

2016 Armenia Economic Report



ECONOMIC INTEGRATION OF SYRIAN REFUGEES IN ARMENIA



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ARMENIA ECONOMIC REPORT 2016

ECONOMIC INTEGRATION OF SYRIAN REFUGEES IN ARMENIA



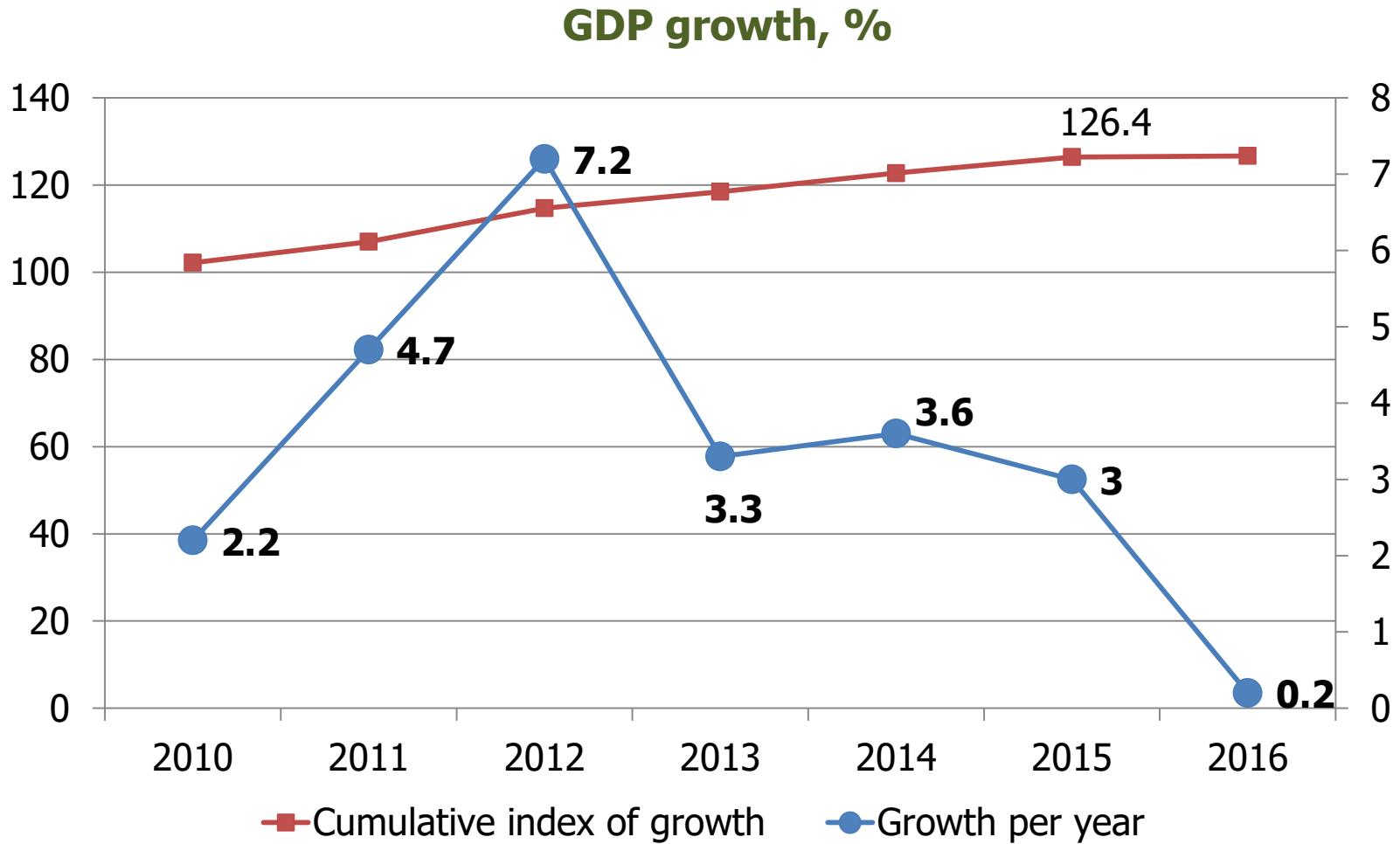
ECONOMIC DEVELOPMENT AND RESEARCH CENTER (EDRC)

MARCH 9, 2016

ECONOMIC DEVELOPMENT TRENDS IN ARMENIA

- **ARMENIAN ECONOMY**
 - **ECONOMIC GROWTH AND OTHER SECTORS OF THE ECONOMY**
 - **MAIN INDICATORS**
 - **LABOUR MARKET AND UNEMPLOYMENT**
- **MEDIUM-TERM ECONOMIC OUTLOOK**

