

## Armenia's Market Undergoes Correction Phase

### Market overview

Between May 5 and May 19, 2025, Armenia's stock market continued its downward trajectory. Shares of Telecom Armenia (AMTL) experienced a 1.0% decline. This decrease comes in spite of the recently released data indicating modest revenue growth in March, which should be considered in the valuation of the company's stock, given that AMTL has already disclosed its Q1 results. Conversely, Acba Bank's shares declined by 4.2%, reaching their lowest levels since October 2024, notwithstanding recent data placing it among the most profitable banks in the nation. In a noteworthy shift, the bank advanced from fourth place in 2024 to third in net profit for the first quarter of 2025. However, investor sentiment may have been dampened by the bank's fifth-place standing in terms of annualized net profit growth. Nevertheless, Acba Bank maintained its position as the third-largest in terms of loan portfolio size by the end of the quarter.

The price index for three-year corporate bonds from AMX experienced a modest increase of 0.1% over the observed period. This moderate trajectory is largely attributable to low market liquidity and the regulator's unchanged monetary policy amidst a backdrop of relative macroeconomic stability in recent months. Notably, inflation has remained aligned with the Central Bank's target. During the same timeframe, the AMD exchange rate appreciated slightly by 1.4%, reaching its strongest level in over a year at 383 AMD/USD, albeit within the typical range of 385-403 AMD/USD. Meanwhile, real estate market data pointed to a slight cooling in activity, particularly within the buy-and-sell segment. Nevertheless, this reduction in activity is regarded as moderate, and the real estate sector is projected to continue drawing investor interest, thereby exerting pressure on the country's financial markets.

### Economic news

Between May 5 and May 19, 2025, the National Statistical Committee of Armenia released sparse yet noteworthy data concerning the nation's economic landscape. In March, domestic trade exhibited robust performance, even as the real estate market experienced a slight decline in activity. Meanwhile, the Central Bank of Armenia opted to maintain its refinancing rate at a constant level, citing various global risks.

- The Central Bank of Armenia has maintained the refinancing rate at 6.75% for the second consecutive time. The regulator is considering various scenarios of global uncertainty when making this decision, including global geopolitical and geo-economic volatility, specifically the unpredictability of developments in the Russian-Ukrainian conflict. These developments could range from a swift agreement between the parties to a prolonged confrontation that might result in increased sanctions on Russia. The Central Bank is adhering to a cautious monetary policy stance, with its future actions being heavily dependent on the dynamics of inflation and other key economic indicators within the country. Should there be signs of disinflation, the regulator is likely to consider a minor rate reduction, although, in our assessment, the current rate is already near a neutral level.
- As of the conclusion of the first quarter of 2025, revenues in Armenia's telecommunications sector—including the segments dedicated to TV and radio content creation and broadcasting—registered at AMD 40.736 billion (\$104.7 million), marking an increase of 0.6% y/y. Despite this modest annual growth, the sector exhibited promising dynamics in March, with revenues rising by 4.5% y/y and 12.3% compared to the previous month, suggesting a potential recovery in consumer and corporate activity. The telecom sector remains the primary driver of this performance, contributing 93% to the total revenue.

### Rafael Mkrtchyan

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

### Vadim Merkulov

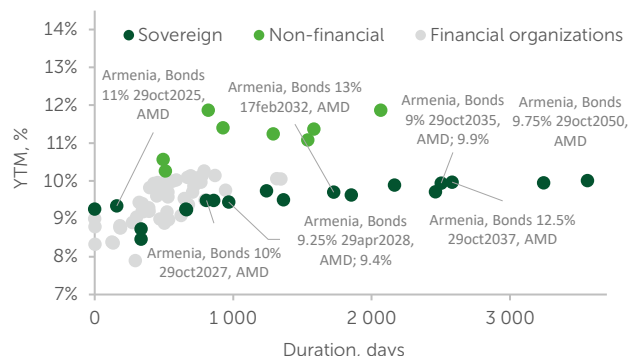
Director, Capital Markets Research  
vadim.merkulov@ffin.ae

