

PRESS RELEASE

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At the June 15, 2021 meeting, the CBA Board decided to raise the refinancing rate by 0.5 pp, setting it at 6.5%.

Deflation of 0.4% was recorded in May 2021 compared with deflation of 0.1% registered in the same month of the previous year, in which case the 12-month inflation has decreased to 5.9%. The 12-month core inflation kept on accelerating, reaching 7.4% at the end of May.

In the second quarter of 2021, the economic activity and demand in the main partner countries of Armenia are recovering at higher than expected rates thanks to the positive impact of the use of coronavirus vaccines and the implementation of considerably stimulative policies. Because of a rapid growth of global demand and restricted supply in a number of product markets, high inflationary conditions are persisting in international commodity and food markets. Driven by the abovementioned supply and demand factors, higher inflation rates are projected in the partner countries as compared to the previous estimates. In such a situation, the CBA Board is expecting a significant inflationary impact from the external sector on the Armenian economy.

The current developments of 2021 indicate faster-than-expected recovery trends in the Armenian economic growth, largely determined by more positive developments in industry and services. In addition, aggregate demand is recovering faster than expected, mainly due to a rapid growth of global demand, increased remittances, and a high growth rate of private consumption, while private investment remains sluggish. The higher growth of private consumption is supported by more positive developments in lending and conditioned by spending of previously accumulated savings by households, so reflecting also the increased inflation expectations of the public. As a result, with demand growing at a faster rate than production capacities, mostly inflationary effects are anticipated from the domestic economic developments.

Taking into account the inflationary effects expected from the external sector and domestic economy of Armenia, the CBA Board finds it appropriate to increase the policy rate. At the same time, committed to neutralizing the risks of accelerating inflationary expectations in the face of increasing domestic demand, the Board considers the necessity of possible tightening of monetary conditions in the near future. Under such conditions, the 12-month inflation is projected to remain high in the short term but will then gradually decrease and stabilize around the 4% target in the forecast horizon.

The CBA Board reckons that, amid persisting uncertainties over the economic outlook, the risks to inflation deviating from the projected mid-term path are balanced, and should they materialize, the CBA stands ready to respond accordingly in fulfilment of the price stability objective.

You can read detailed information on determining the level of interest rate in Inflation Report to be published by June 29, 2021 (MP Program for Q2, 2021).

Press Service of the Central Bank of Armenia