



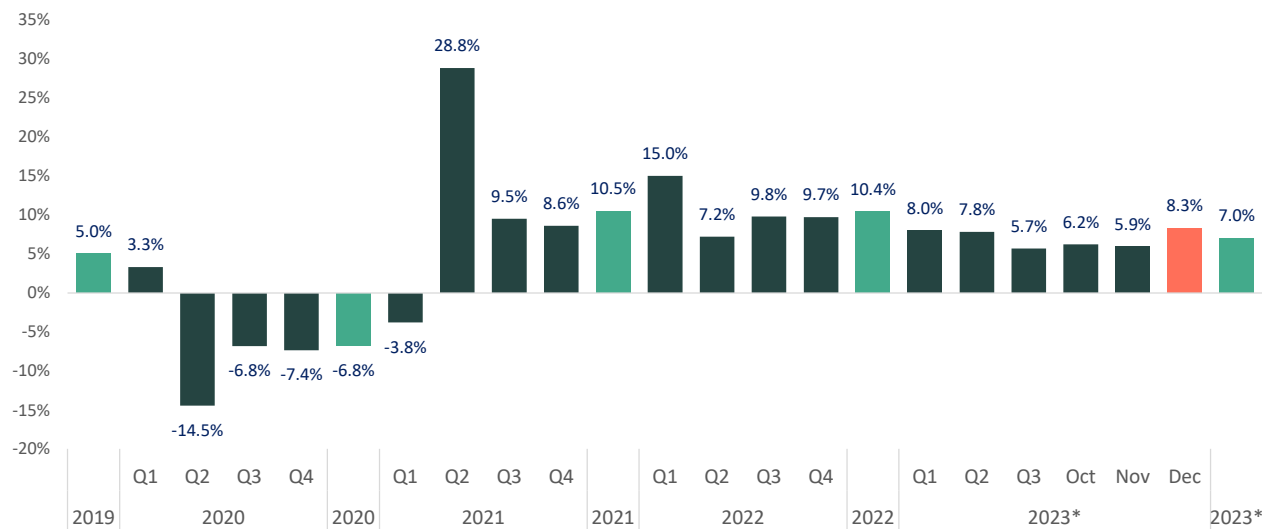
Current Economic Outlook

January, 2024

- In December 2024, the real GDP growth rate was 8.3 percent and average growth rate of 2023 was 7.0 percent, according to the preliminary estimates of the National Statistics Office.
- In January, annual inflation stood at 0 percent, while core inflation was 1.4 percent
- In December, exports decreased by 7.5 percent year-on-year and imports decreased by 11.3 percent year-on-year, decreasing the trade deficit by 13.3 percent year-on-year to 790 million USD
- For December, the real effective exchange rate appreciated by 2.1 percent compared to the same period of the previous year and depreciated by 0.01 percent compared to the previous month
- The National Bank of Georgia decreased monetary policy rate at 9.0 percent in January

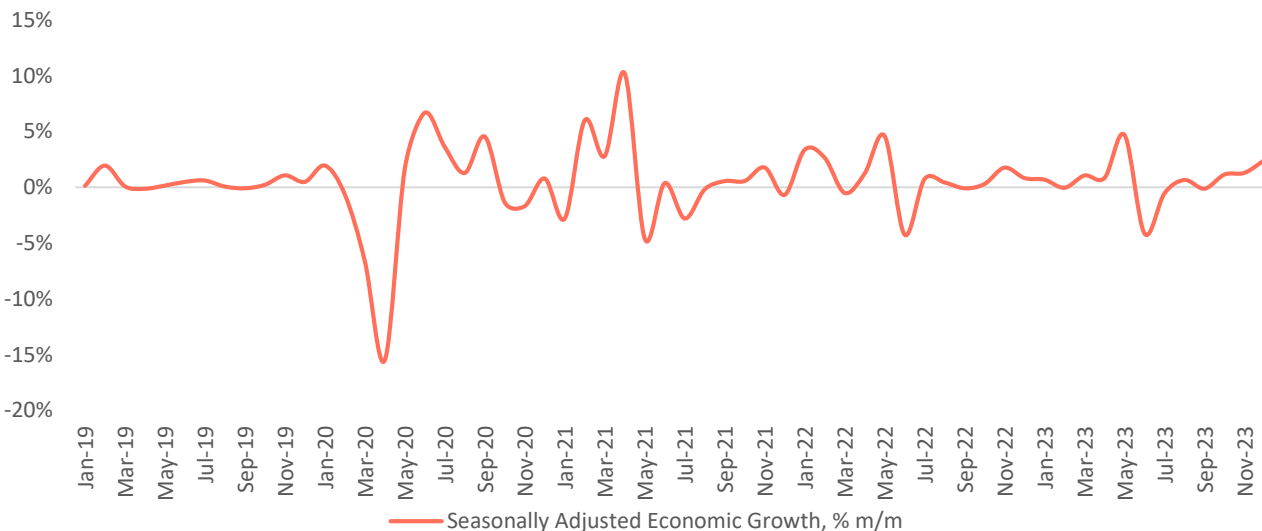
Economic Growth in December was equal to 8.3 percent

Economic Growth, % y/y

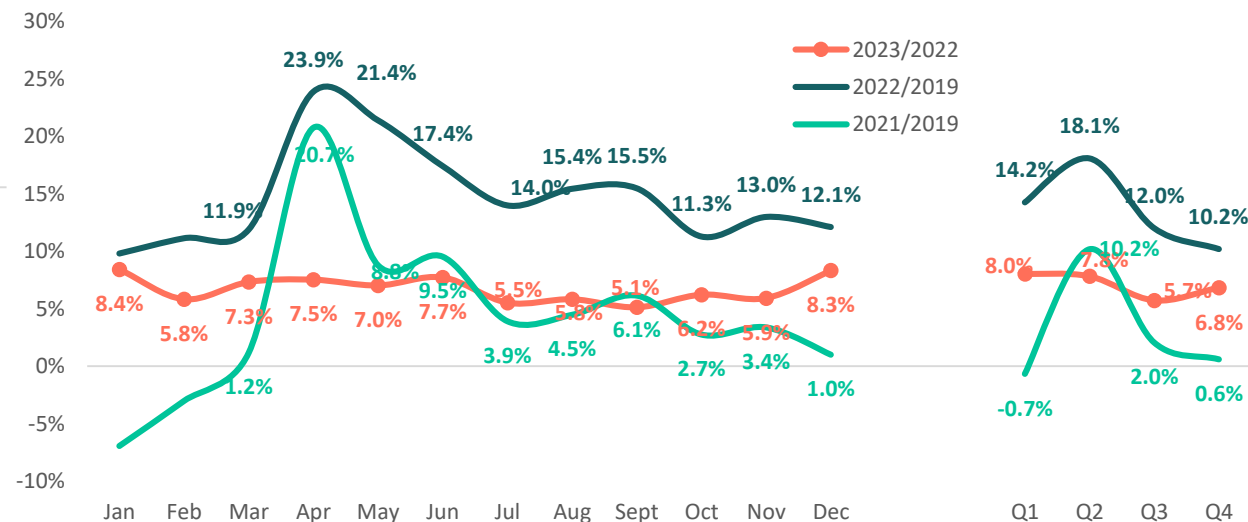


- Estimated real GDP growth rate in December 2023 equaled 8.3 percent YoY and average annual real GDP growth rate for the 4th quarter of 2023 equals to 6.8 percent, while the average growth of the 2023 was 7.0 percent. Seasonally adjusted economic growth in November comparing to the previous month was 2.4 percent.
- In December 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Manufacturing, Financial and insurance activities, Information and communication.
- A decline was registered in the fields of Energy and Real estate activities.

