



Central Bank
of Armenia

2026 Q2

Transparency Report

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

June 16, 2026

Present at the meeting: CBA Governor Martin Galstyan, Deputy Governors Armen Nurbekyan and Hovhannes Khachatryan, and Board Members Davit Nahapetyan, 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 on June 16 began with a presentation by the Monetary Policy Department staff on current and underlying economic conditions in the global and domestic economies¹. The presentation addressed developments in the external environment, inflation, and the real, fiscal, financial, and monetary sectors of the economy. 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 Part B of the Executive Monetary Policy Statement for the second quarter of 2026.

Deliberations around Key Risks, Uncertainties, and Scenarios

Following the discussion of current and underlying macroeconomic conditions in the external and domestic sectors, the Board proceeded to discuss the risks and macroeconomic scenarios arising from prevailing uncertainties, as well as the appropriate direction of monetary policy and the policy rate decision. As a starting point for discussions, the Board reviewed market expectations regarding the future path of the policy rate. Based on the latest survey of market participants, expectations continue to imply a gradual decline in the policy rate to 6.25 percent over the next eight decisions.

On the one hand, the Board evaluated scenarios in which underlying developments would require a higher policy rate path than currently priced in by markets in order to ensure price stability over the medium-term horizon (Case A-type scenarios). These scenarios are mainly associated with risks of higher global neutral interest rates, the emergence of excess demand conditions in the domestic economy, and an acceleration in inflation expectations, all of which would require a policy rate path above market expectations. On the other hand, the Board also evaluated scenarios in which underlying developments would require a faster decline in the policy rate relative to market expectations in order to ensure price stability over the medium term (Case B-type scenarios). These scenarios are primarily related to a slowdown in global economic growth, the emergence of disinflationary pressures resulting from difficulties in certain export destinations, and a fundamental decline in Armenia's country risk premium.

Against the backdrop of the broader set of risks, Board members presented their views on the key sources of risk and uncertainty most relevant for making a prudent policy decision at the current juncture. In particular, Board members emphasized the importance of minimizing potential losses arising from those risks and uncertainties.

Board members discussed the sources of uncertainty surrounding the U.S. economic outlook and the possible implications for Federal Reserve monetary policy. Members noted that growth in the U.S. economy is gradually slowing toward a sustainable long-run pace. Armen Nurbekyan added that, despite some moderation in growth, the U.S. economy continues to demonstrate significant resilience amid elevated uncertainty. At the same time, Martin Galstyan, Armen Nurbekyan, and Narek Ghazaryan highlighted risks that financial asset prices may be overvalued, and that any correction could further weaken demand both in the United States and globally. Martin Galstyan, Armen Nurbekyan, and Levon Sahakyan also emphasized risks of a more expansionary fiscal stance in the United States, driven by potential limitations on tariff-related revenue collection and possible increases in defense spending. Such developments could contribute to a further rise in long-term interest rates or keep them elevated for an extended period.

Regarding demand conditions in the Euro Area and Russia, Board members agreed that risks to the growth outlook in those economies have intensified. Martin Galstyan, Armen Ktoyan, Davit Nahapetyan, and Artak Manukyan emphasized that further weakening of demand in Russia and the gradual materialization of structural problems represent some of the most important Case B-type scenarios at the current stage. Armen Ktoyan highlighted the growing problems in Russia's financial system, particularly the continued increase in the share of non-performing loans. Narek Ghazaryan added that the positive impact of higher oil prices on the Russian economy has so far been weaker than expected, while the scope for fiscal stimulus has become significantly more constrained. Nevertheless, Armen Ktoyan, Artak Manukyan, Davit Nahapetyan, and Levon Sahakyan noted that

increasing uncertainty regarding Russia's economic outlook, deterioration in the business and investment environment, and structural issues in the financial system primarily represent Case B-type risks for the Armenian economy, while not excluding the possibility that such developments could also create conditions for increased inflows of capital and labor into Armenia.

The Board also discussed current developments in the Middle East and the possible impact of different conflict-resolution scenarios on oil prices, noting that uncertainty surrounding the outlook remains very high. In this context, Davit Nahapetyan, Narek Ghazaryan, and Artak Manukyan noted that even if the conflict were resolved in the near future, a full restoration of supply could take considerable time, continuing to generate additional inflationary risks for the global economy. Conversely, Martin Galstyan and Armen Nurbekyan also considered scenarios in which the restoration of trade routes could lead to a significant expansion of oil supply, including through substantial increases in production by the United States, Iran, and several other countries in the Middle East. Under such circumstances, oil prices could decline sharply and fall below the levels observed at the onset of the conflict. Narek Ghazaryan added that different oil price scenarios would also imply different developments in other important commodity groups, particularly food prices. Regarding the possible impact of Middle East developments on inflation in Armenia, Artak Manukyan and Levon Sahakyan also highlighted rising transportation costs.

The Board discussed uncertainties surrounding domestic economic developments. Members expressed differing views regarding the strength of domestic demand conditions. Armen Nurbekyan, Narek Ghazaryan, Davit Nahapetyan, and Artak Manukyan argued that demand conditions in Armenia are stronger than implied by market expectations, as reflected in strong growth in lending, retail trade, and imports, as well as developments in certain inflation components. Artak Manukyan and Davit Nahapetyan further emphasized that strong growth in tourist inflows could contribute to a further expansion of demand conditions. Narek Ghazaryan expressed concern regarding the continued acceleration of core inflation and stressed the urgency of managing demand pressures. On the other hand, Hovhannes Khachatryan, Levon Sahakyan, and Armen Ktoyan argued that the concentration of economic growth, slower growth in private-sector wages, and the stabilization of unemployment at a relatively high level point to a more balanced economy or even somewhat subdued demand conditions.

Armen Nurbekyan emphasized the importance of assessing signals coming from current account developments during the current policy cycle. He noted that the significant deterioration of the current account could be interpreted both as evidence of stronger aggregate demand and as a consequence of the current phase of the global financial cycle and improved domestic fundamentals, which have contributed to a continued decline in Armenia's country risk premium. He also drew attention to the challenges of effectively managing capital flows, particularly given Armenia's current economic position, noting that monetary policy tools alone may not be sufficient. In this context, Artak Manukyan argued that capital inflows to Armenia could increase further due both to the fundamental decline in the country risk premium and to factors related to regional integration and the reopening of transportation routes.

Turning to the broadening inflationary environment, all Board members acknowledged the important role played by supply-side factors in recent quarters. Nevertheless, Armen Nurbekyan, Davit Nahapetyan, Narek Ghazaryan, and Artak Manukyan expressed confidence that both domestic and external demand factors are also contributing significantly to higher inflation. Davit Nahapetyan, Narek Ghazaryan, and Artak Manukyan stressed the importance of managing inflation expectations during the current policy cycle, noting that persistently elevated core inflation and faster price increases in certain frequently consumed food products could contribute to rising inflation perceptions and expectations. Conversely, Armen Ktoyan argued that the acceleration in inflation is driven entirely by temporary supply-side factors, pointing out that inflation excluding food and fuel remains significantly below target. Martin Galstyan, Hovhannes Khachatryan, Davit Nahapetyan, Levon Sahakyan, and Armen Ktoyan highlighted emerging difficulties in certain export destinations, particularly in the Middle East and Russia. Under such circumstances, excess supply of some products could emerge in the domestic market, directly contributing to lower prices.

Summarizing the above views, the Board agreed that the primary policy challenge is to assess which risks are most relevant and costly from the perspective of their impact on the economy and to determine which policy errors should be avoided under a "least regrets" approach.

Board members broadly agreed that the scenarios expected from the external sector are predominantly Case B-type, while the likely scenarios in the domestic economy are predominantly Case A-type. In this context, Board members expressed differing views regarding the appropriate management of the macroeconomic implications of these risks over the medium-term horizon. Martin Galstyan, Armen Nurbekyan, Hovhannes Khachatryan, Davit Nahapetyan, 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 voted in favor of raising the policy rate, emphasizing the need to manage the inflationary implications of Case A-type scenarios. Artak Manukyan, while also emphasizing the need for a policy rate path above market expectations, considered it appropriate at this stage to keep the policy rate unchanged.

Policy Decision

As part of its risk management framework, and amid significant uncertainty, the Board of the Central Bank of Armenia emphasizes the importance of minimizing the potential losses that could arise from these scenarios through an appropriate monetary policy strategy aimed at ensuring 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 monetary policy scenarios 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
June 16, 2026 Decision

