



Parliament of Georgia

# Quarterly Macroeconomic **Review**

I Quarter, 2024

Parliamentary Budget Office  
of Georgia

2024

May

## Main Macroeconomic indicators of I quarter, 2024\*

Real GDP Growth Rate

**7.8%**



In I quarter, 2024 annual CPI inflation amounted to 0.3%, while annual core inflation was observed at 2.1%.



In I quarter, 2024 goods exports decreased by 9.3%, while imports decreased by 5.3%.



In I Quarter, money transfers amounted to 806.0 million USD.

EU countries - 39.5%;

Russia - 22.5%;

USA - 15.2%;

Other countries - 22.8%.



In I quarter 2024, the dollarization on deposits decreased YoY, while the dollarization on loans increased.

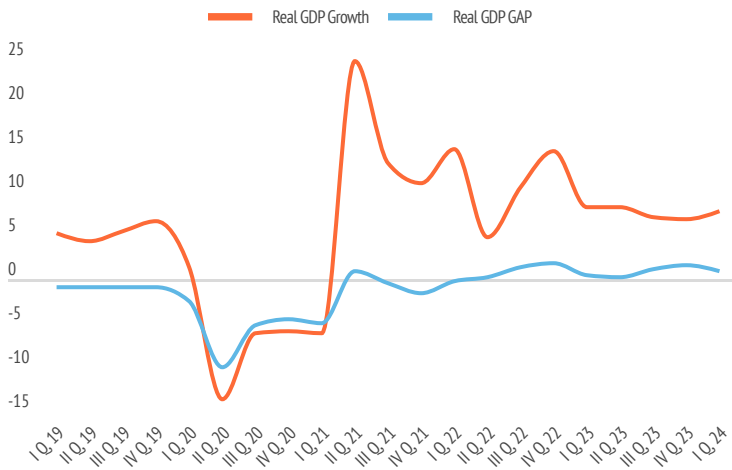


GEL appreciated against USD by 0.9% QoQ, while depreciated by 1.3% YoY.



# 1. Real Sector

GDP Dynamics (%)

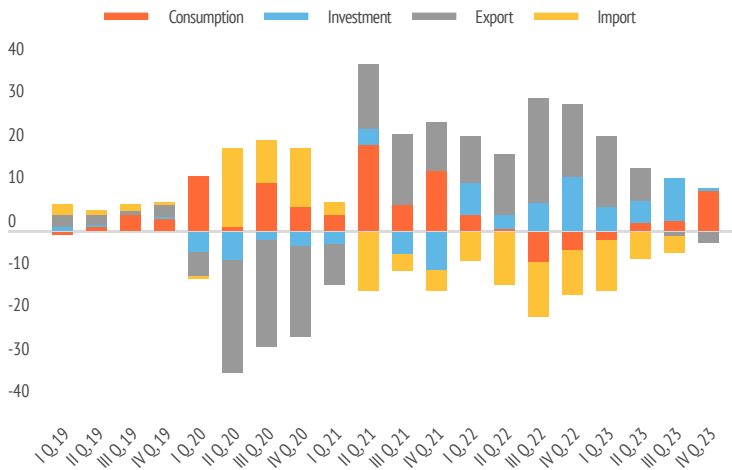


In Q1 2024, according to the GEOSTAT preliminary estimate average growth rate of the real GDP amounted to 7.8%.

The economic growth estimate for Q1 2024 made by the Parliamentary Budget Office in February 2023 was 7.2%[1], which took into account existing low rates of inflation as well as the expected impact of the Russian-Ukraine war on the Georgian economy.

According to the PBO evaluation, in Q1 2024, potential GDP was lower than the statistical measurement, hence the positive output gap equaled to 0.9%, while the output gap for the previous quarter was positive 1.5%.

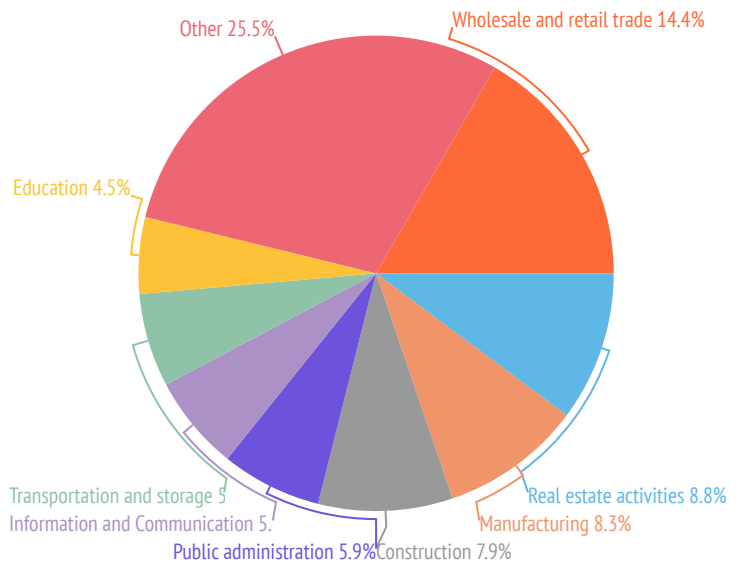
GDP Components (Contribution, %)



In Q4\* 2023, as per PBO estimates, increase in consumption and investments played major roles in GDP growth.

Based on the analysis of the GDP components, in Q4\* 2024, real GDP increase was primarily driven by consumption (8.93 pp) and investment (0.58%). In the reporting period, export (-2.57 pp) and import (-0.08 pp) had a negative impact on GDP.

GDP Structure (IV Quarter)

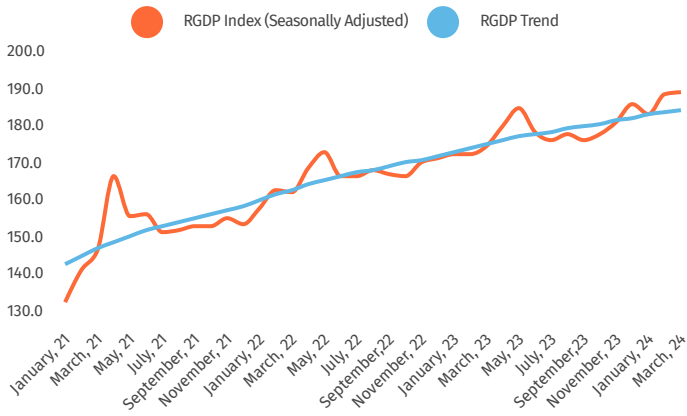


In Q4\* 2024, wholesale and retail trade had the highest share in GDP structure.

