



Central Bank
of Armenia

Monetary Policy Decision

May 6, 2025.

May 6, 2025 Decision on the Refinancing Rate

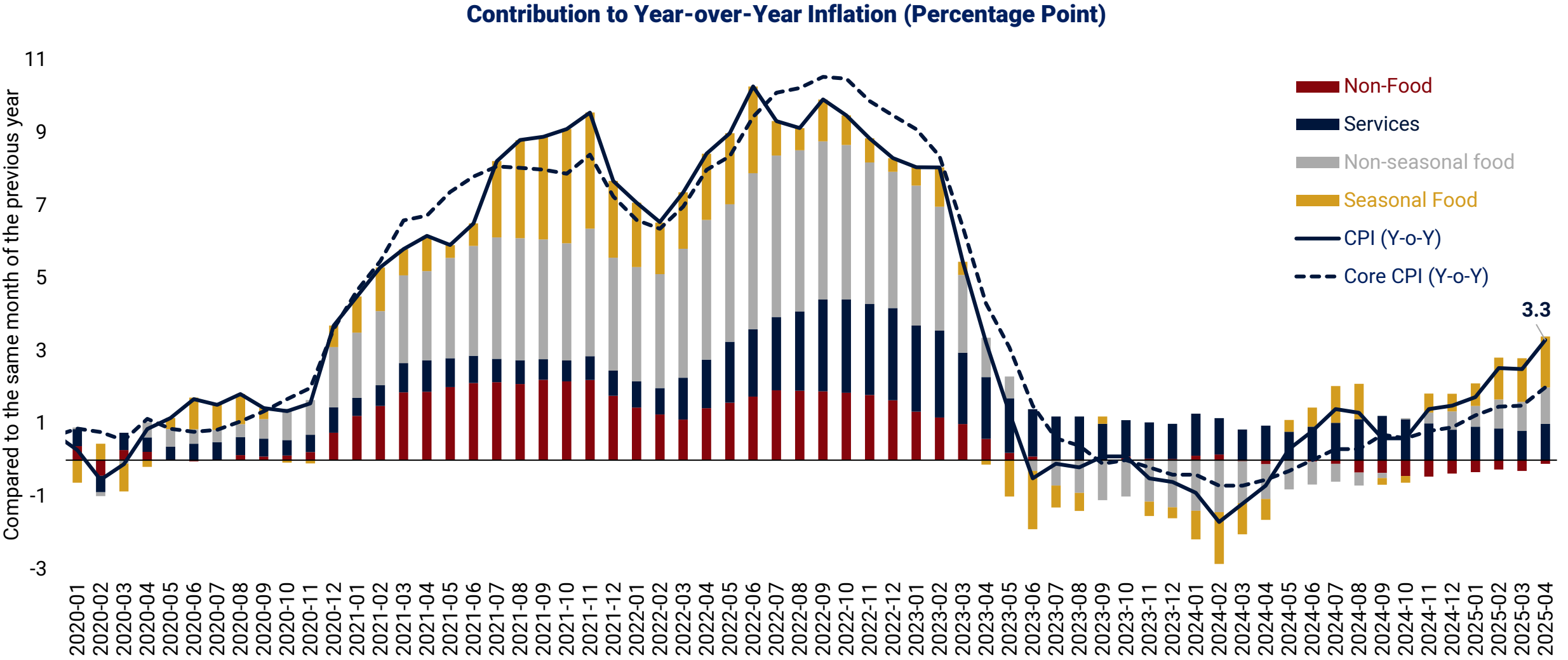


At its meeting today, the Board of the Central Bank of Armenia decided to keep the key Policy rate (refinancing rate) unchanged at 6.75%.

Lombard Repo Facility Rate: 8.25%

Deposit Facility Rate: 5.25%

In the first quarter of 2025, 12-month headline inflation accelerated, reaching 3.3% in March. Meanwhile core inflation also recorded a slight uptick during the quarter, yet remained below the inflation target, standing at 2.0% year-on-year in March.

