

# ARMENIA'S ECONOMIC OUTLOOK

*January-December 2023*

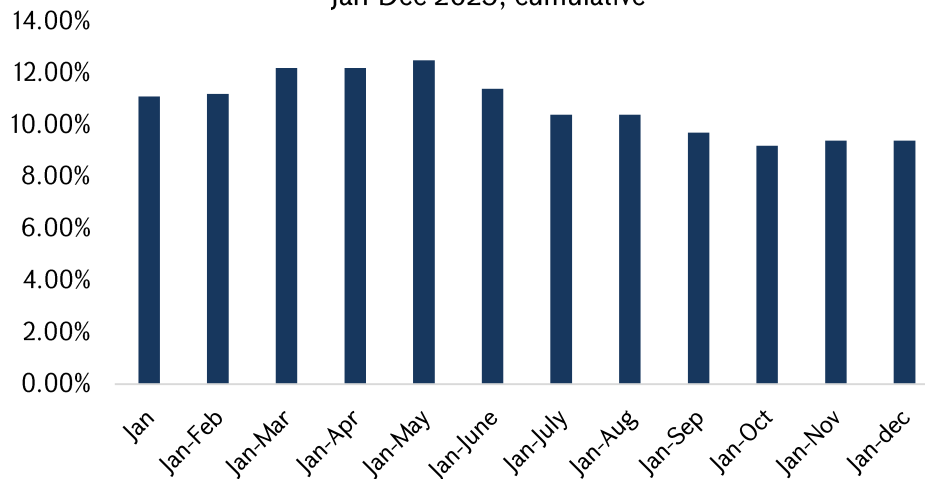


## Executive summary

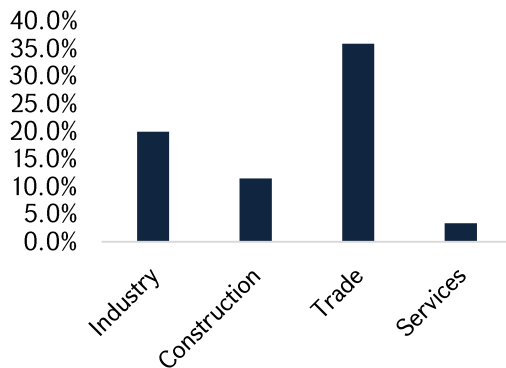
- Armenia's gross domestic product (GDP) in 2023 amounted to 9,502.8 bln. AMD, growing by 8.7%. The GDP per Capita amounted to 8,168 USD, growing by 24.3%.
- In January-December 2023, the economic activity indicator observed a 9.4% growth.
- Comparing January-December 2023 with the same time previous year we can observe that:
  - Exports grew by 55.3%.
  - Imports grew by 40.2%.
  - Number of tourists inflow increase by 39.1%.
  - Average salary increased by 7.8%.
  - Services output increased by 10.3%
  - Internal trade grew by 25.7%
- Armenia's inflation for January-December 2023 reached 2%.

# Key economic indicators snapshot

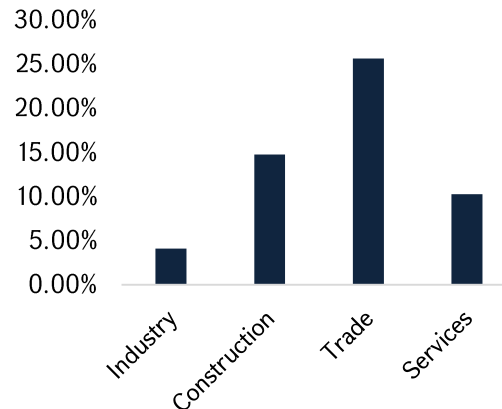
**Figure 1. Indicator of economic activity**  
Jan-Dec 2023, cumulative



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



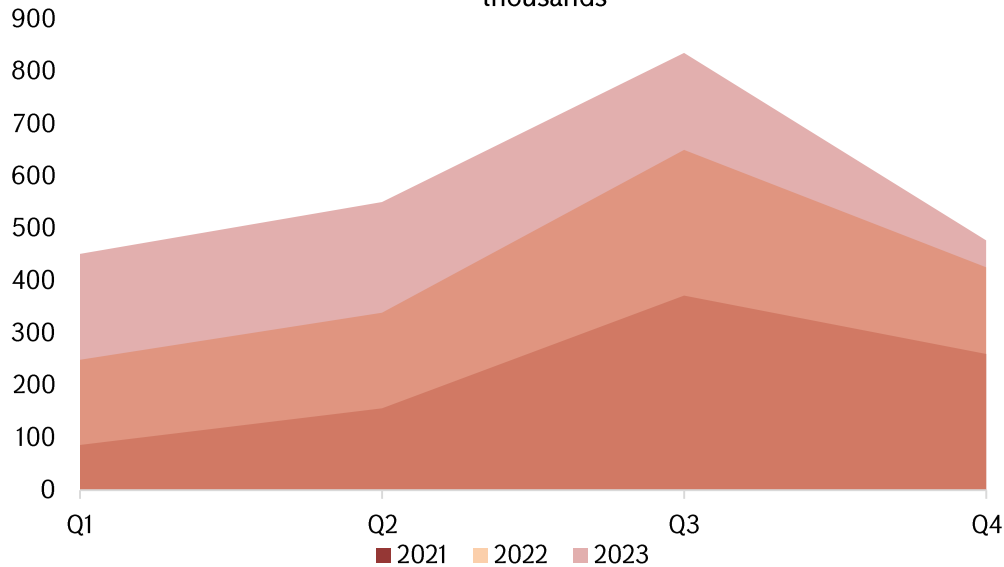
**Figure 3. Growth by sectors**  
Jan-December 2023 com. to the same period previous year



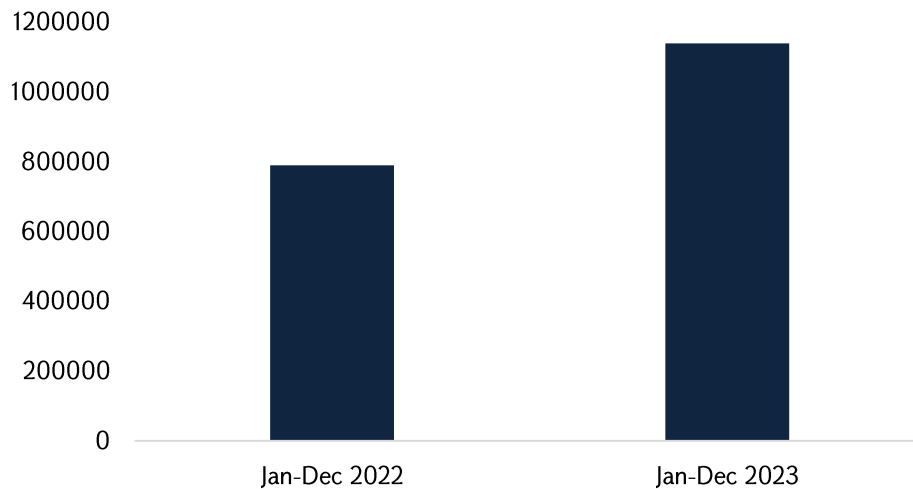
- ♦ **Economic activity indicator (EAI)** was relatively stable from Jan-Jun. Throughout the first half of the year, the EAI was revolving around 11.1% to 12.5%. In the 3<sup>rd</sup> and 4<sup>th</sup> quarters, Armenia' EAI observed a slower growth rate compared to the 1<sup>st</sup> and 2<sup>nd</sup> quarters with 9.4% in Jan-Dec 2023.
- ♦ **Industry.** The volume of industrial production in Jan-Dec 2023 amounted to 2,783,214 million drams, increasing by 4.1% compared to the same period last year. The main products that are positively contributing to industrial production growth for 2023 are the manufacturing industry (+6.7% relative to the same period in 2022) and the energy and water supply industries (+6.3% and +6.1% respectively compared to the same period in 2022). The industry's growth was negatively affected by the mining industry (-6.4% relative to the same period in 2022).
- ♦ **Construction.** The construction output in Jan-Dec 2023 amounted to 619,686 million drams, increasing by 14.8% compared to the same period last year. Construction growth was mainly contributed by organizational funds (21.9% relative to Jan-Dec 2022)
- ♦ **Trade.** The volume of internal trade turnover in Jan-Dec 2023 amounted to 5,492,384.2 million drams, increasing by 25.7% 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-Dec 2023 amounted to 3,025,912.2 million drams, increasing by 10.3% compared to the same period last year. The main subsectors contributing to services turnover growth for 2023 are; accommodation and food service (18.8% relative to Jan-Dec 2022), and information and communication industry (35.4% relative Jan-Dec 2022). Service's growth was negatively affected by the financial and insurance activities (-6.9% compared to Jan-Dec 2022). The high growth in the service sector can also be connected with the growth of tourism in 2023 and the influx of Russians.

# Tourism

**Figure 4. International tourist arrivals**  
thousands



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



- ◆ Armenia observed a huge jump in number of tourists in 2023 compared to the previous years.
- ◆ In Jan-Dec 2023, the number of tourists reached 2,316 thousand which increased by 39.1% when compared to the same period previous year.
- ◆ A few of the reasons for the surge in the number of tourists are;
  - ◆ the Russian-Ukrainian war
  - ◆ influx of Armenian diaspora
- ◆ Tourists from Russia accounted for 49.2% of the entire entries.
- ◆ Based on the increase in number of tourists we expect the inflows return to be increase by approximately 40.0% 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 44.2%.

# Tourism

## Arrival Origins

Jan-Dec 2023

2,316 thousand, 39.1% YoY change

<b>Russia</b>	1139.8 thousand, 44.2% YoY change
<b>Georgia</b>	253.7 thousand, 45.0% YoY change
<b>Iran</b>	150.7 thousand, 29.5% YoY change
<b>USA</b>	58.6 thousand, 15.5% YoY change
<b>India</b>	34.7 thousand, 90.7% YoY change
<b>Germany</b>	27.8 thousand, 17.3% YoY change
<b>France</b>	27.7 thousand, 18.9% YoY change
<b>Ukraine</b>	26.5 thousand, 46.1% YoY change
<b>China</b>	19.9 thousand, 3.6x YoY change
<b>Philippines</b>	19.5 thousand, 2.2x YoY change
<b>Belarus</b>	17.5 thousand, 2.0% YoY change

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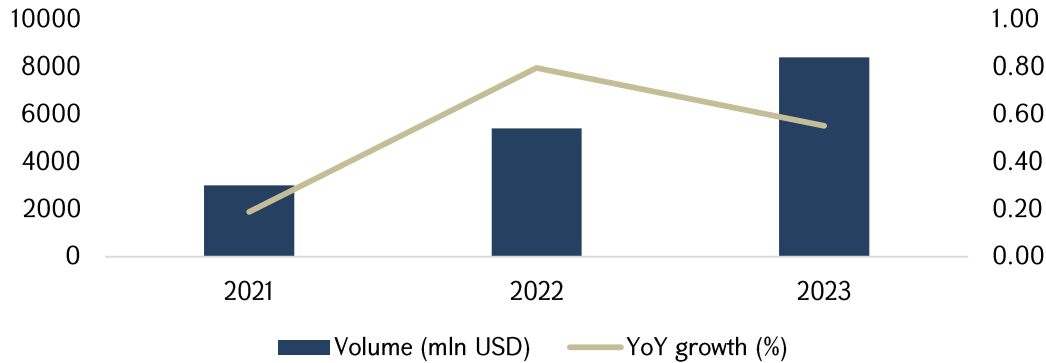
1139.8 thousand



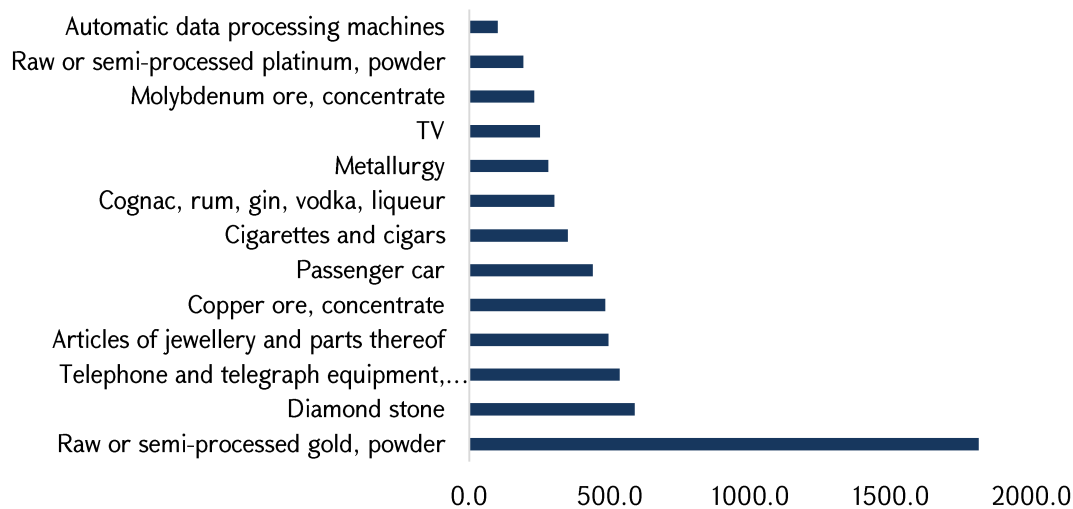
17.5 thousand

# International trade: Export

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



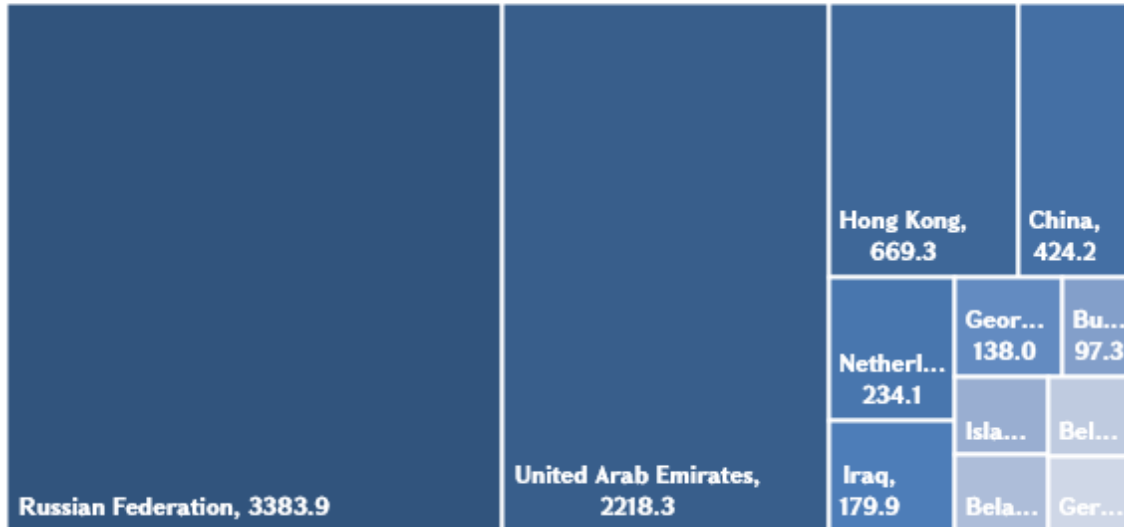
**Figure 7. Exports by goods**  
January-December 2023, mln USD



