

KEY INDICATORS AND FEATURES OF ECONOMIC ACTIVITY ASSESSMENT

IN THE REPUBLIC OF ARMENIA

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Economic activity is one of the most important indicators of economic stability and growth in each country. In Armenia, the past decade has recorded significant GDP growth; however, it has been accompanied by high fluctuations, driven both by external shocks (COVID-19 pandemic, Russia-Ukraine war) and internal structural characteristics. This paper is devoted to the analysis of the main indicators of Armenia's economic activity, covering the dynamics of GDP and the Economic Activity Index (EAI). The research reveals that the main driving forces of the current economic growth are the construction and services sectors, while industry and export-oriented branches have declined, largely due to the neutralization of gold re-export volumes. The analysis presented in the paper provides an opportunity to assess the main challenges of Armenia's economic activity and to propose relevant strategic directions.

Economic activity is one of the key indicators of the socio-economic development of any country. It reflects the productive potential of society, the dynamics of the labor market, the investment environment, and the consumption behavior of the population.

The assessment of economic activity is one of the most important components of the macroeconomic policy of any state. This makes it possible to determine the current state of the economy, forecast development trends, and design appropriate measures to stimulate economic growth or prevent crisis phenomena. The correct assessment of economic processes and identification of the factors influencing them are of vital importance, particularly for a small, open economy



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such as Armenia.

The assessment of economic activity in the Republic of Armenia requires a combined analysis of several key macroeconomic indicators. Before moving forward, let us define what the Economic Activity Index (EAI) is. It reflects the changes in the actual volume of goods and services produced in the country in the form of a monthly aggregated index and covers all sectors defined by the Classification of Types of Economic Activity (CTEA)¹.

The Economic Activity Index (EAI) serves as an “accelerated thermometer” of the economy: it provides monthly information on the direction of economic development without having to wait for the publication of quarterly or annual GDP indicators.

The EAI is calculated based on:

1. aggregated data collected by the statistical divisions of the Statistical Committee of the Republic of Armenia (Armstat) on agriculture, industry, construction, trade, services output; as well as monthly indices of the Consumer Price Index (CPI), agricultural and industrial producer prices, construction prices, passenger and freight tariffs,

2. discrete monthly data obtained from administrative registers, including:

- a) from the Central Bank: monthly data on the revenues and expenditures of commercial

banks, insurance companies, and other financial institutions,

- b) from the Ministry of Finance: data on the execution of the state budget,

- c) from the State Revenue Committee: data on the number of employees and wages.

Analysis: A key indicator for assessing the level of economic activity in Armenia is the gross domestic product (GDP), which measures the total value of final goods and services in monetary terms produced in the country during a specific time period, typically a year or a quarter². As can be seen from the chart, over the past decade, Armenia’s GDP has grown more than two and a half times, increasing from 5.0 trillion AMD to approximately 10.2 trillion AMD.

However, the GDP growth rates have experienced significant fluctuations, indicating that the economy responds to both domestic political changes and external shocks. Let us examine the dynamics of GDP growth by dividing it into specific periods.

From 2015 to 2019, Armenia’s economy experienced steady growth. During 2015–2017, growth rates were 3.2% and 7.5%, respectively, reflecting a slow but recovering economy. In 2018 and 2019, which coincided with the Velvet Revolution and the subsequent political stabilization, economic growth accelerated, reaching 5.2% and 7.6%. This

