



Central Bank
of Armenia

2026 Q3

Transparency Report

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A. Minutes of the Central Bank of Armenia Board Meeting on the Policy Rate

September 15, 2026

Present at the meeting: Governor Martin Galstyan, Deputy Governors Armen Nurbekyan, Hovhannes Khachatryan; and Board Members, Davit Nahapetyan, Artak Manukyan, Levon Sahakyan, Narek Ghazaryan and Armen Ktoyan.

Assessment of Current and Underlying Economic Conditions

The September 15 meeting of the Board of the Central Bank of Armenia began with the Staff presentation of current and underlying global and domestic economic conditions. The presentation addressed developments in the external environment, inflation, and the real, fiscal, financial, and monetary sectors of the economy; touched upon the key risks and issues, as presented in various scenarios summarized in the Taxonomy of Scenarios; and highlighted sources of policy-relevant uncertainty. Comprehensive assessments and analyses of current and underlying conditions in the global and domestic economies are presented in greater detail in the Q3 2026 Monetary Policy Report, as well as in Part B of the Executive Monetary Policy Statement.

Deliberations around Key Risks, Uncertainties, and Scenarios

Following the discussion of current and underlying macroeconomic developments in the external and domestic sectors, the Board proceeded to address the broad spectrum of risks in light of prevailing uncertainties, deliberating their implications for monetary policy, and making a decision on the policy rate. The Board also considered market expectations regarding the future path of the policy rate. In the context of current macroeconomic developments, financial market participants in Armenia generally expect the Central Bank to maintain the policy rate at its current level over the next year, followed by a reduction to 6.25% over the medium-term horizon.

On one hand, the Board considered scenarios in which underlying developments could require a higher policy rate path than currently expected by markets, in order to ensure price stability over the medium term (A-Type scenarios). These scenarios are mainly linked to stronger domestic demand conditions, further expansion of external demand, sustained or accelerating high capital inflows, and rising risks of increased inflation expectations. On the other hand, the Board considered scenarios in which underlying developments could require a lower policy rate path to ensure price stability over the medium term (B-Type scenarios). These scenarios are mainly linked to a slowdown in global economic growth, declining revenues and disinflationary risks arising from problems in certain export destinations to Russia, a fundamental decline in Armenia's country risk premium, and other risks.

Against the backdrop of the broader set of risks, Board members deliberated their individual views on the key sources and types of risks and uncertainty that were most relevant for making a prudent policy decision. In particular, Board members emphasized the importance of minimizing the potential losses arising from these risks and uncertainties.

Board members discussed current developments in the US economy and their possible implications for the monetary policy of the US Federal Reserve. Amid rising tensions in the Middle East and the possibility of their further expansion, sustained high energy prices could contribute to increased inflationary pressure, raising the need for the Fed to raise its policy rate and maintain it at a higher level for longer. Martin Galstyan and Hovhannes Khachatryan discussed the risks associated with the persistence of a high US fiscal deficit amid rising defense spending and an increasing debt-service burden, emphasizing continued concerns regarding fiscal sustainability. In this context, the Board members also discussed the role of high investment activity in the AI sector. Armen Nurbekyan emphasized that higher expectations for future productivity and economic growth driven by AI developments could contribute to an increase in long-term neutral interest rates. Levon Sahakyan added that large-scale capital investment in the AI sector, by increasing demand for capital, could also contribute to keeping long-term interest rates elevated. Overall, the Board members noted that high investment activity in the United States and growing concerns over fiscal sustainability have created upside risks to long-term neutral interest rates, with corresponding implications for neutral interest rates and capital flows in emerging markets.

In discussions on the Russian economy, the Board members addressed the persistent uncertainties surrounding the outlook for economic growth, developments in the financial system, and the further course of the Russia-Ukraine conflict. On the one hand, Narek Ghazaryan noted that higher oil prices and the resulting additional oil and gas revenues could expand fiscal space, creating room for further support to domestic demand and economic activity. On the other hand, Armen Ktoyan emphasized that economic conditions in Russia remain weak, while accumulating vulnerabilities in the financial system could lead to a further decline in economic activity. Addressing the ongoing uncertainties surrounding a potential further escalation of the conflict and delays in

its resolution, Davit Nahapetyan and Armen Ktoyan noted that such developments could further increase the vulnerability of the Russian economy, while expectations of further escalation could contribute to additional inflows of people and capital into Armenia.

