

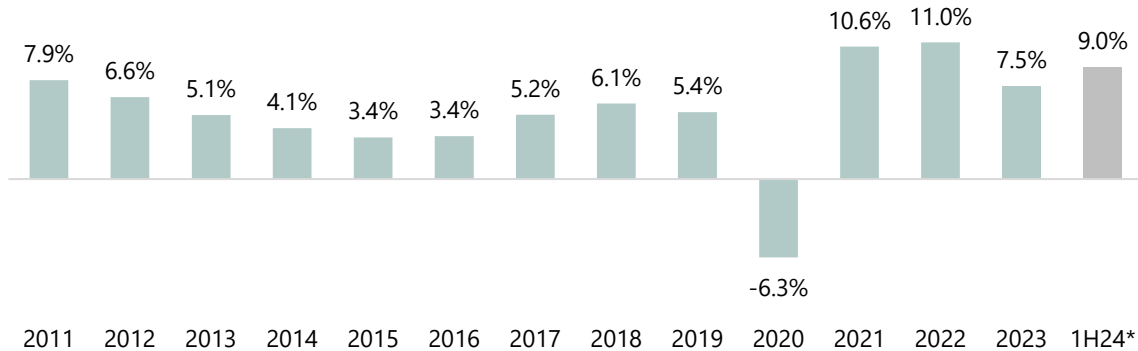
# MACROECONOMIC OVERVIEW

2Q24 & 1H24 RESULTS

# STRONG REAL GDP GROWTH IN 1H24, WITH INFLATION BELOW TARGET

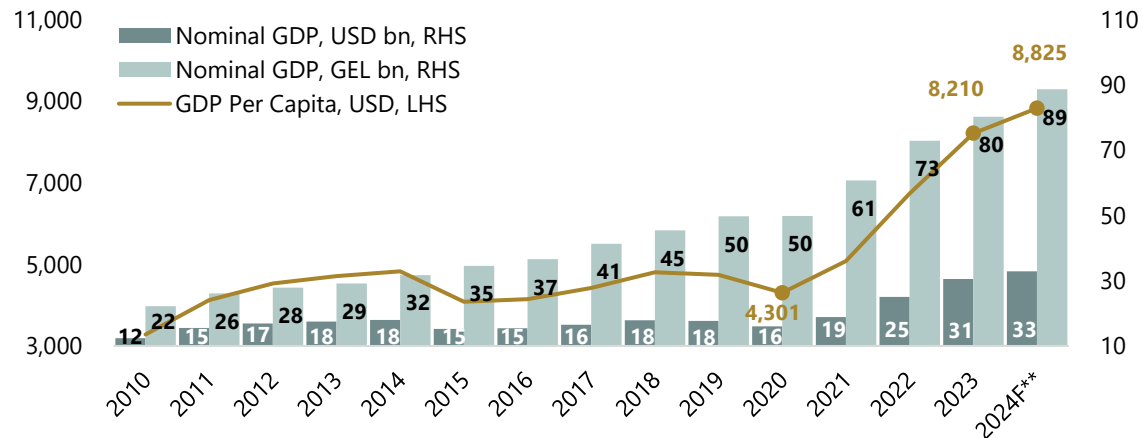


## GEORGIA'S ECONOMY CONTINUES TO EXPAND, WITH PRELIMINARY ECONOMIC GROWTH AT 9.0% Y-O-Y IN 1H24



\* Preliminary estimate

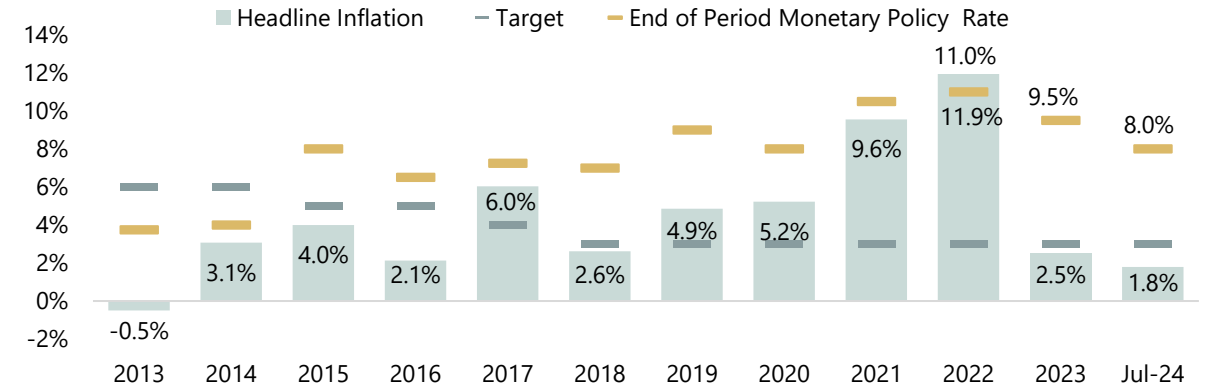
## NOMINAL GDP IN US DOLLARS IS EXPECTED TO REACH US\$ 33 BILLION IN 2024, DOUBLING FROM ITS 2020 LEVEL



\*\* IMF forecast

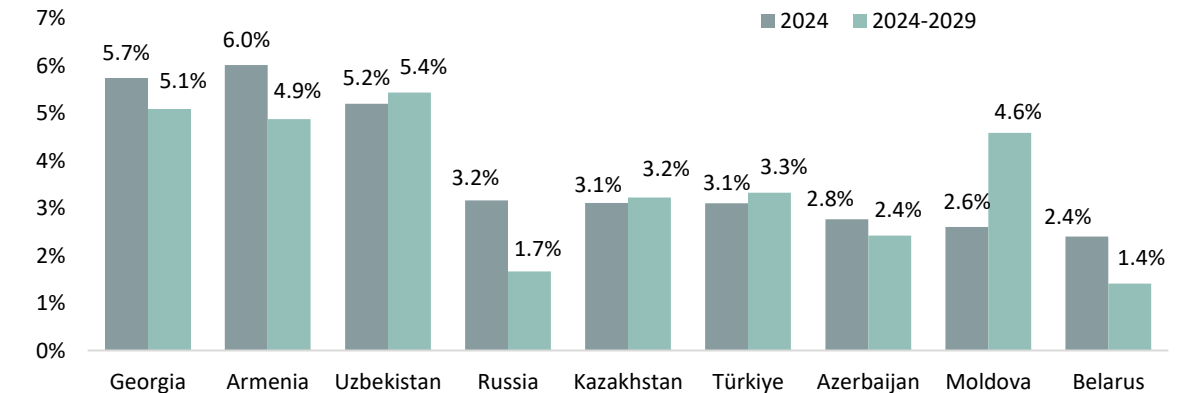
Georgia Capital PLC | Source: Geostat, NBG, IMF, WEO (April 2024)

## ANNUAL INFLATION BELOW THE 3% TARGET SINCE APRIL 2023, WITH JULY 2024 INFLATION AT 1.8% Y-O-Y



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

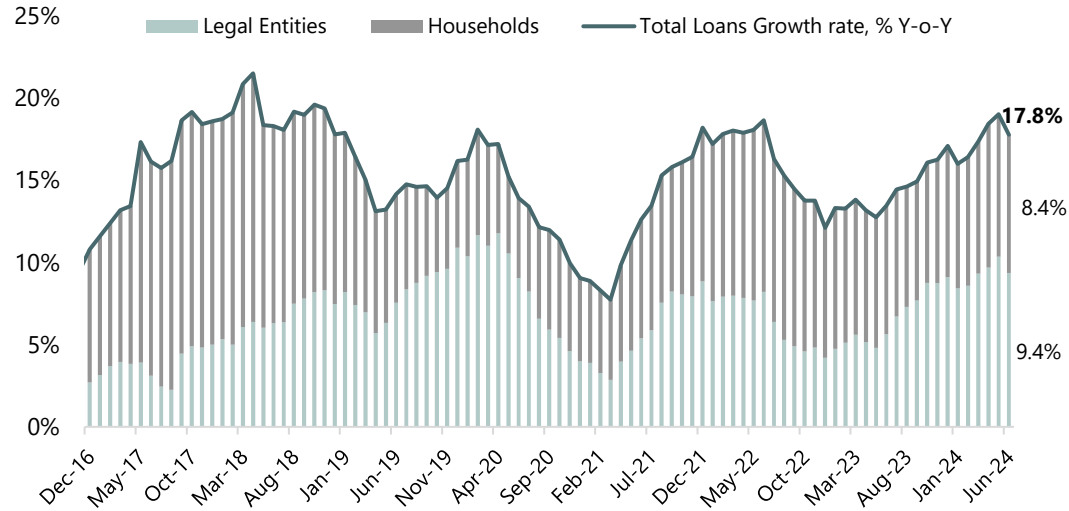
### Projected real GDP growth rates, % | IMF



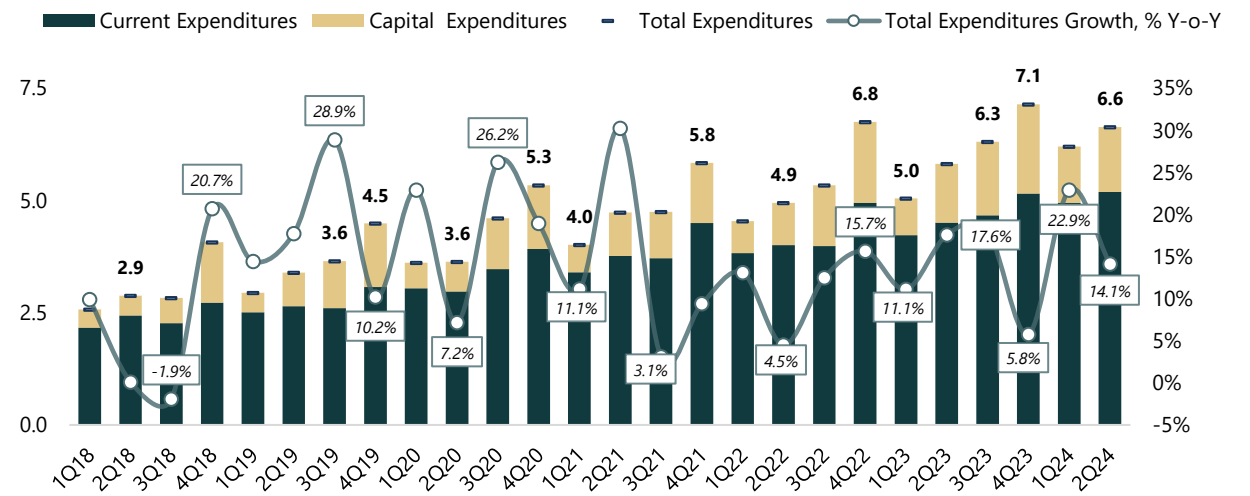
# ROBUST DOMESTIC ECONOMIC ACTIVITY IS DRIVING HIGHER-THAN-EXPECTED GROWTH



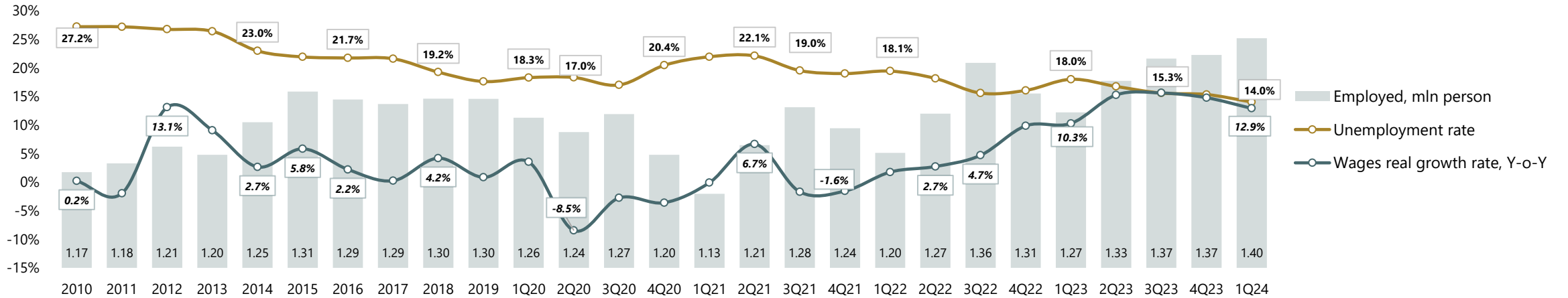
**LOANS GROWTH DECOMPOSITION BY SECTORS, (EXCHANGE RATE EFFECT EXCLUDED)**



**GENERAL GOVERNMENT FISCAL EXPENSES, GEL BLN**



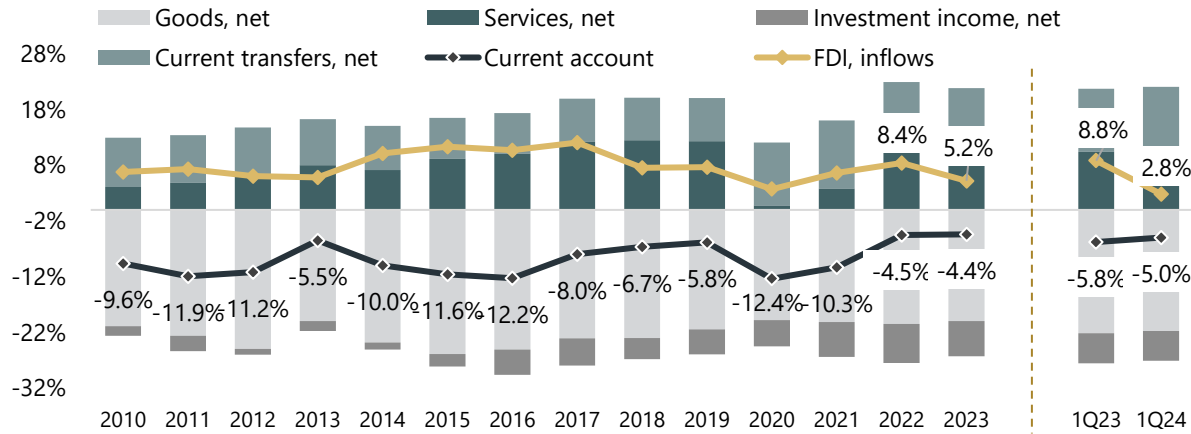
**UNEMPLOYMENT RATE AT HISTORICAL LOWS, DOWN TO 16.4% IN 2023 FROM 17.3% IN 2022**



