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# Armenia Prices Settle After Spike, Panic Shopping

By Hasmik Mkrtchyan  
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YEREVAN, March 4 (Reuters) - Armenia said prices were stabilizing on Wednesday after an initial spike on news the country would float its dram currency, and the authorities promised to fine shop owners trying to charge excessively.

Shops saw panic buying after Tuesday's move by the central bank, which preceded an announcement by the IMF that it would consider lending the former Soviet state \$540 million dollars to soften the impact of the global financial crisis.

The dram tumbled 18 percent from 305.75 to 372.11 against the dollar and prices of oil, butter, sugar and petrol shot up as ordinary Armenians rushed to buy goods in fear of the value of their money falling further.

But on Wednesday, the currency was just slightly further down at 372.95 against the dollar and officials said they would act against businesses who tried to exploit consumers.

"Right now, prices are stabilising," Ashot Shahnazaryan, the chairman of Armenia's trade regulator, told a news briefing.

But he added: "Traders should provide explanations for increasing prices. If they are unreasonable, these traders will be fined."

Analysts say the opposition, smarting over elections it says were rigged last year and a subsequent crackdown on protests, will likely seek to use the crisis to exert more pressure on the government.

After a period of strong economic performance, the landlocked country of 3.2 million people has been hit hard by the global crisis and Russia's slide into a first recession in 10 years.

Russian firms control a significant chunk of the Armenian economy, and support a considerable number of Armenians working in Russia and sending money home to their families.

"In two to three hours yesterday we sold what we would usually sell in two to three days," said Vahan Kerobyan, executive director of the popular Star supermarket chain, which briefly shut its doors on Tuesday to consult with distributors.

Kerobyan said Star would raise prices by 15-20 percent, but that he expected prices at other shops to increase even more.

The International Monetary Fund -- which will likely approve the 28-month standby loan on Friday -- cited falling exports, a slowdown in remittances, and the decreasing price of copper -- one of Armenia's main exports -- on world markets.

It said the dram might depreciate as much as 30 percent.

The World Bank welcomed the decision to float the dram, and urged efforts to strengthen competition in domestic and import markets "in order to prevent unjustified increases in prices, due to exchange rate adjustments, and tame inflation pressures."

The World Bank group has a scaled, 3-year lending programme in place worth \$525 million. Russia also offered Armenia -- its closest ally in the South Caucasus -- a \$500 million stabilisation loan in February. (Writing by Matt Robinson in Tbilisi; editing by Patrick Graham)

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