In Q4\* 2024, wholesale and retail trade had the highest share in GDP structure (14.4%). The important share was observed for several sectors, namely, real estate activities (8.8%), manufacturing (8.3%), construction (7.9%), public administration, defense, social security (5.9%), information and communication (5.6%), transportation and storage (5.5%), education (4.5%).

[1] [www.pbo.parliament.ge](http://www.pbo.parliament.ge)

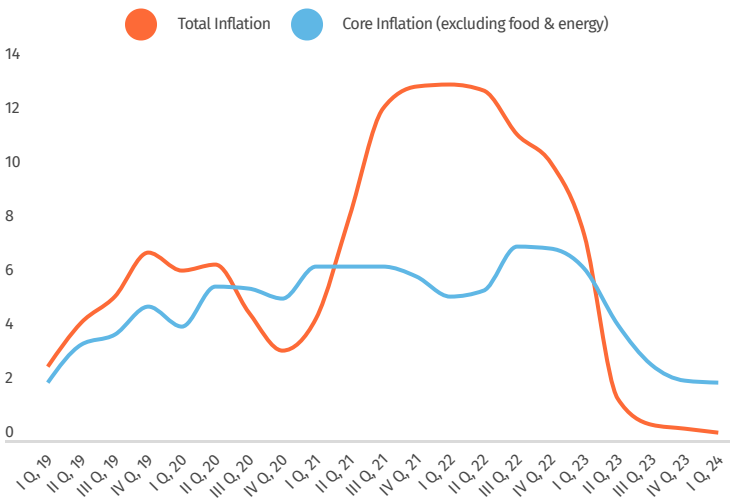
Real GDP Trend



Observing monthly data reveals that the economic growth trend is not linear.

According to the PBO estimate, based on preliminary data, in Q1 2024, YoY growth of the real GDP trend [2] was 5.5%, compared to 7.8% growth rate in the respective period of 2023.

Consumer Price Inflation (YoY, %)



[2] The trend represents monthly economic growth estimate with removed seasonality and random shocks

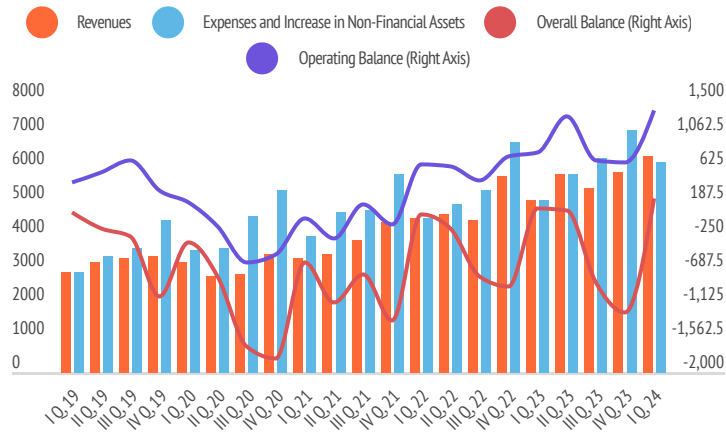
**In Q1 2024, consumer price inflation has decreased YoY.**

In Q1 2024, average annual inflation rate amounted to 0.3%, lower than the inflation target of 3.0%. Main sectors, changing prices of which made contributions to the inflation rate, were hotels and restaurants, transport, education, alcoholic beverages and tobacco, housing, education and other groups.

In Q1 2024, average annual core inflation rate (excluding groups of food and non-alcoholic beverages and energy prices) amounted to 2.1%.

## 2. Fiscal Sector

Consolidated Budget Balance (Million GEL)

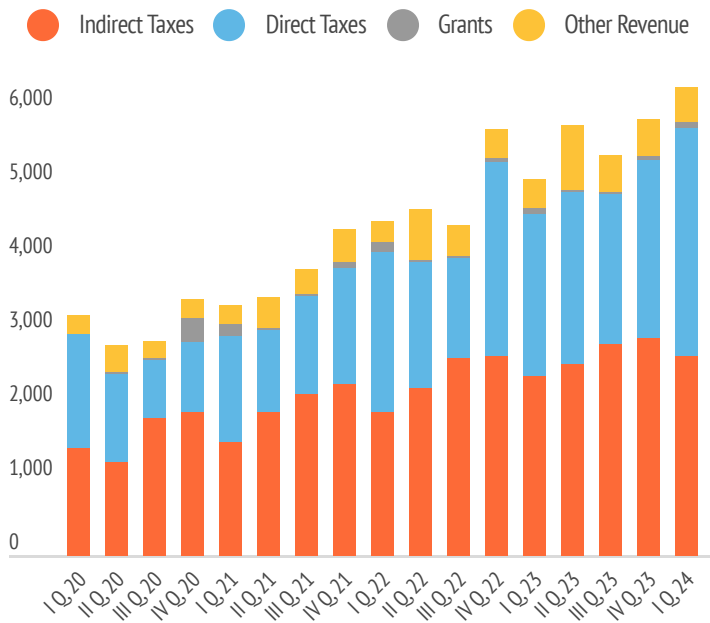


**In Q1 2024, a positive consolidated budget balance was observed.**

In Q1 2024, consolidated budget revenues increased by 24.7% YoY and amounted to GEL 6,323.8 million, while expenses and acquisition of non-financial assets increased by 22.9% and totaled GEL 6,201.5 million.

In Q1 2024, compared to Q1 2023, the operating balance increased by GEL 534.5 million and amounted to GEL 1,375.1 million, while the overall positive balance totaled GEL 233.3 million. It is worth mentioning, that in the first quarter of 2023, the overall consolidated budget balance was positive and amounted to GEL 98.4 million.

