



Central Bank
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Transparency Report

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A. Minutes of the Central Bank of Armenia Board Meeting on the Policy Rate

August 4, 2026

Present at the meeting: Deputy Governor Hovhannes Khachatryan, and Board Members Davit Nahapetyan, Artak Manukyan, Levon Sahakyan and Armen Ktoyan.

Assessment of Current and Underlying Economic Conditions

The August 4 meeting of the Board of the Central Bank of Armenia began with the Staff presentation of current and underlying global and domestic economic conditions. The presentation addressed developments in the external environment, inflation, and the real, fiscal, financial, and monetary sectors of the economy; touched upon the key risks and issues, as presented in various scenarios summarized in the Taxonomy of Scenarios; and highlighted sources of policy-relevant uncertainty. The current and underlying global and domestic economic conditions are summarized in Part B of the Executive Monetary Policy Statement for August 2026.

Deliberations around Key Risks, Uncertainties, and Scenarios

Following the discussion of current and underlying macroeconomic developments in the external and domestic sectors, the Board proceeded to address the broad spectrum of risks in light of prevailing uncertainties, deliberating their implications for monetary policy, and making a decision on the policy rate. The Board reviewed market expectations regarding the future path of the policy rate. Under current macroeconomic conditions, the latest survey of market participants indicates that the policy rate is expected to remain at its current level of 6.5 percent over the next eight decisions.

On the one hand, the Board evaluated scenarios in which underlying developments would require a higher policy rate path relative to current market expectations in order to ensure price stability over the medium-term horizon (Case A-type scenarios). These scenarios are primarily associated with a possible increase in global neutral interest rates; rising commodity prices or their prolonged persistence at elevated levels amid global and regional geopolitical developments; the presence and potential expansion of excess demand conditions in the domestic economy; and other risks. On the other hand, the Board also evaluated scenarios where underlying developments would require the policy rate to follow a more rapid and aggressive downward path than what is currently priced in markets in order to sustainably bring inflation back to target in the medium-term horizon (Case B-type scenarios). These scenarios are primarily associated with the outlook for slower global economic growth, declining incomes and the emergence of disinflationary risks resulting from difficulties in certain export destinations, a fundamental decline in Armenia's country risk premium, and other risks.

Against the backdrop of the broader set of risks, Board members deliberated their individual views on the key sources and types of risks and uncertainty that were most relevant for making a prudent policy decision. In particular, Board members emphasized the importance of minimizing the potential losses arising from these risks and uncertainties.

Board members discussed the sources of uncertainty surrounding the U.S. economic outlook and their potential implications for Federal Reserve monetary policy. Board members agreed that inflationary pressures in the U.S. economy continue to persist. Davit Nahapetyan and Hovhannes Khachatryan emphasized that, under these conditions, external interest rates and financial conditions could remain tight for a longer period than previously expected. Hovhannes Khachatryan also highlighted the risks of a more expansionary fiscal policy stance in the United States, driven both by potential limitations on revenue collection resulting from the elimination and refunding of tariffs and by possible increases in defense spending. Such developments could contribute to a further rise in long-term interest rates or keep them elevated at current levels for an extended period.

In discussions regarding the Russian economy, Board members addressed uncertainties surrounding revenues generated from exports of oil and oil products, as well as the outlook for economic policies. Levon Sahakyan noted that the dynamics of revenues from oil and oil product exports continue to play an important role in determining the scope for a more expansionary fiscal stance and, consequently, for further stimulating aggregate demand. He emphasized that fiscal policy is contributing significantly to the ongoing recovery in economic growth. On the other hand, Armen Ktoyan and Artak Manukyan pointed to the gradual accumulation of structural challenges in the Russian economy, which could also weaken its long-term growth outlook. Armen Ktoyan also highlighted liquidity outflows and quality risks in the Russian banking system, noting that these could become an additional source of uncertainty surrounding both the Russian economy and financial conditions. In his assessment, such developments could also contribute to increased capital inflows into Armenia.

The Board also discussed prevailing uncertainties in global commodity markets and their potential implications for the global inflation environment and the external demand outlook. Armen Ktoyan noted that, amid a relative stabilization of conditions, there are emerging preconditions for some decline in both energy prices and related food commodity prices. On the other hand, Levon Sahakyan emphasized that, against the backdrop of continued uncertainty surrounding the global economy, upside risks to inflationary pressures stemming from commodity markets remain material.