The Board also discussed the inflation risks stemming from global commodity markets amid ongoing geopolitical tension in the Middle East. Hovhannes Khachatryan and Artak Manukyan emphasized that if the conflict escalates further or its resolution is delayed, and as accumulated reserves gradually decline, energy prices could stay elevated for longer, increasing the vulnerability of commodity markets to possible new supply shocks. At the same time, potential disruptions to supply and logistics chains could broaden the scope of inflationary pressure, also affecting fertilizer, food, and other commodity markets. Davit Nahapetyan and Narek Ghazaryan, addressing the possible effects on Armenia's economy, noted that exchange rate appreciation has so far somewhat softened the pass-through of external inflationary pressures to domestic prices. Even so, the inflationary pressures already built up in global commodity and imported goods prices could gradually show up in Armenia's domestic prices.

Board members discussed the ongoing decline in Armenia's country risk premium and the uncertainty around its long-term sustainable level. Artak Manukyan, Levon Sahakyan, and Davit Nahapetyan noted that, alongside the favorable environment for emerging economies in global financial markets, the decline in Armenia's risk premium may also reflect an improvement in Armenia-specific underlying fundamentals. Moreover, the persistence of the risk premium at low levels in recent periods for an extended period of time provides additional indications that this assessment may be fundamentally driven. On the other hand, Martin Galstyan and Armen Nurbekyan emphasized that, alongside the aforementioned factors, non-structural factors may also have contributed to the current low level of the risk premium. In this context, Hovhannes Khachatryan and Armen Ktoyan noted that a potential reversal of such factors, as well as an increase in risks stemming from Russia's export restrictions, could lead to a reassessment of Armenia's country risk premium.

Regarding domestic demand conditions, Board members discussed the uncertainty surrounding the strength of demand and the economy's potential growth amid strong economic growth. Pointing to high economic activity, rapid credit and import growth, and the expansion of external demand driven by increased arrivals from Russia, Hovhannes Khachatryan, Artak Manukyan and Levon Sahakyan highlighted the risk of significant excess-demand conditions in the economy. In this context, Martin Galstyan and Narek Ghazaryan also emphasized the potential additional stimulus arising from a more expansionary fiscal stance. While broadly agreeing that demand is strong, Hovhannes Khachatryan and Narek Ghazaryan noted that a more elastic supply in certain sectors could absorb strong demand without generating significant additional inflationary pressures. Armen Ktoyan, by contrast, noted that labor inflows and expanding capital investment in recent years may have increased the economy's productive capacity. At the same time, the uneven distribution of economic growth could indicate that potential signs of overheating are concentrated in particular sectors and do not reflect broad-based excess demand across the economy. He also noted that strong credit growth could, to a significant extent, reflect one-off factors and factors stemming from mortgage activity in previous years. Several Board members also discussed accelerating real estate prices, viewing them as an additional signal of strong domestic and external demand. Hovhannes Khachatryan specifically highlighted the pressures on real estate prices arising from strong growth in international arrivals and tourism, while Artak Manukyan and Narek Ghazaryan considered real estate price developments in the context of strong credit growth and the risk of a widening positive output gap. At the same time, Board members agreed that restrictions on exports to Russia continued to create risks of excess supply in the domestic market and, if sustained, of weakening consumer and investment confidence. Considering more broadly the consequences of a possible further disruption in economic ties with Russia, Armen Nurbekyan highlighted the risk of a more pronounced weakening in Armenian economic activity. Davit Nahapetyan also noted that the impact of the restrictions already in force may not yet have been fully reflected in the data and could have a more significant effect on economic activity going forward.

Board members discussed the main sources of inflationary pressures and uncertainty about their persistence. They agreed that current inflation developments are largely driven by supply-side factors originating in both the domestic and external economies. Armen Ktoyan emphasized that domestic food inflation is concentrated mainly in a few product groups and primarily reflects supply-side factors, rather than a broad-based acceleration in food prices. Davit Nahapetyan added that, despite a modest increase in household inflation expectations, their overall pattern has not changed materially. At the same time, Martin Galstyan, Artak Manukyan and Levon Sahakyan emphasized wage growth and accelerating services inflation in the relevant sectors amid expanding external demand and tourism activity. Levon Sahakyan drew particular attention to increases in residential rents and related service prices, highlighting these developments in services inflation alongside accelerating real estate prices. Armen Ktoyan, however, noted that previously unused capacity in certain service sectors most exposed to external demand could enable them to absorb the current increase in demand without generating commensurate additional inflationary pressures. He also stressed that wage growth is not broad-based, while strong activity in real estate and credit markets may partly reflect sector-specific developments and the lingering effects of fiscal incentives from previous years. Board members also noted accelerating prices and wages in healthcare services, which, given the limited elasticity of labor supply in the sector, could contribute to a further acceleration in services prices. On the other hand, Board members noted that disinflationary effects stemming from

Russian restrictions on Armenian exports had already emerged for certain products. However, their overall impact has so far been relatively mild owing to seasonal shifts, certain government support measures, and the adaptability of certain markets.

Summarizing the views above, the Board agreed that the primary policy challenge is to assess the risks that are most relevant and costly in terms of their impact on the economy and to determine which policy errors should be avoided, guided by the least-regrets principle.

In this context, Martin Galstyan, Hovhannes Khachatryan, Artak Manukyan, Levon Sahakyan and Narek Ghazaryan emphasized the risks associated with strong external and domestic demand, a further expansion in demand, and a possible de-anchoring of inflation expectations. They therefore considered it important at the current juncture to adopt a monetary policy stance implying a higher policy rate path than currently expected by financial markets. Armen Nurbekyan, Davit Nahapetyan and Armen Ktoyan, meanwhile, pointed to possible scenarios involving excess supply in the domestic market and weaker consumer and investment confidence amid uncertainty surrounding the outlook and scope of Russia's restrictions. They emphasized the need to strike a balance in managing risks in both directions.

Policy Decision

Following the scenario-based discussion of economic developments, the CBA Board, amid prevailing uncertainties, emphasized the importance of minimizing the potential losses arising from these scenarios under a risk-management approach and of ensuring price stability through an appropriate monetary policy strategy.

Board members expressed differing views on the priorities for managing the macroeconomic consequences arising from risks over the medium-term horizon. In particular, Martin Galstyan, Hovhannes Khachatryan, Artak Manukyan, Levon Sahakyan and Narek Ghazaryan placed greater emphasis on the need to manage risks arising from Case A scenarios and voted to raise the policy rate by 0.25 percentage points. Armen Nurbekyan, Davit Nahapetyan and Armen Ktoyan, emphasizing the need to balance the risks arising from Case A-type and Case B-type scenarios, voted to keep the policy rate unchanged, in line with market expectations.

As a result, the Board of the Central Bank of Armenia decided to raise the policy rate by 0.25 percentage points, setting it at 6.75% (see Table 1). The Board will continue to monitor scenarios for economic developments and stands ready to take appropriate actions to ensure the achievement of its price stability objective of 3 percent inflation over the medium-term horizon.

Table 1. Summary of Votes on the CBA Policy Rate by Individual Board Member
September 15, 2026 Decision

Board Member	Vote
Armen Ktoyan	Keep unchanged
Narek Ghazaryan	Increase by 25 bps
Levon Sahakyan	Increase by 25 bps
Artak Manukyan	Increase by 25 bps
Davit Nahapetyan	Keep Unchanged
Hovhannes Khachatryan	Increase by 25 bps
Armen Nurbekyan	Keep unchanged
Martin Galstyan	Increase by 25 bps

B. Final Vote Submissions

September 15, 2026 Decision

Final Vote Submissions are provided by each Board member at the time that they cast their vote for the policy decision. These submissions are intended to succinctly and directly explain the key risks and issues that each Board member considered as part of their rationale for casting their vote.

