

Economic Outlook

(first half of 2003)

1. Real GDP growth in the first half of 2003 was 14.8% against the same period of the previous year in real terms. The growth rate was higher by 3.4 percentage points compared to the first quarter of this year. Estimations suggest that economic growth in 2003 will be significantly higher than the projections of the Budget Message and the Monetary Policy Program. According to our forecasts, annual economic growth in 2003 will be above the level of 10%.
2. GDP growth was mainly accounted for by the industry and construction sectors. In the first half of 2003, industrial products grew by 18.6%, thus accounting for 4.9 percentage points of the GDP growth. It should be mentioned that industrial growth, without production and distribution of electricity, gas and water, totaled 22.2%. The main growth sectors were food industry (11.1% with a share of 32.5% in industrial products); metallurgy (33.7% with a share of 10.6% in industrial products) and jewelry (33.1% with a share of 6.2% in industrial products). Capital construction was still one of the main growth sectors; in the period of January-June, it accounted for 4.5 percentage points of economic growth. In addition to the significant contributions of industry and agriculture to economic growth, almost all other sectors experienced high growth rates.
3. In the period of January-June, inflation of 3.2% was recorded (average monthly inflation was about 0.5%). Inflation was 6.8% against December of the previous year, which was due primarily to an increase of 5-10% on average in prices of bread. Notwithstanding that monetary aggregates in some respects were above the programmed level, no changes were made in the monetary policy program under actual GDP growth that significantly exceeded the projected level. By the end of the first six months, the dram-dollar exchange rate was 585.2 AMD and the average exchange rate was 586.5 AMD, representing a depreciation of Armenian dram (against USD) by 0.8% and 2.3%, respectively, in nominal terms against the previous year.
4. In the first half of 2003, budget revenues and grants were under-performed by 2.6% (program level of tax revenues and duties was over-performed by 1.1%); expenditures were under-performed by 18.4%. Of the large expenditure categories, only the lending side was above the programmed level, by 35.0%. Expenditures experienced poor performance in social sectors, particularly, under-performance rates of 9.7%, 7.6%, 8.5% and 27.6% respectively, were recorded in education and science; healthcare; social security and social insurance; and culture, information, sports and religion. In the period of January-June of 2003, budget revenues and expenditures were 41.7% and 37.6%, respectively, in the composition of the annual programmed budget. The cash deficit in the same period totaled 6.0 bil. AMD or 1.2 % of the half-year GDP, and the primary surplus was about 230 thousand AMD.
5. Foreign trade turnover grew by 45.3%. During the first six months, goods imports grew by 45.3% against the same period in the previous year. High growth rates were mainly recorded in imports of raw materials and input products; without precious and semi-precious stones and metals, import growth was 28.4%. Exports grew by 39.4%; without export of precious and semi-precious stones and metals, exports grew by 36.8%. High growth rates were recorded in food products and other industrial products.
6. As of July 1, the number of permanent residents was 3210.1 thousand; life expectancy - 73.5 years, children's death rate - 12.3 per 1000 life births; death rate of children under 5 - 14.4 per 1000 children; average duration of education – 10 years.
7. According to official data, the unemployment rate in June was 9.0%; the load on each vacant job was 185 unemployed. The average unemployment allowance totaled 3,186 AMD.