

- Growth in economic activity eased from 15.3 percent in March to 10.4 percent in April (yoy).
- Noncommercial net money transfers contracted by 34 percent (yoy) in April.
- Declining food prices continued to drive deflation in May.
- Gold and jewelry re-exports to the United Arab Emirates continued to dominate exports.
- The dram (AMD) appreciated by 0.2 percent (mom) in May.
- A budget surplus of AMD 47.2 billion was recorded in April due to low capital expenditures.
- The sound financial system remained stable.

**Real growth in economic activity slowed to 10.4 percent in April (yoy), down from an average of 14.3 percent in the first quarter of 2024 (Q1-24)** (figure 1). This was primarily driven by a halving of industrial output growth from 30 percent in Q1-24 (yoy) to 16.6 percent in April (yoy), also affected by moderation in the growth of gold and jewelry production. Mining contracted by 15 percent (yoy) in April, while manufacturing growth decreased from 47 percent in the first quarter to 27 percent (yoy) in April. Service sector growth (excluding trade), which had moderated to 5 percent (yoy) in Q1-24, dropped to just 0.8 percent in April (yoy). Trade continued to grow in April at almost the same pace as previous months (at 27.2 percent), and construction growth accelerated to 17.8 percent in April (yoy) compared to an average of 11.4 percent in Q1-24. Cumulatively, growth in economic activity in the first four months of 2024 eased to 13.2 percent (yoy).

**On the demand side, net export was the main driver of the 9.2 percent GDP growth in Q1-24.** Consumption grew by 2.3 percent (yoy), a deceleration from 8 percent (yoy) growth in Q1-23, mostly driven by lower public consumption (yoy). Gross capital formation contracted by 25 percent (yoy) and contributed negatively to GDP growth in Q1-24.

**Noncommercial net money transfers contracted by 34 percent (yoy) in April, driven by a 26 percent decline in inflows.** Money transfer inflows from Russia dropped by 50 percent in April (yoy), which explains most of the contraction, while inflows from the US grew by 14 percent (yoy) (figure 2). Total outflows of money transfers declined by 10 percent (yoy) in April, particularly those to the Russian Federation (-3 percent, yoy) and 'other countries' (-22 percent, yoy). Outflows to the US grew by 10 percent (yoy) in April.

**Price deflation continued to be driven by low food prices in May.** The Consumer Price Index (CPI) experienced a 0.3 percent (yoy) deflation in May, less than the 0.7 percent (yoy) deflation in April. While prices for 'food and non-alcoholic beverages'

decreased by 2 percent (yoy) and for 'clothing and footwear' by 1.3 percent (yoy) in May 2024, this was offset by a 10 percent increase in transport prices (figure 3).

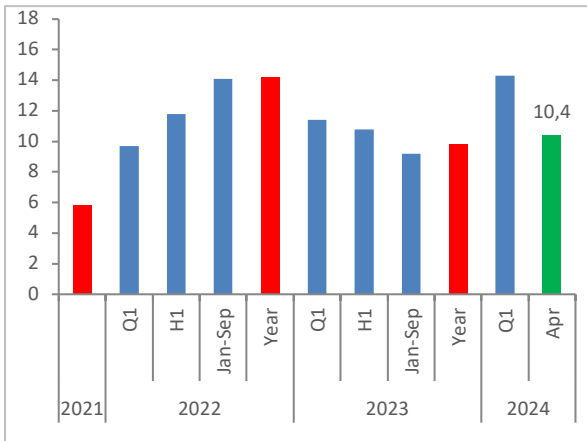
**Exports and re-exports of gold and jewelry continued to drive export growth.** Exports of goods increased 2.9-fold (yoy) in April 2024, driven by a 10-fold increase in exports of precious and semiprecious stones, whose share of total exports rose from 24 percent in April 2023 to 82 percent in April 2024. On the other hand, the import of precious and semiprecious stones increased by more than 20-fold, resulting in a net import balance of this commodity group at the value of USD 1 billion. Except exports of agricultural products (both livestock and vegetable), paper products, and minerals, other exports experienced significant declines, particularly machines and transport vehicles. Excluding the export of precious and semiprecious stones and machineries and vehicles (the two top re-exports last year), total exports in April grew by only 3.6 percent (yoy) (figure 4). The top export destination remained the United Arab Emirates, the destination for the bulk of gold and jewelry exports. Imports remained strong (growing three-fold in April, yoy), also due to precious and semiprecious stones.

**The modest appreciation pressure on the AMD against the USD continued.** At end May, the AMD had appreciated by 0.2 percent against the USD, compared to end April, and by 4 percent against the ruble (figure 5). Following a steady decline since September 2023, international reserves rose by USD 30 million in May, reaching USD 3.2 billion (2.6 months of import cover equivalent).

**A budget surplus of AMD 47.2 billion was recorded in April 2024.** Tax revenues grew by 10.6 percent in nominal terms in April (yoy). This was largely due to growth in income tax collection (48 percent, yoy) as well as environmental tax collection, the latter mostly due to an increase in royalties. On the other hand, declines in the collection of VAT, excise, and profit taxes were recorded in April, due to observed slowdown in consumption growth. Expenditures expanded by 47.9 percent (yoy), driven by an 82 percent increase in current expenditures, as capital expenditures contracted by 56 percent due to reduced spending on defense. The year-to-date budget balance registered a surplus of AMD 46 billion, one-third of the surplus registered in the same period of last year (figure 6).

