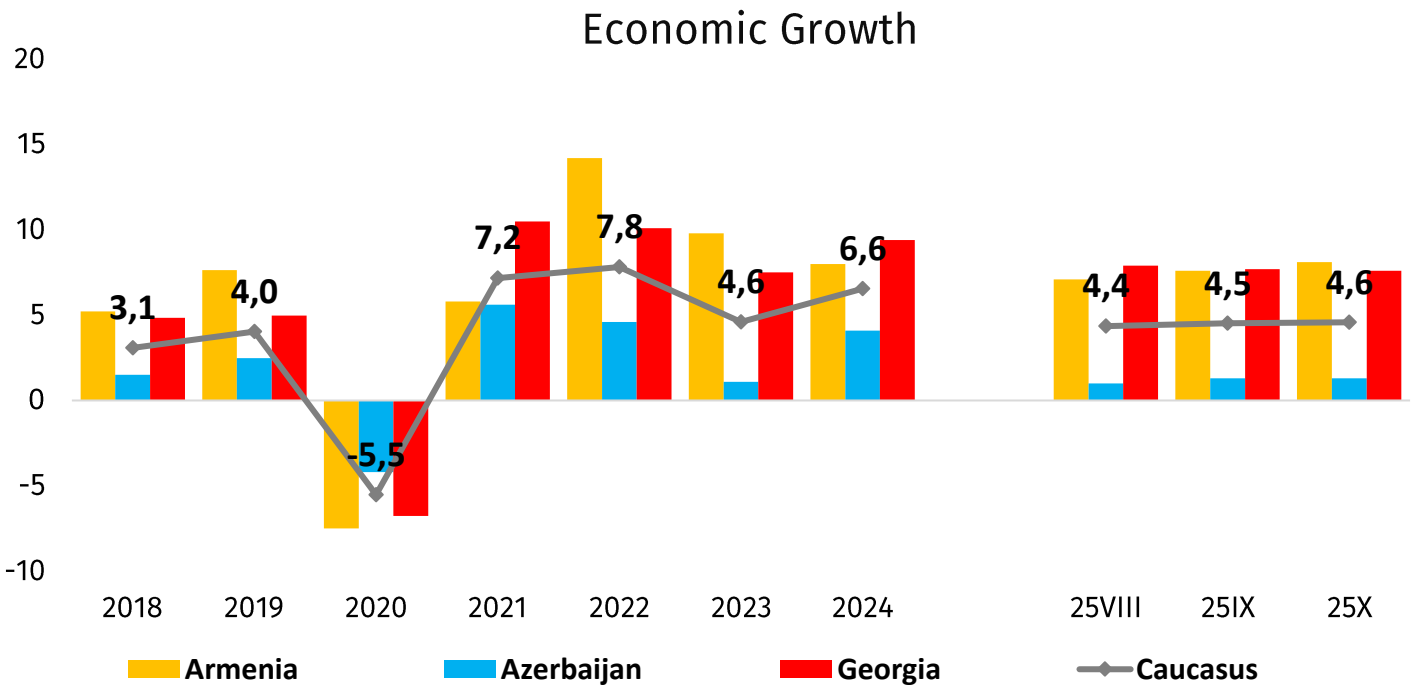
Research Institute
Gnomon Wise

Monthly Review of the Caucasus Economy

December 2025



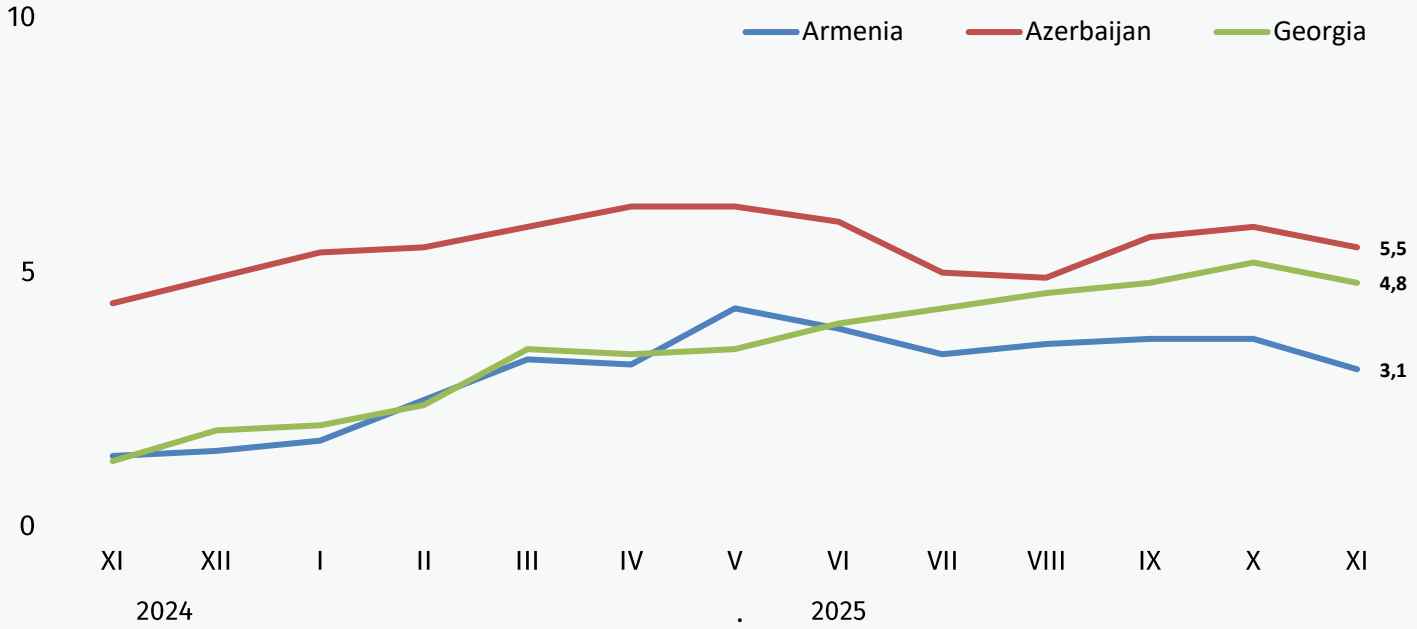
The economic growth in the Caucasus region was 4.4% in 2023. The slowdown in economic growth in 2023 was due to reduced human and financial capital flows from Russia and lower oil prices than the previous year. Growth accelerated to 6.6% last year, primarily due to monetary easing. The growth rate has slowed since 2025. In January-October, the Caucasus economy grew by 4.6%.

The Georgian economy grew 9.5% last year. The economy expanded by 7.6% in January-October of this year. The information and communication, transport, real estate and financial sectors significantly contributed to the growth. Shrinking was observed in energy, mining and construction sectors.

In the 2024, Armenia's economy grew by 8%. In January-October of this year, compared to the same period last year, the economy expanded by 8.1%. The trade sector is essential to the growth, increasing by 3.2% during this period, and the construction sector by 20.6%. Output in services expanded by 10.8%.

In 2024, Azerbaijan grew by 4.1%. The economy grew by 1.3% in ten eight months of this year. 29.9% of the Azerbaijan economy is the oil and gas industry. Excluding the oil and gas industry, the growth rate was 3.1%. In agriculture, the growth rate only stood at 1%.

Inflation and Monetary Policy



Inflation mostly repeats the trends of economic growth in the Caucasus region. Armenia 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 November 2025, the annual growth of the consumer prices index accounted to 4.8%. Despite a notable 10.3% increase in food and non-alcoholic beverages prices, several sectors experienced price drops, with telecommunication prices decreasing by 4%. 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 November 2025, the annual growth in consumer prices was 3.1%. The highest increase, 8.3%, was recorded in the education sector, while prices decreased by 0.2% in clothing and footwear sector. 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 decreased at 6.5%.

Inflation has decelerated in Azerbaijan. In November 2025, the consumer prices index growth amounted to 5.5%. In October, inflation was at 5.9%. 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 December decreased the policy rate at 6.75%.