



## Chart of the month: Unemployment rate at record low level in 2023



Source: Geostat

The unemployment rate fell to a record low of 15.3% in 4Q23, down from 15.6% in previous quarter. This decline was attributed to robust economic activity. During 4Q23, the number of hired employed individuals increased by 1.6% q/q (+8.4% y/y), accounting for 69.8% of total employment. Meanwhile, self-employed persons were down 2.1% q/q (-1.6% y/y) representing 30.2% of total. Overall, in 2023 unemployment rate reduced to 16.4% from 17.3% in 2022. We forecast unemployment rate at 15.9% in 2024.

### Economic summary

**Growth:** Georgia's economy grew by 5.8% in Jan-24, after a 8.3% y/y growth in previous month. In January, real growth was recorded in the construction, financial, and ICT sectors. In contrast, the trade, real estate and manufacturing sectors contracted during the same period.

For 2024, we forecast real GDP to grow by 6.0% in our baseline scenario and by 7.0% in upside scenario.

**Inflation:** In Jan-24, annual inflation in Georgia dropped to zero, after a 0.4% y/y inflation recorded in Dec-23. The subdued inflation was mainly driven by a 2.8% y/y decline in food prices, along with reduced inflation for imported and mixed goods by 0.2% y/y and 4.2% y/y in January, respectively. Moreover, domestically produced goods inflation slowed to 2.7% y/y in Jan-24 (down from 3.6% y/y in previous month) and core inflation reduced to 1.2% y/y from 1.9% y/y in previous month. We forecast average annual inflation at 3.0% for 2024.

**Monetary policy:** On January 31, 2024, the NBG's Monetary Policy Committee reduced its key rate by 50bps to 9.0% considering the current inflation trend. The regulator emphasizes that achieving EU candidate status has lowered Georgia's sovereign risk premium, potentially triggering a downward adjustment to the neutral rate of monetary policy. Given the geopolitical risks, the NBG will proceed cautiously with monetary normalization.

We expect a further 50bps rate cut gradually to 8.5% in our baseline scenario by end-2024.

**FX:** The GEL appreciated by 1.1% vs dollar year-to-date, indicating sustained FX inflows. As we expect solid external inflows to continue, we anticipate average GEL rate at 2.65 against the dollar and at 3.0 against the Euro in 2024, respectively.

### Activity

**Trade:** In Jan-24, goods exports and imports decreased by 26.2% y/y and 10.6% y/y, respectively. Consequently, the trade deficit increased by 1.2% y/y to US\$ 664.1mn in Jan-24. The decline in exports was mainly driven by a decrease in ferro-alloys, fertilizers and zero copper exports, although there was an increase in exports of precious metals, cars, citrus fruits and pharmaceuticals. On the import side, reduction in imports of cars, gases and copper (zero volume) was the key contributor to the drop in imports, while imports of pharmaceuticals and bars and rods of iron increased.

**Tourism:** Tourism revenues reached US\$ 300mn (+26.6% y/y, excluding migration effect) in Jan-24, according to our estimates. We forecast tourism revenues at US\$ 4.5bn (+10.0% y/y) for 2024.

**Banking sector:** In Jan-24, the bank loan portfolio increased by 15.9% y/y (excl. FX effect) reaching GEL 51.8bn, after a 17.1% y/y growth in previous month. The January credit growth was mainly driven by a 18.4% y/y increase in corporate loans (contributing 8.8ppts to the total loan growth), followed by retail loans (+13.8% y/y).

Bank deposits increased by 15.3% y/y (excl. FX effect) to GEL 50.7bn in Jan-24, after growing by 14.1% y/y in previous month. The dollarization rates improved, with deposit and loan dollarization standing at 49.8% and 44.7%, respectively, in January.

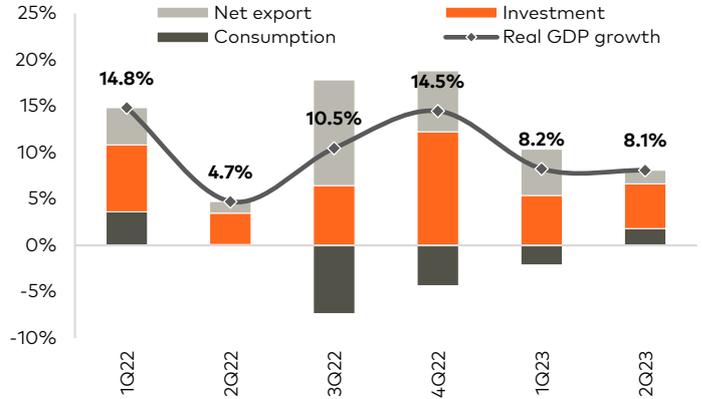


**Real GDP growth, % change y/y**



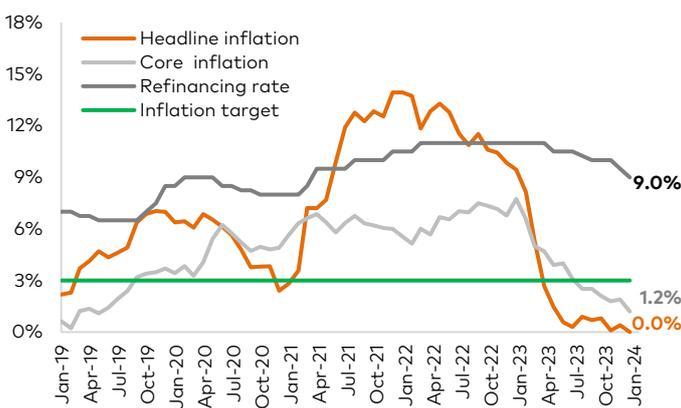
Source: Geostat

**Contributions to real GDP growth, ppts**



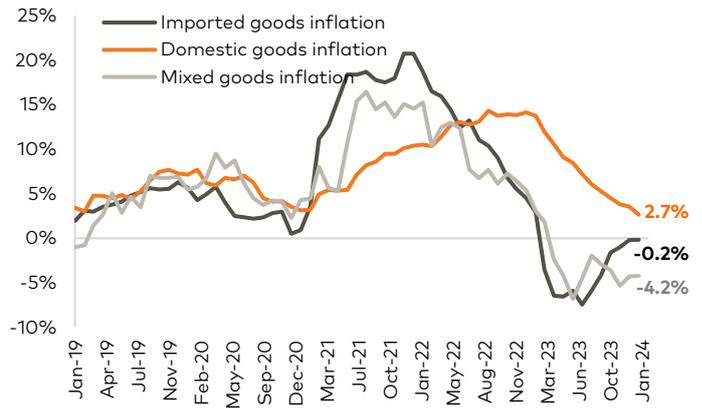
Source: Geostat, Galt & Taggart

**Annual inflation and monetary policy rate**



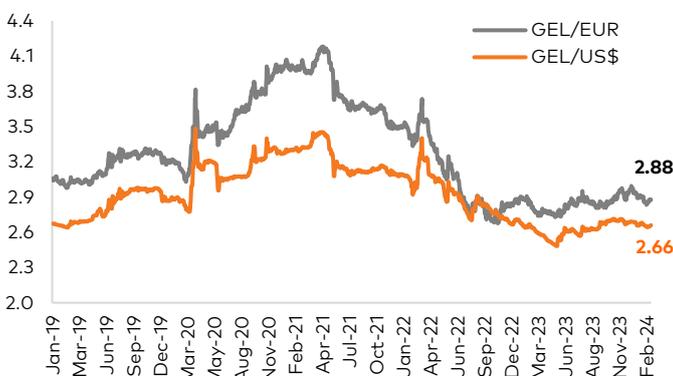
Source: Geostat, NBG

**Imported and domestic inflation dynamics**



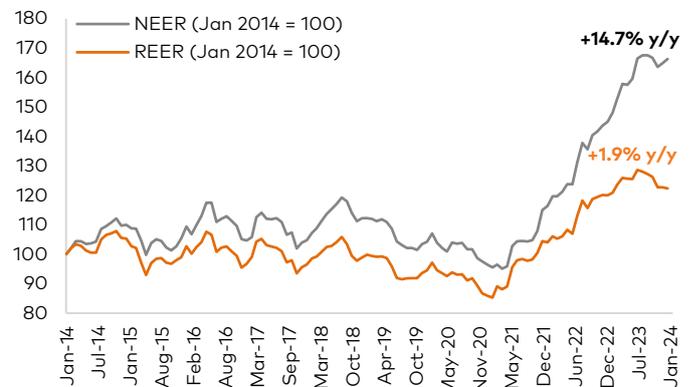
Source: Geostat

**GEL/US\$ and GEL/EUR**



Source: NBG

**GEL's nominal and real effective exchange rates**

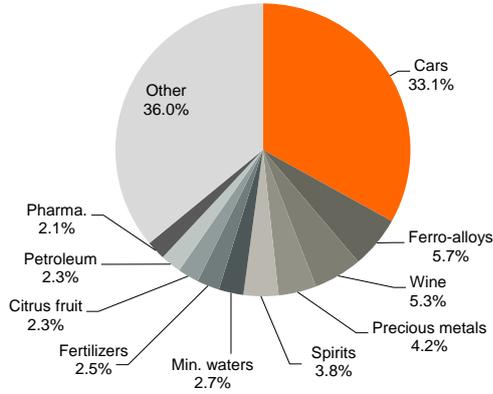


Source: NBG

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

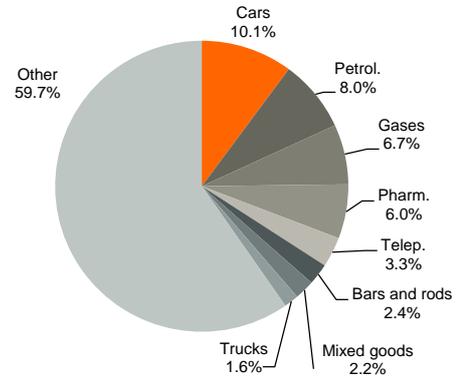


**Exports by product, Jan-24**



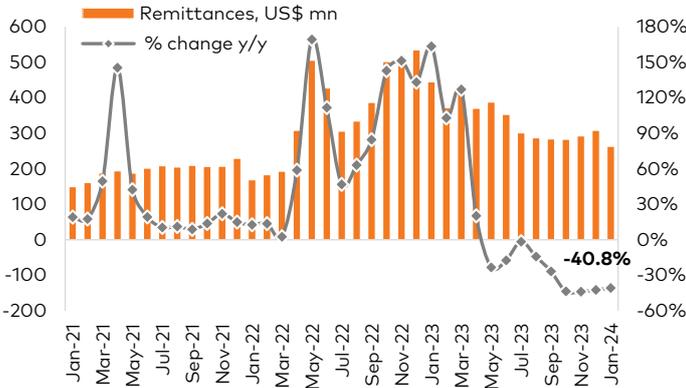
Source: Geostat

**Imports by product, Jan-24**



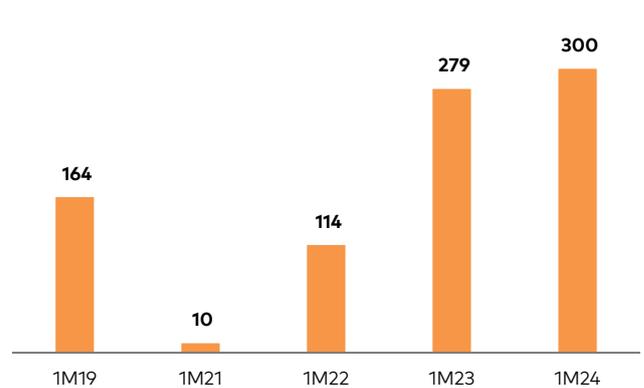
Source: Geostat

**Remittances in Georgia**



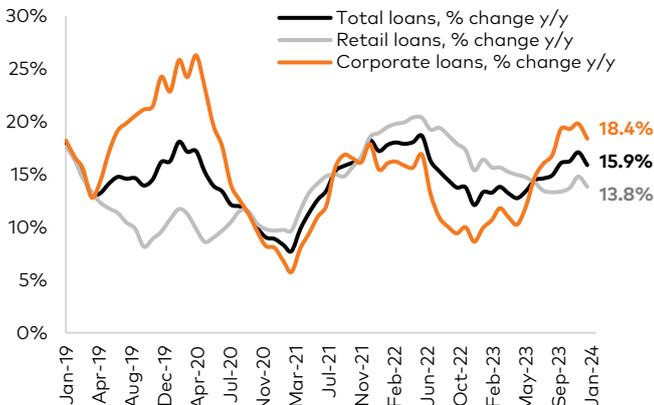
Source: NBG

**Tourism revenues in Georgia, US\$ bn**



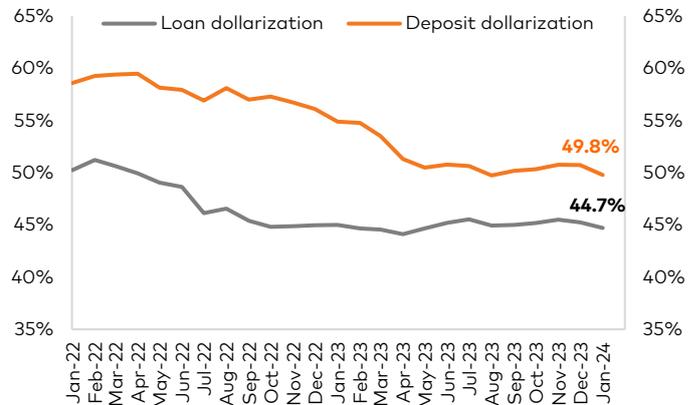
Source: NBG  
Note: 1M23 includes migration effect.

**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	2023E	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	87.3	95.1
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.5	33.0	35.5
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,170	8,906	9,509
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%	5.5%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	3.0%	3.3%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	4.4%	2.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.65	2.68
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.70	2.72
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	3.00	3.05
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	3.05	3.10
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	3.55	3.59
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%	27.4%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.4%	28.8%	27.8%
Budget expenses, % of GDP	28.1%	28.8%	27.9%	27.2%	29.1%	34.5%	31.9%	29.6%	30.3%	31.4%	29.9%
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%	-2.3%
Public debt, % of GDP	30.4%	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.0%	37.8%
<b>External Sector</b>											
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.0	-2.0	-1.9	-1.1	-1.4	-1.5	-1.7
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-5.8%	-12.4%	-10.3%	-4.5%	-4.5%	-4.7%	-4.9%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.9	17.2	18.8
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	18.1	19.5	21.4
Net Current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	2.9	3.1	3.4
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.8	1.7	1.8	2.0
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.1%	3.6%	4.9%	7.1%	5.6%	5.5%	5.6%
Gross int. reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	5.2	5.4
<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	20.9	22.5
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.6%	65.7%	65.2%
Monetary policy rate, %	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.50%	7.75%

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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