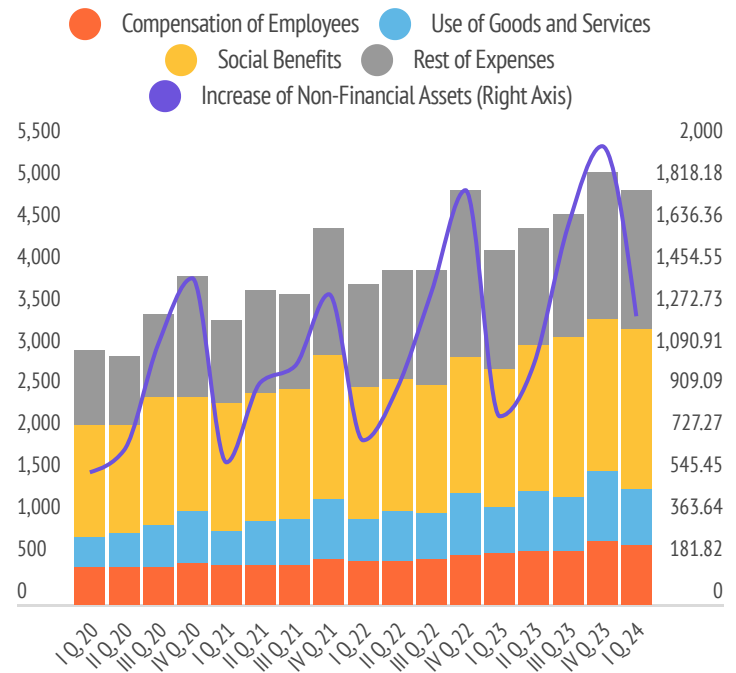
Consolidated Budget Revenues  
(Million GEL)



In Q1 2024, tax revenues of consolidated budget increased by 25.3% YoY and amounted to GEL 5,773.4 million.

In Q1 2024, direct taxes of consolidated budget increased by 40.8% YoY and totaled GEL 3,078.4 million, while indirect taxes increased by 11.2% and reached GEL 2,695.0 million. It is noteworthy that during the period, the grant component decreased by 8.1% and amounted to GEL 82.0 million, while other revenues increased by 26.2% and amounted to GEL 468.4 million.

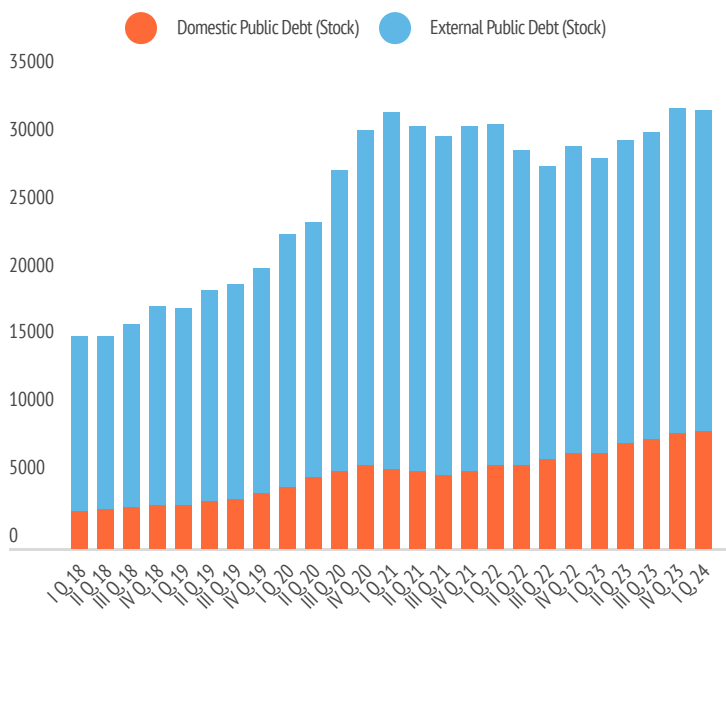
Consolidated Budget Expenditures and Increase of Non-financial Assets  
(Million GEL)



In Q1 2024, both recurrent expenditures and capital expenditures increased YoY.

In Q1 2024, consolidated budget recurrent expenses increased by 17.0% YoY and amounted to GEL 4,948.7 million. Expenses in non-financial assets (i.e. capital expenditure) increased by 53.5% YoY and reached GEL 1,252.8 million. During the mentioned period, expenditures on goods and services increased by 19.1% and amounted to GEL 654.9 million. Expenditures on compensation of employees increased by 15.1% and on social benefits increased by 16.8%, while in nominal terms they amounted to GEL 721.1 million and GEL 1,924.6 million. Other expenses (interest, subsidies, grants, other expenses) increased by 17.3% and amounted to GEL 1,648.1 million.

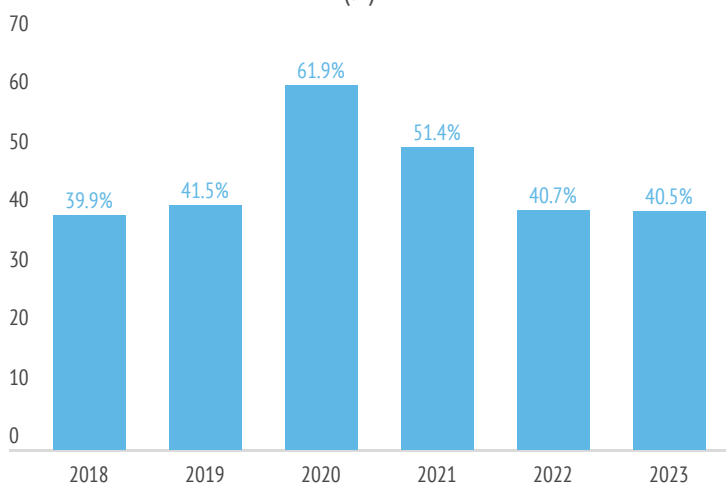
Public Debt  
(Million GEL)



As of 31 March 2024, public debt in nominal terms reached GEL 32,282 million, 11.9% increase YoY.

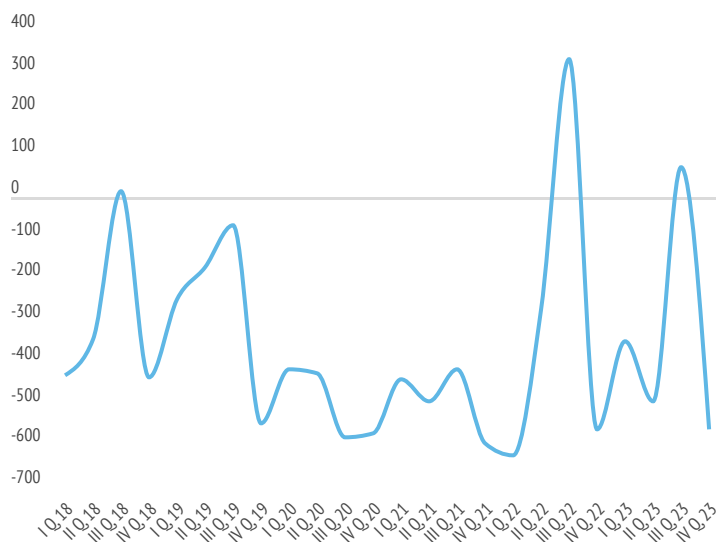
The external debt share made up 72.8% in Q1 2024 (75.2% at the end of Q1 2023), while the domestic debt share reached 27.2% (24.8% at the end of Q1 2023).

