



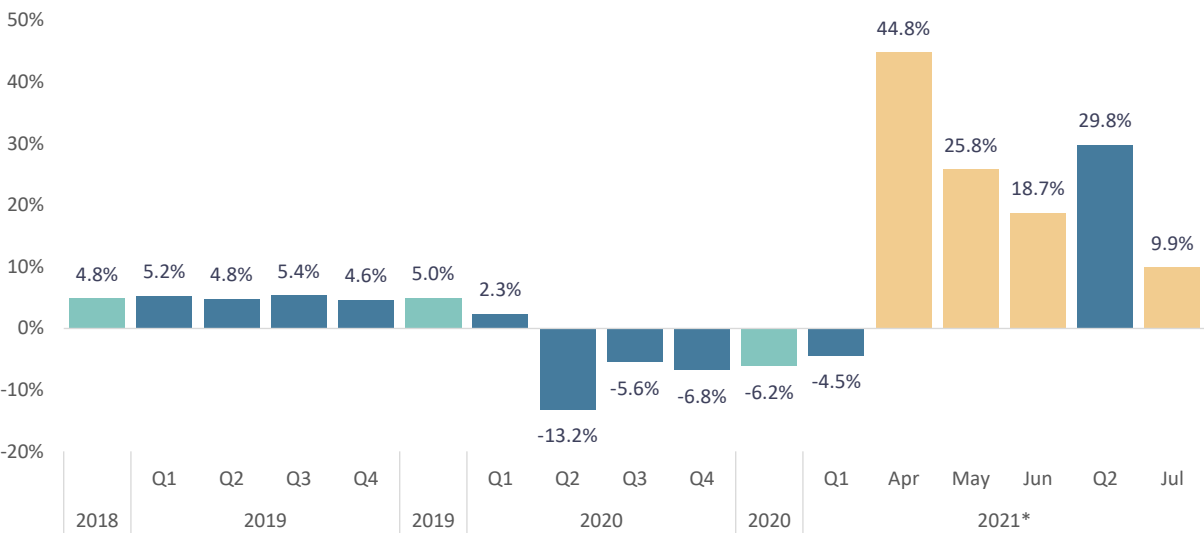
Current Economic Outlook

August, 2021

- According to the preliminary estimates of the National Statistics Office, in July 2021, the real GDP growth rate was 9.9 percent and average growth rate of first seven months was 12.2 percent. At the same time, economic growth compared to compared to corresponding month of 2019 amounted to 3.9 percent
- Annual inflation stood at 12.8 percent in August, while core inflation was 6.8 percent
- In July, exports increased by 42.4 percent year-on-year and imports increased by 17.2 percent year-on-year, increasing the trade deficit by 2 percent year-on-year to 462.1 million USD
- The real effective exchange rate for July appreciated by 5.3 percent compared to the same period of the previous year and by 2.4 percent compared to the previous month
- The National Bank of Georgia has increased the monetary policy rate to 10 percent

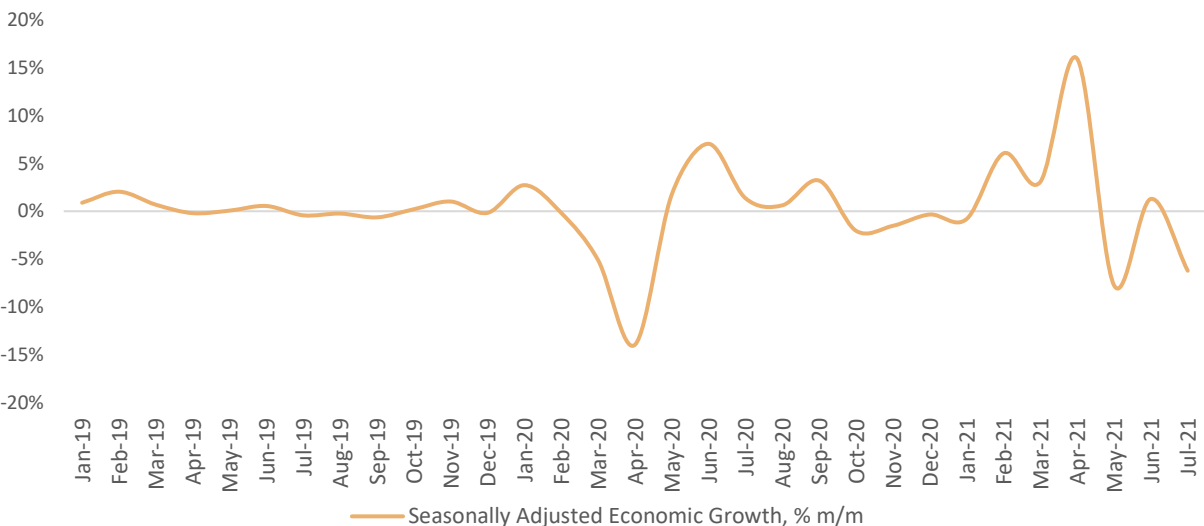
Economic Growth in July was equal to 9.9 percent

Economic Growth, % y/y

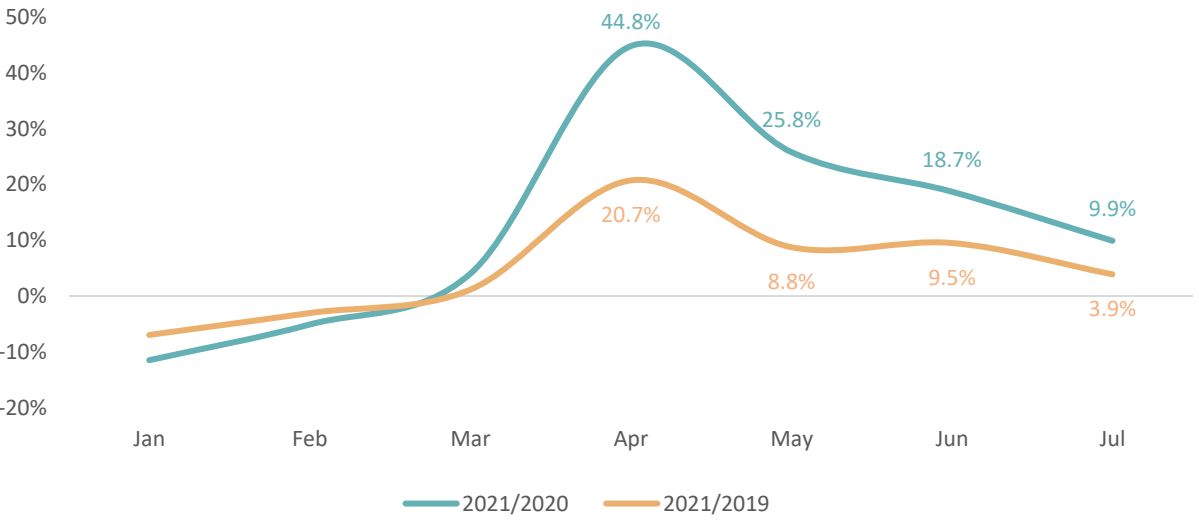


- Estimated real GDP growth rate in July 2021 equaled 9.9 percent YoY and average annual real GDP growth rate for the first 7 months equals to 12.2 percent.
- In July 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and Insurance activities, Manufacturing, Hotels and restaurants, Transportation and storage, Trade.
- A decline was registered in Construction, Mining and quarrying.

