

Status Report on Implementation of the Monetary Policy Program (quarter 3, 2025 to quarter 2, 2026)

2026-08-28

In the time between the third quarter of 2025 and the second quarter of 2026 inclusive, the inflationary environment in the Republic of Armenia gradually broadened. This was mainly driven by inflationary pressures transmitted from the global economy, particularly through food products, as well as through increases in prices of domestic food products. The latter were partly due to the introduction of the marking process and a shift in the agricultural season resulting from adverse weather conditions. The acceleration of inflation in the first half 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. During the period under review, underlying inflation also increased, 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, despite some volatility, economic growth and activity remained strong, showing signs of acceleration in recent months, significantly supported by the expansion of external demand, primarily reflected in the increase in the number of visits to Armenia. Gradually increasing capital inflows may further support the expansion of economic growth and demand in Armenia. On the other hand, the persistence of elevated geopolitical uncertainty, along with the deterioration in economic growth and its outlook amid deepening structural challenges in Armenia's major partner countries, particularly Russia, entails risks of a sharp weakening of external demand. Moreover, the tightening by Russia of import standards applicable to Armenian exporters may lead to a weakening of income and demand in Armenia, while also exerting a direct deflationary impact due to the risk of excess supply emerging in certain markets. The process of easing labor market imbalances continued, as reflected in wage growth and inflation in services with sticky prices stabilizing at levels close to the target. Under these conditions, inflation expectations showed signs of stabilization. In the current situation, 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 3.9% in June 2025 to 5.1% in June 2026. Over the same period, the 12-month underlying inflation also

increased, rising from 3.1% to 4.9%.

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