



Central Bank
of Armenia

Monetary Policy Decision

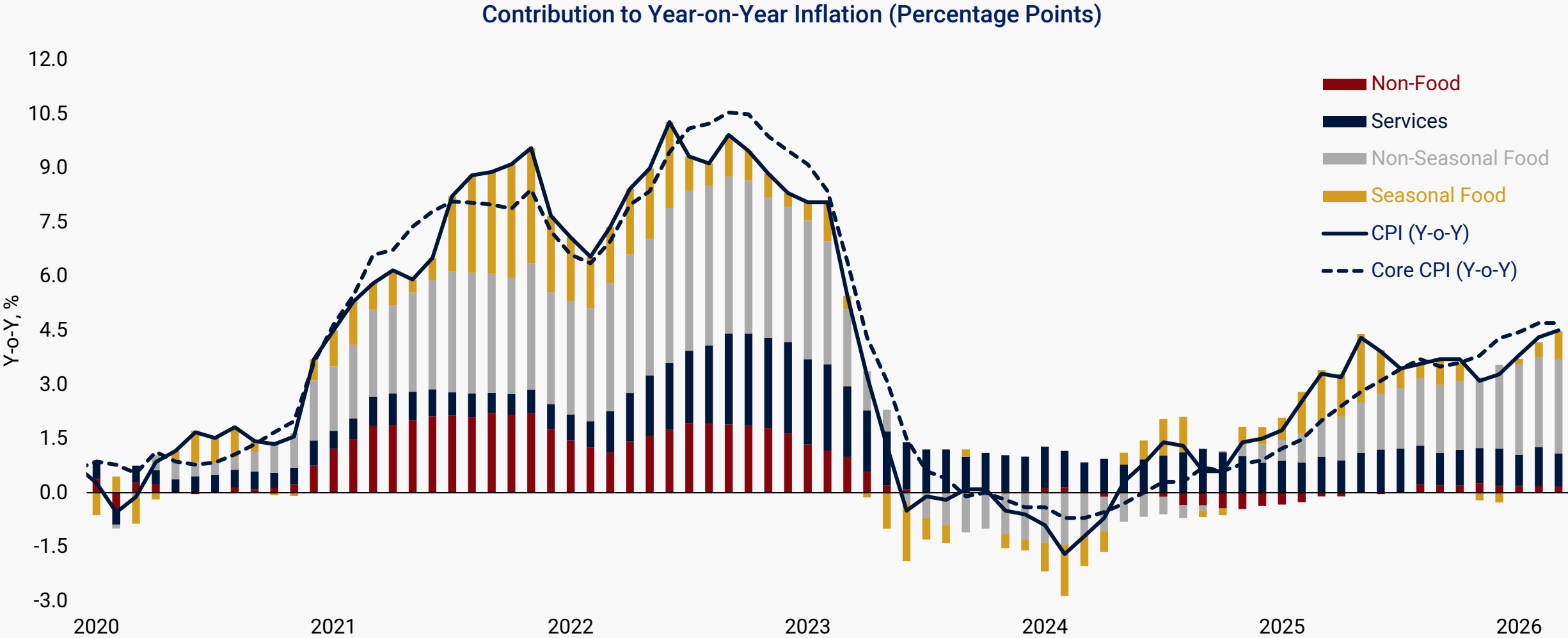
May 5, 2026

At its meeting today, the Board of the Central Bank of Armenia decided to

keep the policy rate unchanged at 6.5%

- Lombard Repo Facility Rate: 8.0%
- Deposit Facility Rate: 5.0%

Annual CPI inflation increased in Q1 2026, standing at 4.5% in March. Meanwhile, annual core inflation accelerated, standing at 4.7% Y-o-Y.



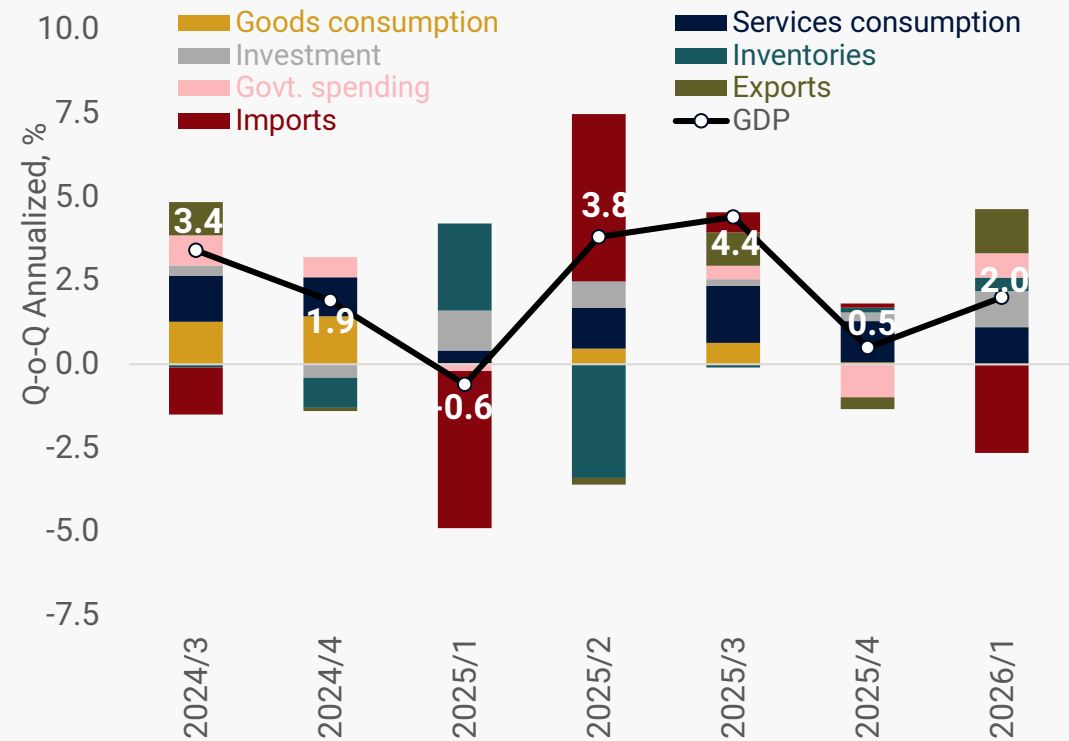
Source(s): Statistical Committee of the Republic of Armenia, CBA

In the first quarter of 2026, amid heightened geopolitical uncertainty and a significant increase in energy prices and their volatility, risks of weakening demand in the global economy and in Armenia’s main partner countries increased substantially.

Economic growth in the United States accelerated somewhat in Q1, but the slowdown in consumer demand persists.

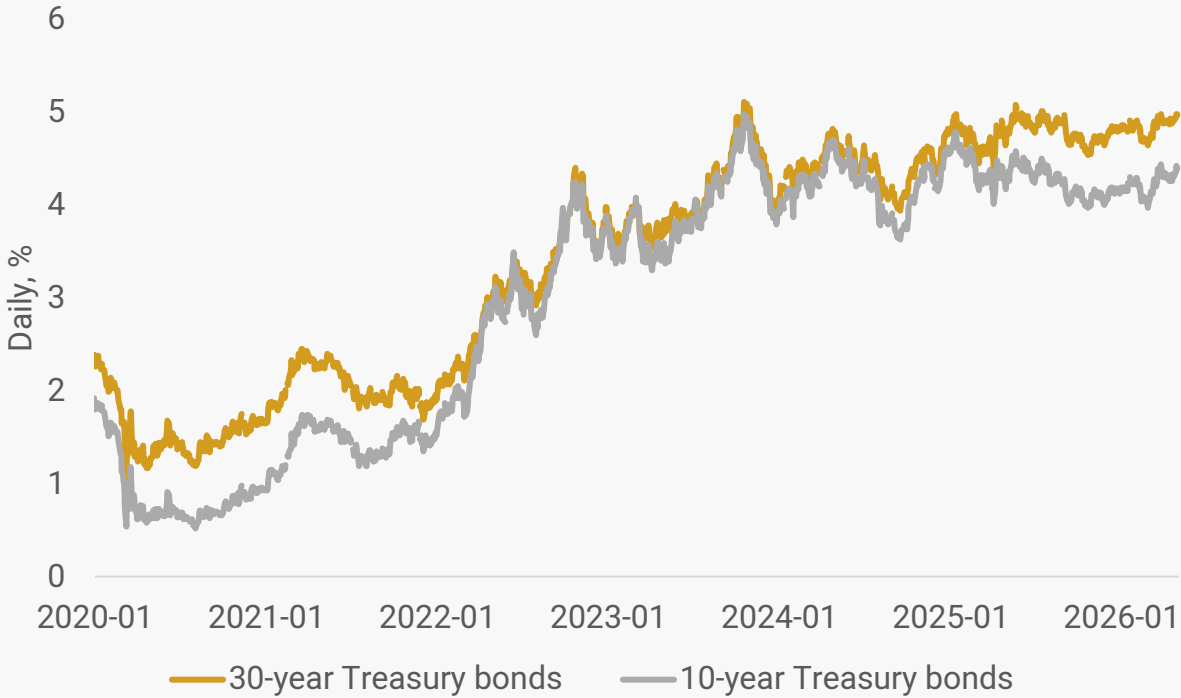
At the same time, due to certain constraints in tariff revenue collection and the potential need for increased defense spending, risks related to the US public debt—and, consequently, the prolonged persistence of elevated long-term interest rates—have increased.