### Key economic indicators

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

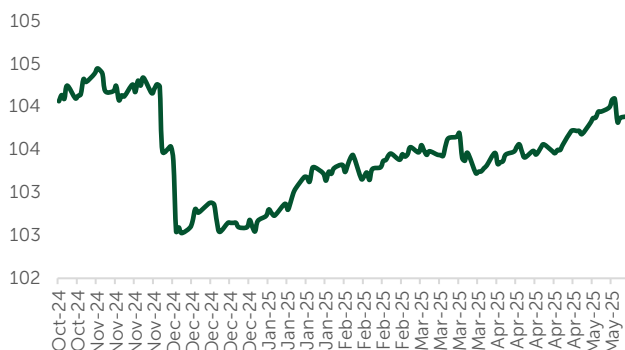
Source: armstat.am, Freedom Broker Armenia

### 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

- In Q1 2025, Armenia's domestic trade turnover reached AMD 1.34 trillion, marking a 6% y/y increase. In March alone, the turnover grew by 3.2% y/y and surged by 16.9% m/m. The breakdown of the trade sectors is as follows: wholesale trade, which grew by 5.9% y/y, constituted 65% of the total turnover; retail trade, with a 5% y/y increase, accounted for 31% of the total; and motor vehicle trade rose by 15.2%, representing approximately 4% of the total trade turnover.
- The Eurasian Development Bank (EDB) projects inflation in Armenia to hover around its target of 3% ( $\pm 1$  percentage point). As a point of reference, inflation was recorded at 3.2% y/y in April, following March's figure of 3.3%. The modest deceleration can be attributed to price trends in various sectors: food prices increased by 5.2%, service costs rose by 2.7%, while non-food product prices actually decreased by 0.5%. Additionally, it is significant to note that the European Bank for Reconstruction and Development (EBRD) has upheld its forecast for Armenia's GDP growth, projecting a 5% increase in 2025 and a 4.5% rise in 2026.
- The Armenian real estate market is exhibiting signs of cooling, with a notable contraction in the volume of purchase and sale transactions. Specifically, these transactions have declined by 7.7% compared to February and 6.1% year-over-year. Concurrently, the aggregate number of real estate activities—which encompass alienations, donations, inheritances, exchanges, and initial registrations—fell by 10.5% m/m and 4.3% y/y. This downturn in market activity, relative to the elevated baselines of prior years, was anticipated and does not yet indicate a waning of investor interest in the sector. This sustaining interest has, in turn, exerted pressure on demand for alternative investment avenues.

### Company news

- Alchemist Doha has made an investment in Denovo Sciences, an Armenian deep tech startup specializing in the use of reinforcement learning to develop novel molecules. This AI-driven platform advances beyond traditional models, enhancing the capability to combat a range of diseases.

### Outlook for the next two weeks

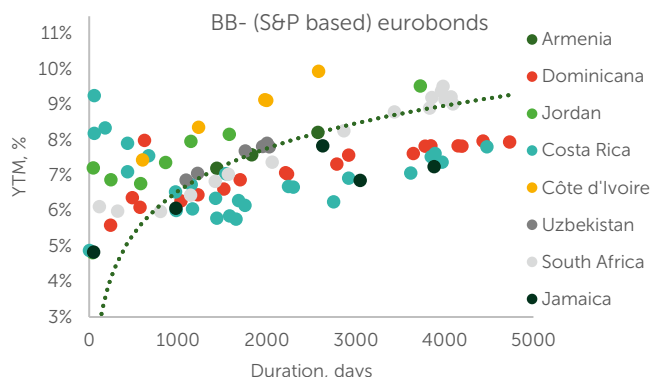
Several key macroeconomic indicators are set for release between May 23 and June 2, 2025. There may also be updates or clarifications on previously disclosed statistics.

The anticipated release of Armenia's GDP dynamics for the first quarter is poised to significantly influence investor sentiment. While negative surprises are unlikely, forecasts suggest a modest deceleration in growth from 3.7% in Q4 2024 to 2.9% in Q1 2025. Additionally, trade balance statistics for April, specifically export and import dynamics, will offer further insights into the evolving cash flow situation in the foreign exchange market.

Retail sales are projected to decelerate slightly, from 3.2% y/y to 2.6% as per April's statistics. Coupled with the latest data on economic activity for April, this will illuminate current economic trends. We anticipate stability in economic activity dynamics, consistent with last month's performance of +3.7%.