Board members discussed recent developments in Armenia's country risk premium and their potential implications for the assessment of the neutral interest rate and capital flows. Hovhannes Khachatryan, Davit Nahapetyan, and Levon Sahakyan noted that the continued decline in the country risk premium could contribute to a neutral interest rate decline, as a result of which the prevailing monetary conditions may exert a relatively more restrictive effect on the economy. At the same time, they did not rule out that a potential reversal in global liquidity conditions, as well as rising risks stemming from export restrictions or a material deterioration in fiscal conditions in Russia, could lead to a reassessment of Armenia's country risk premium.

Turning to uncertainties surrounding domestic demand conditions and their outlook, Levon Sahakyan noted that demand conditions in the domestic economy remain relatively strong, as reflected, among other factors, in rapid credit growth and a marked acceleration in wages in certain services sectors. On the other hand, Artak Manukyan, Davit Nahapetyan, and Hovhannes Khachatryan, primarily pointing to labor market developments, considered the output gap to remain close to neutral, albeit slightly positive. At the same time, Board members agreed that one of the key uncertainties surrounding Armenia's economic outlook continues to relate to the duration and magnitude of the impact of restrictions imposed by Russia on Armenian exports. Armen Ktoyan and Artak Manukyan noted that the impact of these restrictions has already begun to materialize in certain sectors of the economy, particularly agriculture, while Levon Sahakyan emphasized that uncertainty surrounding their overall macroeconomic impact remains high. Davit Nahapetyan further added that, should the restrictions persist, a significant fiscal policy response could also affect the country risk premium and, consequently, financial conditions.

The Board also discussed risks and uncertainties related to labor market conditions. Armen Ktoyan and Hovhannes Khachatryan agreed that the relatively high unemployment rate and the moderation in wage growth are consistent with the domestic economy moving toward a more balanced position. Artak Manukyan added that a potential tightening of Russia's migration policy could reduce the net outflow of labor migrants from Armenia, thereby contributing to a further softening of labor market conditions. On the other hand, Hovhannes Khachatryan and Artak Manukyan also highlighted the possibility of additional inflows of capital and labor from Russia into Armenia amid elevated uncertainty surrounding the Russian economic outlook and the gradual deterioration of the business environment.

Board members discussed the main sources of inflationary pressures and the uncertainties surrounding their sustainability. All members of the Board agreed that in recent quarters, both external factors and supply-side factors in the domestic economy played a significant role in the acceleration of inflation. From this perspective, Hovhannes Khachatryan noted that the effect of exchange rate appreciation plays an essential role in absorbing inflationary pressures originating from the external sector, which has not yet been fully reflected in the prices of imported goods. Levon Sahakyan and Davit Nahapetyan emphasized that demand-side factors are also gradually playing a more significant role in shaping inflationary pressures. On the other hand, Davit Nahapetyan and Artak Manukyan emphasized the importance of effective management of inflation expectations in this situation, noting that a prolonged period of relatively high underlying inflation could contribute to a gradual increase in inflationary expectations, while simultaneously stressing that inflation expectations have yet to show signals of accelerating. At the same time, Board members agreed that under the conditions of import restrictions imposed by the Russian Federation, manifestations of excess supply are already observed in certain commodity markets, which contribute to a decrease in the prices of these goods and could mitigate external inflationary pressures.

Summarizing the aforementioned views, the Board agreed that, from the perspective of the impact on the economy, the primary task of policy is to assess the most relevant and costly risks, as well as to decide which policy errors should be avoided, guided by the principle of "least regret".

Board members expressed different views regarding priorities for managing macroeconomic consequences stemming from risks over the medium-term horizon. Specifically, Davit Nahapetyan, Artak Manukyan, and Levon Sahakyan noted the high probability of Case A-type risks materializing, while highlighting the necessity of managing the macroeconomic impacts arising from Case B-type risks. Hovhannes Khachatryan and Armen Ktoyan also voted in favor of keeping the policy rate unchanged, balancing the need to manage risks in both directions mentioned above.

Policy Decision

As part of its risk management framework, and amid significant uncertainty, the Board of the Central Bank of Armenia emphasizes the importance of minimizing the potential losses that could arise from these scenarios through an appropriate monetary policy strategy aimed at ensuring price stability.

