Non-official translation

Appendix N 1

To the RA Government Decree N 1082-N

dated June 29, 2023

2024-2026 GOVERNMENT DEBT MANAGEMENT STRATEGY OF THE REPUBLIC OF ARMENIA

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# Introduction

The RA Government debt management strategy presents the strategy to raise the borrowings for the RA state budget deficit financing and debt refinancing, as well as the cost and risk management strategy for the RA Government debt portfolio. It is a three-year program that is reviewed and published annually, contributing to ensuring the predictable and transparent management of the Government debt.

The RA Government debt management strategy clarifies the borrowing policy including the benchmark indicators for the Government debt management, identifies and assesses the risks associated with the Government debt portfolio management, as well as outlines the principles, targets and measures to be implemented in the medium-term.

The RA Government debt management strategy is developed under the main targets of the fiscal policy outlined by the Medium-term expenditure framework, which assumes that the state budget will continue to be formed with a deficit in the medium-term horizon. However, deficit is programmed according to the fiscal rules and at a level that will guarantee the Government debt sustainability and manageability.

In order to form an acceptable RA Government debt portfolio, the Ministry of Finance of the RA carries out cost-at-risks analyses, also applying the approaches developed by reputable international financial institutions based on the best international practices. The analyses allow for assessing the cost and risk indicators of the RA Government debt portfolio and the effects of possible shocks on them. The RA Government debt management strategy presents and analyses the market risks, such as exchange rate and interest rate risks, as well as refinancing risk of the RA Government debt portfolio. The RA Government debt management constraints, such as the domestic market capacity or the access to external loans, have also been taken into consideration during the development of the strategy.

Generally, the RA Government debt management strategy presents the preferable option out of the possible cost-at-risks trade-offs, the selection of which is based on meeting financial needs at acceptable cost and risks.

# Objectives and scope of the RA Government debt management strategy

The RA Government debt management strategy is developed in accordance with the provisions of the RA Law “On Public Debt” adopted in 2008.

According to the RA Law “On Public Debt”, the main objective of the RA Government debt management is the assurance of the permanent possibility of meeting the financial needs of the Government, together with the reduction of the debt service amount in the long-term. Another objective of the RA Government debt management is the formation of an optimal debt structure considering the potential risks. In other words, the main objective of the Government debt management is to ensure the ability to meet the Government financial needs and the fulfillment of payment obligations in the medium and long-term with the lowest possible costs and with the prudent level of debt portfolio risks.

The RA Law “On Public Debt” also defines the goals for raising public debt: financing the State budget deficit and ensuring current liquidity, maintaining and developing Government domestic debt market.

The strategy covers only the RA Government debt, and the analyses performed do not include the external debt of the CBA. The latter is taken on behalf and by the CBA. Moreover, according to the RA Law “On Public Debt”, the objectives of the CBA debt management are defined by the RA Law “On the Central Bank of the RA”.

# Developments observed in the RA Government debt management since the beginning of 2022

At the end of 2022, the RA Government debt/GDP ratio made up 46.7%, which is less by 13.5 percentage points than the program indicator. It also dropped below 50% threshold set by the fiscal rules and moved to a milder range of the spending restrictions or rule system that apply when the 40% threshold is exceeded.

All benchmark indicators defined by the 2023-20 25 strategy and actually attained in 2022 were within the outlined ranges.

1. The performance of benchmark indicators set by the 2023-2025 Government debt management strategy in 2022

|  | Benchmark | 31.12.2022  Actual |
| --- | --- | --- |
| **Refinancing risk** |  |  |
| Average time to maturity | 7 – 10 years | 7.7 |
| Share of the Government treasury bonds maturing within a year in the outstanding Government treasury bonds (at the end of the year) | max 20% | 12.9 |
| **Interest rate risk** |  |  |
| Share of fixed rate debt in total debt | min 80% | 83.5 |
| **Exchange rate risk** |  |  |
| Share of domestic debt in total debt | min 30% | 41.6 |
| Share of AMD denominated debt in total debt | min 30% | 37.9 |

Source: RA MoF calculations

In 2022 the deficit financing by domestic net borrowings (without promissory notes) amounted to AMD 252.0 billion or 79.2% of the total net borrowings for deficit financing. The deficit financing by external net borrowings amounted to AMD 66.2 billion or 20.8% of the total net borrowings for deficit financing. The plan for deficit financing by domestic net borrowings (without promissory notes) was fully implemented, and the plan for deficit financing by external net borrowings was completed by 67.4%, mainly due to the underperformance of programs related to project loans.

During 2022 Government treasury bonds had significant weight in the debt operations of the RA Government.

1. RA Government debt operations by instruments

| 2022 | Placement volume | | Receipts from placement | | | Redemption and buyback volume | Interest amount paid | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Government treasury bonds, billion AMD | 438.8 | | 399.8 | | | 147.8 | 125.9 | |
| Foreign currency denominated Government bonds, million USD | | - | | - | - | | | 82.5 | |
| Foreign currency denominated Government bonds, billion AMD | | - | | - | - | | | 37.4 | |
|  |  | | Disbursement  volume | | | Redemption volume | Interest amount  paid | |
| External loans, million USD |  | | 397.9 | | | 228.5 | 81.6 | |
| External loans, billion AMD |  | | 165.8 | | | 99.6 | 35.0 | |

Source: RA MoF

During 2022 the weighted average yield of the primary allocations of the Government treasury bonds made up 11.07%, increasing by 1.8 percentage points compared to the previous year (9.27%), where the weighted average maturity of Government treasury bonds allocated during 2022 was 1762 days or 4.8 years compared to 3207 days or 8.8 years for the same indicator of the previous year. The significant tightening of the monetary policy conditions by the CBA resulted in rising interest rates in the Government treasury bond market, and as a consequence the weighted average maturity of Government treasury bonds was reduced to mitigate the impact on interest costs.

During 2022 allocation and redemption of new Eurobonds was not carried out.

# Cost-at-risk decription of the RA Government debt portfolio

At the end of 2022, the cost and risk indicators of the RA Government provided a complete overview and qualitatively characterized the RA Government debt portfolio.