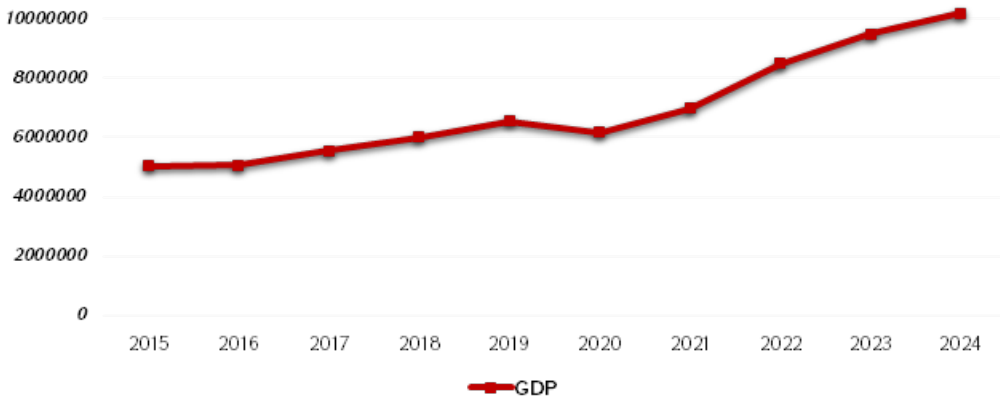


FIGURE 1

Gross domestic product at market prices, million AMD, 2016-2024

¹ <https://armstat.am/am/?nid=837&pid=0501> (accessed on 19.09.25)

² Mankiw N. G., “Principles of Economics”, Seventh Edition, CENGAGE Learning, 2015, p. 486.

growth was mainly due to the activation of domestic demand and high economic expectations.

However, in 2020, due to the COVID-19 pandemic, the economy experienced a sharp decline of 7.2% (the EAI dropped to 92.8%). This was the largest recession since 2009. In absolute terms, GDP decreased to 6.18 trillion AMD. This downturn was the result of the global financial and economic crisis caused by lockdowns and economic restrictions imposed during the COVID-19 pandemic. The decline affected almost all sectors of the economy, particularly services and tourism.

In 2021, a rapid recovery began with a growth rate of 5.8% (105.8%). GDP surpassed the pre-crisis level, reaching 6.99 trillion AMD. In 2022, as a result of the Russia–Ukraine war, Armenia’s economy grew by a record 12.6%, since the war triggered a massive inflow of capital, businesses and specialists from Russia to Armenia, giving new impetus to the economy, particularly to the IT and services sectors. The impact of these exogenous factors caused by the Russian-Ukrainian armed conflict gradually weakened after 2022, and economic growth rates gradually slowed down. In 2024, GDP reached the upper level, exceeding the threshold of 10 trillion AMD for the first time.

A comparison with Georgia and Azerbaijan shows that Armenia’s economic activity growth in 2022–2023 exceeded the regional average³. The standard deviation of growth rates during 2015–2024 was about 5.5%, which indicates the high sensitivity of the economy to external shocks. The highest fluctuations were observed in 2020–2022 (–7.2% and +12.6%).

Despite the deep recession of 2020, Armenia’s economy demonstrated remarkable resilience and rapid adaptability, recovering rapidly and surpassing pre-crisis trends within a record short period. The events of 2022–2023 led to a qualitative change in the economic growth model. The main drivers of growth were no longer limited to domestic consumption and traditional

exports, but also included investments, consumption, and reproduction flows resulting from migration inflows.

To ensure economic stability, it is necessary to diversify the economy by focusing on the development of more productive and sustainable sectors.

Although GDP is the most comprehensive and fundamental indicator of economic activity, it is calculated on a quarterly or annual basis, which does not allow for the quick assessment of the current economic situation or timely responses to developments. To fill this gap, the Economic Activity Index (EAI) is used, which is calculated on a monthly basis and reflects changes in the volumes of the key sectors of the economy—industry, agriculture, construction, trade and services.

Unlike the GDP indicator calculated according to the System of National Accounts (SNA) methodology (with quarterly and annual periodicity), the monthly EAI characterizes changes in the output volumes of goods and services rather than changes in value added. Moreover, the monthly EAI does not include net product taxes or financial intermediation services indirectly measured, which are part of GDP calculations by the production method on a quarterly and annual basis.

The analysis of the Economic Activity Index (EAI) makes it possible to identify the development trends of Armenia’s main economic sectors and their impact on overall economic growth. Therefore, after examining the long-term dynamics of GDP, it is logical to proceed to a more detailed analysis of the EAI.

The dynamics of the Economic Activity Index (EAI) for 2023–2024 are presented in the chart below.

The chart illustrates how the Economic Activity Index (EAI) has changed over time, using 2021 as the base year. As shown, in 2024 the EAI demonstrated a positive growth trend. The cumulative growth indicators exceeded those of 2023 in almost every month.

