Central Bank of Armenia

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Transparency Report

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

November 3, 2026

Present at the meeting: Governor Martin Galstyan, Deputy Governors Armen Nurbekyan, Hovhannes Khachatryan; and Board Members, Davit Nahapetyan, Artak Manukyan, Levon Sahakyan, Narek Ghazaryan and Armen Ktoyan.

Assessment of Current and Underlying Economic Conditions

The November 3 meeting of the Board of the Central Bank of Armenia began with the Staff presentation of current and underlying global and domestic economic conditions.[1] 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. Comprehensive assessments and analyses of current and underlying conditions in the global and domestic economies are presented in greater detail in Part B of the Executive Monetary Policy Statement for November 2026.

Deliberations around Key Risks, Uncertainties, and Scenarios

Following the discussion of current and underlying macroeconomic conditions in the external and domestic sectors, the Board turned to the risks and macroeconomic scenarios arising from prevailing uncertainties, their implications for monetary policy, and the decision on the policy rate. The Board considered market expectations for the policy rate path. In the context of current macroeconomic developments, financial market participants in Armenia, on average, expect the CBA to raise the policy rate to 7.0%, followed by a reduction toward 6.75% at the end of the short-term horizon.

On the one hand, the Board considered scenarios in which underlying developments could require a higher policy rate path than currently expected by markets to ensure price stability over the medium term (case A-type of scenarios). These scenarios primarily relate to risks of rising neutral interest rates in the global economy, stronger domestic demand conditions, and a continued increase in inflationary pressures amid prolonged regional conflicts. On the other hand, the Board considered scenarios in which underlying developments could require a lower policy rate path than currently expected by markets to ensure price stability over the medium term (case B-type of scenarios). These scenarios primarily relate to slower growth in the global and Russian economies; a weakening of economic activity and of investor and consumer confidence as uncertainty surrounding economic relations with Russia deepens; and a fundamental decline in Armenia's country risk premium.

Against the backdrop of the broader set of risks, Board members presented their views on the key sources of risk and uncertainty most relevant to making a prudent policy rate decision at the current juncture. In particular, they emphasized the importance of minimizing the potential losses arising from these risks and uncertainties.

The discussions began with developments in the US economy, particularly the current composition of economic growth and its sustainability. Hovhannes Khachatryan addressed the drivers of strong private consumption growth and changes in consumer sentiment, noting that expanding investment in artificial intelligence and rising asset prices were among the main drivers of economic growth, while personal savings had declined significantly. Armen Nurbekyan noted that these developments should also be considered in terms of global savings and investment imbalances, drawing attention to increasing foreign investment in securities in the artificial intelligence sector, which could continue to support elevated levels of consumption. Hovhannes Khachatryan expressed concern about the sustainability of the US fiscal position, noting that economic growth may not translate into a commensurate increase in tax revenues, increasing the burden of servicing public debt. In this context, Armen Nurbekyan emphasized the importance of distinguishing between the factors driving the rise in US long-term interest rates and outlined two possible scenarios. In one scenario, higher long-term interest rates could reflect improved prospects for productivity and long-term economic growth driven by developments in artificial intelligence, accompanied by an appreciation of the US dollar. In this case, higher long-term rates would not pose significant risks to debt sustainability. In the other scenario, growing concerns about fiscal and debt sustainability are a key driver of higher long-term interest rates, with potential downward pressure on the dollar. Armen Nurbekyan and Hovhannes Khachatryan also discussed recent fluctuations in the dollar index and a possible reallocation of global capital flows. They noted that, as capital flows into emerging economies, investors' choice of destination may depend primarily on individual countries' underlying fundamentals and risks. At the same time, it remains an open question how demand

[1] The presentation is published on the CBA website under the title "Monetary Policy Outlook."

for dollar-denominated assets as safe-haven investments might change if confidence in US public debt weakens, and what this would imply for financial conditions in Armenia. Turning to developments since the previous policy decision, Narek Ghazaryan noted that, although the underlying assessments of the US economy had not changed materially, the upward shift across the yield curve points to higher expected and neutral interest rates in the United States. All else equal, this could also imply the need for a higher policy rate path in Armenia.