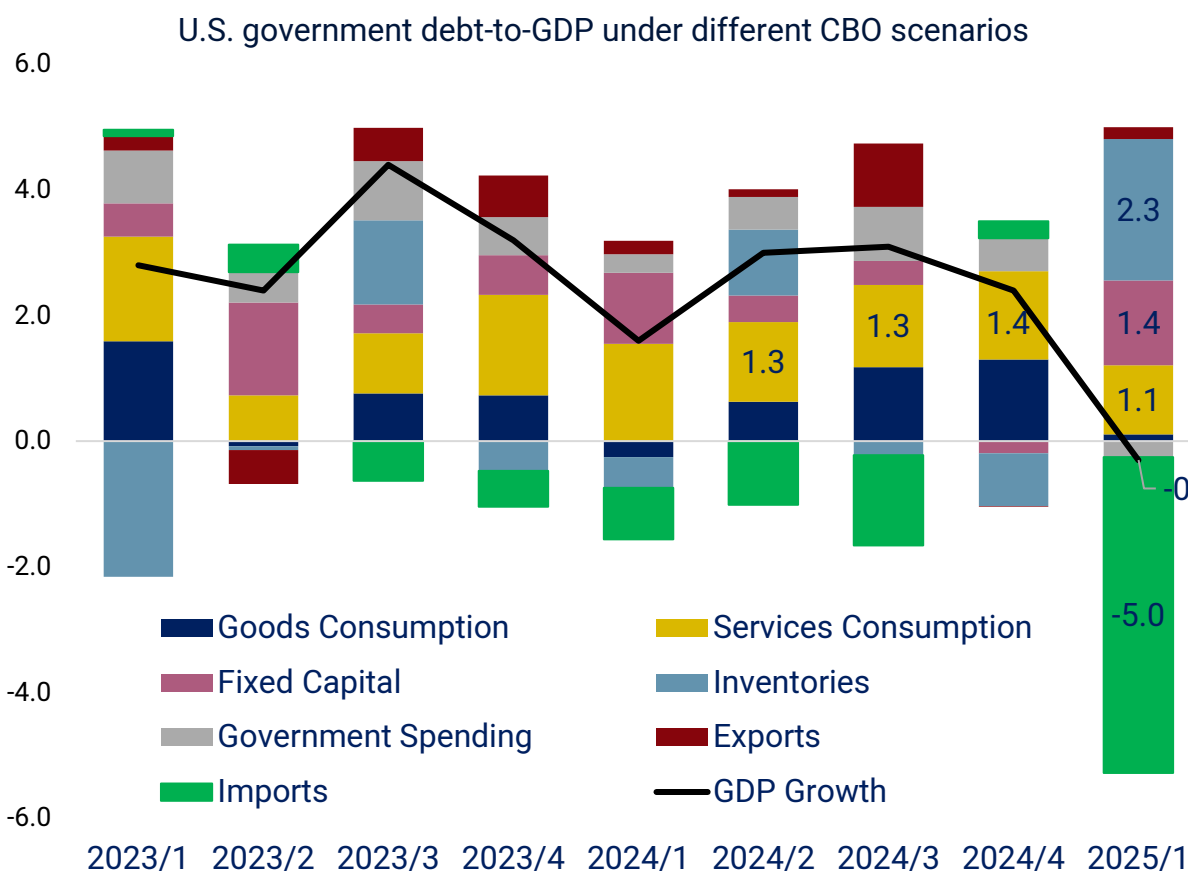


Source: Statistical Committee of the Republic of Armenia, CBA

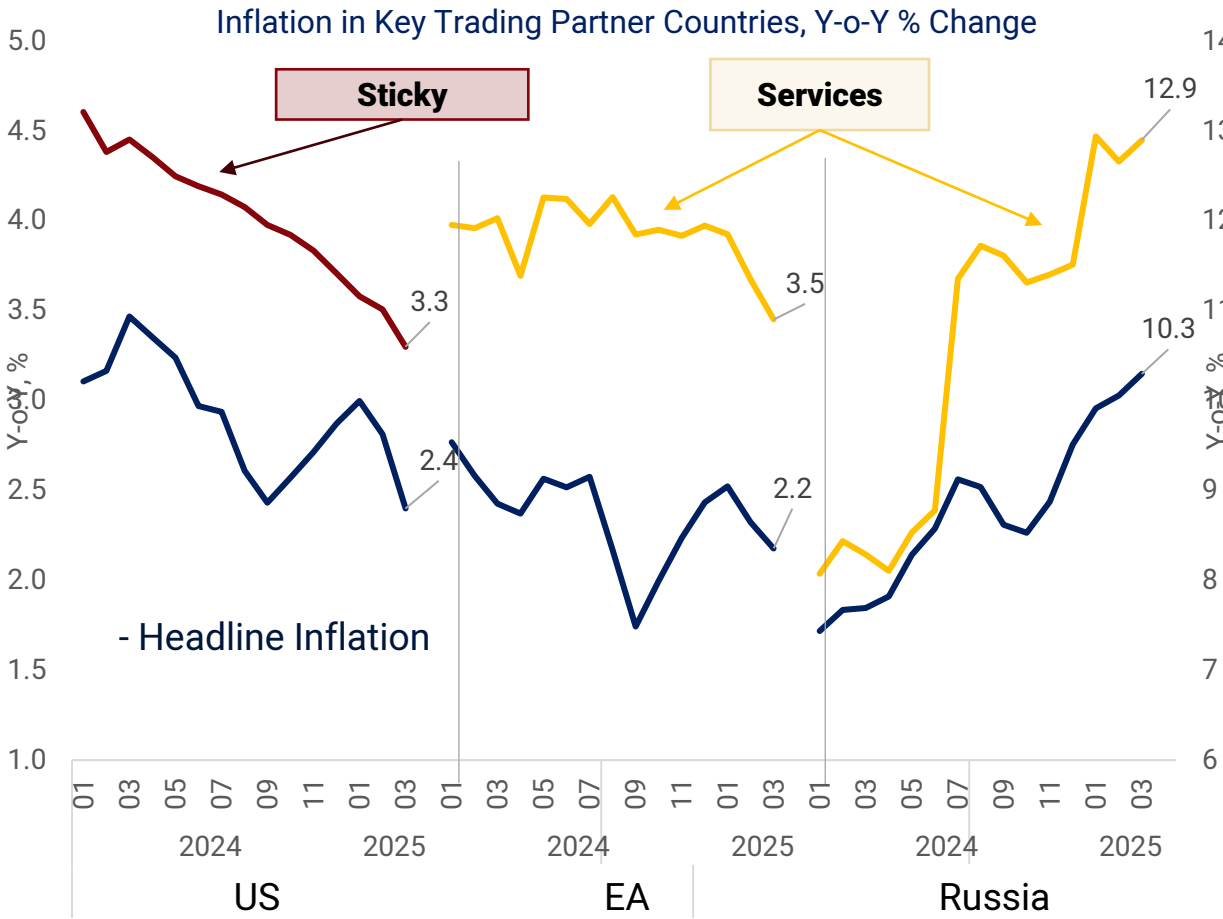
In the second quarter of 2025, risks associated with a further slowdown in global demand and in Armenia’s key partner economies increased notably, while inflationary pressures intensified in the U.S.



