

- *Economic growth accelerated to 17.5 percent (yoy) in October, mostly driven by growth in services.*
- *Inflation decelerated to 8.8 percent in November from 9.5 percent in October.*
- *Growth in exports outpaced that of imports, but the trade balance deteriorated due to a larger import base.*
- *The dram (AMD) was stable in November.*
- *The budget registered a 0.8 percent of GDP deficit in October, for a cumulative balance of 0.2 percent of GDP deficit in the year to date.*
- *Financial indicators were sound, with a slight increase in NPLs in October (still below the pre-pandemic level).*

**Economic activity picked up to 17.5 percent (yoy) in real terms in October.** This compares to 14.6 percent growth in September. Growth in October remained broad-based, with double-digit real growth rates accelerating further in services, trade, and construction (to 35, 23, and 15 percent, respectively) (Figure 1). Industry growth slowed to around 10 percent in October, from 15 percent in September. While mining output started to pick up slightly (to 6.1 percent in October yoy from 4.6 percent in September), manufacturing growth eased to 12 percent, mostly driven by a deceleration in the growth of food production. On the demand side, private consumption accounted for half of total growth, while capital formation and net exports accounted for about a quarter each. Cumulative growth of the economic activity index reached 14.5 percent (yoy) through October.

**The real estate market experienced a slight slowdown in October,** with transacted and rented apartments in Yerevan showing a 9 and 7 percent month-over-month (mom) decline, respectively. They also show a decline in year-on-year terms. Despite that, the price of apartments in the center of Yerevan rose in October (mom, in dram terms) and was 14 percent higher than last year (Figure 2).

**Inflation decelerated further, mostly due to moderation in food and transport inflation.** Year-on-year inflation eased to 8.8 percent in November, from 9.5 percent in October (Figure 3). This was driven by a slowdown in inflation of food and transport prices. To anchor inflationary expectations and demand-driven pressures, in its December 13 board meeting the CBA increased the policy rate by 25 basis points, to the historically high level of 10.75 percent.

**In October 2022, export growth continued to outpace import growth (at 120 and 74 percent, respectively).** The trade balance, however, deteriorated by 22 percent in October, given the 1.5

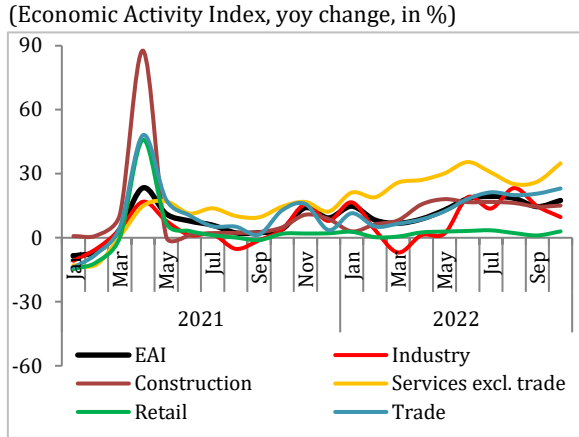
times larger import base. Two thirds of the total export increase in October was driven by exports of precious stones and machinery (up six- and twelvefold, respectively). Manufactured food exports also performed strongly. On the import side, import of machinery and precious stones contributed almost half of the total increase in imports. Excluding these categories (which are likely re-exported), imports grew by 41 percent, driven mostly by the import of transport vehicles (up almost fourfold). Cumulatively, both exports and imports picked up by 71 and 64 percent (yoy), respectively, through October. Exports and imports from/to Russia contributed by 43 and 18 percent, respectively, to the total export/import increase. The wider trade deficit was partly compensated by a doubling of the number of tourists and a 2.8-fold increase in net money transfers, which picked up again in the fall following the second wave of Russian immigrants and transfers triggered by the partial military mobilization announcement of September 2022 (Figure 4).

**The dram (AMD) has been relatively stable against the USD since early November, while remaining stronger than a year ago.** As of December 13, the AMD was 20 percent stronger than the USD (yoy). The AMD was also 7 percent stronger (yoy) against the ruble (RUB) on December 13, 2022 (Figure 5). Reserves declined by USD 92 million in October, to USD 3.6 billion, providing 4.9 months of import cover.

**In October the budget registered the highest monthly deficit of the year:** AMD 64 billion, (0.8 percent of annual GDP). Tax revenues grew by 8 percent (yoy) in nominal terms, mostly due to increases in environmental taxes (up 367 percent from an exceptionally low base in October 2021) and income taxes (up 15 percent). On the other hand, the collection of state duties and profit and excise taxes showed a contraction (partly as the hike resulting from the introduction of new export duties in September 2021 faded). Expenditures grew by 11 percent (yoy), driven by a 45 percent and 8 percent growth in capital and current expenditures, respectively. Cumulatively, the budget turned to a deficit of AMD 13 billion for January-October (0.2 percent of annual projected GDP) (Figure 6).

