

Rising Inflation Could Delay Rate Cuts

Market overview

Between March 24 and April 7, 2025, the Armenian stock market exhibited mixed dynamics. Telecom Armenia shares dropped by 4.3% during the period, hitting their lowest point since November 2024, despite the lack of any major news from the company. Weaker-than-expected economic activity and retail sales data could be contributing to the pressure on Telecom Armenia shares. The narrowing gap between inflation and the target level set by the Central Bank, in our view, reduces the chances of further rate cuts in the near term, which may have also affected investor sentiment. On the other hand, ACBA Bank shares showed resilience, edging up by 0.7%, and are now nearing their highest level in the past 12 months.

The AMX three-year corporate bond price index declined by 0.2% amid rising inflation, which slightly exceeded expectations. The acceleration in inflation pressures real bond yields, likely contributing to the index correction. The dram depreciated by 0.3% against the dollar, reaching 394 AMD per USD and nearing the levels seen at the start of the year. Meanwhile, foreign trade volumes have deepened in their decline, with exports falling faster than imports. If this trend persists, it could create conditions for the devaluation of the Armenian currency. However, we believe the potential for continued declines in foreign trade is limited, as imports have already hit a two-year low and exports are at their lowest since June 2023.

Economic news

From March 10 to April 24, 2025, Armenia's Statistical Committee unveiled March inflation figures, revealing an acceleration to the newly adjusted target set by the Central Bank. Meanwhile, economic activity and retail sales in Armenia underperformed expectations. Foreign trade continued its downward trend, reaching the lowest level in over two years.

- In February, Armenia's economic activity index saw a sharper-than-expected slowdown, falling to 1.4% y/y from 7.1% in January. On a monthly basis, the index dropped by 5.3%. The contraction in the manufacturing sector was the main contributor to the weaker economic performance, though the construction, services, and trade sectors experienced growth.
- In March, Armenia's Consumer Price Index (CPI) rose by 3.3% y/y, surpassing the expected growth of 2.5%. On a monthly basis, inflation increased by 0.5% compared to January. From January to February, prices rose by 2.1% y/y. Food price inflation which makes up about half of the inflation basket, accelerated from 4.5% to 5.4% y/y, becoming a key driver of CPI growth. The acceleration of inflation in annualized terms, nearing the Central Bank's updated target from last year, in our view, decreases the likelihood of a refinancing rate cut in the near term.
- In February, Armenia's foreign trade turnover dropped by 61% y/y and 3.4% compared to the previous month. Exports fell by nearly 68% y/y and 2.9% m/m, while imports decreased by 55% y/y and 0.8% m/m. The decline in foreign trade turnover was primarily driven by a drop in activity in precious metals and stones trading. While the current exchange rate of the dram reflects this economic trend, the continued decline in exports at a faster pace than imports could contribute to further devaluation of the dram.
- Retail sales in Armenia for February grew by just 6.0%, below the expected 7.0%. This slower growth may be linked to the seasonality of consumption in the country, which, although not as pronounced, historically results in a slight dip in January or February.

Rafael Mkrtchyan

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

Vadim Merkulov

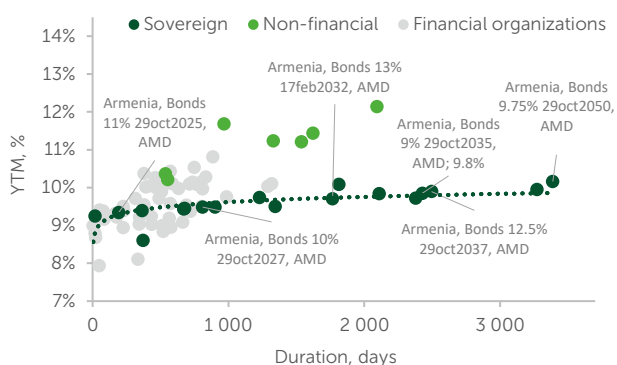
Director, Capital Markets Research
vadim.merkulov@ffin.am

