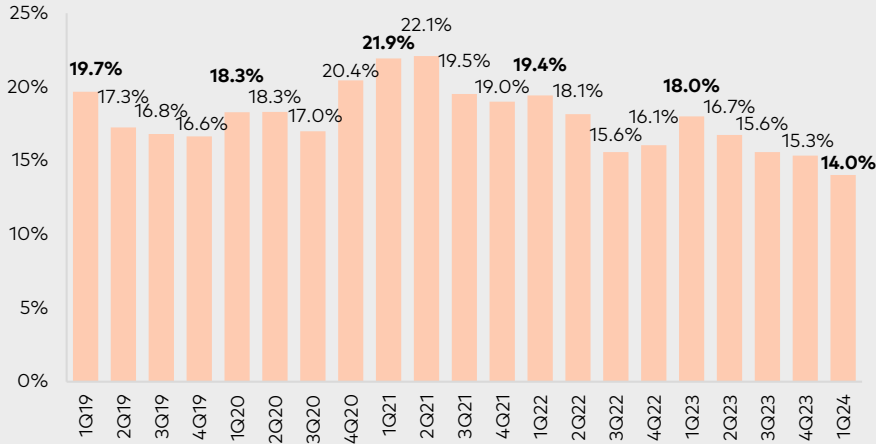




Chart of the month: Record low unemployment in 1Q24



Source: Geostat

The unemployment rate reduced by 4.0ppts y/y to a historically low level of 14.0% in 1Q24, reflecting continued strong economic growth. During this period, the number of hired employed individuals increased by 10.4% y/y, accounting for 68.0% of total employment. Meanwhile, self-employed persons were up 9.9% y/y representing 32.0% of total. Importantly, labor force participation rate increased by 3.0ppts y/y to 55.0% in 1Q24.

Economic summary

Growth: Georgia's economic growth accelerated, up by 11.8% in Apr-24, after a 8.2% y/y growth in previous month. Cumulatively, real GDP growth came in at 9.0% y/y in 4M24. In April, real growth was recorded in the manufacturing, construction, ICT, transport, professional & scientific activities and trade sectors. In contrast, the energy sector contracted during the same period. We maintain our baseline 6.0% growth scenario for the full-2024 year, which reflects actual strong growth of 4M24 and expected slowdown in investment activity in 2H24 driven by uncertainties stemming from domestic political tensions.

Inflation: In Apr-24, annual inflation rose to 1.5%, up from the 0.5% print in previous month. This increase was primarily driven by a 3.5% y/y rise in imported inflation (+1.6% in Mar-24), while domestic inflation remained nearly unchanged at 2.5% y/y compared to the previous month. Notably, core inflation, excluding volatile food, energy and tobacco prices, stood at 2.3% y/y in Apr-24, unchanged from the previous month. We maintain our average annual inflation forecast at 3.0% for 2024.

Monetary policy: On May 22, 2024, the NBG's Monetary Policy Committee reduced its key rate by 25bps to 8.0%, considering the low inflation environment. We do not anticipate further rate cuts through 2024.

FX: The GEL began weakening in mid-May due to domestic political tensions. To stabilize the market, the NBG intervened by selling US\$ 108.7mn. As a result, the GEL stabilized at 1\$/2.8, depreciating by 4.2% m/m against dollar in May-24. We anticipate an average GEL rate of 2.78 against the dollar for 2024, revised upwards from the previous forecast of 2.70.

Activity

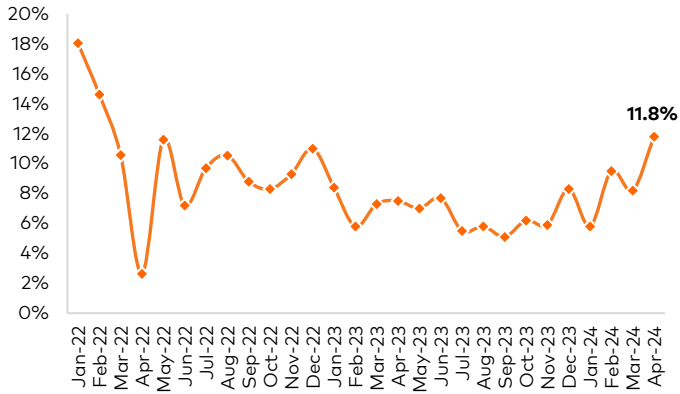
Trade: In Apr-24, goods exports reduced significantly by 12.7% y/y to US\$ 437.2mn, after a 4.4% y/y decline in previous month. Contrary, goods imports increased by 11.3% y/y to US\$ 1.4bn, rebounding from a 14.7% y/y reduction in March. A reduction in copper, cars and fertilizer exports mainly contributed to the drop in overall exports. However, exports of wine, spirits and ferro-alloys saw a significant increase in April. On the import side, an increase in imports of petroleum, automatic data processing machines and pharmaceuticals drove the growth, while imports of cars, copper, gases and phones dropped. Overall, in 4M24, trade deficit increased by 7.5% y/y to US\$ 3.0bn, as exports decreased by 10.1% y/y to US\$ 1.8bn and imports were merely up by 0.3% y/y to US\$ 4.8bn.

Tourism: In 4M24, tourism revenues rose by 2.0% y/y to US\$ 1.1bn, according to our estimates. We forecast tourism revenues at US\$ 4.3bn (+4.0% y/y) for 2024, revised downwards from our initial forecast of US\$ 4.5bn.

Banking sector: In Apr-24, the bank loan portfolio increased by 18.4% y/y (excl. FX effect) reaching GEL 54.5bn, after a 17.4% y/y growth in previous month. The credit growth in April was mainly driven by a 21.7% y/y increase in corporate loans (contributing 11.9ppts to the total loan growth), followed by retail loans (+15.8% y/y). Bank deposits increased by 17.7% y/y (excl. FX effect) to GEL 52.3bn in Apr-24, after growing by 16.7% y/y in Mar-24. The dollarization rates improved, with deposit and loan dollarization standing at 48.3% and 44.7%, respectively, in April.

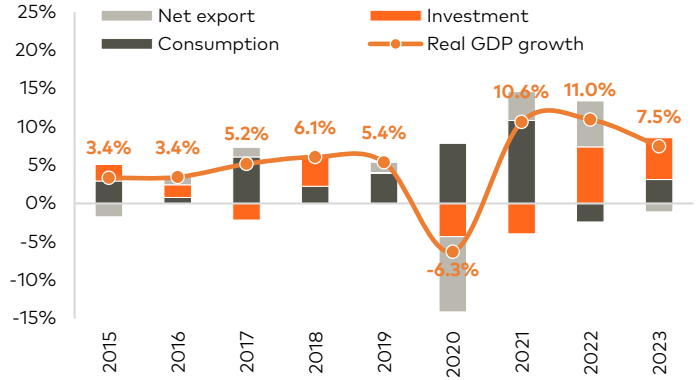


Real GDP growth, % change y/y



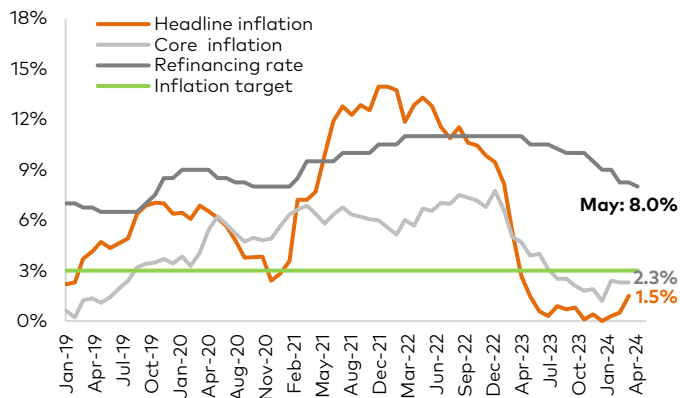
Source: Geostat

Contributions to real GDP growth, pts



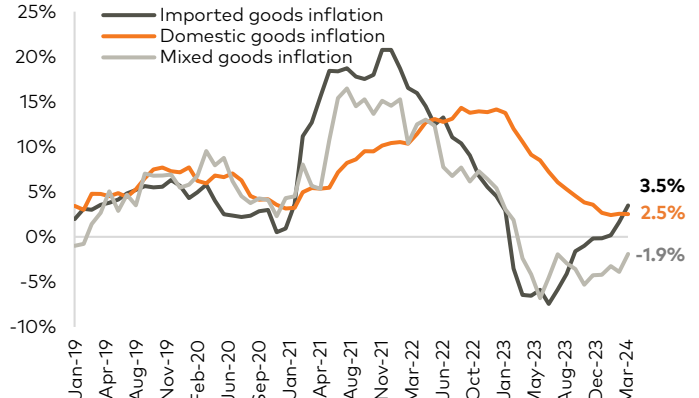
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



