

Inflation Stabilized Near Target; M&A Deal in the TMT Sector

Market overview

Between June 30 and July 14, 2025, the Armenian stock market showed mixed performance. Shares of Telecom Armenia (AMTL) dipped slightly by 0.7% but remain 7.6% higher compared to the same period last year. The selling pressure likely increased following the release of May's telecom revenue figures, which indicated persistently weak sector growth.

An additional headwind emerged following the announcement that Viva-Armenia, a direct competitor to AMTL, is set to acquire GNC-Alfa (OVIO brand). This transaction has the potential to strengthen Viva-Armenia's position in the fixed-line market and last-mile infrastructure. Looking ahead, AMTL shares could gain support from the previously announced project involving the construction and launch of a major AI data center in Armenia. Meanwhile, ACBA Bank (ACBA) shares appreciated by 1.4% over the period, partially recovering from a ~8% decline since early May.

The price index of three-year corporate bonds denominated in Armenian drams edged up modestly by 0.2% over the specified period. This modest uptick likely reflects cooling market fears about a sustained acceleration in inflation, following a June CPI report that came in below expectations. Meanwhile, the dram's exchange rate against the U.S. dollar remained largely flat amid relative stabilization in export and import flows, despite a seasonal boost from incoming tourists. However, ongoing developments around the previously announced nationalization of Armenia's electricity operator, Electric Networks of Armenia, could weigh negatively on the country's investment climate.

Economic news

Armenia's national statistical committee released key economic data between June 30 and July 14, 2025. Inflation came in slightly below expectations, reflecting a modest deceleration compared to the previous month and remaining within the regulator's target range. Export and import dynamics continue to face headwinds, largely due to the elevated base effect from the prior year.

- Armenia's inflation rate decelerated to 3.9% y/y in June, below the anticipated 4.5%. The month concluded with a 1.3% m/m deflation, primarily driven by declines in food prices (-3.5% m/m) and non-food goods (-0.5% m/m). Inflation remaining within the central bank's target range amid accelerating economic growth reduces the likelihood of monetary policy easing in the near term.
- In July, the Republic of Armenia issued \$750 million in 10-year Eurobonds, featuring a coupon rate of 6.75% and an effective yield of 7.1%. The uptick in yield compared to previous issuances partly reflects the rise in global "risk-free" benchmark rates, particularly U.S. Treasury yields. Nonetheless, according to the Governor of the Central Bank of Armenia, demand for these bonds had already significantly exceeded the offering size as early as May.
- Construction activity in Armenia surged by 22.2% y/y in May, contributing to an approximate 17.1% y/y increase over the January–May 2025 period. While the recent acceleration in the real estate market is largely attributable to seasonal factors, the sector remains a significant driver of financial market pressure due to elevated local investor interest.
- In May 2025, export volumes declined by 39.3% y/y and 19% m/m, while import volumes contracted by 20% y/y and 12% m/m. As a result, the country's total foreign trade turnover decreased by 28.8% compared to May 2024 and fell 14.8% versus April 2025. Nevertheless, considering the high base effect from 2024 and the relative resilience of key export sectors on a y/y basis, the current correction is not interpreted as indicative of a fundamental deterioration in the country's external trade position.

Rafael Mkrtchyan

Senior Analyst, Capital Markets Research
rafayel.mkrtchyan@ffin.am

Vadim Merkulov

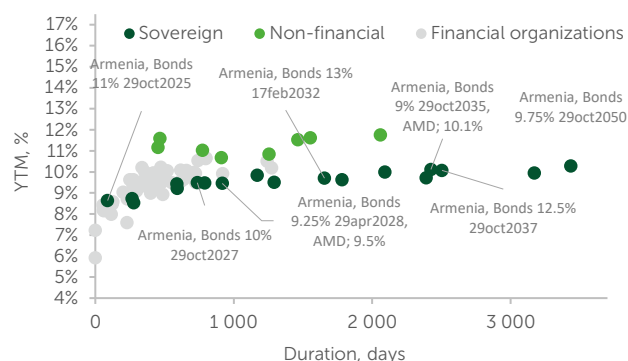
Director, Capital Markets Research
vadim.merkulov@ffin.ae

Key economic indicators

	Growth YoY	Growth MoM
CPI - June	3.9%	-1.3%
GDP - 1Q 2025	5.2%	-34.4% QoQ
Economic activity index - June	8.6%	8.8%

