

Հայաստանի
Հանրապետության
կենտրոնական բանկ

Monetary Policy Outlook

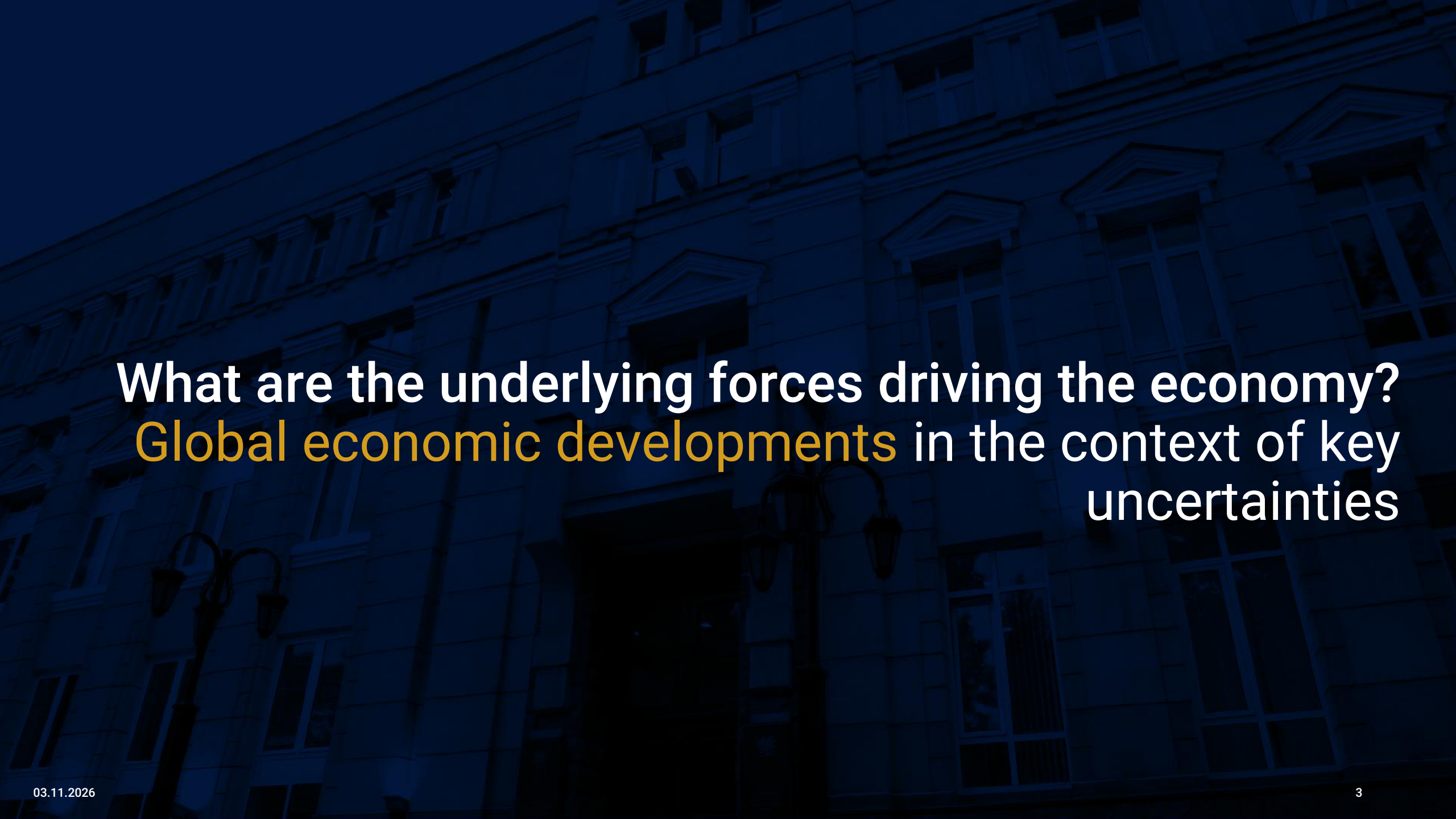
3 November 2026



Central Bank of Armenia

Monetary Policy Outlook

3 November 2026

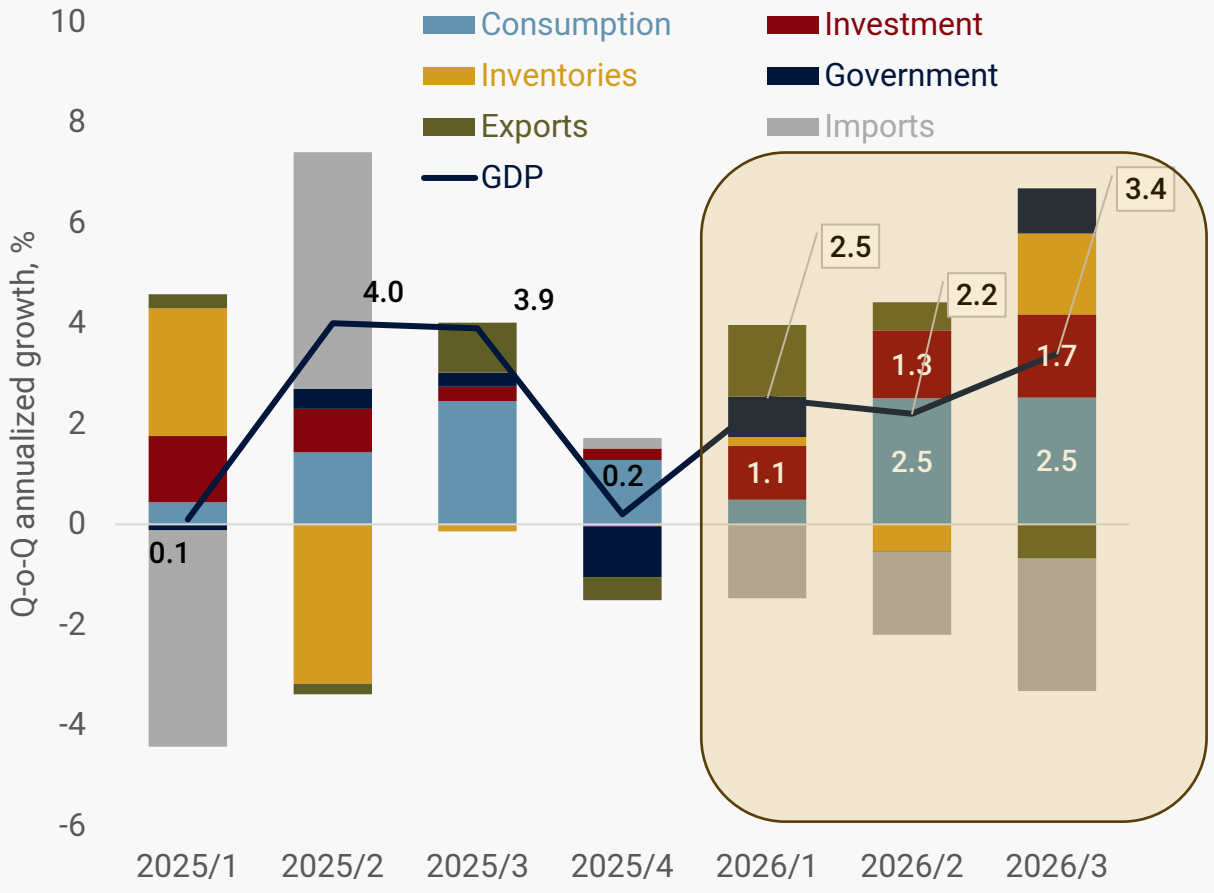


What are the underlying forces driving the economy? Global economic developments in the context of key uncertainties

US: Economic growth has accelerated and remains high despite persistently high geopolitical and economic uncertainty

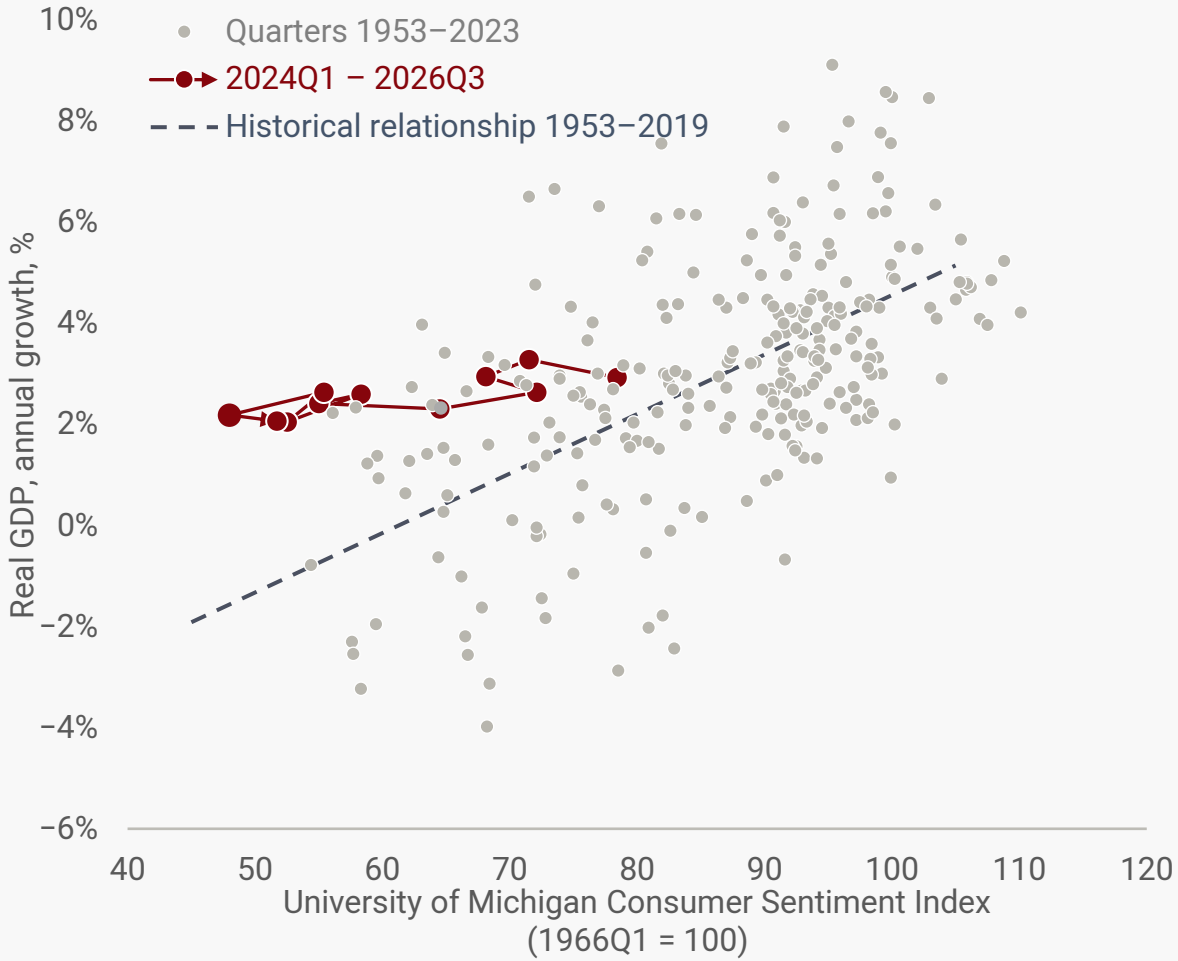
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Private demand continues to be the main driver of the US economy



Source: US Bureau of Economic Analysis

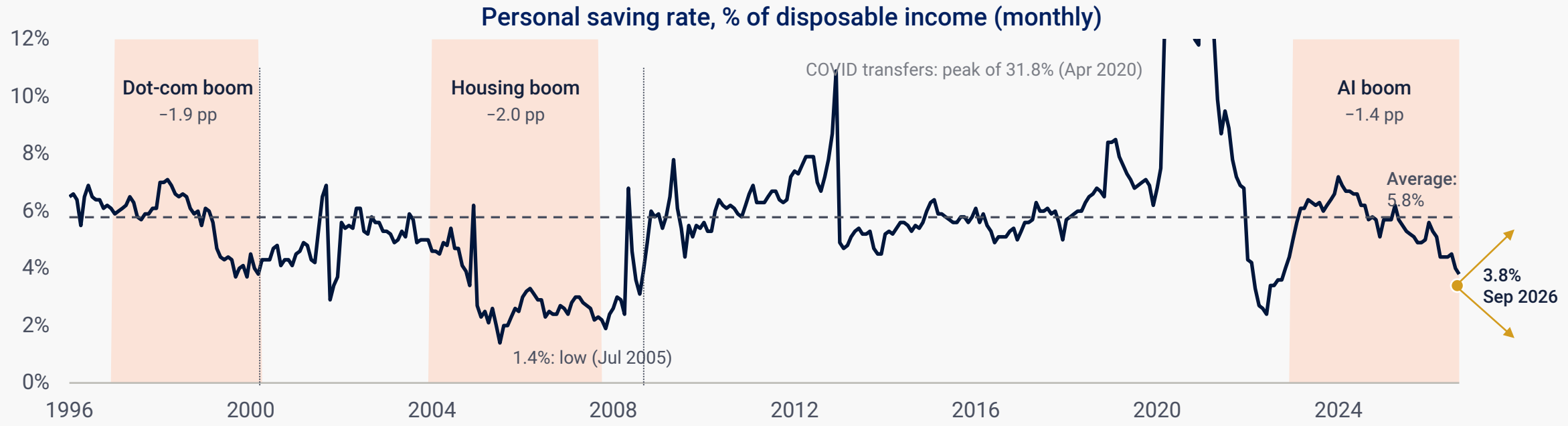
Consumer sentiment and real GDP growth

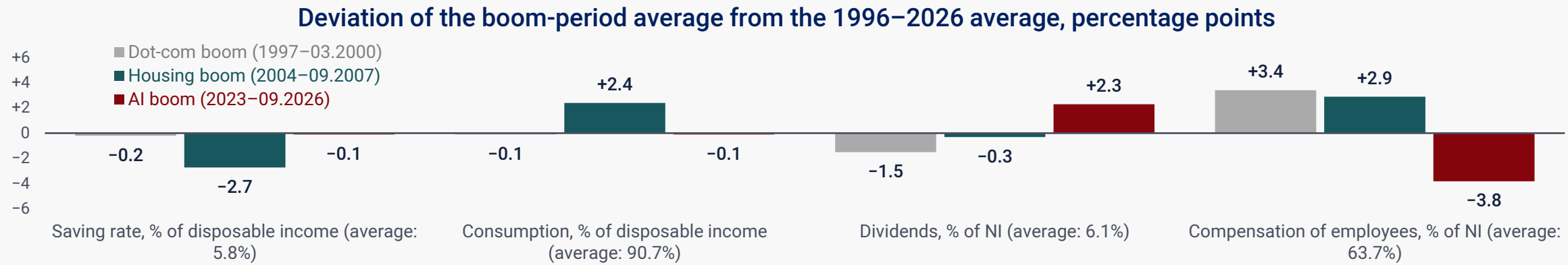


Source: FRED (St. Louis Fed), University of Michigan (UMCSENT)

Is current strong demand being driven by "over-optimistic" expectations about the future?

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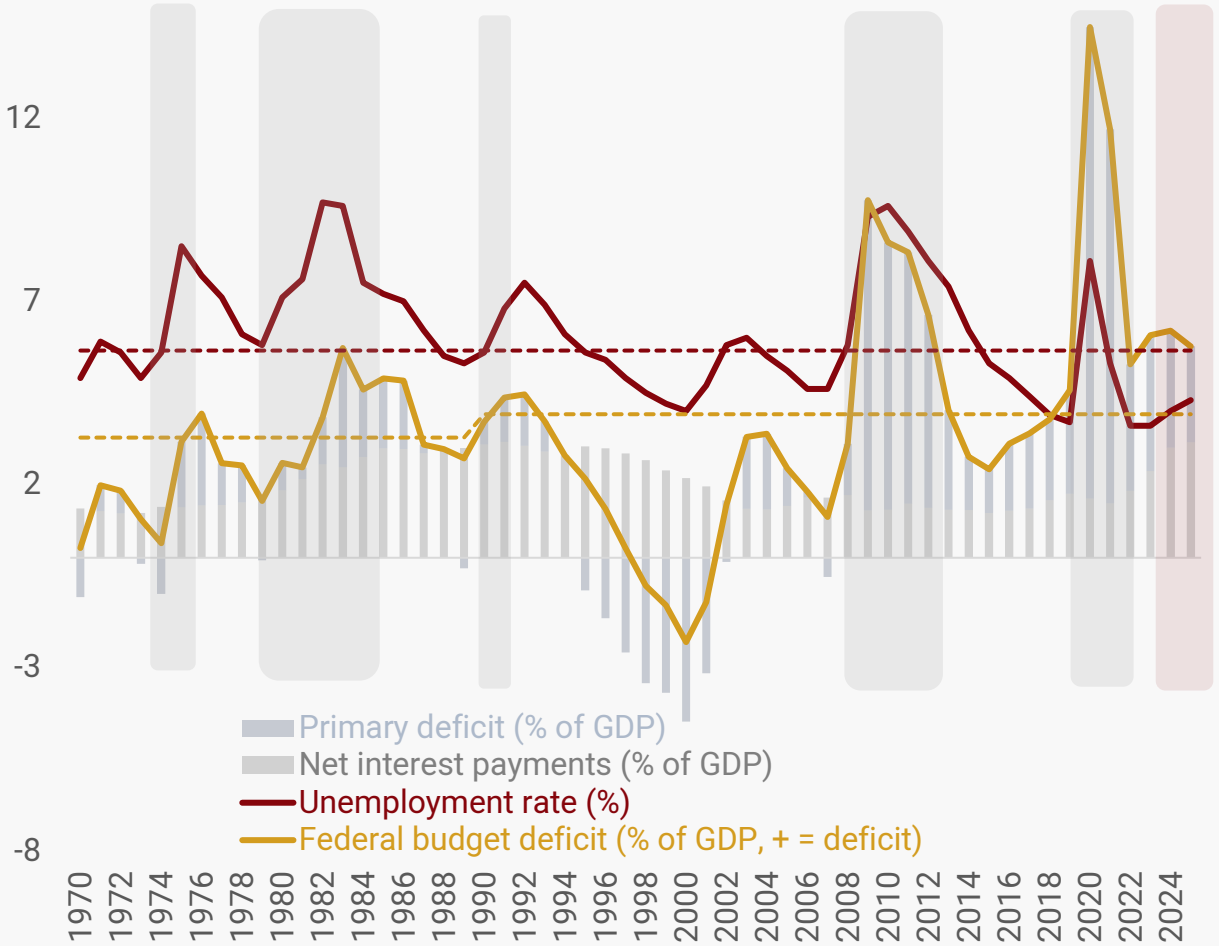


Source: BEA, NIPA Table 2.6

On the other hand, risks to fiscal sustainability are gradually intensifying, posing upside risks to the long-term neutral interest rate

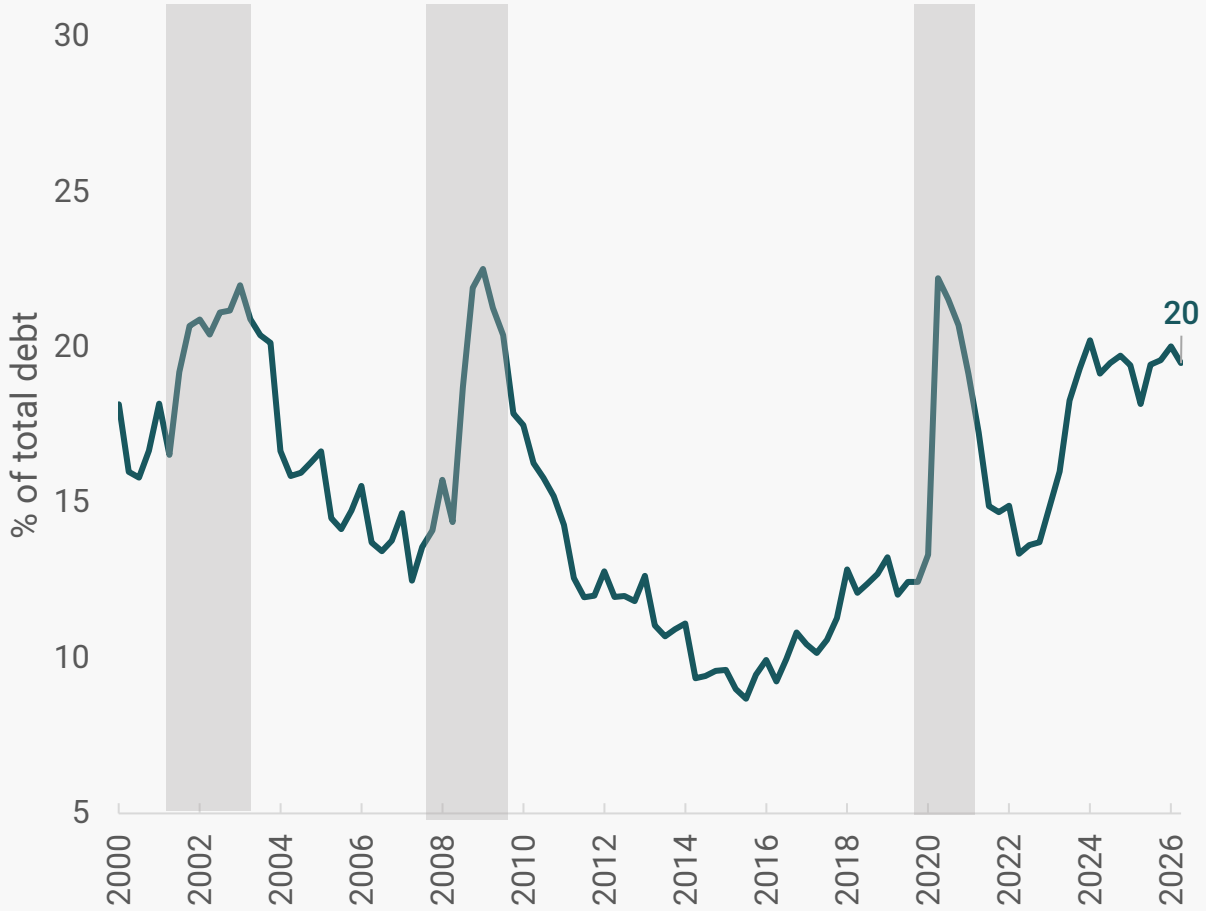
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Since 1970, only in 2022–2025 has the deficit exceeded 5% of GDP with unemployment below 4.5%



Source: Federal Reserve Economic Data (FRED), US Bureau of Labor Statistics

The deficit is increasingly financed with short-term debt

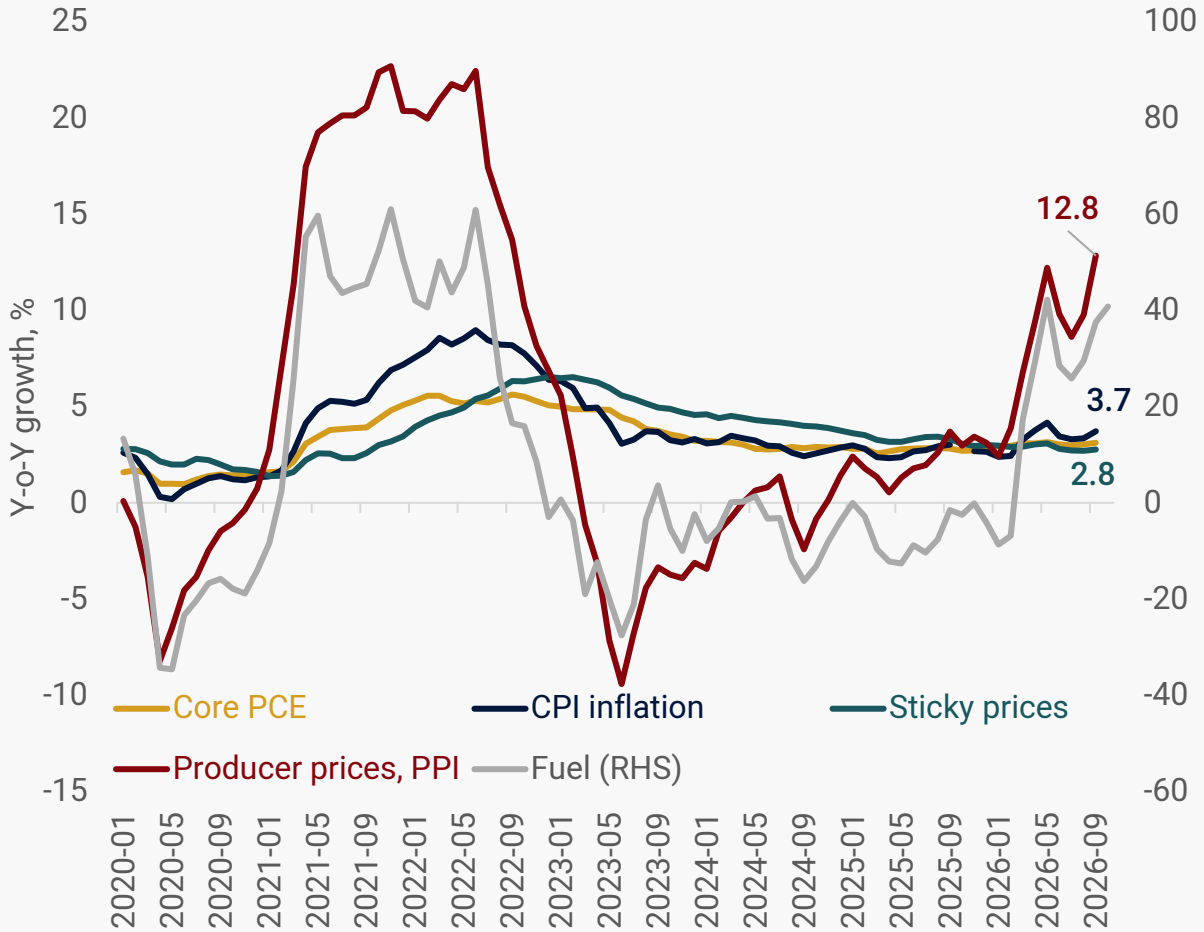


Source: Federal Reserve Economic Data (FRED), CBA calculations

Under these conditions, financial markets expect further policy rate increases and anticipate that they will remain at relatively high levels

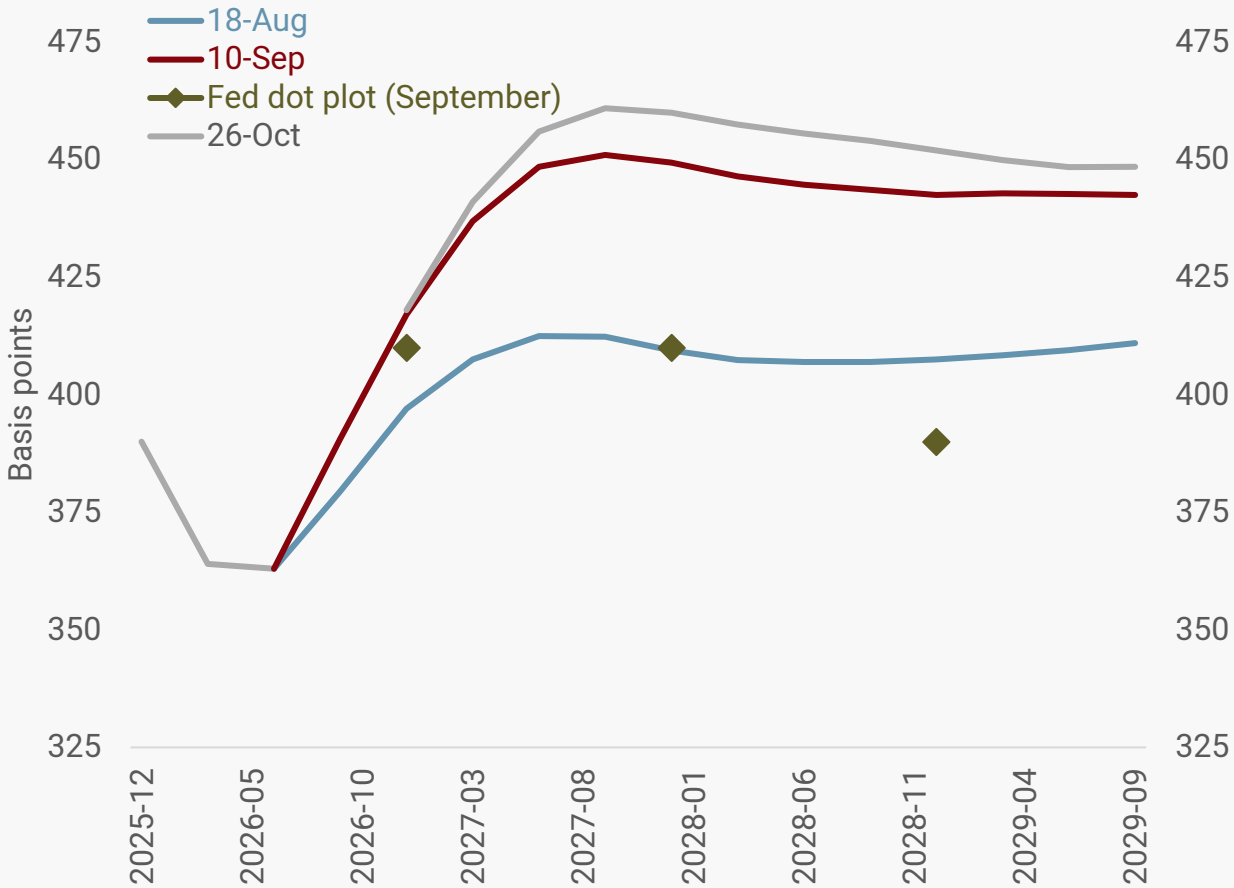
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Rising energy prices continue to be reflected in inflation dynamics



Source: US Bureau of Labor Statistics

Market participants have revised their expectations for the Fed policy rate path upward

