

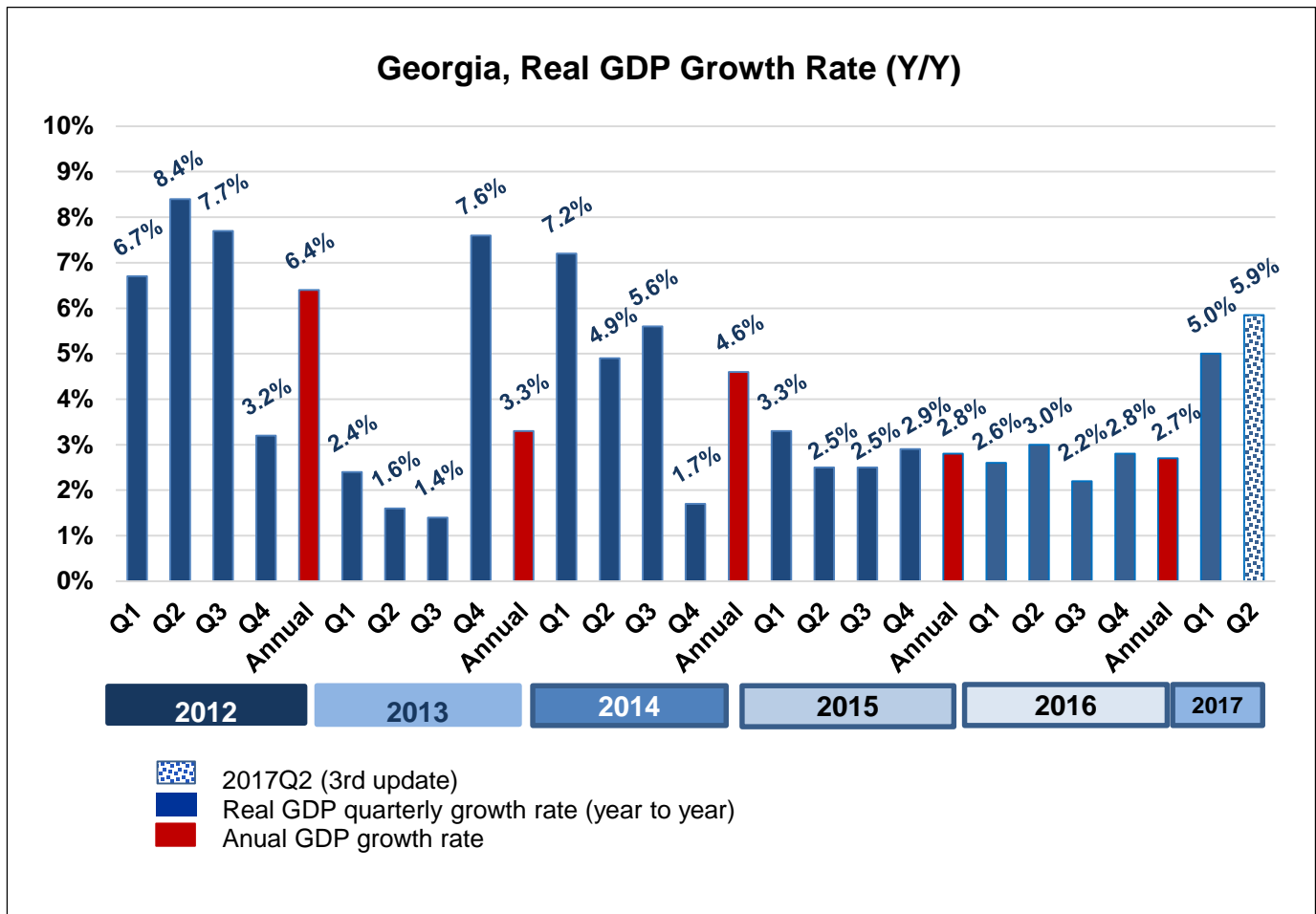


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Growth Projections Increase in May on “Better than Expected” Q1 Performance.

ISSET-PI has updated its forecast of Georgia’s real GDP growth rate for the second quarter of 2017. Here are the highlights of this month’s release:

- ISET-PI’s forecast for the second quarter of 2017 was revised upward from 4.4% to 5.9%.
- Meanwhile, Geostat has updated its GDP growth estimate for the first quarter of 2017. The Q1 growth rate stands at 5%, which is 1.8 percentage points above the forecast.
- We started forecasting the annual growth rate at the start of 2014 (see our [January 2014](#) and [February 2014](#) publications for a note on methodology). Based on the January’s data, we expect annual growth in 2017 to be 6.2% in the worst-case or “no growth” scenario, and 6.6% in the best-case or “average long-term growth” scenario. **Our “middle-of-the road” scenario (based on the average growth in the last four quarters) predicts a 6.3% real GDP growth this year.**





Our forecasting model is based on the Leading Economic Indicator (LEI) methodology developed by the [New Economic School](#), Moscow, Russia. We constructed a dynamic model of the Georgian economy, which assumes that all economic variables, including the GDP itself, are driven by a small number of factors that can be extracted from the data well before the GDP growth estimates are published. For each quarter, ISET-PI produces five consecutive monthly forecasts (or “vintages”), which increase in precision as time goes on. Our first forecast (1st vintage) is available about five months before the end of the quarter in question. The last forecast (5th vintage) is published in the first month of the next quarter.