



Central Bank
of Armenia

Monetary Policy Decision

March 18, 2025.

March 18, 2025 Decision on the Refinancing Rate



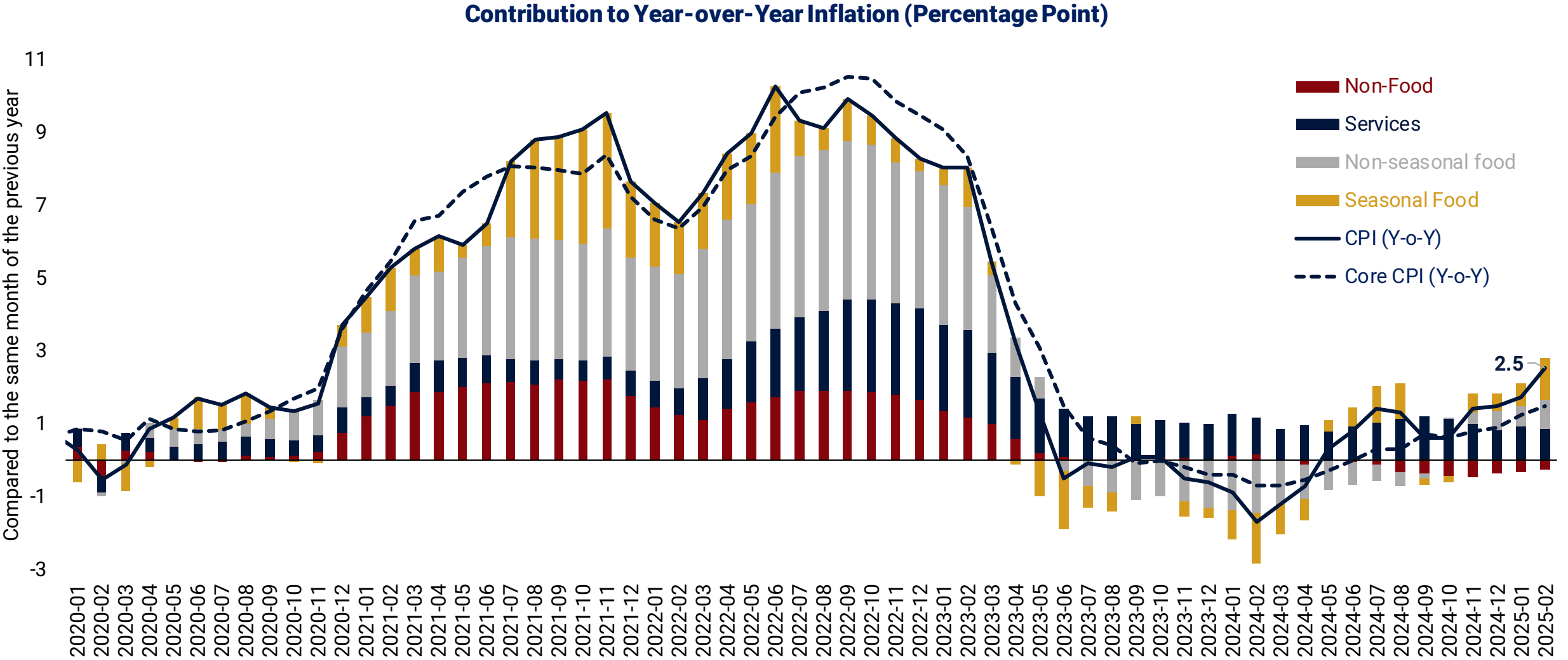
At its meeting today, the Board of the Central Bank of Armenia decided to keep the key policy rate unchanged, setting it at 6.75%.

Lombard Repo Facility Rate: 8.25%

Deposit Facility Rate: 5.25%

Annual CPI inflation approached the target level, reaching 2.5% in February 2025. Meanwhile, core inflation has also remained at low levels, at 1.5% year-over-year in February.