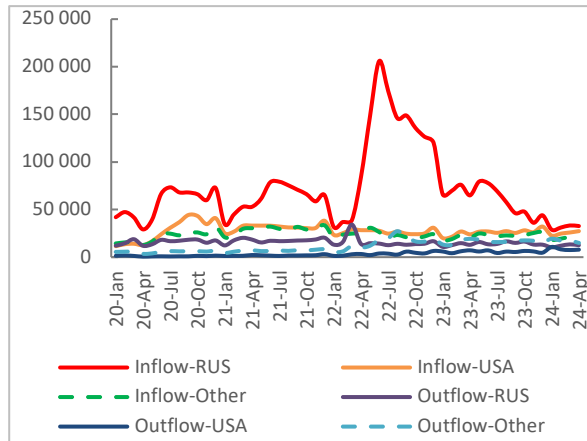
**Financial sustainability indicators remained sound and almost unchanged compared to the previous month.** Nonperforming loans stood at 1.2 percent. Return on assets remained at 4.1 percent in April, similar to the March level, while the capital adequacy ratio increased marginally, from 19.7 percent in March to 20 percent in April 2024. Deposits contracted by 0.4 percent (mom) in April due to a decline of 0.6 percent (mom) in FX-denominated deposits. Credit expanded by 1.7 percent (mom) in April, mostly due to a 2 percent (yoy) increase in AMD-denominated credit.

**Figure 1. Economic activity growth decelerated to 10.4 percent, due to a halving of industrial output**  
(Economic Activity Index, yoy change, %)



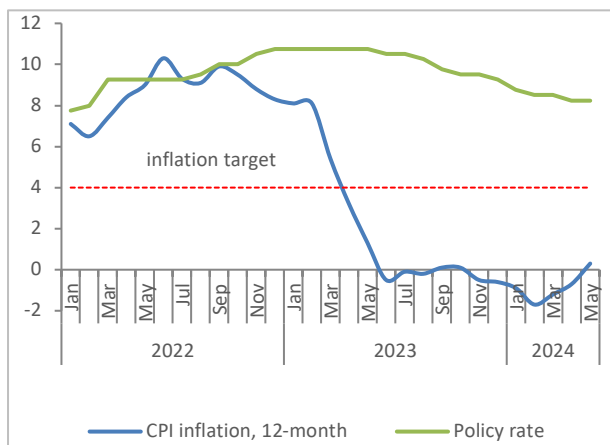
Source: Statistical Committee of the Republic of Armenia

**Figure 2. Noncommercial money transfer inflows from Russia halved in April (yoy)**  
(USD thousand)



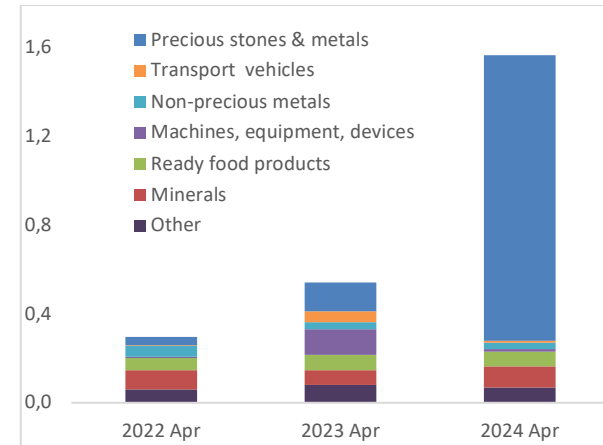
Source: Central Bank of Armenia (CBA)

**Figure 3. Price deflation continued to be driven by deflation of food prices in May**  
(CPI inflation, yoy change, %)



Source: CBA

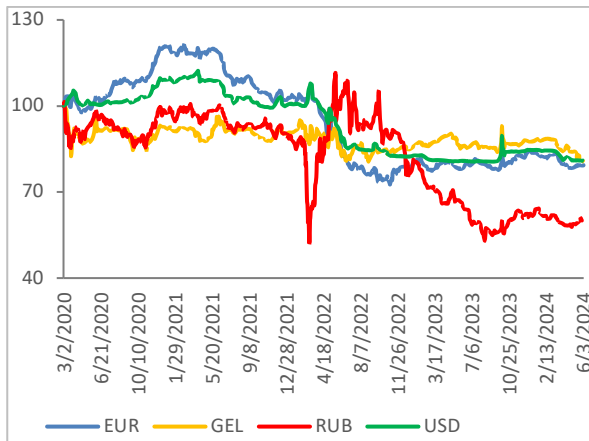
**Figure 4. Export of precious stones and metals continue to drive the export growth in April**  
(in billion USD)



Source: Statistical Committee of the Republic of Armenia

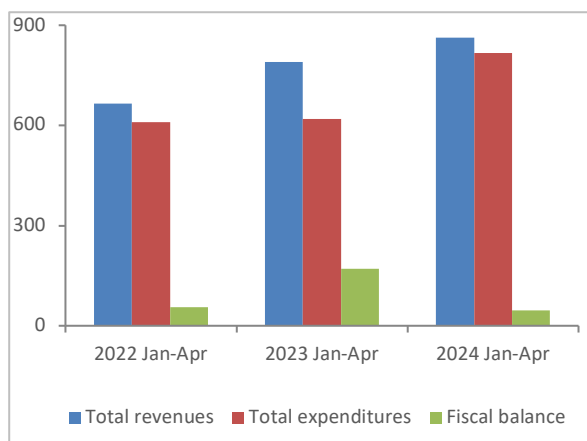
**Figure 5. The AMD marginally appreciated against the USD in May**

(Index: March 2, 2020 = 100)



Source: CBA

**Figure 6. A budget surplus emerged in April, but cumulatively, the surplus was lower than in Jan-April 2023**  
(AMD billion)



Source: Ministry of Finance