



Armenia's Economic Outlook, Reform Priorities, and Progress Under the IMF-Supported Program

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Recent Economic Developments

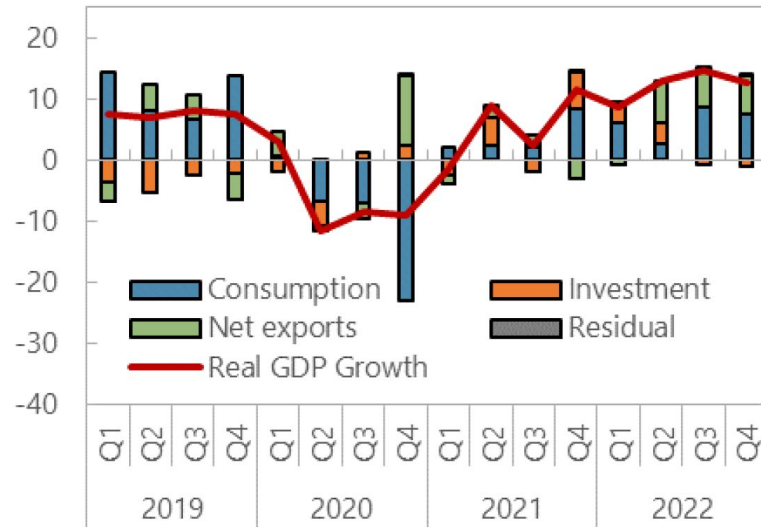
Armenia's growth was remarkable in 2022, driven by robust demand, and an influx of income, capital, business, and labor. Inflation has been falling.

Real GDP grew by 12.6 percent in 2022...

... largely driven by a record number of nonresidents and FX inflows

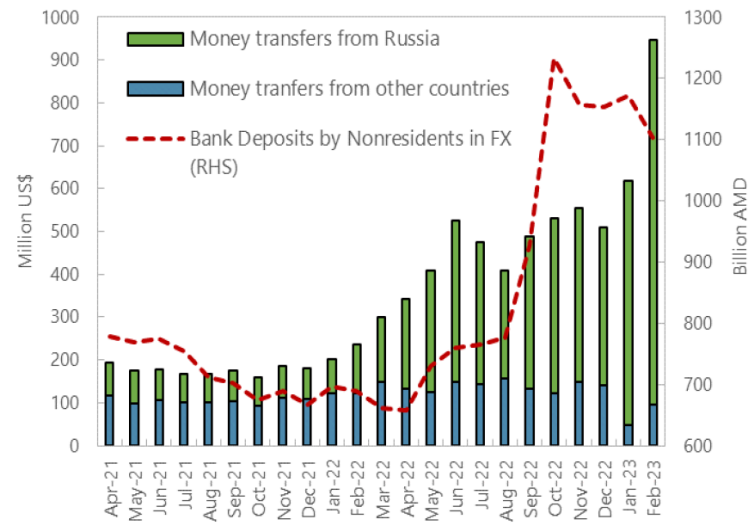
Base effects and lower food prices have eased the inflation rate rapidly.

Contributions to Real GDP Growth
(Expenditure approach, in percent)



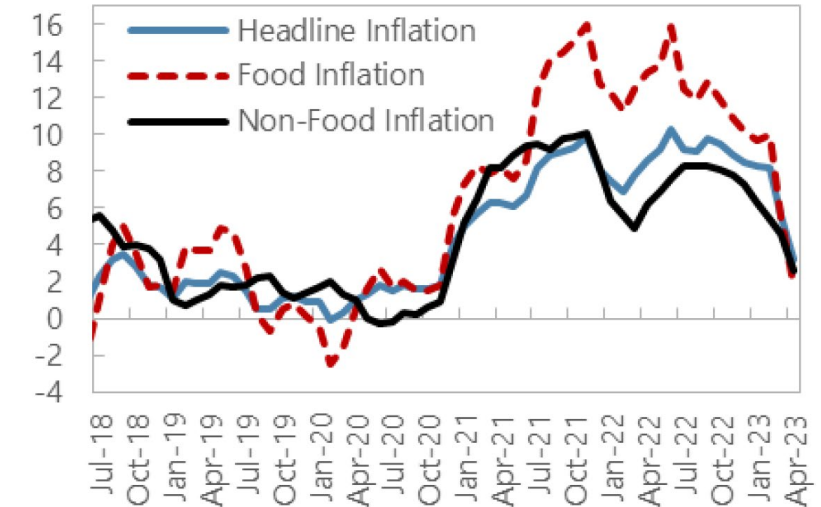
Sources: National authorities; Haver Analytics; World Economic Outlook, and IMF staff calculations.

Money Transfers and Nonresident Deposits



Source: Central Bank of Armenia.

