



Central Bank
of Armenia

Monetary Policy Decision

September 10, 2024

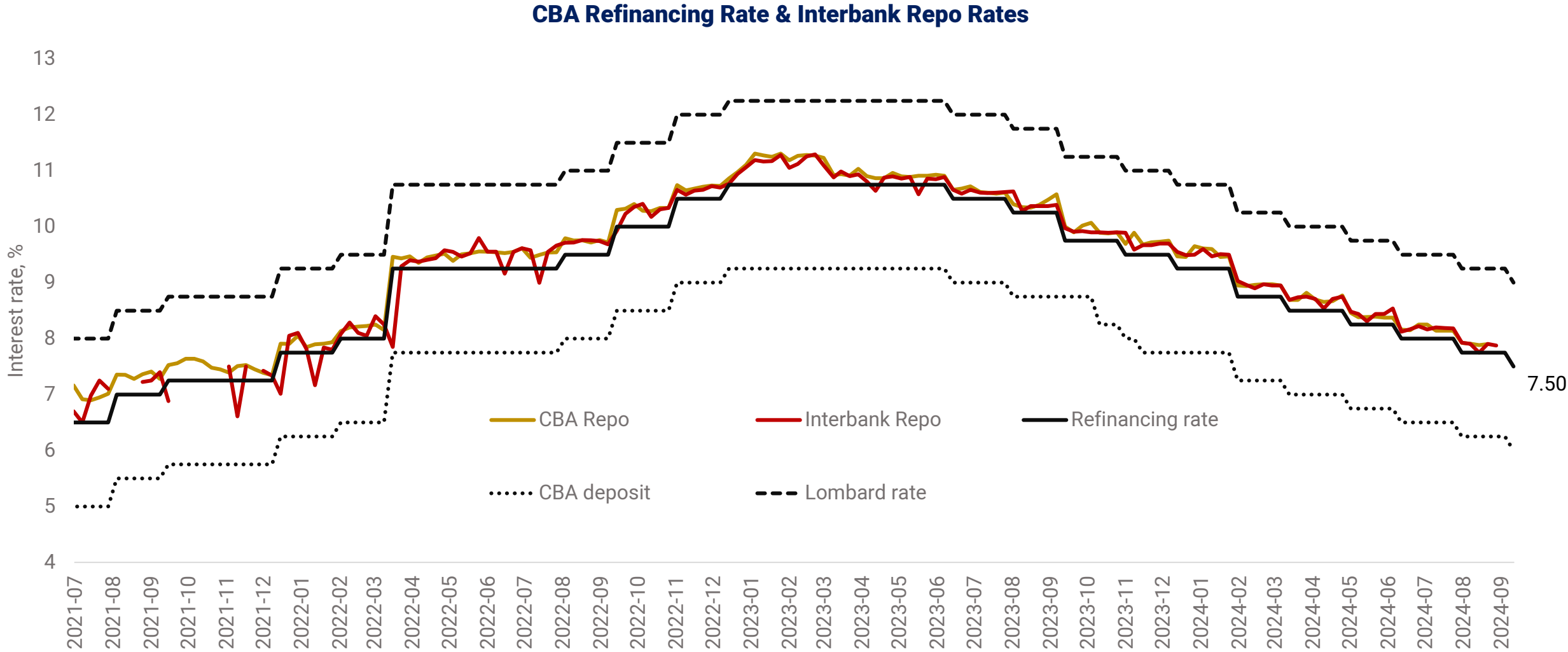
September 10, 2024 Decision on the Refinancing Rate

At its meeting today, the Board of the Central Bank of Armenia decided to decrease the key policy rate by 0.25 percentage points, setting it at 7.5%.

