

Central Bank of Armenia

Monetary Policy Decision

November 3, 2026

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Central Bank of Armenia

At its meeting on November 3, 2026, the Board of the Central Bank of Armenia decided to

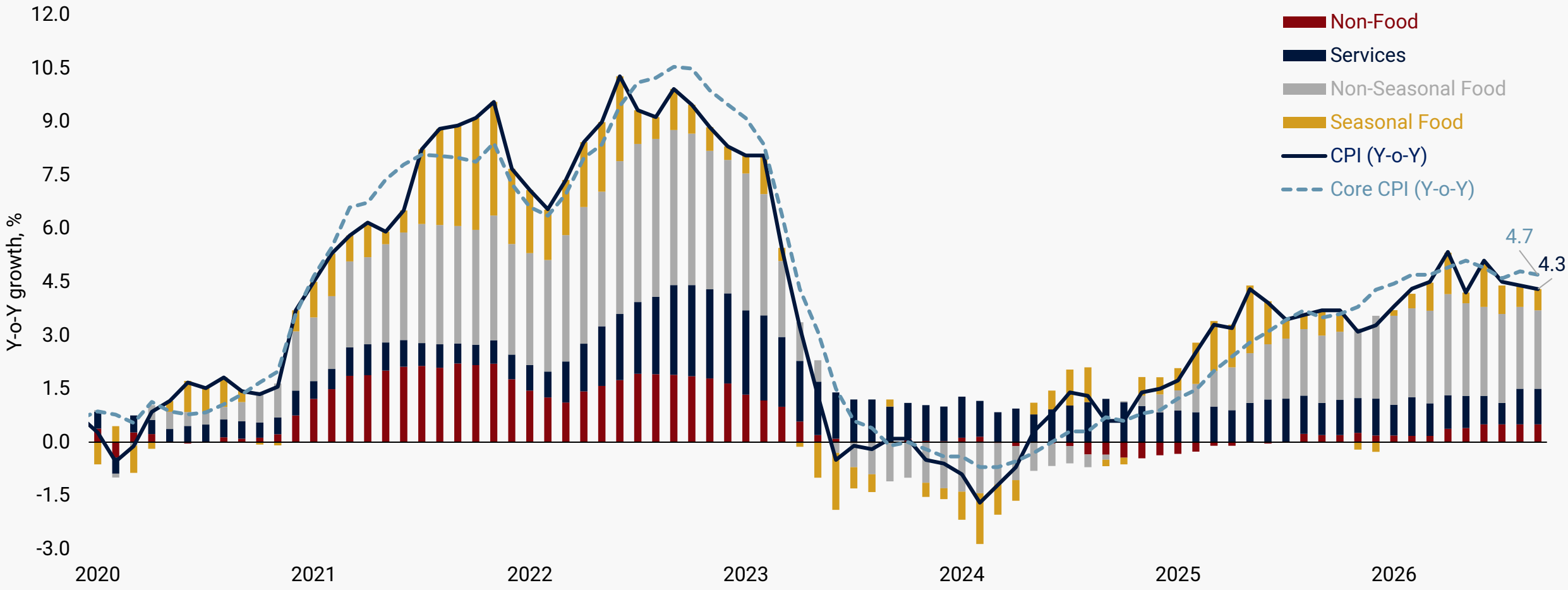
increase the policy rate to 7.00%

- Lombard Repo Facility Rate: 8.50%
- Deposit Facility Rate: 5.50%

In the third quarter of 2026, 12-month inflation continued to run above target, reaching 4.3% in September, while 12-month core inflation stood at 4.7%

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Contribution to Year-on-Year Inflation (percentage points)