The discussion of the Russian economy focused on uncertainty surrounding the slowdown in economic growth and the growth outlook. In this context, Narek Ghazaryan drew attention to the composition of budget expenditures and the significant increase in oil revenues, while Armen Ktoyan highlighted measures to ensure the restoration of damaged oil-refining capacity. Board members noted that such expenditures could temporarily support economic activity without changing the overall trend of slowing growth. In discussing the possible implications for Armenia, Davit Nahapetyan and Narek Ghazaryan emphasized the risks of a further slowdown in Russian economic growth, which could give rise to case B-type of scenarios through external demand and inflows. At the same time, Armen Ktoyan viewed export and migration restrictions imposed by Russia as potential sources of weaker demand and increased labor supply in Armenia.

Turning to a possible weakening of investor and consumer confidence amid uncertainty surrounding the outlook for economic relations with Russia, Armen Nurbekyan and Armen Ktoyan noted that risks in this area were already affecting economic agents' behavior to some extent. In this context, they emphasized the importance of appropriately addressing the case B-type of macroeconomic risks arising from these changes in behavior at the current juncture. On the other hand, Levon Sahakyan believed that the macroeconomic effects of such changes in behavior were not significant at this stage.

Board members viewed commodity markets as one of the main sources of external inflationary pressures. In this context, Levon Sahakyan expressed concern about the possible persistence of higher transport costs, noting that replacing oil tankers damaged in the Middle East takes considerable time. As a result, freight costs could remain elevated even after tensions ease, prolonging external inflationary pressures. For Armenia, Board members also highlighted rising insurance costs on maritime routes, including in the Black Sea, which could affect imported goods prices.

In discussing economic developments in Armenia, Board members presented differing assessments of economic activity, its composition, and the output gap. Members emphasized that excess demand conditions persisted in the economy, with no signs of a significant easing. Davit Nahapetyan also noted that the case B-type of risks he had previously identified as a result of Russia's restrictions had not yet materialized. On the other hand, Armen Ktoyan, while acknowledging the continued strength of activity supported by private consumption and construction, highlighted the recent slowdown in growth and its concentration in certain sectors, which made it difficult to draw firm conclusions about the output gap. In his assessment, fiscal policy could also restrain domestic demand more than expected, given the possibility of public capital expenditure falling short of plans and relatively rapid growth in tax revenues. In contrast, Hovhannes Khachatryan noted that fiscal policy was not currently exerting a significant restraining effect amid persistently strong domestic demand. Armen Nurbekyan also noted some signs of overheating in the economy, but expressed greater concern about imbalances associated with capital inflows and the financial cycle. In this context, he emphasized the importance of assessing the stimulatory effect of fiscal policy, given that, amid substantial capital inflows, an expansion in government spending could further support domestic demand and deepen existing imbalances in the economy.

In this context, Board members addressed the sources and sustainability of capital inflows, also discussing the potential impact of the decline in Armenia's country risk premium. Armen Nurbekyan emphasized that the fundamental and cyclical components of the risk premium could move in opposite directions: external and regional uncertainties could increase fundamental risks, while favorable global financial conditions were contributing to a decline in the premium. Hovhannes Khachatryan, for his part, did not rule out that the recent upward shift in the dram yield curve partly reflected an adjustment in previously strong demand for bonds. The discussion also highlighted the composition of inflows and how they were being used. Hovhannes Khachatryan drew attention to the possibility that large investment projects in mining and high technology could contribute significantly to economic growth while having a relatively limited impact on employment. Narek Ghazaryan welcomed the fact that the investment-to-GDP ratio was above its historical average, while emphasizing the importance of the composition of investment and its concentration in construction. In this context, Armen Nurbekyan emphasized the importance of assessing how much of these inflows was being used to finance current demand and how much to expand productive capacity. In this regard, he expressed particular concern about the current account deficit that had widened in recent years and highlighted the importance of assessing its underlying drivers and possible paths of adjustment. Turning to the implications for monetary policy, Armen Nurbekyan emphasized that a rate increase could encourage additional capital inflows, complicating efforts to tighten financial conditions and restrain domestic demand. Armen Ktoyan shared this concern, noting that under such conditions the restraining effect of a rate increase could be limited. On the other hand, Levon Sahakyan emphasized that substantial inflows were already easing financial conditions, making a more restrictive monetary policy stance necessary amid persistently strong demand. He also highlighted the need to monitor money market liquidity conditions and the transmission of the policy rate. Hovhannes Khachatryan likewise drew attention to ample liquidity in the financial system and strong credit growth, viewing them as factors supporting domestic demand.

