

# ARMENIA'S ECONOMIC OUTLOOK

*January-December 2022*



## Executive summary

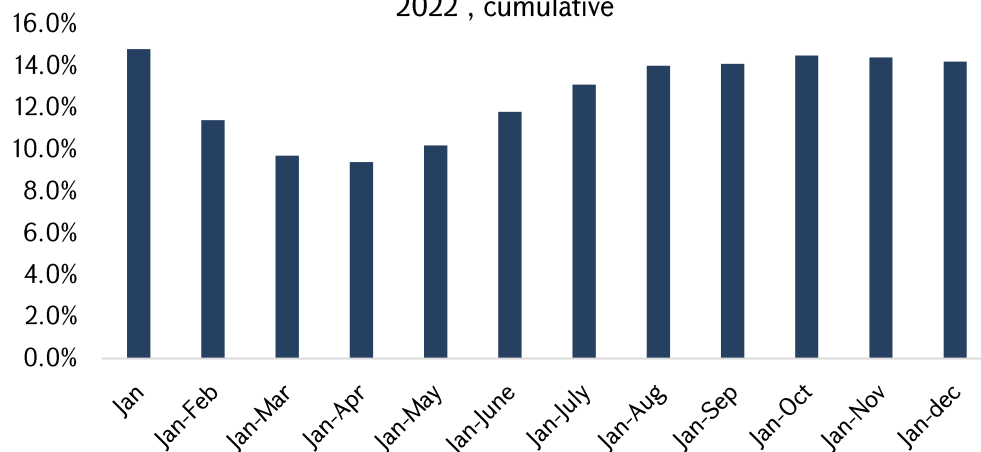
- The most notable thing that happened in 2022 is the Russian-Ukrainian war. After the pandemic, 2022 was expected to be a recovery year for the world, however, the Russian-Ukrainian war disrupted the recovery after the pandemic.
- As a result of the sanctions, there was an influx of Russians to Armenia, Armenia became an attractive substitute trade partner for many products and became a host to many new businesses. Hence, the demand for Armenian products increased, which can be observed by the economic activity indicator of Armenia was 12.9% and 14.2% for December 2022 and Jan-Dec 2022.
- Armenian dram appreciated by approximately 18% since start of the year.
- Comparing January-December 2022 with the same time previous year we can observe that:
  - Exports grew by 77.7%.
  - Imports grew by 63.5%.
  - Number of tourists inflow increase by 90.2%.
  - Average salary increased by 15.5%.
  - Services output increased by 28.2%
  - Trade grew by 17.0%
- Armenia's inflation for January-December 2022 reached 8.6% and the central bank increased the interest rate six times during the 2022.



# Key economic indicators snapshot

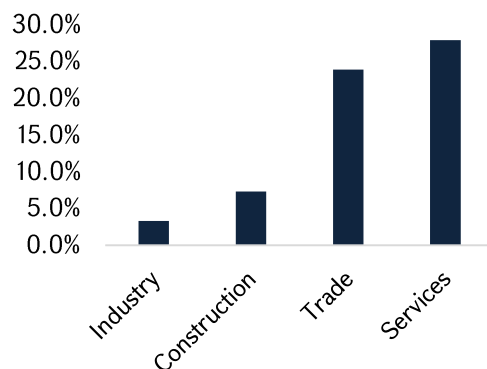
**Figure 1. Indicator of economic activity**

2022 , cumulative



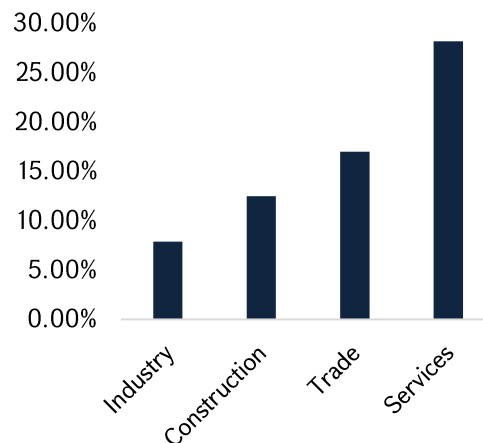
**Figure 2. Growth by sectors**

December 2022 com. to the same month previous year



**Figure 3. Growth by sectors**

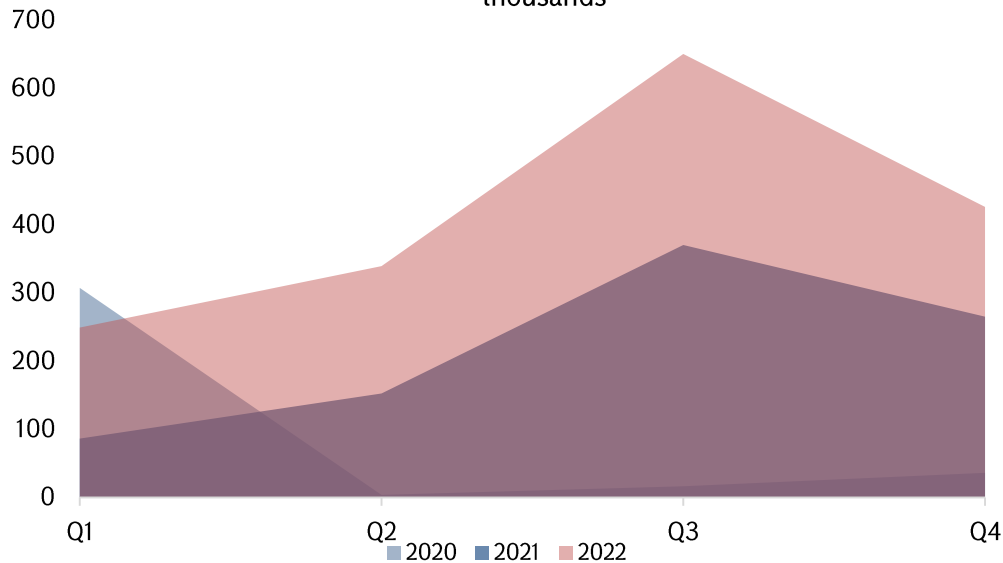
2022 com. to the previous year



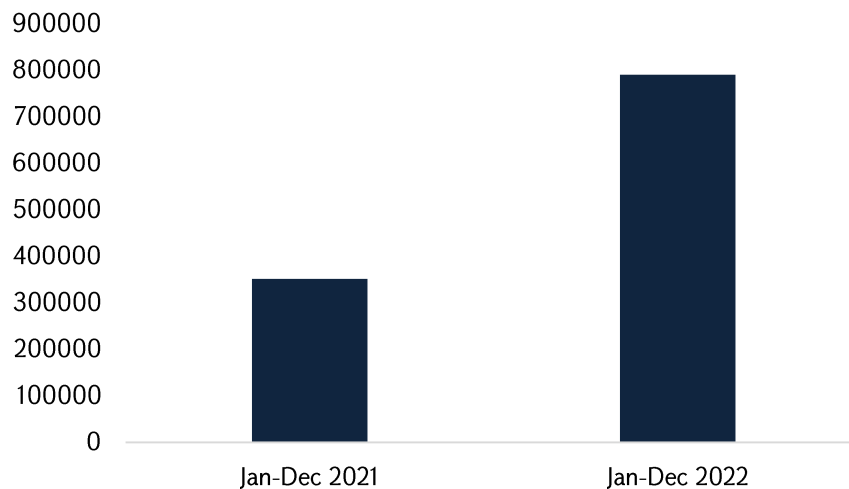
- ♦ **Economic activity indicator (EAI)** has shown an upward-sloping trend throughout the year by revolving around 9.4-14.8%. After Jan-Apr, Armenia's EAI reached double digits, after which, it did not slow down until Jan-Nov 2022, where Armenia observed a little slowdown in the economy.
- ♦ **Industry.** The volume of industrial production in 2022 amounted to 2683.5 billion drams, increasing by 7.9% compared to the same period last year. The main products contributing to industrial production growth for 2022 are manufacturing (+13.5% relative to 2021) and electricity, gas, steam and high-quality air supply (0.9% relative to the 2021). The industry's growth was negatively affected by the mining industry
- ♦ **Construction.** The construction output in 2022 amounted to 541.1 billion drams, increasing by 12.5% compared to the same period last year. Construction growth was mainly contributed by organizational funds (21.3% relative to the 2021)
- ♦ **Trade.** The volume of internal trade turnover in 2022 amounted to 4370.3 billion drams, increasing by 17% compared to the same period last year. One of the main reasons for the growth of the internal trade in the inflow of Russian to Armenia throughout 2022.
- ♦ **Services.** The volume of services turnover in 2022 amounted to 2575.8 billion drams, increasing by 28.2% compared to the same period last year. The main subsectors contributing to services turnover growth for 2022 financial and insurance activities 49.3% relative to the 2021), transport (39.1% relative to the 2021), and information and communication industry (42.0% relative to the 2021). The high growth in the service sector can also be connected with the influx of Russians, as many of them permanently relocated to Armenia, opened businesses, and created new demands within the market.

