

## EUROPEAN UNION DELEGATION TO ARMENIA

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**Subject:** Armenia: Economic Report for February 2024

### Summary

1. **Armenia's GDP grew by 8.7% in 2023. GDP per capita stood at EUR 7463. GDP in current prices amounted to EUR 22.4 billion. Armenia's economic activity index increased 10.7% in January 2024. The foreign trade increased by 78.8%. The exports grew by 110.0%, and the imports increased by 61.4%. The consumer price index decreased by 0.9%, and the industrial product index declined by 0.3%. Armenia's public debt stood at about USD 11.8 billion by the end of 2023, USD 1.2 billion more than in 2022. The net inflow of transfers to Armenia decreased by 36% and stood at USD 1.7 billion in 2023.**
2. **Mr. Gevorg Papoyan is appointed the Minister of Economy of Armenia on 06 March 2024. He has replaced Mr.Vahan Kerobyan.**
3. **S&P Global Ratings affirmed its 'BB-/B' long- and short-term foreign- and local-currency sovereign credit ratings for Armenia with a stable outlook.**
4. **The mutual trade between the EU and Armenia increased by 117% and amounted to EUR 2 909.2 million in 2023. At the same time, Armenia's trade with the United Arab Emirates (UAE) increased by around four times and reached USD 2.3 billion in 2023.**
5. **Armenia has its first authorized economic operator (AEO). The State Revenue Committee (SRC) approved the AEO Yerevan Brandy Factory CJSC.**
6. **HSBC and Ameriabank announced a change of ownership.**
7. **Armenian Prime Minister Nikol Pashinyan requests large companies to become open joint-stock companies; otherwise, the state will apply legal mechanisms against them.**

### Detail:

#### **Macroeconomic developments**

1. **The National Statistical Committee published preliminary data on Armenia's GDP in 2023. The economy of Armenia grew by 8.7% in 2023 compared to 2022. GDP per capita in market prices stood at EUR 7463. GDP in current prices amounted to AMD 9 trillion 502 billion or EUR 22.4 billion in 2023. The highest growth rates were registered in the information and communication sector, which grew by 36.5%, and merchandise trade by 24.7%. On the contrary, financial and insurance activities declined by 8.0%, and extractive industries declined by 6.6% in the mentioned period.**

2. **Armenia's economic activity index<sup>1</sup> increased by 10.7% in January 2024<sup>2</sup>** compared to the same period of 2023. It decreased by 45.1% compared to December 2023. All the sectors of the economy have shown growth except for electricity production, which declined by 6.4%. **Foreign trade turnover increased by 78.8%**. The exports increased by 110.0%, and the imports grew by 61.4%. The trade balance remains negative at USD 277.5 million. Exports make up 77.1% of imports. **The Consumer price index decreased by 0.9%, and the industrial product index declined by 0.3%** in the mentioned period.
3. **Armenia's public debt stood at AMD 4.8 trillion, or about USD 11.8 billion, on 31 December 2023**, which is USD 1.2 billion more than the same period in 2022. More than half of the public debt is external, USD 6.5 billion, and government debt, USD 5.9 billion.
4. According to the Central Bank of Armenia, the net inflow of private money transfers to Armenia decreased by 36% from USD 2.6 billion to USD 1.7 billion in 2023 compared to 2022. The main contributors to the decrease were transfers from and to Russia. Transfers from Russia account for 69.3% of the total. **The gross inflow of transfers stood at USD 5.7 billion, an increase of 9.7%, and the outflow stood at USD 4.0 billion, an increase of 55% in 2023.**
5. **Mr. Gevorg Papoyan is the new Minister of Economy of Armenia.** He has been Chairman of the Standing Committee on Financial-Credit and Budgetary Affairs in the National Assembly since 2021. He has replaced Mr. Vahan Kerobyan, who resigned on 14 February 2024 amid an ongoing corruption investigation involving a deputy minister and other ministry officials. The court's decision placed the former Economy Minister under house arrest.
6. **S&P Global Ratings affirmed its 'BB-/B' long- and short-term foreign- and local-currency sovereign credit ratings for Armenia with a stable outlook** on 23 February 2024. The agency mentioned the recent influx of immigrants from Russia and Nagorno-Karabakh. S&P forecasts GDP growth at 6.2% "because of weaker external demand and a decrease in migrant and financial inflows" and the budget deficit at 4.3% of GDP in 2024. The latter is driven by the increased expenditure for the needs of refugees from Nagorno-Karabakh, which in turn will lead to an uptick in Armenia's Government debt to a still-moderate 44% of GDP. The downside scenario is linked to "persisting security and geopolitical risks stemming from the pending peace deal with Azerbaijan and gradually deteriorating relations with Russia that could affect the substantial economic ties between the two countries."

