Monetary policy program implementation report (Q3 2024 – Q2 2025)

19.08.2025

Between the third quarter of 2024 and the second quarter of 2025 inclusive, the inflation environment in the Republic of Armenia has expanded: the 12-month inflation has accelerated throughout that period, approaching the target level. This dynamic was largely driven by inflationary pressures transmitting from the external sector and, in parallel, by a moderate strengthening of domestic demand and a gradual easing of monetary conditions by the Central Bank of Armenia. In the second quarter of 2025, additional short-term supply-side factors also contributed to the acceleration of inflation.

In the period under review, a gradual adjustment in aggregate demand and a reduction in labor market tightness were observed. This led to a slowdown in wage and sticky prices, as well as a decline in inflation expectations, shaping around the target level by the end of the period under review. In the current situation, from the second half of 2024 through March 2025, the Central Bank of Armenia continued to gradually ease monetary conditions, lowering the policy rate by a cumulative 1.25 percentage points. Subsequently, during the March–June period, in light of heightened Case A inflationary risks and the need to manage the macroeconomic impacts arising from them, the Central Bank opted to maintain the policy rate unchanged.

As a result, in the period under review and the preceding months, given the combined impact of the Central Bank’s monetary policy stance and the spillover effects from the external sector, the 12-month inflation rose from 0.8 percent in June 2024 to 3.9 percent in June 2025. Over the same period of time, the core inflation also increased, reaching 3.1 percent by June 2025.