



Central Bank
of Armenia

2026 Q1

Transparency Report

Published March 17, 2026

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

March 17, 2026

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

Assessment of Current and Underlying Economic Conditions

The meeting of the Board of the Central Bank of Armenia began with the Staff presentation of current and underlying global and domestic economic conditions.¹ 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. The current and underlying global and domestic economic conditions are summarized in the Monetary Policy Report and 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 addressing the broad spectrum of risks in light of key uncertainties, deliberating their implications for monetary policy, and making a decision on the policy rate. As a starting point for discussions, the Board discussed current market expectations of the future path of the policy rate. Under current macroeconomic developments, participants in the Armenian financial market, on average, expect the CBA to maintain the policy rate at its current level for a slightly extended period, gradually reducing it to 6.25% over the medium-term horizon.

On the one hand, the Board has evaluated scenarios where underlying developments would require a tighter policy stance relative to current market expectations in order to contain excess demand, anchor inflation expectations to the target and guarantee the price stability objective (Case A-type scenarios). These types of scenarios primarily relate to risks of higher global neutral rates, uncertainty surrounding global and regional geopolitical developments, uncertainty about the long-term sustainable level of the country risk premium, and risks of increasing aggregate demand conditions and various supply-side factors leading to a persistently higher rate of inflation. On the other hand, the Board also evaluated scenarios where underlying developments would require the policy rate to follow a more rapid and aggressive downward path than what is currently priced in markets in order to sustainably bring inflation back to target in the medium-term horizon (Case B-type scenarios). These types of scenarios include overall concerns about the outlook for the global economy; risks of subdued demand conditions forming in the domestic economy; as well as a gradual adjustment to real estate prices leading to a weak demand environment forming and deepening in the economy.

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. These discussions took place in the context of “least regrets” decision-making, in terms of seeking to minimize potential losses that could arise from these scenarios materializing.

Board members discussed the sources of uncertainty surrounding the US economic outlook and their potential implications from the perspective of US Federal Reserve monetary policy. Members noted that the structural features of economic growth, particularly those associated with developments in the technology sector, as well as risks related to a potential correction in financial asset prices and a weakening of labor market conditions, could exert a negative impact on the medium-term growth outlook. Martin Galstyan highlighted the presence of long-term structural challenges in the US economy, alongside short-term risks stemming from recent developments in the Middle East. Armen Nurbekyan added that, at present, a potentially large supply shock in the oil market, the existence of asset price bubbles, and subdued consumer sentiment constitute significant risks for the materialization of an economic downturn scenario. At the same time, Martin Galstyan and Armen Nurbekyan emphasized the risks associated with expansionary fiscal policy in the US and the continued accumulation of public debt. In this context, both noted that a potential slowdown in the US economy would have adverse implications for the global demand environment. On the

¹ The staff presentation is published on the CBA website under the title “Monetary Policy Outlook.”

other hand, Narek Ghazaryan and Artak Manukyan, referring to geopolitical developments in the Middle East, noted that the persistence of current tensions could lead to disruptions in global value chains, thereby generating additional inflationary pressures for both the US and the global economy, under which they envisage a higher path for the policy rate. Nevertheless, also emphasizing Case B-type risks, Narek Ghazaryan noted that, in the event of a materialization of financial asset overvaluation risks in the US, potential price corrections could have adverse consequences for both domestic and global demand conditions, as well as the medium-term outlook. Narek Ghazaryan and Artak Manukyan further noted that current developments are increasingly giving rise to stagflationary risks for the global economy.

