



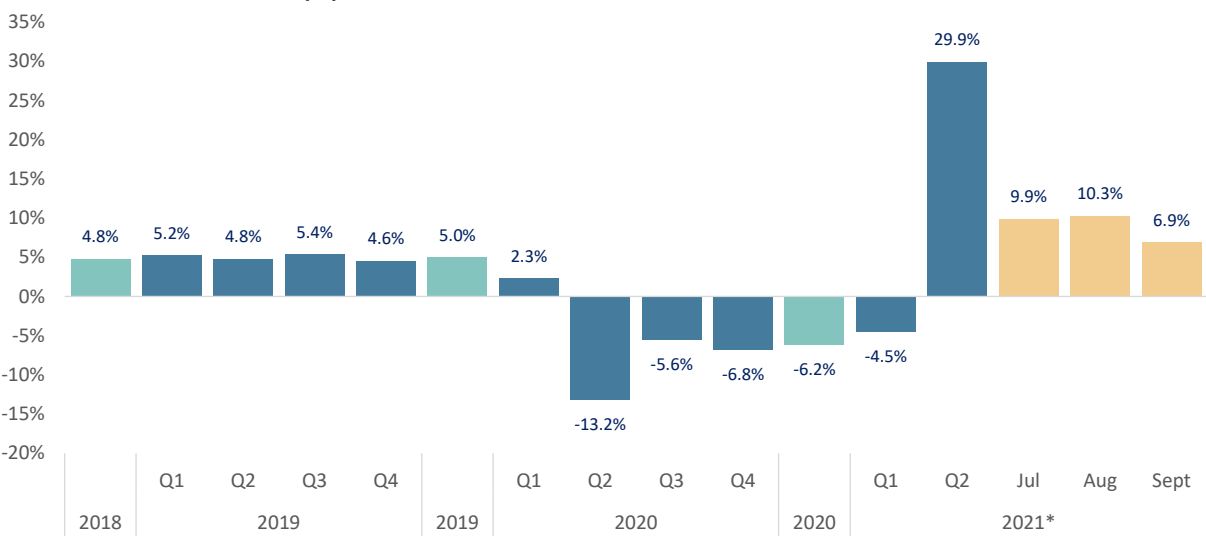
Current Economic Outlook

October, 2021

- According to the preliminary estimates of the National Statistics Office, in September 2021, the real GDP growth rate was 6.9 percent and average growth rate of first 9 months was 11.3 percent. At the same time, economic growth compared to compared to corresponding month of 2019 amounted to 6.1 percent
- Annual inflation stood at 12.8 percent in October, while core inflation was 6.2 percent
- In September, exports increased by 12.8 percent year-on-year and imports increased by 23.4 percent year-on-year, increasing the trade deficit by 31.8 percent year-on-year to 552.2 million USD
- The real effective exchange rate for September appreciated by 7.3 percent compared to the same period of the previous year and depreciated by 0.6 percent compared to the previous month
- The National Bank of Georgia left the monetary policy rate unchanged at 10 percent

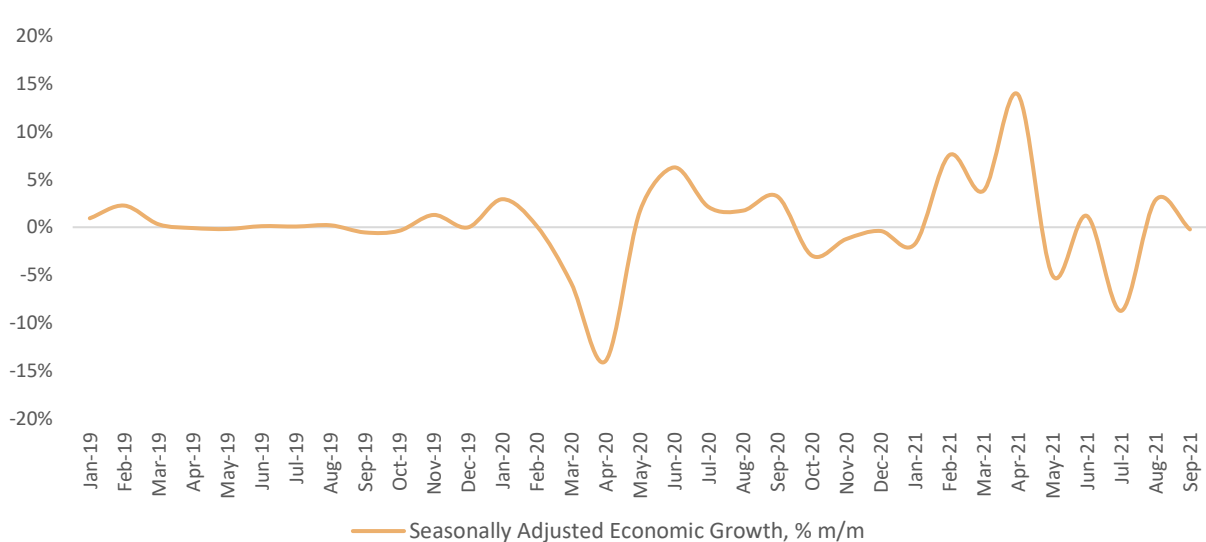
Economic Growth in September was equal to 6.9 percent

Economic Growth, % y/y

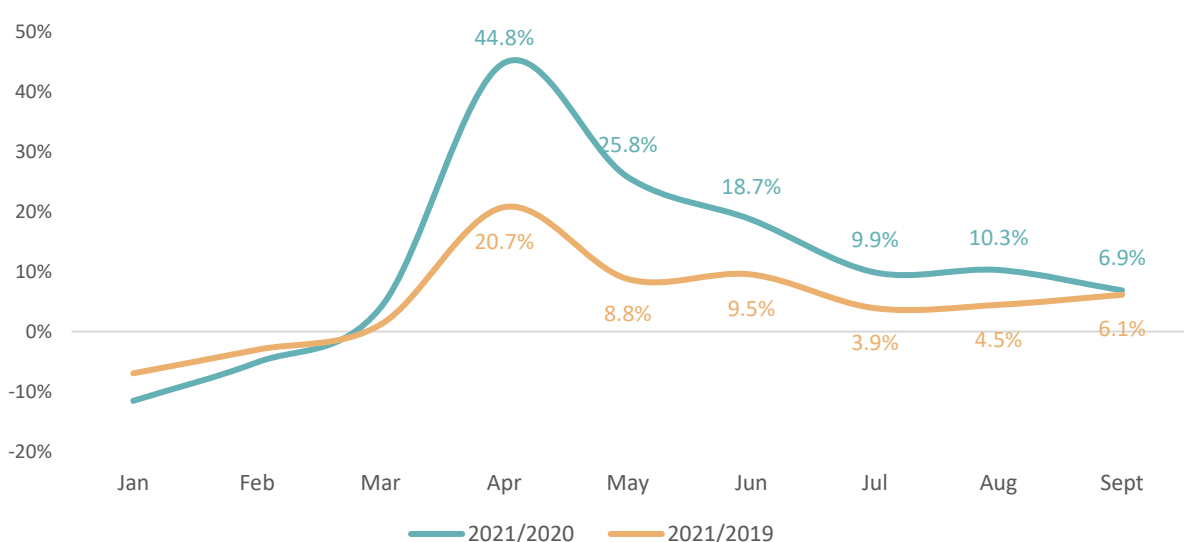


- Estimated real GDP growth rate in September 2021 equaled 6.9 percent YoY and average annual real GDP growth rate for the first 9 months equals to 11.3 percent.
- In September 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and Insurance activities, Transportation and storage, Manufacturing, Electricity, gas, steam and air conditioning supply, Hotels and restaurants, Arts, entertainment and recreation, Real estate activities, Trade.
- A decline was registered in Construction.

