

**Russian-Armenian University
Chair of Economics and Finance**

**XII Annual Conference on the Global Economy
«Challenges of catch-up: Emerging countries in the global economy»**



NEW GEOPOLITICAL REALITY: THREAT OR OPPORTUNITY FOR ECONOMIC BREAKTHROUGH OF ARMENIA

Mariam Voskanyan



4-6 December, 2024г.



NEW GEOPOLITICAL REALITY: WHAT HAS CHANGED?

DEGLOBALIZATION

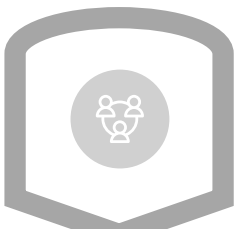


GLOBAL FINANCIAL CRISIS: CRISIS OF MACROECONOMIC REGULATION.

2007-2009гг.

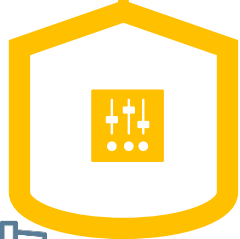
2014-2015гг.

FALLING OIL PRICES: CURRENCY CRISIS IN RUSSIA.



COVID 19 PANDEMIC CRISIS: LOCKDOWN OF ECONOMIC ACTIVITIES.

2020-2021гг.



2022-present

SVO: SIGNIFICATION OF RELATIONS BETWEEN COUNTRIES IN THE WORLD'S GEOPOLITICAL ARENA.



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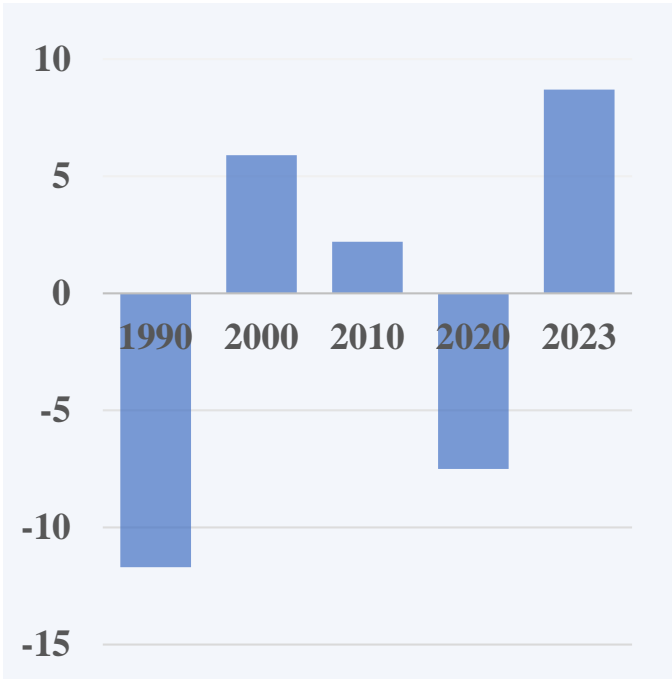
20XX?





ARMENIA: MAIN INFORMATION

GDP, % growth

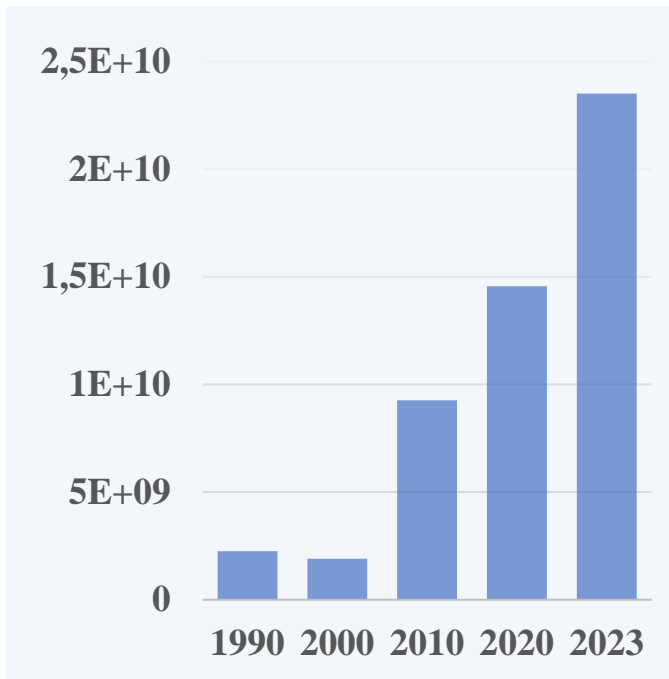


The most significant decline in GDP was observed in 1992 and amounted to 41.2%.

Source: World Bank Database - <http://data.worldbank.org/>

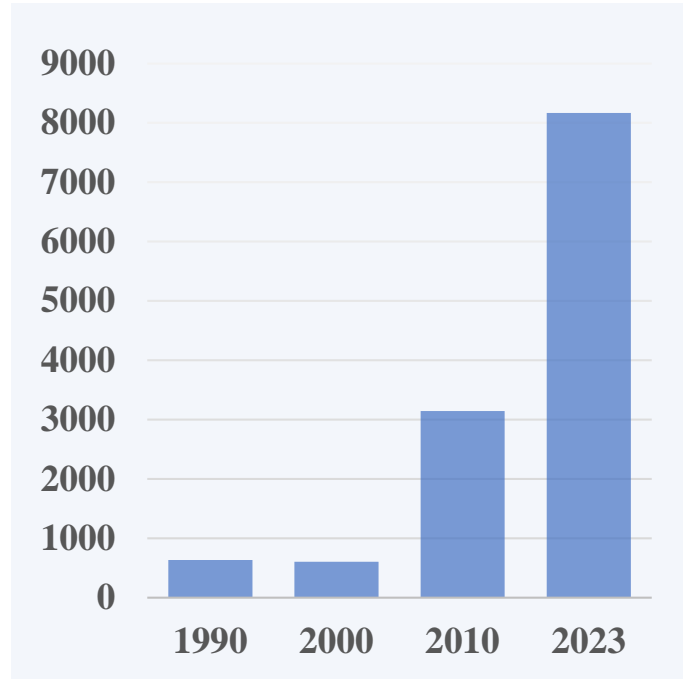
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GDP



Armenia's GDP by the end of 2023 amounted to 23.5 billion US dollars

GDP per capita



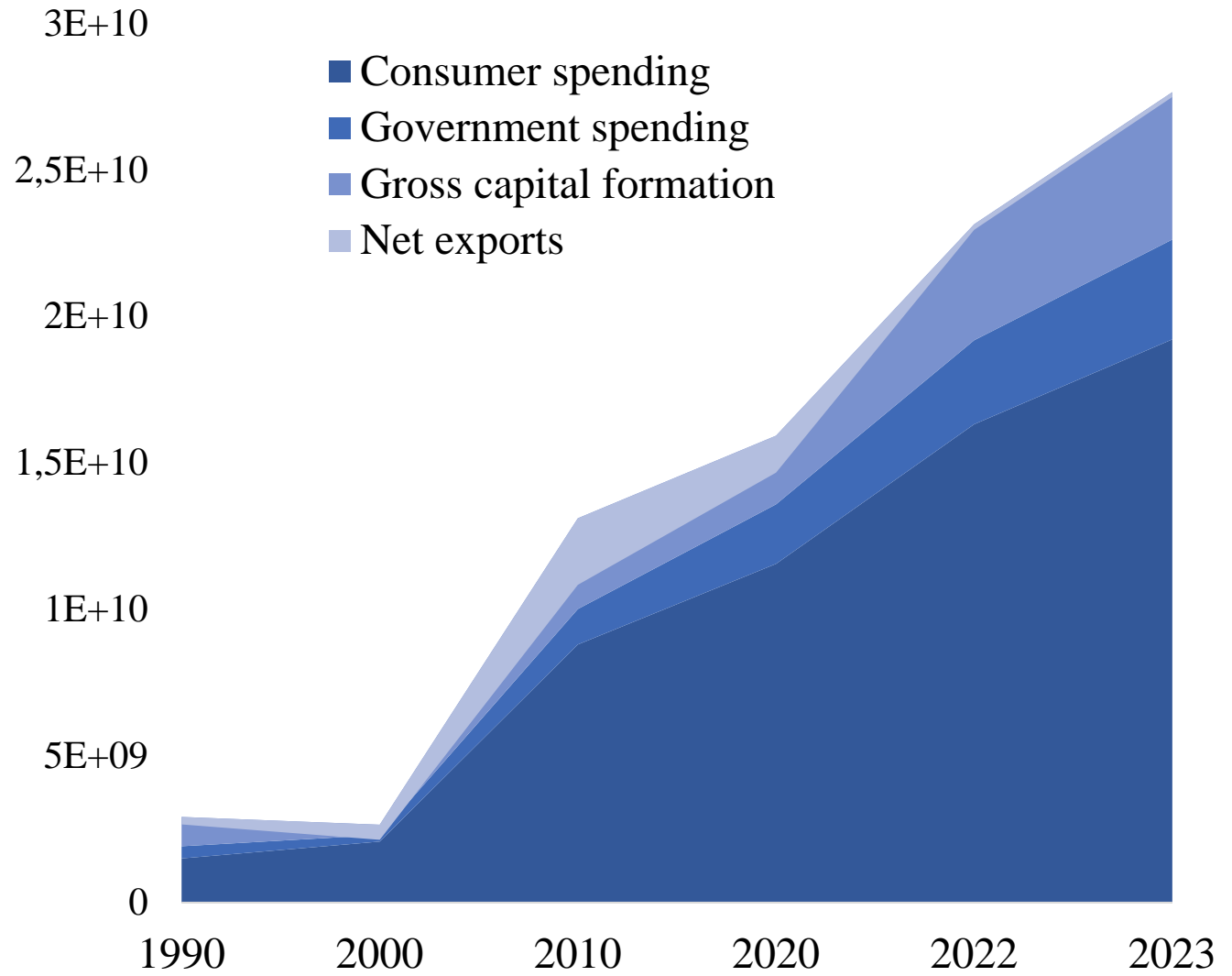
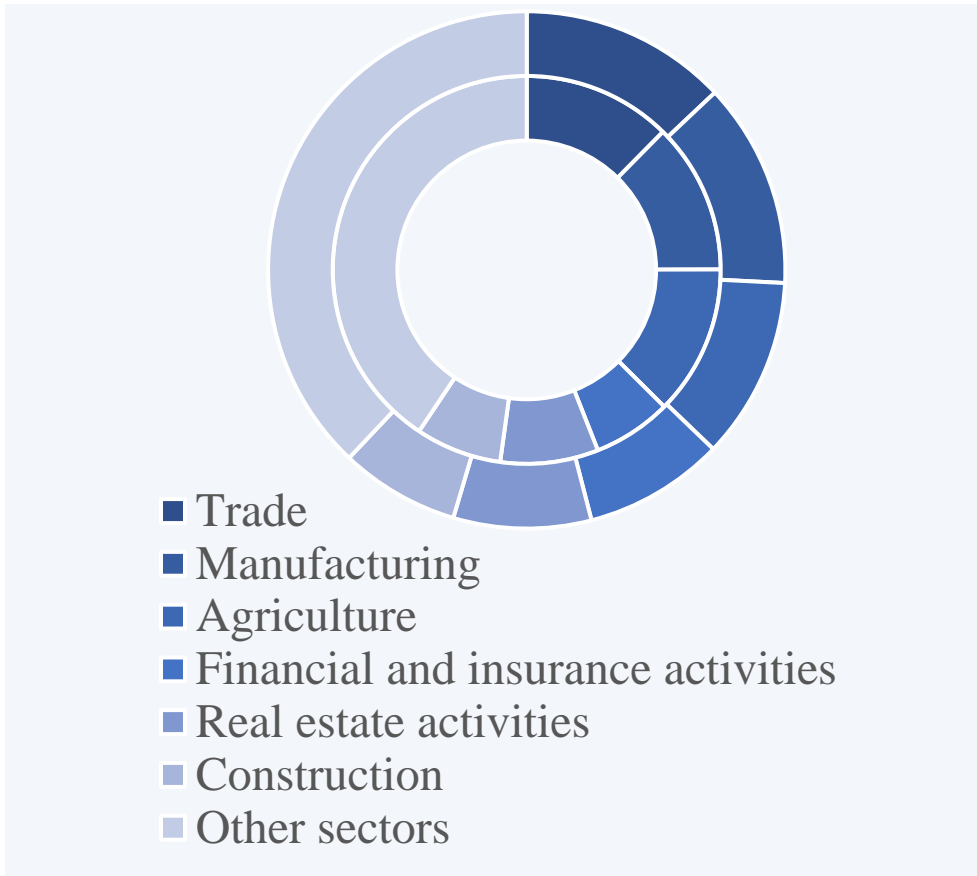
GDP per capita in 2023 was 8168 US dollars





