



Central Bank
of Armenia

Monetary Policy Decision

4 February, 2025.

February 4, 2025 Decision on the Refinancing Rate

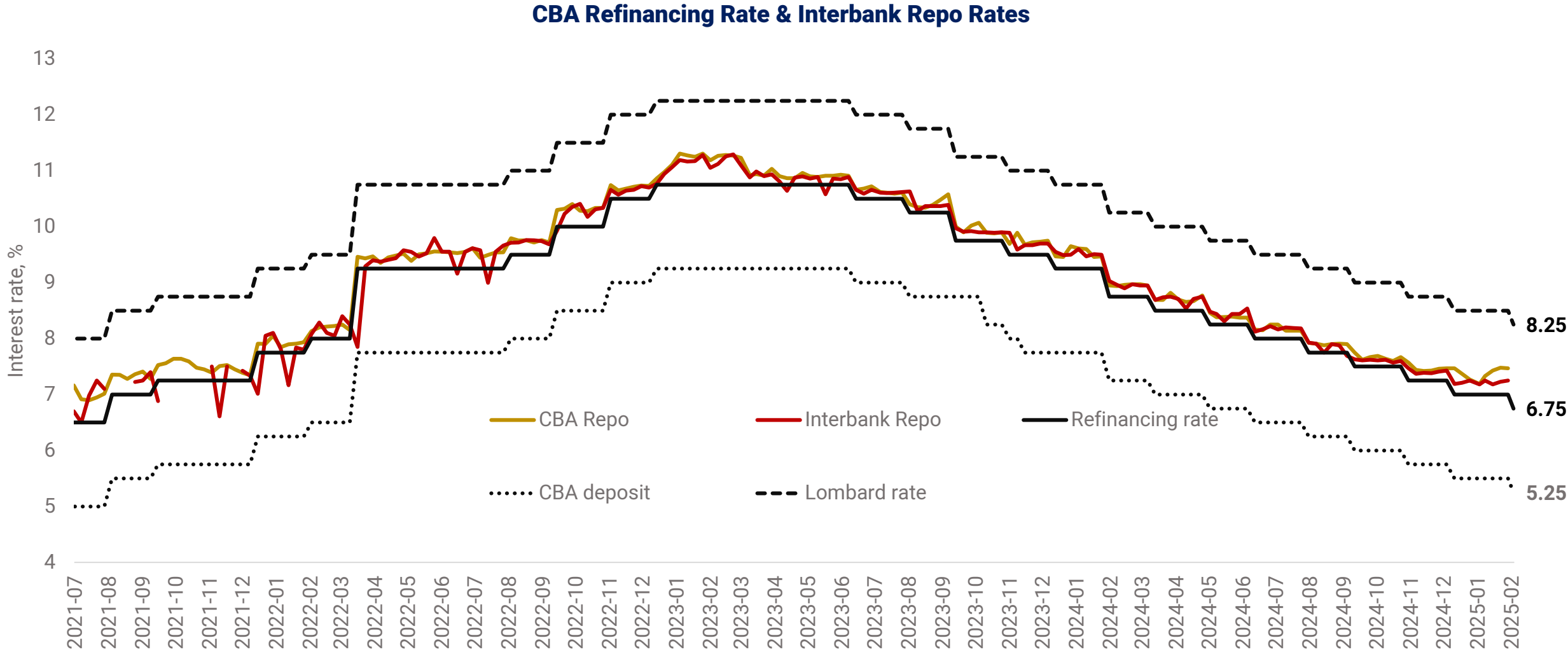


**At its meeting today, the Board of the Central Bank of Armenia
decided to decrease the key policy rate by 0.25 percentage points, setting it at
6.75%.**