³ World Bank, Accelerating Growth through Entrepreneurship, Technology Adoption, and Innovation, Europe and Central Asia Economic Update, Spring 2025, p. 16.

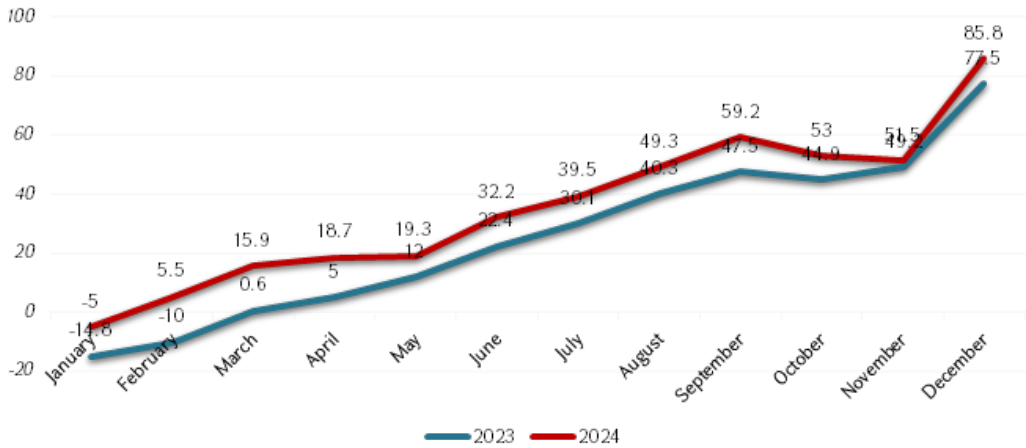


FIGURE 2
Cumulative Economic Activity Index, expressed in percentages, 2023-2024⁴

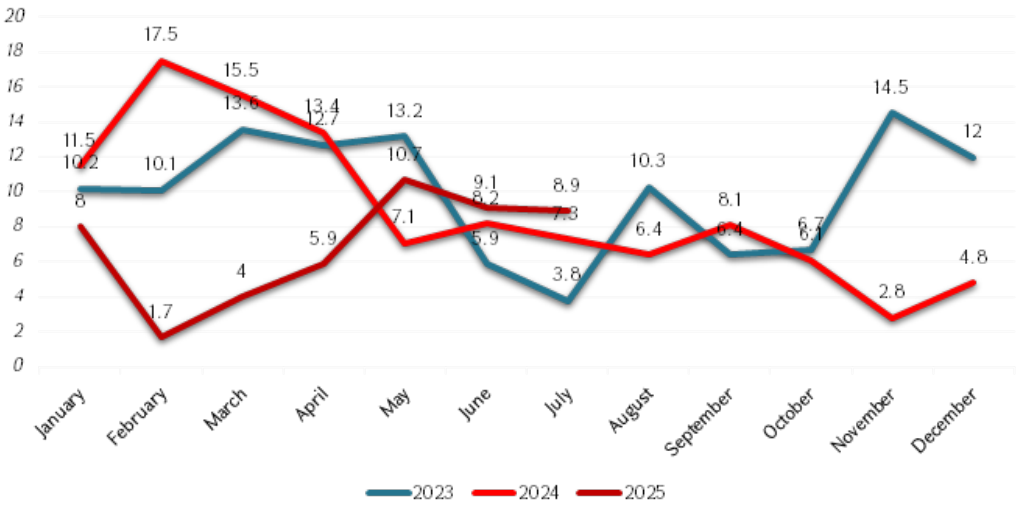


FIGURE 3
Dynamics of the EAI growth rate in 2023–2025 compared to the same months of the previous year, expressed in percentages⁵

To more accurately assess the annual growth rates of economic activity and to neutralize the seasonal effect, it is necessary to compare them with the indicators of the same month of the previous year. The result is presented in Figure 3, the analysis of which reveals the structural characteristics of the economy’s growth rates.

As can be seen, while 2023 recorded high and unstable indicators, in 2024 the growth of economic activity slowed, indicating that the driving forces behind the rapid growth of the previous period had begun to weaken. At the beginning of 2025, a significant decline in growth rates was observed; however, in May–July the EAI once again demonstrated

⁴ https://armstat.am/file/article/sv_12_24a_111.pdf (accessed on 20.09.25).