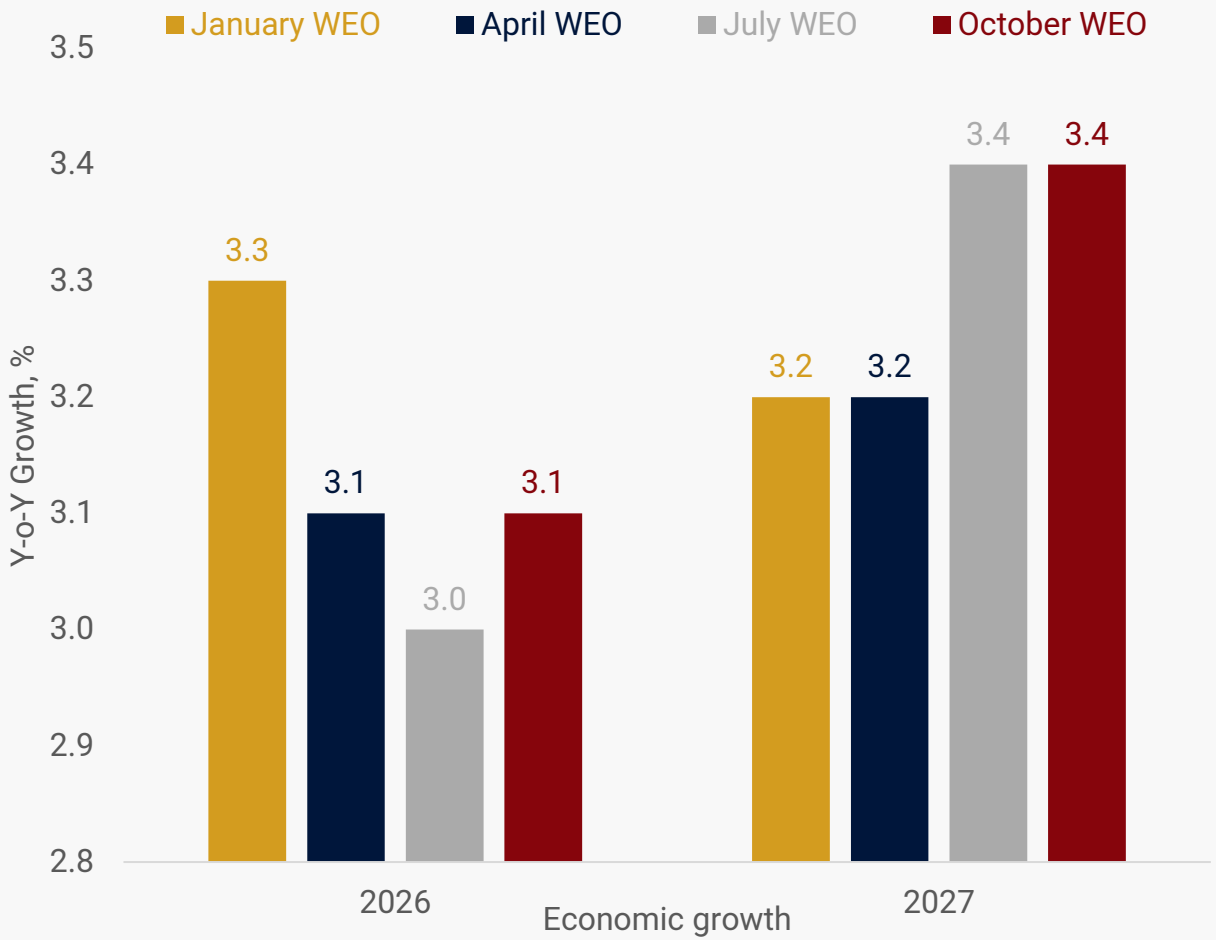


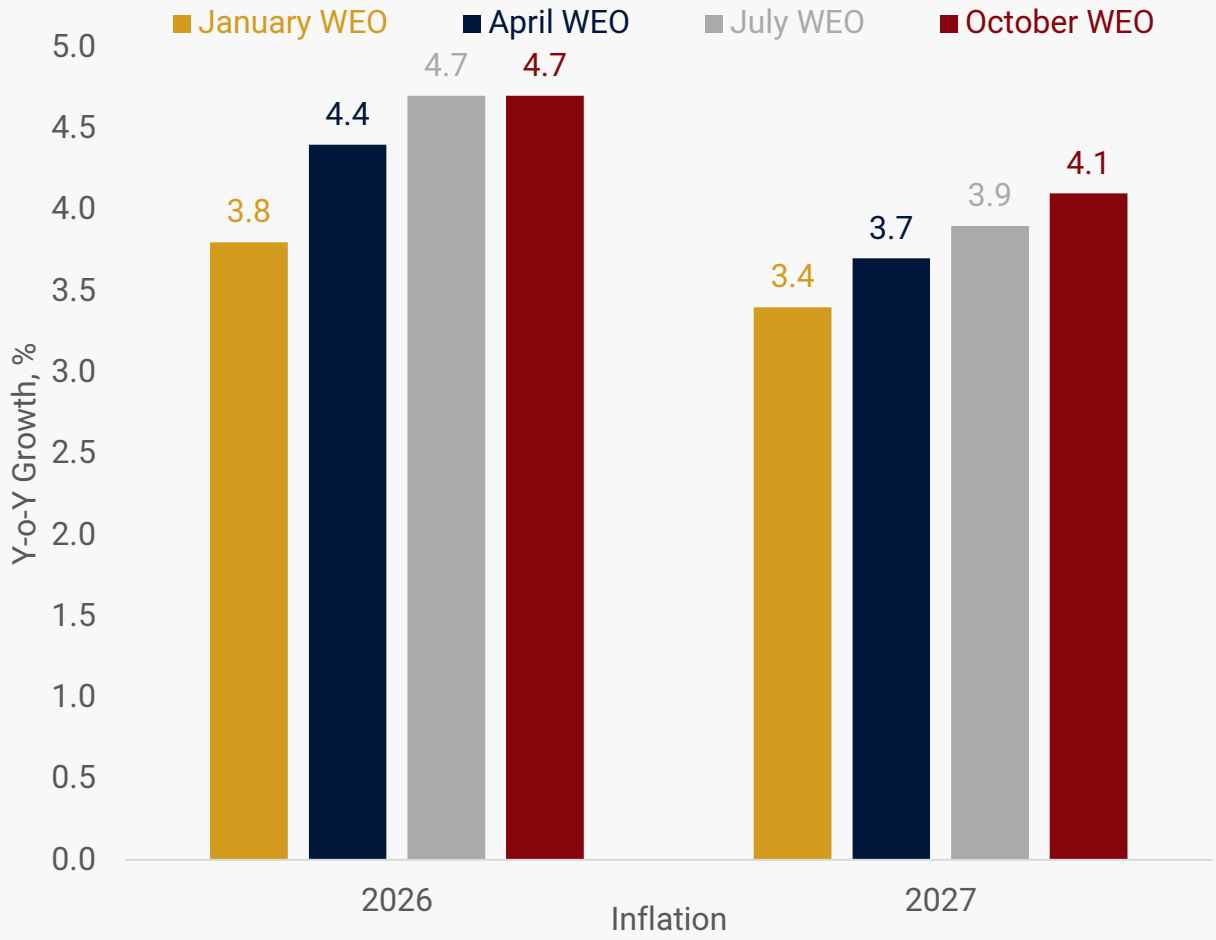
Source(s): Statistical Committee of the Republic of Armenia, CBA

Amid the prolonged persistence of regional conflicts and elevated uncertainty surrounding prospects for their resolution, risks of a further weakening in global demand conditions and, at the same time, intensifying inflationary pressures are gradually becoming more tangible

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IMF Projections for Global Inflation and Output



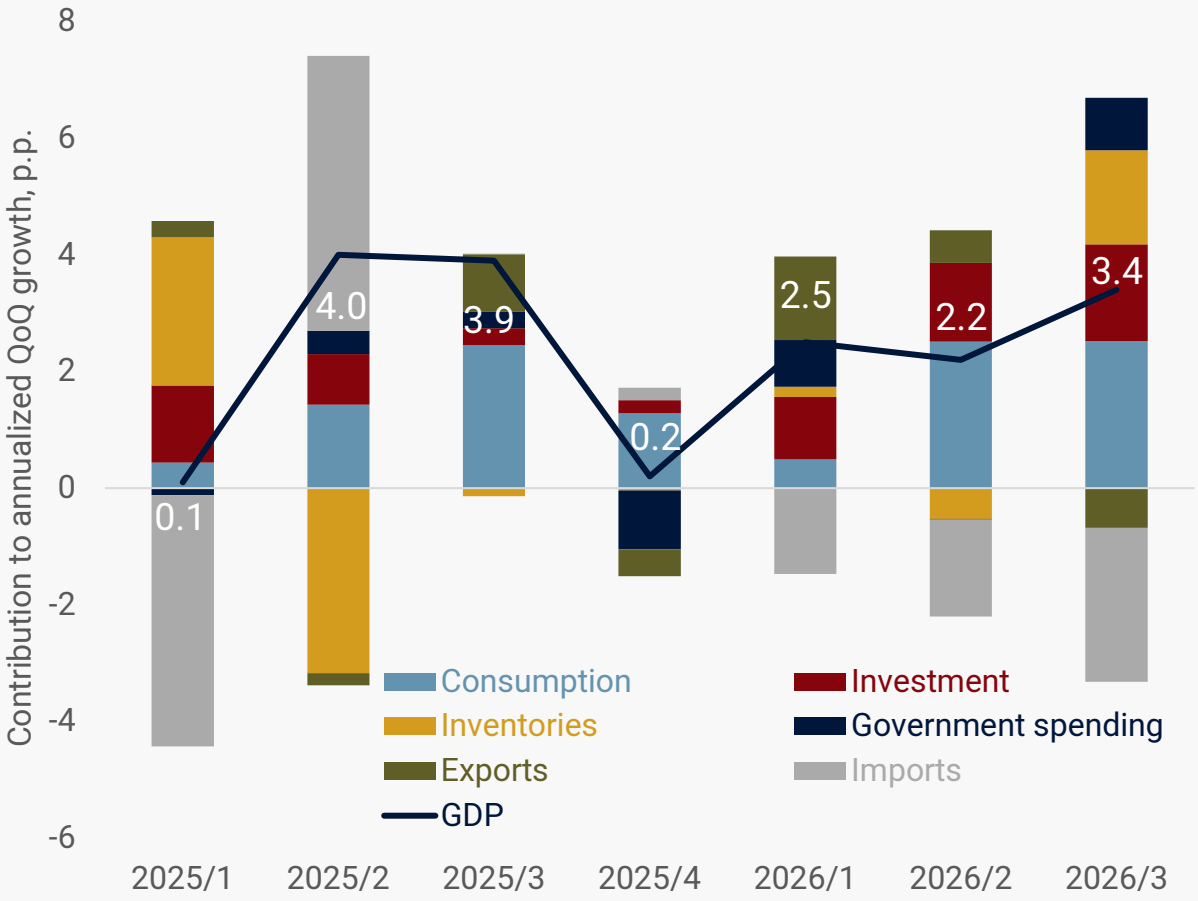


Source: IMF World Economic Outlook

In the US, strong and expanding investment activity in artificial intelligence (AI), and concerns surrounding fiscal sustainability pose upside risks to long-term neutral interest rates, with corresponding implications for neutral rates and capital flows in emerging market economies

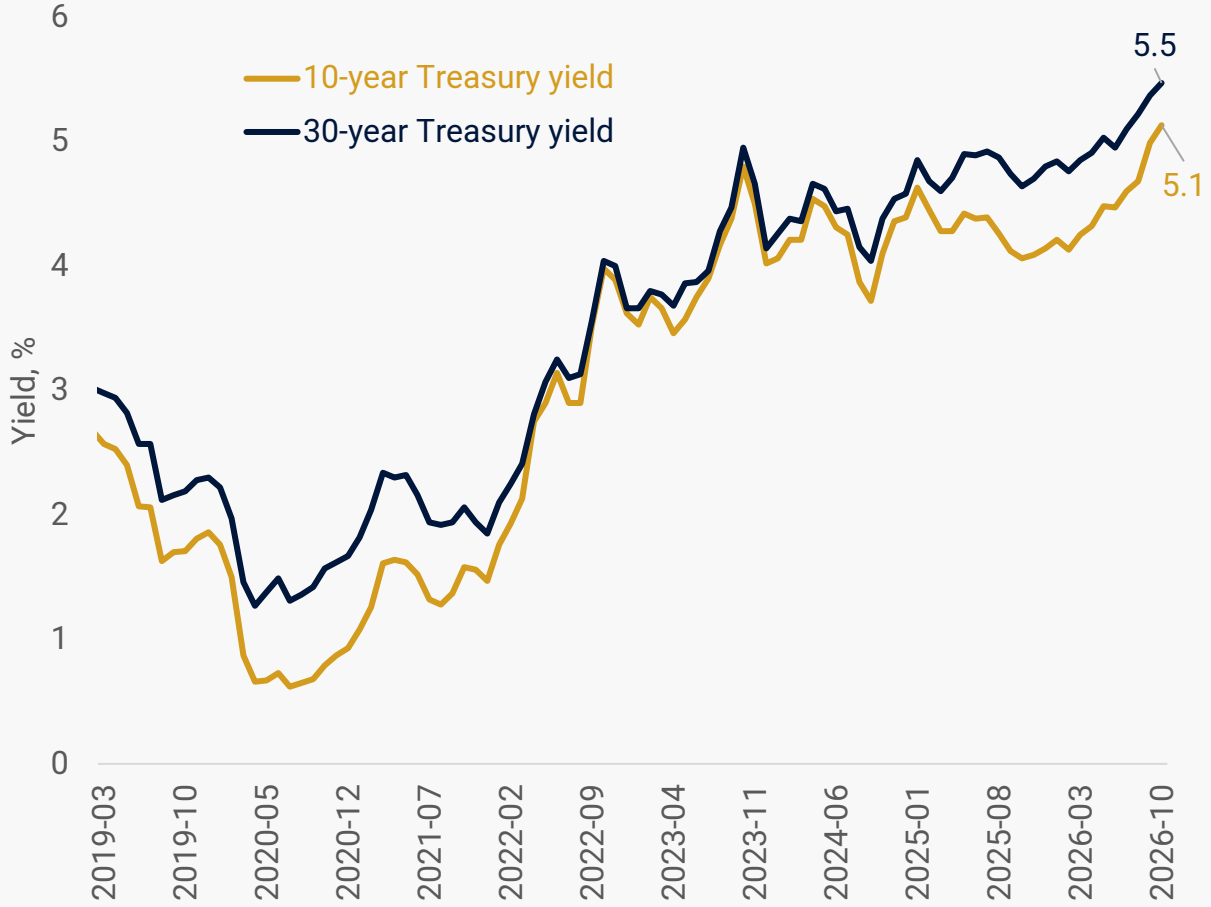
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Private demand continues to be the main driver of US economic growth



