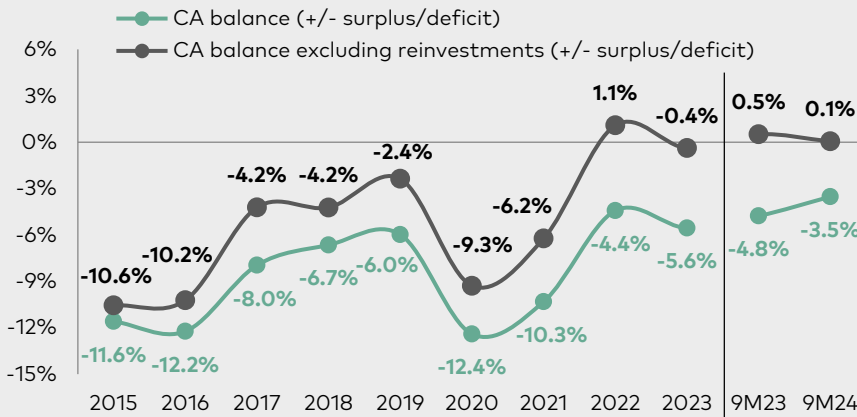




Chart of the month: CA deficit reduced to 3.5% of GDP in 9M24



Source: NBG, Geostat, Galt & Taggart

In 3Q24, the current account (CA) posted a surplus of 0.7% of GDP, bringing the CA deficit to 3.5% of GDP in 9M24, down from 4.8% in 9M23. This improvement was driven by strong growth in the service balance, increasing by 11.4% y/y to US\$ 3.0bn in 9M24, alongside a 10.5% y/y decrease in negative income balance. Excluding reinvestments (recorded in both CA and its funding categories), CA balance posted a surplus of 0.1% of GDP in 9M24. We forecast CA deficit at 4.9% of GDP in 2024, down from 5.6% in 2023.

Economic summary

Growth: Georgia's economic growth slowed to 7.5% in Nov-24, after a 11.0% y/y growth in previous month. Cumulatively, real GDP growth came in at 9.4% y/y in 11M24. In November, positive growth was recorded in the professional & scientific, ICT and transport sectors, while the manufacturing sector contracted. As growth was below our expectations in November, we are revising real GDP growth downward to 9.4% for the full year-2024, from the previous forecast of 9.7%.

Inflation: In Nov-24, annual inflation was 1.3%, up from 0.3% posted in October. This increase was mainly driven by a rise in mixed goods inflation to 3.1% y/y (-0.6% y/y in Oct-24). Meanwhile, inflation for domestically produced goods and services remained stable at 1.8% y/y, the same as the previous month, while imported inflation decreased by -1.7% y/y (-1.5% y/y in the previous month). Notably, core inflation, excluding volatile food, energy and tobacco prices, rose further to 1.6% y/y in Nov-24 from 1.2% y/y in October. We expect average annual inflation at 1.1% in 2024.

Monetary policy: On December 18, 2024, the Monetary Policy Committee of the NBG decided to maintain its key interest rate at 8.0%. This decision was influenced by considerable uncertainty in the economic outlook, particularly concerning potential inflationary pressures from domestic factors and ongoing geopolitical tensions in the region. The regulator also emphasized the rising volatility of oil and food prices in international markets, warning that increases in global commodity prices could negatively affect local market prices and heighten inflation expectations.

FX: In Dec-24, the GEL faced downward pressure, depreciating by 1.0% m/m vs. the USD due to ongoing domestic political instability. For the entire year of 2024 average GEL/US\$ exchange rate came in at 2.72, depreciating by 3.5% y/y. The NBG conducted FX interventions on both sides and ultimately was a net seller of US\$ 463.4mn as of 11M24.