Lombard Repo Facility Rate: 9.0%

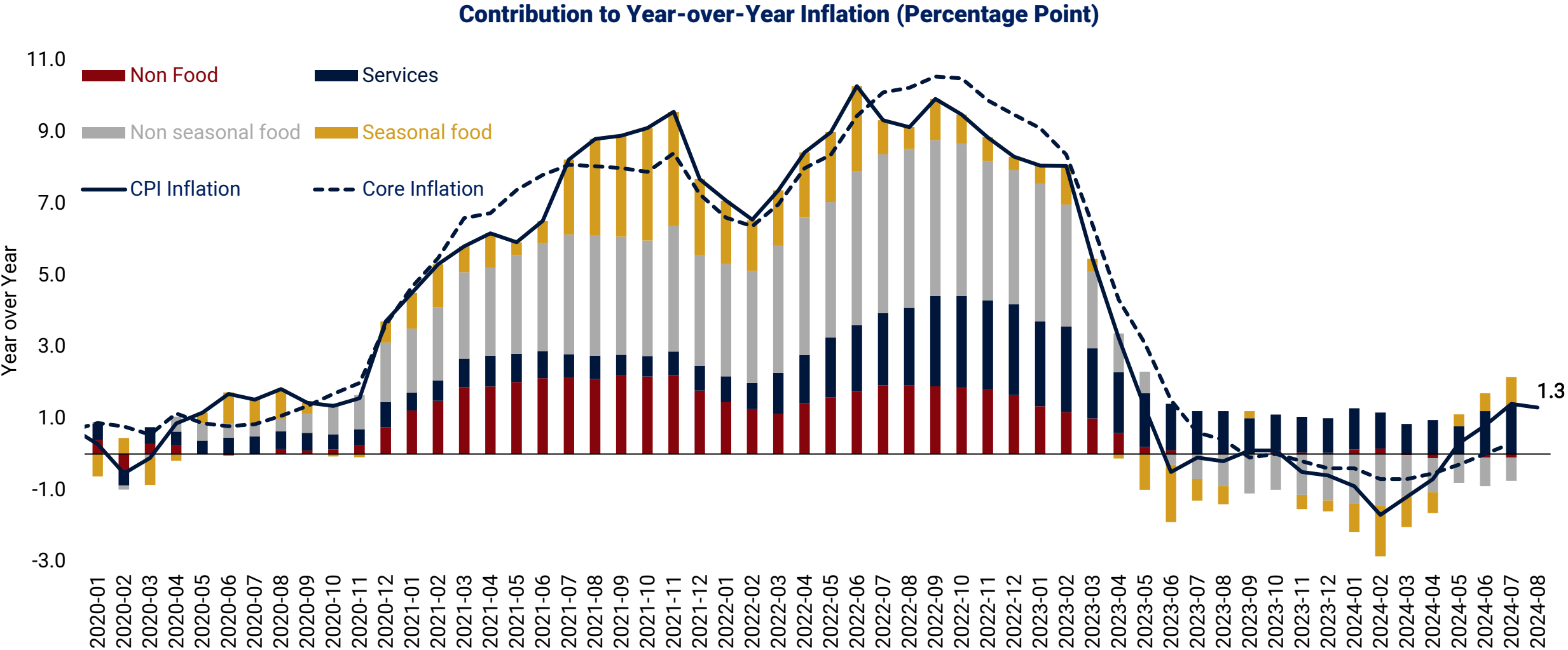
Deposit Facility Rate: 6.0%

The Board agrees that a lower refinancing rate is necessary to continue to meet its price stability objective of ensuring an inflation rate of 4 percent over the medium term.



Source: CBA

During the third quarter of 2024, 12-month inflation remained below the target, standing at 1.3% in August. The 12-month core inflation also stayed low, at 0.3% in July.

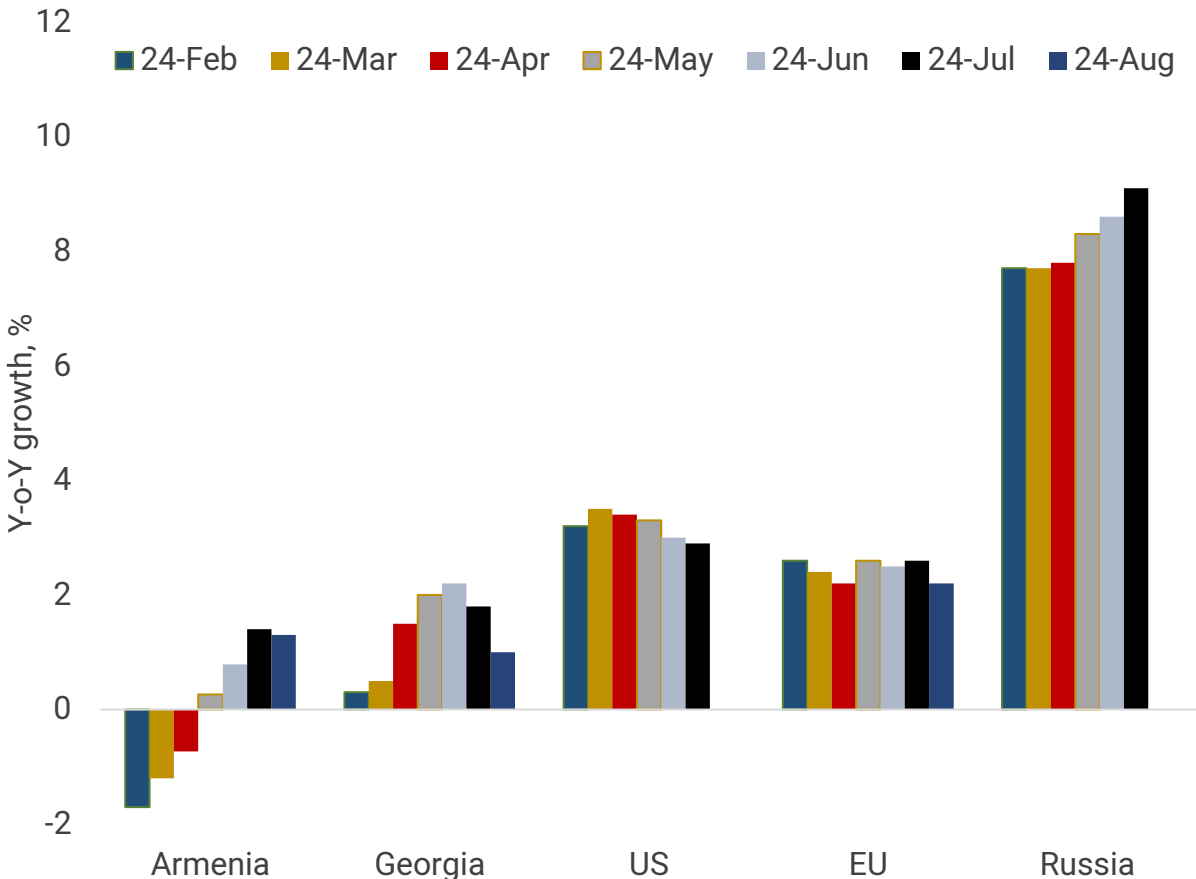


Source: Statistical Committee of the Republic of Armenia, CBA

In Q3 2024, Risks of Slowing Economic Growth Globally and in the Key Trading Partner Countries of Armenia Continue to Persist

