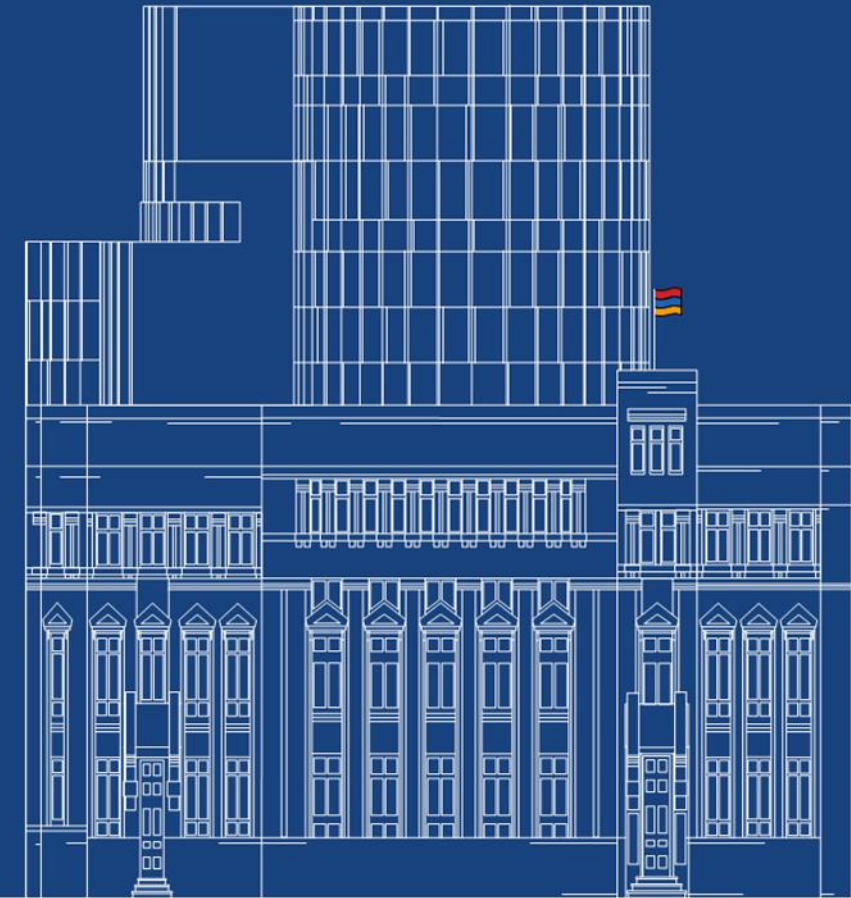


MONETARY POLICY DESICION

13. 06. 2023



The Central Bank of Armenia



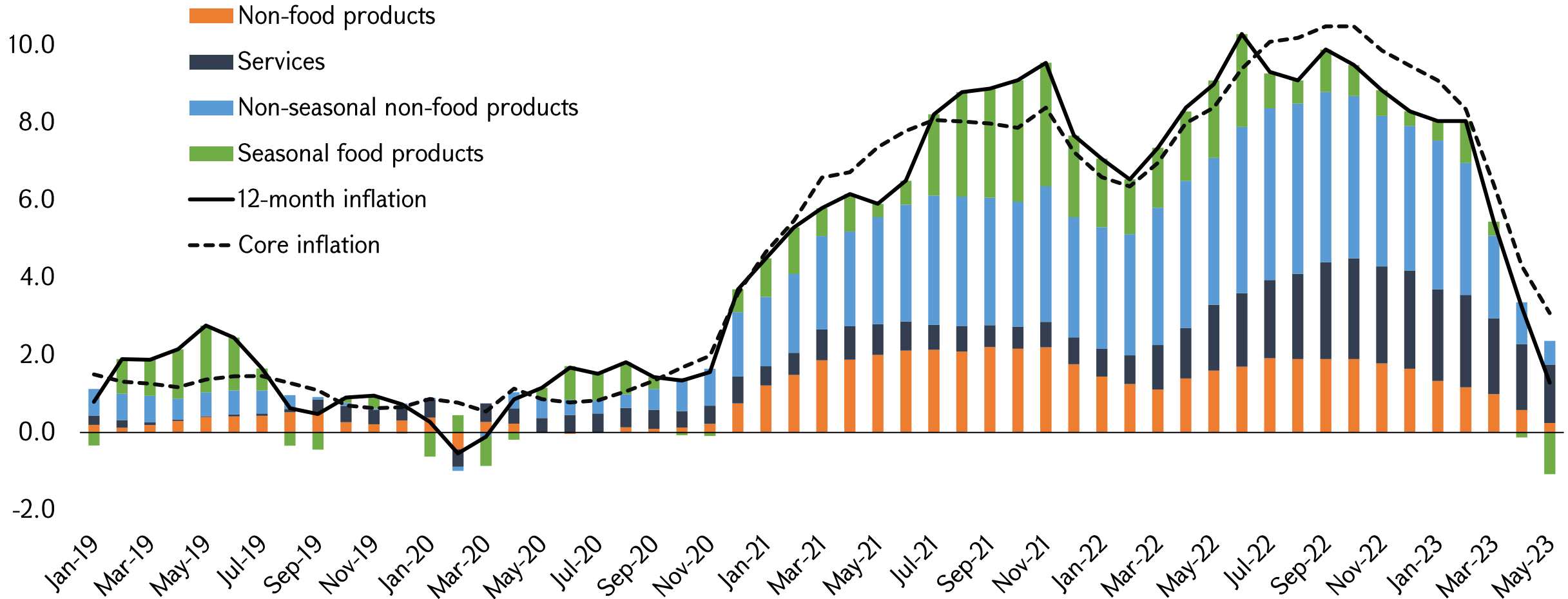
At today's meeting, the CBA Board decided
to reduce the refinancing rate by 0.25
percentage points to 10.5%.

The Lombard repo facility rate at 12.0%

The deposit facility rate at 9.0%

In May 2023, the 12-month inflation continued to decrease to 1.3% at the end of the month. The 12-month core inflation also reduced significantly, reaching 3.1%.

Contribution to inflation (percentage point)

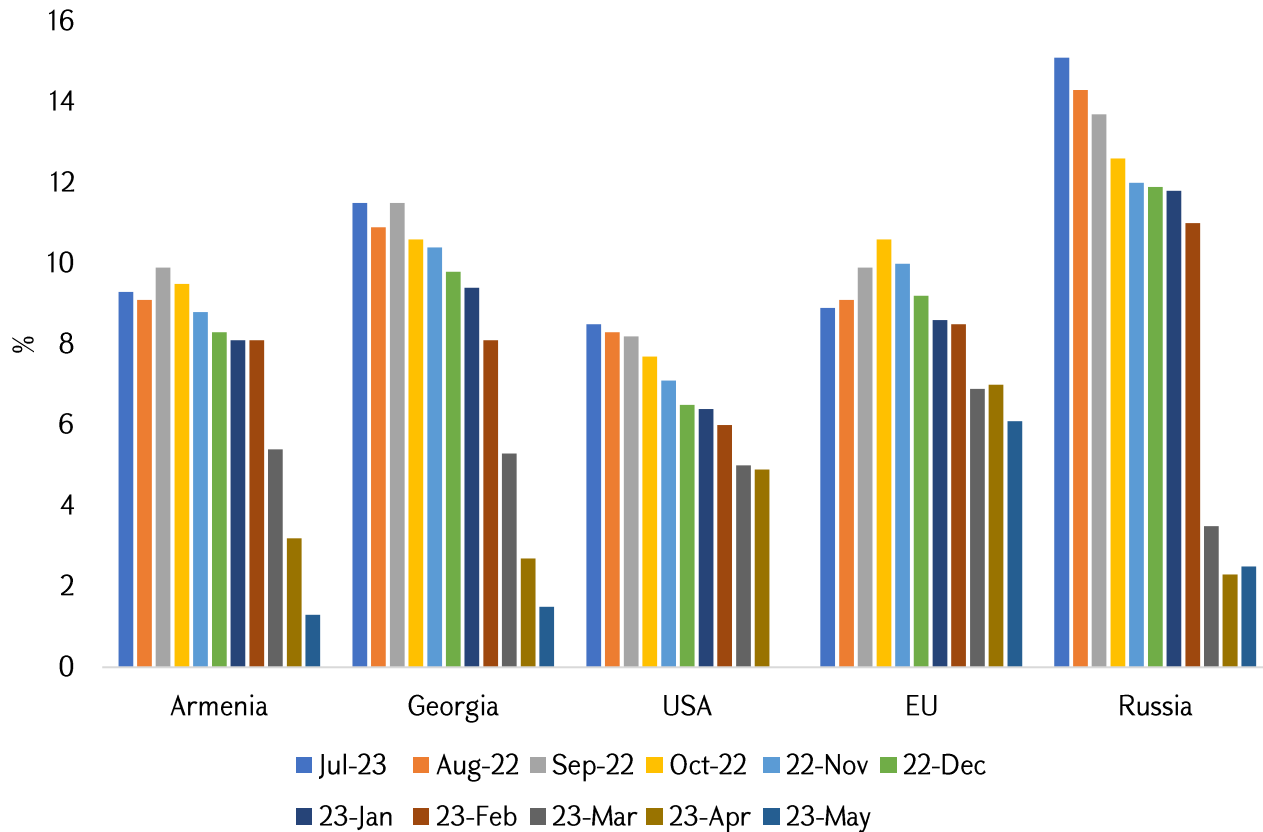


The inflationary effects of the global economy on the Armenian economy keep on weakening considerably.

