



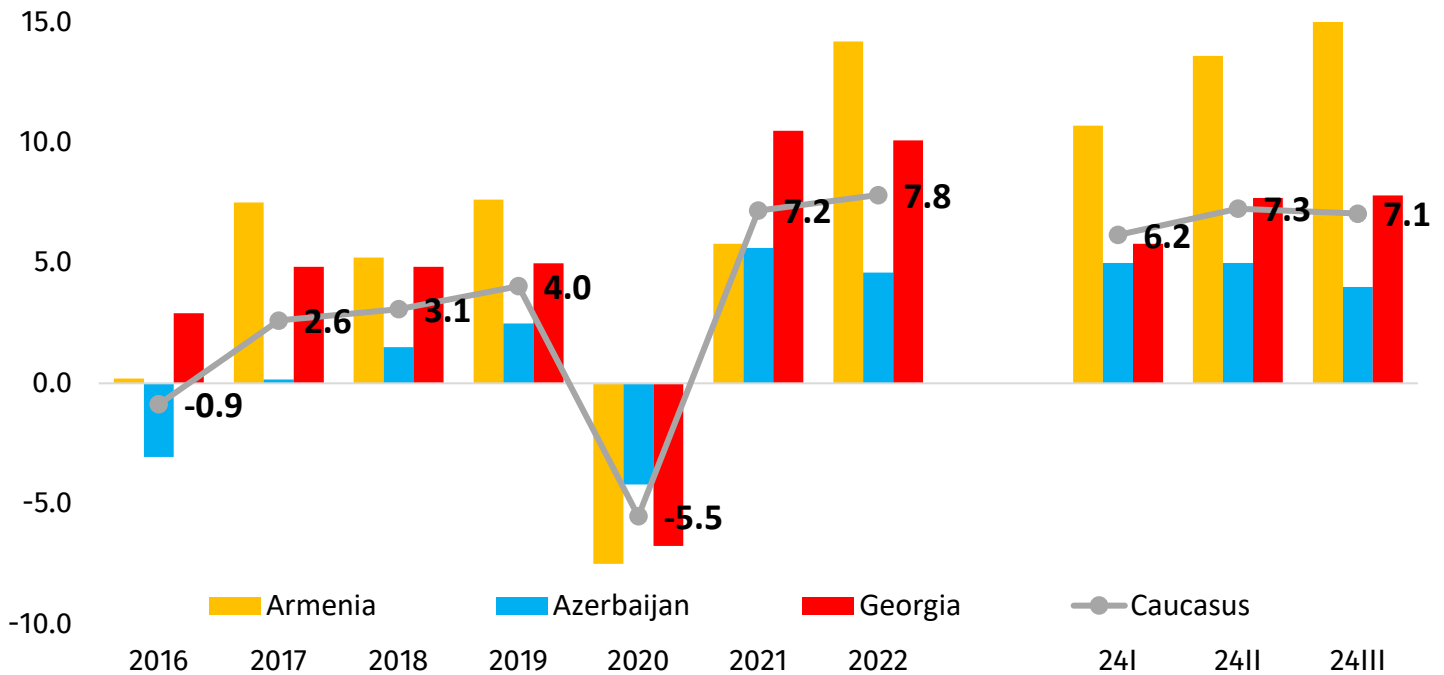
# Monthly Review of the Caucasus

## Economy

### May 2024



## Economic Growth



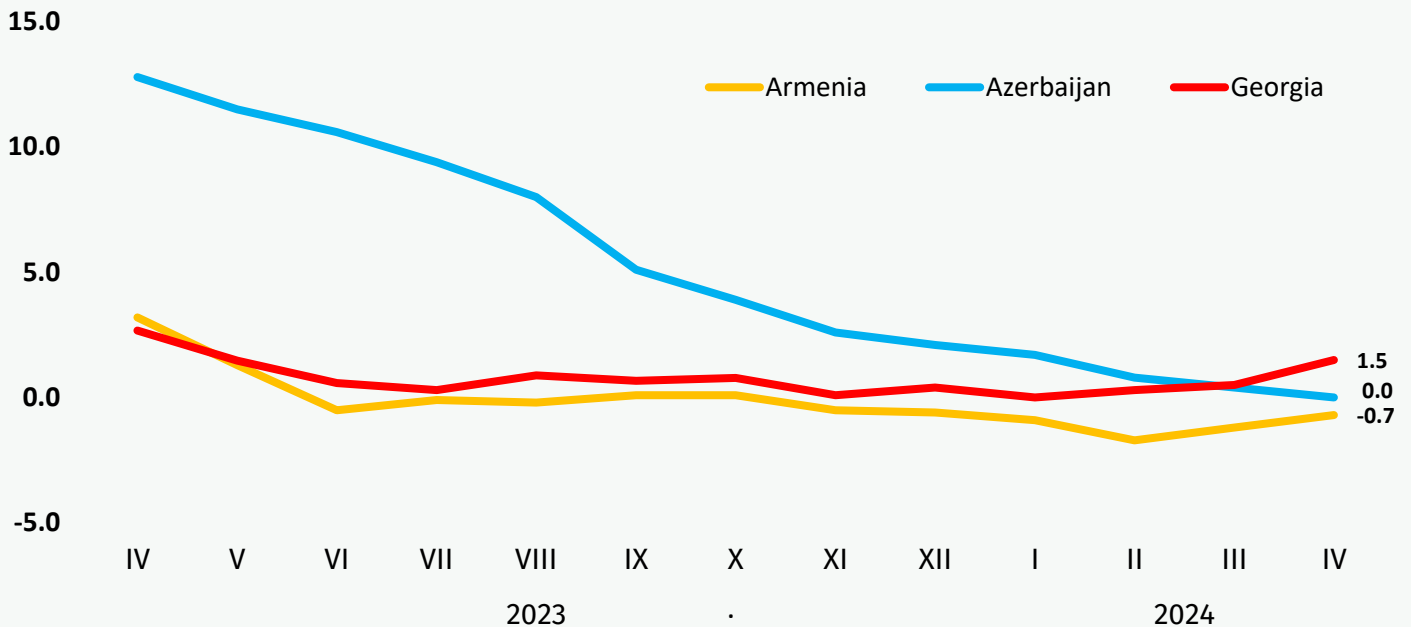
The economic growth in the Caucasus region was 4.4% in 2023, a decline from the 7.8% recorded in 2022. This shift can be attributed to two main factors: a decrease in the inflow of human and financial capital from Russia and a drop in oil prices compared to the previous year. In January-May of this year, the growth rate stood at 7.1%.

🇧🇪 According to preliminary data, the Georgian economy grew 7.5% last year and 7.8% in first quarter of this year. The industry, real estate and telecommunications sectors significantly contributed to the growth. A downward trend was observed in the construction, energy and transport sectors.

🇦🇲 Armenia has the highest growth rate in the Caucasus region. In the last year, Armenia's economy grew by 9.8%. In January-May of this year, compared to the same period of the previous year, the economy expanded by 14.3%. The trade sector is essential to the growth, increasing by 26.5% during this period, and the construction sector by 11.7%.

🇦🇿 The region's lowest growth rate was recorded in Azerbaijan. In 2023, Azerbaijan grew by 1.1%. In first quarter of this year, the growth rate amounted to 4%. 35.7% of the Azerbaijan economy is the oil and gas industry. Excluding the oil and gas industry, the growth rate was 6.7%.

## Inflation and Monetary Policy



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

🇧🇪 Georgia's inflation trajectory took a positive turn last year, marked by a significant decrease compared to the previous year. In April 2024, the annual growth of the consumer prices index was a modest 1.5%. Despite a notable 11% increase in transport service prices, several sectors experienced price drops, with clothes prices decreasing by 4.4%. These developments prompted the Central Bank to lower the refinance rate to 8.25%.

🇦🇲 Armenia has the deflation. In April of this year, the annual decline in consumer prices was 0.7%. The highest increase, 8.5%, was recorded in the transport sector, and a 4.5% decrease in food prices. The latter is the primary part of the consumer prices index. The Central Bank of Armenia also started easing monetary policy last year. According to the newest decision, the refinancing rate is reduced to 8.25%.

🇦🇿 Inflation has stabilised in Azerbaijan. In April 2024, the consumer prices index growth amounted to 0%, compared to 0.5% in March. 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 May lowered the policy rate to 7.25%.