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ARMENIA'S TRADE BALANCE, 2010–2024: GOODS AND SERVICES DECOMPOSITION

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Abstract: This paper analyzes the dynamics of Armenia's trade balance over 2010–2024 with a focus on the structural gap in trade in goods and the growing compensating role of services. Using official statistics, the study documents a persistently negative goods balance, with the deficit widening in absolute terms during the post-2022 scale-up of trade flows. At the same time, the balance of trade in services shifts from a moderate deficit in the early 2010s to a large surplus after 2022, partially offsetting the goods deficit. A benchmark comparison with selected small open economies shows that persistent external deficits are common, while Armenia's balance improves markedly by 2023. The findings highlight a dual external structure: goods deficit and services surplus.

Keywords: Armenia, trade balance, goods trade deficit, services exports, external balance, small open economy, export structure.

JEL codes: F14, F32, F41

Research aims: To document and interpret Armenia's trade balance dynamics in 2010–2024 by examining goods and services balances and benchmarking Armenia's external position against selected small open economies.

Research novelty: The paper provides an updated 2010–2024 decomposition of Armenia's external balance, quantifies the services surplus as a compensating channel after 2022, and benchmarks the shift against peer small open economies.

Introduction

Armenia's trade balance is a key indicator of external sustainability in a small open economy with high import dependence and limited diversification of merchandise exports. The period 2010–2024 is especially informative because it combines long-run persistence of a goods deficit with a sharp scaling-up of trade flows in 2022–2024 and a visible strengthening of the services sector as a source of external earnings.

This study examines two questions. First, how persistent is Armenia's goods trade deficit in absolute terms and relative to GDP? Second, to what extent has the services balance become a compensating channel, and how does Armenia compare with selected small open economies using an international indicator of external balance on goods and services? The analysis uses official statistical series on exports, imports, and balances, complemented by a brief structural view of service exports and a cross-country benchmark. The paper aims to provide a compact, evidence-based interpretation of recent trade patterns and their implications for Armenia's external position.

Literature Review

The trade balance of small open economies is shaped by external adjustment mechanisms, structural import dependence, and institutional constraints affecting trade costs and export capacity. Lane and Milesi-Ferretti (2002) link external wealth, the real exchange rate, and the trade balance, implying that persistent imbalances often reflect structural conditions rather than temporary shocks. Jensen and Tarr (2012) emphasize that trade facilitation, services liberalization, and standards can strengthen Armenia's export capacity, while Tarr (2016) notes that integration outcomes depend on implementation quality and non-tariff barriers. Armenia-focused work by Tavadyan and Tavadyan (2023) highlights that export performance under uncertainty may be difficult to interpret using conventional readings, which is relevant for assessing Armenia's post-2022 scaling-up of trade flows. Recent diagnostics also frame external-sector vulnerability and resilience as core concerns for Armenia's development agenda (Fanyan et al., 2024; International Monetary Fund, 2025).

Results and Analysis

The data for 2010–2024 reveal a stable pattern in Armenia's external trade. The balance of trade in goods remains persistently negative throughout the entire period, which indicates a structural gap between imports and exports. Figure 1 illustrates this clearly and also shows that the deficit is not constant: it fluctuates within a wide corridor, approximately from USD 1.5 to 4.2 billion.

Such amplitude implies that the external position is sensitive to shocks and changes in domestic demand, while the underlying deficit remains unchanged.

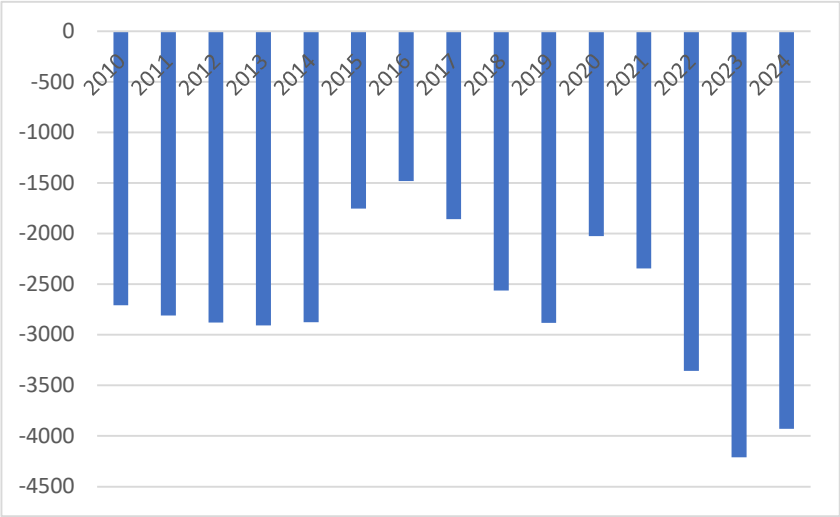


Figure 1. Goods Trade Balance of Armenia, 2010–2024 (million US dollars)

