



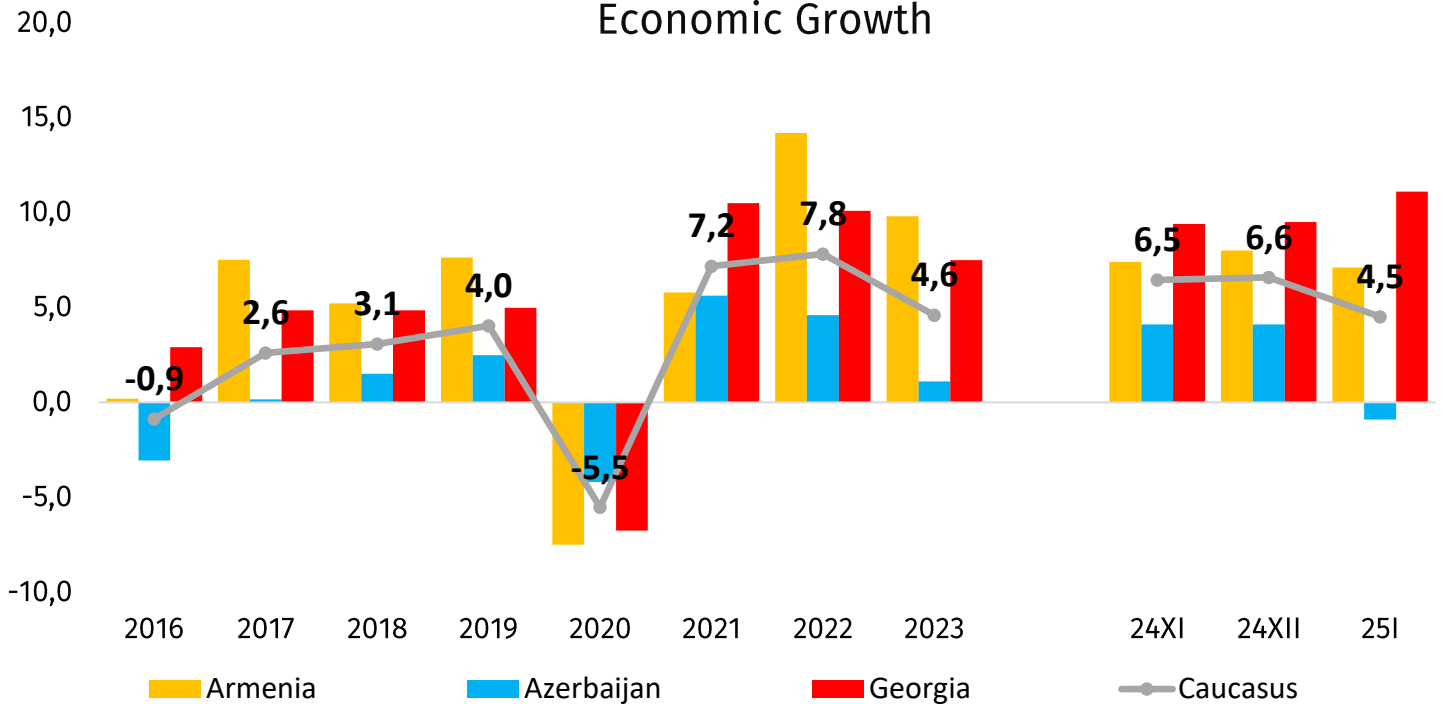
# Monthly Review of the Caucasus

## Economy

### March 2025



## Economic Growth



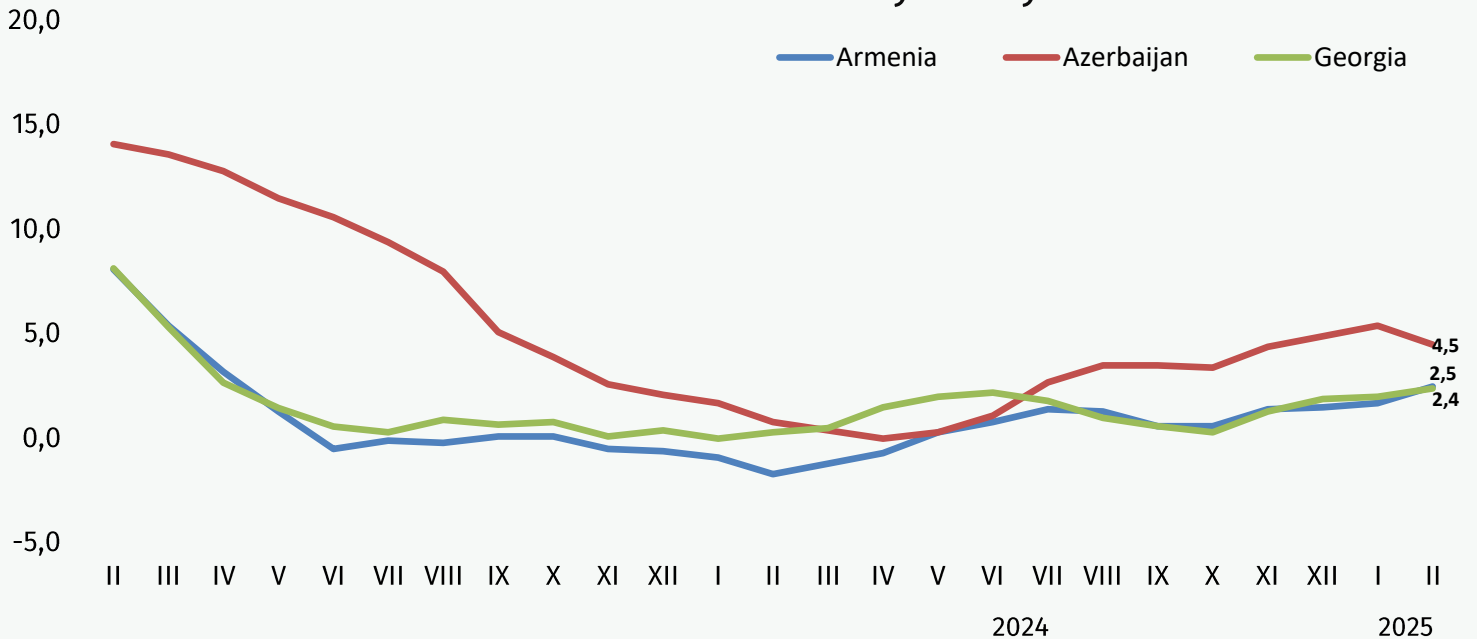
The economic growth in the Caucasus region was 4.4% in 2023. The slowdown in economic growth in 2023 was due to reduced human and financial capital flows from Russia and lower oil prices than the previous year. Growth accelerated to 6.6% last year, primarily due to monetary easing. The growth rate has slowed since 2025. In January, the Caucasus economy grew by 4.5%.

🇧🇪 The Georgian economy grew 9.5% last year. The economy expanded by 11.1% in January of this year. The professional and technical activities, transportation, construction, Information and communication, manufacturing and trade sectors significantly contributed to the growth. Shrinking was observed in the mining and quarrying.

🇦🇲 In the 2024, Armenia's economy grew by 8%. In January of this year, compared to the same period last year, the economy expanded by 7.1%. The trade sector is essential to the growth, increasing by 9.9% during this period, and the construction sector by 11.6%.

🇦🇿 In 2024, Azerbaijan grew by 4.1%. The economy shrank by 0.9% in January of this year. 33.6% of the Azerbaijan economy is the oil and gas industry. Excluding the oil and gas industry, the growth rate was 1%. In agriculture, the growth rate stood at 2.2%.

## Inflation and Monetary Policy



**Inflation mostly repeats the trends of economic growth in the Caucasus region. Georgia 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 February 2025, the annual growth of the consumer prices index was a modest 2.4%. Despite a notable 6.8% increase in hospitality service prices, several sectors experienced price drops, with communication service prices decreasing by 12.2%. These developments prompted the Central Bank to leave the refinance rate at 8%.

🇦🇲 In the past, Armenia's position in the region was different regarding price level changes. In February 2025, the annual growth in consumer prices was 2.4%. The highest increase, 7.8%, was recorded in the education sector, while a 2.9% 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 slowed down in Azerbaijan. In February 2025, the consumer prices index growth amounted to 4.5%. In January, inflation was 5.4%. 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 January stayed the policy rate at 7.25%.