



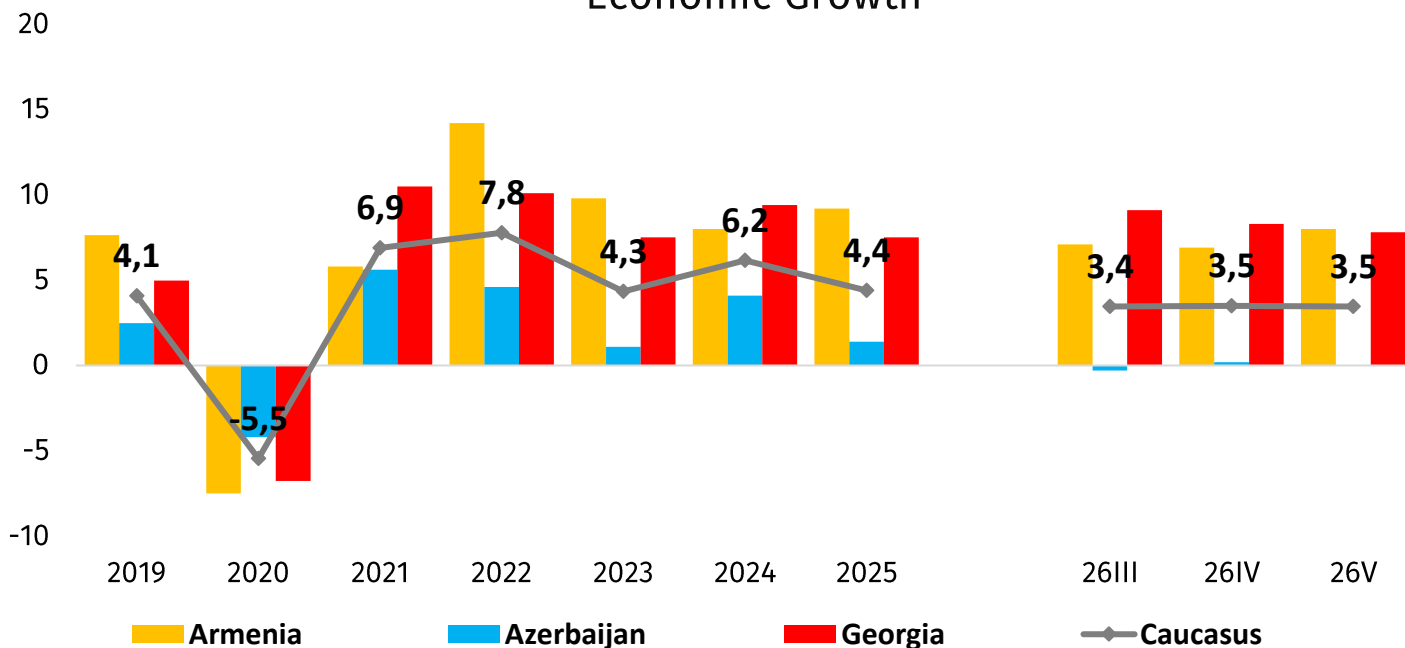
Monthly Review of the Caucasus

Economy

July 2026



Economic Growth



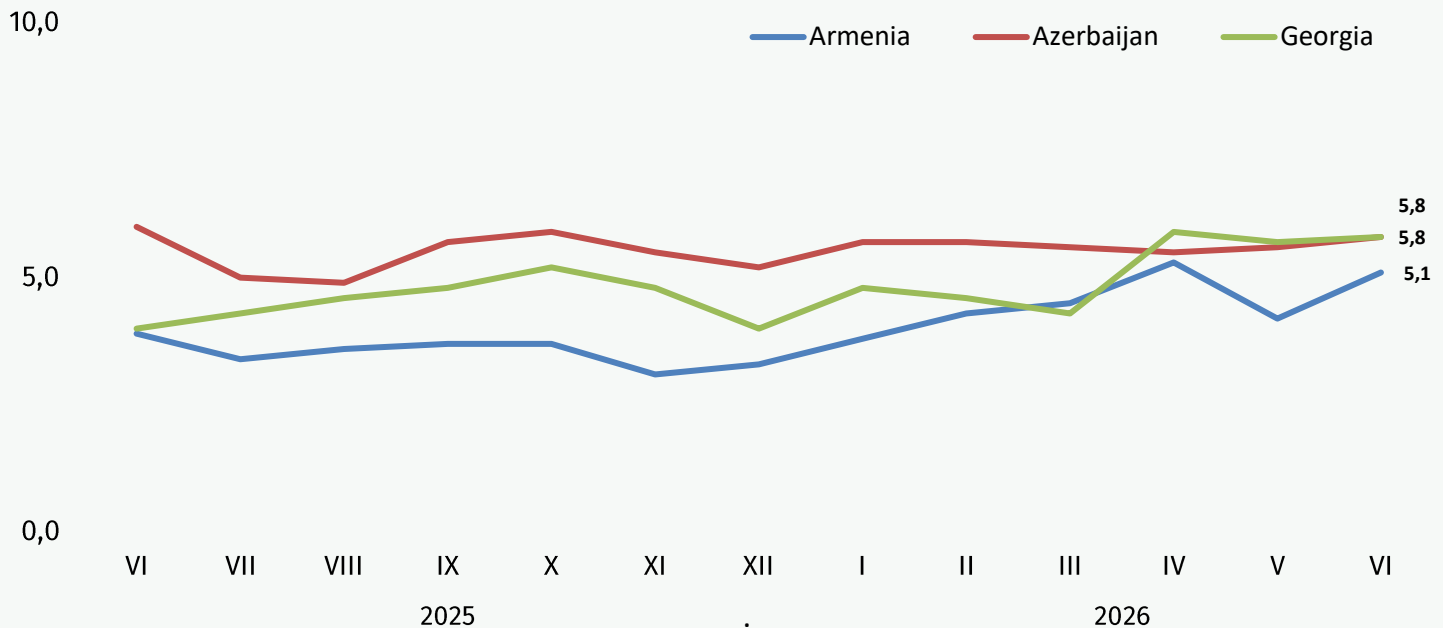
The Russia-Ukraine war continues to have a positive effect on economic growth in the Caucasus, with the impact of monetary easing added in 2024. As a result, growth accelerated to 6.2% during this period. Growth has been slowing since 2025. Last year, the economy grew by 4.4%. In January–May of this year, the region's economy expanded by 3.5%.

✚ In 2024, Georgia's economy grew by 9.5%. The previous year, the economy expanded by 7.5%. In January–May of this year, the growth rate stood at 7.8%. Telecommunications, industry, transport, and financial activates made significant contributions to growth. A declines were recorded in construction sector.

🇦🇲 In 2024, Armenia's economy grew by 8%. The previous year, the economy expanded by 9.2%. In January–May of 2026, the economy grew by 8%. The trade sector plays a particularly important role in Armenia's economic growth, expanding by 1.2% during this period, while the construction sector surged by 24.1%. Output in the services sector expanded by 9.1%.

🇦🇿 In 2024, Azerbaijan's economy expanded by 4.1%. The previous year, the economy grew by 1.4%. In January–May of this year, there is no growth. The oil and gas industry accounts for 31.1% of Azerbaijan's economic structure. Excluding this industry, the growth rate stood at 0.4%. Agriculture, meanwhile, expanded by just 2.3%.

Inflation and Monetary Policy



Inflation dynamics in the Caucasus region do not closely mirror the prevailing economic growth trends. Armenia stands out as the best-performing economy in terms of price stability, while Georgia recorded a comparatively high rate of price-level growth.

✚ Georgia's inflation trajectory took a positive turn in 2025, marked by a significant increase compared to the previous year. In June 2026, the annual growth of the consumer prices index accounted to 5.8%. Despite a notable 16.5% increase in transport services prices, several sectors experienced price drops, with telecommunication prices decreasing by 6.4%. Against this backdrop, the central bank, in its most recent decision, held the refinancing rate steady at 8.25%.

🇦🇲 In the past, Armenia's position in the region was different regarding price level changes. In June 2026, the annual growth in consumer prices was 5.1%. The highest increase, 8.6%, was recorded in the food prices, The lowest growth, at 0.9%, was recorded in recreation and culture group. 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 left unchanged at 6.5%.

🇦🇿 Inflation has decelerated in Azerbaijan. In June 2026, the consumer prices index growth amounted to 5.8%. In May, inflation was at 5.6%. 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 the policy rate unchanged stayed at 6.5%.