

Research Agenda of the Central Bank of Armenia

The Central Bank of Armenia places a strong emphasis on conducting economic and policy research, which helps policymakers in decision-making.

Making our research agenda public, we pursue an objective to:

- present the priority research directions of the Central Bank,
- invite institutions and researchers that conduct external academic and policy research and analysis for cooperation.

The research agenda arising from the main strategic priorities of the Central Bank:



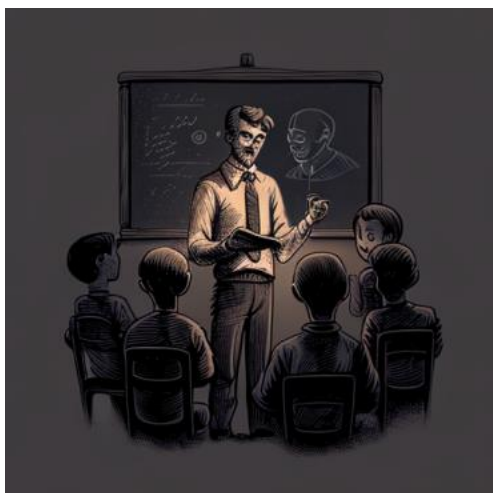
**Macroeconomics
and monetary policy**



**Macrofinance
and financial stability**



**Financial markets and payment
and settlement systems**



Financial literacy and inclusion

Macroeconomics and monetary policy

A comprehensive remake of the Central Bank's monetary policy framework and the implementation of large-scale research within this framework has started as part of the current strategic priorities of the Central Bank. In addition, the Central Bank's research agenda in the macroeconomics and monetary policy directions embraces aspects such as the impact of monetary policy on different sectors of the economy (real sector, financial markets, banking system), the specifics of policy implementation in the time of uncertainty as well as long-term structural changes (e.g. demographic, income distribution, climate change). In the Central Bank's research agenda, studying the role of the policy authority is especially important in the context of managing expectations and reducing policy costs. There is also requirement to clarify the need for an effective combination of the two main objectives of the Central Bank: maintaining price and financial stability, which determines the implementation of research on the issues over coordination of monetary and macroprudential policies.

Within this research direction, the main questions include:

- What are the specifics of implementing monetary policy with a risk management approach in terms of policy development, decision-making, transparency and communication?
- What is the best definition of price stability for the Armenian economy, and what are the characteristics of a monetary strategy that provides minimum costs for our society?
- How do financial market imperfections or the position of the financial cycle affect and determine the specifics of the transmission mechanism of the monetary policy?
- What behavioral changes occur in the economy amidst high uncertainty and how should monetary policy operate under these circumstances?
- What are the specifics in the process of shaping of inflationary expectations of the society and firms, what is the role of the Central Bank's authority in managing these expectations?
- How do long-term structural changes in the economy affect the scope and effectiveness of central bank operations in the context of demographics, income inequality, labor market structure, and climate change?
- Is there a need for coordination of monetary and macroprudential policies and does their combination bring about complexities in implementation and communication?
- What is the relationship between the different phases of the business cycle and price rigidity, and how does it vary across the sectors of the economy?

Macrofinance and financial stability

The Central Bank carries out research to identify the relations between the financial markets and overall economy, to determine how shocks to macroeconomic variables spill over to the financial sector and vice versa. Important research is being carried out to evaluate the effectiveness and effects of macroprudential policy instruments, to develop a framework for financial competition, and to identify the interrelations between financial stability and competition.

The research questions in this framework include:

- What should an effective financial competition analysis and assessment framework look like?
- What is the relationship between the intensity of bank competition or bank concentration and the financial sustainability?
- How do financial intermediary organizations transmit shocks to the real economy, what are the main channels of macro-financial interactions?
- How does the structure of the network of financial institutions and the interconnections between them affect systemic risk?
- How do productivity or asset price shocks affect the firms' ability to attract financial assets and their subsequent investment decisions?

Financial markets and payment and settlement systems

One research direction of the Central Bank is the study of both challenges and new opportunities in the financial and payments systems arising out of pension reforms, capital market development, technological progress. Important analytical works are underway with their focus on the relevance of introducing the digital currency of the Central Bank, the creation of an effective regulatory field for new types of financial services.

Research questions on these topics include:

- What role do different payments systems have in terms of consumer behavior and preferences of the households, efficiency of processes and cost effectiveness in companies, as well as financial inclusion of society?
- What could digital currencies issued by central banks look like and what are the pros and cons they might come by?
- Should digital currency be introduced in the Republic of Armenia? What should it look like given the structure of our economy?
- What are the alternatives to bank financing in the form of capital market instruments in the Republic of Armenia?
- What are the factors affecting the yield curve in the Republic of Armenia bond market and what determines its shape?
- How did the introduction of the funded pension scheme influence the level of private savings?
- How to expand the coverage of the pension system for different layers of society (self-employed, residents of rural communities, and so on in the informal sector),
- How can the SupTech be used to identify and manage systemic risk in the financial system?
- How can artificial intelligence or machine learning methods be used to monitor credit risk?

Financial literacy and inclusion

As part of this topic, the Central Bank examines the possible options for expanding the financial capabilities of the households to find out their impact from perspectives of personal and family budgeting, prudent debt management, increasing financial inclusion, promoting savings, and protecting one's own interests and legal rights. Also, research is aimed at identifying the effectiveness of financial education programs the Central Bank is currently implementing, and the relationship between financial inclusion and financial stability.

The research questions include:

- How effective are the financial education programs the Central Bank implements?
- What is the world experience in financial literacy and how can it be localized?
- Is there a dilemma between the goals of financial inclusion and financial sustainability? What kind of financial inclusion, once expanding, contributes to or hinders the strengthening of financial stability?