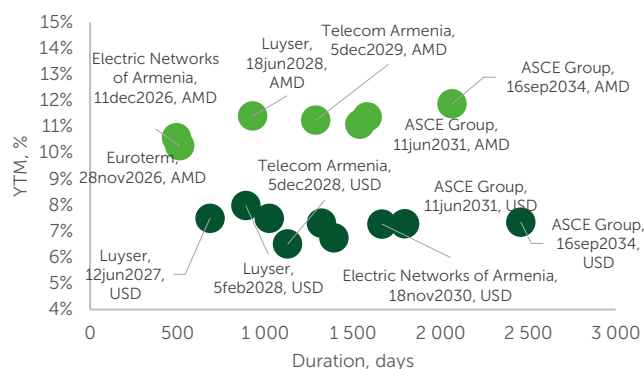
Moreover, the publication of manufacturing inflation data, which has markedly cooled since early 2025 (from +5.7% in December 2024 to +1.9% y/y in March), along with May's consumer inflation figures (expected and previous both at 3.2%), will provide critical signals to investors. Together, these inflation readings and related metrics are expected to partially reduce uncertainty concerning the regulator's forthcoming rate decisions.

### 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

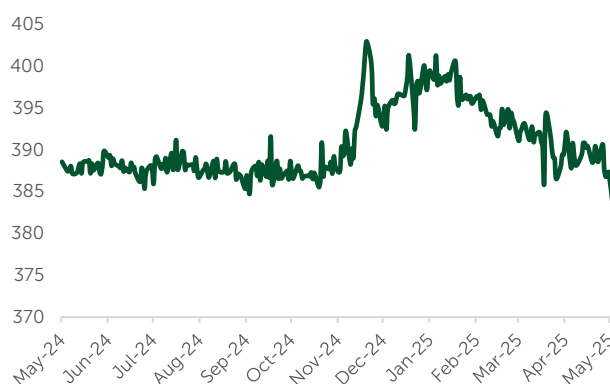


Chart 1: Currency rate dynamics

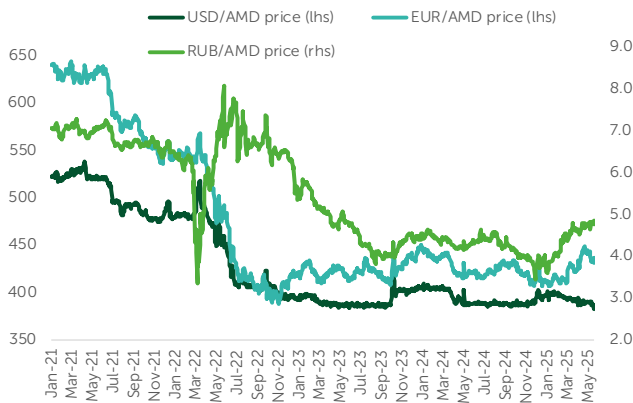


Chart 2: CPY vs refinancing rates of RA

