



Main Indicators* of the Fourth Quarter, 2023

- In Q4 2023, according to preliminary estimate real GDP increased by 6.8%, which is more than the forecasted 6.2% in November by the Parliamentary Budget Office.
- In Q4 2023, annual inflation amounted to 0.4%, lower than the inflation target of 3.0%.
- In Q4 2023, negative overall balance of consolidated budget amounted to GEL 1,229.7 million.
- In Q4 2023, an increasing trend was observed in terms of public debt. The share of external debt in total public debt decreased. Namely, the share of external debt made up 72.9%, while the same indicator in Q4, 2022 was 76.0%.
- In Q3* 2023, current account balance improved. Namely, current account positive balance amounted to USD 163.6 million, 51.2% less YoY.
- In Q4 2023, the amount of international reserves reached to USD 5,009.6 million, 2.2% increase YoY.
- In Q4 2023, the share of the export in external trade in Goods increased from 27.3%-~~და~~ 27.8% YoY.
- In Q4 2023, remittances to Georgia decreased by 43.3% YoY and amounted to USD 884.0 million.
- Monetary policy (refinancing) rate decreased to 9.5% at the end of Q4, 2023.
- GEL depreciated against USD by 2.7% QoQ and appreciated by 1.5% YoY.
- Dollarization coefficient decreased on deposits, while increased on loans YoY.

Macroeconomic Analysis and Tax Policy Unit

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*According to the release calendar of the statistical data, some indicators represent the variables of the previous quarter.

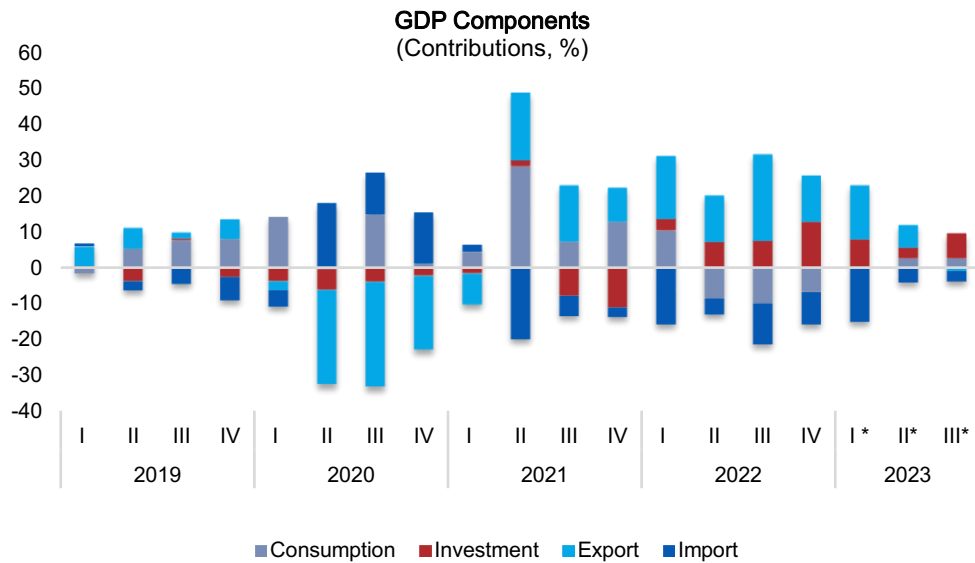
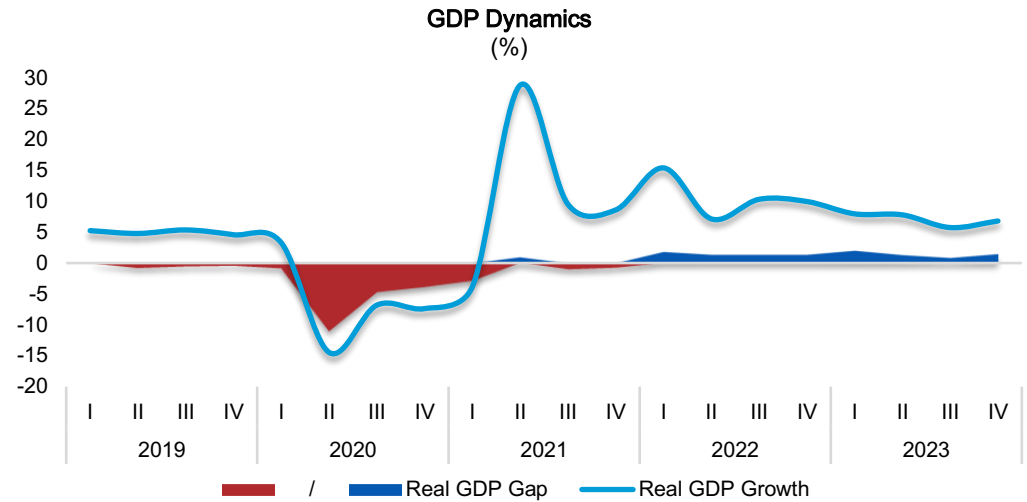


1. Real sector

In Q4 2023, according to the GEOSTAT preliminary estimate average growth rate of the real GDP amounted to 6.8%.

The economic growth estimate for Q4 2023 made by the Parliamentary Budget Office in November 2023 was 6.2%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 Q4 2023, potential GDP was lower than the statistical measurement, hence the positive output gap equaled to 1.4%, while the output gap for the previous quarter was positive 0.8%.



In Q3* 2023, as per PBO estimates, increase in consumption and investments played major roles in GDP growth.

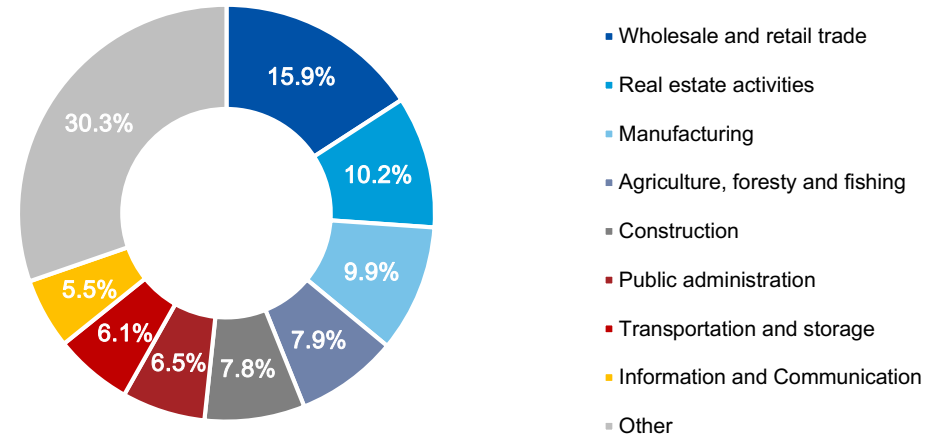
Based on the analysis of the GDP components, in Q3* 2023, real GDP increase was primarily driven by investment (6.97 pp) and consumption (2.58%). In the reporting period, export (-0.94 pp) and import (-2.87 pp) had a negative impact on GDP.

