



Parliament of Georgia

2024 I Quarter Economic Growth Rate Forecast

Parliamentary Budget Office
of Georgia

2024

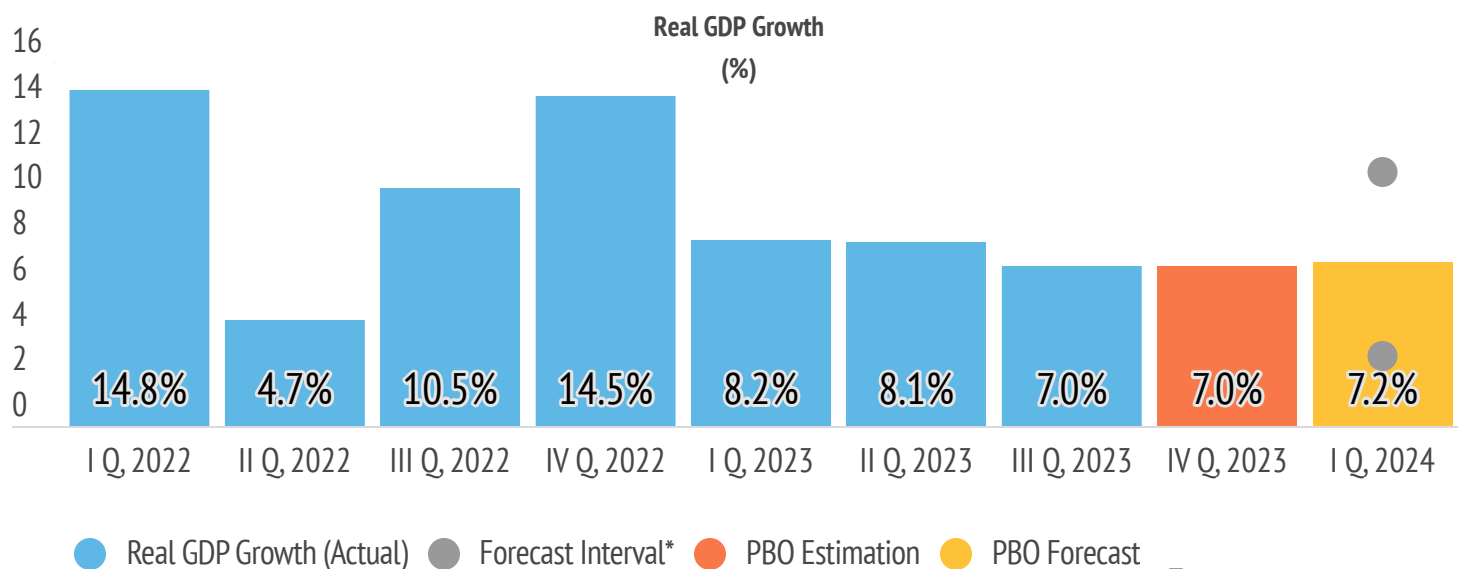
February

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According to the Parliamentary Budget Office estimates, real GDP growth in Q1 2024 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, 2023 (economy increased by 8.2% in Q1, 2023), 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 2023. In particular, according to the preliminary data of the National Statistics Office of Georgia, the average real growth in Q4, 2023 was 6.8%¹. The indicator is more than forecasted 6.2% for Q4, 2023 by parliamentary budget office².

The forecast of the economic growth rate forecast of Q1, 2024 by the Budget Office is based on the assumptions that compared to the first quarter of 2023:

- The number of tourists coming into the country will increase by almost 1.2 times (1.04 times less than in Q1, 2019 pre-pandemic period), while 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 and government consumption will increase. Should be noted, that according to the PBO estimates, growth rate of private consumption will be lower compared to growth rate of government consumption.
- The volume of investments will significantly contribute to the economic growth. Namely, the volume of private investments will increase, while government investments will slightly decrease.
- Overall, total consumption and investment will increase, that will determine the positive pace of economic activity.