Economic Growth, % m/m



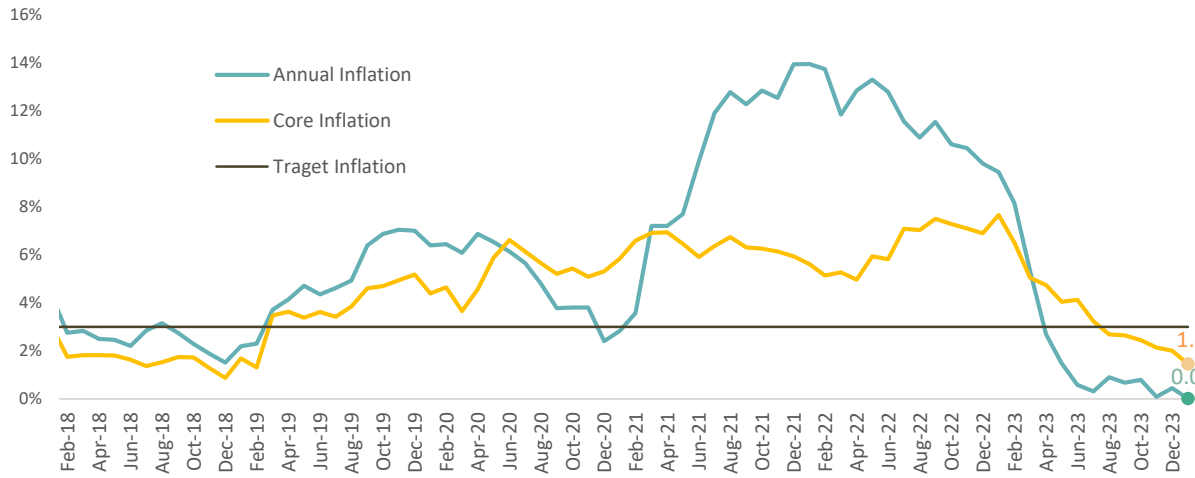
Economic Growth, 2023-2019



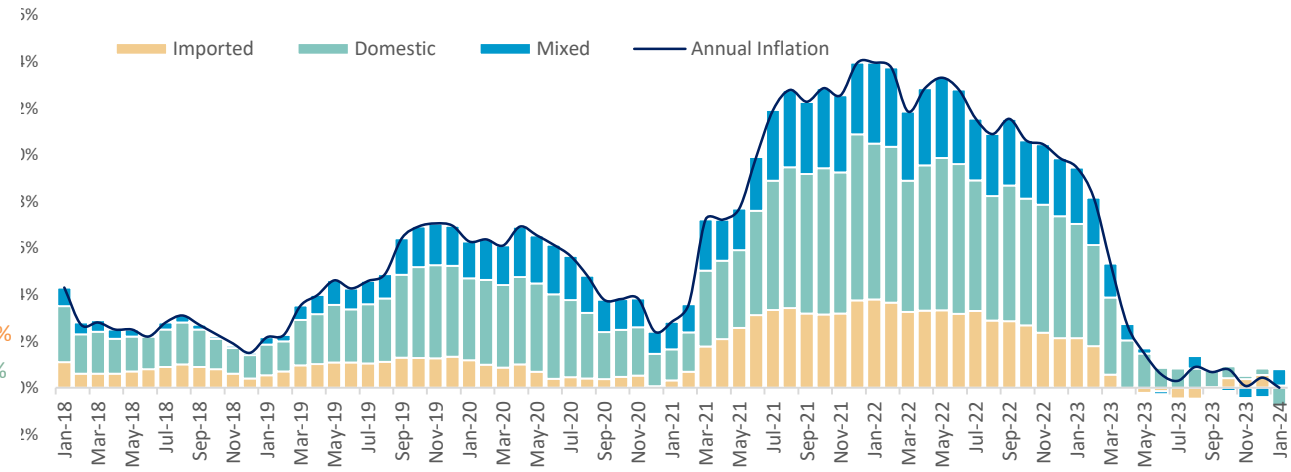
Source: Geostat, MOF

Annual inflation in January has reached 0 percent

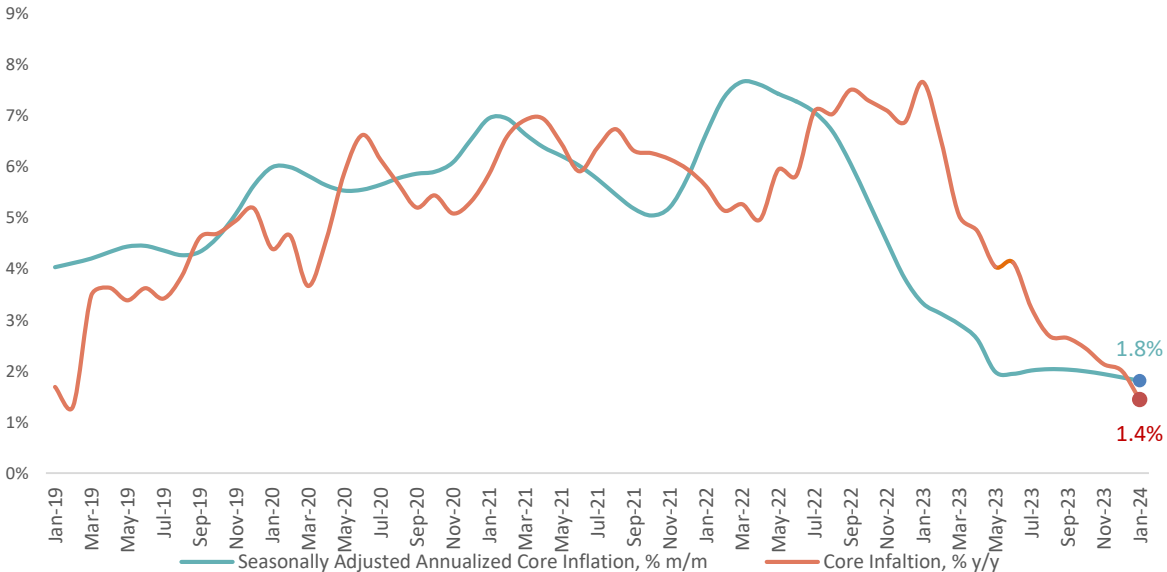
Total and Core Inflation, % y/y



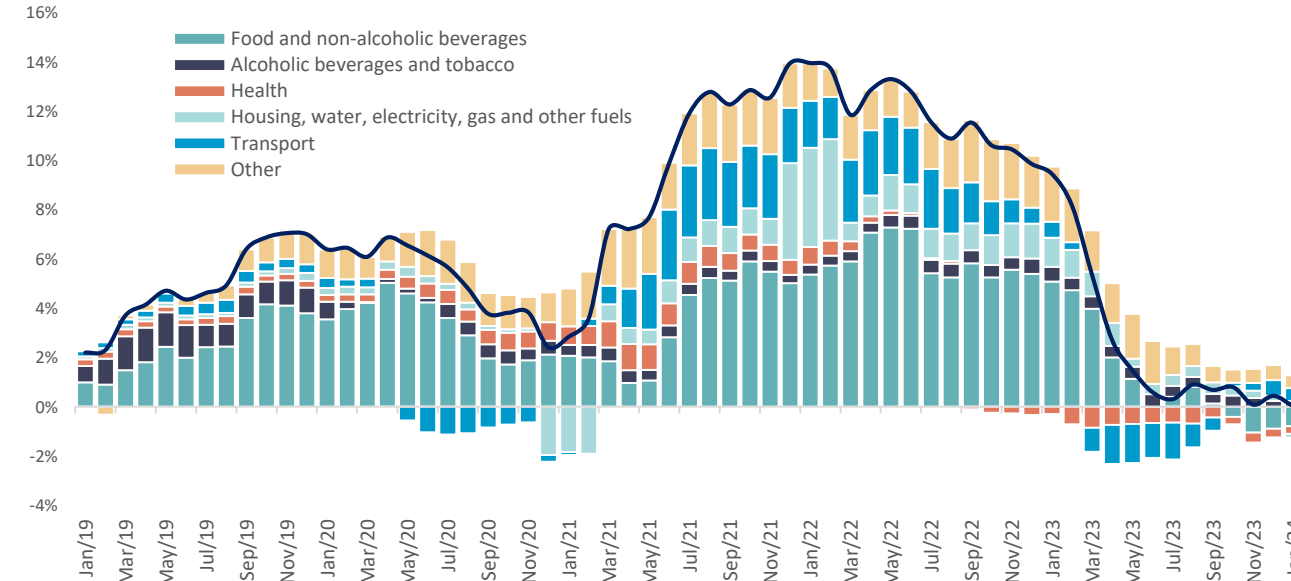
Inflation Decomposition



Core Inflation, % m/m



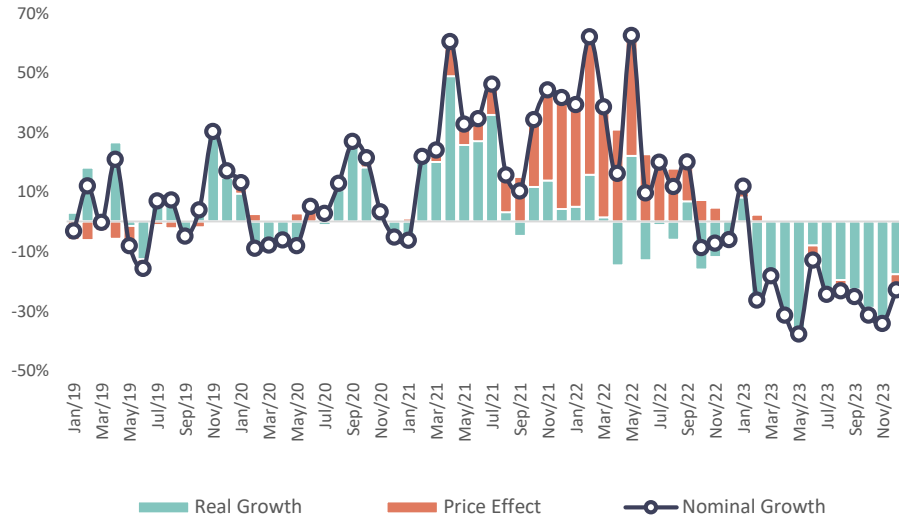
Inflation Decomposition by product group