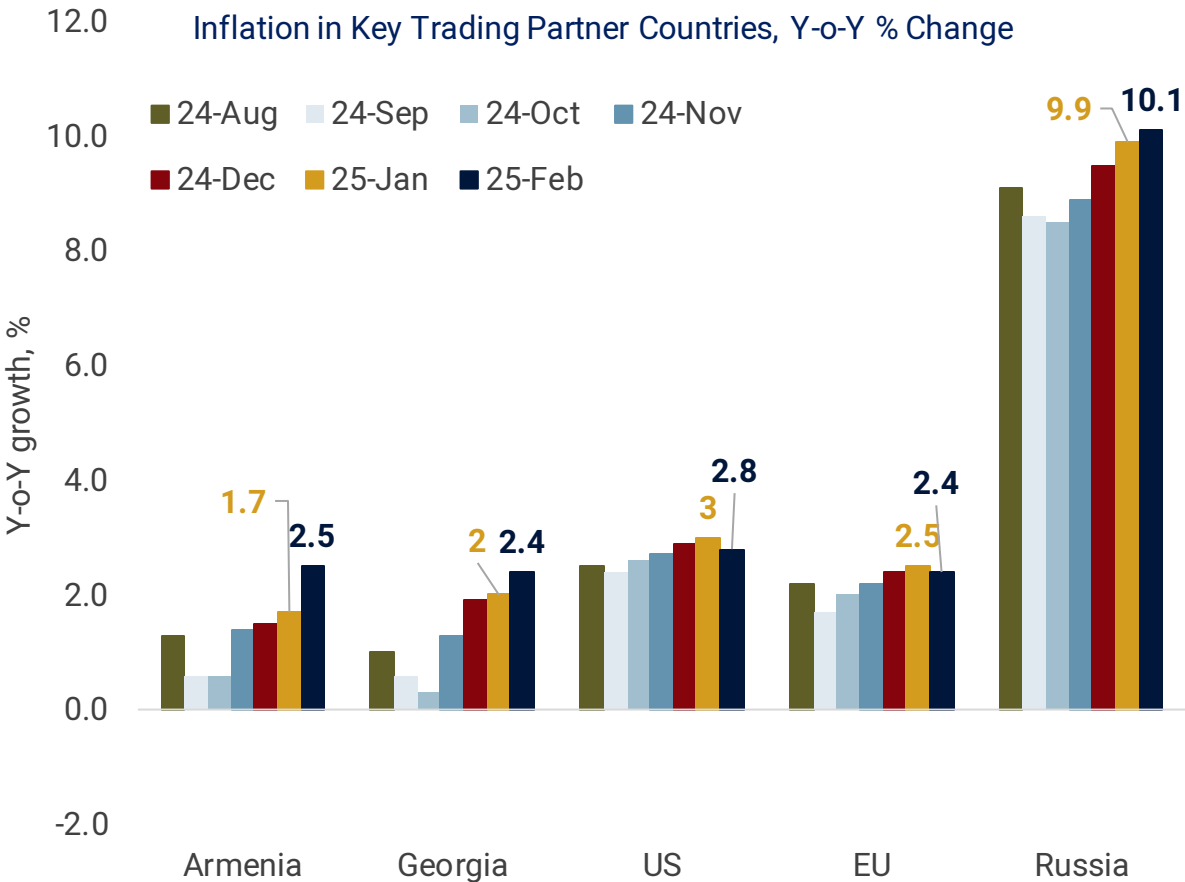
Source: Statistical Committee of the Republic of Armenia, CBA

In Q1 2025, the risks of slower economic growth and accelerated inflation in global markets and Armenia’s key partner countries have significantly increased.

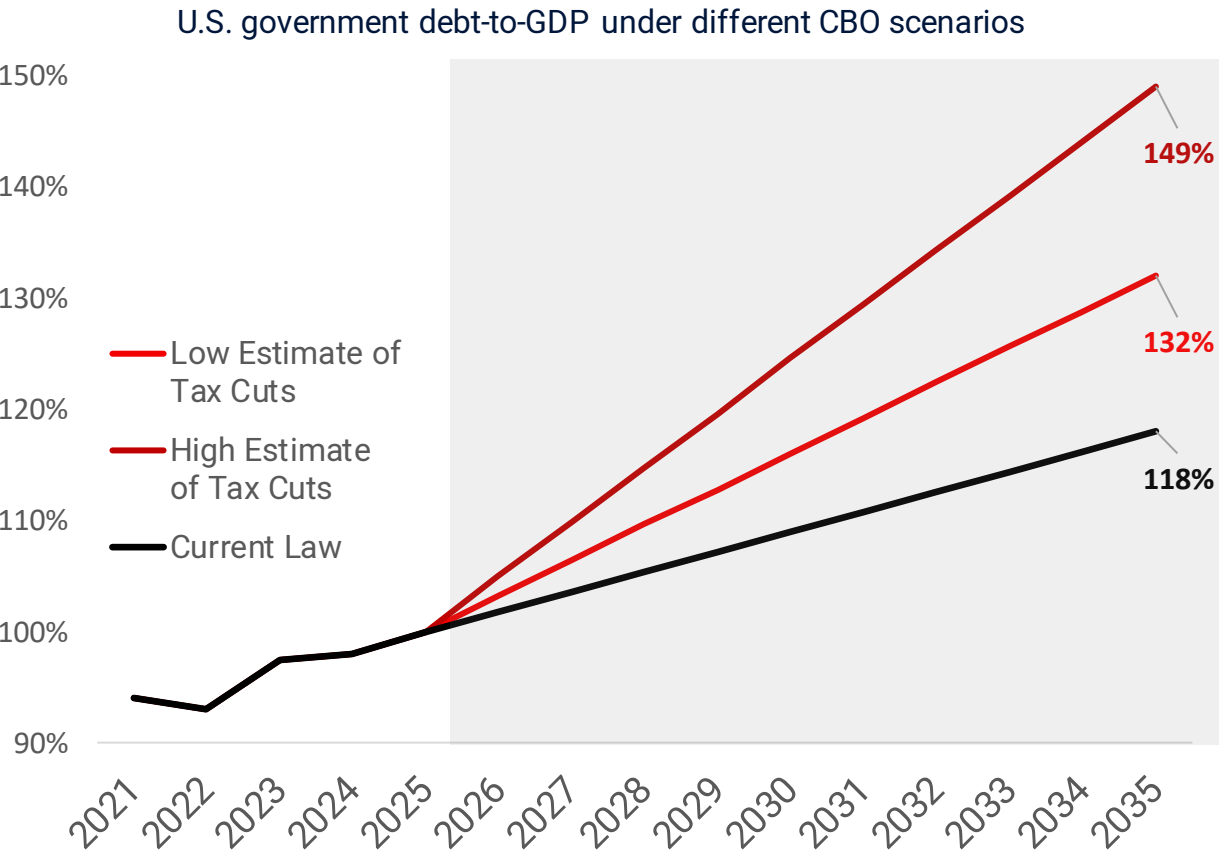


In particular, the risks of price increases and potential disruptions to supply chains in international commodity markets and key partner countries have intensified, driven by growing tensions in international trade relations and ongoing geopolitical uncertainties.

Meanwhile uncertainty related to fiscal expansion in US over the medium term and resulting increase in debt and long term interest rates increased significantly recently.



Source: Statistical Committees of Respective Countries

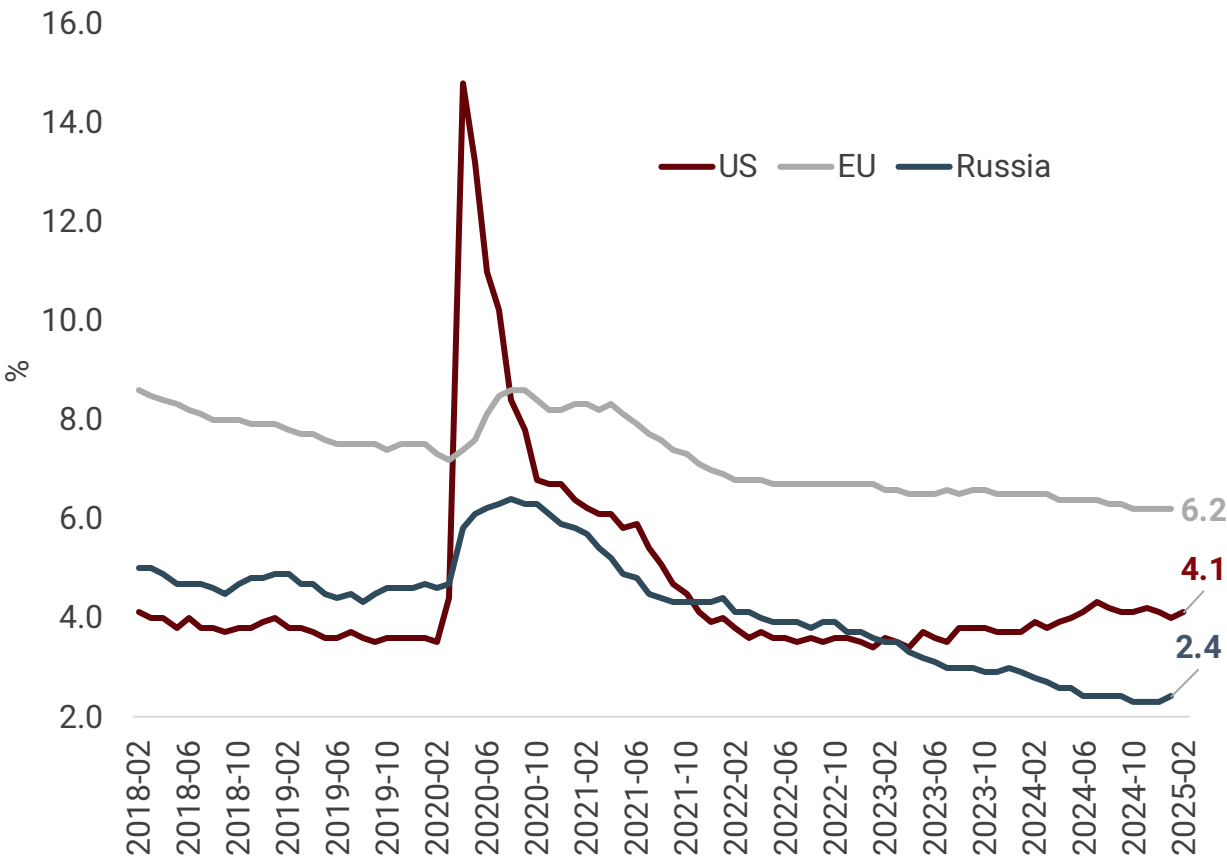


Source: Statistical Committees of Respective Countries

Weak deflationary effects from the external sector on the Armenian economy continue to persist.

