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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Armenia has experienced rapid economic growth in recent years, propelled by expatriate remittances, rising international copper prices, and a business-friendly monetary policy. The country benefits from abundant mining resources including molybdenum, zinc, copper, and gold, as well as financial support from international organizations. Membership in the Eurasian Economic Union (EAEU) and a partnership with the EU also contribute to its economic strengths. However, the economic crisis induced by the Covid-19 pandemic and the armed conflict with Azerbaijan over the Nagorno-Karabakh enclave dealt significant blows to growth, resulting in negative growth in 2020. Despite these challenges, Armenia's economy displayed resilience to recent shocks, including the Russian invasion of Ukraine. It achieved an estimated growth rate of 12.6% in 2022 and 7% in 2023, driven by an influx of foreign exchange, migrants, and businesses, primarily from Russia. The IMF projects a growth rate of 5% in 2024, supported by robust personal consumption and increased government spending and investment, with a subsequent moderation to 4.5% in 2025.

Fitch Ratings reports that Armenia plans to substantially increase fiscal spending in 2024 to accommodate the large influx of refugees from Nagorno-Karabakh. Despite implementing permanent revenue-raising measures, the fiscal deficit is expected to temporarily widen to 4.5% in 2024 before narrowing to 2.9% in 2025. By the end of 2023, the general government debt stood at approximately 47.9% of GDP. Benefiting from favorable budget performance and cash reserves, authorities repurchased USD 186.8 million of a USD 313.2 million Eurobond set to mature in 2025. The IMF anticipates the debt ratio to moderately expand to 49.5% by 2025. Inflation is expected to return to the central bank's target of 4% by mid-2024, gradually rising and stabilizing around the target in the medium term.

The unemployment rate was estimated at 13.5% in 2023 by the IMF and is expected to remain relatively stable around 14% over the forecast horizon. The national poverty rate is estimated at 24.8%, with GDP per capita (PPP) at USD 18,942 (World Bank). Around 40% of the workforce is engaged in Armenia's informal economy, accounting for 36% of the nation's gross domestic product, according to a study by the European Training Foundation.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	19.51	24.54	26.94	29.00	31.08
GDP <i>(Constant Prices, Annual % Change)</i>	12.6	7.0	5.0	4.5	4.5
GDP per Capita <i>(USD)</i>	6,587	8,283	9,091	9,786	10,488
General Government Gross Debt <i>(in % of GDP)</i>	49.2	47.9	48.7	49.5	49.6
Inflation Rate <i>(%)</i>	n/a	3.5	4.0	4.0	4.0
Unemployment Rate <i>(% of the Labour Force)</i>	13.0	13.5	14.0	14.0	14.0
Current Account <i>(billions USD)</i>	0.15	-0.33	-0.61	-0.81	-1.00

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>Current Account</b> <i>(in % of GDP)</i>	0.8	-1.4	-2.3	-2.8	-3.2

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Armenia's economy is diversified, encompassing agriculture, mineral exploitation, hydroelectricity, telecommunications, jewelry, and tourism. Agriculture accounts for 10.4% of GDP and engages 52% of the total workforce (World Bank, latest data available). Main crops include potatoes, tomatoes, grapes, wheat, melons, cotton, and tobacco. The livestock sector represents almost 40% of the country's gross agricultural product. Armenia faces challenges due to limited arable land cultivation, fragmented plots, and low growth potential attributed to political instability. In 2023, Armenia's agriculture, forestry, and fishery sectors saw no growth compared to the previous year, generating products valued at slightly over USD 2.47 billion, according to the National Statistical Committee. Agriculture experienced a slight decline of 0.3% to approximately USD 2.35 billion. Livestock production dropped by 3.4% to around USD 1.24 billion, while crop production increased by 2.7% to approximately USD 1.11 billion. Forestry sector output rose by 22.3% to roughly USD 6.69 million, and fisheries output grew by 3.6% to around USD 136.04 million.

The industry contributes 25.3% of GDP and employs 14% of the total workforce. Armenia boasts deposits of copper, molybdenum, bauxite, zinc, lead, iron, gold, and mercury, forming the basis of its chemical industry sector and primary exports, especially metal ores. The mining sector, notably metal ores, is one of the largest contributors to GDP and exports. Armenia's well-developed hydroelectricity sector enables it to export electricity, although much of it is foreign-owned. The manufacturing sector alone accounts for 11% of GDP (World Bank). According to the National Statistical Committee (NSC), Armenia's industrial output in 2023 reached approximately USD 6.92 billion in current prices, marking a 4.1% increase compared to 2022.

Services represent 55.5% of GDP and employ 34% of the active population. The sector encompasses jewelry, boosted by the quality of its diamonds, and tourism. The ICT sector is also burgeoning and is prioritized by the government. The banking sector, particularly robust and stable, consists of 17 commercial banks (European Banking Federation). Armenia's Tourism Committee reported that in 2023, the country welcomed 2.3 million tourists, marking a 37.7% surge compared to 2022 and a 21.6% rise compared to 2019. Of the total, 50% arrived from Russia, 11% from Georgia, 6% from Iran, and 3% from the U.S..

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	30.3	17.5	52.2
<b>Value Added</b> <i>(in % of GDP)</i>	10.4	25.6	55.3
<b>Value Added</b> <i>(Annual % Change)</i>	-0.7	9.4	17.7

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Armenian Dram (AMD) - Average Annual Exchange Rate For 1 USD</b>	480.49	482.72	482.99	480.40	489.01

Source: World Bank - Latest available data.

