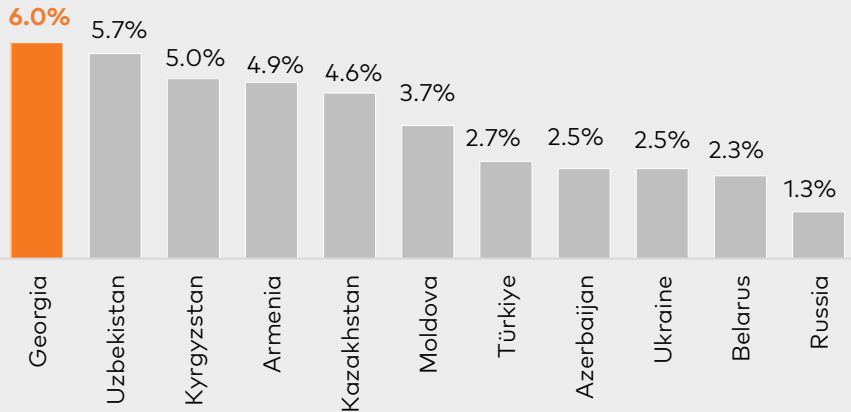




## Chart of the month: IMF forecasts 6.0% real GDP growth for Georgia in 2025



Source: IMF

According to the latest IMF World Economic Outlook report, the fund forecasts that Georgia's economy will grow by 6.0% in 2025, marking the highest growth rate in the region. Additionally, the IMF expects Georgia's average real GDP growth at 5.0% from 2026 to 2029, with GDP per capita estimated to reach US\$ 12,734 by 2029.

### Economic summary

**Growth:** Georgia's economy grew by 8.3% y/y in Sep-24, following a 12.0% y/y growth in previous month. Cumulatively, real GDP growth came in at 9.8% y/y in 9M24. In September, there was notable growth in construction, financial and insurance, transport and storage and trade sectors, while the energy sector continued to contract. We are maintaining our real GDP growth projection of 9.0% for the full year 2024. For 2025, we expect Georgia's economy to grow by 6.0%, in line with the latest IMF forecast.

**Inflation:** In Sep-24, annual inflation eased further to 0.6%, down from 1.0% in August. The slowdown was mainly driven by a deceleration in imported inflation, which slowed to 1.4% y/y in Sep-24 from 3.0% y/y in Aug-24. Additionally, mixed goods inflation declined by 1.1% y/y in September, similar to the previous month. Domestic inflation rose slightly to 1.2% y/y from 1.1% y/y in previous month. Notably, core inflation, excluding volatile food, energy and tobacco prices, edged down to 0.8% y/y in Sep-24 from 0.9% y/y in August.

**Monetary policy:** On October 23, 2024, the NBG's Monetary Policy Committee kept its key rate unchanged at 8.0%, due to ongoing uncertainties. According to NBG, the war in Ukraine and rising geopolitical tensions in the Middle East may raise regional risk premiums and inflationary pressures. Additionally, stronger-than-expected domestic growth could contribute to demand-side price pressures. We expect that the NBG will maintain this rate throughout 2024.

**FX:** In October, the GEL faced sell-off pressure due election-related uncertainties, prompting the NBG to intervene by selling US\$ 213.4mn in four FX auctions. After the election weekend, the GEL faced ongoing pressure, dropping to 2.75 per USD by October 31, 2024, down from 2.72 on pre-election day. We anticipate that depreciation pressure will continue due to ongoing post-election uncertainties (see [here](#)) and expect the GEL at c.2.8 against the USD by the end of 2024.

### Activity

**Trade:** In Sep-24, goods exports rose by 17.0% y/y to US\$ 615.6mn, following a robust 30.1% y/y growth in previous month. Conversely, imports continued to decline, down by 4.2% y/y to US\$ 1.3bn, after a 1.8% y/y decrease in previous month. As a result, the trade deficit narrowed by 17.3% y/y to US\$ 707.9mn in Sep-24. The growth in exports was primarily fueled by increased demand for cars, precious metals, spirits, water, gold and nuts. On the import side, the decrease was largely due to a drop in car imports; however, there were substantial increases in imports of iron bars and rods, pharmaceuticals and trucks.

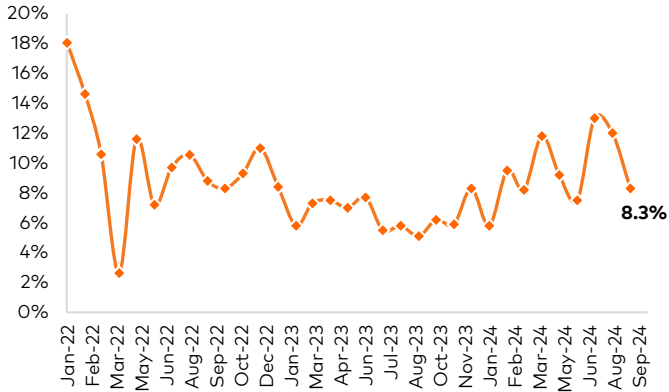
Overall, in 9M24, trade deficit increased by 3.3% y/y to US\$ 7.2bn, as exports increased by 4.1% y/y to US\$ 4.8bn and imports were up by 3.6% y/y to US\$ 12.0bn.

