



Research

Georgian Economic Climate

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Q4 2024

Issue 28

GEORGIAN ECONOMIC CLIMATE, Q4 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 December 2024.

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

Summary



Research

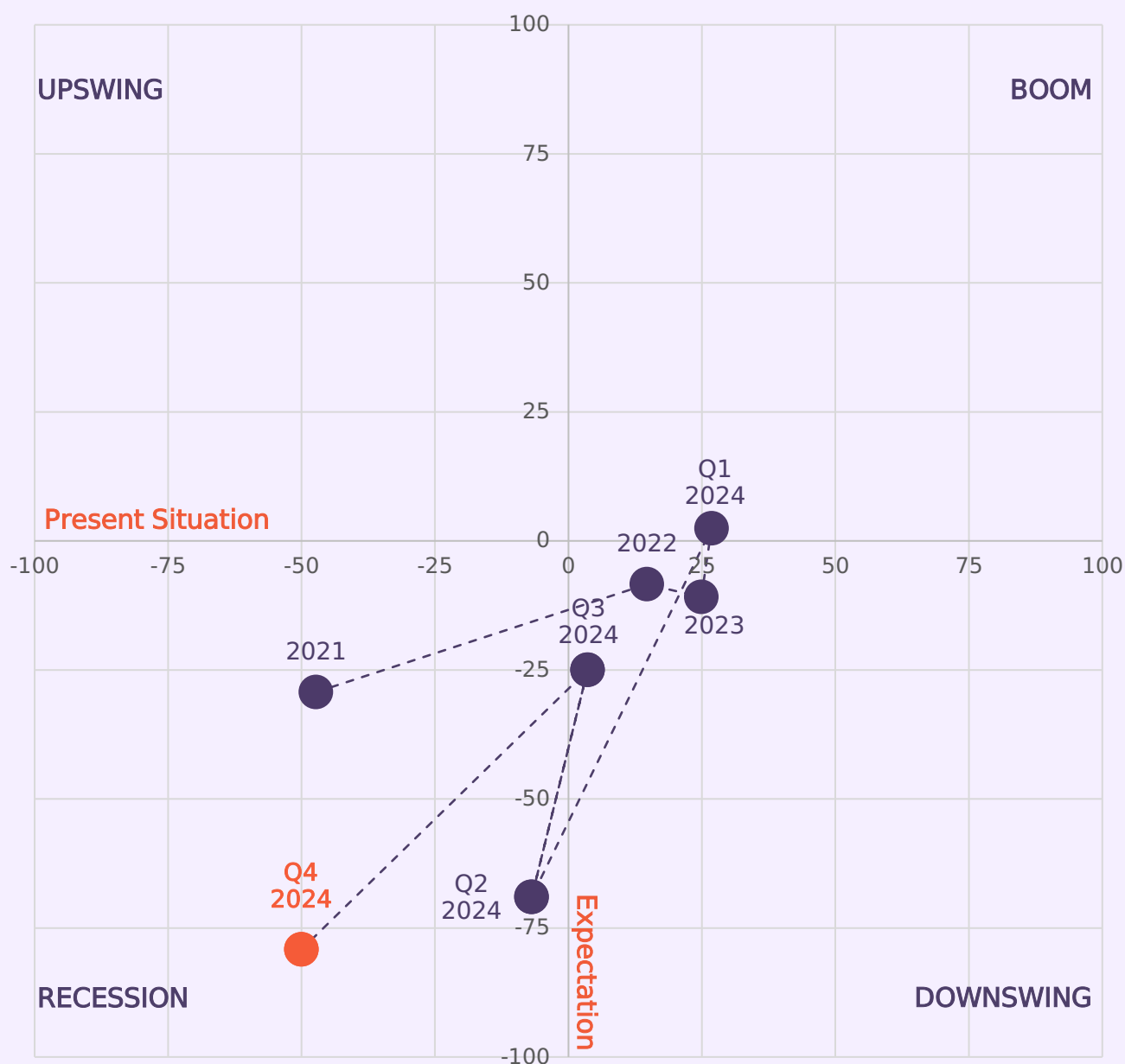
The main findings of a survey of Georgian economists conducted in Q4 2024 are as follows:

- Their assessment of Georgia's **present economic situation** was **negative**, while their forecast for Georgia's economic situation by the end of the next six months was **extremely negative**. Overall, their outlook was significantly more pessimistic compared to the previous reporting period.
- On average, **predicted real GDP growth** for 2025 was 3.6%.
- The inflation rate (year-on-year) was predicted to increase by the end of the next six months, with the **expected rate of inflation for 2025** being 4.6%.
- Both **export and import volumes** were forecasted to **decrease**, by the end of the next six months compared to 2024.
- In addition, according to the surveyed economists:
 - **Political turmoil** and **exchange rate fluctuations** had the greatest impact on the Georgian economy in Q4 2024.
 - The **National Bank of Georgia's (NBG) intervention** to reduce foreign reserves to stabilize the exchange rate **divided opinion** among the surveyed economists, with some deeming it appropriate (albeit excessive in scale), and others arguing that no such intervention was needed.
 - The **current level of foreign reserves** held by the NBG was assessed as **"borderline adequate"** to absorb domestic shocks, but a significant number of surveyed economists deemed the reserves **"insufficient"** to withstand broader regional and global shocks.
 - The suspension of EU membership talks was assessed **negatively** by all surveyed economists in terms of its effects on Georgia's economy. In addition, they expected the suspension to negatively impact **international aid** and **FDI inflows**.
 - **Political instability** and **exchange rate fluctuations** were anticipated to be the **most impactful** factors affecting Georgia's economic growth in 2025, while imported inflation and regional conflicts were expected to have a comparatively lesser impacts.

GEORGIAN ECONOMIC CLIMATE

- In a survey of Georgian economists conducted in Q4 2024, the overall assessment of Georgia's **present economic situation** was **significantly negative**. Indeed, their outlook was generally bleaker compared to both the previous quarter and the same quarter of 2023.
- In Q4 2024, the surveyed economists' predictions regarding Georgia's **economic situation by the end of the next six months** were also **negative**, marking their most pessimistic such assessment to date.

Georgian Economic Climate, Q4 2024



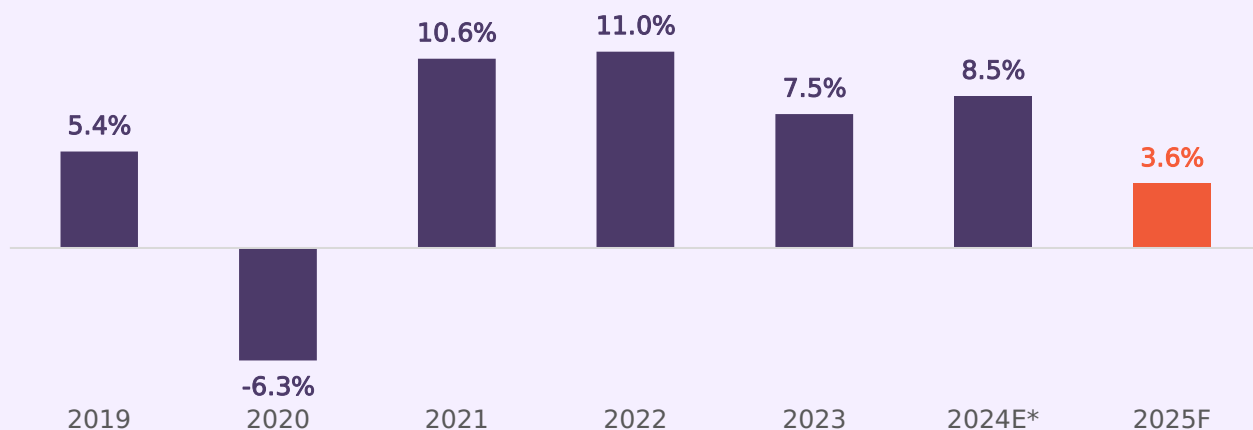
*The data points for 2021, 2022, and 2023 represent quarterly averages.

