



Central Bank
of Armenia

Monetary Policy Decision

June 17, 2025.

June 17, 2025 Decision on the Refinancing Rate

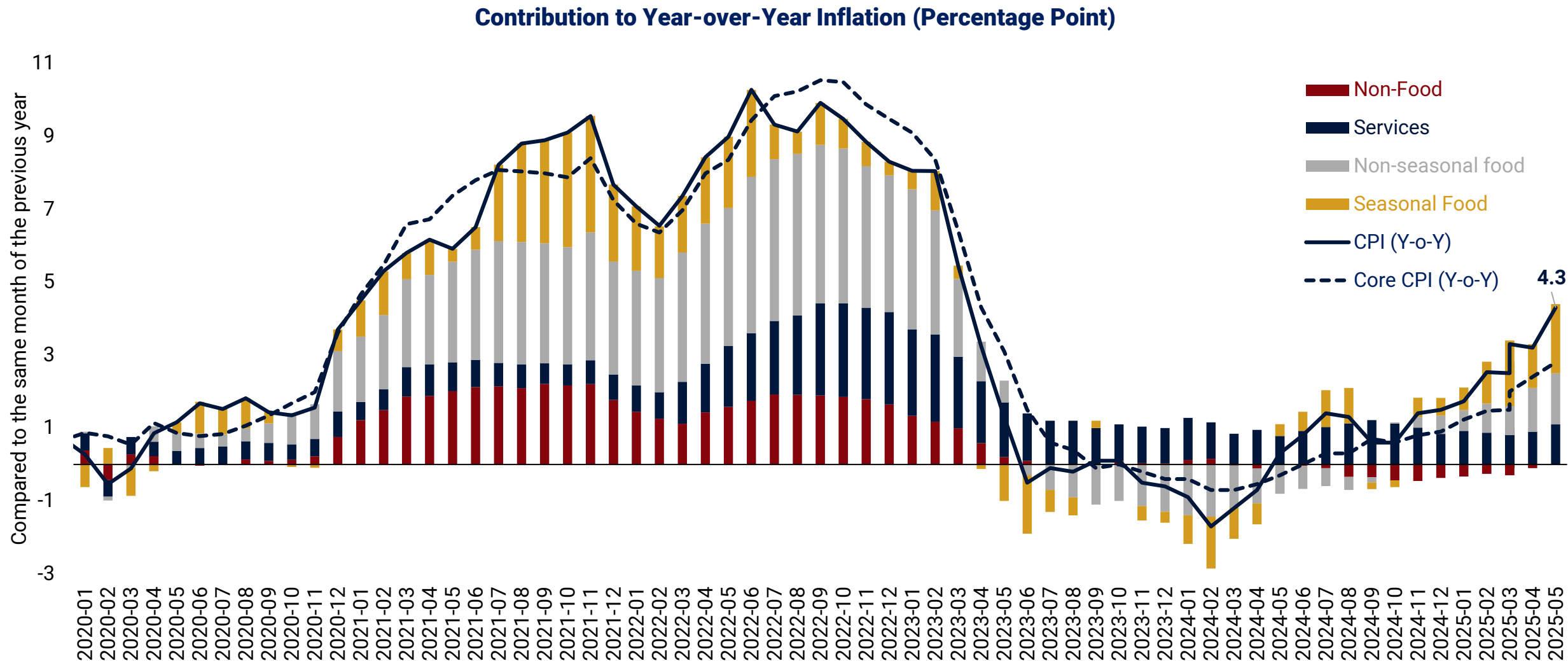


At its meeting today, the Board of the Central Bank of Armenia decided to keep the key Policy rate (refinancing rate) unchanged at 6.75%.

Lombard Repo Facility Rate: 8.25%

Deposit Facility Rate: 5.25%

In the second quarter of 2025, 12-month headline inflation accelerated, reaching 4.3% in May. Meanwhile, 12-month core inflation edged up slightly, standing at 2.8%

