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# Relieved Inflationary Pressures In May Create Conditions For Price Fall In Armenia

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YEREVAN, June 13. /ARKA/. The inflationary pressure relieved as a result of a fall in the world food prices, particularly in the prices for cereals and rice, creates conditions for a general price fall in Armenia.

The CBA's protocol on the refinancing rate for June says that rather inconsistent inflationary pressures were recorded this May. On the one hand, a certain fall in the prices for food and metals was recorded. On the other hand, the prices for oil products showed a further sporadic rise and exceeded \$130 late in May.

The world price for copper fell from \$8,600 for a ton in April down to \$8,200-\$8,300 in May. The gold prices fell from \$910 per ounce in April to \$890 in May.

"The principal hope-inspiring factor in May was that the international food markets recorded somewhat relieved inflationary pressures, which is mainly accounted for by expectations of new yield," says the protocol prepared by the Central Bank of Armenia (CBA).

The supply of cereals is expected to exceed the demand this year, which will replenish the unparalleled small reserves despite the fact that no slump in prices is expected on the market.

On the other hand, the prices for animal fat are gradually rising on the international market. Specifically, the price of one ton of butter produced in New Zealand averaged \$4,055 late in May against \$3,900 the previous month. The prices for vegetable oil have shown a fall as well.

The CBA also points out stabilization of the USD exchange rate on the international financial markets - \$1.55-\$1.57/B-1. As regards interest rates, the participants in the market expect stable interest rates from the US Federal Reserve System and the European Central Bank.

The CBA expects a certain fall in food prices in Armenia in the latter half of 2008 if the current trends on the international markets, particularly on the cereals markets, are maintained.

However, inflation risks remain, especially because of high prices for oil products, as the prices have both immediately and indirect effects on inflation through the rise in transportation costs.

1.3% inflation was recorded in Armenia in May as compared with April. As a result, 9.9% annual inflation was recorded - an 4.4% excess of the highest inflation target. A 1% rise in food prices was recorded in May. An inflation rate of 4% is budgeted in Armenia for this year.

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