



Impact of the Global Crisis: How does Armenia compare with other countries in the region?

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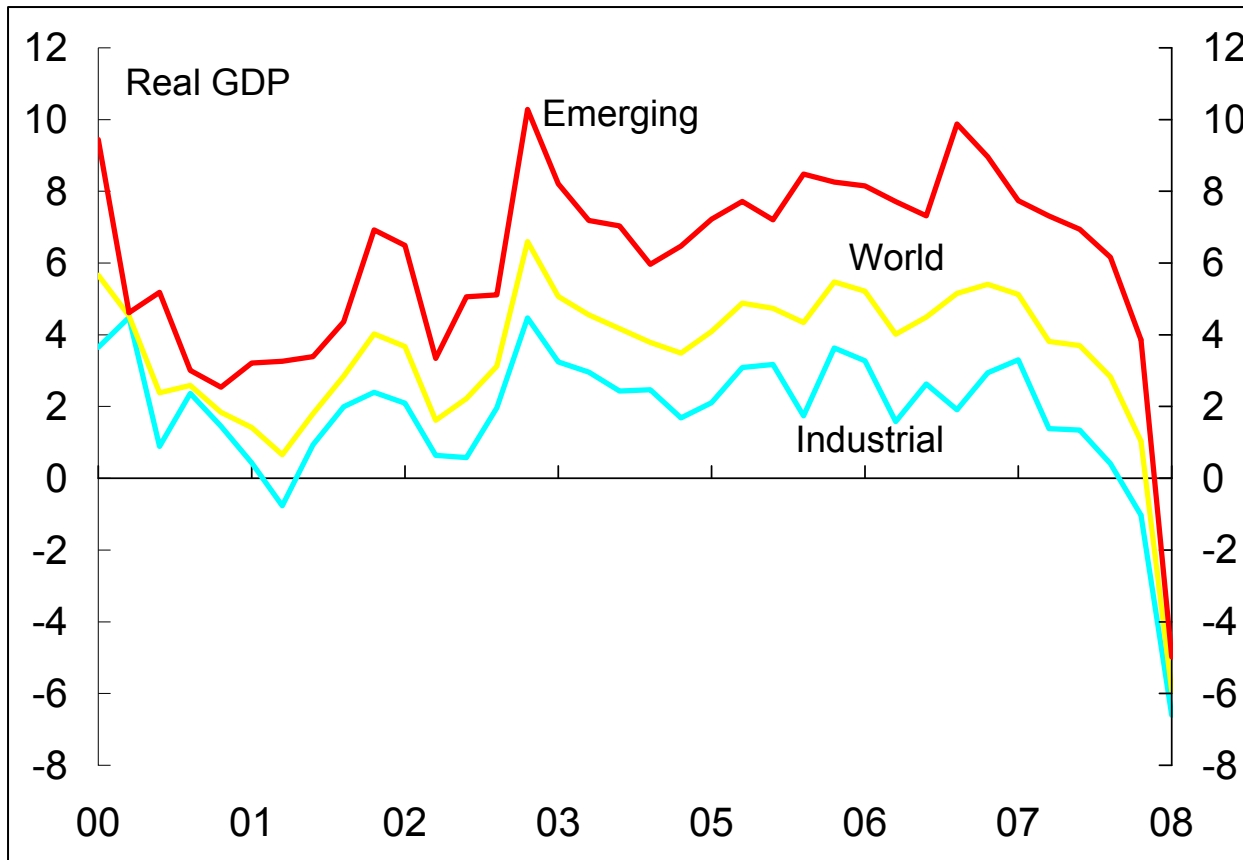
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International Monetary Fund

April 10, 2009

Global economic activity has slowed considerably

Real Growth Rates

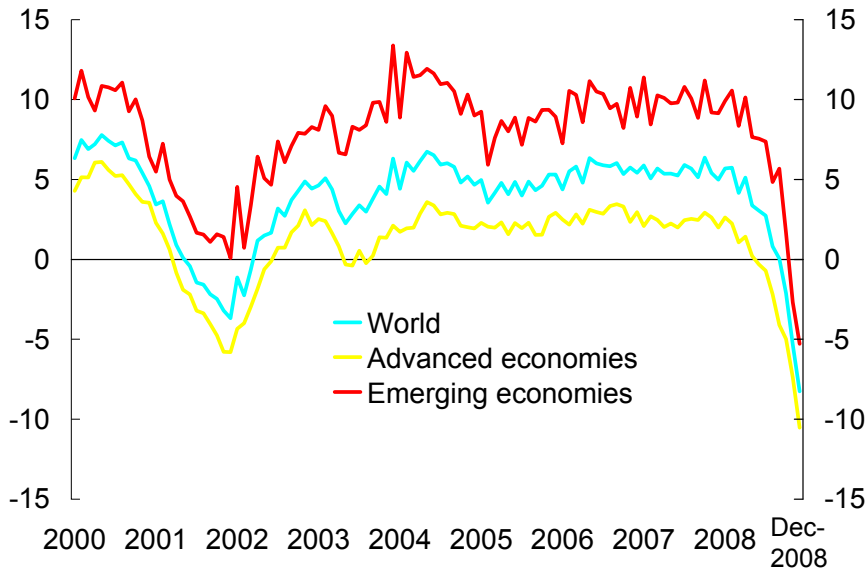
(In percent, quarter over quarter annualized)