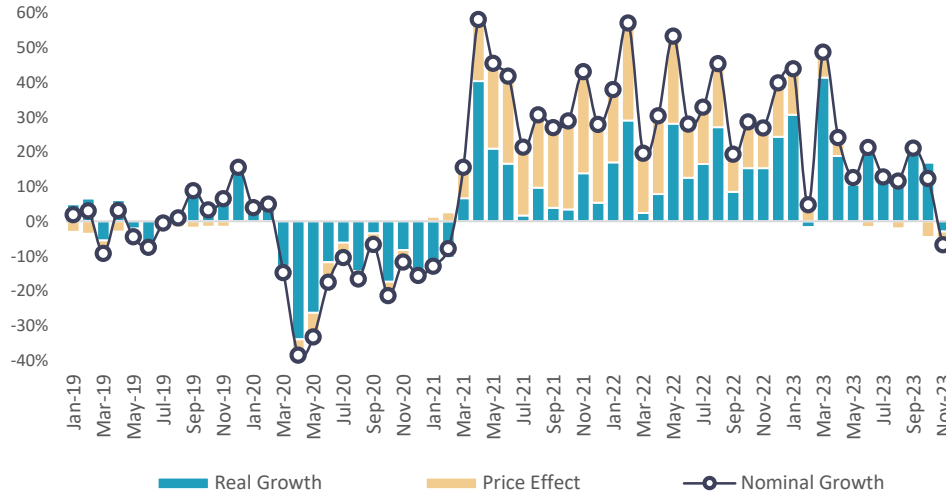
Source: Geostat, NBG, MOF

Trade Deficit in December decreased by 13.6 percent annually

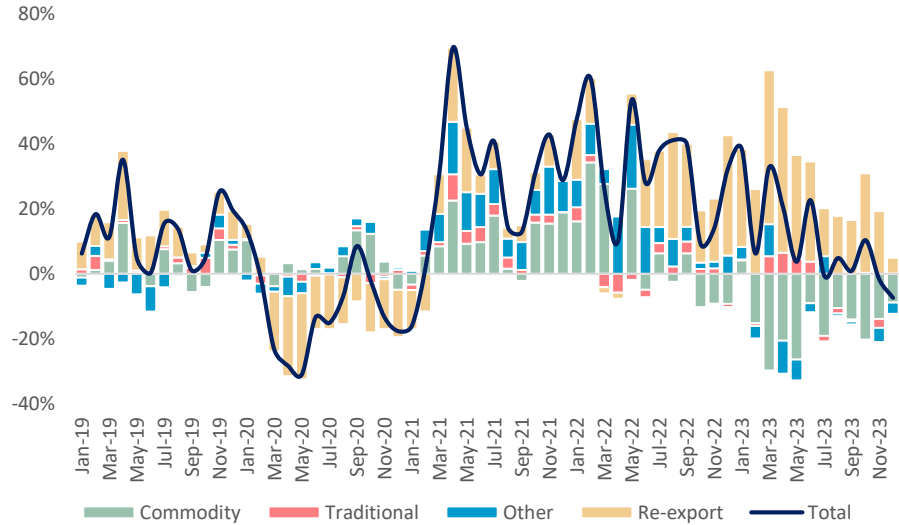
Change of Domestic Export, %y/y



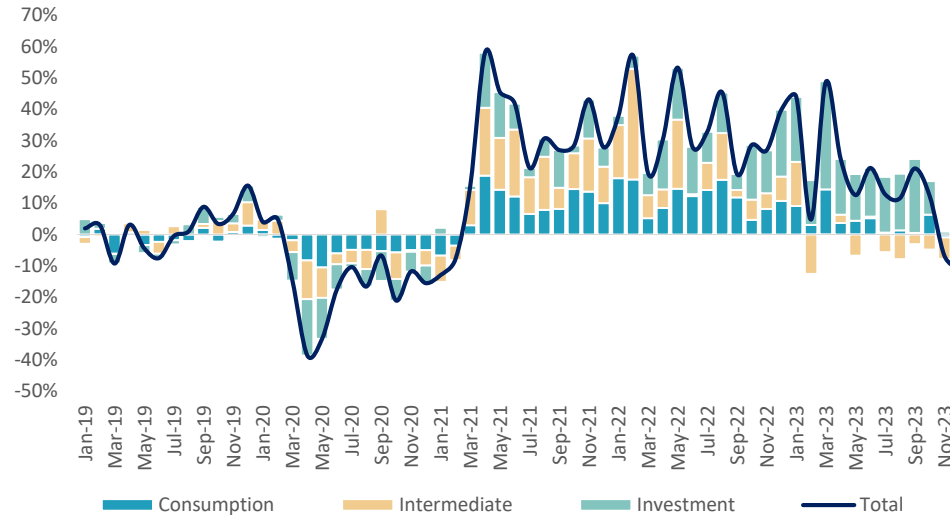
Change of Import, %y/y



Decomposition of Export



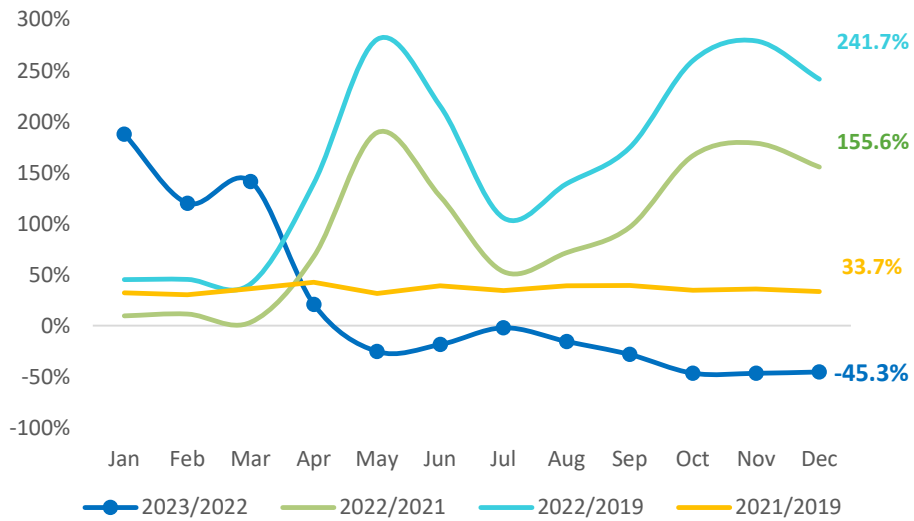
Decomposition of Change of Import, %y/y



- Export decreased annually by 7.5 percent to 514.2 million USD in December.
- Domestic export decreased annually by 23.0 percent to 229.5 million USD.
- Import annually decreased by 11.3 percent to 1 303.7 million USD in December.
- Trade deficit annually decreased by 13.6 percent to 789.5.0 million USD in December.
- Share of re-export in export growth is equal to 4.8 percent (10.4 %y/y), while share of commodity export is negative 9.0 percent (-42.4 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to -5.7, -0.2 and -5.3 percent respectively.

Net Remittances decreased by 45.3 percent in December 2023

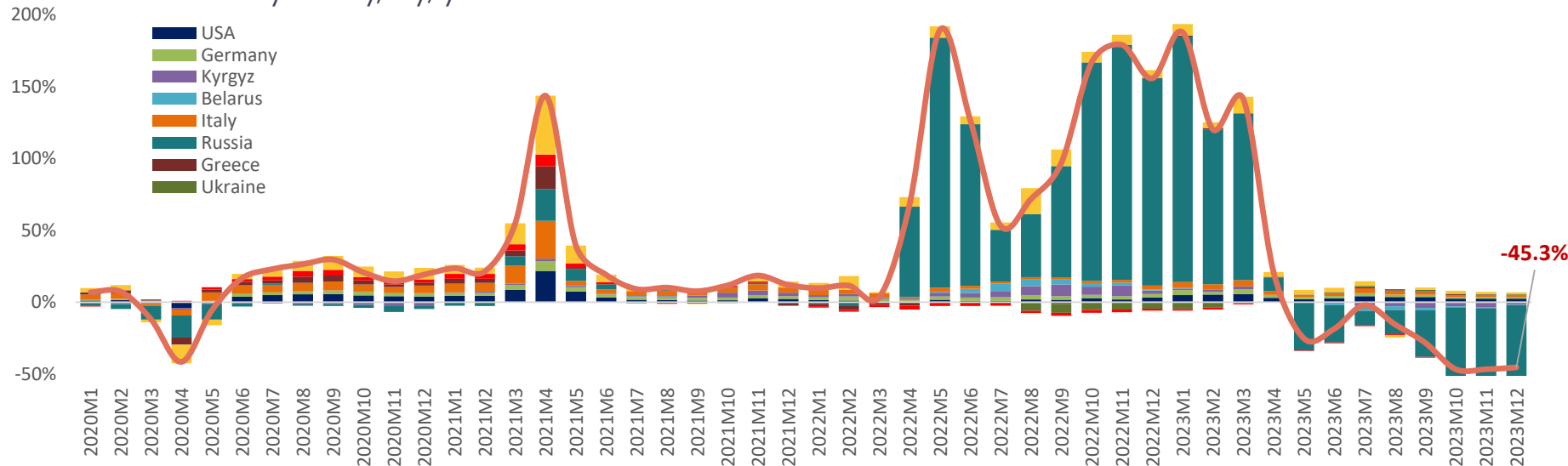
Net Remittances



Net Remittances, December 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	63.9	-79.6	-49.8
Italy	48.8	15.3	1.3
USA	44.7	38.1	2.5
Germany	21.0	11.2	0.4
Greece	20.7	30.0	1.0
Israel	20.5	10.5	0.4
Other	54.7	-8.7	-1.0