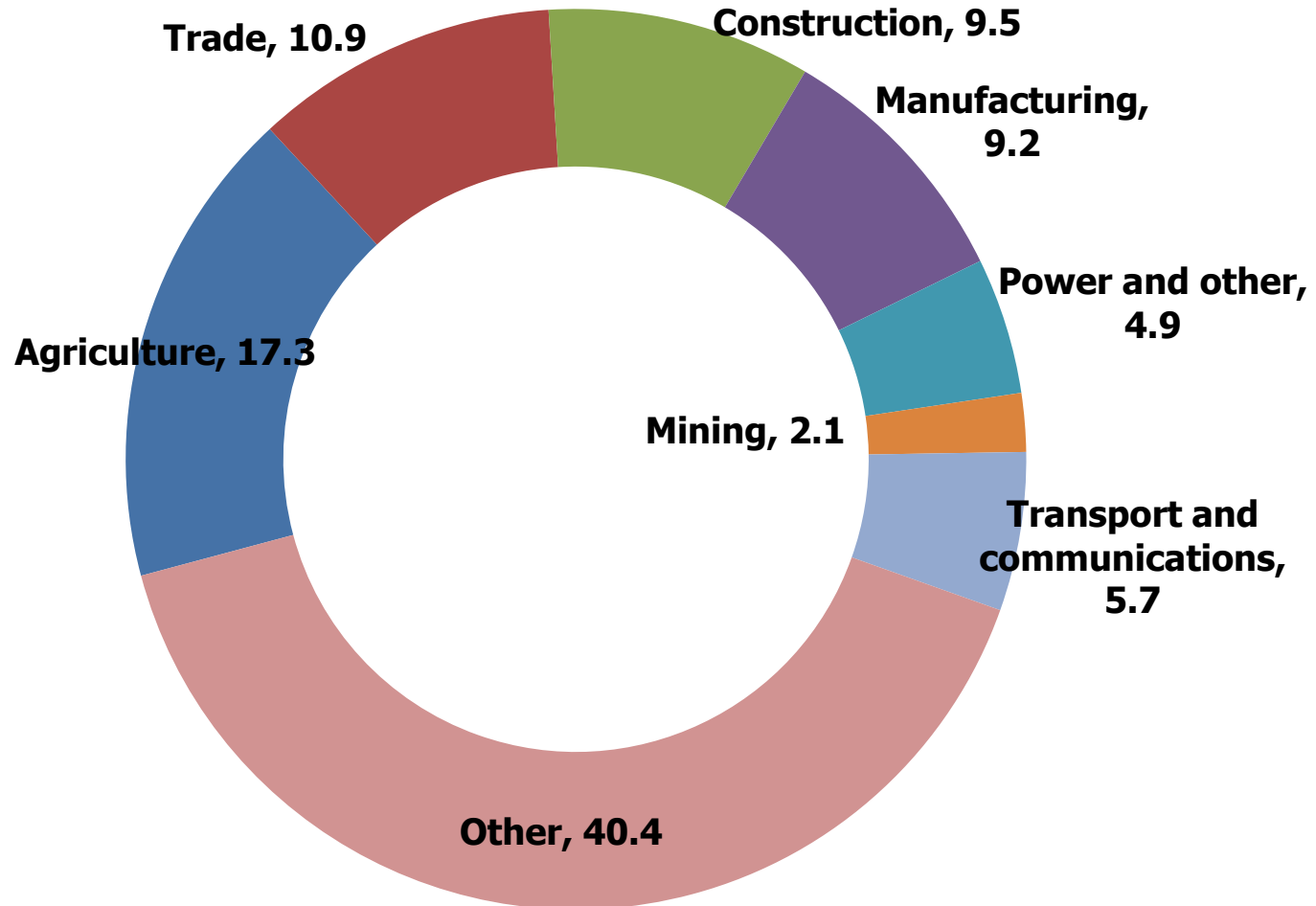
Economic growth rates tend to decrease



Source: EDRC calculations based on data of the NSS of RA

Agriculture constitutes 17% of the economy

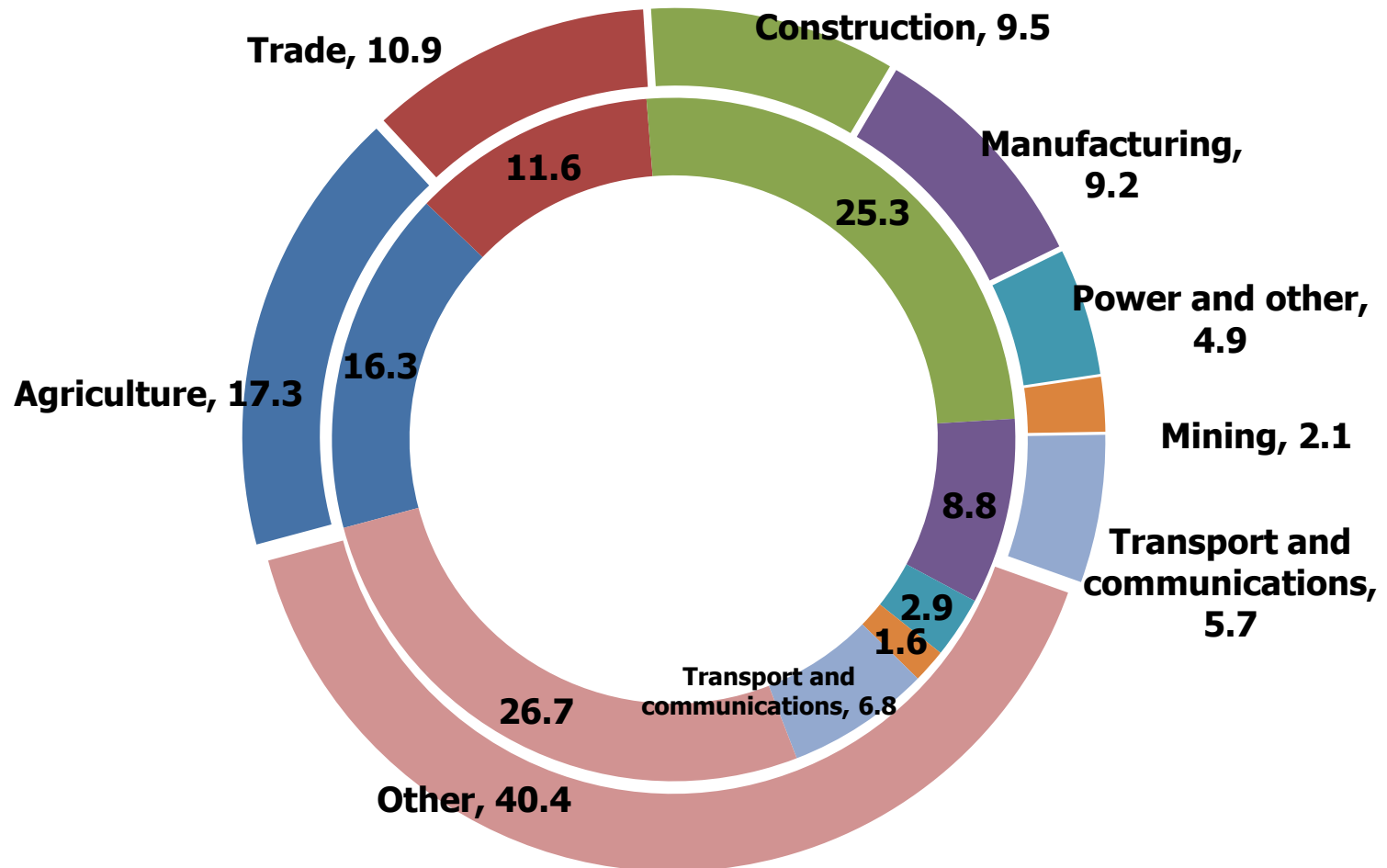
Nominal GDP structure in 2015, %



Source: EDRC calculations based on data of the NSS of RA

Structural shifts are visible

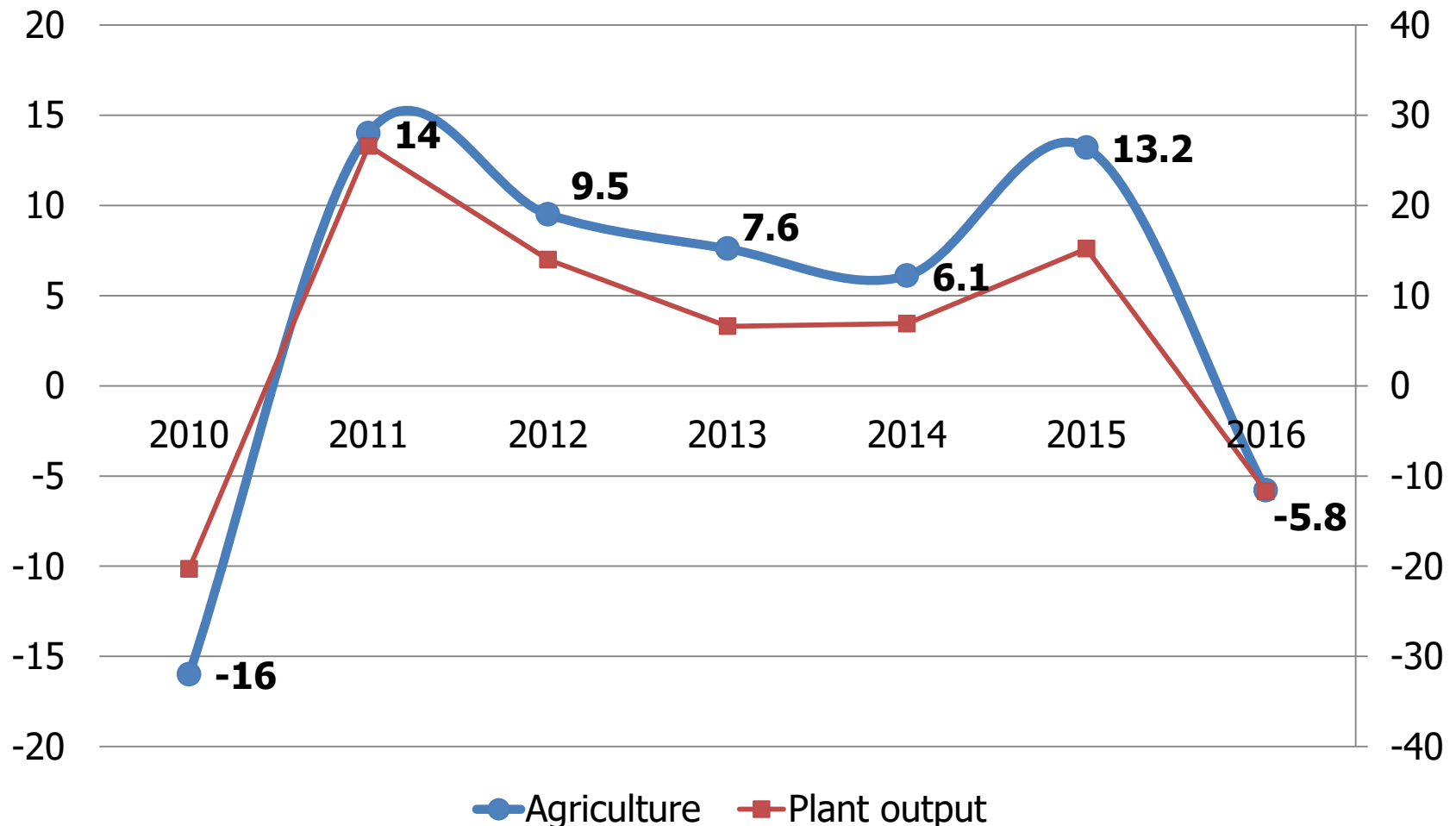
Nominal GDP structure in 2008-2015, %



Source: EDRC calculations based on data of the NSS of RA

Agriculture depends on plant-growing subsector

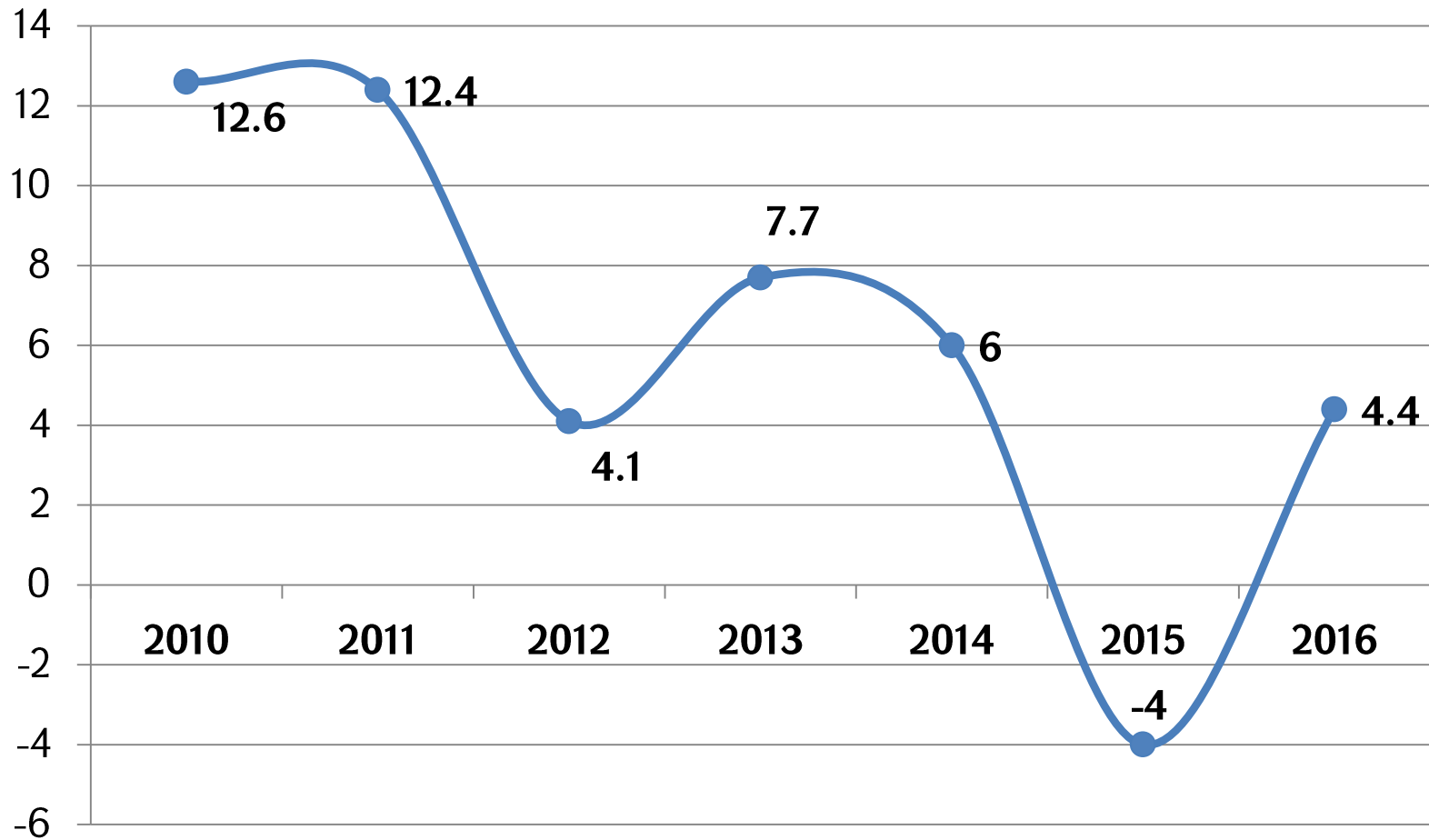
Agricultural: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Manufacturing declined in 2015

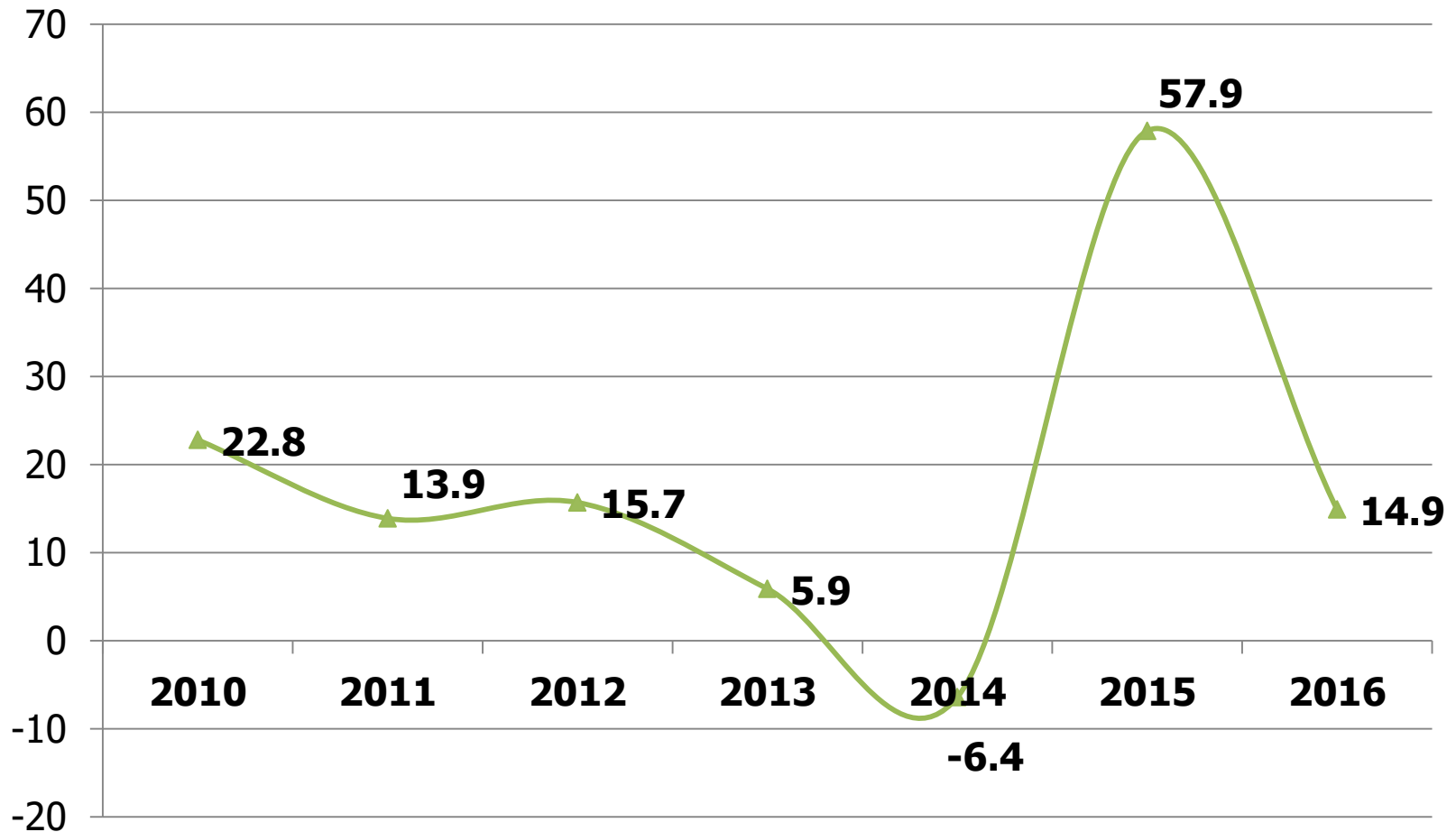
Manufacturing. Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Mining grows drastically

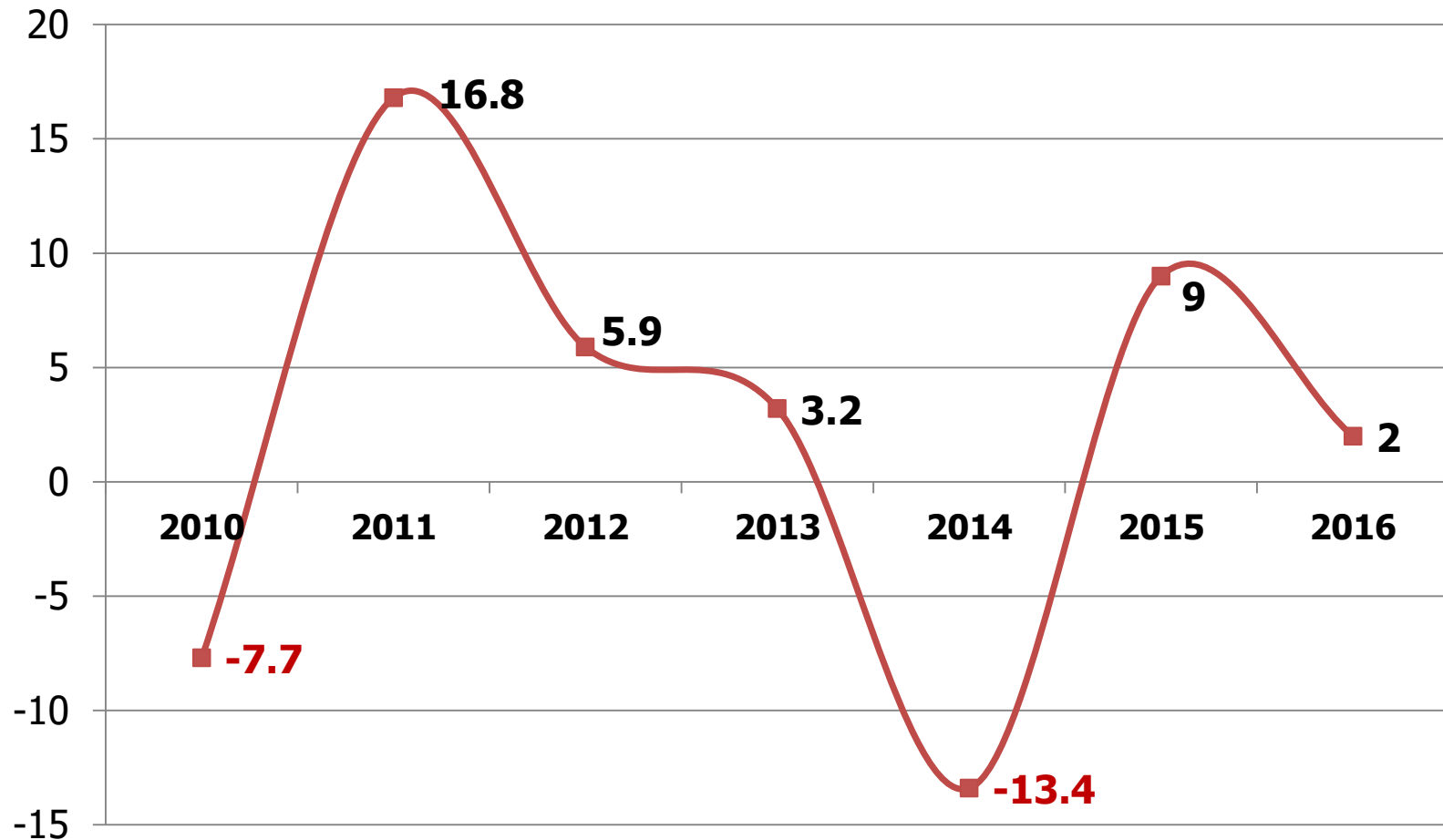
Mining: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Energy and water supply recovered since the 2014 decline

