



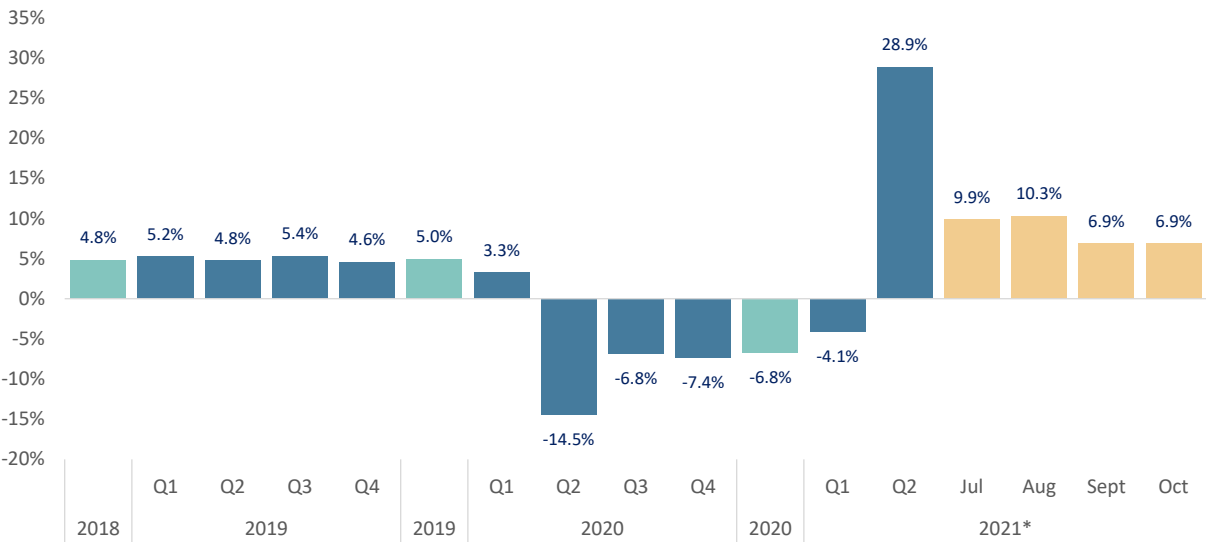
Current Economic Outlook

November, 2021

- According to the preliminary estimates of the National Statistics Office, in October 2021, the real GDP growth rate was 6.9 percent and average growth rate of first 10 months was 10.5 percent. According to the updated data for 2020, the economic growth of 2020 was -6.8 percent.
- Annual inflation stood at 12.5 percent in November, while core inflation was 6.1 percent
- In October, exports increased by 31.4 percent year-on-year and imports increased by 24 percent year-on-year, increasing the trade deficit by 18.3 percent year-on-year to 492.8 million USD
- The real effective exchange rate for October appreciated by 6.9 percent compared to the same period of the previous year and by 0.5 percent compared to the previous month
- The National Bank of Georgia left the monetary policy rate unchanged at 10 percent

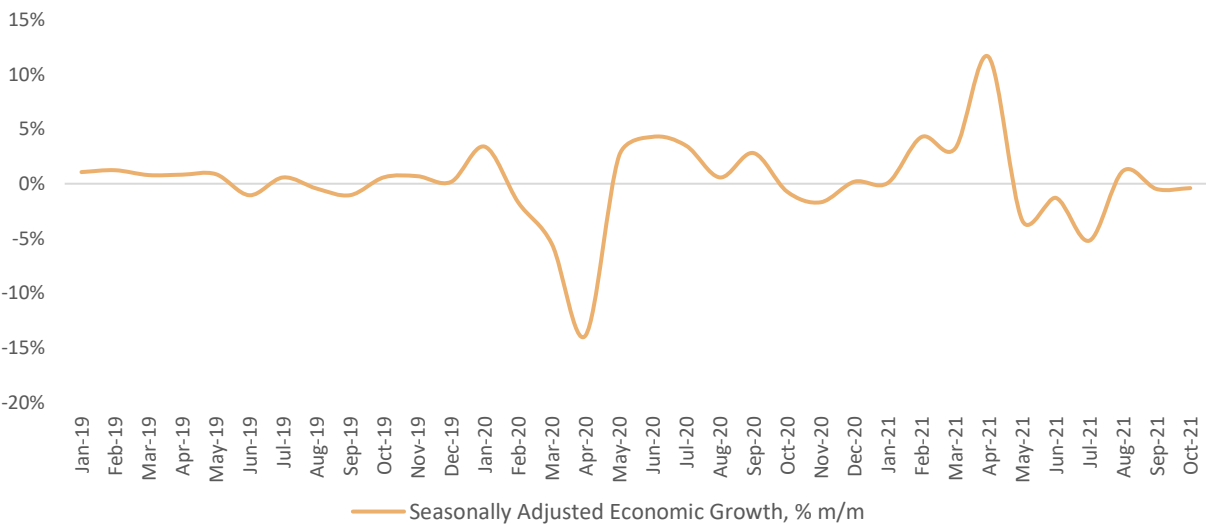
Economic Growth in October was equal to 6.9 percent

Economic Growth, % y/y

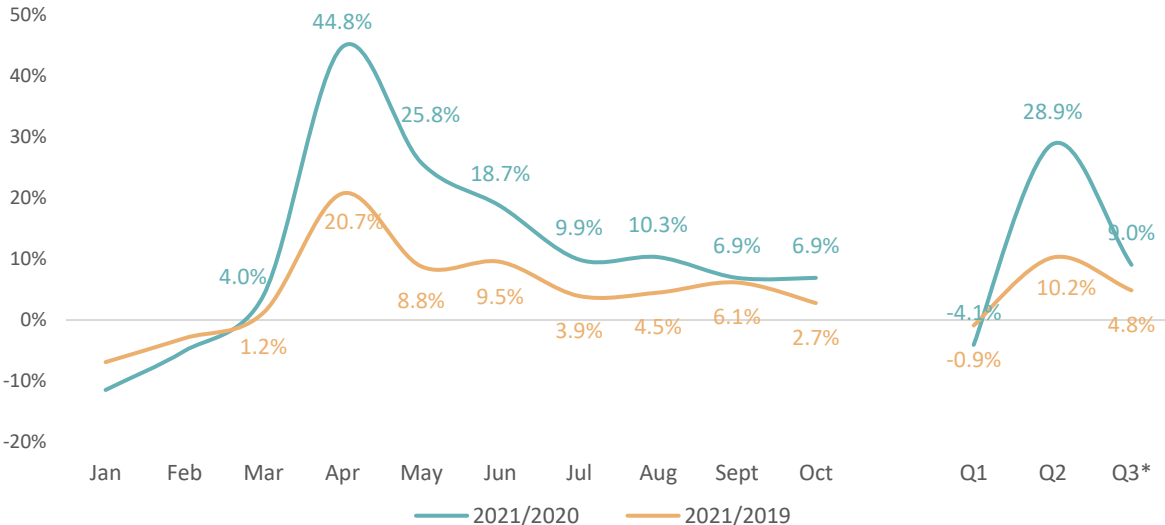


- Estimated real GDP growth rate in October 2021 equaled 6.9 percent YoY and average annual real GDP growth rate for the first 10 months equals to 10.5 percent.
- In September 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Transportation and storage, Arts, entertainment and recreation, Electricity, gas, steam and air conditioning supply, Financial and Insurance activities, Hotels and restaurants, Trade.
- A decline was registered in Construction.

