



Quarterly Macroeconomic **Review**

III Quarter, 2024

Parliamentary Budget Office
of Georgia

2024
November

Main Macroeconomic indicators of III quarter, 2024*

Real GDP Growth Rate

11.1%



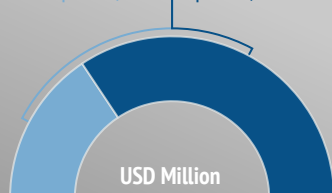
III Quarter

In III quarter, 2024 annual CPI inflation amounted to 1.1%, while annual core inflation was observed at 1.0%.



In III quarter, 2024 goods exports decreased by 25.6%, while imports increased by 3.6%.

Export 1,941.3 Import 4,264.7



USD Million

In III Quarter, money transfers amounted to 872.1 million USD.

EU countries - 44.3%;

USA-17.2%;

Russia - 14.2%;

Other countries - 24.2%.



In III quarter 2024, dollarization coefficient decreased on deposits, as well as on loans YoY.

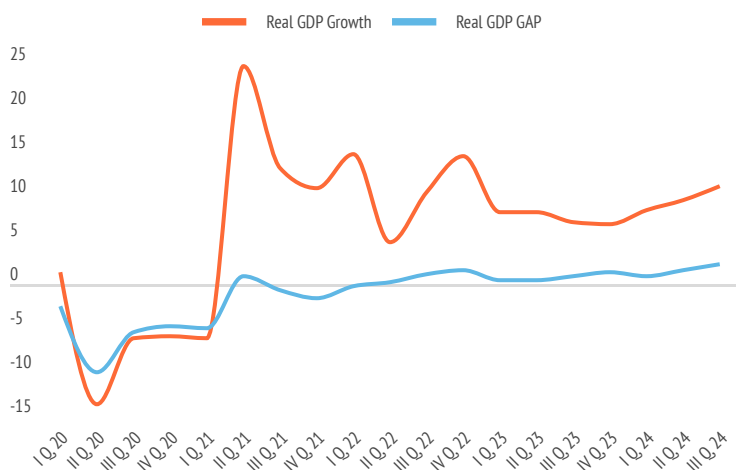


GEL appreciated against USD by 1.0% QoQ, while depreciated by 3.4% YoY.



1. Real Sector

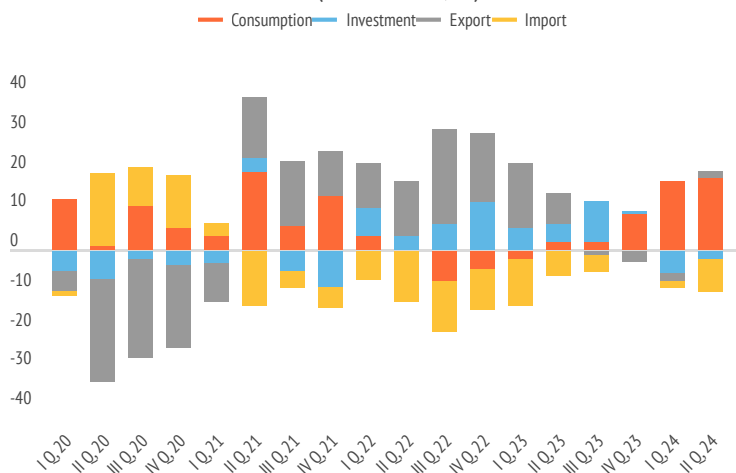
GDP Dynamics
(%)



In Q3 2024, according to the GEOSTAT preliminary estimate average growth rate of the real GDP amounted to 11.1%.

The economic growth estimate for Q3 2024 made by the Parliamentary Budget Office in August 2024 was 6.4%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 Q3 2024, potential GDP was lower than the statistical measurement, hence the positive output gap equaled to 2.3%, while the output gap for the previous quarter was positive 1.5%.

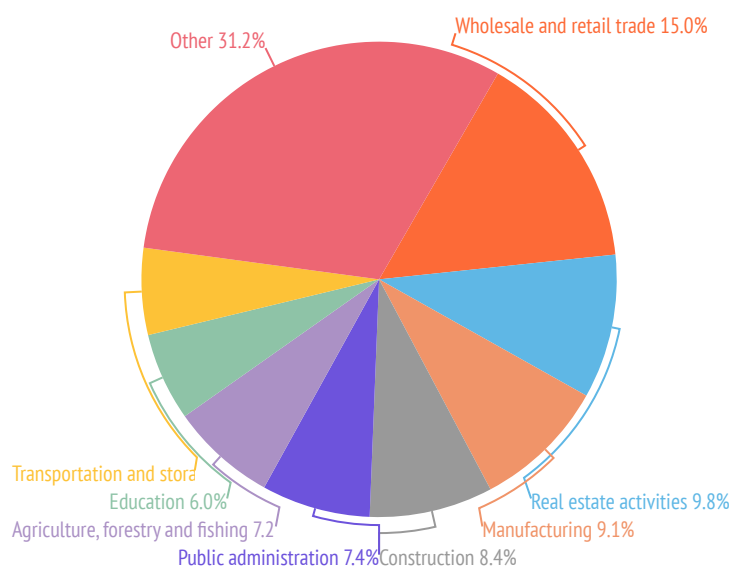
GDP Components
(Contribution, %)



In Q2* 2024, as per PBO estimates, increase in consumption played major role in GDP growth.

Based on the analysis of the GDP components, in Q2* 2024, real GDP increase was primarily driven by consumption (18.27 pp) and export (1.26 pp). In the reporting period, investment (-1.85 pp) and import (-8.05 pp) had a negative impact on GDP.

GDP Structure
(II Quarter)



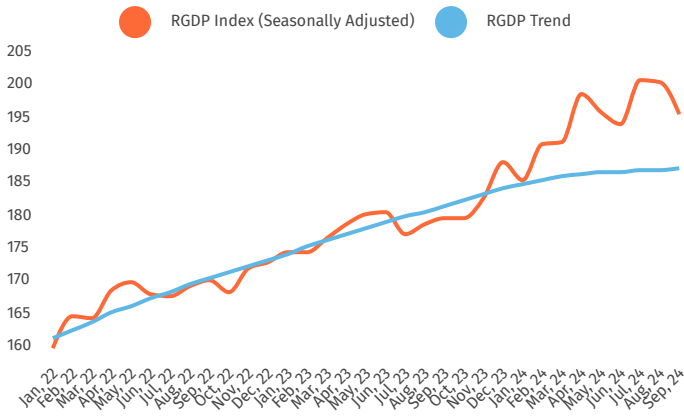
In Q2* 2024, wholesale and retail trade had the highest share² in GDP structure.

