

The Monetary Policy Programm of the Republic of Armenia Q3, 2009

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(2009/3) Actual indicators and developments in quarter II, 2009

The main factor that determined the inflation behavior and monetary policy directions in the second quarter of 2009 was faster rate of economic decline. Despite the dram depreciation and some spillover of inflationary pressures from international markets in early March and the rise in the main utility service tariffs since April, the domestic inflationary environment has been generally at a low level under faster-than forecasted shrinkage of GDP. Though the rate of inflation, affected by the said factors, grew considerably in relation to the previous quarter, it however stood nearly 1 percentage point below the forecast, resting with the lower border of the target. As a result of the above developments, in the second quarter of 2009 inflation was 4.5 percent, whereas the 12-month inflation indicator was 3.6 percent, growing by 2.6 percentage points against the same indicator recorded in the previous quarter. During the quarter, prices of food products (alcohol and tobacco included) have grown by 2.7 percent, (with 1.4 percentage point contribution to inflation), prices of non-food products, by 7.5 percent (with 1.2 percentage point contribution to inflation), and service tariffs have risen by 6.2 percent (with 1.9 percentage point contribution to inflation). Inflation during the quarter has been driven by 39.4 percent increase in fruit price (with 1.0 percentage point contribution to inflation); 20.5 percent increase in petrol price (with 0.5 percentage point contribution to inflation); 16.3 percent increase in medicaments price (with 0.3 percentage point contribution to inflation); and 18.3 percent rise in housing and public utility service tariffs (with 1.3 percentage point contribution to inflation).

In the second quarter of 2009, core inflation was 2.1 percent¹ whereas the 12-mnth core inflation remained almost unchanged, around 3.4 percent, in relation the previous quarter.

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