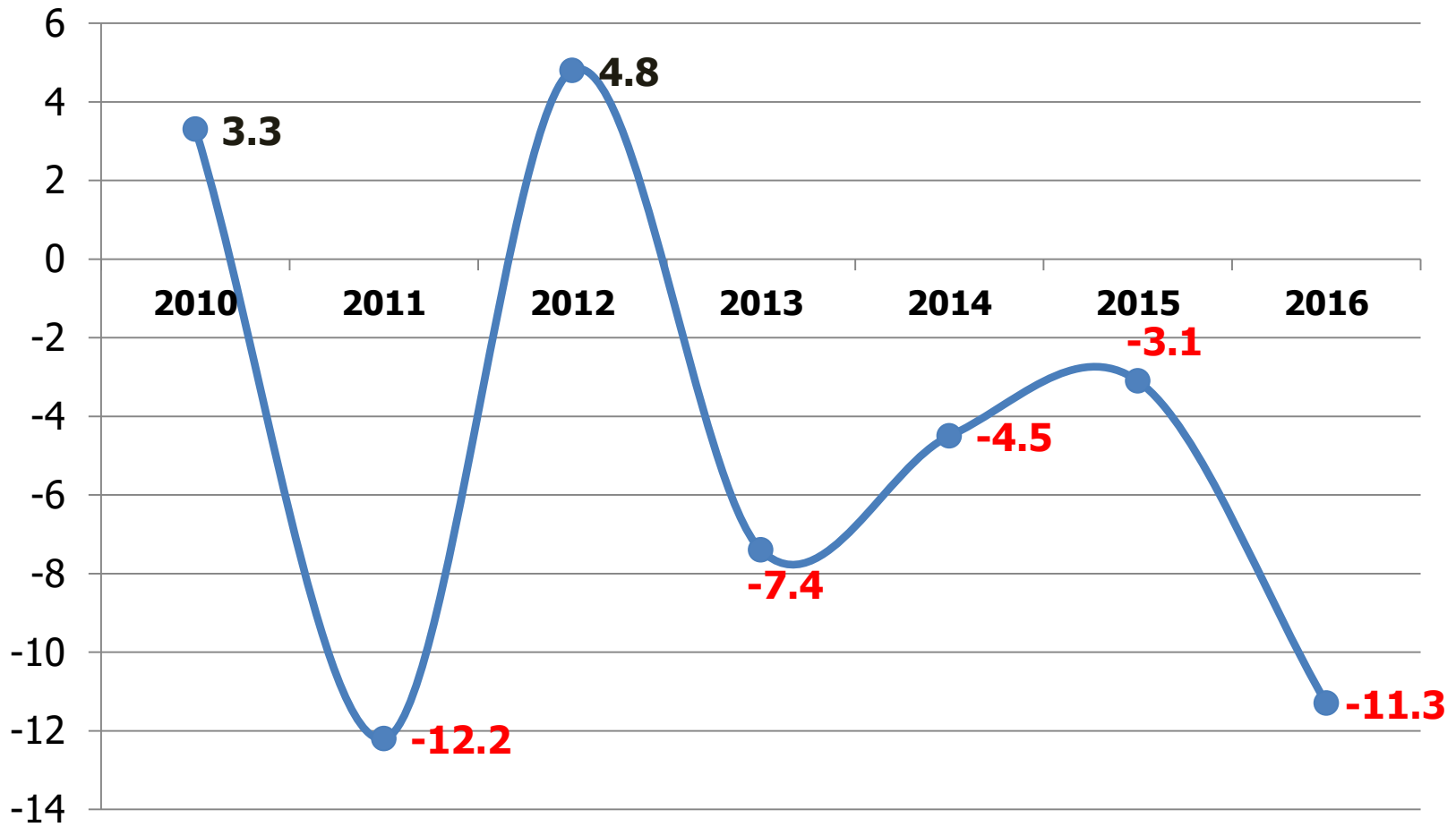
Power, water supply and other: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Continuous decline in construction deepened

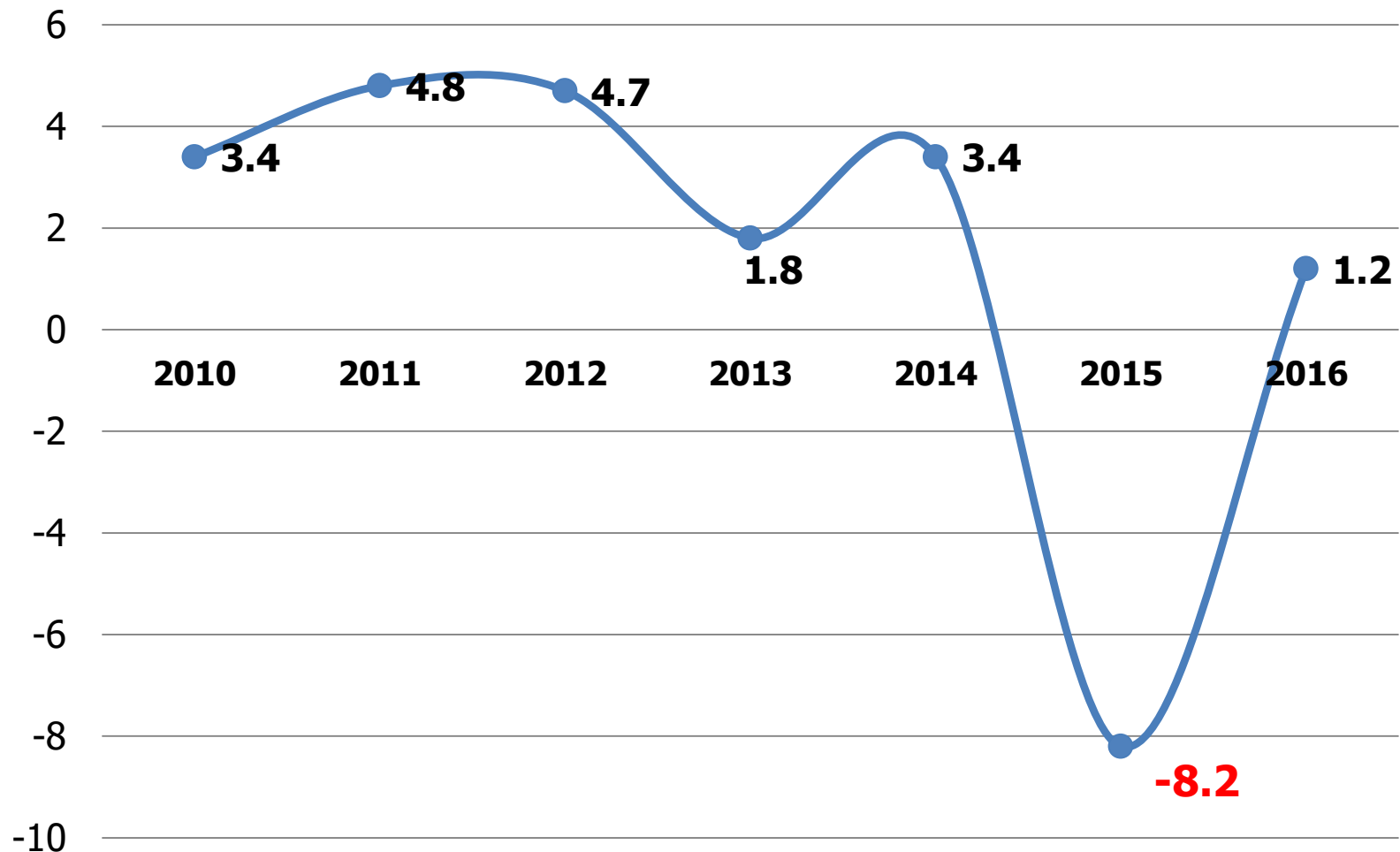
Construction: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Trade also declined in 2015

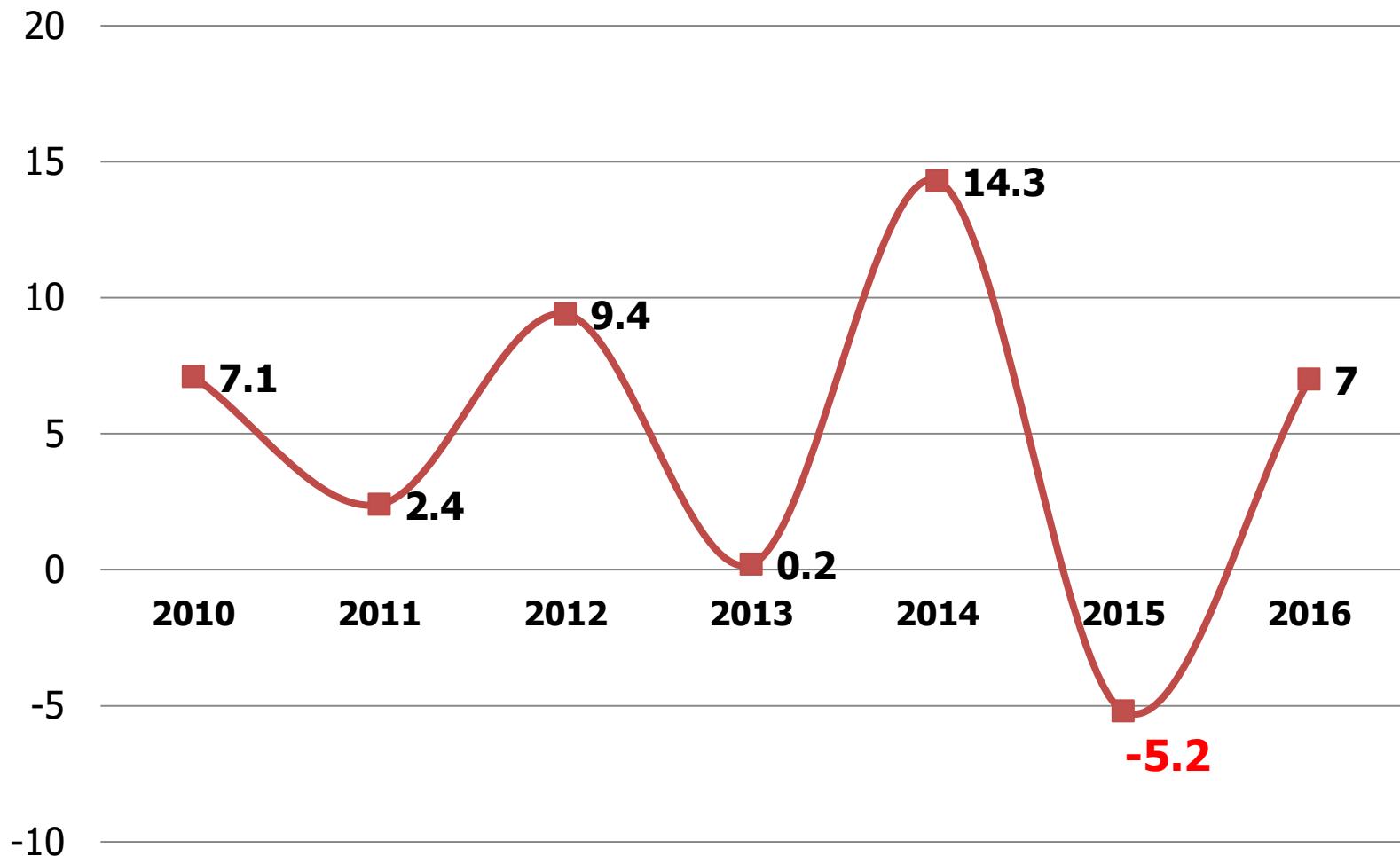
Wholesale and retail trade: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

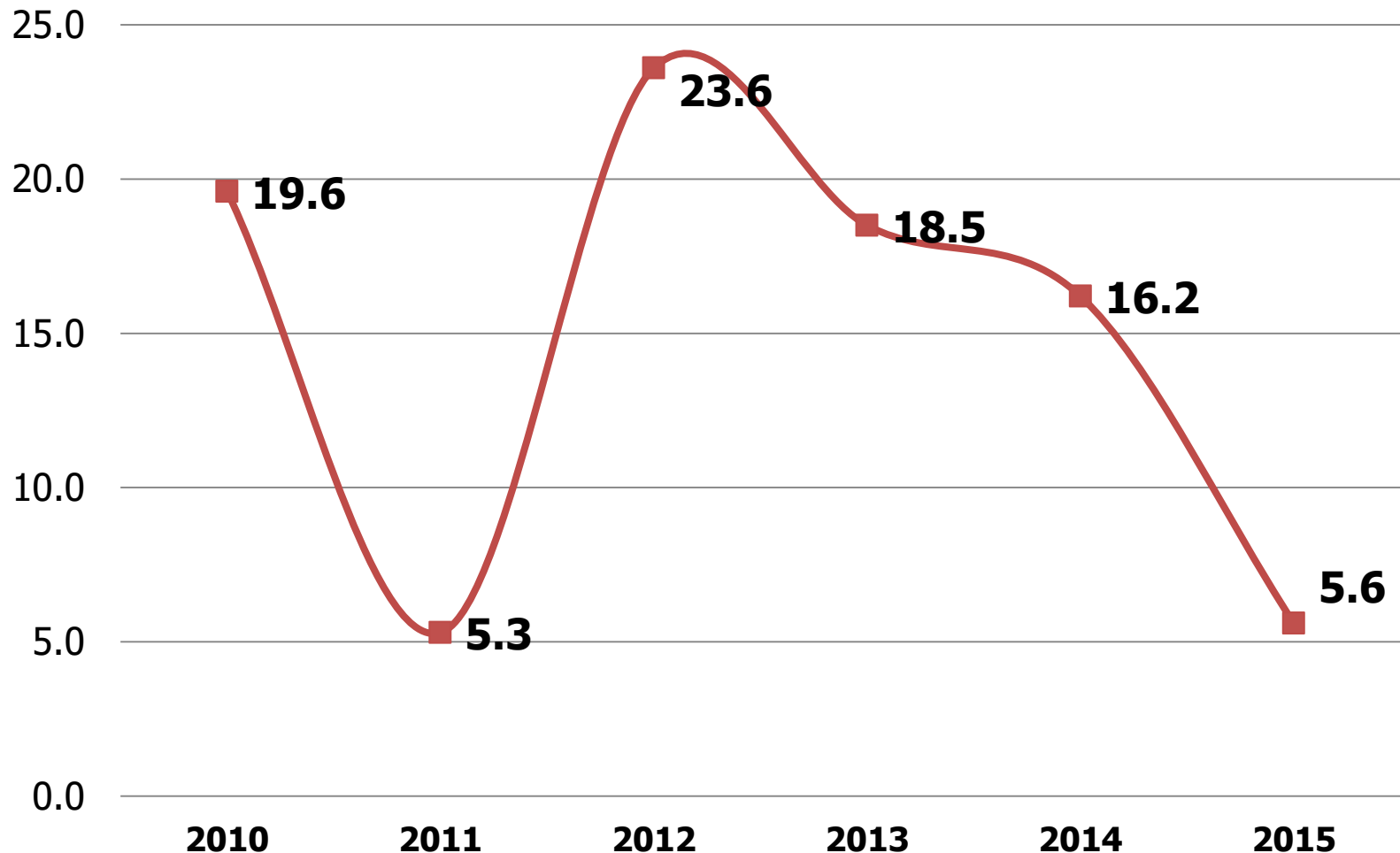
Transport and communications sector also declined

