



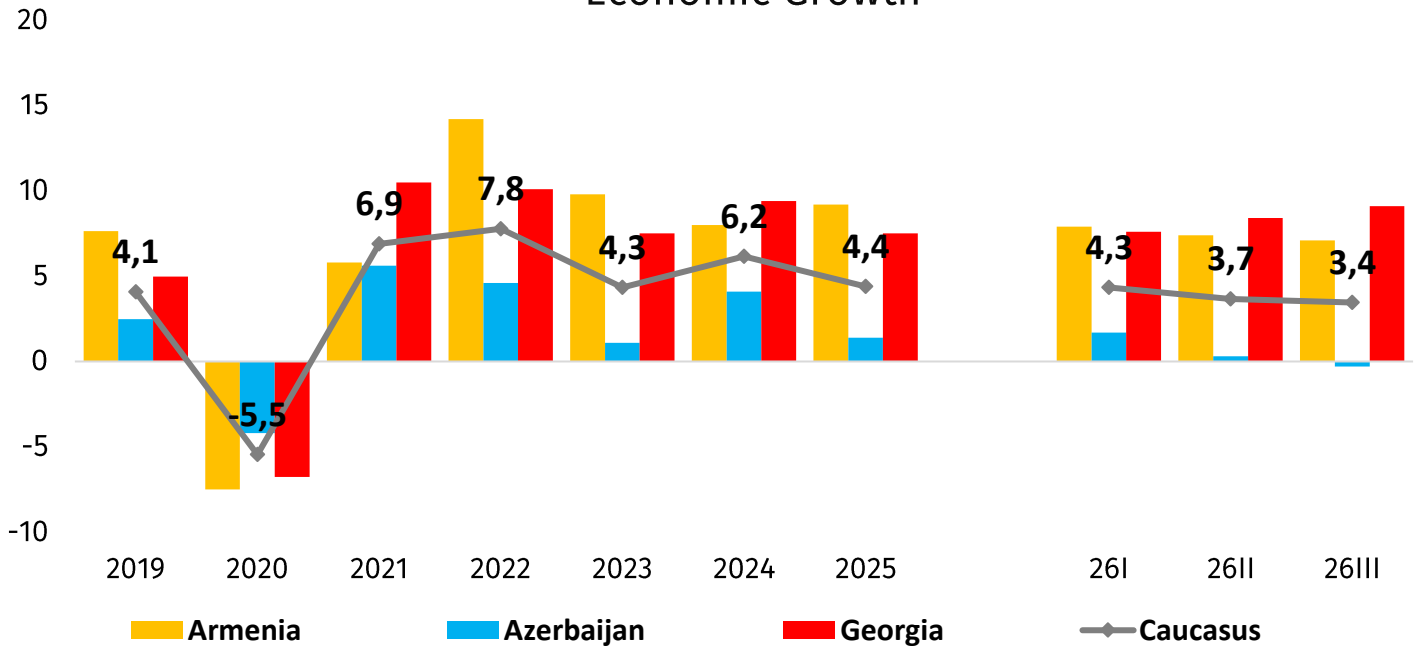
Monthly Review of the Caucasus

Economy

May 2026



Economic Growth



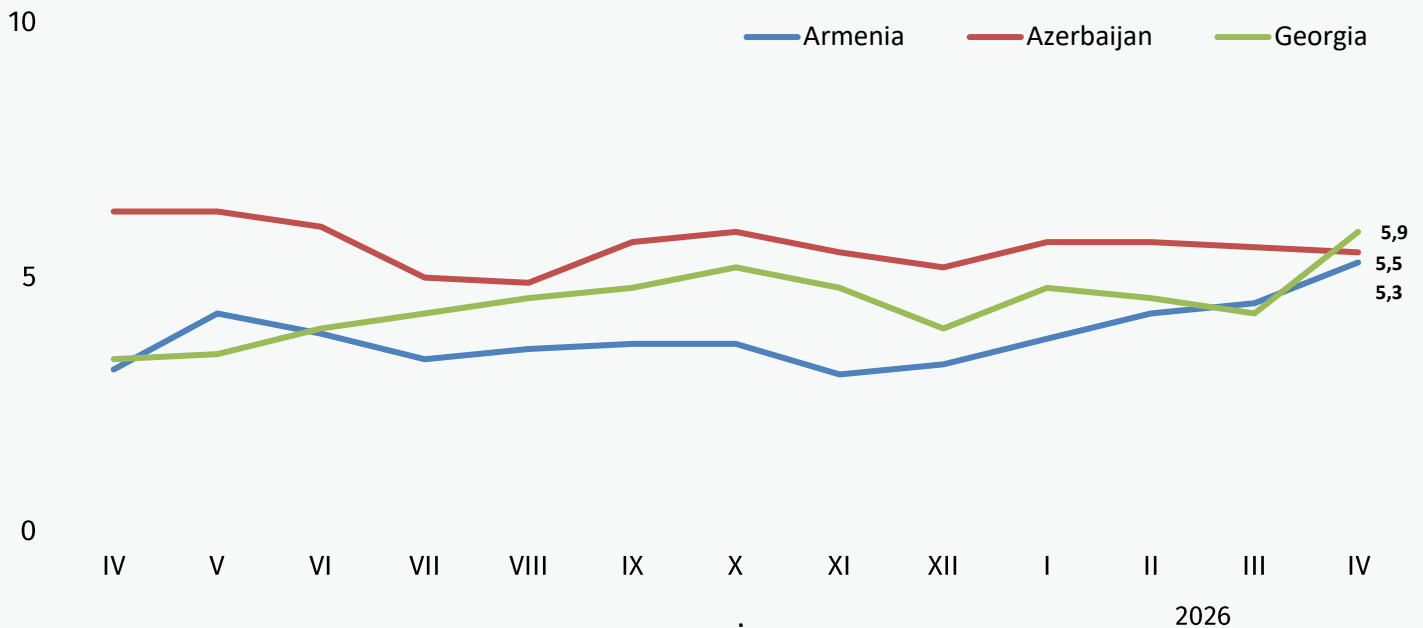
The Russia-Ukraine war continues to have a positive effect on economic growth in the Caucasus, with the impact of monetary easing added in 2024. As a result, growth accelerated to 6.2% during this period. Growth has been slowing since 2025. Last year, the economy grew by 4.4%. In January–March of this year, the region's economy expanded by 3.4%.

✚ In 2024, Georgia's economy grew by 9.5%. The previous year, the economy expanded by 7.5%. In January–March of this year, the growth rate stood at 9.1%. Telecommunications, industry, transport, professional activities, and construction made significant contributions to growth. A decline was recorded in administrative and support services and the hospitality sector.

🇦🇲 In 2024, Armenia's economy grew by 8%. The previous year, the economy expanded by 9.2%. In January–March of 2026, the economy grew by 7.1%. The trade sector plays a particularly important role in Armenia's economic growth, expanding by 2.1% during this period, while the construction sector surged by 22%. Output in the services sector expanded by 7.4%.

🇦🇿 In 2024, Azerbaijan's economy expanded by 4.1%. The previous year, the economy grew by 1.4%. In January–March of this year, the decline stood at 0.3%. The oil and gas industry accounts for 27.9% of Azerbaijan's economic structure. Excluding this industry, the growth rate stood at 0.2%. Agriculture, meanwhile, expanded by just 1.2%.

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 April 2026, the annual growth of the consumer prices index accounted to 5.9%. Despite a notable 7.5% 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 rise the refinance rate at 8.25%.

🇦🇲 In the past, Armenia's position in the region was different regarding price level changes. In April 2026, the annual growth in consumer prices was 5.3%. The highest increase, 9.5%, was recorded in the alcoholic beverage's prices, while prices decreased by 0.3% in household recreation and culture prices. 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 April 2026, the consumer prices index growth amounted to 5.5%. In March, 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 April the policy rate unchanged stayed at 6.5%.