

PRESS RELEASE

30.01.2024

At the January 30, 2024 meeting, the Board of the Central Bank of Armenia decided to decrease the refinancing rate by 0.5 percentage points, setting it at 8.75%.

In December 2023, the 12-month CPI inflation rate decreased, amounting to -0.6% at the end of the month. The 12-month core inflation rate also decreased, comprising -0.4%.

In the fourth quarter of 2023, economic activity globally and in the main trading partner countries of the Republic of Armenia has continued to slow. The inflationary environment in international commodity markets is easing, and global inflation is slowing to some extent. However, positive developments in labor markets in partner countries continue to facilitate the expansion of demand. In early 2024, driven by the escalation of geopolitical developments in the Middle East, an increase in energy prices has been observed, while risks of supply chain disruptions have emerged. In this context, central banks in advanced economies are expected to gradually loosen contractionary monetary conditions in the near future. As a result, the effects on the Armenian economy from the external sector are expected to be weakly deflationary.

Economic activity in the Republic of Armenia remained strong during the fourth quarter, continuing to be driven by high growth in the construction and services sectors. External demand has somewhat slowed as the growth rate of tourism decelerated. At the same time, domestic demand remains high, reflecting robust growth in private consumption. Given weak deflationary pressures from the external sector as well as the contractionary monetary policy stance implemented in previous years, the inflationary environment continues to remain low, which is also reflected in a somewhat slower pace of wage growth as well as somewhat lower inflation expectations.

In this context, the **Board of the Central Bank of Armenia finds it appropriate to reduce the policy rate**. The Board will continue to be prudent in ensuring that adequate actions are taken to regulate demand and stabilize inflation expectations. As outlined in the monetary policy scenario, the 12-month CPI inflation rate will remain below the target level in the near term, and then gradually increase and stabilize around the 4% target in the medium term.

The Board estimates that the risks to inflation deviating from the projected path are mostly balanced. In the event these risks materialize in either direction, the Board will respond accordingly and ensure that the price stability objective is met.

Detailed information underlying the setting of the interest rate can be found in the Press Release (Minutes on Interest Rate) to be published by February 13, 2024.