Economic Growth, % m/m

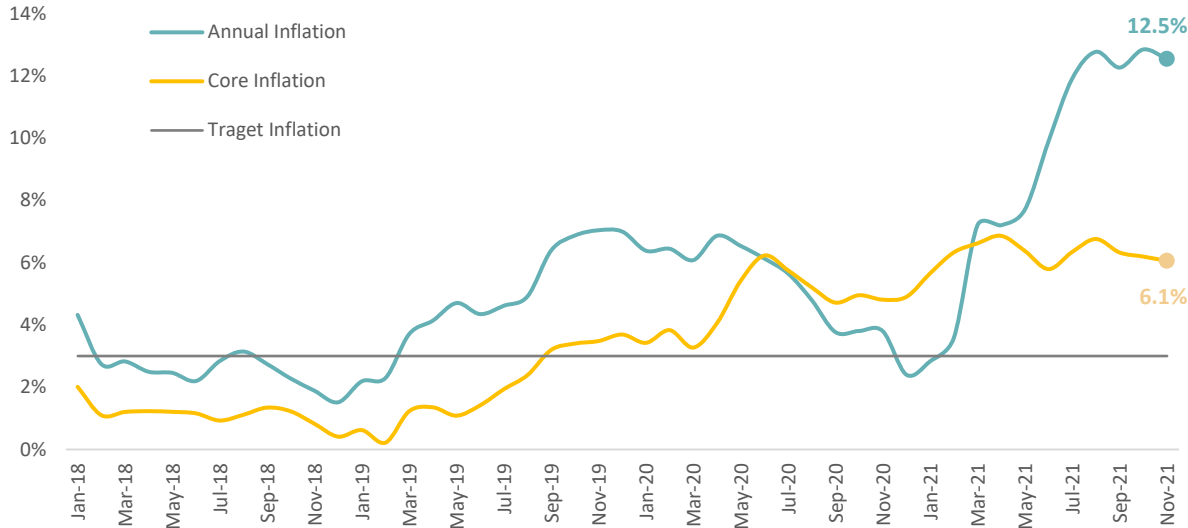


Economic Growth, 2021-2019

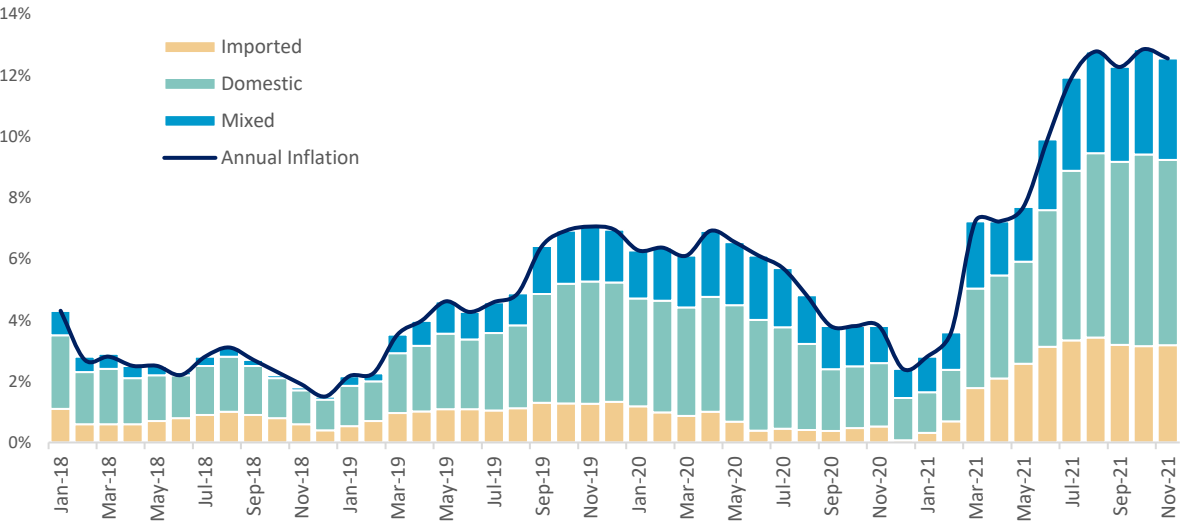


Annual inflation in November has reached 12.5 percent

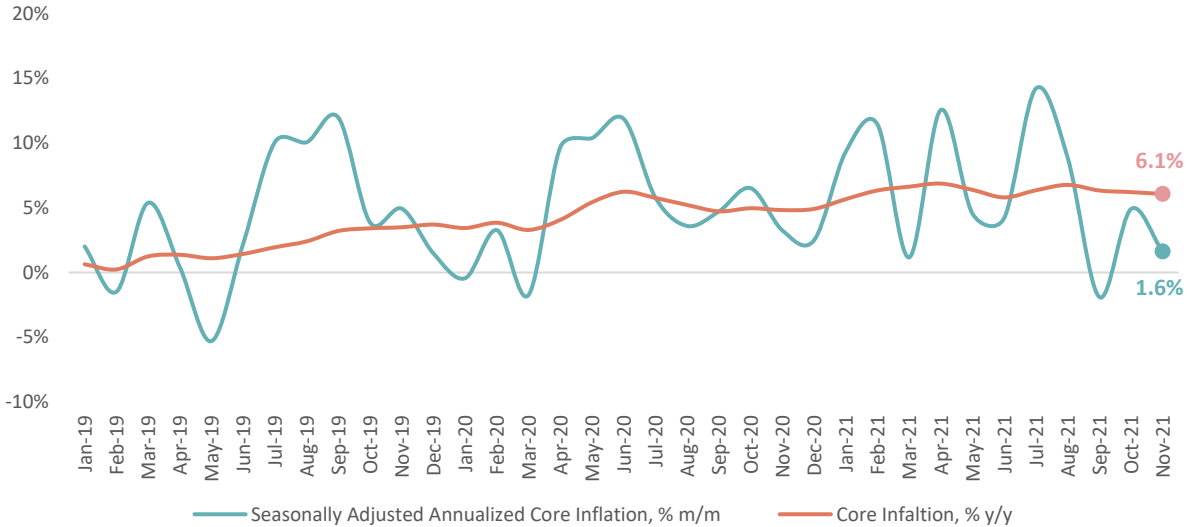
Total and Core Inflation, % y/y



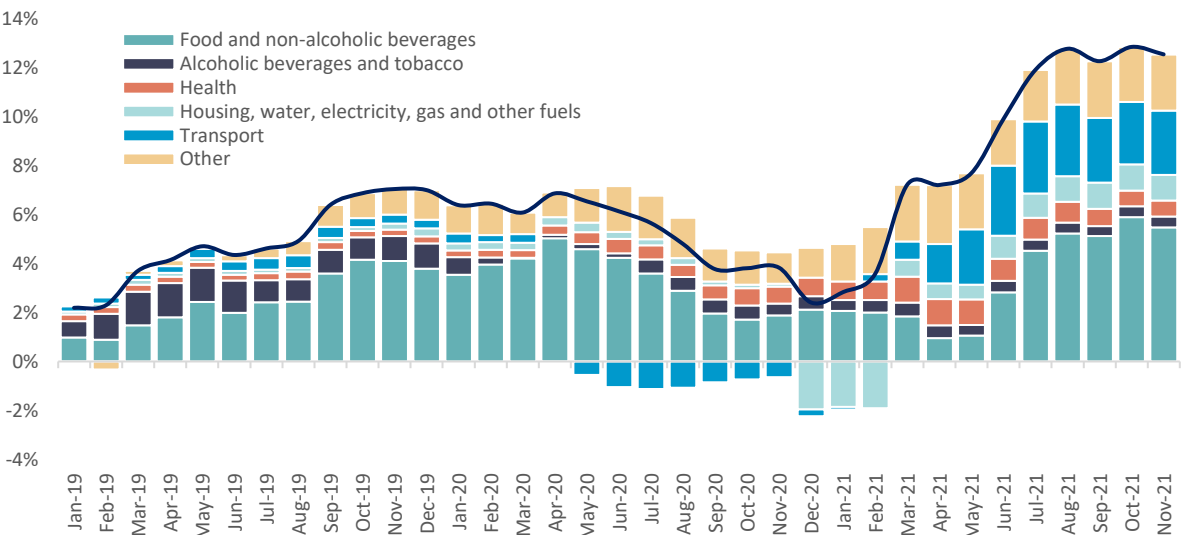
Inflation Decomposition



Core Inflation, % m/m



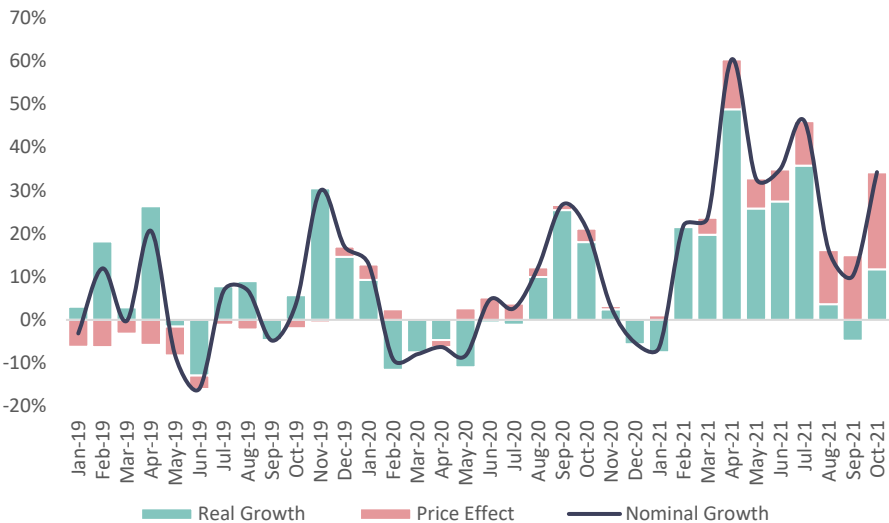
Inflation Decomposition by product group



