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GET German Economic Team

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POLICY BRIEFING ARMENIA

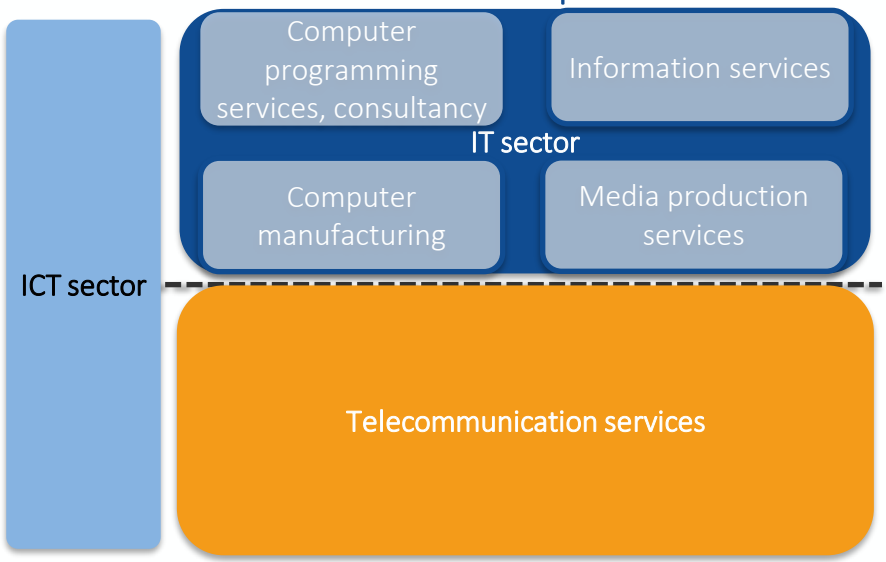
IT Sector Monitor Armenia

by Dmitry Chervyakov, Garry Poluschkin and Haykaz Fanyan

Content

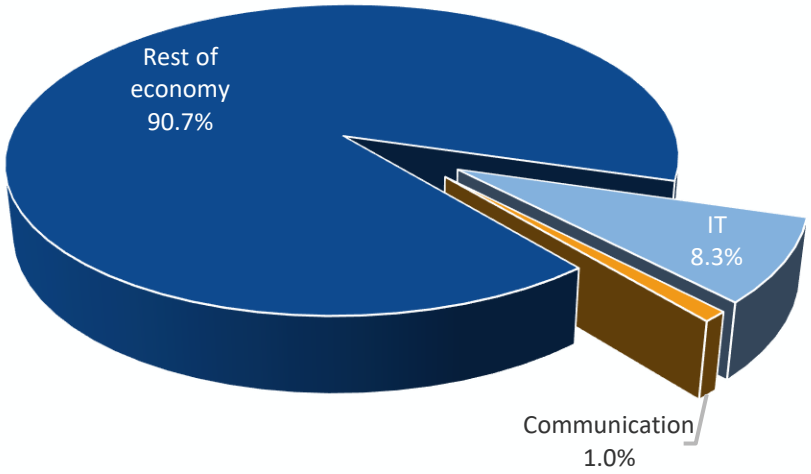
1. IT sector definition

Sector definition and components



Source: Own research and illustration

Share in gross value added (2024)



Source: Own calculations based on State Revenue Committee (SRC, 2025) and Statistical Committee of the Republic of Armenia (Armstat, 2025a)

Definition

- Usually in focus: ICT with no distinction between IT and communication
- Our focus: developments in the IT sector, where possible, without communication
- IT sector includes:
  - Computer programming, consultancy and related activities
  - Data processing and other information services
  - Computer manufacturing
  - Media production services

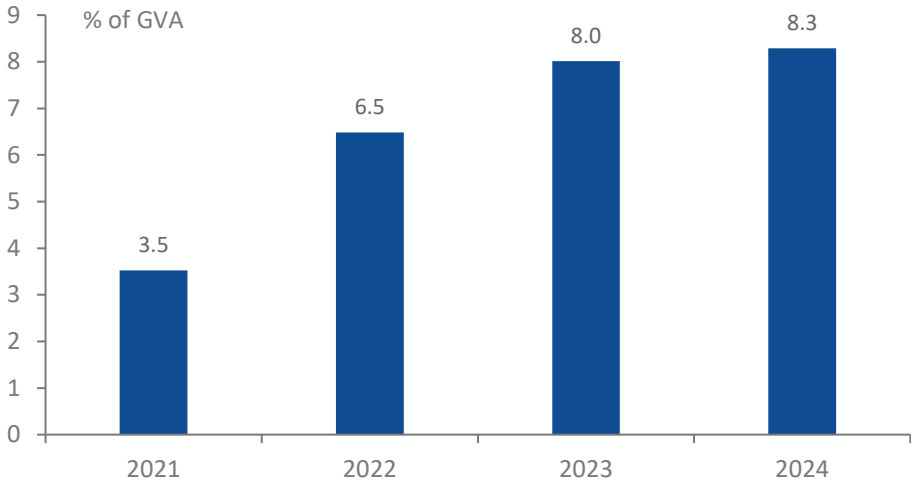
Size of the sectors

- IT sector accounted for 8.3% of GVA in 2024, while communication amounted to 1.0%
- Note: we do not assess the digitalisation level of the economy

- **IT sector plays a significant role in the total economy**
- **Analysis of the sectoral opportunities and challenges is therefore of importance**

