Central Bank of Armenia

Monetary Policy Decision

March 17, 2026

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Central Bank of Armenia

At its meeting today, the Board of the Central Bank of Armenia decided to

keep the policy rate unchanged at 6.5%

- Lombard Repo Facility Rate: 8.0%
- Deposit Facility Rate: 5.0%

In the first quarter of 2026, annual inflation accelerated, reaching 4.3% in February. During the same period, annual core inflation increased to 4.7% Y-o-Y.

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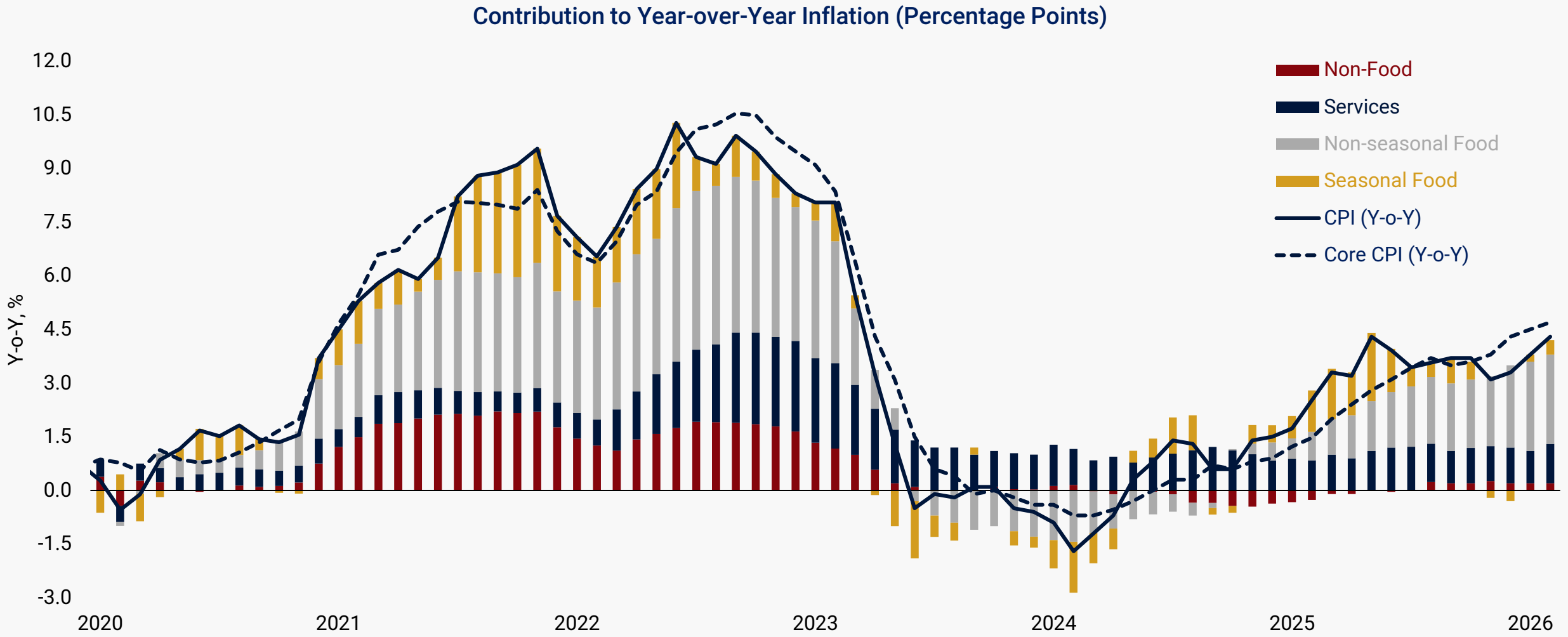

Source(s): Statistical Committee of the Republic of Armenia, CBA

In the first quarter of 2026, risks of a further slowdown in demand conditions in the global economy and in Armenia's key partner economies significantly increased.

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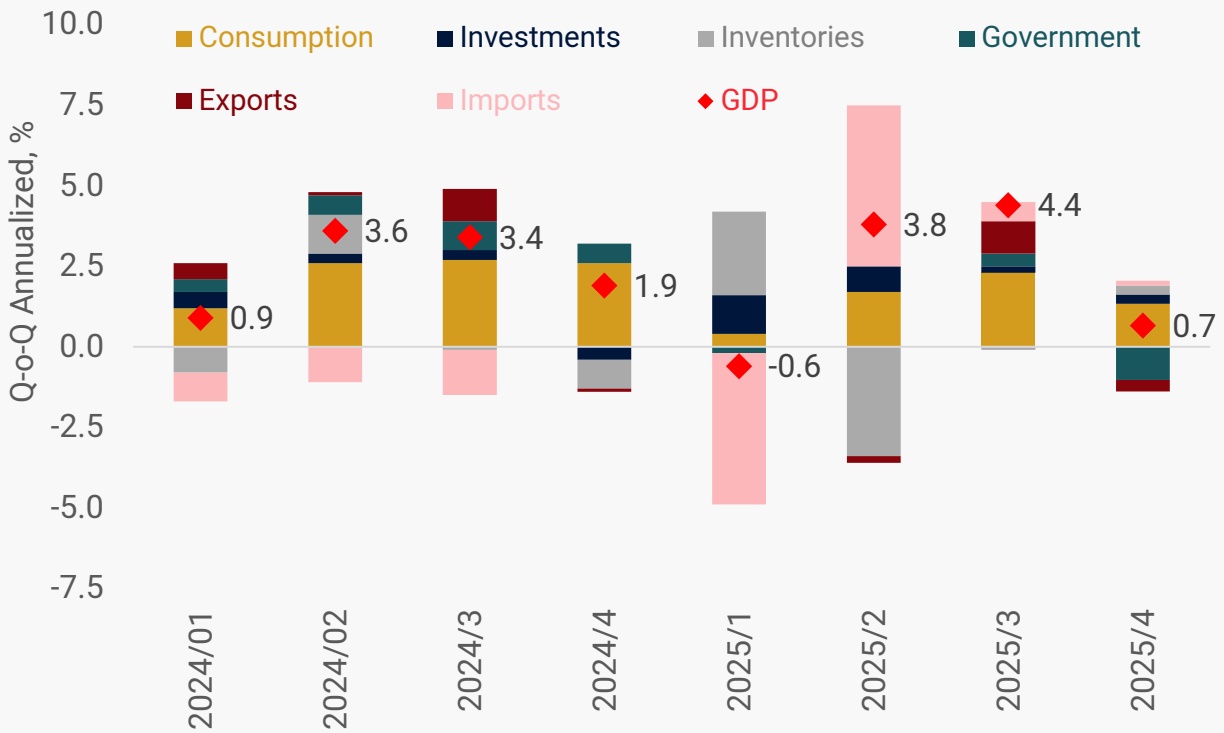
In the United States, the structural characteristics of economic growth related to developments in the technology sector, along with potential further adjustments in financial asset prices and weakening labor market conditions, could negatively affect the medium-term growth outlook

