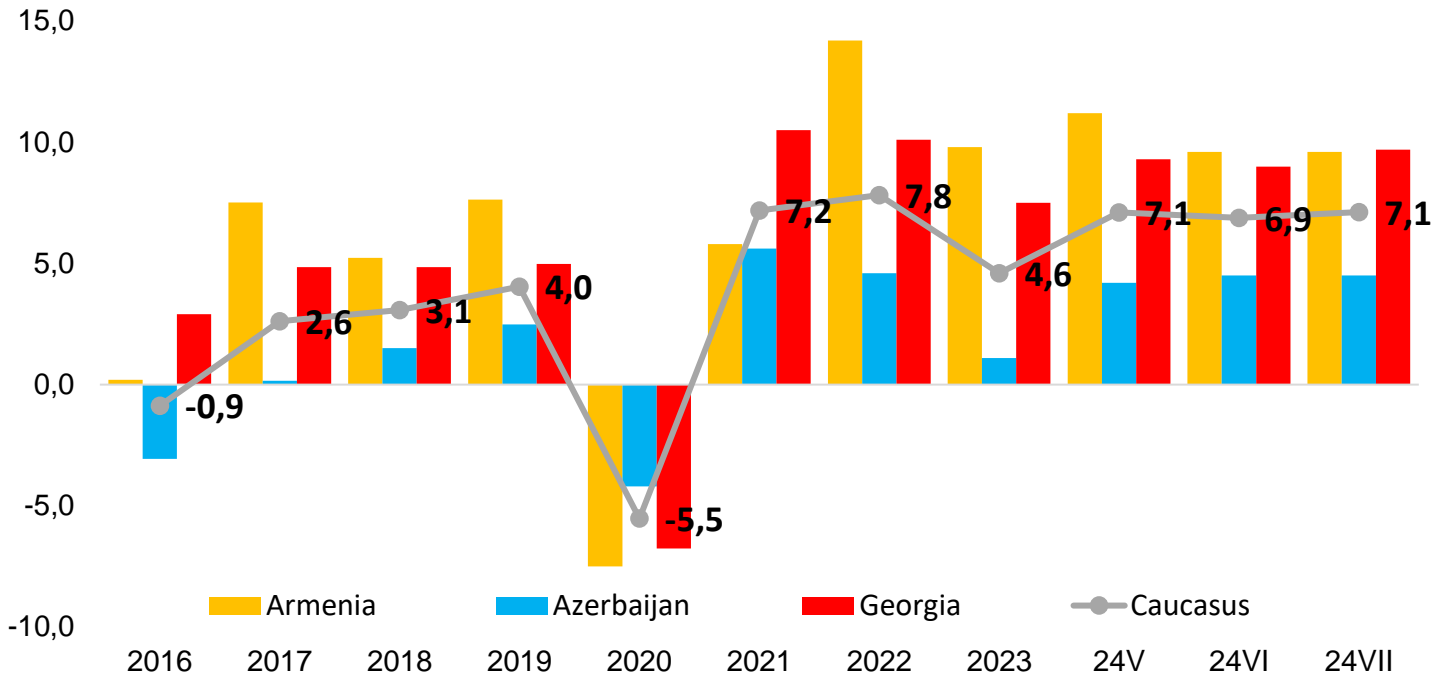




# Monthly Review of the Caucasus Economy September 2024



## Economic Growth



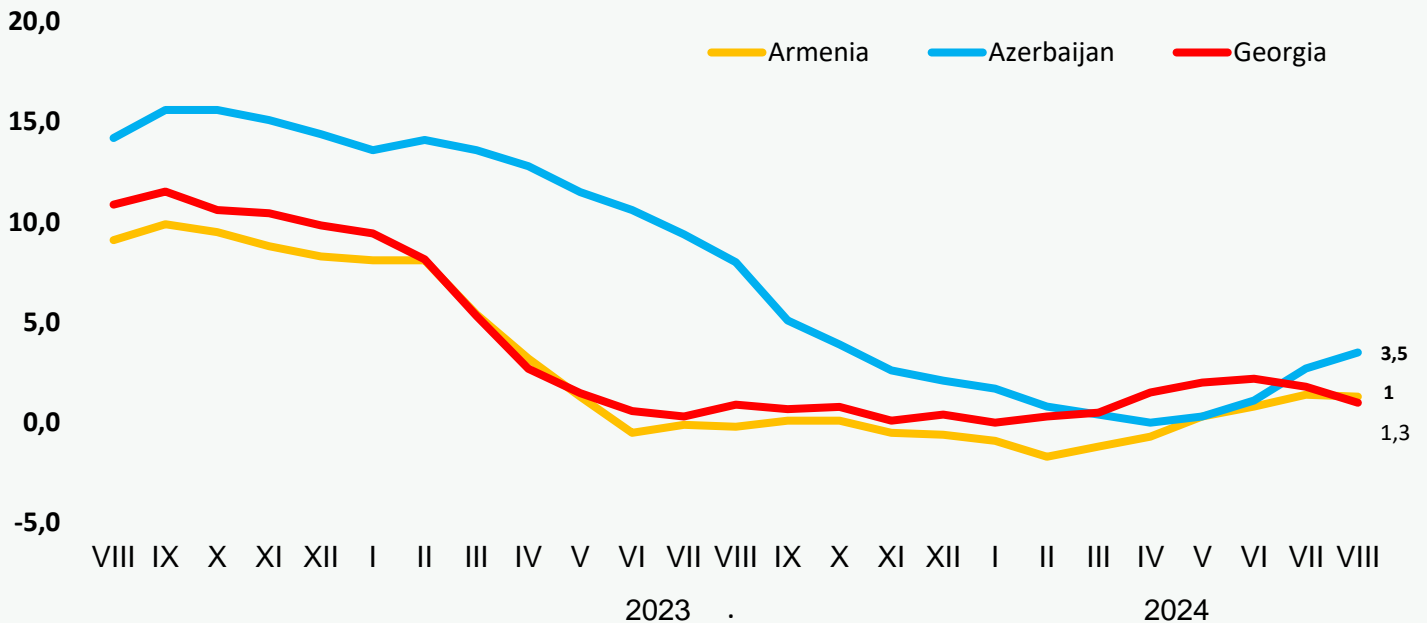
The economic growth in the Caucasus region was 4.4% in 2023, a decline from the 7.8% recorded in 2022. This shift can be attributed to two main factors: a decrease in the inflow of human and financial capital from Russia and a drop in oil prices compared to the previous year. In January-July of this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

🇯🇪 The Georgian economy grew 7.5% last year and 9.7% in the first seven months of this year. The telecommunications, construction, manufacturing and trade sectors significantly contributed to the growth. A downward trend was observed in the energy.

🇦🇲 In the last year, Armenia's economy grew by 9.8%. In January-July of this year, compared to the same period of the previous year, the economy expanded by 9.6%. The trade sector is essential to the growth, increasing by 21.4% during this period, and the construction sector by 16.1%.

🇦🇿 The region's lowest growth rate was recorded in Azerbaijan. In 2023, Azerbaijan grew by 1.1%. In the first seven months of this year, the growth rate amounted to 4.5%. 34.9% 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. Georgia has the best situation, and Azerbaijan 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 August 2024, the annual growth of the consumer prices index was a modest 1%. Despite a notable 7.4% increase in transport 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 is different regarding price level changes. In August 2024, the annual growth in consumer prices was 1.3%. The highest increase, 9.1%, was recorded in the transport sector, while a 3.9% 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 7.5%.

🇦🇿 Inflation has stabilised in Azerbaijan. In August 2024, the consumer prices index growth amounted to 3.5%, compared to 2.7% in July. 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 June stayed the policy rate at 7.25%.