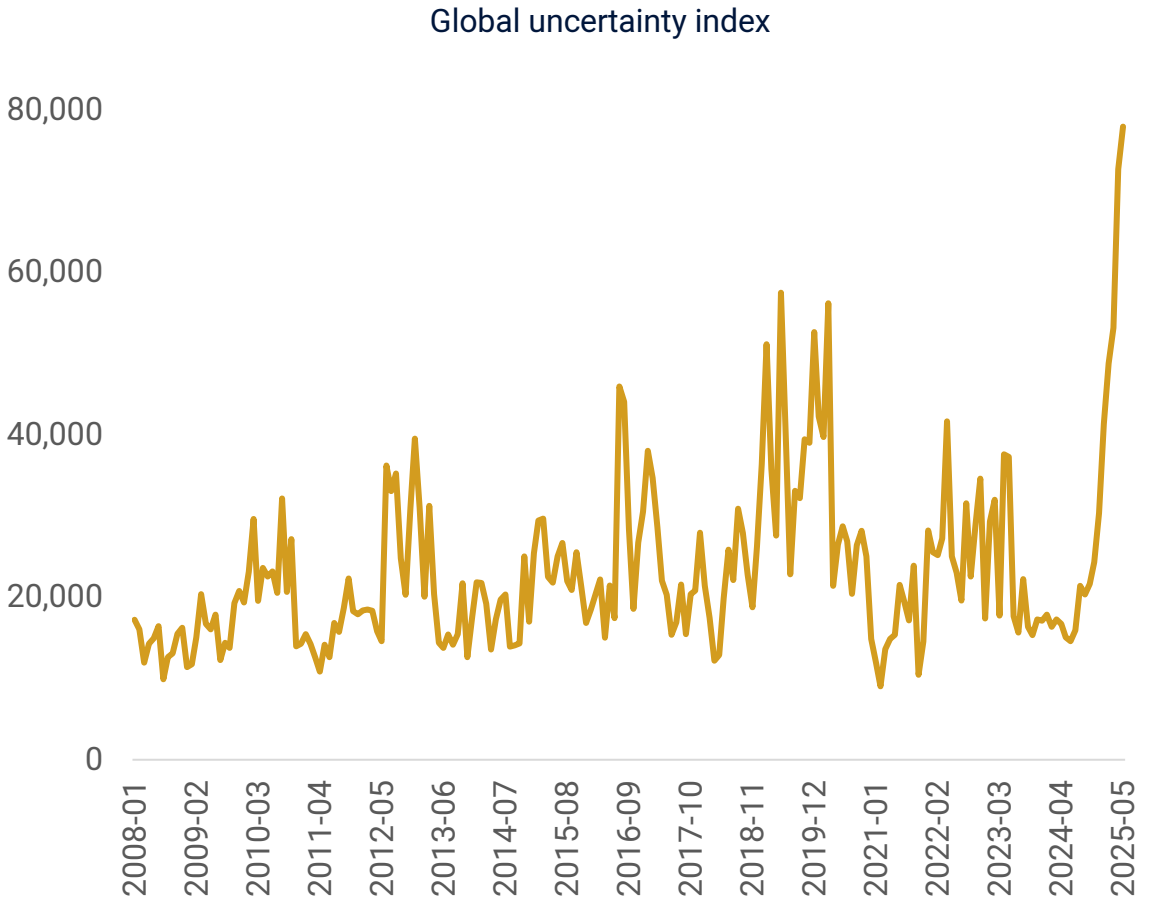


Source: Statistical Committee of the Republic of Armenia, CBA

In the second quarter of 2025, risks associated with a further slowdown in global demand and in Armenia’s key partner economies increased, while inflationary pressures intensified in the US.

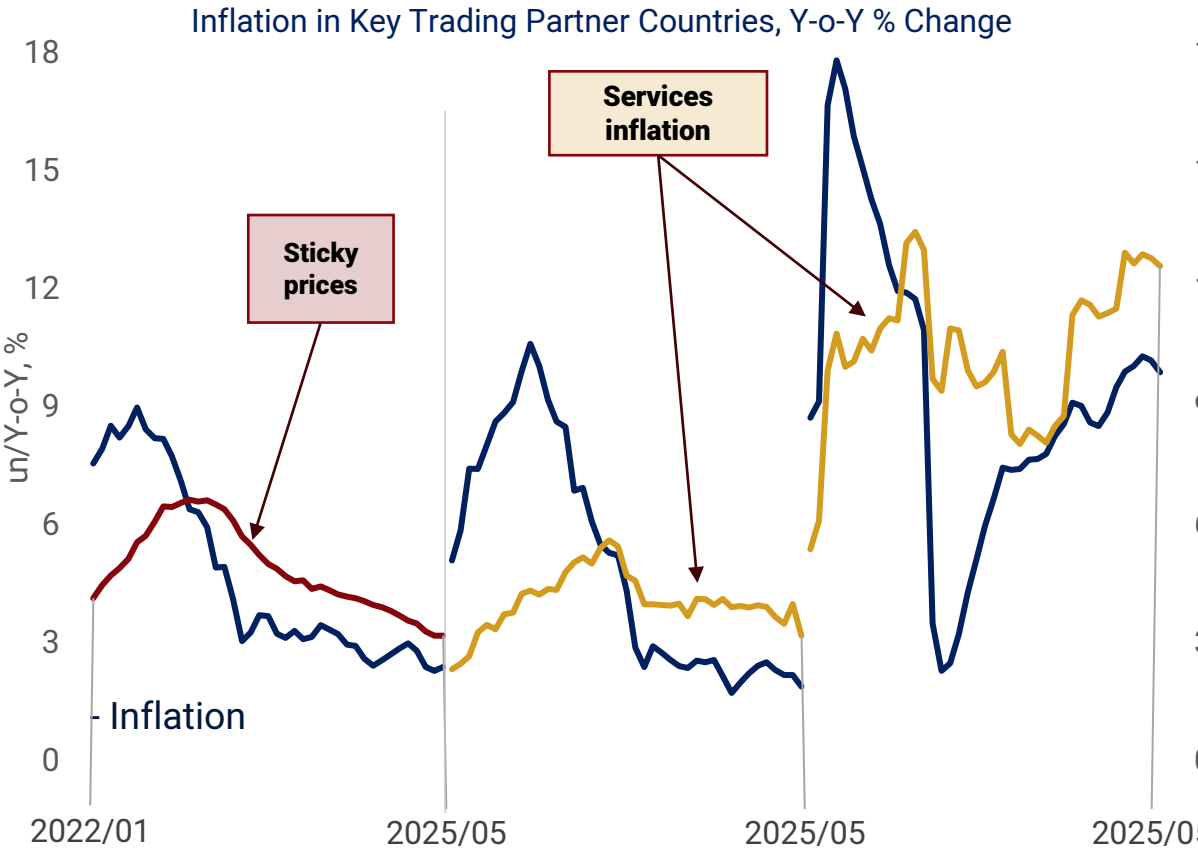


Uncertainty surrounding US economic policies—particularly trade policy and its macroeconomic implications—remains elevated.



Source Economist Intelligence Unit (EIU)

On the other hand, heightened tensions in international trade relations, along with the sharp escalation of geopolitical conflicts—particularly in the Middle East—have significantly increased the risks of potential disruptions to supply and value chains.

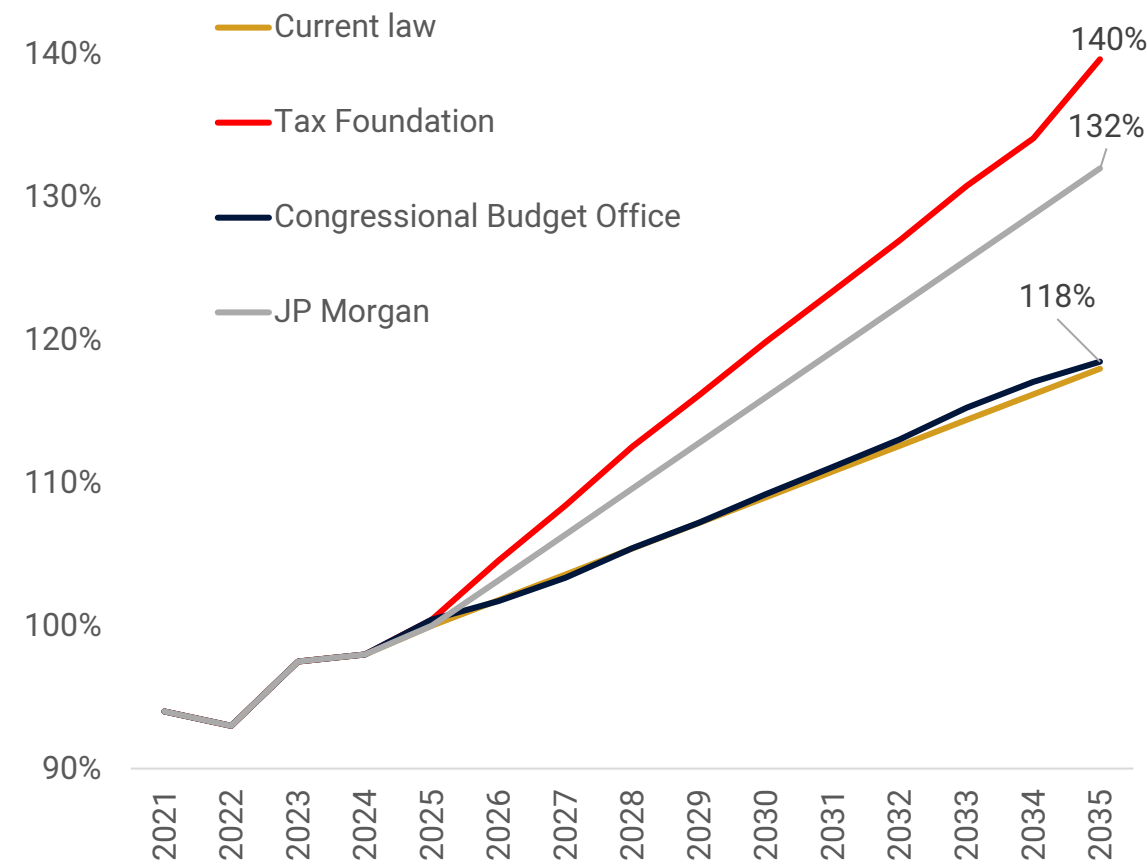


Source: Statistical Committees of Respective Countries

Significant uncertainty persists regarding the medium-term implications of U.S. fiscal policy—particularly the magnitude of aggregate demand support, the consequent increase in public debt, and the potential upward pressure on long-term interest rates.

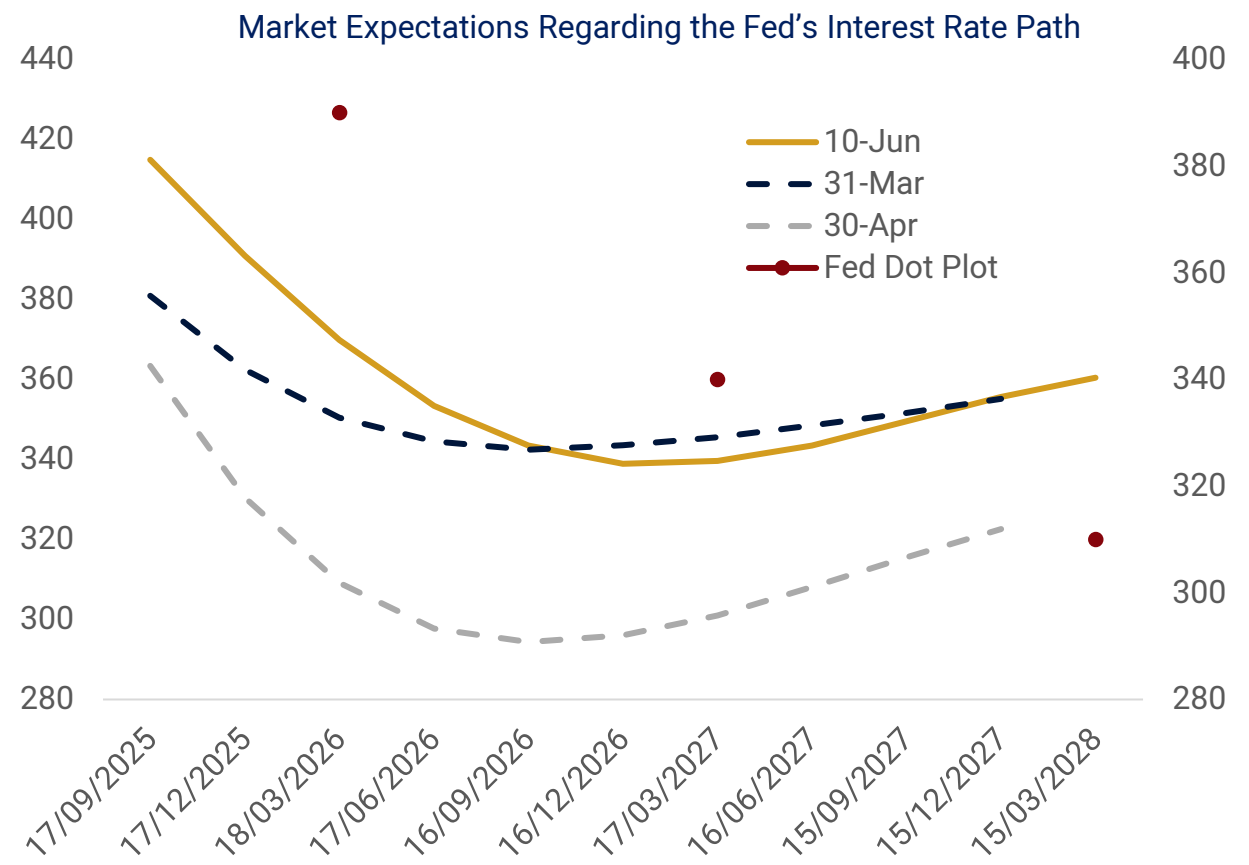


Public Debt-to-GDP Ratio Over the Next Decade – According to Various Estimates



Source: CBO, JP Morgan, Tax Foundation

In this context, given still-tight labor market conditions in partner countries and persistently elevated inflation environment, it is likely that central banks in major economies are expected to either maintain or ease tight monetary conditions at a gradual pace.

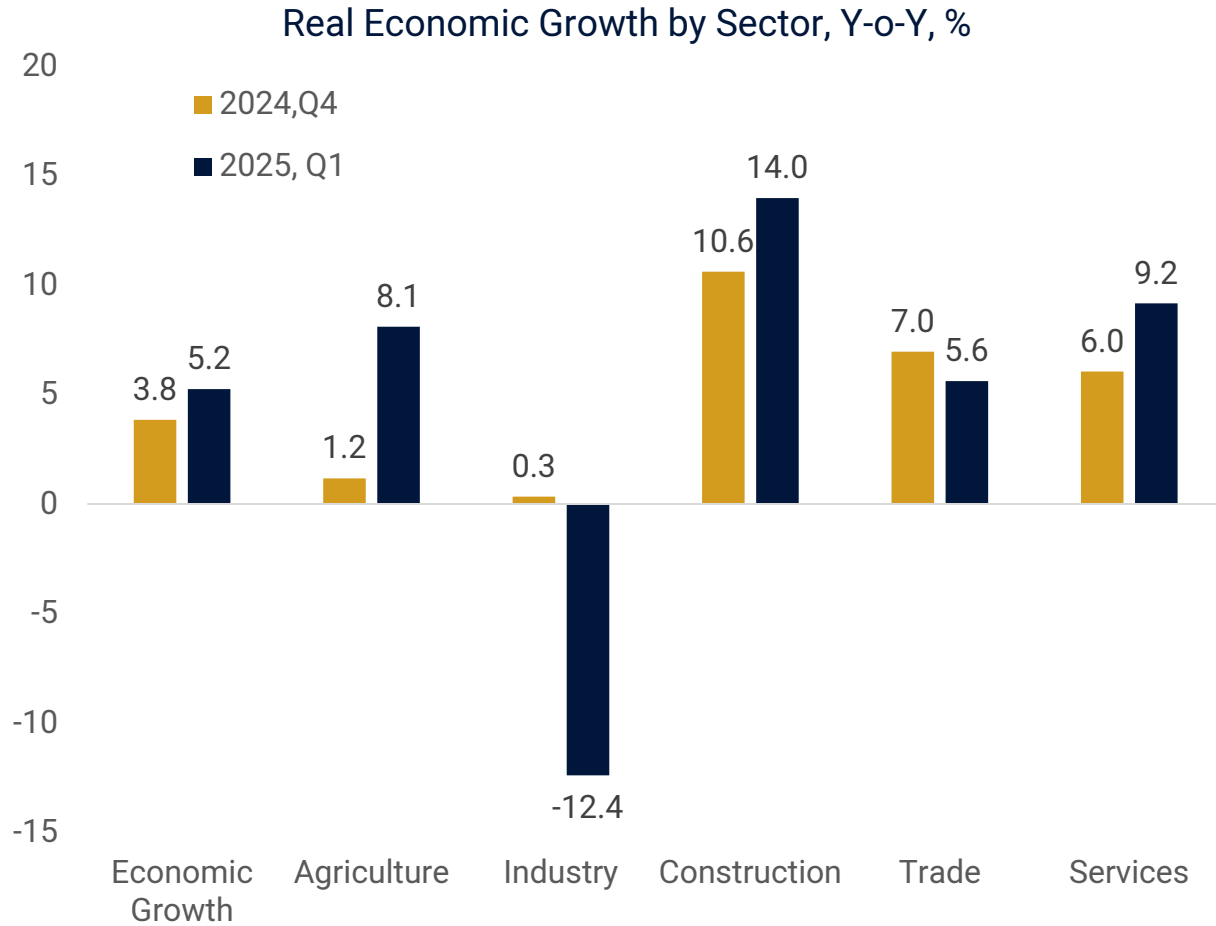


Source: StatistaAtlanta FED

In the second quarter of 2025, economic activity in Armenia moderated, primarily due to the gradual dissipation of certain short-term, non-structural growth drivers.

