|  |
| --- |
| **DELEGATION OF THE EUROPEAN UNION TO ARMENIA** |
|  |

|  |  |
| --- | --- |
| Authors: Frank HESS and Karen AZARYAN | Date:.02.08.2022 |
|  |  |
|  |  |

**Subject: Armenia – Economic Report for July 2022**

**Summary**

Armenia's economic activity index has increased by 11.8% in January - June 2022. The foreign trade turnover was up by 44% but increase in imports were again higher than increases in exports. The 12-month inflation was 10.3% in June 2022. The Financial Crimes Enforcement Network (FinCEN) and the U.S. Department of Commerce's Bureau of Industry and Security (BIS) included Armenia in the list of countries with potential transhipment points to undermine the restricted or controlled by United States exports to Russia and Belarus. The Government of Armenia approved its mid-term spending program for 2023-2025 and a state debt reduction revised action plan for 2022-2026. The documents foresee a reduction of the government debt and deficit ratios to GDP. The unemployment rate in Armenia decreased to 14.8% from 16.7% in the first quarter of 2022. The number of new jobs increased by 8,000 compared to May and stood at 681,050 in June 2022.

**Main developments**

**Armenia's economic activity index[[1]](#footnote-1) has increased by 11.8% in January - June 2022**[[2]](#footnote-2) compared to the same period in 2021. In June alone, it grew by 18.5% compared to June 2021 and 17% compared to May 2022. All the sectors of the economy, except agriculture with 5.5% decline, have shown an increase in the reporting period. The main drivers for the growth were the construction, trade and services sectors. **The foreign trade turnover was up by 44% in the first half of 2022**. The exports increased by 36.3%, and the imports were up by 48.7%. Thus, the trade balance is negative and continues to widen; exports make up 57.5% of imports in the mentioned period. The Consumer price index grew by 8.1%, and the industrial product index increased by 7.8% in the same period. The 12-month inflation was 10.3% in June 2022.

**The Government of Armenia** approved its mid-term spending program for 2023-2025 and a state debt reduction revised action plan for 2022-2026. The mid-term spending program aims to ensure 7% economic growth, increase state investments share, and improve expenditures' efficiency in the mentioned period. The target for the tax revenues is to exceed 23.4% of GDP in 2022. The Ministry of Finance stated that the Budget revenues would finance most of the state budget expenditures. This would allow keeping the budget deficit within 3% and 2.5-2.7% of GDP by the end of 2025. The Government aims to reduce the government debt even faster than planned, and the debt to GDP ratio would not exceed 60%, and it would decline to around 55-56% before 2026.

**According to the Statistical Committee of Armenia**, the unemployment rate decreased to 14.8% from 16.7% in the first quarter of 2022, compared to the same period of 2021. The Central Bank revised downward from 16.7% to 14.8% its previous unemployment rate forecast for 2022. The Minister of Economy links the economic growth and record high number of employed people in Armenia. The labour market grew by 8,000 compared to May and stood at 681,050 in June 2022. The increase is even significantly more than 37,000 employed people compared to June 2021. However, the Government admits that the increased number of newly registered jobs is not necessarily linked to economic growth but also is a result of the economy's de-shadowing.

**U.S. Department of State released an Investment Climate Statement on Armenia** **in 2022**[[3]](#footnote-3).

It says, “Armenia presents a variety of opportunities for investors, and the country’s legal framework and government policy aim to attract investment, but the investment climate is not without challenges.” In the part of the obstacle, the statement includes Armenia’s geographically isolated, due to closed borders with Turkey and Azerbaijan, small market, weak rule of law and judiciary, and a legacy of corruption, as well as the low level of foreign direct investment’s Net inflows.

**The Financial Crimes Enforcement Network** (**FinCEN**) and the U.S. Department of Commerce’s Bureau of Industry and Security (BIS) issued a joint alert on 28 June 2022. Armenia is included in the list of potential transhipment points with 17 other countries, including Georgia and Turkey, through which restricted or controlled by United States exports may reach Russia and Belarus. The alert states “The list is not inclusive of all potential transhipment points, but can assist in the risk-based screening of export-related financial transactions.”

**Sign-off:**  Andrea WIKTORIN, Head of Delegation

1. **Economic Activity Index** is a monthly aggregate indicator of change in output real volume in economy [↑](#footnote-ref-1)
2. Armstat report **EAI** - https://armstat.am/file/doc/99531523.pdf [↑](#footnote-ref-2)
3. https://www.trade.gov/country-commercial-guides/armenia-investment-climate-statement [↑](#footnote-ref-3)