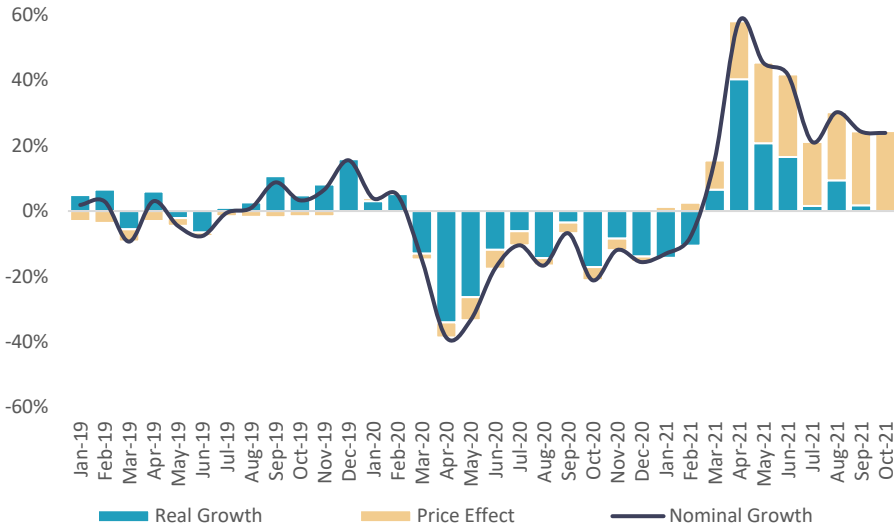
Source: Geostat, NBS, MOF

Trade Deficit increased by 18.3 percent annually

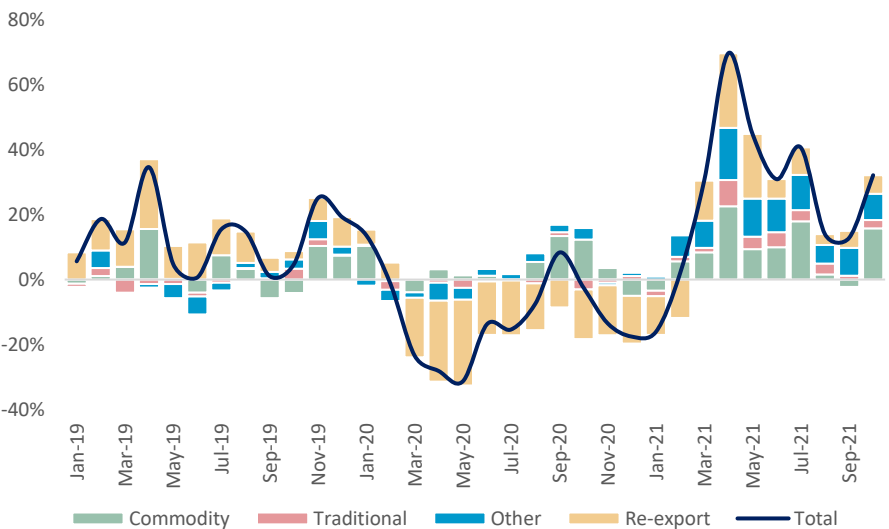
Change of Domestic Export, %y/y



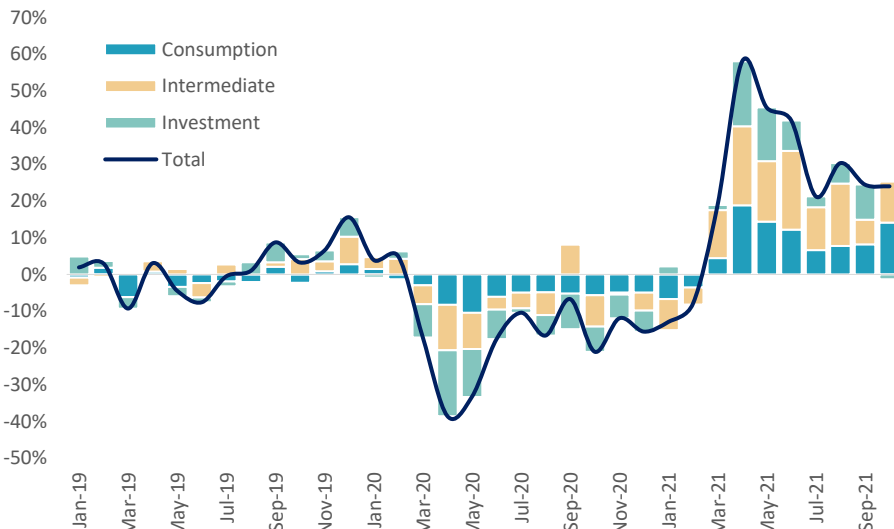
Change of Import, %y/y



Decomposition of Export



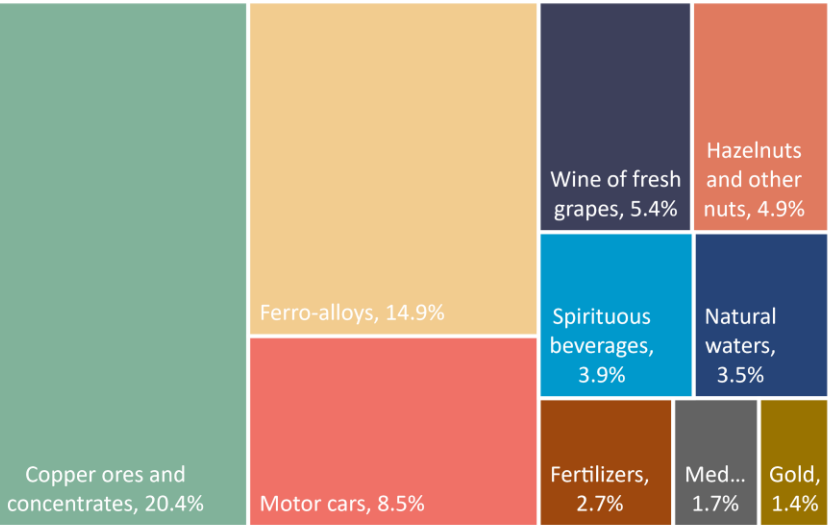
Decomposition of Change of Import, %y/y



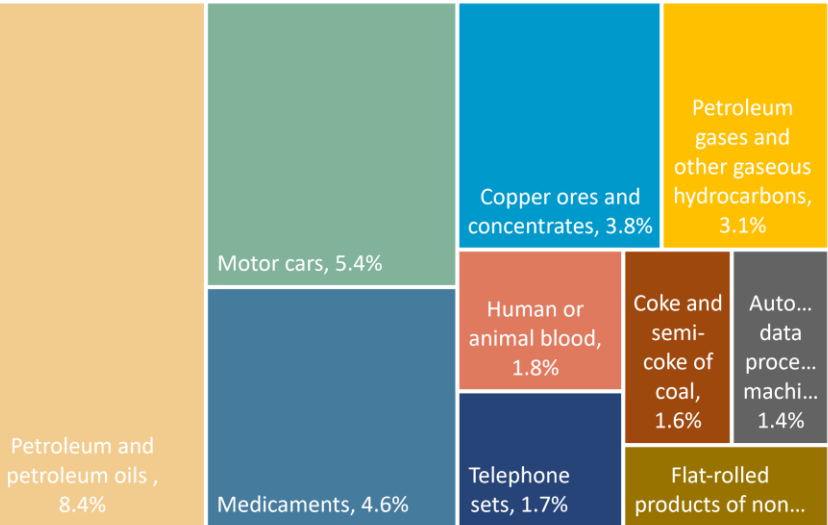
- Export increased annually by 31.4 percent to 411.2 million USD in October.
- Domestic export increased annually by 34.2 percent to 318.2 million USD.
- Import annually increased by 24 percent to 903.9 million USD in October.
- Trade deficit annually increased by 18.3 percent to 492.8 million USD in October.
- Share of re-export is equal to 22.6 percent (23.9 %y/y), while share of commodity export equals to 40.9 percent (41.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to -1.3, 14.1 and 11.1 percent respectively.

International trade is characterized by stable diversification

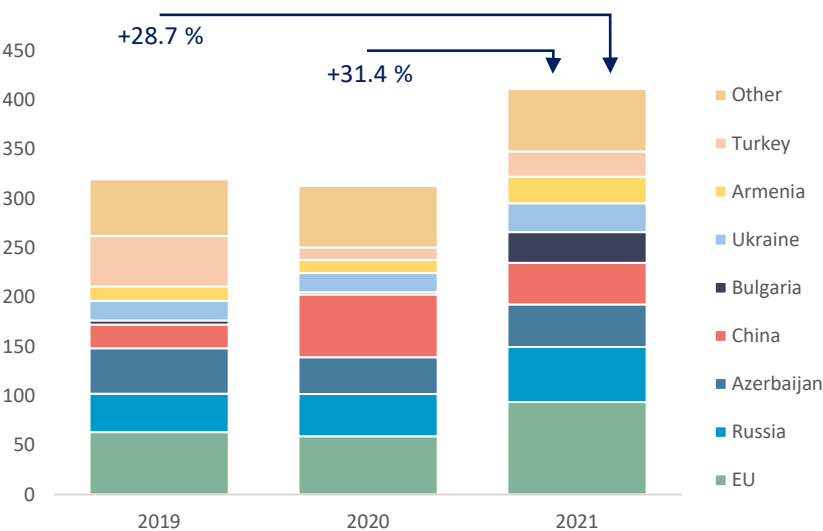
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, October



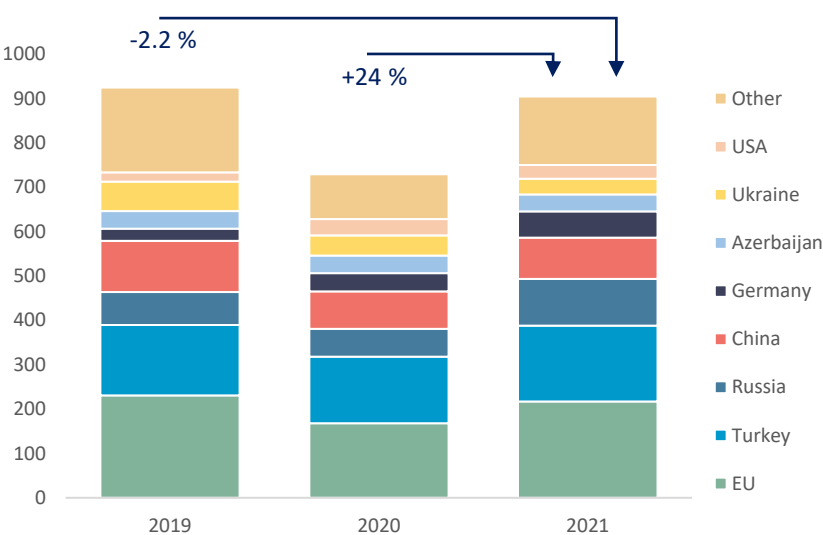
- Top Export Products:
 - Copper ores and concentrates: 83.9 mln. USD – 20.4 percent of total export.
 - Ferro-alloys: 61.5 mln. USD – 14.9 percent.
 - Motor cars: 35.1 mln. USD – 8.5 percent.

- Top Import Products :
 - Petroleum and petroleum oils: 75.9 mln. USD – 8.4 percent of total import.
 - Motor cars: 49.1 mln. USD – 5.4 percent.
 - Medicaments: 41.4 mln. USD – 4.6 percent.

- Top Export Country:
 - EU: 94 mln. USD – 22.9 percent.
 - Russia: 55.6 mln. USD – 13.5 percent.
 - Azerbaijan: 43.2 mln. USD – 10.5 percent.

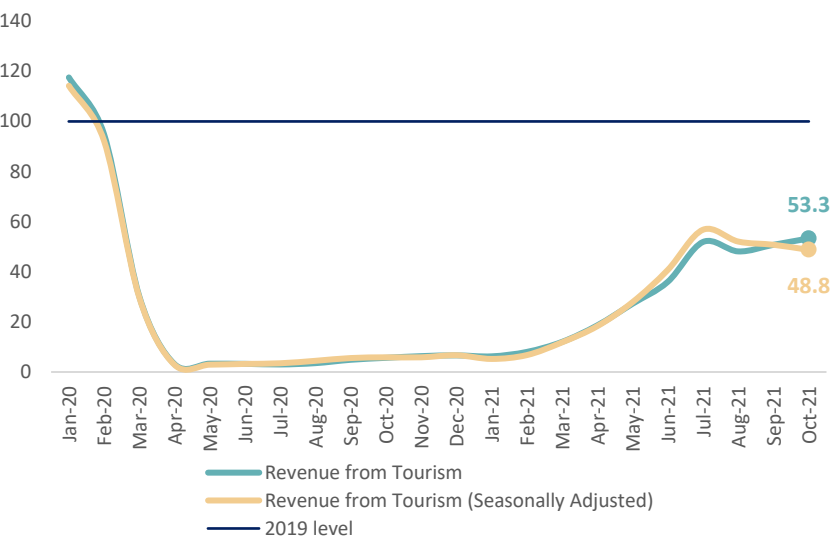
- Top Import Country :
 - EU: 217 mln. USD – 24 percent.
 - Turkey: 170.9 mln. USD – 18.9 percent.
 - China: 105.3 mln. USD – 11.6 percent.

