
Macroeconomic Risks Growing Alongside GDP Of Armenia

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On July 16 the World Bank Yerevan Office presented 'Armenia: Economic Monitoring Note for the first half of 2008'. The report outlined macroeconomic risks in the country.

Ms. Aristomene Varudakis, World Bank Armenia Country Manager said such reports will be published once in 6 months to provide timely and brief data on the economic situation for the last 6 months. She said the report is quite urgent given the new government plans for economic reforms. The report covers economic policy of Armenia, as well as the economic structure including the spheres of health care, education, agriculture, and transport. Moreover, the report presents the monetary and fiscal policies, the latest development in the financial sector, as well as telecommunications, energy, drinking and irrigation water. Structural problems are often presented not orderly, she said, but they are important to meet the challenges the country has faced. A. Varudakis added that the report is useful to the citizens of Armenia including specialized organizations, students, officials, public organizations as well as to international structures interested. The report is published in English and translated into Armenian.

For his part Agasi Mkrtchian, WB Yerevan Office economist, said that over the last 6 months, GDO kept rapidly growing mostly due to construction sphere (14.9% growth for 5 months of 2005) and services (10.6% growth) not subjected to export. Simultaneously, intensive growth of risks has been observed including rapid growth of inflation (Jan-Jun - 9.6%) and worsening of unfavorable trade balance of Armenia, reduction of export caused by the tense situation in the international market and rise of prices for imported goods. In despite of the 9.8% GDP growth for the 5 months, it is early to make forecasts for the end of 2008. He outlined 0.4% decline in industrial sectors and 1.9% slackening growth in agriculture.

At the same time Mr. Mkrtchian added that inflation in Armenia had been chiefly conditioned by oil and food products' prices raising in the world market as well as raising of prices in the sphere of services, which is conditioned by the high demand because of the transfers coming to the country (40-50% growth over the first quarter of the current year). He also said that though influence of the money and credit policy is reducing because of interventions at the monetary market, currency demand was big over the five months of the current year and Central Bank sold \$100 mln, which also was a restraining factor. At the same time he added that over the first 6 months the volume of the tax revenues has grown by 35,5%, which is higher of the predicted level. This is conditioned by improvement of the tax administration. Indicators of the Armenian budget will be better in the current year because of such rates, he emphasized.

Artavazd Hakobian, WB Yerevan Office Executive Agricultural and Ecological Programs marked the backgrounds of the sphere growth. In particular, gradual growth in plant cultivation has been stipulated by planting of gardens 5-6 years ago, as well as enhancement of efficiency in irrigated zones. Alongside with that, the risks are aggravated in non-irrigated zones and in cattle breeding in view of climate changes and animals diseases, in particular, avian influenza and swine fever in 2007 and 2006. He said that the government development program increased agricultural subsidies. 'We think that other

mechanisms of market relations exist, including implementation of new technologies', he emphasized.
