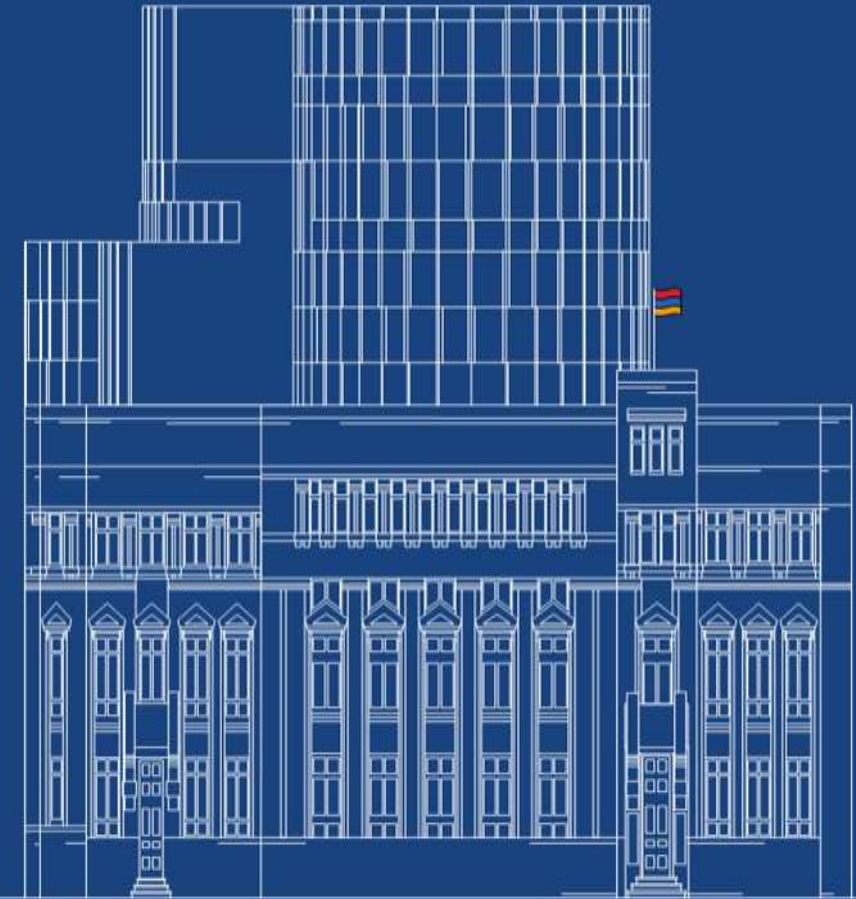


MONETARY POLICY DECISION

13.09.2022



The Central Bank of Armenia



At today's meeting, the CBA Board decided

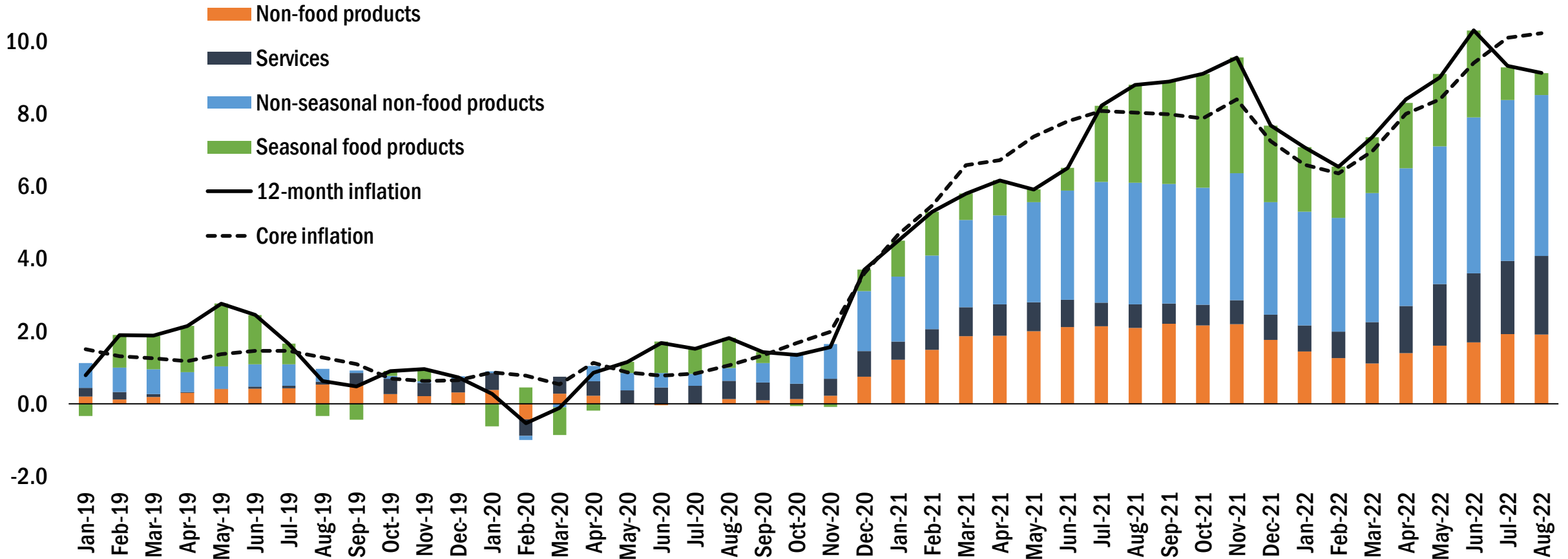
**to raise the refinancing rate by 0.5 pp, setting it at
10.0%**

The Lombard repo facility rate at 11.5%

