
Armenia Keeps Up Double-Digit Growth

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Armenia's economy grew at a double-digit rate in 2007 for the sixth consecutive year on the back of its booming construction and services sectors, according to government data made public on Monday.

Macroeconomic figures released by the National Statistical Service (NSS) show Gross Domestic Product increasing by 13.8 percent to 3.14 trillion drams (\$10.2 billion). The resulting inflationary pressures on the economy pushed up consumer prices by an average of 6.6 percent, well above a 4 percent target set by the government and the Central Bank.

As was the case in the previous few years, robust growth was primarily driven by burgeoning construction and services. The two sectors expanded by approximately 20 percent and together accounted for over 38 percent of GDP.

Industry, which generated another 23 percent of GDP, remained the most sluggish sector of the Armenian economy. Its aggregate output was up by only 2.6 percent not least because of a further sharp decline in the country's diamond-cutting industry, the official statistics show.

The NSS also reported more than 20 percent gains in household incomes and the average wage which now stands at about 77,000 drams (\$250) per month. This will be held up by the government as a further indication of rising living standards and declining poverty. The government says the proportion of Armenian living below the poverty line has fallen from about 50 percent to below 27 percent since the start of double-digit growth in 2002.

Opposition politicians and other government critics question the credibility of these figures, saying that the official poverty line is set too low and does not take into account the increased cost of life in Armenia. They also say economic growth is slower than is claimed by the authorities.

The past year also saw Armenia's trade deficit reach a new high of just over \$2 billion as a result of an almost 50 percent jump in imports. Armenian exports rose at a far more modest rate of 23.7 percent to \$1.22 billion. Large-scale remittances from Armenians working abroad remain the main source of financing the huge imbalance.