In Q2* 2024, wholesale and retail trade had the highest share in GDP structure (15.0%). The important share was observed for several sectors, namely, real estate activities (9.8%), manufacturing (9.1%), construction (8.4%), public administration, defense, social security (7.4%), agriculture, forestry and fishing (7.2%), education (6.0%) and transportation and storage (5.9%).

[1] www.pbo.parliament.ge

[2] The share is calculated according by GDP in current prices

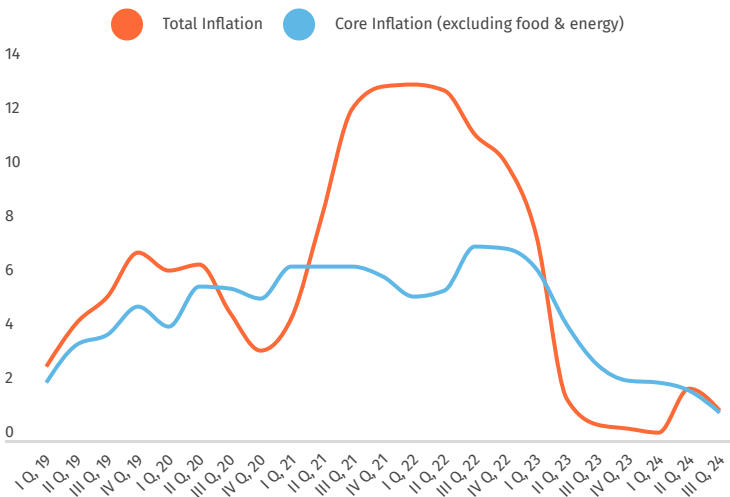
Real GDP Trend



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

According to the PBO estimate, based on preliminary data, in Q3 2024, YoY growth of the real GDP trend³ was 3.6%, compared to 6.6% growth rate in the respective period of 2023.

Consumer Price Inflation (YoY, %)



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

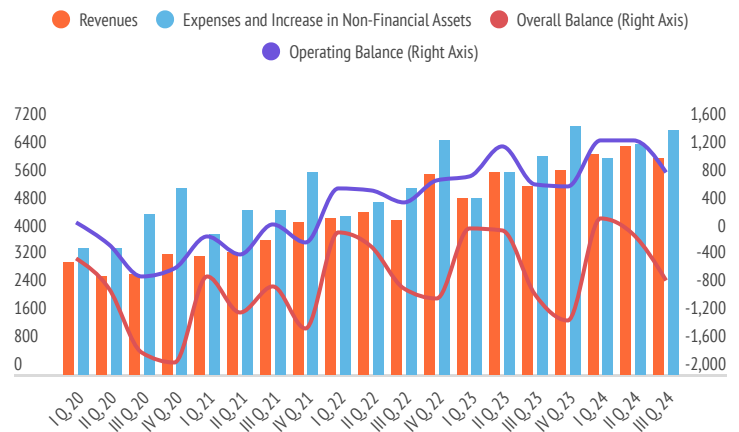
In Q3 2024, consumer price inflation has increased YoY.

In Q3 2024, average annual inflation rate amounted to 1.1%, lower than the inflation target of 3.0%. Main sectors, increasing prices of which made positive contributions to the inflation rate, were transport, hotels and restaurants, education, alcoholic beverages and tobacco, clothing and other groups.

In Q3 2024, average annual core inflation rate (excluding groups of food and non-alcoholic beverages and energy prices) amounted to 1.0%.

2. Fiscal Sector

Consolidated Budget Balance (Million GEL)

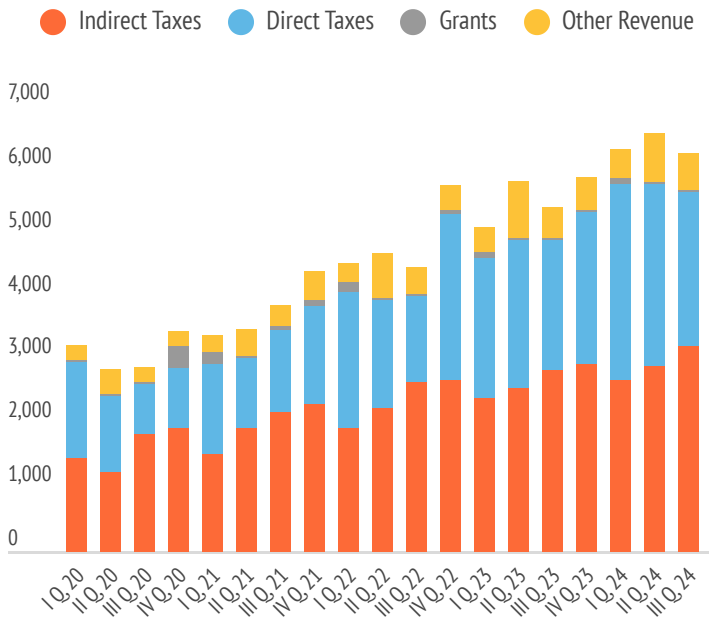


In Q3 2024, a negative consolidated budget balance was observed.

In Q3 2024, consolidated budget revenues increased by 15.6% YoY and amounted to GEL 6,232.6 million, while expenses and acquisition of non-financial assets increased by 11.7% and totaled GEL 7,042.2 million.

In Q3 2024, compared to Q3 2023, the operating balance increased by GEL 185.5 million and amounted to GEL 908.8 million, while the overall negative balance totaled GEL 657.9 million. It is worth mentioning, that in the third quarter of 2023, the overall consolidated budget balance was negative and amounted to GEL 834.5 million.

