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Georgia's Economic Overview for FMCG Sector Conference

26 January 2024





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Outline

- ❖ **2023 Summary**
- ❖ **Consumption share to GDP**
- ❖ **Consumption demand drivers**
- ❖ **GEL exchange rate**
- ❖ **Interest rates**
- ❖ **2024 macro forecasts**

2023 summary



Economic growth
remained solid

6.8%



Unemployment
significantly decreased

16.6%



Inflation
Reduced sharply

2.5%



GEL
maintained stability

1\$/2.7
1€/3.0



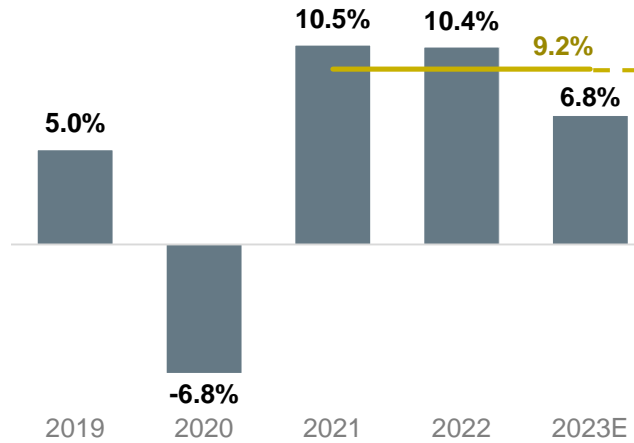
Georgia
achieved EU candidacy
status



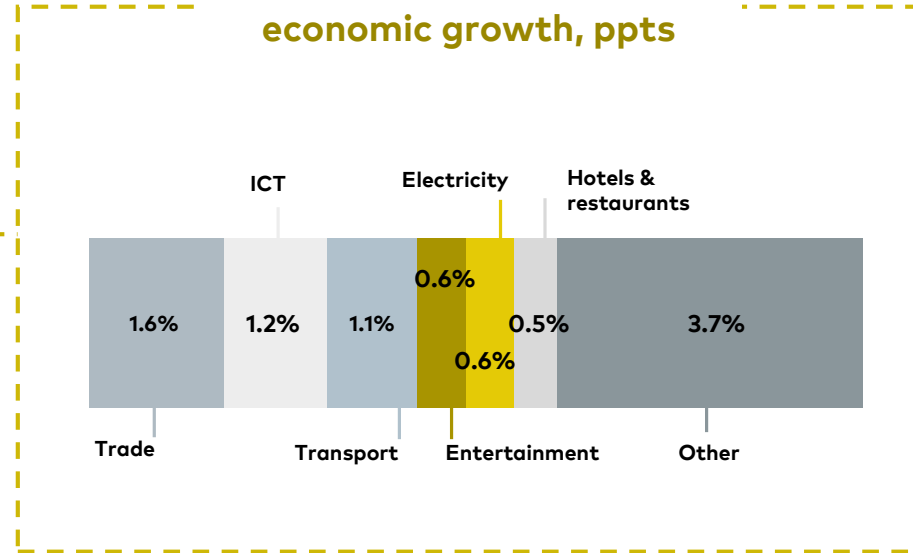
Economic Growth

Economic growth and incomes have doubled since the COVID-19 pandemic

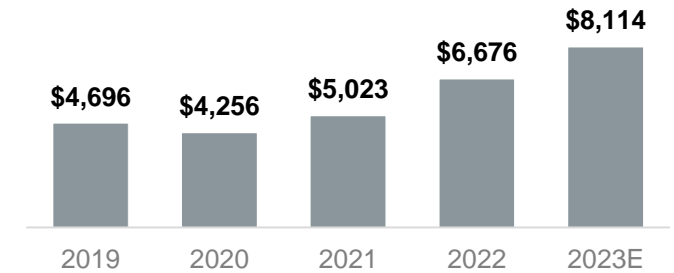
Economic growth



Contribution to 2021-2023 economic growth, pts



GDP per capita, US\$



❖ Following double-digit growth in 2021-22, the economic growth in 2023 remained robust

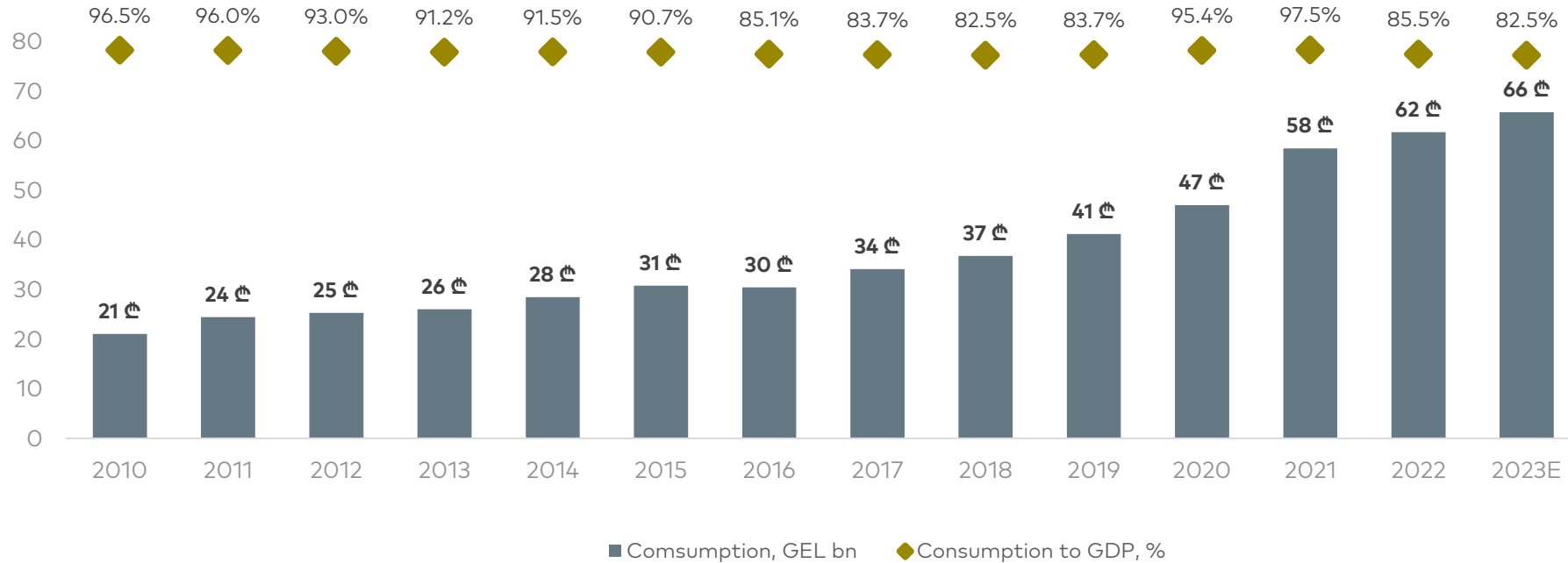
❖ The contribution of all sectors to the growth of 2021-23 is positive

❖ Due to strong growth and GEL appreciation, GDP per capita doubled

Economic Growth

High consumption share in Georgia's economy

Consumption and its share to GDP

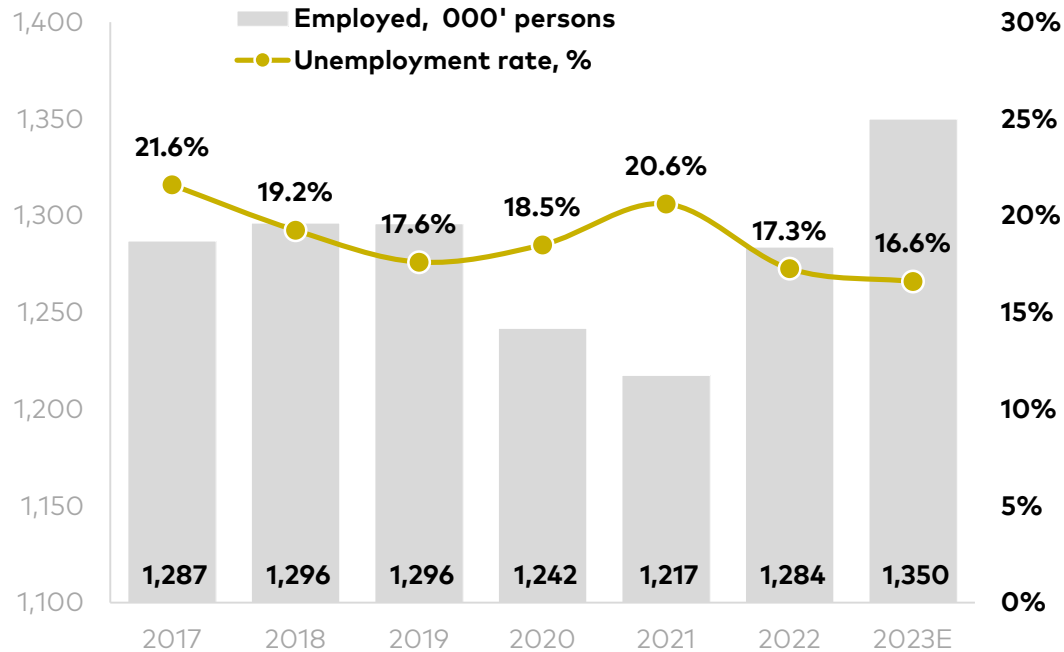


❖ **High consumption is maintained even in times of crisis. For example, during the pandemic, consumption increased despite challenges such as the GEL depreciation, high inflation, and economic recession.**

Consumption Demand Drivers

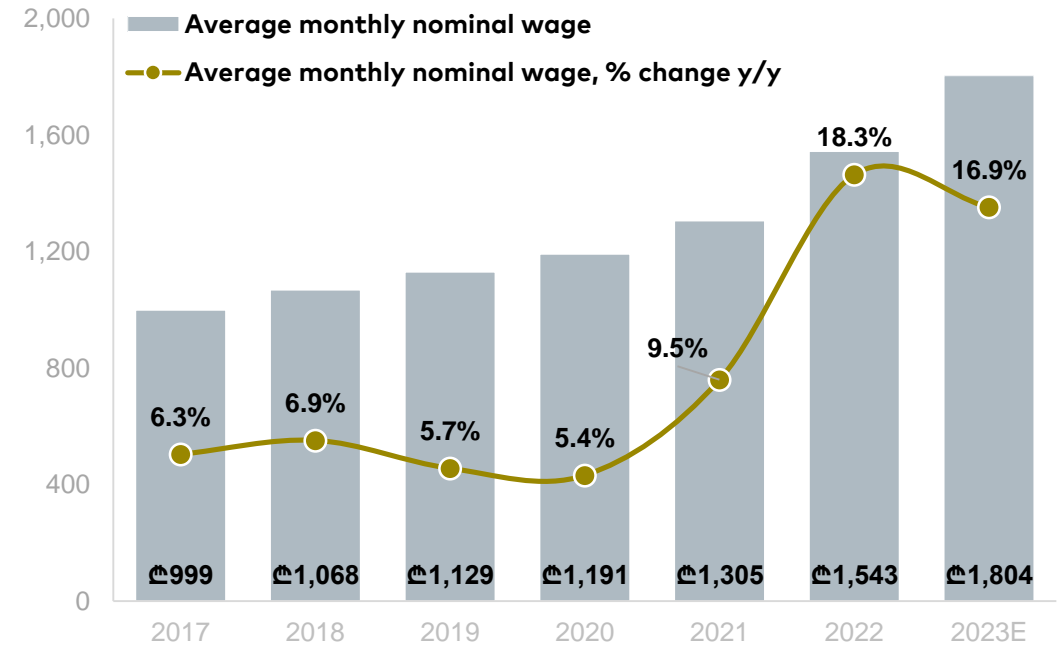
FMCG sector increases as employment and incomes rise

Employment and unemployment rate



- ❖ Starting 2022, there is a rapid decrease in unemployment, driven by increased economic activity