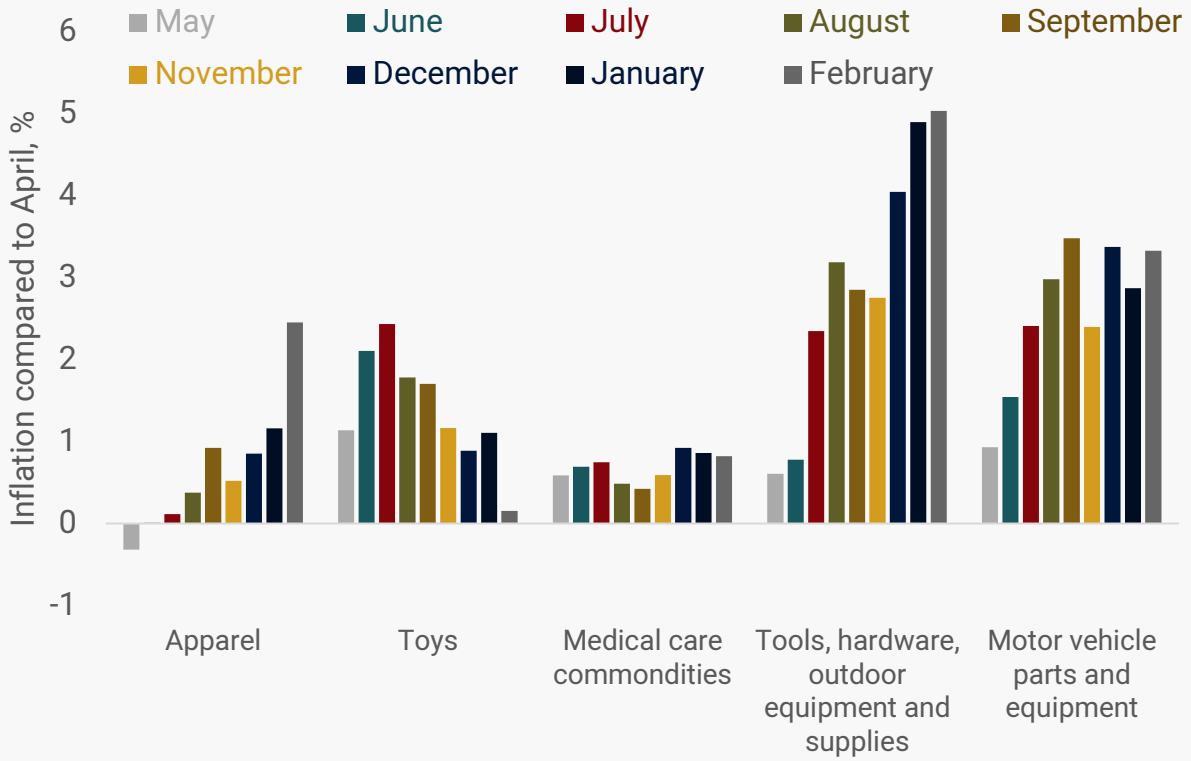
US economic growth, 3m-o-3m Annualized, %



Source: BEA, Atlanta Fed

The macroeconomic implications stemming from US trade policy have somewhat weakened, but continue to remain one of the main sources of uncertainty.

CPI inflation by certain product groups



Source: BEA

In the medium term, due to the limitations of possibilities for further collection of applied customs duties and the expected increase in US government debt, uncertainty regarding long-term interest rates has grown.

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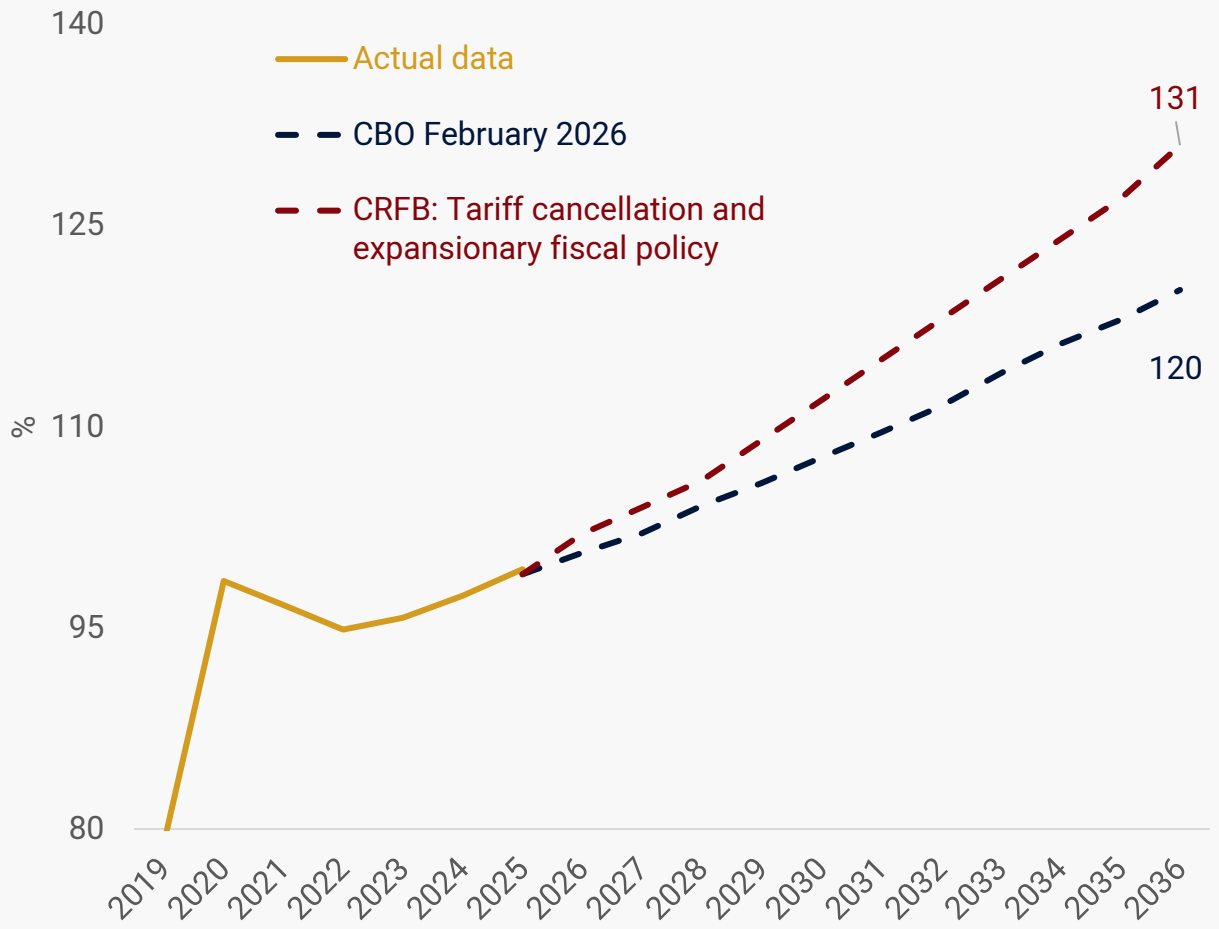
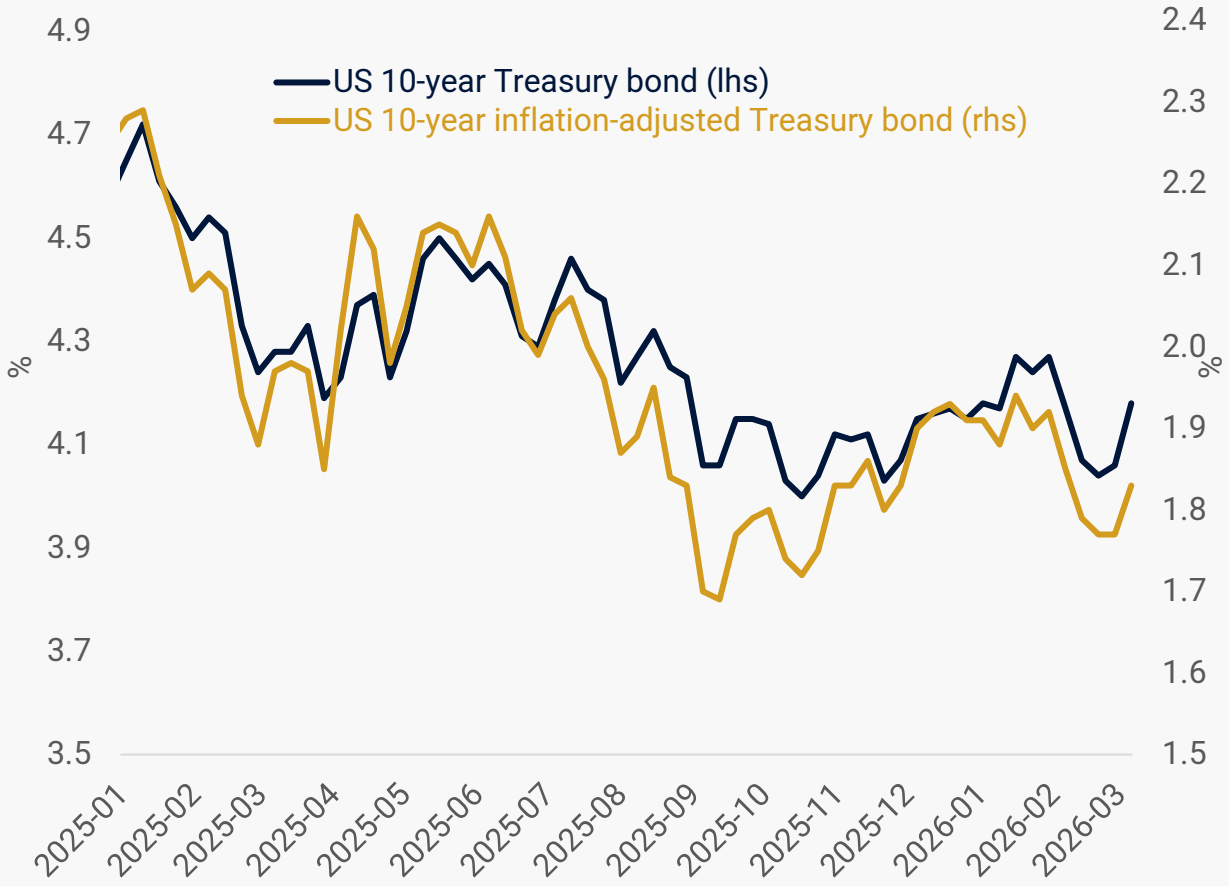
Debt-to-GDP future trajectory scenarios