¹ www.pbo.parliament.ge

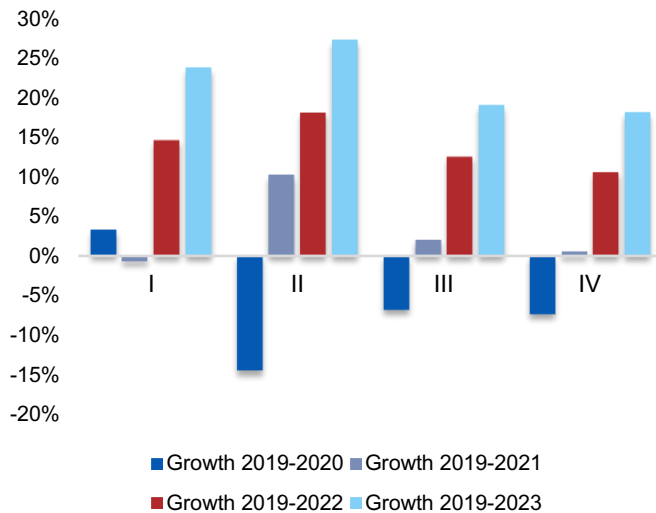
In Q3* 2023, wholesale and retail trade had the highest share in GDP structure.

In Q3* 2023, wholesale and retail trade had the highest share in GDP structure (15.9%). The important share was observed for several sectors, namely, real estate activities (10.2%), manufacturing (9.9%), agriculture, forestry and fishing (7.9%), construction (7.8%), public administration, defense, social security (6.5%), transportation and storage (6.1%), information and communication (5.5%).

GDP Structure



Economic Growth Compared to 2019

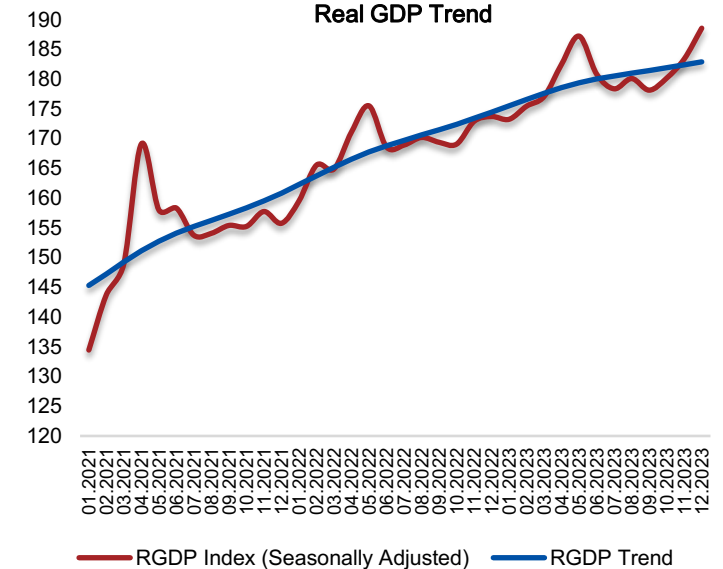


Observing monthly data reveals that the economic growth trend is not linear.

According to the PBO estimate, based on preliminary data, in Q4 2023, YoY growth of the real GDP trend² was 5.2%, compared to 8.7% growth rate in the respective period of 2022.

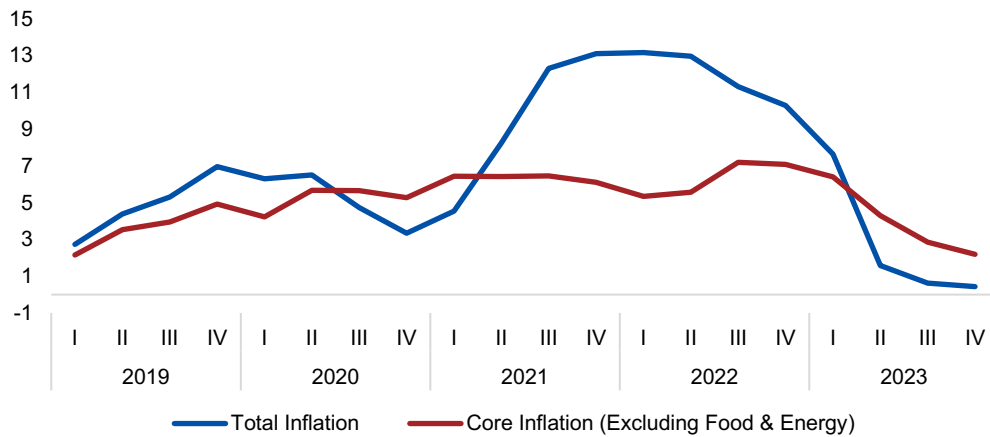
Should be marked high economic growth rates in last two years and fast recovery process compared to 2019, pre pandemic period (real GDP increased by 18.1% in Q3 2023 with respect to the same indicator of Q3 2019).

Real GDP Trend



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

Consumer Price Inflation
(YoY, %)



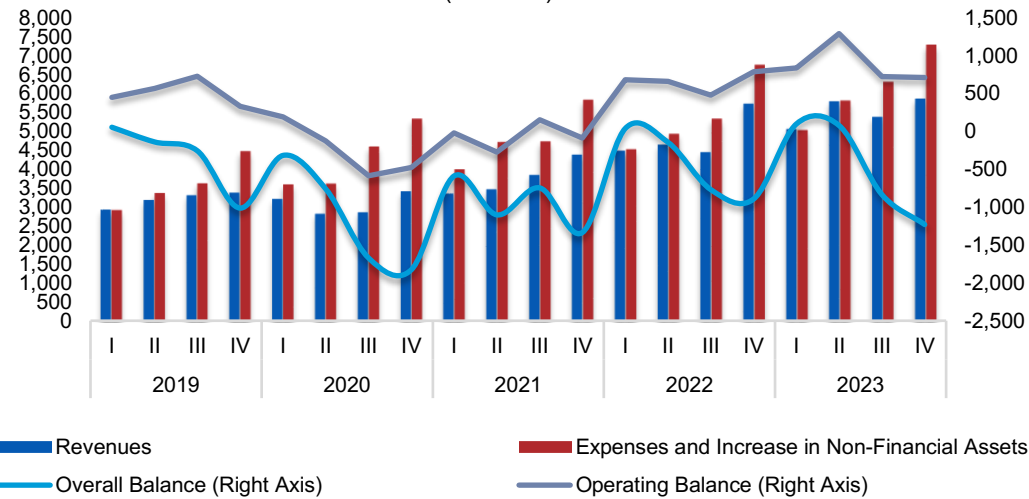
In Q4 2023, consumer price inflation has decreased YoY.

In Q4 2023, average annual inflation rate amounted to 0.4%, lower than the inflation target of 3.0%. Main sectors, increasing prices of which made positive contributions to the inflation rate, were hotels and restaurants, education, alcoholic beverages and tobacco, housing, water, electricity, gas, transport and other fuels, food and non-alcoholic beverages and other groups.

In Q4 2023, average annual core inflation rate (excluding groups of food and non-alcoholic beverages and energy prices) amounted to 2.2%.

2. Fiscal Sector

Consolidated Budget Balance
(Mln GEL)



In Q4 2023, a negative consolidated budget balance was observed.