1. *RA Government debt cost and risk indicators as of* 31.12.2022

|  | | Foreign currency debt | AMD  debt | Total | |
| --- | --- | --- | --- | --- | --- |
| RA Government debt (billion AMD) | | 2,464.3 | 1,505.4 | 3,969.7 | |
| RA Government debt (million USD) | | 6,261.3 | 3,825.0 | 10,086.4 | |
| RA Government debt / GDP, (%) | | 29.0 | 17.7 | 46.7 | |
| Cost Indicators | Interest payment / GDP, (%) | 0.8 | 1.5 | 2.3 |
| Weighted average interest rate (%) | 3.7 | 10.5 | 6.3 |
| Refinancing risk | Average Time to Maturity (years) | 7.1 | 8.7 | 7.7 |
| Debt Maturing in 1 year (% of total) | 5.0 | 13.1 | 8.0 |
| Interest rate risk | Average Time to Refixing (years) | 5.4 | 8.7 | 6.6 |
| Debt Refixing in 1 year (% of total) | 29.5 | 13.1 | 23.3 |
| Fixed Rate Debt (% of total) | 73.5 | 100.0 | 83.5 |
| Exchange rate risk | Foreign Exchange Debt (% of total) | - | - | 62.1 |
| Short-Term Foreign Exchange Debt (redemptions) / International Reserves, (%) | - | - | 7.6 |

Source: RA MoF calculations

The following indicators have been used in order to characterize the costs for the Government debt: Weighted average interest rate for the debt portfolio, Share of the interest payment in the State budget revenues and Share of the interest payment in GDP.

The average interest rate for the RA Government debt portfolio made up 6.3% at the end of 2022, moreover, it comprised 10.5% for AMD denominated debt and 3.7% for foreign currency debt.

The interest rates on external loans tend to increase as Armenia no longer has access to the concessional loans provided by the international organizations as a result of being classified as a middle-income country. At the same time, a significant increase in interest rates had been recorded in the international financial markets, mainly due to the tightening monetary policy of the central banks of developed countries (USA, Eurozone, UK) both through interest-rate increases and cancellation of quantitative easing programs. Due to these factors, at the end of the year the weighted average interest rate on external loans and borrowings made up 3.2% against 1.5% for the previous year. Regarding to the average yield of Government treasury bonds, the weighted average yield of Government treasury bonds amounted to 10.5% as of December 31, 2022, against 10.1% at the end of 2021.

##### The dynamics of the average weighted yield of the primary allocations of outstanding GS in 2020-2022.

Source: RA MoF

Since March 2022, amid the ongoing tightening of monetary conditions by the Central Bank the weighted average yield of Government treasury bonds primary placements had increased and amounted to 11.1% against 9.3% at the end of the previous year.

During 2022, the RA Government paid AMD 198.3 billion interest on debt compared to AMD 180.8 billion last year. The interest paid in 2022 amounted to 9.6% of state budget revenues, 8.8% of state budget expenditures, and 2.3% of GDP, against 10.7%, 9.0% and 2.6% of the same indicators for the previous year, respectively.

Exchange Rate Risk

The exchange rate risk is the most significant of the market risks in the existing RA Government debt portfolio. The exchange rate risk is mostly measured by the following indicators: Share of the foreign currency denominated debt in the total debt and Share of the foreign currency denominated short-term debt in the international reserves.

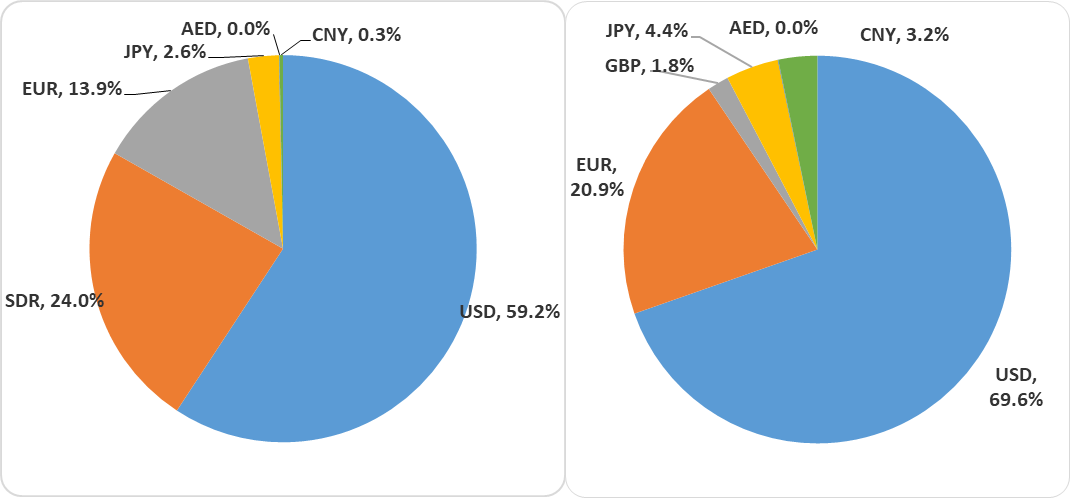
The current RA Government debt portfolio is exposed to a high exchange rate risk, because, as of December 31, 2022, the major part of the debt (62.1%) had been borrowed in foreign currency. As a result of the consistent implementation of the RA Government debt management policy aimed at reducing exchange rate risk this indicator decreased by 9.1 percentage points compared to the previous year.

##### The share of foreign currency and AMD denominated debt of RA Government, 2021-2022 (%)

Source: RA MoF

At the end of 2022, USD denominated debt was dominated in the structure of RA Government foreign currency debt portfolio amounting to 59.2% (69.6% after decomposing SDR by the corresponding currency shares).

##### The structure of the RA Government foreign currency debt portfolio as of the end of 2022



The right chart shows the foreign currency structure of the debt portfolio with the distribution of the corresponding SDR currency shares.

Source: RA MoF calculations

The share of short-term foreign currency debt in international reserves comprised 7.6%, which means that there is a sufficient amount of foreign currency assets to repay foreign currency short-term debt. At the end of 2022, this indicator decreased by 0.3 percentage points compared to the previous year.

Refinancing risk

The refinancing risk of the Government debt portfolio is assessed mainly through the following indicators: Average time to maturity, Share of debt maturing in one year and three years and redemption profile of the Government debt portfolio.

The average time to maturity indicator for the RA Government debt totaled 7.7 years as of December 31, 2022, compared to 8.4 years for the previous period. Moreover, the average time to maturity for the RA Government external debt comprised 7.1 years against 7.7 years for the previous period, and the average time to maturity for domestic debt made up 8.7 years, against 10.2 years for the previous period. Even though the average time to maturity indicators for the RA Government debt decreased, mainly due to the maturity reduction for the allocating Government securities in order to mitigate the impact of the interest rates increase in the financial market on the interest payments during 2022, however, in terms of the RA Government debt portfolio refinancing risk, they were within the benchmark range defined by the RA Government debt management strategy for 2023-2025.