Uncertainty surrounding U.S. economic policies—particularly trade policy and its macroeconomic implications—remains elevated. Against this backdrop, the risks of declining prices in global commodity markets has grown.



At the same time, escalating geopolitical tensions and rising trade confrontations continue to pose risks of supply chain disruptions and renewed global inflationary pressures.

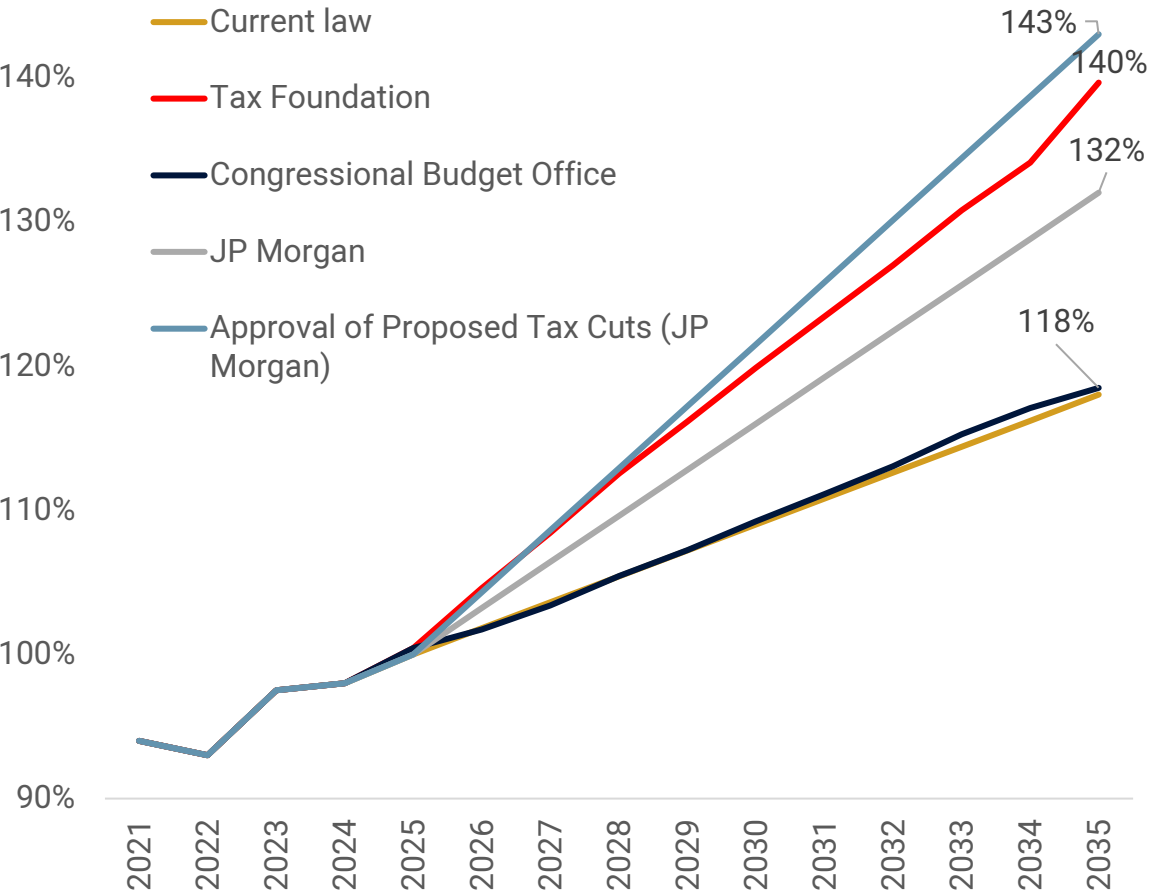


Source: Statistical Committees of Respective Countries

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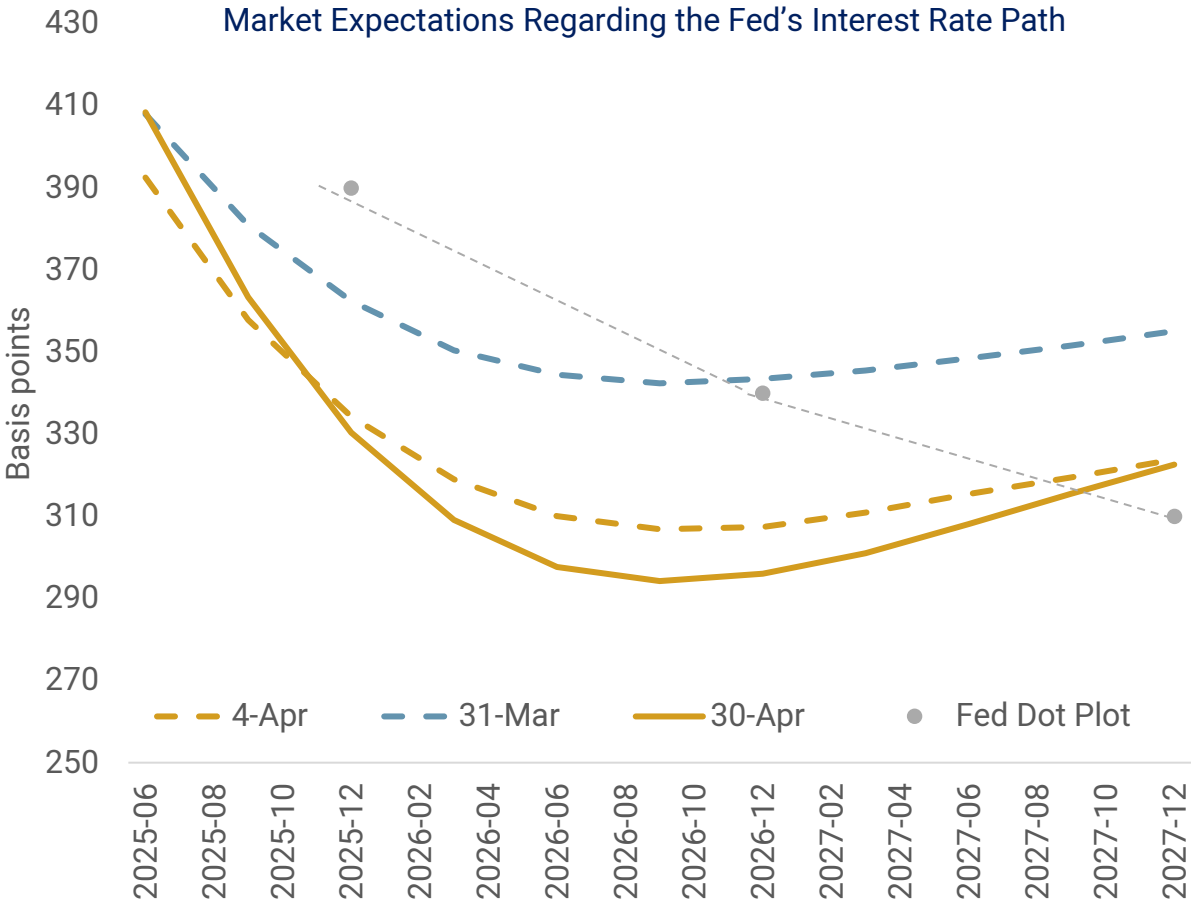
Uncertainty has also increased regarding the medium-term implications of U.S. fiscal policy, including the extent of aggregate demand support, the resulting rise in public debt, and its potential impact on long-term interest rates.

Public Debt-to-GDP Ratio Over the Next Decade – According to Various Estimates



Source: CBO, JP Morgan, Tax Foundation

Given persistently tight labor market conditions in partner countries and elevated global inflation, it is likely that central banks in major economies will maintain or only gradually ease their restrictive monetary policy stance in the period ahead..