Import by country, October



Tourism recovery has slowed down due to increase of COVID daily cases and reached 53.3 percent of 2019 level in October

Revenue from Tourism, 2019 = 100

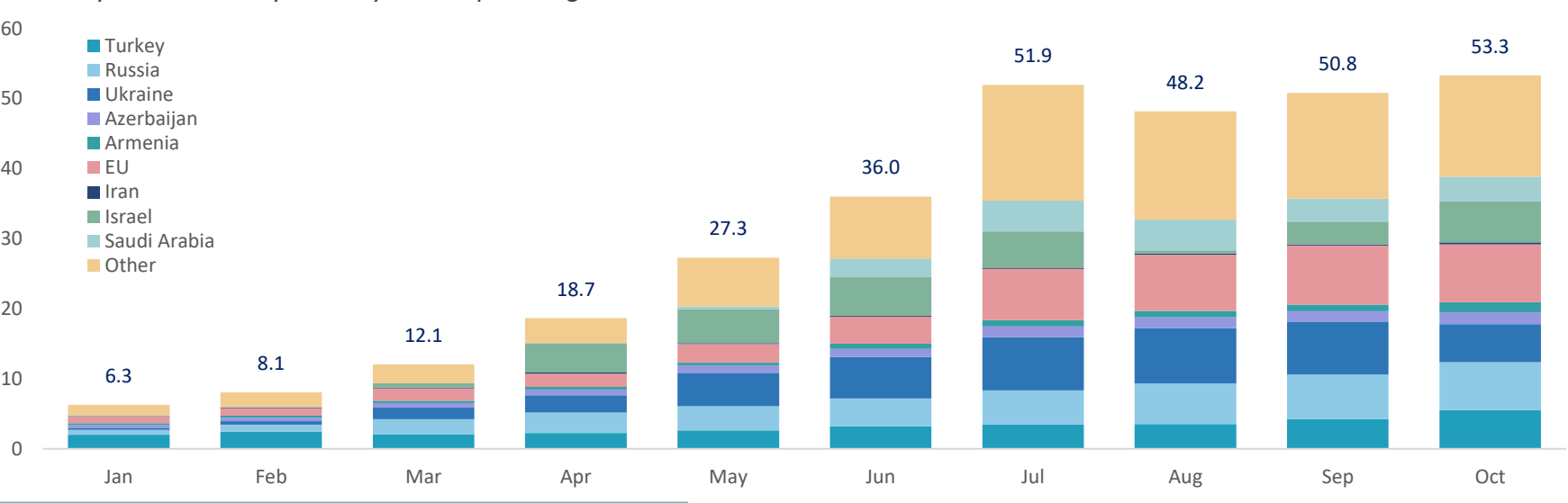


Revenue from Tourism, October 2021

Country	Tourism Revenue, mln USD
EU + UK	22.0
Ukraine	14.5
Russia	18.3
Turkey	14.8
Israel	15.6
Saudi Arabia	9.5
Other	47.7

- In October 2021, tourism revenues increased by 835 percent to 142.3 million USD. Such high increase is mainly due to low level of tourism revenue inflow in October 2020 (15.2 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 October 2021 decreased by 46.7 compared to October 2019.

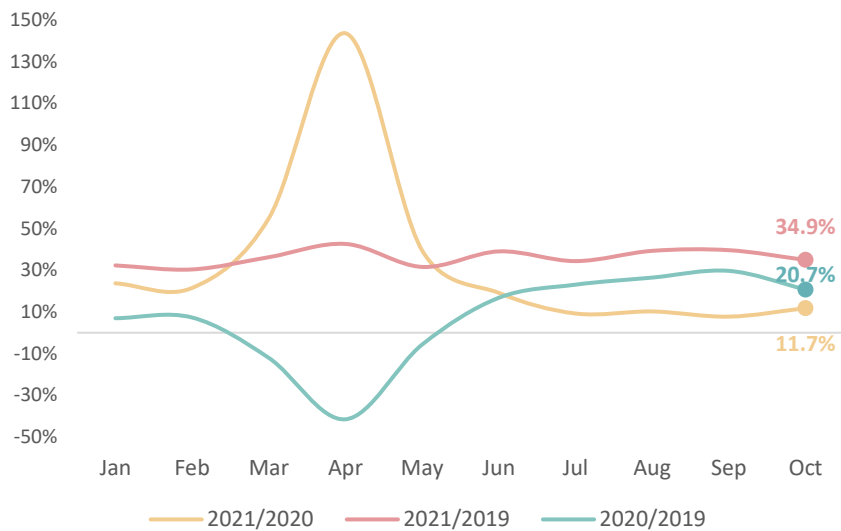
Recovery of Tourism by country, corresponding month of 2019 = 100, %



- At the same time, seasonally adjusted tourism revenues decreased by 8.2 percent compared to the previous month, which is partly due to increased daily COVID cases.

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

Net Remittances

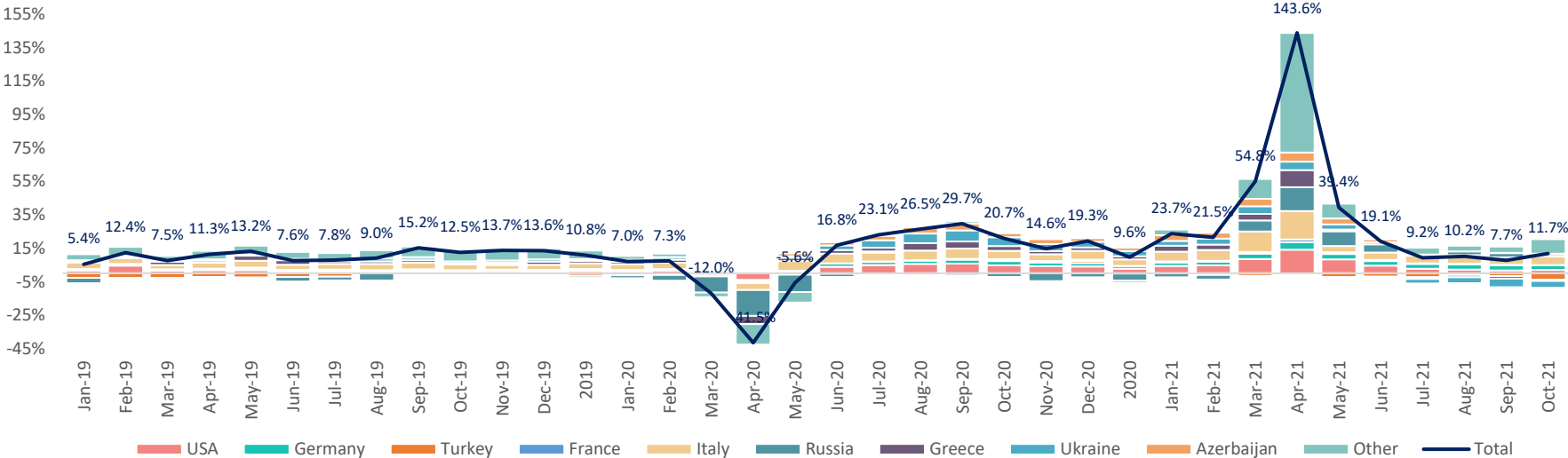


Net Remittances, October 2021

Country	Net Remittances	Change, %y/y	Share in growth, pp
Russia	32.4	19.5%	3.3
Italy	23.2	10.5%	1.4
USA	10.3	39.8%	1.9
Greece	17.9	-4%	-0.5
Israel	1.0	-80.4%	-2.7
Germany	4.7	-47.8%	-2.7
Other	86.9	25%	11

- In October 2021, net remittances were estimated at 176.4 million USD, representing a 11.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 34.9 percent.
- Net Remittances increased from:
 - Italy: 19.5 percent (3.3 p.p. contribution to overall growth).
 - USA: 10.5 percent (1.4 p.p. contribution to overall growth).
 - Germany: 39.8 percent (1.9 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece: 4 percent (-0.5 p.p. contribution to overall growth).
 - Turkey: 80.4 percent (-2.7 p.p. contribution to overall growth).
 - Ukraine: 47.8 percent (-2.7 p.p. contribution to overall growth).

