

Annual report 2023

2024-04-26

Governor's message

Dear reader,

We present to you the Central Bank of Armenia's annual report, which summarizes the challenges we have overcome, our accomplishments, and the changes we have undertaken during the year to have a better Central Bank. In this year's report, we have tried, for the first time, to summarize the action items outlined by the Bank's Strategy.

The Central Bank confidently achieved its goals despite challenges that arose during the year.

The monetary policy that was implemented and external deflationary effects led to a rapid decrease in inflation from the second half of 2023. Taking into account possible changes in the external environment and demand, the Central Bank adopted a policy of gradual easing of monetary policy. The year 2024 was marked by low inflation and high economic growth for the Armenian economy, which significantly contributed to improving public welfare.

In order to have the best forecasting and analysis system for monetary policy we continued to develop the second-generation Forecasting and Policy Analysis System (FPAS MARK II) during the year. With the help of this system, we will try to follow a more transparent path laid out with a clear sequence of steps, present scenario-based thinking, and explain the logic of our decisions. This will enable us to be consistent and ready in any circumstances, regardless of developments, to achieve the goal of ensuring the inflation target in the medium term and price stability in the country.

With regard to financial stability, we can state that the banking system, the largest sector of the financial system, ended 2023 with high reserves of capital and liquidity, guaranteeing the system's resistance to possible shocks. Guided by the introduction of new approaches, at the beginning of the year, we developed a general methodology for determining the countercyclical capital buffer. This methodology is aimed at strengthening the foundations of a dynamic and forward-looking macroprudential policy, as well as increasing the transparency of the decision-making process. In addition, important

changes were made in the regulation field and to the process of implementing riskbased supervision.

In terms of developing our internal capabilities, we strive to be a self-learning and leading institution and commit ourselves to making every effort to keep pace with today's rapidly changing world. In the context of this approach, we have launched an internal transformation program that addresses all aspects of our work environment, with the aim of creating a new quality organization for the benefit of our society. In 2024, we have already implemented the program of measures aimed at improving internal communication, and performance management and collegial decision-making systems have been designed.

2023 was a jubilee year for the Central Bank, as we celebrated the 30th anniversary of the national currency, one of the symbols of our statehood. Looking back at the path we have traveled, we are immensely proud that the longterm work of the employees of the Central Bank is paying off, and today the people of Armenia have a reliable, secure, and convenient means of payment for their daily transactions.

We remain committed to our mission of promoting economic stability and prosperity and will do our best to harness the potential of our country and of every dram.

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