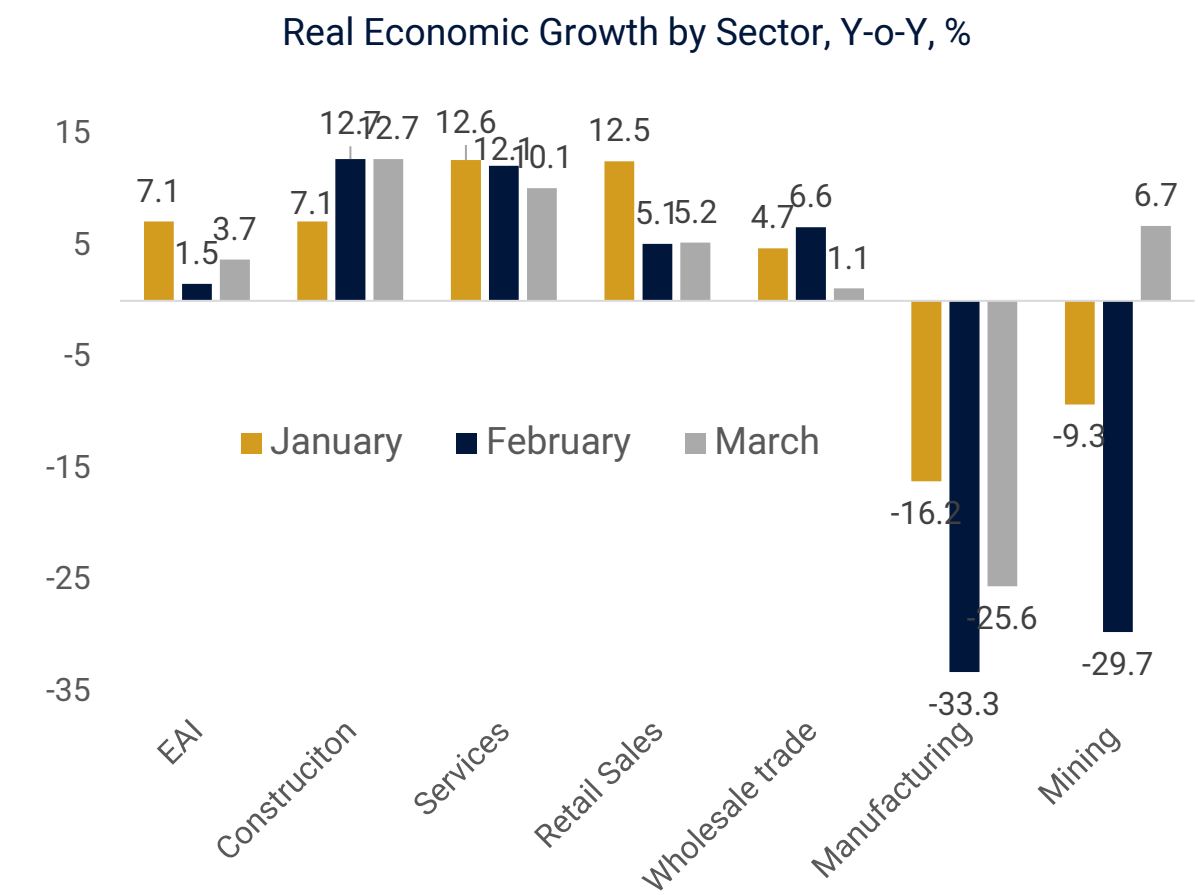


Source: StatisAtlanta FED

In the first quarter of 2025, economic activity in Armenia moderated, primarily due to the gradual dissipation of certain short-term, non-structural growth drivers.