Source: *Author's own work.*

In 2010–2014 the goods deficit stayed consistently high at about USD 2.7–2.9 billion per year. This suggests that the economy entered the decade with a strong and stable import dependence, and exports were not sufficient to narrow the gap. In 2015–2016 the deficit narrowed to roughly USD 1.5–1.8 billion, which may be interpreted as a temporary improvement associated with lower imports and weaker domestic absorption. However, this improvement did not become a new trend. In 2017–2019 the deficit widened again to around USD 2.6–2.9 billion, which indicates that the structural determinants of the imbalance were preserved. In

2020–2021, despite pandemic-related disruptions and temporary changes in trade volumes, the deficit remained large at around USD 2.0–2.3 billion. This supports the conclusion that Armenia's goods deficit is not only cyclical, but structural.

A distinct shift occurs after 2022, not in the sign of the balance, but in the scale of trade flows. Figure 1 shows that in 2023 the goods trade deficit reached the maximum value for the entire period, about USD 4.2 billion, while in 2024 it decreased only slightly to around USD 3.9 billion. Therefore, the post-2022 expansion of external trade did not eliminate the imbalance. On the contrary, it amplified the absolute size of trade flows while keeping the deficit in place.

To evaluate the macroeconomic weight of the deficit, Table 1 presents the goods trade balance as a percentage of GDP. In 2010 the deficit was about –29.2% of GDP, which reflects a very heavy burden relative to the economy's size.

Table 1. Goods Trade Deficit, % of GDP (Armenia)
Source: *Author's own work.*

Year	Trade balance, % of GDP
2010	–29,2
2015	–16,6
2016	–14,1
2020	–16,0
2022	–17,2
2023	–17,5
2024	–15,2

In 2015–2016 the ratio declined to around –14% to –17%, and in 2022–2024 it remained around –15% to –18%. This pattern suggests that the deficit remains substantial, but its relative scale is less extreme than in the early 2010s, which is consistent with the growth of nominal GDP and the broader expansion of economic activity. At the same time, a lower ratio should not be interpreted as a resolution of the problem, since the nominal deficit remains large and persistent.

Figure 2 explains the mechanics of the imbalance by presenting export and import dynamics. Imports exceed exports in every year, and this is the direct source of the chronic goods deficit. In 2010–2014 exports grew from roughly USD 1.0 to 1.5 billion, while imports increased from about USD 3.7 to 4.4 billion.

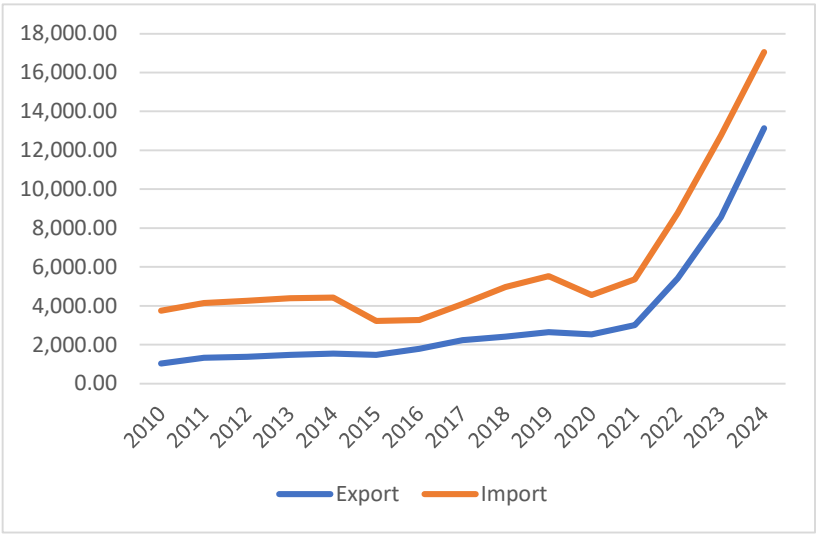


Figure 2. Armenia: Exports and Imports of Goods, 2010–2024 (million US dollars)

Source: *Author's own work.*

This implies low export coverage and a strong dependence on imported goods. In 2015–2016 imports fell to around USD 3.2–3.3 billion while exports stayed near USD 1.5–1.8 billion, which explains the temporary narrowing of the deficit. From 2017–2019 exports increased to around USD 2.4–2.6 billion, but imports grew faster and reached approximately USD 5.0–5.5 billion, leading to a renewed widening of the deficit. In 2020 trade volumes declined, followed by recovery in 2021, yet the import–export gap remained.

