

# Responding to the Coronavirus Crisis

## Update on Armenia (13/11/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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### Economic channels of disruption

#### Private consumption, commodity prices, remittances, tourism

- The state of emergency, introduced in March 2020 and extended for five consecutive months until the first half of September, was replaced by a nationwide quarantine that will be in force until 11 January 2021
- Virus containment measures hurt Armenia's tourism sector, which is largely dependent on visits from diaspora
- The decrease in remittances nearly levelled off in June to July and has been recovering since, driven by a strong increase in transfers from the United States of America, which were balanced against the continued shrinking of remittances from Russia

#### Selected crisis impact indicators

<b>EBRD GDP growth outlook (Oct 2020)</b>	2020: -5.0%
	2021: 4.0%
<b>Indicator of economic activity</b>	September 2020: -7.5% y/y
	Jan-Sep 2020: -6.6% y/y
<b>Money transfers from abroad</b>	September 2020: 15.0% y/y
% change	Jan-Sep 2020: -8.8% y/y
<b>Goods exports</b>	September 2020: 4.6% y/y
% change, in nominal values	Jan-Sep 2020: -4.4% y/y

### Crisis response measures to date

#### Support for vulnerable population and businesses, particularly agriculture

- Total package of US\$ 300 million (2.2% of GDP) initially announced
- Support to companies operating in strongly impacted sectors and companies in the agriculture sector with subsidised loans for a specific purpose such as to pay salaries or taxes, or to finance raw materials or equipment.
- Postponement of mortgage loan repayments for 6 months, ban on turning off utilities in case of delayed payment, increased social assistance for vulnerable groups such as one-off support for families with minor children whose parents are laid off due to covid-19, and increased spending on healthcare as core social support measures.

#### Selected crisis response indicators

<b>Support to employee salaries</b>	20% of the salary fund paid by the state for companies with 2-5 employees under the condition of keeping the employees
<b>Loan subsidisation</b>	US\$ 210 million across a number of specific programmes
<b>Monetary policy rate</b>	Lowered from 5.5% in March to 4.5% in June
<b>Committed external assistance</b>	Currently in SBA with the IMF: Second Review and the increase in the financial support from the IMF concluded in May

### Key short-term priorities

Provide liquidity to the economy, particularly SMEs, revenue support to vulnerable workers and other individuals, develop the economic recovery plan