⁵ https://armstat.am/file/article/sv_12_24a_111.pdf (accessed on 20.09.25),
https://armstat.am/file/article/sv_07_25a_111.pdf (accessed on 20.09.25).

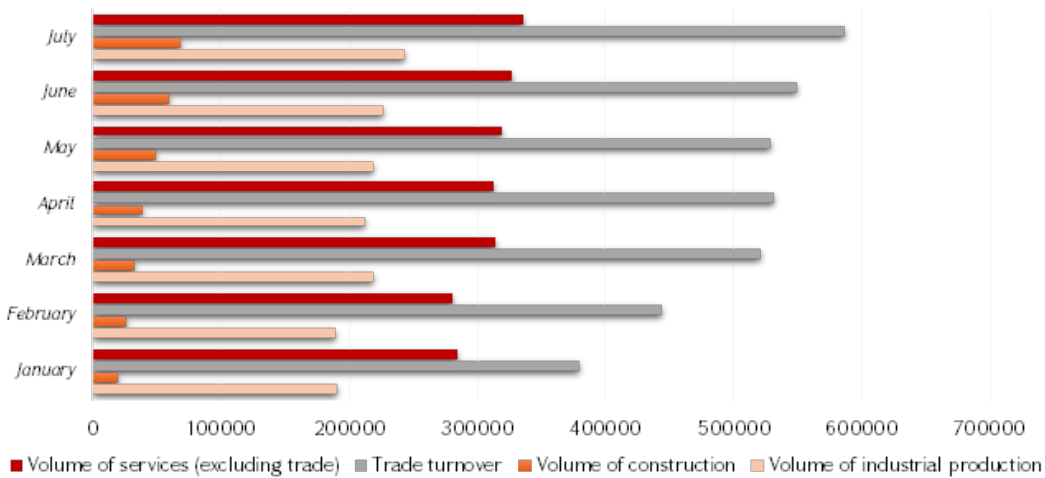


FIGURE 4

Absolute volumes of the main components of Armenia's Economic Activity Index (EAI) in January–July 2025, million AMD⁶

positive dynamics, confirming that the economy continues to grow, albeit under new conditions. To understand the overall picture, it is necessary to analyze the individual components of the EAI in order to identify the main drivers of short-term growth or decline in 2024–2025.

Thus, in the total volume of Armenia's economy, trade turnover and the volume of services (excluding trade) occupy the largest shares. Trade turnover consistently exceeds

other sectors, reaching 586.5 billion AMD in July. This indicates a high level of domestic demand and consumption, which sustains economic activity. The volume of services, after a slight decline in January–February, recovered and continued to grow. The volume of industrial production has shown steady growth since March, indicating increased manufacturing activity. Although the volume of construction is the smallest in absolute terms among the EAI components, it demonstrates the most dynamic growth:

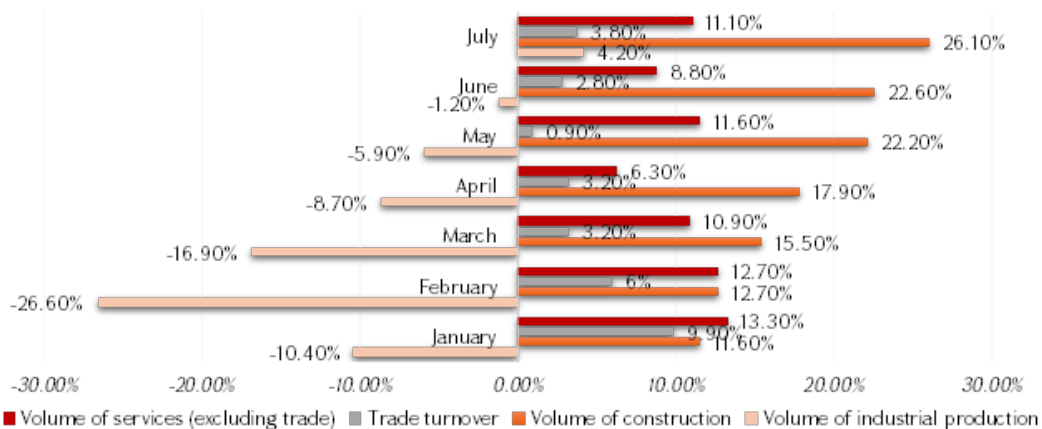


FIGURE 5

Growth rates of the main components of Armenia's Economic Activity Index (EAI) compared to the same months of the previous year⁷

⁶ <https://armstat.am/file/doc/99560938.pdf> (accessed on 25.09.25).