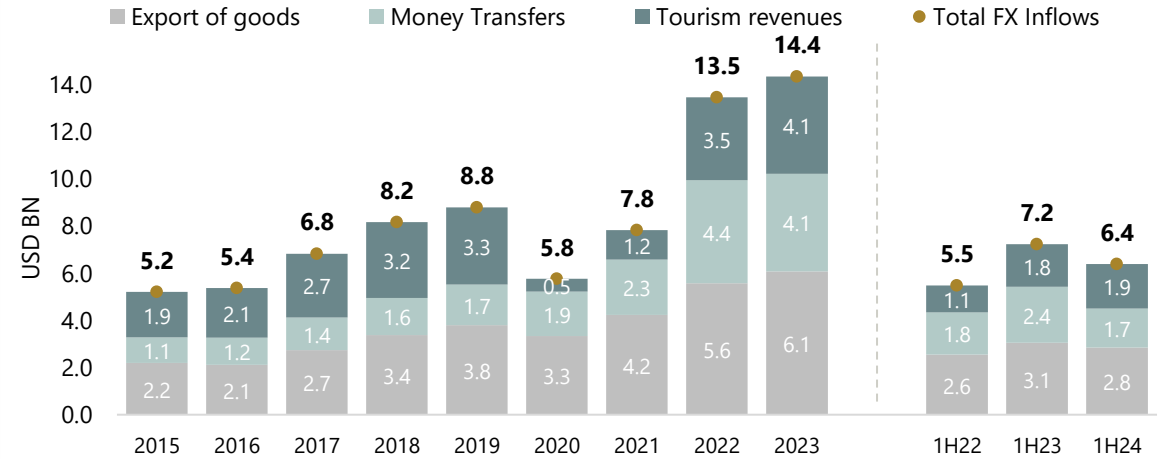
# CURRENT ACCOUNT DEFICIT AT HISTORICALLY LOW LEVELS



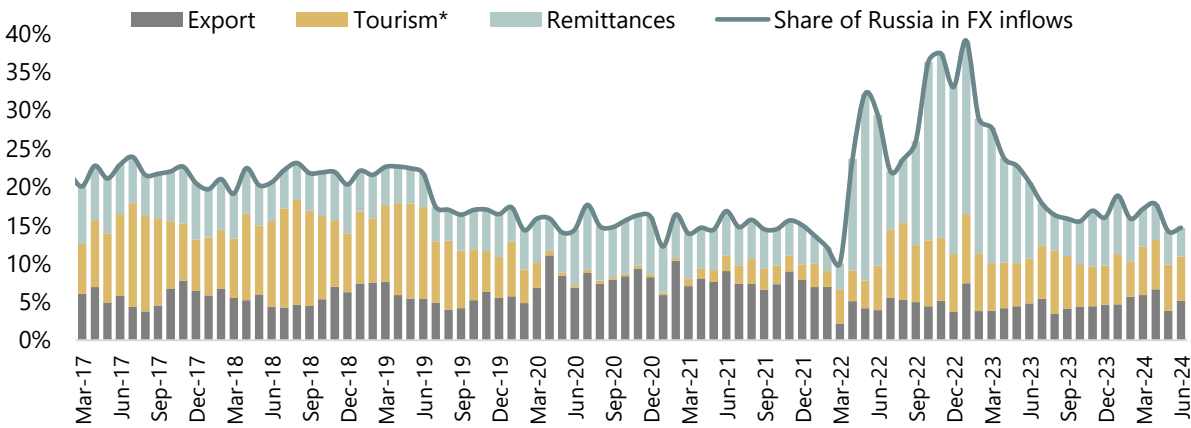
## CAB NARROWED TO -5.0% OF GDP, SUPPORTED BY GROWTH IN THE TRANSFER AND SERVICES BALANCE



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



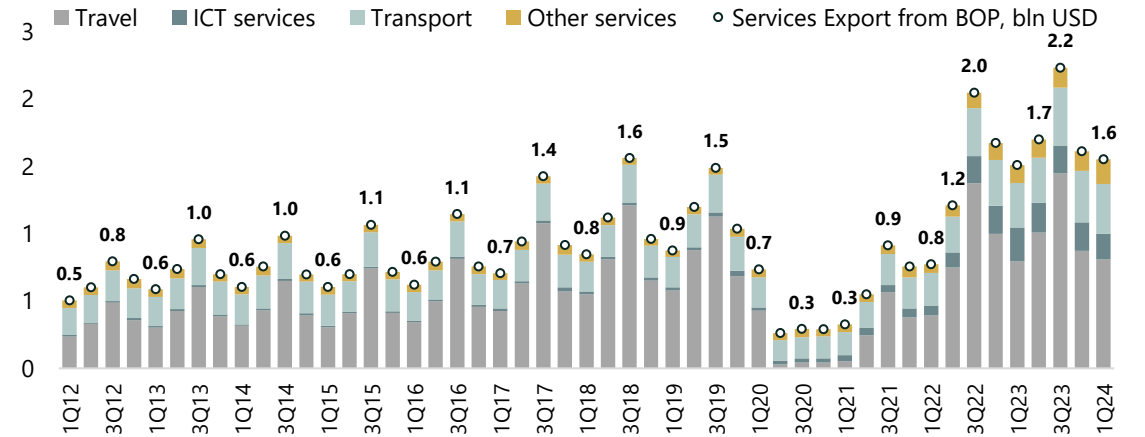
## THE SHARE OF RUSSIA IN FX INFLOWS IS RETURNING TO PRE-WAR LEVELS



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

Georgia Capital PLC | Source: Geostat, NBG

## SINCE 2022, THE EXPORT OF ICT SERVICES HAS INCREASED - IN 2023 ICT EXPORTS TOTALLED US\$ 892 MLN WITH A 49% Y-O-Y GROWTH RATE



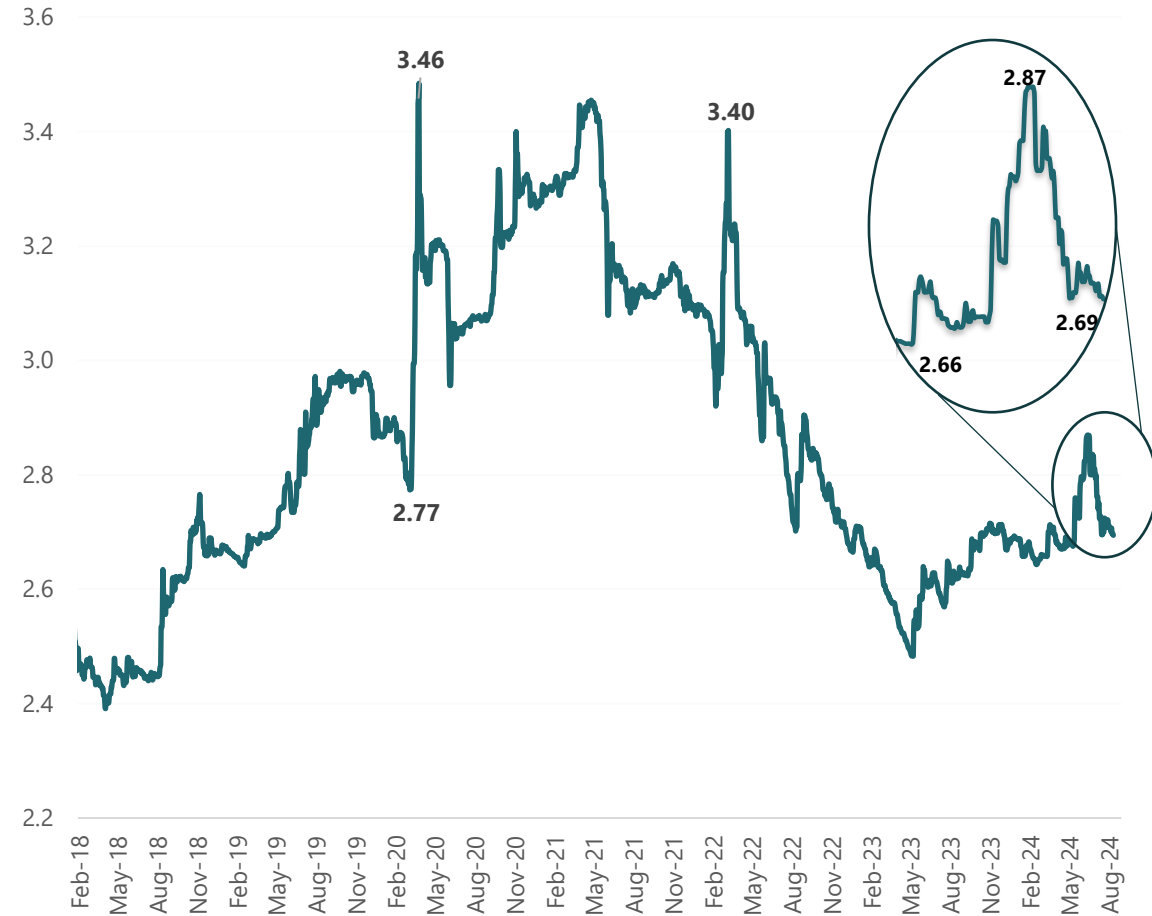
# WHILE DEPRECIATION EXPECTATIONS ARE FADING, THE SOVEREIGN SPREAD CONTINUES TO REFLECT INCREASED VOLATILITY IN THE REGIONAL GEOPOLITICAL ENVIRONMENT



WIDENED SOVEREIGN SPREAD REFLECTS RECENT GEOPOLITICAL VOLATILITY



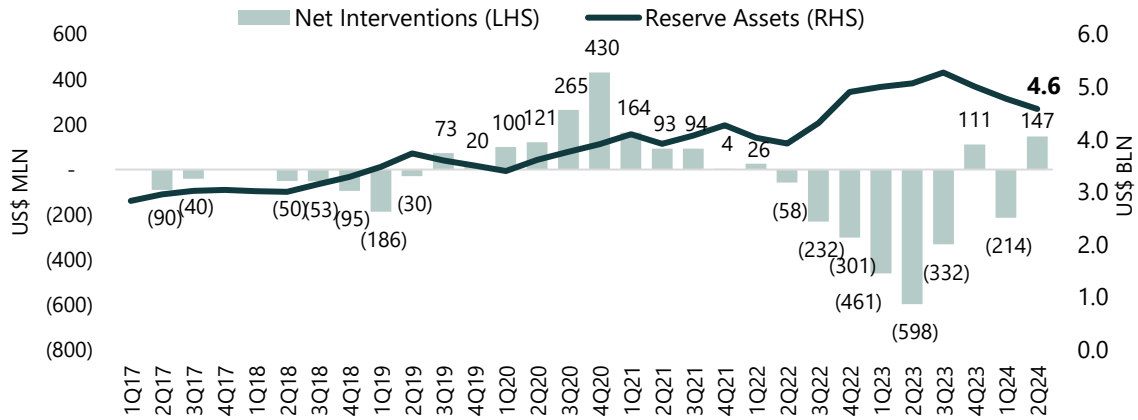
DESPITE RECENT DEPRECIATION, THE GEL HAS SINCE RECOVERED ITS VALUE, SHOWING ONLY 0.2 % YTD DEPRECIATION



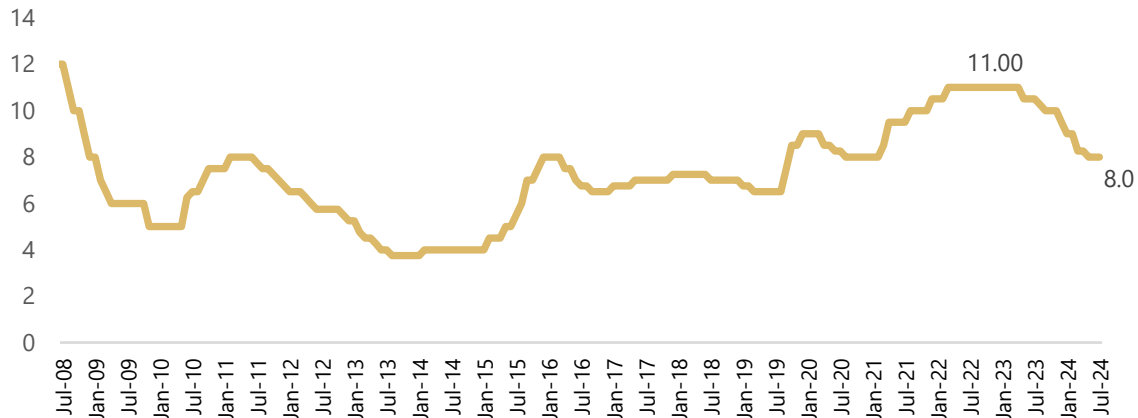
# MACRO POLICY STANCE REMAINS APPROPRIATE



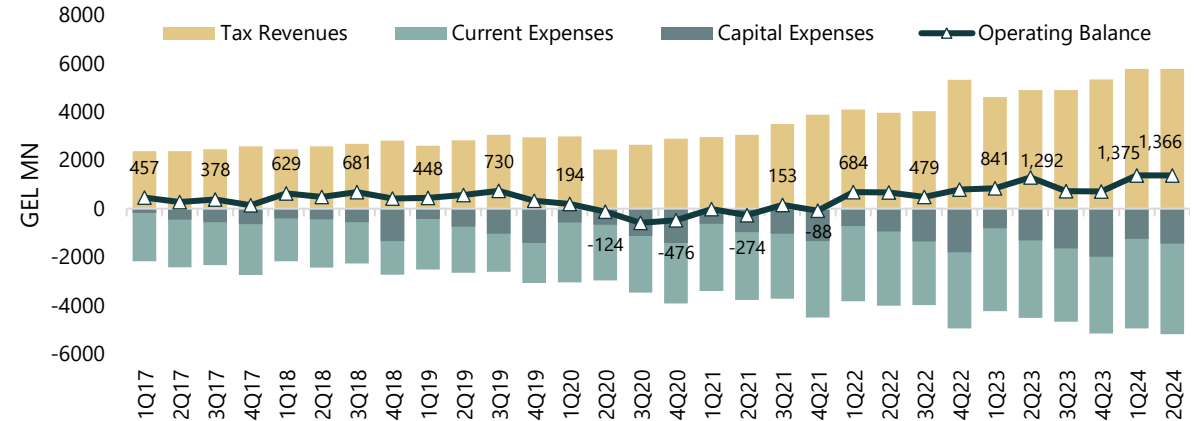
## NET NBG INTERVENTIONS ON THE FX MARKET AND OFFICIAL RESERVE ASSETS



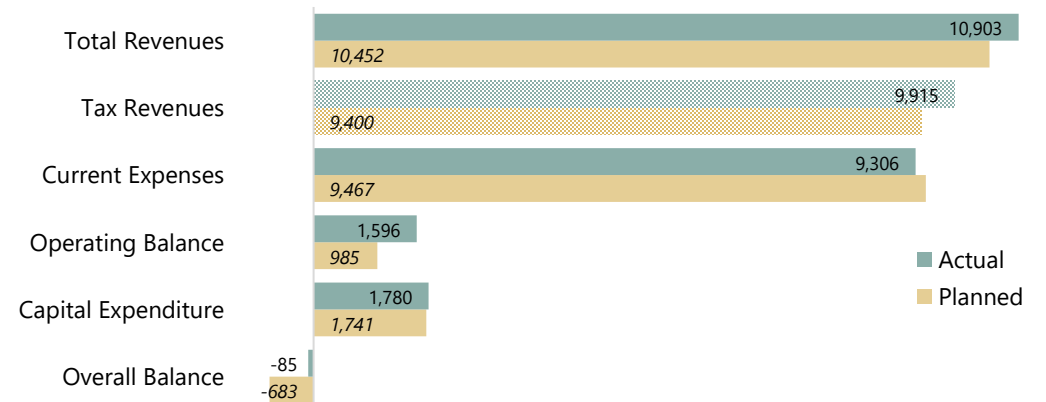
## THE NBG CONTINUED TO EASE ITS TIGHTENED MONETARY POLICY STANCE WITH 150 BPS CUT IN 1H24



## THE OPERATING BALANCE SURGES DUE TO HIGHER-THAN-EXPECTED TAX REVENUE COLLECTION



## CENTRAL GOVERNMENT 6-MONTH BUDGET PERFORMANCE IN 1H24 (COMPARED TO THE PLANNED 6-MONTH BUDGET), GEL MLN





## MACROECONOMIC WRAP-UP



**STRONG GDP PERFORMANCE DESPITE UNCERTAINTIES**



**BELOW-TARGET INFLATION**



**ROBUST EXTERNAL BALANCE SHEET**



**RECENT GEL DEPRECIATION PROVED TEMPORARY**



**MACROECONOMIC POLICY FRAMEWORK REMAINS  
APPROPRIATE**

# 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	Stable	June 2024

## Georgia is favorably placed among peers

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

## General Facts



- Area: 69,700 sq. km
- Population (2024): 3.7 million
- Capital: Tbilisi;
- Life expectancy: 75.0 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 2023: 28.5%



# 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

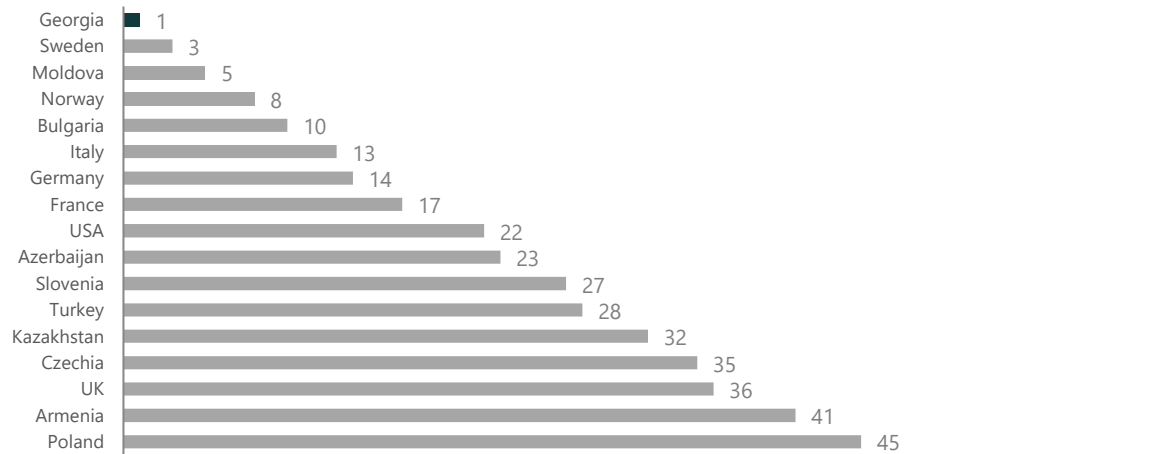
- Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development.
- Georgia imports natural gas mainly from Azerbaijan.
- Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 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

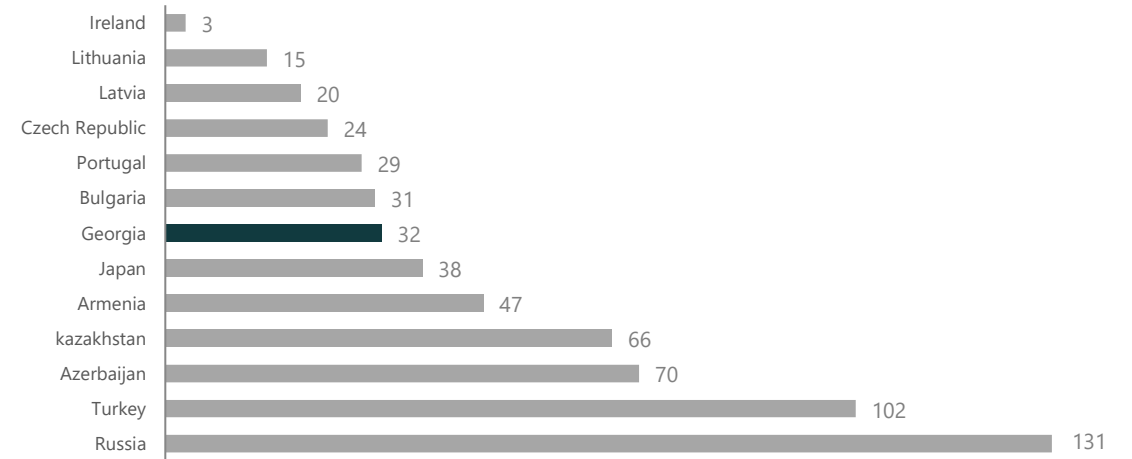
- Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU.
- New constitution amendments passed in 2013 to enhance 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

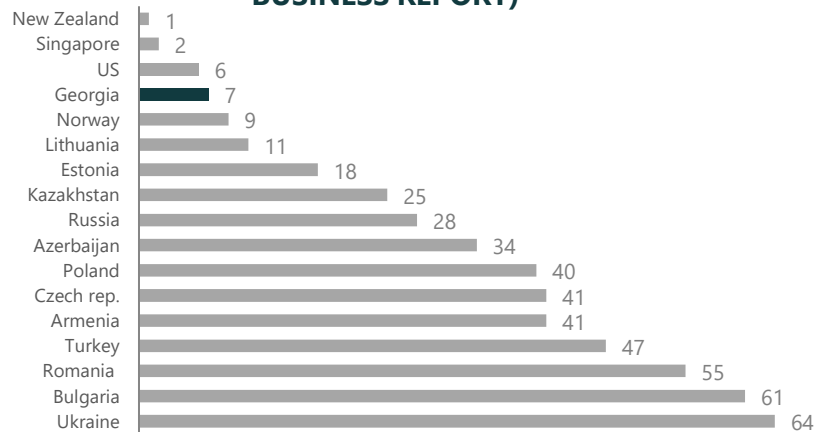
**OPEN BUDGET INDEX, 2023 | INTERNATIONAL BUDGET PARTNERSHIP  
(BUDGET TRANSPARENCY)**



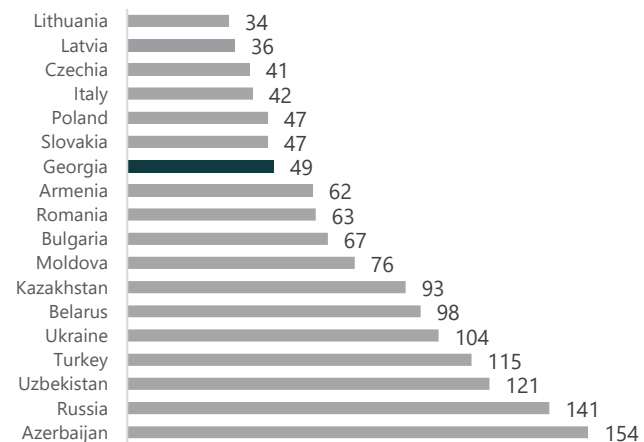
**ECONOMIC FREEDOM INDEX | 2024 (HERITAGE FOUNDATION)**



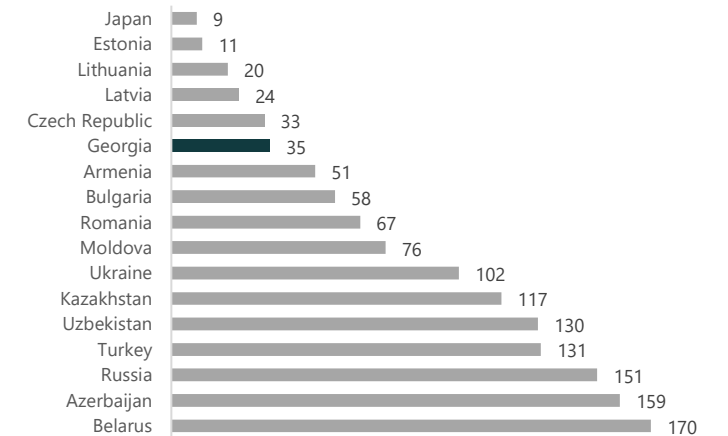
**EASE OF DOING BUSINESS | 2020 (WB DOING  
BUSINESS REPORT)**



