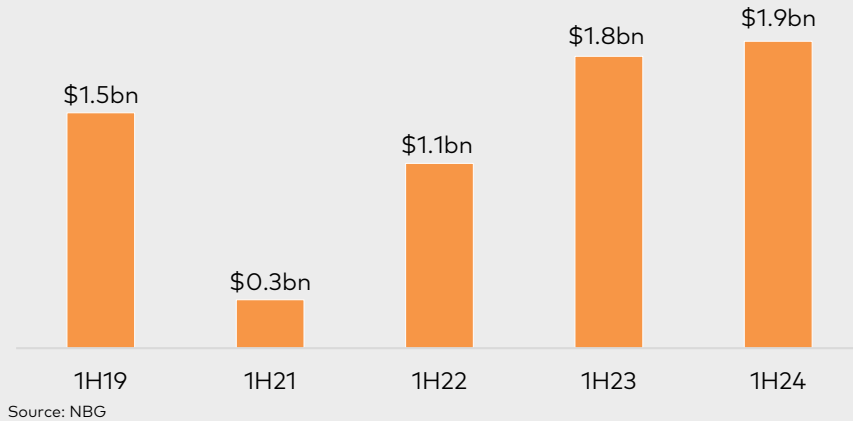




Chart of the month: Record high tourism revenues in 1H24



In 1H24, tourist arrivals rose by 10.0% y/y to 2.1mn individuals, reaching 99.8% of the levels seen in 1H19. Consequently, tourism revenues increased by 5.2% y/y, hitting a record high of US\$ 1.9bn in 1H24.

We project tourism revenues to reach US\$ 4.3bn for 2024, up from US\$ 4.1bn in 2023.

Economic summary

Growth: Georgia's economy grew by 7.5% in Jun-24, following a 9.2% y/y growth in previous month. Cumulatively, real GDP growth came in at 9.0% y/y in 1H24. In June, real growth was recorded in the financial & insurance, construction, ICT, transport and professional & scientific activities sectors. Meanwhile, the manufacturing sector contracted in the same period. We maintain our real GDP growth forecast at 7.0% for the full-2024 year.

Inflation: In Jun-24, annual inflation rose to 2.2%, up from the 2.0% print in previous month. This increase was primarily driven by a 2.8% y/y rise in domestic inflation (+2.5% in May-24), followed by a 3.3% y/y increase in imported inflation (+3.8% y/y in May-24). Notably, core inflation, excluding volatile food, energy and tobacco prices, reduced further to 1.4% y/y in Jun-24 from 1.7% y/y recorded in previous month.

Given the lower-than-expected inflation in 1H24, we revise our average annual inflation forecast to 2.5% for 2024, down from the initial forecast of 3.0%.

Monetary policy: On July 30, 2024, the NBG's Monetary Policy Committee kept its key rate unchanged at 8.0%, citing increased inflationary risks from volatile international oil and food prices and higher shipping costs from China. We anticipate that the NBG will maintain this rate throughout 2024.

FX: The GEL strengthened in July, supported by robust economic fundamentals. Notably, the NBG was a net buyer of US\$ 67mn in 1H24 (purchased US\$ 286.6mn and sold US\$ 219.8mn), and gross international reserves stood at US\$ 4.6bn as of Jun-24. We anticipate an average GEL rate of 2.77/1\$ and 3.0/1€ for 2024.