## Foreign trade

7. According to the data released by Eurostat, the **EU Armenia mutual trade amounted to EUR 2 909.2 million or grew by 117% in 2023**, when compared to 2022. Armenia imported more than EUR 2 157 million worth of goods from the EU, which is 114.4% more than in 2022. At the same time, Armenian exports to the EU increased by 125.2% and stood at EUR 752.2 million.
8. **Armenia's trade with the UAE hit a record and reached USD 2.3 billion in 2023, increasing by around four times** compared to 2022. The share of UAE in Armenia's trade with the world jumped from 4.2% in 2022 to 11.1% in 2023. For comparison, the share of EU 27 countries is 12.9%. Export from Armenia to UAE increased by 4.2 times and stood at USD 2.2 billion in 2023. The unwrought or semi-wrought gold, gold dust, jewellery, diamond stones, cigarettes, and cigars made up 96.3% of Armenia's exports to the UAE. Whereas the imports from the UAE increased by 33.6% and are 3.5 times less than exports. 59% of imports from the UAE make cars, diamonds, telephone spare parts, modems, and jewellery.

<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/99545238.pdf>

Trade between the two countries gradually increased, mostly driven by the interests of a few large businesses. The sanctions against Russia mainly drove the recent sharp boost and following rerouting of trade flows. The UAE became the first source of FDI Net flow in the Armenian economy in 2023. Intensification of business ties led to a visa-free regime between the countries, which took effect in February 2024.

9. **The SRC announced Yerevan Brandy Factory CJSC, a subsidiary of Pernod Ricard, as the first AEO in Armenia.** The company is registered in the Eurasian Economic Union's (EAEU) registry. According to a memorandum of understanding signed between the SRC and Yerevan Brandy Factory, the latter will benefit from simplified customs procedures.

### **Changing shares**

10. **Two banks in Armenia announced a change of ownership in February 2023.** The **HSBC** informed about withdrawal from the Armenian market as part of its regional policy. Armenia was the last country in the region with an HSBC presence. The new owners of HSBC Armenian assets will belong to Ardshinbank, a local bank. The second one is **Ameriabank**, which has reached an agreement with BOGG, a UK-registered financial group, to become the main shareholder. Both transactions are pending approval by shareholders and the Central Bank of Armenia.
11. At the government session, Armenian Prime Minister **Nikol Pashinyan (PM) said that large and important companies for the economy should become open joint-stock companies that are traded on the stock exchange.** He voiced this during a discussion on accepting 20% shares of one of the largest telecommunication companies as a gift. The PM further elaborated that if the companies do not initiate the changes in the medium term, the government will amend the legislation to apply administrative measures against them. The justification for such an action is "there is a question of transparency of activity." Pashinyan urged large companies to be transparent and be in the stock exchange.

