



Monetary Policy Decision

October 29, 2024

October 29, 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 7.25%.

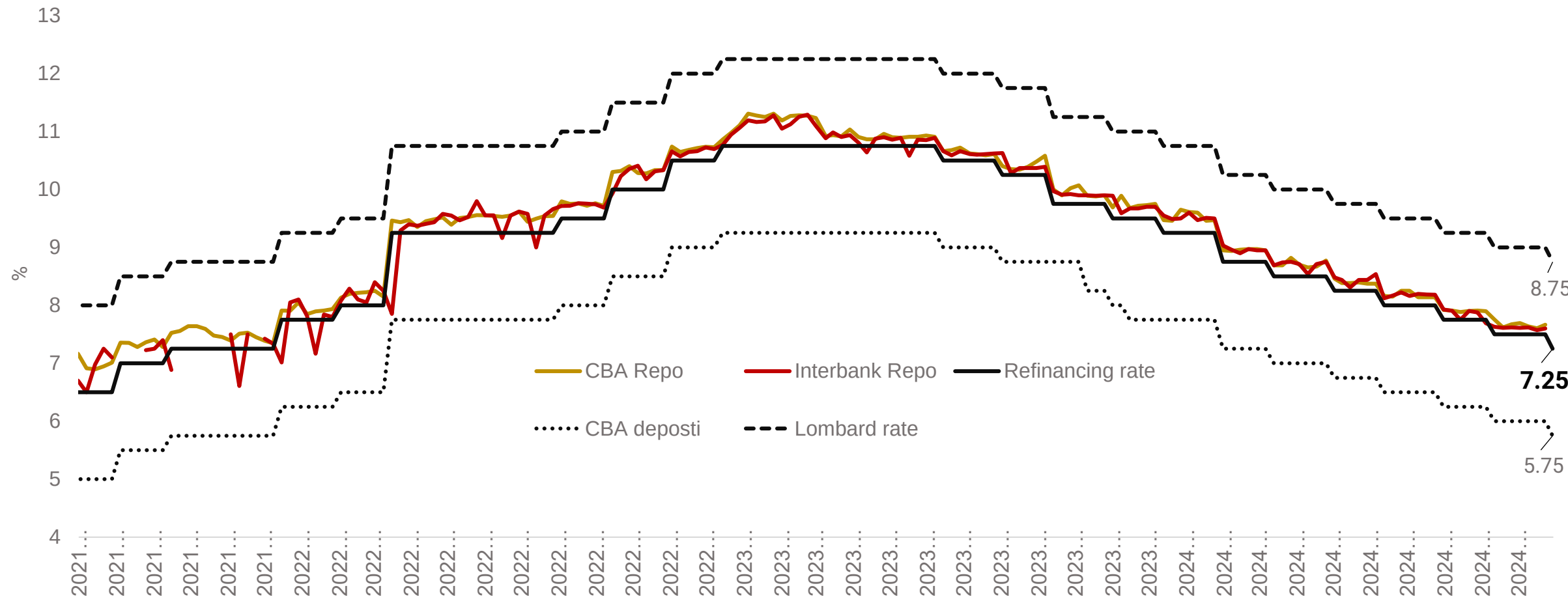
Lombard Repo Facility Rate: 8.75%

Deposit Facility Rate: 5.75%

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.