Activity

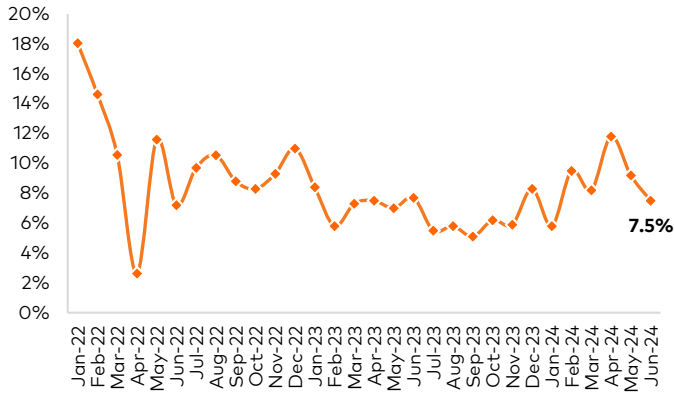
Trade: In Jun-24, goods exports increased by 5.8% y/y to a record high monthly level of US\$ 582.1mn, after a 7.3% y/y reduction in previous month. Meanwhile, imports declined by 9.6% y/y to US\$ 1.2bn, following a 0.8% y/y fall in previous month. Consequently, the trade deficit decreased by 20.2% y/y to US\$ 632.4mn. The rise in exports was mainly driven by increases in precious metals, ferro-alloys, spirits and fruit exports. However, exports of wine and electricity saw significant decreases in June. On the import side, a decline in cars and phone imports contributed to the overall reduction, while imports of petroleum and automatic data processing machines rose markedly.

Overall, in 1H24, trade deficit increased by 5.0% y/y to US\$ 4.6bn, as exports declined by 6.7% y/y to US\$ 2.8bn, while imports were merely up by 0.2% y/y to US\$ 7.5bn.

Banking sector: In Jun-24, the bank loan portfolio increased by 17.8% y/y (excl. FX effect) reaching GEL 57.3bn, after a 19.0% y/y growth in previous month. The credit growth in June was mainly driven by a 20.6% y/y increase in corporate loans (contributing 9.4ppts to the total loan growth), followed by retail loans (+15.5% y/y). Bank deposits increased by 13.5% y/y (excl. FX effect) to GEL 54.8bn in Jun-24, after growing by 12.2% y/y in May-24. The dollarization rates improved in June, with deposit and loan dollarization standing at 49.1% (-0.74ppts m/m) and 45.2% (-0.45ppts m/m), respectively.