STRUCTER OF GDP

GDP structure by industry in 2021-2022



Source: World Bank Database - <http://data.worldbank.org/>





WHAT ARE THE PREREQUISITES FOR AN ECONOMIC BREAKTHROUGH?

Quite a favourable investment environment.

INVESTMENT ENVIRONMENT

A fairly high level of human capital development compared to many developing markets.

HUMAN CAPITAL

NATIONAL INSTITUTE OF DEVELOPMENT

Innovation Management

Investment Promotion Department

Department for Development of the Real Sector

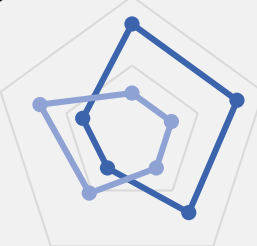
"ARMENIAN CROSSROADS"



FINANCIAL SYSTEM

Developed banking system

Strong banking supervision



- Creation and support of innovative potential of the economy.*
- Export promotion and export oriented enterprises.*
- Establishing interaction between Armenian companies and companies in various regions and countries of the world.*

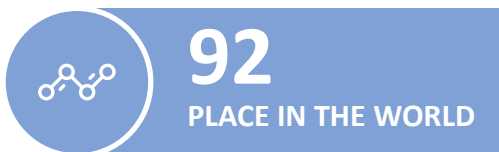




INSTITUTIONS



Index of Economic Freedom



Rule of law



Ownership



Shadow economy, % of GDP

Source: World Economic Forum - <https://www3.weforum.org>

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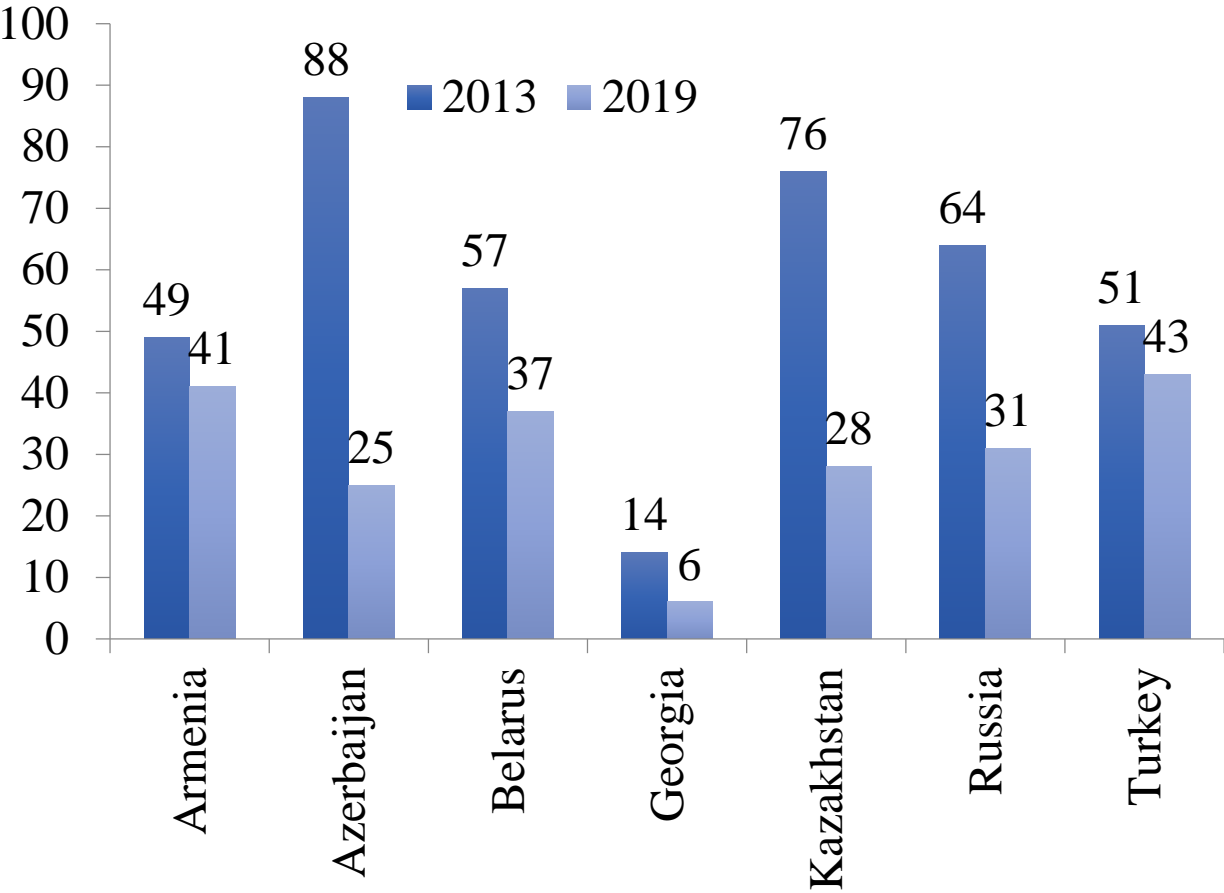
■ 2019 (Place in the world)



