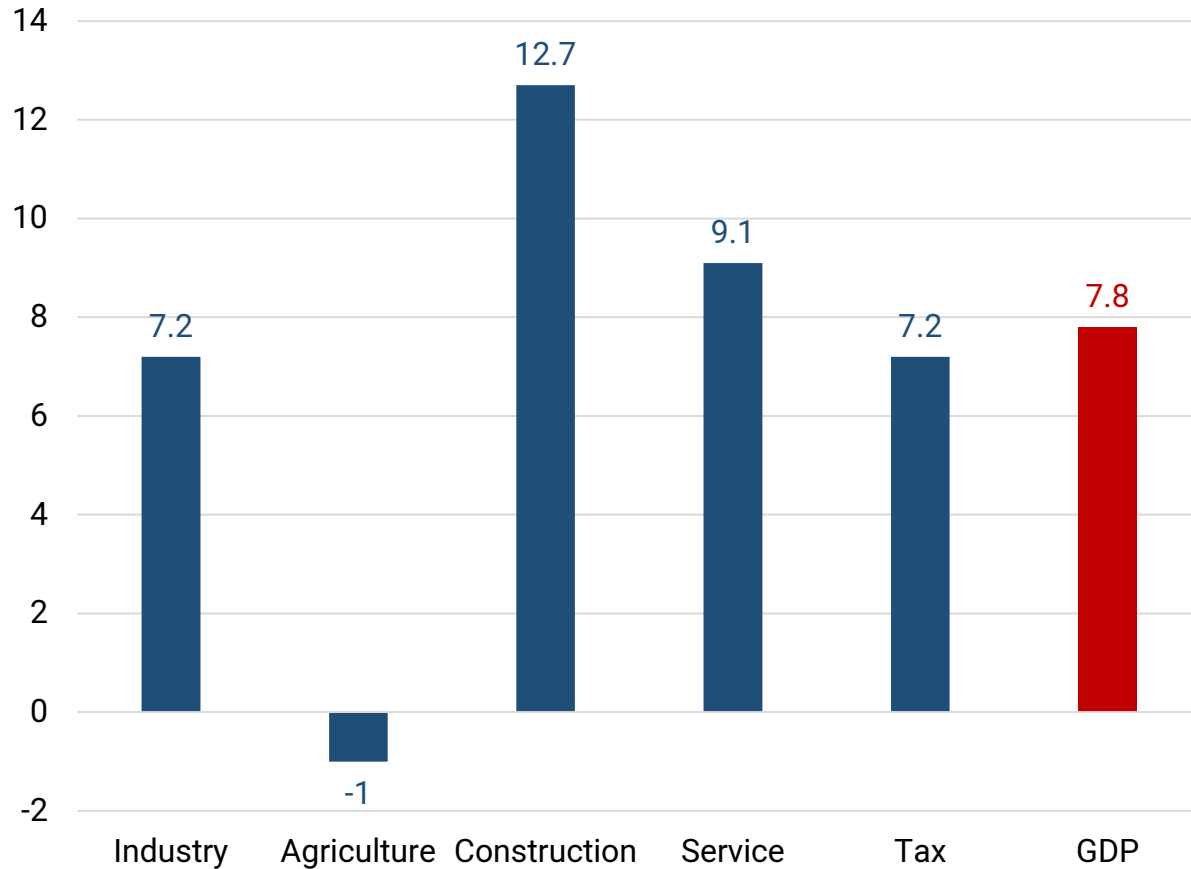


Source: UN FAO

Economic Activity in Armenia Remained at High Levels in 2023Q4

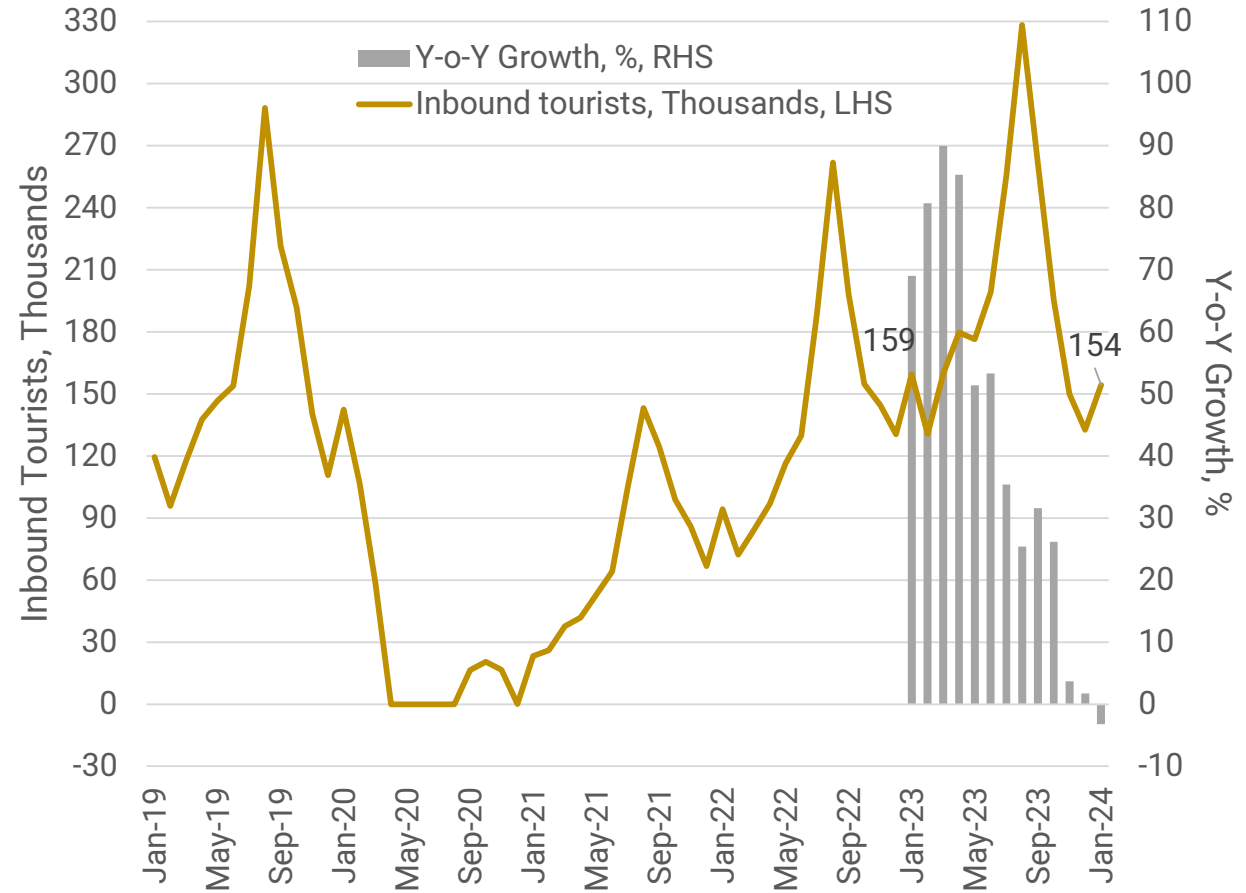


...Continuing to be Driven by Strong Growth in Construction and Trade Sectors



Source: Statistical Committee of Armenia, Central Bank of Armenia

External Demand has Continued to Slow, but Domestic Demand Continues to Remain at Relatively Strong Levels

