



**Central Bank**  
of Armenia

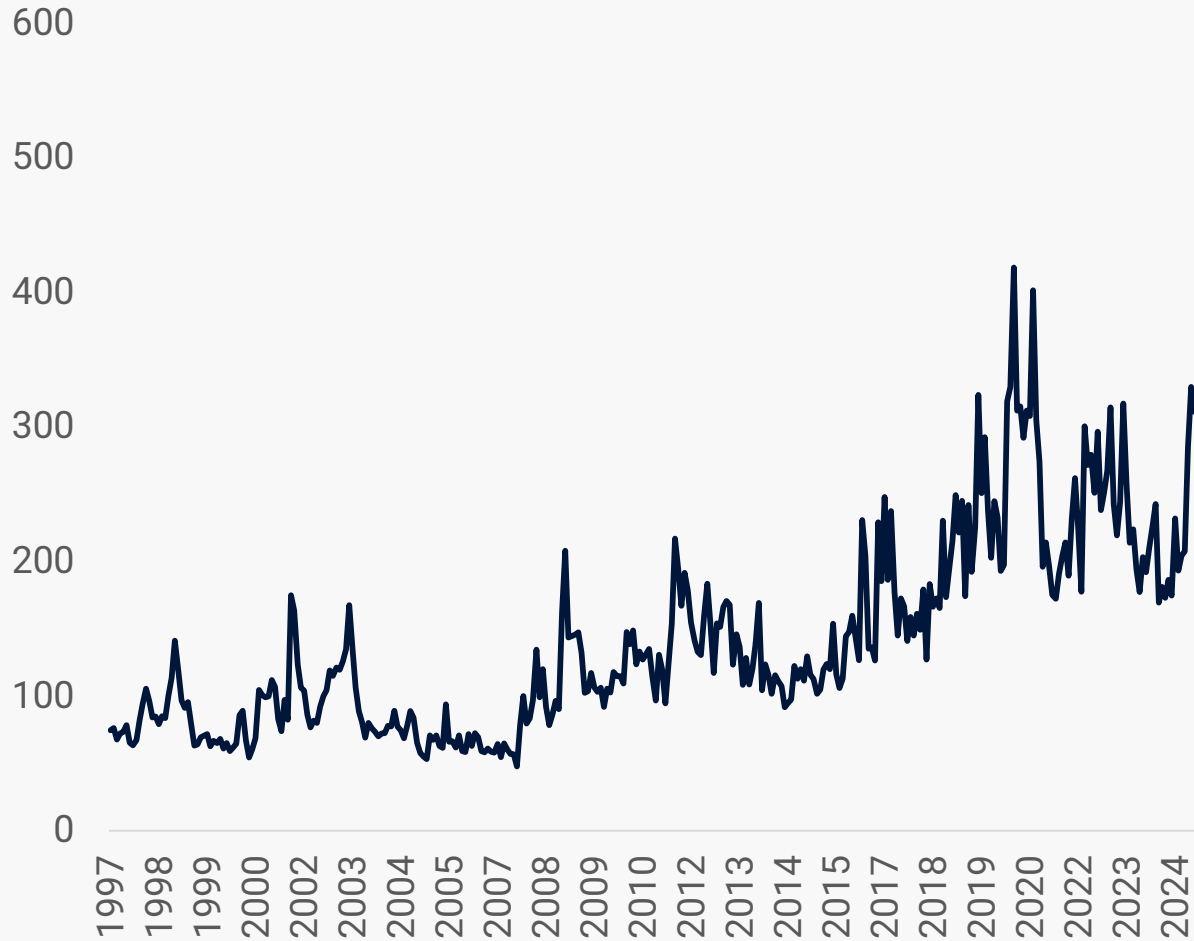
**Monetary Policy Under Uncertainty**  
Prudent Risk Management  
Approach to Price Stability