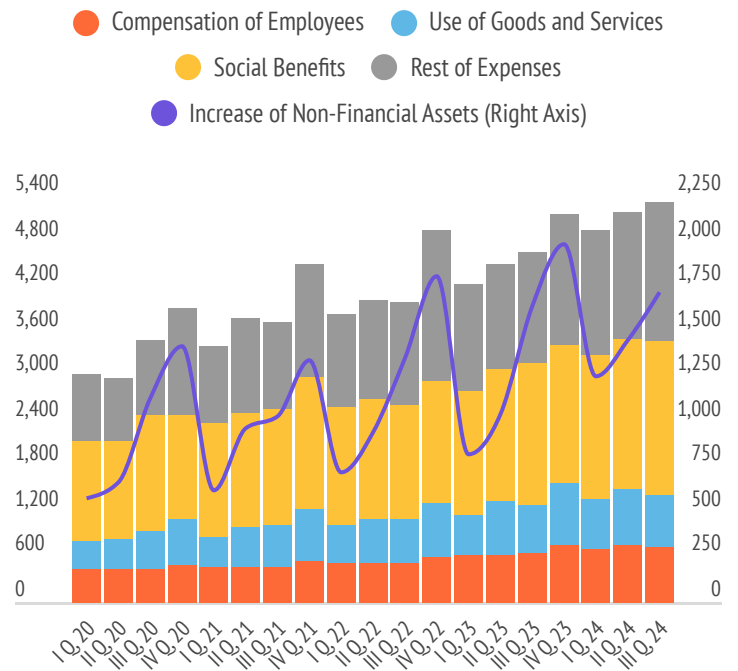
Consolidated Budget Revenues
(Million GEL)



In Q3 2024, tax revenues of consolidated budget increased by 15.5% YoY and amounted to GEL 5,651.0 million.

In Q3 2024, direct taxes of consolidated budget increased by 19.3% YoY and totaled GEL 2,428.4 million, while indirect taxes increased by 12.8% and reached GEL 3,222.7 million. It is noteworthy that during the period, the grant component increased by 12.5% and amounted to GEL 32.5 million, while other revenues increased by 17.4% and amounted to GEL 549.0 million.

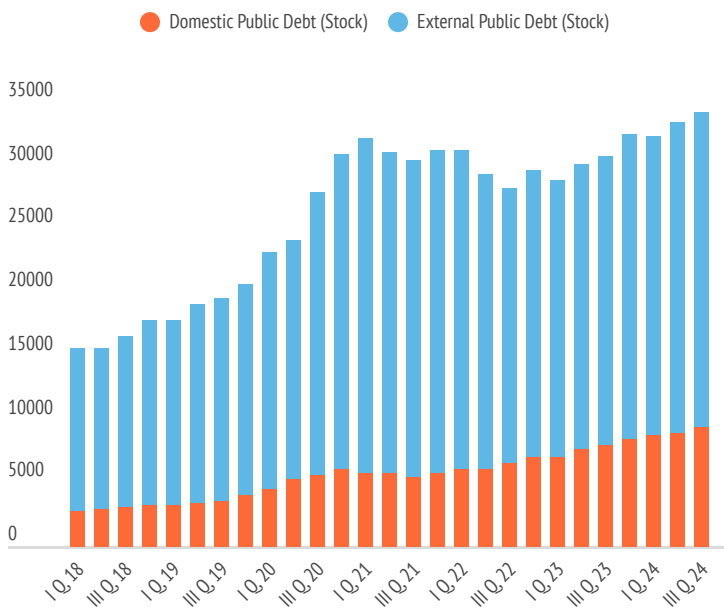
Consolidated Budget Expenditures and Increase of Non-financial Assets
(Million GEL)



In Q3 2024, both recurrent expenditures and capital expenditures increased YoY.

In Q3 2024, consolidated budget recurrent expenses increased by 14.1% YoY and amounted to GEL 5,323.8 million. Expenses in non-financial assets (i.e. capital expenditure) increased by 4.7% YoY and reached GEL 1,718.4 million. During the mentioned period, expenditures on goods and services increased by 4.9% and amounted to GEL 679.4 million. Expenditures on compensation of employees increased by 14.3% and on social benefits increased by 8.8%, while in nominal terms they amounted to GEL 745.2 million and GEL 2,062.7 million. Other expenses (interest, subsidies, grants, other expenses) increased by 24.9% and amounted to GEL 1,836.5 million.

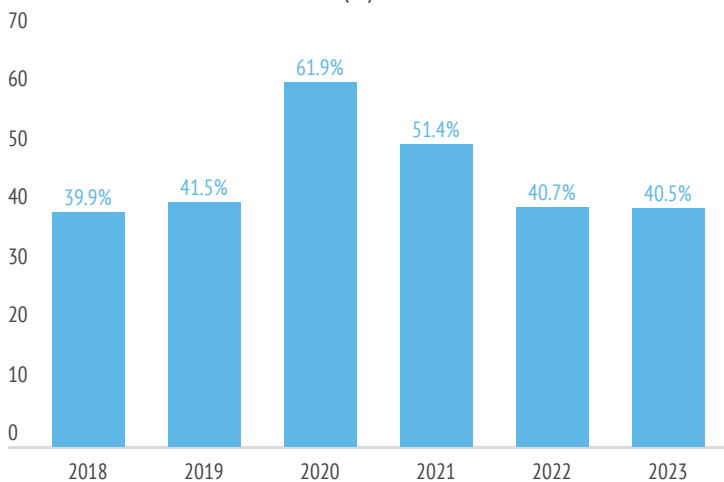
Public Debt
(Million GEL)



As of 30 September 2024, public debt in nominal terms reached GEL 34,183 million, 11.3% increase YoY.

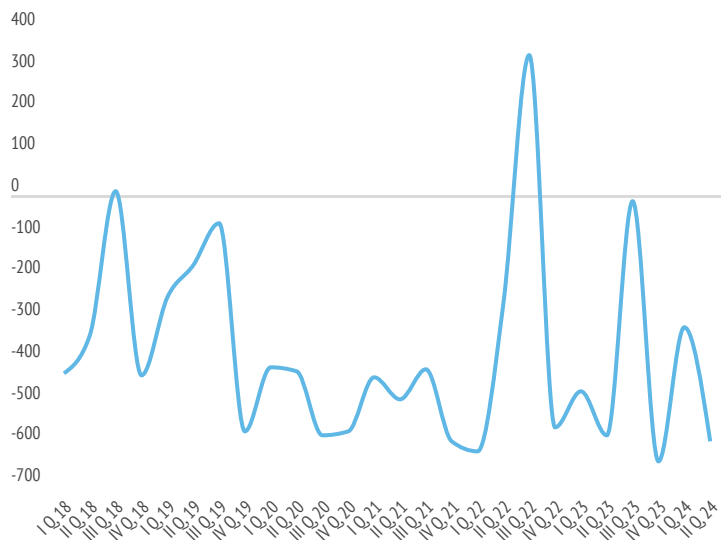
The external debt share made up 72.1% in Q3 2024 (73.7% at the end of Q3 2023), while the domestic debt share reached 27.9% (26.3% at the end of Q3 2023).

