



MACROECONOMIC
OUTLOOK AND
5 KEY THEMES
FOR 2024



2023 IN A NUTSHELL WORLD



US

2.5%

GDP growth
Average, YoY

3.4%

Inflation
EoP

5.25%-5.50%

Monetary Policy Rate
EoP



UK

0.1%

GDP growth
Average, YoY

4.0%

Inflation
EoP

5.25%

Monetary Policy Rate
EoP



EZ

0.7%

GDP growth
Average, YoY

2.8%

Inflation
EoP

4.0%

Monetary Policy Rate
EoP



China

5.2%

GDP growth
Average, YoY

0.2%

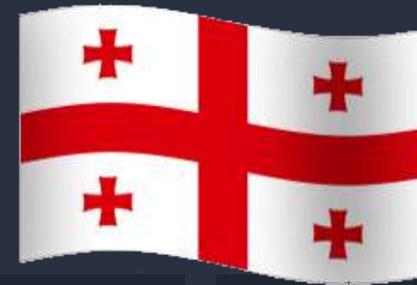
Inflation
EoP

3.45%

Monetary Policy Rate
EoP



2023 IN A NUTSHELL GEORGIA



7.5%



GDP growth

USD/GEL: **2.69**
EUR/GEL: **2.98**



Exchange rate
(EoP)

0.4%



Inflation
(EoP)

9.5%



Monetary policy rate
(EoP)

THEMES AND TOPICS TO THINK ABOUT IN 2024

2024



GEOPOLITICAL
LANDSCAPE



THE ELECTION
YEAR FOR THE
WORLD



CHANGES IN
MIGRATION FLOW
IN GEORGIA



LABOR
SHORTAGE



INTEREST RATES
AND INFLATION



GEOPOLITICAL
LANDSCAPE

ACCESSION NEGOTIATIONS ARE ANTICIPATED TO BE OPEN AFTER THE NEW REPORT ON GEORGIA IS RELEASED IN NOVEMBER 2024



THE EU AQUIS



Fundamentals



Internal Market



Competitiveness and Inclusive Growth



Green agenda and sustainable connectivity

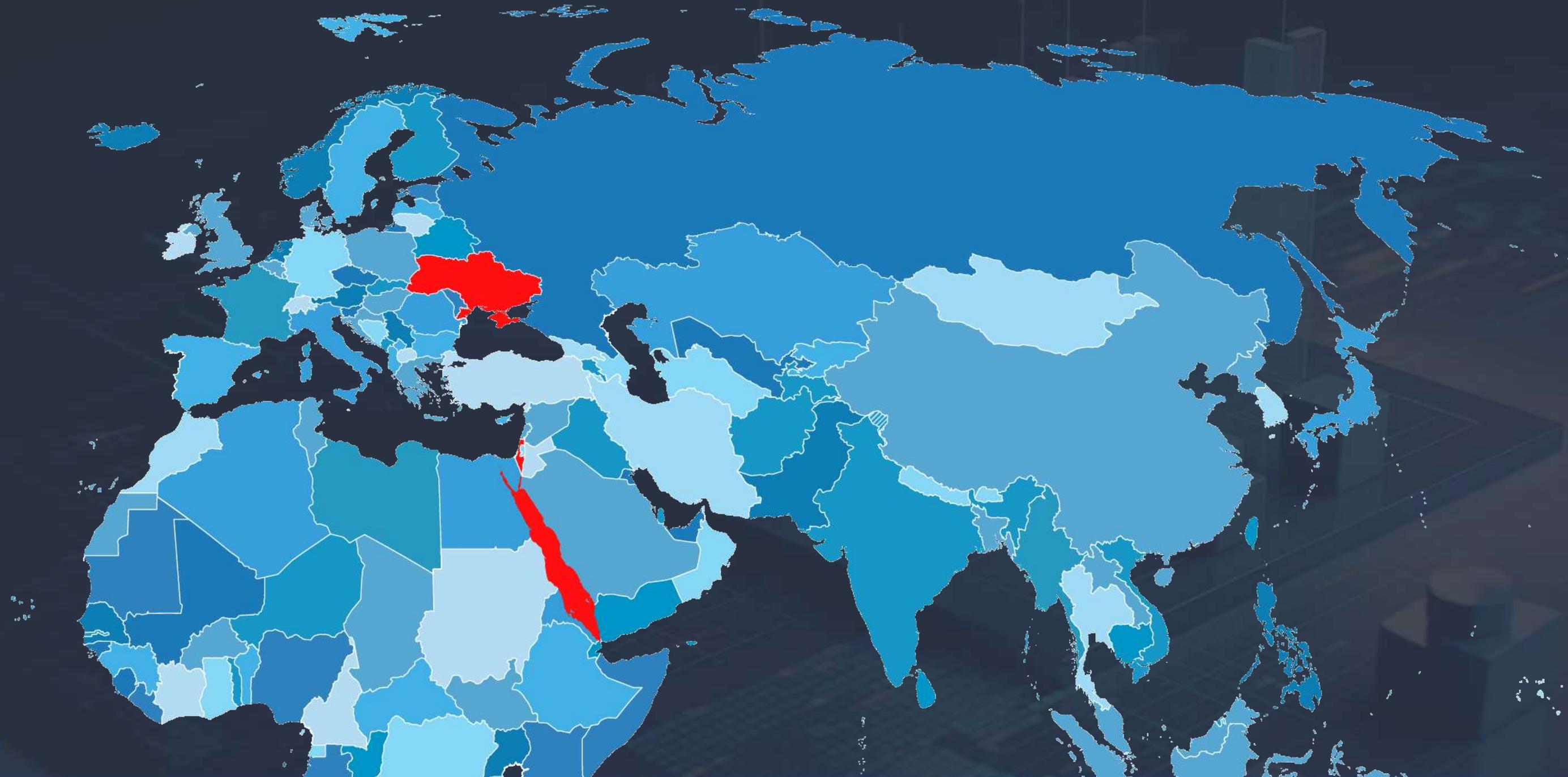


Resources, agriculture and cohesion



External relations

GEOPOLITICAL TENSIONS HAVE PERSISTED IN THE REGION SINCE 2023, GIVING RISE TO ADDITIONAL CHALLENGES.