Martin Galstyan, Governor

November 11, 2025

# Complex layering of risks and shocks have created an “uncertain new world”

Global Economic Policy Uncertainty Index



**01.**  
Geopolitical  
tensions &  
economic  
fragmentation

**02.**  
Rising government  
debt, fiscal  
unsustainability,  
& neutral rate  
uncertainty

**03.**  
Persistent  
supply shocks

**04.**  
Structural  
changes:  
climate change,  
AI, aging

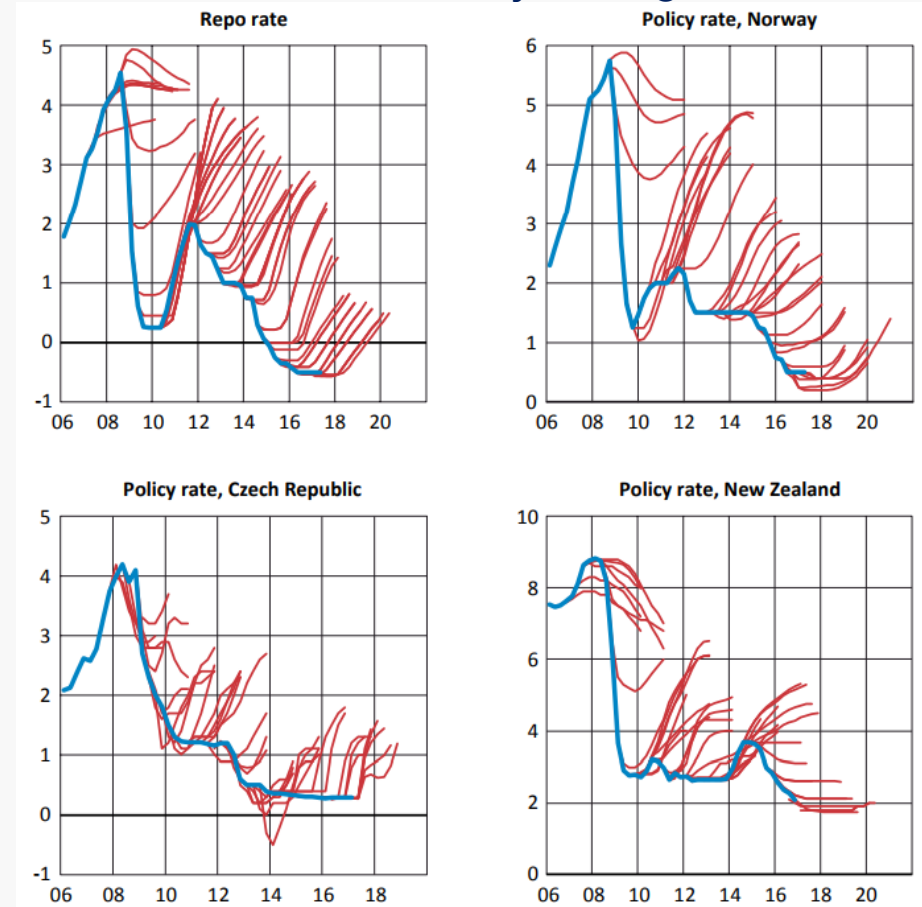
Source: Scott R. Baker, Nicholas Bloom, and Steven J. Davis, [Economic Policy Uncertainty Index](#)

# Uncertainty is, in the words of Greenspan, the “defining characteristic of the monetary policy landscape”

## Multi-layered uncertainty:

- 1 | Uncertainty about current and future economic developments
- 2 | Uncertainty as an important determinant of economic behavior
- 3 | Uncertainty as an inseparable part of monetary policy decision-making

## Baseline forecast to guide policy decisions are consistently wrong



# Monetary policy is not about constructing the best forecast, but steering the economy away from dark corners



Understand where the economy is, what the driving forces are, and where uncertainties lie

Soberly analyze risks and uncertainties with the use of scenarios; ensure qualitative assessment of risks

Design an appropriate policy strategy (doing whatever is necessary) to bring inflation to the target and stabilize the economy

Avoid sliding into dark corners and dangerous nonlinearities  
(crisis arising from policy errors)

