



# The new reality of Armenia's economy

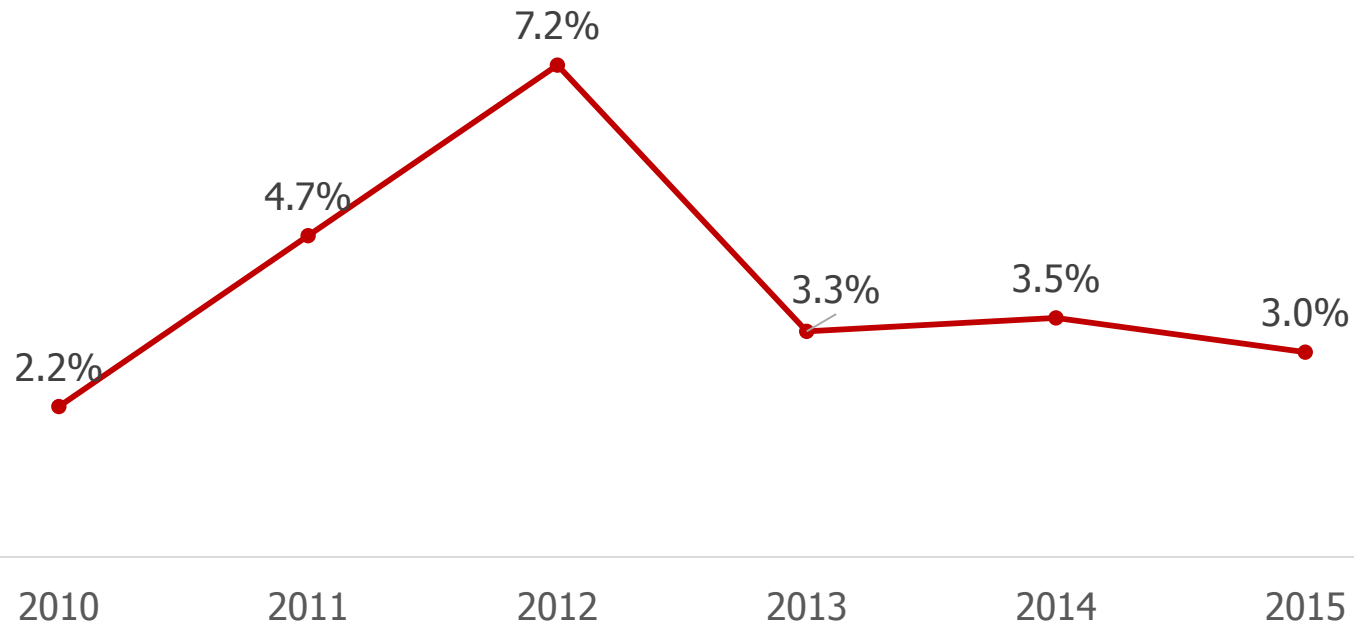
## Challenges and Opportunities

# OVERVIEW OF ECONOMIC PERFORMANCE

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# The pace of Armenia's economic recovery after the global economic crisis has again slowed down

