

# ARMENIA'S ECONOMIC OUTLOOK

*January-June 2023*

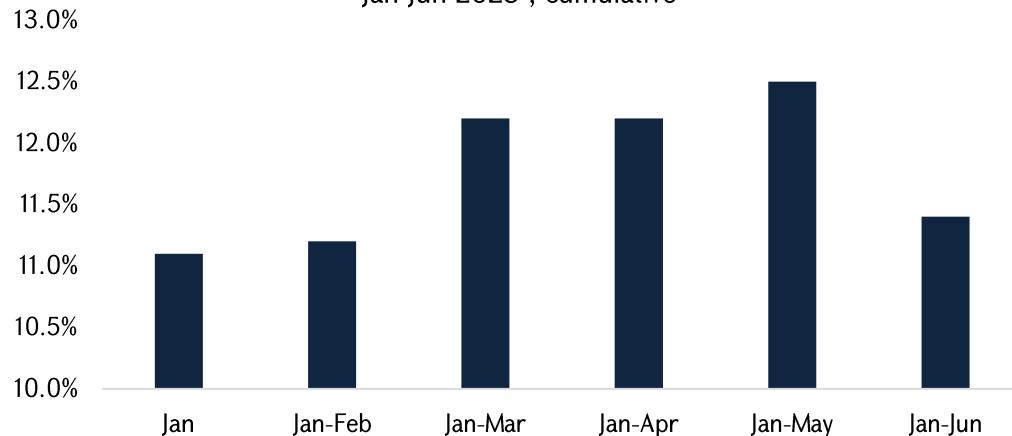


## Executive summary

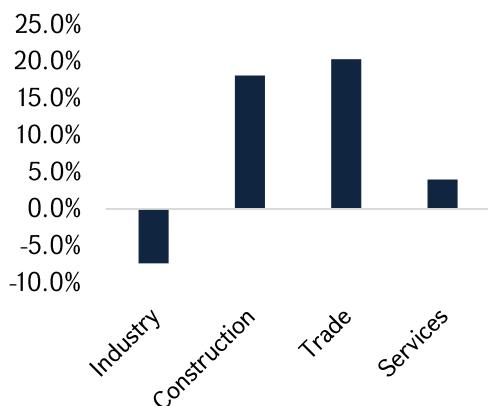
- As a result of the Russian-Ukrainian war in 2022, many Russians and Ukrainians continued to migrate and move their business to Armenia, which led to more economic activity. In January-June 2023, the economic activity indicator observed an 11.4% increase.
- In June 2023, Armenian dram appreciated by approximately 2.4% since the start of the year.
- Comparing January-June 2023 with the same time previous year we can observe that:
  - Exports grew by 72.8%.
  - Imports grew by 73.0%.
  - Number of tourists inflow increased by 70.3%.
  - Average salary increased by 13.8%.
  - Services output increased by 16.8%
  - Trade grew by 23.6%
- Armenia's inflation for January-June 2023 reached 4.2%.

# Key economic indicators snapshot

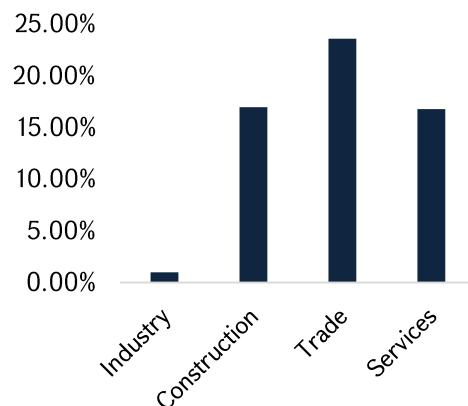
**Figure 1. Indicator of economic activity**  
Jan-Jun 2023, cumulative



**Figure 2. Growth by sectors**  
June 2023 com. to the same  
month previous year



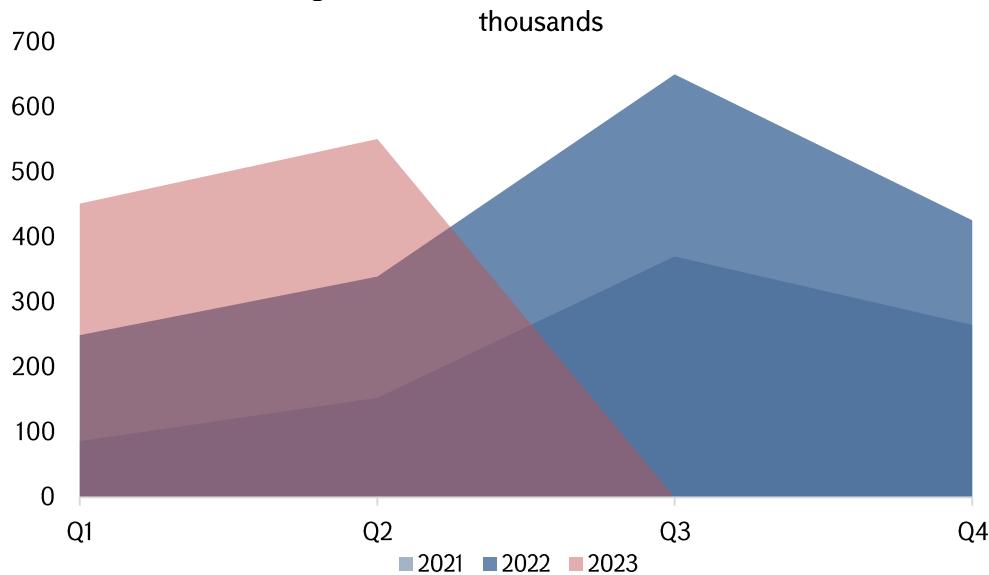
**Figure 3. Growth by sectors**  
Jan-Jun 2023 com. to the same  
period previous year



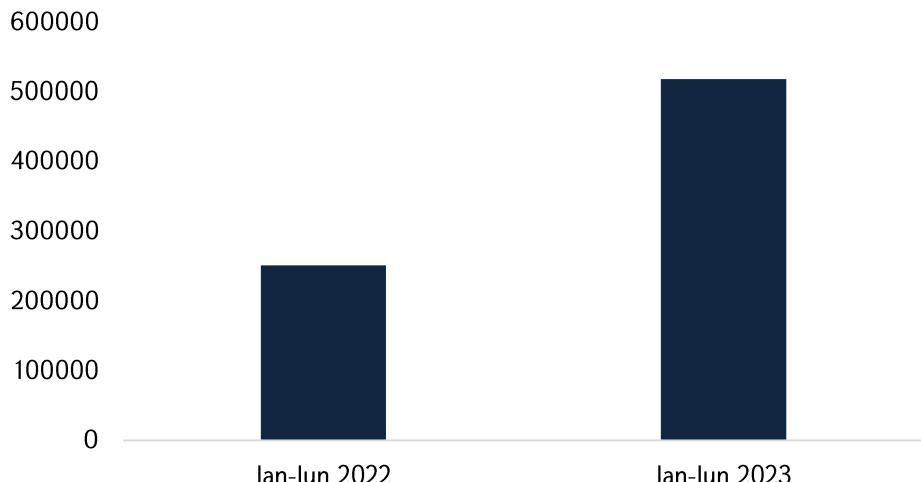
- ♦ **Economic activity indicator (EAI)** was relatively stable from Jan-Mar to Jan-May. Throughout the first half of the year, the EAI was revolving around 11.2% to 12.5%. In Jan-Jun 2023, Armenia's EAI observed a slower growth rate compared to the previous three months with 11.4%.
- ♦ **Industry.** The volume of industrial production in Jan-Jun 2023 amounted to 1,167,535 million drams, increasing by 1.0% compared to the same period last year. The main products contributing to industrial production growth for 2022 are manufacturing (+4.3% relative to the same period in 2022). The industry's growth was negatively affected by the mining industry (-6.9% compared to the same period in 2023).
- ♦ **Construction.** The construction output in Jan-Jun 2023 amounted to 174,155.4 million drams, increasing by 17.0% compared to the same period last year. Construction growth was mainly contributed by organizational funds (47.9% relative to Jan-Jun 2022)
- ♦ **Trade.** The volume of internal trade turnover in Jan-Jun 2023 amounted to 2,280,859.8 million drams, increasing by 23.6% compared to the same period last year. One of the main reasons for the growth of the internal trade is the inflow of Russian to Armenia throughout 2022 and 2023 and boost in tourism.
- ♦ **Services.** The volume of services turnover in Jan-Jun 2023 amounted to 1,431,313.1 million drams, increasing by 16.8% compared to the same period last year. The main subsectors contributing to services turnover growth for 2023 are; transport (34.5% relative to Jan-Jun 2022), and information and communication industry (56.8% relative Jan-Jun 2022). Service's growth was negatively affected by the financial and insurance activities (-3.5% compared to Jan-Jun 2022). The high growth in the service sector can also be connected with the growth of tourism in the first half of 2023 and the influx of Russians.

# Tourism

**Figure 4. International tourist arrivals**

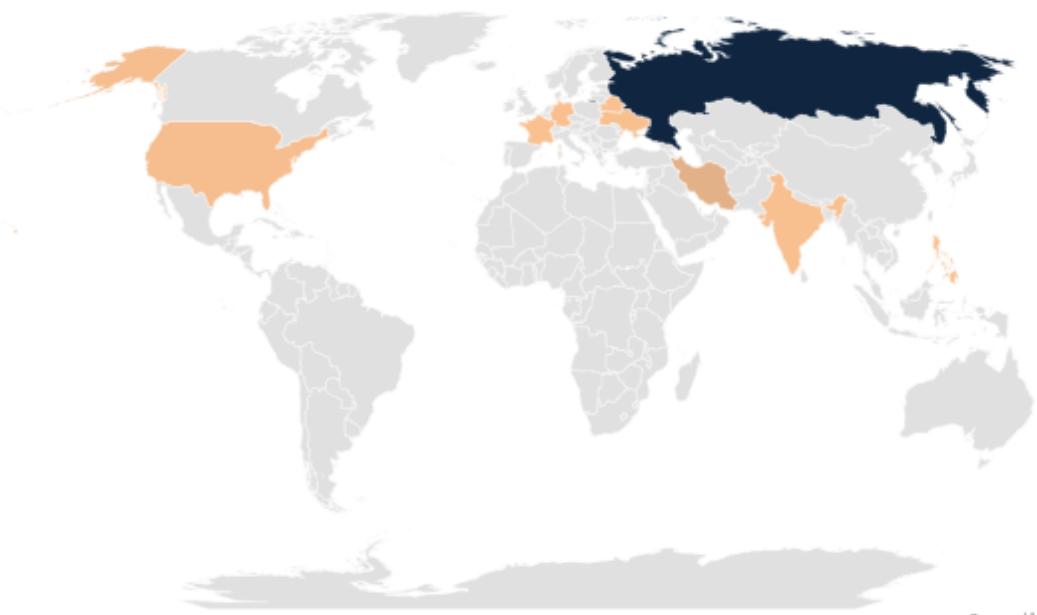


**Figure 5. Number of tourists from Russia**



- Armenia observed a huge jump in number of tourists in first quarter of 2023 compared to the same period previous year.
- In Jan-Jun 2023, the number of tourists reached 1,002.9 thousand which increased by 70.3% when compared to the same period previous year.
- Few of the reasons for the surge in the number of tourists are;
  - the Russian-Ukrainian war
  - influx of Armenian diaspora
  - Seasonality
- Tourists from Russia accounted for 51.7% of the entire entries.
- Based on the increase in number of tourists we expect the inflows return to be increase by approximately 70% as well, as the inflows' return and number of tourist' increase are proportional for Armenia
- Because of the sanctions on Russia and continuation of the Russian-Ukrainian war, the number of tourists in 2023 from Russia, observed a huge jump. Comparing to the same period previous year, the number of tourists from Russia grew by 2.1 times.

# Tourism



518 thousand

5.6 thousand

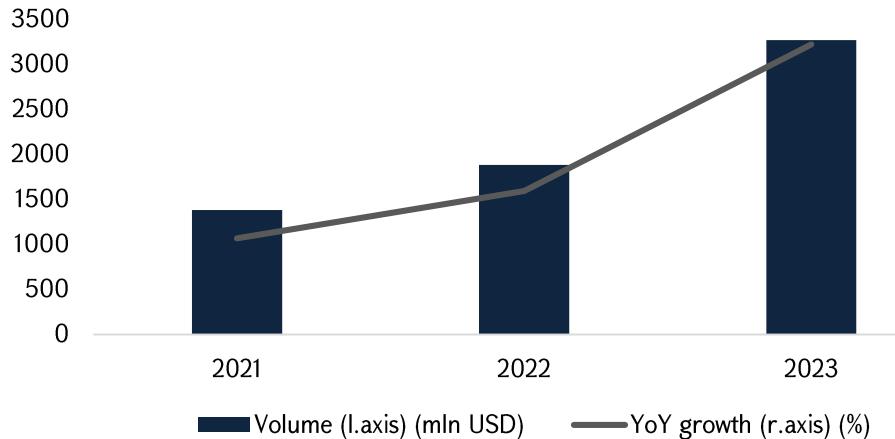
## Arrival Origins Jan-Jun 2023

1,002.9 thousand, 70.3% YoY  
change

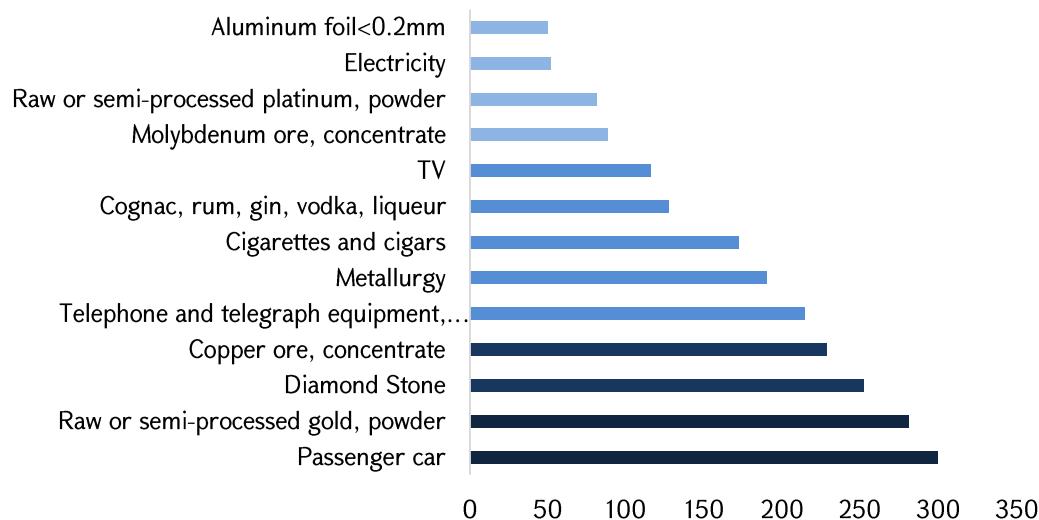
<b>Russia</b>	518.0 thousand, 2.1x YoY change
<b>Georgia</b>	113.2 thousand, 80.0% YoY change
<b>Iran</b>	58.8 thousand, 22.1% YoY change
<b>USA</b>	16.6 thousand, 27.6% YoY change
<b>Ukraine</b>	12.1 thousand, 57.7% YoY change
<b>India</b>	11.8 thousand, 95.3% YoY change
<b>Germany</b>	9.9 thousand, 16.2% YoY change
<b>France</b>	9.2 thousand, 19.9% YoY change
<b>Philippines</b>	8.8 thousand, 2.7x YoY change
<b>Belarus</b>	8.0 thousand, 5.8% YoY change
<b>Turkey</b>	5.6 thousand, 67.9% YoY change