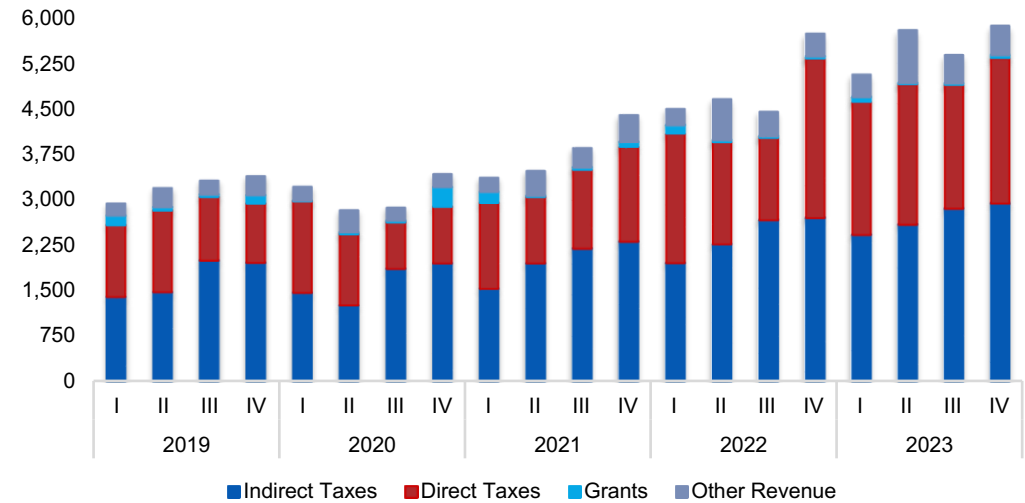
In Q4 2023, consolidated budget revenues increased by 2.2% YoY and amounted to GEL 5,866.2 million, while expenses and acquisition of non-financial assets increased by 7.8% and totaled GEL 7,276.5 million.

In Q4 2023, compared to Q4 2022, the operating balance decreased by GEL 77.1 million and amounted to GEL 712.2 million, while the overall negative balance totaled GEL 1,229.7 million. It is worth mentioning, that in the fourth quarter of 2022, the overall consolidated budget balance was negative and amounted to GEL 892.9 million.

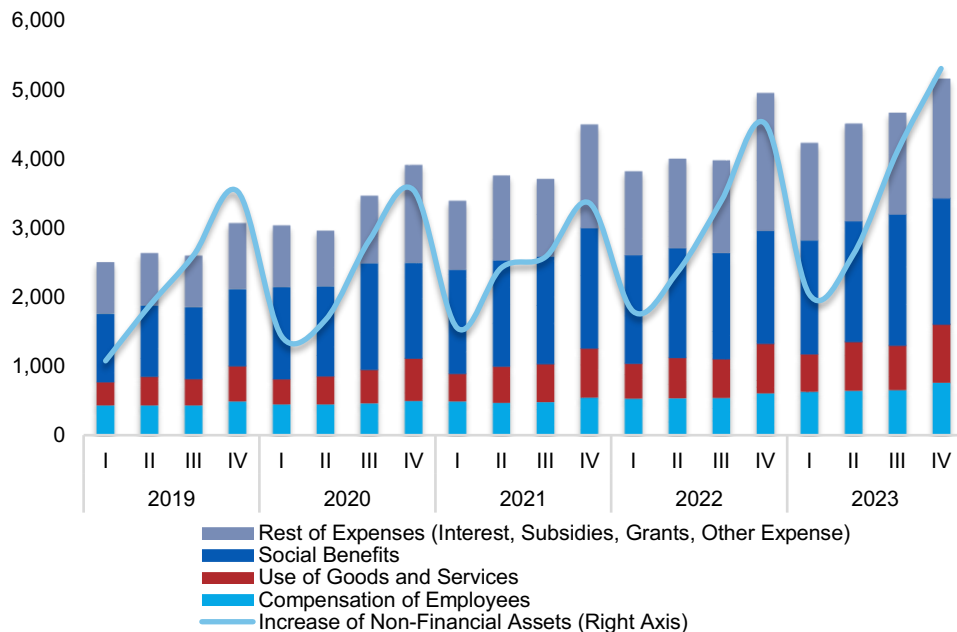
In Q4 2023, tax revenues of consolidated budget increased by 0.2% YoY and amounted to GEL 5,330.4 million.

In Q4 2023, direct taxes of consolidated budget decreased by 8.6% YoY and totaled GEL 2,392.0 million, while indirect taxes increased by 8.7% and reached GEL 2,938.4 million. It is noteworthy that during the period, the grant component decreased by 24.8% and amounted to GEL 52.3 million, while other revenues increased by 28.0% and amounted to GEL 483.5 million.

Consolidated Budget Revenues
(GEL Million)

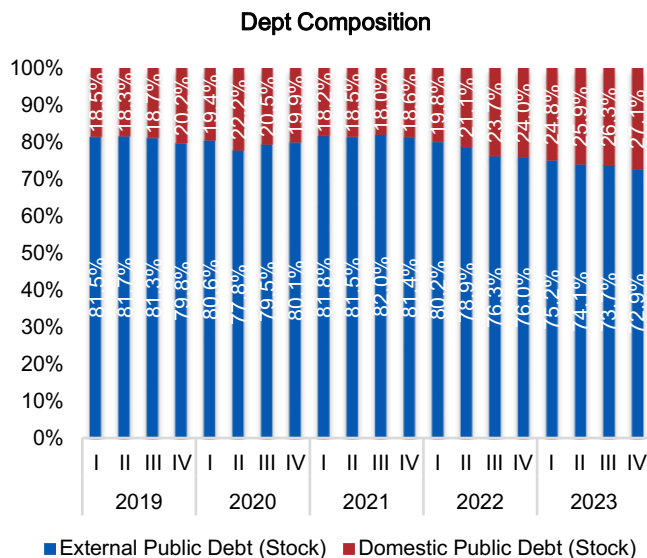


Consolidated Budget Expenditures and Increase of Non-financial Assets
(GEL Million)



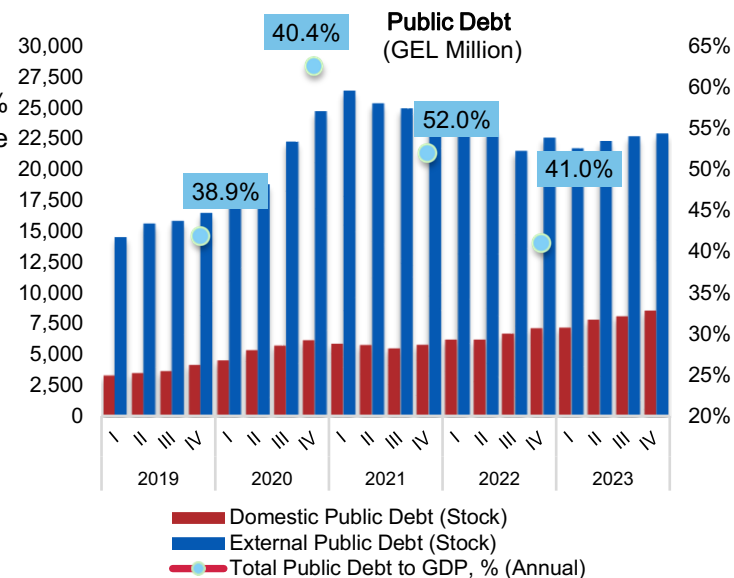
In Q4 2023, both recurrent expenditures and capital expenditures increased YoY.

In Q4 2023, consolidated budget recurrent expenses increased by 4.1% YoY and amounted to GEL 5,154.0 million. Expenses in non-financial assets (i.e. capital expenditure) increased by 17.7% YoY and reached GEL 2,122.5 million. During the mentioned period, expenditures on goods and services increased by 18.1% and amounted to GEL 848.5 million. Expenditures on compensation of employees increased by 24.4% and on social benefits increased by 11.6%, while in nominal terms they amounted to GEL 758.3 million and GEL 1,821.6 million. Other expenses (interest, subsidies, grants, other expenses) decreased by 13.3% and amounted to GEL 1,725.0 million.

