1. Main Economic Indicators in 90-ies.

Since early 90-ies Armenia has adopted economic reform policy aiming at formation of liberal economic interrelations. Statistical records describing this process during the recent 10 years or so enable qualifying the quantitative changes taken place in the period. The main social and economic data series for the recent ten years come, to disclose, to some extent, the social and economic trends inherent to the period, and, based on such series, to enable development of basic indicators of the economy pertaining to the current phase of the transition period.

The composition of factors used in this Report has no intention to be qualified as complete. Those selected from among multi-factor environment are only statistically recorded, and this analysis does not assume a status of a document completely reflecting the truth in the last instance. The Report contains also certain analytical conclusions, which are not within the statutory authorities of the state statistics however they have been included as additional information on experience gained in foreign countries.

The analytical conclusions presented have basically been constructed on the official statistical data reflecting years 1991-1999. The changes taken place in Armenia in the period between 1991 and 1999 have resulted in development of the following social and economic indicators, i.e. the economy of Armenia is characterized by:
1.1. contracted markets with insignificant values;
1.2. quarterly arrhythmias and explicit seasonality;
1.3. high import propensity;
1.4. excess of consumption over the produced new value;
1.5. severe polarization of the population by incomes and expenditures;
1.6. high degree of polarization of the regional markets;
1.7. high degree of manageability of banking aggregates and changes in liquidity and structure of financial markets;
1.8. embryonic stage of development of a unified payment system;
1.9. volatile behavior of GDP tax component;
1.10. complexities in formation of law-obedience culture and presence of hidden economy;
1.11. migration of population and instability of jobs in the labor market.

1.1. Contracted Markets with Insignificant Values

Drastic contraction of the market took place during 1991-1994. Thus, the 1994 GDP, compared to 1990, has shrunk by 50.6% (36% has been the indicator for 1999-1990). The most significant decline in GDP was recorded in 1992 (42 percentage points), which has exceeded the relevant CIS indicator for more than 6 times.

It should be mentioned that nominal incomes of population in 1994 (compared to 1990) have increased 136.7 times, while the consumer prices rose 2211.1 times. As a consequence, 16.2 times decline in purchasing power (or solvent demand) has taken place. The comparison of 1999 data with that of 1994 revealed that the increase in nominal pecuniary incomes of the population (7.3 times) has been 1.8 times of the increase in prices (4 times). As a result, the decline in purchasing power has been even more than 9 times (curtailed more than 9 times). Basically, it is this factor that hampers the process of so-called initial capital accumulation and contributes to mass poverty in the country. Irrespective of the fact that the growth rate in this area has displayed positive trends if

perceived in the context of international standards, its potential may not translate "the quantity into quality" within such a limited period of time, given scarce basis of the values involved.

According to the estimates of the CIS Inter-state Statistical Committee[1], the economy of Armenia is now in best case at the level of 70-ies:

1999 GDP	At the level of 1997
Industrial production	At the level of 1973
Gross agricultural produce	At the level of 1976
Transportation (except pipe-line transport)	At the level of 1953
Residential stock in use	At the level of 1946
Retail turnover	At the level of 1973

According to the same source, in 1999 the above-mentioned indicators acquired the following percentage relation as to the highest levels in the preceding years:

GDP	60 (to 1989)
Industrial production	41 (to 1987)
Gross agricultural produce	78 (to 1986)
Transportation (except pipe-line transport)	3 (to 1987)
Residential stock in use	10 (to 1991)
Retail turnover	40 (to 1990)

1.2. Quarterly Arrhythmias and Explicit Seasonality

The quarterly arrhythmias despite the smoothing out trends displayed during the recent year, still remains within a range of "substantial". Thus, current account deficit to GDP ratio in the Balance of Payments in 1999 was 16.6% (21.3% in 1998), while in the first quarter this indicator was 23.3% (34.2% in 1998), compared to 11.4% in the third quarter (16.3% in 1998). Essentially, the arrhythmias ratio in the said quarters totaled 2.04 (for comparison, 2.1 in 1998, and 5.6 in 1997). However, even given the recorded data, the mentioned indicator still represents a significant value per se.