Source: US Bureau of Economic Analysis,

US long-term interest rates continue to rise, partly reflecting heightened risks surrounding debt sustainability

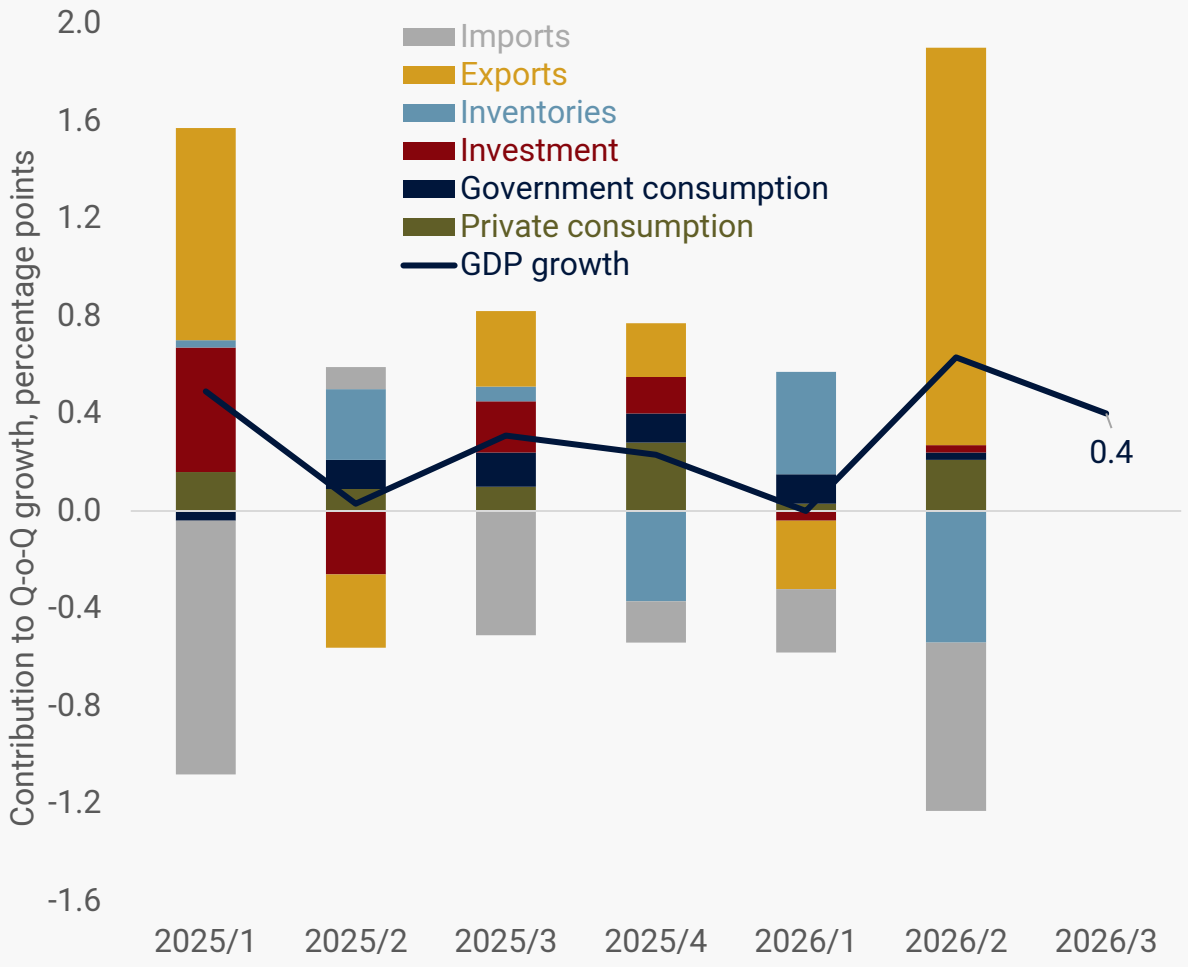


Source: US Bureau of Economic Analysis,

In the Eurozone and Russia, despite a modest recovery in economic growth in recent quarters, structural challenges persist, constraining medium-term economic growth prospects

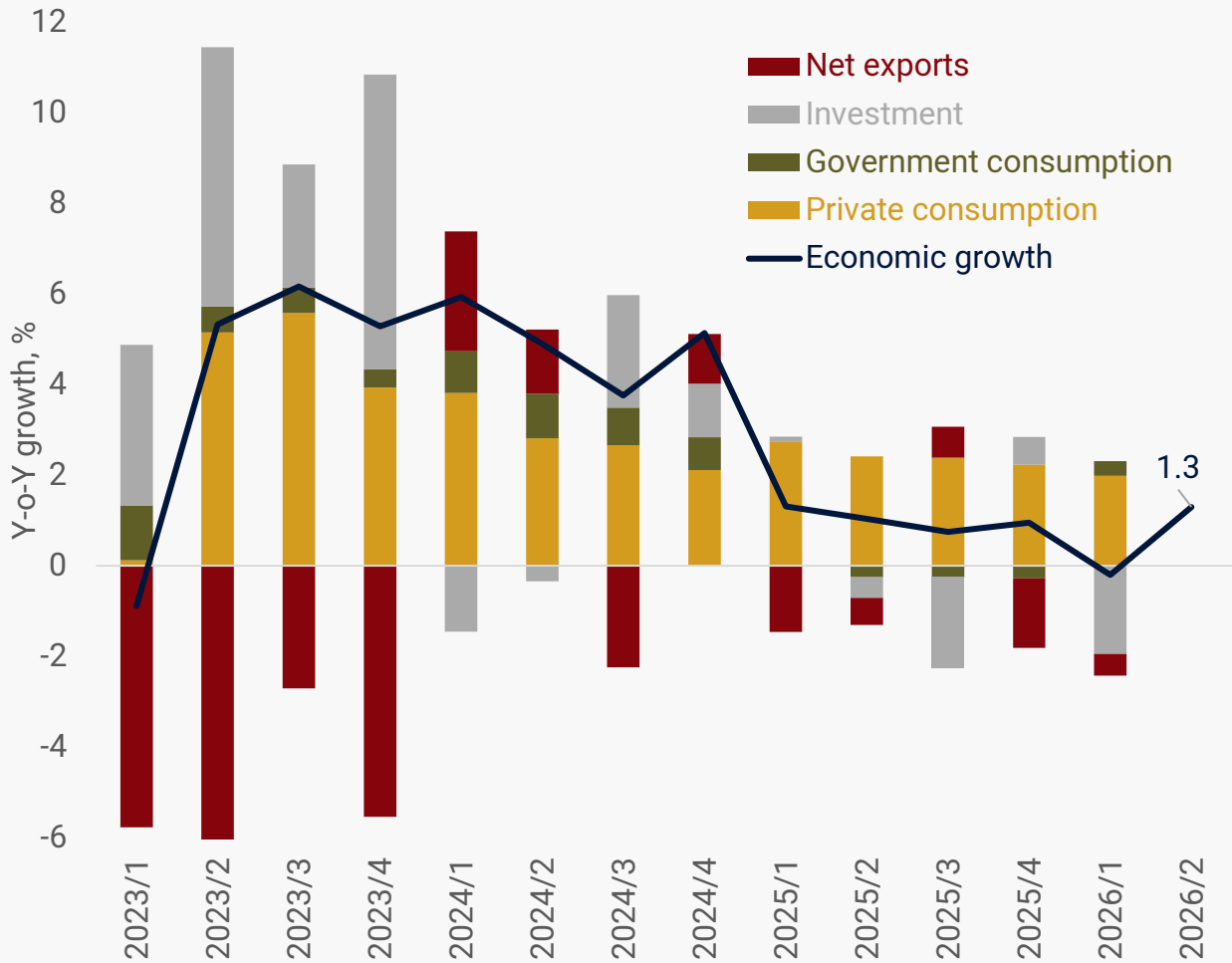
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Eurozone economic growth



Source: Eurostat

Russia economic growth

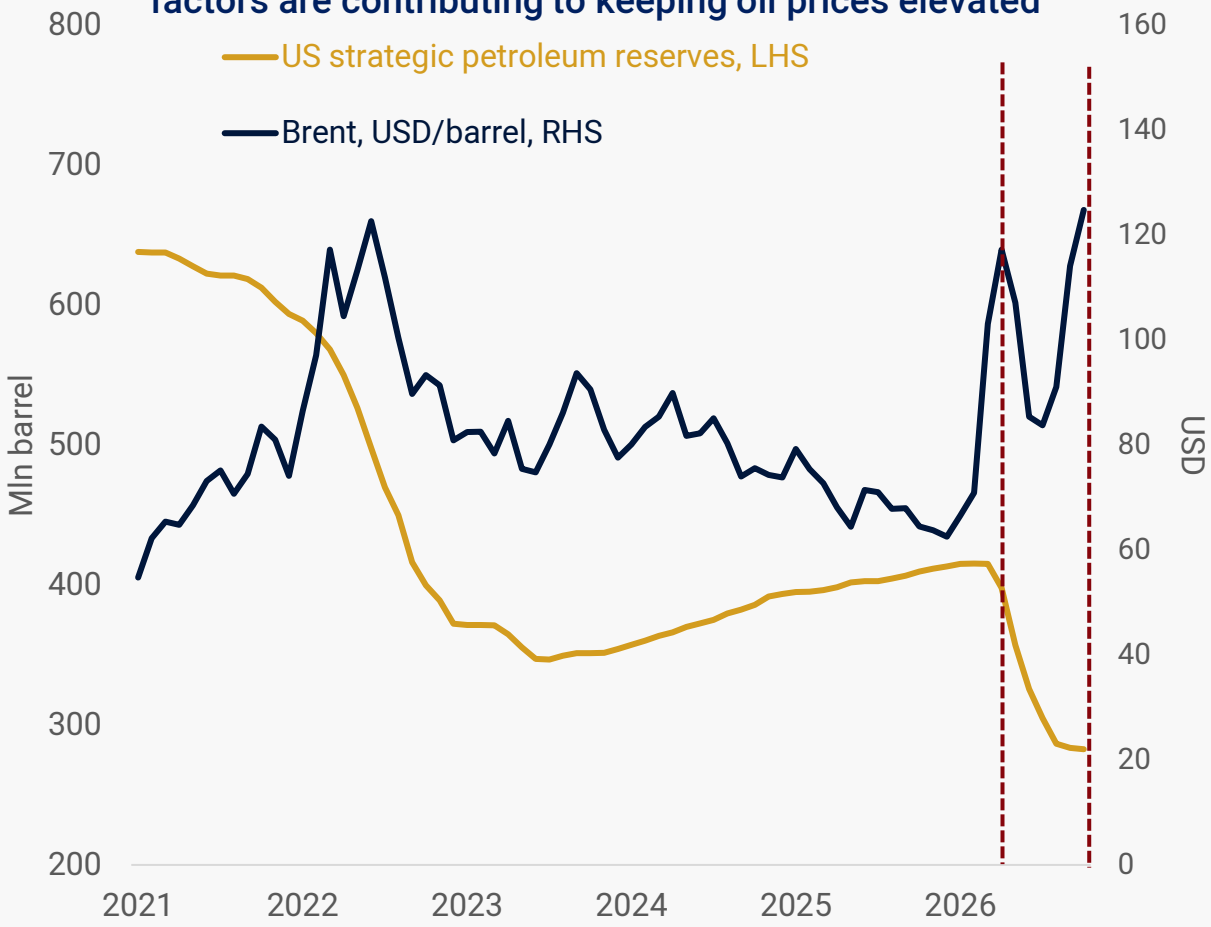


Source: Federal State Statistics Service of Russia (Rosstat)

Amid persistent tensions in the Middle East and concerns over the resilience of supply chains, energy prices have remained elevated, while the gradual drawdown of accumulated inventories has increased market vulnerability to potential new supply shocks

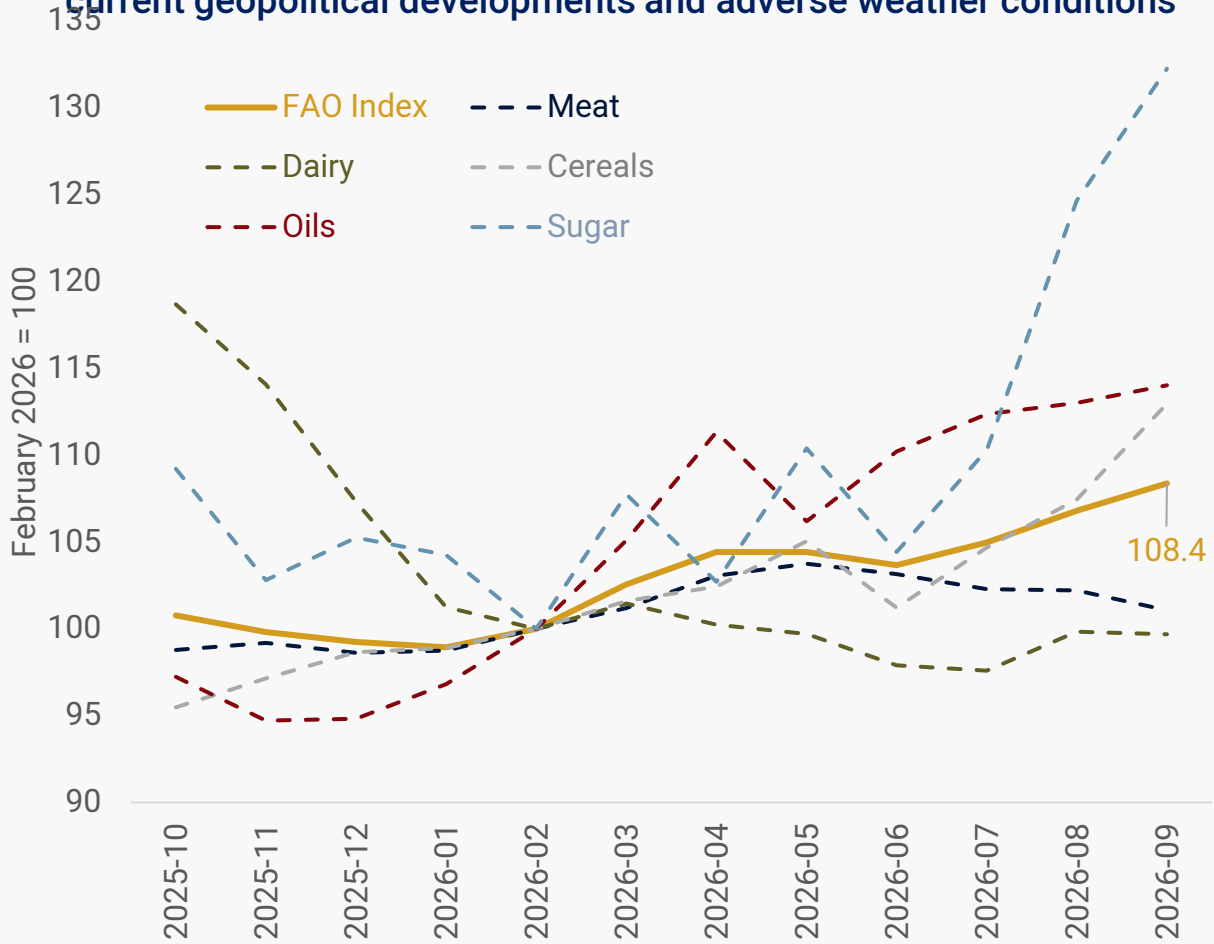
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Nevertheless, strong demand, low levels of strategic reserves, and other factors are contributing to keeping oil prices elevated



Source: EIA

In parallel, global food price inflation has accelerated, reflecting both current geopolitical developments and adverse weather conditions

