

# DELEGATION OF THE EUROPEAN UNION TO ARMENIA

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## Subject: Armenia – Economic Report for August 2022

### Summary

Armenia's GDP grew by 13% in the second quarter of 2022. All the sectors of the economy showed an increase, except mining and agriculture, which were in decline. The inflow of private money transfers to Armenia increased year-on-year almost three times and stood at USD 598 million. The gross international reserves reached a historical maximum of USD 3.415 billion. The total public debt stood at USD 9,931.8 million. The number of foreign tourists who visited Armenia grew 2.4 times. The foreign trade turnover grew by 44%. The EU 27, with a 19% share in total trade, is the second trading partner of Armenia after Russia. The production in the mining sector has decreased year-on-year and only production of ferromolybdenum was up in the first half of 2022. The economic activity index grew by 13.1% in January - July 2022. The Consumer price index rose by 8.3%, and the industrial product index increased by 6.3% in the same period. Fitch Ratings has affirmed Armenia's rating (IDR) at 'B+' with a stable outlook. Although, it considers Armenia vulnerable to the effects of Russia's invasion to Ukraine, it has assessed the macro impacts of the crisis as positive for Armenia so far.

### Main developments

**Armenia's GDP grew by 13% in the second quarter of 2022<sup>1</sup>**, compared to the same period last year. The GDP increased by 19.4% when compared to the previous quarter. The main drivers of the growth were the financial and insurance sector 67.2%, the information and communication sector - 30.3%, the construction sector - 30.2%, and accommodation and catering – 28.5%. At the same time, the mining industry recorded a decline of 9%, and agriculture, forestry and fishing dropped by 1.5%.

**Armenia's economic activity index<sup>2</sup> grew by 13.1% in January - July 2022<sup>3</sup>** compared to the same period in 2021. In July alone, it increased by 19.4% compared to July 2021 and 8.5% compared to June 2022. All the sectors of the economy have shown an increase in the given period. The foreign trade turnover increased by 47.7% in the first seven months of 2022. The exports were up by 43.9%, and the imports increased by 50.1%. The trade balance remains negative. The exports make up 59% of imports in the given period. The Consumer price index grew by 8.3%, and the industrial product index increased by 6.3% in the same period.

**The inflow of private money transfers to Armenia amounted to USD 598 million** in the first half of 2022<sup>4</sup>, **which is an almost three-fold increase** compared to the first half of 2021. The money transfers from Russia amounted to USD 452 million and have the largest 75.6%

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<sup>1</sup> Armstat GDP in Russian - <https://armstat.am/file/doc/99531998.pdf>

<sup>2</sup> **Economic Activity Index** is a monthly aggregate indicator of change in output real volume in economy

<sup>3</sup> **Armstat report EAI** - <https://armstat.am/file/doc/99532088.pdf>

<sup>4</sup> **CBA** - <https://www.cba.am/en/SitePages/statexternalsector.aspx>

share in total. This is a **more than five-fold increase** compared to the first quarter of 2021. The second largest source of money transfers is the United States, with more than 10% share.

**The foreign trade turnover grew by 44% in the first half of 2022<sup>5</sup>. The EU 27, with a 19% share in total, is the second, after Russia, the main trading partner of Armenia.** The share of the Eurasian Economic Union is 33.6%, of which 95.2% is with Russia only. China is the third trading partner with a 13.2% share, followed by Iran -6%, U.S.-3.1%. The EU has a 22.7% share in Armenian exports, which makes EU the second destination of all Armenian exports. The EU is also the second in imports with a 17% share in total. Armenia's trade with the EU increased by 37.6% year-on-year in the first half of 2022 (**details in Annex 1**). Trade with Russia increased by 52.5%, exports to Russia grew by 48.4%, and imports were up by 51%.

**Armenia's gross international reserves reached a historical maximum of USD 3.415 billion** in the first half of 2022. Compared to the first quarter of 2021, it increased by 9.7%, or USD 301.5 million. 99% of the reserves are external assets in foreign currency. Armenia does not have gross international reserves in banking gold since 2003.

**Armenia's total public debt stood at about USD 9 931.8 million** as of 30 June 2022<sup>6</sup>. It has **increased by 12% or USD 1 063.8 million** compared to the same period of 2021. **The change in AMD, due to the valuation of the national currency against USD, is the opposite.** The **public debt decreased by 7.7% at the end of the first half of 2022** compared to the end of the first half of 2021. At the same time, the external debt in USD decreased by 2.7%, and domestic debt increased by 56.8% in the reporting period.

