



Monthly Economic Trends

in Armenia

January 2006

The recent monthly data was used: data for GDP, Gross Production, State Budget and External Sector available refers to January-November, whereas the data for financial, FOREX and consumer markets – to January-December.

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Summary of Key Macroeconomic Indicators

	2002	2003	2004	2002	2003	2004	2005
	Annual			January-November			
Real sector							
GDP Per Capita (in US dollars)	739.6	874.4	1,106.7	641.3	750.2	942.9	1,302.8
GDP Real Growth (%)	13.2	14.0	10.1	12.5	15.1	10.0	13.5
Industry Real Growth (%)	13.9	15.6	2.1	16.1	18.2	1.5	6.6
Agriculture Real Growth (%)	3.8	4.2	14.5	4.1	2.2	14.3	10.9
Construction Real Growth (%)	41.5	45.5	13.4	42.5	53.1	13.2	34.1
Transport & Communications Real Growth (%)	-1.7	8.3	16.9	6.2	6.6	17.6	12.9
Trade Real Growth (%)	19.7	14.1	10.5	15.0	14.4	9.2	9.4
Services Real Growth (%)	12.0	8.6	12.1	6.5	6.7	13.2	10.6
GDP Deflator (%)	0.7	4.6	6.0	2.4	2.9	6.0	3.9
CPI (average, %)	1.1	4.7	7.0	1.0	4.4	7.4	0.7
Fiscal Sector (State Budget Indicators by Financing)							
Tax Revenues (in billion AMD)	185.4	212.2	250.1	162.9	186.0	221.9	270.6
Expenditures (in billion AMD)	235.8	242.0	295.9	196.9	213.4	257.0	338.8
Deficit (in billion AMD)	7.8	-8.1	-2.0	-0.6	-1.0	-7.2	13.4
Tax Revenues (as % of GDP)	13.6	13.1	13.2	13.8	13.3	13.6	14.1
Expenditures (as % of GDP)	17.3	14.9	15.6	16.7	15.3	15.8	17.6
Deficit (as % of GDP)	0.6	0.5	0.1	0.05	0.1	0.4	0.7
External Sector							
Exports (FOB, in million US dollars)	505.2	685.6	715.0	455.5	626.2	646.2	867.4
Imports (FOB, in million US dollars)	987.2	1,279.5	1,351.0	873.5	1,158.0	1,212.7	1,581.6
Trade Balance (in million US dollars)	-482.0	-593.9	-635.9	-417.9	-531.8	-566.5	-714.2
Exports Growth (%)	47.8	35.7	4.3	49.7	37.5	3.2	34.2
Imports Growth (%)	12.5	29.6	5.6	10.9	32.6	4.7	30.4
Trade Balance (as % of GDP)	20.3	21.2	17.9	20.3	22.1	18.7	17.0
Monetary Sector							
Broad Money (end-of-period, in billion AMD)	203.1	233.8	285.9	185.6	211.2	264.9	337.1
Net Foreign Assets of CBA (in billion AMD)	123.7	157.8	168.9	102.5	138.9	154.1	223.0
Broad Money Velocity*	6.7	6.9	6.6	6.4	6.6	6.1	5.7
Money Multiplier	2.0	2.1	2.2	2.1	2.0	2.3	1.9

* Calculated as nominal GDP divided by Broad Money.

Source: NSS of RA, EDRC calculations.

Financial, Foreign Exchange and Consumer Markets

	2002	2003	2004	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Annual			Monthly indicators 2005									
Securities Weighted Average Yield (%)													
9 -12 Months Maturity Period	15.6	9.7	-	3.9	3.7	4.9	-	-	3.2	3.8	3.9	3.8	-
Medium-Term Coupon with Partial Repayment	19.7	-	5.6	4.6	5.3	4.9	5.7	5.3	5.1	-	-	5.1	-
CBA Reference Rate of the Banking Interest	19.0	18.0	16.0	16.0	16.0	16.0	18.0	18.0	17.0	17.0	16.0	16.0	16.0
Lending Rate (%)	18.8	20.9	18.2	19.1	16.6	18.9	18.0	18.4	18.4	17.7	18.3	17.4	17.3
Deposit Rate (%)	4.2	6.4	4.4	5.9	5.8	5.6	6.1	6.0	6.2	6.5	5.8	5.4	6.5
Exchange Rate AMD / USD average (growth, %)	3.3	0.9	-7.8	-1.6	-3.9	0.3	-0.1	-1.4	4.1	-1.4	-1.1	2.0	-1.9
Exchange Rate AMD / USD (end-of-period)	584.9	566.0	485.8	458.1	439.3	445.1	442.3	447.7	468.3	444.2	451.2	449.4	450.2
Exchange Rate AMD / EUR (end-of-period)	606.9	702.2	661.1	593.0	566.9	555.1	533.2	541.7	570.5	535.9	547.7	529.9	532.4
Exchange Rate AMD / RUR (end-of-period)	18.3	19.2	17.5	16.5	15.8	15.8	15.4	15.6	16.4	15.6	15.9	15.6	15.6
CPI (end-of-period, %)	2.0	8.6	2.0	-0.9	-0.9	0.1	-1.4	-4.5	-1.4	0.9	0.1	1.1	2.3
Food Goods	1.2	6.1	9.9	-1.4	-1.3	0.0	-2.1	-6.4	-2.2	0.9	0.0	1.5	3.5
Non-Food Goods	0.2	1.9	0.6	-0.4	-0.2	-0.3	-0.1	-0.2	0.4	1.7	0.6	0.5	-0.2
Services	1.1	1.9	1.5	0.6	0.1	1.0	0.4	-0.2	0.4	0.5	0.1	0.2	-0.1