Economic Growth, % m/m

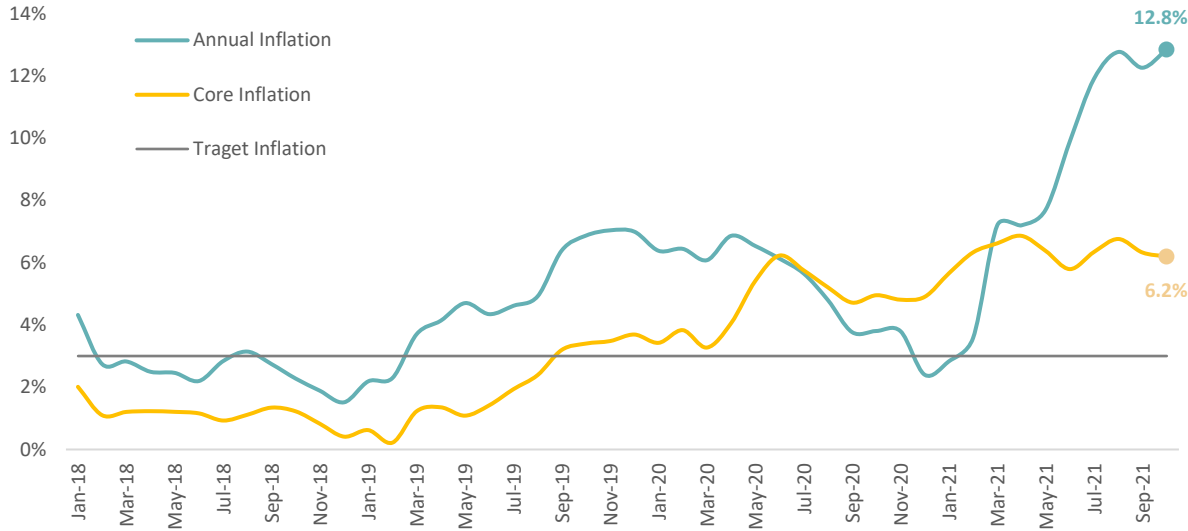


Economic Growth, 2021-2019

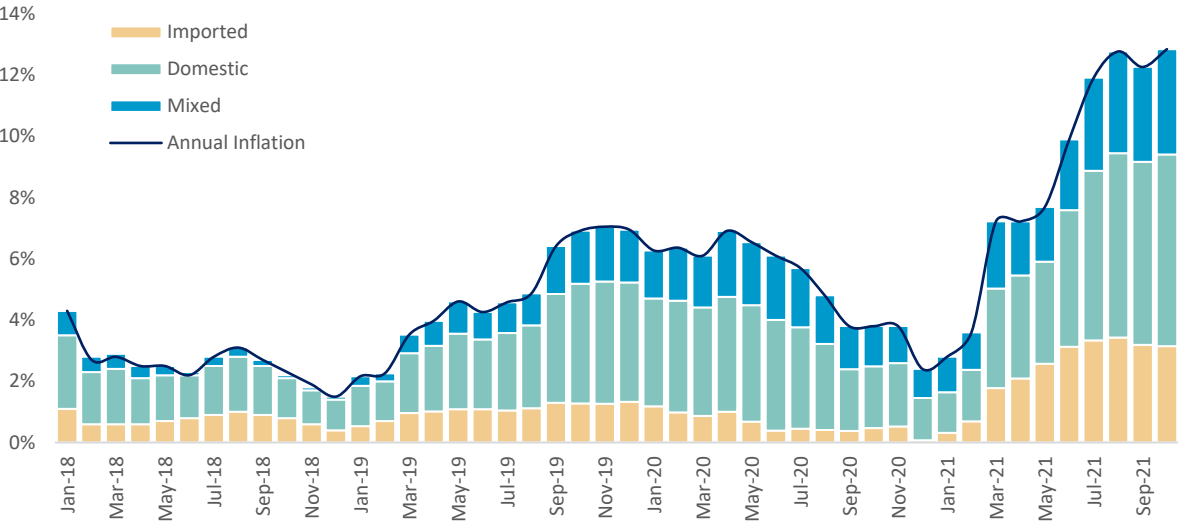


Annual inflation in October has reached 12.8 percent

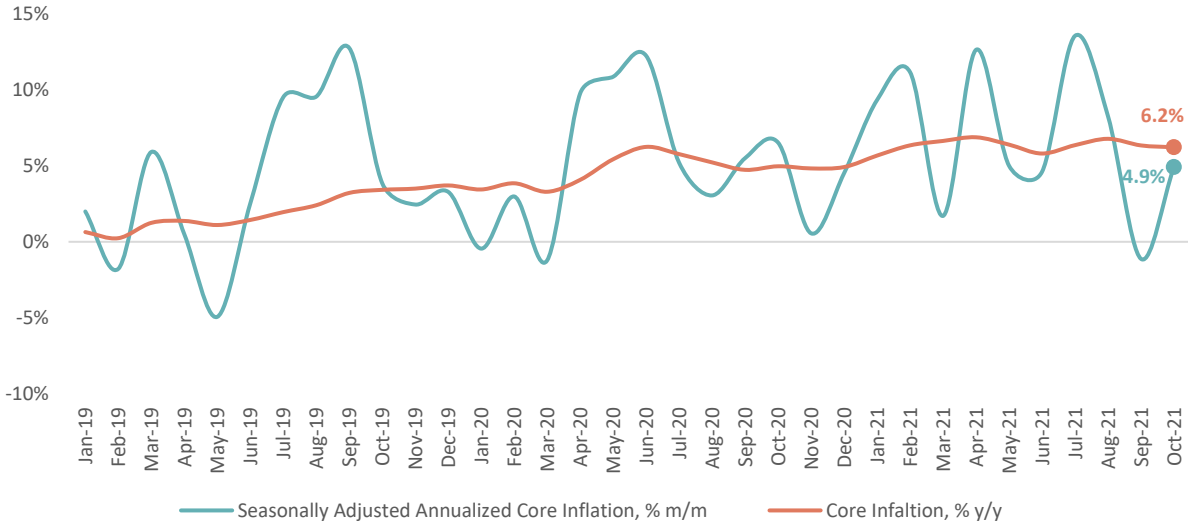
Total and Core Inflation, % y/y



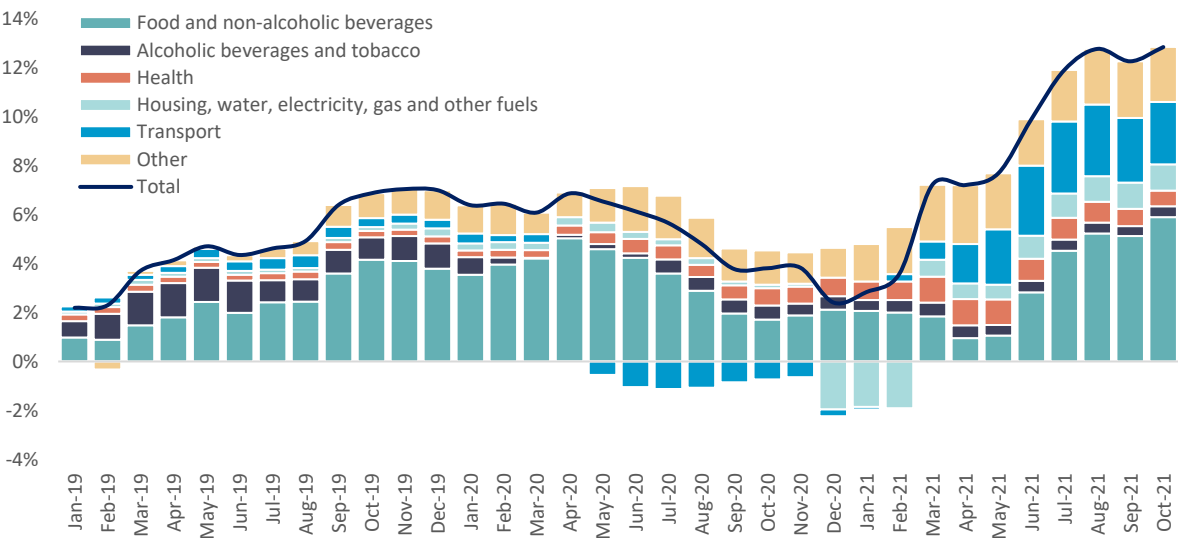
Inflation Decomposition



Core Inflation, % m/m



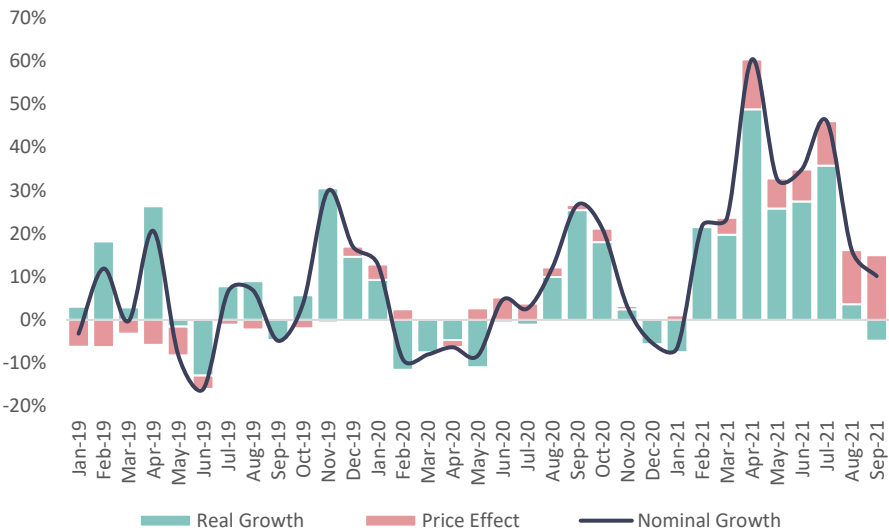
Inflation Decomposition by product group