MACROECONOMIC PREDICTIONS

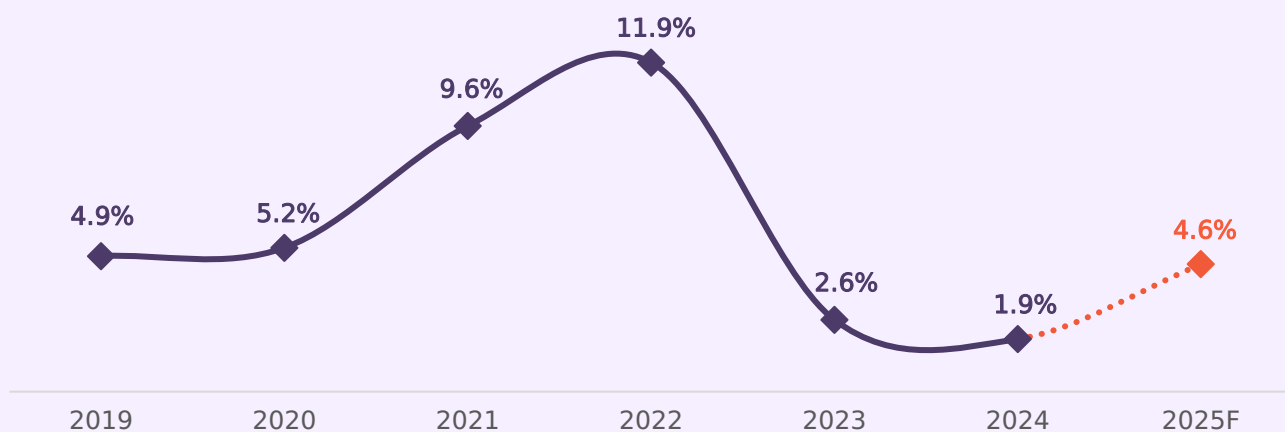
In addition to assessing the current economic situation and outlining their expectations for the end of the next six

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

Graph 1: Real GDP Growth in Georgia and its forecast for 2025 made by the surveyed economists in Q4 of 2024



Graph 2: Average YoY Inflation in Georgia and the forecast for 2025 made by the surveyed economists in Q4 of 2024



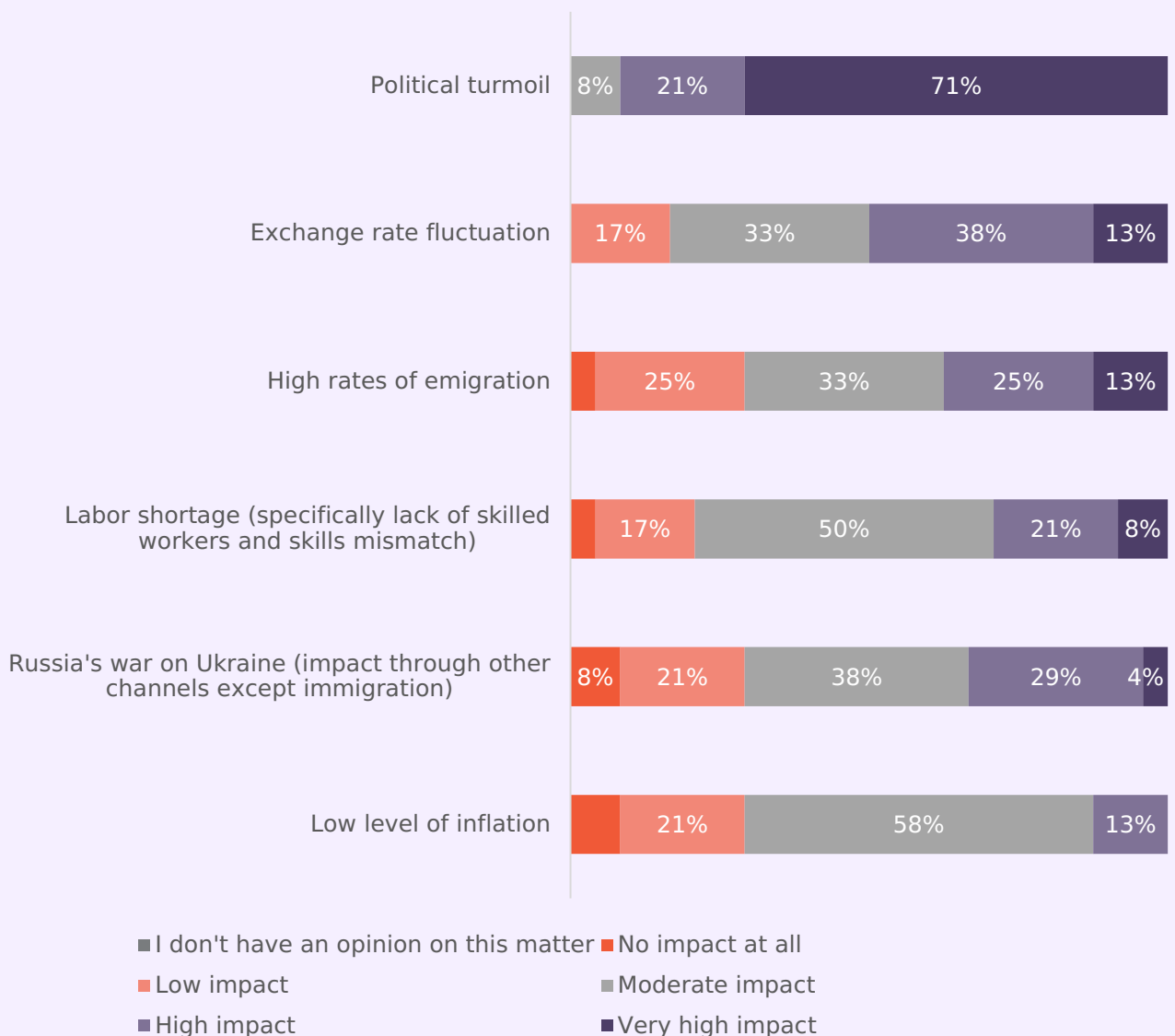
- On average, the **expected real GDP growth** for 2025 was **3.6%**, which is **4.9 percentage points lower** than its 2024 estimate.
- They expected the inflation rate (year-on-year) to increase by the end of the next six months. The **expected rate of inflation** for 2025 was **4.6%**, marking an **increase** of 2.7 percentage points compared to the 2024 figure.
- By the end of the next six months, compared to the corresponding period of the previous year, they expected the Georgian Lari to **depreciate** against the US Dollar, Euro and Turkish Lira and to **appreciate** against the Russian Rouble.
- The volumes of **exports and imports are expected to decrease** for the next six months compared to the corresponding period of 2024.