## FOREIGN TRADE

Foreign trade in Armenia represents 101% of GDP (World Bank, latest data available), and the country follows an open and liberal policy regarding international commerce. Overall, minerals represent more than half of total exports, which include mostly copper ores, diamonds, gold, cigars, and ethyl alcohol. On the other hand, Armenia mainly imports motor cars, petroleum gases and oils, diamonds, and telephones (Comtrade).

According to data from Comtrade, Armenia's main export partners in 2022 were Russia (44.6%), the United Arab Emirates (10.1%), China (7.0%), Switzerland (4.8%), Iraq (4.7%), and the Netherlands (4.0%). The Russian Federation was also the main import partner (30.4%), followed by China (15.4%), Iran (6.9%), Germany (4.6%), and the United States (4.1%). The country has been searching for new energy sources, especially after the Russian-Georgian conflict, which temporarily disrupted its hydrocarbon supply and revealed the country's energy vulnerabilities. Tensions remain with a couple of its neighboring countries, such as Azerbaijan and Turkey, and have an impact on trade. Armenia's closeness with Russia and its adherence to the Eurasian Economic Union limit the country's ability to further integrate with the EU.

Armenia has a structural trade deficit, estimated at 1% of GDP in 2022, compared to 7.9% one year earlier (World Bank). According to figures from the WTO, in 2022, Armenia exported goods with a total value of USD 5.3 billion (+77.3% year-on-year), while it imported goods worth USD 8.7 billion (an increase of 63.7%). Concerning services, the country exported USD 4.1 billion and imported USD 2.5 billion (+240.7% and +90.3% year-on-year, respectively). According to the latest figures from the National Statistics Committee (NSC), Armenia's exports in the first ten months of 2023 rose by 38.5% year-on-year, reaching about USD 5.8 billion, while imports reached USD 9.6 billion, up 42.9% compared to the same period one year earlier.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> (million USD)	4,963	5,514	4,559	5,357	8,769
<b>Exports of Goods</b> (million USD)	2,412	2,640	2,544	3,023	5,360
<b>Imports of Services</b> (million USD)	2,192	2,521	981	1,338	2,547
<b>Exports of Services</b> (million USD)	2,202	2,434	1,099	1,735	4,177

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> (in % of GDP)	92.5	96.1	69.5	79.2	98.4
<b>Trade Balance</b> (million USD)	-1,763	-1,722	-1,382	-1,505	-1,859
<b>Trade Balance (Including Service)</b> (million USD)	-1,753	-1,809	-1,264	-1,108	-148
<b>Imports of Goods and Services</b> (Annual % Change)	13.3	11.6	-31.5	12.9	33.8
<b>Exports of Goods and Services</b> (Annual % Change)	5.0	16.0	-33.5	16.6	54.4
<b>Imports of Goods and Services</b> (in % of GDP)	53.1	54.8	39.7	43.8	50.7
<b>Exports of Goods and Services</b> (in % of GDP)	39.4	41.4	29.8	35.3	47.7

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	21.9	8.2	4.7	5.4	5.2

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of imports of goods and services (Annual % change)</b>	28.3	7.3	5.8	6.5	7.6

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

### International Economic Cooperation

Among others, Armenia is member of the [Commonwealth of Independent States](#) (CIS), of the [Conference on Security and Cooperation in Europe](#) (CSCE), of the [World Bank](#) etc.

### Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>United Arab Emirates</b>	10.1%
<b>China</b>	7.0%
<b>Switzerland</b>	4.8%
<b>Netherlands</b>	4.0%
<b>Bulgaria</b>	3.9%
<b>See More Countries</b>	70.2%

Main Suppliers <i>(% of Imports)</i>	2022
<b>China</b>	15.4%
<b>Germany</b>	4.6%
<b>United States</b>	4.1%
<b>Italy</b>	3.2%
<b>Türkiye</b>	3.0%
<b>See More Countries</b>	69.6%

Source: Comtrade, Latest Available Data

### POLITICAL OUTLINE

#### Current Political Leaders

President: Vahagn KHACHATURYAN (since 13 March 2022) - independent  
 Prime Minister: Nikol PASHINYAN (since 10 September 2021) - Civil Contract

#### Next Election Dates

Presidential: 2029  
 National Assembly: June 2026

## Main Political Parties

There are numerous political parties in Armenia. The main parties/alliances are:

- [Civil Contract party](#): liberalist, reformist. It obtained 71 seats out of 107 in the latest 2021 elections
- [Armenia Alliance](#): nationalist, pro-Russia. It has 29 seats in the National Assembly
- I Have Honor Alliance: nationalist, pro-Russia, it consists of the [Republican Party of Armenia](#) (right-wing, national conservative party) and the [Homeland Party](#). The alliance obtained 7 seats in the latest election

Other parties include:

- [Prosperous Armenia](#) (BHK): centre-right, it is the main opposition party
- Hanrapetutyun Party: conservative, pro-European
- [Armenian National Congress](#): social liberalism, pro-European.

## Executive Power

The [President of Armenia](#) is the chief of the state and holds the highest executive powers. He is indirectly elected for a 7-year term.

The [Prime Minister](#) is the head of government and holds most of the executive power. He is elected by majority vote by the National Assembly.

## Legislative Power

The legislative branch in Armenia is composed of a unicameral [National Assembly](#) (Parliament). Members are elected in single-seat constituencies by proportional representation vote for a five-year term. The minimum number of seats is 101; there are currently 107 members.

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## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) undertaken by the Armenian government, please consult the section dedicated to Armenia in the [IMF's Policy Tracker platform](#).

### Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).

