

DELEGATION OF THE EUROPEAN UNION TO ARMENIA

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Subject: Armenia – Economic Report for September 2022

Summary

Armenia's economic activity index grew by 13.9% in January - August 2022. The foreign trade turnover increased by 56.2%. The exports increased by 52.9%, and the imports by 58.2%. The Central Bank of Armenia (CBA) raised the policy rate by 0.5%, setting it at 10%. The CBA revised its economic growth forecast upwards from 4.9% to 12.9% for 2022. The CBA expects the unemployment rate to decrease from 15.3% in 2021 to 14.1% in 2022. A few commercial banks in Armenia have stopped processing Russia's Mir banking cards. The fourth EU-Armenia Partnership Committee in Trade configurations took place on 29 and 30 September 2022. The third session of the EU-Armenia Subcommittee on Geographical Indications was held online on 26 September 2022.

Main developments

Armenia's economic activity index¹ grew by 13.9% in January - August 2022² compared to the same period in 2021. It increased by 18.5% in August alone, compared to August 2021, and 1.5% compared to July 2022. All the sectors of the economy have shown an increase in the given period. The main three sectors, which contributed in monetary terms are merchandise trade, industrial output, and services. **The foreign trade turnover increased by 56.2%** in the first eight months of 2022. **The exports increased by 52.9%, and the imports increased by 58.2%.** The trade balance remains negative. The exports make up 59.6% of imports in the given period. **The Consumer price index grew by 8.4%, and the industrial product index increased by 5.1%** in the same period.

The CBA decided to raise **the policy rate by 0.5%, setting it at 10%** on 13 September 2022, trying to control inflation. There have been four increases in the refinancing rate in 2022 so far. This time too, the CBA explained its move by external inflation pressures. **12-month inflation decreased to 9.9% in September 2022.** Taking into account a high economic growth rate, **the CBA has again revised its economic growth forecast upwards from 4.9% to 12.9% for 2022.** In its updated forecast for 2022, **the CBA expects the unemployment rate to decrease from 15.3% in 2021 to 14.1% in 2022.**

A few commercial banks in Armenia have stopped processing Russia's Mir banking cards due to the U.S. sanctions imposed on Russia. The CBA, as a regulator, announced that it did not impose such a requirement. Each bank decides on this matter based on its commercial risks. After Visa and MasterCard became unavailable in Russian, the Mir cards became an alternative for Russians traveling to Armenia. A subsidiary of Russia VTB bank, which has

¹ **Economic Activity Index** is a monthly aggregate indicator of change in output real volume in economy

² **Armstat report EAI** - <https://armstat.am/file/doc/99532643.pdf>

operations in Armenia, will continue servicing Mir cards as it is under sanctions and has no risks of losing more. The Mir had a 17.4% share or EUR 4.3 billion worth of card transactions in Armenia in the first half of 2022.

The fourth EU-Armenia Partnership Committee in Trade configurations under the Comprehensive and Enhanced Partnership Agreement (CEPA) took place on 29 and 30 September 2022. Among others, the agenda included items on Intellectual Property Rights, Public Procurement, Trade in Goods, Sanitary measures, Technical Barriers to Trade, Competition, Customs, and Trade and Sustainable Development.

The **third session of the Subcommittee on Geographical Indications** under the EU-Armenia CEPA was held online on 26 September 2022. During the session, the implementation of the provisions regarding the EU Geographical Indications "Champagne" and "Cognac" were discussed. In addition, the parties exchanged updates regarding legislative changes and the list of Geographical Indications.

Sign-off: Andrea WIKTORIN, Head of Delegation