# International trade: Export

**Figure 6. Exports of goods**  
January-June 2023, mln USD



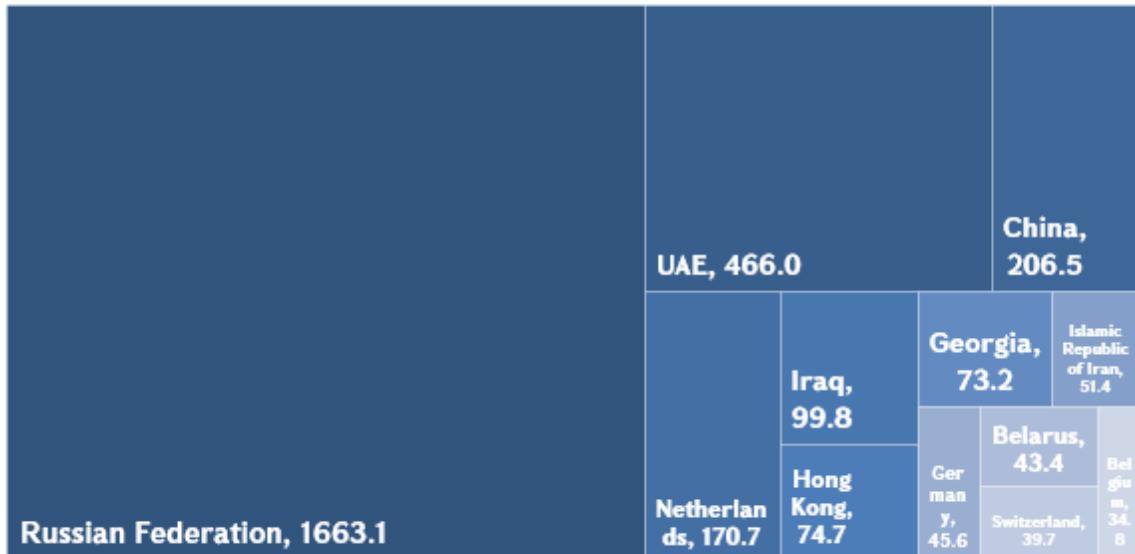
**Figure 7. Exports by goods**  
January-June 2023, mln USD



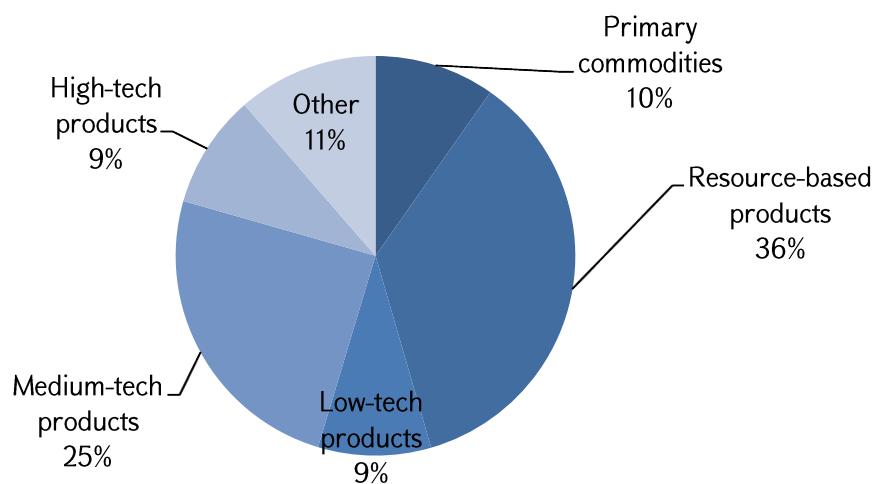
- Exports in Jan-Jun 2023 amounted to 3,266.6 million US dollars, increasing by 1,385.1 million USD or 73.6% over the same period last year.
- One of the main contributors for the export growth is the Russian-Ukrainian war, as the sanctions on Russia opened new markets for Armenia to export
- The main products contributing to growth for Jan-Jun 2023 (percentages are relative to the same period):
- Passenger car:** 299.4 million USD, increasing by 286.6 million USD or by 23.4x
- Raw or semi-processed gold, powder:** 280.8 million USD, increasing by 185.3 million USD or by 2.94x
- Diamond Stone:** 252.3 million USD, increasing by 99.7 million USD or by 65.3%
- Copper ore, concentrate:** 228.4 million USD, decreasing by 138.1 million USD or by 37.7%
- Telephone and telegraph equipment, modem, spare parts:** 214.1 million USD, increasing by 204.2 million USD or by 21.7x
- Metallurgy:** 189.8 million USD, increasing by 60 million USD or by 46.2%
- Cigarettes and cigars:** 172.1 million USD, increasing by 29.8 million USD or by 20.9%
- Cognac, rum, gin, vodka, liqueur:** 127.5 million USD, increasing by 27.6 million USD or by 27.6%
- TV:** 115.5 million USD, increasing by 112.5 million USD or by 37.7x
- Molybdenum ore, concentrate:** 88.3 million USD, increasing by 15.1 million USD or by 20.7%

# International trade: Export

**Figure 8. Export volumes by country**  
January-June 2023, mln USD



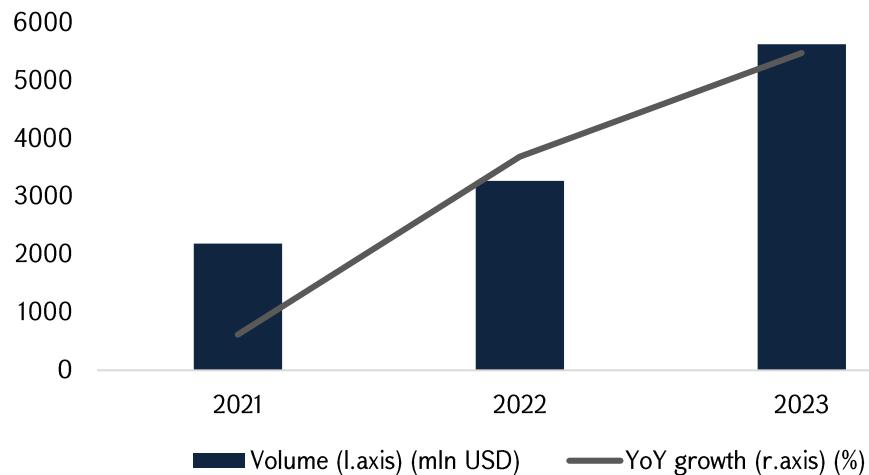
**Figure 9. Exports of goods by tech level**  
January-June 2023, mln USD