In discussions on demand conditions in the euro area, Russia, and China, all Board members agreed that risks of a deterioration in the global demand outlook have somewhat increased. At the same time, Narek Ghazaryan noted that the current increase in oil and gas prices in global commodity markets, and their persistence at elevated levels, could lead not only to an expansion of the inflationary environment but also to a contraction in output, thereby resulting in a slowdown in global economic growth. Referring to the Russian economy, Armen Ktoyan noted that certain signals of a deterioration in the business environment are currently observable, which, on the one hand, could negatively affect external demand, but on the other hand may also serve as a source of capital inflows to Armenia. At the same time, the current increase in oil prices could somewhat improve Russia's economic situation; however, the decline in household purchasing power entails risks of a reduction in external demand. Martin Galstyan also expressed concern regarding a potential slowdown in external demand for Armenia's "traditional" sectors, as well as a possible decline in tourism flows. Addressing the potential impact of rising tensions in the Middle East on the Armenian economy, Artak Manukyan noted that a possible increase in migration flows from Iran could have a boosting effect on demand. In contrast, Hovhannes Khachatryan pointed out that such trends in migration and capital flows have not yet materialized and should not be overestimated. The Board also discussed current developments in the Middle East and the implications of a possible further escalation for oil prices, noting that uncertainties remain high and that future price dynamics will depend on the duration and scale of the conflict. Hovhannes Khachatryan, Levon Sahakyan, and Armen Ktoyan noted that the current geopolitical tensions in the Middle East are of a short-term nature and may lead to temporary disruptions in logistics chains. At the same time, Armen Ktoyan added that he does not see upward risks to oil prices over the medium term, given the entry of new players into the global market and the potential slowdown in global demand. Conversely, Armen Nurbekyan, Narek Ghazaryan, and Artak Manukyan argued that the increase in oil prices in global commodity markets may be more persistent in nature. Narek Ghazaryan further added that future developments in oil prices will depend on the duration of the conflict, particularly in the current context of damage to production and energy infrastructure in the Middle East, the restoration of which will require time, potentially keeping oil prices elevated in the near term and generating inflationary pressures in the Armenian economy through both direct and indirect transmission channels.

Board members noted that the current level of uncertainty is elevated with respect to the potential impact of sustained and further escalating geopolitical tensions in the Middle East on the global economy, as well as the magnitude and intensity of their effects on the Armenian economy through various transmission channels. Nevertheless, all Board members emphasized that future developments will also largely depend on the evolution of global demand conditions. In this context, Martin Galstyan and Armen Nurbekyan expressed concern that risks of a global economic downturn could have a significant impact on demand conditions in the Armenian economy. At the same time, Artak Manukyan noted that inflation remains above target and considered that, at this stage, managing inflation and inflation expectations has already become a key priority.

The Board discussed uncertainties related to developments in the domestic economy. Board members expressed differing views regarding the strength of domestic demand conditions. Hovhannes Khachatryan and Armen Ktoyan emphasized that economic growth remains concentrated in a limited number of sectors and is currently close to its potential level. In this context, Levon Sahakyan added that the slowdown in wage growth and retail trade turnover may indicate the presence of a relatively weak demand environment in the economy. On the other hand, Martin Galstyan, Armen Nurbekyan, Artak Manukyan, and Narek Ghazaryan noted that recent inflation developments and the resilience of economic growth point to the existence of a positive output gap, while accumulated household savings, improving confidence sentiment, and the expansion of consumer lending may further support demand and generate additional inflationary pressures. Referring to the real estate market, Board members agreed that the market continues to grow at a steady pace; however, uncertainties surrounding the outlook remain. Narek Ghazaryan noted that moderate price increases have been observed in recent months in the real estate market, while risks of a sharp decline in prices have eased amid continued growth in household incomes.

Referring to financial conditions, Narek Ghazaryan noted that household lending activity remains elevated, which may signal the presence of strong demand conditions. Nevertheless, Levon Sahakyan, addressing developments in the real estate market, pointed out that a potential correction in the real estate sector would have corresponding implications for the lending segment as well. Armen Nurbekyan emphasized the high level of uncertainty surrounding the structure and reallocation of capital flows in the global investment environment and considered several scenarios from the perspective of their impact on the Armenian economy. On the one hand, Armen Nurbekyan, Hovhannes Khachatryan, and Artak Manukyan noted that, under the current geopolitical conditions and given a potentially low fundamental level of the country risk premium, risks of an acceleration in capital

inflows to Armenia are emerging. On the other hand, Martin Galstyan, Armen Nurbekyan, and Hovhannes Khachatryan pointed out that, amid the prevailing high uncertainty, the US dollar continues to retain its role as a “safe haven” asset, which may lead to potential capital outflows from emerging economies. Nevertheless, all Board members noted the continued decline in the country risk premium in recent months, while emphasizing that uncertainty regarding its long-term sustainable level persists.

