

Status Report on Implementation of the Monetary Policy Program (Q3, 2019 - Q2, 2020)

2020-08-28

(2020/2) During the year preceding the third quarter of 2020, the inflationary environment remained low in Armenia. It was mainly attributable to both weak demand and supply factors. Thus, in the second half of 2019, the Government carried out more-than-expected contractionary fiscal policy and the deflationary effects were transmitted from the outside world, which was partially mitigated by a relatively high growth in private consumption. The low inflationary environment in the second half of the year was also driven by influences from a change in competition in certain commodity markets and a structural shift in demand from non-durable consumer goods market to durable consumer goods market. The outbreak of the New coronavirus pandemic in early 2020 and its rapid spread around the world has raised an unprecedented wave of weakening aggregate demand and deflationary patterns. In the meantime, to contain deflationary pressures and make the inflation to approach the target in the 3-year forecast horizon, the Central Bank has increased the amount of stimulus of the monetary policy by reducing the refinancing rate by 1.25 pp, of which 0.75 pp alone in the second quarter of 2020.