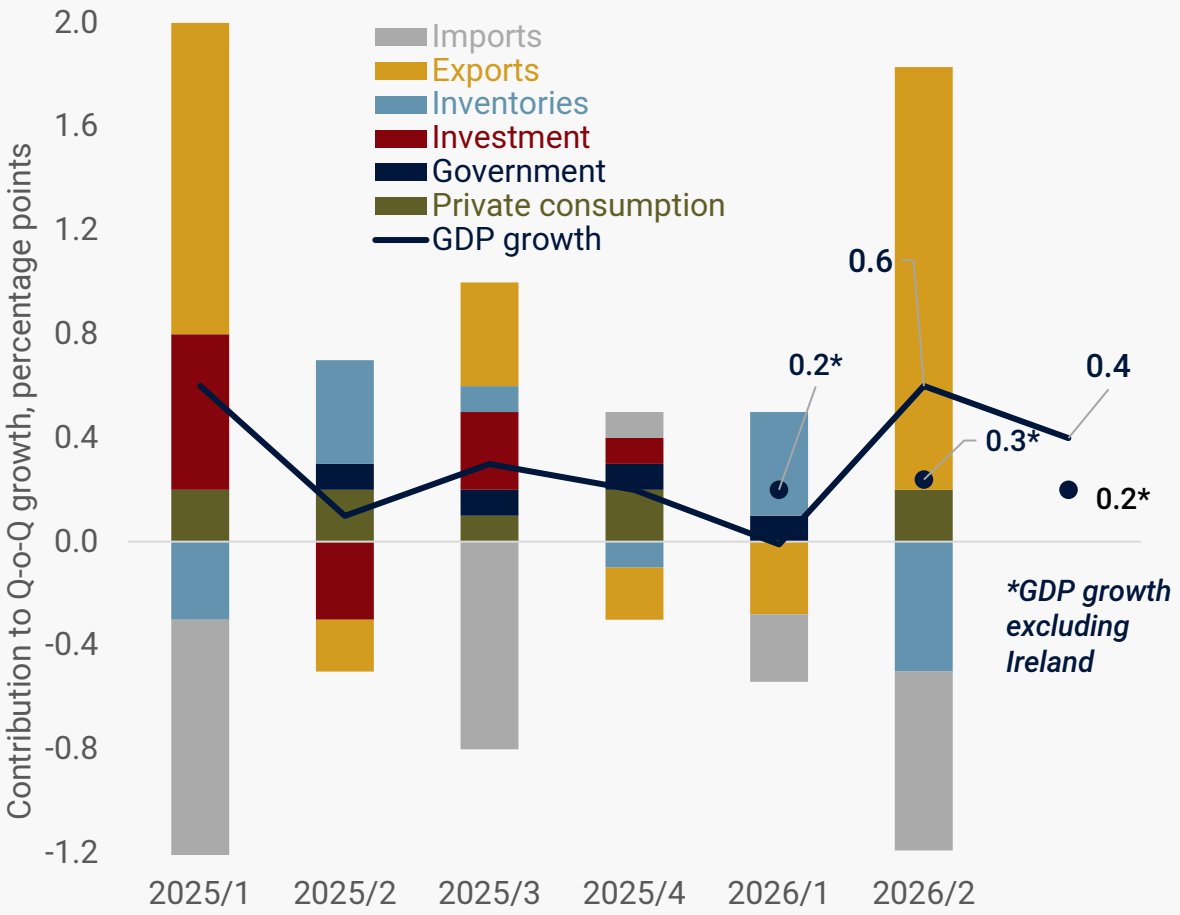


Source: Federal Reserve Bank of Atlanta

EA: Despite positive expectations for investment in infrastructure and the defense industry, structural challenges continue to weigh on the growth outlook

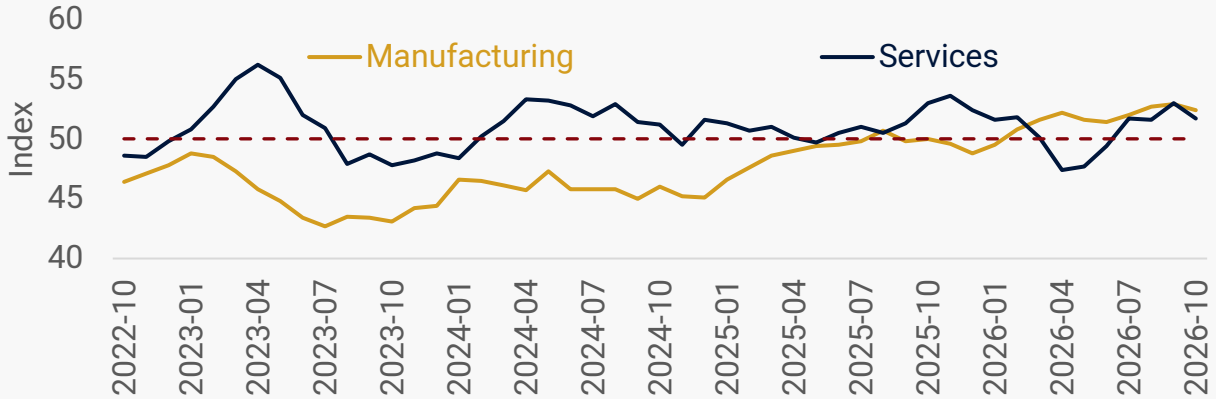
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Economic growth remains subdued overall

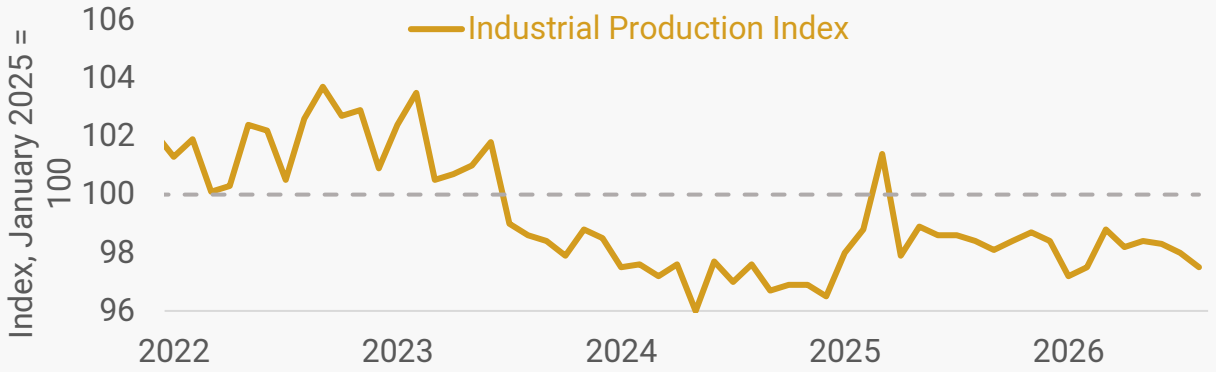


Source: Eurostat. Note (*): economic growth excluding Ireland

Although PMIs point to improving sentiment and expectations…



…there are still no clear signs that they are fully feeding through to the economy

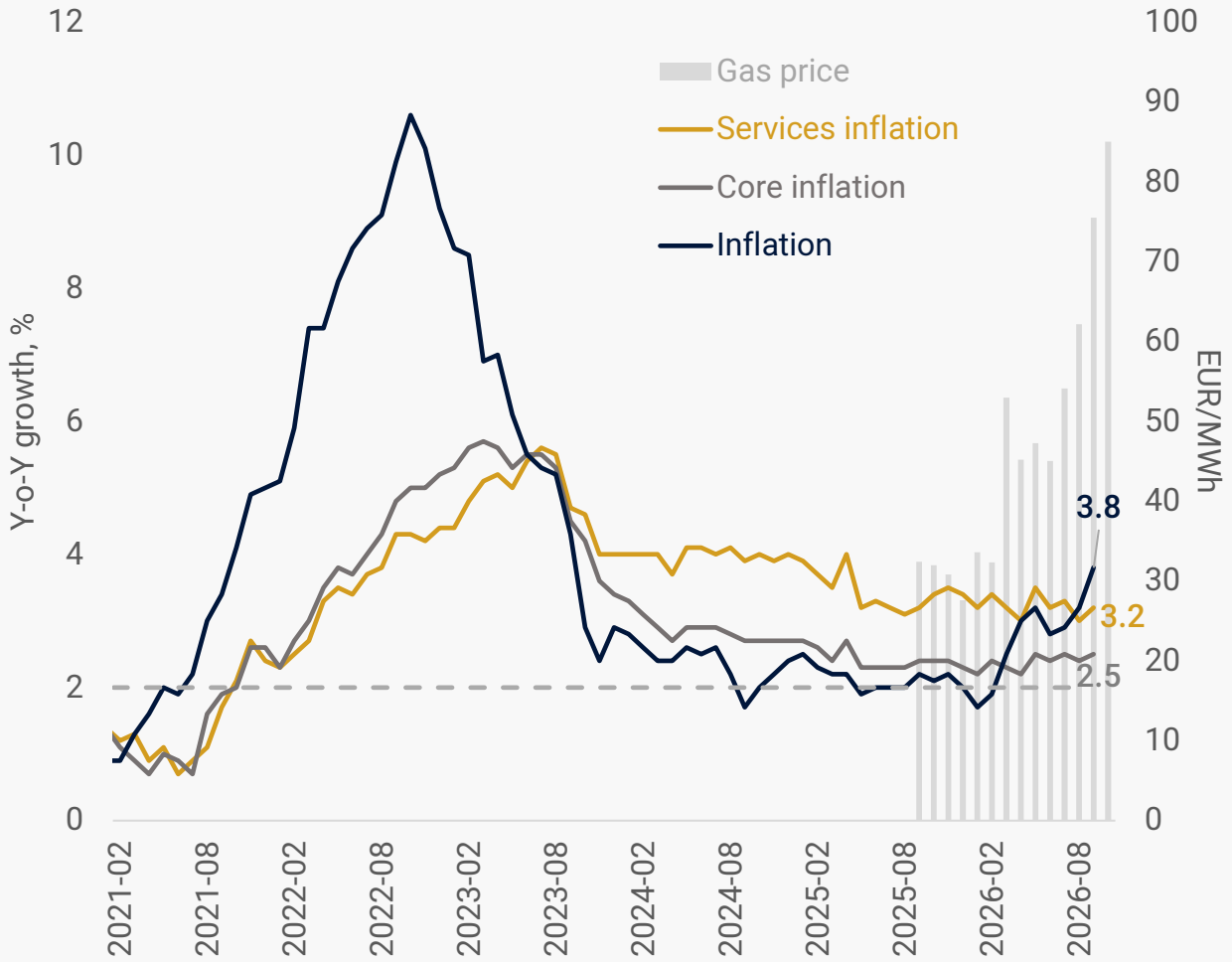


Source: ECB Data Portal

On the other hand, the continued substantial rise in fuel prices has amplified the risk of second-round inflationary effects in the EA

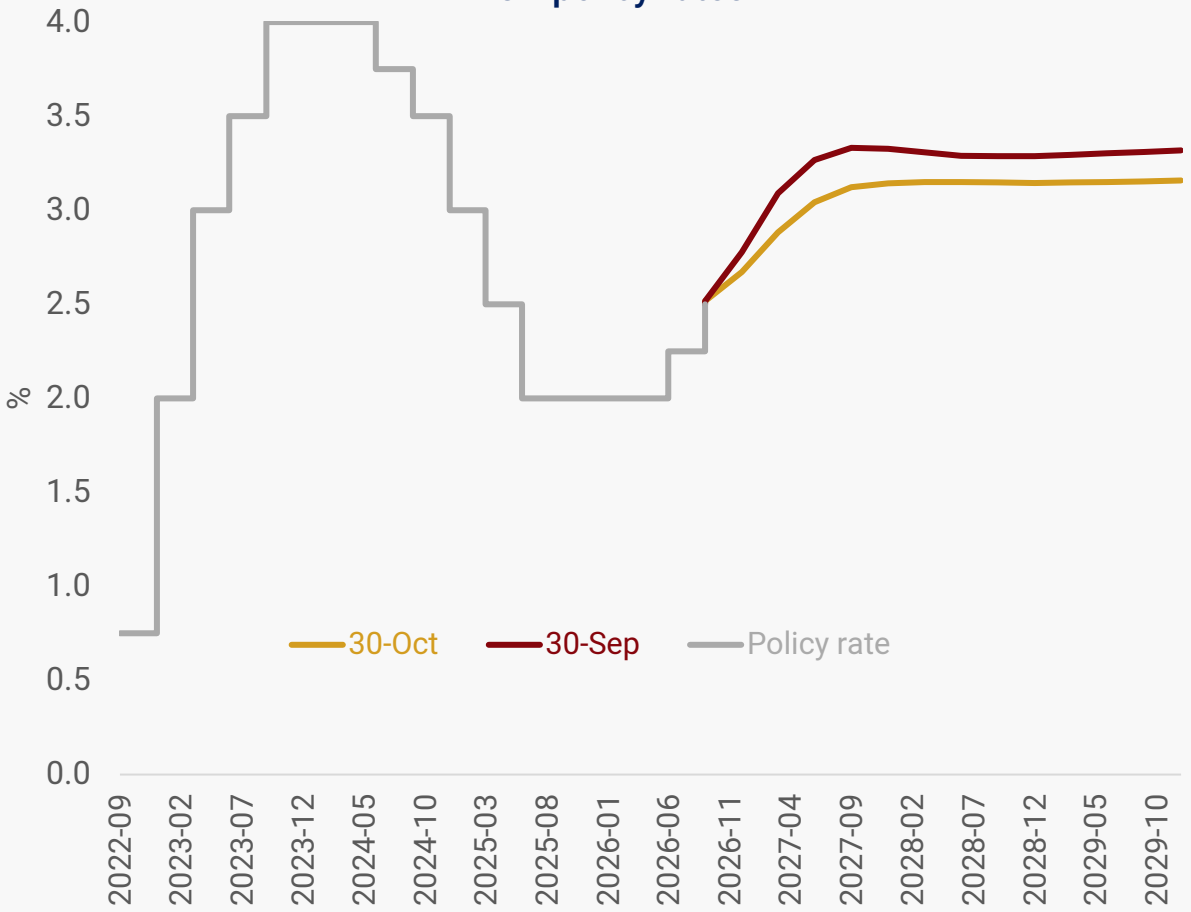
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Rising energy prices continue to be reflected in inflation dynamics



Source: Eurostat

Financial markets expect in a further increase of around 50 basis points in ECB policy rates

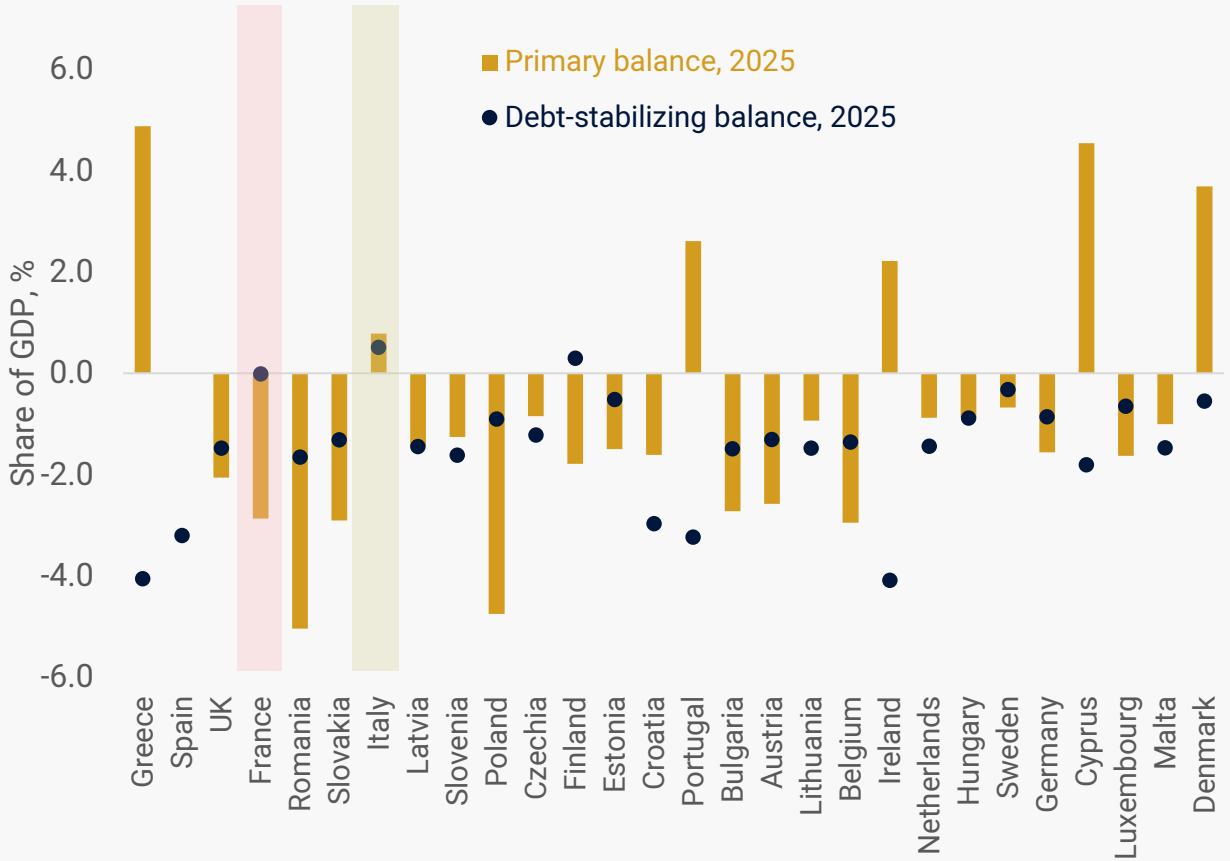


Source: ECB; Financial Times; Monetary Policy Radar

EA: Amid tightening monetary conditions, the continued build-up of fiscal risks, particularly in some economies, is contributing to a sharper rise in long-term interest rates

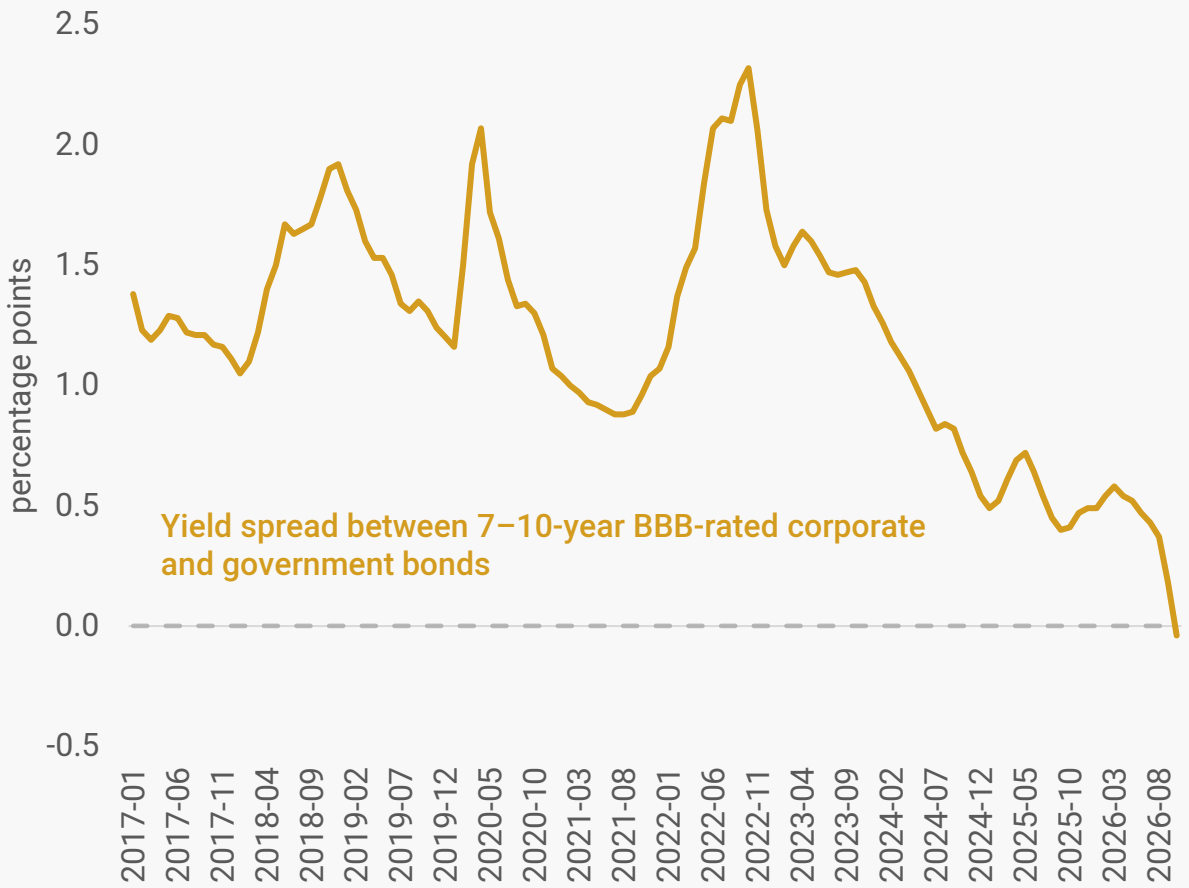
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Will France be able to implement the adjustment needed to move onto a sustainable fiscal path?



Source: ECB, national statistical offices, CBA estimates

The shift in investor sentiment is most pronounced in France, where private companies now borrow more cheaply than the government



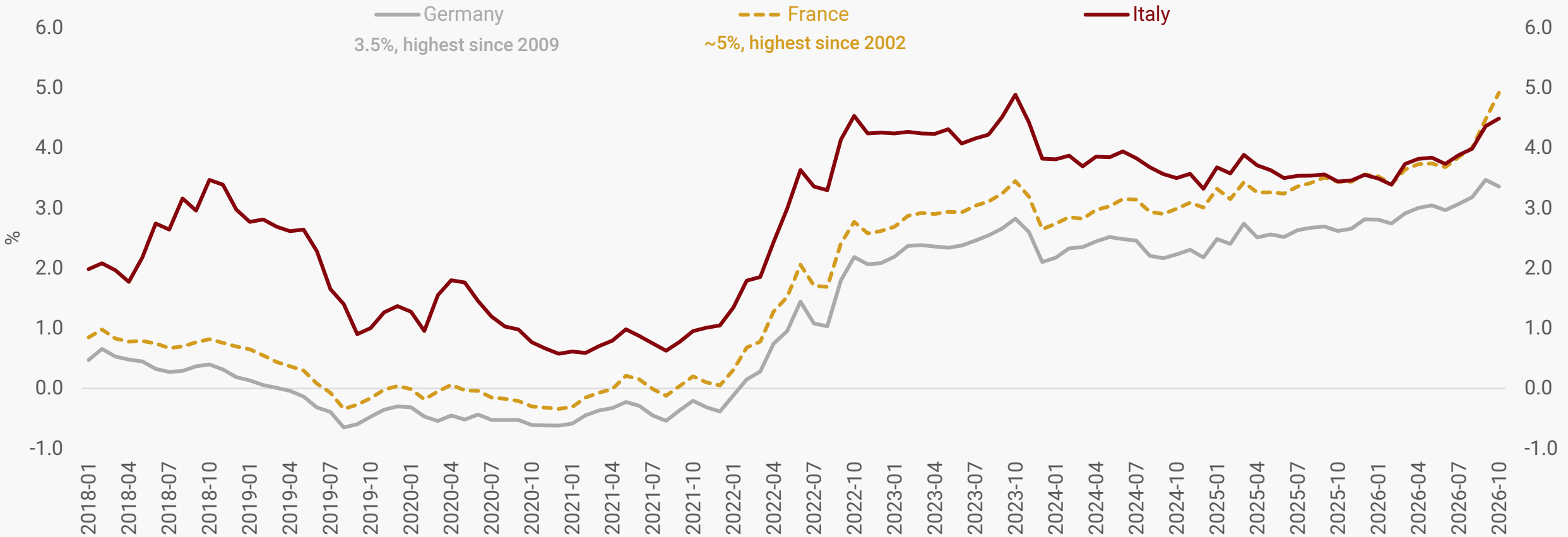
Source: Bloomberg

Will fiscal problems continue to deepen, also eroding investment and consumer confidence in the EA?

Will this also lead to tighter financial conditions in emerging markets?

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In advanced economies, long-term yields have risen across the board, reflecting a reassessment not only of the expected interest rate path but also of long-term risks

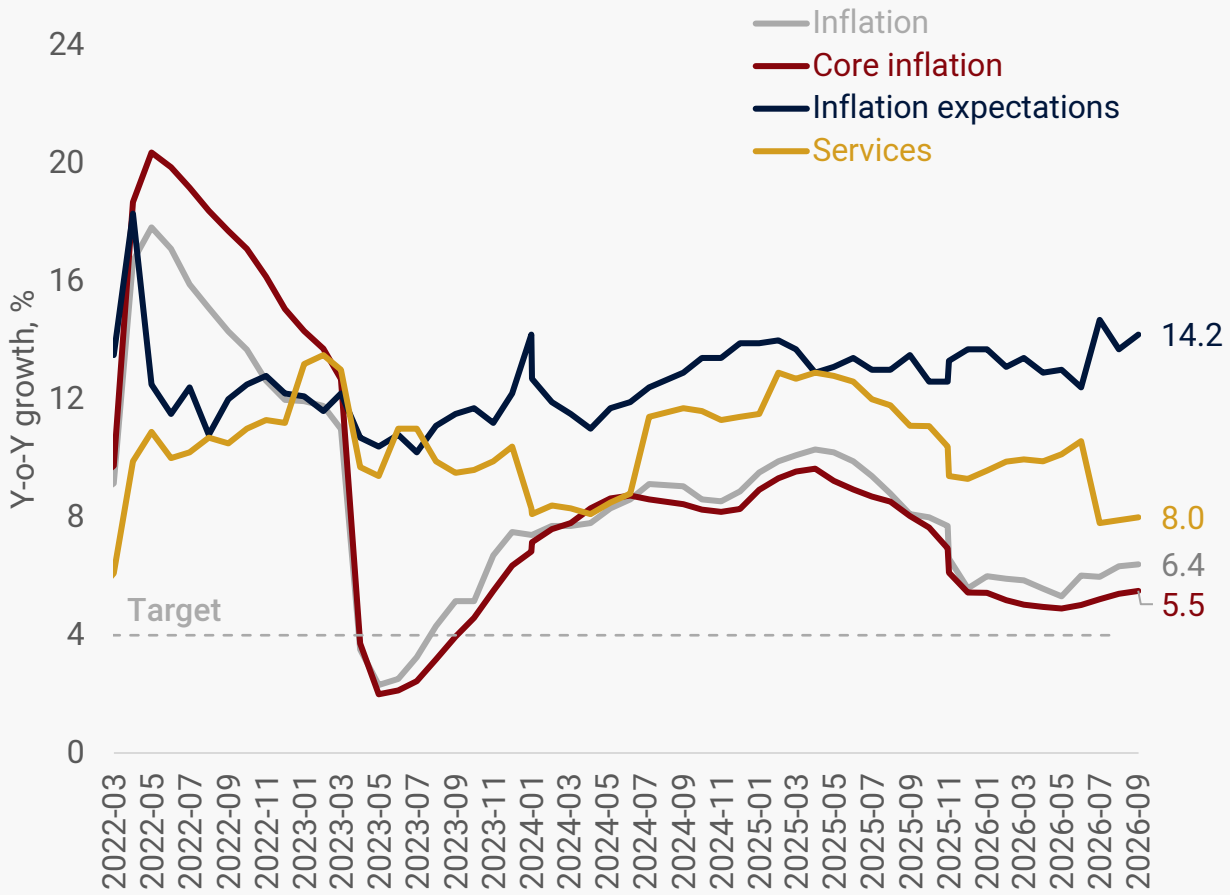


Source: Federal Reserve Economic Data (FRED), OECD, Trading Economics; monthly averages, October 2026 as of 29.10.2026

Russia: High global oil prices could support further demand growth in Russia, including by expanding fiscal space

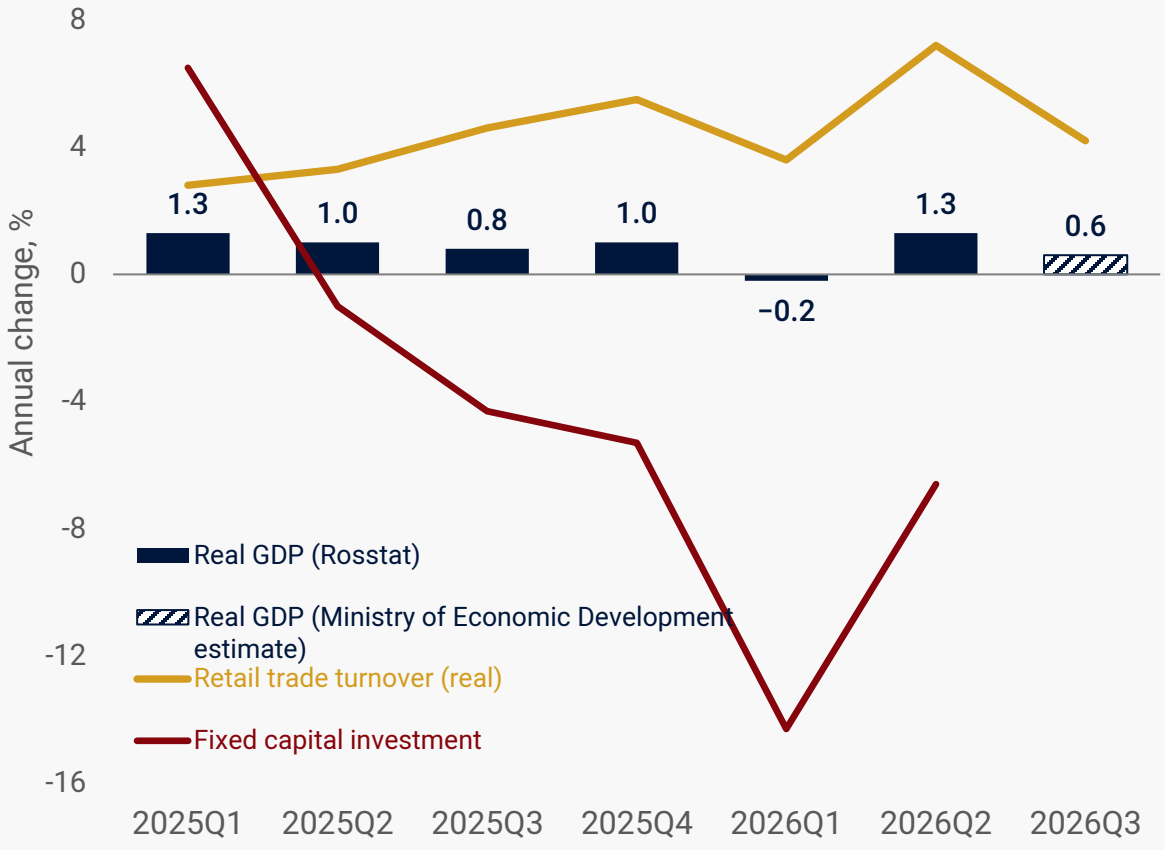
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12-month inflation has accelerated somewhat, mainly reflecting disruptions in fuel production



Source: Central Bank of Russia

Economic activity has recently recovered somewhat, stabilizing at relatively low levels

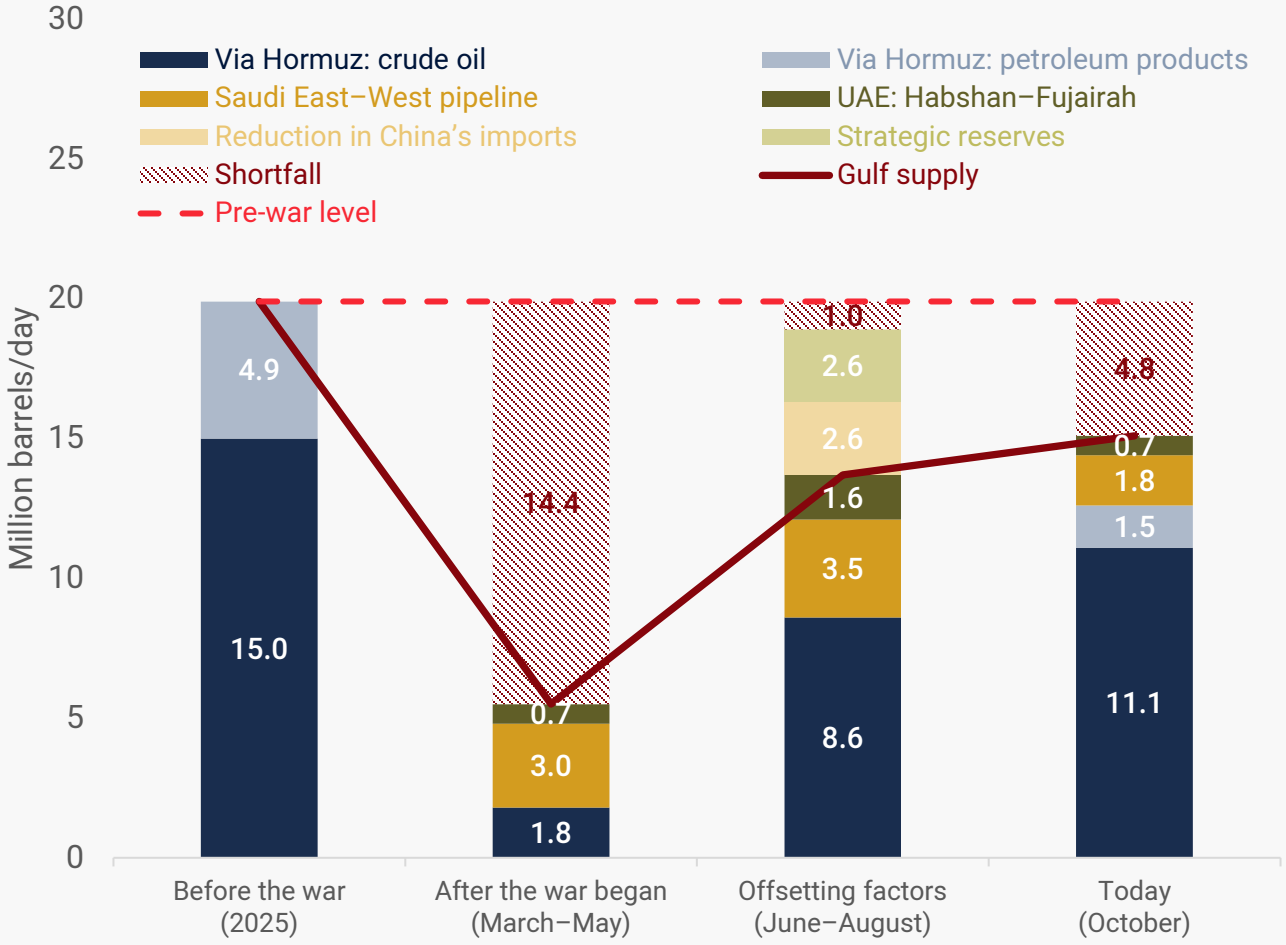


Source: Rosstat, Ministry of Economic Development of Russia, Central Bank of Russia

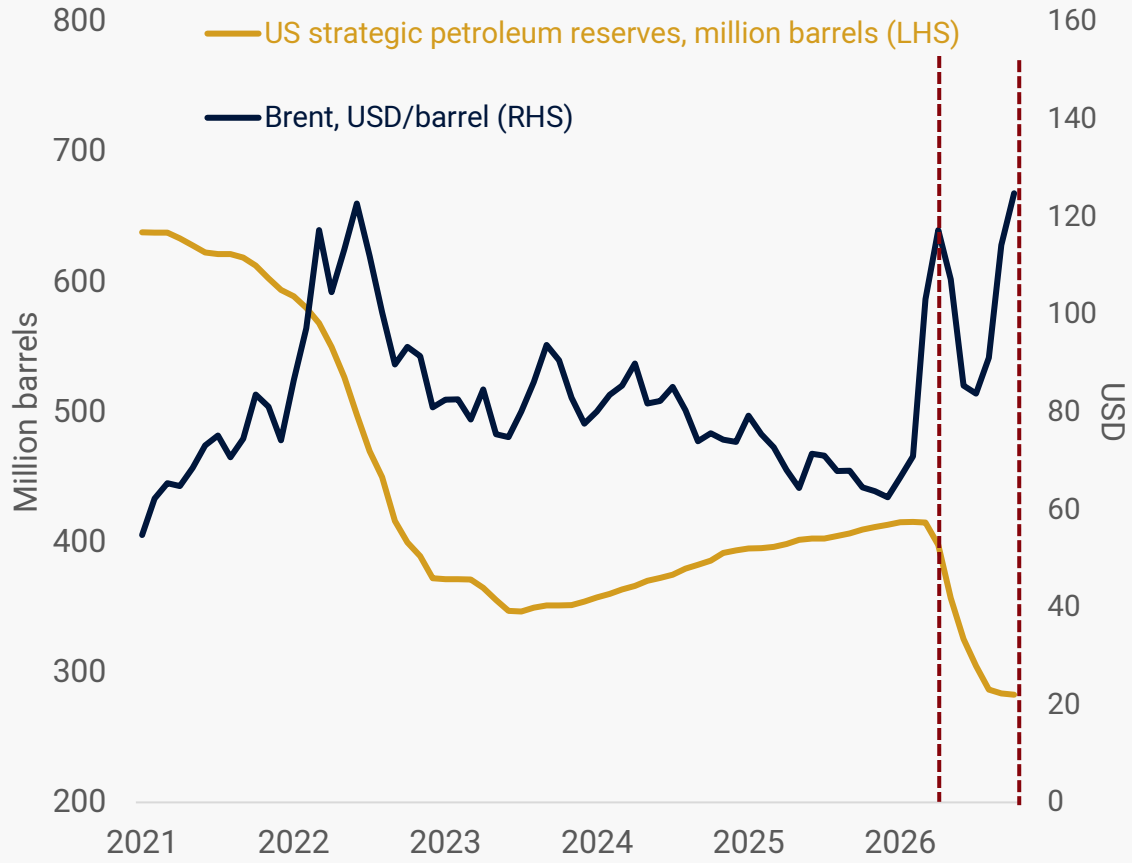
Oil market: Persian Gulf oil supplies have largely recovered, but uncertainty about their sustainability remains elevated

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Persian Gulf oil supplies have nearly recovered



However, strong demand, low strategic reserves and other factors are keeping oil prices high

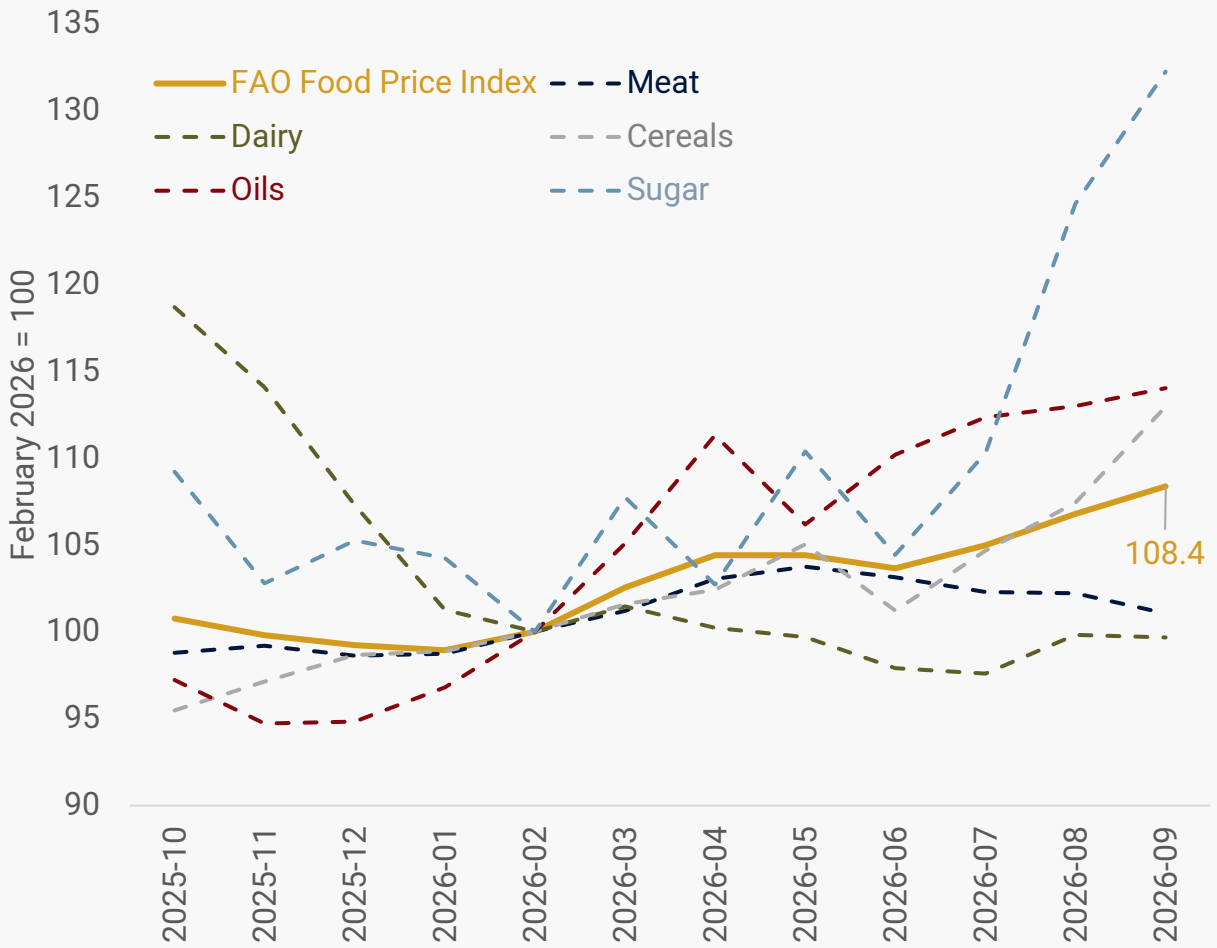


Source: IEA, Kpler, Vortexa, US Department of Energy, EIA, BIMCO, CBA calculations

Food market: At the same time, global food price inflation is also accelerating, partly reflecting current geopolitical developments and adverse weather conditions

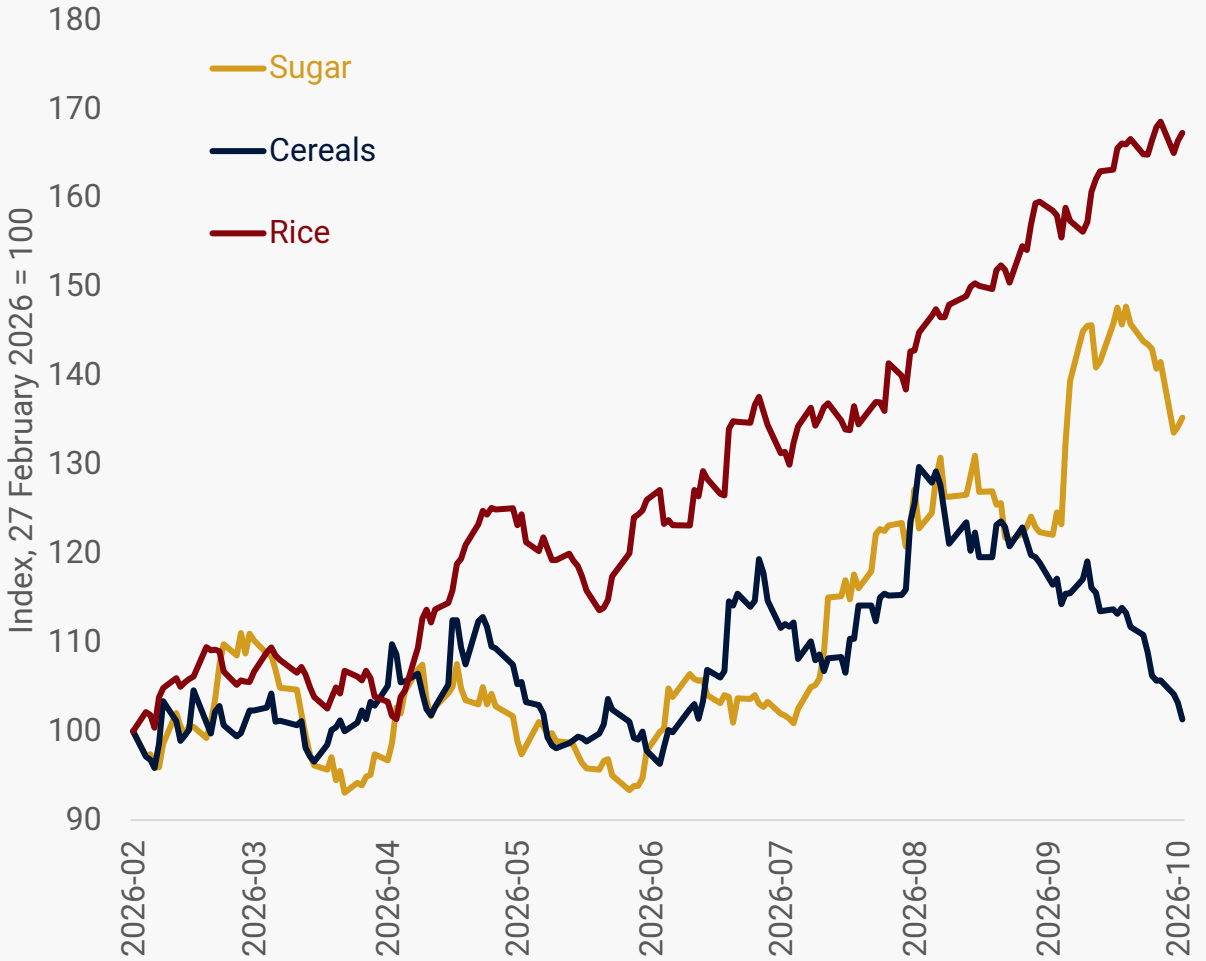
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Food and Agriculture Organization (FAO) Food Price Index

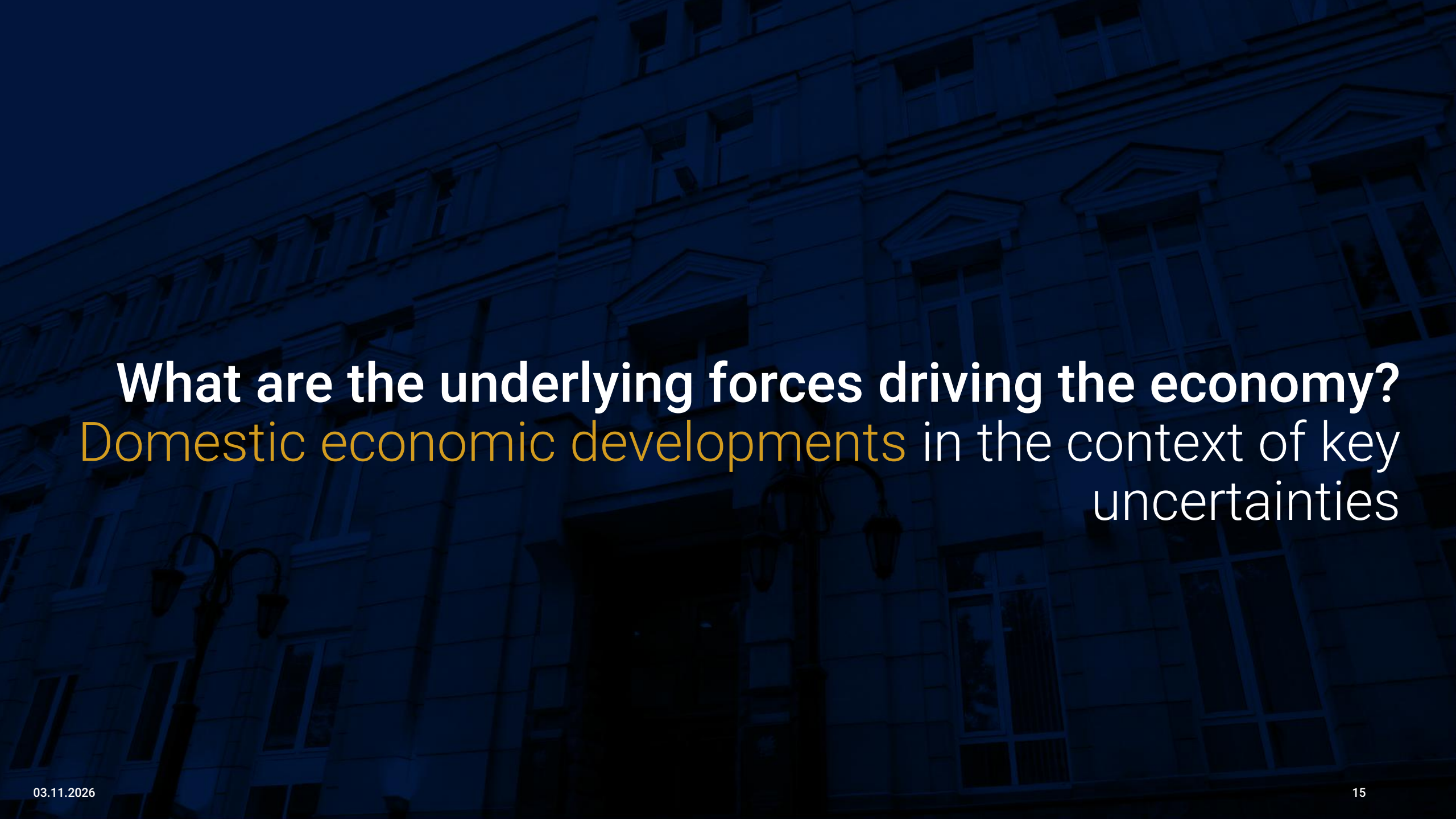


Source: FAO Food Price Index, CBA calculations

Futures prices of selected food commodities, daily



Source: Bloomberg

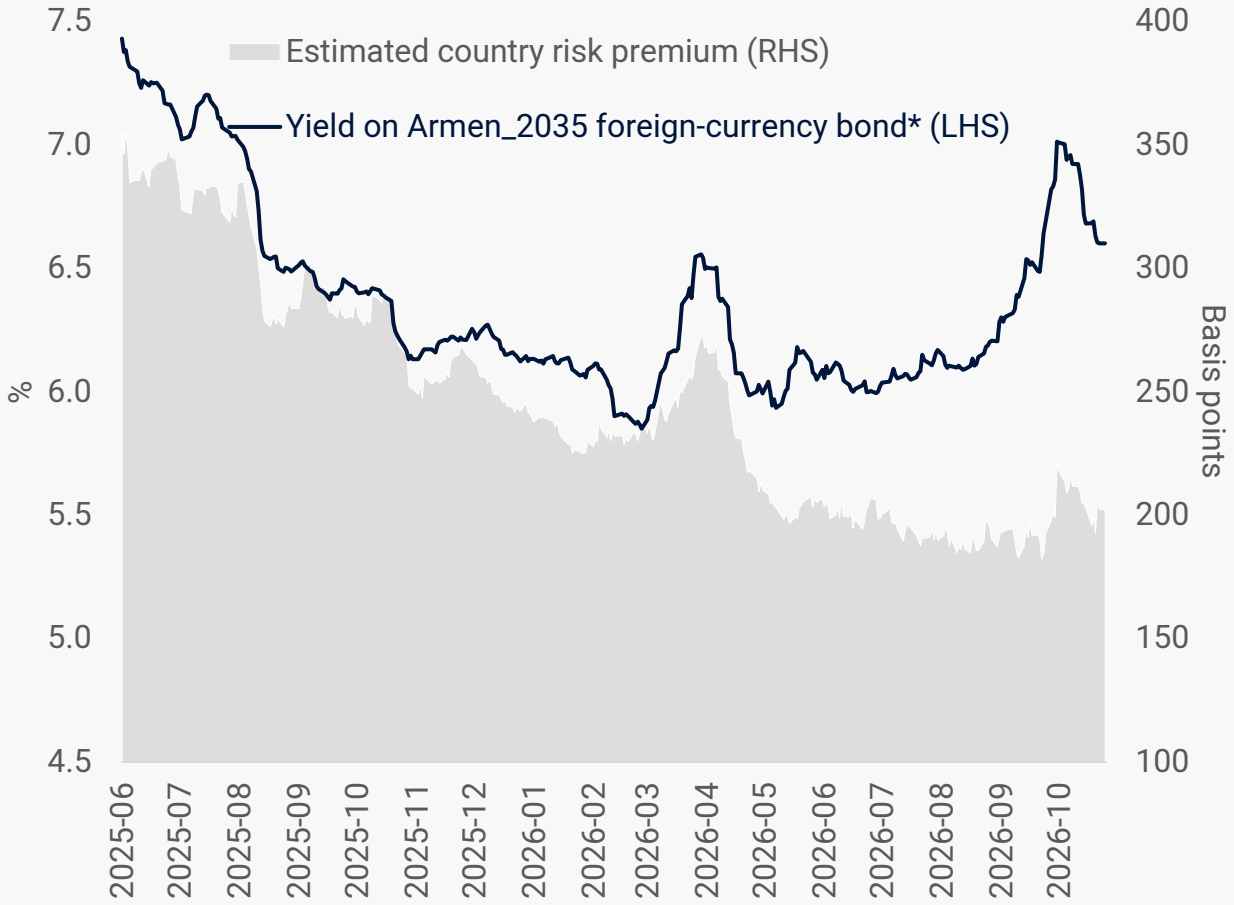


What are the underlying forces driving the economy? Domestic economic developments in the context of key uncertainties

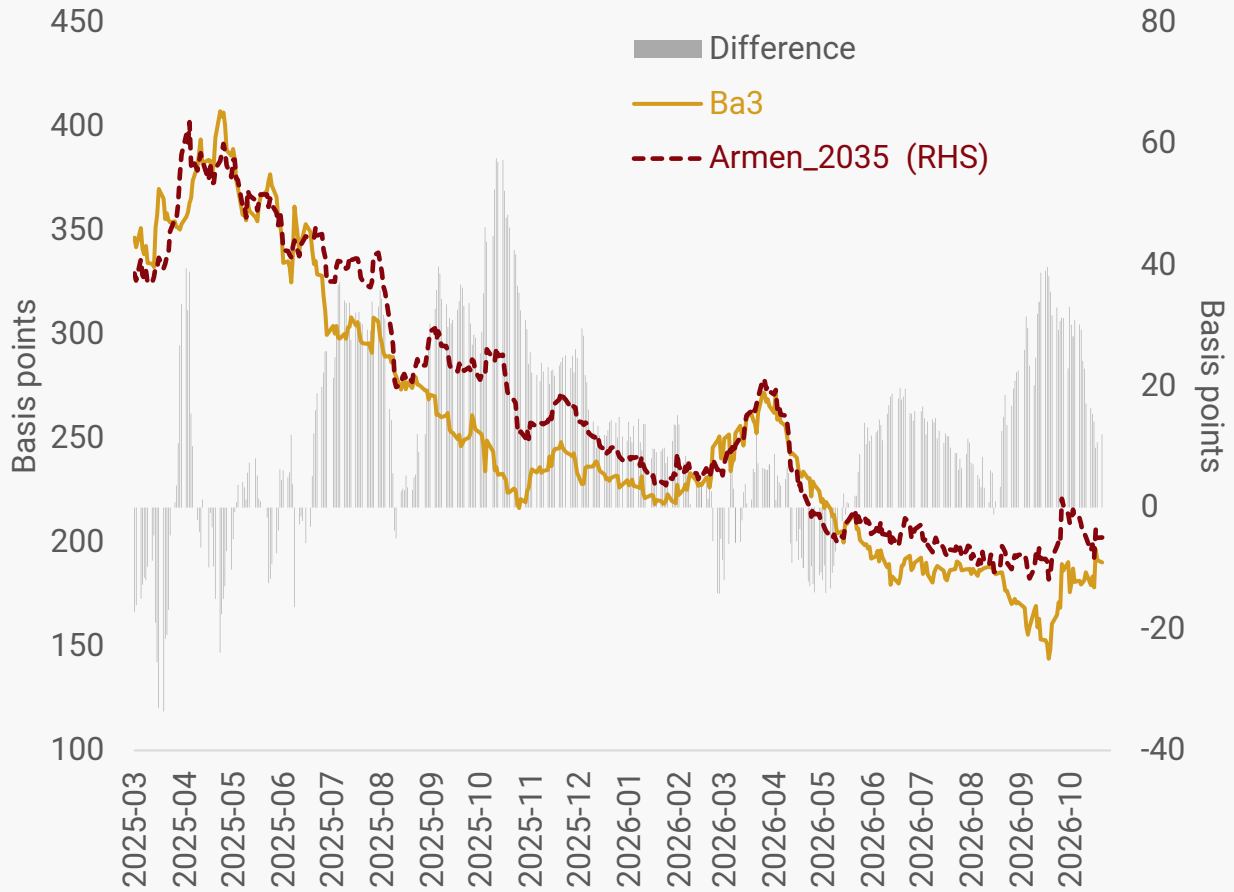
Despite some recent increase, Armenia's country risk premium remains low, reflecting both global and Armenia-specific factors

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2035 Armenian Eurobond yield and country risk premium estimate



Although Armenia's risk premium has declined more than those of similarly rated countries, high sensitivity to external shocks persists

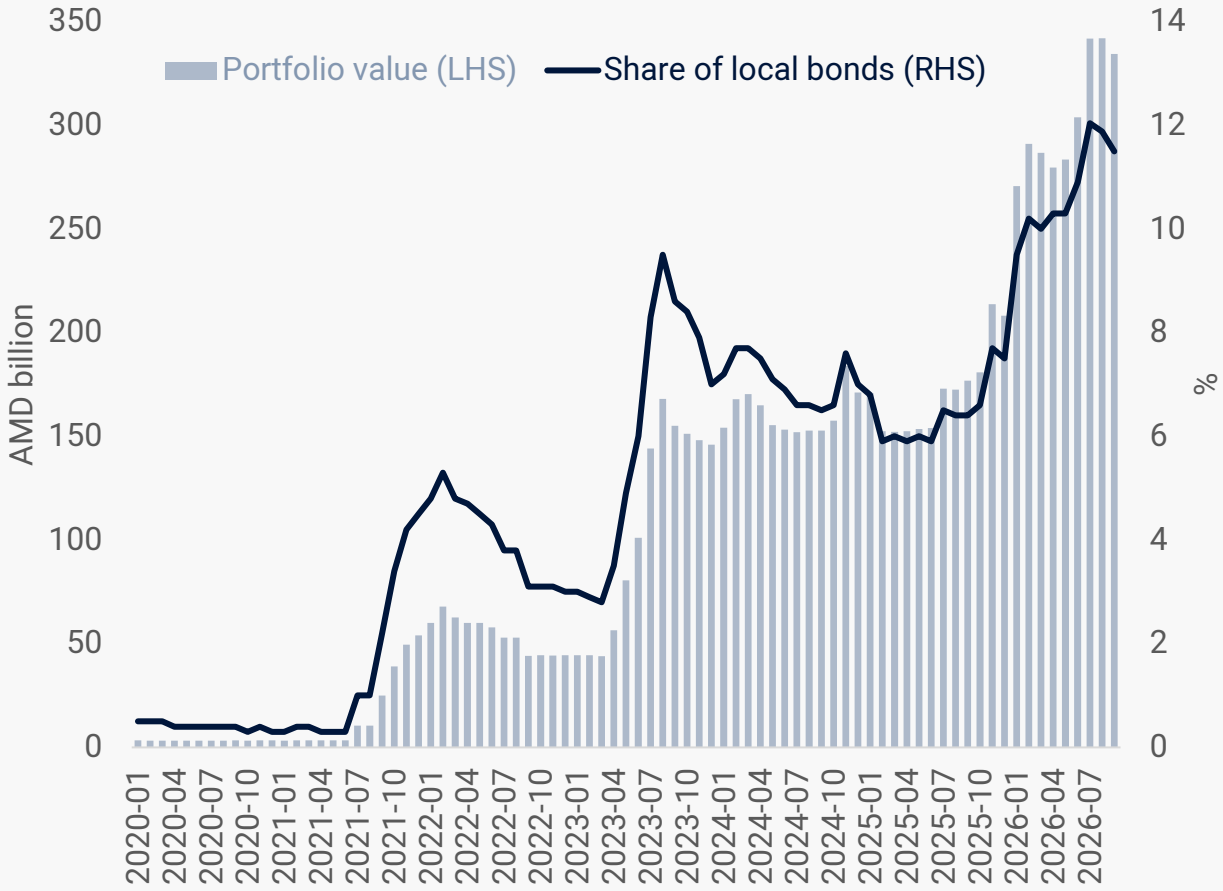


Source: Bloomberg, CBA estimates

Amid high geopolitical uncertainty, the risk of investors reallocating capital flows persists, although emerging markets are currently more resilient to various shocks