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

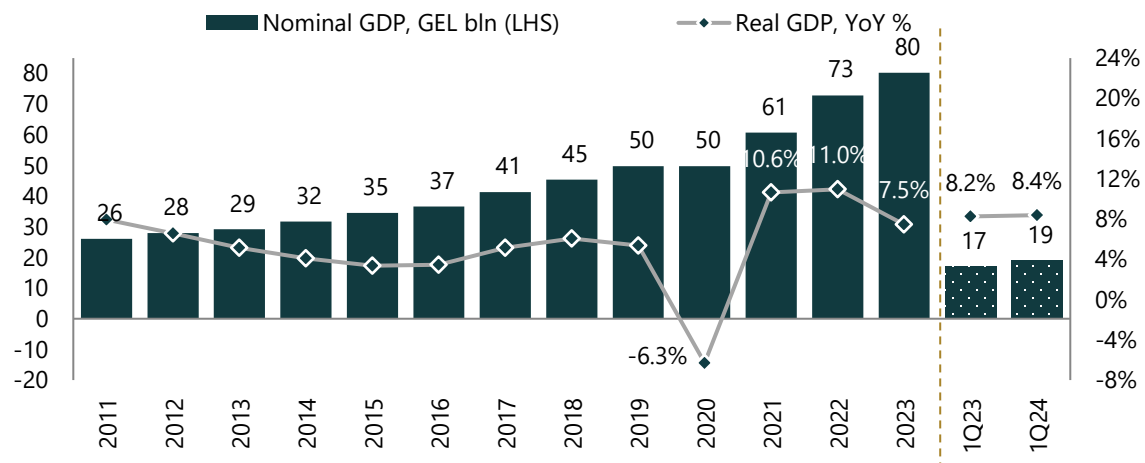


**BUSINESS BRIBERY RISK, 2023 | TRACE INTERNATIONAL**

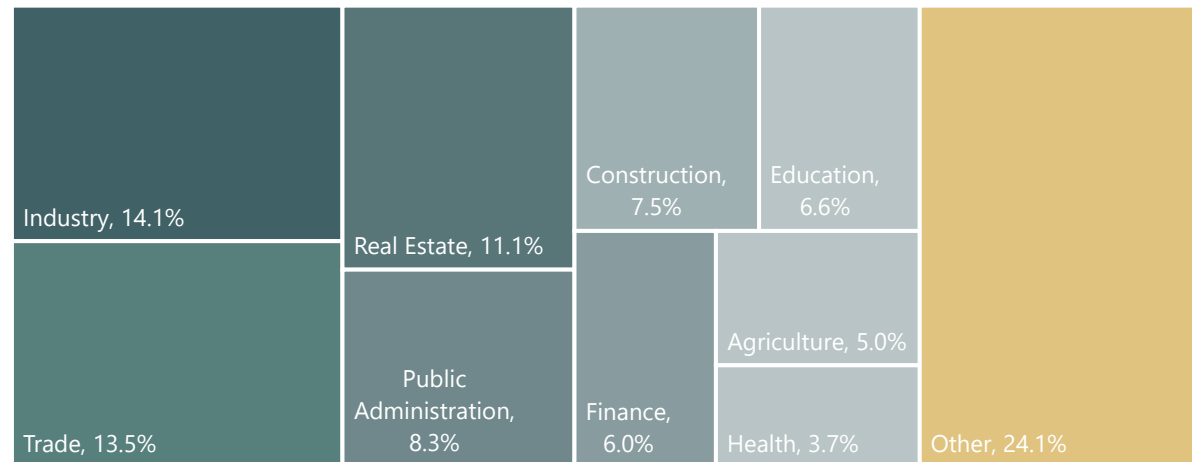


# ECONOMIC GROWTH CONTINUING AT PACE

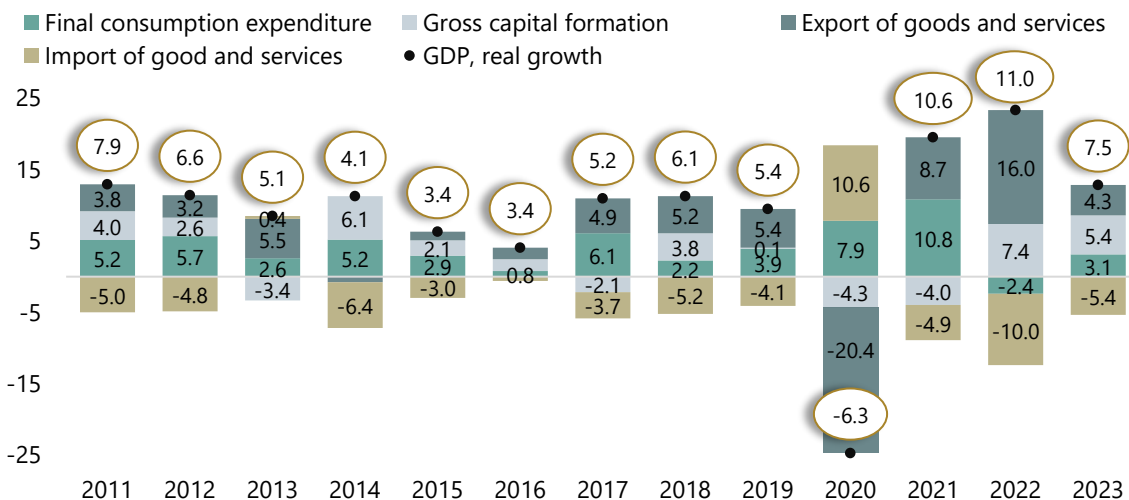
## GROSS DOMESTIC PRODUCT



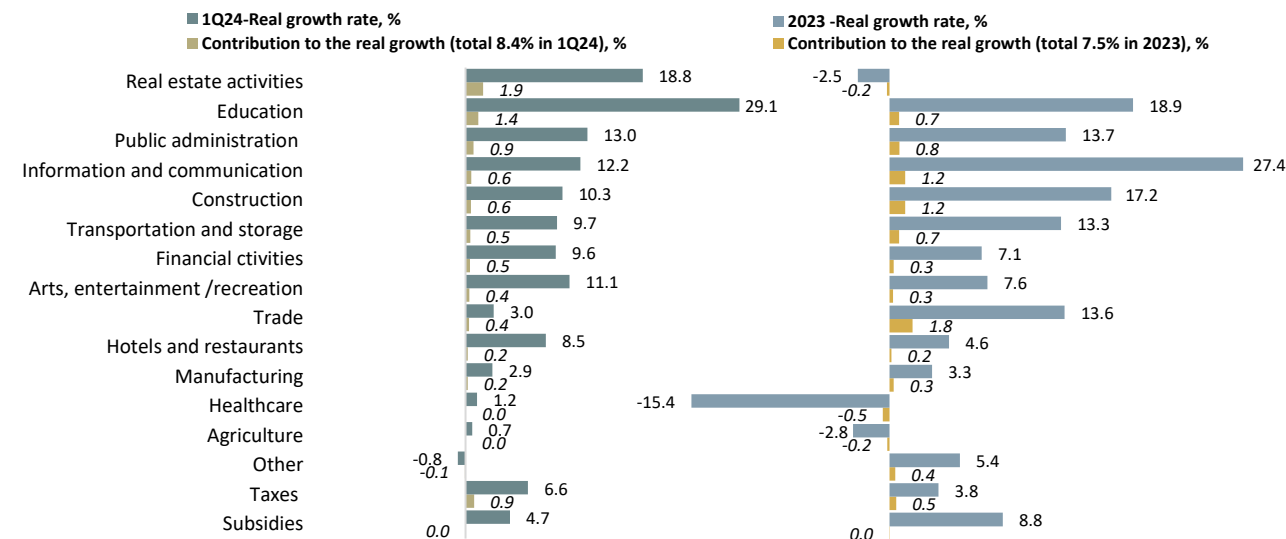
## NOMINAL GDP STRUCTURE, 1Q24



## GDP GROWTH DECOMPOSITION BY CATEGORIES OF USE, %

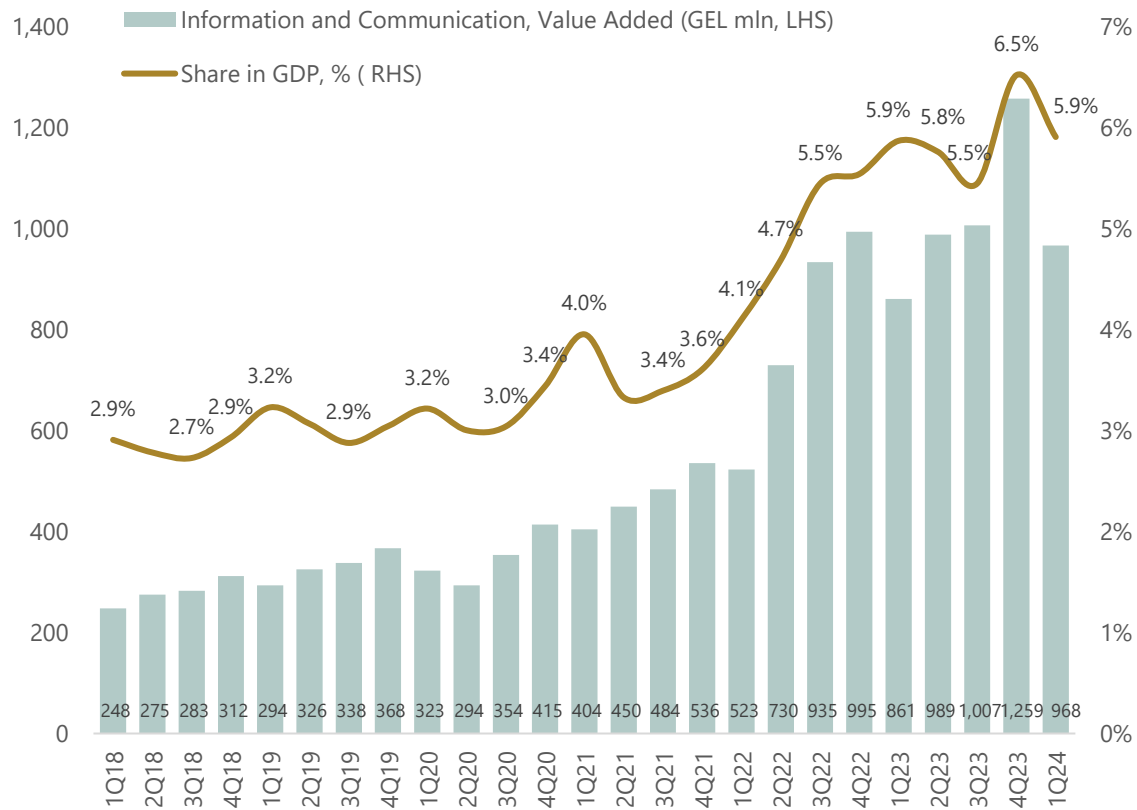


## GDP GROWTH DECOMPOSITION BY SECTORS IN 1Q24 AND IN 2023, %

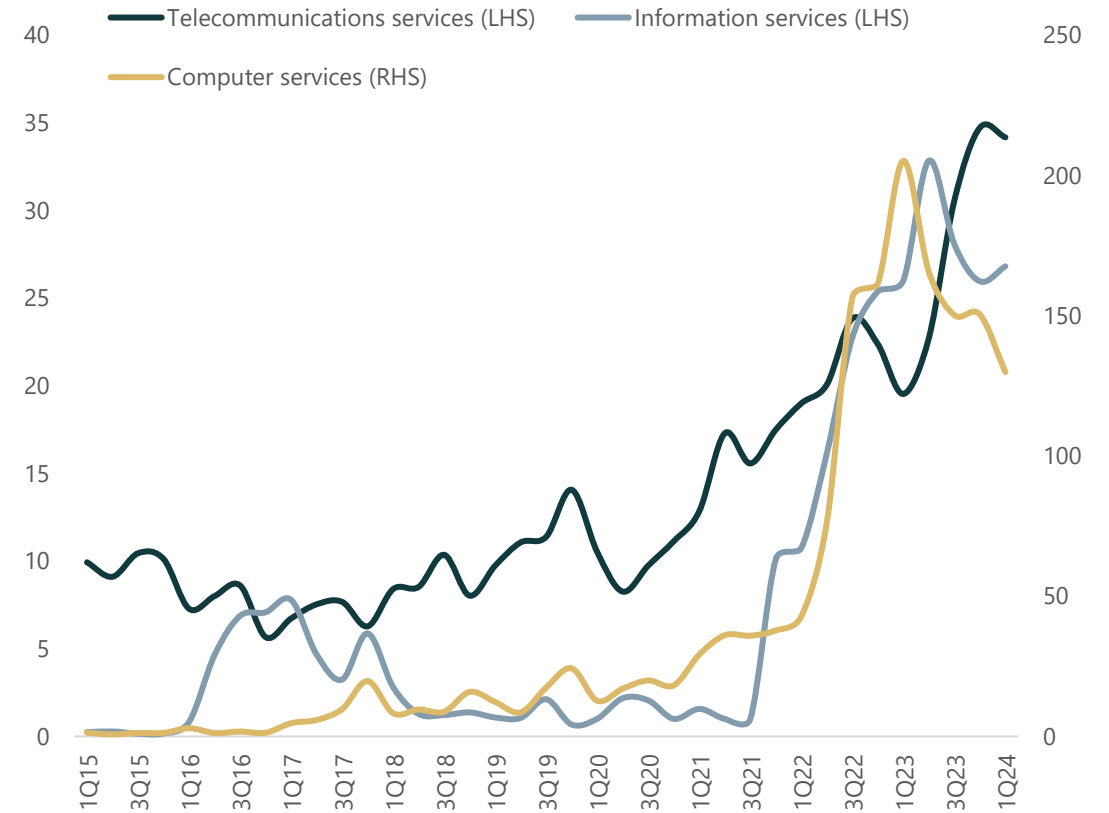