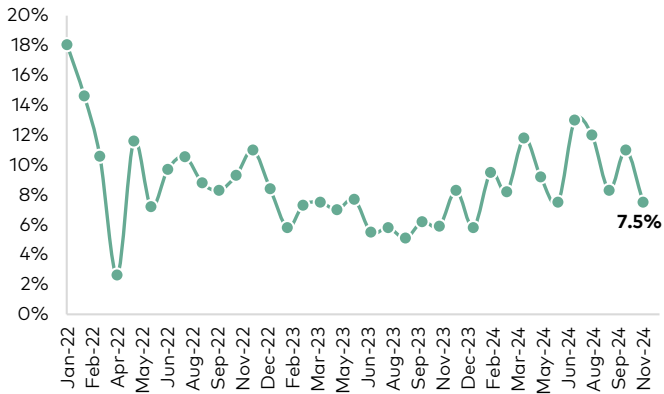
Activity

Trade: In Nov-24, goods exports increased by 12.6% y/y to US\$ 542.5mn, after a 39.0% y/y growth in previous month. Goods imports rose by 10.7% y/y to US\$ 1.4bn, following a 9.1% y/y growth in previous month. Consequently, the trade deficit increased by 9.6% y/y to US\$ 893.1mn in Nov-24. The export growth was primarily driven by increased demand for cars, precious metals, spirits, pharmaceuticals, nuts, water and wine. On the import side, the rise was largely due to increased imports of gases, cars, iron bars and rods and pharmaceuticals; however, there was a significant decrease in petroleum imports in November. Overall, in 11M24, trade deficit widened by 4.9% y/y to US\$ 9.1bn, as exports increased by 7.9% y/y to US\$ 6.0bn and imports were up by 6.1% y/y to US\$ 15.1bn.

Tourism: In Nov-24, tourism revenues increased by 6.3% y/y to US\$ 280mn, according to our estimates. Overall, in 11M24 tourism revenues reached US\$ 4.1bn (+6.5% y/y). We forecast tourism revenues at US\$ 4.4bn for 2024, up from US\$ 4.1bn in 2023.

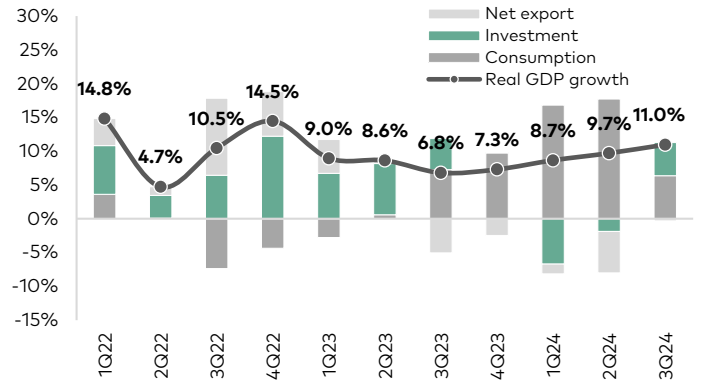
Banking sector: In Nov-24, the bank loan portfolio increased by 17.8% y/y (excl. FX effect) reaching GEL 60.6bn, after a 18.6% y/y growth in previous month. As in previous months, the credit growth was primarily driven by a 18.3% y/y increase in corporate loans (contributing 9.2ppts to the total loan growth), followed by retail loans (+17.3% y/y). Bank deposits rose by 14.0% y/y (excl. FX effect) to GEL 58.0bn in Nov-24, after growing by 14.2% y/y in Oct-24. In Nov-24, the deposit dollarization rate increased to 51.7% (+0.98ppts m/m) due to conversions from GEL deposits into FX, while loan dollarization reduced further to 42.8% (-0.48ppts m/m).

