Research Institute
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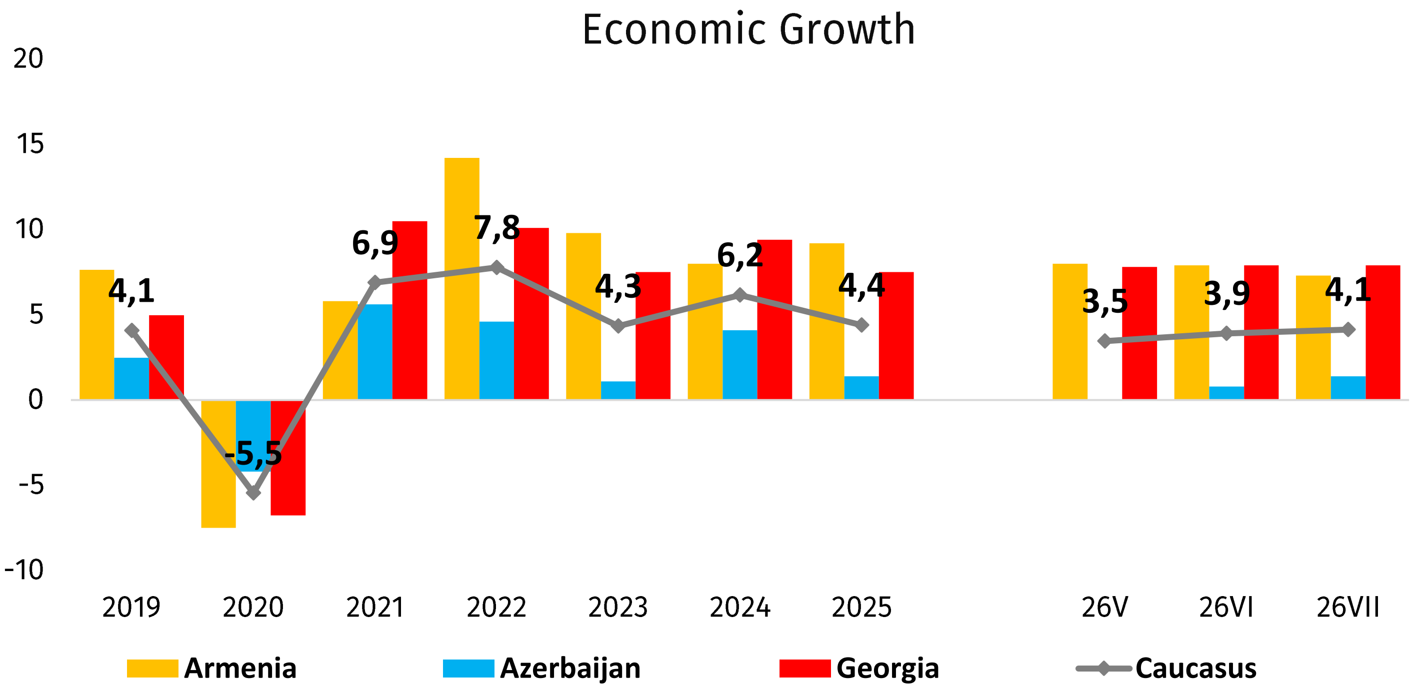
Monthly Review of the Caucasus Economy