Recent data point to sustained weakness

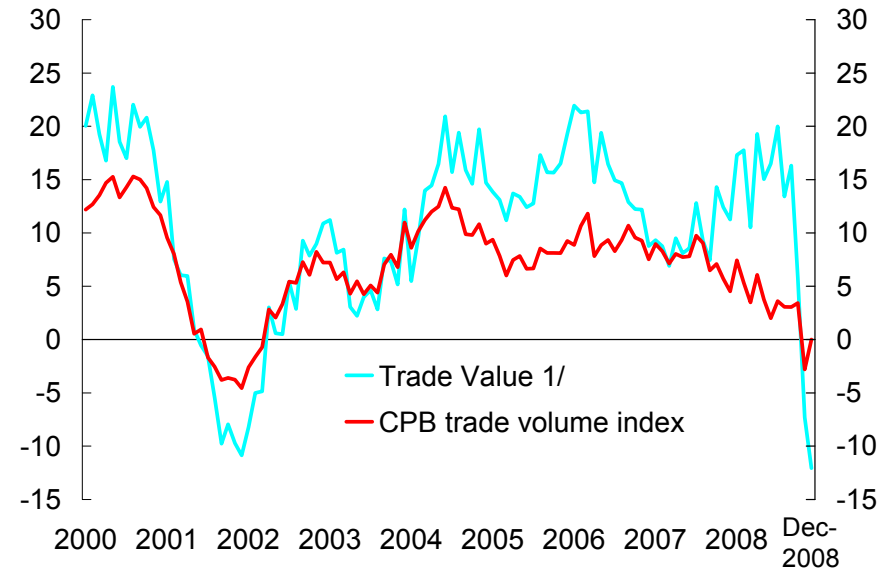
Industrial Production

(12-month percentage change)



World Trade

(12-month percentage change)




1/ In SDR terms.

Prompting a significant downward revision to the forecast

World Economic Outlook Projections (percent change unless otherwise noted)

	2008	Projections		Difference from January 2009 WEO Projections	
		2009	2010	2009	2010
World output	3.2	-1.0 to -0.5	1.5 to 2.5	-1.5 to -1.0	-1.5 to -0.5
Advanced economies	0.8	-3.5 to -3.0	0.0 to 0.5	-1.5 to -1.0	-1.5 to -0.5
United States	1.1	-2.6	0.2	-1.0	-1.4
Euro area	0.9	-3.2	0.1	-1.2	-0.2
Japan	-0.7	-5.8	-0.2	-3.2	-0.8
Emerging and developing economies	6.1	1.5 to 2.5	3.5 to 4.5	-2.0 to -1.0	-1.5 to -0.5

Source: World Economic Outlook database, March 2009.



