

Annual report 2018

2019-04-26

Chairman's message

Dear reader,

This is the annual report of the Central Bank of the Republic of Armenia for the year 2018. In 2018 the Central Bank carried out its activities in line with the new provisions introduced to the Law on the Central Bank of Armenia as part of constitutional reforms. The primary goals of the Central Bank, according to the amendment, are to maintain price stability and financial stability in the Republic of Armenia. The Central Bank always attached importance to financial stability, but with legislative change it was identified as an ultimate goal. Looking to both goals at the same time is nowadays an imperative to global developments, and the Central Bank has attempted to fulfil them throughout the year.

In ensuring price stability, the Central Bank has implemented an expansionary monetary policy in a low inflation environment: the policy rate persisted at a low level throughout the year, even in spite of interest rate increases globally. During 2018 inflation expectations weakened; demand for the national currency has increased, reflecting the structure of deposits of households that has grown by value. A sustainable financial system has allowed us to increase the intermediation. Lending growth rates proved high not only in consumer and mortgage but industry and construction segments as well. With a view to increasing the accessibility of credit in priority sectors of the economy, the Central Bank cooperated with the Government of Armenia and international partner financial institutions.

Moderate monetary conditions and a macro-prudential policy pursued by the Central Bank sustained continued access to financial services while the maturity of loans and their interest rates tended to decrease, which is a result of increased competition in the financial system. In 2018 the International Monetary Fund and the World Bank carried out a financial system's assessment program, with round-up results showing that the financial system was estimated as stable and the regulatory and supervisory frameworks nearly 97% compliant with the Basel Principles of Banking Supervision. The banking system is estimated to be sufficiently liquid and capitalized.

Year 2018 marked a landmark event the 25th anniversary of the national currency of the Republic of Armenia, a key symbol of statehood. The third series of banknotes with best security features have entered into circulation and are expected to serve longer due to increased quality. The Central Bank will continue to ensure price stability and financial stability two pillars of macroeconomic stability, using its authority vested under the law, and the financial system will be able to serve the economy in the long-term perspective.

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Governor
ARTHUR JAVADYAN