# ICT SECTOR: SUPPORTS GDP GROWTH AND EMERGES AS A NEW SOURCE FOR THE FOREIGN CURRENCY FLOWS

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

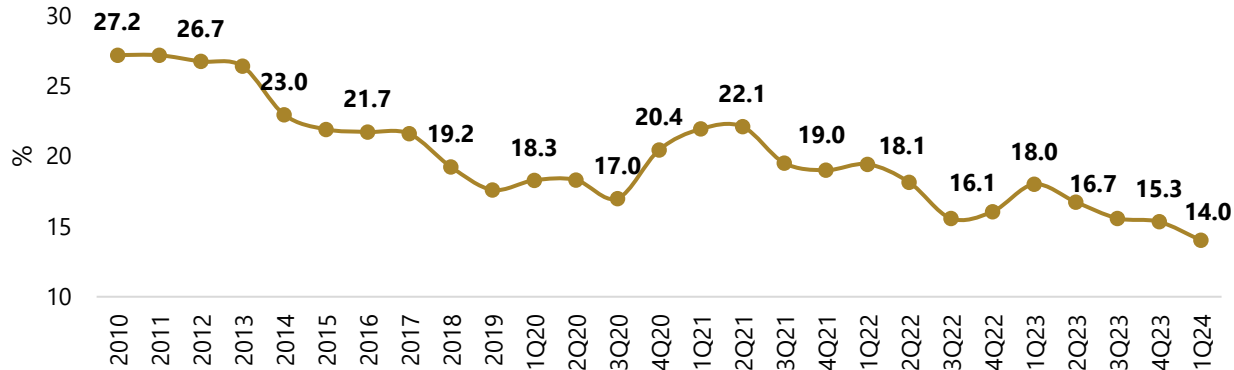


**EXPORTS OF ICT SERVICES (US\$ MLN)**

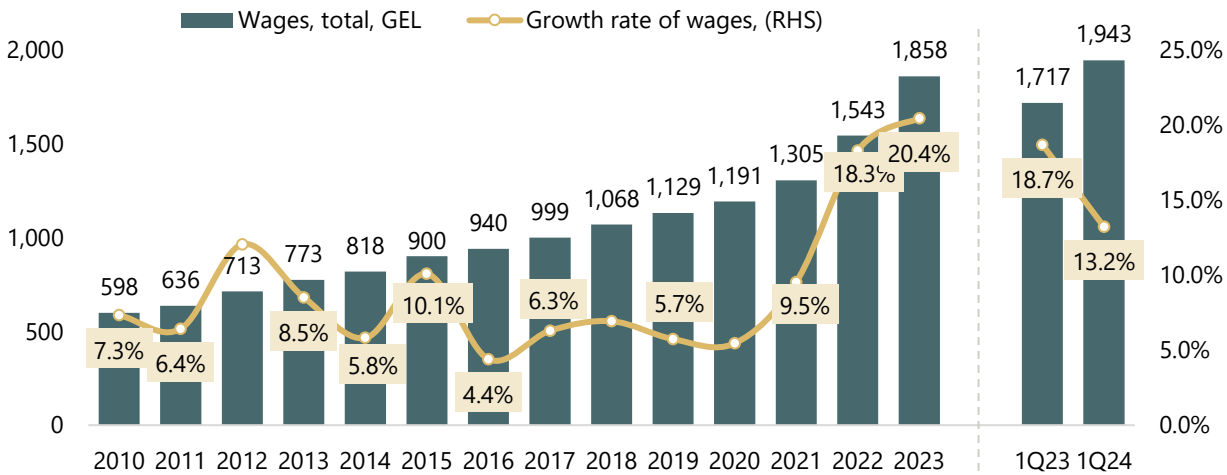


# UNEMPLOYMENT RATE AT HISTORICAL LOWS

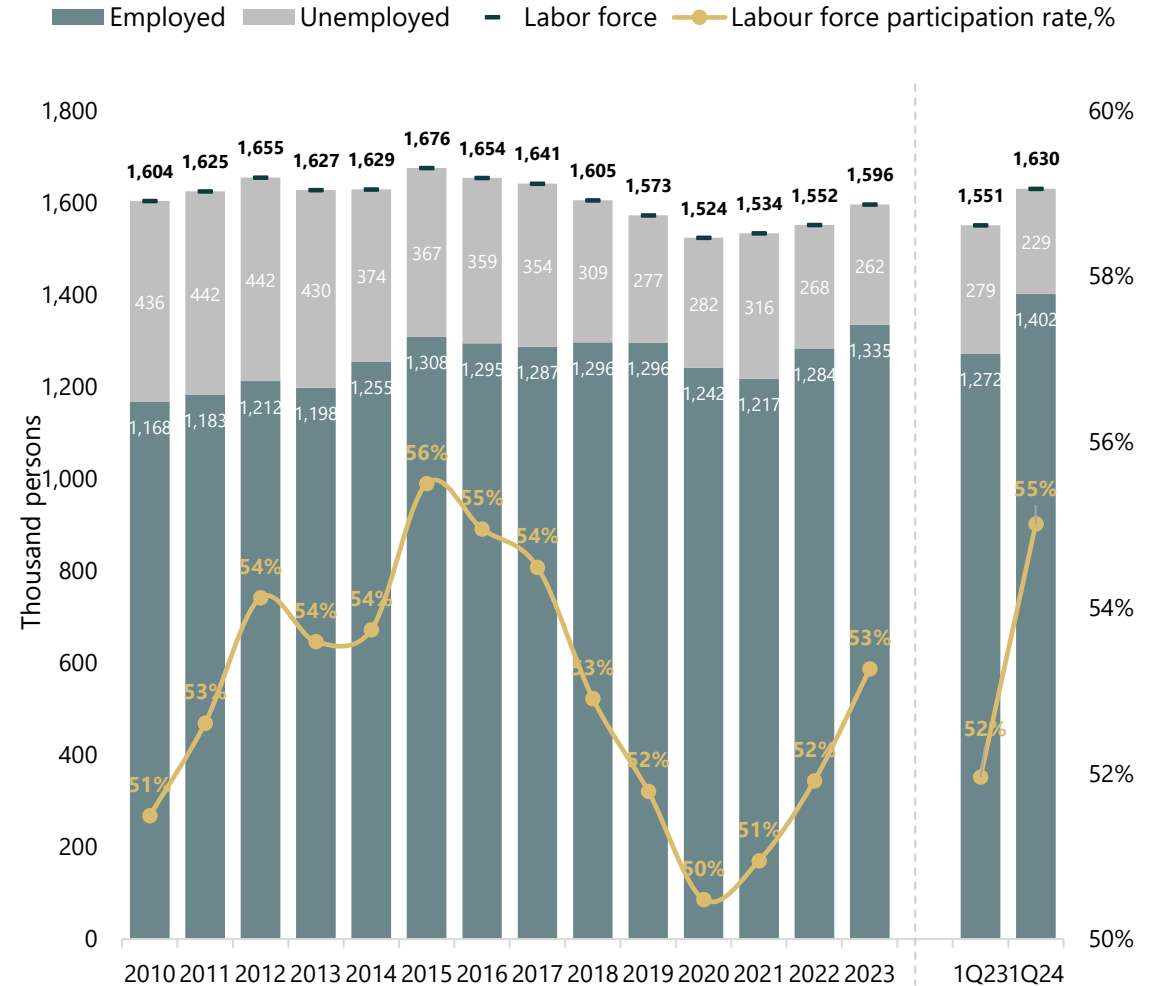
UNEMPLOYMENT RATE AT HISTORICAL LOWS, DOWN TO 16.4% IN 2023 FROM 17.3% IN 2022



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



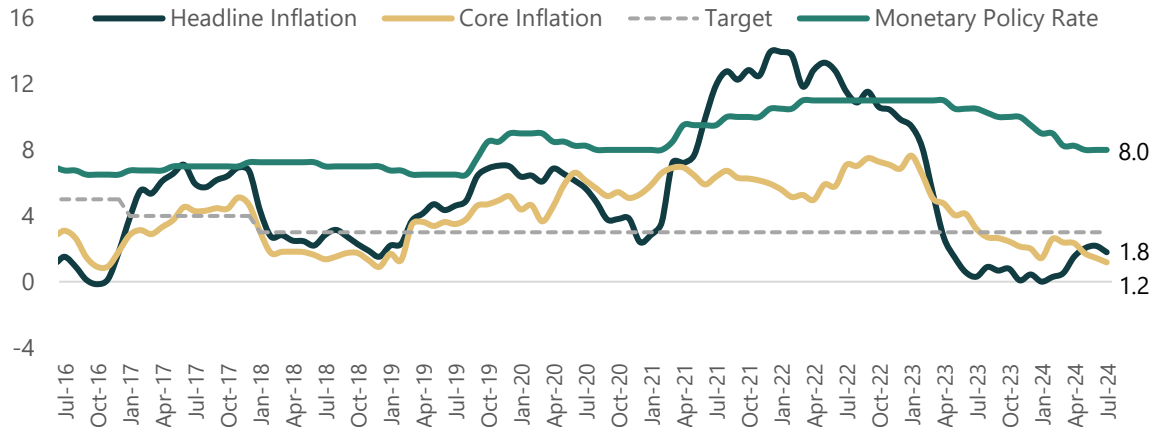
LABOR FORCE STRUCTURE



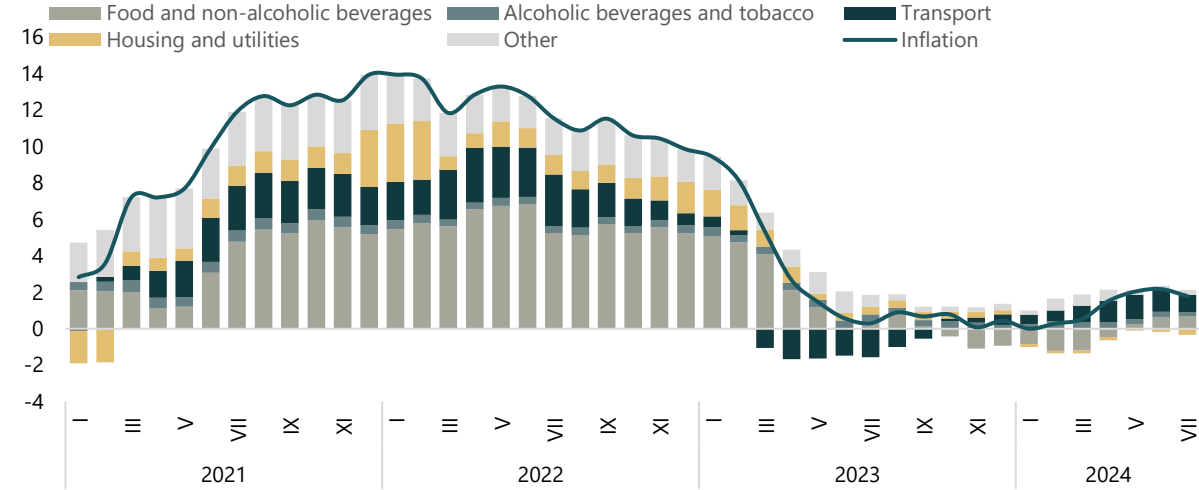
# INFLATION BELOW THE TARGET LEVEL SINCE APRIL 2023