Lombard Repo Facility Rate: 8.25%

Deposit Facility Rate: 5.25%

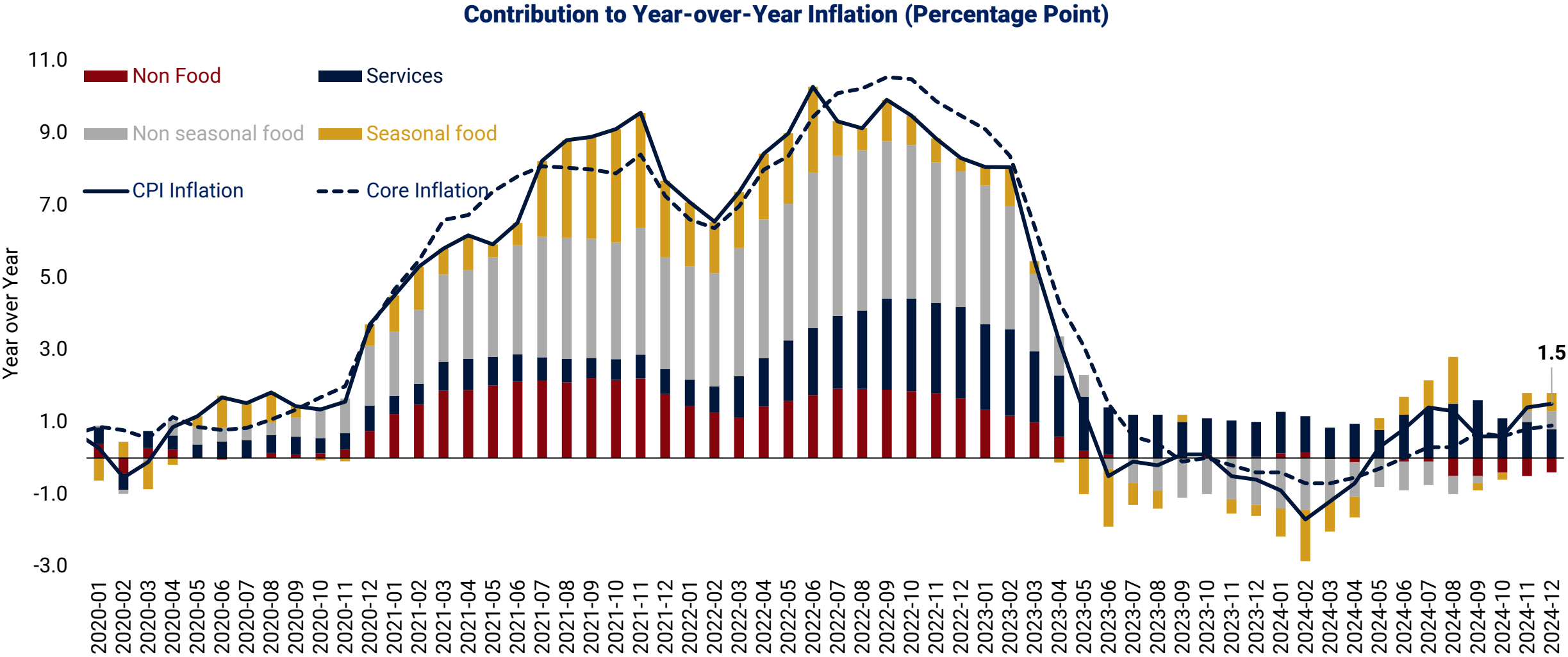
The Board agrees that a lower refinancing rate is necessary to continue to meet its price stability objective of ensuring an inflation rate of 3 percent over the medium term.



Source: CBA

Annual CPI inflation has continued to remain below the target, registering 1.5% in December 2024. Core inflation has also remained at low levels, at 1% year-over-year in December.



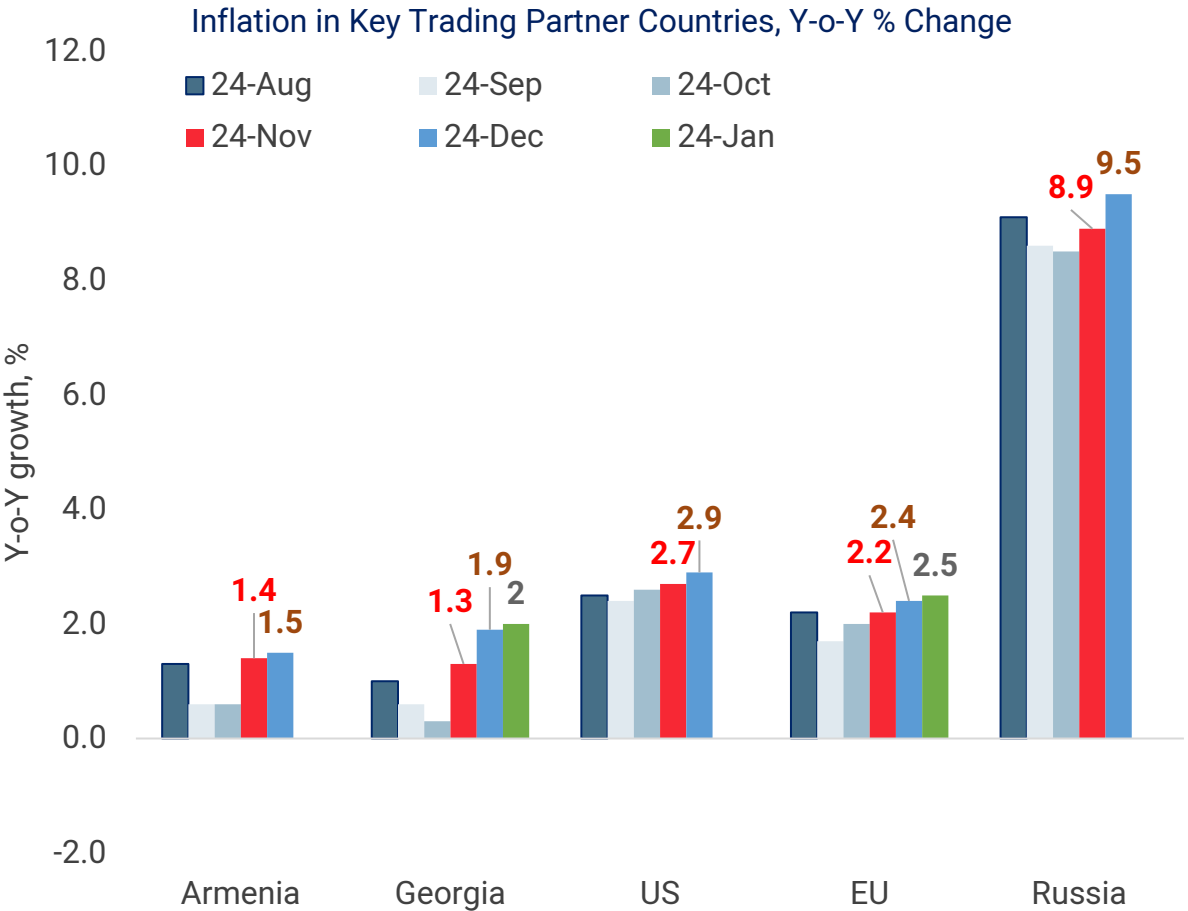


Source: Statistical Committee of the Republic of Armenia, CBA

In Q1 2025, risks of slowing economic growth globally and in the key trading partner countries of Armenia continue to persist.

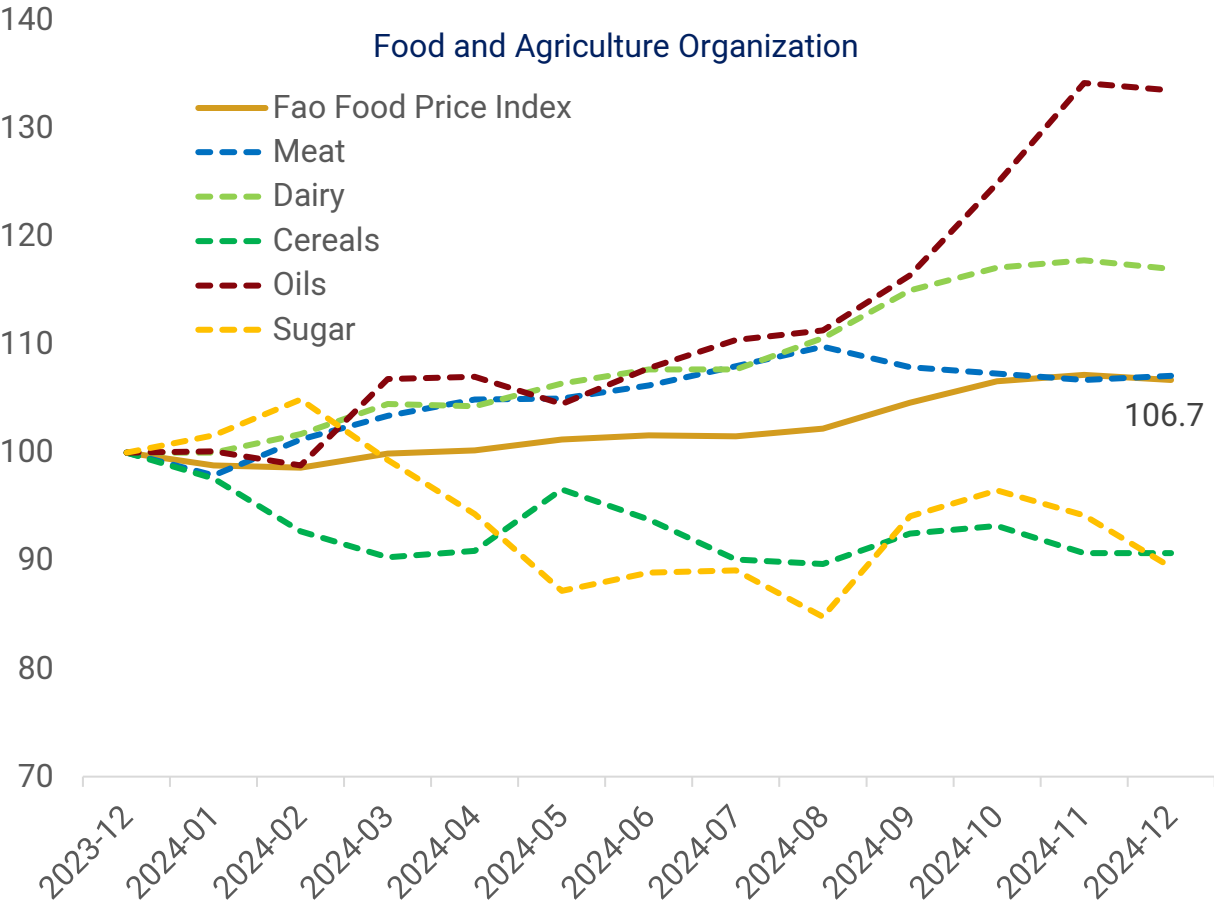


Inflation in partner countries has moderately expanded, while the prices of goods and services characterized by sticky prices in key trading partner economies continue to remain significantly above target levels.



Source: Statistical Committees of Respective Countries

Growing tensions in international trade relations continue to create risks for future growth in global commodity prices and potential disruptions in global supply chains.



