

# GEORGIA

**Table 1** **2023**

Population, million	3.7
GDP, current US\$ billion	30.5
GDP per capita, current US\$	8212.4
International poverty rate (\$2.15) <sup>a</sup>	5.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	19.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	55.4
Gini index <sup>a</sup>	34.2
School enrollment, primary (% gross) <sup>b</sup>	104.5
Life expectancy at birth, years <sup>b</sup>	71.7
Total GHG emissions (mtCO2e)	18.3

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2021), 2017 PPPs.  
 b/ WDI for School enrollment (2022); Life expectancy (2021).

After two years of double-digit growth, the economy expanded by 7.5 percent in 2023, driven by strong investment. Poverty and unemployment continued to decline. Growth is expected to decelerate in 2024, given tight monetary policy, a slowdown in trading partners, and heightened geopolitical risks.

## Key conditions and challenges

Georgia has made notable gains in income growth and poverty reduction over the past decade. As a result of sound macro-economic management, GNI per capita (constant 2017 USD) increased from USD 9,580 in 2010 to USD 15,880 in 2022. Poverty (measured by the USD 6.85 poverty line in 2017 PPP) declined from 70.6 percent in 2010 to an estimated 47.7 percent in 2022. Nevertheless, structural challenges persist, notably weak productivity and limited high-quality job creation. About a third of workers remain engaged in low-productivity agriculture, and Georgia also has a large share of self-employed in other sectors. Access to finance remains a major obstacle for SMEs, while skills mismatches are reported to be an impediment for most firms. Due to its high degree of trade openness and dependence on tourism, Georgia is vulnerable to external shocks. In December 2023, Georgia was granted candidate status by the European Union (EU). The EU accession process offers unique opportunities to boost reforms to achieve prosperity and converge with other member states.

## Recent developments

Growth in 2023 is estimated at 7.5 percent, driven by robust investment

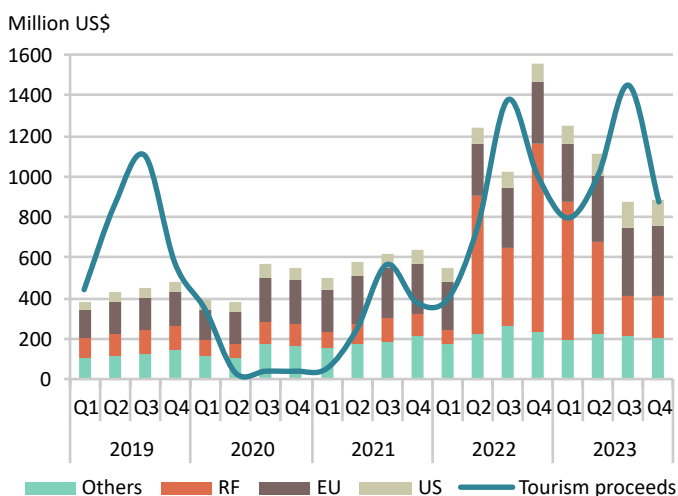
performance, notably fueled by a surge in construction activities (+17 percent in real terms). Strong growth in tourism revenues (+17 percent in USD terms) also supported growth.

Annual inflation slowed sharply to 0 percent at end-2023 from 9.8 percent in December 2022, reflecting falling global food and energy prices, and lari appreciation. Rental prices grew by 4 percent in 2023 (compared to 37.4 percent in 2022), while the introduction of reference prices for medicines exerted downward pressure on inflation. Core inflation stood at 2.0 percent in December (yoy). In response, the National Bank of Georgia cut the monetary policy rate 6 times, from 11 to 8.25 percent between May 2023 and March 2024.

Credit nominally grew by 18 percent (yoy) as of end-December, while deposits increased by 14 percent (yoy) (both adjusted for foreign exchange effects, in nominal terms), driven by strong growth in domestic currency deposits (28 percent, yoy). As a result, deposit dollarization fell by 5.4 percentage points (ppt) over the last year, to 50.8 percent as of end-2023.

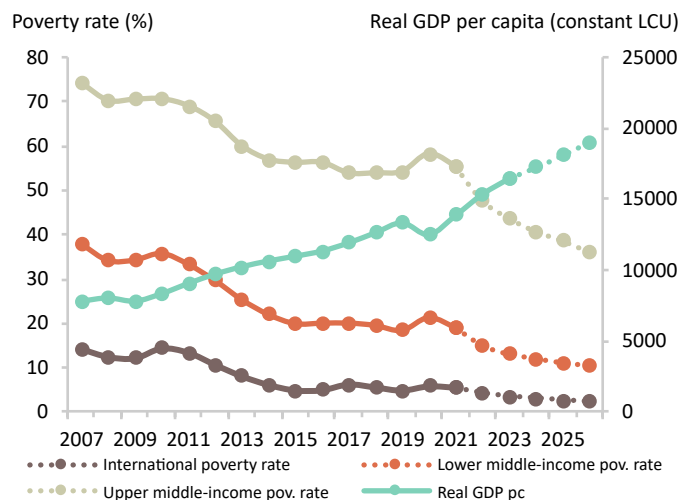
According to preliminary estimates, the current account deficit narrowed slightly in 2023, to 4.3 percent of GDP. The trade deficit of goods widened by 19 percent in nominal terms (USD). Exports grew by 8 percent (yoy) in nominal terms (USD), driven by the re-exports of used cars, while import growth reached 12 percent. Service exports remained supported by the continued post-COVID-19 recovery in tourism. International reserves increased

**FIGURE 1 Georgia /** Gross money transfers from abroad and tourism proceeds



Sources: Geostat, NBS, and World Bank staff estimates.

