

The Monetary Policy Programm of the Republic of Armenia Q2, 2010

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(2010/2) Q1, 2010 actual indicators and developments

In the first quarter of 2010 inflationary environment carried on as the global economy continued to see positive developments in the form of persisting high prices of food and non-food products in international markets, expansionary impact of monetary and fiscal policies is being transmitted on from previous year in the framework of anti-crisis measures and because of depreciation of the dram fuelled by negative expectations. Inflation was 2.9 percent, whereas the 12- month inflation indicator reached 8.8 percent, adding up by 2.3 pp against the previous year's indicator. Interestingly, the above-noted inflation factors were not the only contribution to such a high level of inflation but also the low inflation recorded in the first quarter of the previous year, which was not typical to that period of time. Over the first quarter prices of consumption basket food have risen by 4.3 percent (with 2.3 pp contribution to headline inflation), prices of nonfood products, by 1.1 percent (with 0.2 pp contribution to inflation), and service fees, by 1.3 percent (with 0.4 pp contribution to inflation). Inflation was fuelled largely by increased prices in meat products, by 9.2 percent (with 0.9 pp contribution to headline inflation), item «Vegetable and Potato», by 22.9 percent (with 1.1 pp contribution to headline inflation) and medical service fees, by 2.9 percent (with 0.3 pp contribution to headline inflation).

During the quarter, the impact of inflationary pressures began to be felt in the behavior of core inflation as well: it reached 2.1 percent¹ in the fourth quarter, while the 12-month core inflation has grown by 1.9 pp against the previous quarter and made up around 7.1 percent.

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