

April 2023



# THE GOVERNMENT OF THE REPUBLIC OF ARMENIA

INVESTOR PRESENTATION



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# 1 | ARMENIA AT A GLANCE



# COUNTRY OVERVIEW



## FORMAT OF GOVERNMENT

Parliamentary Republic



## CAPITAL

Yerevan



## ADMINISTRATIVE UNIT

10 Marzes with 502 communities,  
Including 49 urban



## TERRITORY

29,743 km<sup>2</sup>



## DIASPORA

8 million worldwide



## HEAD OF STATE

President



## INDEPENDENCE

September 21, 1991



## POPULATION

2.97 million (as of January 1, 2022)



## STATE BORDERS

In the North with Georgia,  
In the East with Azerbaijan,  
In the West and South-West with Turkey,  
In the South with Iran



## NOMINAL GDP

US\$ 13.9 billion (2021)

US\$ 19.5 billion (2022)



## REAL GDP GROWTH

5.7% (2021)

12.6% (2022)



## CPI INFLATION

8.6% (2022)

8.1% (Feb 2023)



## UNEMPLOYMENT

12.7% (2022 Dec)



## NOMINAL GDP PER CAPITA

US\$ 4,679 (2021)

US\$ 6,569 (2022)



## GOVERNMENT DEBT / GDP

60.3% (2021)

46.7% (2022)



## CURRENCY

Armenian Dram (AMD)



## SOVEREIGN RATING

Moody's: Ba3 (Negative)

S&P: B+ (Positive)

Fitch: B+ (Positive)

\* According to calculations based on SC RA data



# KEY INVESTMENT HIGHLIGHTS

## DEMONSTRATED COMMITMENT TO REFORMS

The Government continues to pursue structural reforms with renewed emphasis on productivity, inclusiveness and governance as well as anticorruption and judicial systems

Anchoring fiscal policy to maintain debt sustainability, and creating space for social and capital infrastructure spending

Implementing the large-scale Programme for Legal and Judicial Reforms for 2019-2023, which includes addressing corruption, assuring the independence of the judiciary and improving the training of the judges

## GROWTH SUPPORTED BY PRUDENT MACROECONOMIC POLICY FRAMEWORK

Successful macroeconomic policies and structural reforms have buoyed Armenia's growth potential

In 2022 economic performance was remarkably strong, mainly driven by significant increase of capital inflow as well as large increase in tourism and remittances as a result of external shocks. A good track record (confirmed by international organizations and rating agencies) of fiscal and monetary policies will ensure the effective reaction to possible negative risks stemming from Russian-Ukrainian conflict

Armenia has a robust medium-term growth outlook, underpinned primarily by services (e.g. finance, ICT, tourism) and industry (e.g. manufacturing, mining)

The short and medium-term fiscal policy is targeting boosted growth potential with significantly larger public investments in physical infrastructure and human capital

Monetary Policy is committed to its goal of price stability by anchoring long-term inflation expectations and supporting the long-term growth

## PROACTIVE FISCAL POLICY AND DEBT MANAGEMENT

Fiscal consolidation based on fiscal rules adopted during 2017-2018 driven by both revenue mobilization and spending optimization has created fiscal buffers, which supported to effective counter-cyclical fiscal policy reaction during COVID-19 and war shocks of 2020, which Armenian economy has faced

Economic and fiscal performance during 2022 exceeded expectations due to positive impact of relocation of Russian IT organizations and inflow of capital and people into Armenia, as a result of Russian-Ukrainian conflict. That allowed to revise revenue figures upwards and to frontload debt consolidation.

In the medium term fiscal policy is targeting strengthened fiscal sustainability with reduction of public debt in line with the fiscal rule, and thus achieving growth-friendly fiscal consolidation as a result

## PROACTIVE GOVERNMENT MEASURES TO CONTAIN COVID-19 AND EFFECTS OF RUS-UKR CONFLICT

The Government has taken proactive fiscal measures amounting to 2.7% and 0.8% of GDP in 2020 and 2021 respectively, that were well-targeted at the most impacted sectors and segments of the population in order to cushion the impact of the Covid-19 shock

Government has already implemented measures to support the export-oriented sectors, given the appreciation of national currency. In particular support measures have been designed for IT sector, and economic transformation program has been adopted by the Government to stimulate private investments.

## STRONG AND MULTI-FACETED SUPPORT FROM DEVELOPMENT PARTNERS

Since 2017, Armenia has progressively consolidated its relationship and cooperation with the European Union ("EU"), resulting in the alignment of several standards, technical assistance and preferential trade access for 90% of Armenia's exports to the EU

Armenia also benefits from an IMF Standby Agreement facility aimed at supporting Armenian authorities in strengthening economic fundamentals and policy frameworks

Armenia also benefits from strong international partnerships with the World Bank, Asian Development Bank, KfW and the United States Agency for International Development

# UPDATE ON STRUCTURAL REFORMS

STRUCTURAL REFORMS TO FACILITATE TRADE AND DIVERSIFICATION, STRENGTHEN GOVERNANCE, IMPROVE THE BUSINESS ENVIRONMENT, FOSTER EMPLOYMENT, ADVANCE DIGITALIZATION, AND BUILD RESILIENCE AGAINST CLIMATE RISKS



Develop transport logistics and reduce non-tariff trade barriers



Reform the existing tertiary vocational education (TVET) system by implementing the action plan underpinning the education strategy



New Corporate Governance Code



Enhance the agricultural sector's resilience to climate change, by expanding the existing agricultural insurance scheme to cover more risks, regions, and crops



Develop a data-driven, result-oriented, and accountable strategic planning system



Design a comprehensive strategy to fight climate change



The review of the bankruptcy legislation



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# RESILIENT AND DIVERSIFIED ECONOMY



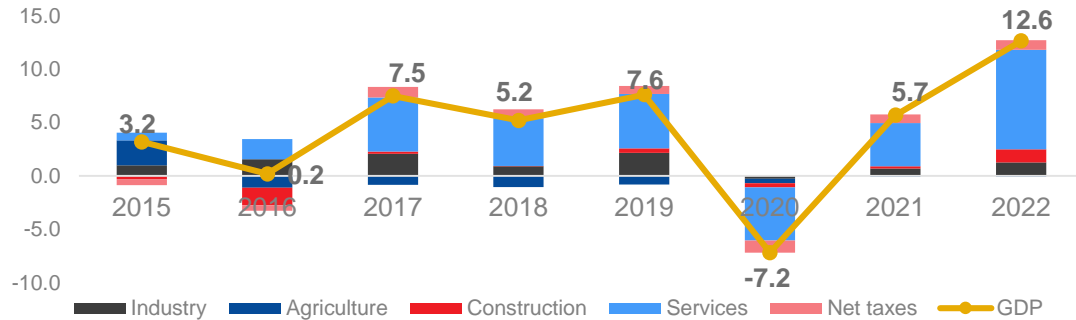


# ECONOMIC INDICATORS

THE ECONOMY HAS ENTERED A PHASE OF BROAD-BASED RECOVERY IN 2021 AND THE GROWTH WAS MAINLY DRIVEN BY SERVICES AND DOMESTIC DEMAND. THE GROWTH ACCELERATED IN 2022 MAINLY DUE TO THE RELOCATION OF RUSSIAN IT ORGANIZATIONS TO ARMENIA BECAUSE OF THE RUSSIAN-UKRAINIAN WAR AND THE SANCTIONS APPLIED AGAINST RUSSIA, THE INFLUX OF PEOPLE FROM THE COUNTRIES INVOLVED IN THE CONFLICT, AS WELL AS A SIGNIFICANT INCREASE IN TOURISM AND REMITTANCES.

## REAL GDP: CONTRIBUTION OF SUPPLY COMPONENTS

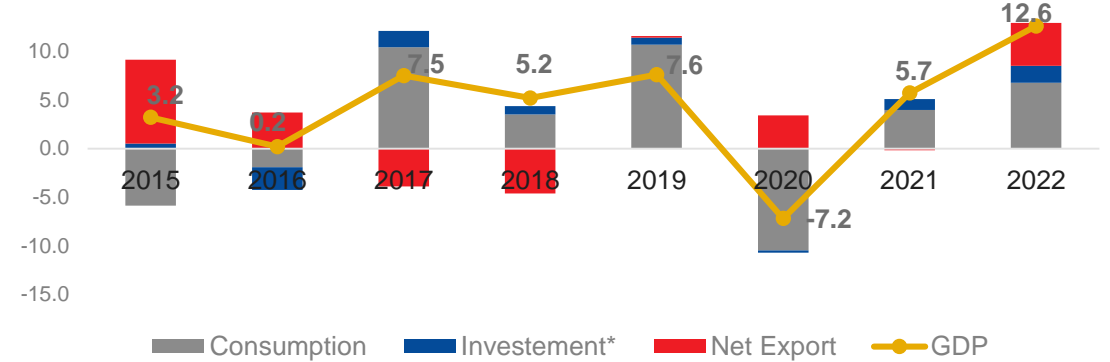
(Real growth (%) and contribution to growth (percentage point))



Source: Armstat, Calculations of the Ministry of Finance

## REAL GDP: CONTRIBUTION OF EXPENDITURE COMPONENTS

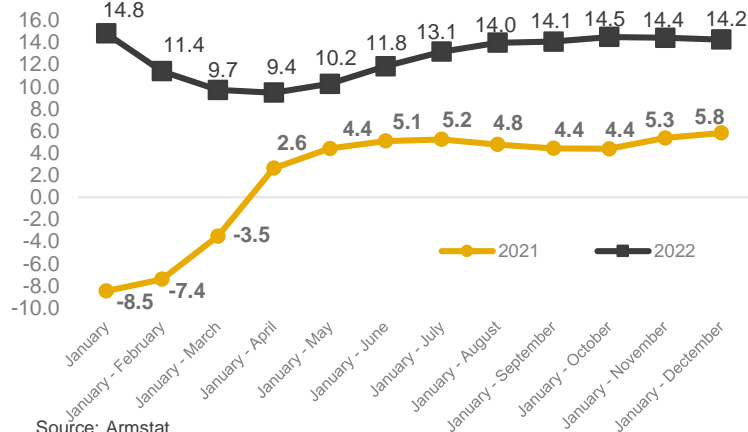
(Real growth (%) and contribution to growth (percentage point))



\*Gross fixed capital formation  
Source: Armstat, Calculations of the Ministry of Finance

## ECONOMIC ACTIVITY INDICATOR

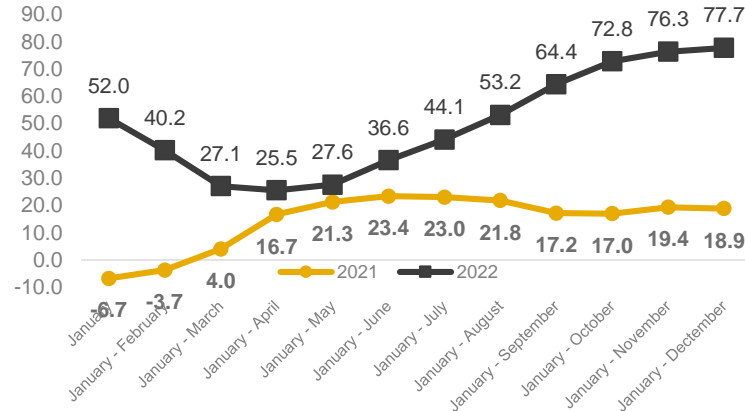
(Real growth (%))