Source(s): CBO, CRFB

US 10-year Treasury bond yields, %



Source: FRED

In Armenia's other main partner economies, risks of weakening medium-term growth and demand are gradually materializing.

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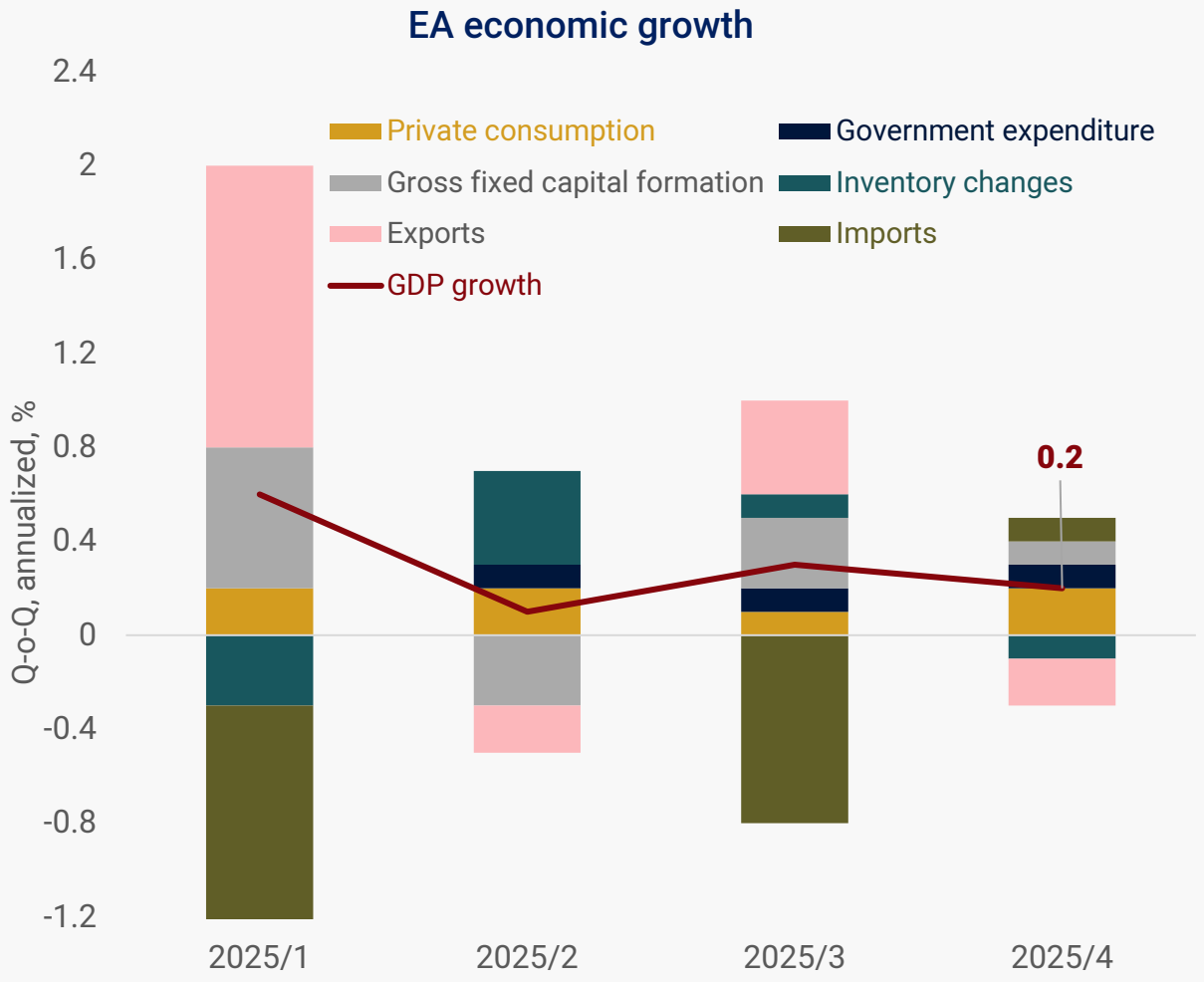

Source: Eurostat

Source: Federal Statistical Committee of Russia

At the same time, geopolitical uncertainty, tensions in international trade relations, and concerns regarding potential disruptions in global supply chains continue to remain a key source of elevated price volatility in the global economy.