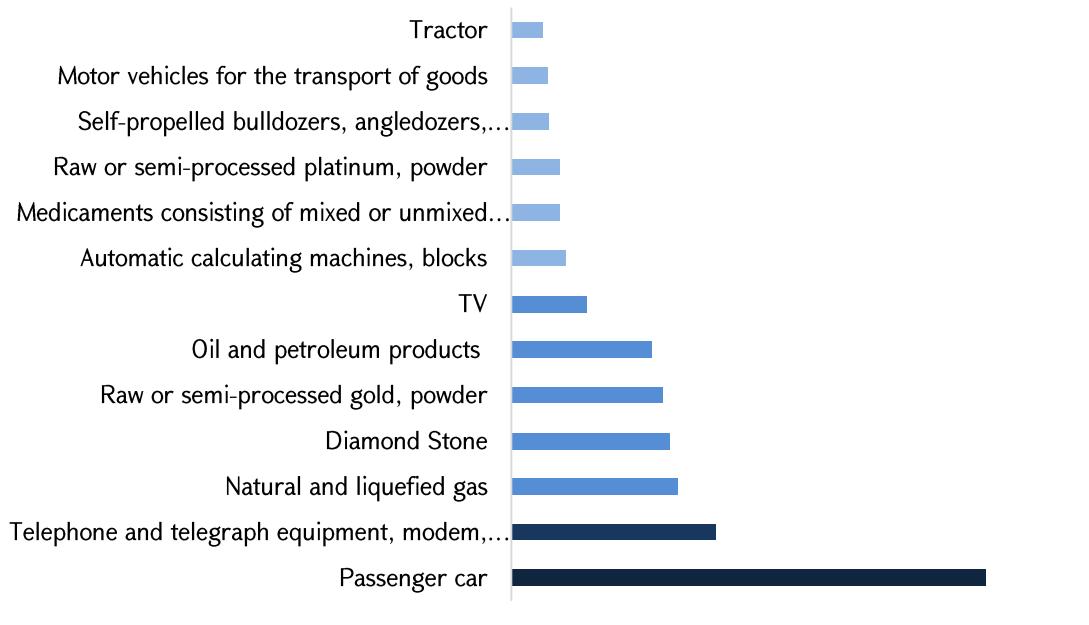
- Raw or semi-processed platinum, powder: 81.2 million USD, increasing by 81.1 million USD or by 1503.8x
- Electricity: 51.7 million USD, increasing by 4.6 million USD or by 9.7%
- Aluminum foil<0.2mm: 49.3 million USD, decreasing by 16.7 million USD or by 25.3%.
- Main exporting countries:**
  - Primary trade partner Russia accounted for 50.9% of total exports in Jan-Jun 2023, amounting to 1,663.1 million USD. This represents an increase of 1,135.0 million USD, or 3.1x growth compared to the same period last year.
- Other major partner countries:**
  - UAE:** Exports Jan-Jun 2023 amounted to 466.0 million US dollars, increasing by 344.7 million US dollars or 3.8x compared to the same period last year.
  - China:** Exports Jan-Jun 2023 amounted to 206.5 million US dollars, increasing by 30.6 million US dollars or 17.4% compared to the same period last year.
  - Netherlands:** Exports Jan-Jun 2023 amounted to 170.7 million US dollars, increasing by 53.6 million US dollars or 45.8% compared to the same period last year.

# International trade: Import

**Figure 10. Imports of goods**  
January-June 2023, mln USD



**Figure 11. Imports by goods**  
January-June 2023, mln USD



- Imports in Jan-Jan 2023 amounted to 5,633.1 million US dollars, increasing by 2,392.1 million USD or 73.1% over the same period last year. The main products contributing to growth for Jan-Jan 2023 (percentages are relative to the same 2022 period):
- Passenger car:** 768.5 million USD, increasing by 635.5 million USD or by 5.8x
- Telephone and telegraph equipment, modem, spare parts:** 331.1 million USD, increasing by 271.2 million USD or by 5.5x
- Natural and liquefied gas:** 269.3 million USD, decreasing by 27.5 million USD or by 9.3%
- Diamond Stone:** 256.1 million USD, increasing by 107.1 million USD or by 0.7%
- Raw or semi-processed gold, powder:** 245.3 million USD, increasing by 207.4 million USD or by 6.5x
- Oil and petroleum products :** 227.9 million USD, decreasing by 26.1 million USD or by 10.3%
- TV:** 122.7 million USD, increasing by 107.2 million USD or by 8.0x
- Automatic calculating machines, blocks:** 87.3 million USD, increasing by 32.9 million USD or by 60.4%
- Medicaments consisting of mixed or unmixed products:** 78.6 million USD, increasing by 8.7 million USD or by 12.5%
- Raw or semi-processed platinum, powder:** 77.8 million USD, increasing by 77.4 million USD or by 188.9x
- Self-propelled bulldozers, angledozers, graders, etc.:** 60.9 million USD, increasing by 21.2 million USD or by 53.5%
- Motor vehicles for the transport of goods:** 58.5 million USD, increasing by 35.1 million USD or by 2.5x
- Tractor:** 50.5 million USD, increasing by 34.0 million USD or by 3.1x

# International trade: Import

**Figure 12. Import volumes by country**  
January-June 2023, mln USD



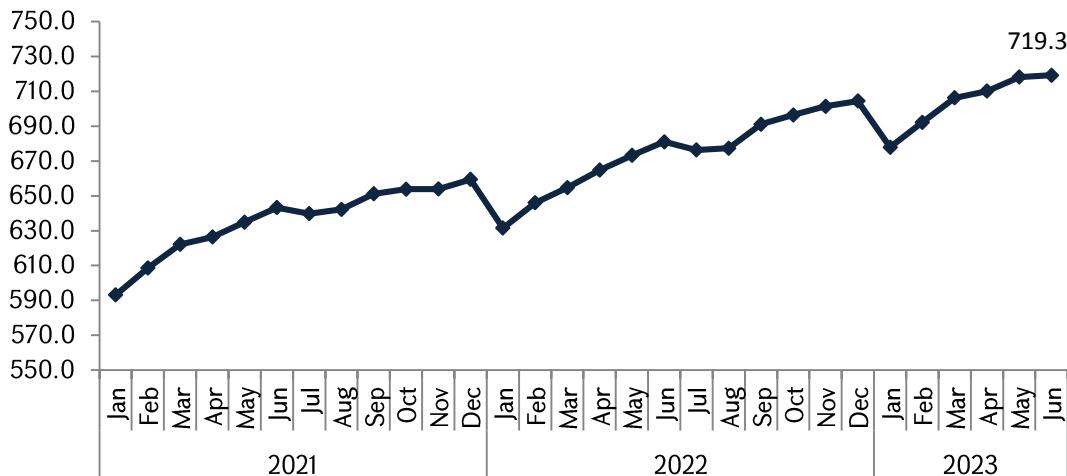
**Table 1. Imports by BEC**  
January-June 2023, mln USD

	Import		YoY growth	
	mln USD	mln USD	%	
Total	5633.1	2392.1	73.1	
Capital goods	1033.1	564.1	120.3	
Intermediate goods	2564.4	878.2	52.1	
Consumer goods	2035.6	919.8	82.4	
		Import structure		Growth structure
		%		
Total	100.0	100.0		
Capital goods	18.3	23.9		
Intermediate goods	45.5	37.2		
Consumer goods	36.1	38.9		

- Primary trade partner Russia accounted for 26.0% of total imports in Jan-Jun 2023, amounting to 1465.5 million USD. This represents an increase of 316.8 million USD, or 27.6% growth compared to the same period last year.
- Other major partner countries:
  - USA:** Imports in Jan-Jun 2023 amounted to 484.8 million US dollars, increasing by 350.2 million US dollars or 3.6x compared to last year's same period.
  - Georgia:** Imports in Jan-Jun 2023 amounted to 480.9 million US dollars, increasing by 231.7 million US dollars or 93.0% compared to last year's same period.
  - China:** Imports in Jan-Jun 2023 amounted to 413.7 million US dollars, increasing by 108.8 million US dollars or 35.7% compared to last year's same period.
- According to the Broad Economic Classification of Goods (BEC), the growth is largely due to the increase in the volume of Intermediate goods, which account for 45.5% of total import volumes.
- Imports of consumer goods in Jan-Jun 2023 amounted to 2035.6 million US dollars, increasing by 919.8 million US dollars or 82.4% compared to the same period last year. The growth is mainly due to the activation of domestic demand.
- Capital goods had the highest import growth rate.
- Import of intermediate goods in Jan-Jun 2023 amounted to 2564.4 million US dollars, increasing by 878.2 million USD or 52.1% compared to the same period last year.
- Import of capital goods in Jan-Jun 2023 amounted to 1033.1 million US dollars, increasing by 564.1 million US dollars or 2.2x compared to the same period last year.

