

Monetary Policy Decision

July 30, 2024

July 30, 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 7.75%**

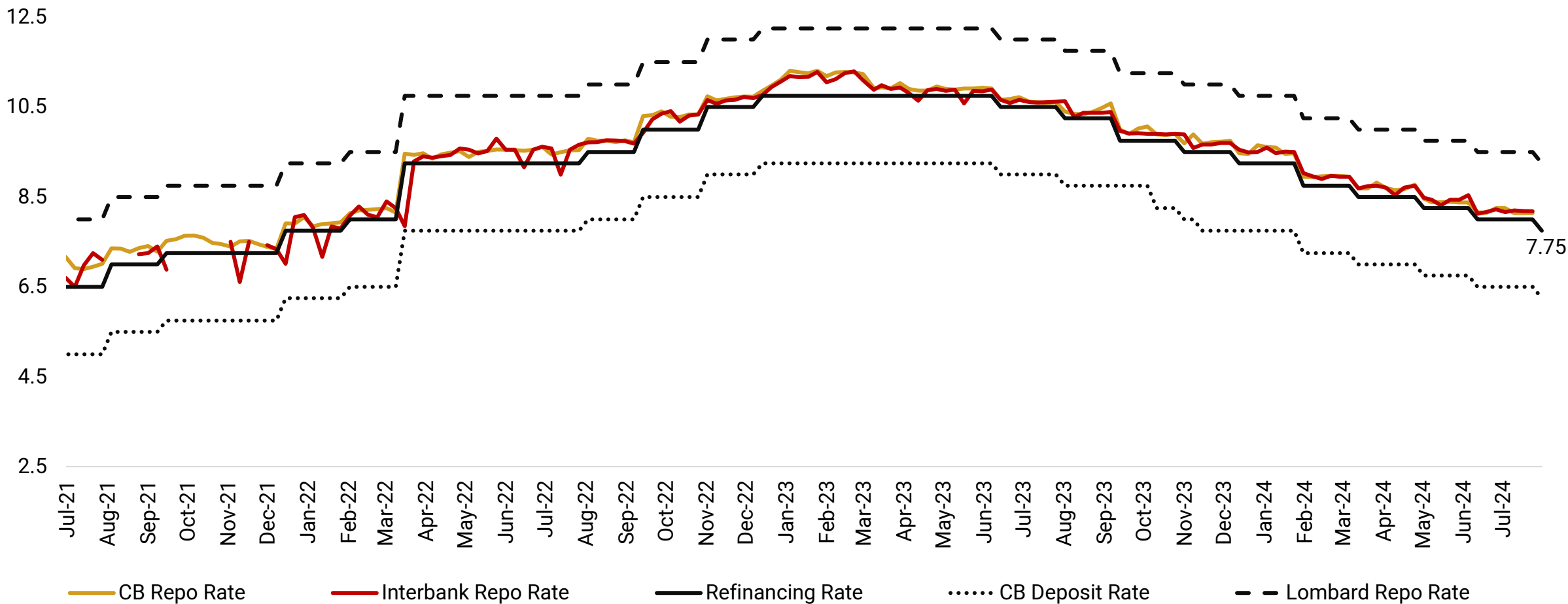
Lombard Repo Facility Rate: 9.25%

Deposit Facility Rate: 6.25%

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.