As of December 31, 2022, the share of debt maturing in one year constituted 8.0% increasing by 2.4 percentage points compared to the previous year. The share of the RA Government external debt maturing in one year increased by 1.3 percentage points compared to the previous year and amounted to 5.0%, and the share of the RA Government domestic debt increased by 2.7 percentage points and amounted to 13.1%. As for the share of debt maturing in the coming three years, at the end of 2022 it amounted to 28.8%, and the shares of foreign currency and AMD denominated debt maturing in the coming three years amounted to 25.5% and 34.3%, respectively.

As of the end of 2022, the repayments for Government external loans were spread up to 2054 and for domestic debt – up to 2050, for foreign currency bonds up to 2031, and for guarantees up to 2036.

##### Government Debt Redemption profile by instruments as of 31.12.2022 (AMD billion)

Source: RA MoF

***Interest rate risk***

The interest rate risk for the Government debt portfolio is assessed mainly through the following indicators: Share of the fixed interest rate debt in the total debt, Share of debt to be refixed in the next year in the total debt, and Average time to refixing.

83.5% of the RA Government debt is with a fixed interest rate. Moreover, 73.5% of the external debt and the whole domestic debt are with a fixed interest rate. In such circumstances, an increase in interest rates on floating-rate debt cannot lead to a significant increase in costs.

Regarding to the indicator for the share of debt to be refixed in the next year, only 23.3% of the Government debt is subject to refixing in 2023, hence no significant risks were recorded for this indicator.

At the end of 2022, the average time to refixing indicator comprised 6.6 years, which can be assessed as a low level of interest rate risk for debt portfolio. This indicator is lower than the average time to maturity indicator, as 16.5% of the debt is with a floating interest rate, which is also subject to refixing during 2023.

Costs at risks analysis of the RA Government debt portfolio reveals that the existing debt portfolio is mostly exposed to the exchange rate risk, which is also justified by the results of the sensitivity analysis of the RA Government debt portfolio risk indicators in the incoming sections.

In order to retain the main risks of the RA Government debt management within the manageable framework, and particularly to reduce the high exchange rate risk exposure, the development of the domestic public debt market and the increase of the share of AMD denominated debt in the RA Government debt are considered as strategic targets.

# 2024-2026 RA Government Debt Management Strategy

## Macroeconomic developments and forecasts

Macroeconomic forecasts, as well as the main headings and forecasts of the fiscal policy are analyzed in detail and presented in the "Fiscal Policy" section of the Medium-term expenditure framework for 2024-2026. This section briefly summarizes macroeconomic developments and forecasts.

* Due to the geopolitical and economic challenges caused by the Russian-Ukrainian conflict and its negative consequences, the growth rates of the global economy had slowed down significantly. Among the RA main partner countries, the Russian Federation experienced an economic downturn, while other economies experienced significant slowdown in economic growth due to disruptions in global value chains, an increase in world prices for food and raw materials, unprecedented tightening monetary policy that counteracted emerged high inflation, and restraining of the global financial conditions. However, during the year, inflationary pressures had eased amid some recovery in global value chains and tightening monetary policies. Under these conditions, a significant slowdown in economic growth is forecasted in the partner countries in 2023, and in the medium-term, economic growth below potential is predicted in all partner countries.
* After the shock of the pandemic and the Artsakh war, in 2021 the pace of economic recovery in RA accelerated in early 2022. Despite a cerain slowdown in economic activity in March caused by the Russian-Ukrainian conflict that began in late February and the negative effects of the sanctions against Russia, the pace of growth in economic activity (especially in service sector) accelerated sharply as a result of the influx of people, the significant increase in tourism and the relocation of information technology companies to Armenia since April, as well as a new inflow of migrants to Armenia in September. As a result, 12.6% economic growth was recorded in 2022.
* The high rates of economic growth, formed as a result of the influx of people to RA, a significant increase in tourism, the relocation of information technology companies to RA, as well as an increase in demand for exports from RA to Russian Federation, continued in the first quarter of 2023, recording 12.1% economic growth, mainly due to the growth in service sector. In April, the economic activity slowed down slightly, mainly due to the decline in manufacturing, but the high level of the economic activity continued to retain.
* 7% economic growth is targeted for 2023 and in the medium-term under the formed favorable economic environment for Armenia, execution of the planned large-scale capital expenditures and the measures aimed at increasing the potential of the economy, outlined by the RA Government. However, the 7% growth also includes the possible effects of the structural reforms, which should ensure theeconomic growth target above the baseline forecasts (6.0% for 2023 and 5.4% in the medium-term).
* In 2023 both exports and imports will increase amid high economic activity and high external demand in certain markets (in particular, the Russian market). The current account deficit will deteriorate slightly in 2023, approaching 2.7% of GDP mainly due to the aggravation of the trade balance, as well as the decline of remittances in GDP. In the medium-term horizon the current account deficit will deepen, approaching its long-term equilibrium level due to the increase in imports of investment goods as a result of stimulating public and private sector investments carried out by the RA Government.
* The fiscal policy for 2024 and in the medium-term will be aimed at ensuring 7% target economic growth in line with the RA Government Program for 2021-2026, emphasizing a significant increase in the share of public investments and improving the efficiency of expenditures, while ensuring fiscal stability in the medium-term, keeping the Government debt below the threshold of 50% of GDP and ensuring appropriate "fiscal cushion".
* In 2024-2026, it is planned to significantly increase the share of capital expenditures in GDP up to 6.6%, and the share of current expenditures up to 22.3% by 2026 under the objectives of the fiscal policy aimed at promoting high economic growth and improving the structure of expenditures. As a result, in the medium-term, fiscal policy will have a neutral impact on aggregate demand, while stimulating the potential of the economy.
* The Russian-Ukrainian conflict and the unprecedented sanctions against Russia have created a new reality in the world, under which the economic growth forecasts for the world, for RA partner countries, and for RA itself are subject to great uncertainty. Under these circumstances, there are two-way risks for economic forecasts for the world, for RA partner countries, as well as for RA within the MTEF, however, the downside risks are relatively large.

