



I Quarter, 2023

# Economic Growth Rate Forecast

Macroeconomic Analysis and Tax Policy Unit

E-Mail: [pbo@parliament.ge](mailto:pbo@parliament.ge)



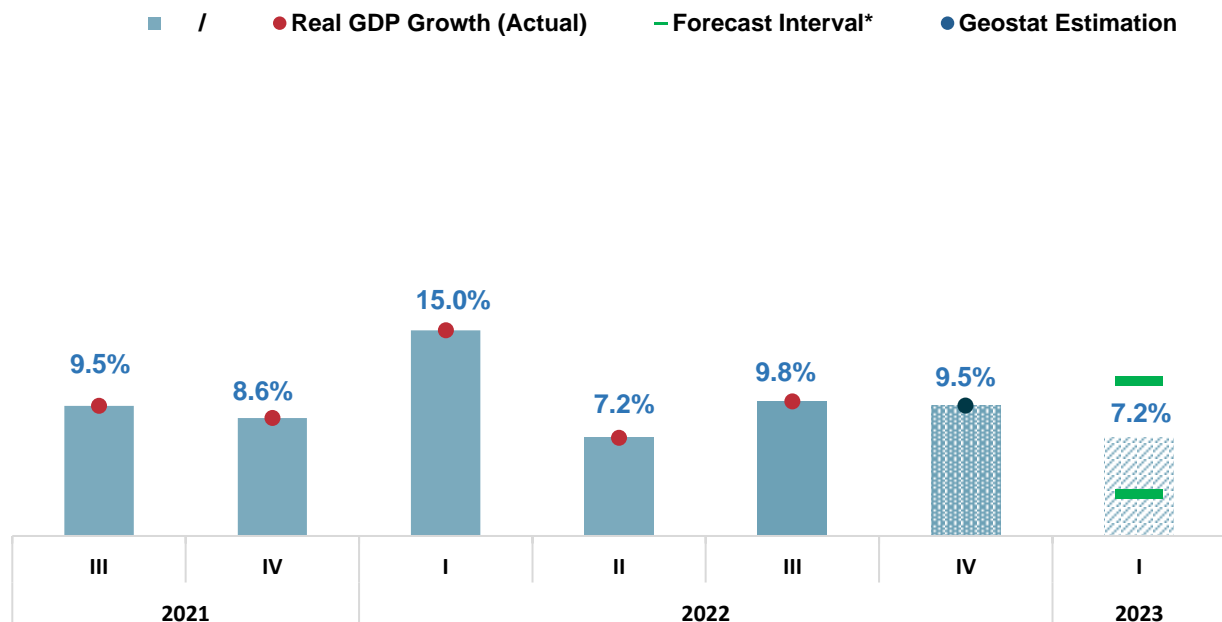
Parliamentary Budget Office of Georgia, 2023



According to the Parliamentary Budget Office estimates, real GDP growth in Q1 2023 will be positive and reach 7.2%. Expected GDP growth is due to the maintenance of the improved economic situation started in the previous year. Despite the base effect of a high growth experienced in Q1, 2022 (economy increased by 15.0% in Q1, 2022), economy maintains the increasing trend. It should be noted, that the high growth rate of the economy was also maintained in the fourth quarter of 2022. In particular, according to the preliminary data of the National Statistics Office of Georgia, the average real growth in Q4, 2022 was 9.5%.

The budget office forecast for economic growth in Q1, 2023 is based on the assumptions that compared to the first quarter of 2022:

- The number of tourists coming to the country will increase by almost 2.9 times (Almost 1.1 times more than in Q1, 2019 pre-pandemic period), at the same time, the number of Georgian tourists abroad will increase.
- Domestic tourism activity will also be kept, along with a significant increase in tourism export.
- The volume of both private consumption and investment will increase, which will lead to the growth of total consumption and investment that will determine this positive pace of economic activity mentioned above.

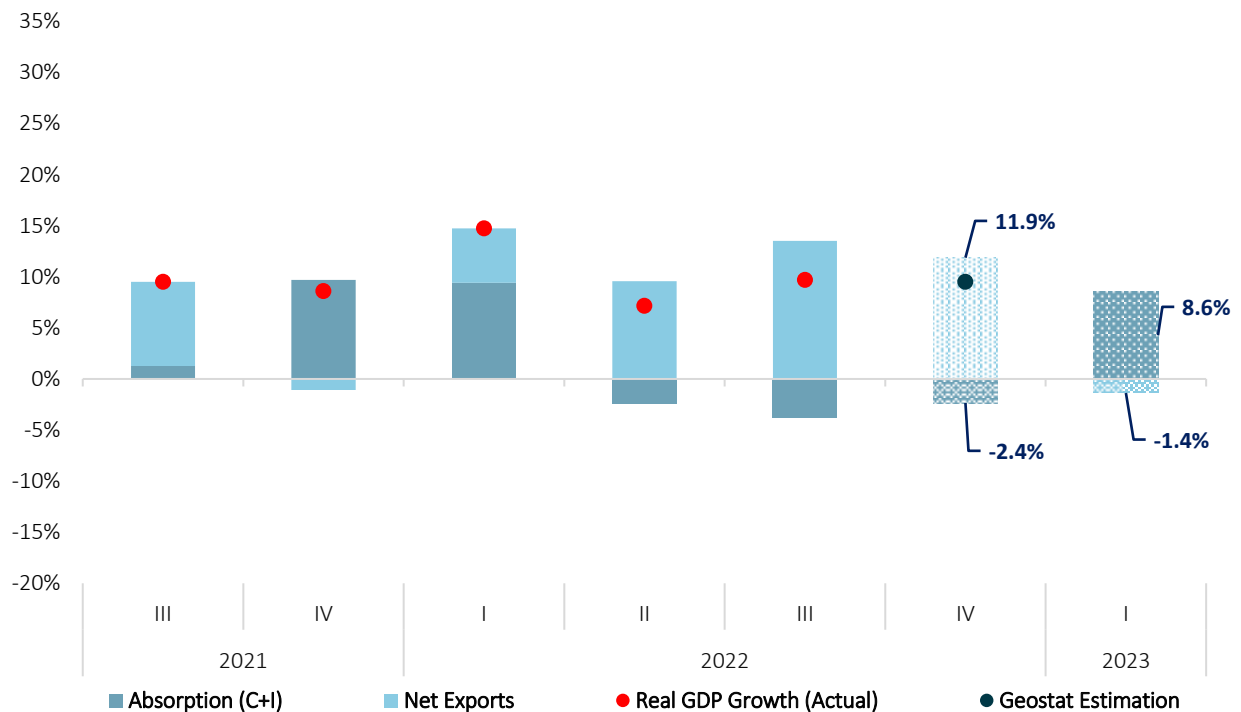


\*The forecast interval indicates the range in which the real GDP growth rate will fall. The interval estimation is defined as the sum of the central forecast and  $\pm 0.5$  standard deviation from the previous quarters' economic growth.



- In parallel with the sharp increase in trade of services, a significant increase in trade of goods is also expected.
- In parallel with increased consumption and private investment, along with the investment activity of the government, the **amount of imports of goods is expected to increase significantly**.
- Due to the recovery of the global economy, the demand for exports is expected to increase and, consequently, **the volume of good exports will increase**.

**As a result of quantifying these assumptions, it is expected**, that import will increase more than export in Q1, 2023 and net export will contribute a negative -1.4 percentage point share in the economic activity, while domestic absorption (sum of consumption and investment) will determine GDP growth rate by 8.6 percentage points\*. According to the PBO, in the assessment of economic growth for the 4th quarter of 2022, net exports were defined at 11.9%, while the absorption component was defined at -2.4%.



\*GDP growth decomposition in Q1, 2023. PBO estimation.

#### Additional Information:

[Annual Macroeconomic Forecasts](#)

[About the Macroeconomic Forecasting Model](#)