



REPUBLIC OF ARMENIA

December 2025

2025 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT, REQUEST FOR CANCELLATION OF THE CURRENT STAND-BY ARRANGEMENT, AND REQUEST FOR A NEW STAND-BY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF ARMENIA

In the context of the 2025 Article IV Consultation, Sixth Review Under the Stand-by Arrangement, Request for Cancellation of the Current Stand-by Arrangement, and Request for a New Stand-by Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its December 1, 2025 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 1, 2025, following discussions that ended on September 30, 2025, with the officials of the Republic of Armenia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 10, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Alternate Executive Director** for the Republic of Armenia.

The documents listed below have been or will be separately released:

- Selected Issues

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IMF Executive Board Concludes 2025 Article IV Consultation, Completes Sixth review Under the Stand-By Arrangement, Cancels the Stand-By Arrangement, and Approves a Stand-by Arrangement with Armenia

FOR IMMEDIATE RELEASE

- *The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation, completed the sixth review under the Stand-By Arrangement (SBA), and subsequently cancelled the SBA and approved a new 36-month SBA with Armenia amounting to SDR 128.8 million (100 percent of Armenia's quota in the IMF or about US\$ 175 million)*
- *The new SBA, which the Armenian authorities intend to treat as precautionary, aims to support continuity in the government's policy and reform agenda to maintain macroeconomic stability, foster sustainable and inclusive growth, and provide insurance against downside risks.*
- *Armenia's economic performance remains strong. Growth has remained robust and medium-term prospects remain favorable. Inflation is projected to gradually converge to the Central Bank of Armenia's (CBA) target, and international reserves are expected to remain adequate.*

Washington, DC – December 3, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation,¹ completed the sixth review under the Stand-By Arrangement (SBA), and subsequently cancelled the SBA and approved a new 36-month SBA with Armenia amounting to SDR 128.8 million (100 percent of Armenia's quota in the IMF or about US\$ 175 million). The cancellation of the SBA, which would have expired on December 11, 2025, allows the approval of the new SBA, which will support the authorities' efforts to maintain macroeconomic stability and advance their structural reform agenda, and provide insurance in an uncertain environment. The authorities have consented to the publication of the Staff Report prepared for this consultation.²

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the <https://www.imf.org/en/countries/arm> page.

Upon the Board's approval of the new SBA, an amount equivalent to SDR 18.4 million (about US\$25 million) becomes immediately available to Armenia. The remaining amount will be made available in equal tranches, subject to six semi-annual reviews. The Armenian authorities have indicated that they intend to treat the arrangement as precautionary.

Armenia's economic performance has remained strong despite a series of shocks amid an uncertain global environment. Thanks to the authorities' agile policies and unforeseen inflows of labor and capital, real GDP grew on average by 8.9 percent annually in the past three years, and is expected to remain strong reaching about 5 and 5.5 percent in 2025 and 2026, respectively.

The economic outlook remains positive, with steady growth and inflation converging to the CBA's target. Continued implementation of prudent policies and acceleration of reforms will be critical to further strengthen resilience and secure inclusive and sustainable growth in the period ahead.

The authorities' 2026 budget and medium-term fiscal consolidation planned in the authorities' MTEF are appropriate. The planned fiscal stance in 2026 is mildly contractionary, while accommodating spending on refugee support, health, and public investment. Over the medium term, further deficit reduction while creating fiscal space for priority social and capital spending will be underpinned by additional revenue mobilization through broadening the tax base as well as revenue administration measures, and fiscal structural reforms to raise spending efficiency.

The CBA's new monetary policy framework, centered on a prudent risk management approach and a high degree of transparency, supports its inflation target of 3 percent. The flexible exchange rate continues as a key shock absorber, which, together with healthy reserve buffers, will continue to serve the economy well in the event of external shocks.

The banking system is well capitalized and liquid, and mortgage growth has receded somewhat. The CBA's monitoring and readiness to deploy its macroprudential tools will help mitigate risks arising from continued strong credit growth. Development of further macroprudential tools and further strengthening of the CBA's prudential and supervisory framework and toolkit will further buttress financial system resilience.

Structural reforms should be accelerated to raise labor force participation and employment, and support export diversification. Improvements in the investment climate through better governance and strengthening of the legal framework for businesses will support these reforms. Further steps to improve the quality of statistical reporting will help support decision making.

Following the Executive Board's discussion today, Mr. Li, Deputy Managing Director and Acting Chair, made the following statement:

"Armenia has successfully navigated multiple challenges in recent years, while preserving macroeconomic and financial stability. The economic outlook remains positive, amid increased growth potential and inflation converging to target. Performance under the current Stand-By Arrangement (SBA)

has been strong. Continued policy prudence and acceleration of reforms—supported by a successor SBA, which the authorities intend to treat as precautionary—will be important to further strengthen resilience and secure inclusive and sustainable growth.

“The policy focus of the 2026 budget on fiscal consolidation while preserving space for policy priorities including refugee support, health, and public investment is appropriate. In the medium term, revenue mobilization and progress on structural fiscal reforms to enhance the effectiveness of public investment will create space for priority spending while reducing the fiscal deficit further, thereby ensuring that public debt remains moderate.

“The Central Bank of Armenia’s (CBA) new monetary policy framework, centered on prudent risk management and combined with a high degree of transparency, supports the CBA’s inflation target of 3 percent. The CBA should continue to calibrate policy rate actions to keep inflation close to target and inflation expectations well anchored. The flexible exchange rate has served Armenia well in absorbing external shocks, while building reserve buffers.

“With continued strong credit growth, driven by loans to the construction industry and consumers, the CBA will need to stand ready to deploy its macroprudential tools to mitigate risks to financial stability. Further enhancing the macroprudential toolkit and strengthening the supervisory framework are also key.

“Advancing structural reforms and strengthening governance will support sustainable and inclusive growth. The authorities’ efforts to increase labor market participation and reduce structural unemployment, diversify exports, and strengthen transparency and competitiveness will enhance economic resilience and boost Armenia’s economic growth potential. Improving the quality of statistical reporting will be important to support decision making.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They commended Armenia’s strong program ownership and sound policies which have contributed to the country’s macroeconomic and financial stability despite a challenging global and regional environment. Directors concurred that a successor Stand-By Arrangement—which the authorities intend to treat as precautionary—supported by Fund technical assistance, will help sustain policy prudence, anchor the reform momentum, and boost confidence in the economy.

Directors welcomed the significant improvements in the fiscal framework. They underscored the importance of advancing a gradual fiscal consolidation and, in this regard, welcomed the authorities’ 2026 draft budget and the targets envisaged in the medium-term expenditure framework. Directors emphasized that mobilizing additional revenue is critical to create space for priority spending, while reducing the fiscal

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country’s authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

deficit further. They also recommended fiscal structural reforms to strengthen fiscal planning, increase the effectiveness of public investment, and enhance fiscal risk management.

Directors commended the Central Bank of Armenia's (CBA) success in containing inflation and concurred that monetary policy should remain data-driven. They welcomed the improvements to the CBA's monetary policy framework and enhanced transparency, and encouraged further reforms to improve monetary policy transmission. Directors agreed that the flexible exchange rate should continue to serve as a key shock absorber.

Directors positively noted that the banking sector is well-capitalized and liquid. Noting rising credit risks, they supported advancing the CBA's prudential and supervisory frameworks and urged the CBA to stand ready to deploy further macroprudential tools, if needed. Advancing the planned stablecoin regulation is also important.

Directors recommended accelerating structural reforms to modernize the economy and support private sector-led, job-rich growth. They encouraged implementing measures to boost labor force participation and employment and to support export diversification. Reforms to improve the investment climate, enhance governance and competitiveness, and secure long-term energy security are also key. Directors noted the importance of enhancing the quality of statistical reporting to support decision making.

It is expected that the next Article IV consultation with the Republic of Armenia will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Table 1. Armenia: Selected Economic and Financial Indicators, 2022-27

	2022	2023	2024	2025	2026	2027
	Projections					
National income and prices:						
Real GDP (percent change)	12.6	8.3	5.9	5.0	5.5	5.5
Contribution to growth						
Final consumption expenditure	3.5	5.1	4.0	3.3	3.1	4.0
Gross fixed capital formation	3.0	3.0	2.6	2.1	1.8	1.3
Changes in inventories	-0.8	-0.2	-0.3	-1.1	0.0	0.0
Net exports of goods and services	6.2	0.0	2.3	-1.0	0.0	0.1
Gross domestic product (in bn drams)	8,501	9,493	10,193	10,992	11,945	12,984
GDP (in millions of U.S. dollars)	19,979	24,153	26,010	27,903	29,025	30,803
GDP per capita (in U.S. dollars)	6,695	7,961	8,528	9,041	9,434	10,045
CPI (end of period; percent change)	8.4	-0.7	1.7	3.5	3.1	3.0
GDP deflator (percent change)	8.0	3.1	1.4	2.7	3.0	3.0
Unemployment rate (in percent)	13.5	12.4	13.9	13.7	13.6	13.5
Investment and saving (in percent of GDP)						
Investment	22.4	22.9	23.8	24.7	23.5	23.1
National savings	23.1	20.2	19.2	20.2	19.0	18.7
Money and credit (end of period)						
Reserve money (percent change)	5.0	-4.0	13.8	14.9	13.4	14.1
Broad money (percent change)	16.1	17.4	13.7	8.6	16.2	16.1
Private sector credit growth (percent change)	4.5	18.4	26.4	16.8	16.3	16.4
Central government operations (in percent of GDP)						
Revenue and grants	24.3	24.9	25.3	25.6	25.8	25.8
<i>Of which: tax revenue</i>	21.9	22.5	22.4	23.4	23.7	23.7
Expenditure	26.4	26.9	29.0	30.6	30.3	29.3
Overall balance on a cash basis	-2.1	-2.0	-3.7	-5.0	-4.5	-3.5
Public and publicly guaranteed debt	46.7	48.2	48.0	50.3	51.5	51.8
Share of foreign currency debt (in percent)	52.7	48.2	48.1	47.2	47.9	47.8
External sector						
Exports of goods and services (in million US\$)	10,339	14,718	19,072	13,131	13,416	13,877
Imports of goods and services (in million US\$)	-10,439	-15,062	-19,804	-14,244	-14,539	-15,074
Exports of goods and services (percent change)	107.7	42.3	29.6	-31.1	2.2	3.4
Imports of goods and services (percent change)	71.3	44.3	31.5	-28.1	2.1	3.7
Current account balance (in percent of GDP)	0.7	-2.8	-4.6	-4.5	-4.5	-4.4
FDI (net, in millions of U.S. dollars)	926	527	75	397	446	459
Gross international reserves (in million US\$)	4,112	3,608	3,684	4,159	4,297	4,489
Import cover 1/	3.3	2.2	3.1	3.4	3.4	3.5
End-of-period exchange rate (dram per US\$)	394	405	397	...	...	...

Sources: Armenian authorities; and Fund staff estimates and projections.

1/ Gross international reserves in months of next year's imports of goods and services, including the SDR holdings.



REPUBLIC OF ARMENIA

November 10, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT, REQUEST FOR CANCELLATION OF THE CURRENT STAND-BY ARRANGEMENT, AND REQUEST FOR A NEW STAND-BY ARRANGEMENT

EXECUTIVE SUMMARY

Context. Armenia's economic performance has been strong despite a series of shocks amid an uncertain global environment. Thanks to the authorities' agile policies and unforeseen inflows of labor and capital, growth has exceeded historical trends and inflation has been contained, while fiscal and external balances are largely in check. As the exceptional drivers of growth are gradually tapering off, the challenge is to permanently raise Armenia's economic potential through sound policies and reforms that tackle lingering structural and institutional weaknesses. The initialing of a peace agreement with Azerbaijan in August is a historic breakthrough, which, if ratified by the two countries, would improve regional cooperation and stability.

Program implementation. All reviews have been completed on time, and the authorities continue to treat the stand-by arrangement (SBA) as precautionary. All end-June performance criteria (PCs) and indicative targets (ITs) were met. Progress was also made on structural reforms, although with some delays. End-September ITs were also met.

New SBA. The authorities are requesting a successor 36-month SBA, with access of SDR 128.80 million (100 percent of quota) to help anchor macroeconomic policies, advance institutional and structural reforms, and provide insurance against potential external shocks. They are requesting the cancellation of the current SBA and approval of the new SBA, which they intend to treat as precautionary.

Article IV discussions. Discussions focused on policies to: (i) advance the authorities' structural reform plans; (ii) strengthen the economy's growth potential and resilience (including through rebuilding fiscal buffers); and (iii) bolster the central bank's supervisory framework.

SBA. Staff supports the authorities' request for completion of the sixth and last review under the current SBA, cancellation of the current SBA, and approval of a new three-year SBA.

Approved By
Thanos Arvanitis
(MCD) and Tokhir
Mirzoev (SPR)

Mission Details: Discussions were held during September 17–30, 2025, in Yerevan. The team comprised A. Tieman (head), M. Al Taj, A. Pitt, J. Ralyea (MCD), U. Rawat (Resident Representative), E. Prifti (FAD), Y. Hashimoto (SPR), and E. Siracusa (LEG). M. Aleksanyan, V. Janvelyan and L. Karapetyan (IMF Office) supported the mission. X. Shen supported at headquarters. H. Igityan (OED) participated in meetings with the authorities. B. Laumann and D. Hineva (MCD) assisted with document preparation. The mission met with Deputy Prime Ministers Grigoryan and Khachatryan, Governor of the Central Bank of Armenia Galstyan, Minister of Finance Hovhannisyan, Chairman of the State Revenue Committee Hakobyan, and other senior government officials.

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BACKGROUND

1. Armenia's economy has remained resilient despite a series of shocks in an uncertain regional and global environment. The deep recession triggered by COVID-19 in 2021 was quickly overcome, and the economy has shown strong adaptability to the spillovers from Russia's war in Ukraine, the conflict with Azerbaijan, and the recent trade tensions. Boosted by an influx of foreign exchange, migrants, and businesses from Russia, real GDP grew on average by 8.9 percent annually in the past three years, and is gradually decelerating towards its potential growth rate, reflecting a continued normalization of external demand and the tapering of trade and capital flows. Inflation, which flared up post-COVID, subsided quickly, and is converging toward the Central Bank of Armenia's (CBA) inflation target. This was achieved thanks to prudent policies, which have been broadly in line with the IMF's advice (Annex V).

2. Performance under the current stand-by arrangement (SBA) has been strong. Approved by the IMF Executive Board in December 2022, the SBA has helped strengthen macroeconomic, fiscal, and financial stability amid a challenging external and domestic environment. Thanks to the authorities' consistent program implementation, all reviews under the SBA were completed on time, and the authorities continue to treat the SBA as precautionary.

3. However, important institutional and structural challenges remain. Structural unemployment is still high, informality is pervasive, and despite the recent inflow of migrants, the working-age population is set to peak in the next two years. Growth-friendly fiscal consolidation is needed to bring down debt to a more moderate level while boosting physical and human capital, including through an overhaul of the health system, effective labor market programs, and infrastructure investment. Institutional frameworks and capacity need continued strengthening.

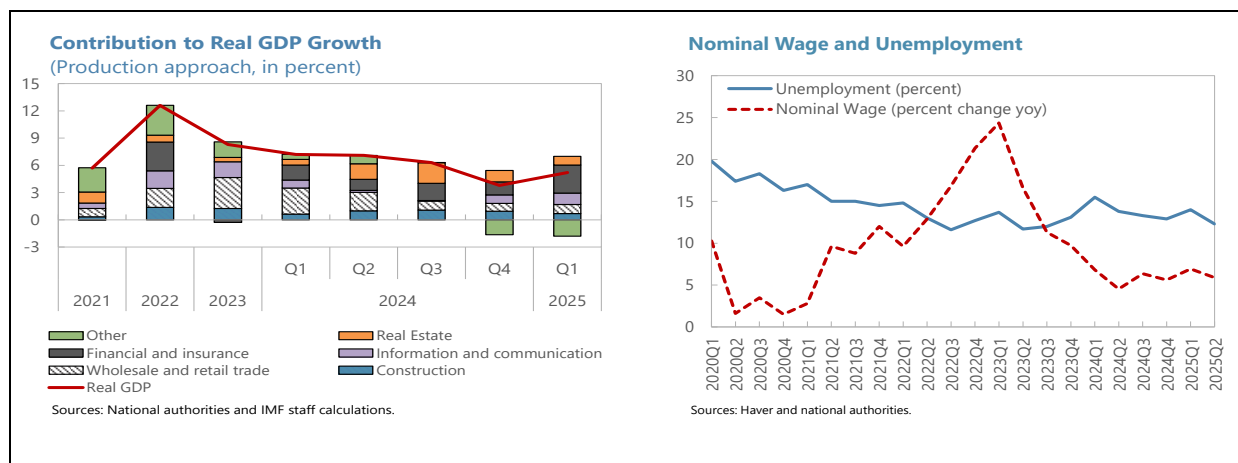
4. The Armenian authorities have requested a successor arrangement to help address these challenges and provide insurance against potential external shocks. They are requesting the cancellation of the current SBA and approval of a new three-year SBA, with cumulative access of 100 percent of quota, which they intend to treat as precautionary. The objective of the new arrangement is to boost resilience against potential external shocks, and continue to advance institutional and structural reforms critical for Armenia's development.

5. The request takes place against a complex and evolving regional and domestic environment. The initialing of a long-awaited peace agreement with Azerbaijan in August represents a historic breakthrough. However, tensions between the two countries are still high and ratification and implementation could face delays. A historic visit of Prime Minister Pashinyan to Ankara in June aimed at normalizing relations with Türkiye and reopening the border could provide a significant upside to the economy. On the domestic front, the upcoming general elections expected by June 2026 may affect policy priorities and implementation. The external economic environment also remains uncertain with volatile global financial conditions and increasing geo-economic fragmentation.

RECENT ECONOMIC DEVELOPMENTS

6. Economic activity remains robust, even as temporary growth drivers are waning.

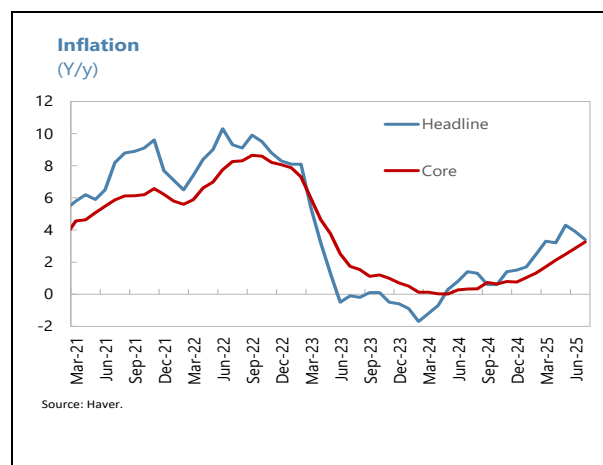
Output expanded by 5.6 percent y/y in 2025H1. While trade and capital flows have moderated, the economy remains buoyed by construction and services (including tourism), as well as strong consumption and private investment. Labor market conditions have stabilized, with unemployment close to 12 percent in 2025Q2, and nominal wages growing at 4 percent y/y in August 2025, down from an average of 6.4 percent in 2024. However, labor force participation (LFP) remains low.

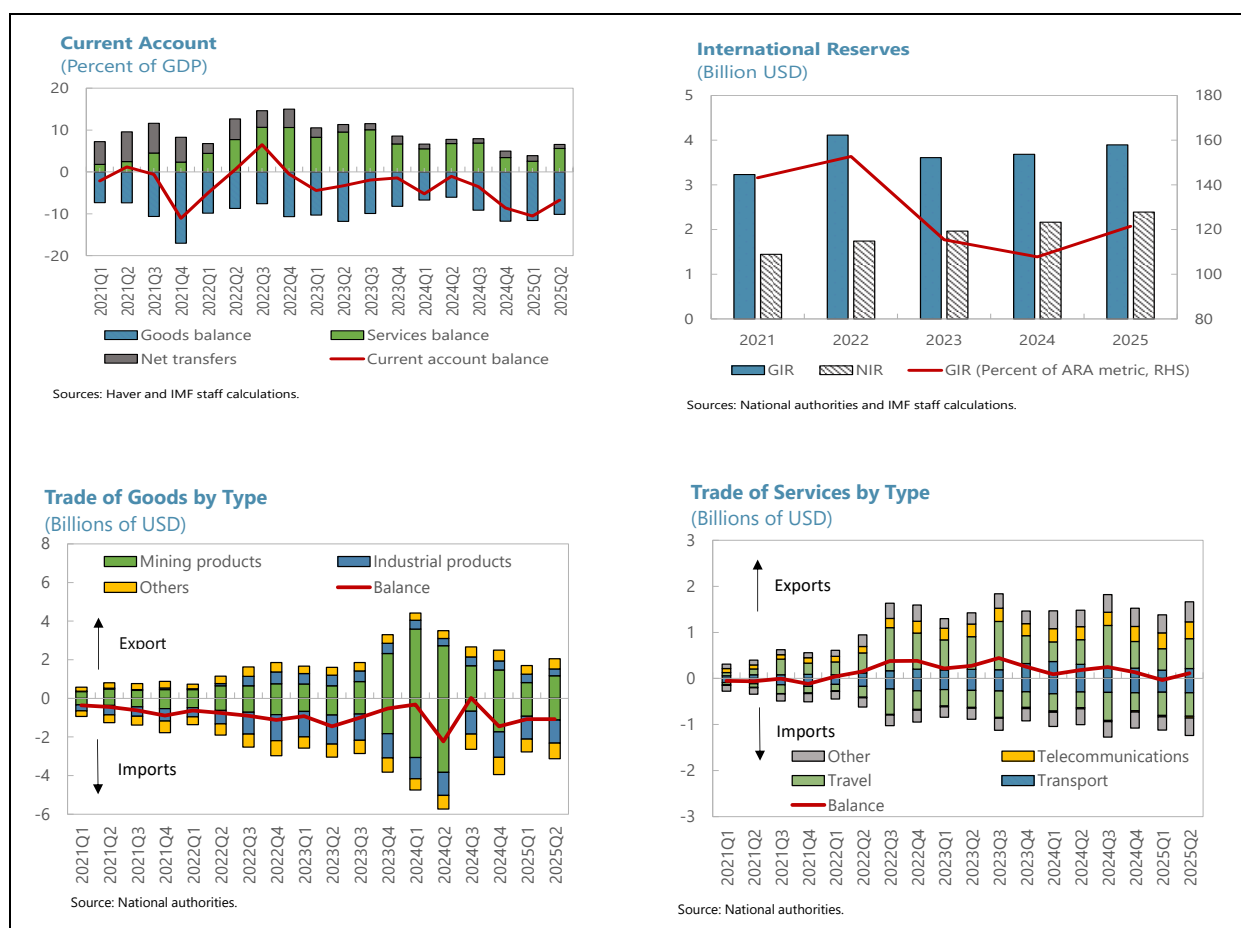


7. Inflation accelerated somewhat after falling below the lower end of the band around the CBA's target. Headline inflation reached 3.7 percent (y/y) in September, up from 1.5 percent at end-2024, driven primarily by food and services prices. Core inflation stood at 3.5 percent, up from 0.9 percent in December 2024.

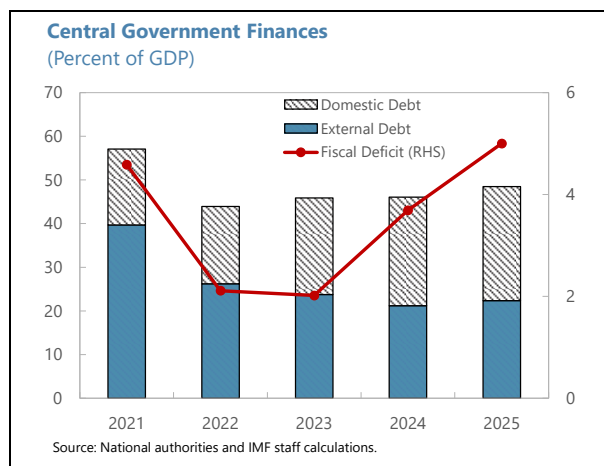
8. The current account deficit widened moderately to 4.6 percent of GDP in 2024 and to 7.4 percent in the 12 months to end-June 2025, reflecting stronger domestic demand.

The 2024 external position is in line with the level implied by medium-term fundamentals and desirable policies (Annex I). Inflows of commercial bank capital have supported CBA FX purchases equivalent to about US\$1.2 billion during January-September 2025, and the government successfully issued a US\$750 million Eurobond in March 2025. Gross international reserves stood at US\$4.2 billion (131 percent of the ARA metric) as of end-September 2025, while net international reserves (NIR) exceeded US\$2.6 billion.





9. The fiscal deficit year-to-date has been contained, driven primarily by expenditure under-execution. The overall fiscal deficit during January-September 2025 reached 0.8 percent of GDP against a budgeted level of 4.2 percent of GDP. Higher-than-projected revenues of 0.4 percent of GDP were driven by strong economic growth and higher dividend payments from the Zangezur copper mines. Current expenditures were under-executed by 1.7 percent of GDP due to interest and exchange rate savings and lower-than-projected expenditure on pensions and goods and services. Capital expenditure was also lower than projected by 1.4 percent of GDP due to slow execution of foreign-financed projects. Central government debt remained moderate, close to 48 percent of GDP in September.



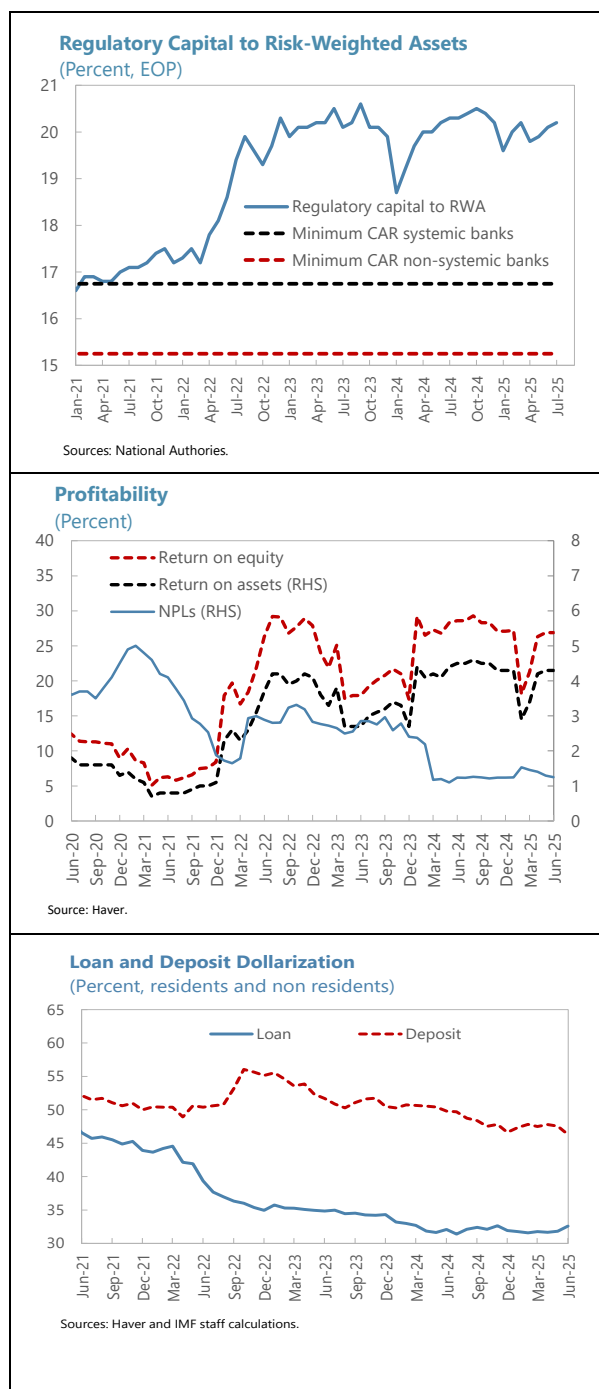
10. Financial system indicators remain healthy. At around 20 percent in August, banks' capital adequacy ratio (CAR) is well above minimum requirements. Liquidity remains adequate and above

prudential requirements. Nonperforming loans (NPLs) remain broadly stable and low at around 1¼ percent of total gross loans and banks' profitability is strong, with return-on-equity of about 27 percent. Buoyant loan growth of nearly 27 percent y/y in August was driven by loans to the service sector—primarily loans for accommodation, food service, and real estate activities—and mortgage and consumer lending, even as mortgage loan growth has decelerated this year. Dollarization of loans and deposits, while still high, is gradually declining.

OUTLOOK AND RISKS

11. GDP growth in 2025 is projected at around 5 percent. Domestic demand remains robust on the back of strong income and credit growth, but is expected to moderate as credit growth decelerates due to the phaseout of the mortgage interest tax credit in Yerevan. External demand continues to weigh negatively on growth as trade normalizes after its recent peak. In 2026–27, the ramping up of production at a new large gold mine is expected to boost GDP growth by around 1¼ percentage points cumulatively. Over the medium term, growth is projected to settle at around 5 percent, in line with the estimated long-run potential of the economy (Box 1).

12. Headline inflation is projected near the CBA's target by end-2025.¹ Food prices are expected to remain the primary driver of inflation, but should be offset by easing services inflation. As a result, end-2025 headline inflation is projected at 3½ percent y/y, with core inflation around 2½ percent y/y. In the medium term, inflation is expected to converge to the CBA's target. International commodity price volatility and strong pass-through from global to domestic prices add significant uncertainty to the inflation trajectory.



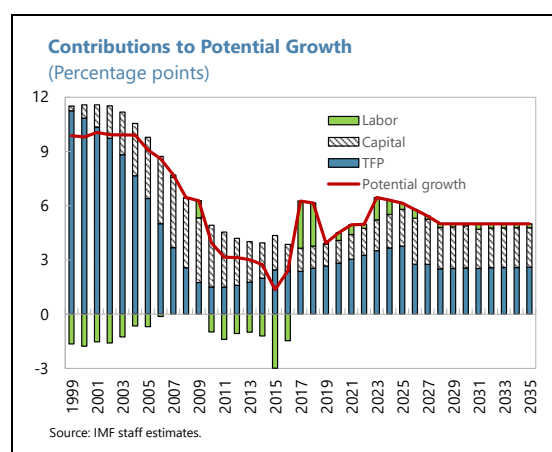
¹ The CBA lowered its inflation target from 4 to 3 percent effective January 2025.

Box 1. Armenia: Potential Growth

The recent strong performance of the Armenian economy warrants a reassessment of Armenia's growth potential. This allows the consideration of recent structural factors, notably the integration of more than 115,000 refugees, the immigration of a sizable community of highly-skilled workers from Russia, economic reforms, and geopolitical developments.

Using standard growth accounting, historical growth is first decomposed into its labor, capital and total factor productivity (TFP) growth components. While data limitations make precise estimations of the capital stock and the share of labor income in the economy difficult¹ and structural changes in the economy introduce some uncertainty, estimates suggest that almost half of GDP growth in the past ten years has been the result of TFP growth, while capital deepening has also made a major contribution to growth. The contribution of labor has overall been small, though the potential for a higher labor contribution is significant, as labor force participation (LFP) remains low, especially among women and youth.

Long-run potential output growth is estimated at around 5 percent, under conservative assumption of slowly rising LFP, continued strong investment, and TFP growth in line with past performance. Growth in 2026/27 is projected above this level due to the development of a large gold mine. Other estimation methods, such as Kalmar filtering, autoregressive distribute lag models, and vector error correction models confirm these estimates or yield even higher potential growth rates.

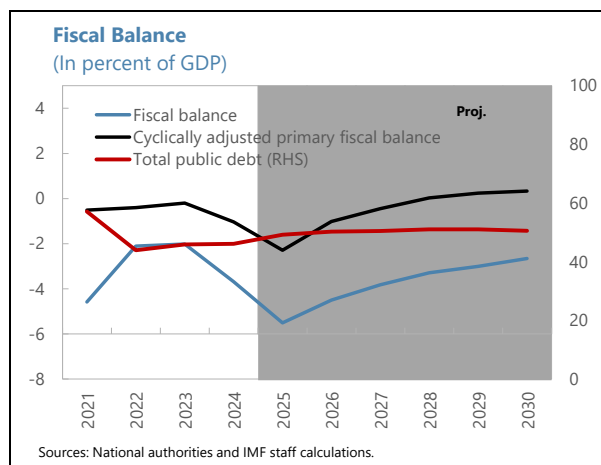


Uncertainty around this estimate seems balanced:

- **Labor market:** The anticipated moderate increase in LFP hinges on progress in reducing structural unemployment and incentivizing participation in the formal labor market, which in turn depend on the tax system and the success of the authorities' employment, export, and SME strategies, as well as broader improvements in the business environment.
- **Demographics:** A faster-than-projected decline in birth rates could exacerbate the projected long-term decline in the population. On the other hand, successful economic development in Armenia could reduce net outward migration, as has happened in many Eastern European countries.
- **Political:** Geopolitical developments could trigger disruptions in supply chains. On the other hand, a durable implementation of peace with Azerbaijan and the opening of the border with Türkiye would boost economic prospects of Armenia's land-locked economy significantly, likely generating investment, export, and employment opportunities.

¹ An estimate of the initial capital stock in 1998 (the first year inflation declined to single digits) is based on data from comparator countries, and of the labor share on calculations by Feenstra, Inklaar and Timmer (2015), "The Next Generation of the Penn World Table" American Economic Review, 105(10), 3150-3182.

13. The 2025 fiscal deficit is projected at around 5 percent of GDP—meeting the budget deficit target—and public debt remains sustainable. Revenues are expected to be in line with projections. Priority spending on national security, refugee integration, and infrastructure has gained pace in 2025H2, while interest payments are forecast to remain below budget projections due to the stability of the dram (AMD). Foreign-financed projects will likely be under-executed due to structural bottlenecks. Central government debt is projected to increase moderately to 50 percent of GDP and public debt remains sustainable over the medium term (Annex IV).



