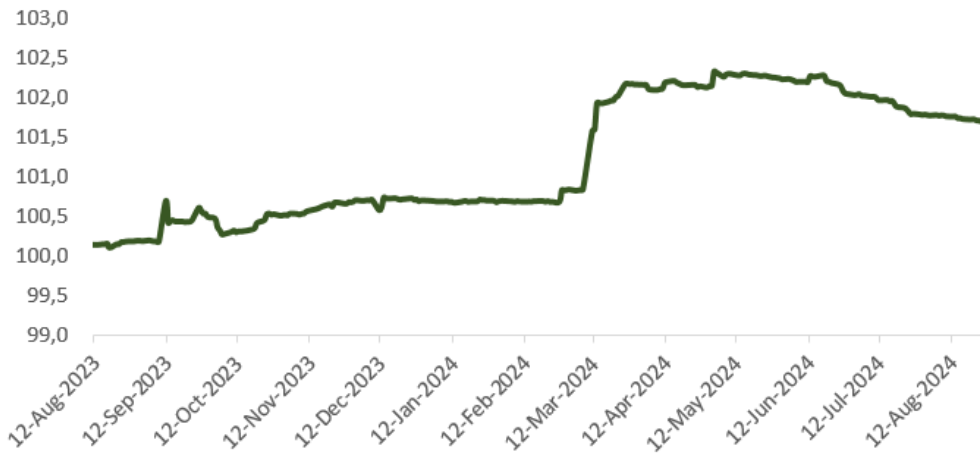


3-year corporate bond index (AMD), 1 year



Source: amx.am

Economic News

Between August 12 and 26, 2024, the RA Statistical Committee published several important data points. The published GDP growth data for Q2 and economic activity in July indicate a strong economy in Armenia, including robust domestic demand. If this dynamic continues, it should support the country's investment climate. However, the continued rapid growth in construction could lead to an imbalance between supply and demand in the market, exerting pressure on real estate prices in the medium term.

- Armenia's GDP grew by 6.4% year-on-year in the second quarter (reaching approximately AMD 2.3 trillion), surpassing growth expectations of 5.5% year-on-year. The largest growth was recorded in real estate (+19.7% year-on-year), wholesale and retail trade, and the repair of motor vehicles/motorcycles (+19.6% year-on-year), as well as construction and professional, scientific, and technical activities (both growing by 17.9% year-on-year). The largest decline was seen in the mining industry (extraction and operation of open-pit mines, etc.) at 15.1% year-on-year and in the telecommunications sector – down by 14.1% year-on-year. The drop in the mining industry was somewhat surprising. Still, it did not significantly affect the currency exchange rate due to more substantial factors (such as the growth in exports of precious metals/stones and jewelry).

- Economic activity in Armenia in July grew by 6.2% year-on-year (compared to the forecast of 4.1%) and by 5.6% compared to June. Over seven months, growth amounted to 9.6% year-on-year. Construction volumes continue to grow by 17.7% year-on-year in July and 11.6% month-on-month. Industrial production activity also increased by 2.2% year-on-year and 2.0% month-on-month. At the same time, domestic trade turnover grew the most, up by 21.4% year-on-year and 14.0% month-on-month, indirectly indicating strong domestic demand.

- The S&P agency forecasts inflation at 1.6% for the year. Armenia's economy is also expected to grow by approximately 5.0% annually until 2027. The agency also maintained the country's national and foreign currency rating at "BB-/B" with a "stable" outlook, citing strong economic growth prospects and moderate levels of public debt despite vulnerabilities in the balance of payments.
- Armenia's trade balance deficit exceeded the first half of the year's level by 15.3% (in dollar terms). The country's exports fell by 5.4% month-on-month in July, while imports grew by approximately 2.5% month-on-month. If it continues, the decline in exports since Q2 (after a sharp surge in Q1) could exert some pressure on the exchange rate along with the likely continued reduction of rates in the economy.

Company News

- Globaldev Group, a leading provider of software development services, announced the acquisition of Preezma, an Armenian software development company, expanding its presence in Eastern Europe.
- Armenia's Competition Protection Commission published the results of user complaints about a promotion run by Yandex Go on April 24, 2024, in Yerevan, on the day of remembrance for the victims of the 1915 Armenian Genocide. As a result, Yandex Go will reimburse users for trips made under the promotion on April 24 in Yerevan.

Expectations for the Next Two Weeks

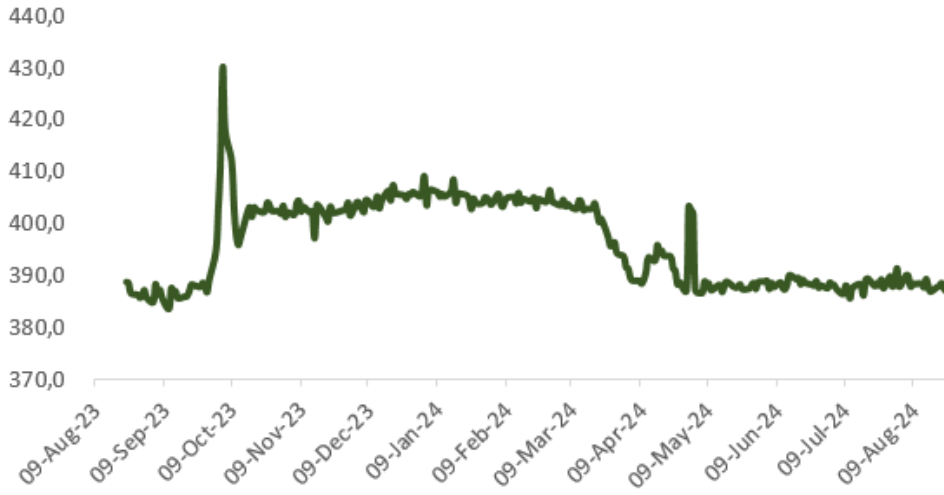
The Republic of Armenia is expected to publish several important macroeconomic data points between August 30 and September 9, 2024, although some delays are possible. Revised (final) values for previously published indicators will also be released.

The preliminary publication of August inflation data (consumer price index) is expected to show a 1.8% year-on-year increase, compared to 1.4% in July. Inflation statistics in the coming months will play an important role in determining the regulator's next steps regarding the key interest rate. Overall, we expect at least two more rate cuts by the end of the year.

Publishing price indicators for exports and imports may help shape forecasts/expectations for the exchange rate. The release of price indicators for the construction sector may provide a better understanding of the situation in the real estate market.

Preliminary data on the country's economic activity for August will also be published, along with the index of industrial output. Data on the revenue of the broadcasting and telecommunications sectors is also expected.

USD/AMD dynamics, 1 year



Source: amx.am

Freedom Broker Armenia

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