Total public debt to GDP (Annual)
(%)



3. External Sector

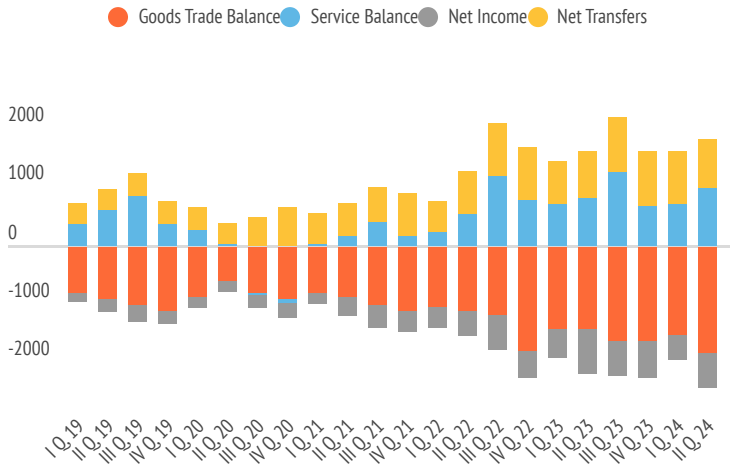
Current Account
(Million USD)



In Q2* 2024, the BOP current account balance was negative.

In Q2* 2024, the negative current account balance reached USD 592.6 million (7.3% of GDP), which is 1.9% more 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 Q2* 2024, the indicator increased by 8.1% YoY and totaled USD 1,090.7 million.

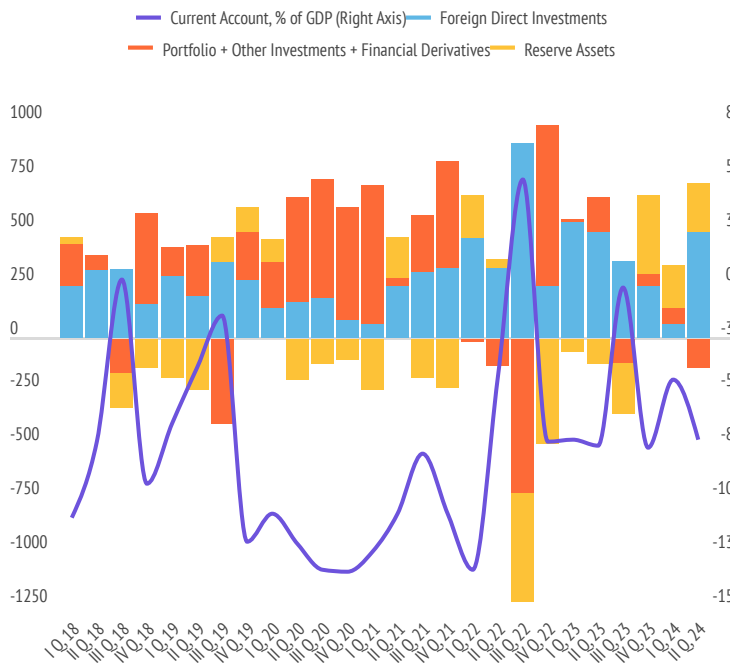
Current Account Components
(Million USD)



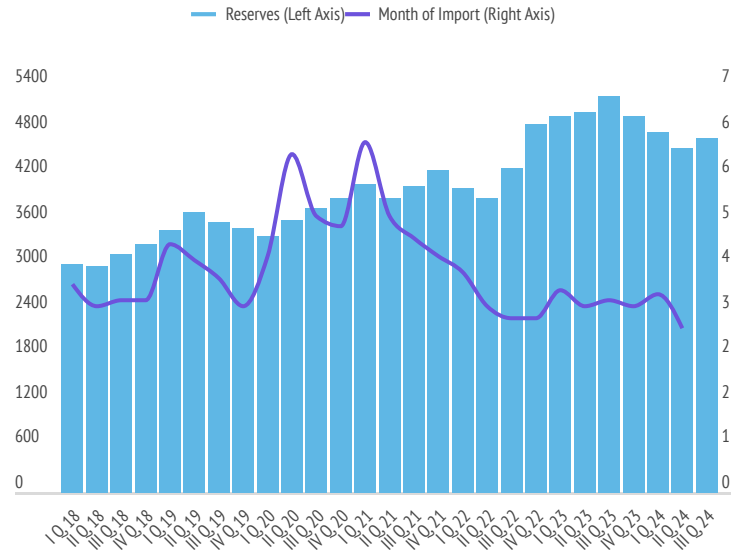
In Q2* 2024, the primary financing source of the current account deficit were foreign direct and other investments.

During this period, net direct investments totaled USD 486.5 million (6.0% of GDP), a 0.2% 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)

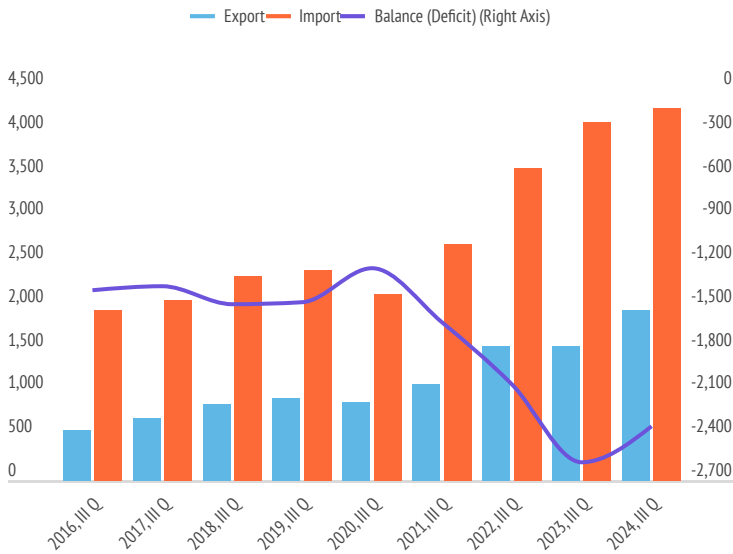


In Q3 2024, total international reserves amounted to USD 4,712.4 million.