Net Remittances by country, %y/y



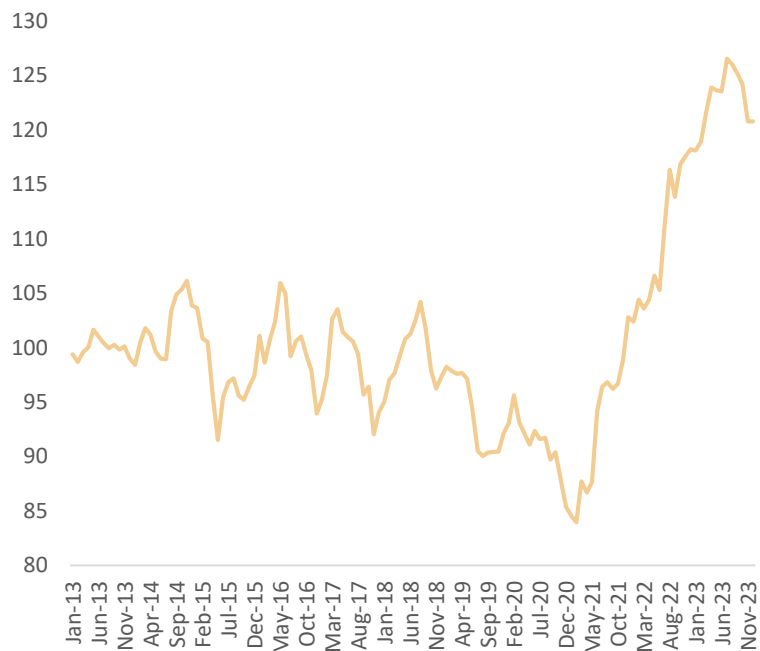
- In December 2023, net remittances were estimated at 274.3 million USD, representing a 45.3 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 86.9 percent.
- Net Remittances increased from:
 - Jordan: 340.3 percent (0.2 p.p. contribution to total growth).
 - USA: 38.1 percent (contributing 2.5 pp to total growth).
 - Kazakhstan: 25.3 percent (contribution of 0.5 pp to total growth).
- Net Remittances decreased from:
 - Tajikistan: -86.6 percent (-0.7 pp contribution to total growth)
 - Kyrgyzstan: -81.3 percent (-1.7 pp contribution to total growth)
 - Russia: -79.6 percent (-49.8 pp contribution to total growth)
 - Turkey: -50.0 percent (-0.2 pp contribution to total growth)

Real Effective Exchange Rate Appreciated by 2.1 percent in December

NEER: 2013 = 100

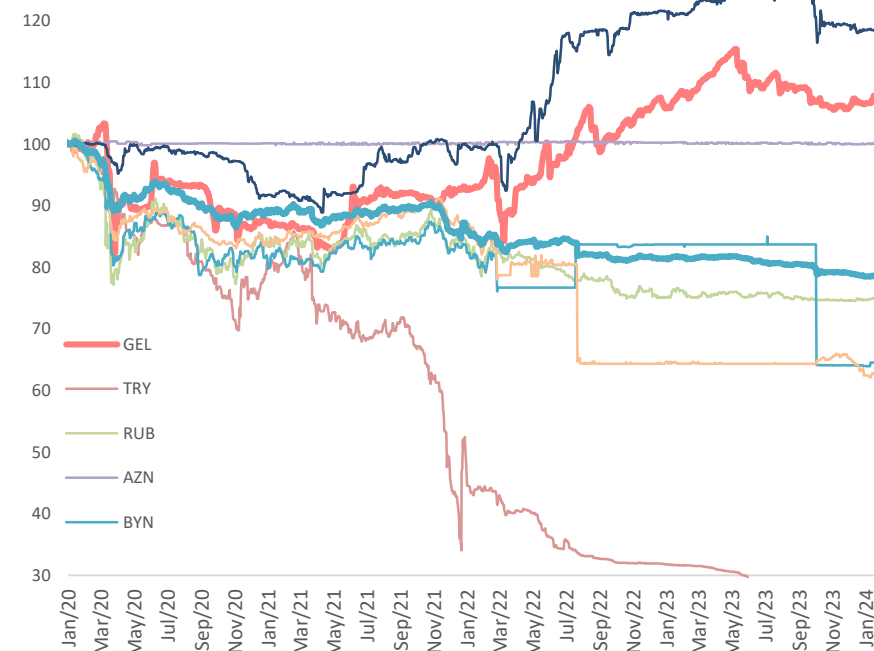


REER: 2013 = 100



USD Exchange Rates

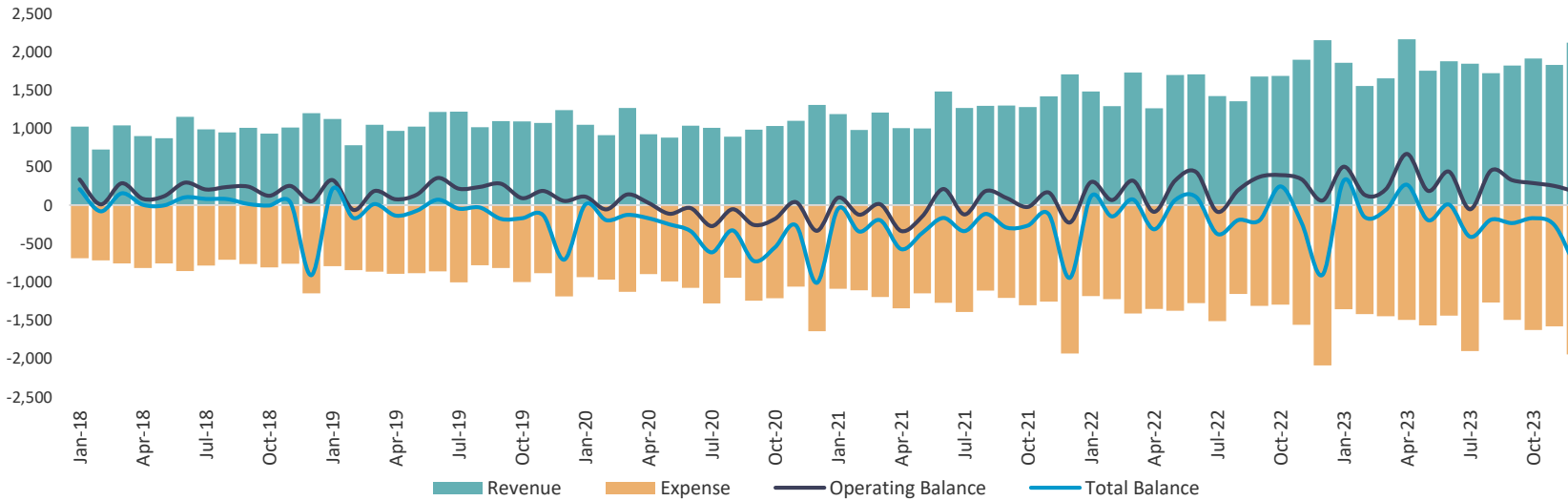
January 31, 2024



Note: Increase means appreciation

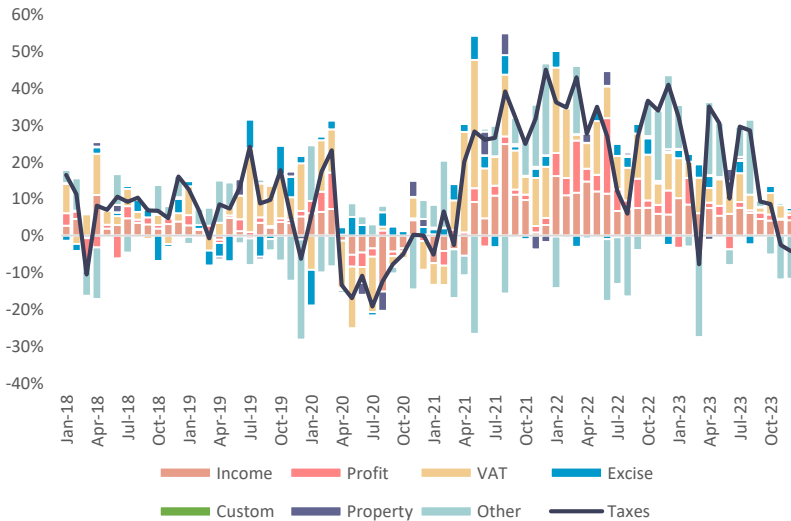
	February 1, 2024	Feb 1, 2024 - Jan 1, 2023	Feb 1, 2024 - Jan 1, 2022
Euro	2.9044	▼ -0.7%	▲ 20.5%
US Dollar	2.6818	▲ 0.8%	▲ 15.2%
Turkish Lira	0.0883	▲ 63.4%	▲ 161.8%
Russian Ruble	0.0299	▲ 22.9%	▲ 37.9%
NEER	188.64	▲ 14.6%	▲ 43.9%
REER (December 2023)	148.47	▲ 2.3%	▲ 17.5%

Consolidated Budget, mln GEL

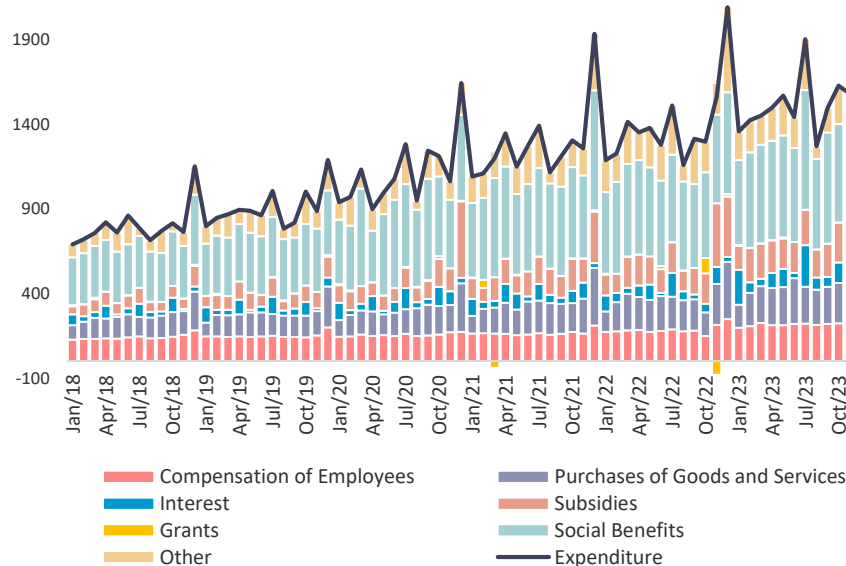


- Consolidated budget revenues decreased by 1.4 percent and expenditures decreased by 6.9 percent in December.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 174.9 million GEL, while the total balance was set at negative 799.9 million GEL.

