

# ARMENIA

Armenia recorded solid economic growth of 7.2 percent (yoy) in 2025, driven by strong private consumption and investment. Average inflation reached 3.3 percent in 2025, slightly above the CBA's target. Growth is expected to moderate over the medium term. While the conflict in the Middle East could weigh on growth in 2026, progress towards durable peace with neighboring countries would support stronger growth prospects in the medium term and beyond.

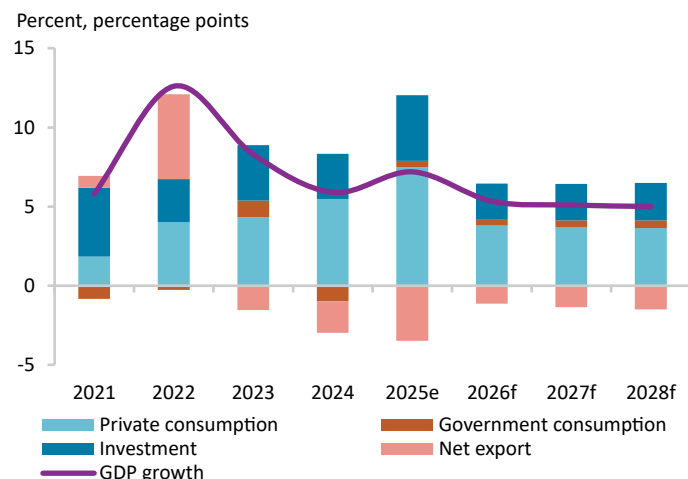
## Key conditions and challenges

Growth in 2025 once again outperformed expectations, signaling the economy's short-term resilience following the phasing out of the positive impact of re-exports in the prior two years. Structural constraints—including connectivity gaps, weak competition, and shortages of high-skilled labor—continue to hinder private investment, firms' growth, and the creation of quality jobs. Further, the near-term outlook remains subject to heightened global uncertainty stemming from the recent conflict in the Middle East. In the medium- to long-term, progress in peace and opening communications with neighbors, coupled with coordinated reforms to strengthen the enabling environment, would have a significant positive impact.

## Recent developments

Economic growth reached 7.2 percent in 2025, mostly driven by private consumption (10.7 percent) and investment (15.6 percent). On the supply side, growth was led by services (5.9 percent) and construction (21 percent). Growth was also supported by a rebound in

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Statistical Committee of Armenia and World Bank.

Population <sup>1</sup> million	3.1	Poverty <sup>2</sup> millions living on less than \$8.30/day	1.4
Life expectancy at birth <sup>3</sup> years	77.5	School enrollment <sup>4</sup> primary (% gross)	102.0
GDP <sup>5</sup> current US\$, billion	29.2	GDP per capita <sup>6</sup> current US\$	9484.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

the agriculture sector (up 5.3 percent) and an increase in industrial production (up 9.3 percent).

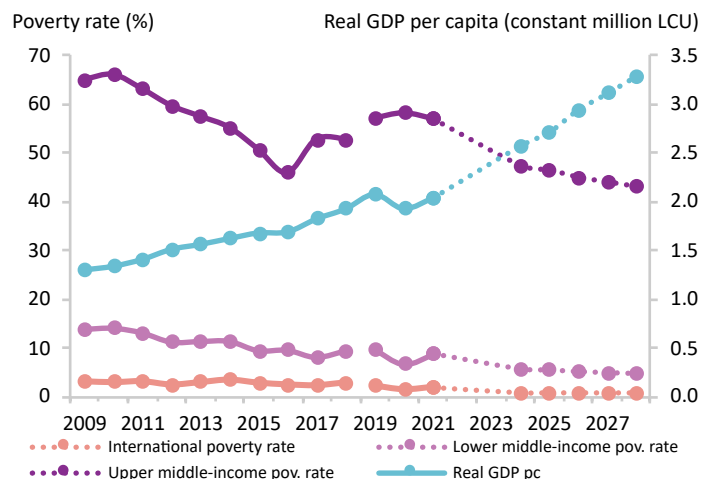
Strong growth improved labor market outcomes in 2025, with unemployment falling to 11.8 percent in Q3 and per capita GDP rising by 5.5 percent.

As a result, upper-middle-income country (UMIC) poverty (US\$8.3, 2021 PPP) is estimated to have declined to 46.4 percent in 2025, from 47.4 percent in 2024.

Average inflation was 3.3 percent in 2025, from 0.3 percent in 2024, driven by food inflation at 5 percent, and reached 4.3 percent (yoy) in February 2026. Given the moderate inflation, the Central Bank of Armenia (CBA) reduced the policy rate twice in 2025 to reach 6.50 percent by the end of the year—the lowest level since mid-2021.

In 2025, the trade deficit widened by 18.1 percent (yoy) as exports contracted faster than imports (down by 36.1 and 23.6 percent in USD terms, yoy, respectively), marking the first annual decline for both since 2020. This decline was due to the phasing out of re-exports of precious and semi-precious metals and stones, which had been high since November 2023. Excluding this item, exports

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

and imports in 2025 rose by 8.9 and 7.5 percent, yoy, respectively. Tourist arrivals accelerated in the second half of 2025, bringing annual growth to 2.5 percent (yoy). Net non-commercial inflows of money transfers rebounded in 2025, increasing by 25 percent (yoy). The current account deficit in Q1–Q3 2025 reached 5 percent of annual GDP, from 2.4 percent of annual GDP in Q1–Q3 2024.