Net Remittances by country, %y/y

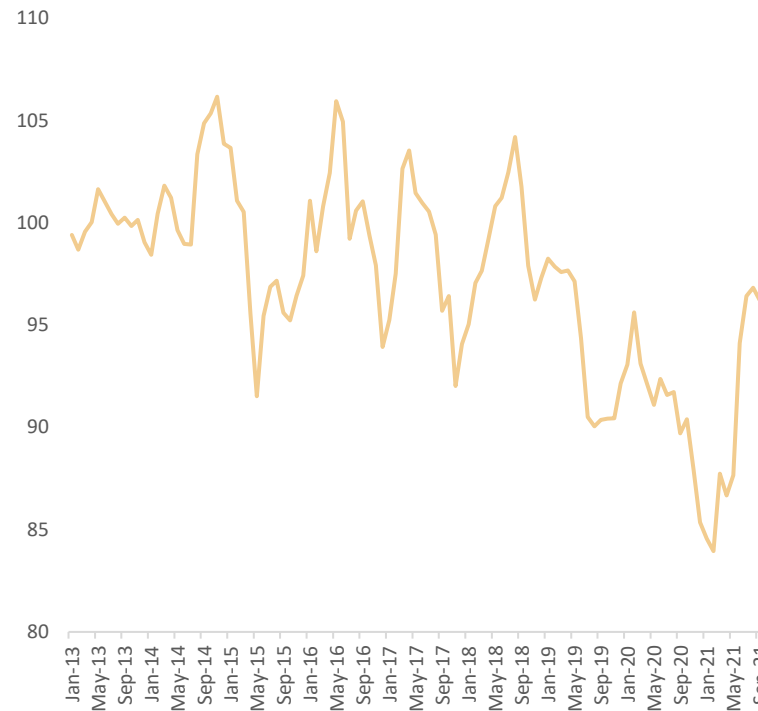


The real effective exchange rate in October appreciated by 6.9 percent annually

NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

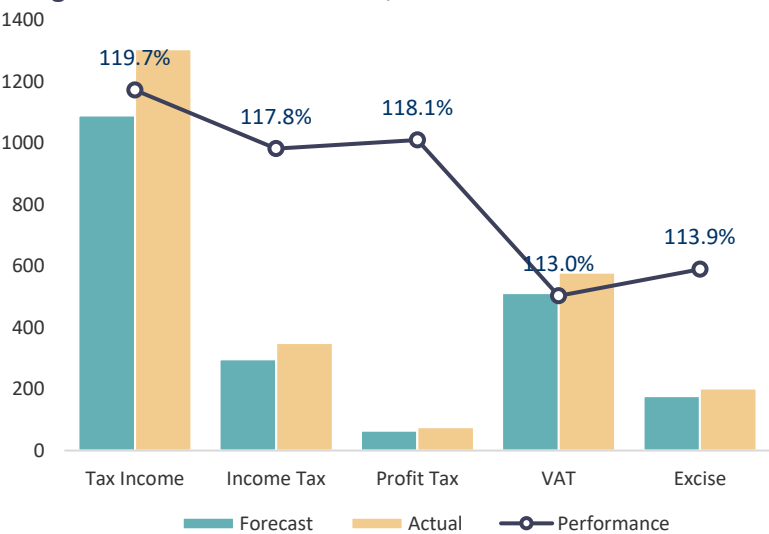


Note: Increase means appreciation

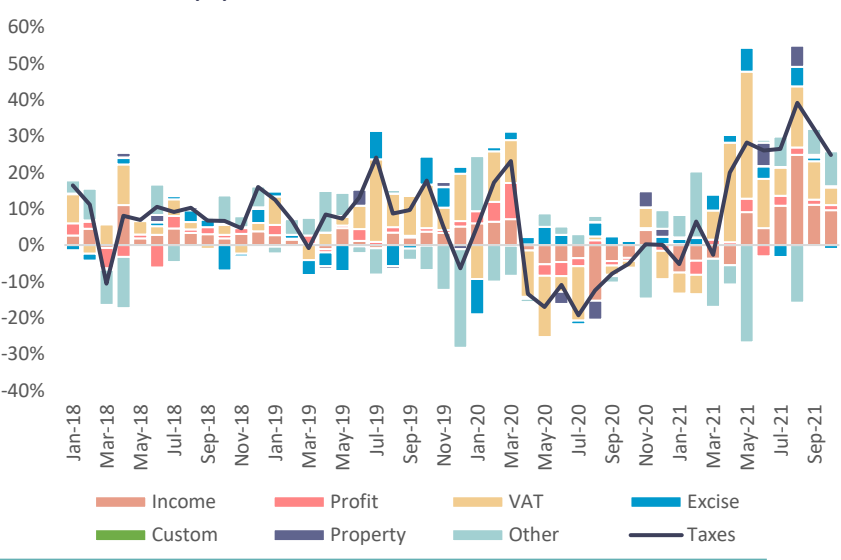
	30 November, 2021	30 November 2021 - 1 January 2021	30 November 2021 - 1 January 2020
Euro	3.4849	-7.8%	-12.2%
US Dollar	3.0867	-7.1%	-13.4%
Turkish Lira	0.2441	97.3%	107.0%
Russian Ruble	0.0412	11.9%	-6.8%
NEER	130.26	17.7%	9.3%
REER (October, 2021)	118.83	13.3%	4.9%

Tax revenues in the first 11 months exceeded the forecast value by 3 percent

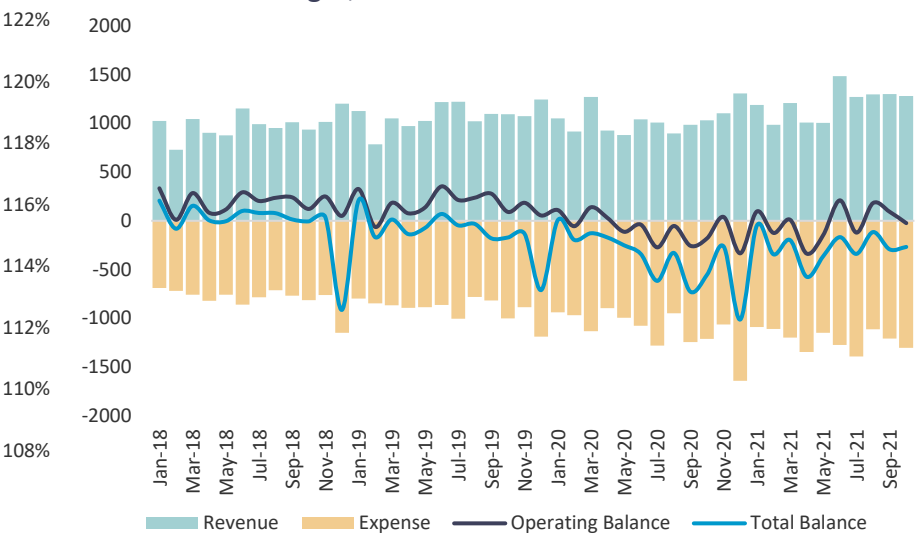
Budget Revenue Performance, November 2021



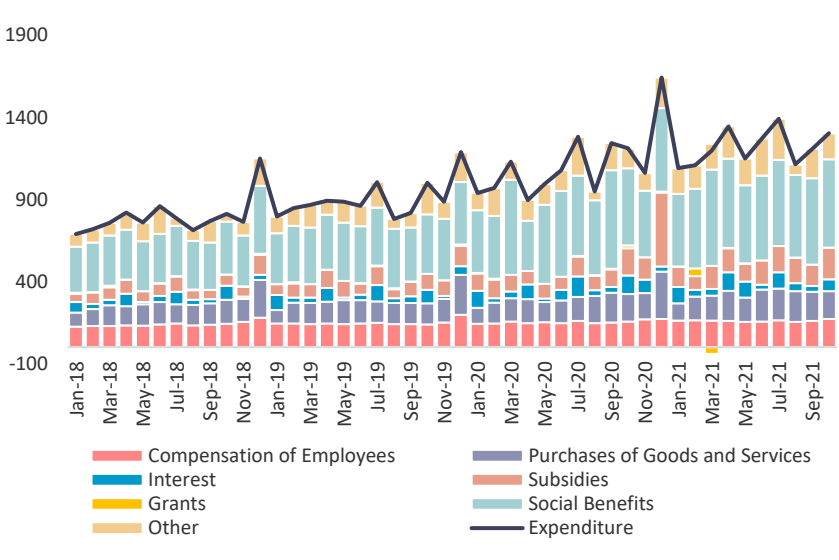
Tax Income, % y/y



Consolidated Budget, mln GEL



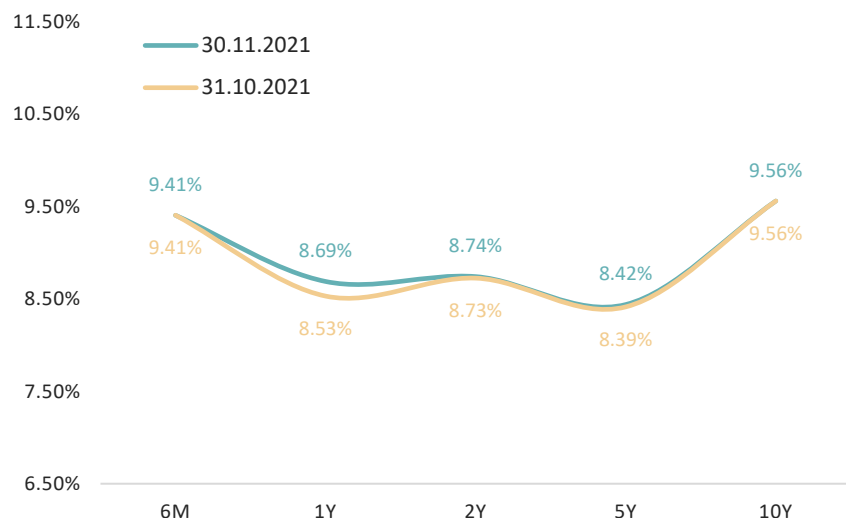
Consolidated Budget Expenditure, mln GEL



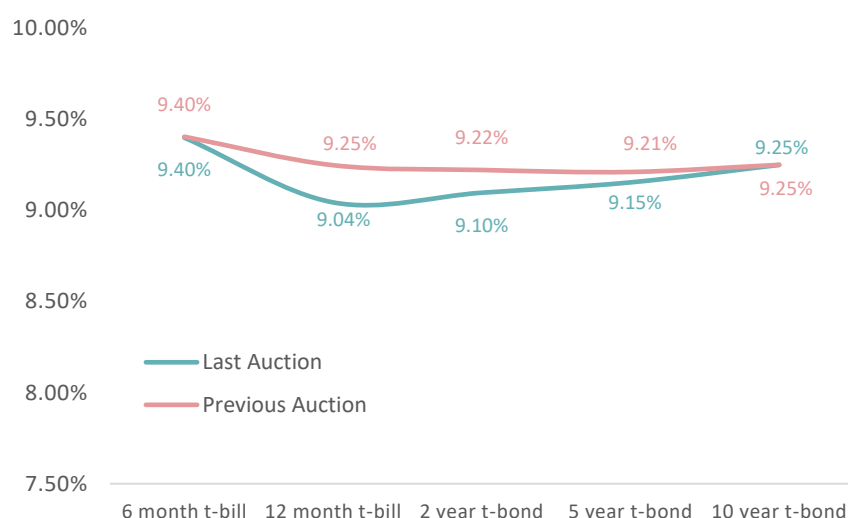
- The forecast of tax income for January-November 2021 is 11,654 million GEL, while the actual figure for January-November 2021 is 3 percent higher than planned and equals to 11,999.8 mln GEL.
- The actual level of tax income in November was 1,304.8 mln GEL, which is 19.7 percent higher compared to the forecasted value of tax income of 1,089.8 mln GEL.
- Consolidated budget revenues increased by 24 percent and expenditures by 7.5 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -24.4 million GEL, while the total balance was set at -267.1 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT, accounting for 9.6 and 4.8 percent of total growth, respectively.

