

ARMENIA:

**MONETARY POLICY AND
ECONOMIC GROWTH
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Issue N2, 2018

Yerevan 2018

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“Armenia: Monetary policy and economic growth” is an electronic periodical which aims to analyse and briefly represent the overall view and trends of monetary policy and economic growth of RA.

This periodical is published by the team of scientific-educational laboratory “Monetary policy and economic growth” of ASUE. The opinions and conclusions expressed in the periodical belong to the authors and do not necessarily coincide with the official views of ASUE.

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YEREVAN 2018

2017: EAEU MEMBER COUNTRIES: COMPARISONS

The Eurasian Economic Union is an international organization for regional economic integration. It has international legal personality and it is established by the Treaty on the Eurasian Economic Union. The Parties hereby establish the Eurasian Economic Union (here in after “the Union”, “the EAEU”) ensuring free movement of goods, services, capital and labor within its borders, as well as coordinated, agreed or common policy in the economic sectors determined under this Treaty and international treaties within the Union. The Union shall be an international organization of regional economic integration and shall have international legal personality. The Member-States of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The Union is being created to comprehensively upgrade, raise the competitiveness of and cooperation between the national economies, and to promote stable development. The main objectives of the Union shall be as follows: to create proper conditions for sustainable economic development of the Member States in order to improve the living standards of their population; to seek the creation of a common market for goods, services, capital and labor within the Union;

to ensure comprehensive modernization, cooperation and competitiveness of national economies within the global economy.

EAEU current situation assessment (2017).

The refinancing rates of Central banks (National bank) of EAEU countries by quarterly data in 2017 (% , at the end of the date). The trends are as follows:

- Russian Federation: In 2017 it had a decline, from 9.75% in the first quarter and in the fourth quarter it was 7.75%.
- The Republic of Belarus: In 2017 there was a decline from 15% in the first quarter and in the fourth quarter it was 11%.
- The Republic of Kazakhstan: In 2017 the refinancing interest rate has shown the following behavior. In the first quarter it was 5.5%, in the second quarter was increased - 11%, in the third quarter was reduced - 10.3%, in the fourth quarter it was again reduced- 10.25%.
- The Republic of Armenia: In 2017 the refinancing interest rate was 6% and showed stable behavior.
- The Kyrgyz Republic: In 2017 the refinancing interest rate was 5% and showed stable behavior.

From the point of view of application of this instrument, the Central Bank of Armenia has conducted effective policy.

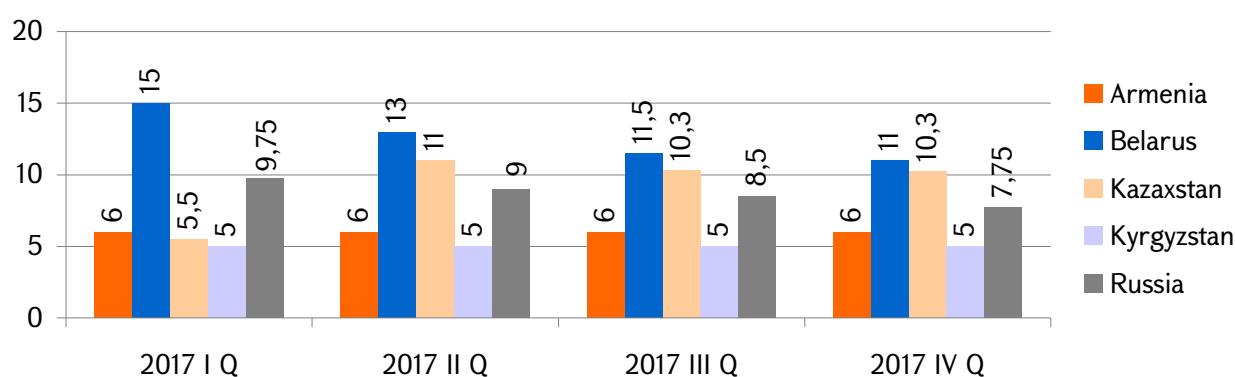


CHART 1. The refinancing rates of EAEU member countries (%), by 2017 quarterly data

