

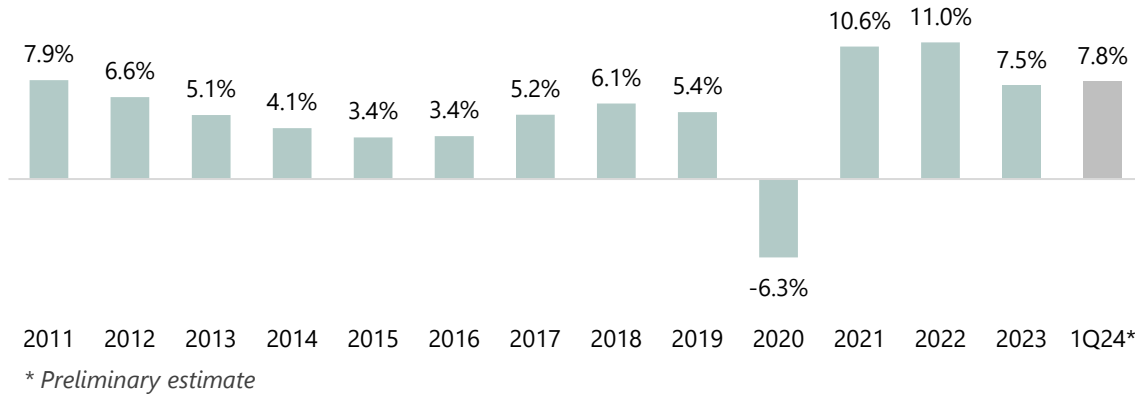
# MACROECONOMIC OVERVIEW

1Q24 RESULTS

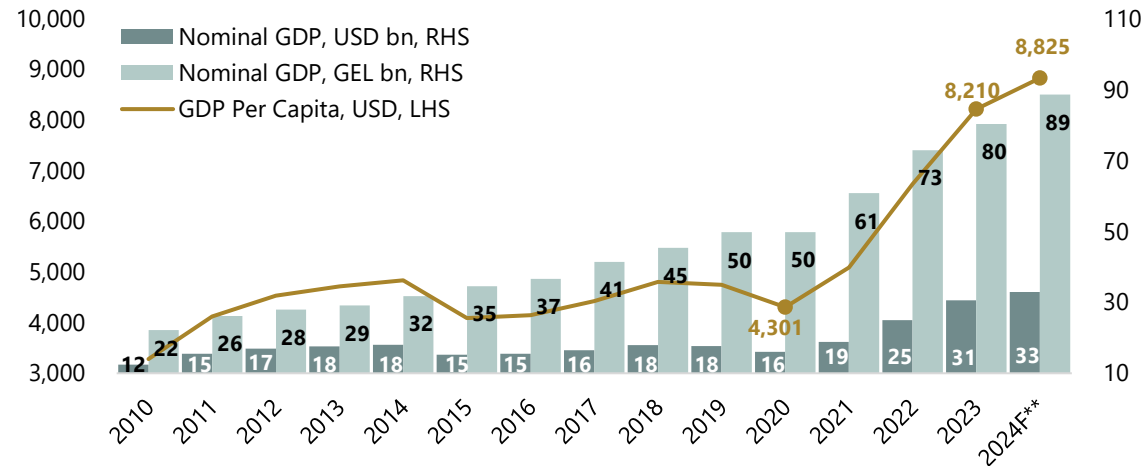
# STRONG REAL GDP GROWTH IN 1Q24, WITH INFLATION BELOW TARGET



## GEORGIA'S ECONOMY CONTINUES TO EXPAND, WITH PRELIMINARY ECONOMIC GROWTH AT 7.8% Y-O-Y IN 1Q24



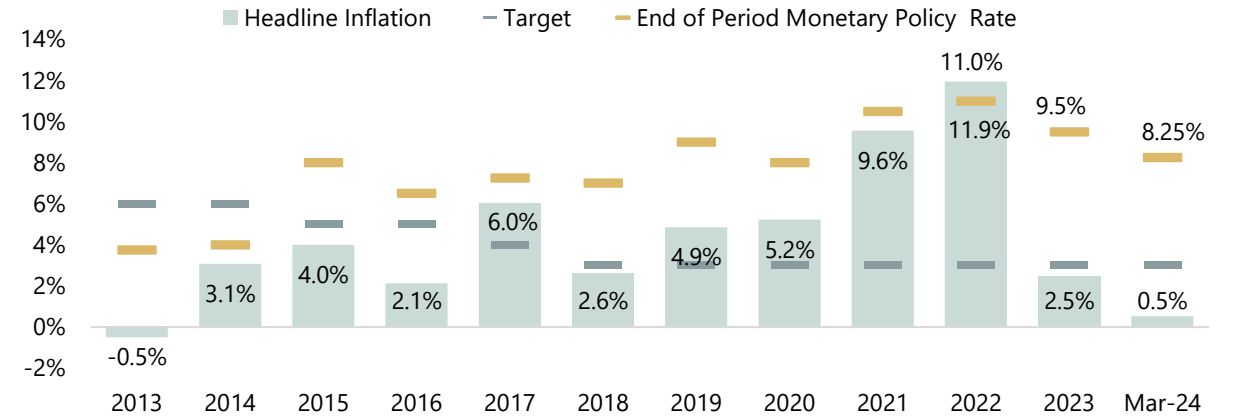
## NOMINAL GDP IN US DOLLARS SURGES TO US\$ 31 BILLION, NEARLY DOUBLING OVER A THREE-YEAR SPAN



\*\* IMF forecast

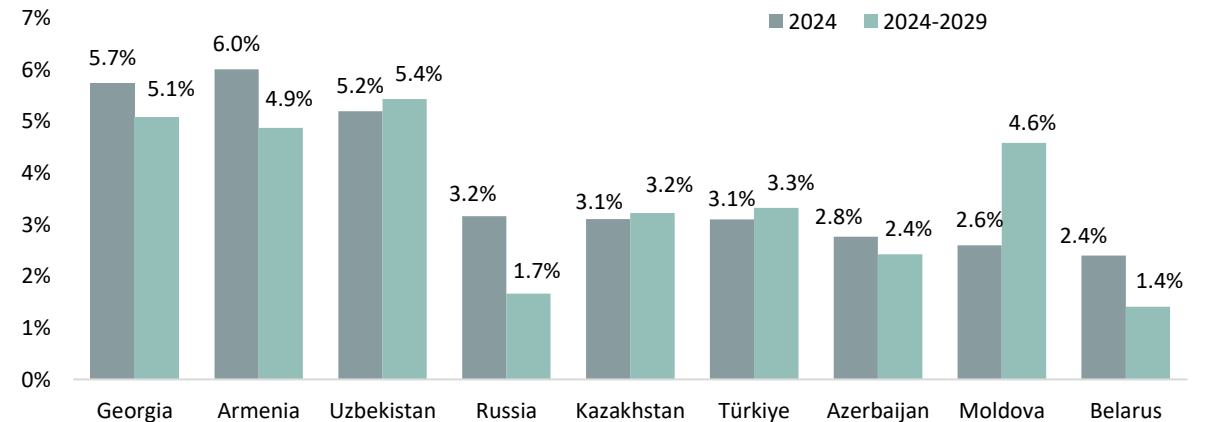
Georgia Capital PLC | Source: Geostat, NBG, IMF, WEO (April 2024)

## ANNUAL INFLATION BELOW THE 3% TARGET SINCE APRIL 2023, WITH MARCH 2024 INFLATION AT 0.5% Y-O-Y



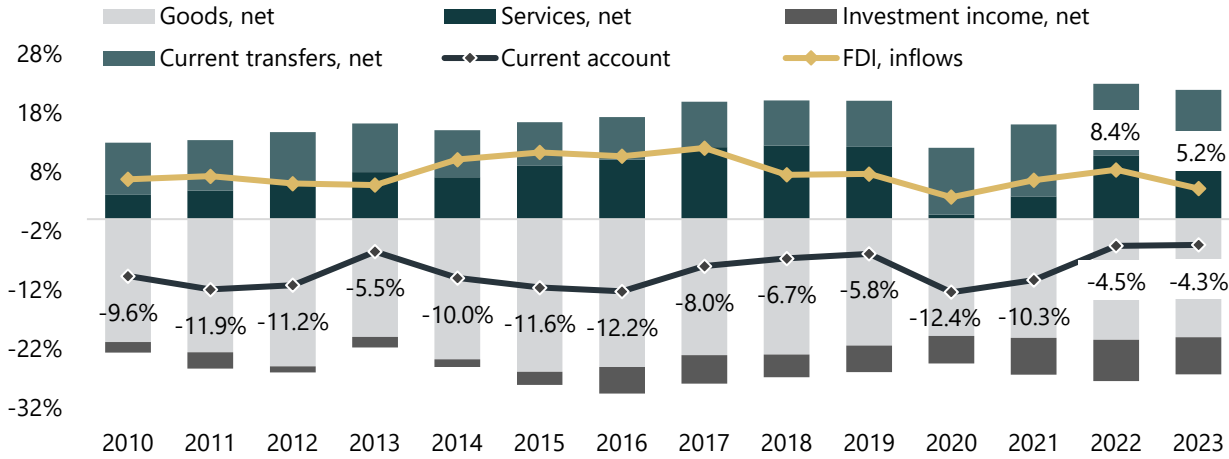
## GEORGIA'S MEDIUM-TERM GROWTH RATE PROJECTED TO BE ONE OF THE HIGHEST AMONG PEERS | IMF (APRIL 2024)

### Projected real GDP growth rates, % | IMF

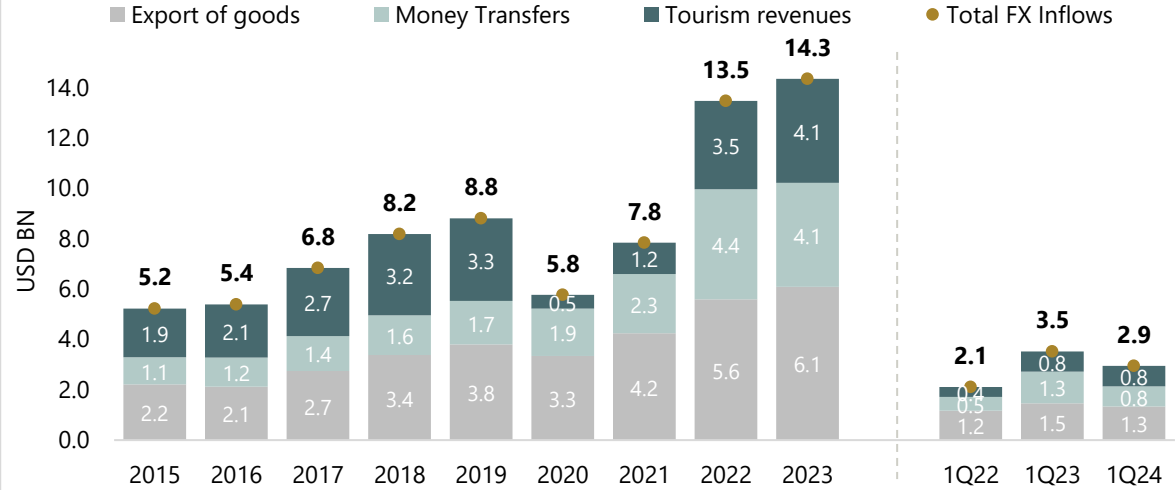


# CURRENT ACCOUNT DEFICIT AT HISTORICALLY LOW LEVELS

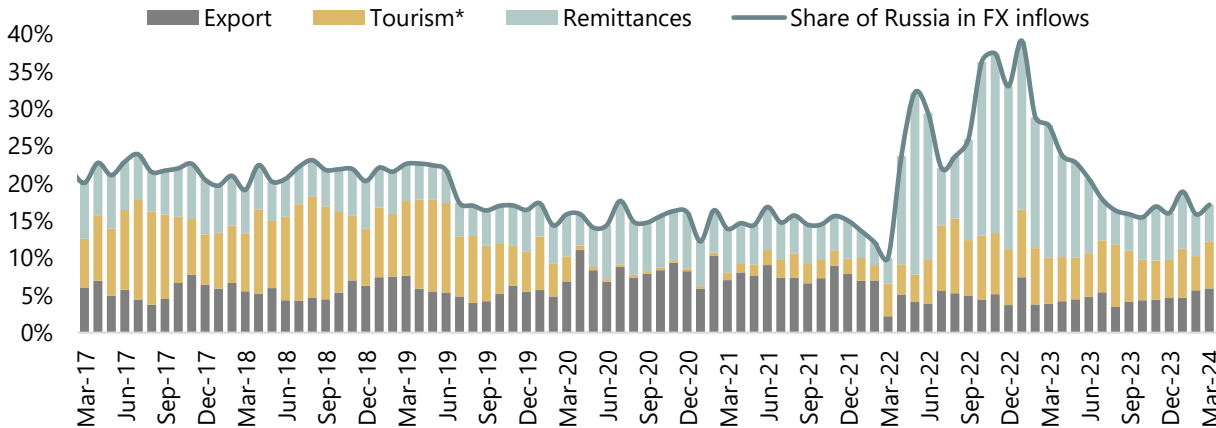
**CAB NARROWED TO -4.3% OF GDP, SUPPORTED BY STRONG GROWTH IN THE SERVICES BALANCE**



**FOREIGN CURRENCY INFLOWS HAVE MODERATED BUT REMAIN ABOVE PRE-WAR LEVELS**



**THE SHARE OF RUSSIA IN FX INFLOWS IS RETURNING TO PRE-WAR LEVELS**



\*Quarterly Tourism data distribution between months since 3Q23 represents GCAP estimates.