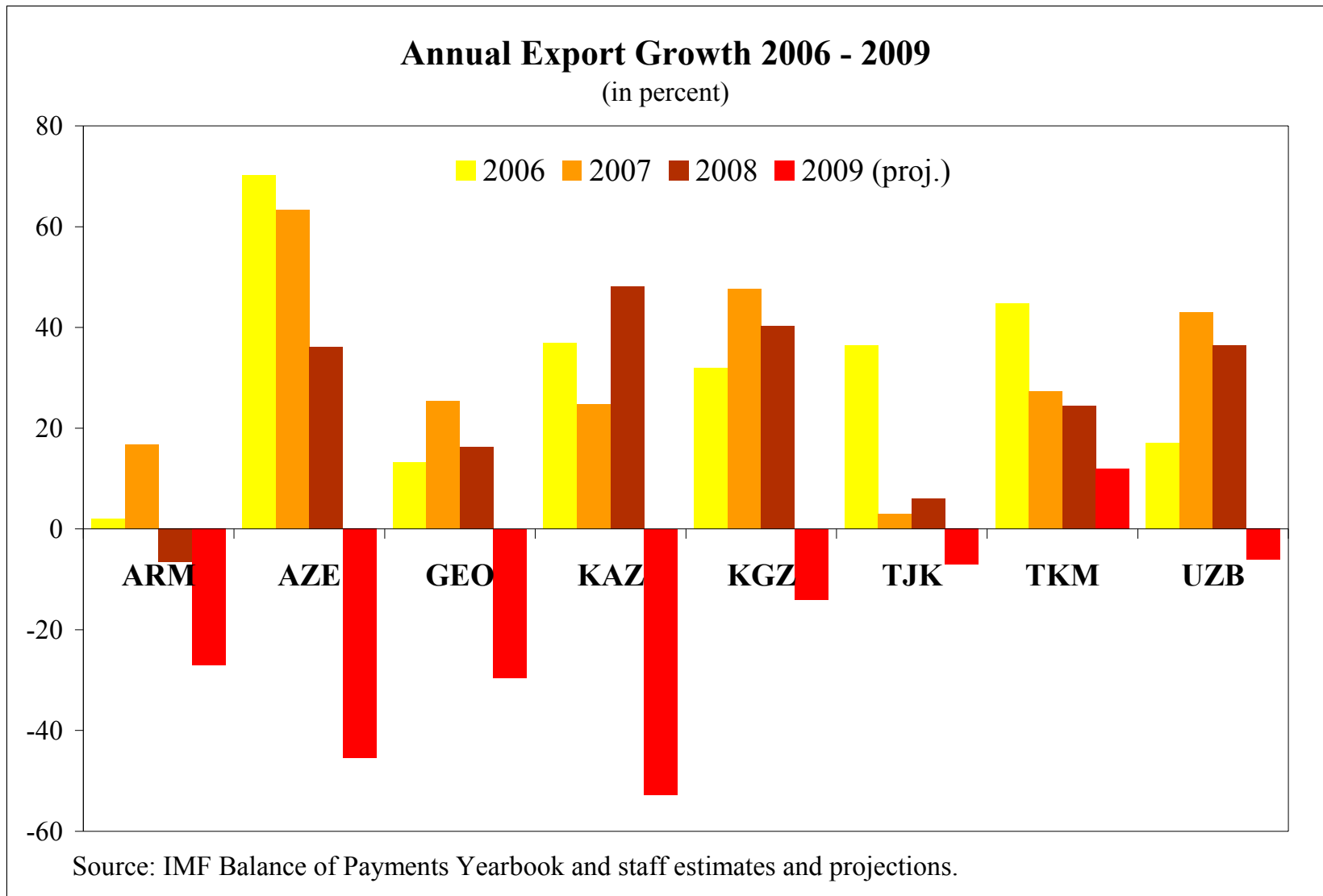
Similarities between the impact of the crisis on Armenia and other CCA countries

Previously, countries were experiencing:

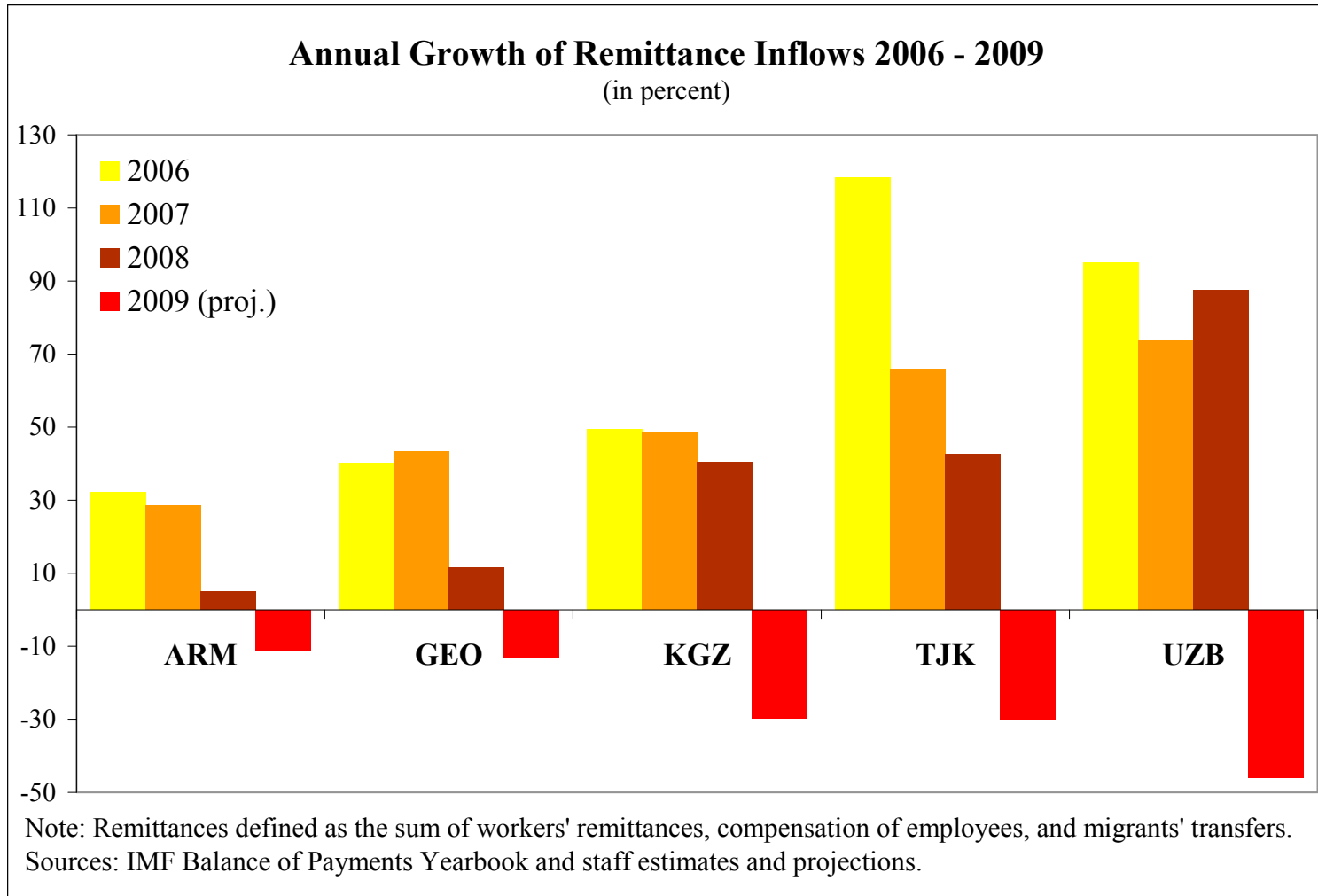
- High commodity prices
- Economic boom in Russia
- Structural reforms
- Privatization
- Capital market access

But now...

