

Status Report on Implementation of the Monetary Policy Program (Q2, 2021 - Q1, 2022)

2022-05-31

(2022/1) In the period from the 2nd quarter of 2021 to the 1st quarter of 2022, a high inflationary environment persisted in Armenia. With the widespread use of coronavirus vaccines world-wide, the impact of the pandemic on the global economy has been significantly mitigated. As a result, economic activity and aggregate demand recovered faster than expected during the reporting period. At the same time, with the growth of demand, external inflationary environment has significantly expanded because of the disruption of value chains. Another negative factor that emerged in the first quarter of 2022, was the escalation of the Russian-Ukrainian conflict and the imposition of severe sanctions on Russia since the end of February, leading to unprecedented uncertainties in international commodity markets. Amid this situation, a significant impact of inflation has been transferred to the prices of the RA commodity market through a number of imported goods, which in turn was reflected in the surge of inflation expectations and risks. Given the existing situation and pursuant to the goal of ensuring price stability, during the reporting period the Central Bank continued to pursue a policy of neutralizing monetary expansionary stance, gradually raising policy interest rate. Thus, during the reporting year, policy interest rate was raised by a total of 3.75 percentage points and set at 9.25% in March 2022. Subsequently, in the context of external inflation, expansion of the domestic inflationary environment has slowed down. 12-month inflation in March 2022 was 7.4% against 5.8% inflation at the beginning of the reporting period in March 2021. The Central Bank expects that in the medium-term 3-year horizon inflation rate will gradually subdue and stabilize around the target of 4%.

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