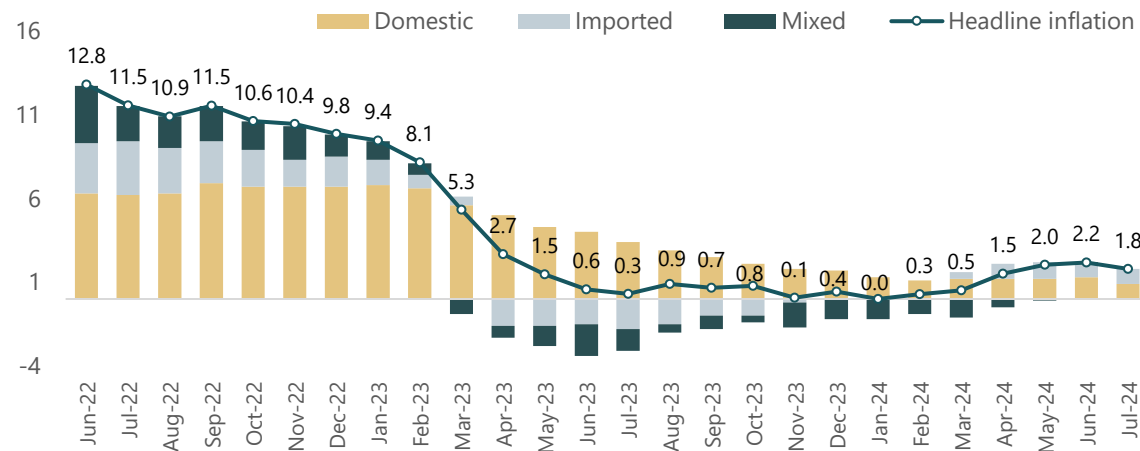
## INFLATION Y-O-Y VS. INFLATION TARGET



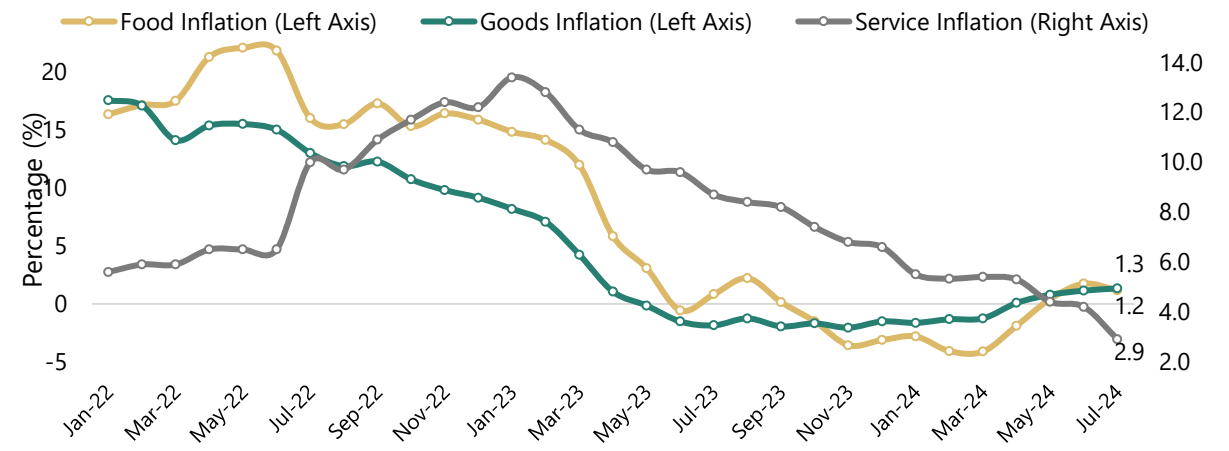
## INFLATION COMPONENTS



## DECOMPOSITION OF INFLATION



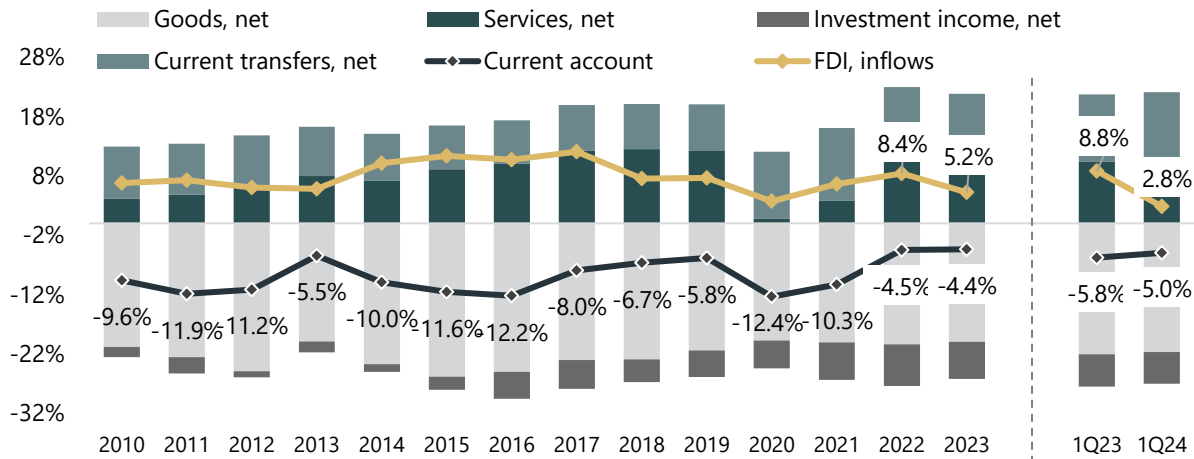
## DISINFLATION UNDERWAY IN SERVICES



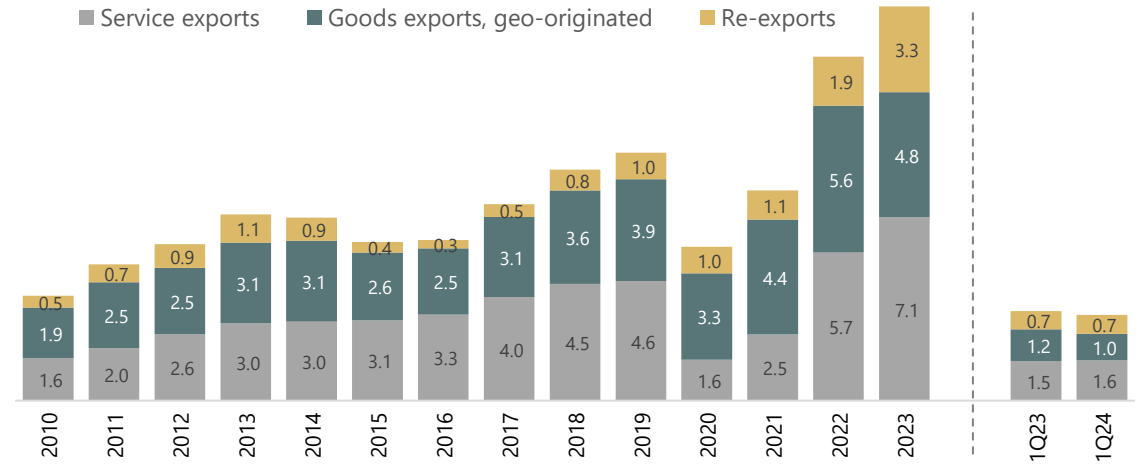
# CURRENT ACCOUNT DEFICIT REACHED A HISTORICALLY LOW LEVEL OF 4.4% OF GDP IN 2023



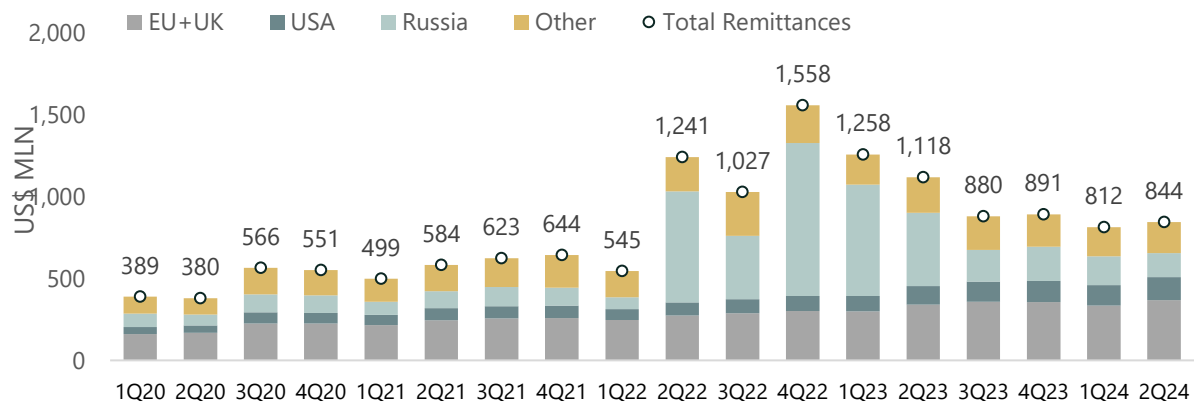
## CURRENT ACCOUNT BALANCE (% OF NOMINAL GDP)



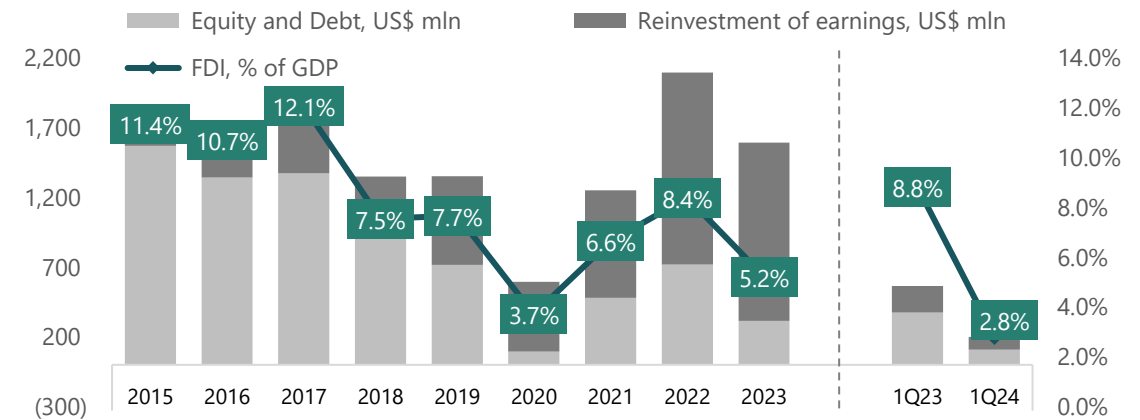
## EXPORTS AND RE-EXPORTS, US\$ BILLION



## REMITTANCES RETURNING TO NORMAL LEVELS

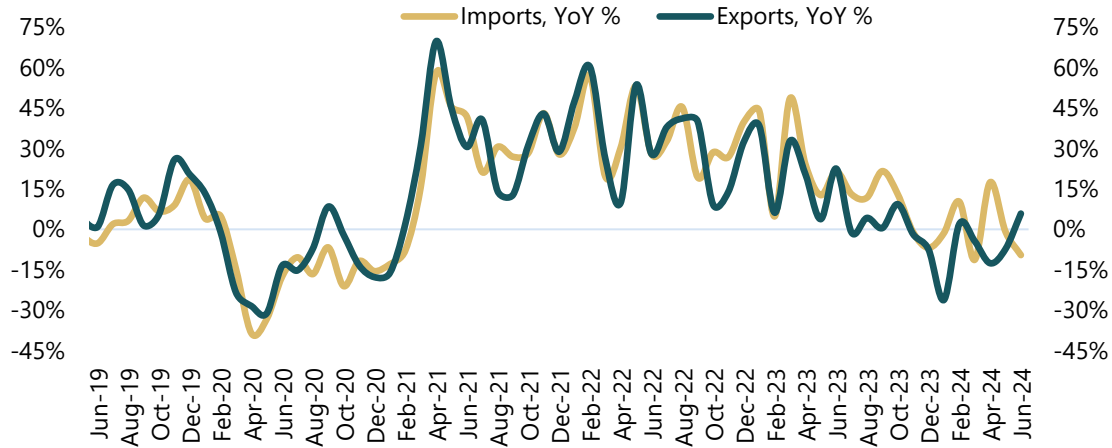


## FDI (COMPONENTS AND % OF NOMINAL GDP)

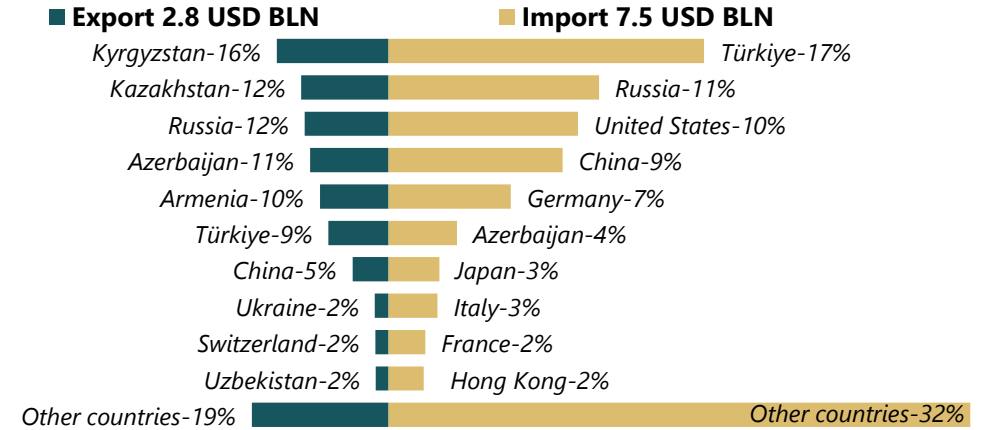


# DIVERSIFIED FOREIGN TRADE

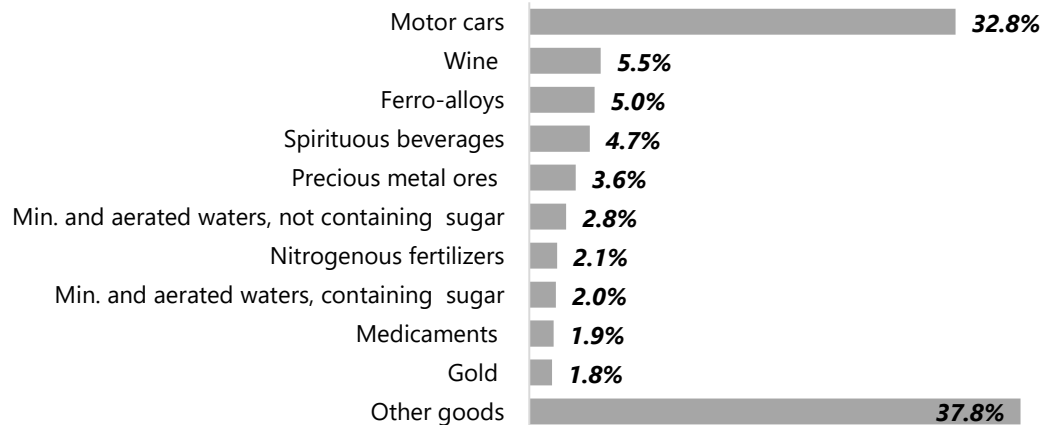
## EXPORTS AND IMPORTS OF GOODS, Y-O-Y %