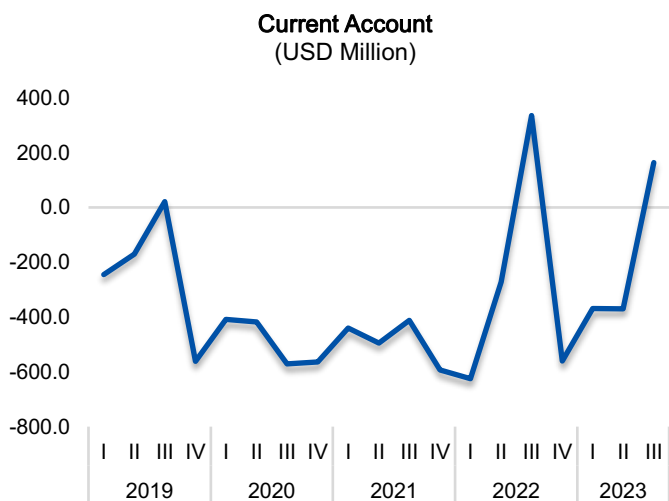


As of 31 December 2023, public debt in nominal terms reached GEL 31,400 million, 5.9% increase YoY.

The external debt share made up 72.9% in Q4 2023 (76.0% at the end of Q4 2022), while the domestic debt share reached 27.1% (24.0% at the end of Q4 2022).

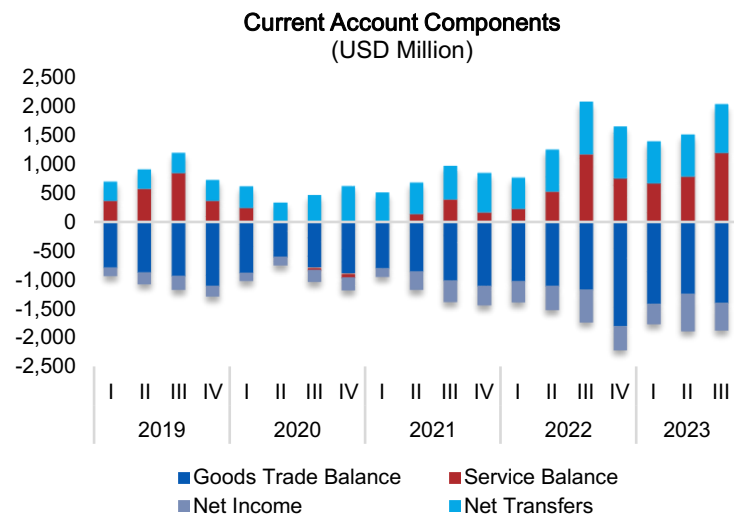


3. External Sector



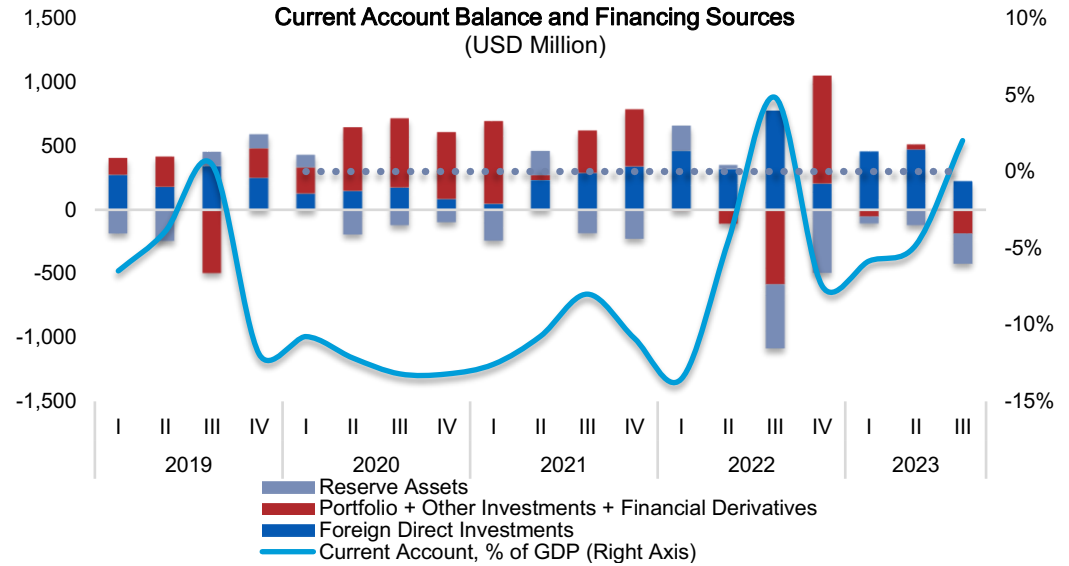
In Q3* 2023, the BOP current account balance was positive.

In Q3 2023, the positive current account balance reached USD 163.6 million (2.0% of GDP), which is 51.2% less 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. In particular, in Q3 2023, the indicator increased by 5.3% YoY and totaled USD 1,447.1 million.

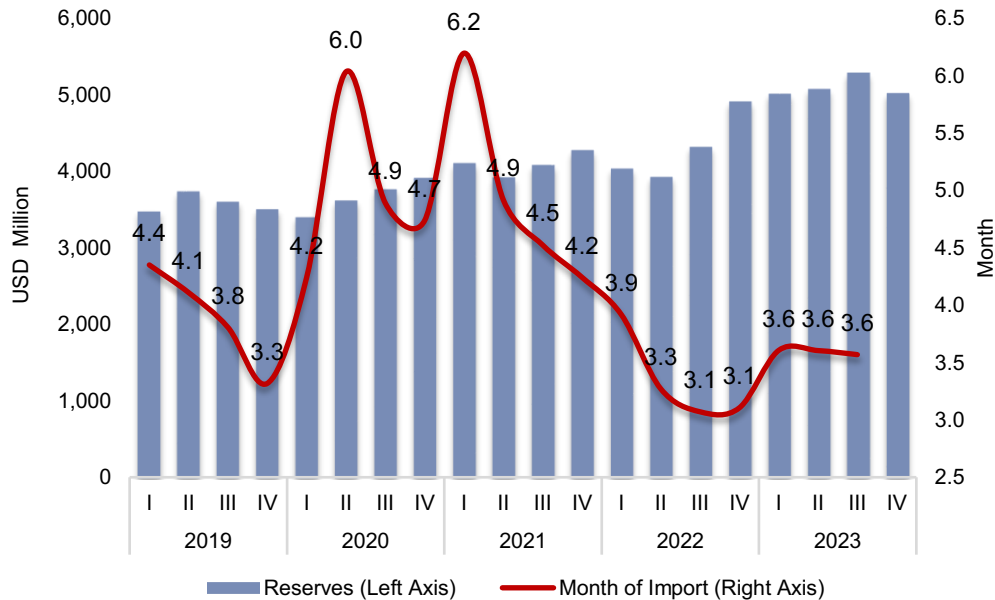


In Q3 2023, the primary financing source of the current account deficit were foreign direct and other investments.

During this period, net direct investments totaled USD 227.0 million (2.8% of GDP), a 70.7% decrease in comparison with the same period of the previous year.



