



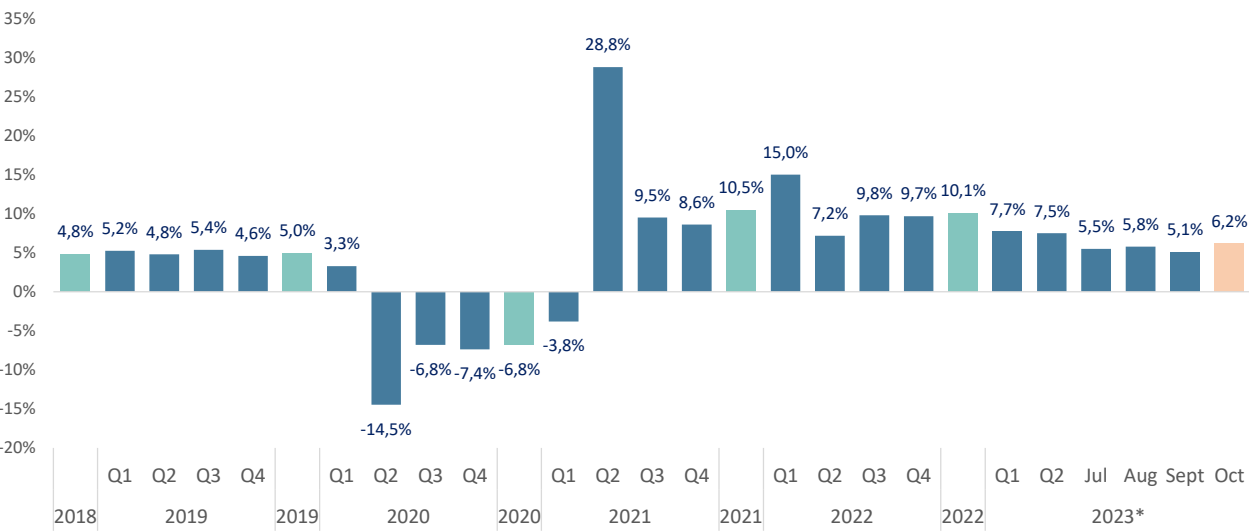
Current Economic Outlook

November, 2023

- In October 2023, the real GDP growth rate was 6.2 percent and average growth rate of the first ten months of 2023 was 6.9 percent, according to the preliminary estimates of the National Statistics Office.
- In November, annual inflation stood at 0.1 percent, while core inflation was 2.1 percent
- In October, exports increased by 10.3 percent year-on-year and imports increased by 3.3 percent year-on-year, decreasing the trade deficit by 0.9 percent year-on-year to 748 million USD
- For October, the real effective exchange rate appreciated by 6.3 percent compared to the same period of the previous year and depreciated by 0.8 percent compared to the previous month
- The monetary policy rate is at 10 percent in November

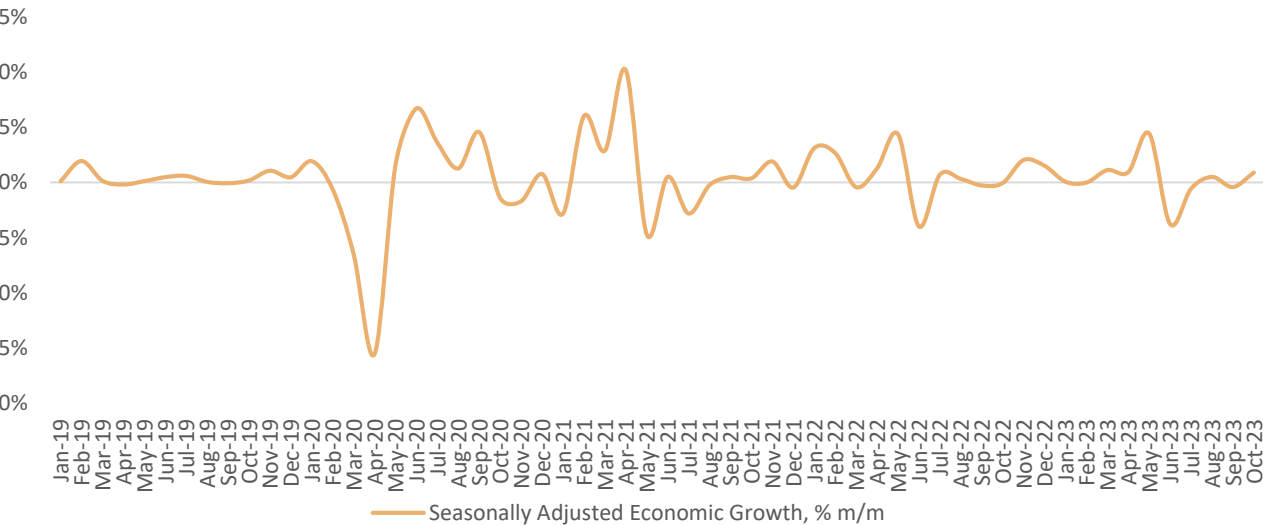
Economic Growth in October was equal to 6.2 percent

Economic Growth, % y/y

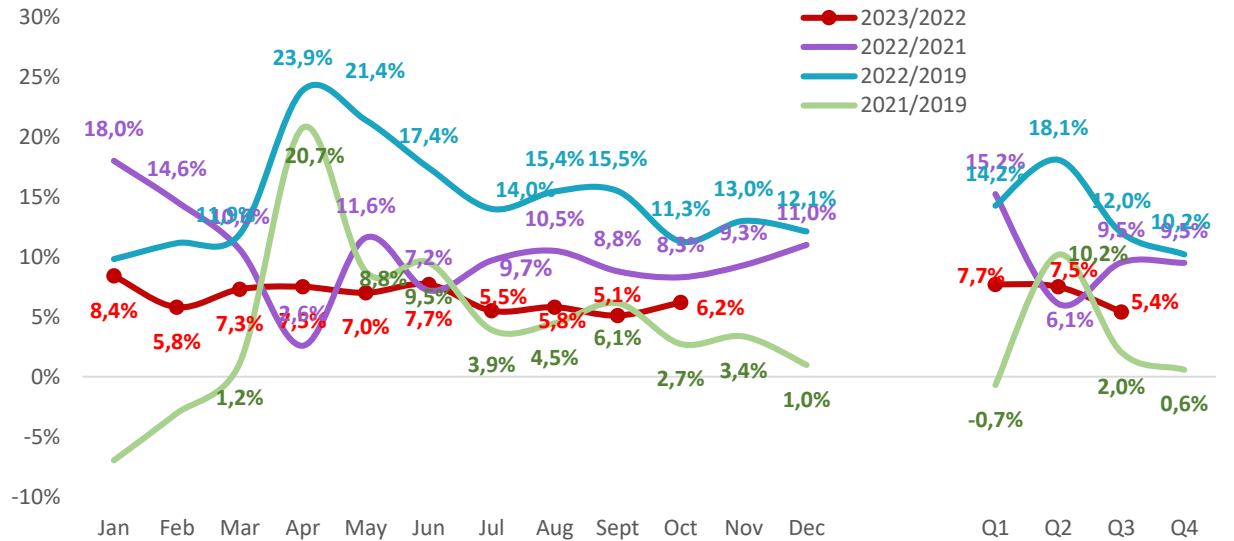


- Estimated real GDP growth rate in October 2023 equaled 6.2 percent YoY and average annual real GDP growth rate for the 3rd quarter of 2023 equals to 5.4 percent, while the average growth of the first 10 months was 6.9 percent. Seasonally adjusted economic growth in October comparing to the previous month was 0.9 percent.
- In October 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and insurance activities, Wholesale and retail trade; repair of motor vehicles and motorcycles, Transportation and storage.
- A decline was registered in the fields of Manufacturing and Real estate activities

