



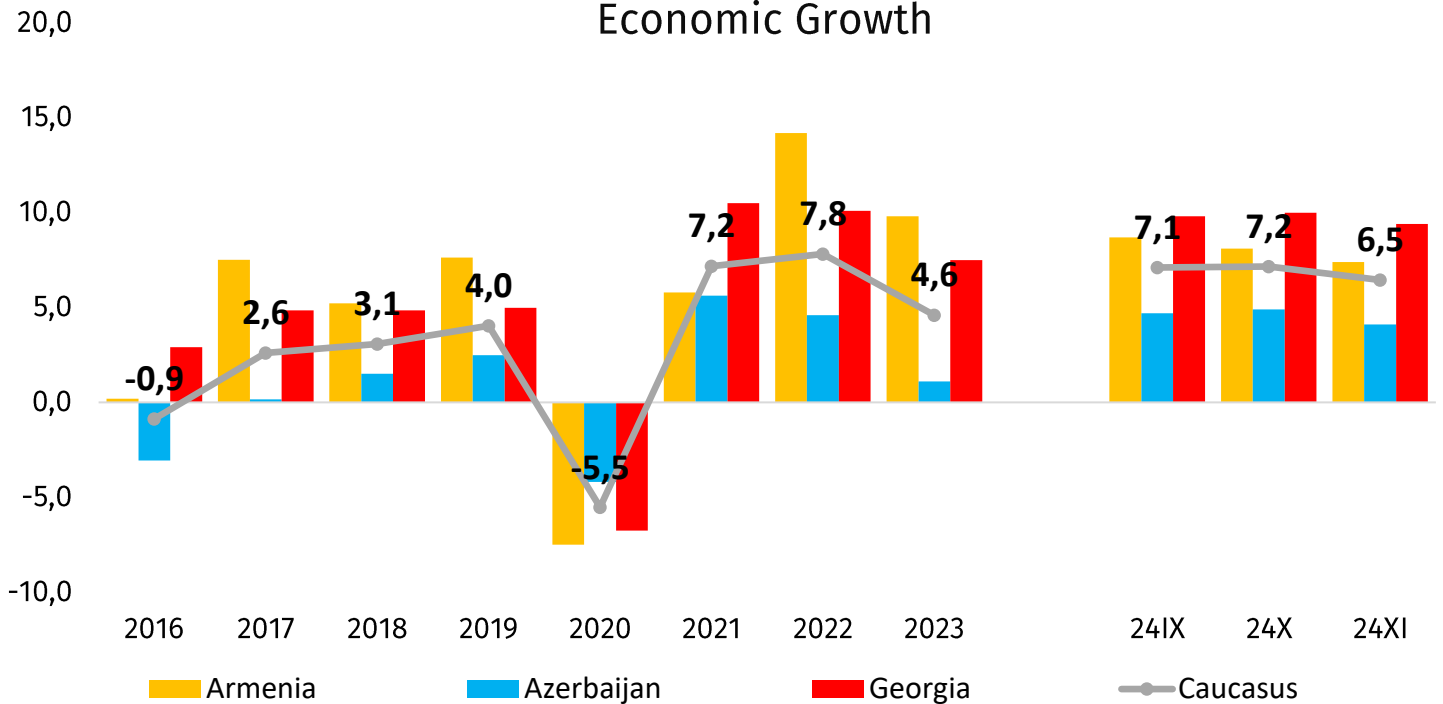
Monthly Review of the Caucasus

Economy

January 2025



Economic Growth



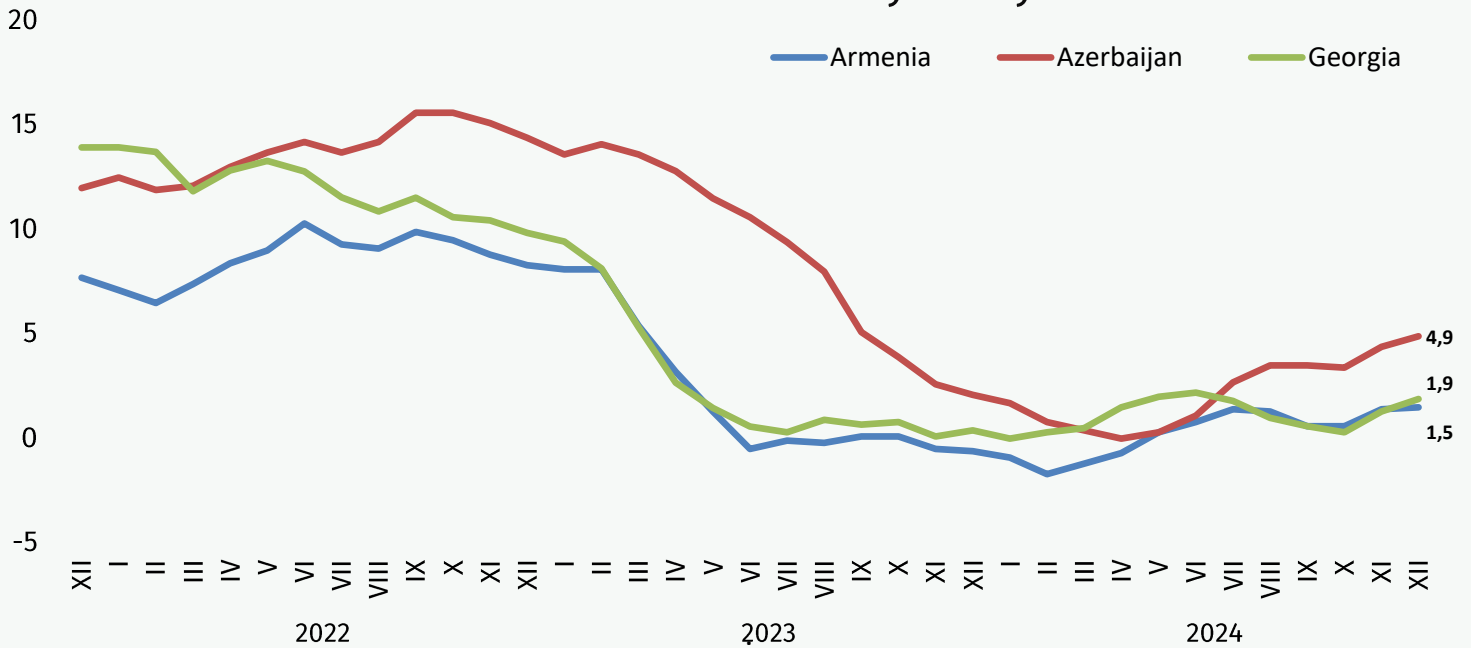
The economic growth in the Caucasus region was 4.4% in 2023, a decline from the 7.8% recorded in 2022. This shift can be attributed to two main factors: a decrease in the inflow of human and financial capital from Russia and a drop in oil prices compared to the previous year. In January-November of last year, the growth rate stood at 6.5%.

🇯🇪 The Georgian economy grew 7.5% last year and 10% in the first eleven months of last year. The communication and transport sectors significantly contributed to the growth. Shrinking was observed in the manufacturing.

🇦🇲 In the 2023 year, Armenia's economy grew by 9.8%. In January-November of last year, compared to the same period of the previous year, the economy expanded by 7.4%. The trade sector is essential to the growth, increasing by 18% during this period, and the construction sector by 14.9%.

🇦🇿 The region's lowest growth rate was recorded in Azerbaijan. In 2023, Azerbaijan grew by 1.1%. In the first eleven months of 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 6.4%.

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 2023, marked by a significant decrease compared to the previous year. In December 2024, the annual growth of the consumer prices index was a modest 1.9%. Despite a notable 7.7% increase in hospitality service prices, several sectors experienced price drops, with communication service prices decreasing by 12.7%. 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 December 2024, the annual growth in consumer prices was 1.5%. 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 7%.

🇦🇿 Inflation has accelerated in Azerbaijan. In December 2024, the consumer prices index growth amounted to 4.9%. In November, inflation was 4.4%. 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 December stayed the policy rate at 7.25%.