

Slight Decline in Demand for Real Estate; Growth in Domestic Trade

Market overview

Between January 13 and January 27, 2025, the Armenia stock market experienced mixed trends again. Telecom Armenia's stock price dropped by 1.9%, probably driven by recent statistics in the communications sector indicating that revenue in November decreased by 2.4% m/m and rose in a slower pace annually by same 2.4% y/y. However, ACBA Bank's shares grew by 3.5% during this period, despite a generally quiet news environment.

The 3-year Corporate Bond Index rose by 0.4% over the period. This growth may be attributed to a statement by the country's central bank's deputy governor about a potential continuation of the central bank's soft monetary policy in the first half of 2025, and deferred effects such a policy conducted in 2024. However, the index might face pressure if the high U.S. Treasuries yields do not decrease and credit risks on global high-yield bonds remain near all-time highs. The exchange rate of the dram against the U.S. dollar continues to be relatively stable (-0.3% during the period) after some weakening in late 2024 – early 2025.

Economic news

Between January 13 and January 27, 2025, there were not many data releases on Armenia's economy. In November, demand for buying and selling real estate slightly decreased. If this trend persists, it could become a positive factor for the country's financial instruments. The World Bank also updated its economic growth forecasts for the coming years, and announced expectations for the Central Bank's future actions regarding the refinancing rate.

- In Armenia, approximately 5,200 real estate purchase and sale transactions were completed in Armenia in November, which is 14.6% less than in October. Land transactions still dominate in purchases (45.3% of the total). While some decline in demand might be one time, a potential decrease in interest in real estate investments because of the gradual curtailment of the state support program and other factors may provide a boost to the country's financial market.
- The Central Bank of the country expects rate cuts to continue in the first half of 2025, reports news.am citing Central Bank Deputy Chairman, Hovhannes Khachatryan. In turn, the Eurasian Development Bank (EDB) notes an increasing probability of ending the rate cut cycle as early as the first quarter of 2025.
- The World Bank slightly improved the economic growth forecast for 2025-2026 by 0.1 percentage points, bringing it to 5.5% annually. Separately, the EDB predicts inflation to accelerate in the coming months to a level close to the regulator's new target of 3% (± 1 percentage point). As a result, the regulator may begin winding down the ongoing cycle of monetary policy easing.
- Domestic trade turnover in the country continues to grow. By the end of November, the turnover had increased by 11.5% y/y and 5.4% m/m. For the first 11 months of 2024, the growth rate reached 18% y/y. These statistics imply healthy business activity and robust demand in the country

Company news

- Ameriabank has signed a \$200 mn loan agreement with the International Finance Corporation (IFC), as announced by the bank's press service on January 14, 2025. Under the terms of the agreement, the funds will be allocated for mitigating climate change and supporting micro, small, and medium-sized enterprises (SMEs), as well as women entrepreneurs.
- Electric Networks of Armenia has issued bonds totaling \$20 mn and AMD 7.7 bn, per Arka's a report on January 15. The auction continued until January 24. Each AMD bond has a nominal value of AMD 100,000, each U.S. dollar bond - \$100. The coupon yield is 10.75% in AMD and 7.45% in USD. The bonds' maturity period is six years, with quarterly coupon payments.



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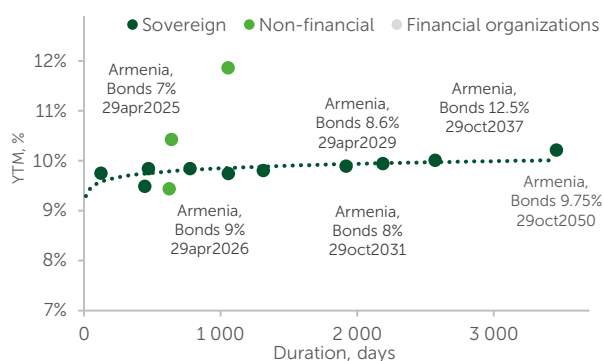
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Key economic indicators

	Growth YoY	Growth MoM
CPI - Dec	1.5%	1.0%
GDP - 3Q	5.2%	25.6% QoQ
Economic activity index - Nov	1.2%	0.0%

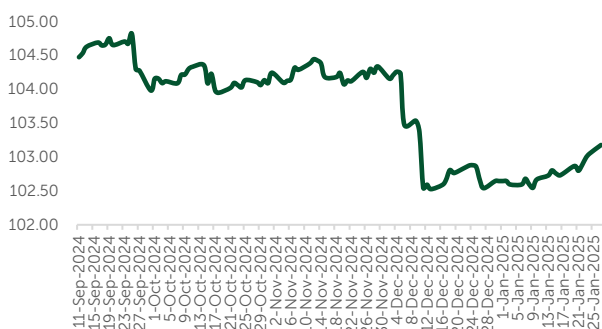
Source: armstat.am, Freedom Broker Armenia

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

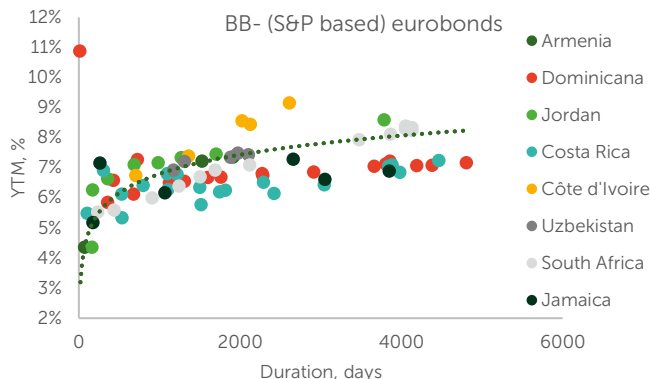
Outlook for the next two weeks

Between January 31 and February 10, 2025, several important macroeconomic reports on Armenia will be released. Final (revised) figures for some previous statistics may also be published.