The deposit facility rate at 8.5%

In August 2022, 12-month inflation decreased to 9.1% at the end of the month. 12-month core inflation continued to grow reaching 10.2%.

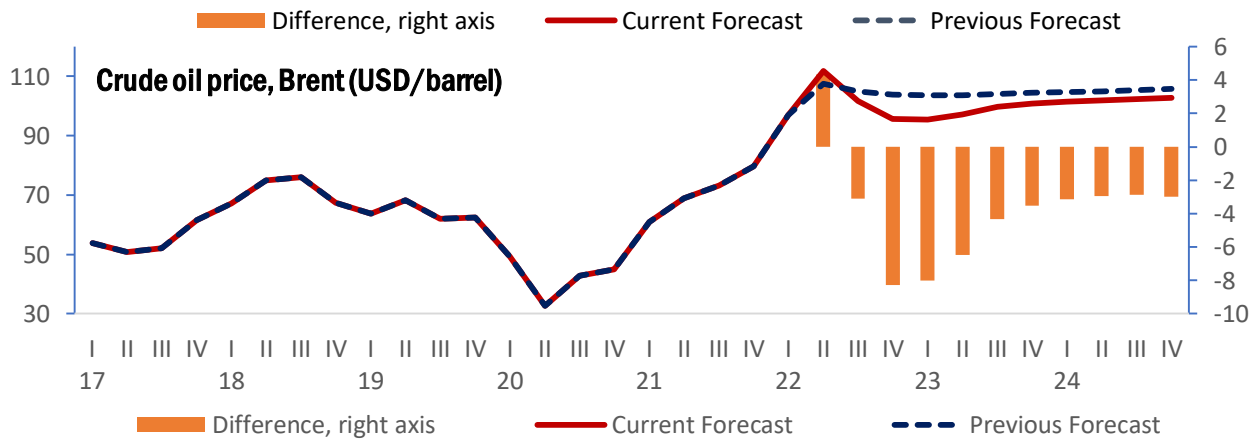
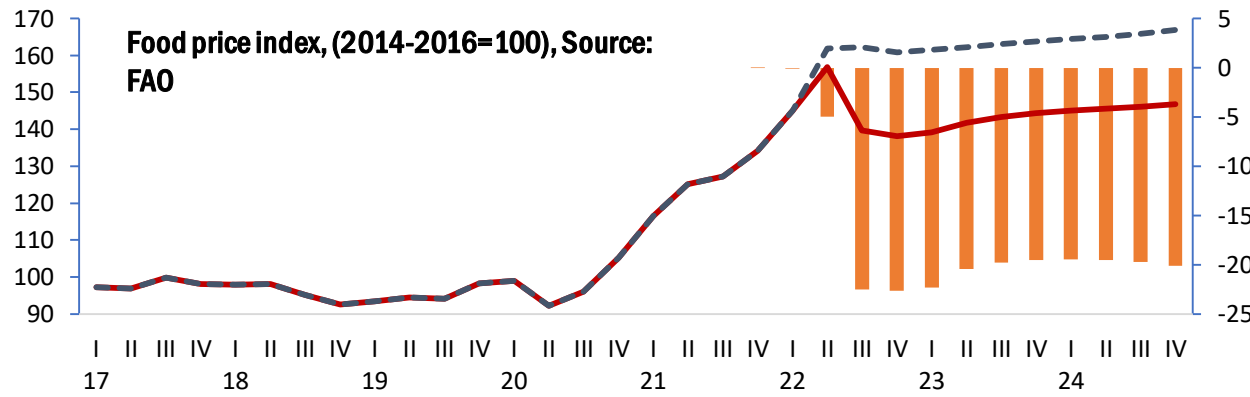
Contribution to inflation (percentage point)