At the end of Q3 2024, total international reserves made up USD 4,712.4 million, which is 10.6% decrease YoY.

In Q3 2024, the National Bank of Georgia did not conduct foreign exchange operations at the foreign exchange auction.

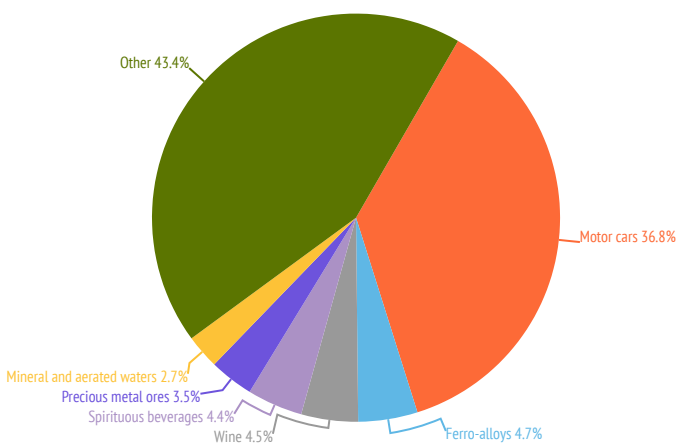
External Trade of Goods
(Million USD)



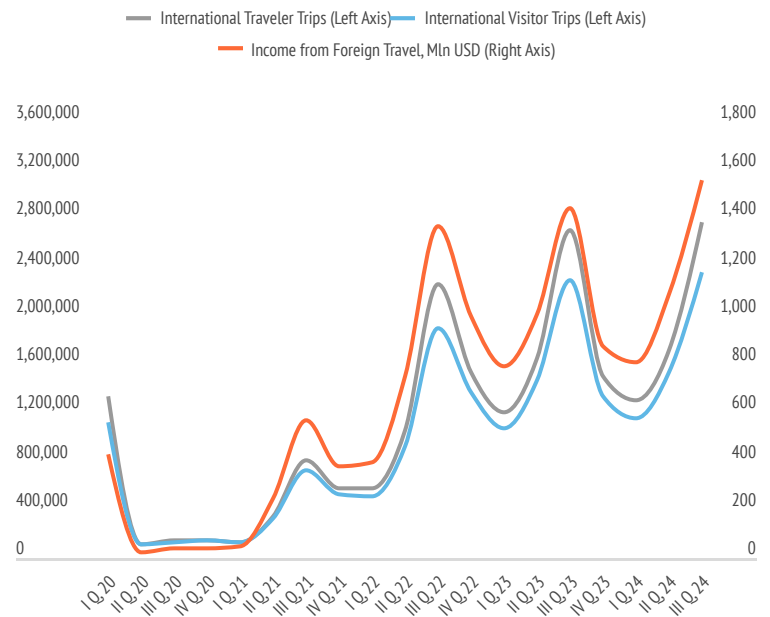
In Q3 2024, export, as well as import of goods increased.

In Q3 2024, compared to the same period of the previous year, export of goods increased by 25.6 % and amounted to USD 1,941.3 million, while import of goods increased by 3.6% and totaled USD 4,264.7 million. In the reporting period share of the export in external trade increased from 27.3% to 31.3%. In the III 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-III Quarter)



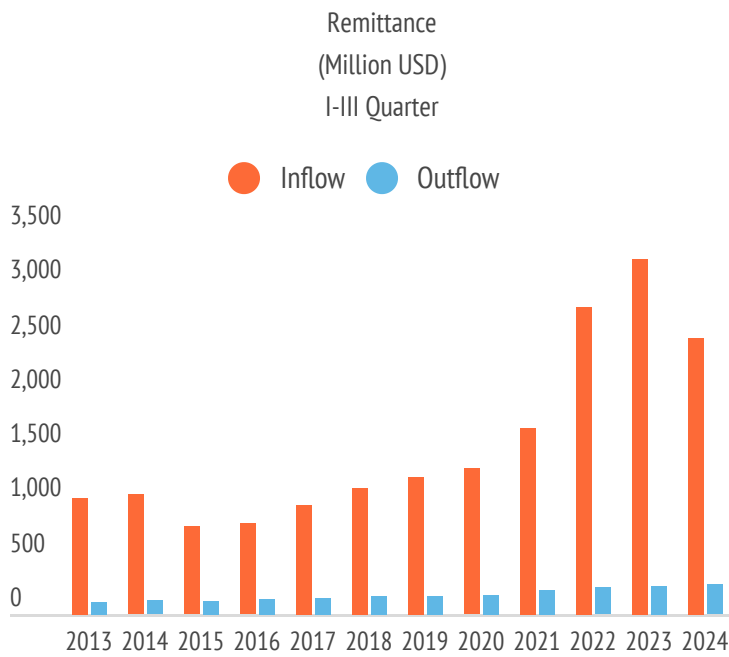
International Traveler Trips and
Income from Foreign Travel



In Q3 2024 both international traveler trips and international visitor trips have increased.

In Q3 2024, the number of international travelers increased by 2.5% YoY and amounted to 2,773,594. International traveler trips also include trips made by international visitors. In Q3 2024, International visitor trips reached 2,355,736 (2.5% higher compared to the same indicator of Q3, 2023). The majority of international visitors' trips were from Russia (583,485, increase by 2.1% YoY), Turkey (436,313, decrease by 12.5% YoY) and Armenia (344,580, increase by 1.7% YoY).

In Q3 2024, income from foreign travel amounted to 1,563.3 mln USD, 8.0% increase YoY.

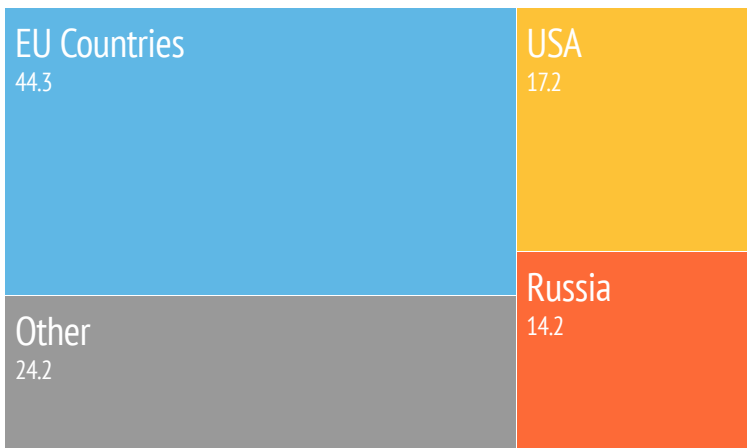


In Q3, 2024 remittances to Georgia decreased.

