

Geopolitical Uncertainties, Covid-19, and the Impact on Growth and Inclusivity

THE CASE OF GEORGIA



Research

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Economic Growth



Inflation and Prices



Salaries



Remittances



Foreign Direct Investments

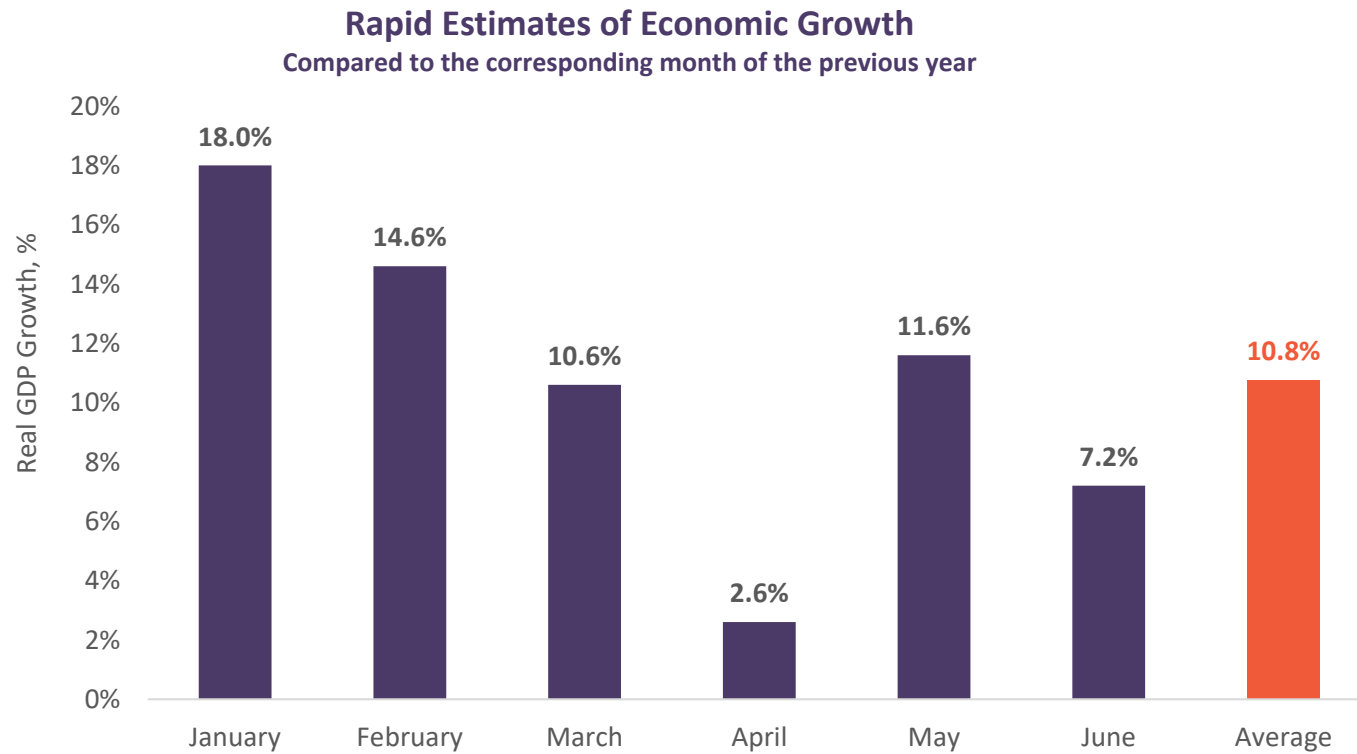


Conclusions





ECONOMIC GROWTH: PERFORMANCE IN FIRST HALF OF 2022



Research



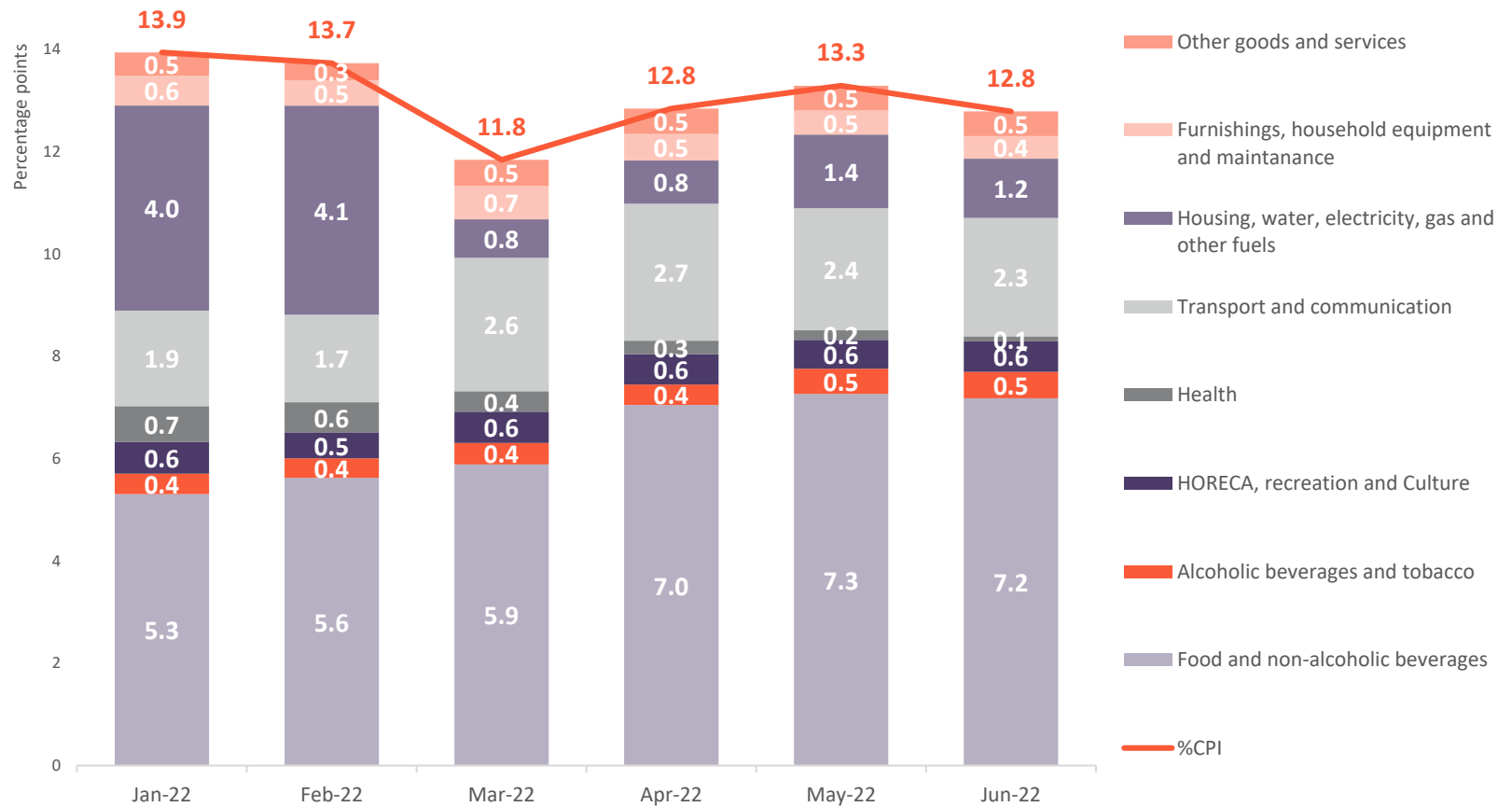
ECONOMIC GROWTH IN GEORGIA: EXPECTATIONS FOR 2022

Real GDP growth forecasts in Georgia for 2022			
Organization	Before start of the war between Russia and Ukraine	At the start of the war between Russia and Ukraine	Several months after the start of the war between Russia and Ukraine
ADB	6.5%	3.5%	-
EBRD	5.5%	2.0%	3.5%
IMF	5.8%	3.2%	
GoG Baseline	6.0%	-	6.0%
GoG Pessimistic	4.1%	-	4.1%
GoG Optimistic	6.3%	-	6.3%
World Bank	5.5%	2.5%	5.5%
NBG Baseline	5.0%	-	4.5%
NBG Alternative	6.0%	-	2.0%
TBC Research	5.5-6.0%	3.5-4.0%	12.2%
Galt & Taggart	5.0%	3.0%	7.6%
Georgian Economic Climate Assessment (PMC Research Center)	8.6%	4.9%	6.1%