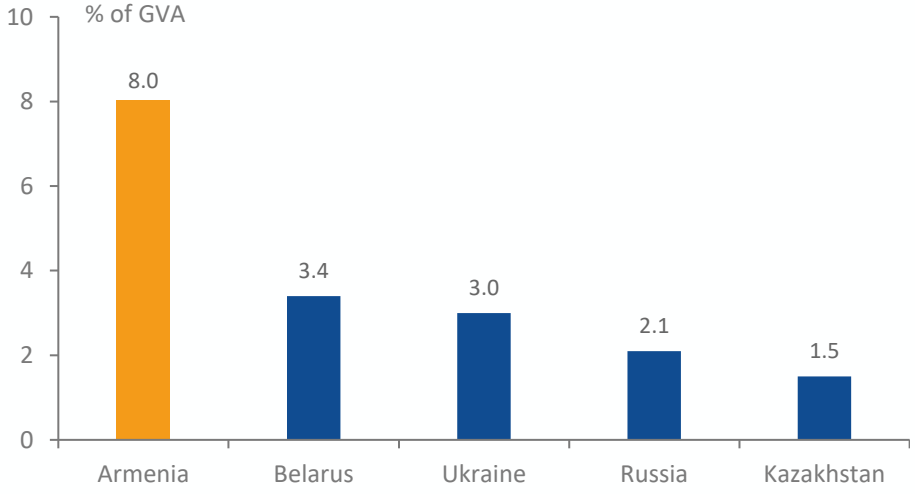
2. Contribution to GVA

Share of the IT sector in GVA



Source: Own calculations based on SRC (2025) and Armstat (2025a)

Share of GVA, international comparison (2023)



Source: Own calculations based on SRC (2025), Armstat (2025a), GET (2025) for UKR and KAZ, GET (2024) for BLR

Contribution to gross value added (GVA)

- Overall strong growth of the IT sector
  - 2024 vs 2021: GVA increased by 351%; yearly nominal average growth of 88%
- As the sector grew much faster than the total economy, its share more than doubled
  - 2021: 3.5% of GVA
  - 2024: 8.3% of GVA
- Strong growth is connected to the positive shock due to the influx of RUS IT specialists in 2022/23 (see GET study on relocation)

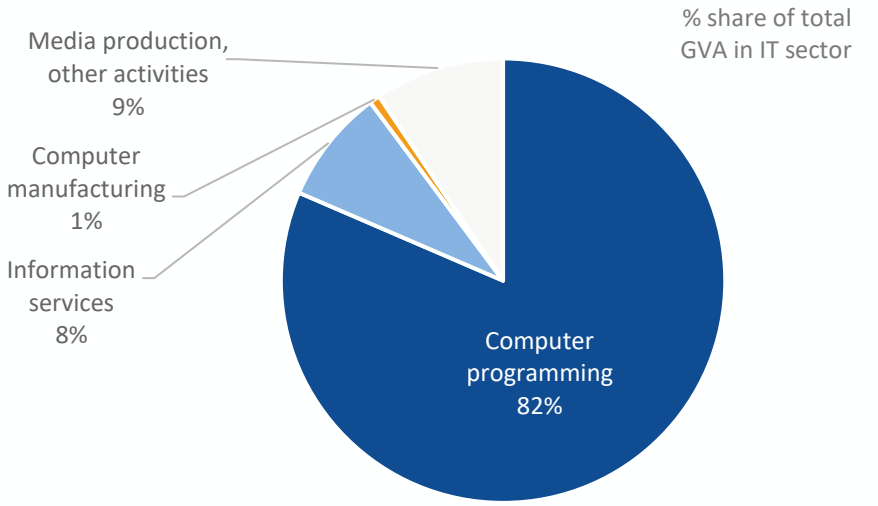
International comparison

- 2021: UKR and BLR (3.9% resp. 5.7%) used to have a larger share of GVA
- But strong dynamics bring the ARM IT sector to a leading position (by far) compared to peers in 2023

- Remarkable growth and share of the IT sector
- Share exceeds peer countries by far

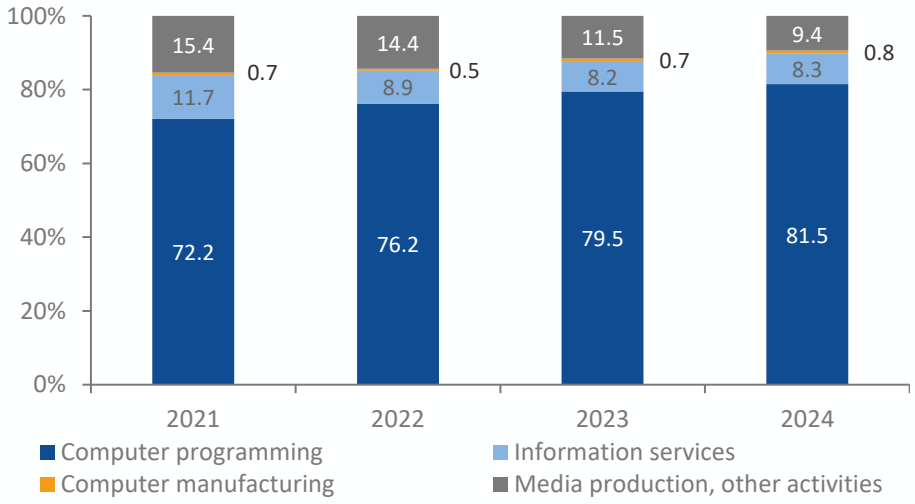
3. Distribution of activities

Distribution of activities (2024)



Source: Own calculations based on SRC (2025)

Development of the share of key activities



Source: Own calculations based on SRC (2025)

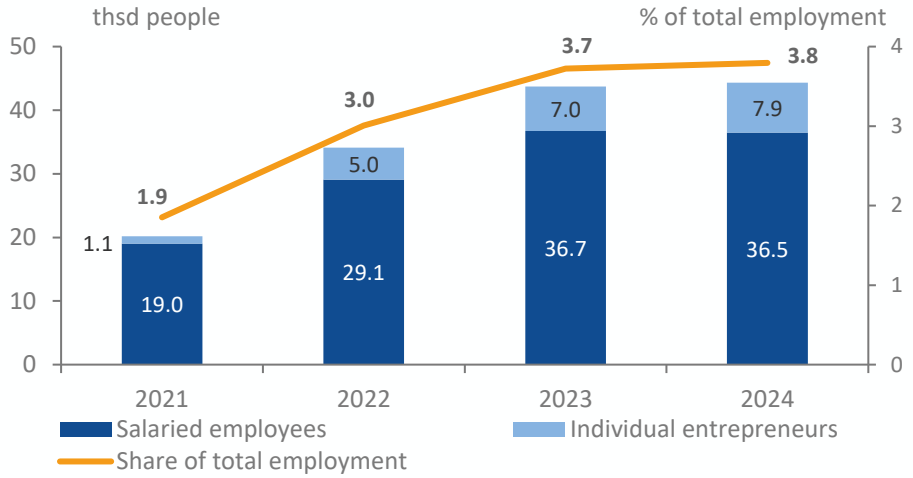
Structure of the IT sector

- Distinction between various activity types
  - Computer programming: e.g., programming, maintenance/ consultancy for software & hardware
  - Information services: e.g., data processing, web/app activities
  - Media production services: e.g., computer games publishing
- Computer programming is the main activity on the Armenien IT sector
  - 2024 vs 2021: GVA grew by 409%
  - As such: share increased from 72% (2021) to 82% (2024)
  - Growth primarily driven by influx of RUS IT specialists; also connected to rising demand for fintech and e-gov solutions
- Other activities also had remarkable growth, but their shares still declined as they were overshadowed by computer programming