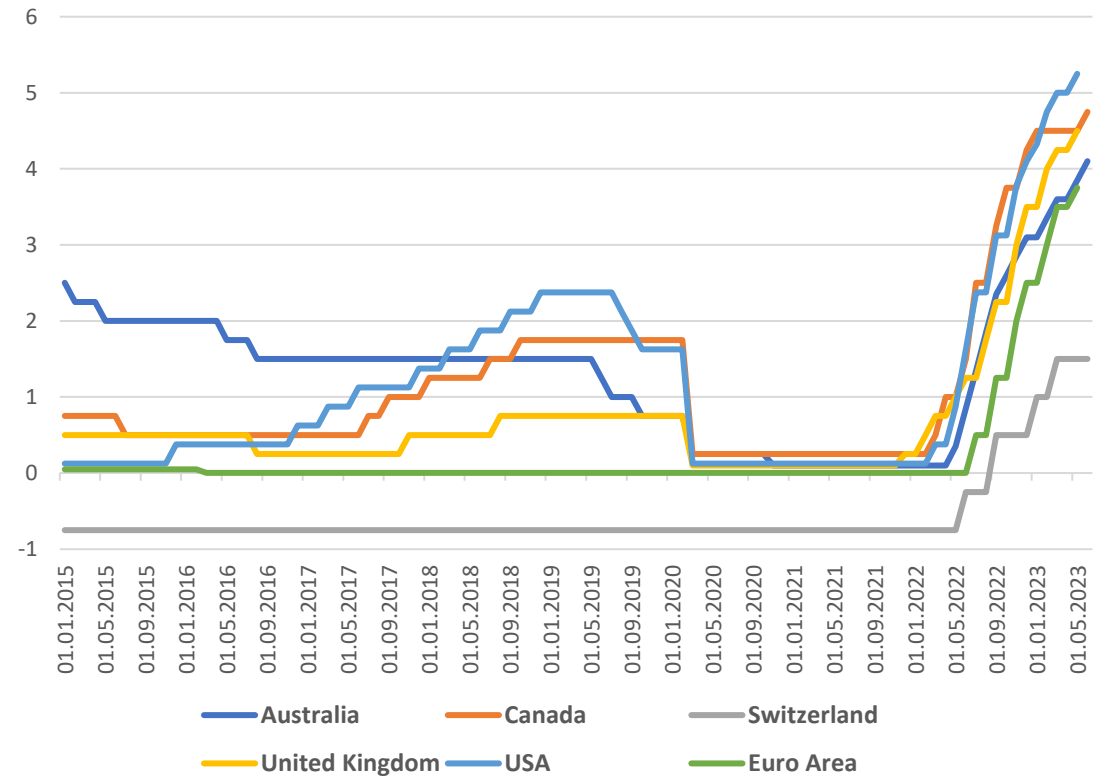
In the second quarter of 2023, the rates of economic growth in the world and main partner countries of Armenia remain slow, and the 12-month inflation continues to decrease. However, in all partner countries sticky price inflation remains high amid sustained inflationary pressures coming from labor markets.

the central banks of partner countries will further conduct a tight monetary policy in the near term.

