

Status Report on Implementation of the Monetary Policy Program (Q4, 2021 - Q3, 2022)

2022-11-29

(2022/3) Executive summary

In the period from the 4rd quarter of 2021 to the 3rd 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. The significantly weakening impact of the pandemic on the global economy from the end of 2021 onwards, resulted in a faster-than-expected recovery in economic activity and aggregate demand. However, such growth of global demand, amid disruptions of value 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. Still, under the impact of the pursued monetary policy, inflationary environment has softened somewhat since the end of 2021, with the 12-month inflation downsizing from 8.9% in September 2021 to 6.5% in February 2022. Beginning from end-February 2022, new inflation factors stemming from the aggravation of the Russian-Ukrainian conflict and the resulting sanctions against Russia emerged both in the international commodity markets and in the domestic economy leading, inter alia, to a significant expansion of the demand environment. Under their impact, a certain growth of 12-month inflation was observed in the second and third quarters of 2022, reaching 9.9% in September.

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 point. About half of it, 1.25 percentage points, was in March 2022, as a response to the high inflation observed since the end of February amid the extraordinary high uncertainties. It is projected, that due to the described monetary policy steps, inflation in the medium-term 3-year horizon will gradually slacken and stabilize around the target of 4%.

[Status Report on Implementation of the Monetary Policy Program \(Q4, 2021 - Q3, 2022\)](#)