US Economic Growth



Source: BEA, Atlanta Fed

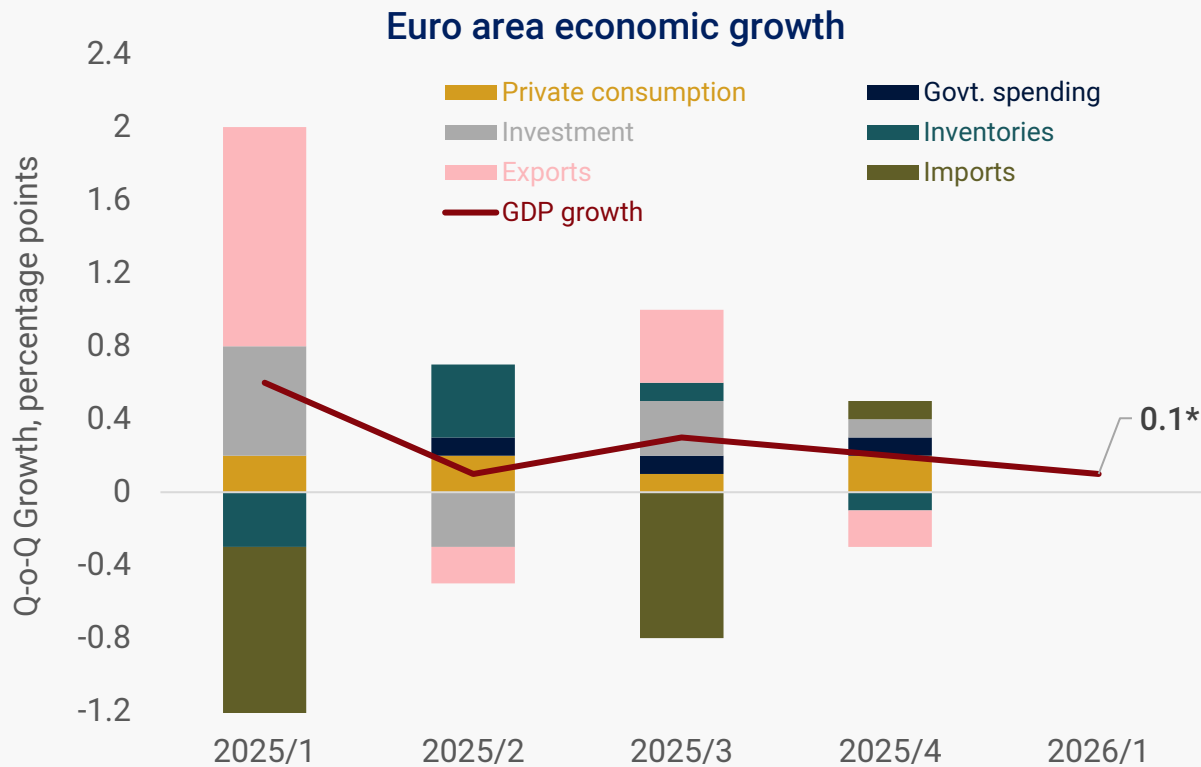
US Treasury Bond Yields, %



Source: FRED

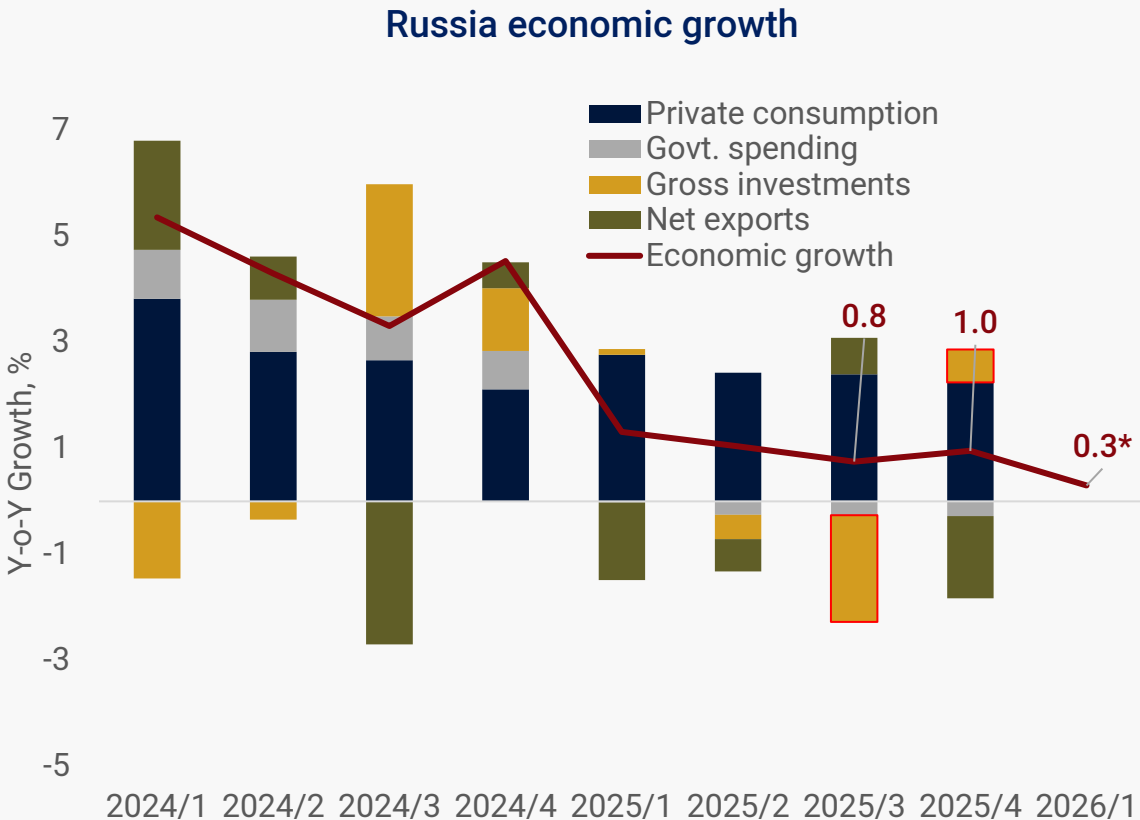
In Armenia's other key partner economies, medium-term risks of weakening growth and demand have become more pronounced.

In the euro area, amid persistent structural issues and high vulnerability to energy prices and supply disruptions, economic growth has continued to weaken.