- ♦ **Exports in Jan-Dec 2023** amounted to 8,415.2 million US dollars, increasing by 2,996.1 million USD or 55.3% over the same period last year.
- ♦ One of the main contributors for the export growth is the Russian-Ukrainian war, as the increasing number of sanctions on Russia opened new markets for Armenia to export
- ♦ The main products contributing Armenia's exports for Jan-Dec 2023 (percentages are relative to the same period):
- ♦ **Raw or semi-processed gold, powder:** 1811.4 million USD, increasing by 1397.2 million USD or by 4.3x
- ♦ **Diamond Stone:** 588.6 million USD, increasing by 170.9 million USD or by 40.9%
- ♦ **Telephone and telegraph equipment, modem, spare parts:** 534.2 million USD, increasing by 263.7 million USD or by 97%
- ♦ **Articles of jewellery and parts thereof:** 495.1 million USD, increasing by 386.2 million USD or by 4.5x
- ♦ **Passenger car:** 438.6 million USD, increasing by 191.4 million USD or by 77.3%.
- ♦ **Cigarettes and cigars:** 350.8 million USD, increasing by 33 million USD or by 10%
- ♦ **Cognac, rum, gin, vodka, liqueur:** 302.4 million USD, increasing by 17.6 million USD or by 6.1%
- ♦ **Metallurgy:** 281.0 million USD, increasing by 29 million USD or by 11.5%
- ♦ **TV:** 250.8 million USD, increasing by 158.7 million USD or by 2.7x

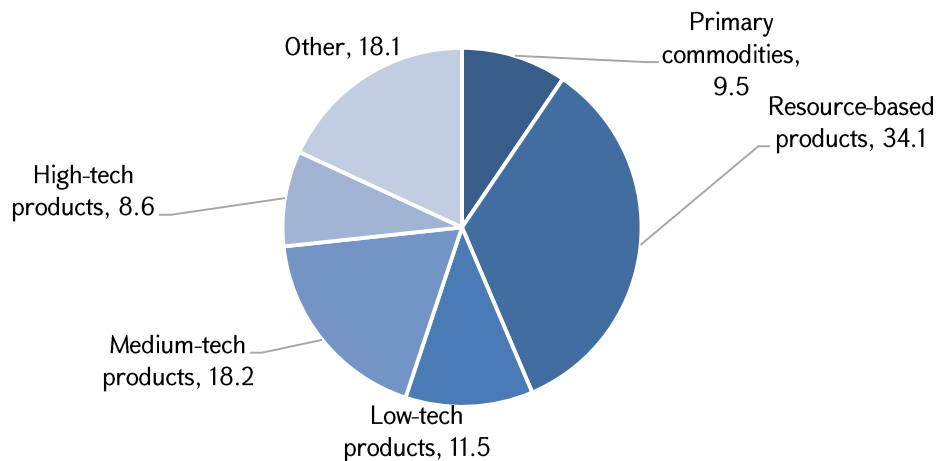
# International trade: Export

**Figure 8. Export volumes by country**  
Jan-Dec 2023, mln USD



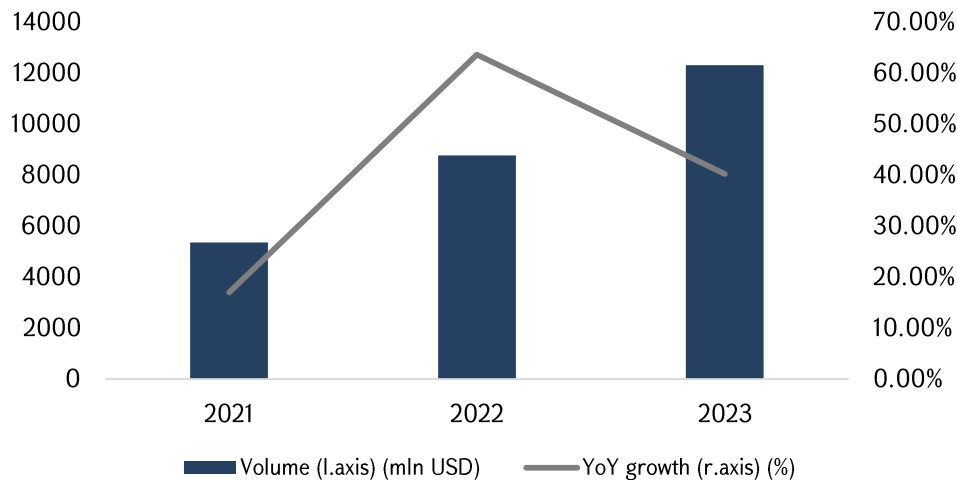
- ♦ **Molybdenum ore, concentrate:** 231.4 million USD, increasing by 76.3 million USD or by 49.2%
- ♦ **Raw or semi-processed platinum, powder:** 192.1 million USD, increasing by 192 million USD or by 1978x
- ♦ **Automatic data processing machines:** 101 million USD, increasing by 24.2 million USD or by 31.6%.
- ♦ **Main exporting countries:**
  - ♦ Primary trade partner Russia accounted for 40.21% of total exports in Jan-Dec 2023, amounting to 3,383.9 million USD. This represents an increase of 1,018.7 million USD, or 43.1% growth compared to the same period last year.
- ♦ **Other major partner countries:**
  - ♦ **UAE:** Exports in Jan-Dec 2023 amounted to 2218.3 million US dollars, increasing by 1686.8 million US dollars or 4.2x compared to the same period last year.
  - ♦ **Hong Kong:** Exports in Jan-Dec 2023 amounted to 669.3 million US dollars, increasing by 643.7 million US dollars or 26.2x compared to the same period last year.
  - ♦ **China:** Exports in Jan-Dec 2023 amounted to 424.2 million US dollars, increasing by 55.9 million US dollars or 15.2% compared to the same period last year.