**Sign-off:** Jan Plešinger, Head of Political, Press and Information Section, CDA a.i.

**Annex 1** According to Eurostat figures EU Armenia mutual trade in 2023

| Product code | Commodity group                               | EU Import value (1000 EUR) | EU Import value (1000 EUR) | Change | EU Export value (1000 EUR) | EU Export value (1000 EUR) | Change | Total    | Total    |
|--------------|---|----------------------------|----------------------------|--------|----------------------------|----------------------------|--------|----------|----------|
|              |   | 2022                       | 2023                       |        | 2022                       | 2023                       |        | 2022     | 2023     |
| S01          | live animals; animal products                 | 18.37                      | 5.79                       | 31.5   | 34430.9                    | 34891.13                   | 101.3  | 34449.3  | 34896.9  |
| S02          | vegetable products                            | 950.37                     | 1245.21                    | 131.0  | 29768.58                   | 41742.32                   | 140.2  | 30719.0  | 42987.5  |
| S03          | animal or vegetable fats and oils             | 557.24                     | 188.83                     | 33.9   | 6762.11                    | 4479.83                    | 66.2   | 7319.4   | 4668.7   |
| S04          | foodstuffs, beverages, tobacco                | 17868.14                   | 19309.88                   | 108.1  | 132984.5                   | 141177.4                   | 106.2  | 150852.6 | 160487.3 |
| S05          | mineral products                              | 75060.11                   | 120603.5                   | 160.7  | 25220.41                   | 21029.17                   | 83.4   | 100280.5 | 141632.6 |
| S06          | products of the chemical or allied industries | 622.16                     | 856.89                     | 137.7  | 197354.3                   | 230144.9                   | 116.6  | 197976.4 | 231001.8 |
| S07          | plastics, rubber and articles thereof         | 232.47                     | 3091.62                    | 1329.9 | 69160.7                    | 76028.8                    | 109.9  | 69393.2  | 79120.4  |
| S08          | raw hides and skins, and saddlery             | 918.58                     | 1187.81                    | 129.3  | 6950.59                    | 10518.78                   | 151.3  | 7869.2   | 11706.6  |
| S09          | wood, charcoal and cork and articles thereof  | 476.23                     | 415.37                     | 87.2   | 13697.84                   | 15705.82                   | 114.7  | 14174.1  | 16121.2  |
| S10          | pulp of wood, paper and paperboard            | 276.49                     | 208.92                     | 75.6   | 46078.35                   | 46736.78                   | 101.4  | 46354.8  | 46945.7  |
| S11          | textiles and textile articles                 | 102164.9                   | 122993.5                   | 120.4  | 142738.6                   | 201124.5                   | 140.9  | 244903.6 | 324118.0 |
| S12          | footwear, hats and other headgear             | 1054.12                    | 978.59                     | 92.8   | 12502.55                   | 21260.55                   | 170.0  | 13556.7  | 22239.1  |
| S13          | articles of stone, glass and ceramics         | 819.06                     | 3251.24                    | 396.9  | 34229.05                   | 37382.54                   | 109.2  | 35048.1  | 40633.8  |
| S14          | pearls, precious metals and articles thereof  | 68027.06                   | 157286                     | 231.2  | 46003.09                   | 49148.44                   | 106.8  | 114030.2 | 206434.4 |

| <b>Product code</b> | <b>Commodity group</b>                     | <b>EU Import value (1000 EUR)</b> | <b>EU Import value (1000 EUR)</b> | <b>Change</b> | <b>EU Export value (1000 EUR)</b> | <b>EU Export value (1000 EUR)</b> | <b>Change</b> | <b>Total</b>     | <b>Total</b>     |
|---------------------|--|-----------------------------------|-----------------------------------|---------------|-----------------------------------|-----------------------------------|---------------|------------------|------------------|
| S15                 | base metals and articles thereof           | 315247.2                          | 301276.7                          | 95.6          | 57631.3                           | 60681.1                           | 105.3         | 372878.5         | 361957.8         |
| S16                 | machinery and appliances                   | 2012.38                           | 3750.55                           | 186.4         | 575583.6                          | 599287.3                          | 104.1         | 577596.0         | 603037.8         |
| S17                 | transport equipment                        | 4657.69                           | 620.51                            | 13.3          | 275523.6                          | 332349.5                          | 120.6         | 280181.3         | 332970.0         |
| S18                 | optical and photographic instruments, etc. | 3984.11                           | 4562.07                           | 114.5         | 107277.8                          | 137074.4                          | 127.8         | 111261.9         | 141636.5         |
| S19                 | arms and ammunition                        | 67.28                             | 0.1                               | 0.1           | 1954.68                           | 6185.45                           | 316.4         | 2022.0           | 6185.6           |
| S20                 | miscellaneous manufactured articles        | 4229.84                           | 10093.51                          | 238.6         | 64615.08                          | 81350.15                          | 125.9         | 68844.9          | 91443.7          |
| S21                 | works of art and antiques                  | 213.14                            | 297.72                            | 139.7         | 406.03                            | 2799.47                           | 689.5         | 619.2            | 3097.2           |
| S22                 | other                                      | 1703.82                           | 43.6                              | 2.6           | 5054.14                           | 5878.12                           | 116.3         | 6758.0           | 5921.7           |
| <b>all</b>          | <b>all products</b>                        | <b>601160.8</b>                   | <b>752267.7</b>                   | <b>125.1</b>  | <b>1885928</b>                    | <b>2156977</b>                    | <b>114.4</b>  | <b>2487088.6</b> | <b>2909244.3</b> |