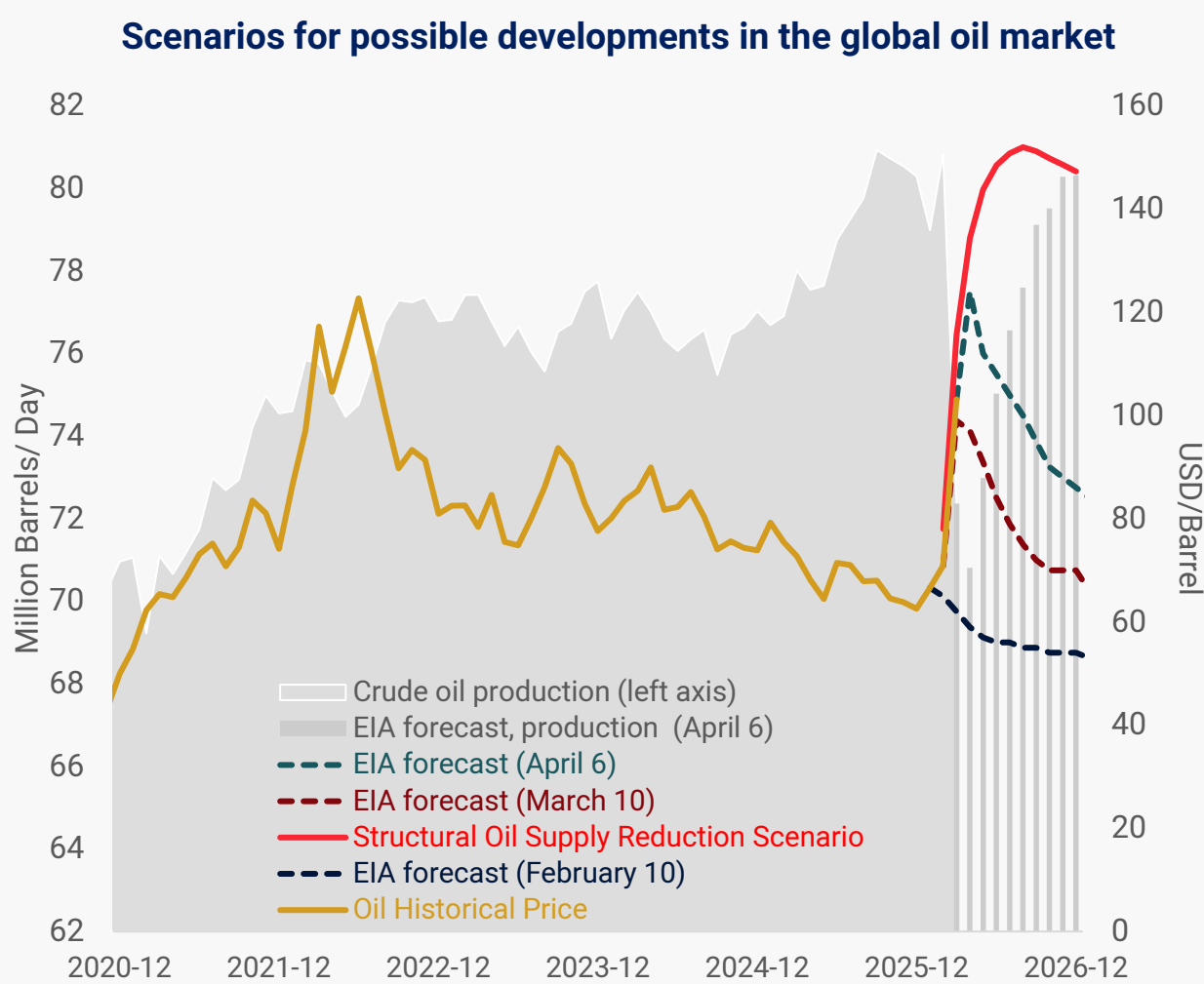
*Eurostat Flash Estimate
Source: Eurostat

In Russia, leading indicators of economic activity point to a an economic slowdown and a significant weakening of domestic demand in the first quarter.

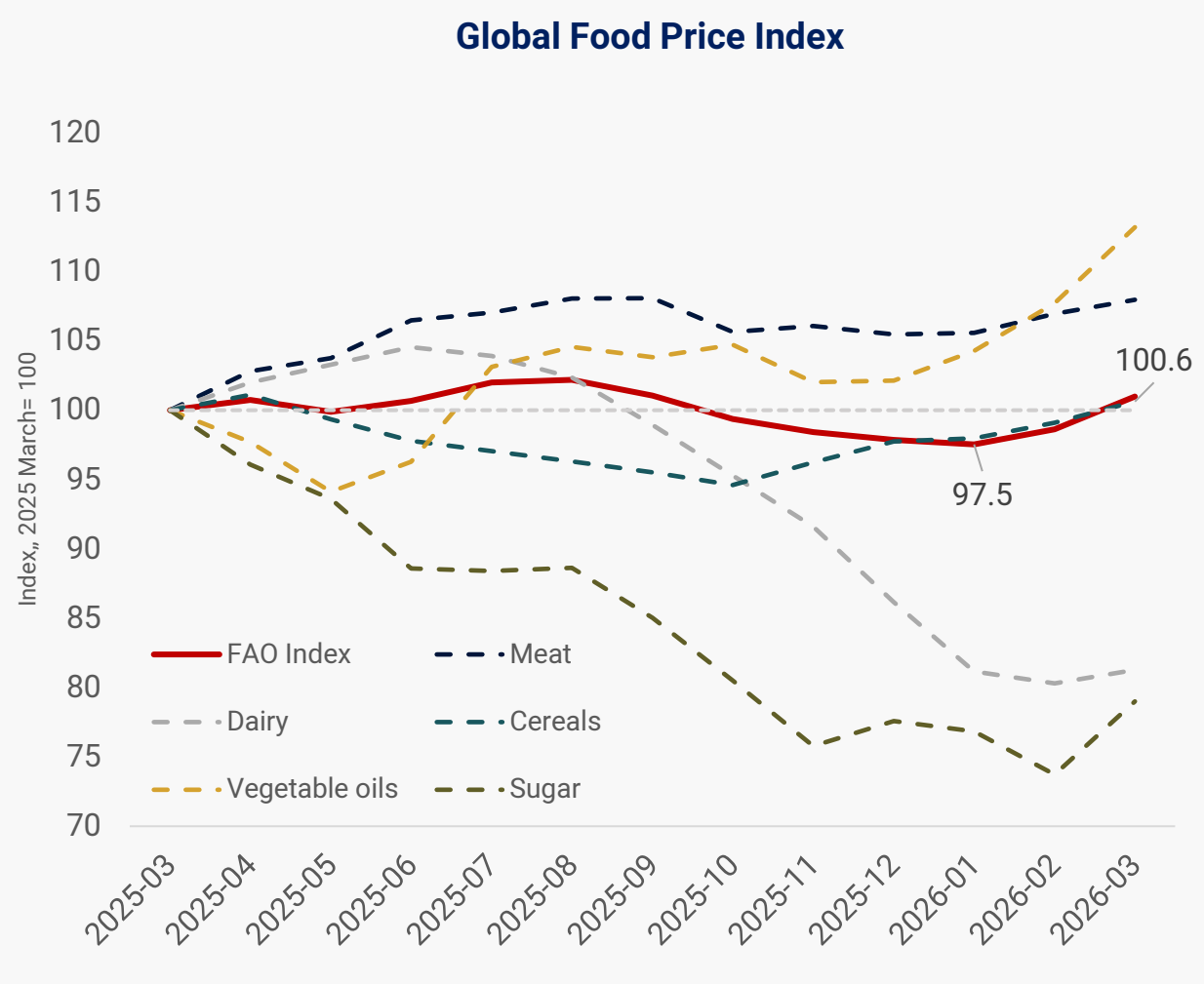


*Preliminary estimate of the Ministry of Economic Development of the Russian Federation
Source: Ministry of Economic Development of the Russian Federation

At the same time, continued tensions in the Middle East are amplifying risks associated with the outlook for rising prices in energy and other commodity markets.



