

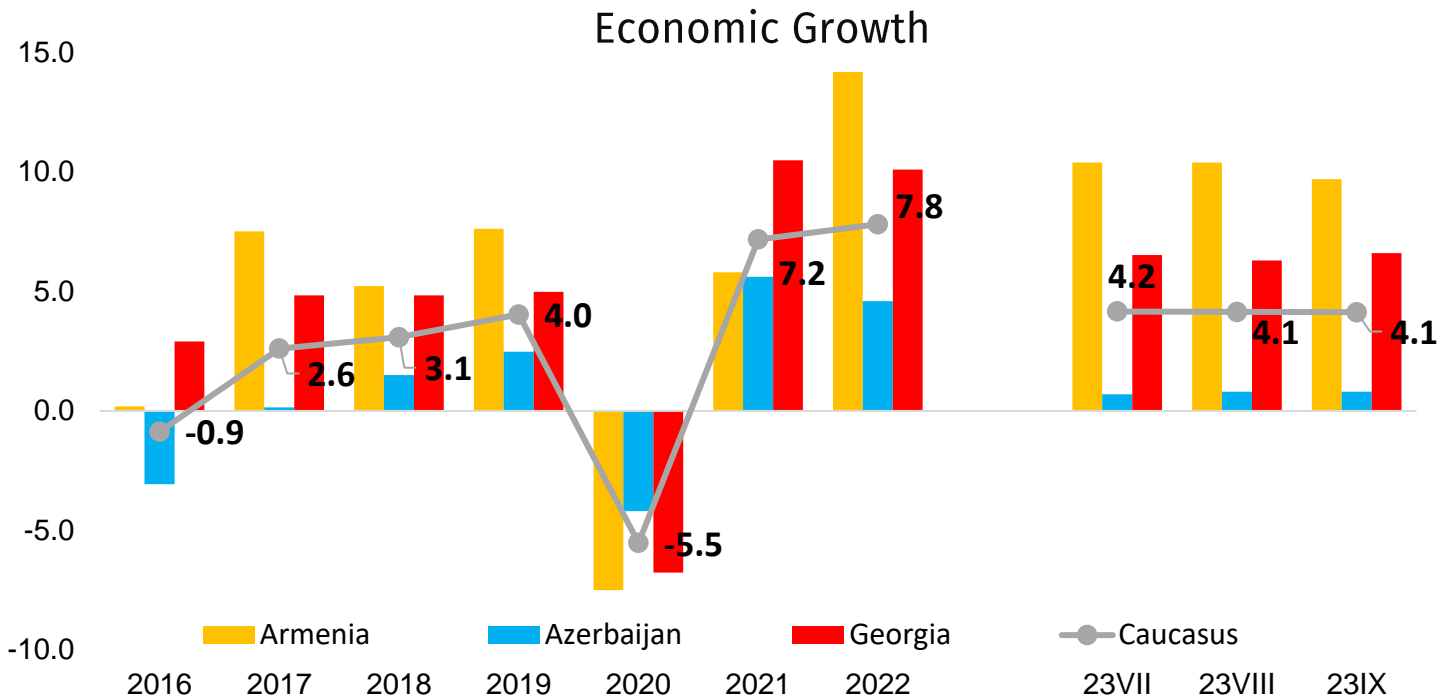


Monthly Review of the Caucasus

Economy

November 2023





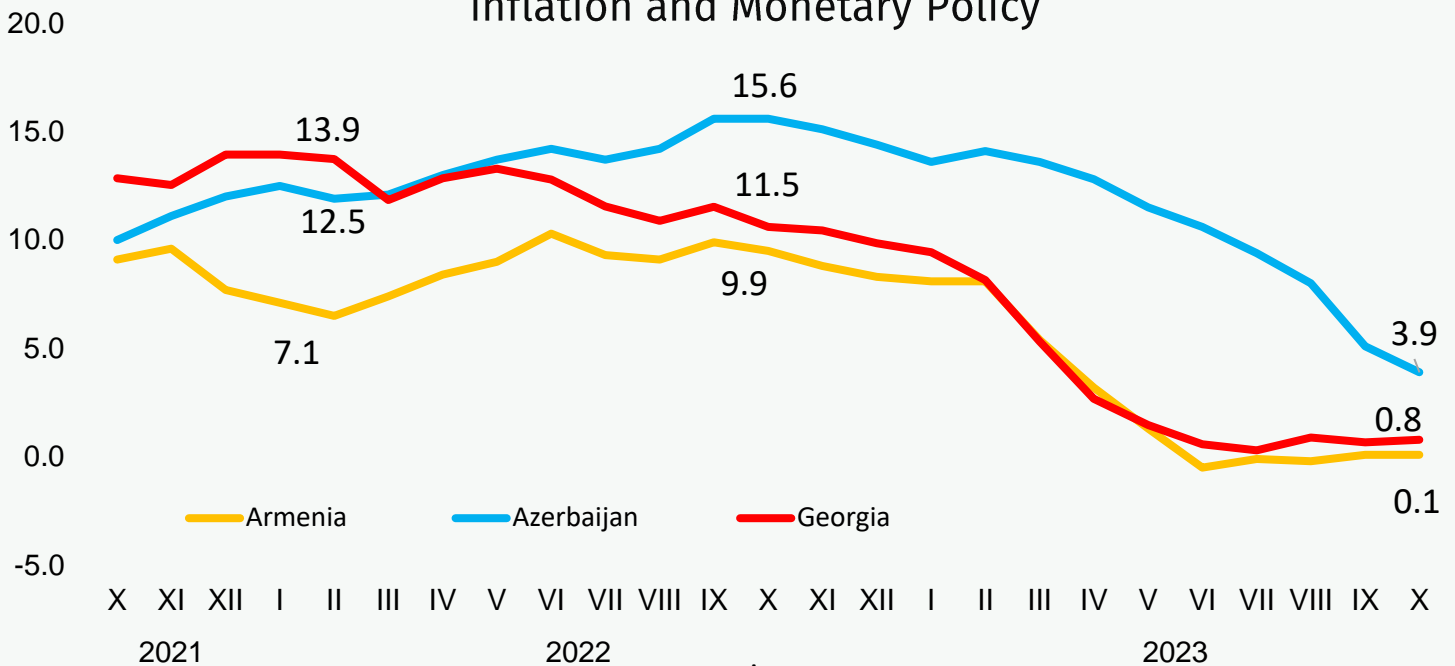
As of the first nine months of 2023, the economic growth in the Caucasus is 4.1%. Last year, the growth rate reached 7.8%. The decrease in the economic expansion rate is associated with a decrease in human and financial capital flow from Russia and lower oil prices compared to the previous year.

✚ In the first nine months of this year, the Georgian economy grew by 6.6%, while the previous month's growth rate was 6.3%. Financial, construction, trade and hospitality sectors significantly contributed to the growth. A downward trend was observed in the manufacturing, transport, warehousing, and real estate sectors.

🇦🇲 Armenia has the highest growth rate in the Caucasus region. In the first nine months of this year, Armenia's economy grew by 9.7%. In September, compared to the same month of the previous year, the economy expanded by 5.6%. The trade sector has an essential role in the growth, which increased by 23.3% during this period, and the construction sector - by 17%.

🇦🇿 In the region, the lowest growth rate was recorded in Azerbaijan. In the first nine months of 2023, the Azerbaijan grew by 0.8%. 38.2% of the Azerbaijan economy is the oil and gas industry, the price of which has lowered compared to the same period of the previous year. Excluding the oil and gas industry, the growth rate was 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 this year, compared to the previous year, has decreased. In October, the consumer prices annual growth amounted to 0.8%. Transport services prices, which increased by 3.6%, contributed significantly to October inflation, whereas prices fell in several sectors, the prices in education decreased by 1.9%. Against this background, the refinancing rate remained unchanged at 10% by the Central Bank's last decision.

🇦🇲 Armenia has the lowest inflation in the region. In October of this year, the consumer prices annual growth was 0.1%. The highest, 8.5% increase was recorded in the alcohol and tobacco group and a 3% decrease in food prices. This latter is the primary part of consumer prices. The Central Bank of Armenia also started easing monetary policy this year. According to the last decision, the refinancing rate was reduced to 9.5%.

🇦🇿 Despite the decrease, inflation in Azerbaijan remains at a high level. In October, the consumer prices annual growth amounted to 3.9%, compared to 5.1% in September. 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. Moreover, the policy rate was reduced to 8.5% at the beginning of November.