Source: Armstat

## GOODS EXPORT

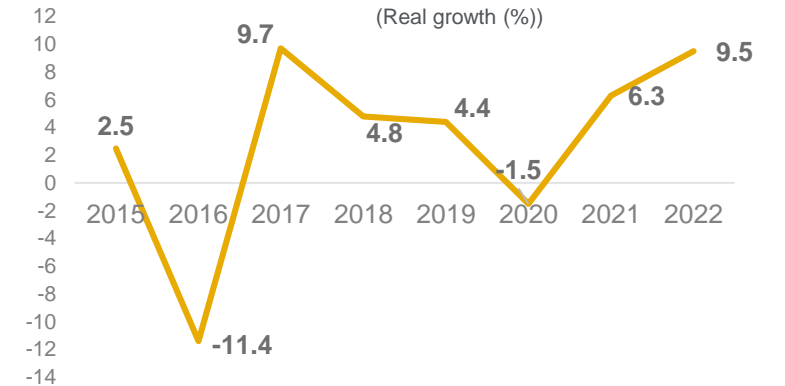
(Nominal growth (%))



Source: Armstat

## GROSS FIXED CAPITAL FORMATION

(Real growth (%))

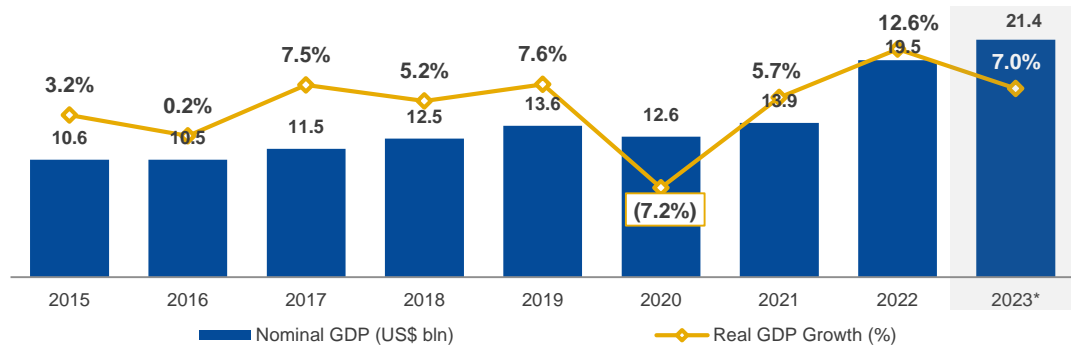


Source: Armstat

# ECONOMIC INDICATORS

GDP AND GDP PER CAPITA RECOVERED AND EXCEEDED PRE-CRISIS LEVELS. ECONOMIC DIVERSIFICATION TOWARDS HIGHER VALUE ADDED ACTIVITIES CONTINUED. ALTHOUGH THE GOVERNMENT HAD TARGETED 7% GROWTH FOR 2022, THE ARMENIAN ECONOMY GREW BY 12.6% IN THAT YEAR.

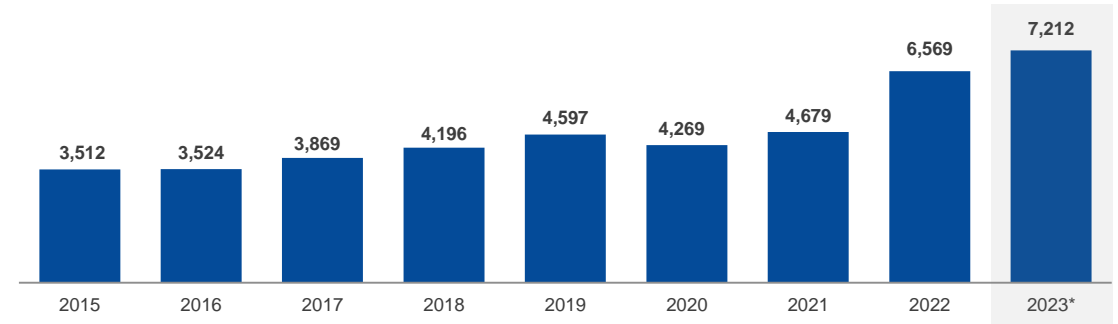
## GDP TREND



Source: Armstat

\* 2023 State Budget Forecasts

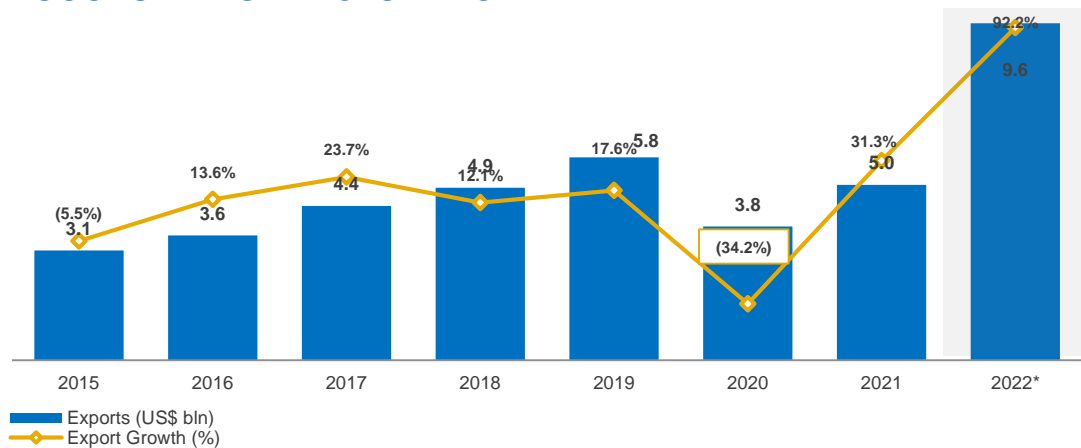
## NOMINAL GDP PER CAPITA



Source: Armstat

\* 2023 State Budget Forecasts

## GOODS AND SERVICES EXPORT TREND

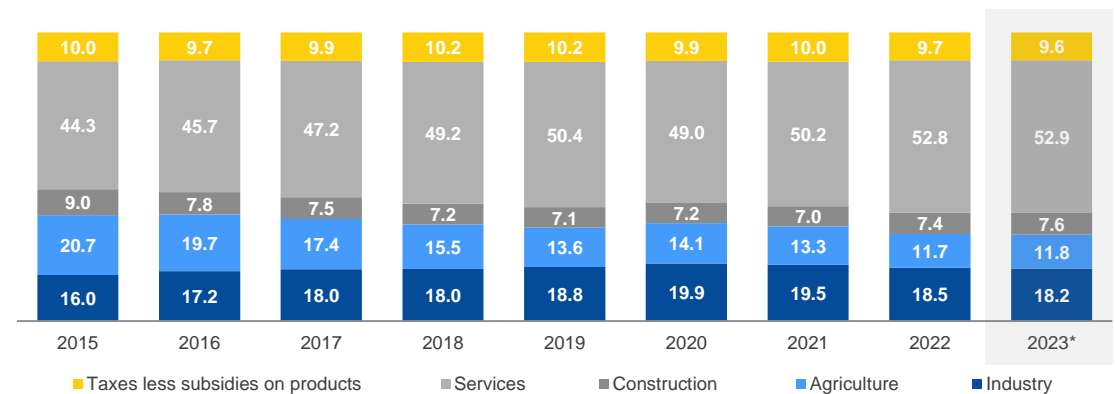


Source; Armstat

\* 2022 Estimate

## DIVERSIFICATION INTO HIGHER VALUE ADDED ACTIVITIES

(% Share in Real GDP)



Source: Armstat, Calculations of the Ministry of Finance

\* 2023 State Budget Forecasts

# KEY SECTORS

## WELL DIVERSIFIED ECONOMY, SHIFTING TOWARDS HIGHER VALUE ACTIVITIES

### AGRICULTURE

10.4%

- Over 69% of Armenia's land area is classified as agricultural land, half of which comprises of pasture
- In December 2019, the Government approved the 2020-2030 strategy to develop the agricultural sector, with the key objectives:
  - Ensure prosperity and inclusive growth in rural areas
  - Improve national food and nutrition security
  - Promote the export of high-value agricultural products
  - Enable best-in-class food safety systems
  - Lead on technology-driven agricultural innovation across the region



6.8%

### CONSTRUCTION

- Armenia's construction sector experienced strong growth as soviet-era housing and office buildings were replaced with more modern structures, growing 18.8% in 2022.
- The largest public construction projects include the new terminal at Zvartnots Airport, and the Northern Avenue, which runs through the center of Yerevan
- The ongoing North-South Highway, is a major infrastructure project which will span the country



Share in Real GDP, as of 2022

### INDUSTRY

18.8%

- Armenia's mining industry accounted for 3.8% of Armenian GDP in 2022. Main activity is focused on metal ores, in particular molybdenum, copper and zinc
- In 2022, manufacturing accounted for 11.7% of nominal GDP. The main manufacturing areas in Armenia are food, beverage and tobacco products as well as basic metals and non-metallic mineral production, such as rubber and plastics and other non-metallic goods



TAXES\*  
10.4%

53.6%

### SERVICES

- ICT has been designated by the Government as a priority sector for investment and development. The number of companies operating in this sector has increased significantly over the past 10 years
- Over the past 10 years Armenia's financial services sector share has increased significantly on the back of an increase in loans (reaching to 8.0% in 2022, highest in the last 10 years). The rise in loans reflects, in turn, increased access to and demand for funding, greater competition among banks and higher volumes of foreign investment in the sector



Source: Armstat.  
\*Taxes less subsidies on products

# THE ECONOMIC TARGETS OF THE GOVERNMENT PROGRAM 2021-2026

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The Government of Armenia has set the following targets for 2021-2026

- ✓ **At least 7% annual average GDP growth (with favorable external conditions to be targeted at 9%)**
- ✓ 25% formal private sector labor income share in GDP
- ✓ Less than 10% unemployment rate
- ✓ At least 5% annual growth of total factor productivity
- ✓ At least 25% Investment share in GDP
- ✓ Reaching 6% of foreign direct investment share in GDP
- ✓ At least 15% share of manufacturing in GDP



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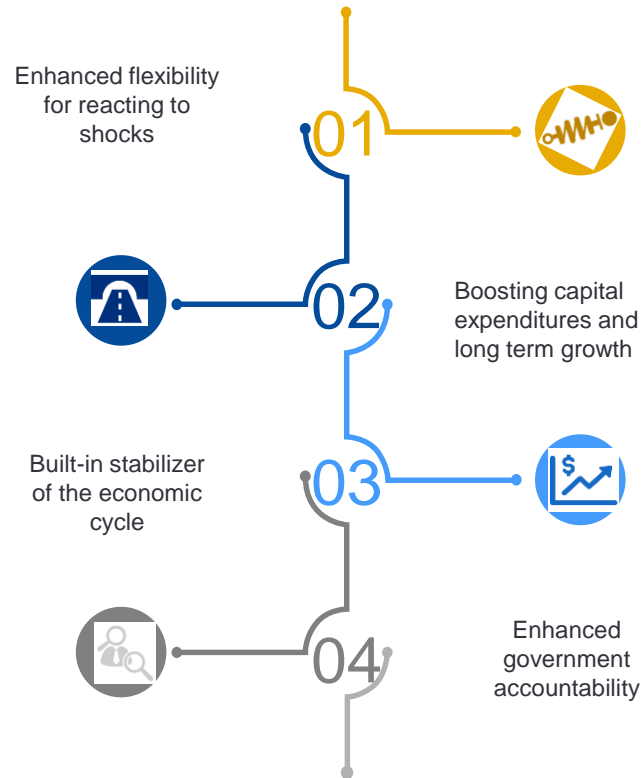
# PRUDENT FISCAL MANAGEMENT



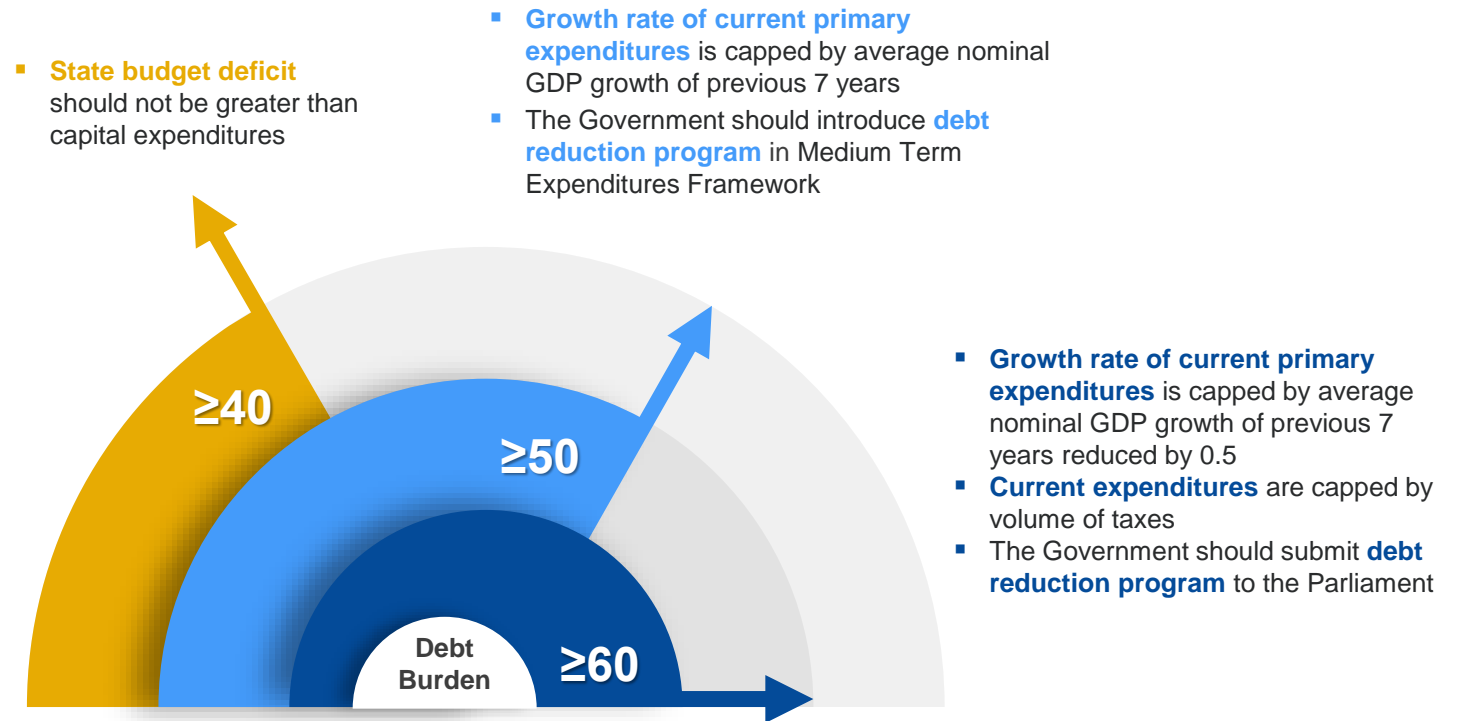
# FISCAL RULE REFORM

## UPGRADED FISCAL RULES SUPPORT DEBT SUSTAINABILITY AND FISCAL SPACE

### ACTIVE FISCAL POLICY PRIORITIES



### FISCAL RULE



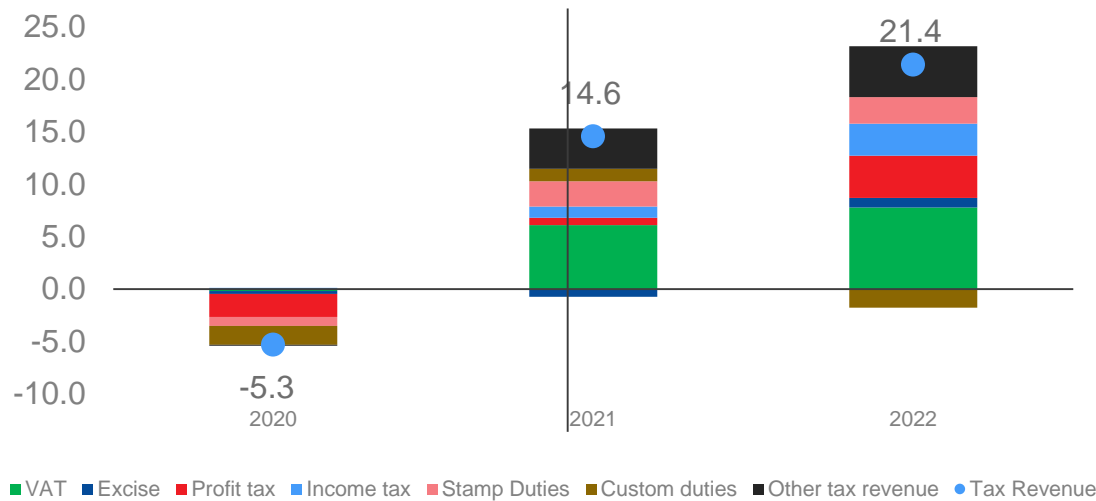
Due to the extraordinary circumstances linked to the global pandemic and Artsakh war, the Fiscal Rule has not been applied in 2020 and 2021. The Government remains committed to reducing the Government Debt-to-GDP ratio below the respective target in the medium-term in line with the fiscal rule

# TAX REVENUES

## GROWTH RATE OF TAX REVENUES ACCELERATED DURING 2022 WHICH ALLOWED AN UPWARDS REVISION OF EXPECTED FIGURES IN MTEF

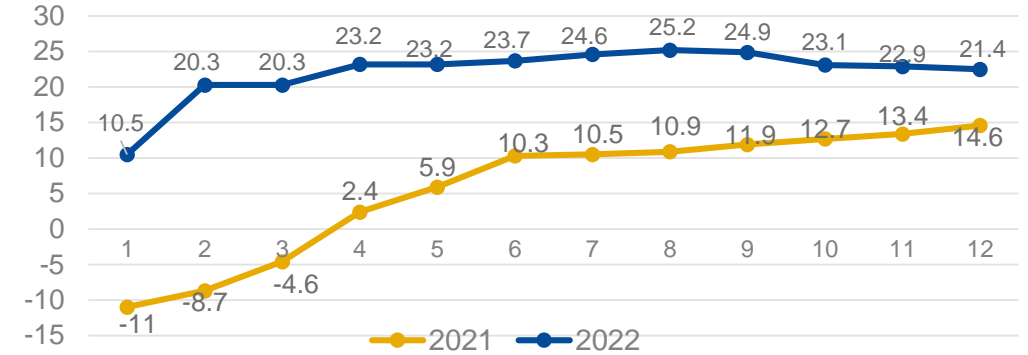
- In line with accelerating economic activity during 2022, growth of tax revenues accelerated significantly.
- The increase of tax revenues is mainly driven by Profit tax, VAT, Stamp Duties and Other tax revenues (mainly duties on export of mining products).
- According to Budget Draft 2023 tax to GDP ratio is expected to improve by 0.4 percentage points in 2022 reaching 23.2%, and by 0.5 percentage points in 2023 reaching 23.7%.

### TAX REVENUES GROWTH RATE (%) AND CONTRIBUTIONS OF TAX TYPES (P.P.)



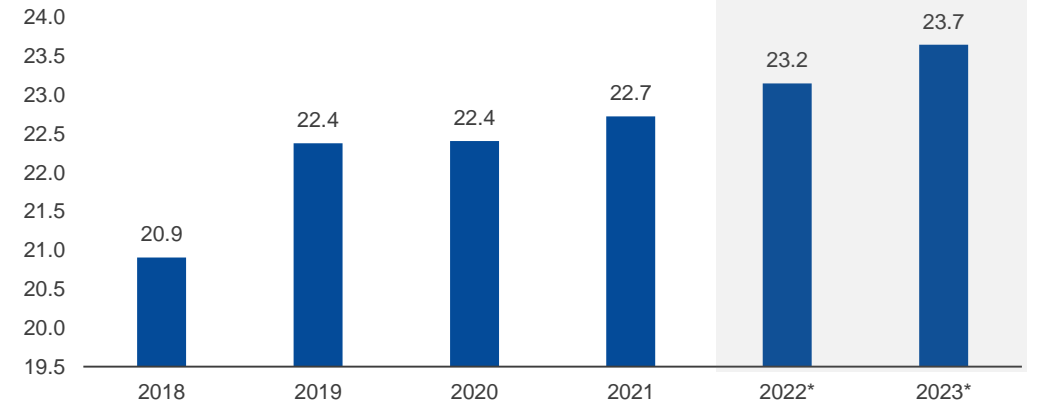
Source: Ministry of Finance

### TAX REVENUES, YOY CHANGE



Source: Ministry of Finance

### TAX REVENUES, OF GDP

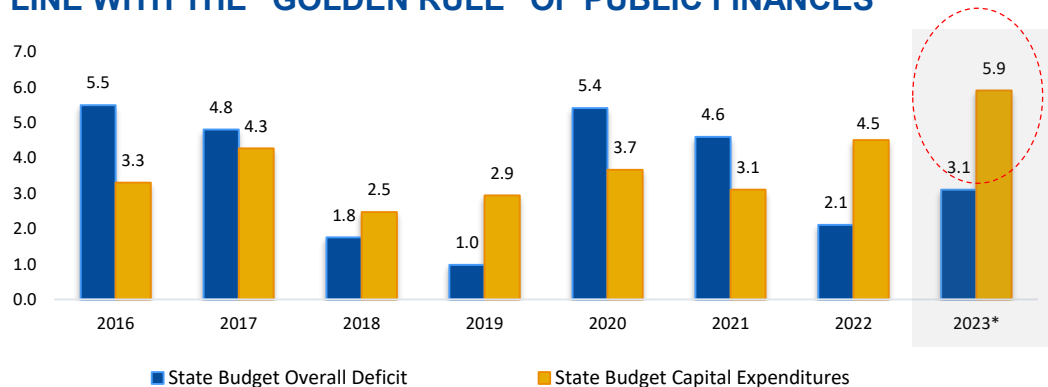


Source: Ministry of Finance, \* Budget 2023

# GROWTH-FRIENDLY FISCAL POLICY IS ON TRACK

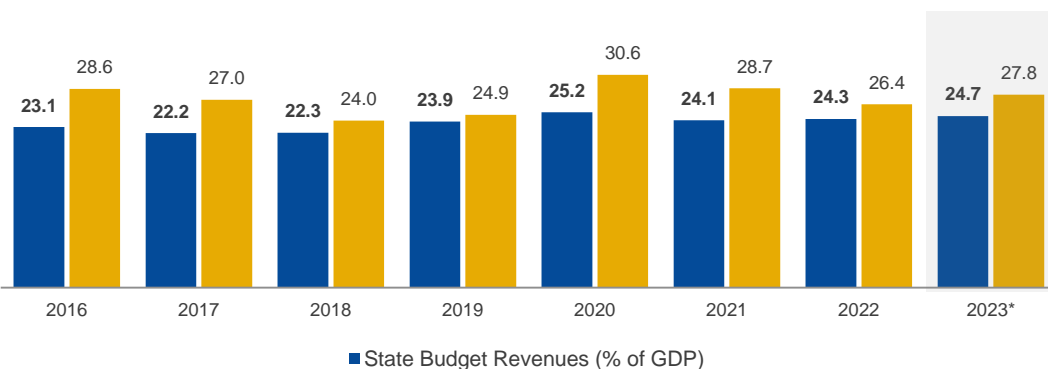
PRUDENT FISCAL FRAMEWORK SUPPORTIVE FOR RECOVERY AND ECONOMIC POTENTIAL - IN LINE WITH THE FISCAL RULE. ECONOMIC AND FISCAL PERFORMANCE DURING 2022 ALLOWED TO FRONTLOAD DEBT CONSOLIDATION.