Economic Growth, % m/m



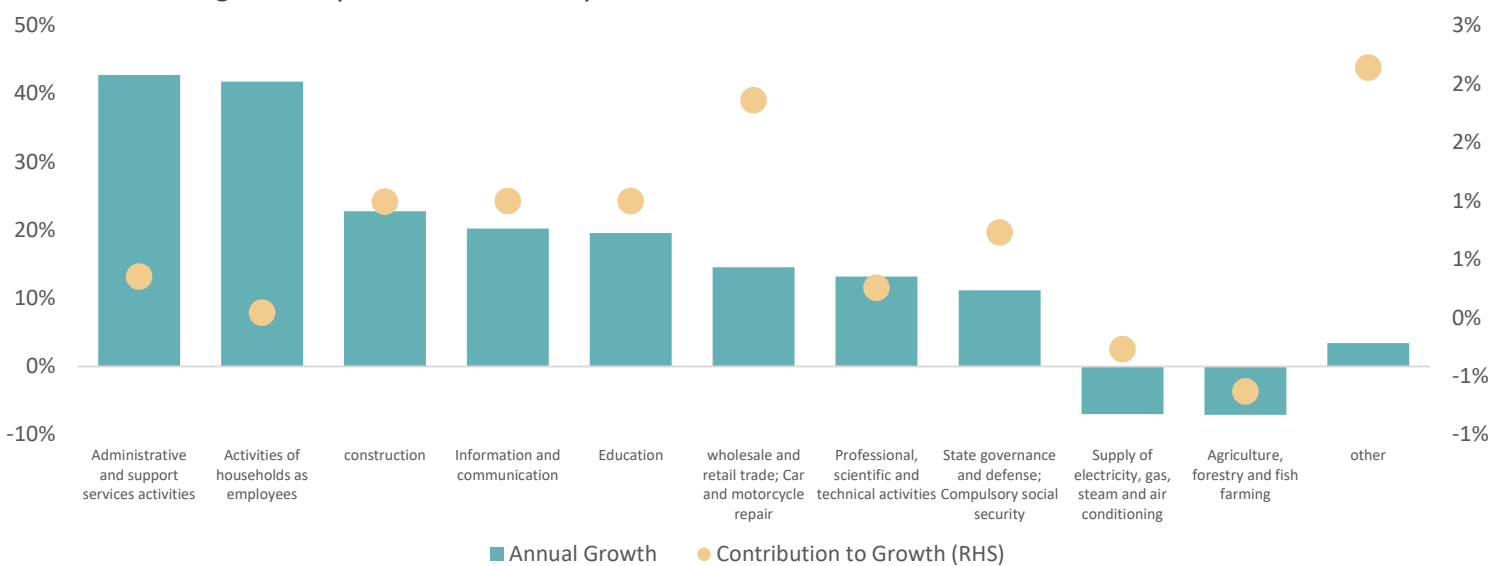
Economic Growth, 2023-2019



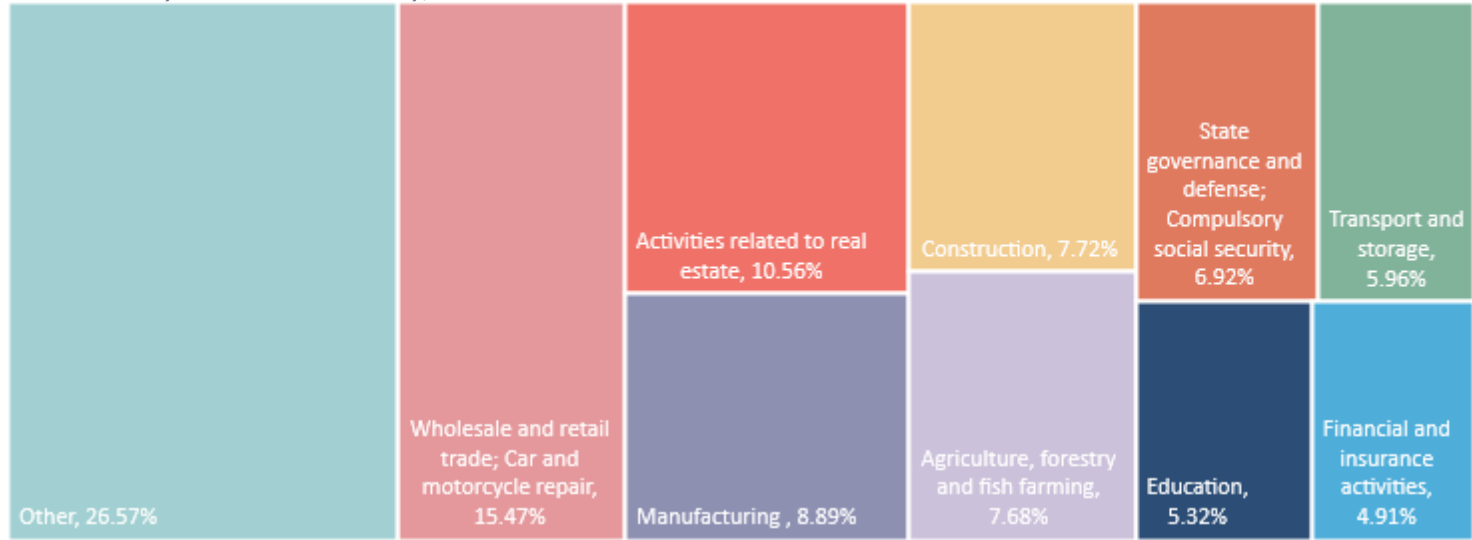
Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 7.5 percent in the second quarter of 2023

Real GDP growth by economic activity, 2023 II Quarter



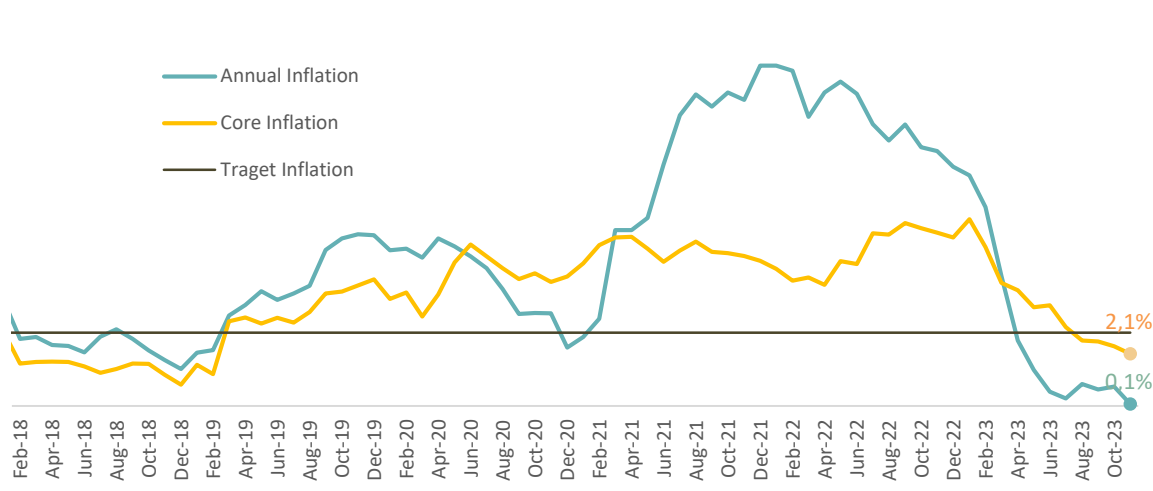
GDP by economic activity, 2023 II Quarter



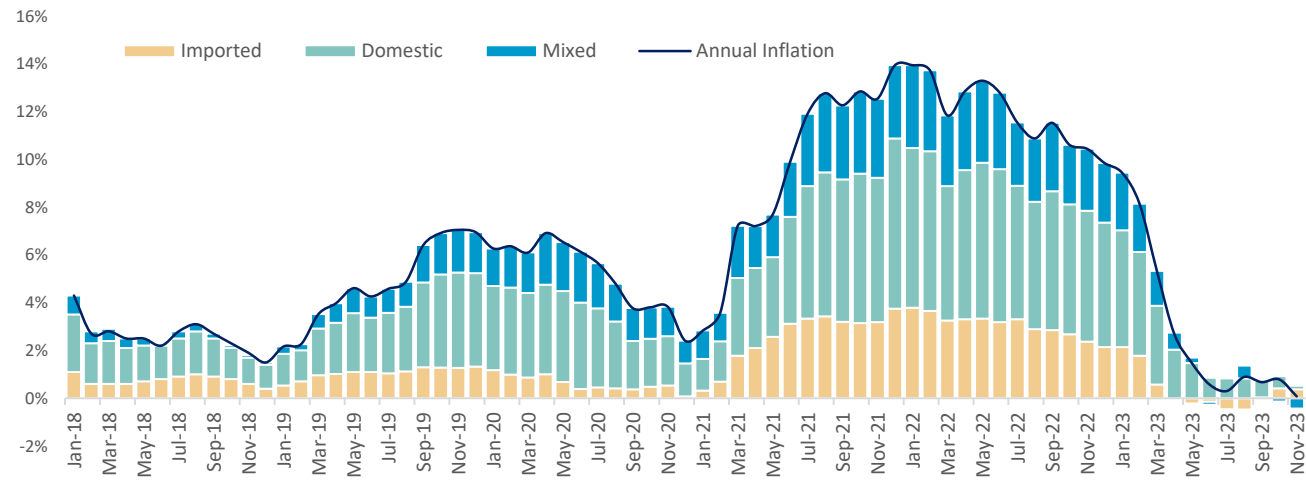
- According to preliminary estimates, in the second quarter of 2023 economic growth amounted to 7.5 percent, while in the first quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 7.7 percent. In the second quarter 2023 economic growth was 26.9 percent compared to the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q2 2023:
 - Administrative and support services activities 42.8% (0.4 p.p.)
 - Activities of households as renters: 41.8% y/y (0.04 p.p.)
 - Construction: 22.7% (1.0 p.p.)
 - Information and communication: 20.2% (1.0 p.p.)
 - Education: 19.6% (1.0 p.p.)
 - Wholesale and retail trade; Car and motorcycle repair: 14.6% (1.9 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Supply of electricity, gas, steam and air conditioning: -7.0% (-0.3 p.p.)
 - Agriculture, forestry and fish farming: -7.1% (-0.6 p.p.)