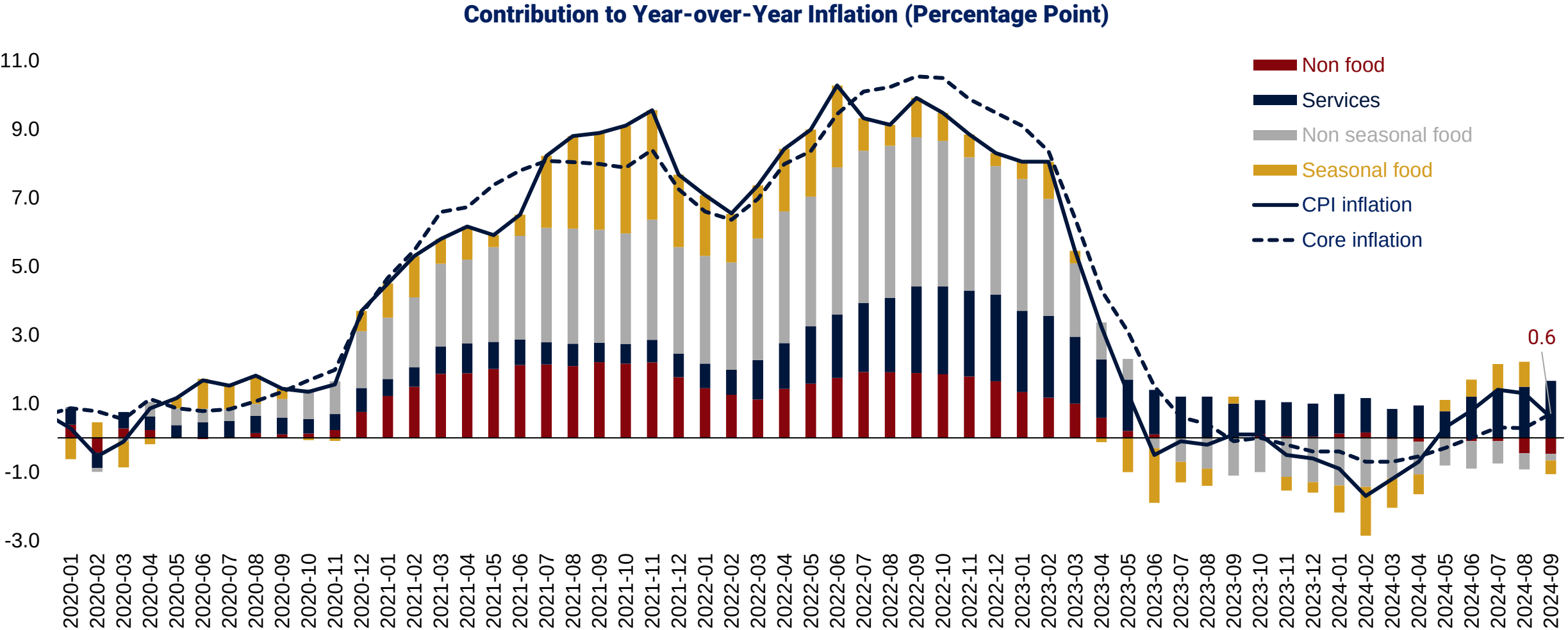


CBA Refinancing Rate & Interbank Repo Rates



Source: CBA

During the third quarter of 2024, 12-month inflation remained below the target, standing at 0.6% in September. The 12-month core inflation also stayed low, at 0.7% in September.



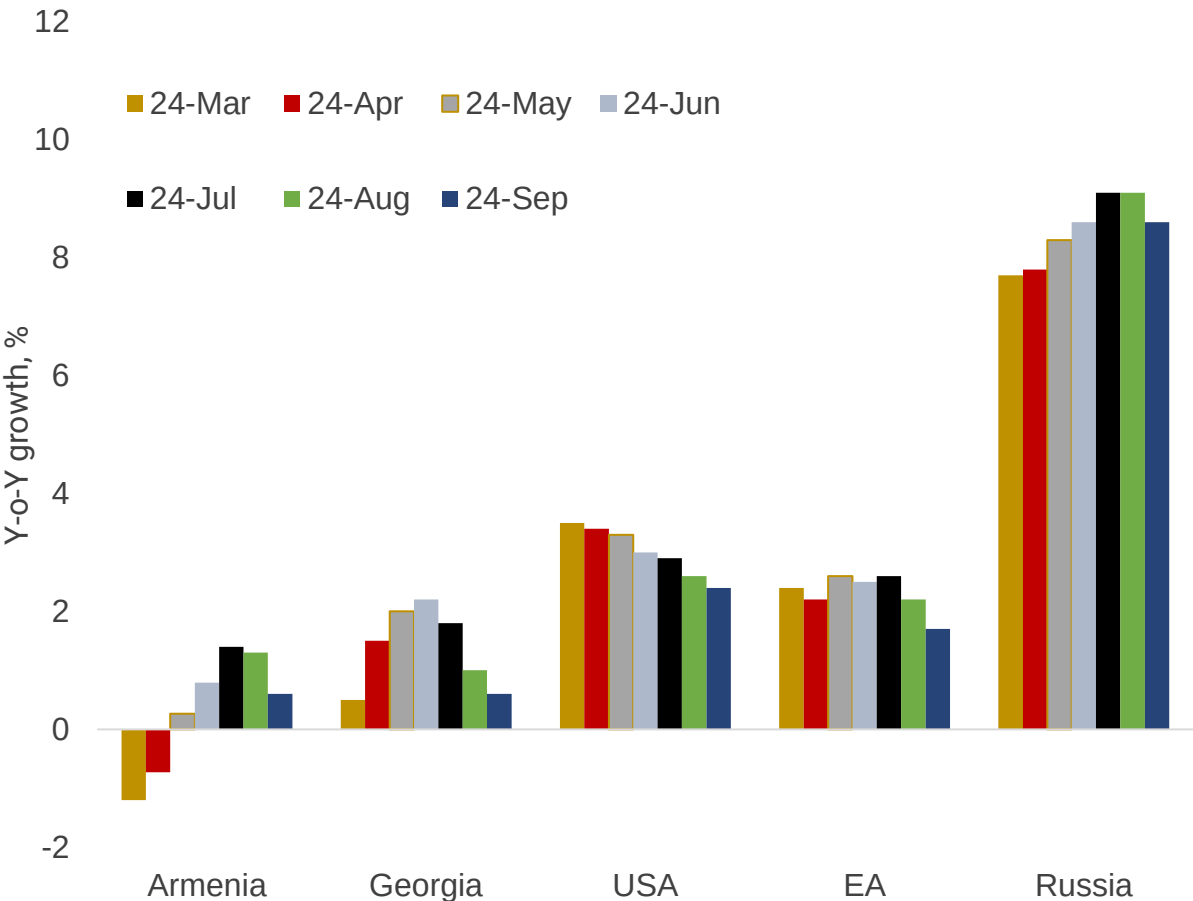
Source: Statistical Committee of the Republic of Armenia, CBA

In Q4 2024, risks of slowing economic growth globally and in the key trading partner countries of Armenia continue to persist.