Total International Reserves

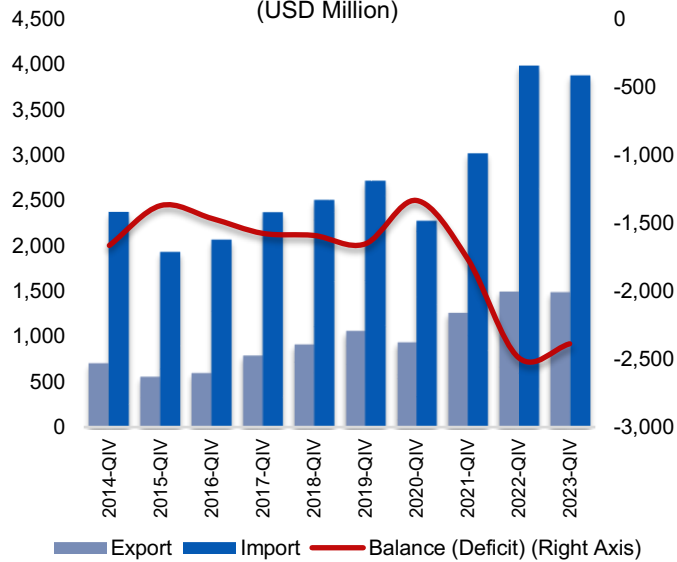


In Q4 2023, total international reserves amounted to USD 5,009.6 million.

At the end of Q4 2023, total international reserves made up USD 5,009.6 million, which is 2.2% increase YoY.

In Q4 2023, the National Bank of Georgia sold 84.9 million USD through the foreign exchange auctions.

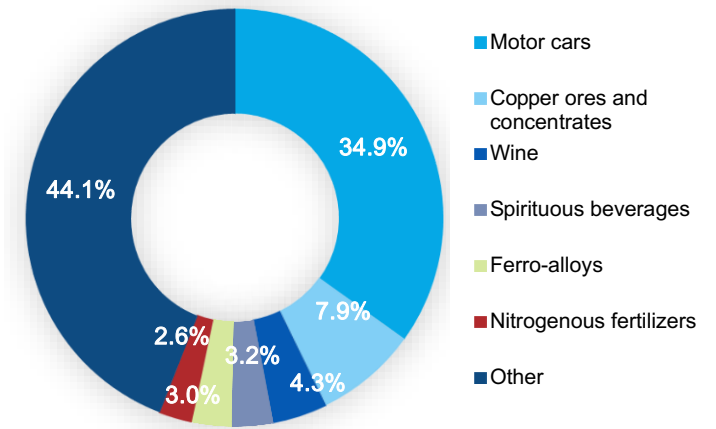
External Trade of Goods
(USD Million)



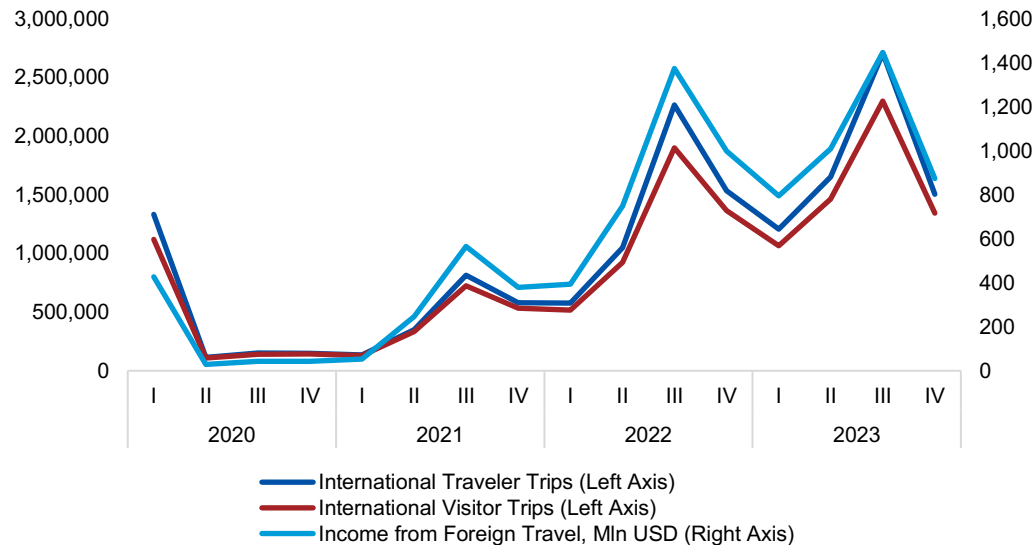
In Q4 2023, downward trend was observed in both export and import of goods.

In Q4 2023, compared to the same period of the previous year, export of goods decreased by 0.3% and amounted to USD 1,491.1 million, while import of goods declined by 2.7% and totaled USD 3,878.3 million. In the reporting period share of the export in external trade increased from 27.3% to 27.8%. In the I-IV quarters of 2023, the largest export commodities were exports of motor cars, copper ores and concentrates, wines, spirituous beverages, ferro-alloys, nitrogenous fertilizers and others.

Major Commodity Groups by Exports
(I - IV Quarter)



International Traveler Trips and Income from Foreign Travel

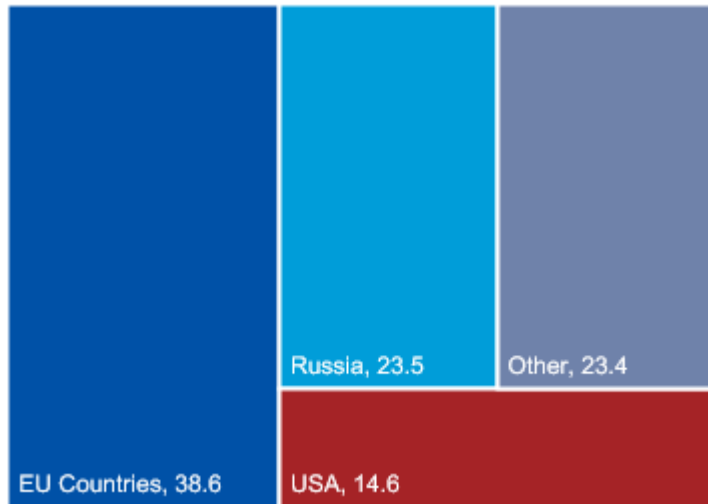


In Q4, 2023 both international traveler trips and international visitor trips have decreased.

In Q4 2023, the number of international travelers decreased by 1.9% YoY and amounted to 1,505,240. International traveler trips also include trips made by international visitors. In Q4 2023, International visitor trips reached 1,343,303 (1.5% lower compared to the same indicator of Q4, 2022). The majority of international visitors' trips were from Turkey (315,241, decrease by 17.5% YoY), Russia (269,411, decrease by 12.2% YoY) and Armenia (226,454, increase by 2.5% YoY).

In Q4 2023, income from foreign travel amounted to 873.7 mln USD, a 12.6% decrease YoY.

Remittance (%)
IV Quarter

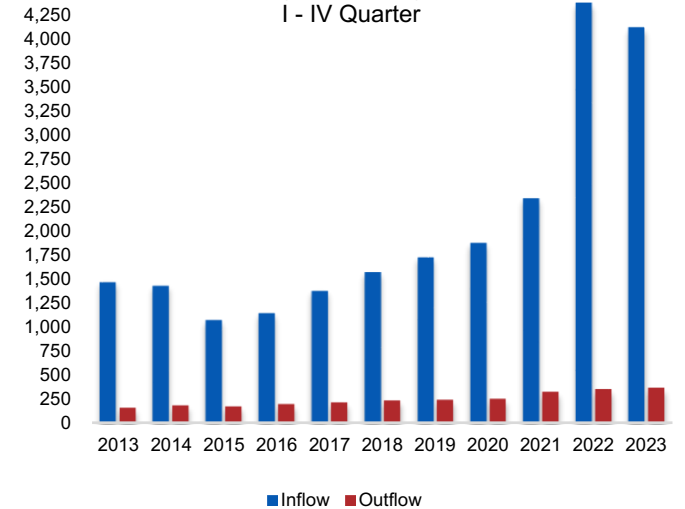


In Q4, 2023 remittances to Georgia decreased

In Q4 2023, remittances decreased by 43.3% YoY and amounted to USD 884.0 million. During this period the main source of money transfers are EU countries (38.6% of total) and Russia (23.5%). In the analyzing period, remittances increased significantly from the following countries: USA (38.3%), Italy (17.8%), Germany (30.1%), Kazakhstan (55.4%), Greece (9.5%), Israel (7.6%), Ireland (66.5%) etc.

