
Will Armenia's Financial System Resist The Crisis?

By Arthur Hovhannisyan
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During the press conference yesterday Prime Minister Tigran Sargsyan gave information regarding his meetings in the USA and answered the questions of the journalists.

What influence does the world crisis have on Armenia or what impact can it have in the future? What does the government do to avert the possible crisis in our country? Before touching upon the main questions the Prime Minister firstly said that the financial crisis is conditioned by the mistrust towards the financial institutions.

"Trust is the most important factor in the temporary financial and economic systems and financial crisis usually intensifies due to mistrust, the Prime Minister said and added, "The financial institutions usually refuse to function in concert with one another, they usually try to freeze their active functions, guarding themselves against additional risks which in its turn contributes to the intensification of financial crises.

This is the most important circumstance, because it formulates expectations also among the citizens. And if those negative expectations are formulated by negative tendencies naturally these tendencies contribute to the intensification of the financial crisis. In this regard the state interference in settling that problem is aimed at averting those negative expectations and creating trust among the participants of the market to improve the financial indexes."

The second problem is the level of the liquidation of the financial institutions, which means they have enough financial means to realize their current interferences.

Tigran Sargsyan detailed the level of the capitalization of the financial institutions, which is also a matter of concern. It is very important also to jointly realize the before mentioned events. Touching upon the situation created in Armenia the Prime Minister said: "Do we have indexes in our financial sector, which give reasons for concern? We must firstly be attentive towards the information given to the public by the Mass Media. We must avoid false information, which is aimed at creating panic, negative expectations, mistrust, and all this as you remember from the first message is very important for us.

"Naturally we understand that there are politicized assessments, which are far not aimed at ensuring financial stability, or helping the government overcome all the difficulties, just the contrary," Tigran Sargsyan said.

"In this respect our economic team is ready to give operative answers to all the issues of concern and allocate operative information about the situation.

Touching upon the second problem the Prime Minister brought several arguments to state that our financial institutions have enough liquidation to realize their payments. Moreover the existing indexes demonstrate that our financial system has got even extra liquidation.

Tigran Sargsyan says the indexes characterizing the reliability of our banks are much higher than the similar indexes of CIS countries, as well as the indexes of the banks of the developed countries. The Prime Minister brought numbers and facts to assure that the next index of the capitalization of the

banks also doesn't give any grounds for negative expectations.

"Because the level of capitalization is on a very high level in Armenia, in this regard as well we can say that the reliability of the financial sector is on a very high level and there is no reason for concern. If we look at the other indexes of the financial system, particularly deposits and active functions, the specific weight of the credits, then we will see that we have tendencies of stable development in 2008.

The Prime Minister said the government has powerful tools and even in case of the worst scenario, taking into consideration the lessons of the developed countries, can operatively interfere in the financial field to avert any risk."

"Can we say that our financial system is under stable indexes?"

Tigran Sargsyan also touched upon the problems that we can face in 2009 and have negative impact on economic indexes he also pointed out the work that the government has to do in this regard.

The high prices recorded in Armenia in 2008 are conditioned by the high prices of the imported goods.

In case these high prices drop and our harsh monetary-credit and tax-budgetary policy provide opportunity to resist the pressure of the mounting prices, this will give an opportunity to the Central Bank to reduce the percentages and take corresponding actions to improve favorable conditions for the economic growth.

Not excluding that the reduction of the prices of power-generating substances in Russia can lead to the reduction of the economic growth in the country, which will naturally lead to the reduction of the incomes of our compatriots in that country and the money transfers to Armenia will of course trim down. The Prime Minister said it can have a bad impact on our financial sector and in general the level of consumption, because 80% of the money transfers are directed to the consumption.

"This means we must increase the volume of the credits of small and average businesses," Tigran Sargsyan said and assured that for that purpose they have corresponding arrangement with the World Bank.

According to the Prime Minister the increase of the volumes of credit allocated to the small and average businesses will be an additional buffer, which will defend our average consumer, giving them possibility to neutralize the before mentioned possible negative consequences.