The most pronounced change is observed in 2022–2024. Exports increased to about USD 5.4 billion in 2022, USD 8.6 billion in 2023, and over USD 13.1 billion in 2024, while imports grew to about USD 8.8 billion, USD 12.8 billion, and USD 17.1 billion respectively. A simple descriptive indicator derived from these values is the export-to-import coverage ratio. It rises from approximately 61% in 2022 to around 67% in 2023 and to about 77% in 2024.

This improvement indicates stronger export growth compared to earlier periods, yet it remains insufficient for closing the gap, since imports continue to outpace exports and the goods balance stays negative.

A different picture emerges in the services sector. Figure 3 shows that in 2010–2015 the services balance was moderately negative, improving from about –260 million to around –100 million. From 2016 onward the balance moves toward zero and becomes positive in 2016–2017, then fluctuates close to balance in 2018–2019. Even during 2020–2021 the services balance remains positive at about USD 0.1–0.4 billion.

The key shift occurs after 2022, when the services surplus increases sharply to around USD 1.7–2.1 billion in 2022–2023 and stays high at about USD 1.5 billion in 2024. This indicates that services trade became a major stabilizing channel in Armenia's external accounts.

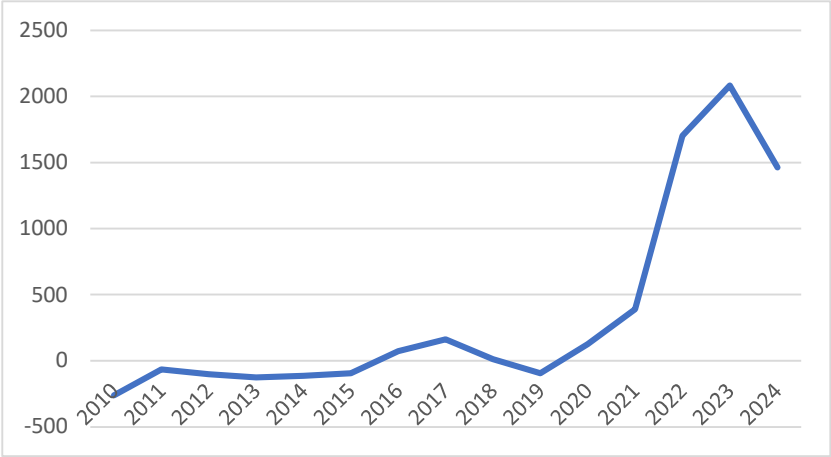


Figure 3. Armenia: Balance of Trade in Services, 2010–2024 (million US dollars)

Source: *Author's own work.*

To assess the compensating role of services more directly, it is informative to compare the services surplus with the goods deficit. In 2023, the services surplus of about USD 2.1 billion offsets roughly half of the goods deficit of about USD 4.2 billion. In 2024, the offset is lower but still substantial, around 38% (USD 1.5 billion against a goods deficit of about USD 3.9 billion). Therefore, services do not eliminate the imbalance in merchandise trade, but they materially reduce the overall external gap, which is important for interpreting Armenia's external sustainability.

The structure of service exports helps explain why services became more significant. Table 2 shows that in 2023 tourism (travel) accounted for about 52.9% of commercial services exports, IT and telecommunications for 19.1%, and transport services for 15.9%. Together, these categories exceed 90% of service export revenues.

Table 2. Structure of Services Exports, 2023 (Armenia)

Service category	Share of services exports, %
Tourism (travel)	52.9*
IT and telecommunications	19.1
Transport services	15.9
Other commercial services	≈12.1**

This concentration suggests that the services surplus is supported by a narrow set of activities, which creates both strength and vulnerability. The strength is clear, since these activities generate sizeable external earnings; the vulnerability is that the sustainability of the surplus depends on the stability of demand for these specific service categories.

Figure 4 provides an international benchmark using the World Bank indicator "external balance on goods and services, % of GDP" for 2019 and 2023. Armenia's balance improves from –13.41% of GDP in 2019 to –0.81% in 2023, approaching a near-balanced position. Georgia improves only slightly (from –9.20% to –8.62%), Jordan remains almost unchanged (from –13.02% to –13.31%), Moldova stays deeply negative (from –25.25% to –23.77%), and

Serbia improves from –9.66% to –4.34%. In contrast, the Kyrgyz Republic shows a sharp deterioration from –27.48% to –58.60%.