In the analyzing period, remittances decreased significantly from Kyrgyzstan (81.5%), Armenia (61.2%), Russia (77.7%) etc.

Remittance (USD Million)
I - IV Quarter

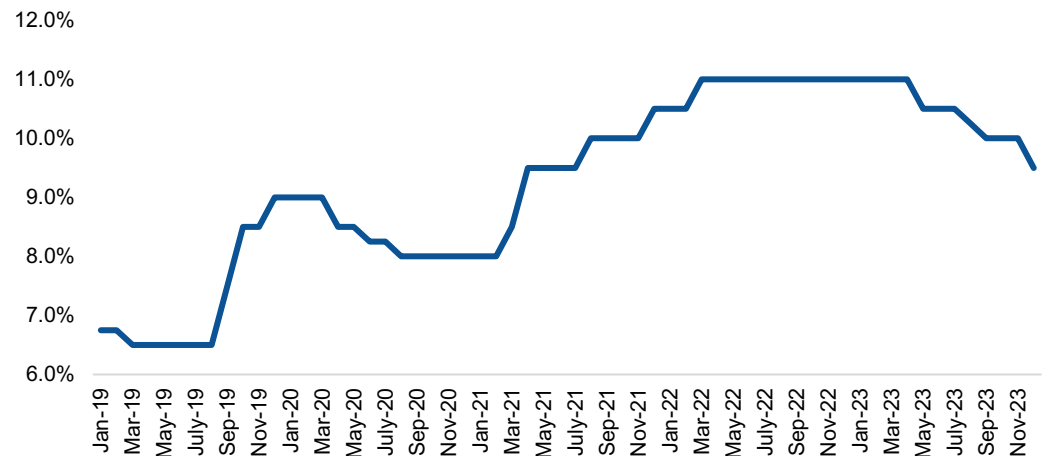


4. Monetary Sector

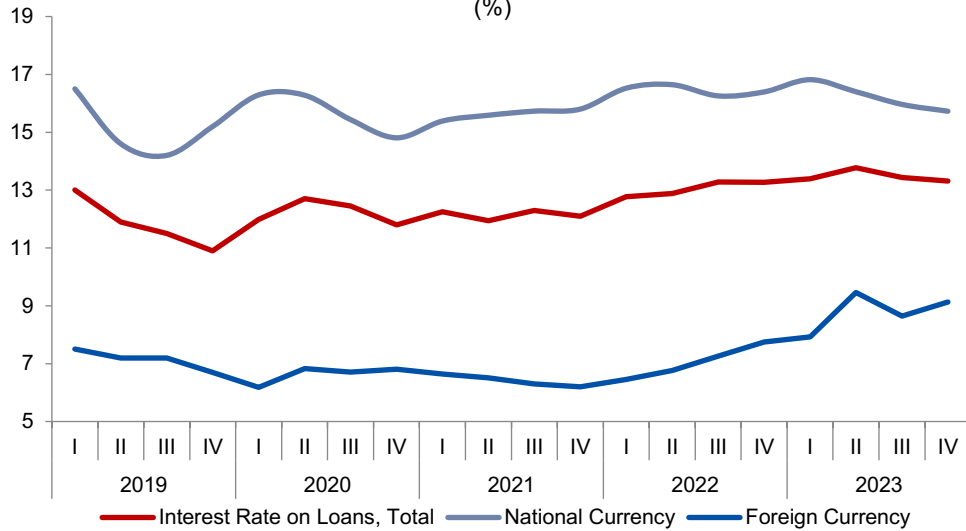
In Q3 2023, the monetary policy (refinancing) rate was 10.0%.

March 30, 2022 the Monetary Policy rate increased by 0.5 pp to 11.0%. During 2022 and 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%.

Monetary Policy Rate (Refinancing Rate)



Market Interest Rates on Loans (%)



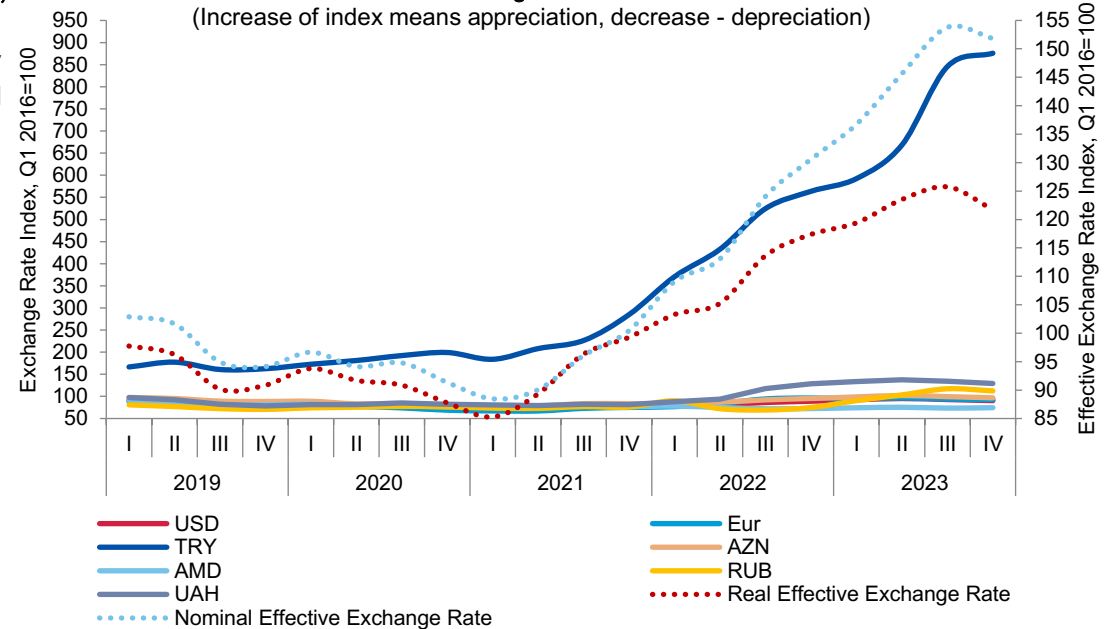
In Q4 2023, the market interest rate on loans reached 13.3%.

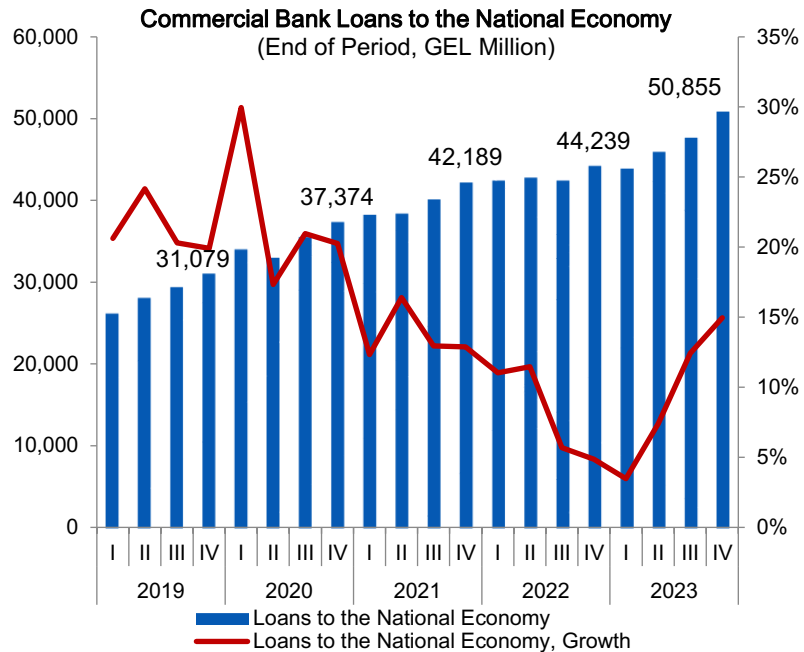
In Q4 2023, market interest rate on loans decreased by 0.12 pp QoQ and reached 13.3%. The interest rate on national currency loans decreased by 0.24 pp QoQ (15.7%), while on foreign currency loans increased by 0.49 pp QoQ (9.1%).

In Q4 2023, the exchange rate of GEL depreciated QoQ against all primary currencies, except TRY and ADM.

In Q4 2023, the exchange rate of GEL (period average) against USD depreciated by 2.7% QoQ and appreciated by 1.5% YoY. Compared to the Q4 2022, GEL depreciated against EUR (3.9%), while appreciated against TRY (55.4%), RUB (50.3%), AZN (1.7%), ADM (2.7%) and UAH (0.6%).

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

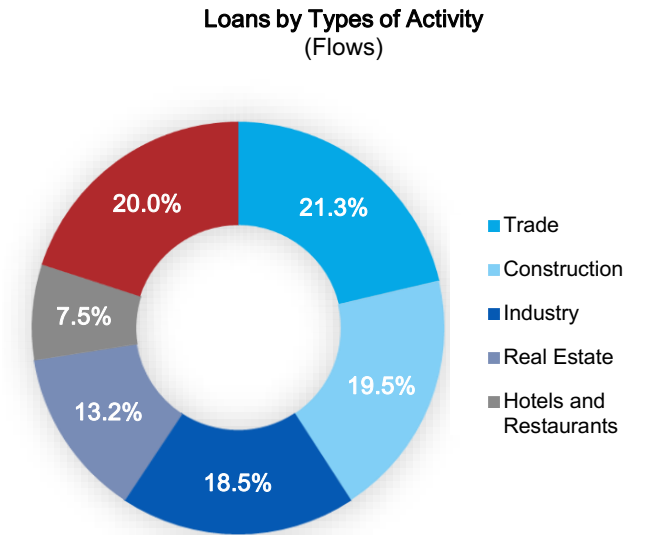




In Q4 2023, loans to the national economy (end of period) increased.

In Q4 2023, loans to the national economy increased by 15.0% YoY and amounted to GEL 50,855 million. More than half of total loans (53.5%) was distributed to households.

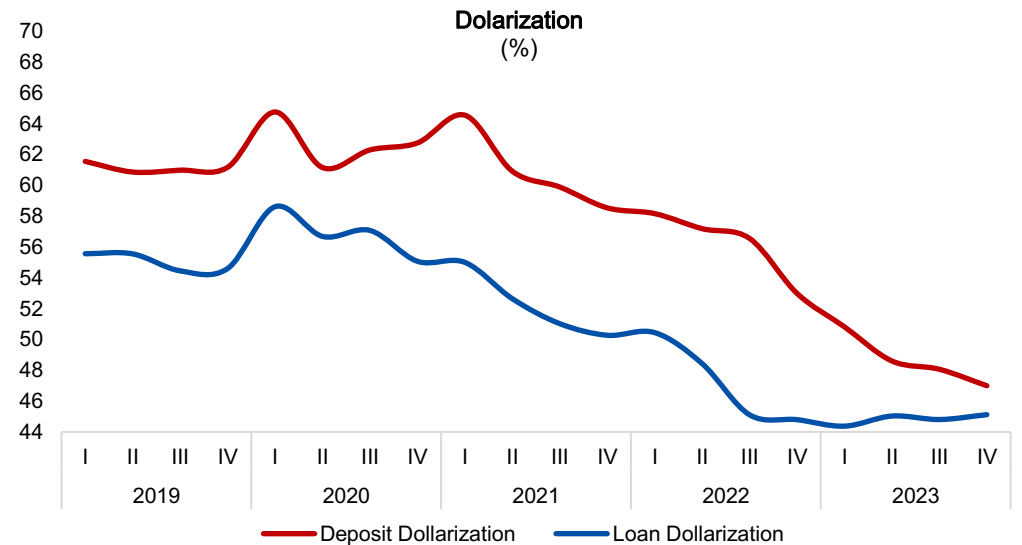
As for loans issued by types of activity, the highest 21.3% were issued in trade, 19.5% in construction, 18.5% in industry, 13.2% in real estate and 7.5% in hotels and restaurants.



In Q4 2023, the dollarization coefficient decreased on deposits, while slightly increased on loans YoY.

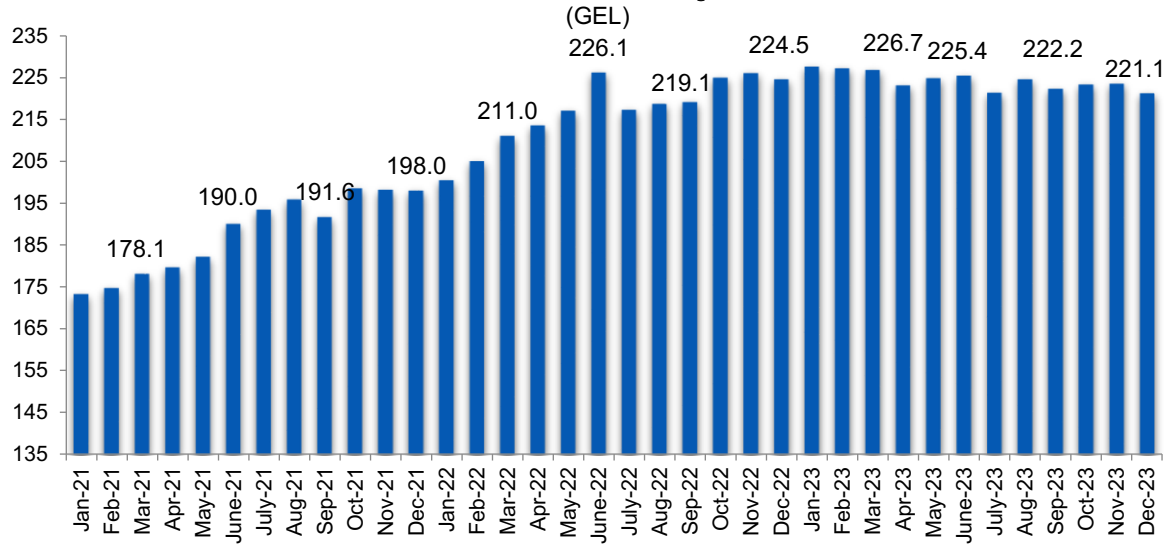
In Q1 2023, the dollarization coefficient decreased on both deposits and loans YoY, amounted to 50.8% and 44.4%, respectively. In Q2 2023, dollarization on deposits amounted to 48.6%, while dollarization on loans was observed at 45.0%. In Q3 2023, the dollarization coefficient decreased on both deposits 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. Namely, dollarization on deposits amounted to 47.0%, which is 1.1 pp lower QoQ and 6.0 pp lower YoY. Meanwhile, dollarization on loans was observed at 45.1%, which is 0.3 pp increase quarterly as well as annually.