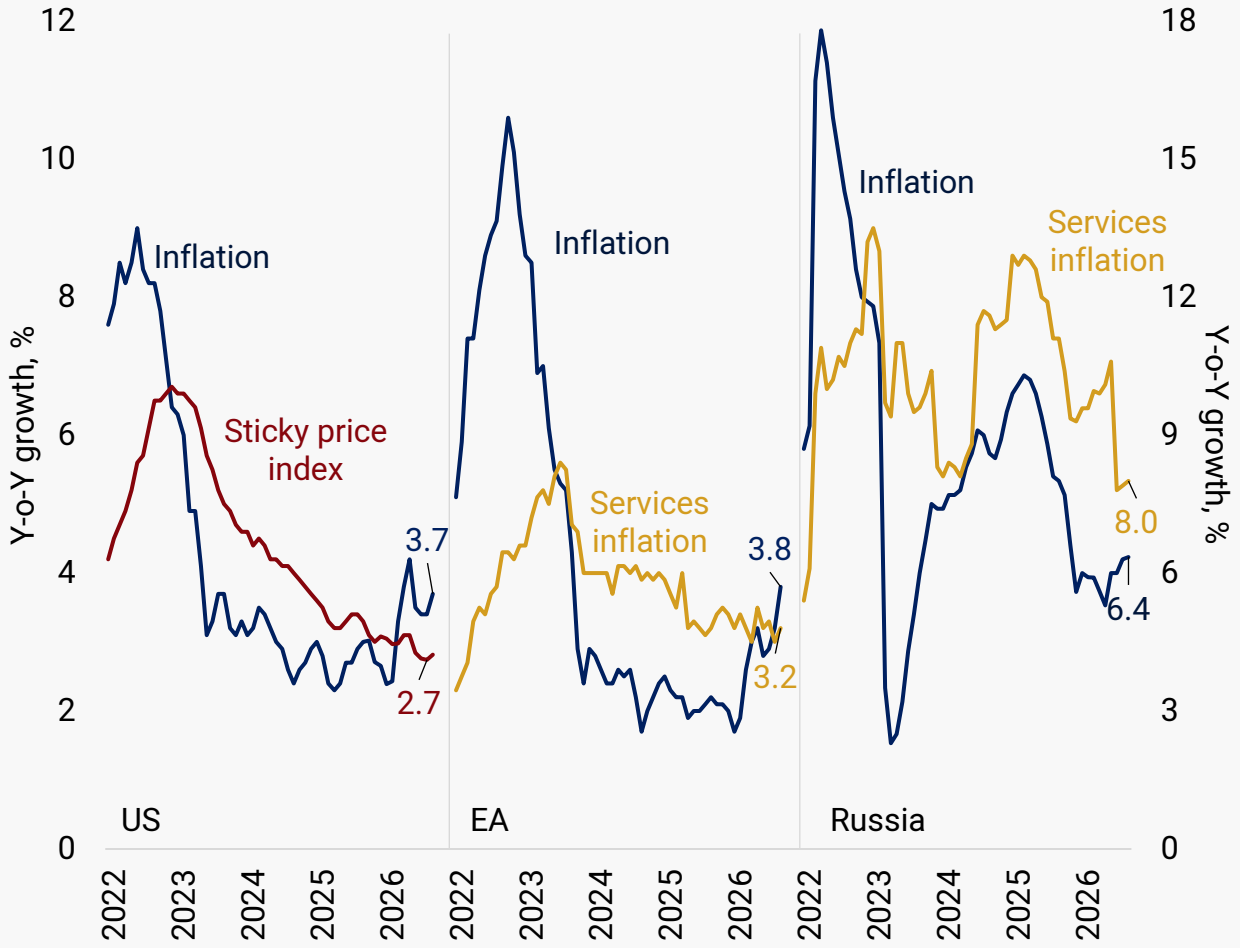


Source: FAO food price index, CBA staff calculations

Against this backdrop, the risks that central banks in major economies may raise policy rates further or keep them at elevated levels for an extended period have become more tangible

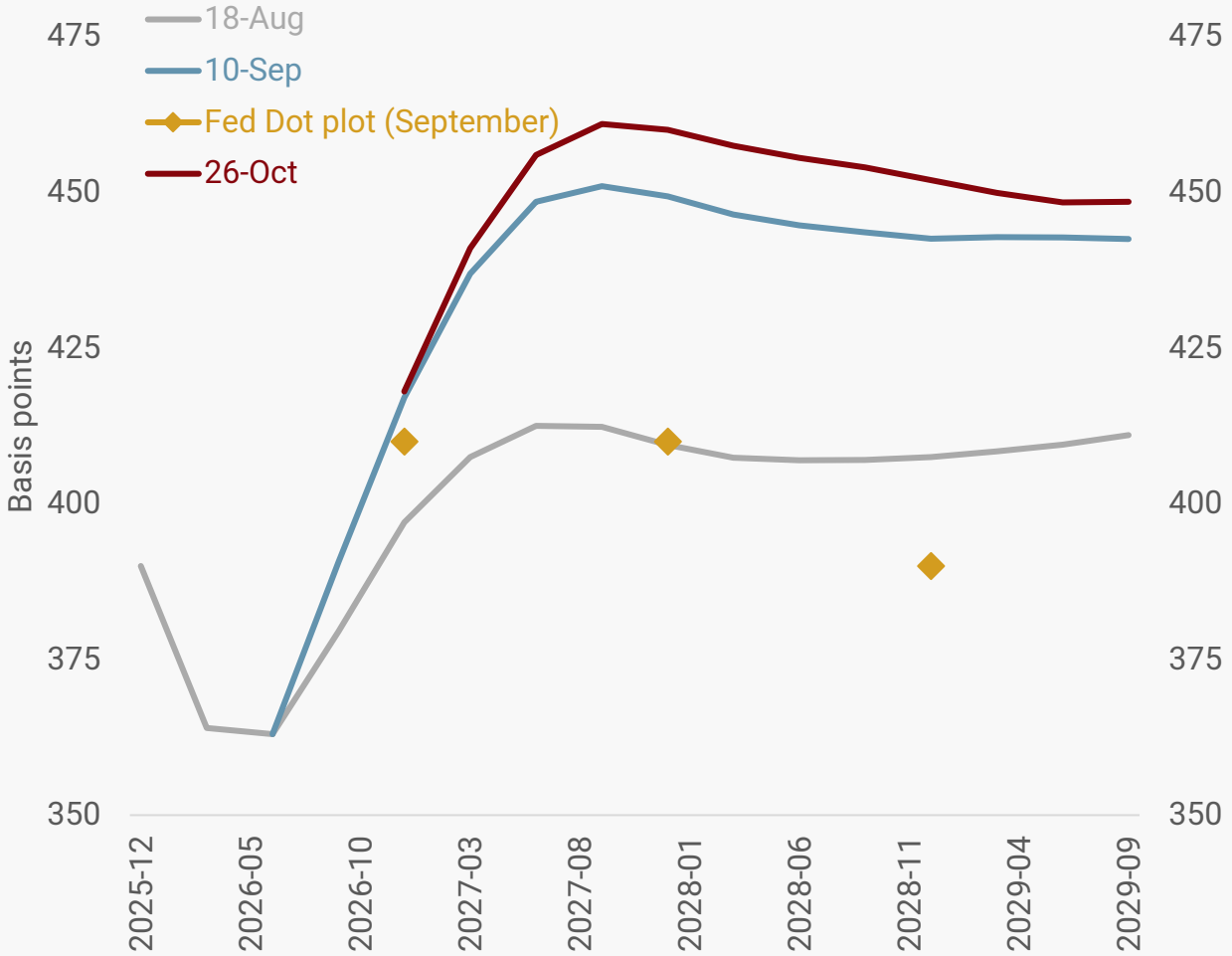
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Headline and core inflation in partner countries