Source: EIA, CBA Estimates



Source: FAO

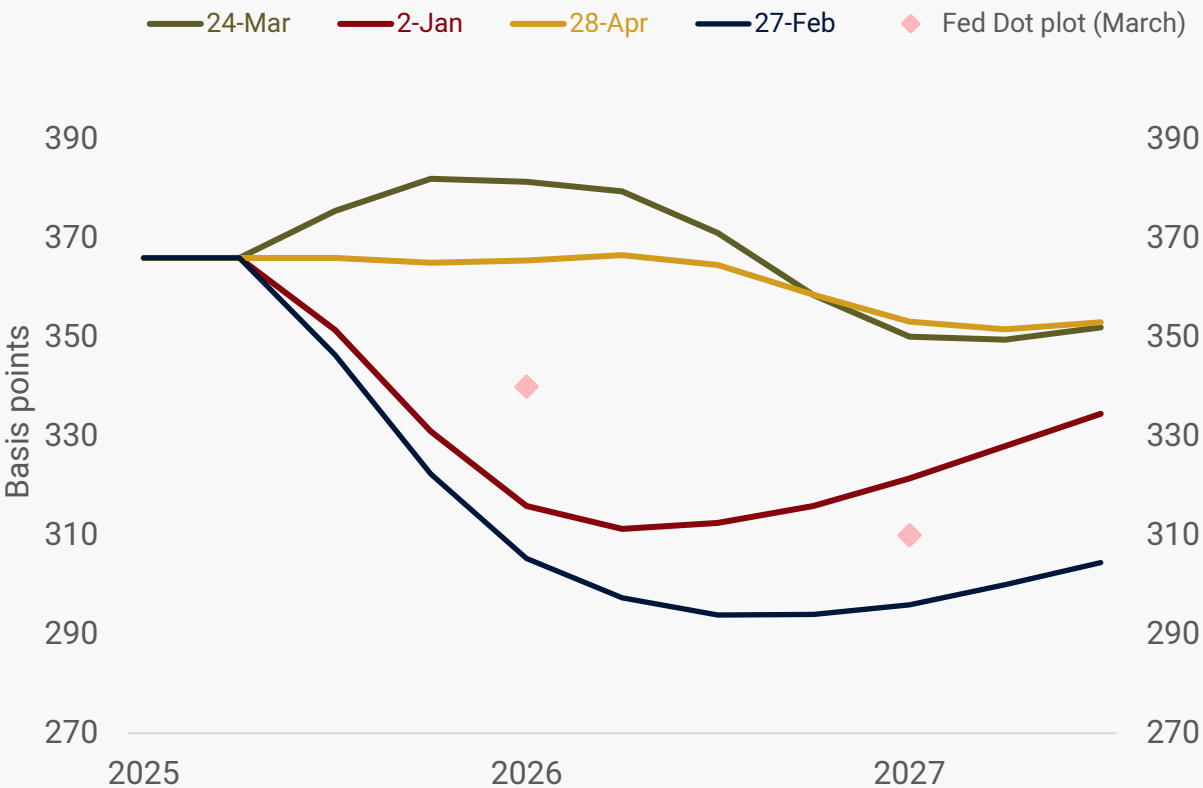
In this context, given both the risk of a weakening demand environment and the risk of a notable increase in inflationary pressures, the likelihood is rising that major central banks will maintain policy rates at their present levels for longer, or in some cases even tighten them.

Headline and underlying inflation in key trading partner economies, y-o-y, %



Source(s): Atlanta Fed; Eurostat, Rosstat

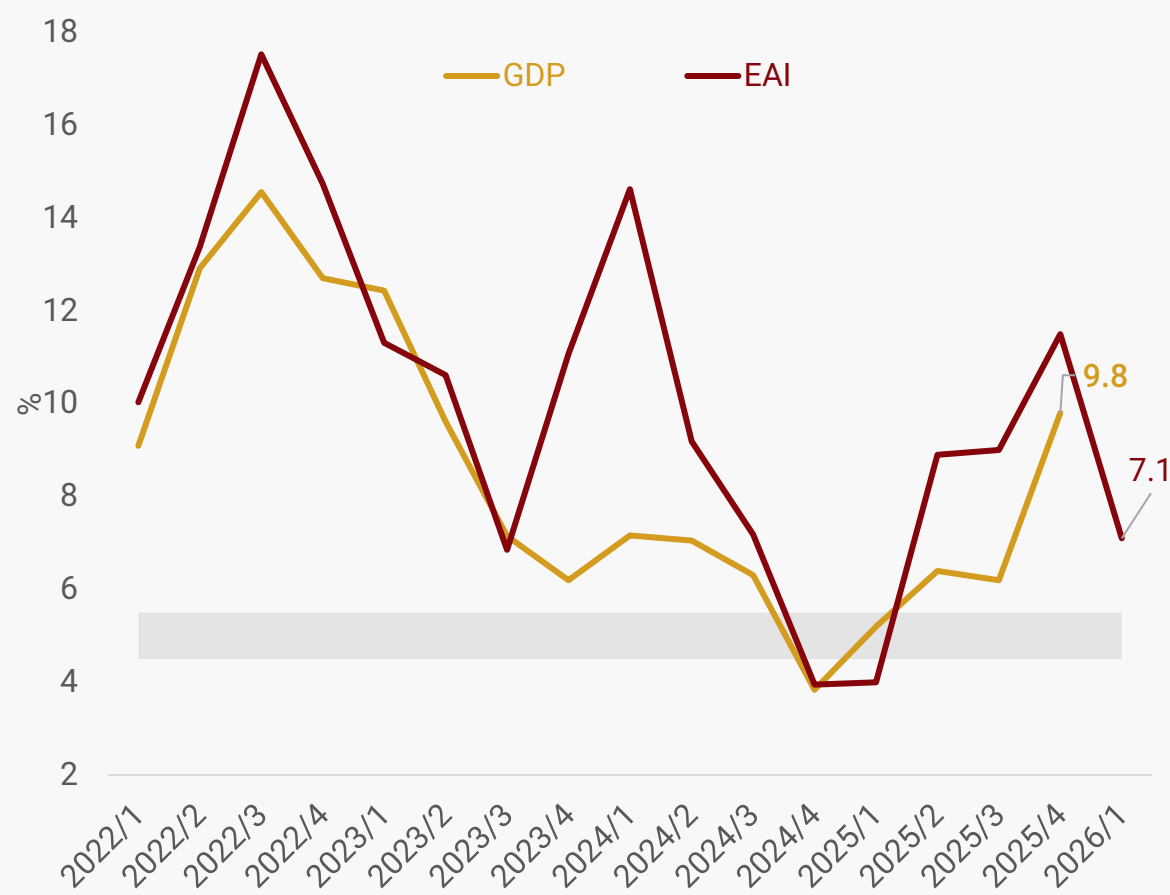
Market expectations about the future path of the Fed Funds Rate



Source: Atlanta Fed

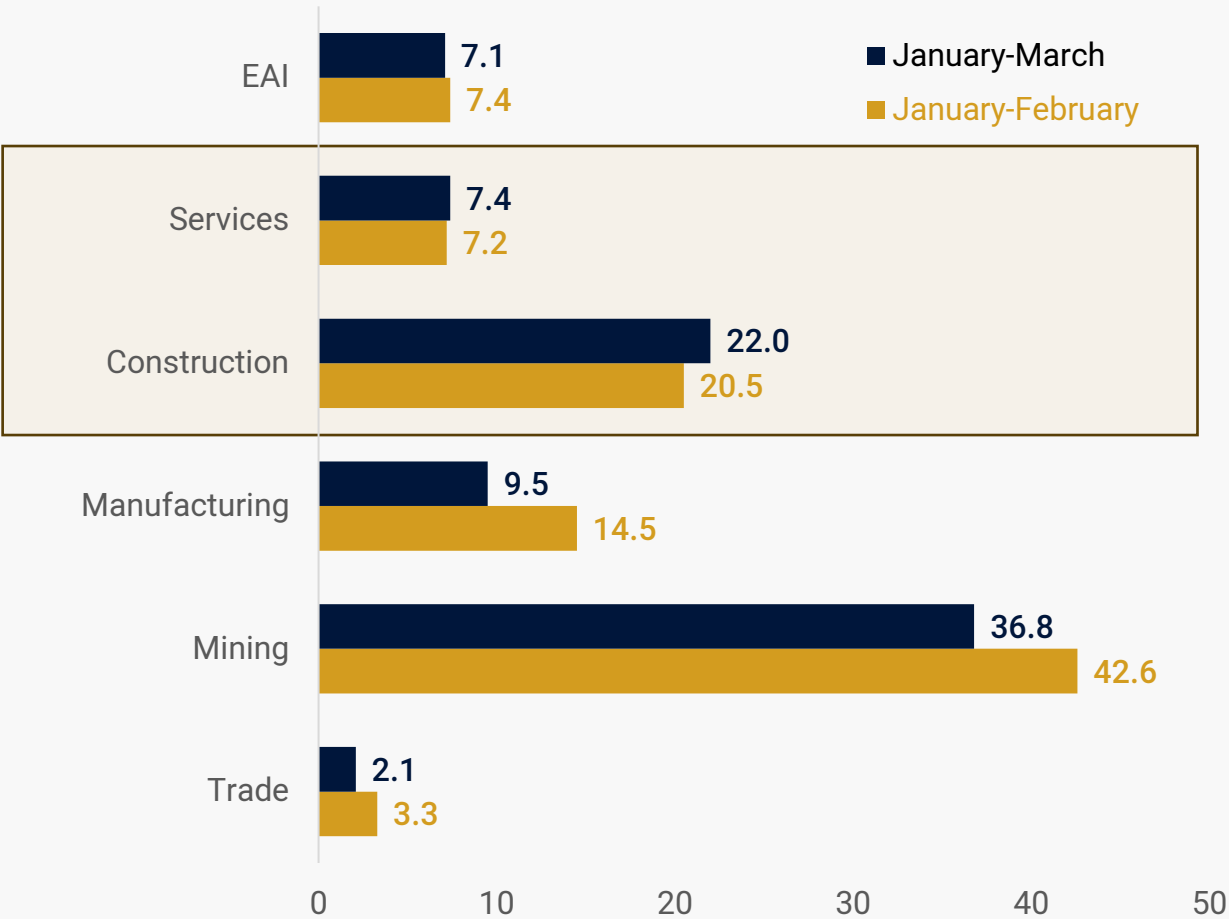
In the first quarter of 2026, economic activity in Armenia remained strong. This performance has been largely driven by robust growth in the construction and services sectors.

