

- In July, economic growth eased down to 6.2 percent (yoy), from 7 percent (yoy) in June.
- Inflation rose to 1.3 percent (yoy) in August.
- Re-exports of gold and jewelry continued to be key drivers of export and import growth in July.
- A deficit of AMD 69 billion in July turned the January-July cumulative budget balance into an AMD 58 billion deficit.
- Commercial bank deposits and credits grew by approximately 2 percent (mom) in July.

**In July, the economic activity index eased to 6.2 percent (yoy), from 7 percent (yoy) in June (Figure 1).** Trade growth eased to 14 percent (yoy) in July from 16.2 percent (yoy) in June. Growth in services (other than trade) also fell, to 4.9 percent (yoy) in July from 7.8 percent (yoy) in June. Over the same period, construction continued to grow at approximately 18 percent (yoy). Growth in industry improved slightly, from 1.3 percent (yoy) in June to 2.2 percent (yoy) in July, driven mainly by greater electricity and energy growth (13 percent, yoy). Manufacturing growth remained low at 2.5 percent, with contraction in most major production sub-items: food, beverages, and jewelry products went down by 5 percent (yoy), 4.4 percent (yoy), and 27 percent (yoy), respectively. This was compensated by growing production in cigarettes (21 percent, yoy), textiles (23 percent, yoy), and base metals (74 percent, yoy). Mining continued to decline, but at a slower rate of 5.4 percent (yoy) in July compared with 10.7 percent in June. Cumulatively, economic activity grew 9.6 percent (yoy) in January-July.

**Non-commercial, net money transfers contracted 38.1 percent (yoy) in July, driven by a 23.1 percent fall in inflows.** Year-on-year, money transfer inflows from Russia fell 42 percent in July, while growing slightly month-on-month. Meanwhile, inflows from the USA grew 8.8 percent (yoy) (Figure 2). Money transfer outflows (particularly to the UK and the USA) also increased, contributing to the decline in net inflows. Outflows to Russia contracted 13 percent (yoy).

**In August, inflation rose for the third consecutive month, following a period of falling inflation since October 2023.** Inflation in August was 1.3 percent (yoy), bringing average inflation for January-August 2024 to -0.1 percent. Transport prices increased 9.1 percent in August (yoy), driven by a 9 percent increase in excises and higher imported petroleum prices. Food and non-alcoholic beverages posted 1 percent inflation in August (yoy). In early September, the Central Bank of Armenia (CBA) lowered its policy rate further, by 25 basis points, to 7.5 percent, the fifth consecutive cut since the beginning of 2024 (Figure 3).

**Re-exports of gold and jewelry continued to be a key driver of export growth in July (Figure 4).**

Merchandise exports and imports grew 42.8 percent (yoy) and 30.7 percent (yoy), respectively, driven by an increase in exports (5.2-fold) and imports (5.9-fold) of precious and semi-precious stones and metals (mostly gold and jewelry). However, exports of precious and semi-precious stones and metals dropped by 11.6 percent comparing with previous month, with their share of total exports reaching 48.5 percent, much lower than their 75 percent share in early 2024. Minerals, ready foods, and agricultural exports grew 15 percent (yoy), 11 percent (yoy), and 52 percent (yoy), respectively. In July, machinery, equipment, and devices exports, and vehicles, the two highest growing export commodity groups in 2023, contracted by 21 percent (yoy) and 86 percent (yoy), respectively. Excluding precious and semi-precious stones, exports of machineries (mostly mobile phones) and vehicles increased 6 percent (yoy) in July. Over the January-July period, exports and imports grew 121.2 percent and 79.1 percent, respectively, resulting in a 14.5 percent increase in the trade balance deficit.

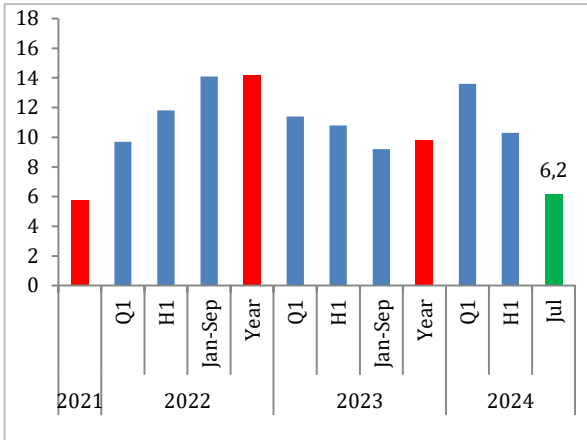
**The AMD was relatively stable against the USD and the RUB over the June-August period.** Compared with 2023, the AMD to USD exchange rate was just 0.5 percent weaker at end-August (yoy), while the AMD to RUB had depreciated 6.2 percent, (yoy) (Figure 5). In Q2 2024, the CBA purchased USD 256.5 million to smooth exchange rate fluctuations. International reserves continued to build up, increasing USD 260 million in July-August, to USD 3.6 billion (equivalent to 3 months of import cover), yet still 13 percent lower than reserves at end-July 2023.

**A budget deficit of AMD 69 billion (yoy) was recorded in July.** This was largely driven by an increase in expenditure. Total expenditure expanded by 24.4 percent (yoy), due mostly to a 19.6 percent (yoy) increase in current expenditure. Capital expenditure also expanded 43.6 percent (yoy), driven by defense and road network improvements. Notably, in nominal terms tax revenues grew 14.6 percent (yoy) in July; however, netting out mortgage-related income tax refunds (as treated in previous years), total tax revenues increased only 2.3 percent (yoy). Turnover and excise collection, the main contributor to increased taxes, expanded 15.6 percent (yoy) and 12.4 percent (yoy), respectively. In contrast, VAT collections remained flat. Cumulatively, the January-July budget balance showed a deficit of AMD 58 million (0.6 percent of annual projected GDP), compared with the AMD 96.4 billion surplus recorded in the same period of 2023 (Figure 6).

**Commercial bank deposits and credits expanded by 1.6 percent (mom) and 2 percent (mom) in July, mostly driven by AMD-denominated funds.** Financial indicators remained sound, with a 20.3 percent CAR, a low ratio for NPLs (1.2 percent), and a reported 4.5 percent return on assets.

**Figure 1. Growth eased to 6.2 percent in July due to some slowdown in trade and services**

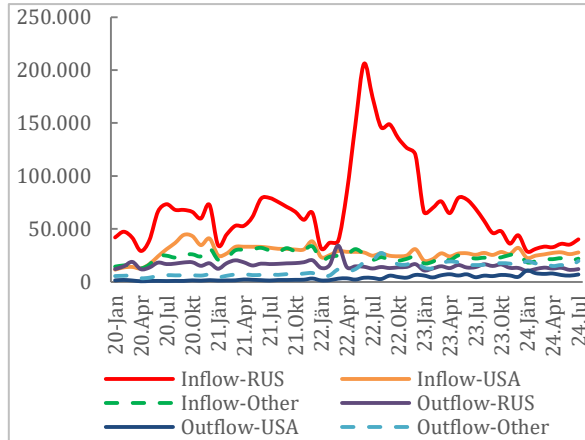
(Armenia Economic Activity Index, yoy change, %)



Source: Statistical Committee of Republic of Armenia

**Figure 2. Money transfers from Russia inched up in July, while remaining below the 2021 level**

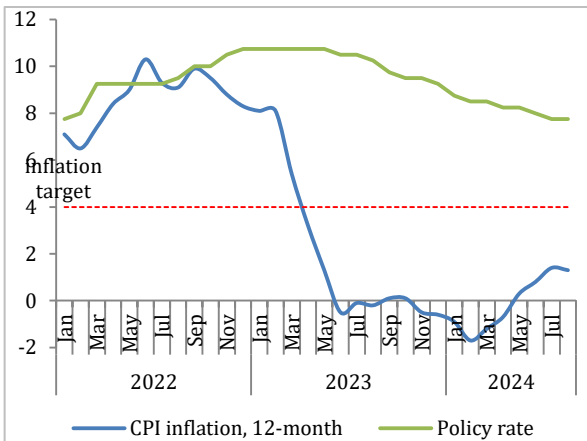
(USD thousand)



Source: CBA

**Figure 3. Prices increased for the third consecutive month, though well below the inflation target**

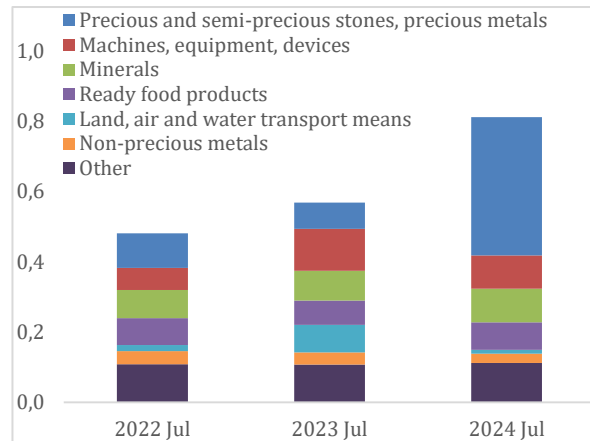
(CPI inflation, yoy change, %)



Source: CBA

**Figure 4. Re-exports of gold and jewelry continued to be key drivers of export growth in July**

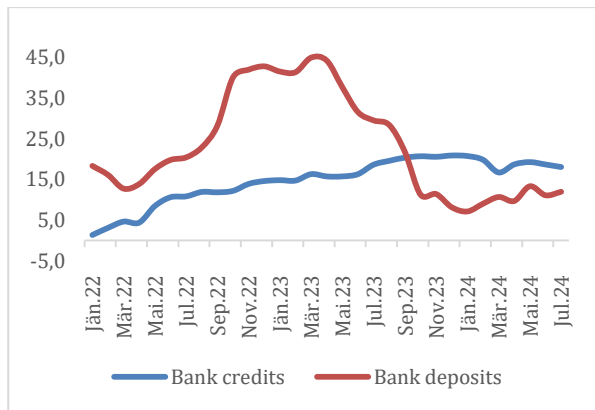
(in billion USD)



Source: Statistical Committee of Republic of Armenia

**Figure 5. Commercial bank deposits and credits continued to expand**

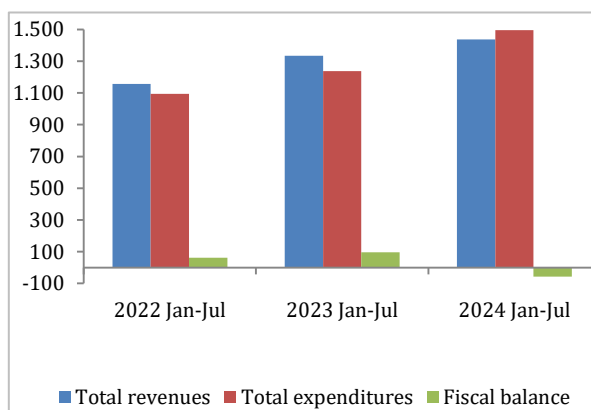
(Percent, yoy, exchange rate adjusted)



Source: CBA

**Figure 6. The budget registered a moderate deficit through July**

(AMD billion)



Source: Ministry of Finance