**Figure 9. Exports of goods by tech level**  
January-December 2023, %

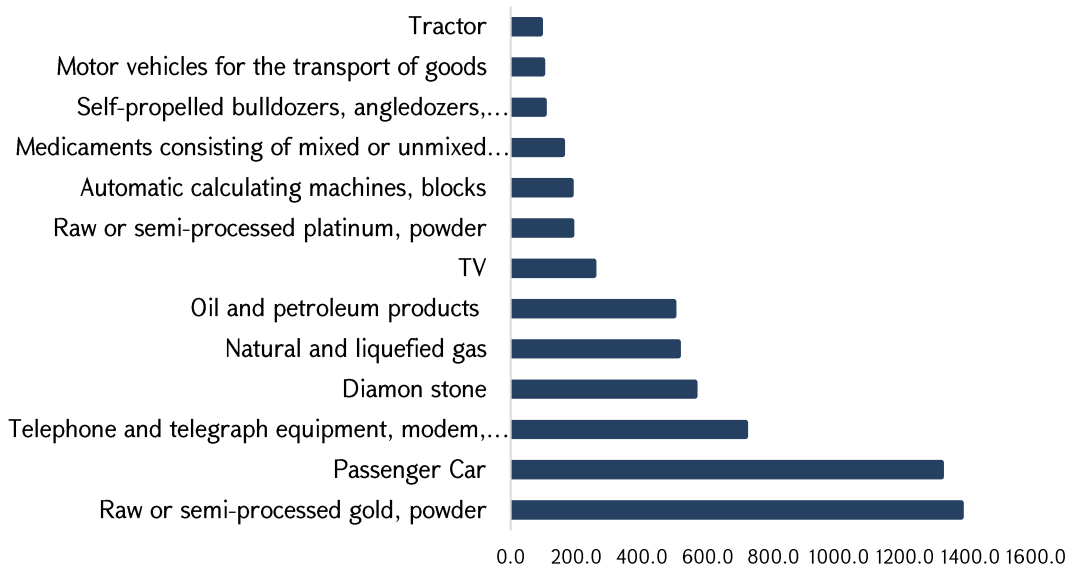


# International trade: Import

**Figure 10. Imports of goods**  
January-December 2023, mIn USD



**Figure 11. Imports by goods**  
January-December 2023, mIn USD

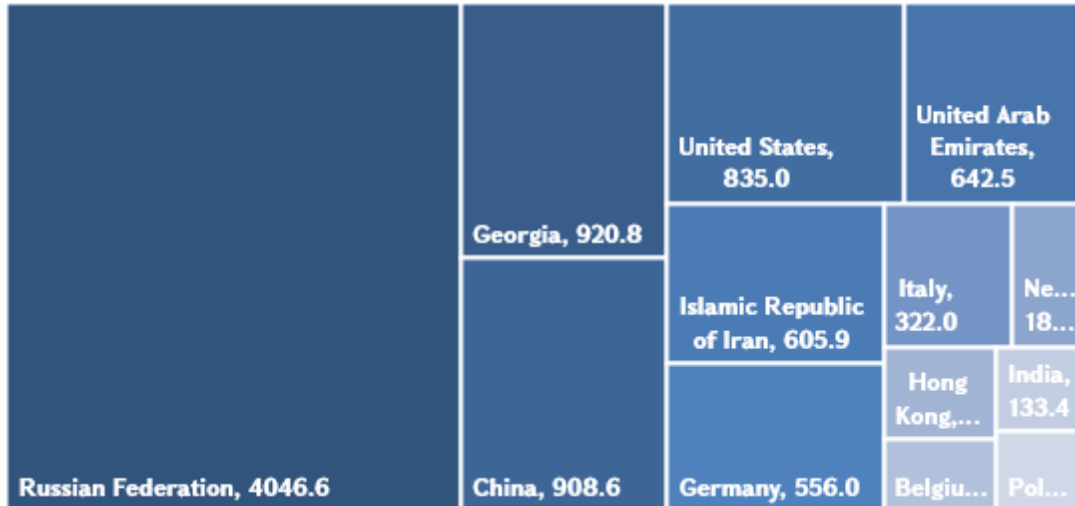


- ♦ **Imports in Jan-Dec 2023** amounted to 12,308 million US dollars, increasing by 3,532.1 million USD or 40.2% over the same period last year. The main products contributing to growth for Jan-Dec 2023 (percentages are relative to the same 2022 period):
- ♦ **Raw or semi-processed gold, powder:** 1,372.3 million USD, increasing by 1,138.4 million USD or by 5.8x
- ♦ **Passenger car:** 1,311.5 million USD, increasing by 606.1 million USD or by 86%
- ♦ **Telephone and telegraph equipment, modem, spare parts:** 715 million USD, increasing by 333.6 million USD or by 87.5%
- ♦ **Diamond Stone:** 560.8 million USD, increasing by 170.9 million USD or by 43.8%
- ♦ **TV:** 253.3 million USD, increasing by 126.9 million USD or by 2x
- ♦ **Raw or semi-processed platinum, powder:** 186.5 million USD, increasing by 185.5 million USD or by 193x
- ♦ **Automatic calculating machines, blocks:** 184.7 million USD, increasing by 7.3 million USD or by 7.4%
- ♦ **Medicaments:** 158.1 million USD, increasing by 12.8 million USD or by 4%
- ♦ **Self-propelled bulldozers, angledozers, graders, etc.:** 102.6 million USD, increasing by 20.5 million USD or by 24.9%
- ♦ **Motor vehicles for the transport of goods:** 97.6 million USD, increasing by 39.6 million USD or by 68.3%
- ♦ **Tractor:** 90.4 million USD, increasing by 42.1 million USD or by 87.3%



# International trade: Import

**Figure 12. Import volumes by country**  
Jan-Dec 2023, mln USD



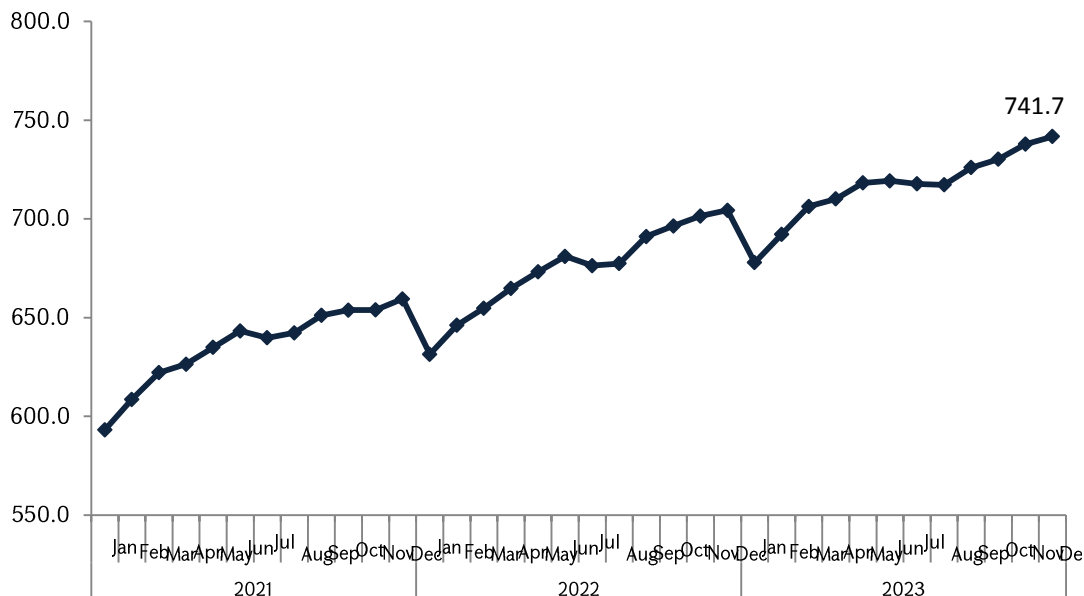
**Table 1. Imports by BEC**  
January-December 2023, mln USD

	Import		YoY growth
	mln USD	mln USD	%
<b>Total</b>	<b>12308.0</b>	<b>3532.1</b>	<b>40.4</b>
<b>Capital goods</b>	2257.3	1000.1	79.6
<b>Intermediate goods</b>	5603.1	1082.7	24.0
<b>Consumer goods</b>	4447.6	1456.4	48.7
	<b>Import structure</b>		
	%		
<b>Total</b>	<b>100.0</b>		
<b>Capital goods</b>	<b>18.3</b>		
<b>Intermediate goods</b>	<b>45.5</b>		
<b>Consumer goods</b>	<b>36.1</b>		

- ♦ Primary trade partner Russia accounted for 32.8% of total imports in Jan-Dec 2023, amounting to 4,046.6 million USD. This represents an increase of 1171.6 million USD, or 40.8% growth compared to the same period last year.
- ♦ Other major partner countries:
  - ♦ **Georgia:** Imports in Jan-Dec 2023 amounted to 920.8 million US dollars, increasing by 198.9 million US dollars or 27.6% compared to last year's same period.
  - ♦ **China:** Imports in Jan-Dec 2023 amounted to 908.6 million US dollars, increasing by 230.6 million US dollars or 34% compared to last year's same period.
  - ♦ **USA:** Imports in Jan-Dec 2023 amounted to 835 million US dollars, increasing by 371.8 million US dollars or 80.3% 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-Dec 2023 amounted to 4447.6 million US dollars, increasing by 1456.4 million US dollars or 48.7% compared to the same period last year. The growth is mainly due to the activation of domestic demand.
- ♦ Import of intermediate goods in Jan-Dec 2023 amounted to 5603.1 million US dollars, increasing by 1082.7 million USD or 24% compared to the same period last year.
- ♦ Import of capital goods in Jan-Dec 2023 amounted to 2257.3 million US dollars, increasing by 1000.1 million US dollars or 79.6% compared to the same period last year.
- ♦ Capital goods had the highest import growth rate.

