
CBA Forecasts 10%-13% Economic Growth In Armenia For 2008

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The protocol on the forecasts and monetary policy of the Central Bank of Armenia (CBA) for the 3rd quarter of 2008 says that the CBA revised some of its sectoral forecasts for the 3rd and 4th quarters of 2008, which brought about essential changes in the forecasts for economic growth.

The CBA Board forecasts 10-13 per cent economic growth for the 3rd and 4th quarters, and 8-11 per cent growth for the 1st half of 2009. Such fields and services and construction will exert the most serious influence on the economic growth in the country.

The CBA attributes the 16-17 per cent growth in the construction sector forecast in the latter half of 2008 to the expected investments in the transport, communication, energy, metallurgy and chemical industry. High rates of growth in the construction sector are forecast for the 1st quarter of 2009. Specifically, 12-14 per cent growth is forecast for the 1st quarter of 2009.

By the CBA's preliminary estimates, 17.9% real growth was recorded in the construction sector in the first half of 2007. The growth was mainly ensured due to larger-scale housing construction, as well as due to the processing industry, transport and communication sectors.

As regards the industrial sector, the CBA scaled down its forecasts by about 2%. As a result, the forecast value added growth is four to six percent. The reason why the forecasts were scaled down is some technical problems in the extractive and metal-working industries during January-April 2008. The problems were to have been resolved in the 2nd quarter.

Another reason is that the investments in the chemical industry postponed to the 4th quarter of 2008.

The CBA Board believes that the forecast increase in industrial output will mainly be due to increased output of building materials, hard and soft drinks, tinned food. The CBA forecasts a 5-7 per cent increase in industrial output in the 1st half of 2009.

By preliminary estimates, the real value added growth of industrial output was 2.7% in the 1st half of 2008. The growth was mainly due to high rates of increase in the output of alcoholic beverages, building materials, as well as due to the recently recorded uptrend in energy output.

As regards the services sector, the CBA also scaled down its forecasts, the reason being lower rates of increase in wholesale and retail trade since the beginning of the year. As a result, the real value added growth in the services sector is expected to reach 10-12 per cent in 2008. A rate of increase of 11.5%-13% in the services sector is forecast for the first half of 2009. The rate of increase in the services sector is estimated at 10.7% for January-June 2008.

The CBA's protocol also says that the real value added growth is to ma

ke 3-5 per cent in Armenia's agricultural sector. In the first half of 2008, the added value increased by 4.6% due to bumper harvest of fruit and grapes.

According to the XCBA, the aggregate supply trends formed in the first quarter were also recorded in the second quarter. As a result, the real economic growth remained within 12%. In January-May 2008, 9.8% economic growth was recorded in Armenia, which is lower than forecast by the CBA.