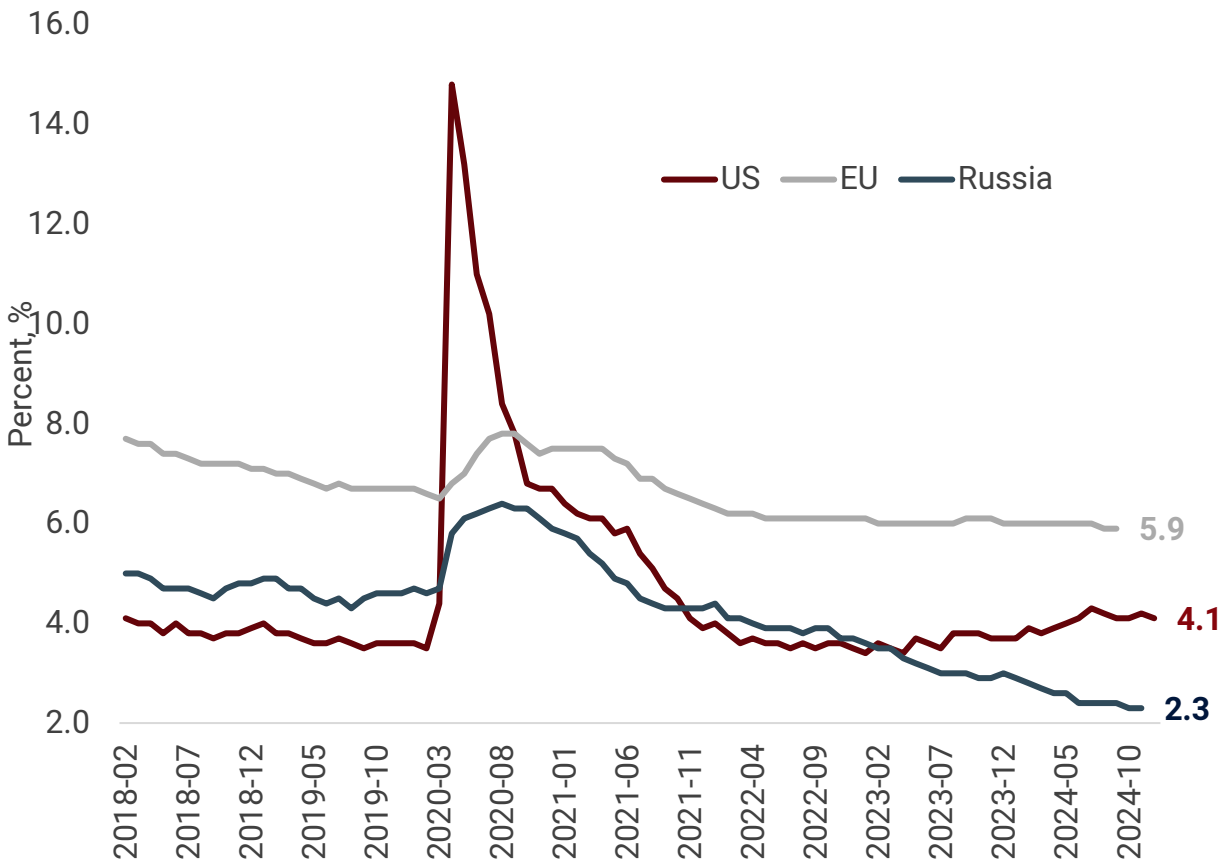
Source: Food and Agriculture Organization (FAO)

The external environment would be expected to transmit weak inflationary pressures on the Armenian economy.



At the same time, labor market conditions in key trading partner countries, particularly the United States, remain tight.

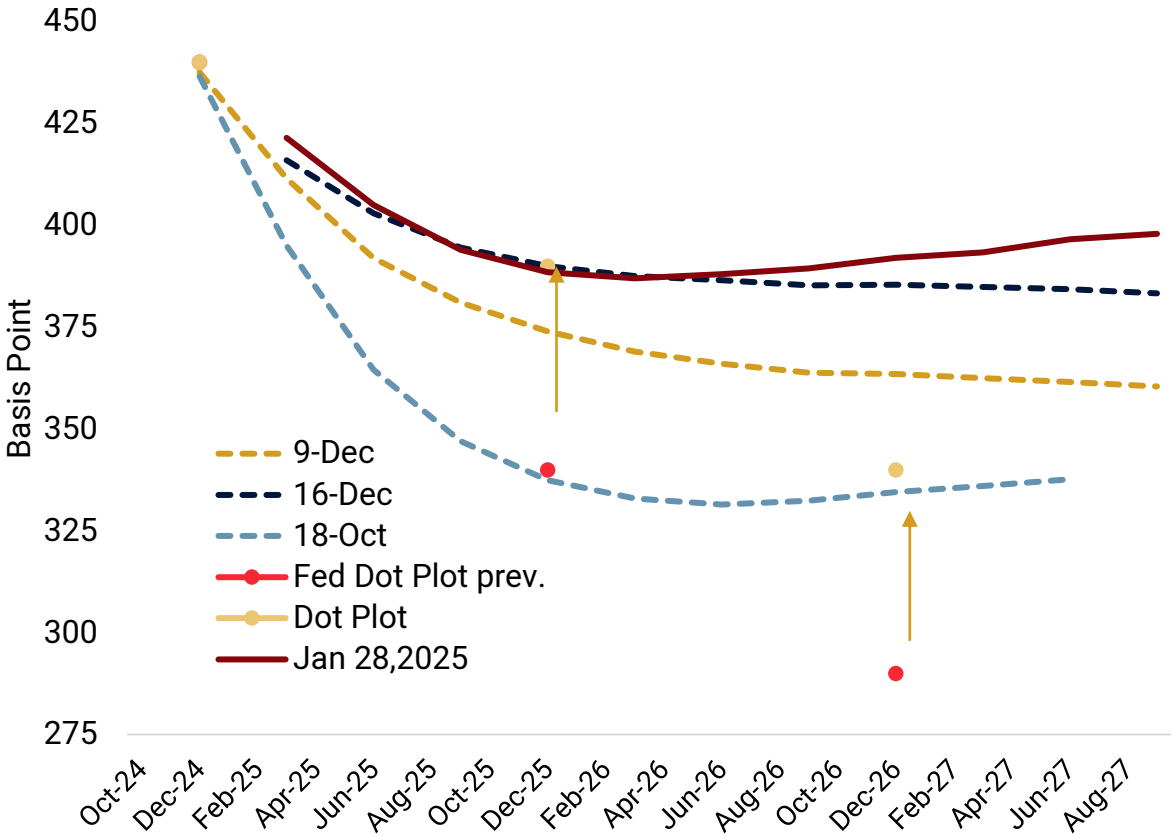
Unemployment rate in partner countries, %