As a result, the Board of the Central Bank of Armenia voted to keep the policy rate unchanged (see Table 1). The Board will continue to monitor monetary policy scenarios and stands ready to take appropriate actions to ensure the achievement of its price stability objective of 3 percent inflation over the medium-term horizon.

Table 1. Summary of Votes on the CBA Policy Rate by Individual Board Member
August 4, 2026 Decision

Board Member	Vote
Armen Ktoyan	Keep unchanged
Levon Sahakyan	Keep unchanged
Artak Manukyan	Keep unchanged
Davit Nahapetyan	Keep unchanged
Hovhannes Khachatryan	Keep unchanged

B. Final Vote Submissions

August 4, 2026 Decision

Final Vote Submissions are provided by each Board member at the time that they cast their vote for the policy decision. These submissions are intended to succinctly and directly explain the key risks and issues that each Board member considered as part of their rationale for casting their vote.

Deputy Governor Hovhannes Khachatryan

Considering global and Armenia's economic developments, as well as the main sources of risks and uncertainties, I vote in favor of keeping the policy rate unchanged. The long-run neutral interest rate in the United States continues to remain elevated, reflecting issues regarding the budget deficit and the sustainability of public debt. The probability of an optimistic resolution scenario for the Iran–U.S. conflict has increased, while global supply chains have partly adapted, mitigating inflationary pressures in commodity markets and transportation services. At the same time, risks of weakening economic activity in the EU, China, and Russia have further intensified. The impact of obstacles to Armenia's exports to Russia is disinflationary for certain categories of goods on the one hand, while on the other hand it may deepen external trade imbalances and increase Armenia's country risk premium, particularly if the need for government budget subsidies materializes to its full extent. Meanwhile, the strong growth in international visitor arrivals and tourism is exerting upward pressure on services prices. Overall, the output gap is close to zero, although there are some rapidly expanding sectors and uncertainties related to the duration and magnitude of supply and external demand shocks. In summary, I consider Case A-type risks in both the global and domestic economies to be somewhat more pronounced, while balancing Case B-type risks also remain present. Considering the above, I believe that keeping the policy rate unchanged minimizes the potential costs of monetary policy errors.

Board Member Davit Nahapetyan

By considering the analysis on economic and financial developments presented by the macroeconomic team, as well as the comprehensive discussions by the Board around the policy rate, and guided by the prudent risk management and "least regret" principles, I vote in favor of keeping the policy rate unchanged. Despite the fact that economic growth rates have slowed down in both the US and the EU, inflationary risks continue to remain high in those economies. High uncertainties persist in the Russian economy, where the materialization of both inflationary and deflationary risks remain possible. Against the backdrop of military escalation in the Middle East, international petroleum prices continue to remain high, which, combined with the high FAO Index figure, could have an inflationary impact on Armenia through supply-side channels. Economic activity in Armenia continues to remain strong, while signals of additional inflationary pressures from external demand are also visible. On the other hand, developments observed in the labor market predominantly exhibit stabilizing trends. Alongside this, risks stemming from problems related to the export of a number of Armenian goods to the Russian Federation have increased, mostly taking on a deflationary nature due to the formation of surplus supply for those goods in the Armenian market. This, in turn, could also lead to macroeconomic impacts, particularly a decline in economic activity. Although both core and 12-month inflation have increased, inflationary expectations remain anchored, and uncertainty persists. Financial market participants expect the policy rate to be maintained at the same level over the medium-term horizon. Considering the above factors, as well as weighing the high probability of Case A-type scenarios materializing on the one hand, and the importance of managing macroeconomic impacts stemming from Case B-type scenarios on the other, and guided by the "least regrets" principle, I deem it appropriate to vote in favor of leaving the refinancing rate unchanged at 6.5%. I affirm my commitment to utilizing the full toolkit available to the CBA Board to ensure the price stability objective, while continuing to monitor developments in the economy and the financial system.

Board Member Artak Manukyan

In the context of assessing the economic and financial developments of recent months, I have evaluated the main sources of potential risks and uncertainties. Based on the combination of these factors, I voted in favor of keeping the refinancing rate unchanged. Geopolitical uncertainties, persistent tensions in international trade relations, and concerns regarding the duration of disruptions in global value chains have contributed to a broadening of the global inflationary environment. In this context, considering on the one hand the persistence of weak demand conditions, and on the other hand the risks of rising inflationary pressures, the probability that major central banks will maintain tighter monetary conditions for a longer period or even tighten them further has increased. In the domestic economy, economic activity remains strong, largely driven by developments in the construction and services sectors. Furthermore, signals of expanding external demand are also observed, primarily reflected in an increase in international visits to the Armenia. Consequently, inflation remains above the target level. Nevertheless, trends toward the stabilization of private wage growth and inflationary expectations persist. Meanwhile, as a result of problems that arose in certain export markets, risks of income reduction in the Armenian economy as well as surplus supply formation for specific goods

have increased, containing mostly deflationary impacts, which are already materializing. As a result, while noting a high probability of Case A-Type scenarios materializing but emphasizing the need to manage macroeconomic impacts stemming from Case-B Type scenarios, and guided by the "least regret" principle of risk management, I voted in favor of keeping the refinancing rate unchanged. I confirm that to ensure the price stability objective, as a member of the CBA Board, I will continue to monitor economic developments and, if necessary, will take adequate actions to achieve the inflation target (3%) over the medium term.

Board Member Levon Sahakyan

Having assessed the available information on economic developments, underlying fundamentals, and the main sources of risks and uncertainties during the current policy cycle, as well as taking into account market expectations, I voted in favor of keeping the policy rate unchanged. Looking ahead, amid persistent geopolitical tensions in the Middle East, significant price volatility may persist in commodity markets. At the same time, the risks of deteriorating economic growth and demand prospects in advanced economies remain. Uncertainty regarding the outlook for US fiscal policy persists, generating risks of further increases in long-term interest rates. In Russia, economic activity indicators point to a moderation of demand-driven inflationary pressures, while in the Euro Area economic growth continues to weaken. In the domestic economy, alongside high economic activity, inflation continues to remain above target, although it is still mainly driven by supply-side factors. Nevertheless, stronger wage growth in the services sector and increases in non-traded sticky price inflation could signal excess demand conditions. It is also noteworthy that the risks of a more expansionary fiscal policy stance have somewhat weakened, while inflation expectations continue to show broadly stabilizing trends. At the same time, amid easing regional geopolitical tensions, Armenia's country risk premium has continued to decline. Therefore, emphasizing the buildup of Case A-type risks and seeking to minimize the losses that could stem from Case B-type scenarios, I vote to keep the policy rate unchanged. In my assessment, from the perspective of prudent risk management, such a decision is necessary to ensure price stability.

Board Member Armen Ktoyan

My decision is grounded in the assessment of the balanced risks associated with Case A-type and Case B-type scenarios. Within the set of risks underlying Case A-type scenarios, particular attention should be given to the continuing uncertainty around the resolution of the Russia–Ukraine conflict. Against this backdrop, vulnerabilities are continuing to accumulate across Russia's financial and economic system, as well as in the broader business environment. These vulnerabilities are also becoming more wide-ranging. As a result, the likelihood of additional capital inflows into the Armenian economy continues to increase, which could support stronger aggregate demand and create additional inflationary risks. Moreover, given persistently elevated inflation expectations in Russia, on the one hand, and tangible signals of monetary policy easing, on the other, the likelihood of inflationary risks spilling over to the Armenian economy remains high. In addition, if geopolitical risks remain elevated for an extended period, inflationary pressures in certain goods and services markets may spill over to the Armenian economy. From the perspective of Case B-type scenarios, it is important to highlight the announced and potentially additional institutional restrictions on the distribution of Armenian-origin goods in the Russian market. Moreover, weakening demand in the Russian economy, slowing real income growth, and a tightening of migration policies could weigh on demand for Armenian goods, services, and labor, while also reducing remittance inflows. On the domestic side, I would highlight the persistent structural features of economic growth and its concentration in a limited number of sectors. Over the medium term, the latter may create significant risks of weakening demand and increasing disinflationary pressures. In inflation expectations, the share of respondents expecting low inflation has increased, mainly reflecting a decline in the share expecting high inflation. Under current conditions, I see low risks of inflation expectations becoming de-anchored. At the same time, the still considerably high level of labor underutilization and a moderate increase in unemployment, together with relatively restrained growth in labor productivity and average private-sector wages, help offset potential demand-side pressures arising from external and domestic factors. Taking these arguments together, I voted in favor of leaving the policy rate unchanged.

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