**Monetary Policy as Risk Management**

# Risk management and “least regrets” decision-making in practice



## Decision-Making Process

Least regrets motivation	Risk management decision
<p>What outcome or scenario would I most regret, if it were to materialize?</p> <p><i>Realistic, rooted in data, relevant for policy</i></p>	<p>What do I need to do with my policy tools <i>over the medium term</i> to manage the losses that could arise from these risks materializing?</p>

## Conceptual Framework

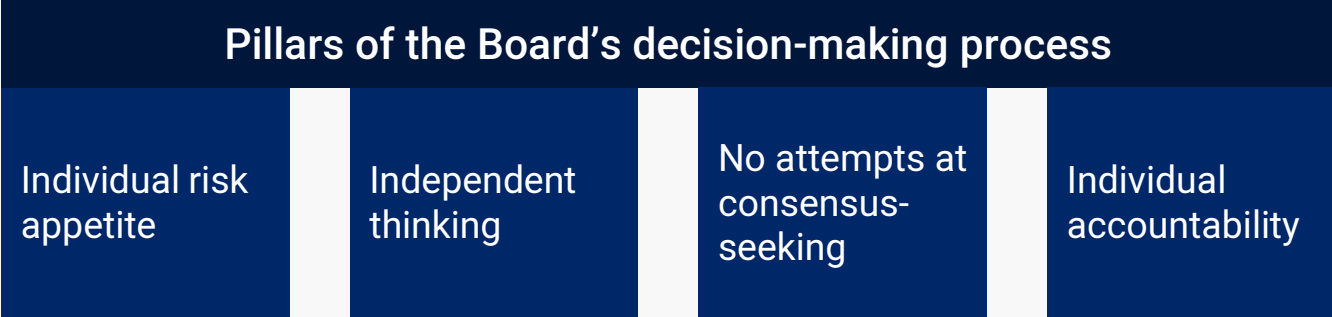
### Case A

Policy rate path above market expectations

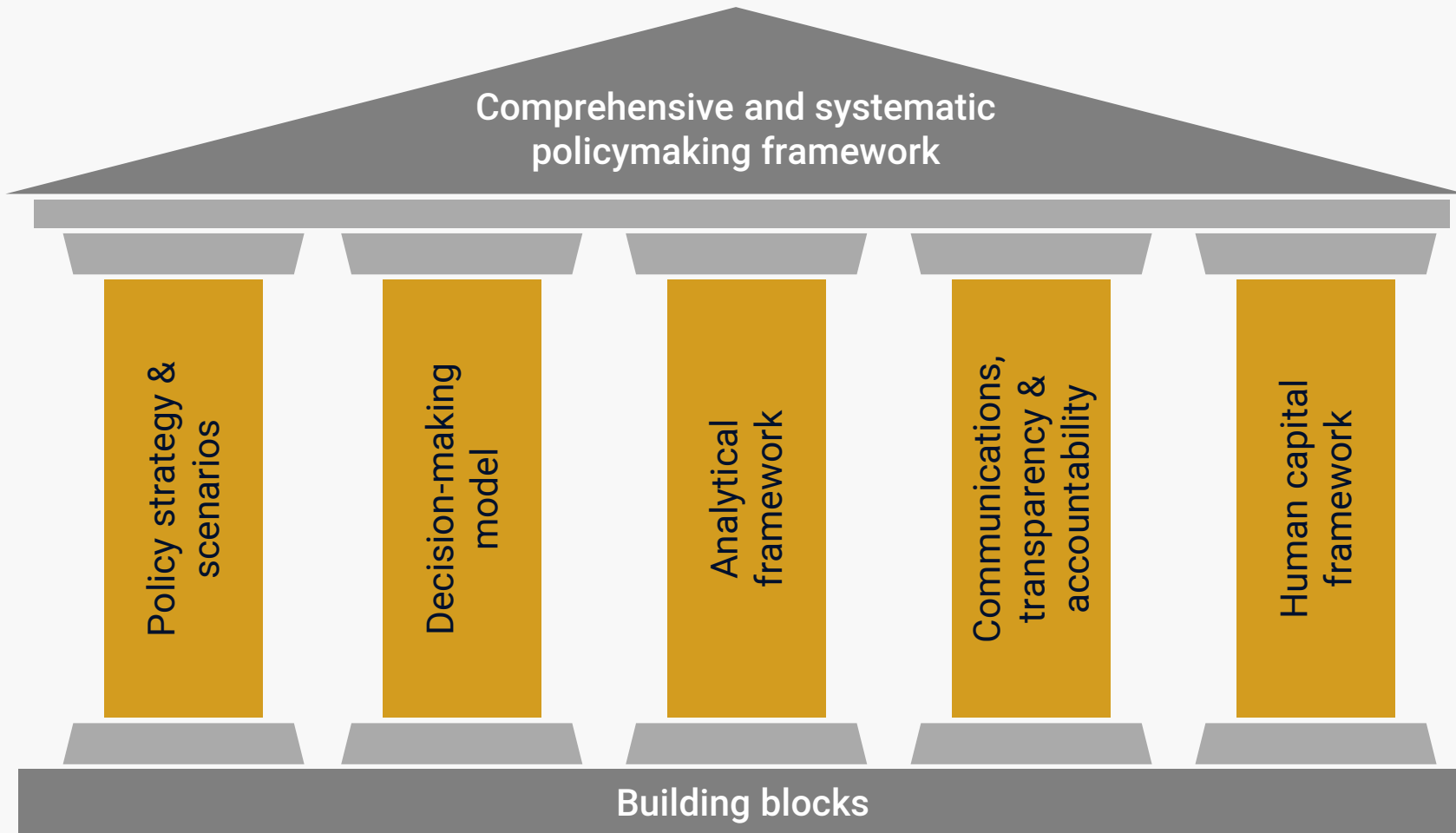
### Case B

Policy rate path below market expectations

## Supporting Pillars



# Building a robust institutional framework for monetary policy as risk management

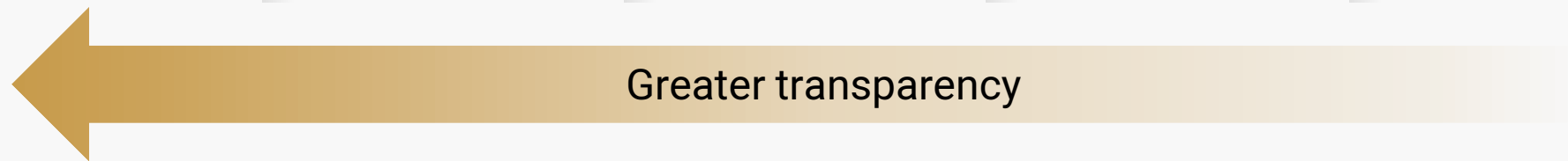


Without a systematic, institutional framework in place, risk management is no different than discretion

Draws upon best practices and lessons learned from existing frameworks (FPAS)

# Frontiers of monetary policy transparency: maximum insight into Board decision-making dynamics

	Risk Management	FPAS			
	Armenia	Sweden	Czechia	Chile	New Zealand
<b>Minutes</b>	Attributed *	Unattributed **	Attributed **	Unattributed *	Unattributed *
<b>Votes</b>	Attributed *	Attributed **	Attributed **	Attributed ***	Consensus *
<b>Vote Explanations</b>	Attributed *	Attributed **	-	-	Consensus *
<b>Transcripts</b>	12 Year Lag	-	-	10 Year Lag	-



\* Published on decision day

\*\* Published 8 days after decision

\*\*\* Published 15 days after decision

Prudent Risk Management Approach to Price Stability

Draft Book



IMF Governor Talks: Armenia - Risk Management Approach to Price Stability: The Role of Policy Credibility