Source: FRED, Eurostat, Rosstat

In this context, advanced economy central banks would be expected to continue to gradually ease policy rates at a slower pace, while maintaining a relatively tight stance.

Market Expectations for the Fed Funds Rate

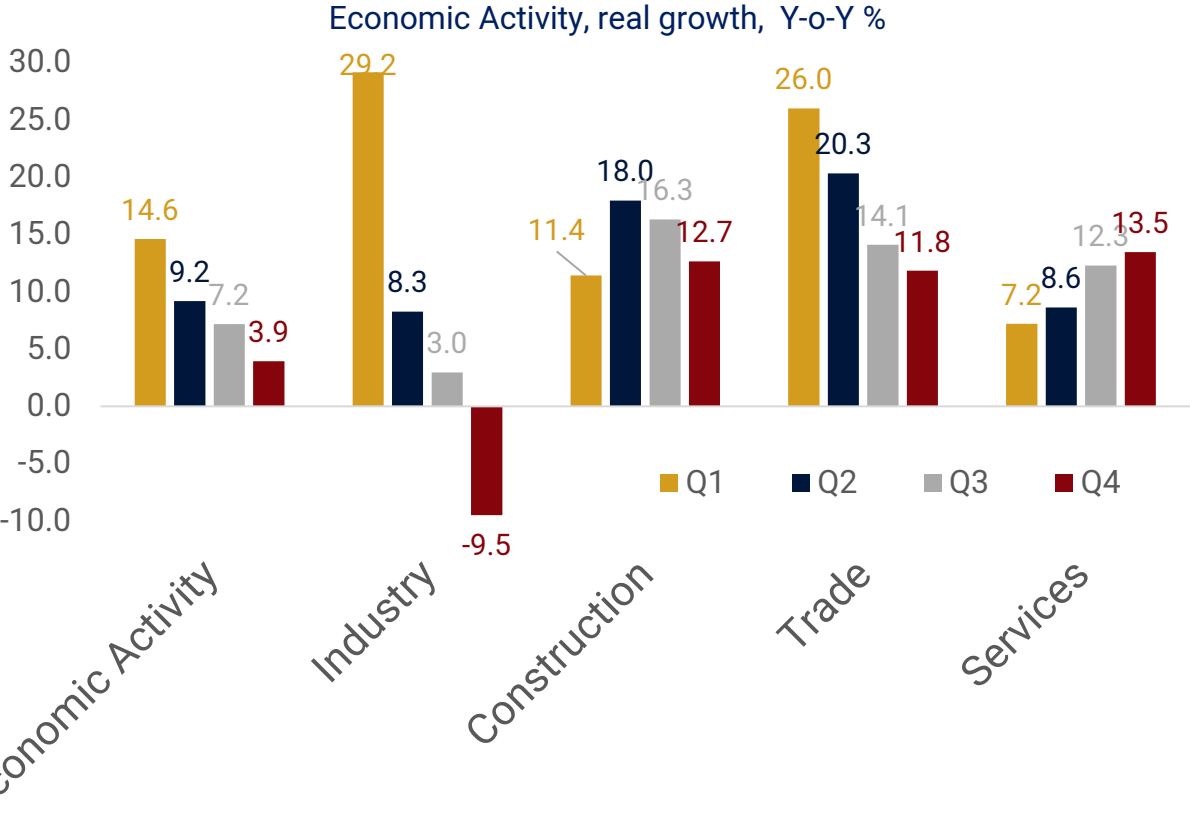


Source: Federal Reserve Bank of Atlanta

In the fourth quarter of 2024 Economic activity in Armenia continue to approach its stable, long-term levels.