Key economic indicators

	Growth YoY	Growth MoM
CPI - Mar	3.3%	0.5%
GDP - 4Q	3.7%	10.4% QoQ
Economic activity index - Feb	1.4%	-5.3%

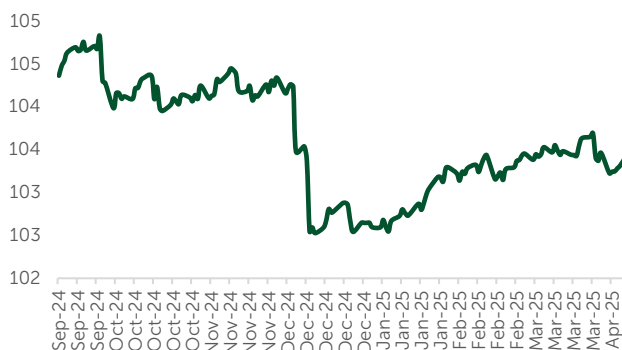
Source: armstat.am, Freedom Broker Armenia

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

- o Picsart is teaming up with Deutsche Telekom. According to Mikayel Vardanyan, Picsart's AI avatars will be incorporated into Deutsche Telekom's upcoming AI-enabled phones.
- o Braze is set to acquire artificial intelligence solutions company OfferFit for \$325 million. Braze (NASDAQ: BRZE), a leading customer engagement platform valued at \$3.9 billion, will acquire OfferFit, a company specializing in AI-driven decision-making. Founded by Armenian entrepreneurs, OfferFit is revolutionizing personalized customer solutions by replacing traditional A/B testing with continuous automation.

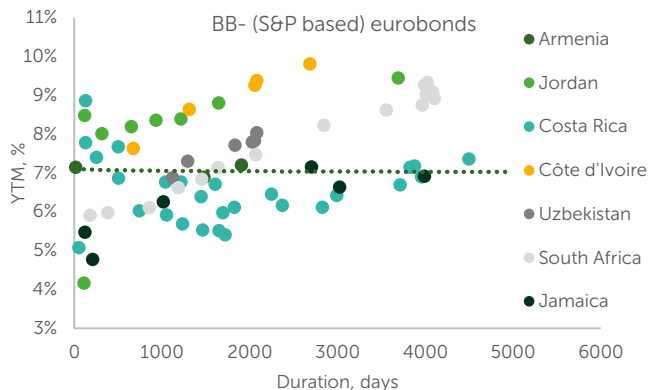
Outlook for the next two weeks

Between April 11 and 21, 2025, the publication of significant macroeconomic indicators is not planned. Only release of final/revised metrics on previously released statistics are possible.

However, during the week beginning April 21, preliminary data on the trade balance for March will be released. We expect no significant changes in the data. Additionally, the publication of the economic activity index for March is also anticipated, with a slight acceleration in growth from 1.4% to 3.9% y/y.

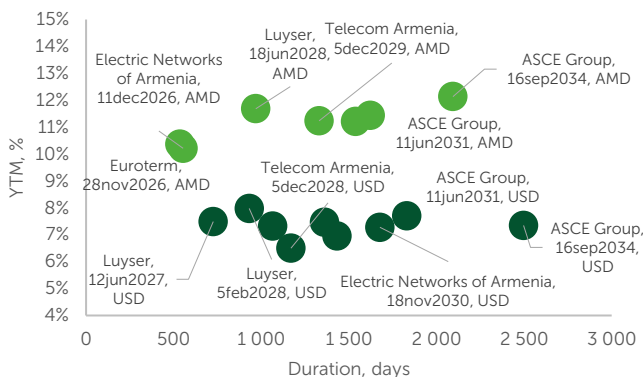
The release of the Producer Price Index (PPI) for March will also serve as a key indicator for understanding the country's price dynamics, with the PPI expected to increase from 1.6% to 3.2%. In general, the upcoming trends in economic indicators such as the business activity index, GDP, retail sales, and inflation will provide market participants with a more comprehensive outlook on the potential direction of the Central Bank's monetary policy.

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



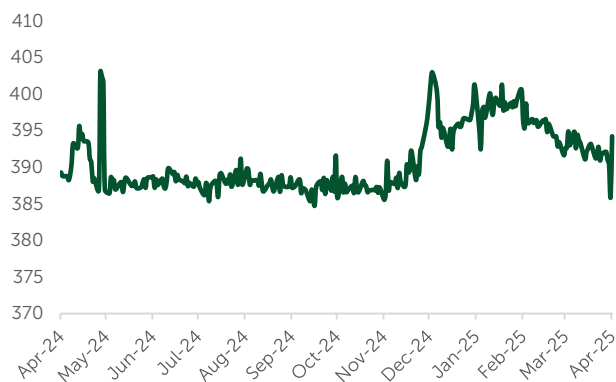
Source: amx.am, cbonds.com, Freedom Broker Armenia

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

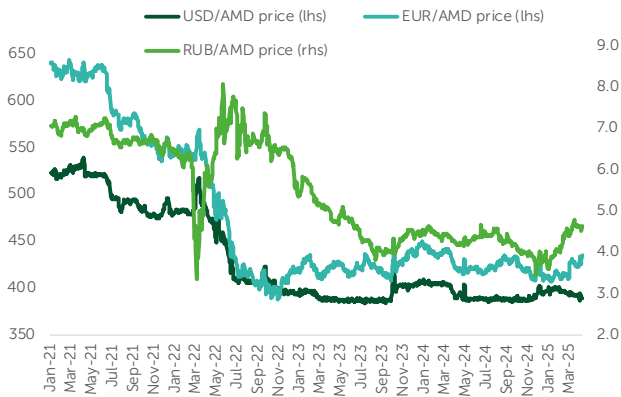


Chart 2: CPI vs refinancing rates of RA

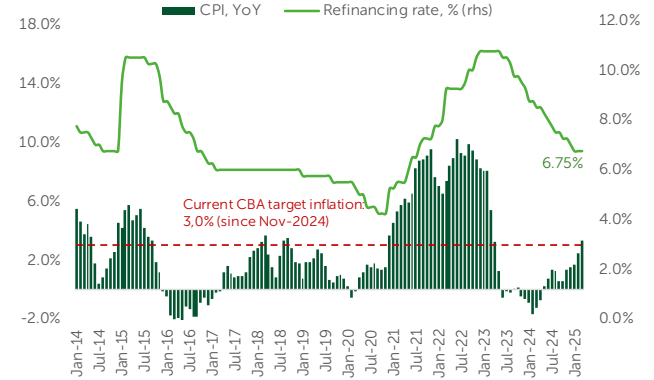


Chart 3: Armenian export breakdown by countries

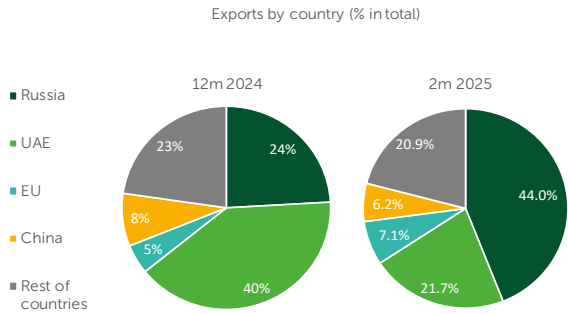


Chart 4: Armenian import breakdown by origin countries