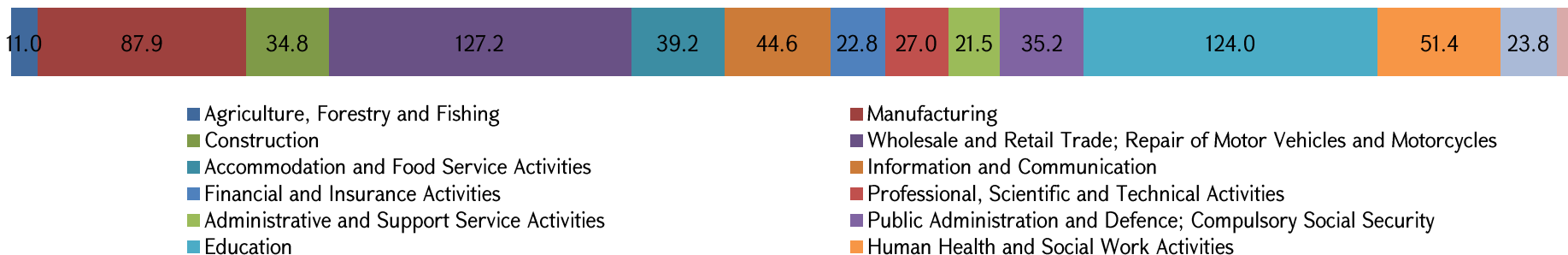
# Labor market: Formal employment

Figure 13. Formal employment, thousand.



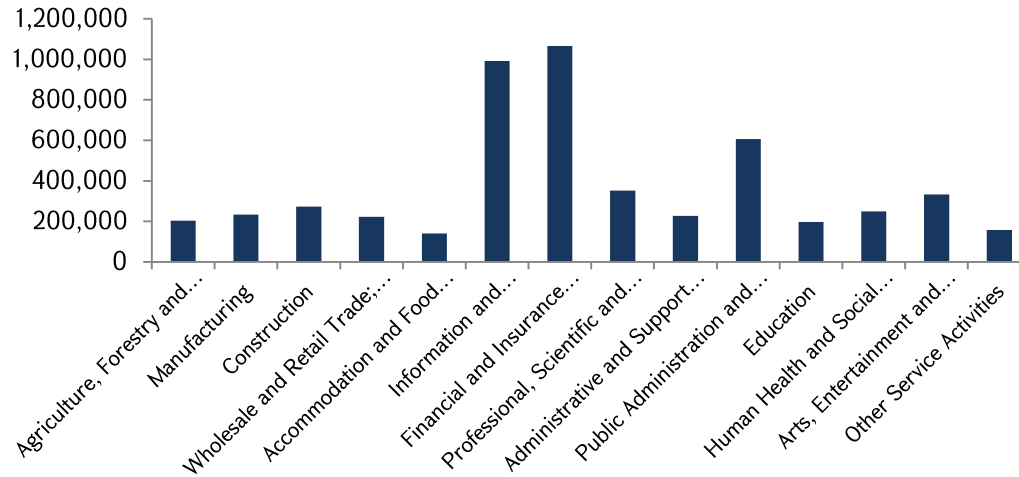
- ♦ The formal employment In December 2023 reached 741.7 thousand people, increasing by 37 thousand from December 2022 or by 5%.
- ♦ Trade, education and manufacturing categories have the most formal employees for December 2023.
- ♦ The formal employees of the Information and communication sector for December 2023 reached 44.6 thousand. Which declined by 0.7% comparing with the same period previous year.
- ♦ Comparing with December 2022, “Trade” and “Other services” observed declines by 0.7%, and 1.3% respectively.
- ♦ The highest growth was been in the “Arts, Entertainment and Recreation” sector by 29.3%
- ♦ **The Russian-Ukrainian war 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 sector.**

Figure 14. Formal employment (by sector), Thousand

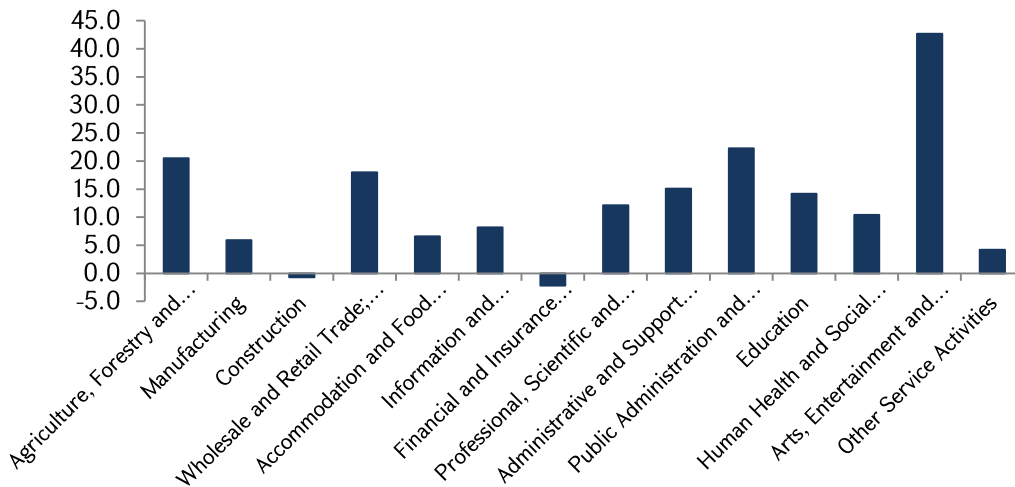


# Labor market: Wages

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



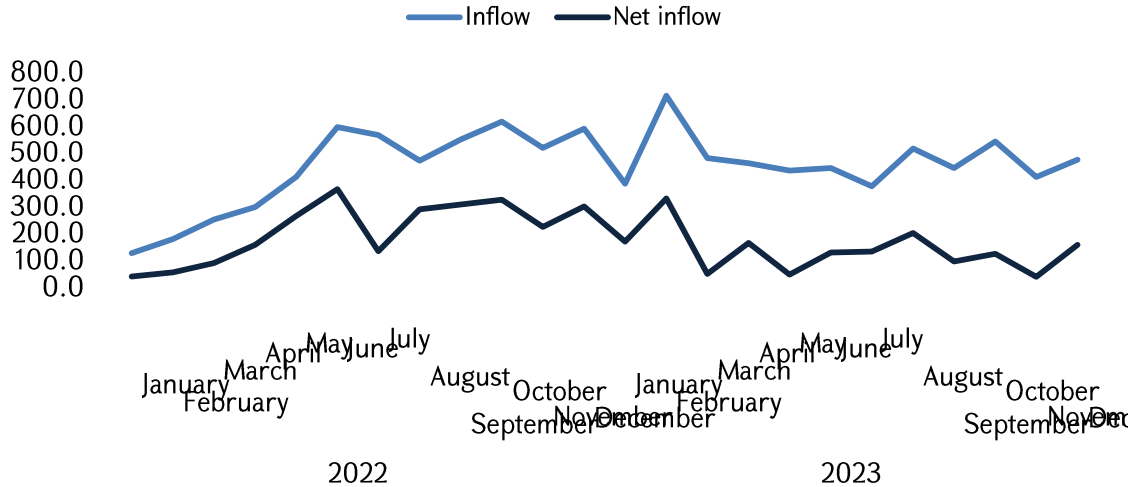
**Figure 16. Salary change, %  
By sectors**