Disproportions in revenues and, consequently, expenditures of the state budget also come to illustrate the existing arrhythmias in the economy, including seasonality factor. To this end, expenditures of the first quarter of 1999 reflected 16.2% of annual public spending with 28.0% in the fourth quarter, while the state budget revenues were recorded at 18.3% and 33.2% in the respective periods. (In 1996-1998 expenditures of the first quarters reflected 12-15% and in the fourth quarters 31-39% of total spending; while revenues were 13-21% and 31-42%, respectively of total revenues and official transfers).

GDP quarter-to-quarter indicators in 1996-1999 (in 1996 average prices) in average acquired disproportionate growth rates, i.e. 39.0% in the first, 160.5% in the second, 167.7% in the third, and 99,4% in the fourth quarter.

The share of agriculture in GDP in 90-ies also acquired a disproportionate growth rate. In 1990 it was 17,2%, in 1994 43.3%, in 1999 26,2%. In the branch structure of GDP, the agricultural sector had the largest share in 1999, and exceeded the growth rate of industry

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[1] Statistical Bulletin. "CIS Statistics", N2, 2000.

by 5.2 percentage points, thus at large preconditioning the seasonality propensity of the whole economy.

The data obtained when carrying out employment survey come to display an increase in rate of employment in May-October season, and that is true not only for agriculture, but also for other sectors, including construction, commerce, hotel and public catering businesses, and, in addition, in processing industry.

1.3. High Import Propensity

Though in 1999 a decline of 1.4 percentage points of an openness ratio of the Armenian economy was recorded, however, it is still tangibly high, that is 70.4%, which comes to evidence heavy dependence of the country's economy upon external world. Nonetheless, it does not describe a degree of integration of the domestic economy with the world markets, moreover, low export and high import inclination curves may keep the behavior of the economy of Armenia within significant dependence upon the behavior of external markets.

The dynamics of the above-mentioned indicators are presented below (in percent):

	1993	1994	1995	1996	1997	1998	1999
Openness ratio	95.0	103.1	79.7	78.6	79.5	71.8	70.4
Average export propensity	35.2	35.6	23.3	23.0	20.5	19.0	20.7
Average import propensity	59.8	67.5	56.4	55.6	59.0	52.8	49.7

The import propensity indicator, despite the slowdown trends acquired, is still at rather a high level and in 1999 it comprised approximately half of GDP. In 1999 the economy was qualified as net borrower from the external market. Net borrowing in 1999 totaled USD 294,4 million, which, compared to 1998, has shrunk by a quarter, or USD 98,6 million. Despite the above-mentioned factor, in 1999 the liabilities of Armenia towards the external world continued to grow. Net investment position[2] of Armenia at the end-1999 totaled USD 1176.3 million, USD 267.4 million increase from end 1998. To this end, the assets of Armenia towards the external world diminished by USD 11.1 million totaling USD 427.5 as of the end of year, with liabilities having increased by USD 278.5 million totaling USD 1603.8 million.

Presented below are the main indicators of net international investment position of Armenia as at end 1997-1999:

In million USD

	Investment position, end-1997	Investment position, end-1998	Investment position, end-1999
Net Investment Position	-563.4	-908.9	-1176.3
Assets	382.3	485.4	427.5
Direct investments	0.0	0.0	0.0
Portfolio investments	0.6	0.2	0.1
Other investments	141.8	124.1	122.8
Reserve assets	239.8	292.1	304.6
Liabilities	945.6	1325.3	1603.8
Direct investments	103.4	312.7	421.4
Portfolio investments	21.2	3.4	4.5
Other investments	821.0	1009.2	1178.0

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[2] International investment position of Armenia was first time compiled in 1998 reflecting end-year stance, and the actual works were performed in October 1999.

