• Economic growth accelerated to 11.8 percent (yoy) in April and reached 9 percent in January–April 2024 (yoy).
• FDI dropped by 64 percent (yoy) in Q1 2024, mostly driven by lower inflows to the manufacturing sector.
• In May, prices increased mostly for fuel and food products, driving annual inflation up to 2 percent (yoy).
• In May 2024, the goods trade balance shrank by 3 percent (yoy) due to a decline in exports and imports.
• The fiscal balance registered a deficit in April 2024 due to a decrease in revenues coupled with an increase in expenditures (yoy).

The economy grew by 11.8 percent in April and by 9.0 percent in the first four months of 2024. In April, manufacturing, construction, IT, transport, and trade were the main drivers of growth. In contrast, energy-related activities experienced a decline. Approximately 6,700 new business entities were registered in April, marking a 17 percent increase (yoy) and reversing the previous trend of decline. On the demand side, credit growth (+18 percent) supported the expansion of consumption and domestic investments.

Geostat’s latest data show a significant reduction in FDI inflows into Georgia in Q1 2024 (yoy). In Q1 2024, gross FDI inflows amounted to $201 million, 64 percent less than in the same period of 2023. This decrease can be attributed to a significant deceleration in FDI inflows to the manufacturing sector, while other sectors also experienced a decline except for the energy sector, which attracted around 39 percent of total FDI. The main countries of origin were Türkiye, the Czech Republic, and the United States, accounting for 59 percent of total FDI. Regarding the composition of FDI, reinvestment of earnings accounted for 46 percent, while equity investments contributed 38 percent.

In May, the Consumer Price Index (CPI) increased but remained below the National Bank of Georgia (NBG) target of 3 percent. Inflation increased by 0.4 percent (mom), bringing annual inflation to 2.0 percent (yoy), up from 1.5 percent in April. The main driver was a 32 percent increase (yoy) in petroleum prices. Consequently, prices in the transport sector increased by 12.3 percent (yoy), accounting for an increase of 1.4 percentage points (ppt) in headline inflation. The increase in food and tobacco prices and hotel/restaurant services jointly contributed 0.6 ppt to the inflation. On May 22, 2024, the Monetary Policy Committee of the NBG cut the monetary policy rate (refinancing rate) by 0.25 percentage points, to 8 percent. This is a third cut since the beginning of the year, cumulatively reducing the policy rate by 1.5 ppt.

Merchandise exports and imports growth was negative in April. Export of goods declined by 5.6 percent (yoy) after shrinking by 12 percent in April, while imports dropped by 4 percent (yoy) in May following a 14 percent increase in April. Since imports are larger than exports, the trade deficit narrowed slightly in May (by 3 percent yoy). The decline in exports in May was primarily driven by decreases in the export of motorcars (-19 percent yoy), copper and precious metal ore (-40 percent yoy), wine (-43 percent yoy), nitrogen fertilizer (-55 percent yoy) and electricity (-17 percent yoy). That was partially compensated by a 10-fold increase in the exports of ferroalloys. In terms of country composition, out of top 4 destination countries, exports to Armenia, Russia and Azerbaijan declined, while exports to Turkey increased by 50 percent. As for imports the decline in May was primarily driven by decreases in the imports of motorcars (-42 percent yoy), pharmaceuticals (-21 percent yoy), cell phones (-41 percent yoy), nitrogen fertilizer (-55 percent yoy), and electricity (-17 percent yoy). Turkey, China and Russia remained the key trading partners in May, similar to May 2023.

Georgia’s external accounts continued to weaken due to lower money transfers, primarily from the Russian Federation. Gross money transfer inflows reached US$278 million in April, a 25 percent drop (yoy). Inflows from Russia experienced a 69 percent decline (yoy), with its share in total inflows declining to 17.6 percent, down from 50 percent a year earlier. Recent developments in external trade, remittances, and domestic political tensions led to an 8 percent depreciation of the lari (GEL) against the US dollar in May (yoy). The NBG sold US$108 million on the foreign exchange market in May to mitigate depreciation pressures. The level of international reserves stood at US$4.6 billion (equivalent to 3.5 months of imports of goods), registering an 8 percent decline (yoy). The NBG purchased stock of gold worth US$539 million in early April 2024 to diversify the reserve portfolio.

In April 2024, Georgia recorded a deficit of about 0.4 percent of projected GDP. This resulted in a small deficit in the year’s first four months. In April, general government tax revenues increased by 20 percent (yoy) in nominal terms, while grants and other revenues experienced a sharp decline of 76 percent (yoy), driven by the non-tax revenues. This is because the NBG dividends, which were transferred to the budget in April last year, will now be reflected in May non-tax proceeds. As a result, total revenues declined by 5.3 percent. Government current expenditures saw a 27 percent (yoy) increase, while capital expenses rose by 8.4 percent (yoy) in April. The deficit was mainly financed from domestic sources. Public debt increased by 12.8 percent in April (yoy) to 36 percent of GDP, within which external debt grew by 9.7 percent (yoy), to 26 percent of GDP, and domestic debt increased by 21.6 percent (yoy), to around 10 percent of GDP. This was mostly driven by the depreciation of the lari.
Figure 1. Economic growth accelerated in April (yoy, %)

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

Figure 3. FDI inflows dropped in Q1 (yoy) (US$ million)

Figure 4. Money transfers from abroad continued to decline in April (yoy) (US$ million)

Figure 5. The GEL depreciated in May (yoy) (GEL to USD)

Figure 6. The fiscal accounts were almost balanced in Jan–April (GEL million)

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