14. The current account deficit is projected to remain broadly unchanged at 4½ percent of GDP in 2025. Goods exports and imports are expected to decline significantly due to diminishing transit trade, and the services surplus is set to decline moderately, although tourism is expected to continue strengthening in line with recent trends. The 10 percent U.S. tariff on Armenian goods is expected to have a minimal direct effect, as less than ¾ of one percent of Armenia's goods exports are to the United States. Gross international reserves are projected to reach US\$4.1 billion (129 percent of the ARA metric) by end-2025, with large government debt amortizations partly offset by the Eurobond issuance in March 2025.

15. The baseline is subject to considerable uncertainty and risks (Annex II). Geo-economic fragmentation and investment shocks could lead to a slowdown in important trading partners and tighter global financial conditions. Regional tensions and geopolitical shifts could lead to a reversal of recent capital inflows from Russia and FX volatility, affecting consumption, trade, and the housing market. On the upside, faster structural reforms, and rapid implementation of the peace agreement with Azerbaijan and normalization of trade relations with Türkiye could reduce geopolitical risks and improve regional cooperation. Together with the construction of transit rail and road connections in southern Armenia connecting Azerbaijan and Nakhichevan, such developments could support a higher growth path through reduced logistics costs and increased trade. However, detailed modalities have yet to be clarified, amid significant engineering challenges in the construction of the links.

16. Armenia's strong policy framework provides a buffer against shocks, but the authorities may need to draw on Fund resources in the event of a sizable adverse shock (Annex III). In an illustrative adverse scenario, a decline in goods and services exports coupled with a drop in remittances could significantly widen the current account deficit. Together with a reduction of capital inflows, this would exert significant pressure on the exchange rate and foreign reserves. In these circumstances, the authorities should let automatic stabilizers operate and the exchange rate adjust, and allow a modest widening of the fiscal deficit, resuming fiscal consolidation once the

economy adjusts. The authorities' track record of and commitment to prudent policies, including monetary tightening to control inflationary pressures and prioritization of fiscal spending, as well as support from international partners, would help preserve fiscal and external sustainability. Still, in such a situation, Armenia may need to draw on financial support from the IMF and other multilateral creditors.

Armenia: Impact of a Sizable External Shock

	2026		2027		2028	
	Baseline	Adverse Scenario	Baseline	Adverse Scenario	Baseline	Adverse Scenario
National Income and Prices						
Real GDP (percent change)	5.5	2.5	5.5	3.0	5.0	4.5
CPI (Period average; percent change)	3.0	4.9	3.0	4.4	3.1	3.9
Overall Balance on a cash basis (in percent of GDP)	-4.5	-6.3	-3.5	-4.7	-3.0	-3.6
Central Government Debt (in percent)	51.5	61.1	51.8	61.4	51.9	60.1
Current Account Balance (in percent of GDP)	-4.5	-5.9	-4.4	-7.3	-4.4	-6.6
Gross international Reserves (in millions of U.S. dollars)	4297	2646	4489	2787	4673	3210

Source: National authorities, and IMF staff calculations and projections.

Authorities' Views

17. The authorities broadly concurred with staff's near-term growth and inflation projections and risk assessment. They mentioned that domestic demand remained robust, while the abatement of transit trade would be a drag on growth. They welcomed staff's upward revision of Armenia's long-term potential growth rate, and considered that it might be even slightly higher in view of the recent inflow of highly productive labor, the improved investment environment, and domestic structural reforms. They broadly agreed with staff's assessment of the risks to the outlook, but saw them somewhat more tilted to the upside. They emphasized existing fiscal, external, and banking sector buffers to help address potential shocks and reiterated their commitment to prudent policies to reduce the risk of destabilizing macroeconomic imbalances.

PROGRAM IMPLEMENTATION

18. All end-June quantitative performance criteria (PCs) and indicative targets (ITs) were met (MEFP Table 1). In particular, the program fiscal balance and the NIR targets were met with comfortable margins. Inflation at end-June and end-September was within the MPCC inner band. Indicative targets for end-September were also met.

19. Progress was also made on structural reforms (MEFP Table 2). The authorities completed a comprehensive review of their medium-term expenditure framework (MTEF) (June 2025 structural benchmark—SB) and have identified a menu of expenditure rationalization measures (July 2025 SB, implemented with delay), adopting several of these measures in the 2026 budget. Draft amendments to the central bank law related to the early intervention framework have been released for public consultation (September 2025 SB). An interim report on the effectiveness and costs of the

ongoing pilot program for skills development and job recruitment of refugees was completed (June 2025 SB). The authorities have also refrained from introducing new tax incentives (continuous SB). Benchmarks on the SOE ownership policy (June 2025 SB), insolvency legislation (October 2025 SB) and the bank resolution law (March 2025 SB) are well-advanced but been not fully implemented. These measures are set as benchmarks in the new program for implementation by March 2026.

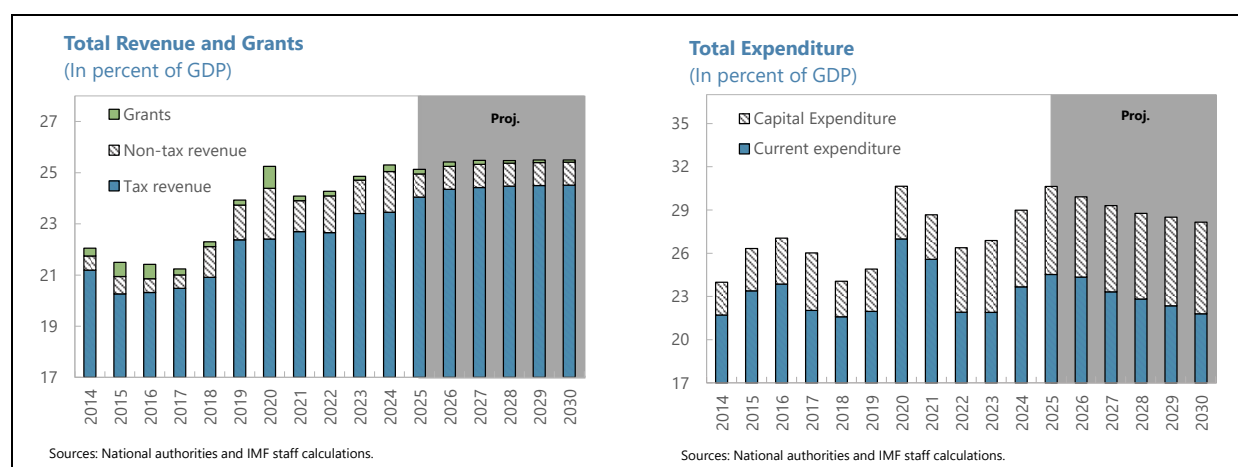
POLICY DISCUSSIONS

Policy discussions under the new SBA focused on policies and reforms to maintain macroeconomic stability and advance the authorities' ongoing reform agenda, strengthening buffers and resilience. The Article IV discussions identified medium-term policy priorities.

A. Building Fiscal Space and Capacity to Support Growth

Recent Progress and Article IV Discussions

20. The authorities were able to advance significant policy and structural reforms in the past 3 years. Revenues (excluding grants) increased by about 1 percentage point of GDP from 2022 to 2024, including through adjustments to excises and turnover taxes; rationalizing tax expenditures by starting the phaseout of incentives such as the mortgage interest tax credit (yielding around ½ percent of GDP once fully implemented); and modernizing tax administration, including through gradual rollout of a universal income tax declaration, better use of third-party data to reduce tax gaps, expanded AI-driven audits, and a broadening of the State Revenue Committee's (SRC) powers to conduct audits on individuals. On expenditures, the authorities made progress in public financial management (PFM) through improvements in the MTEF and strengthening fiscal risks management, including by transferring public investment management to a newly created unit in the MoF and dissolving the Armenia National Interests Fund (ANIF).



21. These efforts need to continue for Armenia to successfully meet existing and emerging long-term fiscal challenges. While the SBA was recalibrated to create room for urgent priority spending needs, there is now a need to start a medium-term fiscal consolidation to

strengthen further public finances and maintain a moderate debt burden. Elevated security, refugee integration, social protection, and infrastructure demands require careful prioritization and sequencing of spending, greater spending efficiency, and higher revenues. Key steps to address these challenges are:

- *Revenue:* Mobilizing additional domestic revenue through new tax policy and administration measures, rationalization of still-sizable tax expenditure on electric vehicles, hi-tech industry, and mortgages, and further strengthening of tax administration remains key.
- *Expenditure:* Containing non-priority public current spending and improving efficiency of capital expenditure are important to create fiscal space for key priority spending requirements. At the same time, further strengthening of PFM is needed through completion of already-initiated reforms.
- *Fiscal planning:* Integrating public investment decisions with the annual budget and medium-term fiscal planning and anchoring annual budgets in the MTEF would allow for informed prioritization and improved budgeting across sectors. More broadly, Armenia's longer-term resilience will depend on the alignment of planned development spending with stable, predictable revenues and ensuring alignment of budgetary social protection outlays with demographic and labor market developments.

Further improving fiscal risks management is needed to complement this reform agenda. Ongoing reforms in fiscal reporting and the development of analytical tools to better assess and monitor risks related to SOEs, PPPs, budget loans, and guarantees will further this agenda, and especially the surveillance of contingent liabilities from SOEs and PPPs. Locking in savings on interest payments and revenue windfalls would add to buffers. Advancing domestic debt market development, and mobilizing adequate external financing are other key priorities.

22. Such reforms would create space for new priorities, boosting growth prospects.

Redirecting spending toward healthcare and support for refugees raises human capital and facilitates integration into the labor market, raising labor supply. Tax reform—in combination with other structural reforms to support the business climate—would level the playing field for companies and enhance competition, while a stronger PIM framework increases the effectiveness of public investment.

Authorities' Views

23. The authorities agreed that addressing Armenia's fiscal challenges requires a multi-pronged approach. They stressed their commitment to fiscal consolidation, while indicating that spending on active labor market programs (ALMPs), housing support for refugees and the introduction of universal health insurance were critical to strengthen the social fabric and boost human capital. They were also determined to push forward with priority infrastructure spending. With regard to fiscal structural reforms, the authorities outlined progress already achieved—such as in tax administration, expenditure planning, and better fiscal risk management—but acknowledged

that implementation of some of the reforms remains work in progress and that further gradual reform may be needed.

SBA Policies

The new three-year program builds on reforms initiated under the current SBA and is informed by Armenia's medium-term fiscal priorities.

24. The 2026 budget is aiming to advance a gradual fiscal consolidation, in line with the medium-term budget targets. As a **prior action** for the review, the authorities have submitted the 2026 budget to parliament with a deficit target of 4.5 percent of GDP. This target and the indicative targets of 3.5 and 2.8 percent for 2027 and 2028, respectively, are in line with the recently adopted 2026–28 MTEF. This implies a mildly contractionary fiscal stance in 2026 and the following years and ensures that public debt remains at a moderate level in the medium-term.

25. Decisive reforms to broaden the tax base, strengthen compliance, and rationalize exemptions as well as spending remain critical for medium-term fiscal sustainability. These reforms will enable fiscal consolidation in line with the MTEF while allowing the authorities to accommodate rising expenditure pressures. They will also serve to improve the business environment and increase employment.

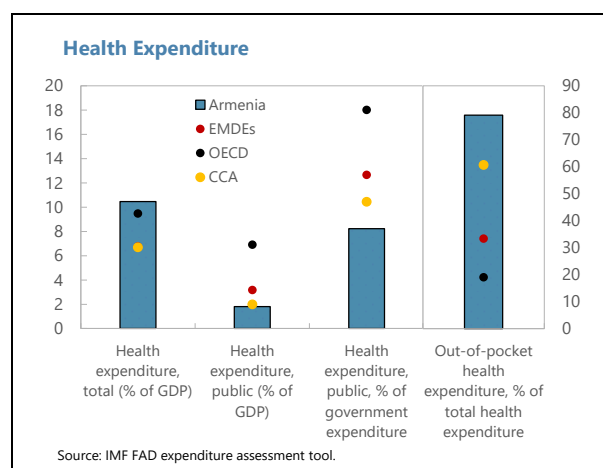
- *Tax policy.* The authorities will let the excise tax exemption for electric vehicle (EVs) expire at end-2025, and eliminate the VAT exemption on electric vehicles from January 2027 (**December 2025 SB**)—estimated to yield around ¼ percent of GDP—, while introducing a rebate scheme to better target the subsidy and make the system less regressive. The authorities are also embarking on a revision of the tax system. As a first step, they will prepare a concept note outlining key principles for future changes to the tax system, including on new tax policy measures, the definition of taxable income, and broadening the VAT tax base (**March 2026 SB**). In addition, the authorities will phase out the mortgage interest tax credit in areas outside Yerevan, and continue to conduct comprehensive cost assessment and justification of any new tax incentives that are deemed necessary on an ongoing basis and adopt offsetting measures as necessary to prevent potential revenue loss (**continuous SB**).
- *Revenue Administration.* The authorities are continuing reforms to further enhance efficiency and effectiveness of tax and customs administration. Expanding on existing initiatives, they are developing a compliance improvement plan aimed particularly at large taxpayers, as well as taking steps to improve and strengthen their compliance risk management system, in line with FAD's 2025 TADAT assessment (**September 2026 SB**).
- *Expenditure policy.* The authorities are looking to increase the efficiency of government expenditures to keep spending pressures in check. In this regard, they are developing capacity to undertake expenditure reviews. As part of these efforts, they intend to conduct an early review of the wage bill of the central government apparatus. Also, to gain a more

comprehensive picture of government wage expenditures, they are embarking on strengthening the reporting of wage spending by line ministries.

26. Efforts in line with these program commitments will create space for priority social and development spending, while advancing the planned fiscal consolidation:

- *Housing support for ethnic Armenian refugees.* The subsidized mortgage lending program for ethnic Armenian refugees, envisaged to cover 15,000 households over five years, is estimated to cost a cumulative \$670 million (2.3 percent of 2026 GDP) with the World Bank and ADB financing three-quarters of the total cost through project loans. These funds have been allocated in the MTEF.

- *Universal Health Insurance (UHI).* The authorities plan to introduce UHI in 2026 to reduce out-of-pocket costs—which are comparatively high in Armenia amid low public spending on healthcare—and improve the efficiency of medical care. To this end they have allocated a cumulative budget of 5.4 percent of GDP for health within the 2026–28 MTEF including an additional 0.5 percent of GDP for 2026 relative to 2025 to be allocated to UHI, with additional UHI expenditure to be met



through reallocations and efficiency gains within the MOH budget envelop. While the actual cost is uncertain, as demand and efficiency gains are difficult to predict, the authorities have articulated contingency measures to remain within this budget envelope, including phased implementation of the reform, delaying expansion or reprioritizing health spending, copayments for certain treatments, the ability to vary premiums and use the risk buffers in the insurance fund, the possibility of waitlisting for certain plannable services, as well as robust oversight and reporting.

- *Education and other social spending:* The authorities plan to carefully manage education spending within the limited fiscal space to support construction of schools. The MTEF allocates around 0.5 percent of GDP per year to support school construction in 2026–27 and develop an academic city outside Yerevan in 2028. The action plan under the employment strategy is still being costed and discussed, and has not been fully integrated into the MTEF. However, the MTEF accommodates certain labor market programs covering internships, training and paid public works, including for refugees.

27. Strengthening fiscal planning, investment management, and fiscal risk monitoring will improve budget execution and support the credibility of the consolidation strategy.

- *Fiscal Framework.* The authorities are committed to fully align the annual budget with the MTEF, starting from the 2027 budget (**December 2026 SB**), and already made significant progress in this regard with the 2026 budget. This will improve the strategic orientation and credibility of fiscal policy through internal consistency across medium-term macroeconomic assumptions and policy priorities.²
- *Public Investment Management (PIM).* The newly established Public Investment Management Unit within the MoF is now operational, and is in the process of integrating public investment planning within the broader budget process, carrying out cost-benefit analyses for new policy initiatives. The authorities are also updating the PIM decree to clarify division of responsibility among stakeholders in the public investment process, set appropriate PIM procedures for different project sizes, and introduce monitoring requirements (**April 2026 SB**). In the future, the authorities also intend to amend the Budget System Law to require that capital projects (meeting the criteria in the PIM decree) can only be included in the annual budget if they have first gone through the PIM procedures. The authorities have requested an IMF-updated Public Investment Management Assessment (PIMA) to guide their future reform agenda.
- *Fiscal Risk Management.* The adoption of the decree on state ownership policy (**March 2026 SB**) will strengthen fiscal oversight, enforce market-based lending rules, and introduce legal criteria and leverage limits aimed at regulating and governing the ownership, management, and operations of companies with state participation. Still, rules on budgetary lending to state-owned enterprises (SOEs) and otherwise remain to be defined in the Budget System Law. To limit fiscal risks, a ceiling on total gross domestic budget lending is set (**QPC**), matching the amount approved in the annual budget law. To enhance fiscal transparency and help internalize fiscal costs of public-private partnerships (PPPs), the authorities have submitted to Parliament legislation for accrual-based accounting and recognition of PPP liabilities in line with the Armenian public sector accounting standard (APSAS 32).
- *Organization of the Ministry of Finance.* The MoF is finalizing a functional restructuring to enhance its efficiency and strategic capacity, with clearer roles, better budget coordination, and a new internal program evaluation function. Real-time financial oversight has shifted to the State Control Service, allowing the MoF to focus on ex-ante cost-benefit analysis and ex-post monitoring and evaluation.

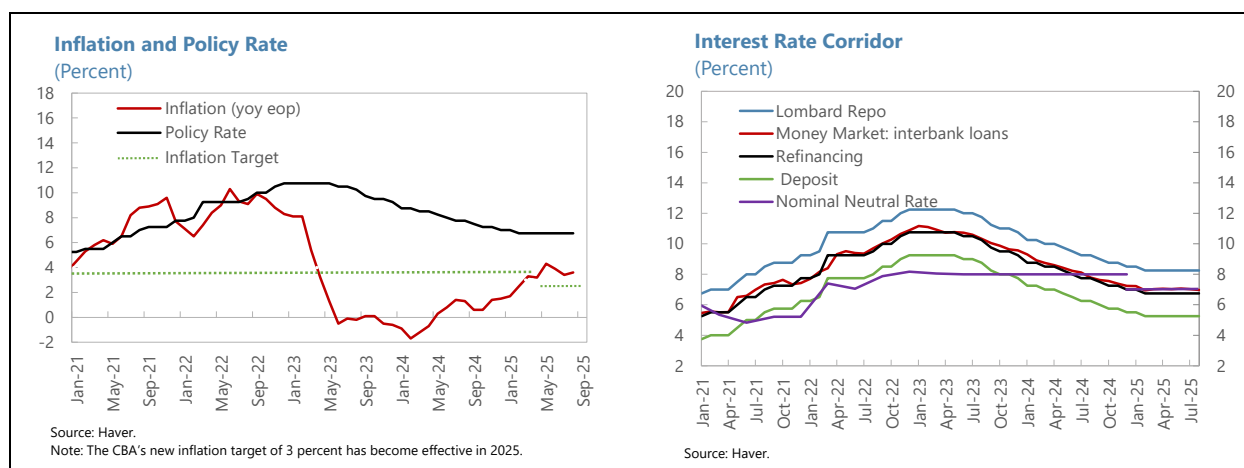
B. Ensuring Price Stability and Financial Sector Resilience

Recent Progress and Article IV Discussions

28. The CBA has taken timely and effective actions to maintain price stability and advanced reforms to strengthen its monetary policy framework, becoming a pioneer among its peers. Proactive and decisive policy actions successfully tackled inflationary pressures following

² See also Armenia – Selected Issues (2025). “Evaluating Armenia’s Fiscal Framework”.

the outbreak of war in Ukraine. The CBA raised the main policy rate to 10.75 percent by early 2023 and, once inflationary pressures started to subside, commenced a gradual easing, lowering the policy rate to 6.75 percent by February 2025, where it has been held steady since. In 2024, the CBA launched a risk-based approach to monetary policy decisions, employing its enhanced macroeconomic modeling capacity. It has also promoted transparency by publishing a quarterly monetary policy report and underlying data, staff's presentation to the board, board member statements, voting records following rate decisions, and daily FX intervention data. Development of a robust monetary policy framework provided the CBA with a solid foundation to lower its inflation target to 3 percent (+/- one percentage point) effective January 2025, strengthening alignment with its long-term price stability objective.



29. Still, some structural monetary policy challenges persist. Armenia's monetary transmission remains constrained by dollarization and shallow local capital markets. To help develop capital markets and improve monetary policy transmission, an over-the-counter commercial trading platform for the overnight repo market was introduced, though ample liquidity in the financial system, the short duration of the overnight repo market as opposed to trading in longer tenured repos (e.g., 7 days), and continued recourse to bilateral repo financing are limiting its widespread use. In addition, the CBA published key legal opinions to assure enforceability of global repo agreements in Armenia and is working to standardize the legal framework for repo agreements, with implementation expected in early 2026.

30. The CBA has been proactive in managing financial sector risks, but continued vigilance is warranted. The CBA has improved its supervisory toolkit and deployed several macroprudential tools, including introducing a loan-to-value limit for mortgages (at 90 percent) in April 2021 and raising the countercyclical capital buffer progressively to 1.75 percent by May 2025. Legislation to ban FX mortgages became effective in May 2023, and the gradual phase-out of the mortgage interest tax credit, which became effective for all of Yerevan in 2025, has helped cool the real estate market (Box 2). The CBA conducts quarterly macro-financial stress tests with a severe adverse scenario and has also carried out microprudential assessments of risky property projects and developers. Nonetheless, as real estate-related exposures (mortgages and construction) in bank

portfolios have risen sharply, further development of borrower-based macroprudential tools is warranted to guard against destabilizing asset quality deterioration when the economic cycle turns.

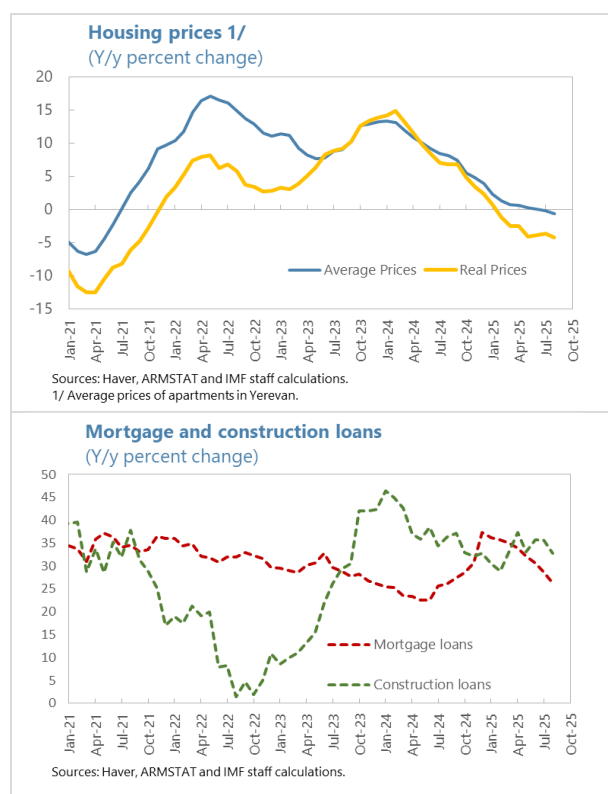
Box 2. Armenia: Housing Sector

After several years of robust growth, the growth in housing prices and mortgage and construction lending are beginning to cool as demand pressures ease and policy tightening takes hold.

Residential real estate market prices and activity are moderating. Housing prices rose significantly in 2022-24 in conjunction with the arrival of Russian migrants after the start of the war in Ukraine and an inflow of ethnic Armenian refugees starting in 2023. The gradual phase-out of the mortgage interest tax credit starting from 2022-24 in Yerevan also likely stimulated demand over this period. With these demand pressures subsiding, the real estate market is now cooling. For example, the average square meter price of an apartment in Yerevan contracted in July 2025 after 50 months of positive y/y growth. Similarly, the volume growth of real estate transactions and completed residential floor space in Yerevan has slowed.

Growth in mortgage and construction lending is also decelerating, but remains elevated. After tapering until mid-2024, mortgage lending accelerated in the second half as homebuyers sought to lock in the mortgage interest tax credits expiring at end-2024. Construction lending has broadly mirrored the real estate boom, but with greater volatility. Both mortgage and construction lending have decelerated in 2025 relative to their peaks in 2024 as the underlying demand factors wane, but y/y growth remains close to 30 percent.

Policymakers have helped engineer the moderation. Aside from implementing an appropriate monetary policy, the authorities have taken macro-prudential measures (e.g., introducing a loan-to-value limit for mortgages and banning FX mortgages) to help mitigate the risks to financial stability from mortgage and construction lending. Moreover, for mortgage loan agreements made after January 1, 2025, the maximum quarterly refundable amount for regions still benefiting from the mortgage interest tax credit was halved to AMD 750,000 and the credit will be eliminated for all regions by January 1, 2029, except in some border settlements. This will likely further dampen real estate demand pressures over time.



31. The CBA is also upgrading its regulatory, early intervention, and resolution frameworks. Efforts to enhance risk-based supervision are advancing, supported by a formal roadmap for introducing Pillar 2 capital add-ons, and the recent completion of an impact study on interest rate risk in banks' books. Progress has also been made in strengthening crisis management frameworks, with the drafting of a new bank resolution law aligned with international standards and the ongoing development of an early intervention framework. The rapid digitalization of financial services and the sizeable non-resident deposits also introduce new risks, necessitating continued vigilance in AML/CFT supervision—including the monitoring of cross border flows and the development of tools to ensure the implementation of requirements applicable to crypto-asset service providers. The authorities are finalizing an assessment of ML/TF risks emerging from the operations of these providers and crypto-asset activities.

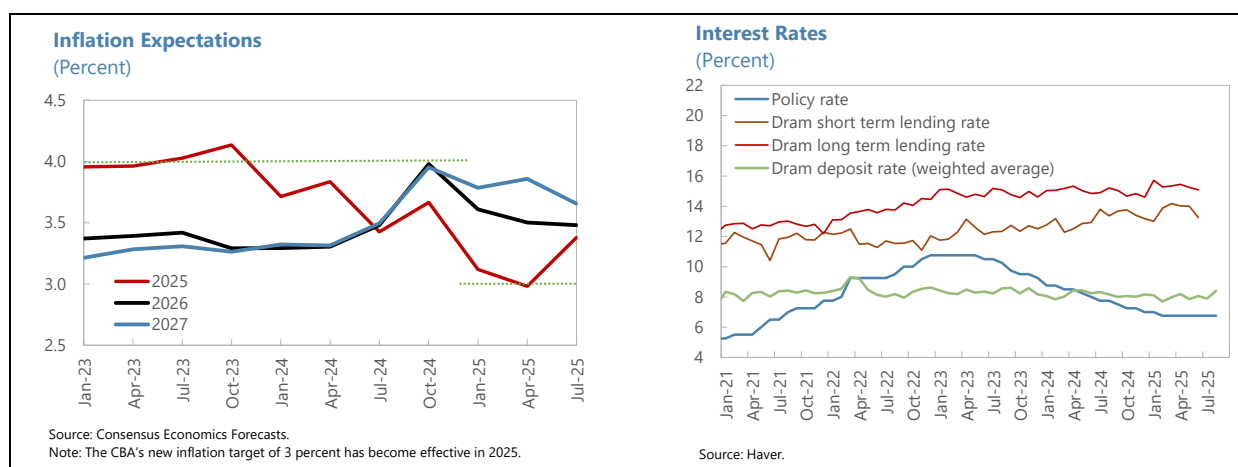
Authorities' Views

32. The authorities underscored their commitment to prudent monetary policy and financial sector regulation and supervision. They underlined that their revised inflation target is consistent with price stability and the current structure of the financial and economic system, as well as their firm commitment to achieving the target. They further noted that the lower inflation target is expected to mitigate fluctuations in financial and currency markets, raise households' purchasing power, and boost the country's investment attractiveness. With regard to financial sector supervision, they underscored that they had significantly expanded their toolkit, including through ongoing efforts on the introduction of risk-based supervision and the strengthening of prudential requirements, and pointed to several new initiatives, including a new law on cryptocurrencies, to meet emerging challenges stemming from digitalization and cryptocurrencies.

SBA Policies

The authorities' program aims to consolidate progress achieved in enhancing the monetary policy framework, further improve the regulatory and supervisory framework, and build on recent reforms to address emerging potential risks.

33. The CBA's monetary policy stance is appropriate, but continued vigilance is required against domestic demand pressures. With the positive output gap closed, the policy rate remains around its neutral level, and inflation expectations are gradually converging towards the new inflation target of 3 percent. However, still-buoyant credit growth and the potential for adverse external shocks in a highly uncertain global environment require continued vigilance. The CBA is strongly committed to taking any action needed to meet the inflation objectives. In the program context, monetary policy conditionality will remain anchored by the monetary policy consultation clause (MPCC).



34. Exchange rate flexibility remains appropriate to cushion the economy from adverse external shocks and supports de-dollarization. As under the current SBA, the opportunistic use of FX purchases when the dram is under appreciation pressures could help gradually building FX reserves to maintain adequate reserve cover, while reducing volatility.

35. The authorities are committed to continue ongoing efforts to advance financial sector reforms and strengthen central bank governance. Their objective is to contain financial sector risks and secure resilience, including by building on the progress achieved in upgrading the regulatory and supervisory framework, ensuring proper risk assessment by banks, advancing regulation on stablecoin and the payment system and further improving the CBA's internal governance.

- *Mitigating mortgage market risks.* Mortgage lending has decelerated, while real estate prices appear to be softening in Yerevan. Should mortgage lending growth re-accelerate, policy options include a reduction of the loan-to-value limit for mortgages and raising the risk weights for loans to the construction sector and mortgages. At this stage, introduction of prudential measures based on borrower's income are not feasible as standardized income information against which banks could verify borrower's income is not yet readily available. The CBA anticipates that within a few years the universal income tax declarations database, which is being developed by the tax authority, could be a source of such information.
- *Other financial stability risks.* Stress tests indicate that the banking system has enough capital to withstand a severe shock and that the risks from a potential large deposit outflow are contained, as banks have invested recent inflows of foreign deposits in liquid assets. Nonetheless, the still-high degree of deposit dollarization represents a risk, and the CBA has tightened regulations on the LCR and Net Stable Funding Ratio (NSFR) to mitigate potential risks related to deposit concentration and outflows of non-resident deposits.³

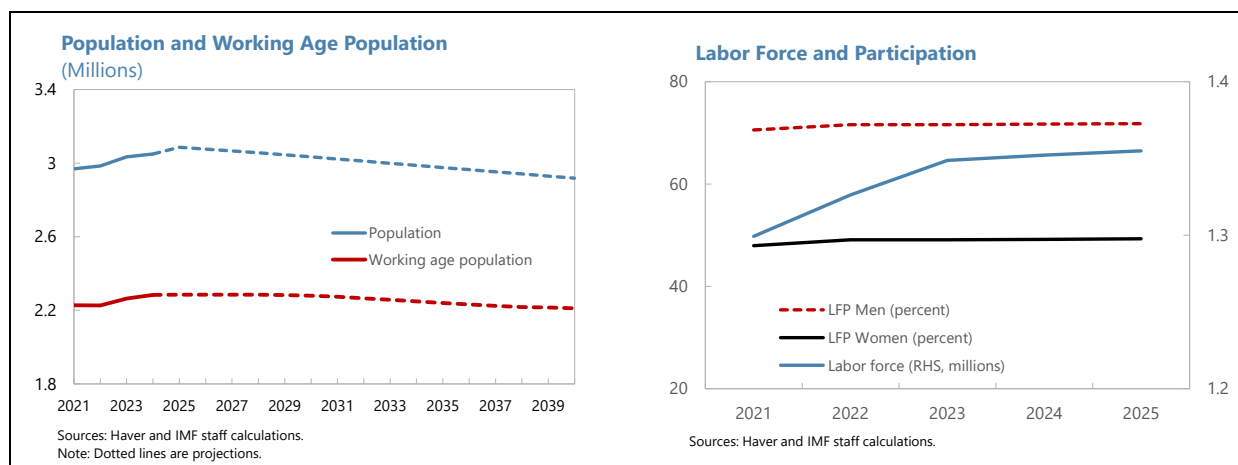
³ The CBA tightened both the LCR and NSFR for macro prudential reasons in accordance with the Basel Framework. Under the [Fund's institutional view](#) both measures are considered CFM/MPMs.

- *Further strengthening the regulatory, supervisory, and resolution frameworks.* The CBA has made substantial progress in improving its supervisory framework by enhancing the supervisory assessment of banks' business models through the Internal Capital Adequacy Assessment Process (ICAAP) and concluding the pilot Supervisory Review and Evaluation Process (SREP), which will feed into the design of Pillar 2 capital add-ons. It is also advancing legislation to improve its early intervention toolkit based on assessment of risks of financial institutions. After submission to Parliament of the new bank resolution law (**March 2026 SB**) and its adoption, the CBA plans to enact secondary regulation to implement make the resolution framework operational.
- *Upgrading the payment system and cryptocurrency legislation.* Armenia's recently adopted Law on Crypto Assets addresses risks from financial crime to market integrity and consumer protection, while balancing the need for legal certainty and sectoral development. The authorities are planning to adopt a regulation on stablecoin (**April 2026 SB**), and are seeking IMF support to assess their draft against international best practice. In addition, to modernize the payment infrastructure and enhance its integrity and resilience, the CBA aims to introduce a new law on payments services (**December 2026 SB**).
- *Advancing Central Bank governance.* The CBA is upgrading its internal risk management processes in line with the 2023 Safeguards Assessment. To this end, it will adopt an institution-wide risk management policy, define its internal risk appetite and operationalize the risk management framework (**September 2026 SB**), and strengthen Board oversight. The CBA also intends to review its strategic planning and budgeting processes and balance sheet assessment methodology with assistance from the IMF. Further effort is needed to strengthen the CBA legal framework and divest from non-core activities. Staff will follow up on progress as part of an envisaged safeguards assessment, which is scheduled to be carried out by the time of the first review under the new arrangement.