With regard to developments in fiscal policy, Martin Galstyan, Armen Nurbekyan, Hovhannes Khachatryan, Narek Ghazaryan, and Artak Manukyan noted that the introduction of a universal health insurance system, as well as increases in pensions, could lead to additional growth in budget expenditures, thereby expanding existing demand conditions and the inflationary environment.

Referring to inflation developments, all Board members noted that the acceleration in inflation observed since the beginning of the year has been significantly driven by supply-side factors, primarily increases in prices of non-seasonal food products. Nevertheless, Martin Galstyan, Armen Nurbekyan, and Narek Ghazaryan emphasized that, under prevailing strong demand conditions, inflation may accelerate further and highlighted the need to manage Case A-type risks in this regard. Narek Ghazaryan and Artak Manukyan added that, following the conflict in the Middle East, the range of inflationary risks has expanded, driven not only by rising oil prices but also by inflationary pressures originating from global commodity markets as a result of disruptions in global value chains.

Summarizing the above views, the Board agreed that, from the perspective of the impact on the economy, the primary policy challenge is the assessment of the most relevant and costly risks, as well as determining which policy mistakes should be avoided, guided by the principle of “least regrets.”

Board members were largely in agreement that the scenarios expected from the external sector are predominantly of a Case B-type, while the likely scenarios in the domestic economy are primarily of a Case A-type. In this context, Board members expressed differing views regarding the appropriate policy approach to managing the macroeconomic implications arising from risks over the medium-term horizon. Board members Martin Galstyan, Armen Nurbekyan, Hovhannes Khachatryan, Levon Sahakyan, and Armen Ktoyan, balancing the need to manage risks in both directions, voted in favor of keeping the policy rate unchanged in line with market expectations. Narek Ghazaryan and Artak Manukyan voted in favor of increasing the policy rate, emphasizing the importance of managing the macroeconomic effects stemming from Case A-type scenarios and the need for a higher policy rate path relative to market expectations.

Policy Decision

In the context of its risk management framework, and amid significant uncertainty, the Board of the CBA emphasizes the importance of minimizing the losses that could stem from these and other scenarios materializing. The Board resolutely affirms its commitment to adopting the appropriate policy actions and strategy to ensure price stability.

As a result, the Board of the Central Bank of Armenia voted to keep the policy rate unchanged (see Table 1). The Board will continue to monitor relevant risks and scenarios, and stands ready to take adequate actions to ensure that the price stability objective of 3 percent inflation over the medium-term horizon is met.

Individual vote explanations, submitted by each Board member at the time of their vote, are presented in Section B of this report.

Table 1. Summary of Votes on the CBA Refinancing Rate by Individual Board Member
March 17, 2026 Decision

