



Parliament of Georgia

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# 2024 II Quarter Economic Growth Rate Forecast

Parliamentary Budget Office  
of Georgia

2024

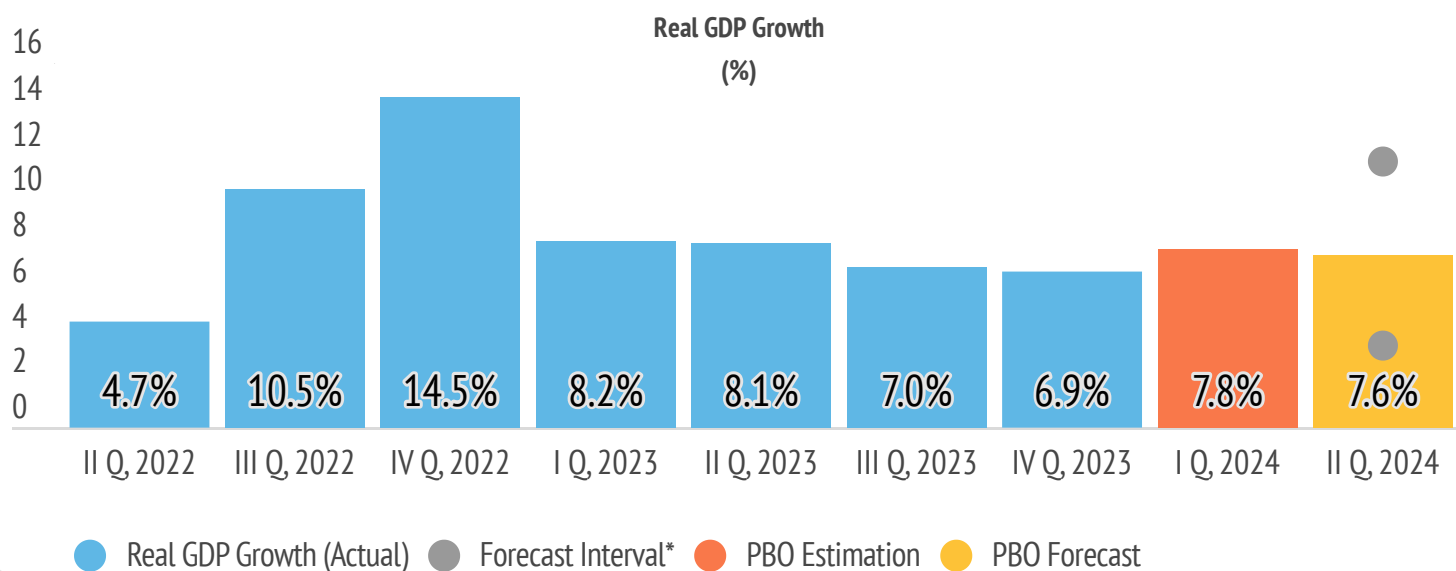
May

## According to the Parliamentary Budget Office estimates, real GDP growth in Q2 2024 will be positive and reach 7.6%.

According to the Parliamentary Budget Office estimates, real GDP growth in Q2 2024 will be positive and reach 7.6%. 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 Q2, 2023 (economy increased by 8.1% 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 first quarter of 2024. In particular, according to the preliminary data of the National Statistics Office of Georgia, the average real growth in Q1, 2024 was 7.8%. The indicator is more than forecasted 7.2% for Q1, 2024 by parliamentary budget office<sup>1</sup>.

The forecast of the economic growth rate forecast of Q2, 2024 by the Budget Office is based on the assumptions that compared to the second quarter of 2023:

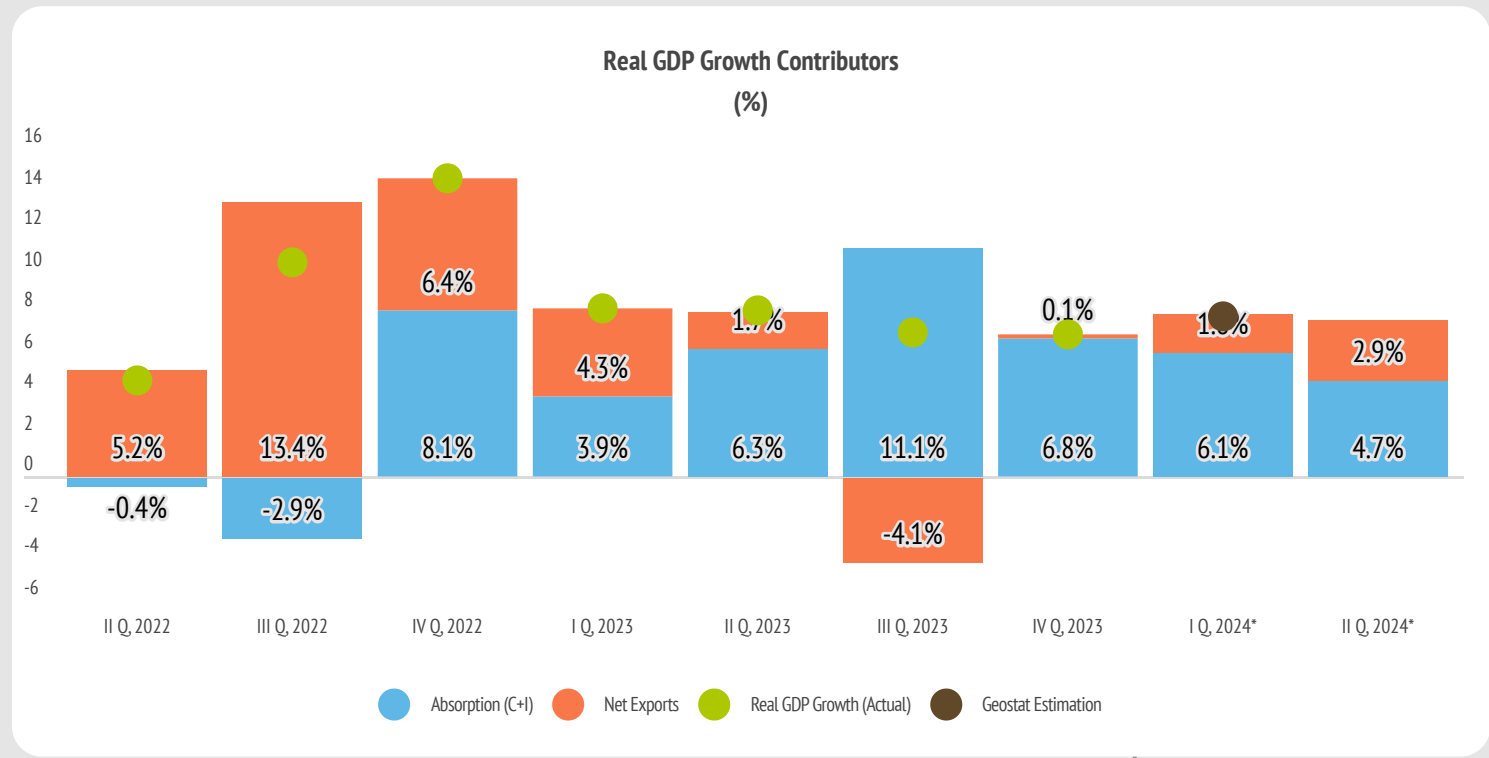
- The number of tourists coming into the country will increase by almost 1.1 times (1.2 times less than in Q2, 2019 pre-pandemic period), while the number of Georgian tourists abroad will increase.
- Domestic tourism activity will also be kept, along with a significant increase in tourism export.
- The volume of both, private consumption and investment will increase. Overall, total consumption and investment will increase, that will be the main determinant of the mentioned positive economic growth.
- In parallel with the sharp increase in trade of services, an increase in trade of goods is also expected.
- In line with declining investment activities of the government and increasing private consumption and investment, PBO expects slight increase in import of goods and declining trend of export of goods.