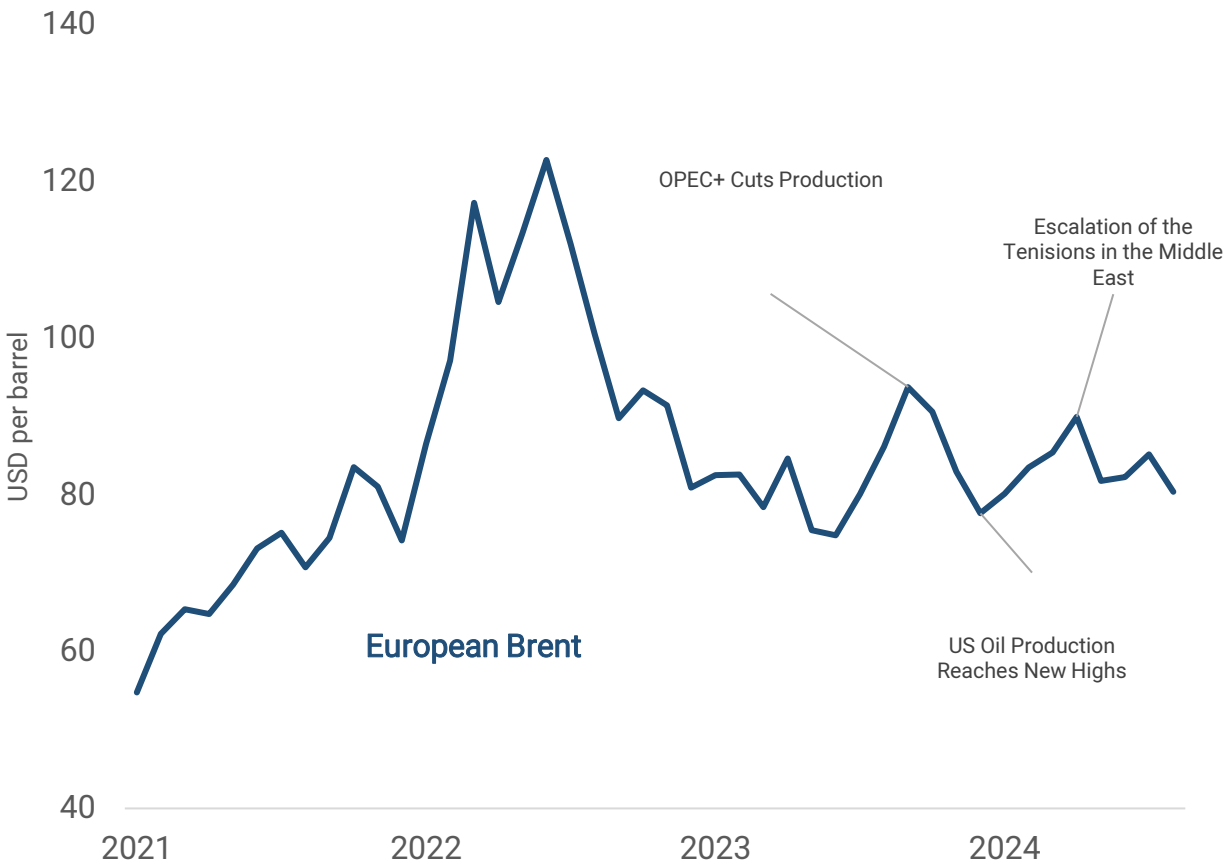
Global inflation continues to decline, but sticky prices continue to remain relatively elevated in key trading partner economies.

Inflation in Key Trading Partner Countries, Y-o-Y % Change



Source: Statistical Committees of Respective Countries

Amid Sustained Geopolitical Tensions, Questions about Global Demand, and Potential Growth in Supply, Considerable Uncertainty Remains for the Global Oil Outlook

