

GDP Growth Slows and Foreign Trade Declines

Market overview

From February 10 to 24, 2025, the Armenian stock market exhibited largely sideways movement. Telecom Armenia and ACBA Bank saw slight price declines of 0.7% and 0.5%, respectively. This relatively subdued price action is likely attributable to mixed macroeconomic signals: while Armenia's Q4 GDP growth came in below expectations, the January economic activity index showed an uptick from December, providing some counterbalance.

The price index for three-year corporate bonds represented on AMX remained flat during the period, largely due to the absence of any triggering factors from macroeconomic data and a relatively calm news environment. The average dram exchange rate has remained stable against the dollar in 2025, with the Armenian currency weakening by just 0.5% in February compared to the January average. However, it is important to note that a significant portion of Armenia's foreign trade — approximately 61% of exports and 43% of imports in 2024 — consists of the re-export of (semi-)precious metals and stones. The decline in this sector continues to weigh on overall foreign trade volumes. This poses potential volatility risks for the currency, as a sharp decline in the prices of precious metals and stones or a continued drop in trade volumes could exert downward pressure on the dram's exchange rate.

Economic news

Between February 10 and 24, 2025, the Statistical Committee of Armenia released GDP data for the previous quarter, revealing a moderate slowdown in economic growth that exceeded expectations. Conversely, the Economic Activity Index showed a stronger-than-anticipated acceleration in January. Foreign trade continues to face headwinds, driven by a decline in the re-exports of (semi-)precious metals and stones.

- o In Q4, Armenia's GDP growth moderated slightly, registering a 3.7% y/y increase and a 10.4% q/q rise, undershooting the anticipated 4.7% y/y growth. For 2024, GDP expanded by 5.9% compared to the prior year. The primary catalysts propelling this economic advancement included real estate, which surged by 19%, financial and insurance activities, escalating by 18.1%, and professional, scientific, and technical sectors, which advanced by 17.2%.
- o Armenia's Economic Activity Index for January rose to 7.1% y/y, accelerating from December's 4.7%. The primary sectors driving growth were services, trade, and construction. Notably, the industrial sector's contraction rate diminished, yet remained significant at -10.4% y/y.
- o The pace of contraction in foreign trade experienced a slight acceleration in January, with a -40% y/y decline compared to -37.3% y/y in December. Notably, exports plummeted by 49% y/y in January, aligning with December's level, while imports experienced a sharper decline of 33% y/y, compared to a 26.5% drop in December. This shift resulted in the trade balance entering positive territory for the second time in the past decade. A primary headwind remains the contraction in re-exports of (semi-)precious metals and stones via Armenia. Freedom Broker identifies the reduction in these goods and/or their prices as a significant risk factor for the country's exchange rate over the medium to long term.
- o In 2025, the Eurasian Development Bank (EDB) anticipates sustained robust GDP growth at 5.5% y/y. The EDB also projects the culmination of the interest rate reduction cycle in Armenia's economy, aligning with our expectations. Freedom Broker perceives the current rate level as nearing neutrality, yet acknowledges the potential for an additional cut during this period, given persistently high unemployment, subdued inflation, and a moderate deceleration in GDP growth in Q4. However, forthcoming monetary policy decisions will be contingent on macroeconomic data trends.



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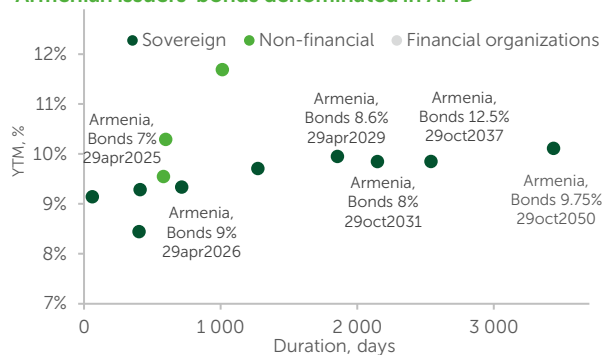
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Key economic indicators