- The average monthly salary in December 2023 amounted to 333,612 drams, increasing by 7.8% compared to last year. **From which;**
- Agriculture: Observed an average salary of 202,647 drams, which increased by 20.5% comparing with the same period previous year
- Manufacturing: Observed an average salary of 232,847 drams, which increased by 5.9% comparing with the same period previous year
- Construction: Observed an average salary of 272,577 drams, which decreased by 0.7% comparing with the same period previous year
- Wholesale and Retail Trade: Observed an average salary of 222,514 drams, which increased by 18% comparing with the same period previous year
- Information and Communication: Observed an average salary of 992,476 drams, which increased by 8.2% comparing with the same period previous year
- Financial and Insurance Activities: Observed an average salary of 1,065,915 drams, which decreased by 2.2% comparing with the same period previous year
- Professional, Scientific and Technical Activities: Observed an average salary of 352,175 drams, which increased by 12.1% comparing with the same period previous year
- Public Administration and Defense; Compulsory Social Security: Observed an average salary of 606,065 drams, which increased by 22.3% comparing with the same period previous year
- Education: Observed an average salary of 196,230 drams, which increased by 14.2% comparing with the same period previous year
- Human Health and Social Work Activities: Observed an average salary of 249,567 drams, which increased by 10.4% comparing with the same period previous year
- Arts, Entertainment and Recreation: Observed an average salary of 333,593 drams, which increased by 42.7% comparing with the same period previous year

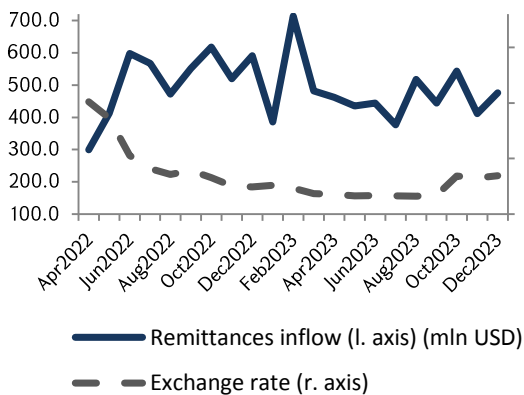
# Remittance inflow and Exchange rate

**Figure 17. Remittance inflow**  
Mln USD

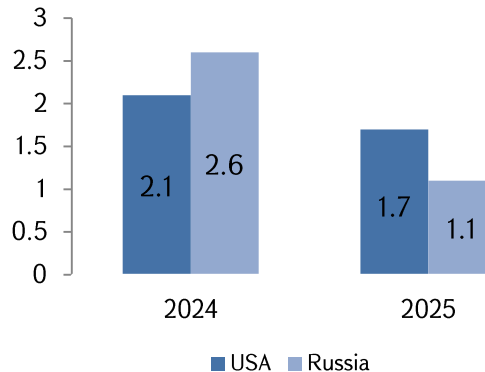


- In Jan-Dec 2023, the total inflow volume of money transfers reached 5,695.5 Million USD, increasing by 9.7% compared to the same period last year.
- Most of the remittances were received from Russia, which accounts for approximately 69.3% of the remittances. For Jan-Dec 2023, inflows from Russia totaled to 3,945.8 million USD, increasing by 9.7% YoY.
- Remittances from the United States accounted for 8.6% of the remittances. In Jan-Dec 2023, it totaled 488.6 million USD, increasing by 1.4% YoY.
- In Jan-Dec 2023, net inflow transfers of individuals amounted to 1654.7 million USD, decreasing by 36% YoY.
- After the Russian-Ukrainian 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, the USA & Russia will have 2.1% and 2.6% economic growth in 2024 respectively, followed by 1.7% and 1.1% in 2025.
- The slow growth of GDP in Russia and USA has not affected the pace of remittances, as we can observe a growth for remittances from both countries. However, it is important to note that the growth rate has decreased when compared to previous periods.