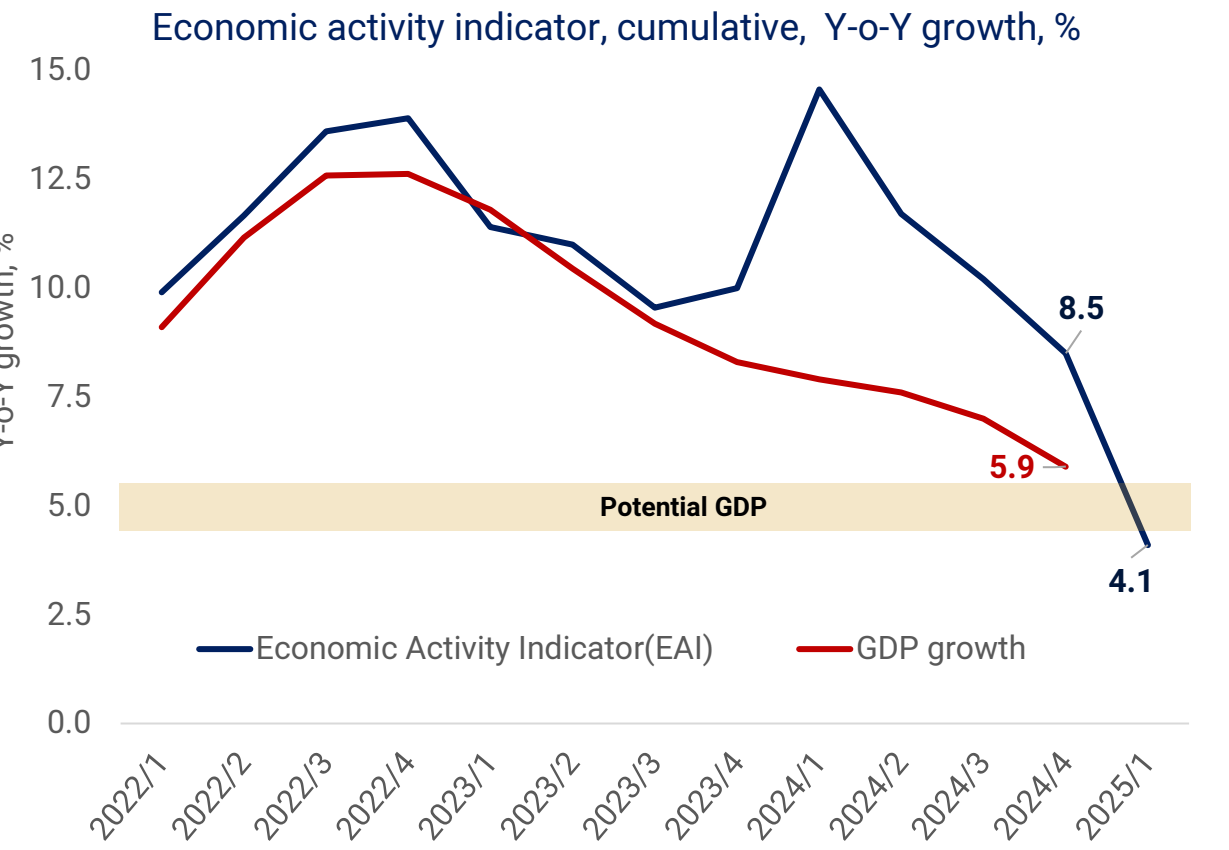


Nevertheless, robust performance in the construction and services sectors continued to support overall growth.



Source: Statistical Committee of the Republic of Armenia, CBA

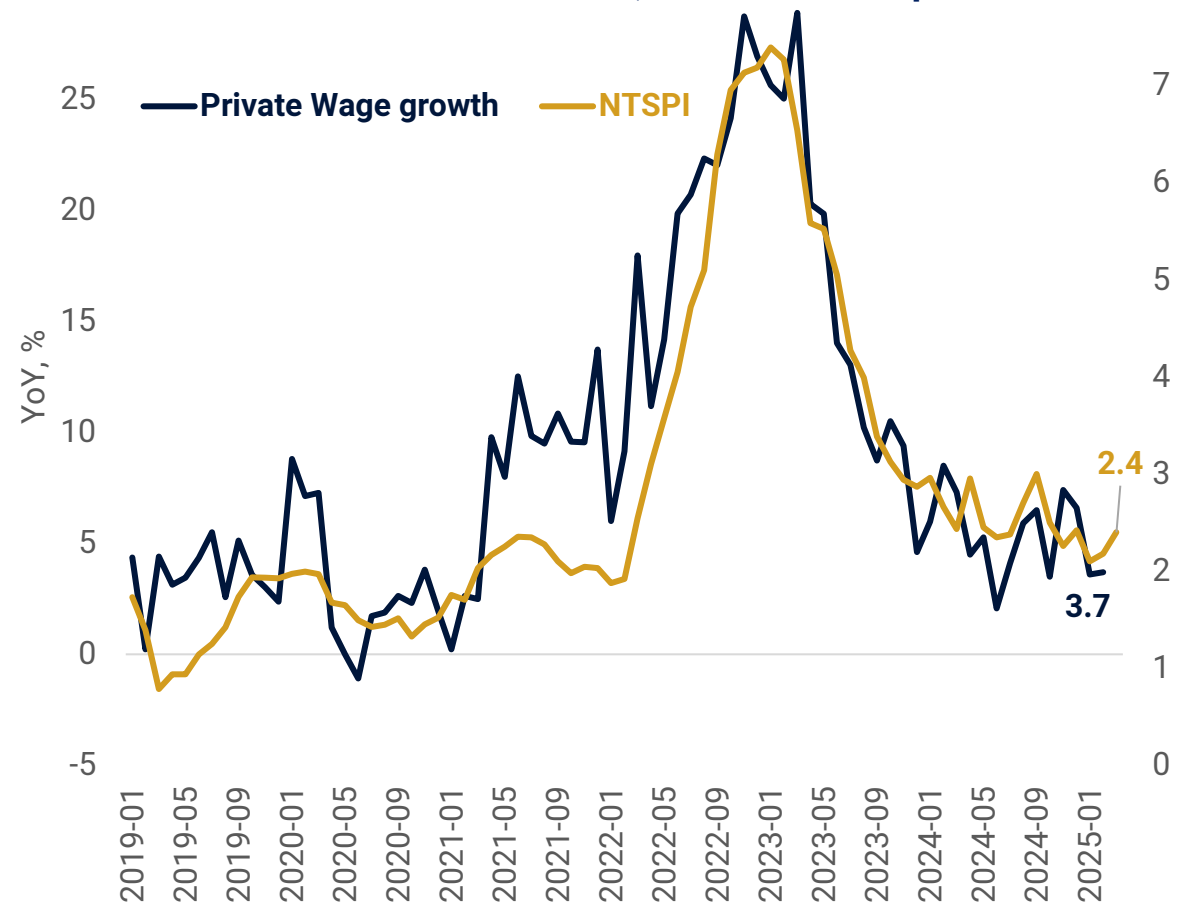
At the same time, uncertainty remains elevated regarding the sustainability of this growth, its long-term trajectory, and the future path of domestic demand—largely reflecting the structural nature of the ongoing expansion.