➢ **Computer programming services as the main driver of IT sector growth**

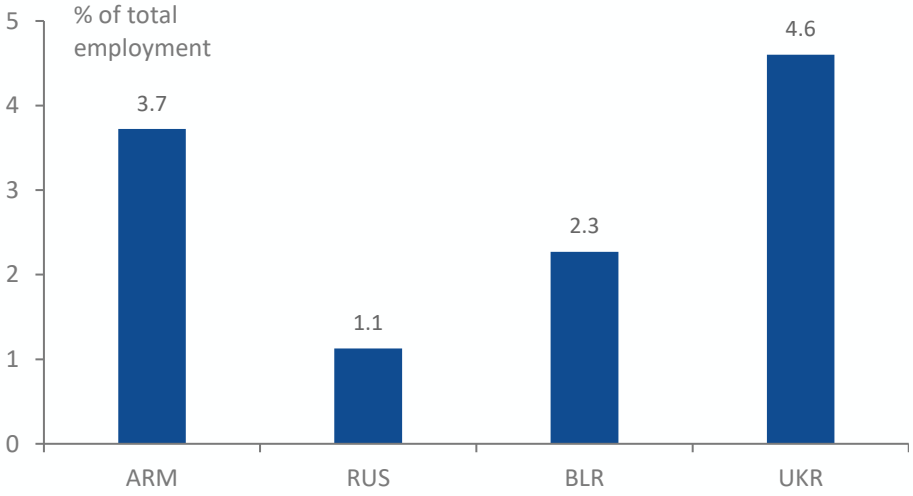
4. Employment

Sectoral employment and share of total employment



Source: Own calculations based on SRC (2025) and Armstat (2025b)

Sectoral employment, international comparison (2023)



Source: Own calculations based on GET (2025) for UKR, GET (2024) for BLR, estimate for RUS based on World Bank (2025) and Tadvsisor (2025)

Employment developments

- Sector employed* 36 thsd people in 2024, nearly doubled compared to 2021
- Moreover: strong increase of individual entrepreneurs from 1,139 (2021) to 7,878 people (2024)
- Thus: 44 thsd people worked 2024 in IT
  - Share of total employment rose from 3.0% in 2021 to 3.8% in 2024
- Some integration of RUS IT specialists into labour market likely (esp. entrepreneurs)
- Empl. share (2024: 3.8%) < GVA share (8.3%) hints towards strong productivity
- Moreover: strong sectoral growth implies high amount of labour demand

International comparison

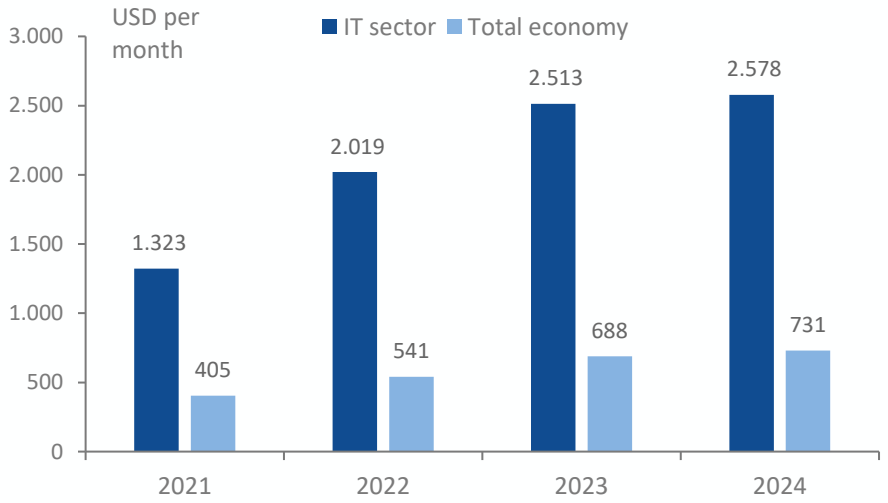
- Share of total employment larger in ARM than in RUS or BLR, but lower than in UKR

- **Strong employment dynamics in the sector**
- **Labour demand remains high**

**Data reflects the number of permanent jobs and does not include contractual employees*

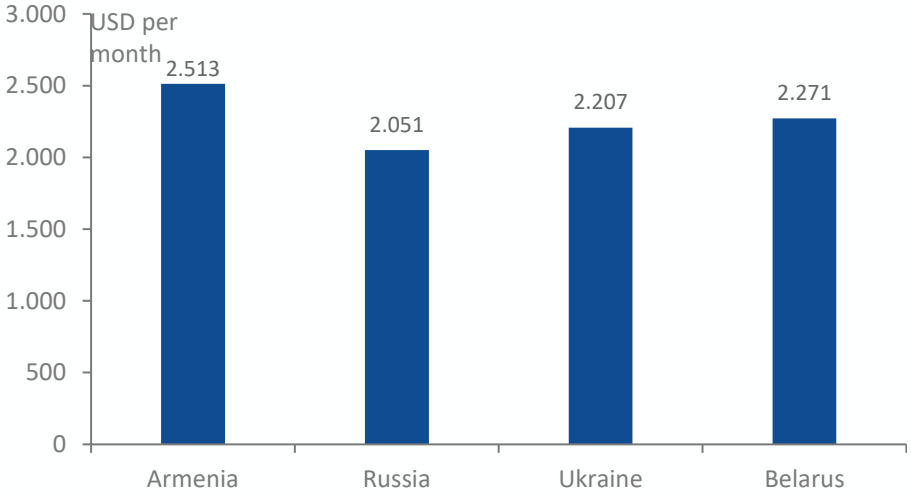
5. Wages

Monthly average wages



Source: Own calculations based on SRC (2025), Armstat (2025c), Central Bank of Armenia (CBA, 2025a)

