

CB Pauses Amidst Accelerating Economic Activity & Near Target Inflation

Market overview

During the period from April 21 to May 5, 2025, the Armenian stock market mainly exhibited negative trends. Shares of Telecom Armenia (AMTL) saw a correction of 4.5%, positioning them 8.5% below their value at the start of the year. However, on a monthly basis, the decline was only 0.3%. Interestingly, the latest inflation data indicated a slight deflation in the communications segment in April (-0.7%), though these statistics were released after the stock had corrected. Shares of ACBA Bank also dropped by 4.7% over the period, with an 8.4% decrease recorded on May 5. This decline may have been influenced by the release of the bank's first-quarter earnings, likely affecting investor sentiment. The bank's cash flow from operations (CFO) turned negative in the first quarter due to significant outflows from deposits and current accounts. Net interest income grew by 25.7% y/y in the first quarter, but only by 0.5% q/q, while diluted EPS increased by 23% y/y, yet similarly just 0.5% q/q.

Meanwhile, the AMX 3-year Corporate Bond Index rose by another 0.3%, reaching its highest level since December 2024, albeit only slightly surpassing the previous peak reached in March 2024. Interest in medium-term bonds remains moderate, likely due to the heightened uncertainty surrounding the central bank's upcoming decisions, which will heavily depend on inflation trends and other macroeconomic data to be published in the near future. The Armenian dram appreciated slightly by 0.2% and remains relatively stable despite a substantial contraction in foreign trade and a widening trade balance deficit. This may be attributed to capital inflows, transfers (remittances), and seasonal factors.

Economic news

From April 21 to May 5, 2025, the Statistical Committee of Armenia released data covering various economic sectors. Inflation (CPI) for April remained roughly at the previous month's level and near the Central Bank's target of 3%. Concurrently, economic activity in the country saw growth in March, slightly surpassing forecasts. Consequently, at its May meeting, the Central Bank opted to maintain the refinancing rate, generally aligning with our expectations released in prior iterations of the report.

- Economic activity expanded to +3.7% y/y in March and +11.9% relative to February, despite forecasts predicting a slowdown to +0.9%. Key contributors to this growth included the construction sector, which was the best performer in the first quarter (+13.6% y/y), domestic trade (+6% y/y), and the services sector, that grew by 11.5% y/y. However, it is notable that the industrial sector reduced by 18.5% y/y in the first quarter, amid declines in foreign trade and the processing of (semi)precious metals and stones.
- The Consumer Price Index (CPI) growth in Armenia stabilized at 3.2% y/y in April, an almost unchanged level compared to March (+0.1% m/m), although a slight acceleration in price growth to 3.5% was projected. Inflation in food and soft beverages reached 5.2%, while the services sector saw a price increase of 2.7%.
- In a meeting held in early May, the Central Bank of Armenia maintained the refinancing rate at 6.75% for a second consecutive time, as announced by its press service.
- Exports and imports showed a slight recovery over the month. In March, Armenian exports decreased by 65% y/y (compared to a 68% drop in February) but grew by 20% from February's levels. Imports declined by almost 51% y/y in March (vs. -55% y/y in February), but increased by 22% compared to the previous month. Consequently, foreign trade turnover for the month reduced by 32% y/y. While the negative trade balance widened by 25% to \$387.8 million in March. However, this did not lead to noticeable short-term volatility of the Armenian dram (AMD), possibly due to offsetting foreign currency inflows.

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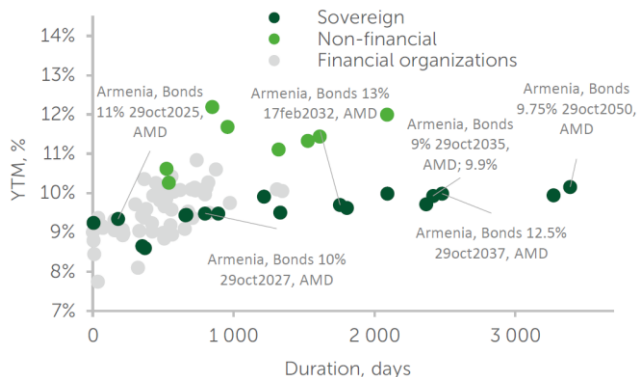
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Key economic indicators

