



Research

# Georgian Economic Climate

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Q3 2024

Issue 27

# GEORGIAN ECONOMIC CLIMATE, Q3 2024



Research

“Georgian Economic Climate” is a product of Policy and Management Consulting Group (PMCG).

In this bulletin, which is based on the ifo Institute’s methodology, we discuss Georgia’s economic climate, informed by the assessments of various Georgian economists.\*

The survey for this particular issue was conducted in September 2024.

*\*Quarterly surveys are sent to a pool of approximately 60 economists. Response rates might fluctuate across quarters.*

# Summary



Research

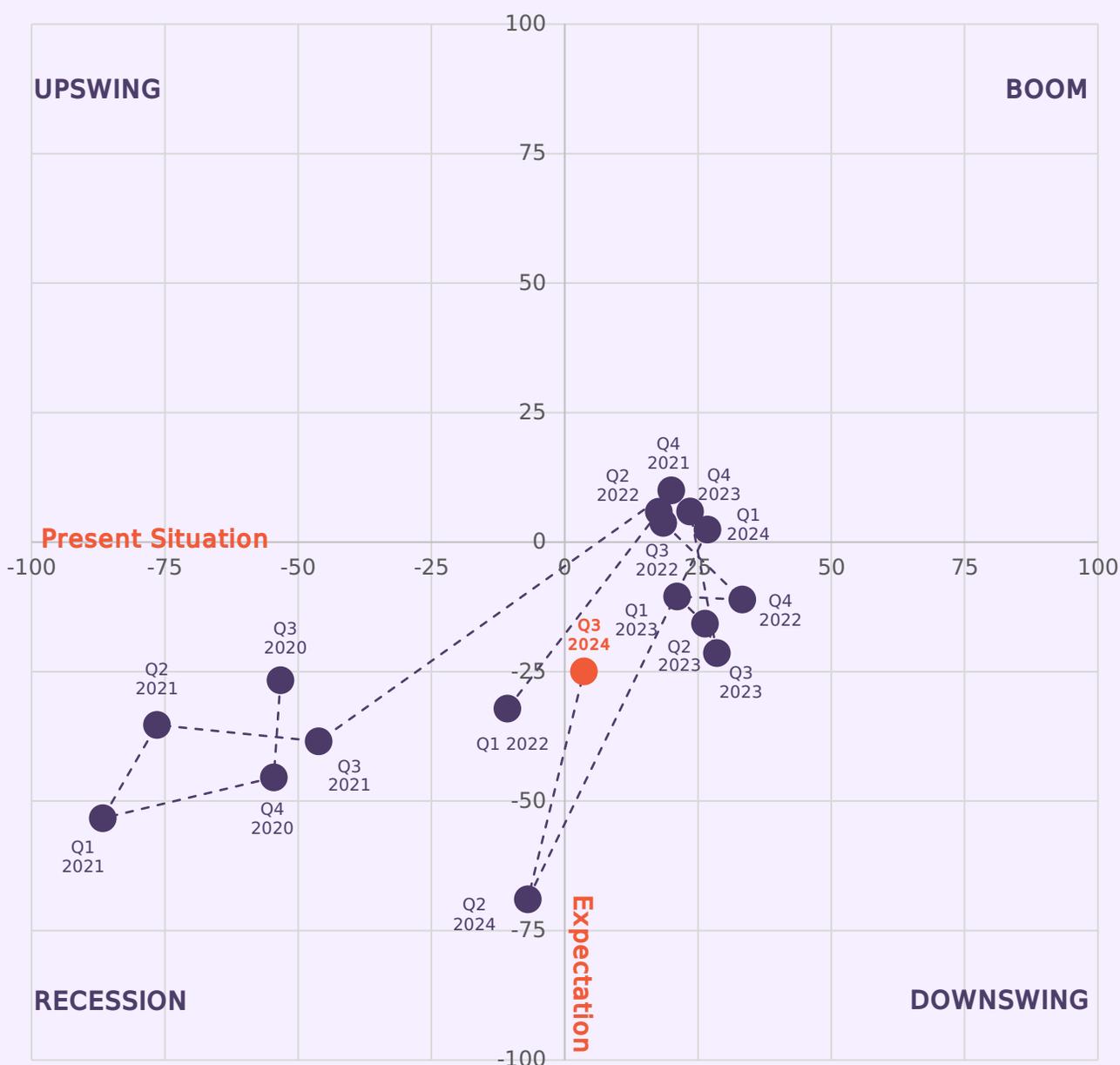
The **main findings** of a survey of Georgian economists conducted in Q3 2024 are as follows:

- Assessment of Georgia's **present economic situation** was slightly **positive**, while predictions for Georgia's **economic situation by the end of the next six months** were **negative**. Overall, their outlook was significantly more optimistic compared to the previous reporting period.
- On average, **predicted real GDP growth** for 2024 was **6.7%**.
- The inflation rate (year-on-year) was expected to increase by the end of the next six months, with the **expected rate of inflation for 2024** being **3.5%**.
- Both **export and import volumes** were forecasted to **increase**, by the end of the next six months compared to 2023.
- In addition, according to the surveyed economists:
  - **Political instability** and **labor shortage** had the greatest impact on the Georgian economy in Q3 2024.
  - The pause in U.S. assistance **“that directly benefits the Government of Georgia”** was assessed very negatively in terms of its effects on Georgia's economy. Moreover, they expected the pause to have a negative impact on the **foreign investment confidence** as well as **International aid and support from other countries**.
  - The most significant threats related to a future inflation of were **rising domestic uncertainty, increased global uncertainty, and higher-than-expected commodity prices**.
  - **Reduced inflation, increased international trade, and rising remittances** were highlighted as key factors contributing to the upward revision of Georgia's economic growth forecast by the National Bank of Georgia (NBG).
  - The three key recommendations from a World Bank's publication most relevant to Georgia's economic growth were **prioritize innovation, invest in new skills and renewable energy technologies, and improve economic and political freedom**.

# GEORGIAN ECONOMIC CLIMATE

- In a survey of Georgian economists conducted in Q3 2024, the overall assessment of Georgia's **present economic situation** was **slightly positive**. Their evaluation was more positive than in previous quarter but less optimistic than in the same quarter of 2023.
- In Q3 2024, the surveyed economists' predictions for Georgia's **economic situation for the end of the next six months** were still **negative**, but **significantly less negative** compared to the previous quarter.

## Georgian Economic Climate, Q3 2024



# MACROECONOMIC PREDICTIONS

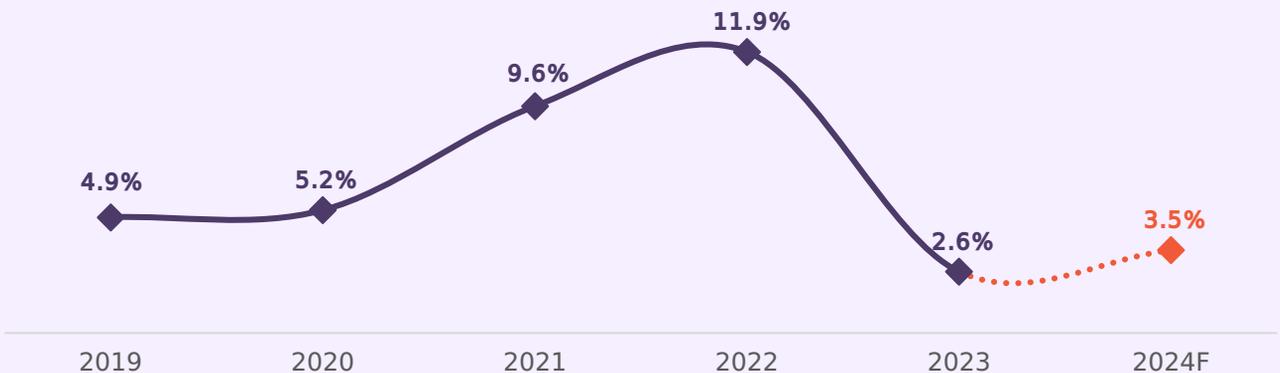
In addition to assessing the current economic situation and outlining their expectations for the end of the next six

months, the surveyed experts also made predictions about Georgia's main economic indicators.