Source(s): Atlanta Fed; Eurostat, Rosstat

Market expectations about the future path of the Fed Funds Rate

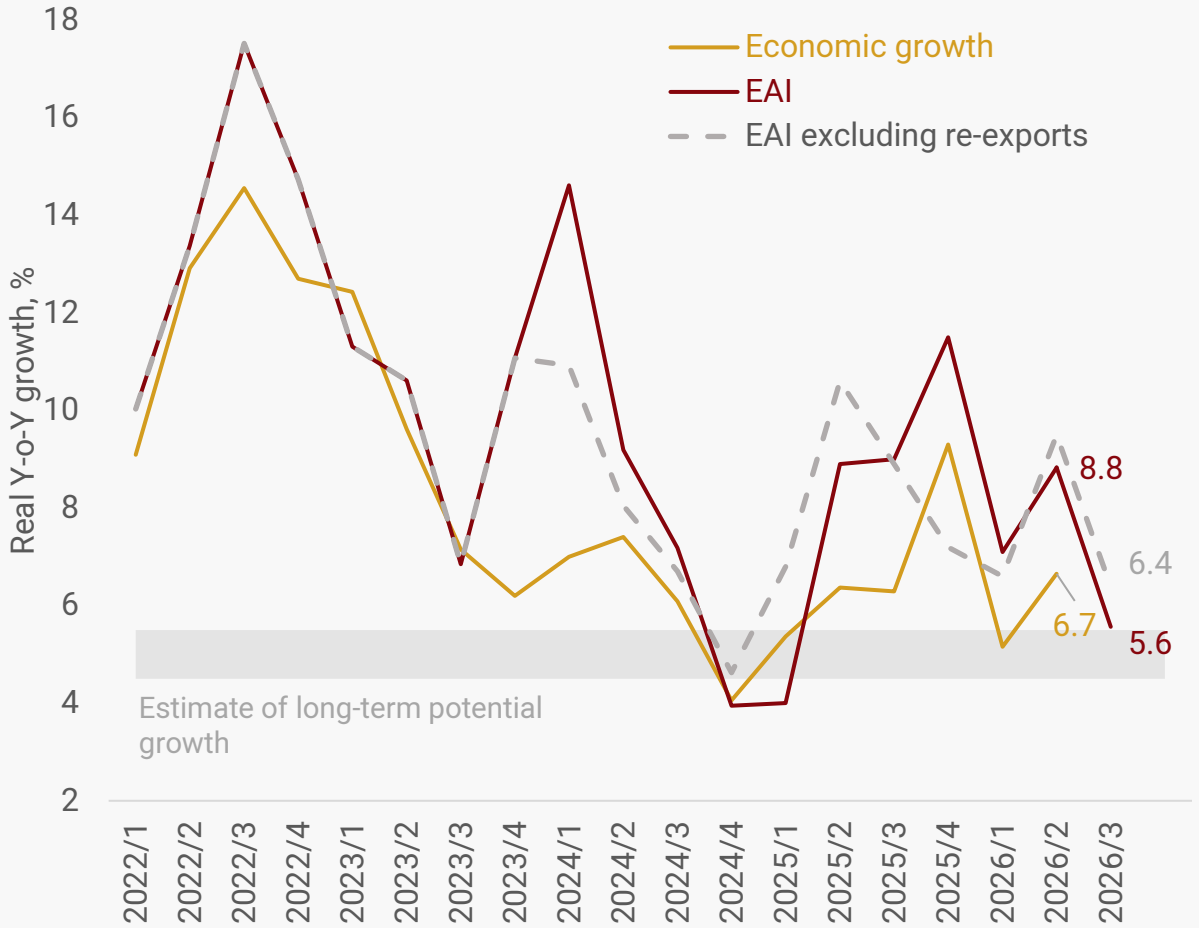


Source: Atlanta Fed

In Q3 2026, economic activity in Armenia slowed somewhat, partly reflecting the continued unwinding of non-structural drivers of growth, but remained above its long-term sustainable level

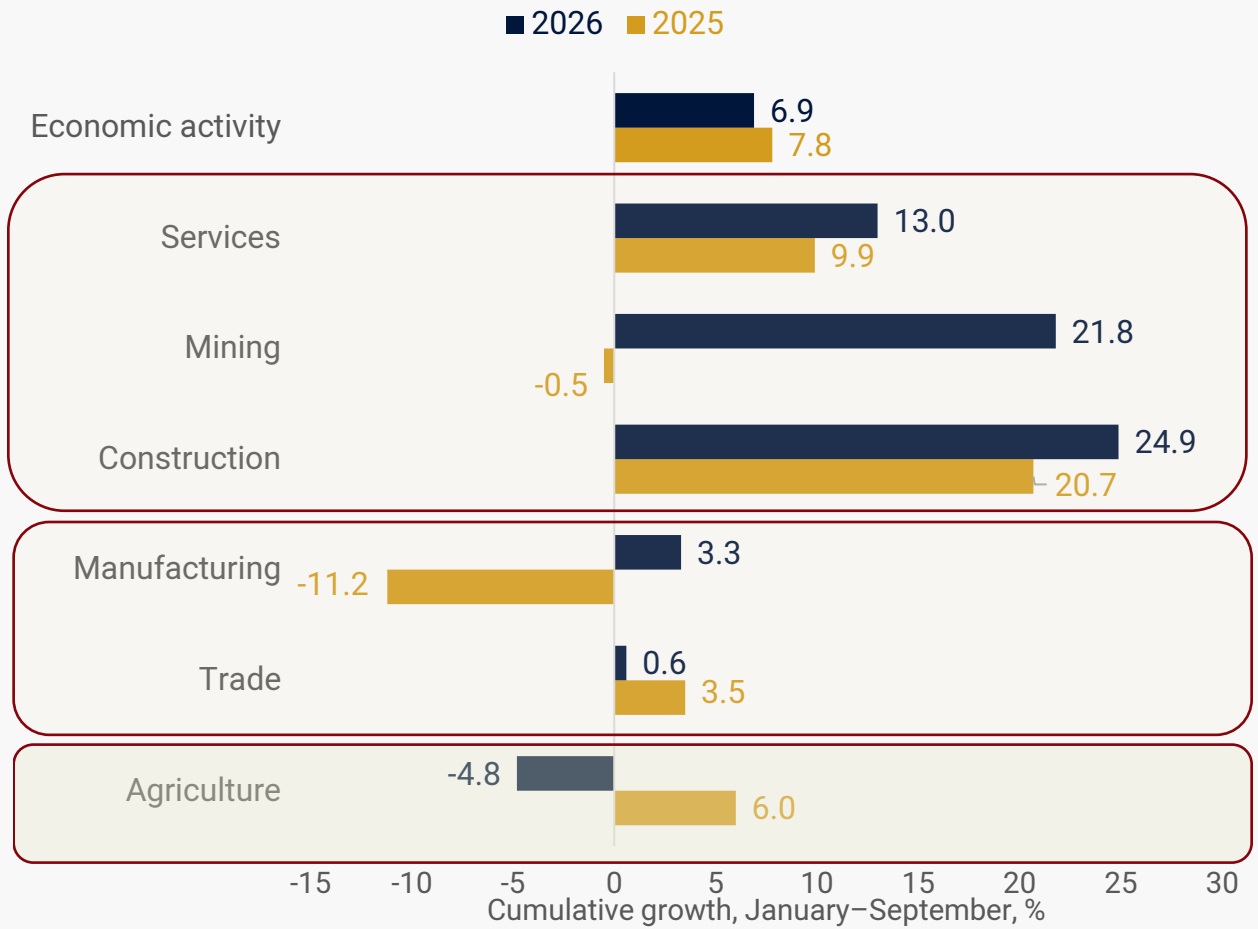
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Economic activity and economic growth