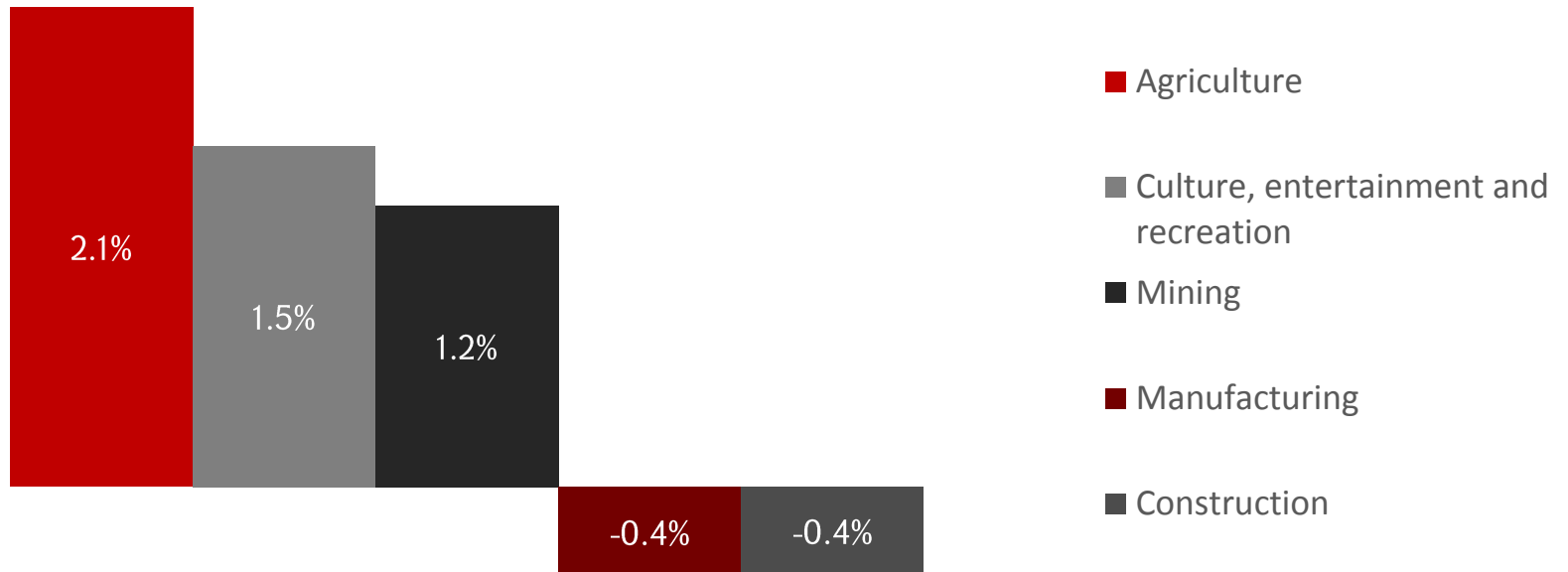
## GDP annual growth



Source: RA Armstat, IMF

# Three main sectors contributed to economic growth...

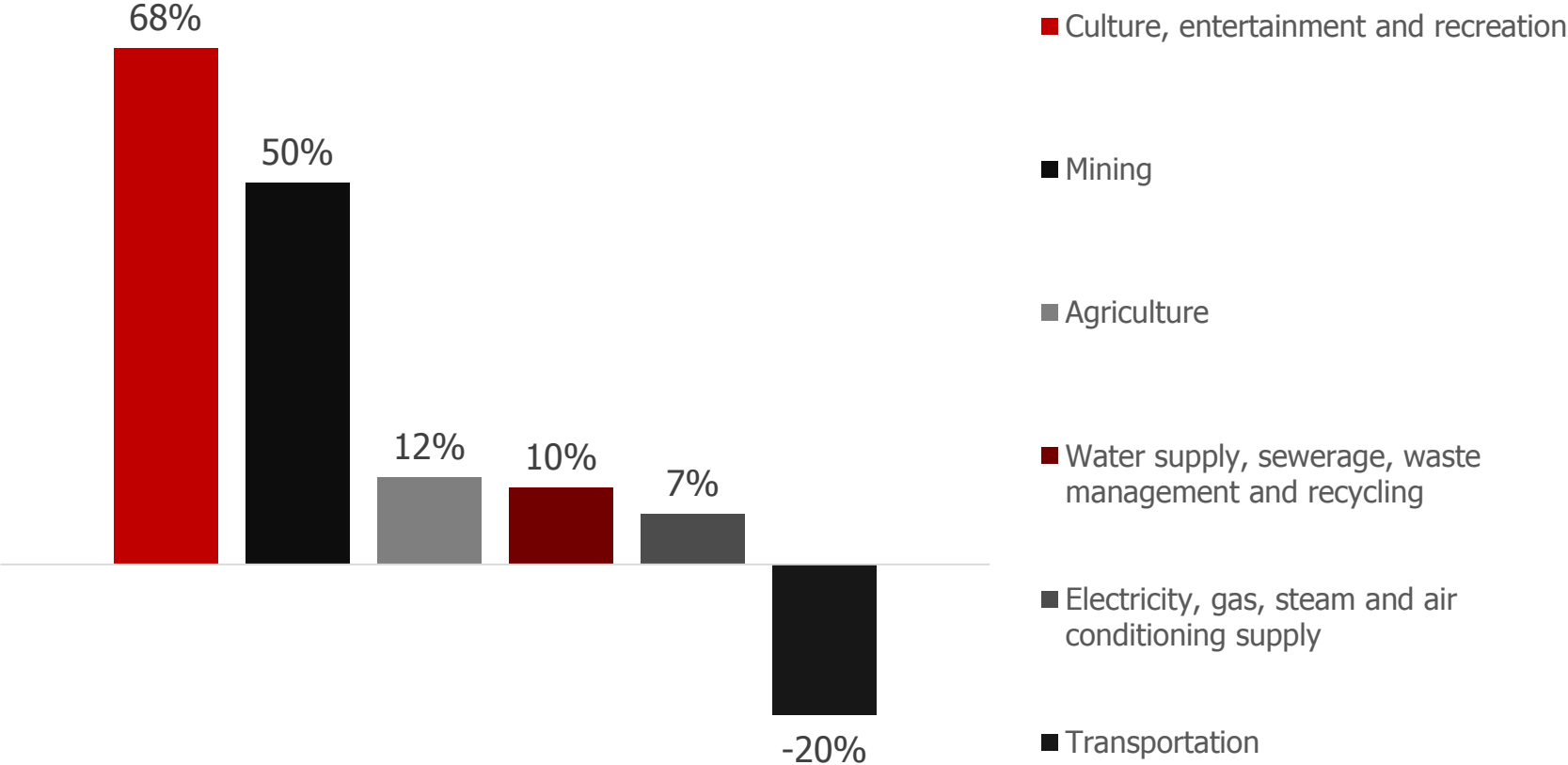
## Sectoral contribution to economic growth in 2015



Source: RA Armstat, EV estimates

# ...which recorded the highest annual sectoral growth

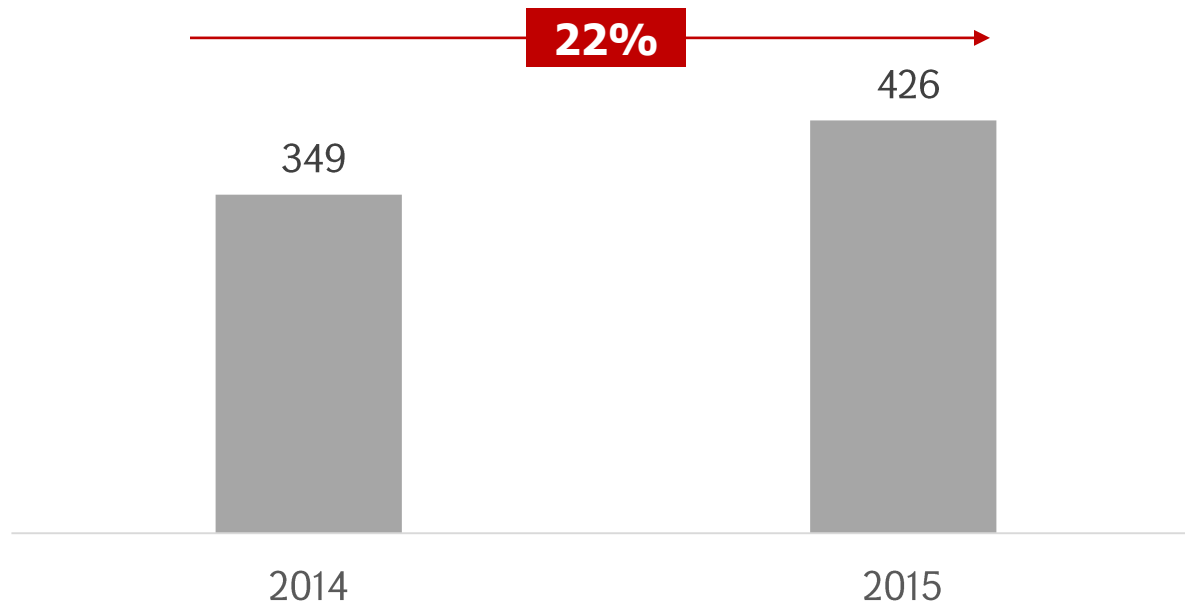
**Sectoral gross output**  
2014-2015 annual growth