1. Key indicators underlying the RA Government debt management strategy, 2022-2026[[1]](#footnote-1)

|  | 2022 actual | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- |
| Real GDP growth (%) | 12.6 | 7.0 | 7.0 | 7.0 | 7.0 |
| CPI (period average, %) | 8.6 | 4.4 | 3.8 | 4.0 | 4.0 |
| Fiscal sector (% share of GDP) | | | | | |
| Revenues and grants | 24.3 | 24.5 | 25.1 | 25.7 | 26.3 |
| Expenditures | 26.4 | 27.4 | 28.0 | 28.4 | 28.9 |
| Deficit (-) | -2.1 | -2.9 | -2.9 | -2.7 | -2.5 |
| RA Government debt | 46.7 | 49.9 | 49.9 | 49.8 | 49.3 |
| External sector | | | | | |
| Exports of goods and services (million USD) | 9,698.5 | 12,842.2 | 14,284.2 | 15,842.5 | 17,545.6 |
| Imports of goods and services (million USD) | 10,117.5 | 13,488.0 | 15,021.3 | 16,727.5 | 18,629.5 |
| Current account balance (% share of GDP) | -0.9 | -2.7 | -3.5 | -4.2 | -4.9 |
|  |  |  |  |  |  |
| RA Government debt (billion AMD) | 3,969.7 | 4,756.3 | 5,293.0 | 5,880.7 | 6,476.8 |
| Nominal GDP (billion AMD) | 8,501.4 | 9,533.0 | 10,608.1 | 11,804.6 | 13,136.0 |

## Targets and measures to be implemented

This section presents the RA Government debt management targets and measures to be implemented in the medium-term:

* The legislation regulating debt operations will be reviewed in accordance with the international best practice, in particular, the RA Law “On Public Debt” will be revised. The upgrading of the RA Law “On Public Debt” is also included as an action in the "2019-2023 Strategy of the Public Financial Management System Reforms" approved by the RA Government Decree N 1716-L dated November 28, 2019, and in the "2019-2023 Action Plan of the Public Financial Management System Reforms".
* In the medium and long-term, the volume of placements of Government treasury securities will be constantly increased to maintain a share of domestic net borrowings in the sources of State budget deficit financing higher than the share of external net borrowings. It will be aimed at reducing the exchange rate risk by increasing the share of AMD denominated debt, as well as forming the basis for the application of new instruments in the financial market (floating, index-linked, targeted, etc.) and for further development of the market.
* The increase of the liquidity of the Government treasury securities through enhancing volumes of the outstanding securities will continue to be considered as a domestic public debt management target.
* The RA Ministry of Finance will continue the buybacks and exchanges of the Government treasury securities to smooth the debt redemption profile and to reduce the refinancing risk , as well as to increase the liquidity of the on-the-run securities and to promote the development of the secondary market.
* Availability of funds in the Stabilization Account in the amount of at least one percent of GDP projected for the given year by the Budget Message of the RA Government will be ensured in line with the legal provisions on the Stabilization Fund. In case of undesirable processes in the domestic and foreign markets, it will ensure the smooth execution of payments on Government debt and, if necessary, it will support the execution of the RA State budget.
* As part of this Strategy, it is envisaged to issue new Eurobonds in order to refinance Eurobonds maturing in 2025. However, in the medium-term, in case of possibility to attract loans from international financial institutions on more favorable terms or amid favorable conditions on the domestic market, the Government will consider the feasibility of refinancing 2025 Eurobonds through each of these sources or their combination or early buy back of Eurobonds in parallel with borrowings.
* The cooperation with the external creditors will be continued, giving preference to the cooperation with the creditors providing loans with the most favorable terms and in freely convertible currency, and there will be a gradual shift to deficit financing through market instruments. Within the scope of cooperation with external creditors, it is also planned to implement new projects in the water, healthcare and other sectors by using the "Projects for result" financing tool.
* A new electronic system for recording, servicing and organizing other processes related to the RA Government debt will be introduced as a part of the development of the RA Government financial management information system.
* An electronic system for organizing the Government treasury securities switch auctions will be introduced.
* Highlighting the importance of the development of the retail market of Government treasury securities, some measures will be undertaken to ensure accessibility of the retail platform (gp.minfin.am) outside of the territory of the RA and to make the Government treasury bonds market more accessible for non-residents. Along with the steps to strengthen the confidence towards the Government, public awareness activities will continue to be implemented among potential investors.
* One of the most important factors of efficient debt management is the insurance of transparency and permanent communication with society. To this end, the Government will continue the open and public activities with the investors and society, as well as the presentations of debt reports.

## Selection of the RA Government Debt Management Strategy

The macroeconomic and fiscal indicators used in the RA Government debt management strategy are aligned with the macroeconomic and fiscal frameworks projected by the MTEF for 2024-2026. The RA Government debt management strategy envisaged that the RA Government debt/GDP ratio should not exceed 50% in the medium-term in order to retain and strengthen debt stability, moreover, it should have a downward trend. The growth rate of the domestic debt, as well as AMD denominated debt in the structure of the RA Government debt was estimated at about one percentage point per year to keep the burden of the interest payments stable in the medium-term.

Deficit financing through domestic net borrowings will be executed by allocating up to one-year maturity Government short-term bonds, 3 and 5-year maturity medium-term coupon bonds, 10 and 30-year maturity long-term coupon bonds, as well as 6 months, 1, 2, and 3-year saving coupon bonds.

Deficit financing through external net borrowings will be fulfilled by borrowing project loans from the bilateral and multilateral international creditors, as well as by issuing Eurobonds on the international capital market.

Selection of the strategy is made as a result of studying and analyzing the entire system of cost and risk indicators. As a result of a comprehensive study of the costs and risks characterizing the RA Government debt, such a strategy was selected that will contribute to the development of the domestic debt market, ensure a moderate level of risks on the RA Government debt, at the same time it will limit the increase in costs on public debt as possible in the medium-term.

The trends in improving the macro-environment in the economy, the existing level of liquidity, the stable demand for Government treasury bonds and the gauge of debt service were taken into account while planning the structure of deficit financing through domestic net borrowings.

The State budget deficit financing through net borrowings for 2023-2026 is planned to be carried out in larger volumes at the expense of domestic net borrowings than at the expense of external net borrowings.

1. State budget deficit financing through net borrowings for 2022-2026 (AMD billion)

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| State budget deficit financing through net borrowings | 318.2 | 422.5 | 422.5 | 407.4 | 453.2 | 510.5 |
| of which: |  |  |  |  |  |  |
| Domestic net borrowings (without promissory notes) | 252.0 | 295.2 | 295.2 | 300.0 | 320.0 | 320.0 |
| External net borrowings | 66.2 | 127.3 | 127.3 | 107.4 | 133.2 | 190.5 |

Source: RA MoF calculations and forecasts

##### The structure of deficit financing through domestic and external net borrowings for 2022-2026

Source: RA MoF calculations and forecasts

In the medium-term, in accordance with the objectives of the RA Government debt management, the share of financing through domestic net borrowings in the structure of State budget deficit financing significantly exceeds the share of financing through external net borrowings.

In order to meet the financing needs, in the medium-term it is planned to borrow funds both through external loans and borrowings, and through the allocation of Government treasury and foreign currency bonds.