**From April 1, 2017, the refinancing rate of the National Bank of Kazakhstan shall not be set separately, but shall be equal to the value of the National Bank's base rate, which shall be settled within a reasonable timeframe.*

In 2017 the member countries of EAEU the M1 aggregate has shown the following behavior:

- Russian Federation: In 2017 the M1 aggregate has shown a tendency to grow. In the first quarter, it was 17,306 billion Russian Rubles, in the second quarter - 18,04 billion Russian Rubles, in the third quarter - 18,009 billion Russian Rubles, in the fourth quarter - 18,368 billion Russian Rubles.
- The Republic of Belarus: In 2017 the M1 aggregate has shown a tendency to grow. In the first quarter, it was 4,9 billion Belarusian Rubles, in the second quarter - 6,1 billion Belarusian Rubles, in the third quarter - 6,3 billion Belarusian Rubles, in the fourth quarter - 6,2 billion Belarusian Rubles.
- The Republic of Kazakhstan: In 2017 the M1 aggregate has shown a tendency to grow then to reduce. In the first quarter, it was 4,928 billion Tenge, in the second quarter - 5,011 billion Tenge, in the third quarter 5,477 billion Tenge, in the fourth quarter - 4,967 billion Tenge.
- The Republic of Armenia: In 2017 In 2017 the M1 aggregate has shown a tendency to grow. In the first quarter, it was 0,626 billion AMD, in the second quarter - 0,644 billion AMD, in the third quarter 0,701 billion AMD, in the fourth quarter - 0,788 billion AMD.
- The Kyrgyz Republic: In 2017 the M1 aggregate has shown a tendency to grow. In the first quarter, it was 95 billion Som, in the second quarter - 107 billion Som, in the third quarter - 113 billion Som, in the fourth quarter - 137 billion Som.

From the perspective of M1 aggregate management the Central Bank of Armenia has conducted effective policy.

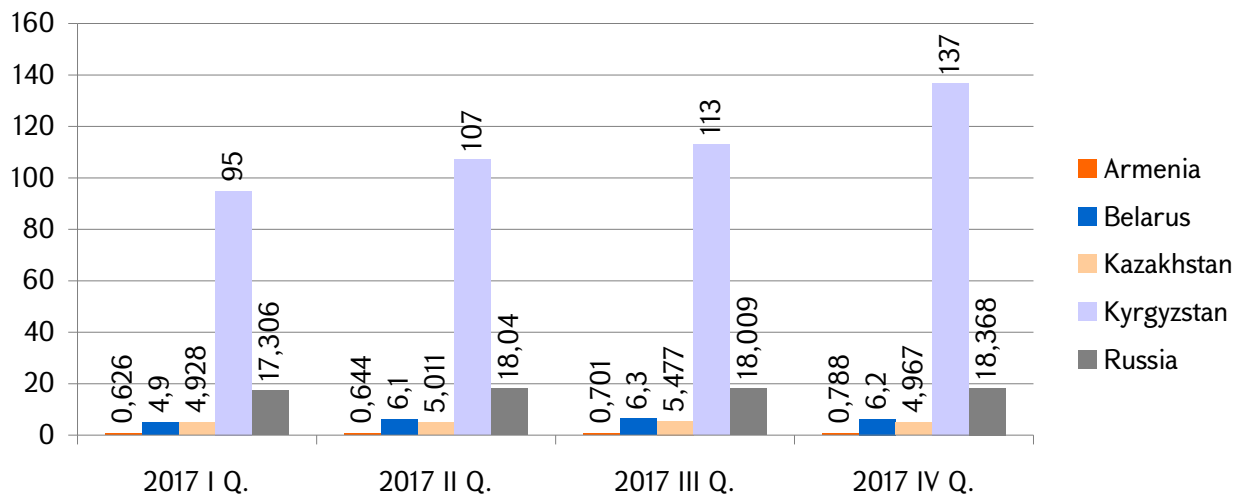


CHART 2. The M1 aggregate of the member countries of EAEU, billion national currency, by 2017 quarterly data

In 2017 the member countries of EAEU the M2 aggregate has shown the following behavior:

- Russian Federation: In 2017 the M2 aggregate has shown a tendency to grow. In the first quarter, it was 38,555 billion Russian Rubles, in the second quarter – 39,625 billion Russian Rubles, in the third quarter – 39,571 billion Russian Rubles, in the fourth quarter – 40,111 billion Russian Rubles.
 - The Republic of Belarus: In 2017 the M2 aggregate has shown a tendency to grow. In the first quarter, it was 10,9 billion Belarusian Rubles, in the second quarter- 12,3 billion Belarusian Rubles, in the third quarter -12,6 billion Belarusian Rubles, in the fourth quarter again was 12,6 billion Belarusian Rubles.
 - The Republic of Kazakhstan: In 2017 the M2 aggregate has shown a tendency to grow until the third quarter. In the first quarter, it was 12,727 billion Tenge, in the second quarter – 13,6 billion Tenge, in the third quarter 14,084 billion Tenge, in the fourth quarter – 13,513 billion Tenge.
 - The Republic of Armenia: In 2017 In 2017 the M2 aggregate has shown a tendency to grow. In the first quarter, it was 1,095 billion AMD, in the second quarter – 1,141 billion AMD, in the third quarter 1,228 billion AMD, in the fourth quarter – 1,383 billion AMD.
 - The Kyrgyz Republic: In 2017 the M2 aggregate has shown a tendency to grow. In the first quarter, it was 116 billion Som, , in the second quarter – 128 billion Som, in the third quarter – 136 billion Som, in the fourth quarter – 168 billion Som.
- From the perspective of M2 aggregate management the Cental Bank of Armenia has conducted effective policy.

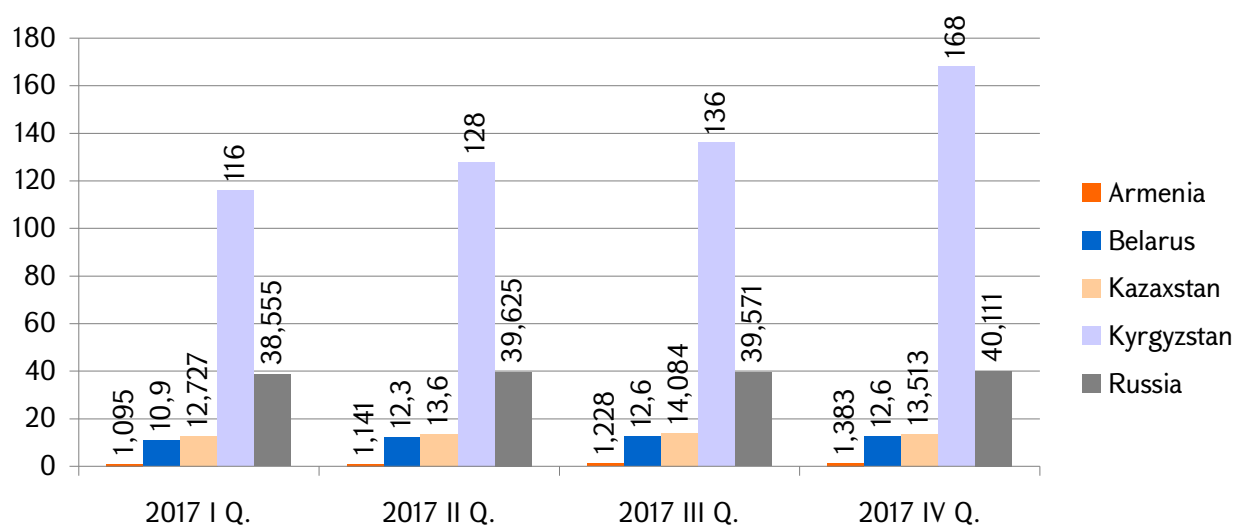


CHART 3. *The M2 aggregate of the member countries of EAEU, billion national currency, by 2017 quarterly data*

In 2017 the member countries of EAEU the money base has shown the following behavior:

- Russian Federation: In 2017 the money base has shown a tendency to grow. In the first quarter, it was 11,544 billion Russian Rubles, in the second quarter – 11,596 billion Russian Rubles, in the third quarter – 12,916 billion Russian Rubles, in the fourth quarter - 13,069 billion Russian Rubles.
- The Republic of Belarus: In 2017 the money base has shown a tendency to grow. In the first quarter, it was 4,3 billion Belarusian Rubles, in the second quarter - 4,3 billion Belarusian Rubles, in the third quarter - 5,9 billion Belarusian Rubles, in the fourth quarter again was 6,1 billion Belarusian Rubles.
- The Republic of Kazakhstan: In 2017 the money base has shown a tendency to grow until the third quarter. In the first

quarter, it was 5,199 billion Tenge, in the second quarter - 5,174 billion Tenge, in the third quarter 6,068 billion Tenge, in the fourth quarter - 5,162 billion Tenge.

- The Republic of Armenia: In 2017 In 2017 the money base has shown a tendency to grow. In the first quarter, it was 0,970 billion AMD, in the second quarter - 0,957 billion AMD, in the third quarter 0,979 billion AMD, in the fourth quarter – 1,032 billion AMD.
- The Kyrgyz Republic: In 2017 the money base has shown a tendency to grow. In the first quarter, it was 82 billion Som, , in the second quarter - 92 billion Som, in the third quarter - 98 billion Som, in the fourth quarter – 100 billion Som. From the perspective of money base management the Cental Bank of Armenia has conducted effective policy.

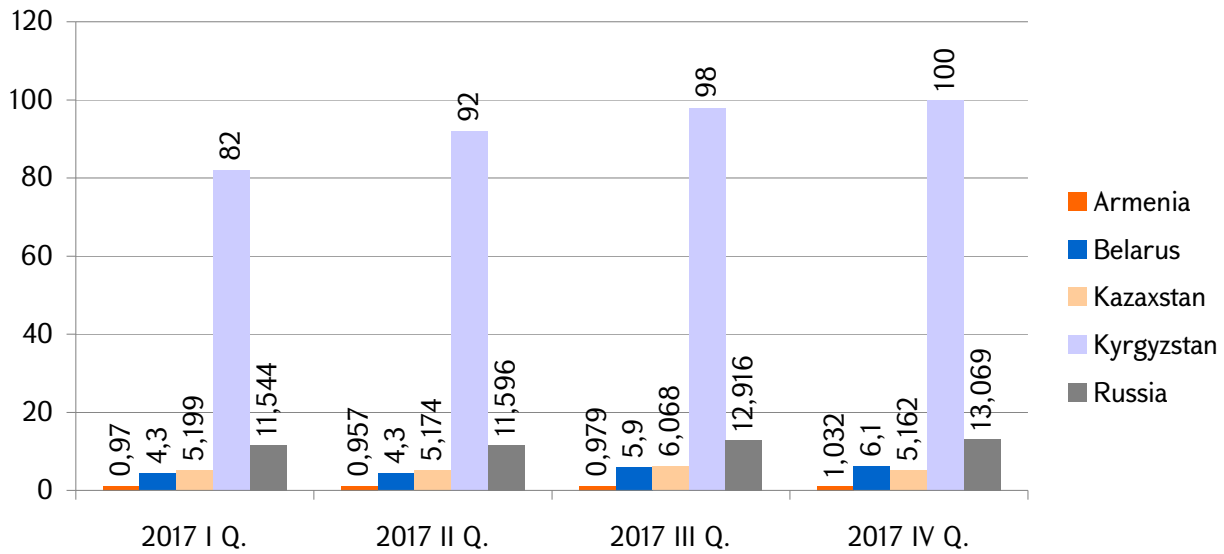


CHART 4. *The money base of the member countries of EAEU, billion national currency, by 2017 quarterly data*

The average exchange rates of national currencies to USD of the member countries of EAEU in 2017 has shown the following behavior:

- Russian Federation: In the first quarter, the average exchange rate RUB/USD was 58,81, in the second quarter – 57,14, in the third quarter – 59, in the fourth quarter 58,41 billion Russian Rubles.
- The Republic of Belarus: In the first quarter, the average exchange rate BYR/USD was 1,91, in the second quarter -1,88, in the third quarter -1,94, in the fourth quarter again 1,99.
- The Republic of Kazakhstan: In the first quarter, the average exchange rate KZT/USD was 322,46, in the second quarter 314,72, in the third quarter 322,41, in the fourth quarter - 334,41.
- The Republic of Armenia: In the first quarter, the average exchange rate AMD/USD was 485,78, in the second quarter - 483,36 , in the third quarter 478,63, in the fourth quarter – 483,09 AMD.
- The Kyrgyz Republic: In the first quarter, the average exchange rate KGS /USD was 69,25, in the second quarter - 68,12, in the third quarter - 68,88, in the fourth quarter – 69,22.