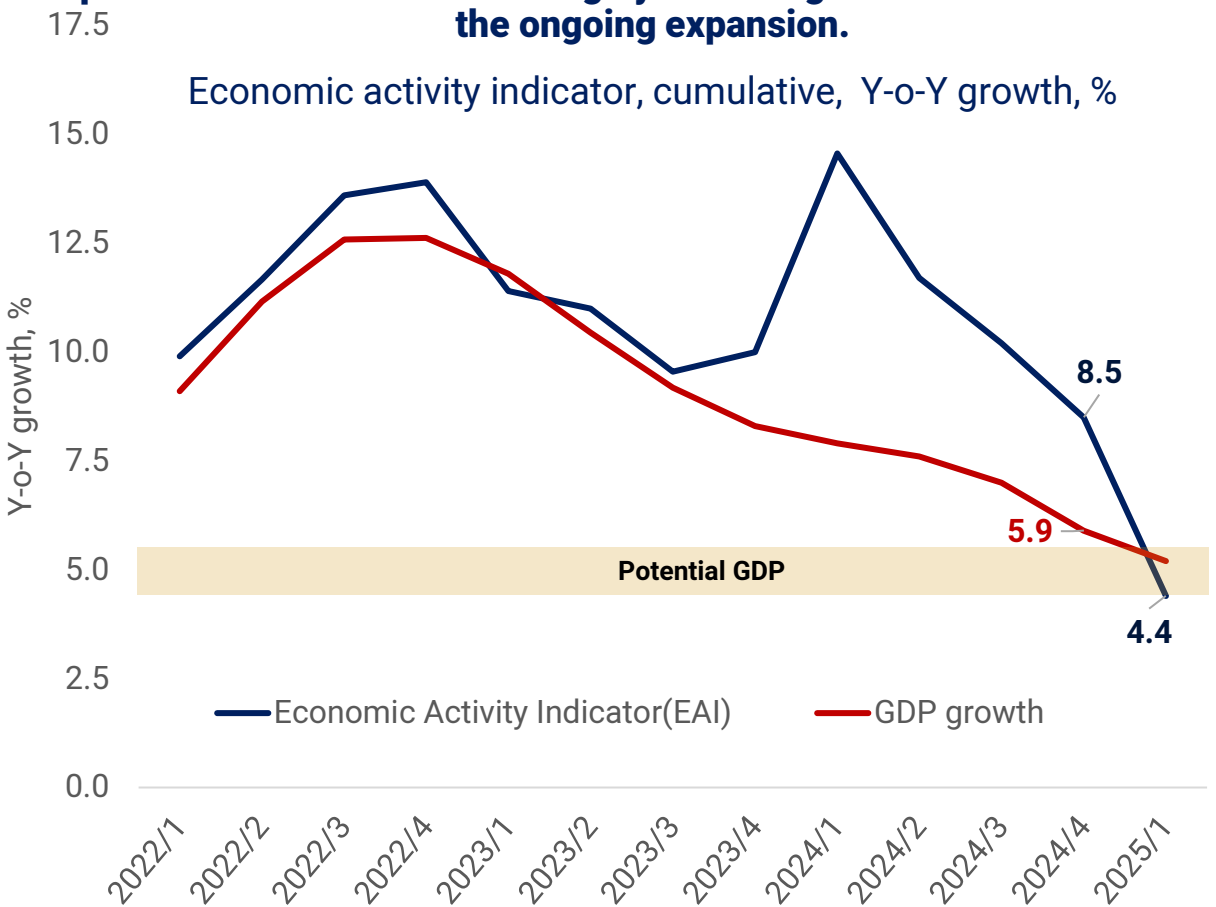


The continued strong growth in the construction and services sectors has remained a key driver of overall economic activity.



Source: Statistical Committee of the Republic of Armenia, CBA

At the same time, uncertainty remains elevated regarding the sustainability of this growth, its long-term trajectory, and the future path of domestic demand—largely reflecting the structural nature of the ongoing expansion.