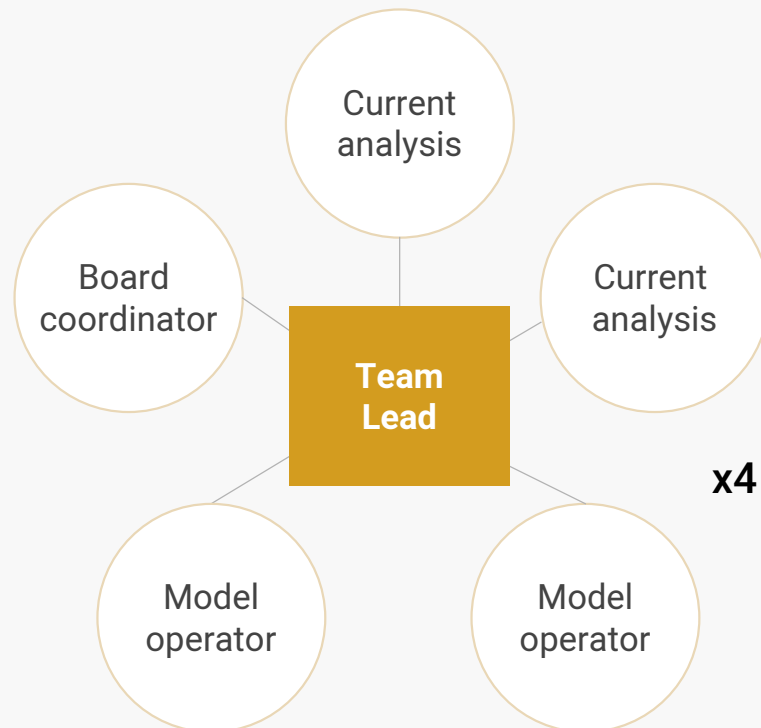


Thank you

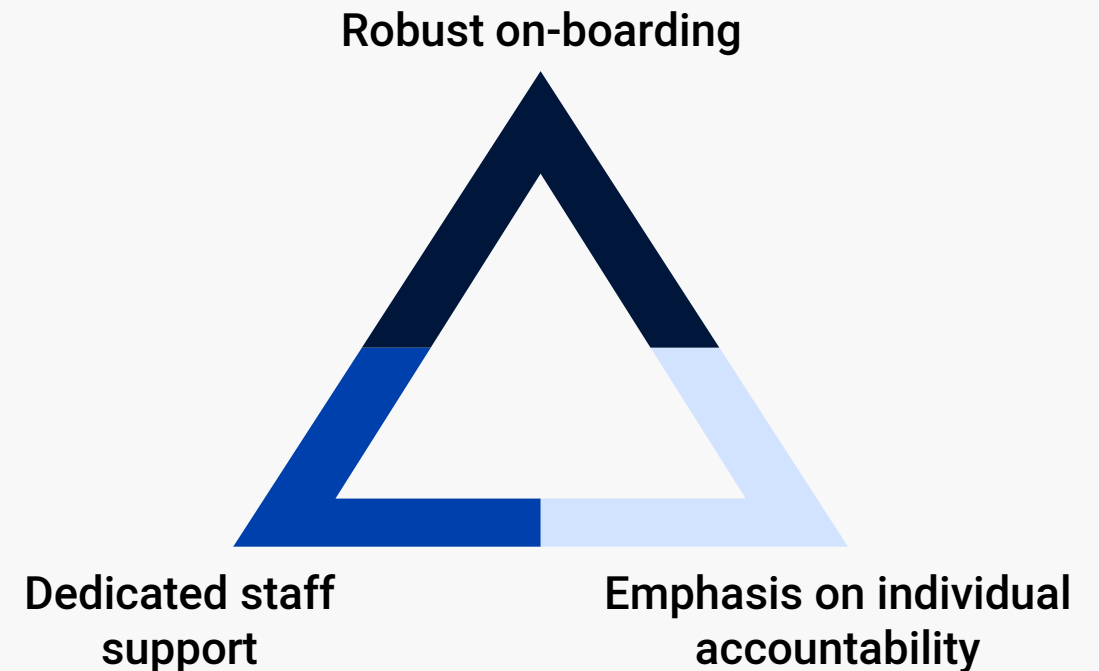
# Flat and agile human capital model for staff, robust on-boarding system for Board

## Staff: Team structure

- Four teams of six generalist economists
- Rotation within and across teams each year
- Teams switch roles each quarter
- Flat & horizontal team structure
- $\frac{3}{4}$  of the year is spent on training, development & research



## Board member support



# Evolution of monetary policy framework at the Central Bank of Armenia