# Tourism

**Figure 4. International tourist arrivals**  
thousands

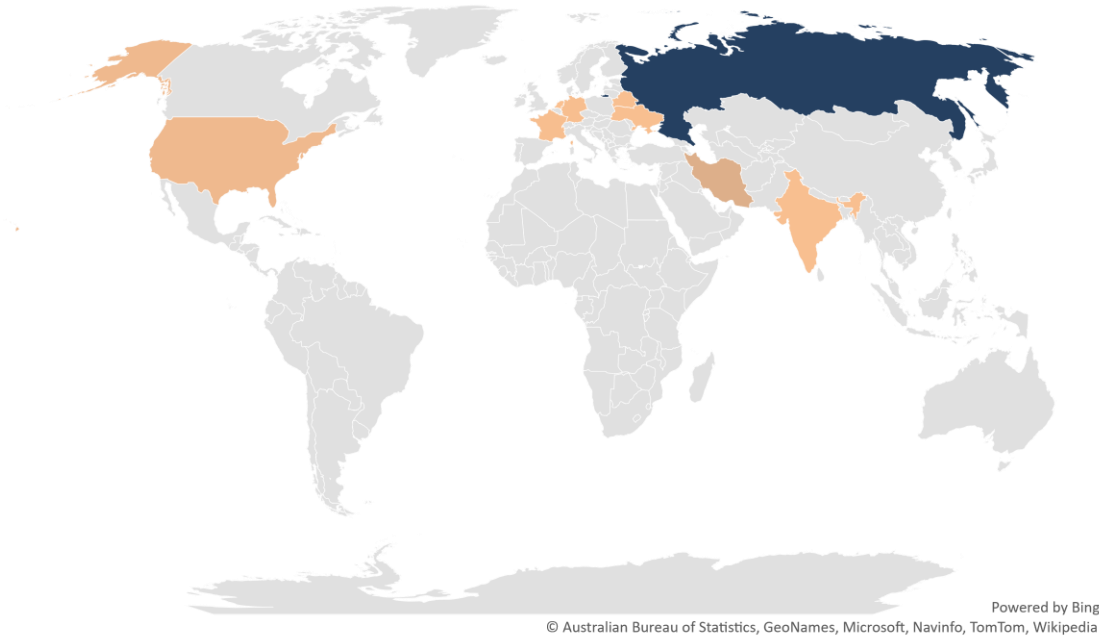


**Figure 5. Number of tourists from Russia**



- ♦ Armenia observed a huge jump in number of tourists in 2022 compared to the previous last year.
- ♦ During the 2022 the number of tourists reached 1665.7 thousand which increased by 90.2% when compared to the same period previous year.
- ♦ Few of the reasons for the surge in the number of tourists are;
  - ♦ the Russian-Ukrainian war
  - ♦ influx of Armenian diaspora
- ♦ Tourists from Russia accounted for 47.5% of the entire entries.
- ♦ Based on the increase in number of tourists we expect the inflows return to be increase by approximately 90% as well, as the inflows' return and number of tourist' increase are proportional for Armenia
- ♦ In result of the Russian-Ukrainian war the number of tourists from Russia, saw a huge leap. Comparing to the same period previous year, the number of tourists from Russia grew by 2.2 times. The main reasons for the jump are;
  - ♦ The Russian-Ukrainian war
  - ♦ Sanctions on Russia
  - ♦ Relocation of many Russians to Armenia
  - ♦ Partial mobilization announce

# Tourism



## Arrival Origins

2022

1665.7 thousand, 90.2% YoY change

<b>Russia</b>	790.4 thousand, 2.2x YoY change
<b>Georgia</b>	175.0 thousand, 2.5x YoY change
<b>Iran</b>	116.4 thousand, 27.5% YoY change
<b>USA</b>	50.7 thousand, 58.9% YoY change
<b>Germany</b>	23.7 thousand, 97.2% YoY change
<b>France</b>	23.4 thousand, 62.9% YoY change
<b>India</b>	18.2 thousand, -0.1% YoY change
<b>Ukraine</b>	18.1 thousand, -18.3% YoY change
<b>Belarus</b>	17.2 thousand, 2.4x YoY change
<b>Netherlands</b>	11.0 thousand, 44.0% YoY change
<b>Kazakhstan</b>	10.8 thousand, 96.9% YoY change