Tax Income, % y/y



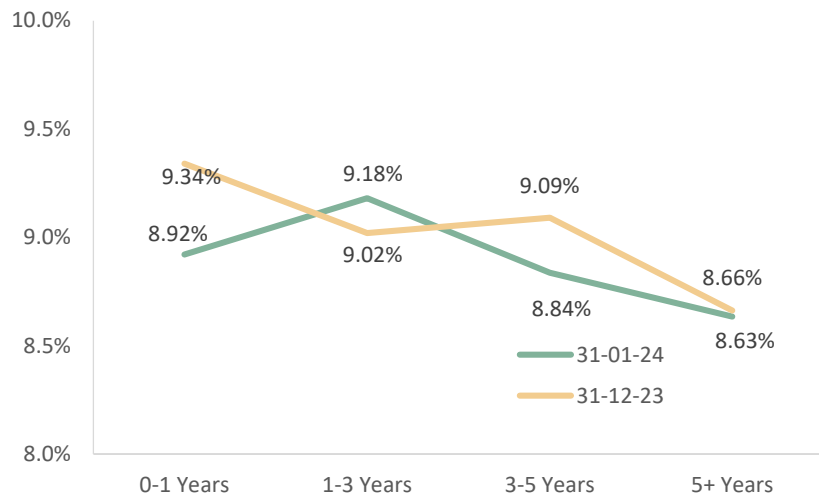
Consolidated Budget Expenditure, mln GEL



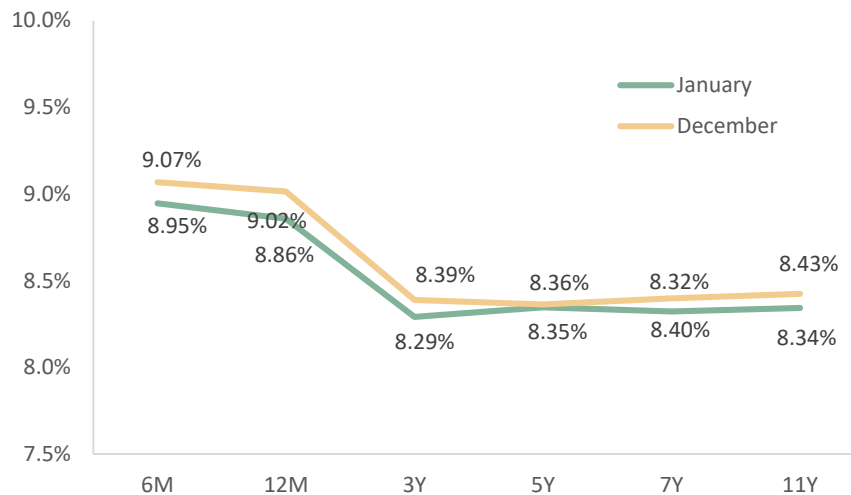
- Revenue from taxes had a significant impact on revenue from Income and profit tax in December, accounting for 4.1 and 1.5 percent of total growth, respectively.

Structure of the Treasury Securities Portfolio Changed Significantly in January

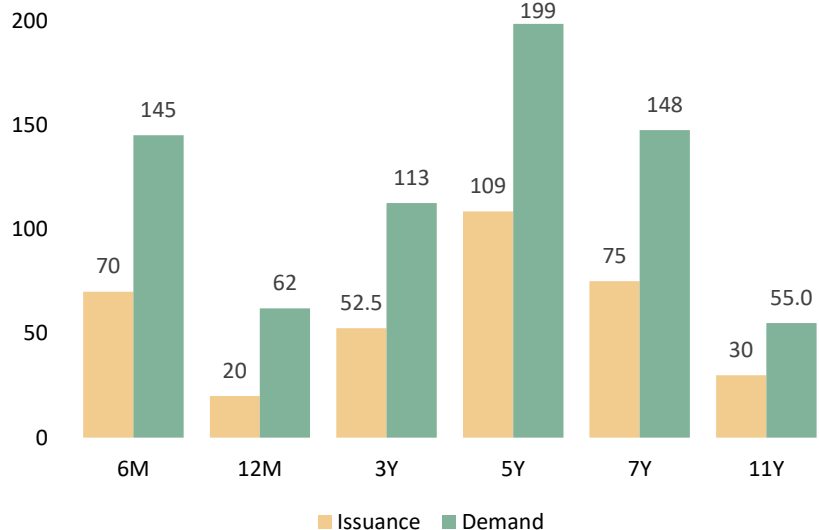
Portfolio Yield Curve



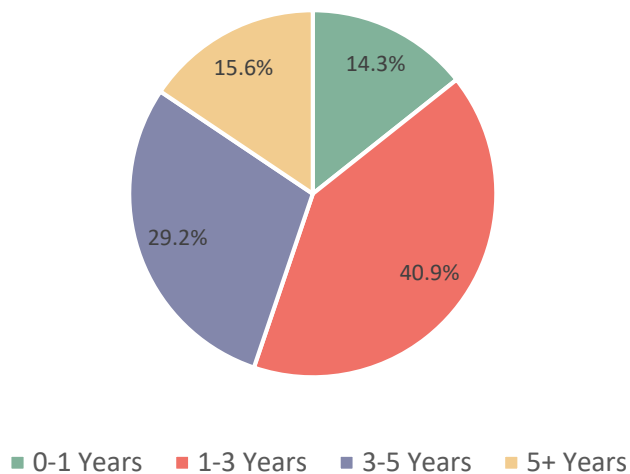
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



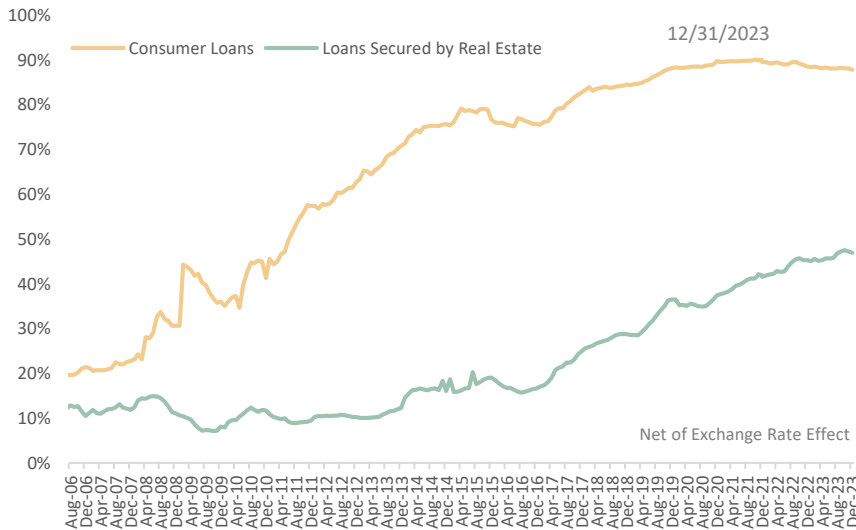
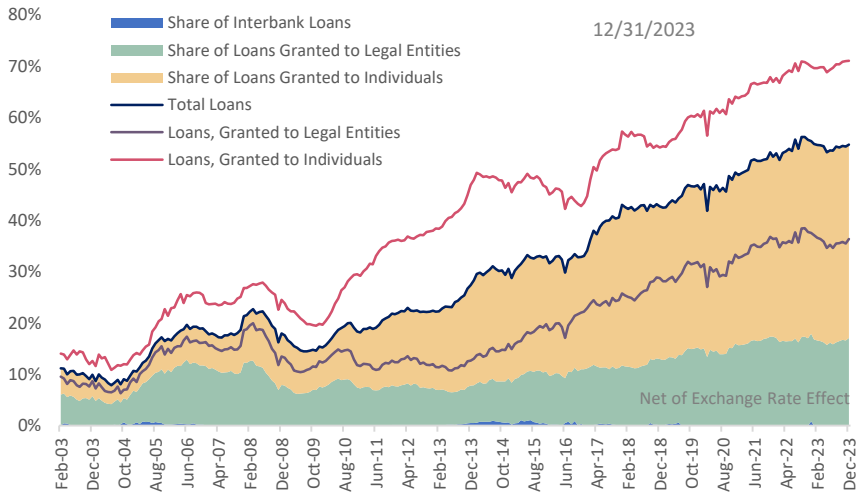
Portfolio by Residual Maturity, December 31, 2023