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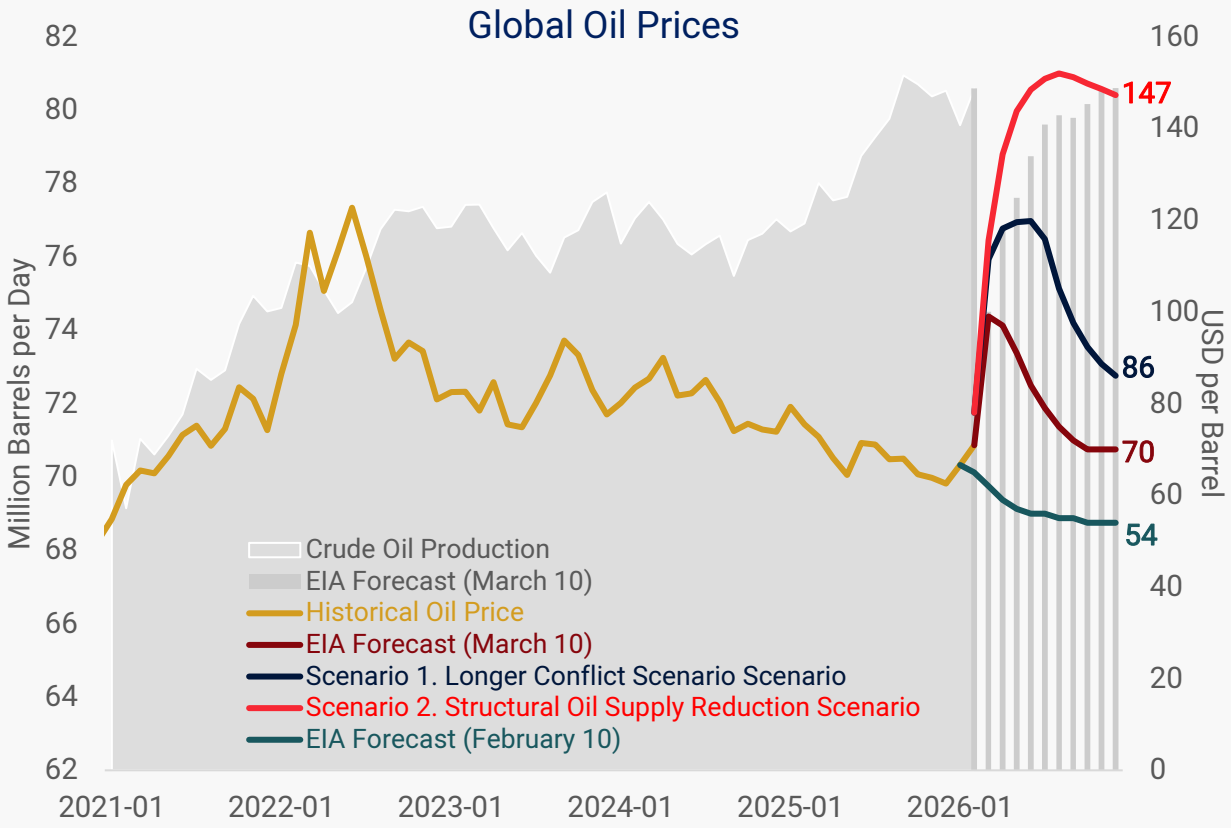
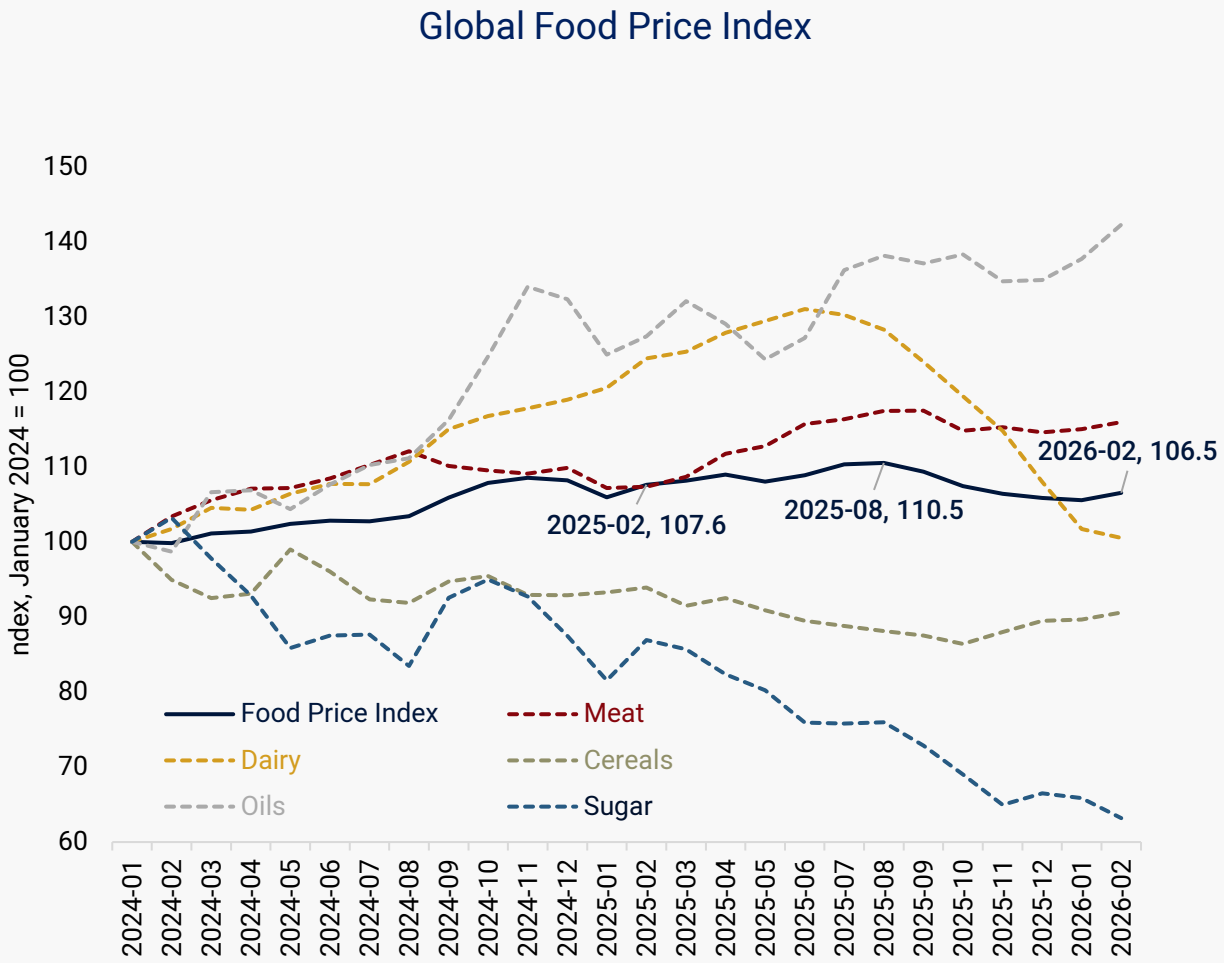
Global oil prices have increased sharply amid escalating tensions in the Middle East, while uncertainty regarding their outlook has increased significantly.



Source: EIA, CBA Estimates



Source: FAO

In this context, taking into account, on the one hand, the formation of a weak demand environment, and on the other hand, the increase in inflationary risks, it is likely that central banks in major economies will maintain or delay the easing of monetary conditions in the near term.