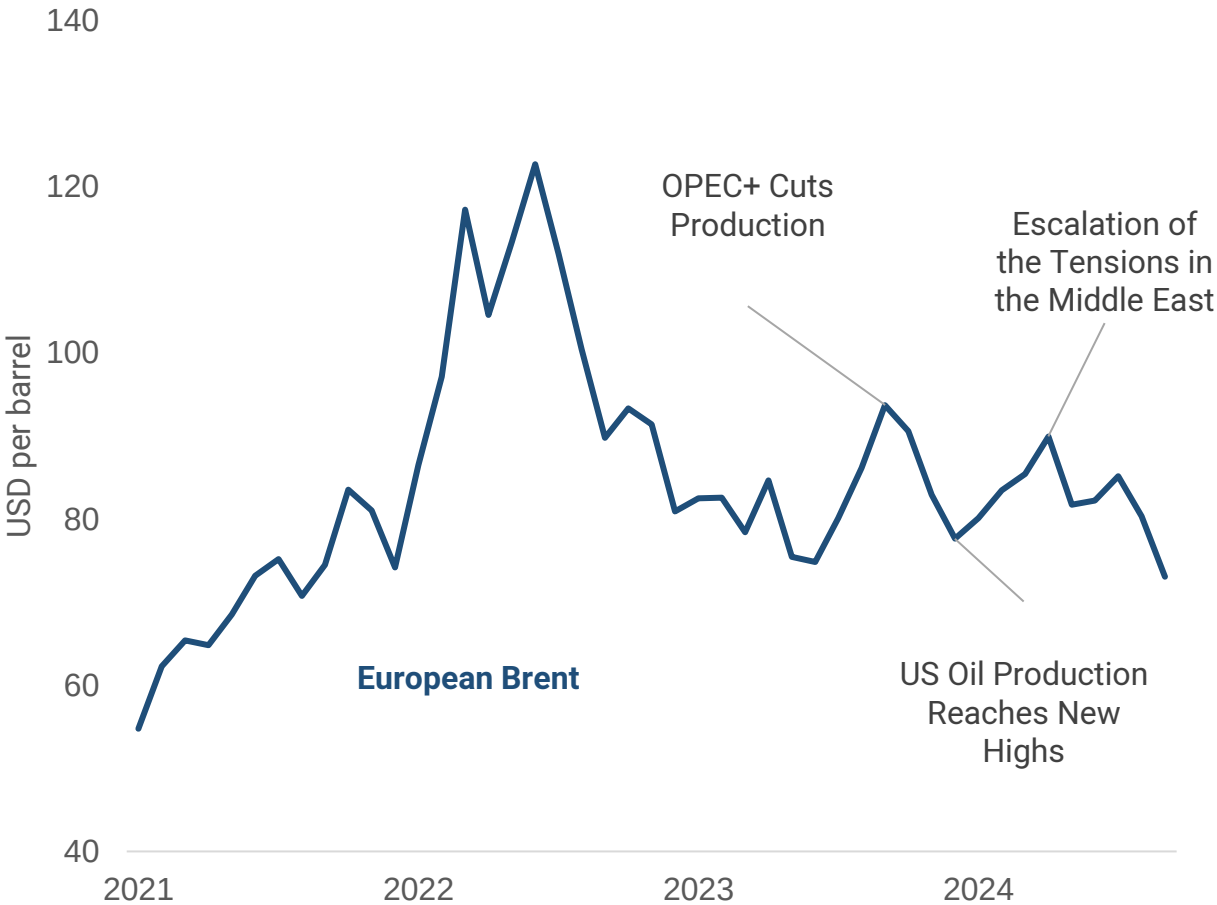
Global inflation continues to slow; however, sticky prices in key trading partner economies continue to remain relatively elevated.

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



Source: Statistical Committees of Respective Countries

Persistent geopolitical uncertainties in the Middle East, as well as growing tensions in international trade relations, continue to create risks for future growth in global commodity prices and potential disruptions in global supply chains.