1. *Financing through net borrowings for 2022-2026 (AMD billion)*

|  | 2022 actual | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- |
| Total financing | 565.6 | 818.4 | 907.8 | 1,258.6 | 1,140.9 |
| of which: |  |  |  |  |  |
| External loans and borrowings | 165.8 | 220.4 | 294.9 | 325.0 | 396.9 |
| Government Securities | 399.8 | 598.0 | 612.8 | 712.0 | 744.0 |
| Foreign currency bonds | - | - | - | 221.6 | - |

Source: RA MoF calculations and forecasts

## Cost-at-risk analysis of the adopted strategy

Under the main macroeconomic scenario of the 2024-2026 medium-term public expenditure framework, based on the forecasted main macroeconomic framework, where the behavior of the forecasted domestic and external public debt markets was taken into account, cost indicators of the RA Government debt demonstrate relatively stable behavior.

1. *Forecasts of cost indicators of the RA Government debt portfolio*

|  | 2022 actual | 2023 State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| Interest Payment / GDP (%) | 2.3 | 2.9 | 2.9 | 3.1 | 3.1 | 3.1 |
| Interest Payment / State Budget Revenues (%) | 9.6 | 11.9 | 11.7 | 12.3 | 12.2 | 11.7 |
| Interest Payment / State Budget Expenditures (%) | 8.8 | 10.5 | 10.5 | 11.0 | 11.0 | 10.7 |

Source: RA MoF calculations and forecasts

Generally, it is forecasted that during the medium-term in case of the main macroeconomic scenario, there will be a progressive growth in nominal GDP relative to the growth in debt. The RA Government debt/GDP ratio is forecasted to be 49.3% at the end of 2026. Government debt interest payment/GDP, Government debt interest payment/State budget revenues, and Government debt interest payment/State budget expenditures indicators are projected at the level of 3.1%, 11.7%, and 10.7% respectively at the end of the medium-term period. At the same time, the chosen debt strategy provides an opportunity to stabilize the growth of the burden of debt interest payments in the medium-term, and then, at the end of the medium-term, reverse the growth trend and bring the indicators closer to the levels planned for 2023.

From a risk management perspective exchange rate risk, refinancing risk and interest rate risk are highlighted.

Exchange rate risk

In the medium-term, the Share of domestic debt in total debt indicator will grow at a moderate pace, by an average of about one percentage point per year, and will be within the defined benchmark range, reaching 46.6% at the end of the period. This rate of improvement in the share of domestic debt corresponds to the volume of allocations in line with the expected demand for the Government bonds in the financial market, as well as the level that stabilizes the indicators of the burden of interest payments in the medium-term.

1. *The share of the RA Government domestic debt and AMD denominated debt in total debt*

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| Domestic debt / Total debt (%) | 41.6 | 42.4 | 43.5 | 45.3 | 46.1 | 46.6 |
| AMD denominated debt / Total debt (%) | 37.7 | 39.3 | 40.1 | 42.4 | 43.5 | 44.4 |

Source: RA MoF calculations and forecasts

In order to reduce the currency risk, the share of AMD denominated debt in total debt indicator will be increased by an average of one percentage point per year in the medium-term.

Although at the end of 2026, the share of foreign currency denominated debt is going to decrease over the medium-term, reaching 55.6%, however, the exchange rate risk of the RA Government debt portfolio will remain the main risk factor in the upcoming years.

1. *The structure of the RA Government foreign currency debt for 2022-2026, as of the end of the year (%)*

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| USD | 59.2 | 61.4 | 57.9 | 60.7 | 61.4 | 60.2 |
| SDR | 24.0 | 15.7 | 18.1 | 19.8 | 22.6 | 25.5 |
| EUR | 13.9 | 20.5 | 21.3 | 17.1 | 13.8 | 12.3 |
| JPY | 2.6 | 2.1 | 2.4 | 2.2 | 1.9 | 1.8 |
| AED | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CNY | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |

Source: RA MoF calculations and forecasts

The SDR debt has substantial weight in the structure of the RA Government foreign currency debt. If SDR, which is composed of five currencies, is broken down by the shares of each currency in the basket - USD – 43.38%, EUR – 29.31%, GBP – 7.44%, JPY – 7.59% and CNY – 12.28%, then in the RA Government foreign currency debt structure the share of the USD denominated debt will be 71.2% instead of 60.2% and the share of EUR denominated debt will increase from 12.3% to 19.8% by the end of the medium-term period.

1. *The structure of the RA Government foreign currency debt for 2022-2025, as of the end of the year, with SDR breakdown (%)*

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| USD | 69.6 | 68.2 | 65.8 | 69.3 | 71.2 | 71.2 |
| EUR | 20.9 | 25.1 | 26.6 | 22.9 | 20.4 | 19.8 |
| GBP | 1.8 | 1.2 | 1.3 | 1.5 | 1.7 | 1.9 |
| JPY | 4.4 | 3.3 | 3.7 | 3.7 | 3.6 | 3.7 |
| AED | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CNY | 3.2 | 2.2 | 2.5 | 2.7 | 3.0 | 3.3 |

Source: RA MoF calculations and forecasts

Along with the development of the foreign exchange market, different hedging approaches will be used (for example, FX swaps) to reduce exchange rate risk and manage it effectively.

At the end of the forecasted period, in the structure of the RA Government foreign currency debt, the shares of USD and SDR debt will increase by 0.9 and 1.5 percentage points, respectively, and the shares of EUR and JPY debt will decrease by 1.5 and 0.8 percentage points, respectively against the actual indicator of 2022.

##### The share of the RA Government foreign currency debt redemptions and interest payments in foreign currency external assets at the end of the previous year, 2022-2026

Source: RA MoF calculations and forecasts

The share of the RA Government foreign currency debt redemptions and interest payments in foreign currency external assets as of the end of the previous year will increase significantly in 2025 reaching 30.5% due to the buyback of Eurobonds maturing in 2025. This indicator will sharply decrease in 2026 and will amount to 19.1%. This indicator assesses the capacity of the RA Government to service foreign currency short-term debt redemptions and interest payments from the perspective of the availability of sufficient foreign currency assets.

Refinancing risk

The refinancing risk is highlighted due to the redemption volumes of the RA Government debt and possible negative developments in the international and domestic financial markets in the upcoming years. The RA Government puts efforts towards smoothening the redemption profile and mitigating the refinancing risk in the process of new debt borrowings. Buybacks are also used for mitigating the refinancing risk.

