

Status report on implementation of the monetary policy program (quarter 2, 2025 to quarter 1, 2026)

2026-05-27

In the time between the second quarter of 2025 and the first quarter of 2026 inclusive, the 12-month inflation in the Republic of Armenia has gradually accelerated. This was mainly driven by inflationary pressures transmitted from the global economy, particularly through imported food products, as well as through prices of domestic food products risen in part due to the introduction of the marking process. The acceleration of inflation in the first quarter of 2026 was also driven by a certain increase in healthcare service prices following the introduction of a comprehensive health insurance system, as well as a significant rise in energy prices amid the escalation of the conflict in the Middle East, the impact of which was only partially reflected during the quarter. During the period under review, underlying inflation also accelerated, gradually becoming more broad-based across product groups, which may also be indicative of some excess demand in the economy.

Overall, in the period under review, economic growth and activity remained strong, showing signs of acceleration in recent quarters. However, the process of easing labor market imbalances continued, as reflected in wage growth and the stabilizing inflation in services with sticky prices. Under these conditions, inflation expectations gradually declined and began to stabilize from the second half of the period onward. Given the situation prevailing at the time, the Central Bank of Armenia continued to adjust monetary conditions, reducing the policy rate by a cumulative 0.25 percentage points.

As a result, amid the gradual normalization of monetary policy and the influence of predominantly supply-side factors, the 12-month inflation increased from 3.3% in March of 2025 to 4.5% in March of 2026. Over the same period, the 12-month underlying inflation rose at a faster pace, increasing from 2.0% to 4.7%.

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