At the same time, sticky prices in key trading partner economies continue to remain relatively elevated, while labor market conditions continue to be tight.

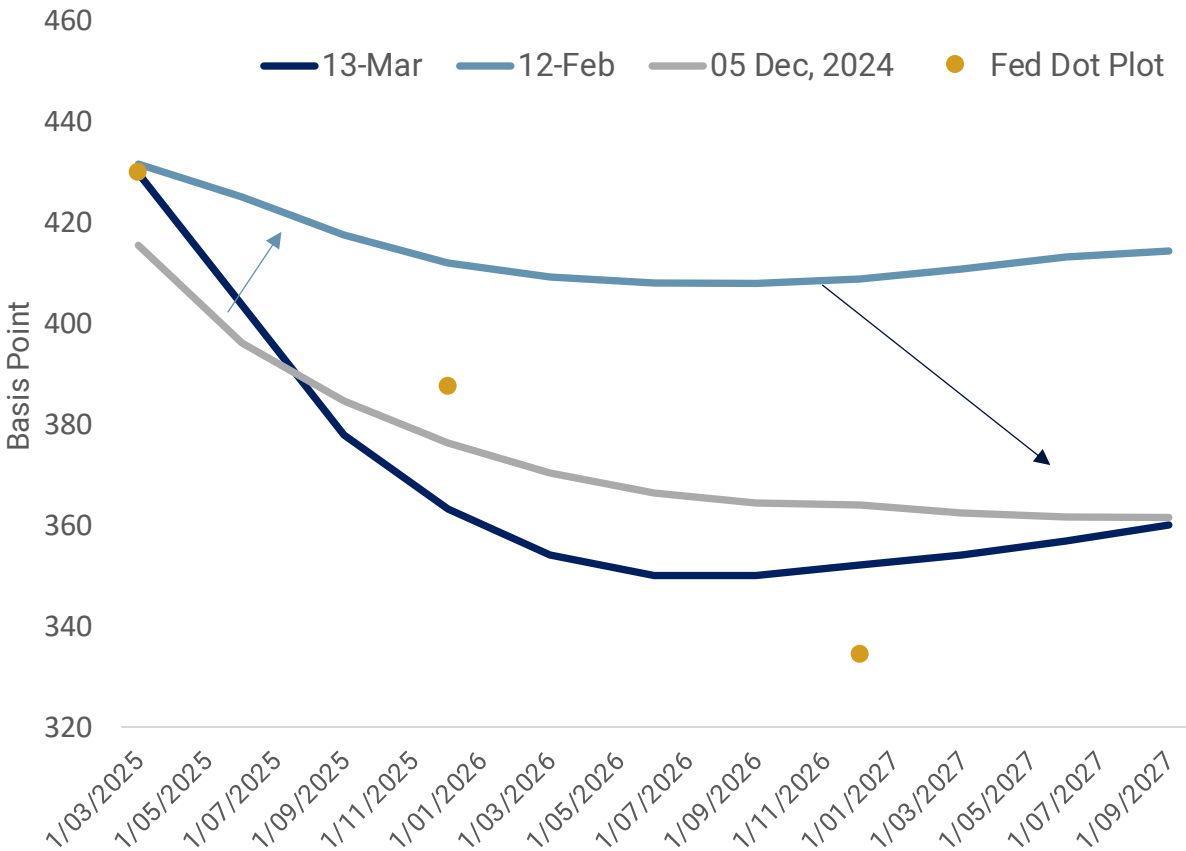
Unemployment rate in partner countries, %



Source: FRED, Eurostat, Rosstat

In this context, key trading partner central banks will continue to gradually lower policy rates at a slower pace than previously expected, while still maintaining a relatively tight stance in the near term.