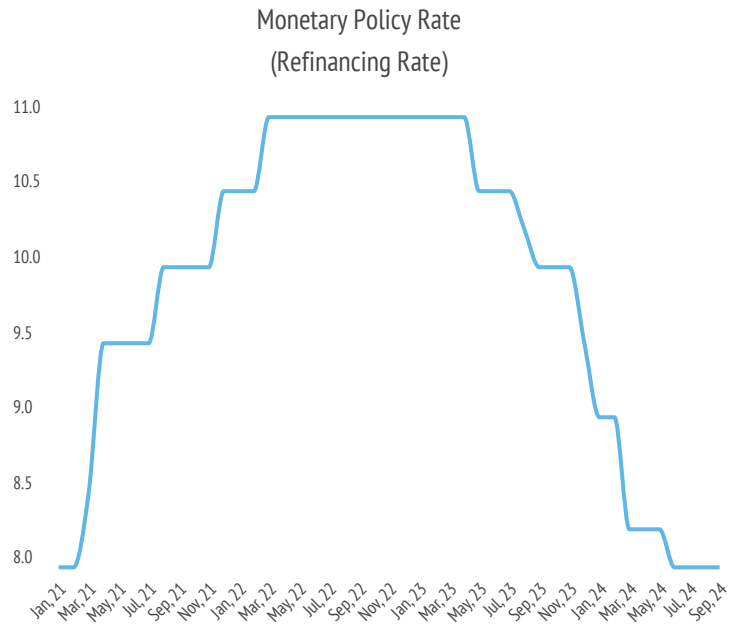
In Q3 2024, remittances decreased by 0.9% YoY and amounted to USD 872.1 million. During this period the main source of money transfers are EU countries (44.3% of total) and USA (17.2%). In the analyzing period, remittances increased significantly from the following countries: Kirgizstan (98.4%), Ireland (27.1%), USA (22.3%), Israel (20.3%), Germany (19.6%), Spain (18.7%), Greece (11.6%), Poland (10.9%) etc.

In the analyzing period, remittances decreased significantly from Kazakhstan (48.5%), Russia (36.2%), Turkey (1.9%) etc.

Remittances (%)
III Quarter



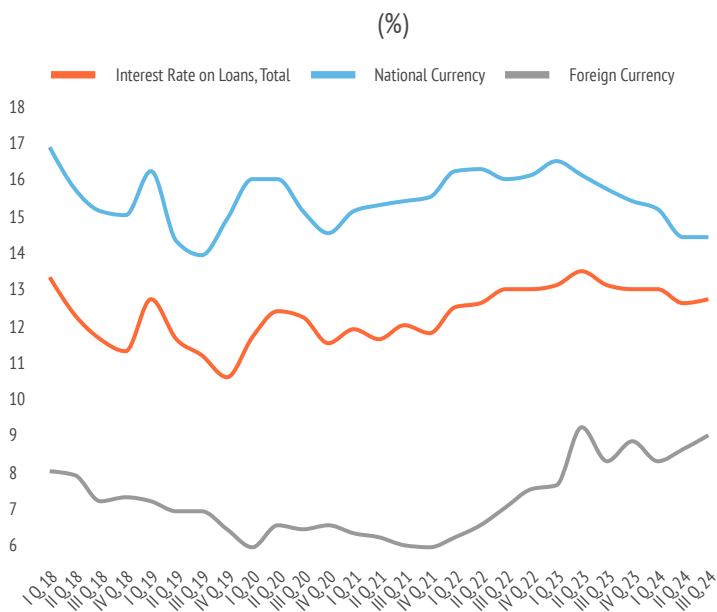
4. Monetary Sector



In Q3 2024, the monetary policy (refinancing) rate was 8.0%.

In response to the low inflation rate in the first quarter of 2024 in Georgia, National Bank of Georgia started to ease the monetary policy. 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 up 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%. On May 22, 2024, the monetary policy committee again decided to decrease the monetary policy rate by 0.25 pp up to 8.0%, which remained unchanged by the Committee on June 19, July 30, September 11 and October 23.

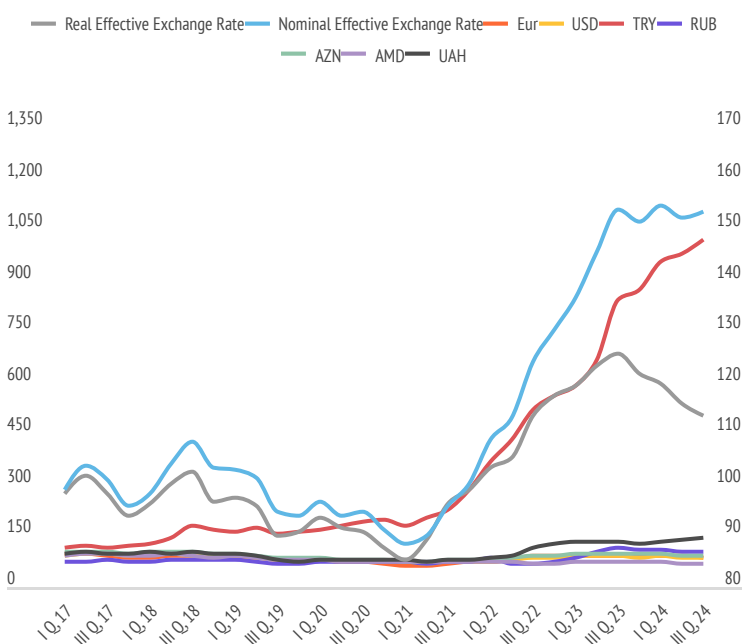
Market Interest Rates on Loans (%)



In Q3 2024, the market interest rate on loans reached 13.0%.