Source: Statistical Committee of RA, Central Bank of Armenia

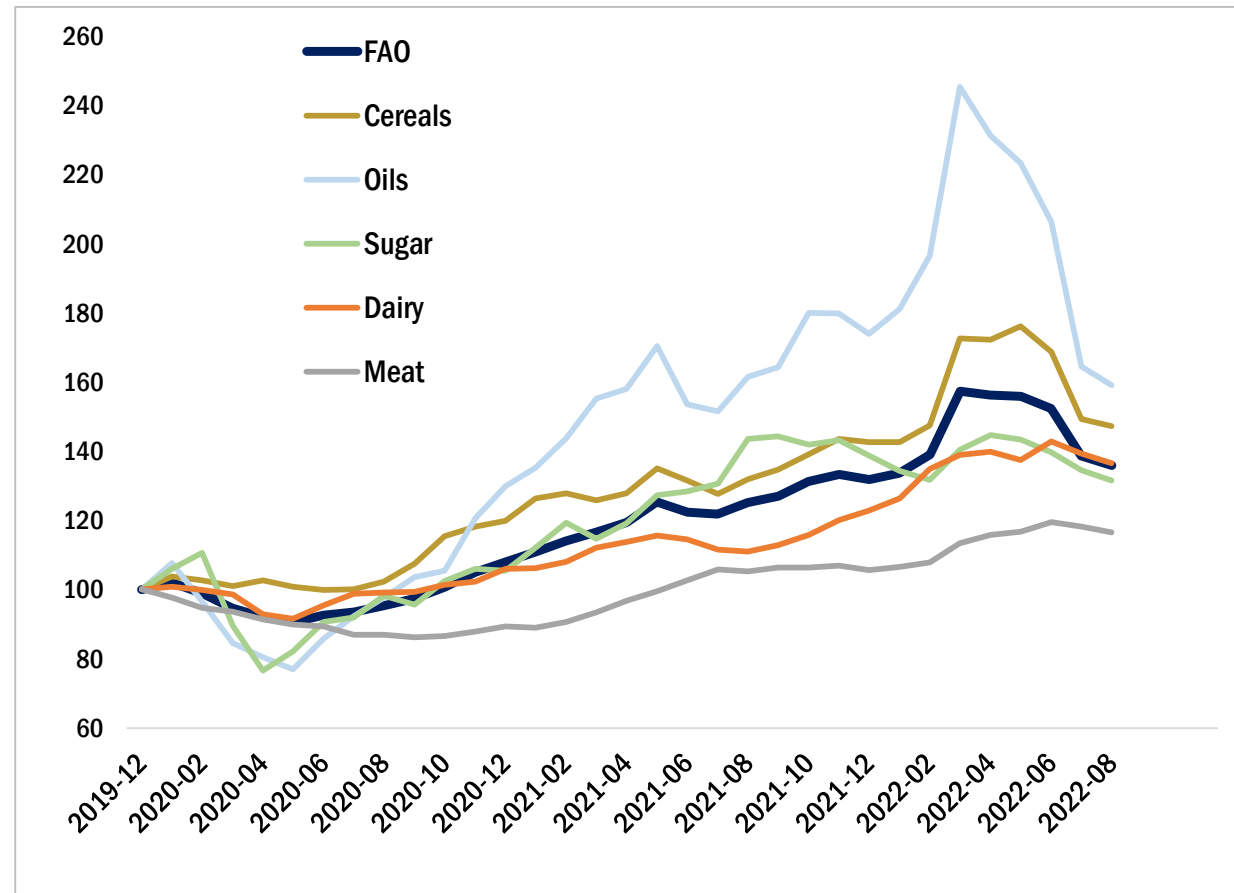
It is expected that inflationary effects from the external sector will subdue