Annual inflation in November has reached 0.1 percent

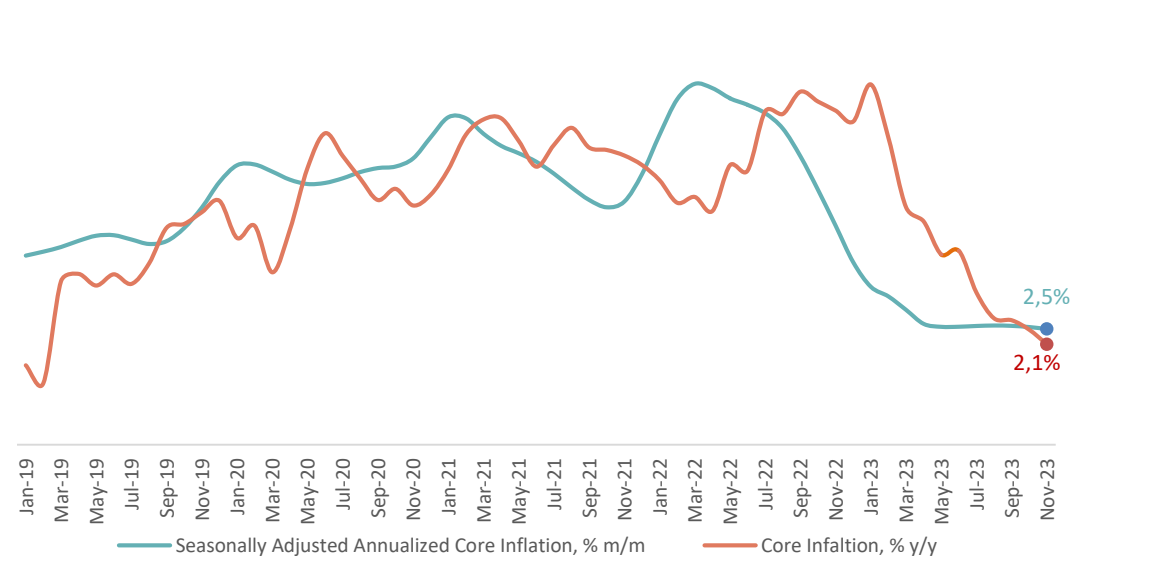
Total and Core Inflation, % y/y



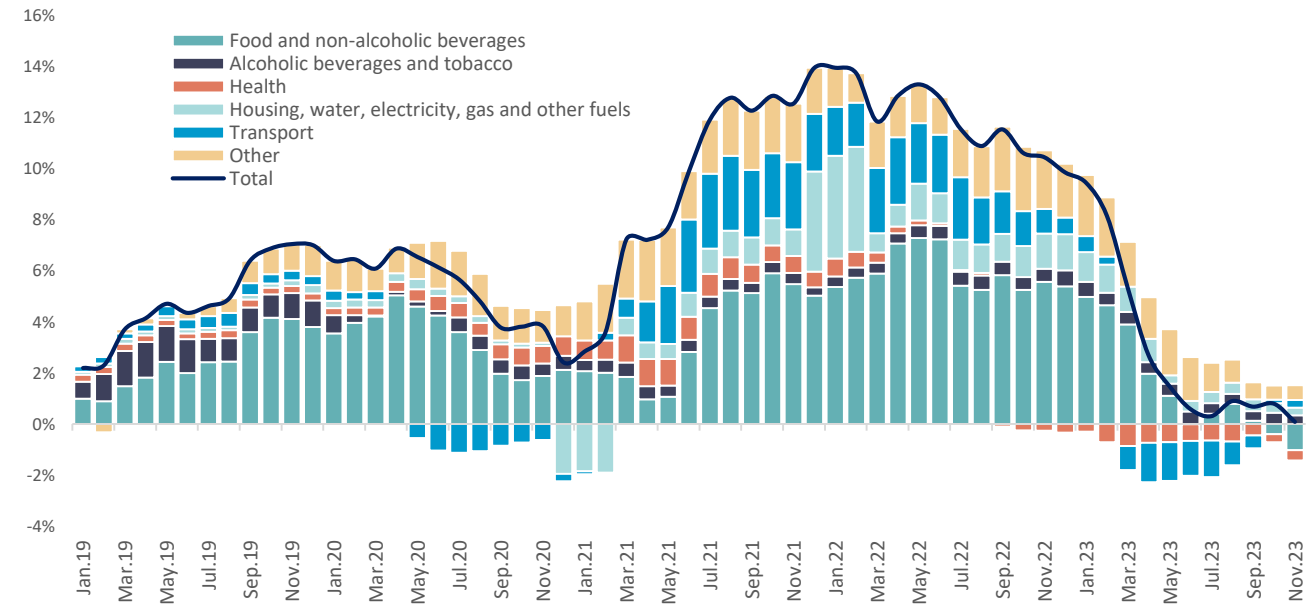
Inflation Decomposition



Core Inflation, % m/m



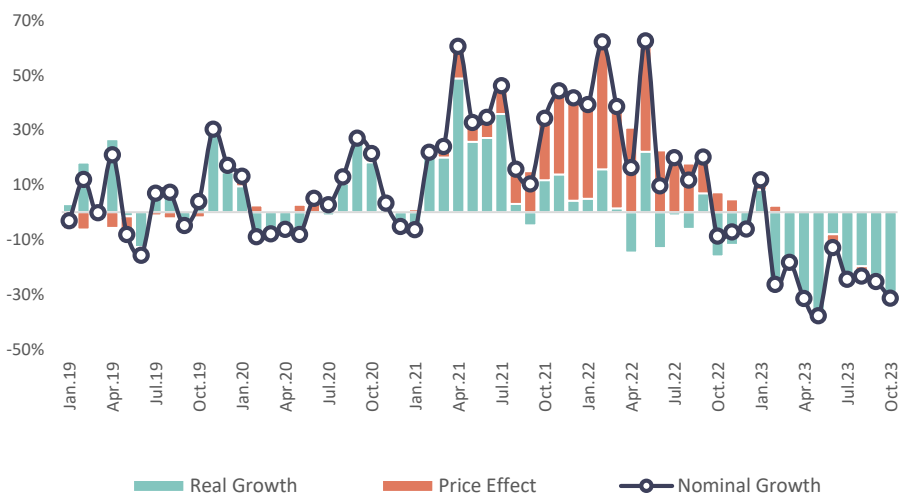
Inflation Decomposition by product group



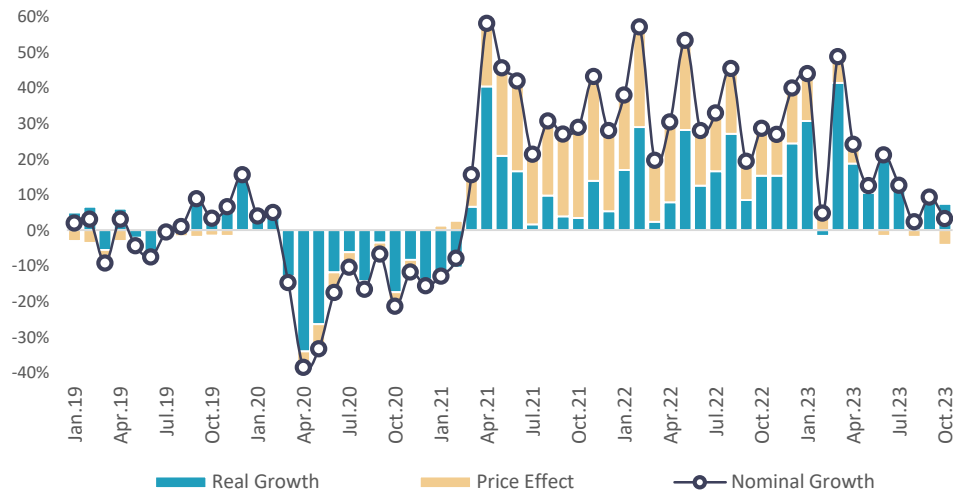
Source: Geostat, NBG, MOF

Trade Deficit decreased by 0.9 percent annually

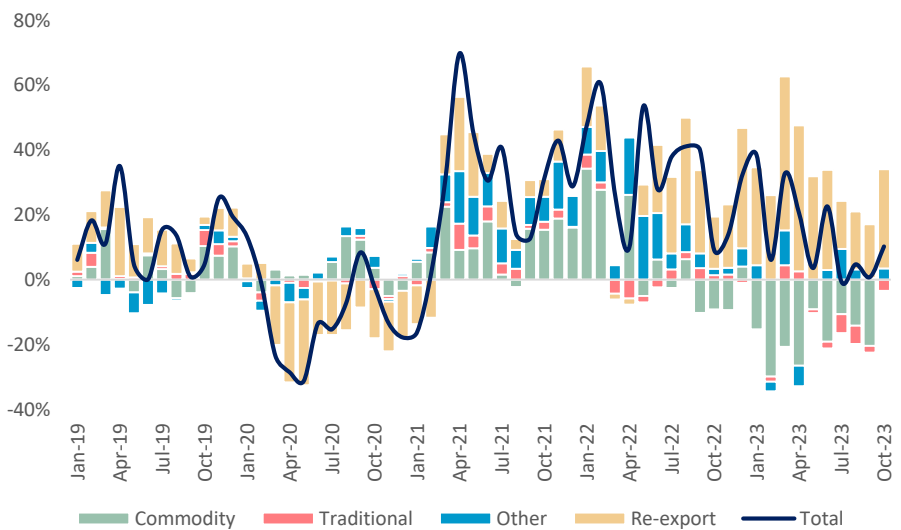
Change of Domestic Export, %y/y



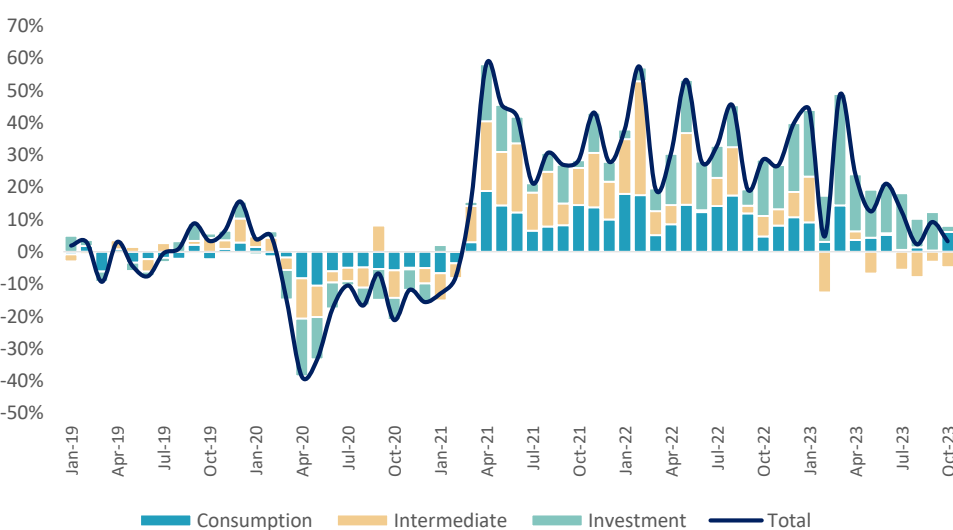
Change of Import, %y/y



Decomposition of Export



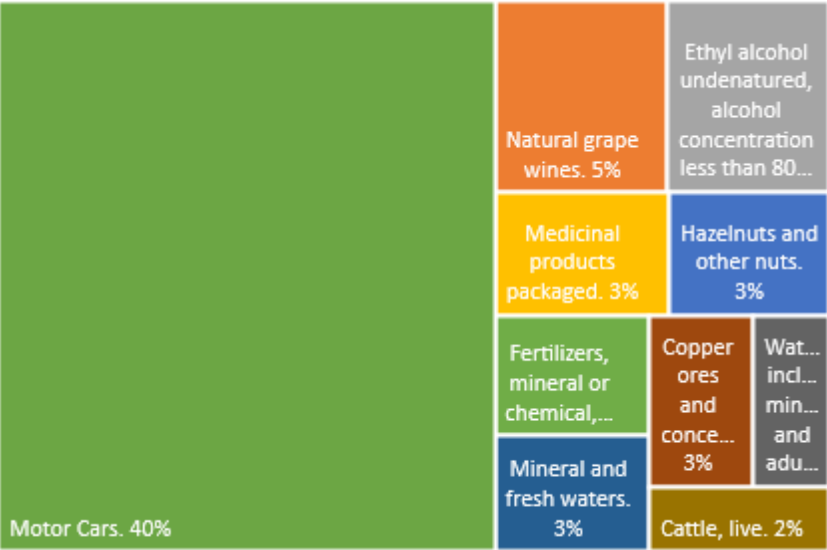
Decomposition of Change of Import, %y/y



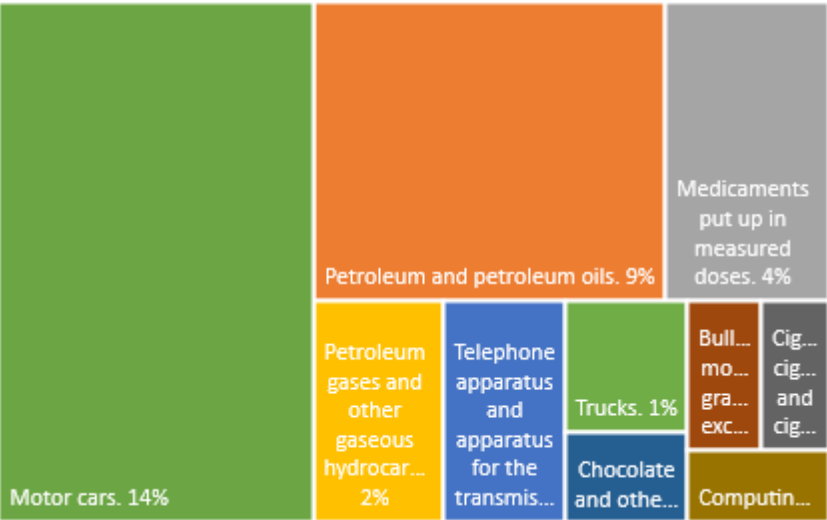
- Export increased annually by 10.3 percent to 494.9 million USD in October.
- Domestic export decreased annually by 31.4 percent to 199.0 million USD.
- Import annually increased by 3.3 percent to 1 243 million USD in October.
- Trade deficit annually decreased by 0.9 percent to 748.4 million USD in October.
- Share of re-export in export growth is equal to 30.6 percent (86.8 %y/y), while share of commodity export is negative 20.4 percent (-72.8 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 1.9, 6.1 and -4.8 percent respectively.