Inflation in partner Economies, YoY growth, %



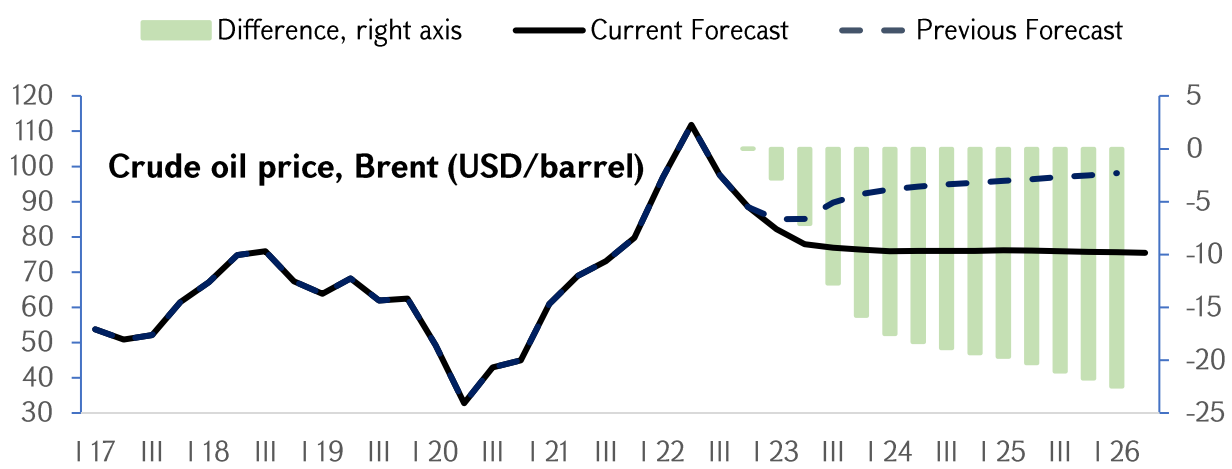
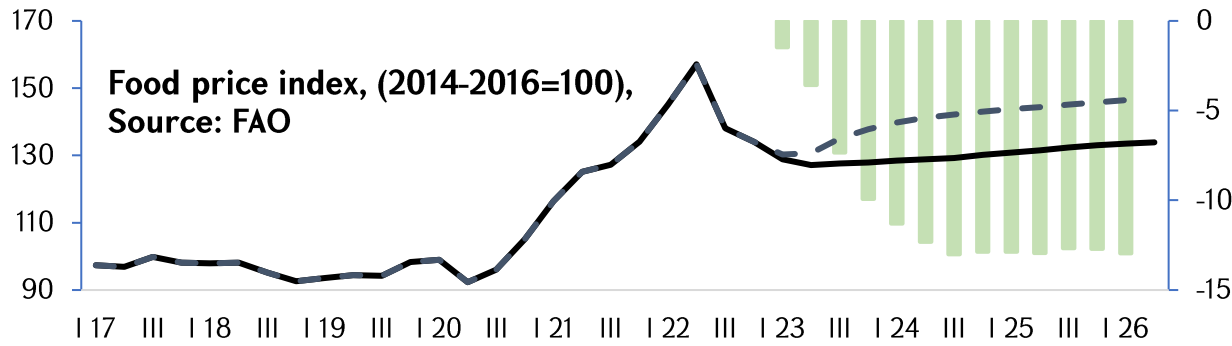
Policy rates in some developed economies, %



Source - BIS, Central banks of corresponding countries

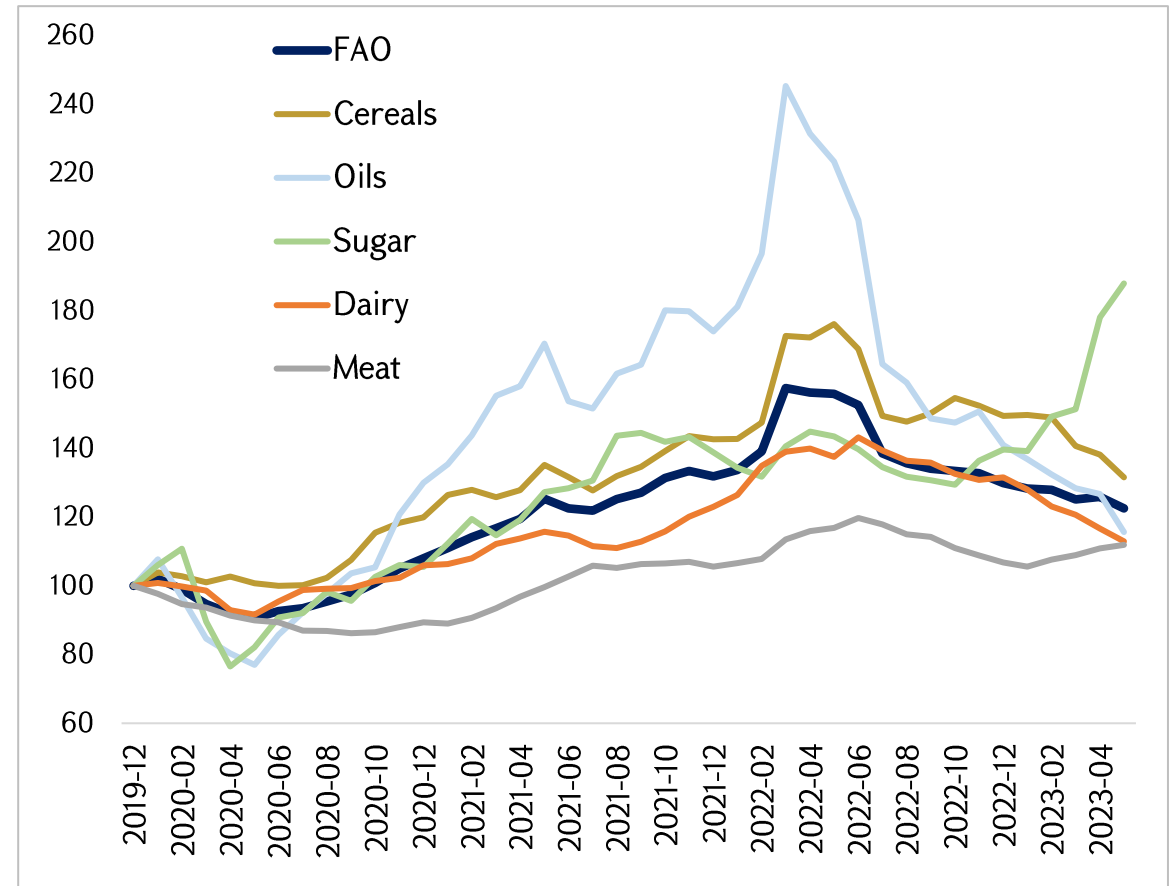
The inflationary effects of the global economy on the Armenian economy keep on weakening considerably.