In this context, Board members emphasized the importance of a more comprehensive assessment of inflation developments and their underlying drivers. Narek Ghazaryan emphasized that external inflationary pressures had so far been only partly reflected in domestic prices and that additional inflationary pressures should be expected through these channels in the period ahead. Members also emphasized the importance of properly distinguishing between inflationary pressures arising from supply factors and those driven by domestic demand. Davit Nahapetyan, Levon Sahakyan, Narek Ghazaryan, and Artak Manukyan emphasized that persistently strong economic activity and a positive output gap could strengthen the pass-through of external inflationary pressures to domestic prices. In this context, Martin Galstyan, Davit Nahapetyan, Levon Sahakyan, and Artak Manukyan drew attention to the acceleration in non-traded sticky price inflation, viewing it as an important signal of persistent domestic inflationary pressures. On the other hand, Armen Ktoyan drew attention to the moderating effect of the dram's appreciation, noting that it had partly dampened the pass-through of external price increases. He also emphasized that inflationary pressures remained concentrated in certain groups, while there were no clear signs of inflation expectations becoming de-anchored.

Summarizing these views, the Board agreed that the primary policy challenge was to assess the most relevant and costly risks in terms of their implications for the economy and determine which policy mistakes should be avoided, guided by the principle of "least regret."

Policy Decision

Following its discussion of economic scenarios, and amid prevailing uncertainty, the CBA Board emphasized the importance of minimizing the potential losses arising from these scenarios within its risk management framework and pursuing an appropriate monetary policy strategy to ensure price stability.

In this context, Martin Galstyan, Hovhannes Khachatryan, Davit Nahapetyan, Artak Manukyan, Levon Sahakyan, and Narek Ghazaryan highlighted the risks associated with above-target inflation and its persistence, and the pass-through of additional external inflationary pressures amid continued excess demand. They emphasized the need to manage the macroeconomic implications of case A-type of scenarios at the current juncture and voted to increase the policy rate by 0.25 percentage points. On the other hand, Armen Ktoyan, taking into account the concentration of economic growth in certain sectors and risks of a possible weakening in economic activity, emphasized the need to balance the risks arising from case A-type of scenarios and case B-type of scenarios at the current juncture and voted to leave the policy rate unchanged. Armen Nurbekyan also voted to leave the policy rate unchanged, emphasizing the need to balance the risks arising from case A-type of scenarios and case B-type of scenarios amid case B-type of risks stemming from uncertainties surrounding economic relations with Russia and external imbalances associated with capital inflows.

As a result, the Board of the Central Bank of Armenia decided to raise the policy rate by 0.25 percentage points, setting it at 7.0% (see Table 1). The Board will continue to monitor scenarios for economic developments 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
November 3, 2026 Decision

Board Member	Vote
Armen Ktoyan	Keep unchanged
Narek Ghazaryan	Increase by 25 bps
Levon Sahakyan	Increase by 25 bps
Artak Manukyan	Increase by 25 bps
Davit Nahapetyan	Increase by 25 bps
Hovhannes Khachatryan	Increase by 25 bps
Armen Nurbekyan	Keep unchanged
Martin Galstyan	Increase by 25 bps

B. Final Vote Submissions

November 3, 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.

Governor Martin Galstyan

Based on discussions with the Board during the policy round, the analysis of current and underlying economic conditions, as well as a careful assessment of the key sources of risk and policy tradeoffs, I have voted to increase the policy rate by 25 basis points. Significantly heightened global and regional geopolitical tensions continue to pose upside risk to inflation and downside risk to growth in the medium-term, with meaningful uncertainty regarding future developments. At the same time, domestic economic activity continues to grow at a strong pace, primarily concentrated in demand-driven sectors including construction and services. High economic growth, coupled with elevated imports of consumption goods, strong retail trade growth, and rising wage growth in certain sectors, increasingly point to elevated domestic conditions. Additionally, external demand has strengthened in recent months, reflected in rising visitor inflows, elevated activity in visitor-related sectors, and sustained growth in residential real estate prices. Together, this meaningfully increases the risk of excess demand conditions forming in the economy. Against this backdrop, inflation has remained above target over the past several months. Inflation continues to be impacted by global supply-side factors, but has become increasingly broad-based in recent months, reflected in elevated services, core, and non-traded sticky price inflation. In this context, the combination of persistent inflationary pressures from the external sector and elevated aggregate demand conditions has emerged as among the most pressing Case A-type risks to price stability. Considering the above, my decision to increase the policy rate by 25 basis points is motivated by the need to manage the aforementioned Case A-type risks. In the event that new information or events emerge that require a reassessment of this risk management approach, I reaffirm my commitment to responding in an appropriate and timely manner to ensure that the price stability mandate is met.