**The 2024 estimate is based on data from the National Bank of Georgia.*

SPECIAL QUESTIONS

- When asked to identify the factors having the greatest impact on the Georgian economy in Q4 2024, the surveyed economists pinpointed **political turmoil**. Other factors deemed by respondents to have a considerable impact during this period included **exchange rate fluctuations, a high rates of emigration, and a labor shortage**.
- The surveyed economists tended to perceive **negative** factors as more impactful (e.g. political turmoil and exchange rate fluctuations) than **positive** ones (e.g. the low level of inflation).

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 Q4 of 2024.

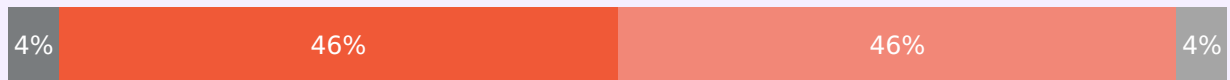


SPECIAL QUESTIONS

- During September-October 2024, the NBG **reduced** its foreign reserve assets by a net amount of \$754 million to stabilize the exchange rate.
- Surveyed economists were more or less **evenly split** on this intervention

of the NBG, with **46%** believing it to have been appropriate (albeit excessive in scale), and another **46%** arguing that there was no need for such an intervention and that the exchange rate should have been left to find a new equilibrium.

Graph 4: Which of the following statements best reflects your perspective on the NBG's decision to reduce its foreign reserve assets to stabilize the exchange rate?



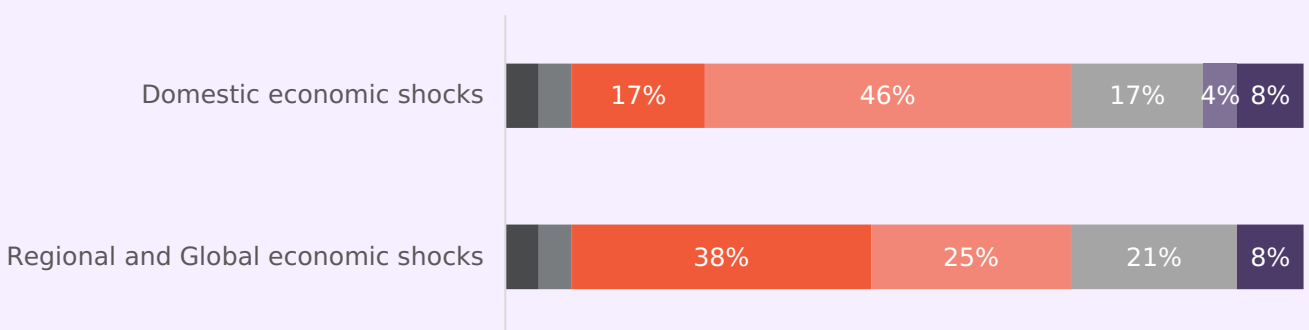
- The National Bank of Georgia made the right decision to intervene at this scale to keep exchange rate stable
- The intervention by the National Bank of Georgia was appropriate, but the scale of the intervention was excessive
- The National Bank of Georgia should not have intervened and should have allowed the economy to find a new equilibrium for the exchange rate
- I don't have an opinion on this matter