Source: RA Armstat

## IT is among the few growing industries

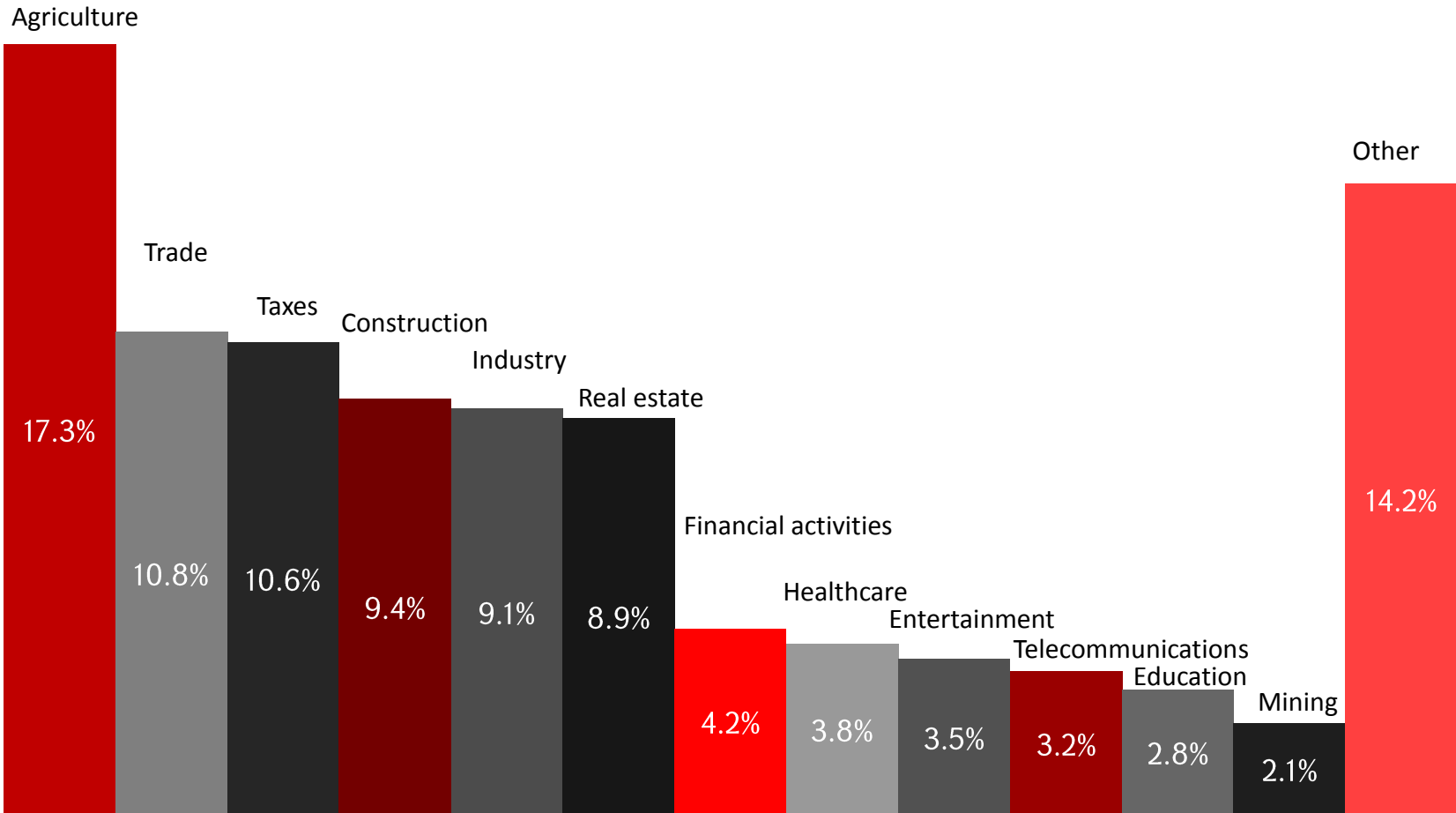
IT industry turnover  
million USD



Source: EIF

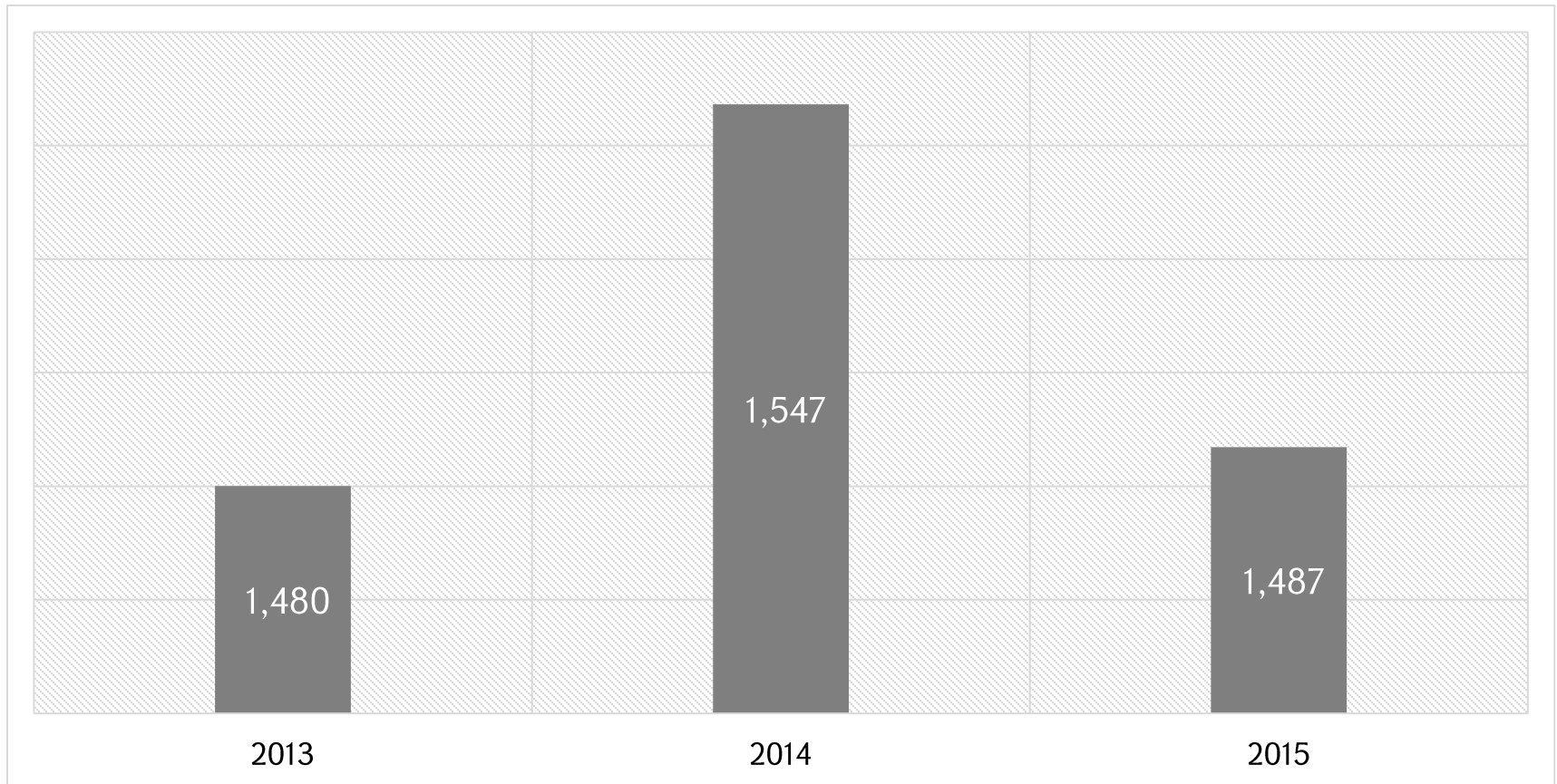
# Agriculture continues to remain dominant in the GDP structure