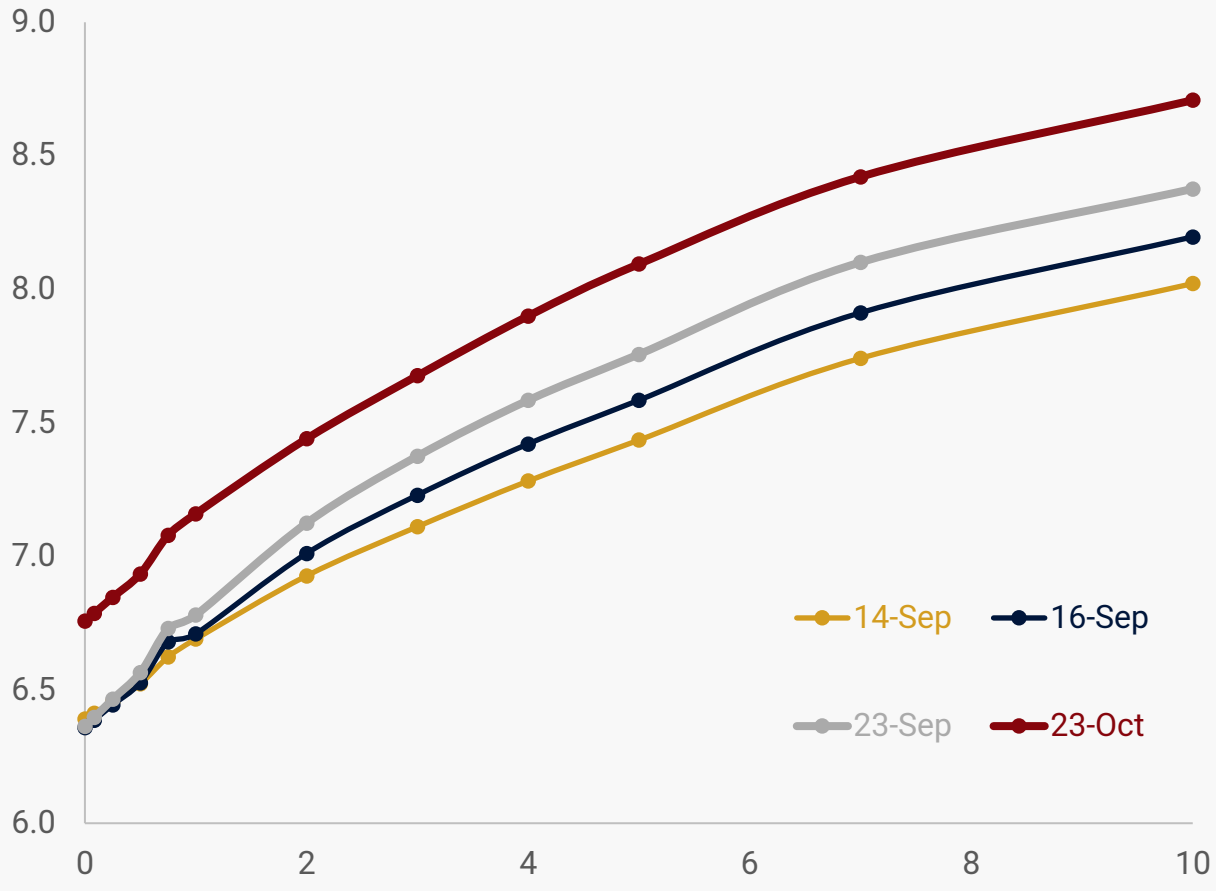
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Although non-residents' share in AMD-denominated bonds remains high…



Source: Bloomberg

…the yield curve has shifted upward, possibly reflecting a reassessment of risks by market participants

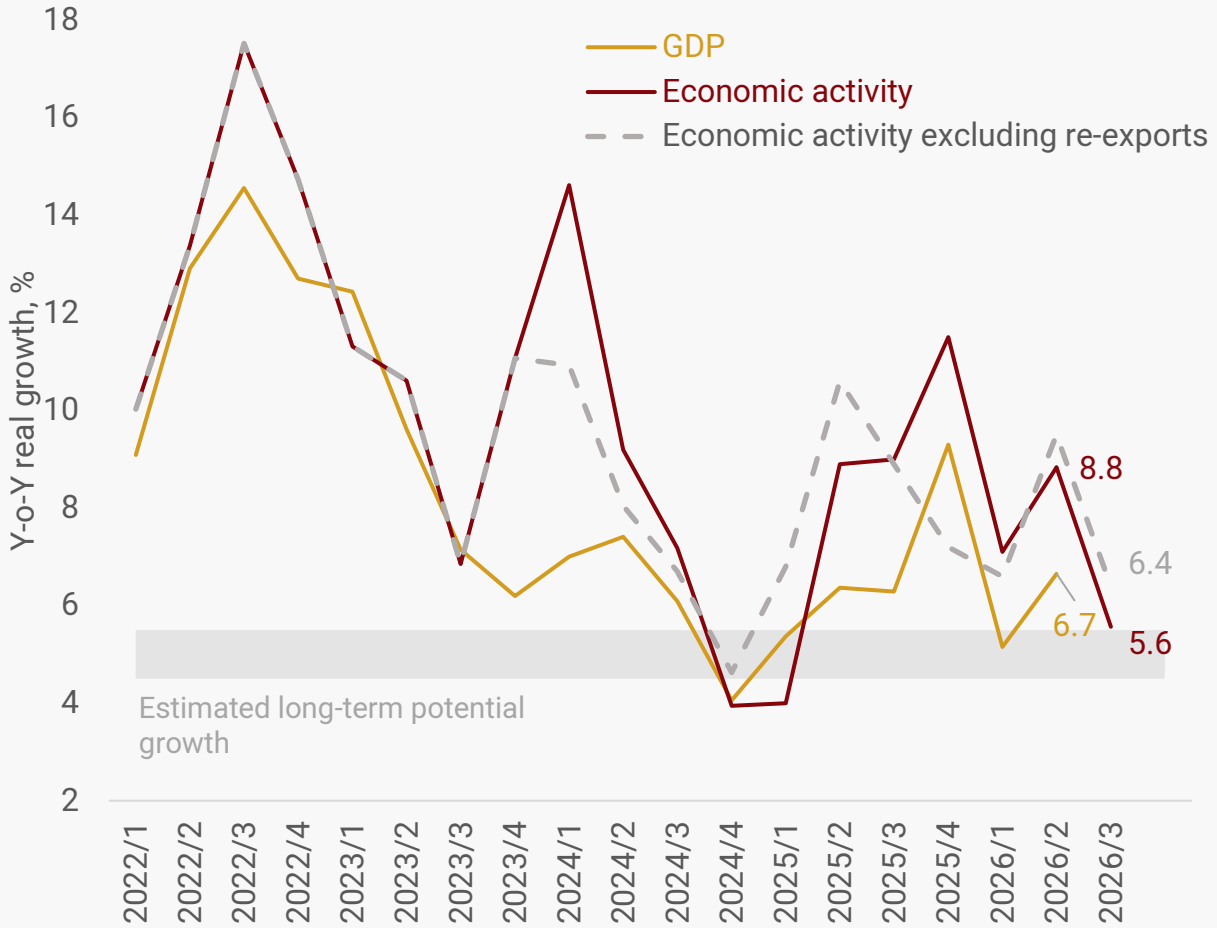


Source: Central Bank of Armenia

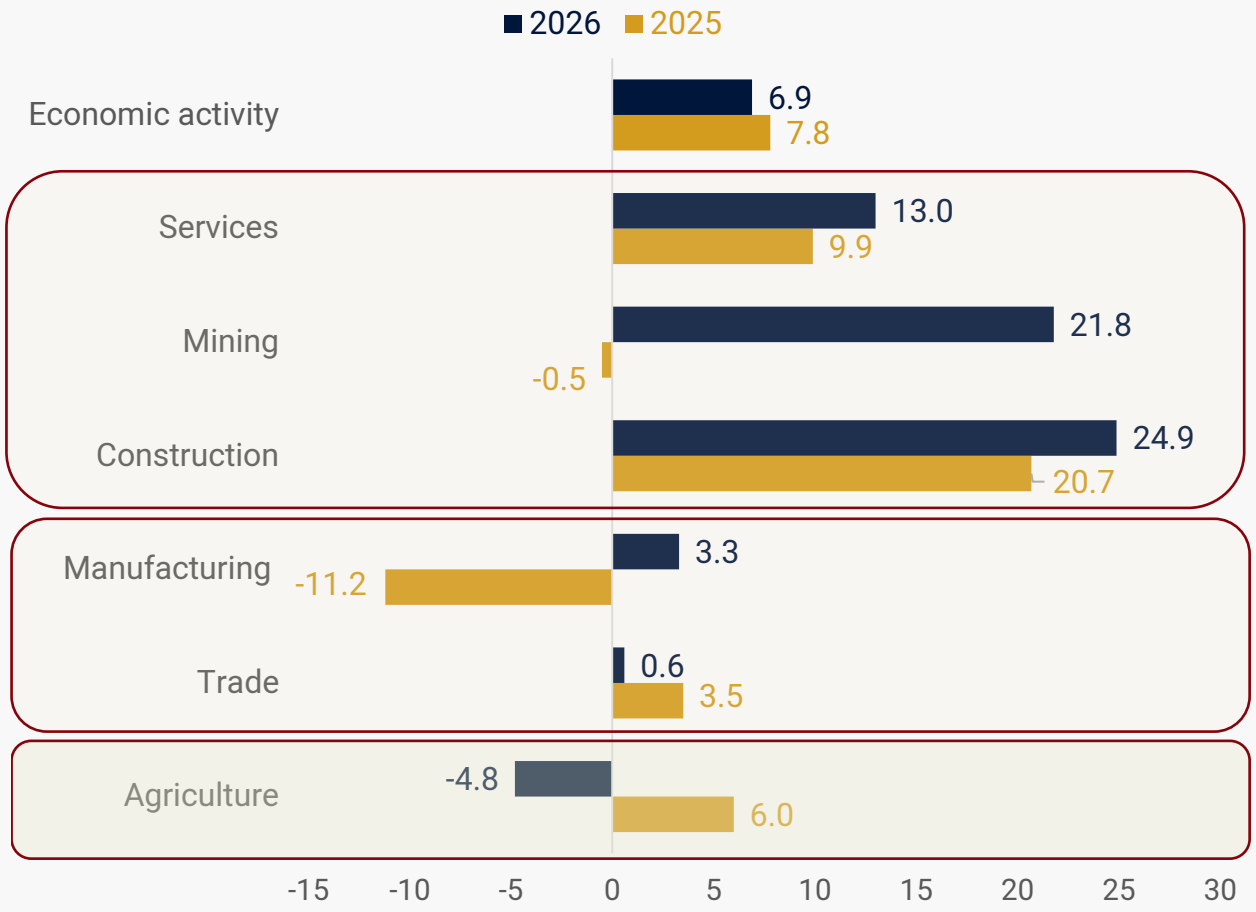
Despite the gradual slowdown, economic activity in Armenia remains high

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Economic activity and GDP growth



Economic activity by sector, cumulative growth, January–September, %

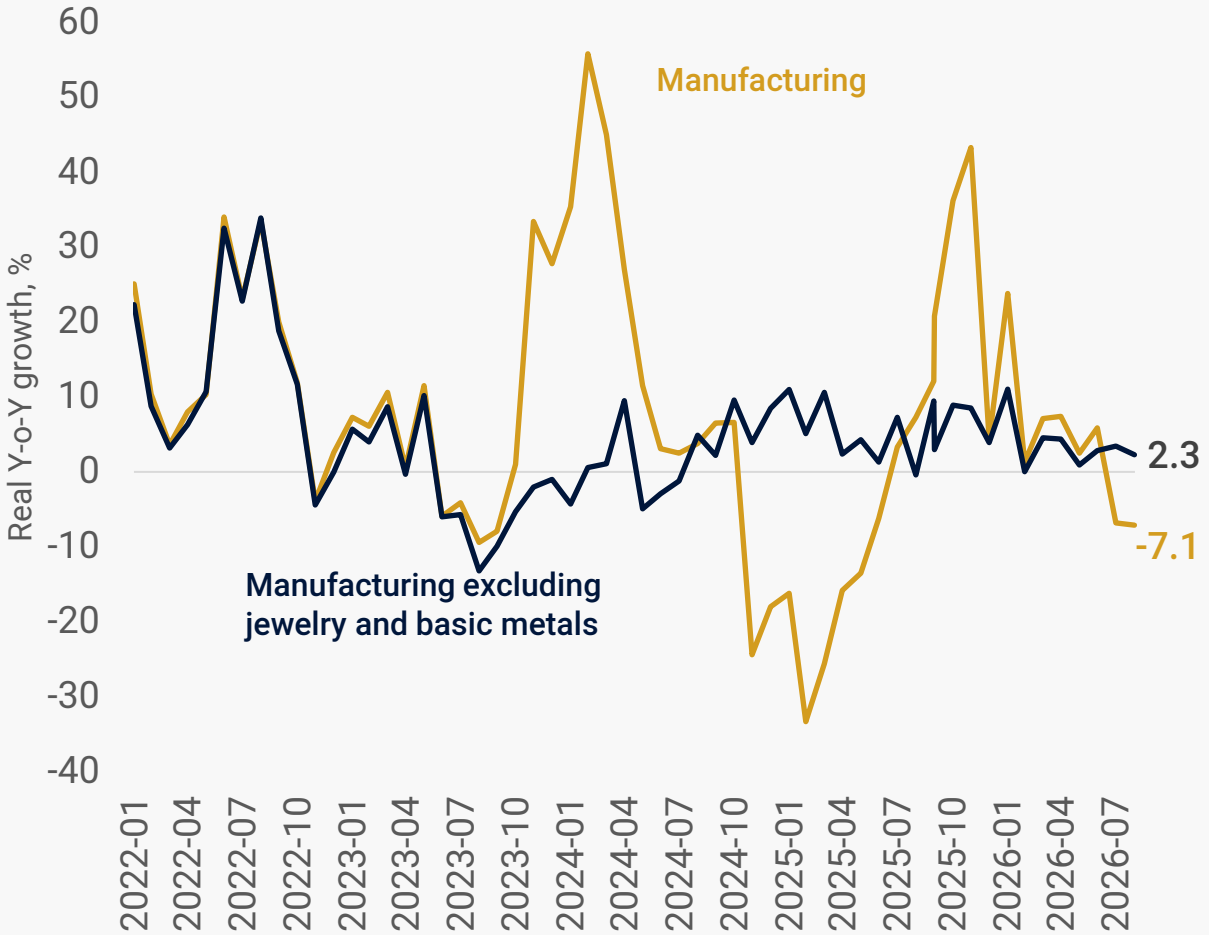


Source: Statistical Committee of the Republic of Armenia, CBA estimates

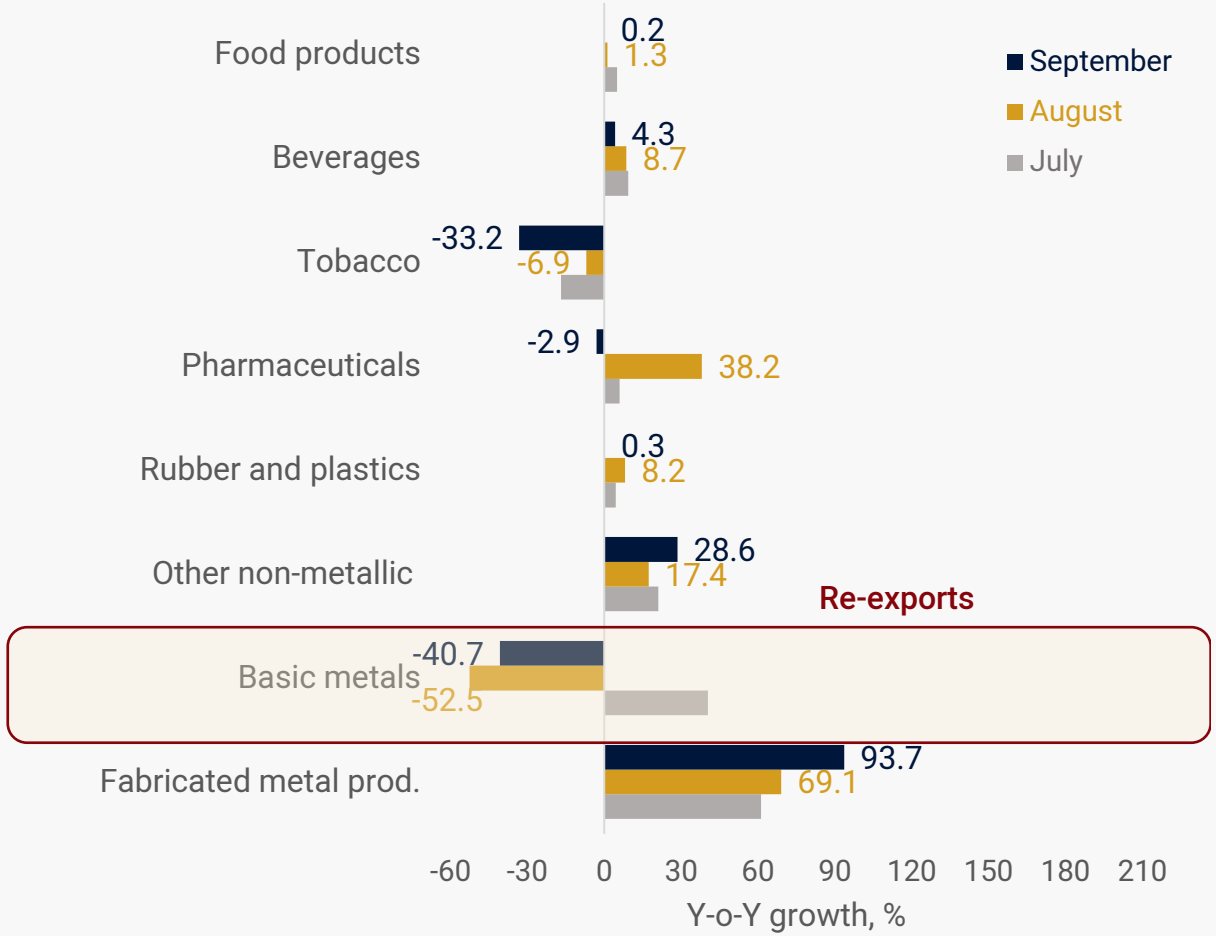
Manufacturing contraction mainly reflects non-structural factors and, in the latest quarter, partly also some slowdown in traditional sectors…

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Real growth in manufacturing, Y-o-Y, %



Activity growth in the main manufacturing subsectors

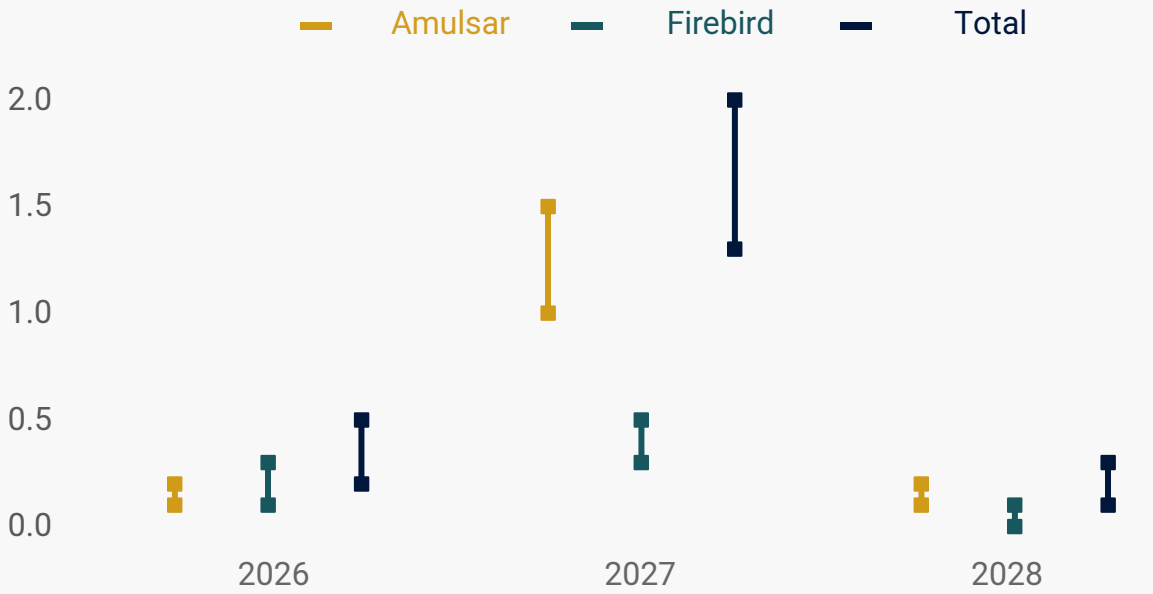


Source: Statistical Committee of the Republic of Armenia, CBA calculations

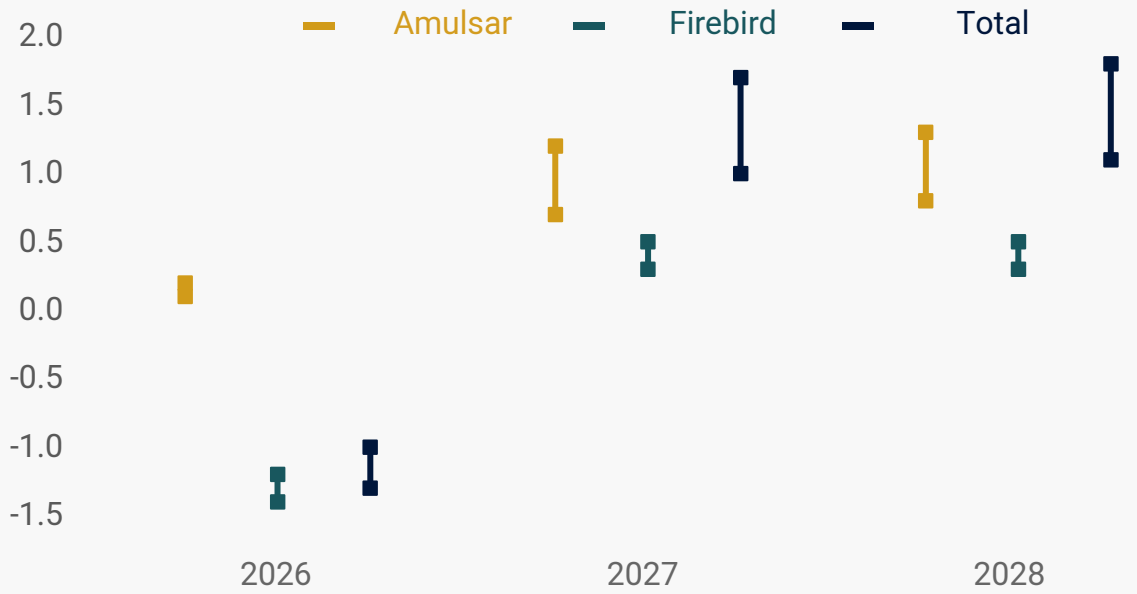
The effective implementation of certain large-scale projects could make a significant contribution to expanding the economy's productive capacity in the period ahead

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Impact on real GDP growth, pp



Impact on current account/GDP, pp



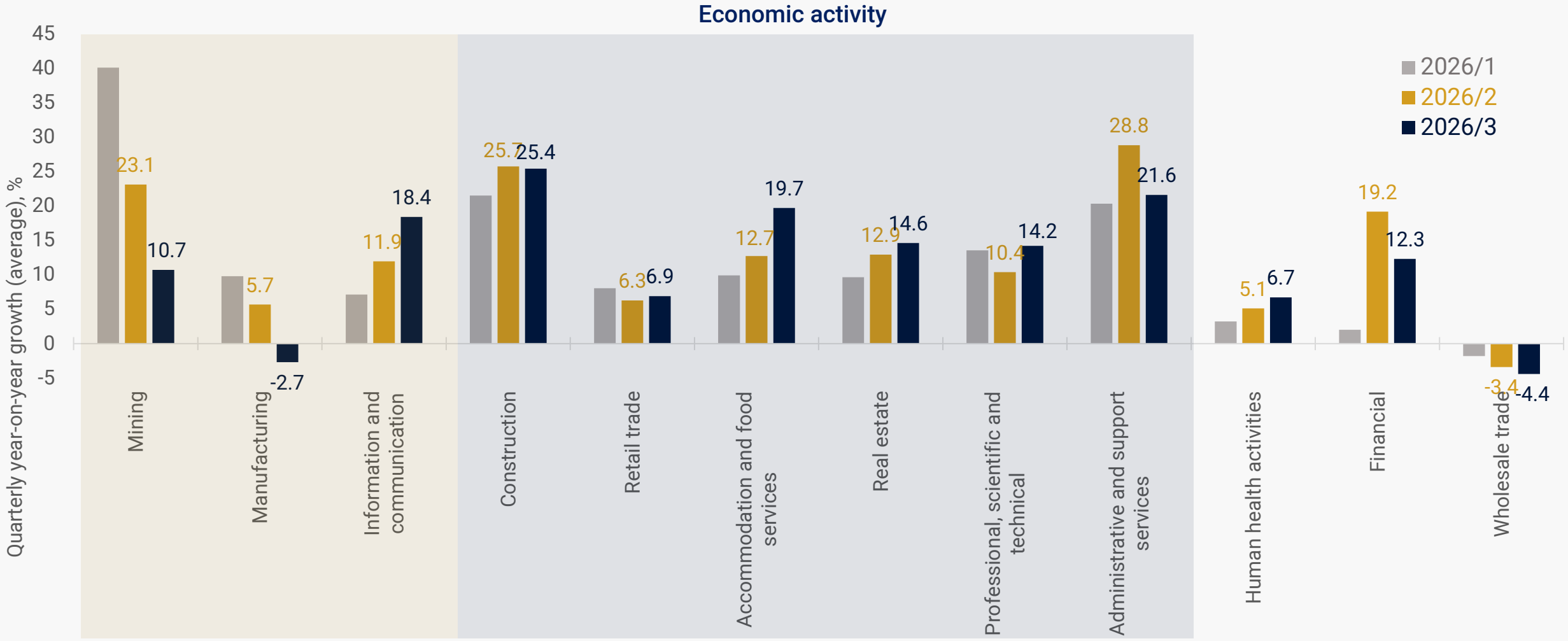
Growth contribution, pp	2026	2027	2028
Amulsar	+0.1–0.2	+1.0–1.5	+0.1–0.2
Firebird AI factory	+0.1–0.3	+0.3–0.5	+0.0–0.1
Total	**+0.2–0.5**	**+1.3–2.0**	**+0.1–0.3**

Current account/GDP, pp	2026	2027	2028
Amulsar	+0.1–0.2	+0.7–1.2	+0.8–1.3
Firebird AI factory	−1.4 to −1.2	+0.3–0.5	+0.3–0.5
Total	**−1.3 to −1.0**	**+1.0–1.7**	**+1.1–1.8**

Source: CBA estimates

Although activity has strengthened somewhat in certain highly productive sectors, economic activity continues to be driven primarily by demand-led sectors

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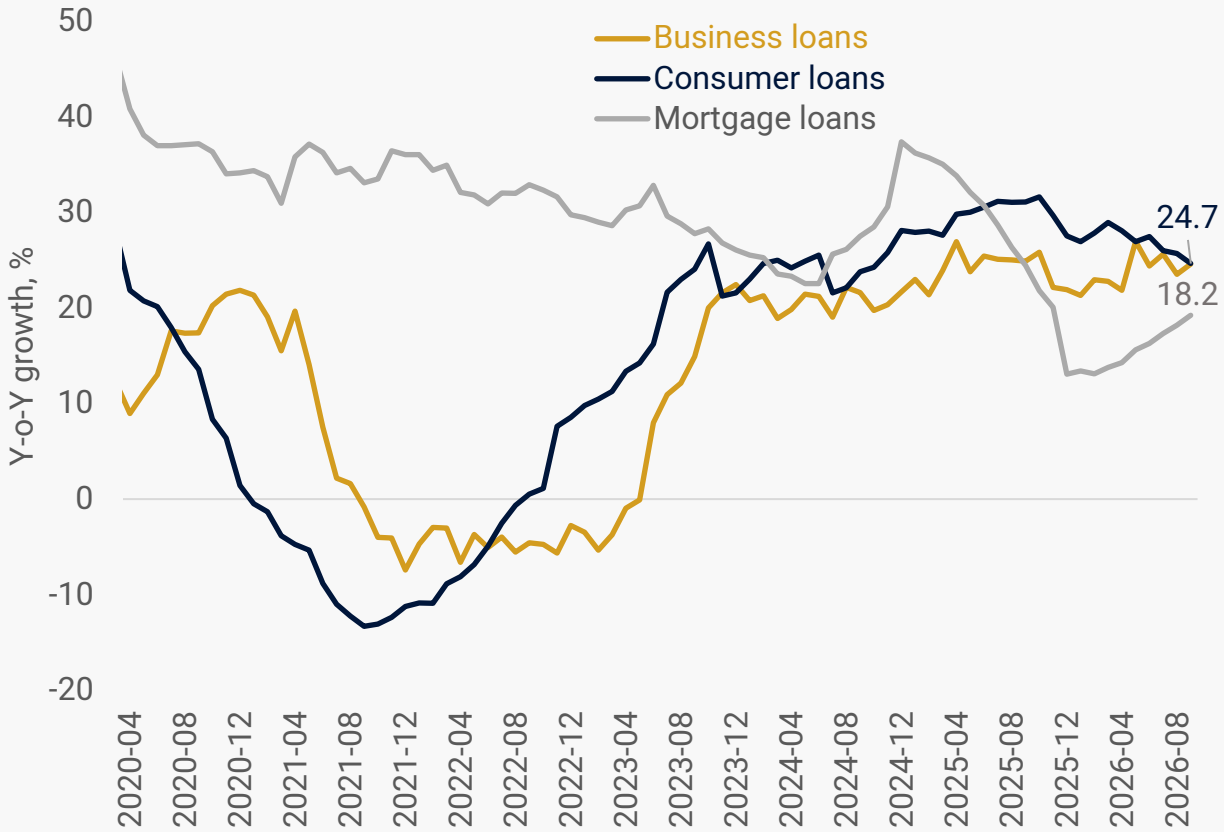


Source: Statistical Committee of the Republic of Armenia. Note: Services do not include the September data

Strong demand continues to show up both in lending indicators and in a widening current account deficit, driven in part by a significant rise in imports of final consumer goods

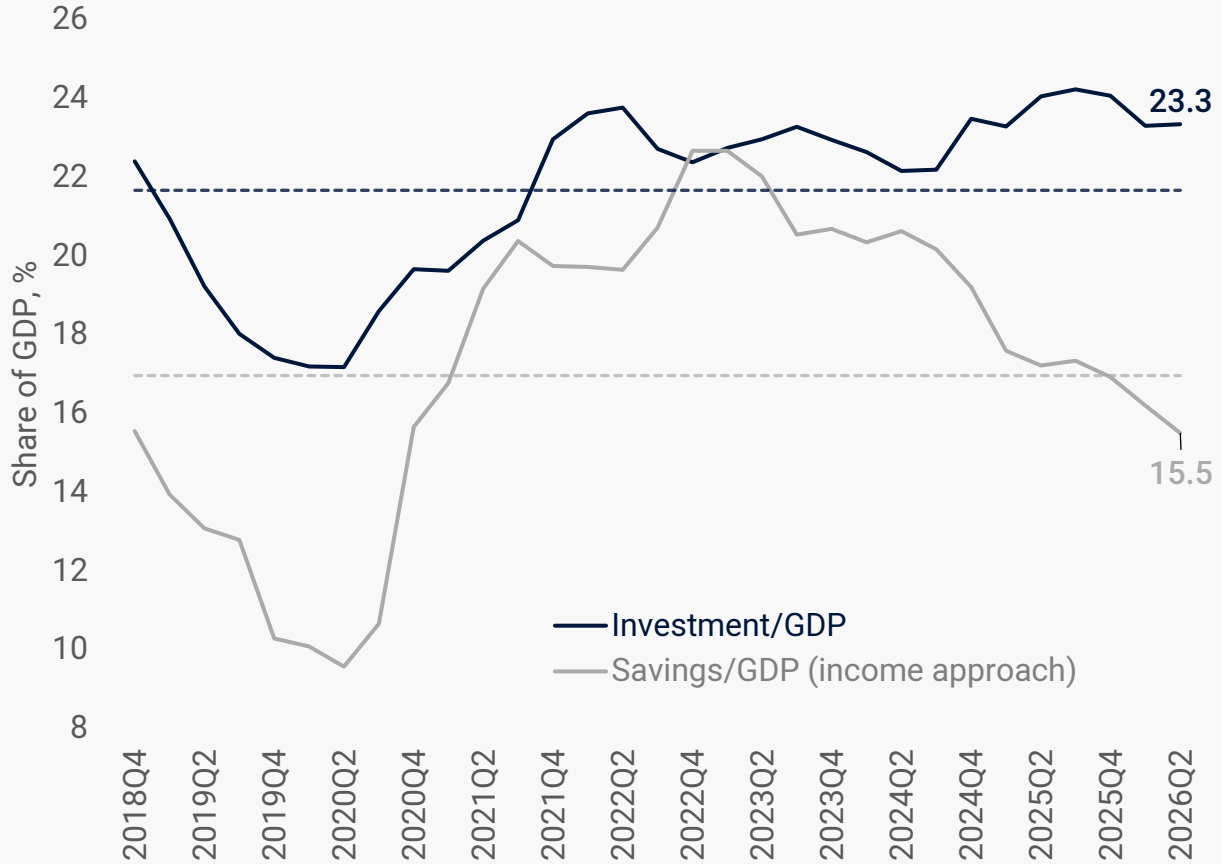
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Strong credit growth reflects both robust loan demand and banks' easing of lending conditions



Source: CBA

The decline in savings, in turn, may reflect "wealth" effects and optimism about economic prospects

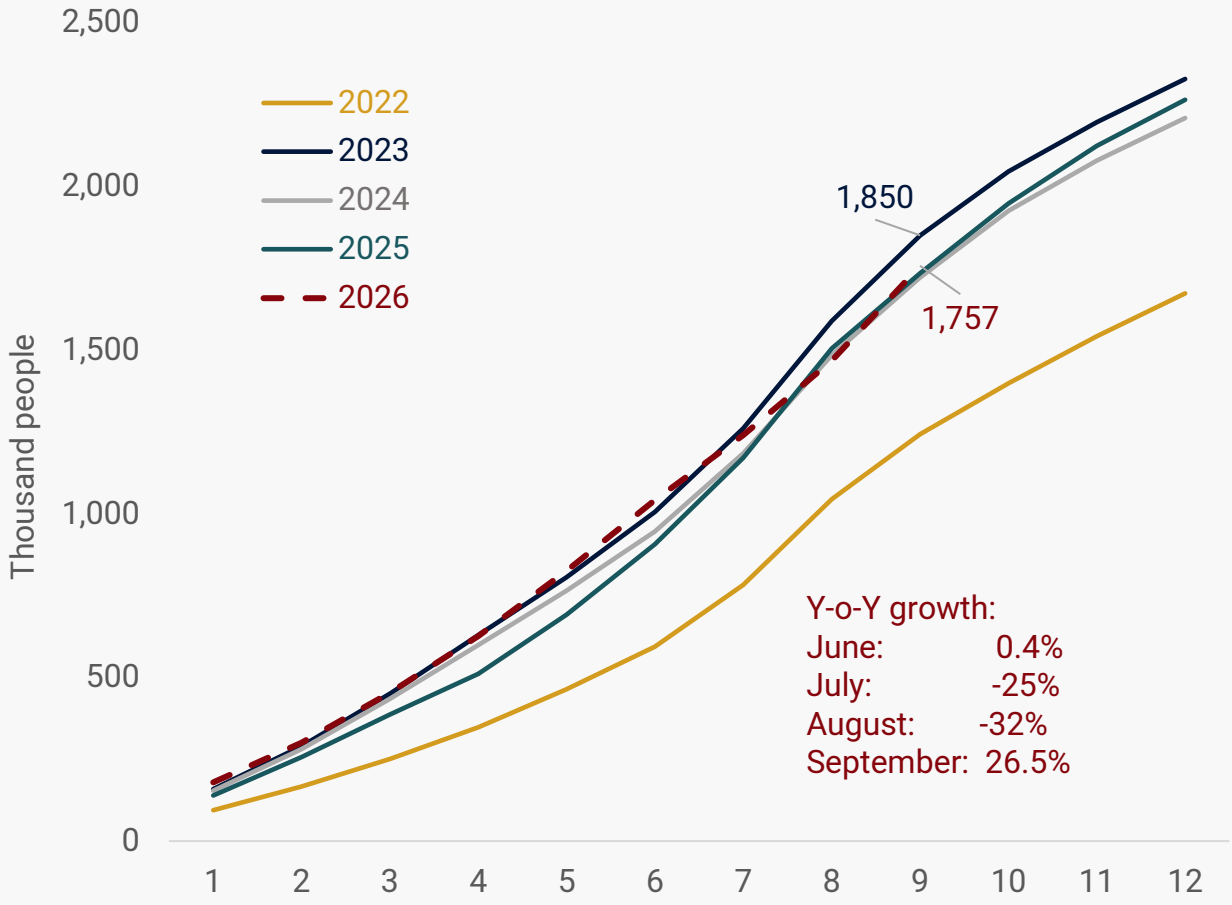


Source: Statistical Committee of the Republic of Armenia

Risks of expanding external demand persist, reflected in more visits to Armenia and probably also in longer stays

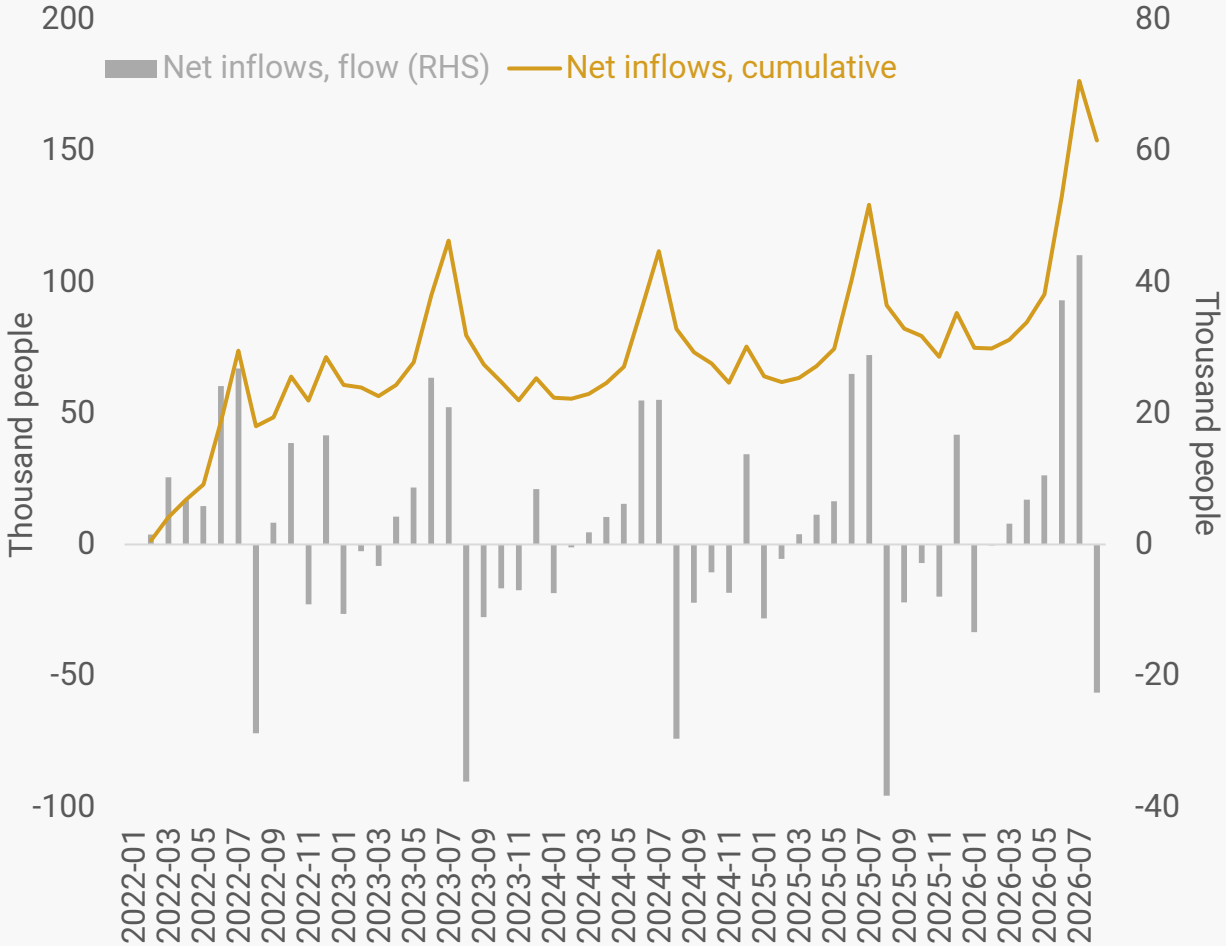
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Tourist flows, thousand people



Source: Tourism Committee of the Republic of Armenia

Border crossings by Russian citizens

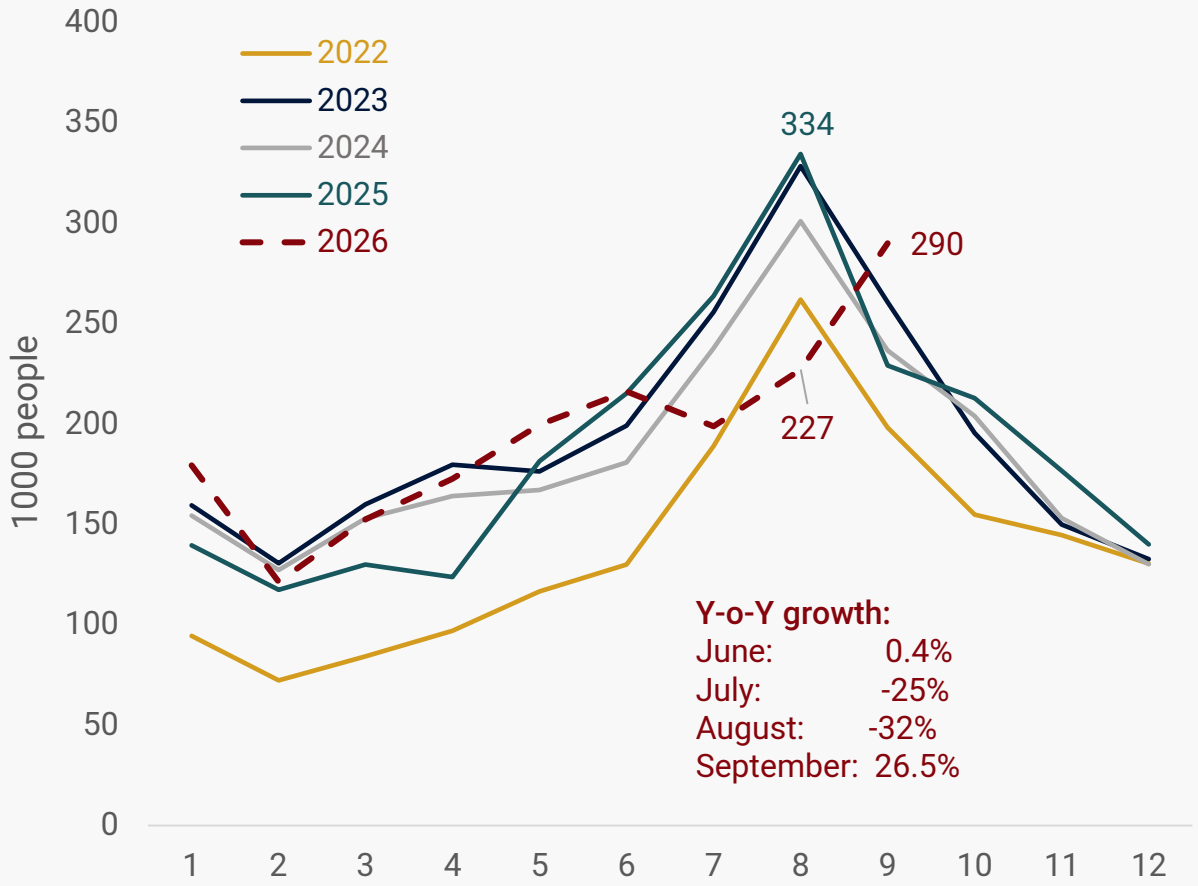


Source: State Revenue Committee of the Republic of Armenia, confidential data, as of 25 October

Meanwhile, with security risks easing, continued interest in Armenian assets may signal longer-term intentions among Russian citizens

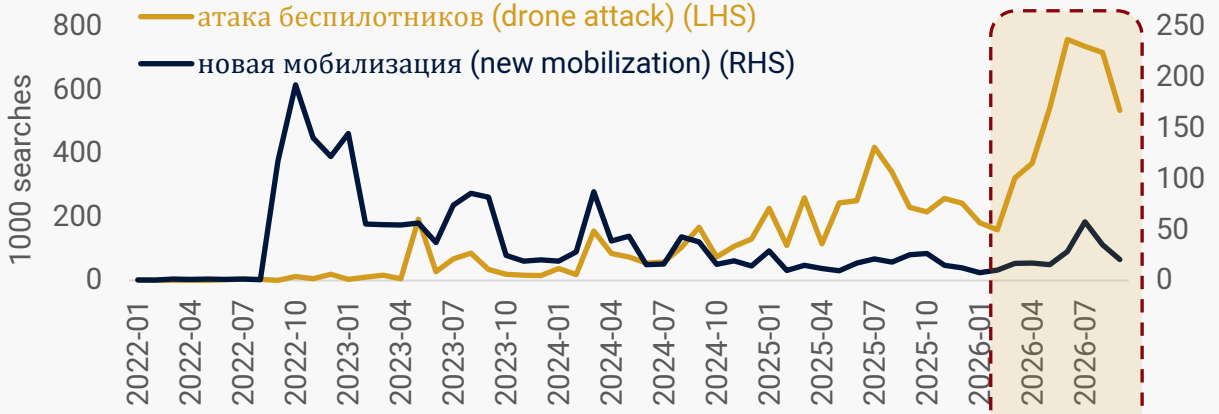
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The decline in tourist visits may paint the opposite picture of the actual presence of Russian citizens in Armenia

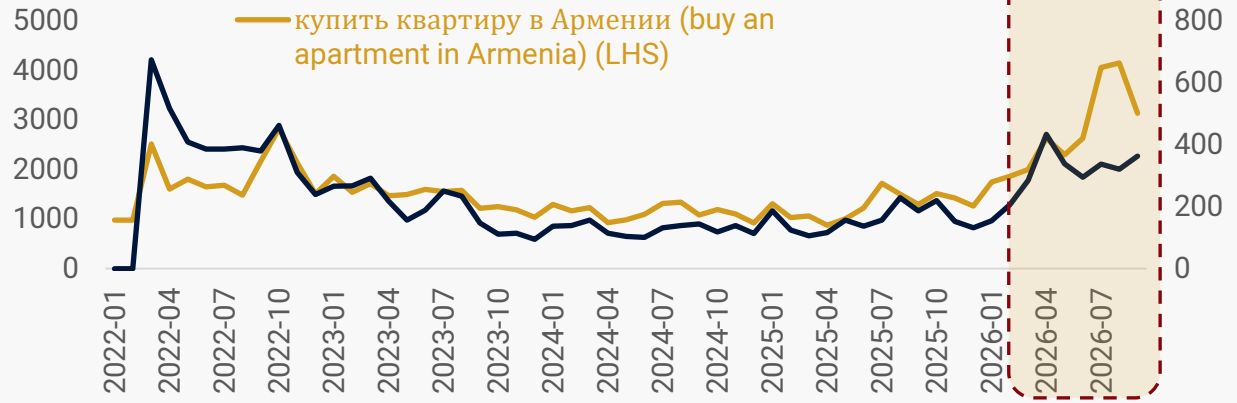


Source: Tourism Committee of the Republic of Armenia

Despite some easing of security risks in Russia…



Interest in Armenian assets persists

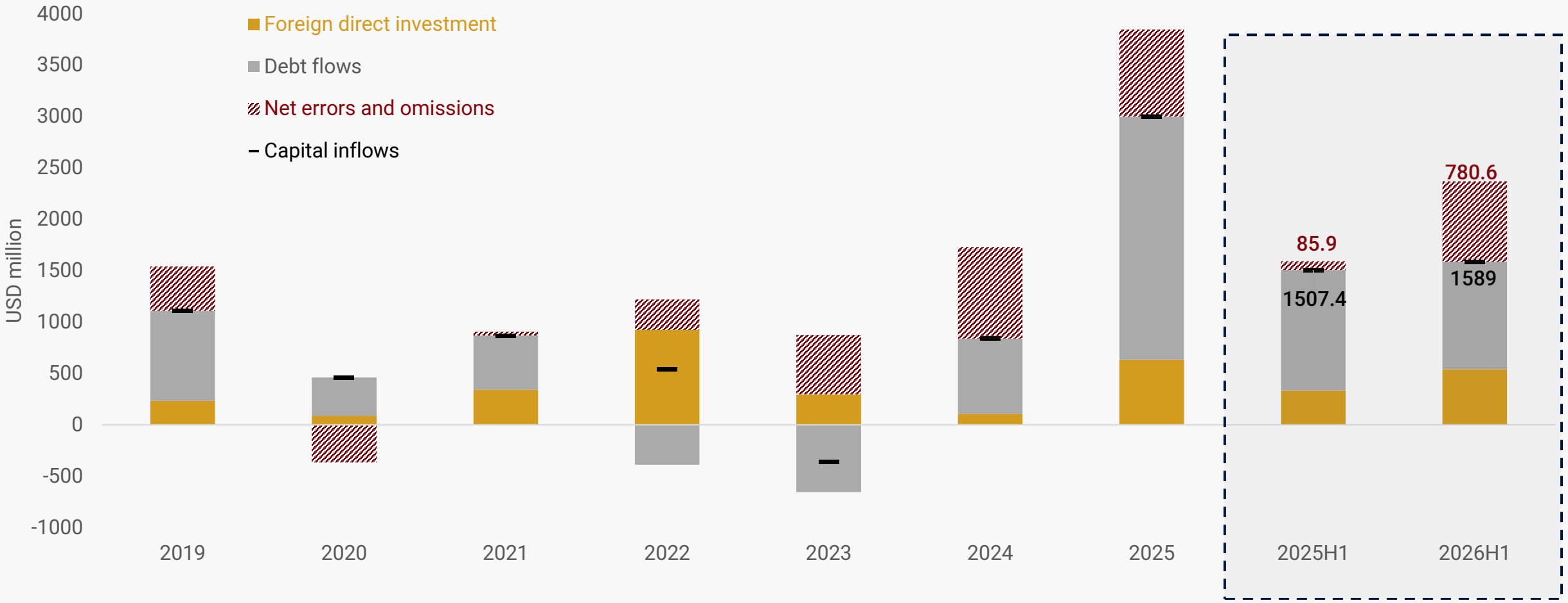


Source: Yandex Wordstat, search query frequency data

With global liquidity remaining high, sizeable capital inflows to emerging markets, including Armenia, may continue, supporting a further expansion in lending and demand

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Capital inflows to Armenia, financial account

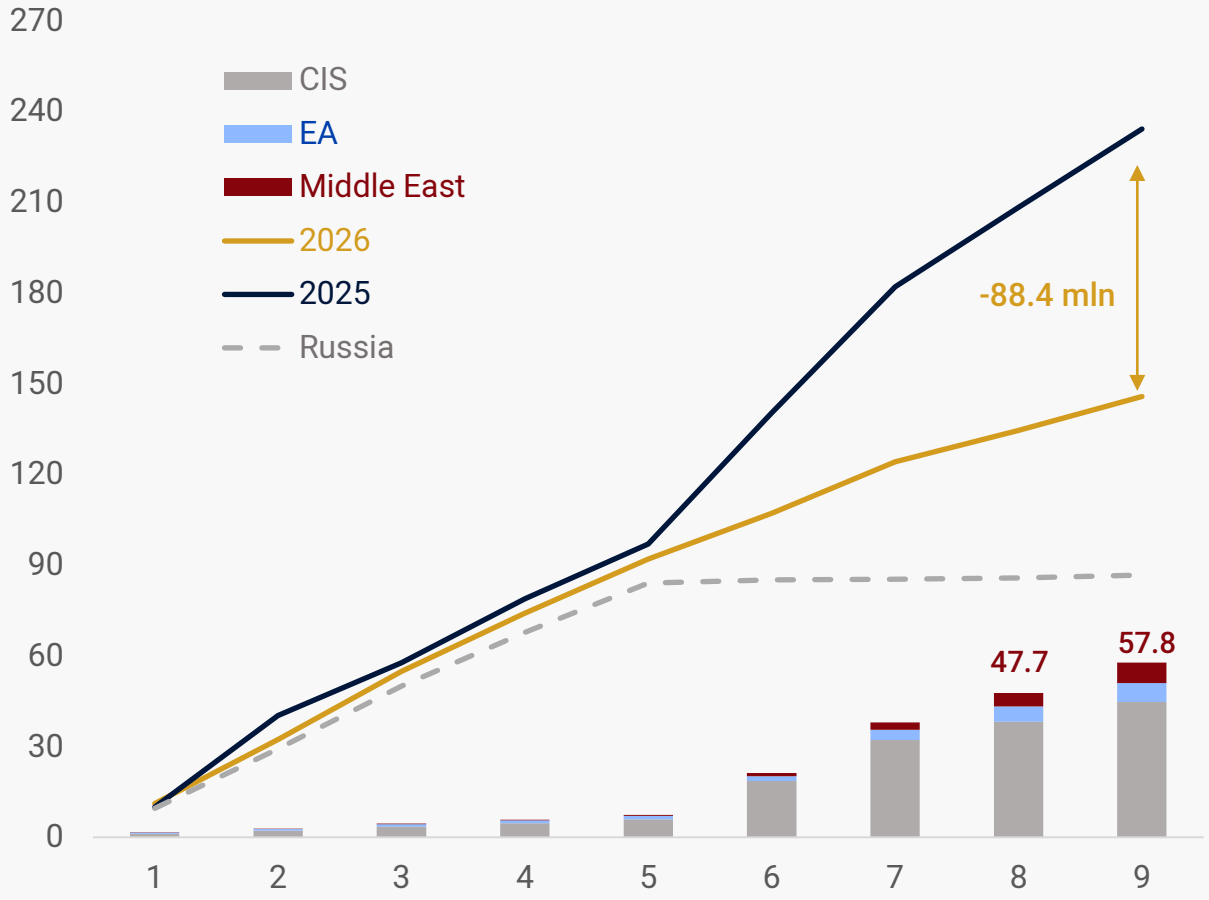


Source: CBA, CBA calculations

On the other hand, Russia's economic restrictions may weigh on economic sentiment and domestic demand…

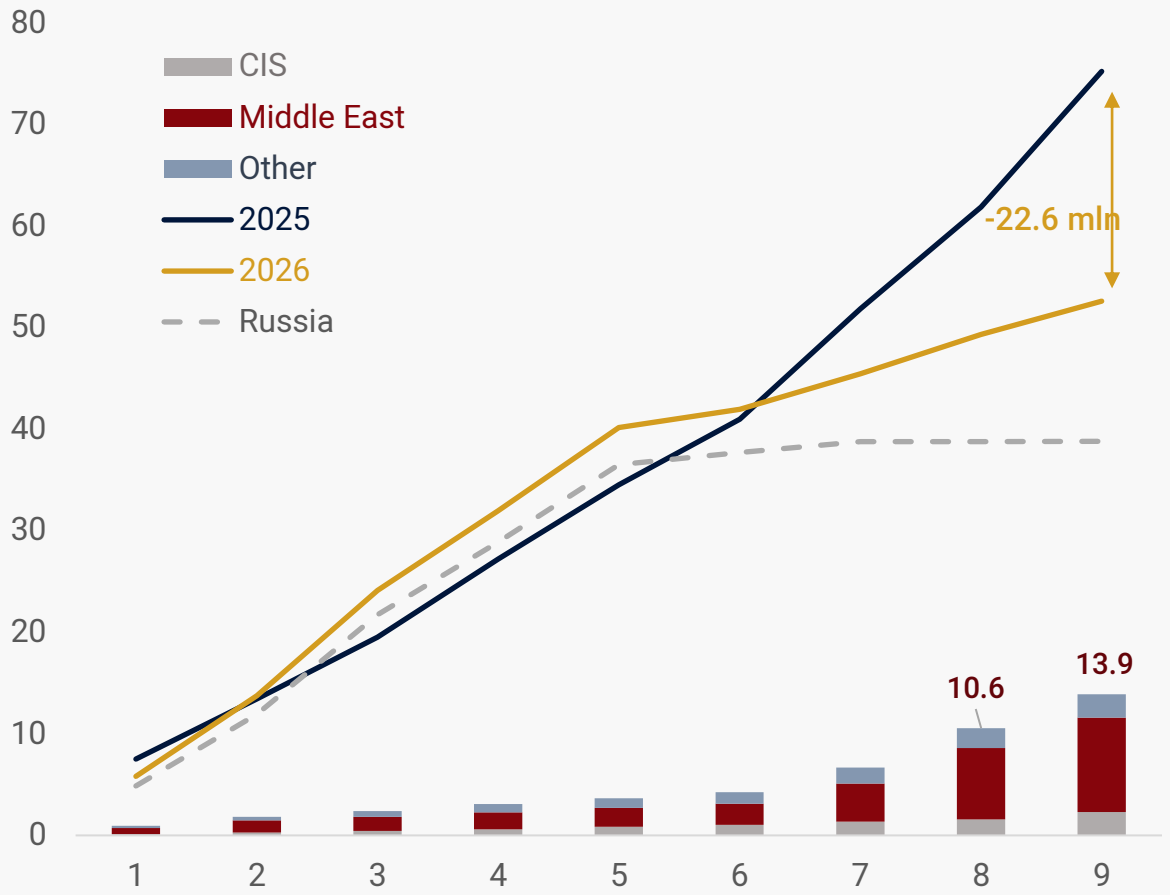
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Exports of plant-origin products, USD million, cumulative



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

Exports of animal-origin products, USD million, cumulative



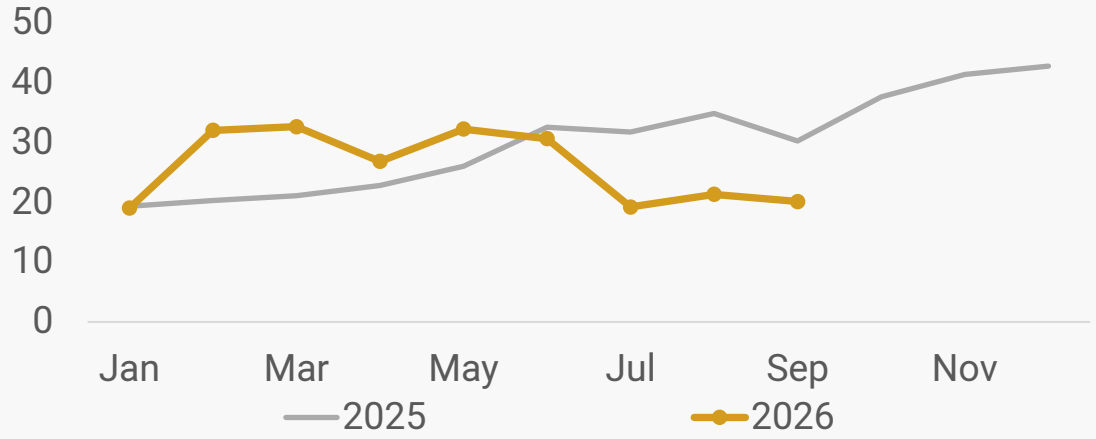
Source: Statistical Committee of the Republic of Armenia, CBA calculations.