Market Expectations for the Fed Funds Rate

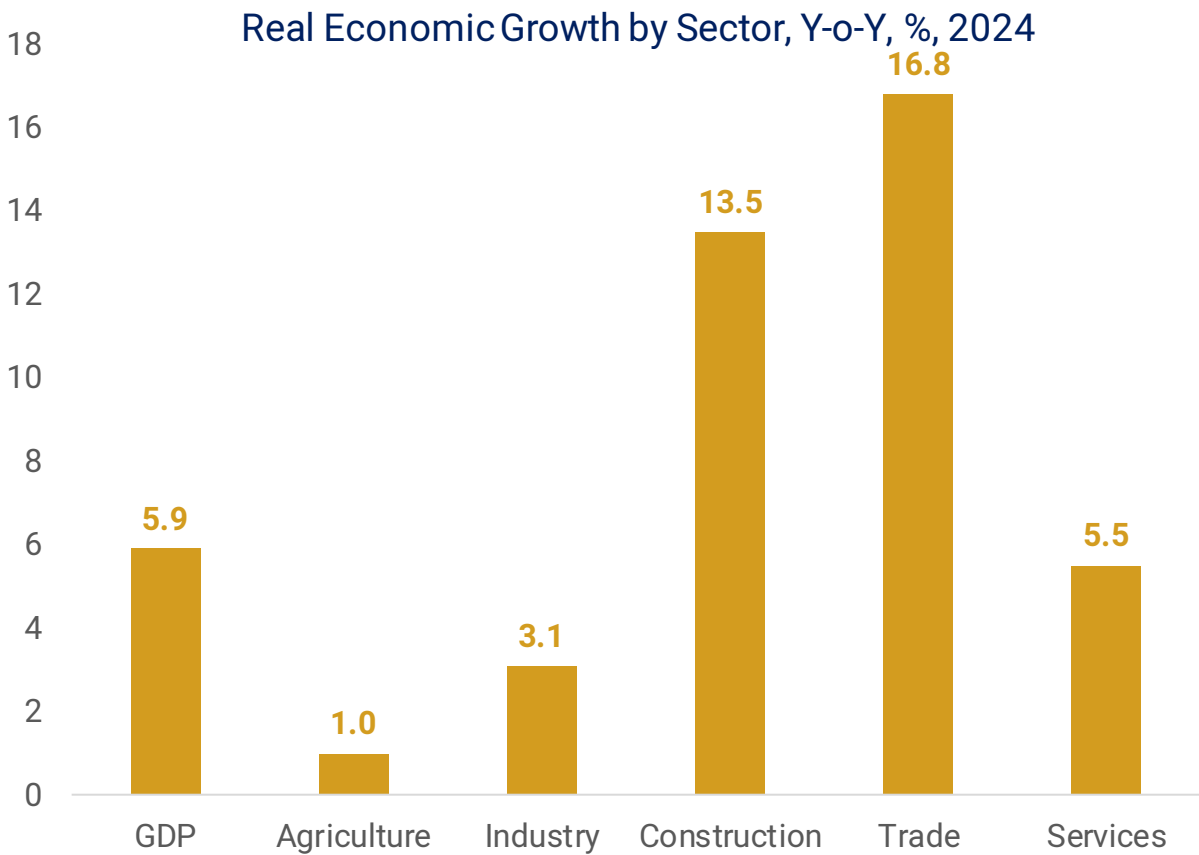


Source: Federal Reserve Bank of Atlanta

Since the beginning of the year, economic activity in Armenia remained close to estimated sustainable long term growth rate.



The economic activity is largely driven by meaningful growth in construction, services and trade.



Source: Statistical Committee of the Republic of Armenia, CBA

The latter has been affected by certain short-term factors, posing significant uncertainty with respect to the sustainability of economic growth and its long-term outlook, as well as the strength of domestic demand and consumption conditions.