Transport and communications: Economic growth in 2010-2016, %



Hotels and catering are the growing sectors of the economy

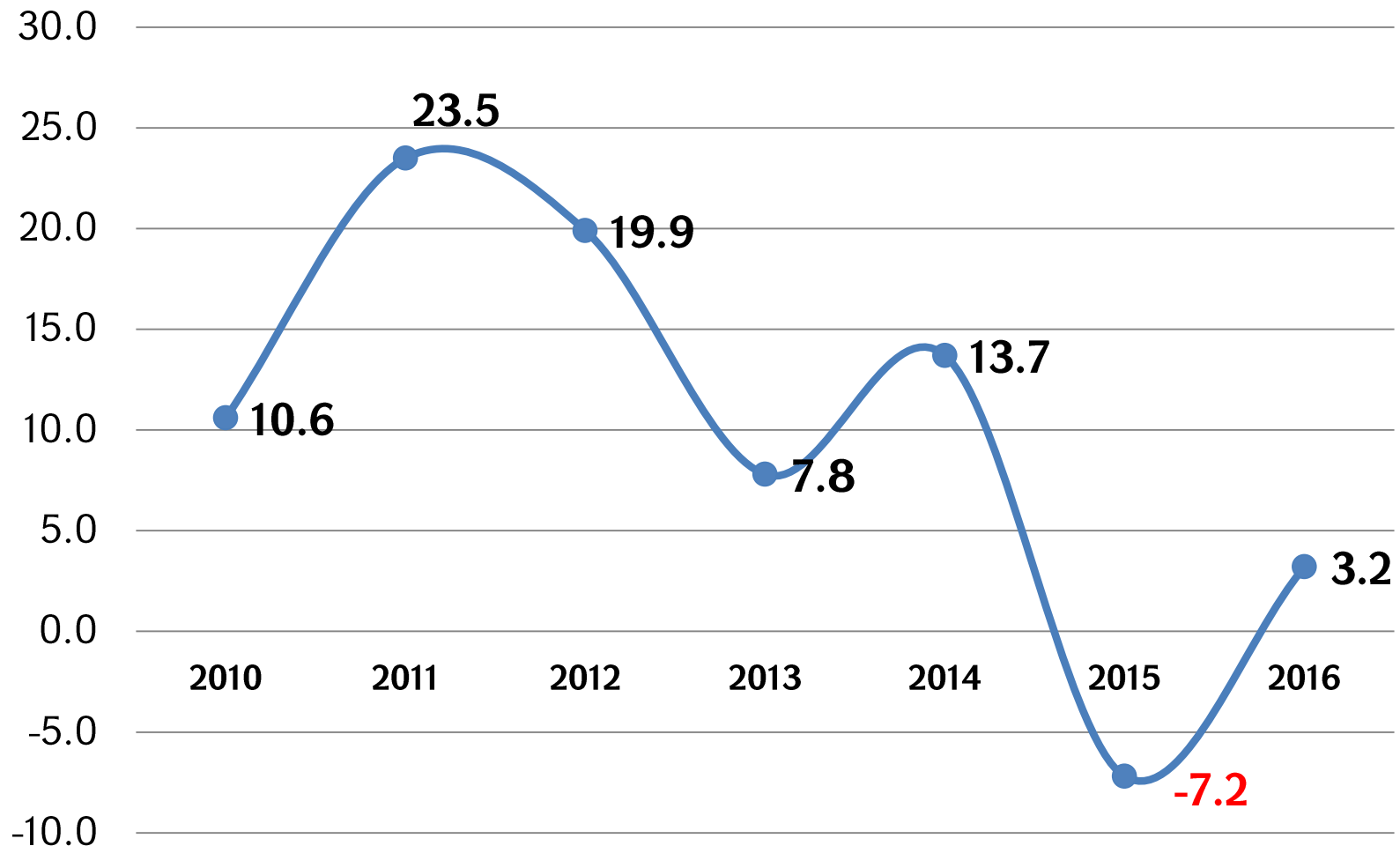
Hotel and catering: Economic growth in 2010-2016, %



Source: EDRC calculations based on data of the NSS of RA

Financial activities also grew, however they shrank in 2015

Financial services: Economic growth in 2010-2016, %



Despite the overall economic growth, non-agricultural sectors declined in 2015

Comparative indicators of economic growth in 2015-2016

	2016 %	2015 %	2015 contribution	2008-2015 cumulative
GDP	0.2	3	3	8.6
Agriculture	-5.8	13.2	2.4	43.5
Manufacturing	4.4	-4	-0.4	37.2
Mining	14.9	57.9	1.2	2.7 times
Power and water supply	+	9	0.4	-1.9
Construction	-11.3	-3.1	-0.3	-52.4
Trade	1.2	-8.2	-1	3.8
Transport and communications	+	-5.2	-0.3	19.6
Financial services	3.2	-7.2	-0.3	83.3
Healthcare, social services	-3.9	-2.2	-0.1	4
Education	-1.4	-2.9	-0.1	5.7
Hotel and catering	+	5.6	0.1	2.8 times

Both consumption and investments shrank in 2015

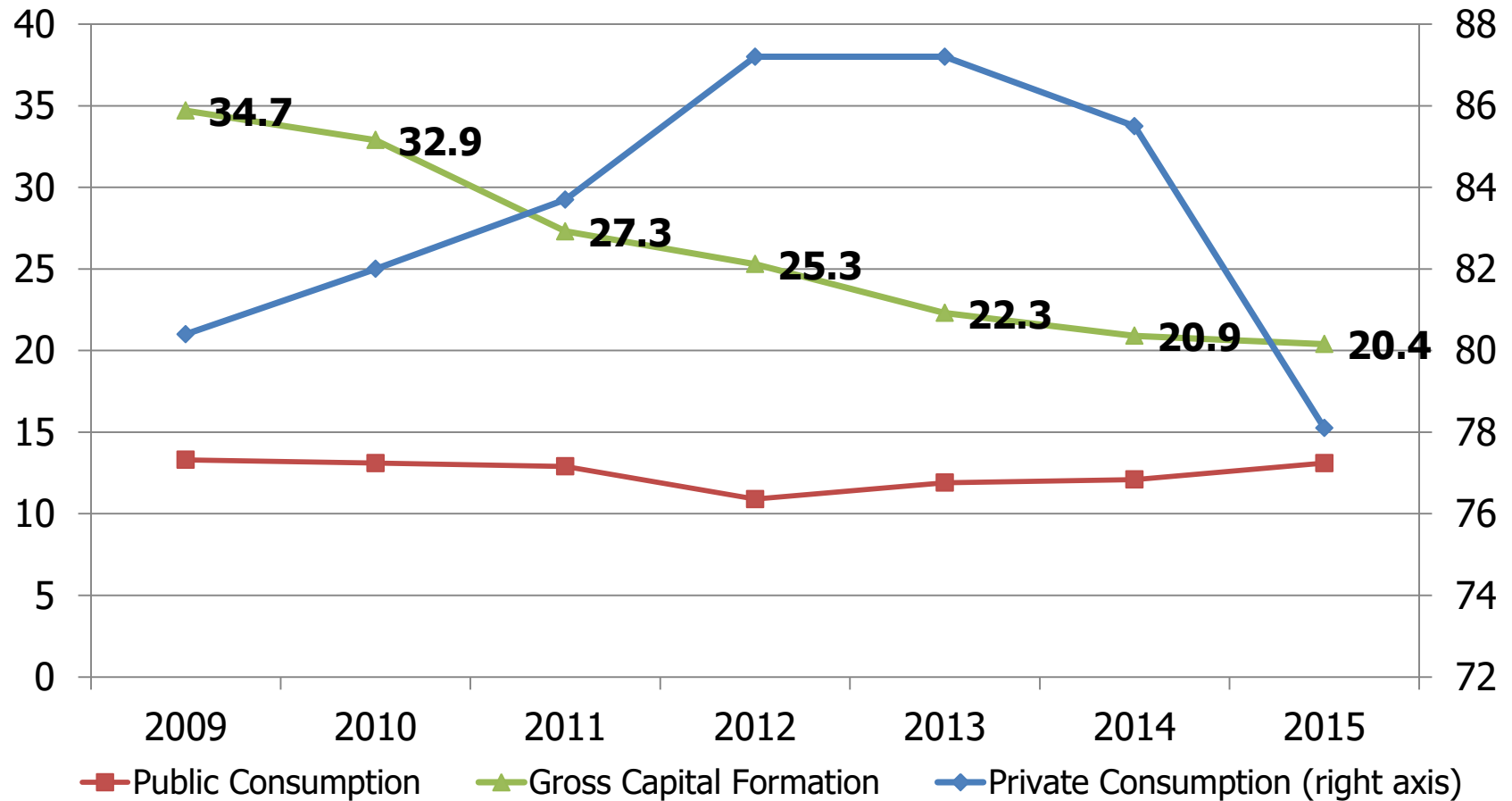
GDP growth structure per expenditure components, %

	2010	2011	2012	2013	2014	2015	2015 contribution*
GDP	2.2	4.7	7.2	3.3	3.6	3.0	3.0
Consumption	3.9	2.6	7.7	1.6	0.7	-6.4	-6.2
Private Consumption	3.8	2.7	9.1	0.9	1.0	-7.9	-6.8
Public Consumption	3.9	1.9	-1.4	7.6	-1.2	4.5	0.5
Gross Capital Formation	0.5	-5.2	0.5	-9.1	-3.0	-2.9	-0.6
Net Exports (G&S)	5.1	-15.1	-14.1	-16.2	-11.7	-48.9	9.0
Exports	26.5	14.7	8.4	8.6	6.4	4.9	1.4
Imports	12.8	-1.4	-2.8	-2.1	-1.0	-16.3	7.7

* Contribution to the economic growth, percentage points. Statistical deviation not included.

Investments continued to decline in post-crisis period

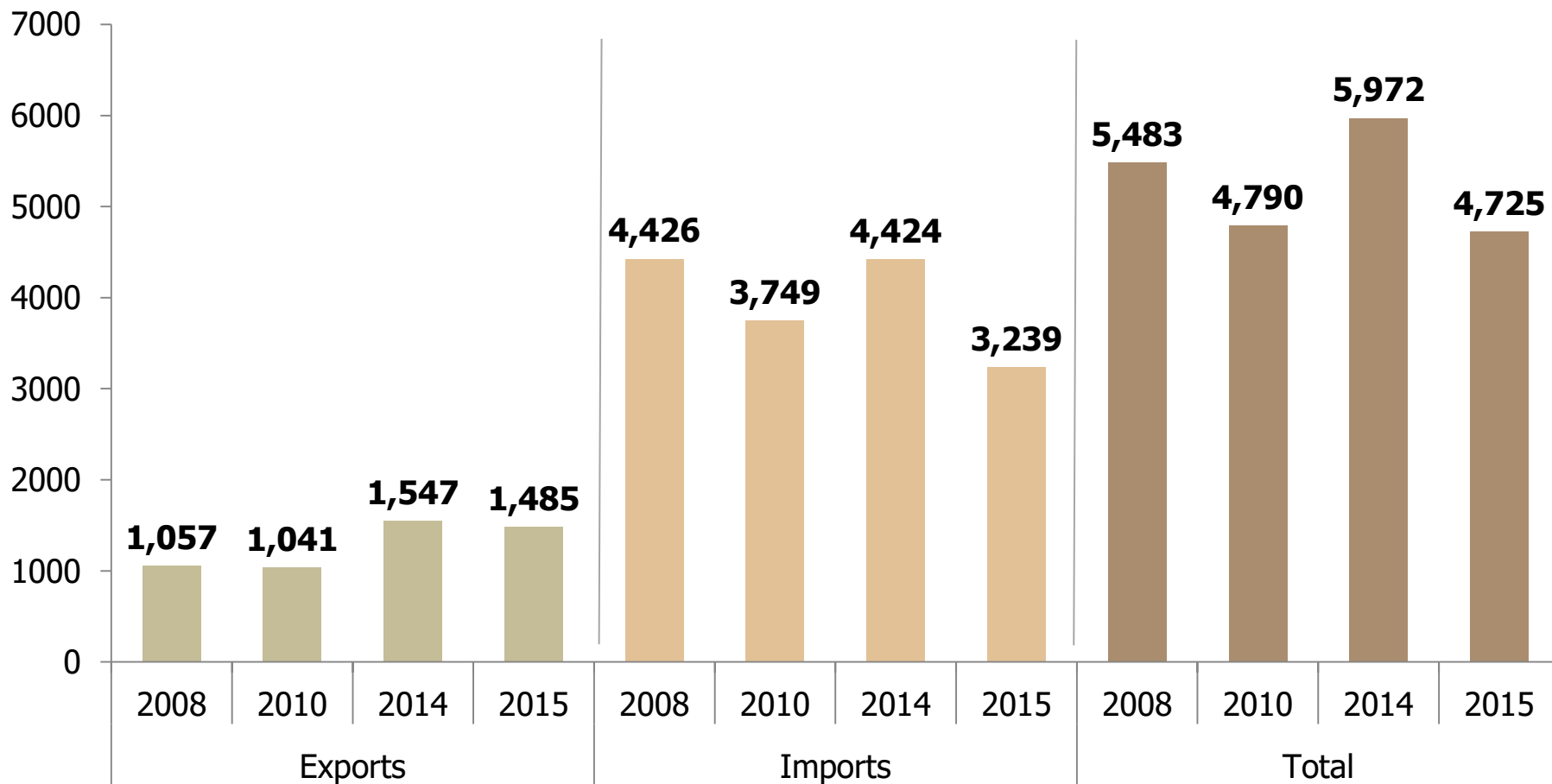
The share of consumption and investments in GDP



