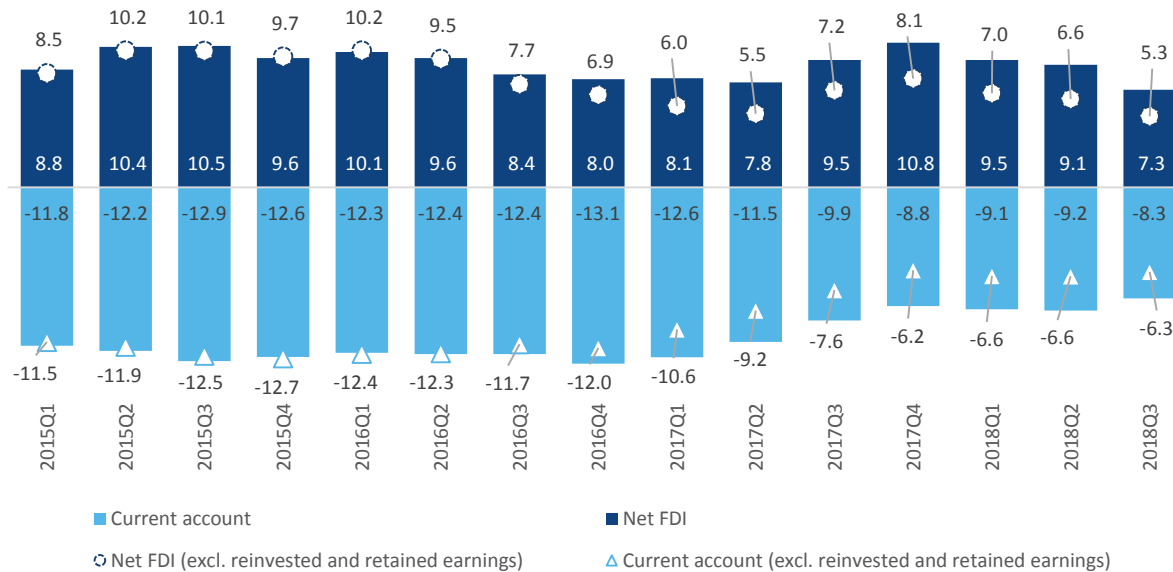
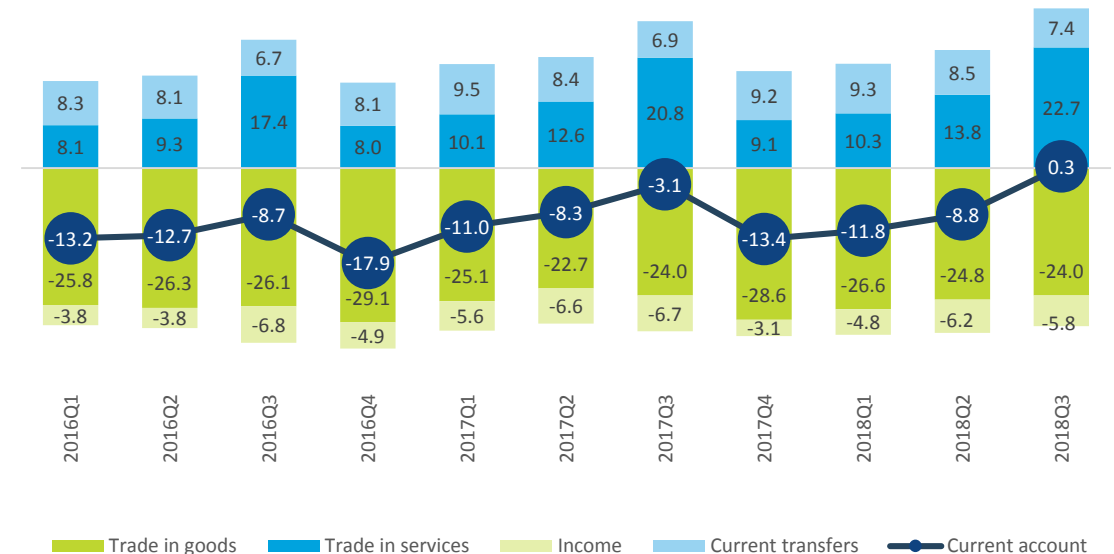


- ❑ The tendency of CA deficit improvement also continued in Q3 2018. Mainly thanks to higher tourism inflows as well as increased current transfers and income account, CA deficit stood at 8.3% of GDP over the last four quarters ending Q3 2018, down from 9.2% of GDP QoQ. In addition, normalization of FDI related imports\* and a lower fiscal spending have been affecting the CA balance positively.
- ❑ CA balance continues to be mostly financed by FDI inflows. Adjusted for net reinvested earnings, which enters the current as well as the financial accounts, CA deficit stood at 6.3% of GDP as of the last four quarters ending Q3 2018.
- ❑ Thanks to gradual improvement in the current account balance and strong seasonal effect, the CA balance to GDP ratio stood at 0.3% in Q3 2018, marking the first time CA balance turned positive. While strong tourism inflows is the key driver of the current account surplus in Q3 2018, higher current transfers and income account also contributed positively. The balance of trade in goods as a % of GDP remained unchanged in Q3 2018 YoY.

### Current account and FDI (% of GDP, last four quarters)



### Current account components (% of GDP)



source: NBG, Geostat, TBC Bank Economic Team estimates

source: NBG, Geostat, TBC Bank Economic Team estimates

\*For example, BP's investment related to the SCPX project which was one of the largest FDI financed projects over the last couple of years had import component of around 80%. In Sum BP invested 2 bn USD, out of which 20% was spent on locally produced goods and services: [https://www.bp.com/en\\_ge/bp-georgia/about-bp/bp-in-georgia/south-caucasus-pipeline--scp.html](https://www.bp.com/en_ge/bp-georgia/about-bp/bp-in-georgia/south-caucasus-pipeline--scp.html)

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