The index of economic activity eased in September, with growth measured at 14.6 percent (yoy) in real terms. This compares to around 19 percent (yoy) in July and August (Figure 1). Growth in September remained broad-based, with all sectors except agriculture expanding at double-digit rates in real terms. Non-trade services grew at the highest rate (26.3 percent, yoy), followed by trade, industry, and construction (up by 20.7, 14.8, and 14.6 percent, yoy, respectively). Mining output growth turned positive, reaching 4.3 percent (yoy) in September. On the demand side, growth was mainly buoyed by private consumption and investment, with a 3.3-fold increase in net money transfers from abroad and a double-digit increase in the average private sector real wages in September. In contrast, public sector wages declined by 7 percent (yoy) in real terms. As the cumulative growth rate through the end of September reached 14.1 percent, the World Bank is expected to revise up 2022 projections to double digits.

The real estate market grew further in September, with transacted and rented apartments in Yerevan showing 5 and 16 percent growth (mom), respectively. The price of apartments in the center of Yerevan remained stable in September (mom) but was 15 percent higher than last year (Figure 2).

Except for September, inflation has been decelerating from its peak at 10.3 percent in June 2022. Inflation decelerated to 9.5 percent (yoy) in October from 9.9 percent in September (Figure 3). This deceleration was almost entirely driven by a slowdown in inflation for food and non-alcoholic beverages, partly reflecting the drop in international market inflation and the appreciation of the dram (AMD). On November 1, the Central Bank of Armenia (CBA) raised the policy rate by 50 basis points (the fifth hike in 2022), to 10.5 percent, to further curb inflationary pressures.

In September 2022, export growth outpaced import growth, with both at an unprecedented high. Exports grew by 154 percent (yoy) in nominal terms in September, while imports grew by 82 percent. Over half of the increase in exports was due to higher export of machineries and transport means, which grew 33-fold and 6-fold (yoy), respectively. These two categories also displayed the highest growth on the import side, reflecting the re-export of these items, in many cases to Russia. Growth in exports of precious stones and ready food products was also significant (213 and 58 percent, yoy, respectively). Exports to Russia rose five-fold, accounting for a third of the total year-over-year increase in exports in September. Cumulatively, both exports and imports picked up through September, by 64 and 62 percent (yoy), respectively. This growth led to a widening of the trade deficit by 58 percent (yoy) in the first three quarters of the year. This has been partly compensated by a doubling of the number of tourists (although they are still 15 percent below pre-COVID levels) and a near-tripling of tourism receipts (yoy). In addition, there was a 2.5-fold increase in net money transfers, equal to 9 percent of projected annual GDP, mostly driven by inflows from Russia (Figure 3).

The budget registered a small deficit in September, while deposits grew by 4.4 percent (mom) (both adjusted for FX rates). Deposit growth was mostly related to non-resident deposits in FX. Financial stability indicators show a high capitalized and liquid banking system with increasing profitability, although non-performing loans picked up to 3.2 percent of total gross loans in September, compared to 2.8 percent in August.
Figure 1. Economic activity decelerated in September but remains strong
(Economic Activity Index, yoy, %)

Source: Statistical Committee of RA

Figure 2. The price of apartments in Yerevan continues to increase
(Units) (th.s. AMD, per sq meter)

Source: Cadaster Committee of RA

Figure 3. Inflation is hovering around 9–10 percent
(CPI inflation, yoy, %)

Source: CBA

Figure 4. The budget remained in surplus through September
(AMD billion)

Source: MoF

Figure 5. Money transfer inflows picked up in September, with a modest increase in outflows
(in USD)

Source: CBA

Figure 6: The AMD continued to strength vis-à-vis the USD, EUR, and RUB
(Index: March 2, 2020 = 100)

Source: CBA

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