Economic growth and the Economic Activity Indicator, Real growth, Y-o-Y, %



Source: Statistical Committee of the Republic of Armenia

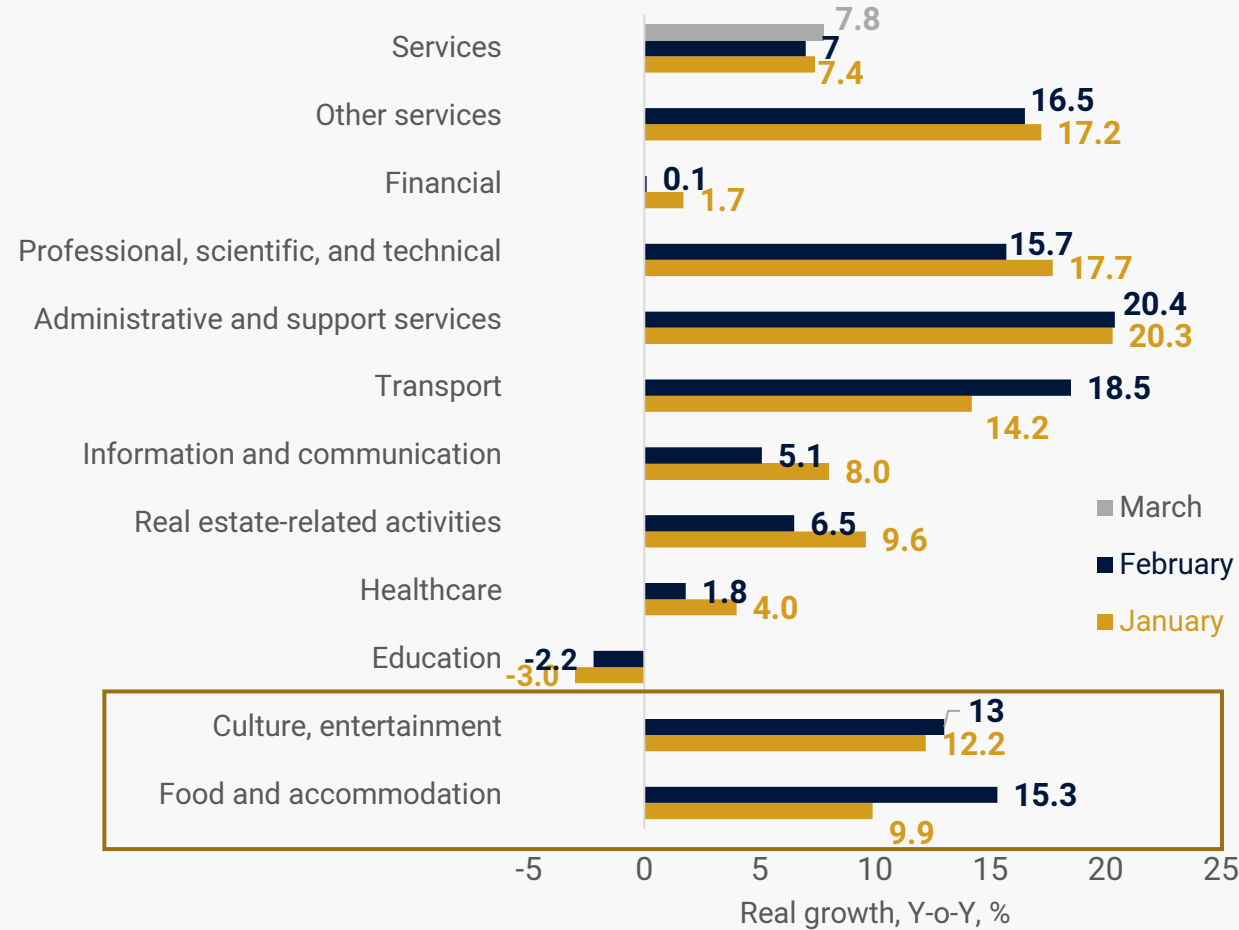
Contribution of main sectors to GDP growth, percentage points



Source: Statistical Committee of the Republic of Armenia

Notably, in recent months, high activity in the services sector has been accompanied by a visible structural shift toward subsectors primarily driven by demand expansion, pointing to relatively strong domestic demand conditions in the economy.

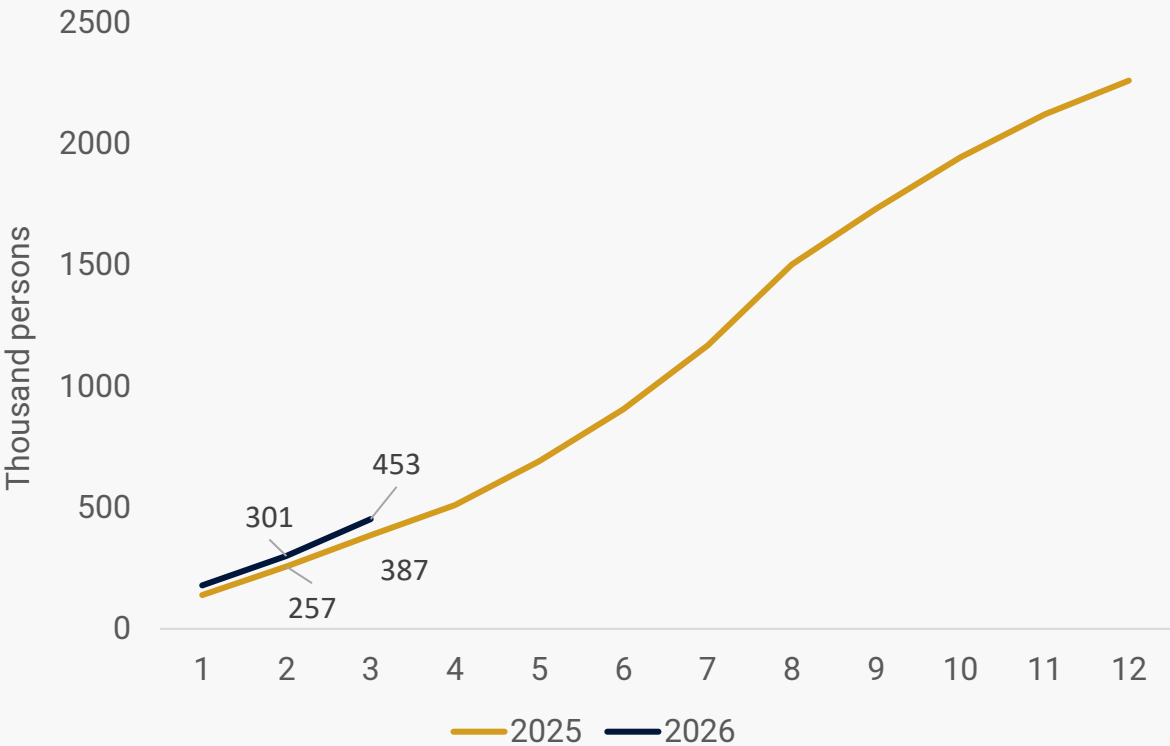
Economic Activity in the Services Sector



Source: Statistical Committee of the Republic of Armenia

At the same time, there are emerging signs of a modest strengthening in external demand, most evident in increased tourist inflows to Armenia amid ongoing tensions in the Middle East.