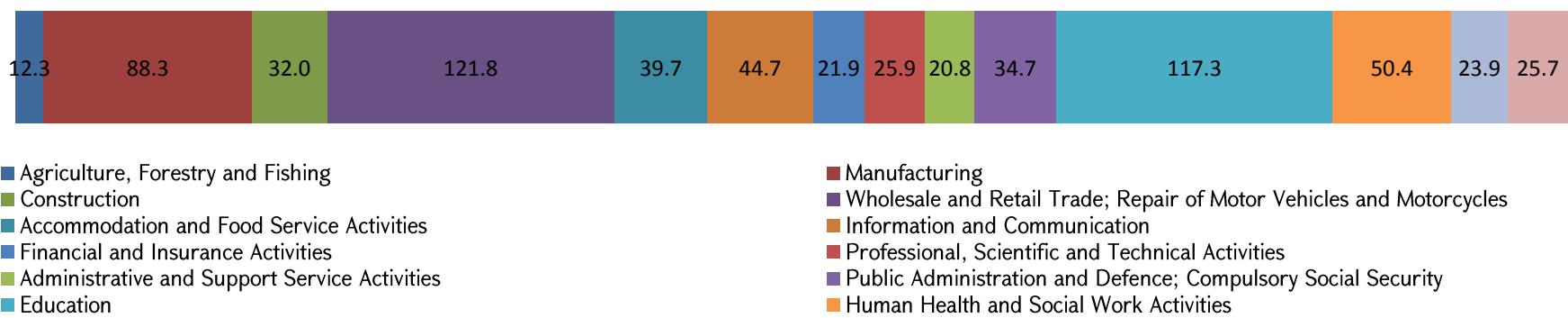
# Labor market: Formal employment

Figure 13. Formal employment, Thousand



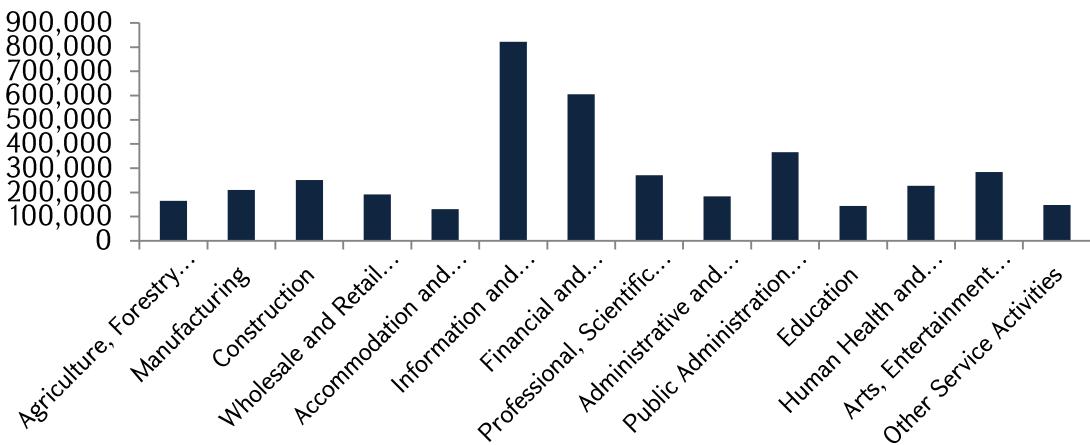
- The formal employment In June 2023 reached 719.3 thousand people, increasing by 38.2 thousand from June 2022 or by 5.6%.
- Trade, education and manufacturing categories have the most formal employees for June 2023.
- The formal employees of the Information and communication sector for June 2023 reached 44.7 thousand. Which Grew by 9% comparing with the same period previous year.
- Comparing with June 2022, “Trade” and “Other services” observed declines by 0.9%, and 2.0% respectively.
- The highest growth was been in the “Arts, Entertainment and Recreation” sector by 30.4%
- **The Russian-Ukrainian resulted to increase the inflow of tourists/immigrants to Armenia, which increased the demand for Accommodation and food service activities, which could be one of the reasons that the sector's growth was faster than others**
- **With the war a new batch of employees also came to Armenia. By opening businesses or by finding jobs in Armenia, they have contributed to the growth of many sectors specially the IT sector**

Figure 14. Formal employment (by sector), Thousand

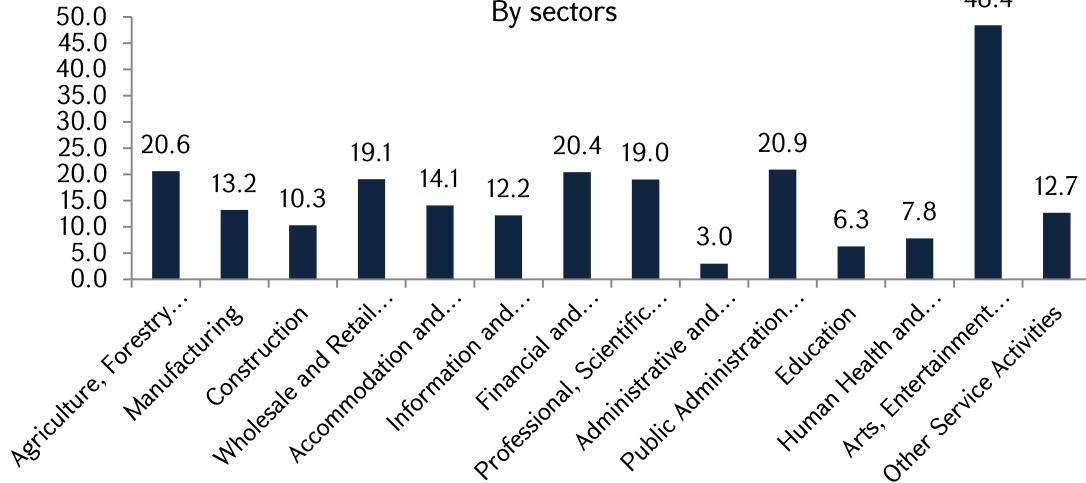


# Labor market: Wages

**Figure 15. Salaries**  
By sectors, AMD



**Figure 16. Salary change, %**  
By sectors



- The average monthly salary in June 2023 amounted to 267,700 drams, increasing by 13.8% compared to last year. **From which;**
- Agriculture: Observed an average salary of 165,168 drams, which increased by 20.6% comparing with the same period previous year
- Manufacturing: Observed an average salary of 210,329 drams, which increased by 13.2% comparing with the same period previous year
- Construction: Observed an average salary of 251,750 drams, which increased by 10.3% comparing with the same period previous year
- Wholesale and Retail Trade: Observed an average salary of 191,257 drams, which increased by 19.1% comparing with the same period previous year
- Information and Communication: Observed an average salary of 822,170 drams, which increased by 12.2% comparing with the same period previous year
- Financial and Insurance Activities: Observed an average salary of 271,306 drams, which increased by 20.4% comparing with the same period previous year
- Professional, Scientific and Technical Activities: Observed an average salary of 20.4% drams, which increased by 19% comparing with the same period previous year
- Public Administration and Defence; Compulsory Social Security: Observed an average salary of 366,594 drams, which increased by 20.9% comparing with the same period previous year
- Education: Observed an average salary of 143,701 drams, which increased by 6.3% comparing with the same period previous year
- Human Health and Social Work Activities: Observed an average salary of 228,039 drams, which increased by 7.8% comparing with the same period previous year
- Arts, Entertainment and Recreation: Observed an average salary of 284,554 drams, which increased by 48.4% comparing with the same period previous year