Total public debt to GDP (Annual)  
(%)



### 3. External Sector

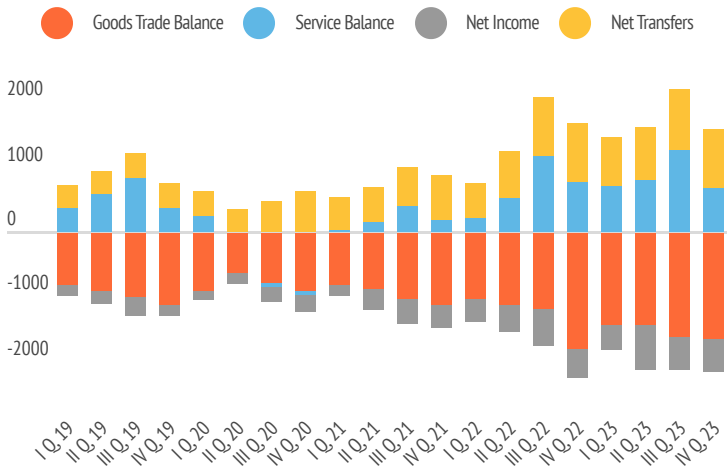
Current Account  
(Million USD)



In Q4\* 2023, the BOP current account balance was negative.

In Q4 2024, the negative current account balance reached USD 559.4 million (-6.8% of GDP), which is 0.2% higher than the indicator of the corresponding period of previous year. Based on the analysis of current account components, the trade balance of goods and net income deficit were compensated by the surplus in transfers and positive service balance, where income from foreign travel made a significant positive contribution. Should be mentioned, that in Q4 2024, the indicator decreased by 12.6% YoY and totaled USD 873.7 million.

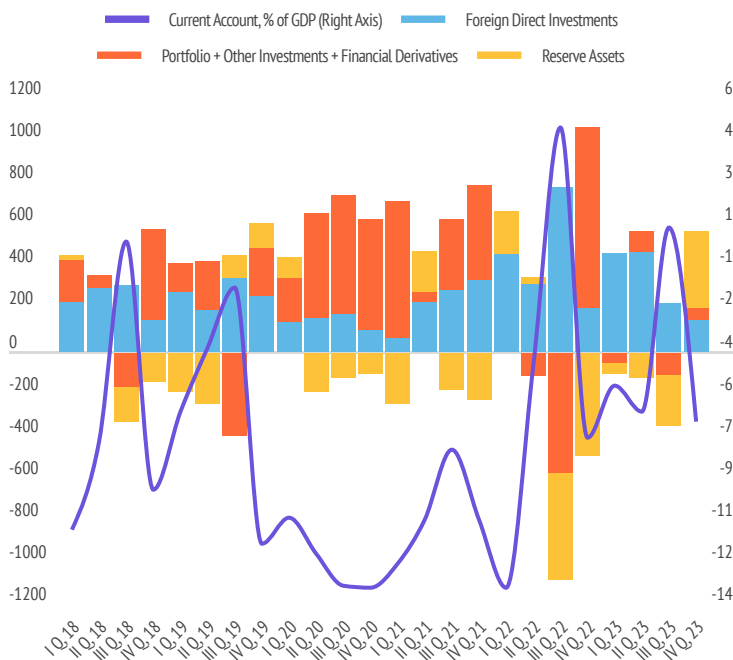
Current Account Components  
(Million USD)



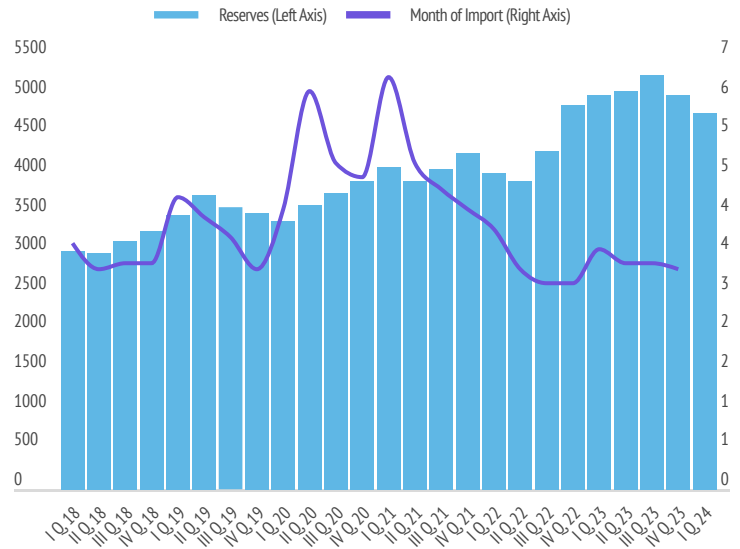
In Q4\* 2023, the primary financing source of the current account deficit were foreign direct and other investments.

During this period, net direct investments totaled USD 149.5 million (1.8% of GDP), a 27.8% decrease in comparison with the same period of the previous year.

Current Account Balance and Financing Sources  
(Million USD)



Total International Reserves  
(Million USD, Month)

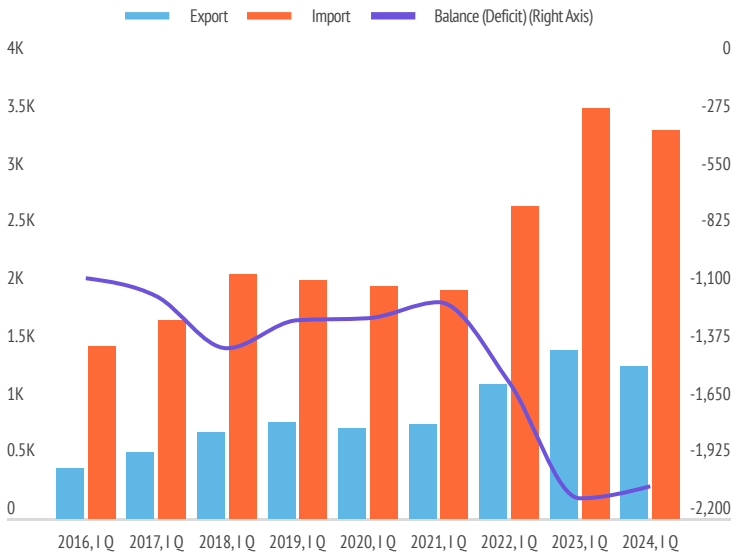


In Q1 2024, total international reserves amounted to USD 4,776.9 million.