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

B. Final Vote Submissions

March 17, 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 uncertainty, I have voted to leave the policy rate unchanged. Significantly heightened global geopolitical tensions and adverse supply shocks have meaningfully increased stagflationary risks to major global economies. In the US, these risks are compounded by concerns about the sustainability and outlook of growth drivers, while the medium- and long-term implications of AI investments on economic growth, productivity, and consumption remain highly uncertain. Additionally, long-term concerns about the US fiscal policy trajectory continue to pose upside risk to long-term interest rates in the US and neutral rates in emerging markets. In this context, Case B-type risks of slowing global growth and demand, amid elevated or even rising inflation, remain worrisome. Domestically, economic activity continues to grow at a high pace, primarily driven by construction, services, and manufacturing. Risks of a more expansionary fiscal policy stance supporting elevated domestic demand remain relevant. At the same time, the structural characteristics of economic activity has added meaningful uncertainty in both directions regarding the underlying strength of domestic demand conditions, while rising global geopolitical tensions and risks of weakening external demand could pose risks to certain growth drivers. Amid the aforementioned global environment, risks of supply-side factors driving near-term inflationary pressures have increased. If supply-driven inflation converges with stronger-than-expected domestic demand conditions, this could pose a key medium-term Case A-type risk. Considering the above, my assessment is that the magnitude and scale of both the Case A- and B-type risks have increased. My vote to leave the policy rate unchanged at 6.50%, therefore, reflects the need to balance the losses that could materialize from both Case A- and B-type risks. In the event that new information or events emerge that require a reassessment of this balance of risks, 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 recent economic and financial developments in Armenia over the past few months, discussions with other members of the Board during the current policy cycle, as well as a thorough analysis of the main sources of risks and uncertainty, I voted in favor of keeping the policy rate unchanged. In the external sector, risks of economic slowdown have increased significantly, driven by the complex situation surrounding Iran. In the case of the United States, amid uncertainties regarding the sustainability of asset prices, the probability of a potential recession has increased notably. For the European Union and China, as energy importers, rising energy prices have a direct negative impact on economic growth. At the same time, in the short term, in the event of a negative supply shock, the inflationary environment in the external sector is expected to deteriorate significantly. Under these conditions, the ability of central banks to reduce policy rates in the short term will be substantially constrained. Over the medium term, in the event that recession risks materialize, there will be downward pressures on inflation. In summary, risks stemming from the external sector are currently of a Case B-type. Amid significant economic uncertainty, the behavior of international capital flows remains difficult to predict. There are Case A-type risks if, in the event of a substantial decline in risk appetite, capital flows shift toward advanced economies. At the same time, Case B-type scenarios are also possible if international investors redirect capital flows toward countries with strong economic fundamentals and stable macroeconomic conditions. In the domestic economy, the acceleration of economic activity has been driven mainly by demand-side factors. The expansion of demand, along with high growth in lending, increases the likelihood of a positive output gap, which should remain in focus in the context of accelerating core inflation dynamics. Fiscal policy represents one of the main Case A-type risks, particularly in the short term, due to its potential expansionary impact on demand as well as the possible increase in the risk premium associated with rising public debt. At the same time, Case B-type factors in the domestic economy mainly stem from a possible weakening of activity in the construction sector and mortgages, which has not yet materialized. It should be noted that in recent months, activity in both construction and the mortgage market has grown significantly faster than expected. In summary, risks in the domestic economy are predominantly of a Case A-type. Balancing the prevailing Case B-type risks from the external sector and the Case A-type risks in the domestic economy, I believe that keeping the policy rate unchanged, in line with market expectations, will allow for the appropriate management of existing macroeconomic risks.

Deputy Governor Hovhannes Khachatryan

Taking into account global and domestic economic developments, as well as the main sources of risks and uncertainty, I voted in favor of keeping the policy rate unchanged. The long-term neutral interest rate in the United States is forming at an elevated level, reflecting the large fiscal deficit, the unsustainable trajectory of public debt, and geopolitical risks. Economic growth, investment, and the overheating observed in financial markets in the United States are largely concentrated in major technology companies. This creates the potential for a sharp increase in productivity, while also introducing risks of instability in economic growth. The duration of the ongoing war in Iran and the scenarios regarding its resolution may, on the one hand, lead to sharp, and likely non-permanent, increases in commodity prices through disruptions to transport and supply chains, and, on the other hand, weaken global demand and economic activity. At the same time, risks of slowing economic activity in the European Union, China, and Russia are intensifying. In this context, both inflationary pressures and risks of weakening economic activity are being transmitted from the external sector, implying a stagflationary scenario. Amid heightened regional geopolitical developments, the direction of changes in Armenia's country risk premium will depend on the degree of escalation and the perception of our region's risk. Domestic economic activity is concentrated in construction, the financial sector, and certain less inclusive sectors with weak linkages to the broader economy. Case B-type factors are mainly associated with a possible weakening of activity in the construction and real estate markets. It remains difficult to form medium-term assessments regarding tourism flows and capital inflows. Case A-type risks may arise from health insurance, increases in current budget expenditures, and a number of other expansionary fiscal measures. Such risks would be offset if the fiscal deficit ultimately remains unchanged through adjustments in revenues and other expenditure components. Overall, the output gap is close to zero, despite the accelerating growth in certain sectors. In summary, I assess that the amplitude of both Case A and Case B-type risks has increased in both the global and domestic economies, with a slight tilt toward Case A-type risks. Taking the above into account, I believe that the decision to keep the policy rate unchanged minimizes the potential costs of monetary policy errors.