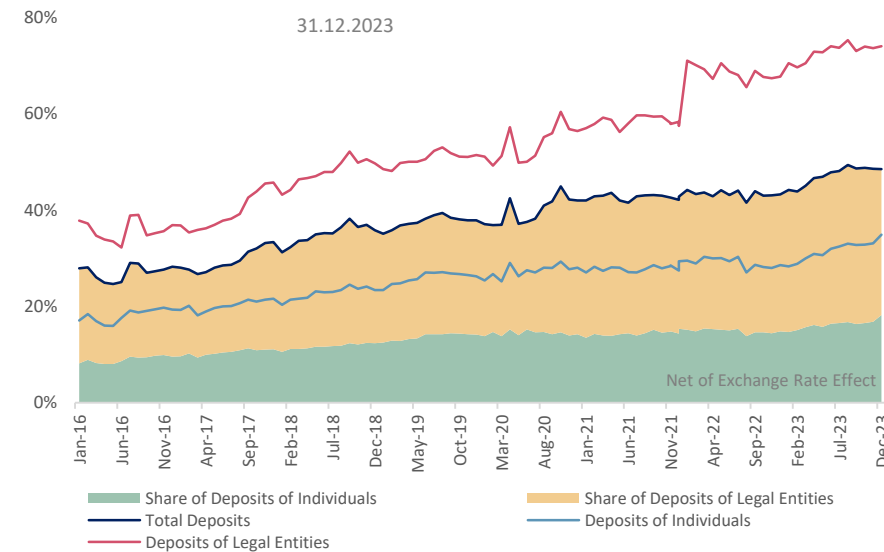
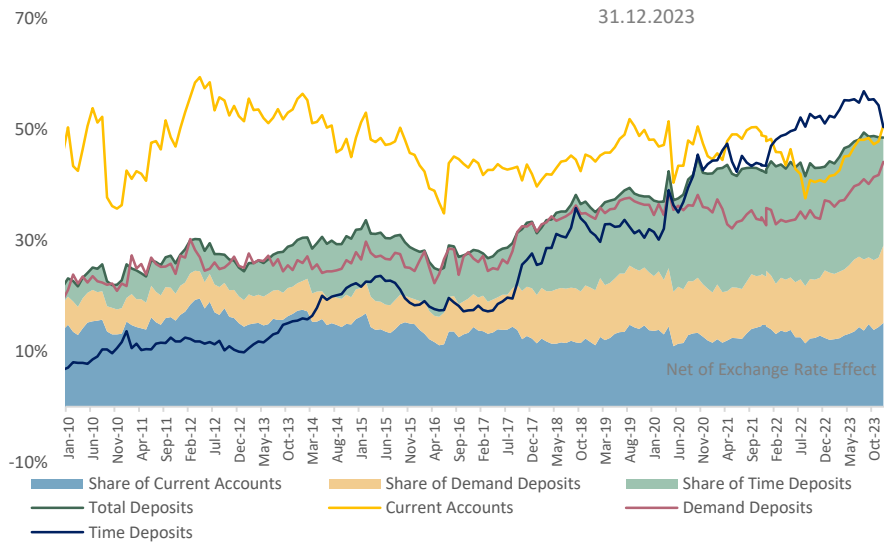
- In January 2024, 6 issuance and 1 switch auctions were held with the total issuance volume of 404.65 million GEL.
- The weighted average interest rate amounted to 8.48%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 564 million GEL were redeemed. On the switch auctions, the bonds with a nominal value of 50 million GEL were switched.
- As of January 31, 2024 around 41% of the treasury securities portfolio (in December it was 23.1%) is composed of the securities whose maturity date is due for the next 1-3 years. The medium-term state financials securities (with duration 3-5 years) have also a sizable share (at around 29%) in the total portfolio. The later was 43.1% in the previous period (December).
- The Bid-to-cover ratio decreased compared to the previous month's value (December 2.31) and amounted to 2.02.

In January Loan Larization Indicator Went Up and Deposits' One Went Down

Loan Larization



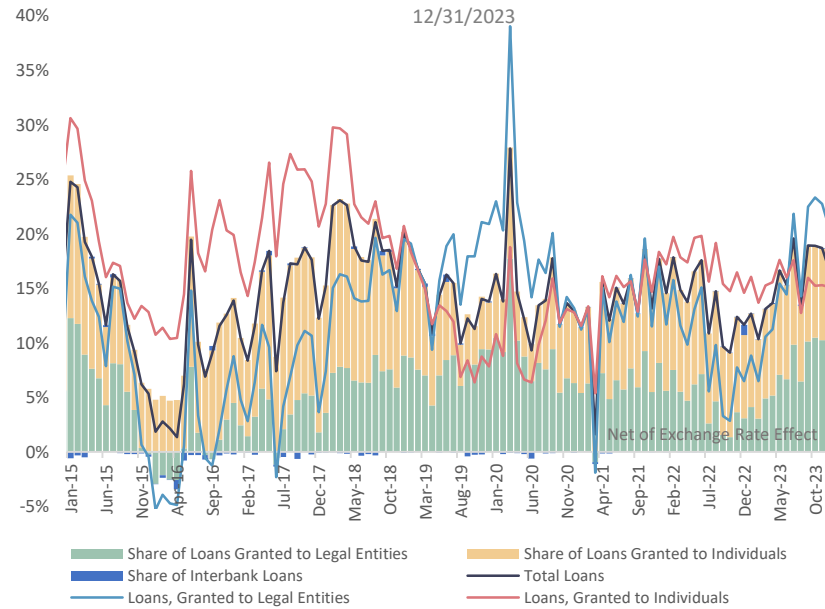
Deposit Larization



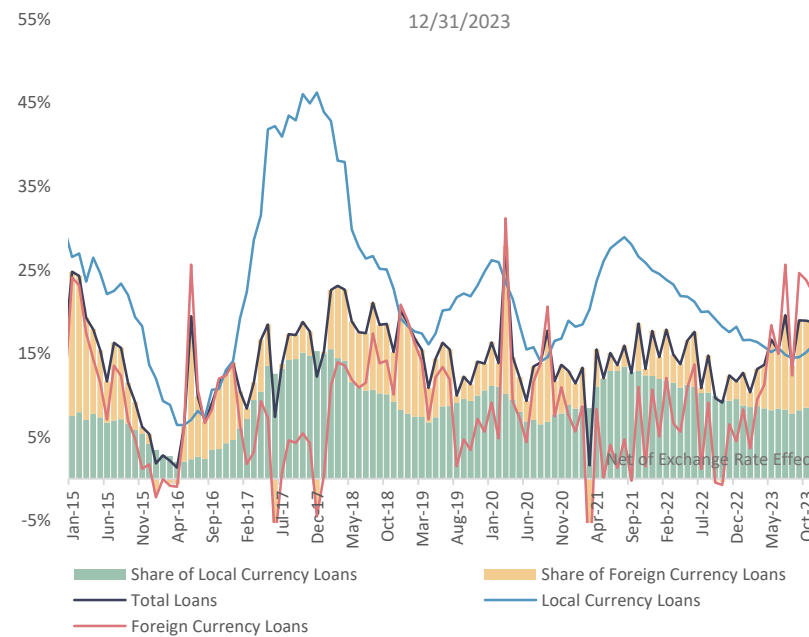
- As of December 31, 2023, the larization of total loans is 54.7 percent.
- The larization of loans to individuals is 71.1 percent.
- The larization of the loans to legal entities amounted to 35.4 percent.
- The larization of the total deposits equals to 48.5 percent.
- The larization on the deposits of legal entities amounted to 74 percent.
- The larization of the deposits of individuals is 34.9 percent.
- The larization of time deposits is 50.4 percent.
- The larization of current accounts equals to 50.7 percent.
- The larization of the demand deposits is 44.1 percent.