The structure of the securities portfolio has undergone minor changes

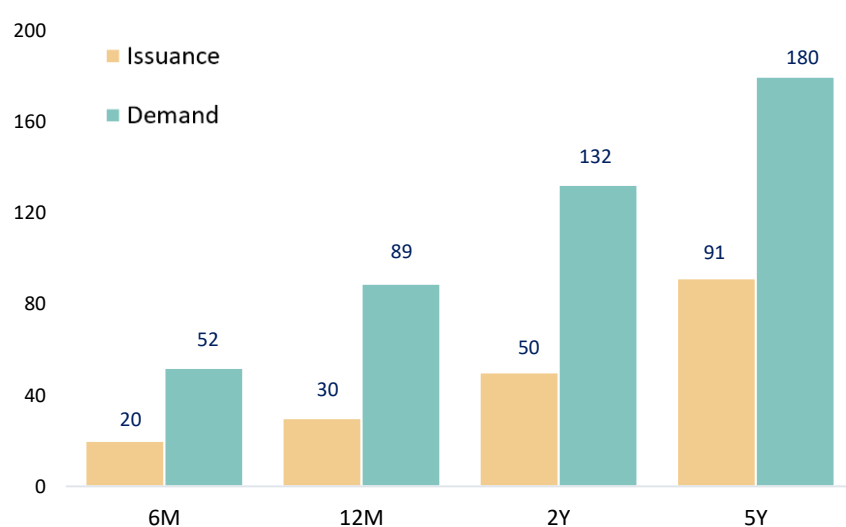
Portfolio Yield Curve



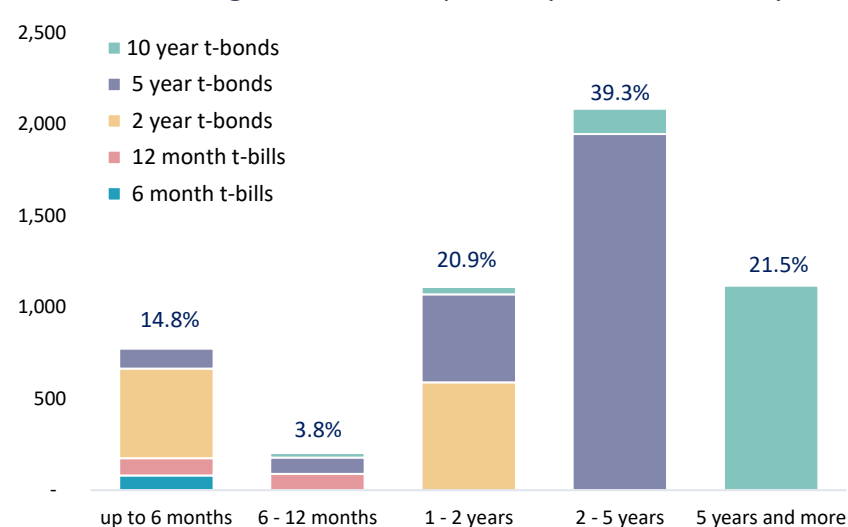
Weighted average interest rates



Issuance and Demand, mln GEL



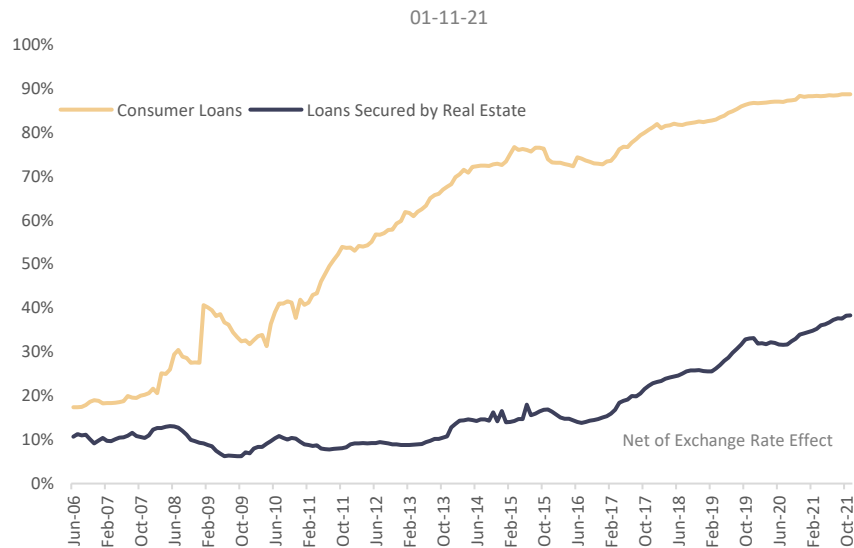
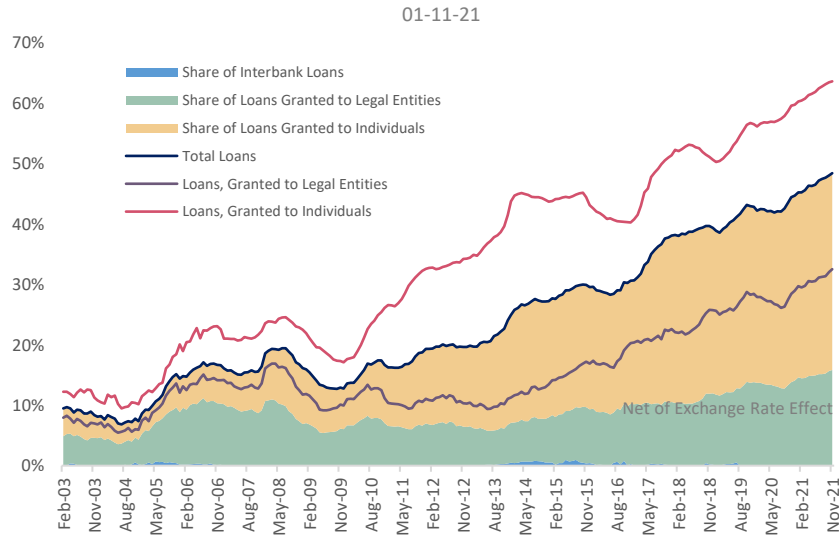
Portfolio Forming Securities Composed by Time to Maturity



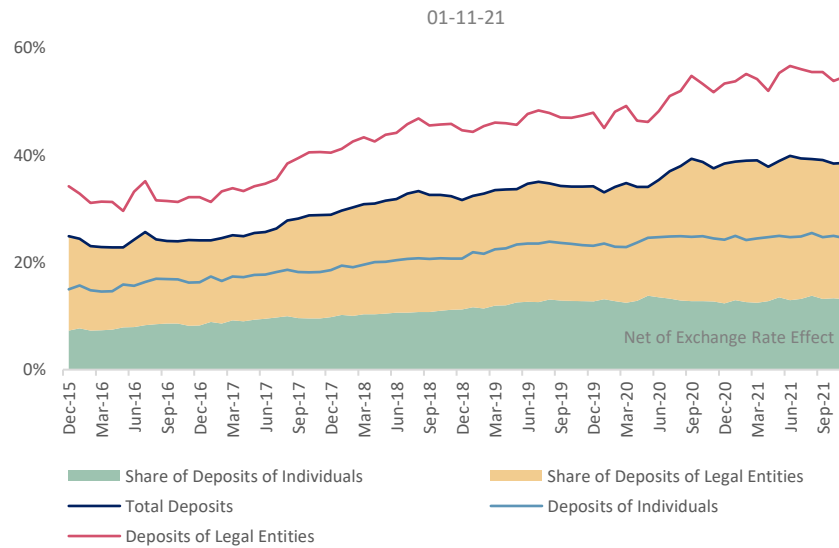
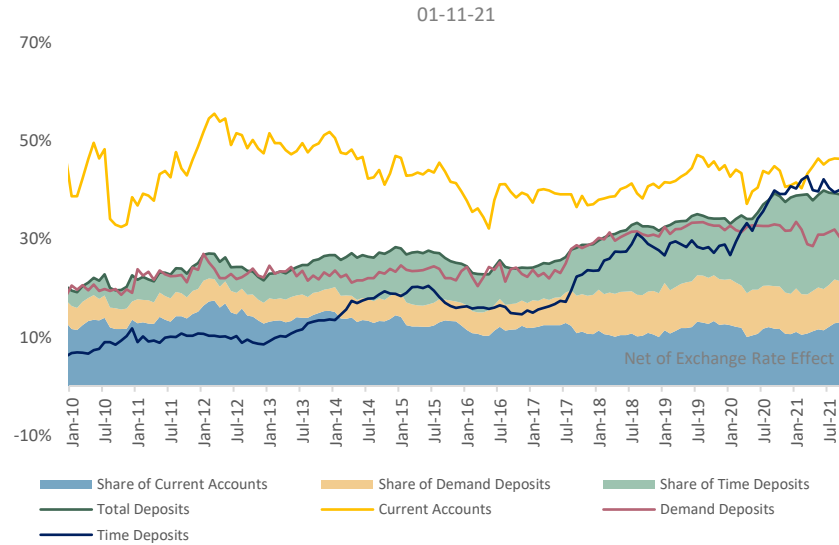
- In November 2021, 4 auctions were held with total issuance volume of 191.375 million GEL.
- The weighted average interest rate amounted to 9.148 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 50 million GEL were redeemed.
- As of November 30, 2021 18.84 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio increased compared to the previous month's value (October 2.29) and amounted to 2.37.