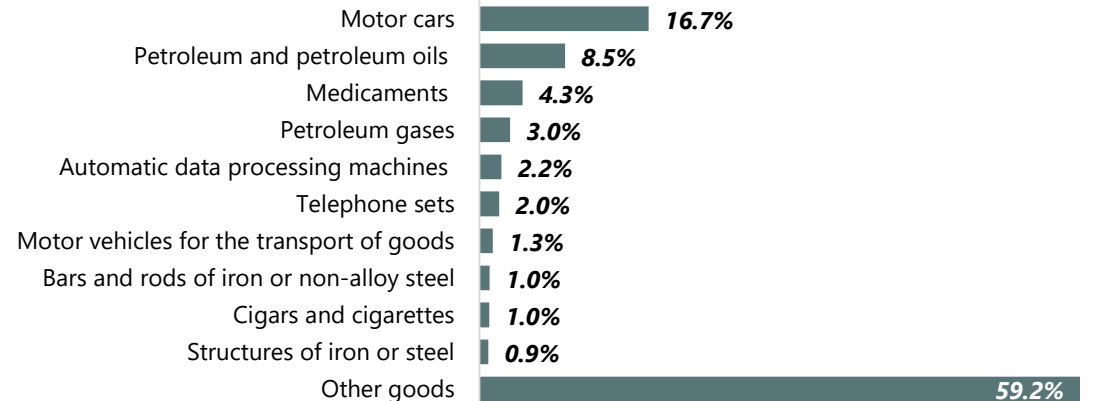
## EXTERNAL TRADE BY COUNTRIES, 1H24, SHARE IN TOTAL



## EXPORT BY MAJOR GOODS, 1H24, SHARE IN TOTAL



## IMPORT BY MAJOR GOODS, 1H24, SHARE IN TOTAL

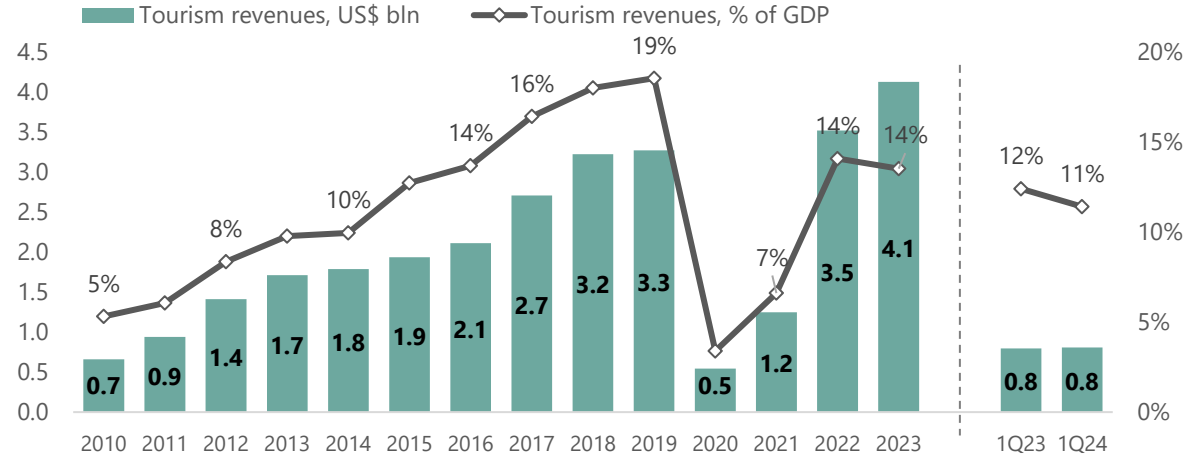




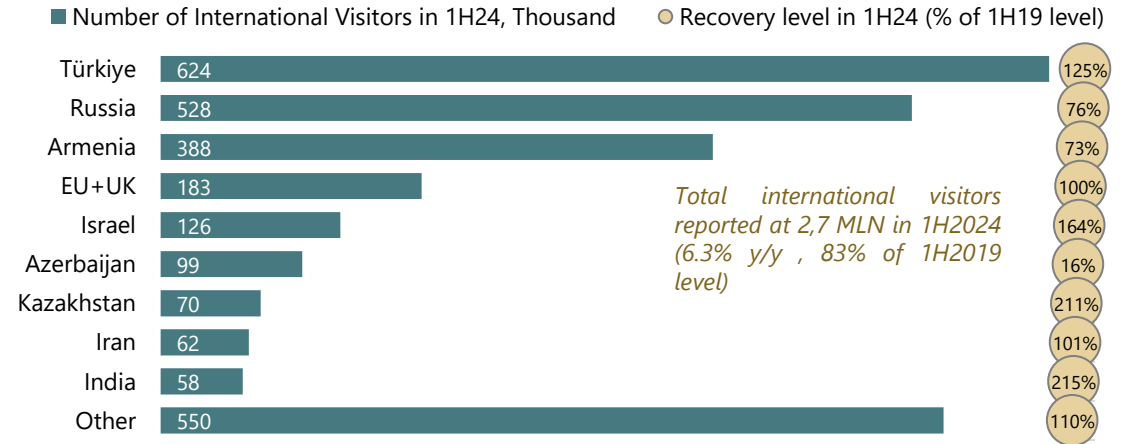
# TOURISM REVENUES BACK TO FULL STRENGTH, DESPITE LOWER NUMBER OF TRAVELERS COMPARED TO PRE-COVID LEVELS



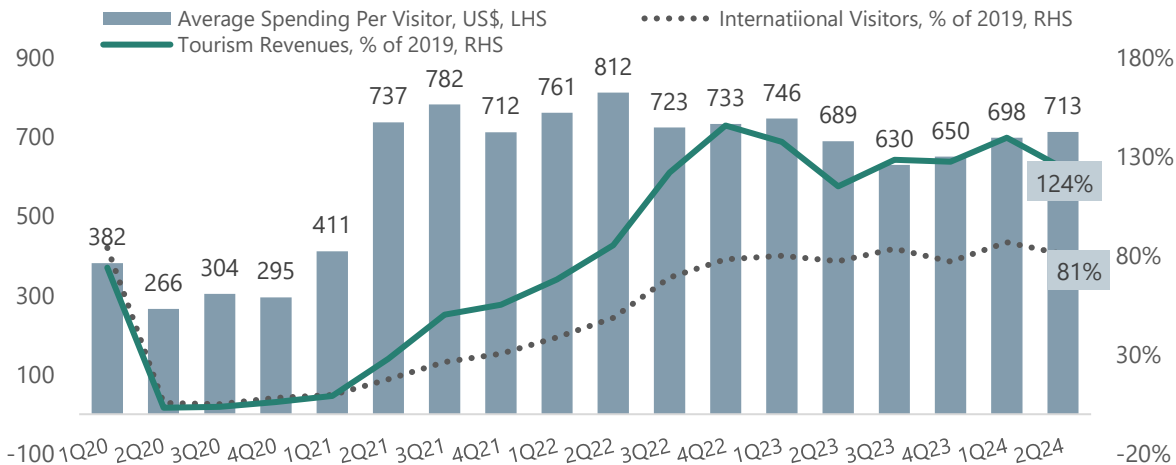
## TOURISM REVENUES TO GDP



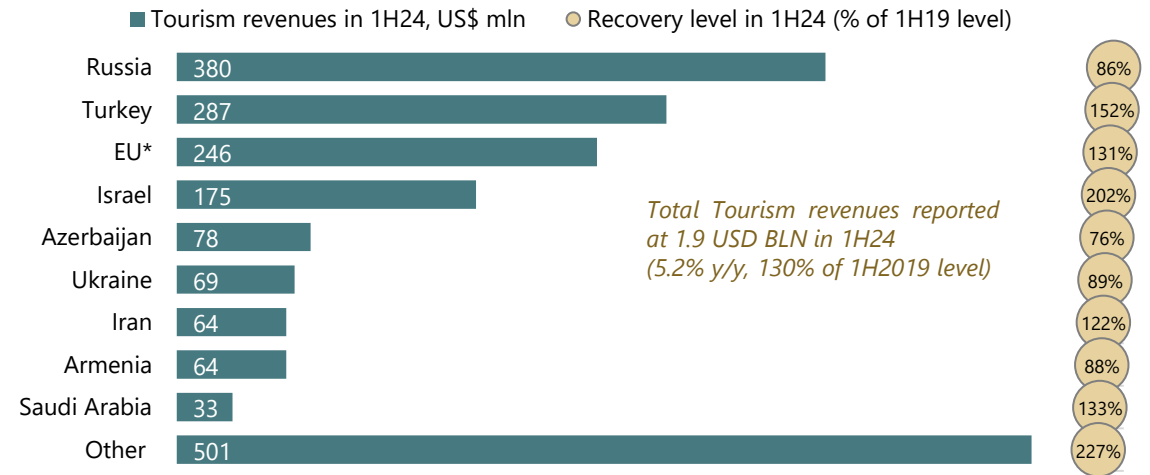
## INTERNATIONAL VISITORS BY COUNTRY



## AVERAGE SPENDING PER VISITOR



## TOURISM REVENUES BY COUNTRY

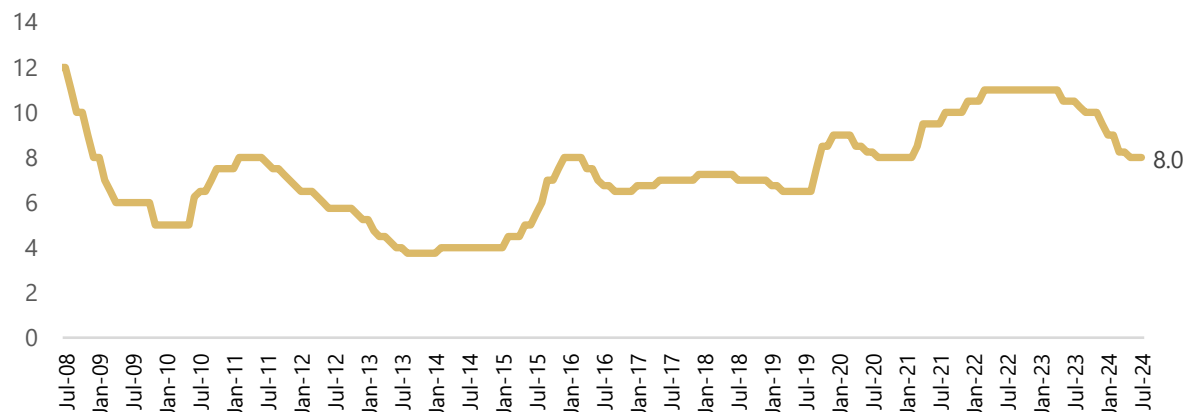


\* EU contains EU countries and Great Britain.

