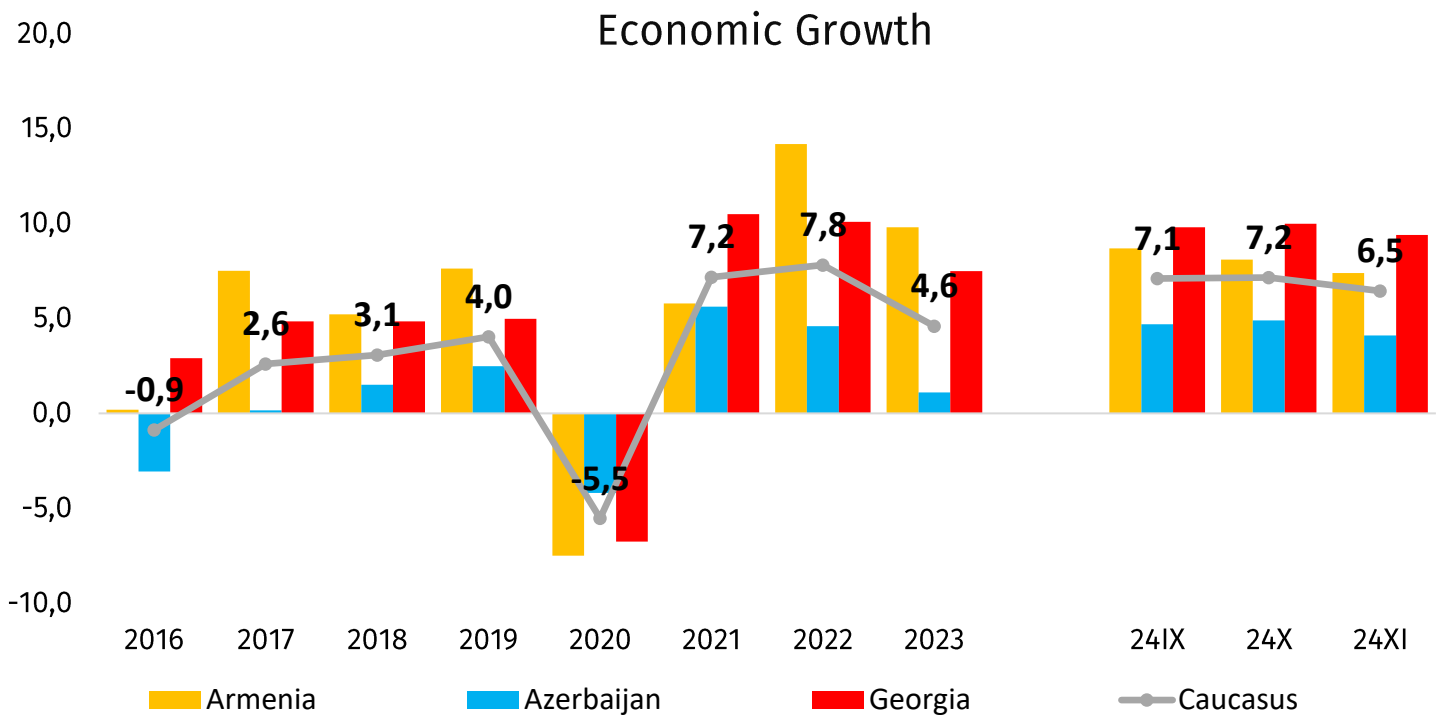




# Monthly Review of the Caucasus Economy February 2025





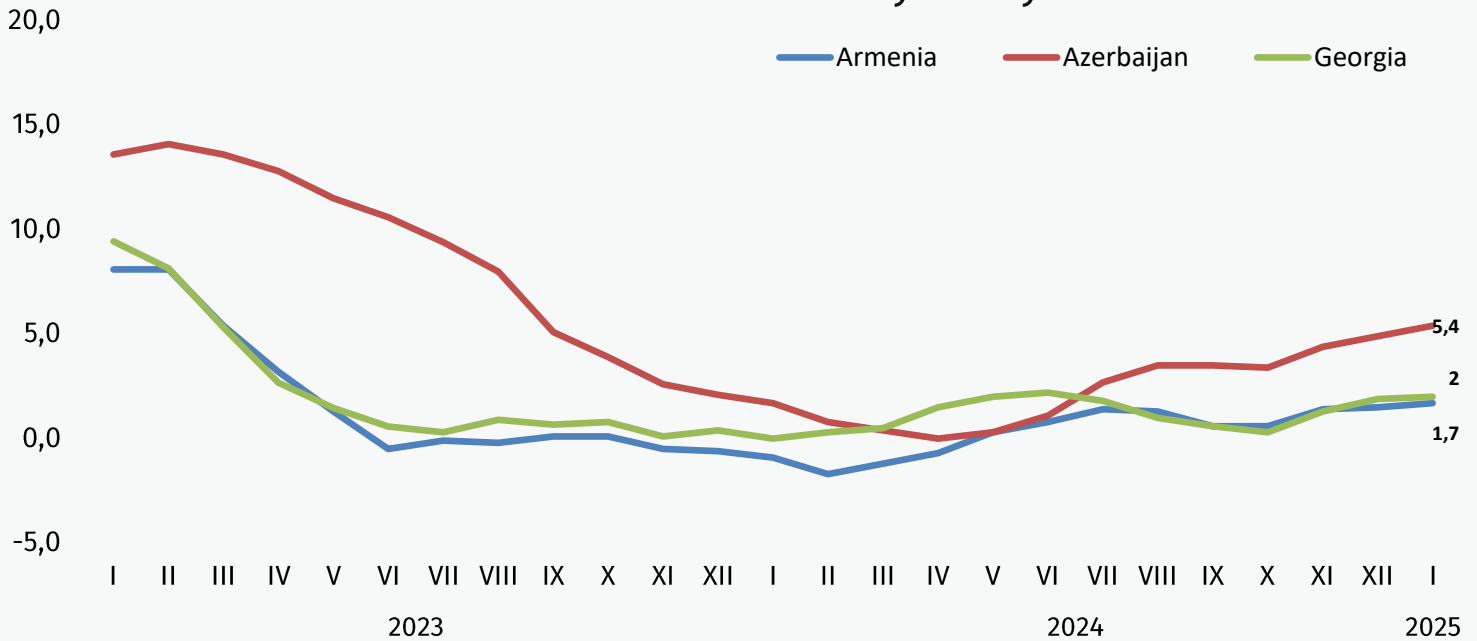
The economic growth in the Caucasus region was 4.4% in 2023. The slowdown in economic growth in 2023 was due to reduced human and financial capital flows from Russia and lower oil prices than the previous year. Growth accelerated to 6.6% last year, primarily due to monetary easing.

✚ The Georgian economy grew 7.5% last year and 9.5% in last year. The financial activities, professional, scientific and technical activities, transportation and storage, trade, information and communication sectors significantly contributed to the growth. Shrinking was observed in the manufacturing.

🇦🇲 In the 2023 year, Armenia's economy grew by 9.8%. In last year, compared to the previous year, the economy expanded by 8%. The trade sector is essential to the growth, increasing by 17% during this period, and the construction sector by 14.5%. Growth in agriculture was 1.6%.

🇦🇿 The region's lowest growth rate was recorded in Azerbaijan. In 2023, Azerbaijan grew by 1.1%. In last year, the growth rate amounted to 4.1%. 33.6% of the Azerbaijan economy is the oil and gas industry. Excluding the oil and gas industry, the growth rate was 6.2%. In agriculture, the growth rate stood at 1.5%.

## Inflation and Monetary Policy



**Inflation mostly repeats the trends of economic growth in the Caucasus region. Armenia has the best situation, and Azerbaijan has relatively high inflation.**

🇯🇪 Georgia's inflation trajectory took a positive turn in 2024, marked by a significant decrease compared to the previous year. In January 2025, the annual growth of the consumer prices index was a modest 2%. Despite a notable 6.8% increase in hospitality service prices, several sectors experienced price drops, with communication service prices decreasing by 12.5%. These developments prompted the Central Bank to leave the refinance rate at 8%.

🇦🇲 Armenia's position in the region was different regarding price level changes. In January 2025, the annual growth in consumer prices was 1.7%. The highest increase, 7.8%, was recorded in the education sector, while a 2.6% decrease in clothes prices was noted. The Central Bank of Armenia also made a significant move by starting to ease its monetary policy last year. The most recent decision saw the refinancing rate reduced to 6.75%.

🇦🇿 Inflation has accelerated in Azerbaijan. In January 2025, the consumer prices index growth amounted to 5.4%. In December, inflation was 4.9%. 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 stayed the policy rate at 7.25%.