* Including tobacco products and alcoholic beverages.

Source: CBA, NSS of RA, EDRC calculations.

Main Trends

Real Sector

During January-November 2005, Armenian economy grew by 13.5%; GDP at prices for the same period of 2004 grew by USD 1,003 mln and reached 4,032 mln. Consequently, per capita GDP grew by USD 360 in comparison to January – November last year and equaled USD 1,303.

The economic growth was mostly bolstered by growth recorded in construction and agriculture sectors – by providing for respectively 5.2 and 2.4 percentage points in aggregate real growth. The highest growth were recorded in construction – 34.1%, transport and communication – 12.9%, and agriculture – 10.9%. The lowest growth rate was recorded in industry – 6.6%.

Fiscal Sector

According to preliminary data of the Ministry of Finance and Economy, Budget Expenditures in January-November grew at higher pace than the Revenues (by 8.7 percentage points). The Budget ran at deficit of AMD 13.4 bln.

Tax revenues increased by 21.9%, mostly due to increased revenues from VAT and profit tax by 26.6% and 46.5% respectively. Excise tax and simplified tax revenues continued to decline by 5.6% and 6.3% respectively. Non-tax revenues grew about 2.5 times as compared to the previous year, while official transfers shrank about two times.

Capital expenditures almost doubled in comparison to January-November, 2004, whereas interest payments on external debt – by 12.4%. Interests on domestic debt and subsidies decreased by 8.7% and 11.4% respectively.

Majority of Budget Expenditures – 46.6% - went to Defense, Education and Science, as well as Other items. As compared to the previous year, expenditures in Housing and Communal Services grew about 2.5 times.

External Trade

Exports during January-November, 2005 grew faster than imports by 3.8 percentage points. However, because of the higher share of imports in GDP (by 17 percentage points) trade balance was negative. Trade balance excluding humanitarian assistance amounted USD 683.3 mln.

53% of exported goods in 11 months of 2005 were sent to Germany, Russia, the Netherlands and Israel. Exports to Germany doubled as compared to the first 11 months of 2004, while exports to the Netherlands – 5 times, Russia – 47% and Israel – 20.3%.

Imports growth by 30.4% was conditioned by increased in imports from Russia (62%), United Kingdom (8 times), Panama (27 times) and Belgium (53%).

The largest volumes in external trade turnover during January-November were recorded in the trade with Russia – USD 315 mln.

Monetary Sector

As of end-November, 2005, the Broad Money grew by 27.3% or AMD 72 bln as compared to November, 2004. Cash outside the banking sector grew by 50.7%, while Dram deposits – by 52.9%, including Demand deposits doubled. FOREX deposits, which accounted for 40% of the Broad Money, increased by 2.6%.

Reduction in FOREX deposits and increase in Dram deposits continued from the previous month by respectively 3.7% and 3.4%. As a result, share of FOREX deposits in the Broad money decreased from the same date of the previous year by 10 percentage points, thus, improving the ratio between FOREX and Dram deposits by 0.9 percentage points.

Exchange Rates

During January-November, Dram depreciated against all major currencies: by 14.2% or AMD 76 - against USD, by 13.9% or AMD 92 – against EUR and by 12.6% or AMD 2.3 – against RUR.

Dram as of end-December appreciated as compared to December, 2004: by 7.3% or AMD 36 - against USD, by 19.5% or AMD 129 – against EUR and by 10.7% or AMD 1.9 – against RUR.