## GDP structure 2015



# Export growth trend was reversed in 2015

**Export dynamics**  
million USD

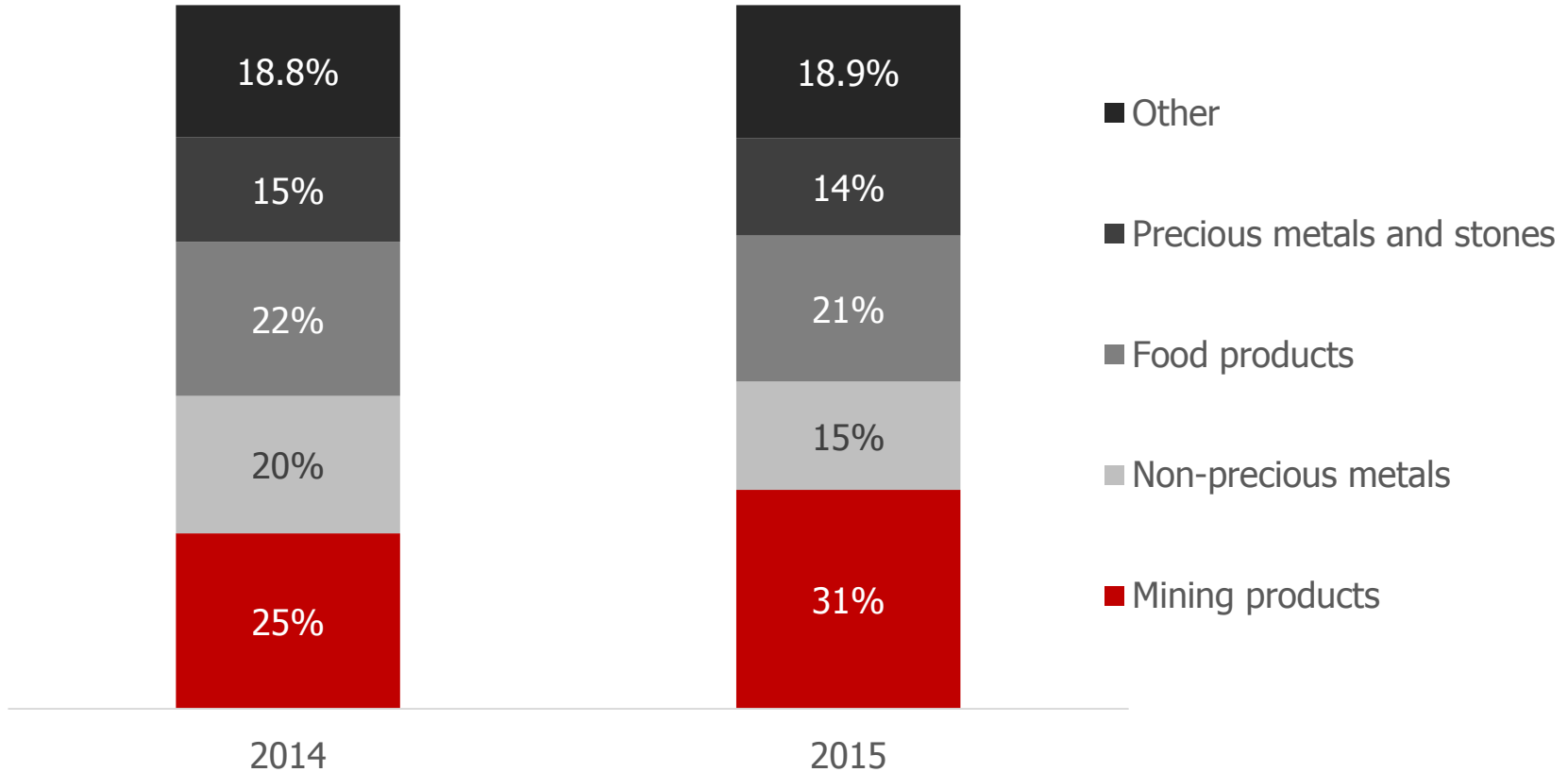


Source: RA Armstat



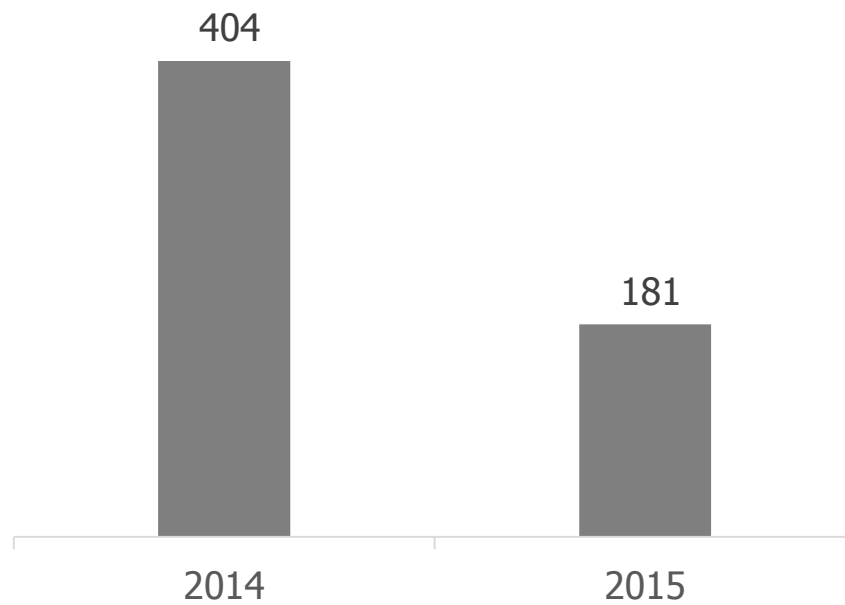
# ...and the weight of resource-intensive sectors is still significant in export structure

## Structure of commodity export



# The fall of inward FDI is an important signal

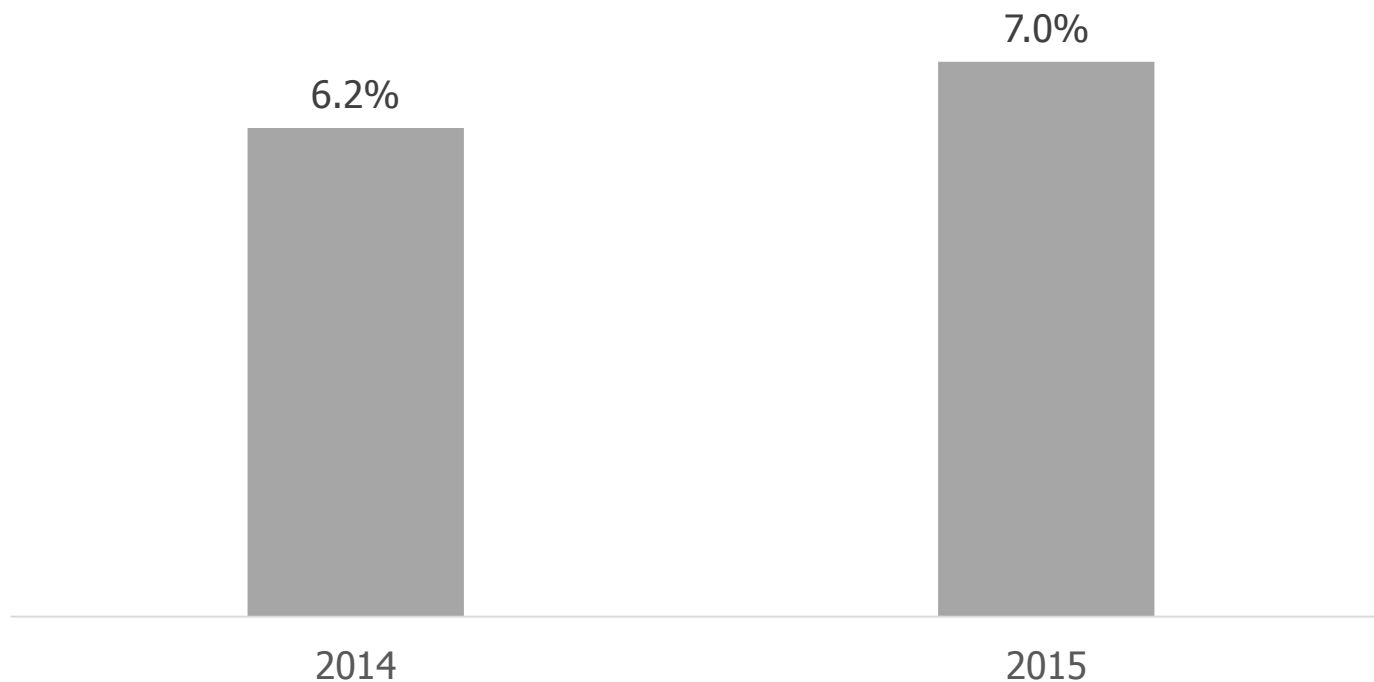
Gross inward FDI  
million USD



Source: CBA

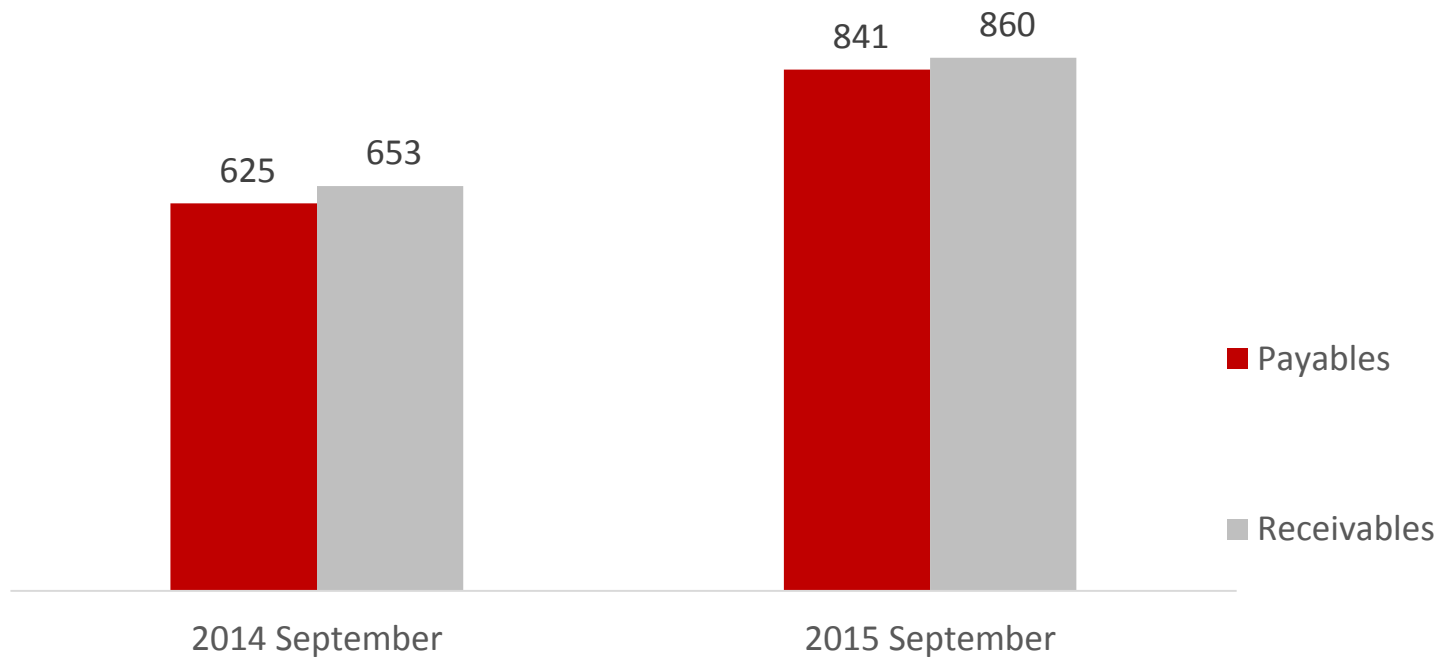
# The proportion of non-performing assets has increased, although this indicator only partially reflects the real issues