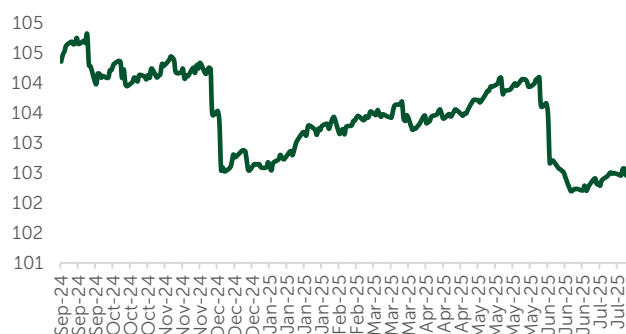
Source: armstat.am, Freedom Broker Armenia

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

- Telecom company Viva-Armenia announced plans to acquire 100% of GNC-Alfa (operating under the OVIO brand), aiming to strengthen its footprint in Armenia's fixed-line and broadband markets. Reports indicate that the regulatory authorities already approved the transaction.
- Armenian President Vahagn Khachaturyan signed a set of legislative amendments passed by parliament on July 3, paving the way for the nationalization of the country's electricity distribution operator, Electric Networks of Armenia. Reports indicate that the government will assume direct control of the company as part of the nationalization process. In our view, the nationalization may weigh on the country's investment climate, particularly in terms of foreign capital inflows.

Outlook for the Next Two Weeks

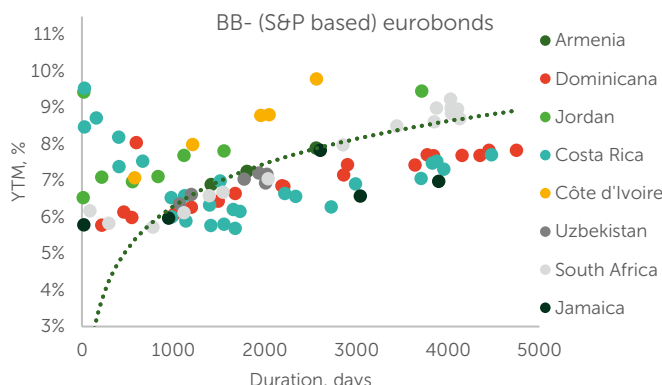
Between July 18 and 28, 2025, a series of key macroeconomic indicators for June are scheduled for release. In addition, revised or updated figures for previously published data may also be published during this period.

The consensus forecast anticipates that overall economic activity will remain elevated at 9.0% y/y (vs. previous: 10.4%). Growth in the construction sector is expected to hold above 20% y/y in June. Meanwhile, retail sales are projected to decline by 0.4% y/y—the first negative print since February 2021—signaling a potential softening in consumer demand.

Industrial production is forecast to decline by 2.2% y/y, following a 5.5% contraction in May, reaffirming persistent stagnation in the real sector of the economy. However, the Producer Price Index is projected to show a modest acceleration in price growth, rising to 3.0% y/y from 2.2% in May. The external trade balance is set to remain in the red, with a projected deficit of \$403 million versus \$386 million recorded last month.

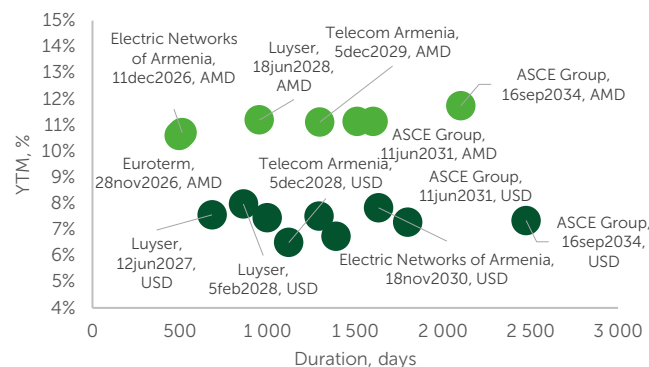
Markets will assess the degree of divergence between the construction and industrial sectors, as well as the potential implications of the data for the inflationary outlook and the trajectory of the key policy rate.

