

# DELEGATION OF THE EUROPEAN UNION TO ARMENIA

Authors: Karen AZARYAN

Date: 04.07.2023

## Subject: Armenia – Economic Report for June 2023

### Summary

Armenia's economic activity index grew by 12.5% in the first five months of 2023. The Foreign trade turnover increased by 86.9%. The exports increased by 93.3%, and the imports grew by 83.3%. The Consumer price index grew by 5.2%, and the industrial product index deflated by 1.6% in the mentioned period. The Central Bank of Armenia (CBA) has revised upwards to 6.9% its economic growth forecast for 2023. CBA cut the key refinancing rate by 0.25% to 10.5%. Moody's has changed Armenia's outlook from negative to stable with an unchanged rating at Ba3. Armenia's trade with EU 27 countries increased by 57.1% in January – April 2023. The imports from the EU to Armenia grew by 210%, whereas exports to the EU decreased by 9.5%. Russia opened additional 15 traffic lanes at the Upper Lars border crossing point with Georgia. It is the shortest way to deliver Armenian agricultural produce to the Russian market. The tax revenues of Armenia increased by 19.7% In January-May 2023. Armenia ranked 57<sup>th</sup> among 100 countries in the Global Startup Ecosystem Index. The GeoProMining Gold Company, Armenia's largest gold mine, informed that after continuous cross-border fire from Azerbaijan it has ceased open-pit operations. Another business reports shootings from Azerbaijan at the employees and construction equipment of a metallurgical plant in Yeraskh village of Armenia. The International Monetary Fund completed the first review under the Stand-By Arrangement with Armenia. The country will get access to USD 24.5 million.

**Main developments - Armenia's economic activity index<sup>1</sup> grew by 12.5% in January - May 2023<sup>2</sup>** compared to the same period of 2022. It increased by 13.7% in May alone, compared to May 2022, and surged by 7.7%, juxtaposed to April 2023. All the sectors of the economy have shown an increase, except for electricity production, which recorded a decline of 3.1%. **Foreign trade turnover increased by 86.9% in January - May 2023.** The exports increased by 93.3%, and the imports grew by 83.3%. The trade balance remains negative at USD 1.9 billion. Exports make up 57.9% of imports. **The Consumer price index grew by 5.2%, and the industrial product index deflated by 1.6%** in the mentioned period. The Central Bank of Armenia (CBA) has revised upwards to 6.9% its economic growth forecast for 2023. CBA cut the key refinancing rate by 0.25% to 10.5%, the Lombard repo rate to 12.0%, and the borrowing rate for commercial banks to 9.0% on 13 June 2023.

**Moody's has changed Armenia's outlook from negative to stable.** Moody's Investors Service has affirmed local and foreign currency long-term issuer ratings and the foreign currency senior unsecured ratings at Ba3. Moody's forecasted Armenia's GDP growth at around 7% in 2023 and 5-6% in 2024. Experts from Moody's do not expect a sharp reversal of financial and labour flows back to Russia for the coming two to three years. They think the influx of human and capital resources may boost economic activity in a structural way.

---

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

<sup>2</sup> **Armstat report EAI** - <https://armstat.am/file/doc/99538258.pdf>

**Armenia's trade with EU 27** countries increased by 57.1% in January – April 2023, compared to the same period of 2022<sup>3</sup>. The imports from the EU to Armenia grew by 210%, whereas, however, exports from Armenia to the EU decreased by 9.5%. Armenia's trade with the Eurasian Economic Union (EAEU) countries surged 230% in the same period. The imports from the EAEU increased by 56.5%, and exports from Armenia by 380%. The EAEU is the first trading partner of Armenia, with a 36.5% share. Around 96% of Armenia's trade with the EAEU is with Russia. The EU comes second with a 15.8% share in total. China is the third, with an 11.1% share.

**Trade with Russia** - Very much needed relief for the Armenian traders, Russia opened additional 15 traffic lanes at the Upper Lars border crossing point (BCP) with Georgia. With the new lines, the number of lines now is 39, 12 of which are for trucks, six in each direction. The BCP's capacity has increased by 30%, with the ability to process 1,300 trucks daily. The traders already reported on eliminating queues on both sides of the BCP. Armenia and Russia have no common land border. Upper Lars BCP is the shortest way to deliver Armenian agricultural produce to the Russian market.

Upon a proposal by the Ministry of Economy, the National Assembly ratified an agreement on setting up the Eurasian Reinsurance Company. According to the agreement, Armenia will allocate RUB 450 million, 3% of the total budget. The reinsurance company aims to stimulate trade in the EAEU member countries. The establishment was urged after several international insurance agencies refused to reinsure goods exported to Russia caused by the Western sanctions.

**Budget revenues:** The tax revenues of Armenia increased by 19.7% In January-May 2023 compared to the same period last year. The Minister of Finance reported that Armenia received 33.2% less from the EAEU single customs budget in 2022 compared to 2021. This is due to the decrease in imports in EAEU in 2022.

**Armenia ranked 57<sup>th</sup> among 100 countries in the Global Startup Ecosystem Index.** Armenia has improved its position by three notches compared to the last year and became the first in the region. Yerevan holds the 221<sup>st</sup> position among 1000 cities in the world. It improved its position by 23 points and is 18th among Eastern European cities.

**The management of Sotk mine,** Armenia's largest gold mine, informed that after continuous cross-border fire from Azerbaijan, it has ceased open-pit operations but did not entirely stop works. The GeoProMining Gold Company, which has Russian ownership, employs more than 700 people and is located at the border with Azerbaijan. The problems started after the 2020 war when almost half of the mine appeared under Azerbaijani control. Ever since, the mine in Armenia and its workers have repeatedly come under fire from Azerbaijan.

Another business was affected by the Azerbaijanis shooting. In a joint effort by U.S.-based and local Armenians, a company constructing a metallurgical plant in Yeraskh village of Armenia's Ararat Province has made statements on shootings from Azerbaijan at the employees and construction equipment of the plant.

---

<sup>3</sup> Foreign trade - [https://armstat.am/file/article/sv\\_04\\_23r\\_411.pdf](https://armstat.am/file/article/sv_04_23r_411.pdf)

**The Executive Board of the International Monetary Fund (IMF)** completed the first review under the Stand-By Arrangement (SBA) with Armenia<sup>4</sup>. The country will get access to USD 24.5 million. The Government treats the SBA as precautionary and aims to ensure policy continuity, advance structural reforms, and maintain macroeconomic, financial, and fiscal stability. The IMF experts consider the economic outlook 2023 as generally positive, although with remaining substantial risks. The latter stemmed from external pressure, including regional tensions, a tighter global financial situation, and a slowdown in main trading partners. For Armenia's long-term growth potential, IMF encourages the implementation of structural reforms, including boosting trade links and diversification, enhancing access to finance, and completing governance reforms. GDP growth is projected at 5.5% in 2023.

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

---

<sup>4</sup> IMF - <https://www.imf.org/en/News/Articles/2023/06/12/pr23205-armenia-imf-exec-board-completes-1st-rev-under-stand-by-arrangement>