## The proportion of non-performing assets of banks



## Increase in receivables also indicates liquidity problems at corporate level

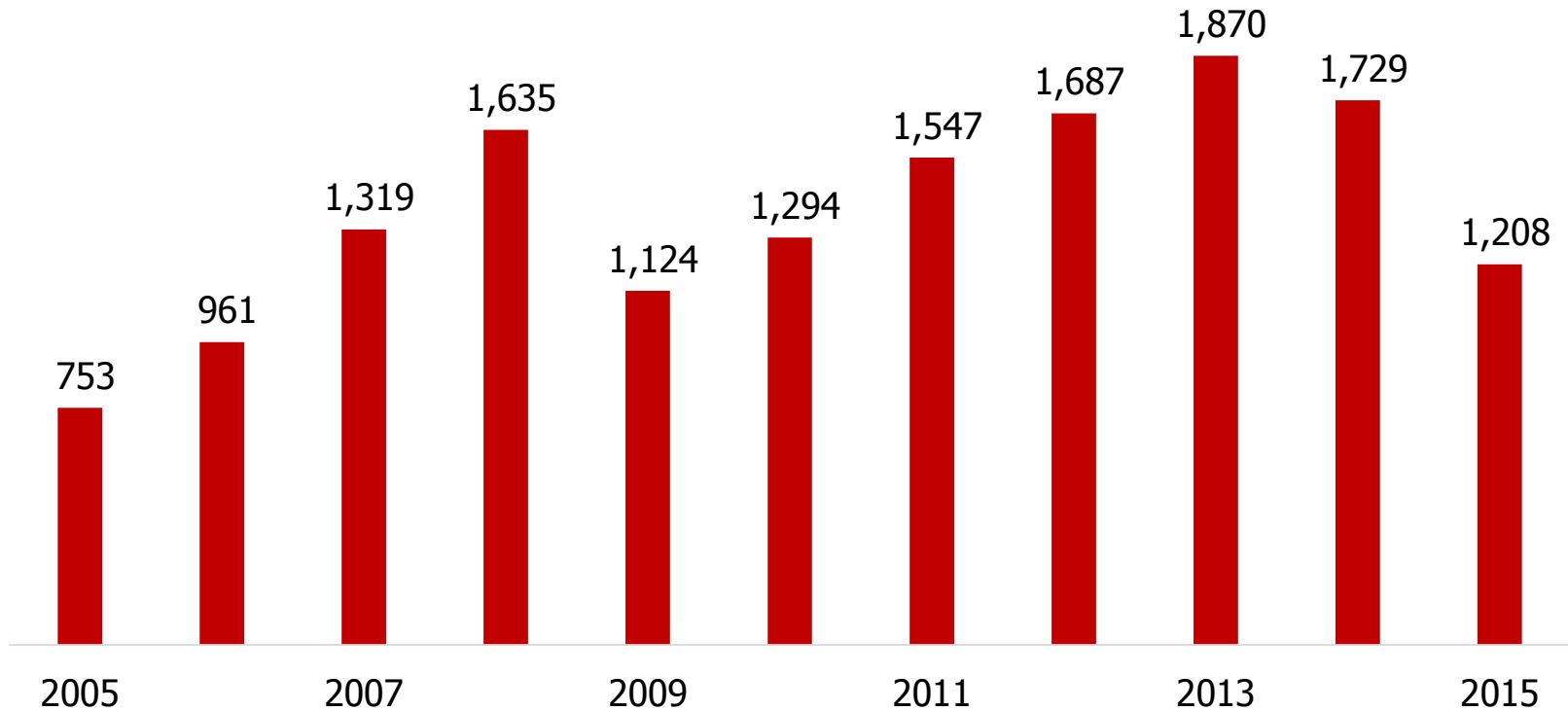
Balance of payables and receivables,  
billion AMD