1.4. Excess of Consumption over the Produced New Value

As a consequence of devastating economic collapse in 1991-1994, the economy of Armenia has acquired properties of an exhausted economy. To this end, economic consumption in Armenia outran the volume of production and services 10.6% in 1993, 5.8% in 1994, 17.5% in 1995, 11.7% in 1996, 13.2% in 1997, 11.7% in 1998, and 6.4% in 1999.

It should be noted that the excess of consumption has been very significant at the household level. Thus, while, in real income terms, decline in purchasing power of the population in 1998 to 1990 was more than 10 fold, the expenditures incurred by households for consumption in the same period has curtailed only by 18.2%, which comes to witness "over-exhaustion" of household savings, their inclination to barter activities, as well as increase of the degree of their dependence upon official and private transfers. In particular, according to the study of agricultural farms, the share of salable goods in total agricultural produce was only 45%, which is an explicit indicator for existence of extensive barter economy, which, in turn, is preconditioned, especially in agricultural sector, not only by under-development of market infrastructures for agricultural produce, but also by extremely small size of agricultural farms. To this end, according to findings of the "Statistical Survey of Agricultural Farms" carried out under the support of UN Development Program, lands of around 320 thousand agricultural farms operating in the country in 1997 have, in average, plots of 1.36 hectares each.

1.5. Severe Polarization of the Population by Incomes and Expenditures

Findings of integrated household survey carried out in 1998-1999 witness that main source of incomes of population is not a contractual work, nor it is a property. The table below describes the structure of current pecuniary incomes of population by sources:

in percent

Sources of income	
Total income in money terms, of which	100
Contractual works	24.6
Self-employment	10.6
Sales of agricultural produce and animals	32.1
Property (rentals, interest, dividends)	0.1
Official benefits and pensions	9.3
Transfers, of which	19.3
Assistance from relatives (in Armenia)	6.0
Assistance from relatives (from abroad)	12.8
Other incomes	4.0

The structure of expenditures comes to evidence very low living standards of the population. A proof is the very high degree of expenditures on food and very low degree of expenditures for services, as well as substantial expenditures on tobacco and scarce spending on food outside homes. The table below describes the structure of expenditures of population by categories:

in percent

Total expenditure in money terms, of which	100
Food, of which	67.0
Food outside homes	1.2
Alcoholic beverages	1.4
Tobacco	6.4
Non-food items	12.8
Services	12.4

The structure of money expenditures of most vulnerable groups in decile groups is more than merely tense, because some 77% of such spending is incurred on food, while the share of expenditures for services is only 7% in average. According to findings of the survey, the income interrelation of the most prosperous 20% households (upper quantile group) and 20% (bottom quantile group) of the most vulnerable population is 32.2-fold, and 6.6-fold as for their expenditures. The above-mentioned finding comes to evidence high degree of polarization of the population, especially from the perspective of incomes.

Such degree of polarization among the population is an evidence of absence of a so-called "medium class" which bears not only social and economic but also political implication, because the lack of medium class is congruent to lack of "a large political buttress" for any political force in a civil society. In other words, any policies even the most realistic one, would be a priori destined to failure rather than to application. Meanwhile such a situation may not lay sufficient grounds for "systemic governance", rather, it would be conducive to tempting establishment of dubious practices of "a situational management". This analytical conclusion is not one of the competencies of state statistics, which is the reason why it is presented in a form of an addition inserted as a useful piece of information from international experience.

1.6. High Degree of Polarization of the Regional Markets

Consumption market of the 90-ies has completely tended towards the predominance of Yerevan market in contrast to other regions of Armenia. In 1998-99 the turnover of retail market in Yerevan was 2.4 times more than average indicator for the republic, while its economic activity in other marzes was basically in the range of 20-35%, except for Kotayk and Tavush marzes (around 50%). It should be mentioned that the share of markets of Yerevan city in turnover traded in markets (fairs) of consumption goods totaled 90%. Polarization tendency for Yerevan and other marzes of the republic can also be observed in the public services market. To this end, this market of services to population in Yerevan was 2.2 times of the average indicator for the republic, while economic activity of other marzes in this market total 28-35% of the average scope, except for the marzes of Gegharkunik, Kotayk, Shirak and Siunik (around 40-65%).