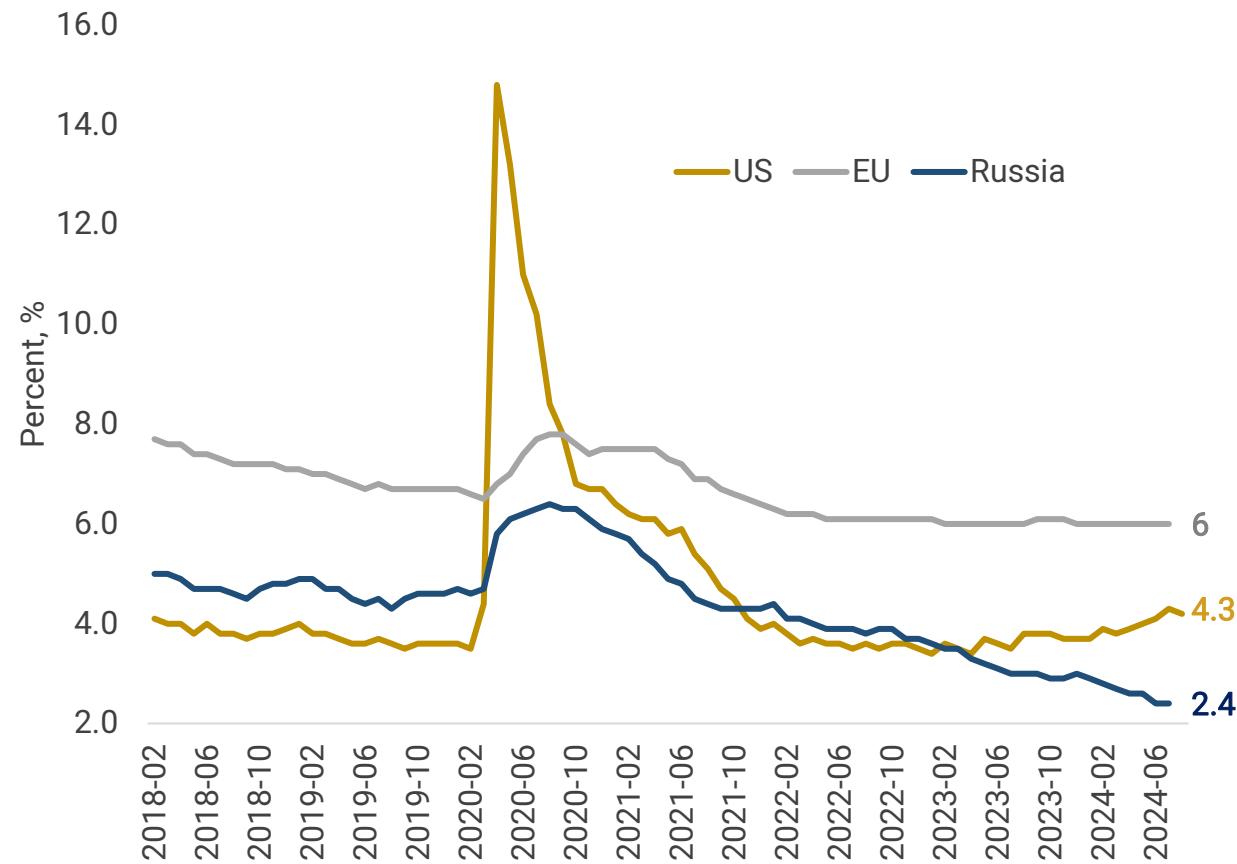


Source: Statistical Committees of Respective Countries

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

At the same time, some weakening of labor market conditions in partner countries indicates a stabilization in the demand environment.

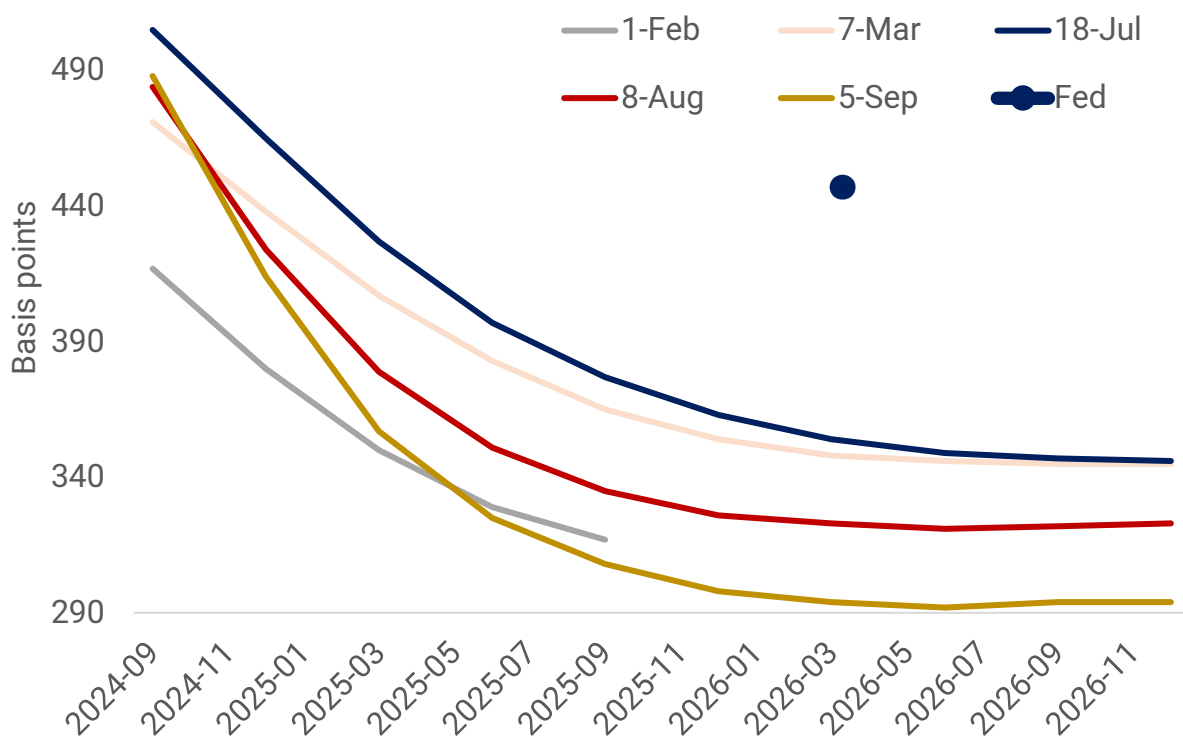
Unemployment rate in partner countries, %