Economic Growth, % m/m



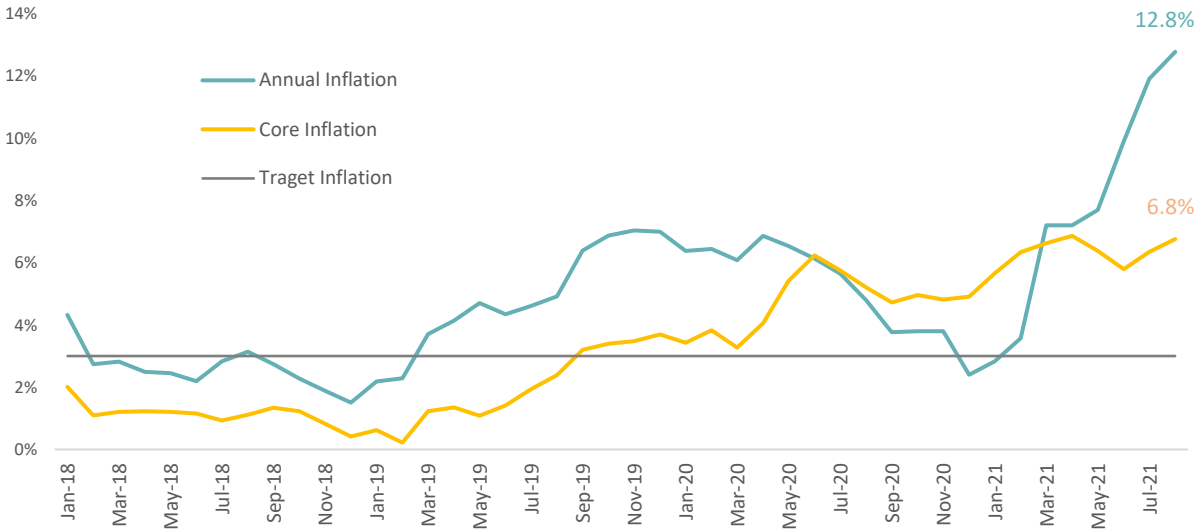
Economic Growth, 2021-2019



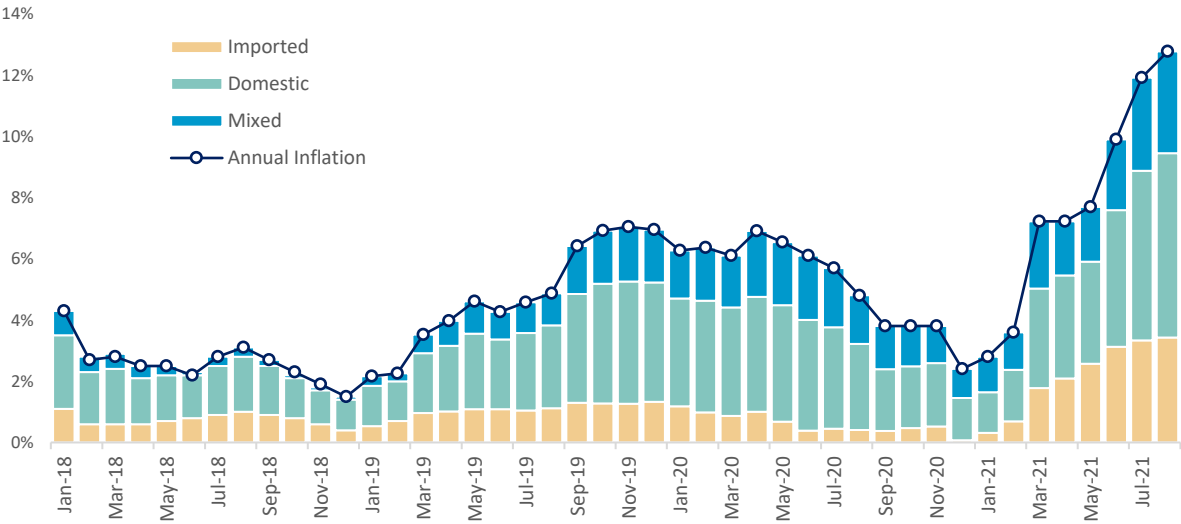
Source: Geostat, author's calculations

Annual inflation in August has reached 12.8 percent

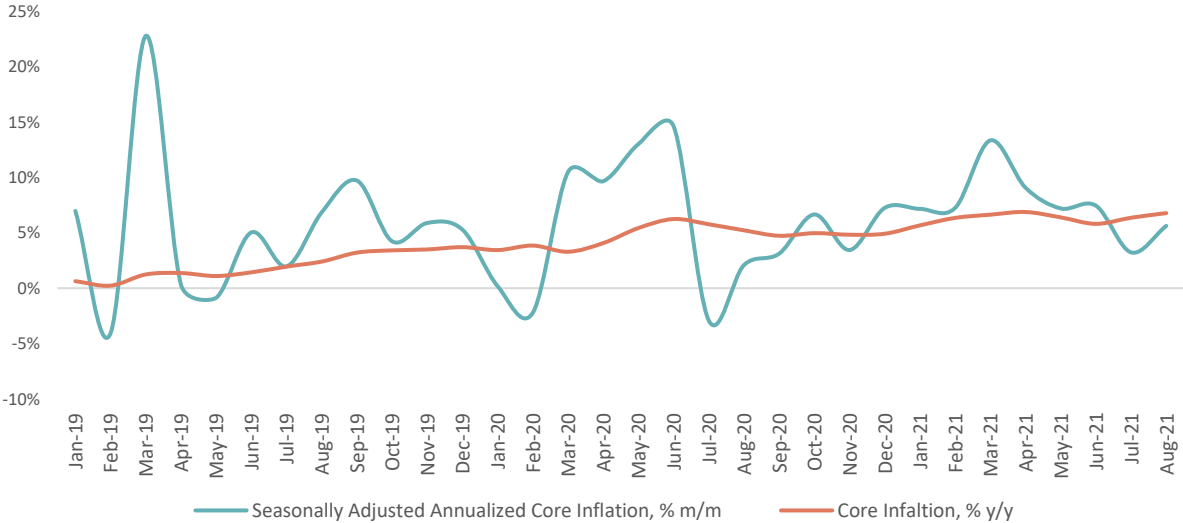