The larization rates continue to rise

Loan Larization



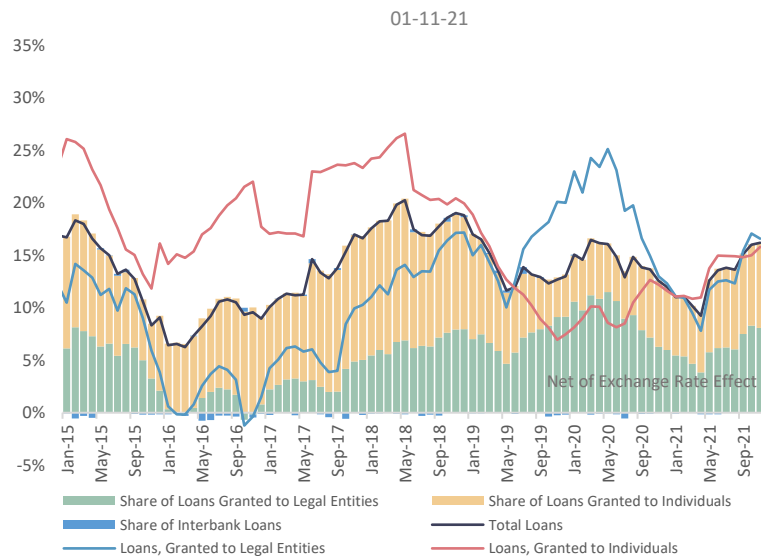
Deposit Larization



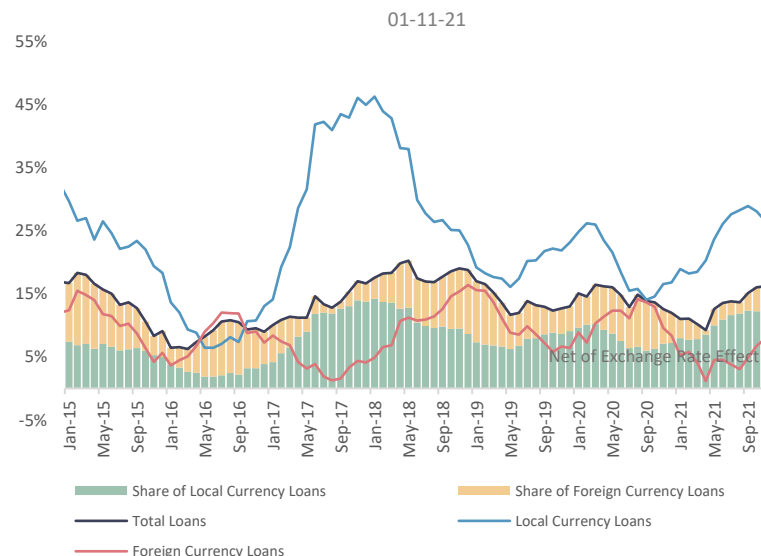
- As of November 1, 2021, the larization of total loans is 48.4 percent.
- The larization of loans to individuals is 63.6 percent.
- The larization of loans to legal entities amounted to 32.5 percent.
- The larization of total deposits equals to 38.6 percent.
- The larization on deposits of legal entities amounted to 54.6 percent.
- The larization of deposits of individuals is 24.5 percent.
- The larization of time deposits is 39.8 percent.
- The larization of current accounts equals to 44.9 percent.
- The larization of demand deposits is 29.5 percent.

The annual growth trend of loans is revealed

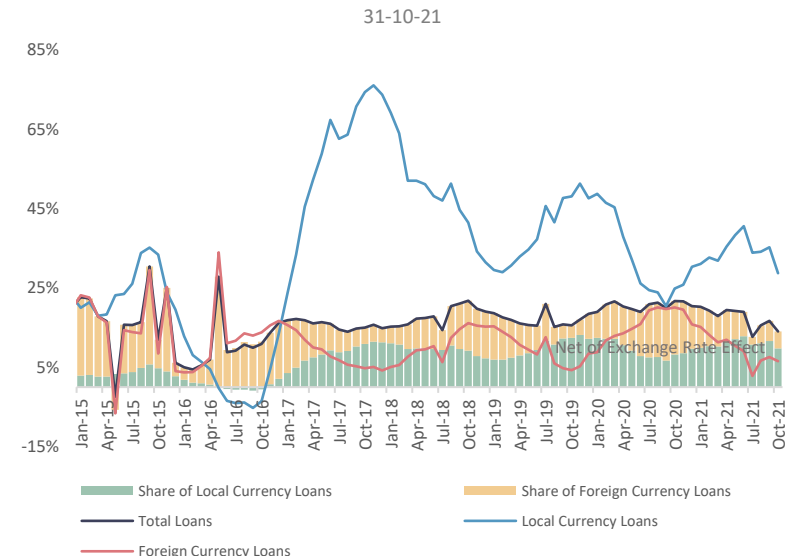
Loans, % y/y



Loans by Currency, % y/y



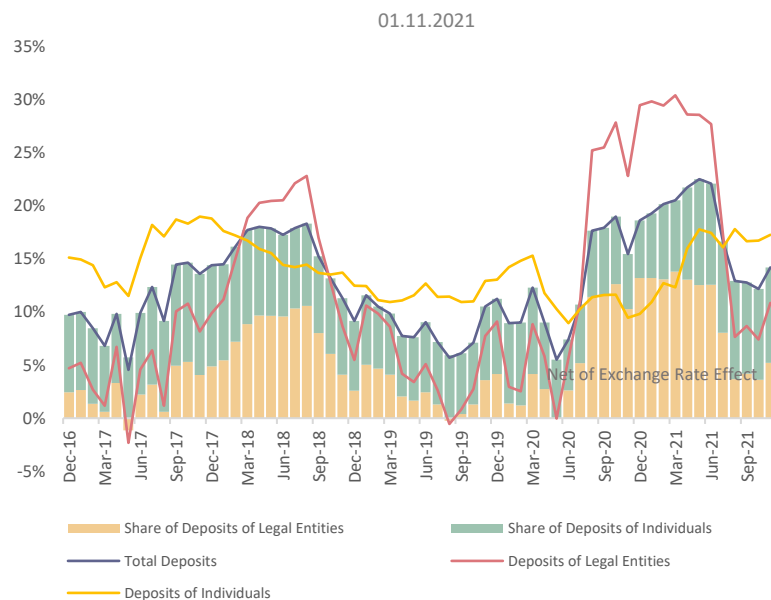
Mortgage Loans, % y/y



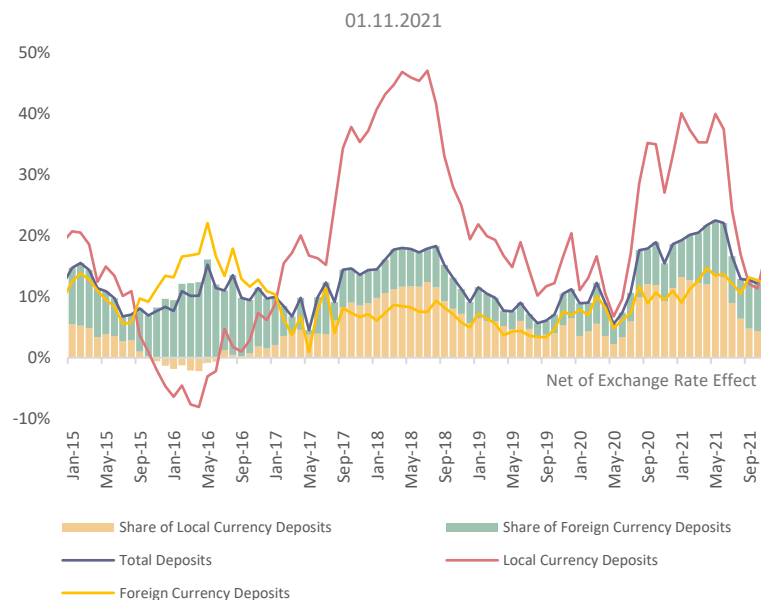
- As of November 1, 2021, total loans increased by 16.2 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 16.6 percent.
- The annual growth of loans to individuals is 15.8 percent.
- As of November 1, 2021, the growth rate of loans denominated in the national currency amounted to 26.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 7.9 percent.
- As of October 31, 2021, the annual growth of loans secured by real estate amounted to 14 percent. At the same time, mortgage loans denominated in national currency increased by 28.7 percent, while mortgage loans denominated in foreign currency increased by 6.5 percent.