## THE GOVERNMENT IS COMMITTED TO IMPLEMENT FISCAL POLICY IN LINE WITH THE “GOLDEN RULE” OF PUBLIC FINANCES



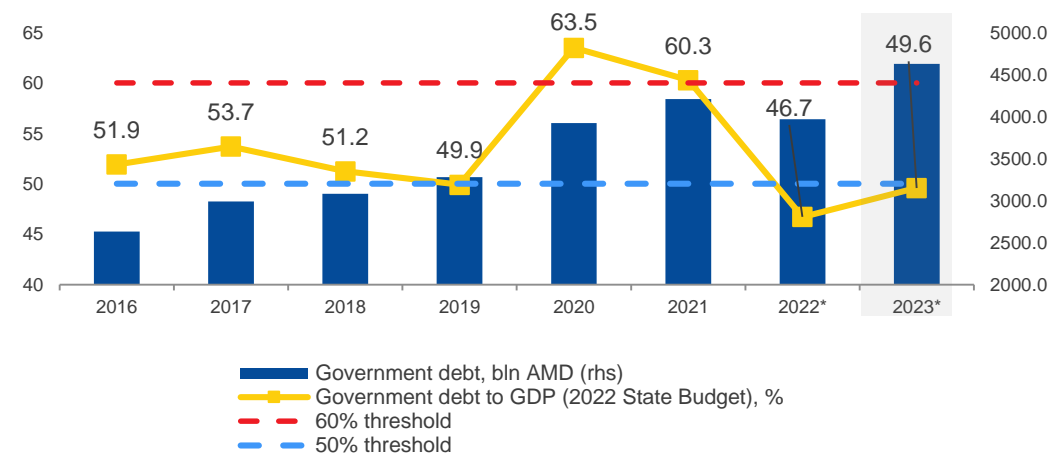
Source: Ministry of Finance, \* Budget 2023

## CONCERTED GOVERNMENT REVENUE MOBILIZATION



Source: Ministry of Finance, \*Budget 2023

## GOVERNMENT DEBT TO GDP RATIO PROJECTION



Source: Ministry of Finance, \* Budget 2023

## MORE EMPHASIS ON ENHANCING CAPEX TO ACHIEVE HIGHER GROWTH

With 2023 BUDGET, Government plans to increase the role of capital spending

	2021 actual	2022 actual	2023*
Share in GDP, %			
State Budget Revenues	24.1	24.3	24.7
Tax Revenues	22.7	22.7	23.7
State Budget Expenditures	28.7	26.4	27.8
Current Expenditures	25.6	21.9	21.9
<b>Transactions with non-financial assets</b>	<b>3.1</b>	<b>4.5</b>	<b>5.9</b>
State Budget Balance	-4.6	-2.1	-3.1
<b>Government Debt</b>	<b>60.3</b>	<b>46.7</b>	<b>49.6</b>

Source: Ministry of Finance, \* Budget 2023





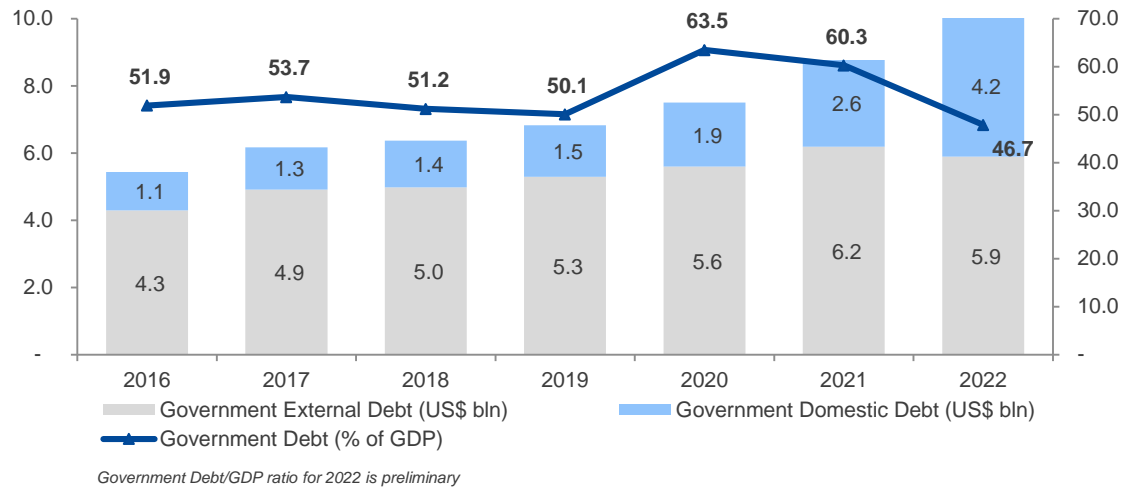
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# 4 | GOVERNMENT DEBT MANAGEMENT



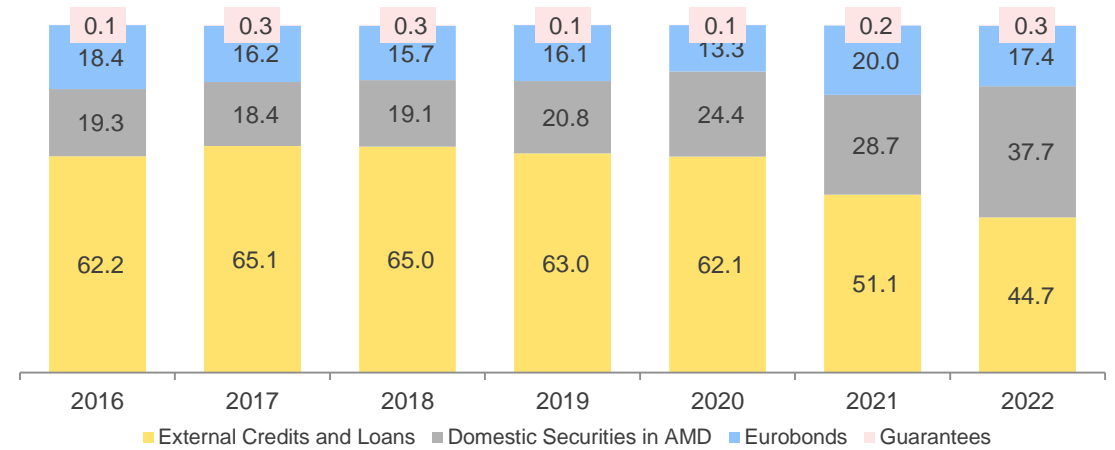
# GOVERNMENT DEBT MANAGEMENT

## GOVERNMENT DEBT TO GDP



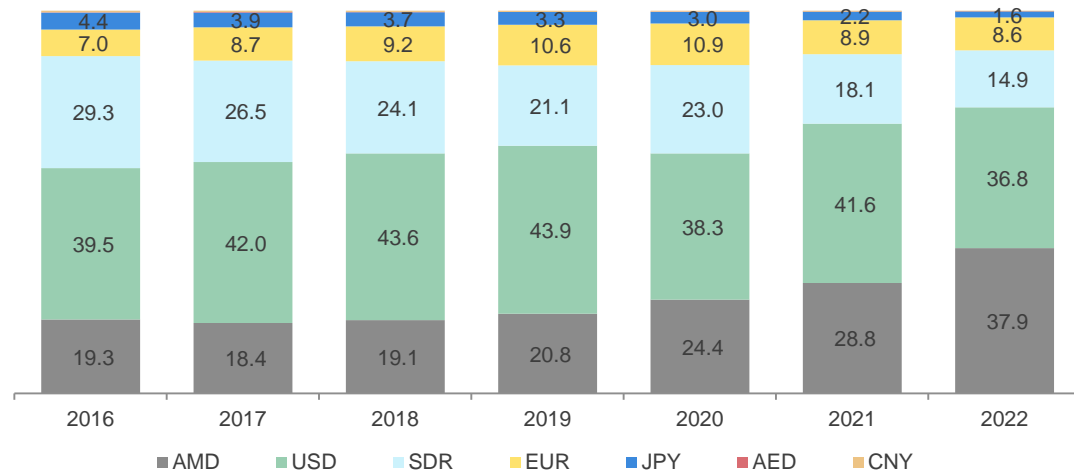
## GOVERNMENT DEBT BY INSTRUMENTS

( of Total Government Debt)



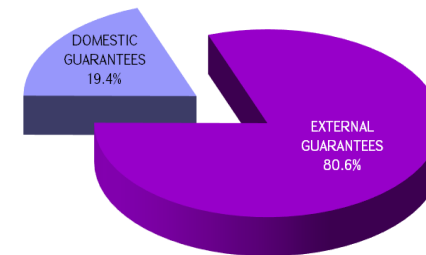
## GOVERNMENT DEBT CURRENCY COMPOSITION

( of Total Government Debt)



## GOVERNMENT GUARANTEES

- As of December 31, 2022 Guarantees issued by the Government totalled USD 117.8 mln , of which USD 23.3 mln were outstanding domestic guarantees and USD 94.5 mln were outstanding external guarantees out of which USD 87.1 mln were provided by the Government for external loans of the CBA.



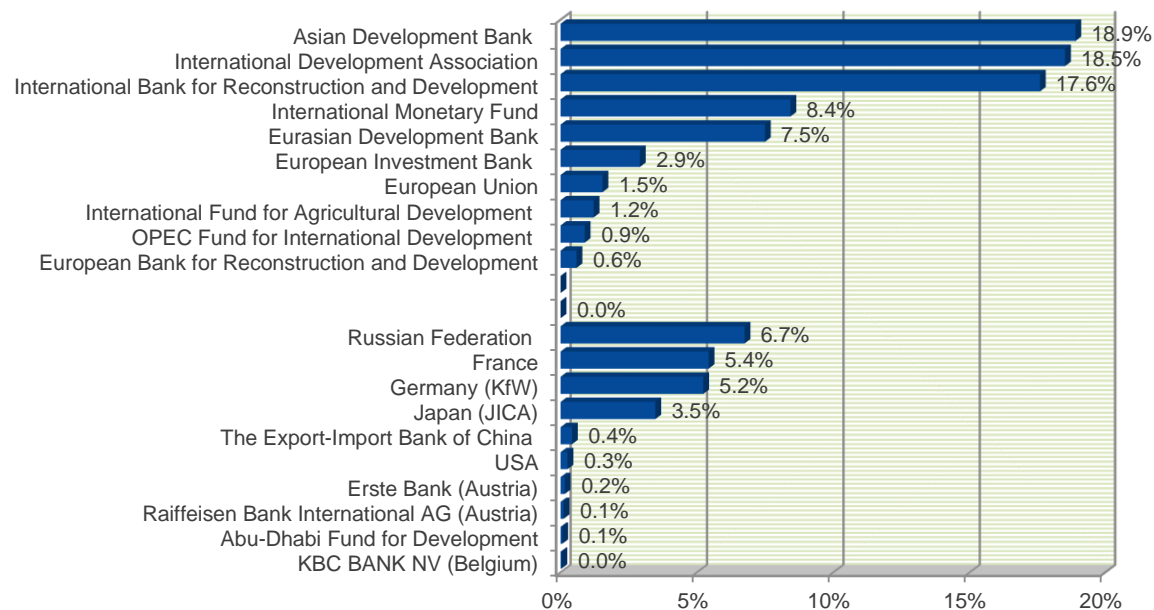
# GOVERNMENT DEBT MANAGEMENT (CONT'D)