International trade is characterized by stable diversification

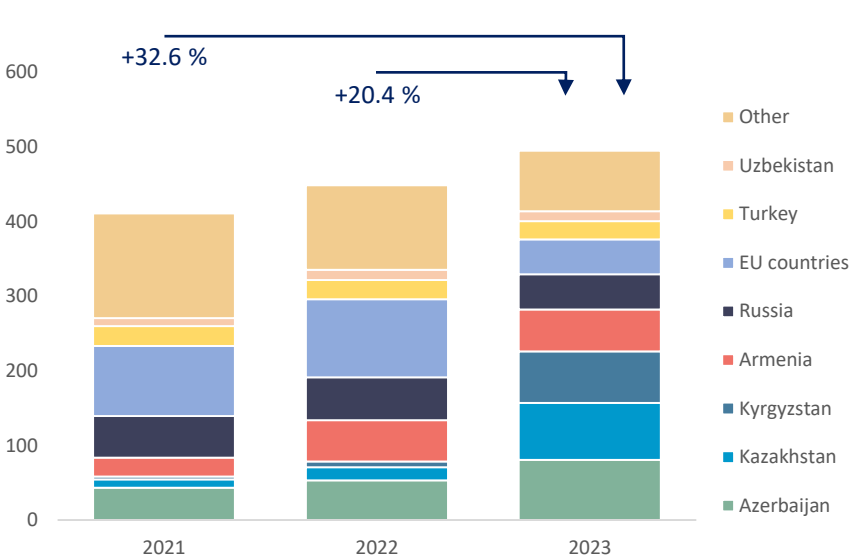
Top 10 Export goods, % of total Export



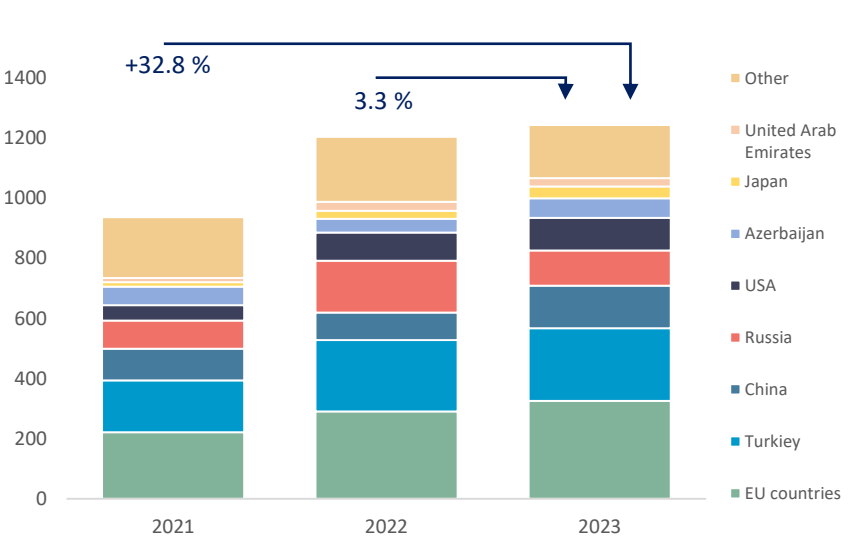
Top 10 Import goods, % of total Import



Export by country, October



Import by country, October



Top Export Products:

- Motor cars: 195.6 million. USD - 39.6 percent of total exports.
- Natural grape wines: 23.8 million USD - 4.8 percent.
- Ethyl alcohol undenatured, with an alcohol concentration of less than 80 vol.%, alcoholic beverages: 22.3 mln. USD - 4.5 percent.

Top Import Products :

- Motor cars: 175.0 million USD - 14.1 percent of total imports.
- Petroleum and petroleum products: 112.2 million USD - 9.0 percent.
- Medicinal products packaged: 52.5 million USD - 4.2 percent.

Top Export Country:

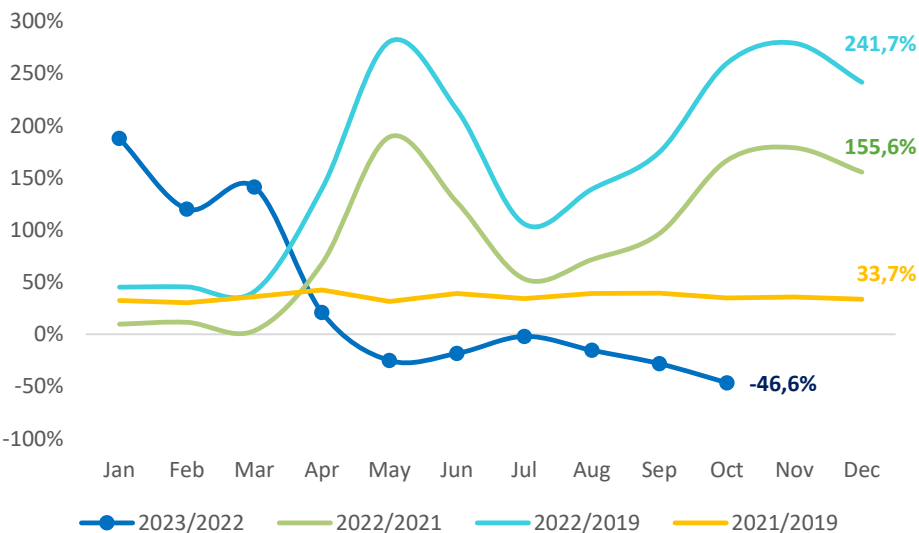
- Azerbaijan: 80.8 mln USD, - 16.3 percent.
- Kazakhstan: 76.2 mln US dollar - 15.4 percent.
- Kyrgyzstan: 69.0 mln USD - 13.9 percent..

Top Import Country :

- Turkey: 241.0 mln USD, - 19.4 percent.
- China: 141.9 mln USD - 11.4 percent.
- Russia: 116.7 mln USD - 9.4 percent.

Net Remittances decreased by 46.6 percent in October 2023

Net Remittances

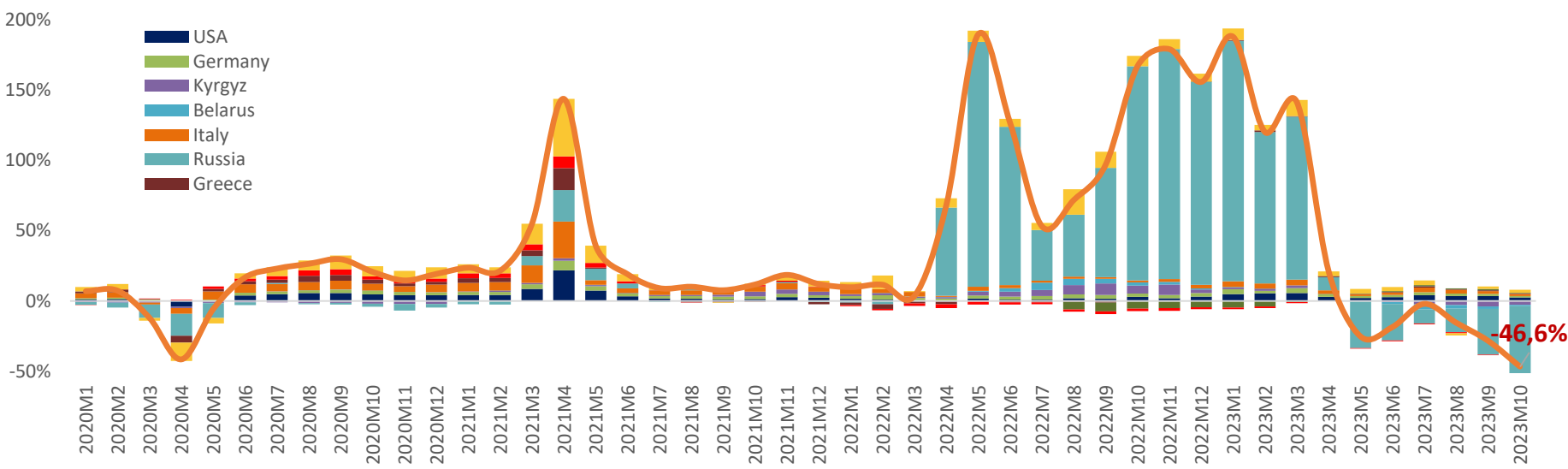


Net Remittances, October 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	58.3	-80.3	-50.6
Italy	41.5	19.0	1.4
USA	40.4	42.4	2.6
Greece	19.5	13.3	0.5
Germany	19.4	34.3	1.1
Israel	16.6	4.1	0.1
Other	55.9	-11.7	-1.6

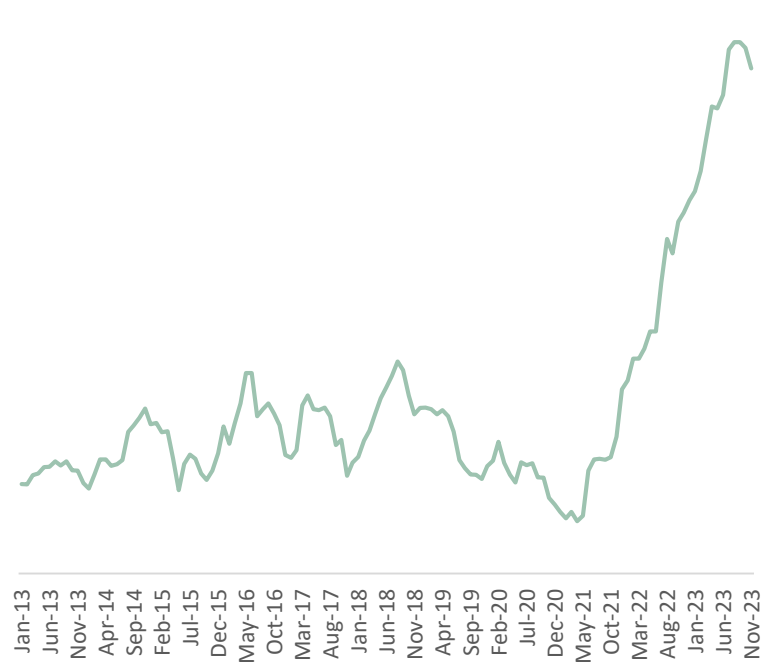
- In October 2023, net remittances were estimated at 251.5 million USD, representing a 46.6 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 92.4 percent.
- Net Remittances increased from:
 - Iraq: 453.8 percent (0.4 p.p. contribution to total growth).
 - Jordan: 444.7 percent (0.2 p.p. contribution to total growth).
 - Kazakhstan: 117.7 percent (1.8 p.p. contribution to total growth).
 - USA: 40.4 percent (contributing 2.6 pp to total growth).
- Net Remittances decreased from:
 - Russia: -80.3 percent (-50.6 pp contribution to total growth)
 - Kyrgyzstan: -81.9 percent (-2.7 pp contribution to total growth)

Net Remittances by country, %y/y

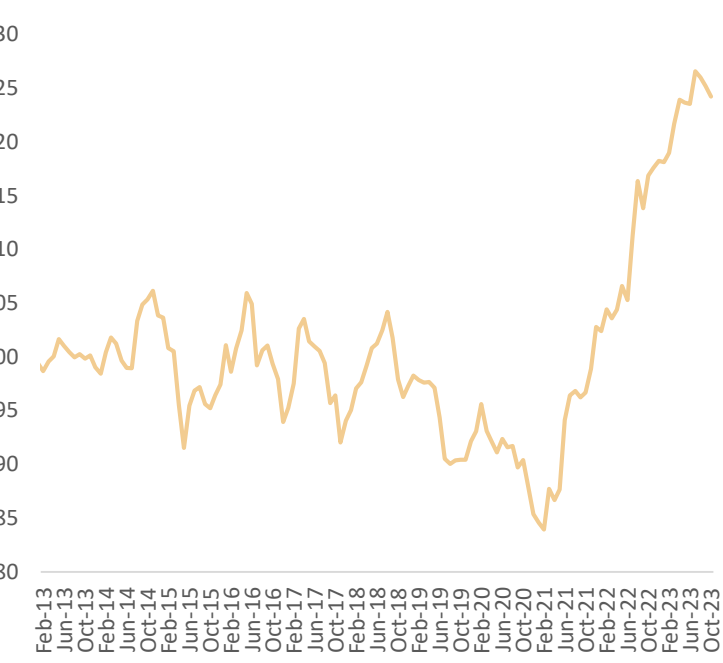


Both Nominal and Real Effective Exchange Rates Depreciated in October

NEER: 2013 = 100

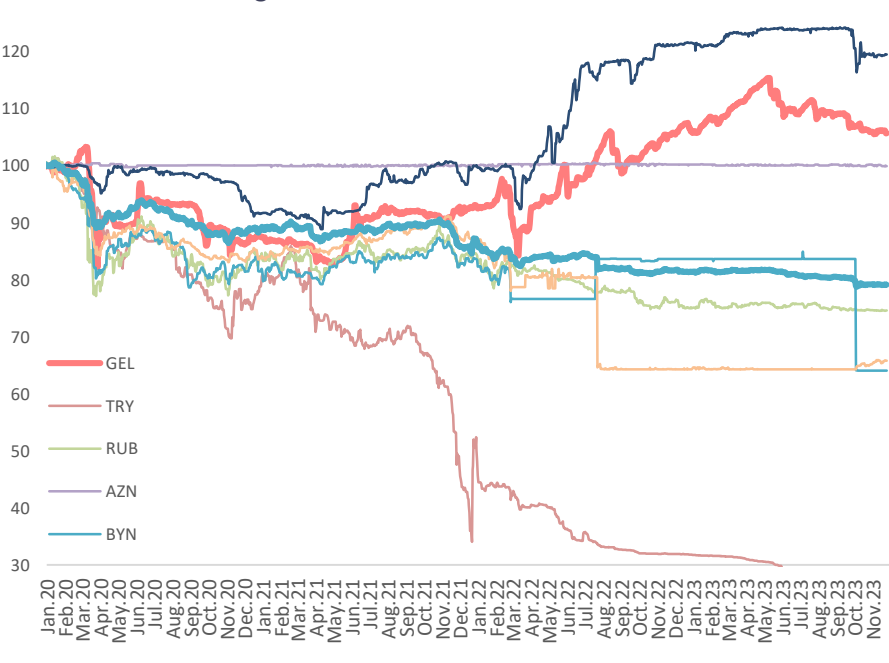


REER: 2013 = 100



USD Exchange Rates

November 30, 2023

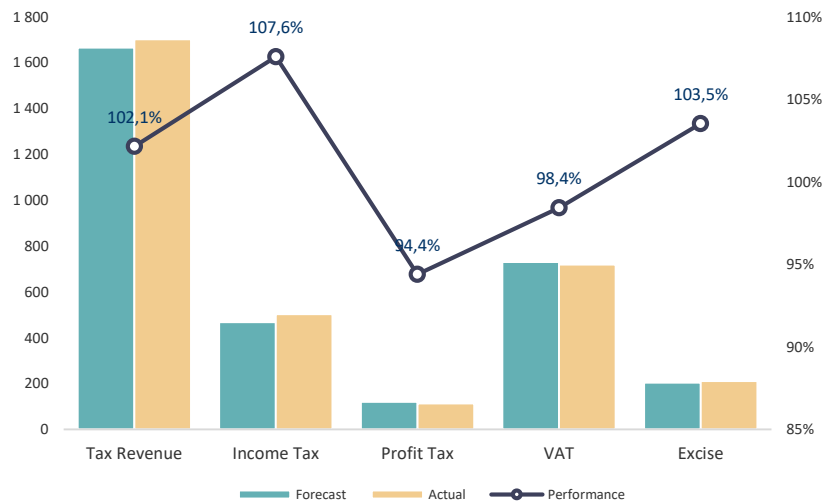


Note: Increase means appreciation

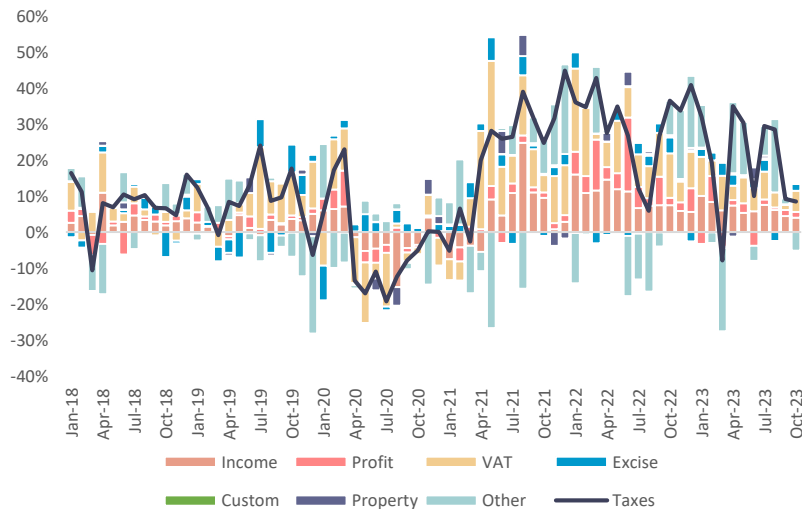
	December 1, 2023		Dec 1, 2023 - Jan 1, 2023		Dec 1, 2023 - Jan 1, 2022
Euro	2.9583	▼	-2.5%	▲	18.3%
US Dollar	2.7086	▼	-0.2%	▲	14.1%
Turkish Lira	0.0938	▲	53.8%	▲	146.5%
Russian Ruble	0.0306	▲	20.3%	▲	34.9%
NEER	189.06	▲	14.9%	▲	44.2%
REER (October 2023)	154.91	▲	6.7%	▲	22.6%

Tax revenues in November is above the forecast value by 2.1 percent

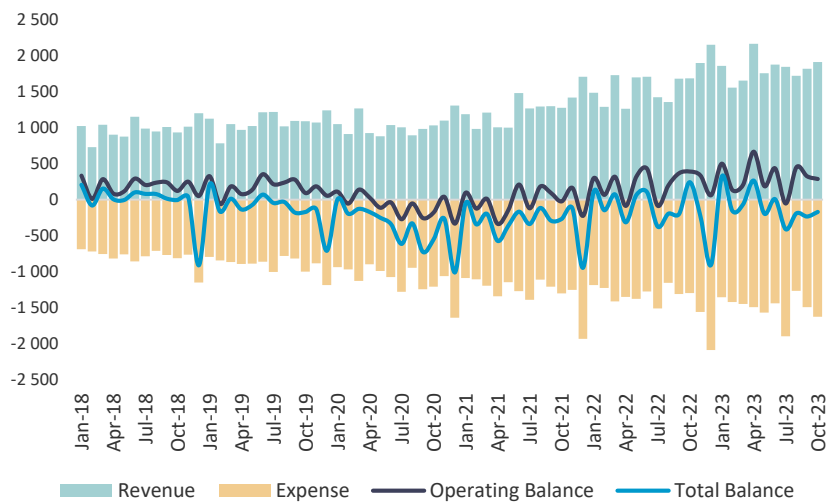
Budget Revenue Performance, November 2023



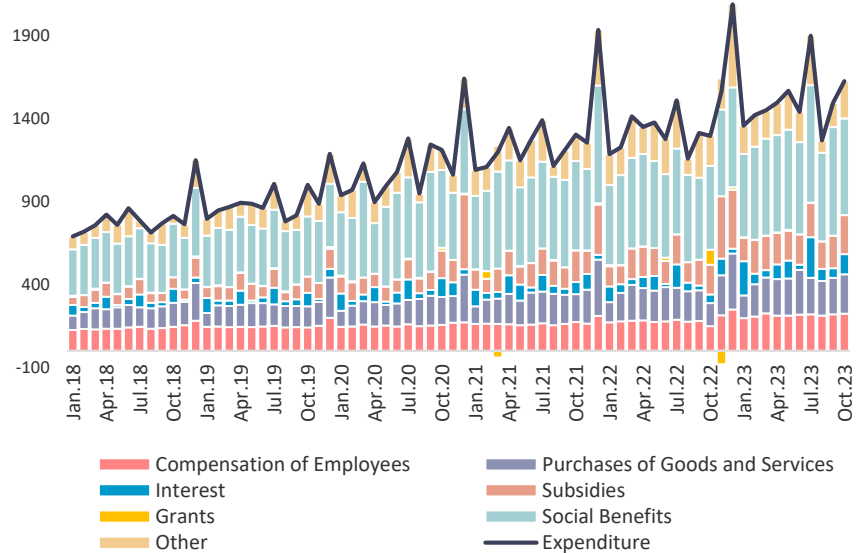
Tax Income, % y/y



Consolidated Budget, mln GEL



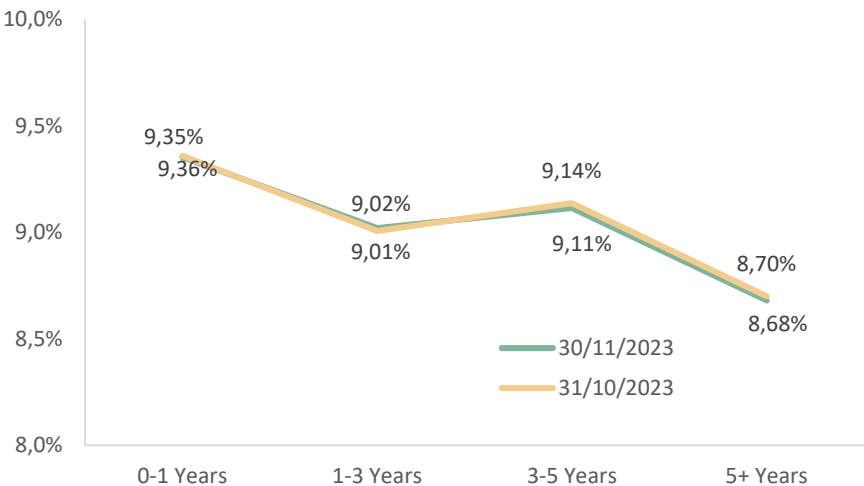
Consolidated Budget Expenditure, mln GEL



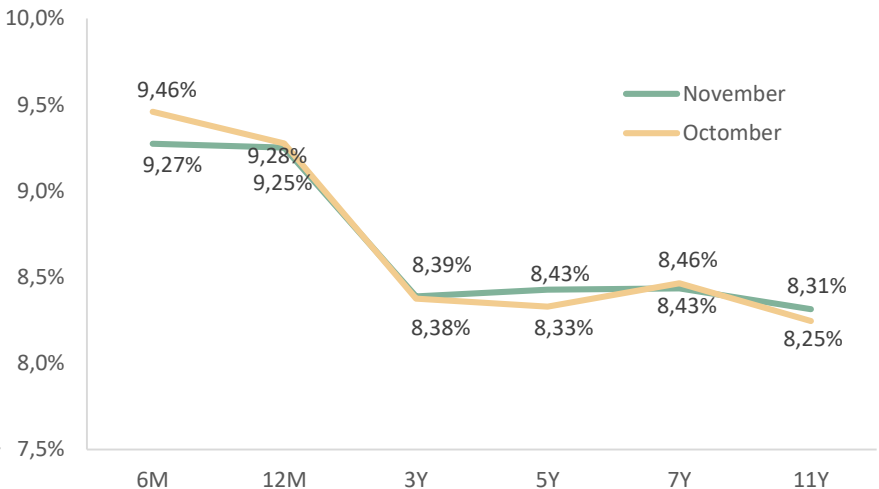
- The actual level of tax income in November 2023 was 1,702 mln GEL, which is above the forecasted value by 2.1 percent.
- Consolidated budget revenues increased by 13.3 percent and expenditures increased by 25.4 percent in October.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 287.2 million GEL, while the total balance was set at negative 170.0 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and Income tax in October, accounting for 5.9 and 4.1 percent of total growth, respectively.

Structure of the Securities Portfolio has Not Changed Significantly in November

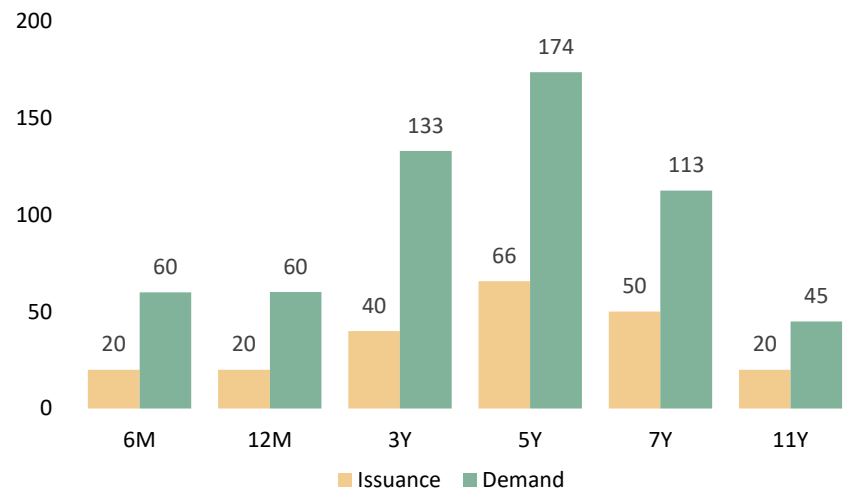
Portfolio Yield Curve



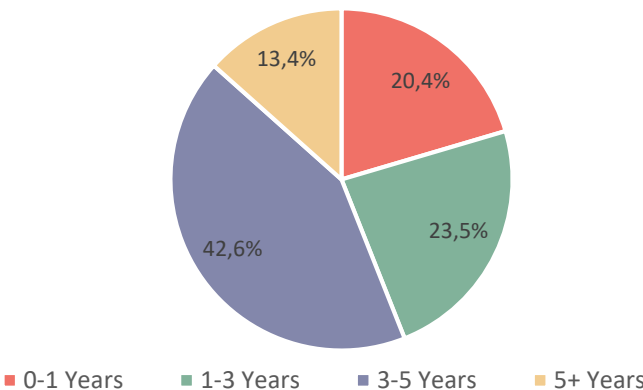
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



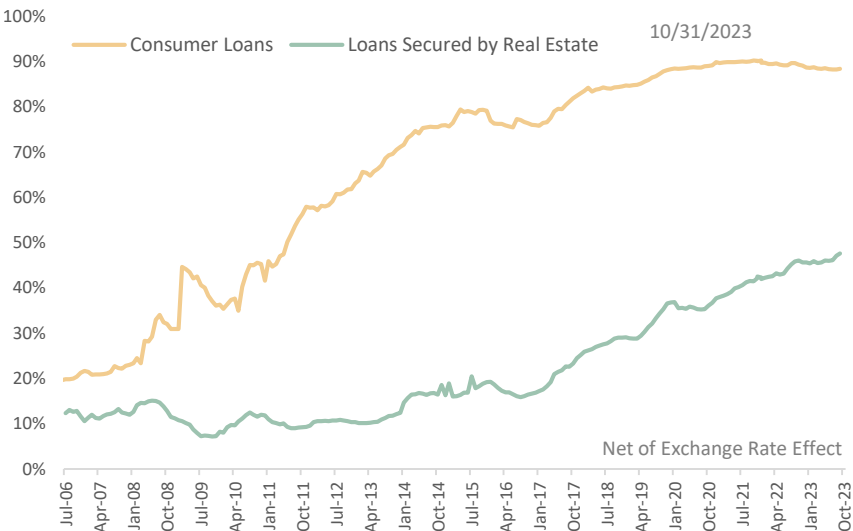
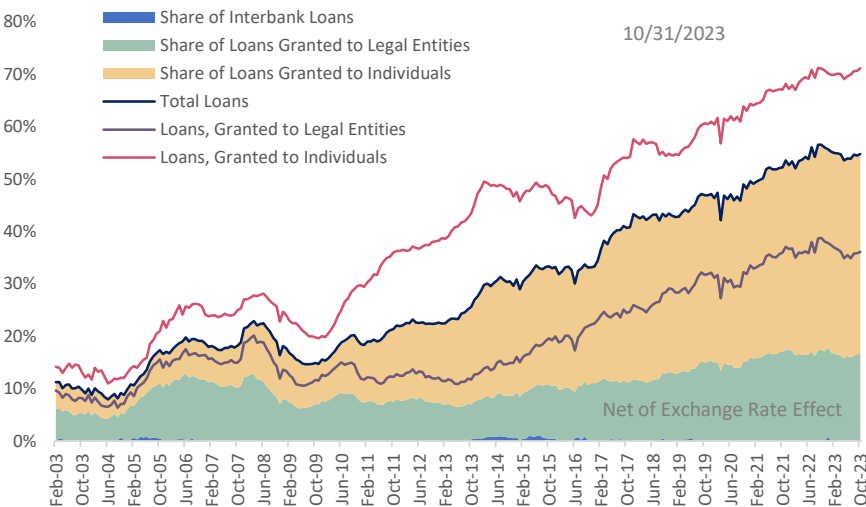
Portfolio by Residual Maturity, November 30, 2023



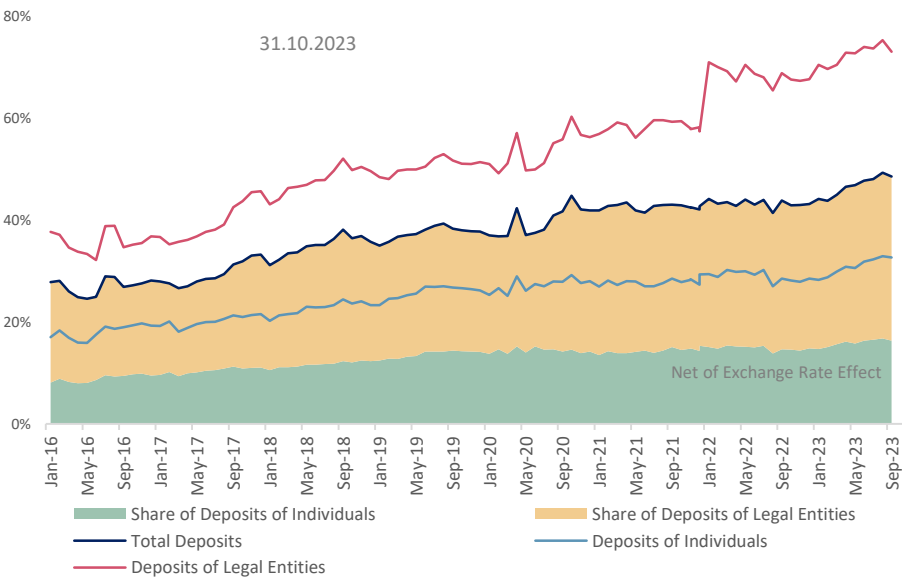
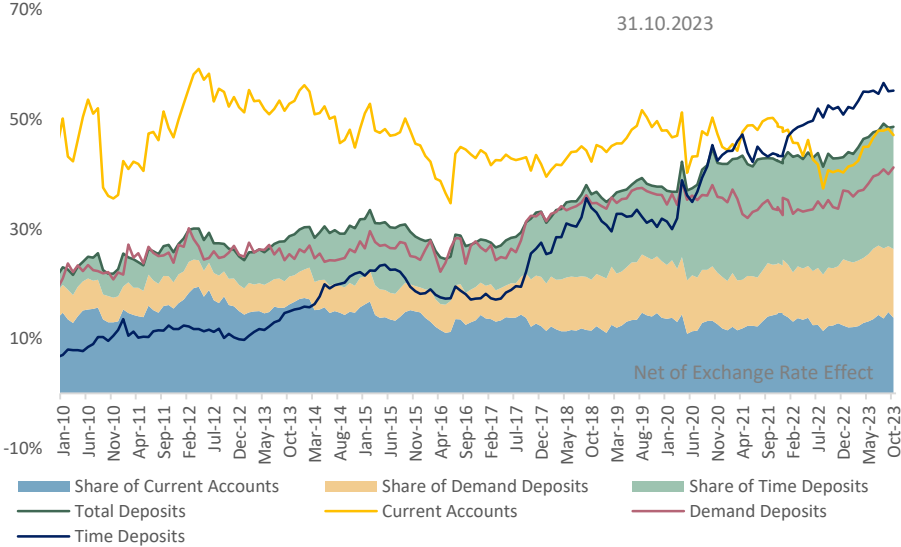
- In November 2023, 6 auctions were held with the total issuance volume of 215.74 million GEL. One buyback auction was held during the month.
- The weighted average interest rate amounted to 8.57%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 80 million GEL were redeemed, including 30 mln GEL repurchased through BuyBack auctions.
- As of November 30, 2023 around 42.6% of the treasury securities portfolio (in October it was 42%) is composed of the securities whose maturity date is due for the next 3-5 year. The medium-term state financials securities (with duration 1-3 years) have also a sizable share (at around 24%) in the total portfolio. The later was 24% in the previous period (October).
- The Bid-to-cover ratio increased compared to the previous month's value (October 2.03) and amounted to 2.71.