C. Strengthening Growth and Resilience

Recent Progress and Article IV Discussions

36. Armenia's economy faces long-term demographic headwinds but medium-term opportunities. The population is set to gradually decline and age, and high structural unemployment—especially among the youth—, skills mismatches, and low participation rates in the formal labor market—especially among women and those with low levels of education —constrain the economy's potential and limit the tax base. However, in the past few years, the working-age population has been boosted by the influx of Armenian refugees as well as immigrants from Russia. In this regard, the authorities' housing and employment support programs for Armenian refugees are geared to facilitate their rapid integration, and the authorities are piloting ALMPs, pointing to opportunities.



37. While the business environment has improved, further efforts are needed to remove structural obstacles (Box 3). The private sector remains constrained by a complex legal framework, limited transparency, and lack of digital government services. Weak enforcement of property and contract rights as well as corruption continue to deter investment. Alignment with international quality standards to facilitate exports is lagging, and Armenia's landlocked geography are further obstacles to closer integration with export markets such as the EU.

38. In the medium term, Armenia will need to replace its only nuclear power plant, which accounts for 29 percent of electricity generation. Moreover, new generation capacity is needed to accommodate rising power demand. The authorities are considering different options, including a new nuclear plant and a significant expansion of renewables, which currently account for around 30 percent of electricity generation. There is significant scope for increasing the contribution of solar and, to a lesser extent, wind power, as well as raising energy efficiency. However, grid upgrades are needed to fully exploit this potential.

39. Improving the quality of statistics is essential to support decision making. While data provision to the IMF is broadly adequate for surveillance and program monitoring (Annex VI), better statistics in the areas of national accounts, labor markets, the external sector, and public finances, would strengthen the authorities' ability to devise targeted policies.

40. To address these challenges and exploit opportunities, Armenia is pursuing structural reforms.

- *Employment.* The authorities have developed a comprehensive employment strategy to boost labor force participation, productivity, and incomes. Building on pilot ALMPs and the lessons learned from them, they are planning to develop action plans to broaden the programs to target additional vulnerable groups like women and youth.
- *Exports.* The adopted export strategy defines key steps to overcome barriers to export growth and diversification. This includes horizontal reforms geared towards improving the overall business environment. However, Armenia's and cross-country experience with measures such as

special economic zones (SEZs) and other industrial policies has been disappointing, while incurring significant fiscal costs.

- *Business environment.* The authorities have developed a strategy to strengthen the competitiveness of SMEs to boost employment and growth. Simplified procedures for public procurement and incremental progress in anti-corruption frameworks are further positive steps.

Authorities' Views

41. The authorities agreed that structural reforms to boost the private sector and create employment opportunities are critical for Armenia's long-term growth. They emphasized that their strategies on exports, SMEs, employment, and the broader business environment were complementary, and stressed their multi-pronged nature as well as the need to reach beyond the region surrounding Yerevan. With regard to the employment strategy, they indicated that they were pursuing supply- and demand-side measures, including to promote regional development by boosting growth of non-agricultural employment in communities including regional cities.

SBA Policies

42. The authorities have built a solid base from which to continue structural reforms.

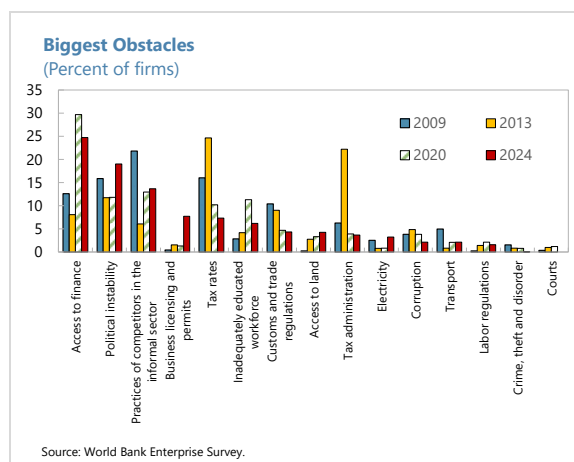
Diversifying the economy and strengthening employment remain critical to raising Armenia's long-term growth potential and increase the economy's resilience. Integrating the export, employment, and SME strategies is the next key step in modernizing the economy. The authorities are pursuing key reforms:

- *Export strategy and business climate.* The authorities are working with development partners to implement structural measures to enable organic export growth including through adoption of international quality standards and provision of digital government services. With support from the World Bank, they are introducing a new Investment Law and are working on a new Companies Law to consolidate the legal framework for enterprises, strengthen corporate governance, and improve transparency. Moreover, the insolvency framework is in the process of being modernized (Box 4), with a new insolvency law expected to be submitted to parliament (**March 2026 SB**) that will stimulate financial intermediation and access to credit.
- *Labor market.* Building on the lessons from ALMPs as well as the employment support program for Armenian refugees, the authorities are launching additional programs for phased implementation of their employment strategy. The new programs will provide targeted support to able-bodied people from families receiving social assistance, youth NEETs (not in employment, education, or training) and women between the ages of 30 and 40, and will focus in particular on stimulating employment in regions outside Yerevan. They focus on strengthening training while partially compensating employers for salary and/or taxes for a limited period of time. The authorities will monitor implementation of these pilots, and prepare an analysis of their effectiveness before rolling them out more broadly.

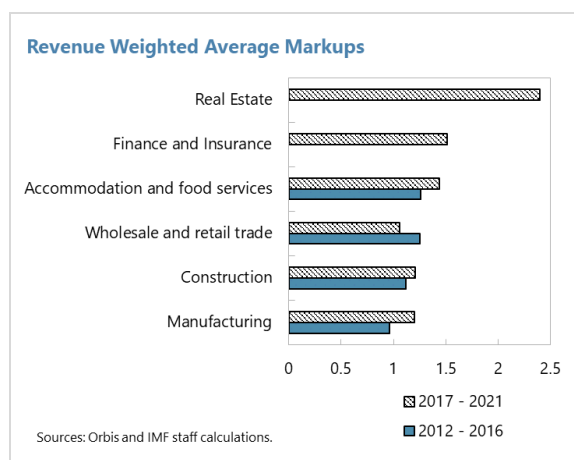
Box 3. Armenia: Business Environment

Key trends in Armenia's business environment between 2009 and 2024 show both improvements and persistent challenges. The World Bank Enterprise Survey (WBES)—firm-level survey of a representative sample of the private sector—captures firms' experiences and perceptions of the business environment in Armenia. Its findings highlight several areas of progress, including tax administration and tax rates, as well as issues related to access to finance, informality and regulatory efficiency that remain significant.

Despite improvements in recent years, by 2024 access to finance remained a key constraint, with firms citing unfavorable interest rates and high collateral requirements (on average around 200 percent of the loan amount, affecting firms of all sizes) as significant roadblocks. Informality remains a challenge to fair competition and productivity growth, with the share of firms reporting competition from unregistered or informal businesses increased from 28.9 percent in 2020 to 34 percent in 2024. On business licensing, the key obstacle relates to the time spent by senior management in meetings with the public sector, which has increased significantly, especially for large firms. On the positive side, tax policy and administration reforms starting from 2013 have improved the business environment. Similarly, constraints related to customs and trade regulations have eased markedly, contributing to greater efficiency in customs procedures and a more business-friendly trade environment.



In addition, firm level analysis suggests that market competition has decreased over 2012-21.¹ Firm level mark-ups, calculated based on Orbis data, have increased—reflecting lower competition—in several sectors in Armenia, including in manufacturing, construction, and hospitality services sector, even as the level of markups in services sector (financial services, real estate etc.) are generally higher. The analysis further find that lower market competition is associated with lower productivity and GDP growth. Lowering trade barriers and pro-competition reforms such as enforcement of best-practice competition law and adequate protection of private property rights, can increase market competition, reduce productivity gaps and support growth.



¹ Faris and others, 2026, Competition and Productivity in Middle East and Central Asia, IMF Working Paper, forthcoming.

- **Energy.** The authorities are considering several options for long-term energy security. Their strategy will be shaped to a significant extent by geo-economic factors. In the meantime, the World Bank is supporting a project to upgrade the electricity grid and high voltage transmission connections to Georgia, which will enhance transmission capacity and facilitate the expansion of renewable energy production.

Box 4. Armenia: Insolvency Law Reform

The authorities have drafted a new bankruptcy code as part of their efforts to improve the effectiveness of insolvency proceedings and strengthen the protection of creditor rights in line with international standards (118 and 42).

The new bankruptcy code represents a major modernization of Armenia’s legislative framework on insolvency. The main reforms introduced by the new code are to (i) expand options for corporate restructuring, including provisions on bankruptcy prevention (preventive restructuring) and the sale of distressed businesses as going concerns (pre-packaged sales); and introduce (ii) a comprehensive regime for the financial rehabilitation of corporate debtors, (iii) a simplified liquidation procedure for small businesses, (iv) a revised regime for the insolvency of natural persons, and (v) provisions dealing with cross-border insolvency. The new code strengthens creditor rights in various areas. It promotes transparency in the sale of the debtor’s property by establishing electronic public auctions as the default method and restricting the use of direct transactions to limited cases. It also improves the information made available to creditors on a restructuring plan and introduces clear provisions on plan voting and the treatment of dissenting creditors, in line with international standards. In addition, it clarifies multiple procedural issues and enhances the regime of insolvency representatives. The new code will need to be tested in practice in order to refine it further as needed.

The authorities have committed to fully operationalizing their electronic bankruptcy system and ensuring its alignment with the new code. This is expected to accelerate insolvency proceedings and facilitate the work of the judiciary and court staff. Fund staff will continue to support the effective implementation of the new code, including by helping design a robust data collection system for corporate and personal insolvency cases—which will be critical to assess the effectiveness of the new code in achieving its objectives and for guiding future reforms. The authorities should consider increasing the number of insolvency judges and their support staff to further support this effort.

43. The authorities are also embarking on a program to enhance statistics. They have requested a data quality assessment (DQA) by STA to address significant statistical gaps. As a first step building on the DQA report, the authorities intend to develop a medium-term reform program with a timeline for implementation (**June 2026 SB**) to complement work by Eurostat to strengthen statistical capacity, and will request further CD support from STA.

PROGRAM MODALITIES

44. New program length and access. The authorities are requesting a three-year stand-by arrangement, with access of 100 percent of quota (SDR 128.8 million) phased equally over the

duration of the program (Table 7). The program will be monitored through semi-annual reviews. The SBA terms fit Armenia's potential balance of payments needs and repayment capacity. As with the current program, the authorities intend to treat the arrangement as precautionary, which is appropriate given the broadly adequate reserves under the baseline. The SBA will provide insurance against potential external financing needs in the event of adverse shocks as well as to catalyze support from other IFIs. Under a plausible adverse scenario, access to Fund financing will support efforts to maintain a reserve cover of close to 100 percent of the ARA metric, and could be augmented quickly if necessary. The proposed length of the arrangement would allow the authorities to complete important structural reforms.

45. New program conditionality. The program will be monitored through a monetary policy consultation clause (MPCC), quantitative performance criteria and indicative targets with end-December and end-June test dates (MEFP Table 3), and continuous performance criteria. The program also envisages several structural benchmarks (MEFP Table 4) with further conditionality to be developed over the course of the program. An updated safeguards assessment of the CBA is planned to be completed by the first review.

46. Risks to the new program are manageable. While the upcoming elections pose a risk on program implementation, the authorities long track record of sound macroeconomic policies and reform implementation provide a strong assurances that this performance is expected to continue. Strong cohesiveness and good coordination among IFIs will also buttress the authorities' ownership of the program.

47. Armenia's capacity to repay the Fund is adequate and the new program is not expected to have a financing gap (Table 8). Under the adverse scenario, which assumes full drawing through the course of the program, Fund credit based on existing and prospective drawing would reach a maximum of 5.4 percent of gross reserves and 1.3 percent of exports in 2028. Armenia's outstanding credit would stand at 100 percent of quota as of end-2028 and is projected to decline by end-2030. Repayments to the Fund would rise to 1.4 percent of GIR and 0.4 percent of exports in 2030. Armenia's capacity to repay is supported by (i) the moderate and stable projected trajectory of both public and external debt over the medium term; (ii) the authorities' proven ability to follow through on their reform program; and (iii) their long track-record of sound macroeconomic management. For the new proposed arrangement, good prospects for financing throughout the program period are in place.

STAFF APPRAISAL

48. Armenia has successfully navigated multiple challenges in recent years, while preserving macroeconomic and financial stability. The economic outlook remains positive, amid increased growth potential and inflation converging to the CBA's target. Downside risks remain, stemming largely from geo-economic and geopolitical factors, but there are also considerable upside risks from the peace agreement with Azerbaijan and the possible opening of the border with

Türkiye. Continued implementation of prudent policies and acceleration of reforms will be critical to further strengthen resilience and secure inclusive and sustainable growth in the period ahead.

49. The 2026 budget deficit and medium-term fiscal consolidation planned in the authorities' MTEF are appropriate. The planned fiscal stance in 2026 is mildly contractionary, while accommodating priority spending on refugee support, health, and public investment, and will commence a gradual fiscal consolidation to return budget deficits to more sustainable levels. Going forward, creating fiscal space for priority spending while reducing the fiscal deficit further hinges on mobilizing additional revenue through broadening the tax base as well as revenue administration measures.

50. Fiscal structural reforms will help improve the robustness of fiscal policy and ensure fiscal sustainability. Stronger PIM processes not only increase the effectiveness of public investment spending, but also reduce fiscal risks, which will be complemented by strengthened policies on state ownership. More broadly, further alignment of annual budgets with the MTEF will strengthen planning and improve the strategic orientation and credibility of fiscal policy.

51. Prudent monetary policy has strengthened the CBA's credibility. The CBA's new monetary policy framework, centered on prudent risk management and flanked by capacity building and a high degree of transparency, supports the CBA's inflation target of 3 percent. However, given global policy uncertainty, strong pass-through from global to domestic prices, and buoyant credit growth fueling domestic demand, the room for further policy easing may be limited. Policy rate actions should continue to be data-driven to keep inflation and inflation expectations well anchored. The flexible exchange rate should continue to serve as a key shock absorber, with foreign exchange interventions limited to addressing disorderly market conditions and opportunistically building reserves to maintain a strong NIR position.

52. Further strengthening the CBA's prudential and supervisory framework and toolkit will help stem financial sector risks. Bank capital and liquidity ratios are well-above the minimum prudential requirements, and mortgage growth has receded. However, credit growth remains strong, driven by loans to the construction industry and consumers. The CBA will need to closely monitor these developments, stand ready to deploy its macroprudential tools to mitigate risks to financial stability, and develop borrower-based measures to further enhance its macroprudential toolkit. Strengthening the supervisory framework is also key, through legislative amendments to support the adoption of risk-based supervision and broaden the CBA's power for early intervention. Adopting legislation to modernize the payment infrastructure and stablecoin regulations adopted will enhance payment systems' resilience and integrity, and enhance user protection. Further, adopting a CBA-wide risk management framework will support more effective and efficient central bank decision-making.

53. Accelerating structural reforms is key to modernize the economy and support sustainably higher growth. Progress has been made in developing strategies to boost labor force participation and employment, and to support export diversification; these now need to be integrated and rolled out. This will need to be underpinned by reforms to improve the investment

climate, and through better governance (including streamlining and digitalization of public services), as well as strengthening of the legal framework for businesses to enhance corporate transparency and competitiveness. Improving the quality of statistical reporting is essential to support decision making.

54. The new SBA aims to support the authorities' efforts to maintain macroeconomic stability and advance their structural reform agenda. Notwithstanding the strong performance under the current SBA, Armenia remains vulnerable to shocks. The proposed arrangement would provide insurance in an uncertain environment and a strong signal on the authorities' policies, helping to catalyze financial support from multilateral and bilateral creditors, and reassuring private investors.

55. Staff supports the authorities' request for completion of the sixth review under the current SBA, and the subsequent cancellation of the SBA and approval of a new three-year SBA. The attached Letter of Intent and MEFP provide a strong set of policies to pursue the objectives of the program. The authorities intend to treat the program as precautionary.

56. It is expected that the next Article IV Consultation will be held on the 24-month cycle, in accordance with Decision N. 14747-(10/96).

Table 1. Armenia: Selected Economic and Financial Indicators, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.			Proj.					
National income and prices:									
Real GDP (percent change)	12.6	8.3	5.9	5.0	5.5	5.5	5.0	5.0	5.0
Final consumption expenditure, Contrib. to Growth	3.5	5.1	4.0	3.3	3.1	4.0	3.0	3.3	3.4
Gross fixed capital formation, Contrib. to Growth	3.0	3.0	2.6	2.1	1.8	1.3	1.7	1.4	1.4
Changes in inventories, Contrib. to Growth	-0.8	-0.2	-0.3	-1.1	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services, Contrib. to Growth	6.2	0.0	2.3	-1.0	0.0	0.1	0.1	0.1	0.1
Gross domestic product (in billions of drams)	8,501	9,493	10,193	10,992	11,945	12,984	14,048	15,199	16,444
Gross domestic product (in millions of U.S. dollars)	19,979	24,153	26,010	27,903	29,025	30,803	32,655	35,031	37,619
Gross domestic product per capita (in U.S. dollars)	6,695	7,961	8,528	9,041	9,434	10,045	10,686	11,505	12,400
CPI (period average; percent change)	8.8	2.0	0.4	3.5	3.0	3.0	3.1	2.9	3.0
CPI (end of period; percent change)	8.4	-0.7	1.7	3.5	3.1	3.0	3.0	3.0	3.0
GDP deflator (percent change)	8.0	3.1	1.4	2.7	3.0	3.0	3.0	3.0	3.0
Unemployment rate (in percent)	13.5	12.4	13.9	13.7	13.6	13.5	13.4	13.3	13.2
Investment and saving (in percent of GDP)									
Investment	22.4	22.9	23.8	24.7	23.5	23.1	23.5	23.6	23.5
National savings	23.1	20.2	19.2	20.2	19.0	18.7	19.1	19.3	19.4
Money and credit (end of period)									
Reserve money (percent change)	5.0	-4.0	13.8	11.9	13.7	14.4	12.0	10.3	10.9
Broad money (percent change)	16.1	17.4	13.7	15.5	16.7	16.7	15.6	13.6	13.6
Private sector credit growth (percent change)	4.5	18.4	31.7	16.8	17.0	17.0	15.5	14.2	14.1
Central government operations (in percent of GDP)									
Revenue and grants	24.3	24.9	25.3	25.6	25.8	25.8	25.8	25.8	25.8
Of which : tax revenue	21.9	22.5	22.4	23.4	23.7	23.7	23.7	23.7	23.7
Expenditure	26.4	26.9	29.0	30.6	30.3	29.3	28.8	28.3	27.8
Overall balance on a cash basis	-2.1	-2.0	-3.7	-5.0	-4.5	-3.5	-3.0	-2.5	-2.0
Public and publicly-guaranteed (PPG) debt (in percent of GDP)	49.2	50.5	50.0	52.1	53.1	53.2	53.1	52.1	50.7
Central Government's PPG debt (in percent of GDP)	46.7	48.2	48.0	50.3	51.5	51.8	51.9	51.1	49.7
Share of foreign currency Central Government PPG debt (in percent)	62.1	52.7	48.2	48.1	47.2	47.9	47.8	47.8	47.4
External sector									
Exports of goods and services (in millions of U.S. dollars)	10,339	14,718	19,072	13,131	13,416	13,877	14,314	14,848	15,381
Imports of goods and services (in millions of U.S. dollars)	-10,439	-15,062	-19,804	-14,244	-14,539	-15,074	-15,584	-16,148	-16,733
Exports of goods and services (percent change)	107.7	42.3	29.6	-31.1	2.2	3.4	3.2	3.7	3.6
Imports of goods and services (percent change)	71.3	44.3	31.5	-28.1	2.1	3.7	3.4	3.6	3.6
Current account balance (in percent of GDP)	0.7	-2.8	-4.6	-4.5	-4.5	-4.4	-4.4	-4.3	-4.2
FDI (net, in millions of U.S. dollars)	926	527	75	397	446	459	474	568	614
Gross international reserves (in millions of U.S. dollars)	4,112	3,608	3,684	4,159	4,297	4,489	4,673	4,840	5,068
Import cover 1/	3.3	2.2	3.1	3.4	3.4	3.5	3.5	3.5	3.5
End-of-period exchange rate (dram per U.S. dollar)	394	405	397	...	...	...	...	...	...
Average exchange rate (dram per U.S. dollar)	436	392	393	...	...	...	...	...	...
Sources: Armenian authorities; and Fund staff estimates and projections.									
1/ Gross international reserves in months of next year's imports of goods and services, including the SDR holdings.									

Sources: Armenian authorities; and Fund staff estimates and projections.

1/ Gross international reserves in months of next year's imports of goods and services, including the SDR holdings.

Table 2. Armenia: Balance of Payments, 2022–30
(In millions of U.S. dollars, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.			Proj.					
Current account	144	-670	-1,195	-1,264	-1,304	-1,355	-1,427	-1,501	-1,575
Goods trade balance	-1,803	-2,428	-2,195	-2,680	-2,670	-2,712	-2,744	-2,787	-2,842
Exports	5,912	8,867	13,217	7,199	7,307	7,506	7,678	7,824	7,939
Imports	-7,715	-11,294	-15,412	-9,879	-9,977	-10,219	-10,423	-10,611	-10,781
Services (net)	1,703	2,084	1,463	1,567	1,547	1,515	1,474	1,487	1,490
Credits	4,428	5,852	5,855	5,932	6,109	6,370	6,635	7,024	7,442
Debits	-2,725	-3,767	-4,392	-4,364	-4,562	-4,855	-5,162	-5,537	-5,951
Income (net)	-489	-626	-912	-501	-540	-562	-589	-621	-616
Transfers (net)	733	300	449	350	359	405	433	420	393
Private	803	523	433	334	343	389	417	404	377
Official	-70	-223	16	16	16	16	16	16	16
Capital and financial account	472	-8	911	1,873	1,503	1,565	1,611	1,669	1,802
Capital transfers (net)	77	60	18	70	64	64	48	48	48
Foreign direct investment (net)	926	527	75	397	446	459	474	568	614
Portfolio investment (net)	-1,364	39	-155	-90	-80	-80	-80	-80	-80
Public sector borrowing (net)	278	-198	54	404	362	468	511	511	517
Disbursements	578	369	538	1,214	845	845	845	1,345	845
Amortization	-301	-567	-484	-810	-483	-376	-334	-833	-327
Other capital (net)	556	-436	921	1,091	711	653	658	621	703
Errors and omissions	56	252	531	0	0	0	0	0	0
Overall balance	673	-426	248	609	199	210	185	167	227
Financing	-876	426	-248	-609	-199	-210	-185	-167	-227
Gross international reserves (increase: -)	-966	504	-77	-475	-138	-191	-185	-167	-227
Use of Fund credit, net	89	-78	-171	-134	-61	-19	0	0	0
Of which: IMF (SBA) budget support	72	0	0	0	0	0	0	0	0
SDR allocation	0	0	0	0	0	0	0	0	0
Financing needs	0	0	0	0	0	0	0	0	0
Memorandum items:									
Current account (in percent of GDP)	0.7	-2.8	-4.6	-4.5	-4.5	-4.4	-4.4	-4.3	-4.2
Trade balance in goods (in percent of GDP)	-9.0	-10.1	-8.4	-9.6	-9.2	-8.8	-8.4	-8.0	-7.6
Gross international reserves (end of period)	4,112	3,608	3,684	4,159	4,297	4,489	4,673	4,840	5,068
In months of next year's imports	3.3	2.2	3.1	3.4	3.4	3.5	3.5	3.5	3.5
In percent of IMF's Reserve Adequacy Metric (ARA)	153	115	108	129	127	128	126	120	123
Goods export growth, percent change	83.9	50.0	49.1	-45.5	1.5	2.7	2.3	1.9	1.5
Goods import growth, percent change	63.4	46.4	36.5	-35.9	1.0	2.4	2.0	1.8	1.6
Nominal external debt	15,260	15,468	16,188	16,803	17,458	18,150	18,877	19,125	19,895
o.w. public external debt	6,612	6,704	6,704	6,910	7,050	7,300	7,566	7,333	7,602
Nominal external debt stock (in percent of GDP)	76.4	64.0	62.2	60.2	60.1	58.9	57.8	54.6	52.9
External public debt-to-exports ratio (in percent)	64.0	45.6	35.1	52.6	52.5	52.6	52.9	49.4	49.4
External public debt service (in percent of exports)	15.2	15.0	11.2	20.1	18.2	17.4	17.1	20.4	16.9

Sources: Armenian authorities; and Fund staff estimates and projections.

Table 3a. Armenia: Central Government Operations, 2022–30
(In billions of Armenian drams)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.			Proj.					
Total revenue and grants	2,063	2,359	2,579	2,817	3,081	3,351	3,619	3,914	4,240
Total revenue	2,048	2,346	2,552	2,797	3,060	3,330	3,604	3,899	4,225
Tax revenues 1/	1,862	2,132	2,287	2,574	2,829	3,076	3,328	3,600	3,895
VAT	680	767	756	879	956	1,039	1,124	1,216	1,315
Profits, simplified and presumptive	223	322	336	385	418	454	492	532	576
Personal income tax	475	555	650	713	785	853	923	999	1,080
Customs duties	57	75	76	76	84	91	98	106	115
Other	428	413	470	521	587	639	691	747	809
Social contributions	64	90	103	114	123	137	150	162	175
Other revenue	122	124	162	110	108	117	126	137	155
Grants	15	14	27	20	21	21	15	15	15
Total expenditure	2,243	2,551	2,955	3,367	3,618	3,802	4,041	4,294	4,569
Expenses	1,862	2,078	2,413	2,703	2,924	3,082	3,228	3,412	3,614
Wages	420	443	467	500	538	565	597	638	682
Payments to individual pension accts.	54	53	69	85	90	91	94	99	105
Subsidies	20	54	62	66	65	58	54	46	44
Interest	198	253	314	371	425	475	512	549	569
Social allowances and pensions	559	658	879	966	1,039	1,078	1,137	1,193	1,266
Pensions/social security benefits	357	387	450	478	520	545	582	600	641
Social assistance benefits	203	271	428	488	519	532	555	593	625
Goods and services	136	125	135	167	209	229	241	258	286
Grants	238	252	274	301	305	318	330	356	362
Other expenditure	237	239	213	247	255	269	263	274	298
Transactions in nonfinancial assets	380	473	542	664	694	719	813	882	955
Acquisition of nonfinancial assets	389	495	558	679	709	734	828	897	970
Disposals of nonfinancial assets	9	22	16	15	15	15	15	15	15
Overall balance (above-the-line)	-179	-192	-376	-550	-538	-450	-423	-380	-329
Statistical discrepancy	16	4	16	0	0	0	0	0	0
Overall balance (below-the-line)	-164	-188	-360	-550	-538	-450	-423	-380	-329
Financing	164	188	360	550	538	450	423	380	329
Domestic financing	272	411	337	392	382	244	200	153	99
Banking system	85	237	183	252	250	175	193	130	79
CBA	21	63	-37	-4	-9	-10	-11	0	0
Commercial Banks	64	173	220	256	259	185	204	130	79
Nonbanks	187	175	154	140	132	69	7	22	20
T-Bills/other	169	172	148	172	174	125	138	88	53
Promissory note/other	-12	-18	-1	0	0	0	0	0	0
Net lending	29	22	6	-32	-43	-56	-131	-65	-33
External financing	-109	-224	24	158	156	206	223	227	230
Gross disbursement	167	125	197	461	347	356	363	583	369
of which: IMF budget support	31	0	0	0	0	0	0	0	0
Amortization due	-100	-198	-166	-304	-191	-150	-141	-357	-139
Net lending	-176	-151	0	0	0	0	0	0	0
Other financing	0	0	-8	0	0	0	0	0	0
Memorandum items:									
Nominal GDP (in billion of drams)	8,501	9,493	10,193	10,992	11,945	12,984	14,048	15,199	16,444
Program balance 2/	-321	-537	-360	-568	-572	-503	-526	-445	-361
Primary balance 3/	-127	-67	-56	-211	-156	-32	-41	104	208

Sources: Ministry of Finance, Central Bank of Armenia, and Fund staff estimates and projections.

1/ From 2018, the temporary tax credits used to cover tax obligations are not included in total tax revenues and are also not netted out from individual tax categories. As of January 2024, the mortgage interest tax credit is recorded as a social benefit, resulting in an increase in both spending and revenues

2/ The program balance is measured as below-the-line balance minus net lending.

3/ Sum of overall balance (above the line), interest expense, and domestic and external net lending.

Table 3b. Armenia: Central Government Operations, 2022–30
(In percent of GDP, unless otherwise specified)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.			Proj.					
Total revenue and grants	24.3	24.9	25.3	25.6	25.8	25.8	25.8	25.8	25.8
Total revenue	24.1	24.7	25.0	25.4	25.6	25.6	25.7	25.7	25.7
Tax revenues 1/	21.9	22.5	22.4	23.4	23.7	23.7	23.7	23.7	23.7
VAT	8.0	8.1	7.4	8.0	8.0	8.0	8.0	8.0	8.0
Profits, simplified and presumptive	2.6	3.4	3.3	3.5	3.5	3.5	3.5	3.5	3.5
Personal income tax	5.6	5.8	6.4	6.5	6.6	6.6	6.6	6.6	6.6
Customs duties	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	5.0	4.4	4.6	4.7	4.9	4.9	4.9	4.9	4.9
Social contributions	0.8	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Other revenue	1.4	1.3	1.6	1.0	0.9	0.9	0.9	0.9	0.9
Grants	0.2	0.1	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Total expenditure	26.4	26.9	29.0	30.6	30.3	29.3	28.8	28.3	27.8
Expense	21.9	21.9	23.7	24.6	24.5	23.7	23.0	22.4	22.0
Wages	4.9	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2
Payments to individual pension accts.	0.6	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.6
Subsidies	0.2	0.6	0.6	0.6	0.5	0.5	0.4	0.3	0.3
Interest	2.3	2.7	3.1	3.4	3.6	3.7	3.6	3.6	3.5
Social allowances and pensions	6.6	6.9	8.6	8.8	8.7	8.3	8.1	7.9	7.7
Pensions/social security benefits	4.2	4.1	4.4	4.4	4.4	4.2	4.1	4.0	3.9
Social assistance benefits	2.4	2.9	4.2	4.4	4.3	4.1	4.0	3.9	3.8
Goods and services	1.6	1.3	1.3	1.5	1.7	1.8	1.7	1.7	1.7
Grants	2.8	2.7	2.7	2.7	2.6	2.5	2.4	2.3	2.2
Other expenditure	2.8	2.5	2.1	2.2	2.1	2.1	1.9	1.8	1.8
Transactions in nonfinancial assets	4.5	5.0	5.3	6.0	5.8	5.5	5.8	5.8	5.8
Acquisition of nonfinancial assets	4.6	5.2	5.5	6.2	5.9	5.7	5.9	5.9	5.9
Disposals of nonfinancial assets	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Overall balance (above-the-line)	-2.1	-2.0	-3.7	-5.0	-4.5	-3.5	-3.0	-2.5	-2.0
Statistical discrepancy	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (below-the-line)	-1.9	-2.0	-3.5	-5.0	-4.5	-3.5	-3.0	-2.5	-2.0
Financing	1.9	2.0	3.5	5.0	4.5	3.5	3.0	2.5	2.0
Domestic financing	3.2	4.3	3.3	3.6	3.2	1.9	1.4	1.0	0.6
Banking system	1.0	2.5	1.8	2.3	2.1	1.4	1.4	0.9	0.5
CBA	0.3	0.7	-0.4	0.0	-0.1	-0.1	-0.1	0.0	0.0
Commercial Banks	0.8	1.8	2.2	2.3	2.2	1.4	1.5	0.9	0.5
Nonbanks	2.2	1.8	1.5	1.3	1.1	0.5	0.0	0.1	0.1
T-Bills/other	2.0	1.8	1.5	1.6	1.5	1.0	1.0	0.6	0.3
Promissory note/other	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.3	0.2	0.1	-0.3	-0.4	-0.4	-0.9	-0.4	-0.2
External financing	-1.3	-2.4	0.2	1.4	1.3	1.6	1.6	1.5	1.4
Gross disbursement	2.0	1.3	1.9	4.2	2.9	2.7	2.6	3.8	2.2
Amortization due	-1.2	-2.1	-1.6	-2.8	-1.6	-1.2	-1.0	-2.3	-0.8
Net lending	-2.1	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP (in billion of drams)	8,501	9,493	10,193	10,992	11,945	12,984	14,048	15,199	16,444
Program balance 2/	-3.8	-5.7	-3.5	-5.2	-4.8	-3.9	-3.7	-2.9	-2.2
Primary balance 3/	-1.5	-0.7	-0.5	-1.9	-1.3	-0.2	-0.3	0.7	1.3

Sources: Ministry of Finance, Central Bank of Armenia, and Fund staff estimates and projections.

1/ From 2018, the temporary tax credits used to cover tax obligations are not included in total tax revenues and are also not netted out from individual tax categories. As of January 2024, the mortgage interest tax credit is recorded as a social benefit, resulting in an increase in both spending and revenues (personal

2/ The program balance is measured as below-the-line balance minus net lending.

3/ Sum of overall balance (above the line), interest expense, and domestic and external net lending.

