Georgia’s economy grew by 9.2 percent (yoy) in May, led by IT, finance, construction, and transport.
Annual inflation rose to 2.2 percent in June, up from 2.0 percent in May, driven by food and transport costs.
The current account deficit narrowed to 5 percent of GDP in Q1 2024 due to stronger services and transfers.
The external debt-to-GDP ratio dropped from 90 percent to 79 percent, indicating robust GDP growth, which outpaced debt accumulation and enhanced debt sustainability. Public sector debt rose by USD 300 million, to USD 11 billion, but its ratio to GDP dropped from 41 percent to 35 percent. The banking sector’s external debt surged by USD 1 billion, to USD 7.5 billion, yet its GDP ratio slightly decreased, partly due to depreciation of the GEL.

Georgia’s external trade balance weakened in May. Trade in goods fell, with exports declining by 5.6 percent (yoy) after a 12 percent drop in April, and imports decreasing by 4 percent in May following a 14 percent increase in April. Consequently, the trade deficit narrowed by 3 percent (yoy) in May after widening by 32 percent in April. Remittances fell to USD 284 million, a 27 percent drop (yoy), mainly due to a 70 percent reduction in transfers from Russia. However, remittances from the EU grew 7 percent (yoy), making up 42 percent of total inflows in May. Other declines included transfers from Kazakhstan (−43 percent), Turkey (−42 percent), and Armenia (−38 percent). In June, the GEL depreciated against the USD by 4 percent (mom) and 8 percent (yoy) amid weaker remittances and exports.

The banking sector performed strongly in May. The overall credit portfolio expanded by 23 percent (yoy), with domestic and foreign currency loans growing by 22 percent and 32 percent, respectively. Lending to households rose by 18 percent, reflecting enhanced consumer confidence and demand for credit. The slight increase in the dollarization ratio, up 1 percentage point, indicates a gradual shift towards foreign currency borrowing. Banking sector deposits grew by 16.5 percent (yoy), with domestic currency deposits growing at 18 percent (yoy).

Georgia recorded a fiscal deficit of approximately 0.2 percent of projected GDP in May. This resulted in a deficit equivalent to 0.3 percent of GDP in the first five months of 2024. General government tax revenues increased by 15 percent (yoy) in nominal terms. Government current expenditure increased by 8 percent (yoy) and capital expenses rose by 18 percent (yoy). The deficit was mainly financed from domestic sources. Public debt increased by 14 percent (yoy) to 37 percent of GDP, wherein external debt grew by 13 percent (yoy) to 27 percent of GDP, and domestic debt by 16 percent (yoy) to around 10 percent of GDP.
Figure 1. Economic growth remained strong in May (yoy, %)

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

Figure 3. Money transfers from abroad continued to decline in May (yoy) (USD million)

Figure 4. Merchandise trade flows slowed down in May (%, yoy)

Figure 5. Credit and deposit growth accelerated in May compared to the previous month (%, yoy)

Figure 6. The fiscal gap widened in Jan–May (GEL million)