Source: FRED, Eurostat, Rosstat

In this context, it is likely that the central banks of partner countries will gradually ease monetary conditions in the near future, while still maintaining a restrictive stance.

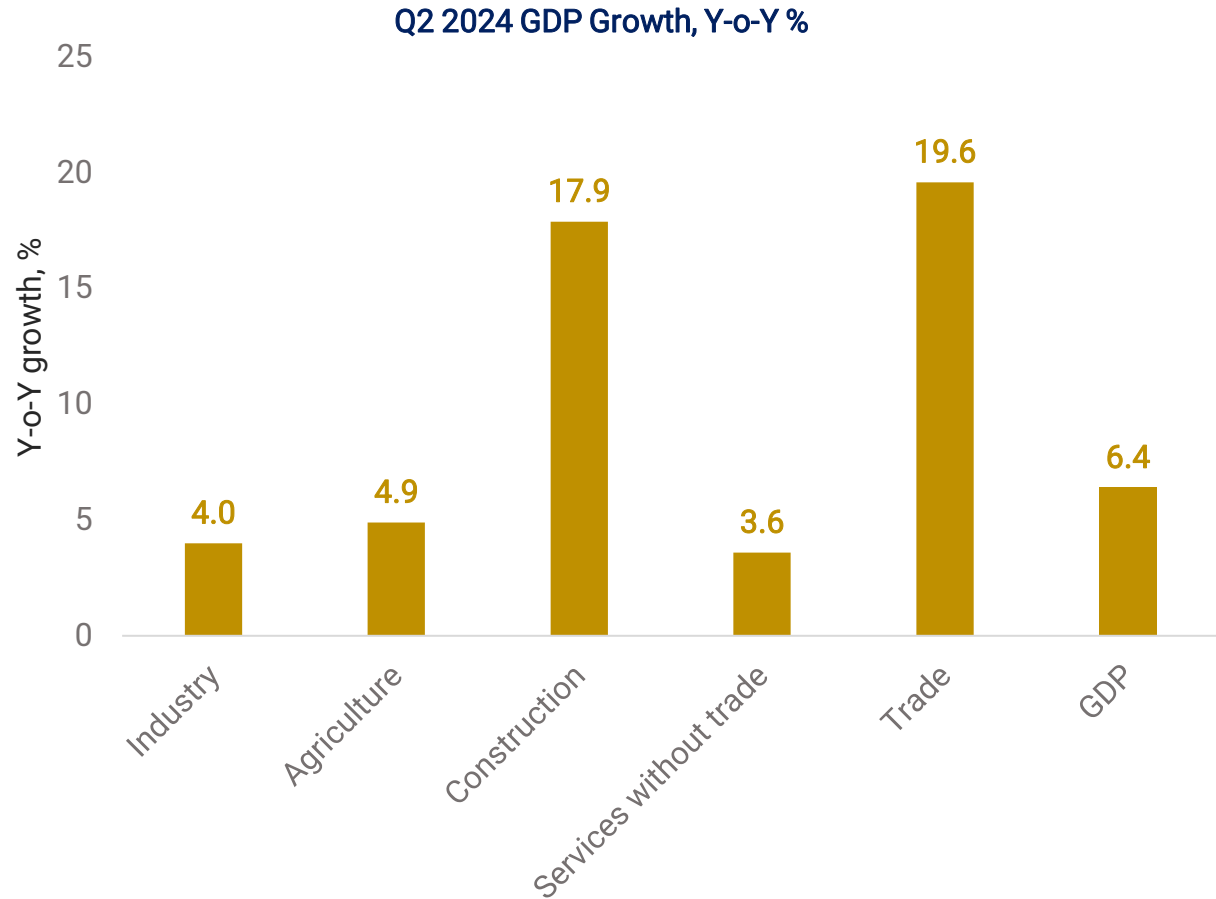
Market Expectations for the Fed Funds Rate