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



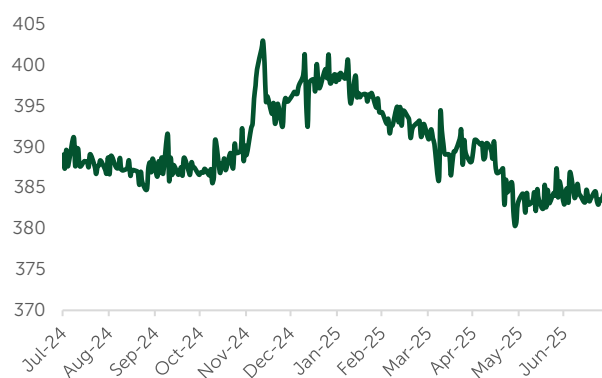
Source: amx.am, cbonds.com, Freedom Broker Armenia

Non-financial organizations' bonds of RA

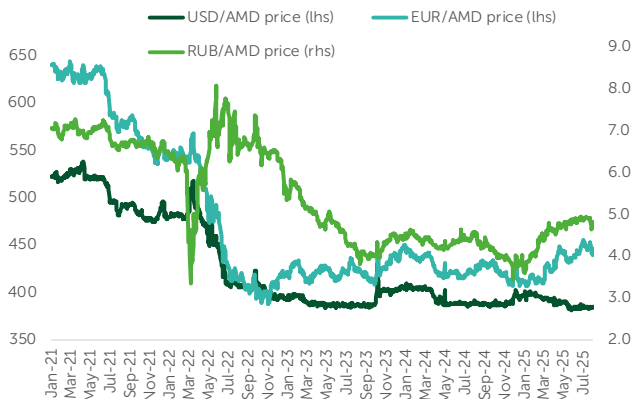
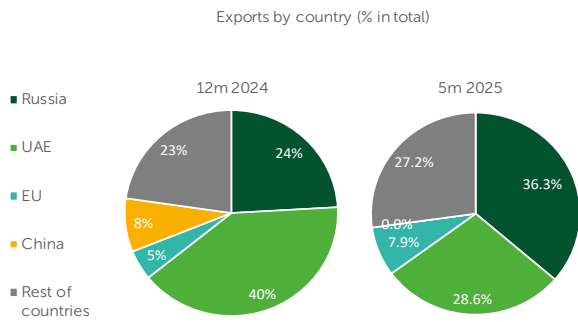
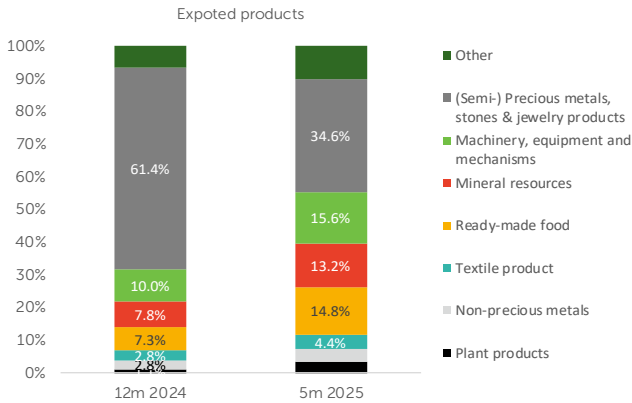
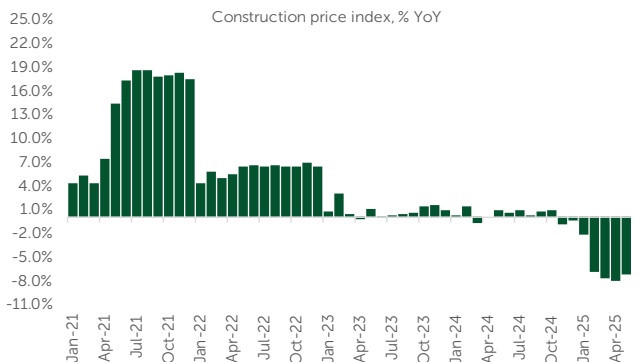


