

Responding to the Coronavirus Crisis

Update on Armenia (13/05/20)



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

- Virus containment measures would hurt Armenia's tourism sector, which is largely dependent on visits from diaspora
- Likely drop in money transfers from abroad (roughly half of transfers are from Russia) will impact households' disposable incomes
- Low commodity prices will affect the economy directly via a decrease in exports of mining products, and indirectly through economic links with Russia

Selected crisis impact indicators

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| EBRD GDP growth outlook (May 2020) | 2020: -3.5% |
| | 2021: 5.5% |
| Indicator of economic activity | March 2020: -4.9% y/y |
| Money transfers from abroad | March 2020: -10.8% |
| % change | |
| Goods exports | March: - 17.4% y/y |
| % change, in nominal values | |

Crisis response measures to date

Support for vulnerable population and businesses, particularly agriculture

- Total package of US\$ 300 million (2.2% of GDP) 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, 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

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|--------------------------------------|---|
| Support to employee salaries | 20% of the salary fund paid by the state for companies with 2-5 employees under the condition of keeping the employees |
| Loan subsidisation | US\$ 210 million across a number of specific programmes |
| (total amount announced) | |
| Monetary policy rate | Lowered by 0.25% to 5.25% |
| Committed external assistance | Currently in SBA with the IMF: staff level agreement on the increase in the financial support from the IMF reached in April |

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals