

- *Economic activity eased to 6.6 percent (yoy) in March, mainly due to a slowdown in manufacturing.*
- *Inflation grew further to 5.3 percent in April, mostly driven by food prices.*
- *In March, exports and imports both contracted due to a drop in re-exports of precious and semi-precious stones from a high base.*
- *Net non-commercial money transfers rose 11.7 percent (yoy).*
- *A budget deficit equivalent to 0.1 percent of projected annual GDP was recorded in March, however the Q1 2026 balance shows a surplus of 0.5 percent of GDP.*

Economic activity eased to 6.6 percent (yoy) in March from 7.2 percent (yoy) in February. Growth was driven primarily by strong construction activity, up 24 percent (yoy), while industrial growth slowed to 7 percent (yoy) after recording double-digit growth in the previous month. The slowdown reflected a sharp deceleration in manufacturing growth to 1.3 percent in March (yoy), from 23.8 percent (yoy) in February, driven by lower production of base metals and food. Mining output continues to grow at a high rate of 28 percent (yoy), largely reflecting a low base effect. Cumulatively, economic activity rose 7.1 percent (yoy) in Q1 2026, compared to 4.1 percent (yoy) in Q1 2025, pointing to resilient growth despite heightened uncertainty. The number of registered businesses grew 8.4 percent (yoy) in Q1 2026.

Inflation continued to rise amid pressures from the conflict in the Middle East and tensions in supply chains. In April, inflation rose to 5.3 percent (yoy) and 1.3 percent (mom), driven by the continued rise in prices of food and non-alcoholic beverage of 9.5 percent (yoy) that contributed 70.3 percent of inflation on an annual basis. This was followed by alcoholic beverage and inflation in healthcare prices (up by 7.7 and 4.2 percent, yoy, respectively). Transport inflation remained modest at 2 percent (yoy), benefiting from a 7 percent reduction in petrol prices following the opening of fuel imports from Azerbaijan. At its May 5, 2026 meeting, the Central Bank of Armenia decided to keep the policy rate unchanged at 6.5 percent, despite an uptick in inflation, amid elevated uncertainty.

In March, exports and imports both contracted, by 12.6 percent and 3.2 percent (yoy) respectively, following robust growth in February. Exports declined 12.6 percent (yoy), mostly due to a fall in precious and semi-precious stones and machinery by 52 percent (yoy) and 39 percent (yoy), respectively, which have been the top two re-export items since 2022, thus signaling a continued normalization of export flows. Excluding these two items, total exports

expanded 33.6 percent (yoy), driven by minerals and ready-to-eat food products. Imports also contracted by 3.2 percent (yoy) due to a 62 percent (yoy) fall in precious and semi-precious stones. This was partly offset by rises in the imports of ready-to-eat food products (up 60.6 percent, yoy) and minerals (up 31 percent (yoy)). The trade deficit in Q1 2026 grew 4.7 percent (yoy). Tourist arrivals continue to grow, up 39 percent (yoy) in April and 34 percent (yoy) in the January-April 2026 period.

In March, net non-commercial money transfers expanded by 11.7 percent (yoy), following a 5.2 percent (yoy) rise in February. This was mostly driven by a 17.5 percent (yoy) increase in net inflows from Russia (accounting for 53 percent of total net inflows) and a 27 percent (yoy) rise in inflows from other countries. Net inflows from the USA rose marginally at 0.8 percent (yoy), following a 74.5 percent (yoy) fall in the previous month.

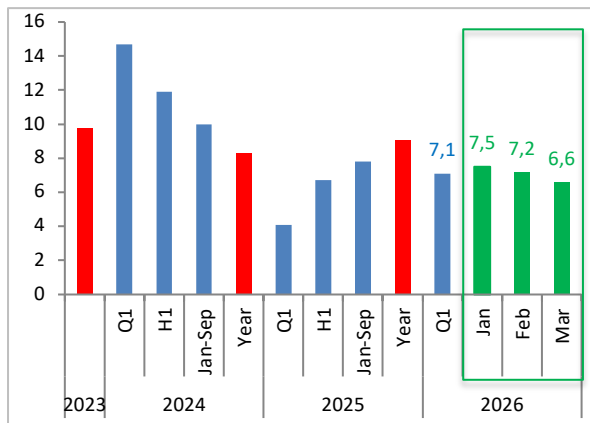
The dram continues to strengthen against USD. In April, the AMD appreciated slightly against the USD by 0.8 percent (mom) while it depreciated marginally by 0.4 percent (mom) against the EUR. On an annual basis, the AMD became stronger by 4.2 percent (yoy) against the USD, however it depreciated 3.6 percent (yoy) against the RUB.

Financial system indicators remained sound. The Capital Adequacy Ratio rose to 20.5 percent, and NPLs slightly grew to 1.4 percent, after staying at 1.3 percent for the past five months. In March, commercial bank deposits rose 2.2 percent (mom) while credit increased by 1.6 percent (mom). Exchange rate-adjusted annual growth rose slightly to 17.8 percent (yoy) for total deposits while credit's robust growth eased to 23.4 percent (yoy).

In March, an overall budget deficit equivalent to 0.1 percent of estimated annual GDP was recorded. In March, total revenues and grants grew 16.7 percent (yoy) in nominal terms. Tax revenues grew strongly by 21.3 percent (yoy) due to robust collection of environmental taxes (up more than 12 times last year's contraction); income taxes (up 10.3 percent, yoy), state duty collections (up 50.9 percent, yoy) and VAT (up 4.5 percent, yoy). Total expenditure contracted by 1.3 percent (yoy), reflecting a 24 percent (yoy) decline in capital expenditure that was driven mainly by lower defense spending. Current expenditure grew modestly by 2.1 percent, driven down by a decline in social allowances (down 8.3 percent (yoy)). By functional classification, health spending – largely current expenditure – continued to increase sharply (up 2.5 times) in March following the introduction of public health insurance in 2026. In Q1 2026, an overall budget surplus equivalent to 0.5 percent of estimated annual GDP was registered, against the 1.7 percent of GDP deficit envisaged in the budget for this period.