Consumer Price Inflation, SA
(In percent change, y-o-y)

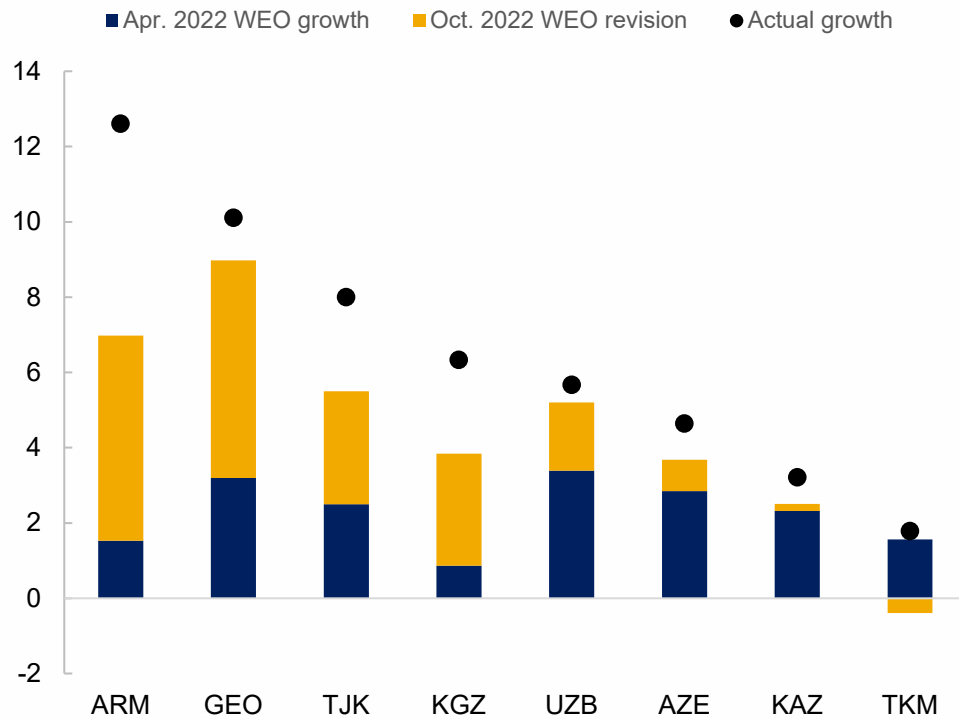


Sources: National authorities; Haver Analytics; World Economic Outlook, and IMF staff calculations.

CCA countries performed well in 2022

GDP Growth was stronger than expected

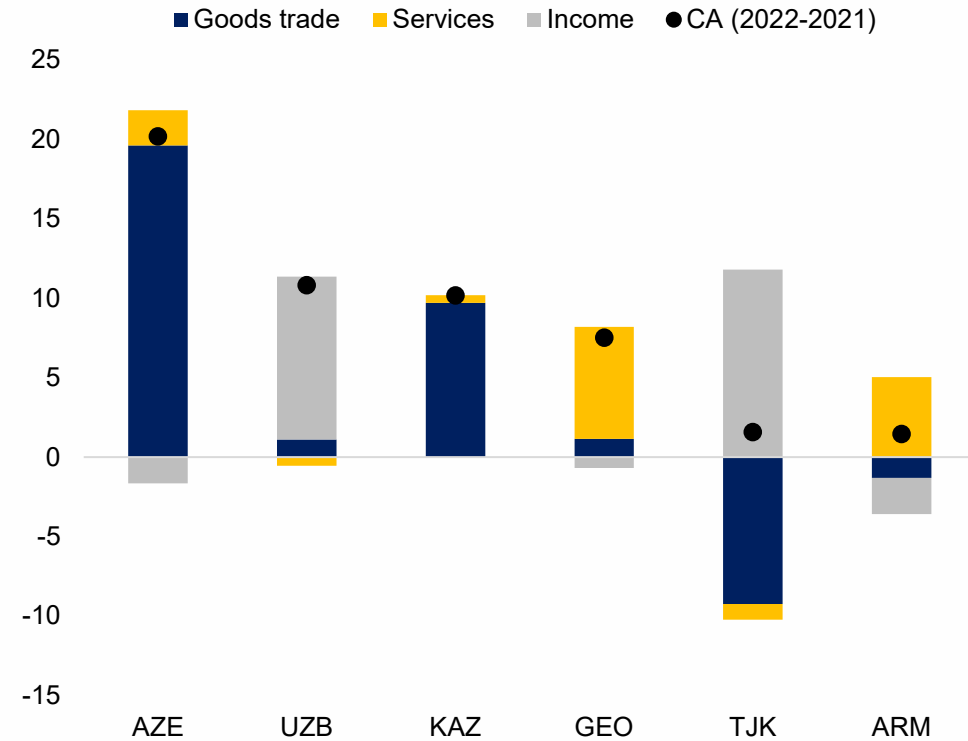
Real GDP Growth, 2022
(Year-over-year percent change)



Source: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization country codes.

CCA countries recorded large current account improvements

Current Account Components, 2022
(Change from 2021, percentage points of GDP)

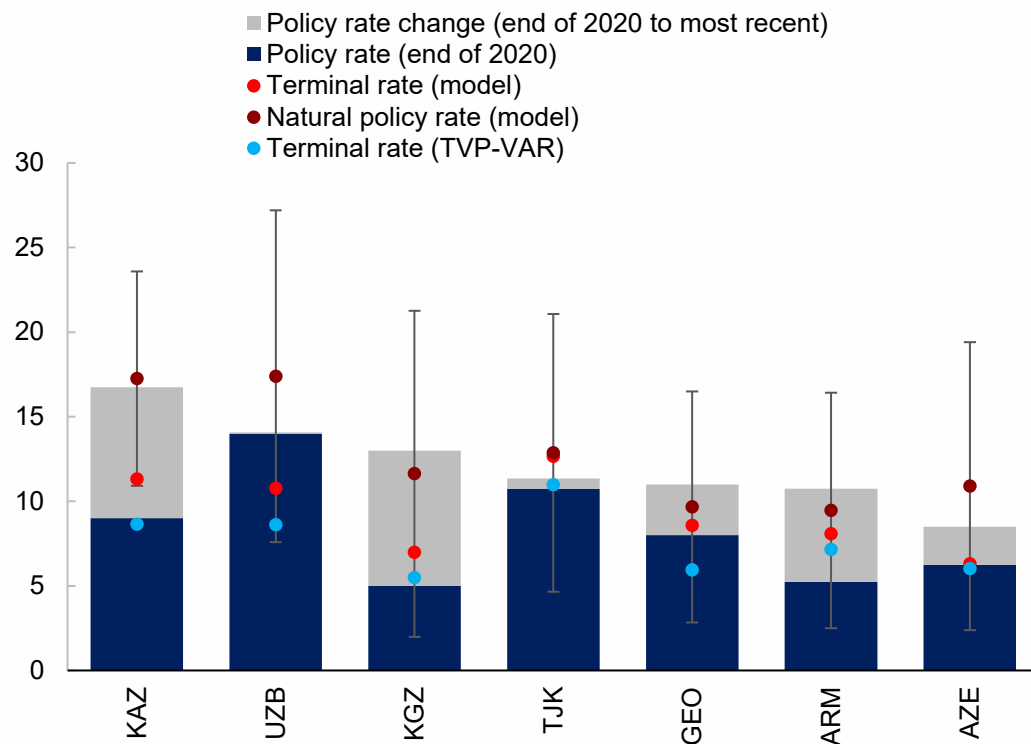


Sources: Haver Analytics; and IMF staff calculations.
Note: Country abbreviations are International Organization for Standardization country codes.

CCA responded strongly to inflationary pressures

Central banks raised policy rates substantially, resulting in a neutral or tight monetary stance

Nominal Policy Rates
(Percent)

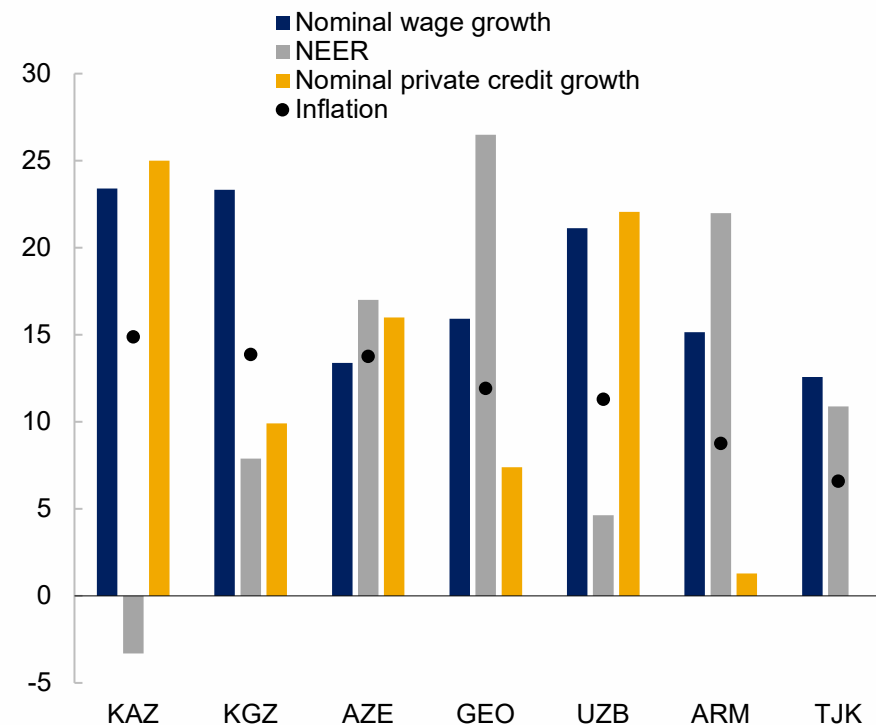


Source: IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization country codes. The ranges around the model estimates reflect one SD confidence intervals.

Domestic and external factors fueled inflation in 2022

Wages, Credit, and Depreciation/Appreciation, 2022
(Percent change)



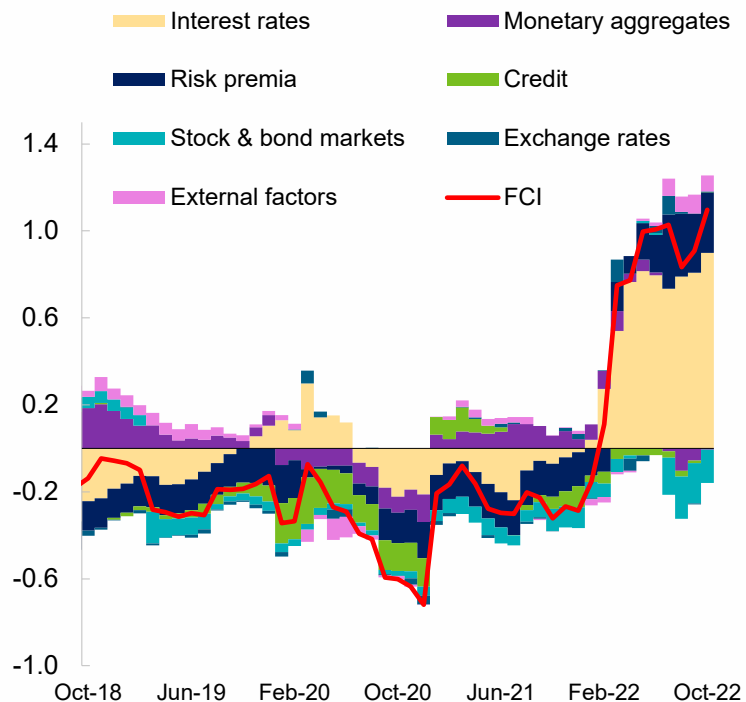
Source: Haver; and IMF staff calculations.

Note: Country abbreviations are International Organization for Standardization country codes.

Financial conditions have tightened, and spreads have risen amid the recent global financial turbulence

Overall, domestic financial conditions have tightened

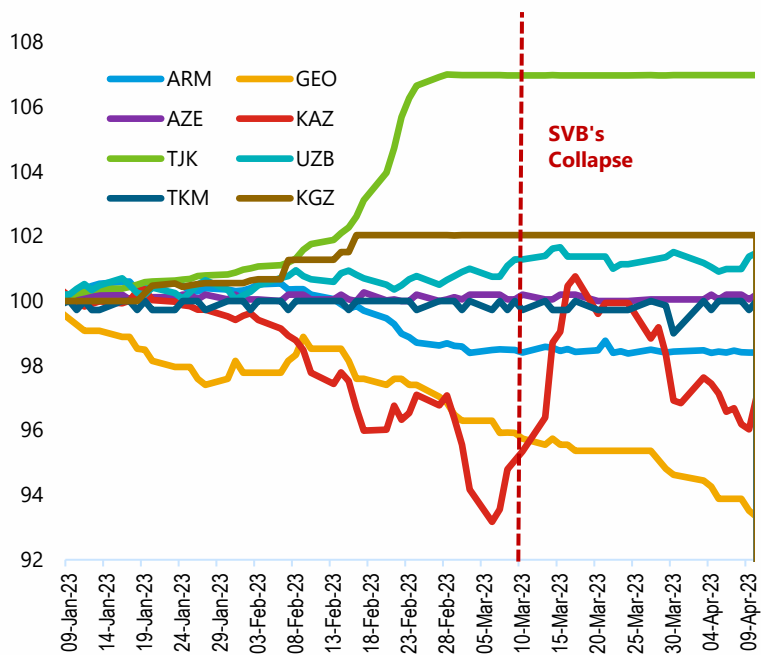
CCA: Financial Conditions Index (FCI) Decomposition



Sources: Bloomberg Finance LP.; Haver Analytics; national authorities; IMF, IFS database; and IMF staff calculations.

Since SVB's collapse, most currencies have remained stable...

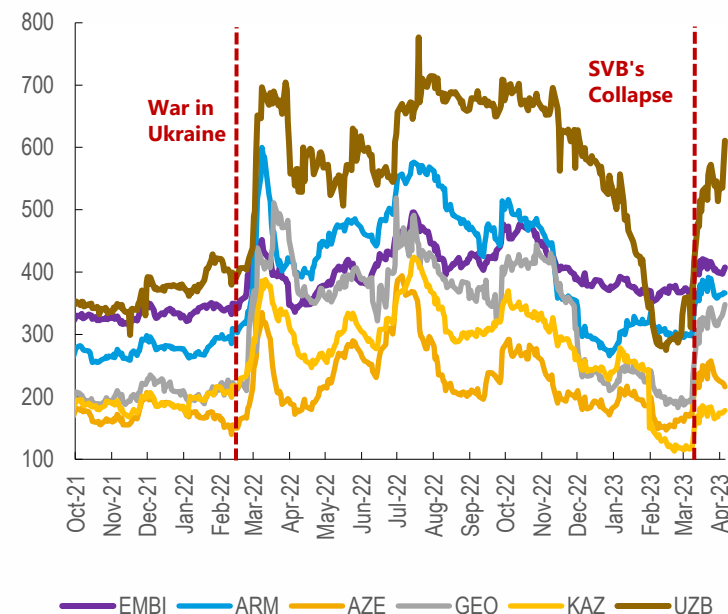
Exchange Rate
(LC per USD, index Jan 4, 2023 = 100)



Source: Haver (Financial Times and National Authorities) and IMF staff calculations.

...but sovereign spreads have edged up

Sovereign Spreads
(In basis points)