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

External demand for services has continued to decline, while the overall demand environment is currently assessed as neutral from an inflationary standpoint.

In this context, labor market conditions are showing signs of cooling, as evidenced by the gradual stabilization of wage growth, sticky price inflation in non-tradable sectors, and inflation expectations..



Source: Statistical Committee of the Republic of Armenia, CBA

At the same time fiscal policy pose inflationary risks over the medium term.

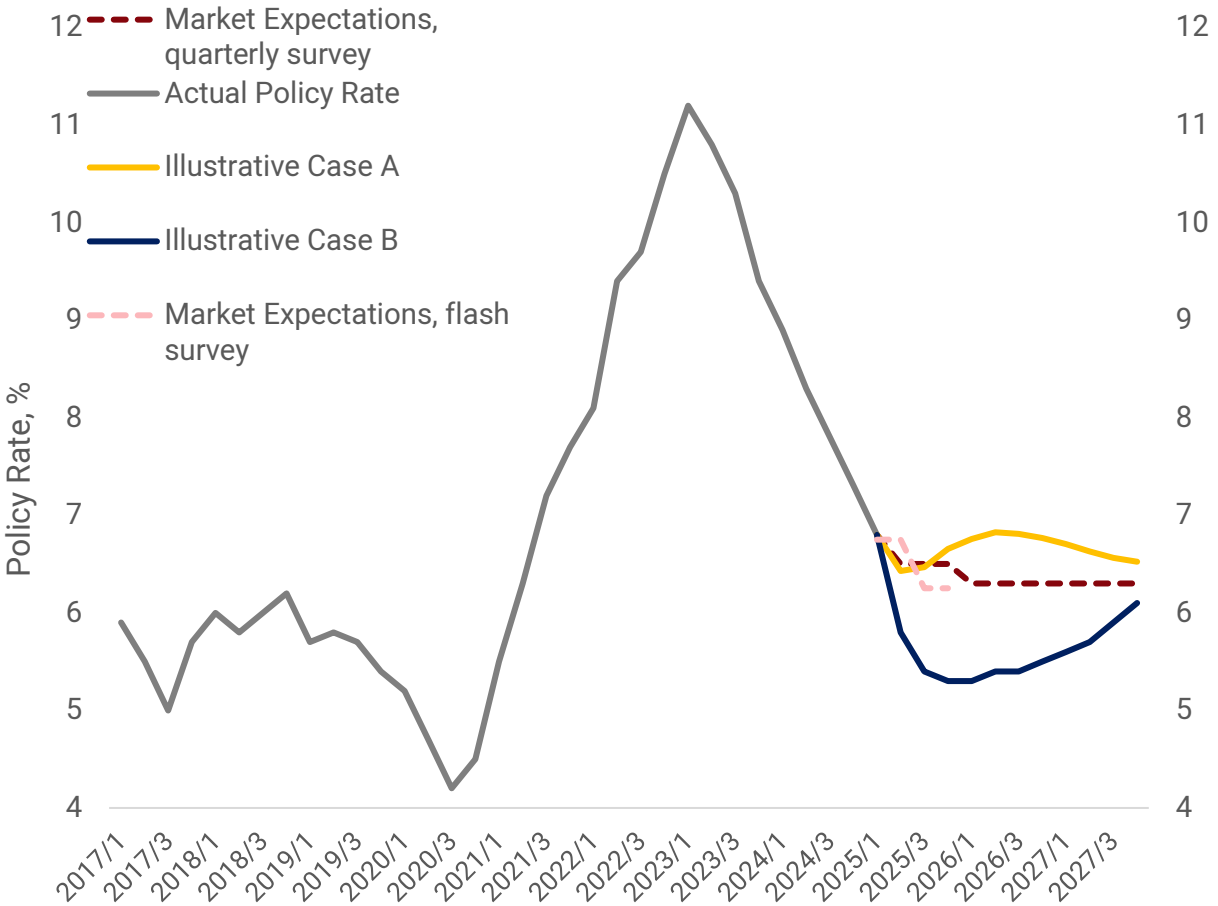


Source: Ministry of Finance

Amid elevated risks and heightened uncertainty, the Board has assessed multiple scenarios, consistent with its mandate to ensure price stability.



