- *Economic activity grew 13 percent (yoy) in July, led by construction, manufacturing, IT, and trade.*
- *Gross FDI inflows rebounded in Q2, 2024, driven by reinvested earnings.*
- *Consumer prices fell 0.1 percent (mom) in August, as prices in communications and clothing dropped.*
- *Exports jumped 30 percent (yoy) in July, driven by re-exports of motor cars.*
- *Remittances in July were 1.8 percent (yoy) lower than in July 2023.*
- *Bank credit growth reached 17.8 percent (yoy) in June, and the deposit stock grew 13.5 percent.*
- *The cumulative fiscal deficit widened to 0.6 percent of projected GDP in January-July.*

Rapid estimates show that Georgia's real economic activity grew 13 percent (yoy) in July. This contributed to 9.7 percent expansion in the first seven months of the year. In July, growth drivers included construction, manufacturing, IT, professional services, scientific activities, and trade, whereas energy sector activity contracted. Over 6,300 new business entities were registered in July, a 10.1 percent increase (yoy).

FDI inflows rebounded sharply in Q2 2024, reversing the slowdown observed in Q1. FDI reached USD 574.3 million (approximately 2.6 percent of estimated quarterly GDP), a 10.3 percent increase compared with the same period in 2023. This recovery was primarily driven by higher equity investments and debt instruments, with reinvested earnings continuing to account for the bulk of FDI. The financial and insurance sectors attracted 52 percent of total direct investments, and the UK emerged as a key investor, contributing 46 percent of total FDI in Q2.

Consumer prices decreased 0.1 percent (mom) in August, and annual inflation stood at 1 percent, well below the NBG's 3 percent target. Prices fell 0.1 percent (mom) in August, mainly due to a 5.7 percent fall in communications and a 1.9 percent drop in clothing and footwear. On the other hand, food prices increased 0.5 percent. Annual inflation eased to 1 percent in August, with transport and alcoholic beverages contributing 0.9 pp and 0.3 pp, respectively, to total inflation. On September 11, the NBG decided to keep the key refinancing rate unchanged at 8 percent because of potential risks of domestic and foreign inflation.

Georgia's external position improved in July. Exports jumped 30 percent (yoy), to USD 684.6 million, driven by an increase in motor cars, ferro-alloys, and wine. Imports rose 7.2 percent (yoy), largely of motor cars and petroleum, reversing a decline of 5.7 percent (yoy) in June. Overall, the trade deficit narrowed 7.8 percent (yoy). Meanwhile remittances also recovered relatively in July, exceeding June inflows by 6.0 percent (mom) and down only 1.8 percent (yoy) against July 2023, compared with a sharper decline of 21 percent (yoy) in June; these were supported by inflows from most countries, except Russia (down 38.4 percent, yoy), Kazakhstan (down 35.8 percent, yoy), and Ukraine (down 31.2 percent, yoy). International tourist arrivals (overnight stay) rose 9.2 percent in Q2, and tourism revenues are estimated at USD 1.1 billion, 8.1 percent higher than in Q2 2023. In July, the GEL appreciated 3.3 percent month-on-month against the USD but depreciated 5.3 percent year-on-year. Official international reserves increased USD 90.5 million, reaching a total of USD 4.7 billion in July, equivalent to 3.5 months of imports.

The banking sector's performance in June was solid. The overall credit portfolio expanded by 17.8 percent (yoy, excluding FX effect) in June. Domestic and foreign currency loans grew 31.4 percent (yoy) and 9.2 percent (yoy), respectively. Lending to households rose 15.5 percent (yoy), buoyed by consumer demand, and legal entities increased their portfolios by 20.6 percent (yoy). Banking sector deposits grew 13.5 percent (yoy), with domestic and foreign currency deposits contributing 10.5 pp and 3.0 pp, respectively. As a result, deposit dollarization continued to decline.

Georgia recorded a fiscal deficit in July, equivalent to 0.8 percent of projected GDP for the month and 0.6 percent for the first seven months of the year. General government revenues grew 11.8 percent (yoy) in July, with tax revenues expanding 12.5 percent, largely driven by VAT collections, which accounted for 48 percent of total tax receipts. Government expenditure surged 21.1 percent (yoy), fueled by a 51 percent increase in public investment expenditure and a 15 percent rise in current expenditure. Up to 80 percent of deficit financing came from domestic sources, primarily through a 26 percent reduction in the cash balance of the treasury single account, to GEL 981 million. The general government's total cash balance (including funds in commercial banks placed by the central authorities, municipalities, LEPLs, and general government SOEs) amounted to GEL 5.9 billion, or about 6.7 percent of projected GDP. Public debt remained 8.5 percent higher in July (yoy), although it recorded a marginal decline of 1 percent compared with June. As of July 2024, public debt stood at 36.4 percent of GDP, with external debt accounting for 26 percent of GDP, or 71 percent of total debt.

