
Robust Armenian Growth Persists In February

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According to the Armenian National Statistical Service, the country's economy expanded by 10.1% year-on-year (y/y) over January-February, ARKA News reports. This rate signals relatively stable growth in February, as January expansion had earlier been reported at 9.9% y/y.

During January-February last year, the Armenian economy had expanded by 9.2% y/y. In particular, construction activity surged by 22.9% y/y over the first two months of this year. Further, it was reported that in February alone, construction soared by nearly 60% from January, boosting month-on-month (m/m) GDP growth to 18.8%. Industrial production increased by 3% y/y over the first two months of the year, while output of precious stones rising by 4.3% y/y. Agricultural production only managed a marginal growth rate of 0.4% y/y for the two-month period. Further, expansion of the service sector as a whole was reported at 11.8% y/y, while retail trade turnover increased by 9.4% y/y. Over the whole of 2007, the Armenian economy grew by 13.8% (see Armenia: 23 January 2008:).

Significance: The Armenian budget for this year specifies an annual growth target of 10%. Armenia has seen six consecutive years of double-digit growth rates, but this is not sustainable. Our latest projection put Armenian annual growth in 2008 at 8.4%. Indeed, we still expect that some moderation in Armenia's economic expansion is in sight, but the latest data confirm that Armenian growth seems to be somewhat more persistent than we previously thought, fuelling concerns over overheating. Although the extremely high growth rates seen in recent years have been combined with reasonably moderate inflation rates, price rises have recently intensified.