- At the end of November 2024, the foreign reserves of the National Bank of Georgia (NBG) amounted to **\$4.1 billion**.
- While **46%** of respondents found these reserves to be **“borderline adequate”** for domestic shocks, **only**

25% considered them **“sufficient”** to withstand regional and global shocks.

- Notably, **38%** deemed the reserves **“insufficient”** for broader shocks, and **no respondents** rated them **“fully adequate”** in this regard.

Graph 5: How would you evaluate the adequacy of NBG's reserves to address:

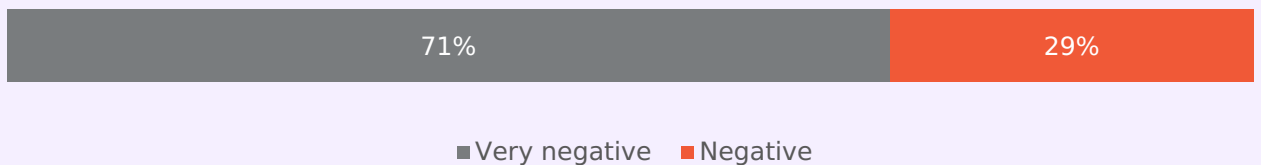


- Refuse to answer
- Insufficient
- Mostly adequate
- I don't have an opinion on this matter
- Highly insufficient
- Borderline adequate
- Fully adequate