**Figure 18. Remittances and USD/AMD relationship**

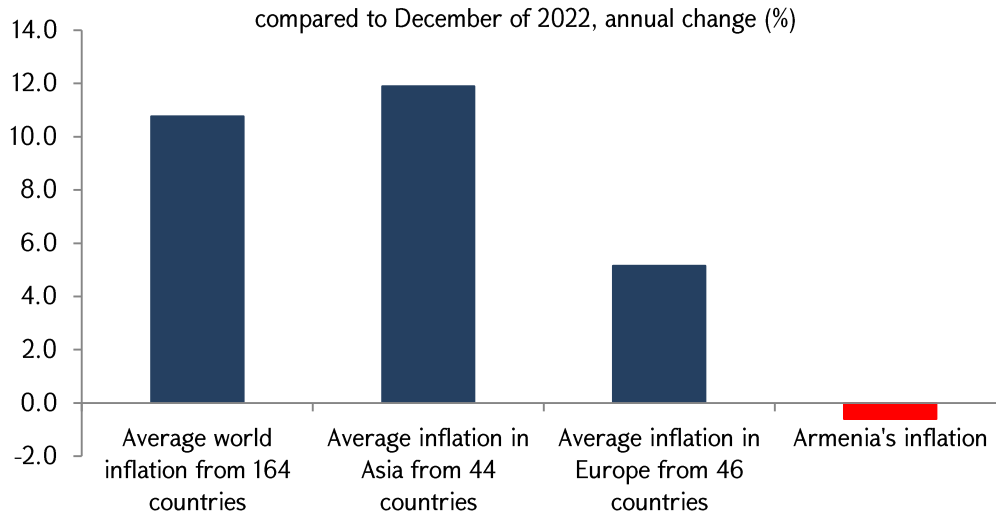


**Figure 19: Forecasts of GDP growth for USA & Russia**

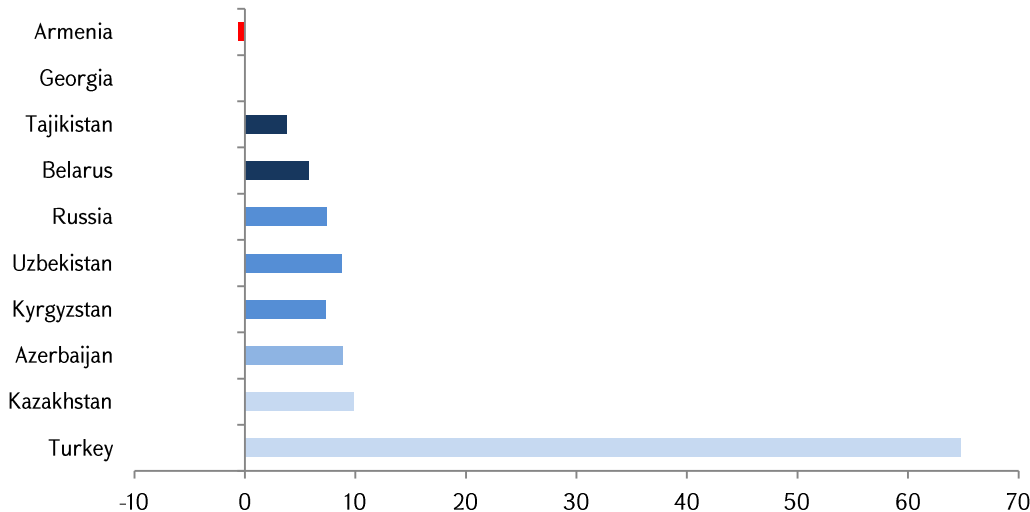


# CPI- Armenia vs Rest of World

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



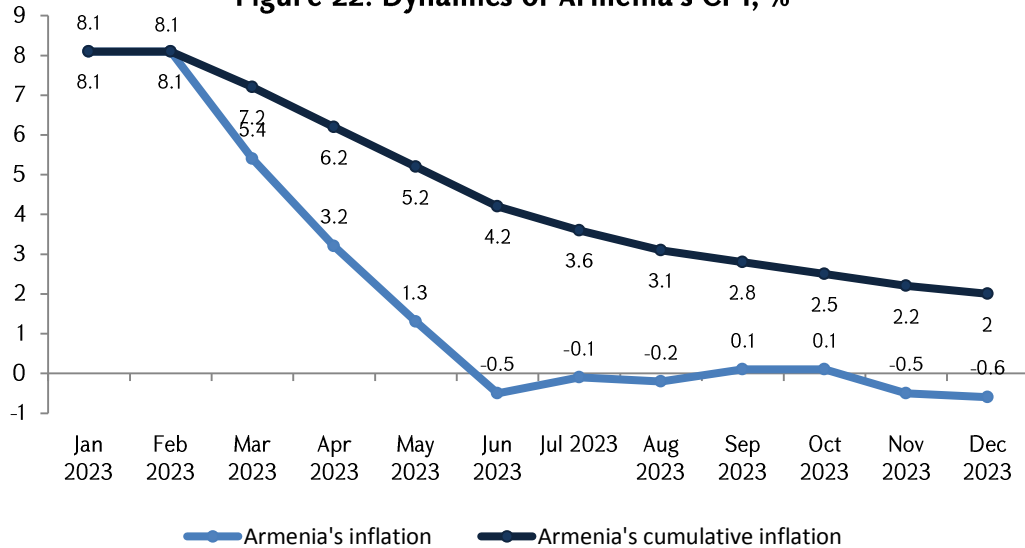
**Figure 21. Inflation rate, average consumer prices**  
compared to December of 2022, annual change (%)



- ◆ Throughout the world the inflation remains a huge concern. However, Armenia's inflation continues to remain low in the 4<sup>th</sup> quarter of 2023, and it has decreased compared to the previous quarter.
- ◆ As of December 2023, world inflation remains a concerning and growing factor. According to the current data, average global inflation from 164 countries for the month of December 2023 is approximately 10.8%. This implies nearly all countries have suffered from the inflation surge.
- ◆ As of December 2023, average inflation in Asia from 44 countries is around 11.9%, while in Europe it is around 5.1% (from 46 countries).
- ◆ Armenia's inflation rate according to Armenia's statistical committee was -0.6% in December 2023.
- ◆ From figure 21, we can observe that Armenia has the lowest inflation rate in the region.
- ◆ As Armenia has entered a deflation stage, the central bank in the 4<sup>th</sup> quarter decreased the interest rate twice. We expect that Armenia will observe a drop in its refinancing rate few more times, as currently Armenia does have the concern of growing inflation rate and the current CPI rate is below the CBA's target.

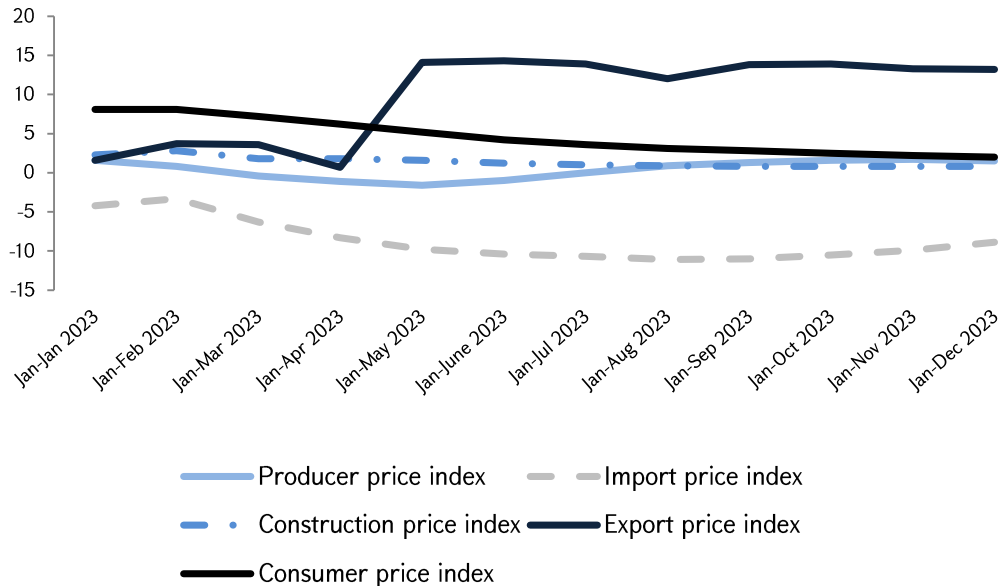
# Armenia's Price Indices

Figure 22. Dynamics of Armenia's CPI, %



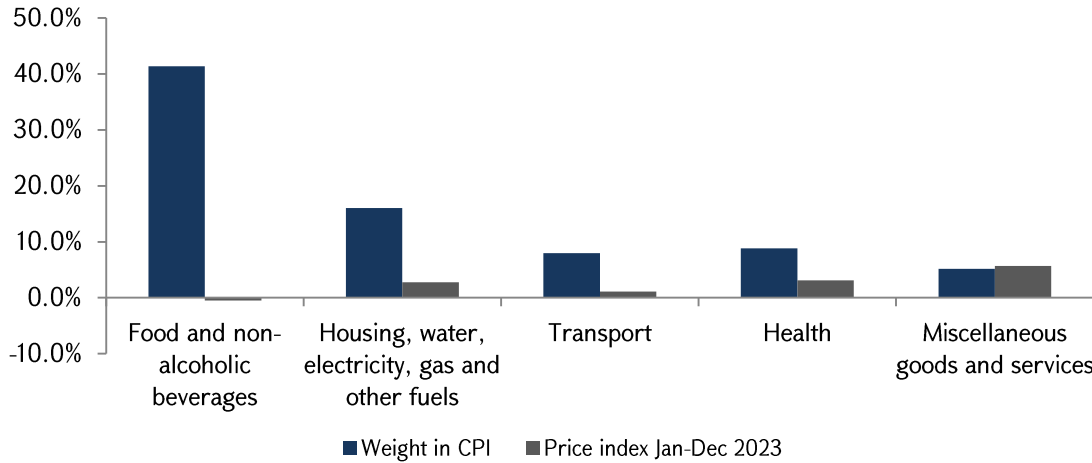
- The Statistical committee of the Republic of Armenia has reported the consumer price index of Armenia as -0.6% for December 2023 and 2.0% for cumulative Jan-Dec 2023.
- Most of the price indices of Armenia were relatively stable during Jan-Dec 2023.
- The import price index of Armenia has been negative throughout 2023. Starting from Jan-Mar 2023, the producer price index (PPI) observed negative rates as well, but from Jul of 2023 it became positive again reaching to 1.5% in Jan-Dec 2023.
- While the CPI was positive in Sep-Oct of 2023, it went back to being negative starting from November. Overall, the observed inflation is below the 4% target set out by the CBA.