⁷ Ibid

from January to July, its volume more than tripled within six months. Such rapid growth in construction typically serves as a significant driver of economic activity, particularly for the labor market and related sectors.

The dynamics of the absolute volumes of the EAI components confirm that Armenia's economy is focused on consumption and services, while the construction sector has the greatest growth potential. The industrial sector continues to be the weakest link in terms of growth.

Following the observations on the overall dynamics of the Economic Activity Index (EAI), which revealed structural imbalances across sectors, it is necessary to proceed to a more in-depth analysis to determine how much each component has contributed to or hindered overall economic growth.

For this purpose, a comparative analysis will be conducted by calculating the growth rates of each sector compared to the same month of the previous year and comparing them with the overall growth rates of the EAI.

The volume of construction indisputably serves as the main locomotive of EAI growth. Growth rates have remained in double digits each month and have steadily increased, rising from 11.6% in January to 26.1% in July. In contrast, the volume of industrial production remains the most concerning component of the EAI. For most of the year (January–June), the sector recorded a decline, reaching its lowest point in February (–26.6%). Of course, the **base effect**⁸ plays a big role here, as the January 2025 figure for industrial production is compared to January 2024, which recorded a sharp increase (a significant portion of re-exported gold was classified as domestically produced, boosting the sector's value added). Beyond the base effect, a significant negative impact arises from the fact that gold re-exports and several other factors caused a certain “deformation” in the industrial sector.

The decline in the overall industry is due to the decline in both manufacturing

and mining. The decline in manufacturing is mainly due to the sub-sectors of “Basic Metals Production” and “Jewelry Production” (the large volumes of which last year were due to the re-export of gold), which fell by 76.3% and 70.4%, respectively. Their contribution to the total decline in industry amounted to 20.0 percentage points, and 28.1 percentage points to the decline in the manufacturing industry⁹.

The services sector and trade turnover act as stabilizing factors for the EAI. The growth rate of the services sector has slightly slowed but remains at a high level. According to data from January–May, growth in the services sector was primarily driven by the “Financial and Insurance Activities” and “Information and Communication” sub-sectors, which grew by 17.3% and 18.9%, respectively. Other sub-sectors also contributed positively to growth, except for transport services, which recorded an 11.8% decline¹⁰.

The growth rate of trade accelerated but continued to remain low. In July 2025, the trade sector recorded 3.8% growth, accelerating by 2.9 percentage points compared to May. The slowdown in trade growth is associated with the rate of decline in export volumes. Although the pace of export decline has somewhat eased, it remains at a significant negative level. In July 2025, exports fell by 10.8%, and the cumulative decline for January–July reached 48.3%¹¹. Such a large decline is mainly due to the neutralization of re-exported gold volumes.

Based on January–July data, as in previous months of the current year, the export decline is primarily due to the “precious and semi-precious stones, precious metals and articles thereof” category (representing re-exported gold), which decreased by approximately 75.7%. Among the product groups that positively contributed to exports, the “footwear, hats, umbrellas” category stood out with an 88.4% increase in exports¹².

⁸ Mathematical distortion in percentage or relative comparisons caused by unusual or extreme changes in the previous year—high or low indicators (phenomenon of sharp decline or growth), source: ECB, MONTHLY BULLETIN JANUARY 2005, p. 31.

⁹ https://armstat.am/file/article/sv_07_25a_121.pdf (accessed on 25.09.25).

¹⁰ https://armstat.am/file/article/sv_07_25a_126.pdf (accessed on 25.09.25).

¹¹ <https://armstat.am/file/doc/99560938.pdf> (accessed on 25.09.25).

¹² https://armstat.am/file/article/sv_07_25a_411.pdf (accessed on 25.09.25).