Most of Larization Indicators Continue Rising

Loan Larization



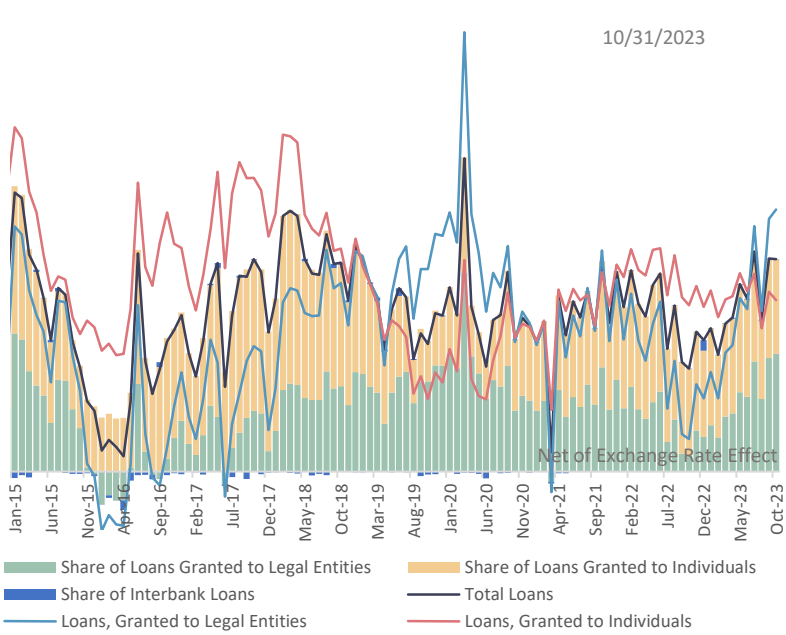
Deposit Larization



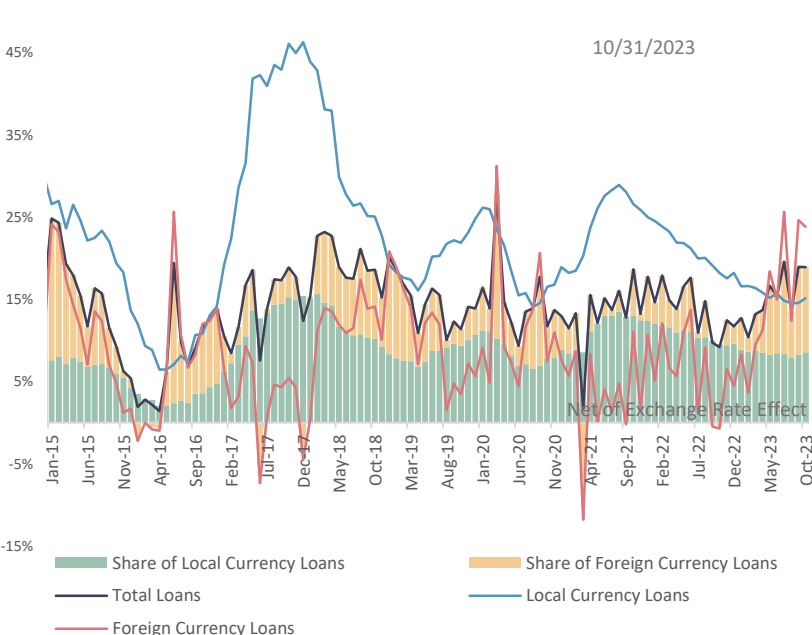
- As of October 31, 2023, the larization of total loans is 54.8 percent.
- The larization of loans to individuals is 71.2 percent.
- The larization of the loans to legal entities amounted to 36.1 percent.
- The larization of the total deposits equals to 48.6 percent.
- The larization on the deposits of legal entities amounted to 73.8 percent.
- The larization of the deposits of individuals is 32.7 percent.
- The larization of time deposits is 55.3 percent.
- The larization of current accounts equals to 47.2 percent.
- The larization of the demand deposits is 41.3 percent.

High Annual Growth Trends of Loans Have Retained

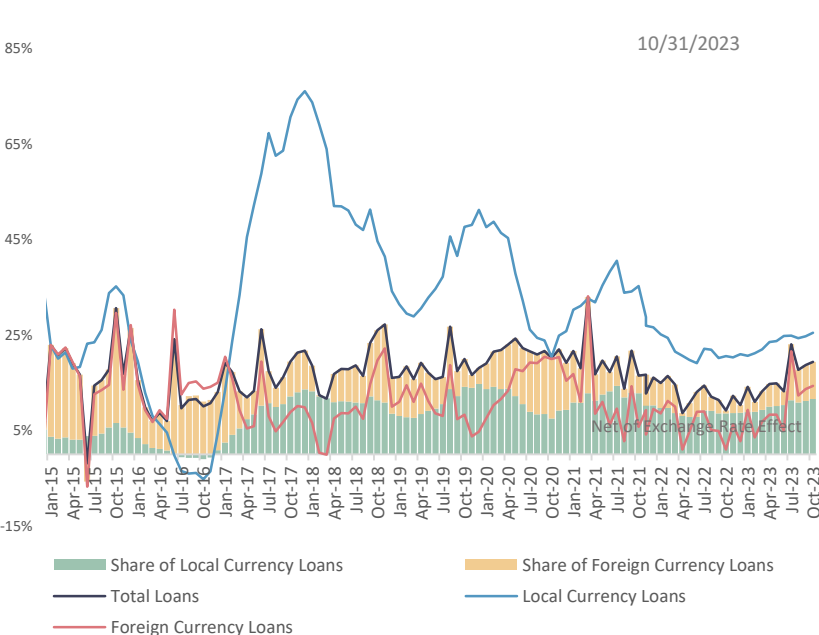
Loans Growth Rates, % y/y



Loans by Currency, % y/y

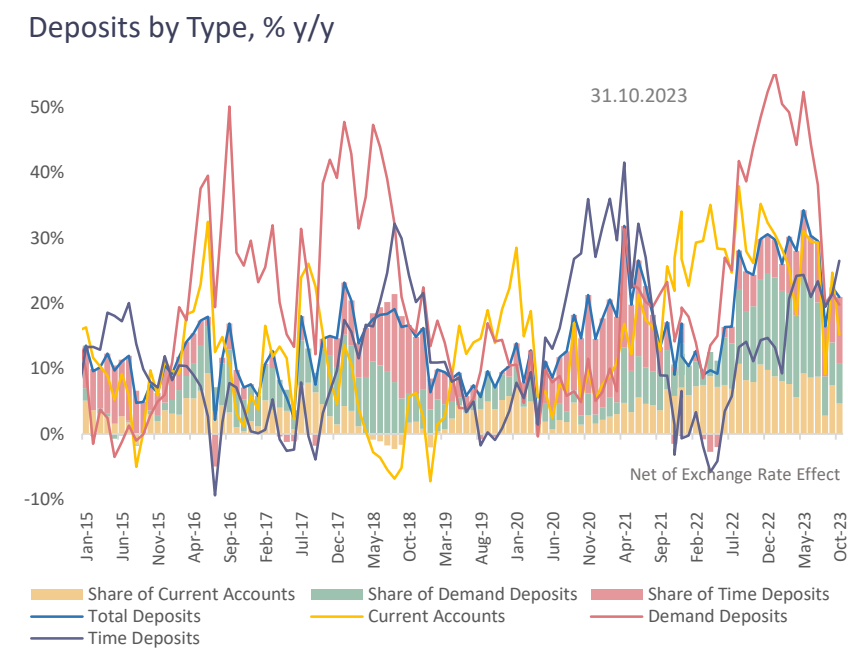
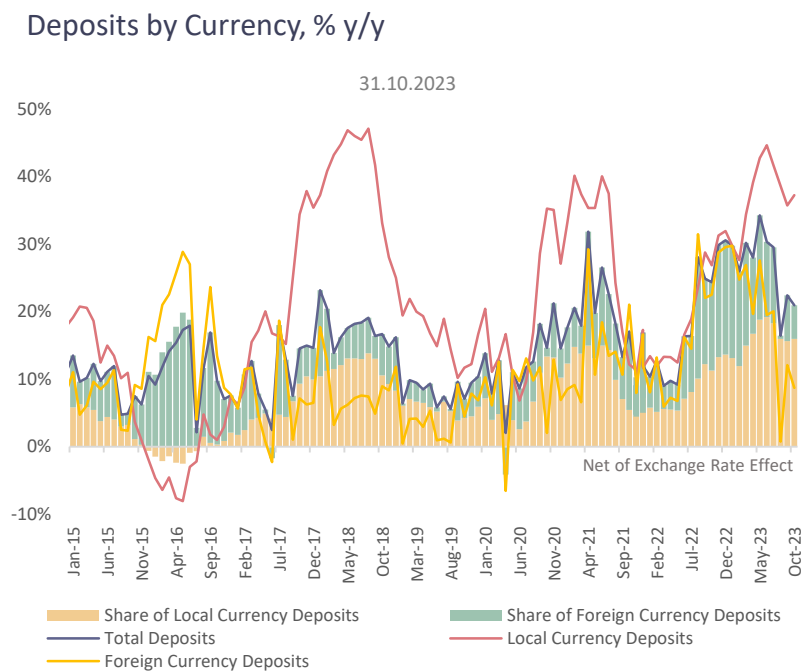
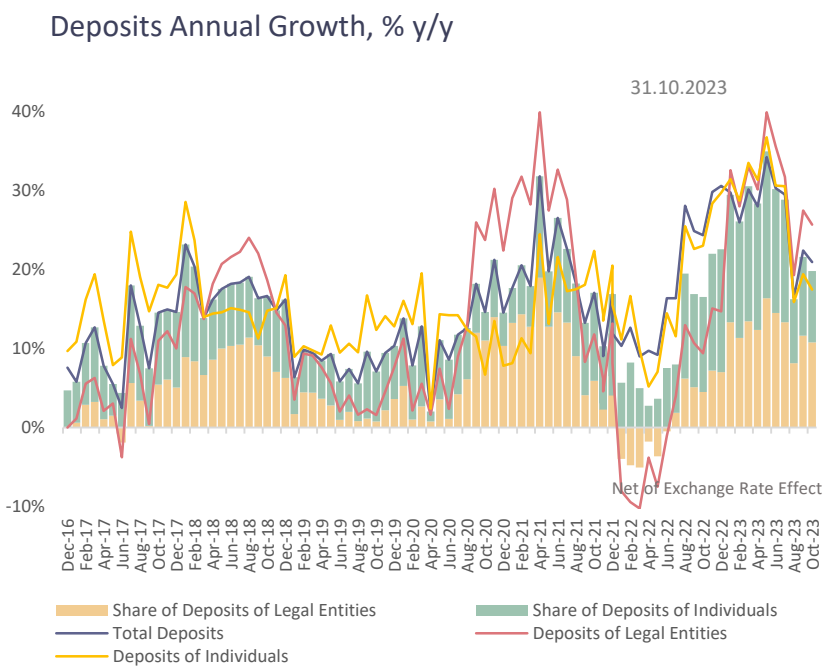


Mortgage Loans, % y/y



- As of October 31, 2023, the total loans increased by 18.9 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 23.3 percent.
- The annual growth of loans to individuals is 15.2 percent.
- As of October 31, 2023, the growth rate of the loans denominated in the national currency amounted to 15.1 percent.
- The annual growth of loans denominated in foreign currency amounted to 23.8 percent.
- As of October 31, 2023, the annual growth of the loans secured by real estate amounted to 19.4 percent. At the same time, the mortgage loans denominated in national currency increased by 25.4 percent, while the mortgage loans denominated in the foreign currency increased by 14.3 percent.