Dominating trends of the Yerevan services market in comparison with the other marzes of the republic sustained also during 1999 (2.3 times). Even from the perspective of the indicator for consumer price inflation, predominance of the Yerevan service market is evident, i.e. this indicator undergoes more "restrained" fluctuations than those in the rest of regional markets.

1.7. High Degree of Manageability of Banking Aggregates and Changes in Liquidity and Structure of Financial Markets

In 1999 high degree of manageability of banking market aggregates (net of PIU accounts and accrued interest) embodied in 13.6% increase of money mass. This growth was not accompanied with inflation because it was ensured by qualitative improvement of the money mass structure, that is contraction of cash in circulation (the share of cash in money mass in 1995-1999 was 59.8%, 63.7%, 53.1%, 42.6% and 38.4%, in each consecutive year of the range). Increase of the share of foreign exchange denominated deposits in money mass is an evidence of deepening of the so-called "dollarization" of the economy (20% in 1995; 33.3% in 1997, 40.6% in1998, 49.2% in 1999). The increase of money mass (including deposits) is mainly explained by tangible recovery credibility towards the banks,

and proliferation of the share of foreign exchange in money mass is apparently a consequence of change in behavior of economic agents operating in an environment of high-pitch indicator of economic openness. In other words, it is conditioned by their willingness to operate through non-cash transactions. Impetuses for such willingness may be professional concentration of participants in external trade, changes of accents from CIS markets to those in the European Union countries, etc. Despite these factors, cash transactions still have a very large share in the economy.

In 1999 a tendency of diminishing interest rates for borrowings in the financial markets was recorded, the continuation of which at the beginning of 2000 resulted in their substantial curtail. To this end, average interest rates on the credits by banking system to the economy at the end-year were 36.2% (44.4% at the beginning of the year), with 43% the refinancing rate which was 21% as of March 1 2000 (53.5% at the beginning of the year). End-year average yields on T-bills were 48.6% with 65.9% in the early-year. At the same time, net lending by banks to the economy in 1999 totaled dram 15032 million (dram 12708 million in 1998), and the balance on loans extended totaled dram 74397 million as of January 1 2000 (dram 59365 million as of January 1 1999), but their predominant share, i.e. 81.5%, were represented by foreign exchange denominated facilities (85.2% in 1998).

1.8. Embryonic Stage of Development of a Unified Payment System

Armenia found itself at the peak of payment system crisis in 1992-93 when accounting and supervision in numerous areas were paralyzed. Solutions seemed to be silhouetted in the end-1993 with introduction of national currency and optimistic expectations as to establishment of a new payment system. However, introduction of national currency had been a necessary but not a sufficient condition for establishing an accessible, straightforward, regulated payment system, which would be profitable and operational for those involved in property transactions. Absence of regulated accounting mechanisms or failure in applying them across the economy gave rise to elements of uncontrollability, and, consequently, distrust among actually all those involved in property interrelations. Accounting and supervision had transformed into complexities and even complexes not only at micro level, but also for state government system. Application of structured payment systems in a number of branches and spheres of the economy has become an objective of critical significance. It is obvious that without a regulated, comprehensive payment system banking system, energy sector, water utilities, irrigation network, fiscal operations, public expenditures, etc. will continue to stagnate in the current paralyzed condition, dragging other sectors of economic and social life into the same quagmire.

The comprehensive accounting and supervision system recently introduced in the banking and energy sector have made possible their liberation from payment crisis, even dragging behind the burden of "cheated investors", bad loans, recorded but not collected payment obligations, and so-called "over-normative losses". It is not true for other sectors, apparently, with the exception of the fiscal. General enforcement and application of contemporary technologies and technical means of accounting and supervision, and, consequently, management, continue to bear the status of "utmost priority". The complex of reciprocal and proliferated non-payments still bears "negative quality". Value of payables of large and medium companies only total USD 1 billion, which hampers establishment of internal cooperation in the economy and deepens the demarcation line between large and small economic agents.

The process of establishment of payment and accounting systems at micro level is irregular, nor it is harmonized, because their application is mostly in the interest of large economic agents with individual owners. This is preconditioned by the fact that an owner is interested in keeping large number of employees in a strictly regulated supervision framework. Because corporatization has taken place mainly by means of privatization, the presence of a large number of owners in an economic agent does not yet ensure harmonization of interests with regard to application of internal supervision systems, which pertains to under-development of an adequate culture for corporative interests and capital gains.

In the circumstances when capital, and particularly securities, secondary market has not yet been established, corporatization through privatization of large economic utilities makes realization of interests with regard to allocation of previously created values operational; however, given the absence of secondary markets, it may not result in effectiveness (harmonized liquidity) of the existing interests pertaining to newly created values (outcomes of reported activities). The latter does not contribute to improvement of accounting by large economic agents, nor it encourages establishment of amortization and other reproductive accumulation (investment) resources. In other words, it is not conducive to programming and implementing a financial management system that would directly regulate interests of executive managers and staff based on marketing management technologies. Underdevelopment of secondary market for securities does not ensure "cumulative effect" of scarce financial resources for the whole economy, which, subsequently, significantly diminishes "financial liquidity" in the real sector. As of January 1 2000, 4023 joint-stock companies were registered in the State Registry of Armenia with total nominal share value (total of statutory capitals) of dram 573.1 billion, which is a reflection of current turnover potential of secondary market for securities.

It should be mentioned also, that the turnover of shares in stock exchanges in 1999 totaled only dram 910.0 million, which represents 0.16% of total nominal value of shares. In other words, the ratio of indirect investments (liquidity of shares through stock exchange) in real sector of economy is practically insignificant.

Small and micro economic agents where the owner (the employer) and employees are effectively the same person prefer carrying out their accounting and supervision in an "informal" way (inter alia, in order to avoid creating new professional jobs requiring remuneration). At the same time, an unsolved problem is practical documentation of the goods flows. According to the findings of the random study of "Micro and Small Industrial Enterprises" carried out under the umbrella of "1997 Study on Informal Economy", information on incomes (documentation) of around 49.7% of employed is out of record.

1.9. Volatile Behavior of GDP Tax Component

In contrast to centrally planned economic structure, in a "liberal" environment the direction of primary (initial) distribution of newly created value has changed 180 degrees, with the fiscal function heading the locomotive. Approximately 10 years period is naturally a short one for cultivating fiscal culture in a society, both from the perspective of "tax collection" and that of a "tax payer".

Application of various fiscal instruments and varying degrees of their effectiveness and efficiency, inconsistent application of such instruments, uneven tax burden, formal and informal functions, existence of monopolies in a number of segments of the market and

economy, etc. are among properties of a transition period. The shares of direct and indirect taxes composing the state budget revenues in 1994-99 are presented in the Table below:

in percent of total

	1994	1995	1996	1997	1998	1999[1]
Total revenues and official transfers	100	100	100	100	100	100
o/w tax revenues and duties	73.7	59.6	70.3	81.5	77.3	83.5
o/w[3]						
Indirect taxes[2]	23.6	23.5	39.0	52.6	53.3	51.7
Direct taxes[3]	47.0	32.7	25.9	24.8	15.3	20.2

Continuously increasing behavior of indirect taxes comes to evidence the concentration of tax administration on consumption (as a comparatively stabile and accountable factor). Share of taxes in GDP, net of subsidies, comprised 8.0 percentage points in 1990, 3.1 points in 1994, 8.6 points in 1999, and decreased by 0.7 percentage points from 1998.

1.10. Complexities in Formation of Law-obedience Culture and Presence of Hidden Economy

In the environment of spontaneous and elementary realities, the enterprises have found themselves in the epicenter of transition stage, which has always been characterized not only by significant fluctuations of macroeconomic indicators of non-correlative nature, but also complexities brought forward by absence of law-obedience culture. The latter is a consequence of varying rates, sometimes even diametrically opposed, of development (transition to a new social and economic structure) of legal and legislative frameworks in various spheres of economic and social life, which, in turn, does not encourage establishment of law-obedience culture in a straightforward manner, even bearing dangerous embryos of legal nihilism.

It is the unconditioned trust towards the law that, in the society and particularly in property interrelations, inspires economically and legally participants in the process of property trading, i.e. creditors and borrowers, the state and taxpayers, owner, employers and employees, etc. The principle of equality against the law will per se mean enhancement of law building process, transition from situational towards systemic state governance, harmonized combination of formal and informal leadership, which essentially represents the "real key" for establishing democracy and civil society, and, consequently, for real growth in economy and removal of "fertile soil" for emergence of economic and political monopolies impeding such growth.

This analytical conclusion is not one of the competencies of state statistics, which is the reason why it is presented in a form of an addition inserted as a useful piece of information from international experience.

In the period when liberal economic arrangements are enrooted in the republic, certain conditions were formed during the recent years, which resulted in significant growth in the number of economic agents in private sector, and, subsequently, alterations in the coverage of economic activities by official statistics (by means of regular submission of reporting). Currently, the composition and structure of objects of statistical surveillance significantly increased as well.

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[1] Preliminary data
[2] Value added tax, excise tax and customs duties
[3] Profit tax and income tax

As of January 1 2000, 93007 economic agents and 581 condominiums were registered in the State Registry of Companies of Armenia with 53.4% of which are individual entrepreneurs and 4604 budgetary institutions. It is technically impossible to collect the respective data on these under the classical method of report submission. Even if such an arrangement were carried out, its implementation would have been very expensive and inefficient. This creates a necessity of additional accounting of indicators bearing insufficient information base. Additional assessments (accounting) of "out-of-accounting" economy in the republic were launched back in 1994. The share of "hidden" segment of the economy in GDP has been 30-40 percent.

From the perspective of enhancing the credibility of assessments of "statistically irregularly monitored" segments of the economy, as well as for appraising whatsoever undeclared and hidden data, the method of random surveys currently acquires more importance as a source of information. Assisted by international organizations, the National Statistical Service of Armenia carries out integrated random surveys in a number of sectors of the economy. Further below we present some extracts from a number of studies pertaining to hidden economy:
- according to the random survey (1997) of small enterprises (2540), 26.7% of participating enterprises refused to submit data on their incomes and expenditures;
- according to the random survey (1999) "On Employers and Self-employed", 75% of the interviewed had carried out unaccounted economic activities as of the interview or before;
- according to the results of random study (1996) of labor force with households (5000), more than 65 percent of employers and self-employed (or 13 percent of the employed population) had carried out unrecorded economic activities. In addition, 66.3% of those carrying out unaccounted economic activities are employed in commerce, 10.1% in food production, and 5% in communal and construction industries;
- according to the data obtained through random survey of "Small and Micro Enterprises" (1997) and Labor Force Survey (1997), the rate of unemployment (hidden inclusive) in the republic is twice as large as the official record. In parallel, 22 percent of the unemployed, acting as employers or self-employed were involved in income generating activities.

1.11. Migration of Population and Instability of Jobs Available in the Labor Market

Primary source of information on population is the census. The previous census in Armenia was carried out in 1989 in an extremely complicated social and economic environment. The 1988 devastating earthquake, huge inflow of refugees and forcefully deported people caused by deteriorating conflict in Karabagh, have resulted in large-scale flows in population both in and outside the republic, which could not but influence the results of the census. Additional complications were caused by flows of evacuated and skipped from the earthquake.