September 2026



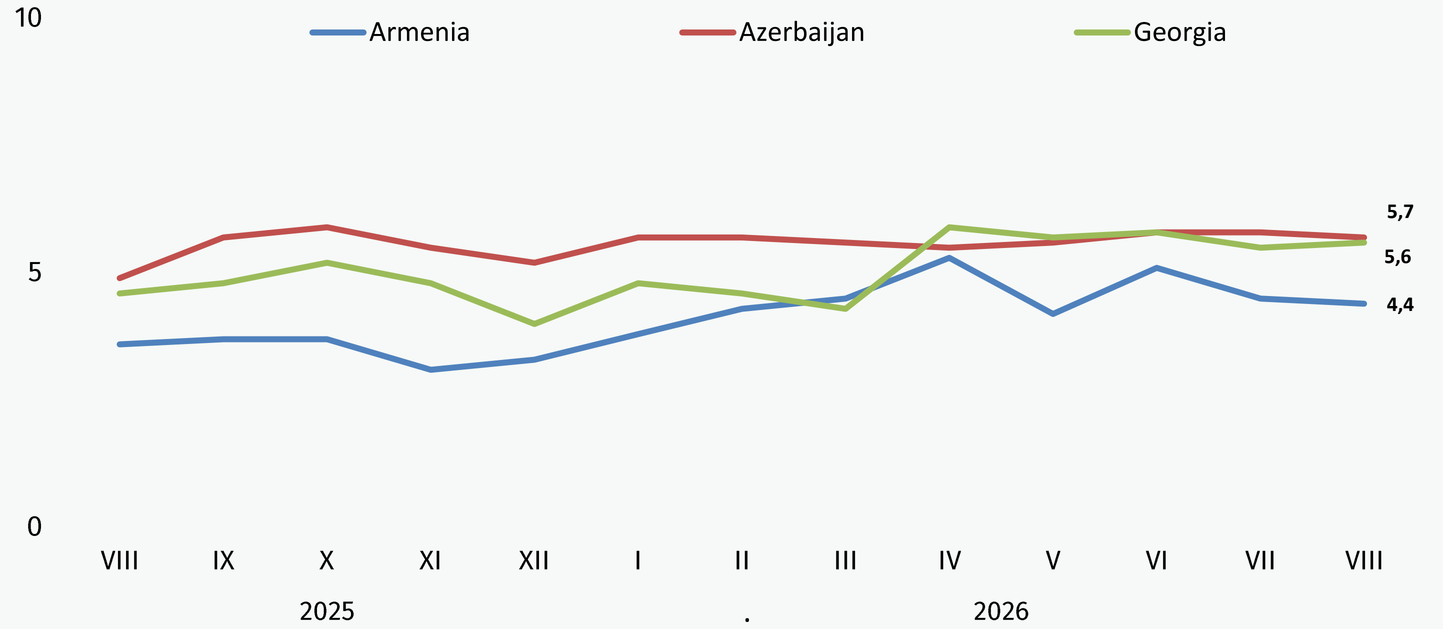
The Russia-Ukraine war continues to have a positive effect on economic growth in the Caucasus, with the impact of monetary easing added in 2024. As a result, growth accelerated to 6.2% during this period. Growth has been slowing since 2025. Last year, the economy grew by 4.4%. In January–July of this year, the region's economy expanded by 4.1%.

In 2024, Georgia's economy grew by 9.5%. The previous year, the economy expanded by 7.5%. In January–July of this year, the growth rate stood at 7.9%. Telecommunications, industry, mining, 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–July of 2026, the economy grew by 7.3%. The trade sector plays a particularly important role in Armenia's economic growth, expanding by 0.7% during this period, while the construction sector surged by 24.7%. Output in the services sector expanded by 12.8%.

In 2024, Azerbaijan's economy expanded by 4.1%. The previous year, the economy grew by 1.4%. In January–July of this year, the economy growth was at 1.4%. The oil and gas industry accounts for 29.9% of Azerbaijan's economic structure. Excluding this industry, the growth rate stood at 2.2%. Agriculture, meanwhile, expanded by just 2.8%.

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 Azerbaijan 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 August 2026, the annual growth of the consumer prices index accounted to 5.6%. Despite a notable 15.2% increase in transport services prices, several sectors experienced price drops, with telecommunication prices decreasing by 7.5%. 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 August 2026, the annual growth in consumer prices was 4.4%. The highest growth, at 8.3%, was recorded in the education sector, while prices in the recreation and culture group remained unchanged. The Central Bank of Armenia also made a significant move by starting to ease its monetary policy last year. With the latest decision, the refinancing rate was raised to 6.75%.

Inflation has decelerated in Azerbaijan. In August 2026, the consumer prices index growth amounted to 5.7%. In July, inflation rate was at 5.8%. 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 September the policy rate unchanged stayed at 6.5%.