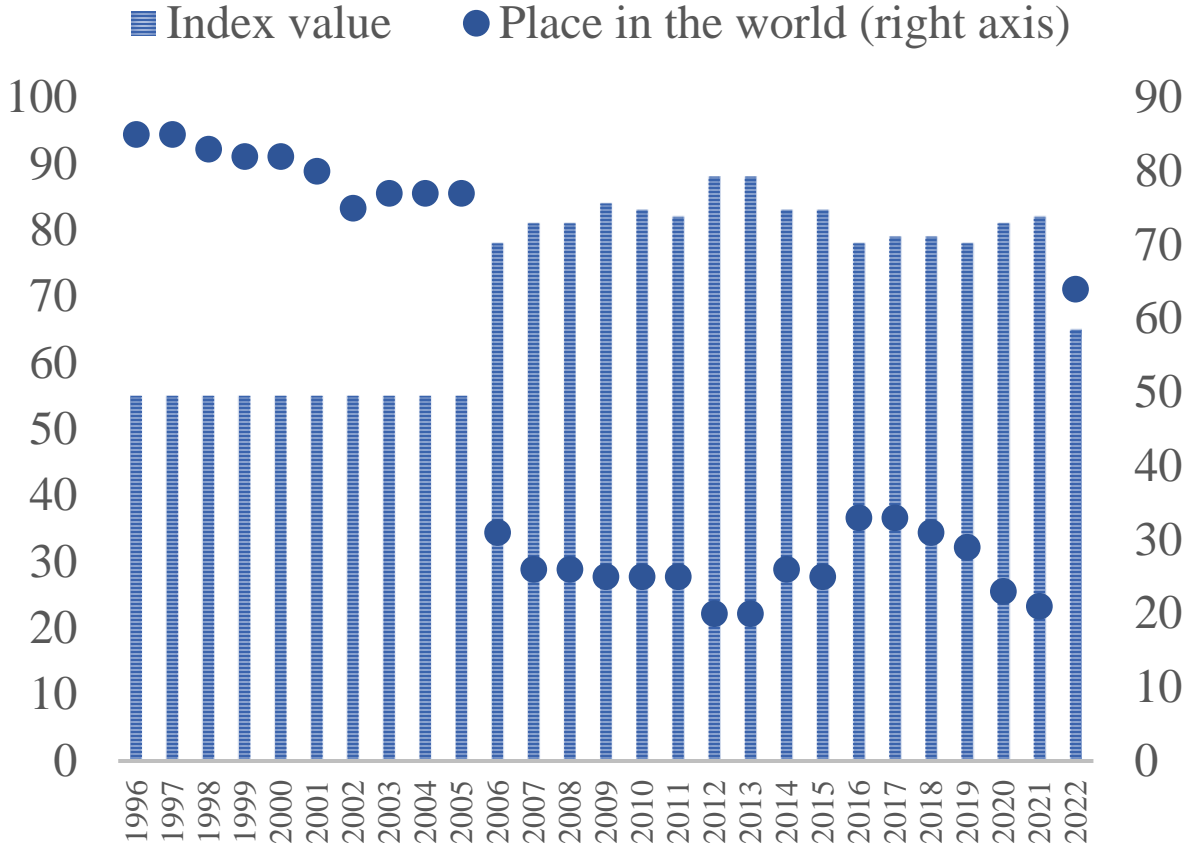


BUSINES ENVIRONMENT

Ease of Doing Business Index, Rank



Business Freedom Index



Source: World Economic Forum - <https://www3.weforum.org>





FOREIGN ECONOMIC ACTIVITIES



74th place in the world
Trade Freedom Index



Export - 35% of GDP | **Import - 52% of GDP**

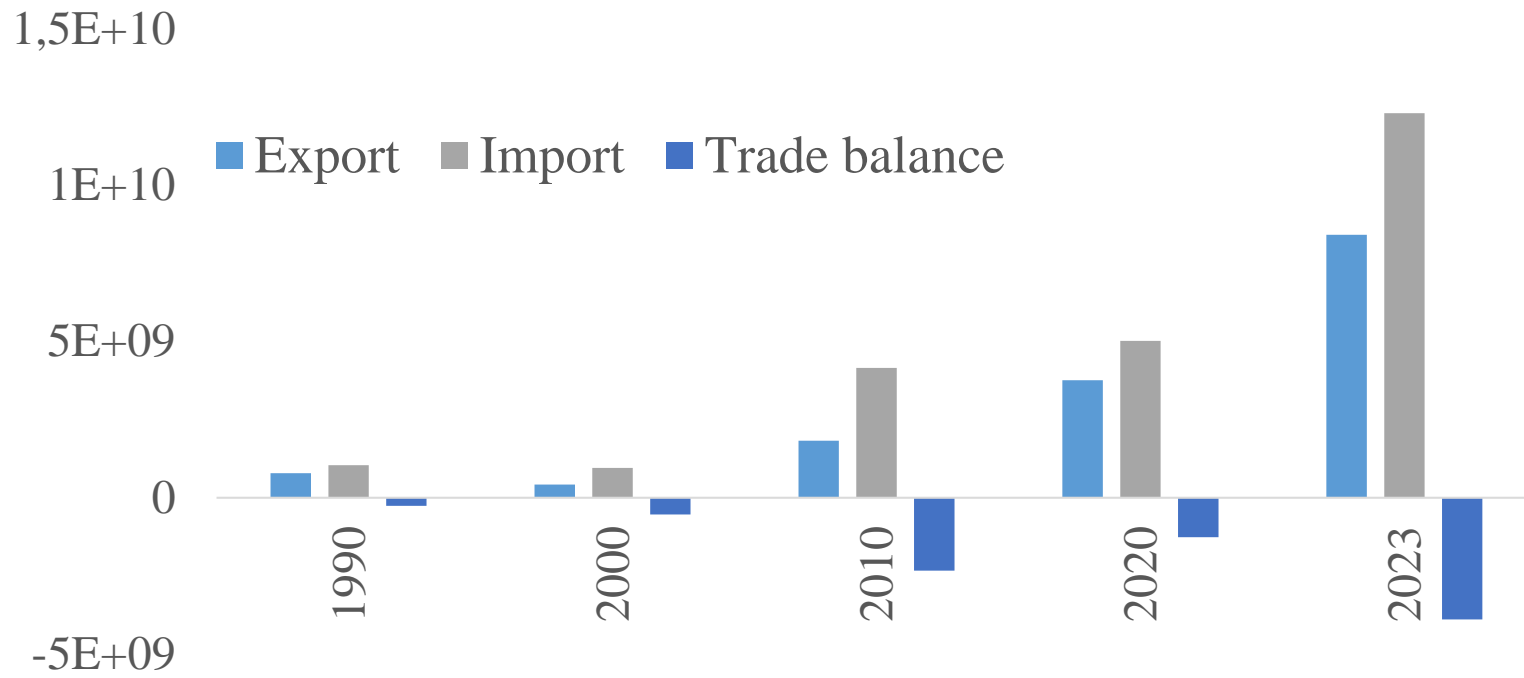


30th place in the world
Investment Freedom Index

TRADE BALANCE

Over the past thirty years, Armenia's trade balance has been negative.

Export growth 55,3%
Import growth 40,2%



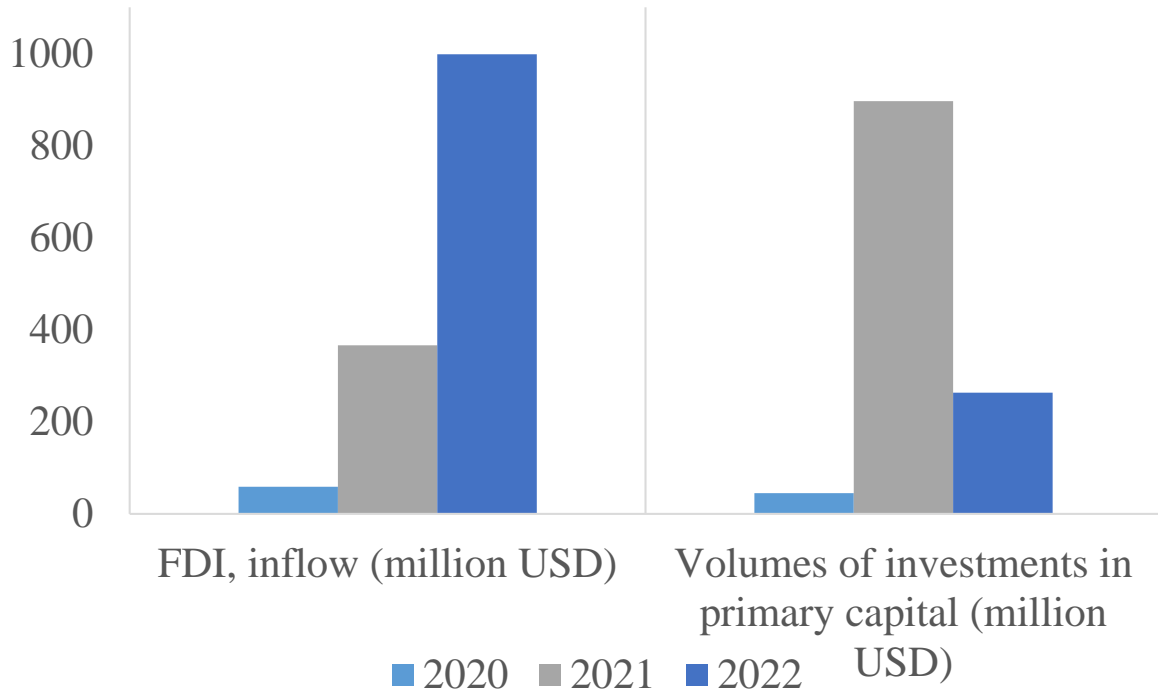
Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