Real GDP growth, % change y/y



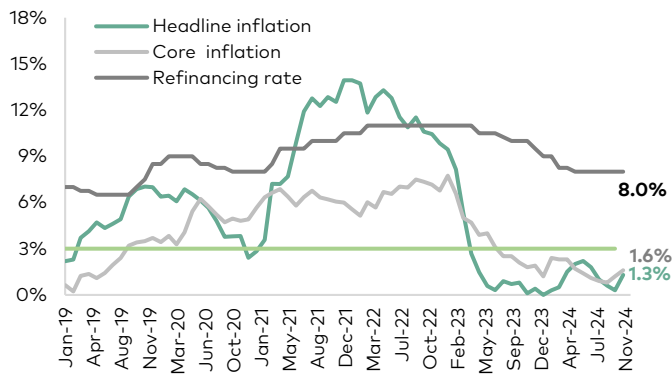
Source: Geostat

Contributions to real GDP growth, pts



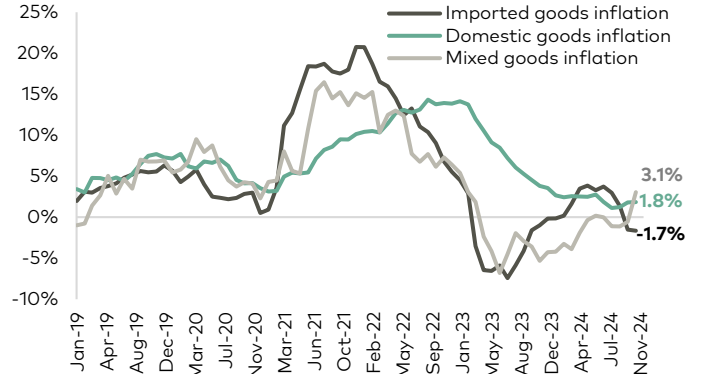
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics



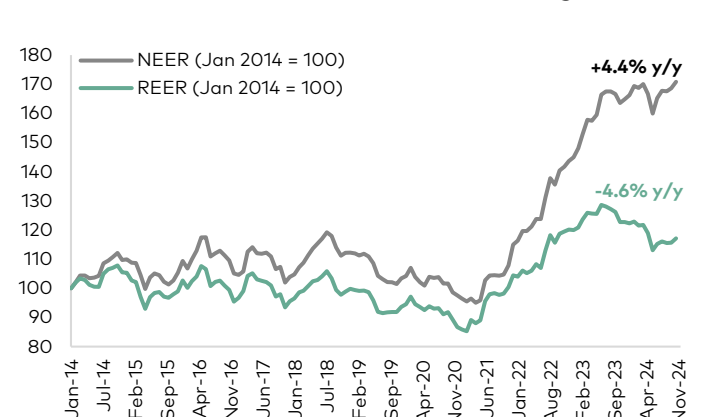
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