Total and Core Inflation, % y/y



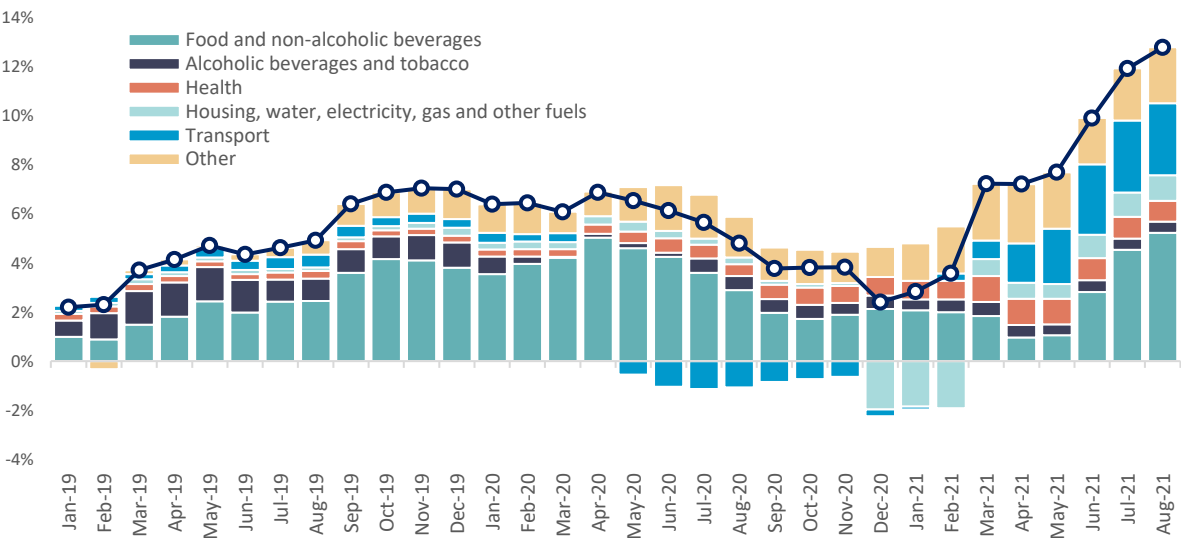
Inflation Decomposition



Core Inflation, % m/m



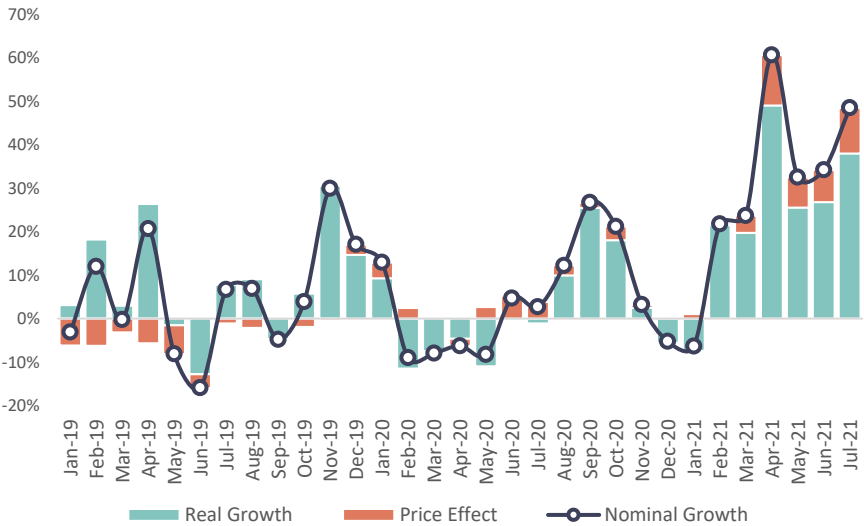
Inflation Decomposition by product group



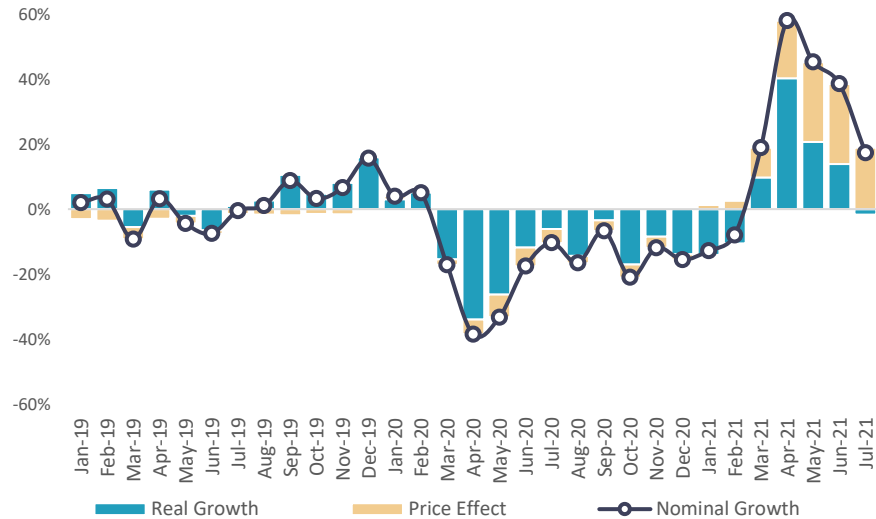
Source: Geostat, NBG, author's calculations