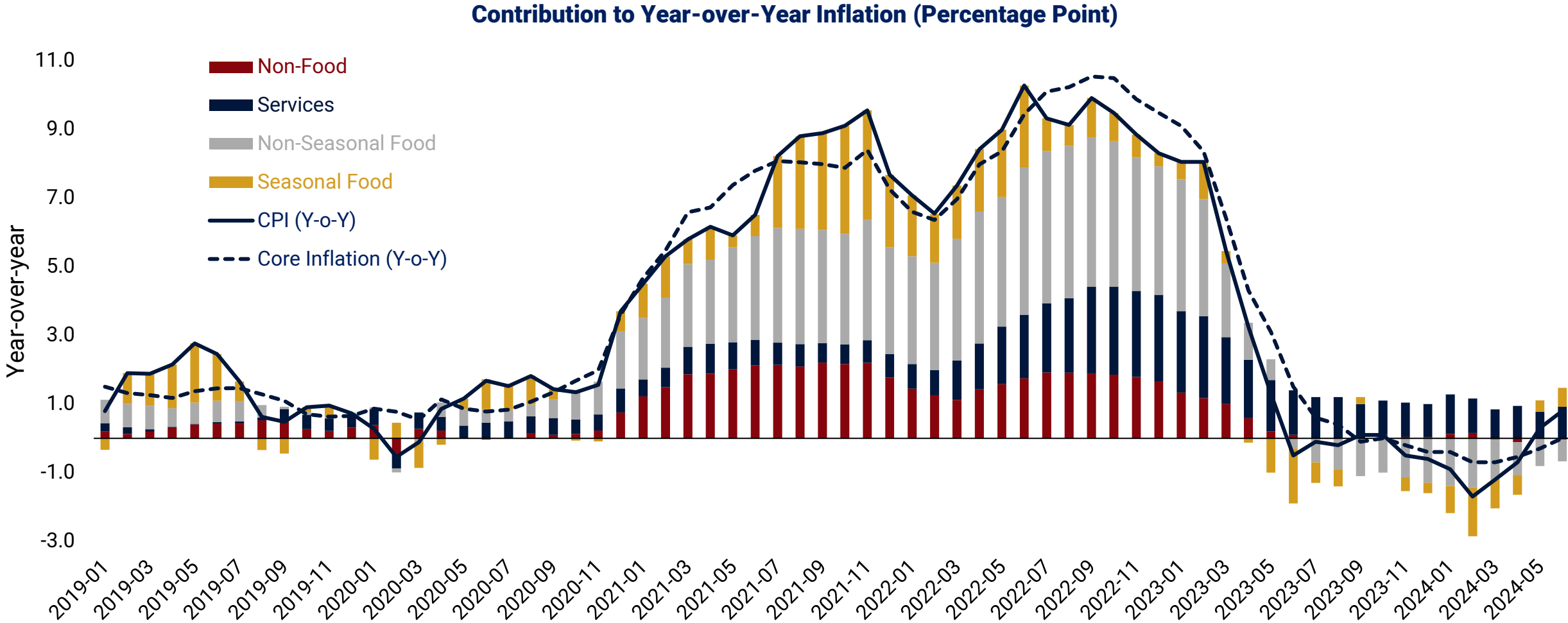


CBA Refinancing Rate & market interest rates



Source: CBA

Annual CPI inflation has continued to remain at low levels well below the target, registering 0.8% in June 2024. Core inflation remained unchanged, standing at 0.0% year-over-year in June.

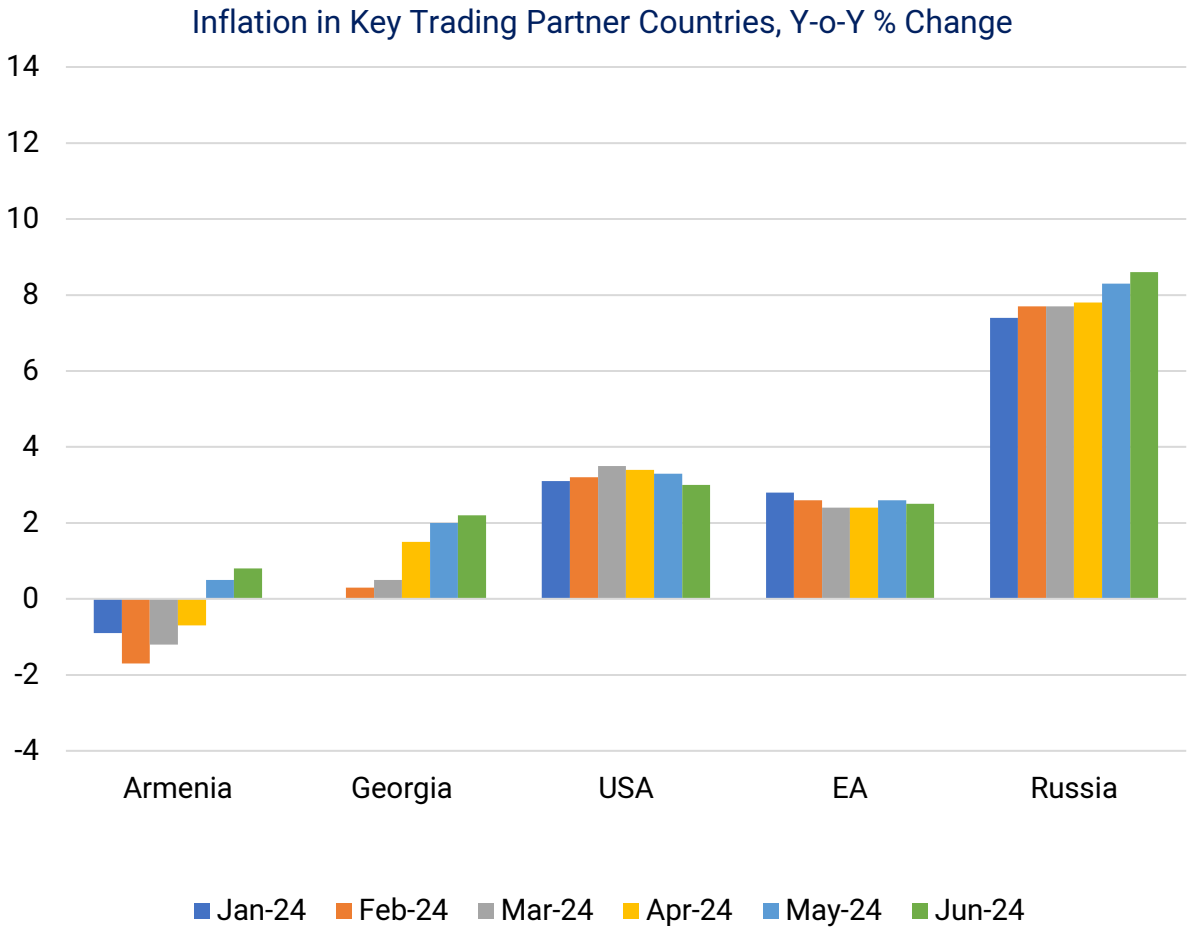


Source: Statistical Committee of the Republic of Armenia, Central Bank of Armenia

In Q2 of 2024, risks of slowing economic growth globally and in the key trading partner countries of Armenia continue to persist.

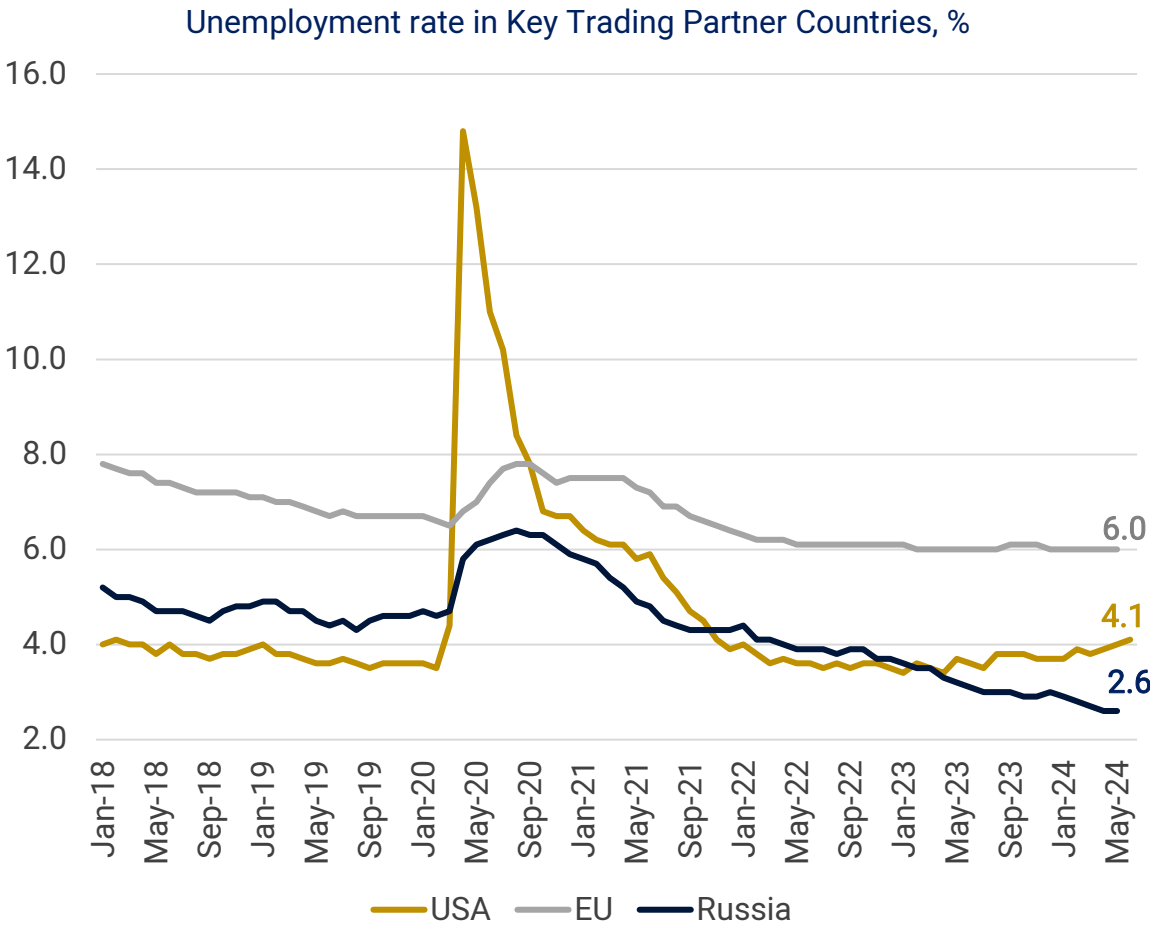


Global inflation continues to decline. However, sticky prices continue to remain relatively elevated in key trading partner economies.



Source: Countries' statistical agencies

At the same time, overheated labor market conditions continue to contribute to sustained high demand conditions in key trading partner economies.