In the third quarter of 2022, low economic growth and high inflation continued to sustain in the main partner countries of Armenia. The central banks of advanced countries will continue to conduct contractionary monetary policy. This will be reflected in the tightening of global financial conditions and in slowing of economic activity. Subsequently, a certain drop of prices will be observed in the international commodity markets, contributing to the gradual easing of the global inflationary environment



Source: CBA Forecasts

International food price index, FAO (2019/12 = 100)



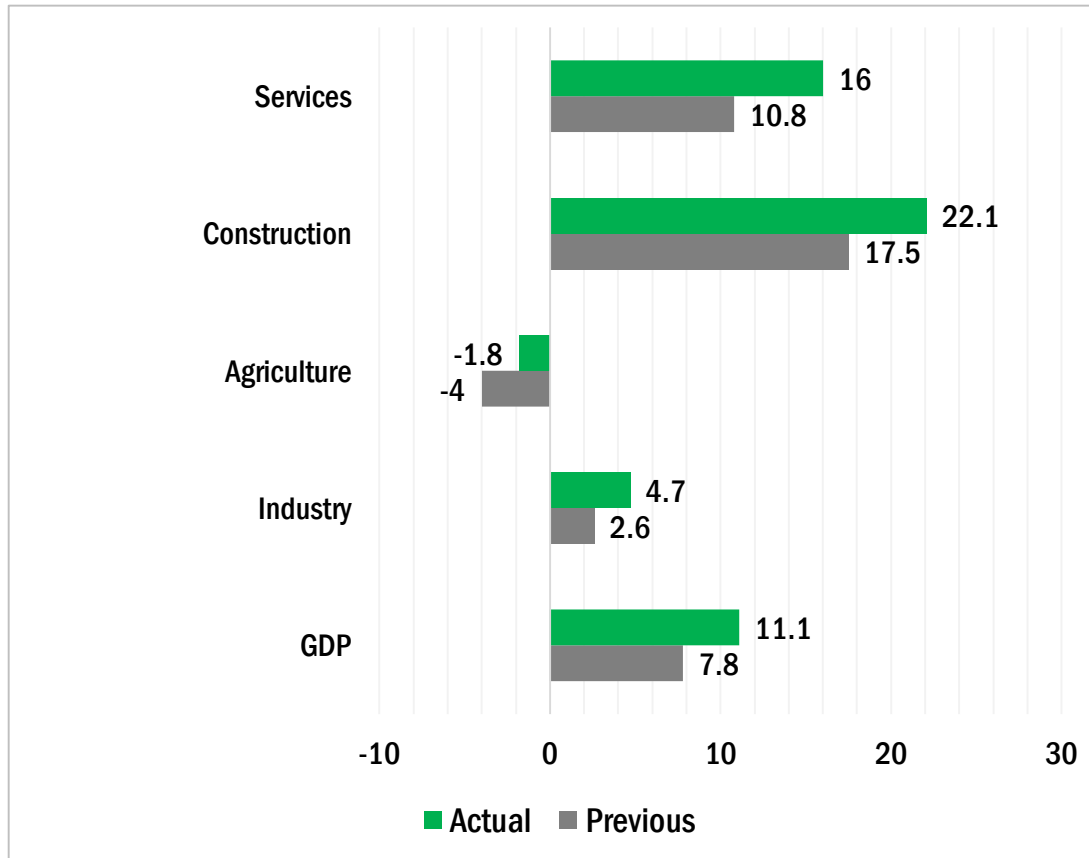
Source: www.fao.org

During the third quarter of 2022, high economic activity continued to be observed in Armenia

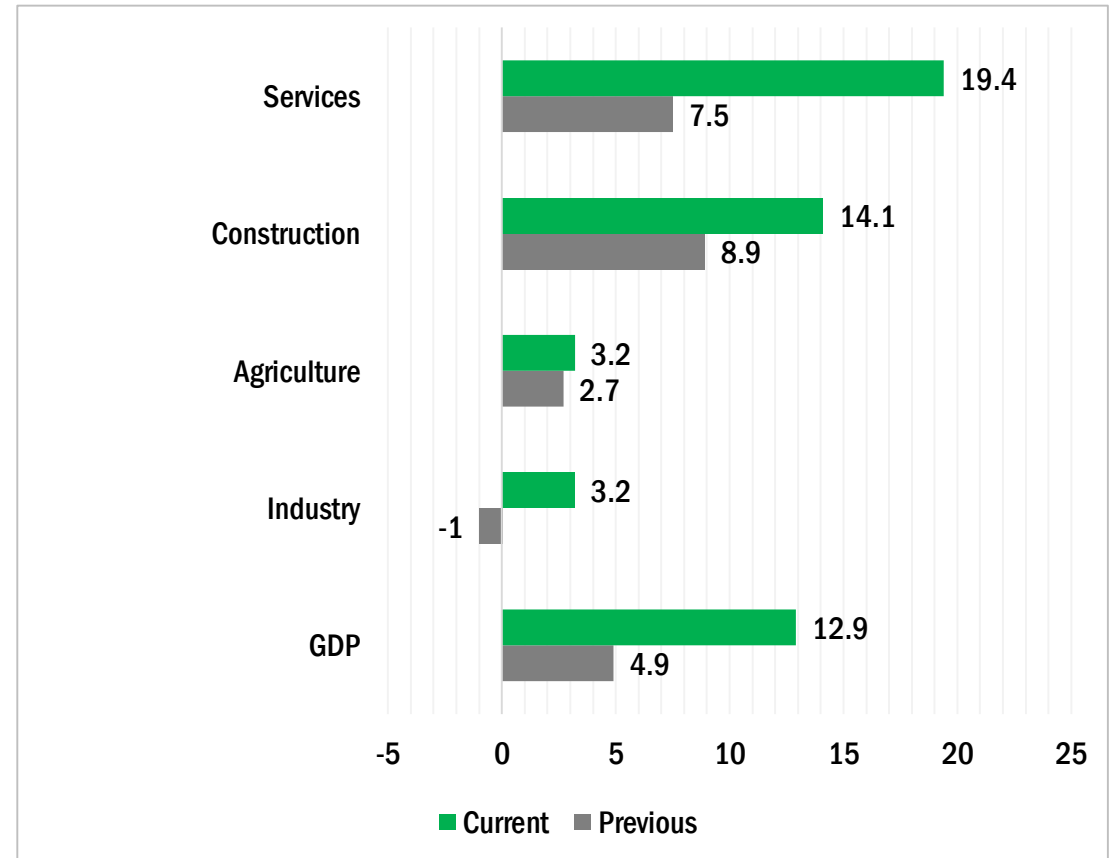
It mostly is witnessed in services and construction sectors