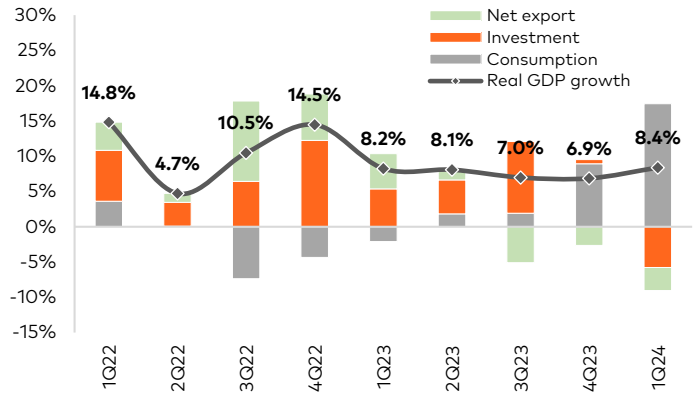


Real GDP growth, % change y/y



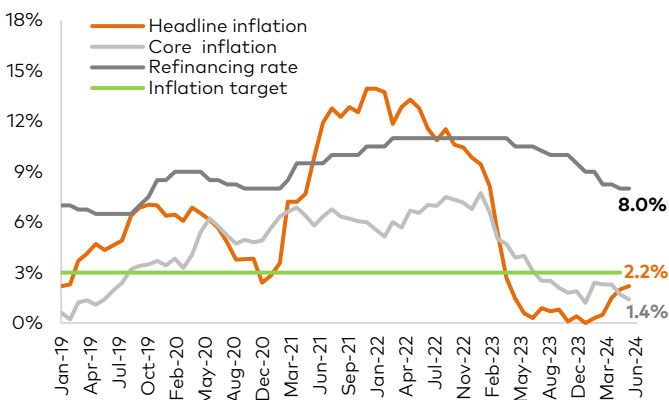
Source: Geostat

Contributions to real GDP growth, ppts



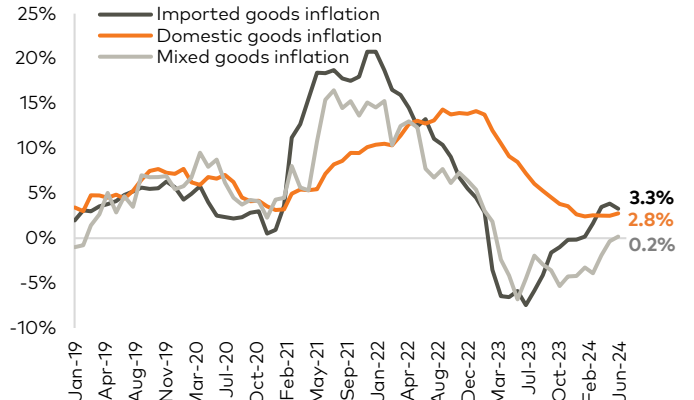
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics



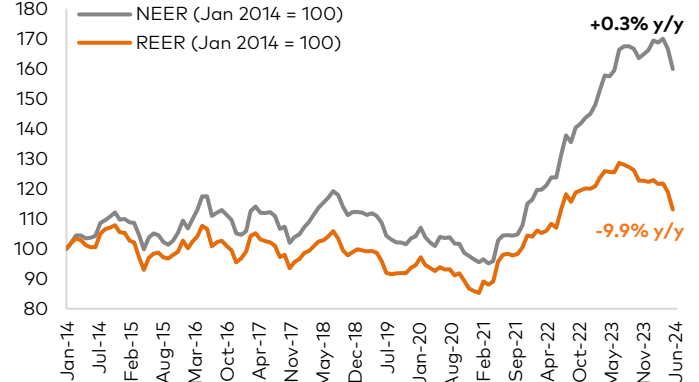
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

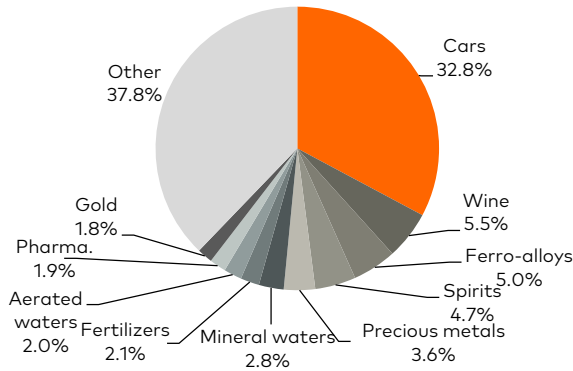
GEL's nominal and real effective exchange rates



Source: NBG

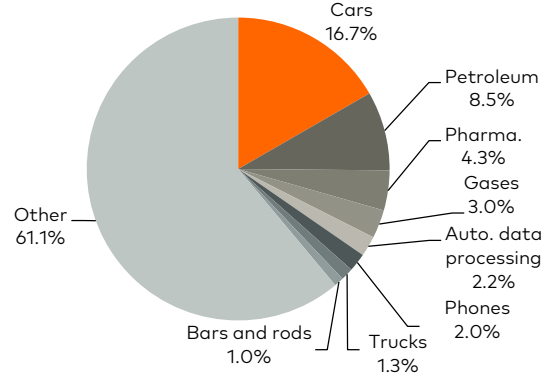
Note: Index growth/decline means appreciation/depreciation of GEL