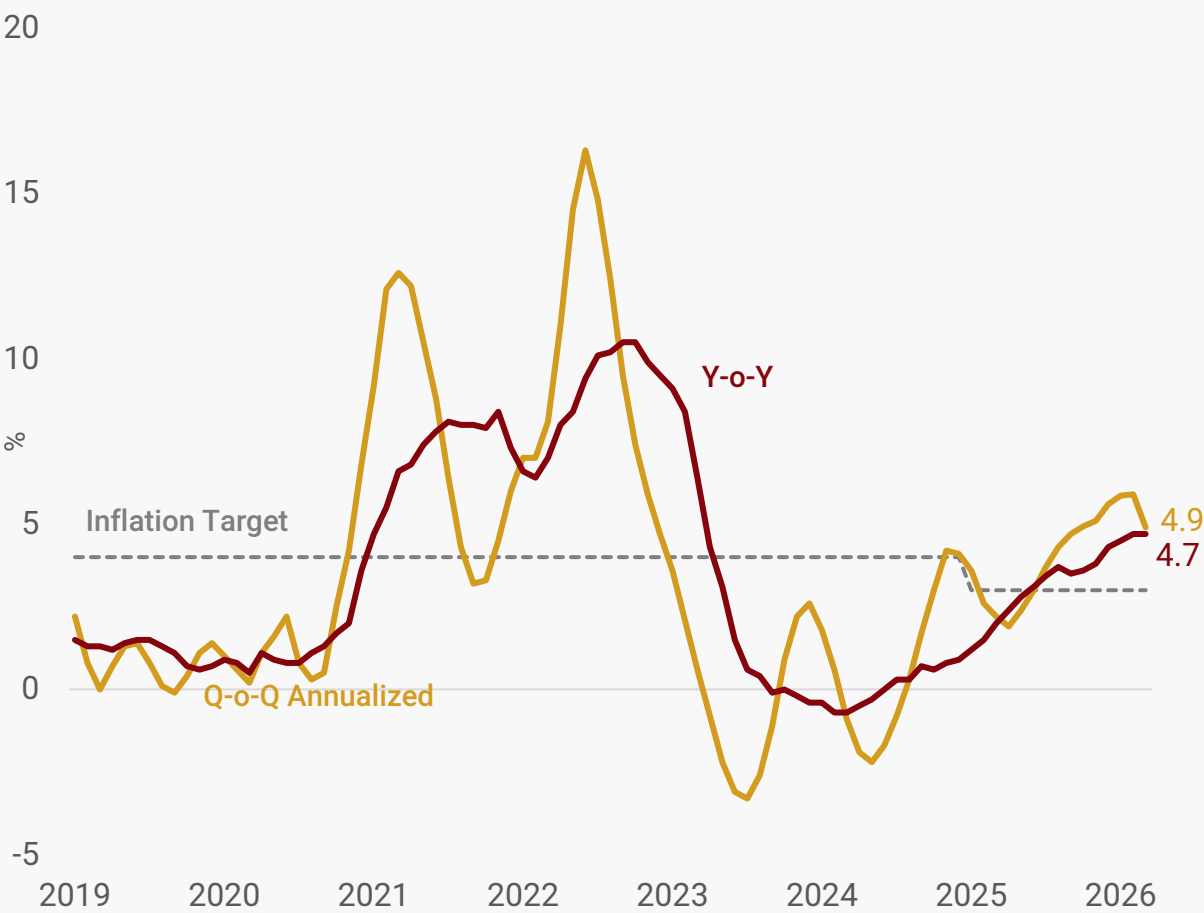
Tourist flows to Armenia



Source: Statistical Committee of the Republic of Armenia

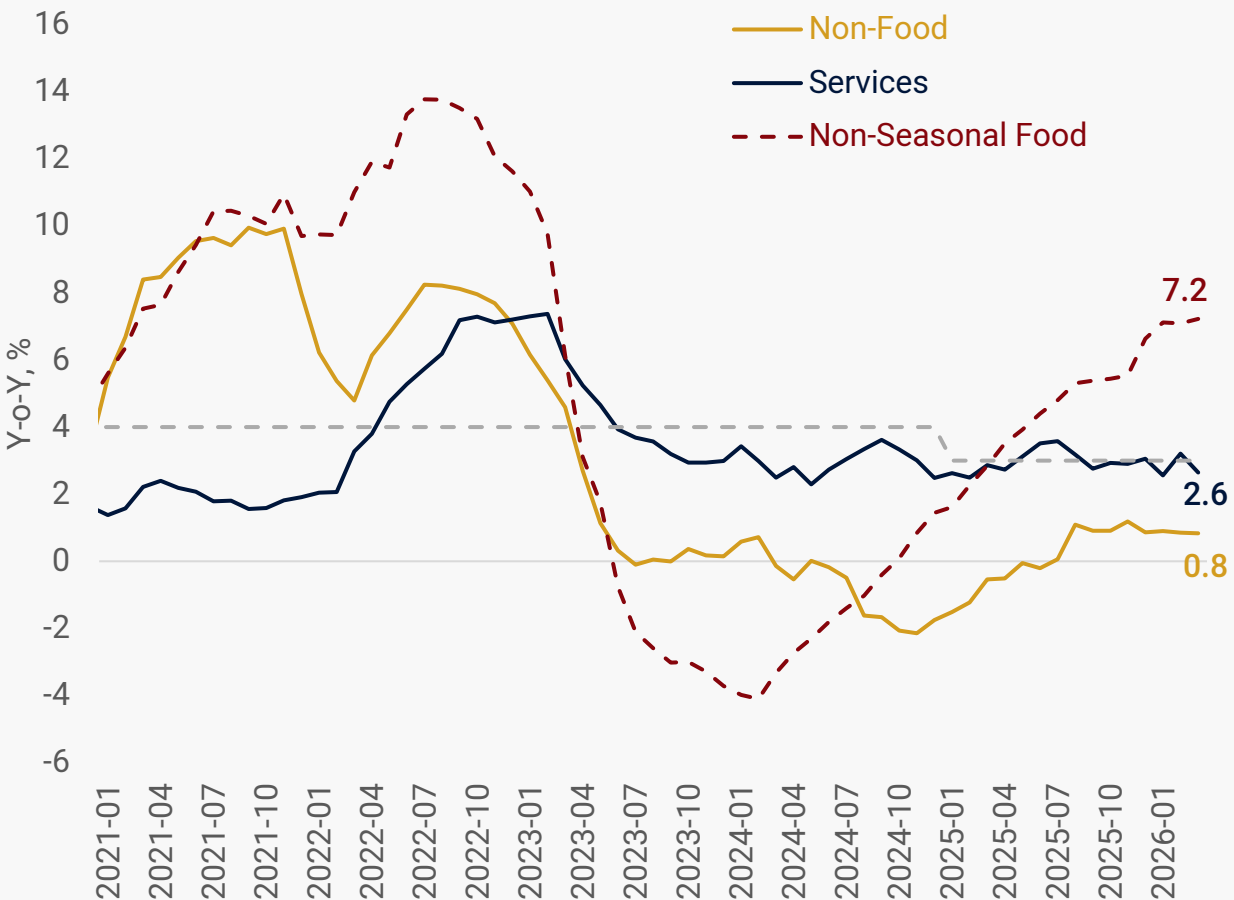
In this context, the overall impact of aggregate demand on inflation is assessed as expansionary, although risks stemming from supply-side factors remain significant in shaping inflation dynamics.

Core Inflation



Source: Statistical Committee of the Republic of Armenia, CBA Calculations

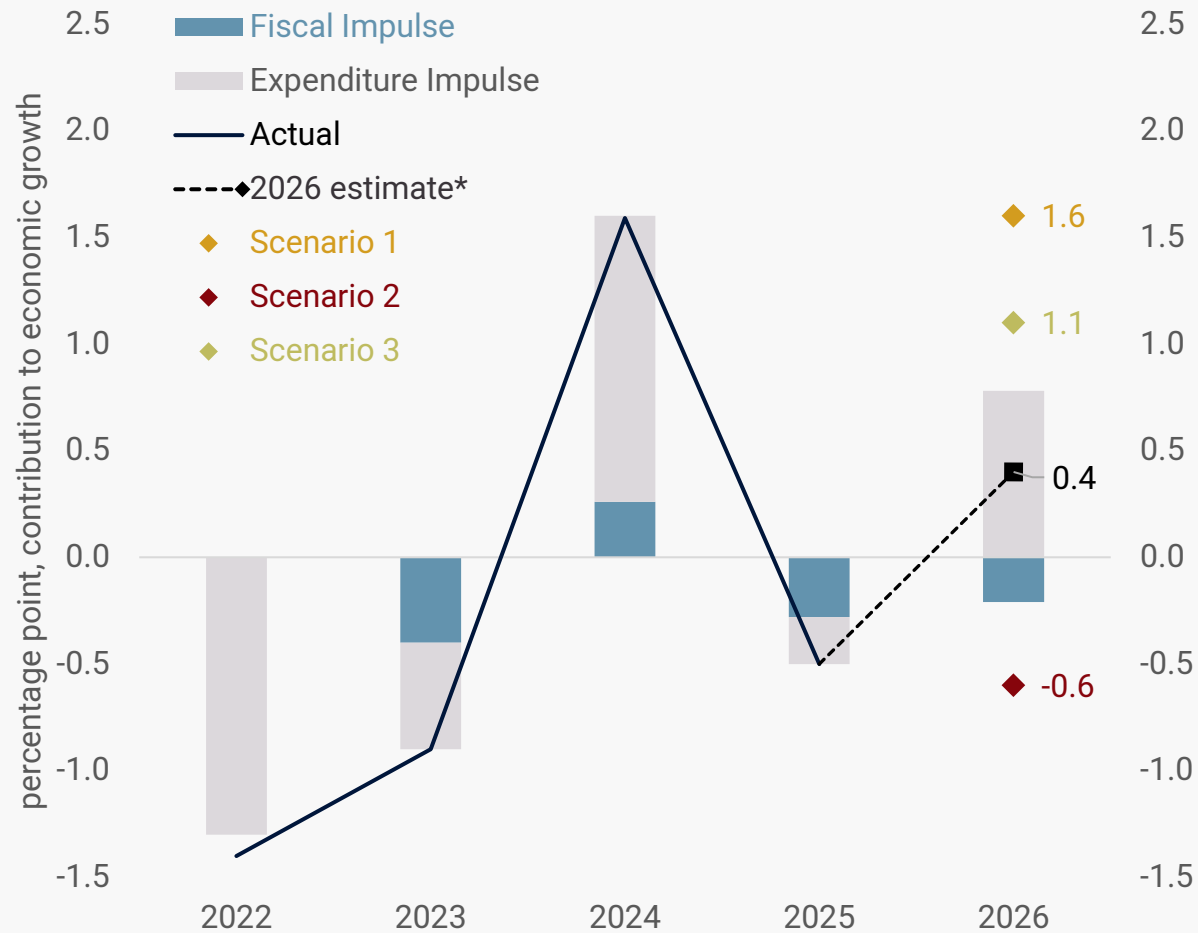
Main components of Inflation



Source: Statistical Committee of the Republic of Armenia, CBA Calculations

It is also noteworthy that risks associated with a more expansionary fiscal stance have somewhat eased.

Scenarios of the impact of fiscal policy on aggregate demand



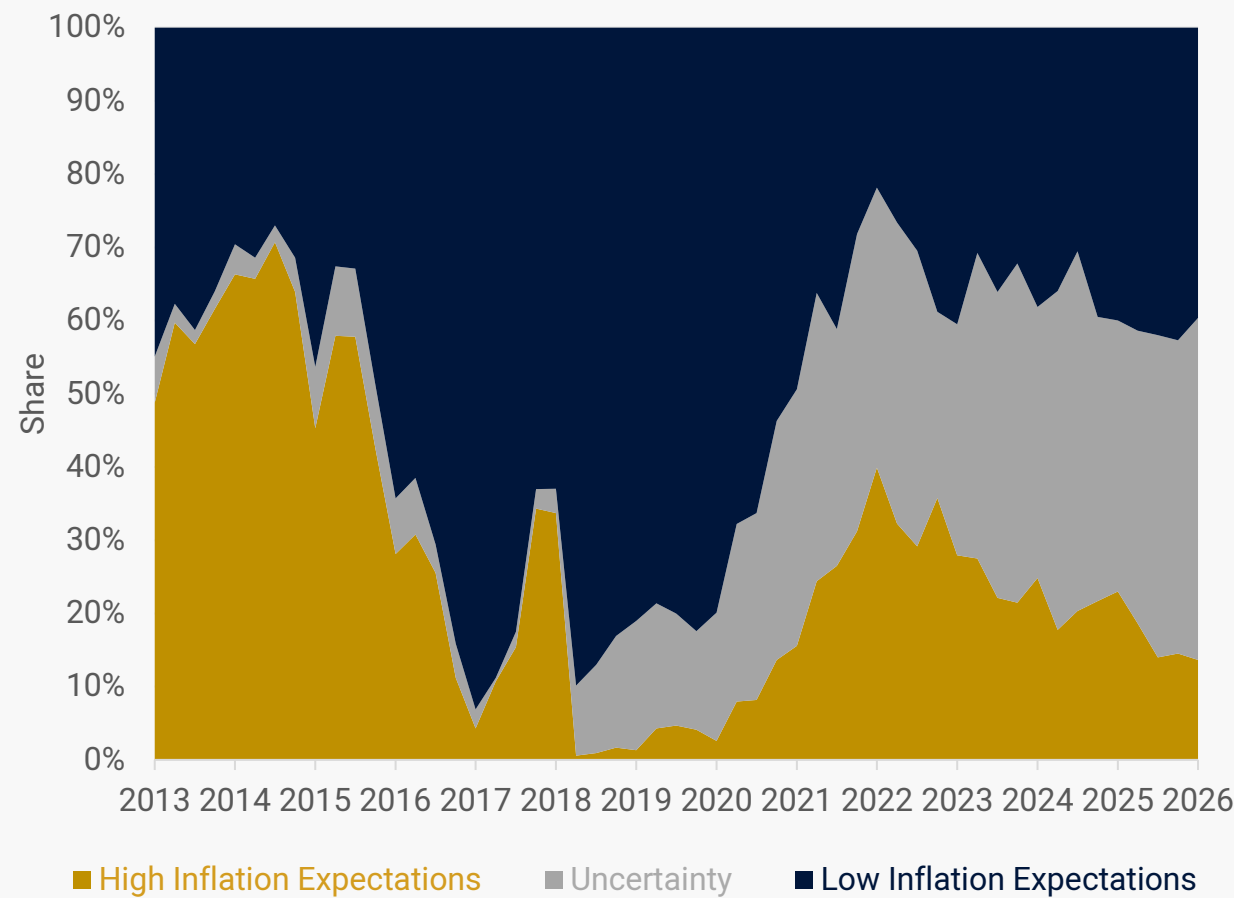
- **Scenario 1.** Limited capacity of tax administration.
- **Scenario 2.** Full execution of the tax revenue plan, but under conditions of limited capacity to implement large-scale capital expenditures, resulting in an underexecution of capital spending in line with trends observed in previous years.
- **Scenario 3.** Over-execution of health-related expenditures under full implementation of the tax revenue plan.