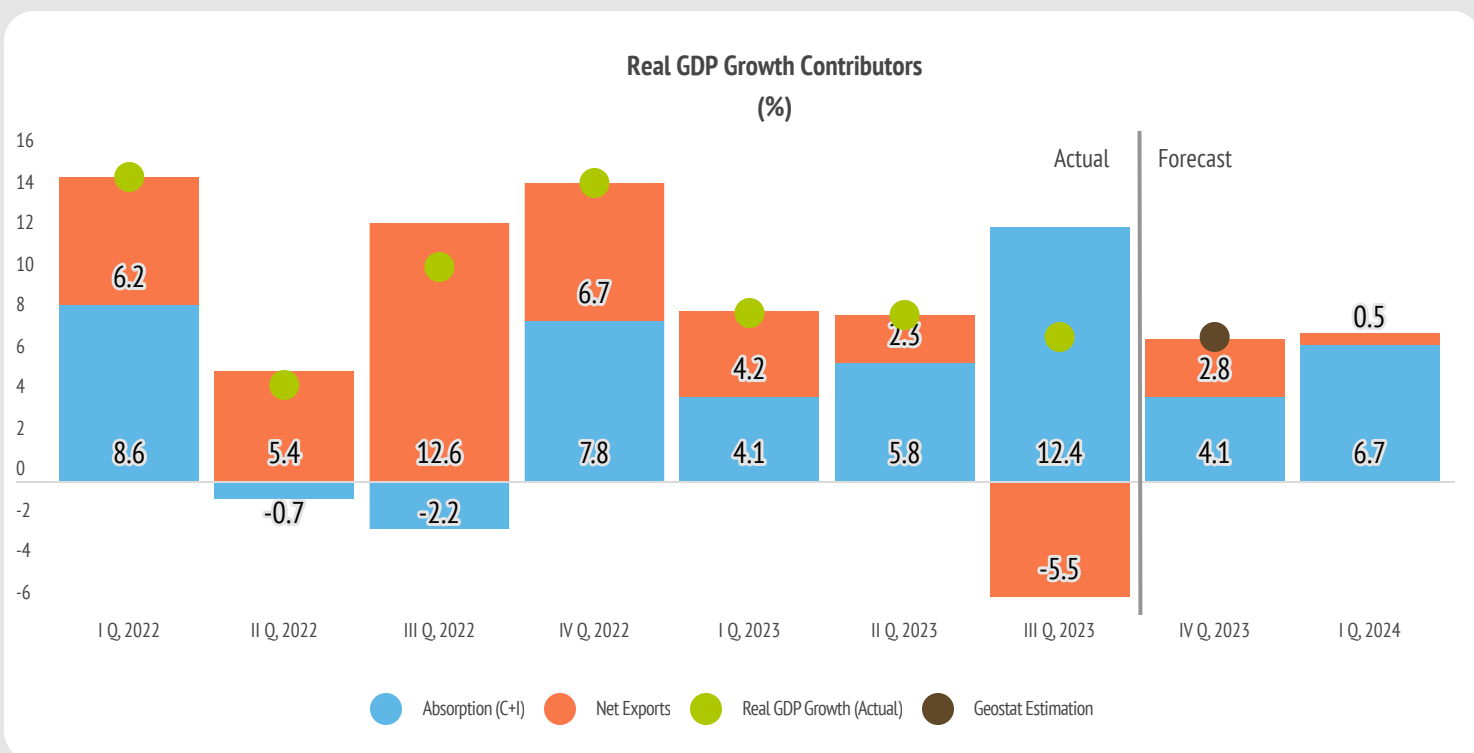
*The forecast interval indicates the range in which the real GDP growth rate will fall. The interval estimation is defined as the sum of the central forecast and ± 0.5 standard deviation from the previous quarters' economic growth.

1. According to the PBO estimates, as a result of revised historical data of Gross Domestic Product (GDP) and National Accounts by GEOSTAT in February 2024, economic growth rate of the fourth quarter, 2023 was 7.0%.