Source: RA Armstat

# Remittances have returned to the level of 2010

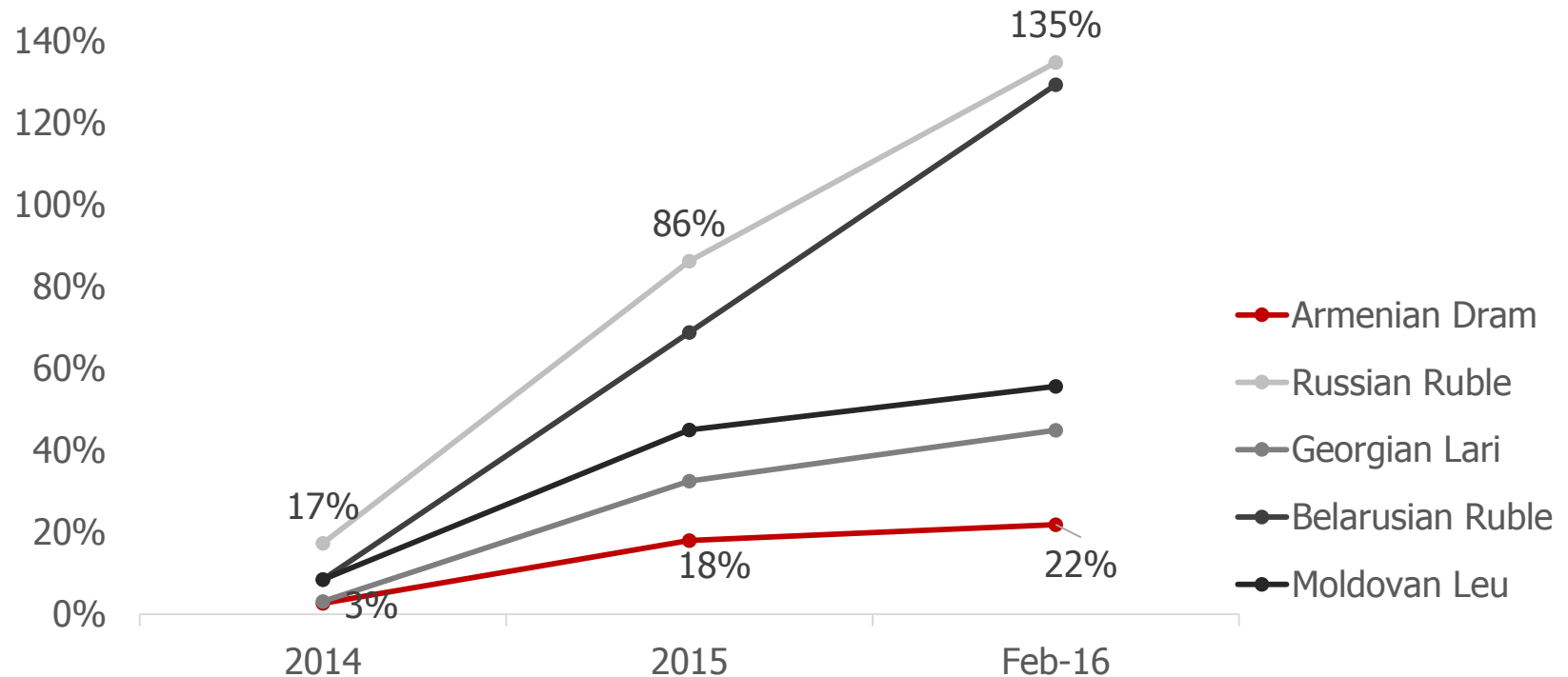
Remittances from abroad,  
million USD



Source: RA Armstat

# Dram's devaluation against US dollar has been the smallest compared to peer countries

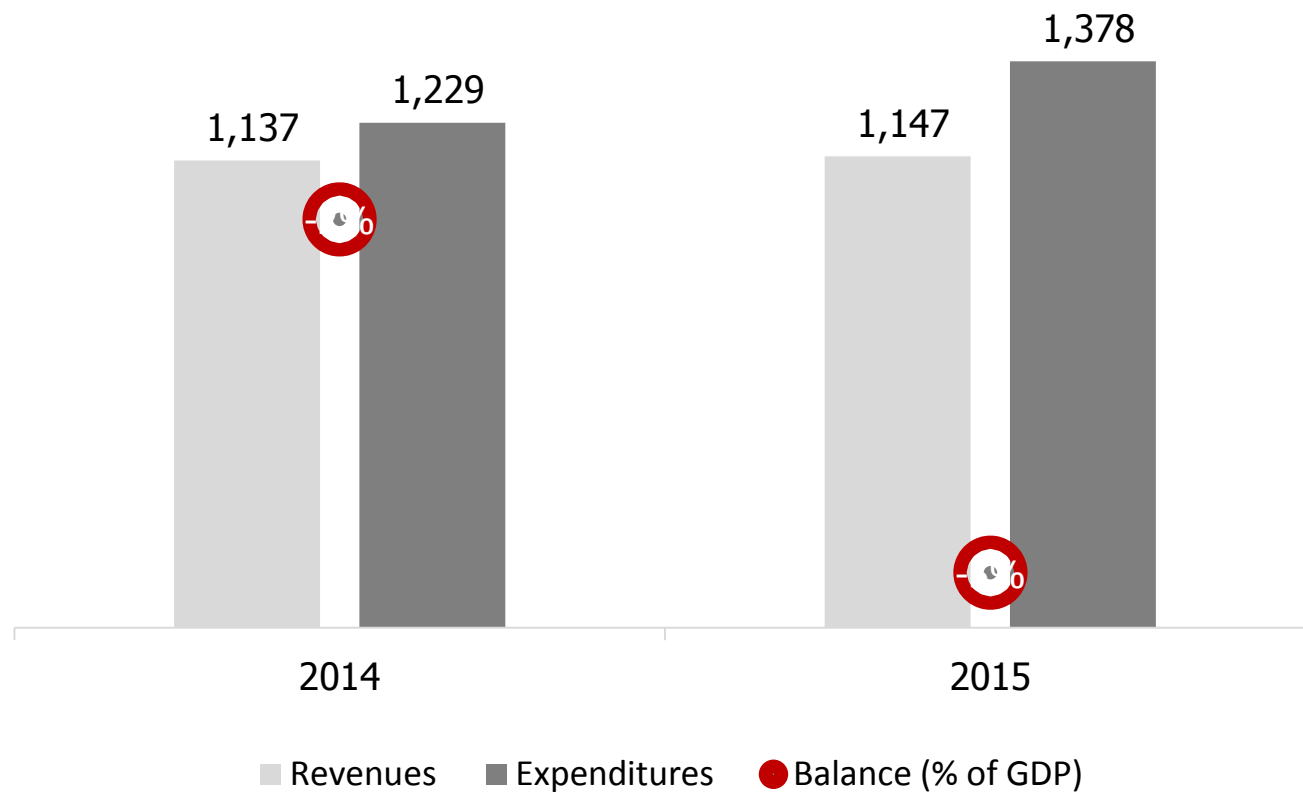
## Dynamics of devaluation of different currencies against the US dollar\*



\* December 2013 is the base period.

## Budget expenditures increased generating higher level of deficit

RA budget, billion AMD



# KEY CONSTRAINTS AND GROWTH AGENDA

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## The imperative of ensuring high growth rate in Armenia is critical

The imperative is to ensure balanced improvement of productivity and decrease of unemployment through high and prolonged growth.

Poverty and immigration determined by high rate of unemployment and prevalence of low-paid jobs is the critical social challenge for Armenia.

The local market with less than 3m consumers and about USD 300 average monthly wage limits internal potential for nurturing future growth.

## There are four key binding constraints to economic growth in Armenia

**Imperfect  
competitive  
environment**

**Under-developed  
exports**

**Quality gaps in  
human resources**

**One-dimensional  
financial system**

# NEW ECONOMIC REALITY AND OPPORTUNITIES



# Global economic landscape is very volatile and uncertain

- **Global economic growth expected at 3%**

the main sources of which are a few large developing economies (China, India, etc.), and to a lesser extent - USA, Europe and Japan.

- **New reality of low prices for energy resources**

which is a constraining factor for the economic growth of exporting countries; on the other hand; it is a good opportunity for growth for the developed countries which are intensive importers.