	Growth YoY	Growth MoM
CPI - Jan	1.7%	1.4%
GDP - 4Q	3.7%	10.4% QoQ
Economic activity index - Jan	7.1%	-45.3%

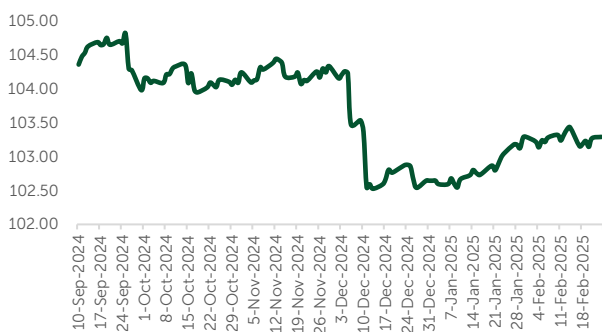
Source: armstat.am, Freedom Broker Armenia

Armenian issuers' bonds denominated in AMD



Source: cbonds.com, Freedom Broker Armenia

Three-year corporate bonds index in AMD *



Source: amx.am, Freedom Broker Armenia

*The historical comparison of the index is irrelevant - since September 10 the calculation method was revised

Company news

- o Acba Bank will conduct a public offering of two tranches of debt obligations in Armenian drams from February 20 to April 10. The volume of the first tranche placement is AMD 3 billion, the volume of the second is AMD 4 billion. The nominal value of both issues is AMD 100,000. The coupon yield of the first is 9.5%, and the second is 10%, and the maturity dates are 36 and 60 months, respectively.

Bond market overview

In the global bond market, investment-grade bond indices have been rising amid declining US Treasury yields, driven by the latest risk-off sentiment in the US market. However, spreads in the high-yield (HY) segment remain near multi-year lows despite their recent widening. In the short term, this limits the tactical investment appeal of global corporate HY USD bonds, in our view, although a further expansion of spreads could alter the landscape.

The broader trend of declining risk appetite and widening spreads in the HY segment makes tactical HY purchases less attractive, in our opinion. However, price formation in the Armenian bond market remains relatively isolated due to its lower liquidity. As a result, given global trends and the low likelihood of a significant rate cut in the economy in the near term, we maintain a cautious stance on Armenian bonds with medium and long duration, favoring the retention of existing positions while avoiding new allocations for now.

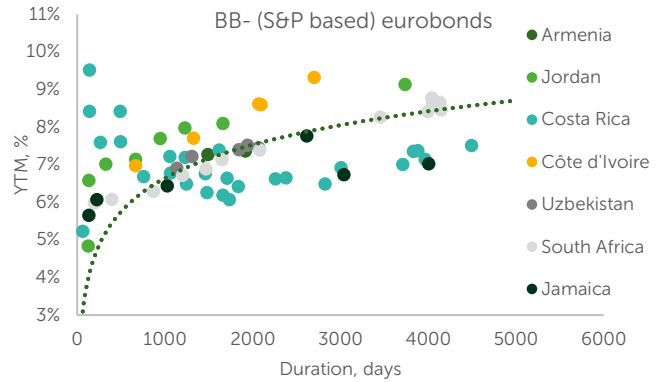
Outlook for the next two weeks

A small amount of macroeconomic data is scheduled to be published between February 28 and March 10, 2025. However, final (revised) metrics for previously released statistics may also be published.

Data on the consumer price index in the country for February is expected to be published. The index is expected to indicate a slight acceleration in price growth from the previous level of 1.7% y/y. Statistics on the producer price index for January should also be published, which, according to the forecast, may indicate a slight cooling of growth to 4.5% y/y from 5.7% in December.