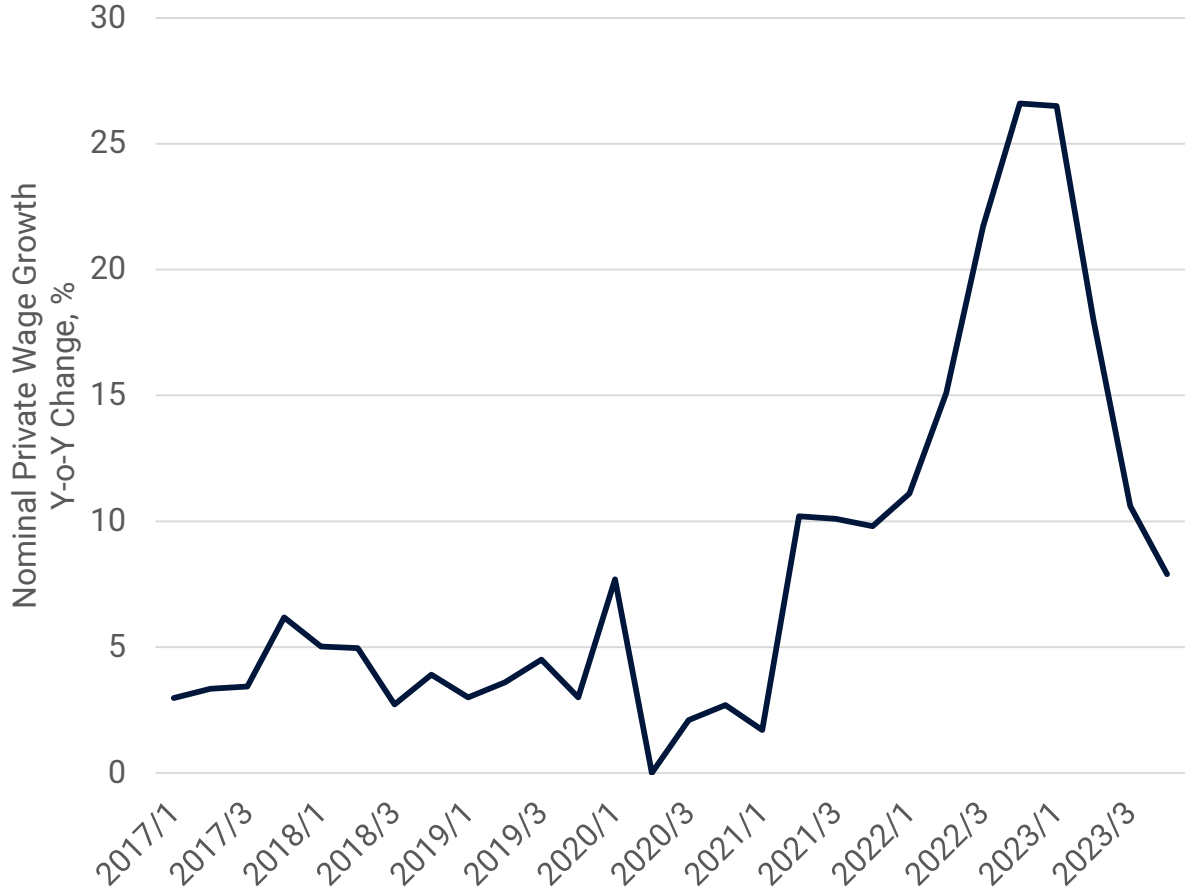


Source: Statistical Committee of Armenia, Central Bank of Armenia

Inflation in Armenia Continues to Remain Low, Primarily Driven by Contractionary Policy Stance Conducted by the CBA, Deflationary Pressures From the External Sector, and the Implications of the Appreciated Dram



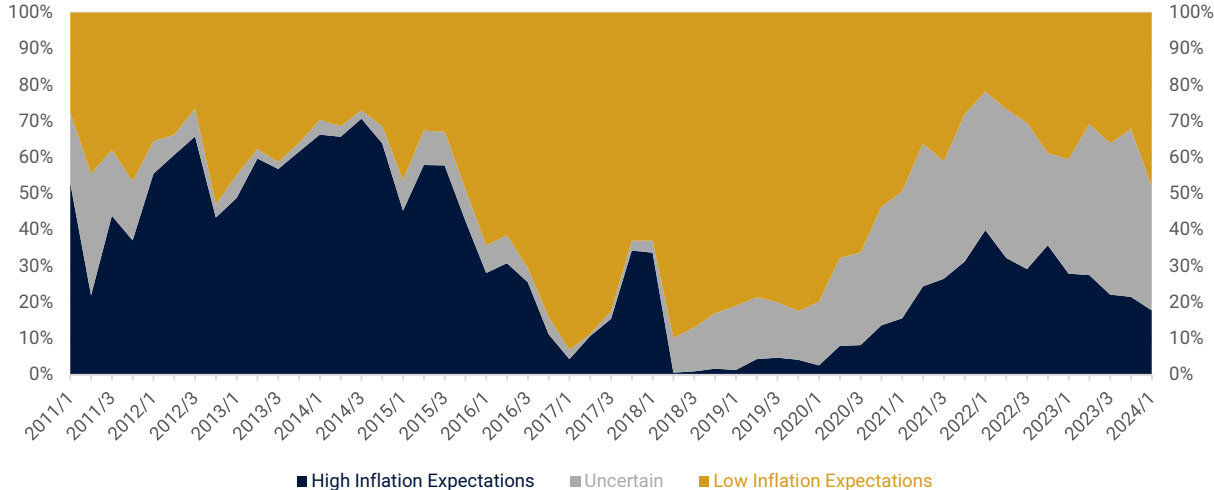
Growth in Labor Supply has Contributed to Somewhat Fewer Imbalances between Aggregate Supply and Aggregate Demand...