Table 4. Armenia: Monetary Accounts, 2023–25
(In billions of drams, unless otherwise indicated)

	2023				2024				2025			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
											Est.	Proj.
Central Bank of Armenia												
Net foreign assets	1,114	1,187	1,313	1,118	971	988	1,066	1,146	1,220	1,244	1,305	1,346
Net international reserves 1/	687	843	990	796	687	716	821	858	951	965	1,013	1,042
Other	427	344	322	322	284	273	245	288	269	279	291	303
Net domestic assets	631	530	426	728	766	858	847	952	871	894	955	1,068
Claims on general government (net)	-487	-577	-561	-383	-489	-487	-503	-440	-468	-419	-411	-403
Of which: central government (net)	-409	-498	-492	-322	-410	-400	-410	-347	-372	-313	-305	-296
central government deposits	496	586	570	392	499	496	512	429	722	629	314	306
Claims on banks	612	607	581	658	795	885	914	939	1,078	1,166	1,166	1,166
Other items (net)	506	500	405	453	460	460	436	453	261	147	200	305
Reserve money	1,745	1,718	1,738	1,846	1,737	1,847	1,914	2,100	2,020	2,184	2,259	2,413
Currency issue	745	808	850	911	851	885	930	986	1,010	965	931	1,019
Banks' reserves	968	872	868	886	868	943	966	1,086	1,068	1,161	1,316	1,382
In drams	407	396	398	392	403	488	508	567	538	651	794	848
In foreign currency	561	476	471	494	465	455	458	519	529	510	522	534
Other accounts	32	37	20	48	19	19	18	26	13	12	12	12
Banking system												
Net foreign assets	323	354	477	344	239	290	228	153	254	94	142	171
Net domestic assets	4,175	4,279	4,395	4,839	4,827	4,968	5,242	5,738	5,679	5,964	5,701	6,225
Claims on government (net)	891	799	885	1,100	1,079	1,041	1,102	1,263	1,271	1,321	1,338	1,356
Of which: claims on central government (net)	968	877	954	1,161	1,158	1,128	1,194	1,356	1,367	1,428	1,445	1,462
Claims on rest of the economy	4,559	4,742	4,971	5,208	5,334	5,585	6,011	6,585	6,857	7,209	7,057	7,692
Other items (net)	-1,275	-1,262	-1,461	-1,469	-1,586	-1,658	-1,870	-2,110	-2,449	-2,566	-2,694	-2,823
Broad money	4,498	4,633	4,872	5,183	5,066	5,258	5,470	5,891	5,933	6,058	5,843	6,396
Currency in circulation	631	692	730	778	732	768	802	839	880	833	803	879
Deposits	3,867	3,941	4,143	4,405	4,335	4,490	4,668	5,052	5,052	5,226	5,040	5,517
Domestic currency	2,189	2,320	2,425	2,632	2,618	2,719	2,884	3,220	3,200	3,381	3,066	3,516
Foreign currency	1,678	1,621	1,718	1,773	1,716	1,771	1,784	1,832	1,853	1,845	1,974	2,001
Memorandum items:												
Exchange rate (drams per U.S. dollar, end of period)	388	386	393	405	393	388	387	397	392	384	...	...
12-month change in reserve money (in percent)	8.6	1.5	-2.3	-4.0	-0.5	7.5	10.1	13.8	16.3	18.2	18.0	14.9
12-month change in broad money (in percent)	18.2	21.5	20.3	17.4	12.6	13.5	12.3	13.7	17.1	15.2	6.8	8.6
12-month change in dram broad money (in percent)	16.8	21.0	22.9	22.1	18.8	15.8	16.8	19.0	21.8	20.9	5.0	8.3
12-month change in private sector credit (in percent)	5.1	12.4	16.0	18.4	17.0	17.8	20.9	26.4	28.5	29.1	17.4	16.8
Velocity of broad money (end of period)	2.0	2.0	1.9	1.8	1.9	1.9	1.8	1.7	1.7	1.7	1.8	1.7
Money multiplier	2.6	2.7	2.8	2.8	2.9	2.8	2.9	2.8	2.9	2.8	2.6	2.7
Private sector credit (in percent of GDP)	48.0	50.0	52.4	54.9	52.3	54.8	59.0	64.6	67.3	70.7	69.2	75.5
Dollarization in bank deposits 2/	43.4	41.1	41.5	40.2	39.6	39.5	38.2	36.3	36.7	35.3	39.2	36.3
Dollarization in broad money 3/	37.3	35.0	35.3	34.2	33.9	33.7	32.6	31.1	31.2	30.5	33.8	31.3
Currency in circulation in percent of deposits	16.3	17.6	17.6	17.7	16.9	17.1	17.2	16.6	17.4	15.9	15.9	15.9
NIR (U.S. dollars, actual exchange rate)	1,743	2,163	2,509	1,966	1,747	1,834	2,121	2,163	2,389	2,526	1,789	1,781
Sources: Central Bank of Armenia; and Fund staff estimates and projections.												
1/ In line with the TMU definition.												
2/ Ratio of foreign currency deposits to total deposits (in percent).												
3/ Ratio of foreign currency deposits to broad money (in percent).												

Table 5. Armenia: Financial Soundness Indicators for the Banking Sector, 2023–25
(In percent, unless otherwise indicated)

	2023				2024				2025	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	June
Capital adequacy										
Total regulatory capital to risk-weighted assets	20.1	20.6	20.6	19.9	19.7	20.2	20.4	20.2	20.2	20.1
Tier I regulatory capital to risk-weighted assets										
Capital (net worth) to assets	15.4	15.4	15.6	14.8	15.5	15.8	16.0	15.4	15.9	15.6
Asset composition										
Sectoral distribution of loans (in billions of drams)										
Industry (excluding energy sector)	367	339	327	329	309	330	369	436	416	472
Energy sector	135	135	141	157	146	154	145	144	140	158
Agriculture	248	259	273	286	302	328	332	346	351	368
Construction	370	400	444	499	528	552	609	661	703	752
Transport and communication	93	105	105	107	105	111	122	137	133	135
Trade/commerce	487	501	530	574	560	586	608	631	647	667
Consumer credits	929	963	1040	1086	1163	1246	1287	1400	1481	1578
Mortgage loans	898	959	997	1069	1109	1175	1271	1471	1498	1537
Sectoral distribution of loans to total loans (percent of total)										
Industry (excluding energy sector)	8.6	7.6	6.9	6.5	6.1	6.2	6.4	6.9	6.3	6.8
Energy sector	3.2	3.0	3.0	3.1	2.9	2.9	2.5	2.3	2.1	2.3
Agriculture	5.8	5.8	5.8	5.7	5.9	6.1	5.7	5.4	5.3	5.3
Construction	8.7	9.0	9.4	9.9	10.4	10.3	10.5	10.4	10.6	10.8
Transport and communication	2.2	2.4	2.2	2.1	2.1	2.1	2.1	2.2	2.0	1.9
Trade/commerce	11.4	11.2	11.2	11.4	11.0	10.9	10.5	9.9	9.8	9.6
Mortgage loans	21.0	21.5	21.1	21.3	21.7	21.9	21.9	23.2	22.6	22.2
Consumer credits	21.8	21.6	22.0	21.6	22.8	23.2	22.2	22.0	22.4	22.8
Other sectors										
Foreign exchange loans to total loans	36.3	35.1	32.8	33.0	31.5	31.2	31.6	30.9	31.0	31.7
Asset quality										
Nonperforming loans (in billions of drams)	114	129	143	126	61	68	73	80	98	88
Watch (up to 90 days past due)	92	85	101	71	100	106	127	111	131	143
Substandard (91-180 days past due)	39	51	60	87	32	43	44	52	58	63
Doubtful (181-270 days past due)	76	77	83	39	29	25	29	28	40	26
Loss (>270 days past due, in billions of drams)	487	481	482	481	517	507	513	525	540	553
Nonperforming loans to gross loans	2.7	2.9	3.0	2.4	1.2	1.2	1.2	1.2	1.5	1.3
Provisions to nonperforming loans	83	88	91	104	145	129	132	128	118	129
Spread between highest and lowest rates of interbank borrowing in AMD	0.4	0.3	0.6	0.7	0.5	0.4	1.0	0.4	0.7	0.0
Spread between highest and lowest rates of interbank borrowing in FX	1.3	1.0	0.3	0.9	1.0	1.0	1.8	0.0	2.5	1.5
Earnings and profitability										
ROA (profits to period average assets)	3.8	2.7	3.2	2.7	4.2	4.5	4.5	4.3	3.4	4.3
ROE (profits to period average equity)	25.1	17.9	20.8	17.4	27.3	28.6	28.3	27.1	21.3	26.9
Interest margin to gross income	35.1	36.2	36.5	36.0	38.9	38.7	38.7	38.6	39.6	38.4
Interest income to gross income	68.7	69.2	69.0	68.8	71.8	70.5	70.2	69.6	71.0	69.2
Noninterest expenses to gross income	30.0	29.9	29.1	36.8	27.9	28.9	28.5	30.6	29.0	27.1
Liquidity										
Liquid assets to total assets	38.2	35.5	35.7	33.2	34.7	33.4	32.2	30.8	29.9	28.6
Liquid assets to total short-term liabilities	104.6	98.6	102.9	92.2	99.2	92.0	91.9	88.7	93.5	89.6
Customer deposits to total (non-interbank) loans	130.4	125.1	122.7	120.9	120.1	116.0	110.3	111.0	106.2	104.3
Foreign exchange liabilities to total liabilities	48.5	47.5	47.1	46.1	45.5	44.3	43.0	42.2	41.7	41.2
Sensitivity to market risk										
Gross open positions in foreign exchange to capital	2.0	2.5	2.3	3.6	2.7	2.6	2.3	3.3	3.0	3.0
Net open position in FX to capital	0.4	0.7	0.9	0.5	1.7	0.4	0.6	-1.0	0.0	0.5
Source: Central Bank of Armenia.										
Note: In July 2021, the CBA aligned the NPL definition with the BCBS regulation. New NPL definition only takes into account exposures that are more than 90 days past due (doubtful and substandard loans).										

Table 6. Armenia: Schedule of Reviews and Available Purchases Under the Stand-By Arrangement, 2022–25

Date of Availability	Conditions	Amount (million SDRs)	Percent of Quota	Percent of Quota (cumulative)
December 12, 2022	Board approval of the arrangement	18.4	14.3	14.3
June 9, 2023	Observance of end-December 2022 performance criteria and continuous performance criteria, and completion of first review	18.4	14.3	28.6
December 11, 2023	Observance of end-June 2023 performance criteria and continuous performance criteria, and completion of second review	18.4	14.3	42.9
June 10, 2024	Observance of end-December 2023 performance criteria and continuous performance criteria, and completion of third review	18.4	14.3	57.1
December 11, 2024	Observance of end-June 2024 performance criteria and continuous performance criteria, and completion of fourth review	18.4	14.3	71.4
June 9, 2025	Observance of end-December 2024 performance criteria and continuous performance criteria, and completion of fifth review	18.4	14.3	85.7
November 21, 2025	Observance of end-June 2025 performance criteria and continuous performance criteria, and completion of sixth review	18.4	14.3	100.0
Total		128.8	100.0	100.0

Sources: Fund staff estimates and projections.

Table 7. Armenia: Schedule of Reviews and Available Purchases Under the Proposed Stand-By Arrangement, 2025–28

Date of Availability	Conditions	Amount (million SDRs)	Percent of Quota	Percent of Quota (cumulative)
December 1, 2025	Board approval of the arrangement	18.4	14.3	14.3
May 1, 2026	Observance of end-December 2025 performance criteria and continuous performance criteria, and completion of first review	18.4	14.3	28.6
November 1, 2026	Observance of end-June 2026 performance criteria and continuous performance criteria, and completion of second review	18.4	14.3	42.9
May 1, 2027	Observance of end-December 2026 performance criteria and continuous performance criteria, and completion of third review	18.4	14.3	57.1
November 1, 2027	Observance of end-June 2027 performance criteria and continuous performance criteria, and completion of fourth review	18.4	14.3	71.4
May 1, 2028	Observance of end-December 2027 performance criteria and continuous performance criteria, and completion of fifth review	18.4	14.3	85.7
November 1, 2028	Observance of end-June 2028 performance criteria and continuous performance criteria, and completion of sixth review	18.4	14.3	100.0
Total		128.8	100.0	100.0

Sources: Fund staff estimates and projections.

Table 8. Armenia: Indicators of Capacity to Repay the Fund, 2025–30

	2025	2026	2027	2028	2029	2030
	Projections					
Fund obligations based on existing credit (in millions of SDRs)						
Principal	99.8	45.1	14.2	0.0	0.0	0.0
Charges and interest	10.6	6.9	5.5	5.3	5.3	5.3
Fund obligations based on existing and prospective credit 1/						
In millions of SDRs	110.6	53.1	22.1	8.9	23.3	41.0
In millions of US\$	148.3	71.4	29.7	12.0	31.4	55.2
In percent of Gross International Reserves	3.6	2.7	1.1	0.4	0.8	1.4
In percent of exports of goods and services	1.1	0.6	0.2	0.1	0.2	0.4
In percent of external public debt service	13.0	8.3	4.0	1.7	2.5	7.3
In percent of GDP	0.5	0.3	0.1	0.0	0.1	0.2
In percent of quota	85.8	41.2	17.1	6.9	18.1	31.9
Outstanding Fund credit based on existing drawings						
In millions of SDRs	59.3	14.2	0.0	0.0	0.0	0.0
In billions of US\$	0.1	0.0	0.0	0.0	0.0	0.0
In percent of Gross International Reserves	1.9	0.5	0.0	0.0	0.0	0.0
In percent of exports of goods and services	0.6	0.2	0.0	0.0	0.0	0.0
In percent of external public debt service	7.0	2.2	0.0	0.0	0.0	0.0
In percent of GDP	0.3	0.1	0.0	0.0	0.0	0.0
In percent of quota	46.0	11.0	0.0	0.0	0.0	0.0
Outstanding Fund credit based on existing and prospective drawings 1/						
In millions of SDRs	77.7	69.4	92.0	128.8	115.0	82.8
In billions of US\$	0.1	0.1	0.1	0.2	0.2	0.1
In percent of Gross International Reserves	2.5	3.5	4.4	5.4	4.1	2.9
In percent of exports of goods and services	0.8	0.7	1.0	1.3	1.1	0.8
In percent of external public debt service	9.1	10.9	16.5	24.1	12.5	14.7
In percent of GDP	0.4	0.4	0.5	0.7	0.5	0.3
In percent of quota	60.3	53.9	71.4	100.0	89.3	64.3
Net use of Fund credit (millions of SDRs) existing and prospective 1/	-92.2	-16.3	14.7	27.9	-23.3	-41.0
Disbursements	18.4	36.8	36.8	36.8	0.0	0.0
Repayments and Repurchases	110.6	53.1	22.1	8.9	23.3	41.0
Memorandum items (adverse scenario)						
Nominal GDP (in millions of US\$)	27,903	25,509	23,699	26,365	30,105	34,147
Exports of goods and services (in millions of US\$)	13,131	12,669	12,388	13,019	13,852	14,675
Gross international reserves (in millions of US\$)	4,159	2,646	2,787	3,210	3,745	3,810

Sources: IMF staff estimates and projections.
1/ Assumes access of 128.8 million SDR in 2025–2028. The ratios in the corresponding lines use GDP, reserves, exports, and debt service in the adverse scenario case.

Table 9. Armenia: External Financing Requirements and Sources, 2025–28
(In millions of U.S. dollars, unless otherwise indicated)

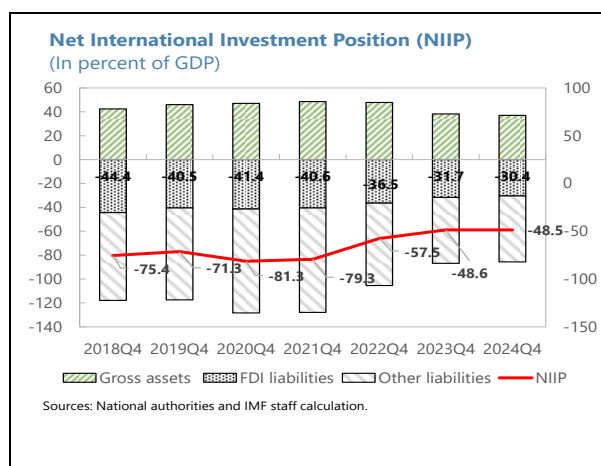
	2025	2026	2027	2028
Gross Financing Needs	3,365	2,991	2,998	3,056
Current Account Deficit excluding budget support grant:	1,280	1,322	1,373	1,445
Change in NFA	208	136	189	192
External debt amortization (excluding IMF)	1743	1472	1417	1419
o/w government amortization	810	483	376	334
o/w other	933	989	1041	1085
Repayment to the Fund (amortization)	134	61	19	0
Financing Sources	3,365	2,991	2,998	3,056
FDI	397	446	459	474
Loan disbursements (public sector)	1214	845	845	845
- Program	1,031	400	400	400
- Project	183	445	445	445
External Grants	50	50	50	49
- Program	16	16	16	16
- Project	34	34	34	33
Other Capital Flows	1704	1651	1644	1688
Errors and Omissions	0	0	0	0
Financing Gap	0	0	0	0
Sources: Ministry of Finance, Central Bank of Armenia, and Fund staff estimates and projections				

Annex I. External Sector Assessment

Overall Assessment and Policy Responses: The 2024 external position is assessed to be in line with the level implied by medium-term fundamentals and desirable policies. Continued prudent fiscal policy, exchange rate flexibility, and structural reforms that boost competitiveness would increase buffers and support the economy's resilience against domestic and external risks. Over the medium term, the current account is expected to remain around the norm of close to 4.5 percent of GDP.

Foreign Assets and Liabilities: Position and Trajectory

1. Background. The net international investment position (NIIP) has hovered around -48 percent of GDP since 2023. During 2024H1 the NIIP was stable, then it slightly deteriorated to around 48.5 percent of GDP in 2024H2 reflecting a widening of the current account deficit. It is expected that the NIIP would stabilize at about -45 percent of GDP in the medium-term.



2. Assessment. The negative net IIP does not pose immediate risks to external sustainability, and it has declined in the past years from levels exceeding 70 percent of GDP (Text Chart). The share of foreign direct investments (FDI) over total liabilities remains stable at about 35 percent. However, the increasing share of debt flows as a source of external financing slightly increases vulnerabilities.

2024 (Percent GDP)	NIIP:	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
	-48.5	37.1	17.3	85.6	63.9

Current Account

Background. In 2024, the current account deficit widened to 4.6 percent of GDP from 2.8 percent of GDP in 2023, reflecting diminishing of two major factors that influenced the current account balance since the war in Ukraine in 2022. First, the high level of transit trade (re-exports) significantly narrowed in the second half of 2024. Second, the large number of nonresidents and tourism arrivals since the start of the war that contributed to services export surplus, has also narrowed.

3. The current account deficit is expected to reach 4.5 percent of GDP in 2025 on account of higher imports reflecting private consumption. The transit trade has petered out and tourism exports have been on a declining trend, while the recent data shows a slight pickup in tourism. Looking forward, the CA deficit is expected to remain close to the model-implied norm over the medium term.

4. Assessment. The EBA-Lite current account model estimates a norm of 4.2 percent of GDP for 2024, and an adjusted CA deficit of 4.3 percent of GDP, which includes a temporary factor to account for the transit goods trade, as well as natural disasters and conflicts adjusters. The CA gap based on the CA model implies that the external sector balance is in line with the level implied by fundamentals and desirable policies. The CA gap based on the REER model shows a negative gap of -1.3 percent, in-line with medium-term fundamentals and desirable policies.

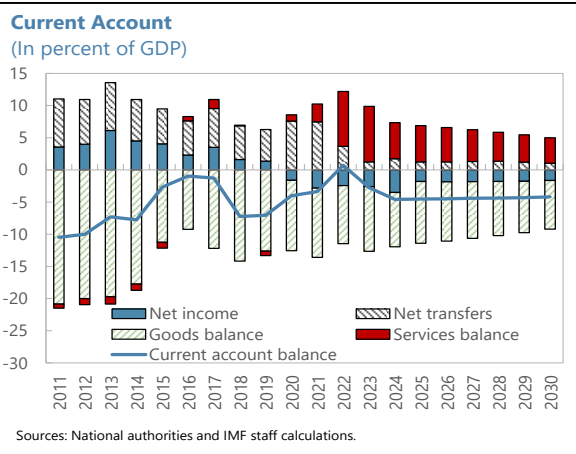


Figure I.1. Armenia: Selected External Sector Indicators

BOP: Balance on Tourism Related Services in Travel and Passenger Transport
(Million USD, seasonally adjusted)



Money Transfers of Individuals: Net Inflow
(Million USD, seasonally adjusted)



Export of Goods
(Million USD, seasonally adjusted)



Import of Goods
(Million USD, seasonally adjusted)



Real Exchange Rate

5. Background. The REER has shown a slight depreciation, while the NEER has been stable since the first quarter of 2024. The relative stability of the Armenia dram likely signals the normalization of exceptional factors present since the beginning of the war in Ukraine, including (i) greater demand for dram from foreign nationals who relocated to Armenia and (ii) greater use of the ruble and dram instead of the US dollar for trade invoicing with Russia, including for payment of gas imports.

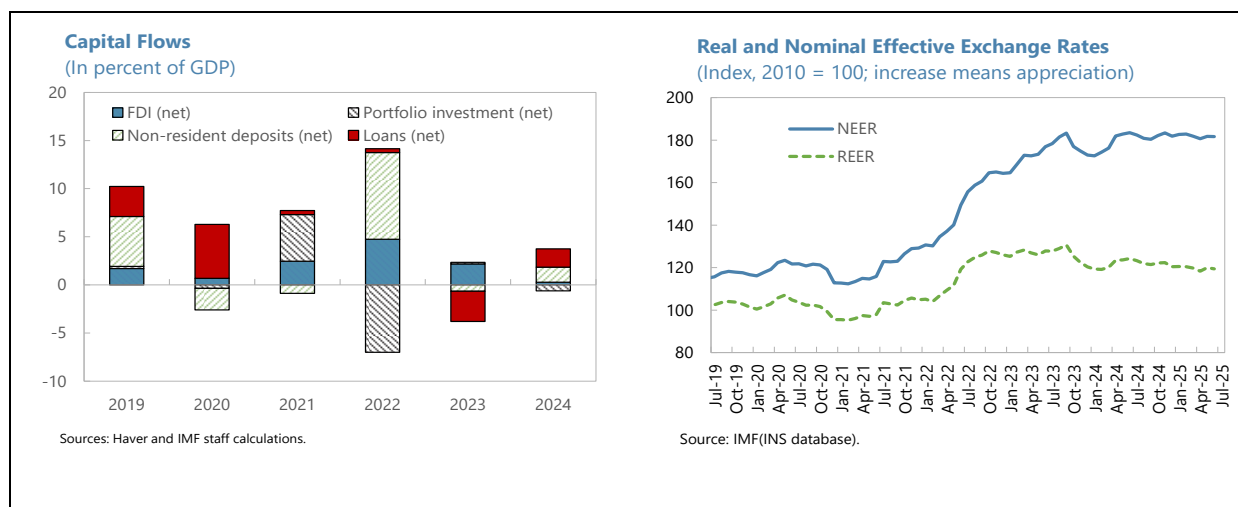
6. Assessment. The EBA-Lite CA model (see above) estimates a REER overvaluation gap 2.4 percent of overvaluation, while the REER model shows about 3.8 percent overvaluation.

Armenia: EBA-lite Model Results, 2024		
	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-4.6	
Cyclical contributions (from model) (-)	-0.2	
Additional temporary/statistical factors (-) 2/	0.8	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	-5.0	
CA Norm (from model) 3/	-4.2	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-4.2	
CA Gap	-0.8	-1.3
o/w Relative policy gap	2.8	
Elasticity	-0.3	
REER Gap (in percent)	2.4	3.8
1/ Based on the EBA-lite 3.0 methodology		
2/ Additional adjustment to account for the temporary impact of transit goods trade item, which is assumed temporary.		
3/ Cyclically adjusted, including multilateral consistency adjustments.		

Capital and Financial Accounts

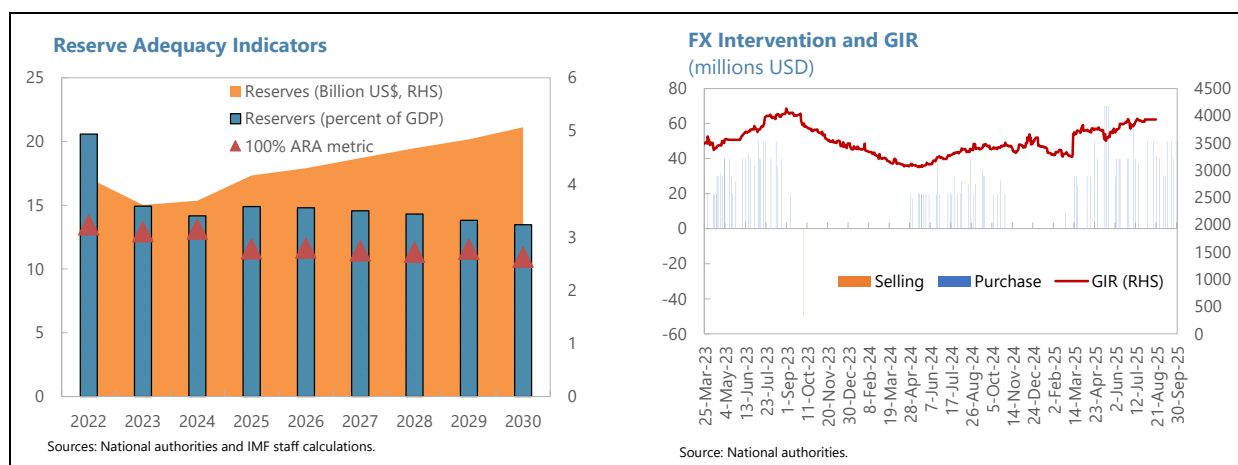
7. Background. In 2024, there was a sharp increase in commercial banks' net inflows (3.2 percent of GDP) in contrast to net outflows in 2023. FDI net inflows continued to decline in 2024, after recording a significant increase in 2022 triggered by the war in Ukraine. Net portfolio investment flows turned positive, implying investment abroad in net terms, for the first time since 2020. The authorities successfully issued a Eurobond of US\$750 million in March 2025, at a 7.1 percent yield and 10-year maturity,

8. Assessment. Armenia received a significant amount of capital inflows through the banking and the private sectors between 2022 and 2024, while at the same time similar amounts were invested abroad, thus functioning as a buffer. Within two years since the war, capital inflows through the banking sector amounted to 7.7 percent of GDP, while the sector's investment abroad exceeding eight percent of GDP. More than half of the private sector's capital inflows were also channeled to investment abroad. In this sense, Armenia's capital flight risk would be considered low, although vulnerabilities to sudden shifts in global financial conditions remain. Continued de-dollarization efforts and policies aiming at improvement of the health of the banking sector, enhancement of the crisis resolution, and advancement of structural reforms to increase private and public sector resilience will be important to mitigate these vulnerabilities over the medium-term.



FX Intervention and Reserves Level

9. Background and assessment. Gross international reserves (GIR) stood at \$3.6 billion at end-2024, a slight increase from the end-2023, and roughly equivalent to 3.1 months of prospective imports and about 108 percent of ARA metric. The authorities conducted US dollar purchases of approximately US\$700 million in 2024. GIR as of September 2025 was US\$4.2 billion, supported by the Eurobond issuance and USD purchases amounted to US\$1.2 billion between January and September of 2025. End-2025 GIR is expected to be at about \$4.1 billion, equivalent to 129 percent of the ARA metric.

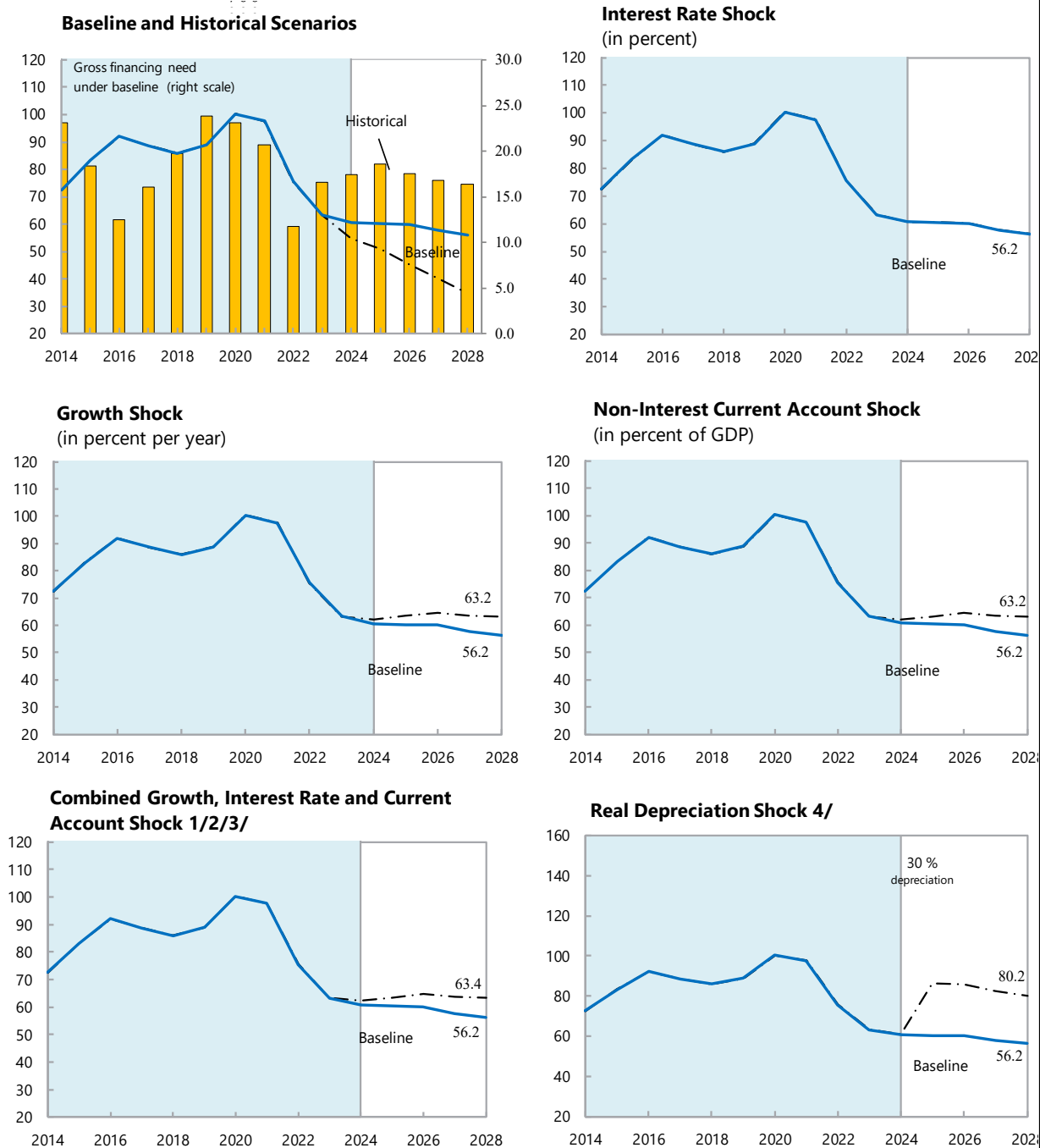


External Debt Sustainability

10. Armenia's external debt-to-GDP ratio in 2024 continued to improve and is expected to remain at about 60 percent under staff's baseline scenario. The external debt-to-GDP ratio declined steadily to 62.2 percent at end-2024, from 63.2 percent at end-2023. Given the issuance of Eurobond in March 2025 and a slight dram appreciation against the US dollar, external debt is expected to stay at around 60 percent of GDP in the near term. The projected fiscal consolidation,

however, would see external debt decline over the medium term. Nevertheless, results from standardized shocks highlight significant vulnerabilities, especially from variations in the exchange rate, with the external debt-to-GDP ratio increasing to above 80 percent following a one-time 30 percent real depreciation. Shocks to growth and the current account would also lead to higher external debt in the medium-term relative to the baseline. Nonetheless, external debt remains broadly resilient to interest rate shocks given the relatively high share of concessional financing in external public debt.

Figure I.2. Armenia: External Debt Sustainability: Bound Tests 1/ 2/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2023

Annex II. Risk Assessment Matrix

Risk	Description	Likelihood	Possible Impact	Policy Advice
Global Risks				
Geopolitical Tensions.	Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	Geopolitical tensions could have adverse political and economic implications, including higher uncertainty and lower trade, investment, and growth in Armenia.	Continue to strengthen fiscal and financial frameworks. Build fiscal and external buffers and allow the exchange rate to operate as a shock absorber. Undertake structural reforms to build resilience of the domestic economy and to diversify Armenia's trade basket and trading partners.
Escalating Trade Measures and Prolonged Uncertainty.	Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	Lower growth of trading partners, trade, FDI and remittances inflows would lower Armenia's exports and growth.	Strengthen and diversify trade channels/markets. Allow the exchange rate to operate as a shock absorber, intervene only in the event of disorderly market conditions. Advance structural reforms to improve business environment and overcome barriers to exports' growth and diversification.
Financial Market Volatility and Correction.	Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	High	Armenia recently accessed the international capital markets for a Eurobond issuance and there is no immediate need for external borrowing. However, capital outflows could lower growth, put pressure on the exchange rate, increase fiscal and external pressures, and worsen the debt profile.	Allow the exchange rate to operate as a shock absorber, intervene in the fx market to address disorderly market conditions. Allow the exchange rate to operate as a shock absorber. Pursue fiscal consolidation, reduce debt, diversify borrowing sources, and build fiscal buffers. Monitor risks emerging in the financial sector, conduct stress tests and strengthen financial supervision, oversight and regulation.

Risk	Description	Likelihood	Possible Impact	Policy Advice
New Trade Agreements.	A breakthrough in trade talks could reduce uncertainty and protectionism, boost investment and productivity, and support broader reforms to lift medium-term growth.	Low	Direct impact of trade barriers and protectionism is limited in Armenia. However, indirect impacts from breakthrough in trade talks among key trade partners and advanced economies would support growth and ease financial conditions.	Continue to diversify trade and strengthen regional integration to reap more of the benefits of higher worldwide growth.
Cyberthreats.	Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	Highly uncertain due to insufficient information.	Strengthen international and regional cooperation on cyber threat issue. Develop government contingency and continuity plans and encourage business to do the same.
Climate Change.	Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	Armenia is vulnerable to extreme climate events including floods. In addition, long-run temperature changes can lead to water scarcity. Climate change can cause damage to lives and livelihoods and result in social discontent.	Build fiscal buffers by raising revenues and prioritize expenditures. Strengthen resilience against extreme climate events by allocating resources and mobilizing support for climate adaptation measures.
Domestic Risks				
Regional tensions and geopolitical shifts.	Risks from tensions at the border with Azerbaijan and possibly renewed military conflict; developments related to the war in Ukraine, including a peace agreement and some removal of sanctions on Russia; and deteriorating relations with Russia may slow down growth in the Armenian economy.	Medium	Regional tensions may raise uncertainty, exchange rate pressures, the need for emergency social support and debt levels, while lowering trade, investment, and remittances. An end in the war in Ukraine may divert trade and Russian nationals from Armenia.	Prepare contingency plans, raise revenues and prioritize expenditures, strengthen social safety nets, diversify trade markets/channels, enhance monitoring of the financial sector. Allow the exchange rate to function as a shock absorber and intervene in the FX market only in the event of disorderly market conditions.

