

Status Report on Implementation of the Monetary Policy Program (Q4, 2022 - Q3, 2023)

2023-11-28

(2023/3) The inflationary environment in the Republic of Armenia has eased significantly in the time period from the fourth quarter of 2022 to the third quarter of 2023. This was primarily facilitated by the weakening of external inflationary effects, as well as the monetary policy implemented by the Central Bank of Armenia. In particular, there was a significant decrease in food and energy prices in international commodity markets from the end of 2022, mainly due to the contractionary monetary policy implemented by the central banks of leading countries. Based on still high inflation expectations and the need to manage existing inflationary risks, the Central Bank of Armenia continued to pursue a policy of tightening monetary conditions in the fourth quarter of 2022, increasing the policy rate by a total of 0.75 percentage points. In the first half of 2023, taking into account significantly slowing 12-month inflation on the one hand and continuing high demand and inflation expectations on the other, the Central Bank left the policy rate unchanged until June. In the June-September period, given a rapid decline in inflation amid the transmission of deflationary effects from the external sector and some neutralization of inflationary factors in the domestic economy, the Central Bank eased monetary conditions, lowering the policy rate by a total of 1.0 percentage points. As a result, due to the deflationary effects from the external sector and the contractionary monetary policy implemented by the Central Bank, both headline and core inflation decreased rapidly during the reporting period. As such, the 12-month inflation decreased by about 10 percentage points during the reporting period and reached 0.1% at the end of September 2023. Nevertheless, in the observed period, given continued high demand and inflationary expectations in the Republic of Armenia, inflation of services and some goods adjusted at a relatively slow pace