Positive developments continue in the export sector as well. High economic growth is predominantly driven by the demand factors. Again, its main contributors are the significant influx of international visitors and remittances

GDP annual growth rate (2022H1)



GDP annual growth rate (2022)

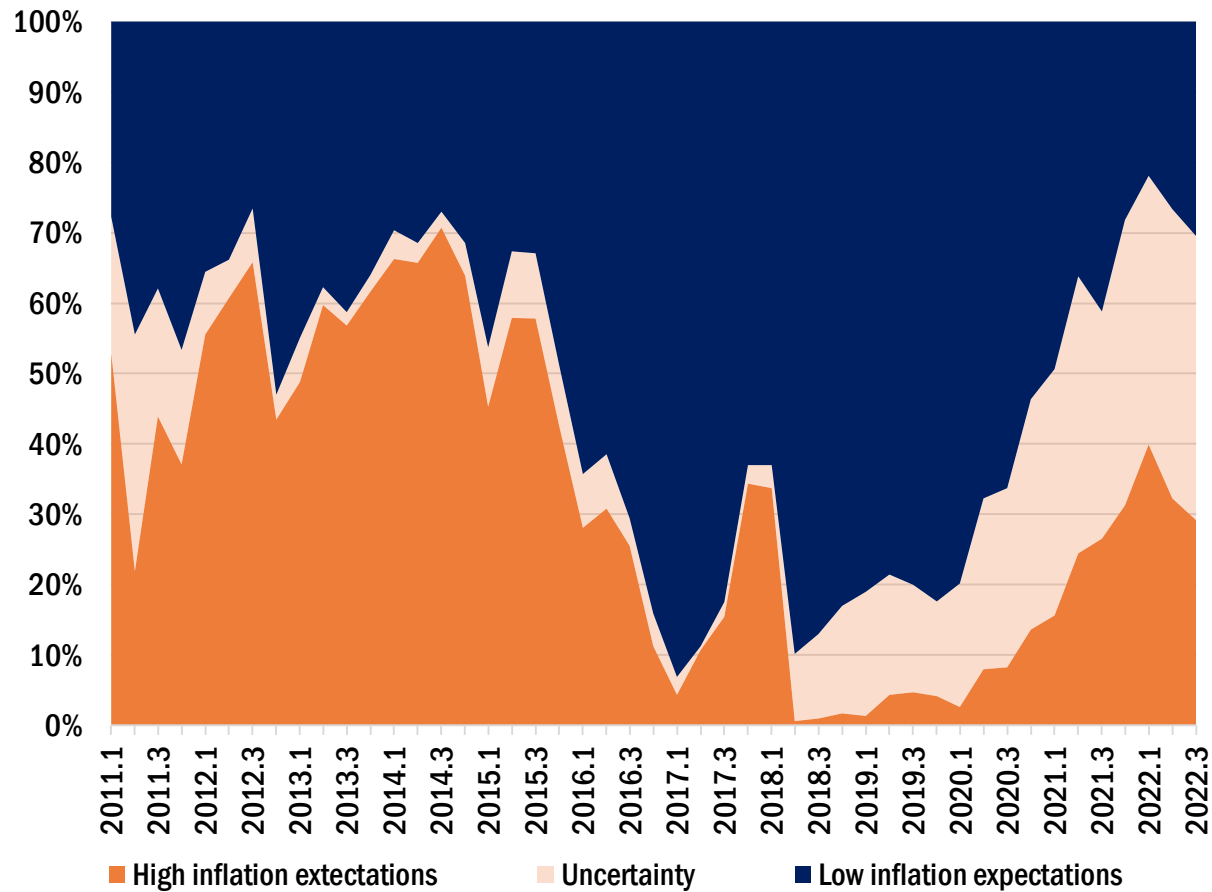


Source: SC of RA, CBA forecasts

High demand contributes to the expansion of the inflationary environment and persisting high inflationary expectations

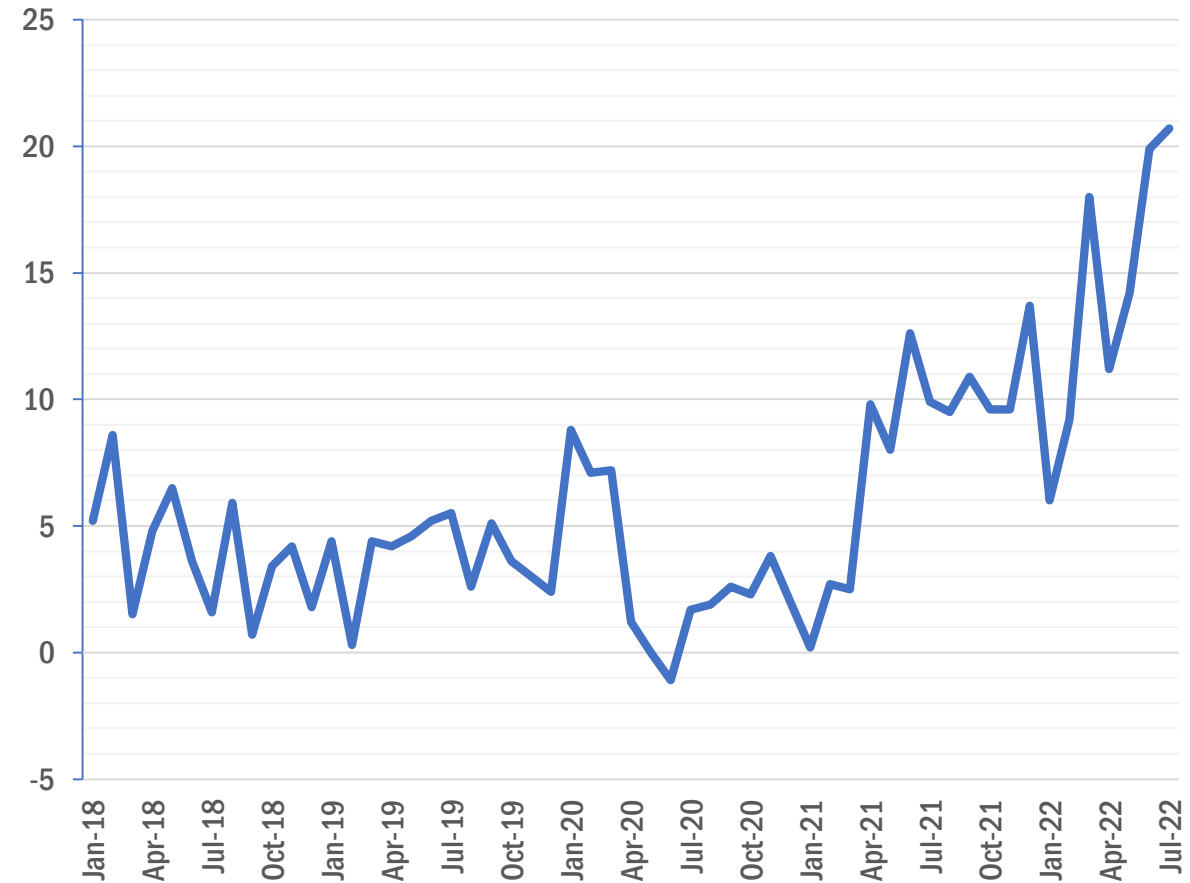
Relatively contractionary monetary policy and dram appreciation will gradually contribute to curbing demand and reducing inflationary expectations

Share of high inflation expectations and uncertainty (Central Bank survey)