Imports also remain at a low level. The decline in imports was largely driven by a roughly 77.5% decrease in the same “precious and semi-precious stones, precious metals, and articles thereof” product category.

To summarize, the structural analysis of the EAI clearly reveals the current major challenge for Armenia’s economy. Economic growth is concentrated in domestic-demand-driven and non-productive sectors (construction and services), while the export-oriented industrial sector is undergoing adjustment and decline, primarily due to the neutralization of re-exported gold volumes.

Such an imbalance, despite the overall positive dynamics of the EAI, increases the economy’s dependence on domestic and unstable factors. In the short term, if the current pace of industrial decline continues, EAI growth in the second half of the year may slow significantly, adversely affecting both employment levels and the stability of budget revenues.

Conclusion: The analysis of Armenia’s economic activity indicators and their characteristics reveals several fundamental trends and risks that are important for shaping both short-term and long-term economic policy.

Firstly, the long-term dynamics of GDP show significant expansion of Armenia’s economy: over the past decade, GDP more than doubled, rising from 5.0 trillion AMD to approximately 10.2 trillion AMD. This indicates relatively stable economic growth, which, however, has been cyclical in nature and sensitive to both external and internal shocks. The 7.2% decline recorded in 2020 due to the pandemic, followed by a record 12.6% growth in 2022 driven by external factors (the Russia–Ukraine conflict and capital inflows), and the subsequent slowdown, demonstrate that Armenia’s economic model continues to be heavily dependent on the external environment.

In this context, the analysis of the Economic Activity Index (EAI) provides an important complementary picture of current trends. Serving as an “accelerator thermometer,” the EAI allows for prompt assessment of economic movements and reveals the structural characteristics of growth. Data

for 2024–2025 show that economic activity maintained positive dynamics, even after the decline in growth rates observed in the early months of 2025. However, a more detailed structural analysis reveals a significant imbalance: the main drivers of economic growth today are sectors based on domestic demand—construction and services—while the export-oriented industrial sector is undergoing adjustment and decline.

The construction sector continues to be the most active component of the EAI, showing consistently high double-digit growth rates and reaching 26.1% in July. This indicates the revitalization of both investment activity and housing construction and infrastructure projects. The services sector, despite some slowdown, maintains a high growth rate, which is largely due to the financial and information and communication sub-sectors. Trade growth remains relatively weak and sensitive to export dynamics. At the same time, the sharp decline in export volumes (48.3% from January to July) and the contraction in industry (–26.6% in February) indicate serious problems in export-oriented manufacturing. The decline in industry is primarily due to a sharp drop in the “precious and semi-precious stones, precious metals, and articles thereof” product category, which was artificially high last year due to gold re-exports. This transition from the base effect has caused a “deformation” in industrial production and revealed structural vulnerabilities.

The current growth of the economy is therefore largely fueled by domestic demand, which in turn depends on the stability of consumption and incoming financial flows (including migration-related capital). This makes the economy more vulnerable to both domestic inflationary pressures and external economic shocks. If industrial recovery slows or is delayed, EAI growth could decelerate significantly in the short term, and in the medium term, negative effects on employment, export revenues, and government budget revenues are also possible.

The conclusions and risk assessment from the above analysis provide a basis for formulating concrete recommendations to ensure stable and balanced economic development. Accordingly, the following

recommendations are derived from the findings of this analytical work.

1. Diversify the economy by promoting the development of the manufacturing sector and export-oriented industrial branches, particularly in high value-added sub-sectors, in order to reduce the economy's dependence on construction and trade. Diversification will decrease the economy's vulnerability to shocks and stabilize growth.

2. Pay special attention to the recovery and development of industrial sectors that are not linked to re-export volumes. Promoting high-tech manufacturing, pharmaceuticals, microelectronics, and deep processing in the food industry can serve as a long-term pillar for industry and reduce dependence on fluctuations in the precious metals and stones market.

3. To mitigate the loss of re-export revenues, it is necessary to develop joint public-private programs aimed at expanding export markets and diversifying the product

structure.

4. For long-term economic stability, investments should be made in education and skills development to ensure a pool of highly qualified specialists for sectors poised to become new drivers of growth. This will also facilitate the introduction of technological innovations and enhance competitiveness.