Source: cbonds.com, Freedom Broker Armenia

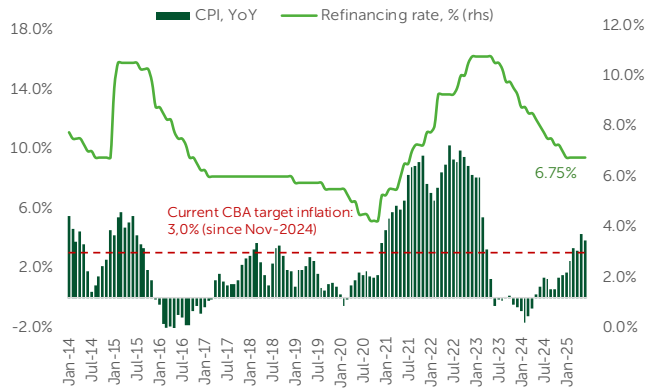
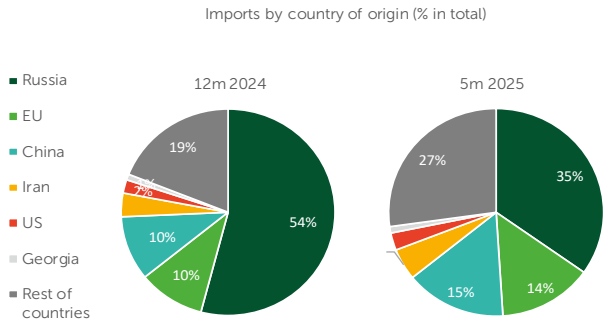
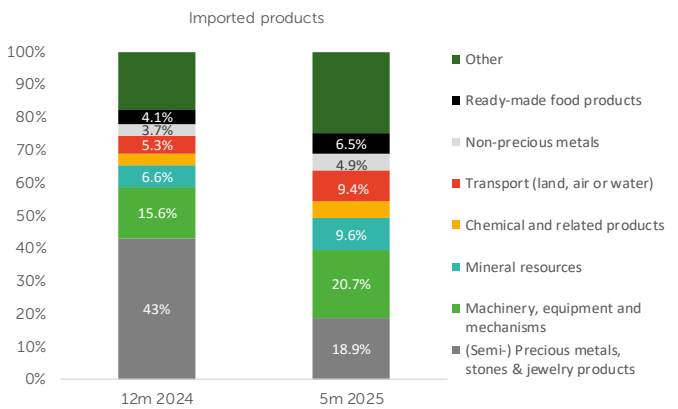
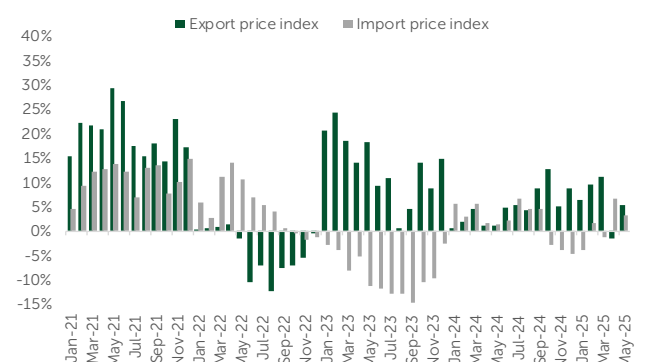
USD/AMD dynamics



Source: amx.am, Freedom Broker Armenia

Chart 1: Currency rate dynamics

Chart 3: Armenian export breakdown by countries

Chart 5: Armenian export breakdown by products

Chart 6: Construction price index


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

Chart 2: CPY vs refinancing rates of RA

Chart 4: Armenian import breakdown by origin countries

Chart 5: Armenian import breakdown by products

Chart 7: Export and import price indices


Freedom Broker Armenia

«Ֆրիդոմ ֆինանս Արմենիա» ՍՊԸ-ն վերահսկվում է ՀՀ Կենտրոնական բանկի կողմից, լիցենզիա՝ ՆԸ 0021: Հանդիսանում է «Freedom Holding Corp.»-ի անդամ՝ գործելով Freedom Broker ապրանքանշանի ներքո:

"Freedom Finance Armenia" LLC is regulated by the Central Bank of the Republic of Armenia, license ՆԸ 0021. It is a member of "Freedom Holding Corp." operating under the Freedom Broker brand.

ffin.am/+37412252252

Այս բաժնի նյութերը հրապարակված են միայն տեղեկատվական նպատակներով, ուղղված են ընկերության հաճախորդներին, չեն հանդիսանում ոչ անհատական ներդրումային առաջարկություն, ոչ էլ տարբեր ընկերությունների ֆինանսական գործիքներում ներդրումներ կատարելու առաջարկ: Արժեթղթերի և այլ ֆինանսական գործիքների սեփականությունը միշտ ռիսկ է պարունակում. արժեթղթերի և այլ ֆինանսական գործիքների արժեքը կարող է աճել կամ նվազել: Նախկինում կատարված ներդրումների արդյունքները չեն երաշխավորում ապագայում դրանց վերադարձը: Գործող օրենսդրության համաձայն ընկերությունը չի երաշխավորում և չի խոստանում ներդրումների ապագա շահույթը, չի երաշխավորում հնարավոր ներդրումների հուսալիությունը և հնարավոր եկամտի չափի կայունությունը:

The materials in this section are published for informational purposes only, are addressed to the Company's clients, do not constitute neither an individual investment recommendation nor an offer to invest in financial instruments of various companies. Ownership of securities and other financial instruments always involves risk: the value of securities and other financial instruments may rise or fall. Results of investments in the past do not guarantee returns in the future. Under applicable legislation the Company does not guarantee and does not promise future returns on investments, does not guarantee the reliability of possible investments and stability of the amount of possible income.