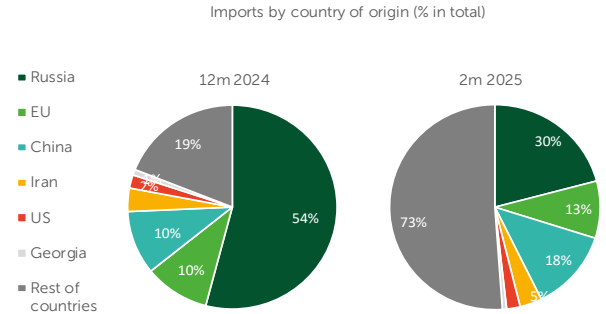


Chart 5: Armenian export breakdown by products

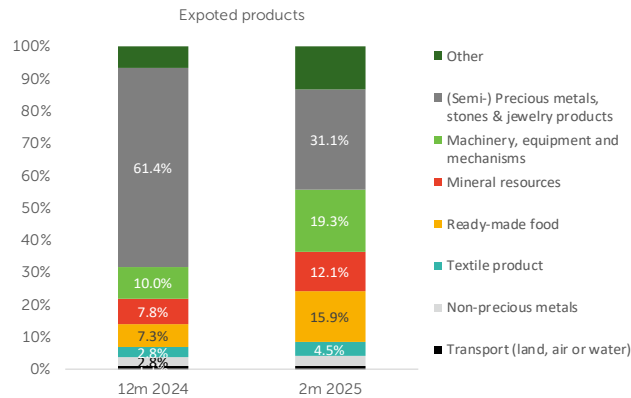


Chart 5: Armenian import breakdown by products

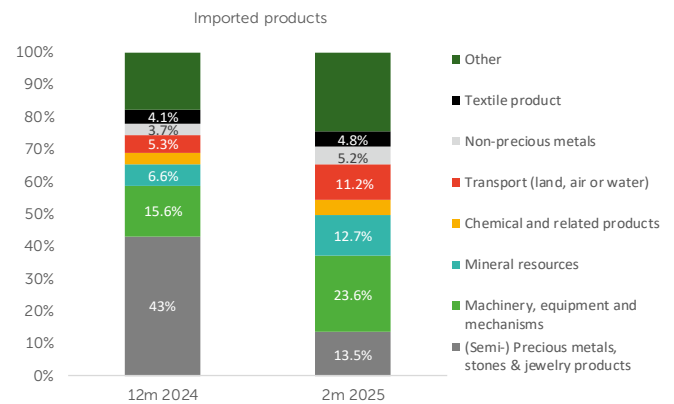


Chart 6: Construction price index

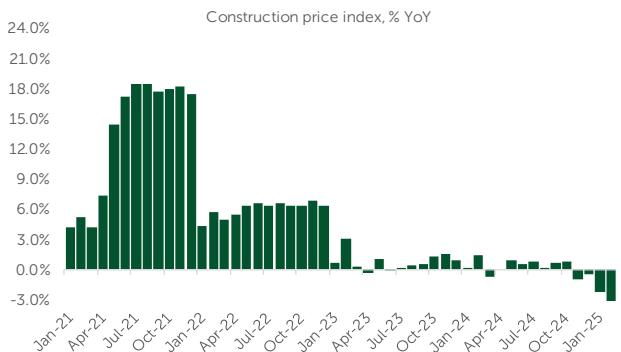
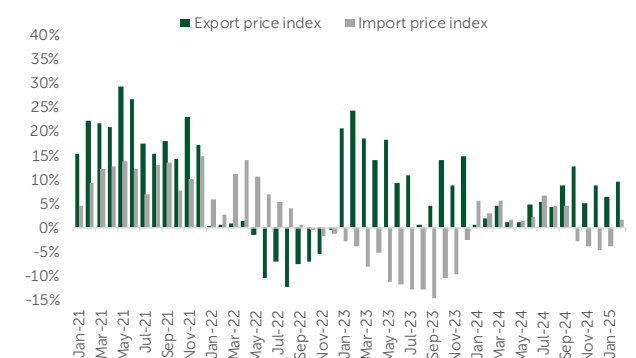


Chart 7: Export and import price indices



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

Freedom Broker Armenia

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