

This year will be a challenging year for Armenia's economy

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It is going to be challenging for Armenia's economy to record growth this year, an unfavorable environment has been created and there is a need for real reform. Teresa Daban Sanchez, IMF Resident Representative in Armenia, has made such an assessment in a talk with "Azatutium".

"The external environment will continue to remain unfavorable for Armenia due to the continued slowdown in Russia; EU's economy, unfortunately, is not picking up and Russia and EU are Armenia's two main trade partners. This year the main challenge for Armenia will be to focus on domestic economic activity and for that reforms are needed – real reforms. This will be the key theme for this year. The Government has to put in place serious reforms to ensure that the growth is generated domestically", - IMF Resident representative continued.

According to official data trade with the Russian Federation, Armenian's main economic partner, shrank by 18 % last year, and exports from Armenia to Russia declined by 26.7 percent. Daban Sanchez maintains that there is a need to search for new trade destinations. "The Armenian business community should be more aggressive in the Russian market or access more favorable markets, such as the Middle East," Teresa Daban Sanchez indicates as an example.

Economist Vahagn Khachatryan is concerned about the fact that it is not clear in which direction the authorities want to develop the economy. "It is not clearly stated as to what in general the authorities, the different branches of power – the Government, the Central Bank... - want to do with dram and with the economy, in general," - Khachatryan said.

According to the economist, the depreciation of dram could have created new opportunities for exporters, but it did not happen, since despite declaring a floating exchange rate regime, the Central Bank manages the financial market. "I think that the risk that depreciation will lead to price increases is not real given that no increase is planned in wages and pensions this year and no increase is anticipated in remittances from Russia. So those factors, which could have triggered a price increase, are not in place. And more active steps could have been made for focusing on exports," Vahagn Khachatryan noted.

The IMF Resident Representative in Armenia is certain that it is not possible to control exchange rate fluctuations. "Objectively, no central bank in the world can control the exchange rate - that is impossible. It is the same as if you were trying to stop a tsunami, you cannot do it."