

Refinancing Rate Set at 10.5 percent

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At the November 1, 2022 meeting, the Board of the Central Bank of Armenia (CBA) decided to raise the refinancing rate by 0.5 percentage points, setting it to 10.5%.

In September, 2022, the 12-month inflation rose amounting to 9.9%. The 12-month core inflation also increased, reaching 10.5%.

Slowing trends of economic activity are observed in the global economy. The central banks of advanced countries continue to significantly tighten monetary conditions. This is expressed by a certain drop in prices in international commodity markets, however, headline inflation in the main partner countries of Armenia is still high. Notwithstanding certain recovery in supply chains, risks related to their disruptions in individual markets remain. As a result, weak inflationary effects on the Armenian economy from the global economy are expected.

In the third quarter of 2022, the trends of high activity in the Armenian economy are persisting. The economic growth primarily bears the positive effects of external demand, reflected as a significant increase in the services sector. Continued increase in the inflow of international visitors and money transfers from the Russian Federation contributes to the expanding of demand. This is also expressed in the improvement in Armenia's external balance position and dram exchange rate appreciation. High demand also contributes to the heating of labor market, the expanse of overall inflationary environment and persistence of high inflation expectations. In current circumstances, the conduct of contractionary and coordinated fiscal and monetary policy is important.

In the current situation, the Board of the CBA finds it appropriate to raise the policy rate. A relatively tightening monetary policy and the dram appreciation will gradually contribute to containing demand and reducing inflationary expectations. The Board of the CBA will be consistent in taking adequate actions to stabilize inflation and absorb any risk of de-anchoring inflation expectations. In accordance with the monetary policy scenario, the 12-month inflation will gradually decrease and stabilize around the 4% target in the medium run.

The Board of the CBA estimates that the risks of inflation deviating from the projected path are mainly balanced; should such risks materialize in either direction, the CBA will respond accordingly to fulfil of the price stability objective.

Detailed information about setting of the interest rate level will be available in Press Release (Minutes on Interest Rate) to be published by November 15, 2022.