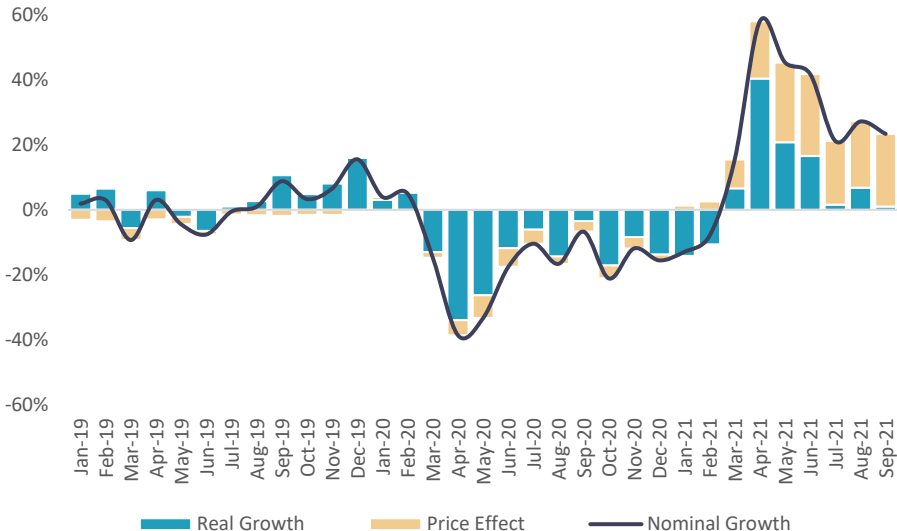
Source: Geostat, NBG, MOF

Trade Deficit increased by 31.8 percent annually

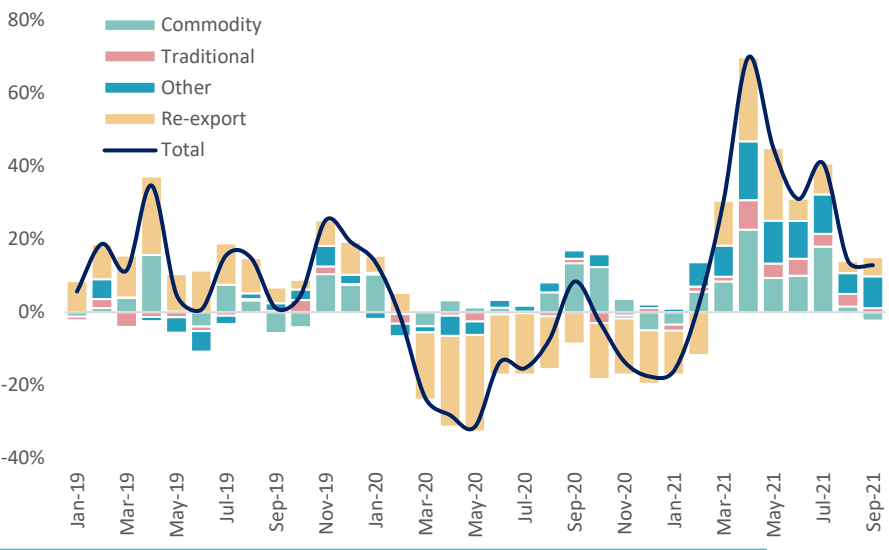
Change of Domestic Export, %y/y



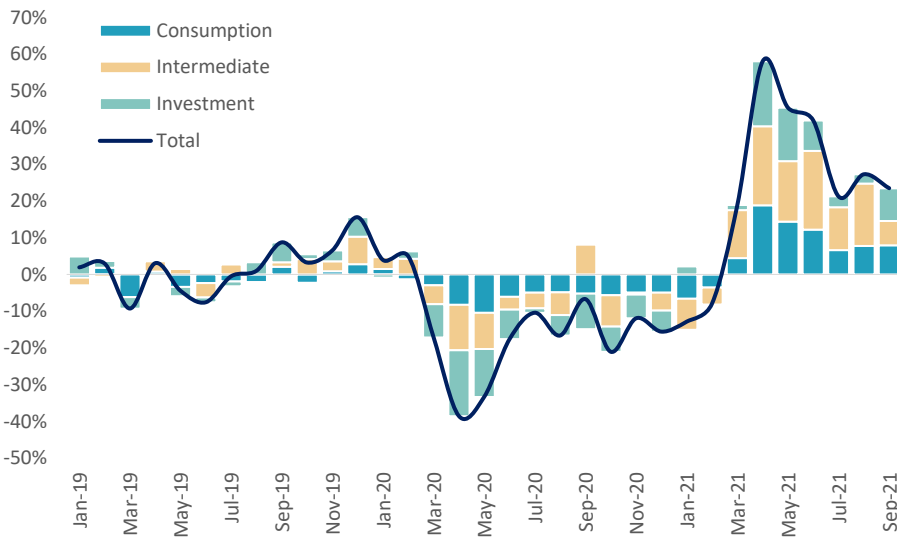
Change of Import, %y/y



Decomposition of Export



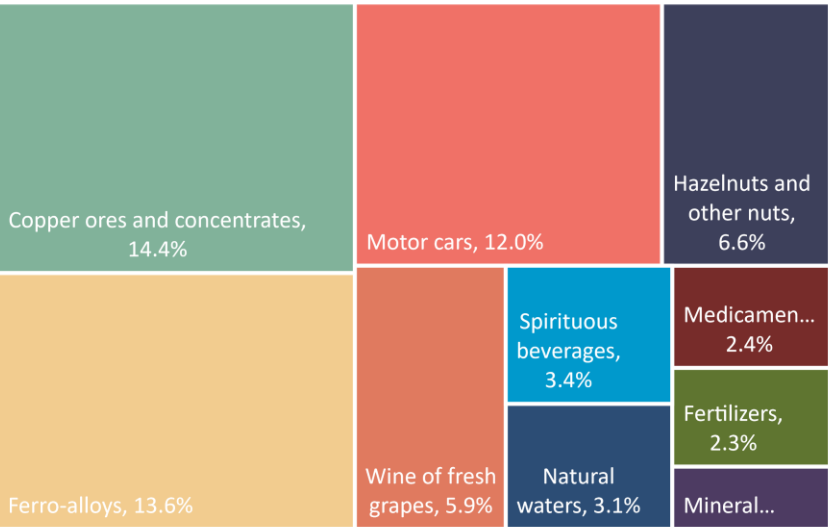
Decomposition of Change of Import, %y/y



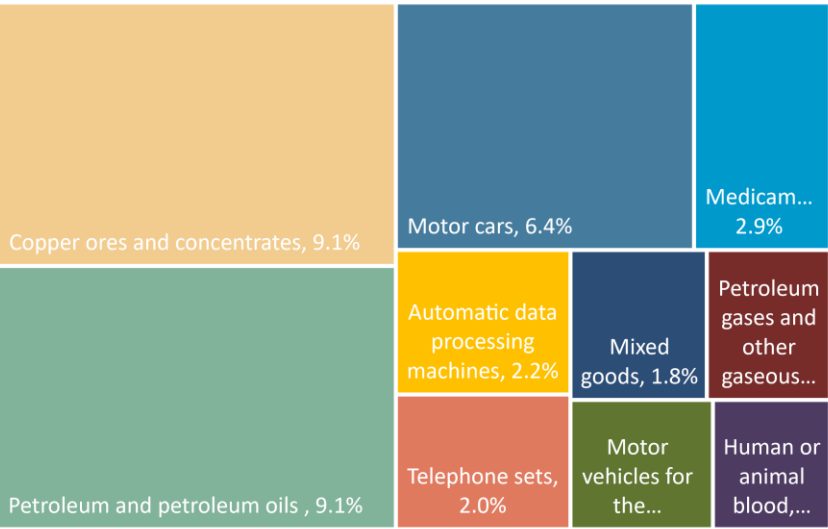
- Export increased annually by 12.8 percent to 373.6 million USD in September.
- Domestic export increased annually by 10.2 percent to 270.2 million USD.
- Import annually increased by 23.4 percent to 925.7 million USD in September.
- Trade deficit annually increased by 31.8 percent to 552.2 million USD in September.
- Share of re-export is equal to 27.7 percent (20.2 %y/y), while share of commodity export equals to 34 percent (-5.5 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 8.9, 7.9 and 6.6 percent respectively.

International trade is characterized by stable diversification

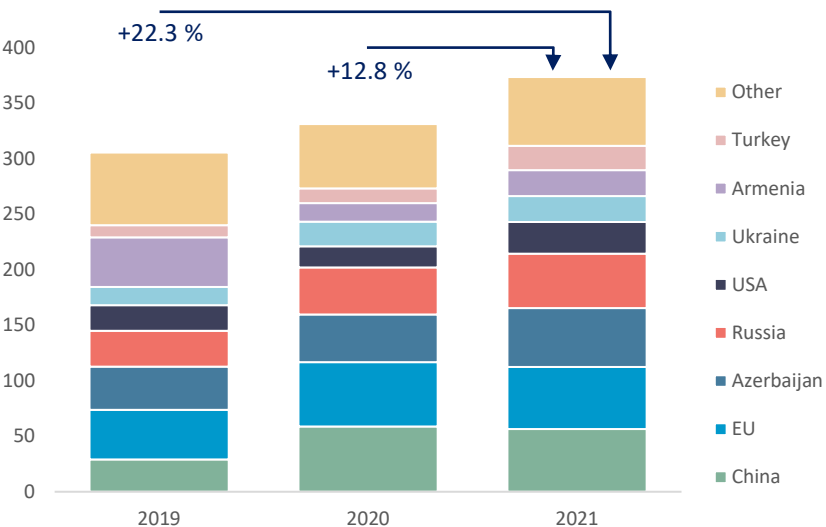
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import

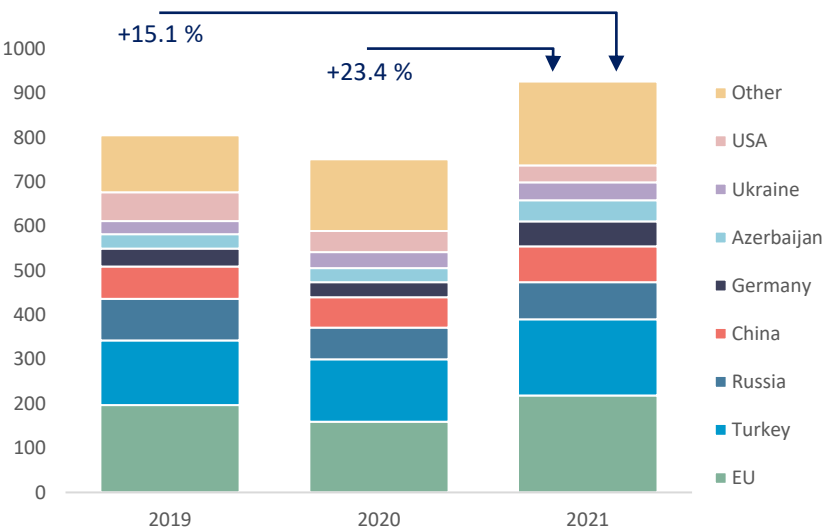


Export by country, September



- Top Export Products:
 - Copper ores and concentrates: 53.8 mln. USD – 14.4 percent of total export.
 - Ferro-alloys: 50.9 mln. USD – 13.6 percent.
 - Motor cars: 44.9 mln. USD – 12 percent.
- Top Import Products :
 - Copper ores and concentrates: 84.3 mln. USD – 9.1 percent of total import.
 - Petroleum and petroleum oils: 84.2 mln. USD – 9.1 percent.
 - Motor cars: 59.1 mln. USD – 6.4 percent.

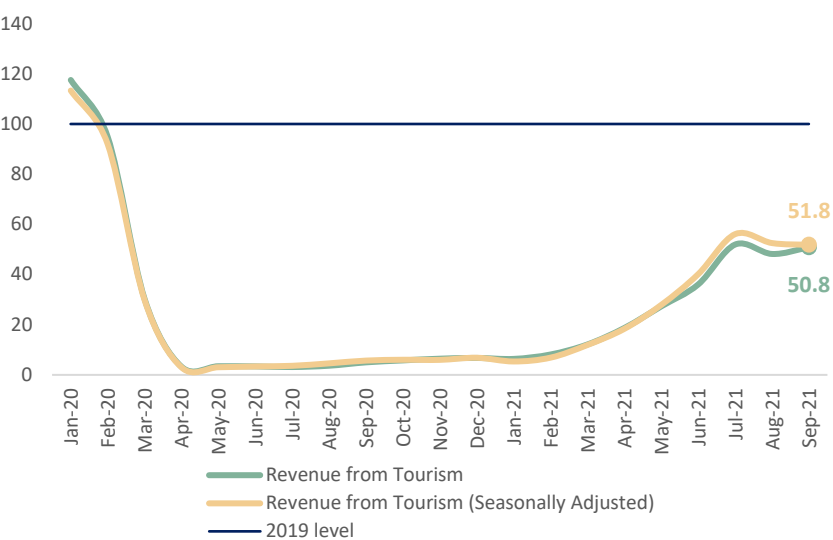
Import by country, September



- Top Export Country:
 - China: 56.4 mln. USD – 15.1 percent.
 - EU: 55.7 mln. USD – 14.9 percent.
 - Azerbaijan: 53.2 mln. USD – 14.2 percent.
- Top Import Country :
 - EU: 218.6 mln. USD – 23.6 percent.
 - Turkey: 171.4 mln. USD – 18.5 percent.
 - Russia: 83.9 mln. USD – 9.1 percent.

Tourism recovery has slowed down in August due to increase of COVID daily cases and reached 50.8 percent of 2019 level in August

Revenue from Tourism, 2019 = 100

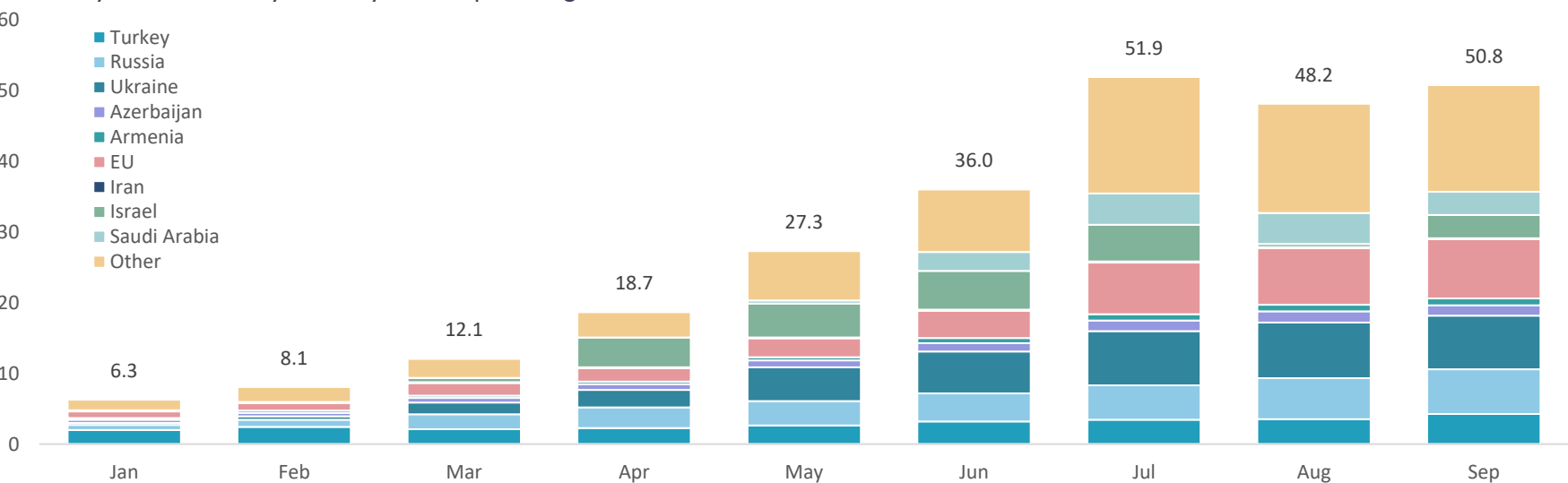


Revenue from Tourism, September 2021

| Country | Tourism Revenue, mln USD |
|--------------|--------------------------|
| EU + UK | 26.7 |
| Ukraine | 24.1 |
| Russia | 20.2 |
| Turkey | 13.6 |
| Israel | 10.5 |
| Saudi Arabia | 10.5 |
| Other | 56.3 |

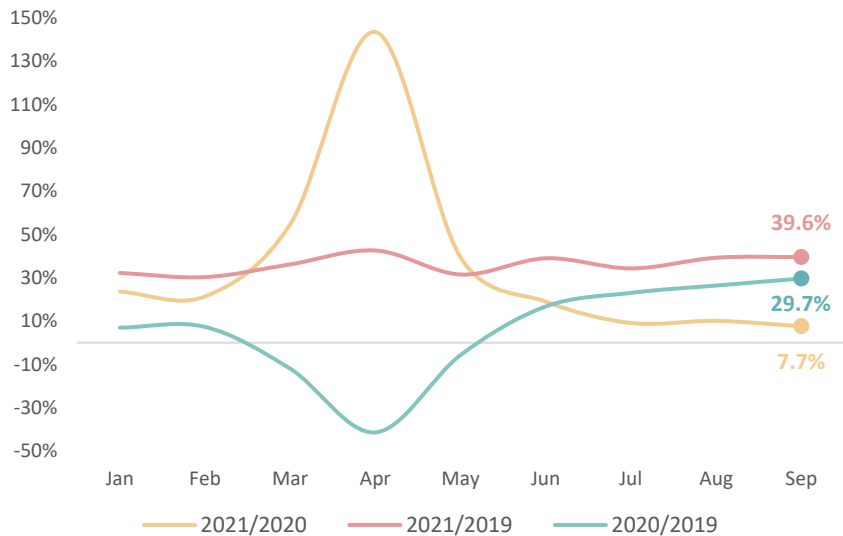
- In September 2021, tourism revenues increased by 932.6 percent to 161.9 million USD. Such high increase is mainly due to low level of tourism revenue inflow in September 2020 (15.7 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in September 2021 decreased by 49.2 compared to September 2019.
- At the same time, seasonally adjusted tourism revenues decreased by 13.3 percent compared to the previous month, which is partly due to increased daily COVID cases.

Recovery of Tourism by country, corresponding month of 2019 = 100, %



Remittances are increasing as a result of economic activity in the region

Net Remittances



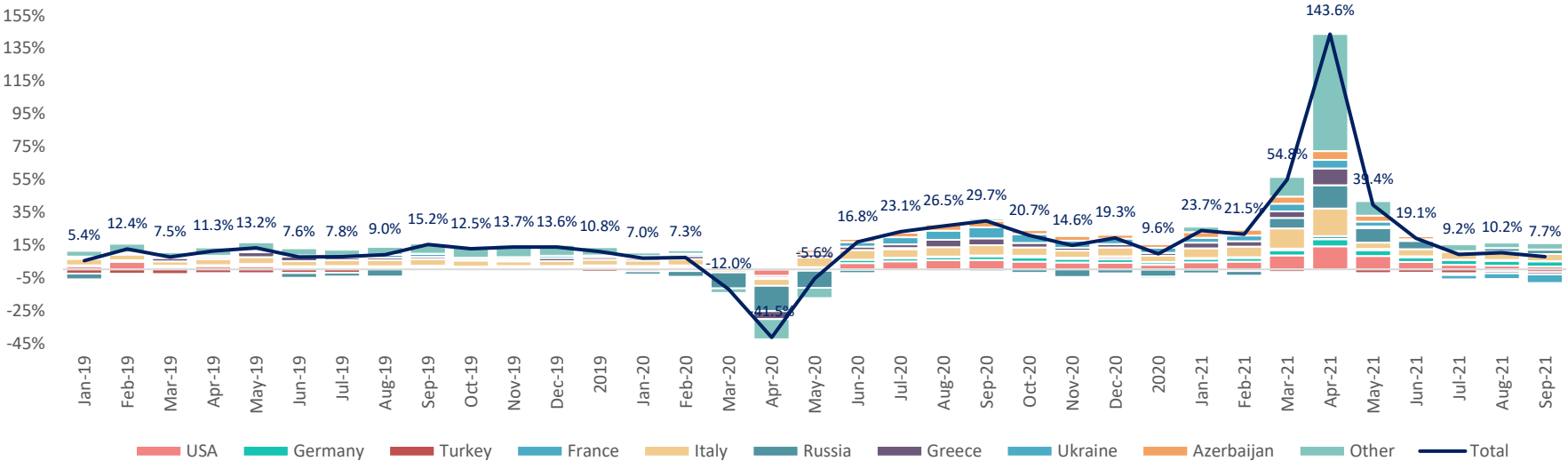
Net Remittances, September 2021

| Country | Net Remittances | Change, %y/y | Share in growth, pp |
|---------|-----------------|--------------|---------------------|
| Russia | 33.4 | 16% | 2.7 |
| Italy | 30.8 | 9.9% | 1.7 |
| USA | 24.2 | 8.2% | 1.1 |
| Greece | 18.8 | -8% | -1 |
| Israel | 15.1 | 10.3% | 0.8 |
| Germany | 10.4 | 47.8% | 2 |
| Other | 47.4 | 1.1% | 0.3 |

- In September 2021, net remittances were estimated at 180.5 million USD, representing a 7.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 39.6 percent.

- Net Remittances increased from:
 - Russia: 16 percent (2.7 p.p. contribution to overall growth).
 - Italy: 9.9 percent (1.7 p.p. contribution to overall growth).
 - USA: 8.2 percent (1.1 p.p. contribution to overall growth).
 - Israel: 10.3 percent (0.8 p.p. contribution to overall growth).

Net Remittances by country, %y/y



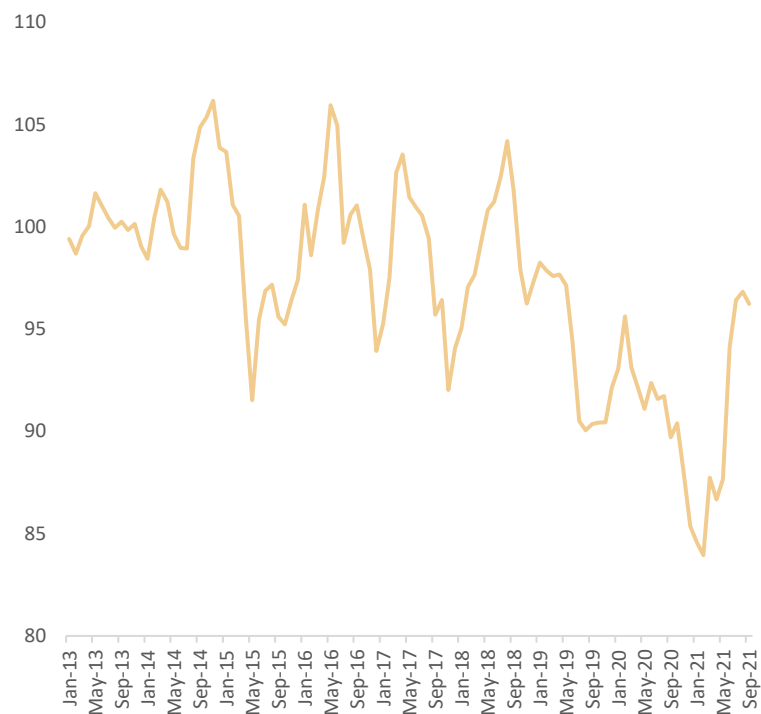
- Net Remittances decreased from:
 - Greece: 8 percent (-1 p.p. contribution to overall growth).