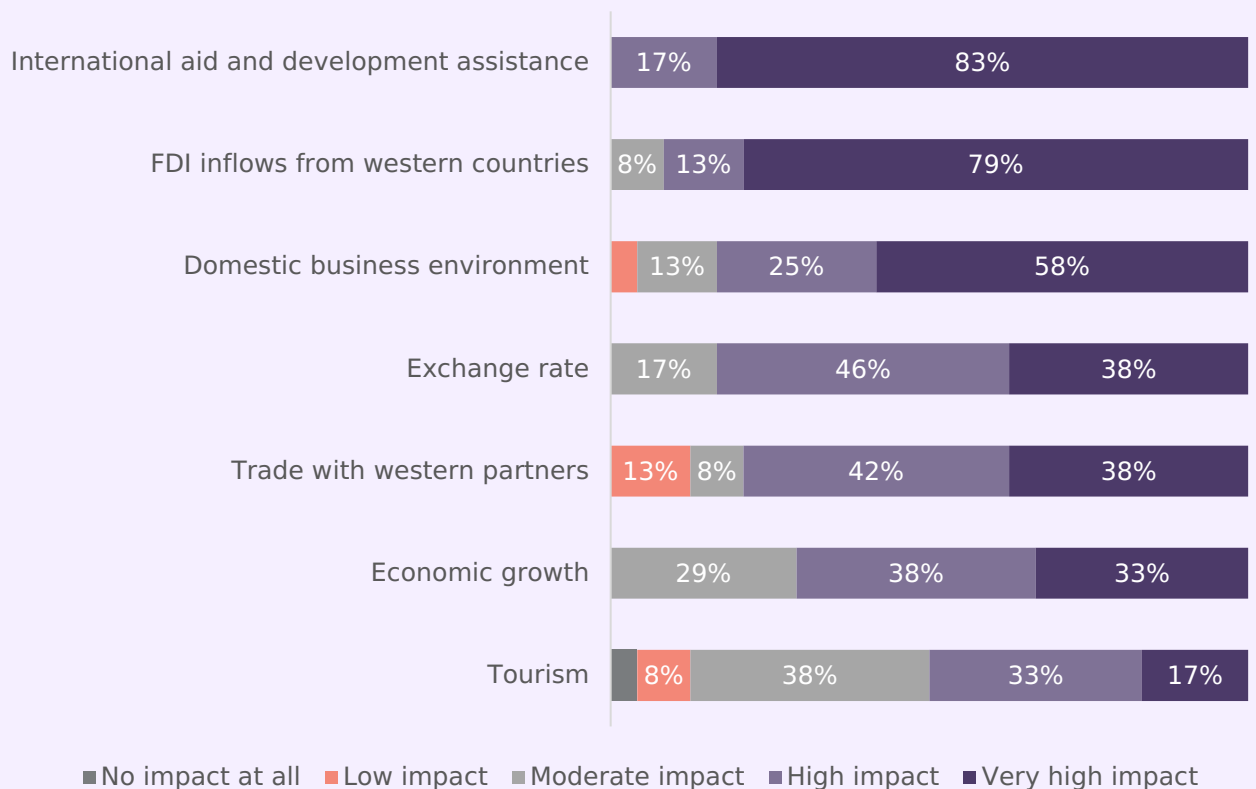
SPECIAL QUESTIONS

- On 28 November, the Prime Minister of Georgia announced the suspension of the country's EU membership talks until the end of 2028.
- All of the surveyed economists thought that the effects of the suspension of EU membership talks on Georgia's economy would be **negative** or **very negative**.
- In general, the surveyed economists believed that the suspension of EU membership talks would have the most negative impact on **international aid and development assistance, FDI inflows from Western countries, and the domestic business environment**.

Graph 6: What do you believe the effects of suspension of EU membership talks will be on Georgia's economy?



Graph 7: If you believe the suspension of EU membership talks will negatively affect the Georgian economy, please rate the impact on the following aspects on a scale from 1 (no impact) to 5 (very high impact).



SPECIAL QUESTIONS

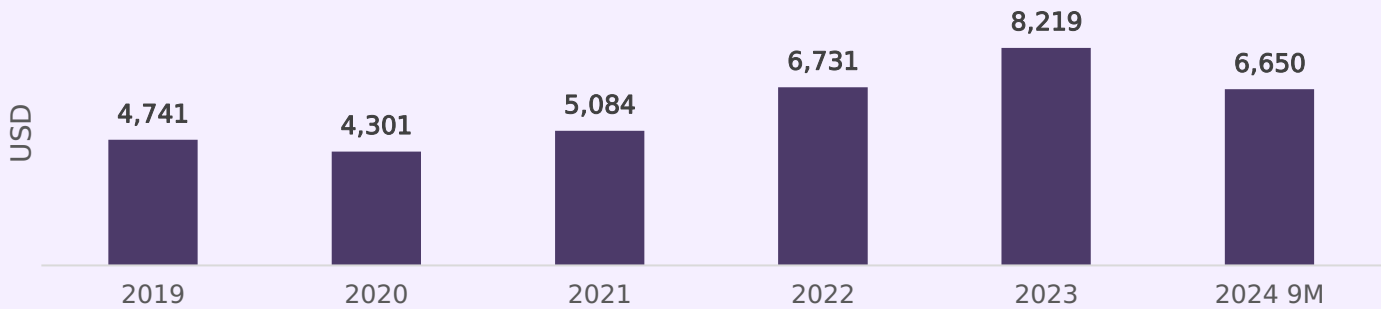
- In the Q4 2024 survey, economists highlighted the main **challenges** that they expected to impede Georgia's economic growth in 2025.
- **Political instability** was anticipated to be **the most significant factor**, followed by exchange rate fluctuations and weaker domestic demand.
- Meanwhile, imported inflation and regional military conflicts were expected to play a **relatively minor role**.
- The surveyed economists generally expected domestic factors (e.g., political instability) to have a **greater impact** than global ones (e.g., regional military conflicts).

Graph 8: Please rank the following factors by how challenging they will be for Georgia's economic growth in 2025, from 1 (least challenging) to 7 (most challenging).

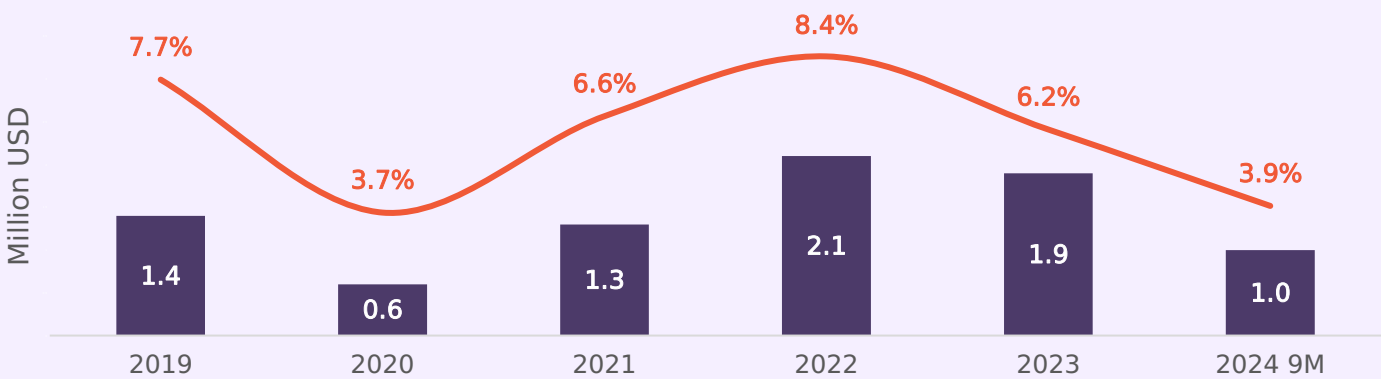


OTHER ECONOMIC INDICATORS IN GEORGIA

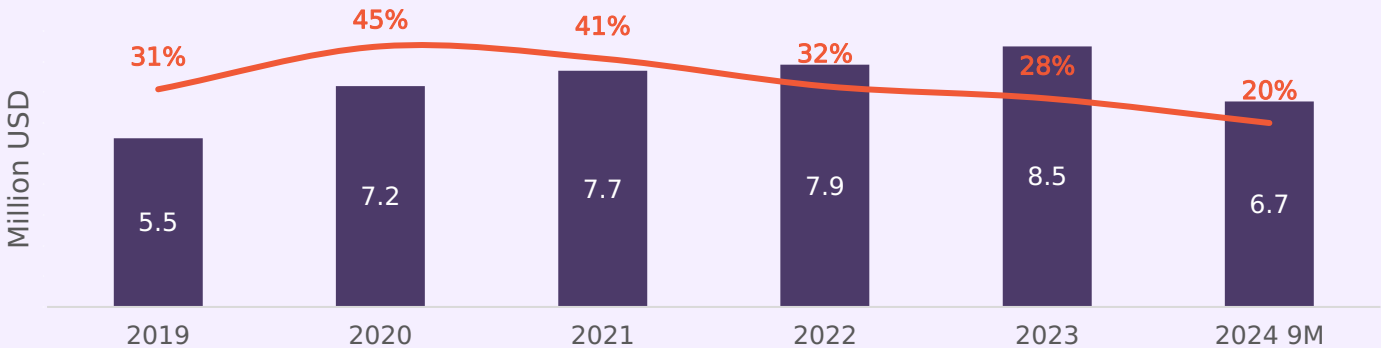
Graph 9: GDP per Capita in Current Prices



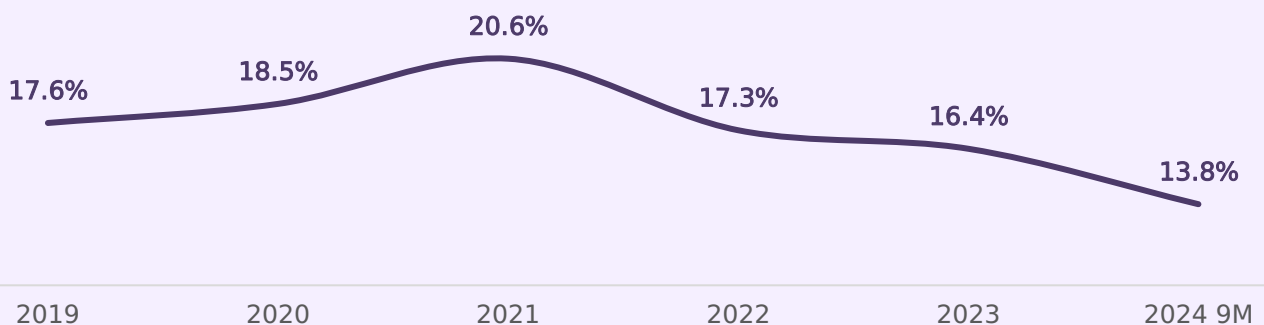
Graph 10: Foreign Direct Investment and Foreign Direct Investment as a % of GDP



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



Graph 12: Unemployment Rate



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