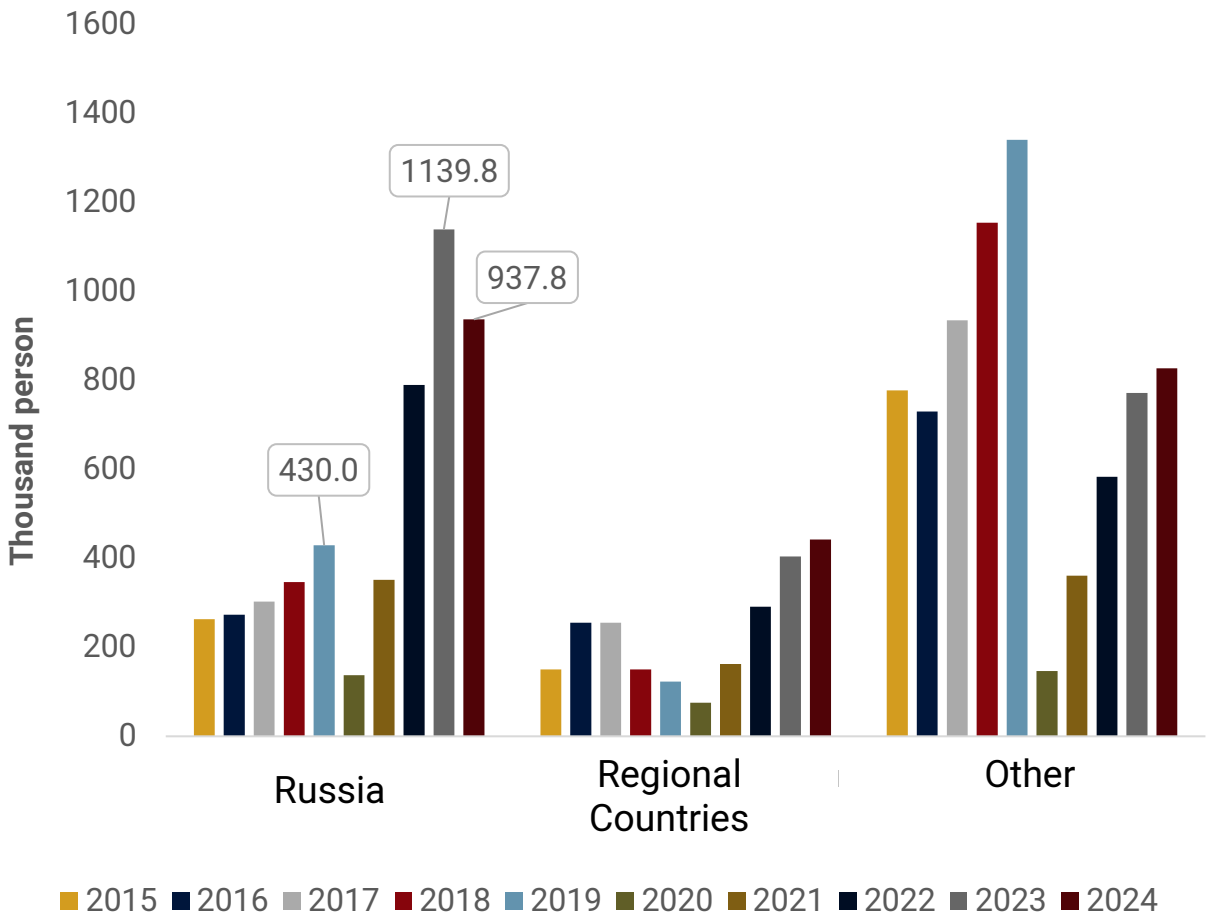


Source: Statistical Committee of the Republic of Armenia, CBA calculations

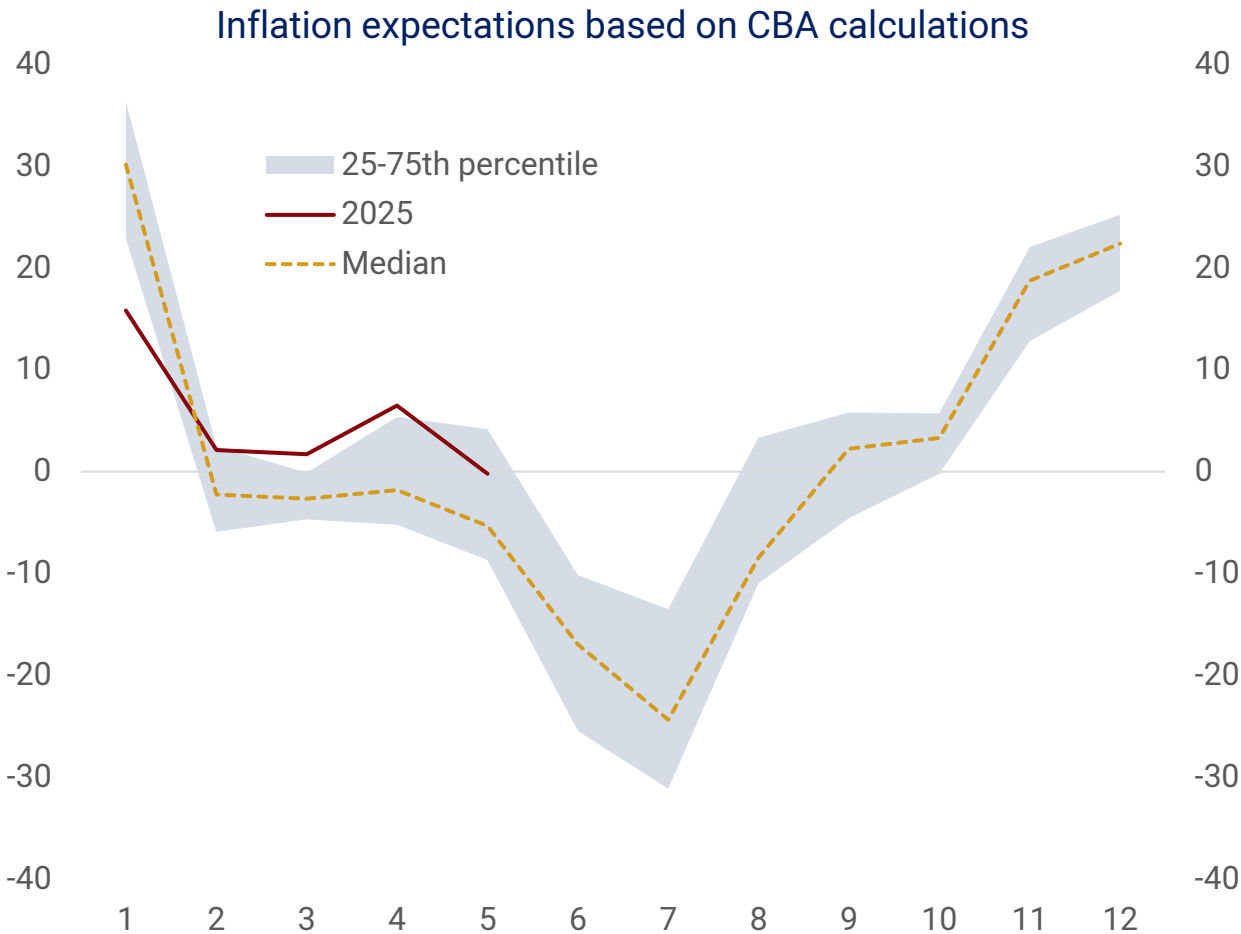
The impact of aggregate demand on inflation is assessed to be neutral.



External demand for services has continued to decline.



The recent acceleration in inflation is largely driven by certain supply-side factors.