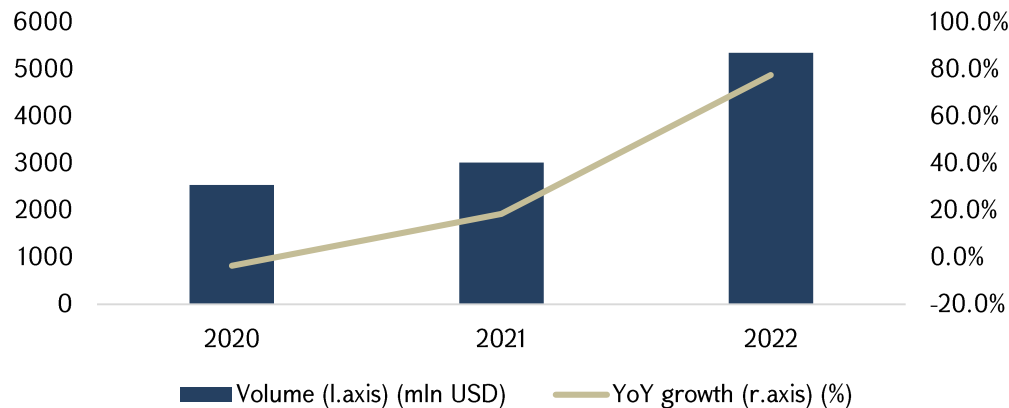
790.4 thousand



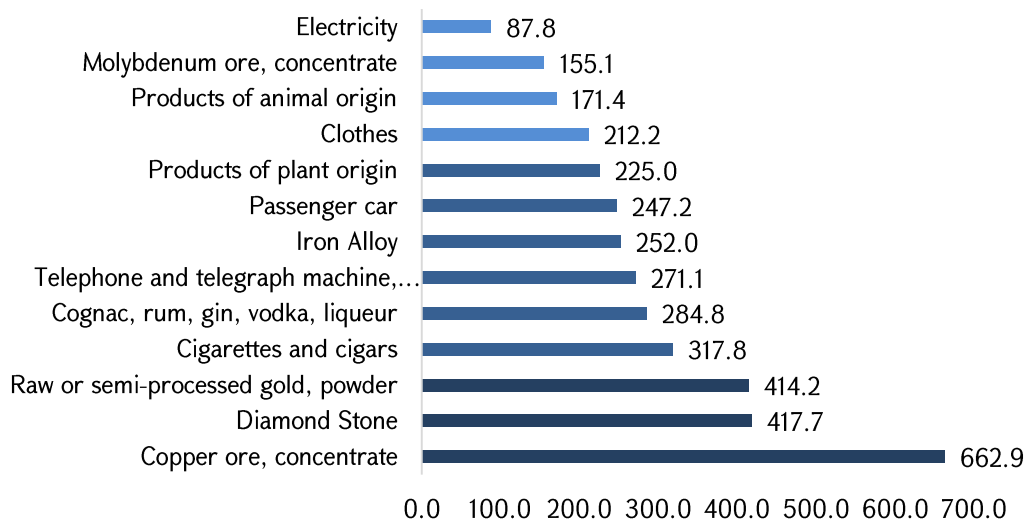
10.8 thousand

# International trade: Export

**Figure 6. Exports of goods**  
2022, mln USD



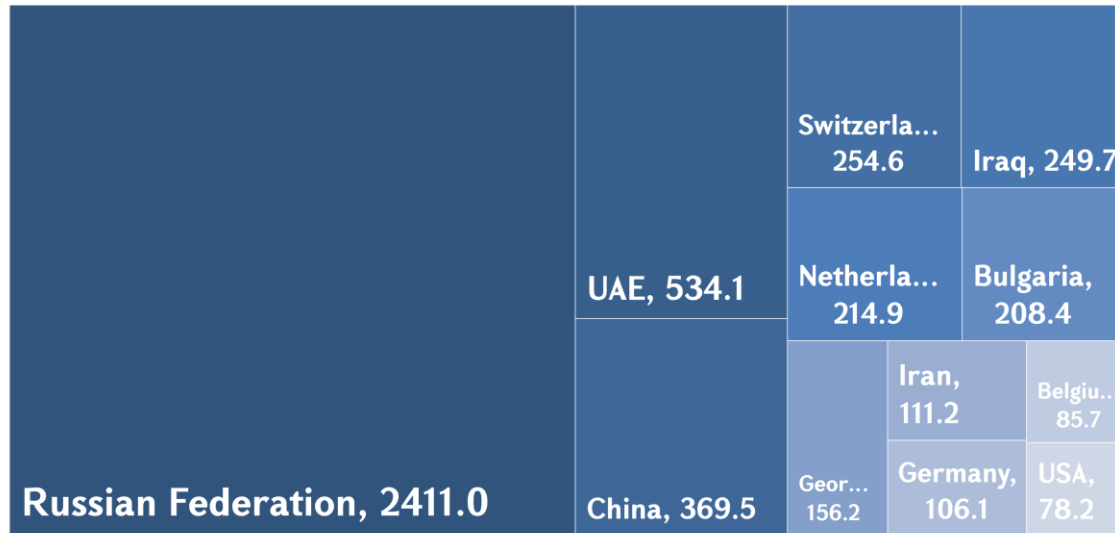
**Figure 7. Exports by goods**  
2022, mln USD



- ♦ **Exports in 2022** amounted to 5360.1 million US dollars, increasing by 2343.7 million USD or 77.7% over the same period last year.
- ♦ One of the main contributors for the export growth is the Russian-Ukrainian war, as the sanctions on Russia opened new markets for Armenia to export
- ♦ The main products contributing to growth for 2022 (percentages are relative to the same period):
- ♦ **Electricity:** 87.8 million USD, increasing by 46.0 million USD or 2.1x.
- ♦ **Molybdenum ore, concentrate:** 155.1 million USD, increasing by 32.8 million USD or 26.8%.
- ♦ **Products of animal origin** 171.4 million USD, increasing by 64.4 million USD or 60.2%.
- ♦ **Clothes:** 212.2 million USD, increasing by 28.7 million USD or 15.7%.
- ♦ **Products of plant origin:** 225.0 million USD, increasing by 38.4 million USD or 20.6%.
- ♦ **Passenger car:** 247.2 million USD, increasing by 242.2 million USD or 48.7x.
- ♦ **Iron alloy:** 252.0 million USD, increasing by 63.3 million USD or 33.5%.
- ♦ **Telephone and telegraph parts:** 271.1 million USD, increasing by 268.8 million USD or 117.5x.
- ♦ **Cognac, rum, gin, vodka, liqueur:** 284.8 million USD, increasing by 42.3 million USD or 17.5%.
- ♦ **Cigarettes and cigars:** 317.8 million USD, increasing by 80.0 million USD or 33.6%.

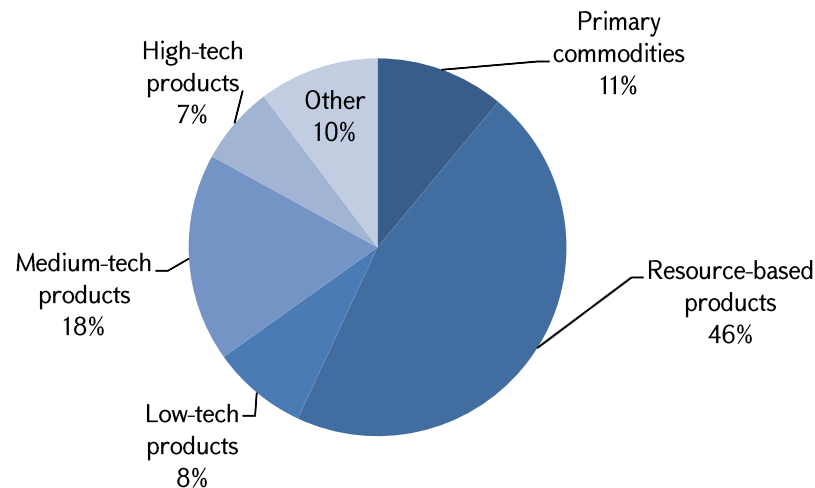
# International trade: Export

**Figure 8. Export volumes by country**  
2022, mln USD



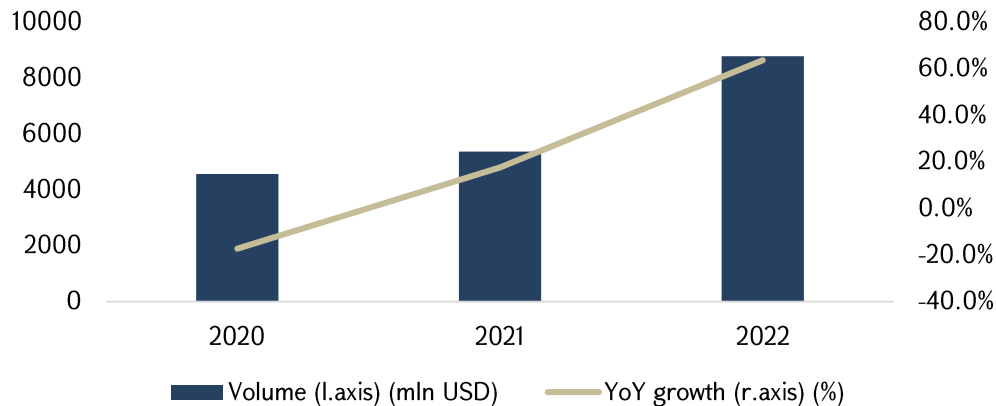
- ♦ **Raw or semi-processed gold, powder:** 414.2 million USD, increasing by 280.4 million USD or 3.1x.
- ♦ **Diamond stones:** 417.7 million USD, increasing by 312.1 million USD or 4.0x.
- ♦ **Copper Ore:** 662.9 million USD, decreasing by 106.3 million USD or 13.8%.
- ♦ **Main exporting countries:**
  - ♦ Primary trade partner Russia accounted for 45% of total exports in 2022, amounting to 2411.0 million USD. This represents an increase of 1570.3 million USD, or 2.9x growth compared to the same period last year.
- ♦ **Other major partner countries:**
  - ♦ **UAE:** Exports in 2022 amounted to 534.1 million US dollars, increasing by 459.7 million US dollars or 7.2x compared to the same period last year, the exports to UAE have risen the most comparing with other countries in the top 10 list.
  - ♦ **China:** Exports in 2022 amounted to 369.5 million US dollars, decreasing by 23.7 million US dollars or 6.0% compared to the same period last year.
  - ♦ **Switzerland:** Exports in 2022 amounted to 254.6 million US dollars, decreasing by 104.9 million US dollars or 29.2% compared to the same period last year.