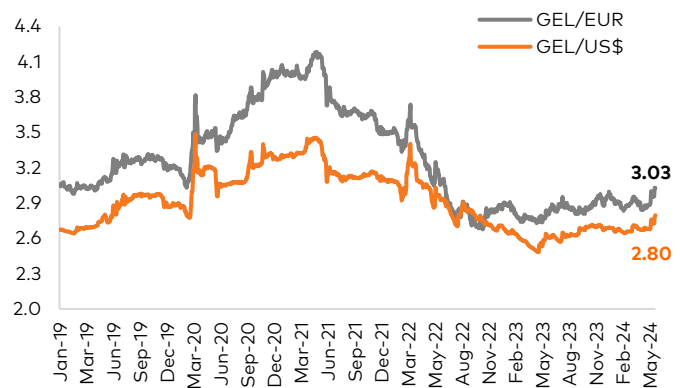
Source: Geostat, NBG

Imported and domestic inflation dynamics



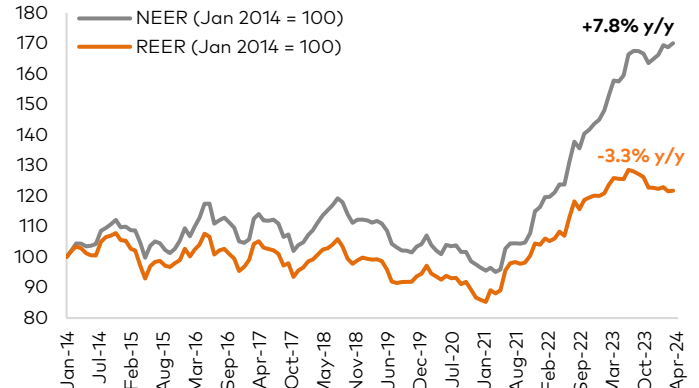
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