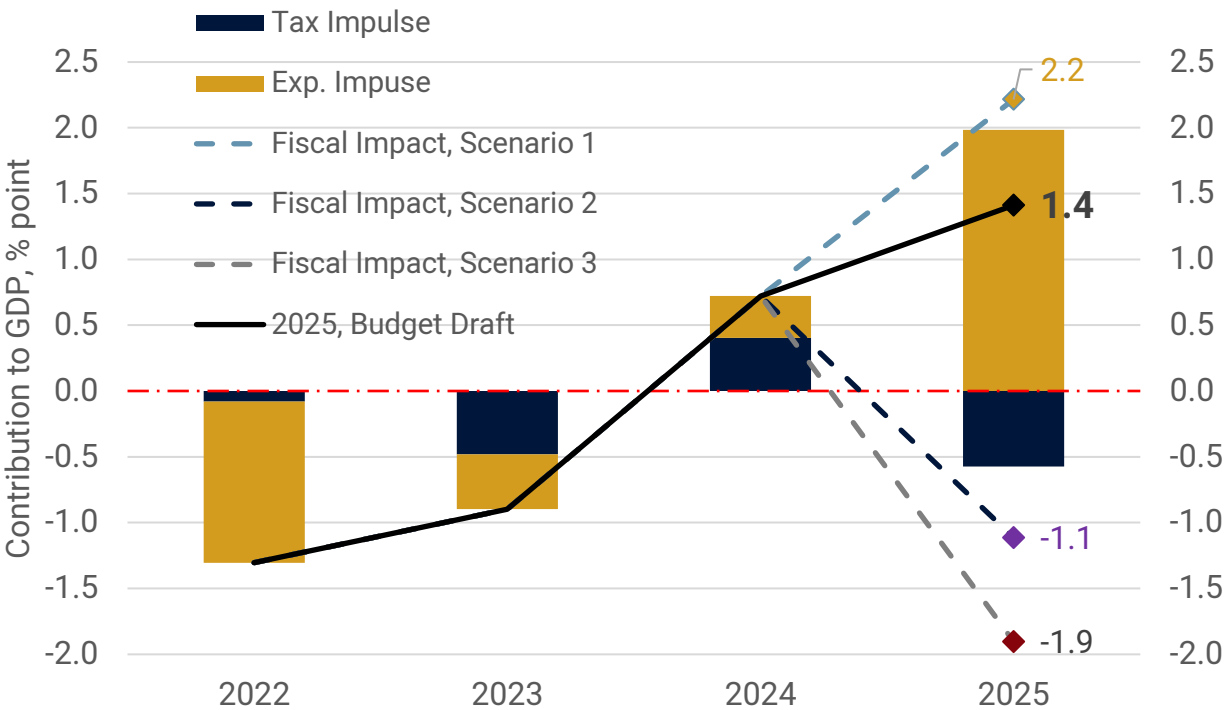


Growth in economic activity has largely been driven by services, construction, and trade. These dynamics continue to be impacted by certain short-term factors, posing significant uncertainty with respect to the sustainability of economic growth and its long-term outlook, as well as the future trajectory of domestic demand conditions.



Source: Statistical Committee of the Republic of Armenia, CBA

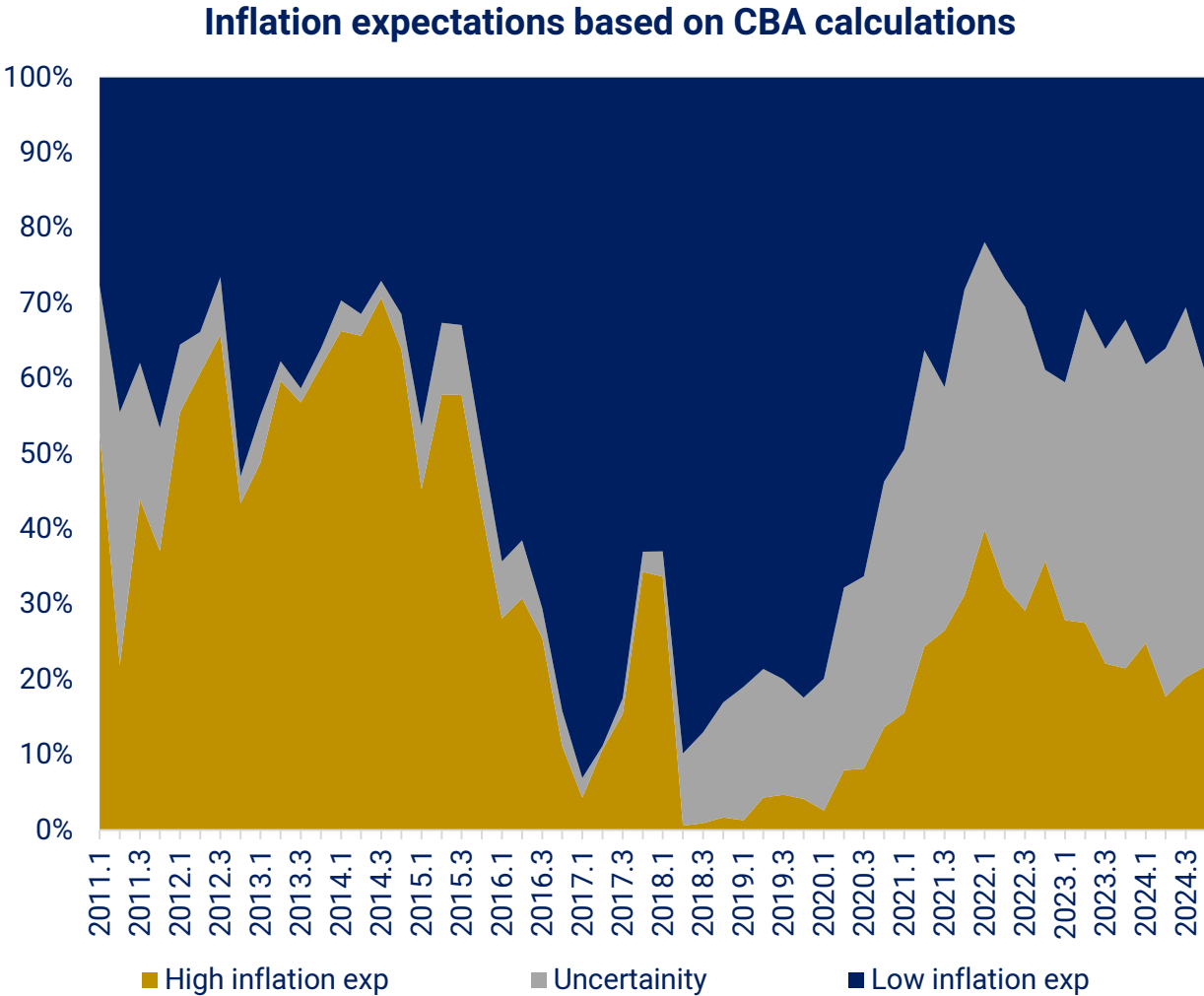
Uncertainty has increased regarding the direction and magnitude of the potential impact of fiscal policy on demand.



