

Refinancing Rate Set at 9.25 percent

2022-06-14

Refinancing Rate Set at 9.25%

At June 14, 2022 meeting, the CBA Board decided to leave the refinancing rate unchanged, at 9.25%.

In May 2022, 12-month inflation grew to 9.0%. Meanwhile, the 12-month core inflation grew as well, making 8.4%.

The Russian-Ukrainian conflict continues to have a negative impact on the economic and financial market developments in Armenia's main partner countries. Continuing disruption of the global value chains and the rise in prices in international commodity markets is leading to an expansion of global inflationary environment. Central banks of the advanced economies have been tightening monetary policy conditions at a relatively faster pace. As a result, inflationary impact on the Armenian economy from the external sector still persists.

In the second quarter of 2022, the Armenian economy stayed exceedingly active. Substantial influx of international visitors and the augmented domestic private spending have been contributing to the growth of the services sector and the aggregate demand. This resulted in an expansion of general inflationary environment and higher inflation expectations. The significant growth of services exports and financial inflows also contribute to the appreciation of the Armenian dram in foreign exchange markets. It is expected that in the near future the latter will have a positive impact on mitigation of the domestic inflationary environment.

In view of the above, the Board judges appropriate to leave the policy rate unchanged.

The CBA Board will be committed to take adequate measures to control inflation and neutralize any risk of deanchoring of inflation expectations. In the medium term, the 12-month inflation is projected to gradually decline to a 4% target.

The CBA Board considers that as a result of the geopolitical developments, the uncertainty of macroeconomic perspective still persists. At the same time, the risks of inflation deviation from the projected trajectory are mostly balanced. Should the risks materialize in any direction, the Board stands ready to respond accordingly in fulfilment of the price

stability objective.

Detailed information on the basis for determining the interest rate can be found in the Inflation Report to be published by June 28, 2022 (Monetary Policy Program for the second quarter of 2022).