Source: RA Statistical Committee, CBA staff estimates

Economic activity by sector

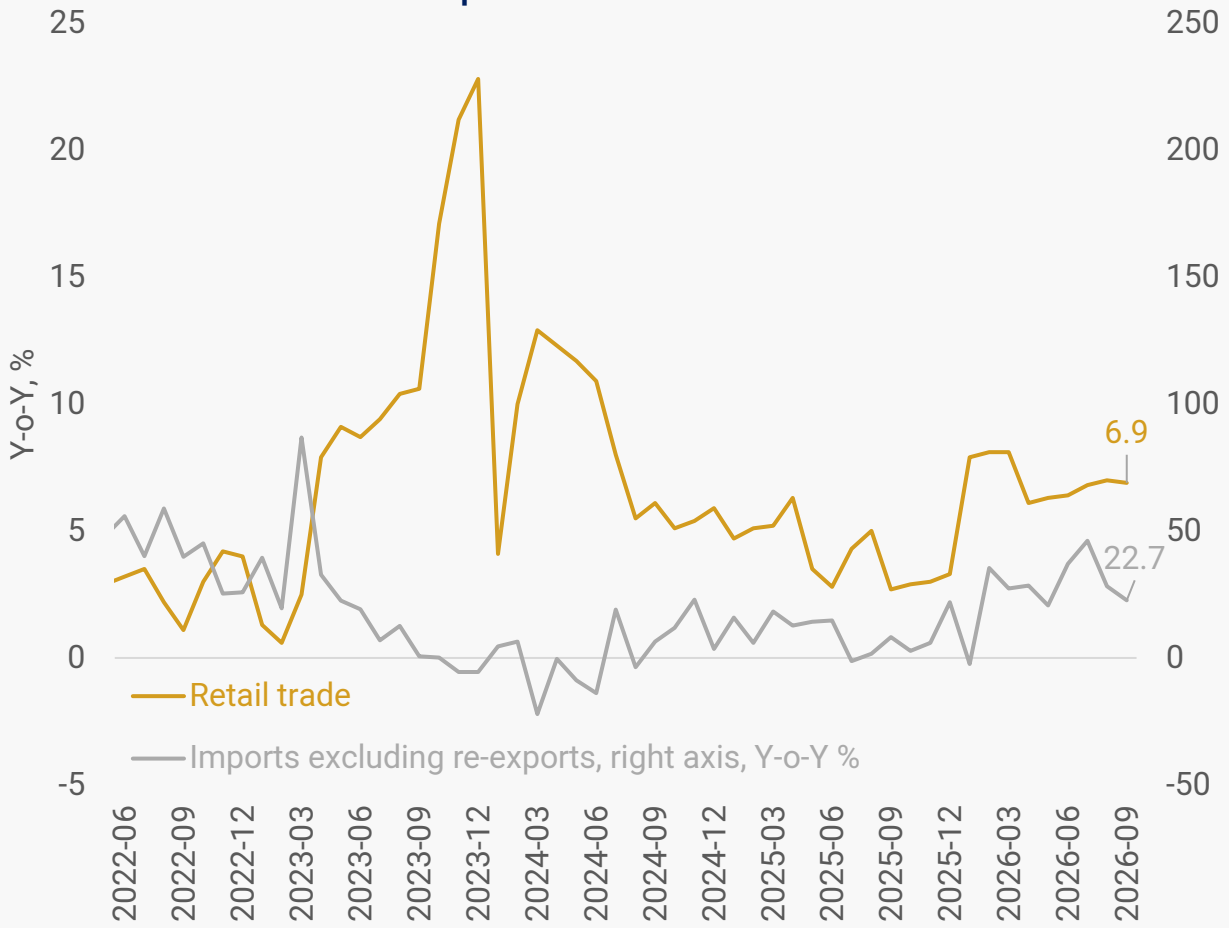


Source: RA Statistical Committee, CBA staff calculations

Growth in economic activity continued to be driven largely by developments in construction and services, pointing to the presence of excess demand conditions

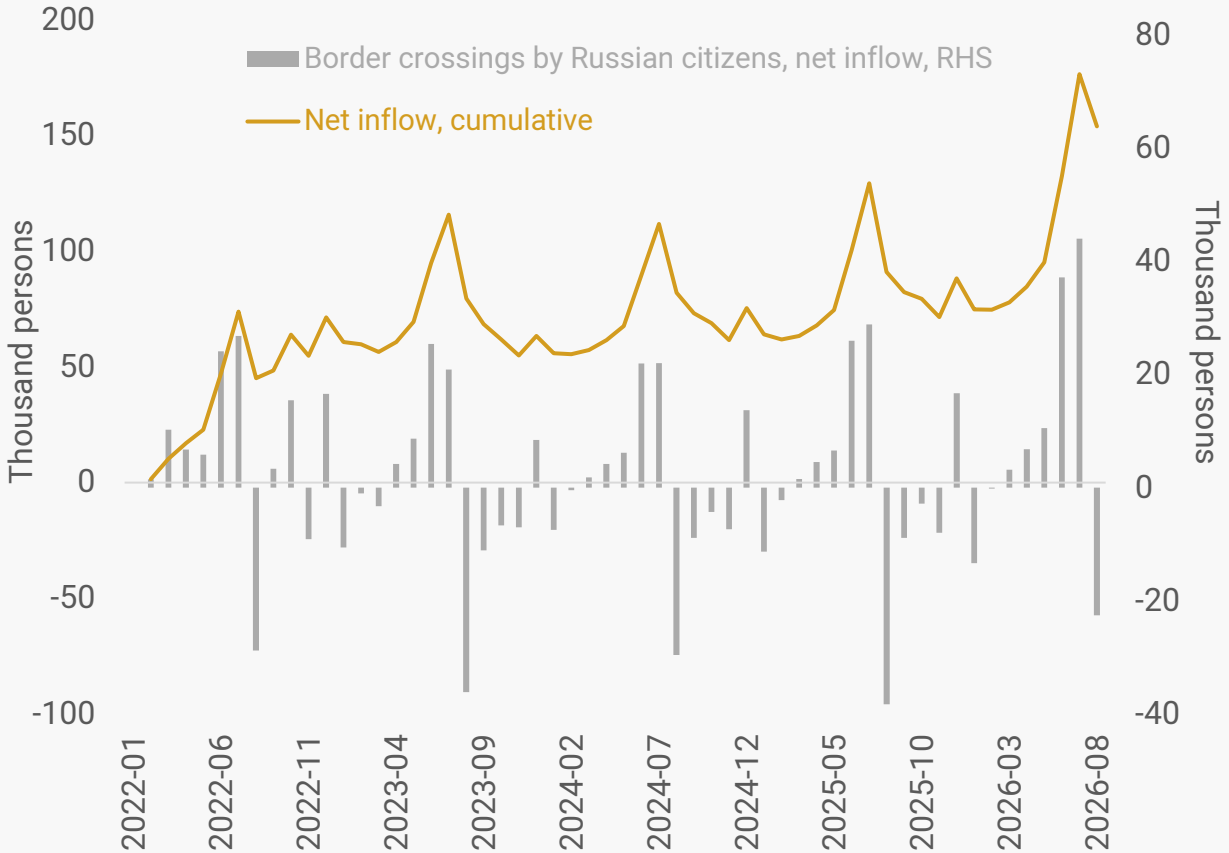
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This is also reflected in strong growth in final consumption goods imports and retail trade



Source: Statistical Committee of the Republic of Armenia

Moreover, there are signs of expanding external demand, primarily reflected in an increase in visits to Armenia and the duration of stays, posing material upside risks to wage growth and services inflation in the relevant sectors

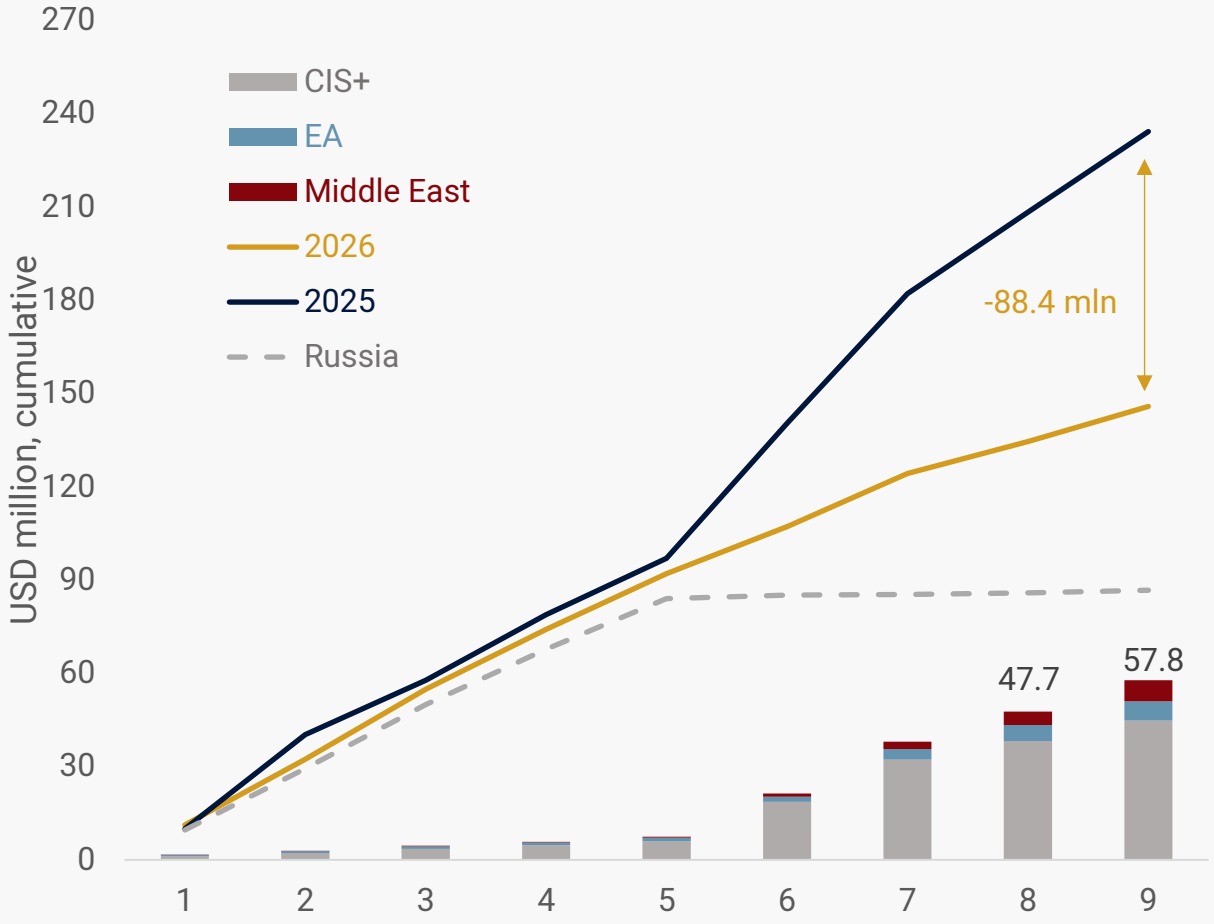


Source: Statistical Committee of the Republic of Armenia

On the other hand, restrictions on exports to Russia continue to pose risks of excess goods supply emerging in the domestic market and weakening consumer and investment confidence

