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# According To IMF Official, More Efficient Policy Of Inflation Targeting Should Be Conducted In Armenia For Neutralization Of Inflation Risks

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YEREVAN, FEBRUARY 22, NOYAN TAPAN. Among inflation risks in Armenia in 2008 are the considerable foreign currency inflow, a high GDP growth, the 60% increase of pensions, as well as a rise in prices of foodstuffs and power-bearing substances, the director of the IMF Armenia Office Nienke Oomes stated during a lecture-dicussion on February 22.

According to her, in order to neutralize these risks, the appropriate Armenian bodies should conduct a more efficient policy of inflation targeting (in particular, extension of competition among banks, reduction of the dollarization level, development of the financial markets), contribute to reduction in prices of imported goods, tighten the fiscal policy and provide more information about the inflation targeting policy.

It was stated that in 2007, inflation was quite high in Armenia and made 6.6% at the end of the year. According to the IMF official, this index was not so high as compared with other countries. In her words, one of the reasons for relatively low inflation in Armenia is the Central Bank of Armenia's (CBA) policy aimed at inflation targeting rather than at controlling the exchange rate. In other CIS countries, the exchange rate of the national currency against the rates of foreign currencies is stable but the inflation is high.

N. Oomes expressed an opinion that the low level of inflation in Armenia is also due to the strict tax and budgetary policy conducted by the ministry of finance and economy, thanks to which the deficit of the RA state budget is much less than in other CIS countries.

In her words, 6.6% inflation in Armenia was mainly conditioned by a high growth in prices of foodstuffs, particularly, bread, butter and vegetable oil, which accounted for 4.5% of the overall inflation. 99% of the growth of food prices in Armenia was due to the growth of international prices rather than to an artificial rise of prices on the domestic market. The prices of these goods grew as much as in CIS countries.

The IMF official reminded that the inflation in international markets was caused by a growth of consumption of bread, butter and other foodstuffs in China and India: 45% of the world population live in these countries.

She said that the fact that the consumption and prices of fuel obtained from plants is increasing in parallel with the growth in prices of hydrocarbon fuel also contributes to a rise in food prices worldwide. About 50% of the overall inflation in international markets is due to the growth of the demand of the populations of China and India, while the other 50% is due to a decline in the supply.

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