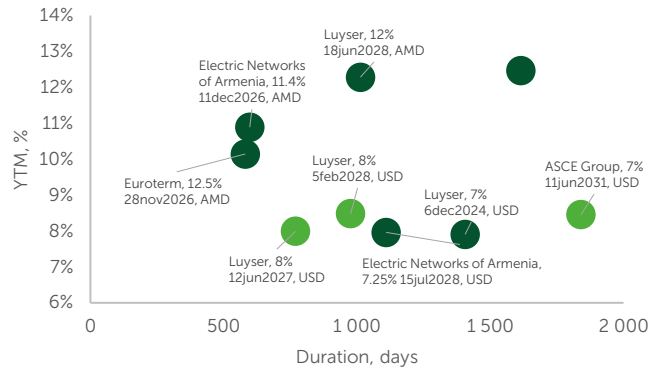
Statistics on retail sales in the country will be published for the period, which, according to forecasts, may indicate a slowdown in growth to 8% y/y from 10.3%, which, however, may reflect the seasonal nature of consumption dynamics in the country, given that in recent years in January, its decline has traditionally been observed.

Sovereign Eurobonds of developing countries with BB-rating, in USD



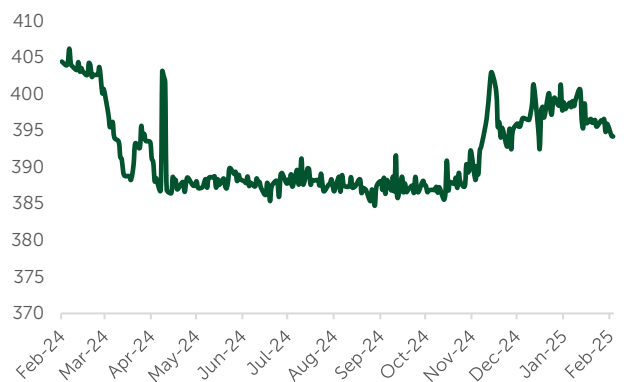
Source: amx.am, cbonds.com, Freedom Broker Armenia