**Annex 2** According to Armstat figures EU Armenia mutual trade in 2023<sup>3</sup>

| No | Country  | EU import (1000 EUR) <sup>4</sup> |         |        | EU export (1000 EUR) |          |        | Total (1000 EUR) |          |        |       |
|----|----------|-----------------------------------|---------|--------|----------------------|----------|--------|------------------|----------|--------|-------|
|    |          | 2022                              | 2023    | Change | 2022                 | 2023     | Change | 2022             | 2023     | Change | Share |
| 1. | Austria  | 1753.8                            | 1158.1  | 66.0   | 40836.6              | 75186.3  | 184.1  | 42590.4          | 81081.2  | 190.4  | 0.4   |
| 2. | Belgium  | 79287.1                           | 87493.6 | 110.4  | 47118.9              | 53760.8  | 114.1  | 130174.1         | 150018.6 | 115.2  | 0.7   |
| 3. | Bulgaria | 192705.1                          | 90089.4 | 46.7   | 21342.5              | 39254.5  | 183.9  | 220428.2         | 137369.1 | 62.3   | 0.7   |
| 4. | Croatia  | 358.5                             | 162.2   | 45.3   | 935.7                | 2875.2   | 307.3  | 1332.8           | 3225.8   | 242.0  | 0.0   |
| 5. | Cyprus   | 5079.3                            | 6411.9  | 126.2  | 464.4                | 1076.9   | 231.9  | 5709.0           | 7953.5   | 139.3  | 0.0   |
| 6. | Czech    | 1773.9                            | 2657.7  | 149.8  | 33809.1              | 38209.0  | 113.0  | 36643.7          | 43402.3  | 118.4  | 0.2   |
| 7. | Denmark  | 335.8                             | 181.5   | 54.1   | 10014.7              | 16889.8  | 168.6  | 10659.0          | 18130.5  | 170.1  | 0.1   |
| 8. | Estonia  | 1499.8                            | 879.8   | 58.7   | 2431.2               | 3629.6   | 149.3  | 4048.2           | 4789.2   | 118.3  | 0.0   |
| 9. | Finland  | 89.4                              | 243.8   | 272.6  | 25537.6              | 40310.8  | 157.8  | 26391.0          | 43070.8  | 163.2  | 0.2   |
| 10 | France   | 9098.9                            | 8806.9  | 96.8   | 104204.1             | 154825.0 | 148.6  | 116680.5         | 173784.5 | 148.9  | 0.9   |
| 11 | Germany  | 98056.2                           | 80974.4 | 82.6   | 392183.4             | 508596.3 | 129.7  | 504853.4         | 626150.7 | 124.0  | 3.1   |
| 12 | Greece   | 1389.0                            | 3273.1  | 235.6  | 74137.4              | 49761.8  | 67.1   | 77777.8          | 56325.4  | 72.4   | 0.3   |
| 13 | Hungary  | 414.0                             | 1080.5  | 261.0  | 23375.9              | 28033.5  | 119.9  | 24499.1          | 30920.3  | 126.2  | 0.2   |
| 14 | Ireland  | 109.1                             | 51.2    | 46.9   | 15476.2              | 16654.7  | 107.6  | 16049.9          | 17742.4  | 110.5  | 0.1   |
| 15 | Italy    | 60206.3                           | 59242.7 | 98.4   | 258306.7             | 326901.1 | 126.6  | 328007.7         | 410102.1 | 125.0  | 2.0   |
| 16 | Latvia   | 5122.7                            | 5783.4  | 112.9  | 4773.8               | 5371.0   | 112.5  | 10191.5          | 11846.5  | 116.2  | 0.1   |