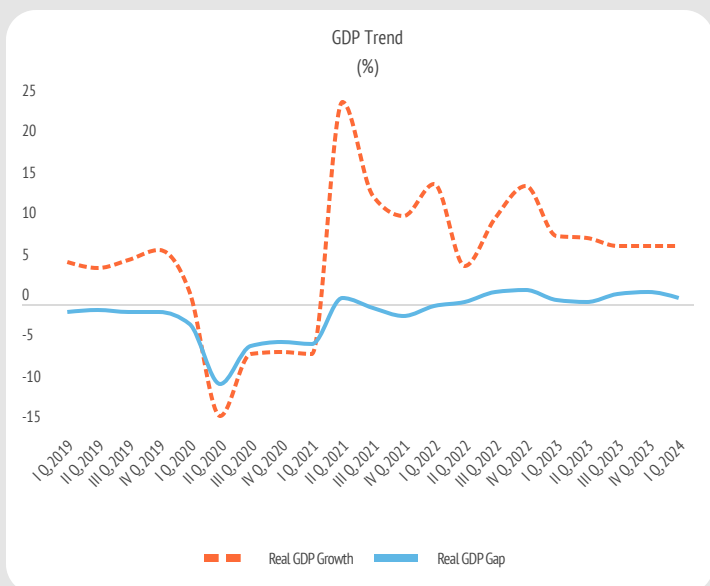
2. www.pbo.parliament.ge

- Despite the insignificantly decreased trade of goods in IV quarter, 2024, according to the PBO estimation, the indicator will increase slightly, while higher growth rate of export of services is expected.
- The amount of imports is expected to increase, including rise in both imports of goods and services.
- Due to increased consumption, overall volume of import will exceed the volume of exports and trade balance will slightly worsen.

As a result of quantifying these assumptions, it is expected, that import will increase more than export in Q1, 2024 and net export's contribution in economic activity will be 0.5 percentage point, while domestic absorption (sum of consumption and investment) will determine GDP growth rate by 6.7 percentage points*. According to the PBO estimates, the contribution of net export in economic growth of the 4th quarter of 2023, was defined at 2.8pp, while the absorption component contributed 4.1pp.



*Real GDP growth decomposition in Q1, 2024. PBO estimation.



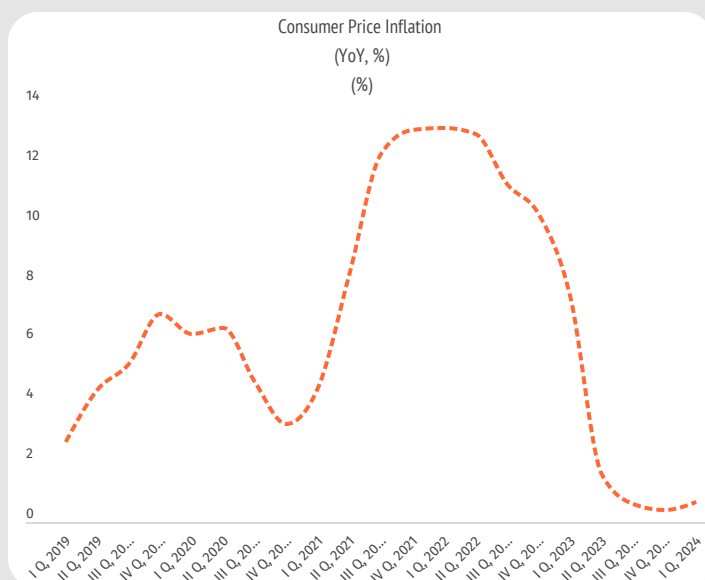
In parallel with the sharp economic decrease in 2020, country's economy was lower than its potential level and real GDP gap was negative. However, high economic growth rate observed in the 2nd quarter of 2021, economic growth exceeded the potential GDP and real GDP gap became positive. Positive trend was maintained in 2022 and 2023 years.

According to PBO forecasts, high economic growth rates are expected to maintain in I quarter of 2024. The real GDP will exceed the potential GDP, and real GDP gap will be positive.

In Q4 2023, average annual inflation rate amounted to 0.4%, lower than the inflation target of 3.0%.

Should be noted, that the high growth in average consumer price inflation (11.9%) was observed in 2022. However, the trend was decreasing in 2023. The CPI inflation sharply decreased from the second quarter of 2023 (1.6%), mainly due to continuously declined prices on energy and food products in the world market. In parallel with decreasing consumer price inflation, the National Bank of Georgia has been gradually decreasing monetary policy rate.

On January 31, 2024 the Monetary Policy Committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.5 PP. As a result, the monetary policy rate amounted to 9.0%. According to the PBO estimates, the decrease of monetary policy rate will stimulate economic growth and consumer price inflation will slightly increase.



Additional Information:

[Annual Macroeconomic Forecasts](#)

[About the Macroeconomic Forecasting Model](#)



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