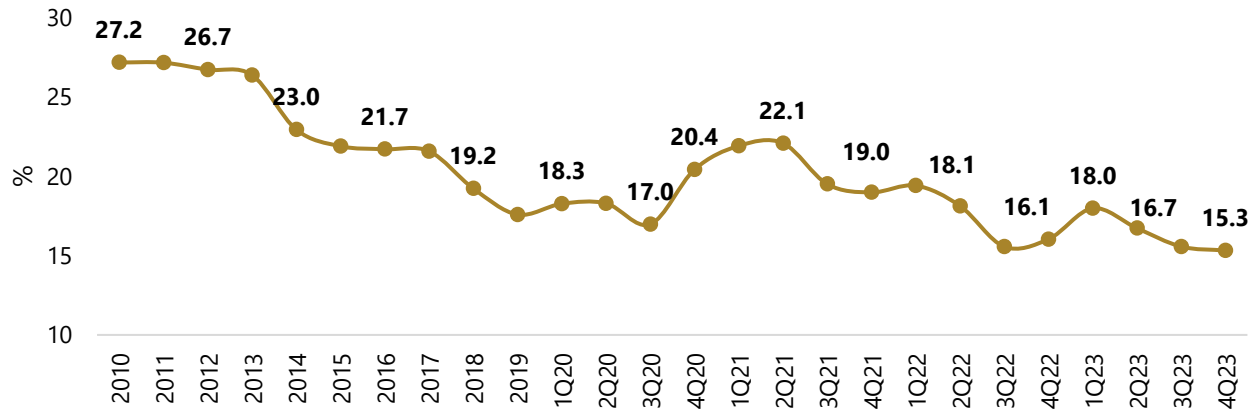
**APPRECIATING SINCE MID-2021, GEL HAS STABILISED TO ABOVE PRE-PANDEMIC LEVELS AGAINST US\$**



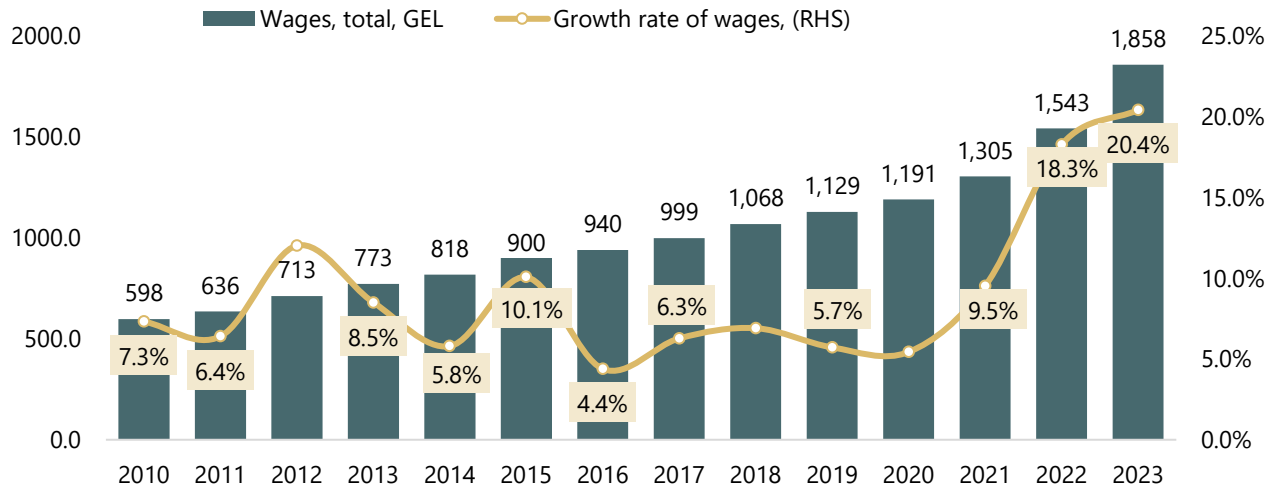
# STRONG LABOR MARKET SUPPORTING ECONOMIC ACTIVITY



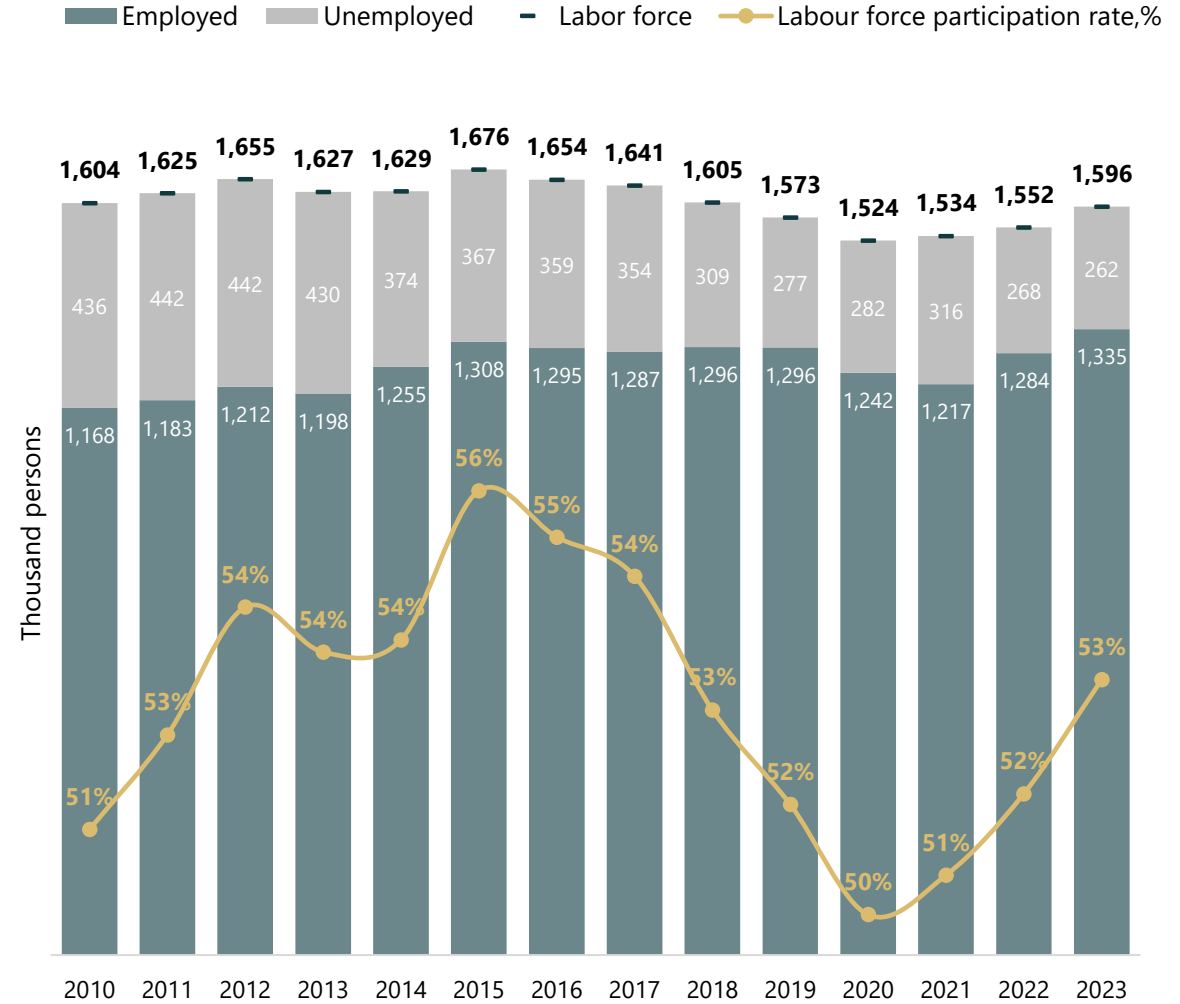
UNEMPLOYMENT RATE AT HISTORICAL LOWS, DOWN TO 16.4% IN 2023 FROM 17.3% IN 2022



AVERAGE MONTHLY NOMINAL EARNINGS OF EMPLOYEES AMOUNTED TO GEL 1,858 IN 2023

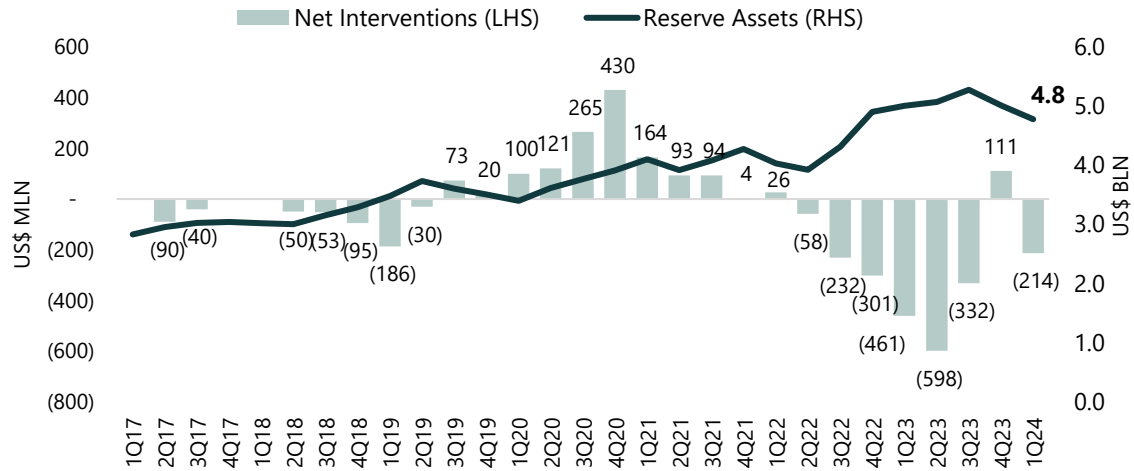


LABOR FORCE STRUCTURE

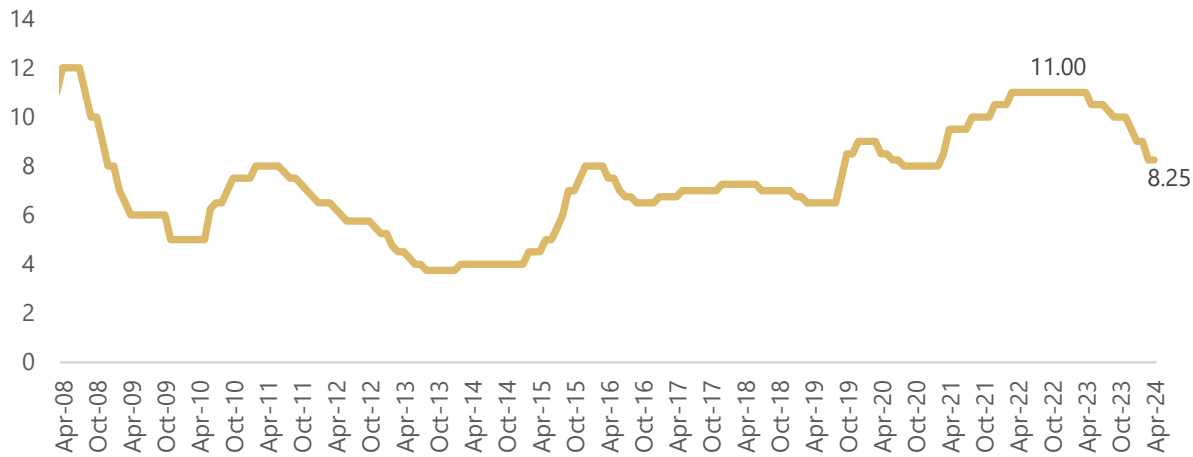


# APPROPRIATE MACRO POLICY STANCE

## NET NBG INTERVENTIONS ON THE FX MARKET AND OFFICIAL RESERVE ASSETS

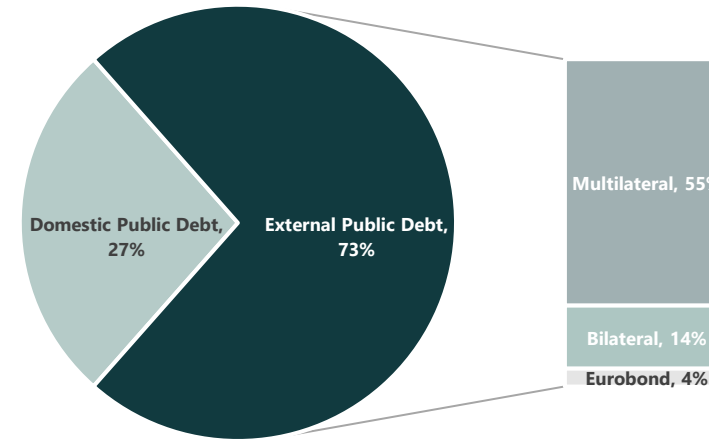


## THE NBG CONTINUED TO EASE ITS TIGHTENED MONETARY POLICY STANCE WITH 125 BPS CUT IN 1Q24



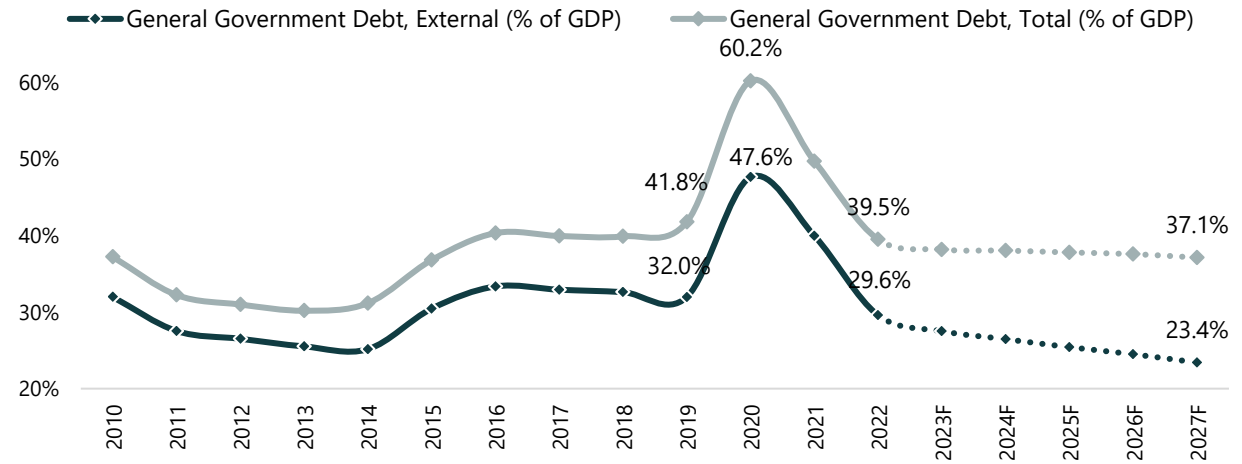
Georgia Capital PLC | Source: NBG, Geostat, MOF

## GENERAL GOVERNMENT DEBT STRUCTURE FAVOURABLE, WITH 3.4% WEIGHTED AVERAGE INTEREST RATE



50% of external debt consists of fixed rate credits; Average weighted interest rate was 3.40%, while the remaining maturity stood at 9.0 years as of 31-Dec-23

## GENERAL GOVERNMENT DEBT BELOW PRE-WAR LEVELS





**MACROECONOMIC  
WRAP-UP**



**STRONG GDP PERFORMANCE**



**BELOW-TARGET INFLATION**



**ROBUST EXTERNAL BALANCE SHEET**



**GEL/US\$ ABOVE PRE-PANDEMIC LEVELS**



**SOUND MACROECONOMIC FRAMEWORK**

# SOVEREIGN RATINGS WITH FAVOURABLE MACRO FUNDAMENTALS



## Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
<b>MOODY'S</b>	Ba2	Stable	March 2024
<b>S&amp;P Global</b>	BB	Stable	February 2024
<b>Fitch Ratings</b>	BB	Positive	January 2024

## Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	BB-	Stable
Azerbaijan	BB+	Positive
Czech Republic	AA-	Stable
<b>Georgia</b>	<b>BB</b>	<b>Positive</b>
Kazakhstan	BBB	Stable
Turkey	B+	Positive
Uzbekistan	BB-	Stable

## General Facts



- Area: 69,700 sq. km
- Population (2023): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 73.7 years
- Official language: Georgian
- Literacy: 100%
- Currency (code): Lari (GEL)

## Economy

- Nominal GDP (Geostat) 2023: GEL 80.2 billion (US\$30.5 billion)
- Real GDP growth rate 2023: 7.5%
- Real GDP ten-year annual average growth rate: 5.0%
- GDP per capita 2023 (PPP, international dollar) IMF: 23,237
- Annual inflation 2023: 2.5%
- General Government external debt to GDP 2022: 29.6%

# GEORGIA'S KEY ECONOMIC DRIVERS



## Liberal economic policy

### Top performer compared to peers across a wide range of international rankings

- Liberty Act (effective January 2014) ensures a credible fiscal framework; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%.
- Following the emergency clause activation after the COVID-19 shock, the fiscal framework has returned within the rule bounds, as specified in the Liberty Act.
- Business friendly environment and low tax regime (attested by favorable international rankings).

## Regional logistics and tourism hub

### A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west

- Access to a market of 2.8 billion customers without customs duties: Free trade agreements with EU, China, Hong Kong, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Israel and India under consideration. Georgia's preferential trading regimes support the country's resilience to regional external shocks.
- The importance of Georgia's strategic location has grown further as a reliable logistics hub following Russia's war in Ukraine.
- Tourism inflows fell sharply to US\$ 542 million in 2020 from US\$ 3.2 billion in 2019 due to COVID-19 but have bounced back to US\$ 3.5 billion in 2022 and US\$ 4.1 in 2023.

## Strong FDI

### An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth

- FDI stood at US\$ 1.6 billion (5.2% of GDP) in 2023.
- FDI has averaged 7.9% of GDP since 2010.

## Support from international community

### Georgia and the EU signed an Association Agreement and DCFTA in June 2014, and Georgia was granted a European perspective in June 2022

- Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017.
- Georgia applied for EU membership together with Ukraine and Moldova in March 2022, and on 14 December 2023, the European Council granted the candidate status to Georgia.
- Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU.

## Energy transit hub potential

### Developed, stable and competitively priced energy sector

- Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development.
- Georgia imports natural gas mainly from Azerbaijan.
- Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded.
- Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe.
- Georgia's energy transit hub role has become particularly crucial in light of energy diversification efforts from Western countries since the beginning of Russia's war in Ukraine.
- Significant recent projects include the Trans-Anatolian Pipeline (TANAP), inaugurated in November 2019, and the Black Sea underwater electric cable project, signed in December 2022, linking Azerbaijani energy resources with Europe through Georgia and Turkey.

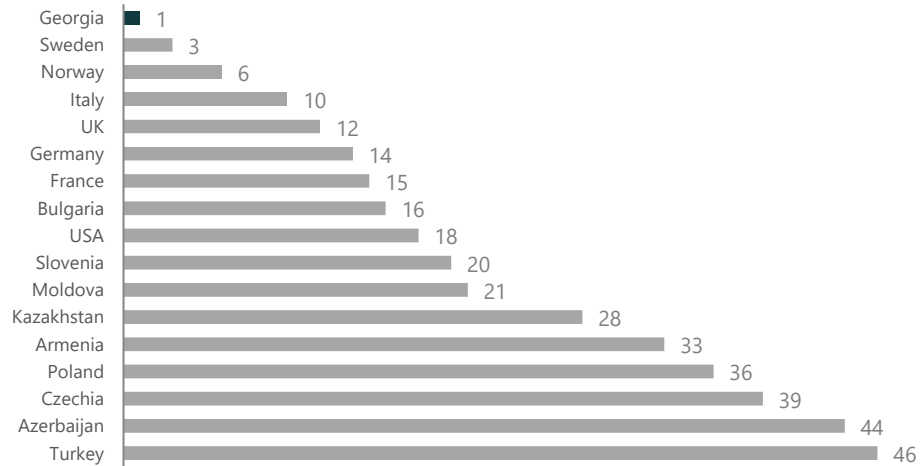
## Stable political environment

- Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU.
- New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency.
- Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgian's citizens effective December 23, 2015.
- Starting from May 15, 2023, visa requirements eliminated as per a decree issued by Vladimir Putin. In addition, direct flight ban (introduced in July 2019 unilaterally) was lifted.
- Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia.
- In 2023, Russia accounted for 11% of Georgia's exports and 11% of imports, as economic dependence has declined over the years.

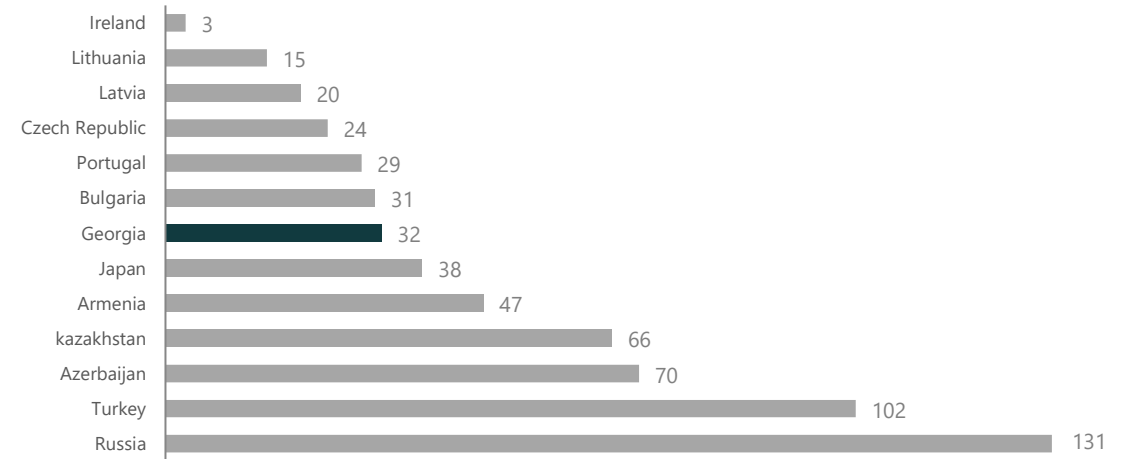


# INSTITUTIONAL ORIENTED REFORMS

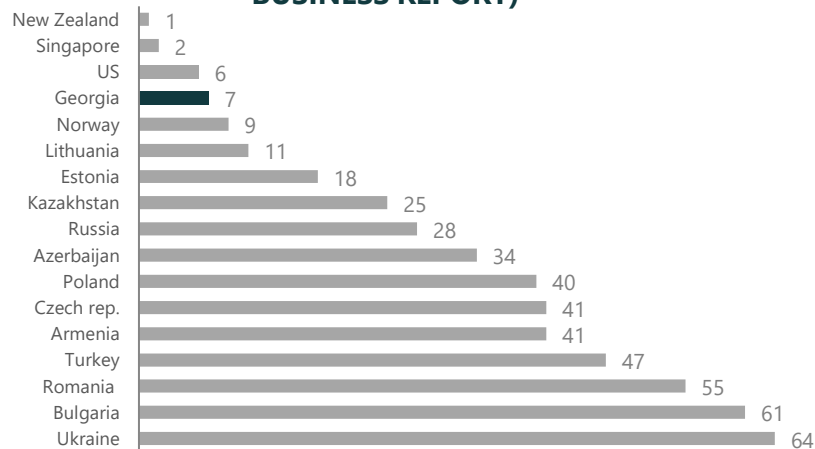
**OPEN BUDGET INDEX, 2021 | INTERNATIONAL BUDGET PARTNERSHIP  
(BUDGET TRANSPARENCY)**