The release of the country's trade balance for December will provide insight into the trends in exports and imports, which showed an unexpected decline in November. The trade balance deficit is predicted to widen to \$450 mn from \$414 mn. However, the potential impact of these statistics should be already reflected in the current exchange rate levels.

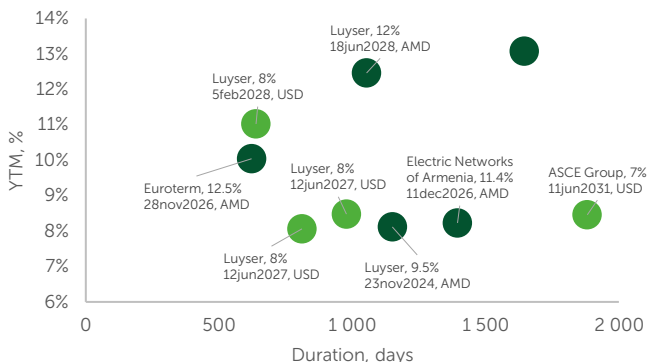
The December Economic Index (EI), which is projected to indicate a rise in growth from 1.2% to 2.0% y/y, along with the inflation rate (CPI) for January, where a slight acceleration in price growth is expected, should offer a clearer picture of overall economic trends. These statistics might also influence future decisions by the regulator concerning monetary policy (i. e. further rate cuts). The Central Bank of Armenia will hold its next meeting within the reviewed timeframe. Freedom Broker anticipates at least one more rate cut in the coming months for accelerating inflation in the country to a level close to the Central Bank's target, which could provide additional support for the country's economic growth.

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



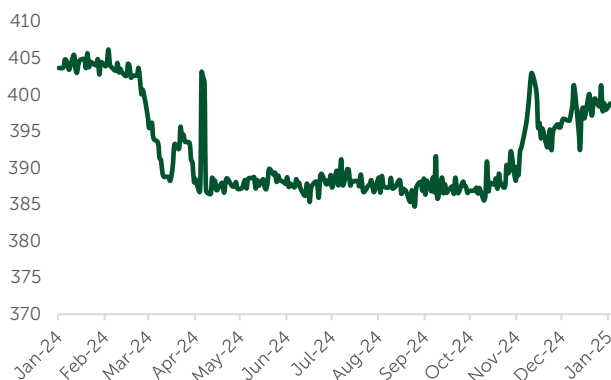
Source: amx.am, cbonds.com, Freedom Broker Armenia