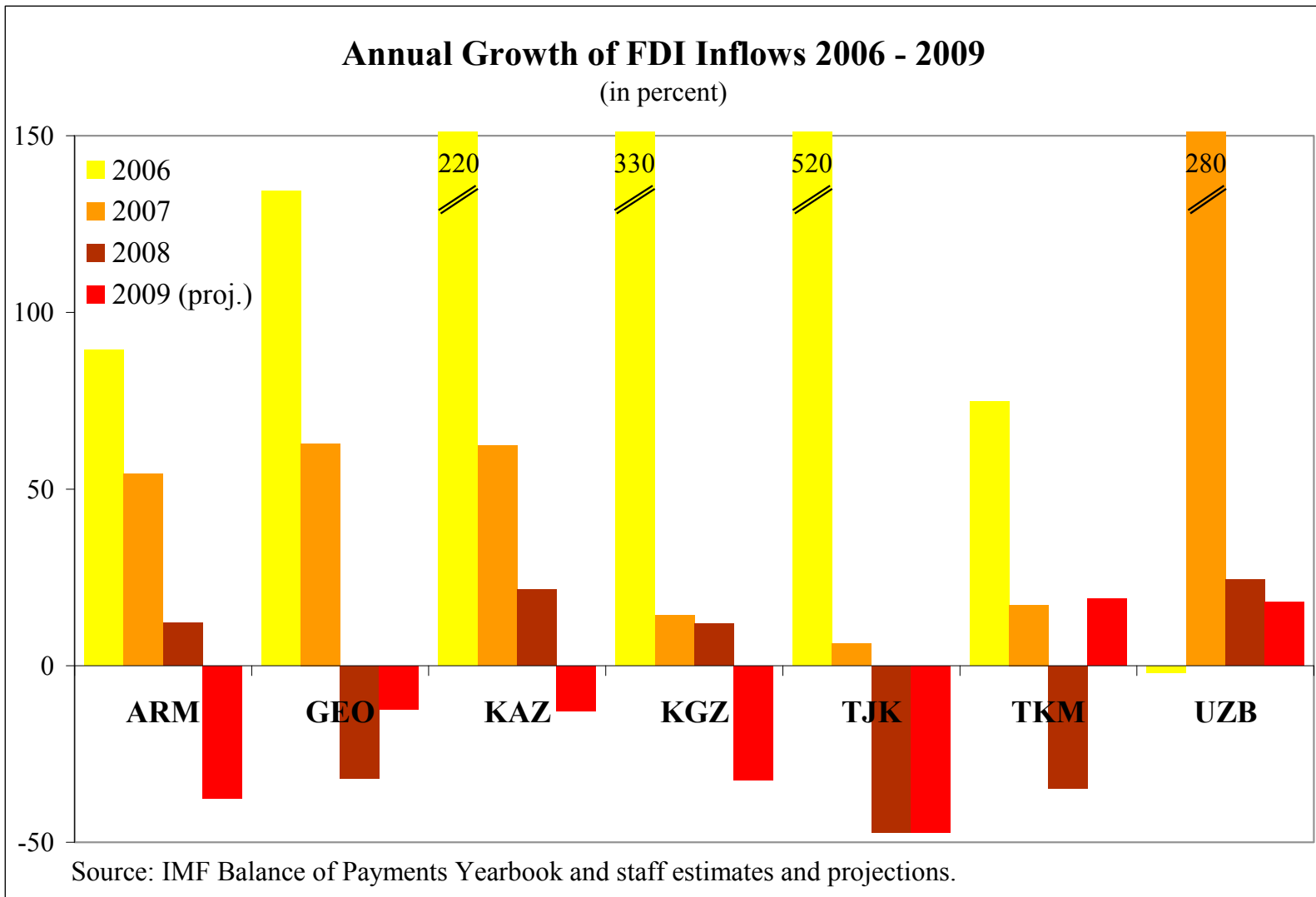
Lower commodity prices have hit exports



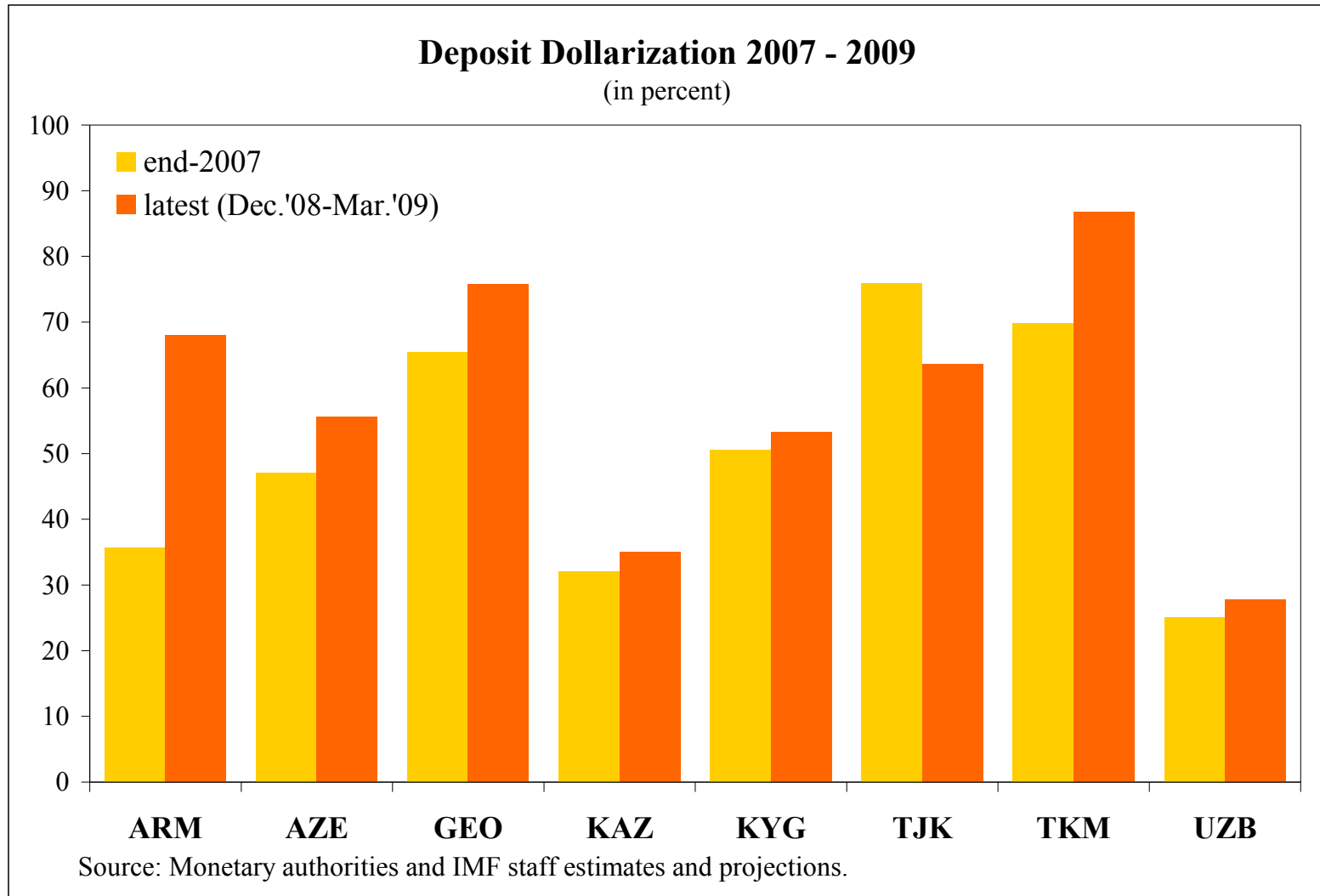
Remittances have suffered from the slowdown in Russia