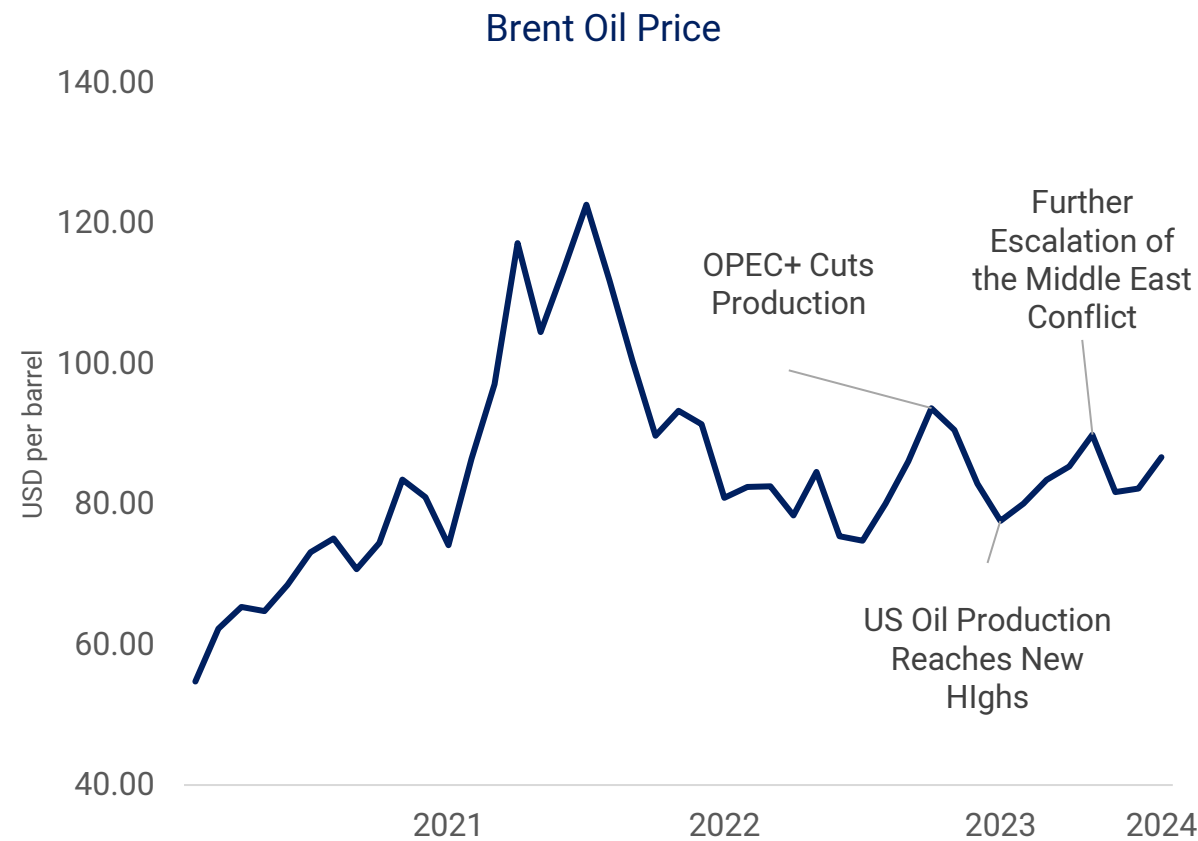


Source: Countries' Statistical services

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

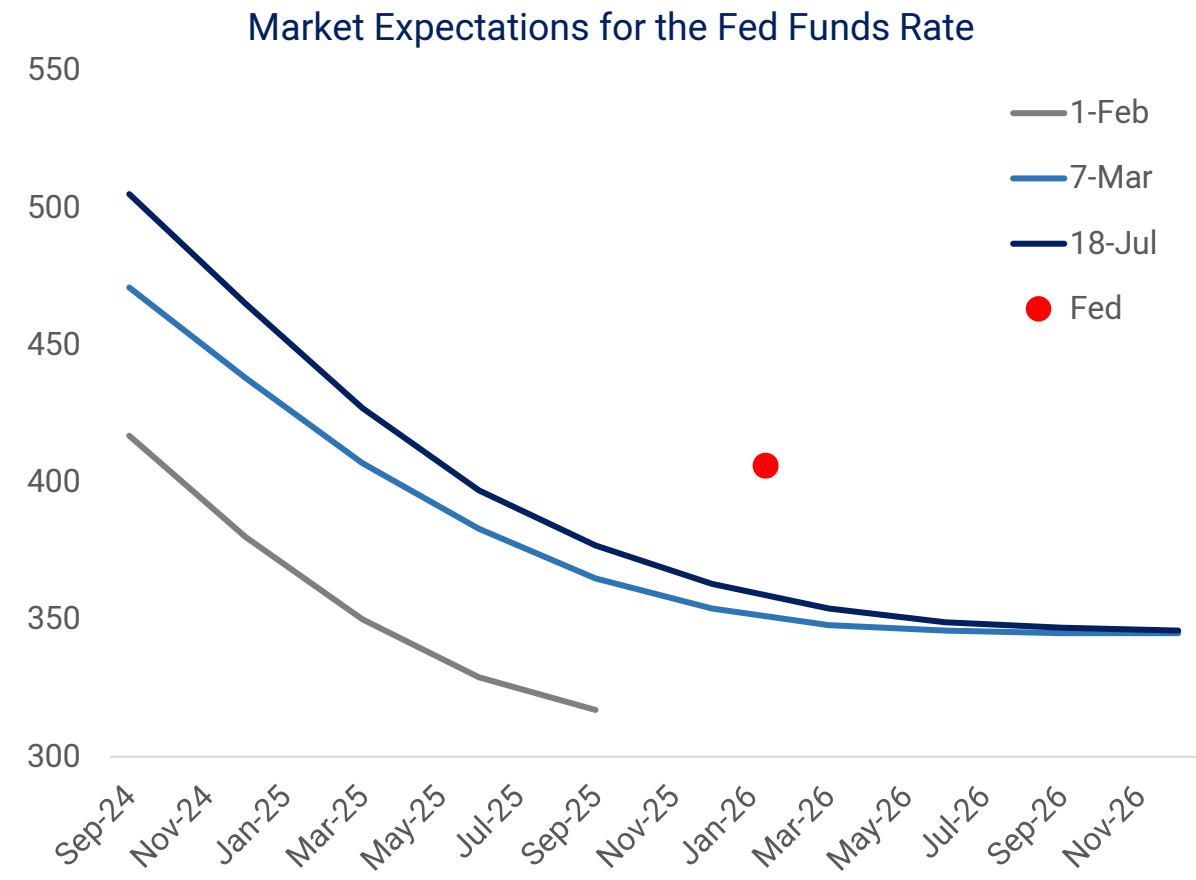


Persistent geopolitical uncertainties, as well as growing tensions in international trade relations, continue to create risks for future growth in global commodity prices and potential disruptions in global supply chains.



Source: Energy Information Association (EIA)

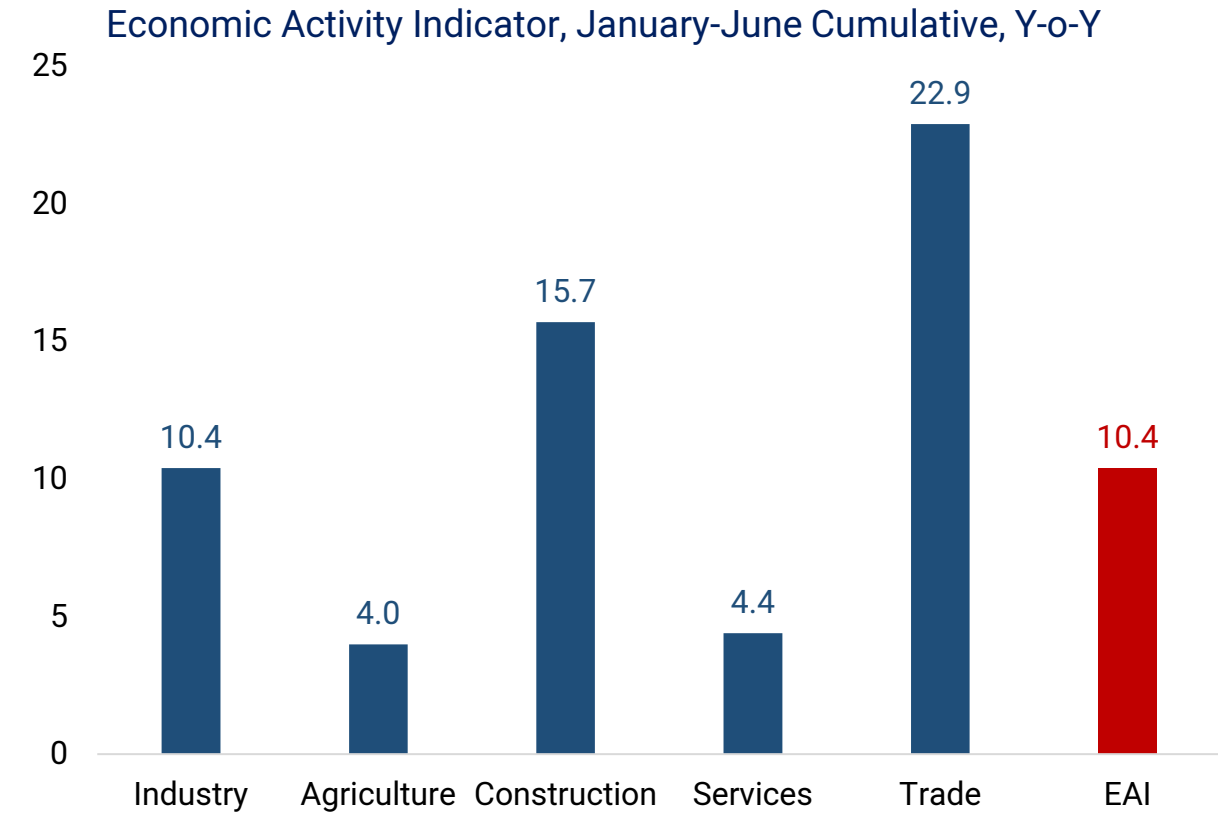
In this context, it is likely that key trading partner central banks, and in particular the US Fed, would maintain tight monetary conditions for longer.