**FIGURE 2 Georgia /** Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

to USD 5.0 billion, equivalent to around 4.2 months of imports of goods in the same year. The Georgian lari appreciated by around 10 percent vis-à-vis the US dollar in 2023.

The fiscal deficit narrowed in 2023, reaching 3.0 percent of GDP (including privatization proceeds). General government revenues increased by 14.2 percent, while tax collection rose by 13.5 percent in 2023 in nominal terms. Current spending grew by 14.6 percent, reflecting increases across the board. Capital spending rose by 4.6 percent in nominal terms. At end-2023, public debt was estimated at 38.1 percent of GDP, slightly down from end-2022, driven by lower financing needs and rapid economic growth.

Poverty has been declining, supported by an increase in real wages (by around 17 percent in 2023), social protection measures, and declining food prices. The job market experienced a strong recovery, with unemployment falling from 20.6 percent in 2021 to a record low of 16.4 percent in 2023.

## Outlook

Growth is expected to ease to 5.2 percent in 2024 as a result of tight monetary policy, a slowdown among trading partners, and heightened geopolitical risks. Growth is projected to stabilize at around 5 percent of GDP for 2025-26 as Georgia benefits from the gradual recovery among its trading partners. The poverty rate is expected to keep declining gradually.

Inflation is expected to converge to its 3 percent target by end-2024. Monetary policy is expected to continue easing gradually in 2024.

Despite dwindling money transfers, the current account deficit should remain well below pre-COVID-19 levels in the medium term.

The 2024 state budget law reflects the government's commitment to pursuing gradual consolidation by reducing the fiscal deficit to 2.5 percent (including privatization revenues) and maintaining public

debt below 38 percent of GDP. Revenue and tax collection are projected to continue their solid performance in 2024, with additional profit tax revenues in the financial sector (0.5 ppt of GDP) and higher taxation of gambling (rendering 0.5 ppt of GDP increase). Current expenses are set to increase by 0.8 percentage points, to 23.0 percent of GDP, to be offset by a slight decline in public investment (to 8 percent of GDP).

There are substantial risks to the outlook, reflecting uncertainties. A more rapid reversal in money inflows, weaker tourism revenues, and an increase in global commodity prices could hinder growth and increase debt levels and financing needs. Other risks include tighter global financial conditions and climate change-related risks. An adequate monetary and fiscal policy stance with adequate buffers is expected to help cushion potential shocks while exchange rate flexibility should help shield reserve levels by supporting an adjustment in imports.

**TABLE 2 Georgia / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	10.6	11.0	7.5	5.2	5.0	5.0
Private consumption	12.3	-2.8	3.2	3.1	3.3	3.7
Government consumption	7.1	-0.8	6.2	8.2	2.6	2.4
Gross fixed capital investment	-4.8	9.9	32.2	6.9	5.9	9.8
Exports, goods and services	23.5	37.4	8.2	8.2	8.6	8.3
Imports, goods and services	8.8	16.9	8.6	6.3	5.7	7.6
<b>Real GDP growth, at constant factor prices</b>	12.2	9.8	7.9	5.2	5.0	5.0
Agriculture	2.3	-1.8	-2.8	2.5	2.5	3.0
Industry	1.0	15.1	5.1	5.0	5.0	5.0
Services	17.4	9.6	10.0	5.5	5.2	5.1
<b>Inflation (consumer price index)</b>	9.6	11.9	2.5	2.3	3.0	3.0
<b>Current account balance (% of GDP)</b>	-10.3	-4.5	-4.3	-5.9	-5.4	-5.2
<b>Net foreign direct investment inflow (% of GDP)</b>	4.9	7.1	4.3	4.6	4.8	4.6
<b>Fiscal balance (% of GDP)</b>	-7.0	-3.5	-3.0	-2.9	-2.6	-2.5
<b>Revenues (% of GDP)</b>	24.9	26.6	27.6	28.0	27.7	27.2
<b>Debt (% of GDP)</b>	49.0	39.1	38.1	37.0	36.1	35.5
<b>Primary balance (% of GDP)</b>	-5.7	-2.4	-1.5	-1.1	-0.8	-0.6
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	5.5	4.3	3.5	3.1	2.6	2.2
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	19.1	15.0	13.0	12.0	11.0	10.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	55.4	47.7	43.7	40.8	38.7	36.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.6	0.9	-0.8	0.2	0.2	0.6
<b>Energy related GHG emissions (% of total)</b>	56.4	57.6	57.5	57.5	57.4	57.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-HIS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.