

Status Report on Implementation of the Monetary Policy Program (Q3, 2021 - Q2, 2022)

2022-08-23

(2022/2) Executive summary

In the period from the 3rd quarter of 2021 to the 2nd quarter of 2022, a high inflationary environment persisted in Armenia. Both the inflationary effects transmitted from the external sector and the growth of domestic demand contributed to it. Thus, the large-scale use of vaccines in the second half of 2021 significantly mitigated the impact of the pandemic on the global economy, as a result of which a faster-than-expected recovery of economic activity and total demand was observed. However, the growth of global demand at such rates, amid disruptions of supply chains, was accompanied by a significant expansion of the external inflationary environment, which transmitted a significant inflationary effect to the prices of the RA commodity market through a number of imported products. Subsequently, due to Central Bank's policy aimed at curbing high inflation and anchoring inflationary expectations, a significant decrease in 12-month inflation was observed from the end of the year, but beginning end-February 2022, new inflation factors resulting from the aggravation of the Russian-Ukrainian conflict and the application of sanctions against Russia, emerged both in the international commodity markets and in the RA economy.

Given the existing situation and pursuant to the goal of ensuring price stability, during the reporting period the Central Bank continued to pursue a stricter monetary stance, raising the policy rate by a total of 2.75 percentage points (in March 2022, the Central Bank raised the policy rate by 1.25 percentage points, responding to the high inflation situation formed amid the unprecedented uncertainties observed since the end of February). As a result, inflationary environment has softened somewhat since the end of the year, and 12-month inflation after increasing until December (reaching from 6.5% in June to 9.6% in November), during December 2021 - February 2022 decreased to 6.5%, and then grew again in the second quarter, reaching 10.3% in June. Accordingly, it is expected that in the medium-term 3-year horizon, inflation rate will gradually slow down and stabilize around the target of 4%.

[Implementation of the Monetary Policy Program \(Q3, 2021 - Q2, 2022\)](#)