**Graph 1:** Real GDP Growth in Georgia and its forecast for 2024 made by the surveyed economists in Q3 of 2024



**Graph 2:** Average YoY Inflation in Georgia and the forecast for 2024 made by the surveyed economists in Q3 of 2024

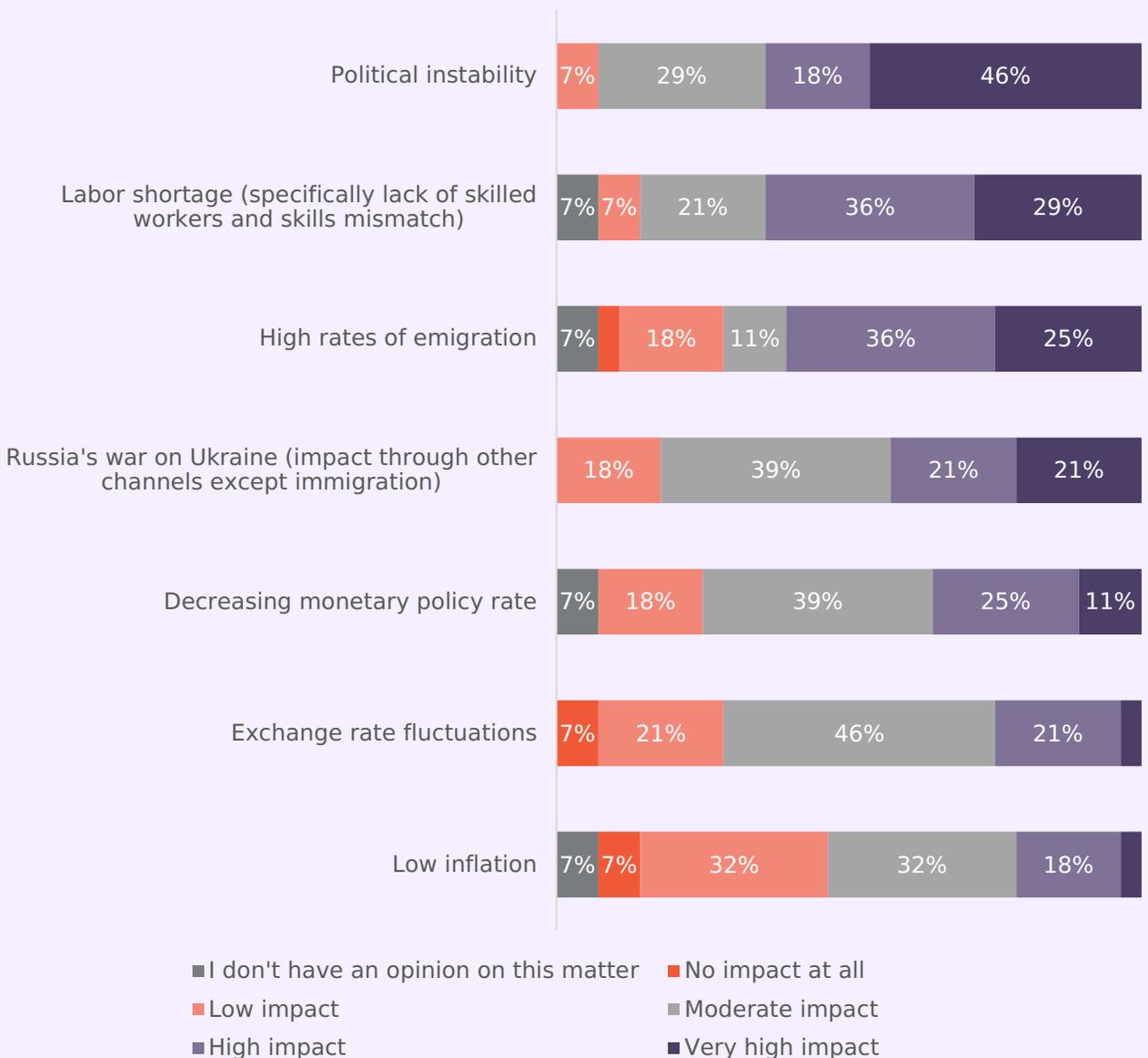


- On average, the **expected real GDP growth** for 2024 was **6.7%**, an **improvement** of 1.2 percentage points compared to the forecast made in a previous quarter.
- The inflation rate (year-on-year) was expected to increase by the end of the next six months. The **expected rate of inflation** for 2024 was **3.5%**, which marked **decrease** of 1.5 percentage points compared to the forecast made in the previous quarter.
- By the end of the next six months, compared to the corresponding period of the previous year, the Georgian Lari is expected to **depreciate** against the US Dollar and Euro and to **appreciate** against the Russian Rouble and the Turkish Lira.
- The volume of **exports and imports are expected to increase** by the end of the next six months compared to the corresponding period of 2023.

# SPECIAL QUESTIONS

- When asked to identify the factors having the greatest impact on the Georgian economy in Q3 2024, the surveyed economists pinpointed **political instability** and **labor shortages**. Other factors deemed by respondents to have a considerable impact in this period included **a high emigration rates, Russia's ongoing war on Ukraine, and a decreasing monetary policy rate**.
- The surveyed economists tended to perceive **negative** factors as more impactful (e.g. political instability and labor shortage) than **positive** ones (e.g. decreasing monetary policy rate and low inflation rate).

**Graph 3:** Assess from 1 (no impact at all) to 5 (very high impact) which factors do you consider have had the highest impact on the Georgian economy over Q3 of 2024.



# SPECIAL QUESTIONS

- In July 2024, the United States **paused** more than \$95 million in **assistance** “that directly benefits the Government of Georgia” due to a comprehensive review of bilateral cooperation between the U.S. and Georgia.\*
- Nearly all of the surveyed economists (96%) thought that the effects of the paused assistance on Geo-

rgia’s economy would be **negative** or **very negative**.

- In general, the surveyed economists believed that the pause in U.S. assistance would have the most negative impact on **the foreign investment confidence** and **international aid and support from other countries**.

**Graph 4:** What potential impact could pause in U.S. assistance have on the Georgian economy?



**Graph 5:** If you believe the pause in U.S. assistance will have a negative effect on Georgia’s economy, which of the following aspects do you think will be most affected?