Source: Atlanta FED

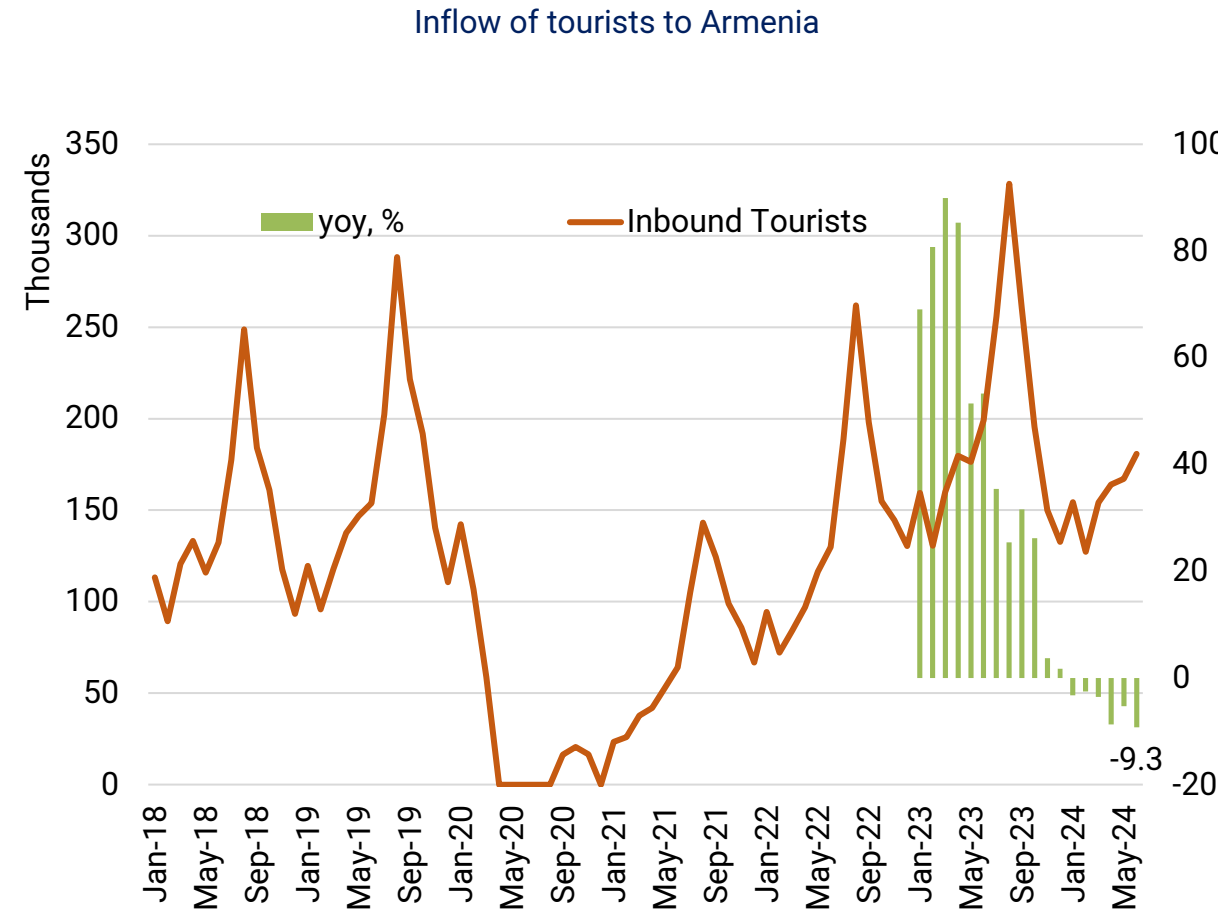
Economic activity in Armenia remained robust in the Q2, continuing to be largely driven by meaningful growth in the construction, trade, and industry sectors.

The latter continues 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 strength of domestic demand and consumption conditions.



Source: Statistical Committee of RA

External demand for domestic services continues to slow relative to 2023.