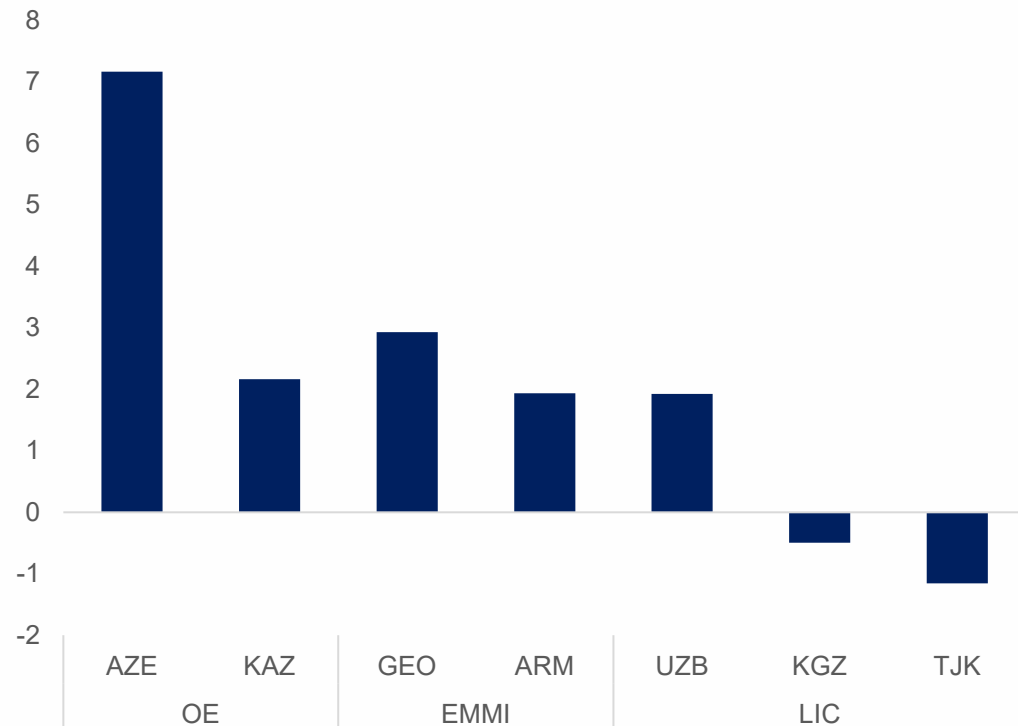


Source: Bloomberg, JPMorgan EMBIG Diversified Index, and IMF Staff Calculations.

Fiscal buffers strengthened in 2022

Fiscal policy has tightened in most CCA countries in 2022.

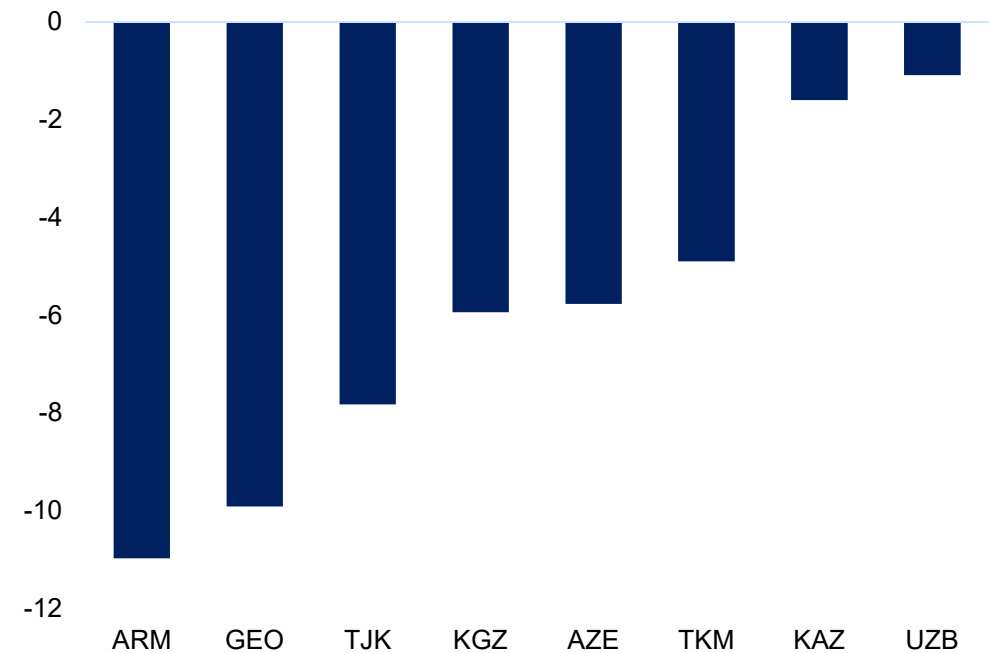
Change in Primary Balance, 2021-22
(Percent of GDP; non-oil balances for oil exporters)



Source: IMF REO, Middle East and Central Asia, April 2023.

Public debt declined amid favorable growth and exchange rate conditions.

Gross Debt
(Percent of GDP, change 2021-22)