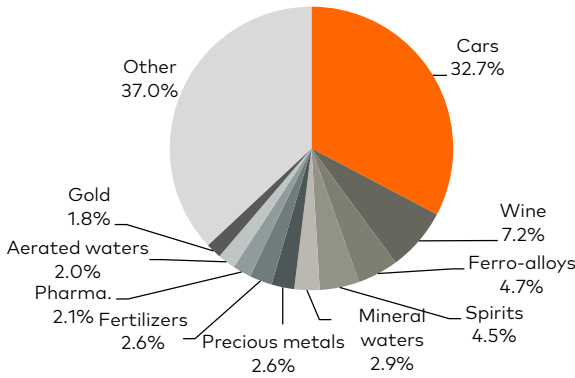


Source: NBG

Note: Index growth/decline means appreciation/depreciation of GEL

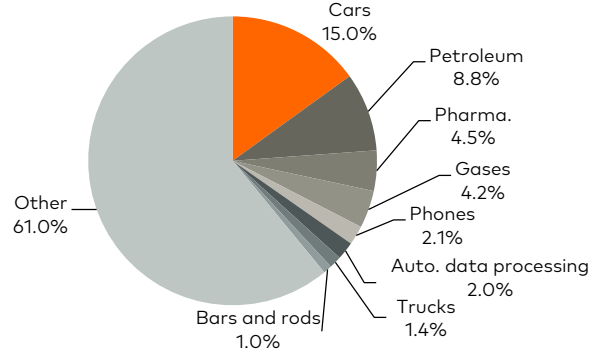


Exports by product, 4M24



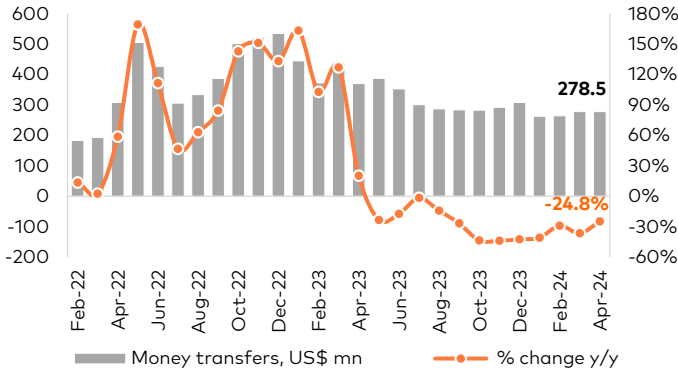
Source: Geostat

Imports by product, 4M24



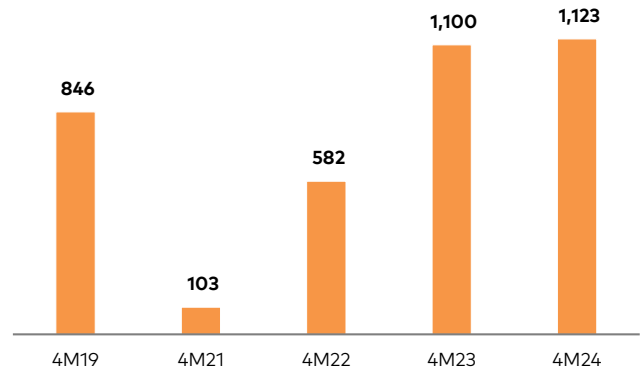
Source: Geostat

Money transfers to Georgia



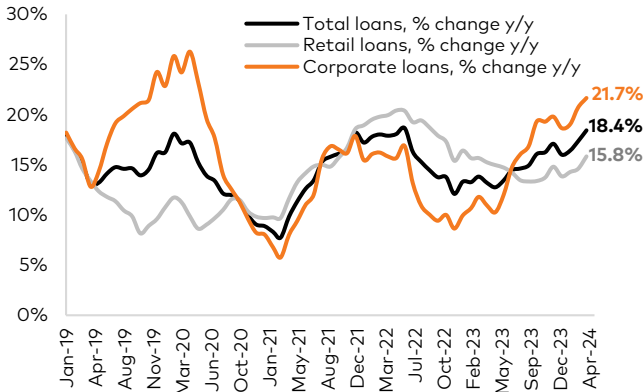
Source: NBG

Tourism revenues, US\$ bn



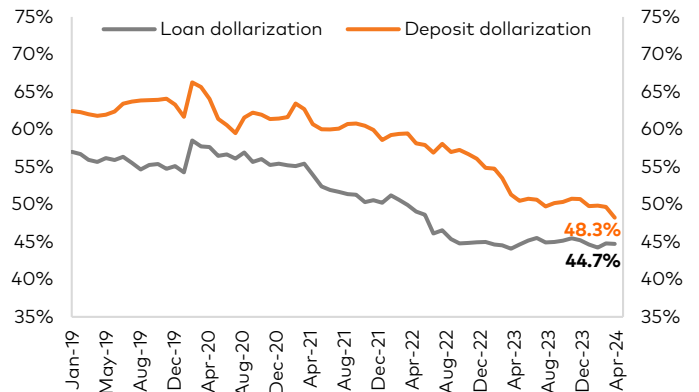
Source: NBG, Galt & Taggart

Banking sector loan portfolio growth by sector, (excluding FX effect)



Source: NBG

Banking sector loan and deposit dollarization



Source: NBG

Macro data and forecasts

Georgia	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024F	2025F
GDP and Prices											
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.2	88.5	96.3
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.5	31.8	33.6
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,210	8,616	9,099
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.5%	6.0%	4.5%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	3.0%	4.2%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	4.4%	3.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.78	2.86
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.90	2.99
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	3.02	3.15
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	3.15	3.29
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.53	3.72
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.77	3.94
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Government Finances											
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	28.1%	28.7%	27.9%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.5%	31.3%	30.2%
Fiscal balance (-deficit), % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.5%	-2.5%	-2.4%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	39.2%	38.4%	37.7%
External Sector											
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.0	-2.0	-1.9	-1.1	-1.3	-1.8	-2.0
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-5.8%	-12.4%	-10.3%	-4.5%	-4.3%	-5.6%	-6.0%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	15.5	16.4
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	18.7	20.0
Net Current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.1	3.2
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.8	1.3	1.2	1.1
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.1%	3.6%	4.9%	7.1%	4.3%	3.8%	3.3%
Gross international reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.8	4.9
Financial sector											
Bank loan portfolio, US\$ bn	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	20.7	21.7
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.6%	67.8%	67.3%
Monetary policy rate, %	8.0%	6.5%	7.25%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.50%

Source: NBG, MOF, Geostat, Galt & Taggart

Note 1: Fiscal balance according to IMF Program Definition

Note 2: Exports and imports include both – goods and services

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