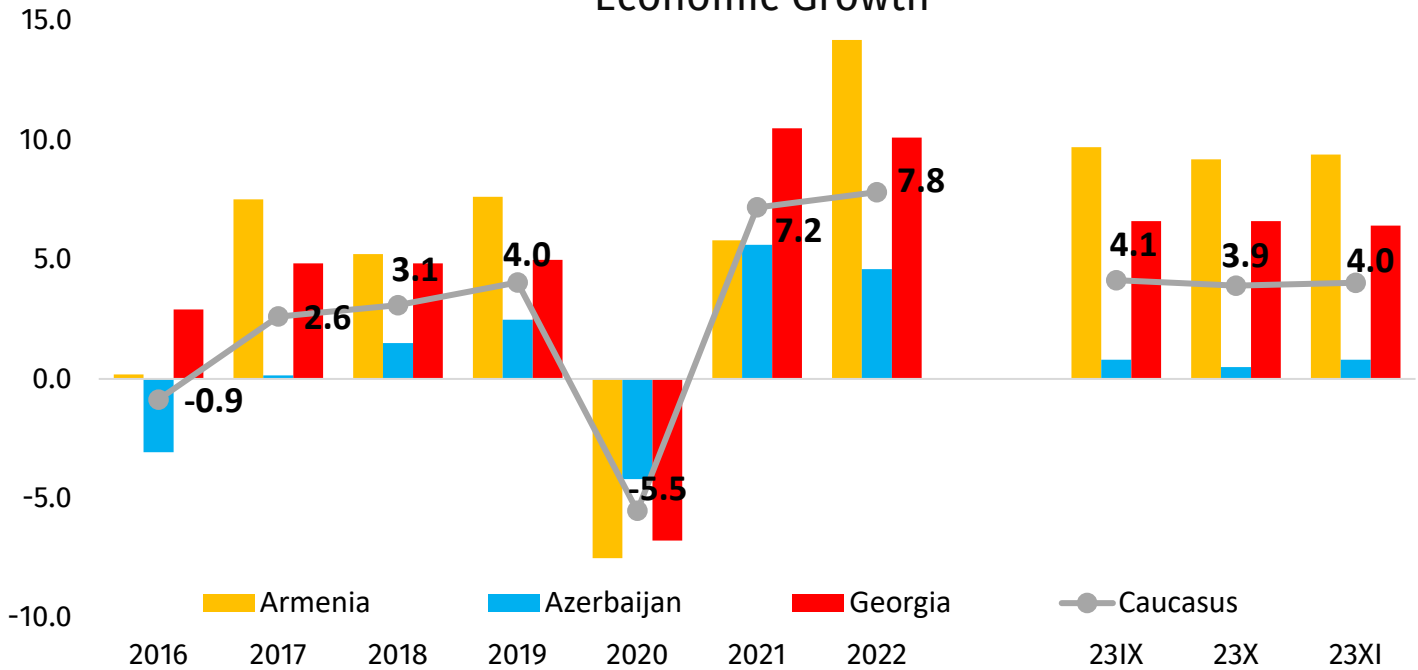




# Monthly Review of the Caucasus Economy February 2024



## Economic Growth



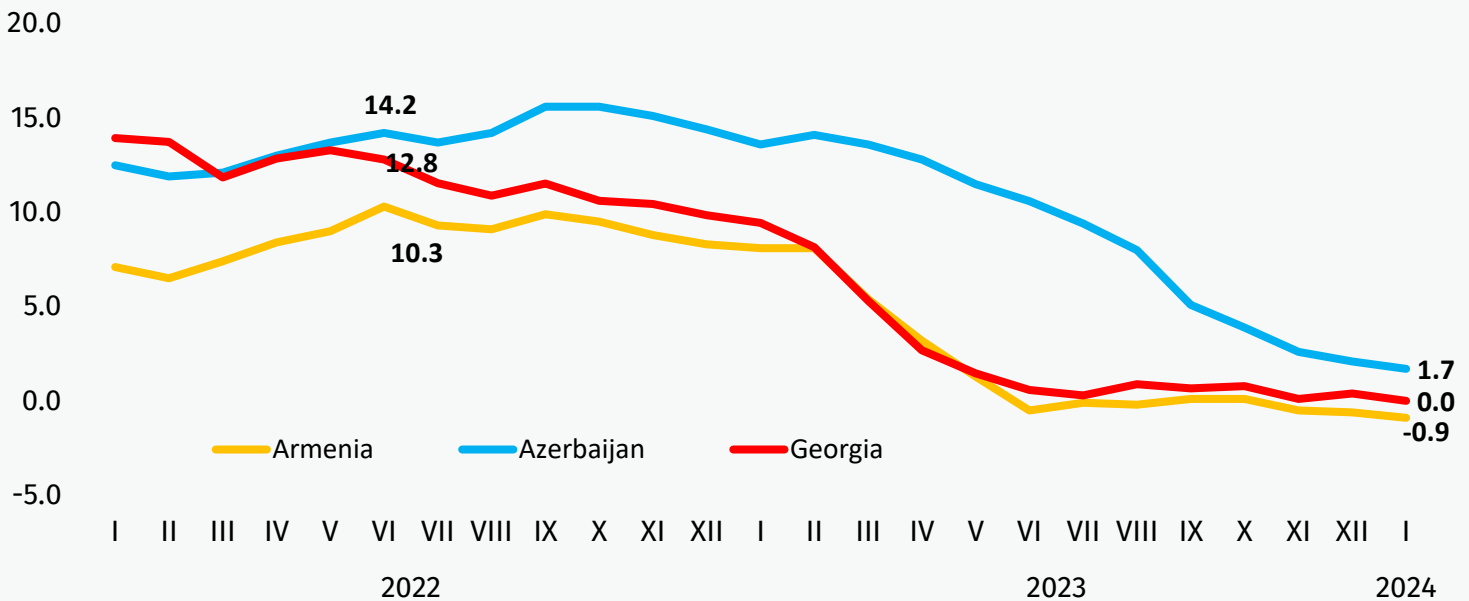
According to preliminary data, in 2023, the economic growth in the Caucasus is 4.4%. In 2022, the growth rate reached 7.8%. The decrease in the economic expansion rate is associated with a reduction of human and financial capital flow from Russia and lower oil prices compared to the previous year.

✚ According to preliminary data, in last year, the Georgian economy grew by 7%, while December's growth rate was 8.3%. The financial, construction, industrial, information, and telecommunications sectors significantly contributed to the growth. A downward trend was observed in the energy and real estate sectors.

🇦🇲 Armenia has the highest growth rate in the Caucasus region. In last year, Armenia's economy grew by 9.4%. In December, compared to the same month of the previous year, the economy expanded by 9.5%. The trade sector has an essential role in the growth, which increased by 25.7% during this period, and the construction sector - by 14.8%.

🇦🇿 In the region, the lowest growth rate was recorded in Azerbaijan. In 2023, the Azerbaijan grew by 1.1%. 36.9% of the Azerbaijan economy is the oil and gas industry, the price of which has lowered compared to the same period of 2022. Excluding the oil and gas industry, the growth rate was 3.7%.