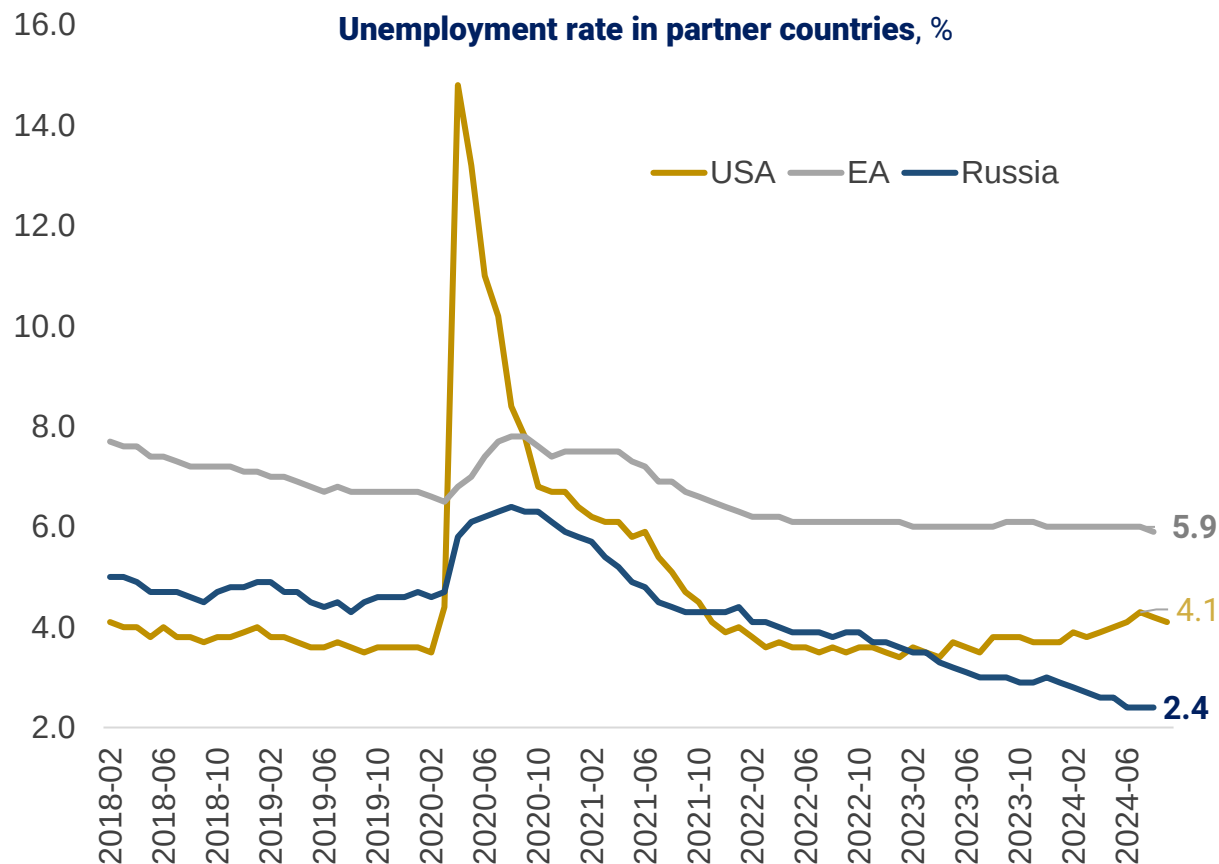
Source: FRB of St. Louis

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

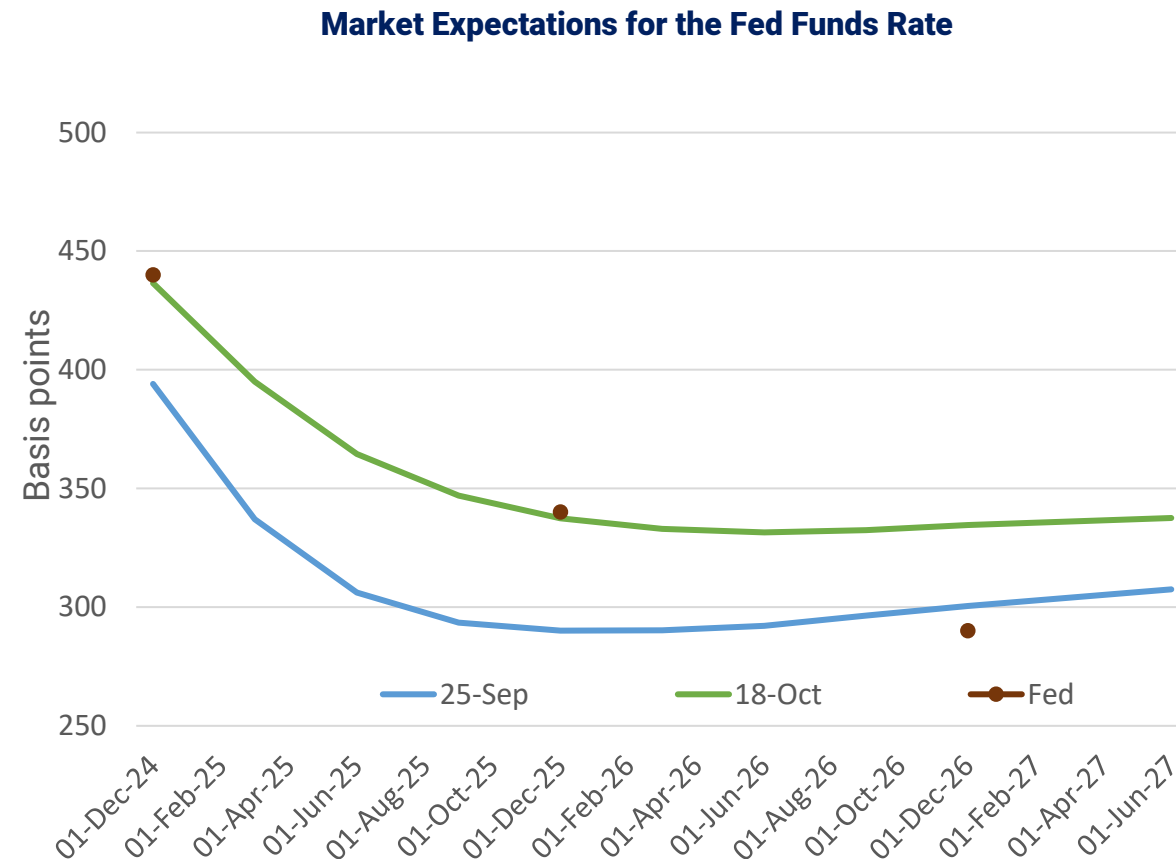


At the same time, labor market conditions in key trading partner countries, particularly the United States, are gradually easing in tandem with a measured adjustment in demand conditions. Conversely, uncertainty about the scale of impacts of fiscal policy on aggregate demand conditions in the US has risen.

In this context, advanced economy central banks would be expected to continue to gradually ease policy rates in the near term, while still maintaining a relatively tight stance