Source: CBA

Private nominal wages (YoY growth rate, %)



Source: Statistical Committee of RA

CBA BOARD

... finds it appropriate to raise the policy rate and set it at 10.0%

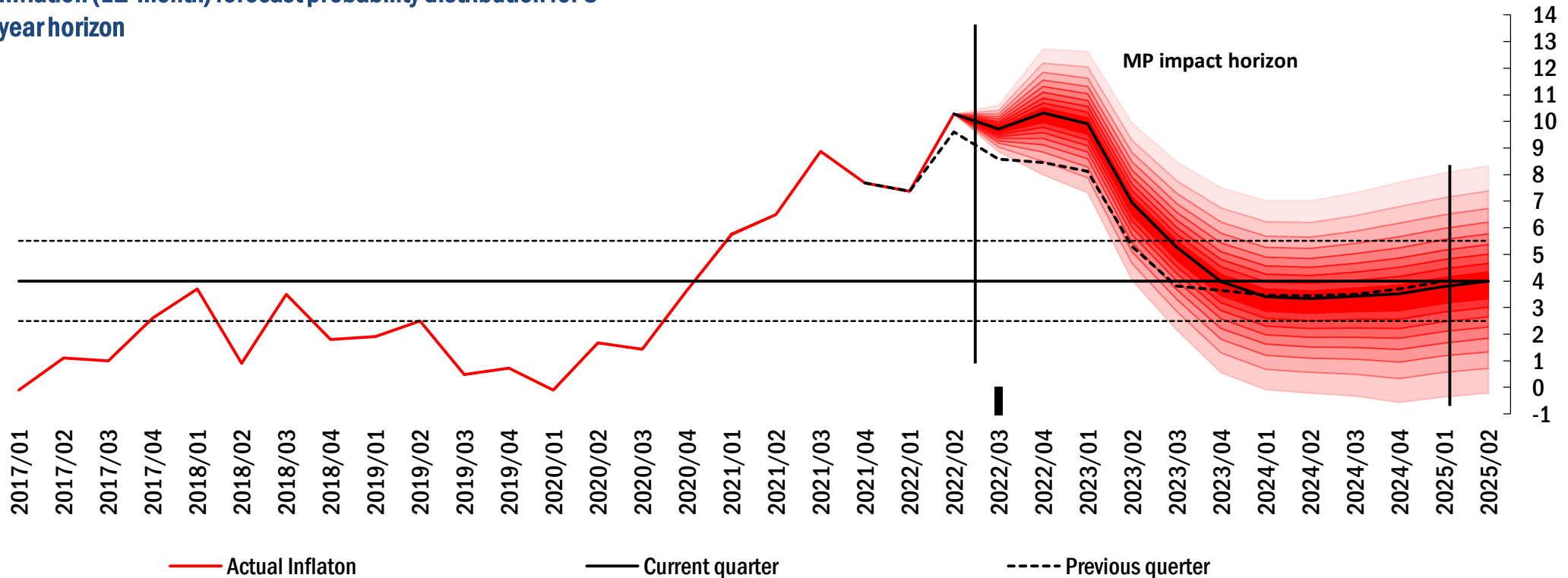
The CBA Board is consistent in taking adequate actions to stabilize inflation and to offset any risk of deanchoring of inflation expectations

In line with the outlined monetary policy scenario, the 12-month inflation will gradually decline and from the end of 2023 will stabilize around the 4% target

The CBA Board considers that the risks of inflation deviation from the projected trajectory are mainly balanced. Should the risks materialize in any direction, the Board stands ready to respond accordingly in fulfilment of the price stability objective

At the end of 2022 inflation will amount to 10.3%

Inflation (12-month) forecast probability distribution for 3-year horizon



Source: CBA forecasts

THANK YOU FOR ATTENTION

Detailed information on the basis for determining the interest rate can be found in the Inflation report (Monetary policy program, 2022 third quarter) to be published by September 28, 2022.



The Central Bank of Armenia