Policy rate expectations based on financial market survey results



Source: CBA

Case A Scenarios,

including those related to geopolitical developments and fiscal policy dynamics in Armenia – could lead to an increase in the country’s risk premium and related macroeconomic consequences..

Case B Scenarios,

Including the risks arising from prolonged uncertainty surrounding U.S. economic policy, a deterioration in global economic confidence, and potential spillovers in the form of weaker growth and subdued demand in Armenia. Under such conditions a more pronounced and accelerated reduction in the policy rate compared to current market expectations may be warranted to support domestic demand and guide inflation toward its medium-term target.



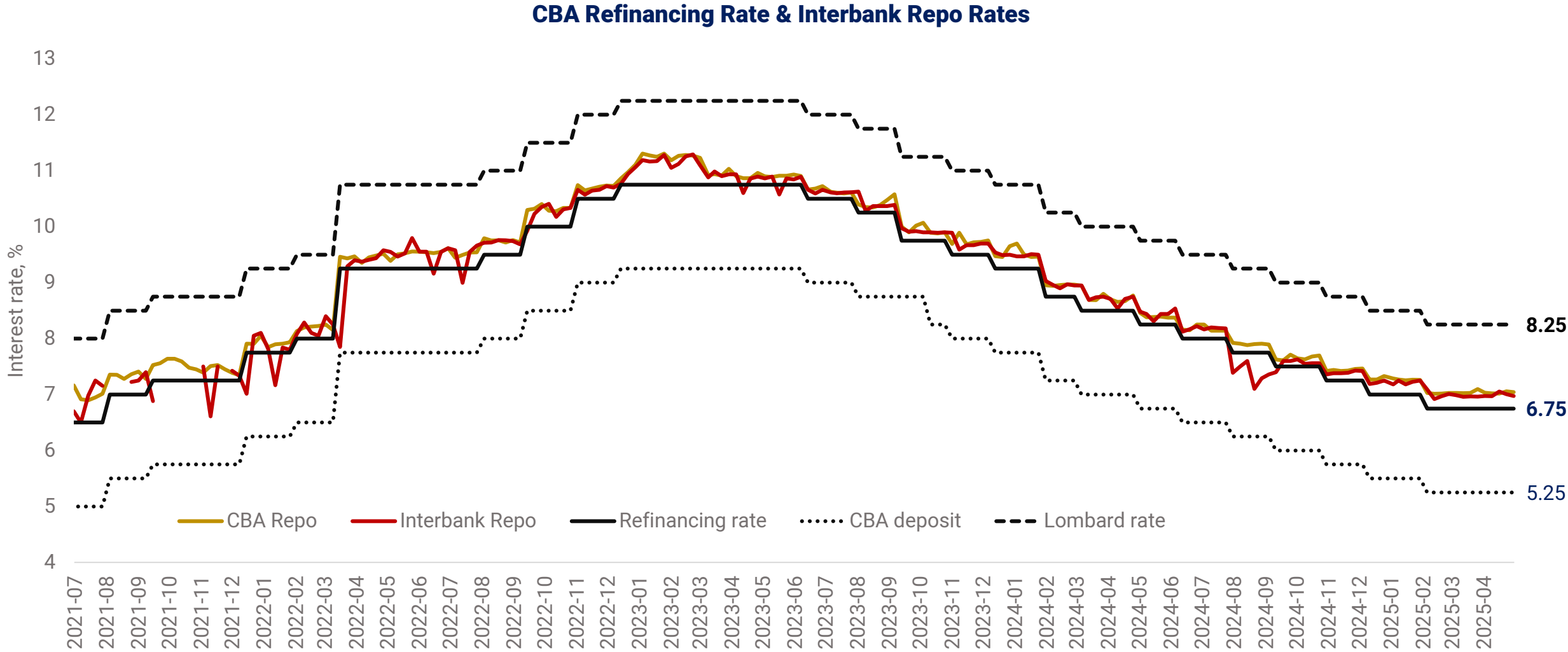
While the Board believes that though there is a greater likelihood of Case B-type scenarios materializing, it emphasizes the importance of minimizing the potential macroeconomic losses that could stem from the Case A-type risks. As a result, the Board decided to keep the Policy Rate unchanged.

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

The Board agrees that a lower refinancing rate is necessary to continue to meet its price stability objective of ensuring an inflation rate of 3 percent over the medium term.



Source: CBA