**Figure 9. Exports of goods by tech level**  
2022, mln USD

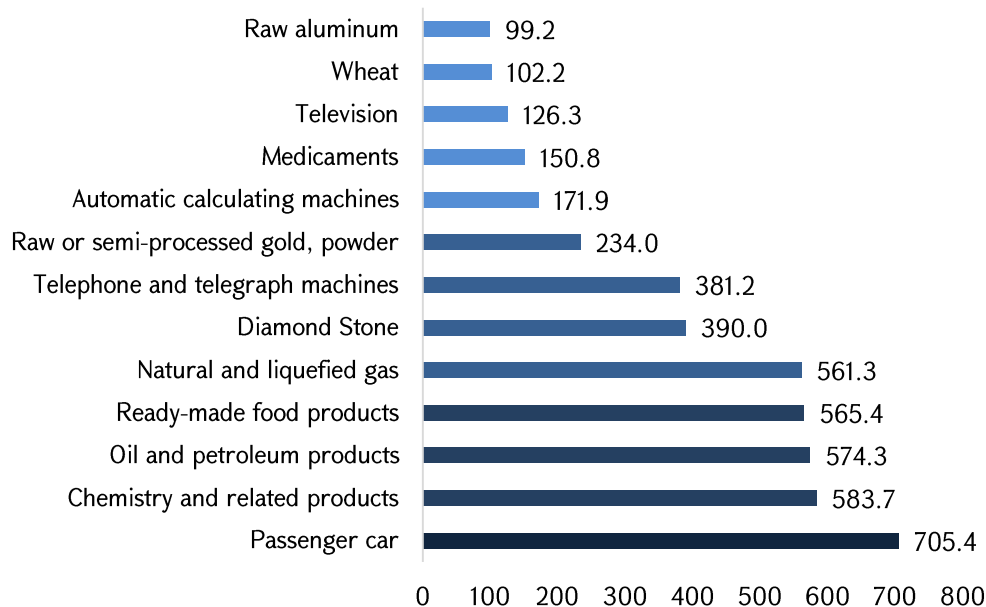


# International trade: Import

**Figure 10. Imports of goods**  
2022, mln USD



**Figure 11. Imports by goods**  
2022, mln USD

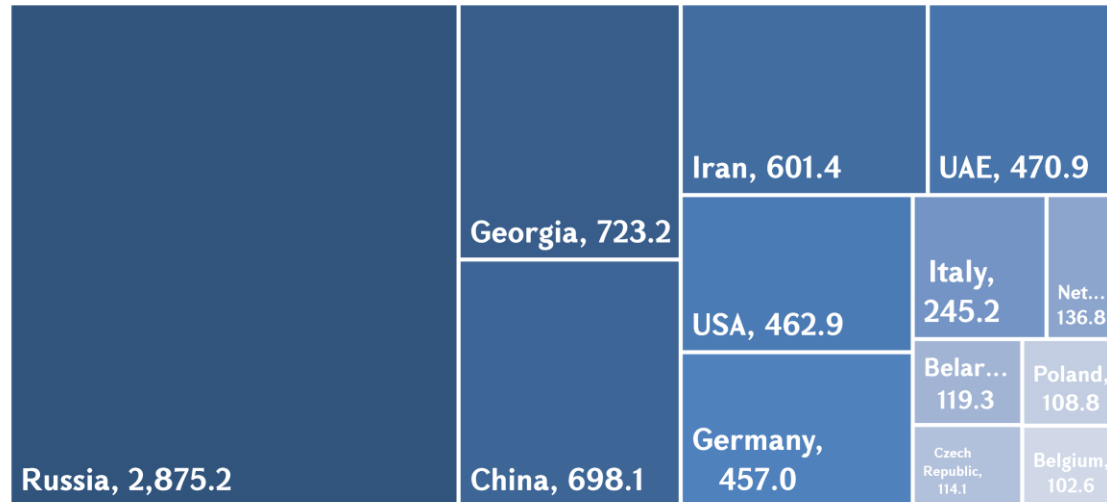


- Imports in 2022 amounted to 8768.7 million US dollars, increasing by 3405.6 million USD or 63.5% over the same period last year. The main products contributing to growth for 2022 (percentages are relative to the same 2021 period):
- Raw aluminum:** 99.2 million USD, increasing by 26.1 million USD or 35.8%.
- Wheat:** 102.2 million USD, increasing by 39.9 million USD or 63.9%.
- Television:** 126.3 million USD, increasing by 97.3 million USD or 4.3x.
- Medicaments:** 150.8 million USD, increasing by 14.1 million USD or 10.3%.
- Automatic calculating machines:** 171.9 million US dollars, increasing by 114.2 million USD or 3.0x.
- Raw or semi-processed gold, powder:** 234.0 million USD, increasing by 143.9 million USD or 2.6x.
- Telephone and telegraph machines:** 381.2 million US dollars, increasing by 298.2 million USD or 4.6x.
- Diamond stones:** 390 million USD, increasing by 266.6 million USD or 3.2x.
- Natural and liquified gas:** 561.3 million USD, increasing by 72.0 million USD or 14.7%.
- Ready-made food products:** 565.4 million USD, increasing by 132.2 million USD or 30.5%.
- Oil and petroleum products:** 574.3 million USD, increasing by 201.8 million USD or 54.2%.
- Chemistry and related products:** 583.7 million US dollars, increasing by 129.3 million USD or 28.4%.
- Passenger car:** 705.4 million USD, increasing by 579 million USD or 5.6x.



# International trade: Import

**Figure 12. Import volumes by country**  
2022, mln USD



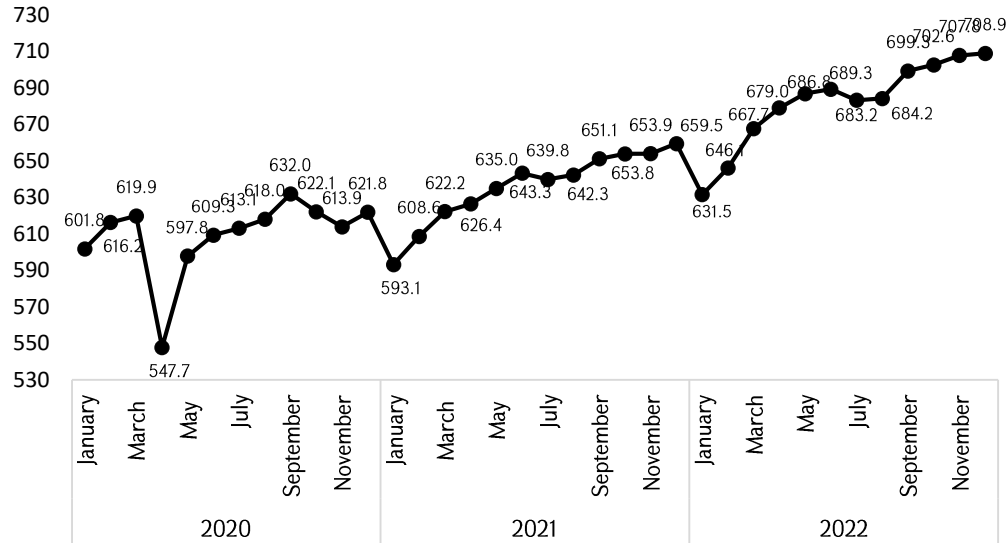
**Table 1. Imports by BEC**  
January-December 2022, mln USD

	IMPORT	YoY growth	
	mln USD	mln USD	%
<b>Total</b>	<b>8768.7</b>	<b>3405.6</b>	<b>63.5</b>
<b>Capital goods</b>	1379.3	547.3	65.8
<b>Intermediate goods</b>	4347.9	1716	65.2
<b>Consumer goods</b>	3041.5	1142.3	60.1
	Import structure		Growth structure
	%		
<b>Total</b>	<b>100.0</b>		<b>100.0</b>
<b>Capital goods</b>	15.7		16.1
<b>Intermediate goods</b>	49.6		50.4
<b>Consumer goods</b>	34.7		33.5

- Primary trade partner Russia accounted for 32.8% of total imports in 2022, amounting to 2875.2 million USD. This represents an increase of 877.3 million USD, or 43.9% growth compared to the same period last year.
- Other major partner countries:
  - **Georgia:** Imports in 2022 amounted to 723.2 million US dollars, increasing by 368.9 million US dollars or 104.1% compared to last year's same period.
  - **China:** Imports in 2022 amounted to 698.1 million US dollars, increasing by 146.2 million US dollars or 26.5 % compared to last year's same period.
  - **Iran:** Imports in 2022 amounted to 601.4 million US dollars, increasing by 161.8 million US dollars or 36.8% compared to last year's same period.
- According to the Broad Economic Classification of Goods (BEC), the growth is largely due to the increase in the volume of Intermediate goods, which account for 49.6% of total import volumes.
- Imports of consumer goods in 2022 amounted to 3041.5 million US dollars, increasing by 1142.3 million US dollars or 60.1% compared to the same period last year. The growth is mainly due to the activation of domestic demand.
- Capital goods import growth rate exceed those of Intermediate and consumer goods.
- Import of intermediate goods in 2022 amounted to 4347.9 million US dollars, increasing by 1716 million USD or 65.2% compared to the same period last year.
- Import of capital goods in 2022 amounted to 1379.3 million US dollars, increasing by 547.3 million US dollars or 65.8% compared to the same period last year.

