
IMF Stands By Slower Growth Forecast For Armenia

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Economic growth in Armenia is slowing down and on course to fall well short of a 7 percent target set by President Serzh Sarkisian for this year, the International Monetary Fund insisted on Thursday.

'Growth is expected to be below 4 percent in 2013, but to rise gradually to 5 percent in the medium term, predicated on strong structural reforms, greater regional integration, and enhanced public, private, and foreign investment,' Mark Horton, the head of an IMF mission that visited Yerevan this month, said in a statement.

Horton said that economic activity in Armenia is 'moderating' after last year's 7 percent increase in GDP because of less favorable external conditions, increased fiscal austerity and slower credit growth. The recent sharp rises in domestic gas and electricity prices are also a factor, he said.

The IMF similarly forecast in its World Economic Outlook released in April that the Armenian economy will likely expand by just over 4 percent in 2013 and 2014.

Armenian government data also indicates an economic slowdown. The National Statistical Service (NSS) registered a year-on-year GDP growth rate of less than 1 percent in the second quarter of this year, sharply down from 7.5 percent in the first quarter.

The IMF projections are at odds with economic targets that were set by President Serzh Sarkisian for the Armenian government earlier this year. 'An Armenian government that does not ensure 7 percent economic growth in 2013-2017 must resign,' Sarkisian warned shortly after his disputed reelection in February. The president likewise told his newly reshuffled cabinet in May to make sure that the GDP growth rate does not fall below 7 percent in 2013.

The government came up with slightly more conservative annual growth projections, 5-7 percent, in its five-year policy program that was approved by the Armenian parliament later in May. The program says that continued growth will translate into over 100,000 new jobs, double the national minimum wage, and reduce the official poverty rate by at least 8 percentage points in 2013-2017.

The poverty rate currently stands at around 35 percent, up from 24 percent in 2008. The government blames the increased number of Armenians living below the official poverty line on the 2008-2009 global financial crisis. The Armenian economy contracted by as much as 14 percent in 2009.

The IMF mission led by Horton met with Prime Minister Tigran Sarkisian and other senior Armenian officials from September 5-18 to discuss the possibility of a new IMF loan to the authorities in Yerevan. The visit was apparently timed to coincide with the completion of a three-year IMF lending program worth roughly \$407 million. It has helped to shore up macroeconomic stability in the country following the 2009 recession.

The IMF statement said nothing about the results of the mission's 'initial discussions' on fresh IMF funding. But Horton did indicate the fund's

overall satisfaction with the government's economic policies. 'The fiscal deficit in 2013 is likely to be below 2 percent of GDP, compared with 2.6 percent in the budget,' he said. 'Revenues are expected to meet the budget targets.'

Horton at the same time called for more 'structural reforms' that would improve Armenia's business environment and tax administration.