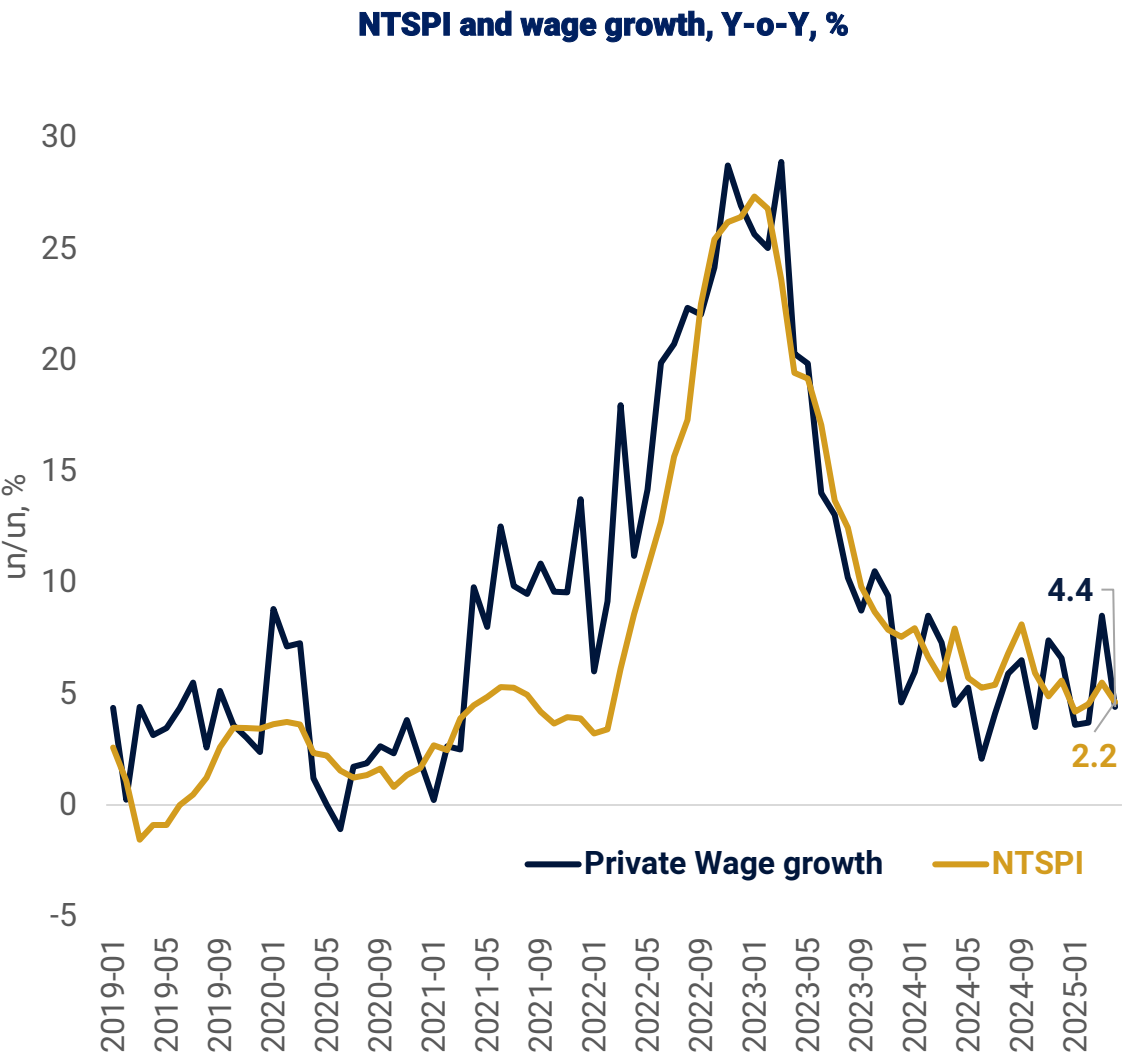


Source: Statistical Committee of the Republic of Armenia, CBA

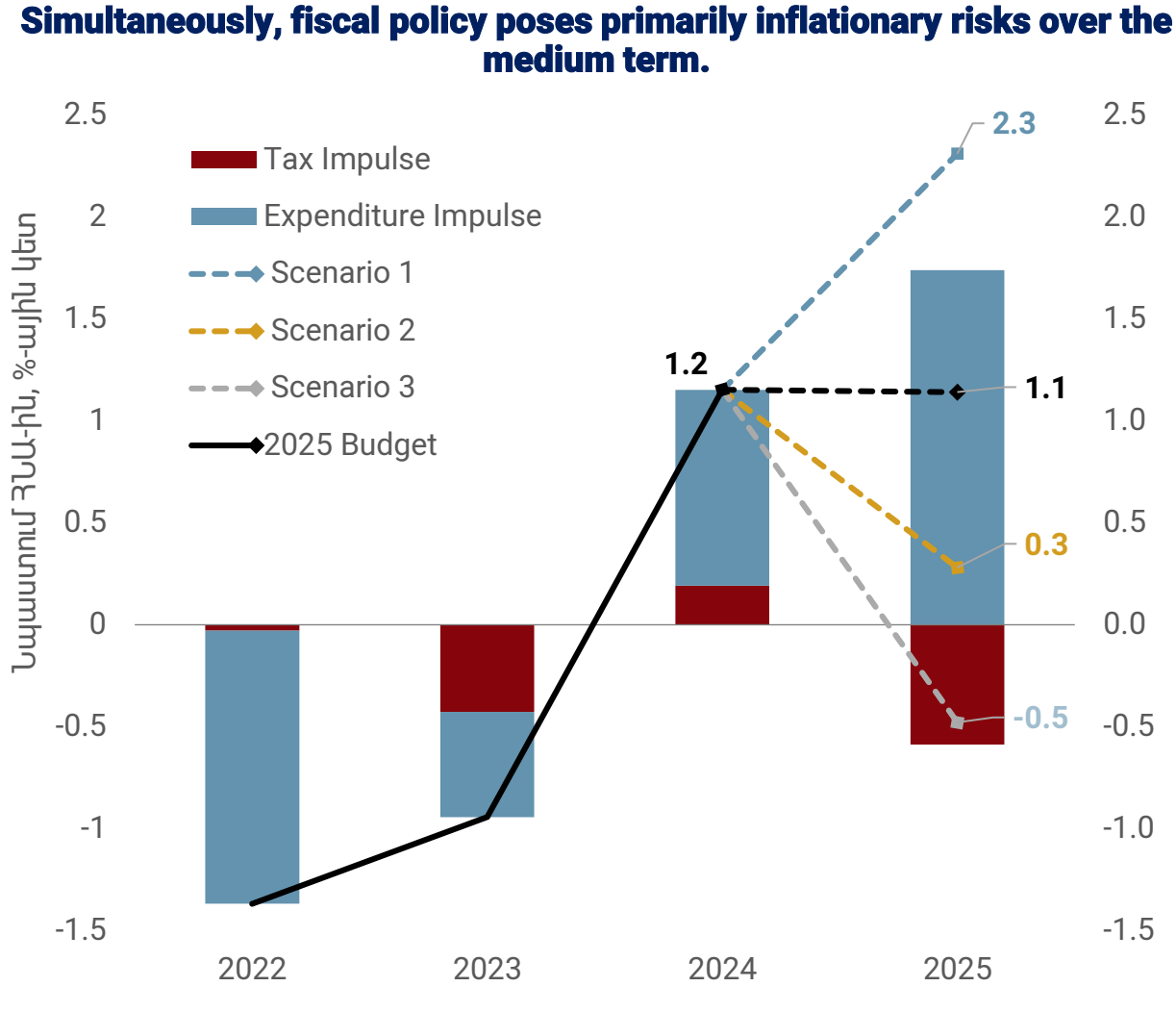
Source: Statistical Committee of the Republic of Armenia, CBA