## EXTERNAL CREDITS AND LOANS

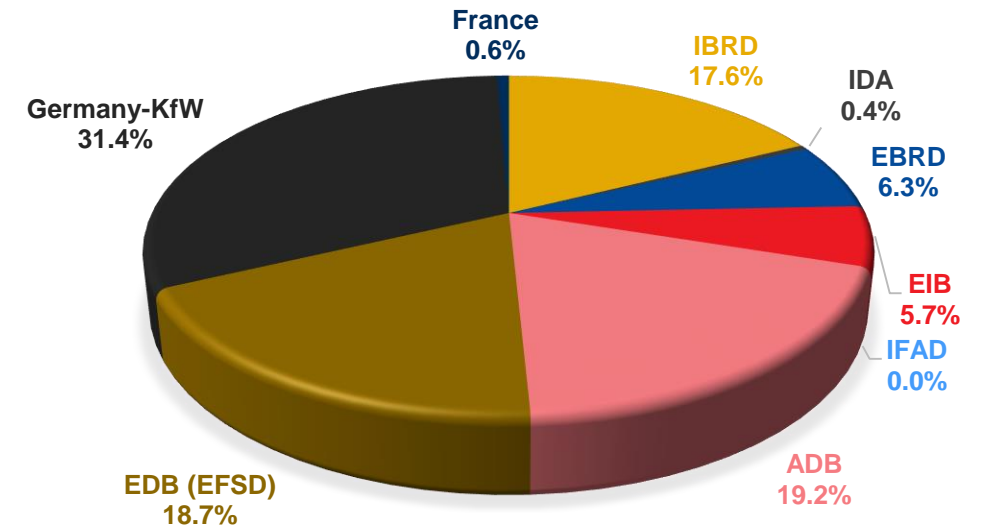
	31.12.2022	28.02.2023
<b>Stock Outstanding (USD mln)</b>	<b>4,503.9</b>	<b>4,460.7</b>
<i>of which</i>		
Multilateral Creditors	3,495.9	3,483.1
Bilateral Creditors	994.2	964.3
Commercial Banks	13.7	13.3
<b>Weighted Average Interest Rate,</b>	<b>3.2</b>	<b>3.4</b>
<b>Weighted Average Time to Maturity (ATM), years</b>	<b>7.5</b>	<b>7.4</b>

## EXTERNAL LOANS STRUCTURE BY CREDITORS

( of External Loans as of Feb 28, 2022)



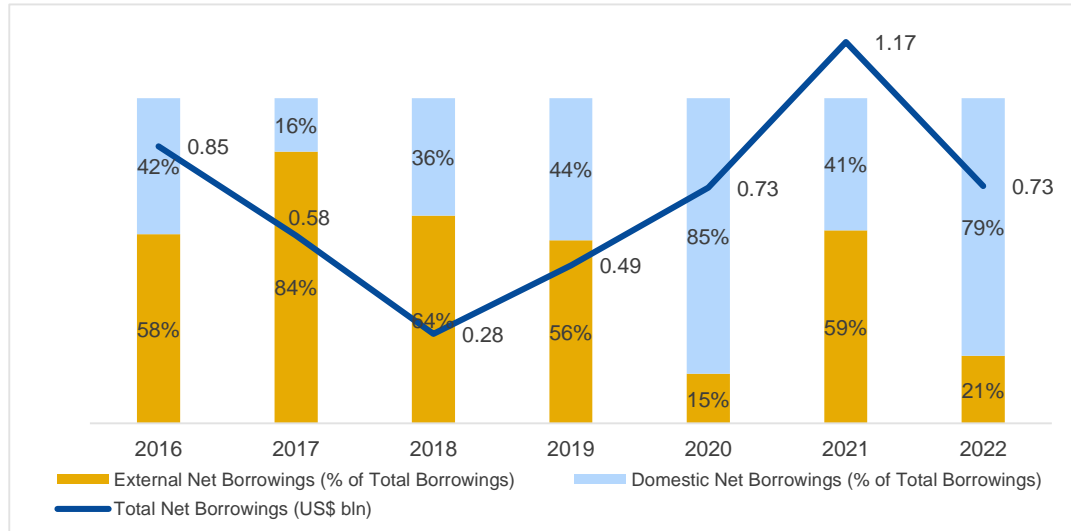
**UNDISBURSED BALANCE UNDER EXISTING LOANS IS USD 826.1 MILLION**  
(Feb 28, 2022)



Source: Ministry of Finance

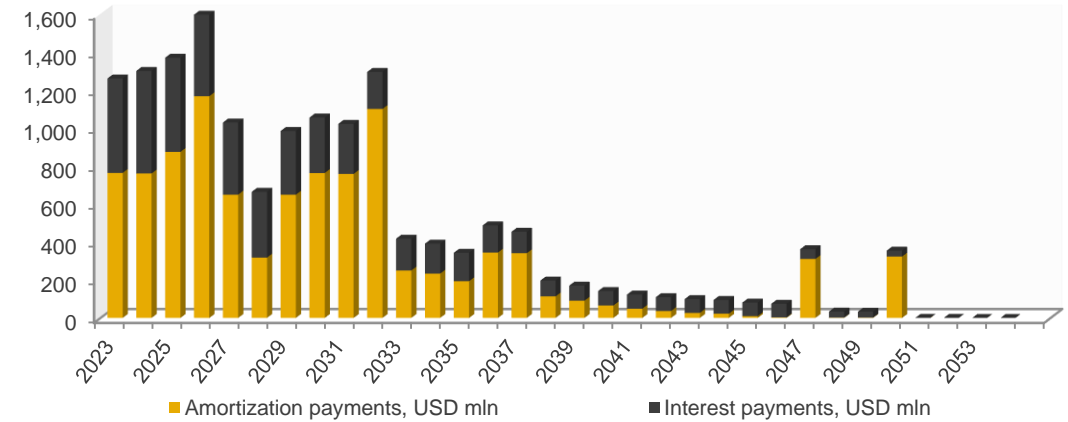
# GOVERNMENT DEBT MANAGEMENT (CONT'D)

## NET FINANCING OF THE STATE BUDGET DEFICIT BY BORROWINGS

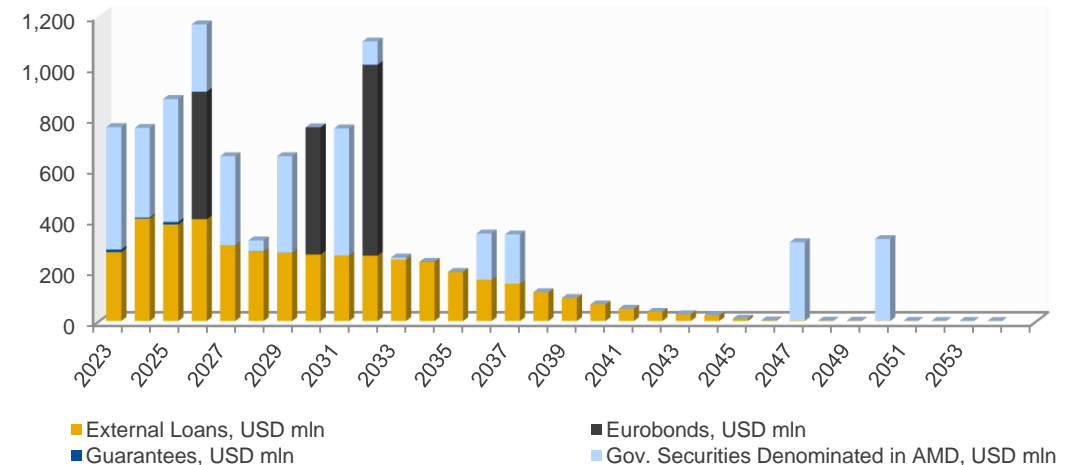


\* the amounts of net borrowings have been converted into US\$ based on the USD/AMD average exchange rate for the period

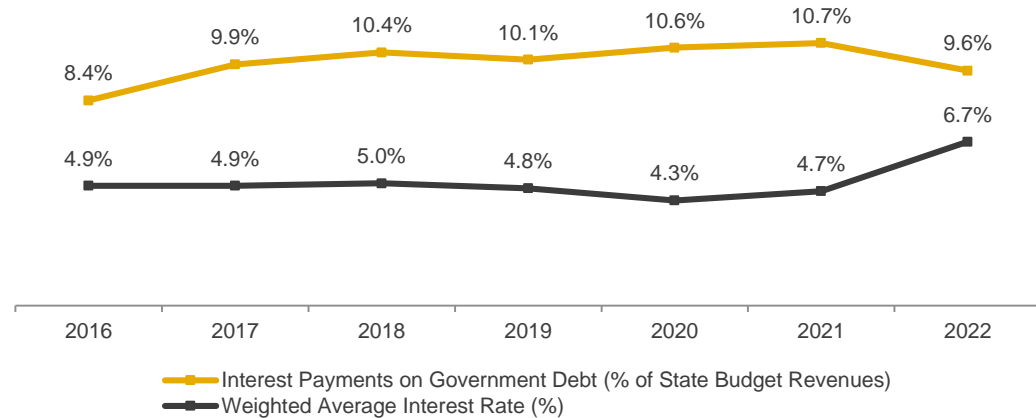
## CONSOLIDATED REDEMPTION AND DEBT SERVICE PROFILE (Feb 28, 2023)



## REDEMPTION PROFILE OF GOVERNMENT DEBT (Feb 28, 2023)



## GOVERNMENT DEBT SERVICING COSTS



Source: Ministry of Finance

# GOVERNMENT DEBT MANAGEMENT (CONT'D)

## OUTSTANDING GOVERNMENT DOMESTIC SECURITIES

	31.12.2022	28.02.2023
Stock outstanding, AMD bln	1,496.3	1,541.7
Weighted Average Yield,	10.55	10.61
Weighted Average Time to Maturity, days	3,204	3,101

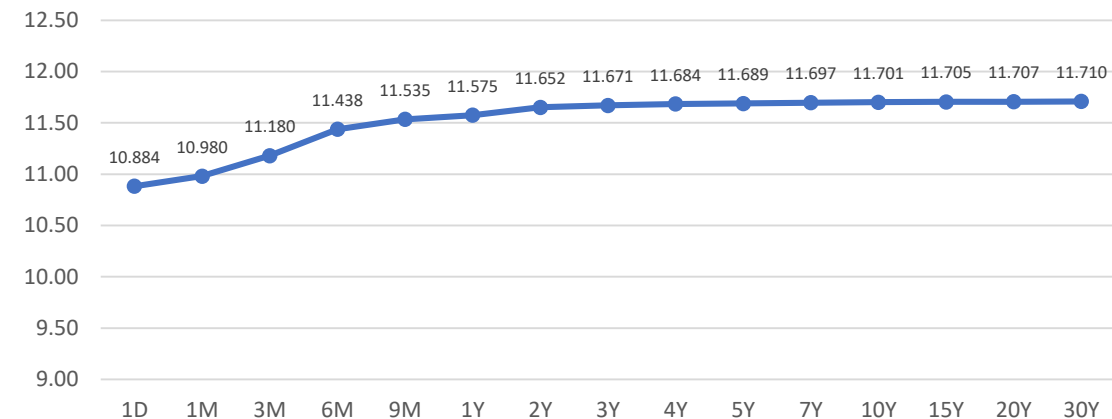
Type of Security	Average Time to Maturity, days	Weighted Average Yield,
T-bills	165	11.34
Medium-Term Coupon Notes	797	9.56
Long-Term Coupon Bonds	4,882	11.16
Saving Coupon Bonds	442	9.20

Weighted average yield of Government Securities allocated on the Primary Market in January-February, 2023 is 11.77%, and weighted average time to maturity is 1,129 days.

