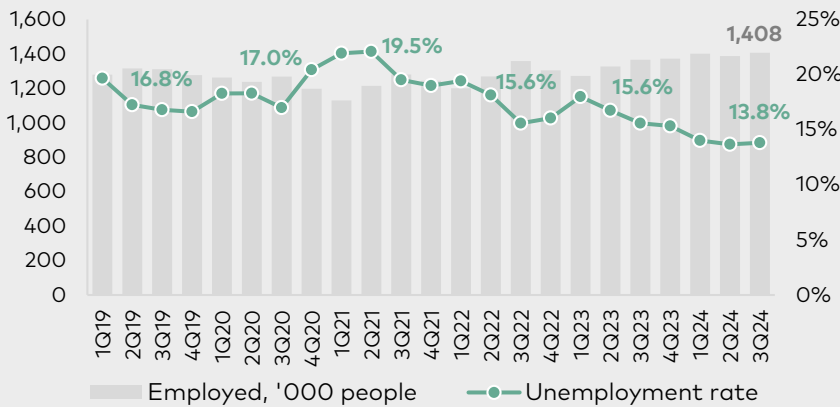




Chart of the month: Low unemployment rate in 9M24



Source: Geostat

The unemployment rate reduced by 1.8ppts y/y to 13.8% in 3Q24, reflecting strong economic growth. During this period, the number of hired employed individuals increased by 3.3% y/y, accounting for 69.2% of total employment, while self-employed persons rose by 2.4% y/y. Notably, labor force participation rate increased by 1.0ppts y/y to 54.7% in 3Q24. Overall, unemployment rate declined to 13.8% in 9M24 from 16.8% in 9M23.

We forecast unemployment rate at 13.8% in 2024, down from 16.4% in 2023.

Economic summary

Growth: Georgia's economy grew by 11.0% in Oct-24, following a 8.3% y/y growth in previous month. Cumulatively, real GDP growth came in at 10.0% y/y in 10M24. In October, there was notable growth in the construction, manufacturing, financial and insurance, ICT, transport and storage and trade sectors. Due to stronger-than-expected growth in 10M24, we raised our full-year 2024 real GDP growth forecast to 9.7%, up from 9.0%. For 2025, we are maintaining our real GDP growth forecast at 6.0%.

Inflation: In Oct-24, annual inflation was 0.3%, down from 0.6% posted in September. This slowdown was mainly driven by a decrease in imported inflation (-1.5% y/y, down from +1.4% y/y in the previous month), followed by a 0.6% y/y decline in mixed goods inflation (-1.1% y/y in Sep-24). Meanwhile, inflation for domestically produced goods and services accelerated, increasing by 1.8% y/y in Oct-24, following a 1.2% y/y increase in previous month. Notably, core inflation, excluding volatile food, energy and tobacco prices, rose to 1.2% y/y in Oct-24 from 0.8% y/y in September.

Monetary policy: On October 23, 2024, the NBG's Monetary Policy Committee kept its key rate unchanged at 8.0%, due to ongoing uncertainties. The conflict in Ukraine and rising geopolitical tensions in the Middle East could increase regional risk premiums and potentially lead to inflationary pressures. Additionally, stronger-than-expected domestic growth may also contribute to upward price pressures in the future. We expect that the NBG will maintain monetary policy rate at 8.0% throughout 2024 and 2025.

FX: In Nov-24, the downward pressure on GEL subsided, after NBG sold US\$ 591.1mn in the FX market in October. However, ongoing domestic political instability is currently exerting downward pressure on GEL. Therefore, we expect the average GEL/USD exchange rate to fall within the range of 2.8-2.9 in December 2024.

Activity

Trade: In Oct-24, goods exports surged by 39.0% y/y to US\$ 681.7mn, after a 17.0% y/y growth in previous month. Goods imports increased by 5.8% y/y to US\$ 1.4bn, after falling by 0.3% y/y in previous month. Consequently, the trade deficit narrowed by 12.8% y/y to US\$ 758.8mn in Oct-24. The export growth was primarily driven by increased demand for ferro-alloys, cars, precious metals, spirits, tobacco, nuts, water, and fertilizers. On the import side, the rise was largely due to increased imports of iron bars and rods, aircraft, and motor vehicles for transportation; however, there was a significant decrease in car imports in October.