Source: EDRC calculations based on data of the NSS of RA

Foreign Trade of Armenia declined

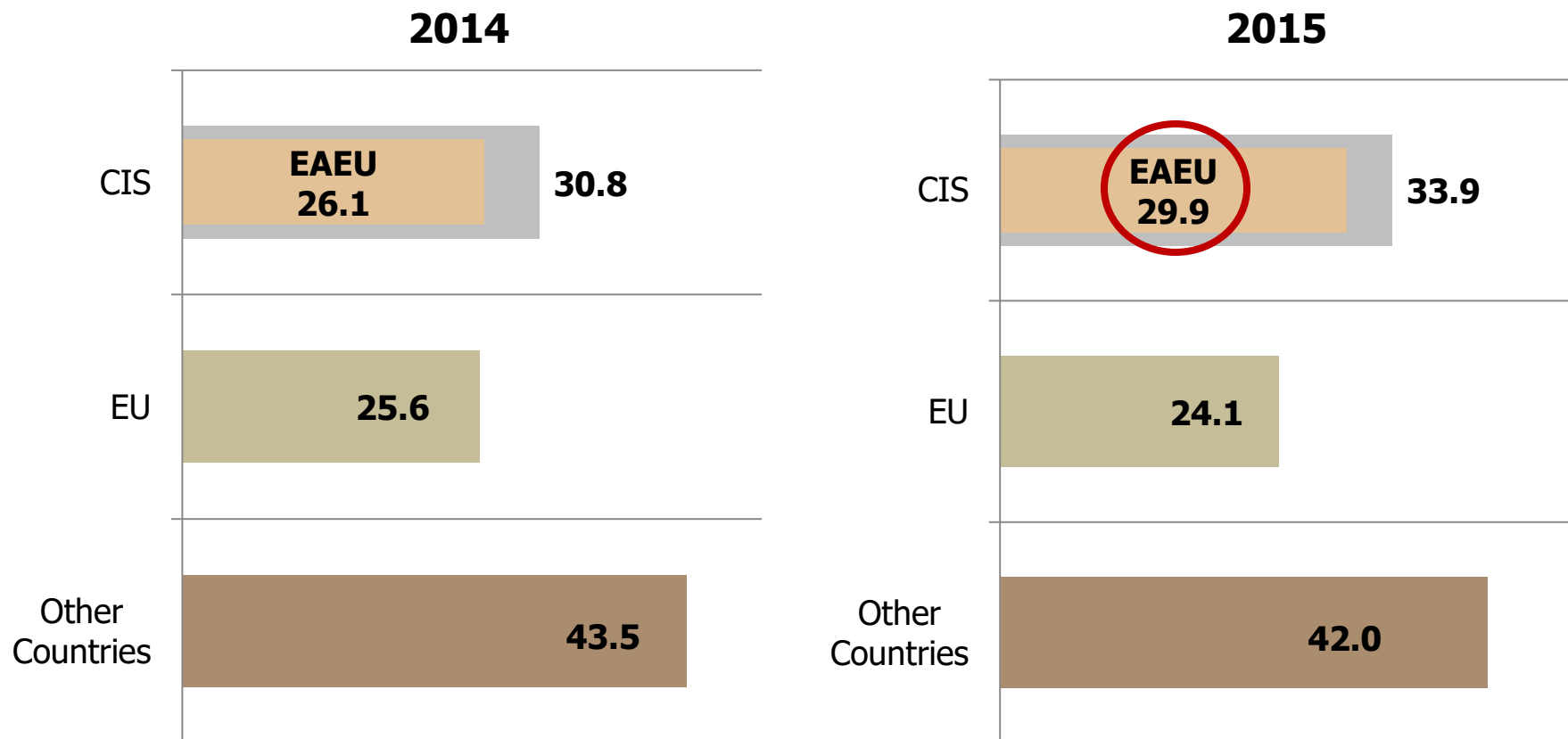
Foreign Trade of Armenia, 2008-2015, USD mln



Source: EDRC calculations based on data of the NSS of RA

The role of imports from EAEU countries grows

Breakdown of Armenian imports per country groups, %



Source: EDRC calculations based on data of the NSS of RA

Imports from almost all major partner countries decreased

	2015, share in total, %	2014/2010 average growth, %	2015/2014 annual growth, %
Russia	30.4	6.6	-7.3
China	9.7	0.8	-23.9
Iran	6.1	-1.3	-3.9
Germany	5.6	3.0	3.6
Italy	4.5	10.2	-17.1
Turkey	4.2	2.3	-40.9
Ukraine	3.8	-3.2	-38.2
USA	3.2	2.6	-6.7
Georgia	2.0	9.4	-6.4
France	2.0	0.8	-17.5
Brazil	1.9	15.5	-32.8
India	1.6	8.4	-17.5
Switzerland	1.6	20.4	-64.6
Belgium	1.5	5.7	-44.5
Japan	1.4	-5.8	4.2
Total for selected countries	79.5	4.2	-18.3

Source: International Trade Center, EDRC calculations

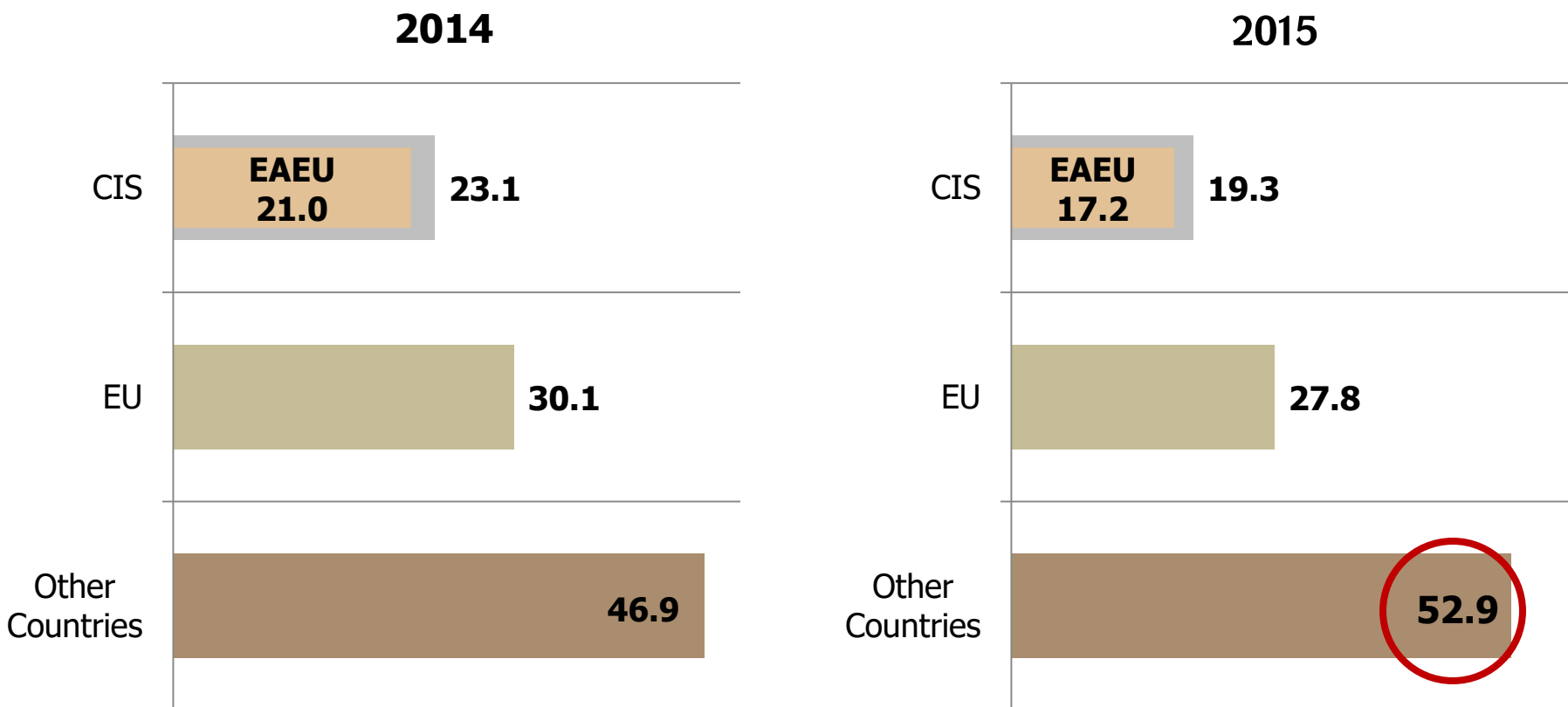
Armenia: Main imports items

Code	Product Label	2015 Share, %	2014/2010 average growth, %	2015/2014 Annual growth, %
2711	Natural and liquid gas	13.3	8.3	-7.4
2710	Oil and oil products	6.7	1.4	-32.3
3004	Medicine (weighted and packed)	2.9	5.9	-7.1
8703	Motor cars	2.7	0.7	44.6
7102	Diamonds	2.7	12.1	-41.1
1001	Wheat and muesli	2.2	3.5	-30.0
7601	Aluminium	1.8	-11.2	3.2
8517	Telephone (mobile) devices and other transmitting devices	1.4	-7.6	-22.2
2402	Cigars, cigarillos, cigarettes	1.3	-9.3	-0.9
2401	Tobacco leave, waste	1.3	24.2	11.1
1806	Chocolate and other cocoa containing food	1.2	1.9	-2.7
0207	Poultry and meat	1.1	3.3	-23.2
2208	Ethyl spirit and alcoholic beverages	1.0	7.1	-13.4
1701	Sugar	1.0	10.3	-27.6
5502	Artificial filament tow	1.0	82.0	54.0
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences	0.9	5.0	31.9
4011	Tires	0.9	9.6	-29.2
0901	Coffee	0.8	-0.9	0.8
8471	Automatic data processing machines and units thereof	0.7	-5.1	-36.3
7108	Gold	0.7	24.7	-84.0
Total for Selected		45.5	4.9	-20.2

Source: International Trade Center, EDRC calculations

Exports geography also visibly changes

Breakdown of Armenian exports per country groups, %



Source: EDRC calculations based on data of the NSS of RA

***China is already the 2nd largest partner in exports;
increase was recorded in exports to Iraq, Georgia, Canada
and other countries***

Armenian exports to 15 largest partner countries

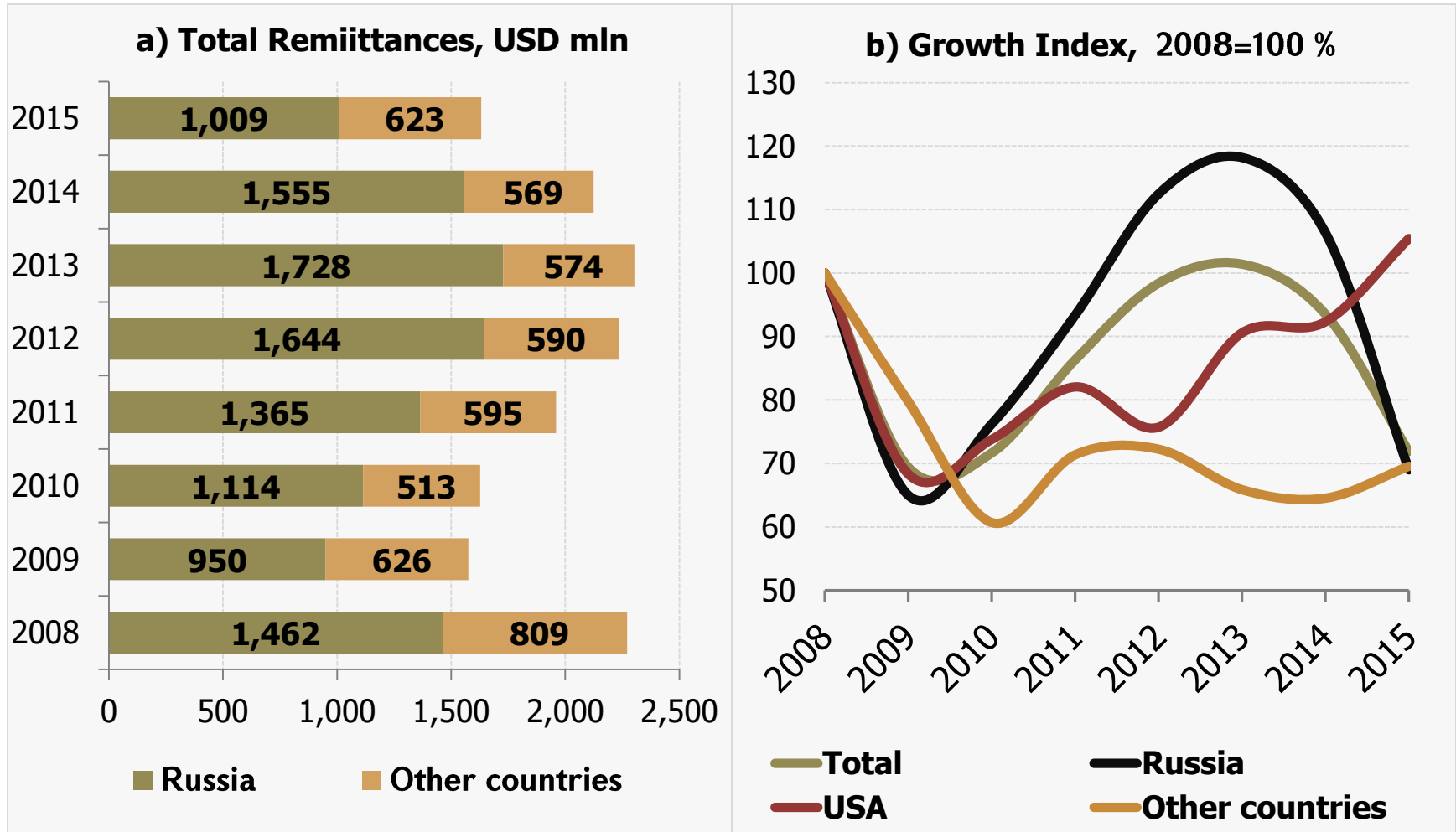
		Position in 2010	Exports, USD mln	Share, %	2014/2010 Average growth, %	2015/2014 Annual growth, %
1	Russia	1	225.9	15.2	17.5	-25.8
2	China	10	165.2	11.1	53.4	-3.4
3	Germany	3	145.0	9.8	4.6	-8.5
4	Iraq	43	130.7	8.8	268.5	62.2
5	Georgia	7	114.0	7.7	8.1	72.9
6	Canada	11	112.1	7.6	33.3	20.2
7	Bulgaria	2	78.9	5.3	-14.0	-7.8
8	Iran	8	77.9	5.3	20.6	-6.9
9	USA	5	54.0	3.6	1.4	-38.0
10	Italy	19	49.0	3.3	64.0	41.8
11	Belgium	6	47.5	3.2	-3.7	-23.8
12	Netherlands	4	47.3	3.2	-6.9	-36.3
13	Switzerland	12	40.8	2.8	-4.6	192.0
14	Romania	48	38.4	2.6	-34.5	72269.8
15	Syria	57	25.4	1.7	269.6	37.6
Total for selected			1352.2	91.2	11.2	1.4