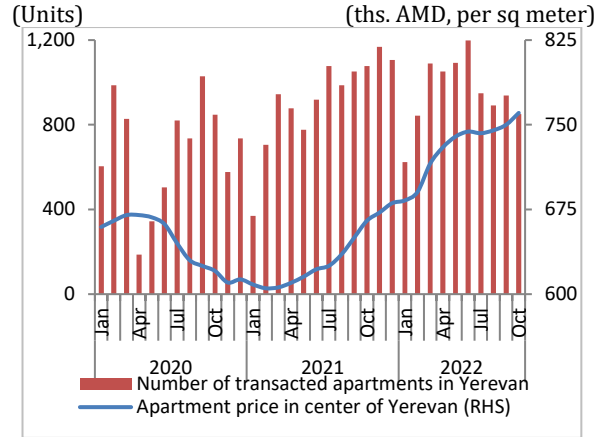
**Financial sector indicators remained healthy.** FX adjusted credit expansion (mom) was almost flat in October. Meanwhile, adjusted deposits grew by 10 percent (mom), driven by an increase in non-resident FX deposits. Financial stability indicators in October continued to show high capitalization and liquidity and increasing profitability (4 percent return on assets). The share of nonperforming loans (NPL) to total gross loans slightly increased, to 3.3 percent in October from 3.2 percent in September, while remaining below the pre-COVID level.

**Figure 1. Economic activity accelerated in October, particularly for services**  
(Economic Activity Index, yoy change, in %)



Source: Statistical Committee of RA

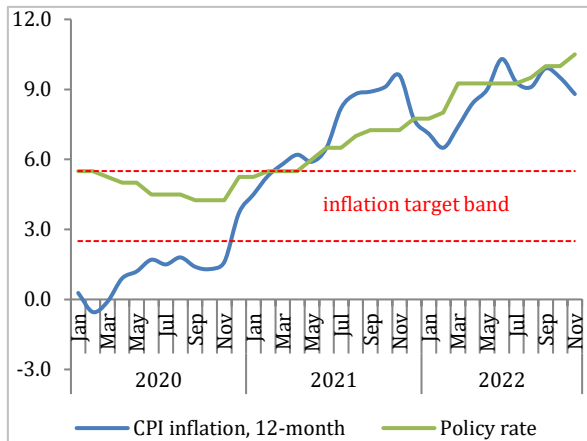
**Figure 2. The price of apartments in Yerevan increased while transactions slowed**



Source: Cadaster Committee of RA

**Figure 3. The inflation rate decelerated further**

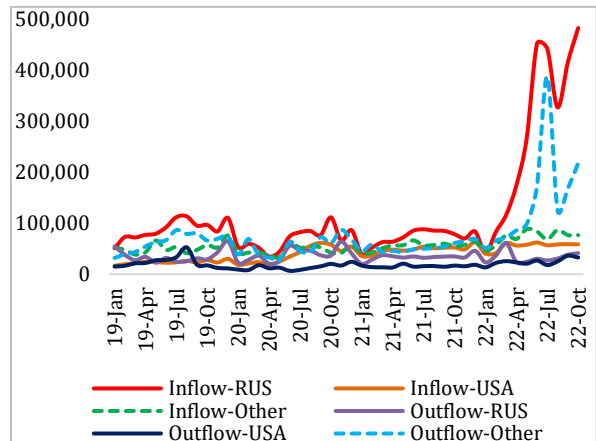
(CPI Inflation, yoy change, in %)



Source: CBA

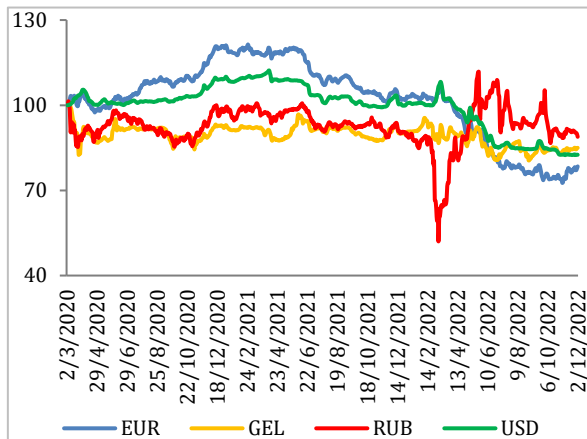
**Figure 4. Inflows of money transfers picked up in September-October**

(in USD)



Source: CBA

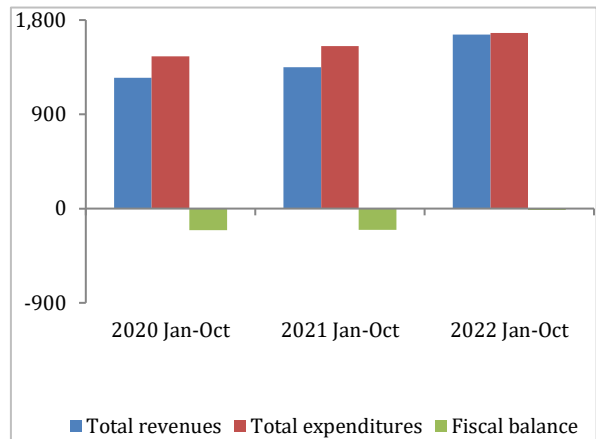
**Figure 5. The dram was stable vis-à-vis the USD and RUB in November, but weakened relative to the EUR**



Source: CBA

**Figure 6. The cumulative budget balance turned into a deficit in October**

(in AMD billion)



Source: MoF