Average monthly wage in dynamics

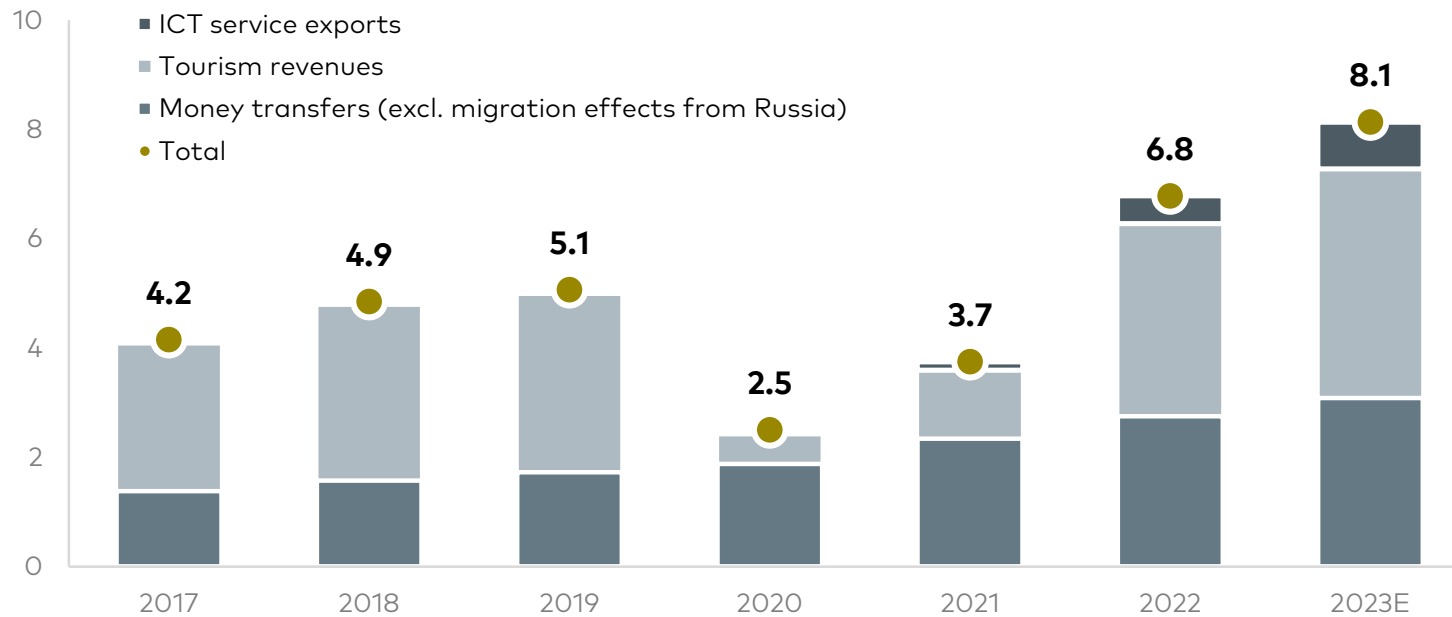


- ❖ In 2023, the wage growth rate recorded double-digit figures, exerting a significant positive impact on purchasing power, especially amidst decreasing inflation

Consumption Demand Drivers

FX inflows play a crucial role as a significant source of demand for consumer goods

FX inflows - tourism, money transfers, ICT service exports, US\$ bn



- ❖ **Money transfers and tourism serve as continuously growing streams for both currency inflows and financing consumption.**
- ❖ **Since 2021, the export of IT services has emerged as a new and growing source of FX inflows.**
- ❖ **Also, the increase in the number of foreign students has made a significant contribution to consumption in recent years. In 2023, students spent up to GEL 1 billion**