	Growth YoY	Growth MoM
CPI - Apr	3.2%	0.1%
GDP - 4Q	3.7%	10.4% QoQ
Economic activity index - Mar	3.7%	11.9%

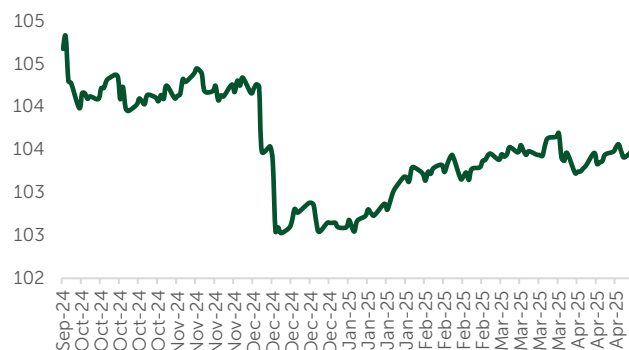
Source: armstat.am, Freedom Broker Armenia

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

- ACBA Bank (ACBA) published its first-quarter earnings report, revealing a 25.7% year-over-year increase in net interest income, though this figure was only 0.5% higher compared to the previous quarter. As a result, the bank's diluted EPS grew by 23% y/y, but just 0.4% q/q. Concurrently, the operating cash flow turned negative, amounting to AMD -30.9 billion (approximately \$-79 million), which is double the net interest income for the quarter. This downturn was driven by a substantial outflow of deposits and current accounts from the bank.
- Team Telecom Armenia (TEAM) has announced a new international partnership with Newsmax, a prominent news organization in the United States. Under the agreement, Newsmax's content—including a wide array of U.S. and international news, and live broadcasts—will be made accessible to Team Telecom Armenia's customers.

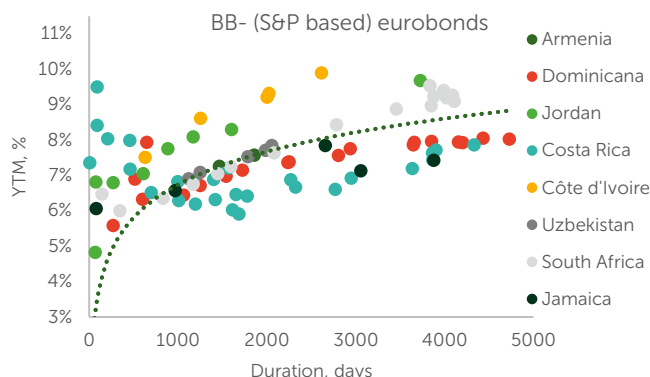
Outlook for the next two weeks

No major macroeconomic statistics are scheduled for release between May 9 and May 19, 2025. However, there may be updates or clarifications to previously released data.

The GDP growth data for the first quarter of 2025 is anticipated to be made public two days after this timeframe, and according to forecast, may indicate a slight slowdown in growth—from 4.9% in the fourth quarter of 2024 to 3.7%. This is likely to significantly influence market sentiment. Should the published growth figures be considerably stronger than expected, the market may experience a positive trend.

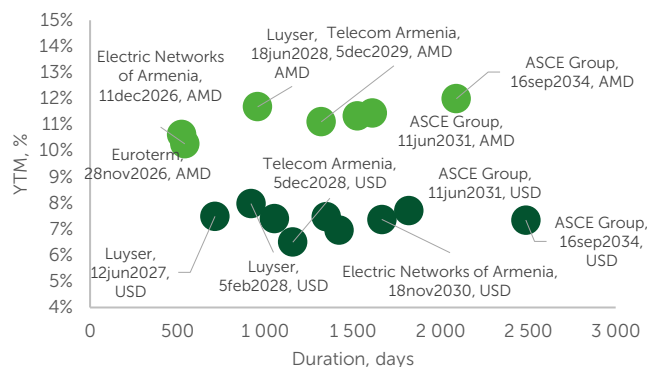
Market attention remains focused on the regulator's further decisions. We believe that, amidst the stronger-than-expected economic activity and inflation rates aligning closely with the Central Bank's target, the regulator will likely hold off on adjusting the refinancing rate to assess more clearly the further trajectory of inflation and broader economic indicators, which will provide deeper insights into the evolving trends in the economy.