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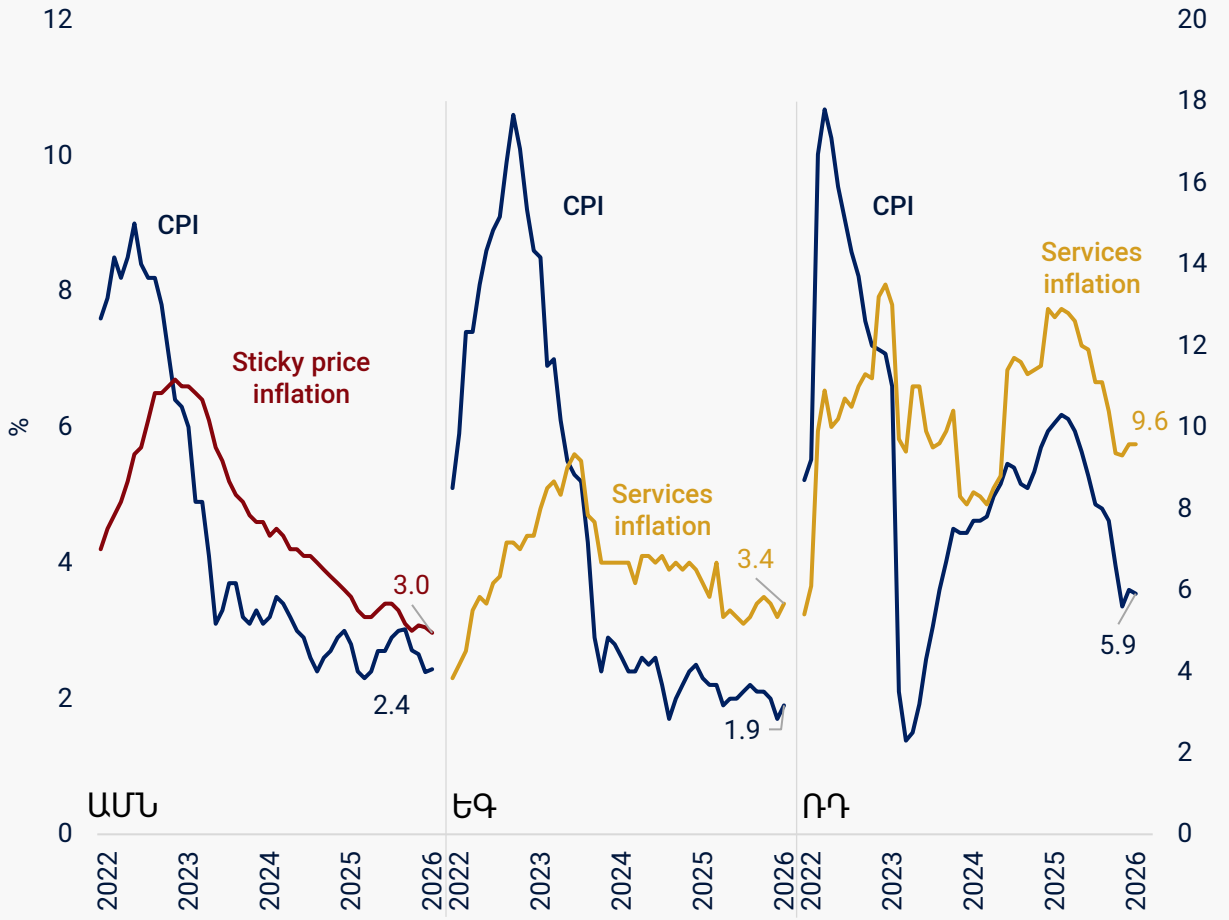
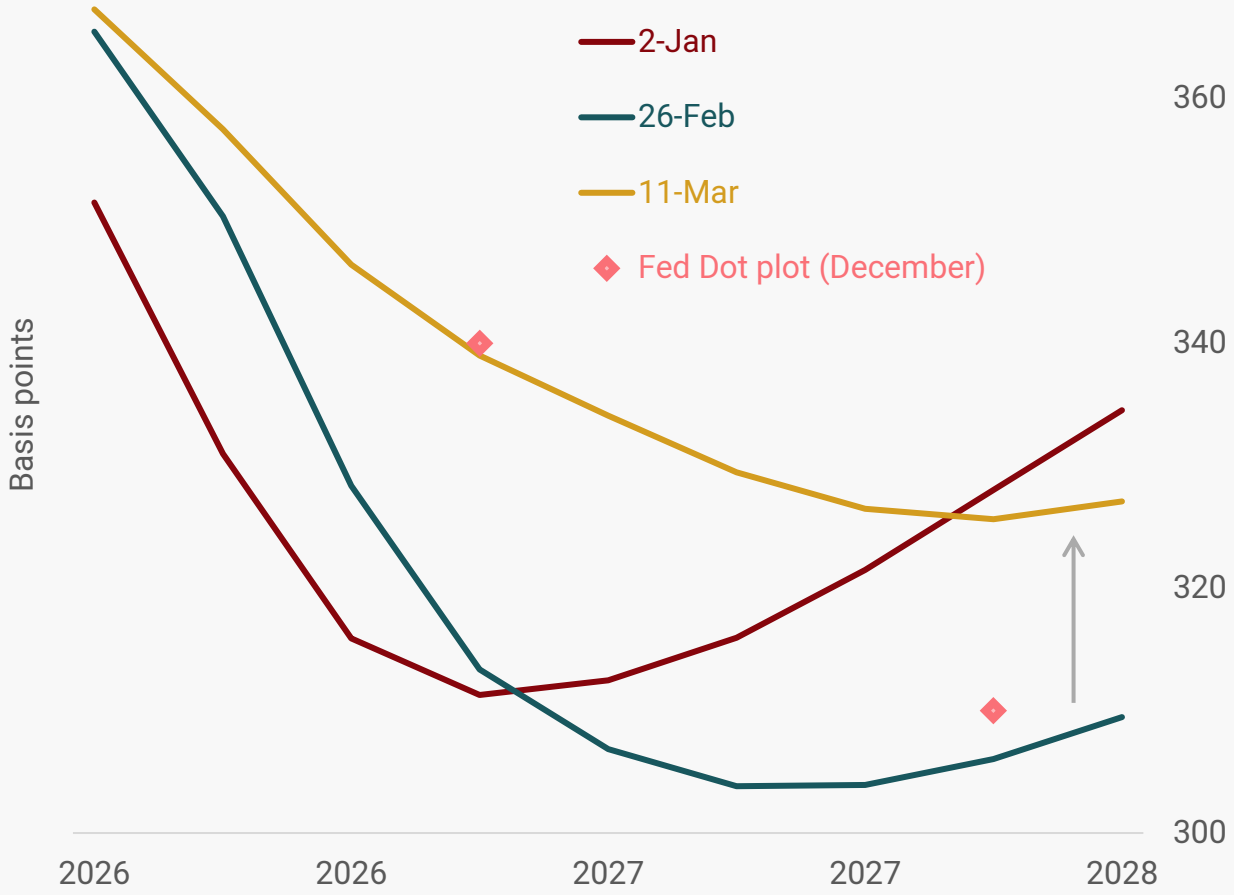
Headline and underlying inflation in key trading partner economies, y-o-y, %



Source(s): Atlanta Fed; Eurostat, Rosstat

Market expectations about the future path of the Fed Funds Rate



Source: Atlanta Fed

In the fourth quarter of 2025, economic growth in Armenia significantly accelerated. High economic growth continued to be driven by the construction and services sectors, as well as by manufacturing.