1. *Refinancing risk indicators of the Government debt for 2022-2026*

|  | 2022 actual | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- |
| **Average time to maturity for RA Government debt (years)** | **7.7** | **7.2** | **7.0** | **7.4** | **7.3** |
| Average time to maturity for RA Government foreign currency debt (years) | 7.1 | 6.7 | 6.5 | 7.1 | 7.0 |
| Average time to maturity for RA Government local currency debt (years) | 8.7 | 7.9 | 7.6 | 7.7 | 7.6 |
| **Share of RA Government debt maturing in one year (%)** | **8.0** | **9.4** | **14.4** | **10.1** | **9.8** |
| Share of RA Government foreign currency debt maturing in one year in foreign currency debt (%) | 5.0 | 6.4 | 13.7 | 6.8 | 5.8 |
| Share of RA Government local currency debt maturing in one year in local currency debt (%) | 13.1 | 13.8 | 15.3 | 14.4 | 14.8 |

Source: RA MoF calculations and forecasts

The average time to maturity for the RA Government Debt portfolio indicator will decrease to 7.3 years at the end of 2026 and will remain within the defined benchmark range.

The Share of the RA Government debt maturing in one year in total debt indicator will amount to 9.8% at the end of 2026, moreover, the share of the RA Government external debt maturing in one year in external debt will comprise 5.8% and the share of the RA Government local currency debt maturing in one year in local currency debt will be 14.8%.

The RA Government debt payments indicators are presented below, that represent the sum of the principal repayments and interest payments during the year.

##### RA Government debt payments during 2021-2026 (AMD billion)

Source: RA MoF calculations and forecasts

The RA Government debt payments indicator increases in the medium-term reaching AMD 1,037.6 billion in 2026. The sharp increase in debt payments in 2025 is due to the buyback of Eurobonds.

1. *RA Government debt payments by instuments (AMD billion)*

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| **RA Government debt payments by instruments, of which:** | 445.7 | 599.5 | 642.8 | 833.0 | 1,179.4 | 1,037.6 |
| External Loans and Borrowings | 134.6 | 208.6 | 208.6 | 274.6 | 294.2 | 324.5 |
| Interest Payment | 35.0 | 72.6 | 72.6 | 87.1 | 102.5 | 118.1 |
| Redemption | 99.6 | 136.0 | 136.0 | 187.5 | 191.7 | 206.4 |
| Government Treasury Bonds | 273.7 | 355.1 | 398.3 | 521.9 | 634.9 | 692.4 |
| Interest Payment | 125.9 | 164.5 | 164.5 | 203.2 | 237.6 | 268.3 |
| Redemption | 147.8 | 190.6 | 233.9 | 318.6 | 397.3 | 424.1 |
| Foreign currency Denominated Government Bonds | 37.4 | 35.9 | 35.9 | 36.6 | 250.3 | 20.7 |
| Interest Payment | 37.4 | 35.9 | 35.9 | 36.6 | 28.6 | 20.7 |
| Redemption | - | - | - | - | 221.6 | - |

Source: RA MoF calculations and forecasts

The RA Government controls the refinancing risks through the application of debt and cash flow management instruments (buybacks, depositing the available funds in the Central Bank of RA, etc.).

Interest rate risk

Interest rate risks require greater attention, as the share of market-based borrowings is continuously increasing. The objective of interest rate risk management is to ensure such a Government debt structure under which the impact of interest rate fluctuations in the financial markets on the interest payments would be as low as possible. The interest rate risk indicators for the RA Government debt remain manageable in the forecasted period.

The share of fixed-interest rate debt is forecasted to be 80.3% at the end of 2026. Maintaining the share of fixed interest rate debt within the benchmark range will be significantly facilitated by the fact that in the forecasted period the RA Government will increase the volume of the Government treasury bonds with a fixed interest rate. It is forecasted that the share of the outstanding volume of the Government treasury bonds will rise in the medium-term reaching 44.4% of the RA Government debt in 2026 against 37.7% actual indicator in 2022. However, on the other hand, international creditors will provide more new loans with floating interest rates, which in turn, will alleviate the growth rate of the share of the RA Government debt with fixed interest rates. If necessary, for managing the interest rate risk, the fixing of the interest rates for the loans with floating interest rates will be implemented according to the procedures set by the external creditors.

1. *The shares of fixed and floating interest rate loans in the RA Government debt structure, 2022-2026 (%)*

|  | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- |
| RA Government Debt | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| of which: |  |  |  |  |  |  |
| Fixed Rate | 83.5 | 82.0 | 82.4 | 81.4 | 80.6 | 80.3 |
| Floating Rate | 16.5 | 18.0 | 17.6 | 18.6 | 19.4 | 19.7 |
| RA Government foreign currency Debt | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| of which: |  |  |  |  |  |  |
| Fixed Rate | 73.5 | 68.8 | 70.6 | 67.7 | 65.7 | 64.6 |
| Floating Rate | 26.5 | 31.2 | 29.4 | 32.3 | 34.3 | 35.4 |
| RA Government local currency Debt | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| of which: |  |  |  |  |  |  |
| Fixed Rate | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Floating Rate | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: RA MoF calculations and forecasts

The Average time to refixing indicator for the RA Government debt will amount to 5.7 years and the share of the RA Government debt refixing in one year indicator will be 28.1% at the end of the period.

1. *Interest rate risk indicators of the RA Government debt for 2022-2026*

|  | 2022 actual | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast | |
| --- | --- | --- | --- | --- | --- | --- |
| **Average Time to Refixing for RA Government Debt, (years)** | 6.6 | 6.0 | 5.5 | 5.8 | | 5.7 |
| Average Time to Refixing for RA Government Foreign Currency Debt, (years) | 5.4 | 4.7 | 4.0 | 4.3 | | 4.1 |
| Average Time to Refixing for RA Government Local Currency Debt, (years) | 8.7 | 7.9 | 7.6 | 7.7 | | 7.6 |
| **Share of RA Government Debt Refixing in One Year (%)** | 23.3 | 24.9 | 31.4 | 28.4 | | 28.1 |
| Share of RA Government foreign currency Debt Refixing in One Year in Foreign Currency Debt (%) | 29.5 | 32.4 | 43.1 | 39.3 | | 38.8 |
| Share of RA Government Local Currency Debt Refixing in One Year in Local Currency Debt (%) | 13.1 | 13.8 | 15.3 | 14.4 | | 14.8 |

Source: RA MoF calculations and forecasts

## Benchmark indicators

For the efficient management of the RA Government debt portfolio, it is necessary to identify and assess the risks inherent to the RA Government debt. For this regard, the RA Government debt management strategy defines benchmark indicators for the debt portfolio risks, which aim at keeping the exchange rate, interest rate, and refinancing risks under control through certain restrictions. The benchmark indicators have been defined taking into account the features and constraints inherent to the RA Government debt management.

