

FDI performance of Armenia 2022

Yerevan, April 2023

A record high FDI net inflow was registered in 2022

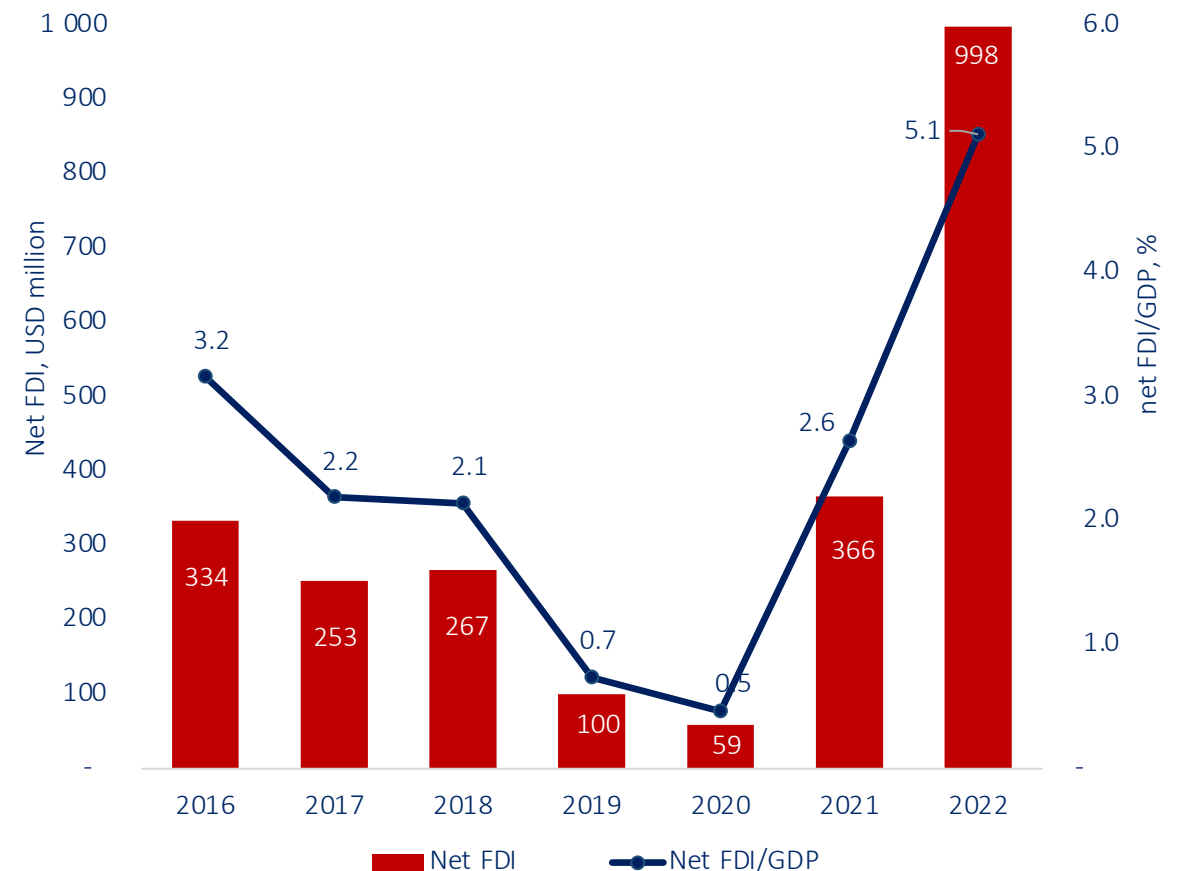
In 2022, the net inflow of FDI in Armenia (net incurrence of liabilities) increased by USD 632 million and amounted to almost USD 1 billion, which is 2.7 times higher than in the previous year and is a **record high in the entire history** of Armenia.

It should be noted that such an impressive growth is partially conditioned by the appreciation of Armenian dram: Particularly, the contribution of dram appreciation in the structure of growth was 13.5%.

Due to the rapid growth in net FDI inflow, the net FDI/GDP ratio also increased sharply in 2022, reaching 5.1%, which is almost twice as much as in 2021. Thanks to this growth, the **government's target for FDI has dramatically improved**. According to the 2021-2026 RA Government Programme, it is targeted to increase the FDI net inflow/GDP ratio to 6% by 2026.

Nevertheless, the structure of net foreign investment inflow remains concerning.

FDI net inflow and FDI net inflow/GDP ratio, 2016-2022



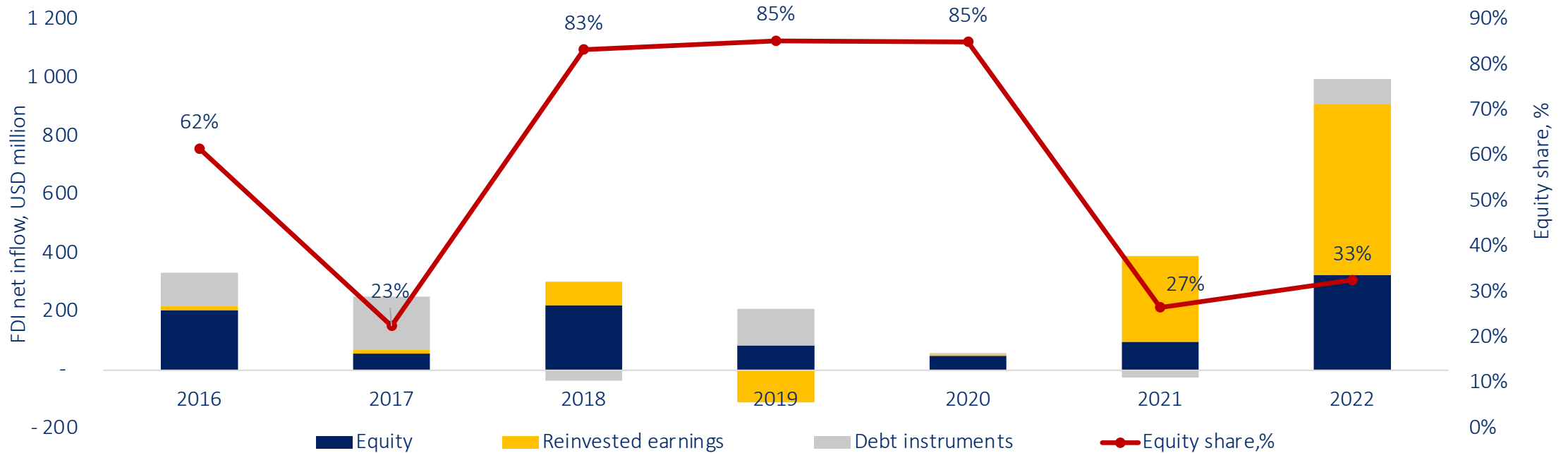
Source: World Bank, CBA, Armstat, own calculations

The structure of net foreign investment inflow remains concerning

In 2016-2022, the share of equity capital (greenfield investments, capital replenishment by investors in existing companies) was 44.0%, for comparison, the same indicator for Georgia in the same period was 53.4%.

Regarding the record high FDI net inflow, it must be noted that **reinvestments, that is the undistributed profit of companies operating in Armenia with FDI, accounts for 58.6%**, which was also positively affected by the appreciation of the national currency.

Structure of FDI net inflow, 2016-2022



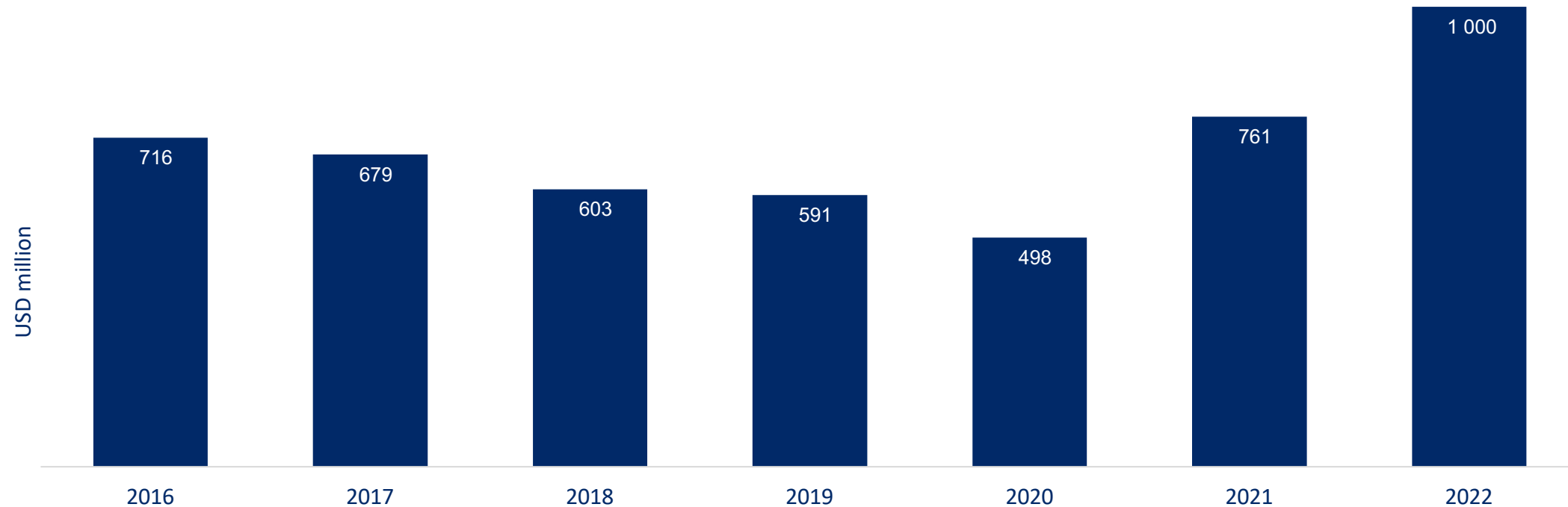
Source: World Bank, CBA, Armstat, own calculations