Non-financial organizations' bonds of RA



Source: cbonds.com, Freedom Broker Armenia

USD/AMD dynamics



Source: amx.am, Freedom Broker Armenia

Chart 1: Currency rate dynamics

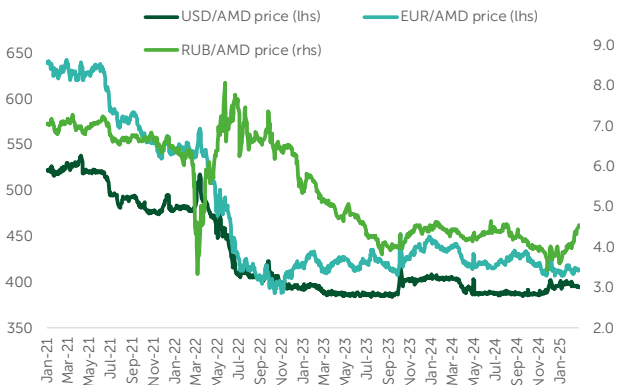


Chart 2: CPI vs refinancing rates of RA

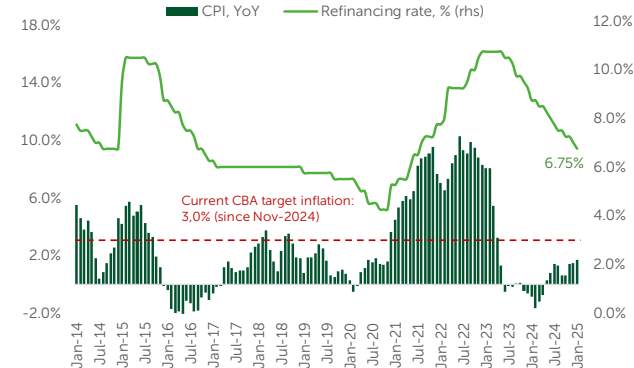


Chart 3: Armenian export breakdown by countries

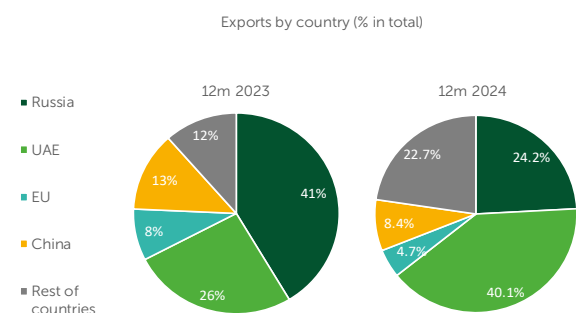


Chart 4: Armenian import breakdown by origin countries

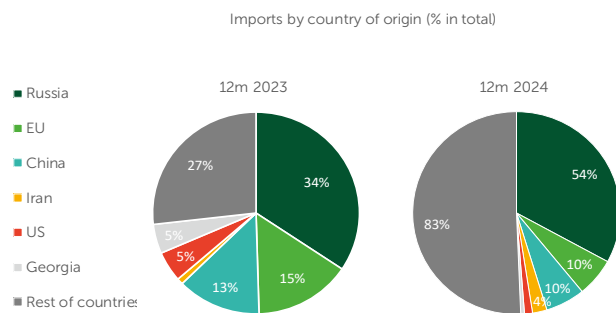


Chart 5: Armenian export breakdown by products

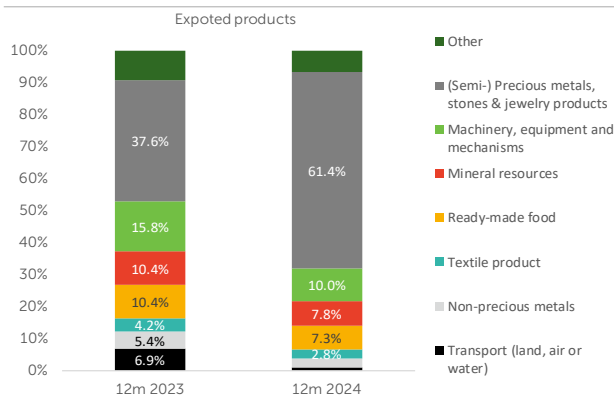


Chart 5: Armenian import breakdown by products

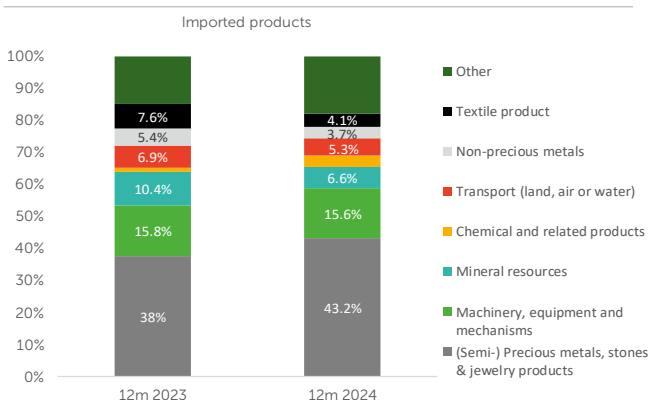


Chart 6: Construction price index

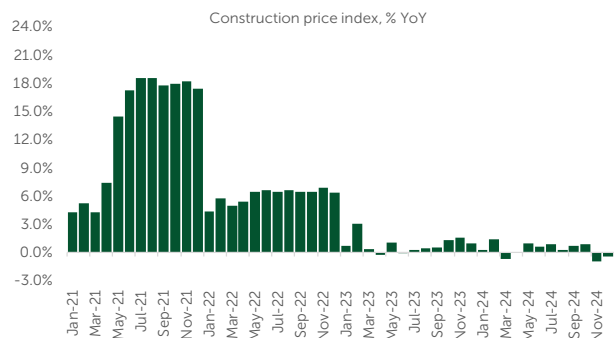


Chart 7: Export and import price indices



Source: armstat.am, cba.am, FactSet, Bloomberg, Freedom Broker Armenia

Freedom Broker Armenia

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