**The number of foreign tourists who visited Armenia grew 2.4 times** in the first half of 2022, compared to the same time in 2021<sup>7</sup>. The inflow from Russia has had the largest share of 42.6%; next is Georgia with a 10.7% share, Iran - 8.2%, **the EU 27 – 6.5%**, and the U.S. – 2.2%. The number of tourists who **arrived from the EU was up by 3.4 times** in the reporting period (**more in Annex 2**).

**Production of main export commodities in the mining sector decreased** year-on-year in the first half of 2022. Copper concentrate slashed by 19.3%, zinc concentrate production decreased by 11%, molybdenum concentrate production decreased by 3.1%, and only production of ferromolybdenum was up by 13.9% in the same period.

**Fitch Ratings** has affirmed Armenia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B+' with a stable outlook<sup>8</sup>. It had considered Armenia one of the most vulnerable to the effects of Russia's invasion of Ukraine. But, at the same time, it assessed the macro impacts as positive so far. Among the factors for the positive development, Fitch has mentioned the inflow of skilled labour force from Russia, Belarus, and Ukraine and a two-fold increase in money transfers. In addition, it says the narrowing of current account deficits and strengthening of reserves are among the factors for the positive impacts.

**Sign-off:** Jan PLEŠINGER, Acting Head of Delegation

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<sup>5</sup> Armstat foreign trade in Russian - [https://armstat.am/file/article/sv\\_06\\_22r\\_411.pdf](https://armstat.am/file/article/sv_06_22r_411.pdf)

<sup>6</sup> Armstat debt report in Russian - [https://armstat.am/file/article/sv\\_06\\_22r\\_221.pdf](https://armstat.am/file/article/sv_06_22r_221.pdf)

<sup>7</sup> Armstat on tourism in Russian - [https://armstat.am/file/article/sv\\_06\\_21r\\_421.pdf](https://armstat.am/file/article/sv_06_21r_421.pdf)

<sup>8</sup> FITCH - <https://www.fitchratings.com/research/sovereigns/fitch-affirms-armenia-at-b-outlook-stable-02-09-2022>.

**Annex 1 According to Armstat figures EU Armenia mutual trade in the first half of 2022<sup>9</sup>** (ECB Exchange rate 1 USD = 1.09 EUR)

No	Country	EU import (1000 EUR)			EU export (1000 EUR)			Total (1000 EUR)			Share 1H 2022
		1H 2021	1H 2022	Change	1H 2021	1H 2022	Change	1H 2021	1H 2022	Change	
1.	Austria	549.6	601.2	109.4	9 942.9	10 510.1	105.7	10 492.6	11 111.3	105.9	0.2
2.	Belgium	23 125.4	36 129.0	156.2	20 479.8	27 529.6	134.4	43 605.2	63 658.6	146.0	1.3
3.	Bulgaria	96 814.9	130 571.5	134.9	8 501.4	7 973.8	93.8	105 316.2	138 545.2	131.6	2.9
4.	Croatia	68.2	153.3	224.9	429.5	381.0	88.7	497.7	534.3	107.4	0.0
5.	Cyprus	1.1	2 710.0	2461.6 times	391.1	182.8	46.7	392.2	2 892.8	737.6	0.1
6.	Czech	1 353.1	683.1	50.5	9 136.1	12 291.4	134.5	10 489.3	12 974.5	123.7	0.3
7.	Denmark	6.0	220.7	37 times	4 563.9	2 253.0	49.4	4 569.9	2 473.8	54.1	0.1
8.	Estonia	420.2	603.9	143.7	709.9	704.2	99.2	1130.1	1 308.2	115.8	0.0
9.	Finland	61.8	58.5	94.7	11 155.2	9 575.6	85.8	11 217.1	9 634.1	85.9	0.2
10	France	4 718.1	2 750.6	58.3	37 577.5	40 275.4	107.2	42 295.6	43 026.0	101.7	0.9
11	Germany	35 479.8	50 085.0	141.2	87 068.8	126 206.3	145	122 548.6	176 291.4	143.9	3.7
12	Greece	35.5	403.3	11.4 times	10 046.5	26 562.8	2.6 times	10 082.0	26 966.1	267.5	0.6
13	Hungary	334.8	216.2	64.6	6 108.5	7 314.6	119.7	6 443.3	7 530.8	116.9	0.2