GEL

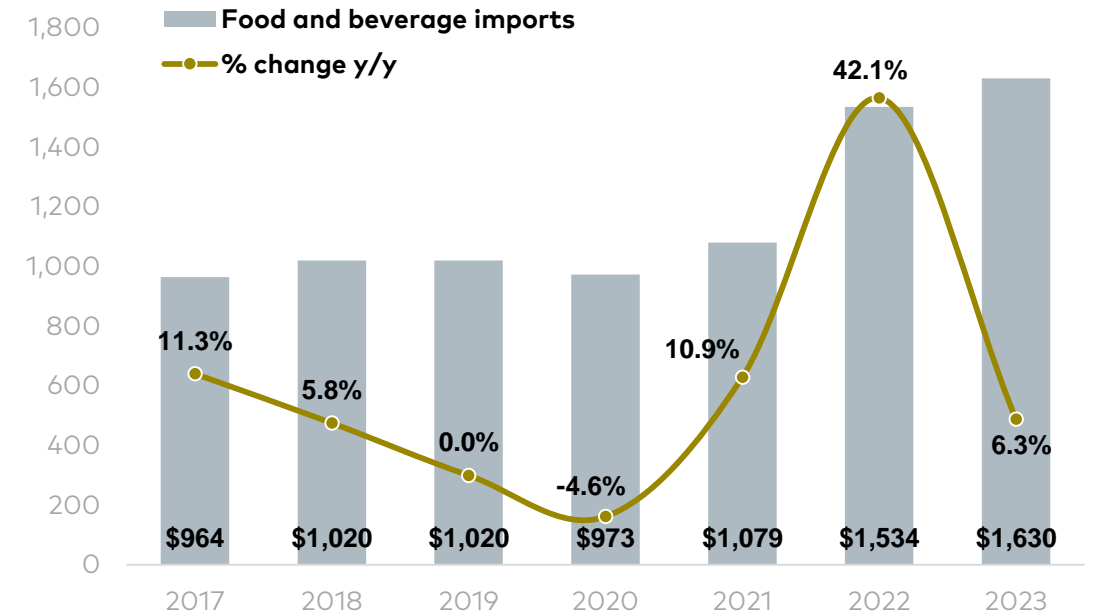
A stable GEL enhances the purchasing power of consumers

GEL exchange rate against \$ and €



- ❖ We forecast average GEL/US\$ at around 2.7 and average GEL/€ at 3.0 in 2024

Food and beverage imports, US\$ mn

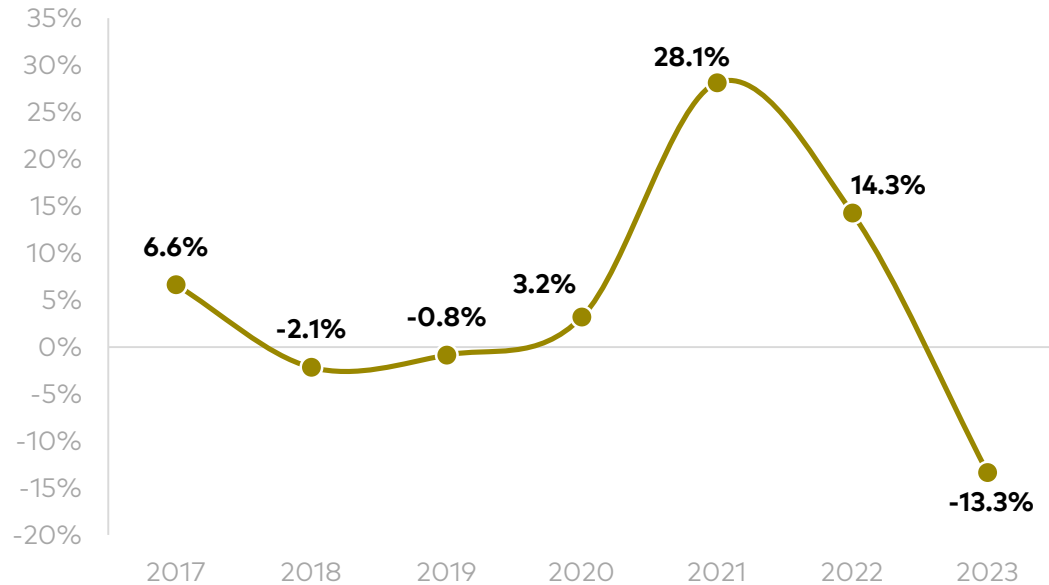


- ❖ Amidst high demand, food and beverage imports surged significantly, and the strong GEL helped temper the effects of import price hikes