In summary, although the positive dynamics of the EAI in 2023–2025 indicate continued economic growth, the underlying structural imbalances serve as a warning of existing risks. If the decline in industry persists and export markets remain insufficiently diversified, short-term growth could transform into medium-term development fraught with risks. Therefore, a key direction of Armenia's economic policy should be the formation of a broader and more balanced growth model, based on productive sectors, ensuring long-term stability of exports, and reducing dependence on domestic demand and external factors.

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Գայանե ՏԱՇՅԱՆ
ՀՊՏՀ մագիստրանտ

ՇՈՒԿԱՆԵՐ ԵՎ ՄՐՅԱԿՑՈՒԹՅՈՒՆ

ՏՆՏԵՍԱԿԱՆ ԱԿՏԻՎՈՒԹՅԱՆ ԳՆԱՀԱՏՄԱՆ ՀԻՄՆԱԿԱՆ ՑՈՒՑԱՆԻՇՆԵՐԸ ԵՎ ԱՌԱՋՆԱՀԱՏԿՈՒԹՅՈՒՆՆԵՐԸ ՀՀ-ՈՒՄ

Տնտեսական ակտիվությունը յուրաքանչյուր երկրի տնտեսական կայունության և աճի կարևորագույն ցուցանիշներից է: Հայաստանում վերջին տասնամյակում արձանագրվել է ՀՆԱ զգալի աճ, սակայն դա ուղեկցվել է բարձր տատանումներով՝ պայմանավորված ինչպես արտաքին ցնցումներով (COVID-19 համավարակ, ռուս-ուկրաինական պատերազմ), այնպես էլ ներքին կառուցվածքային առանձնահատկություններով: Սույն հոդվածը նվիրված է ՀՀ տնտեսական ակտիվության գնահատման հիմնական ցուցանիշների վերլուծությանը՝ ընդգրկելով ՀՆԱ և տնտեսական ակտիվության ցուցանիշի (ՏԱՑ) շարժընթացը: Հետազոտության արդյունքում արձանագրվել է, որ տնտեսության ներկայիս աճի գլխավոր շարժիչ ուժերը շինարարության ու ծառայությունների ոլորտներն են, մինչդեռ արդյունաբերությունը և արտահանման ճյուղերը գրանցել են անկում՝ պայմանավորված հատկապես ոսկու վերաարտահանման ծավալների չեզոքացմամբ: Հոդվածում ներկայացված վերլուծությունը հնարավորություն է տալիս գնահատելու ՀՀ տնտեսական ակտիվության հիմնական մարտահրավերները և առաջարկելու համապատասխան ռազմավարական ուղղություններ:

Հիմնաբառեր. *տնտեսական ակտիվություն, ՀՆԱ, ՏԱՑ, արդյունաբերություն, շինարարություն, ծառայություններ, արտահանում*

Гаяне ТАШЯН
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РЫНКИ И КОНКУРЕНЦИЯ

ОСНОВНЫЕ ПОКАЗАТЕЛИ И ОСОБЕННОСТИ ОЦЕНКИ ЭКОНОМИЧЕСКОЙ АКТИВНОСТИ В РЕСПУБЛИКЕ АРМЕНИЯ

Экономическая активность является одним из ключевых показателей экономической стабильности и роста страны. За последнее десятилетие в Армении был зафиксирован значительный рост ВВП, однако он сопровождался высокой волатильностью, обусловленной как внешними шоками (пандемия COVID-19, российско-украинская война), так и внутренними структурными особенностями. Настоящая статья посвящена анализу основных показателей оценки экономической активности в Армении, охватывая динамику ВВП и Индекса экономической активности (ИЭА). Исследование показало, что основными движущими силами текущего экономического роста являются строительный и сфера услуг, тогда как промышленность и экспортно ориентированные отрасли продемонстрировали спад, особенно из-за нейтрализации объемов повторного экспорта золота. Представленный в статье анализ позволяет оценить основные вызовы экономической активности Армении и предложить соответствующие стратегические направления.

Ключевые слова: *экономическая активность, ВВП, ИЭА, промышленность, строительство, услуги, экспорт*