INVESTMENT ENVIRONMENT

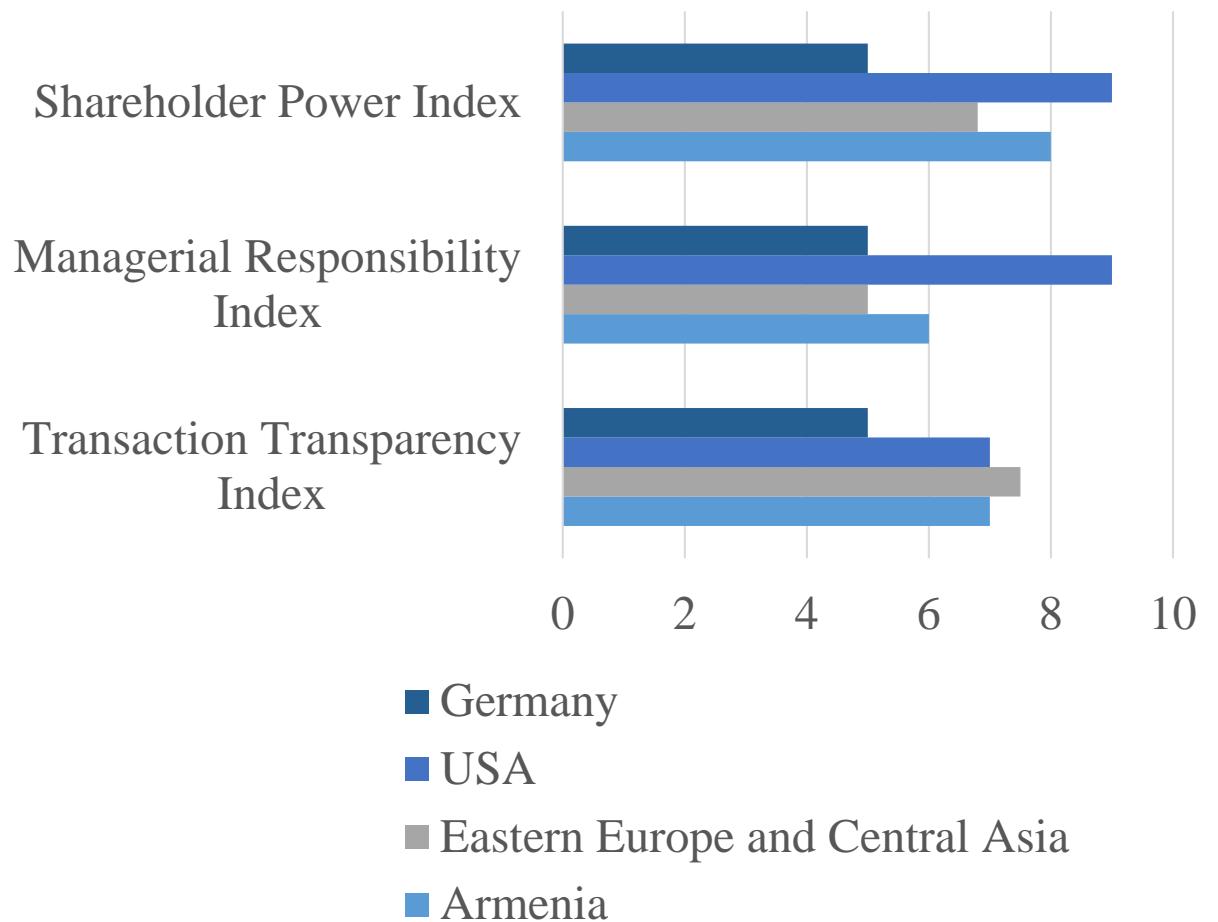
FOREIGN DIRECT INVESTMENT



Source: World Economic Forum - <https://www3.weforum.org>

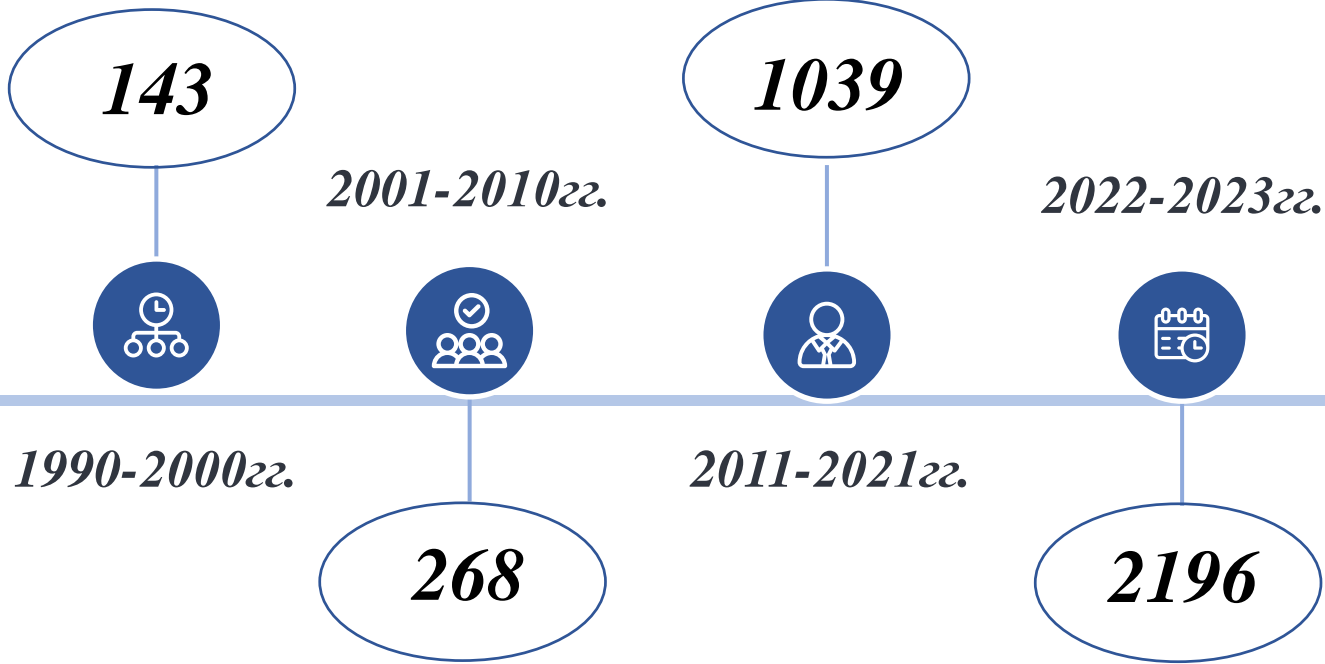
- *Number of new investments in 2022–2024.*
- *There are virtually no portfolio investments.*

