
EBRD Forecasts 8% Economic Growth In Armenia In 2008

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YEREVAN, February 22. /ARKA/. The European Bank for Reconstruction and Development (EBRD) forecasts 8% economic growth in Armenia, the EBRD "Report on Transition Process-2007" says.

It also suggests that the forecasted real GDP growth for 2007 is 8.5% against 13.4% of 2006. "General economic prospect is still favourable here. Countries in transition recently survived a number of financial market problems," the documents points out.

"Record-high economic growth rates were expected in the transition region in 2007, however, the crisis which started on the world crediting market in 2007 can cause a long-term slow down of the growth rates."

The average weighted growth of EBRD activity in all the countries in which the bank is functioning is forecasted at 7% for 2007 against 6.9% of the previous year.

"A number of factors stimulated and strengthened the economic growth in the transition region. These are the high level of domestic demand, increasing investment volumes, including direct foreign investments, as well as large volumes of private transfers, high growth rates of credit volumes both in local and foreign banks, and in some cases high energy carrier prices," the report says.

According to the EBRD forecast for 2008, economic growth in the region slightly decreased with average weighted index estimated at 6.1%. Countries rich in resources will be the most rapidly growing economies of the Commonwealth of Independent States.

EBRD experts believe that the US mortgage market problems will raise foreign financing prices reducing the volumes of external funding, which will help damp down the overheated economy of the transition region.

However, "in a less benign scenario, countries with high external funding needs may experience a stronger than expected economic downturn," the report said.

The report noted that the financial openness of the transition region had increased rapidly over recent years. "The events in the financial markets this summer are therefore likely to affect financial sectors and economic growth in the transition region" the report said.

The effects would be most pronounced in the transition countries with large financing needs in the corporate or financial sectors. Investor concern has been growing in particular about the Kazakh banking sector and the current account deficits in the Baltic States.

The report suggested that, overall, capital flows to the region would be likely to fall slightly from the record levels of previous years. The Eurobond market was effectively inaccessible for many issuers in August and September 2007.

According to the official data, economic growth in Armenia totalled 13.7% in 2007 as compared to the previous year. GDP volume was AMD 3139353.9.

The GDP deflator index for January-December of 2007 was 103.9% with per capita GDP estimated at \$2,844. 10% economic growth is planned in Armenia in 2008.