Meanwhile, some signals may also point to wider restrictions and persistent problems in regional markets

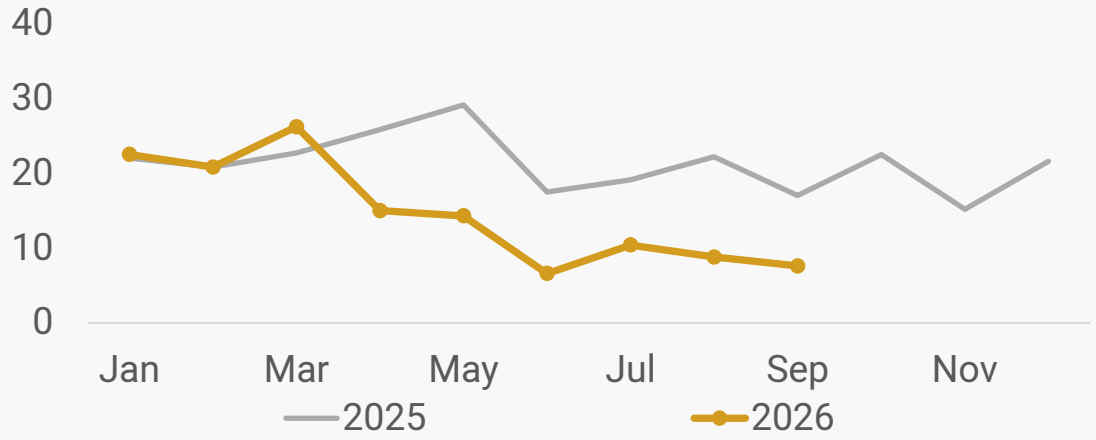
Export losses are concentrated mainly in labor-intensive sectors

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Beverage exports to Russia, USD million



Clothing exports to Russia, USD million



Source: State Revenue Committee of the Republic of Armenia, CBA calculations

Change in export value in January–September 2026 compared with the same period of the previous year, by sector and destination, USD million

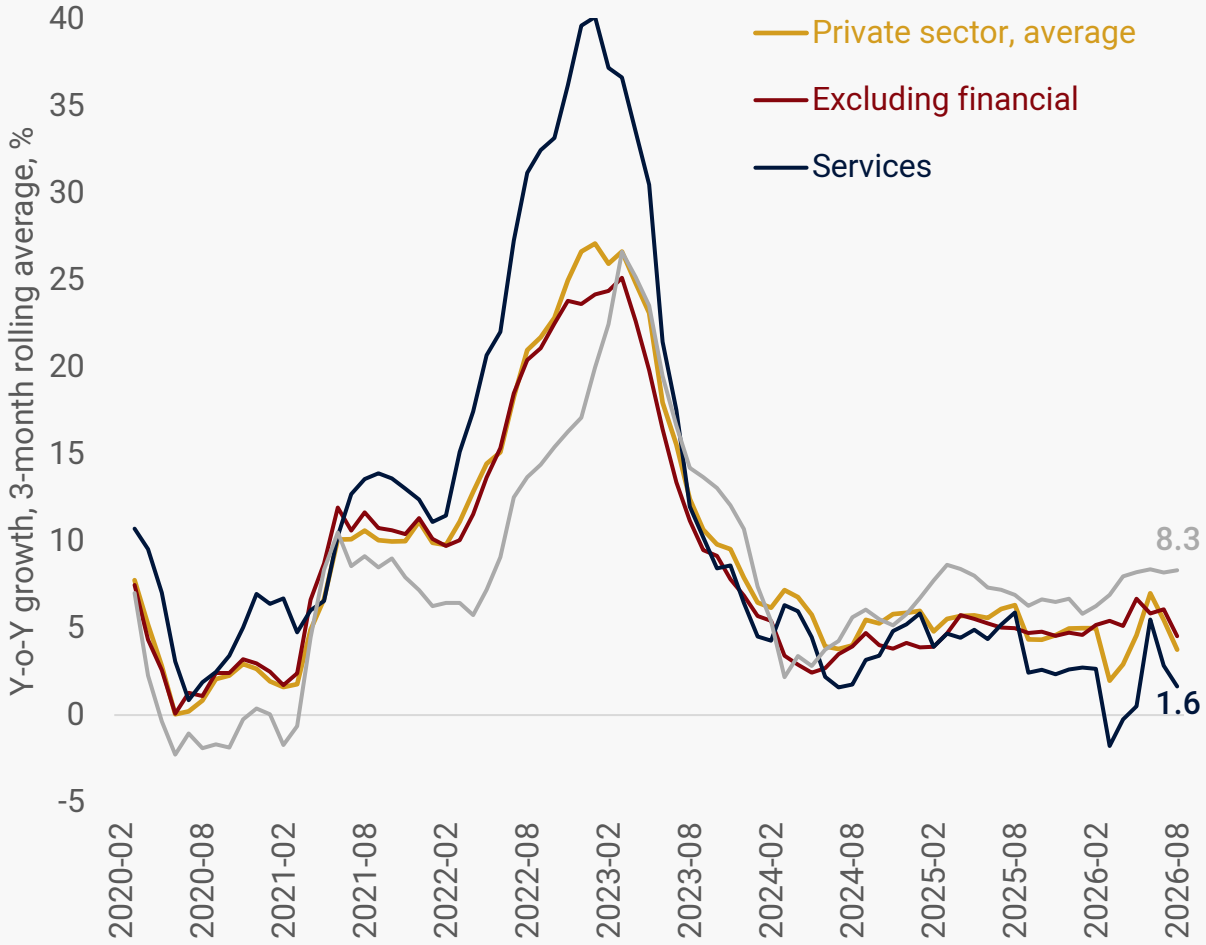
	Russia	Iraq	ME	EU	Other	Total
Beverages	-36	0	0	0	+3	-33
Tobacco	-6	-6	-16	0	-3	-30
Clothing	-32	0	0	-1	+4	-28
Chemicals	-11	0	0	-1	-1	-12
Food	-1	0	-1	+1	+2	+2
Metals	+2	0	+1	+9	+1	+13
Other	-5	0	0	0	-1	-5
Total	**-88**	**-6**	**-15**	**+10**	**+6**	**-94**

Source: State Revenue Committee of the Republic of Armenia, CBA calculations. On 25.05.2026, Russia's Rospotrebnadzor suspended sales of several Armenian brandy and wine products

Labor market developments send mixed signals about the economy's position. On the one hand, nominal wage growth continues to stabilize at around 5–6% on average, possibly indicating a relatively more balanced position

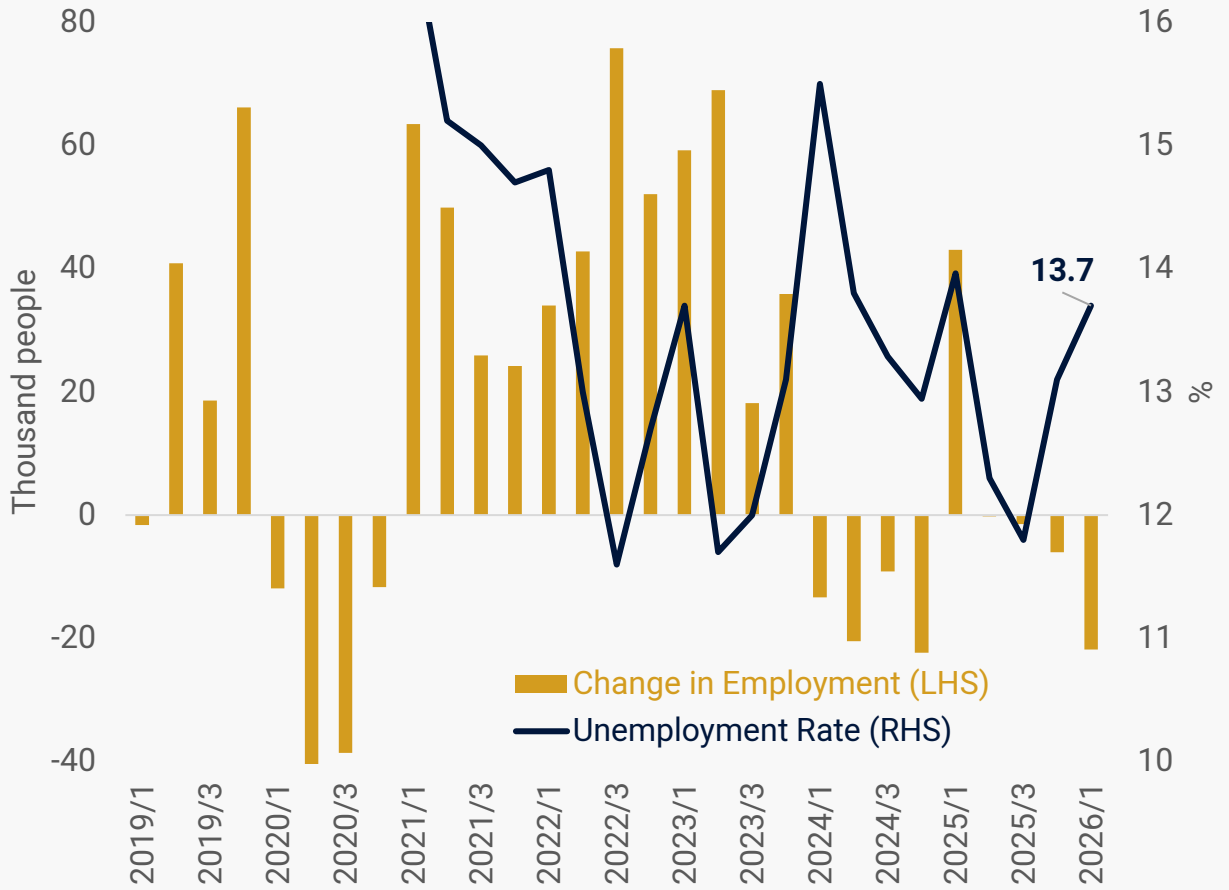
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Private-sector wage growth is slowing



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

The unemployment rate remains within the 12–14% range

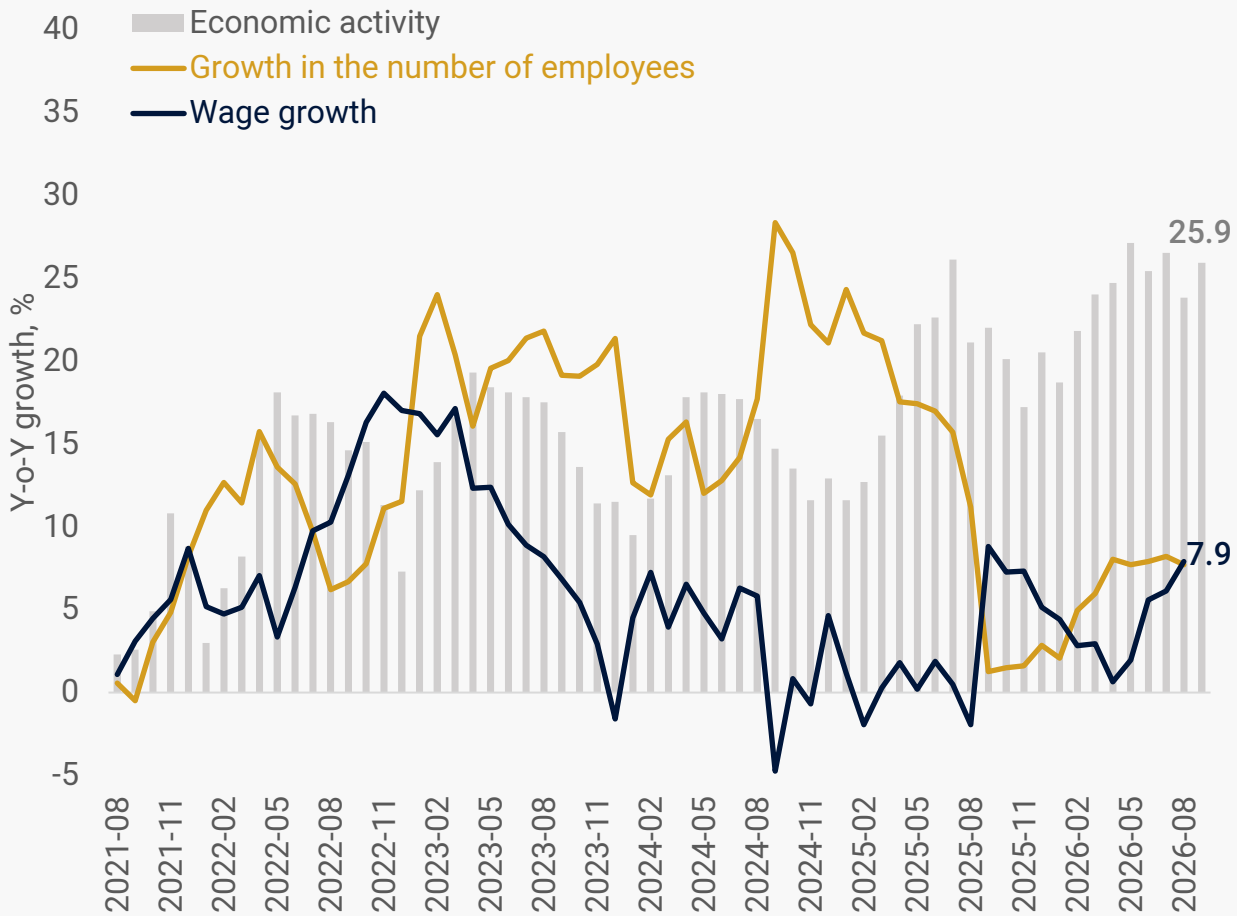


Source: Statistical Committee of the Republic of Armenia, CBA calculations

On the other hand, this may reflect rising labor supply, masking the impact of expanding demand on the labor market

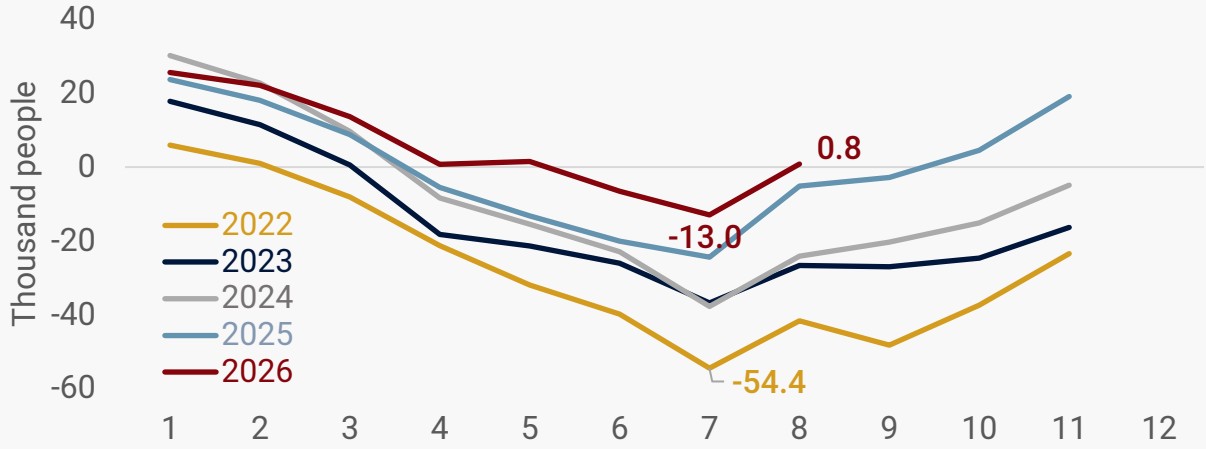
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Despite continued strong activity in the construction sector, there has been no corresponding increase in wages

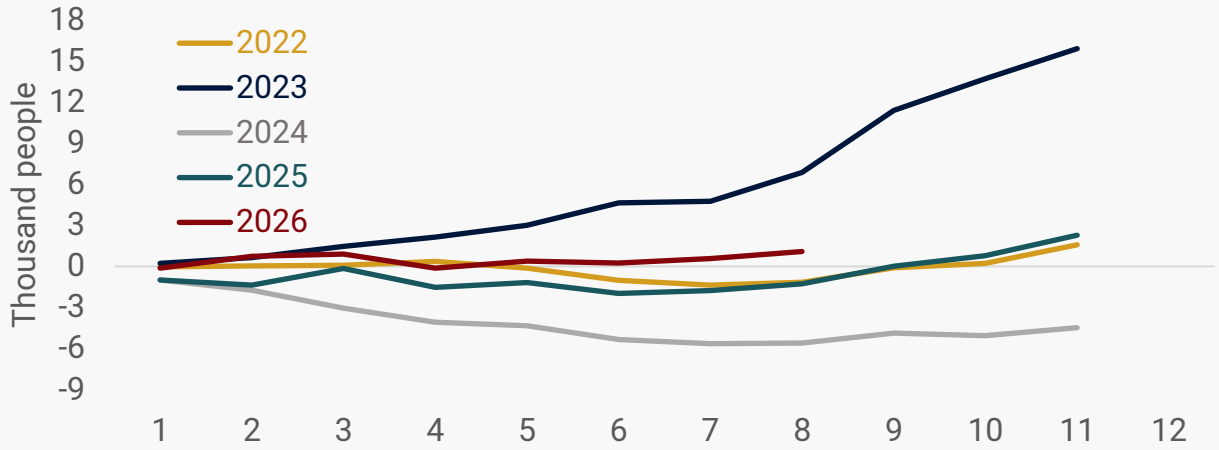


Source: Statistical Committee of the Republic of Armenia, CBA calculations

Net outflow of Armenian citizens, cumulative



Net inflow of Indian citizens, cumulative

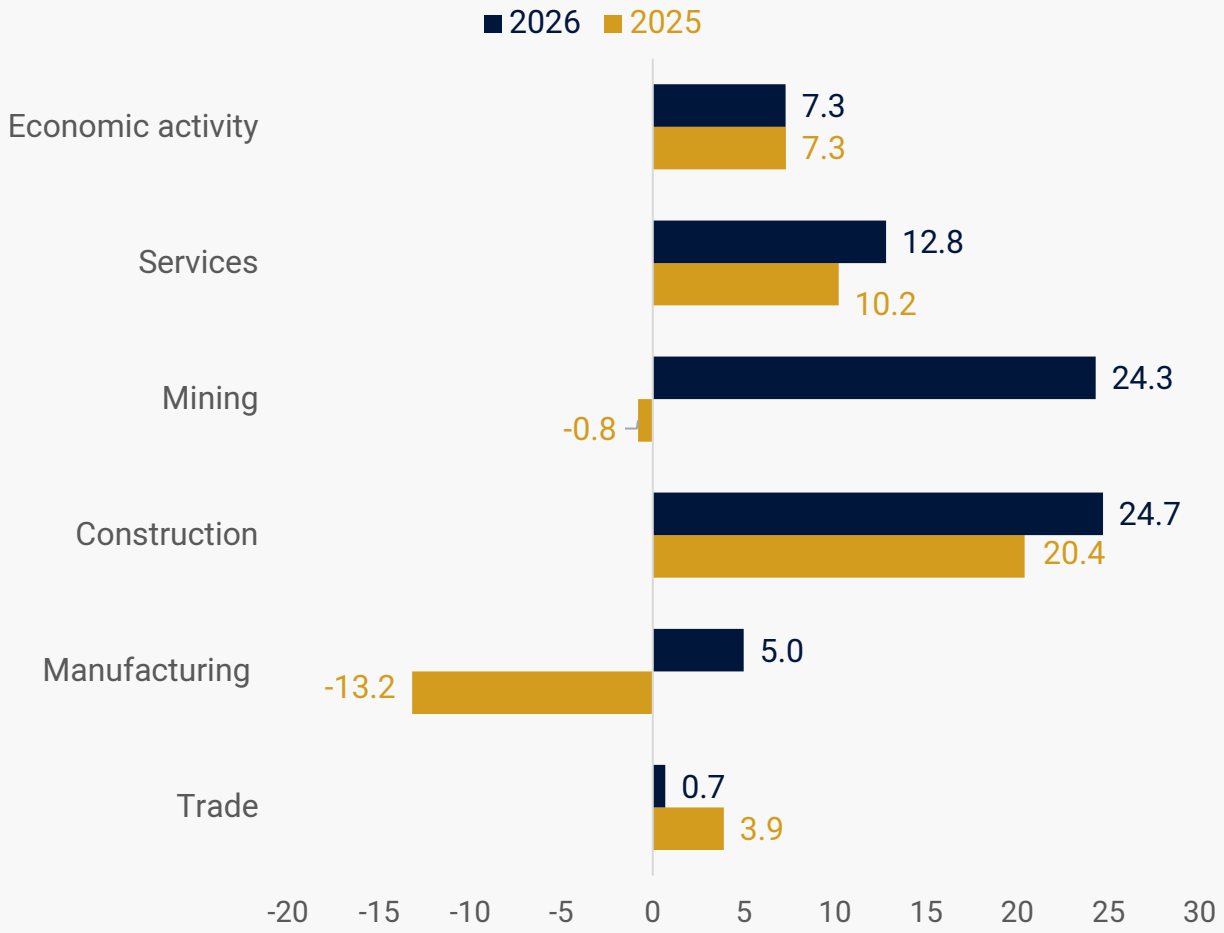


Source: Statistical Committee of the Republic of Armenia, CBA calculations

Given strong economic growth, its structural features and improved administration, tax revenues are running ahead of plan, partly offsetting the demand-side risks expected from higher social spending

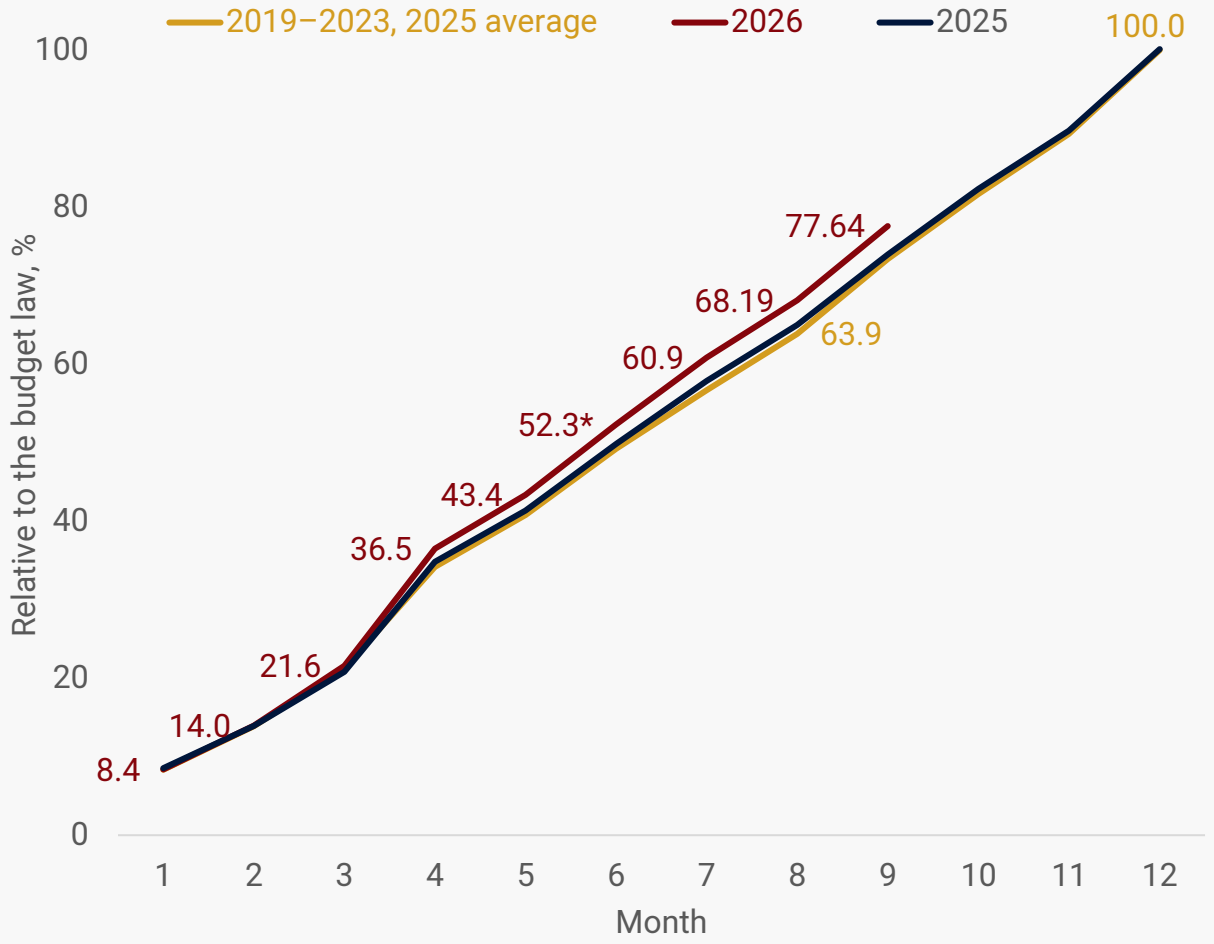
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Economic activity by sector, cumulative, January–August, %



Source: Statistical Committee of the Republic of Armenia

Tax revenue collection trends

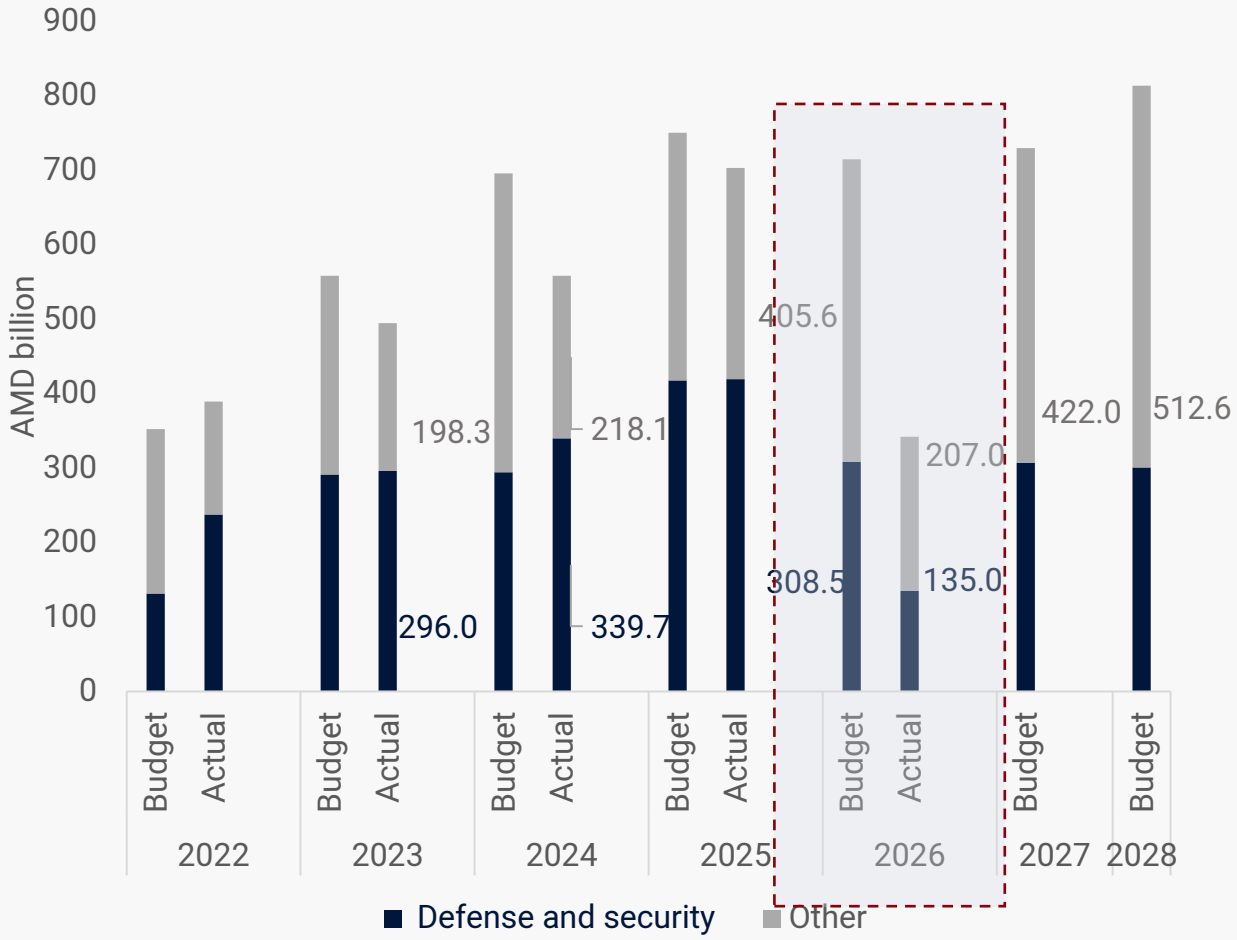


Source: Ministry of Finance of the Republic of Armenia

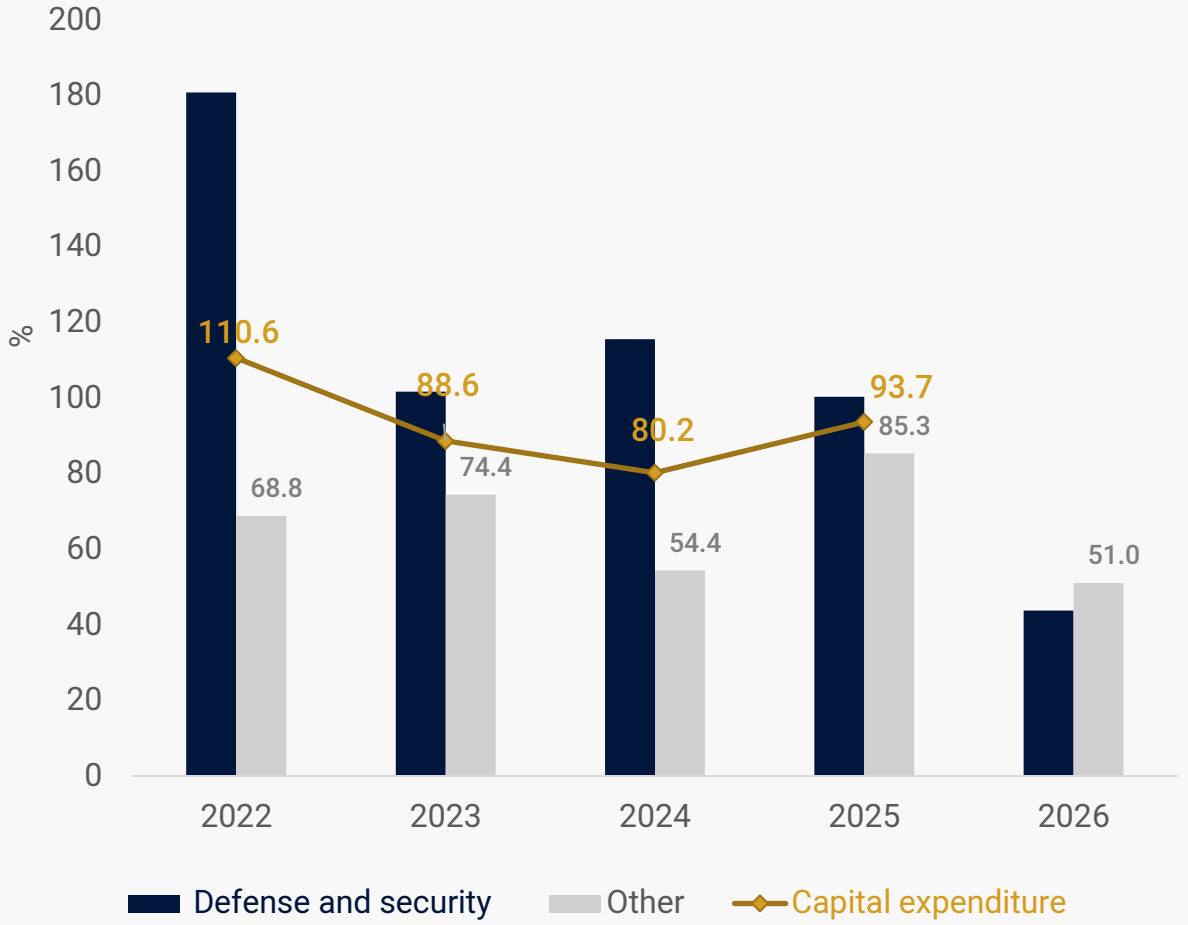
Meanwhile, capital expenditure underexecution risks are rising, given the rising share of non-defence spending this year and in the years ahead