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

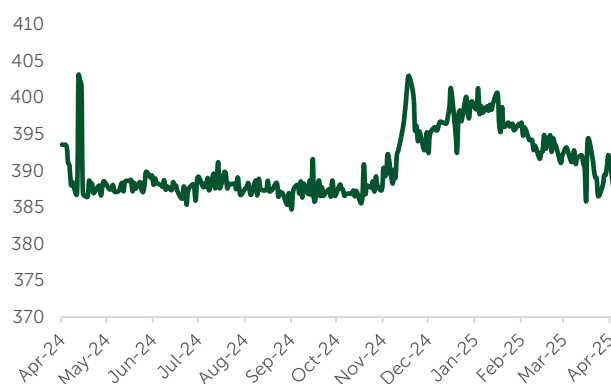


Chart 1: Currency rate dynamics

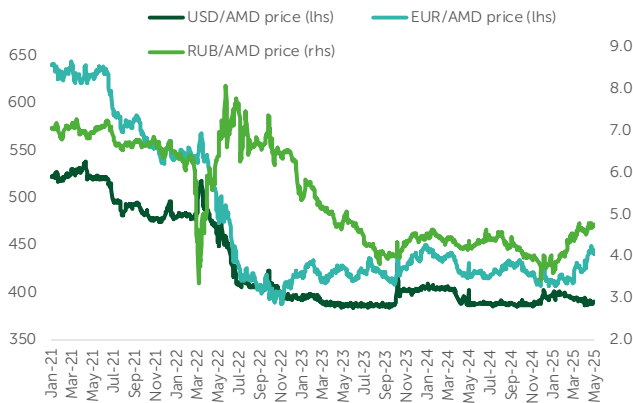


Chart 3: Armenian export breakdown by countries

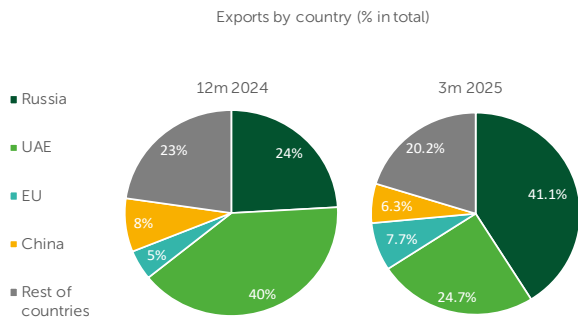


Chart 5: Armenian export breakdown by products

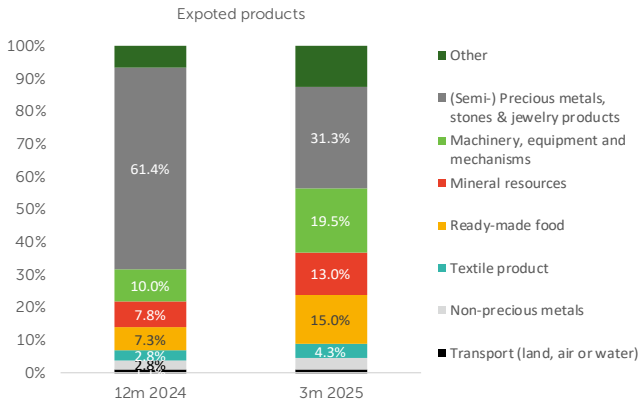
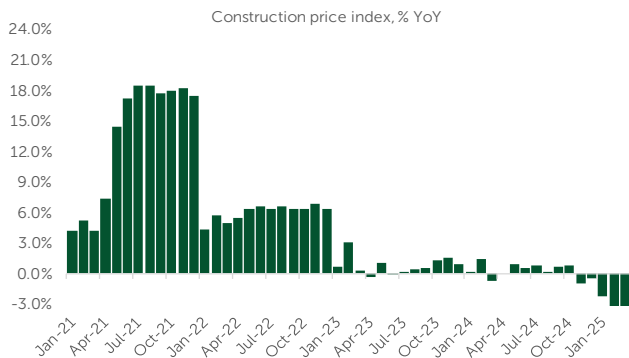