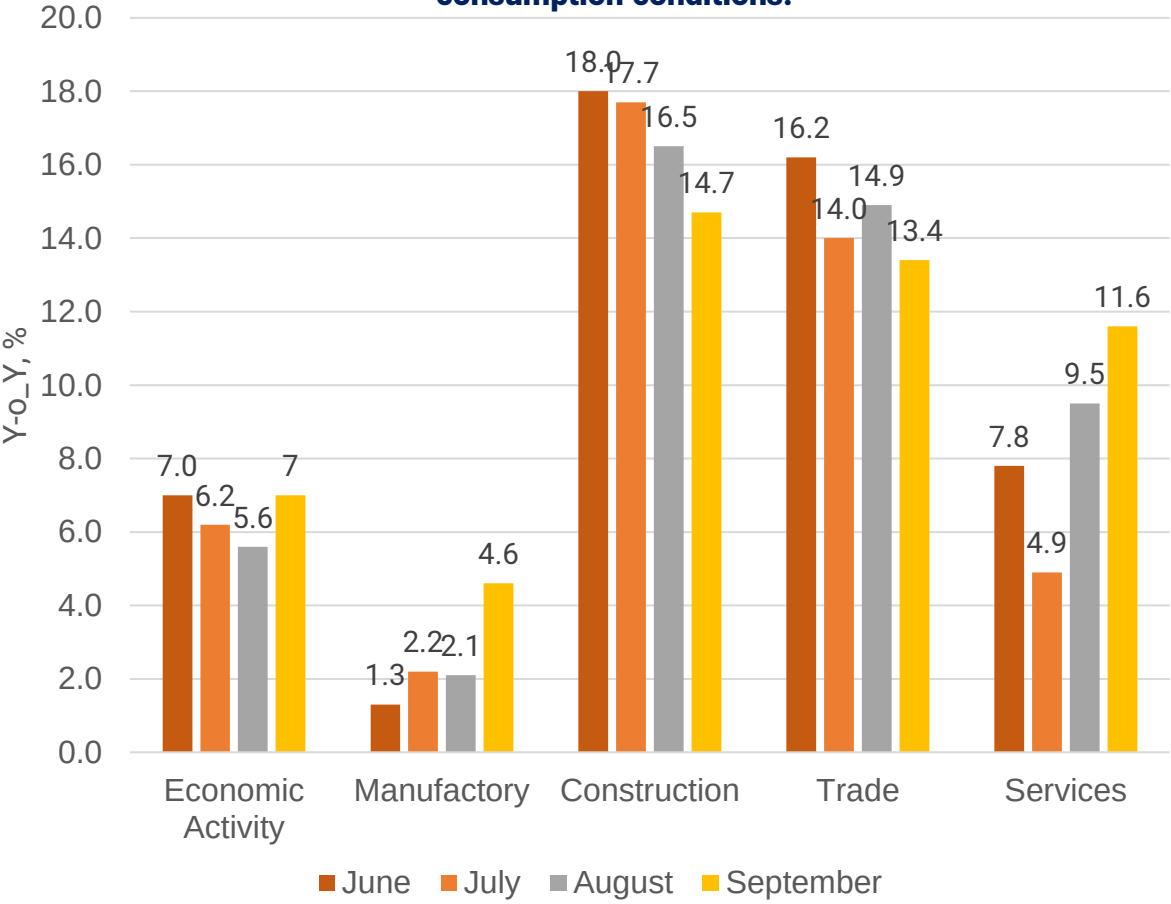
Source: FRED, Eurostat, Rosstat



Source: Federal Reserve Bank of Atlanta

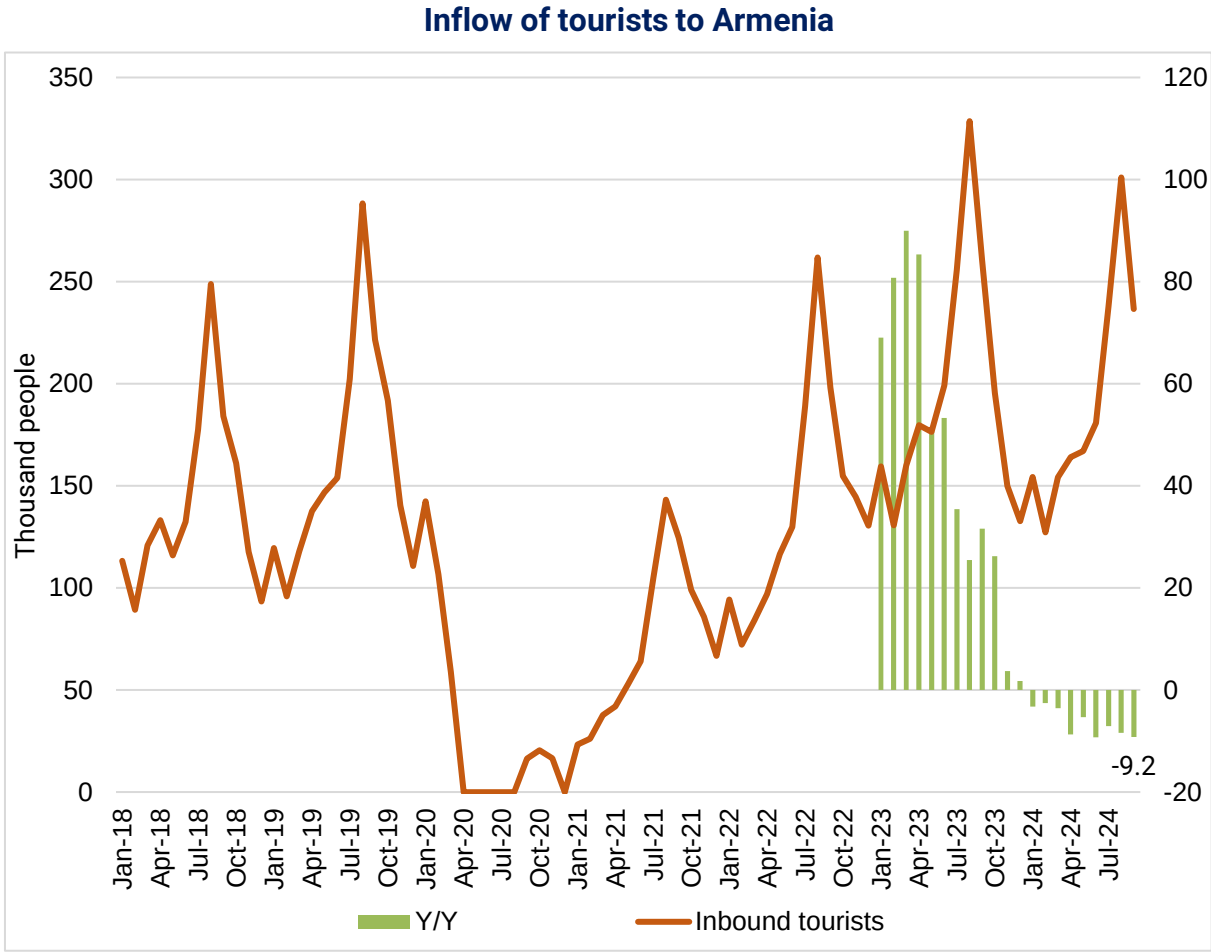
Economic activity in Armenia somewhat softened in the third quarter, but continues to remain above its stable, long-term levels. Growth in economy activity has largely been driven by meaningful growth in construction, services, and trade.

These dynamics continue to be impacted 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 future trajectory of domestic demand and consumption conditions.



Source: Statistical Committee of the Republic of Armenia, CBA

Despite strong economic activity in the current period, external demand for domestic services continues to slow.