Foreign direct investment is falling

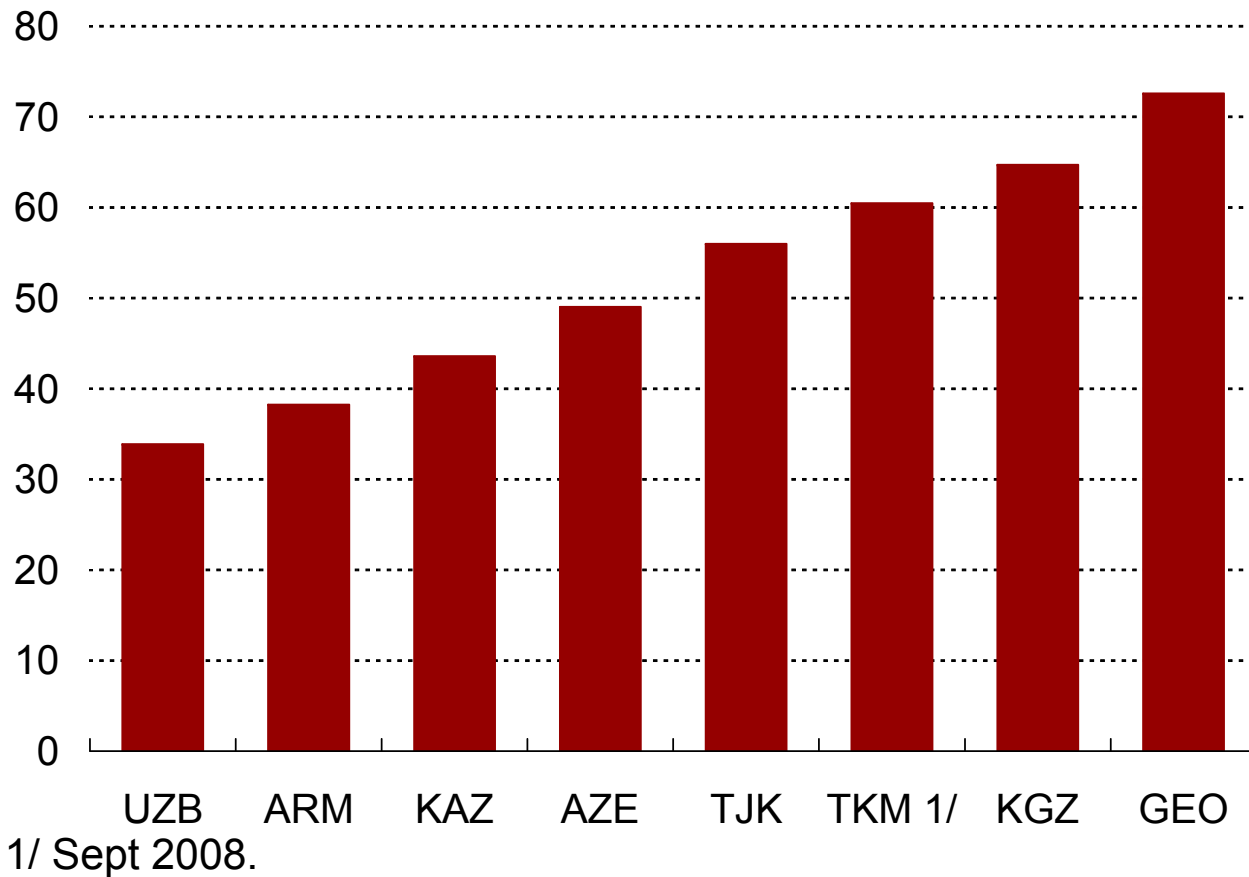


And expected depreciation led to an increase in dollarization



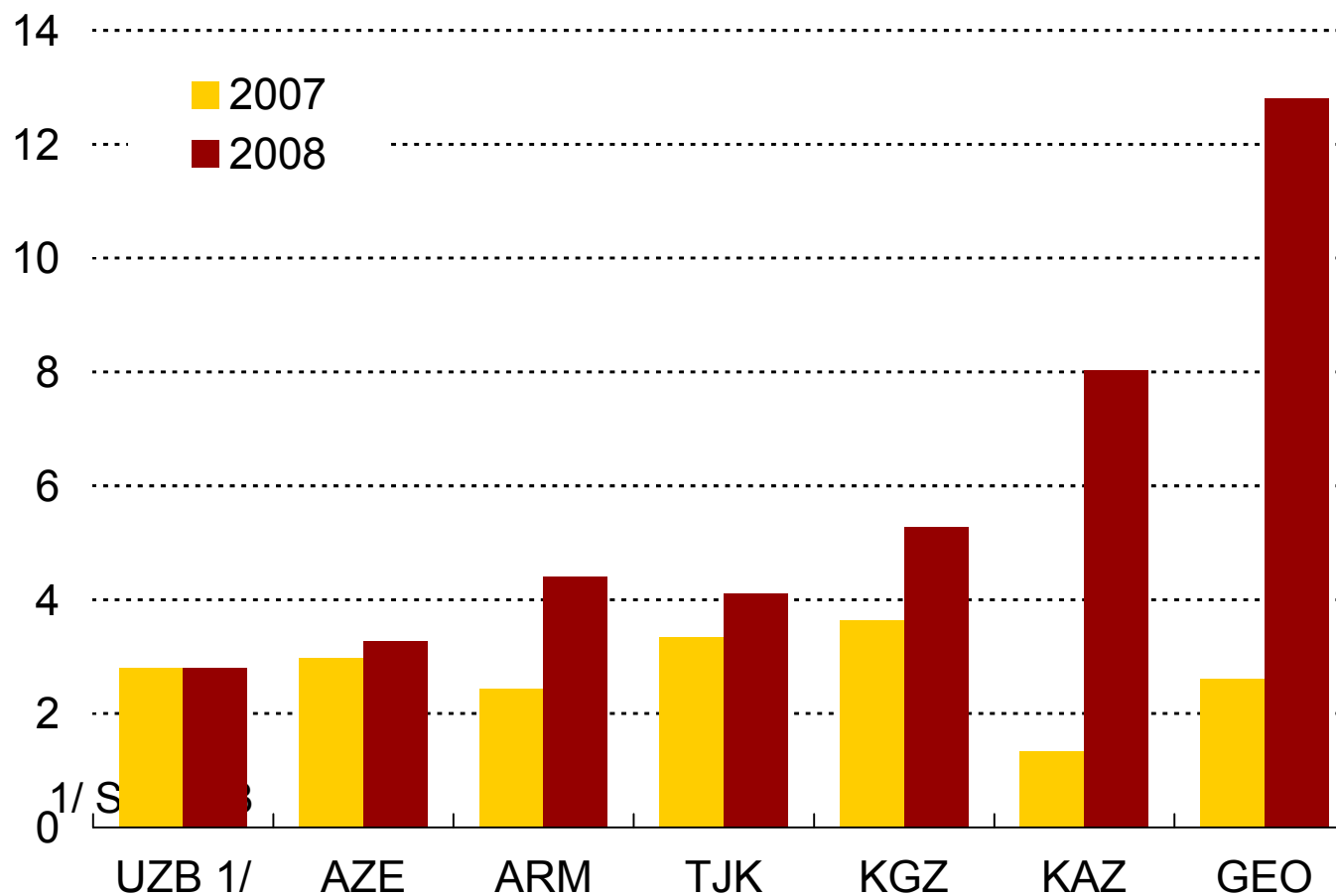
However, Armenia has the advantage of low foreign debt

Foreign Exchange Loans, end-2008
(in percent of total loans)



