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# Armenian Trade Deficit Hits New High

By Emil Danielyan

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Armenia's massive trade deficit reached a new record high in 2008 amid soaring imports and sliding exports that reflected the growing impact of the global financial crisis on its economy.

According to the National Statistical Service (NSS), the deficit jumped by 29 percent and all but passed the \$3 billion mark in the first eleven months of the year. The full-year figure for 2007 reported by the NSS was \$2.12 billion.

The trade imbalance has worsened steadily in recent years not least because of sluggish exports that have sharply contrasted with the country's robust economic growth. The official statistics show Armenian exports falling by 4.5 percent year-on-year to just over \$1 billion in January-November 2008.

Local mining and diamond-processing industries were primarily responsible for the drop. The metallurgy sector has been hit hard by a sharp fall in international prices of non-ferrous metals, Armenia's number one export item, resulting from the global economic recession. Hundreds of employees of Armenian mining companies have been laid off or sent on indefinite leave since last October.

By contrast, Armenia's net imports jumped by 40 percent to almost \$4 billion in January-November 2008. In particular, the NSS registered a 54 percent surge in imports of capital goods, cars and other transport equipment that accounted for just over a quarter of the total.

Natural gas and other minerals remained the country's single largest import item in this period. Import expenditure on them rose by 33 percent to \$607.8 million. Armenia also imported \$302 million worth of prepared foodstuffs in January-November 2008.

Armenia has long been able to run large trade and current account deficits thanks to multimillion-dollar cash remittances from hundreds of thousands of its citizens working abroad. The remittances have also contributed to the country's overall strong macroeconomic performance since the mid-1990s.

The Armenian government and independent economists say the global crisis will likely reduce the vital cash inflows in 2009. The government intends to offset that reduction with increased spending on infrastructure projects and more loans to small and medium-sized businesses. It hopes to obtain large-scale financial assistance from the World Bank and other lending institutions for that purpose.

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