Continued weakening of demand in the wake of tight financial conditions is contributing to lower prices in commodity markets.



Source: CBA Forecasts

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

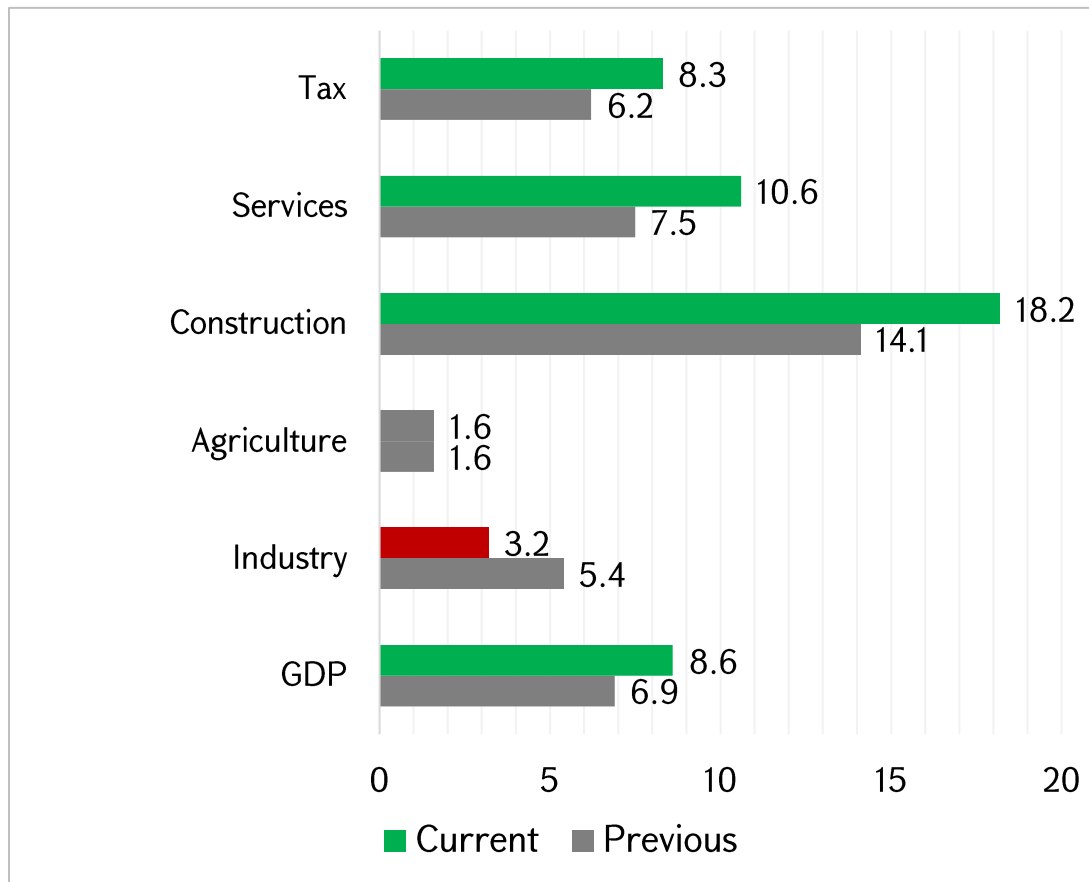


Source: www.fao.org

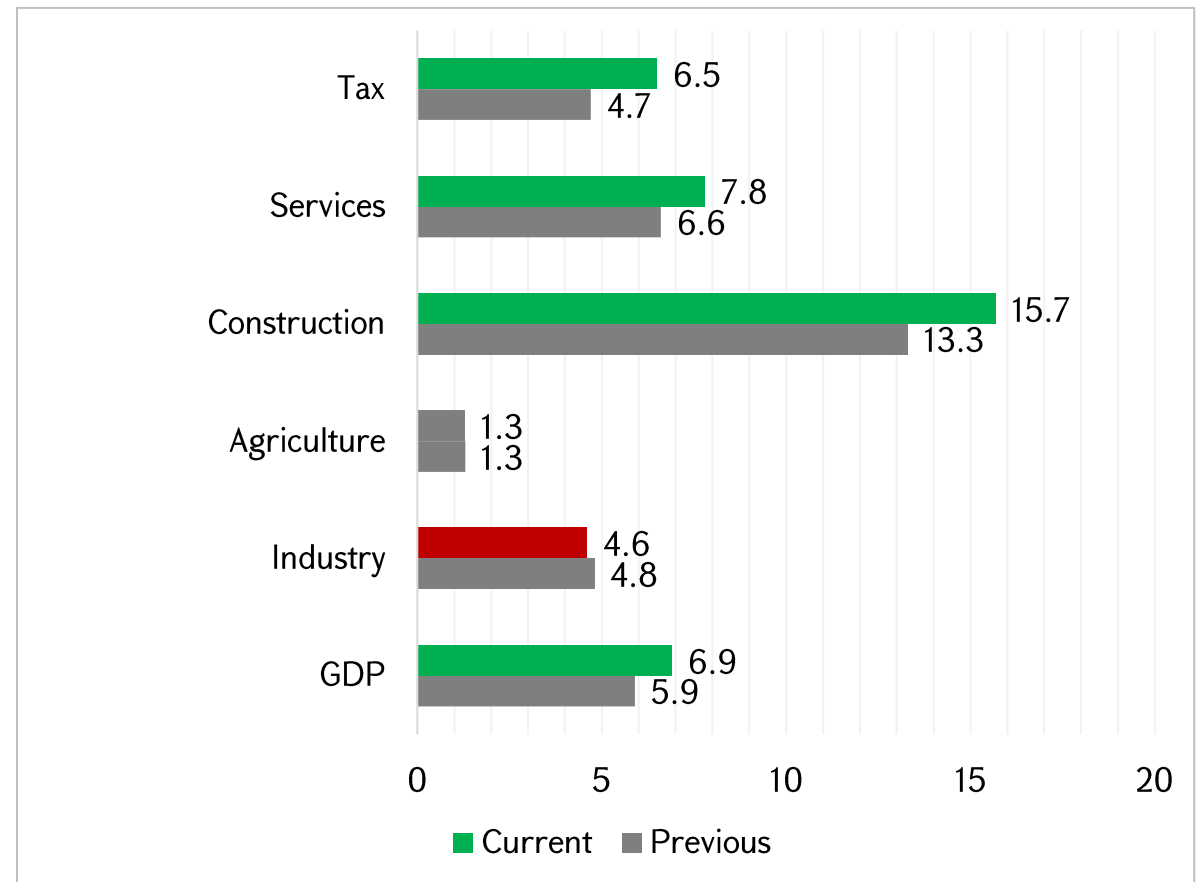
A higher than expected economic activity is observable in Armenia in the second quarter of 2023, which is mostly driven by strong growth reported in the construction and services sectors.

Positive shifts seen in the labor market and the increase in productivity are also leading to a certain acceleration of the potential growth rate of the economy. On the other hand, sustained high external demand and increased income in the economy contribute positively to demand expansion.

GDP annual growth rate (2023Q2)