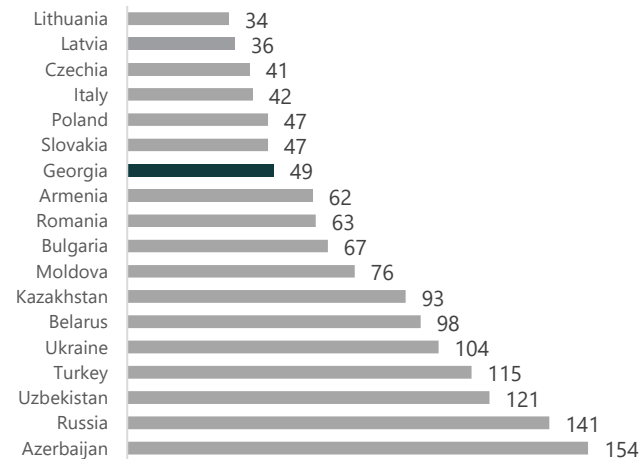
**ECONOMIC FREEDOM INDEX | 2024 (HERITAGE FOUNDATION)**



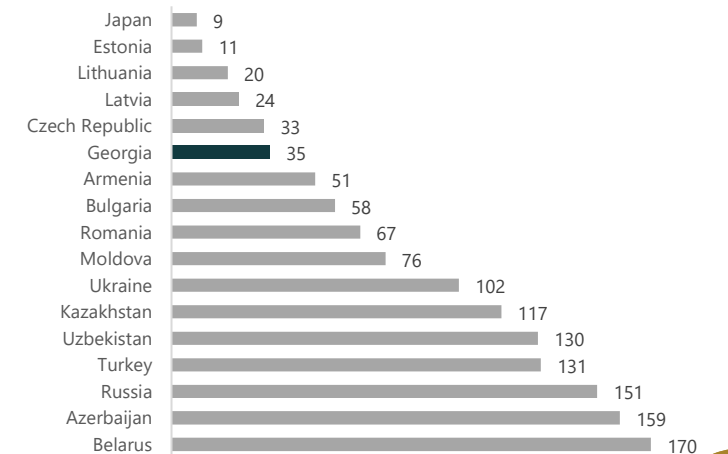
**EASE OF DOING BUSINESS | 2020 (WB DOING  
BUSINESS REPORT)**



**CORRUPTION PERCEPTION INDEX | 2023 (TI)**

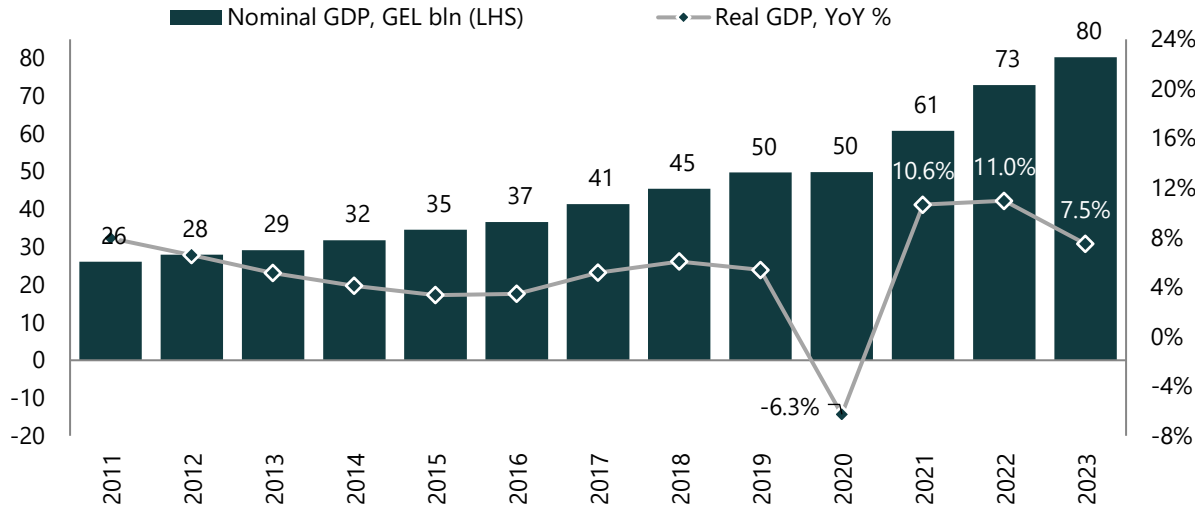


**BUSINESS BRIBERY RISK, 2023 | TRACE INTERNATIONAL**

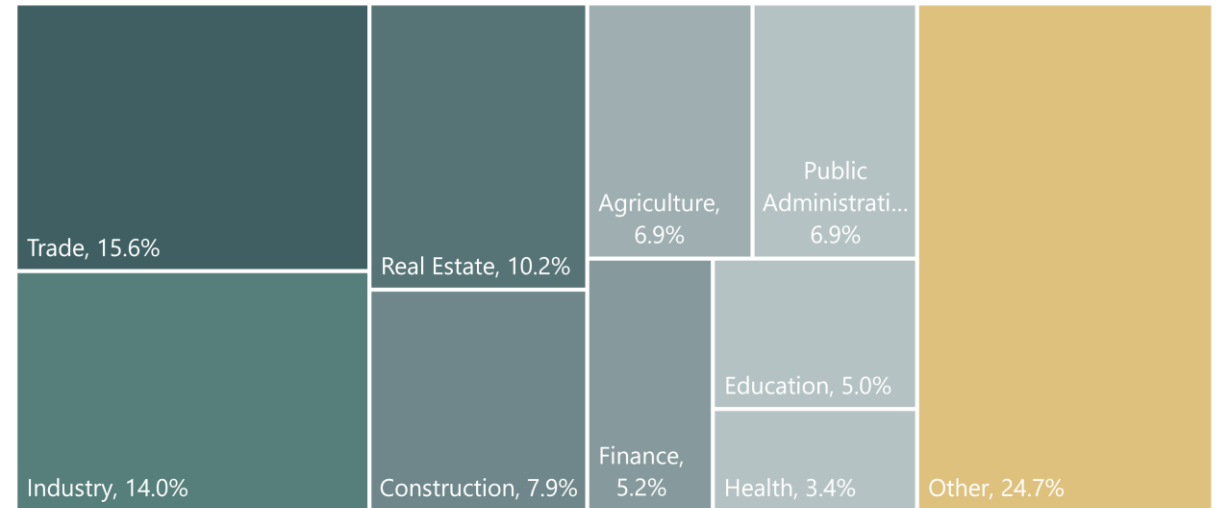


# ECONOMIC GROWTH CONTINUING AT PACE

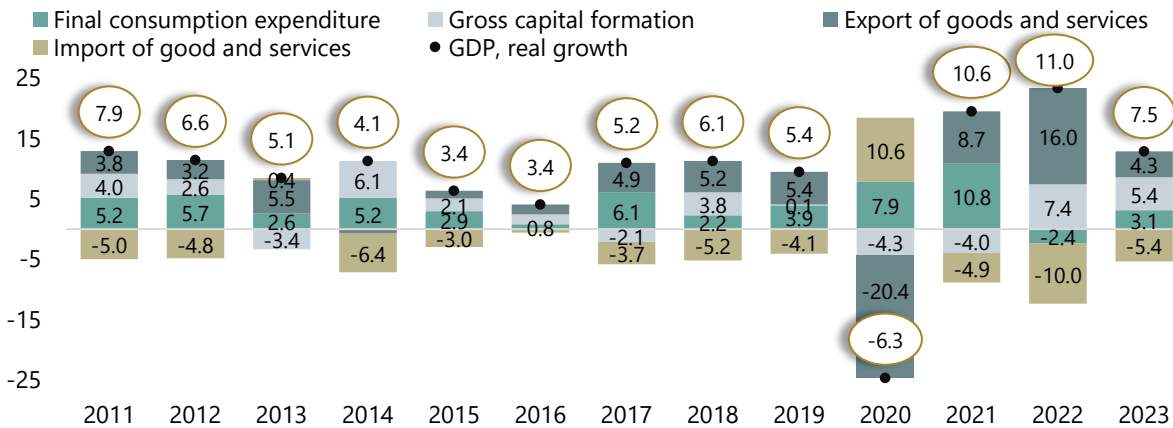
## GROSS DOMESTIC PRODUCT



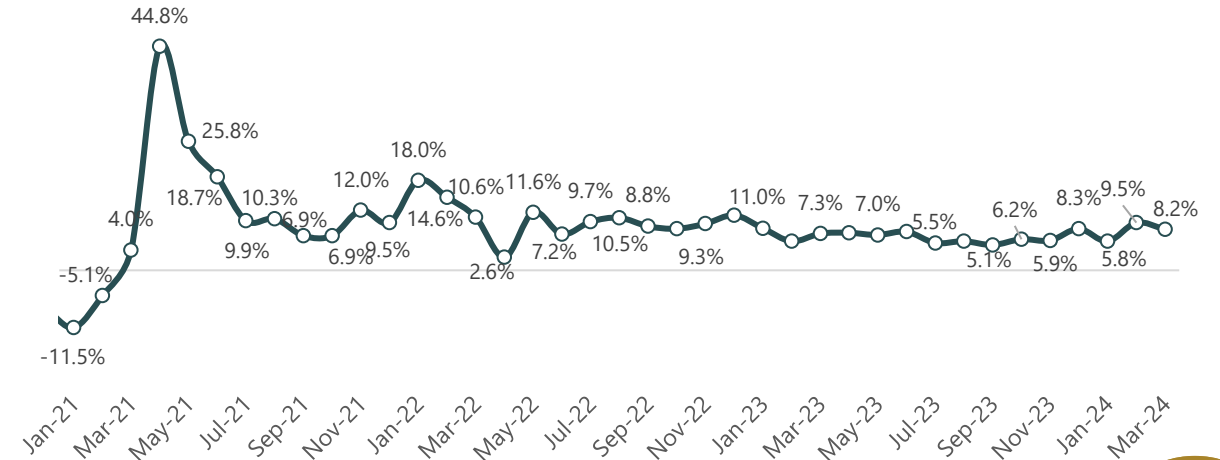
## NOMINAL GDP STRUCTURE, 2023



## GDP GROWTH DECOMPOSITION BY CATEGORIES OF USE, %

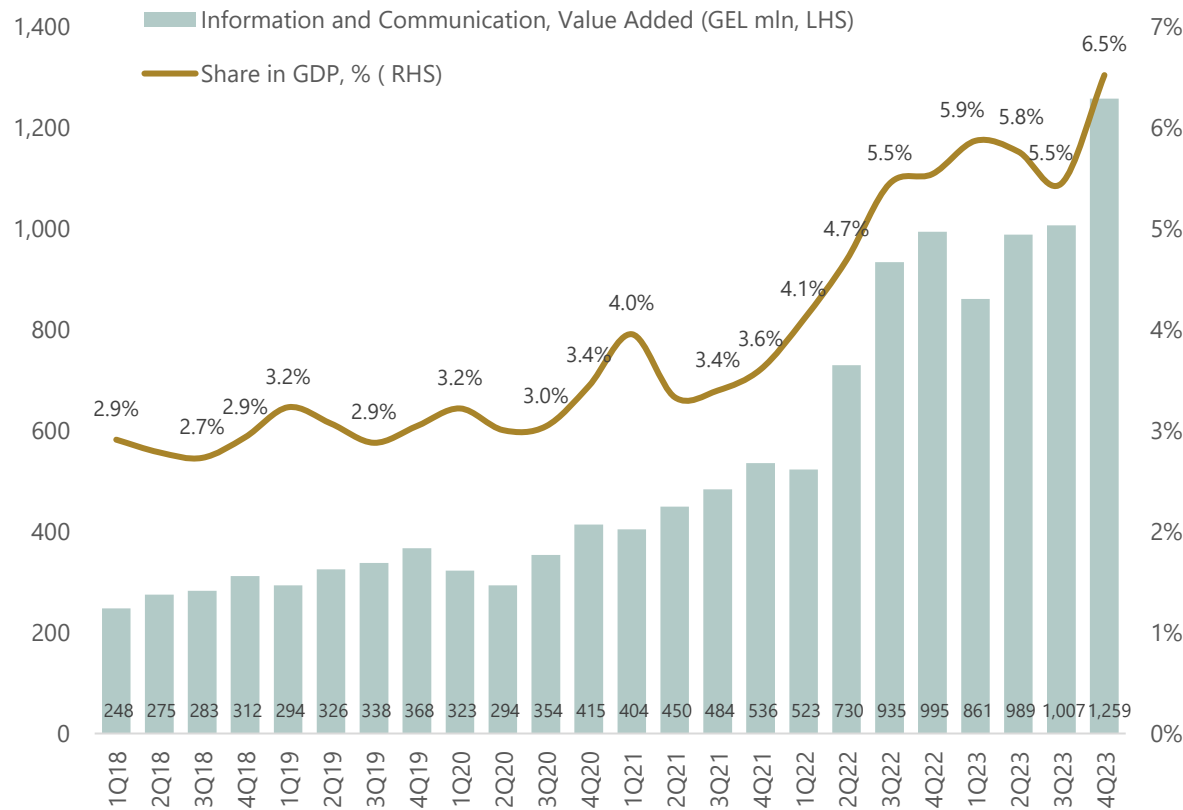


## FLASH ESTIMATES SHOW THE ECONOMY GROWING BY 7.8% Y-O-Y IN 1Q24

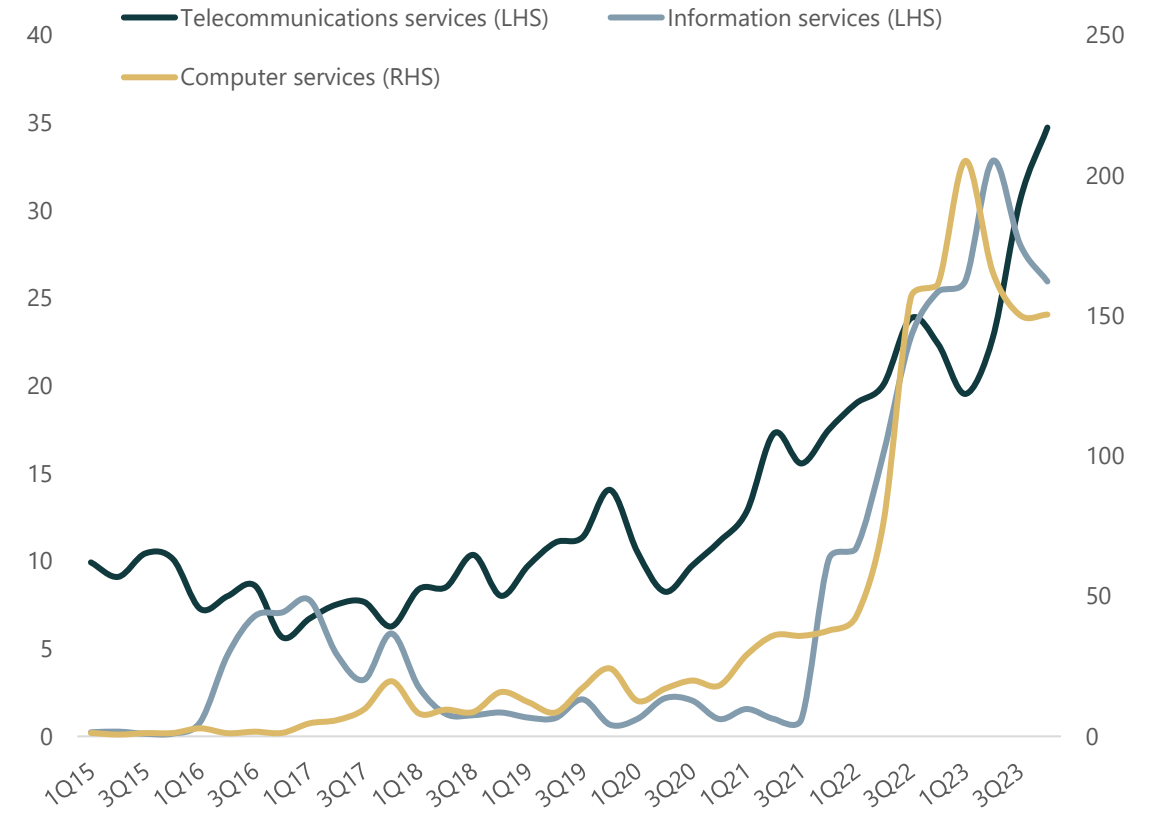


# ICT SECTOR: BOOSTS GDP GROWTH AND EMERGES AS A NEW SOURCE FOR THE FOREIGN CURRENCY FLOWS

**THE INFORMATION AND COMMUNICATION (ICT) SECTOR SHARE IN GDP STANDING AT 5.9% IN 2023, AS OPPOSED TO 3.2% IN 2018-2021**



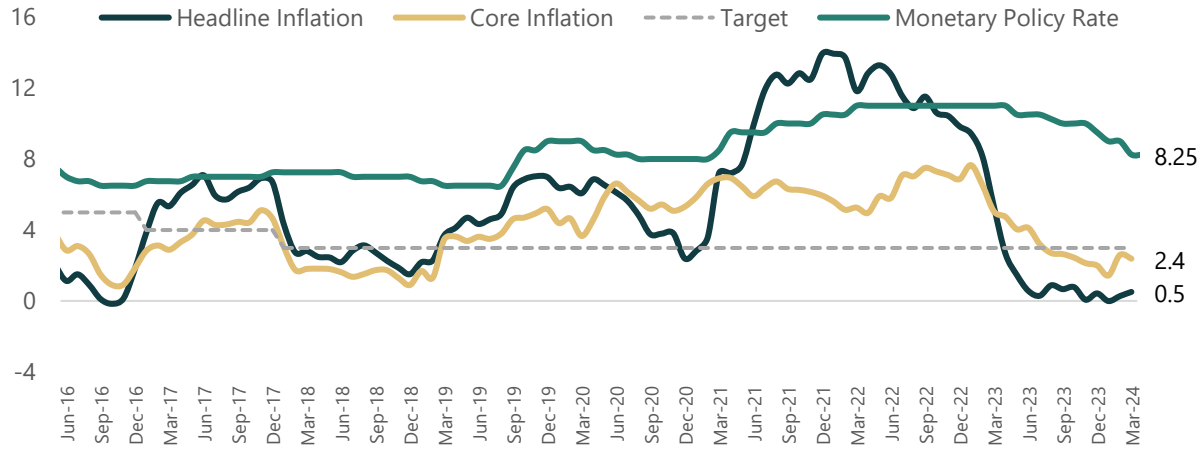
**EXPORTS OF ICT SERVICES (US\$ MLN)**



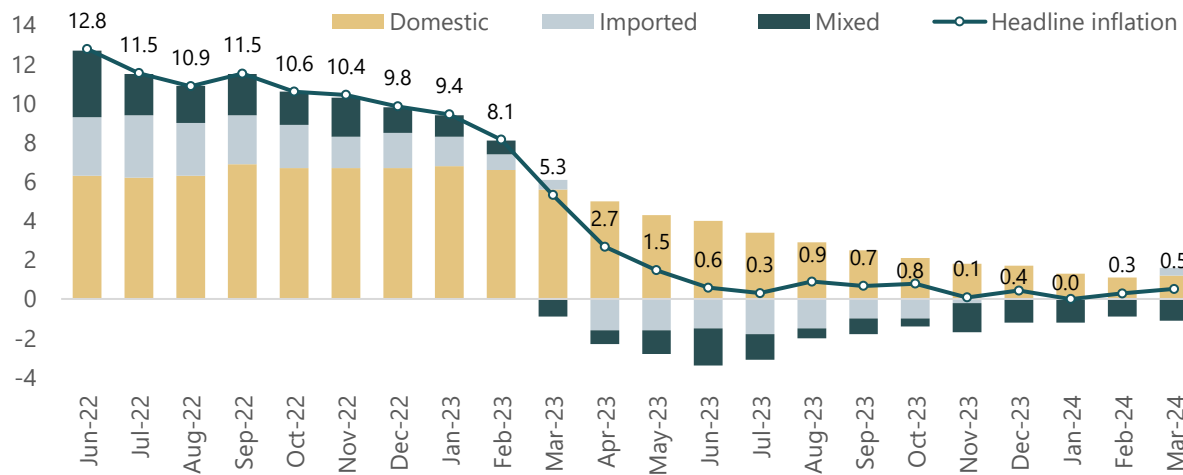
# INFLATION BELOW THE TARGET LEVEL SINCE APRIL 2023



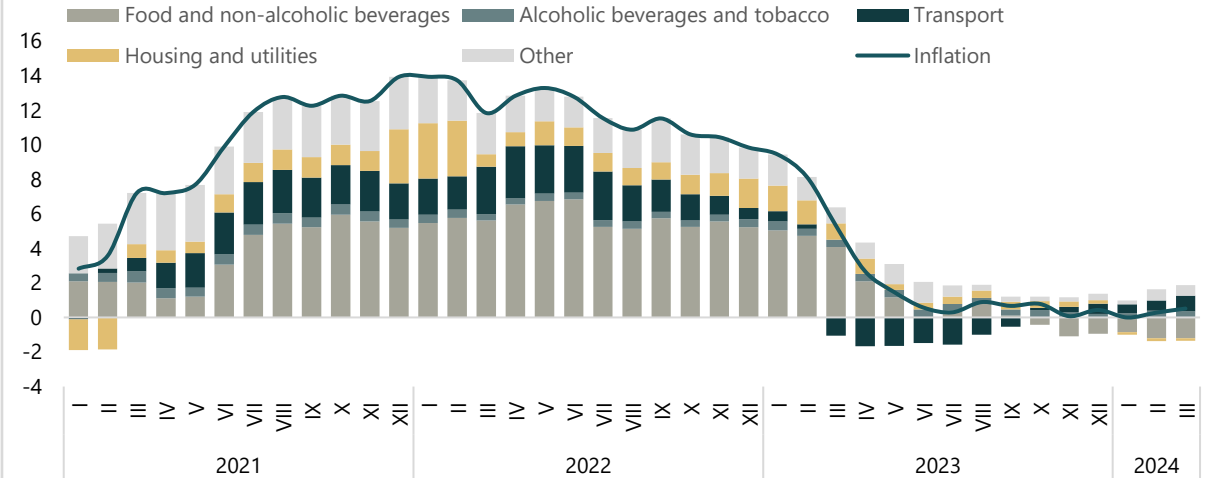
## INFLATION Y-O-Y VS. INFLATION TARGET



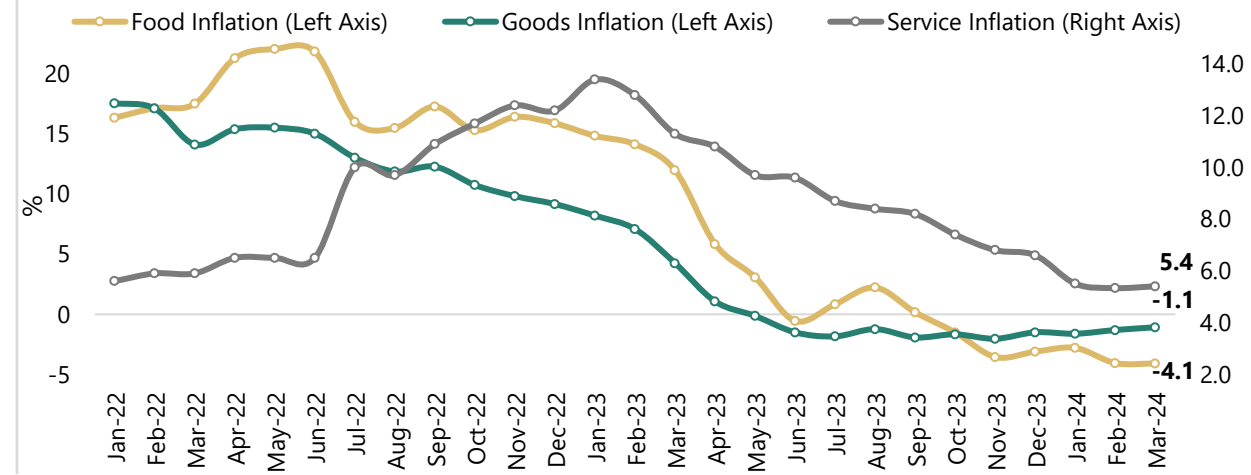
## DECOMPOSITION OF INFLATION



## INFLATION COMPONENTS



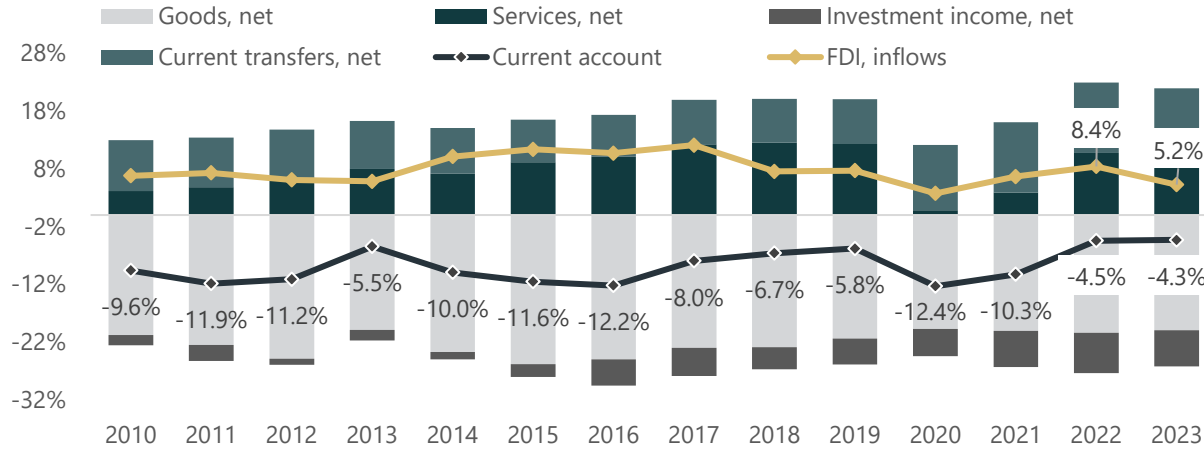
## DISINFLATION UNDERWAY BOTH IN GOODS AND SERVICES



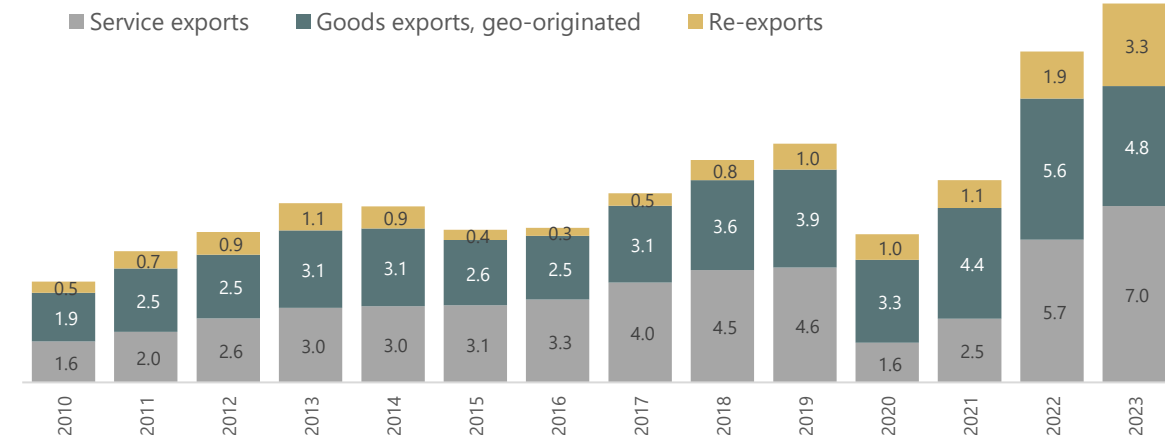
# CURRENT ACCOUNT DEFICIT REACHED A HISTORICALLY LOW LEVEL OF 4.3% OF GDP IN 2023



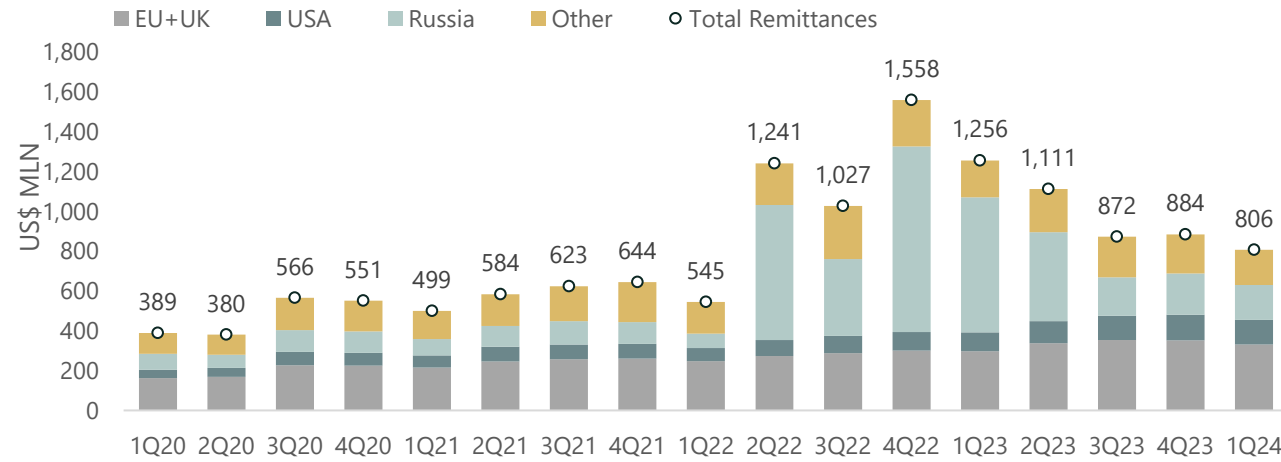
## CURRENT ACCOUNT BALANCE (% OF NOMINAL GDP)



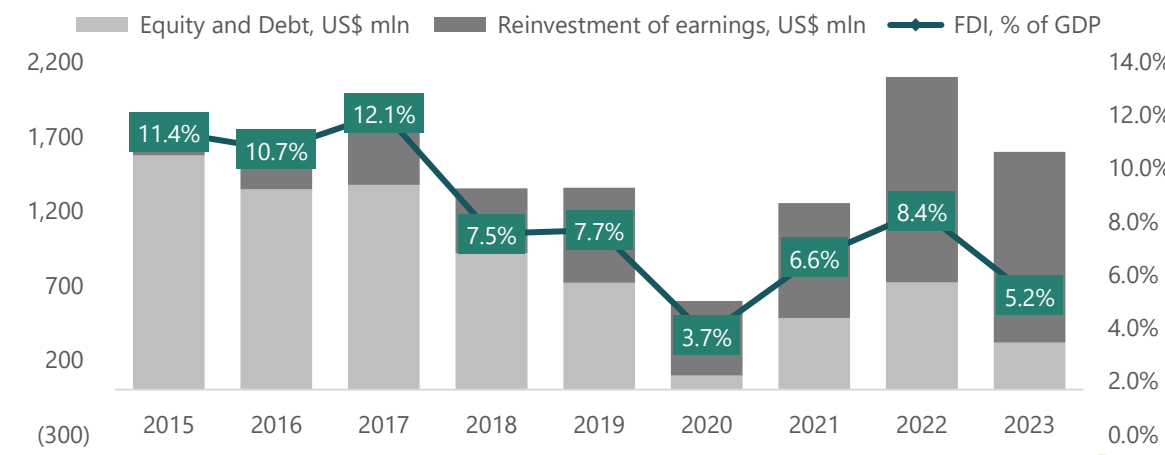
## EXPORTS AND RE-EXPORTS, US\$ BILLION



## REMITTANCES RETURNING TO NORMAL LEVELS

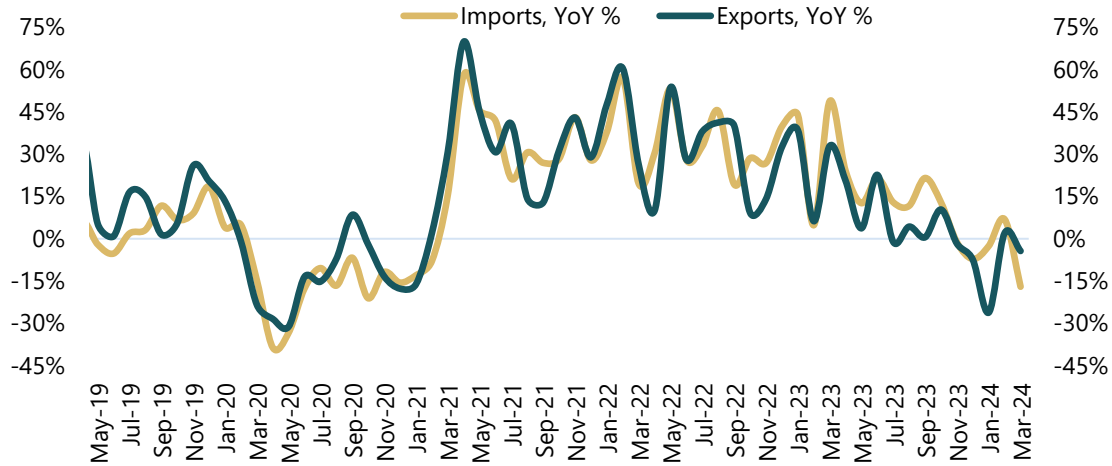


## FDI (COMPONENTS AND % OF NOMINAL GDP)

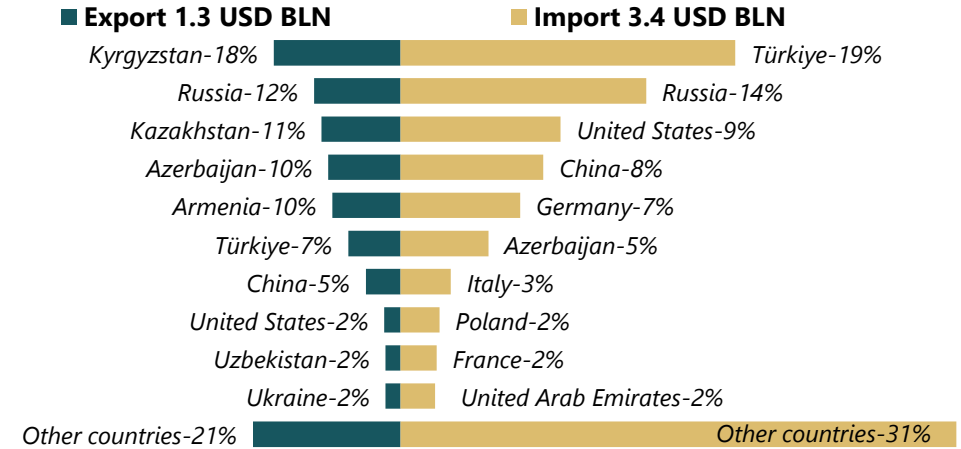


# DIVERSIFIED FOREIGN TRADE

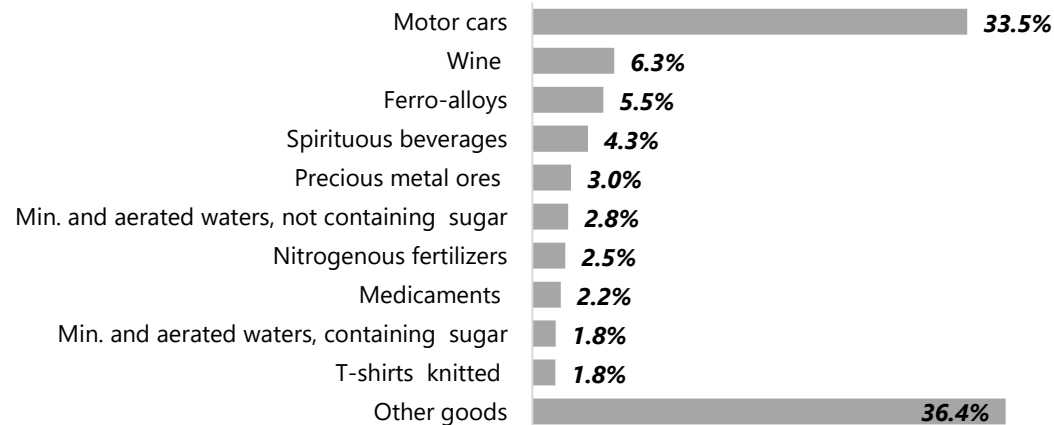
## EXPORTS AND IMPORTS OF GOODS, Y-O-Y %



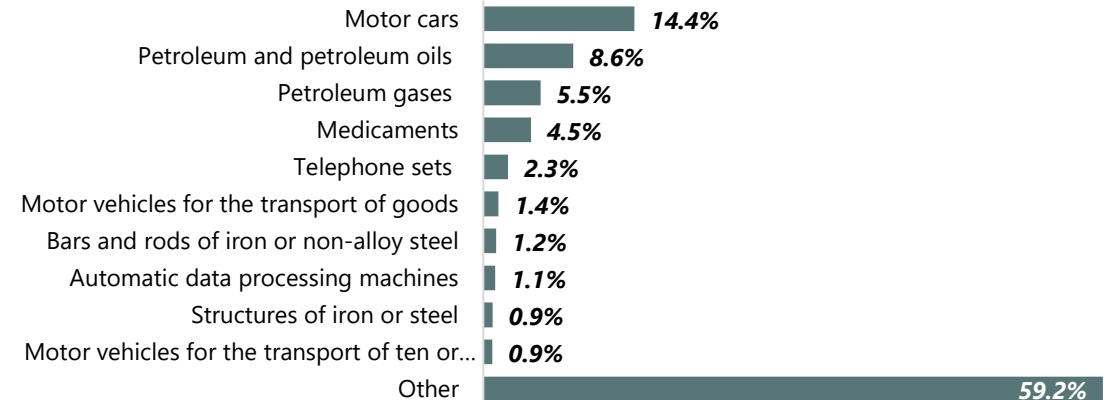
## EXTERNAL TRADE BY COUNTRIES, 1Q24, SHARE IN TOTAL



## EXPORT BY MAJOR GOODS, 1Q24, SHARE IN TOTAL



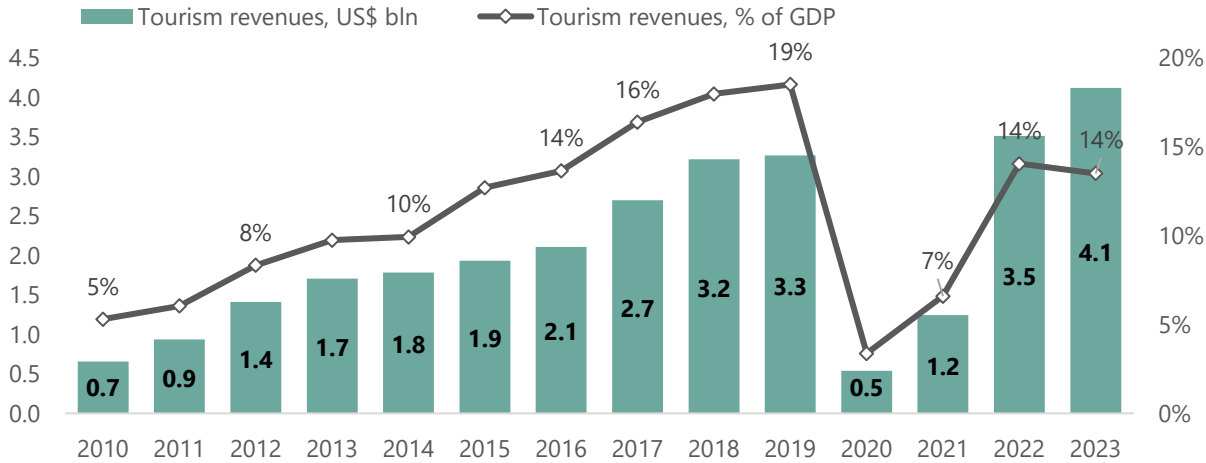
## IMPORT BY MAJOR GOODS, 1Q24, SHARE IN TOTAL



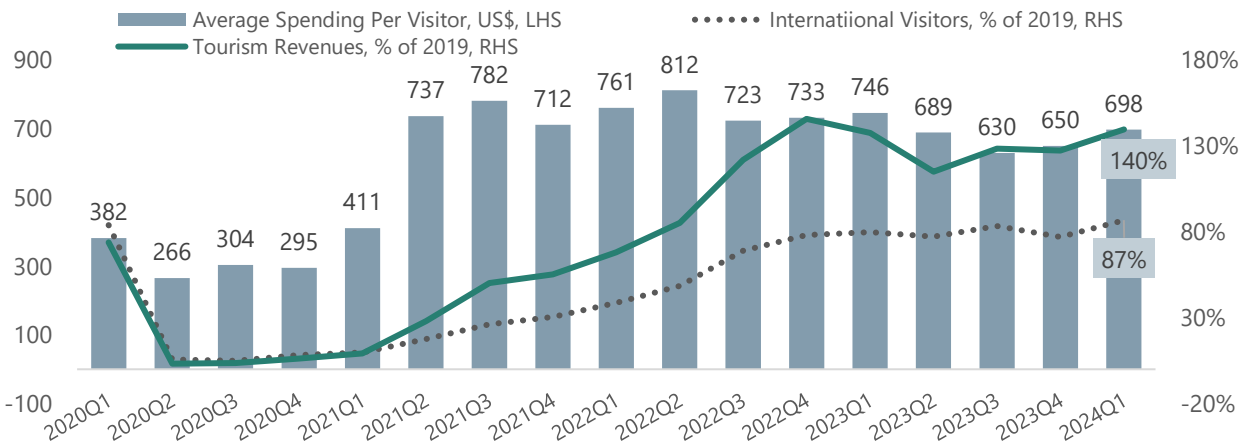
# TOURISM REVENUES BACK TO FULL STRENGTH, DESPITE LOWER NUMBER OF TRAVELERS COMPARED TO PRE-COVID LEVELS



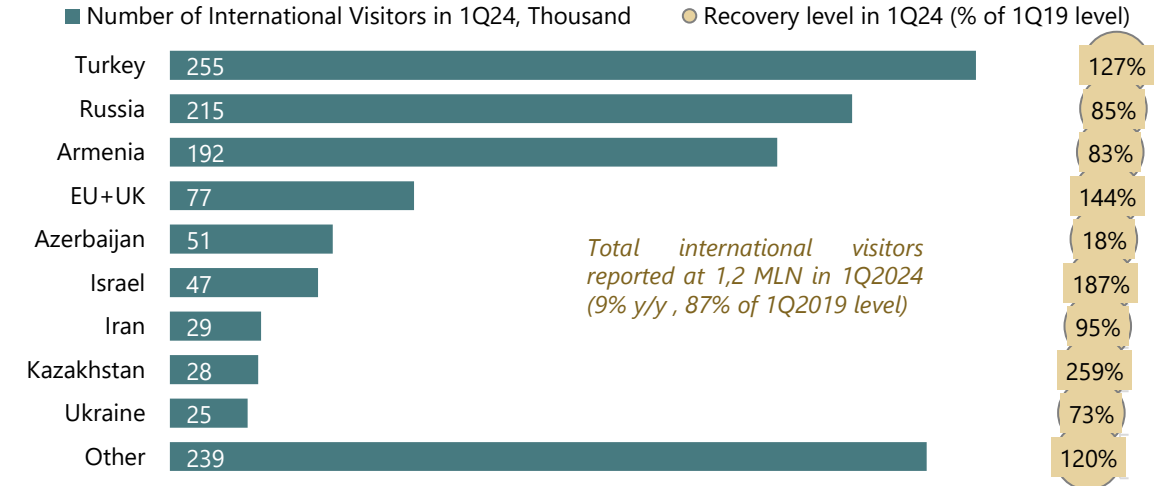
## TOURISM REVENUES TO GDP



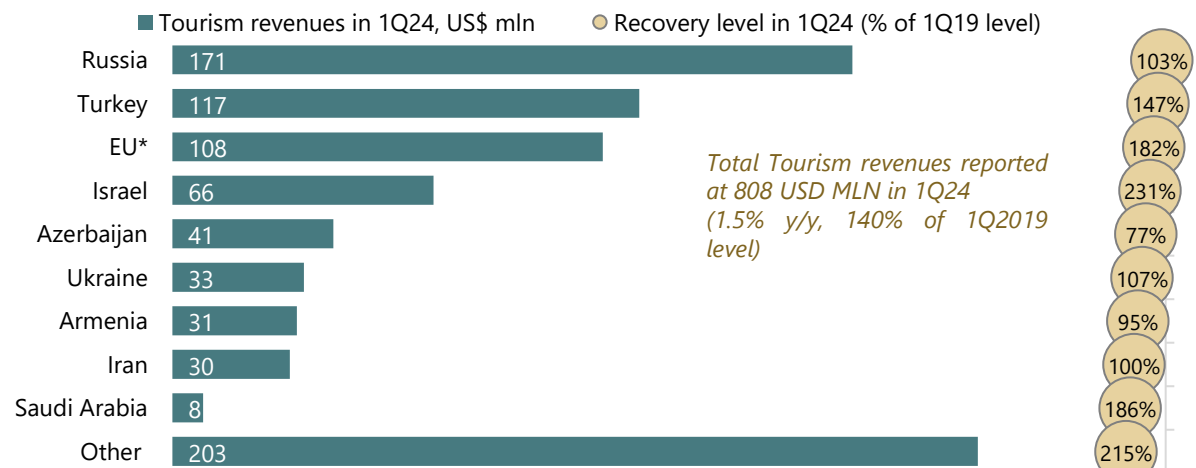
## AVERAGE SPENDING PER VISITOR



## INTERNATIONAL VISITORS BY COUNTRY



## TOURISM REVENUES BY COUNTRY

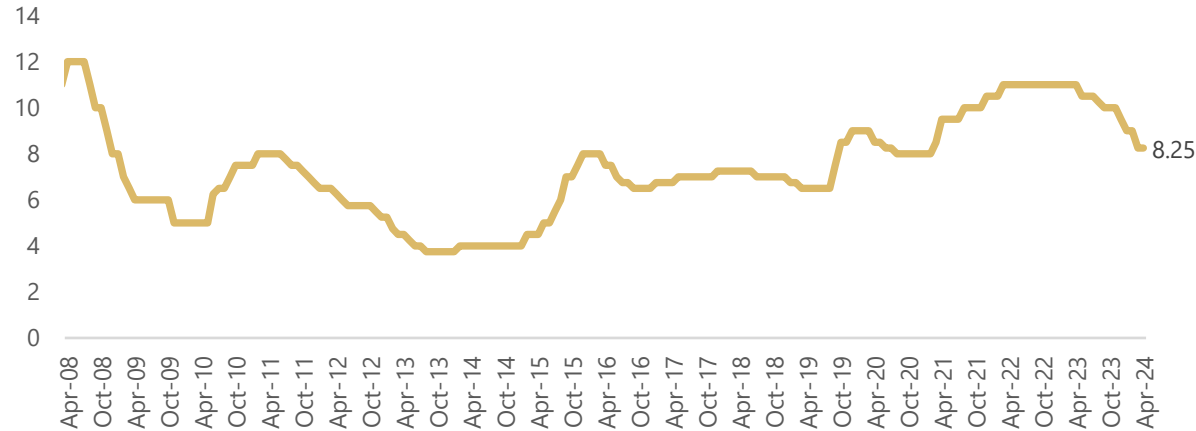


\* EU contains EU countries and Great Britain.

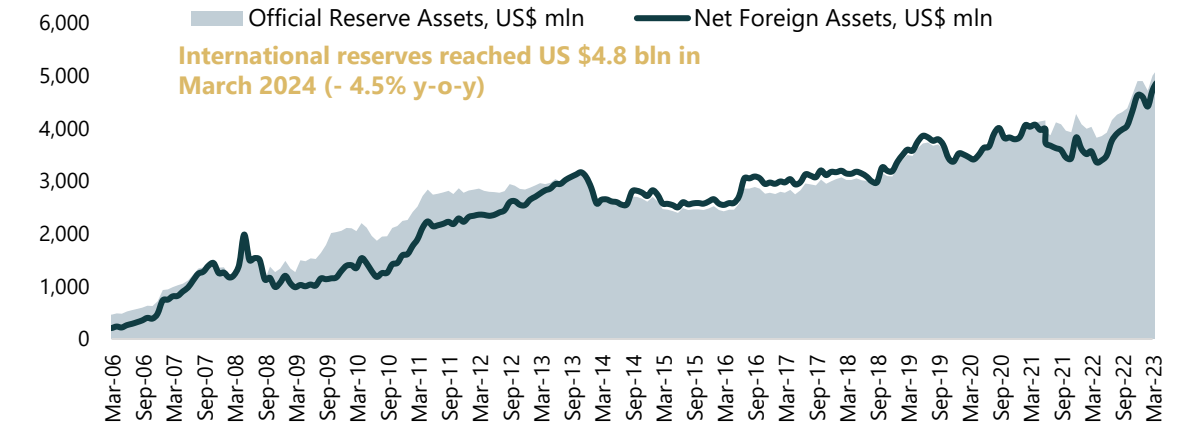
# APPROPRIATE MONETARY POLICY STANCE ENSURING MACROECONOMIC STABILITY



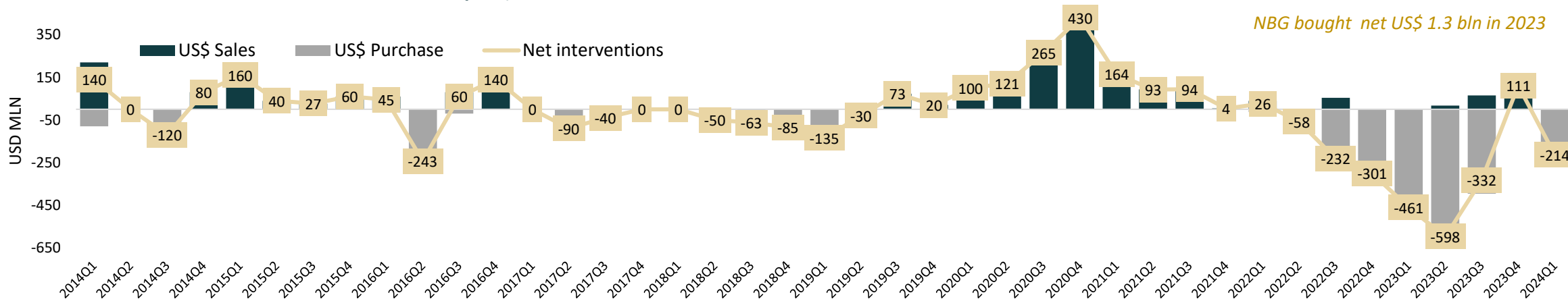
## MONETARY POLICY RATE



## INTERNATIONAL RESERVES



## FOREIGN EXCHANGE MARKET INTERVENTIONS, US\$ MILLION



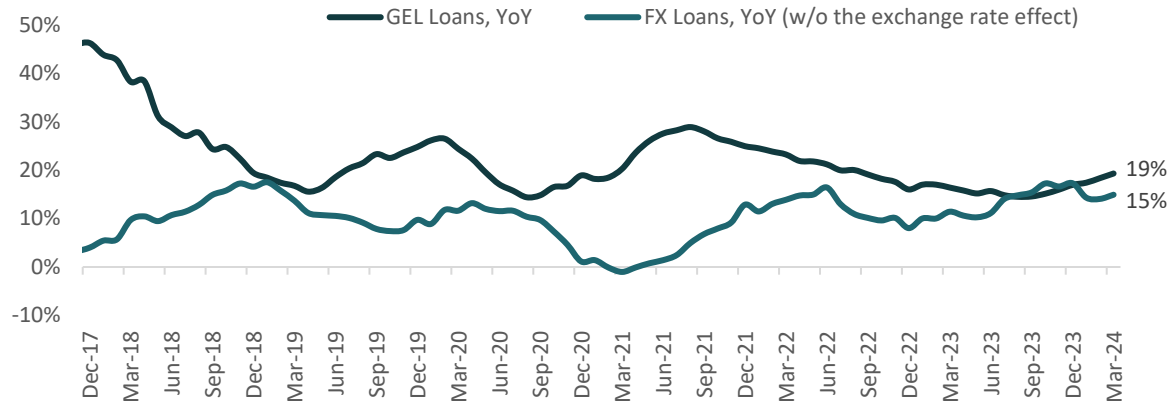
\*Data from 2020Q2 contains information about Bmatch platform interventions



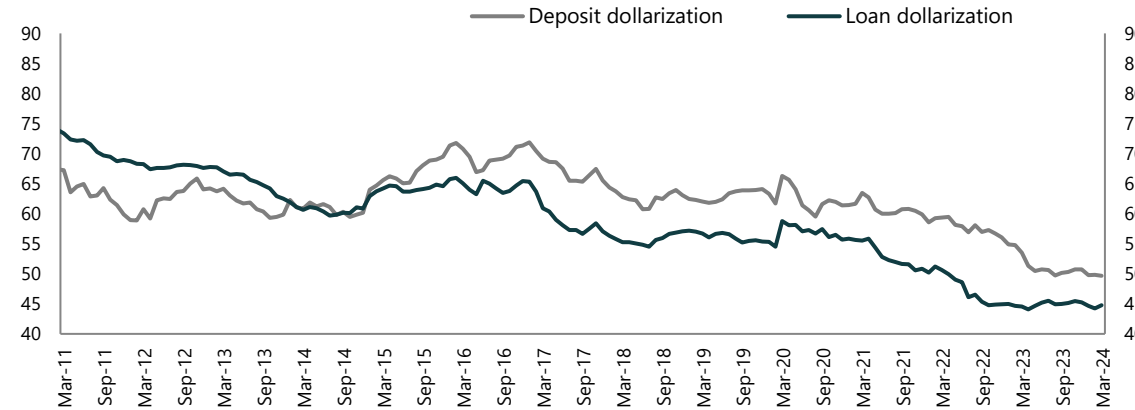
# USD/GEL ABOVE PRE-PANDEMIC LEVELS



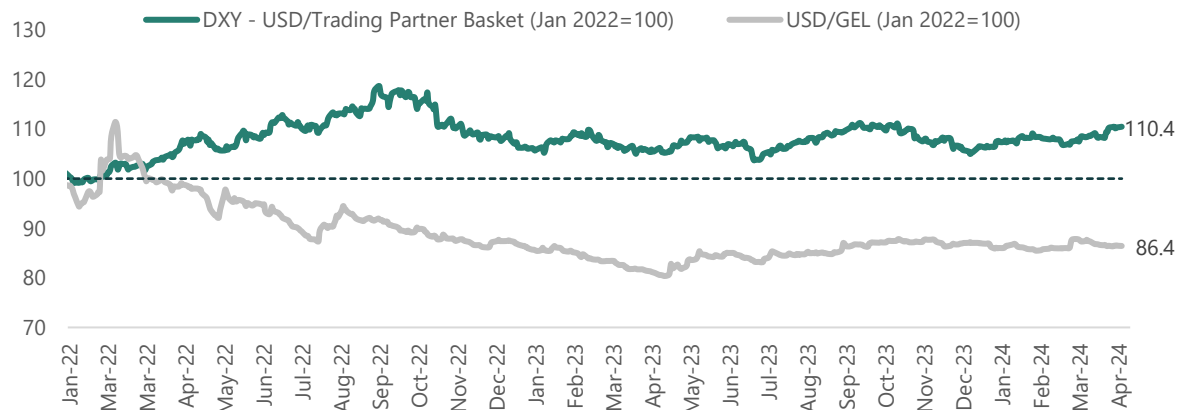
## LOANS BY CURRENCIES



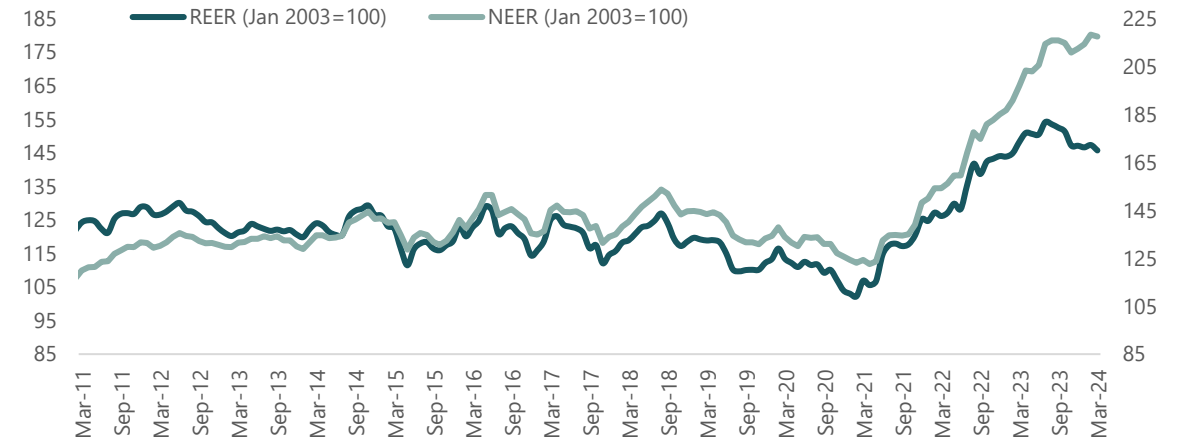
## DOLLARIZATION RATIOS



## EXCHANGE RATE INDICES



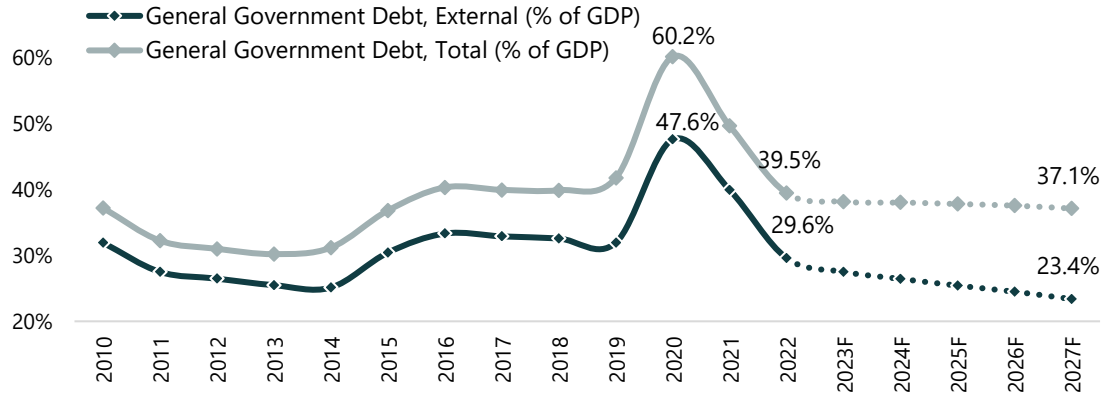
## REAL (REER) AND NOMINAL (NEER) EFFECTIVE EXCHANGE RATES



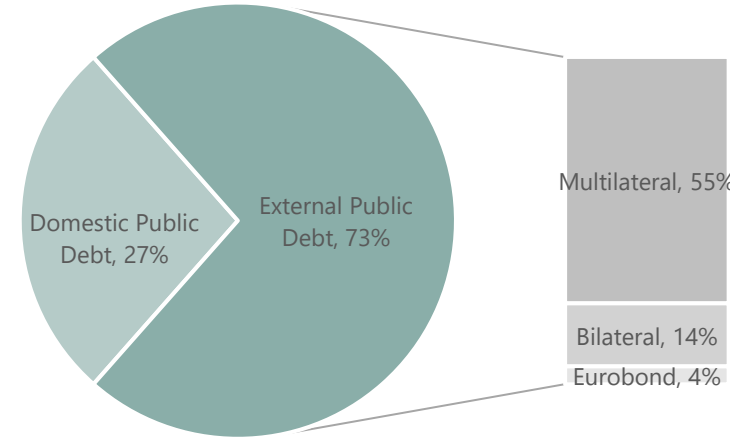
# GOVERNMENT BALANCE SHEET IMPROVING WITH EXTERNAL PUBLIC DEBT (% OF GDP) HITS ITS LOWEST LEVEL SINCE 2015 AND DEFICIT IS IN LINE WITH THE FISCAL RULE



## GENERAL GOVERNMENT DEBT AT PRE-PANDEMIC LEVELS

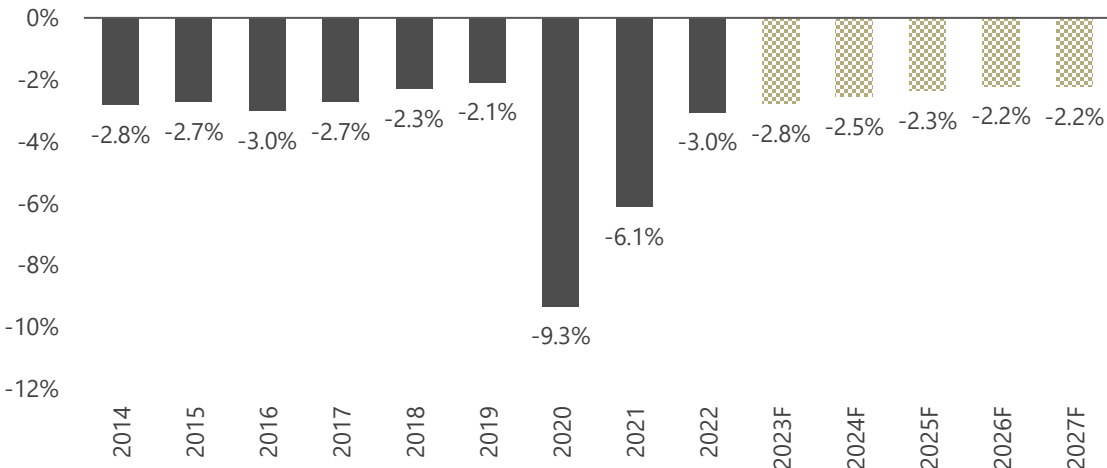


## GENERAL GOVERNMENT DEBT STRUCTURE



50% of external debt consists of fixed rate credits; Average weighted interest rate was 3.40%, while remaining maturity totaled 9.0 years as of 31 December 2023

## FISCAL DEFICIT\*, % OF GDP



\* IMF modified

Georgia Capital PLC | Source: MOF

## OPERATING BALANCE HAS SWITCHED TO A SURPLUS AGAIN