Sectoral average wage in international comparison (2023)



Source: Own calculations based on GET (2025) for UKR, GET (2024) for BLR, Tadvisor (2025) for RUS

Wage development

- Sectoral wages developed strongly: doubled from USD 1,323 (2021) to USD 2,578 (2024)
  - Appreciation of dram important factor
  - Although lower, wage growth in AMD still amounted to 52% in the same period
  - Primarily driven by the influx of well-earning RUS IT specialists
- Sectoral wages are now 3.5 times higher than in the total economy
- Wage growth dynamics in line with the assumption of high labour demand

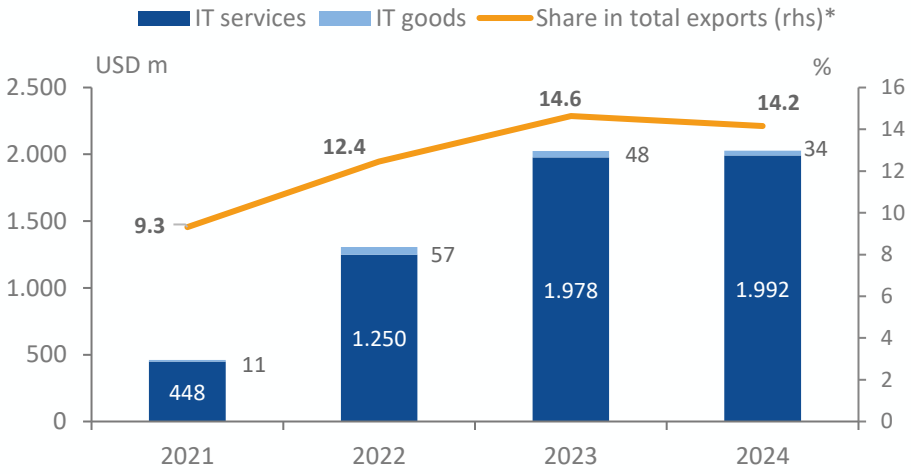
International comparison

- Wages in ARM are higher than in peer countries like RUS, UKR, BLR
- Large share of computer programming specialists partly explains higher wages, showcasing high level of sophistication

- **Strong growth and high share of computer programming explains high sectoral wages**
- **Still: wages are competitive with other peers**

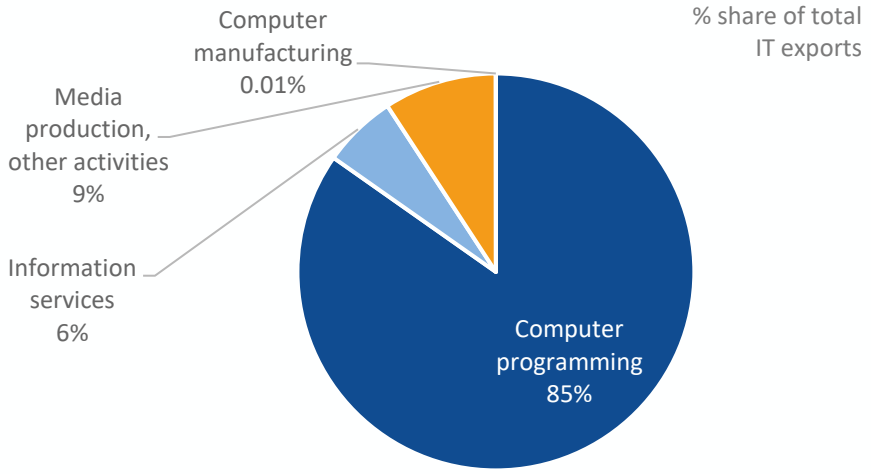
6. Role in international trade: exports

IT exports development



Source: Own calculations based on SRC (2025) and CBA (2025b); Note: adjustments to overall volume of exports were made according to own estimations (see Annex)*

Distribution of IT exports by activities (2024)



Source: Own calculations based on SRC (2025)

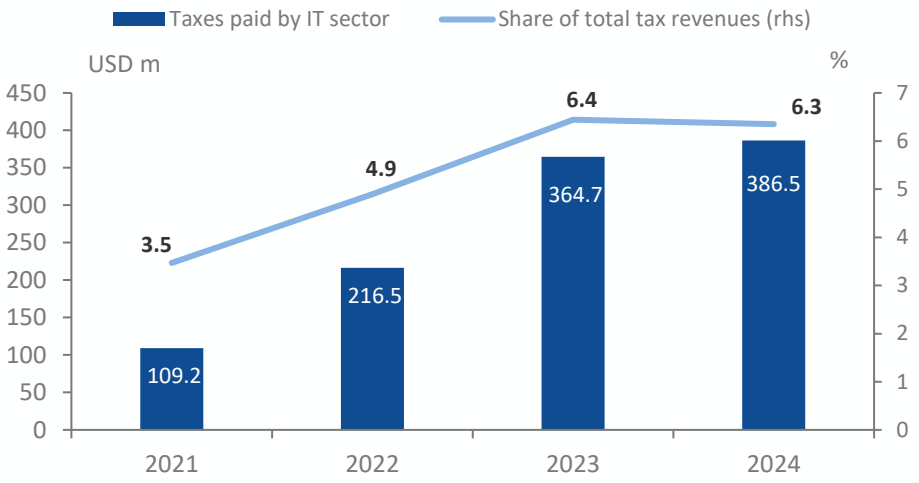
IT exports

- IT exports grew strongly in recent years
  - 2024 vs 2021: USD 2.0 bn vs USD 0.5 bn
  - Mostly IT services; share of 98% (2024)
  - Especially strong growth in 2022/23; likely connected to influx of RUS IT specialists
  - Growth stagnated in 2024 (+0.03% yoy)
- Export share (2024: 14.2%) larger than GVA share (8.3%); strong export-orientation
- IT services:
  - 2024 vs 2021: USD 1,992 m vs USD 448 m
  - Computer programming main subsector; growing share: 77% (2021) vs 86% (2024)
- IT goods: very low values in comparison
  - 2024 vs 2021: overall increase, but declining dynamic recently
  - Information services dominate IT goods exports; share of 99% (2024)