Chart 6: Construction price index



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

Chart 2: CPY vs refinancing rates of RA

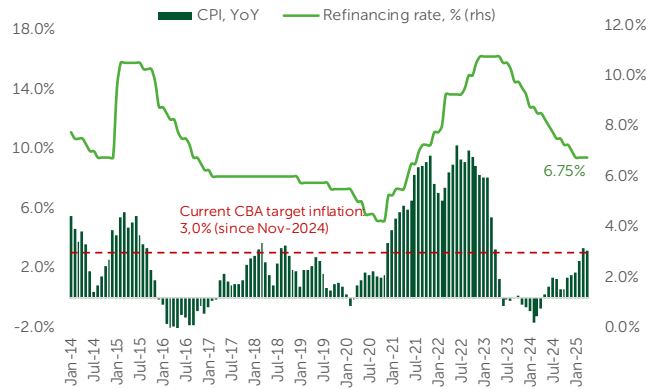


Chart 4: Armenian import breakdown by origin countries

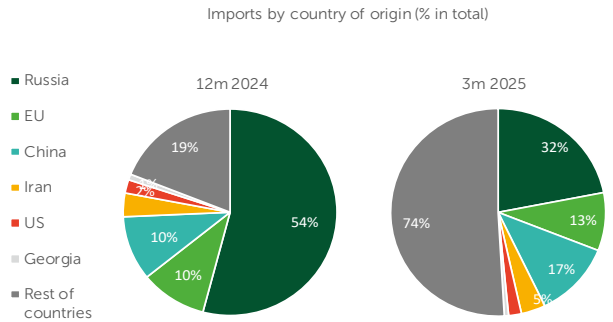


Chart 5: Armenian import breakdown by products

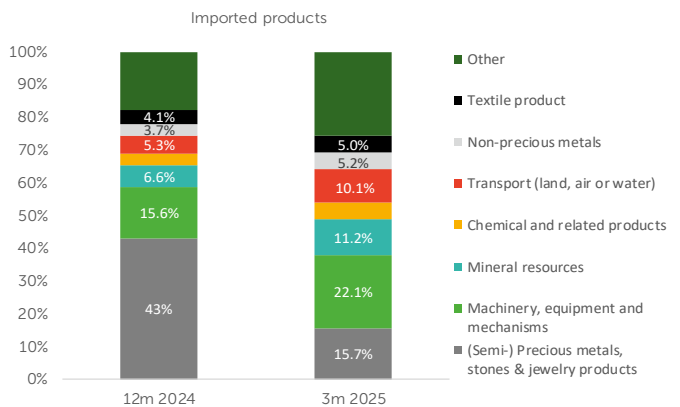
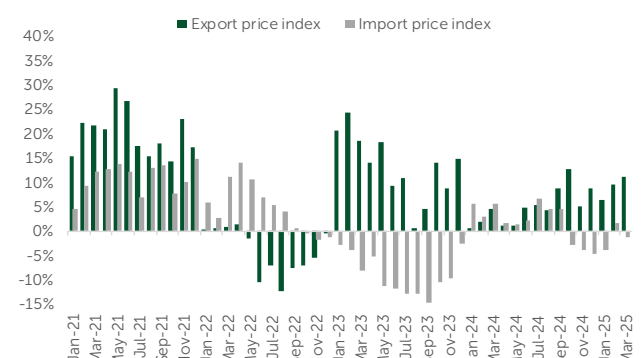


Chart 7: Export and import price indices



Freedom Broker Armenia

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