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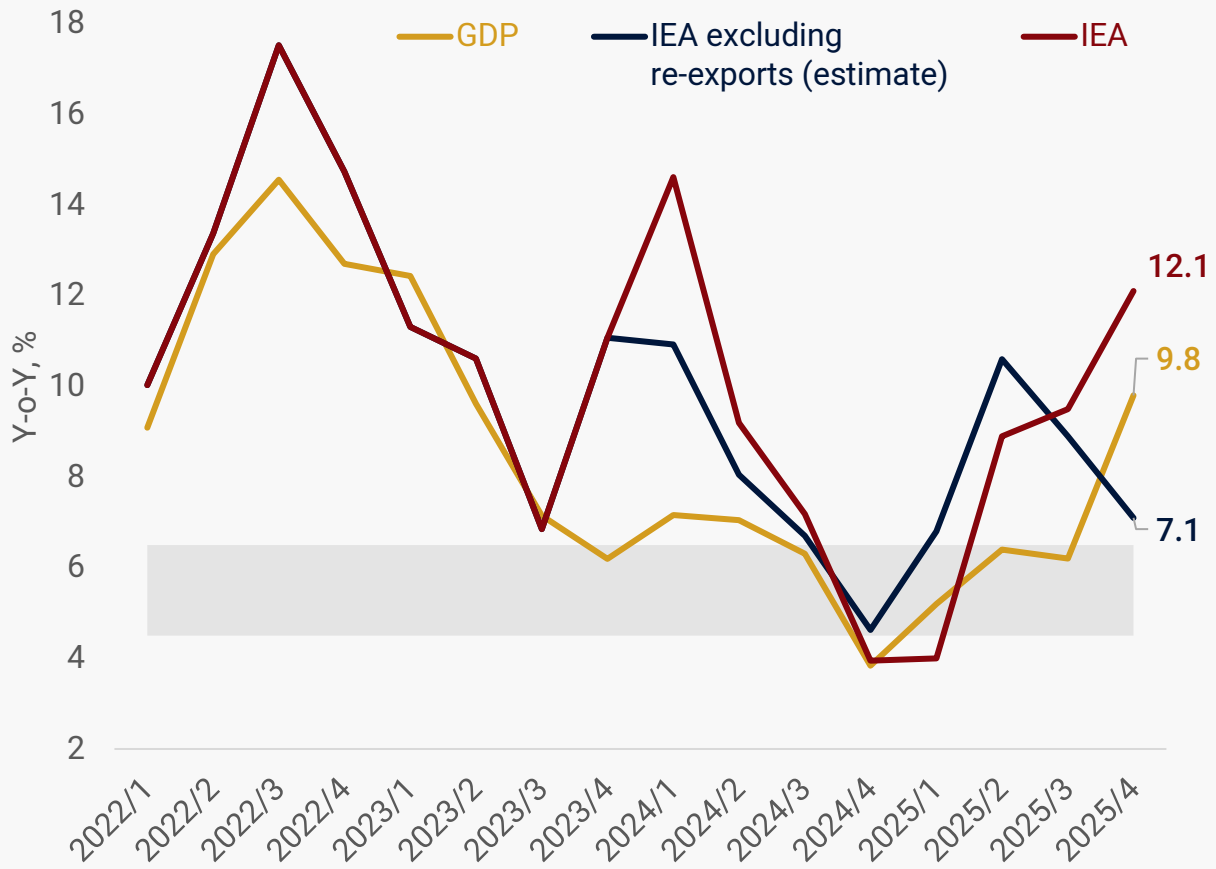
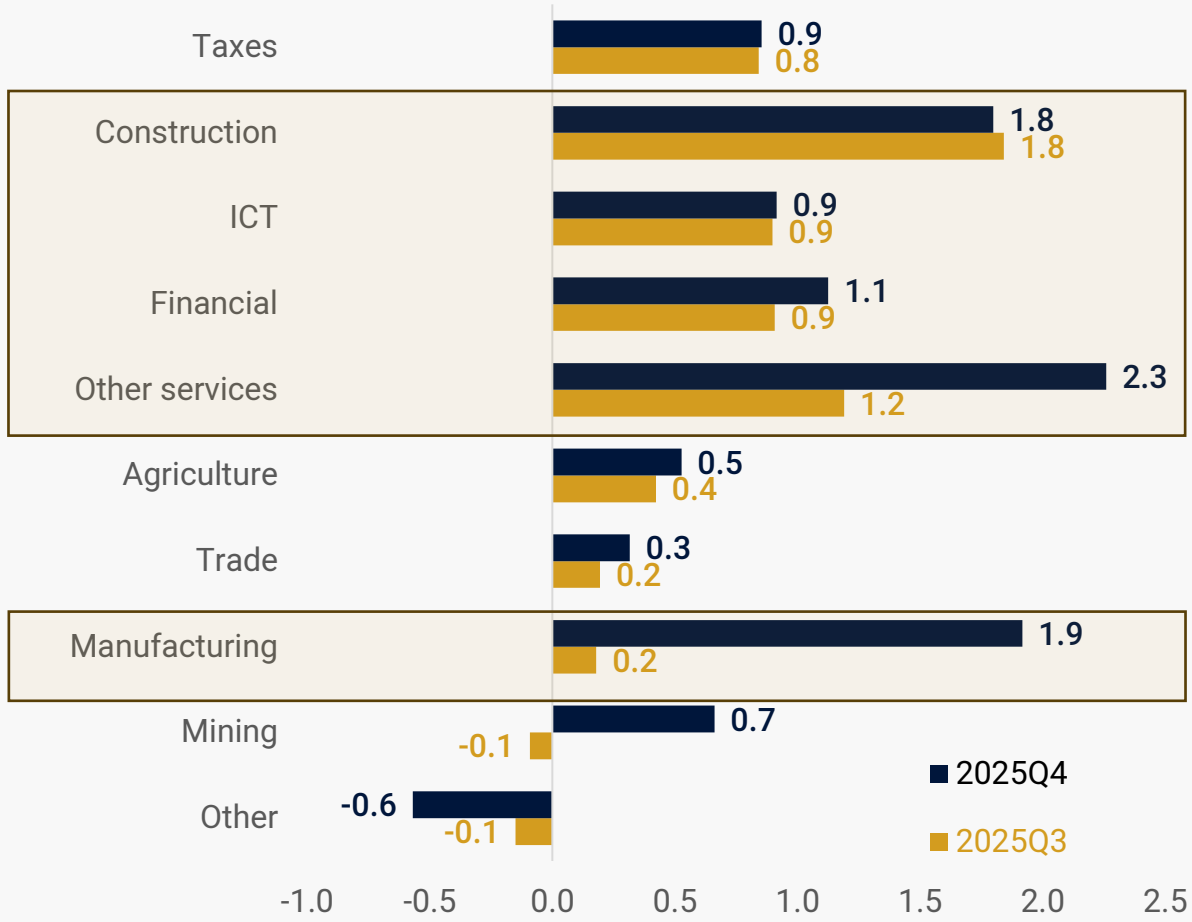
Armenia's economic growth



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

Contribution of main sectors to GDP growth, p.p.



Source: Statistical Committee of the Republic of Armenia

Uncertainty regarding current demand conditions and future developments has sharply increased, particularly due to structural issues in economic growth and risks related to fiscal expansion.

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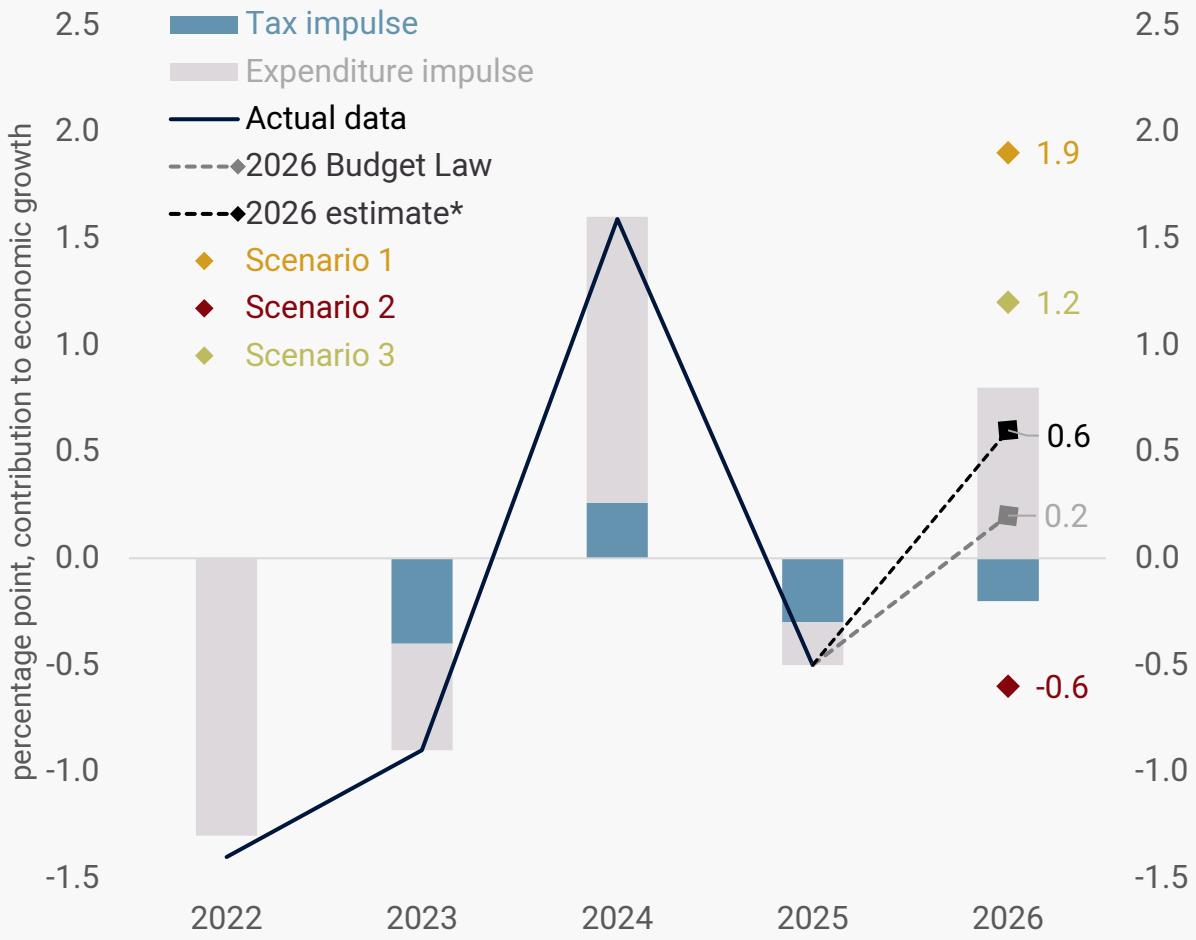
Scenarios of the impact of fiscal policy on aggregate demand



*Note: The estimate includes the increase in pensions and benefits from April 2026
Source: RA Ministry of Finance, CBA estimates

- Scenario 1. Limited tax administration capacity in the context of a possible adjustment in economic growth.
- Scenario 2. Full execution of the tax revenue plan; however, under limited capacity to implement large-scale capital expenditures, underexecution of capital expenditures in line with the trends of previous years.
- Scenario 3. Overexecution of healthcare-related expenditures under conditions of full execution of the tax revenue plan.