Note: The negative sign means that in the given year the repayments exceeded inflow

The FDI into the economy's real sector reached USD 1 billion

In 2022, the FDI into the real sector of the economy reached USD 1 billion, which is 31% higher than in the previous year. The figure recorded in 2022 is a **record high for the last seven years**.

FDI inflow into the real sector of the economy, 2016-2022

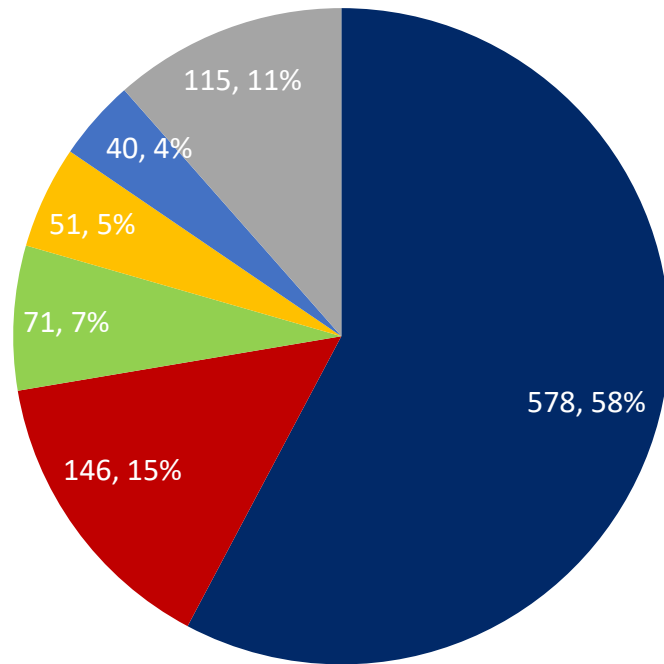


Source: own calculations based on data from Armstat

Note: the average annual exchange rate published by the RA Central Bank was used for currency conversion

FDI is mainly directed to Electricity and gas supply sector

FDI inflow into the real sector of the economy
by sectors in 2022, USD million



- Electricity, gas, steam and air conditioning supply
- Mining of metal ores
- Real estate activities
- Mining support service activities
- Air transport
- Others

Regarding the sectoral distribution of FDI into the real economy, it should be noted that the leader is **the electricity and gas supply sector with a share of 58% (USD 578 million)**, followed by the mining and real estate sectors, with 15% and 7%, respectively.

Moreover, compared to the previous year, FDI inflow in the electricity and gas supply sector increased by 50%, and in the real estate sector increased by more than 2.2 times.

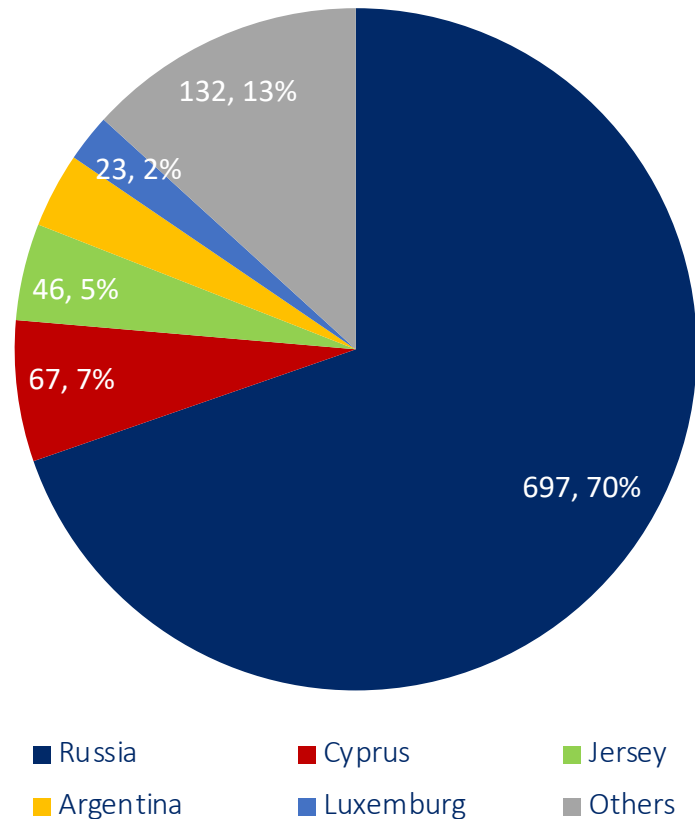
An impressive increase was also recorded in the air transport sector (94%), which is probably due to the establishment of new companies in this sector, for example, Fly Arna.