Board Member Artak Manukyan

In the context of forming insights into the economic and financial developments of recent months I have evaluated the main sources of potential risks and uncertainties. Based on the combination of these factors, I voted in favor of raising the refinancing rate by 25 basis points. Global commodity prices (most notably oil) have increased sharply; even in the case of a relatively short-lived conflict in the Middle East and a subsequent price correction, there is a high likelihood that they will remain above pre-conflict levels. Geopolitical uncertainties, the persistence of tensions in international trade relations, as well as concerns regarding the duration of disruptions to global value chains, have contributed to a broadening of the global inflationary environment. In this context, taking into account, on the one hand, the continued weak demand environment, and on the other hand, the increase in inflationary risks, it is likely that central banks in major economies will maintain tighter monetary conditions for longer or proceed with further tightening. In the domestic economy, economic growth remains strong, while the inflationary environment is still above the target, further compounded by expansionary effects stemming from energy prices. In this context, signals from the sticky price index in the non-tradable sector are also noteworthy. The structure of economic growth indicates strong expansion in the construction and services sectors. This is accompanied by rising aggregate demand, as reflected in double-digit growth in credit volumes. In addition, there are signs of continued growth trends in the services sector, particularly in tourism (as evidenced by increases in prices for recreation and accommodation), which may further stimulate demand and broaden the inflationary environment. Altogether, these developments suggest that the output gap is somewhat positive, with a high likelihood of further widening. My Case B-type considerations have been driven by the prospect of a slowdown in global economic growth, as well as the materialization of a structural decline in Armenia's risk premium. Conversely, my Case A-type considerations were associated with a potential increase in global neutral interest rates, the emergence of excess demand conditions in the domestic economy, and risks stemming from an expansionary fiscal policy, which could lead to a de-anchoring of inflation expectations. Overall, I assess that at this stage, the set of Case A-type of risks and the likelihood of their materialization have increased significantly. Accordingly, guided by the risk management principle of "least regret," I consider it more appropriate to pursue an interest rate path that is higher than market expectations. I confirm that, in order to ensure the achievement of the price stability objective, I will continue, in my capacity as a member of the Central Bank Board, to closely monitor economic development scenarios and, if necessary, take appropriate actions to ensure the inflation target (3%) is achieved over the medium term.

Board Member Levon Sahakyan

Having assessed 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 voted in favor of keeping the policy interest rate unchanged. There are significant uncertainties surrounding the assessment of inflationary effects stemming from developments in advanced economies and global commodity markets. While in the short term increases in global energy prices create inflationary risks through commodity markets, they may simultaneously weigh on economic growth and demand prospects in advanced economies. Uncertainty regarding the outlook for US fiscal policy has increased. In the context of the elimination of certain tariffs, potential future developments in US external trade policy, as well as the implementation of expansionary fiscal policy, may lead in the medium term to a substantial increase in the path of the budget deficit and public debt, thereby generating risks of further increases in long term interest rates. These developments may affect both the outlook for the monetary policy of the US Federal Reserve and the level of the neutral interest rate and capital flows in emerging economies. Despite the strong economic growth recently observed in the domestic economy, there are also some signals that may point to weak demand conditions, particularly modest growth in retail trade, as well as the formation of non-traded sticky prices and wages around target and stable levels. The recent acceleration in inflation has been largely driven by supply side factors. As a result, balancing the need to manage risks arising from Case A-type and Case B-type scenarios, I voted, consistent with market expectations, in favor of keeping the policy interest rate unchanged. In my assessment, from the perspective of prudent risk management, such a decision is necessary to ensure price stability.