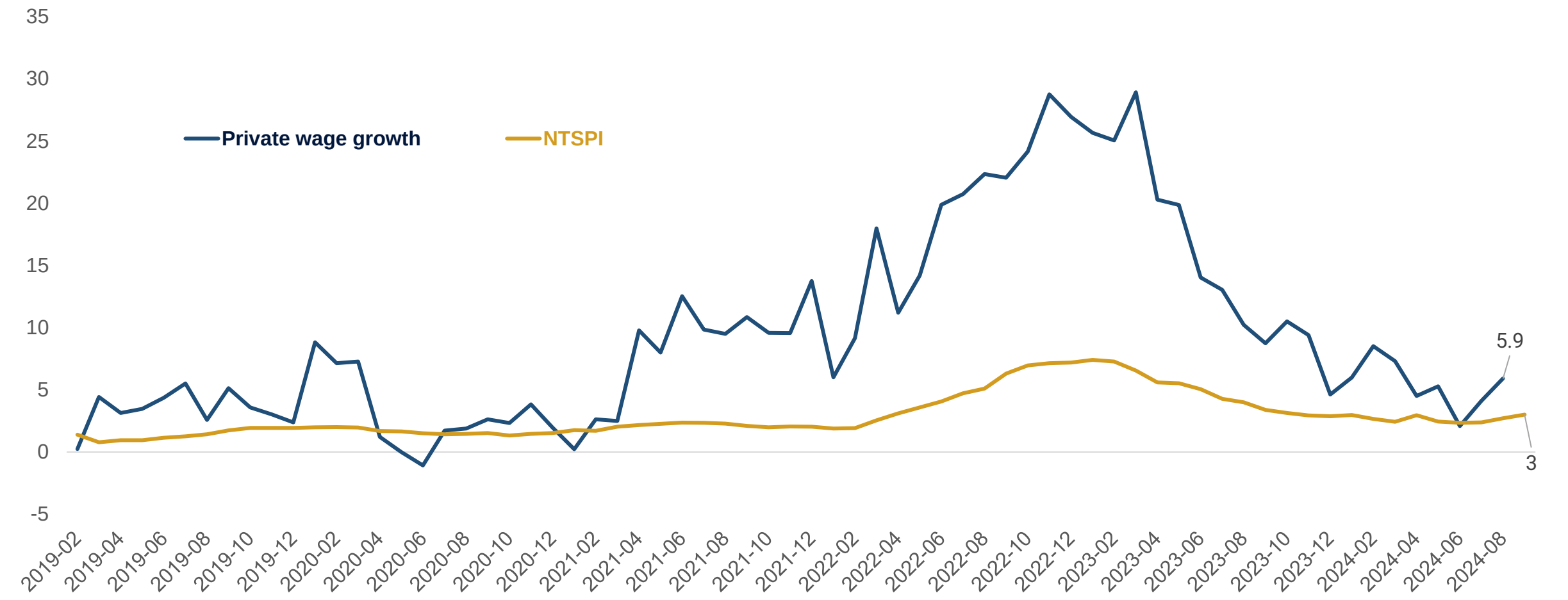


Source: Statistical Committee of the Republic of Armenia, CBA

Labor market conditions continue to somewhat cool amid these conditions, as reflected in stabilizing wage growth, non-traded sticky price inflation, and inflationary expectations. At the same time, risks for additional demand pressures stemming from fiscal policy persist



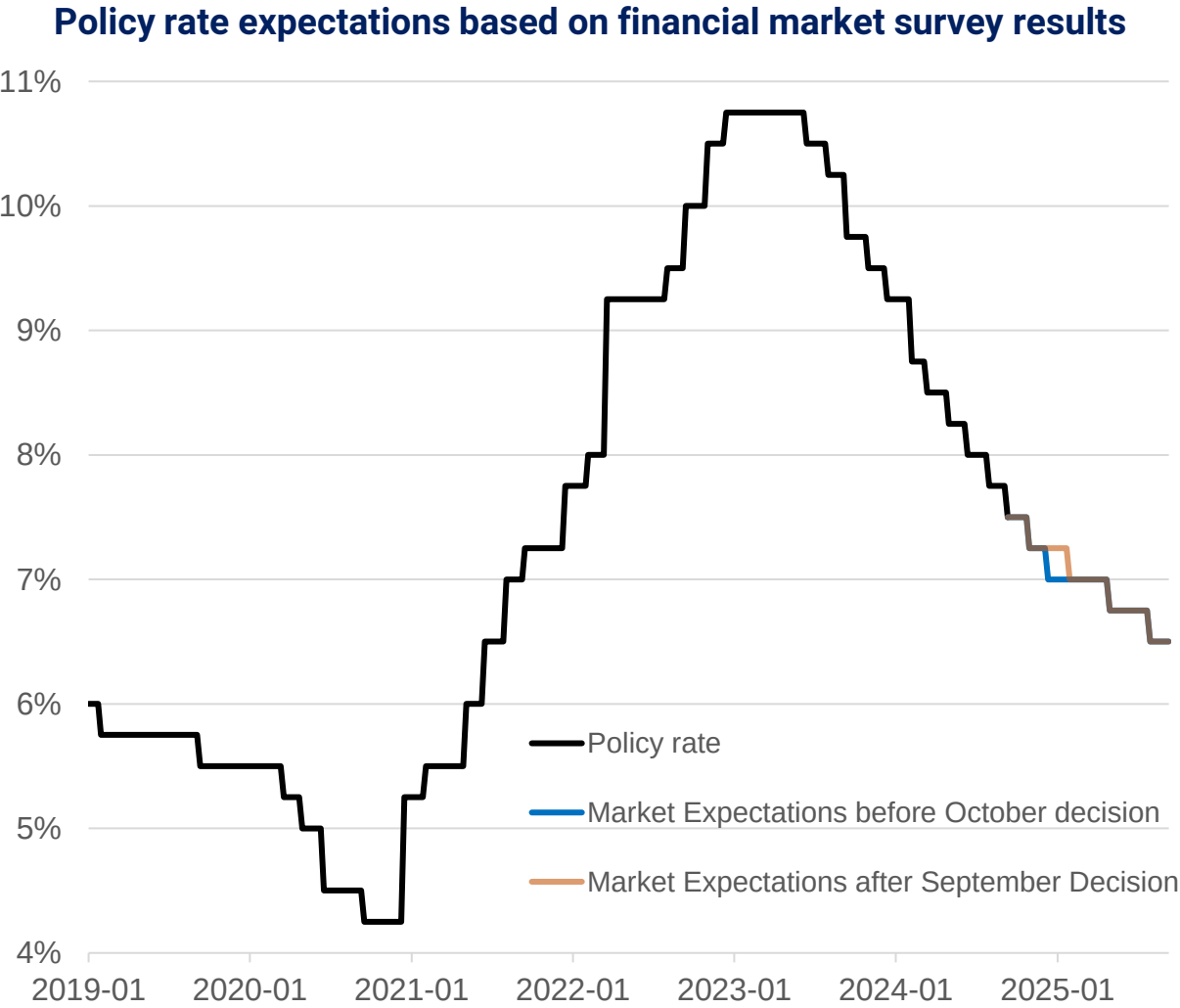
Nominal Private Wage Growth Non Traded Sticky Price Inflation, y/y %



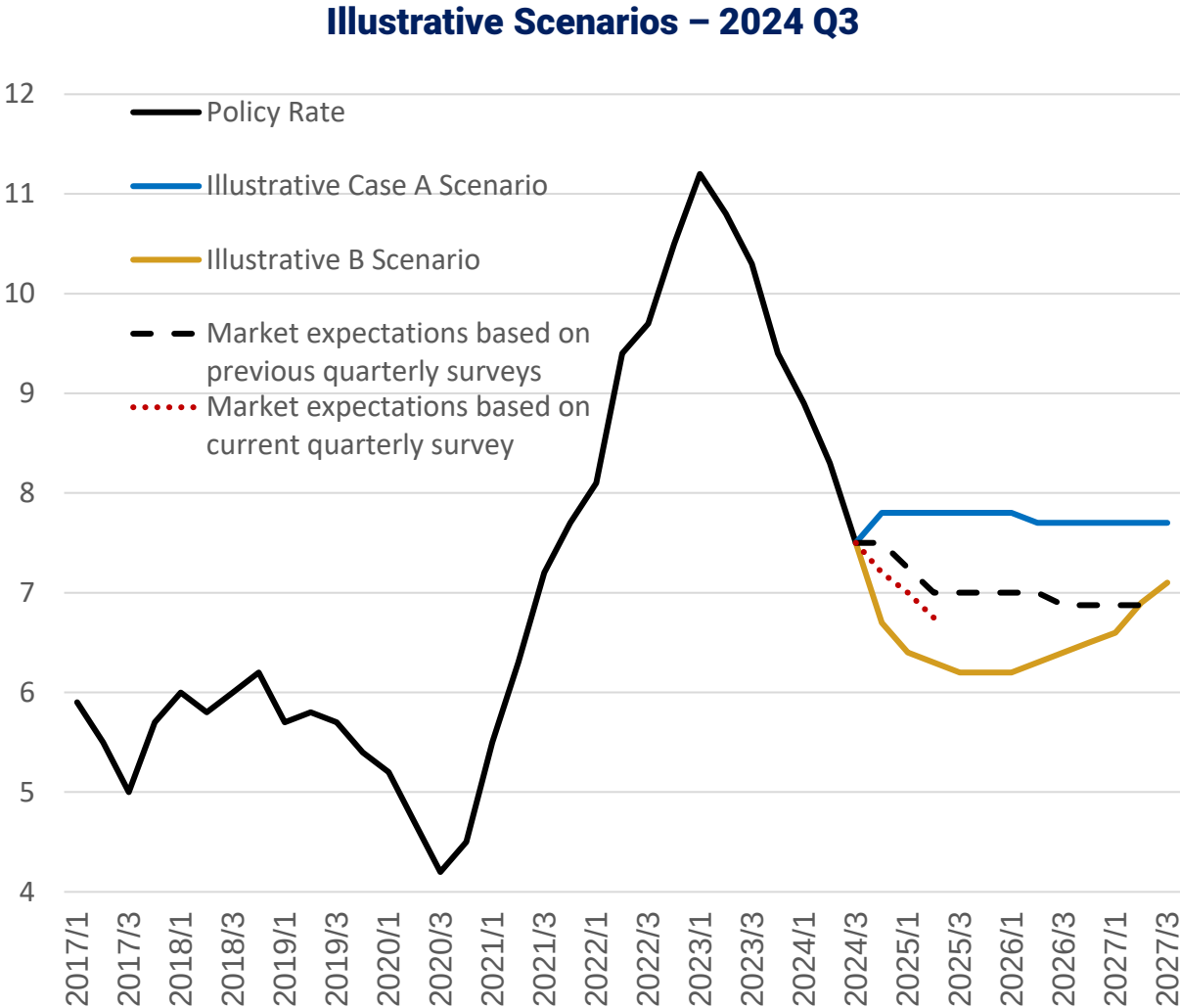
Source: Statistical Committee of the Republic of Armenia, CBA

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





Source: CBA





While the Board believes that though there is a greater likelihood of Case B-type scenarios materializing, it emphasizes the importance of minimizing the losses that could stem from the Case A-type risks. The Board thus finds it appropriate to continue to gradually ease the policy stance.

The Board will continue to monitor risk scenarios, and stands ready to take adequate actions to ensure that the price stability objective of 4 percent inflation over the medium-term horizon is met.



Thank You