At the end of Q1 2024, total international reserves made up USD 4,776.9 million, which is 4.5% decrease YoY.

In Q1 2024, no foreign exchange interventions were carried out by the National Bank of Georgia.

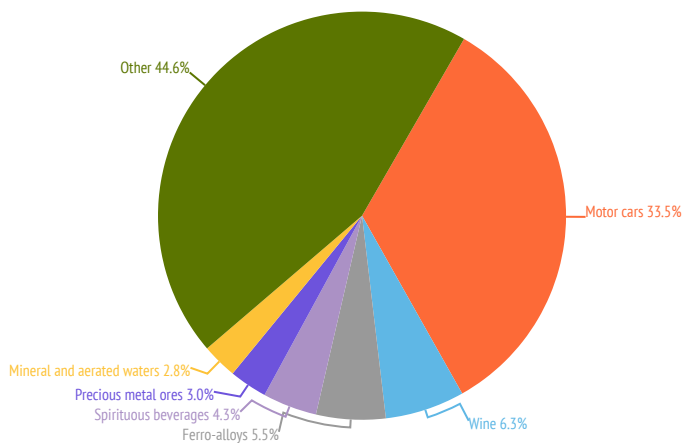
### External Trade of Goods (Million USD)



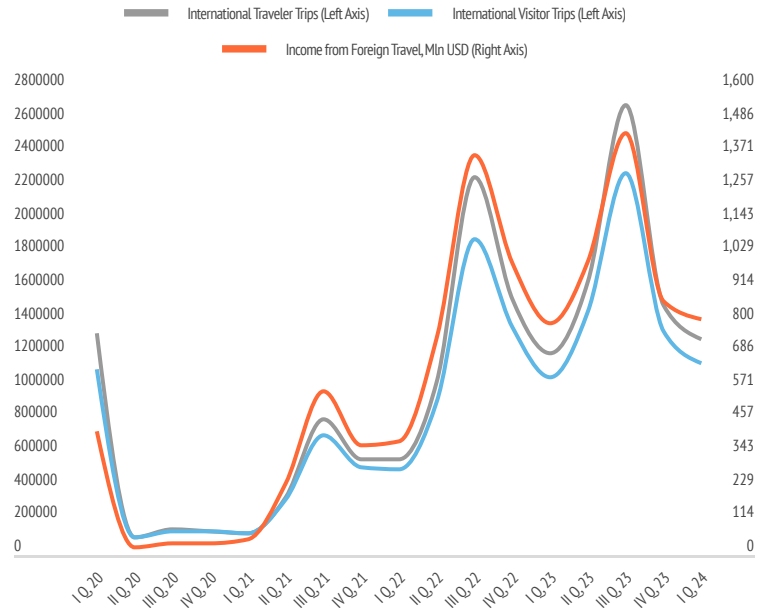
In Q1 2024, downward trend was observed in both export and import of goods.

In Q1 2024, compared to the same period of the previous year, export of goods decreased by 9.3% and amounted to USD 1,326.0 million, while import of goods declined by 5.3% and totaled USD 3,373.3 million. In the reporting period share of the export in external trade increased from 29.1% to 28.2%. In the I quarter of 2024, the largest export commodities were exports of motor cars, wine, ferro-alloys, spirituous beverages, precious metal ores, mineral and aerated waters and others.

### Major Commodity Groups by Exports (I Quarter)



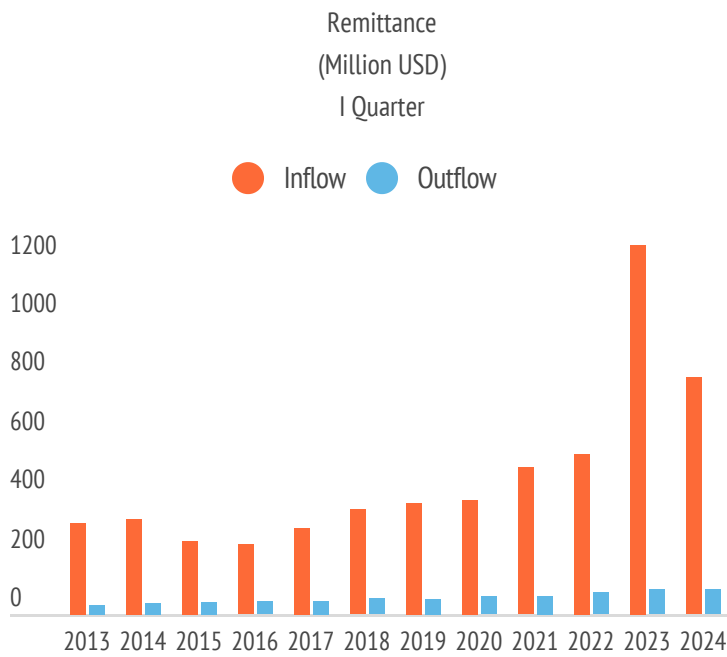
### International Traveler Trips and Income from Foreign Travel



In Q1, 2024 both international traveler trips and international visitor trips have increased.

In Q1 2024, the number of international travelers increased by 7.6% YoY and amounted to 1,300,551. International traveler trips also include trips made by international visitors. In Q1 2024, International visitor trips reached 1,157,347 (8.6% lower compared to the same indicator of Q1, 2023). The majority of international visitors' trips were from Turkey (254,577, increase by 17.6% YoY), Russia (215,468, decrease by 16.1% YoY) and Armenia (191,830, increase by 5.1% YoY).