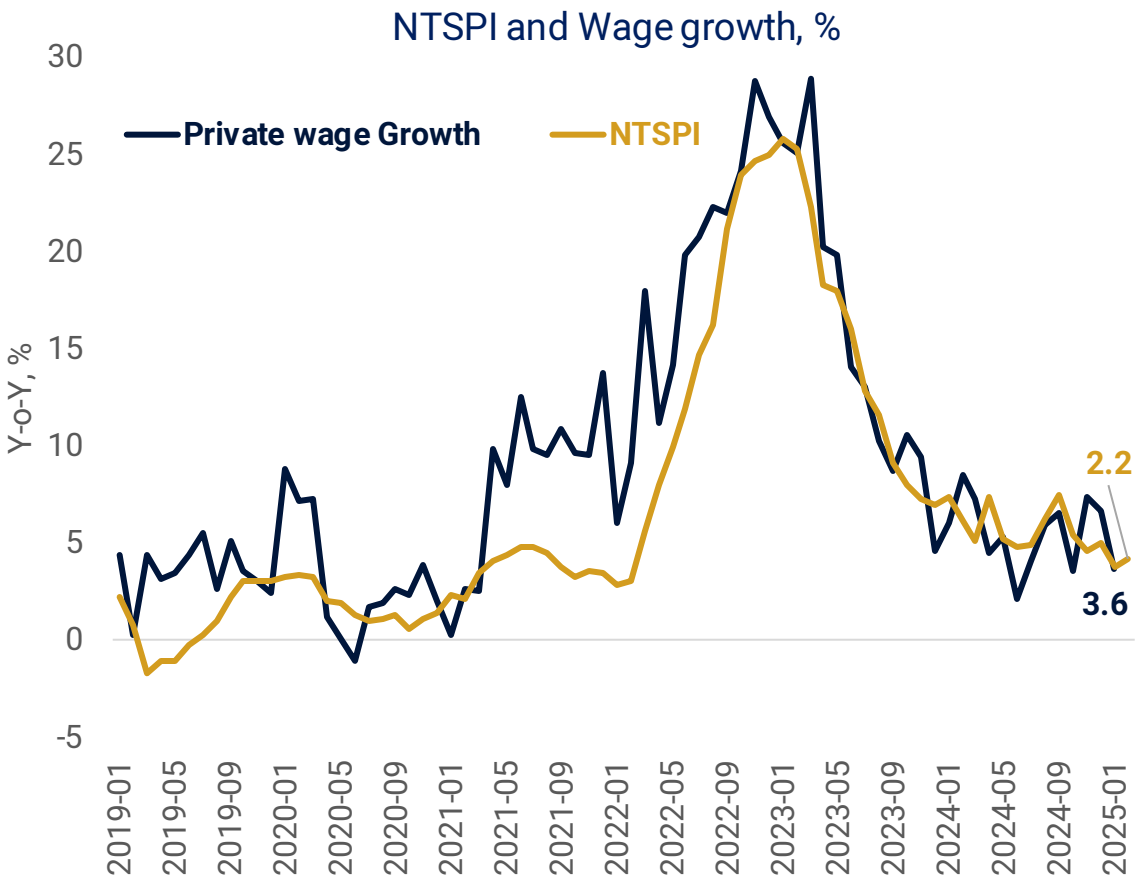


Source: Statistical Committee of the Republic of Armenia, CBA calculations

External demand for services continues to decline, while the overall demand environment is assessed as neutral from an inflationary perspective.