Trade Deficit increased by 2 percent annually

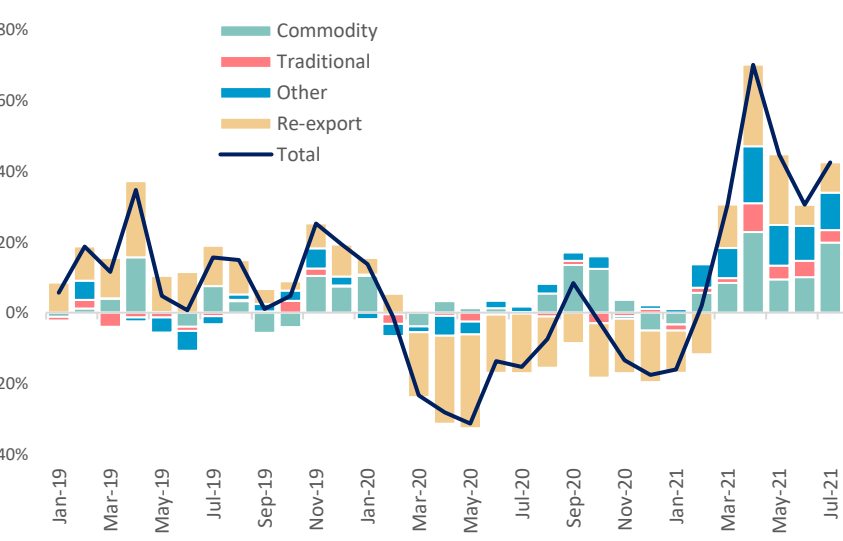
Change of Domestic Export, %/y



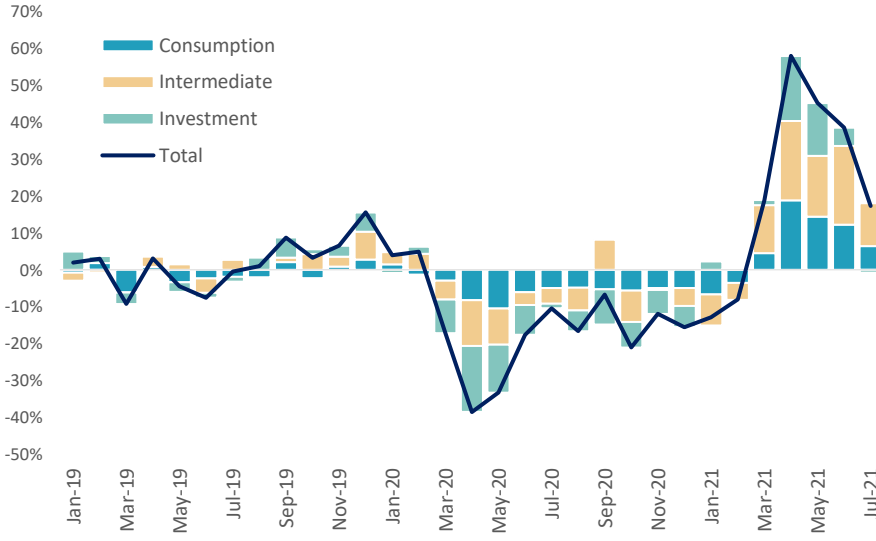
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y

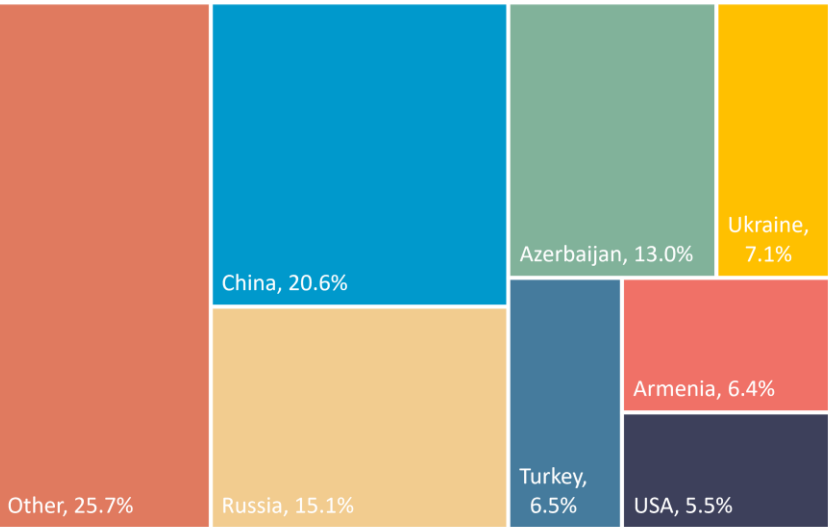


- Export increased annually by 42.4 percent to 390.9 million USD in July.
- Domestic export increased annually by 48.5 percent to 285.1 million USD.
- Import annually increased by 17.2 percent to 853 million USD in July.
- Trade deficit annually increased by 2 percent to 462.1 million USD in July.
- Share of re-export is equal to 27.1 percent, while share of commodity export equals to 37.2 percent.
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 6.5, 11.6 and -0.8 percent respectively.