To this end, no information was received on more than 160 thousand people evacuated abroad thus remaining outside statistical records. Because of only this reason, the resulting number of permanent residents of the republic was less by 160 thousand people. As a consequence, the basis for January 1 1989 computation of number of permanent residents reflected the 1979 census data, i.e. 3448,6 thousand people (3287,7 thousand people according to 1989 census data).

As of January 1 2000, the number of permanent residents in Armenia increased by 5,2 thousand people and totaled 3803,4 thousand. However, because of incomplete estimations

of the migration from the country to abroad, the number of permanent residents is a lot less, which does not currently reflect real scale of migration. Given the softened passport regime and absence of adequate systems for accounting the number of migrants on border posts in the recent years, a significant number of them are not covered by statistics. In order to ensure more realistic assessment of the scale of migration, carried out was a number of surveys and studies, accompanied with studies of cargo transportation by air. According to the data by Department General of Civil Aviation of Armenia, the number of those leaving the country was in excess of those entering by 622 thousand people. In 1992-94 it was already 479,4 thousand (77,5%), which was preconditioned by collapse of the Soviet Union and disruption of economic ties, Karabagh conflict, transport blockade, deterioration of social and economic conditions of the population as a consequence of energy crisis, which has become the main impetus for emigration of the population in the recent years.

According to the data of "Migration Survey" carried out by the National Statistical Service of Armenia in 1999, the share of traveling men in total number of people leaving the country is twice as big as the number of women (64,5% and 35,5%, respectively). The number of people of working age among migrants is very large. The main reason for migration of those who already left the country and potential migrants is absence of jobs (33,8% and 26,1%, respectively), inability to earn satisfactory living (18,7% and 25,9%), absence of faith in development perspectives of Armenia (6,0% and 11,8%), family reunion (12,2% and 13,2%), unhealthy moral and psychological conditions (4,9% and 9,6%).

85% of migrants stay in CIS countries (especially Russian Federation (75%)), others reside in Germany, Greece, the Netherlands, USA, etc.

Current stage of establishment of liberal economic system is still in a transition phase. Thus, rates of inter- and intra-sector profitability have not been yet accomplished, swift and unplanned movements of capital between branches and spheres are still spread, and still existent are monopoly formation trends within branches. Conditioned with the above mentioned, availability of stabile jobs has become a priority for real sector. The seasonality factor so attributive to the Armenian economy has inferred more bitterness to the problem. Currently stabile jobs are available only in such large economic agents, which are in a position to carry out their activities on the basis business-plan framed contracts of one and more years duration, which is preconditioned by technological and marketing limitations.

The rest of real sector currently avails volatile jobs in direct dependence upon market demands and seasonality. Stabile jobs are available also outside real sector, that is, with budgetary institutions, because such jobs are created within annually approved budgets.

Such a description of labor demand has resulted in rather a huge burden with a view of socially needy (all categories of pensioners and beneficiaries of state allowances) and budgetary employees per job (especially, given the unstable financial indicators of budgetary sector, and low level of wages, i.e. dram 22771 in average per month). Thus, results of the year 1999 show that this indicator was 0.7, and, excluding employees of agricultural economies, rate of the said burden per employee in real sector was 1.3. Such a burden of public liabilities is rather "heavy" for real sector and implies a great deal of complications, in particular, conditioned by confrontation between the "real arrhythmia" in economic activity in real sector and "rhythmic necessity" to meet public demands. The latter belongs in a set of such factors that are conducive to ensuring "fertile soil" for "shadow" and "informal" economic activities, and, subsequently, for persistence of other undesirable and negative realities.

From the perspective of economic trends and behavior, the above-mentioned properties of the Armenian economy are very much interlinked, and their essential characteristics are at large intersecting each other's "medians", which makes difficult to attribute definitions to their reasons and consequences. In the current stage of transition period, each and any of the above mentioned properties might acquire the status of the "most important factor" and thus condition the behavior of the economy.