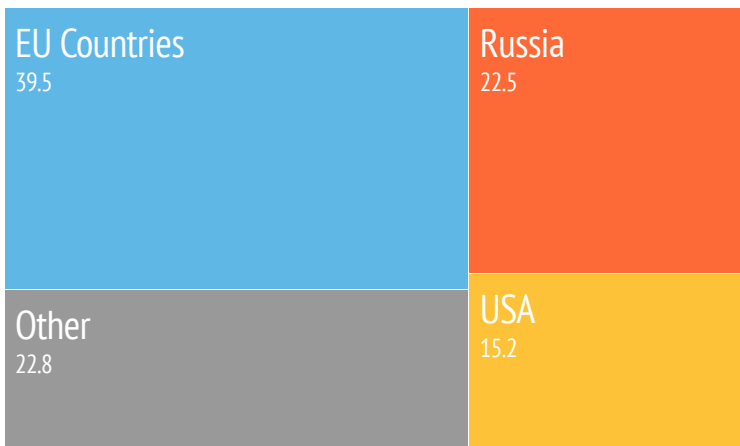
In Q1 2024, income from foreign travel amounted to 807.7 mln USD, a 1.5% increase YoY.



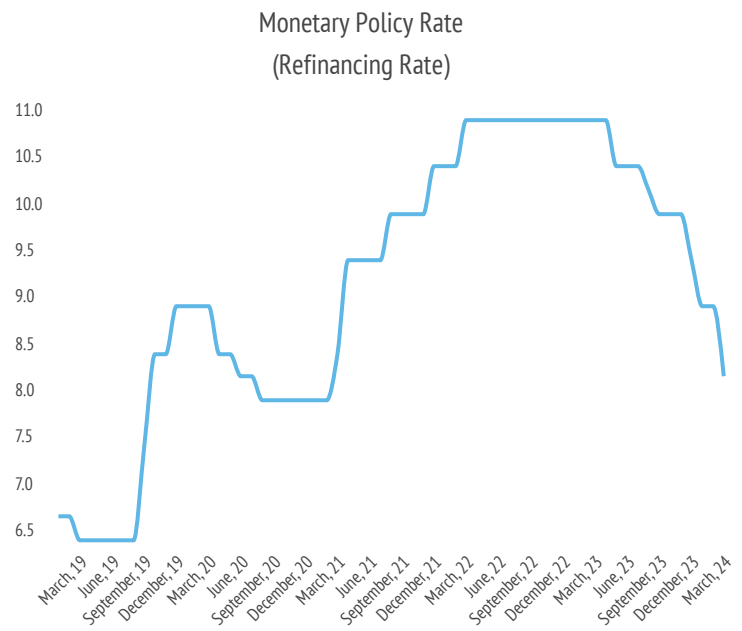
**In Q1, 2024 remittances to Georgia decreased**

In Q1 2024, remittances decreased by 35.8% YoY and amounted to USD 806.0 million. During this period the main source of money transfers are EU countries (39.5% of total) and Russia (22.5%). In the analyzing period, remittances increased significantly from the following countries: Ireland (58.6%), USA (30.5%), Germany (17.1%), Israel (13.7%), France (13.5%), Spain (10.9%), Italy (10.6%) etc. In the analyzing period, remittances decreased from Russia (74.2%), Kazakhstan (18.8%), Turkey (15.6%) etc.

Remittances (%)  
I Quarter



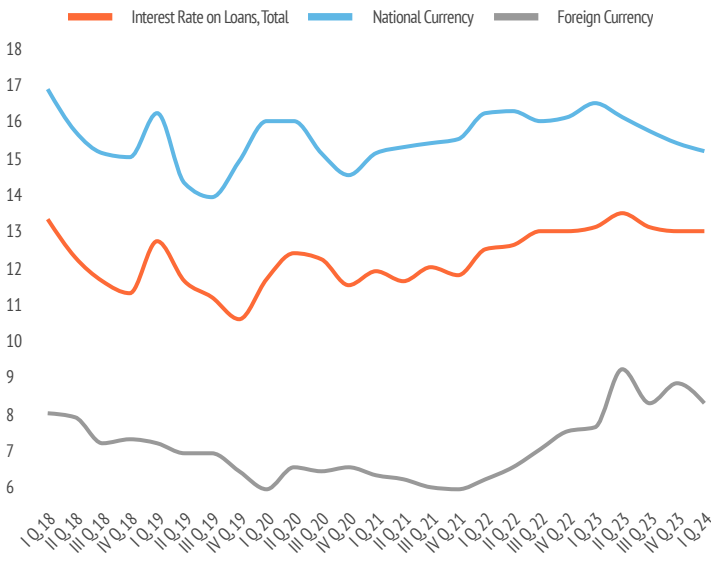
**3. Monetary Sector**



**In Q1 2024, the monetary policy (refinancing) rate was 8.25%.**

On February 1 and March 29, 2023 monetary policy committee decided to remain the rate unchanged (11.0%). On May 10, 2023, the monetary policy committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.5 PP. The monetary policy rate amounted to 10.5%. On August 13, 2023 and on September 13, 2023, the monetary policy committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.25 PP. The monetary policy rate amounted to 10.0%. On October 25 2023, monetary policy rate remained unchanged, while on December 20, 2023 decreased by 0.5 PP and amounted 9.5%. Along with low inflation rates observed in I quarter of 2024, 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. The monetary policy rate amounted to 9.0%. On March 13, 2024, the monetary policy committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.75 PP. The monetary policy rate amounted to 8.25%.

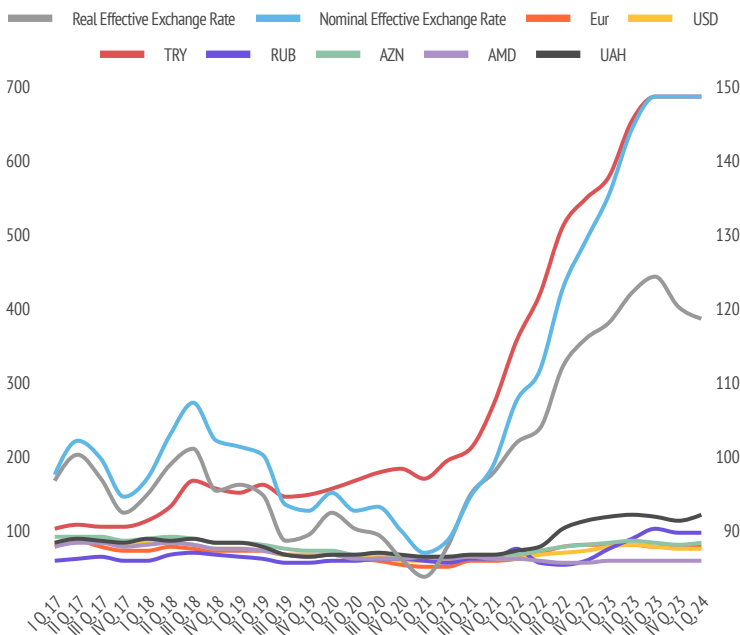
Market Interest Rates on Loans (%)



**In Q1 2024, the market interest rate on loans reached 13.3%.**

In Q1 2024, market interest rate on loans increased by 0.03 pp QoQ and reached 13.3%. The interest rate on national currency loans decreased by 0.26 pp QoQ (15.5%), while on foreign currency loans decreased by 0.51 pp QoQ (8.6%).