Risk	Description	Likelihood	Possible Impact	Policy Advice
Rising Social discontent.	Public dissatisfaction with the social support for refugees and handling of regional relations ahead of the 2026 elections could slow reform momentum.	Medium	Low public support for the government ahead of the expected elections (by June 2026) could lead to policy uncertainty and the implementation of suboptimal policies, reducing confidence, putting pressure on the dram, and raising borrowing costs. Social unrest could erupt.	Build fiscal and external buffers and provide necessary, targeted support to the most vulnerable. Maintain adequate monetary policy stance to curtail inflationary pressures.
Financial sector risks.	Risks could increase due to the rapid increase in house prices and mortgage lending, and sanctions on financial institutions and other businesses.	Medium	Deterioration in asset quality could undermine financial. Sanctions could cause reputational damage to the economy and increase transaction costs.	Enforce (macro)prudential and provisioning rules, consistent with international standards, and strengthen further the supervisory framework, including AML/CFT supervision. Closely monitor financial sector risks and continue conducting regular stress tests. Continue with the strengthening of risk-based supervision and the early intervention and the resolution frameworks.

Annex III. Illustrative Adverse Scenario

1. Armenia's external sector has been exposed to large and changing external and regional factors that could have a negative impact on the economy and international reserves.

Under the baseline scenario, Armenia's reserve positions are expected to remain adequate throughout the forecast horizon and the country does not face a financing gap. However, adverse shocks could worsen the current account balance, have a negative impact on capital flows, and erode existing buffers, which could create an actual balance of payments need.

2. Adverse scenario. Staff simulates a negative impact on Armenia's trade balance, remittances, and capital inflows that would reflect contraction in real growth of Armenia's major trading partners as well as global economies, anticipated to commence in 2026Q1. These negative shocks would lead to scarring of the economy, although growth rates are expected to recover in 2028.

- **Current account.** In an adverse scenario, goods exports contract by approximately 17 percent relative to the baseline in 2026 due to weaker demand from key trading partners. This would be about the size that was seen during the COVID pandemic. Imports are assumed to contract by 8 percent. The decline in goods export would continue until early 2027, when a gradual recovery would start, along with a normalization of the global and regional economies.
- **Remittances and service exports.** Growth decline in regional and trading partners is expected to lead to a contraction in service exports and net transfers. The adverse scenario assumes a decline by 21 percent of service and income balances against the balances, as well as remittances by 55 percent against the baseline (or two standard deviations of the historical levels).
- **Financial account.** A decline in capital inflows stemming from an abrupt reversal in global risk appetite would lead to a partial withdrawal of the capital inflows observed so far in 2026, as well as a reduced net capital inflow. Under the shock scenario, net inflows are expected to decline by approximately US\$ 700million, which is about two standard deviations of the historical change.

3. Effects. Lower external demand and a decline in remittances would weaken current and financial account position and would put downward pressure on the exchange rate, leading to an assumed 20 percent nominal depreciation relative to the baseline in 2026. At the same time, growth and private consumption would decline due to weaker external demand and remittances. The current account would initially widen in response to a significant decrease in exports, while inflation would increase, given the pass-through from nominal depreciation. After the initial shock, lower private consumption and the weaker exchange rate would lead to a progressive adjustment to the trade balance, in line with past crisis episodes, allowing the current account to revert gradually to the baseline projection over the medium-term.

Table III.1. Armenia: Impact of a Sizable External Shock

	2026		2027		2028	
	Baseline	Adverse Scenario	Baseline	Adverse Scenario	Baseline	Adverse Scenario
National Income and Prices						
Real GDP (percent change)	5.5	2.5	5.5	3.0	5.0	4.5
CPI (Period average; percent change)	3.0	4.9	3.0	4.4	3.1	3.9
Overall Balance on a cash basis (in percent of GDP)	-4.5	-6.3	-3.5	-4.7	-3.0	-3.6
Central Government Debt (in percent)	51.5	61.1	51.8	61.4	51.9	60.1
Current Account Balance (in percent of GDP)	-4.5	-5.9	-4.4	-7.3	-4.4	-6.6
Gross international Reserves (in millions of U.S. dollars)	4297	2646	4489	2787	4673	3210

Source: National authorities, and IMF staff calculations and projections.

4. Policies. The adverse scenario assumes that monetary tightening will address inflationary pressures from nominal depreciation. The central bank should remain ready to implement targeted interventions to avoid disorderly conditions in FX markets. The CBA should let the exchange rate depreciate to serve as a shock absorber in line with its inflation-targeting regime. The fiscal deficit would increase by about 1.8 percent of GDP in 2026 as the authorities let automatic stabilizers operate. A larger budget deficit and the large dram depreciation imply a temporary increase in government debt in 2026 by approximately 10 percent relative to the baseline. Government debt would start to decline in 2028, consistent with a gradual appreciation of the currency and fiscal consolidation.

5. Implications. In a shock scenario, nominal gross international reserves would decline to approximately 85 percent of the ARA metric in 2026, creating a potential balance of payment need. Access to Fund resources at 43 percent of quota (SDR 55.2 million) in 2026, along with donor financing, would bring reserves to 90 percent of the ARA metric by the end of 2026. A gradual recovery in goods exports as well as service exports and capital inflows would ensure that reserves would recover to above 100 percent of the ARA metric by the end of the program in 2028, even without assuming external financing in 2027 and 2028. In the event of a significant downturn in the macroeconomic environment, the program modalities can be modified following a request from the authorities and subsequent Board approval.

Table III.2. Armenia: Potential Impact of Adverse Shocks
(In millions of U.S. dollars, unless otherwise indicated)

	Baseline			Shock		
	2026	2027	2028	2026	2027	2028
<i>Current account</i>	-1,304	-1,355	-1,427	-2,255	-1,091	-1,188
Exports G&S	13,416	13,877	14,314	11,439	13,738	14,238
Imports G&S	-14,539	-15,074	-15,584	-13,316	-14,532	-15,270
Incomes and transfers (net)	-181	-157	-156	-378	-297	-156
<i>Capital & financial account</i>	1,503	1,565	1,611	803	1,250	1,611
<i>Overall balance</i>	199	210	185	-1,452	159	423
<i>Financing</i>						
Change in reserves (increase -)	-138	-191	-185	1,513	-140	-423
Net use of Fund credit (repurchase)	-61	-19	0	-61	-19	0
<i>Gross international reserves</i>	4,297	4,489	4,673	2,646	2,787	3,210
As % of ARA metric	127	128	126	85	86	94
Under the proposed IMF-supported program:						
Proposed IMF financing in adverse scenario				73	49	49
Assumed financing from development partners 1/				100	0	0
Gross international reserves				2,820	3,009	3,459
As % of ARA metric				90	93	101

Source: IMF Staff calculations

1/ Estimated financing necessary to keep reserves close or above 100 of ARA metric during the program period.

Annex IV. Sovereign Risk and Public Debt Sustainability Assessment

Table IV.1. Armenia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is "moderate", reflecting moderate level of vulnerability in medium-term, and manageable risks in the long term.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risk is assessed as "moderate" in line with the mechanical signal. The debt stabilizes at a reasonable terminal level of 51.1 percent of GDP in the medium-term and the Gross Financing Needs (GFN) are manageable. However, there is considerable uncertainty around the baseline - as reflected by the width of the fan chart - as the debt has been historically vulnerable to growth and exchange rate risks.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
Long term	...	Moderate	Long-term risks to debt may arise from large amortizations and climate adaptation needs.
Sustainability assessment 2/		Sustainable	The projected debt path is expected to stabilize and GFNs will remain at manageable levels, conditional on the fiscal consolidation and policy recommendations under the baseline. The overall debt is assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: The overall risk of sovereign stress is "moderate", and Armenia's debt is assessed as "sustainable". The debt-to-GDP ratio is expected to increase to 51.9 percent of GDP by 2028 before declining to 49.7 percent of GDP by 2030. Gross Financing Needs (GFN) are projected to decline and remain at the manageable level of 9.0 percent of GDP on average in the medium-term. Uncertainty around the baseline - reflected by the width of the Fan chart and "moderate risk" of Debt Fan Chart Index (DFI) - is considerable over the medium term, as the debt has been historically vulnerable to growth and exchange rate shocks. Fiscal consolidation to build buffers, containing domestic budgetary lending to SOEs and otherwise, developing the domestic debt market, and ensuring adequate foreign currency financing will help guard against these risks. In the long-term, large amortizations and climate adaptation needs may add to the risks to the debt profile; however, such risks are expected not to be significant for Armenia.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure IV.1. Armenia: Debt Coverage and Disclosures

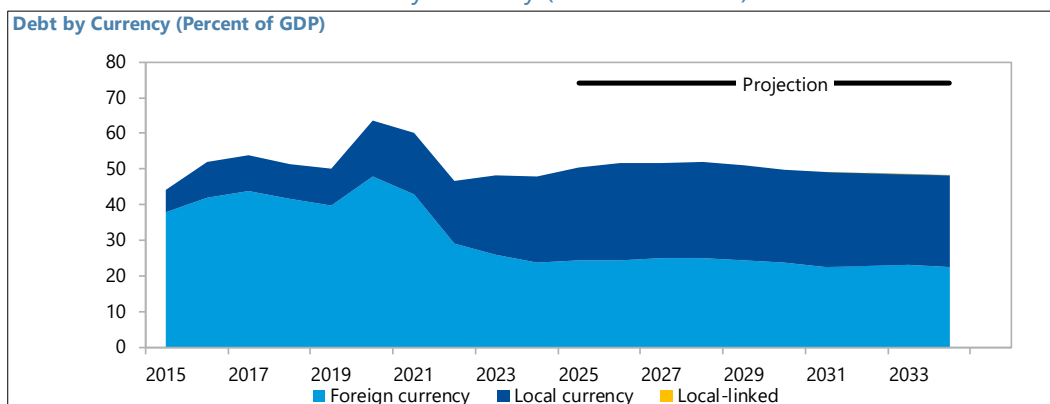
1. Debt coverage in the DSA: 1/						CG	GG	NFPS	CPS	Other	Comments			
1a. If central government, are non-central government entities insignificant?										No				
2. Subsectors included in the chosen coverage in (1) above:														
Subsectors captured in the baseline										Inclusion				
CPS	NFPS	GG: expected	CG	1	Budgetary central government					Yes				
				2	Extra budgetary funds (EBFs)					No	Not applicable			
				3	Social security funds (SSFs)					No	Not applicable			
				4	State governments					No	Data limitations			
				5	Local governments					No	Data limitations			
				6	Public nonfinancial corporations					No	Cont. Liab. test activated			
				7	Central bank					No				
				8	Other public financial corporations					No	Data limitations			
3. Instrument coverage:						Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/				
4. Accounting principles:						Basis of recording		Valuation of debt stock						
						Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/				
5. Debt consolidation across sectors:						Consolidated		Non-consolidated						
Color code: chosen coverage Missing from recommended coverage Not applicable														
Reporting on Intra-Government Debt Holdings														
				Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total	
CPS	NFPS	GG: expected	CG	Issuer										
				1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
8	Oth. pub. fin. corp									0				
Total				0	0	0	0	0	0	0	0	0		

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
 2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
 3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
 4/ Includes accrual recording, commitment basis, due for payment, etc.
 5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
 6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
 7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The debt coverage is central government. In Armenia, social security funds are private entities and therefore not included in the central government debt coverage. Data on state and local government debt is not available to staff and not published by the authorities as part of the GG debt. However, the authorities have initiated legislative changes to broaden the definition of General Government debt to include debt of state and local governments, public sector non-financial organizations and public sector financial organizations and intend to collect and publish the broader general government debt data in the future.

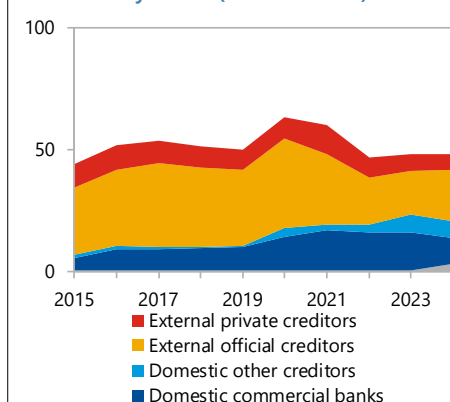
Figure IV.2. Armenia: Public Debt Structure Indicators

Debt by currency (Percent of GDP)



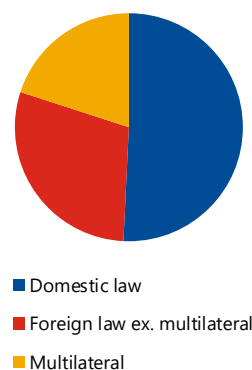
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



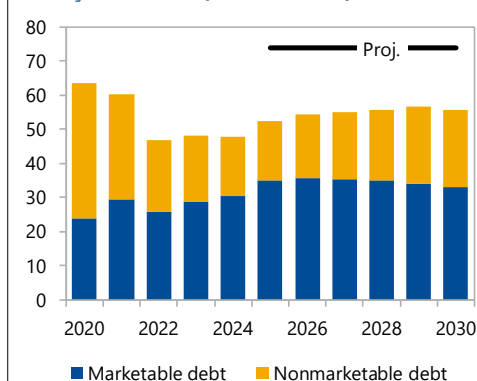
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



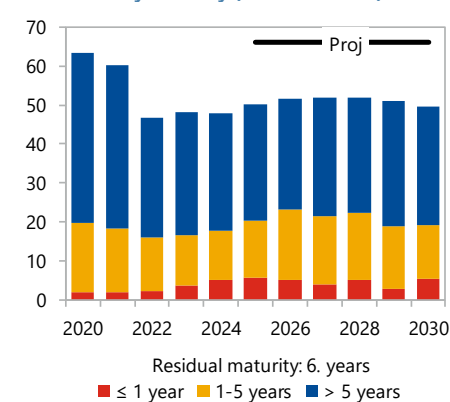
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



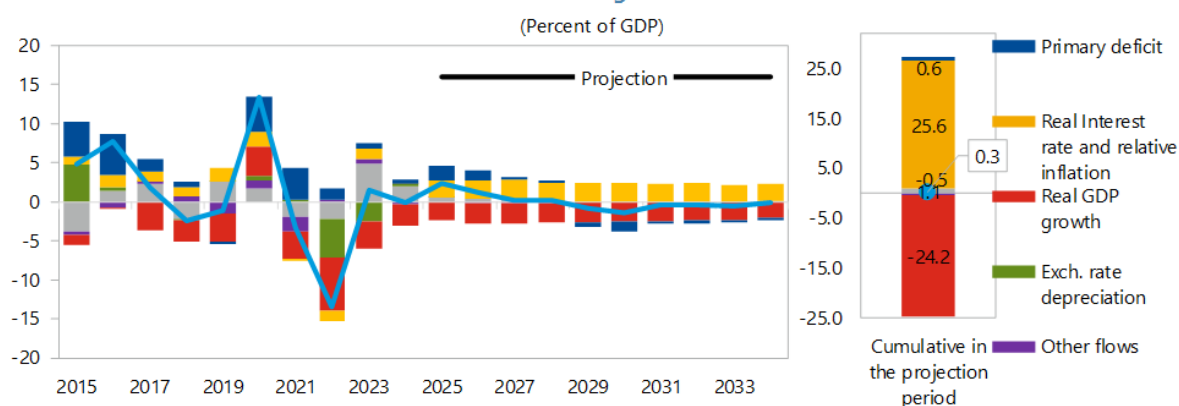
Note: The perimeter shown is general government.

Commentary: The share of foreign currency debt is projected to decrease from 49.2 percent of GDP in 2024 to 47.4 percent of GDP in 2030. While this reduces vulnerability of debt to exchange rate risk, the authorities should continue to mobilize adequate foreign currency financing to support priority expenditures. The share of marketable debt has increased including due to higher domestic market borrowing and the recent issuance of a US\$750 million Eurobond and is projected to remain at similar levels in the medium term, largely due to high domestic market borrowing.

Table IV.2. Armenia: Baseline Scenario
(Percent of GDP unless indicated otherwise)

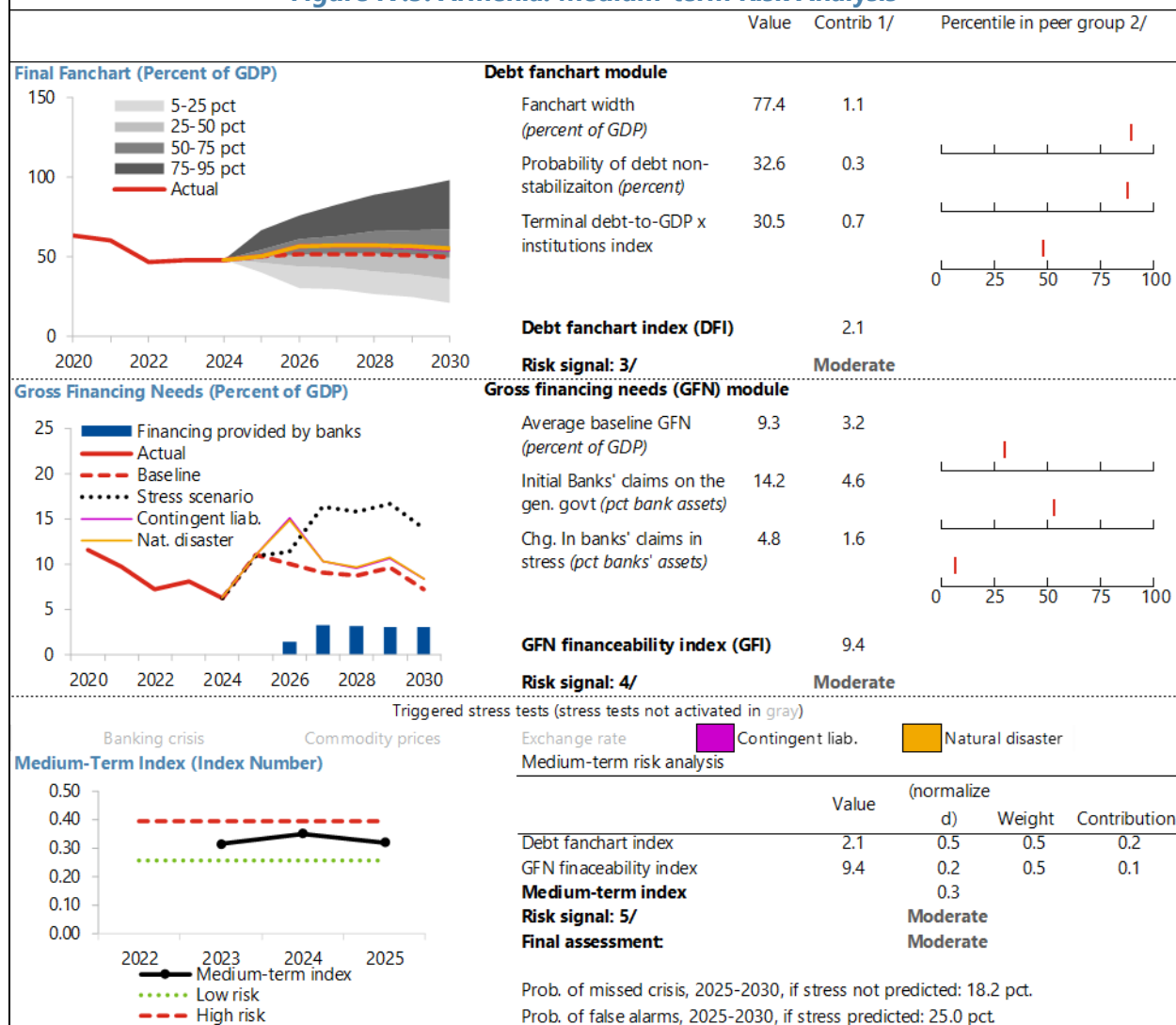
	Actual	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Public debt	48.0	50.3	51.5	51.8	51.9	51.1	49.7	49.3	48.9	48.4	48.3	
Change in public debt	-0.2	2.3	1.2	0.2	0.1	-0.8	-1.4	-0.4	-0.3	-0.5	0.0	
Contribution of identified flows	-2.2	1.8	0.8	-0.1	0.1	-0.7	-1.3	-0.4	-0.3	-0.5	-0.1	
Primary deficit	0.5	1.9	1.3	0.2	0.3	-0.7	-1.3	-0.3	-0.3	-0.3	-0.3	
Noninterest revenues	25.3	25.6	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8	
Noninterest expenditures	25.9	27.5	27.1	26.1	26.1	25.1	24.5	25.5	25.5	25.5	25.5	
Automatic debt dynamics	-2.4	-0.1	-0.3	-0.2	0.0	0.0	-0.1	-0.1	0.0	-0.2	0.2	
Real interest rate and relative inflation	0.0	2.1	2.3	2.5	2.5	2.4	2.4	2.3	2.4	2.2	2.2	
Real interest rate	0.3	2.1	2.1	2.2	2.2	2.2	2.1	2.1	2.1	1.9	2.0	
Relative inflation	-0.2	0.0	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	
Real growth rate	-2.7	-2.3	-2.6	-2.7	-2.5	-2.5	-2.5	-2.4	-2.4	-2.3	-2.1	
Real exchange rate	0.2	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.4	0.0	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other transactions	-0.4	0.0	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	
Contribution of residual	2.0	0.5	0.4	0.4	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.1	
Gross financing needs	6.3	11.1	10.0	9.0	8.8	9.6	7.2	10.6	8.9	9.6	9.2	
of which: debt service	5.7	9.1	8.7	8.8	8.5	10.3	8.4	10.9	9.2	9.9	9.5	
Local currency	3.2	5.3	6.2	6.7	6.4	6.6	5.9	6.6	6.3	6.9	5.6	
Foreign currency	2.5	3.8	2.5	2.1	2.1	3.7	2.5	4.4	2.9	3.0	4.0	
Memo:												
Real GDP growth (percent)	5.9	5.0	5.5	5.5	5.0	5.0	5.0	5.0	5.0	5.0	4.5	
Inflation (GDP deflator; percent)	1.4	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	
Nominal GDP growth (percent)	7.4	7.8	8.7	8.7	8.2	8.2	8.2	8.2	8.2	8.2	8.2	
Effective interest rate (percent)	2.1	7.5	7.6	7.7	7.7	7.6	7.5	7.5	7.7	7.3	7.5	

Contribution to Change in Public Debt



Commentary: Government debt increases from 48.0 percent of GDP in 2024 to 51.9 percent of GDP in 2028, thereafter following a gradual downward path to below 50 percent of GDP by 2034. Real GDP growth and fiscal consolidation are projected to be the key contributors to the declining debt to GDP ratio in the medium-term. The higher contribution of real interest rates towards increasing debt in the projection horizon reflects higher market borrowing. Gross Financing Needs on average remain at a comfortable level of 9.0 percent of GDP.

Figure IV.3. Armenia: Medium-term Risk Analysis



Commentary: Medium-term risk is assessed "moderate" in line with the mechanical signal. The Debt Fan Chart Index (DFI) and the Gross Financing Needs Index both show "moderate risk". The debt is stabilizing at a moderate level of 49.7 percent of GDP in the medium-term. Gross Financing Needs (GFN) are modest and declining, and average 9.0 percent of GDP over the medium term. However, a broad fan chart width – reflecting uncertainty around the baseline – is contributing to a relatively higher Debt Fan chart index score. This is because Armenia's debt has historically been volatile due to significant vulnerability to growth and exchange rate risks. Customized contingent liabilities (of around 6 percent of GDP from the SOEs/PPPs) and natural disaster stress tests are triggered, which could raise GFN by about 5 percentage points of GDP if they materialize. Fiscal consolidation in line with the 2026–28 MTEF, progressing on fiscal-structural reforms under the SBA, containing fiscal risks, mobilizing adequate external foreign currency financing and further developing the domestic debt market would help guard against growth, exchange rate and fiscal risks to debt over the medium-term.

Sources: IMF staff estimates and projections.

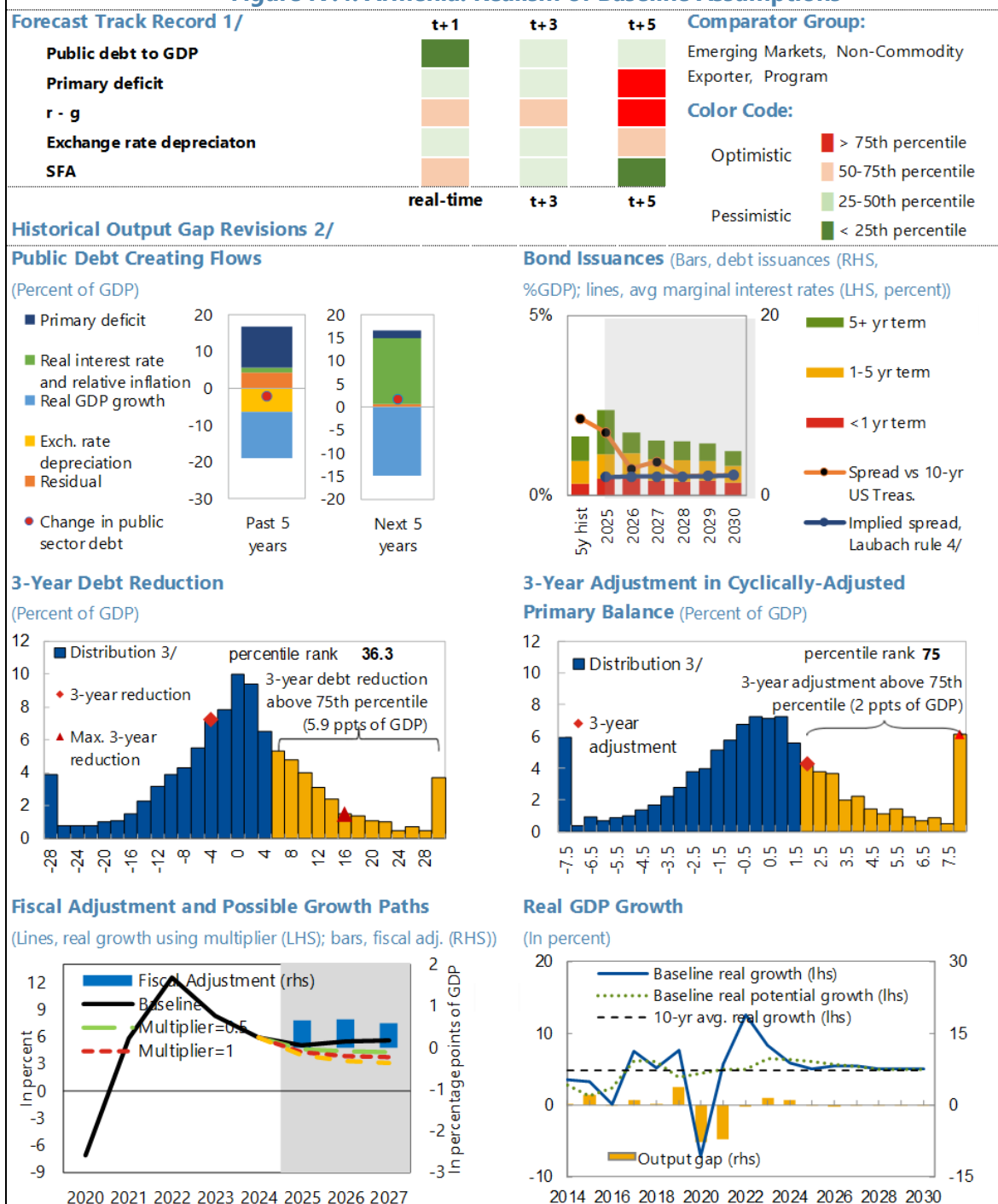
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, program.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure IV.4. Armenia: Realism of Baseline Assumptions

Commentary: Realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected debt reduction is well within the norms. The optimism in the t+5 forecast for primary deficit and $r - g$ is driven by the authorities commitment to fiscal consolidation to keep debt at moderate levels as reflected in their recently approved 2026-28 MTEF and strong nominal growth at its potential in the medium-term. Source: IMF staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates)

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

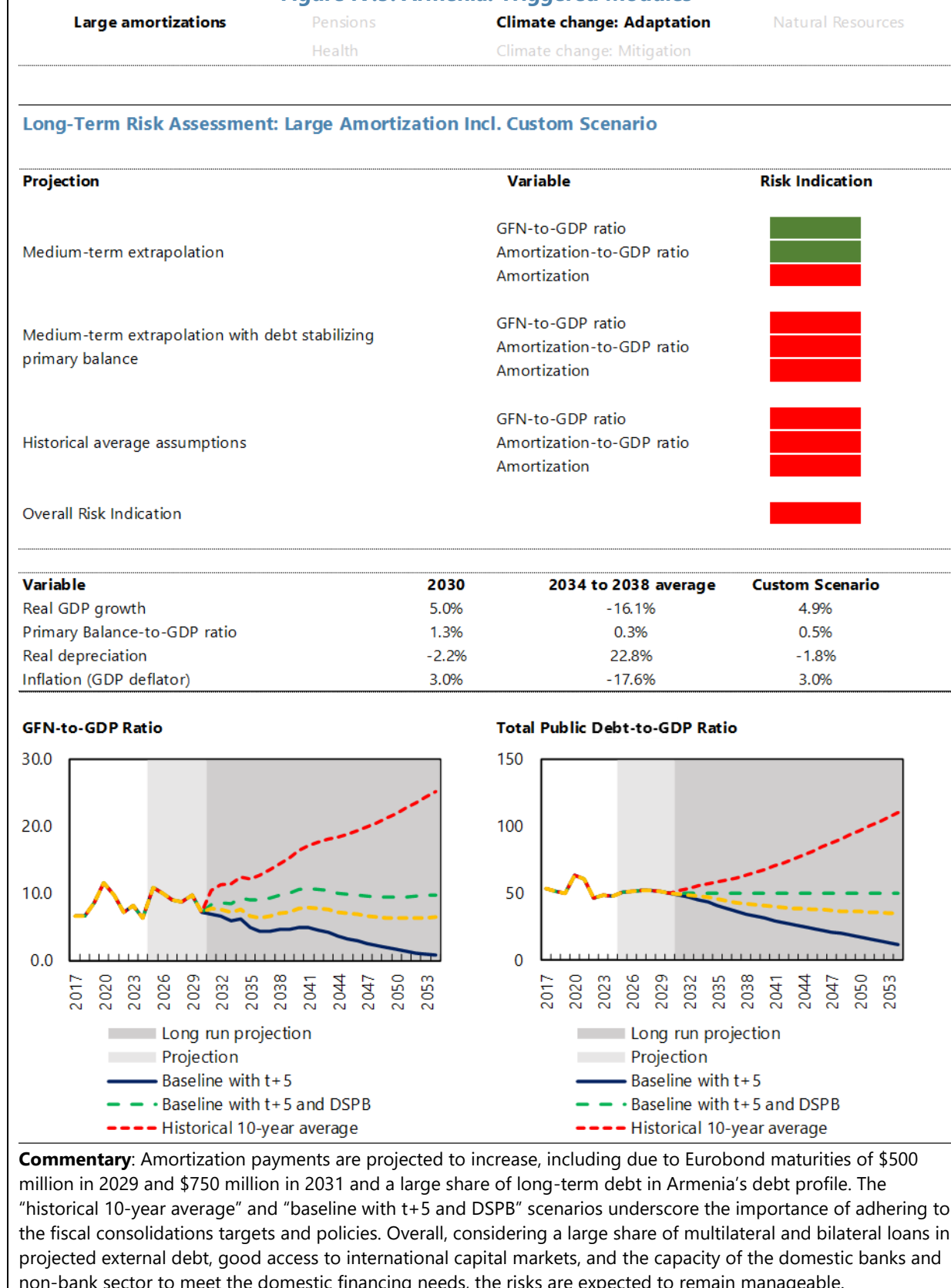
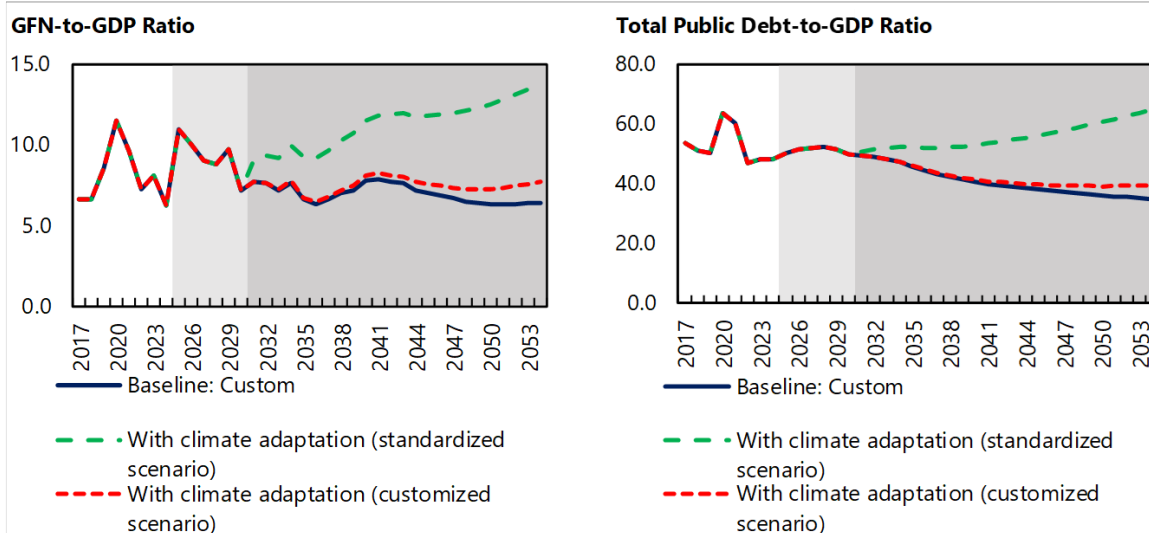
Figure IV.5. Armenia: Triggered Modules

Figure IV.6. Armenia: Climate Change: Adaptation



Commentary: In the Baseline scenario, the climate adaptation costs would slightly increase the debt and GFN levels over the medium-term, before declining below the 2024 levels in the long-term. The standardized climate adaptation module adds an increase of 1.0 percentage points of GDP in the primary balance per year over the long term, which would raise the peak levels of GFN to 13.7 percent of GDP and put debt on a rising path to 65 percent of GDP by 2053. A more plausible/moderate customized test based on the "unmitigated climate adaptation scenario" of the IMF TA report on "Quantifying fiscal risks from climate change" assumes a 0.4 percentage points of GDP increase in primary deficit over the long-term and shows that the debt and GFN levels may increase in the medium-term but would then gradually converge to a firmly declining path in the long run. Nevertheless, this is a moderate scenario and in case of extreme weather conditions, fiscal costs even higher than those reflected in the standard scenario may materialize, requiring greater public finances for climate adaptation.