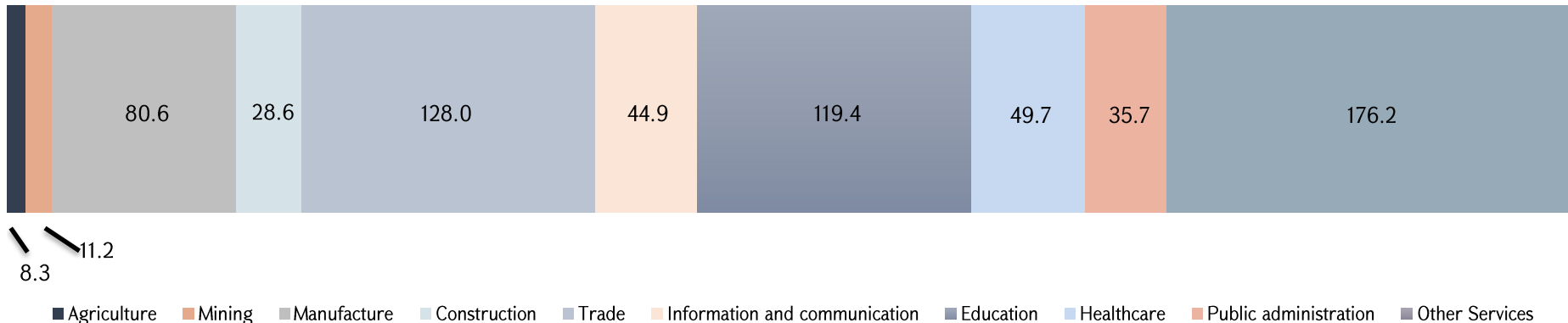
# Labor market: Formal employment

Formal employment  
thousands



- ♦ The formal employment for December 2022 reached 708.9 thousand people, increasing by 37.0 thousand from December 2021 or by 4.9%.
- ♦ Trade, education and manufacturing categories have the most formal employees for December 2022.
- ♦ The formal employees of the IT sector for December 2022 reached 32.7 thousand. Which Grew by 43.2% comparing with the same period previous year.
- ♦ The healthcare sector dropped by 2.9%
- ♦ The highest growth was been in the construction sector and information and communication sector.
- ♦ **The Russian-Ukrainian resulted to increase the inflow of tourists/immigrants to Armenia, which increased the demand for Accommodation and food service activities, which could be one of the reasons that the sector's growth was faster than others**
- ♦ **With the war a new batch of employees also came to Armenia. By opening businesses or by finding jobs in Armenia, they have contributed to the growth of many sectors specially the IT sector**

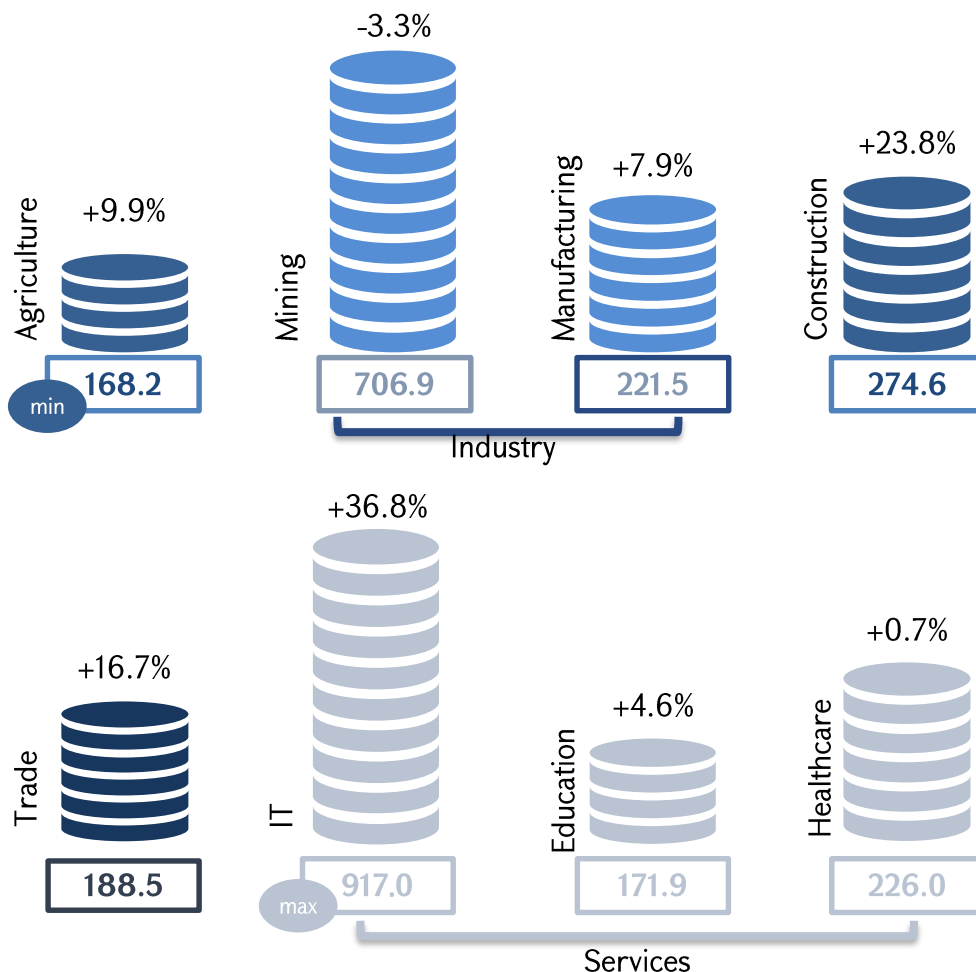
Formal employment  
December 2022, thousands



# Labor market: Wages

**Average**  
December 2022

309 thousands, +20.9% YoY change



- ♦ The average number of employees (formal employment) in December 2022 amounted to 708.9 thousand increasing by 5.5% or 37.0 thousand compared to the same period last year.