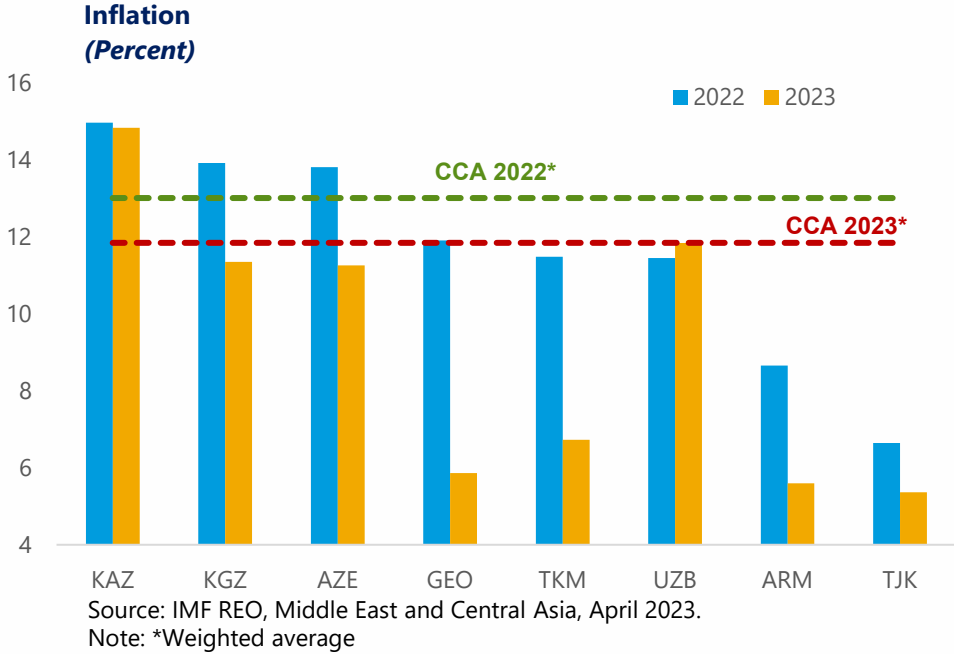
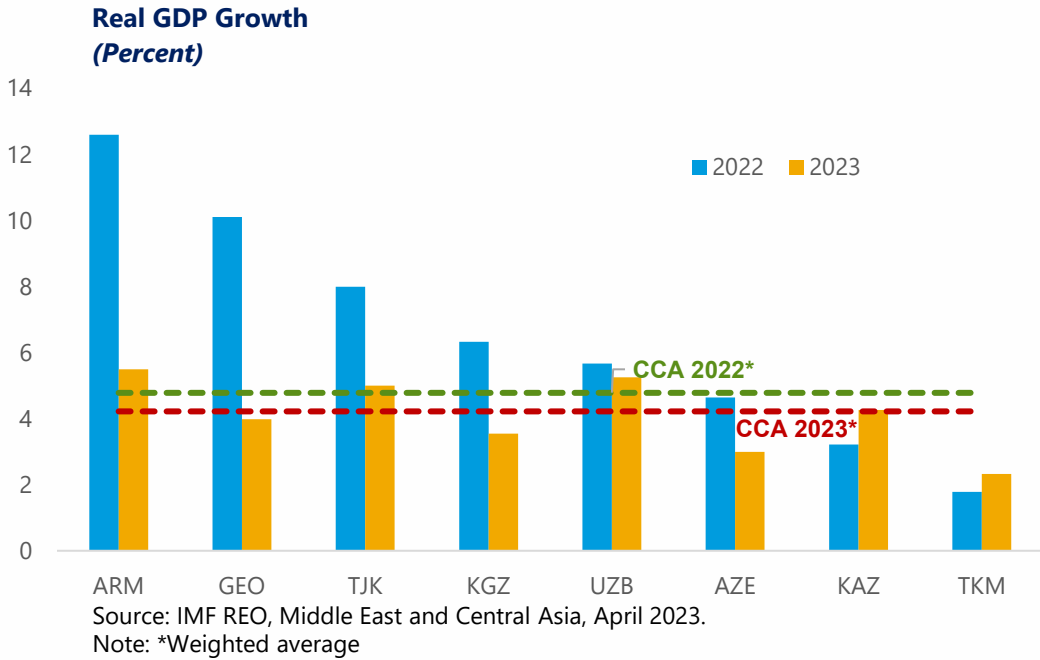
Source: IMF World Economic Outlook, April 2023, and IMF staff calculations.

Outlook, Risks and Policy Priorities

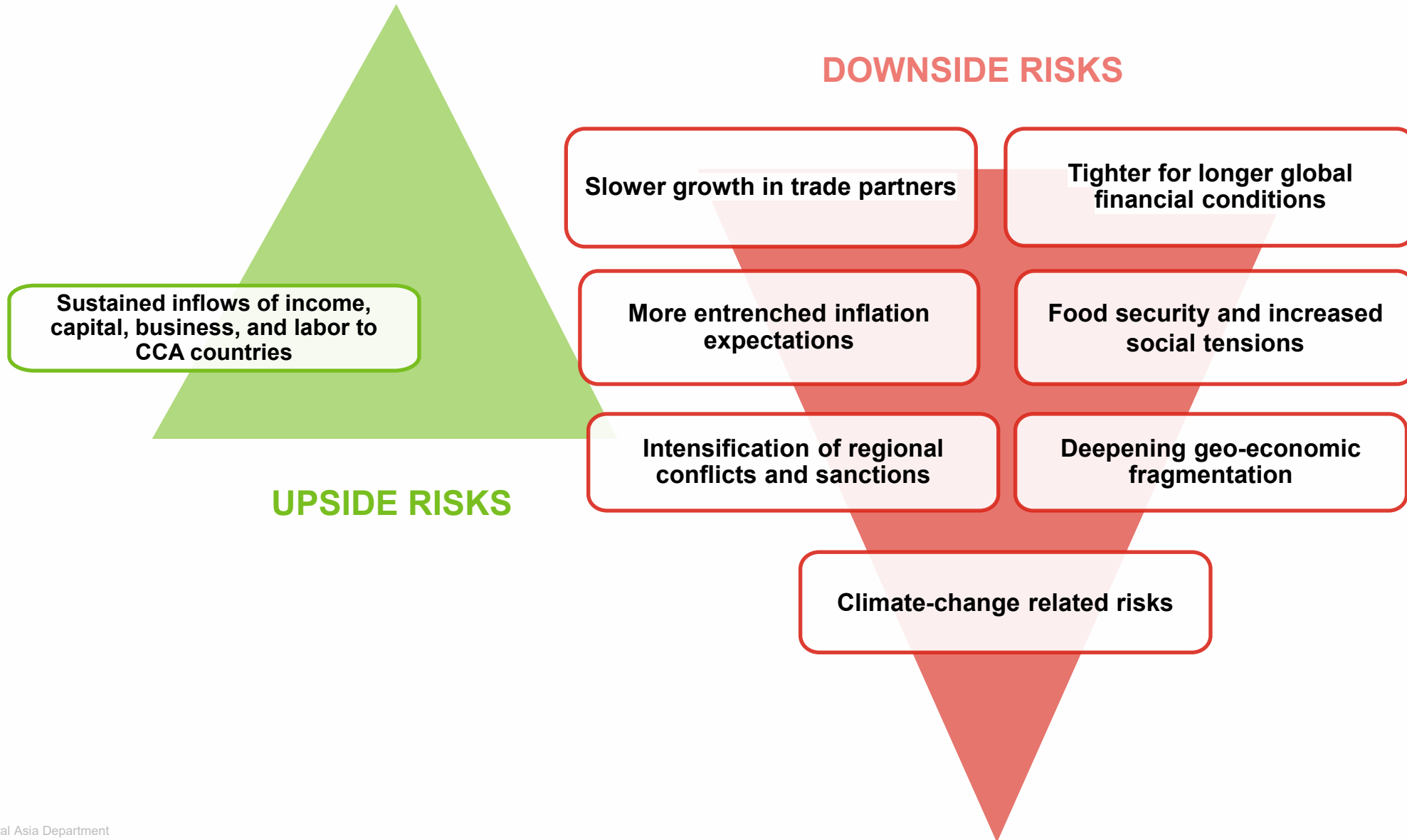
Growth in 2023 is set to moderate and inflation decline