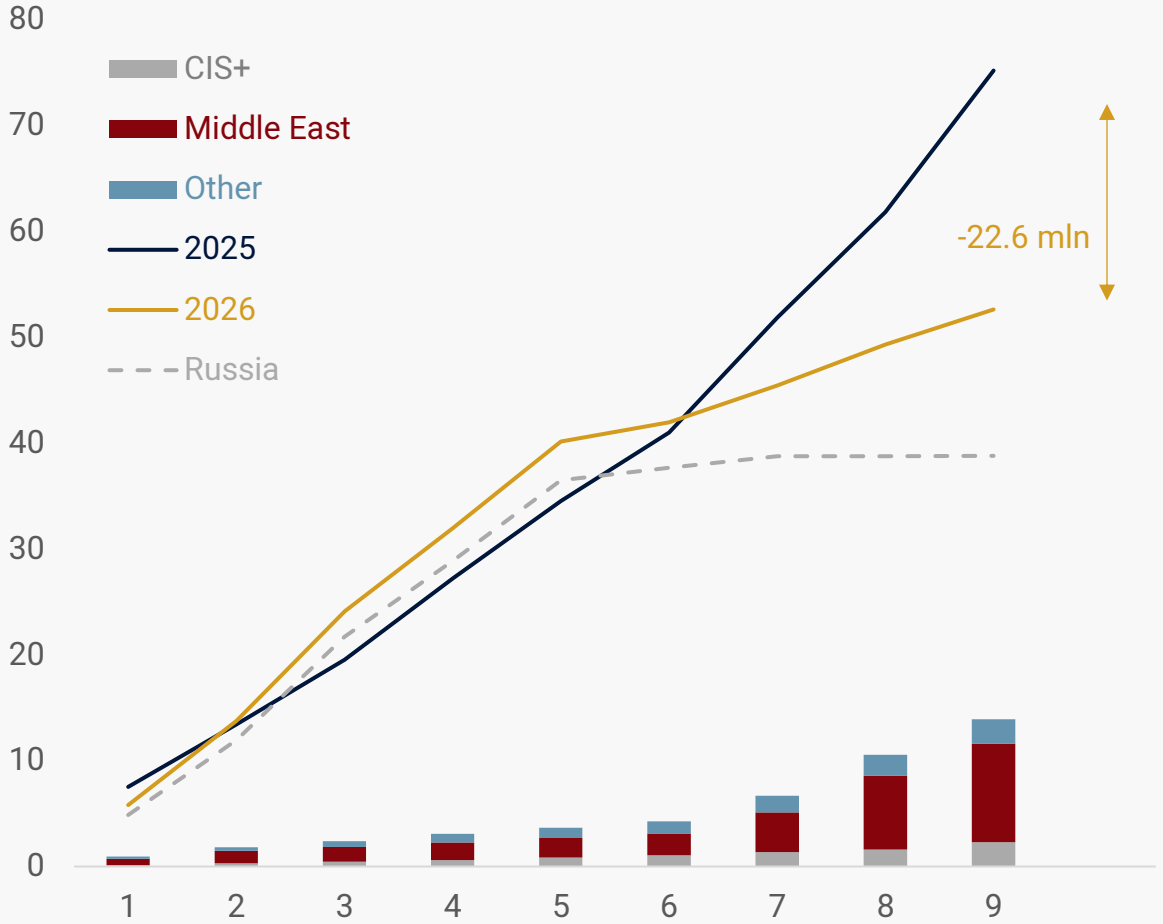
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Exports of plant-based products



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

Exports of animal-based products

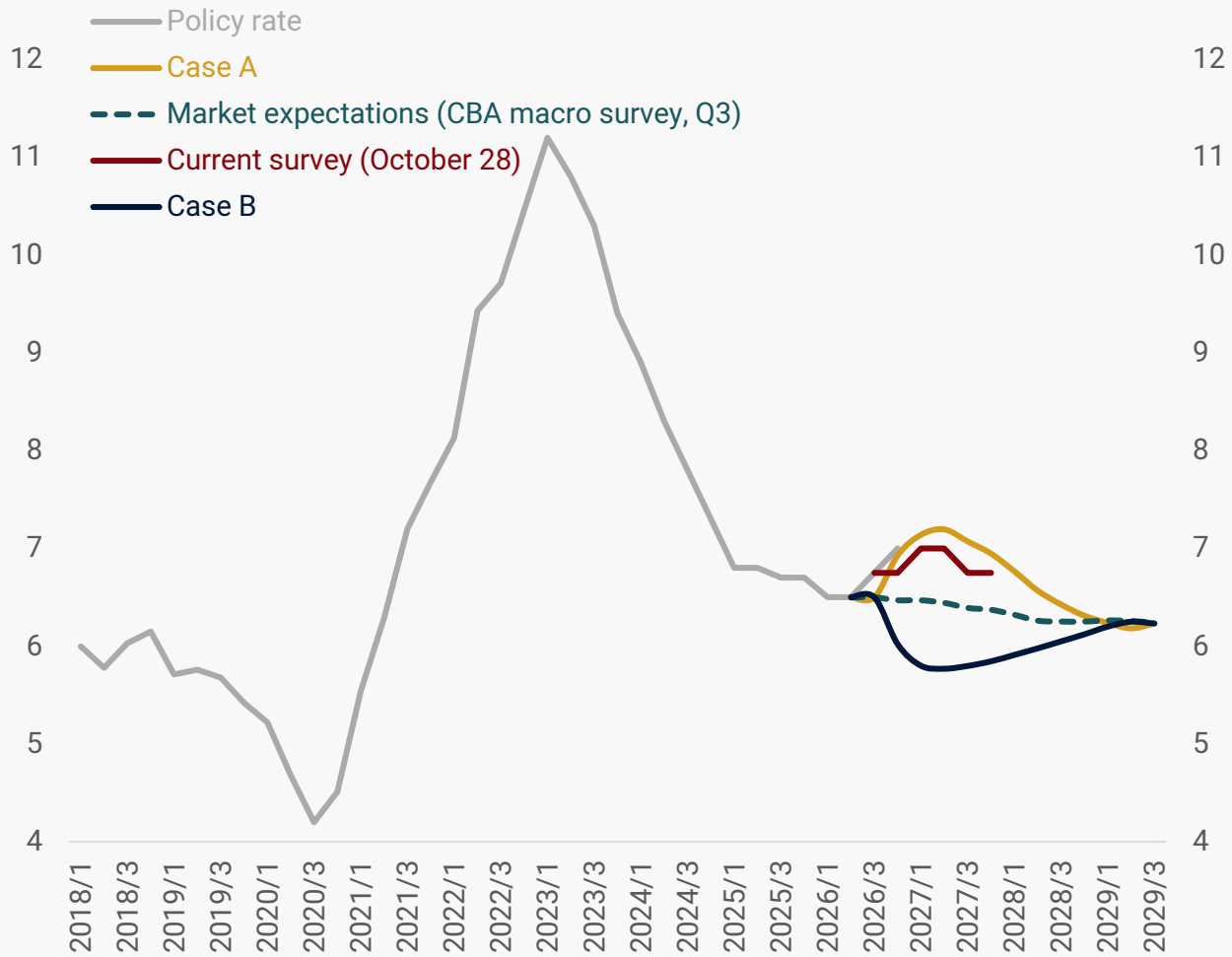


Source: Statistical Committee of the Republic of Armenia, CBA staff calculations

Amid current macroeconomic developments and risks, financial market participants in Armenia expect the CBA to raise the policy rate to 7.0% in the period ahead, followed by a return to the 6.75% level at the end of the short-term horizon

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Illustrative scenarios – 2026 Q3



Source: CBA

Case A-type scenarios, including:

- Increase in neutral interest rates in the global economy,
- Stronger demand conditions in the domestic economy,
- Risks of continued intensification of inflationary pressures amid persistent regional conflicts.

Case B-type scenarios, including:

- Prospects of slower global economic growth,
- Weakening of investment and consumer confidence amid uncertainty surrounding the future of economic relations with Russia,
- A fundamental decline in Armenia's country risk premium.

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As a result, emphasizing the need to manage the macroeconomic implications stemming from Case A-type scenarios, the Board of the Central Bank of Armenia decided to increase the policy rate by 0.25 percentage points, setting it at 7.0%.

The Board will continue to monitor scenarios for economic developments and stands ready to take appropriate actions to ensure the 3% inflation target and price stability in the medium term.



Thank You