**Of This:**

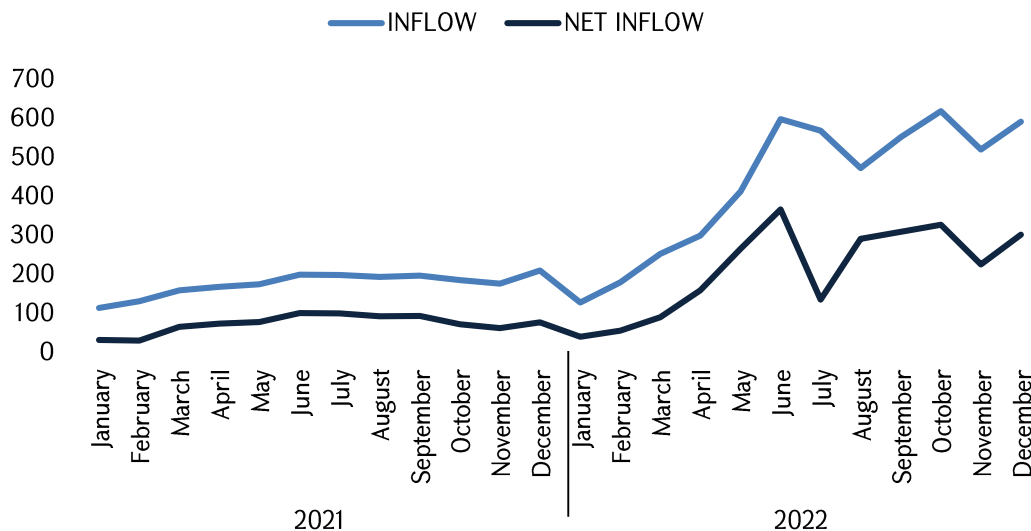
- ♦ **Agriculture:** the average number of employees was 8,371, decreasing by 1.1%.
- ♦ **Industry:** the average number of employees was 118,106, increasing by 3.6%.
- ♦ **Construction:** the average number of employees was 28,570, increasing by 11.5%.
- ♦ **Wholesale and Retail Trade:** the average number of employees was 128,049, increasing by 9.0%.
- ♦ **Services:** the average number of employees was 425,810, increasing by 4.8%.
- ♦ The average monthly salary in December 2022 amounted to 309,080 drams, increasing by 20.9% compared to last year.

**Of This:**

- ♦ **Agriculture:** the average monthly salary was 168,227 drams, increasing by 9.9%.
- ♦ **Industry:** the average monthly salary in the Mining field was 706,910 drams, decreasing by 3.3% and the average monthly salary in the Manufacturing field was 221,531 drams, increasing by 7.9% .
- ♦ **Construction:** the average monthly salary was 274,601 drams, increasing by 23.8%.
- ♦ **Wholesale and Retail Trade:** the average monthly salary was 188,505 drams, increasing by 16.7%.
- ♦ **Services:** the average monthly salaries in the “Information and Communication” and “Education” subheadings were 917,027 and 171,900 drams, increasing by 36.8% and 4.6%, respectively.

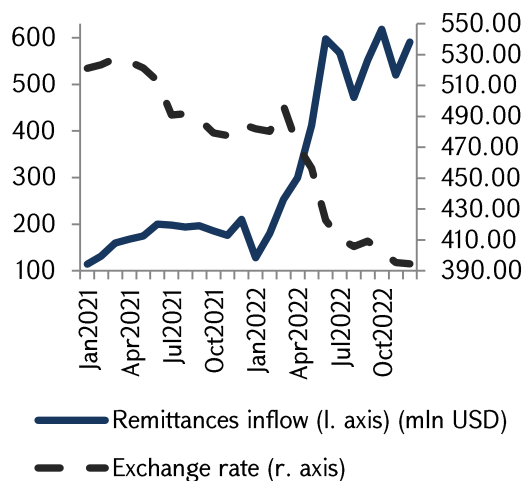
# Remittance inflow and Exchange rate

**Figure 13. Remittance inflow**  
Mln USD

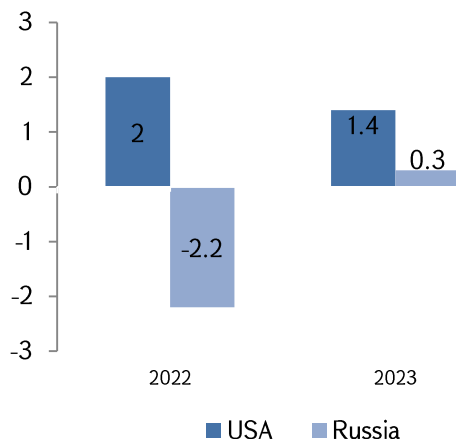


- In 2022, the total inflow volume of money transfers reached 5190.4 Million USD, increasing by 2.5x compared to the same period last year.
- Most of the remittances were received from Russia, which accounts for approximately 69.3% of the remittances. For 2022, inflows from Russia totaled to 3598.2 million USD, increasing by 4.2x YoY.
- Remittances from the United States accounted for 12.9% of the remittances. In 2022, it totaled 671 million USD, increasing by 15.6% YoY.
- In 2022, net inflow transfers of individuals amounted to 2583.6 million USD, increasing by 2.9x YoY.
- After the Russian-Ukrainian the inflow of remittances and the net inflows increased significantly, meaning that although there is a shock factor, the pace of the remittances is not dropping if we exclude the effects of the war.
- From the figure 14, we can see the remittances and exchange rate are negatively correlated, however, the Russian-Ukrainian war have caused them have a similar pattern in the first quarter of 2022, however, after May 2022, the pattern went back to its original inversely correlated pattern
- According to IMF economic outlook, Russia & the USA will have -2.2 and 2 economic growth in 2022, respectively, followed by -0.3% and 1.4% in 2023.
- The slow and negative growth of GDP for the USA and Russia may not affect the inflow of remittances to Armenia, as the growth of the inflow from both Russia and USA did not slow down, despite the economic situations.

**Figure 14. Remittances and USD/AMD relationship**



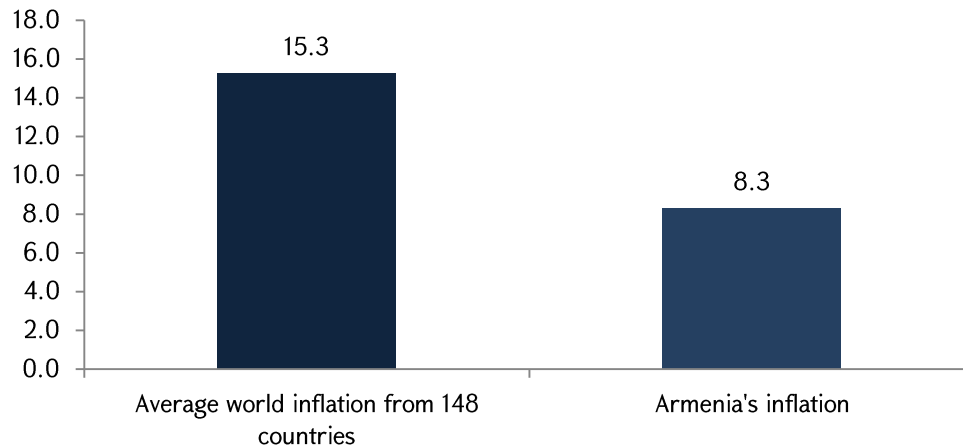
**Figure 15: Forecasts of GDP growth for USA & Russia**