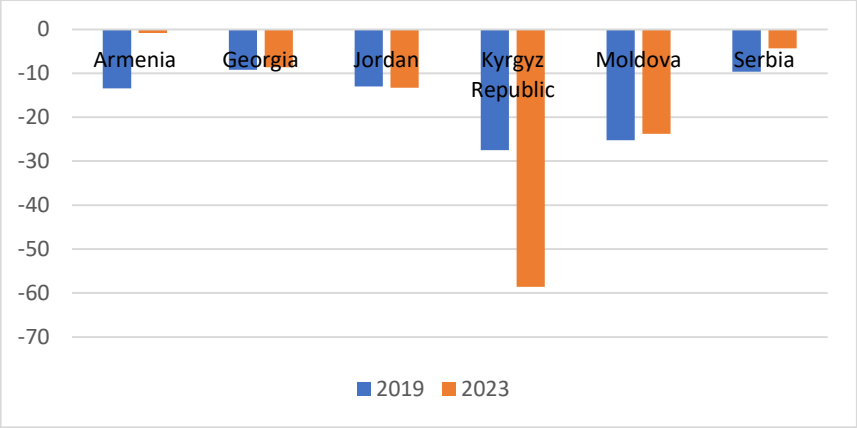


Figure 4. External Balance on Goods and Services, % of GDP: Armenia and Selected Small Open Economies, 2019 and 2023
Source: *Author's own work.*

This benchmark indicates that external deficits are common among small open economies, while Armenia's recent improvement is comparatively strong. In this context, the decomposition into a persistent goods deficit and a rising services surplus becomes central for interpreting Armenia's external trade position.

Overall, the results support a clear conclusion. Armenia's goods trade deficit remains persistent and reflects long-term structural import dependence, while the services sector became a significant compensating channel after 2022. The economy therefore displays a dual external trade structure: a deficit in goods and a surplus in services. The sustainability of the observed improvement depends on whether the services surplus remains stable and whether

Armenia can gradually reduce the goods deficit through diversification and expansion of export capacity.

Conclusion

The evidence for 2010–2024 confirms a persistent structural deficit in Armenia's trade in goods, reflecting long-term import dependence. The post-2022 period is marked by a sharp increase in the scale of trade flows, yet the goods balance remains negative in absolute terms, and the deficit continues to represent a meaningful external imbalance even when expressed relative to GDP.

At the same time, the services sector shows a clear improvement. The services balance shifts from a moderate deficit in the early 2010s to a sizable surplus after 2022, partially offsetting the chronic goods deficit. In recent years, the services surplus covers a substantial share of the goods deficit, indicating that services have become an important stabilizing channel in Armenia's external position.

However, the export structure of services remains concentrated, which implies sensitivity to shocks affecting key categories such as tourism, IT and telecommunications, and transport. Overall, Armenia's external trade position is best described as a dual structure: a persistent goods deficit combined with an increasingly important services surplus.

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ՀԱՅԱՍՏԱՆԻ ԱՌԵՎՏՐԱՅԻՆ ՀԱՇՎԵԿՇԻՌԸ՝ 2010–2024 ԹԹ. ԱՊՐԱՆՔՆԵՐԻ ԵՎ ԾԱՌԱՅՈՒԹՅՈՒՆՆԵՐԻ ԿԱՌՈՒՑՎԱԾՔԱՅԻՆ ՎԵՐԼՈՒԾՈՒԹՅՈՒՆ

Մարիա Աբազյան
Ռուս-հայկական համալսարան
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Բանալի բառեր – Հայաստան, առեւտրային հաշվեկշիռ, ապրանքների առեւտրի դեֆիցիտ, ծառայությունների արտահանում, արտաքին հաշվեկշիռ, փոքր բաց տնտեսություն, արտահանման կառուցվածք:

Սույն հոդվածում վերլուծվում է Հայաստանի առեւտրային հաշվեկշռի դինամիկան 2010–2024 թվականներին՝ կենտրո-

նանալով ապրանքների առեւտրում առկա կառուցվածքային բացի եւ ծառայությունների աճող փոխհատուցող դերի վրա: Օգտագործելով պաշտոնական վիճակագրական տվյալներ՝ հետազոտությունը ցույց է տալիս, որ ապրանքների հաշվեկշիռը ամբողջ ժամանակահատվածում կայուն կերպով բացասական է, իսկ 2022-ից հետո արտաքին հոսքերի մասշտաբային ընդլայնման պայմաններում դեֆիցիտը մեծանում է բացարձակ արտահայտությամբ:

Միաժամանակ ծառայությունների առեւտրի հաշվեկշիռը 2010-ականների սկզբի չափավոր դեֆիցիտից անցնում է զգալի պրոֆիցիտի՝ 2022-ից հետո, որը մասամբ փոխհատուցում է ապրանքների դեֆիցիտը: Ընտրված փոքր բաց տնտեսությունների հետ համեմատական գնահատումը ցույց է տալիս, որ կայուն արտաքին դեֆիցիտները տարածված են, մինչդեռ Հայաստանի ընդհանուր արտաքին հաշվեկշիռը 2023 թվականին զգալիորեն բարելավվում է:

Ստացված արդյունքները բնութագրում են արտաքին առեւտրի երկակի կառուցվածք՝ ապրանքների դեֆիցիտ եւ ծառայությունների պրոֆիցիտ:

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