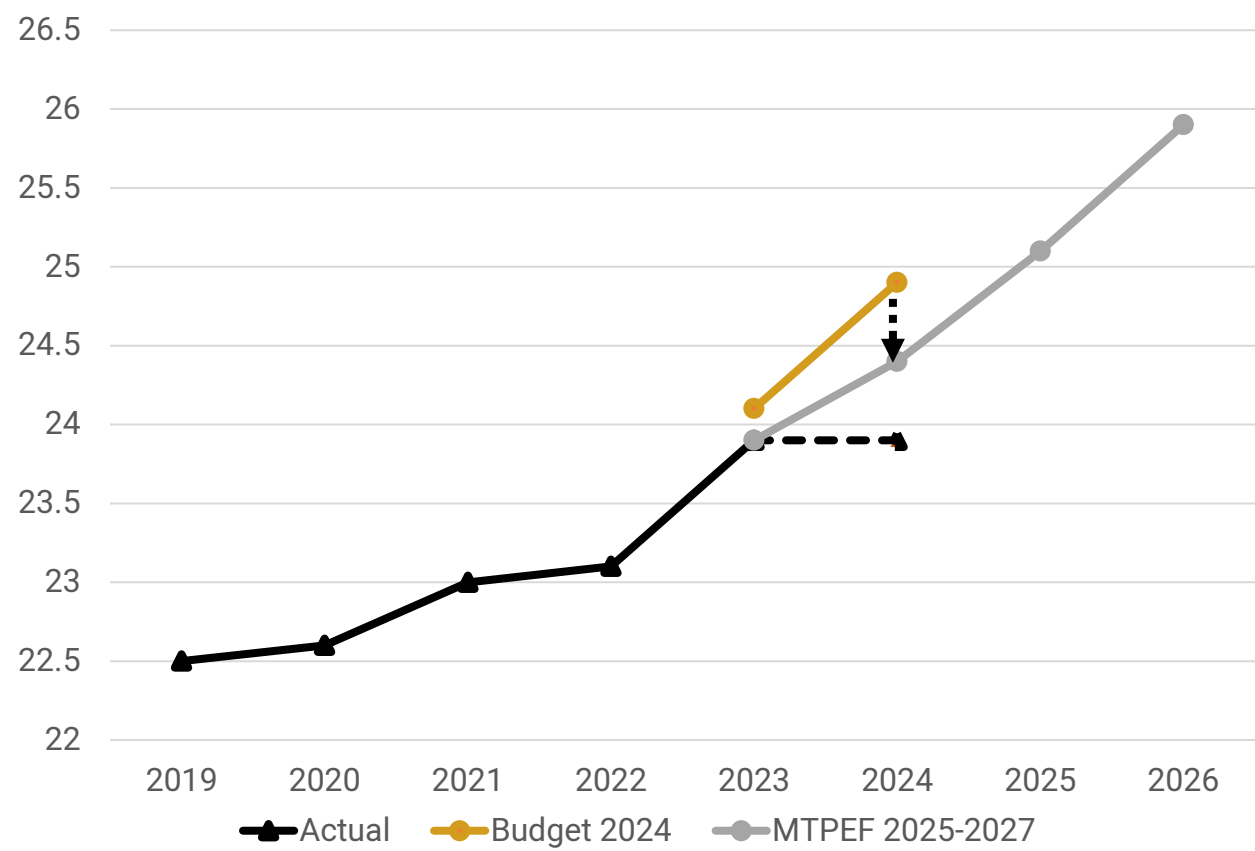


Source: Statistical Committee of RA, CBA calculations

Non-traded sticky price inflation and inflation expectations continue to decline.

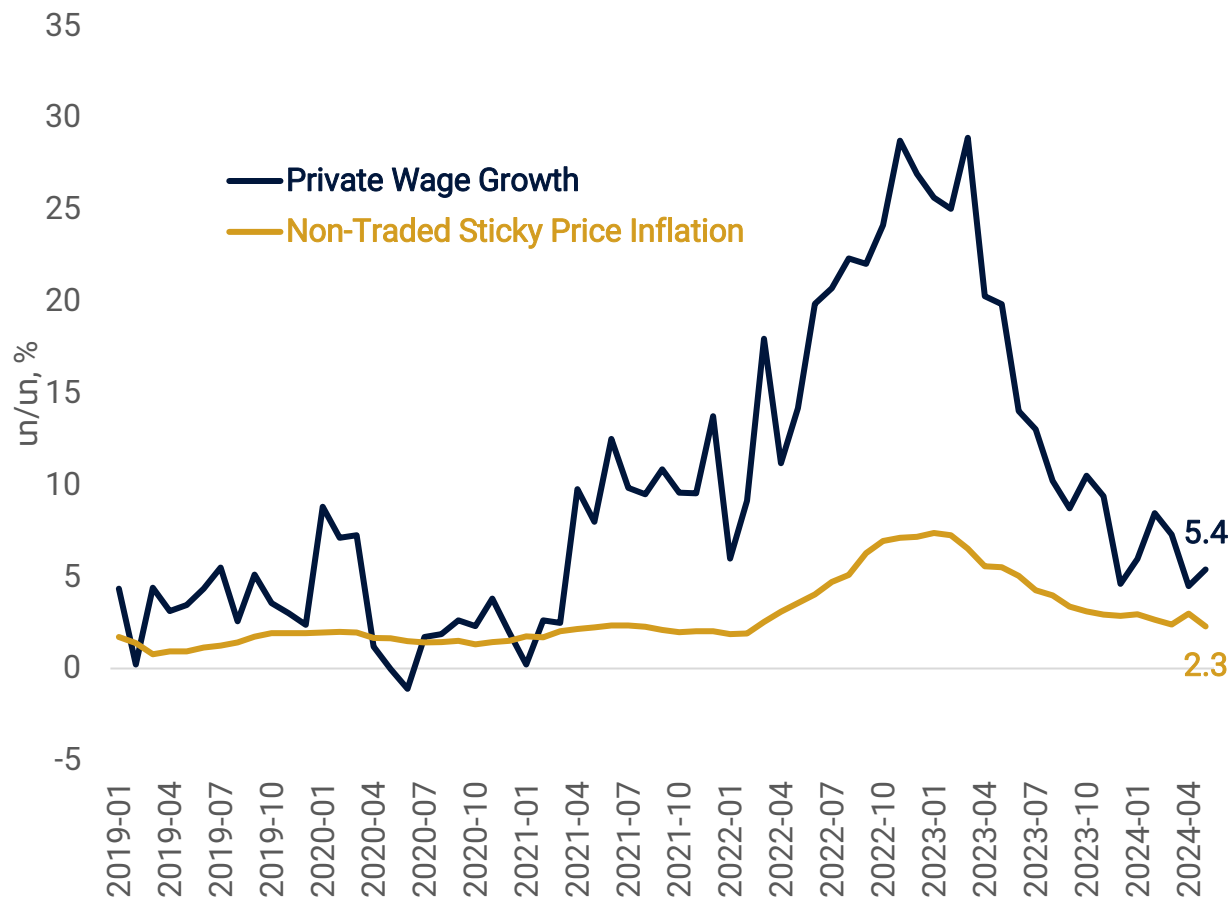
At the same time, risks for demand pressures stemming from fiscal policy continue to persist.

Tax revenues % of GDP



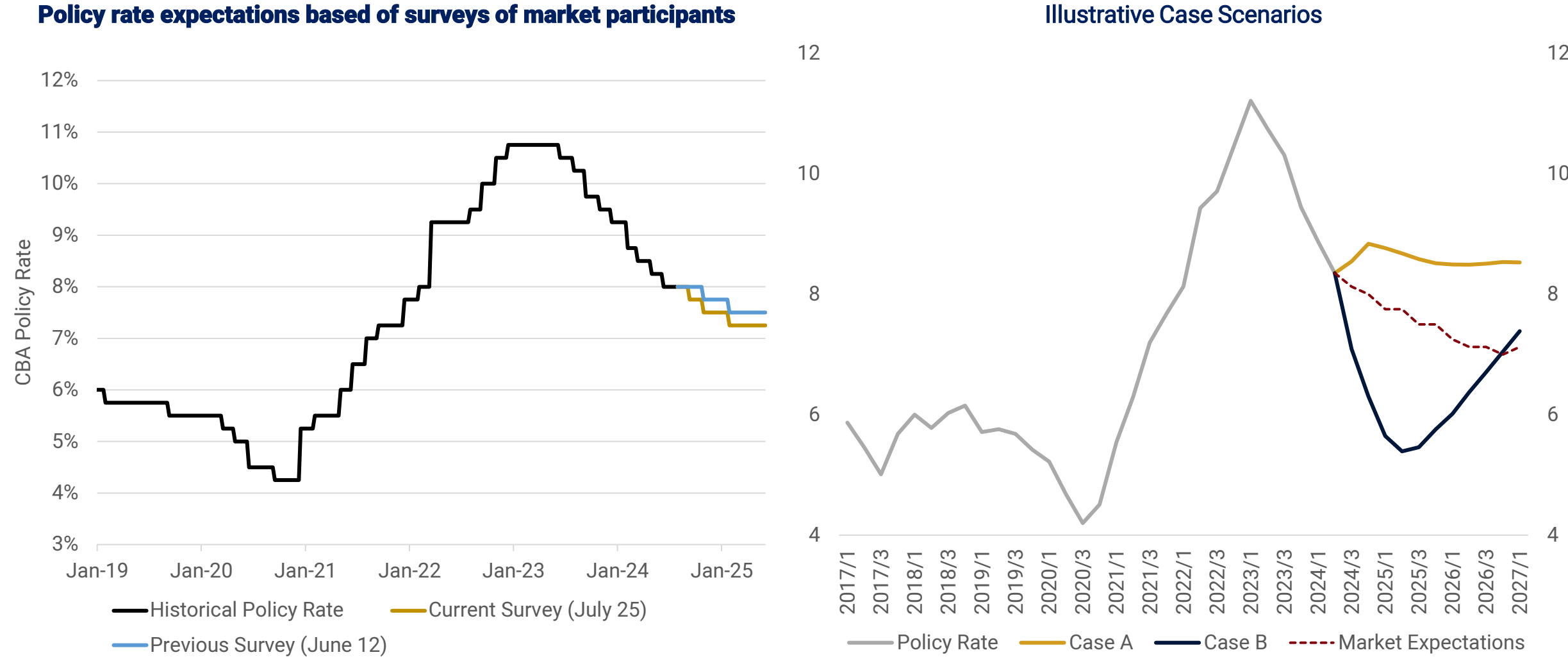
Source: Central Bank of Armenia

Further, labor market conditions continue to cool, reflected in the cooling pace of wage growth.



Source: Statistical Committee of the Republic of Armenia; Central Bank of Armenia

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



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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