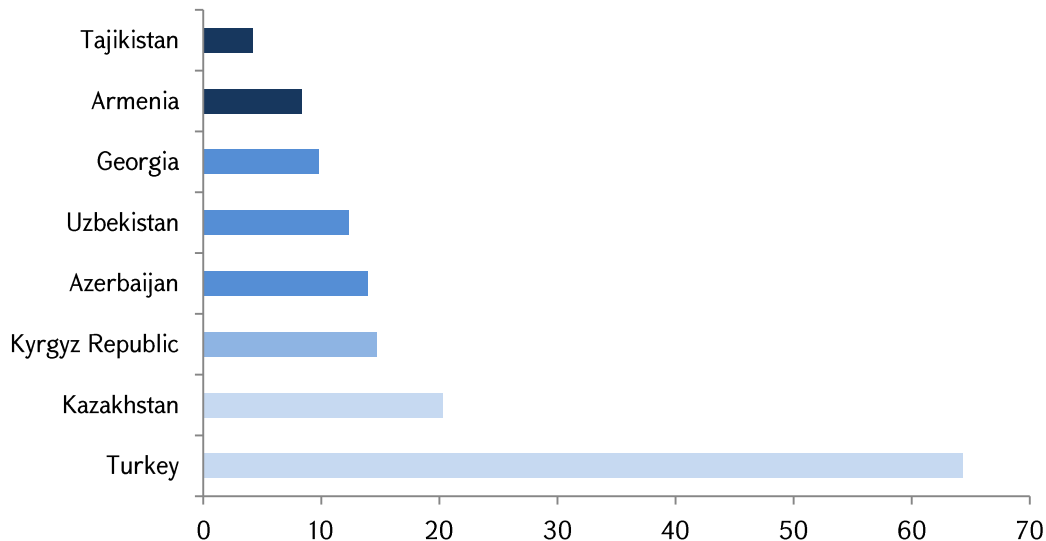


# CPI- Armenia vs Rest of World

**Figure 16. December 2022 inflation, %**  
World vs Armenia



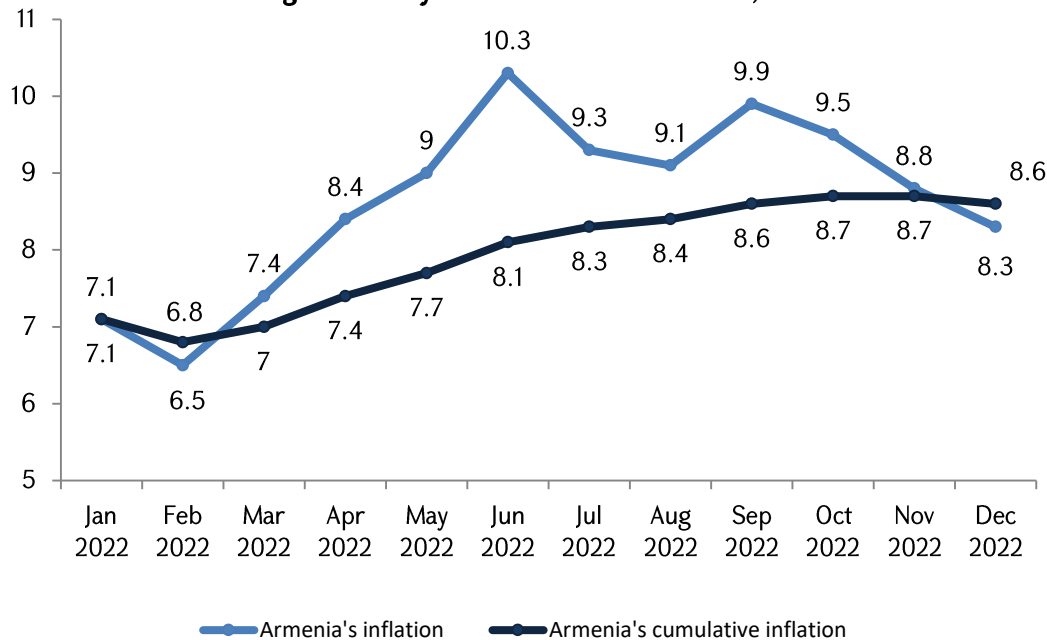
**Figure 17. Inflation rate, average consumer prices**  
annual percent change, %



- ♦ After the Russian-Ukrainian war, many sanctions have been introduced on Russia. In response, Russia also introduced sanctions. As a result of this sanctions and war the recovery from COVID-19 slowed down and the inflation rate for Armenia and the world continued to accelerate.
- ♦ As of the end of 2022, world inflation remains a concerning and growing factor. According to the current data, average global inflation from 148 countries for the months of December 2022 is approximately 15.3%. This implies nearly all countries have suffered from the inflation surge.
- ♦ Armenia's inflation rate according to Armenia's statistical committee was 8.3% during December 2022.
- ♦ Armenia, although its geographical location, does not have as high inflation rate as its neighboring countries. From Figure 17, we can observe that during December, Tajikistan is the only countries that had better inflation rate than Armenia in the region with 4.2%.
- ♦ Armenia's Central Bank during 2022 have raised its interest rate six times, which is one of the factors that kept the inflation stable. The increase from the beginning of the year was with 2.75 percentage point.
- ♦ For December 2022, Armenia's inflation is lower than the world's average inflation rate.

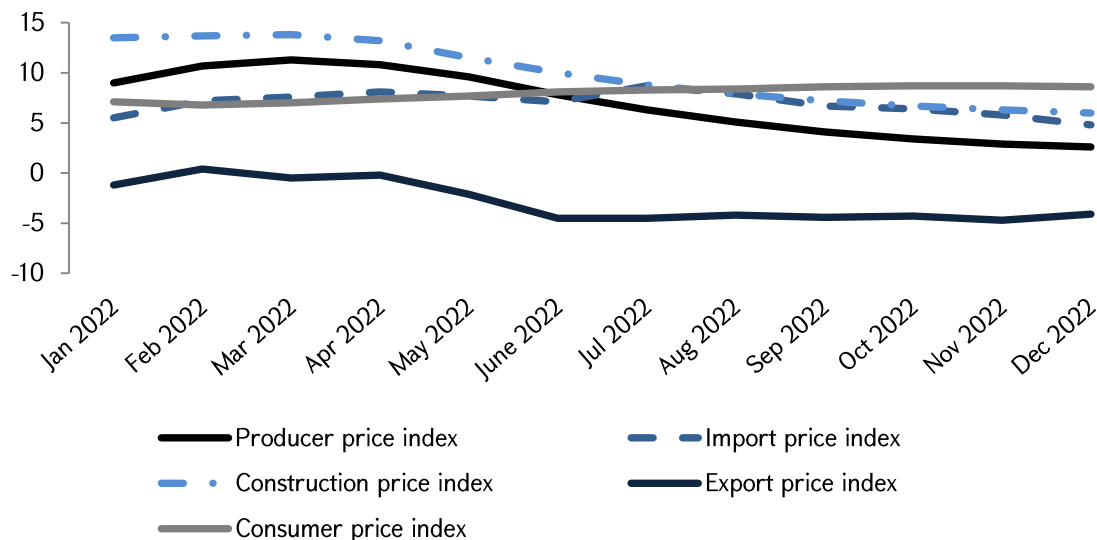
# Armenia's Price Indices

**Figure 18. Dynamics of Armenia's CPI, %**



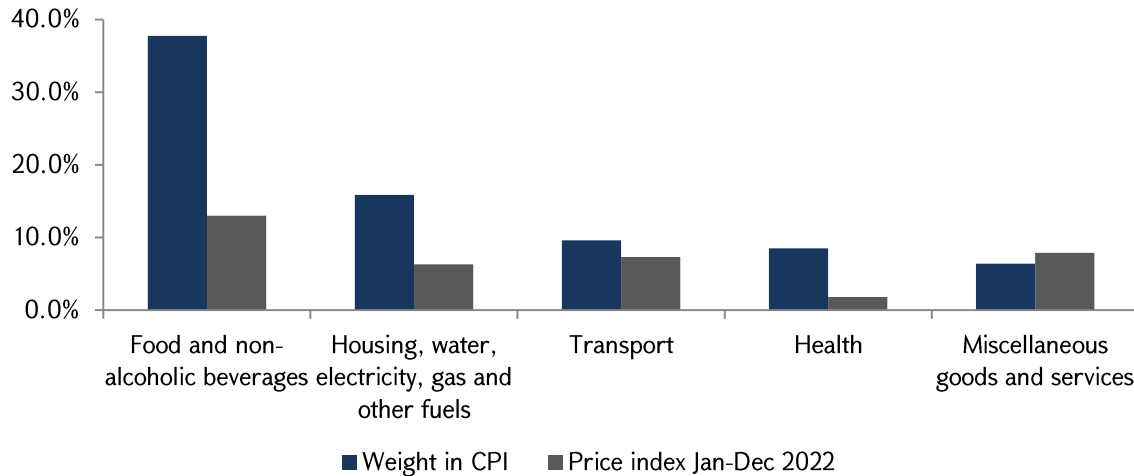
- The National Statistical committee of the Republic of Armenia has reported the consumer price index of Armenia as 8.3% for December 2022 and 8.6% for cumulative Jan-Dec 2022.
- The Deposit, Repo, and Refinancing Rates of the CBA increased for 2022. They are currently: 9.25%, 12.25%, and 10.75% respectively.
- Consumer price index and export price index throughout 2022 were relatively stable, when comparing with other price indices in Armenia .
- Although the import price index decreasing overtime in 2022. Armenia is still a heavily import-dependent country for final, capital, and intermediate goods. So, the spillover effect was somewhat inevitable.
- After Jan-Aug 2022 period, there is a clear downtrend in the price indices of construction, import and producer. In 2022, The producer price index, import price index and construction price index reached 2.6%, 4.8% and 6% respectively.
- Armenia's export index was reported negatively for Jan-Dec 2022 period. This could be, because Armenia's exchange rate appreciated by more than 20% since start of the year.