- **“Cooling” of China’s economy**

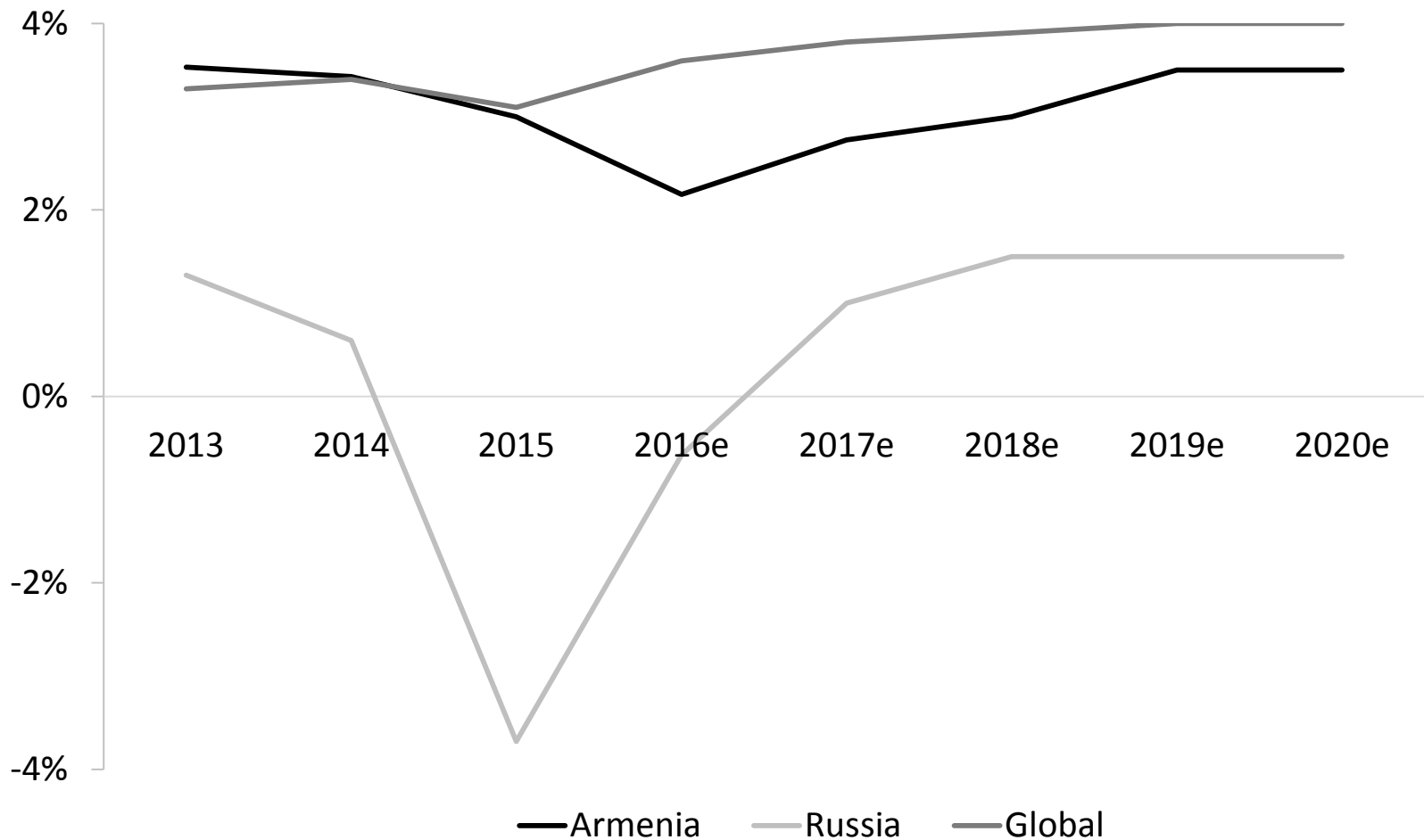
Which constraints the global demand

- **Unprecedented technology advancement**

which disrupts entire industries, radically reduces entry barriers and costs, and shapes new business models and market players.

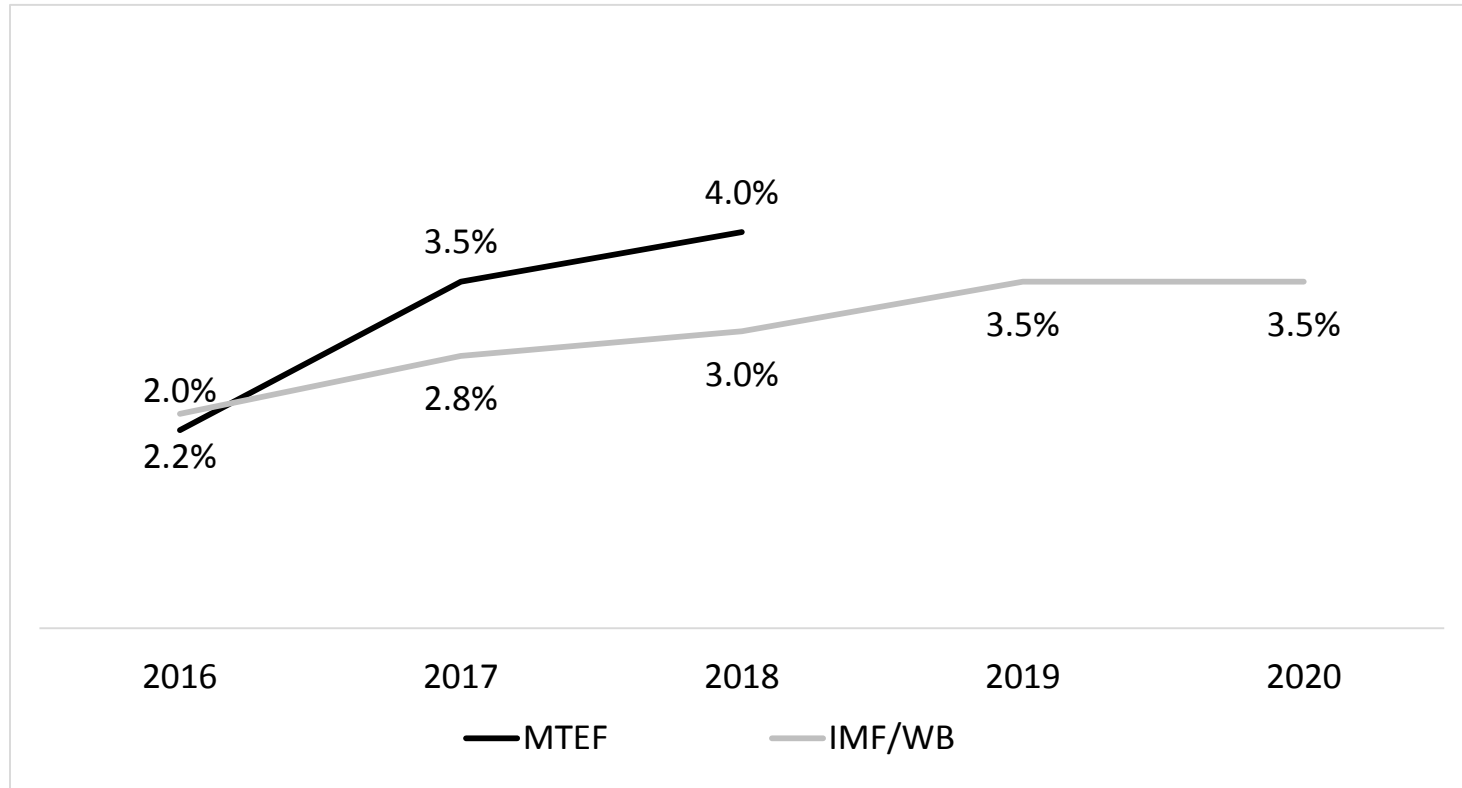
# Gradual acceleration of global economy is expected in the coming years

GDP growth forecasts



# Forecasts of international organizations are more conservative than the government's

## GDP growth forecasts Armenia



Note: World Bank forecasts are for 2016-2018 and are the same as IMF forecasts

Source: World Bank, IMF, RA Government

# RISKS

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## Risks

Risks	Impact on growth
Escalation of Nagorno-Karabakh conflict	<ul style="list-style-type: none"><li data-bbox="836 492 1512 582">▪ Reduction of domestic and foreign investments</li><li data-bbox="836 635 1319 675">▪ Consumption reduction</li><li data-bbox="836 725 1377 765">▪ Reduction of tourism flows</li></ul>



# Risks

Risks	Impact on growth
Further deterioration of economic situation in Russia	<ul style="list-style-type: none"><li data-bbox="788 462 1232 491">▪ Decrease in remittances</li><li data-bbox="788 544 1145 572">▪ Export restrictions</li></ul>
Slow pace / failure of implementing economic reforms	<ul style="list-style-type: none"><li data-bbox="788 789 1321 818">▪ Negative signals to businesses</li><li data-bbox="788 871 1605 899">▪ Economic stagnation, decline in competitiveness</li></ul>

# OPPORTUNITIES

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## Opportunities for Armenia

- Expansion of the existing export markets and access to new markets in Russia conditioned by accession to the Eurasian Economic Union and Russia-West tensions.
- Channelling a portion of economic flows related to Iran through Armenia.
- Significant potential for agriculture, IT and other exportable sectors.
- Opportunities of leveraging new technologies due to rapid advancement of disrupting technologies.