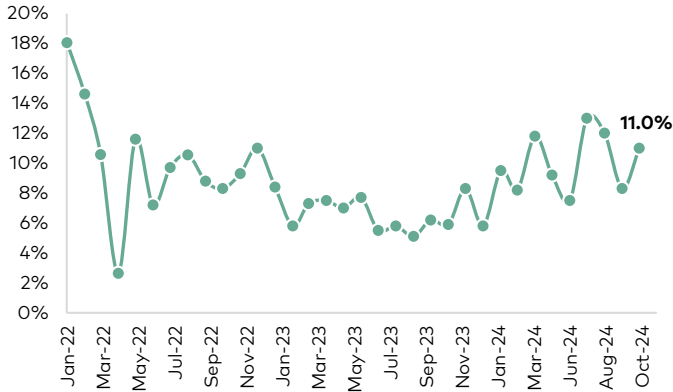
Overall, in 10M24, trade deficit widened by 3.1% y/y to US\$ 8.1bn, as exports increased by 7.4% y/y to US\$ 5.5bn and imports were up by 4.8% y/y to US\$ 13.6bn.

Tourism: In Oct-24, tourism revenues increased by 6.7% y/y to US\$ 390mn, according to our estimates. Overall, in 10M24 tourism revenues reached US\$ 3.9bn (+6.5% y/y). We forecast tourism revenues at US\$ 4.4bn for 2024, up from US\$ 4.1bn in 2023.

Banking sector: In Oct-24, the bank loan portfolio increased by 18.6% y/y (excl. FX effect) reaching GEL 60.1bn, after a 18.8% y/y growth in previous month. This credit growth was primarily driven by a 20.1% y/y increase in corporate loans (contributing 9.4ppts to the total loan growth), followed by retail loans (+17.4% y/y). Bank deposits rose by 14.2% y/y (excl. FX effect) to GEL 57.5bn in Oct-24, after growing by 15.1% y/y in Sep-24. In Oct-24, the deposit dollarization rate increased to 50.7% (+1.91ppts m/m) due to conversions from GEL deposits into FX, while loan dollarization reduced to 43.3% (-0.63ppts m/m).

