

Financial System of Armenia. Development, Regulation, Supervision 2016

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Introduction

Development trends in Armenia's financial system were stable in 2016: the key balance sheet indicators grew considerably, and the indicators of financial stability improved. The asset-to-GDP ratio, an indicator of financial intermediation, grew by 12.3 percentage points to 89.1%, while the loan-to-GDP ratio increased by 6.6 percentage points to 50.0%.

In an environment of low inflation, the Central Bank gradually lowered the refinancing rate by a total of 2.5% over the course of the year, the impact of which was respectively transferred onto the government bonds market - where yields fell, as well as financing of the economy by the financial market - in terms of lower lending interest rates. Capital replenishments, driven by the decision to increase the total capital ratio for banks, helped to strengthen bank stability. In the banking system - the largest player in the financial system - loans and deposits grew, and profitability was achieved. With higher lending, the share of non-performing loans, which characterize credit risk, fell.

Aggregate indicators of insurance companies (assets, liabilities, capital, and others) grew on a stable pattern. Pension funds doubled in the course of 2016, as a result of higher confidence in a now well-established system and effective management of resources.

In the area of financial system regulation and supervision, the Central Bank of RA continued efforts aimed at achieving more effective regulation and supervision of financial institutions. In view of the importance attached to protecting consumer rights in the financial system, the Central Bank implemented a number of measures to improve the financial literacy of various target groups in society, as well as to regulate and supervise the conduct of financial institutions.

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