Deputy Governor Armen Nurbekyan

Taking into account the economic and financial developments in Armenia over the past several months, the discussions held with other Board members throughout the policy round, as well as a thorough analysis of the main sources of risks and uncertainties, I vote in favor of keeping the policy rate unchanged. The global economy has proved far more resilient than expected. In the case of the US, despite uncertainty around the sustainability of asset prices, no significant risks of a correction in economic activity or financial asset prices have emerged so far. However, long-term interest rates have increased significantly, reflecting concerns over public debt sustainability. In the case of the European Union, the economic slowdown is evident. The inflationary environment in the external sector has not eased, reflecting, among other factors, continued high uncertainty in energy markets. Under these conditions, central bank policy rates will tend to rise. In summary, case B-type risks originating from the external sector have moderated, while case A-type scenarios have generally intensified, given the upward pressures on interest rates. Amid high economic uncertainty, the behavior of international capital flows is difficult to predict. There are case A-type risks associated with a potential reversal of capital flows toward advanced economies in the event of a significant decline in risk appetite. At the same time, case B-type scenarios could also materialize if international investors redirect capital flows toward countries with strong economic fundamentals and stable macroeconomic conditions. The behavior of capital flows over the medium term could be a major source of volatility for both the global and Armenian economies. The continued high level of economic activity in the domestic economy has been driven primarily by demand-side factors. The expansion in demand, together with strong credit growth, increases the likelihood of a positive output gap, which should remain closely monitored in the context of the elevated level of underlying inflation. Despite this, the moderation in inflation following the energy supply shock is a positive development from the perspective of inflation expectations. It is also important to closely monitor the significant widening of the current account deficit, which could signal a rapid increase in consumption demand, investment demand, or both. In the former case, we would face significant case A-type risks. In this context, fiscal policy represents one of the key risks in this regard, both in the short term through its potential contribution to demand expansion and through the possibility of an increase in the risk premium associated with a potential rise in public debt. At the same time, case B-type factors in the domestic economy mainly stem from uncertainties surrounding economic relations with the Russian Federation, which, so far, have not had a significant impact on economic activity. It should be noted that, in recent months, activity in the construction and mortgage markets has grown significantly faster than expected. In summary, case A-type risks in the domestic economy have continued to dominate. Although case B-type risks are less likely to materialize, they could have significant economic implications. Balancing case A and B-type risks, I believe that keeping the policy rate unchanged, in line with market expectations, would allow for the appropriate

management of the existing macroeconomic risks. Given the significant volatility of capital flows in international markets, it is important for the Central Bank to have the full range of available policy instruments to manage capital flows and domestic demand.

Deputy Governor Hovhannes Khachatryan

Taking into account global and Armenian economic developments, as well as the main sources of risk and uncertainty, I vote in favor of raising the policy rate by 0.25 percentage points. The long term neutral interest rate in the United States and other major economies remains elevated, reflecting concerns related to fiscal deficits and public debt sustainability. Risks associated with prolonged global conflicts, disruptions to global supply chains, and further increases in commodity and food prices persist. Economic activity in the EU, China, and Russia is weak, but for the reasons mentioned above and due to structural problems, inflation remains above target levels. The impact of obstacles to Armenia's exports to Russia is disinflationary for certain product categories on the one hand, while on the other hand it worsens the external trade balance. Strong growth in international visitors and tourism exerts upward pressure on the prices of services and real estate. The positive output gap could become significant if the above mentioned factors persist for an extended period or intensify further. In summary, I believe that case A-type of risks in both the global and domestic economies are more pronounced and are beginning to take on a persistent, long term nature. Given the above, I believe that the decision to raise the policy rate by 0.25 percentage points reduces the potential costs of a monetary policy error.

Board Member Davit Nahapetyan

After considering the analysis on economic and financial developments presented by the macroeconomic team and the comprehensive discussions with Board members around the policy rate, and guided by the prudent risk management and "least regret" principles, I vote in favor of increasing the policy rate by 0.25 percentage points. Risks of a broadening inflationary environment in the global economy persist. At the same time, international food and energy prices have increased. Against this backdrop, the risk of potential inflationary pressures on the Armenian economy remains a concern. Amid continued restrictions on exports of Armenian products to Russia and uncertainty surrounding the outlook for trade and economic relations with that country, risks of declining incomes and weakening investment in certain sectors of the Armenian economy continue to constitute the core of Case B-type disinflationary risks. Therefore, possible developments in the Russian economy and their spillovers to Armenia continue to represent a key source of uncertainty for me at the current juncture. Economic activity in Armenia continues to remain strong. Although developments in the labor market also point to a stabilization of conditions, inflationary pressures stemming from external demand remain a concern. Both core and headline 12-month inflation have increased. This is also reflected in rising non traded sticky price inflation. Taking these factors together, and from the perspective of effective risk management and the "least regret" principle, I believe that increasing the policy rate by 0.25 percentage points would most appropriately reflect a policy aimed at managing Case A-type and Case B-type risks. 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 key sources of risks and uncertainties. Based on the balance of these considerations, I voted in favor of raising the policy rate by 25 basis points. Inflationary trends are evident in global commodity markets, particularly in the form of rising oil and food prices. Geopolitical uncertainties, persistent tensions in international trade relations, and concerns regarding the duration of disruptions to global value chains have contributed to a broadening of the global inflationary environment. As a result, central banks in major economies are likely to maintain tight monetary conditions for longer and/or pursue further monetary policy tightening. In the domestic economy, economic growth remains strong and has been accompanied by an expansion in domestic demand. Inflation remains above target. Signals from the non-traded sticky price index are also noteworthy. Strong economic growth has been accompanied by an expansion in aggregate demand, as also reflected in double-digit credit growth. In addition, there are signals that the output gap is positive, with a significant likelihood that risks of a further widening of the gap could materialize. When discussing the outlook for economic growth, I consider it important to note that, in my assessment, the operation of the Amulsar mine could have a positive impact on potential growth. Inflationary trends are also evident in the real estate market. Case B-Type considerations have been driven by the outlook for a slowdown in global economic growth, as well as the materialization of a fundamental decline in Armenia's country risk premium. In particular, I have considered the challenges surrounding exports, as well as a decline in effective demand in the Russian economy, which could lead to the materialization of disinflationary pressures stemming from supply shocks. Case A-Type considerations have related to a potential increase in global neutral interest rates, the emergence of excess demand conditions in the domestic economy, and risks of a more expansionary fiscal policy stance,

which could lead to a de-anchoring of inflation expectations. Overall, I assess that both the range of A-type risks and the likelihood of their materialization have increased considerably at the current juncture. Accordingly, guided by the "least regret" principle of risk management, I consider it more appropriate to pursue a higher policy rate path than currently expected by financial markets. I confirm that to ensure the price stability objective, as a member of the CBA Board, I will continue to monitor scenarios for 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 vote to raise the policy rate by 0.25 percentage points. Looking ahead, amid geopolitical tensions in the Middle East, commodity prices have exhibited considerable volatility. At the same time, the inflationary environment in major economies has led to an increase in market expectations for policy rates. Uncertainty surrounding the US fiscal policy outlook also persists, creating risks of further increases in long-term interest rates. In the domestic economy, inflation remains above target alongside strong economic activity. In my assessment, this largely reflects external demand factors. Notably, the non-traded sticky price index has remained above the level consistent with the inflation target for an extended period. At the same time, I emphasize the importance of managing the risks associated with Case B-type scenarios, under which certain restrictions on external trade could have significant effects. On the other hand, efforts to address these risks and strengthen the economy's resilience could entail heightened risks of fiscal expansion. The combination of excess demand in the domestic economy and strong inflows of international visitors and capital, accompanied by above-target inflation, calls for the formation of expectations of a higher policy rate path than currently anticipated by financial markets. As a result, given the need to manage Case A-type risks, I vote in favor of raising the policy rate by 0.25 percentage points. In my assessment, such a decision is necessary to prudently manage the aforementioned risks and ensure price stability.