Source: Federal Reserve Bank of Atlanta

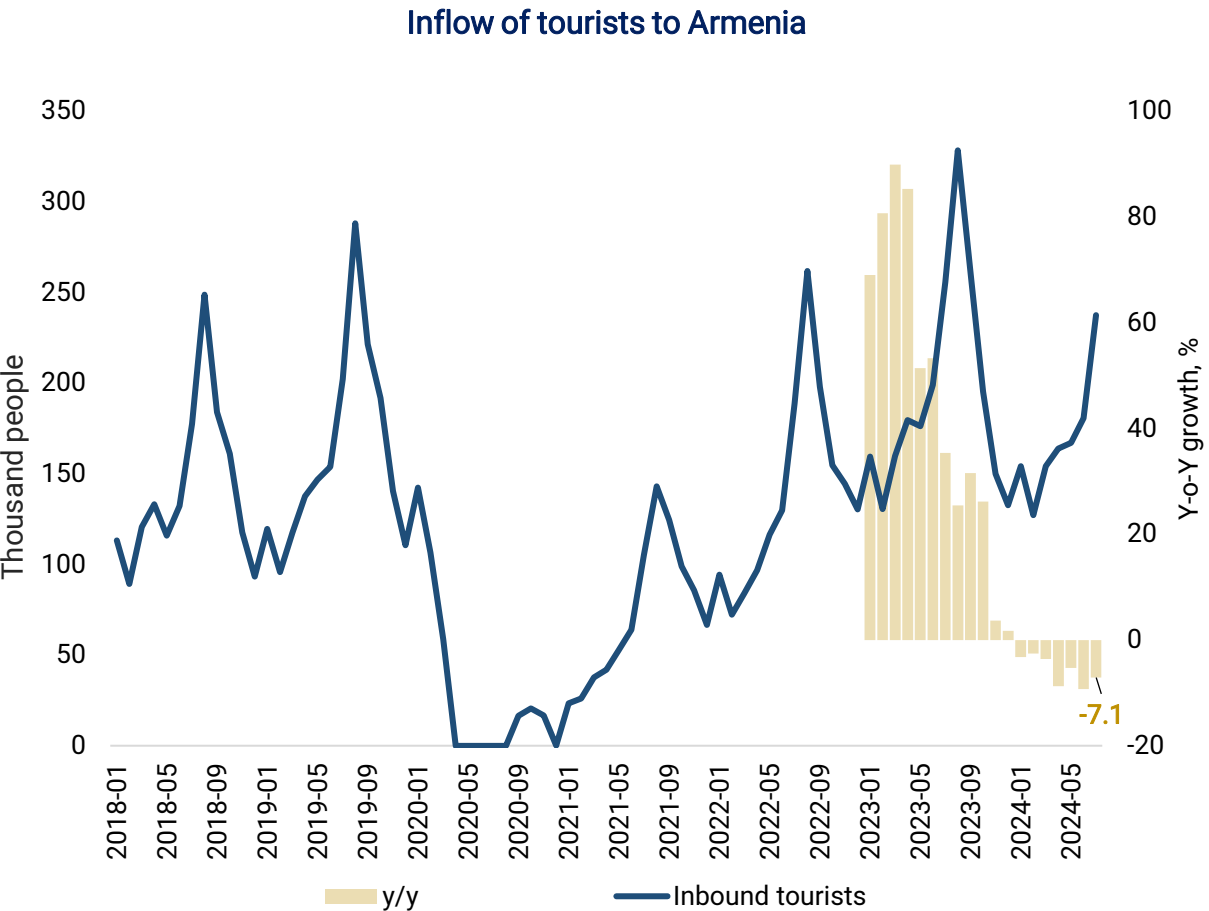
Economic Activity in Armenia Remained Robust in Q3 2024, Continuing to be Largely Driven by Meaningful Growth in Construction and Trade

The latter continues to be impacted by certain short term factors, carrying real uncertainties with respect to the sustainability of economic growth and its long-term outlook.



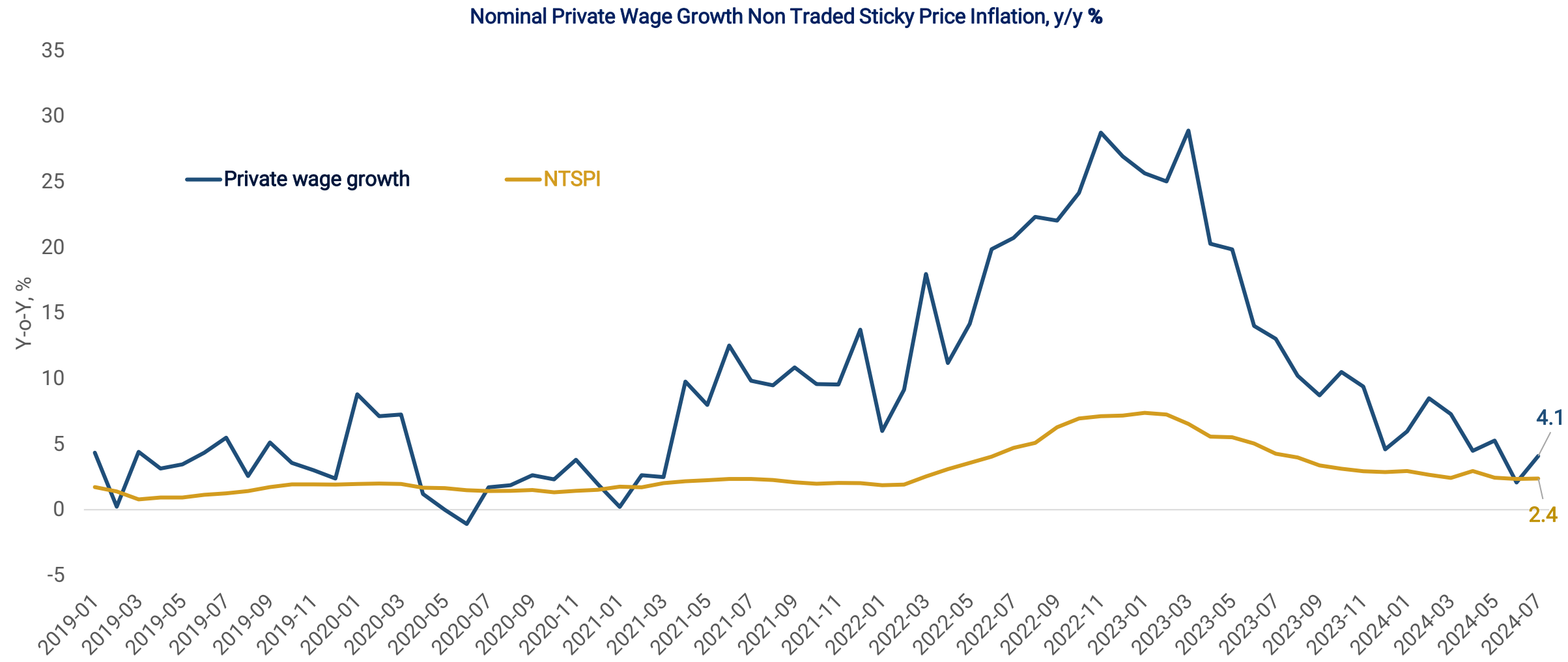
Source: Statistical Committee of the Republic of Armenia, CBA

