
FITCH RATINGS PROJECTS THAT ARMENIA'S GOVERNMENT DEBT MAY RISE FROM 53.6% AT END-2019 TO 59.2% OF GDP IN 2020

-

06.04.2020

ArmBanks (4 April 2020)

Armenias general government debt is projected to rise from 53.6% at end-2019 to 59.2% of GDP in 2020 before falling back to 56.0% in 2021, upward revisions of 9.4pp and 7.4pp, respectively, since our last review, and well above the current 'BB' median of 46.5%, Fitch Ratings said in a report.

We assume some drawdown on central government deposits this year (by 0.8pp to 5.0% of GDP), use of budget support available under Armenia's IMF precautionary Stand-By Arrangement, and domestic debt issuances. A high share of government debt is foreign currency-denominated (79% versus the 'BB' median of 56%) giving rise to exchange rate risk, it said.

According to Fitch ratings, the coronavirus shock has increased external risks to the Armenian economy. Fitch forecasts the current account deficit remains high, at 8.5% of GDP in 2020 and 8.1% in 2021, compared with the 2018-2019 average of 8.8% and the current 'BB' median of 2.9%.

Allowing for statistical discrepancies, the actual deficit could be closer to 5% of GDP, but only around a third of this is covered by non-debt creating capital inflows. The current account will be negatively affected this year by a collapse in tourism (which contributed 0.7pp to last year's balance), the fall in prices of commodities and lower remittances from Russia.

We expect this to be largely offset by import compression and lower energy costs. Fitch forecasts that net external debt will increase to 52.9% of GDP in 2021 from 46.7% in 2019, well above the 'BB' median of 19.4%, and the relatively high bank deposit dollarization ratio, at 52%, adds to risks.

Armenian Minister of Economy Tigran Khachatryan stated on April 3 that the country's government envisages an increase in its own financial expenses, if necessary, by increasing the debt, but this should be within a reasonable framework.

According to Armenias National Statistics Committee, the countrys total public debt at the end of December 2019 amounted to \$7.324.167 billion. The external public debt stood at \$5 789.729 billion.

<http://www.armbanks.am/en/2020/04/04/127942/>

Kaynak/Source: