

Economic growth was estimated at 8.2 percent in March and 7.8 percent in Q1 2024 (yoy).

In April, prices increased across the board, except for food prices.

Georgia's population fell by 1 percent in 2023, mostly due to outmigration.

In March 2024, the goods trade balance narrowed by 25 percent (yoy) due to a strong decline in both exports and imports.

Deposit and credit growth accelerated in March compared to February.

The fiscal balance was in surplus in March 2024.

The economy grew by 8.2 percent in March and by 7.8 percent in Q1 2024 (yoy). In March, manufacturing, IT, professional services, and real estate were the main drivers of growth. In contrast, construction, energy, and transport-related activities experienced a decline. Approximately 6,200 new business entities were registered in March, a 14 percent decline (yoy). On the demand side, credit growth supported growth in consumption. Net exports of goods positively contributed to growth as well.

In 2023, the population of Georgia experienced a 1 percent decline, dropping to a total of 3.695 million, as reported by Geostat. This decline was driven by net negative migration of 39,000 individuals, compounded by a net natural population decline of 2,500 individuals. Up to 72,000 left the country in net terms (up from 47,000 in 2022). Conversely, net migration of Russian citizens saw an increase of 17,000 persons (down from 56 thousand in 2022). For all other citizens, net migration remained positive at around 16,000. In addition, life expectancy saw a boost in 2023, rising by approximately 1.3 years, to reach 79 years for females and 71 years for males. Meanwhile, the average median age remained stable at 38 in 2023.

In April, the Consumer Price Index (CPI) remained below the NBG target of 3 percent despite a large increase in fuel prices. Inflation increased by 0.3 percent (mom), bringing annual inflation to 1.5 percent (yoy), up from 0.5 percent in March. The main driver was an 11 percent increase (yoy) in fuel prices, accounting for an increase of 1.3 percentage points in headline inflation. In contrast, food prices (-1.8 percent yoy) and clothing (-4.4 percent yoy) dropped. Real estate prices continued to increase in March (+7.7 percent yoy), while rental prices declined by 6 percent (yoy).

The goods trade balance reflected considerable decline in both exports and imports in March. Exports declined by 4.4 percent (yoy) while imports fell by 17 percent (yoy). As a result, the trade deficit narrowed by 25 percent (yoy) in March. The decline in exports was primarily driven by decreases in the export of copper ore and nitrogen fertilizer, while ferroalloys tripled (yoy). Exports of wine (+63 percent yoy), alcohol (+39 percent), and mineral water (+37 percent yoy) also rose considerably. Imports of used

cars dropped by 51 percent (yoy) in March while remaining the largest import item. Imports from the EU shrunk by 3.5 percent in March 2024. Imports also declined across key trading partners such as Turkey, Russia, China, and the US. According to preliminary data, the trade deficit widened by 28 percent in April, with exports shrinking by 12 percent and imports growing by 11 percent.

Georgia's external accounts continued to weaken due to lower money transfers, primarily from Russia. Money transfer gross inflows reached US\$278 million in March, a 37 percent drop (yoy). Inflows from Russia experienced a 76 percent decline (yoy), with its share in total inflows declining to 19 percent, down from 51 percent a year earlier. The tourism sector showed signs of recovery in Q1 2024 as the number of foreign arrivals reached 106 percent of the levels recorded in Q1 2019 (excluding arrivals from Azerbaijan)¹ and increased by 8 percent compared to Q1 2023. Meanwhile, proceeds from tourism increased by only 1.5 percent (yoy), to US\$0.8 billion in Q1 2024. Official reserves stabilized at US\$4.8 billion (equivalent to 4 months of imports). Developments in external trade and other external flows kept Lari exchange rate against the US dollar stable in April as compared to March (while 6 percent weaker in yoy terms). Political uncertainty led to an exchange rate depreciation of around 3 percent since May 15 and the NBG intervened by selling \$60 million in the foreign exchange market.

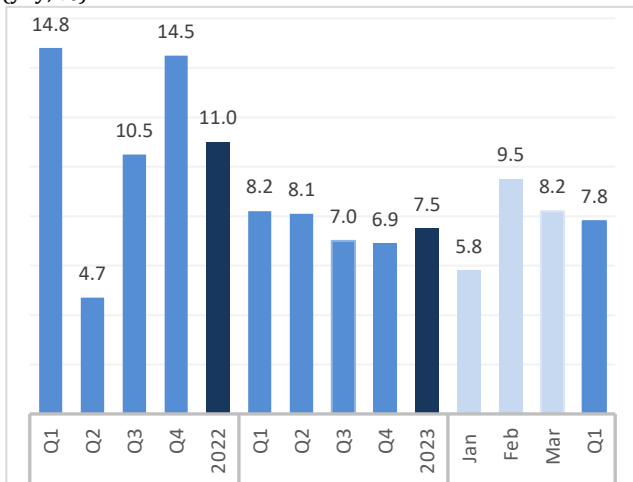
Annual bank deposit growth remained high. In March, the total stock of deposits increased by 15 percent (yoy, excluding the effect of the exchange rate), faster than in February and driven by both local and foreign exchange deposits, which increased by 31 and 6 percent, respectively (yoy). Nominal credit growth continued at a pace of 18 percent (yoy) in March. GEL loans increased by 19 percent (yoy) in nominal terms, while foreign exchange loans rose by 16 percent (yoy).

In March 2024, Georgia recorded a surplus of about 0.5 percent of projected GDP. General government tax revenues increased by 49 percent (yoy) in nominal terms, contributing to overall revenue growth of 44 percent. However, this increase was primarily attributed to a reduction in VAT refunds compared to the previous year. Conversely, most other taxes experienced significant declines: VAT (-4.1 percent), driven by weaker imports, domestic excise (-4.8 percent), profit tax (-31.0 percent), and customs duties (-22.1 percent), with only import excises and income tax registering (yoy) growth. Government current expenditures saw a 7 percent (yoy) increase, while capital expenses rose by 16 percent (yoy). Despite the contained deficit and the limited depreciation of the Lari, public debt increased to 35.9 percent of projected GDP by end-March 2024, up from 34.6 percent a year earlier. As a result, government deposits increased by around 0.8 percent of GDP in March.

¹ These numbers exclude arrivals from Azerbaijan as the land border has remained closed since the COVID-19 pandemic, resulting in a

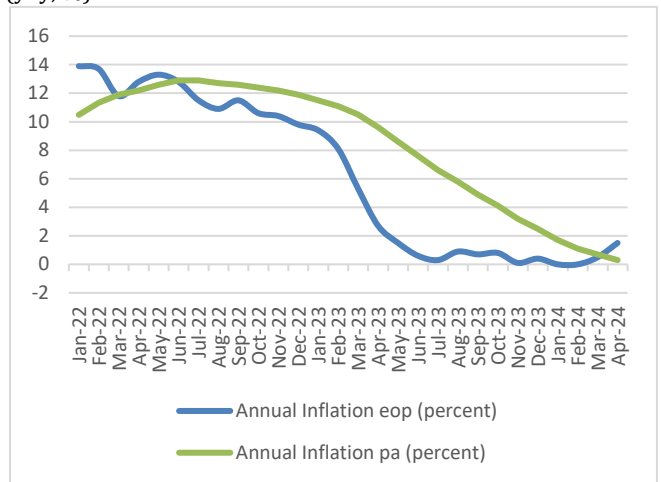
significant decline in the number of arrivals from that country compared to pre-pandemic levels.

Figure 1. Economic growth remained solid in March
(yoy, %)



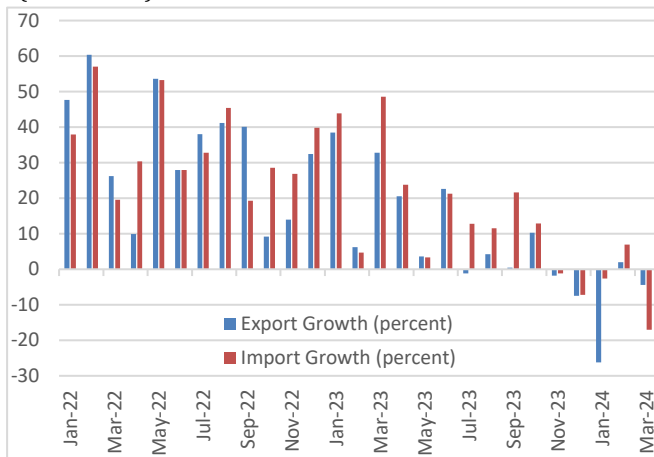
Source: Geostat

Figure 2. Inflation picked up slightly in April
(yoy, %)



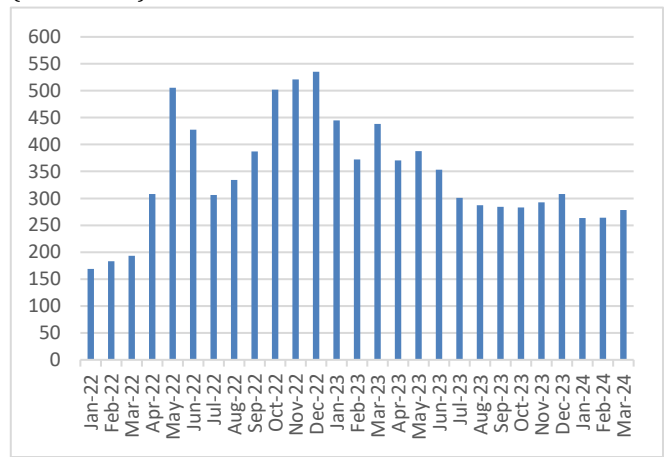
Source: Geostat

Figure 3. Trade flows saw a significant decline in March
(US\$ million)



Source: Geostat

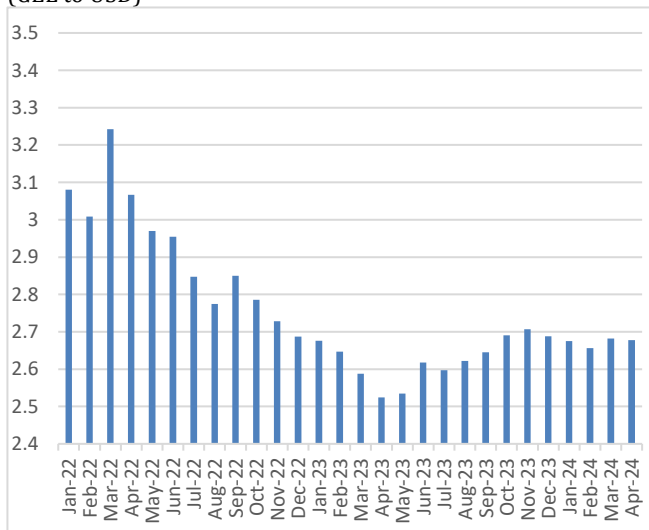
Figure 4. Money transfers from abroad continued to slow (yoy)
(US\$ million)



Source: NBG

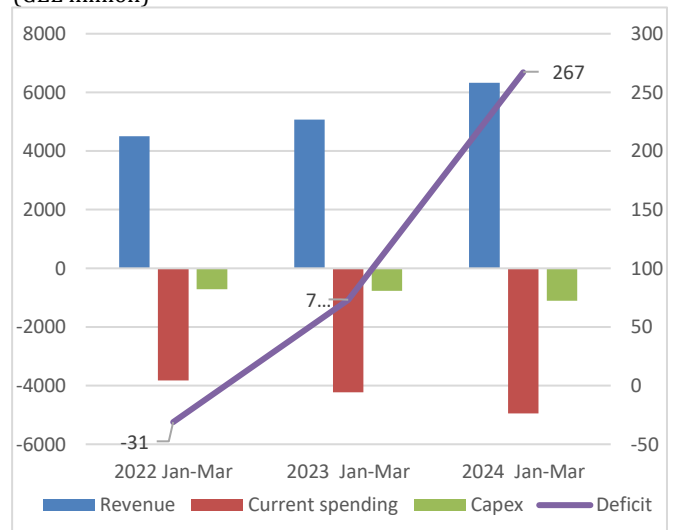
Figure 5. The GEL depreciated in April (yoy)

(GEL to USD)



Source: NBG

Figure 6. The fiscal accounts showed a surplus in the first quarter
(GEL million)



Source: Ministry of Finance