THE RED SEA CRISIS COMPLICATES THE CENTRAL BANKS' EFFORTS TO REDUCE INFLATION

The Suez Canal:

12% of global trade
30% of container trade



Shipping time:

+ 25-30%

Container shipping costs:

2.5-3x higher compared to the beginning of December 2023



Indirect impact:

Disruptions in non-related trade lines



J.P. Morgan research estimates for the first half of 2024 in the world:

Core inflation: + 0.7 pp

Headline inflation: + 0.3 pp



- Red Sea Route
- The Cape Route Around Africa

THE RED SEA CRISIS IS ALSO CAUSING DISRUPTIONS IN SUPPLY CHAINS IN GEORGIA

+50%

Shipping time



+100-150%

Freight tariffs



+5%

Cost of Goods Sold



The share of South East Asian countries in the total imports is 15.3%



80% of imports from the region are transported by the sea



Finding alternative source countries is challenging due to significant differences in both price and product varieties



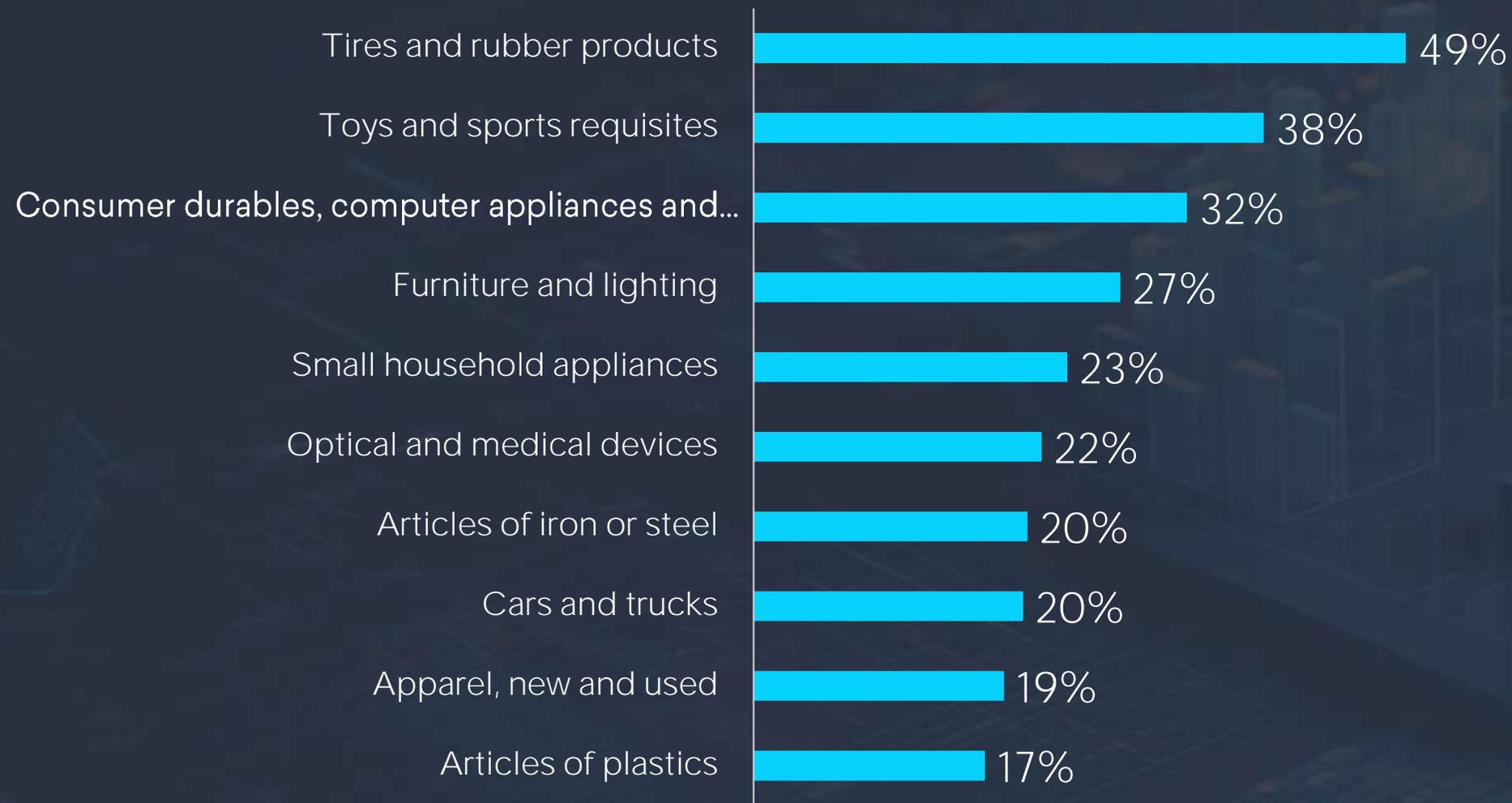
Poses a challenge for SME in terms of reequipping



The price transition depends on the duration of the crisis

THE RED SEA CRISIS DOES NOT CREATE A RISK OF HIGH INFLATION IN GEORGIA

The share of the region in the imports of listed products, 2023



1.33%



The weight of imported products from South East Asian countries in the consumer basket.