INVESTORS PROTECTION

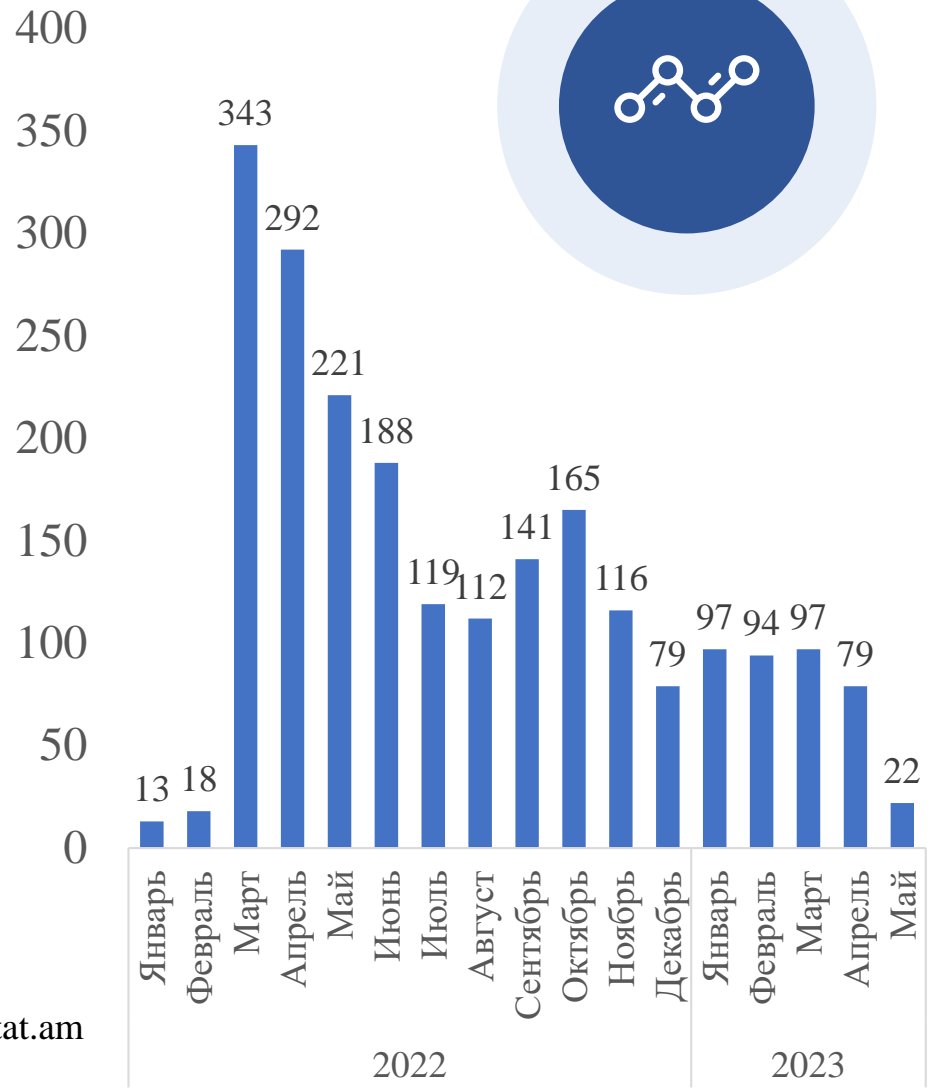




PARTICIPATION OF RUSSIAN CAPITAL IN THE ECONOMY OF ARMENIA



NUMBER OF COMPANIES WITH RUSSIAN CAPITAL REGISTERED IN ARMENIA

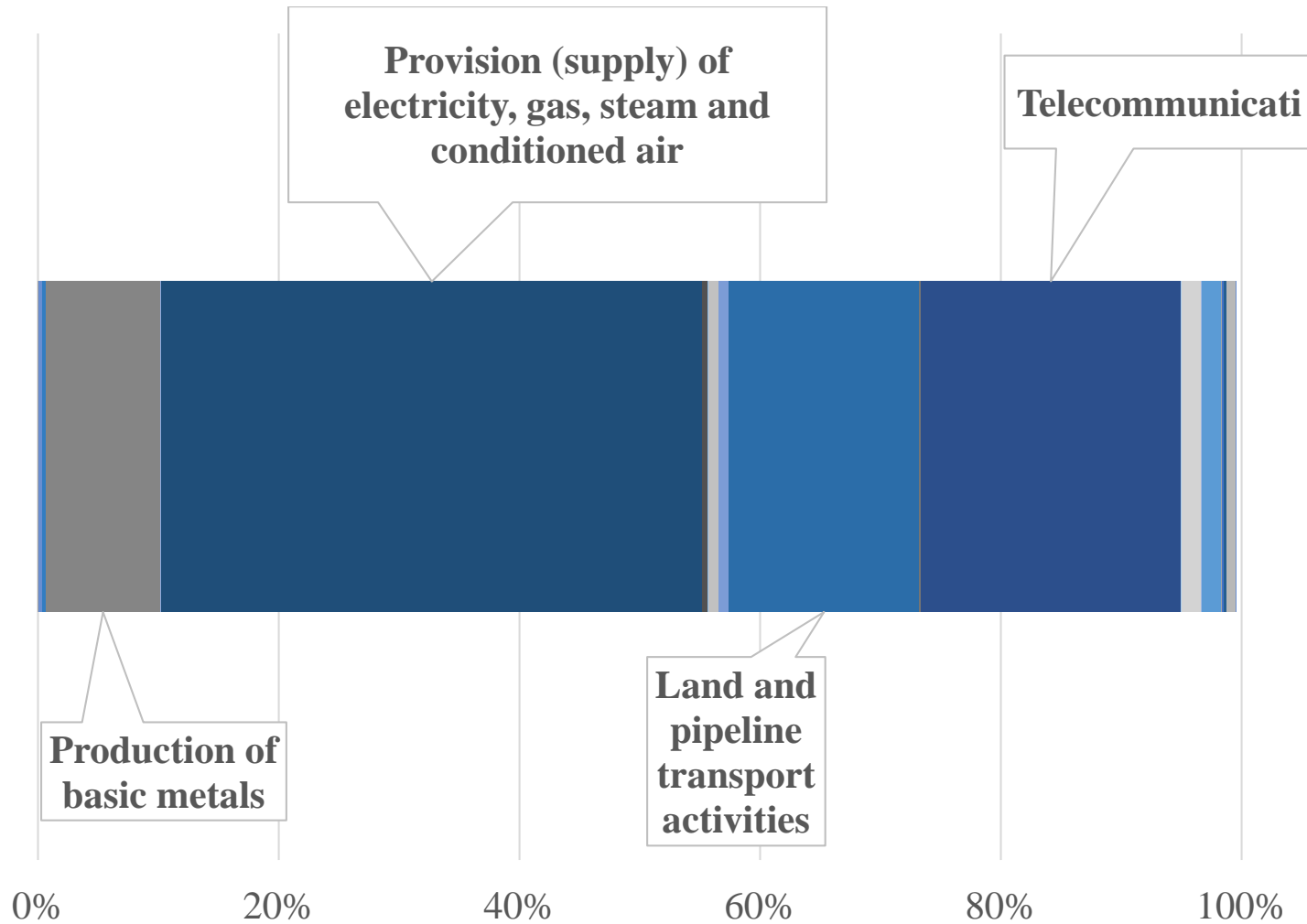


Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





KEY SECTORS INVESTED BY RUSSIAN CAPITAL, IN TOTAL FOR 2007-2021



Most of the investments are short-term in nature and include sectors that do not lead to sustainable economic growth in the long term.



Production of basic metals 9,6%



Provision (supply) of electricity, gas, steam and conditioned air 45%



Land and pipeline transport activities 16%



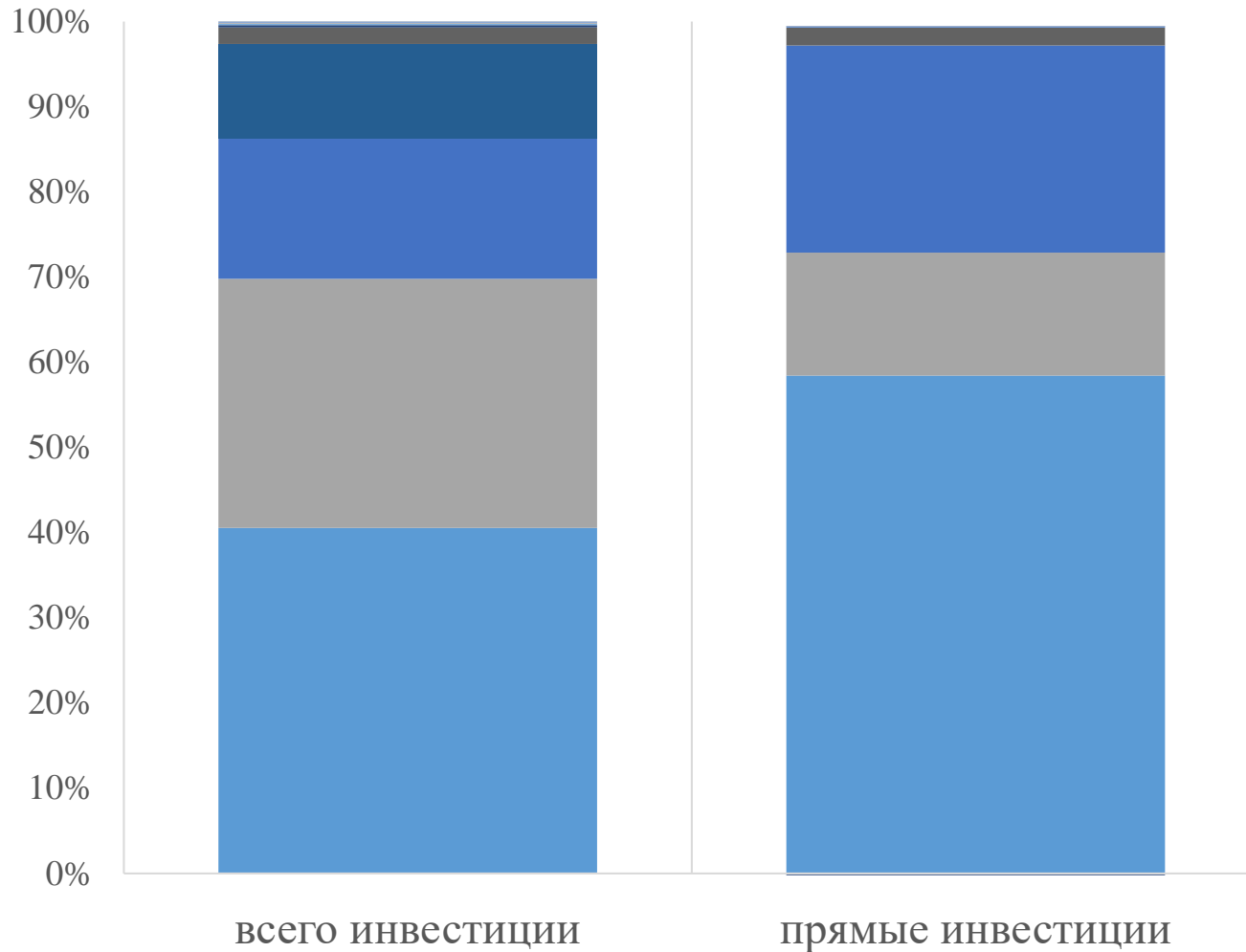
Telecommunications 22%

Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





KEY SECTORS INVESTED BY RUSSIAN CAPITAL, 2022



Investments in 2022 were mostly directed towards the raw materials sector, as well as real estate.



Extraction of metallurgical ores 40%



Provision (supply) of electricity, gas, steam and conditioned air 22%



Activities related to real estate 30%



Telecommunications 9%

Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





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INVESTMENT ENVIRONMENT

"ARMENIAN CROSSROADS"



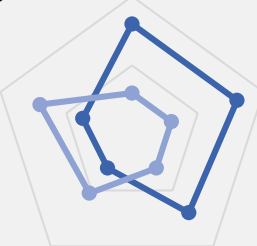
A fairly high level of human capital development compared to many developing markets.

HUMAN CAPITAL

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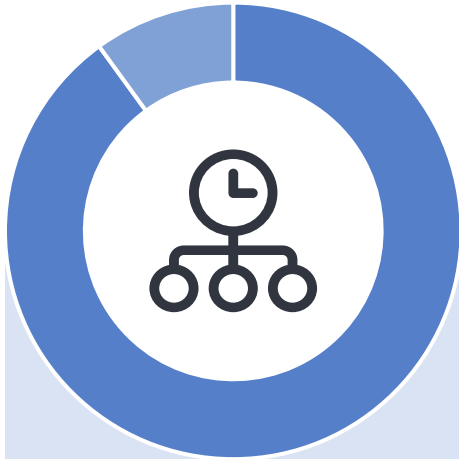
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LABOR MARKET

EMPLOYMENT



There has been an increase in employment in recent years.

50,9%

UNEMPLOYMENT



Unemployment reduction starting in 2020

13,5%

LABOR FORCE



There has been a definite increase in the workforce in recent years.

1 311 300
million people

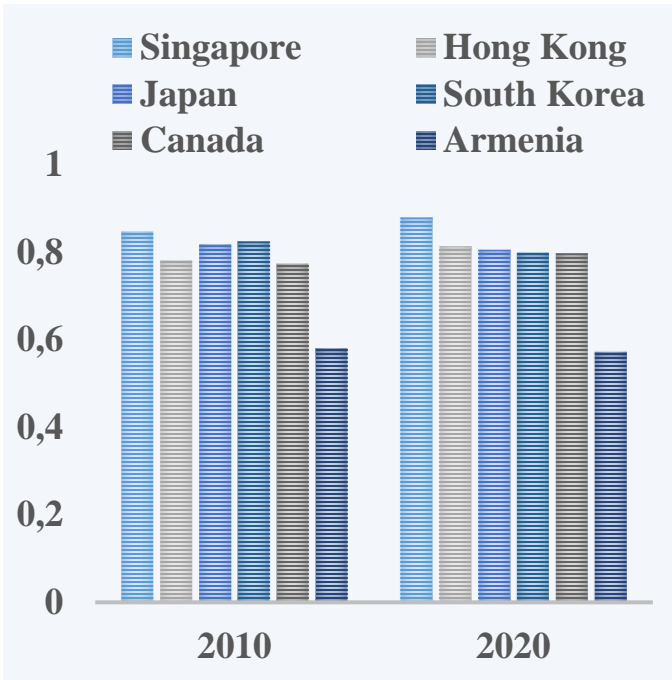
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HUMAN CAPITAL

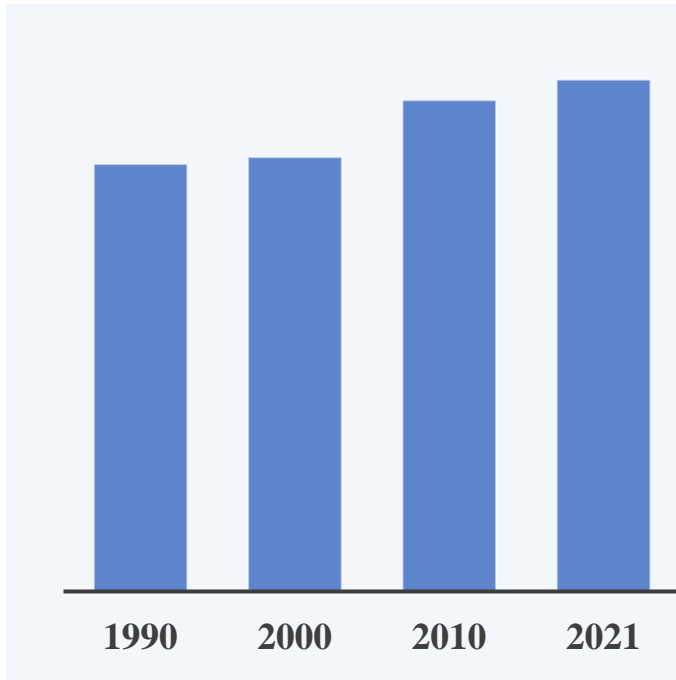
Human Capital Index



Armenia ranks 75th out of 157 countries in the world in the Human Capital Index.

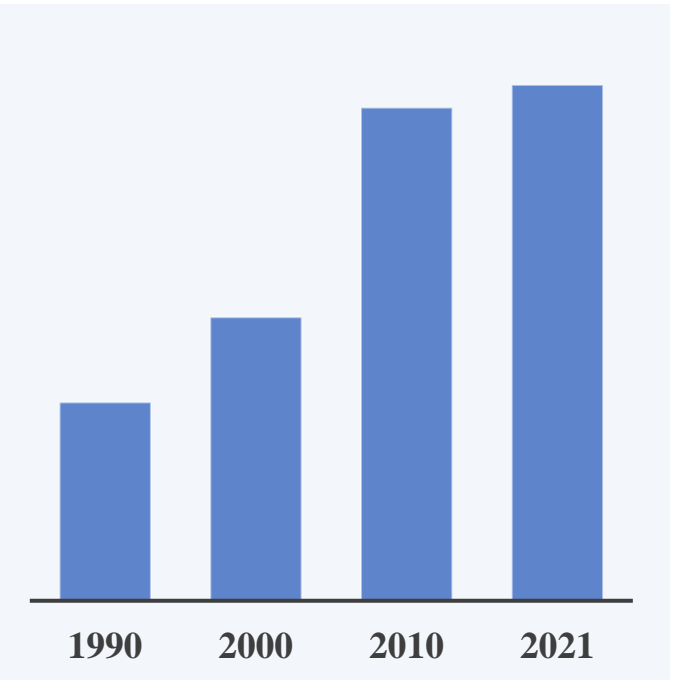
Source: World Economic Forum - <https://www3.weforum.org>

Human Development Index



Armenia ranks 85th out of 191 countries in the Human Development Index.

Education Index



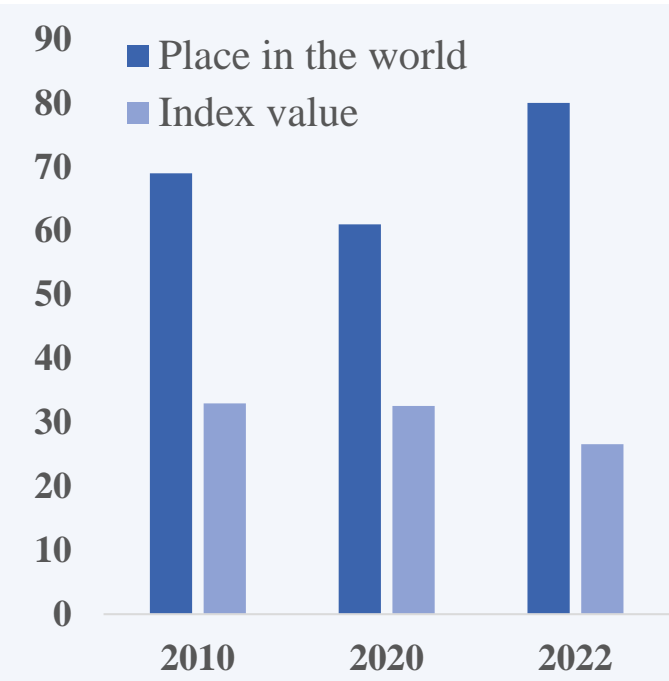
According to the Education Index, Armenia ranks 78th out of 191 countries in the world.





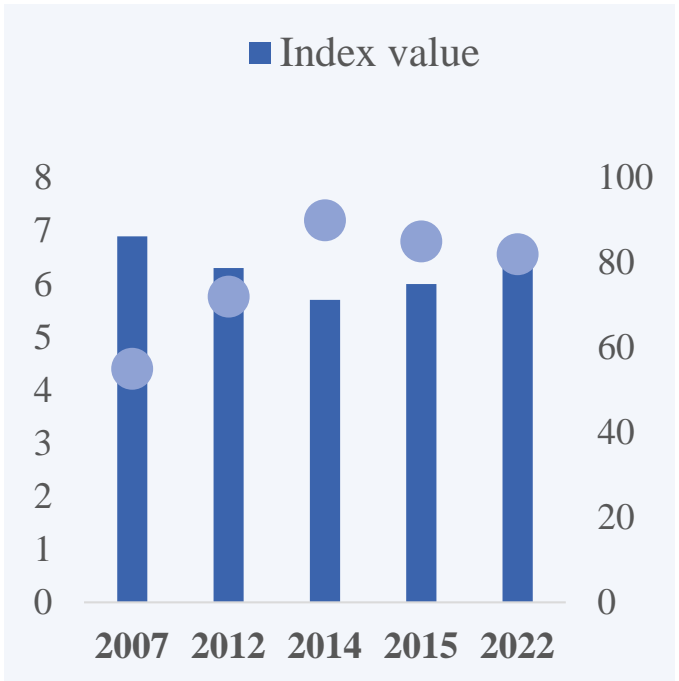
HUMAN CAPITAL

Global Innovation Index



Armenia ranks 80th in the world in the Global Innovation Index.

Human Exodus and Brain Drain Index



Armenia ranks 82nd in the human flight index.

Knowledge and technology outputs



Source: World Economic Forum - <https://www3.weforum.org>





STANDARD OF LIVING



\$ 188; AMD 75 000

Minimum wage, 2023



**Quality of
life index**

116,23
(low index)



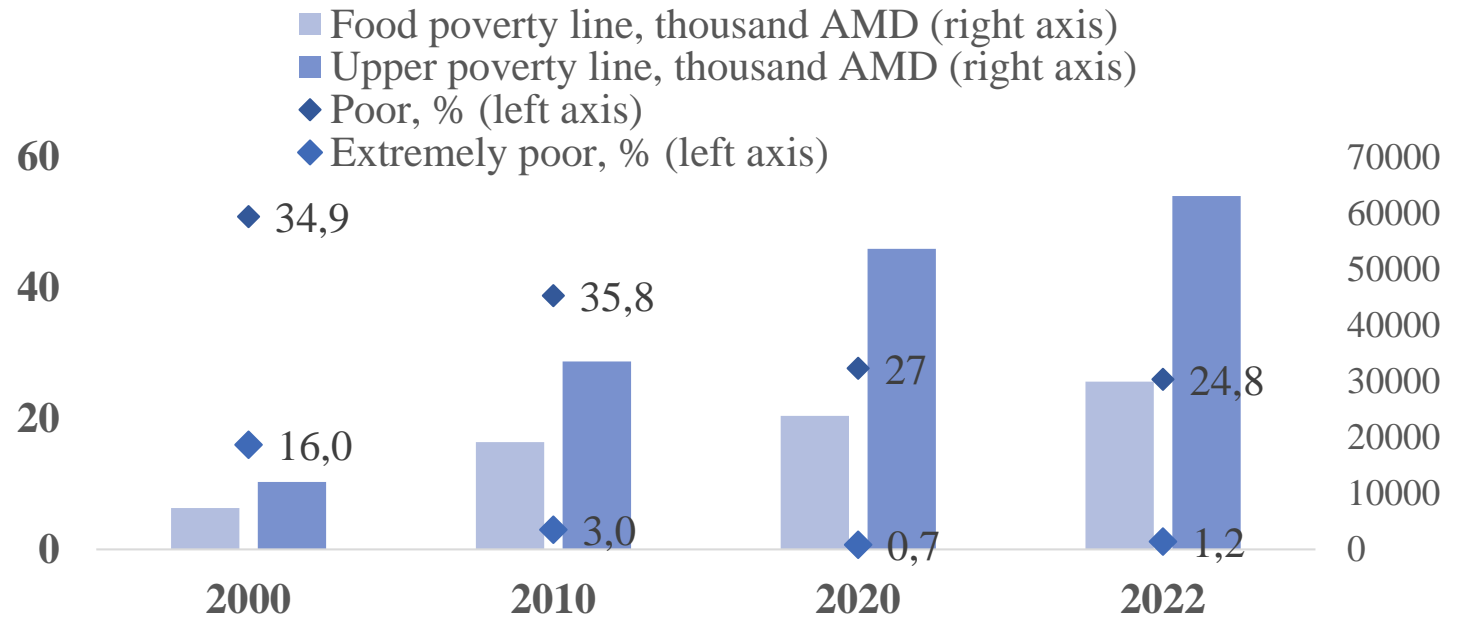
\$ 541, AMD 235 576

Average monthly salary, 2022

POVERTY LEVEL

*High poverty
levels remain a
key issue!*

24,8%



Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





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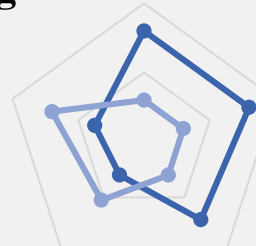
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FINANCIAL SYSTEM