Exports by product, 1H24



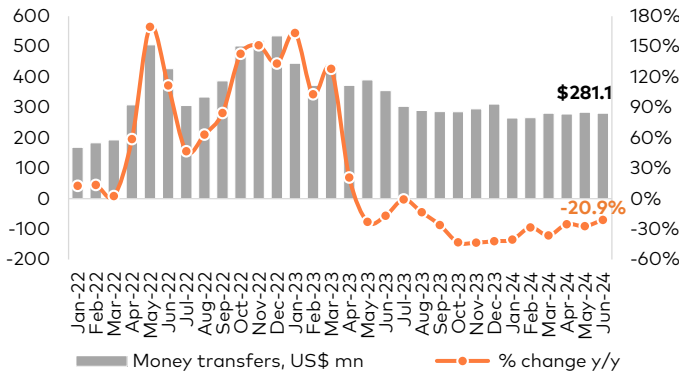
Source: Geostat

Imports by product, 1H24



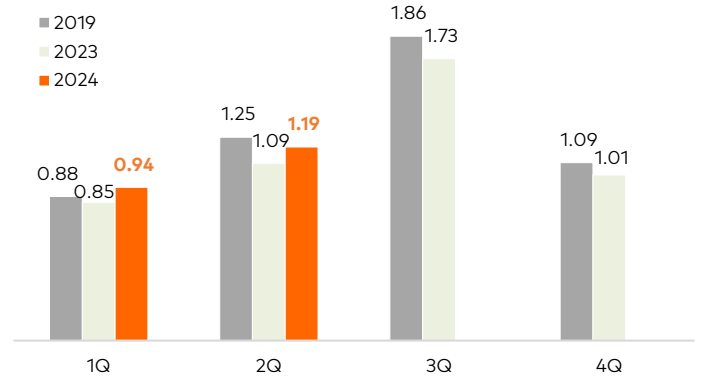
Source: Geostat

Money transfers to Georgia



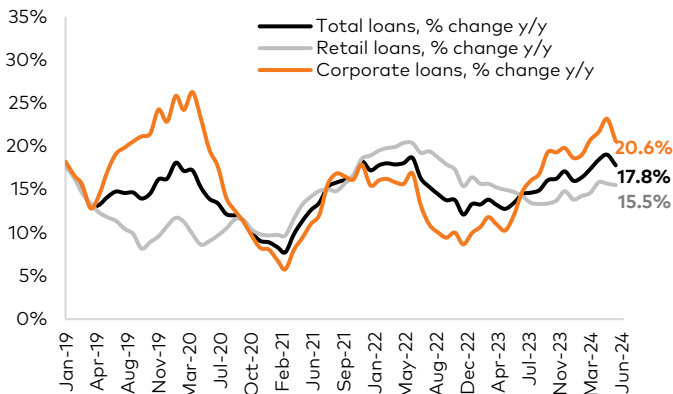
Source: NBG

Tourist arrivals, mn persons



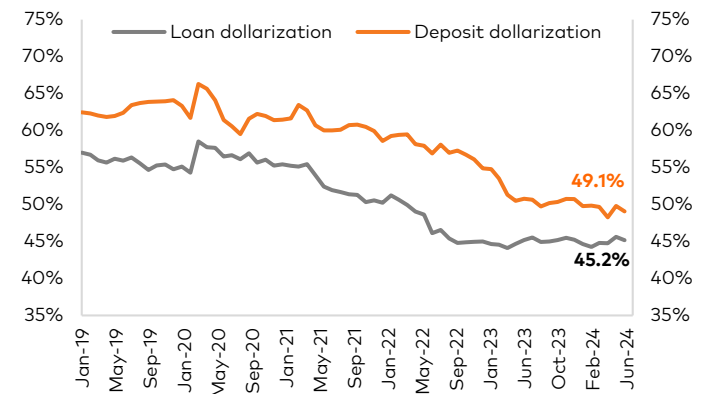
Source: GNTA

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	89.3	98.0
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.5	32.2	34.3
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,210	8,727	9,297
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.5%	7.0%	5.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	2.5%	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	2.77	2.85
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	3.00	3.14
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	3.16	3.29
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.54	3.71
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%	39.0%	38.5%
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%	-4.4%	-5.6%	-5.9%
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	1.0	1.1
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.1%	3.6%	4.9%	7.1%	4.3%	3.1%	3.2%
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%	67.2%	66.2%
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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