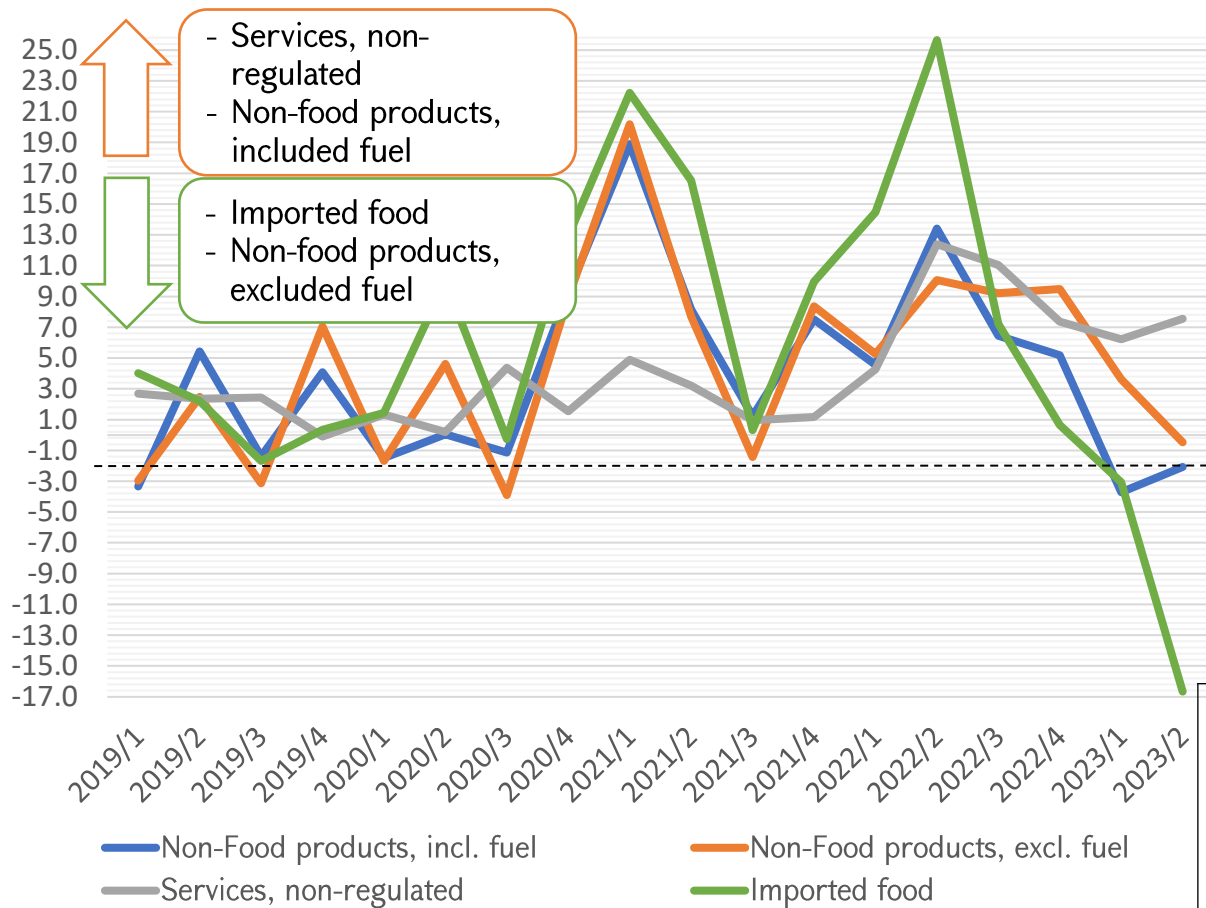
GDP annual growth rate (2023)



The inflation environment in Armenia continues to mitigate rapidly owing to the notably weakened inflationary impact from the external sector, the implemented contractionary monetary policy and the appreciation of the dram.

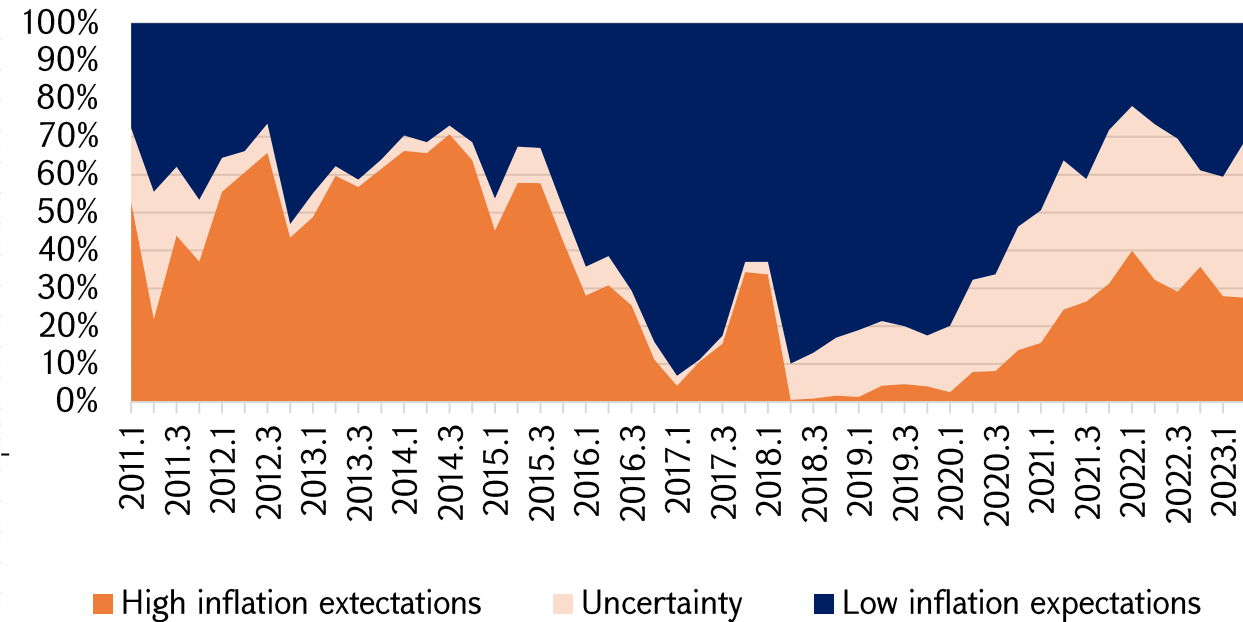
However, price inflation of services and some goods is adjusting more slowly in the light of high demand and inflation expectations.