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Planned and actual capital expenditure



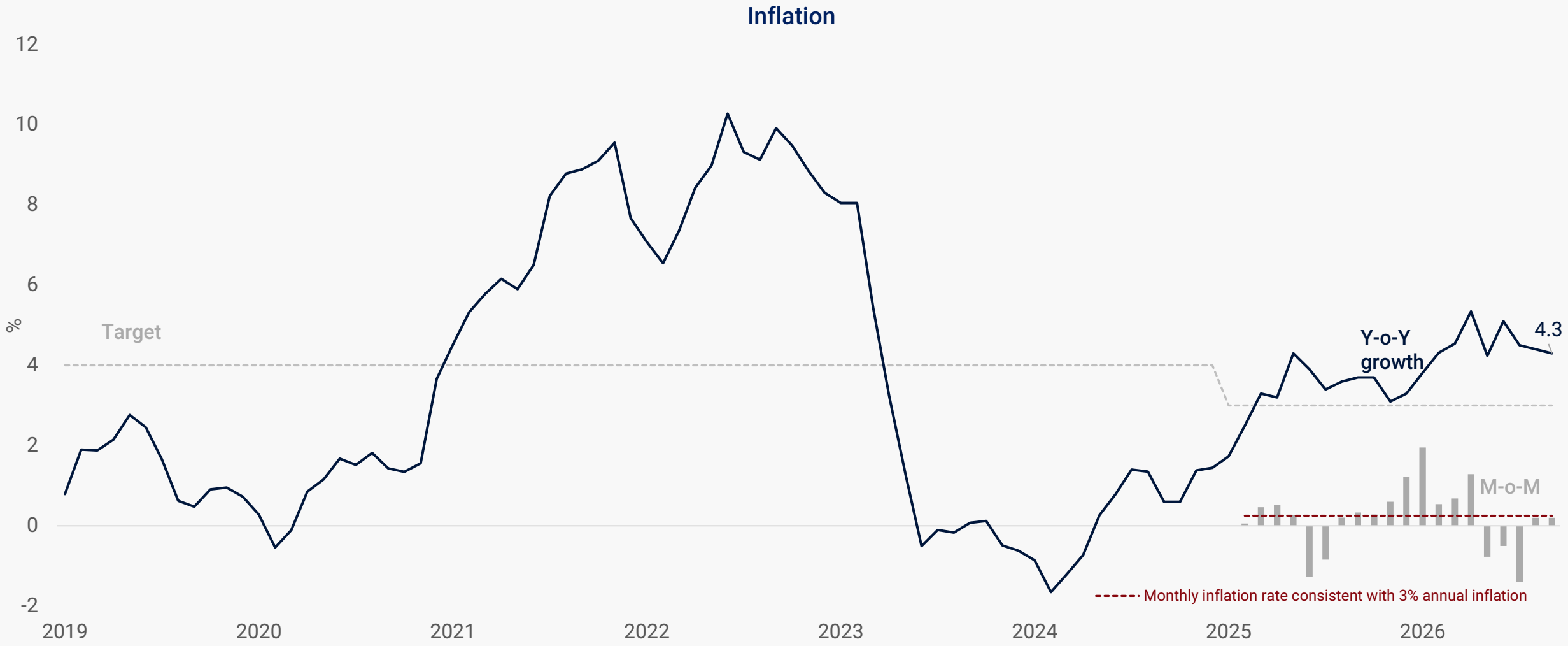
Historical execution of capital expenditure, actual



Source: Ministry of Finance of the Republic of Armenia

Against this backdrop, 12-month inflation remains above target, with some easing to 4.3% in September

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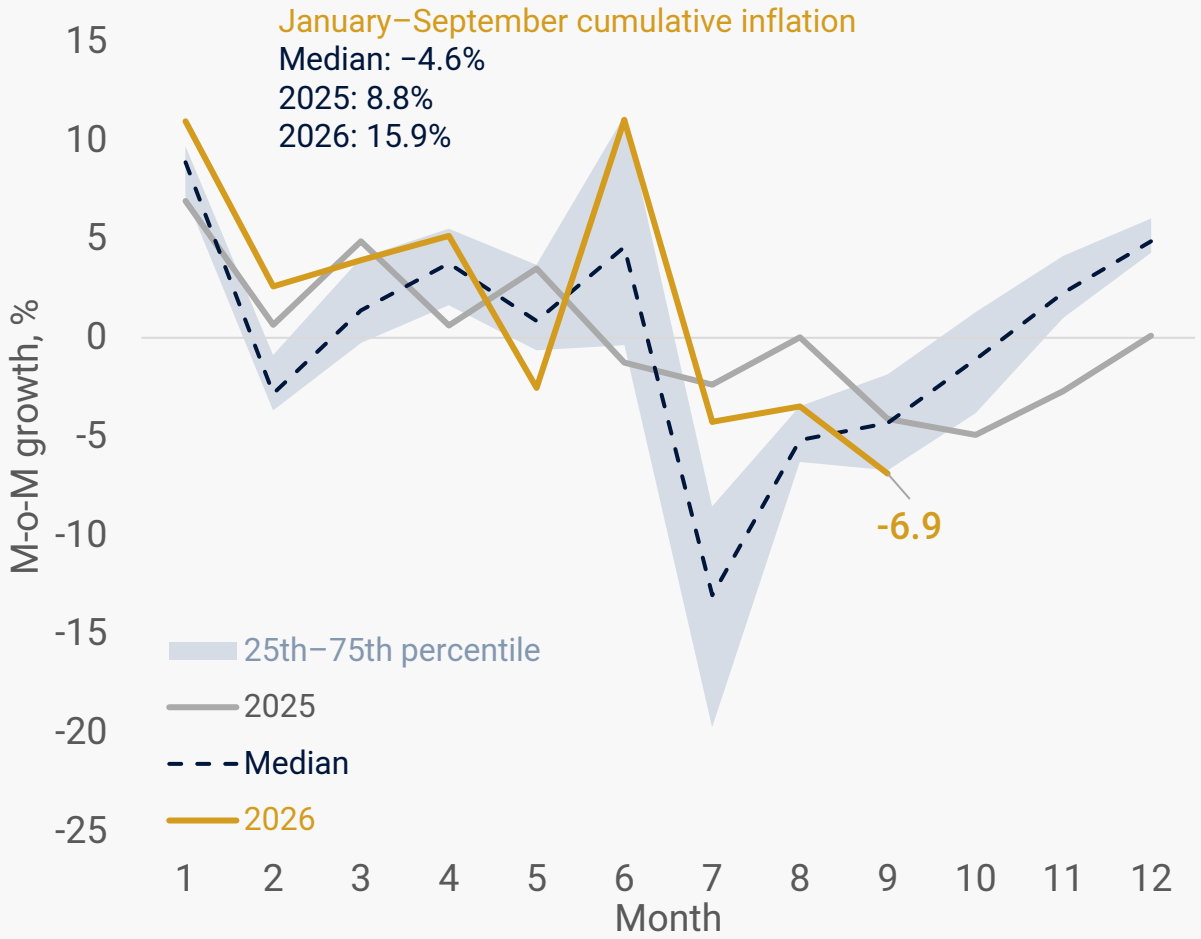


Source: Statistical Committee of the Republic of Armenia

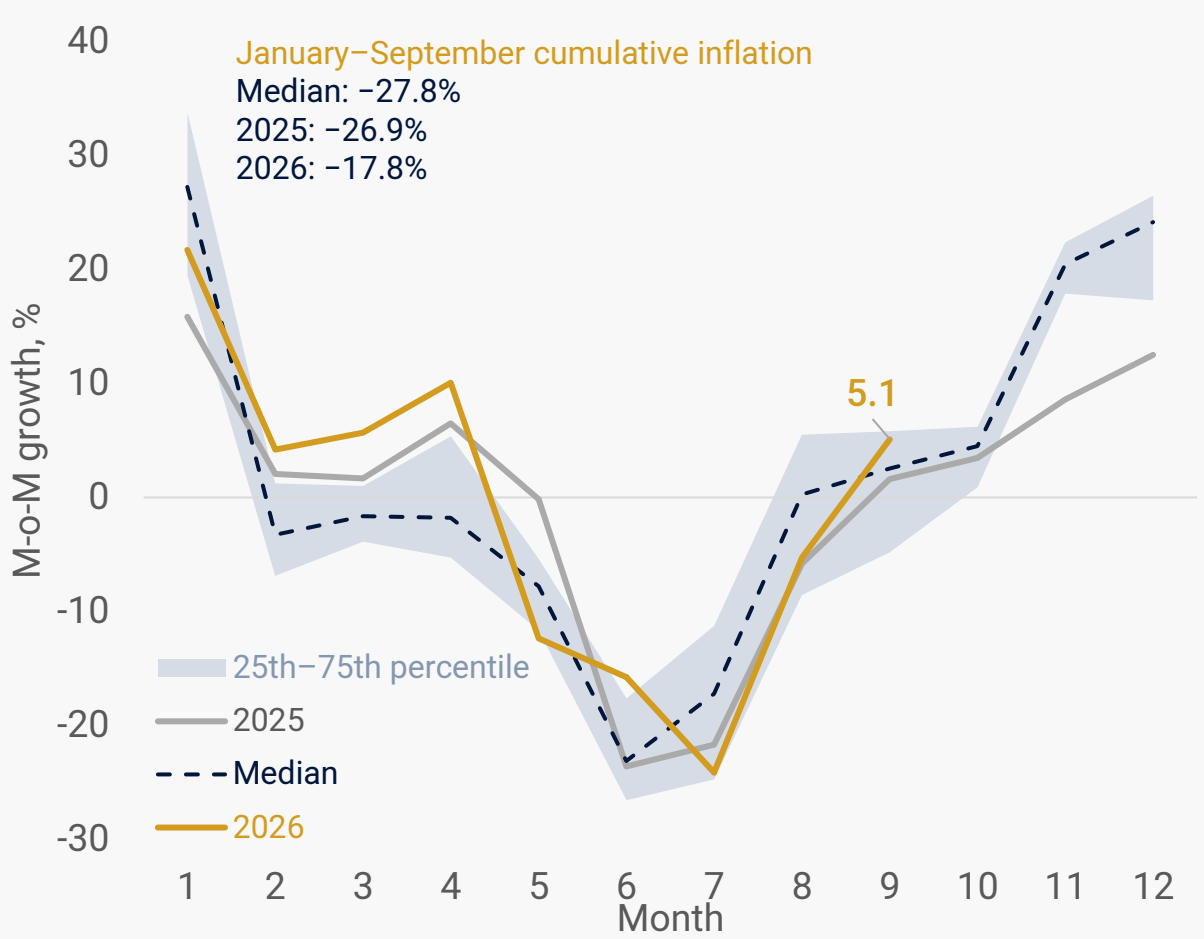
Despite some easing of seasonal food price pressures in recent months, inflation accumulated over the year remains well above historical patterns

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Fruit inflation



Vegetable inflation

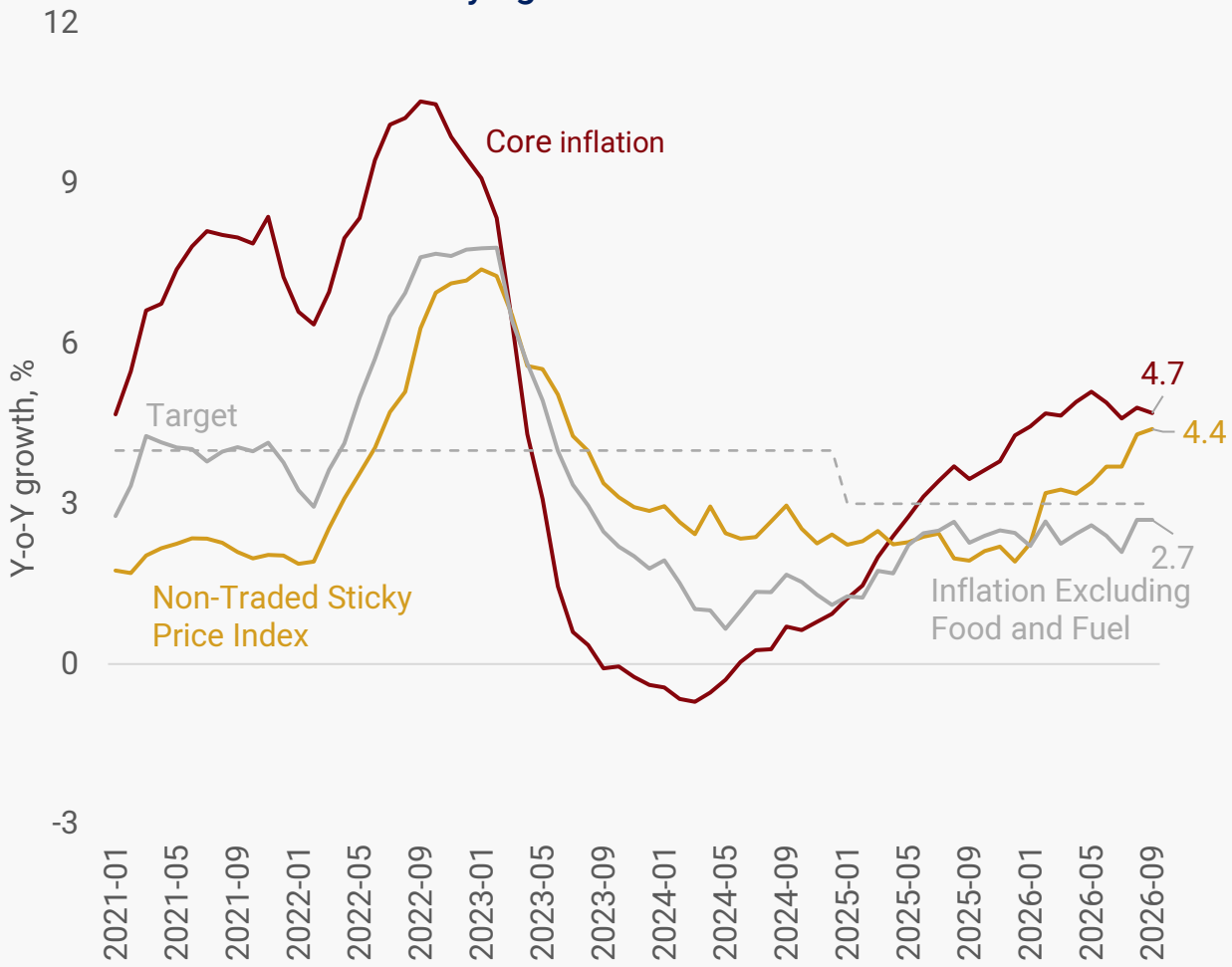


Source: Statistical Committee of the Republic of Armenia, CBA

Moreover, underlying inflation indicators also remain persistently high, showing some signs of acceleration

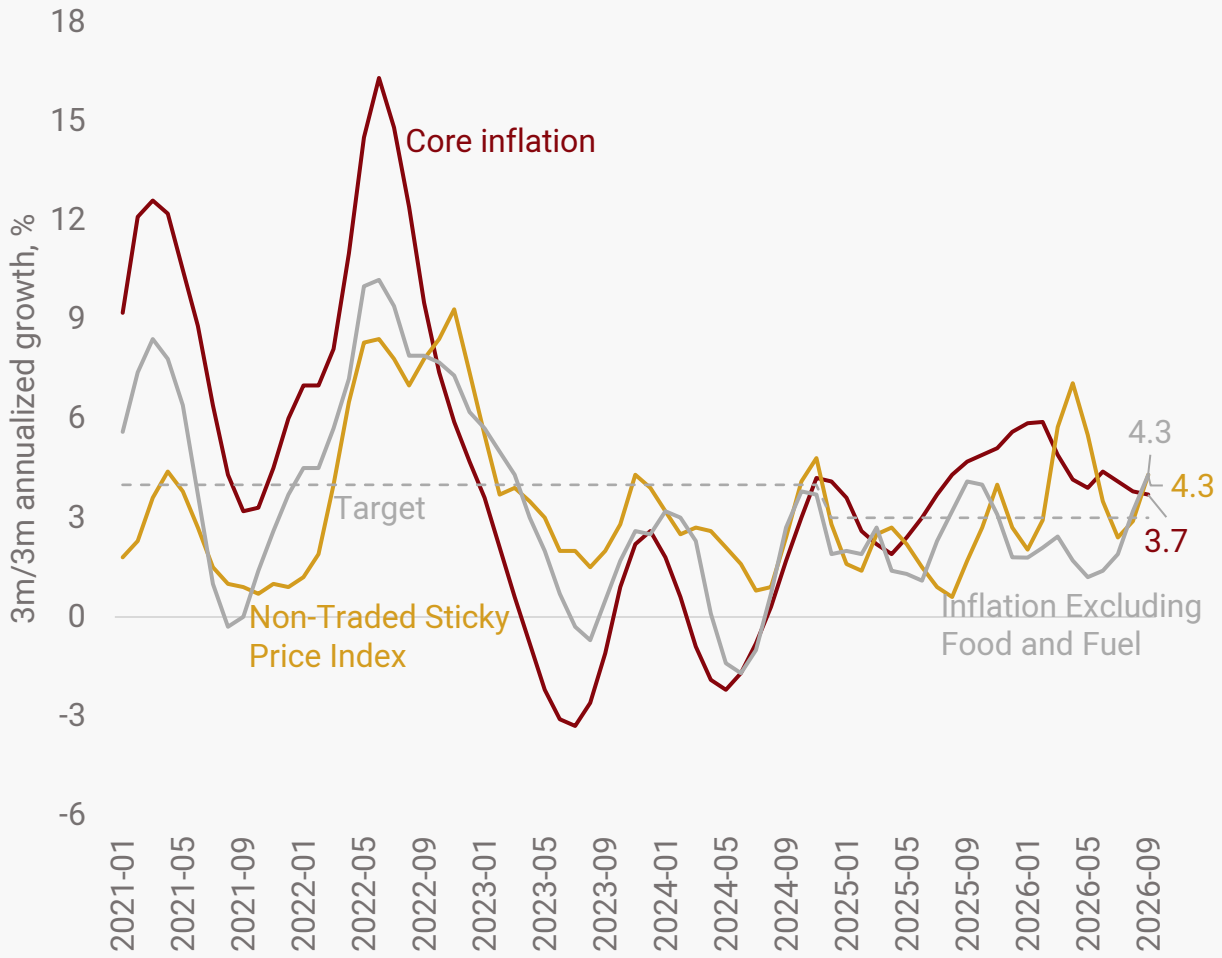
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Underlying inflation indicators



Source: Statistical Committee of the Republic of Armenia, CBA

Underlying inflation indicators

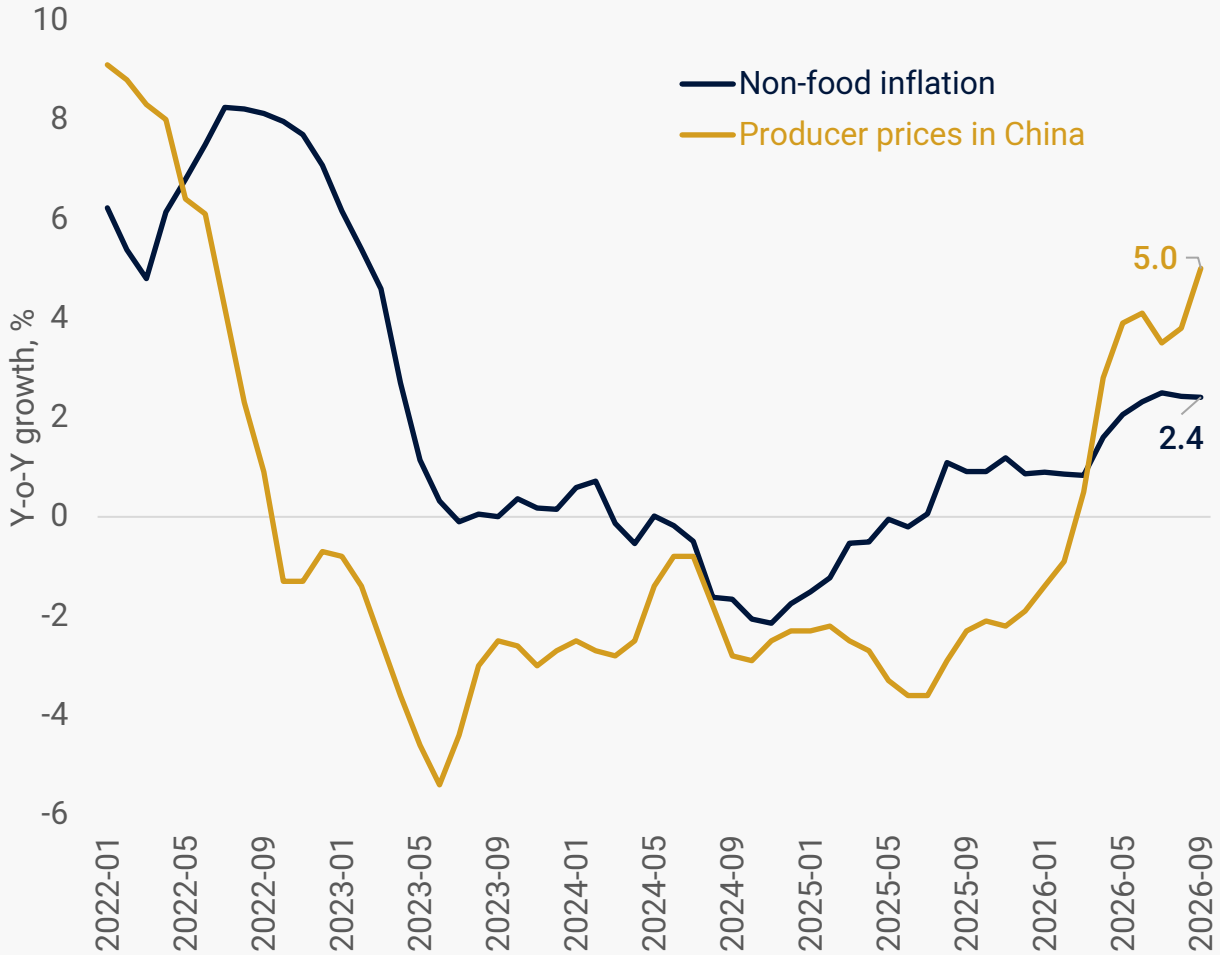


Source: Statistical Committee of the Republic of Armenia, CBA staff calculations

At the same time, amid disruptions to global supply chains and persistently high energy prices, upside risks to non-food prices are growing

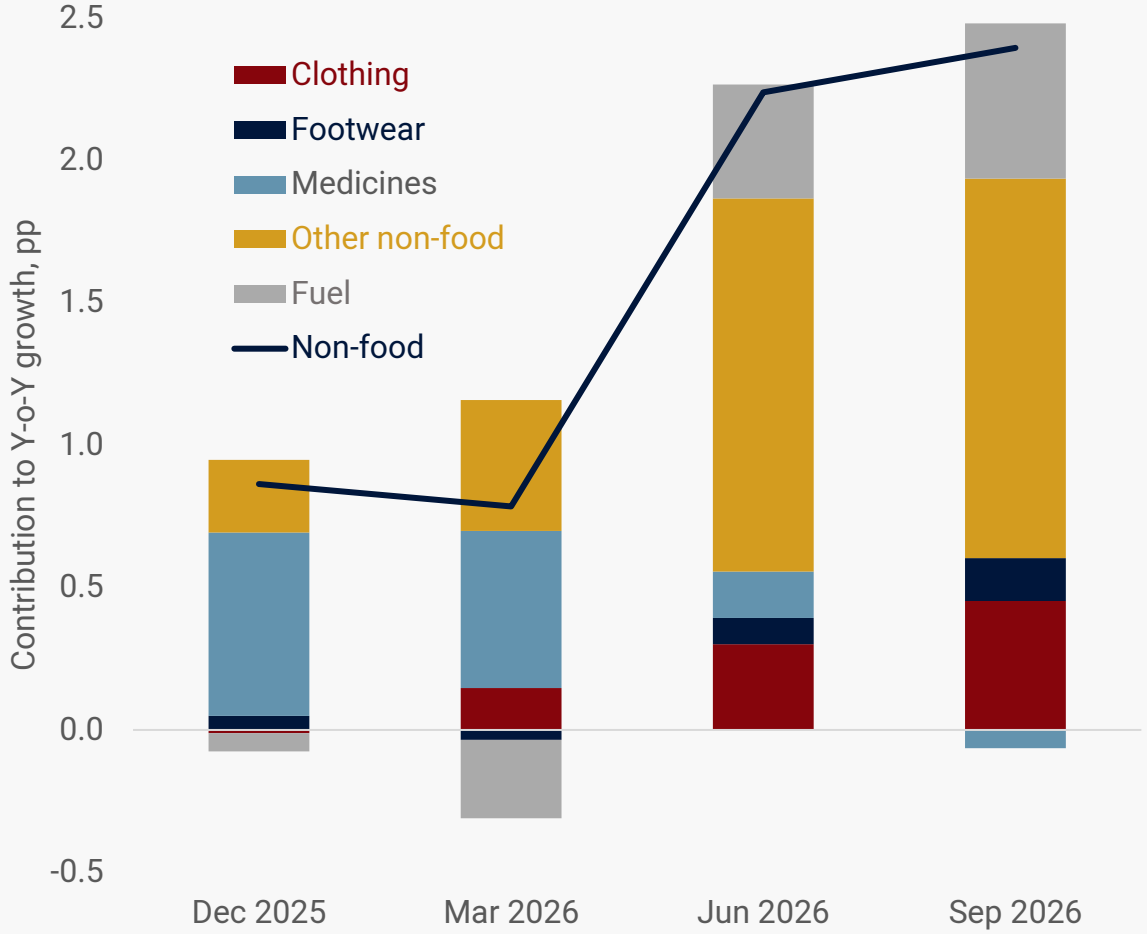
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Non-food inflation



Source: Statistical Committee of the Republic of Armenia

Contributions to non-food inflation

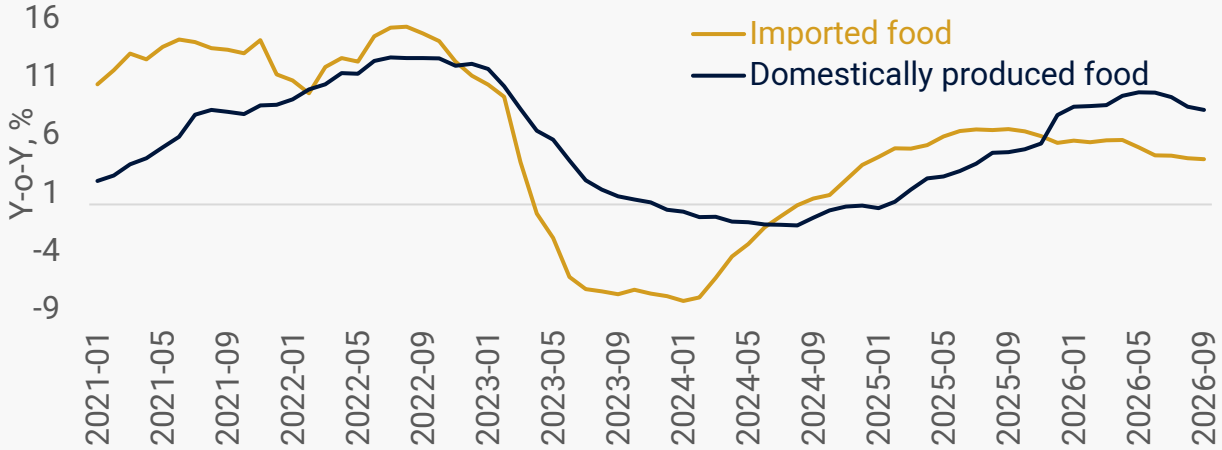


Source: Statistical Committee of the Republic of Armenia, CBA calculations

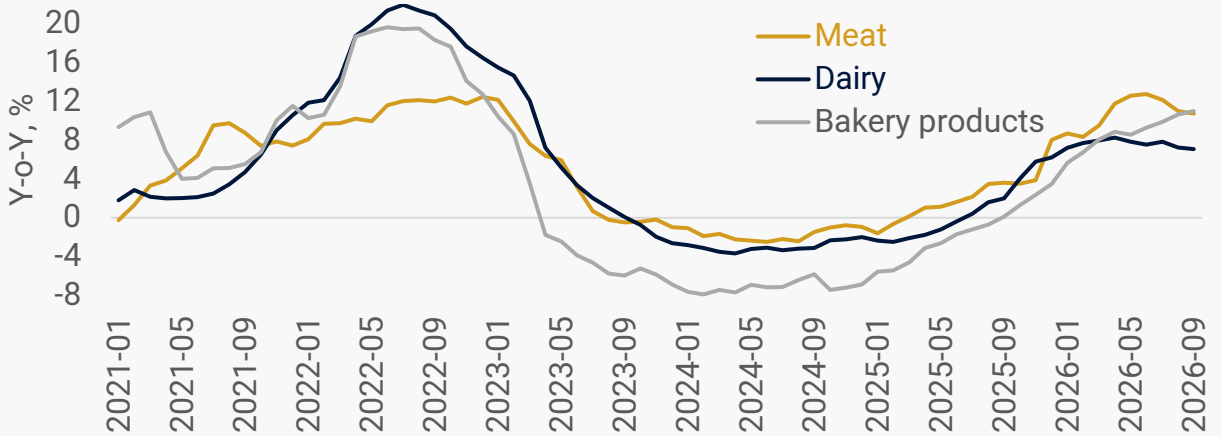
In the short term, some increase in food price inflation can also be expected, partly offset by exchange rate appreciation