1. *Benchmark indicators of the RA Government debt portfolio for 2023-2026 (as of the end of the year)*

|  | Benchmark |
| --- | --- |
| **Refinancing risk** |  |
| Average time to maturity | 7– 10 years |
| Share of debt maturing in the next 3 years in total debt | max 35% |
| Share of Government treasury bonds maturing in 1 year in the outstanding Government treasury bonds | max 20% |
| **Interest rate risk** |  |
| Share of fixed rate debt in total debt | min 80% |
| **Exchange rate risk** |  |
| Share of domestic debt in total debt | min 40% |
| Share of AMD denominated debt in total debt | min 40% |

Source: RA MoF calculations

Compared to the RA Government debt management strategy for 2023-2025, the following benchmark indicators have been revised.

* The “Share of debt maturing in the next three years in total debt” indicator was added, which aimed to increase oversight over the refinancing risk and smooth the redemption profile.
* The “Share of domestic debt in total debt” and the “Share of AMD denominated debt in total debt” indicators were revised from a minimum of 30% to be minimum of 40% within the framework of the consistent policy of reducing the exchange rate risk.

## Sensitivity analysis

The cost-at-risk analysis implemented so far was based on the forecasted macroeconomic and fiscal indicators and represents the baseline scenario for the RA Government debt management strategy. The deviations of the cost-at-risk indicators from the baseline scenario or the adopted strategy after simulating different shocks to the market variables are presented below.

##### RA Government debt/GDP ratio for 2023-2026

Source: RA MoF calculations and forecasts

##### Interest payments/GDP for 2023-2026

Source: RA MoF calculations and forecasts

Exchange rate shock

The RA Government debt portfolio is exposed to substantial exchange rate risks. When applying a 23.6% shock[[2]](#footnote-2) equal to the historical maximum value of AMD depreciation and devaluating AMD against USD, EUR, and SDR in 2024, the RA Government debt/GDP ratio reaches 55.7% at the end of 2026, which exceeds the same indicator against the baseline scenario by 6.5 percentage points.

A 1% change in the exchange rates formed as of 01.02.2023 (based on which the foreign currency denominated RA Government debt was converted into USD) will result in an average annual change of AMD 31.1 billion or 0.3% of GDP of the foreign currency denominated RA Government debt during 2024-2026.

Interest rate shock

Analyzing the shock scenario of a 250 basis points increase in interest rates for external and domestic borrowings (Interest rate shock 1), which is a standard moderate shock used in debt strategy analysis by the international financial institutions (it is roughly equal to one standard deviation of the historical volatility of real interest rates), it becomes clear that the impact of interest rate shock on the RA Government debt portfolio remains moderate. The RA Government debt/GDP ratio reaches 50.3% at the end of 2026, increasing by 1.1 percentage points compared to the same indicator of the baseline scenario. In this case, the Interest payment/ GDP ratio might increase by 0.5 percentage points.

At the same time, another shock scenario was analyzed, which assumed the substantial 500 basis points increase in interest rates for external and domestic borrowings (Interest rate shock 2), which is a standard extreme shock used in debt strategy analysis by the international financial institutions (it is roughly equal to two standard deviations of the historical volatility of real interest rates), the probability of which is quite low. Such an interest rate shock will increase the RA Government debt/GDP ratio by 2.2 percentage points compared to the baseline scenario reaching to 51.4% at the end of 2026. From the perspective of the RA Government debt service, this substantial shock might increase the Interest payment/GDP ratio indicator by 1.0 percentage point at the end of 2026.

Exchange rate and interest rate combined shock

Applying a 15% exchange rate shock, which is a standard moderate shock used in debt strategy analysis by the international financial institutions (devaluating AMD against USD, EUR, and SDR in 2024) together with the moderate interest rate shock (Interest rate shock 1), RA Government debt/GDP ratio reaches 54.5% at the end of 2026, which is higher by 5.3 percentage points compared to the same indicator of the baseline scenario. In this case, the Interest payment/GDP ratio might increase by 0.7 percentage points.

The impacts of a one percentage point increase in floating interest rate debt and a one percentage point increase in domestic interest rates are also presented below.

In the event of a one percentage point change of the floating interest rates – SOFR and 6-month Euribor, the interest costs of the RA Government external debt will be changed by AMD 9.0 billion per year on average during 2024-2026.

1. *The impact of one percentage point change in floating interest rates on interest payments for the RA Government external debt*

|  | 2024 | 2025 | 2026 |
| --- | --- | --- | --- |
| Change in interest payment for RA Government foreign currency debt (AMD billion) | 7.7 | 8.9 | 10.3 |
| Including: |  |  |  |
| SOFR (AMD billion) | 5.6 | 5.9 | 5.9 |
| 6-month Euribor (AMD billion) | 2.1 | 3.0 | 4.4 |
| Change in interest payment for RA Government foreign currency debt (%) | 8.8 | 8.7 | 8.8 |
| Share of the change in interest payment for RA Government foreign currency debt in the State budget own revenues (without grants) (%) | 0.3 | 0.3 | 0.3 |

Source: RA MoF calculations

At the beginning of the medium-term, an increase in the yield curve by one percentage point in the domestic debt market will increase debt interest payments by an average of AMD 9.2 billion per year during 2024-2026.

1. *The impact of one percentage point change in the RA Government local currency debt interest rate at the beginning of the medium-term on the interest payments for the RA Government local currency debt*

|  | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- |
| Change in interest payment for RA Government local currency debt (AMD billion) | 2.8 | 9.1 | 15.8 |
| Change in interest payment for RA Government local currency debt (%) | 1.4 | 3.8 | 5.9 |
| Share of the change in interest payment for RA Government local currency debt in the State budget own revenues (without grants) (%) | 0.1 | 0.3 | 0.5 |

Source: RA MoF calculations and forecasts

The conducted sensitivity analyses allow to assume that the impact of the exchange rate shock on the RA Government debt portfolio is much greater than the impact of the interest rate shock. This is mainly due to the large share of foreign currency-denominated debt on one hand and the dominance of fixed-rate debt in the RA Government debt portfolio on the other.

## Conclusions

The results of the Government debt portfolio cost-at-risk analysis show that the debt portfolio is mostly exposed to exchange rate risk. Therefore, the RA Government considers the continuous development of the Government treasury bonds market and the growth in the share of AMD denominated debt by increasing the volume of the borrowings from the domestic market as a priority. In the medium-term, it is planned to make the Government treasury bonds market more accessible for non-residents, to increase the weight of deficit financing through domestic net borrowings and ensure at least a 40% share of domestic debt in the structure of RA Government debt. It is also planned to introduce an electronic system for organizing switch auctions of the Government treasury bonds and increase the volume of outstanding bonds, contributing to the growth of liquidity of the Government treasury bonds.