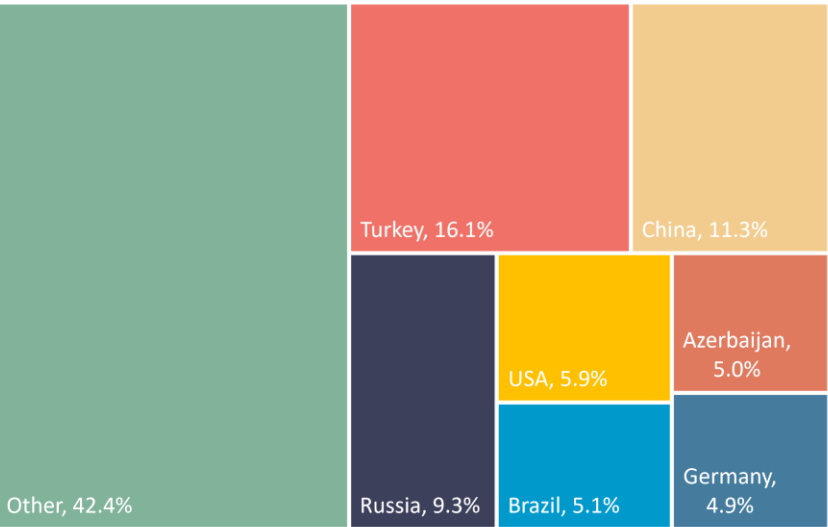
Source: Geostat, author's calculations

International trade is characterized by stable diversification

Export by country, July 2021

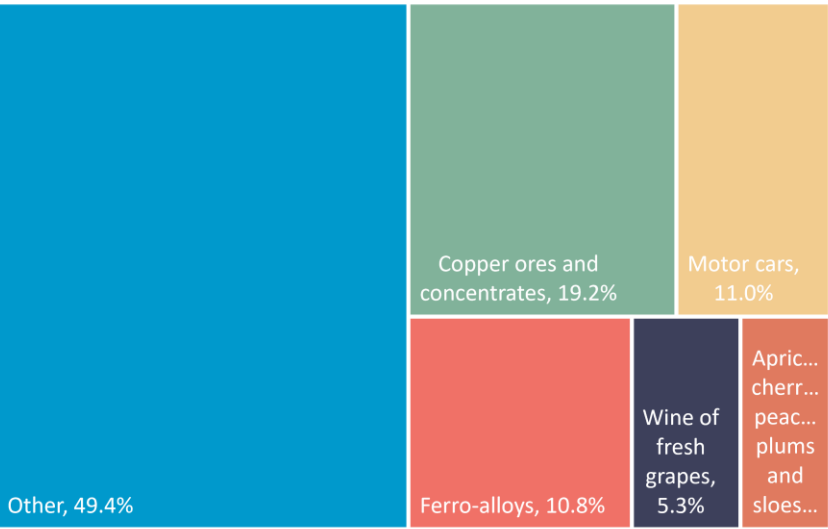


Import by country, July 2021

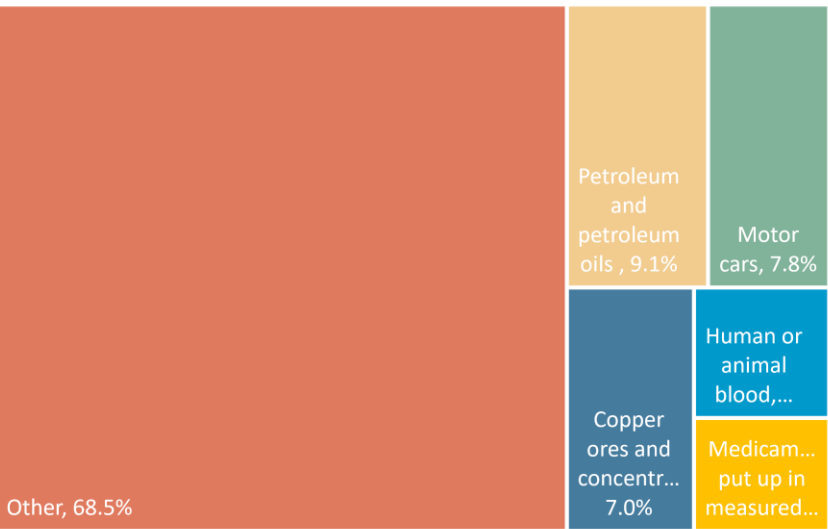


- Top Export Products:
 - Copper ores and concentrates: 74.9 mln. USD – 19.2 percent of total export.
 - Motor cars: 42.9 mln. USD – 11 percent.
 - Ferro-alloys: 42.3 mln. USD – 10.8 percent.
- Top Import Products :
 - Petroleum and petroleum oils : 77.8 mln. USD – 9.1 percent of total import.
 - Motor cars: 66.6 mln. USD – 7.8 percent.
 - Copper ores and concentrates: 60.1 mln. USD – 7 percent.

Export by product, July 2021



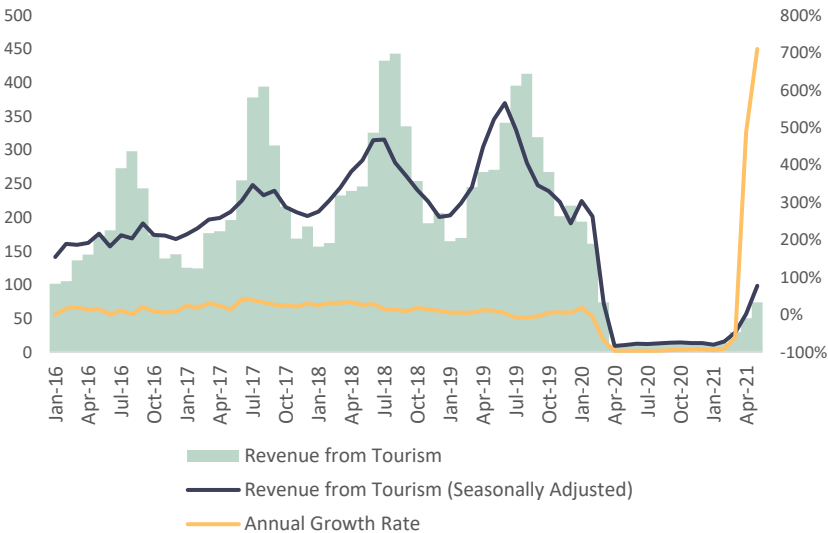
Import by country, July 2021



- Top Export Country:
 - China: 80.6 mln. USD – 20.6 percent.
 - Russia: 58.9 mln. USD – 15.1 percent.
 - Azerbaijan: 50.9 mln. USD – 13 percent.
- Top Import Country :
 - Turkey: 137.3 mln. USD – 16.1 percent.
 - China: 96.6 mln. USD – 11.3 percent.
 - Russia: 79.2 mln. USD – 9.3 percent.

Revenues from tourism increased significantly in July due to the base effect

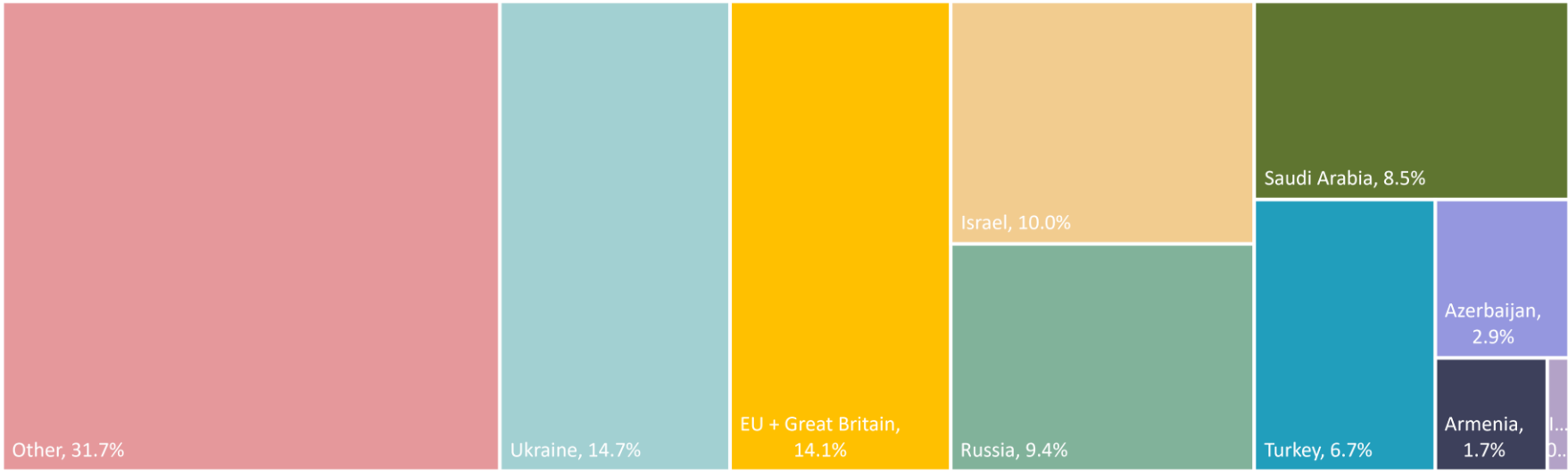
Revenue from Tourism



Revenue from Tourism, May 2021

| Country | Tourism Revenue |
|--------------|-----------------|
| Ukraine | 30.20102 |
| EU + UK | 28.91231 |
| Israel | 20.5057 |
| Russia | 19.23448 |
| Saudi Arabia | 17.40479 |
| Azerbaijan | 5.917201 |
| Other | 83.15664 |