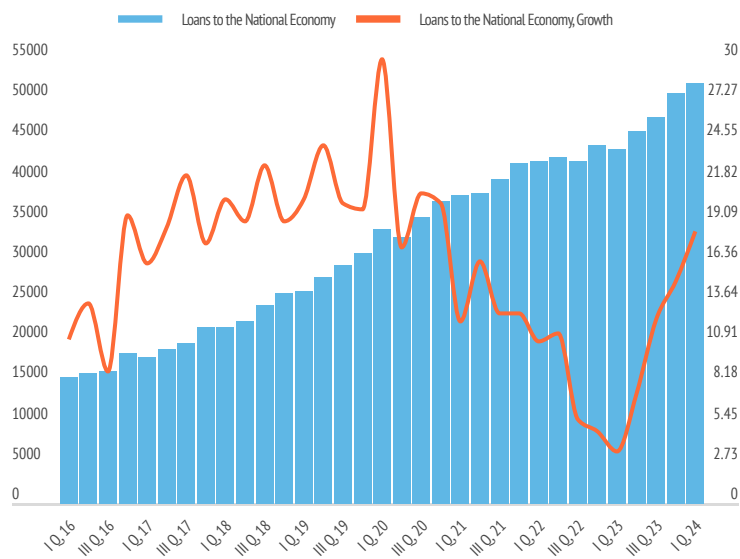
GEL Exchange Rate Indices (Increase of index means appreciation, decrease - depreciation)



**In Q1 2024, the exchange rate of GEL appreciated QoQ against all primary currencies, except EUR and RUB.**

In Q1 2024, the exchange rate of GEL (period average) against USD appreciated by 0.9% QoQ and depreciated by 1.3% YoY. Compared to the Q1 2023, GEL depreciated against EUR (2.5%), AZN (1.2%), while appreciated against TRY (61.7%), RUB (23.1%), ADM (1.3%) and UAH (2.2%).

Commercial Bank Loans to the National Economy (End of Period, Million GEL)

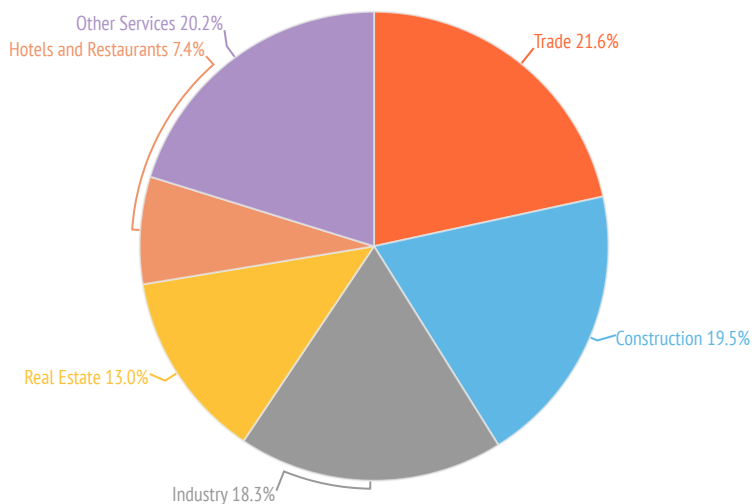


**In Q1 2024, loans to the national economy (end of period) increased.**

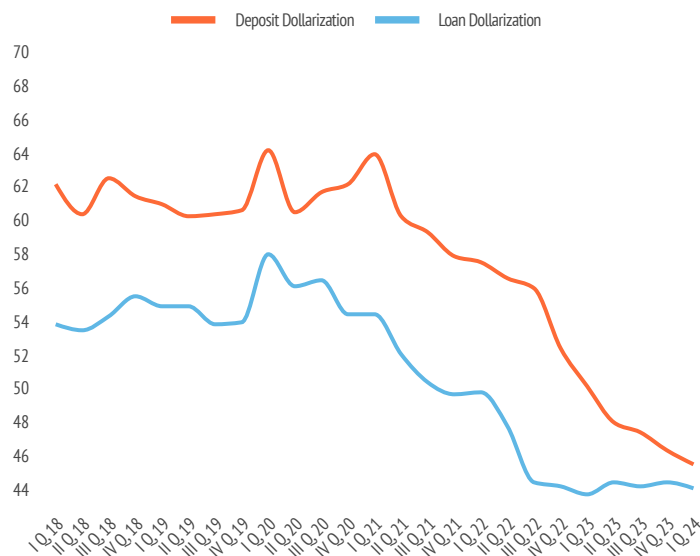
In Q1 2024, loans to the national economy increased by 18.4% YoY and amounted to GEL 52,021 million. More than half of total loans (53.7%) was distributed to households.

As for loans issued by types of activity, the highest 21.6% were issued in trade, 19.5% in construction, 18.3% in industry, 13.0% in real estate and 7.4% in hotels and restaurants.

Loans by Types of Activity  
(Flows)



Dollarization  
(%)



**In Q1 2024, the dollarization coefficient decreased on deposits, while increased on loans YoY.**

In Q1 2023, the dollarization coefficient decreased on both deposits and loans YoY, amounted to 50.8% and 44.4%, respectively. In Q2 2023, dollarization on deposits amounted to 48.6%, while dollarization on loans was observed at 45.0%. In Q3 2023, the dollarization coefficient decreased on both deposits and loans YoY, amounted to 48.1% and 44.8%, respectively. In Q4 2023, the dollarization coefficient decreased on deposits, while increased on loans YoY, amounted to 47.0% and 45.1%, respectively.

