



In the case of Armenia, it is too early to assess the economic consequences of its complex military-political situation, the 44-day war that started on September 27, 2020, and the ethnic cleansing process of Armenians living in Artsakh carried out by Azerbaijan. Despite the current circumstances, some positive changes have been observed in the economy of Armenia since last year. In particular, the flow of international visitors has significantly increased in the Republic of Armenia (RA), as a result of which economic demands have increased, especially in the fields of trade and service. For years, the mining and agriculture fields occupied the largest share in the structure of the gross domestic product (GDP) of Armenia, but in recent years the picture has changed. The mining sector has lost ground to the trade and service fields. Studying the RA GDP according to the types of economic activity, we note that according to the data of the second quarter of 2023, the largest share in the GDP

structure is devoted to trade: 13.2% compared to 12.3% in the same period last year. Contrary to that, the share of manufacturing and mining fields in GDP decreased to 10.4% and 3.1% respectively, compared to 10.7% and 5.1% in the previous year. The share of agriculture in the structure of GDP also decreased to 7.1% from last year's 10%. In the second quarter, the GDP at current prices was \$2.138 trillion. Particularly, in the first 8 months of this year, the Indicator of Economic Activity (IEA) increased by 10.4% compared to the same period last year. The IEA's high growth rates were mainly due to the high growth recorded in the fields of trade and construction, by 23.1% and 17.3% respectively. Significant growths in the fields of trade and services (especially in IT) have been noticed in RA since the Russian-Ukrainian conflict, and the growth of the construction sector is mainly due to an increase in the volume of residential building construction in the real estate

sector and the corresponding increase in demand. Even so, it should be noted, that a certain decline of 0.1% was recorded in the field of industry, which is mainly due to the decline of the manufacturing industry branch, as well as the relatively low growth of the mining industry branch. During the last 2 years, the volumes of the RA foreign trade turnover have also increased at a fairly high rate. Since the beginning of last year, the foreign trade turnover of RA has recorded a significant growth trend. Evaluating the current economic developments in Armenia and taking into account the high growth rates in the fields of construction and services, the Central Bank of RA raised the economic growth forecasts. At the end of 2023, 7.2% economic growth is expected compared to the previous forecast of 6.9%. The RA Government has set a 7% growth rate for 2023, expecting that the current positive developments in the RA economy will continue to be maintained. According to the latest Mac-

roeconomic Outlook report of the Eurasian Development Bank (EDB), the improvement of the current situation and economic prospects in Russia will have a positive impact on the volume of foreign remittances and foreign demands of Armenia. As a result, real GDP growth of 7.5% was predicted for 2023, which was improved by 3.3 percentage compared to the previous forecast. A relatively low growth of 5.1% was predicted for 2024. According to the latest forecasts made by EBRD and EDB, at the end of the current year, the highest growth among the countries of the region is expected in Armenia. Thus, despite the current complex geopolitical situation, in general, the RA economy has managed to absorb the impulses transmitted from the external sector, responding to the existing challenges. In recent years, structural changes have also been recorded in the RA economy, as a result of which trade and services and to some extent construction are considered the leading branches of the economy.

The energy sector is not one of the most developed avenues of cooperation between Armenia and Georgia, but the parties started to secure cooperation in this field last year. Like Armenia, Georgia has few fossil fuel resources and is mainly dependent on imports. Most of Georgia's domestic energy production comes from hydro and biofuels.



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dependent on imports, mainly from Russia. Increasing energy trade with neighboring Georgia and Iran as well as alternative options for electricity have been discussed in recent years. Infrastructure works, unfortunately, are being implemented slowly. Currently, there are three power transmission lines between Armenia and Georgia: one with a capacity of 220 kW and two with a capacity of 110 kW. In 2023, the construction of a line with a capacity of 400 kW will begin, with a loan received from the German bank KfW. The construction of a new infrastructure connecting Georgia and Armenia is important for strengthening the energy systems of the two countries. Moreover, in 2022, Armenia and Georgia signed an agreement on mutual electricity aid in emergency situations. The framework agreement of Rus-

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sia-Georgia-Armenia-Iran continues to operate as well. The construction of a 400 kW line from Iran to Armenia is also underway, which will be completed by the end of this year. It should be noted that after the construction of these 2 lines, the above-mentioned countries will be able to trade electricity more easily. The implementation of the North-South energy corridor project between Russia, Georgia, Armenia, and Iran will enable these countries to secure regional cooperation in the energy sector. It is important for all parties to implement the construction and operation of the infrastructure as quickly as possible in accordance with the highest standards. Especially after the recent change in the balance of power in the South Caucasus region, regional cooperation in the energy sector can be an impetus for stability.

Armenia faces external challenges

Economic risks, opportunities

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OPINION EXCLUSIVE

Under the current external challenges and uncertainties, the development and implementation of policies that are aimed at performing highly efficient risk management and curbing the negative impulses transmitted from the world economy have gained great importance. The global structural changes in the world economy have a direct impact on all types of economic activity, disrupting the normal process of the development of countries. Armenia, being a small open economy and a country with semi-closed borders, is significantly dependent on the outside world. So, it cannot remain aloof from geopolitical changes. In recent years, the normal functioning of the world economy has been mainly disrupted by the Covid-19 pandemic and the Russian-Ukrainian conflict, which started at the end of February 2022.