- **Strong export-orientation and high growth**
- **Some stagnation recently; possibly connected to fadeout of positive migration shock**

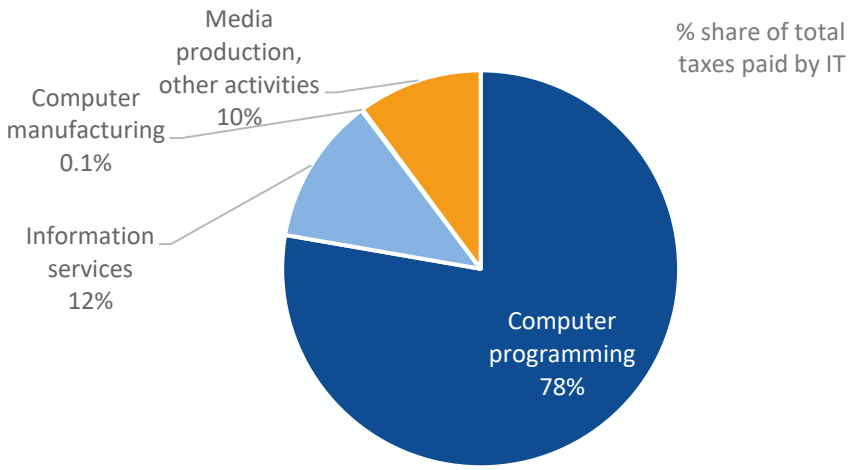
7. Tax contribution

Taxes paid by IT sector



Source: Own calculations based on SRC (2025), Ministry of Finance of Armenia (MoF, 2025)

Distribution of taxes paid by activity (2024)



Source: Own calculations based on SRC (2025)

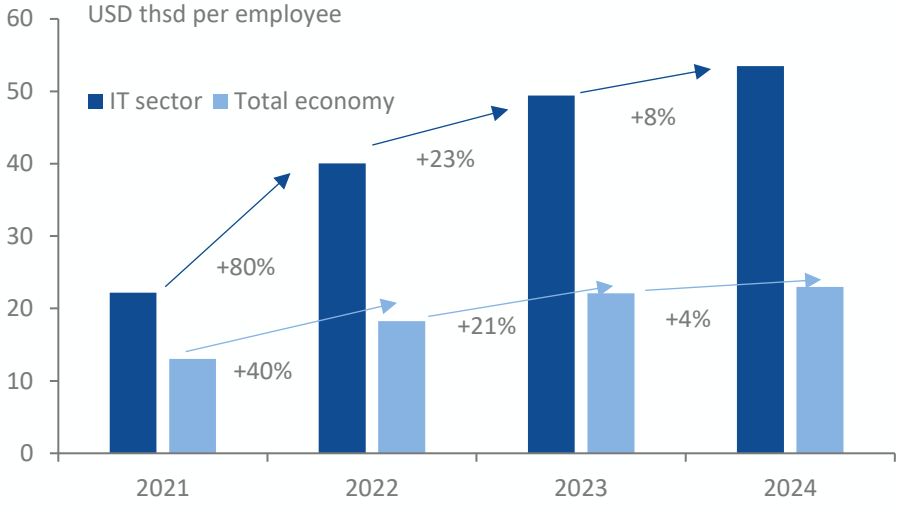
Taxes paid by IT sector

- Taxes paid increased early fourfold
  - 2021: USD 110 m
  - 2024: USD 387 m
- Sector's total tax contribution also grew
  - 2021: 3.5% of total taxes paid
  - 2024: 6.3%; slight decline vs 2023
- Share of tax revenues (2024: 6.3%) lower than GVA share (8.3%)
  - Possibly reflects favourable taxation of the IT sector in ARM; further exemption introduced since 2025 (see next slides)
  - UKR: 2.7% (tax revenues) vs 3.0% (GVA)
- By activity, computer programming contributed most taxes (2024: 78%)

- **Significant amount of taxes paid and growing contribution**
- **New tax exemptions might further increase gap between tax contribution and GVA**

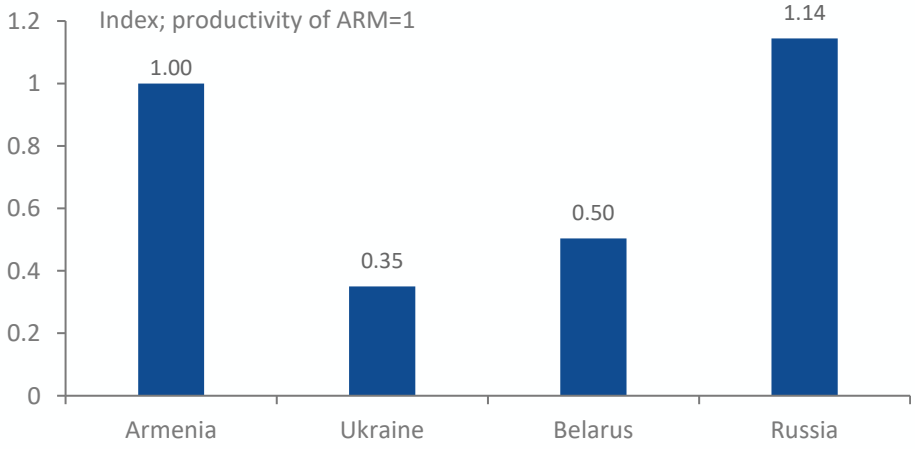
8. Productivity

IT sector productivity



Source: Own calculations based on SRC (2025) and Armstat (2025b)

IT sector productivity in international comparison (2023)



Source: Own calculations based on SRC (2025), Armstat (2025b), GET (2025) for UKR, GET (2024) for BLR, estimate for RUS based on World Bank (2025) and Tadvsisor (2025); Note: USD thsd per employee