**Table IV.3. Armenia: Decomposition of Public Debt
and Debt Service by Creditor, 2024 1/**

	Debt Stock (end of period, residency principle)			Debt Stock (end of period, instrument principle)			Debt Service 7/					
	2024			2024			2024	2025	2026	2024	2025	2026
	(In mln. US\$)	(Percent total debt)	(Percent GDP)	(In mln. US\$)	(Percent total debt)	(Percent GDP)	(In US\$)			(Percent GDP)		
Total	12338.23	100	48.0	12338.23	100	48.0	include external guarantees					
External (including guarantees)	5950.14	48.2	23.1	6075.44	49.2	23.6	659.65	967.90	636.15	2.6	3.7	2.4
Multilateral creditors /2	3607.06	29.2	14.0	3607.06	29.2	14.0	471.68	472.46	479.25	1.8	1.8	1.8
IMF	150.98	1.2	0.6	150.98	1.2	0.6						
World Bank	1690.40	13.7	6.6	1690.40	13.7	6.6						
ADB/AFDB/IAfDB	957.30	7.8	3.7	957.30	7.8	3.7						
Other Multilaterals	808.38	6.6	3.1	808.38	6.6	3.1						
o/w: list largest two creditors												
EDB	380.10	3.1	1.5	380.10	3.1	1.5						
EIB	138.00	1.1	0.5	138.00	1.1	0.5						
list of additional large creditors												
OFID	134.87	1.1	0.5	134.87	1.1	0.5						
Bilateral Creditors	889.36	7.2	3.5	889.36	7.2	3.5	116.58	122.21	108.77	0.5	0.5	0.4
Paris Club	872.91	7.1	3.4	872.91	7.1	3.4	114.10	119.80	106.44	0.4	0.5	0.4
o/w: list largest two creditors												
RF	239.33	1.9	0.9	239.33	1.9	0.9						
France	302.40	2.5	1.2	302.40	2.5	1.2						
list of additional large creditors												
Germany-KfW	202.16	1.6	0.8	202.16	1.6	0.8						
Japan	120.45	1.0	0.5	120.45	1.0	0.5						
Non-Paris Club	16.45	0.1	0.1	16.45	0.1	0.1	2.48	2.41	2.32	0.0	0.0	0.0
o/w: list largest two creditors												
Export-Import Bank of China	14.91	0.1	0.1	14.91	0.1	0.1						
Abu-Dhabi Fund for Development	1.54	0.0	0.0	1.54	0.0	0.0						
list of additional large creditors	-			-								
Bonds /3	1437.87	11.7	5.6	1563.17	12.7	6.1	69.1	371.1	46.8	0.3	1.4	0.2
Commercial creditors	15.84	0.1	0.1	15.84	0.1	0.1	2.2	2.1	1.4	0.0	0.0	0.0
o/w: list largest two creditors												
Erste Bank/Austria	12.26	0.1	0.0	12.26	0.1	0.0						
Raiffeisen Bank/Austria	3.08	0.0	0.0	3.08	0.0	0.0						
list of additional large creditors												
Other international creditors	-			-								
o/w: list largest two creditors												
list of additional large creditors												
Domestic (including guarantees) /4	6388.1	51.8	24.9	6262.8	50.8	24.4	1273.61	1409.84	1105.19	5.0	5.4	4.1
Held by residents, total	6388.1	51.8	24.9	5807.4	47.1	22.6						
Held by non-residents, total				431.3	3.5	1.7						
T-Bills	341.1	2.8	1.3	341.1	2.8	1.3	128.45	341.07	0.00	0.5	1.3	0.0
Bonds	5897.7	47.8	22.9	5897.7	47.8	22.9	376.61	1068.78	1105.19	1.5	4.1	4.1
Loans												
Domestic guarantees	24.1	0.2	0.1	24.1	0.2	0.1	9.5	10.8	10.7	0.0	0.0	0.0
Memo items:												
Collateralized debt /5	0	0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Related												
o/w: Unrelated												
Contingent liabilities												
o/w: Public guarantees	30.52	0.0	0.1	30.52	0.2	0.1	16.27	11.48	11.41	0.0	0.0	0.0
o/w: Other explicit contingent liabilities /6												

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is central government.

2/ Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending into Arrears).

3/ Based on residency principle all Treasury Bonds and Eurobonds acquired by non-residents are included in the line "Bonds" as part of external debt.

4/ Based on residency principle all Treasury Bonds and Eurobonds acquired by residents are included in the line "Domestic" as part of domestic debt.

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

6/ Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

7/ Debt service profile is represented based on debt instrument principle, because data by residency principle is not available.

Annex V. Implementation of the 2023 Article IV Recommendations

1. The 2023 Article IV Consultation with Armenia took place together with the second review under the 2022–25 Stand-By Arrangement (SBA). It focused on policies to strengthen medium- and long-term resilience and potential growth, including: (i) advancing the authorities' structural reform plans; (ii) rebuilding fiscal buffers, including to strengthen investment and social spending; and (iii) bolstering the central bank's monetary policy and supervisory frameworks.

Structural Reforms

2. The structural reforms agenda for the 2023 Article IV Consultation focused on reforms aimed at boosting Armenia's potential growth rate through structural reforms to raise formal employment, improve access to finance, diversify the export base, and strengthen governance.

3. Since then, implementation of structural reforms in these areas has advanced. The authorities have developed an employment strategy that aims to boost labor force participation, especially among women and youth, though the action plan in this strategy has yet to be costed. They have also developed an export strategy that identifies measures to remove export bottlenecks and improve the capacity to export high-value-added products. Work is progressing on legislation to improve the effectiveness of insolvency proceedings and strengthen the protection of creditor rights, in line with international standards. Also, with support from the World Bank a new company law is being developed to streamline and consolidate the legal framework for enterprises, strengthen corporate governance, and improve transparency. Finally, simplified procedures for public procurement and incremental progress in anti-corruption frameworks are further positive steps.

Fiscal Policy

4. The 2023 Article IV Consultation recommended mitigating potential fiscal risks, improving the robustness of fiscal policy, and creating fiscal space for priority spending. Key in this regard is a gradual fiscal deficit reduction and completion of the ongoing public financial management reforms to reduce risks to the public debt path. Revenue mobilization efforts and fiscal structural reforms are required to create space for higher investment and priority social spending—including refugee support and integration.

5. Since then, the authorities have made substantial progress in adhering to fiscal prudence while advancing significant structural fiscal reforms. They have met the fiscal targets under the 2022–25 SBA-supported program despite multiple shocks, including the need to provide support to a large number of Armenian refugees.¹ Significant steps have been taken to increase revenues including through adjustments to excises and turnover taxes, rationalizing tax

¹ There was a minor breach of the ceiling on net domestic lending in December 2024 for which a waiver was granted.

expenditures, and modernizing tax administration. Progress has also been made in public financial management through improvements in medium-term expenditure and budget frameworks, and the cohesiveness of public investment management.

Monetary Policy and Financial Sector

6. The 2023 Article IV Consultation recommended continued strengthening of the monetary policy framework. The risk management approach to price stability should evolve along with other monetary framework enhancements, such as transparency, communication, governance, and capital market development.

7. The Consultation also advocated further enhancement of the CBA's prudential and supervisory framework to help stem rising financial sector risks. Enhancing supervisory powers and strengthened crisis management would also serve this end, as would boosting supervisory capacity, including human resources, technology, and data collection and processing.

8. These recommendations have mostly been implemented. The CBA's proactive and decisive policy actions successfully tackled inflationary pressures following the Ukraine war, bringing inflation down and keeping it anchored around the central bank's target, which was lowered to 3 percent from January 2025 on. The inflation targeting framework has been revamped, with the CBA adopting a risk-based approach to policy decisions, while enhancing its macro modeling capacity. It has also increased transparency by publishing board member statements, voting records concurrently with monetary policy decisions, and daily FX intervention data.

9. The CBA has also been proactive in managing structural financial sector risks. It has deployed several macroprudential tools, including raising the countercyclical capital buffer progressively to 1.75 percent in May 2025 and introducing a loan-to-value limit for mortgages to address risks in the housing market. Efforts to enhance risk-based supervision are also advancing, supported by a formal roadmap for introducing Pillar 2 capital add-ons. Progress has also been made in strengthening crisis management frameworks, with the drafting of a new bank resolution law aligned with international standards and the development of an early intervention framework.

Annex VI. Data Adequacy

Figure VI.1. Armenia: Data Adequacy Assessment for Surveillance

Figure VI.1. Armenia: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	B	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	A	B	A	A		
Granularity 3/	B		A	B	A		
			B		A		
Consistency			B	A		A	
Frequency and Timeliness	A	A	A	A	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. Data provision by Armenia is broadly adequate for surveillance but has some shortcomings. On the detailed fiscal data, however, improvements are needed in the application of the economic and functional classification of expenditures to ensure accurate presentation of expenditures in particular with respect to ensuring that data on wages and salaries are comprehensive, as the wages for military personnel, teachers, and doctors are reported in the category of goods and services and other expense, rather than as a wage item. The authorities collect wages data for central government apparatus only; however, they provide estimates to staff for computation of wages on a general government basis. With regard to national accounts, the authorities only provide growth rates for real GDP. Moreover, the swings in inventories are on occasion very large, and revisions are frequent and sizable. With regard to external sector statistics, more detailed data for services trade would be useful. Nonetheless, staff are able to assess macroeconomic developments and the adequacy of policies. However, further improvements in real, fiscal and external sector statistics would be desirable to facilitate enhanced design and monitoring of economic policies.</p>							
<p>Changes since the last Article IV consultation. CCAMTAC and STA TA are working with the authorities to improve the accuracy of annual and quarterly GDP estimates and developing institutional sector accounts; implement GFS 2014; support the development of a residential property price index (RPPI); and improve the coverage of cross-border activity of IT companies registered in Armenia and services sector exports, especially tourism. The authorities have also requested a Data Quality Assessment to provide a roadmap for further improvements in the areas of national accounts, prices, government finance and debt statistics.</p>							
<p>Corrective actions and capacity development priorities. The authorities have requested Data Quality Assessment to cover the fields of national accounts, and price statistics, government finance statistics, and public sector debt statistics to determine areas for improvement and capacity development needs.</p>							
<p>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.</p>							
<p>Other data gaps. N/A</p>							

Figure VI.2. Armenia: Data Standards Initiatives

Armenia subscribes to the Special Data Dissemination Standard (SDDS) since November 2003 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>).

Figure VI.3. Armenia: Table of Common Indicators Required for Surveillance
As of October 21, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁵	Expected Frequency ^{6,7}	Armenia ⁸	Expected Timeliness ^{6,7}	Armenia ⁸
Exchange Rates	20-Oct-25	21-Oct-25	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	30-Sep-25	6-Oct-25	M	M	M	M	1W	1M
Reserve/Base Money	20-Oct-25	21-Oct-25	D	D	M	M	2W	1D
Broad Money	31-Aug-25	26-Sep-25	M	M	M	M	1M	25D
Central Bank Balance Sheet	30-Sep-25	02-Oct-25	M	M	M	M	2W	1D
Consolidated Balance Sheet of the Banking System	31-Aug-25	26-Sep-25	M	M	M	M	1M	25D
Interest Rates ²	20-Oct-25	21-Oct-25	D	D	D	D	...	1D
Consumer Price Index	30-Sep-25	16-Oct-25	M	M	M	M	1M	5D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Q3 2025	14-Oct-25	Q	Q	A	Q	2Q	2M
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Q3 2025	14-Oct-25	Q	Q	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Q3 2025	14-Oct-25	Q	Q	Q	Q	1Q	2M
External Current Account Balance	Q2 2025	02-Oct-25	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	31-Aug-25	07-Oct-25	M	M	M	M	8W	20D
GDP/GNP	Q2 2025	21-Aug-25	Q	Q	Q	Q	1Q	1Q
Gross External Debt	Q2 2025	02-Oct-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	Q2 2025	02-Oct-25	Q	Q	Q	Q	1Q	1Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Yerevan, November 10, 2025

Dear Ms. Georgieva:

Our economy has shown resilience to multiple shocks and continues to grow robustly, supported by strong macroeconomic policies. After remarkably strong growth in 2022-24—in part owing to a large inflow of external income, capital, and labor—real GDP growth decelerated to more sustainable level of 5.6 percent in 2025H1. Inflation has gradually picked up, but remains moderate, at 3.6 percent (y-o-y) in August 2025, while inflation expectations remain broadly anchored despite high uncertainty. Fiscal policy continues to be anchored by the rules-based fiscal framework and our economy’s external position remains strong. The banking system is in good health, thanks to prudent risk management and strong supervision. Supported by the 2022 Stand-By Arrangement (SBA), we have undertaken important structural reforms in the areas of tax policy, revenue administration, public financial management, business environment, banking supervision and regulation, and governance. Specifically, we met all quantitative performance criteria (QPC) and indicative targets (IT) for end-June 2025 for the 6th review of the SBA and made steady progress toward meeting the structural benchmarks (SB).

Despite this success, important challenges remain. The geopolitical and regional situation remains uncertain; structural unemployment is still high; informality is pervasive; and a growth friendly fiscal consolidation is needed to bring down the deficit and debt to more moderate levels. Alongside, we continue to work towards the socio-economic inclusion of over 115,000 displaced Karabakh Armenians, including designing and implementing sustainable housing and livelihood solutions. To tackle these challenges, we will continue to invest in infrastructure and human capital to raise productivity; improve transparency, governance, and access to finance to enhance the business environment; and strengthen healthcare, social protection, and labor force participation to ensure inclusion and reduce income inequality. In this regard, we remain committed to preserving Armenia’s macroeconomic, fiscal, and financial stability.

To maintain macroeconomic stability and tackle these challenges, we request a new 36-month Stand-By Arrangement, along with the completion of the 6th review under the current SBA.

The attached Memorandum of Economic and Financial Policies (MEFP) and the Technical Memorandum of Understanding (TMU) describe more fully our achievements under the 2022 SBA, including for the sixth review of the program, and provide comprehensive details of our reform agenda under the new IMF-supported program. In particular, we remain committed to meeting the 2025 budget deficit target and continuing efforts to strengthen revenue mobilization and

expenditure rationalization to ensure fiscal sustainability; maintain price and financial stability; and advancing reforms to support strong and inclusive private-led growth. Based on steps that we have already taken, we request completion of the sixth review. Upon completion of the review, we seek cancellation of the current arrangement and commencement of a new 36-month SBA in the cumulative amount of SDR 128.8 million (100 percent of quota). We believe that our strong policy agenda together with a new MF-supported program will provide continuity and insurance against external shocks. In this respect, we intend to treat the new SBA as precautionary, in line with our treatment of the current arrangement.

We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program. We will maintain a close policy dialogue with the IMF and stand ready to take additional measures, as appropriate, to ensure the achievement of our social and economic objectives under the IMF-supported program. We will continue to consult with the Fund on the adoption of measures, and in advance of any revisions to the policies contained in the attached MEFP in accordance with the Fund's policies on such consultation. We will also provide the Fund with information it requests for monitoring program implementation.

We authorize the IMF to publish this letter of Intent and its attachments (MEFP and TMU), as well as the accompanying staff report. These documents will also be posted on the official websites of the Armenian government after the approval by the IMF Board.

Yours sincerely,

/s/

Nikol Pashinyan
Prime Minister

/s/

Vahe Hovhannisyan
Minister of Finance

/s/

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Attachments

- I. Memorandum of Economic and Financial Policies
- II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

1. This Memorandum of Economic and Financial Policies (MEFP) reviews recent economic developments and reforms under the 2022–2025 Stand-By Arrangement (SBA) and describes the policies that the Government of Armenia plans to implement in 2025–2028 under the new SBA.

A. Background and 2022–2025 SBA Performance

2. Armenia’s economy has shown resilience to multiple shocks and grown robustly in an uncertain environment. Supported by sound economic policies and boosted by an influx of foreign exchange, migrants, and businesses, the economy grew robustly in 2022–24. Inflation, which peaked at the start of the war in Ukraine, was soon brought under control with decisive policy action by the CBA and is currently close to the target with inflation expectations remaining anchored. Our swift policy response also helped limit the humanitarian crisis arising from the displacement of over 115,000 Karabakh Armenians (hereafter Refugees), and we continue to work towards their long-term inclusion in the Armenian society and economy.

3. The economy and the growth momentum are gradually normalizing. Real GDP grew by 5.6 percent in 2025H1 supported by domestic and external demand. Employment growth has remained steady, and inflation has gradually picked up to 3.6 percent y/y in August, driven by food and services prices. The current account deficit has remained stable, reflecting strong domestic demand and normalization of goods trade, offset by strong tourism. As a result of CBA FX purchases of about US\$1.1 billion in January–August 2025, gross international reserves have increased to US\$4.2 billion (132 percent of the ARA metric) as of end-August 2025. Banks have strong capital and liquidity buffers, and their profitability remains high.

Fiscal Reforms

4. Over the past three years, we have demonstrated fiscal prudence while advancing significant structural fiscal reforms. We successfully met the fiscal targets under the 2022 SBA-supported program despite multiple shocks, including the need to provide support to a large number of Refugees, and met all end-June 2025 **quantitative performance criteria (PCs)** for the 6th review of the program, as well as end-June and end-September 2025 indicative targets. Priority spending needs, including national security, socio-economic inclusion of Refugees, social protection, education, and infrastructure, were accommodated by ambitious tax policy and revenue administration reforms. The overall fiscal deficit at 0.4 percent of GDP in 2025H1, was lower than projected due to overperformance in tax revenues, buoyed by strong economic activity, alongside under-execution in both current and capital expenditures. Central government debt, at 48 percent of GDP in 2024, remains moderate.

5. We have strengthened revenue mobilization and expenditure rationalization to accommodate growing spending needs.

- *Tax Policy.* To help reduce the revenue gap to Armenia's tax potential, we conducted a detailed assessment of all tax expenditures and are taking steps to rationalize them. We raised the turnover tax rates and streamlined the activities allowed under the regime, harmonizing the effective tax burden under the turnover regime vis-à-vis the standard CIT and VAT regimes. We have phased out the CIT exemption that was granted to IT startups and are also phasing out incentives such as the mortgage interest tax credits. Increases in excises, environmental taxes on imported vehicles, and stamp duty on gambling have also contributed to our revenue mobilization efforts. Further, we are exploring the introduction of a capital gains tax in upcoming reforms of the tax system. We have also refrained from introducing new tax incentives (**continuous SB**).
- *Expenditure rationalization.* We identified a menu of expenditure rationalization measures equivalent to 1 percent of GDP in primary expenses (**July 2025 SB**, implemented with a delay), and have included several of these measures in the 2026 budget.
- *Tax administration.* To strengthen tax compliance and the audit powers of the State Revenue Committee (SRC), we have amended the Tax Code. We have enabled the exchange of bank account information between banks and the SRC to verify tax information provided by legal entities. We are also working towards authorizing the SRC to use new indirect audit methods, such as information received from public sources or third parties, to estimate tax liabilities when information from taxpayers is insufficient. In addition, we have made progress with the phased rollout of the universal PIT declaration, which will become mandatory for all individual taxpayers in 2026. To ensure an efficient rollout and high level of compliance, we are strengthening communication, simplifying procedures, and reducing administrative burdens. Moreover, with support from the IMF, we have identified CIT and PIT compliance gaps and conducted an evaluation through the Tax Administration Diagnostic Assessment Tool (TADAT), which will inform our future reform directions.

6. We also made steadfast progress with our public financial management reforms.

- *Fiscal Framework.* We have completed a comprehensive review of the Medium-Term Expenditure Framework (MTEF) and the annual budget process to identify gaps and weaknesses in their effective implementation (**June 2025 SB**). To strengthen medium-term fiscal planning, we have provided guidelines to line ministries to improve baseline costing and updated the budget calendar to allow more time for policy deliberations on new programs. We are preparing a three-year budget framework for 2026-28 with indicative expenditures for line ministries for 2027-28, which will assist in the transition to a more efficient rolling baseline system and smoother implementation of capital spending.
- *Fiscal Risk Management.* As part of this ongoing SOE reform, we have dissolved the Armenia National Interests Fund (ANIF) and are currently working on winding it down. We have also amended our public debt legislation to broaden the public debt coverage and improve debt management practices. In particular, these amendments restrict the uptake of contingent liabilities arising from PPPs and government guarantees once central government debt breaches debt thresholds established in the law. Furthermore, we are improving fiscal risk reporting and to this

end have submitted to Parliament legislation for accrual-based accounting and recognition of PPP liabilities in line with Armenian public sector accounting standard (APSAS 32).

- *Public Investment Management (PIM)*. We conducted a study to identify bottlenecks in the execution of public investment projects and developed an action plan to strengthen the PIM framework and processes. As a first step, we have aligned the definition of public investment projects in the Budget System Law (BSL) with that of the PIM decree. Further, the institutional management of PIM has been transferred to a newly created unit at the MOF, which will support its integration into the budgetary process.
- *Organization of the Ministry of Finance (MOF)*. Based on results of a functional review of the MOF, we are reorganizing the MOF to ensure more strategic use of our managerial resources, clear delegation and responsibility lines, more flexible coordination among core functions, and better ability to engage with line ministries. We have introduced a system of objectives and key results (OKR) to monitor progress in internal institutional reforms and the Ministry's strategic priorities and will define appropriate Key Performance Indicators (KPIs), which will serve as criteria for the evaluation of staff performance and remuneration.

Monetary and Financial Sector Reforms

7. The CBA remains committed to its price stability mandate and has undertaken a comprehensive reform of its monetary policy framework. Our new framework, centered on a prudent risk management approach to monetary policy (FPAS Mark II), was launched in 2024. It explicitly accounts for uncertainty in the decision-making process by considering multiple scenarios during monetary policy deliberations. To ensure successful rollout of the framework, it was complemented with capacity building within the CBA and its Board, and a clear and effective communication strategy that includes outreach to market participants. To strengthen alignment with its price stability objective, the CBA has lowered the inflation target from 4 to 3 percent, effective January 2025. This step is supported by the increased policy credibility stemming from successful monetary policy implementation. To improve monetary policy transmission, an over-the-counter commercial trading platform for the overnight repo market was introduced in 2023, with efforts underway to boost its use. In addition, we published key legal opinions to ensure enforceability of global repo agreements in Armenia and are working to standardize the legal framework for repo agreements, with implementation expected in 2026Q1.

8. The CBA has also made significant progress in enhancing its transparency. In line with best practice: (i) monetary policy communication includes publication of a monetary policy report, underlying data, and staff's presentation to the Board, and discloses attributed minutes, voting records, and personal statements on the day of each policy decision; (ii) the communication of regulatory changes provides clear explanation of policy intentions to the public; and (iii) FX policy decisions and intervention outcomes are published at a daily frequency. To further improve transparency and data accessibility, the CBA has also launched a new website in 2025.

9. We closely monitor financial stability risks and have taken measures to build financial system resilience. Armenia's housing market saw a significant overheating, driven by strong housing demand and buoyant mortgage and construction lending over 2021 – 2024. The CBA responded proactively by introducing a 90 percent loan-to-value limit for mortgages in April 2021, while FX mortgage lending was banned by law effective May 2023. Further, the CBA increased the countercyclical capital buffer to 1 percent of risk-weighted assets (effective May 2023), 1.5 percent (effective August 2023) and 1.75 percent (effective May 2025), enhancing banking sector resilience to adverse shocks. Our macro-financial stress test with a severe adverse scenario in the housing market (designed in 2023) is used to regularly assess the resilience of the banking system and we find that the banking system can withstand the shock. In addition, the CBA has also conducted microprudential assessments of risky property projects and developers. Finally, the start of the gradual phase-out of the mortgage interest tax credit has helped cool the real estate market recently.

10. We are advancing our efforts to further improve our supervisory toolkit and capacity. We are in the process of introducing Pillar 2 add-ons to banks' capital, based on the implementation of the Supervisory Review and Evaluation Process of banks (SREP). We have completed the impact study on the interest rate risk in the banking book (IRRBB) and will take supervisory actions requiring banks to implement more robust interest-rate risk management practices and stress-testing methodologies through the Internal Capital Adequacy Assessment Process (ICAAP). Concluding the SREP requires implementing significant changes in the risk-based supervisory framework and building capacity. To support this, we have developed draft amendments to the Law on CBA, the Law on Banks and Banking, and other relevant legal acts to define risk-based supervision, specifying that the CBA has the power to impose early intervention measures based on assessment of risks of financial institutions, and submitted these pieces of legislation for public consultation (**September 2025 SB**). To further our crisis preparedness efforts, we have finalized a draft law on bank resolution, aligned with the Financial Stability Board's Key Attributes of Effective Resolution regimes for Financial Institutions.

Structural Reforms

11. We have adopted a comprehensive employment strategy in 2024 to improve Armenia's labor market outcomes. The strategy aims to boost labor force participation, productivity, and incomes through supply- and demand-side measures, including policies to enhance skills, invest in vocational training, improve child-care, and infrastructure development as well as targeted programs for identified groups—non-learning and non-working youth, women aged 30-40, and persons that are able to work from families that benefit from social assistance. Additionally, the strategy aims to promote regional development by boosting growth of highly productive non-agricultural employment in communities that include regional cities. We have piloted active labor market programs (including work practice and vocational training) and are evaluating the impact of such schemes on employment rates for the targeted groups including refugees. An interim report on the effectiveness and costs of the pilot program for refugees has been completed (**June 2025 SB**). Lessons from pilot programs are being integrated into the broader implementation of the strategy.

12. We have also undertaken steps to improve the overall business environment and regulatory barriers affecting access to finance. We approved a revised corporate governance code in

2024 which aims at enhancing the accountability of publicly traded, private, and state-owned companies. We are currently working on setting institutional arrangements for its enforcement, including ensuring proper supervision and transparency.

13. We have adopted a national export strategy aimed at enhancing product and market diversification and improving the economic complexity of our exports. The strategy addresses key identified bottlenecks to export growth and diversification, which include weak logistics, a fragmented institutional framework for export promotion, burdensome regulations, and lack of compliance with international standards. To address these challenges, we have approved an action plan prioritized across five pillars: enhancing institutions, improving infrastructure and logistics, ensuring product quality, expanding market access and diversification, and strengthening the overall export ecosystem.

14. We have also undertaken several legislative and institutional reforms to improve governance and address corruption. We have introduced new institutions to enhance the specialization of anti-corruption frameworks including an anti-corruption investigative agency, new structures at the Prosecutor's office, and an anti-corruption court. The Judicial and Legal Strategy for 2022–26 aims at enhancing legal justice efficiency in addressing the case backlog and improving the specialization and integrity checks of judges. The Corruption Prevention Commission (CPC) has been given responsibility for expanded analysis and verification powers, including the ability to check bank information. Relatedly, since February 2023, asset declarations are publicly accessible and the compliance rate for filing asset declarations is steadily improving. We have also improved transparency of beneficial ownership—the types of legal entities required to provide beneficial ownership information in a centralized registry have been widened, and efforts are ongoing to increase the number of entities recording beneficial ownership information in the register.

B. Outlook and Risks

15. The economic outlook is broadly positive despite the high global and regional uncertainty. The continued normalization of trade and financial inflows is expected to bring growth to around 5 percent in 2025. Inflation is projected to remain close to the CBA's inflation target by end-2025. In 2026–27, the ramping up of production at a new large gold mine is expected to boost GDP growth by a cumulative 1¼ percentage points. In the medium term, growth is projected to settle around 5 percent, broadly in line with the estimated long-run potential of the economy. Risks to the outlook stem from the unprecedented uncertainty related to the ongoing global trade tensions and potential slowdown in the growth of trading partners. Regional geopolitical shifts, which could lead to a reversal of recent capital inflows and FX volatility, also weigh on the outlook. On the upside, stronger export demand, faster implementation of broad-based structural reforms, lower geopolitical risks from rapid implementation of the peace agreement with Azerbaijan and normalization of trade relations with Türkiye, and higher activity from the construction of new infrastructure (including restoration of the Gyumri–Kars railway connection), especially in the context of the Crossroads of Peace Initiative, could support higher growth.

C. Economic Policies Under the New IMF Program

Fiscal Policy

16. We are committed to a gradual fiscal consolidation in line with our MTEF to rebuild buffers and maintain fiscal sustainability. Our 2025 fiscal deficit target remains appropriate and within reach. Our 2026 budget will accommodate spending needs, while ensuring that government debt remains at a moderate level. To this end we have submitted to Parliament a 2026 budget with an overall deficit of 4.5 percent of GDP and a 2027–28 indicative path in line with the recently adopted 2026–28 MTEF and program targets.

17. Expenditure prioritization and revenue mobilization efforts will support fiscal consolidation and Armenia’s economic development. We will continue prioritizing spending on national security, socio-economic inclusion of Refugees, social protection, human capital development, and infrastructure. In collaboration with our development partners, we are developing sustainable housing solutions for vulnerable Armenians. In addition, we are rolling out the Universal Health Insurance (UHI) in 2026. We will phase in UHI spending commensurate with the MTEF and have formulated contingency measures to ensure health expenditure remains within the allotted budget. We are developing capacity to undertake expenditure reviews. As part of these efforts, we intend to conduct an early review of the wage bill of the central government apparatus using monthly data from Civil Service Office. Relatedly, we are also making progress in the implementation of a Government Financial Management Information System (GFMIS) module with basic employee data, which will be pivotal to improve the quality of central government wage bill data.

18. We will continue to strengthen revenue mobilization to accommodate growing spending needs and support the fiscal path.

- *Tax Policy.* As part of the envisaged MTEF revenue increase of 0.7 percent of GDP by 2028 relative to 2025, we will prepare a concept note on the principles for future changes to the tax system. The concept note will specify the principle that the tax system changes together with already adopted tax policy measures will raise at least half of the envisaged increase; that it will clarify the definition of taxable income; and that it will broaden the VAT tax base (**March 2026 SB**). We are continuing to contain the use of tax incentives, including by letting the current customs duty exemption on electric vehicles expire at end-2025 and eliminating the VAT exemption on electric vehicles from January 2027 (**December 2025 SB**), while introducing a rebate scheme to better target the subsidy and make the system less regressive, phasing out the mortgage interest tax credit, and limiting other income tax exemptions and tax credits. Relatedly, we will provide a comprehensive cost assessment, justification, and offsetting measures, as necessary, to prevent potential revenue loss from any new planned tax incentives that are deemed necessary (**continuous SB**).
- *Revenue administration.* We are making progress with the phased rollout of the universal PIT declaration, which will become mandatory for all individual taxpayers in 2026. The expected parliamentary adoption of tax code amendments to empower SRC to audit all natural persons,

including by using third-party data sources and indirect tax assessment methods, will ensure the effectiveness of this reform. Further, to address issues identified in the 2025 TADAT report, we will develop a compliance improvement plan, particularly for large taxpayers and improve and strengthen our compliance risk management system (**September 2026 SB**). To most effectively use the resources of the SRC to secure revenue for the government, all audits and similar compliance activity will be conducted through the SRCs compliance risk management processes and compliance actions will primarily be directed towards the cases with higher levels of risk.

19. Public financial management reforms will continue to be our priority.

- *Fiscal Framework.* To strengthen medium-term fiscal planning, we have provided guidelines to line ministries to improve baseline costing and updated the budget calendar to allow more time for policy deliberations on new programs. To institutionalize this, we will anchor the annual budget in the medium-term framework, starting with the 2027 budget. This will improve the credibility and strategic orientation of fiscal policy through internal consistency across medium-term macroeconomic assumptions and policy priorities (**December 2026 SB**). To ensure effectiveness of this reform, we will continue to engage line ministries in budget preparation activities and develop their baseline costing and budget preparation capacity.
- *Public Investment Management (PIM).* The newly established PIM unit in the MOF is fully operational now. We are updating the PIM decree to clarify division of responsibilities among stakeholders in public investment process; defined project sizes and set appropriate PIM procedures for different sizes; and introduced monitoring requirements. In line with FAD TA, the PIM procedures will cover new projects including investment in intangibles as well as the replacement of existing assets; any exclusions under transitional arrangements will be explicitly defined in the PIM decree (**April 2026 SB**). We will integrate the PIM framework into the budget process by ensuring all public investment projects (regardless of funding source) above the threshold specified in the PIM decree have gone through the standardized PIM procedures before including them in the 2029 annual budget and 3-year MTEF. To guide our future reform agenda, we have also requested a Public Investment Management Assessment (PIMA) to evaluate our current framework and identify key areas for improvement.
- *Fiscal Risk Management.* To limit fiscal risks, we have agreed on a ceiling on total gross domestic budget lending (to SOEs and other entities) that match the amounts approved in the annual budget law, ensuring that any new loans result from reallocation or reprioritization within the approved limit (**QPC**). Further, to limit fiscal and legal risks, we will conduct due diligence on all active PPP contracts and develop capacity within the PPP unit for their ongoing monitoring and are working on institutional mechanisms to limit fiscal risks from PPP renegotiations. We will also approve a state ownership policy that defines the rationale for owning SOEs, strengthens the MOF's financial and fiscal oversight of these enterprises, ensures proper assessment of fiscal risks, and provides a set of principles for divesting from or changing the ownership structure of enterprises that do not align with the SOE policy's goals, and a roadmap for divesting minority stakes (**March 2026 SB**).