## ON-THE-RUN GOVERNMENT DOMESTIC SECURITIES: LATEST AUCTIONS

Auction Date	ISIN	Allocation	Weighted Average Yield	Coupon Yield	Outstanding, AMD	Maturity Date
6-Mar-2023	AMGT52043248	7,033,205,000	11.74	-	7,033,205,000	4-Mar-2024
14-Mar-2023	AMGN36294251	29,780,227,000	11.90	9.25	111,957,839,000	29-Apr-2025
14-Feb-2023	AMGN60294276	35,870,029,000	11.96	9.40	90,097,585,000	29-Apr-2027
11-Apr-2023	AMGB3029A522	10,000,000,000	11.87	9.75	10,000,000,000	29-Oct-2052

## YIELD CURVE OF GOVERNMENT DOMESTIC SECURITIES

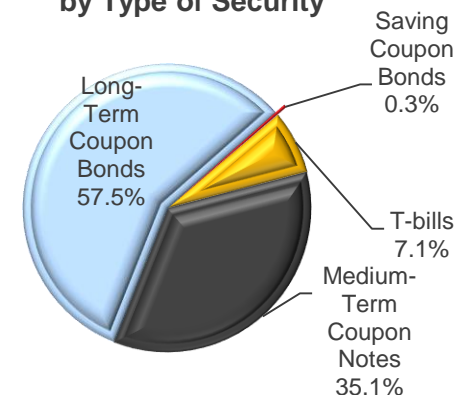


Source: CBA, as of 24.03.2023

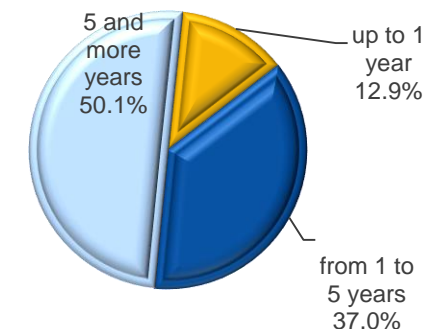
## STRUCTURE OF GOVERNMENT DOMESTIC SECURITIES (Feb 28, 2022)

(of total)

### by Type of Security



### by Average Time to Maturity



# GOVERNMENT DEBT MANAGEMENT (CONT'D)

## ARMENIA IN INTERNATIONAL CAPITAL MARKETS

Terms of Issuance	Armenia 7.15% 2025	Armenia 3.95% 2029	Armenia 3.60% 2031
Issuer	The Republic of Armenia	The Republic of Armenia	The Republic of Armenia
Issuance Format	RegS / 144A	RegS / 144A	RegS / 144A
Ratings	Ba3 (Moody's) / B+ (Fitch)	Ba3 (Moody's) / B+ (Fitch)	Ba3 (Moody's) / B+ (Fitch)
ISIN	US042207AB67 / XS1207654853	US042207AC41 / XS2010043904	US042207AD24 / XS2010028939
Index Eligibility	IMBIG	IMBIG	IMBIG
Issue Size	500,000,000 USD	500,000,000 USD	750,000,000 USD
Issue Date	26 March of 2015	26 September of 2019	2 February, 2021
Maturity Date	26 March of 2025	26 September of 2029	2 February, 2031
Tenor	10 years	10 years	10 years
Maturity Type	Bullet	Bullet	Bullet
Coupon	7.15	3.95	3.60
Coupon Frequency	Semi-annual 26 March and 26 September	Semi-annual 26 March and 26 September	Semi-annual 2 February and 2 August
First Coupon Payment Date	26 September of 2015	26 March of 2020	2 August, 2021
Yield	7.50	4.20	3.875
Benchmark	UST due to 2025 - 2.0	UST due to 2029 - 1.625	UST due to 2030 - 1.039
Spread to benchmark	+551.8 b.p.	+242.8 b.p.	+ 283.6 b.p.
Spread to mid-swap	+543.7 b.p.	+255 b.p.	+ 280.2 b.p.
Listing	Irish Exchange Stock	Irish Exchange Stock	Irish Exchange Stock
Issue Price	97.568	97.976	97.738

# GOVERNMENT DEBT MANAGEMENT (CONT'D)

## INDICATORS CHARACTERIZING GOVERNMENT DEBT AND BENCHMARKS FOR 2023-2026

	Benchmark	31.12.2022 actual	28.02.2023 actual
Weighted Average Interest Rate, %		6.3	6.5
<b>Refinancing risk</b>			
Weighted Average Time to Maturity (ATM), years	7 - 10	7.7	7.6
Debt Share Maturing in Upcoming 365 Days, %		8.0	8.9
The share of Government Treasury Securities maturing in the next year in total TS (at the end of the year), %	maximum 20%	12.9	12.9
<b>Interest rate risk</b>			
The share of fixed rate debt in the total debt, %	at least 80%	83.5	83.7
Weighted Average Time to Refixing (ATR), years		6.6	6.5
Debt Share Refixing in Upcoming 365 Days, %		23.3	23.2
<b>Exchange rate risk</b>			
Share of domestic debt in total debt, %	at least 30%	41.5	43.0
Share of AMD denominated debt in total debt, %	at least 30%	37.9	39.1

### Abstract from Debt Strategy

*In the medium-term and long-term, the share of the domestic net borrowings in the State budget deficit financing will be increased along with the targeted change of the structure and composition, as well as the significant increase in the number of market participants. It will be aimed at reducing the foreign exchange rate risk, as well as will establish a background for the application of new instruments in the financial market (floating, index linked, targeted, etc.) and for the further development of the market. Driven by the progress of the pension and insurance reforms, it will be possible to speed-up the process of increasing the weight of the State budget deficit financing from the domestic sources.*

*The increase of the liquidity of the Government treasury securities through enhancing volumes of the outstanding Government treasury securities will continue to be considered as a domestic public debt management target.*



THE GOVERNMENT  
OF THE REPUBLIC  
OF ARMENIA  
INVESTOR PRESENTATION

# 5 | IMPROVING EXTERNAL POSITION





# STRONG ACCESS TO MARKETS THROUGH TRADE AGREEMENTS

## STRONG BILATERAL AND MULTILATERAL PARTNERSHIPS

### EUROPEAN UNION (EU)

- In 2017, Armenia and the EU concluded the CEPA which sets a framework for the cooperation between the Union and the country
- For January-December 2022, the EU accounted for 14.4% of the country's total exports and 17.2% of imports

### COMMONWEALTH OF INDEPENDENT STATES (CIS)

- In 1991, Armenia became a member of the CIS which aims to enhance political, economic, environmental, humanitarian and cultural cooperation and support the free interaction, contact and movement of citizens within the CIS
- Countries within the CIS region are the main trade partners of Armenia. For January-December 2022, import and exports from CIS countries and Georgia accounted for 34.4% and 50.1% respectively
- Armenia holds bilateral free trade agreements with 8 of the 11 country members

### EURASIAN ECONOMIC UNION (EEU)

- The EEU, consisting of Russia, Belarus, Kazakhstan and the Kyrgyz Republic, includes a custom union in which no tariffs apply. Armenia joined the EEU in 2015 and is gradually transitioning into the tariff system of the union
- Armenia currently does not have any export restrictions in place, such as export quotas, export tariffs or voluntary export restraints
- Armenia has received two grants (USD42 million and RUB130 million) to support the country's integration into the EEU

### RUSSIA

- Russia is Armenia's largest source of worker remittances and largest trading partner, accounting for 29.9% of the value of imports (by country of origin) and 45.0% of the value of exports for January-December 2022
- The two countries have signed a free trade agreement and are both part of the CIS, the Organisation of Black Sea Economic Cooperation and the EEU

### CHINA

- Armenia and China have developed relations of friendly cooperation over the last decades
- The Armenian Government expressed its support to China's One Belt One Road initiative and joined its Economic Belt of Silk Road component

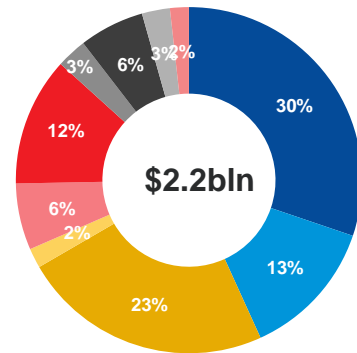
# FOCUS ON EXPORT-ORIENTED AND COMPETITIVE INDUSTRIES

## SHIFT IN IMPORTS AND EXPORTS TOWARDS CAPITAL GOODS AND HIGHER VALUE EXPORTS

### DIVERSIFIED EXPORT BASE, SHIFTING TOWARDS HIGHER VALUE EXPORTS AND REDUCING DEPENDENCY ON COMMODITIES

(% Share of Goods Exports)

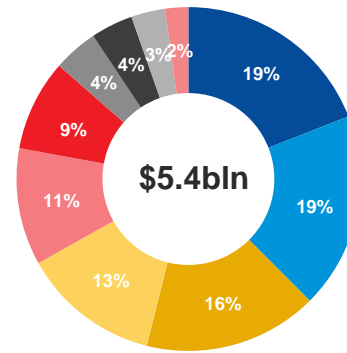
- Mineral products
- Precious stones and metals
- Prepared foodstuffs
- Machinery and equipment
- Other
- Base metals
- Vegetables
- Textiles/clothing
- Animals and animal products
- Instruments and devices



As of 2017



19.1%  
CAGR



As of 2022



Share of machinery exports up by 11.1 pp



Share of textile and clothing exports down by 2.1 pp



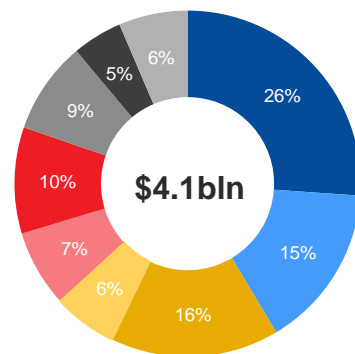
Share of mineral products exports down by 11.1 pp

Source: Armstat

### ARMENIA'S IMPORT COMPOSITION SHIFTING FROM CONSUMPTION TOWARDS INVESTMENT

(% Share of Goods Imports)

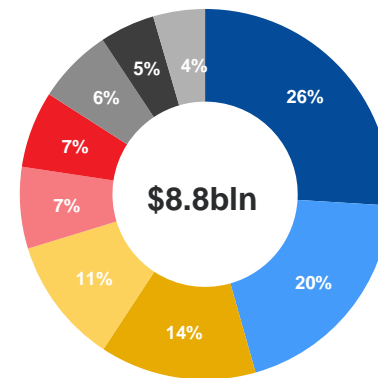
- Other
- Machinery and equipment
- Mineral products
- Transport
- Base metals
- Chemical products
- Prepared foodstuffs
- Vegetables
- Textiles/clothing



As of 2017



16.4%  
CAGR



As of 2022



Share of machinery imports up by 4.3 pp



Share of transport imports up by 5.0 pp



Share of chemical products down by 3.2 pp

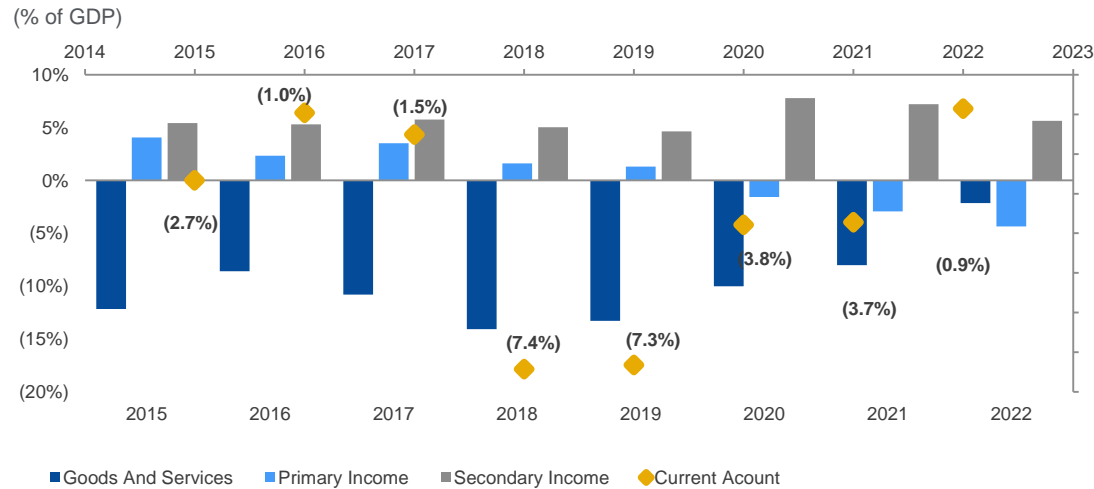
Source: Armstat

The comparison of exports and imports compositions are presented for January-December of 2017 and 2022.