<sup>9</sup>Armstat foreign trade in Russian - [https://armstat.am/file/article/sv\\_06\\_22r\\_411.pdf](https://armstat.am/file/article/sv_06_22r_411.pdf)

14	Ireland	0.3	25.8	93.7 times	5 267.6	7 522.8	142.8	5 267.9	7 548.6	143.3	0.2
15	Italy	23 605.7	29 242.6	123.9	92 486.8	100 662.7	108.8	116 092.5	129 905.2	111.9	2.7
16	Latvia	1 425.6	1 737.6	121.9	1 962.1	1 726.8	88.0	3 387.7	3 464.4	102.3	0.1
17	Lithuania	1 771.8	6 539.6	3.7 times	2 134.8	3 430.5	160.7	3 906.6	9 970.1	255.2	0.2
18	Luxembourg	392.5	330.7	84.3	478.9	261.9	54.7	871.4	592.7	68.0	0.0
19	Malta	34.0	11.3	33.2	19.2	103.0	5.4 times	53.2	114.3	214.8	0.0
20	Netherlands	65 277.6	107 402.1	164.5	16 500.5	21 003.4	127.3	81 778.1	128 405.5	157.0	2.7
21	Poland	9 517.5	10 710.6	112.5	20 111.2	21 808.4	108.4	29 628.7	32 519.0	109.8	0.7
22	Portugal	22.3	0.5	2.1	2749.7	388.3	142.2	2 772.0	388.8	14.0	0.1
23	Romania	5.7	73.3	12.9 times	4 189.1	10 718.3	2.6 times	4 194.8	10 791.6	257.3	0.2
24	Slovakia	5 349.2	7 953.4	148.7	4 421.1	4 201.4	95	9 770.3	12 154.8	124.4	0.3
25	Slovenia	135.6	3.7	2.7	4 559.5	4 819.9	105.7	4 695.1	4 823.6	102.7	0.1
26	Spain	2 336.7	1 654.5	70.8	14 093.2	33 910.5	2.4 times	16 429.9	35 565.0	216.5	0.8
27	Sweden	178.6	72.0	40.3	6 001.9	11 057.1	184.2	6 180.6	11 129.1	180.1	0.2
	<b>Total</b>	<b>273021.3</b>	<b>390943.9</b>	<b>143.2</b>	<b>381087.2</b>	<b>508831.1</b>	<b>133.5</b>	<b>654108.4</b>	<b>899775.0</b>	<b>137.6</b>	<b>19.0</b>

**Annex 2. The number of touristic arrived to Armenia from the EU in the first half of 2022**

<b>No</b>	<b>Country</b>	<b>1<sup>st</sup> half 2021</b>	<b>1st half 2022</b>	<b>Change</b>
<b>1.</b>	Austria	326	1398	4.3 times
<b>2.</b>	Belgium	1 045	2 316	2.2 times
<b>3.</b>	Bulgaria	468	861	1.8 times
<b>4.</b>	Germany	1 947	8 554	4.4 times
<b>5.</b>	Denmark	118	433	3.7 times
<b>6.</b>	Estonia	120	413	3.4 times
<b>7.</b>	Ireland	50	773	15.5 times
<b>8.</b>	Spain	315	1 295	4.1 times
<b>9.</b>	Italy	466	1 424	3.1 times
<b>10.</b>	Latvia	106	938	8.8 times
<b>11.</b>	Poland	514	2 184	4.2 times
<b>12.</b>	Lithuania	221	1 986	9 times
<b>13.</b>	Croatia	23	199	8.7 times
<b>14.</b>	Cyprus	73	306	4.2 times
<b>15.</b>	Greece	271	1 123	4.1 times
<b>16.</b>	Hungary	61	406	6.7 times
<b>17.</b>	Malta	7	45	6.4 times
<b>18.</b>	Netherlands	1 410	3 434	2.4 times
<b>19.</b>	Sweden	437	1140	2.6 times
<b>20.</b>	Czech	327	1200	3.7 times
<b>21.</b>	Portugal	67	347	5.2 times
<b>22.</b>	Romania	207	480	2.3 times
<b>23.</b>	Slovakia	35	483	13.8 times

<b>24.</b>	Slovenia	22	131	6 times
<b>25.</b>	Finland	57	222	3.9 times
<b>26.</b>	France	2 927	7 687	2.6 times
<b>27.</b>	Luxembourg	22	68	3.1 times
	<b>Total EU 27</b>	<b>11 642</b>	<b>39 846</b>	<b>3.4 times</b>