

Status Report on Implementation of the Monetary Policy Program (Q1, 2021 - Q4, 2021)

2022-02-22

(2021/4) Executive summary

The reporting period passed amid the rapid spread of new waves of the pandemic, with parallel wide use of coronavirus vaccines worldwide. In this context, global economy and the health care system continued to face new challenges and uncertainties about economic outlook. However, the impact of the consecutive waves of pandemic on the global economy has had a mild, mainly due to active vaccination process and avoidance of severe economic restrictions. Subsequently, economic activity and aggregate demand in the reporting period was restored faster than expected. Affected by the disruption of production chains, the latter significantly exceeded the supply growth rate. Due to the above-mentioned factors, inflationary environment in international commodity markets and the main partner countries of the Republic of Armenia has significantly expanded, with equivalent impact on the prices of domestic commodity market of Armenia.

Given the current situation and pursuant to the goal of ensuring price stability, the Central Bank gradually raised policy interest rate during the reporting period, neutralizing expansionary monetary stance. In 2021, policy interest rate was raised by a total of 2.5 percentage points, summing up the year by 7.75%. Hence, while 12-month inflation grew from 3.7% at the end of 2020 to 7.7% at the end of 2021, it is projected that it will decline over the 3-year horizon and anchor around the 4% target.

[Status Report on Implementation of the Monetary Policy Program \(Q1, 2021 - Q4, 2021\)](#)