



MINISTRY OF ECONOMY  
OF THE REPUBLIC OF ARMENIA



# Republic of Armenia. Current Situation of the SME Sector and Strategic Priorities



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Launch Seminar of the Asia  
Small and Medium-Sized Enterprise Monitor 2024

# Introduction

ECONOMY OVERVIEW OF THE REPUBLIC OF ARMENIA /2024 JAN-NOV/

8.1 %



Growth of Economy

95.1 %

50.8 %



Export  
Import

11.7 %

17.3 %



Industry  
Manufacturing

5.8 %



Services

1.8 %



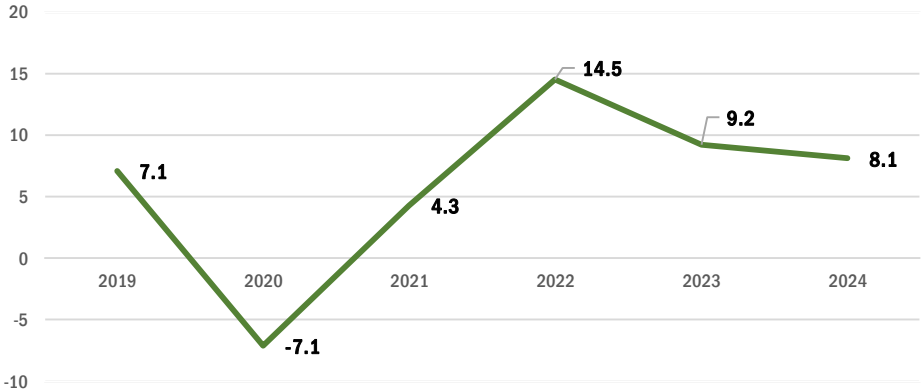
Agriculture  
JAN-SEP

15.5 %

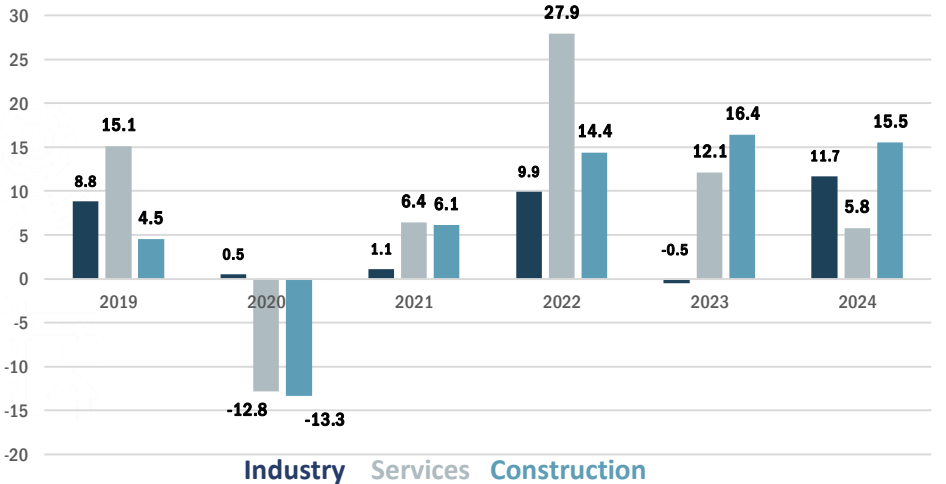


Construction

Economic growth rate, %



Sectoral growth of the economy, %



# Key Economic Indicators

Figure 1. Indicator of economic activity  
Jan-Mar 2024, cumulative

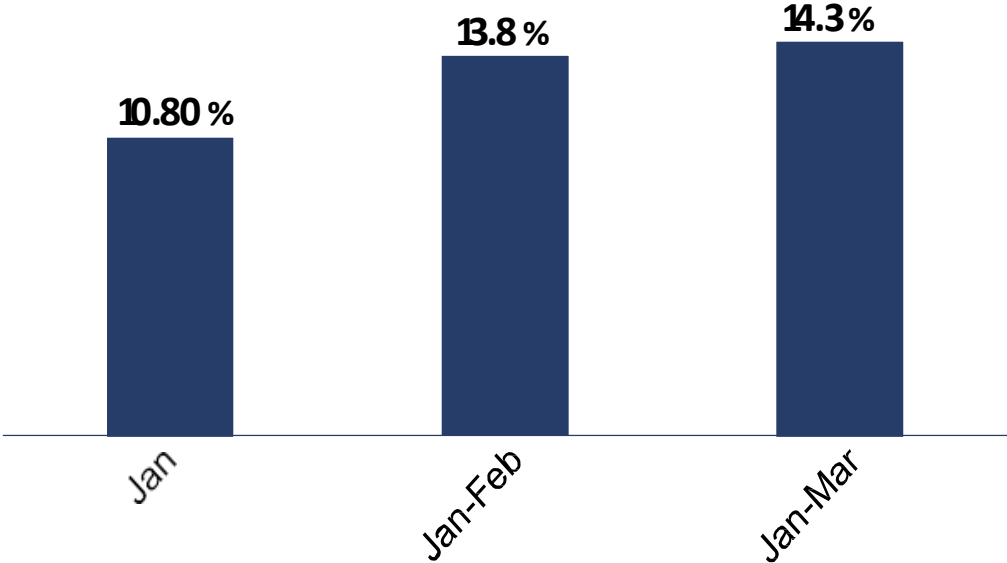


Figure 2. Growth by sectors  
Jan-Mar 2024 com. to the same period previous year



- **Economic activity indicator (EAI)** has been steadily increasing in the first quarter of 2024. The EAI growth for January-March of 2024 amounted to 14.3% when compared to the same period last year. **Gross Domestic Product (GDP)** in January-March 2024 amounted to 4.99 million. AMD, growing by 9.2%. The GDP per Capita amounted to 1,621 USD, growing by 6.0%.
- **Industry:** The volume of industrial production in January-March 2024 amounted to \$1.833 billion USD., increasing by 30.4 % compared to the same period last year. The main product that positively contributed its growth is the manufacturing industry (+47.6%). The industry's growth was negatively affected by the mining industry (- 4.6 %).
- **Construction:** The construction output in January-March 2024 amounted to \$182.85 million USD, increasing by 11.7 % compared to the same period last year. The main financial source contributing to the growth in construction is humanitarian aid funds (+33.3%).
- **Trade:** The volume of internal trade turnover in January-March 2024 amounted to 3.22 billion USD, increasing by 26.5 % compared to the same period last year.
- **Services:** The volume of services turnover in January-March 2024 amounted to 1.94 billion USD., increasing by 5 % compared to the same period last year. The main subsectors contributing to services turnover growth for are: financial and insurance activities (+19,5 %), and professional, scientific and technical activities (+13.5). Services' growth was negatively affected by the transporting and storage sector (-17.1%).

- **Bank Financing Dominance**

Bank loans are the most common method of financing for businesses, with MSME loans making up only 63% of total business loans in Armenia.

- **Financing Gap**

The gap between financing demand and supply is significant, with actual financing in 2022 meeting only 69% of demand, which equates to around 635 billion AMD.

- **High-Interest Rates & Collateral Requirements**

High interest rates and stringent collateral requirements are major barriers, reflecting high operational costs and perceived risks by banks.