Governor Martin Galstyan

Based on discussions with the Board during the policy round, the analysis of current and underlying economic conditions, as well as a careful assessment of the key sources of risk and policy tradeoffs, I have voted to increase the policy rate by 25 basis points. Significantly heightened global and regional geopolitical tensions and adverse supply shocks continue to pose downside risk to growth and upside risk to inflation in the global economy. At the same time, sustained concerns about the US fiscal policy trajectory continue to pose upward pressure on long-term interest rates in the US and neutral rates in emerging markets. Domestically, economic activity continues to grow at a high pace, primarily concentrated in demand-driven sectors including construction and services. High economic growth, coupled with elevated imports of consumption goods, strong retail trade growth, and rising wage growth in certain sectors, increasingly point to elevated domestic demand conditions. Moreover, risks of expanding external demand conditions have increased in recent months, reflected in rising visitor inflows, elevated activity in visitor-related sectors, and growth in residential real estate prices. Together, this meaningfully increases the risk of excess demand conditions forming in the economy. Although inflation has moderated somewhat since June, it has nonetheless remained above target over the past several months. While inflation has primarily been driven by global supply-side factors, it has become more broad-based in recent months and increasingly reflected in rising services inflation as well. In this context, the combination of persistent inflationary pressures from the external sector and elevated aggregate demand conditions has emerged as the main Case A-type risk to price stability. On the other hand, restrictions on exports of Armenian goods represent a key Case B-type risk, with the potential to slow economic activity and weaken consumer and investment confidence.

Uncertainty surrounding the near- and medium-term impacts of this scenario remains a key source of risk moving forward. Considering the above, my decision to increase the policy rate by 25 basis points is motivated by the need to manage the aforementioned Case A-type risks. In the event that new information or events emerge that require a reassessment of this risk management approach, I reaffirm my commitment to responding in an appropriate and timely manner to ensure that the price stability mandate is met.

Deputy Governor Armen Nurbekyan

Taking into account the economic and financial developments in Armenia over the past several months, the discussions held with other Board members throughout the policy round, as well as a thorough analysis of the main sources of risks and uncertainties, I vote in favor of keeping the policy rate unchanged. The global economy has shown much more stable behavior than expected. In the case of the US, despite uncertainty around whether asset prices are overvalued, no significant risks of a correction in economic activity or financial assets have emerged so far. However, long-term interest rates have increased significantly, reflecting concerns over public debt sustainability. In the case of the European Union, the economic slowdown is becoming increasingly evident. The inflationary environment in the external sector has not eased, reflecting, among other factors, continued high uncertainty in energy markets. Under these conditions, central bank policy rates are likely to remain on an upward trend. In summary, B-type risks originating from the external sector have moderated, while A-type scenarios have generally intensified, given the upward pressures on interest rates. Amid high economic uncertainty, the behavior of international capital flows is difficult to predict. There are A-type risks associated with a potential reversal of capital flows toward advanced economies in the event of a significant decline in risk appetite. At the same time, B-type scenarios could also materialize if international investors redirect capital flows toward countries with strong economic fundamentals and stable macroeconomic conditions. The behavior of capital flows over the medium term could be a major source of volatility for both the global and Armenian economies. The continued high level of economic activity in the domestic economy has been driven primarily by demand-side factors. The expansion in demand, together with strong credit growth, increases the likelihood of a positive output gap, which should remain closely monitored in the context of the elevated level of core inflation. Despite this, the recent moderation in inflation following the energy supply shock is a positive development from the perspective of inflation expectations. It is also important to closely monitor the significant widening of the current account deficit, which could signal a rapid increase in either consumption or investment demand. In the former case, we would face significant A-type risks. In this context, fiscal policy represents one of the key A-type risks, both in the short term through its potential contribution to demand expansion and through the possibility of an increase in the risk premium associated with a potential rise in public debt. At the same time, B-type factors in the domestic