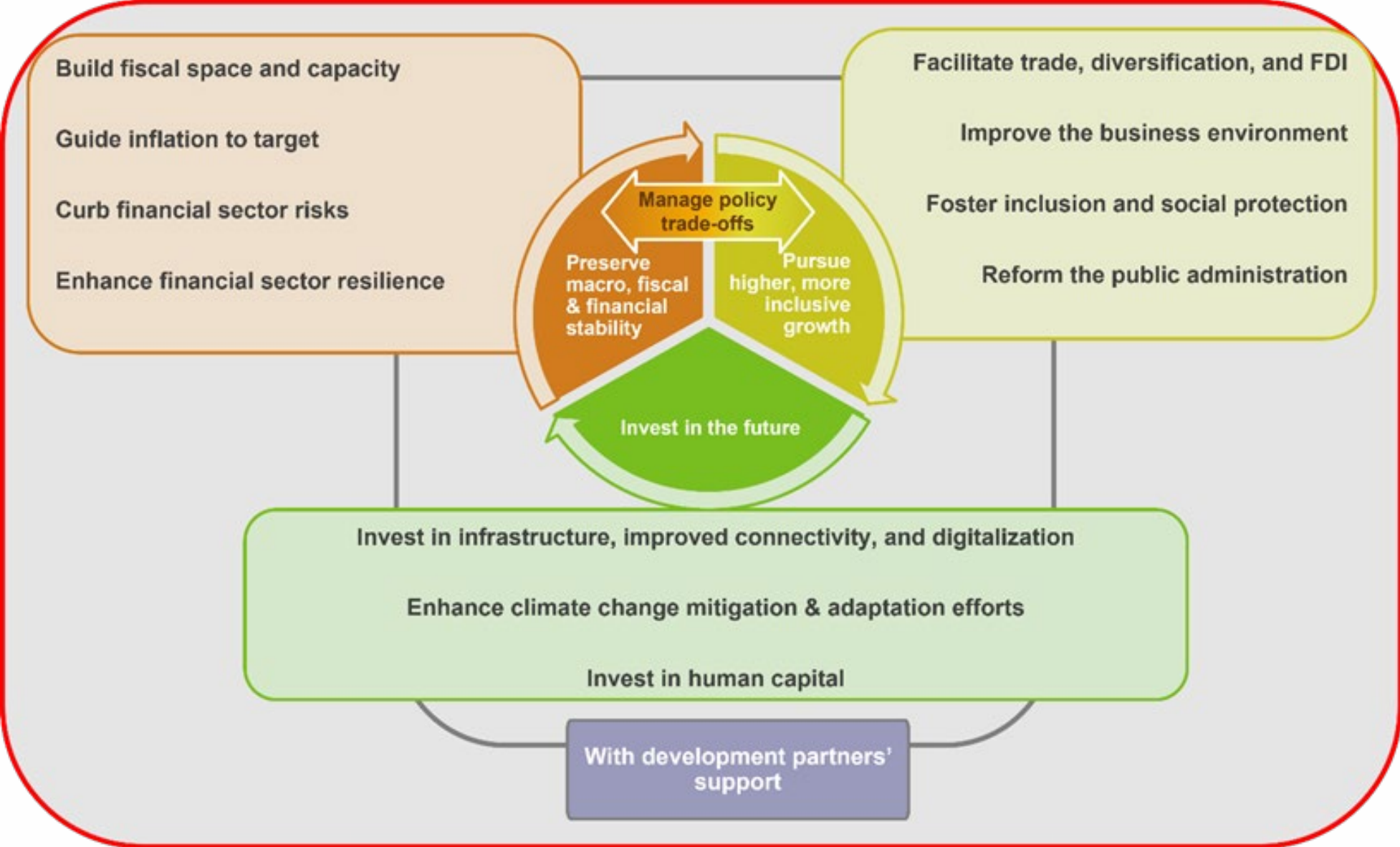
Real GDP growth is projected to decelerate...

...and inflation to decline in 2023.