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Non-seasonal food inflation

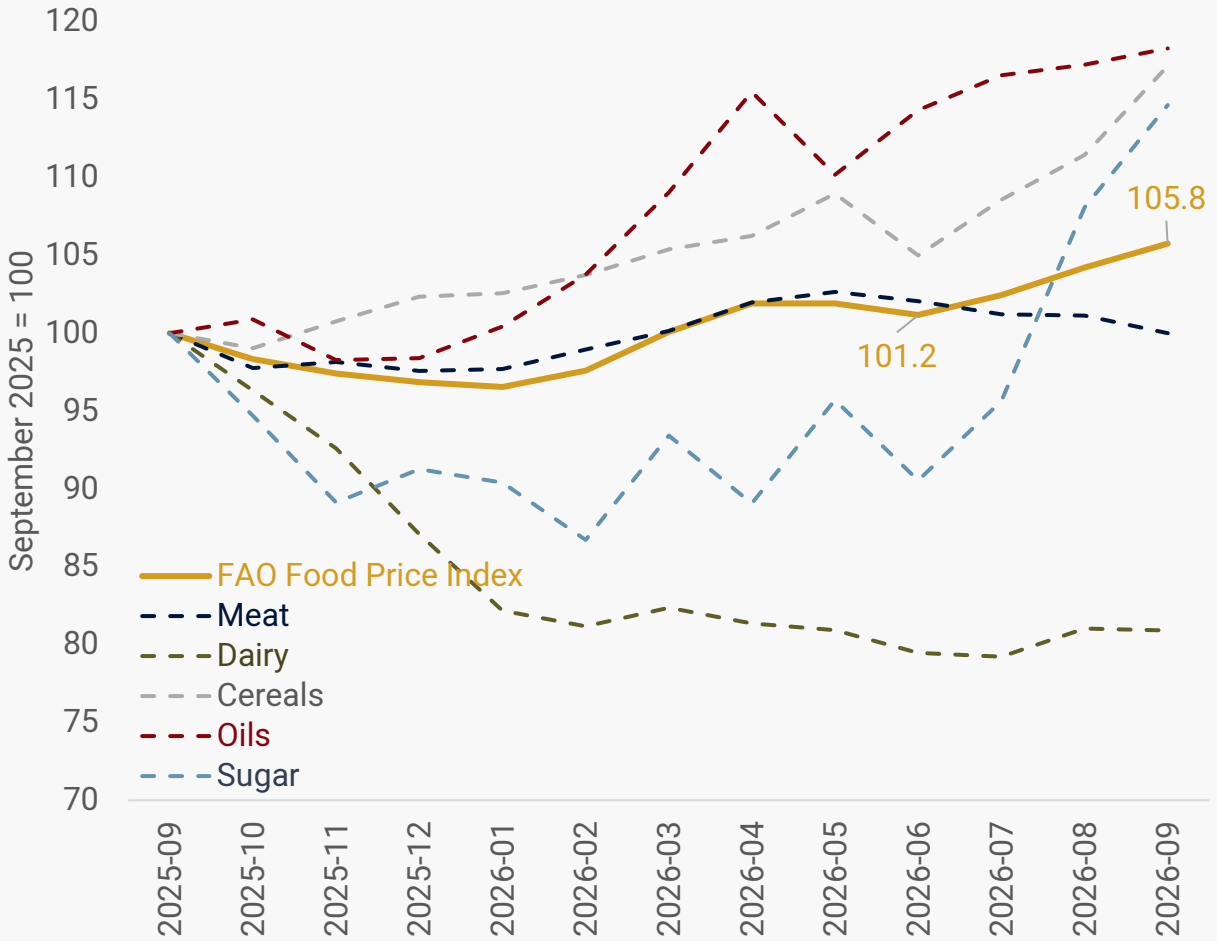


Inflation in domestically produced food



Source: Statistical Committee of the Republic of Armenia

Food and Agriculture Organization (FAO) Food Price Index

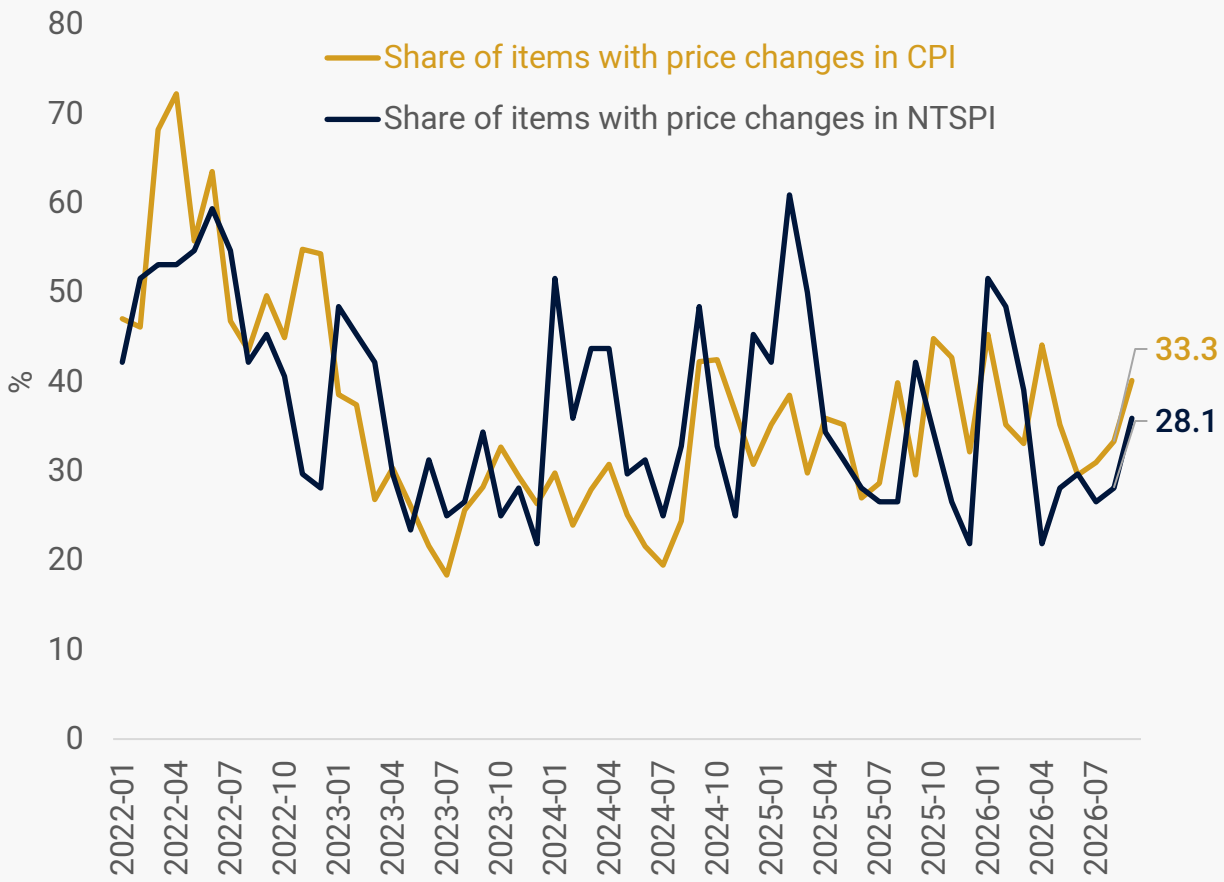


Source: FAO Food Price Index, CBA calculations

Despite some broadening of inflationary pressures in the NTSPI basket, certain indicators may point to a stabilization of inflation expectations

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Does the continued rise in the NTSPI point to some increase in inflation expectations?



Source: CBA

Y-o-Y inflation of selected NTSPI services, %

	Mar	Apr	May	Jun	Jul	Aug	Sep
Apartment rent	-2.4	-2.5	-0.9	1.4	0.9	3.9	8.5
Car wash	10.1	10.1	10.1	10.0	10.6	12.1	12.6
Swimming pool services	3.7	3.3	3.3	5.1	5.1	5.1	5.1
Cinema	9.0	8.2	5.8	4.4	0.6	6.4	4.3
Fast-food outlets	4.8	4.6	3.7	4.2	4.3	4.8	4.9
Women's haircuts	0.4	1.3	1.4	1.9	4.5	4.9	4.9
Banking and postal services	9.7	7.2	7.2	13.6	13.6	13.6	13.6

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

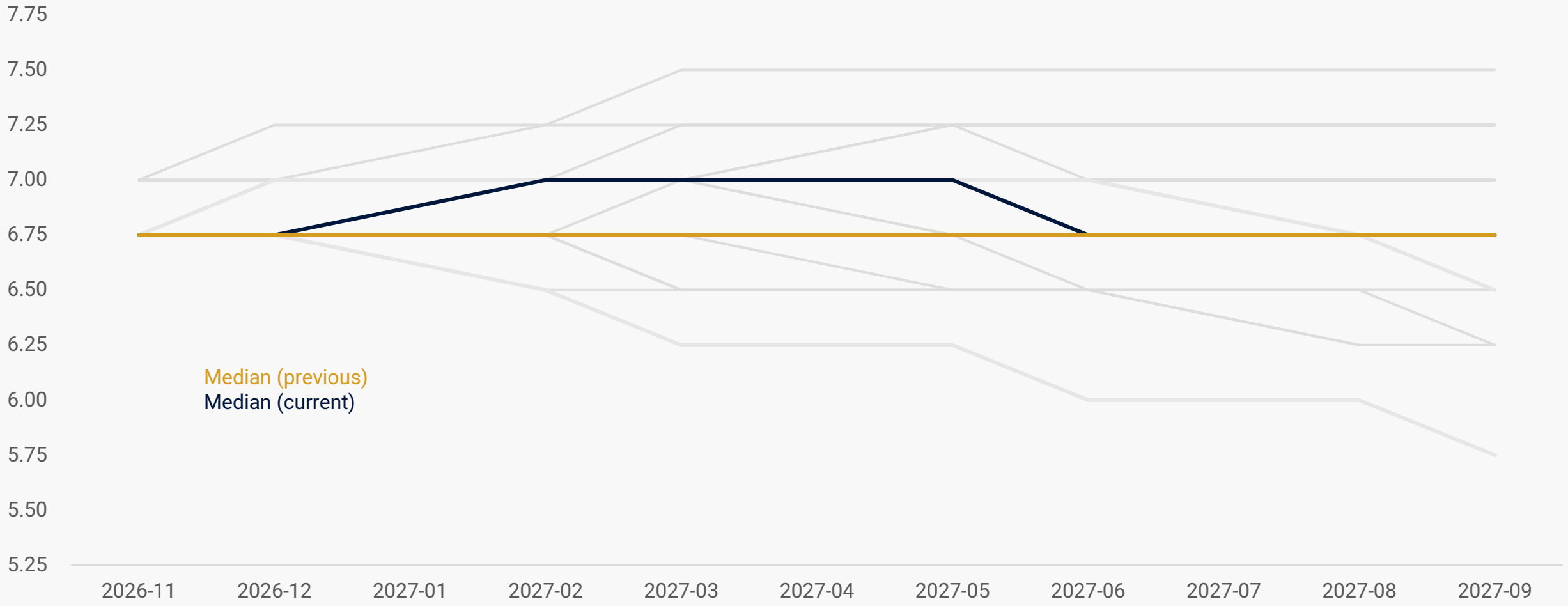


Market reference scenario and expectations

Given current macroeconomic developments, financial market participants have revised their monetary policy expectations and now see a higher policy rate path

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Expectations regarding the policy rate path, all market participants

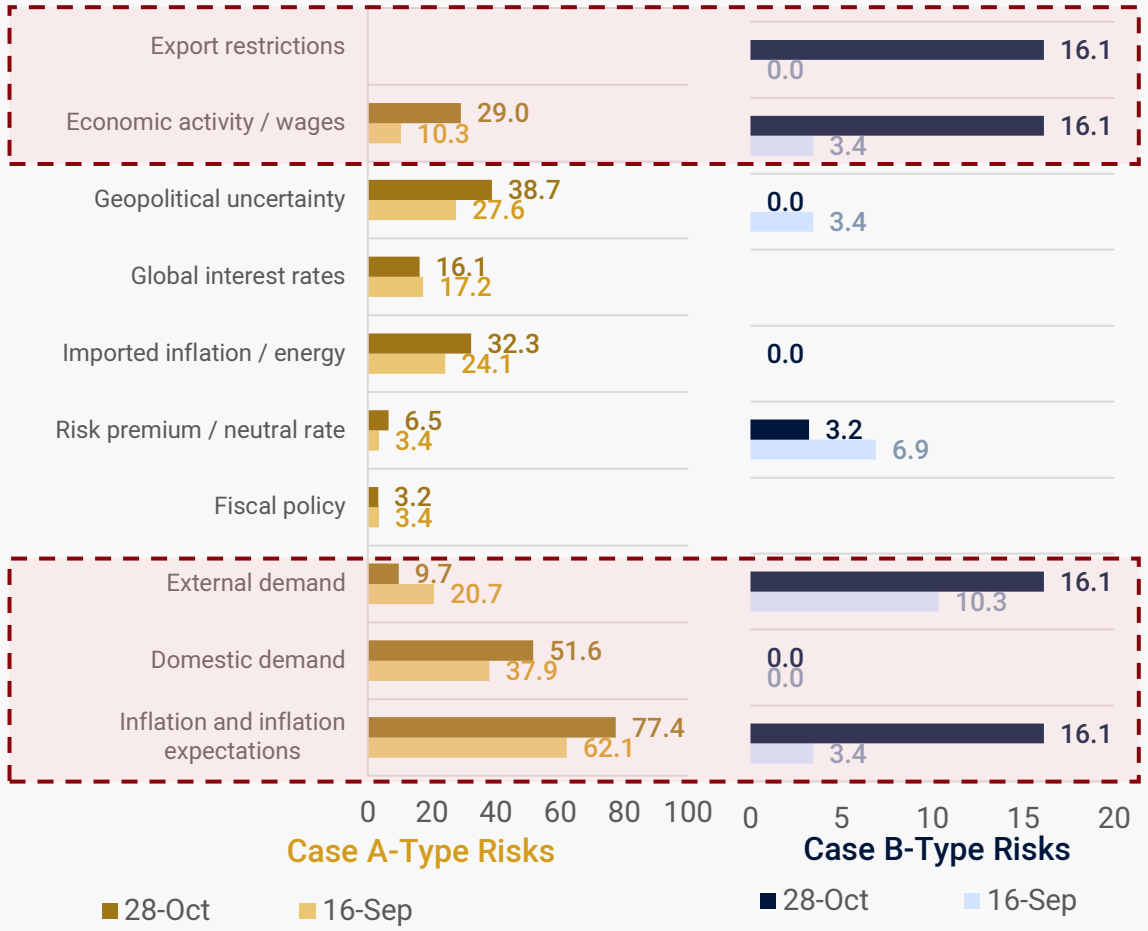


Source: CBA July 29 short surveys; financial institutions: n=29, previous survey: n=31.

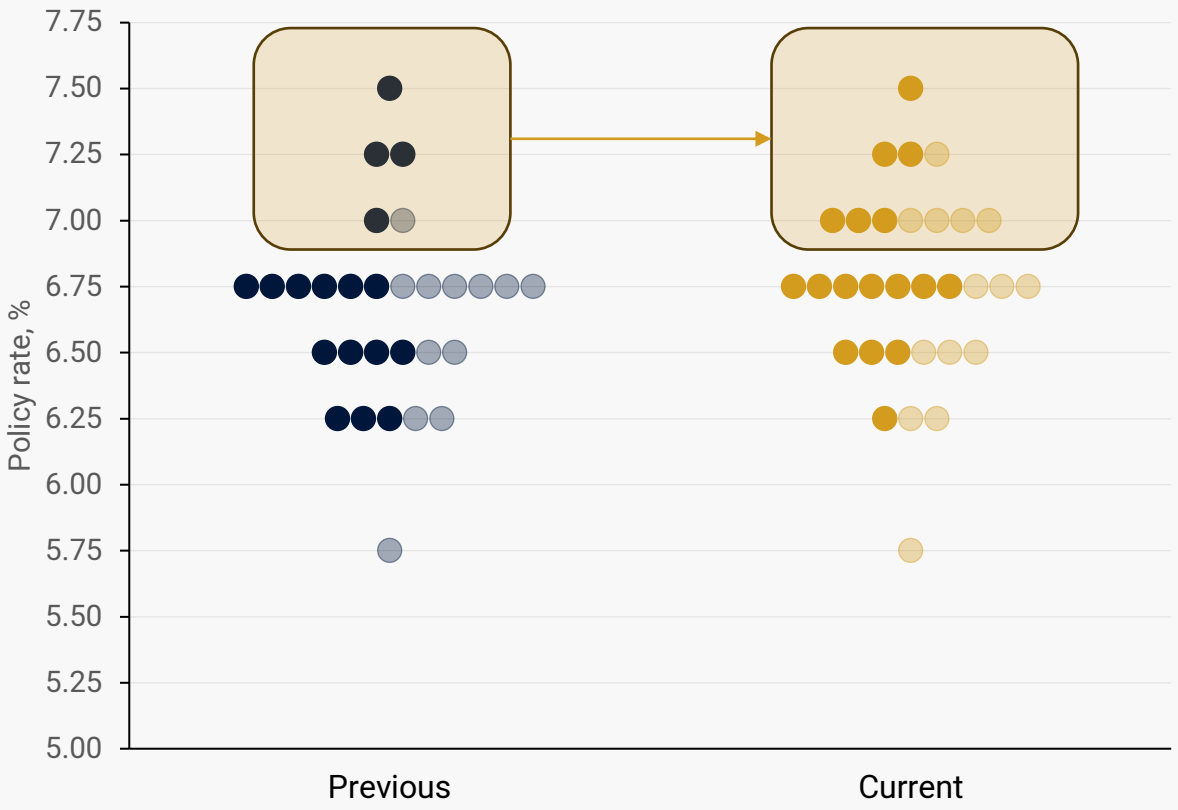
Inflation risks and risks from export restrictions to Russia have become more prominent in market participants' assessments, while views on the policy rate path remain divided

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Risks identified by market participants



Distribution of individual policy rate expectations for the September 2027 decision

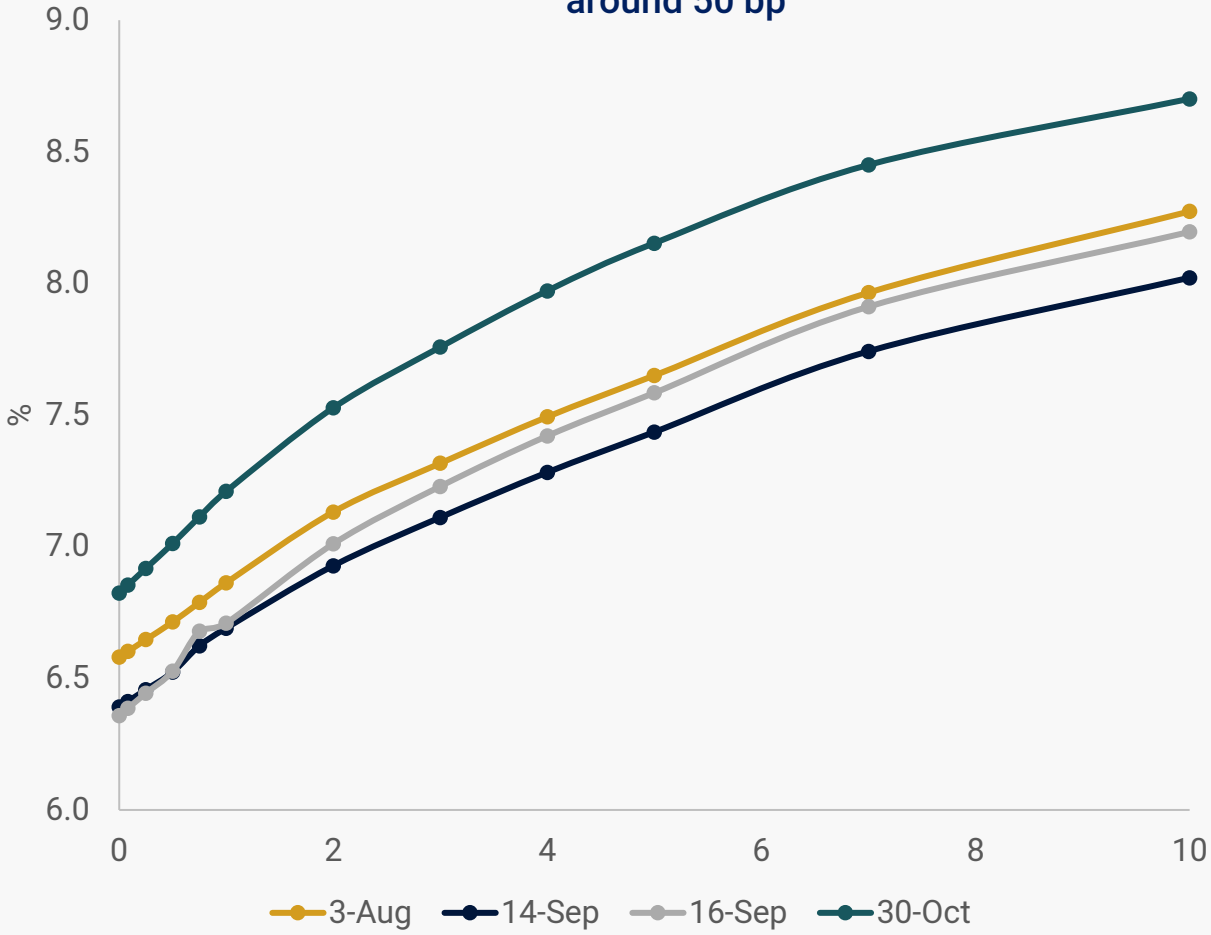


Source: CBA surveys of 16 September (n=29) and 28 October (n=31)

In line with the inflation risks and rate expectations flagged by market participants, yields have risen across the entire curve

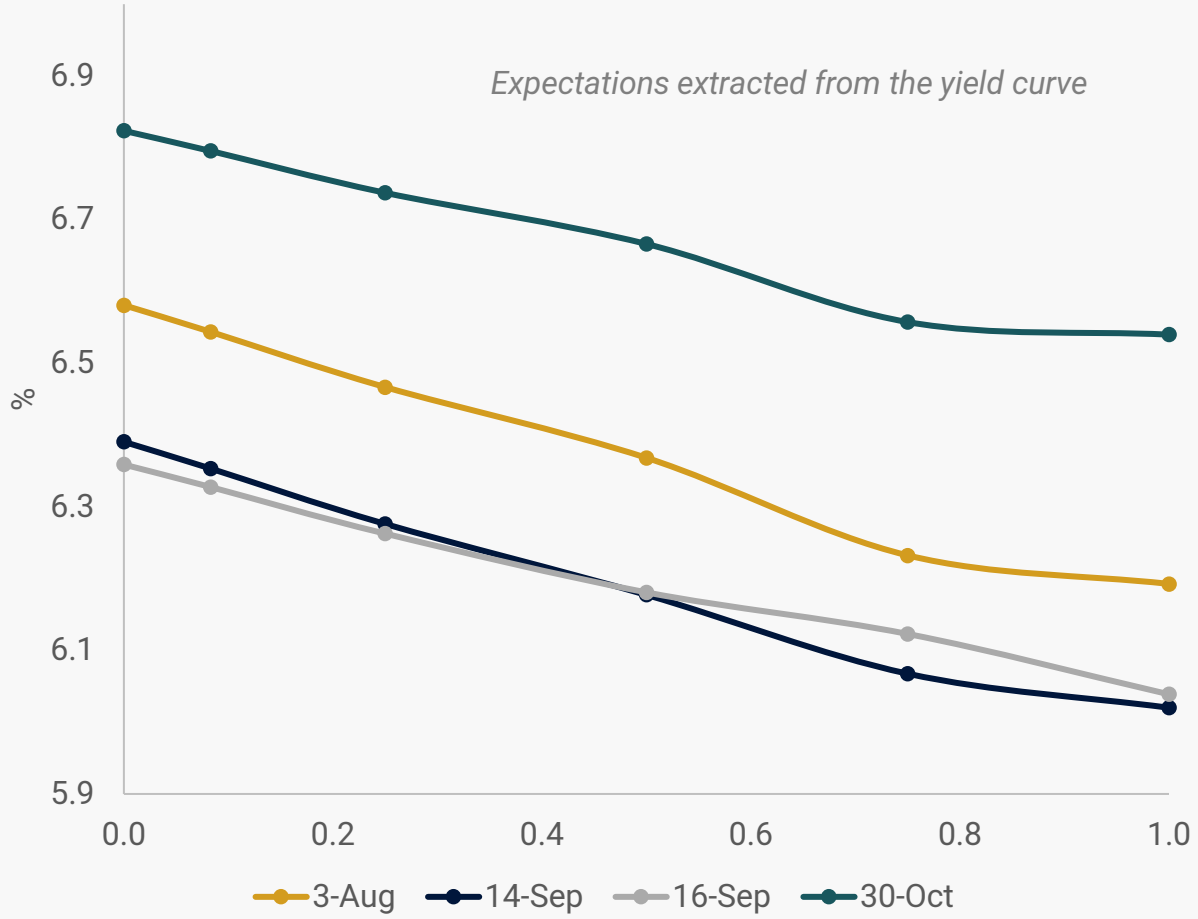
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From 16 September to 30 October, 1–10-year yields rose by around 50 bp



Source: CBA

Over time, expectations at the short end have also been reassessed



Source: CBA calculations



Taxonomy of Scenarios

Taxonomy of Scenarios.
Case A-Type Considerations

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Expansionary Demand — Output + | Inflation +

- Uncertainty over aggregate demand conditions in the domestic economy; the prevailing excess-demand environment, its persistence or further expansion.
  - The continued recording of economic growth and high economic activity above the estimated long-term sustainable level, driven mainly by services and construction and accompanied by strong growth in consumption and lending, could point to excess demand conditions in the Armenian economy.
  - Amid a prolonged Russia-Ukraine conflict and an expansion in its scope, together with a deterioration in the security environment and economic outlook:
    - a significant increase in visits to countries in the region, including Armenia, with risks of a substantial broadening of demand and inflationary pressures in the short term;
    - a significant increase in demand for real estate in Armenia from Russian citizens, contributing to higher real estate prices and, through the wealth channel, stimulating investment and consumption in the Armenian economy.
  - The persistence or acceleration of significant capital inflows to Armenia, driven by growing interest in Armenian assets and, in particular, external push factors, which in the short term would mainly contribute to an expansion in demand conditions in the domestic economy.
  - Rising energy and food prices stemming from geopolitical tensions and disruptions to trade routes, combined with the persistently high inflation in essential, sensitive goods in Armenia, could lead to an acceleration in inflation expectations.

Taxonomy of Scenarios.
Case A-Type Considerations

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Contractionary Supply	Output - | Inflation +

- Persistent geopolitical risks, particularly prolonged tensions in the Middle East and disruptions to trade routes, could lead energy and food prices to remain elevated for a prolonged period or rise further, while also increasing logistics and other production costs, with corresponding inflationary effects on the Armenian economy.

Taxonomy of Scenarios.
Case B-Type Considerations

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Contractionary Demand — Output - | Inflation -

- Risks of weak demand conditions in the global economy or individual partner economies and/or of their further weakening.
  - A possible downward correction in US financial asset prices, particularly securities, given the risks of overvaluation, could lead to a sharp weakening in consumer and investment activity in the US and, more broadly, in the global economy.
  - Given the accumulation of structural problems in certain sectors of the Russian economy, a further weakening in economic activity and domestic demand, with corresponding effects on Armenia's exports of goods and services and on remittance inflows to Armenia.
- Uncertainty over aggregate demand conditions in the domestic economy; the prevailing weak-demand environment, its persistence or further weakening.
  - A decline in incomes amid restrictions on exports of certain goods to Russia and high uncertainty over their outlook, particularly given the large-scale employment in the agricultural sector, together with a broader weakening in investment and consumer activity in the economy.
- Uncertainty over Armenia's neutral interest rate; risks of it settling at a lower level.
  - A lower equilibrium level of Armenia's country risk premium and neutral interest rate amid easing security risks around Armenia and a gradual improvement in fundamentals.

Taxonomy of Scenarios.
Case B-Type Considerations

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Expansionary Supply	Output + | Inflation -

- An increase in labour supply in the Armenian economy, driven by a deterioration in Russia's economic growth outlook, reduced seasonal migration from Armenia to Russia amid tighter migration policies in Russia, and the possible return of Armenian labor migrants to Armenia.
- Prolonged Russian restrictions on imports of goods produced in Armenia could create excess supply of certain products and generate deflationary pressures in the Armenian economy.
- A fundamental resolution of geopolitical tensions in the Middle East, combined with the current expansion in production by non-OPEC+ countries, could lead to a decline in energy prices and their settling below pre-conflict levels, with predominantly deflationary effects.



Policy discussion

Policy discussion

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Illustrative scenarios – 2026Q3



Source: CBA



Thank you