economy mainly stem from uncertainties surrounding economic relations with the Russian Federation, which, so far, have not had a significant impact on economic activity. It should be noted that, in recent months, activity in the construction and mortgage markets has grown significantly faster than expected. In summary, A-type risks in the domestic economy have continued to dominate. Although B-type risks are less likely to materialize, they could have a significant economic impact. Balancing the A-Type and B-Type risks, I believe that keeping the policy rate unchanged, in line with market expectations, would allow for the appropriate management of the existing macroeconomic risks. Given the significant volatility of capital flows in international markets, it is important for the Central Bank to have the full range of available policy instruments to manage capital flows and domestic demand.

Deputy Governor Hovhannes Khachatryan

Taking into account global and Armenian economic developments, as well as the main sources of risk and uncertainty, I vote in favor of raising the policy rate by 0.25 percentage points. The long-term neutral interest rate in the United States and other major economies remains elevated, reflecting concerns related to fiscal deficits and public debt sustainability. Risks associated with prolonged global conflicts, disruptions to global supply chains, and further increases in commodity and food prices continue to persist. Economic activity in the EU, China, and Russia continues to weaken, but for the reasons mentioned above and due to structural problems, inflation there may also remain above target levels. The impact of obstacles to Armenia's exports to Russia is disinflationary for certain product categories on the one hand, while on the other hand it somewhat worsens the external trade balance and increases the Armenian government budget deficit. Strong growth in international visitors and tourism continues to exert upward pressure on the prices of services and real estate. The positive output gap could become significant if the above-mentioned factors persist for an extended period or intensify further. In summary, I believe that A-type risks in both the global and domestic economies are more pronounced and are beginning to take on a persistent, long-term nature. Given the considerations outlined above, I believe that the decision to raise the policy rate by 0.25 percentage points would reduce the potential costs of a monetary policy error.

Board Member Davit Nahapetyan

After considering the analysis on economic and financial developments presented by the macroeconomic team and the comprehensive discussions by the Board around the policy rate, and guided by the prudent risk management and "least regret" principles, I vote in favor of keeping the policy rate unchanged. Risks of weak demand and a broadening inflationary environment in the global economy persist. At the same time, international food and energy prices have increased. Against this backdrop, the risk of potential inflationary pressures on the Armenian economy remains a concern. Amid restrictions on exports of Armenian products to Russia, risks of declining incomes and weakening investment in certain sectors of the Armenian economy constitute the core of Case B-type disinflationary risks. Therefore, possible developments in the Russian economy and their spillovers to Armenia continue to represent a key source of uncertainty for me at the current juncture. Economic activity in Armenia continues to remain strong. Nevertheless, an analysis of the components of economic activity suggests that there are no indications of an expansion in the economy's growth potential. On the other hand, developments in the labor market also point largely to a stabilization of conditions. Although both core and headline 12-month inflation have increased according to the latest quarterly data, inflation expectations remain anchored, albeit with continued uncertainty. I view this as an indication of the prudent policies pursued by the CBA to date and, consequently, of the high degree of credibility enjoyed by the CBA. Taking these factors together, and from the perspective of more effective risk management and the "least regret" principle, I believe that leaving the policy rate unchanged at 6.5% would most appropriately reflect a policy aimed at balancing Case A-type and Case B-type risks. I affirm my commitment to utilizing the full toolkit available to the CBA Board to ensure the price stability objective, while continuing to monitor developments in the economy and the financial system.

Board Member Artak Manukyan

In the context of assessing the economic and financial developments of recent months, I have evaluated the key sources of risks and uncertainties. Based on the balance of these considerations, I voted in favor of raising the policy rate by 25 basis points. Inflationary trends are evident in global commodity markets, particularly in the form of rising oil and food prices. Geopolitical uncertainties, persistent tensions in international trade relations, and concerns regarding the duration of disruptions to global value chains have contributed to a broadening of the global inflationary environment. As a result, central banks in major economies are likely to maintain tight monetary conditions for longer and/or pursue further monetary policy tightening. In the domestic economy, economic growth remains strong and has been accompanied by an expansion in domestic demand. Inflation remains above target. Signals from the non-traded sticky price index are also noteworthy. Strong economic growth has been accompanied by an expansion in aggregate demand, as also reflected in double-digit credit growth. In addition, there are signals that the output gap is positive, with a significant likelihood that risks of a further widening of the gap could materialize. Inflationary

trends are also evident in the real estate market. Case B-Type considerations have been driven by the outlook for a slowdown in global economic growth, as well as the materialization of a fundamental decline in Armenia's country risk premium. In particular, I have considered the challenges surrounding exports, as well as a decline in effective demand in the Russian economy, which could lead to the materialization of disinflationary pressures stemming from supply shocks. Case A-Type considerations have related to a potential increase in global neutral interest rates, the emergence of excess demand conditions in the domestic economy, and risks of a more expansionary fiscal policy stance, which could lead to a de-anchoring of inflation expectations. Overall, I assess that both the range of A-type risks and the likelihood of their materialization have increased considerably at the current juncture. Accordingly, guided by the "least regret" principle of risk management, I consider it more appropriate to pursue a higher policy rate path than currently expected by financial markets. I confirm that to ensure the price stability objective, as a member of the CBA Board, I will continue to monitor scenarios for economic developments and, if necessary, will take adequate actions to achieve the inflation target (3%) over the medium term.

Board Member Levon Sahakyan

Having assessed the available information on economic developments, underlying fundamentals, and the main sources of risks and uncertainties during the current policy cycle, as well as taking into account market expectations, I vote to raise the policy rate by 0.25 percentage point. Looking ahead, amid geopolitical tensions in the Middle East, commodity prices have exhibited considerable volatility. At the same time, the inflationary environment in major economies has led to an increase in market expectations for policy rates. Uncertainty surrounding the US fiscal policy outlook also persists, creating risks of further increases in long-term interest rates. In the domestic economy, inflation remains above target alongside strong economic activity. In my assessment, this largely reflects external demand factors. At the same time, I attach importance to managing the risks associated with Case B scenarios, under which certain restrictions on external trade could have significant effects. On the other hand, efforts to address these risks and strengthen the economy's resilience could entail heightened risks of fiscal expansion. The combination of excess demand in the domestic economy and strong inflows of international visitors and capital, accompanied by inflation remaining above target, calls for the formation of expectations of a higher policy rate path than currently anticipated by financial markets. At the same time, Armenia's country risk premium continues to decline noticeably amid easing regional geopolitical tensions, although a similar trend is also evident in other comparable countries. Accordingly, given the need to manage Case A risks, I vote to raise the policy rate by 0.25 percentage points. In my assessment, such a decision is necessary to ensure price stability from the perspective of prudent management of the risks described above.

Board Member Narek Ghazaryan

Taking into account the discussions held with other Board members throughout the policy round, analyses of current economic developments and underlying fundamentals, as well as a comprehensive assessment of the main sources of risks and uncertainties, I vote in favor of increasing the policy rate by 0.25 percentage points. My decision is grounded in the firm conviction that, in the current policy cycle, the process of gradually accelerating inflation continues in the domestic economy, and that, from the perspective of future developments, A-type inflationary risks outweigh B-type disinflationary risks. Elaborating further on the A-type risks present over the policy horizon, I would note that the prolonged tensions in the Middle East have led to an increase in global energy prices, which in turn has noticeably accelerated consumer price inflation in a number of advanced and emerging economies. Should the current conditions in energy markets persist or worsen further, inflation in Armenia's consumer market is likely to continue accelerating across a range of imported and domestically produced goods, reflecting both the direct and indirect effects of higher energy prices. It is also noteworthy that the global increase in energy prices has contributed to rising prices in international food markets. If these inflationary developments in food markets continue and become more widespread, inflationary risks in the Armenian economy will increase further. Turning to inflationary risks stemming from developments in Armenia's domestic economy, I would note that high economic activity and rising asset prices persisted in Q3 2026, supported by increased spending driven by optimistic expectations among households and businesses, capital inflows to Armenia, strong demand for goods and services in exportable sectors, and moderate fiscal stimulus provided to the economy during 2026. Should these supportive factors persist or strengthen, the inflationary environment in the domestic economy could continue to broaden. In my view, the combination of the inflationary pressures described above—stemming from supply-side constraints in global markets and accelerating demand growth in the domestic economy—could significantly accelerate inflation in Armenia, requiring a further tightening of monetary conditions. There are also several B-type risks on the monetary policy horizon. In particular, a faster slowdown in Russia's economic activity and a continued worsening of its economic outlook could negatively affect demand for Armenia's exports to Russia and capital inflows from Russia to Armenia. As a result, economic activity in Armenia could decline significantly, creating disinflationary pressure in the domestic consumer market. The continuation of restrictions imposed by Russia on Armenian exports, as well as a possible expansion of the list of goods and services subject to such restrictions, could further intensify these potential disinflationary pressures. Turning to other B-type risks, downside risks to economic activity and domestic demand remain in the United States and several European countries, driven by still-elevated asset valuations in

certain sectors and other structural challenges in these economies. An increase in geopolitical tensions and a further acceleration in energy price inflation, combined with the structural challenges facing these economies, could lead to a significant slowdown in global economic activity. As a result, demand for Armenian exports and other capital inflows into Armenia could decline, thereby creating disinflationary pressures in the domestic market. Balancing the A-type and B-type risks described above, I am more concerned about the inflationary pressures that could arise if the A-type risks materialize. Therefore, I believe that the Policy rate should be increased from the current level of 6.5 percent to 6.75 percent, with the aim of keeping inflation close to the Central Bank's target over the medium term. I reaffirm my commitment to the objective of price stability and state that I am prepared to respond with appropriate actions to any new information that may pose a risk to achieving inflation of 3 percent over the medium term and to maintaining price stability.

Board Member Armen Ktoyan

My decision is grounded in the assessment of the balanced risks associated with Case A-type and Case B-type scenarios. Within the risk framework underlying Case A-type scenarios, particular attention should be paid to the continued accumulation of risks, with an increasingly broad scope, in Russia's financial and economic system as well as in the broader business environment amid uncertainty surrounding the resolution of the Russia-Ukraine conflict. As a result, in particular, the potential for additional capital inflows into the Armenian economy continues to increase, which could contribute to an expansion in demand and generate additional inflationary risks. Given persistently elevated inflation expectations in Russia, the likelihood of inflationary pressures spilling over to the Armenian economy remains high. Within the context of the risks arising from Case B-type scenarios, particular importance should be attached to the weakening of demand in the Russian economy and the slowdown in real income growth, which could lead to a decline in demand for Armenian goods and services. The implementation of the announced restrictions on the sale of Armenian-origin goods in Russia, as well as other potential institutional restrictions, also entails similar risks. In the context of domestic economic developments, I attach importance to the persistent structural characteristics of growth and its concentration in a few sectors, which pose significant risks of a slowdown in demand growth and the emergence of deflationary effects over the medium term. In addition to external factors, trends in demand growth have also been significantly driven by the persistence of high credit growth rates in certain areas. In my view, however, the latter reflects not so much a balanced and broad-based expansion of demand across different sectors of the economy as sector-specific expansion, driven primarily by fiscal stimulus. Within inflation expectations, uncertainty and the range of low inflation expectations continue to prevail over the range of high inflation expectations. Core inflation is somewhat above the medium-term target. On the other hand, one product stands out in terms of its contribution, while the contribution of the groups that follow is considerably lower. This pattern has persisted for a prolonged period, providing an additional argument that the risks of inflation expectations becoming de-anchored at a higher level remain relatively limited. The still significantly elevated level of labor underutilization, together with relatively subdued growth in labor productivity and average wages in the private sector, including in some sectors that have recorded double-digit growth in economic activity, helps counterbalance potential expansionary pressures on demand arising from both external and domestic factors. Taking these arguments together, I voted in favor of leaving the policy rate unchanged.

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