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

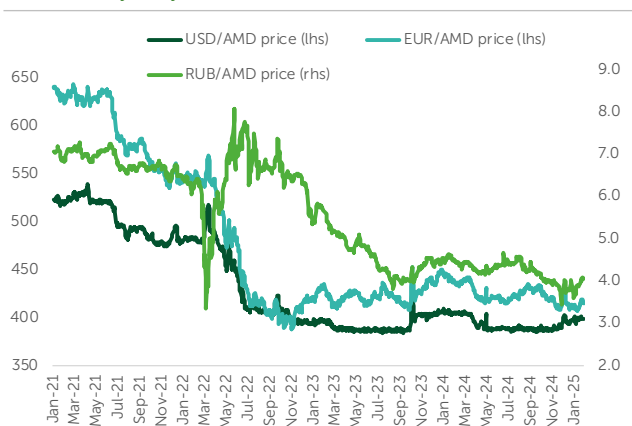


Chart 2: CPY vs refinancing rates of RA

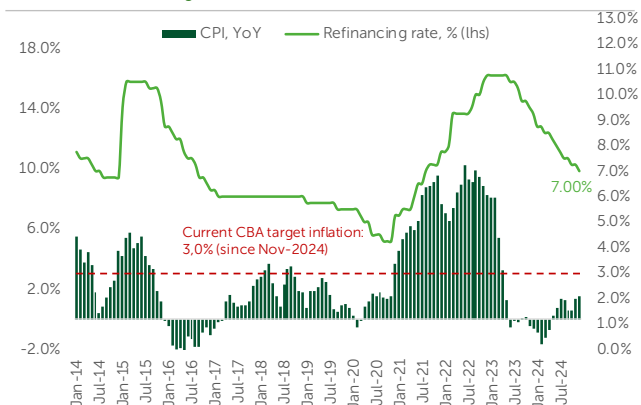


Chart 3: Armenian export breakdown by countries

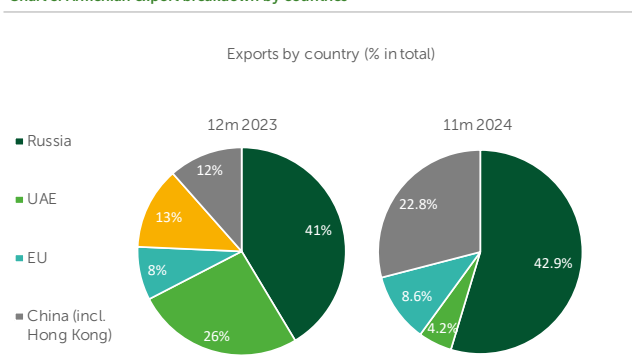


Chart 4: Armenian import breakdown by origin countries

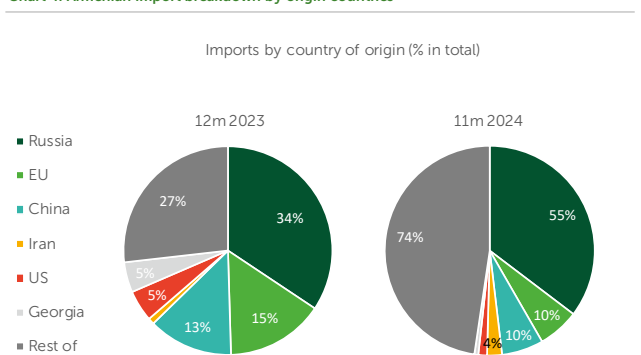


Chart 5: Armenian export breakdown by products

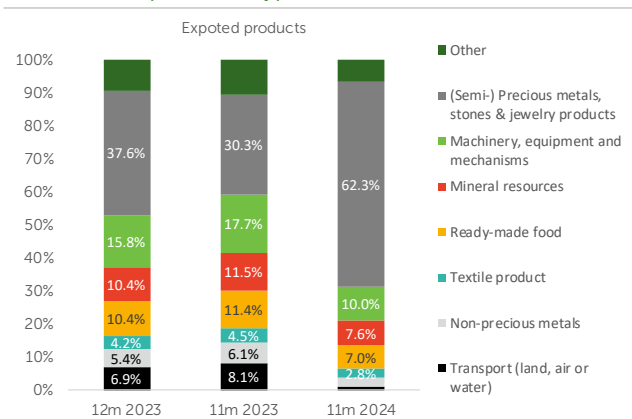


Chart 5: Armenian import breakdown by products

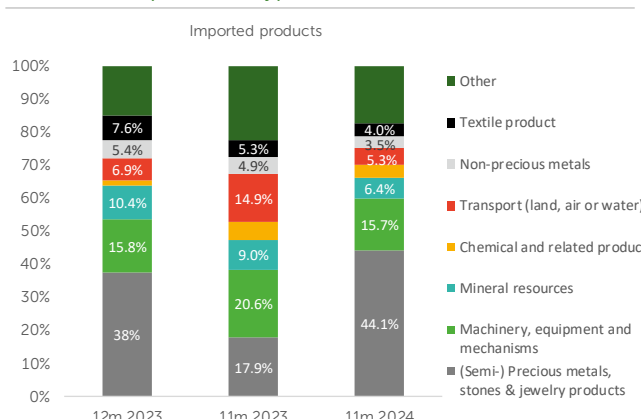


Chart 6: Construction price index

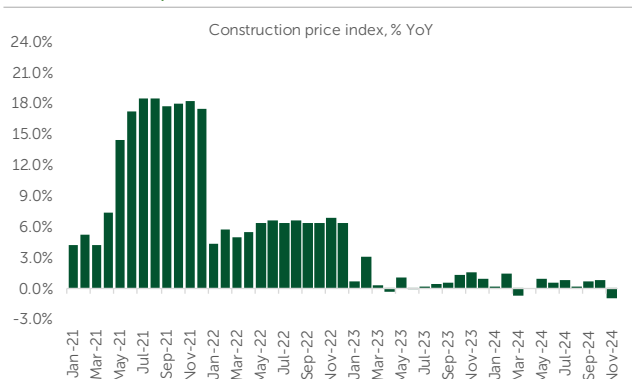
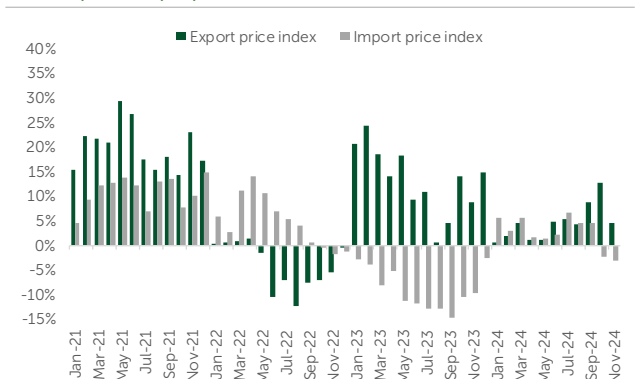


Chart 7: Export and import price indices



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

Freedom Broker Armenia

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