In Q3 2024, market interest rate on loans increased by 0.18 pp QoQ and reached 13.0%. The interest rate on national currency loans increased by 0.03 pp QoQ (14.7%), while on foreign currency loans increased by 0.34 pp QoQ (9.3%).

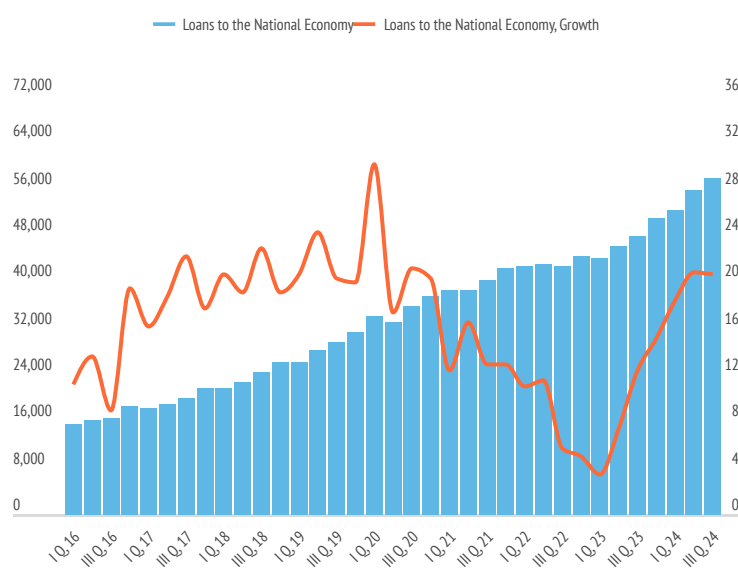
GEL Exchange Rate Indices (Increase of index means appreciation, decrease - depreciation)



In Q3 2024, the exchange rate of GEL appreciated QoQ against all primary currencies, except EUR and RUB.

In Q3 2024, the exchange rate of GEL (period average) against USD appreciated by 1.0% QoQ and depreciated by 3.4% YoY. Compared to the Q3 2023, GEL depreciated against EUR (4.2%), AZN (3.3%), ADM (3.0%) and RUB (8.3%), while appreciated against TRY (20.9%), and UAH (7.6%).

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

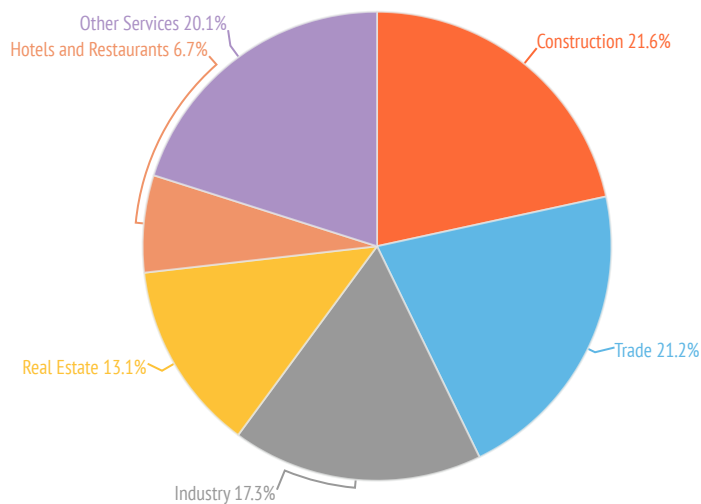


In Q3 2024, loans to the national economy (end of period) increased.

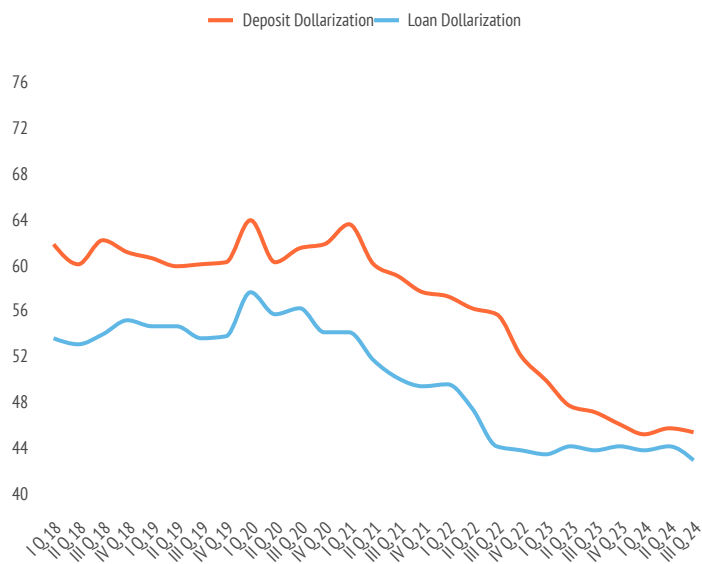
In Q3 2024, loans to the national economy increased by 20.6% YoY and amounted to GEL 57,538 million. More than half of total loans (53.0%) was distributed to households.

As for loans issued by types of activity, the highest 21.6% were issued in construction, 21.2% in trade, 17.3% in industry, 13.1% in real estate and 6.7% in hotels and restaurants.

Loans by Types of Activity
(Flows)



Dollarization
(%)



In Q3 2024, the dollarization coefficient decreased on deposits, as well as on loans YoY.

In Q3 2024 the dollarization on deposits amounted to 46.3%, which is 0.4 pp lower QoQ and 1.7 pp lower YoY. Meanwhile, dollarization on loans was observed at 43.8%, which is 1.3 pp decrease quarterly and 1.0 pp decrease annually.