Some components of consumption basket, QoQ annualized



Source: Statistical Committee of RA

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



	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2
High inflation expectations	15.6	24.4	26.5	31.2	39.9	32.3	29.2	35.7	27.9	27.5
Uncertainty	35.0	39.4	32.4	40.6	38.2	41.1	40.4	25.4	31.6	41.8
Low inflation expectations	49.4	36.2	41.1	28.2	21.9	26.6	30.5	38.8	40.5	30.8

Source: Statistical Committee of RA

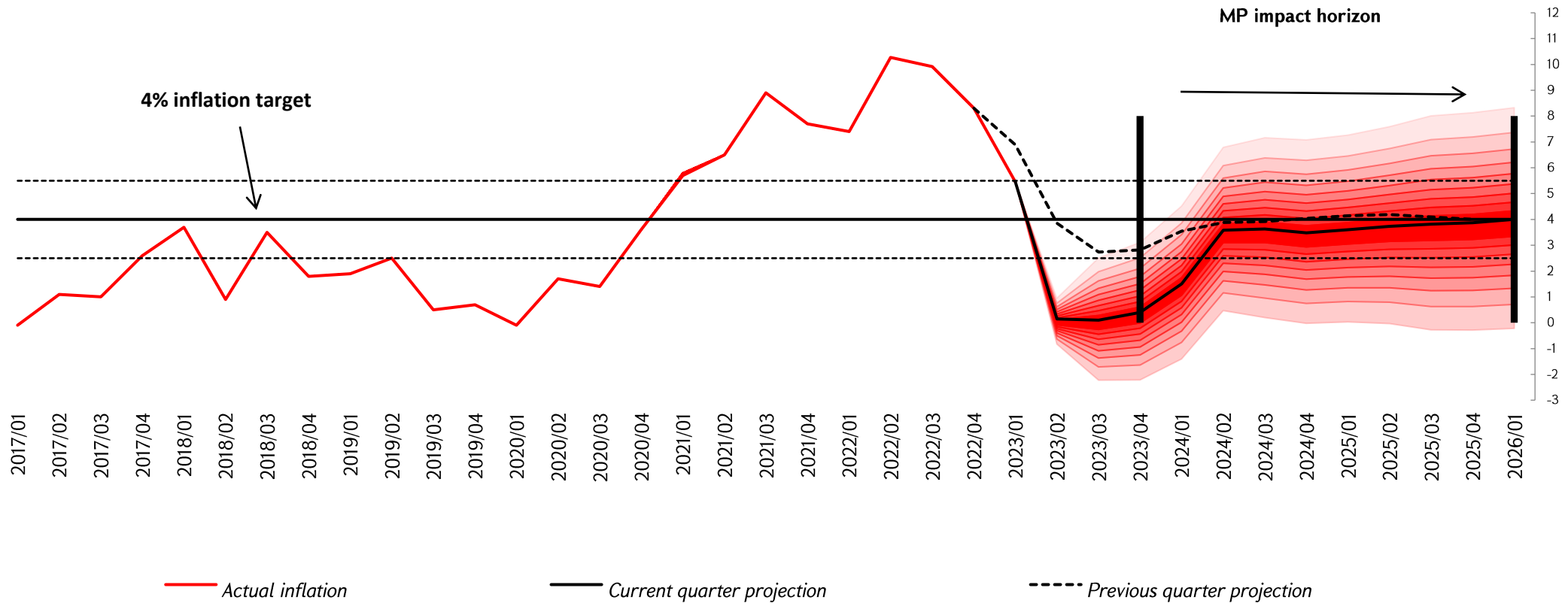
CBA BOARD

... finds it reasonable to reduce the policy rate.

The Board will be consistent in taking action to handle demand and stabilize inflation expectations.

According to the outlined monetary policy scenario, the 12-month inflation will remain below the target value in the near future and stabilize around the 4% target in the medium term.

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





THANK YOU FOR ATTENTION

Detailed information on the basis for determining the interest rate can be found in the Inflation report (Monetary policy program, 2023 second quarter) to be published by June 27, 2023.