Monetary and Financial Sector Policies

20. The CBA remains committed to its price stability objective. Amid contained inflationary pressures but significant uncertainty as highlighted in the gradual buildup of risks, we have held the policy rate steady at 6.75 percent since February 2025. We will continue monitoring closely economic developments and inflation expectations and we stand ready to adjust policy as needed. Our risk management approach to monetary policy decision making has been working well since its introduction in 2024 and its robustness and effectiveness continue to be evaluated. We remain committed to a flexible exchange rate regime and a strong international reserve position.

21. We closely monitor financial stability risks. Following years of strong growth, mortgage lending and real estate prices have decelerated with the phase out of the mortgage interest tax credit. Our macro-financial stress tests continue to show that the banking system is resilient and can withstand a severe adverse shock thanks to its capital and liquidity buffers. The countercyclical capital buffer (CCyB), set at 1.75 percent of risk-weighted assets, together with the capital conservation ratio play an important role in enhancing the banking sector's resilience to unexpected credit losses and we are prepared to increase them if there is a significant shift in systemic risk. We continue to monitor broader economic conditions and develop borrower-based indicators and stand ready to deploy, as needed, additional macroprudential tools to contain household debt burdens and sectoral risks to preserve financial stability. Should rapid increases in mortgage and construction lending resume, we are also prepared to take further supervisory action as necessary, which could include adjusting sectoral risk weights on loans to the construction sector and mortgages or lowering the LTV ratio on mortgages. We have tightened the regulations on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to address potential risks related to foreign currency deposits.

22. We are advancing efforts to enhance our supervisory toolkit and capacity. Based on the pilot SREP assessment, we are drafting legislation on Pillar 2 capital add-ons for further discussions within the CBA Board and the banking sector. We have also developed draft amendments to the Law on CBA, the Law on Banks and Banking, and other relevant legal acts to define risk-based supervision, specifying that the CBA has the power to impose early intervention measures based on assessment of risks of financial institutions, and submitted these legislations for public consultation.

23. We will continue to enhance our crisis preparedness framework. We will submit to parliament a draft law on bank resolution, aligned with the Financial Stability Board's Key Attributes of Effective Resolution regimes for Financial Institutions (**March 2026 SB**). The law clearly defines the role of the CBA and the government's primary responsibility for resolution funding. To implement the framework, we will prepare bank resolution bylaws and regulations, including the regulation on valuation methodology. Further, we will also conduct crisis simulation exercises to create awareness about the framework and procedures amongst all stakeholders.

24. We have made progress with cryptocurrency regulation and upgrading the payment system. Our new Law on Crypto Assets became effective in July 2025 and addresses risks from financial crime, market integrity, and consumer protection, while balancing the need for legal certainty and sectoral development. As a follow up, we will prepare a regulation on stablecoin in line with

international best practice that provides for adequate user protection and supports a stable financial system (**April 2026 SB**). We are also working towards modernizing the payment infrastructure and enhancing its integrity and resilience, including by introducing legislation (**December 2026 SB**) compatible with the EU Payment System Directive 2.

25. We are upgrading our institution-wide risk management practices in line with the 2023 Safeguards Assessment. To this end, we are developing and intend to adopt an institution-wide risk management policy and risk appetite statement including related governance/oversight arrangements and operationalize the risk management framework (**September 2026 SB**).

Structural Reforms

26. We remain committed to advancing structural reforms and strengthening the economy's resilience to future shocks. To facilitate smooth implementation of our whole-of-government reform strategies, we will ensure that high-level coordination with MOF's participation supports prioritization, limits duplicative efforts and aligns program costing with the MTEF.

- *Business environment.* We are working on a reform of the Company Law, with support from the World Bank, to streamline and consolidate the legal framework for enterprises, strengthen corporate governance, and improve transparency. Additionally, we have developed a strategy to strengthen the competitiveness of SMEs to boost employment and growth. We will also submit to Parliament legislation to improve our insolvency framework with the aim of improving proceedings, strengthening creditor rights, and enhancing the toolbox and capacity of insolvency administrators (**March 2026 SB**). Concomitantly, we are working on full operationalization of an efficient and well-functioning electronic bankruptcy system in line with the current legislation, which will be operational before the new code is adopted. After the adoption of new code, we will update the necessary modules of the e-bankruptcy system to ensure its coherence with the new code once it enters into force. Moreover, we are committed to improving the collection of data regarding corporate and individual insolvency cases. To this end, we will consult with the IMF on the design of a data collection system that is in line with the objectives of the new bankruptcy code.
- *Export facilitation.* We have initiated the implementation of our recently adopted export strategy. As first steps, we will prioritize horizontal reforms that help to remove regulatory barriers, harness existing trade agreements, improve efficiency of border processing, and reduce information asymmetry to support export growth with cost-effective and non-distortionary measures. Relatedly, we have adopted amendments to the law on customs regulation to introduce and operationalize the unified account for customs payments, which will streamline the registration and settlement of all customs-related liabilities into a single transaction, thereby improving efficiency, reducing administrative complexity, and advancing Armenia's digital transformation objectives.
- *Labor market.* Building on the lessons from Active Labor Market Programs as well as the employment support program for Armenian refugees, we are launching additional pilot programs for phased implementation of our employment strategy. The new programs will provide targeted support to able-bodied people from families receiving social assistance, youth NEETs (not in

employment, education, or training) and women between the ages of 30 and 40, and will focus in particular on stimulating employment in regions outside Yerevan. The programs focus on strengthening training while partially compensating employers for salary and/or taxes for a limited period of time to boost employment. We will collect comprehensive data on the implementation of these pilots, carefully monitor their implementation, and prepare an analysis of their effectiveness before rolling them out more broadly.

27. We are also improving the quality of statistics, which is essential to support decision making. With support from IMF TA, we will conduct a data quality assessment to identify statistical gaps and produce a reform agenda including timeline to improve official national statistics (**June 2026 SB**).

D. Program Monitoring and Safeguards

28. The new three-year program will be monitored through quantitative performance criteria, indicative targets, a monetary policy consultation clause, and structural benchmarks. Semiannual program reviews will be based on end-June and end-December test dates. The first review is expected to be completed on or after May 1, 2026, and will assess performance as of end-December 2025. The second review is expected to be completed on or after November 1, 2026, and will assess performance as of end-June 2026. All quantitative performance criteria and indicative targets for the new program are listed in Table 3, and structural benchmarks are set out in Table 4. The attached *Technical Memorandum of Understanding* defines the quantitative performance criteria and the monetary policy consultation clause as well as data provision requirements. During the IMF-supported program period, we will not introduce any exchange restrictions or multiple currency practices and will continue to comply with all obligations under Article VIII of the IMF's Articles of Agreements.

29. The CBA will continue to maintain a strong safeguards framework and internal controls environment in accordance with best practice and international standards. An updated Safeguards Assessment will be conducted by the time of the first review. As required by the IMF's safeguards policy, we will continue the current best practice of engaging independent external audit firms to conduct the audit of the CBA in accordance with international standards, thereby supporting public accountability and central bank independence.

Table 1. Armenia: Quantitative Performance Criteria, 2022–23 1/
(In billions of Armenian drams, at program exchange rates, unless otherwise specified)

	December 2022 2/			March 2023 3/		June 2023 2/				September 2023 3/		December 2023 2/			
	Target	Actual	Status	Indicative target	Actual	Target	Adjusted target	Actual	Status	Indicative target	Actual	Target	Adjusted target	Actual	Status
Performance Criteria															
Net official international reserves (stock, floor, in millions of U.S. dollars)	1,600	1,703	Met	1,531	1,721	1,654	1,377	2,125	Met	1,556	2,286	2,010	1,793	1,901	Met
Program fiscal balance (cumulative flow, floor) 4/	-384	-321	Met	-124	50	-211	-211	70	Met	-314	-87	-465	-643	-537	Met
Budget domestic lending (cumulative flow, ceiling)	5.0	0.3	Met	10	0.0	10	10	0.1	Met	10	0.1	10	10	4.4	Met
External public debt arrears (stock, ceiling, continuous criterion)	0	0	Met	0	0	0	0	0	Met	0	0	0	0	0	Met
MPCC 5/															
Inflation (upper-outer band, inflation consultation, percent)	12.5			11.5		8.0	8.0			7.5		5.0	5.0		
Inflation (upper-inner band, percent)	11.5			10.5		7.0	7.0			6.5		4.0	4.0		
Inflation (mid-point, percent)	10.0	8.3	Met	9.0	5.4	5.5	5.5	-0.5	Not met	5.0	0.1	2.5	2.5	-0.6	Not met
Inflation (lower-inner band, percent)	8.5			7.5		4.0	4.0			3.5		1.0	1.0		
Inflation (lower-outer band, inflation consultation, percent)	7.5			6.5		3.0	3.0			2.5		0.0	0.0		
Indicative Targets															
New government guaranteed external debt (stock, ceiling, in millions of U.S. dollars) 6/	100	0	Met	100	0	100		0	Met	100	0	100		0	Met
Social assistance spending of the government (cumulative flow, floor) 7/	65	75.9	Met	20	...	40		42	Met	60	64.6	80		85.1	Met

Sources: Ministry of Finance, Central Bank of Armenia, and IMF staff estimates and projections.

1/ All items as defined in the TMU, based on program exchange rates in the TMU.

2/ Quantitative performance criteria at test dates.

3/ Indicative targets.

4/ Below-the-line overall balance excluding net lending.

5/ If the end of period year-on-year headline inflation is outside the upper-outer/lower-outer band, a formal consultation with the Executive Board as part of program reviews would be triggered. If the end of period year-on-year headline inflation is outside the upper-inner/lower-inner band, an informal consultation with IMF staff as part of program reviews would be triggered.

6/ Includes both concessional and non-concessional debt, excluding Eurobonds and any similar refinancing instruments.

7/ Defined as spending on the Family Living Standards Enhancement Benefits, childcare benefits for children less than two years of age, and Allowances for old age, disability, and loss of breadwinner.

Table 1. Armenia: Quantitative Performance Criteria, 2024 1/ (Continued)
(In billions of Armenian drams, at program exchange rates, unless otherwise specified)

	March 2024 3/			June 2024 2/				September 2024 3/			December 2024 2/			
	Indicative target	Adjusted target	Actual	Target	Adjusted target	Actual	Status	Indicative target	Adjusted target	Actual	Target	Adjusted target	Actual	Status
Performance Criteria														
Net official international reserves (stock, floor, in millions of U.S. dollars)	2,021	1,998	1,705	1,400	1,405	1,805	Met	1,632	1,632	2,055	1,801	1,729	2,123	Met
Program fiscal balance (cumulative flow, floor) 4/	-121	-120	13	-198	-198	23	Met	-336	-336	-51	-519	-496	-360	Met
Budget domestic lending (cumulative flow, ceiling)	10	10	3.6	10	10	3.8	Met	10	10	3.8	10.5	10.5	12.0	Not met
External public debt arrears (stock, ceiling, continuous criterion)	0	0	0	0	0	0	Met	0	0	0	0	0	0	Met
MPCC 5/														
Inflation (upper-outer band, inflation consultation, percent)	6.5	6.5		5.8	5.8			6.5	6.5		3.5	3.5		
Inflation (upper-inner band, percent)	5.5	5.5		4.8	4.8			5.5	5.5		2.5	2.5		
Inflation (mid-point, percent)	4.0	4.0	-1.2	3.3	3.3	0.8	Met	4.0	4.0	0.6	1.0	1.0	1.5	Met
Inflation (lower-inner band, percent)	2.5	2.5		1.8	1.8			2.5	2.5		-0.5	-0.5		
Inflation (lower-outer band, inflation consultation, percent)	1.5	1.5		0.8	0.8			1.5	1.5		-1.5	-1.5		
Indicative Targets														
New government guaranteed external debt (stock, ceiling, in millions of U.S. Dollars) 6/	100	100	0	100	100	0	Met	100	100	0	100	100	0	Met
Social assistance spending of the government (cumulative flow, floor) 7/	22	22	23.6	44	44	48.0	Met	69	69	72.4	94	94	97.5	Met

Sources: Ministry of Finance, Central Bank of Armenia, and IMF staff estimates and projections.

1/ All items as defined in the TMU, based on program exchange rates in the TMU.

2/ Quantitative performance criteria at test dates.

3/ Indicative targets.

4/ Below-the-line overall balance excluding net lending.

5/ If the end of period year-on-year headline inflation is outside the upper-outer/lower-outer band, a formal consultation with the Executive Board as part of program reviews would be triggered. If the end of period year-on-year headline inflation is outside the upper-inner/lower-inner band, an informal consultation with IMF staff as part of program reviews would be triggered.

6/ Includes both concessional and non-concessional debt, excluding Eurobonds and any similar refinancing instruments.

7/ Defined as spending on the Family Living Standards Enhancement Benefits, childcare benefits for children less than two years of age, and Allowances for old age, disability, and loss of breadwinner.

Table 1. Armenia: Quantitative Performance Criteria, 2025 1/ (Concluded)
(In billions of Armenian drams, at program exchange rates, unless otherwise specified)

	March 2025 3/			June 2025 2/				September 2025 3/			
	Indicative target	Adjusted target	Actual	Target	Adjusted target	Actual	Status	Indicative target	Adjusted target	Actual	Status
Performance Criteria											
Net official international reserves (stock, floor, in millions of U.S. dollars)	1,700	1,813	2,336	1,600	1,562	2,476	Met	1,650	1,613	2,668	Met
Program fiscal balance (cumulative flow, floor) 4/	-129	-129	21	-288	-278	-38	Met	-382	-368	-86	Met
Budget domestic lending (cumulative flow, ceiling)	26.1	26.1	0.0	26.1	26.1	1.0	Met	26	26	-12.4	Met
External public debt arrears (stock, ceiling, continuous criterion)	0	0	0	0	0	0	Met	0	0	0	Met
MPCC 5/											
Inflation (upper-outer band, inflation consultation, percent)	5.2	5.2		6.0	6.2			6.2	6.0		
Inflation (upper-inner band, percent)	4.2	4.2		5.0	5.2			5.2	5.0		
Inflation (mid-point, percent)	2.7	2.7	3.3	3.5	3.7	3.9	Met	3.7	3.5	3.7	Met
Inflation (lower-inner band, percent)	1.2	1.2		2.0	2.2			2.2	2.0		
Inflation (lower-outer band, inflation consultation, percent)	0.2	0.2		1.0	1.2			1.2	1.0		
Indicative Targets											
New government guaranteed external debt (stock, ceiling, in millions of U.S. Dollars) 6/	100	100	0	100	100	0	Met	100	100	0	Met
Social assistance spending of the government (cumulative flow, floor) 7/	23	23	25	48	48	50	Met	73	73	75	Met

Sources: Ministry of Finance, Central Bank of Armenia, and IMF staff estimates and projections.

1/ All items as defined in the TMU, based on program exchange rates in the TMU.

2/ Quantitative performance criteria at test dates.

3/ Indicative targets.

4/ Below-the-line overall balance excluding net lending.

5/ If the end of period year-on-year headline inflation is outside the upper-outer/lower-outer band, a formal consultation with the Executive Board as part of program reviews would be triggered. If the end of period year-on-year headline inflation is outside the upper-inner/lower-inner band, an informal consultation with IMF staff as part of program reviews would be triggered.

6/ Includes both concessional and non-concessional debt, excluding Eurobonds and any similar refinancing instruments.

7/ Defined as spending on the Family Living Standards Enhancement Benefits, childcare benefits for children less than two years of age, and Allowances for old age, disability, and loss of breadwinner.

Table 2. Armenia: Prior Actions and Structural Benchmarks Under the 2022–25 SBA

Deadline	Status	Macro Criticality	Responsible Agency	Measure
Fiscal Policy and Fiscal Structural Reforms				
December 2022	Met (prior action)	Ensure macro-fiscal stability	MOF	Adopt 2023 budget with an overall deficit of around 3 percent of GDP.
March 2023	Met (prior action)	Improve public financial management and reduce fiscal risks	DPM/MOE/MOF	Adopt a government decree clarifying the mandate, reporting, transparency, and viability requirements for ANIF and its subsidiaries, based on the concept note developed for public sector units.
March 2023	Met	Improve tax compliance	DPM/CBA/MOF/ SRC	Amend the legislation to allow exchange of bank account information for legal entities on request to verify information provided by taxpayers between the banks and SRC, and to allow SRC access to bank account information for legal entities refusing to provide it upon a court order.
June 2023	Met	Mobilize tax revenue	MOF/SRC	Publish a detailed assessment of tax expenditures and an action plan for their rationalization.
June 2023	Not met/ implemented with delay	Improve public financial management and reduce fiscal risks	DPM/MOE/MOF	Develop an action plan to strengthen the PIM institutional framework and processes, by identifying and addressing the bottlenecks to ensure an effective cycle of planning, budgeting, implementing, and monitoring of large capital projects.
September 2023	Not met/ implemented with delay		MOF	Develop a concept note on monitoring, approval, and control framework related to local governments and local government borrowing.
December 2023	Met	Improve efficiency of civil service compensation	MOF	Publish the terms of reference to develop software design for the implementation of a module with basic employee data as part of the new public sector accounting system of the Government Financial Management Information System (GFMIS), with the aim to improve central government wage bill data quality.
December 2023	Met (prior action)	Prevent overheating of the economy	MOF	Adopt a 2024 budget with an overall deficit of 4.6 percent of GDP.
March 2024	Not met/implemented with delay	Improve public financial management	MOF	Complete a functional review of the Ministry of Finance, as a step towards an eventual review of all general government institutions.
March 2024	Not met/implemented with delay	Improve public financial management	MOF	Adopt a Concept Note for a State Ownership Policy, defining the rationale for owning SOEs and the government's role in their oversight.
June 2024	Not met/ Implemented with delay	Improve tax compliance	MOF/SRC	Submit to parliament an amendment to the Tax Code to empower the SRC with authority to audit natural persons and include broader indirect audit methods.
September 2024	Not met/Implemented with delay	Improve public financial management	DPM/MOE/MOF	Submit to parliament an amendment to the Budget System Law and revise the PIM decree to clarify the definition of public investment projects in both legal frameworks.
December 2024	Met	Mobilize tax revenue and improve progressivity	MOF/SRC	Submit to parliament, during the course of 2023–24, tax policy reforms yielding at least 0.75 percent of GDP in additional revenue cumulatively by 2026.

Table 2. Armenia: Prior Actions and Structural Benchmarks Under the 2022–25 SBA (Continued)

December 2024	Met (prior action)	Ensure macro-fiscal stability	MOF	Adopt a 2025 budget with an overall deficit of 5.5 percent of GDP
May 2025	Proposed as a prior action	Ensure macro-fiscal stability	MOF	Adopt a 2026–28 Medium-Term Expenditure/Fiscal Framework (MTEF/MTFF) targeting an overall fiscal deficit of 4.5 percent of GDP in 2026—including an explanation of key policies/measures required to achieve it— followed by a further decrease in the overall fiscal deficit in 2027–28.
July 2025	Not met/implemented with delay		MOF	Conduct a study to identify a menu of 1.0 percent of GDP rationalization measures in primary current expenditures.
June 2025	Not met	Improve public financial management and reduce fiscal risks	MOF	Approve a government decree adopting a state ownership policy based on the previously approved concept note, along with an action plan aimed at implementing the policy.
June 2025	Met	Improve public financial management and reduce fiscal risks	MOF	Complete a comprehensive review of the MTEF and the annual budget process to identify gaps and weaknesses that hinder their effective implementation and measures that strengthen medium-term fiscal planning, including by allowing more time for policy deliberations, increasing budget flexibility, and ensuring smoother implementation of capital spending.
Continuous since December 2024	Met	Prevent revenue erosion and ensure effectiveness of investment incentives	MOF/MOE	Provide a justification, a comprehensive cost assessment, and a set of measures, as necessary, to prevent potential revenue loss from any new planned tax incentives.
December 2025	Met (prior action)	Ensure macro-fiscal stability	MOF	Submit to Parliament a 2026 budget with a deficit target of 4.5 percent of GDP
Monetary Policy and Financial Sector Reforms				
March 2023	Met	Capital market development	CBA	Facilitate the introduction of an over-the-counter commercial trading platform for the overnight repo market.
June 2023	Met	Strengthen the regulatory and supervisory framework	CBA	Develop a formal roadmap for introduction of Pillar 2 capital buffers.
December 2023	Met	Mitigate real estate market risks	CBA	Conduct a thorough macro-financial stress testing exercise with an adverse scenario that implies a rise in balance sheet stress of property developers, significant deterioration of household income, and a sharp decline in house prices
March 2024	Met	Enhance monetary policy transparency	CBA	Prepare and adopt an enhanced CBA communication strategy on monetary policy.
December 2024	Not met/Implemented with delay	Strengthen the regulatory and supervisory framework	CBA	Conduct an impact study of the interest rate risk in the banking book (IRRBB), using the methodologies indicated in the Basel framework.
March 2025	Not met		CBA	Prepare and submit to parliament a draft law for an enhanced bank resolution framework that is in line with the Financial Stability Board's Key Attributes for Effective Resolution Regimes for Financial Institutions.

Table 2. Armenia: Prior Actions and Structural Benchmarks Under the 2022–25 SBA (Concluded)

September 2025	Met	Improve central bank effectiveness	CBA	Submit for public consultation an amendment to the Central Bank Law and, if relevant, other laws to support the adoption of a risk-based supervisory approach and allow the implementation of an early intervention framework by supervisors.
Structural Reforms				
June 2023	Met	Infrastructure development	DPM/MOF/MTAI	Conduct a study to identify bottlenecks in the execution of foreign-funded projects.
September 2023	Met	Improve the business environment	MOI	Draft and submit the concept paper on the review of the legislation on bankruptcy.
September 2023	Met ahead of schedule		MOE	Expand the agricultural insurance scheme to cover more risks, regions, and crops.
December 2023	Not met/implemented with delay	Improve the business environment	MOE	Approve the newly revised corporate governance code.
January 2024	Met	Improve the business environment and access to finance.	MOJ	Adoption and submission to Cabinet of the concept note for insolvency reform, aiming to increase the protection of creditor rights, improve the efficiency of insolvency processes, upgrade the restructuring toolbox, and increase the capacity of insolvency administrators.
June 2024	Not met/ Strategy adopted in December 2024 without costing.	Enhance labor force participation and boost employment.	MLSA	Approve a costed employment strategy that details plans to bolster active labor market policies and modernize labor market statistics to inform the implementation of employment policies.
March 2025	Not met/implemented with delay	Support export-oriented growth	MOE	Complete and approve an export strategy that identifies and streamlines bottlenecks to export expansion.
June 2025	Met	Ensure effectiveness of labor market policies	MLSA	Complete an interim report on the effectiveness and costs of the ongoing pilot program for skills development and job recruitment of refugees.
October 2025	Not met	Improve the business environment and access to finance.	MOJ	Submit to parliament legislation to improve the effectiveness of insolvency proceedings and strengthen the protection of creditor rights, in line with international standards.

Table 3. Armenia: Proposed Quantitative Performance Criteria, 2025–26 1/
(In billions of Armenian drams, at program exchange rates, unless otherwise indicated)

	Dec. 2025 Target	Mar. 2026 Indicative target	Jun. 2026 Target	Sept. 2026 Indicative target	Dec. 2026 Target
Performance Criteria					
Net official international reserves (stock, floor, in millions of U.S. dollars)	1,650	1,650	1,650	1,650	1,650
Program fiscal balance (cumulative flow, floor)	-618	-113	-256	-400	-572
Budget domestic lending (cumulative flow, ceiling)	26.1	-21.0	-21.0	-21.0	-21.0
External public debt arrears (stock, ceiling, continuous criterion)	0	0	0	0	0
MPCC					
Inflation (upper-outer band, inflation consultation, percent)	6.0	5.4	5.0	5.4	5.6
Inflation (upper-inner band, percent)	5.0	4.4	4.0	4.4	4.6
Inflation (mid-point, percent)	3.5	2.9	2.5	2.9	3.1
Inflation (lower-inner band, percent)	2.0	1.4	1.0	1.4	1.6
Inflation (lower-outer band, inflation consultation, percent)	1.0	0.4	0.0	0.4	0.6
Indicative Targets					
New government guaranteed external debt (cumulative flow, ceiling, in millions of U.S. Dollars)	100	100	100	100	100
Social assistance spending of the government (cumulative flow, floor)	98	25	50	75	100

Sources: Ministry of Finance, Central Bank of Armenia, and IMF staff estimates and projections.

1/ All items as defined in the TMU including adjusters, based on program exchange rates in the TMU.

Table 4. Armenia: Structural Benchmarks Under the New SBA

Deadline	Status	Macro Criticality	Responsible Agency	Measure
Fiscal Policy and Fiscal Structural Reforms				
Continuous		Mobilize tax revenue	MOF/ MOE	Provide a comprehensive cost assessment, justification, and a set of measures, as necessary, to prevent potential revenue loss from any new planned tax incentives.
December 2025			MOF	Adopt legislation that eliminates the VAT exemption on electric vehicles from January 2027.
March 2026			MOF	Prepare a concept note on the principles for future changes to the tax system that specifies the principle that the tax system changes together with already adopted tax policy measures will raise at least half of the 0.7 percent of GDP envisaged in the MTEF in additional tax revenue by end-2028 relative to 2025; that it will clarify the definition of taxable income; and that it will broaden the VAT tax base.
September 2026			SRC	Develop and adopt a compliance improvement plan, including for the large taxpayers and improve and strengthen the compliance risk management system, in line with the 2025 TADAT assessment.
March 2026		Improve PFM and reduce fiscal risks	MOF	Approve a government decree adopting a state ownership policy based on the previously approved concept note, along with an action plan aimed at implementing the policy.
April 2026			MOF	Adopt a new PIM decree that will cover all new projects including investment in intangibles, as well as the replacement of existing assets; and will ensure that any exclusions under transitional arrangements are explicitly defined in the decree.
December 2026			MOF	Align the 2027 annual budget with the Medium-Term Expenditure Framework (MTEF), with internal consistency across medium-term macroeconomic assumptions and policy priorities, consistent with recommendations of the FAD November 2024 mission.

Table 4. Armenia: Structural Benchmarks Under the New SBA (Concluded)

Monetary Policy and Financial Sector Reforms				
March 2026		Support financial stability	CBA	Prepare and submit to parliament a draft law for an enhanced bank resolution framework that is in line with the Financial Stability Board's Key Attributes for Effective Resolution Regimes for Financial Institutions.
April 2026			CBA	CBA Board to adopt a regulation on stablecoin that provides for adequate user protection and supports a stable financial system.
September 2026		Advance CBA governance	CBA	Adopt an institution-wide risk management policy and risk appetite statement including related governance/oversight arrangements and operationalize the risk management framework.
December 2026		Modernize payment infrastructure, enhance integrity and resilience	CBA	Submit a new Law on Payment Services to government that modernizes the payment infrastructure and enhances payment systems' integrity and resilience.
Structural Reforms				
March 2026		Improve the business environment and access to finance	MOJ	Submit to parliament legislation to improve the effectiveness of insolvency proceedings and strengthen the protection of creditor rights, in line with international standards
June 2026		Enhance statistical reporting	Armstat, CBA, MOF	Produce a reform agenda including a timeline to improve official national statistics.

Attachment II. Technical Memorandum of Understanding

1. This memorandum sets out understandings between the Armenian authorities and the IMF staff regarding the definition of performance criteria (PCs) and indicative targets (ITs), adjusters, and data reporting requirements for the Standby Arrangement as per the Letter of Intent and Memorandum of Economic and Financial Policies (LOI/MEFP) dated November 10, 2025.

2. For program monitoring purposes, all foreign currency-related assets, liabilities, and flows in the monetary accounts will be evaluated at program exchange rates. The program exchange rate of the Armenian dram to the U.S. dollar is set at 405.65 dram per one U.S. dollar. The cross-rates for other foreign currencies are provided in Table 2.

QUANTITATIVE TARGETS

3. The program sets PCs, ITs, and the Monetary Policy Consultation Clause (MPCC) for defined test dates (see Table 1 in the MEFP).

The program sets the following PCs:

- Floor on the net official international reserves (NIR) of the Central Bank of Armenia (CBA);
- Floor on the program fiscal balance;
- Ceiling on domestic budgetary lending; and,
- Ceiling on the stock of external public debt arrears (continuous).

The program sets the following ITs:

- Ceiling on new government guaranteed external debt; and,
- Floor on social spending of the government.

The program sets the following MPCC:

- Headline inflation.

4. **Net official international reserves** (NIR) (stock) of the Central Bank of Armenia (CBA) will be calculated as the difference between total gross official international reserves (excluding commercial bank required and excess reserves at CBA in FX) and gross official reserve liabilities.

- **Gross official international reserves** are defined as the CBA's holdings of monetary gold (excluding amounts pledged as collateral), holdings of Special Drawing Rights (SDRs), including SDR allocations, the country's reserve position at the IMF, and holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments). Margin accounts in FX and the net amount arising from FX swaps and swap

liabilities are also included. Gross reserves held in the form of securities and other financial instruments are marked to market. Excluded from gross reserves are the balance on the government's Special Privatization Account (SPA), capital subscriptions in foreign financial institutions and illiquid foreign assets, any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

- **Official reserve liabilities** shall be defined as the total outstanding liabilities of the government and the CBA to the IMF (excluding SDR allocations) and convertible currency liabilities of the CBA to nonresidents with an original maturity of up to and including one year, as well as commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options).

NIR is monitored in U.S. dollars, and, for program monitoring purposes, assets and liabilities in convertible currencies other than the U.S. dollar shall be converted into dollar-equivalent values using the convertible exchange rates as specified in Table 2.

5. MPCC headline inflation is defined as the year-on-year rate of change of the Consumer Price Index as measured by Armenia's National Statistics Service. The MPCC will be considered met if headline inflation falls within the upper and lower outer bands specified in Table 3 in the LOI/MEFP. Consultation with IMF Board would be triggered for the end-December 2025 and end-June 2026 test dates if inflation falls outside the outer bands. The consultation with the Board will be on the reasons for the deviation and the proposed policy response before further purchases could be requested under the SBA. Specifically, the consultation will explain (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for deviations from the specified band, taking into account compensating factors; and (iii) on proposed remedial actions, as deemed necessary. In addition, a staff consultation clause whereby the CBA will consult with IMF staff on the outlook for inflation and the proposed policy response will be triggered if inflation falls outside the inner bands and within the outer bands (Table 1 in the LOI/MEFP) for the end-December 2025 and end-June 2026 test dates.

	Inflation Consultation Bands				
	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Upper outer band	6.0	5.4	5.0	5.4	5.6
Upper inner band	5.0	4.4	4.0	4.4	4.6
Center point	3.5	2.9	2.5	2.9	3.1
Lower Inner band	2.0	1.4	1.0	1.4	1.6
Lower outer band	1.0	0.4	0.0	0.4	0.6

Source: IMF Staff.

6. External public debt arrears are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).¹ This PC excludes arrears on external financial obligations of

¹ The term debt will be understood as defined in [Guidelines on Public Debt Conditionality in Fund Arrangements](#), IMF Policy Paper, 2020/061.

the government subject to rescheduling.² This PC is to be monitored continuously by the authorities and any occurrence of new external arrears should be immediately reported to the Fund. The ceiling on external payment arrears is set at zero.

7. The program fiscal balance is cumulative from the beginning of the fiscal year and is measured from the financing side as the negative of the sum of net domestic banking system credit to the central government, net domestic nonbank financing, and net external financing to the central government. Should a general subsidy or any other fiscal transaction be introduced off-budget, the overall balance will be measured including the subsidy and other fiscal transactions as part of government spending.

- **Net banking system credit to the central government** equals the change during the period of net credit to the central government.
- **Net nonbank financing** equals the sum of: (1) the change during the period of outstanding treasury bills and bonds to nonbanks (including accrued interest for treasury bills and excluding accrued interest for treasury bonds);³ (2) any other disbursement or transaction that increases nonbanks' claims on the central government plus withdrawals from the Special Privatization Account (SPA) or the treasury sub-account containing privatization proceeds in drams, less amortization paid by the central government to private resident nonbank agents.
- **Net external financing** equals total debt-increasing disbursements from non-residents to the central government (including Fund net purchases credited directly to the government accounts at the CBA) less total amortization from the central government to non-residents. Net external financing also includes any privatization proceeds received from non-residents in foreign currency and not held in the SPA.

8. Budgetary exchange rate (ER). Foreign currency-denominated transactions take place at the prevailing market ER at the time of the transaction. The framework arrangement will not be modified (in substance) but may be clarified to the extent necessary to avoid noncompliance with the program continuous PC on non-introduction of new exchange restrictions and multiple-currency practices, or intensification/modification of existing ones.

9. External and domestic net lending, which are recorded as financing items, are excluded from the calculation of the program fiscal balance, which is calculated from the financing side (see ¶17). This effectively treats net lending as an expenditure item when loans are made and as a revenue item when the loans are repaid.

² The public sector is here defined following the [Government Financial Statistics Manual \(GFS 2001\)](#) and [System of National Accounts \(1993 SNA\)](#). It includes the general government and nonfinancial public enterprises (as defined in paragraph 14).

³ Domestic nonbank holdings of treasury bills and treasury bonds are defined as total outstanding treasury bills and bonds less holdings by the banking system and the State Fund for Social Insurance.

10. Transactions related to the extension of the operating life of the Metsamor nuclear power station will be excluded from the measure of the program fiscal deficit.

11. Some project implementation units maintain accounts at the CBA. Grants received by these units are recorded in the fiscal accounts as external grants on the revenue side and as foreign-financed expenditure on the expenditure side. In addition, any loans to finance investments that are intermediated through the banking system are recorded in the financial accounts as a financing item below the line and are thus excluded from net lending.

12. Foreign currency proceeds from selling enterprises are credited to the SPA and their use is reflected in the state budget. In addition, the Government will ensure full transparency of revenues and spending from the sales of major assets (beyond regular day-to-day operations) of enterprises with state ownership. The SPA is held at the CBA and the proceeds are invested abroad together with the CBA's international reserves. These proceeds are included in the definition of the monetary accounts of the CBA as part of net foreign assets with a counter entry in other items net. Any withdrawal from the SPA will be accounted for as privatization proceeds used to finance the budget and will be recorded below the line. Domestic currency proceeds from selling enterprises to residents are deposited in a sub-account of the treasury single account and are also treated as a financing item and recorded below the line. Finally, as noted in ¶17, privatization proceeds received from non-residents in foreign currency and not held in the SPA are also treated as a financing item (sale of financial assets) and recorded below the line.