The real effective exchange rate in September appreciated by 7.3 percent annually

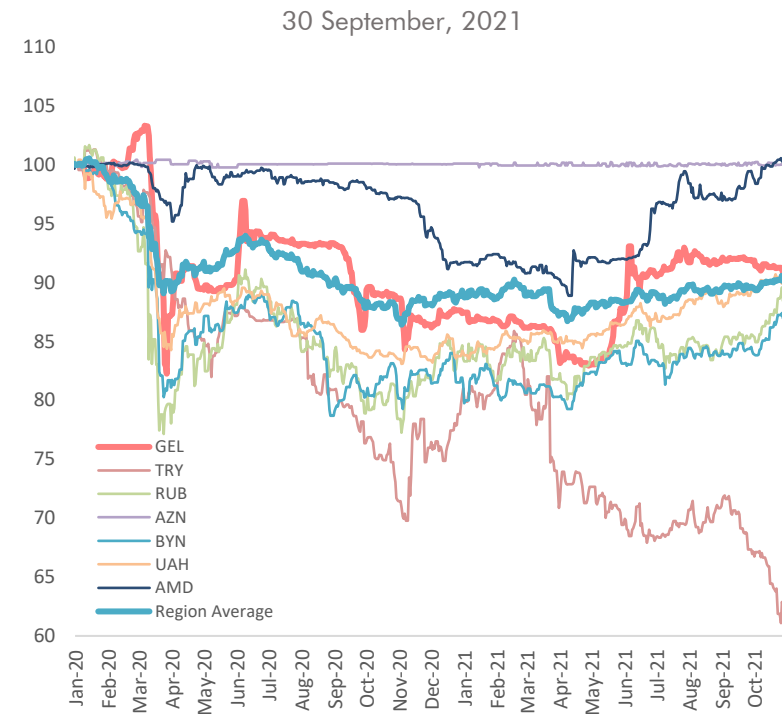
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

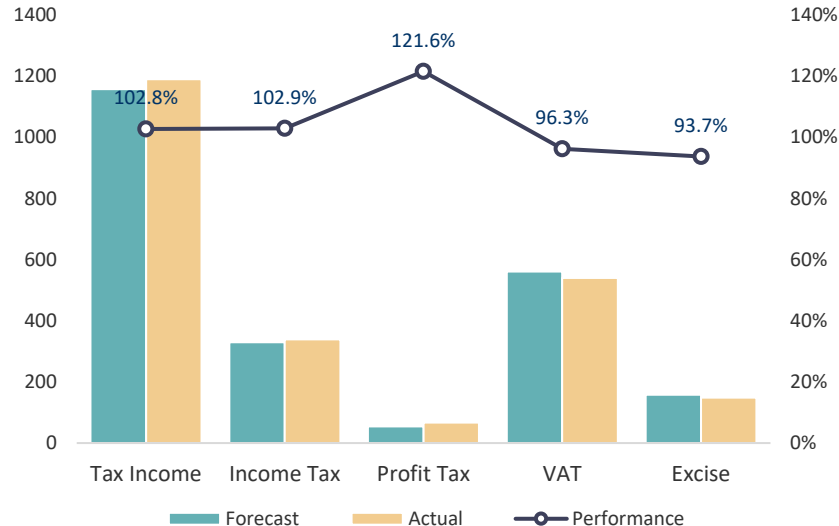


Note: Increase means appreciation

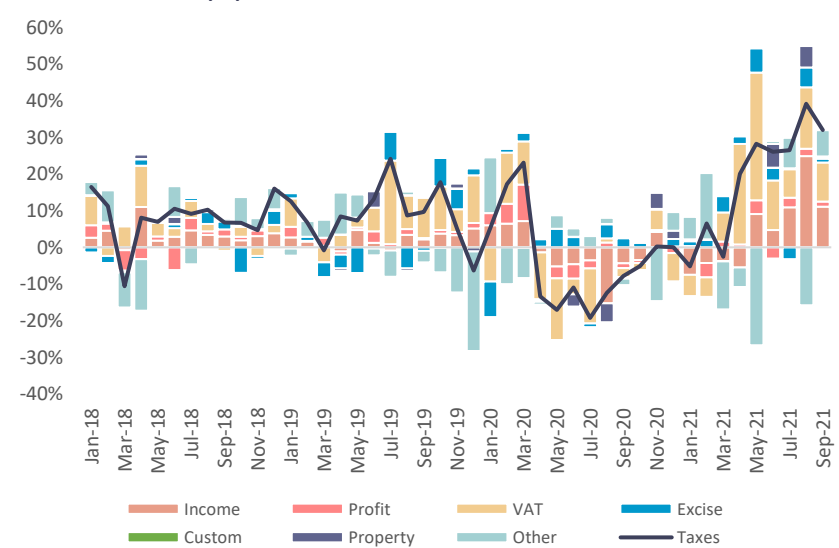
| | 31 October, 2021 | 30 October 2021 - 1 January 2021 | 31 October 2021 - 1 January 2020 |
|------------------------|------------------|----------------------------------|----------------------------------|
| Euro | 3.6828 | -12.7% | -16.9% |
| US Dollar | 3.1601 | -9.3% | -15.4% |
| Turkish Lira | 0.3290 | 46.4% | 53.6% |
| Russian Ruble | 0.0447 | 3.1% | -14.1% |
| NEER | 118.89 | 7.4% | -0.3% |
| REER (September, 2021) | 118.28 | 12.7% | 4.4% |

Tax revenues in the first 10 months exceeded the forecast value by 1.2 percent

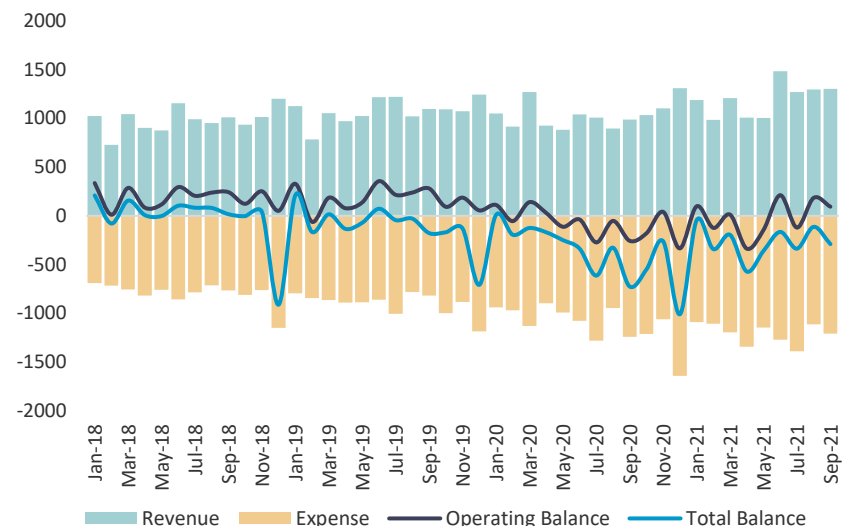
Budget Revenue Performance, September 2021



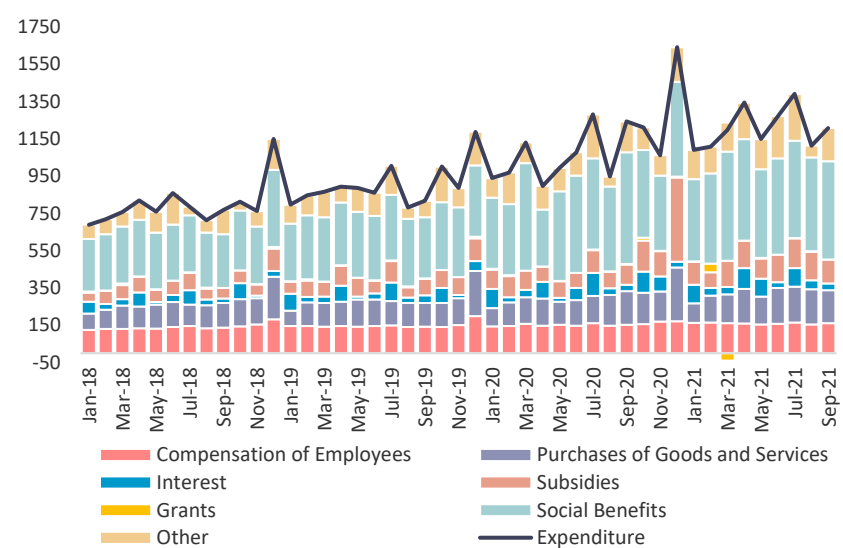
Tax Income, % y/y



Consolidated Budget, mln GEL



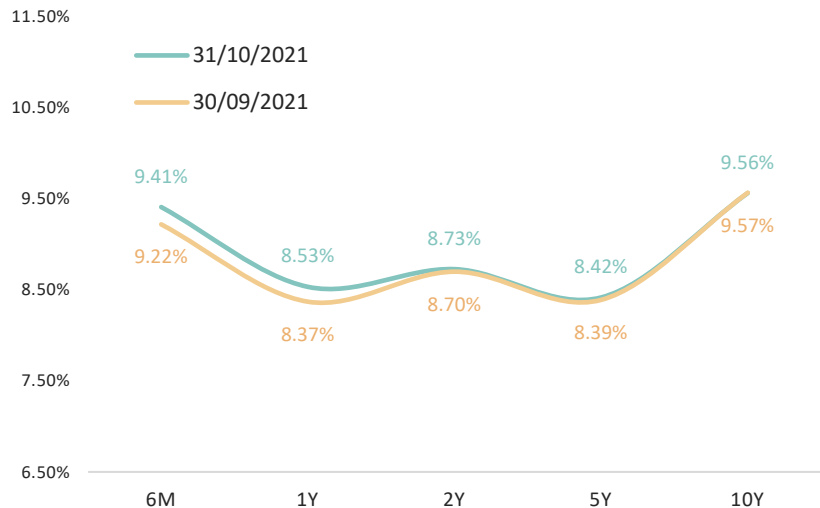
Consolidated Budget Expenditure, mln GEL



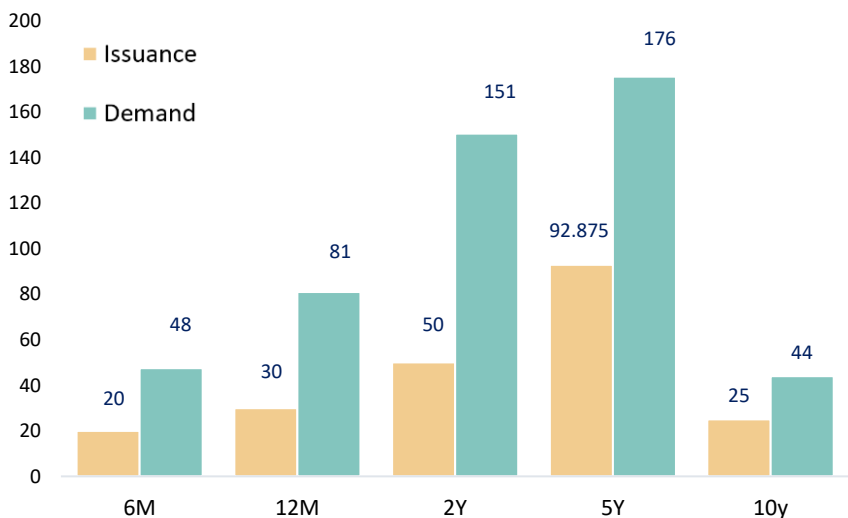
- The forecast of tax income for January-October 2021 is 10,564 million GEL, while the actual figure for January-October 2021 is 1.2 percent higher than planned and equals to 10,695.1 mln GEL.
- The actual level of tax income in October was 1,190.4 mln GEL, which is 2.8 percent higher compared to the forecasted value of tax income of 1,158.3 mln GEL.
- Consolidated budget revenues increased by 32 percent and expenditures decreased by 2.8 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 92.1 million GEL, while the total balance was set at -292.4 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT, accounting for 11.1 and 10.6 percent of total growth, respectively.