5. Social Sector

Subsistence Minimum for Average Consumer



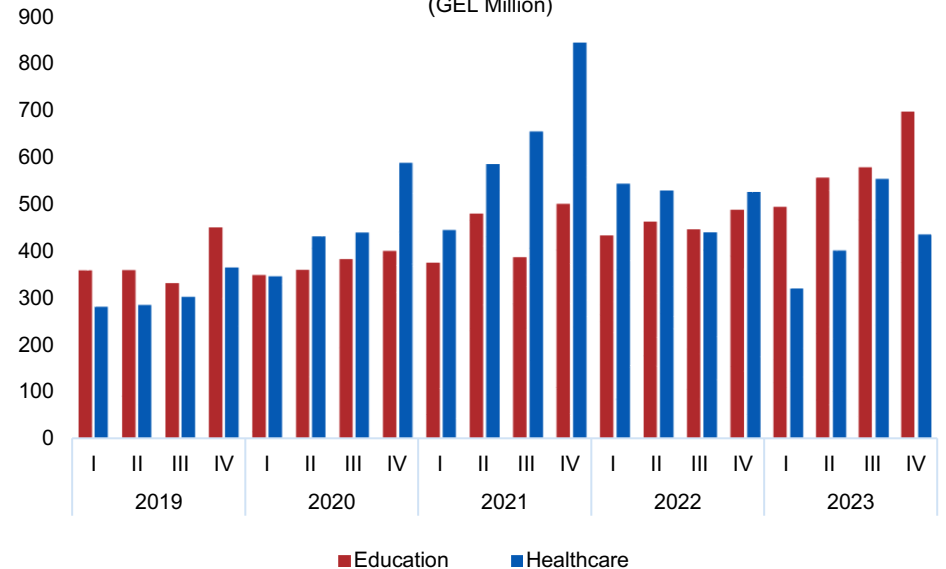
In Q4 2023, the subsistence minimum of the average consumer decreased YoY.

At the end of Q4 2023, in December, subsistence minimum of the average consumer totaled GEL 221.1, GEL 3.4 lower YoY and GEL 1.1 lower QoQ. In Q4 2023, average quarterly subsistence minimum rate decreased by 1.1% YoY.

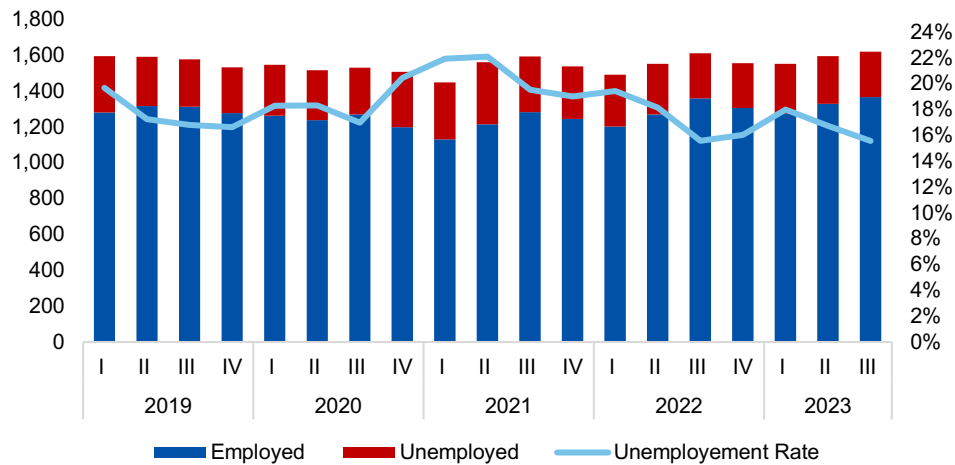
In Q4 2023, compared to the same period of the previous year, public expenditures on healthcare decreased, while increased on education.

In Q4 2023, expenditure on education (as per functional classification) amounted to GEL 696.0 million, 42.7% increase compared to the same period of the last year. Meanwhile expenditures on healthcare amounted to GEL 435.1 million, 17.2% decrease YoY.

Public Expenditure on Education and Healthcare
(GEL Million)



Labour Force Indicators
(Thousand Persons)



In Q3* 2023, the total number of both employed and unemployed persons increased YoY.

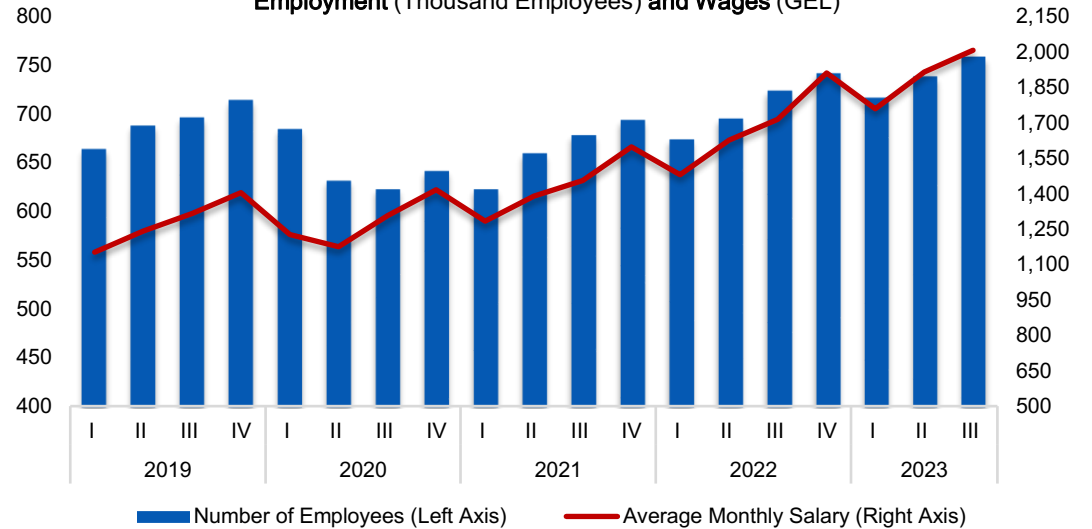
In Q3* 2023, the number of employed persons increased by 0.6% YoY and amounted to 1,366.3 thousand (share of hired employees in total employed persons amounted 69.0%, while the share of self-employed persons was 30.9%). At the same time, the number of unemployed persons increased by 0.6% YoY and amounted 252.2 thousand.

In addition, in the third quarter of 2023, average monthly nominal earnings of employees amounted to 1855.4 GEL, which is 16.3% increase YoY. During the analyzing period, unemployment rate was observed at 15.6% (almost no change compared to Q3 2022).

In Q3* 2023, the total number of employees and salary in business sector increased YoY.

In Q3* 2023, the number of employees in business sector increased by 4.8% YoY and amounted to 757.9 thousand (among which hired employees amounted to 721 thousand). Average monthly salary of hired employees increased by 17.1% YoY and amounted to GEL 2,007.2.

Employment (Thousand Employees) and Wages (GEL)



Sources of Used Data:

1. National Statistics Office of Georgia
2. Ministry of Finance of Georgia
3. National Bank of Georgia
4. Georgian National Tourism Administration