The price transition depends on the duration of the crisis.

THE NEGATIVE IMPACT OF ISRAEL-HAMAS WAR ON GEORGIA'S ECONOMY IS FADING AWAY

Share of Israel
2023

0.1%



Import

0.3%



Export

5.2%



Remittances

7.5%



Income from
Tourism

Expenditure by Israeli Tourists
Annual change

Oct-23

Nov-23

Dec-23

Jan-24

-10%

-17%

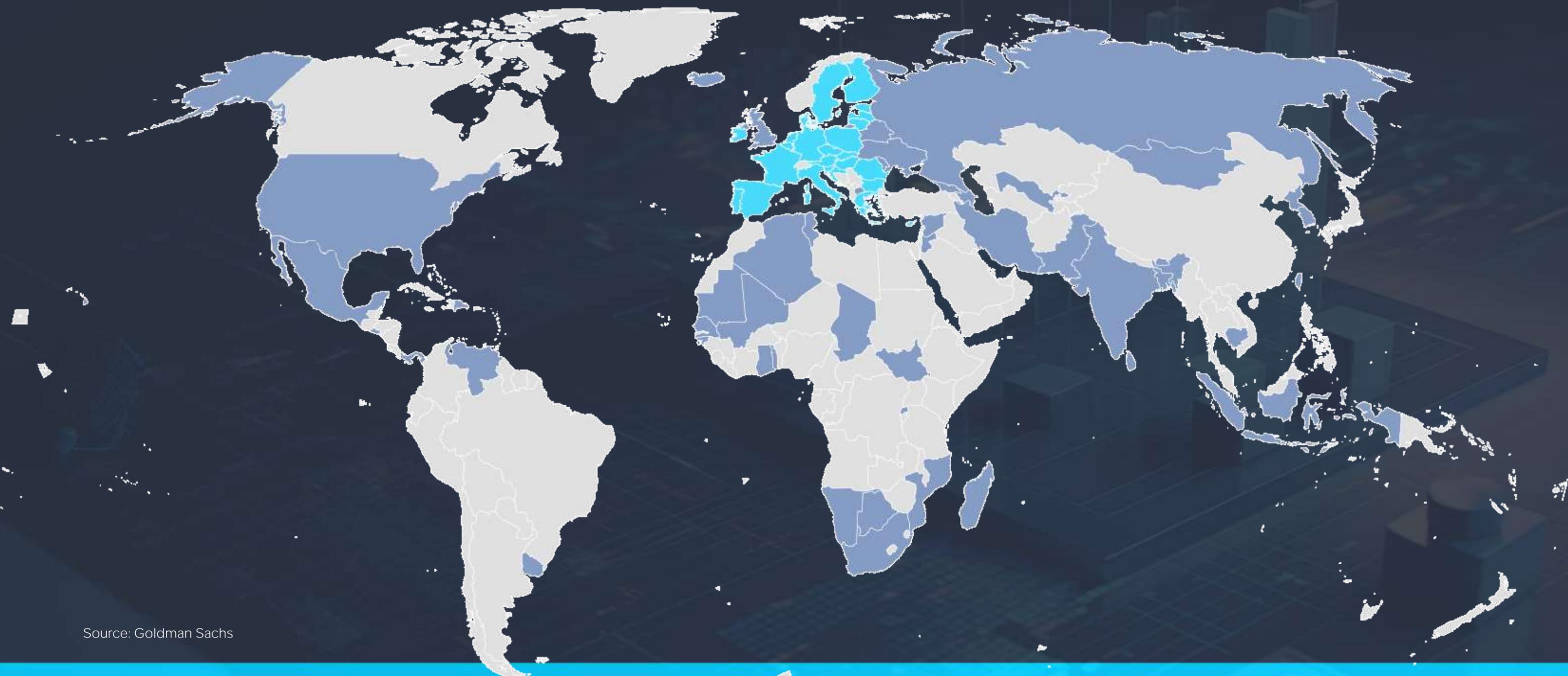
13%

18%



**THE ELECTION
YEAR FOR THE
WORLD**

IN 2024, 46% OF THE WORLD POPULATION WILL CHOOSE POLITICAL AND ECONOMIC TRAJECTORY FOR THE COMING YEARS