## Inflation and Monetary Policy



**The inflation repeats the trends of economic growth in the Caucasus region. The best situation is in Armenia, and the worst indicator is in Azerbaijan.**

✚ Inflation in Georgia last year, compared to the previous year, has decreased. In January 2024, the annual growth of consumer prices amounted to 0%. Transport service prices, which increased by 4.4%, contributed significantly to January inflation, whereas prices fell in several sectors, and the prices in healthcare decreased by 3.3%. Against this background, the refinancing rate declined to 9% by the Central Bank's last decision.

🇦🇲 Armenia has the lowest inflation in the region. In January of the current year, the annual decline in consumer prices was 0.9%. The highest increase, 7.4%, was recorded in the alcohol and tobacco group, and a 5.8% decrease in food prices. This latter is the primary part of consumer prices. The Central Bank of Armenia also started easing monetary policy last year. According to the newest decision, the refinancing rate is reduced to 8.75%.

🇦🇿 Despite the decrease, inflation in Azerbaijan remains at a relatively high level. In January 2024, consumer price growth amounted to 1.7%, compared to 2.1% in December last year. In previous periods, Azerbaijan was also distinguished by relatively high inflation in the region. Nevertheless, the Central Bank of Azerbaijan refrained from tightening the policy. The decision made in January lowered the policy rate to 7.75%.