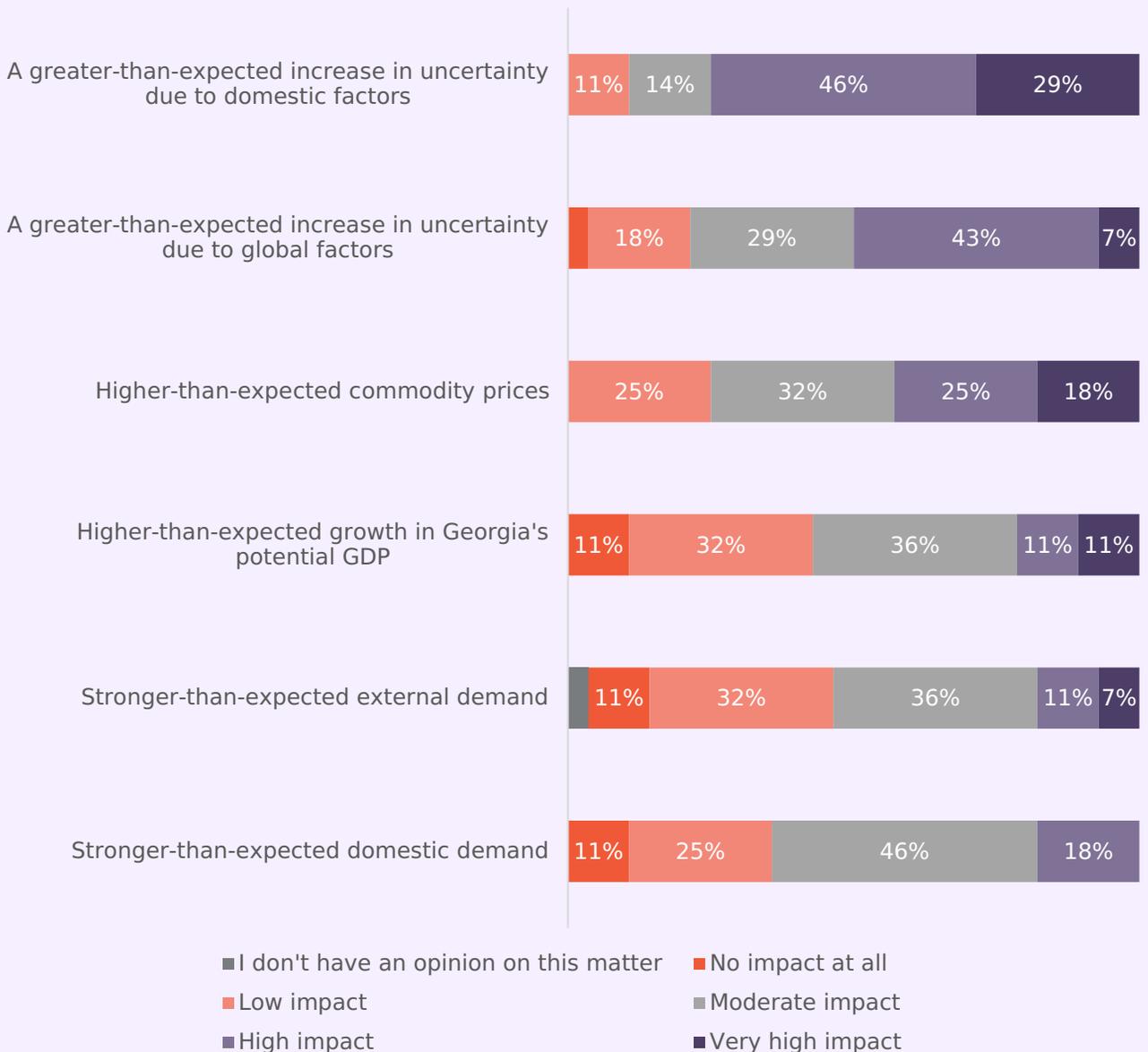


\* <https://www.state.gov/united-states-to-pause-assistance-to-the-government-of-georgia>

# SPECIAL QUESTIONS

- In July 2024, the NBG published its Monetary Policy Report. The report projects average **inflation** in 2024 at **1.9%**, while the average inflation for 2025 is expected to be **4.2%**. The report identifies **key risks** that could contribute to an increased future inflation forecast.
- In general, the surveyed economists identified the following **threats** as the most significant: **higher-than-expected commodity prices, greater-than-expected increases in uncertainty driven by global factors, and increased uncertainty due to domestic factors.**

