

# Refinancing Rate Set at 8.0 percent

2022-02-01

*Refinancing Rate Set at 8.0%*

At February 1, 2022 meeting, the CBA Board decided to raise refinancing rate by 0.25 percentage points, setting it at 8.0%.

12-month inflation in December 2021 decreased to 7.7%. 12-month core inflation dropped in line with the CBA projections and totaled 7.3%.

Economic recovery continues in the main partner countries of Armenia. Amid higher energy prices and production chains' disruptions, high inflationary environment in the international markets of food and commodities persists. The increase in international prices is further reflected in a higher-than-projected level of inflation in the partner countries. To this end, Central Banks of the partner countries plan to tighten monetary conditions at a faster than expected pace. As a result, the external sector will still have an inflationary impact on the Armenian economy.

A new wave of the pandemic is spreading rapidly in Armenia, but its impact on the economy is presumably mild. At the end of 2021, higher-than-expected economic activity was observed in the construction and industry sectors. The Board agrees that aggregate demand remains high due to external demand, thus still conducting to the inflationary environment. The latter, as well as the expected changes in regulated prices, are reflected in the dynamics of inflation expectations.

In view of the above, the Board judges appropriate to increase the refinancing rate. Due to these policy actions, 12-month inflation will gradually decrease and approach the 4% target in the forecast horizon.

The Central Bank Board considers that given geopolitical developments, the uncertainty related to the macroeconomic prospects is still high. At the same time, risks of inflation deviating from the projected path are mainly upwards. Should these risks materialize, the Board stands ready to respond accordingly in fulfilment of the price stability objective.

Detailed information on the interest rate decision will be available in the Press Release to

be published by February 15, 2022 (Interest Rate Statement).