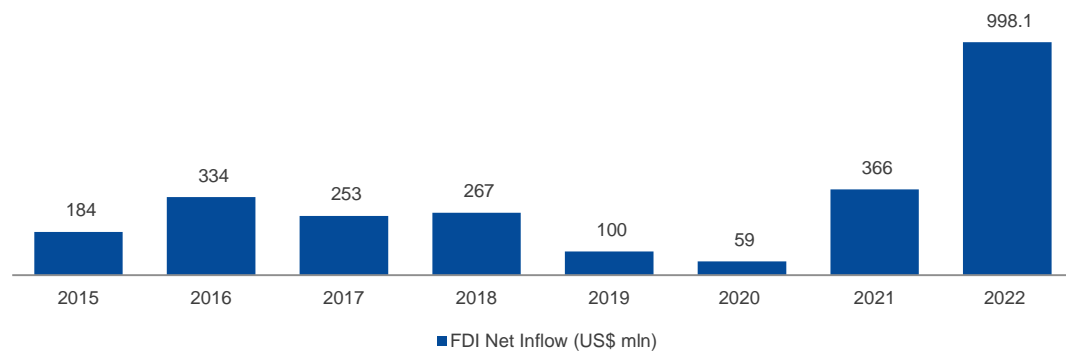
# EXTERNAL POSITION

DESPITE WEAKENING EXTERNAL POSITION AS A RESULT OF COVID-19, ARMENIA IS MAINTAINING SIGNIFICANT RESERVE ADEQUACY

## TREND IN CURRENT ACCOUNT

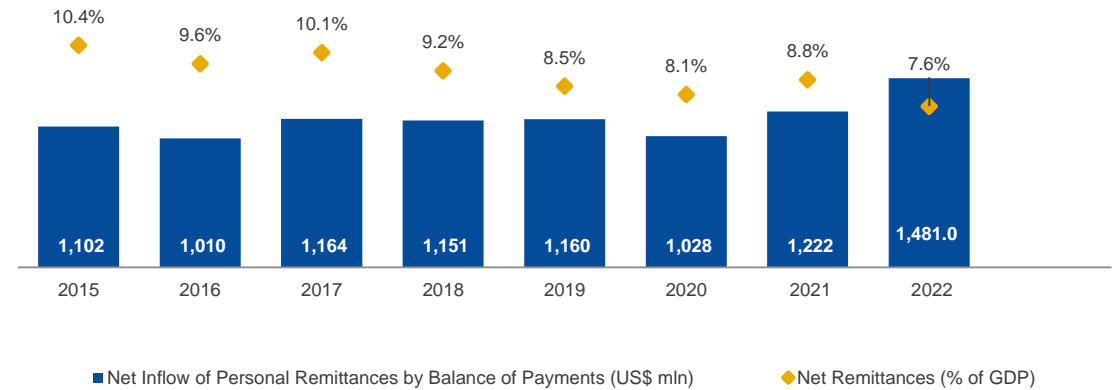


## Net FDI\*

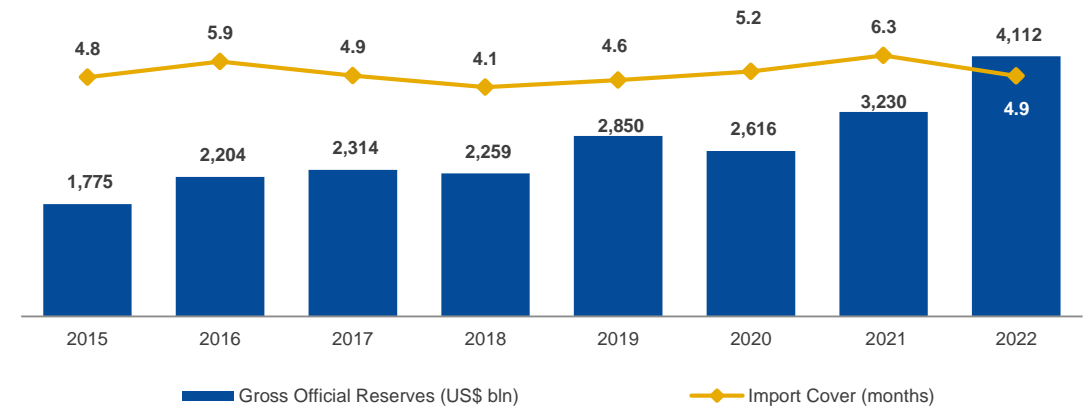


\* Net incurrence of liabilities

## REMITTANCES



## INTERNATIONAL RESERVES



Source: CBA



THE GOVERNMENT  
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INVESTOR PRESENTATION

6

# CREDIBLE MONETARY POLICY & STABLE FINANCIAL SECTOR



# INSTITUTIONAL FRAMEWORK

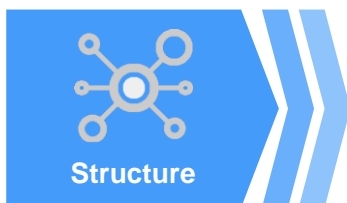
## CREDIBLE INSTITUTIONAL FRAMEWORK FOR MANAGING MONETARY POLICY AND THE FINANCIAL SECTOR

### INSTITUTIONAL FRAMEWORK – CENTRAL BANK STRUCTURE

(% of GDP)



- Maintains prices and financial stability
- Supervision of the banking sector and regulation of other financial services
- Holds foreign reserves and acts as the financial agent and banker for the Government



- The CBA is governed by a board composed of a chairman, two deputies and five members
- Constituted, inter alia, of a Monetary Policy Department, focused on monetary and FX policies, and a Financial Stability and Special Resolution Committee responsible for financial stability



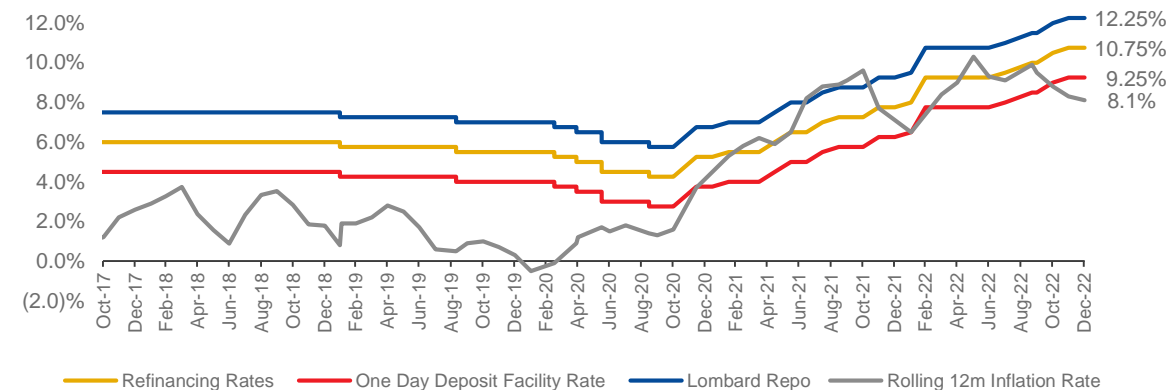
- Inflation targeting policy with an annual inflation target of 4% (tolerance band of plus/minus 1.5%)
- Key inflation targeting instrument is the interest rate on short-term loans from the CBA to the domestic banking system (the “Refinancing Rate”)



- Macro-prudential policy is conducted to ensure financial stability
- Macro-prudential tools are being activated to address the accumulation of systemic risks
- Resilience of the financial system is periodically assessed using various analytical tools, including stress tests

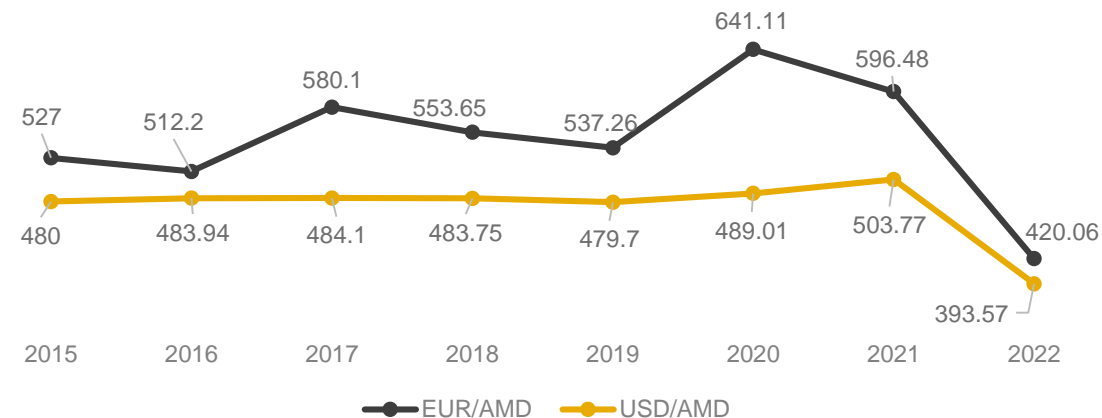
### KEY CENTRAL BANK RATES AND INFLATION

(%)



### EXCHANGE RATES

(AMD/EUR, AMD/USD, end of period)

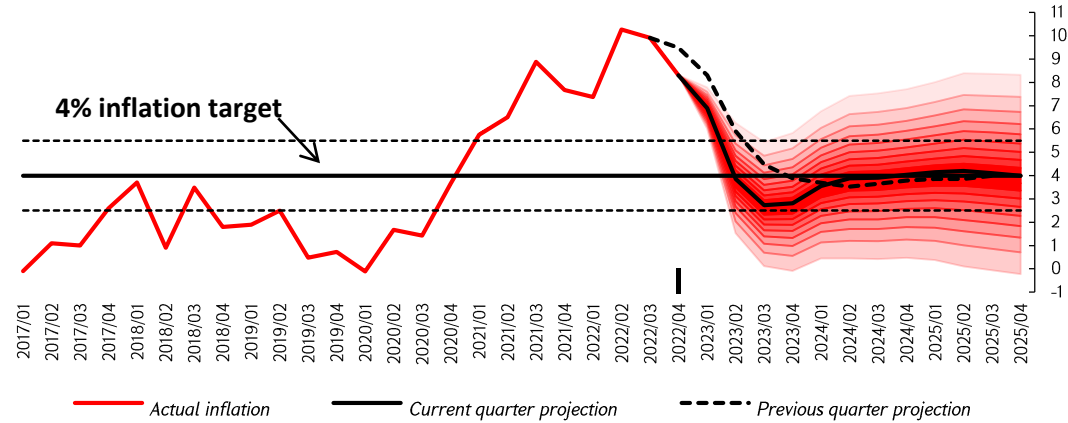


Source: CBA

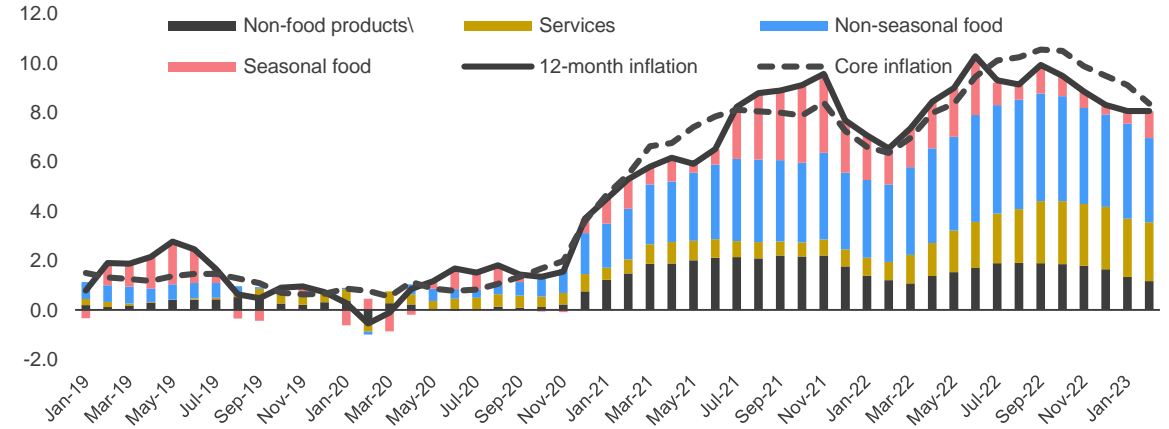
# MONETARY POLICY IS COMMITTED TO PRICE STABILITY