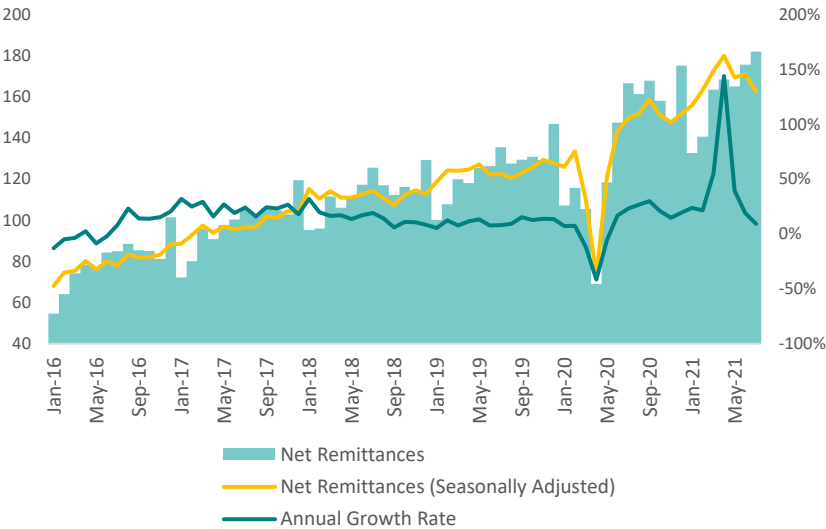
Revenue from Tourism by country



- In July 2021, tourism revenues increased by 1,602 percent to 205.3 million USD. Such high increase is mainly due to low level of tourism revenue inflow in July 2020 (12.1 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 July 2021 decreased by 48.1 compared to July 2019.
- At the same time, tourism revenues increased by 1,882.2 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 35.4 percent.

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

Net Remittances

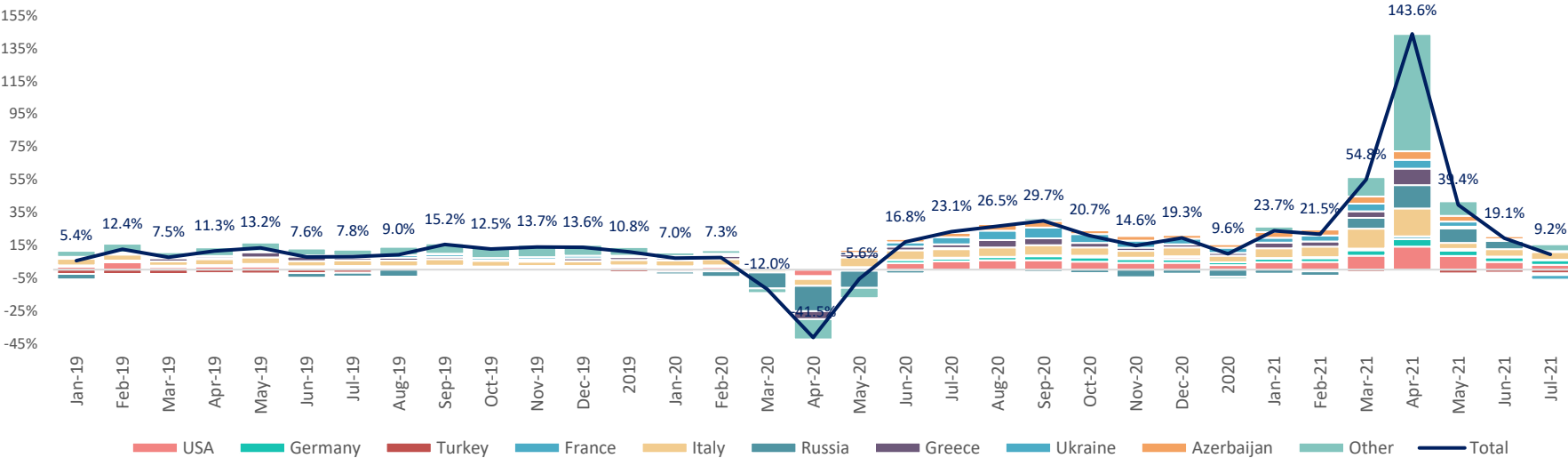


Net Remittances, July 2021

| Country | Net Remittances | Change, %y/y | Share, % |
|---------|-----------------|--------------|----------|
| Russia | 32,555.8 | -3.4% | -0.7% |
| Italy | 32,792.8 | 18.5% | 3.1% |
| USA | 25,237.2 | 13.5% | 1.8% |
| Greece | 19,387.8 | 1.1% | 0.1% |
| Israel | 15,646.2 | 13.8% | 1.1% |
| Other | 56,142.1 | 12.4% | 3.7% |

- In July 2021, net remittances were estimated at 181.8 million USD, representing a 9.2 percent annual increase.
- Net Remittances increased from:
 - Italy: 18.5 percent (3.1 p.p. contribution to overall growth).
 - USA: 13.5 percent (1.8 p.p. contribution to overall growth).
 - Israel: 13.8 percent (1.1 p.p. contribution to overall growth).
 - Germany: 45.7 percent (1.8 p.p. contribution to overall growth).

Net Remittances by country, %y/y



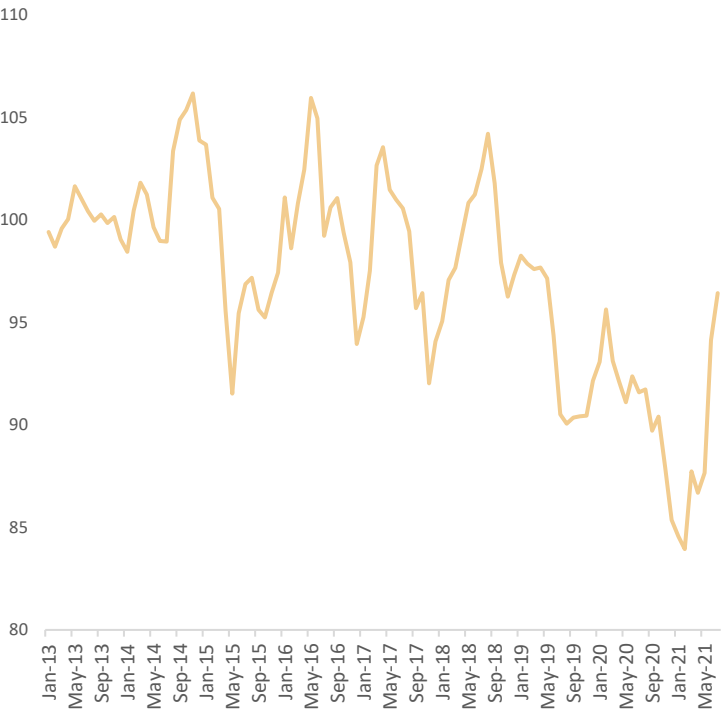
- Net Remittances decreased from:
 - Turkey: 42.9 percent (-1.5 p.p. contribution to overall growth).
 - Russia: 3.4 percent (-0.7 p.p. contribution to overall growth).