Productivity in IT sector

- We measure productivity as GVA per employee
- Productivity in IT is larger than in the total economy and has a stronger growth rate
  - 2021: USD 22 thsd vs USD 13 thsd
  - 2024: USD 53 thsd vs USD 23 thsd; 2.3 times larger than in total economy
- Productivity growth slowed down recently
  - Similar dynamic as with other indicators; connection to fade out of positive migration shock (RUS IT specialists) likely

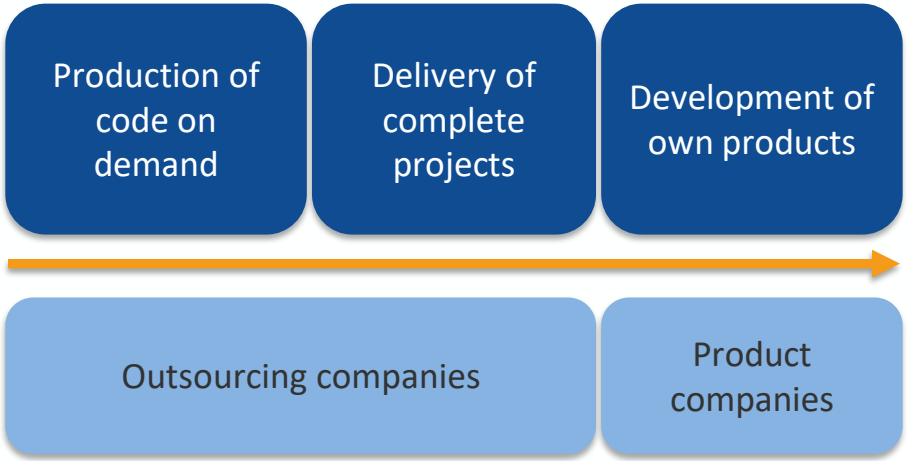
Productivity in international comparison

- ARM IT sector was 3 times as productive as the one in UKR and twice as much as in BLR; however, 14% less than RUS

- **Strong productivity growth is a key factor for a positive outlook**
- **Strong outcome compared to peer countries**

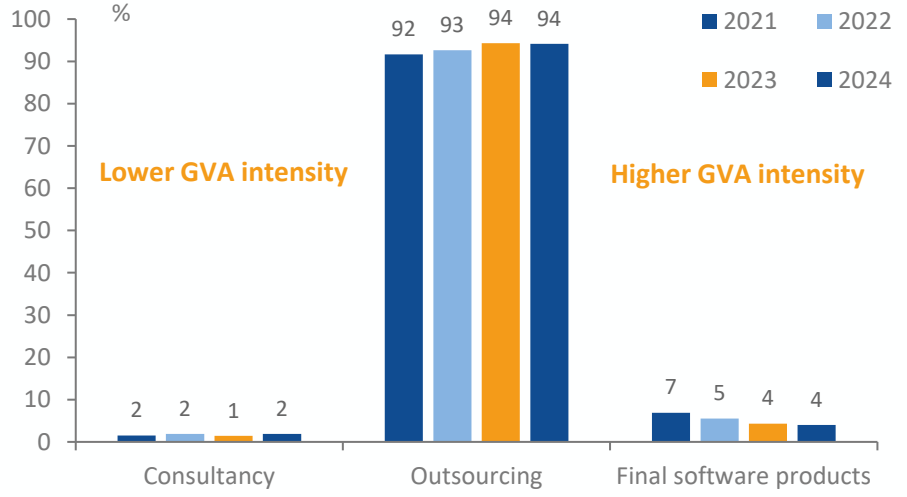
9. Value chain position

Value-added intensity description



Source: Own illustration

Value-added intensity of the ARM IT service sector



Source: Own calculations based on SRC (2025), Armstat (2025a), see annex for methodology details

Position of companies in the value chain

- A sectoral position in the value chain is a key indicator of the growth path
- Outsourcing companies provide services to third-party clients
- Product companies develop and market their own solutions

Maturing of the ARM IT sector

- Outsourcing activities dominate
  - Individual coding or complete projects on demand for third parties' end products
- Statistics indicate that companies have yet to tap into the product development area
  - But: more detailed surveys needed to have a better understanding
- Further advancement alongside the value chain is a prerequisite for sustained sectoral growth and development

- Sector is almost exclusively driven by outsourcing activities
- Tapping into product development is a crucial next step

10. Financial and non-financial incentives

Financial incentives for IT sector

Support for labour migrants
60% of income tax paid compensated to the company (until end of 2025) or the employee (from 2026)

1% turnover tax that replaces profit tax (18%) and VAT (20%)*

Support for new employees
60% of income tax compensated to the company (for 3 years)

10% PIT for salaries of professionals and R&D personnel*

Support for training and retraining
50% of income tax paid for professional training compensated to the company

CIT tax base reduced by 200% of salaries, as well as R&D expenses*

*Source: Own illustration based on the "law on state support of high-tech industry; Note:*Certain limitation criteria apply*

Non-financial IT sector incentives

Strong cooperation with universities

- Yerevan State University
- State Engineering University
- American University of Armenia
- French University of Armenia
- Russian-Armenian University
- National University of Architecture and Construction

Tech-education programs

- Armath
- TUMO
- 42yerevan
- Armenian Code Academy
- COAF SMART Initiative
- FAST Generation AI

Innovation infrastructure: *R&D and data centers; incubators, accelerators and angel network; technology parks; tech diaspora*

Source: Own illustration based on UATE and Enterprise Armenia information

Government support

» Since 2025: new law on "state support to high-tech industry" in effect (until 2031)
- Broader scope ("high-tech"); provisions also applicable to the IT sector

» Goals of government support
- Enhance competitiveness
- Attract new talent to the sector
- Continuously improve employee skills
- Strengthen ARM export position

Financial incentives

» Mixture of different incentive for turnover tax, PIT and CIT tax base reduction