Source: International Trade Center, EDRC calculations

Armenia: Main export items. Exports of cigarettes continue to grow sharply

Product Label		Position in 2010	Exports, USD mln	Share, %	2014/2010 Average growth, %	2015/2014 Annual growth, %
2603	Copper ore and concentrate	1	316.6	21.4	29	34.2
2402	Cigar, Cigarillo, Cigarettes	18	170.5	11.5	93.8	47.2
7108	Gold	7	98.9	6.7	30.1	20.7
2208	Ethyl spirit, spirit tincture, liqueur and other alcoholic drinks	3	92.5	6.2	14.4	-43.5
7607	Aluminium foil	6	82.9	5.6	3.0	-6.3
2716	Electricity	8	77.5	5.2	32.7	-4.7
7102	Diamonds	5	77.3	5.2	6.9	-34.5
7402	Non-refined copper, copper anode for electrolytic process	4	65.5	4.4	-6.2	-8.7
7202	Ferro-alloys	2	55.5	3.7	-2.1	-49.4
2616	Precious metal ores and concentrates	77	31.6	2.1	-	-3.5
0406	Cheese and curd	45	21.9	1.5	30.5	347.4
6202	Women's or girls' overcoats etc., not knitted or crocheted	87	19.6	1.3	152.1	5.3
6201	Men's or boys' overcoats, cloaks etc., not knitted or crocheted	69	18.5	1.2	119.2	28.0
7113	Articles of jewellery & parts	13	18.1	1.2	13.0	-15.7
6203	Men's or boys' suits, ensembles etc., not knitted or crocheted	52	16.3	1.1	74.9	38.4
2608	Zinc ores and concentrates	12	12.0	0.8	0.1	-13.0
0302	Fish; fresh or chilled	37	8.9	0.6	71.1	-46.2

Inflow of remittances decreases



Source: EDRG calculations based on data of the CBA

Fiscal indicators deteriorated; deficit increased

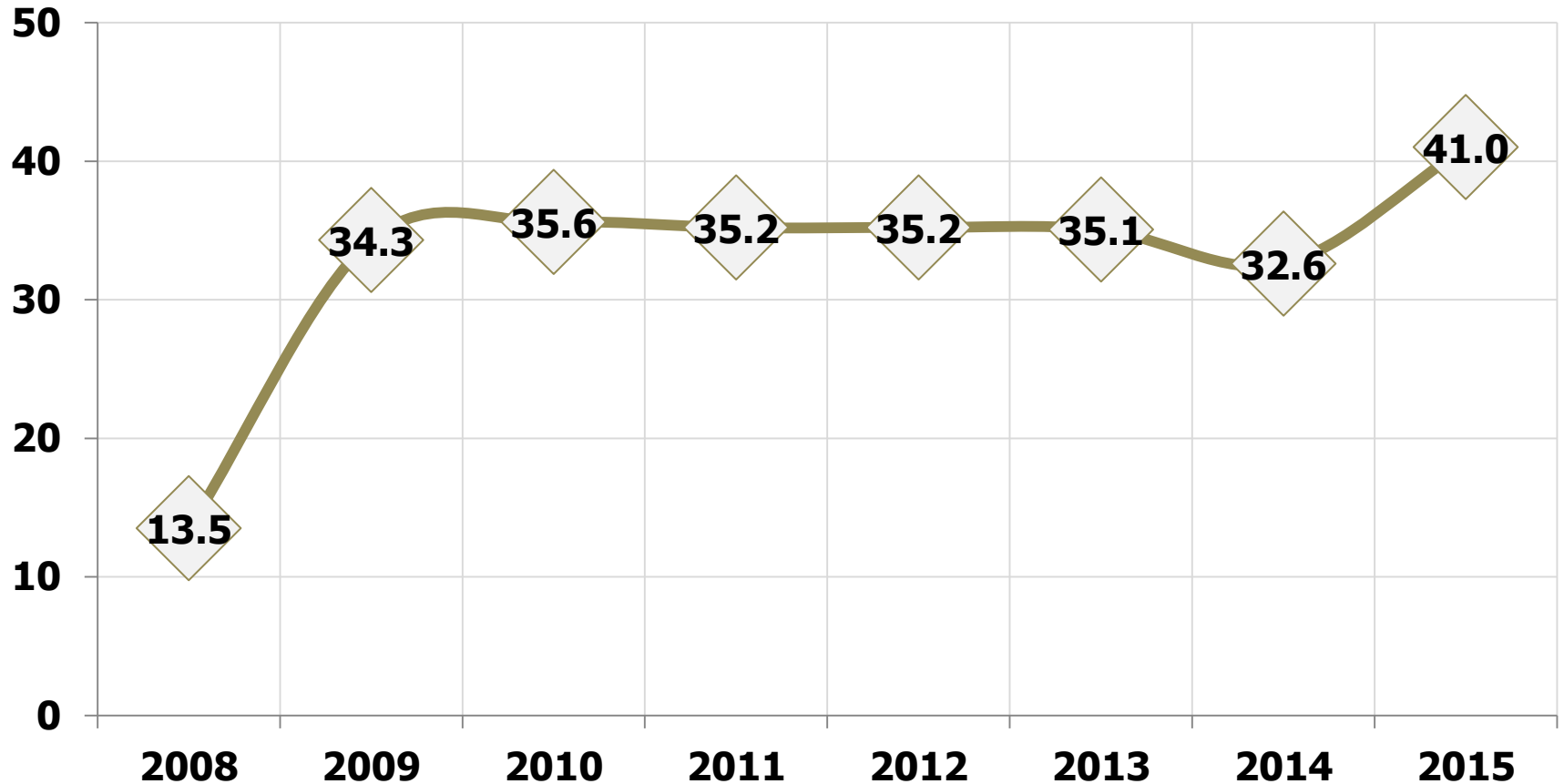
State budget of Armenia, selected indicators

	2014	2015		
	% of GDP	AMD bln	Change, %	% of GDP
Total Revenues	23.6	1,167.7	2.0	23.2
Tax Revenues and State Duties	22.0	1,067.9	0.4	21.2
Taxes and Duties	21.7	1,059.2	0.7	21.0
Mandatory Social Security Payments	0.2	8.7	-28.8	0.2
Official Transfers	0.4	29.9	73.3	0.6
Other Revenues	1.3	70.0	10.4	1.4
Total Expenditures	25.5	1,409.0	14.1	28.0
Current Expenditures	22.7	1,238.9	12.5	24.6
Transactions with Non-financial Assets	2.8	170.1	27.2	3.4
Deficit (-)	1.9	-241.3	167.2	-4.8

Source: EDRC calculations based on data of the NSS of RA

Large public debt and fiscal stability are a matter of concern

External Public Debt of Armenia as share of GDP, %



Source: EDRC calculations based on data of the NSS of RA

Decreases in consumer market prices recorded

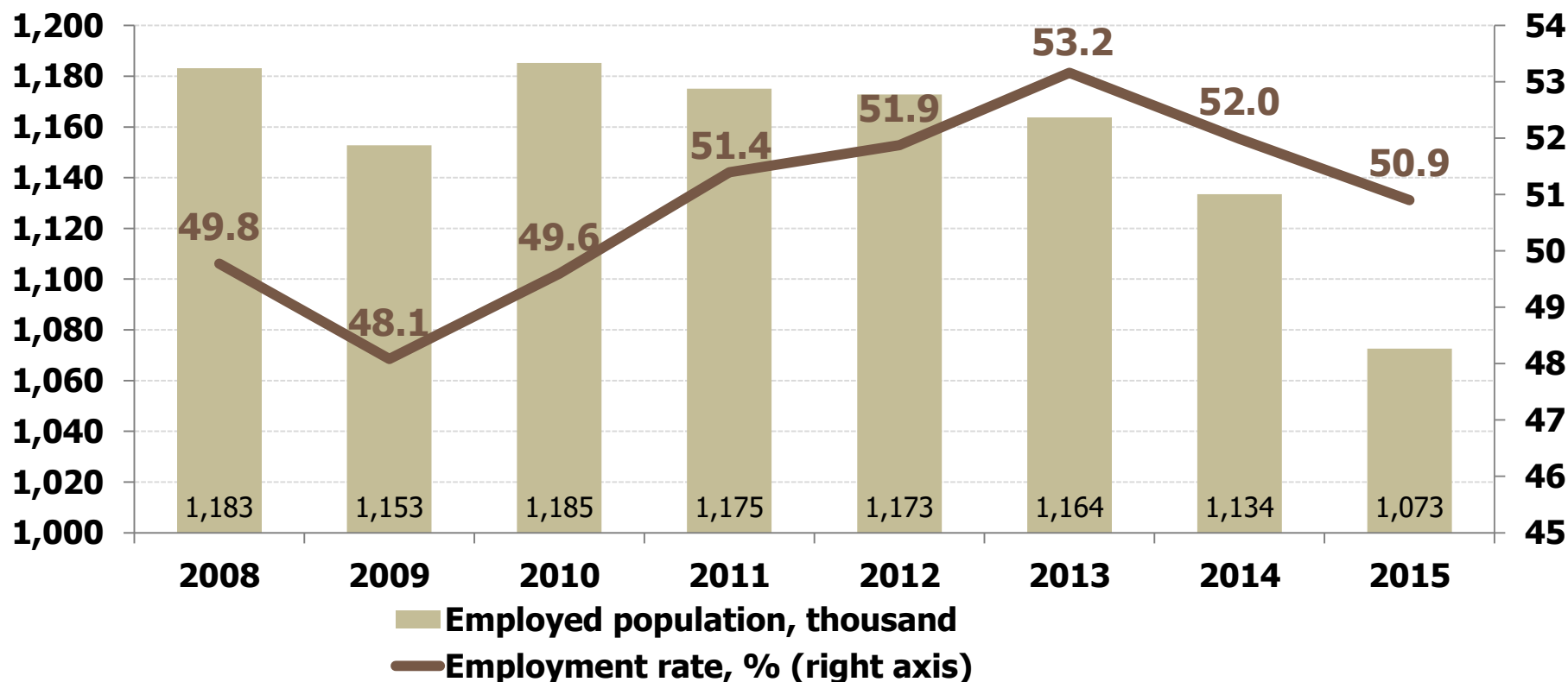
Consumer price trends, %

	2013	2014	2015	2016	2015/ 2008
Consumer Price Index (period average)	5.8	3	3.7	-1.4	39.7
Food Products	5.8	1.7	3.1	-3.0	37.8
Alcoholic beverages and tobacco	5.9	7.1	1.6	-	26
Non-food products	4.6	1.7	5.6	-2.5	39.4
Services	6.4	5.1	3	1.8	43.7
Consumer Price Index (end of period)	5.6	4.6	-0.1	-1.1	38.9
Food products	3.7	6.2	-4.1	-0.2	36
Alcoholic beverages and tobacco	6.7	7.1	-0.1	-	25.5
Non-food products	3.5	1.6	3.4	-3.4	43.7
Services	9.7	3	3.2	-0.7	40.8

Source: EDRC calculations based on data of the NSS of RA

Small portion of labour resources are employed; while the share of economically inactive population is very high