13. Domestic budgetary lending is defined as the gross amount of new loans made to resident individuals, enterprises, or entities financed from the state budget or other general government resources. This includes, but is not limited to, loans financed from the Economic Stabilization Fund and lending under existing or prospective government programs, such as agricultural sector support and real estate development programs, among others. Lending operations related to targeted projects financed with external loans and grants will be excluded from the calculation of the ceiling on budget domestic lending.

14. Ceiling on government guaranteed external debt. A cumulative ceiling (IT) of \$100 million for the program period applies to new government guarantees of the total of concessional and non-concessional external financing, excluding the Eurobond and any similar refinancing instruments. The issuance of debt guarantees will be measured at the exchange rates listed in Table 2. The above limit covers debt guarantees issued by the general government to entities outside the general government (excluding the CBA). Guarantee issuance will be monitored on a monthly basis and the Ministry of Finance will provide data within 21 days from the end of the month.

15. The program sets a floor on **social assistance spending of the government**. For the purposes of the program, social assistance spending of the government comprises the Family Living Standards Enhancement Benefits, childcare benefits for children less than two years of age, and allowances for old age, disability, and loss of breadwinner.

16. The quantitative performance criteria and indicative targets under the program are subject to the following **adjusters**, calculated, where relevant, using program exchange rates:

- **Budget support grants to the public sector** are defined as grants received by the general government for direct budget support from external donors and not related to project financing.
- **Project support grants** are defined as grants received by the general government for public sector projects.
- **Budget support loans to the public sector** are defined as disbursements of commercial loans (e.g., Eurobonds), loans from bilateral and multilateral donors for budget support, and Fund purchases credited directly to the government accounts at the CBA.
- **Project financing to the public sector** is defined as disbursements of loans from bilateral and multilateral donors for public sector projects.
- **The floor on NIR** will be adjusted upward (downward) by the cumulative amount of any excess (shortfall) of budget support grants and loans, CBA project financing, EEU customs pool transfers, and government IFI-supported project financing loans and grants (including for on-lending) disbursed through the CBA, compared to program amounts as indicated in Table 3. The floor on NIR will be adjusted downward for any external public debt amortization amounts in excess of program amounts. The floor on NIR will be adjusted upwards by the amount of any funds received for privatization proceeds received from non-residents in foreign currency and not held in the SPA.
- **The floor on the program fiscal balance on a cash basis** will be adjusted upward (downward) by the cumulative total amount of the budget support grants received in excess (to account for a shortfall) of the program amounts (Table 3), subject to a cap of \$100 million per year in either direction. The floor on the program fiscal balance on a cash basis will also be adjusted downward (upward) by the cumulative total amount of the IFI-supported project financing loans received in excess (to account for a shortfall) of the program amounts (Table 3), subject to a cap of \$100 million in either direction. Finally, the floor on the program fiscal balance will be adjusted downward by a maximum of AMD 20 billion to the extent that the Republic of Armenia assumes the loans extended by Armenian banks that became non-performing after the September 2020 military conflict in a manner that ensures no further fiscal support.
- **The ceiling on domestic budgetary lending** will be adjusted upward by the amount of undisbursed funds under domestic budgetary lending programs approved in the previous year. The ceiling on domestic budgetary lending will also be adjusted upward for the government's sale of equity shares formerly held by Armenian National Interests Fund (ANIF), provided that the transaction involves a simultaneous receipt of cash by the government in the single treasury account against the sale of equivalent amount of equity shares at or above book value and extension of an equivalent amount of loan with a maturity of no more than 3 years and fully backed by a bank guarantee.

CONTINUOUS STRUCTURAL BENCHMARK

17. A tax incentive is defined as a reduction in or exemption from tax liability or a provision of a tax credit, as defined in paragraph 5.28-5.32 of the *Government Finance Statistics Manual 2014*, either recorded as lower revenue or as higher expenditure in the budget, and legislated as an amendment to the tax code. A tax incentive is provided to specific companies, activities, or sectors. During the period of the Stand-by Arrangement, new tax incentives will be introduced only in exceptional and rare cases after providing the following: (i) an assessment of the net revenue implications of the tax incentives; (ii) a written justification that the use of tax incentives aims at addressing a market failure; (iii) a sunset clause; and (iv) a set of equivalent compensatory tax policy measures if necessary to prevent any estimated loss of revenue. To ensure revenue neutrality, verifiable assessments of the revenue implications of both the tax incentives and the compensatory measures will be provided to IMF staff and will include information as described in Table 1. Upon agreement on the revenue/expenditure implication assessments between staff and the Ministry of Finance, the tax incentives and the compensatory policy measures will be submitted for simultaneous parliamentary/government approval and implemented together.

DATA REPORTING

18. The government and the CBA will provide the IMF the information specified in the following table:

Table 1. Armenia: Data Reporting Requirements				
Reporting Agency	Type of Data	Description of Data	Frequency	Timing
CBA	CBA balance sheet	Summary	Daily	The following working day
CBA	CBA balance sheet	Summary at program exchange rates; and by chart of accounts at actual official exchange rates	Monthly	Within 25 days of the end of each month
CBA	Monetary survey	Summary banking system balance sheet for the central bank at both program exchange rates and by chart of accounts at actual official exchange rates; the consolidated balance sheet of commercial banks by chart of accounts at actual official exchange rates	Monthly	Within 25 days of the end of each month
CBA	International reserves	By chart of accounts; at (i) program exchange rates; and (ii) at actual official exchange rates	Daily	The following working day
CBA	Foreign exchange market	CBA foreign exchange operations, (exchange rate, volume)	Daily	Within 1 day

Table 1. Armenia: Data Reporting Requirements (Continued)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
CBA	Interbank money market	Daily interbank repo volume and interest rate and number of trades	Daily	Within 1 day
CBA	CBA operations	Repo (reverse repo) operations, open market operations, Lombard credits, deposit facility, and foreign exchange swaps (volumes, maturity, yields, exchange rates)	Daily	Within 1 day
CBA	Bank liquidity	Reserves and excess reserves, by currency	Monthly	Within 15 days of the end of each reference period
CBA	Interest rates and flows of the funds attracted and allocated by commercial banks	By currency and maturity	Weekly	First working day of the next week
CBA	T-bill and coupon bond financing, CBA securities	Auction data: date, original and remaining maturities, issuance volume, allocation, average yield and coupon yield (if available)	Monthly	First working day of the next month
CBA	Banking data	Loan maturities	Monthly	Within 25 days of the end of each month
CBA	Banking indicators	Capital adequacy; asset composition and quality; profitability; liquidity; open FX positions; and compliance with prudential norms	Monthly	Within 30 days of the end of each month
CBA	Banking sector stress tests	Results of stress tests on exchange rate, liquidity, and credit risk	Monthly	Within 30 days of the end of each month
CBA	Banking sector stress tests	Results of Solvency and Liquidity Stress Tests of the Banking System (anonymized bank by bank data)	Annual	By the end of April of each year

Table 1. Armenia: Data Reporting Requirements (Continued)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
CBA	On-lending via commercial banks	On lending via the CBA and government (from, KfW, WB, ADB, etc.) by type of on-lending projects (including loan disbursements and repayments)	Monthly	Within 10 days of the end of each month.
CBA	CPI	Index of core inflation	Monthly	Within 21 days of the end of each month
CBA	Transfers	Non-commercial transfers of individuals	Monthly	Within 35 of the end of each month
CBA	Other monetary data	IFS format	Monthly	Within 45 days of the end of each month
CBA	T-bill and coupon bond financing	By holders, i.e., CBA, resident banks, resident nonbanks, and nonresidents	Monthly	Within 7 days of each month
CBA and Ministry of Finance	External debt	Disbursements, amortization, and stock of outstanding short-term and contracting or guaranteeing and outstanding stock of medium-and long-term external debt of the government, the CBA, and state-owned companies (by company); any stock of arrears on external debt service and outstanding stock of government guarantees and external arrears. Information about disbursements, amortization, and the stock of outstanding short-, medium-, and long-term debt should include disaggregation by instrument, purpose, and lender.	Monthly	Within 21 days of the end of each month. For project implementation units, within 21 days of the end of each month (preliminary data) and within 45 days of the end of each month (final data)
Ministry of Finance	Revenue collection	Total revenue collected separately by the tax administration and customs administration, including revenue by individual tax, license fee for export of minerals, social contributions and army servicemen insurance fund contributions.	Monthly	Within 7 days of the end of each month

Table 1. Armenia: Data Reporting Requirements (Continued)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
Ministry of Finance	Revenue collection	Total revenue collected separately by the tax administration and customs administration, including revenue by individual tax, license fee for export of minerals, social contributions and army servicemen insurance fund contributions.	Monthly	Within 7 days of the end of each month
Ministry of Finance	Treasury single account (TSA)	Detailed breakdown of central treasury account, including deposits at the central treasury, Special Privatization Account, off budget account, monetization account, state budget account and the Republic correspondent account—flows during the month and end of month stocks.	Monthly	Within 7 days of the end of each month
Ministry of Finance	Consolidated central government	State budget	Monthly	Within 30 days of the end of each month
Ministry of Finance	Consolidated general government	Central and local governments, and Non-Commercial Enterprises that belong within the general government (NCEs)	Quarterly	Within 60 days of the end of each quarter
Ministry of Finance	Consolidated general government	Central and local governments, and NCEs that belong within the general government	Annual	Within 180 days of the end of each year
Ministry of Finance	Budget execution	All cash receipts, cash expenditures, including domestic and external debt-service payments, external and domestic borrowing and lending operations, and inflow of grants to the central government; expenditure data will be provided according to both economic and functional classifications, consistent with the GFSM2001 methodology	Monthly	Within one month following the end of each month.

Table 1. Armenia: Data Reporting Requirements (Continued)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
Ministry of Finance	Tax Incentives	For new tax incentives, the type of tax affected (CIT, PIT, VAT, customs duty, etc.); detailed description of tax incentives, including their role in addressing market failures; expected economic, social, and environmental impact from proposed tax incentives; validity term of tax incentives; and assessment of the revenue forgone (short- and medium-term) and/or expenditure increase. For compensatory tax measures, the type of tax affected (CIT, PIT, VAT, customs duty, etc.); detailed description of the new tax policy measures and assessment of the revenue gain (short- and medium- term).	Ongoing	-
Ministry of Finance	Budget execution	Preliminary data on: <ul style="list-style-type: none"> Revenues and grants, and expenditures by economic classification Subsidies to schools Expenditures on funded pensions/Pillar 2 	Monthly	Within 10 days of the end of each month
Ministry of Finance	Budget execution	Budget deficit financing by sources and sectors	Monthly	Within 30 days of the end of each month
Ministry of Finance	Monitoring of the QPCs	Detailed data on: <ul style="list-style-type: none"> Program fiscal balance, including lending to and repayment from Metsamor NPP. New government guaranteed external debt by beneficiaries. Social assistance spending on Family Living Standards Enhancement Benefits, childcare benefits for children less than two years of age, and Allowances for old age, disability, and loss of breadwinner. Budget domestic lending by borrowers. 	Quarterly	Within 30 days of end of each quarter

Table 1. Armenia: Data Reporting Requirements (Concluded)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
Ministry of Finance	Monitoring of the QPC	For transactions related to loans and cash receipt for equity stakes held by the Armenian National Interests Fund (ANIF): a list of the investor(s) purchasing the stake; the amount maturity and repayment schedule of loan extended to purchase the shares and the associated bank guarantee; the face value and sale price of the equity shares sold; and the total amount of cash received.	Ongoing	Within 7 days of each transaction.
National Statistical Service	Trade Statistics	Detailed export and import data	Monthly	Within 40 days of the end of each month
National Statistical Service	Balance of payments	Detailed BOP data	Quarterly	Within 90 days of the end of each quarter
National Statistical Service	CPI	By category	Monthly	Within 21 days of the end of each month
State Revenue Committee	Tax arrears	By type of tax	Monthly	Within 30 days of the end of each quarter (monthly data provided on a quarterly basis)
State Revenue Committee	Large taxpayers	Data on the number of taxpayers and amount of taxes collected from taxpayers included in the list for special control approved annually by the chairman of SRC	Monthly	Within 45 days after the end of each month
State Revenue Committee	Risk-based selection	Percentage of selected companies chosen on the basis of risk-based approach, and identified additional revenue to be collected from risk-based audits	Monthly	Within 45 days of the end of each quarter (monthly data provided on a quarterly basis)
State Revenue Committee	Pension system	Number of participants in the pension second pillar, social payments and funded contributions	Monthly	Within two months of the end of each quarter (monthly data provided on a quarterly basis)

Table 2. Armenia: Program Exchange Rates
(As of end-September 2025, in U.S. dollars per currency rates)

		USD ^{1/}	AMD ^{2/}
AMD	Armenian Dram	0.0026	1.00
XDR	SDR	1.3695	523.88
USD	U.S. Dollar	1.0000	382.52
CHF	Swiss Franc	1.2541	479.71
GBP	Pound Sterling	1.3438	514.03
JPY	Japanese Yen	0.0068	25.84
EUR	EURO	1.1748	449.38
CNY	Chinese Yuan	0.1405	53.73
AUD	Australian Dollar	0.6610	252.85
CAD	Canadian Dollar	0.7184	274.80
XAU	Gold (1 gram)	123.0367	47,064

Sources: Central Bank of Armenia, and IMF staff calculations.

1/ USD cross rates.

2/ Staff calculations based on the USD cross rates specified in column 1/.

Table 3. Armenia: External Disbursements through the CBA in 2025 1/
(In millions of U.S. dollars)

	Dec-25 Proj.	Mar-26 Proj.	Jun-26 Proj.	Sep-26 Proj.
Budget support grants	16	16	16	16
Budget support loans	300	300	300	300
Project support grants	34	34	34	34
Project financing loans	104	183	262	342
o/w multilateral	104	183	262	342
o/w bilateral	0	0	0	0
CBA project loans	20	24	29	34
EEU transfers	-1	-1	-1	-1
Privatization proceeds	0	0	0	0
Amortization	-114	-213	-349	-429

1/ Cumulative during the program review.



REPUBLIC OF ARMENIA

November 10, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE STAND- BY ARRANGEMENT, REQUEST FOR CANCELLATION OF THE STAND-BY ARRANGEMENT, AND REQUEST FOR A STAND-BY ARRANGEMENT— INFORMATIONAL ANNEX

Prepared By

The Middle East and Central Asia Department
(In Consultation with Other Departments)

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FUND RELATIONS

(September 30, 2025)

Membership Status:

Joined 05/28/1992; Article VIII

General Resources Account:	SDR Million	Percent of Quota
Quota	128.80	100.00
Fund holdings of currency	205.78	159.77
Reserve Tranche Position	0.15	0.12

SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	211.44	100.00
Holdings	1.92	0.91

Outstanding Purchases and Loans:	SDR Million	Percent of Quota
Stand-by Arrangements	64.29	49.91
Extended Arrangements	12.73	9.88

Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Dec 12, 2022	Dec 11, 2025	128.80	0.00
Stand-By	May 17, 2019	May 03, 2022	308.80	308.80
EFF	Mar 07, 2014	Jun 27, 2017	82.21	82.21

Projected Payments to Fund

(SDR million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Principal	17.75	45.10	14.17		
Charges/Interest	<u>2.19</u>	<u>7.55</u>	<u>6.15</u>	<u>5.91</u>	<u>5.90</u>
Total	<u>19.94</u>	<u>52.64</u>	<u>20.31</u>	<u>5.91</u>	<u>5.90</u>

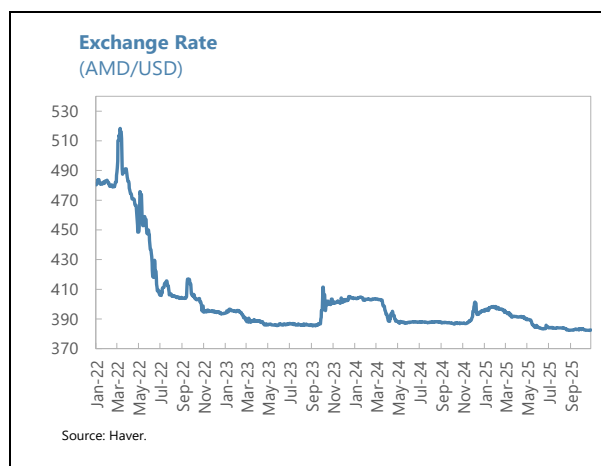
Safeguards Assessment

A 2023 Safeguards Assessment found that the Central Bank of Armenia (CBA) maintained strong internal controls over its central banking operations. External and internal audit arrangements as well as financial reporting practices are largely aligned with international standards. However, the assessment noted that the CBA should strengthen the oversight roles of the Board and the Audit Committee and aspects of autonomy in its legal framework, as recommended in 2019. Furthermore, the CBA should define a clear strategy to implement its plan to exit non-core activities and assess and effectively mitigate the risks of channeling development lending. Finally, the CBA should develop a comprehensive approach to enterprise risk management.

The CBA has taken measures to address the 2023 Assessment findings, with the support of IMF TA. On CBA governance, the CBA strengthened the oversight role of the Board and Audit Committee and is in the process of revising its delegation framework. Turning to non-core activities, the CBA has established a long-term strategy to approach this. Finally, the CBA is in the process of adopting an Enterprise risk management framework. The upcoming safeguards assessment will follow-up on these issues.

Exchange Rate Arrangement

The *de jure* arrangement is “free floating.” The CBA intervenes in the foreign exchange market to smooth excessive exchange rate volatility, defined as short-term, high-frequency exchange rate movements caused by speculative or trend-following elements rather than underlying macroeconomic fundamentals. It also opportunistically purchases FX when the dram is facing appreciation pressures to help gradually build FX reserves to maintain adequate reserve cover. The CBA intervenes anonymously mainly via auctions of foreign exchange, or openly in the interbank market, or through the stock exchange. The *de facto* exchange rate arrangement is classified as “stabilized” by the IMF. The exchange rate has appreciated on account of large capital inflows in 2022-23, and has remained at a higher level since then. Every day, the CBA publishes official exchange rates. Effective March 1, 2022, the calculation methodology for the official exchange rates published by the CBA was changed and the average exchange rate of the Armenian dram relative to U.S. dollar is calculated as an arithmetic average of volume-weighted average of USD sold and AMD bought transactions. Armenia has accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF’s Articles of Agreement.



Armenia maintains no multiple currency practices or exchange restrictions on the making of payments and transfers for current international transactions except for exchange restrictions

maintained for security reasons and notified to the Fund pursuant to Executive Board Decision No. 144-(52/51).

Article IV Consultations

The previous Article IV consultation with Armenia was concluded on December 11, 2023.

FSAP Participation and ROSCs

A joint World Bank-IMF mission assessed Armenia's financial sector as part of a Financial Sector Assessment Program (FSAP) update during June 26–July 11, 2018. The Financial Sector Stability Assessment report was approved by the Executive Board in November 2018. Since the FSAP, the CBA and the authorities have adopted several prudential and regulatory recommendations including the introduction of reserve requirements in foreign currency for liabilities denominated in foreign currency, the adoption of a loan-to-value ratio limit, a countercyclical capital buffer, the liquidity coverage ratio (LCR), and the net stable funding ratio (NSFR), and the introduction of the capital surcharge for domestic systemically important banks. In addition, in line with FSAP recommendations, the CBA adopted a definition of nonperforming loans in line with international best practices and continues to strengthen its risk-based supervision, including the internal capital adequacy assessment process (ICAAP), bank resolution, and insolvency frameworks. In July 2025, the authorities requested a new FSAP, to take place in 2027.

Resident Representative

Mr. Umang Rawat, since August 2023

Technical Assistance

The following table summarizes the Fund's technical assistance (TA) to Armenia since 2016.

Armenia: Technical Assistance from the Fund, 2023-25			
Subject	Type of Mission	Timing	Counterpart
Fiscal Affairs Department (FAD)			
PFM – Fiscal Risk Management	Short-term	January 2023	MOF
Tax Administration	Short-term	February 2023	SRC
Tax Policy	Short-term	March, 2023 - April, 2023	MOF
PFM – Debt Management	Short-term	April 2023	MOF
PFM – Public Investment Management	Short-term	May, 2023	MOF
Tax Policy	Short-term	June 2023	
Tax Administration	Short-term	July, 2023	SRC
PFM – Fiscal Risk Management	Short-term	July 2023	MOF
PFM – Budget Preparation	Short-term	August 2023	
PFM – Fiscal Risk Management	Short-term	September 2023	MOF
Tax Administration	Short-term	October 2023	SRC
PFM	Short-term	March 2024	MOF
Tax Administration	Short-term	March 2024	SRC
PFM – Fiscal Risk Management	Short-term	February – April 2024	MOF
Tax Policy	Short-term	April 2024	MOF
Tax Administration	Short-term	May 2024	
Tax Administration	Short-term	July 2024	

Armenia: Technical Assistance from the Fund, 2023-25 (Continued)			
Tax Administration	Short-term	September 2024	SRC
Tax Policy	Short-term	September – October 2024	MOF
PFM – Budget Preparation	Short-term	November 2024	MOF
Tax Administration	Short-term	December 2024	SRC
PFM – Fiscal Risk Management	Short-term	February – April 2025	MOF
Tax Policy	Short-term	March 2025	MOF
Expenditure Policy	Short-term	March 2025	MOF
Tax Administration	Short-term	April – May 2025	MOF
Legal Department			
AML/CFT	Short-term	Various	MoF
Insolvency Legislation	Short-term	September 2025	CBA
Monetary and Capital Markets Department			
Debt Management	Short-term	January – February 2023	CBA, MOF
Central Bank Risk Management	Short-term	January – March 2024	CBA
Banking Supervision and Regulation	Short-term	March – May 2024	CBA
Central Bank Strategic Planning	Short-term	July – September 2025	CBA
Statistics Department			
Prices – Real Sector Prices	Short-term	July 2023	SC
National Accounts	Short-term	November 2023	SC
Government Finance Statistics	Short-term	December 2023	MOF/SC

Armenia: Technical Assistance from the Fund, 2023-25 (Concluded)			
Prices – Real Sector Prices	Short-term	October – November 2024	SC
Government Finance Statistics	Short-term	March 2025	MOF/SC
Institute for Capacity Development			
Macroeconomic Frameworks	Short-term	July – December 2023	MOF
Macroeconomic Frameworks	Short-term	July – December 2024	MOF
Macroeconomic Frameworks	Short-term	August 2025	MOF

RELATIONS WITH THE WORLD BANK GROUP AND OTHER IFIS

(As of November 2025)

Information about Armenia's relations with the World Bank Group and other international financial institutions can be obtained from the following webpages.

The World Bank Group	https://www.worldbank.org/en/country/armenia
European Bank for Reconstruction and Development	https://www.ebrd.com/armenia.html
Asian Development Bank	https://www.adb.org/countries/armenia/main
European Investment Bank	https://www.eib.org/en/projects/country/armenia

**Statement by Vladyslav Rashkovan, Alternate Executive Director, and Haykaz Igityan,
Advisor for the Republic of Armenia**

December 1, 2025

On behalf of the Armenian authorities, we would like to express our sincere appreciation to Mr. Tieman and his team for their constructive engagement and high-quality policy dialogue during the 2025 Article IV consultation, sixth and final review under the current Stand-By Arrangement (SBA), and negotiations of a new SBA. The authorities broadly agree with the staff assessment of the Armenian economy and consent to the publication of the report. They are grateful for the Fund's continued support, including targeted technical assistance (TA) and capacity development (CD), which have been pivotal in strengthening Armenia's macroeconomic frameworks and facilitating the advancement of key structural reforms.

Over the past three years, Armenia has demonstrated resilience in the face of multiple shocks. These included the tail end of the pandemic, economic spillovers from regional conflicts, and the humanitarian and fiscal challenges arising from the sudden influx of over 115,000 Karabakh Armenians in late 2023. Despite these pressures, the authorities maintained macroeconomic stability, broadly met all quantitative performance criteria (QPCs) and indicative targets (ITs) under the outgoing SBA, and advanced a broad reform agenda. Each program review was concluded successfully, underscoring the authorities' steadfast ownership and prudent policy discipline. The authorities have treated the arrangement as precautionary, with its presence serving as an important policy anchor and providing insurance against external risks.

In view of continued global and regional uncertainties, and to sustain reform momentum, the authorities have requested the cancellation of the current SBA and the approval of a successor 36-month SBA (100 percent of quota), which they intend to again treat as precautionary. The successor arrangement will help safeguard policy continuity and reform momentum, reinforce investor confidence, strengthen institutional capacity, and mobilize donor support at a time of elevated external risks.

Macroeconomic Developments & Outlook: Resilience and Stabilization

Armenia's economy has transitioned from post-shock recovery toward a stable growth path near its medium-term potential. Following a period of exceptionally high growth in 2022–2023, driven by strong external inflows, economic activity is now moderating and stabilizing toward its potential. We welcome the staff's upward revision of Armenia's potential growth estimate from 4.5 to 5 percent in the latest review, reflecting the impact of earlier reforms and prudent macroeconomic policies. This is broadly aligned with the authorities' own assessment, which estimates potential growth to lie within the range of 5 to 5.5 percent. Inflation, which had surpassed 10 percent at its peak in mid- 2022, was brought firmly under control through the Central Bank of Armenia's (CBA) timely and proactive monetary policy response. For a prolonged period, inflation has remained close to the CBA's target, while expectations have remained well-anchored.

The external position remains stable, with strong reserve buffers. After a temporary surplus in 2022, the current account has normalized to a moderate deficit of around 4.5 percent of GDP in 2024–2025, a level considered sustainable by both staff and the authorities. The authorities remain committed to exchange rate flexibility, allowing the dram to absorb external shocks while maintaining reserve adequacy. Gross international reserves stand at 131 percent of ARA metric, well above the adequacy threshold and providing ample protection against external shocks. In addition, the government successfully issued a US\$750 million Eurobond in March 2025.

Investor confidence has strengthened, and the medium-term outlook is broadly positive. Armenia's sovereign risk premium has declined faster than in peer countries, reflecting improved market sentiment following the initialing of a peace agreement with Azerbaijan, mediated by the United States. Looking ahead, growth is expected to remain close to its potential, underpinned by sustained investments and ongoing reforms. While the outlook is favorable, the authorities remain attentive to elevated global uncertainties and stand ready to recalibrate policies as needed to safeguard macroeconomic and financial stability.

Fiscal Policy: Anchoring Stability Through Discipline and Reforms

Armenia has maintained fiscal discipline while delivering on ambitious reform commitments. Over the past three years, the authorities successfully met the fiscal targets under the SBA-supported program, notwithstanding multiple shocks, including the complex task of socio-economic integration and provision of support to more than 115,000 refugees. They leveraged the strong growth of 2022–2024 to strengthen their fiscal position, saving part of the revenue windfall and keeping deficits low. The one-off higher 2025 budget deficit will remain within fiscal targets. Public debt remains in a moderate range, thereby preserving overall debt sustainability.

Revenue mobilization has been strengthened through targeted policy and administrative reforms. The authorities completed a comprehensive tax expenditure review and began rationalizing exemptions, including phasing out CIT incentives for IT startups and mortgage interest tax credits. Turnover tax rates were raised and harmonized with standard regimes, while excises and environmental levies were increased. Tax administration reforms, supported by IMF TA, enhanced audit powers, enabled third-party data use, and advanced the rollout of universal PIT declarations. Moreover, drawing on a recent TADAT evaluation, the authorities are developing a compliance improvement plan focused on high-risk cases and large taxpayers, which is a structural benchmark under the new SBA.

Expenditure policy has emphasized strategic efficiency and fiscal sustainability. A menu of rationalization measures equivalent to 1 percent of GDP was identified and partially implemented in the 2026 budget. Spending has focused on national security, refugee inclusion, social protection, and infrastructure. These priorities are complemented by investments in human capital, which the authorities view as essential for long-term productivity. To support the housing needs of refugees, the authorities have launched targeted programs, including a large-scale project developed with the World Bank and ADB. The authorities are preparing for the rollout of Universal Health Insurance in 2026, with contingency measures to safeguard fiscal space. A wage bill review of the central government apparatus is planned, and implementation of the Government Financial Management Information System (GFMIS) module is underway to improve data quality and control. Together, these efforts underscore the authorities' strong commitment to prudent governance and forward-looking reforms.

Public financial management reforms have deepened institutional capacity. The Medium-Term Expenditure Framework (MTEF) was strengthened through improved costing guidance and calendar reforms. A new PIM unit is operational, and procedures are being updated to ensure standardized project appraisal and integration into the budget process. Fiscal risk oversight has been strengthened through expanded debt legislation, enhanced PPP monitoring, and SOE reforms. This includes the development and approval of a government decree adopting the state ownership policy -a structural benchmark under the current SBA, carried over into the new program- which has now been successfully completed.

Under the proposed SBA, the authorities remain committed to gradual, growth-friendly consolidation. The fiscal deficit is expected to decline to 4.5 percent of GDP in 2026 and below 3 percent by 2028. The strategy is anchored in the fiscal rule framework and supported by structural benchmarks to preserve buffers and sustain inclusive development. Future fiscal policies and reforms under the new SBA will continue to prioritize resilience, efficiency, and dynamic growth.

Monetary and Financial Sector Policies: Strengthening Credibility and Safeguarding Stability

The CBA has reinforced its credibility through forward-looking reforms. The introduction of a risk-based monetary policy framework, supported by enhanced modeling and scenario analysis, has improved decision-making under uncertainty. The framework has proven robust and adaptive over the past two years, effectively guiding policy decisions amid heightened uncertainty. Its success has attracted interest from other central banks. In support of the CBA's price stability mandate, the inflation target was lowered from 4 to 3 percent effective January 2025, reflecting increased policy credibility and alignment with long-term macroeconomic objectives.

The financial sector remains resilient, and the authorities are proactively managing emerging risks. Banks are well capitalized, liquid, and profitable, with non-performing loans at historic lows. The CBA raised the countercyclical capital buffer to 1.75 percent and tightened mortgage lending standards, including banning FX mortgages for residents. Stress tests confirm the system's ability to absorb severe shocks. Looking ahead, the CBA stands ready to adjust macroprudential tools and sectoral risk weights if systemic risks emerge.

Supervisory and crisis preparedness reforms are progressing. Draft legislation on Pillar 2 capital additions and early intervention powers is under consultation. A bank resolution law, aligned with FSB standards, will be submitted to Parliament by March 2026. Collectively, these reforms will strengthen the CBA's capacity to identify emerging risks early and intervene proactively to safeguard financial stability, while ensuring consistency with international best practices and standards.

Financial infrastructure is undergoing significant upgrades. A crypto asset law took effect in July 2025, with stablecoin regulation and EU-aligned payment system legislation expected in 2026. These reforms are closely aligned with the successor SBA's structural benchmarks and will benefit from IMF TA, reinforcing Armenia's commitment to financial sector modernization and long-term stability.

Structural Policies: Laying Foundations for High-Quality Growth

The authorities have adopted a comprehensive employment strategy to improve labor market outcomes. The strategy targets higher participation among women, youth, and vulnerable groups through vocational training, childcare support, and regional job creation. Pilot programs are underway, including wage subsidies and training for refugees as well as young people not engaged in employment, education, or training, with broader rollout planned in 2026.

The business environment is being strengthened through legal reforms and better governance. A revised corporate governance code was adopted in 2024, and enforcement mechanisms are being developed. Efforts are underway to prepare a new Companies Law that will simplify registration and strengthen investor protections. The authorities plan to submit a draft Bankruptcy Law to Parliament by March 2026 to improve insolvency procedures and reinforce creditor rights. Anti-corruption efforts have intensified, with specialized agencies operational and expanded beneficial ownership transparency.

Export diversification remains a key structural priority. The National Export Strategy is being implemented, targeting product and market diversification, improved logistics, and stronger compliance with international standards. A unified customs payment system has been launched to streamline border procedures and reduce costs for exporters. These steps are designed to enhance the competitiveness of Armenian firms in global markets and support their progression up the value chain.

The authorities are also improving the quality of statistics to support decision-making. With IMF support, a data quality assessment will be conducted to identify gaps and produce a reform agenda with a timeline to enhance official statistics.

Program Objectives and Safeguards

The successor SBA is fully aligned with Armenia's medium-term strategy. It is designed to maintain momentum on reforms that promote sustainable growth, reduce vulnerabilities, and strengthen institutional capacity. By treating the arrangement as precautionary, the authorities intend to preserve a strong policy anchor and safeguard against external risks. All necessary resources have been secured to initiate the program.

Armenia's macroeconomic fundamentals and debt profile provide a solid basis for the new program. Foreign reserves will remain above 120 percent of the IMF's ARA metric throughout the program period. The latest Debt Sustainability Analysis confirms that public debt is sustainable with high probability, following a stable-to-declining trajectory over the medium-term and showing resilience under standard stress scenarios. Even under full utilization of the SBA, Fund exposure would remain modest relative to reserves and export levels.

Program safeguards remain strong and will be further reinforced. The CBA will undergo a new IMF safeguards assessment by the first review. As part of its institutional strengthening efforts, the CBA is preparing crisis simulation exercises and upgrading its institution-wide risk management framework, including a formal risk appetite statement. Fiscal transparency will be upheld through continued integration of off-budget activities and improved fiscal risk monitoring. The authorities will maintain a close policy dialogue with the Fund and ensure the timely provision of data to facilitate effective program monitoring.

Concluding Remarks

The Armenian authorities greatly value their partnership with the IMF. The precautionary SBA has served as a critical policy anchor over the past three years, supporting macroeconomic stability and sustaining reform momentum. As Armenia advances its development agenda, the authorities are confident that the successor SBA will continue to provide meaningful support, reinforce investor confidence, and help safeguard resilience in an uncertain global environment. They remain fully committed to disciplined implementation and close engagement with the Fund to secure Armenia's transformation toward a more inclusive, sustainable, and high-quality growth path, underpinned by strong human capital development.