Source: Goldman Sachs

AMID GEOPOLITICAL TENSIONS THE US ELECTION BECOMES EVEN MORE CRITICAL



BIDEN'S POLICY

TRUMP'S POLICY



International Trade

Moderate
Protectionism

Strong
Protectionism



Monetary Policy

Maintain current policy

Easing of monetary policy



Foreign Policy

Proalliance
Supporter of Ukraine

Isolationist
Questioning the idea of NATO
Support for Ukraine is unclear



**CHANGES IN THE
MIGRATION
FLOWS IN
GEORGIA**

In 2023, 17% OF RUSSIAN MIGRANTS LEFT GEORGIA

2022 Migrants at the end of the year



115 000

2023 Migrants at the end of the year



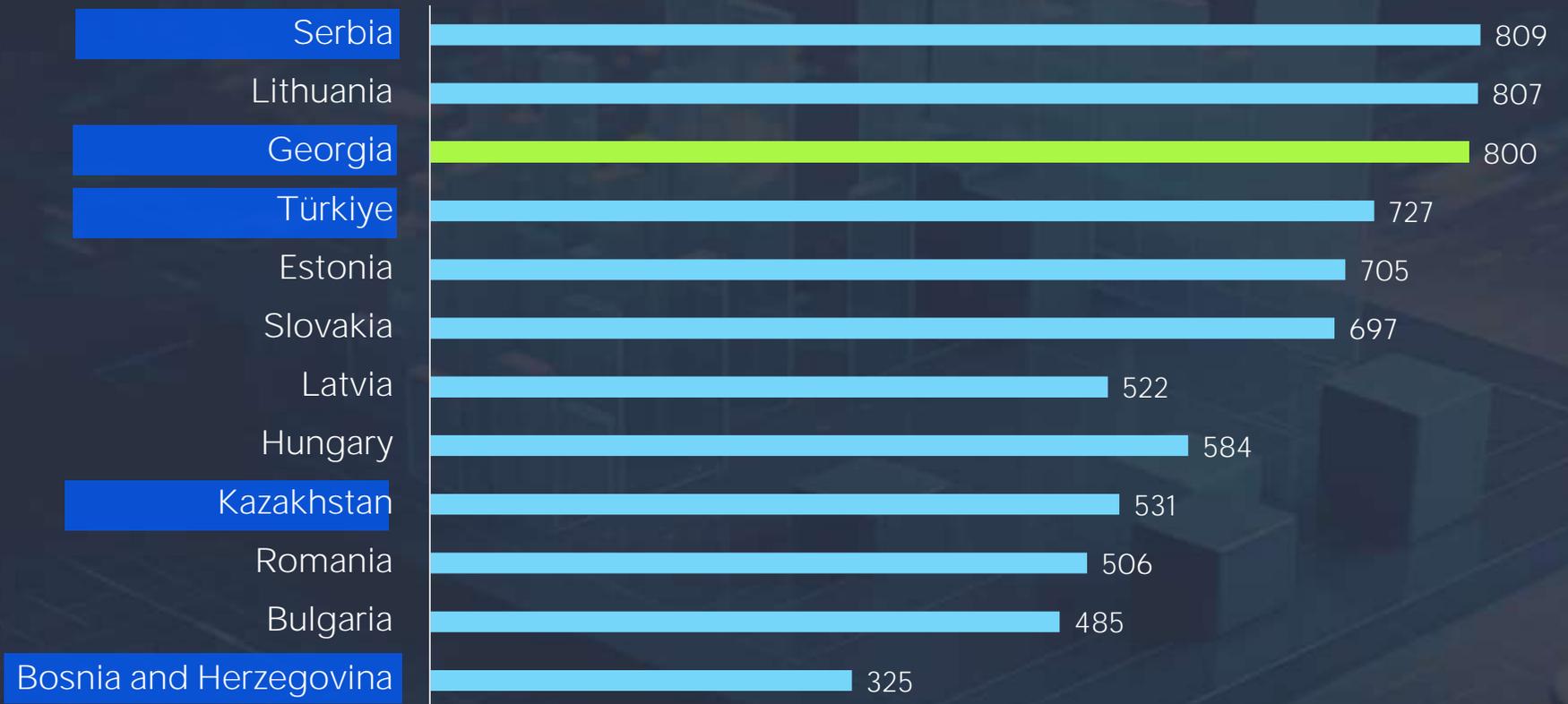
95 000

2024 Migrants at the end of the year



76 000

Average rent price
\$, Capital City



■ Visa-free entry for Russian passport holders

DESPITE A PARTIAL OUTFLOW OF MIGRANTS IN 2024, THE ECONOMY IS PROJECTED TO GROW BY 5.6%, WITH A STABLE EXCHANGE RATE



GDP growth

2023

7.5%

2024

5.6%



USD/GEL

2023

2.69

2024

2.75



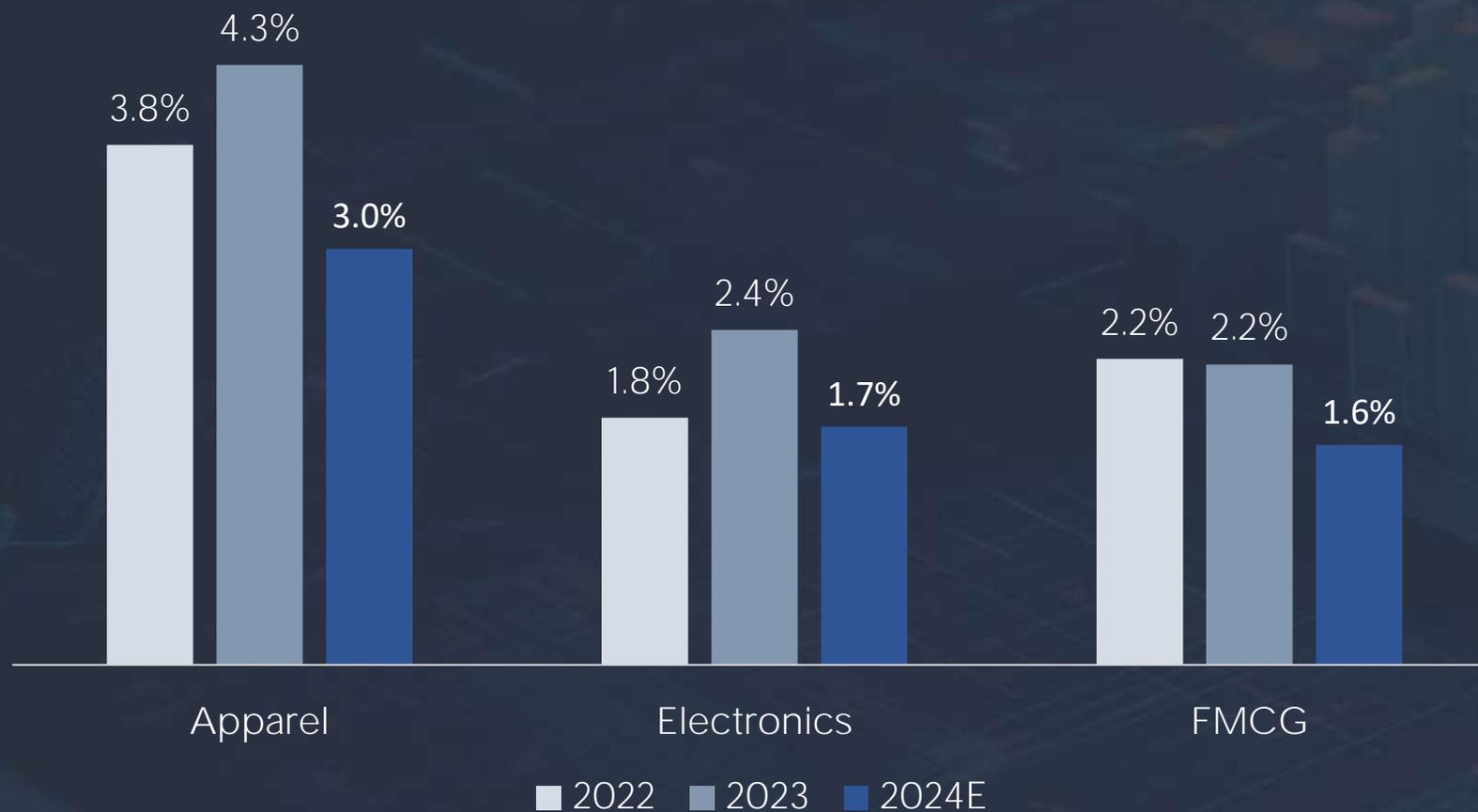
NBG net reserves

January 2024