The Armenian dram appreciated 1.5 percent vis-à-vis the USD in 2025, while it depreciated 2.8 percent against the euro. To reduce exchange rate fluctuations, the CBA intervened and purchased about US\$1.8 billion in 2025. This, along with the issuance of a Eurobond in March and receipts of loans at end-2025, increased gross reserves to US\$5.1 billion (3.9 months of imports).

In 2025, total budget revenues grew 12.6 percent while expenditures grew 12.5 percent in nominal terms, leading to an overall budget deficit of 3.5 percent of GDP, similar to 2024 (but well below the 5.5 percent planned deficit for 2025). Expenditure growth was mostly driven by education and defense, while revenue gains reflected higher value-added tax and income tax receipts. Debt in 2025 fell to 46.8 percent of GDP, from 48 percent of GDP in 2024.

Armenia's financial sector remained sound in 2025. Deposits and loans were up 15.4 and 23 percent, yoy, in nominal terms, respectively. The non-performing loans remained low at 1.3 in 2025.

## Outlook

Growth is projected to ease to 5.3 percent in 2026 and converge to 5 percent in the medium term. The projections assume a

temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty.

The fiscal deficit is projected to increase in 2026 to 3.9 percent (reflecting the pension increase announced to start on April 2026) and thereafter, consolidate gradually to 3.6 percent by 2028, as spending moderates. Despite fiscal consolidation, public debt is projected to rise to 51.3 percent of GDP by 2027 (reflecting a replenishment of the stabilization fund and on-lending projects) and then stabilize.

The current account deficit, which has followed an increasing trend recently, is projected to reverse course and narrow to 4.8 percent of GDP in 2028 as trade flows normalize.

The UMIC poverty rate is projected to decline to 43 percent in 2028. However, heightened uncertainty, moderating growth in agriculture—a key employer of the poor—and a possible continued uptick in inflation, which may slightly erode real incomes, pose downside risks to the pace of poverty reduction.

Downside risks to the outlook include uncertainty surrounding the 2026 parliamentary elections and potential escalation in geopolitical tensions. In addition, the conflict in the Middle East could lead to persistently elevated energy and food prices and trade disruptions—particularly if price pressures extend beyond 2026—thereby weighing on trade, tourism, investment, and overall growth. On the upside, normalization of relations with neighbors, deeper regional connectivity and new strategic investment commitments could support faster growth.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	8.3	5.9	7.2	5.3	5.1	5.0
Private consumption	6.2	8.0	10.7	5.3	5.1	5.1
Government consumption	10.2	-9.5	4.7	4.2	5.2	5.5
Gross fixed capital investment	9.0	11.2	15.6	8.3	8.2	8.2
Exports, goods and services	32.3	27.6	-30.5	2.3	3.8	3.9
Imports, goods and services	32.5	28.3	-23.7	3.9	5.4	5.7
<b>Real GDP growth, at constant factor prices</b>	8.0	6.8	6.8	5.3	5.1	5.0
Agriculture	-0.4	1.5	5.3	2.5	2.1	2.1
Industry	2.0	6.8	9.3	5.2	5.5	5.7
Services	12.3	7.6	5.9	5.8	5.3	5.1
<b>Employment rate (% of working-age population, 15 years+)</b>	52.8	51.0	56.1	53.4	53.4	53.4
<b>Inflation (consumer price index)</b>	2.0	0.3	3.3	4.6	3.8	3.3
<b>Current account balance (% of GDP)</b>	-2.8	-4.6	-5.7	-5.6	-5.2	-4.8
<b>Net foreign direct investment inflow (% of GDP)</b>	2.2	0.3	1.2	1.5	2.2	2.3
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-1.9	-3.5	-3.5	-3.9	-3.7	-3.6
<b>Revenues (% of GDP)</b>	25.9	26.5	26.8	26.3	26.2	26.4
<b>Debt (% of GDP)<sup>2</sup></b>	48.2	48.0	46.8	50.0	51.3	51.3
<b>Primary balance (% of GDP)<sup>3</sup></b>	0.7	-0.4	-0.4	-0.5	0.0	0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>4,5</sup></b>	..	0.8	0.8	0.8	0.8	0.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>4,5</sup></b>	..	5.7	5.5	5.2	5.0	4.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>4,5</sup></b>	..	47.4	46.4	44.9	44.0	43.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.6	4.9	8.2	7.2	7.2	7.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Represents the consolidated fiscal balance.

2/ Excludes CBA debt.

3/ The primary balance excludes interest received.

4/ Calculations based on ECAPOV harmonization, using 2011-ILCS, 2018-ILCS, and 2024-ILCS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

5/ Projection using annualized elasticity (2011-2018) with pass-through = 0.69 based on GDP per capita in constant LCU.