
Armenian Remittances Drop Amid World Crisis

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Cash remittances sent home by Armenians working abroad, a major driving force of Armenia's economic growth, appear to have shrunk in the fourth quarter of last year amid the deepening financial crisis around the world.

The latest data from the Central Bank of Armenia (CBA) show the total value of non-commercial cash transfers processed by local banks rising by 26.2 percent year-on-year to almost 1.5 billion in January-November 2008. The figure is equivalent to almost 14 percent of Gross Domestic Product, highlighting its importance for Armenia's economy and population. A comparable amount of money is thought to have entered the country through non-bank wire transfer systems and in cash.

The bank remittances soared by 45 percent before stock markets in the United States and elsewhere in the world began collapsing in late September. The meltdown has been particularly acute in Russia, home to hundreds of thousands of Armenian migrant workers and the main source of the remittances. The Russian economy has also been hit hard by recent months' sharp fall in international oil prices.

According to the CBA, the remittances totaled \$102.6 million in November 2008, down by more than 7 percent from the November 2007 level. The bank has yet to release remittance data for December.

CBA officials downplay the reported drop, saying that overall hard currency inflows, which include money used for business transactions and other commercial purposes, amounted to \$2.1 billion in January-November 2008 and surged by 42 percent to \$273.8 million last November alone.

Still, the Armenian government is worried that decreased remittances would deepen the global downturn's impact on Armenia's economy and its growth rate, which slowed into single digits in the four quarter. 'If economic growth in Russia slows, the incomes of our compatriots will decrease and so will their private remittances sent to Armenia,' Prime Minister Tigran Sarkisian said in October. 'That could have a negative impact on our financial sector and the level of consumption in general because 80 percent of the remittances are channeled into consumption.'

The cash inflows have not only boosted consumer spending and thereby stimulated the economy but also allowed Armenia to finance its massive trade and current account deficits. The Armenian trade deficit was on course to pass the \$3 billion mark in 2008.