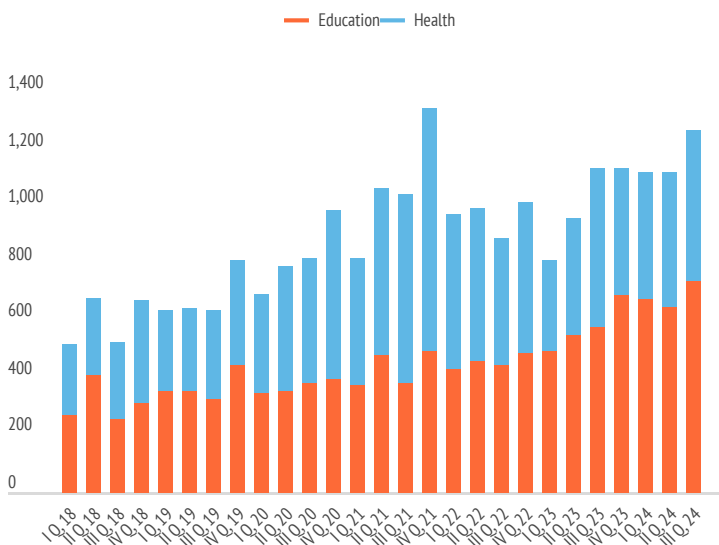
In Q1 2023, the dollarization coefficient on deposits and loans amounted to 50.8% and 44.4% YoY, respectively. In Q2 2023, dollarization on deposits amounted to 48.6%, while dollarization on loans was observed at 45.0%. In Q3 2023, the dollarization coefficient decreased on both deposits and loans YoY,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

5. Social Sector

In Q3 2024, compared to the same period of the previous year, public expenditures decreased on healthcare, but increased on education.

In Q3 2024, expenditure on education (as per functional classification) amounted to GEL 745.2 million, 29.0% increase compared to the same period of the last year. Meanwhile expenditures on healthcare amounted to GEL 522.9 million, 5.5% decrease YoY.

Public Expenditure on Education and Healthcare (Million GEL)



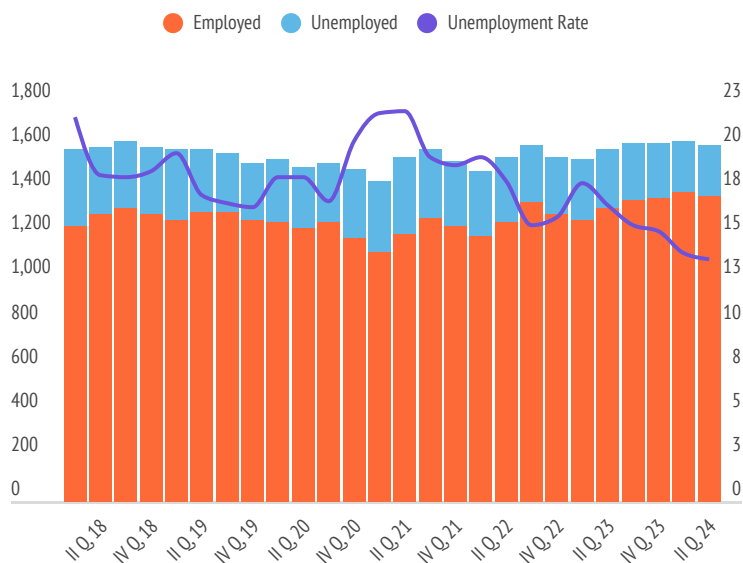
In Q2* 2024, the total number of employed persons increased, while the total number of unemployed persons decreased YoY.

In Q2* 2024, labor force increased by 0.8% YoY and amounted to 1,607.6 thousand persons. The number of employed persons increased by 4.6% YoY and amounted to 1,387.8 thousand (share of hired employees in total employed persons amounted 67.4%, while the share of self-employed persons was 32.5%). At the same time, the number of unemployed persons decreased by 17.7% YoY and amounted 219.7 thousand.

In addition, in the second quarter of 2024, average monthly nominal earnings of employees amounted to 2,004.9 GEL, which is 11.1% increase YoY.

During the analyzing period, unemployment rate was observed at 13.7% (3.1 pp lower compared to Q2 2023).

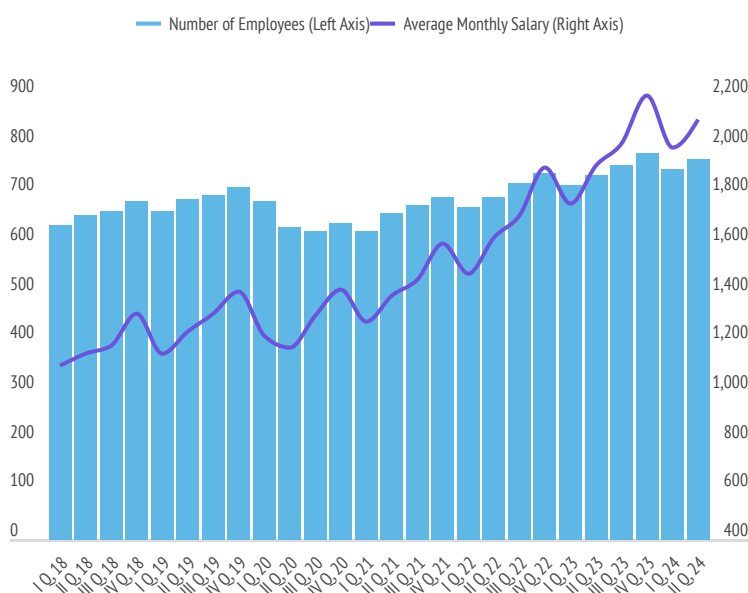
Labor Force Indicators (Thousand Persons)



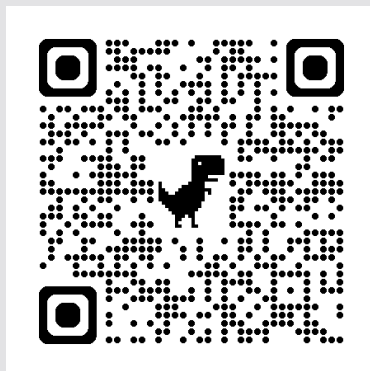
In Q2* 2024, the total number of employees and salary in business sector increased YoY.

In Q2* 2024, the number of employees in business sector increased by 4.4% YoY and amounted to 769.9 thousand (among which hired employees amounted to 724 thousand). Average monthly salary of hired employees increased by 10.0% YoY and amounted to GEL 2,105.5.

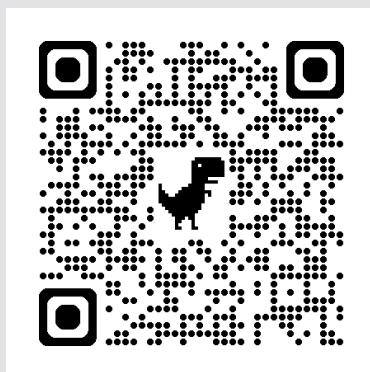
Employment (Thousand Employees) and Wages (GEL)



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Scan the QR code to access the interactive statistics (infographics)



Parliament of Georgia