Source: Statistical Committee of Armenia

...Which has been Reflected in Cooling Wage Growth, Gradually Declining Non-Traded Sticky Price Inflation, and Lower Inflation Expectations

CBA Survey of Inflation Expectations



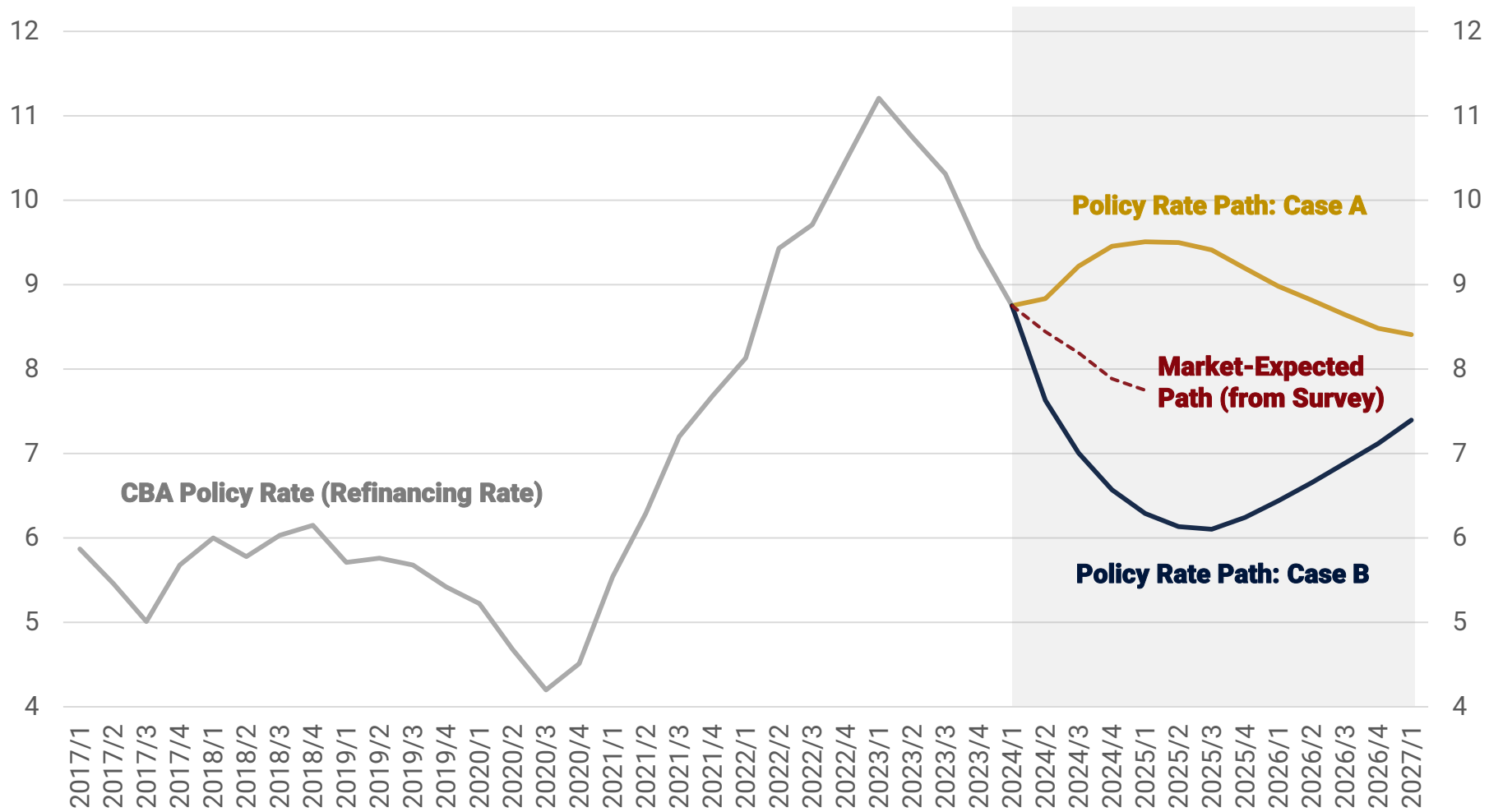
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
High inflation expectations	39.9	32.3	29.2	35.7	27.9	27.5	22.1	21.5	17.8
Uncertainty	38.2	41.1	40.4	25.4	31.6	41.8	41.8	46.3	34.2
Low inflation expectations	21.9	26.6	30.5	38.8	40.5	30.8	36.1	32.2	48.1

Source: Central Bank of Armenia

In the Face of High Uncertainty, and Given its Commitment to Achieving the Price Stability Objective, the Board Considers Multiple Scenarios During its Deliberations



CBA Policy Rate and Scenarios-Based Forward Guidance



Illustrative Case A Scenario:

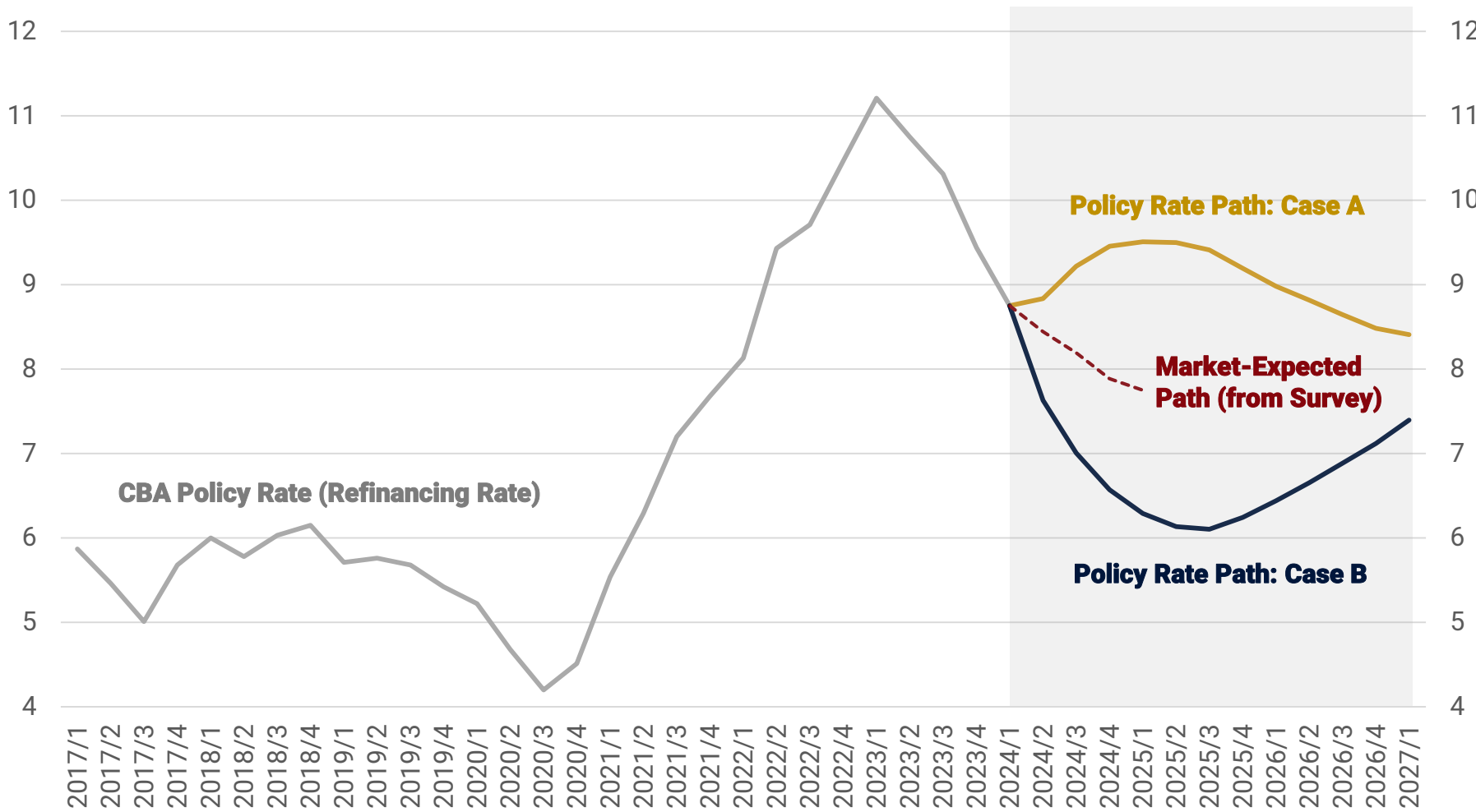
On the one hand, the Board discussed scenarios where possible underlying economic forces, including the potential for inflation expectations to prove to still be high, as well as uncertainty around the country risk premium, would require a tighter policy stance to cool domestic demand, re-anchor inflation expectations, and meet the price stability objective.

Source: Central Bank of Armenia

In the Face of High Uncertainty, and Given its Commitment to Achieving the Price Stability Objective, the Board Considers Multiple Scenarios During its Deliberations



CBA Policy Rate and Scenarios-Based Forward Guidance



Illustrative Case B Scenario:

On the other hand, the Board discussed scenarios where possible underlying economic developments, including a continued broad expansion of labor supply and weakening demand conditions, generate excess supply conditions that contribute to inflation persistently remaining at low levels. This would imply a more rapid and sizable downward policy rate path to sustainably bring inflation to target over the medium term horizon.

Source: Central Bank of Armenia



Balancing the aforementioned risks in both directions, the Board of the Central Bank of Armenia finds it appropriate to continue to gradually ease the policy stance.

The Board will continue to monitor risk scenarios, and stands ready to take adequate actions to ensure that the price stability objective of 4 percent inflation over the medium-term horizon is met.



Thank You