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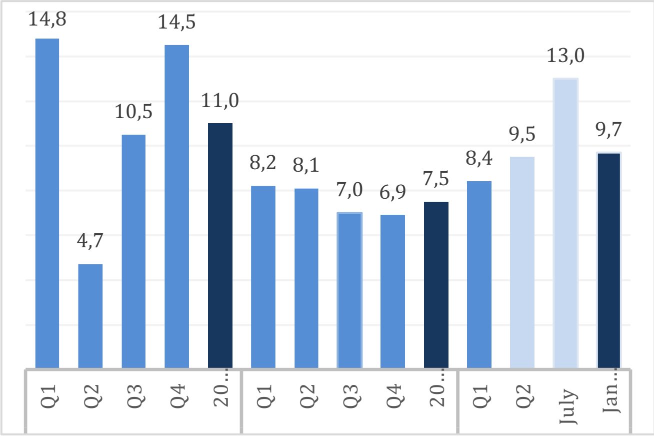
Figure 1. Economic growth soared in July

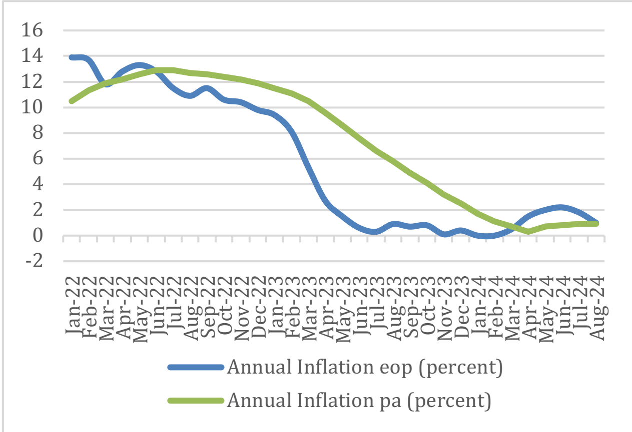
(yoy, %)



Source: Geostat

Figure 2. Annual and average inflation converged to approximately 1 percent in August

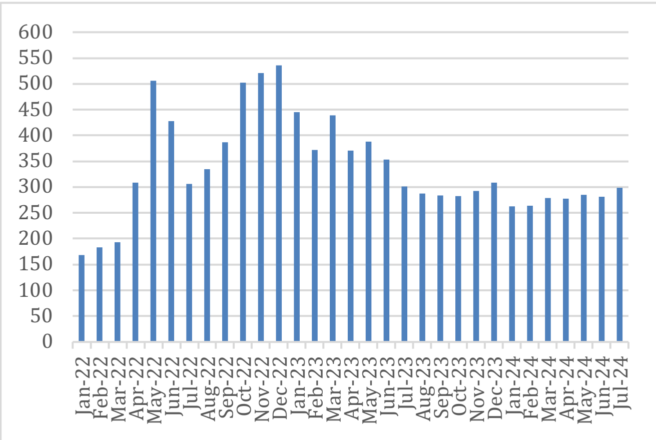
(yoy, %)



Source: Geostat

Figure 3. Money transfers from abroad inched up in July (mom)

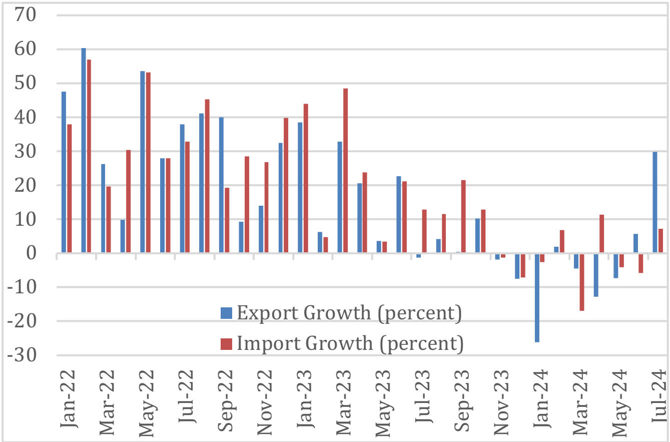
(USD million)



Source: NBG

Figure 4. Export growth soared 30 percent (yoy) in July

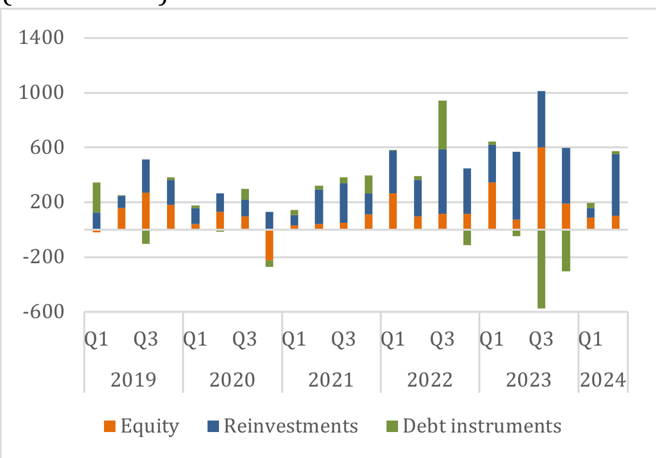
(%, yoy)



Source: Geostat

Figure 5. FDI inflows recovered in Q2 2024

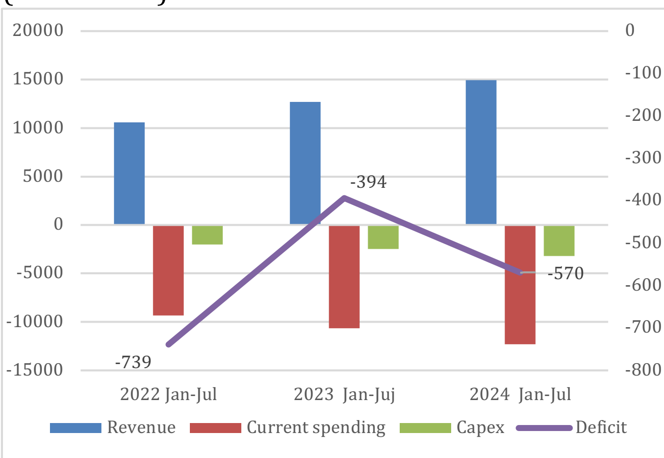
(USD million)



Source: Geostat

Figure 6. A deficit was recorded in the first seven months of 2024

(GEL million)



Source: Ministry of Finance

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