Market capitalization (% of GDP)



Total loans from the banking sector (% of GDP)

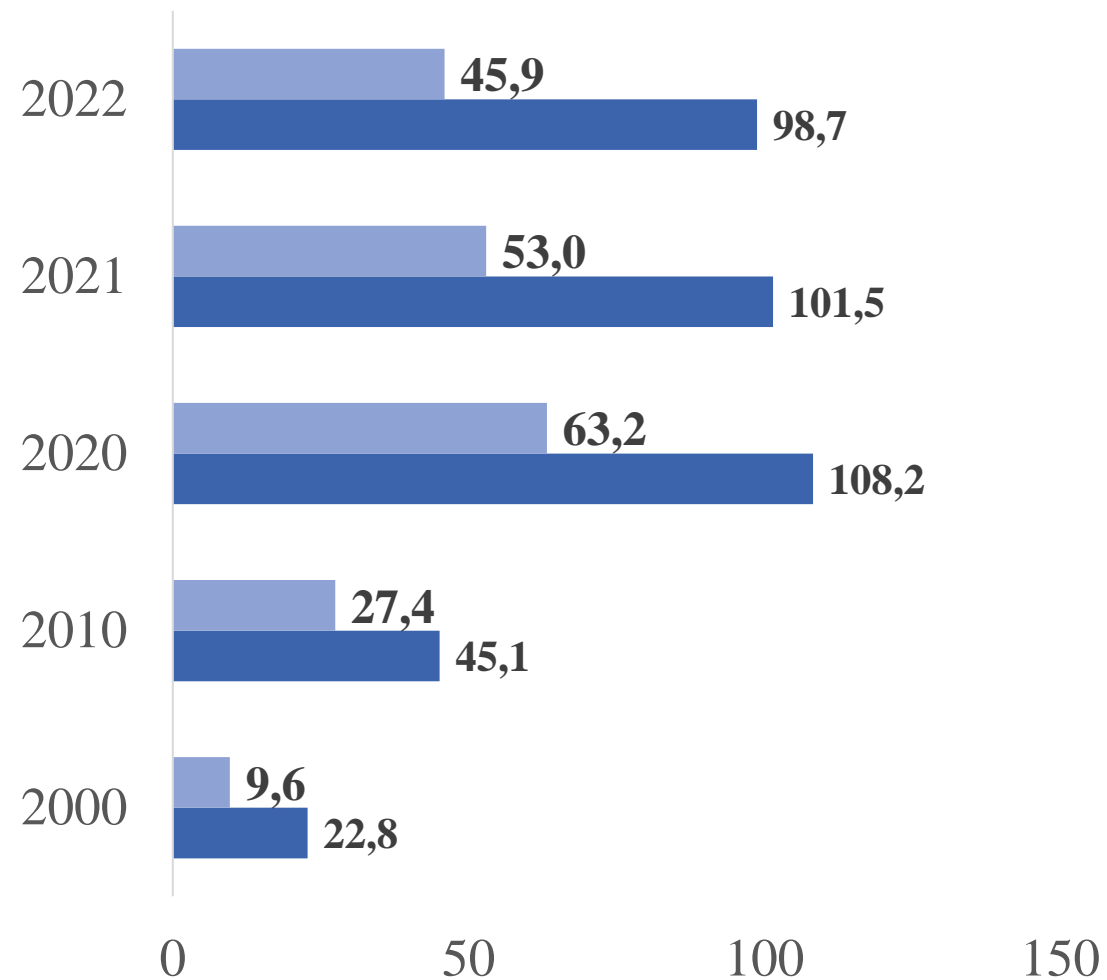


Total loans to the real sector (% of GDP)



Gross savings (% of GDP)

■ Total loans of the banking system /GDP
 ■ Total assets of the banking system /GDP



Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>






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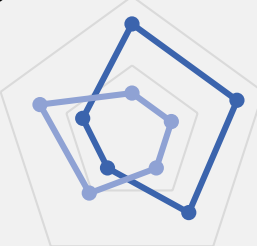
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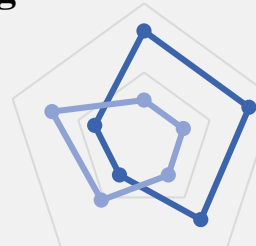
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IT IS NECESSARY TO CREATE AN INSTITUTE FOR THE DEVELOPMENT OF ARMENIA!!!

Among the key measures of support for priority sectors of the Armenian economy by the Development Institutes, the following should be highlighted:



Creation and support of innovative potential of the economy.



Export promotion and export oriented enterprises.



Establishing interaction between Armenian companies and companies in various regions and countries of the world.



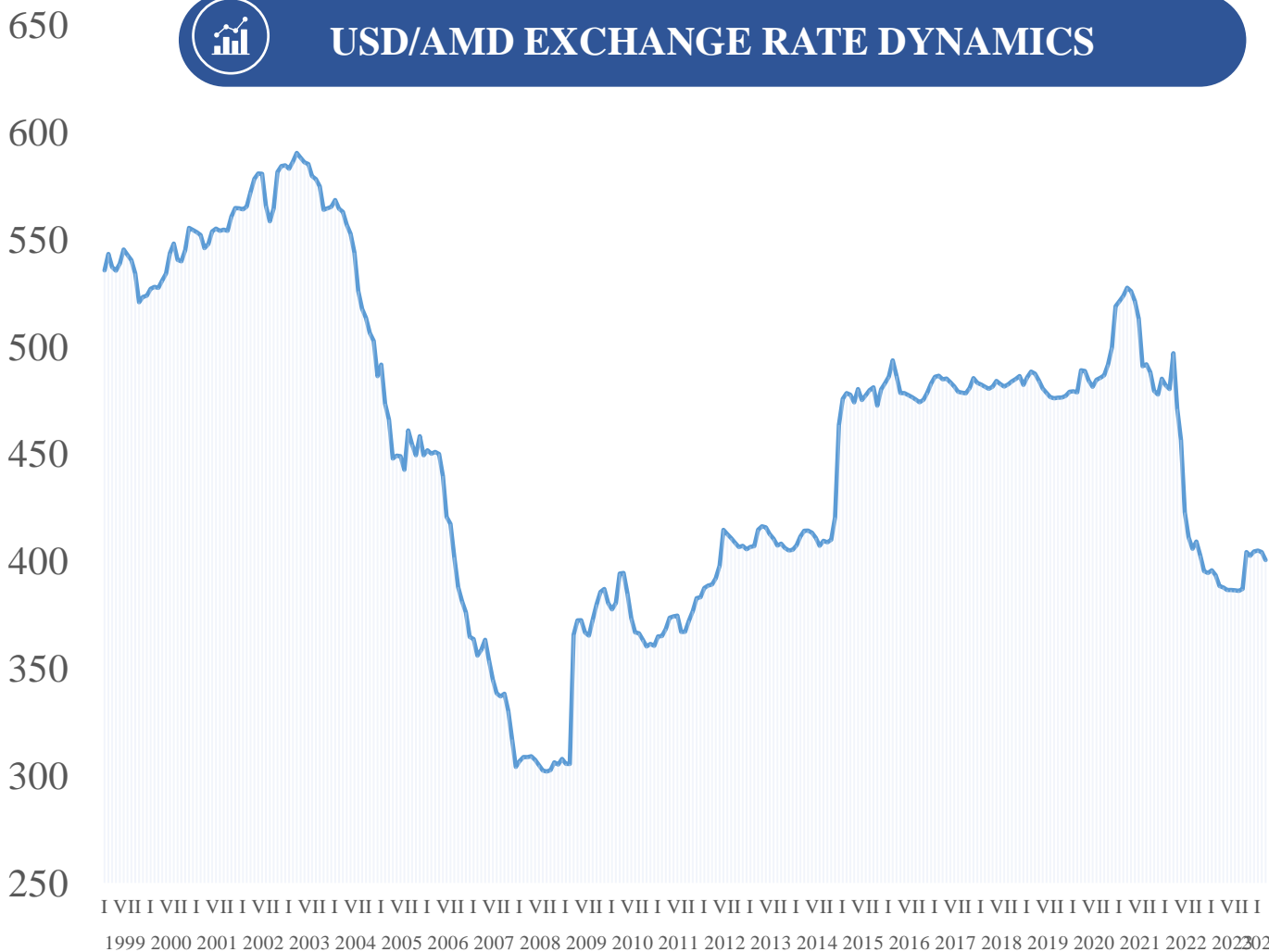
Promoting economic growth and improving the well-being of the population of Armenia.