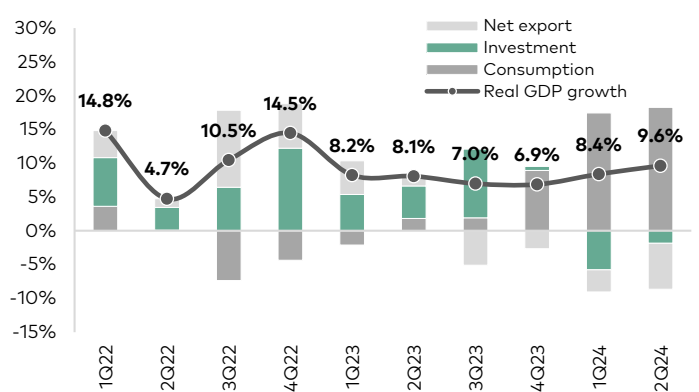


Real GDP growth, % change y/y



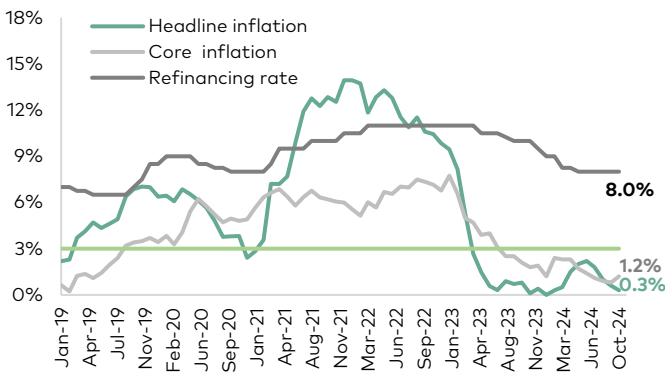
Source: Geostat

Contributions to real GDP growth, pts



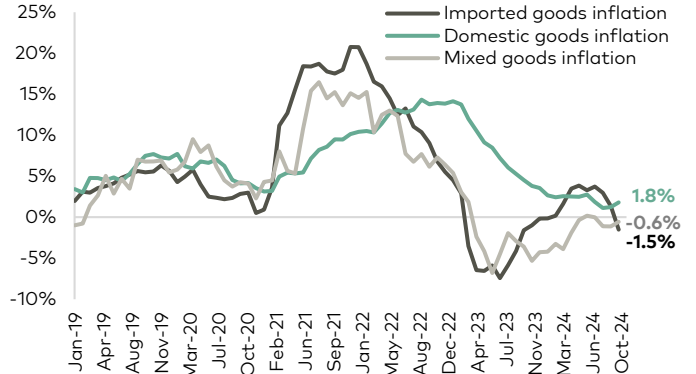
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics



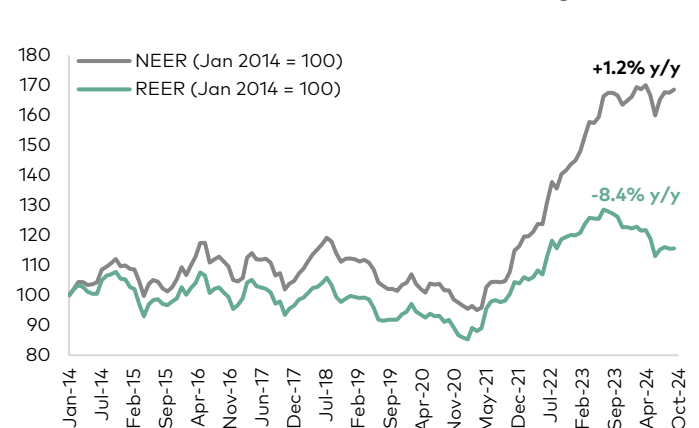
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