<sup>3</sup>Armstat foreign trade database - <http://tinyurl.com/43nns9yx>

<sup>4</sup> ECB - Exchange rate average in 2023 1 USD = 1.0813 EUR

| No | Country                    | EU import (1000 EUR) <sup>4</sup> |                 |             | EU export (1000 EUR) |                  |              | Total (1000 EUR) |                  |              |             |
|----|----------------------------|-----------------------------------|-----------------|-------------|----------------------|------------------|--------------|------------------|------------------|--------------|-------------|
|    |                            | 2022                              | 2023            | Change      | 2022                 | 2023             | Change       | 2022             | 2023             | Change       | Share       |
| 17 | Lithuania                  | 9922.2                            | 20963.4         | 211.3       | 7897.0               | 6907.4           | 87.5         | 18350.4          | 29600.1          | 161.3        | 0.1         |
| 18 | Luxembourg                 | 373.4                             | 20.3            | 5.4         | 932.3                | 862.3            | 92.5         | 1344.7           | 937.4            | 69.7         | 0.0         |
| 19 | Malta                      | 37.5                              | 34.6            | 92.3        | 248.7                | 345.7            | 139.0        | 294.7            | 403.9            | 137.1        | 0.0         |
| 20 | Netherlands                | 198709.3                          | 216529.7        | 109.0       | 50290.9              | 56135.5          | 111.6        | 256422.9         | 289582.8         | 112.9        | 1.4         |
| 21 | Poland                     | 20652.7                           | 16995.2         | 82.3        | 70837.8              | 128313.3         | 181.1        | 94217.8          | 154324.2         | 163.8        | 0.8         |
| 22 | Portugal                   | 1.5                               | 222.9           | 15062.5     | 11602.0              | 13500.3          | 116.4        | 11949.3          | 14574.7          | 122.0        | 0.1         |
| 23 | Romania                    | 182.1                             | 3501.6          | 1923.0      | 26860.2              | 34791.9          | 129.5        | 27848.4          | 40669.5          | 146.0        | 0.2         |
| 24 | Slovakia                   | 22616.3                           | 39765.9         | 175.8       | 14076.9              | 20342.2          | 144.5        | 37787.0          | 63837.5          | 168.9        | 0.3         |
| 25 | Slovenia                   | 6.3                               | 1313.4          | 20885.3     | 14077.6              | 16004.7          | 113.7        | 14503.7          | 18392.6          | 126.8        | 0.1         |
| 26 | Spain                      | 4565.2                            | 7265.9          | 159.2       | 79102.1              | 74112.4          | 93.7         | 86161.4          | 86427.4          | 100.3        | 0.4         |
| 27 | Sweden                     | 258.1                             | 1065.2          | 412.7       | 29004.1              | 37224.6          | 128.3        | 30134.5          | 40665.5          | 134.9        | 0.2         |
| 28 | EU countries not specified | 0.0                               | 0.0             |             |                      | 65151.7          | 178.1        |                  |                  |              | 0.3         |
|    | <b>Total</b>               | <b>714603.5</b>                   | <b>656168.3</b> | <b>91.8</b> | <b>1359877.7</b>     | <b>1815028.5</b> | <b>130.0</b> | <b>2135051.0</b> | <b>2555328.5</b> | <b>119.7</b> | <b>12.9</b> |