Consumer Market

A 2.3% inflation was recorded in consumer markets in December 2005, mainly due to increase in food prices by 3.9%. The highest increase was recorded in prices for vegetables and potatoes – by 22.4%, fish products – by 12.5% and fruits – by 12.3%. At the same time, prices for non-food products and services decreased by 0.2% and 0.1% respectively. As a result, prices at end-of-December as compared to December, 2004 decreased by 0.2%.

Thus, year average inflation equaled 0.6%, whereas average inflation for 2004 was recorded as 7.0%.

GDP deflator reached 3.9% during January-November, 2005. If compared to the same period of 2004, the highest deflator was recorded in Construction (17.9%), whereas the highest deflation – in Agriculture (13.4%).

Main Budgetary Indicators

AMD billion, per budgetary financing

	2002	2003	2004	2002	2003	2004	2005
	Annual			January-November			
State Budget Total Revenues and Grants	228.0	250.1	297.9	197.4	214.3	264.3	325.3
Total Revenues	211.3	240.2	288.2	186.8	210.7	257.1	322.0
Current Revenues	209.5	237.0	279.1	185.1	207.7	248.6	312.8
Tax Revenues, of which	185.4	212.2	250.1	162.9	186.0	221.9	270.6
VAT	95.0	107.8	117.9	81.9	94.4	104.3	132.0
Enterprise Profit Tax	17.4	17.6	32.0	16.0	14.6	27.5	40.2
Personal Income Tax	12.5	16.8	20.4	10.8	14.5	17.9	22.9
Excise Tax	35.3	39.1	40.7	31.2	35.8	36.8	34.8
State Duties	13.2	15.2	16.9	12.2	14.1	15.6	15.9
Non-Tax Revenues	10.9	9.5	12.0	10.0	7.6	11.1	26.2
Capital Revenues	1.8	3.2	9.1	1.7	3.0	8.6	9.2
Grants	16.7	9.9	9.7	10.7	3.6	7.1	3.4
State Budget Total Expenditures	235.8	242.0	295.9	196.9	213.4	257.0	338.8
Defense	36.8	44.3	52.5	34.3	41.2	46.8	59.8
Maintenance of Public Order and Security	15.9	19.9	23.2	14.2	17.6	19.1	26.9
Education and Science	29.1	32.9	45.2	24.3	29.5	38.9	50.5
Public Health	14.8	18.9	24.3	10.3	16.1	20.3	24.8
Social Insurance and Social Security	23.8	29.3	35.3	20.6	25.9	31.6	39.1
Current Expenditures	210.4	214.5	252.8	174.3	192.2	221.4	269.7
Wages	20.9	13.9	24.3	17.4	11.1	20.3	27.7
Interest Payments	15.7	11.3	9.8	13.5	10.4	8.8	8.9
Subsidies	8.2	15.1	18.4	7.6	14.2	17.1	15.1
Transfers	47.8	43.9	60.1	38.7	39.0	54.4	67.1
Goods and Services	117.8	130.3	140.1	97.2	117.4	120.9	151.0
Capital Expenditures	13.6	21.6	32.7	11.2	17.3	25.9	57.1
Net Lending	11.8	5.8	10.5	11.4	4.0	9.7	12.0
Deficit Financing	7.8	-8.1	-2.0	-0.6	-1.0	-7.2	13.4

Source: NSS of RA.

as % of GDP, per budgetary financing

	2002	2003	2004	2002	2003	2004	2005
	Annual			January-September			
Tax Revenues, of which	13.6	13.1	13.2	15.0	14.1	14.2	14.6
VAT	7.0	6.6	6.2	7.7	7.2	6.7	6.8
Enterprise Profit Tax	1.3	1.1	1.7	1.5	1.1	1.7	2.4
Personal Income Tax	0.9	1.0	1.1	1.0	1.1	1.2	1.3
Excise Tax	2.6	2.4	2.1	2.9	2.7	2.4	2.0
Grants	1.2	0.6	0.5	0.9	3.2	0.6	0.3
Total Expenditures, of which	17.3	14.9	15.6	19.9	20.7	18.5	19.2
Defense	2.7	2.7	2.8	3.2	3.1	3.2	3.3
Maintenance of Public Order and Security	1.2	1.2	1.2	1.2	1.3	1.3	1.5
Education and Science	2.1	2.0	2.4	2.1	2.2	2.5	2.8
Public Health	1.1	1.2	1.3	1.0	1.2	1.2	1.4
Social Insurance and Social Security	1.8	1.8	1.9	2.3	1.9	2.0	2.2
Deficit Financing	0.6	0.5	0.1	1.8	1.6	1.4	1.2

Source: NSS of RA, EDRC calculations.