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

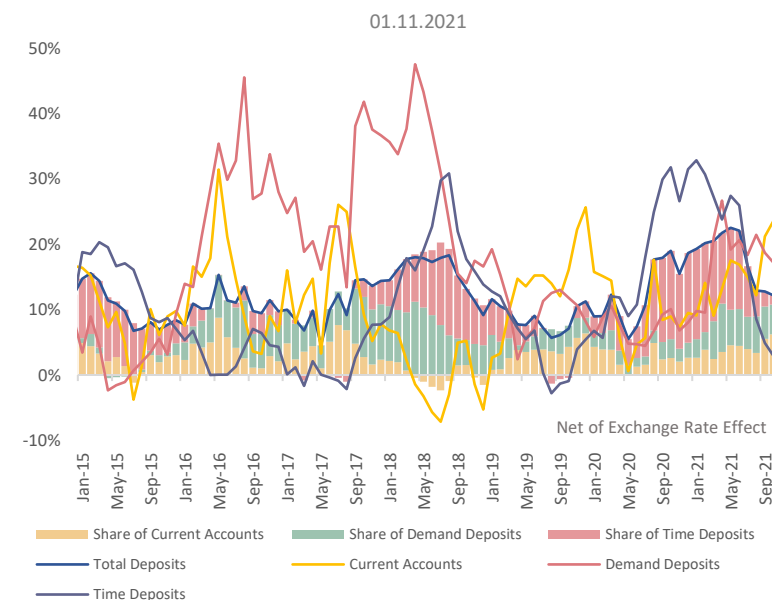
Deposits, % y/y



Deposits by Currency, % y/y



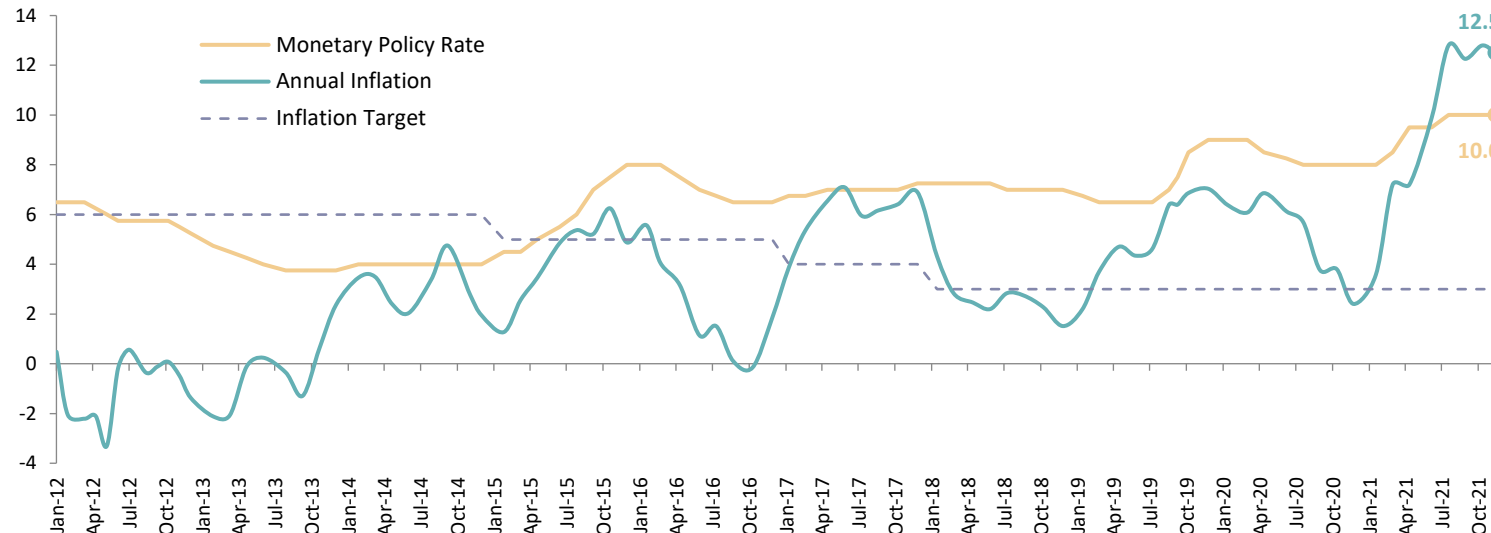
Deposits by type, % y/y



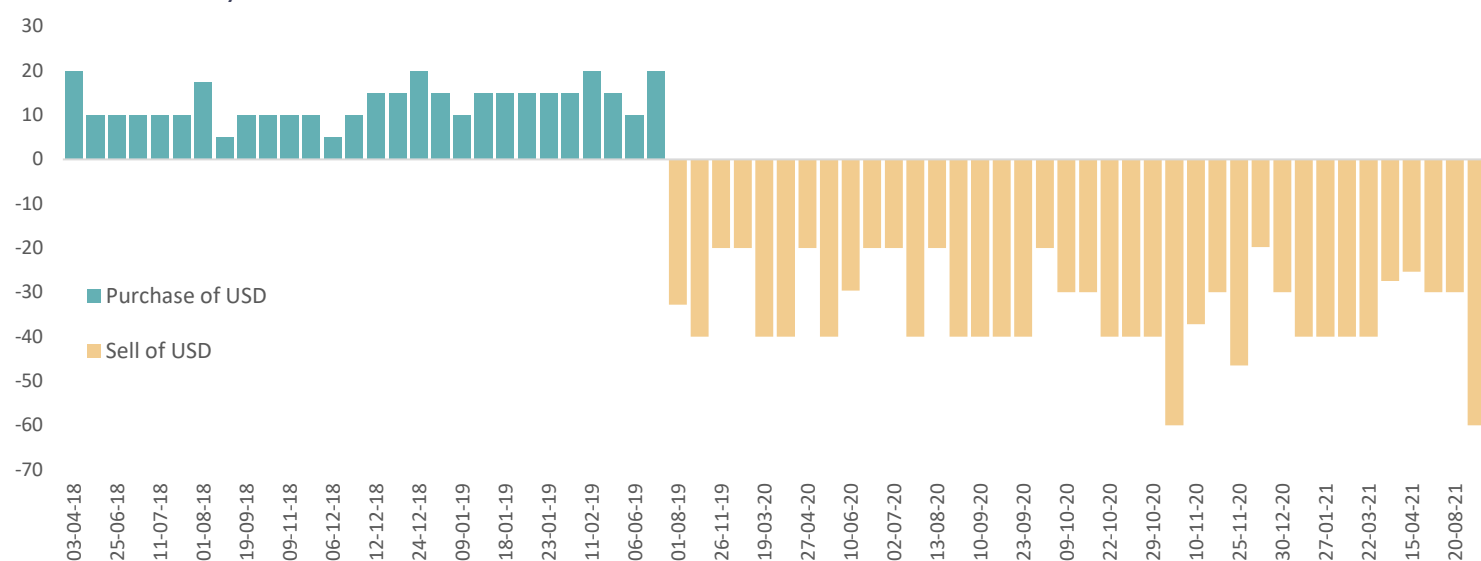
- As of November 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 14.2 percent.
- The annual growth of deposits denominated in the national currency amounted to 17.3 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 12.3 percent over the same period.
- The growth of deposits of individuals amounted to 17.3 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 10.8 percent.
- The annual growth of current accounts at the beginning of November 2021 was equal to 30.4 percent.
- The annual growth of time deposits was 4.2 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 15.9 percent.

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

Inflation and Monetary Policy Rate



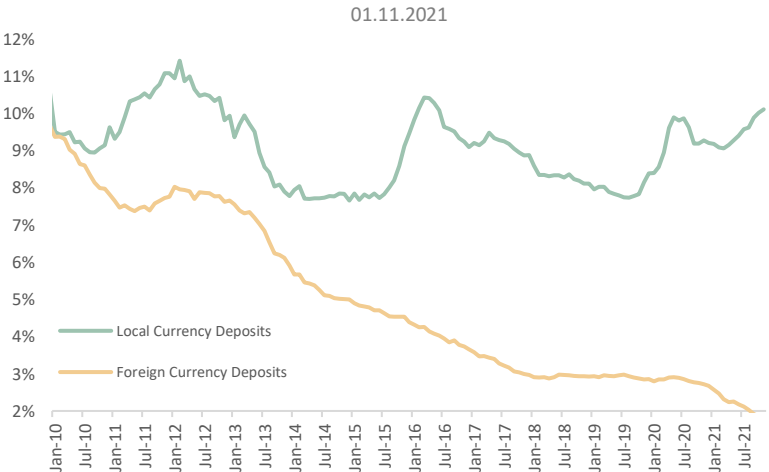
Trade of USD by NBG, mln USD



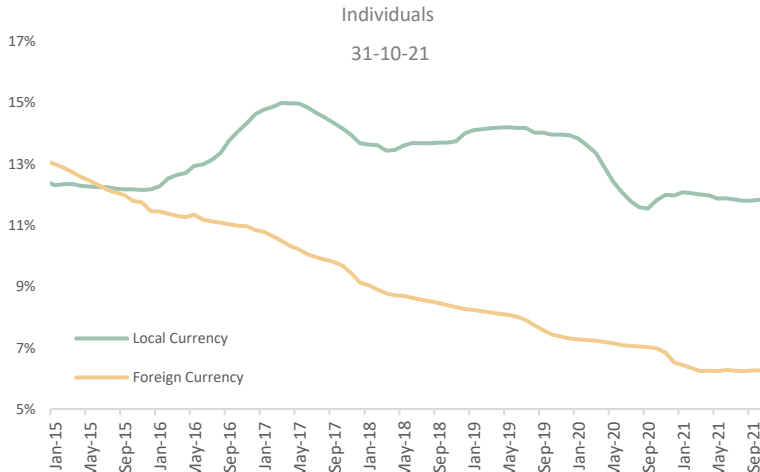
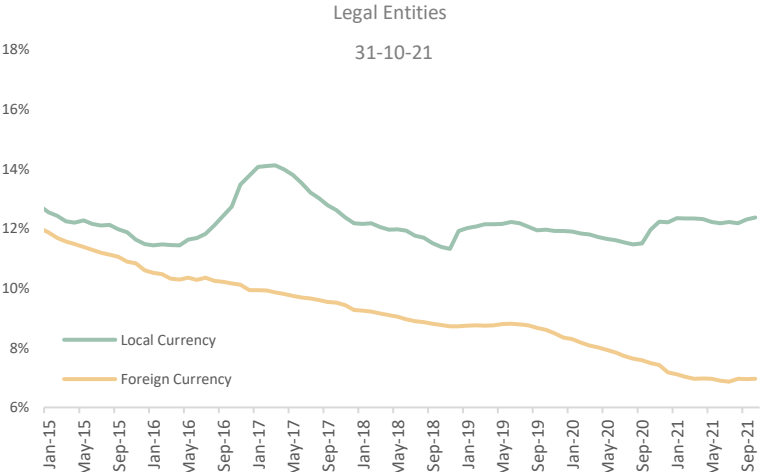
- On October 27, 2021, the Monetary Policy Committee of the National Bank of Georgia decided to leave the refinancing rate unchanged.
- The monetary policy rate is 10 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. 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 November 1, 2021, the interest rate on foreign currency deposits was 1.8 percent, and in national currency – 10.1 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.3 percent, and in foreign currency - 1.8 percent.
- The average annual interest rate on deposits by individuals is 1.8 percent for foreign currency deposits and 9.8 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.3 percent (20.5 percent in national currency and 5.7 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17 percent (18.3 percent in national currency and 6.9 percent in foreign currency).
- At the end of October 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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