» In addition: support for labour migrants, new employees and trainings

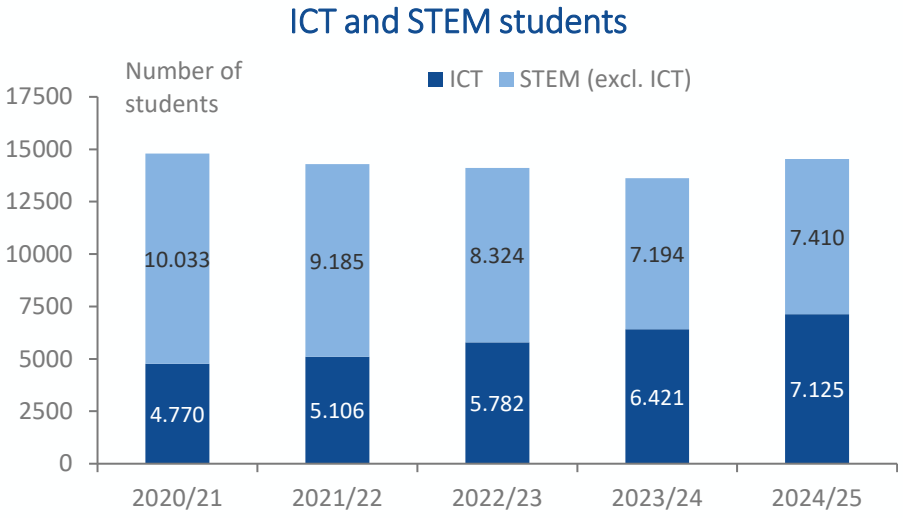
Non-financial incentives

» Strong talent pool due to cooperation with universities and tech-education programs

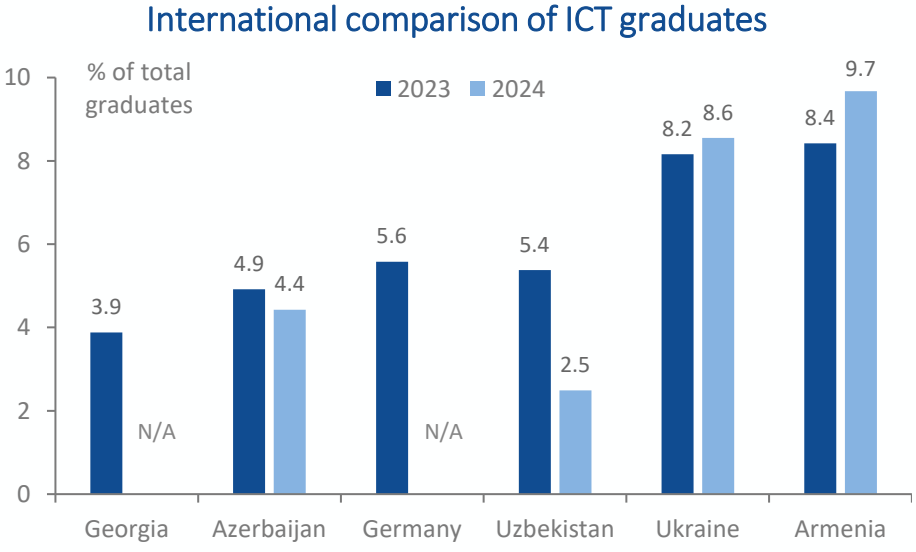
» Moreover: developed infrastructure to foster innovation in the sector

➢ Armenia offers a very good mix of different incentives for the IT sector

11. Education of new professionals (1/2)



Source: Own calculations based on Armstat (2025d)



Source: Own calculations based on Unesco (2025)

ICT* education

- Strong focus on ICT education (and STEM in general), together with different tech-education programs in ARM
- Number and share of ICT graduates increased strongly
  - 2020: 4,770 students enrolled; 5.6% of total graduates
  - 2024: 7,125 students enrolled; 9.7% of total graduates
  - Share of ICT graduates exceeds that of GEO, AZE, GER, UZB and UKR
- Also: numerous students in STEM disciplines
  - However: decreasing number up until the most recent 2024/25 class
- PISA: no current scores available; ARM joined the PISA assessment cycle for the first time in 2025

- **Growing number of ICT students and high share of graduates**
- **Introduction of PISA will improve international comparison**

**For statistical reasons and easier comparison, whole ICT sector is taken here*

11. Education of new professionals (2/2)

Armath Engineering Program

Skills and knowledge for students to address real- world problems and contribute to their communities	**Basic and advanced programming**
Provide equal educational opportunities and reduce brain drain	**3D modelling and printing**
Promote innovation, an engineering mindset and cultivate entrepreneurship	**Robotics**
Support the growth of the technology sector and professions	**Vector graphics modelling**
Bridge the gap between education and industry	**Armath airborne (UAV)**
Connect local and global communities	

Source: Own illustration based on Armath website information

TUMO Education Program

Self learning	Game development	Photography	Motion graphics
	Robotics	Graphic design	Music
Project labs	Programming	Writing	Web development
	Animation	3D modelling	GenAI
Workshops	Filmmaking	Drawing	

Source: Own illustration based on TUMO website information

Tech-education programs

- ARM has many tech-education programs that aim to foster interest in the IT sector (and STEM in general) from a young age
- Some prominent examples:
  - Armath
  - TUMO
  - 42yerevan
  - Armenian Code Academy
  - COAF SMART Initiative
  - FAST Generation AI
- Helps in bridging the usual gap between skills needed for the sector and the curricula
- Especially Armath and TUMO are very well received; programs are replicated abroad (e.g., DEU, FRA, USA and IND)
  - Strongly helps to connect communities

➢ **Strong integration of tech-education programs helps to raise new talent**

➢ **Important in the wake of strong labour demand**

12. Innovation infrastructure (1/2)

Venture capital and angel networks

Business angel Network of Armenia (BANA)	Science and Technology Angel Network (STAN)
Angel Investors Club of Armenia (AICA)	Granatus Ventures VC
SmartGate VC	BigStory VC
Formula VC	3S fund

Source: Own illustration

IT parks and locations in Armenia

ViaSphere Technopark – one of the first technoparks, focused on IT and electronics R&D; home to startups and int. companies

Engineering City – high-tech hub for engineering, robotics, aerospace, and prototyping; strong link with academia and industry

IT Park Business Center – office hub for IT and software firms; provides modern infrastructure and coworking facilities in Yerevan

Mergelyan Hub – innovation site; houses IT firms, research centers, and startup incubators; symbolic for Armenia's tech legacy