The real effective exchange rate in July appreciated by 5.3 percent annually

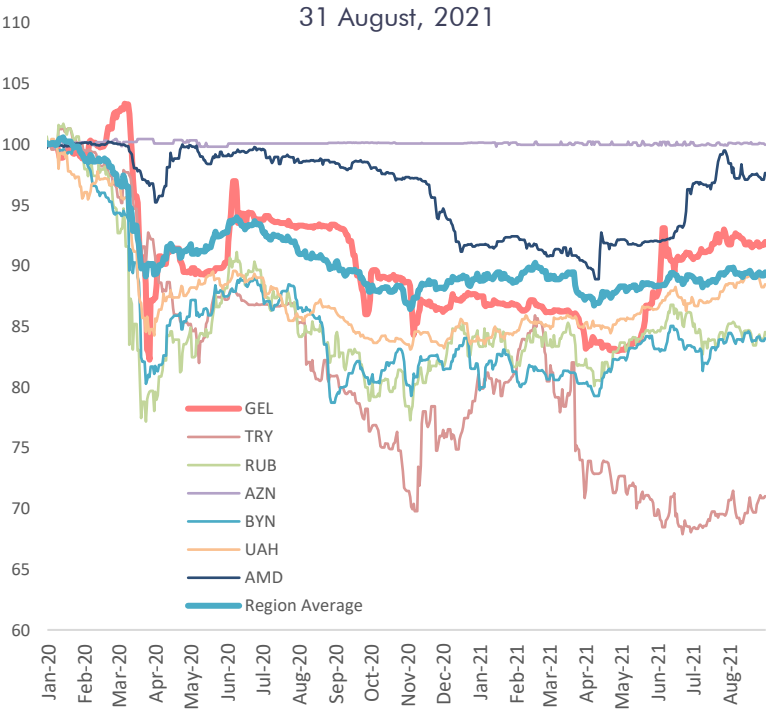
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

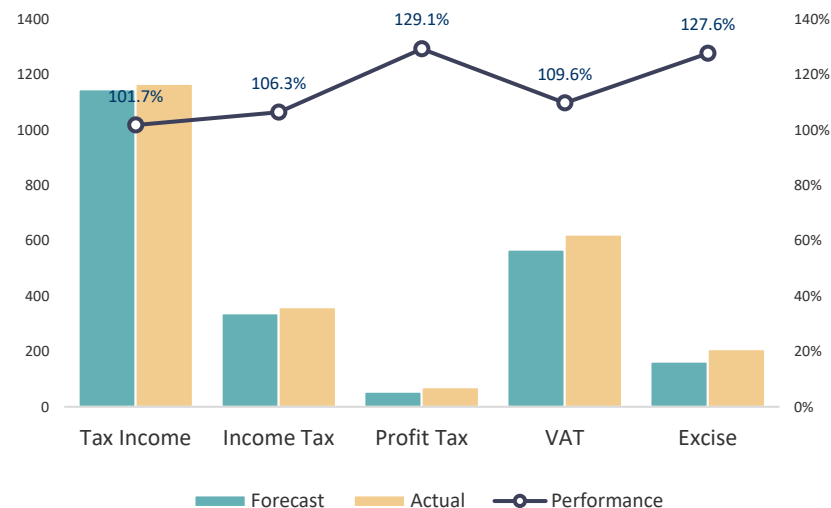


Note: Increase means appreciation

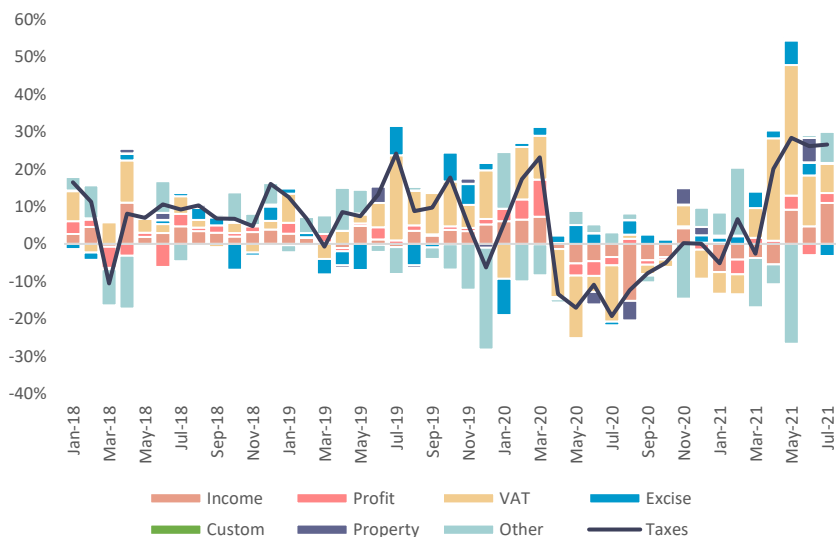
| | 31 August, 2021 | 31 August 2021 - 1 January 2021 | 31 August 2021 - 1 January 2020 |
|-------------------|-----------------|---------------------------------|---------------------------------|
| Euro | 3.6768 | -12.6% | -16.8% |
| US Dollar | 3.1170 | -8.0% | -14.3% |
| Turkish Lira | 0.3721 | 29.5% | 35.8% |
| Russian Ruble | 0.0424 | 8.8% | -9.4% |
| NEER | 109.82 | -0.7% | -7.9% |
| REER (June, 2021) | 118.52 | 13.0% | 4.6% |

Tax revenues in the first eight months exceeded the forecast value by 0.4 percent