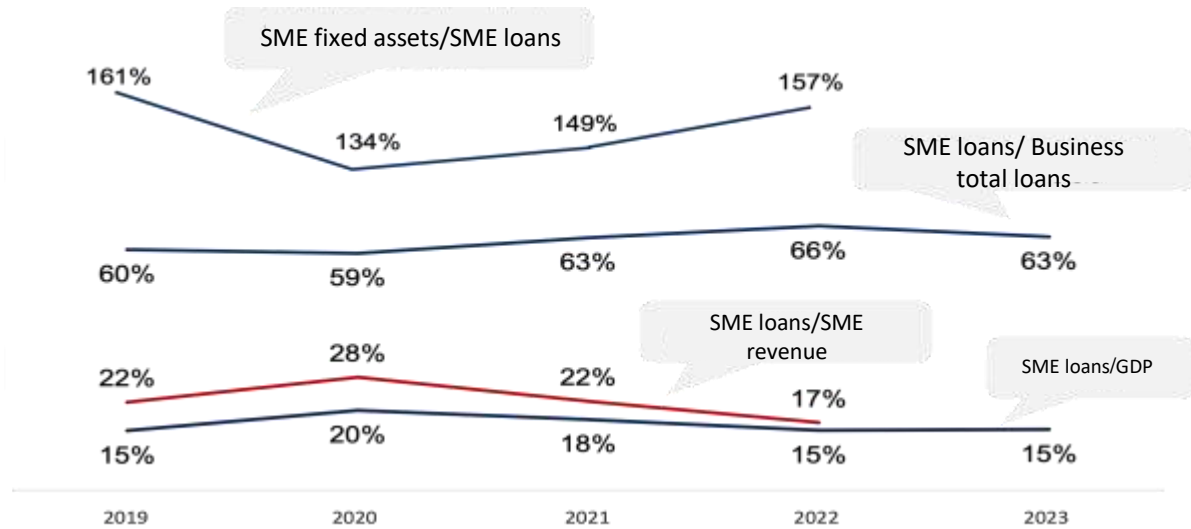
- **Real Estate as Primary Collateral**

Due to limited access to alternative forms of collateral, real estate remains the main asset pledged for business loans.

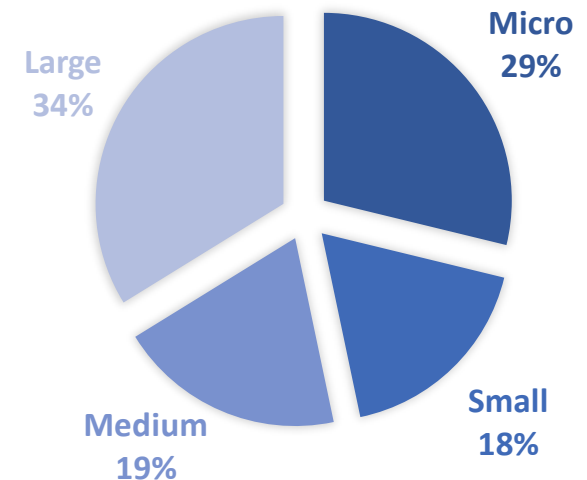
- **Limited Non-Bank Financing**

Non-bank financing options, such as leasing, venture capital, and angel investment, are underdeveloped despite recent positive trends and legislative changes.

## KEY INDICATORS OF ACCESS TO SME FINANCE, 2019-2023



## STRUCTURE OF GROSS VALUE ADDED BY SIZE OF ECONOMIC ENTITIES, 2022, %



## Policy and Strategic Responses



### Entrepreneurship Strategy and Action Plan

A new strategic document is currently being developed

### Vision and Goals

- **Productivity:** Focus on enhancing productivity across sectors to drive economic growth.
- **Innovation:** Foster innovation as a key driver for economic development and competitiveness.
- **Inclusive Development:** Ensure economic growth benefits all segments of society, promoting equity and inclusivity.
- **Green Development:** Prioritize environmentally sustainable growth through green initiatives and practices.
- **Resilience:** Build a resilient economy capable of adapting to challenges and ensuring long-term stability.



### STATE SUPPORT PROGRAMS

#### Goals

- **Production capacity modernization measure**  
Modernize the production capacity and increase the productivity of the organization,
- **An event to attract highly qualified professionals**  
Increase the productivity of entrepreneur by helping to attract highly qualified professionals
- **Digitalization of business processes**
- **Legislative reform**  
Enhancing the access of SMEs to financing, aiming to strengthen the economy by improving the legal and institutional frameworks that support business growth.
- **State Support Programme for Issuance and Rating**  
The State Support Programme for Issuance and Rating (hereinafter also referred to as “the Programme”) shall be aimed at giving fresh charge to the capital market of the Republic of Armenia and the financing flows to the real sector of the economy.
- **Pilot program for the development of women entrepreneurs in the regions**  
Development of business management skills
- **Green taxonomy**  
Aim to be approved by the end of the year