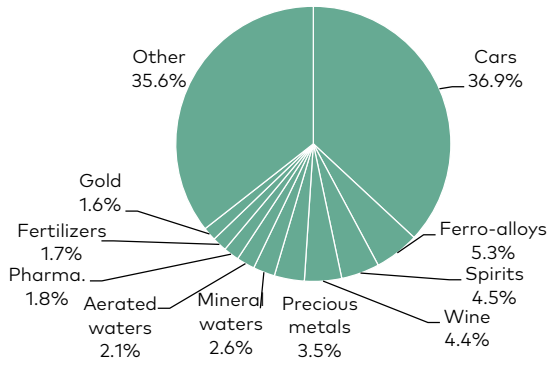


Source: NBG

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

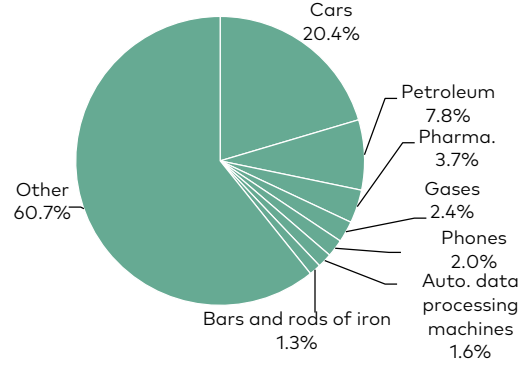


Exports by product, 11M24



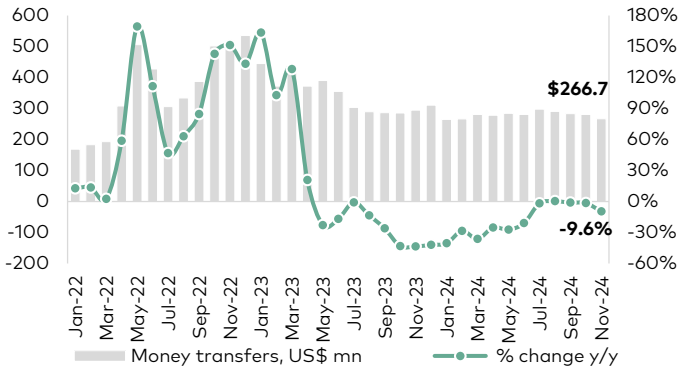
Source: Geostat

Imports by product, 11M24



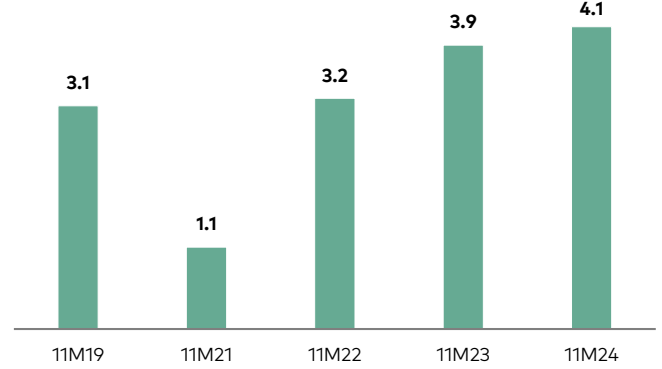
Source: Geostat

Money transfers to Georgia



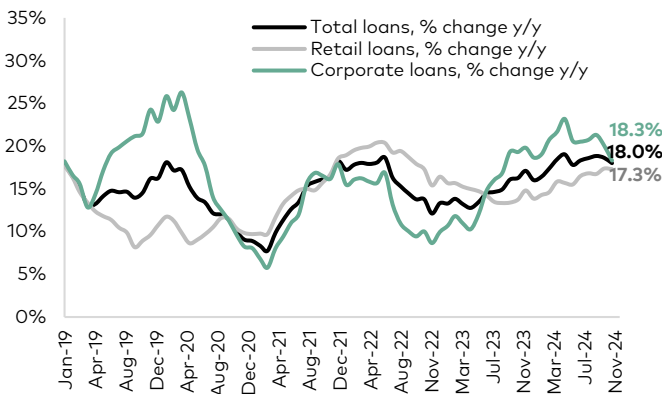
Source: NBG

Tourism revenues, US\$ bn



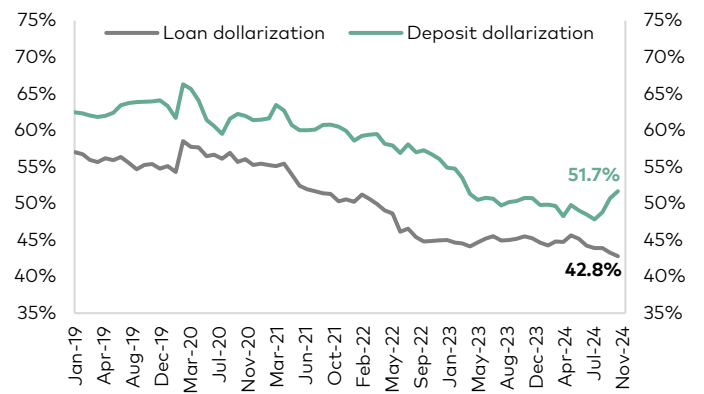
Source: NBG, Galt & Taggart

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E
GDP and Prices											
Nominal GDP, GEL bn	31.7	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.8
Nominal GDP, US\$ bn	18.0	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.7
Nominal GDP per capita, US\$	4,830	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,128
Real GDP, % change y/y	4.1%	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.4%
CPI Inflation, ave	3.1%	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%
CPI Inflation, eop	2.0%	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%
GEL per US\$, ave	1.77	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72
GEL per US\$, eop	1.86	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81
GEL per EUR, ave	2.35	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94
GEL per EUR, eop	2.27	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93
GEL per GBP, ave	2.91	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48
GEL per GBP, eop	2.89	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53
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	26.5%	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.7%
Budget expenses, % of GDP	28.4%	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	31.3%
Fiscal balance (-deficit), % of GDP	-2.6%	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.5%
Public debt, % of GDP	30.4%	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	36.8%
External Sector											
Current account, US\$ bn	-1.8	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.6
Current account, % of GDP	-10.0%	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.6%	-4.9%
Exports, US\$ bn	7.1	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	15.8
Imports, US\$ bn	10.1	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.2
Net Current transfers, US\$ bn	1.4	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.7
Net FDI, US\$ bn	1.4	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	0.8
Net FDI, % of GDP	8.0%	9.3%	8.1%	10.4%	5.6%	6.2%	3.5%	4.9%	7.7%	5.2%	2.4%
Gross international reserves, US\$ bn	2.7	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.6
Financial sector											
Bank loan portfolio, US\$ bn	7.0	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	21.9
Bank loan portfolio, % of GDP	40.8%	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.1%	67.1%
Monetary policy rate, %	4.0%	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	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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