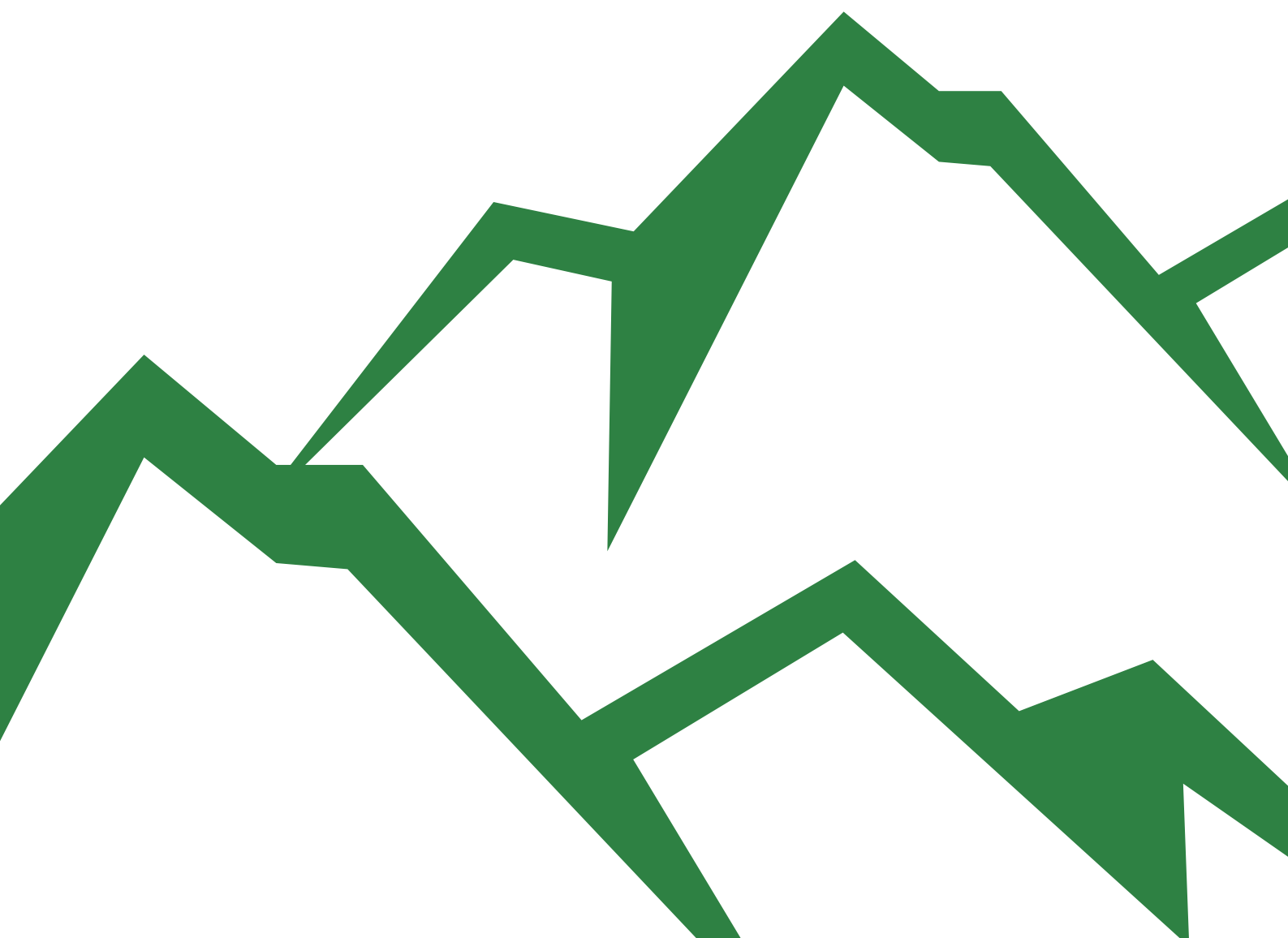




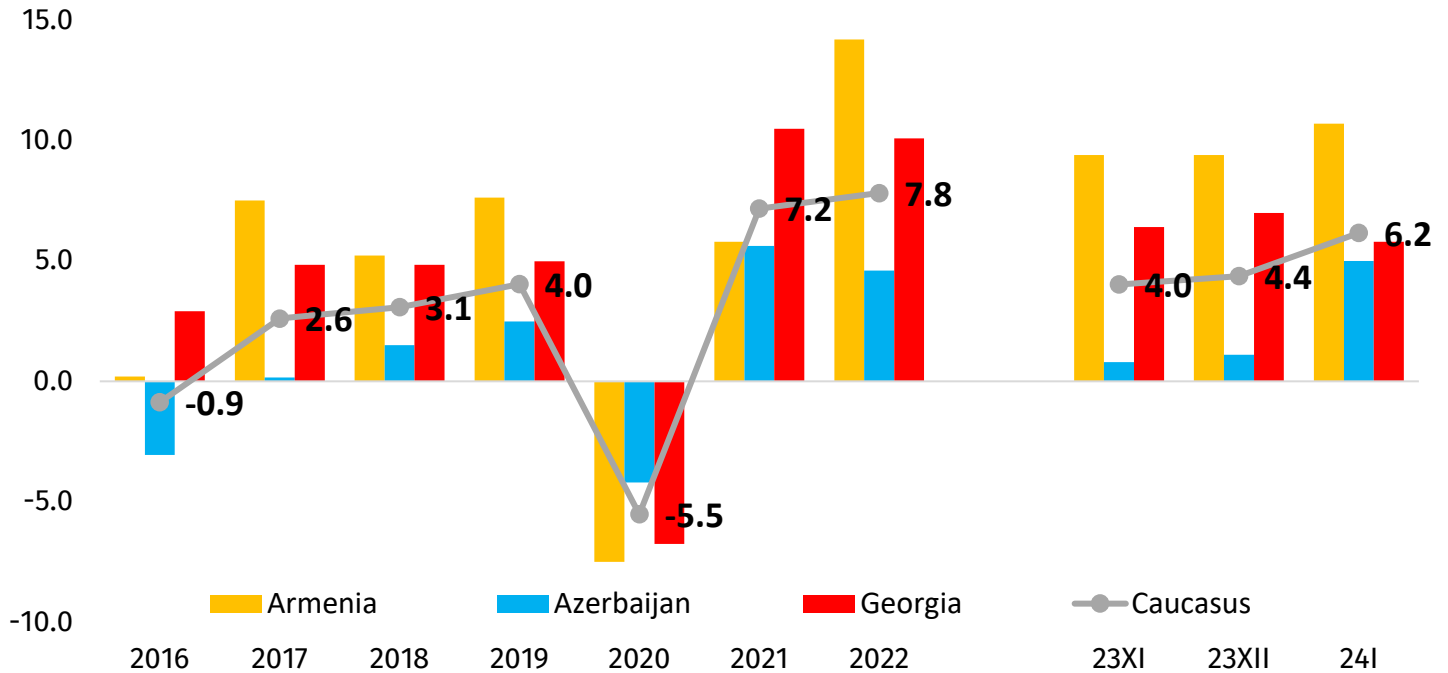
Monthly Review of the Caucasus

Economy

March 2024



Economic Growth



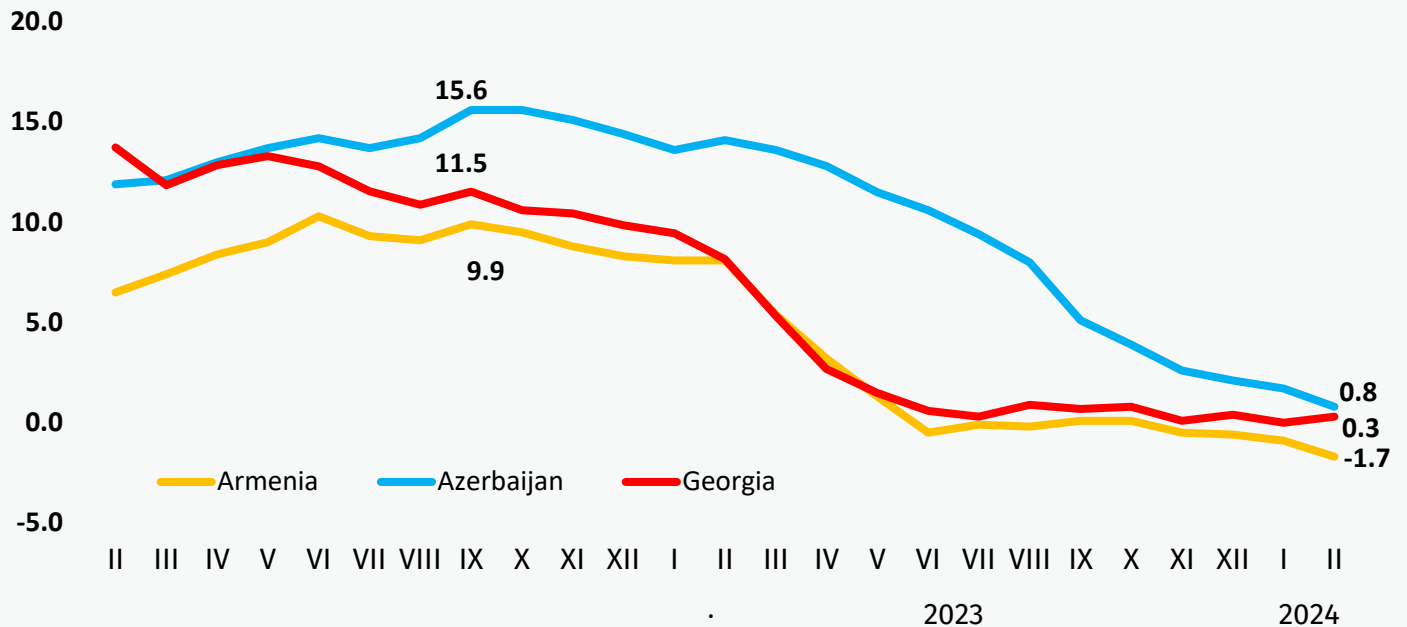
According to preliminary data, the economic growth in the Caucasus region was 4.4% in 2023, a decline from the 7.8% recorded in 2022. This shift can be attributed to two main factors: a decrease in the inflow of human and financial capital from Russia and a drop in oil prices compared to the previous year. In January of this year, the growth rate stood at 6.2%.

✚ According to preliminary data, the Georgian economy grew 7% last year and 5.8% in January of this year. The financial, construction, information, and telecommunications sectors significantly contributed to the growth. A downward trend was observed in the trade, industrial, and real estate sectors.

🇦🇲 Armenia has the highest growth rate in the Caucasus region. In the last year, Armenia's economy grew by 9.4%. In January of this year, compared to the same month of the previous year, the economy expanded by 10.7%. The trade sector is essential to the growth, increasing by 19.3% during this period, and the construction sector by 9.5%.

🇦🇿 The region's lowest growth rate was recorded in Azerbaijan. In 2023, Azerbaijan grew by 1.1%. In January of this year, the growth rate amounted to 5%. 36.9% of the Azerbaijan economy is the oil and gas industry. Excluding the oil and gas industry, the growth rate was 12.3%.

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 showed a positive trend last year, with a notable decrease compared to the previous year. In February 2024, the annual growth of consumer prices was a modest 0.3%. While transport service prices, which increased by 4.8%, contributed significantly to February inflation, prices fell in several sectors, and food prices decreased by 3.5%. In light of these developments, the Central Bank's recent decision saw the refinance rate decline to 9%.

🇦🇲 Armenia has the deflation. In February of this year, the annual decline in consumer prices was 1.7%. The highest increase, 7.5%, was recorded in the alcohol and tobacco group, and a 7.4% decrease in food prices. The 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 February 2024, consumer price growth amounted to 0.8%, compared to 2.1% in January. 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%.