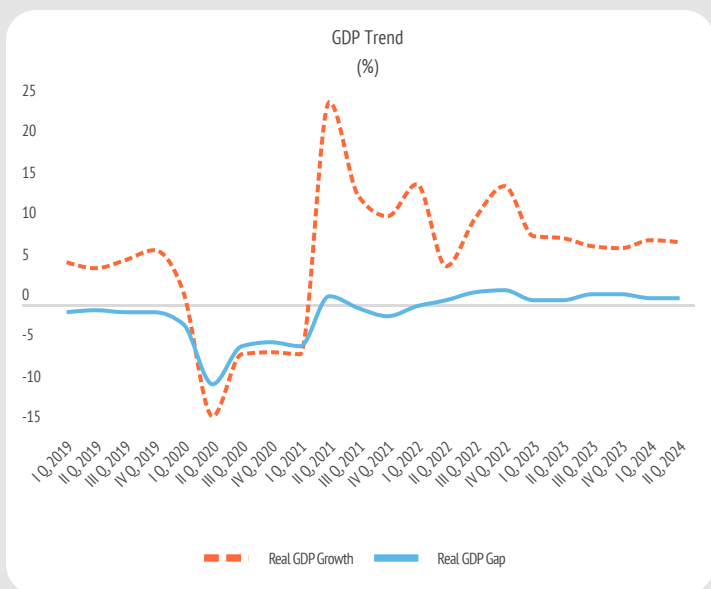
\*The forecast interval indicates the range in which the real GDP growth rate will fall. The interval estimation is defined as the sum of the central forecast and  $\pm 0.5$  standard deviation from the previous quarters' economic growth.

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

As a result of quantifying these assumptions, it is expected, that import will increase in Q2, 2024 and net export's contribution in economic activity will be 2.9 percentage point, while absorption (sum of consumption and investment) will determine GDP growth rate by 4.7 pp\*. According to the PBO estimates, the contribution of net export in economic growth of the 1th quarter of 2024, was defined at 1.8 pp, while the absorption component contributed 6.1 pp.



\*Real GDP growth decomposition in Q2, 2024. PBO estimation.



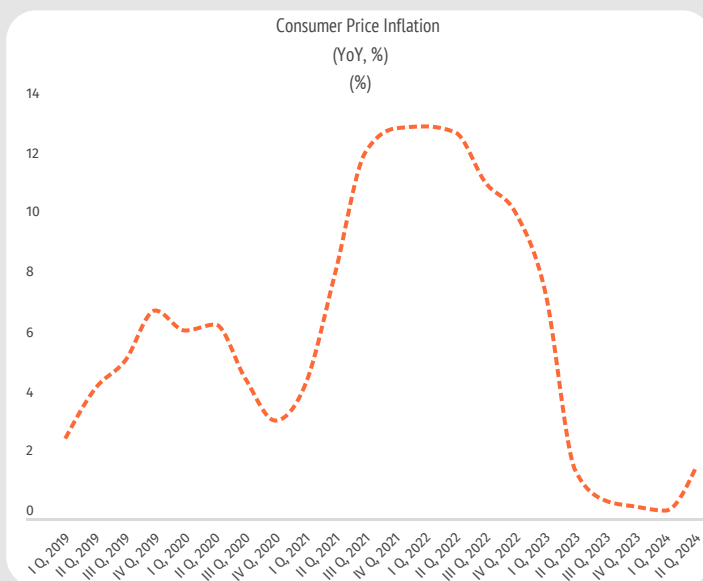
In parallel with the sharp economic decrease in 2020, country's economy was lower than its potential level and real GDP gap was negative. However, high economic growth rate observed in the 2nd quarter of 2021, economic growth exceeded the potential GDP and real GDP gap became positive. Positive trend was maintained in recent years and I quarter 2024.

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

In Q1 2024, average annual inflation rate amounted to 0.3%, 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.

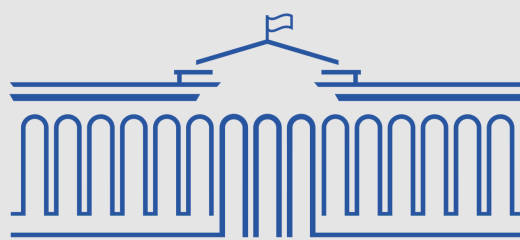
On January 31, 2024 the Monetary Policy Committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.5 pp, on March 13 decreased by 0.75 pp and on May 22 decreased by 0.25 pp. As a result, the monetary policy rate amounted to 8.0%. According to the PBO estimates, the decrease 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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