CBA'S COMMITTED TIGHTENING OF MONETARY CONDITIONS SINCE DEC 2020 IS EFFECTIVE IN TERMS OF CONTROLLING THE INFLATION AND CONTAINING THE INFLATION EXPECTATIONS IN THE FACE OF CONTINUOUS EXTERNAL SUPPLY- AND DEMAND-SIDE INFLATIONARY SHOCKS

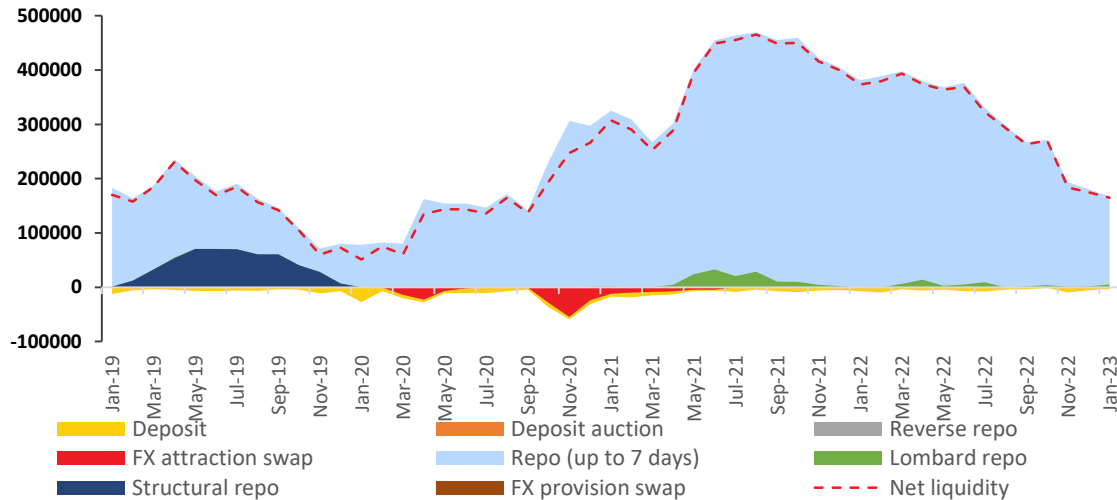
## INFLATION PROJECTION (CBA, March 2023)



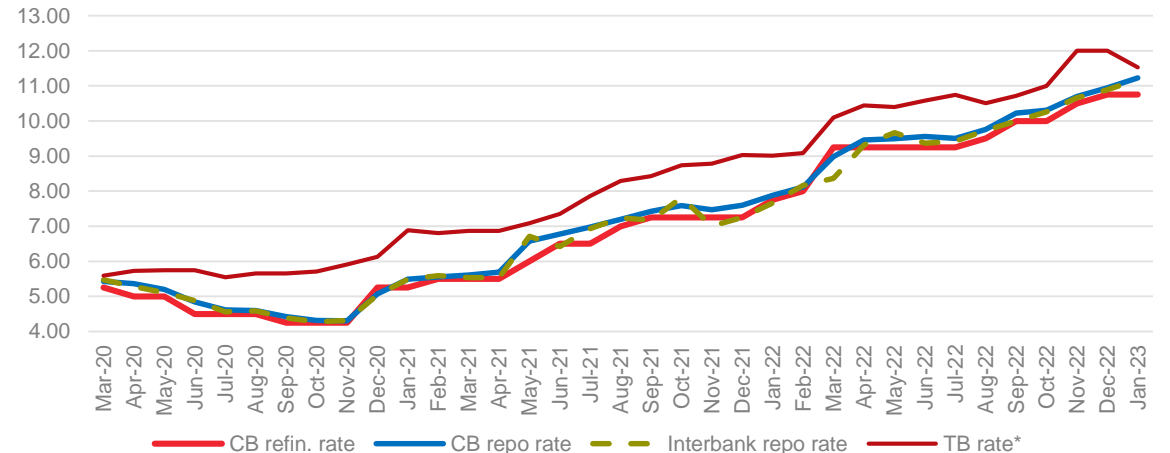
## INFLATION COMPONENTS



## CENTRAL BANK LIQUIDTY TRANSACTIONS (BLN DRAMS)



## MARKET INTEREST RATES (%)

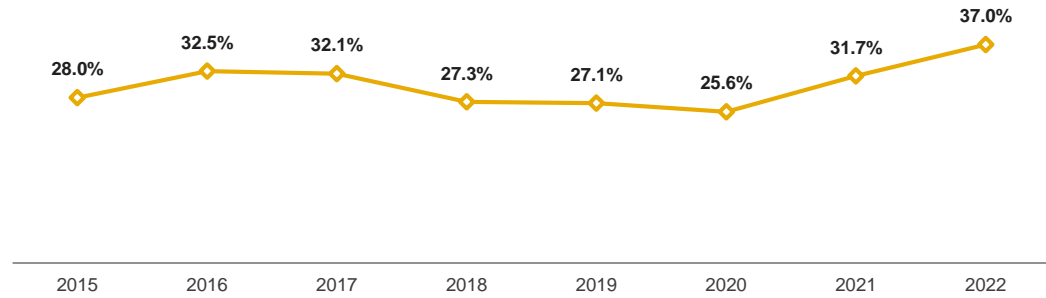


Source: CBA

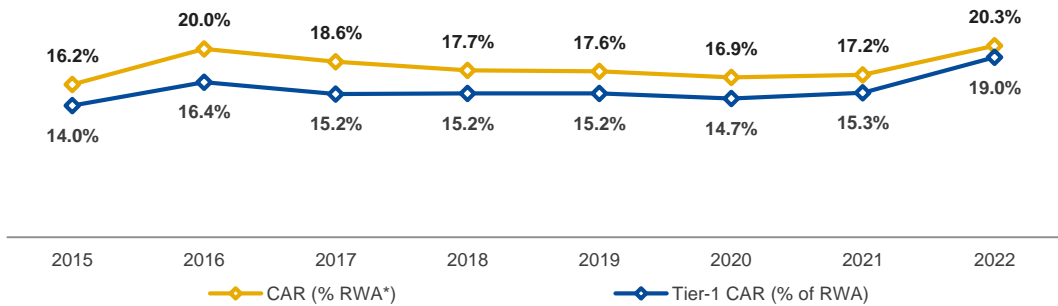
# BANKING SECTOR OVERVIEW

ARMENIAN BANKING SYSTEM IS ADEQUATELY CAPITALIZED ABOVE THE REGULATORY REQUIREMENTS AND WELL-POSITIONED

## LIQUIDITY RATIO

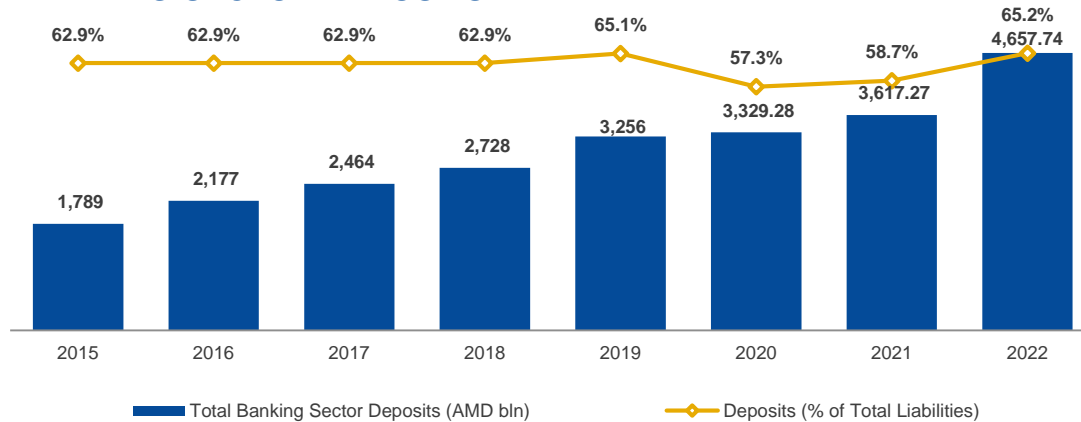


## CAPITAL ADEQUACY RATIO

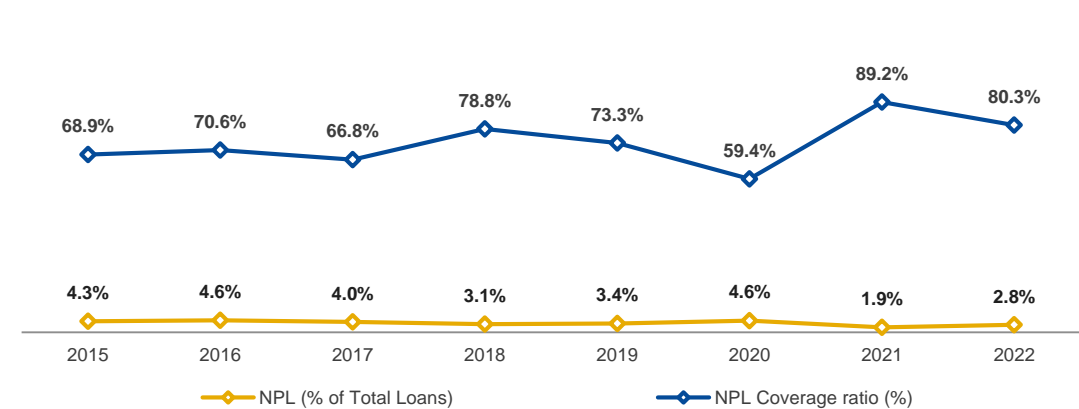


\* Risk Weighted Assets

## BANKING SECTOR DEPOSITS



## NON-PERFORMING LOANS AND COVERAGE RATIO\*



\* Excluding watch category loans and reserves

Source: CBA

# CONTACTS AND USEFUL LINKS

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## Public Debt Management Department

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Tel.: +374 11 910 405, +374 11 910 407, +374 11 910 416

Web: [www.minfin.am](http://www.minfin.am)

E-mail: [publicdebt@minfin.am](mailto:publicdebt@minfin.am)      [arshaluys.margaryan@minfin.am](mailto:arshaluys.margaryan@minfin.am)

## Other sources of information

➤ The Government of the Republic of Armenia	<a href="http://www.gov.am">www.gov.am</a>
➤ Ministry of Finance	<a href="http://www.minfin.am">www.minfin.am</a>
➤ Statistics Committee	<a href="http://www.armstat.am">www.armstat.am</a>
➤ Ministry of Economy	<a href="http://www.mineconomy.am">www.mineconomy.am</a>
➤ Central Bank of Armenia	<a href="http://www.cba.am">www.cba.am</a>

## The list of Primary Dealers

**AMERIABANK CJSC**

**ARDSHINBANK CJSC**

**ARMBUSINESSBANK CJSC**

**ARMECONOMBANK OJSC**

**CONVERSE BANK CJSC**