High Annual Growth Trends of Loans Have Retained

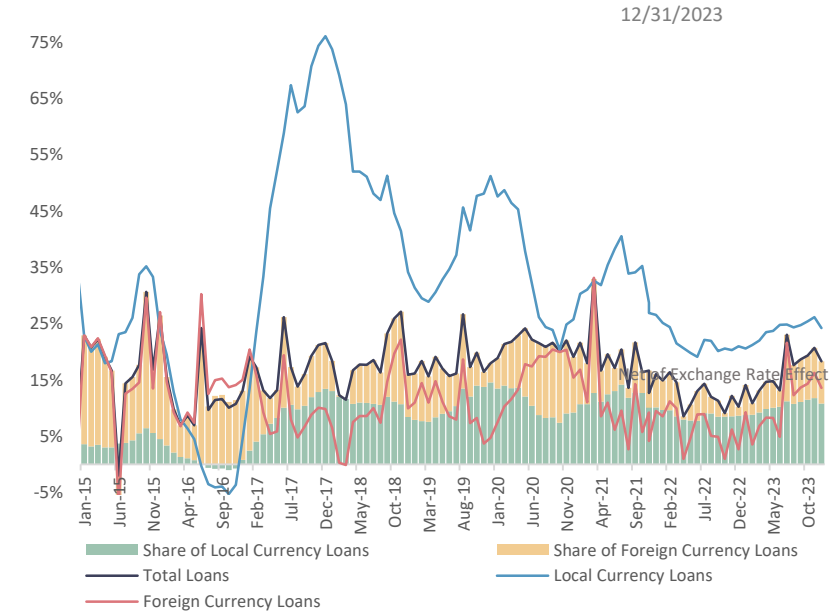
Loans Growth Rates, % y/y



Loans by Currency, % y/y



Mortgage Loans, % y/y

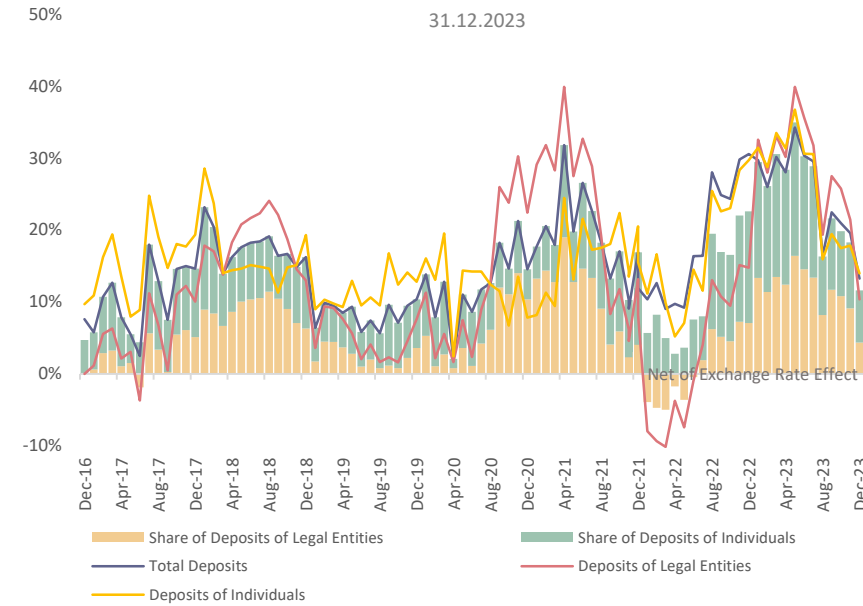


- As of December 31, 2023, the total loans increased by 16.7 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 20.5 percent.
- The annual growth of loans to individuals is 15.1 percent.
- As of December 31, 2023, the growth rate of the loans denominated in the national currency amounted to 15.2 percent.
- The annual growth of loans denominated in foreign currency amounted to 18.5 percent.
- As of December 31, 2023, the annual growth of the loans secured by real estate amounted to 18.3 percent. At the same time, the mortgage loans denominated in the national currency increased by 24.2 percent, while the mortgage loans denominated in the foreign currency also increased by 13.6 percent.

