
Strong Dram 'Good For Armenian Growth'.

By Hovannes Shoghikian and Emil Danielyan
Radio Liberty, Czech Rep. 30/5/2007

The dramatic strengthening of the Armenian dram has been a major factor behind Armenia's double-digit economic growth recorded in recent years, a senior economist from the International Monetary Fund said on Wednesday.

The national currency has gained more than 50 percent in nominal value against the U.S. dollar since the start of its appreciation in late 2003. The process slowed down in the first few months of this year but seems to be again gaining momentum.

The Armenian government and Central Bank have attributed the exchange rate fluctuation to a surge in hard currency remittances sent home by hundreds of thousands of Armenians living and working abroad. They also point to the dollar's overall weakening against other major world currencies.

Local manufacturers and economists critical of the government have expressed serious concern at the trend, criticizing the authorities in Yerevan for their refusal to heavily intervene in the foreign-exchange market. They say the stronger dram has hurt Armenian exports and widened the country's huge trade deficit. Some of the critics have gone as far as to accuse the authorities of "artificially" strengthening the dram to benefit government-connected importers of fuel and other basic commodities.

But both the IMF and the World Bank have dismissed the criticism, voicing support for monetary policies pursued by the Armenian Central Bank. David Owen, a senior advisor in the IMF's Middle East and Central Asia Department, insisted on Wednesday that the strong dram has actually contributed to Armenian growth by suppressing inflation.

"We think that the relatively flexible approach to the exchange rate -- allowing more appreciation than elsewhere -- combined with tight fiscal policy have contributed to the very good performance on inflation and to the high growth rate that has been achieved in Armenia," he told reporters in Yerevan.

Owen argued that Armenian exports have grown by an average of 20 percent in the last few years even if they were largely flat in 2006.

He said the authorities should help to boost them by implementing more economic reforms and strengthening business competition.

According to government data for the first quarter of this year, the exports were up by 25 percent from the same period in 2006, totaling \$231 million. But they continued to pale in comparison with imports that jumped by 52 percent to \$645 million.

The first-quarter official figures also show the Armenian economy growing by 11 percent year on year, putting it on track to expand at a double-digit rate for a sixth consecutive year.