In this context, the impact of aggregate demand on inflation is assessed as expansionary. There are also inflationary risks driven by supply-side factors.

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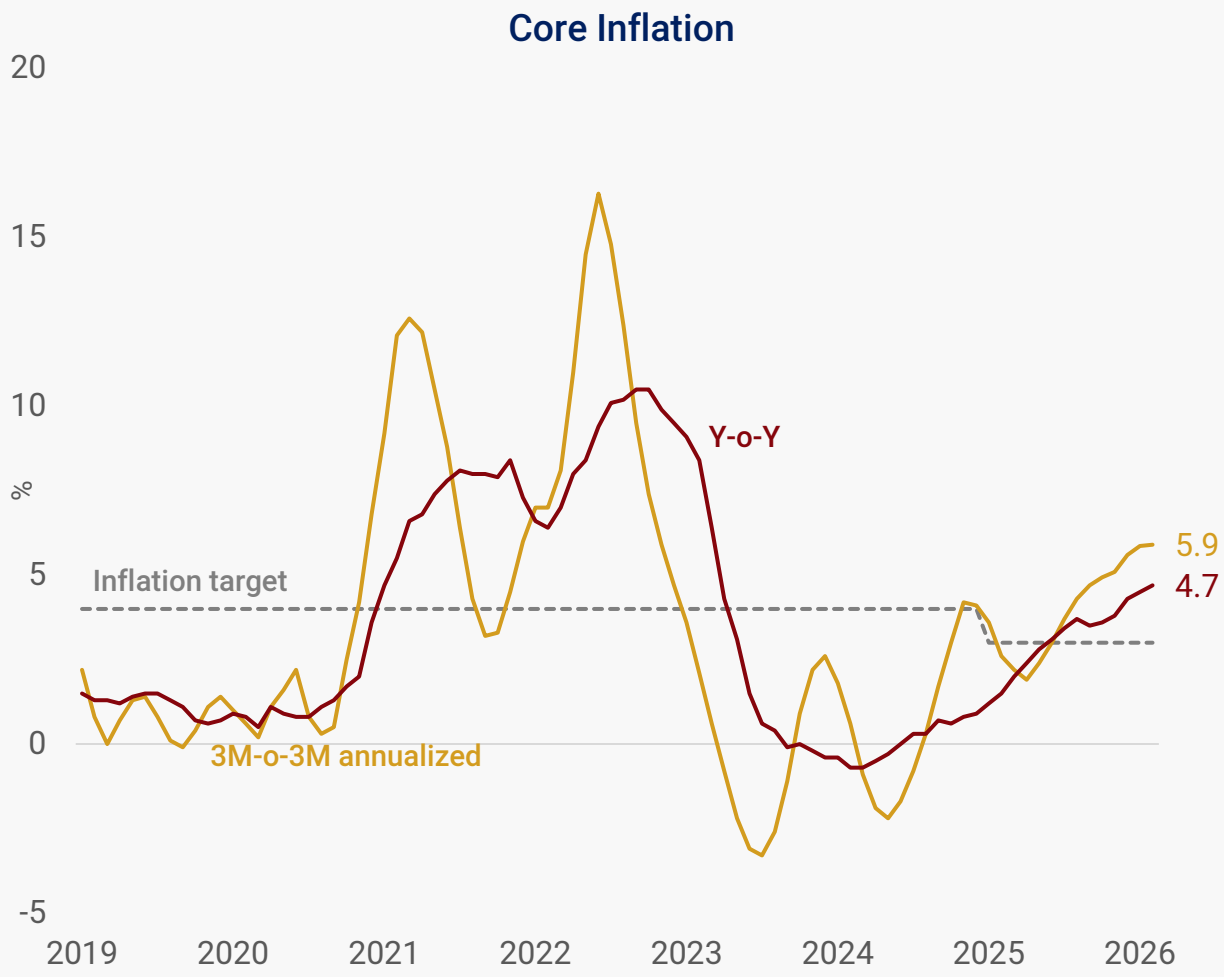

Source: Statistical Committee of the Republic of Armenia, CBA estimates

Potential inflationary implications for Armenia's economy stemming from an escalation of conflict in the Middle East.

Impact channel	Impact on annual inflation, percentage point
A 40% average rise in oil prices in 2026	0.6-0.8
Utilization of an alternative import route	0.5-0.8
Substitution of Iran-sourced food imports	0.1
Total impact	**1.2 – 1.7**

Source: CBA estimates

At the same time, private wage growth, services inflation characterized by sticky prices, and inflation expectations continue to show signs of stabilization.