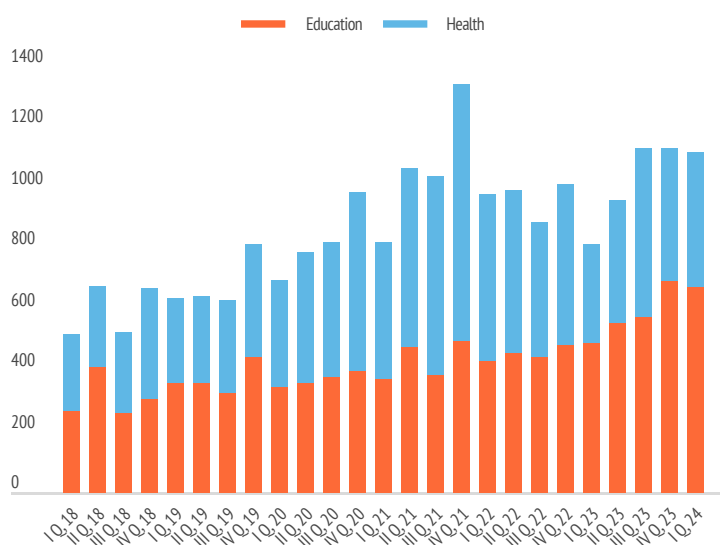
In Q1 2024, the dollarization coefficient decreased on deposits, while increased on loans YoY. Namely, dollarization on deposits amounted to 46.2%, which is 0.8 pp lower QoQ and 4.6 pp lower YoY. Meanwhile, dollarization on loans was observed at 44.7%, which is 0.4 pp decrease quarterly and 0.3 pp increase annually.

## 4. Social Sector

In Q1 2024, compared to the same period of the previous year, public expenditures on both, healthcare and education increased.

In Q1 2024, expenditure on education (as per functional classification) amounted to GEL 680.2 million, 37.6% increase compared to the same period of the last year. Meanwhile expenditures on healthcare amounted to GEL 437.9 million, 36.7% increase YoY.

Public Expenditure on Education and Healthcare (Million GEL)



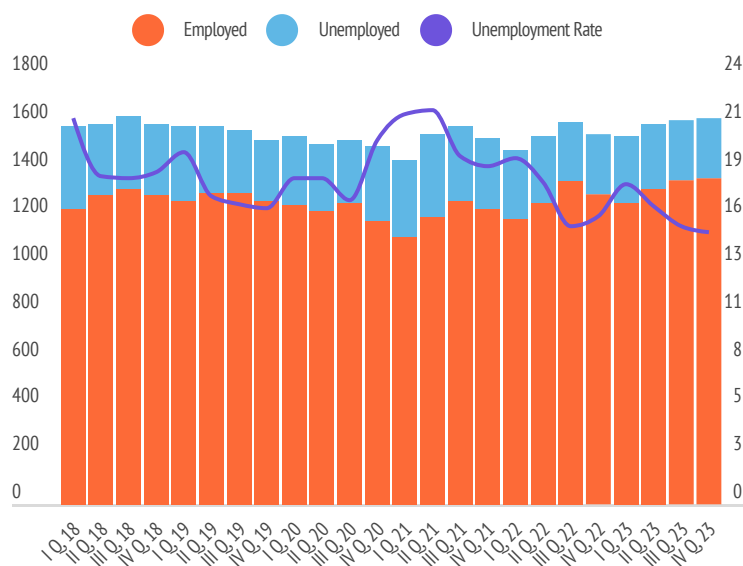
In Q4\* 2023, the total number of employed persons increased, while the total number of unemployed persons decreased YoY.

In Q4\* 2023, labor force amounted 1,621.3 thousand persons (increase by 4.3% YoY). Among them, the number of employed persons increased by 5.2% YoY and amounted to 1,372.7 thousand (share of hired employees in total employed persons amounted 69.8%, while the share of self-employed persons was 30.1%). At the same time, the number of unemployed persons decreased by 0.4% YoY and amounted 248.6 thousand.

In addition, in the Fourth quarter of 2023, average monthly nominal earnings of employees amounted to 2,044.5 GEL, which is 15.3% increase YoY.

During the analyzing period, unemployment rate was observed at 15.3% (0.7 pp lower compared to Q4 2022).

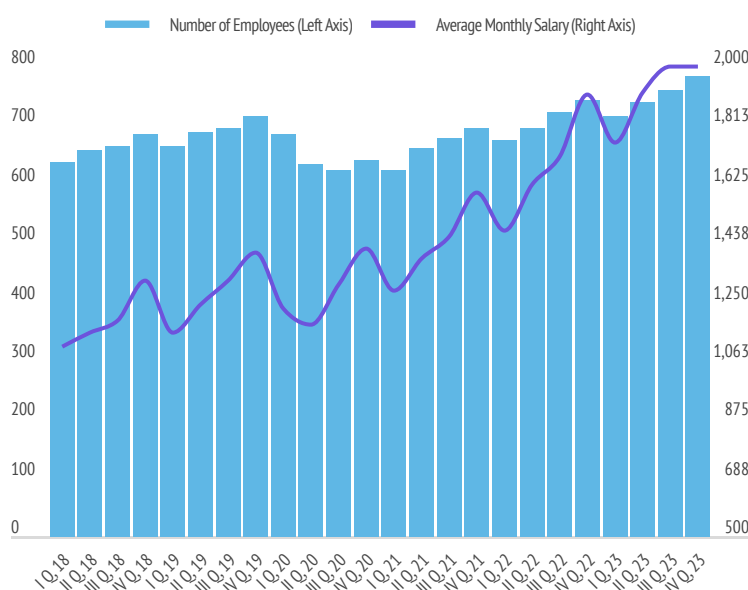
Labor Force Indicators (Thousand Persons)



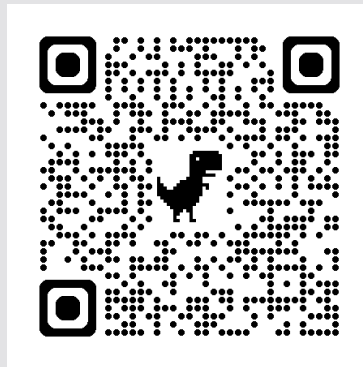
In Q4\* 2023, the total number of employees and salary in business sector increased YoY.

In Q4\* 2023, the number of employees in business sector increased by 5.6% YoY and amounted to 782.3 thousand (among which hired employees amounted to 742 thousand). Average monthly salary of hired employees increased by 14.9% YoY and amounted to GEL

Employment (Thousand Employees) and Wages (GEL)



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