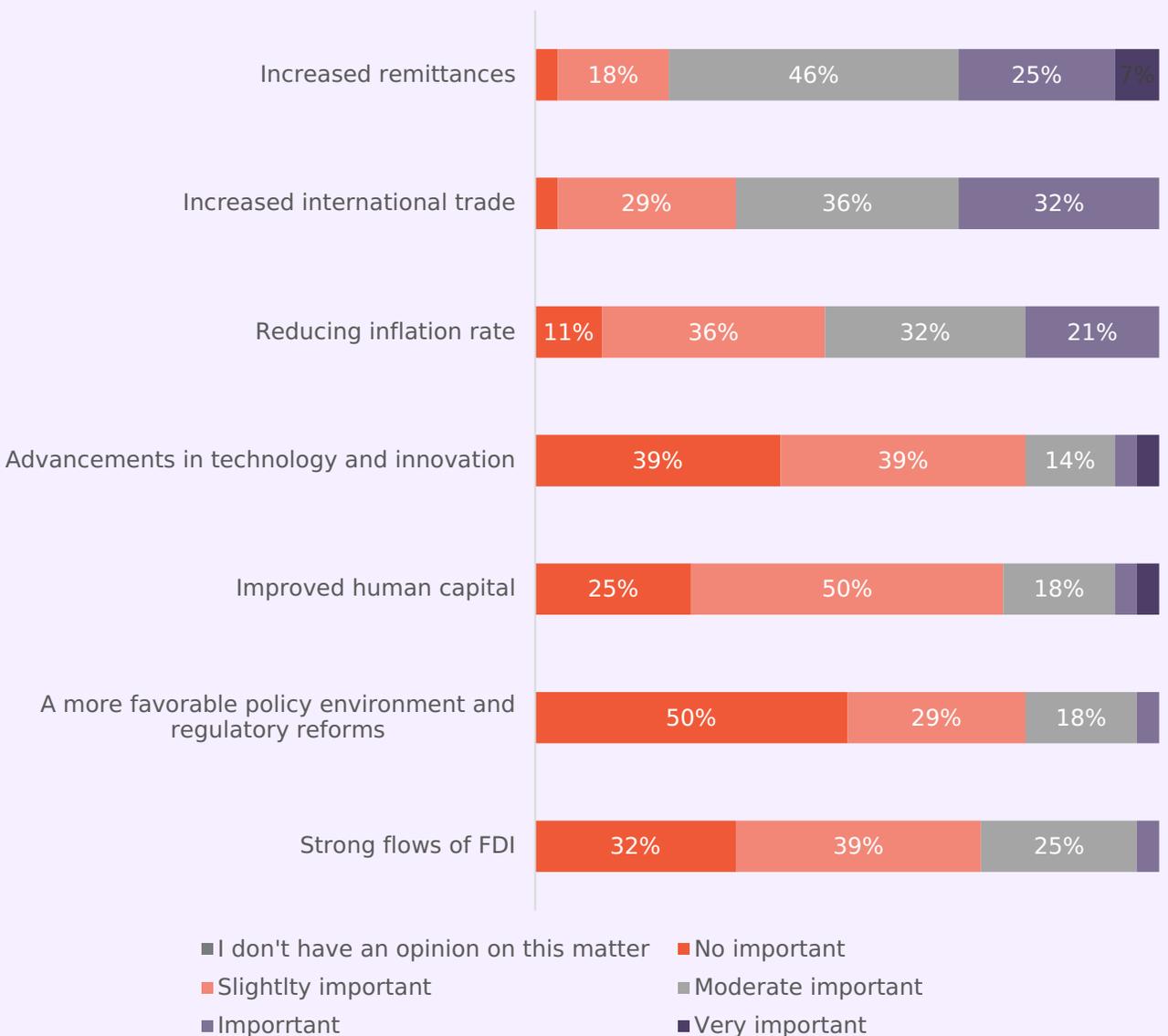
**Graph 6:** Please rate the potential impact of each of the following risks on future inflation, from 1 (no impact at all) to 5 (very high impact)



# SPECIAL QUESTIONS

- According to the latest update from the **NBG**, the real **GDP growth estimate for 2024** was revised upward to **6.8%**, which is **1.2** percentage points higher than the previous forecast of 5.6%.
- The **most important** factors contributing to the upward revision of Georgia's economic growth forecast, according to surveyed economists, were the **increases in remittances and international trade**, and a **reduction in the inflation rate**.
- **FDI, a favorable policy environment, and advancements in technology** were considered by surveyed economists as having no impact on revised economic growth forecast.

