The economy expanded by 7.5 percent (yoy) in April 2023. The growth was primarily driven by multiple sectors, including construction, finance and insurance, information and communication, transportation and storage, and trade. Meanwhile, manufacturing and real estate activities experienced a decline during this period. In addition, in April, the number of new business entities registered stood at approximately 5,700, marking a 20 percent decline compared to the previous month and a 17 percent decline compared to the same period last year. The decline was mostly attributed to a decrease in new business registration by private foreign residents.

Geostat’s latest data indicates a slight moderation in foreign direct investment (FDI) inflows into Georgia since Q3 2022. In Q1 2023, FDI amounted to USD 497 million, reflecting a 17 percent decline compared to the same period of 2022. This decrease can be attributed to a significant drop in investments in the financial sector. The acquisition of shares by Indorama Corporation, a prominent chemical company, in “Rustavi Azot,” the primary fertilizer producer in Georgia, led to the Netherlands (Indorama’s country of registration) becoming the top investor. Also because of this transaction, manufacturing accounted for approximately 45 percent of the total quarterly foreign direct investment (FDI) in Q1. Regarding the composition of FDI, reinvestment of earnings accounted for 38 percent, while equity investments made up the remaining 62 percent.

In May, consumer prices in Georgia fell significantly below the target set by the National Bank of Georgia (NBG). There was a 0.1 percent (mom) decline in inflation, resulting in an annual headline inflation rate of 1.5 percent, down from 2.7 percent in April. The main driver of this decline was a 13 percent (yoy) drop in transportation prices, which was driven by a decrease in global oil prices. This reduction accounted for a 1.7 percentage point decrease in headline inflation. Furthermore, the introduction of external reference pricing for key pharmaceuticals in February led to a 0.7 percentage point contribution to the overall price decline. In contrast, food prices and utilities continued to exert an upward impact on inflation in May.

Georgia experienced an increase in both exports and imports in April and May, although the pace of growth slowed compared to March. Exports increased by 20 percent (yoy) in April and by 3 percent in May, which was lower than the 33 percent growth observed in March. Similarly, imports experienced a rise of 9 percent in April and one percent in May, compared to the 33 percent (yoy) growth observed in March, driven by copper ores, cell phones, and used cars. Consequently, the trade deficit widened slightly in April and stagnated in May compared to previous year. The growth in exports was primarily driven by re-exports, particularly of used cars. In April, exports of used cars increased nearly five-fold (yoy), amounting to USD 183 million or 37 percent of total exports. These exports were predominantly destined for the Kyrgyz Republic, Azerbaijan, Armenia, and Kazakhstan.

Money transfers, primarily from Russia, continued to support Georgia’s external position. In April, these inflows increased by 20 percent compared to the same period last year, although there was a decline of 15.7 percent compared to the previous month. Russia remained the primary source country, accounting for 43 percent of total inflows. Official reserves amounted to USD 5.0 billion at end-April, equivalent to 4.2 months of imports. As of early June, the lari had depreciated vis-à-vis the dollar by about 3 percent compared to the April average.

Annual bank deposit growth remained robust in May, with the total stock of deposits increasing by 31 percent (yoy). This growth was driven by significant increases in both local currency and foreign exchange deposits, which rose by 43 percent and 20 percent, respectively. Meanwhile, GEL loans increased by 15 percent in nominal terms and foreign exchange loans by 10 percent (yoy). The banking sector maintained its stability, as indicated by a slight improvement in return on assets and return on equity, which reached 3.4 percent and 24.5 percent, respectively, in April. Non-performing loans stood at 1.7 percent by the end of April, 0.4 percentage points lower than in April 2022.

The fiscal balance recorded a surplus in April 2023, driven by non-tax revenues in the form of dividend payments by the NBG. General government tax revenues also saw a substantial increase of 35 percent in nominal terms (yoy), leading to a 71 percent increase in total revenues (yoy). Government current expenditure rose by 10.8 percent (yoy). Capital expenses saw a large increase of 86 percent (yoy) in April. Public debt remained contained at GEL 29 billion in April, equivalent to 35 percent of the projected GDP.
**Figure 1. Economic growth picked up in April (yoy, %)**

Source: Geostat

**Figure 2. Inflation continued to decline in May (yoy, %)**

Source: Geostat

**Figure 3. FDI inflows remained robust in Q1 2023 (US$ million)**

Source: Geostat

**Figure 4. Money transfers from abroad eased (mom) (US$ million)**

Source: NBG

**Figure 5. The GEL depreciated slightly in May (mom)** (GEL to USD)

Source: NBG

**Figure 6. The fiscal accounts were in surplus in the first four months of 2023 (GEL million)**

Source: Ministry of Finance