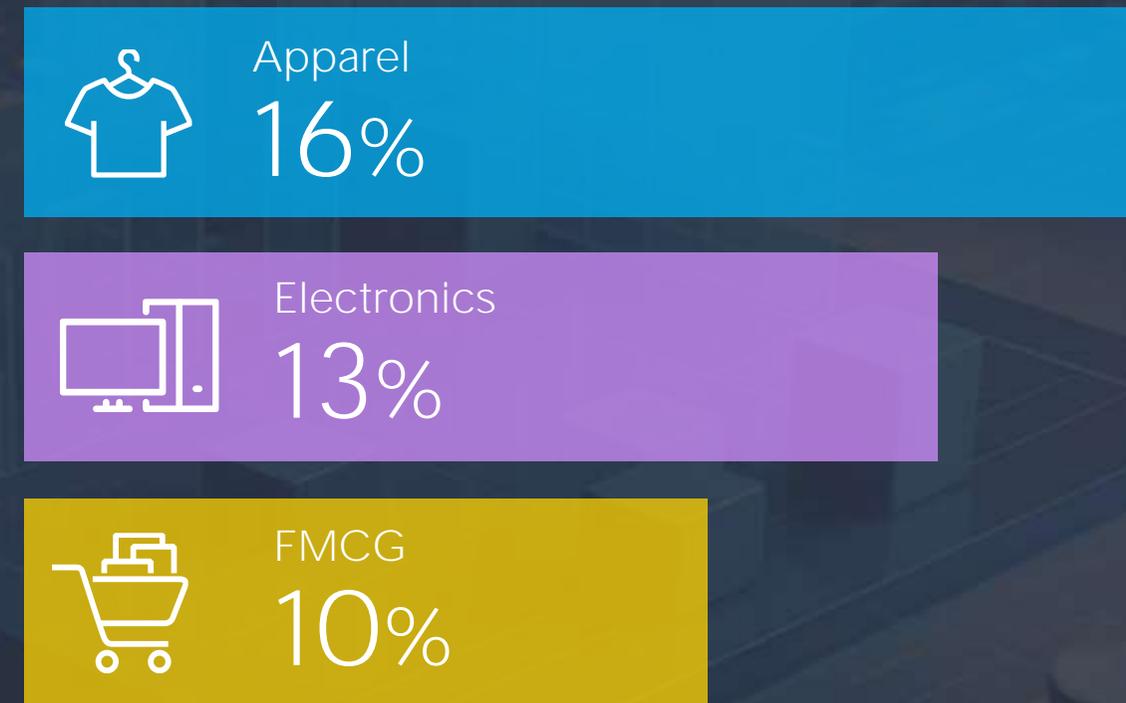
\$2.7 bn

IN 2024, THE OUTFLOW OF MIGRANTS WILL BE OFFSET BY THE STRENGTHENING OF TOURISM AND LOCAL CONSUMPTION

Migrants' spending share in retail trade, % share

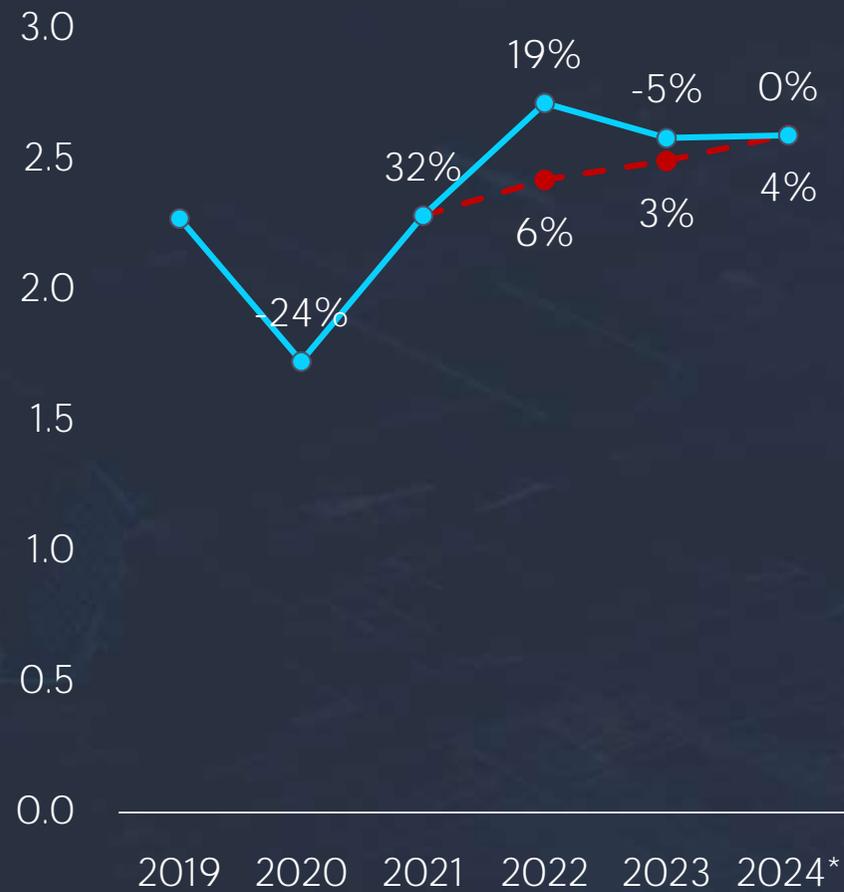


Sector turnover, expected growth for 2024, %

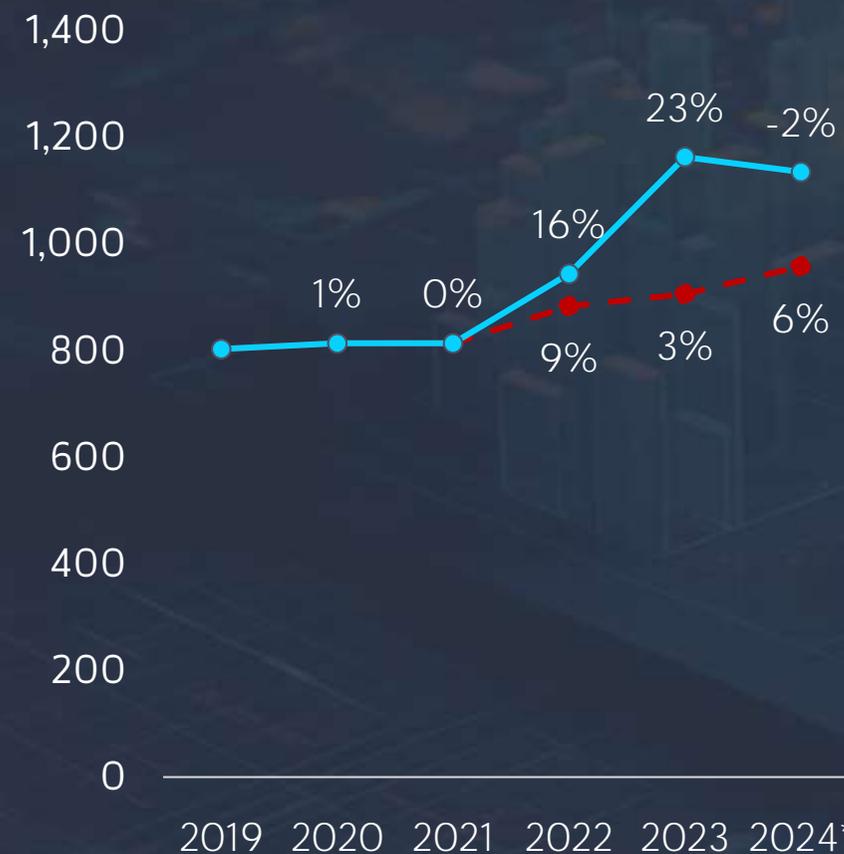


IN 2024, MIGRATION WILL NOT BE THE DETERMINING FACTOR FOR THE RESIDENTIAL REAL ESTATE MARKET DYNAMICS

Area of sold properties (mln. SQM)



Average sale price (\$/SQM)



Average rent price (\$/SQM)