As shown the data there was no any significant fluctuations of exchange rates in 2017 for each member country of the EAEU.

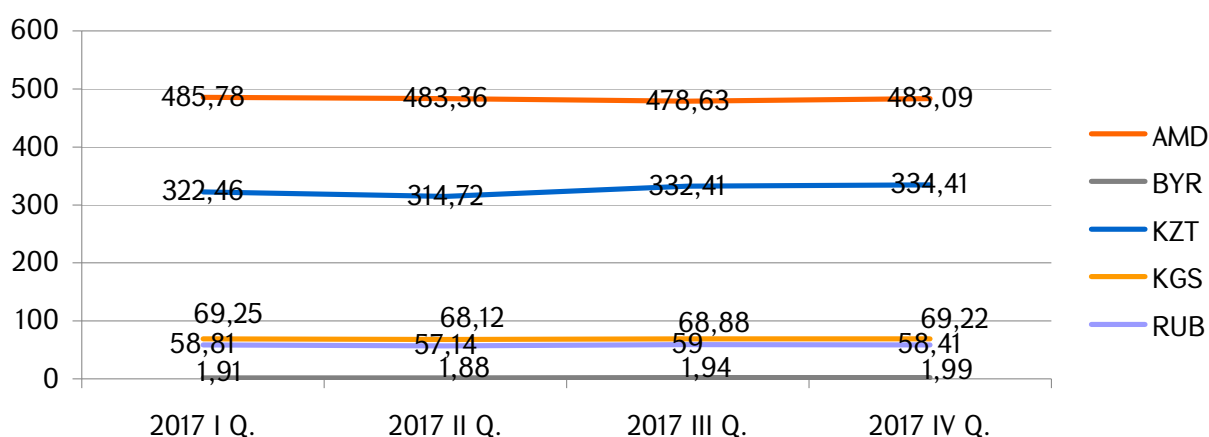


CHART 5. Exchange rates of the national currencies of the EAEU countries to the US dollar by 2017 quarterly data

The GDP of member countries of the EAEU member countries at market prices in 2017 was:

- Russian Federation - 92.082 billion Russian Rubles,
- The Republic of Belarus - 105.199 billion Belarusian Rubles,

- The Republic of Kazakhstan - 51.567 billion Tenge,
- The Republic of Armenia - 5.58 billion AMD,
- The Kyrgyz Republic - 493 billion Som.

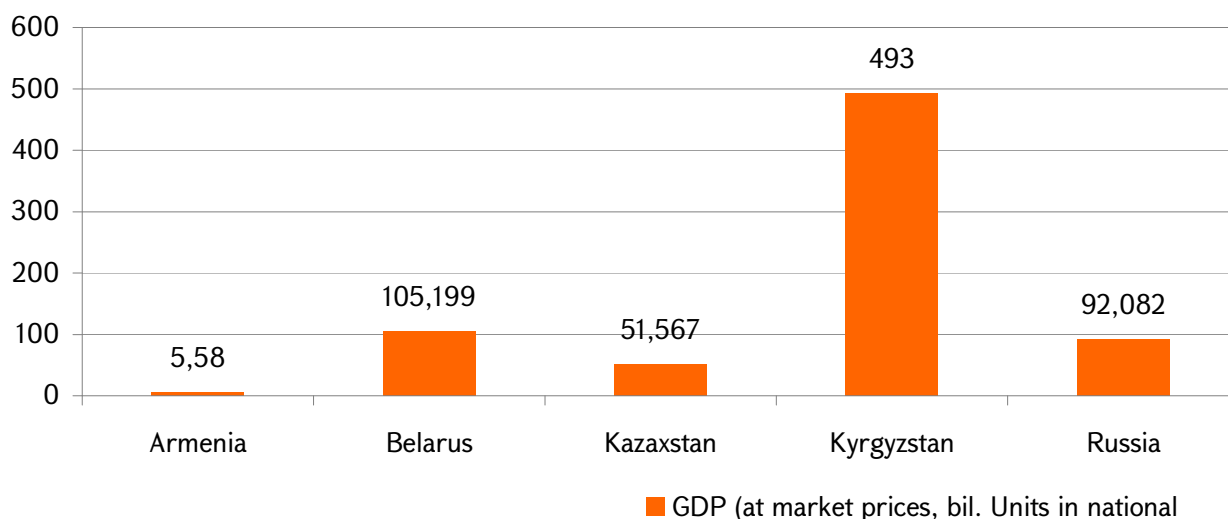


CHART 6. The GDP of member countries of the EAEU, at market prices, billion units in national currency, in 2017

The monetarization coefficient of member countries of the EAEU in 2017 was:

- Russian Federation - 42.9%:
- The Republic of Belarus - 11.9 %:

- The Republic of Kazakhstan - 27 %
- The Republic of Armenia - 22.1 %;
- The Kyrgyz Republic - 27 %:

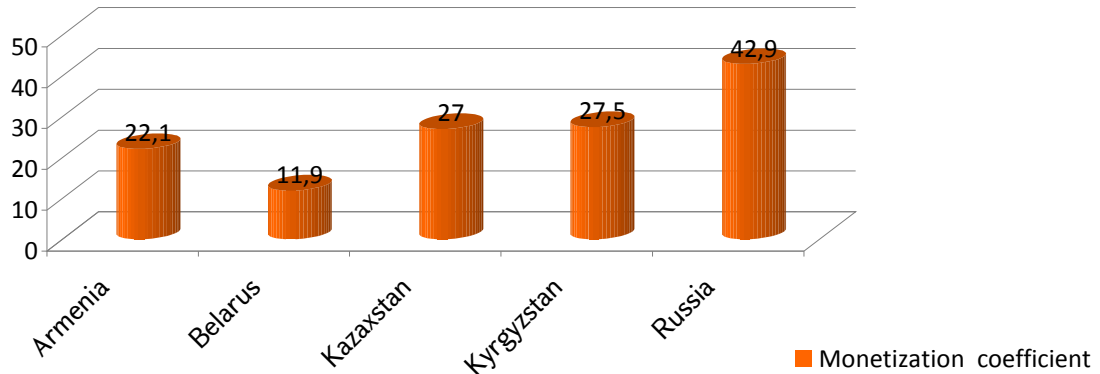


CHART 7. The monetization rates of the EAEU member countries(%), in 2017

The inflation of the member countries of the EAEU member countries in 2017 was:

- Russian Federation - 2.2%,
- The Republic of Belarus - 4.5%,

- The Republic of Kazakhstan - 6.5%,
- The Republic of Armenia - 4.3%,
- The Kyrgyz Republic - 3.2%.

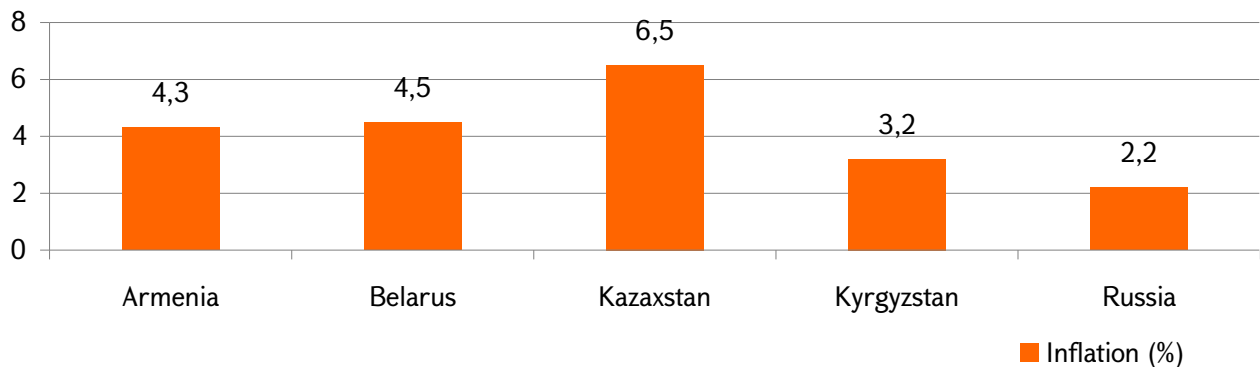


CHART 8. The inflation of the EAEU member countries (%), in 2017

The economic activity of the member countries of the EAEU in 2017 was:

- Russian Federation - 0.3 %,
- The Republic of Belarus - 4.6 %,

- The Republic of Kazakhstan - 4.7%,
- The Republic of Armenia - 10.2 %,
- The Kyrgyz Republic - 3.2%.

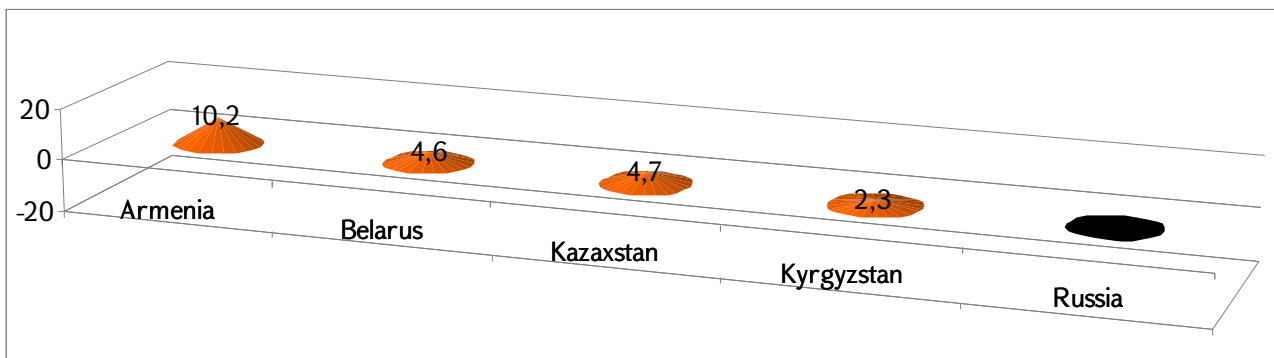


CHART 9. The economic activity index of the EAEU member countries (%), in 2017

*Source -<https://tradingeconomics.com>

TABLE 1. The trade turnover between RA and EAEU member countries

	<i>2016 the first half of the year, mln AMD</i>	<i>2016 the first half of the year, Specific weight, %</i>
EAEU	18979,5	100,00
Armenia-Belorus	13,8	0,07
Armenia-Kazakhstan	2,4	0,01
Armenia-Kyrgyzstan	0,1	0,00
Armenia-Russia	537,6	2,83

According to the data of the first half of 2016, Russia was the main partner for RA.

We present the current and future strategic steps of EAEU that will prompt the Union's perspectives.

- In 2017- Creation unified exchange space of EAEU
- In 2018 - Unification of the legislation of the member states of the EAEU on administrative and criminal liability for violations in the field of competition
- In 2019 - The general electricity market of EAEU
- In 2020 - The single market of excisable products of the EAEU (alcohol and tobacco products)
- In 2022 - Single market of audit services of EAEU

- In 2023 - The integrated currency market of EAEU
- In 2025 - Agreed financial policy, The general market of oil and petroleum products of EAEU, General financial market, General gas market.

There is the draft strategy on formation and development of the EAEU digital space until 2025. According to preliminary estimates, contribution of the digital economy of the Union countries in GDP growth should reach 20% per year. The effectiveness of economic processes thanks to the digital transformation of infrastructures and management systems should increase by the same value

Data-National bank of Belarus- <http://www.nbrb.by>;

Central bank of RF- <https://www.cbr.ru>;

National bank of Kazakhstan- <http://www.nationalbank.kz>;

Central bank of RA -<https://www.cba.am>;

National bank of Kyrgyz Republic- <http://www.nbkr.kg>;

Eurasian Economic Union - <http://www.eaeunion.org>