

Refinancing Rate Set at 9.5 percent

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At the August 2, 2022 meeting, the Board of the Central Bank of Armenia decided to raise the refinancing rate by 0.25 pp, setting it at 9.5%.

In June 2022, the 12-month inflation continued to rise, amounting to 10.3%. The 12-month core inflation also increased, reaching 9.4%.

Disruptions to global supply chains persisted during the second quarter. A slowdown in economic activity is observable in the main partner countries of Armenia. Certain easing of inflationary pressures is noticeable in the international commodity market, with prices however remaining at a historically high levels. Central banks of developed countries continue to tighten monetary conditions. This will contribute to the gradual containment of the global inflationary environment. Thus, the inflationary influence on the Armenian economy from the external sector will weaken to a certain extent, but it will still be persisting in the near future.

Armenia's economy recorded higher than expected activity in the second quarter of 2022. It was particularly evident in the service sector. Positive developments were also recorded in the industry and exports. Demand factors dominate in the shaping of high economic growth. The latter continues to be largely determined by the significant inflow of international visitors and remittances from Russia. High demand leads to expanding of the headline inflation environment and maintaining of high inflation expectations. The appreciation of the Armenian dram partially offsets the increase in inflation.

In the current situation, the Board of the Central Bank of Armenia finds it appropriate to raise the policy rate. The CBA Board will be committed to take adequate measures to control inflation and neutralize any risk of deanchoring of inflation expectations. Under the presented monetary policy scenario, the 12-month inflation will gradually decrease and approach the 4% target in the medium-term horizon.

The Board of the Central Bank estimates that the uncertainty over the macroeconomic outlook remains. At the same time, the risks of inflation deviating from the projection path are mostly balanced. In the case of risks emerging in any direction, the Board will

adequately react and ensure the goal of price stability.

Detailed information on the basis for determining the interest rate can be found in Press Release (Minutes on Interest Rate) to be published by August 16, 2022.