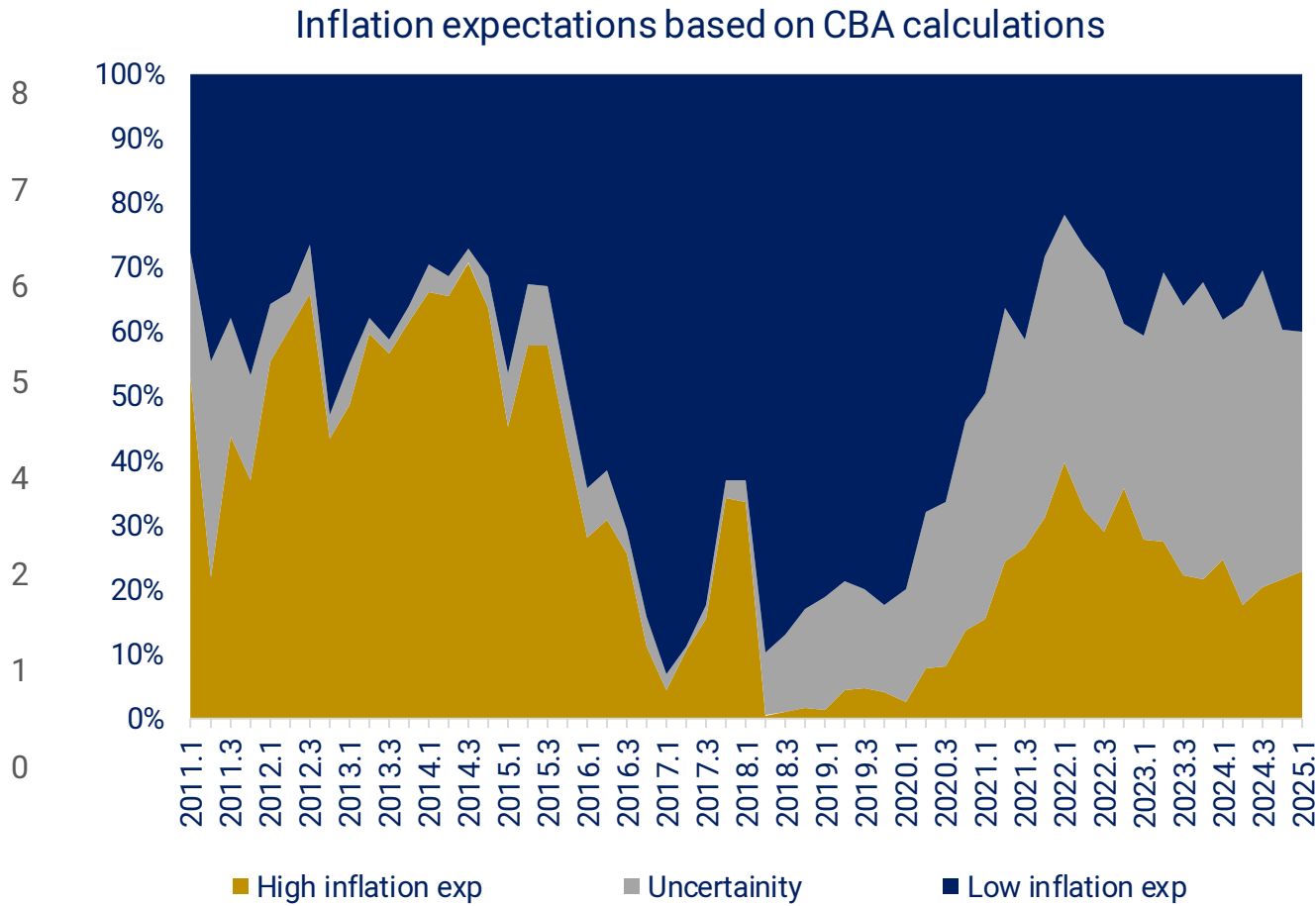


In this context, labor market conditions continue to cool, as reflected in the gradual stabilization of wage growth, non-traded sticky price inflation and inflation expectations.



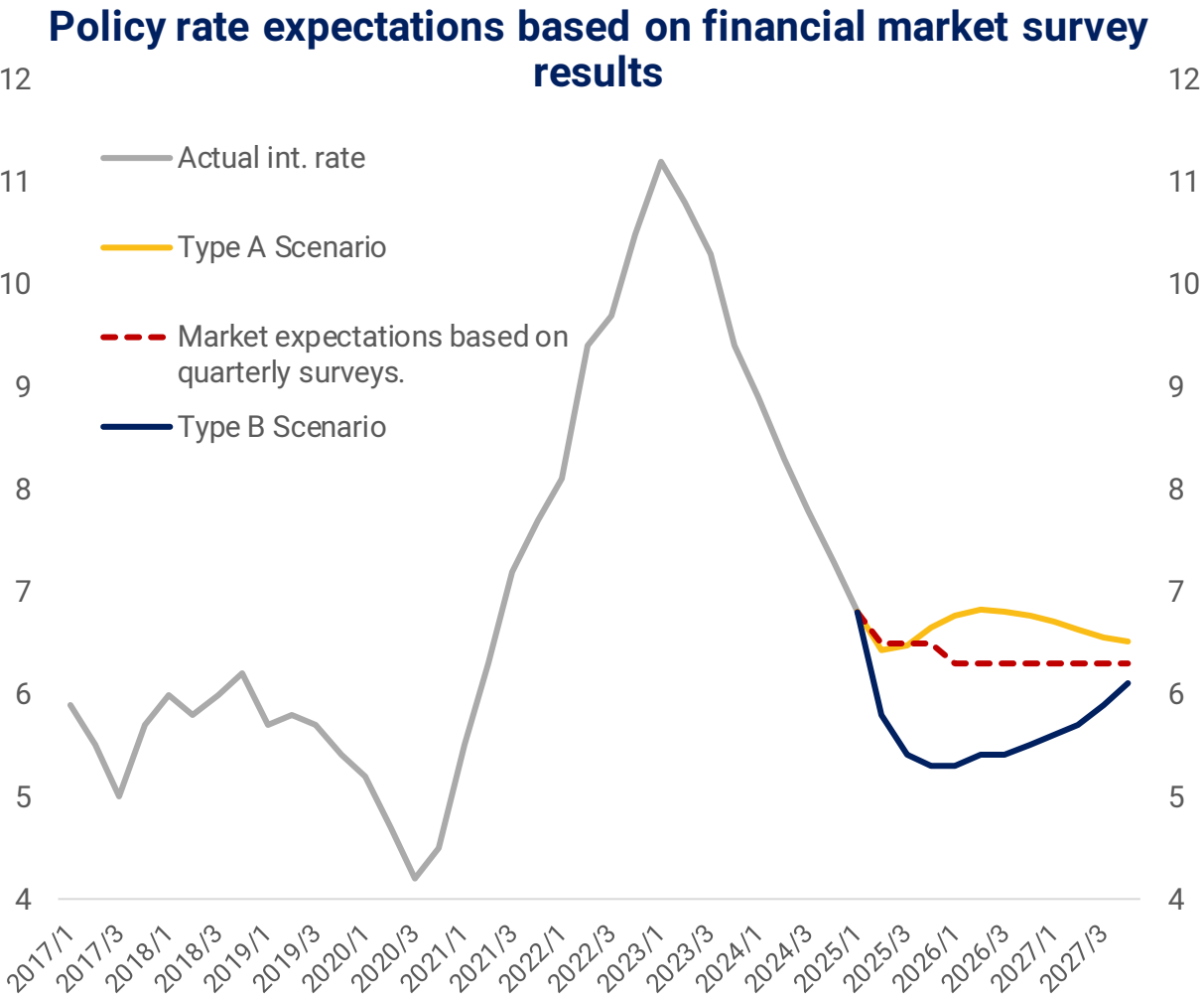
Source: Statistical Committee of the Republic of Armenia, CBA

At the same time, risks for demand pressures stemming from fiscal policy continue to persist.