Board Member Narek Ghazaryan

Taking into account the discussions held with other members of the Board during the policy decision cycle, the analysis of current economic developments and underlying fundamentals, as well as a comprehensive assessment of key risks and sources of uncertainty, I vote in favor of increasing the policy interest rate by 25 basis points. My decision is grounded in the firm conviction that, although uncertainties regarding several scenario developments and their potential inflationary impacts have increased significantly compared with the previous policy round, the Case A type inflationary risks on the horizon nevertheless outweigh the Case B-type deflationary risks. Turning to the Case A-type of risks on the policy horizon in more detail, the military operations that began in the Middle East in March of this year have led to a significant increase in global energy prices. Should the current situation persist or escalate further, inflation in a range of imported and domestically produced goods in Armenia's consumer market could accelerate sharply, reflecting the faster pace of global inflation. Notably, as a result of the global rise in energy prices, price increases may also occur in international food markets, further amplifying inflationary risks in the Armenian economy. These global inflationary pressures resulting from the Middle East conflict are becoming particularly risky given that inflation levels in the US, Russia, and several European countries were already at quite elevated levels before the conflict even began. Turning to inflationary risks arising from developments in the domestic economy, it should be noted that in 2026 Armenia has continued to experience high economic activity, primarily driven by households' and enterprises' optimistic expectations, strong demand for goods and services in the exportable sector, as well as fiscal and monetary stimuli provided to the economy over the past year. In a scenario where these stimulating factors persist or intensify, the inflationary environment observed in the domestic economy could continuously expand. In my view, the combination of the aforementioned inflationary pressures from both the supply and demand sides could significantly accelerate domestic inflation, necessitating a gradual tightening of monetary conditions. Over the monetary policy target horizon, a number of Case B-type risks are also present. In particular, negative risks surrounding economic activity and domestic demand persist in the US and several European countries, driven by still overvalued asset prices in a number of sectors and other structural issues present in those economies. Maintaining global oil and gas prices at current levels, along with potential additional inflation in the medium term, will lead to a contraction of economic activity in the US and particularly in European countries, ultimately reducing international trade in goods and services as well as capital flows. As a result, demand for exports from Armenia could be significantly reduced, creating deflationary pressures in the domestic market. Demand for Armenian goods and services may also decline substantially from Middle Eastern countries directly engaged in military conflict. I also note that in Russia, economic activity has been steadily slowing since the second half of 2025, if this slowdown deepens, monetary flows from Russia to Armenia would decline, thereby intensifying potential disinflationary pressures. Among domestically driven Case B-type risks, the risk of a rapid correction following a period of elevated activity in the real estate market remains relevant. Should such a scenario materialize, aggregate domestic demand would slow markedly, generating disinflationary pressures. That said, the continued strength of domestic economic activity has reduced the risk of an abrupt adjustment in real estate prices and activity compared with previous monetary policy decision cycles. Weighing the Case A and Case B-type risks described above, I must note that I am primarily concerned with the inflationary pressures that would arise should Case A-type risks materialize. Consequently, I believe it is necessary to raise the refinancing rate from its current level of 6.5 percent to 6.75 percent, with the aim of maintaining inflation at a level close to the Central Bank's target over the medium term. I reaffirm my commitment to the price stability objective and stand ready to respond with appropriate actions to any new information that may pose risks to achieving the 3 percent inflation target and maintaining price stability over the medium-term horizon.

Board Member Armen Ktoyan

My decision is based on the assumption that risks arising from Case A and Case B-type scenarios are broadly balanced. Case A-type scenarios carry downside risks associated with potential disruptions in regional value chains in the context of a prolonged Middle East situation, with implications for inflation. Moreover, in the context of continued uncertainty regarding the resolution of the Russia–Ukraine conflict, and amid the ongoing activation of risks in Russia’s financial system and broader business environment, the possibility of additional capital inflows into the Armenian economy has expanded, which could support demand expansion and activate additional inflationary risks. Furthermore, factors contributing to the expansion of capital inflows into Armenia may also emerge against the backdrop of a prolonged resolution of the military conflict in Iran and the Middle Eastern region. There is also a significant probability of the materialization of risks regarding the formation of a more stimulatory fiscal policy stance than expected, especially given the launch of the comprehensive health insurance program. In the context of risks arising from Case B-type scenarios, among external factors I would primarily highlight the weakening demand and slowdown in real income growth in the Russian economy, which may lead to a decline in demand for Armenian goods and services. With regard to domestic economic developments, I emphasize the persistent structural characteristics of growth and its concentration in a limited number of sectors, which under conditions of a gradual adjustment in the construction sector and real estate prices, can generate risks of weakening demand and the formation of disinflationary effects in related sectors of the economy. The still significantly high level of labor underutilization and certain trends in labor productivity growth allow for the offsetting of demand expansion trends driven by external and internal factors, continuing to maintain the output gap near its equilibrium level. Additionally, the current policy rate continues to remain somewhat high compared to the fundamental neutral interest rate. Based on the overall assessment of the arguments presented, I voted in favor of keeping the policy rate unchanged.