Inflation

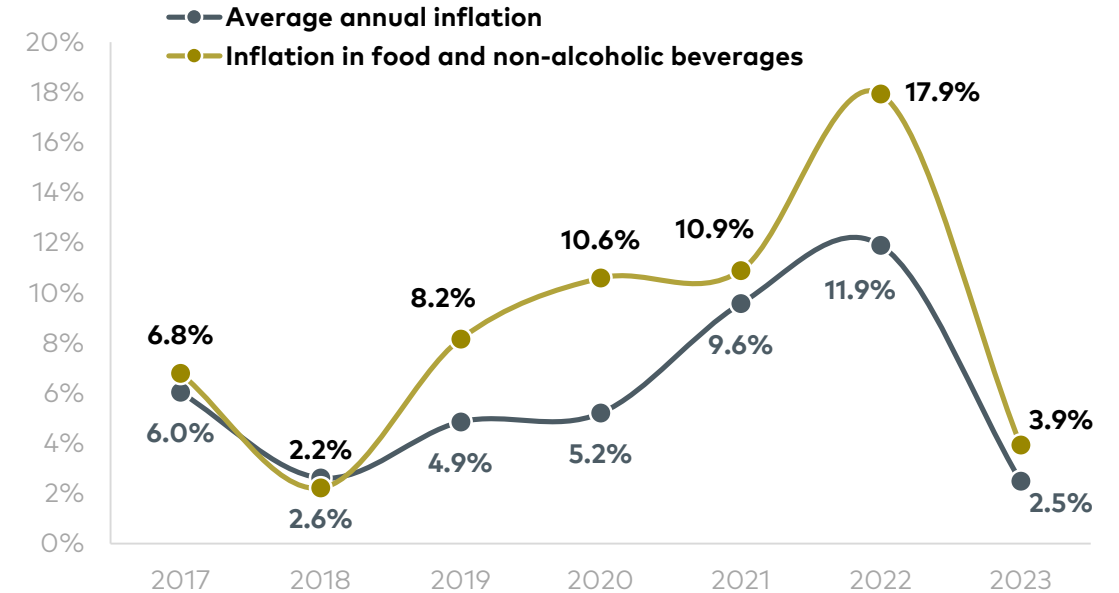
In 2023, inflation in Georgia reduced sharply

Annual percent change of FAO food prices



- ❖ Food prices on the international markets started to decrease from November 2022, and this trend was observed in food-importing countries with a delay of several months

Average annual inflation in Georgia

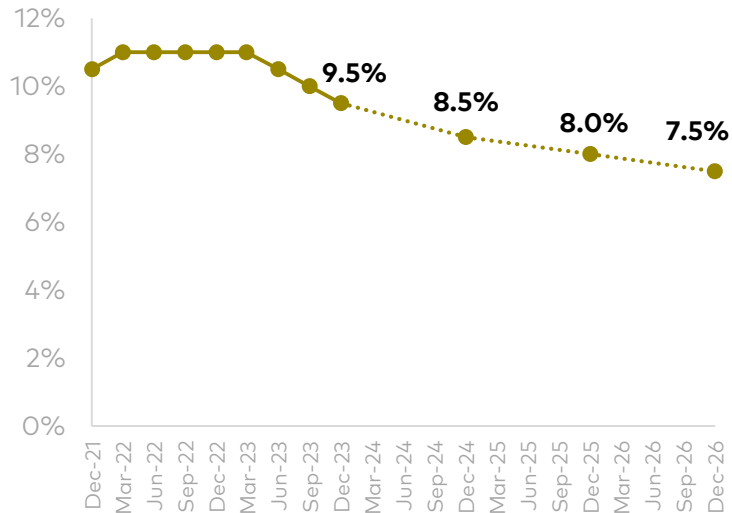


- ❖ The decrease in inflation in Georgia was driven by the decline in prices of food and oil products on the international markets, the strong GEL, and the implementation of a tightened monetary policy

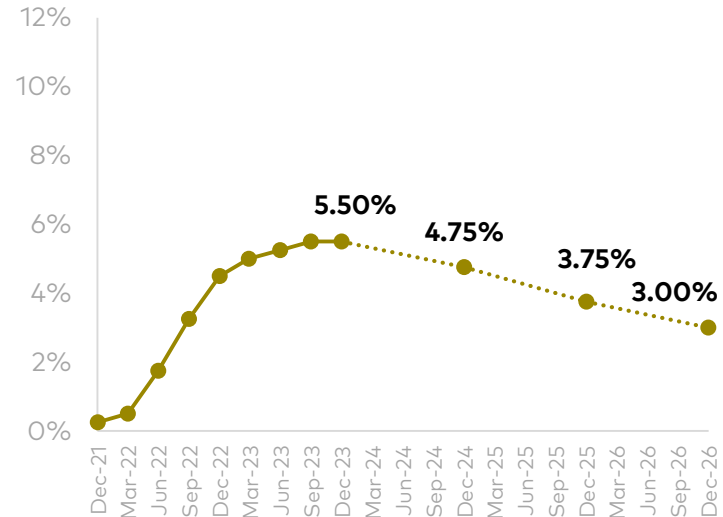
Interest rates

Interest rate decreases started in Georgia in 2023, with the USA and EU expected to follow suit in 2024

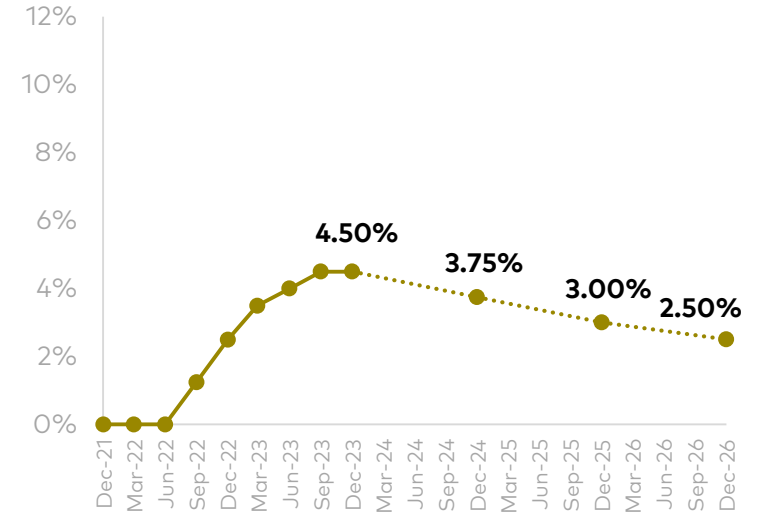
NBG's refinancing rate



FED funds rate



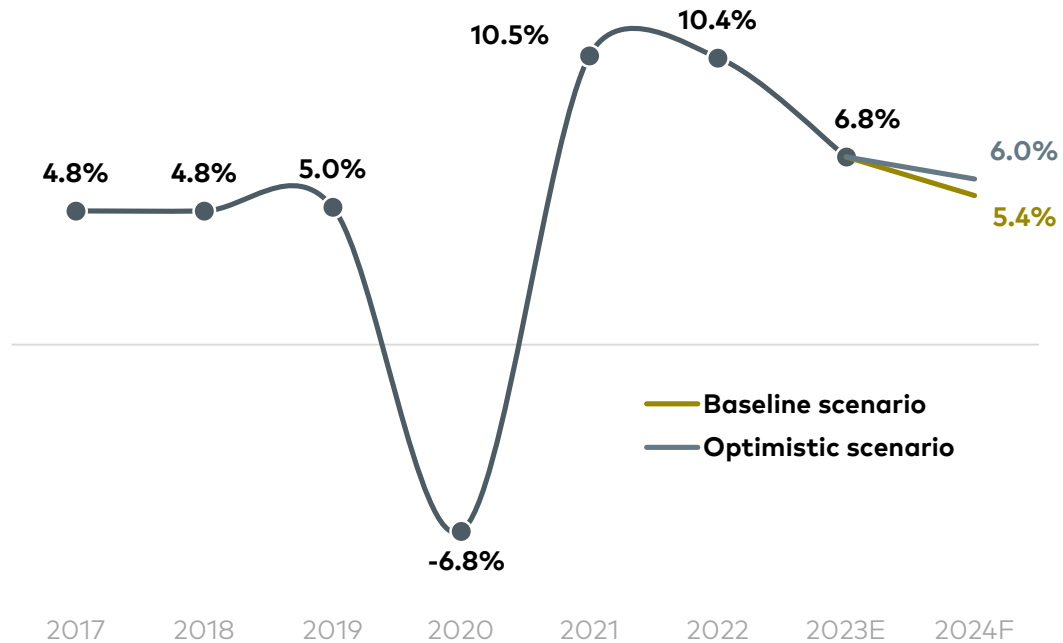
ECB main rate



2024 Macro Forecasts

Georgia's EU candidacy status improves economic prospects

Economic growth forecast



Key macro indicators forecasts for 2024

	Baseline scenario	Optimistic scenario
Economic growth	5.4%	6.0%
Inflation (average)	3.5%	3.0%
1\$/GEL (average)	2.7	2.65
1€/GEL (average)	3.0	2.95
Refinancing rate	8.5%	8.0%



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