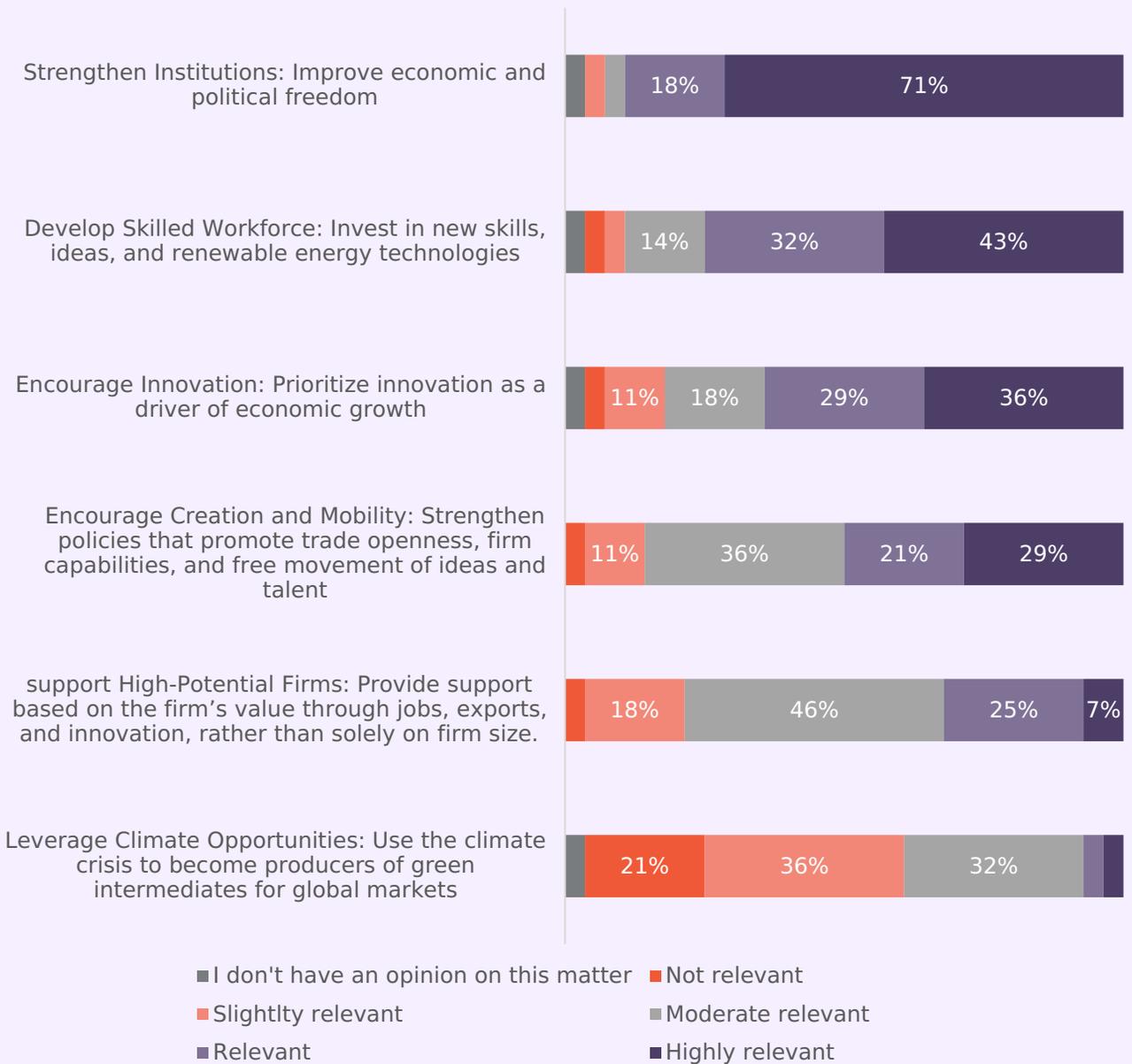
**Graph 7:** Assess from 1 (not important) to 5 (very important) what factors you believe have contributed to the upward revision of Georgia's economic growth forecast?