In this context, labor market conditions are showing signs of cooling, as evidenced by the gradual stabilization of wage growth, sticky price inflation in non-tradable sectors, and inflation expectations.





Source: Statistical Committee of the Republic of Armenia, CBA

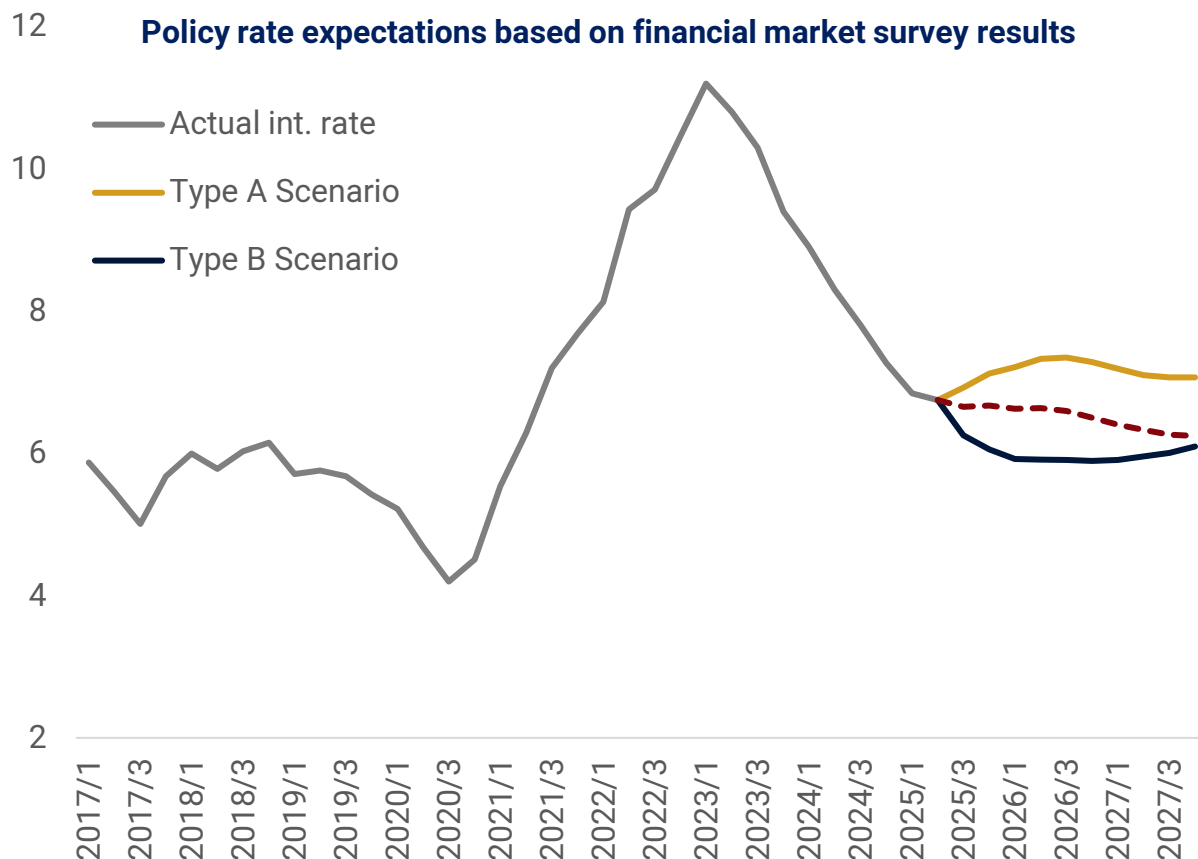


Source: Ministry of Finance of the Republic of Armenia

Amid the elevated risks and heightened uncertainty, the Board has assessed multiple scenarios, consistent with its mandate to ensure price stability.



In the context of current macroeconomic developments, financial market participants in Armenia broadly anticipate that the Central Bank of Armenia will gradually lower the refinancing rate over the coming year, aiming to reach a level of 6.25 percent.



Source: CBA

Case A-type of Scenarios,

including those related to geopolitical developments and fiscal policy dynamics in the US and Armenia – could lead to an increase in Armenia’s neutral interest rate. These scenarios would requires a higher path for the policy rate relative to market expectations to ensure the price stability.

Case B-type of Scenarios,

Including risks related to a continued normalization of external demand, which could lead to an uneven slowdown across certain sectors of the economy and further weakening of aggregate demand. This requires a monetary policy trajectory characterized by a more rapid and pronounced reduction in interest rates relative to market expectations, with the objective of moderating demand and anchoring inflation near the target over the medium term.



emphasizing the build-up of Case A-type risks and underscoring the imperative to manage their macroeconomic implications, the Board of the Central Bank of Armenia resolved to keep the refinancing rate unchanged for the current period.

The Board resolutely affirms its commitment to adopting the appropriate policy actions and strategy to ensure the price stability objective of 3% inflation in the medium term.



Thank You