External demand for domestic services has slowed compared to 2023, and the risks of additional demand stimulation through fiscal policy remain relevant.



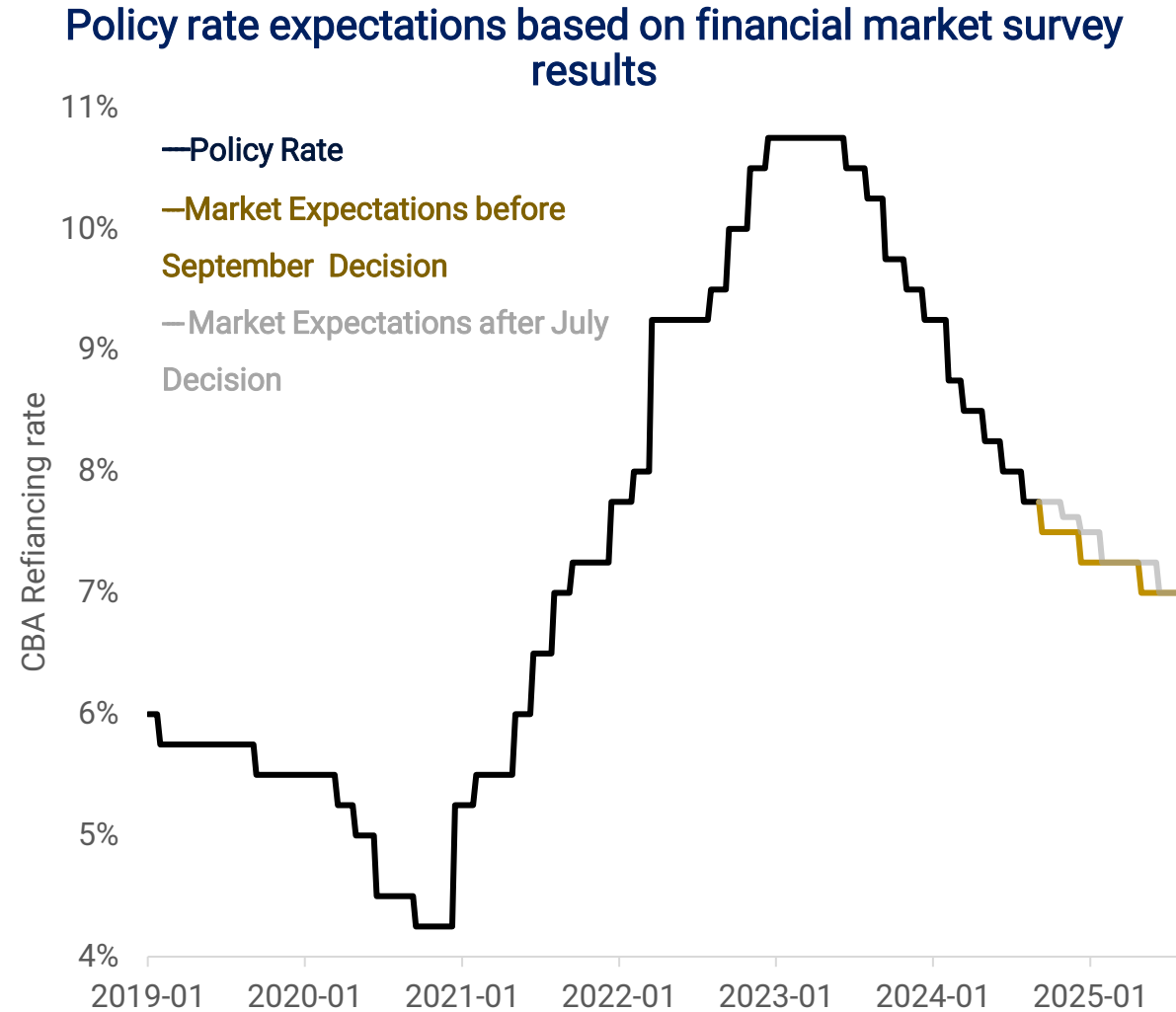
Source: Statistical Committee of the Republic of Armenia, CBA

At the same time, labor market conditions are somewhat softening, reflected in some stabilization of wages and inflation of sticky prices services.