The structure of the securities portfolio has undergone minor changes

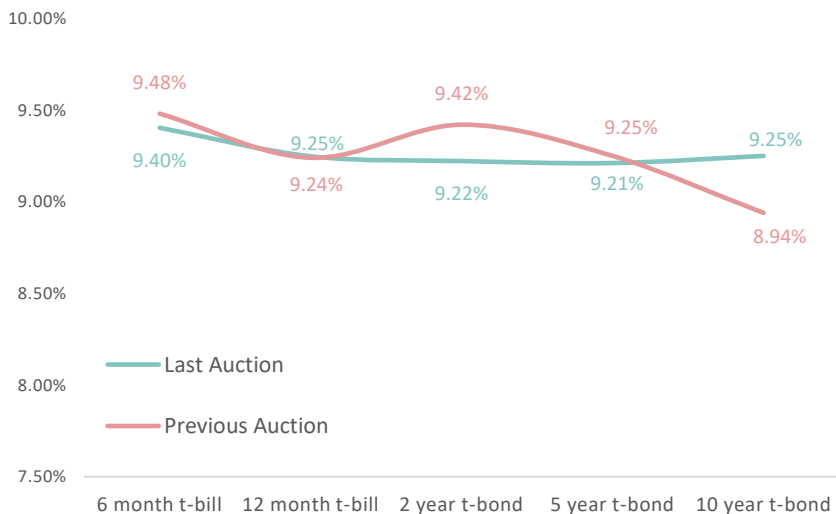
Portfolio Yield Curve



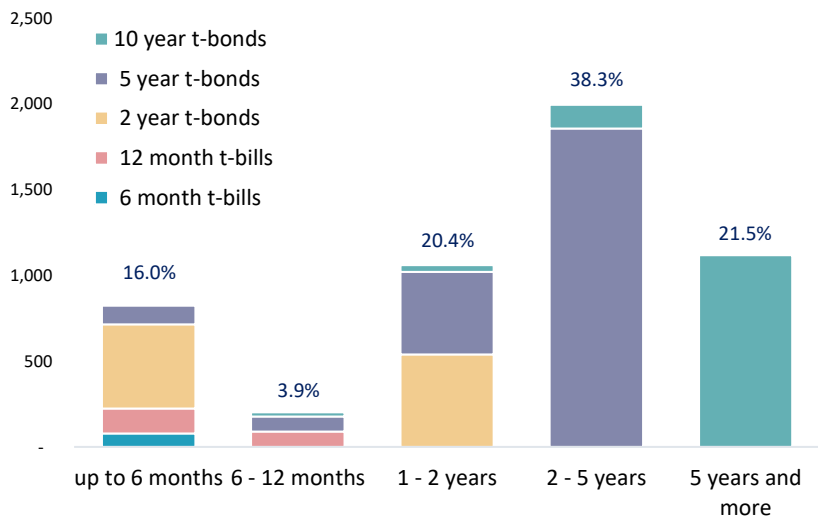
Issuance and Demand, mln GEL



Weighted average interest rates



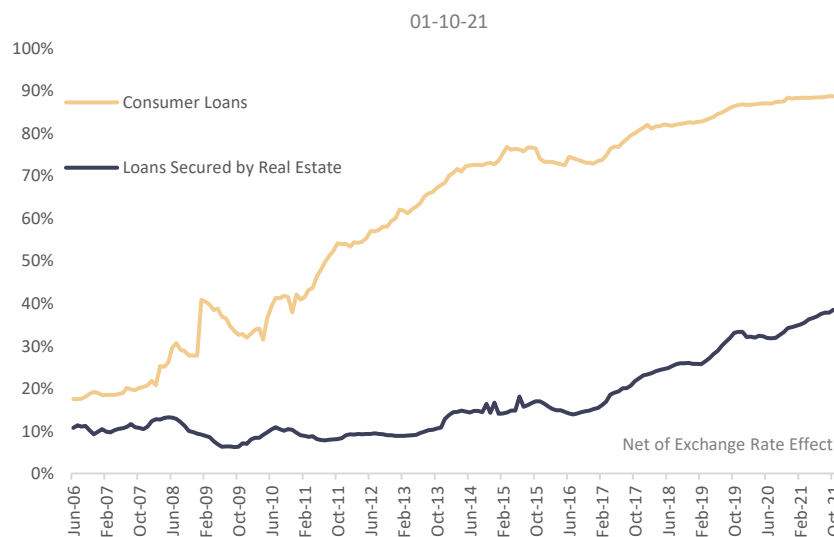
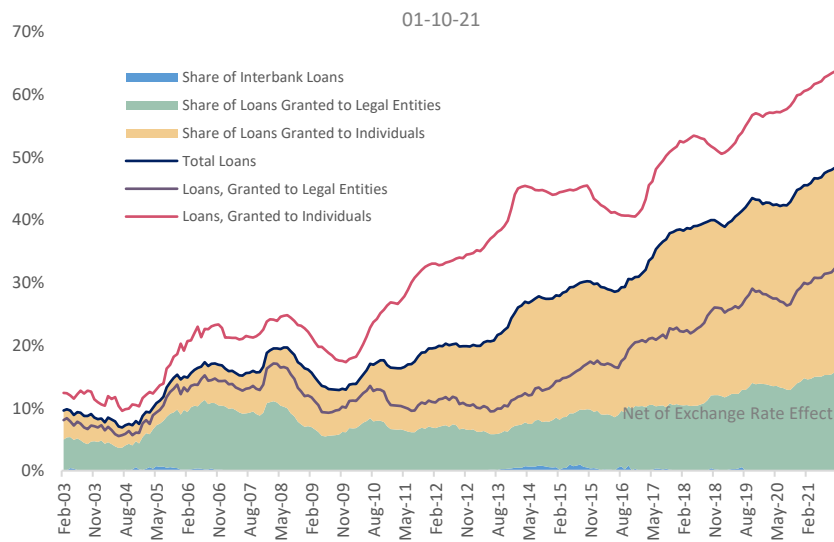
Portfolio Forming Securities Composed by Time to Maturity



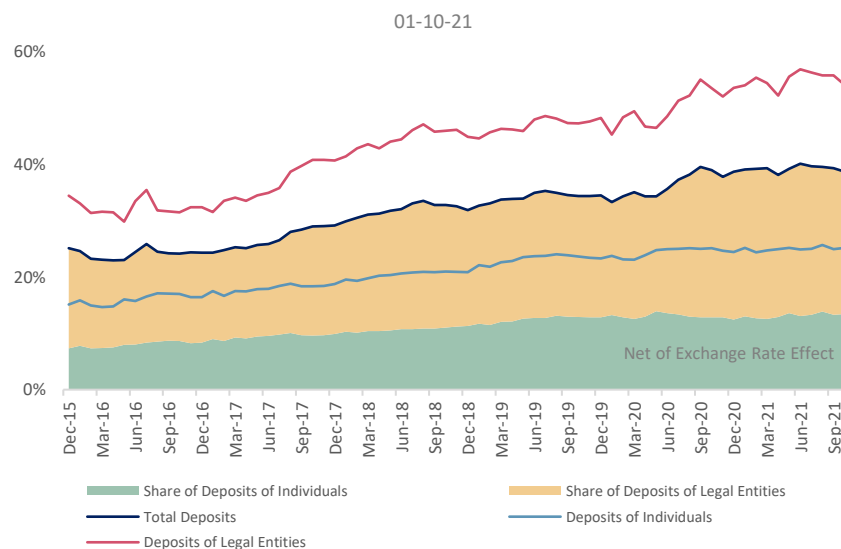
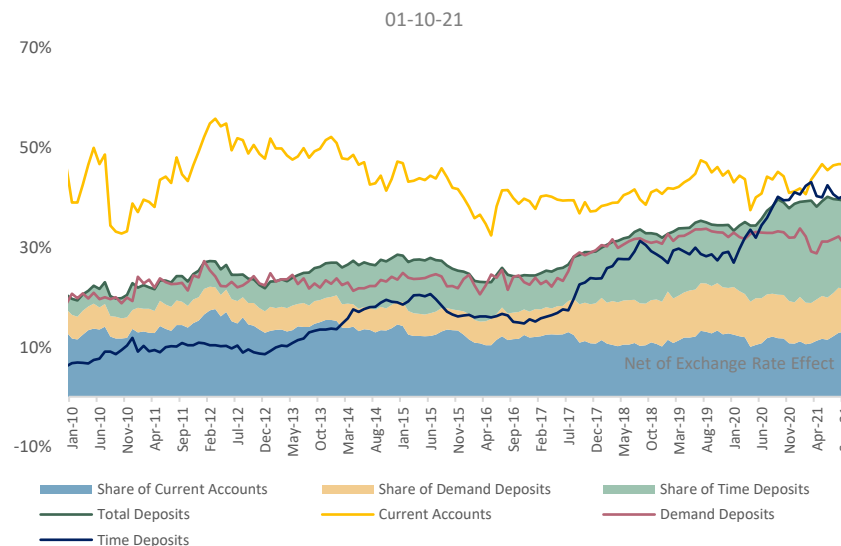
- In October 2021, 5 auctions were held with total issuance volume of 217,875 million GEL.
- The weighted average interest rate amounted to 9.241 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10 years. Treasury securities with total amount of 145 million GEL were redeemed.
- As of October 31, 2021 19.9 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio decreased compared to the previous month's value (September 3) and is 2.29.