Source: Statistical Committee of the Republic of Armenia

In order to manage possible risks stemming from conditions of high uncertainty, the Board considers multiple scenarios during its deliberations.



Source: CBA

Case A Scenarios,

Including those related to Armenia's country risk premium amid geopolitical developments and the resulting macroeconomic impacts, which require a higher path for the policy rate relative to current market expectations to ensure price stability.

Case B Scenarios,

Including the risks of prolonged uncertainty over US economic policy, the decline in global economic confidence, and the resulting risks of reduced growth and weakened demand in Armenia. This would imply a more rapid and aggressive downward path for the policy rate than what is currently priced in markets in order to sustainably bring inflation back to target in the medium-term horizon.

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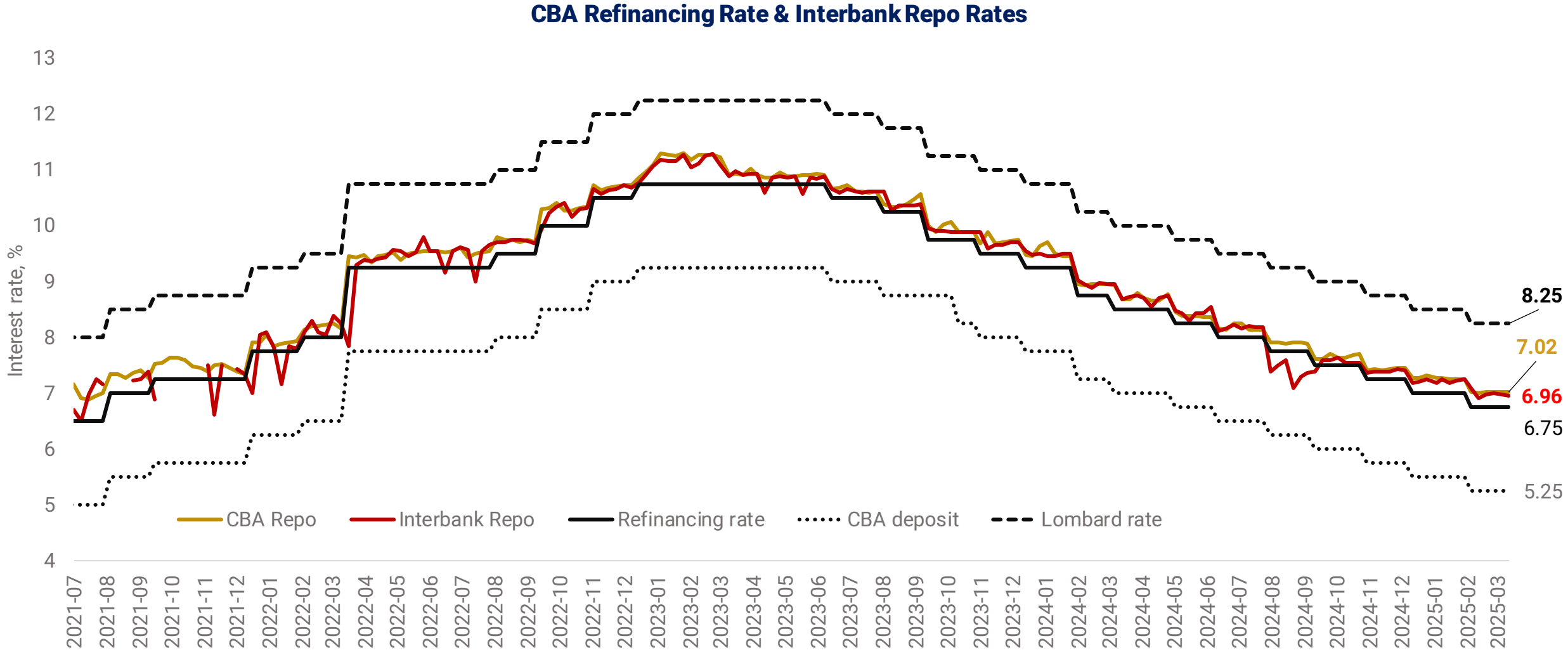
Balancing the above-mentioned two-sided risks, the Board of the Central Bank of Armenia decided to keep the policy rate unchanged in line with market expectations.

The Board resolutely affirms its commitment to adopting the appropriate policy actions and strategy to ensure the price stability objective of 3% inflation in the medium term.



Thank You

The Board agrees that a lower refinancing rate is necessary to continue to meet its price stability objective of ensuring an inflation rate of 3 percent over the medium term.



Source: CBA