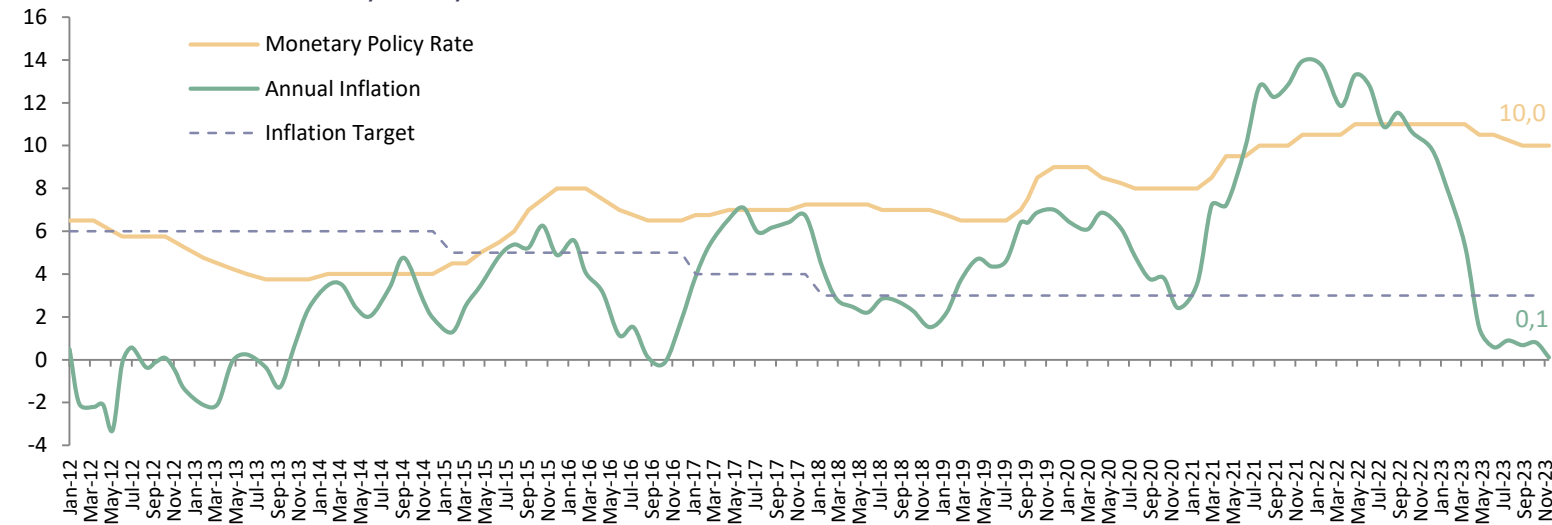
Annual Growth Rates of Deposits Are High



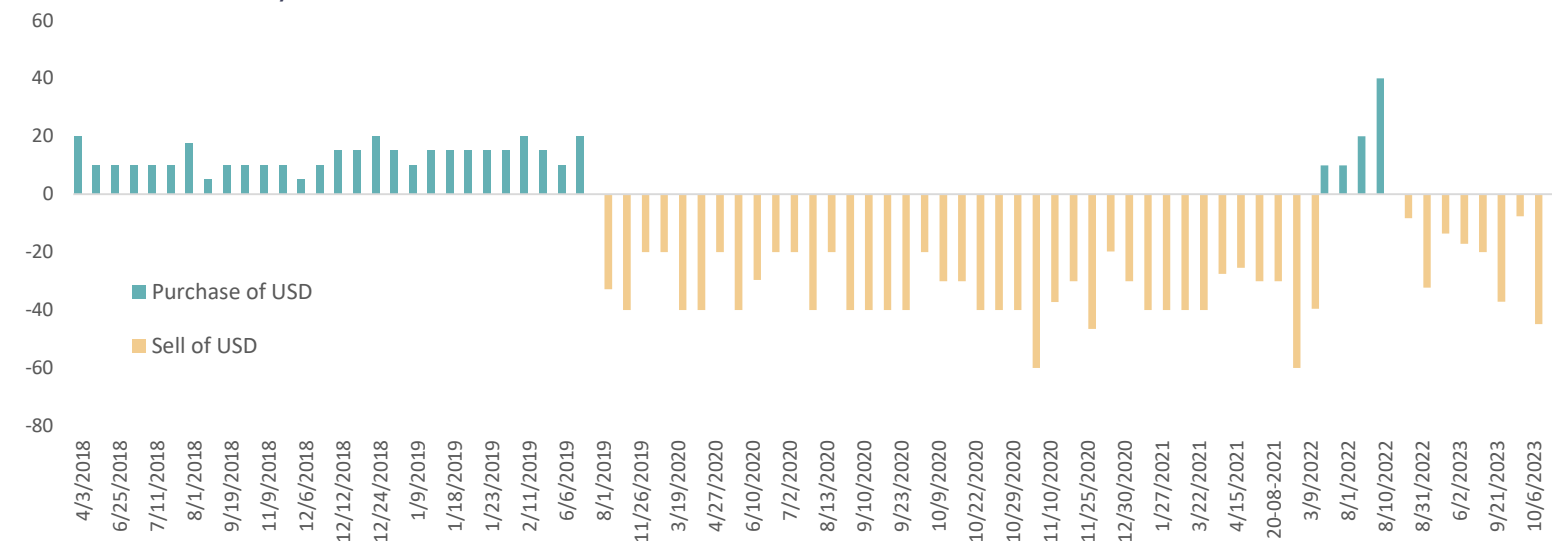
- As of October 31, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 20.9 percent.
- The annual growth of the deposits denominated in the national currency amounted to 37.2 percent. The annual growth of the deposits denominated in foreign currency stood at 8.7 percent over the same period.
- The growth of deposits of individuals amounted to 17.4 percent, while the annual growth of deposits of legal entities in the same period amounted to 25.7 percent.
- The annual growth of current accounts at the beginning of November, 2023, was equal to 15.1 percent.
- The annual growth of the time deposits was 26.4 percent.
- The growth of the demand deposits amounted to 19.7 percent.

The Monetary Policy Rate is at 10.0 percent

Inflation and Monetary Policy Rate



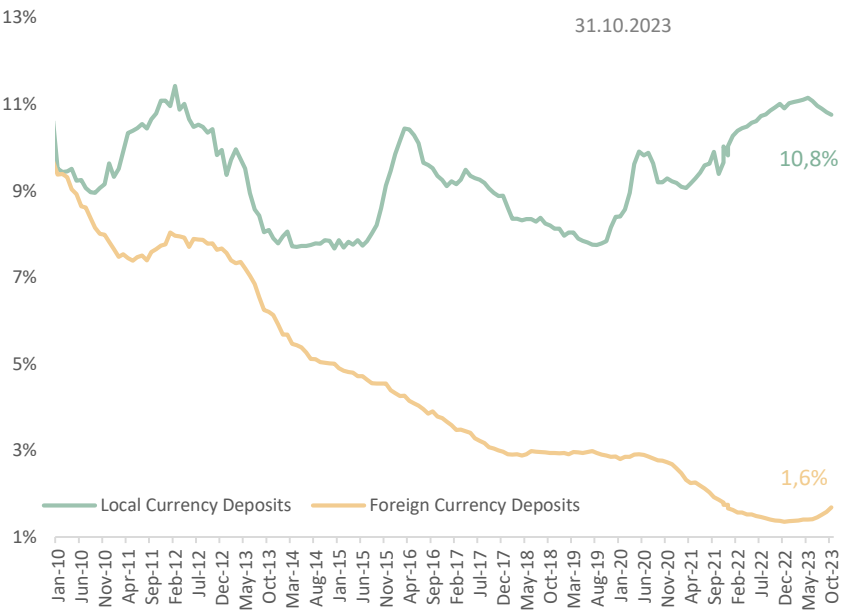
Trade of USD by NBG, mln USD



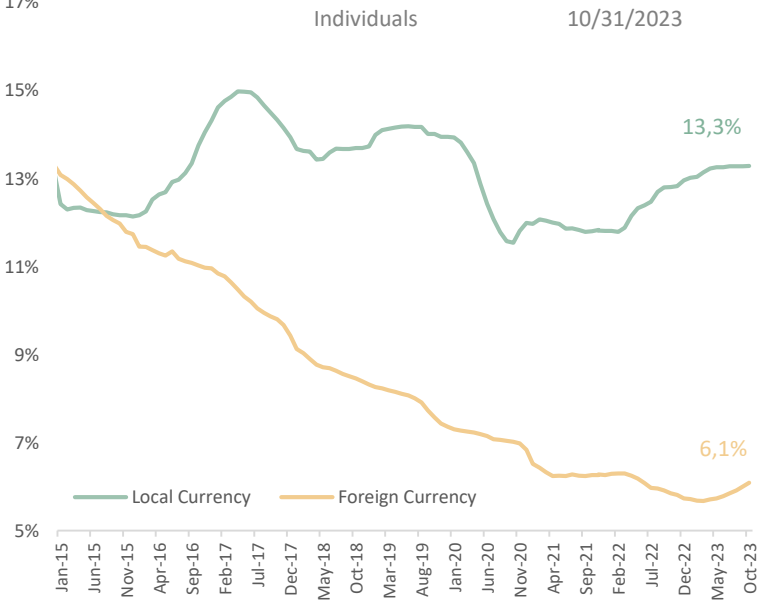
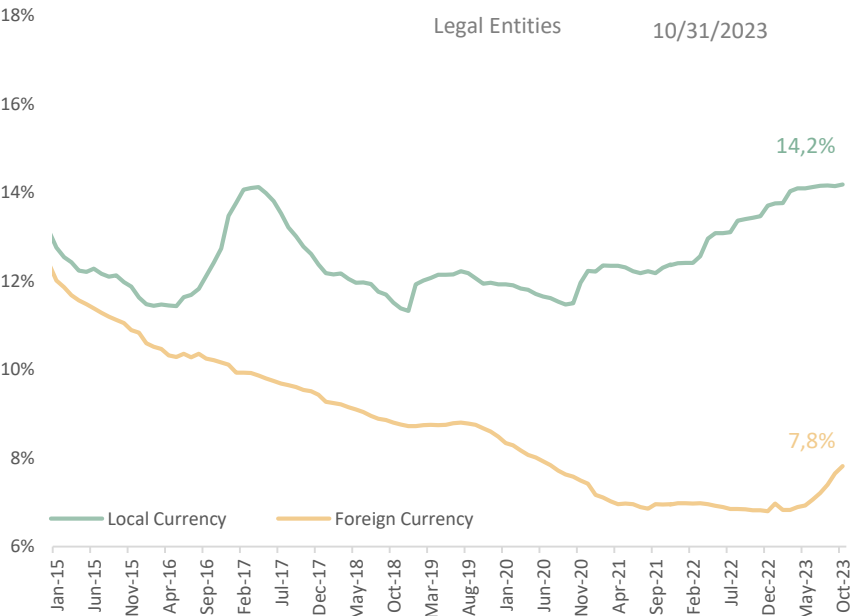
- On November, 2023, the Monetary Policy Committee of the National Bank of Georgia was not conducted. So, the refinancing rate remained at 10.0 percent within this period.
- Per the NBG, inflation is less than the target one (3 percent). Besides, the role of the external factors in formation of inflation has reduced significantly. Recently, there have appeared signs of price stabilization on international commodity markets. At the same time, the international shipping costs continue to decrease at a rapid pace, which are reflected in import prices. In Georgia, the inflation has already retreated from its peak and fell below the target inflation at 0.1 percent in November, is now 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 December 18, 2023.
- The NBG did not make any foreign exchange interventions through the auctions during November, 2023.

Market Interest Rates Increased in Foreign Currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of November 1, 2023, the interest rate on foreign currency deposits was 1.7 percent, and in the national currency – 10.8 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.9 percent, and in foreign currency – 2.5 percent.
- The average annual interest rate on deposits by individuals is 1.6 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 15.6 percent (17.5 percent in the national currency and 6.2 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.2 percent (17.4 percent in the national currency and 7.7 percent in foreign currency).
- At the end of October, 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.7 percent, and in the foreign currency 9.5 percent. The interest rate on the loans to individuals in the national currency was 13.1 percent, and in foreign currency 7.2 percent.

Source: NBG

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.

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