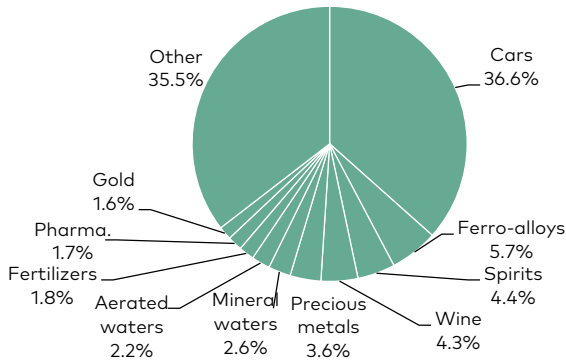


Source: NBG

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

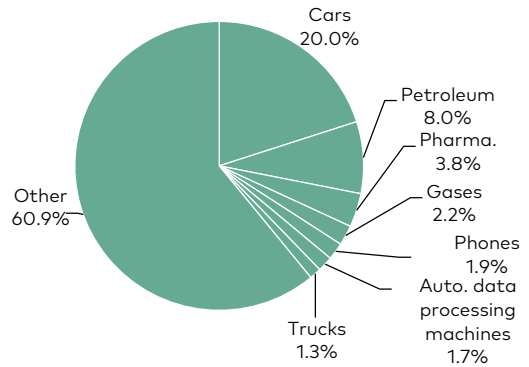


Exports by product, 10M24



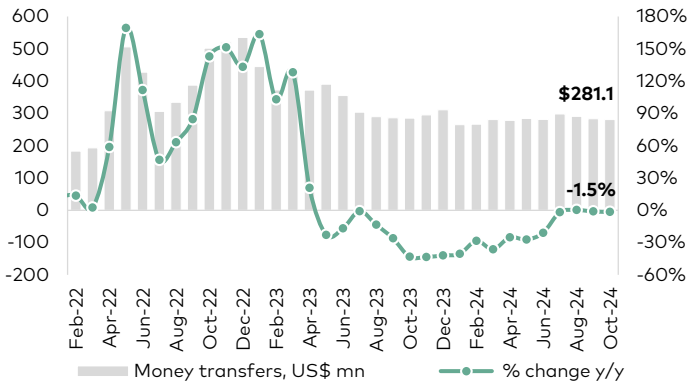
Source: Geostat

Imports by product, 10M24



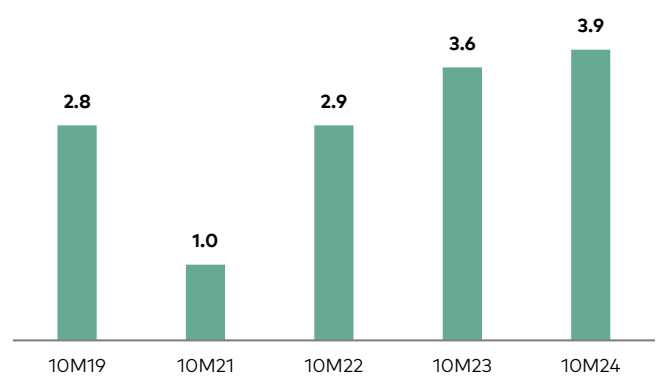
Source: Geostat

Money transfers to Georgia



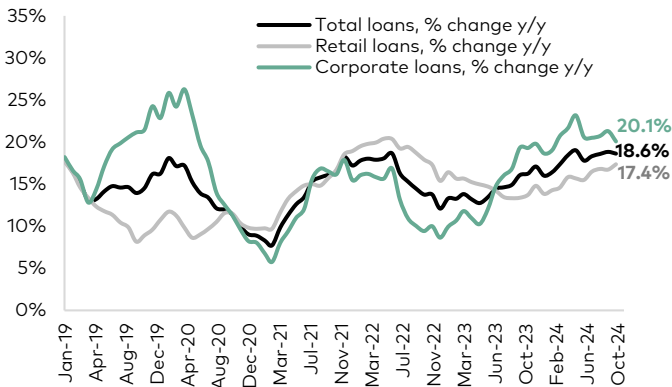
Source: NBG

Tourism revenues, US\$ bn



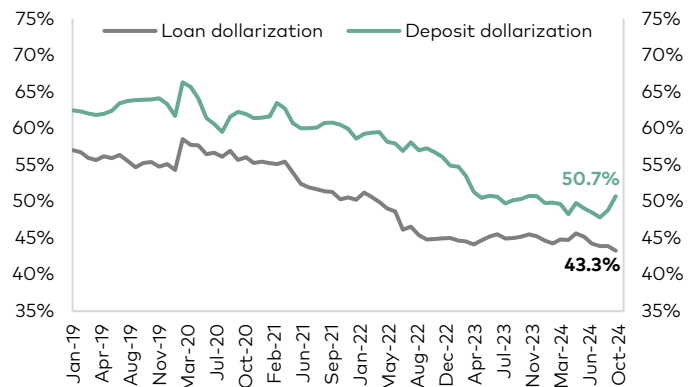
Source: NBG

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	2024E	2025F
GDP and Prices											
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.6	101.4
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.7	36.5
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,108	9,875
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.7%	6.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.0%	4.2%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.5%	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	2.95	2.96
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.98	2.98
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.53
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.58	3.58
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%	27.9%	28.7%	28.4%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	31.3%	30.9%
Fiscal balance (-deficit), % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.5%	-2.5%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	36.8%	35.9%
External Sector											
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%	-4.9%	-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%	4.2%	3.0%	3.0%
Gross international reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.6	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	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%	65.1%	67.3%	67.1%
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 & Taggart

Note 1: Fiscal balance according to IMF Program Definition

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

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