Tumo Park – expanding around Tumo Center for Creative Technologies; blends education, startups, and int.l R&D spaces

Vanadzor Technology Center – regional tech-hub; offers training, incubation, and office space to boost IT jobs in the Lori region

Gyumri Technology Center – regional tech-hub in Shirak; strong focus on IT education, startup support, and comm. development

Dalan Technology Park – large-scale project under construction; planned as a major innovation and business ecosystem in Yerevan

Source: Own illustration based on respective websites of the institutions

Early-stage financing

- Quite a developed network of VC and angels; moreover, significant financing from tech-diaspora (especially from the US)
- However: still some gaps at an earlier stage (i.e., incubators and accelerators)
  - After a successful pilot program in 2024, Plug and Play opened an office in ARM
  - Expected to enhance incubation, pre-acceleration and acceleration activities for early-stage start-ups

IT parks

- ARM has several IT parks and tech-locations
- Contrary to many other models:
  - Focus on physical infrastructure and creation of an innovative environment
  - Tax incentives do not depend on the location or are tied to being a resident
- Moreover: most locations have a strong link to R&D and training programs

➢ **Broad infrastructure from early- up to growth- and mature-stage available in ARM**

12. Innovation infrastructure (2/2)

Top 20 data centers by actual performance

Rank	Name	Location	Rmax (TFLOPS/s)
1	El Capitan	United States	1,742,000
2	Frontier	United States	1,353,000
3	Aurora	United States	1,012,000
4	JUPITER	Germany	793,400
5	Eagle	United States	561,200
6	HPC6	Italy	477,900
7	Fugaku	Japan	442,010
8	Alps	Switzerland	434,900
9	LUMI	Finland	379,700
10	Leonardo	Italy	241,200
11	Isambard-AI phase 2	United Kingdom	216,500
12	Tuolumne	United States	208,100
13	ISEG2	Netherlands	202,400
14	**Firebird**	**Armenia**	**180,000***
15	MareNostrum 5 ACC	Spain	175,300
16	ABCI 3.0	Japan	145,100
17	Eos NVIDIA DGX SuperPOD	United States	121,400
18	Discovery 6	United States	118,600
19	SSC-24	South Korea	106,200
20	Venado	United States	98,510

Source: Forthcoming "High-Tech Sector Development Strategic Program of Armenia"; calculations of Ameria Advisory
*Note: **Rmax** is **the actual performance** measured when running the Linpack benchmark; *Estimation for "Firebird" based on the assumption that one unit of NVIDIA's newest Blackwell B200 GPUs has a projected actual performance of 30 TFLOPS*

AI factory project "Firebird"

- On 11 June 2025, NVIDIA and ARM government announced the creation of an AI factory (data center) in Armenia
  - Expected to contain up to 25 thsd. NVIDIA Blackwell B200 GPUs (total computing power of approx. 100 MW)
  - Overall investment of USD 500 m
- Launch expected already in 2026
  - First phase to deply 6 thsd. GPUs with a computing power of approx. 15 MW
  - Even at the initial stage, this would rank 14th worldwide in terms of performance
- Part of the forthcoming *"High-Tech Sector Development Strategic Program of Armenia"*
  - Firebird is expected to serve as a platform for innovation, education, and entrepreneurship in ARM

➢ **Project is expected to have a transformative effect on ARM high-tech ecosystem**

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia* and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Within the framework of project activities in Georgia, we are in contact solely with reform-oriented partners for the time being; in Belarus advisory activities are suspended.*

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ANNEX. Methodological notes (1/3)

Definition of sectors

ID	Explanation	IT sector	Communication sector	ICT services exports
26.11	Manufacture of electronic components			
26.12	Manufacture of loaded electronic boards			
26.2	Manufacture of computers and peripheral equipment			
26.4	Manufacture of consumer electronics			
26.8	Manufacture of magnetic and optical media			
46.51	Wholesale of computers, computer peripheral equipment and software			
58.21	Computer games publishing			
58.29	Publishing of other software			
62.01	Computer programming			
62.02	Consulting on informatization			
62.03	Activities on managing computer equipment			
62.09	Other activities in IT			
63.11	Data processing, information publishing on web servers			
63.12	Web portals			
95.11	Repair of computers and peripheral equipment			
61	Telecommunication			
26.3	Manufacturing of computer equipment			
46.52	Wholesale of electronic and telecommunication equioment			
95.12	Repair of communication equipment			

Source: Own display

ANNEX. Methodological notes (2/3)

- Sectoral data reported by State Revenue Committee (SRC) used
- Analysis of the value chain position done for IT service exports (without communication) based on outsourcing definition of Pankowska (2019)

Definition of sectors for value chain analysis

ID	Explanation	Consultancy	Outsourcing	Final software products
58.21	Computer games publishing			■
58.29	Publishing of other software			■
62.01	Computer programming		■	
62.02	Consulting on informatization	■		
62.03	Activities on managing computer equipment		■	
63.11	Data processing, information publishing on web servers		■	
63.12	Web portals			■
95.11	Repair of computers and peripheral equipment		■	

Source: Own display and analysis, outsourcing definition based on Pankowska (2019), Information Technology Outsourcing Chain: Literature Review and Implications for Development of Distributed Coordination

ANNEX. Methodological notes (3/3)

- Sectoral data reported by State Revenue Committee (SRC) used
- Only sectors engaged in services selected and their reported exports are calculated for IT and communications services (see also previous slide)
- This is compared with data officially reported as service exports for the ITC sector in the BOP statistics
- The adjusted total exports are used for further calculations

Differences in calculation of ITC services

(USD m)	2021	2022	2023	2024
ICT services export, estimated	475	1,285	2,010	2,034
ICT BOP, official	382	711	1,074	1,181
Discrepancy (official minus estimated)	*-93*	*-573*	*-936*	*-853*
Total services export, BOP, official	1,763	4,428	5,852	5,855
Total services exports, adjusted	1,856	5,001	6,787	6,708
Total goods export, BOP, official	3,082	5,498	7,056	7,612
Total exports, adjusted	***4,938***	***10,499***	***13,843***	***14,320***

Source: Own calculations based on SRC (2025) and CBA (2025b)