Board Member Narek Ghazaryan

Taking into account the discussions with other Board members throughout the policy round, the analysis of current economic developments and underlying conditions, as well as a comprehensive assessment of the key sources of risk and uncertainty, I vote in favor of raising the policy rate by 0.25 percentage points. My decision is based on the firm conviction that, during the current policy cycle, inflationary pressures in the domestic economy continue to intensify gradually, while, looking ahead, Case A-type inflationary risks outweigh Case B-type disinflationary risks. Turning in greater detail to the Case A-type risks over the policy horizon, I would note that, amid persistent tensions in the Middle East, global energy prices have continued to rise in recent months, contributing to a noticeable acceleration in consumer price inflation across a number of advanced and emerging market economies and ultimately leading to a tightening of monetary conditions. Should the current conditions in energy markets persist or deteriorate further, inflation in a range of imported and domestically produced goods in Armenia's consumer market will continue to accelerate, reflecting both the direct and indirect effects of rising energy prices. In recent months, inflation in global food markets has also continued to accelerate, driven, among other factors, by rising energy prices. A scenario involving a further acceleration and broadening of these inflationary developments in food markets would further amplify inflationary risks in the Armenian economy. Turning to inflationary risks stemming from developments in Armenia's domestic economy, I would note that economic activity and asset prices continued to grow strongly in September and October 2026. These developments have been driven by increased spending on final consumption and investment by resident economic agents, significant capital inflows into Armenia, strong demand for goods and services in the tradable sector, as well as fiscal stimulus provided to the economy during 2026. Should these stimulative factors persist or strengthen further, the inflationary environment observed in the domestic economy could continue to broaden. The combination of the inflationary pressures described above, stemming from supply-side challenges in global markets and accelerating demand growth in the domestic economy, could lead to a significant acceleration in inflation over the policy horizon, requiring a tightening of monetary conditions. The aforementioned Case A-type risks become particularly concerning given that several measures of core inflation are currently running above the CBA's target. A number of Case B-type risks also persist over the monetary policy horizon. In particular, a possible acceleration in the slowdown of economic activity in Russia and a continued deterioration in its economic outlook could adversely affect demand for Armenian exports to Russia and capital inflows from Russia to Armenia. As a result, economic activity in Armenia could decline significantly, ultimately generating disinflationary pressures in the domestic consumer market. The continued restrictions imposed by Russia on Armenian exports, a possible expansion of the list of goods and services subject to these restrictions, as well as potential restrictions on bilateral economic relations in other sectors, would further amplify the disinflationary pressures stemming from the slowdown in the Russian economy. Turning to other Case B-type risks, I would note that downside risks to economic activity and domestic demand persist in the United States and several European economies, reflecting still-overvalued asset prices in certain sectors and other structural challenges facing these economies. Rising geopolitical tensions and a further acceleration in energy price inflation, combined with the structural challenges in these economies, could lead to a significant slowdown in global

economic activity. This, in turn, could reduce demand for Armenian exports and capital inflows into Armenia, generating disinflationary pressures in the domestic market. Weighing the Case A- and Case B-type risks described above and taking into account that inflation is currently running above target, I remain more concerned about the inflationary pressures that could arise from the materialization of Case A-type risks. Therefore, I believe that the Policy rate should be increased from the current level of 6.75 percent to 7.0 percent, with the aim of keeping inflation close to the CBA's target over the medium term. I reaffirm my commitment to the objective of price stability and stand ready to respond with appropriate actions to any new information that could pose risks to achieving the 3% inflation target and ensuring price stability over the medium-term horizon.

Board Member Armen Ktoyan

My decision reflects my assessment that the risks arising from Case A and B-type scenarios are balanced. The main risk I see under Case A-type scenarios is the growing possibility of additional capital inflows into the Armenian economy amid the Russia-Ukraine conflict. Such inflows could support demand growth and generate additional inflationary risks. In addition, energy prices remain elevated amid geopolitical instability, while food price inflation has shown some acceleration. Among the risks arising from Case B-type scenarios, I attach the greatest importance to the implementation of the announced restrictions on the sale of Armenian origin goods in Russia, as well as other potential institutional restrictions. In addition, the persistent structural characteristics of economic activity in Armenia and its concentration in a few sectors pose risks of a slowdown in demand growth over the medium term. Alongside external factors, persistently strong credit growth in certain segments has also been a significant driver of demand growth. This, however, largely reflects sector specific expansion supported to a significant extent by fiscal stimulus. Inflation remains above the medium term target, although monthly CPI readings show some signs of moderation. Risks of inflation expectations becoming deanchored at a higher level remain limited. The still significantly elevated level of labor underutilization, together with relatively subdued growth in labor productivity and average private sector wages, helps offset potential increases in demand stemming from external and domestic factors. Taking these arguments together, I voted in favor of leaving the policy rate unchanged.

This report is published on the day the monetary policy decision is made, in order to ensure the timely communication of the assessments and the decision. Following publication, limited editorial changes may be made to the report, including typographical, formatting, or other non-substantive corrections. Such changes may not concern the core monetary policy assessments or substantive conclusions. The final version of the report will be published within 3 working days following the monetary policy decision.

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