# SPECIAL QUESTIONS

- In the World Bank’s publication **Middle Income Trap\***, several key recommendations are outlined for middle-income countries to overcome problems and become high-income ones.
- In assessing which of these recommendations were the most relevant, the surveyed economists picked out **strengthen institutions, develop a skilled workforce, and encourage innovation.**

**Graph 8:** Assess from 1 (not relevant at all) to 5 (highly relevant) which recommendations do you consider to be the most relevant for the growth of the Georgian economy.



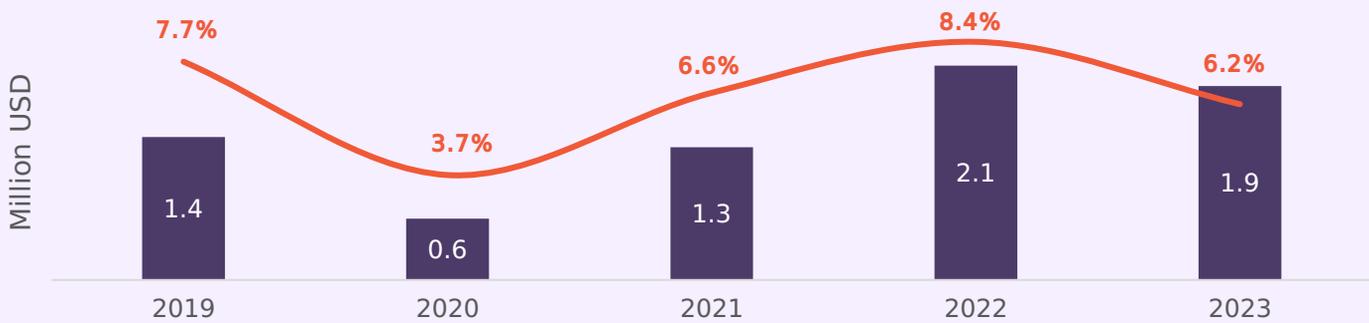
\*World Development Report 2024

# OTHER ECONOMIC INDICATORS IN GEORGIA

**Graph 9:** GDP per Capita in Current Prices



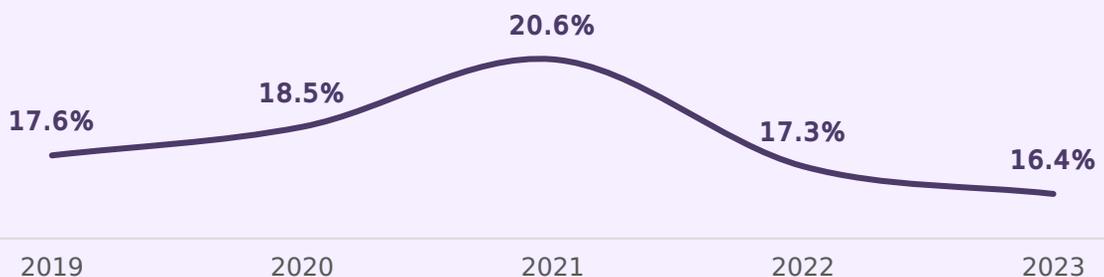
**Graph 10:** Foreign Direct Investment and Foreign Direct Investment as a % of GDP



**Graph 11:** Government External Debt and Government External Debt as a % of GDP



**Graph 12:** Unemployment Rate



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