Figure 1. Economic activity eased to 6.6 percent in March

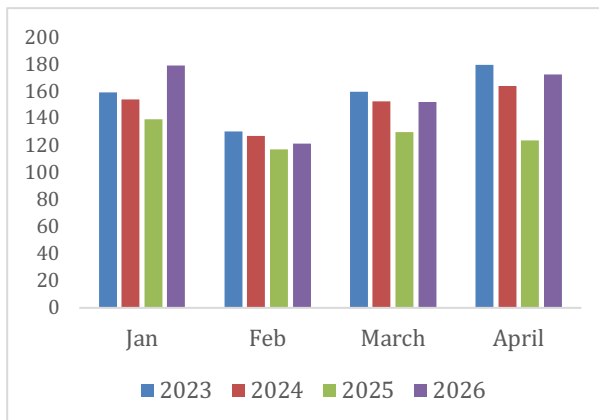
(Armenia Economic Activity Index, yoy change, %)



Source: Statistical Committee of Republic of Armenia

Figure 2. Tourist arrivals continued to soar in 2026

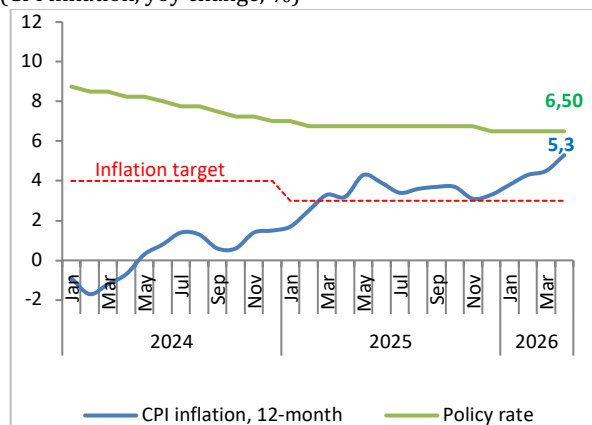
(thousand tourists)



Source: Tourism Committee

Figure 3. Inflation accelerated in April driven by food prices

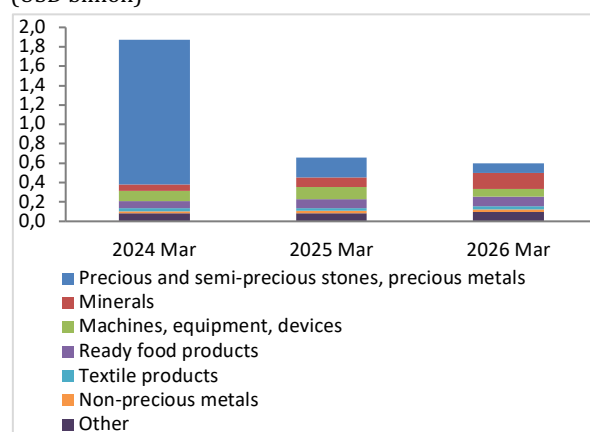
(CPI inflation, yoy change, %)



Source: CBA

Figure 4. Exports contracted in March due to a fall in precious and semi-precious stones

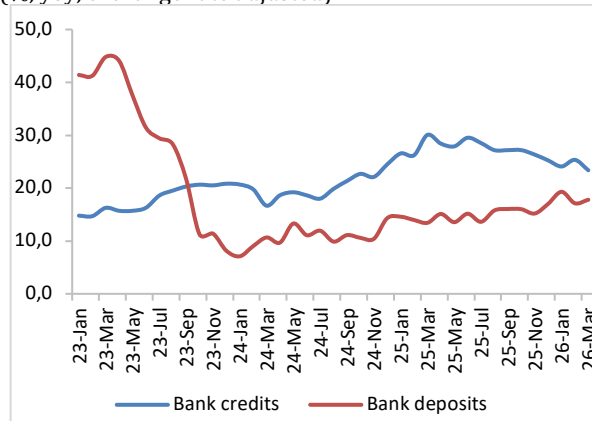
(USD billion)



Source: Statistical Committee of Republic of Armenia

Figure 5. Deposit growth edged up, while credit growth eased in March

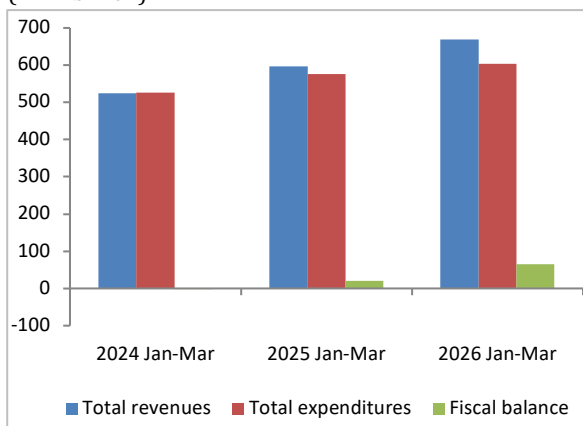
(%, yoy, exchange rate adjusted)



Source: CBA

Figure 6. A surplus equivalent to 0.5 percent of estimated annual GDP was registered in Q1 2026

(AMD billion)



Source: Ministry of Finance