# Remittance inflow and Exchange rate

Figure 17. Remittance inflow

Mln USD

— INFLOW — NET INFLOW

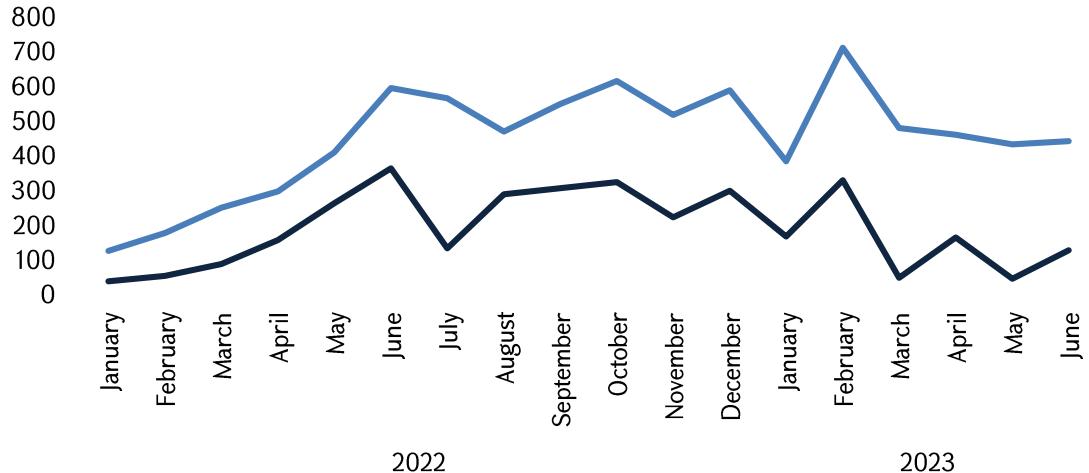


Figure 18. Remittances and USD/AMD relationship

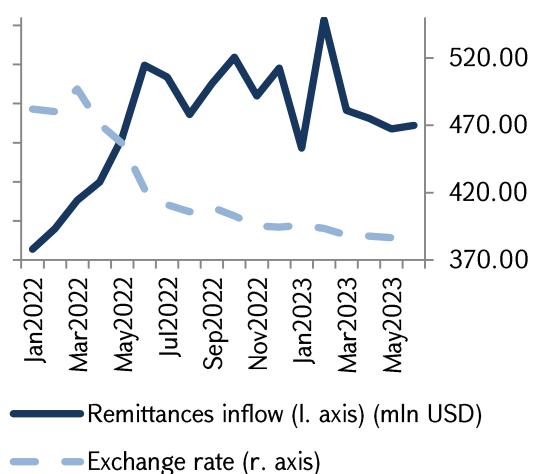
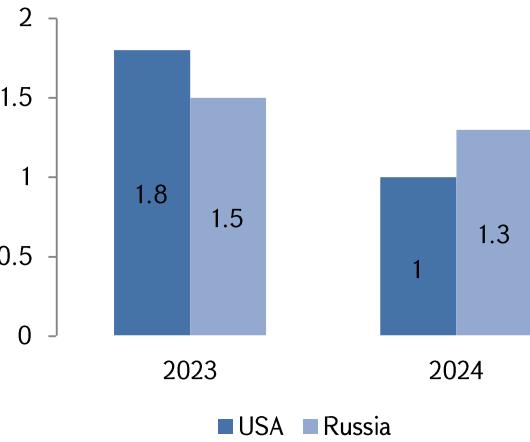


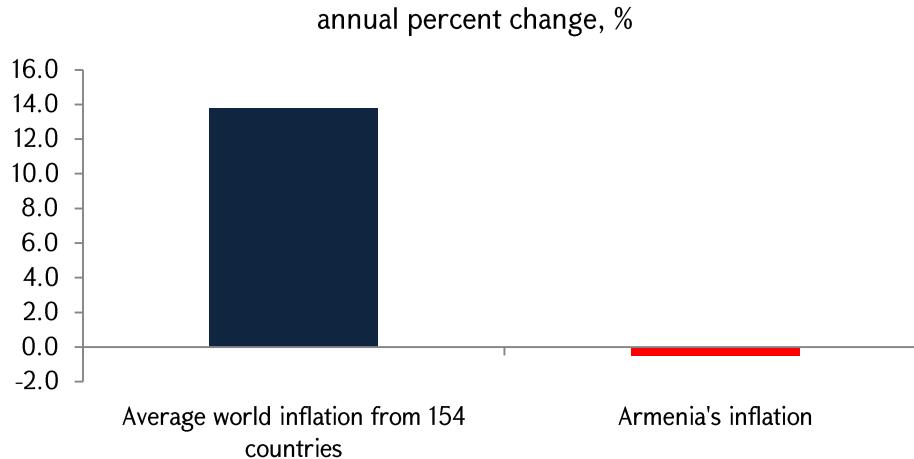
Figure 19: Forecasts of GDP growth for USA & Russia, %



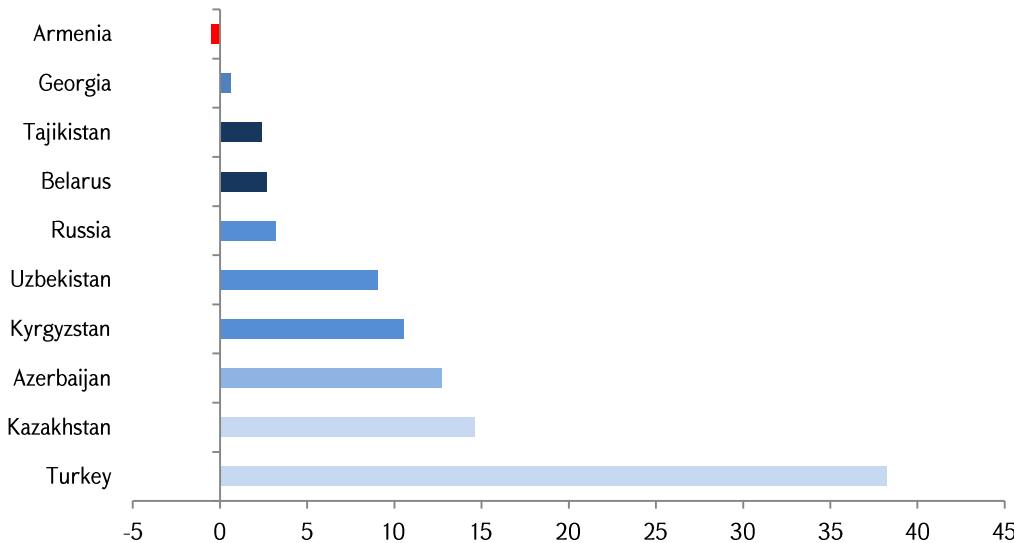
- In Jan-Jun 2023, the total inflow volume of money transfers reached 2,925.1 Million USD, increasing by 56.4% compared to the same period last year.
- Most of the remittances were received from Russia, which accounts for approximately 72.9% of the remittances. For Jan-Jun 2023, inflows from Russia totaled to 2,131.9 million USD, increasing by 88.4% YoY.
- Remittances from the United States accounted for 10.6% of the remittances. In Jan-Jun 2023, it totaled 309.0 million USD, decreasing by 3.1% YoY.
- In Jan-Jun 2023, net inflow transfers of individuals amounted to 897.6 million USD, decreasing by 9.7% YoY.
- After the Russian-Ukrainian war the inflow of remittances from Russia grew significantly, meaning that although there is a shock factor, the pace of the remittances is not dropping if we exclude the effects of the war.
- The remittance inflow and the exchange rate of AMD, are usually negatively correlated, however, after the Russian-Ukrainian war the fluctuations in the remittance inflow have increased, moreover, in 2023, the obvious negative correlation have lost its pattern as the Armenian dram is showing stable rates throughout the year.
- According to IMF economic outlook, Russia & the USA will have 1.5% and 1.8% economic growth in 2023, respectively, followed by 1.3% and 1.0% in 2024.
- The slow growth of GDP in Russia, has not affected the pace of remittances from Russia, however, the slow growth in the USA has started to show its effect on the remittances as for Jan-Jun 2023, we observed negative inflow of remittances from the USA

# CPI- Armenia vs Rest of World

**Figure 20. Inflation rate, World vs Armenia for March 2023**



**Figure 21. Inflation rate, average consumer prices**  
annual percent change



- Although throughout the world the inflation remains a huge concern. In the 2<sup>nd</sup> quarter of 2023, Armenia's inflation showed a sudden decreasing pace, and in June 2023, Armenia's prices entered the deflation stage.
- As of June 2023, world inflation remains a concerning and growing factor. According to the current data, average global inflation from 154 countries for the months of June 2023 is approximately 13.8%. This implies nearly all countries have suffered from the inflation surge.
- Armenia's inflation rate according to Armenia's statistical committee was -0.5% during June 2023.
- From the figure 21, we can observe that Armenia is the only country in the region that is in the deflation stage. Although, deflation is also a concerning factor for the economy, the small rate of the deflation is not as big of a problem as of now for Armenia.
- As Armenia entered the deflation stage, Armenia's central bank in the second quarter decreased the interest rate one time. However, we do expect that until end of the year, Armenia will observe a drop in its refinancing rate few times, because, currently Armenia does have the concern of growing inflation rate and the current CPI rate is below the CBA's target.