The larization rates continue to rise

Loan Larization



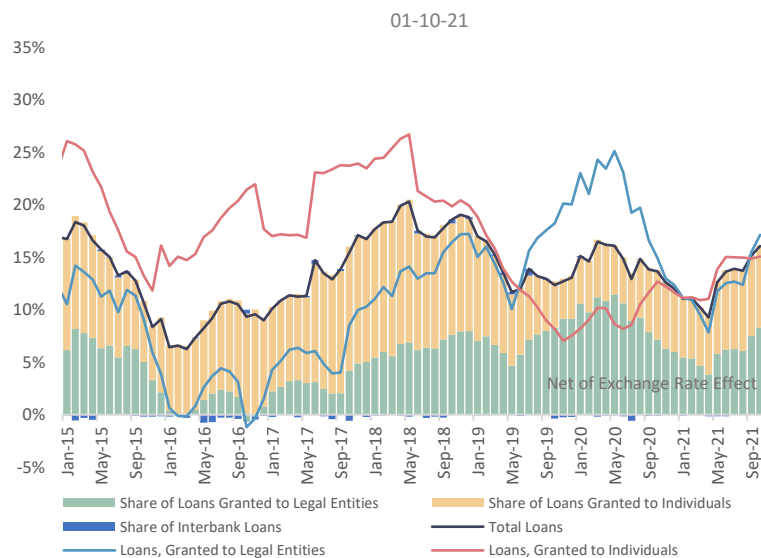
Deposit Larization



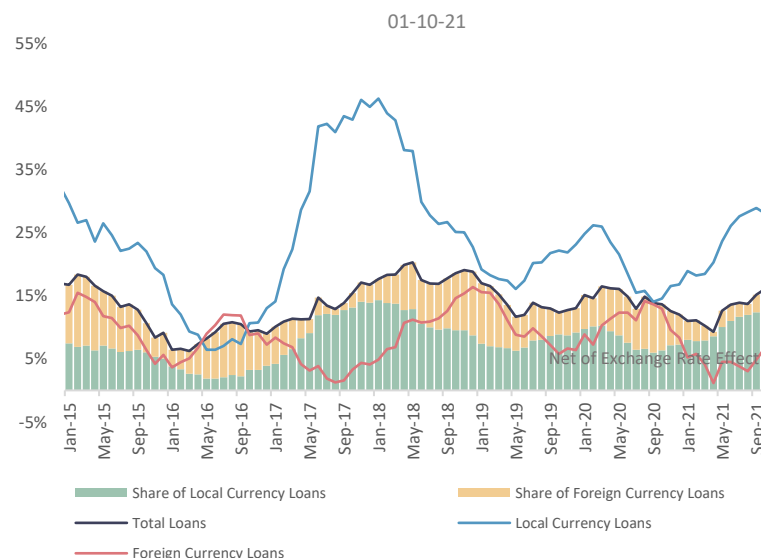
- As of October 1, 2021, the larization of total loans is 48.3 percent.
- The larization of loans to individuals is 63.7 percent.
- The larization of loans to legal entities amounted to 32.3 percent.
- The larization of total deposits equals to 38.7 percent.
- The larization on deposits of legal entities amounted to 54.1 percent.
- The larization of deposits of individuals is 25.1 percent.
- The larization of time deposits is 39.7 percent.
- The larization of current accounts equals to 45.3 percent.
- The larization of demand deposits is 30.1 percent.

The annual growth trend of loans is revealed

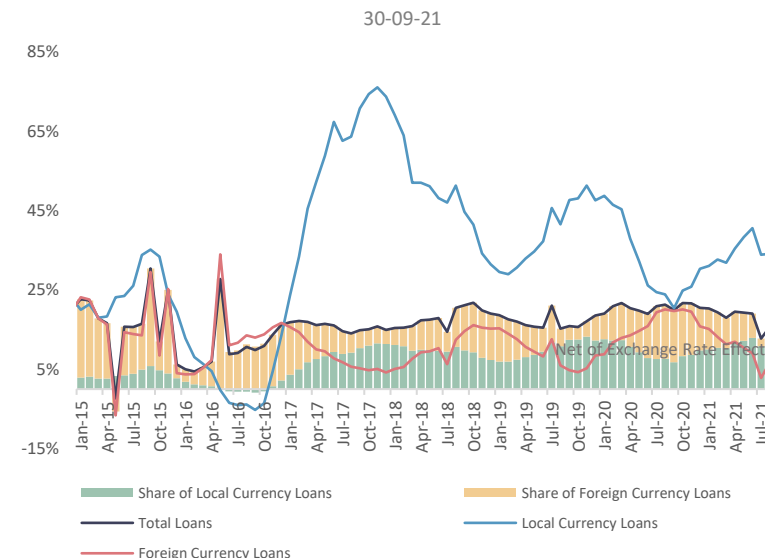
Loans, % y/y



Loans by Currency, % y/y



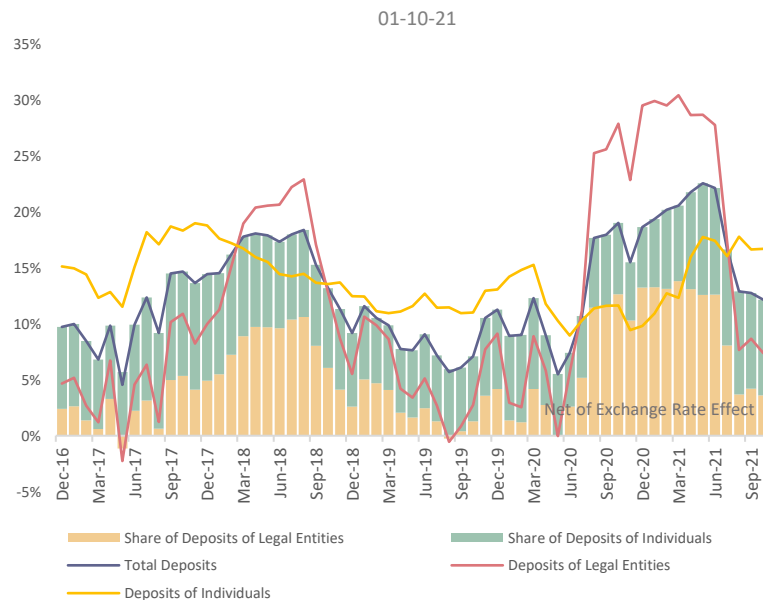
Mortgage Loans, % y/y



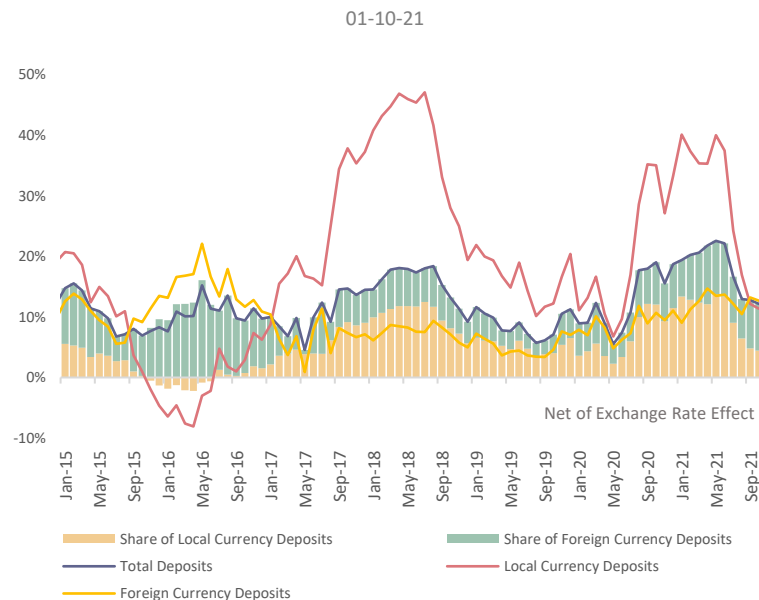
- As of October 1, 2021, total loans increased by 16.1 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 17.1 percent.
- The annual growth of loans to individuals is 15.1 percent.
- As of October 1, 2021, the growth rate of loans denominated in the national currency amounted to 28 percent.
- The annual growth of loans denominated in foreign currency amounted to 6.7 percent.
- As of September 30, 2021, the annual growth of loans secured by real estate amounted to 16.7 percent. At the same time, mortgage loans denominated in national currency increased by 35.2 percent, while mortgage loans denominated in foreign currency increased by 7.6 percent.

The growth of deposits denominated in national currency exceeds that of foreign currency