*Note: The estimate includes the increase in pensions and benefits from April 2026

Source: RA Ministry of Finance, CBA estimates

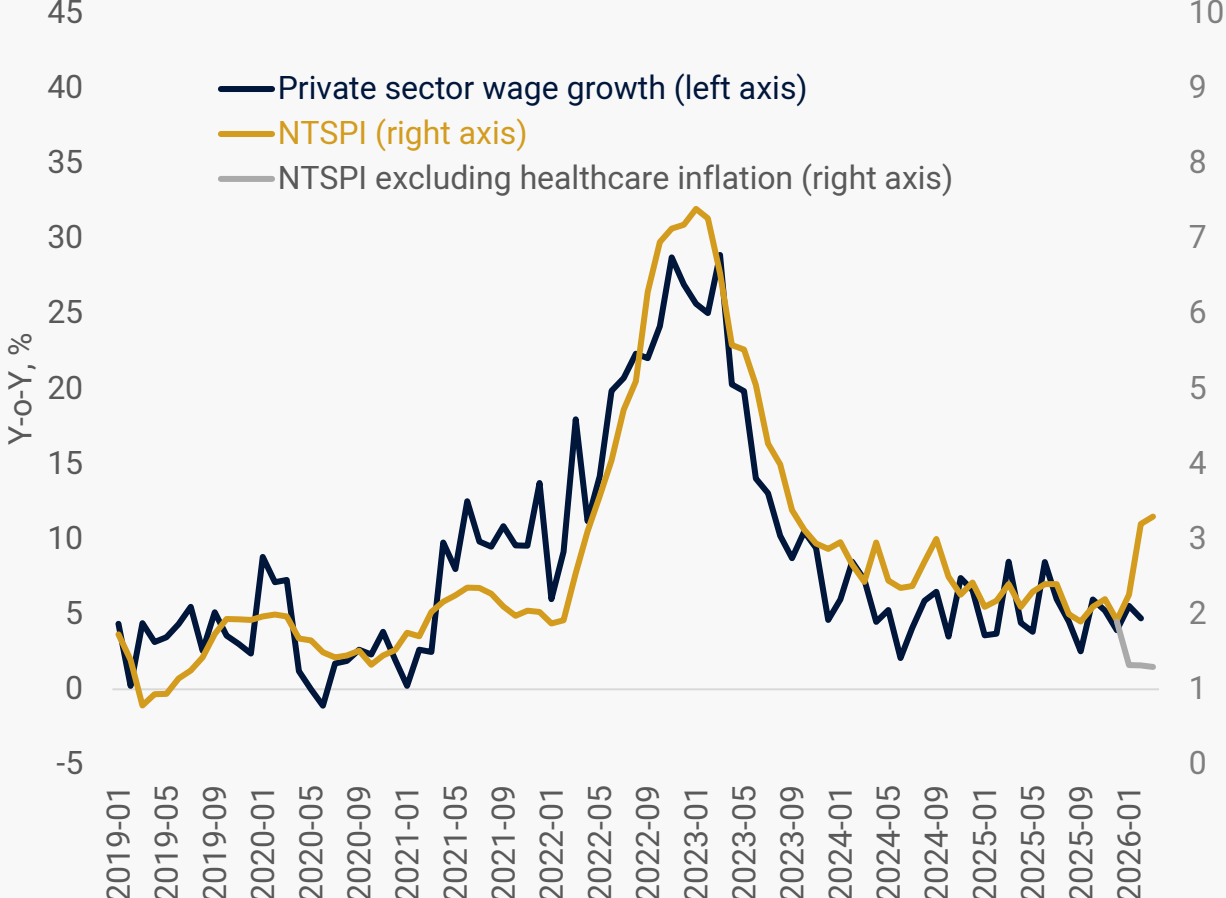
Private sector wage growth and inflation expectations continue to show broadly stabilizing trends.

Inflation expectations according to CBA surveys



Source: CBA

Non-traded sticky prices and private sector wage growth



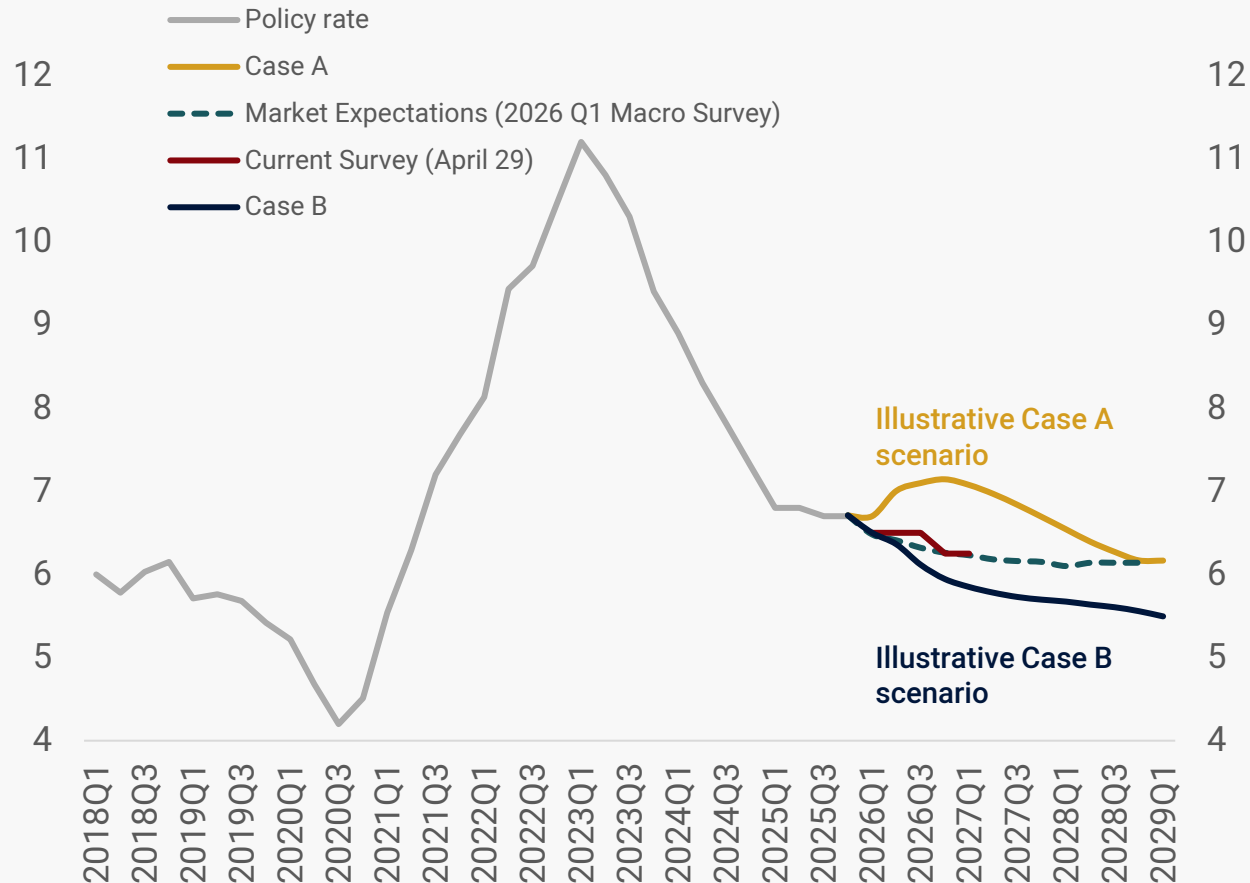
Source: Statistical Committee of the Republic of Armenia, CBA estimates

In the context of current macroeconomic developments, financial market participants in Armenia generally expect the Central Bank of Armenia to gradually lower the policy rate in the medium term to 6.25%.



Central Bank
of Armenia

Illustrative scenarios – 2026 Q1



Case A-type scenarios, including:

- A potential increase in global neutral interest rates associated with the impact of fiscal policies
- Risks of the emergence of excess demand conditions in the domestic economy
- Risks of possible expansion from fiscal policy

Case B-type scenarios, including:

- Uncertainties regarding the prospects of a global economic slowdown
- Uncertainties related to the decline in the fundamental level of the risk premium of the Armenian economy

Source: CBA

As a result, balancing the need to manage risks in both directions, the Board of the Central Bank of Armenia decided to keep the policy rate unchanged in the current phase.

The Board resolutely affirms its commitment to adopting the appropriate policy actions and strategy to ensure the price stability objective of 3% inflation in the medium term.



Thank You