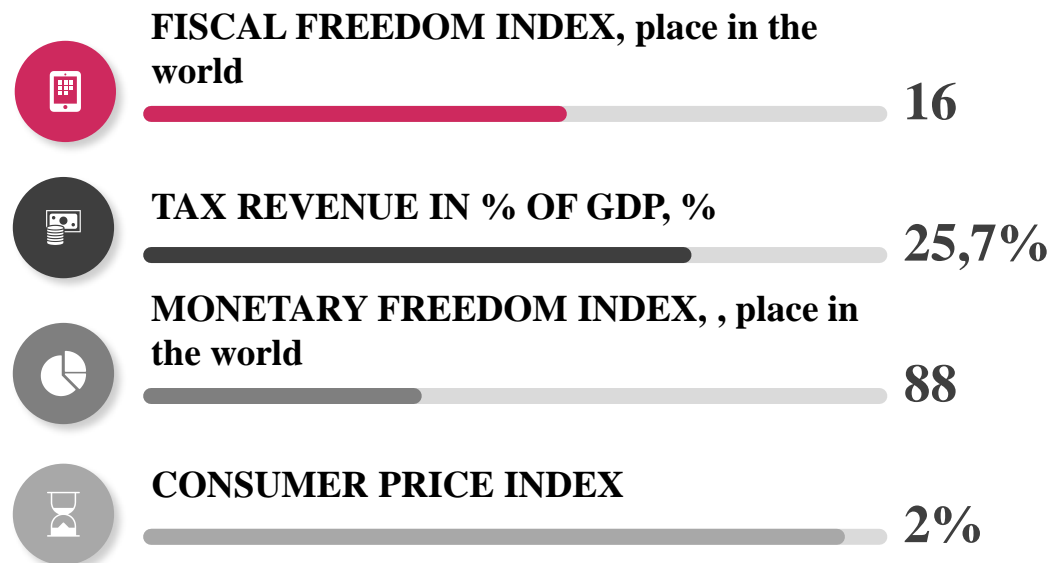


MACROECONOMIC POLICY

USD/AMD EXCHANGE RATE DYNAMICS



Armenia's macroeconomic policy is quite liberal. However, in general, both fiscal and monetary policies are restrictive.



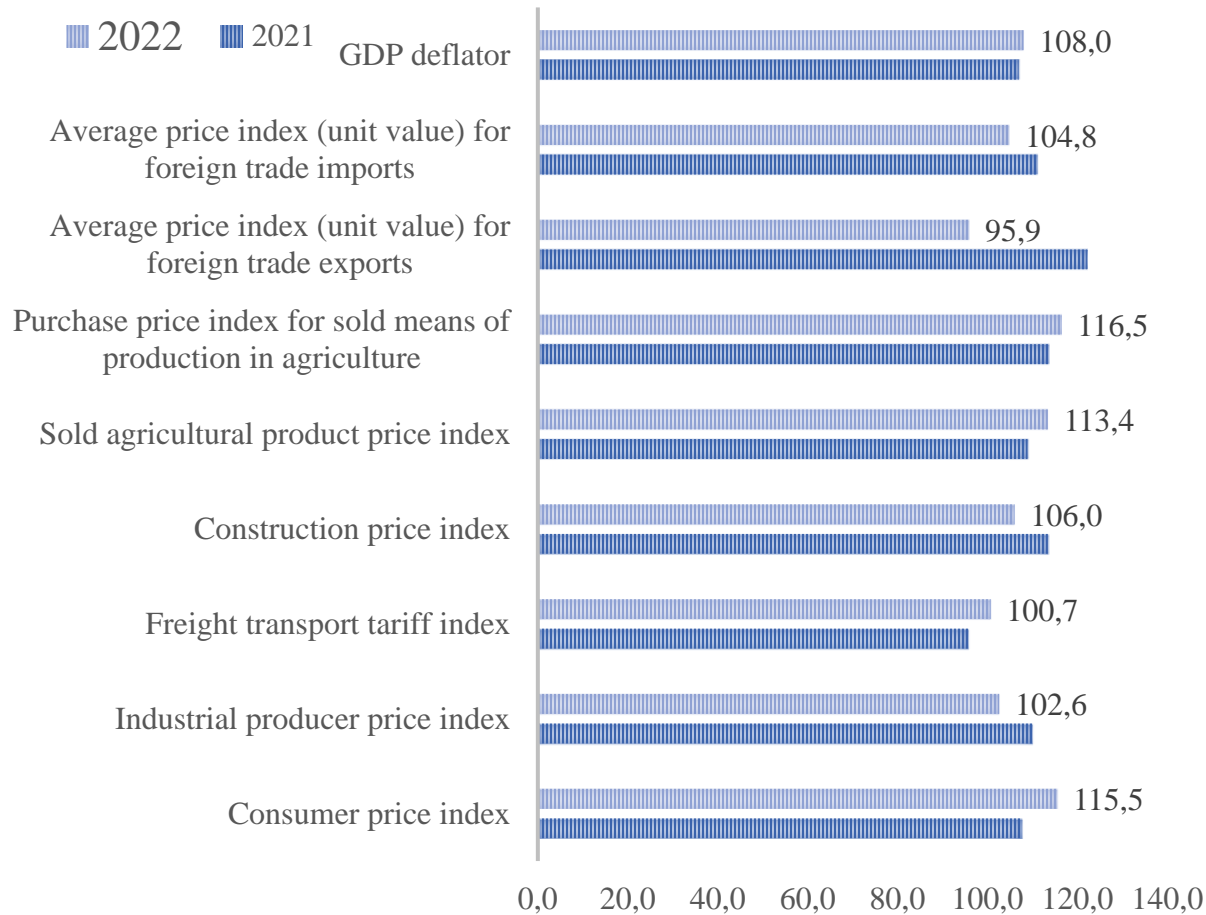
Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>





MACROECONOMIC POLICY: PROBLEMS

MONETARY REGULATION



Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>



A monetary policy that stimulates exports is needed!



It is necessary to abandon inflation targeting as a factor restraining economic growth!



A stimulative monetary policy is needed, the key goal of which should be to ensure sustainable economic growth in the long term!!!





MACROECONOMIC POLICY: PROBLEMS



Soft taxation for small and medium businesses!



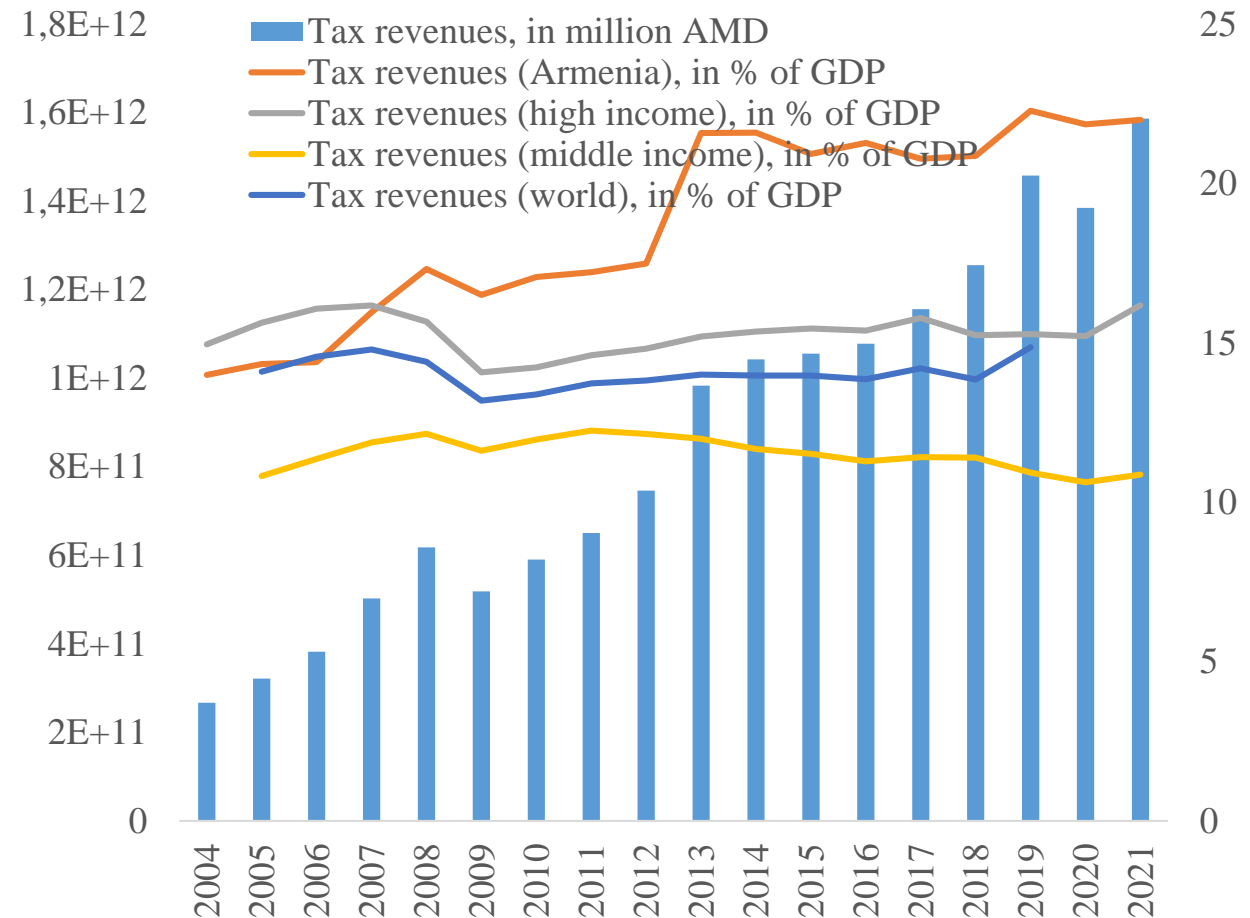
Zero income tax rate on income from investments and financial assets.



Increase spending on infrastructure, science, education, and, in general, on the development of human capital!!!

Source: Database of the National Statistical Service of the Republic of Armenia – <http://www.armstat.am>

FISCAL AND BUDGETARY REGULATION





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