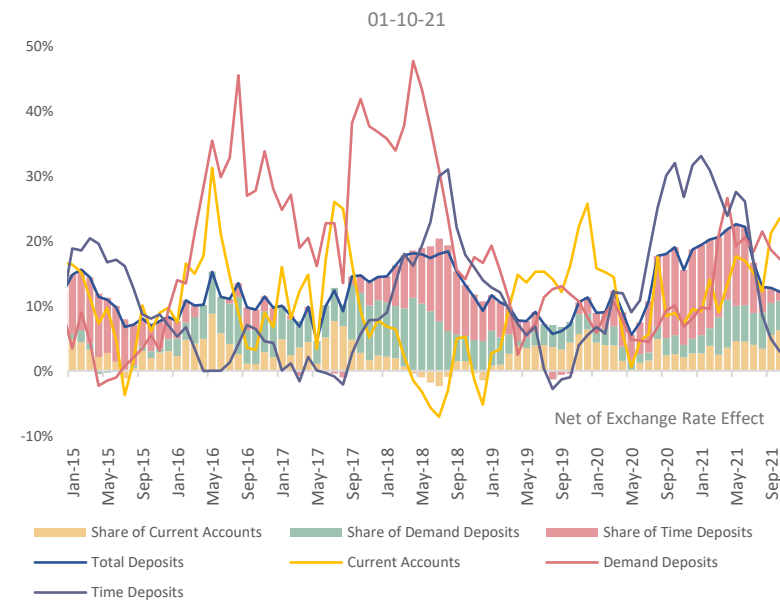
Deposits, % y/y



Deposits by Currency, % y/y



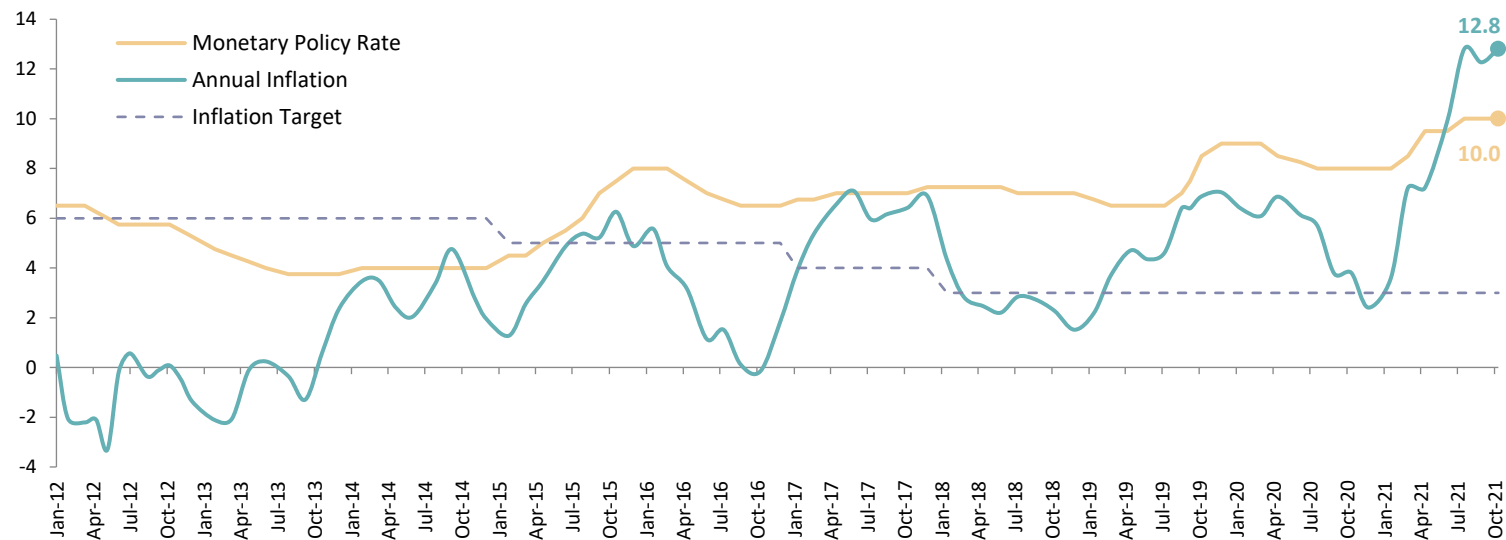
Deposits by type, % y/y



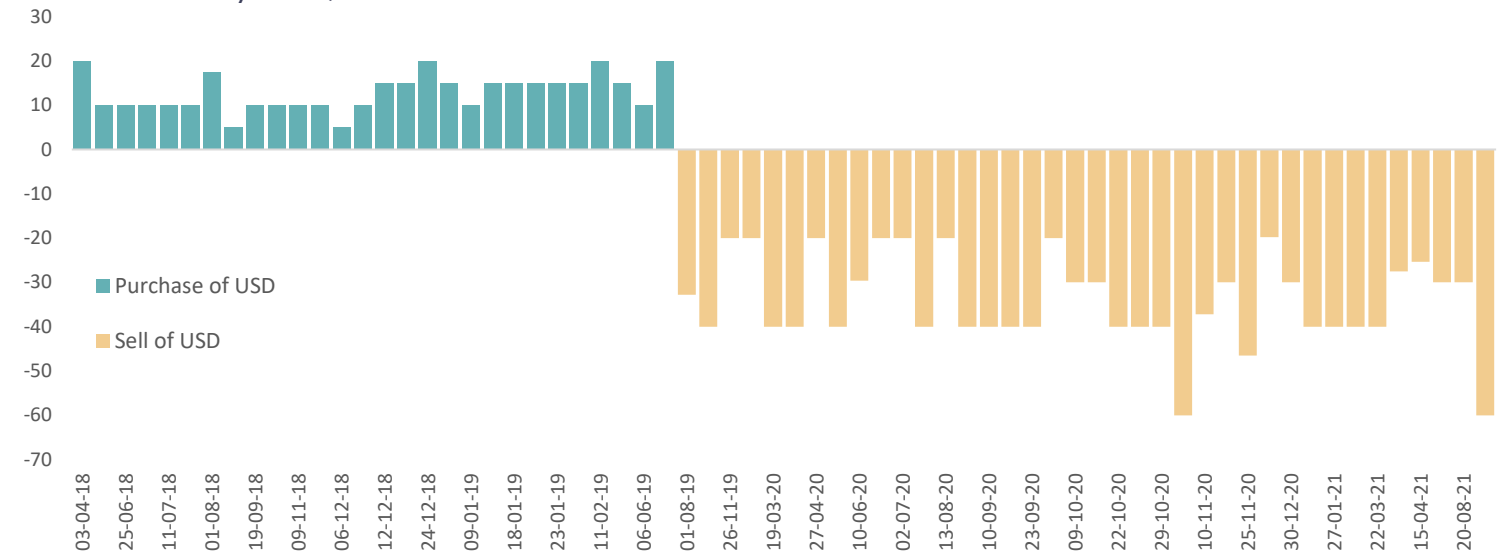
- As of October 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 12 percent.
- The annual growth of deposits denominated in the national currency amounted to 11 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 13 percent over the same period.
- The growth of deposits of individuals amounted to 17 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 7 percent.
- The annual growth of current accounts at the beginning of October 2021 was equal to 23.5 percent.
- The annual growth of time deposits was 3 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 17.2 percent.

The National Bank of Georgia has left the monetary policy rate unchanged at 10 percent

Inflation and Monetary Policy Rate



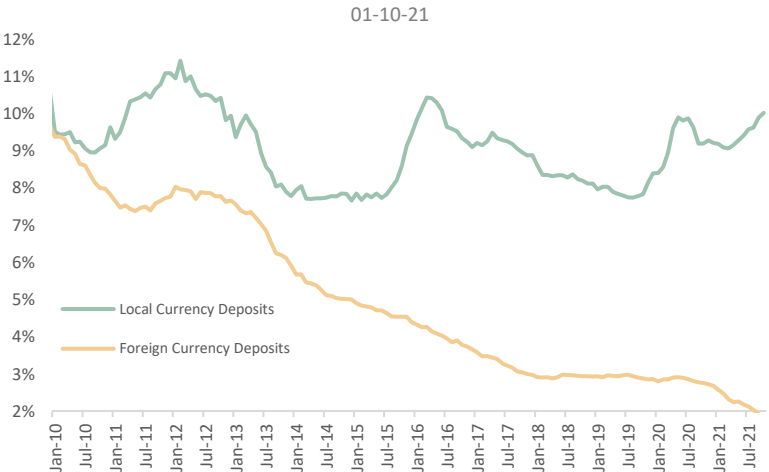
Trade of USD by NBG, mln USD



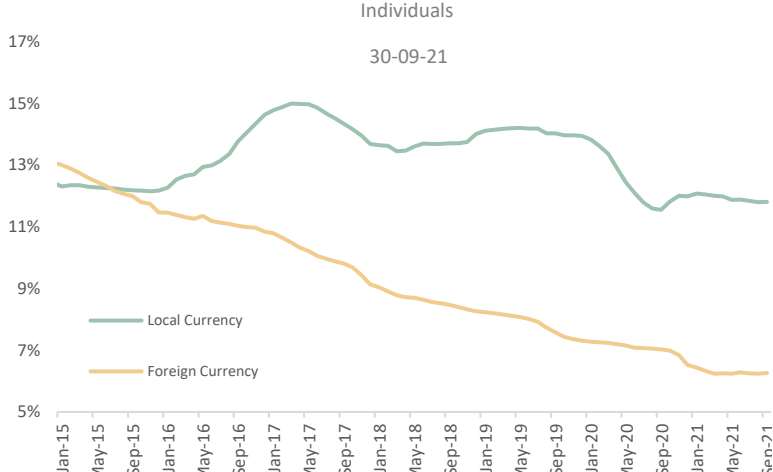
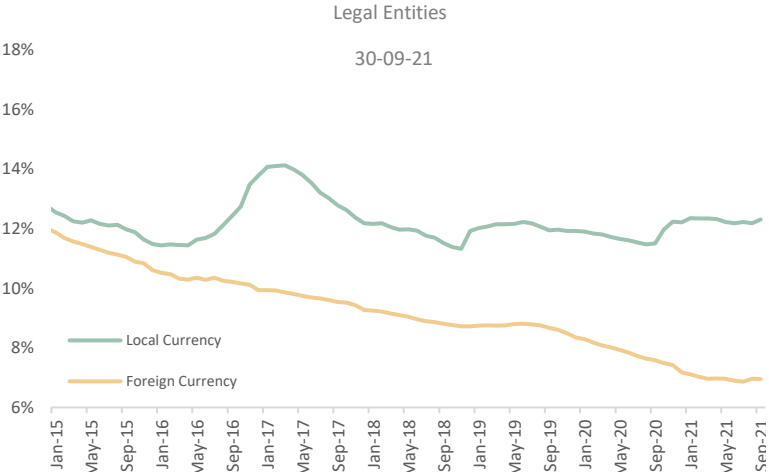
- On October 27, 2021, the Monetary Policy Committee of the National Bank of Georgia decided to leave the refinancing rate unchanged.
- The monetary policy rate is 10 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products.
- According to the National Bank, all other things equal, inflation will remain high for the rest of the year. In December 2021 and January-February 2022, the base effect of the utility fee subsidy program will have an additional upward impact on the annual inflation. Inflation will decline from spring 2022, which, along with the fading-out of temporary factors, will be facilitated by tight monetary policy and fiscal consolidation.
- The next meeting of the Monetary Policy Committee will be held on December 8, 2021.
- In September 2021, the National Bank sold 60 million USD.

Market interest rates increased in national currency and decreased in foreign currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of October 1, 2021, the interest rate on foreign currency deposits was 1.9 percent, and in national currency - 10 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.2 percent, and in foreign currency - 1.9 percent.
- The average annual interest rate on deposits by individuals is 1.9 percent for foreign currency deposits and 9.7 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.1 percent (20.7 percent in national currency and 5.8 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.1 percent (18.4 percent in national currency and 7.1 percent in foreign currency).
- At the end of September 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.4 percent, and in foreign currency – 6.8 percent. The interest rate on loans to individuals in the national currency was 12.8 percent, and in foreign currency - 5.9 percent.

Disclaimer

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