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

B. Final Vote Submissions

June 16, 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 continue to pose downside risk to growth and upside risk to inflation in major global economies. Economic activity in Russia and the EU continues to decline, while structural challenges pose concerns to the medium-term growth and demand outlook. 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. The potential for stabilizing geopolitical tensions in the Middle East could support declining global energy and commodity prices, but risks of persistently elevated and more volatile prices in the medium term remain significant. Domestically, economic activity continues to grow at a high pace, primarily driven by construction and services. At the same time, the structural characteristics of economic activity has added meaningful uncertainty in both directions regarding the underlying strength of domestic demand. Although inflation has slowed in May, particularly for food products, risks of supply-side factors driving more volatile inflation remain relevant. If supply-driven inflation converges with stronger-than-expected domestic demand conditions, this could pose a key medium-term Case A-type risk. At the same time, global geopolitical tensions and risks of weakening external demand could pose downside risks to certain growth drivers. Considering the above, I find it prudent to balance the losses that could materialize from both Case A- and B-type risks, supporting my decision to leave the policy rate unchanged. 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

Considering the economic and financial developments in Armenia in recent months, the discussions with other Board members throughout the policy round, and a careful evaluation of the main sources of risk and uncertainty, I vote in favor of keeping the policy rate unchanged. The global economy has demonstrated much more stability than expected. In the case of the United States, despite uncertainties regarding asset price sustainability, no significant risks of either a sharp slowdown in economic activity or a correction in financial asset prices have yet materialized. In the case of the EU, an economic slowdown is noticeable. The inflation environment in the external sector has deteriorated in line with expectations. In the context of recent geopolitical developments, there is a real possibility of stabilization and a decline in energy prices in energy markets; however, uncertainties still persist. Under these conditions, in the short term, the scope for central banks to reduce interest rates will remain limited. In summary, B-type risks stemming from the external sector have eased, while A-type inflationary scenarios arising from energy commodities have also moderated. In the context of heightened economic uncertainty, the behavior of international capital flows is difficult to predict. There are still A-type risks, particularly if a significant decline in risk appetite leads to capital flows reversing toward advanced economies. At the same time, B-type scenarios are also present, in which international investors redirect capital toward countries with strong economic fundamentals and a stable macroeconomic environment. The behavior of capital flows may become a key source of volatility in the medium term, both for the global economy and for Armenia's economy. In the domestic economy, the persistently high level of activity has been driven mainly by demand-side factors. The expansion of demand, as well as strong credit growth, increases the likelihood of a positive output gap, which should remain in focus in the context of elevated underlying inflation. Despite this, the post-energy supply shock decline in inflation 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 may signal a rapid increase in either consumption or investment demand. In the case of the former, this would imply the materialization of substantial A-type risks. In this context, fiscal policy represents one of the main sources of A-type risks, due to short-term demand expansion as well as the potential increase in risk premia associated with rising public debt. At the same time, in the domestic economy, B-type factors mainly stem from a potential slowdown in construction and mortgage market activity, although this has not yet materialized. It should be noted that over recent months, activity in both construction and the mortgage market has recorded significantly higher-than-expected growth. Uncertainty in certain export markets has increased the likelihood of B-type scenarios. In summary, A-type risks have continued to dominate in the domestic economy. Balancing A- and B-type risks, maintaining the policy rate unchanged, consistent with market expectations and close to the neutral rate, would allow for an appropriate management of existing macroeconomic risks. Given the significant volatility of capital flows

in international markets, it is important for the Central Bank to maintain a full set of policy instruments to manage capital flows and aggregate demand effectively.

Deputy Governor Hovhannes Khachatryan

Considering global and Armenia's economic developments, as well as the main sources of risks and uncertainties, I vote in favor of maintaining the policy rate unchanged. The long-run neutral interest rate in the US continues to remain at a high level. Investments by major US corporations create opportunities for a sharp increase in productivity growth, while at the same time generating risks related to the sustainability of growth. The probability of an optimistic resolution scenario for the Iran–US conflict has increased, while global supply chains have partly adapted, mitigating inflationary pressures in commodity markets and transportation services. In the EU, China, and Russia, risks of slowing economic activity have further deepened. The impact of obstacles to Armenia's exports to Russia is disinflationary for certain categories of goods on the one hand, while on the other hand it may deepen external trade imbalances and increase Armenia's country risk premium. Therefore, some inflationary pressures, but more importantly risks of weakening economic activity, are being imported from the external sector (a stagflation scenario). Economic activity continues to be concentrated in construction, the financial sector, and certain non-inclusive industries. At the same time, in recent months, other sectors driven by domestic demand, as well as external demand supported by tourism inflows, have shown positive dynamics. The final impact of increases in healthcare insurance coverage and current budget expenditures will depend on other budget components and the year-end deficit outcome. Overall, the output gap is close to zero, although there are some rapidly expanding sectors and uncertainties related to the duration and magnitude of supply and external demand shocks. In summary, I consider the amplitude of A and B-type risks in both the global and domestic economies to remain high, while broadly balancing each other. Considering the above, leaving the policy rate unchanged best minimizes the losses that could stem from potential policy errors.