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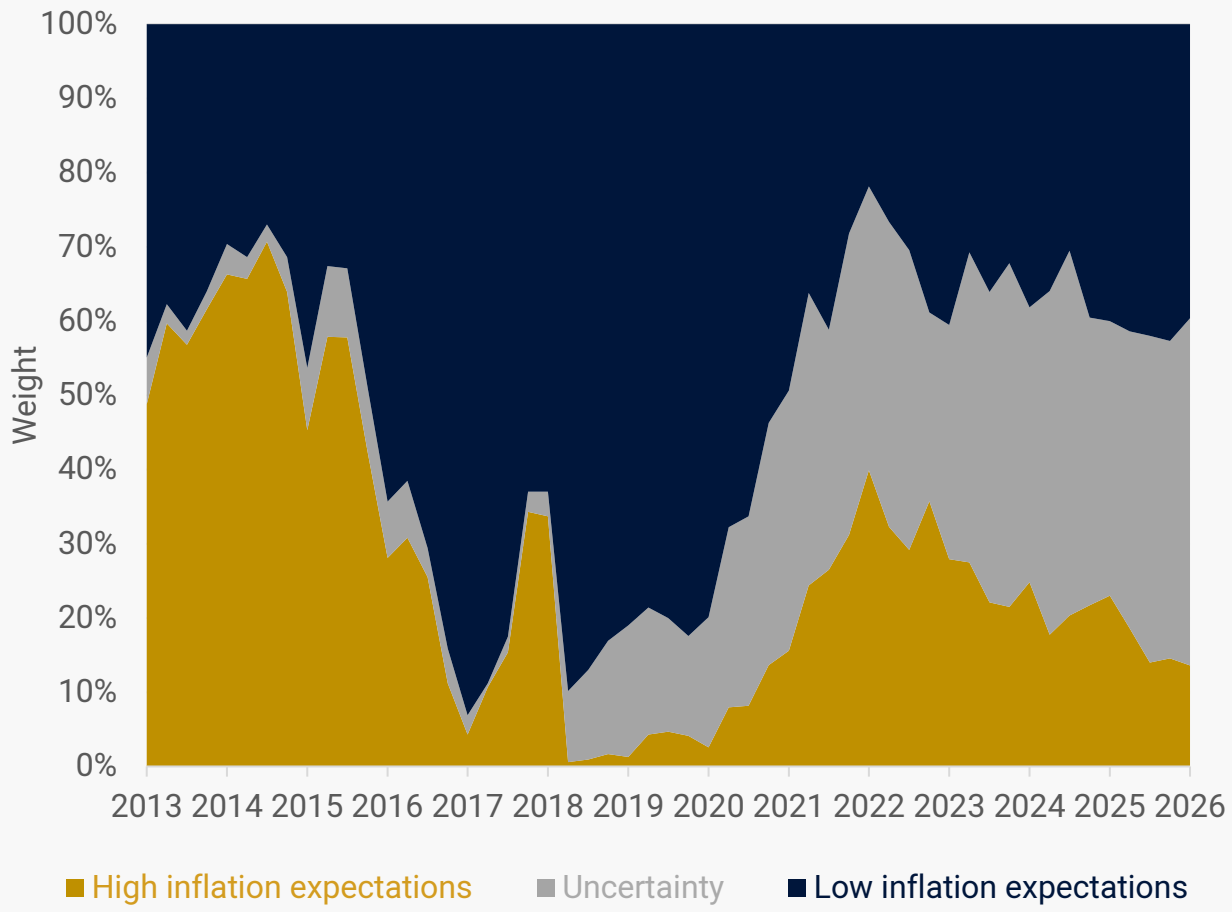
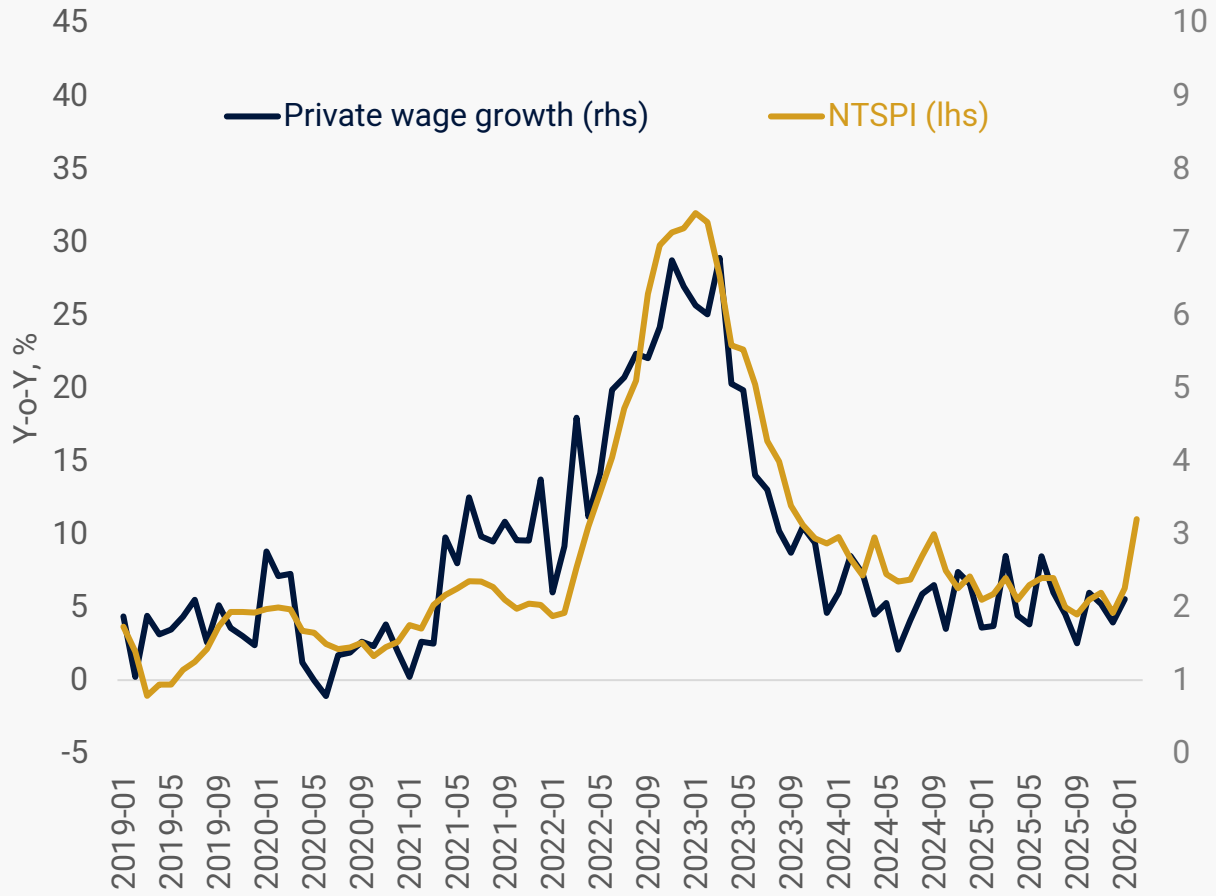
Survey on households' inflation perceptions and expectations



Source: CBA

Nevertheless, non-tradable rigid prices and private sector wages



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

In the context of current macroeconomic developments, financial market participants in Armenia generally expect the Central Bank to maintain the current level of the policy rate for a somewhat longer period, followed by a l reduction toward 6.25% in the medium term.

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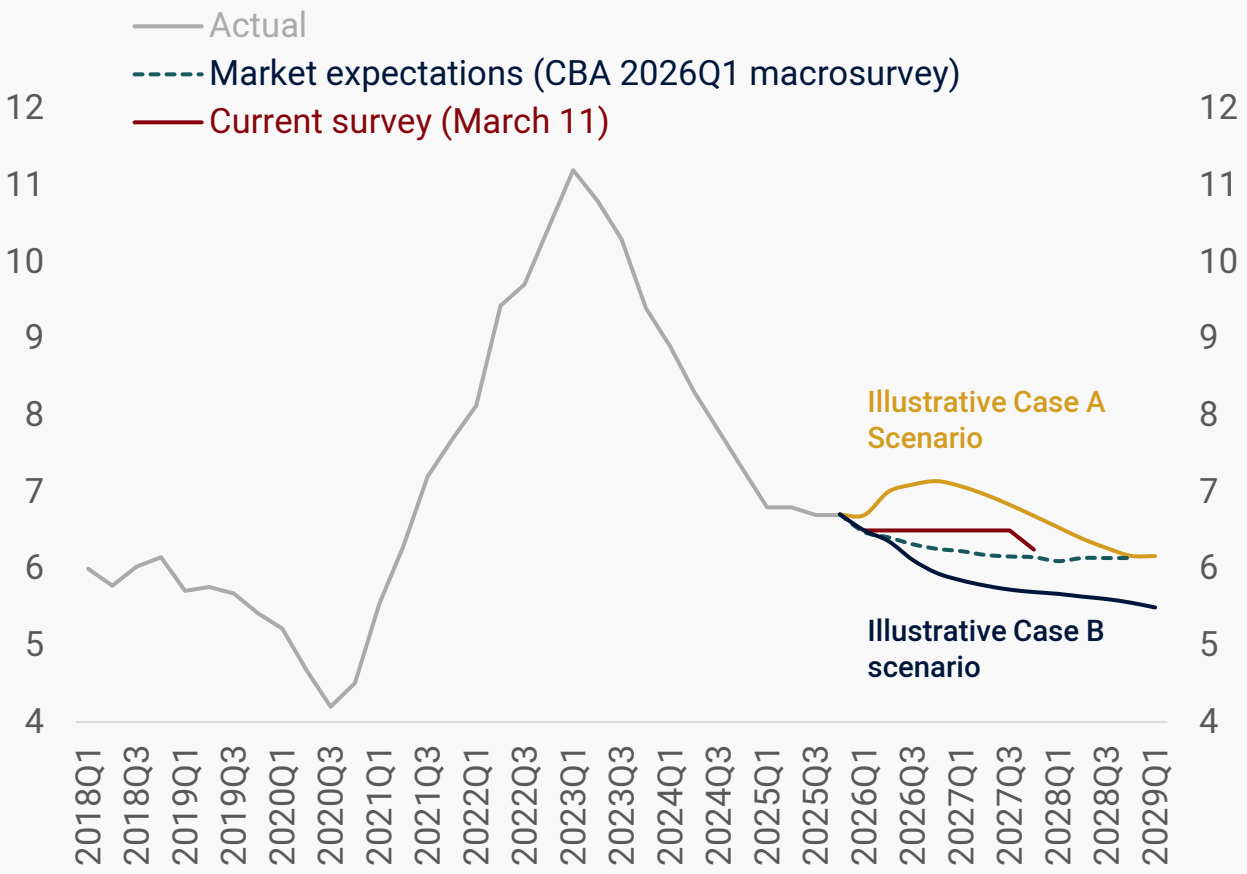
Illustrative scenarios and market expectations – Q1 2026



Source: CBA

Case A-type scenarios, including:

- the potential increase in global neutral interest rates associated with the impact of fiscal policy measures
- the risk of emerging conditions of excess demand in the domestic economy
- Potential expansionary risks from fiscal policy

Case B-type scenarios, including:

- uncertainties surrounding the outlook for a slowdown in the global economy
- uncertainties related to the decline in the fundamental level of Armenia's sovereign risk premium

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As a result, balancing the need to manage risks in both directions, the Board of the Central Bank of Armenia decided to keep the policy rate unchanged in the current phase.

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