**Figure 19. Dynamics of price indicies of Armenia, %**



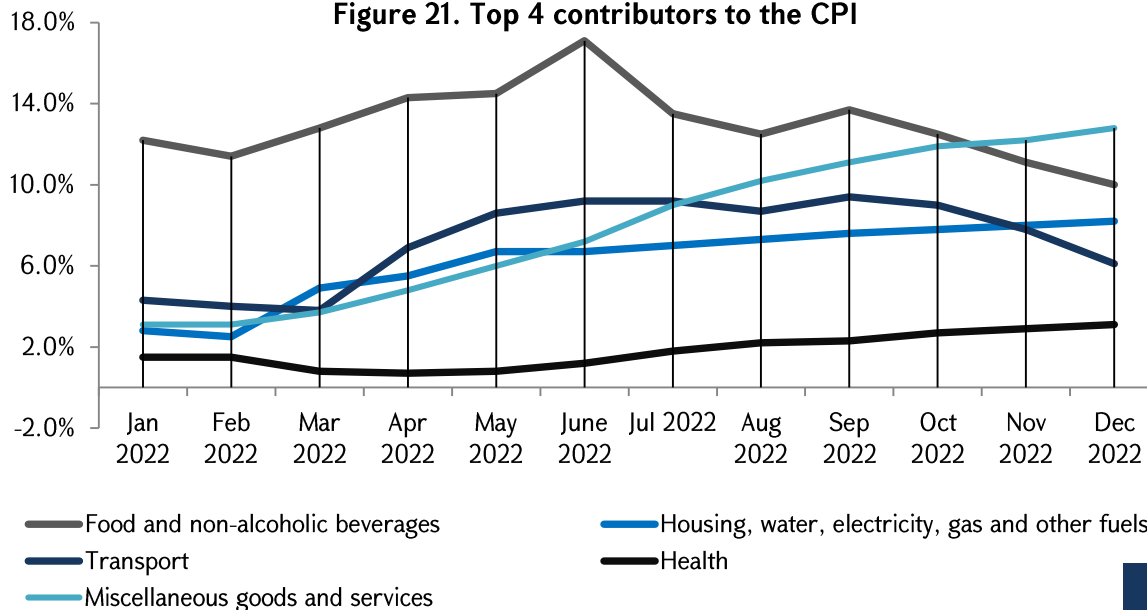
# Armenia's Price Indices

Figure 20. 5 major weights in the CPI basket



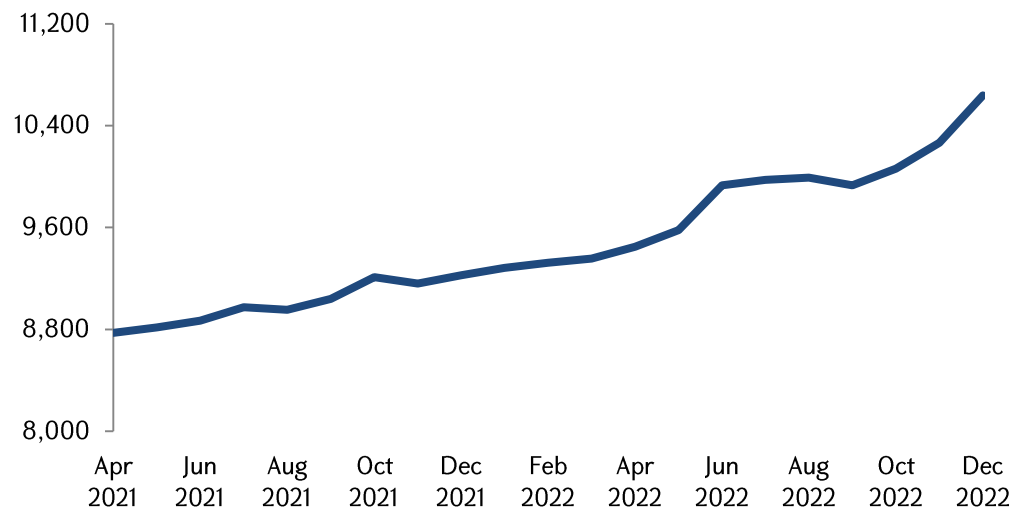
- ♦ Armenia's CPI basket is composed of twelve main categories, each category is weighted according to the needs and priorities of consumers.
- ♦ The twelve categories are: 1) Food and none alcoholic beverages, 2) Housing, water, electricity, gas, and other fuels, 3) Health, 4) Transport, 5) Alcoholic beverages, 6) Clothing and footwear, 7) Communication, 8) Furnishings, Household Equipment, 9) Recreation and Culture, 10) Education, 11) Restaurants and Hotels, and 12) Miscellaneous Goods and Services.
- ♦ The top two contributors by weight are food and housing.
- ♦ For the Jan.-Dec. 2022 period, "Food" had the highest weighted inflationary bearing on CPI. It accounted for approximately 4.9 percentage point out the cumulative 8.6 inflation rate.

Figure 21. Top 4 contributors to the CPI

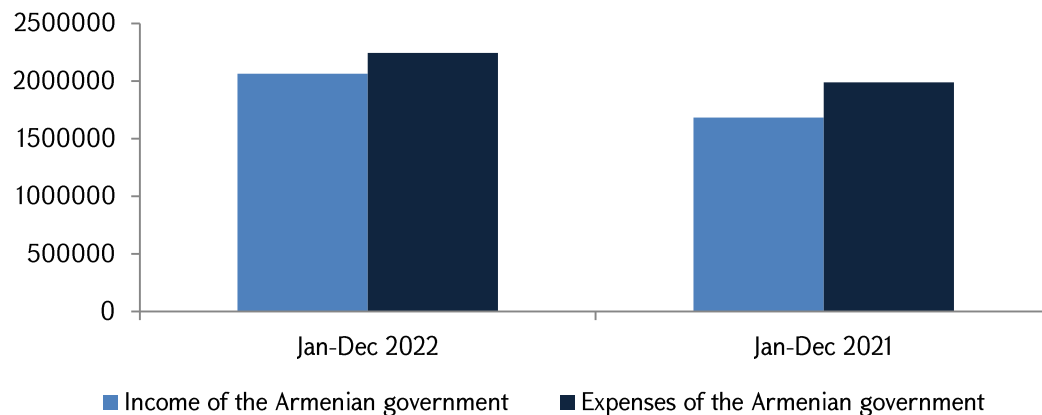


# Armenia's Debt and Budget

**Figure 22. Armenia's public debt**  
USD mln



**Figure 23. Armenia's budget's income and expenses,**  
mln Dram



- ♦ Armenia's total debt during December 2022 reached 10,637.7 million USD.
- ♦ From this, 6,450.8 million dollars are external debts, which has decreased by approximately 3.0% from December 2021, while the rest are internal debts, which increased by approximately 62.5%.
- ♦ The external debts are divided into two parts: Armenia's government debt, which accounts for approximately 91.5% and decreased by 4.7% since December 2021, and the Central Bank of Armenia which accounts for approximately 8.5%, which has went up since December 2021 by 20.5%.
- ♦ For 2022, Armenia's budgetary income was 2,063,127.2 million AMD, which is up by 22.5% when comparing with the same period of the previous year.
- ♦ This was due to tax and fee revenue which increased by approximately 21.4%, reaching 1,925,968.7 million AMD,
- ♦ Government expenses increased for the 2022 period, by approximately 12.8%. Government spending is separated into ongoing expenses and operation of non-financial assets.
- ♦ Ongoing expenses increased by 4.2%, which includes salaries of public sector workers, acquiring of goods and services, interest payments, grants, etc.
- ♦ Non-financial assets increased by 90.1% when compared with 2021.