

# Identifying monetary policy shocks in a small open economy: a high-frequency and narrative approaches in Armenia

2026-04-07

Central Bank of Armenia

Identifying monetary policy shocks in a small open economy: a high-frequency and narrative approaches in Armenia

Working paper WP-2026-01

Artyom Ghazaryan, Anahit Matinyan, Gevorg Minasyan, and Aleksandr Shirkhanyan

## Abstract

Quantifying the transmission of monetary policy in emerging markets remains a significant challenge due to data scarcity and structural shifts. This study addresses these constraints by identifying monetary policy shocks in Armenia through a dual approach: a high-frequency method following Bu et al. (2021) and a modified narrative strategy adapted from Romer & Romer (1989). We propose a specific modification to the narrative approach that allows identification even when qualitative information is limited, thereby extending the utility of narrative methods to economies outside the advanced-market spectrum. Despite their distinct methodologies, the shocks identified by both approaches exhibit qualitative consistency. Using these shocks within a Local Projection framework, we estimate the impulse responses of the economic activity index, inflation, the real effective exchange rate, and short-term government bond yields. Our findings indicate that while financial variables respond immediately and sharply to monetary policy, the effect on inflation materializes with a lag. These findings provide a refined empirical basis for understanding monetary policy propagation in Armenia and offer a methodological roadmap for identification in data-limited environments.

[Identifying monetary policy shocks in a small open economy: a high-frequency and narrative approaches in Armenia](#)