Board Member Davit Nahapetyan

By considering the analysis presented by the macroeconomic team over economic and financial developments, as well as 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. Inflationary pressures on the Armenian economy originating from the external environment still persist. International energy and food prices remain elevated. In the United States, high inflation and uncertainties in financial markets related to long-term interest rates continue to persist. In the euro area and the Russian Federation, trends of weakening demand continue to be observed. At the same time, signs of stabilization in Armenia's country risk premium continue. Economic activity in Armenia continues to remain at a high level, particularly in the construction and services sectors, which in turn continues to support aggregate demand. Despite some moderation in inflation, the observed inflation in sticky non-tradable prices remains a source of concern. On the other hand, certain difficulties in the export of goods from Armenia arising from geopolitical developments may, on the one hand, have a significant impact on incomes, and on the other hand, generate substantial disinflationary risks. In light of the combination of the aforementioned factors, and from the risk management perspective, I consider maintaining the policy rate unchanged at 6.5% would most appropriately reflect a policy stance balancing Case A-type and Case B-type risks. I reaffirm my commitment to ensuring price stability, employing the full range of instruments available to the Central Bank Board, while continuing to closely monitor developments in the economy and the financial system.

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 keeping the refinancing rate unchanged. Although commodity markets (particularly oil) have responded positively to the possible resolution of the conflict in the Middle East, resulting in a downward correction in prices, there is a high probability that even in the event of a resolution, prices will still remain above their pre-conflict levels. Geopolitical uncertainties, persistent tensions in international trade relations, and concerns regarding the duration of disruptions in global value chains have contributed to a broadening of the global inflationary environment, which has also increased logistics costs (including insurance-related costs). In this context, considering on the one hand the persistence of weak demand conditions, and on the other hand the risks of rising inflationary pressures, the probability has increased that major central banks will maintain tighter monetary conditions for a longer period or even tighten them further. In the domestic economy, economic growth is showing signs of stabilization, while domestic demand remains elevated. Inflation is above target, while core inflation continues to accelerate. Signals from the non-traded sticky price index are also noteworthy. Nevertheless, it should be taken into account that deflation was observed in May compared with April. Economic growth is being accompanied by an increase in aggregate demand, which is manifested in the growth of credit volumes. Nevertheless, the probability of materialization of risks related to underutilization of production capacity has increased, which

may lead to a slowdown in productivity growth. Signs of stabilization are also evident in the labor market. Although there are indications that the GDP gap remains somewhat positive, the probability of materialization of Case B-type risks has increased significantly, which is also driven by economic developments in Russia. Overall, I assess that at this stage, the set of Case A-type risks has increased. However, at the current stage, the probability of materialization of Case B-type risks has increased significantly. Accordingly, guided by the risk management principle of “least regret”, I consider it more appropriate to pursue an interest rate policy that is aligned with 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 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 voted in favor of keeping the policy rate unchanged. Looking ahead, under conditions of easing geopolitical tensions in the Middle East, price volatility in commodity markets may decline. At the same time, risks of deterioration in economic growth and demand prospects in advanced economies remain. Uncertainty regarding the outlook for US fiscal policy persists, generating risks of further increases in long-term interest rates. In Russia, economic activity indicators point to a moderation of demand-driven inflationary pressures, while in the Euro Area economic growth continues to weaken. In the domestic economy, alongside high economic activity, inflation continues to remain above target, although it is still mainly driven by supply-side factors. It is also noteworthy that the risks of a more expansionary fiscal policy stance have somewhat weakened, while private wage growth and inflation expectations continue to show broadly stabilizing trends. At the same time, amid easing regional geopolitical tensions, a continued decline in Armenia's country risk premium has become evident. As a result, balancing the need to manage risks arising from Case A-type and Case B-type scenarios, I voted 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 0.25 percentage points. My decision is based on the firm conviction that, in the current policy cycle, significant inflationary pressures persist in the domestic economy. The current level of underlying inflation is substantially above the inflation target, and from the perspective of future developments, A-type inflationary risks outweigh B-type disinflationary risks. Taking a more detailed look at the A-type risks over the policy horizon, I would note that as a result of developments in the Middle East and the persistence of geopolitical tensions, energy prices remain elevated compared to the beginning of the year, and in my view, the risks of further increases are still present. In the scenario of a possible further increase and sustained persistence of energy prices, a corresponding rise in food prices and in a range of other globally traded goods is also expected. Under such conditions, imported inflation in Armenia could accelerate significantly, which through both direct and indirect channels would lead to a faster increase in overall domestic inflation. Turning to inflationary risks stemming from domestic economic developments in Armenia, it should be noted that in the first half of 2026, the economy has continued to exhibit high levels of economic activity. This has been mainly driven by increased spending supported by optimistic expectations among households and firms, sustained strong demand for tradable goods and services, as well as the effects of previously implemented fiscal stimulus. In a scenario where these expansionary factors persist or intensify, the inflationary environment in the domestic economy may continue to broaden. The combination of the aforementioned demand- and supply-side inflationary pressures could significantly accelerate overall inflation, thereby necessitating a gradual tightening of monetary conditions. In the monetary policy horizon, there are also several B-type risks. In particular, in the United States and a number of European countries, downside risks to economic activity and domestic demand persist, driven by still-overvalued asset prices in certain sectors as well as other structural challenges in these economies. At current levels of global oil and gas prices, and in the event of further increases, a medium-term slowdown in economic activity is expected in both the United States and, especially, European countries. This would ultimately lead to a contraction in international trade in goods and services, as well as in capital flows. As a result, global inflation would decelerate significantly, while demand for exports from Armenia could decline, generating additional disinflationary pressures in the domestic economy. I would also note that in the Russian economy, economic activity has been continuously slowing since the second half of 2025, and if this deepening trend persists, remittances from Russia to Armenia may decline, thereby increasing potential disinflationary pressures. Regarding Russia, it should also be mentioned that recently observed bottlenecks in the realization of exports from Armenia to Russia may lead to excess supply of these goods in the domestic market, generating additional disinflationary pressures. However, I believe these deflationary pressures will not be persistent in nature and their overall impact on inflation will remain moderate. Turning to B-type risks originating from the domestic economy, I would note that in the case of a rapid and sustained acceleration of capital inflows into Armenia, the process of currency appreciation could intensify, significantly reducing imported inflation. The realization of such a scenario would also