The balance of risks remains tilted to the downside





Progress Under the IMF-Supported Program

The IMF remains intensely engaged in supporting Armenia



- IMF-Supported Program under a Precautionary Stand-By Arrangement (SBA)
- General SDR allocations

- Biannual health-check of the Armenian economy (Article IV Consultation)
- Regular policy discussions with authorities
- Dissemination of global policy initiatives and cross-country experience
- Public finances (PIM & PPPs; PFM; FRM; expenditure review; tax policy and revenue admin); capital and FX markets development; national accounts and price statistics; and macroeconomic modelling.
- HQ-based; CCAMTAC; STX and LTX.
- Close coordination with development partners

Armenia: IMF Credit and Timing of Reviews Under the SBA

Date of Availability	Conditions	Amount (millions of SDRs)	Percent of Quota	Percent of Quota (cumulative)
December 12, 2022	Board approval of the arrangement	18.400	14.29	14.29
June 9, 2023	Observance of end-Dec 2022 performance criteria and continuous performance criteria, and completion of first review	18.400	14.29	28.57
December 11, 2023	Observance of end-June 2023 performance criteria and continuous performance criteria, and completion of second review	18.400	14.29	42.86
June 10, 2024	Observance of end-December 2023 performance criteria and continuous performance criteria, and completion of third review	18.400	14.29	57.14
December 11, 2024	Observance of end-June 2024 performance criteria and continuous performance criteria, and completion of fourth review	18.400	14.29	71.43
June 9, 2025	Observance of end-December 2024 performance criteria and continuous performance criteria, and completion of fifth review	18.400	14.29	85.71
November 21, 2025	Observance of end-June 2025 performance criteria and continuous performance criteria, and completion of sixth review	18.400	14.29	100.00
	Total	128.8	100.00	100.00

Sources: Fund staff estimates and projections.

Program implementation is on track

- Quantitative Performance Criteria (QPCs), including NIR, and Fiscal Balance
- Indicative Targets (ITs), including a floor on Social Spending
- Monetary Policy Consultation Clause (MPCC)
- Structural Benchmarks (SB)

Armenia: Structural Benchmarks

Deadline	Macro Criticality	Responsible Agency	Measure
Fiscal Policy and Fiscal Structural Reforms			
Prior Action	Ensure macro-fiscal stability	MOF	Adopt 2023 budget with an overall deficit of around 3 percent of GDP.
June 2023	Mobilize tax revenue	MOF/SRC	Publish a detailed assessment of tax expenditures and an action plan for their rationalization.
March 2023	Improve tax compliance	MOF/SRC	Amend the Tax Code to empower the SRC with authority to audit natural persons and include broader indirect audit methods.
March 2023		DPM/CBA/MOF/SRC	Amend the legislation to allow exchange of bank account information for legal entities on request to verify information provided by taxpayers between the banks and SRC, and to allow SRC access to bank account information for legal entities refusing to provide it upon a court order.
March 2023	Improve public financial management and reduce fiscal risks	DPM/MOE/MOF	Adopt a government decree clarifying the mandate, reporting, transparency, and viability requirements for ANIF and its subsidiaries, based on the concept note developed for public sector units.
June 2023		DPM/MOE/MOF	Develop an action plan to strengthen the PIM institutional framework and processes, by identifying and addressing the bottlenecks to ensure an effective cycle of planning, budgeting, implementing, and monitoring of large capital projects.
September 2023		MOF	Develop a concept note on monitoring, approval, and control framework related to local governments and local government borrowing.
Monetary Policy and Financial Sector Reforms			
March 2023	Capital market development	CBA	Facilitate the introduction of an over-the-counter commercial trading platform for the overnight repo market.
June 2023	Strengthen the regulatory and supervisory framework	CBA	Develop a formal roadmap for introduction of Pillar 2 capital buffers.
November 2023		CBA	Prepare and submit to parliament a draft law for an enhanced bank resolution framework that is in line with the Financial Stability Board's Key Attributes for Effective Resolution Regimes for Financial Institutions.
Structural Reforms			
June 2023	Infrastructure development	DPM/MOF/MTAI	Conduct a study to identify bottlenecks in the execution of foreign-funded projects.
September 2023	Improve the business environment	MOJ	Draft and submit the concept paper on the review of the legislation on bankruptcy.
September 2023		MOE	Expand the agricultural insurance scheme to cover more risks, regions, and crops.
June 2023	Enhance labor force participation and boost employment.	MLSA	Approve a costed employment strategy, including to bolster active labor market policies.

Armenia: New Proposed Structural Benchmarks

Deadline	Macro Criticality	Responsible Agency	Measure
Fiscal Policy and Fiscal Structural Reforms			
December 2023	Improve tax compliance	MOF/SRC	Amend the Tax Code to empower the SRC with authority to audit natural persons and include broader indirect audit methods.
December 2023	Improve efficiency of civil service compensation	MOF	Publish the terms of reference to develop software design for the implementation of a module with basic employee data as part of the new public sector accounting system of the Government Financial Management Information System (GFMIS), with the aim to improve central government wage bill data quality.
March 2024	Improve public financial management	MOF	
		MOF	Complete a functional review of the Ministry of Finance, as a step towards an eventual review of all general government institutions.
		MOF	Adopt a Concept Note for a State Ownership Policy, defining the rationale for owning SOEs and the government's role in their oversight.
Monetary Policy and Financial Sector Reforms			
December 2023	Mitigate real estate market risks	CBA	Conduct a thorough macro-financial stress testing exercise with an adverse scenario that implies a rise in balance sheet stress of property developers, significant deterioration of household income, and a sharp decline in house prices
March 2024	Enhance monetary policy transparency	CBA	Prepare and adopt an enhanced CBA communication strategy on monetary policy.
Structural Reforms			
December 2023	Improve the business environment	MOE	Approve the newly revised corporate governance code.
March 2024	Support export-oriented growth	MOE	Complete and approve an export strategy that identifies and streamlines bottlenecks to export expansion.

Thank you