Annual Growth Rates of Deposits Are Declining

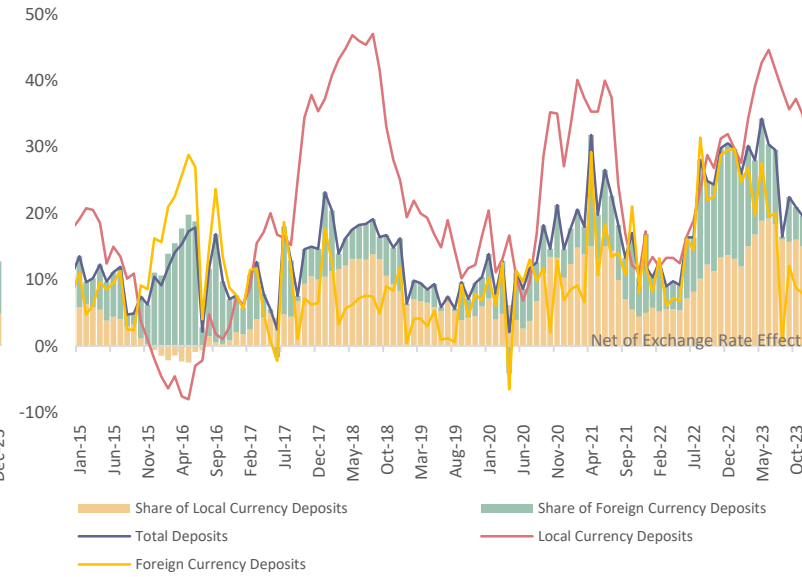
Deposits Annual Growth, % y/y

31.12.2023



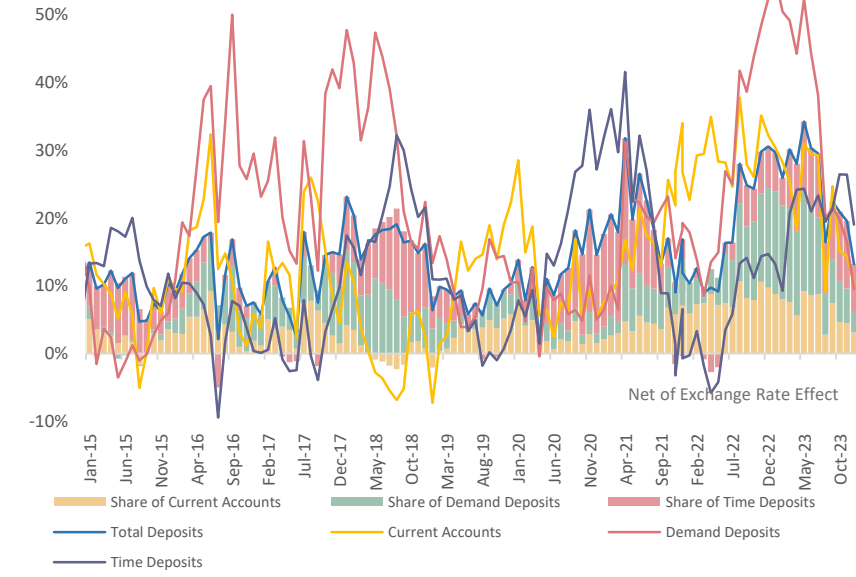
Deposits by Currency, % y/y

31.12.2023



Deposits by Type, % y/y

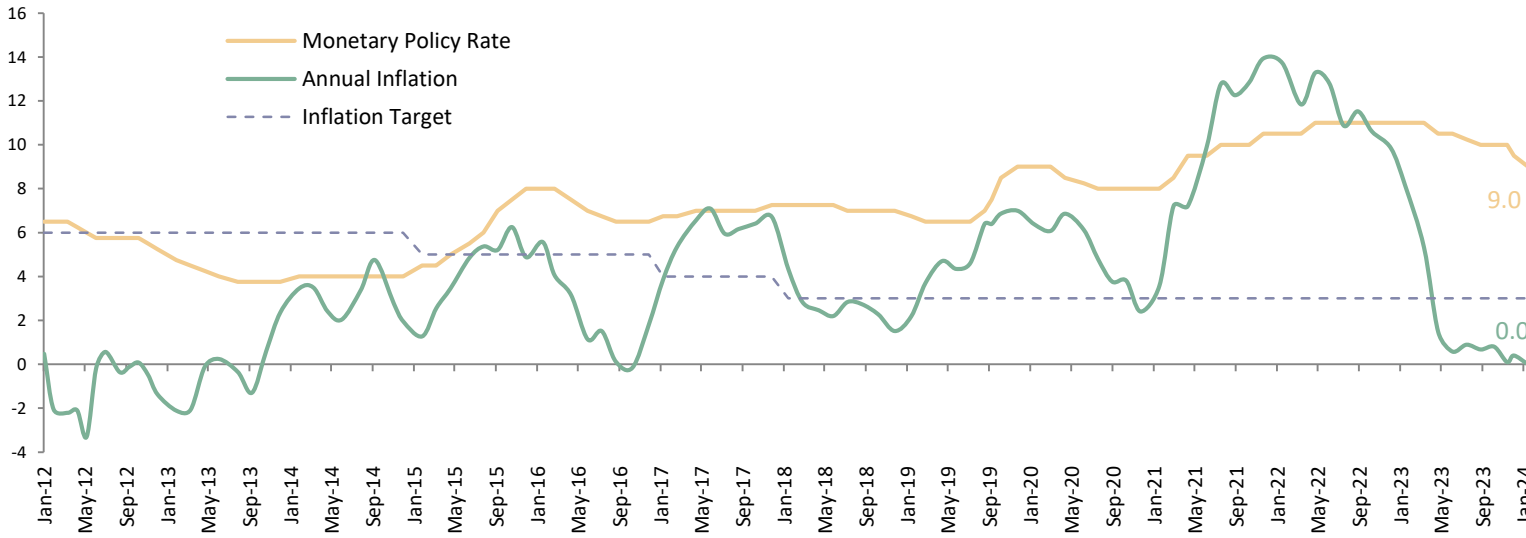
31.12.2023



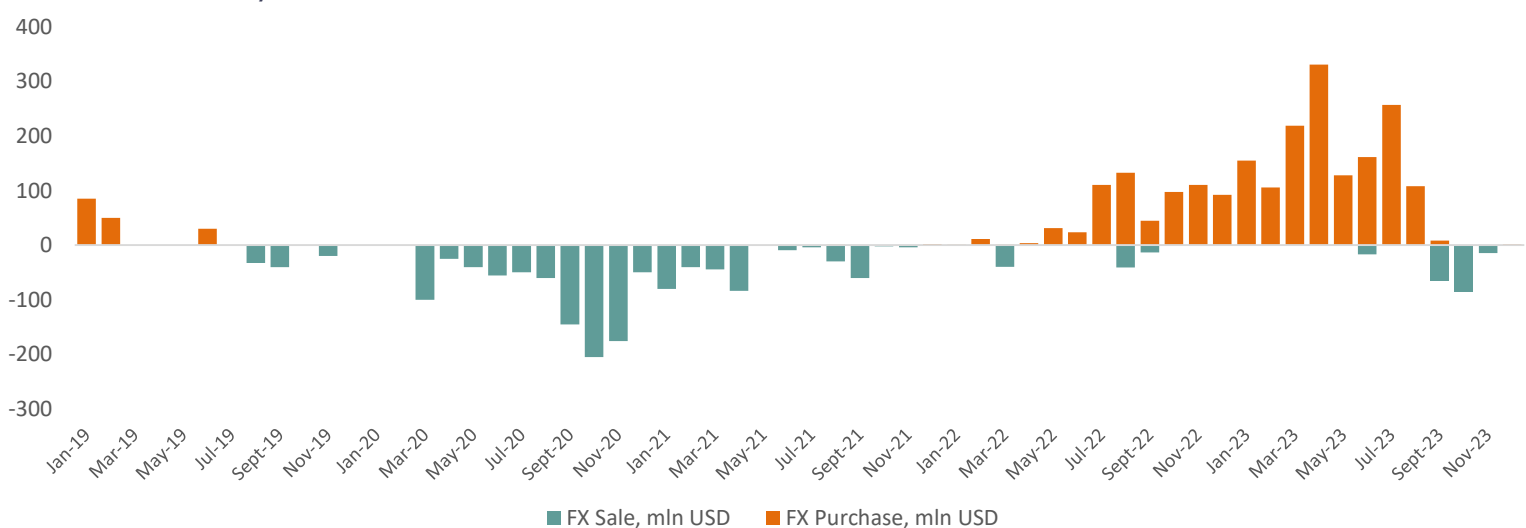
- As of December 31, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 13.2 percent.
- The annual growth of the deposits denominated in the national currency amounted to 26.9 percent. The annual growth of the deposits denominated in foreign currency stood at 2.8 percent over the same period.
- The growth of the deposits of individuals amounted to 14 percent, while the annual growth of deposits of legal entities in the same period amounted to 10.4 percent.
- The annual growth of current accounts at the beginning of January, 2024, was equal to 10.2 percent.
- The annual growth of the time deposits was 19 percent.
- The growth of the demand deposits amounted to 9.6 percent.

The National Bank of Georgia Reduced the Monetary Policy Rate to 9.0 percent

Inflation and Monetary Policy Rate



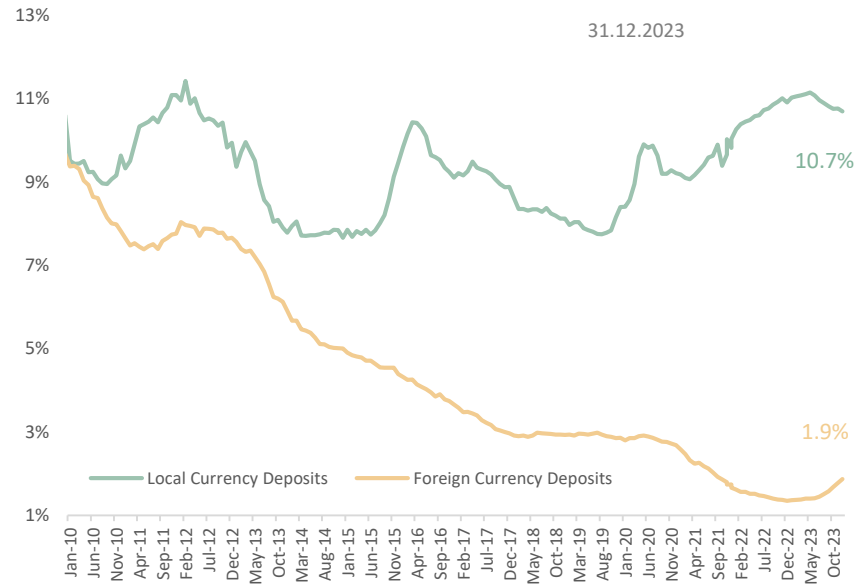
Trade of USD by NBG, mln USD



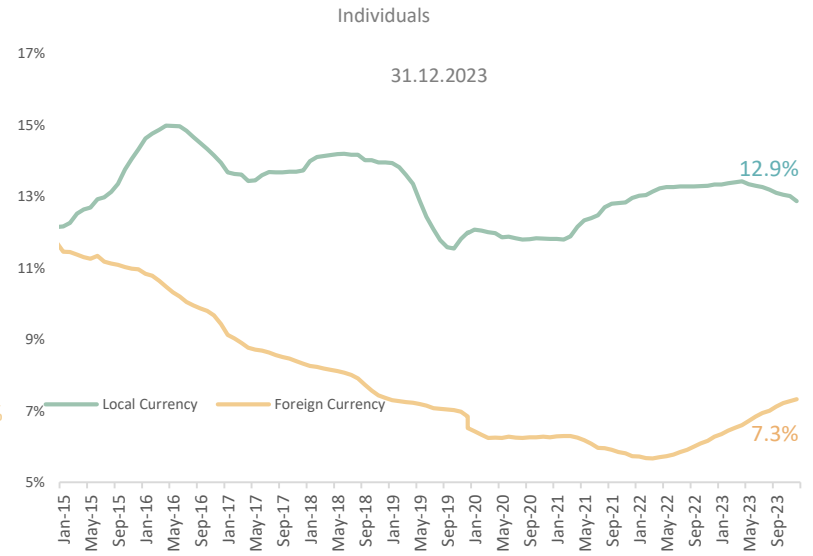
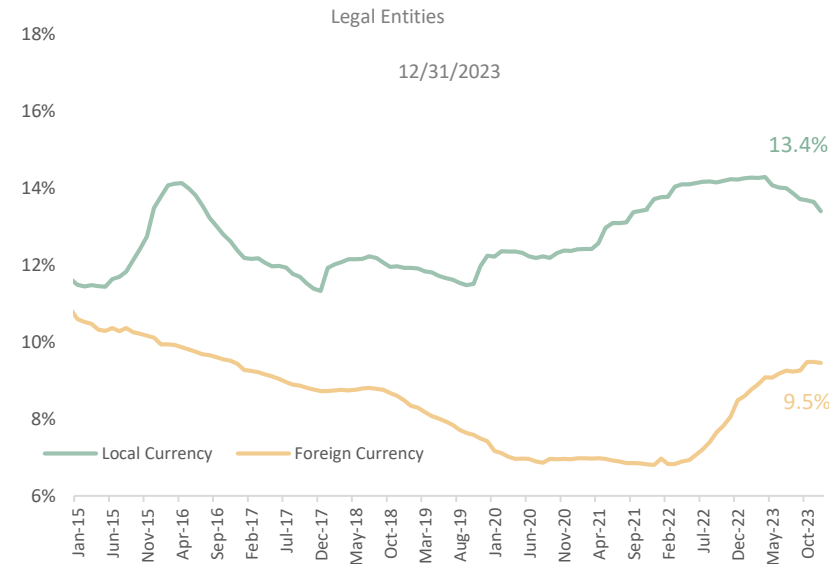
- On January, 2024, the Monetary Policy Committee of the National Bank of Georgia was conducted. The NBG decreased the refinancing rate to 9.0 percent level within this period.
- Per the NBG, inflation is less than the target one (3 percent). There are both external and internal factors affecting it. The external shocks related to the Russo-Ukrainian war and the Pandemic are weakened which mitigate the role of them into the inflation formation. As for the internal factors, it is worth highlighting a decrease in domestic products inflation and tighter monetary policy influencing the inflation in Georgia. In Georgia, the inflation has already retreated from its peak. It was at 0 percent in January this year and still has on a downward path. It is expected that given the appreciated Georgian Lari, the aforementioned global trends will be gradually transmitted to the local markets, helping to further reduce inflation. In spite of the tendencies mentioned above, the risks of inflation rising remain at the high level that, with the existing strain geopolitical situation, pushes the NBG to loose the monetary policy at a slower pace.
- The next meeting of the Monetary Policy Committee will be held on March 13, 2024.
- The NBG did not make any foreign exchange interventions through the auctions during January, 2024.

Market Interest Rates Increased in Foreign Currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of January 1, 2024, the interest rate on foreign currency deposits was 1.9 percent, and in the national currency – 10.7 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.9 percent, and in foreign currency – 2.6 percent.
- The average annual interest rate on deposits by individuals is 1.8 percent for foreign currency deposits and 10.8 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 14.6 percent (17.2 percent in the national currency and 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.2 percent (17.3 percent in the national currency and 7.8 percent in foreign currency).
- At the end of December, 2023, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 13.4 percent, and in the foreign currency 9.5 percent. The interest rate on the loans to individuals in the national currency was 12.9 percent, and in foreign currency 7.3 percent.

Disclaimer

The publication was prepared by the Macroeconomic Analysis and Fiscal Policy Planning Department of the Ministry of Finance of Georgia. The information and opinions contained in this publication represent the views of the authors - the economic team of the Macroeconomic Analysis and Fiscal Policy Planning Department and do not represent the official position of the Ministry of Finance of Georgia. The analytical information provided in the publication serves informational purposes and is obtained from public sources. The forecasts and calculations given in the report should not be taken as a promise, reference or guarantee.

Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: info@mof.ge; www.mof.ge



MINISTRY OF FINANCE
OF GEORGIA