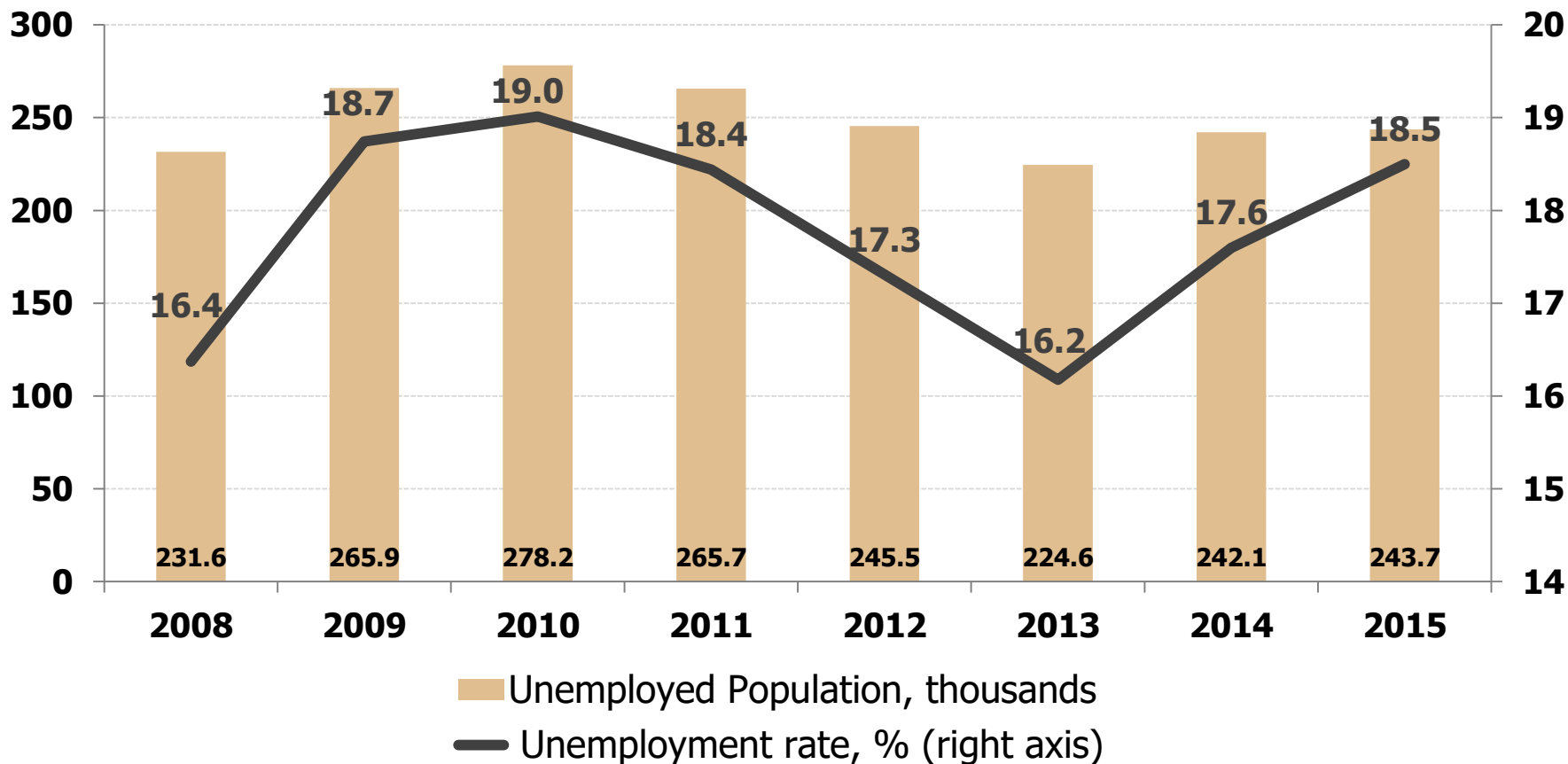
Employment rate and number of employed in Armenia, 2008-2015



Source: EDRC calculations based on data of the NSS of RA

Unemployment rate is very high in Armenia: 17-19%

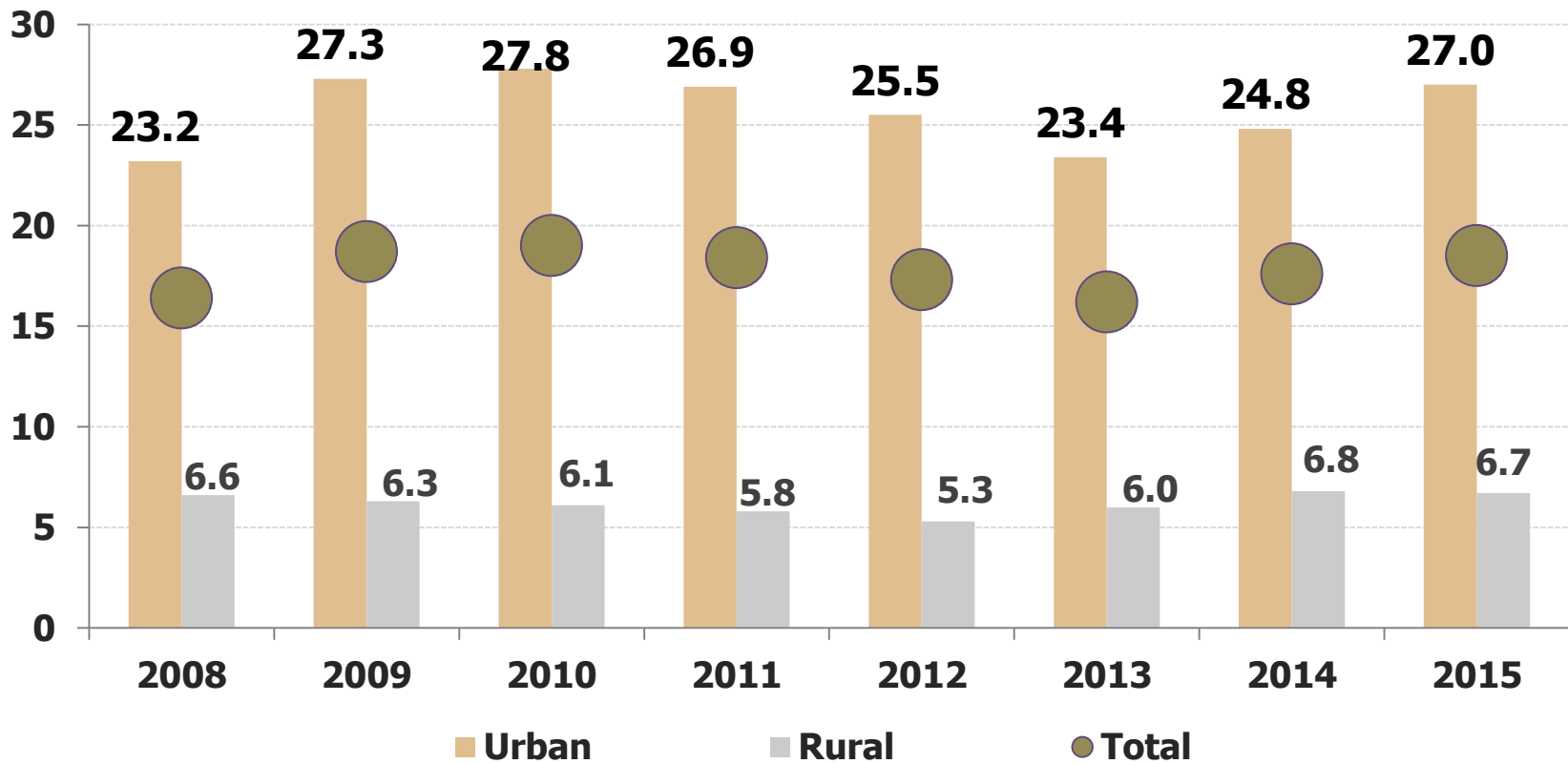
Unemployment trends in Armenia in 2008-2015



Source: EDRC calculations based on data of the NSS of RA

Unemployment rates are extremely high in towns and cities: 27%

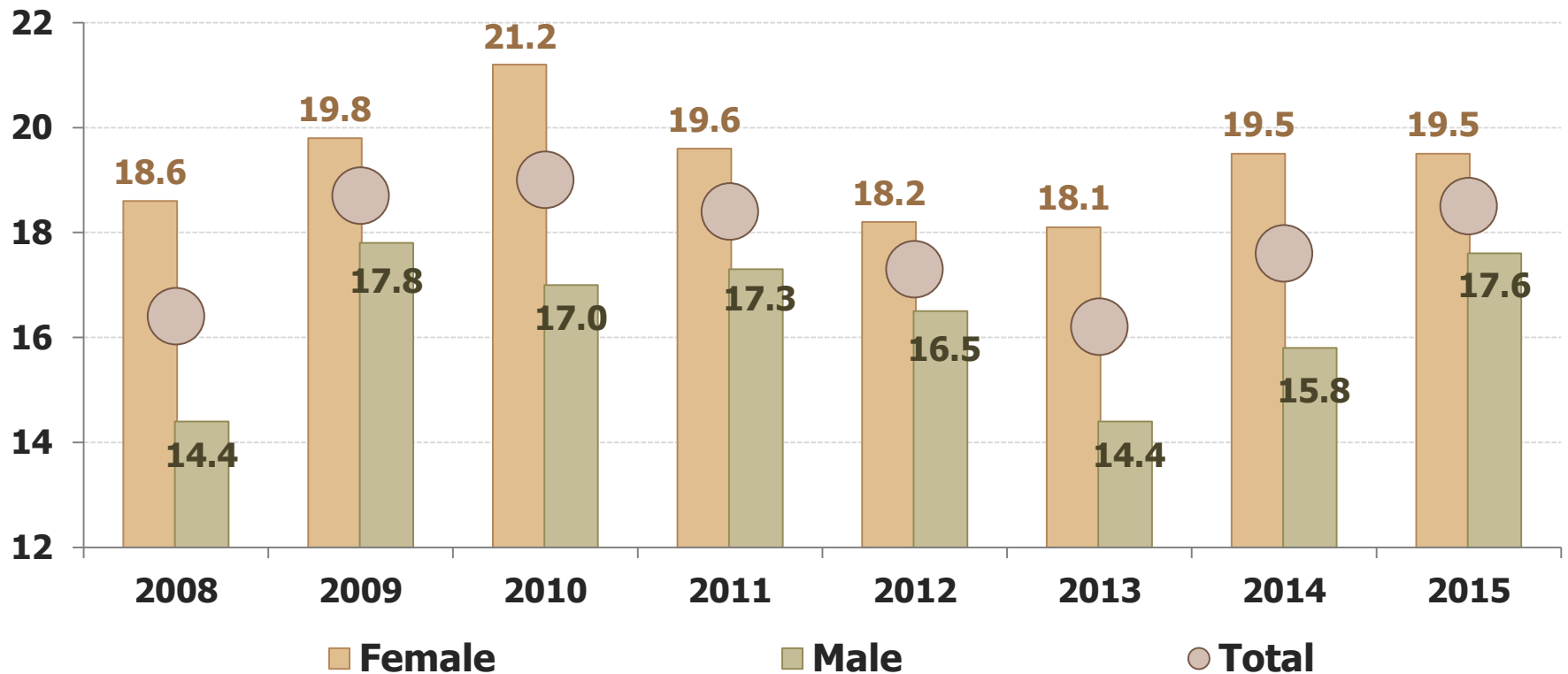
Unemployment in rural and urban areas in 2008-2015, %



Source: EDRC calculations based on data of the NSS of RA

Unemployment is higher among women

Unemployment rate by gender in 2008- 2015, %

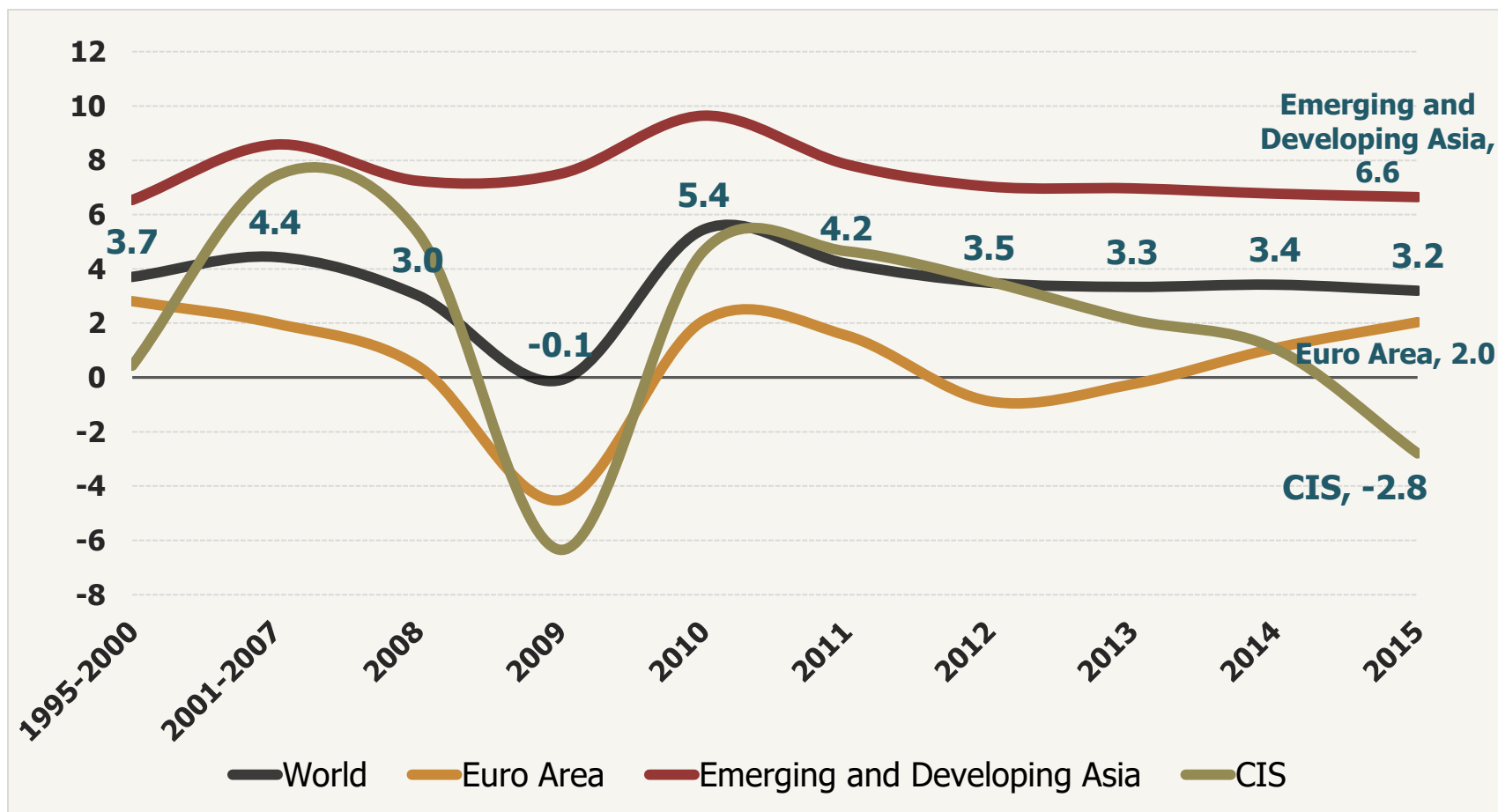


Source: EDRC calculations based on data of the NSS of RA

MEDIUM-TERM OUTLOOK

Low and stable growth rates continue globally

Global Economic Growth Trends

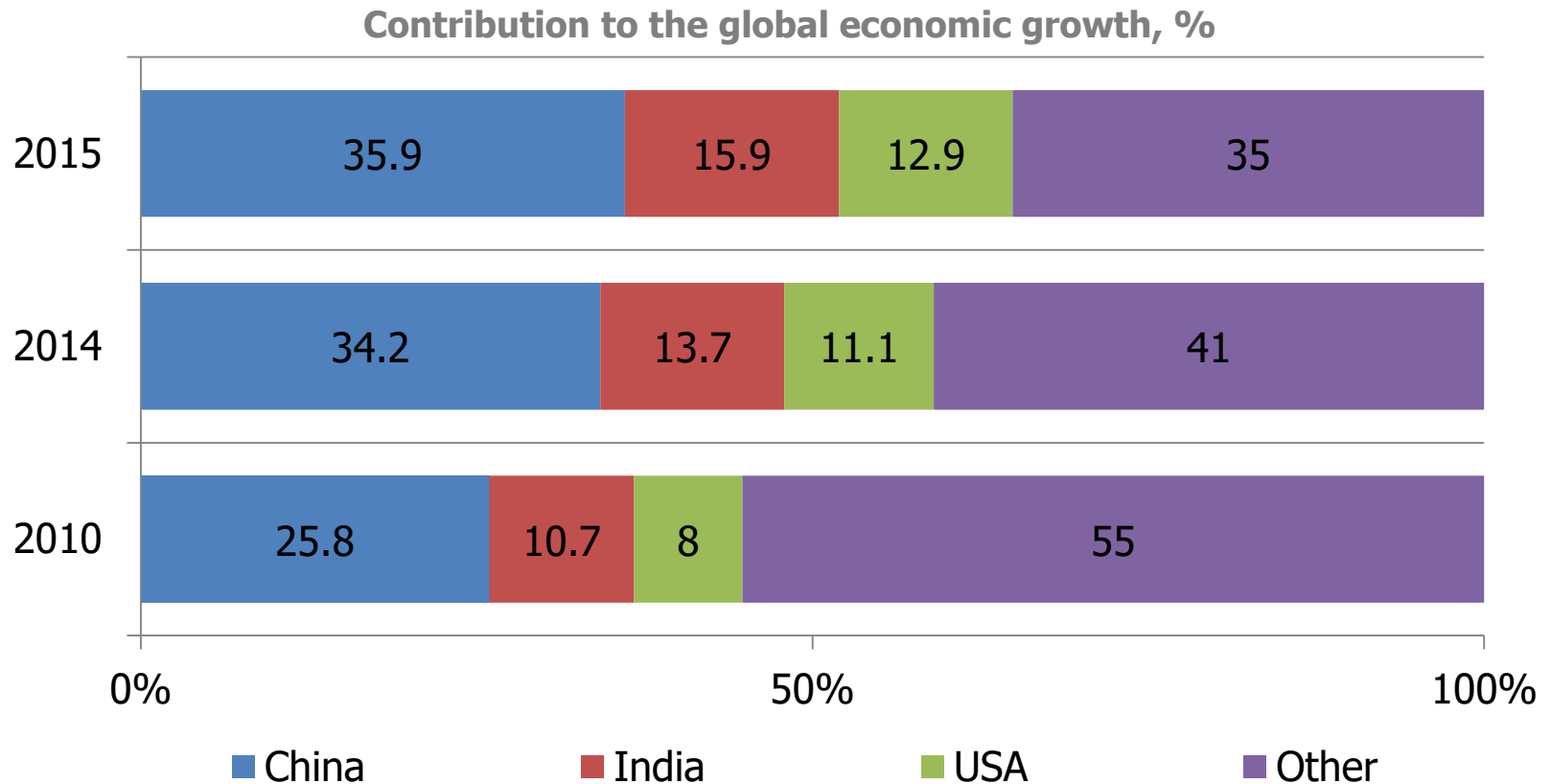


**For 1995-2000 and 2001-2007, average annual growth indices are presented.*

Sources: WEO, IMF, October 2016 and EDRG calculations

36% of global growth is attributable to China

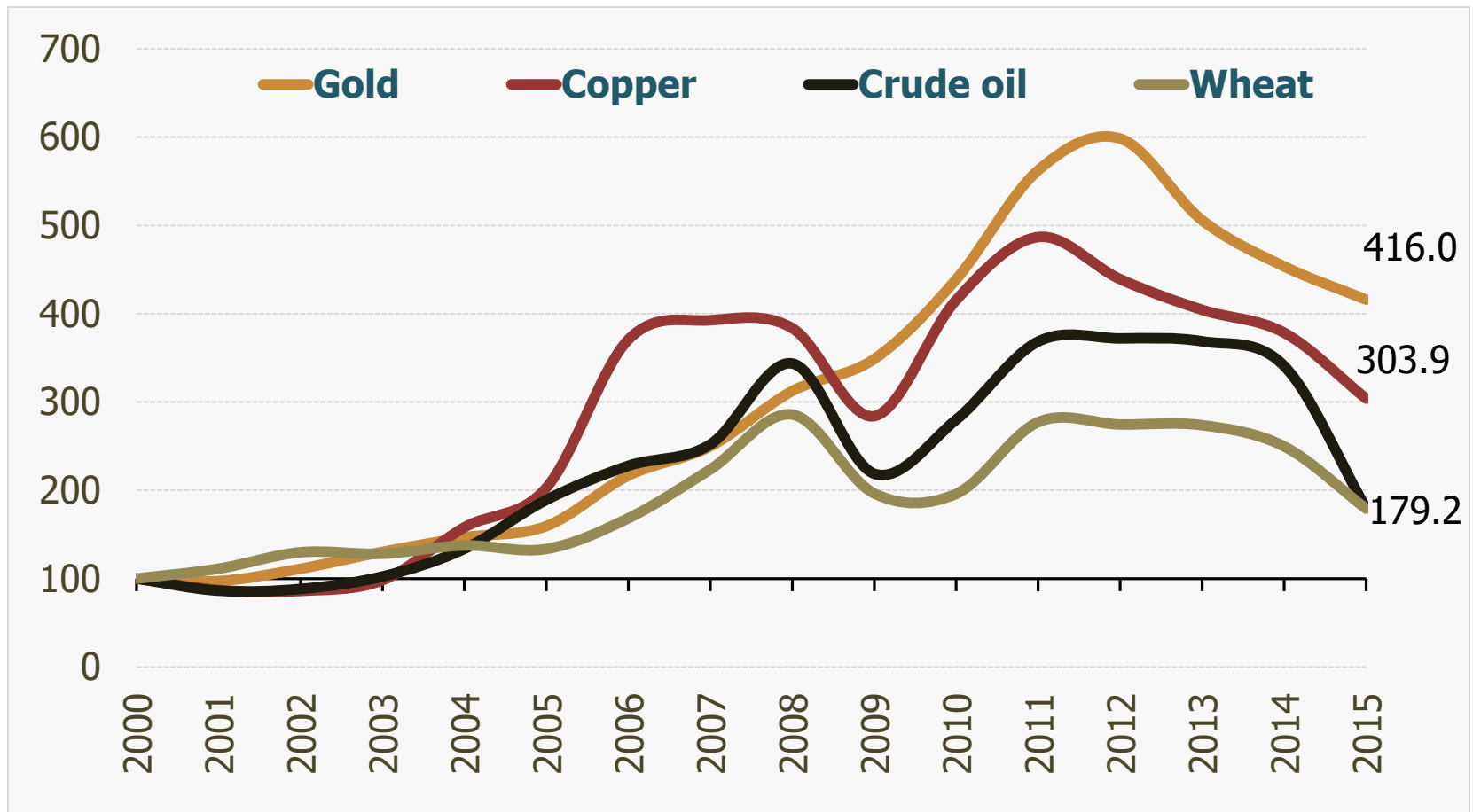
Countries with highest contribution to the global economic growth



Source: IMF, (WEO, October 2016) and EDRG calculations

Commodity prices decline in recent years

Price indices for major commodities, 2000=100%



Source: IMF, (WEO, October 2016) and EDRG calculations

Recovery of commodity prices and growth is projected

Projections of Global Economic Development Indicators in 2016-2018, %

	2016	2017	2018
Consumer Price Inflation (average)	2.9	3.3	3.3
Advanced Economies	0.8	1.7	1.9
Emerging Market and Developing Economies	4.5	4.4	4.2
Fuel (includes crude oil, natural gas and coal prices)	-16.8	15.6	4.0
Crude Oil (includes U.K. Brent, Dubai Fateh and WTI)	-15.4	17.9	4.8
Natural Gas (includes Russian, Indonesian and US natural gas prices)	-35.5	1.2	-0.4
Metals (including copper, aluminium, tin, nickel, zinc, iron ore, lead and uranium prices)	-7.5	1.7	-1.0
Food (including beverages)	1.3	0.2	-0.7

Global growth rate are projected to slightly accelerate

Economic Growth Projections in several groups of countries for 2016-2018,%

	2015	2016			2017		2018
	Actual	IMF, Apr 2016	IMF, Oct 2016	ADB	IMF, Oct 2016	ADB	IMF, Oct 2016
World	3.2	3.2	3.1	-	3.4	-	3.6
Advanced Economies	2.1	1.9	1.6	-	1.8	-	1.8
USA	2.6	2.4	1.6	1.5	2.2	2.4	2.1
Japan	0.5	0.5	0.5	0.6	0.6	0.8	0.5
UK	2.2	1.9	1.8	-	1.1	-	1.7
Canada	1.1	1.5	1.2	-	1.9	-	1.9
Euro Area	2.0	1.5	1.7	1.5	1.5	1.4	1.6
Germany	1.5	1.5	1.7	-	1.4	-	1.4
France	1.3	1.1	1.3	-	1.3	-	1.6
Italy	0.8	1.0	0.8	-	0.9	-	1.1
Emerging Market and Developing Countries	4.0	4.1	4.2	-	4.6	-	4.8
Emerging and Developing Asia	6.6	6.4	6.5	5.7	6.3	5.7	6.3
China	6.9	6.5	6.6	6.6	6.2	6.4	6.0
India	7.6	7.5	7.6	7.4	7.6	7.8	7.7
CIS Countries	-2.8	-1.1	-0.3	-	1.4	-	1.7

Sources: IMF (WEO, April and October 2016), ADB (ADO, april 2016) and EDRC

Economic growth is projected in Russia in 2017

Economic Growth Projections in several groups of countries for 2016-2018,%

	2015	2016			2017		2018
	Actual	IMF, Apr 2016	IMF, Oct 2016	ADB	IMF, Oct 2016	ADB	IMF, Oct 2016
CIS Countries	-2.8	-1.1	-0.3	-	1.4	-	1.7
EAEU Countries							
Russia	-3.7	-1.8	-0.8	-	1.1	-	1.2
Belarus	-3.9	-2.7	-3.0	-	-0.5	-	0.5
Kazakhstan	1.2	0.1	-0.8	0.1	0.6	1.0	1.3
Neighbouring Countries							
Azerbaijan	1.1	-3.0	-2.4	-2.5	1.4	1.0	2.3
Georgia	2.8	2.5	3.4	3.0	5.2	4.0	5.3
Turkey	4.0	3.8	3.3	-	3.0	-	3.2
Iran	0.4	4.0	4.5	-	4.1	-	4.1
Armenia	3.0	1.9	3.2	2.0	3.4	2.3	3.7

Sources: IMF (WEO, April and October 2016), ADB (ADO, april 2016) and EDRC

Sit is also feasible that economic growth in Armenia recovers

Projections of economic growth in Armenia for coming years, %

	2015	2016	2017	2018
2017 Draft Annual Budget		2.4	3.2	-
GoA (MTEF 2017-2019)	3.0	3.7	3.9	4.0
IMF	(actual)	3.2	3.4	3.7
ADB		2.0	2.3	-

SUMMARY: ECONOMIC GROWTH IN 2016

- **3% growth was recorded in 2015: 0.6% percentage points lower than in 2014,**
- **Due to 13.2% growth in agriculture (contribution to the 2.4 percentage points of growth) and 60% growth in mining (contribution to 1.2 percentage points of growth),**
- **Almost all other sectors declined,**
- **Private consumption demand and investments shrank,**
- **Reduction in import volumes was even higher,**
- **Growth in was provided for by increased exports and import substitution.**

SUMMARY: ECONOMIC GROWTH IN 2016

- **0% growth was recorded in 2016,**
- **The decline took place due to 5.8% decline in agriculture and 11% decline in construction,**
- **Mining grew by 15%,**
- **Remittances from abroad continued to decrease – by 6%,**
- **The growth in 2016 can be considered as more favorable than in 2015,**
- **Decline in non-agricultural sectors was larger and more widespread in 2015.**

SUMMARY

- **External factors have more impact than domestic factors,**
- **Agriculture depends on plant-growing which, in turn, is dependent upon climate,**
- **International prices affect export revenues,**
- **Changes in welfare in Russia affect exports of cognac and other goods,**
- **Reduction in remittances result in reduction of demand and social consequences.**

THE ECONOMY OF ARMENIA IS VULNERABLE

- **International commodity prices,**
- **Economic growth in Russia,**
- **Natural and climate conditions in Armenia,**
- **Fiscal stability and high indebtedness levels,**
- **Limited actual impact of domestic factors and policies,**
- **Uncertainties in future development and growth policies,**
- **Low level of trust.**

THANK YOU



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