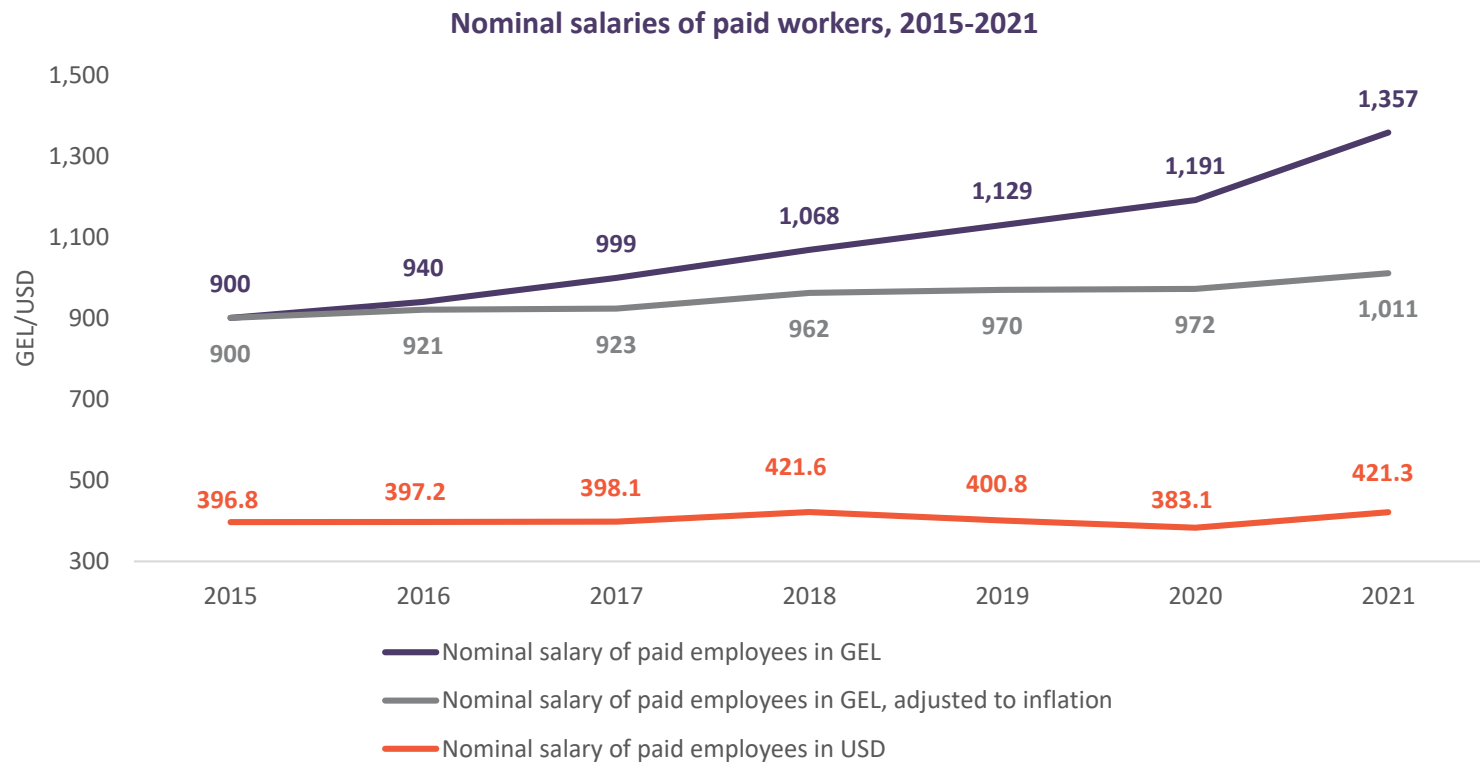
KEY MACROECONOMIC INDICATORS: INFLATION

Contributions of different spending categories to the monthly YoY inflation, pp





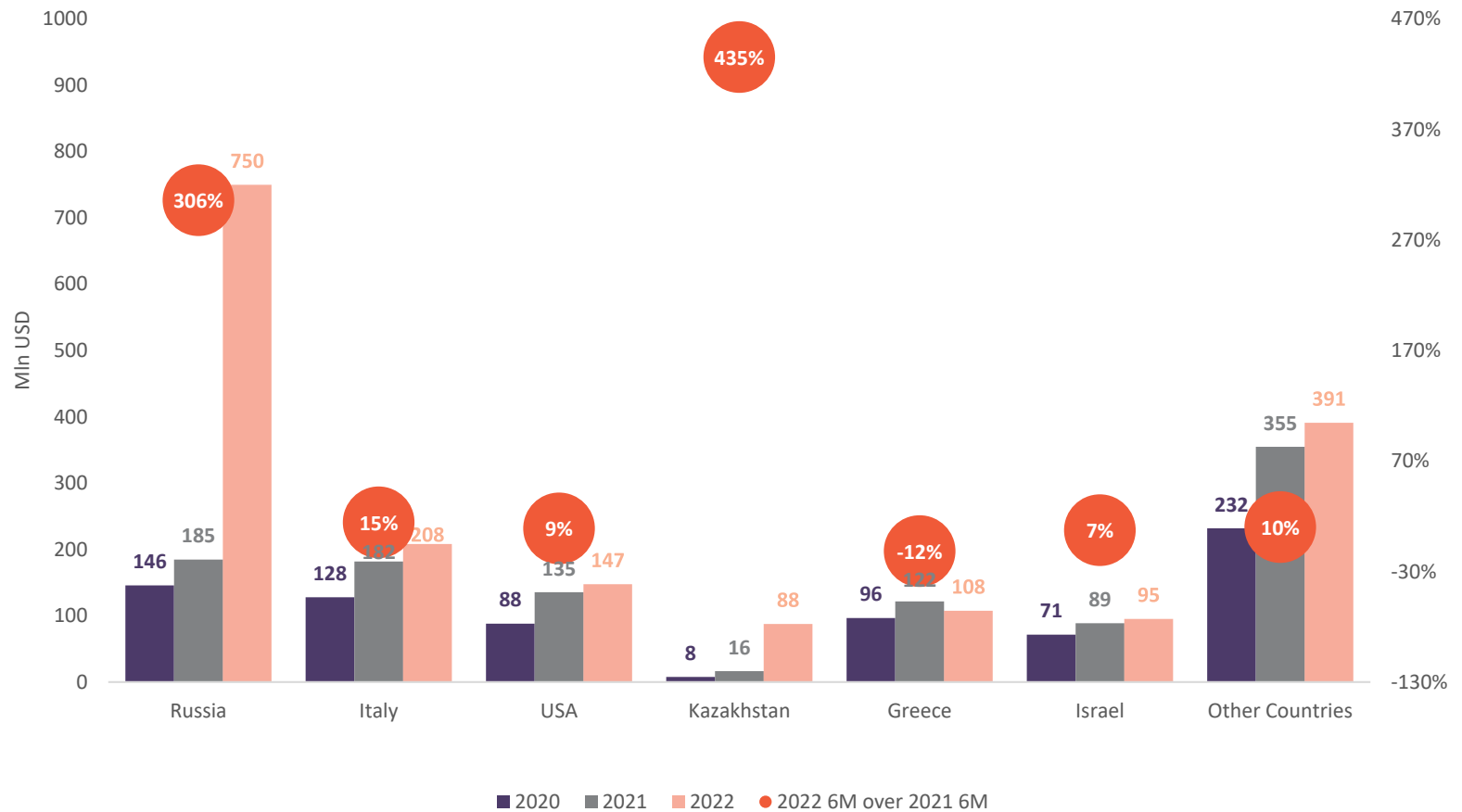
LABOR MARKET: SALARIES





EXTERNAL SECTOR: REMITTANCES

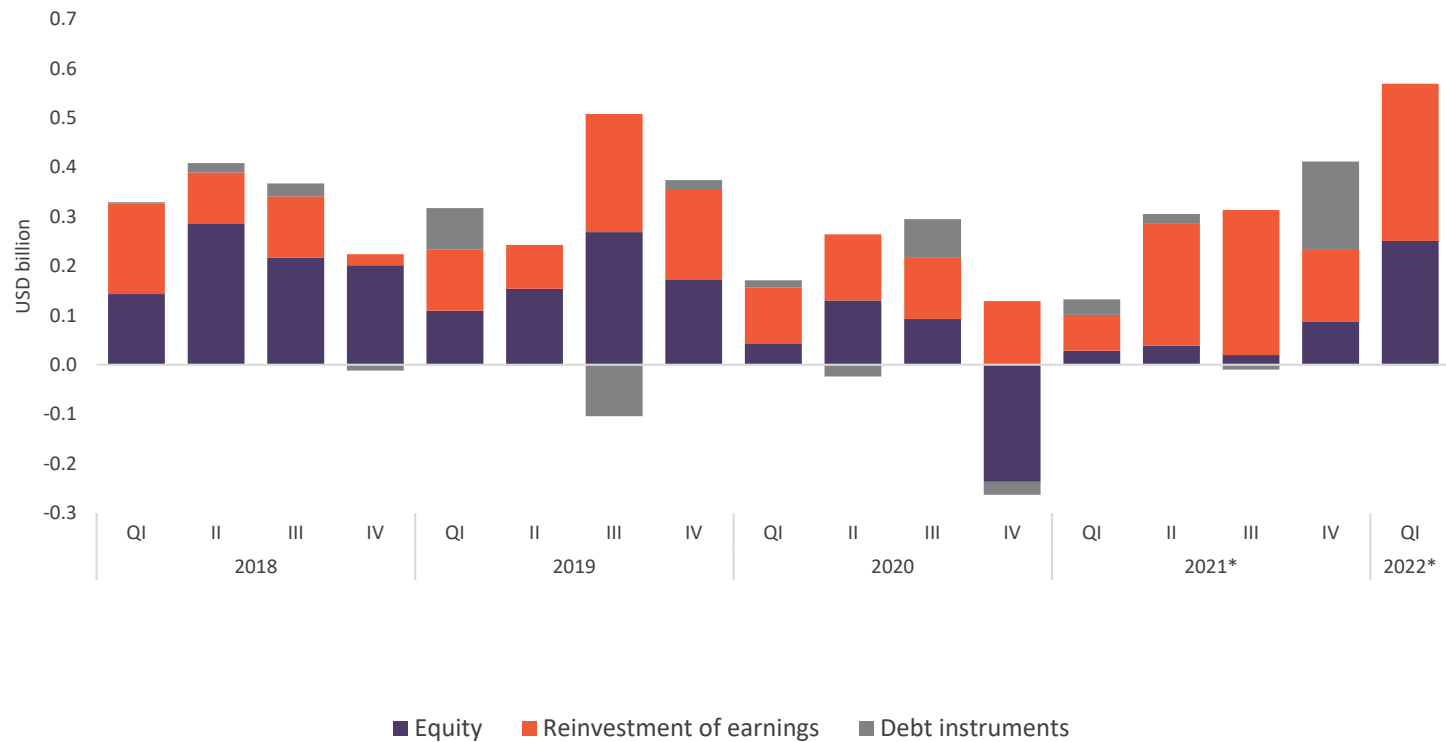
A comparison of remittances in Georgia by countries, 2021 first half-2022 first half





EXTERNAL SECTOR: FOREIGN DIRECT INVESTMENTS

Net FDI inflows in Georgia and the shares of components,
2018 - 2022* Q1





- The Georgian economy has **fared significantly better than expected** in the first half of 2022, especially considering that there is a severe conflict raging in the immediate region, having grown by an average of 10.5% over the first half of 2022.
- However, we believe that this growth can be attributed to a combination of one-off factors, while key macroeconomic indicators in Georgia, such as inflation and unemployment, remain high, implying that the **underlying growth is not inclusive**.
- This finding is validated by comparing the fact that the growth of **inflation-adjusted salaries and salaries expressed in USD lags behind the GDP growth rates** of the Georgian economy significantly over the period of 2015-2021.
- Furthermore, even though overall effect of the war has been manageable so far, there are **certain groups of people/firms that have been particularly negatively affected**, such as low-income population (through overall rising prices), students (through increased rent prices), wheat processing firms (through increased issues in wheat import), etc.

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