**Tourism:** In 3Q24, tourism revenues increased by 8.0% y/y to US\$ 1.6bn, according to NBG. Overall, in 9M24 tourism revenues reached US\$ 3.5bn (+6.5% y/y).

We forecast tourism revenues at US\$ 4.4bn for 2024, up from US\$ 4.1bn in 2023.

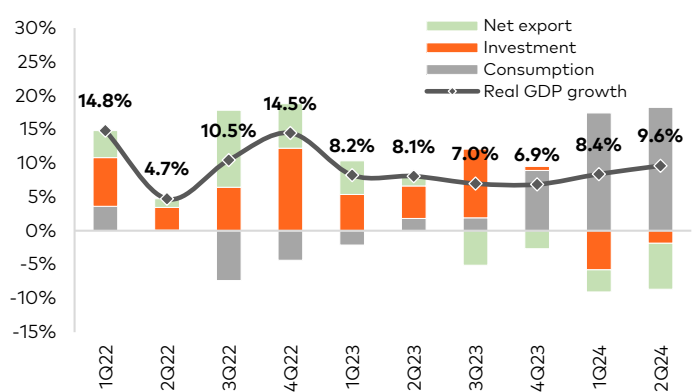
**Banking sector:** In Sep-24, the bank loan portfolio increased by 18.8% y/y (excl. FX effect) reaching GEL 59.4bn, after a 18.6% y/y growth in previous month. This credit growth was primarily driven by a 21.3% y/y increase in corporate loans (contributing 9.8ppts to the total loan growth), followed by retail loans (+16.7% y/y). Bank deposits rose by 15.1% y/y (excl. FX effect) to GEL 57.6bn in Sep-24, after growing by 15.3% y/y in Aug-24. In Sep-24, the deposit dollarization rate slightly increased to 48.8% (+0.97ppts m/m) amid conversions of GEL deposits into FX and loan dollarization remained stable at 43.9% (flat m/m).