It is important to mention that the measures implemented only in the RA Government debt management area are not sufficient for the substantial development of the RA Government domestic debt market. One of the preconditions for the development of the domestic debt market and the extension of the investor base is the further development of the non-banking sector of the financial market.

Cooperation with the external creditors will be continued, as program loans will be directed to the creation of important infrastructures, and other loans will gradually expand the use of results-based instruments, which will stimulate economic growth and, therefore, generate revenues, which, in turn, will ensure debt sustainability and maintain debt burden indicators at a manageable level.

In the medium-term, the RA Government will continue implementing the actions aimed at smoothing the RA Government debt redemption profile and reducing the refinancing risk by applying liquidity management instruments such as the formation of the cash buffer, implementation of buybacks and switches.

# Appendix

2021-2022 actual, 2023 State budget program and 2024-2026 forecasted indicators characterizing the RA Government debt:

1. *Key indicators of the RA Government debt for 2021-2026 (AMD billion)*

|  | 2021 actual | 2022 actual | 2023  State budget program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Government Debt | 4,209.8 | 3,969.7 | 4,645.0 | 4,756.3 | 5,293.0 | 5,880.7 | 6,476.8 |
| % of GDP | 60.2 | 46.7 | 49.9 | 49.9 | 49.9 | 49.8 | 49.3 |
| By instruments |  |  |  |  |  |  |  |
| External Loans and Borrowings | 2,151.6 | 1,772.6 | 2,051.0 | 2,087.2 | 2,271.0 | 2,516.0 | 2,780.4 |
| Government Treasury Bonds | 1,208.9 | 1,496.3 | 1,824.4 | 1,894.6 | 2,223.6 | 2,543.7 | 2,863.7 |
| Foreign currency Denominated Government Bonds | 840.2 | 688.7 | 763.9 | 763.5 | 787.5 | 813.4 | 826.4 |
| External Guarantees | 3.8 | 2.9 | 2.9 | 3.1 | 3.0 | 2.7 | 2.5 |
| Domestic Guarantees | 5.4 | 9.2 | 2.8 | 7.9 | 7.9 | 4.9 | 3.9 |
| Interest Payment for Government Debt | 180.8 | 198.3 | 272.9 | 272.9 | 326.9 | 368.7 | 407.2 |
| Interest Payment / State Budget Expenditures (%) | 9.0 | 8.8 | 10.5 | 10.5 | 11.0 | 11.0 | 10.7 |
| Interest Payment / State Budget Own Revenues (without grants) (%) | 10.8 | 9.7 | 11.9 | 11.8 | 12.3 | 12.2 | 11.8 |
| Interest Payment / GDP (%) | 2.6 | 2.3 | 2.9 | 2.9 | 3.1 | 3.1 | 3.1 |

Source: RA MoF calculations and forecasts

1. *The Government bond indicators for 2021-2026*

|  | 2021 actual | 2022 actual | 2023  program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Government Treasury Bonds, AMD billion | 1,208.9 | 1,496.3 | 1,824.4 | 1,894.6 | 2,223.6 | 2,543.7 | 2,863.7 |
| % of GDP | 17.3 | 17.6 | 19.6 | 19.9 | 21.0 | 21.6 | 21.8 |
| By days to maturity, AMD billion |  |  |  |  |  |  |  |
| Up to 1 year | 126.7 | 192.8 | 260.8 | 261.5 | 340.1 | 366.9 | 427.0 |
| 1-5 years | 353.8 | 517.5 | 690.1 | 714.9 | 910.2 | 993.6 | 1,198.7 |
| More than 5 years | 728.4 | 785.9 | 873.5 | 918.2 | 973.3 | 1,183.2 | 1,238.0 |
| Share by days to maturity (%) |  |  |  |  |  |  |  |
| Up to 1 year | 10.5 | 12.9 | 14.3 | 13.8 | 15.3 | 14.4 | 14.9 |
| 1-5 years | 29.3 | 34.6 | 37.8 | 37.7 | 40.9 | 39.1 | 41.9 |
| More than 5 years | 60.3 | 52.5 | 47.9 | 48.5 | 43.8 | 46.5 | 43.2 |
| Average interest rate (%) | 10.1 | 10.5 | 10.9 | 10.9 | 10.7 | 10.5 | 10.5 |
| Average time to maturity (years) | 10.3 | 8.8 | 8.6 | 7.9 | 7.7 | 7.8 | 7.7 |
| Foreign Currency Denominated Government Bonds, USD million | 1,750.0 | 1,750.0 | 1,750.0 | 1,750.0 | 1,750.0 | 1,750.0 | 1,750.0 |
| % of GDP | 12.0 | 8.1 | 8.2 | 8.0 | 7.4 | 6.9 | 6.3 |
| Average interest rate (%) | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.1 | 5.1 |
| Average time to maturity (years) | 7.0 | 6.0 | 5.0 | 5.0 | 4.0 | 5.9 | 4.9 |

Source: RA MoF calculations and forecasts

1. *Indicators for the RA Government loans and credits for 2021-2026 (USD million)*

|  | 2021 actual | 2022 actual | 2023  program | 2023 forecast | 2024 forecast | 2025 forecast | 2026 forecast |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Government Loans and Credits | 4,481.1 | 4,503.9 | 4,698.8 | 4,783.8 | 5,046.8 | 5,413.0 | 5,888.3 |
| % of GDP | 30.8 | 20.9 | 22.0 | 21.9 | 21.4 | 21.3 | 21.2 |
| By lender |  |  |  |  |  |  |  |
| From International Financial Organizations | 3,467.6 | 3,495.9 | 3,707.5 | 3,725.1 | 4,008.6 | 4,400.3 | 4,932.4 |
| From Foreign States | 996.8 | 994.2 | 978.2 | 1,046.5 | 1,028.0 | 1,004.8 | 949.3 |
| From Commercial Banks | 16.7 | 13.7 | 13.0 | 12.2 | 10.1 | 7.9 | 6.5 |
| Average interest rate (%) | 1.5 | 3.2 | 3.8 | 4.6 | 4.8 | 5.9 | 7.0 |
| Average time to maturity (years) | 7.9 | 7.5 | 7.6 | 7.3 | 7.3 | 7.0 | 6.9 |

Source: RA MoF calculations and forecasts

1. Source: 2024-2026 MTEF [↑](#footnote-ref-1)
2. It is noteworthy that the application of the 23.6% shock also brings the exchange rate back to the level that existed before the Russian-Ukrainian conflict. [↑](#footnote-ref-2)