# Armenia's Price Indices

Figure 22. Dynamics of Armenia's CPI, %

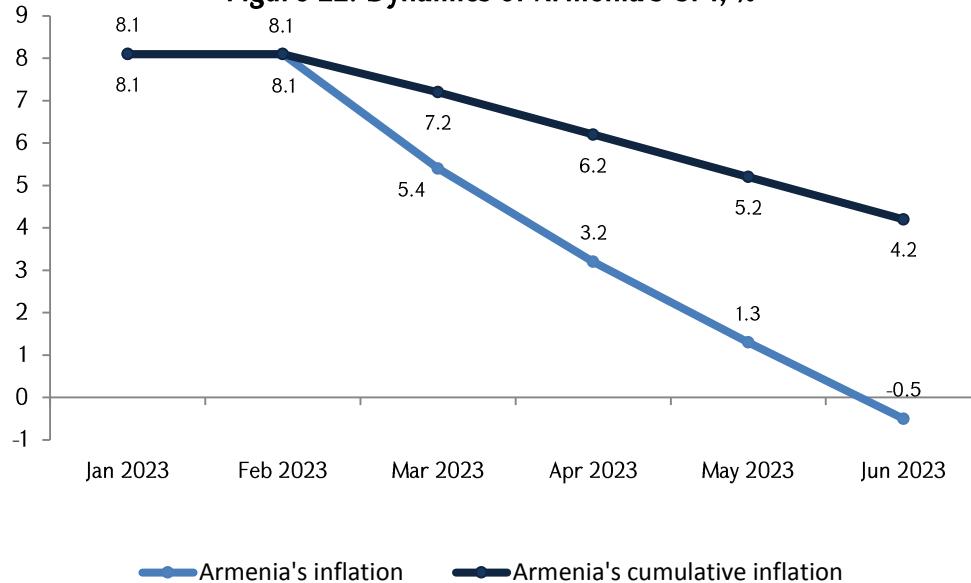
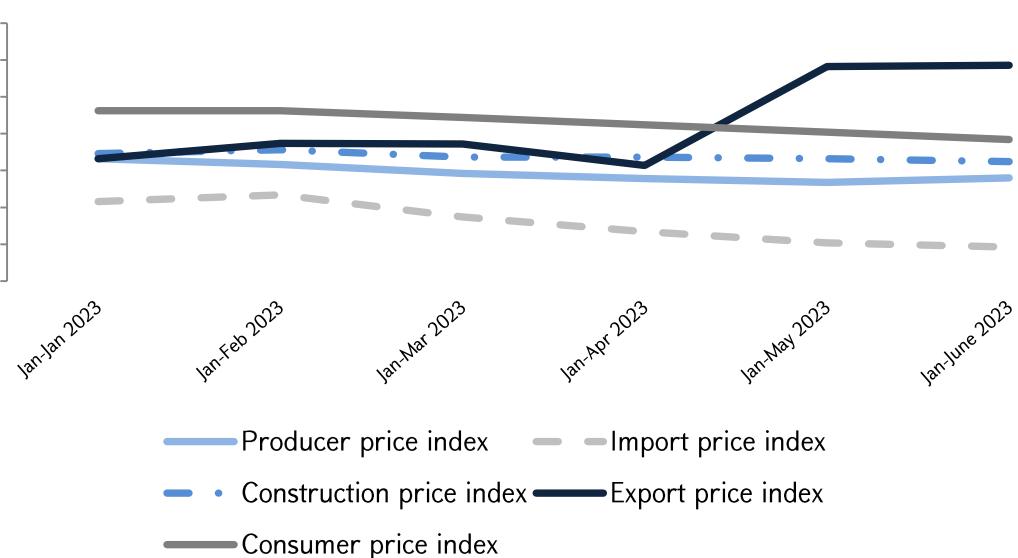


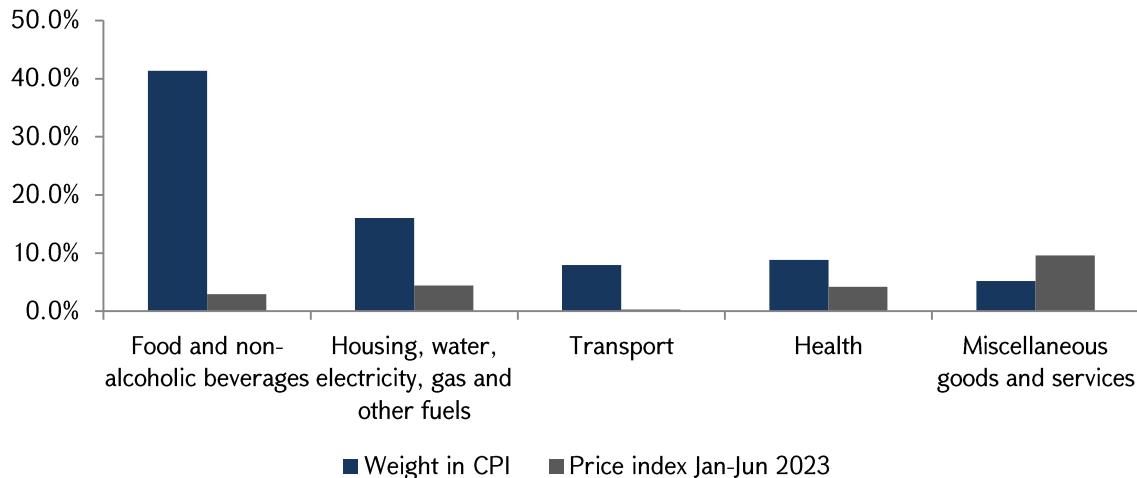
Figure 23. Dynamics of price indices of Armenia, %



- The Statistical committee of the Republic of Armenia has reported the consumer price index of Armenia as -0.5% for June 2023 and 4.2% for cumulative Jan-Jun 2023.
- Most of the price indices of Armenia were relatively stable during the Jan-Jun 2023, other than the export price index, which jumped from 0.7% in Jan-Apr 2023 to 14.1% in Jan-Jun 2023. One of the main reasons behind this price surge is the appreciation of the Armenian drams relative to the other trading countries currencies.
- The import price index of Armenia has been negative throughout the first quarter of 2023, and starting from Jan-Mar 2023, the producer price index (PPI) also observed negative rates and in Jan-Jun 2023 it reached -1.0%.
- The slowdown in the CPI is still accelerating as of June 2023, it went from 8.1% to -0.5% from beginning of the year. According to the CBA and their forecast the inflation will reach to 0.4% at the end of 2023. Which is still below the target