**Real GDP growth, % change y/y**



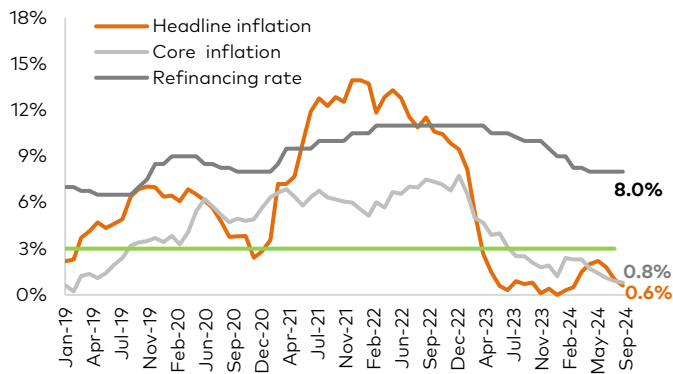
Source: Geostat

**Contributions to real GDP growth, ppts**



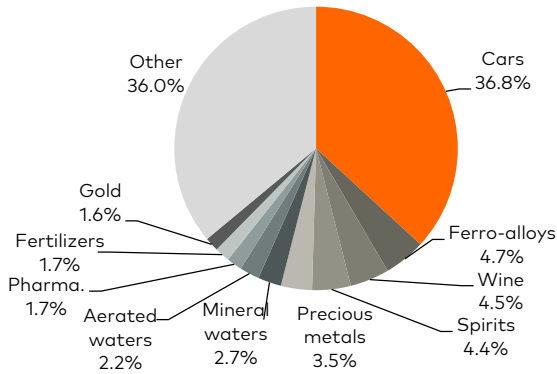
Source: Geostat, Galt & Taggart

**Annual inflation and monetary policy rate**



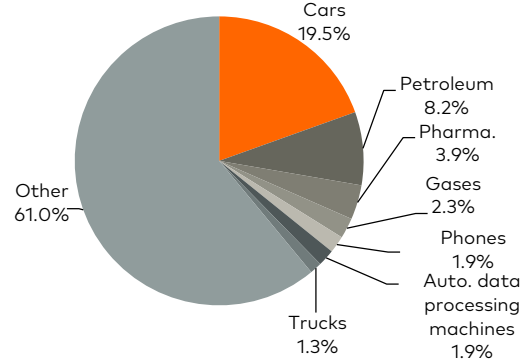


**Exports by product, 9M24**



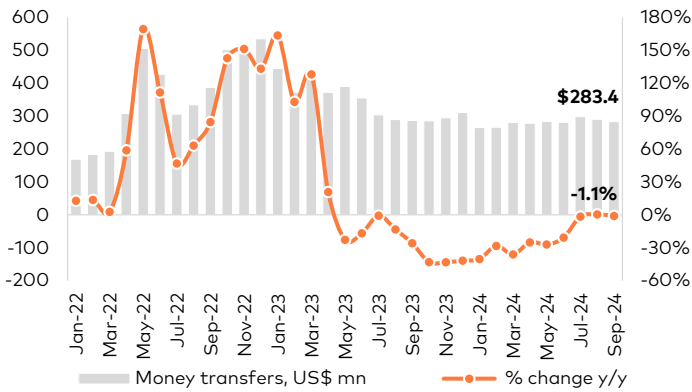
Source: Geostat

**Imports by product, 9M24**



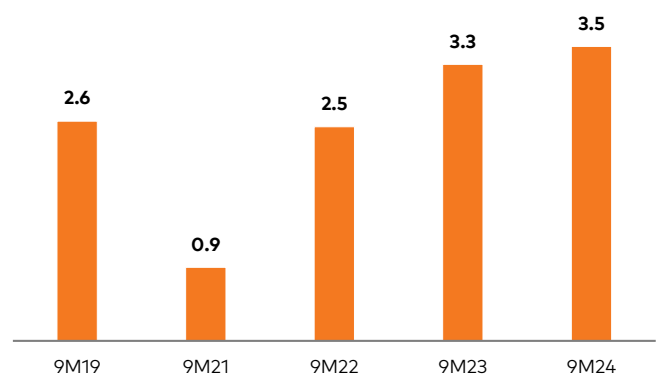
Source: Geostat

**Money transfers to Georgia**



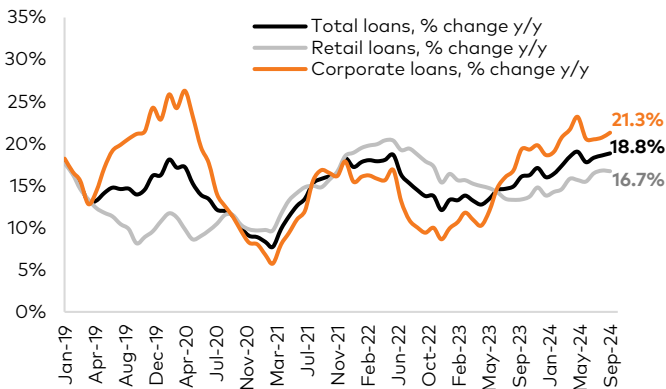
Source: NBG

**Tourism revenues, US\$ bn**



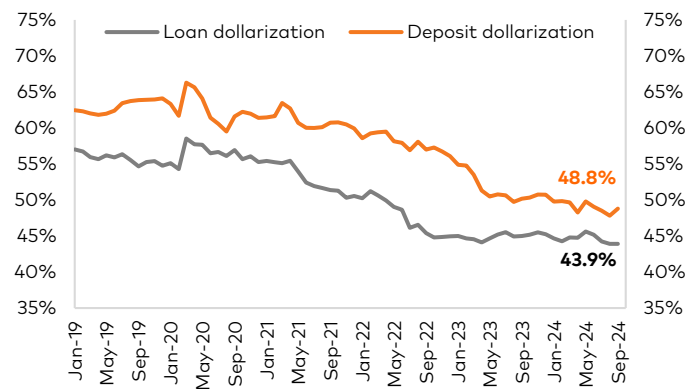
Source: NBG

**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
<b>GDP and Prices</b>											
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.2	90.5	100.2
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.5	33.2	36.0
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,219	8,986	9,756
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.5%	9.0%	6.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.3%	4.2%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	3.0%	3.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.78
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.80	2.80
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.97	3.08
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	3.08	3.14
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.50	3.67
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.67	3.72
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
<b>Government Finances</b>											
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	28.1%	28.6%	27.8%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.5%	31.1%	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%	-2.5%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	39.2%	36.5%	36.8%
<b>External Sector</b>											
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.6	-1.7
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.6%	-5.0%	-4.8%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	15.8	16.7
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.2	20.5
Net Current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.7	3.9
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.8	1.3	1.0	1.1
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.1%	3.6%	4.9%	7.1%	4.3%	3.0%	3.1%
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
<b>Financial sector</b>											
Bank loan portfolio, US\$ bn	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	22.0	24.3
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.6%	68.1%	67.9%
Monetary policy rate, %	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.00%

Source: NBS, MOF, Geostat, Galt &amp; Taggart

Note 1: Fiscal balance according to IMF Program Definition

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

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