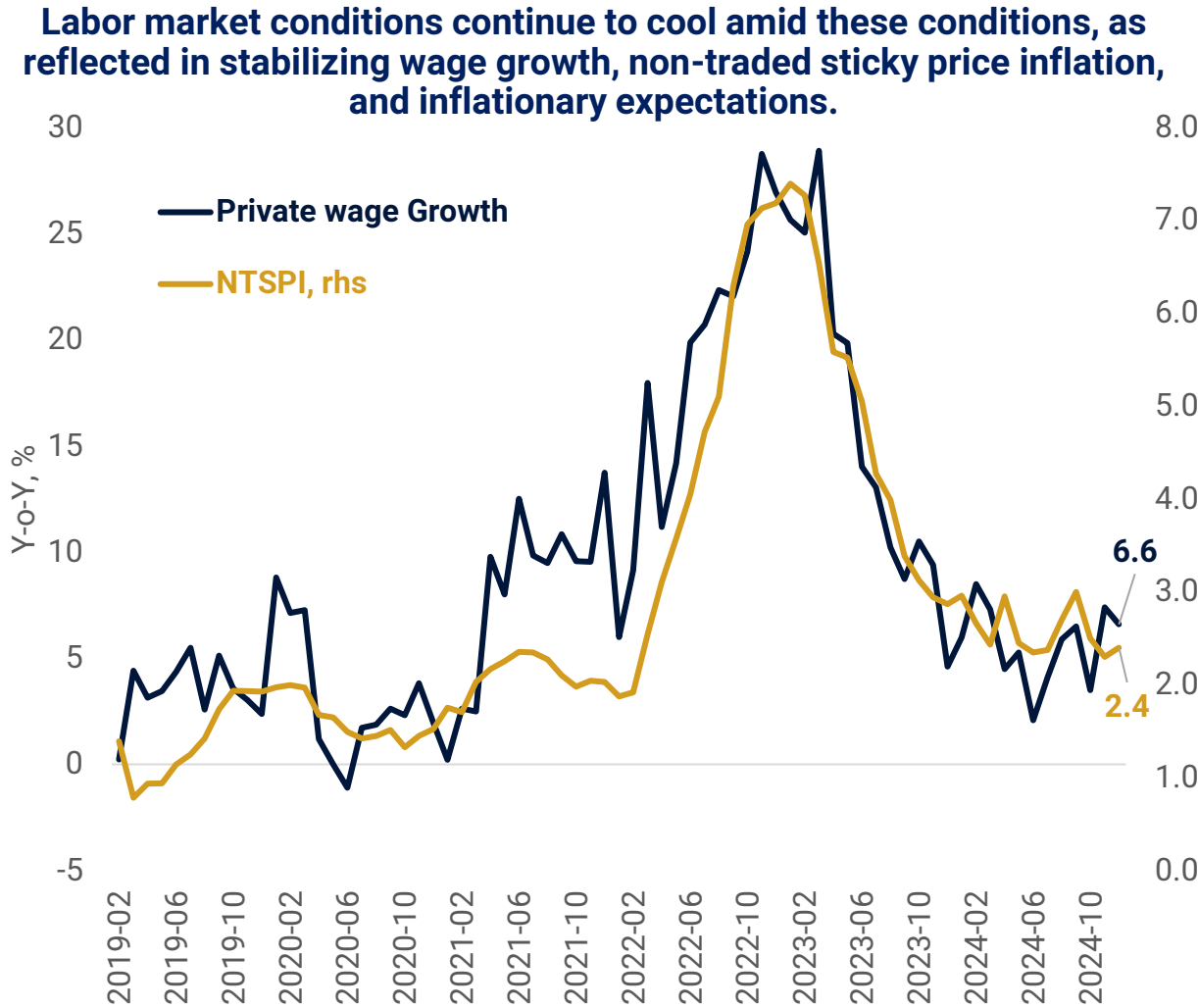
*Scenario 1 – Tax revenue growth based on actual 2024 figures
*Scenario 2 – Expenditure growth based on actual 2024 figures
*Scenario 3 – Scenario 2 + excluding a portion of defense-related expenditures from capital expenditures (an additional ~100 billion AMD)

Source: Statistical Committee of the Republic of Armenia, CBA

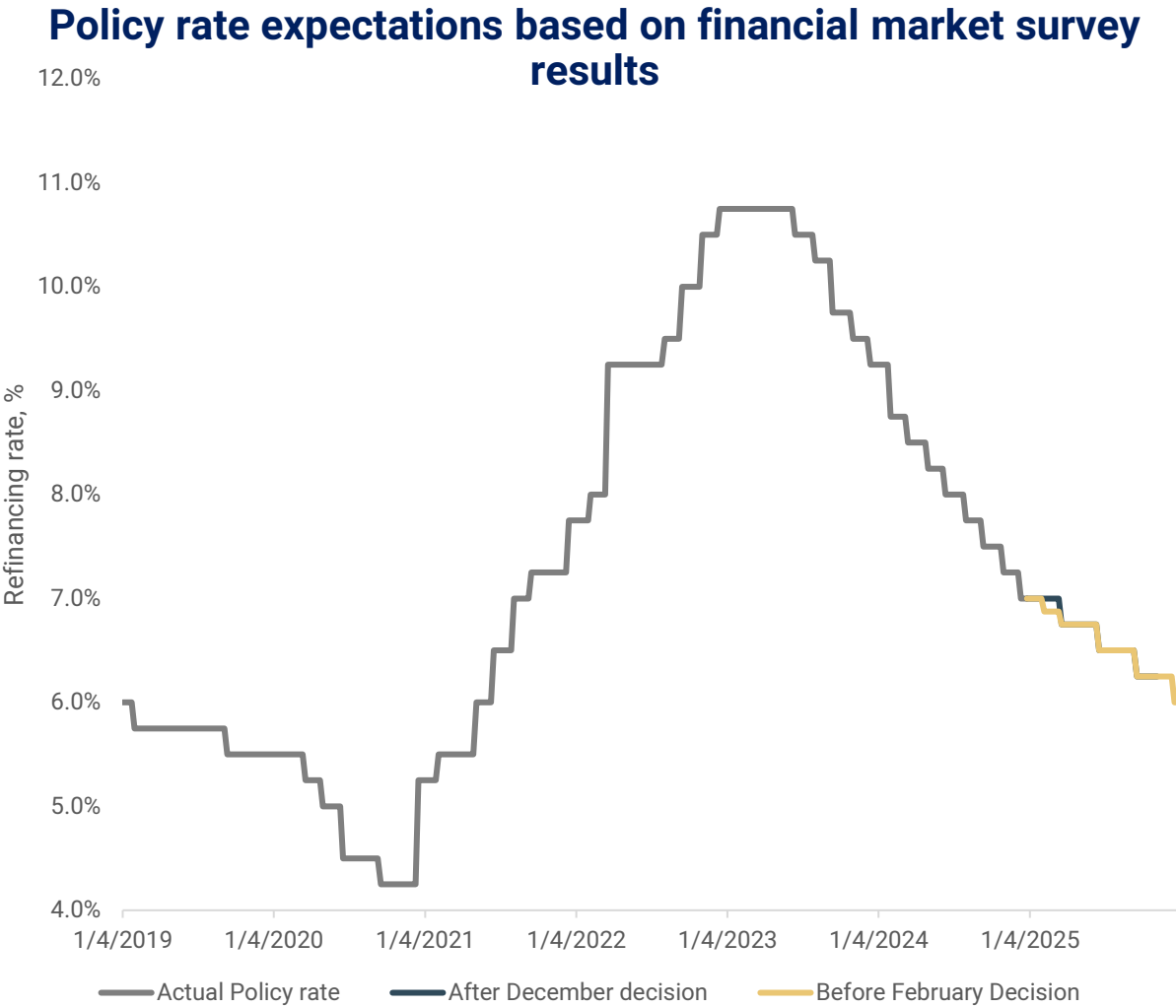
Labor market conditions continue to cool amid these conditions, as reflected in stabilizing wage growth, non-traded sticky price inflation, and inflation expectations.



Source: Statistical Committee of the Republic of Armenia



Source: Statistical Committee of the Republic of Armenia, CBA



Case A scenarios,

include uncertainty about the possible expansion of the inflationary environment in the global economy, as well as uncertainty about long-term interest rates. These developments require a tighter policy response compared to market expectations in order to ensure price stability.

Case B scenarios,

including those related to the gradual slowdown of economic growth, weakening demand, and the risks associated with the prolonged maintenance of a low inflation environment. 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 stabilize inflation at the target in the medium-term horizon.

Source: CBA

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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 3% inflation in the medium term.

The Board will continue to monitor risk scenarios, and stands ready to take adequate actions to ensure that the price stability objective of 3 percent inflation over the medium-term horizon is met.



Thank You