Source: own calculations based on data from Armstat

Note: the average annual exchange rate published by the RA Central Bank was used for currency conversion

Russia holds top spot in Armenian-bound FDI

*FDI inflow into the real sector of the economy
by countries in 2022, USD million*



Russia continues to maintain its position as a leading investor in the real sector of Armenia's economy. In 2022, **Russia accounted for about 70% of the FDI inflow** in the real sector of Armenia's economy (USD 697 million).

Russian investments were made in such areas where large Russian investors have been traditionally represented: electricity and gas supply, telecommunications.

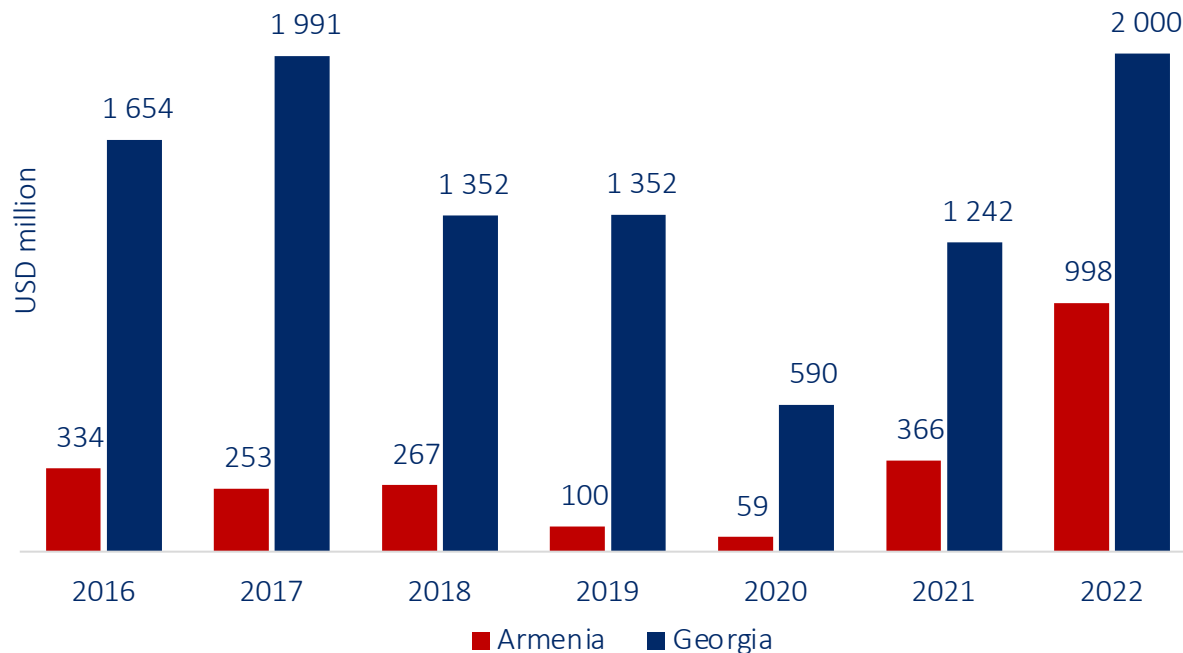
In 2022, Cyprus and Jersey were also among the leading investors in Armenia, with 7% and 5% shares, respectively. The main investments from Jersey were directed to the real estate activities (USD 46 million).

Source: own calculations based on data from Armstat

Note: the average annual exchange rate published by the RA Central Bank was used for currency conversion

In 2016-2022, FDI net inflow to Georgia was 4.3 times higher than in Armenia

FDI net inflow in Armenia and Georgia, 2016-2022



Source: CBA, Geostat

In 2016-2022, the FDI net inflow in Georgia was about USD 10.2 billion, while in the same period in Armenia this indicator was about USD 2.4 billion, which is about 4.3 times less than in Georgia.

Regarding the geographical and sectoral structure of Georgia's FDI net inflow, the leading sectors during 2016-2022 were the financial, transport and energy sectors, with 23.4%, 13.8% and 13.2% shares respectively, and the main donor countries were Great Britain (20.6%), Azerbaijan (12.6%) and the Netherlands (12.1%), while the share of Turkey was 9.6%.

In summary, it should be noted that the performance of Armenia in terms of FDI inflows in 2022 can be assessed as good, but there is still a lot of work to be done in the direction of improving the investment environment and promoting investments.

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