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# Armenia Country Report

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# MAIN ECONOMIC INDICATORS

|   | Jan-April 2010 | 2009          |
|---|----------------|---------------|
| <b>GDP in Market prices</b>                 | <b>+5.5%</b>   | <b>-15.6%</b> |
| <b>Exports (in USD)</b>                     | <b>+60.9%</b>  | <b>-34%</b>   |
| <b>Imports (in USD)</b>                     | <b>+23.1%</b>  | <b>-25.3%</b> |
| <b>Average monthly nominal wage (drams)</b> | <b>+5.6%</b>   | <b>+9.8%</b>  |
| <b>Construction</b>                         | <b>-0.6%</b>   | <b>-36.4%</b> |
| <b>Consumer Price Index</b>                 | <b>+8.4%</b>   | <b>+3.4%</b>  |
| <b>Volume of Services (without trade)</b>   | <b>+6.2%</b>   | <b>+1.3%</b>  |



# MACROECONOMIC STABILITY

| Global Competitiveness Report | GCR Score 2009 | GCR Score Change 09/08, % |
|-------------------------------|----------------|---------------------------|
| Armenia                       | 4.78           | 1.01%                     |
| CIS                           | 4.20           | -5.7%                     |
| EC                            | 4.51           | -3.9%                     |
| EE                            | 4.68           | -8.8%                     |



# ECONOMIC FREEDOM

| Country        | Index of Economic Freedom |
|----------------|---------------------------|
| Armenia        | 69.9                      |
| EE average     | 63.6                      |
| CIS average    | 55.7                      |
| EC average     | 60.7                      |
| Armenia (rank) | 31 (among 179)            |



# Armenia's ranking in Doing Business 2010

Armenia is ranked 43rd of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

| <b>Rank</b>                                | <b>Doing Business 2010</b> | <b>(2009)</b> |
|--|----------------------------|---------------|
| • <b>Ease of Doing Business</b>            | <b>43</b>                  | <b>(50)</b>   |
| • <b>Starting a Business</b>               | <b>21</b>                  | <b>(65)</b>   |
| • <b>Dealing with Construction Permits</b> | <b>72</b>                  | <b>(75)</b>   |
| • <b>Employing Workers</b>                 | <b>62</b>                  | <b>(57)</b>   |
| • <b>Registering Property</b>              | <b>5</b>                   | <b>(6)</b>    |
| • <b>Getting Credit</b>                    | <b>43</b>                  | <b>(41)</b>   |
| • <b>Protecting Investors</b>              | <b>93</b>                  | <b>(88)</b>   |
| • <b>Paying Taxes</b>                      | <b>153</b>                 | <b>(151)</b>  |
| • <b>Trading Across Borders</b>            | <b>102</b>                 | <b>(136)</b>  |
| • <b>Enforcing Contracts</b>               | <b>62</b>                  | <b>(61)</b>   |
| • <b>Closing a Business</b>                | <b>49</b>                  | <b>(49)</b>   |



## CHANGES IN COMPETITIVENESS PERFORMANCE

- Considerable improvement in infrastructure and macroeconomic environment.
- Goods market efficiency and innovation capacity deteriorated slightly.
- Higher education and training, and labor market efficiency improved by absolute scores but lost 2 points in ranking.

- Composition of Armenia's competitiveness — "balance sheet" remains fairly stable.
- Competitive advantages include low level of government debt, labor market regulations, agricultural policy costs & low level of business costs of crime and violence.
- Major disadvantages are extent of market dominance and insufficient level of competition, in general *which don't relate to the IT sector where competition really takes place*

- Armenia has little crime and violence. Institutional problems relate to the protection of minority shareholders' rights, corporate governance, judicial independence and ethical behavior of firms.

## Key Industry-specific Reports (ICT and Tourism)

- **ICT Share in GDP - 5% (est.)**
- **85% mobile penetration**
- **Operating companies in mobile market – BeeLine (Russia), MTS (VivaCell – MTS, Russia), France Telecom (Orange, France)**
- **Dramatic decrease in mobile broadband retail, prices slashed by 70%**
- **Dramatic increase in internet penetration**
- **Current interconnection prices impact tariffs for all market players**



## Key Industry-specific Reports (ICT and Tourism)

- Number of companies: 200
- Foreign ownership: USA/Canada (56%), Russia/CIS (18%), Europe (22%)
- Major specializations: customized software and outsourcing (19% of firms), web design and development (16%), IT services and consulting (12%).
- Major export destinations: USA/Canada (50% of exports), Europe (24%), and Russia (22%).



## Competitive Advantages

- **World class R&D capabilities in computer science, physics and mathematics**
- **Well educated and talented workforce with a high degree of technical skills and English language proficiency**
- **Strong university programs with specializations in IT and Science**
- **Highly competitive labor cost**
- **Solid Government support to the sector and commitment to improve the investment climate**
- **Strong and successful Diaspora in Europe and North America**
- **Extensive experience with multinationals**
- **Sound laws and regulations for IP protection**



## Turnover

- Total revenue: \$130 mln - 27% compound annual growth (CAGR) from 1998
- 1.2% of GDP; India (1.4%), Germany (1.3%)
- Local firms: \$50 mln; foreign: \$80 mln
- Average revenue per local firm increased by 30% from 2003
- Exports: \$71 mln (55% of revenues)

## **E-Governance and Broadband Armenia Project**

- **Enhance the telecommunication sector enabling environment**
- **Support the deployment of a national broadband backbone network**
- **Promote broadband access nationwide, including in rural areas**
- **Create Government intranet**
- **Mobilize private sector investment for the enhancement of Armenia's broadband infrastructure through PPP model**
- **Increase demand for online services and reduce corruption**



## “Computer for All” Project

- Social Project supported by National Idea
- E-society development
- Three “A”s principle
  - Addressable – selected product for specific requirements
  - Available – easy to find , easy to buy, easy to support
  - Affordable – affordable payments with zero bank interest rates
- Increase computer penetration by at least 50% from the current level
- Improve education level for young generation
- Create Government-to-People communication platform



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## Tourism

- Armenia had a positive increase in tourist arrivals (3%) while Europe (-5.6%) and the world (-1.6%) saw a decrease
- Armenia, over the past five years has been able to double its share in European tourist arrivals from 0.06% to 0.125%. Armenia only receives a small share of European tourist arrivals at present, but the important fact is that this is growing rapidly.
- Visitors are also impressed with what Armenia has to offer. According to a recent survey of foreign tour operators, Armenia was described by one as the Hidden Gem of the Caucasus; a phrase suitably representing similar views from others. The same tour operators report that interest in Armenia amongst their clientele increases year on year.
- Armenia's average annual growth in tourism arrivals between 2004 and 2008 (21%) has outpaced that of Azerbaijan (9%) but not Georgia (37%)– suggesting that more can still be done.



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**THANK YOU**  
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