—●— Without migration

—●— Without migration

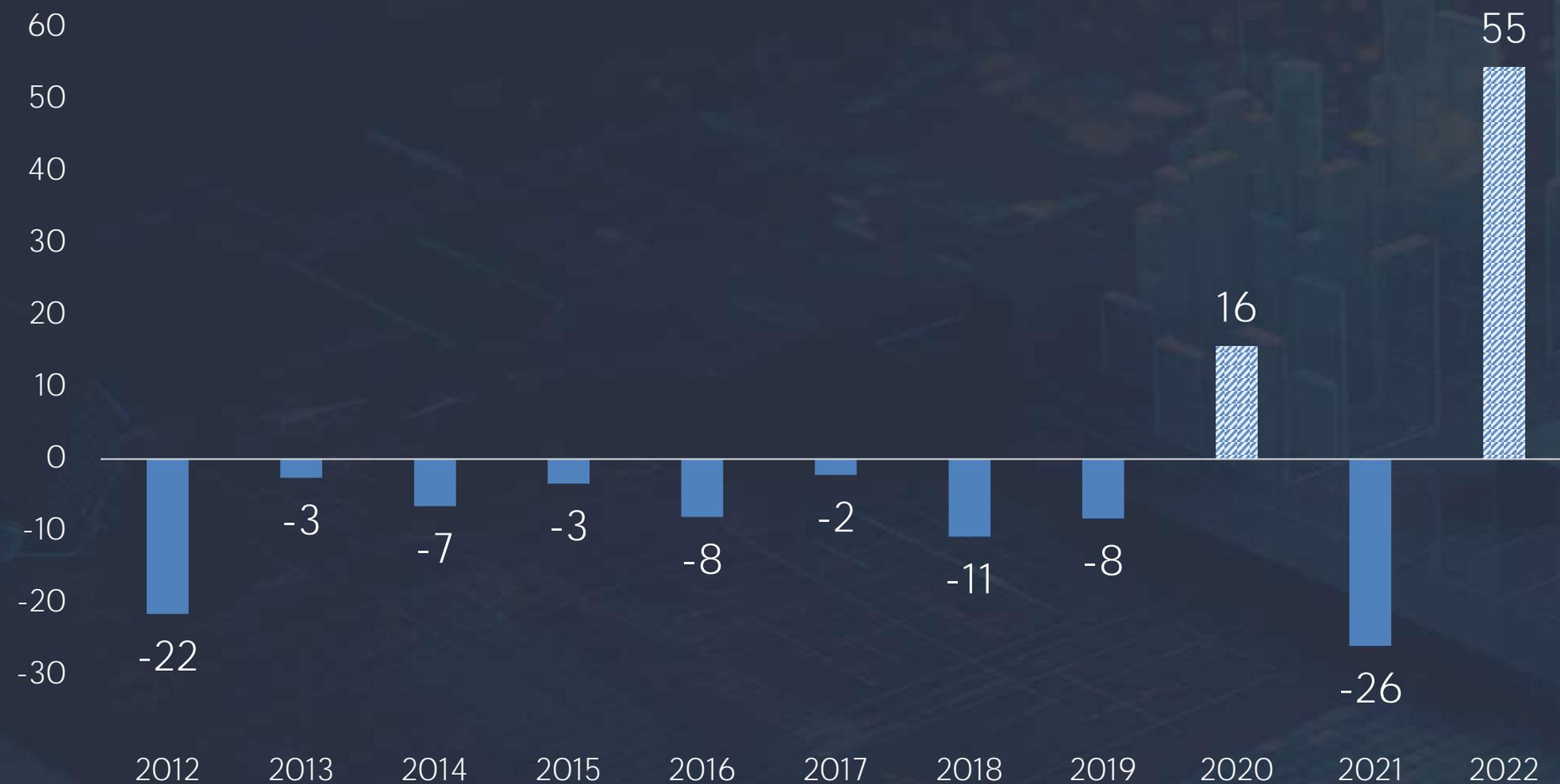
—●— Without migration



LABOR
SHORTAGE

AGING POPULATION, WORKFORCE OUTFLOW, AND LOW BIRTHRATE MAKE LABOR SHORTAGE A LONG TERM CHALLENGE

Net Migration, 1 000 persons



-0.2% CAGR

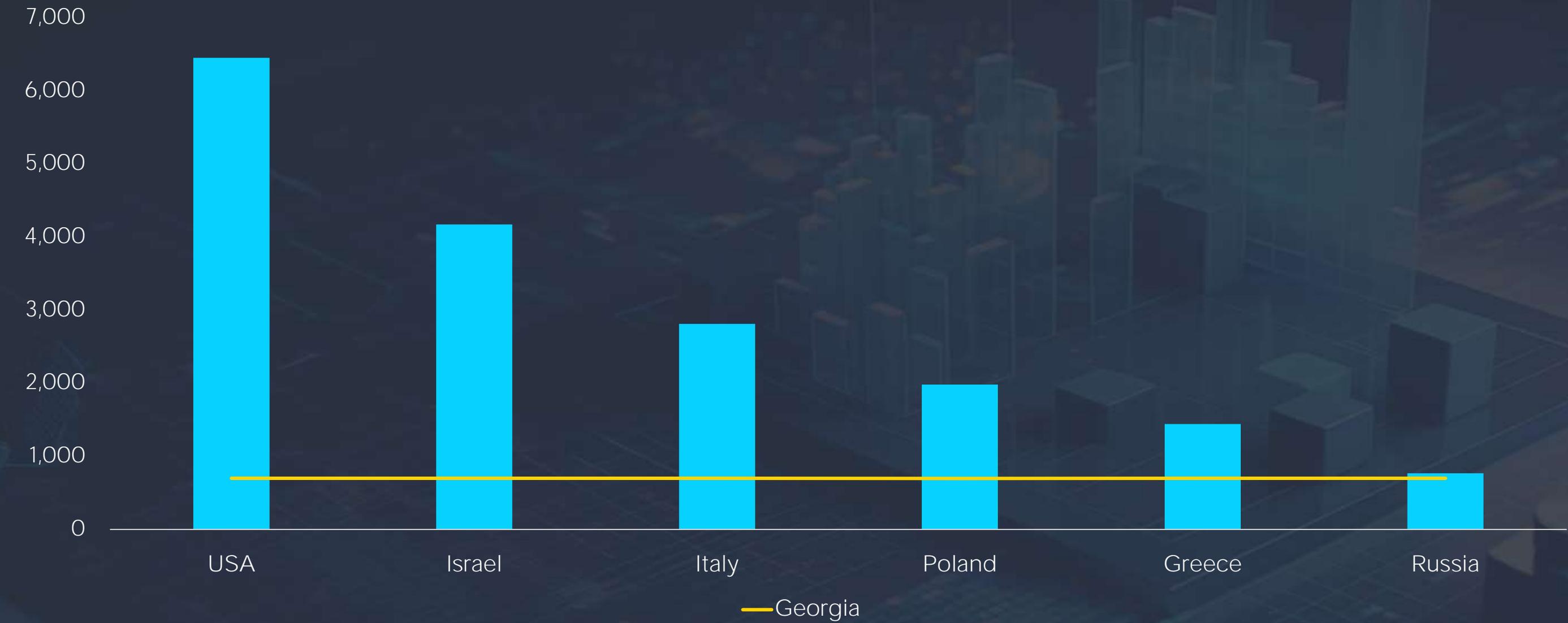
Labor Force, 5 Years

+10.5% CAGR

Average Wage, 5 Years

THE OPPORTUNITY OF HIGHER INCOME: A LEADING FACTOR IN LABOR FORCE OUTFLOW

Average Monthly Wage, \$



Source: National Statistical Offices of Respective Countries

IN 2024, LABOR INFLOWS ARE STILL EXPECTED FROM RELATIVELY LOWER INCOME NEIGHBORING COUNTRIES

Average Monthly Wage, \$



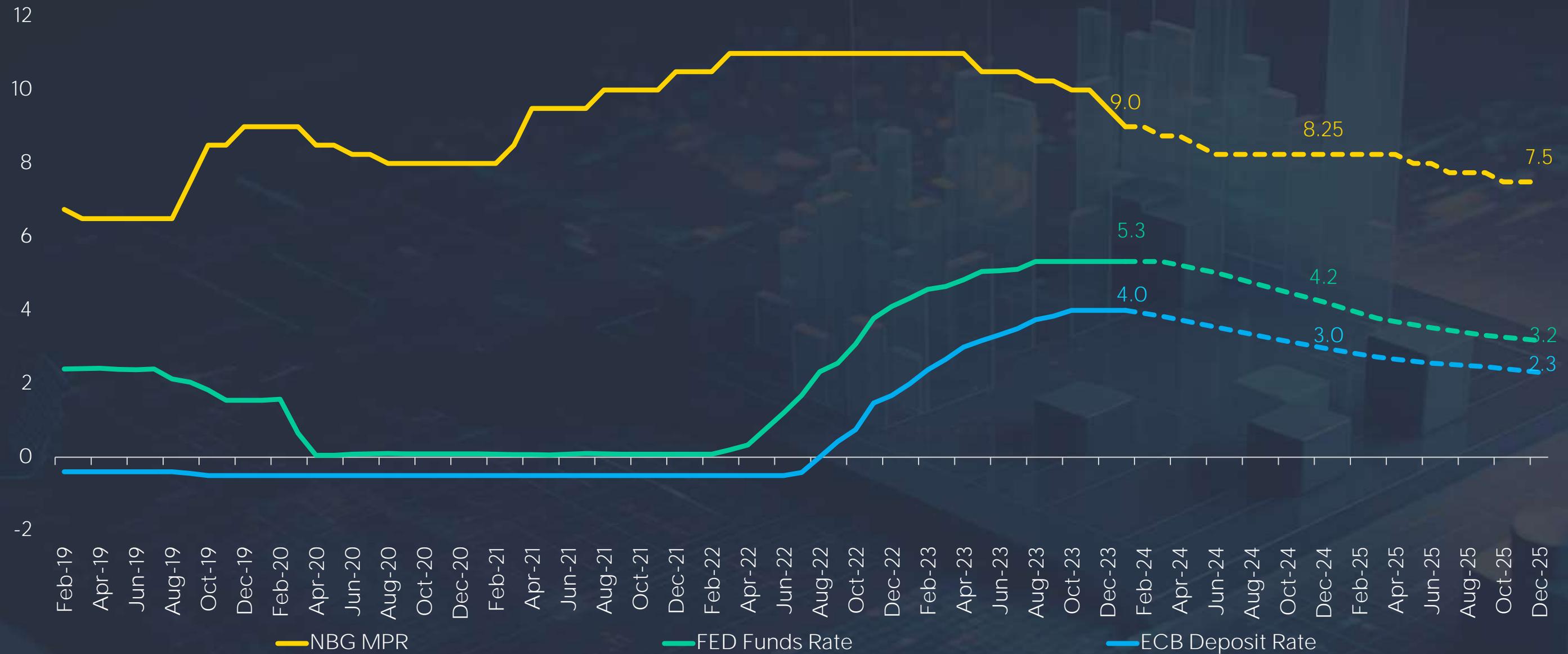
Source: National Statistical Offices of Respective Countries



INTEREST RATES AND INFLATION

IN 2024, MONETARY EASING IS EXPECTED WORLDWIDE, CONSECUTIVELY DECREASING THE COST OF BORROWING

Monetary Policy Rates, %



Source: NBG, Bloomberg, TBC Capital

MACROECONOMIC EXPECTATIONS FOR 2024

	2022	2023	2024	2025
 GDP Growth, %	11.0	7.5	5.6	5.4
 Inflation (EoP), %	9.8	0.4	4.1	3.0
 Monetary Policy Rate (EoP), %	11.0	9.5	8.25	7.5
 EUR/USD (EoP)	1.07	1.11	1.12	1.16
 USD/GEL (EoP)	2.70	2.69	2.75	2.65
 EUR/GEL (EoP)	2.88	2.98	3.08	3.07

SUMMARY



The 2023 Red Sea crisis poses a challenge for supply chains, particularly impacting Georgia's auto industry, household goods, and apparel sectors. The increase in consumer prices in these industries will depend on the duration of the conflict, and sales and inventory planning will play a major role during this period.



The election outcomes have the potential to significantly alter the policies of the world's leading countries towards the region. Consequently, it is crucial to factor in alternative scenarios when formulating business plans and decisions.



In 2024, a partial outflow of migrants is expected to persist. Nevertheless, it is not expected to have material effect on economic growth and the exchange rate. In the real estate market, the influence of migration largely faded away in 2023. Demand in 2024 will be driven more by fundamental factors such as urbanization, desire for improved living conditions, and normalized investment demand.



The labor outflow and demographic trends pose a long-term challenge for businesses and economy. To address this issue, industries may increasingly tap into the potential of neighboring countries with relatively lower incomes as well as focus on initiating the internal skill developing programs.



In 2024, according to our base scenario, key macroeconomic indicators - GDP growth, inflation, interest rates, and the GEL exchange rate - are expected to stabilize after significant fluctuations in recent years.

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