lower the dram-denominated neutral interest rate, which, under otherwise equal conditions, would create additional disinflationary pressures in the domestic consumer market. Balancing the A- and B-type risks described above, I remain primarily concerned about the inflationary pressures that would materialize in the event of A-type risks. Therefore, I consider it appropriate to increase the refinancing rate from the current 6.5 percent to 6.75 percent, with the objective of keeping inflation close to the central bank's target over the medium term. I reaffirm my strong commitment to the objective of price stability and express my readiness to take appropriate policy actions in response to any new information that may pose a risk to achieving the 3 percent inflation target and sustaining price stability over the medium-term horizon.

Board Member Armen Ktoyan

My decision is grounded in the assessment of the balanced risks associated with Type A and Type B scenarios. Within the set of risks underlying Type A scenarios, particular attention should be given to the continuing uncertainty around the resolution of the Russia–Ukraine conflict. Against this backdrop, vulnerabilities are continuing to accumulate across Russia's financial and economic system, as well as in the broader business environment. These vulnerabilities are also becoming more wide-ranging. As a result, the likelihood of additional capital inflows into the Armenian economy continues to increase, which could support stronger aggregate demand and activate additional inflationary risks. At the same time, given that inflation expectations in Russia remain elevated, the probability of inflationary pressures being transmitted to Armenia also remains high. Limited scope for diversifying logistics channels adds further fragility to this environment. From the perspective of Type B scenarios, the key risks relate to weakening demand in the Russian economy and slower growth in real incomes, which could reduce external demand for Armenian goods and services. Similar risks may also arise from the announced restrictions, as well as other potential institutional limitations, on the sale of Armenian-origin goods in the Russian market. On the domestic side, I highlight the importance to the persistent structural features of economic growth, particularly its concentration in a limited number of sectors. Over the medium term, this concentration may create significant risks of softer demand growth and disinflationary pressures. As I had noted previously, the inflationary shocks in global energy markets that emerged amid heightened tensions in the Middle East appear to be gradually contained and are showing signs of fading. There is also some moderation in underlying inflation. In inflation expectations, the share of respondents expecting low inflation has increased, mainly reflecting a decline in the share expecting high inflation. Under current conditions, I assess the risks over inflation expectations becoming de-anchored at a higher level as weak and not significant. At the same time, the still considerably high level of labor underutilization, together with relatively restrained growth in labor productivity and average private-sector wages, helps offset potential demand-side pressures arising from external and domestic factors. Taking these arguments together, I voted in favor of leaving the policy rate unchanged.

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