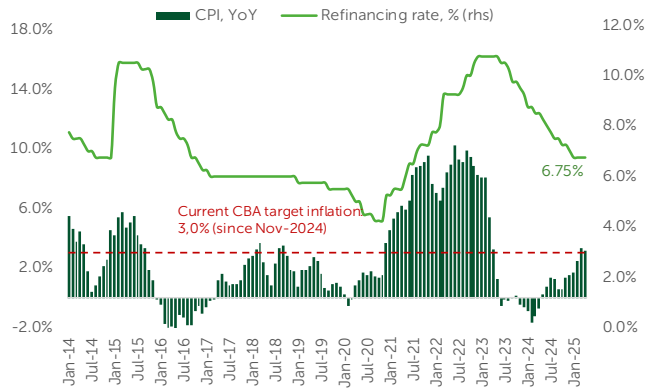


Chart 3: Armenian export breakdown by countries

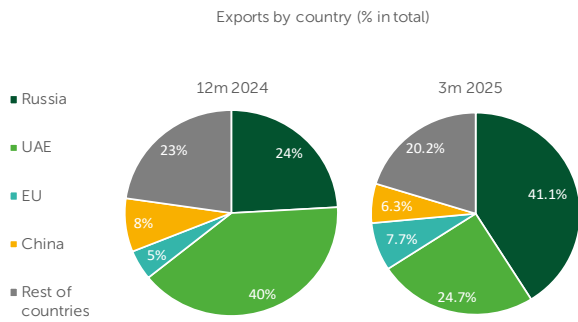


Chart 4: Armenian import breakdown by origin countries

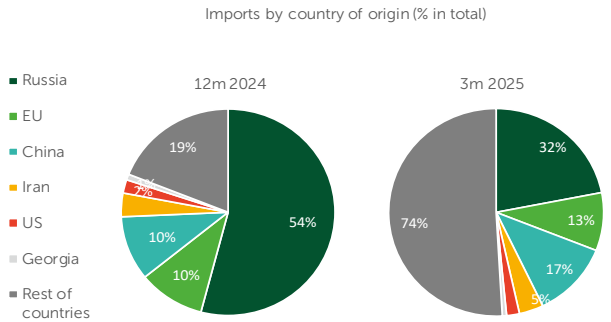


Chart 5: Armenian export breakdown by products

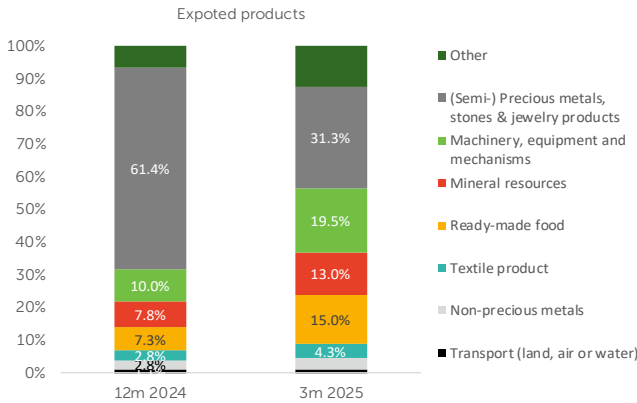


Chart 5: Armenian import breakdown by products

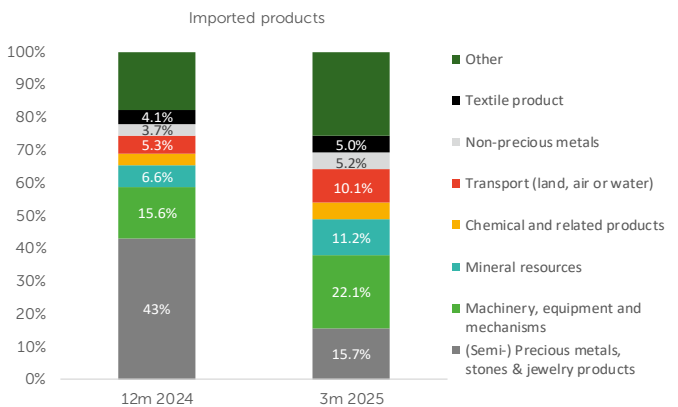


Chart 6: Construction price index

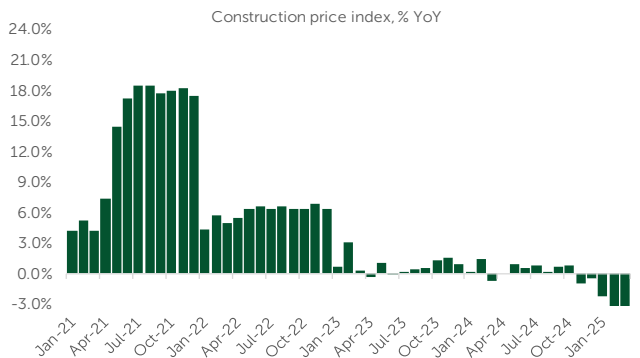
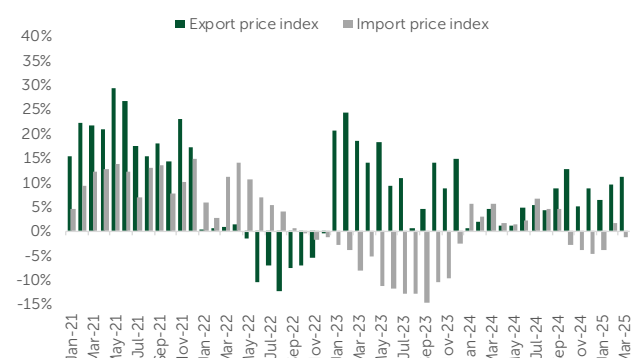


Chart 7: Export and import price indices



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

# Freedom Broker Armenia

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