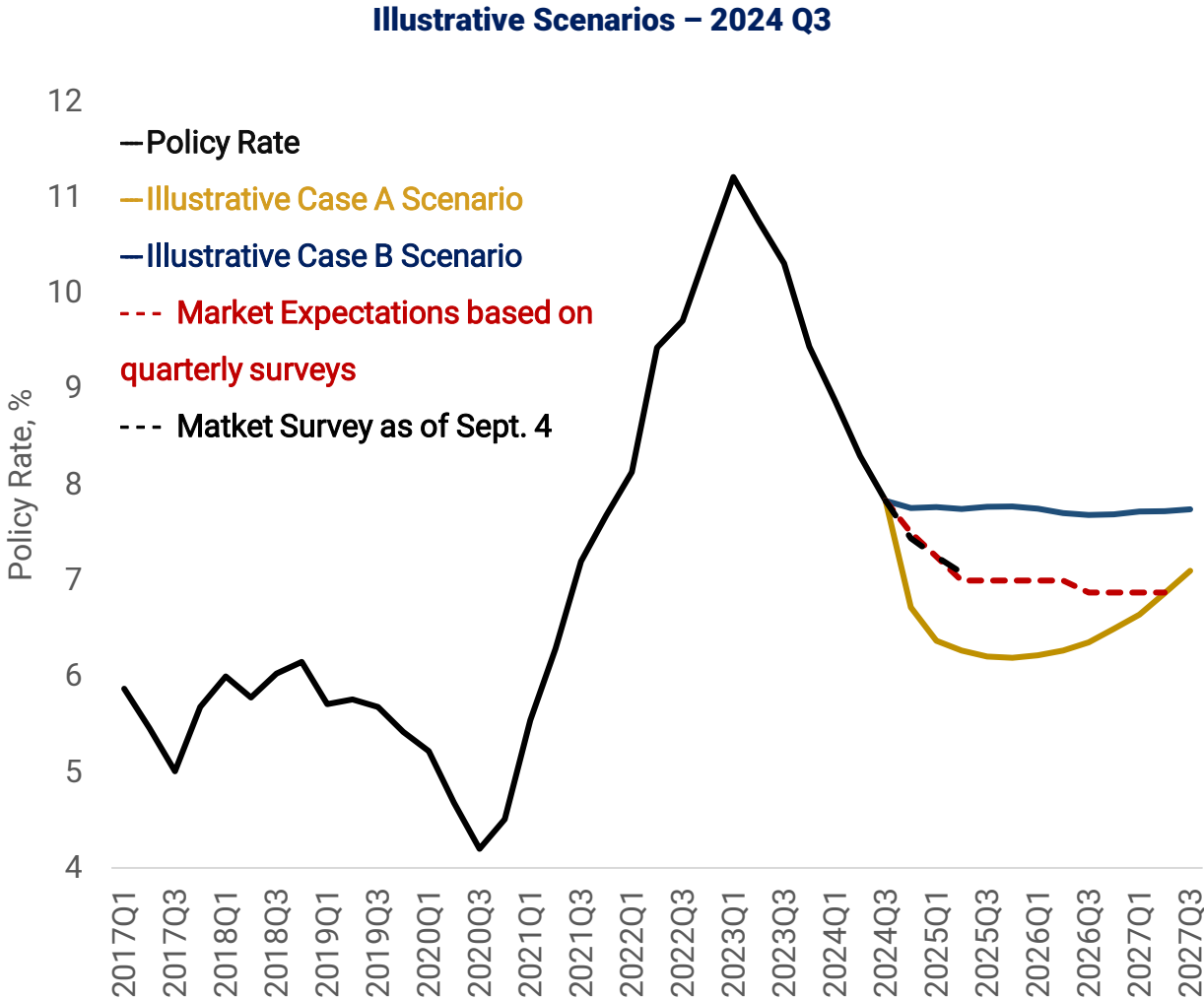


Source: Statistical Committee of the Republic of Armenia, CBA

To manage the potential risks arising from current uncertainties, the CBA Board considers various scenarios during its deliberations.



Source: CBA



September 10, 2024 Decision on the Refinancing Rate

Seeking to minimize the losses that could stem from these and other scenarios materializing, and balancing the aforementioned risks in both directions, the Board finds it appropriate to continue to gradually ease the policy stance.

The Board resolutely affirms its commitment to adopting the appropriate policy actions and strategy to ensure the price stability objective of 4% inflation in the medium term.



Thank You