Figure 23. Dynamics of price indices of Armenia, %



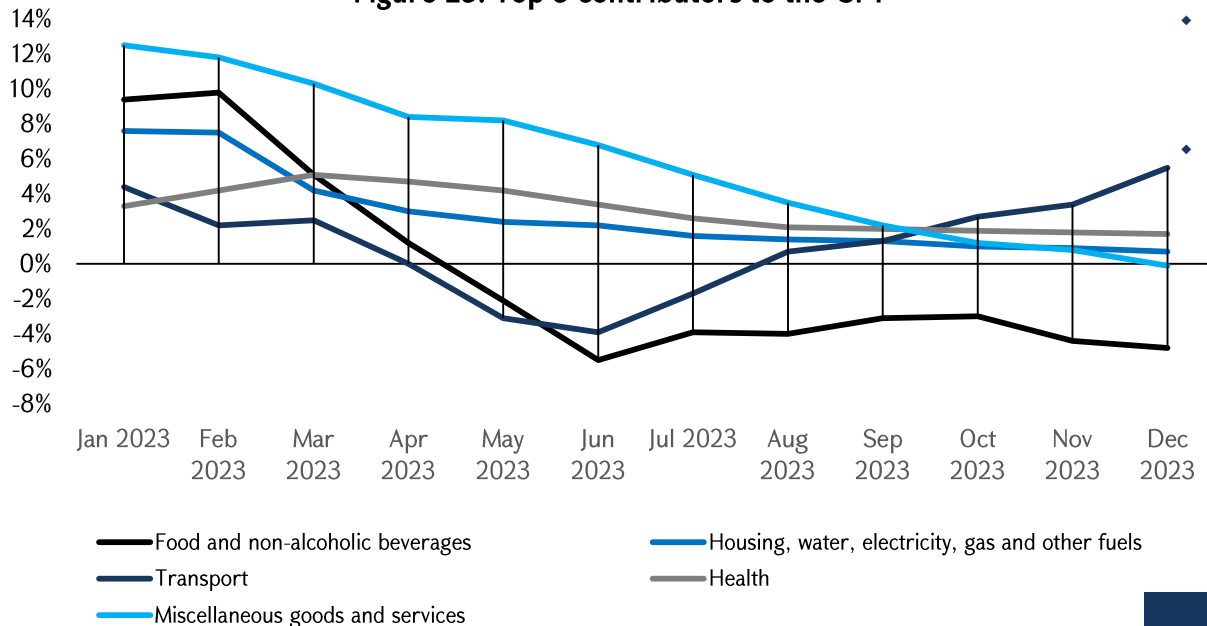
# Armenia's Price Indices

Figure 24. 5 major weights in the CPI basket



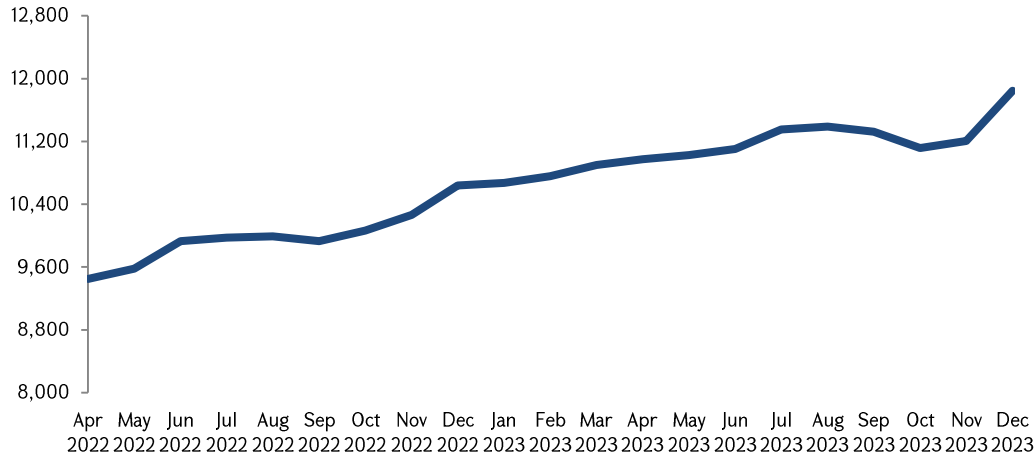
- ◆ Armenia's CPI basket is composed of twelve main categories, each category is weighted according to the needs and priorities of consumers.
- ◆ The twelve categories are: 1) Food and none alcoholic beverages, 2) Housing, water, electricity, gas, and other fuels, 3) Health, 4) Transport, 5) Alcoholic 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-Dec 2023 period, "Housing" had the highest positive weighted inflationary bearing on CPI. It accounted for approximately 0.45 percentage point out of the cumulative 2% inflation rate.
- ◆ For the Jan-Dec 2023 period, "Food" had the highest negative weighted inflationary bearing on CPI. It accounted for approximately -0.21 percentage point out of the cumulative 2% inflation rate.

Figure 25. Top 5 contributors to the CPI

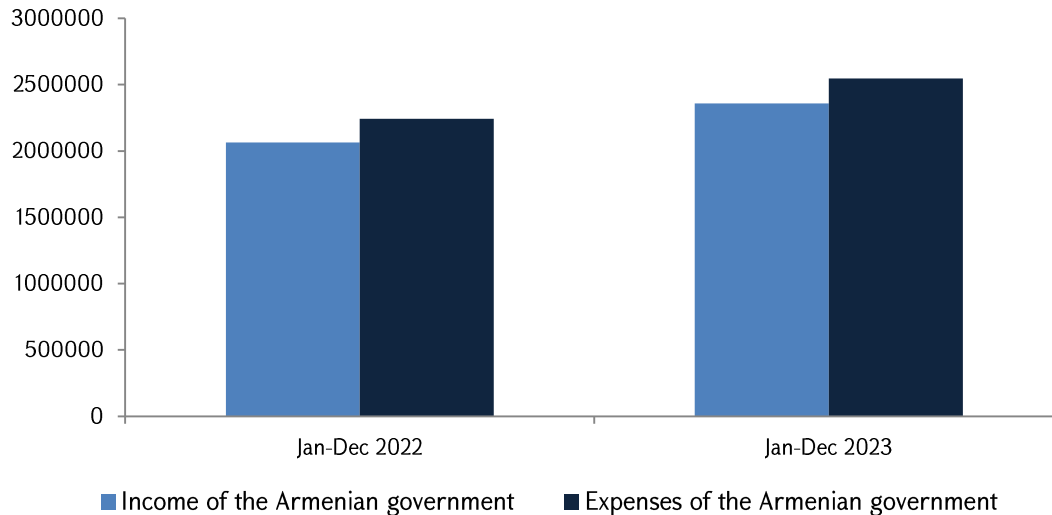


# Armenia's Debt and Budget

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



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



- ♦ Armenia's total debt in December 2023 reached 11,845.3 million USD.
- ♦ From this, 6,501.4 million dollars are external debts, which has increased by approximately 1% from December 2022, while the rest are internal debts, which increased by approximately 27.5%.
- ♦ The external debts are divided into two parts: Armenia's government debt, which accounts for approximately 91.5% and increased by 1% since December 2022, and the Central Bank of Armenia which accounts for approximately 8.5%, which has decreased since December 2022 by 0.11%.
- ♦ As of December 2023, the debt-over-GDP ratio in Armenia is 50.5% (up from 49.2% when compared to the previous year).
- ♦ In Jan-Dec 2023, Armenia's budgetary income was 2,358,733.5 million AMD, which is up by 14.3% when comparing with the same period of the previous year.
- ♦ This was due to tax and fee revenue which increased by approximately 15.3%, reaching 2,221,924.8 million AMD.
- ♦ Government expenses increased for Jan-Dec 2023, by approximately 13.6% reaching 2,547,624.8. Government spending is separated into ongoing expenses and operation of non-financial assets.
- ♦ Ongoing expenses increased by 13.6%, which includes salaries of public sector workers, acquiring of goods and services, interest payments, grants, etc.
- ♦ Non-financial assets increased by 24.2% when compared with Jan-Dec 2022.