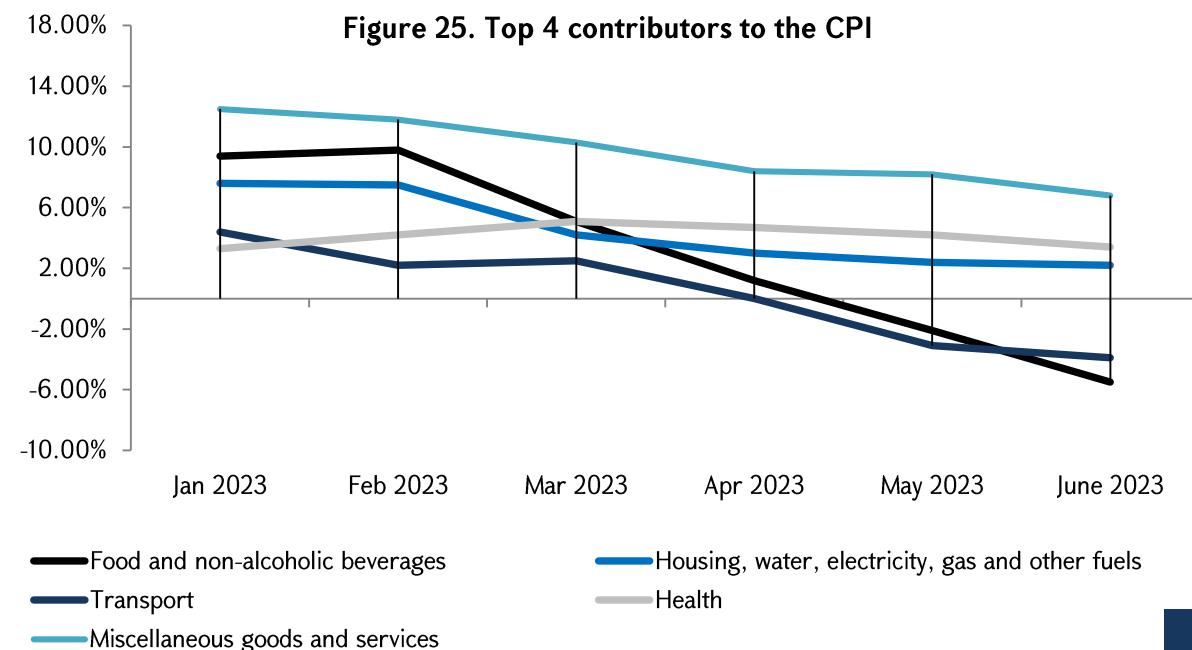
# Armenia's Price Indices

Figure 24. 5 major weights in the CPI basket



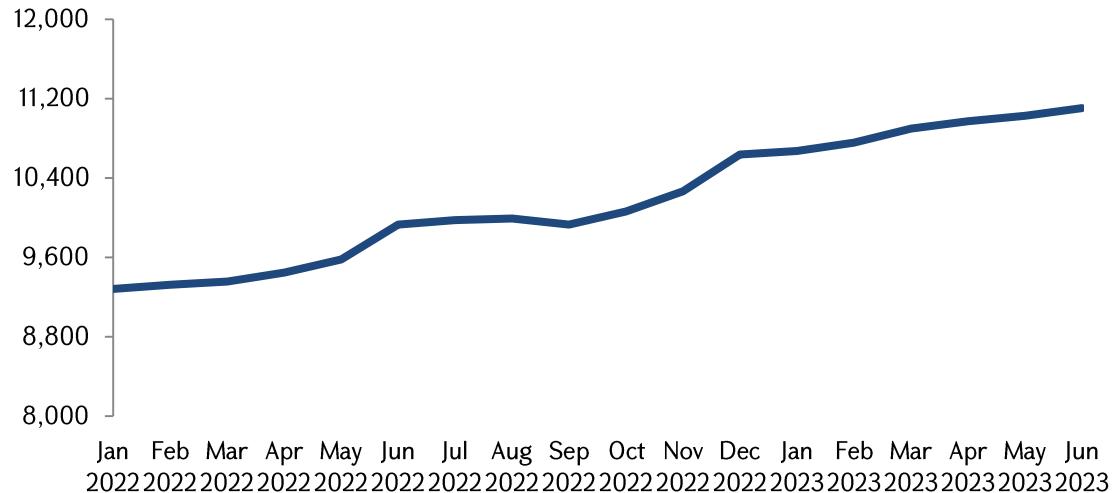
- Armenia's CPI basket is composed of twelve main categories, each category is weighted according to the needs and priorities of consumers.
- The twelve categories are: 1) Food and non alcoholic beverages, 2) Housing, water, electricity, gas, and other fuels, 3) Health, 4) Transport, 5) Alcoholic beverages, 6)Clothing and footwear, 7) Communication, 8) Furnishings, Household Equipment, 9) Recreation and Culture, 10) Education, 11) Restaurants and Hotels, and 12) Miscellaneous Goods and Services.
- The top two contributors by weight are food and housing.
- For the Jan-Jun 2023 period, "Food" had the highest weighted inflationary bearing on CPI. It accounted for approximately 1.2 percentage point out the cumulative 4.2 inflation rate.

Figure 25. Top 4 contributors to the CPI

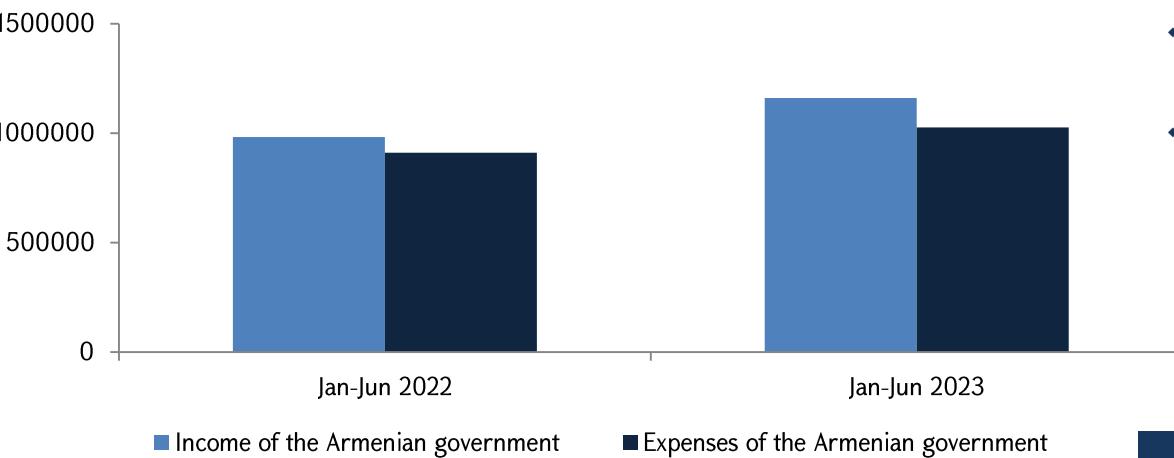


# Armenia's Debt and Budget

**Figure 26. Armenia's public debt,**  
mln dollars



**Figure 27. Armenia's budget's income and expenses,**  
mln Dram



- Armenia's total debt in June 2023 reached 11,103.9 million USD.
- From this, 6,438.1 million dollars are external debts, which has decreased by approximately 0.9% from June 2022, while the rest are internal debts, which increased by approximately 35.8%.
- The external debts are divided into two parts: Armenia's government debt, which accounts for approximately 91.5% and decreased by 1.0% since June 2022, and the Central Bank of Armenia which accounts for approximately 8.5%, which has went up since June 2022 by 0.5%.
- In Jan-Jun 2023, Armenia's budgetary income was 1,161,070.1 million AMD, which is up by 18.1% when comparing with the same period of the previous year.
- This was due to tax and fee revenue which increased by approximately 19.0%, reaching 1,103,898.6 million AMD,
- Government expenses increased for Jan-Jun 2023, by approximately 12.7% reaching 1,026,389.7. Government spending is separated into ongoing expenses and operation of non-financial assets.
- Ongoing expenses increased by 12.1%, which includes salaries of public sector workers, acquiring of goods and services, interest payments, grants, etc.
- Non-financial assets increased by 18.0% when compared with Jan-Jun 2022.