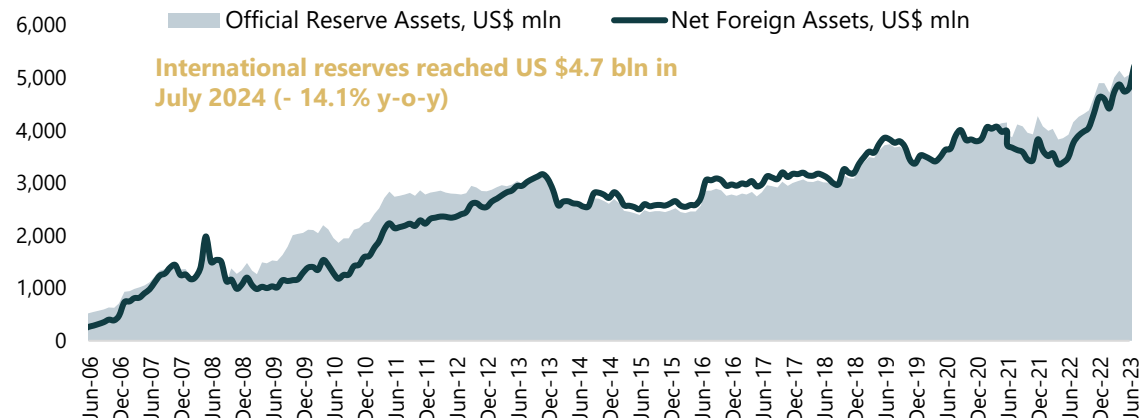
# APPROPRIATE MONETARY POLICY STANCE ENSURING MACROECONOMIC STABILITY



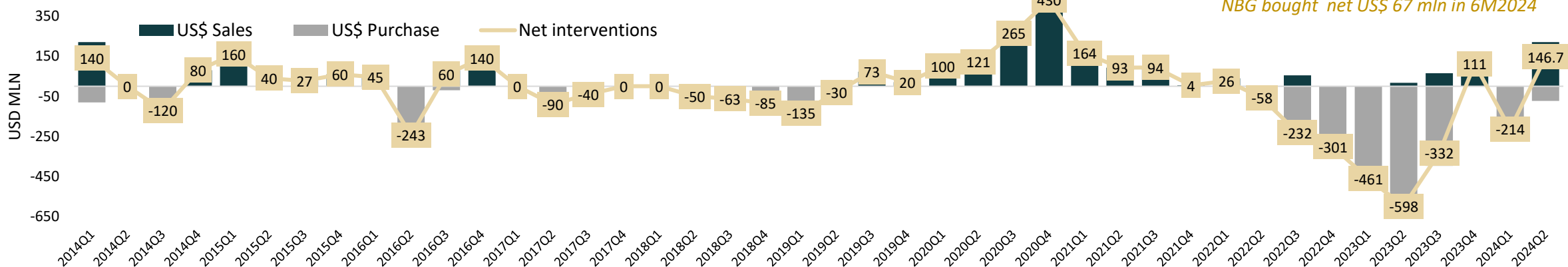
## MONETARY POLICY RATE



## INTERNATIONAL RESERVES



## FOREIGN EXCHANGE MARKET INTERVENTIONS, US\$ MILLION

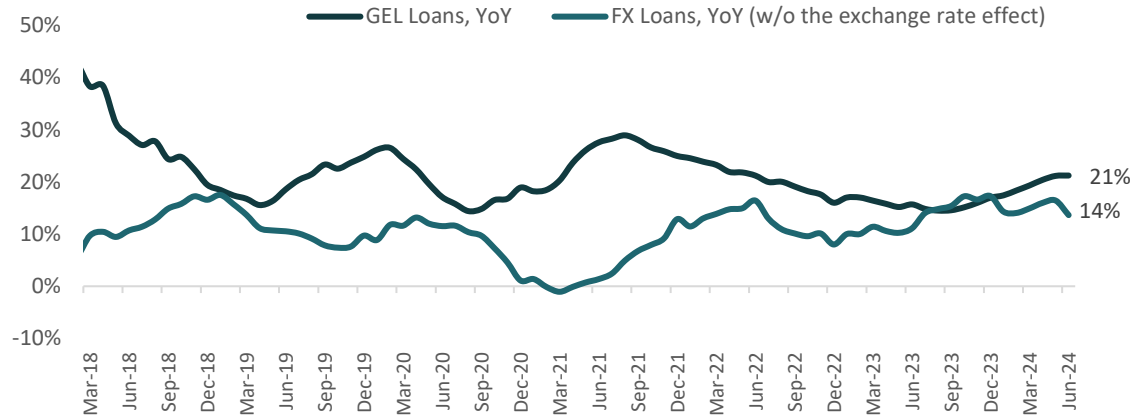


\*Data from 2020Q2 contains information about Bmatch platform interventions.

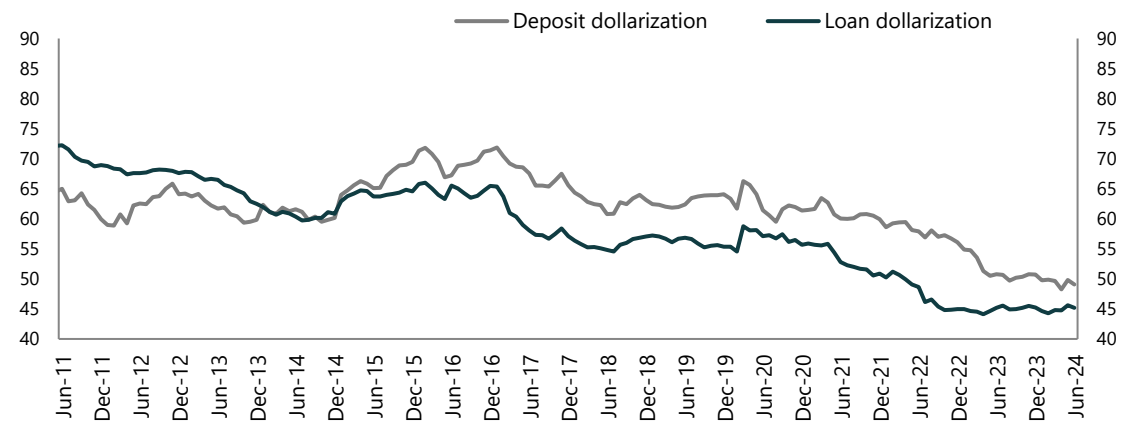
# STRONG CREDIT GROWTH SUPPORTING ECONOMIC ACTIVITY



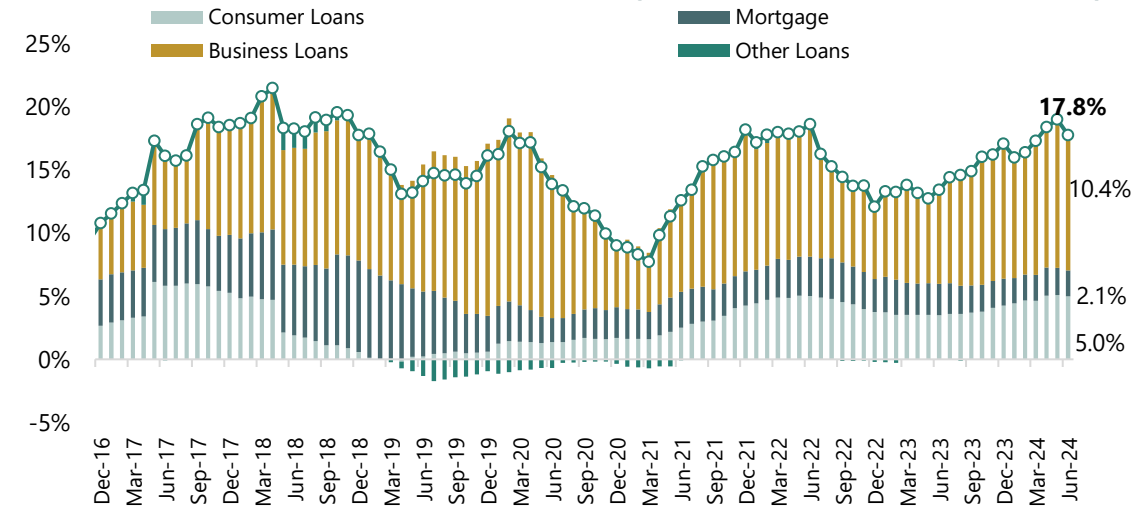
## LOANS BY CURRENCIES



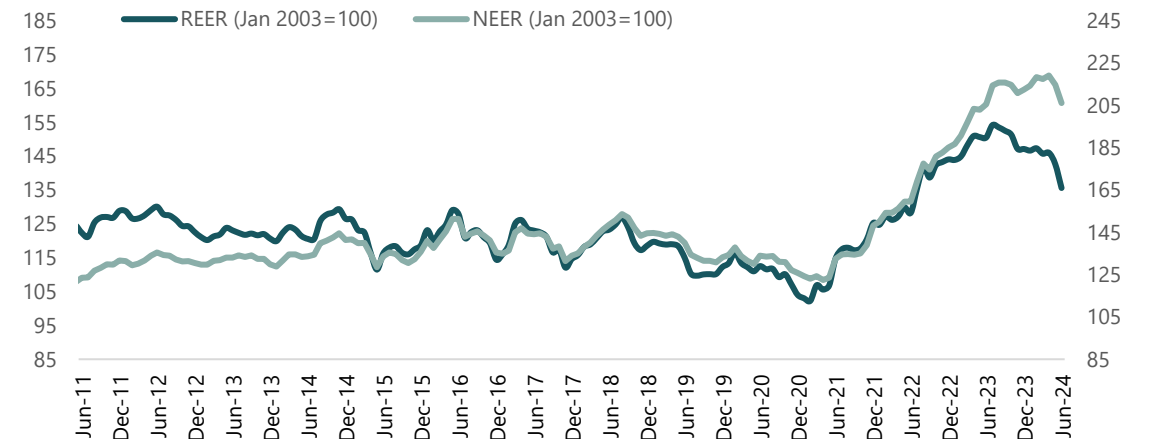
## DOLLARIZATION RATIOS



## LOANS GROWTH DECOMPOSITION BY PURPOSE (EXCHANGE RATE EFFECT EXCLUDED)



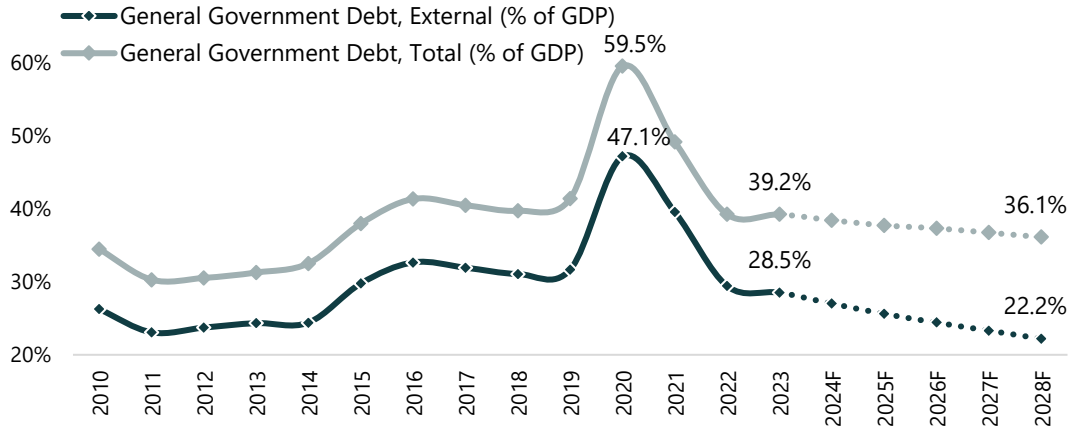
## REAL (REER) AND NOMINAL (NEER) EFFECTIVE EXCHANGE RATES



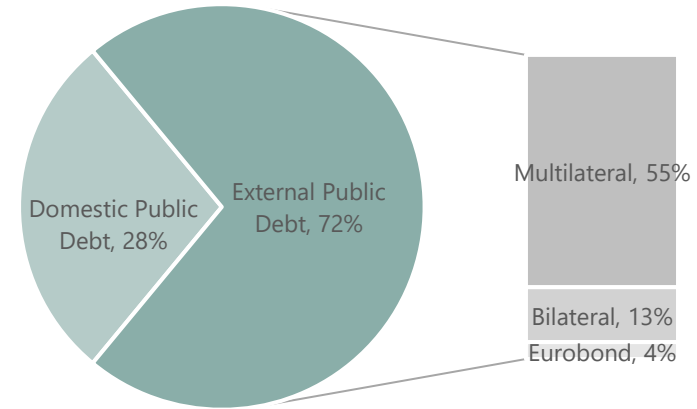
# GOVERNMENT BALANCE SHEET IMPROVING WITH EXTERNAL PUBLIC DEBT (% OF GDP) HITS ITS LOWEST LEVEL SINCE 2015 AND DEFICIT IS IN LINE WITH THE FISCAL RULE



## GENERAL GOVERNMENT DEBT AT PRE-PANDEMIC LEVELS

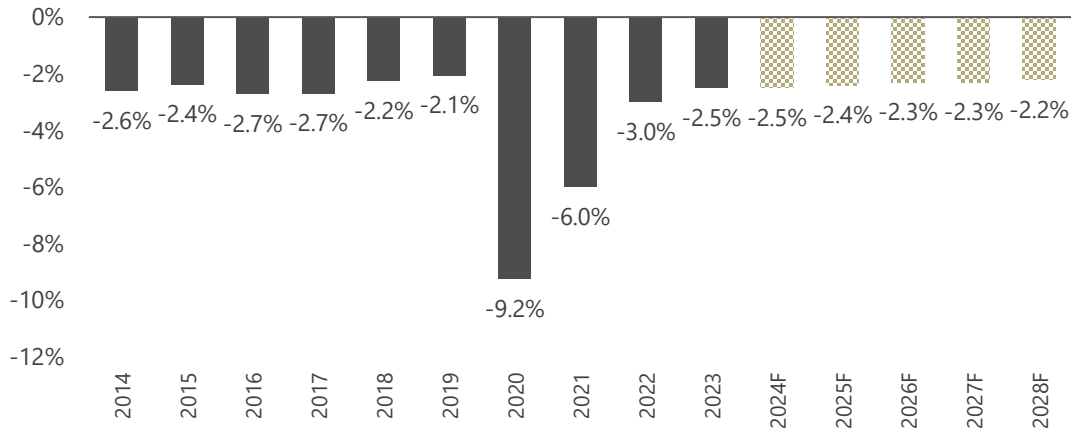


## GENERAL GOVERNMENT DEBT STRUCTURE



**49% of external debt consists of fixed rate credits; Average weighted interest rate was 3.43%, while remaining maturity totaled 9.3 years as of 30 June 2024**

## FISCAL DEFICIT\*, % OF GDP



\* IMF modified

## OPERATING BALANCE HAS SWITCHED TO A SURPLUS AGAIN