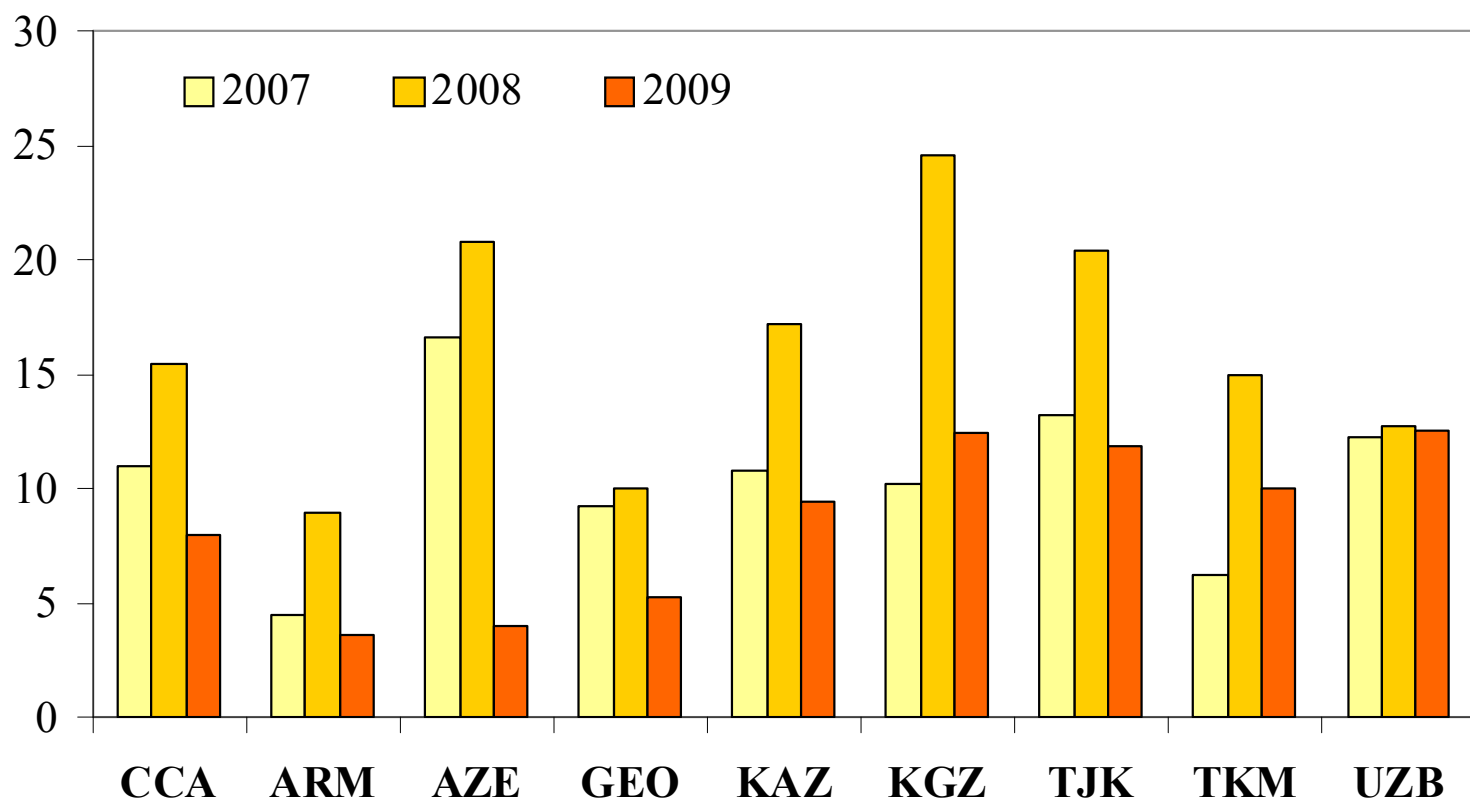
And low nonperforming loans

Nonperforming Loans
(In percent of total loans)



Inflation in Armenia has been relatively mild

CCA: Average inflation
(In percent)





On March 6, the IMF Board approved a new IMF Program for Armenia

- Stand-By Arrangement (SBA)
- \$540 million for 28 months
- First \$240 mln was disbursed immediately
- Remaining US\$300 will be disbursed in 8 quarterly installments, subject to meeting IMF conditionality

IMF advice for Armenia and the region

■ **Fiscal policy**

- Target any fiscal stimulus on protecting the poor
- Let automatic stabilizers work

■ **Monetary and exchange rate policy**

- Maintain flexible exchange rates
- Intensify banking supervision

■ **Be conservative: plan for the worst**

- Lagged impact of slowdown in Russia still to come
- Situation will likely worsen first before it gets better
- Plan for the worst, but hope for the best