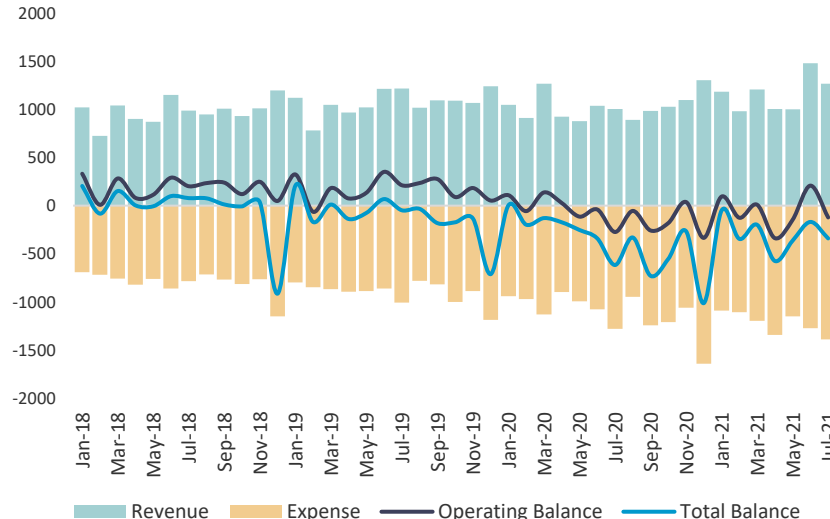
Budget Revenue Performance, July 2021



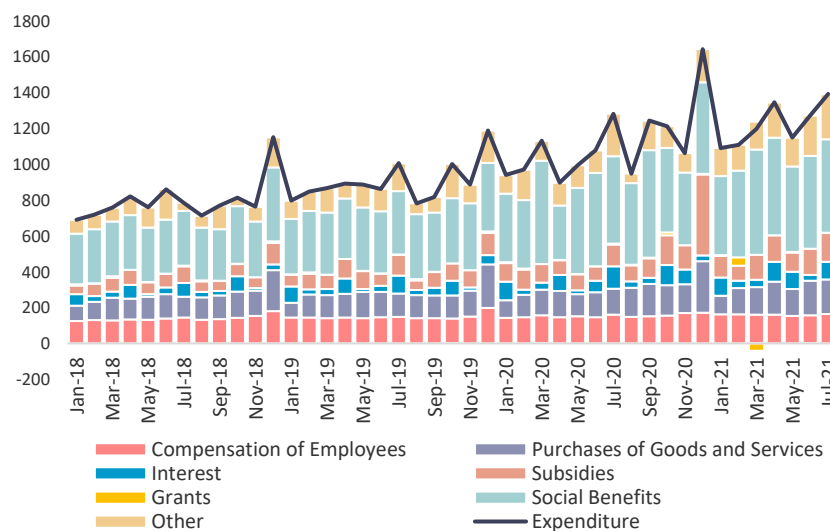
Tax Income, % y/y



Consolidated Budget, mln GEL



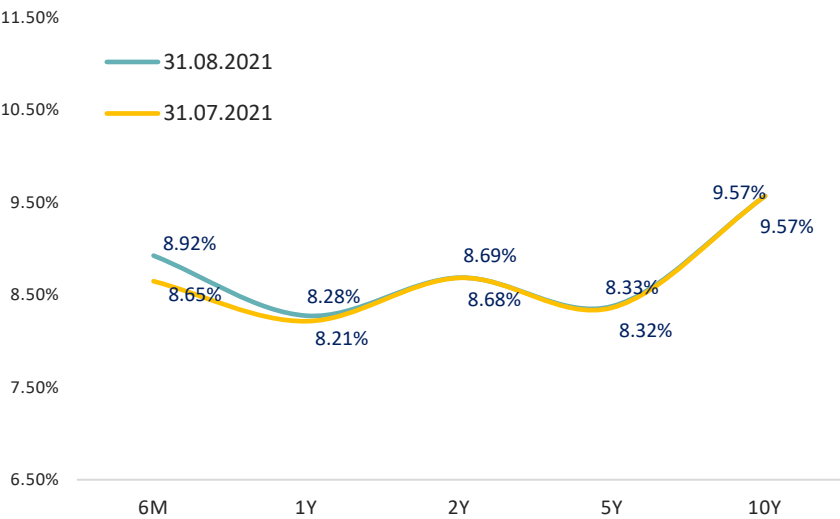
Consolidated Budget Expenditure, mln GEL



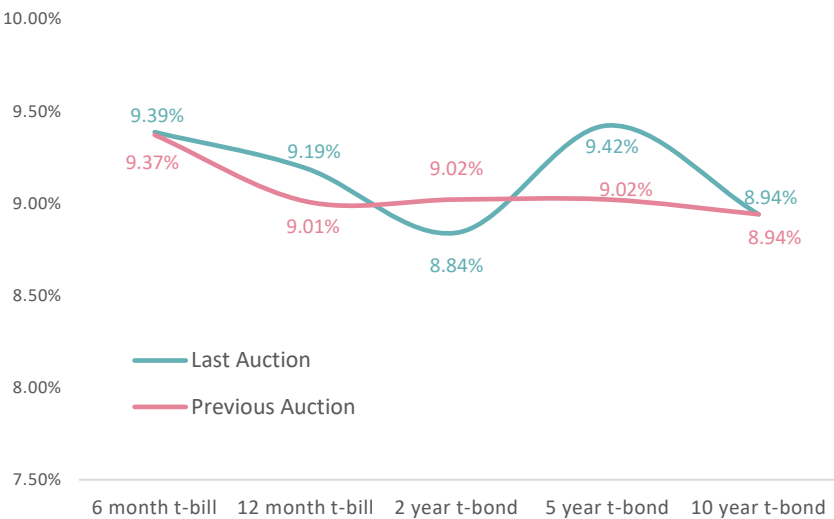
- The forecast of tax income for January-August 2021 is 8,285.2 million GEL, while the actual figure for January-August 2021 is 0.4 percent higher than planned and equals to 8,319.1 mln GEL.
- The actual level of tax income in August was 1,164.9 mln GEL, which is 1.7 percent higher compared to the forecasted value of tax income of 1,145.3 mln GEL.
- Consolidated budget revenues increased by 26 percent and expenditures increased by 8.6 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -121.8 million GEL, while the total balance was set at -338.5 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT, accounting for 10.9 and 7.8 percent of total growth, respectively.

The structure of the securities portfolio has undergone minor changes

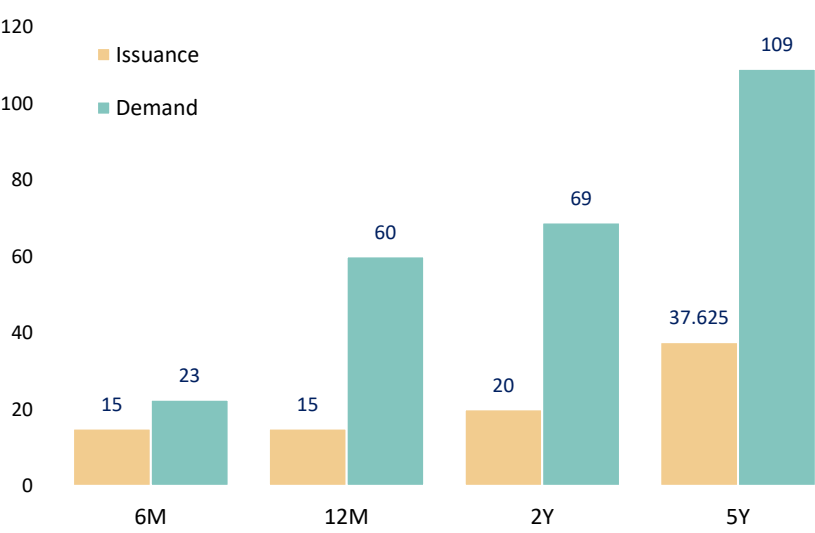
Portfolio Yield Curve



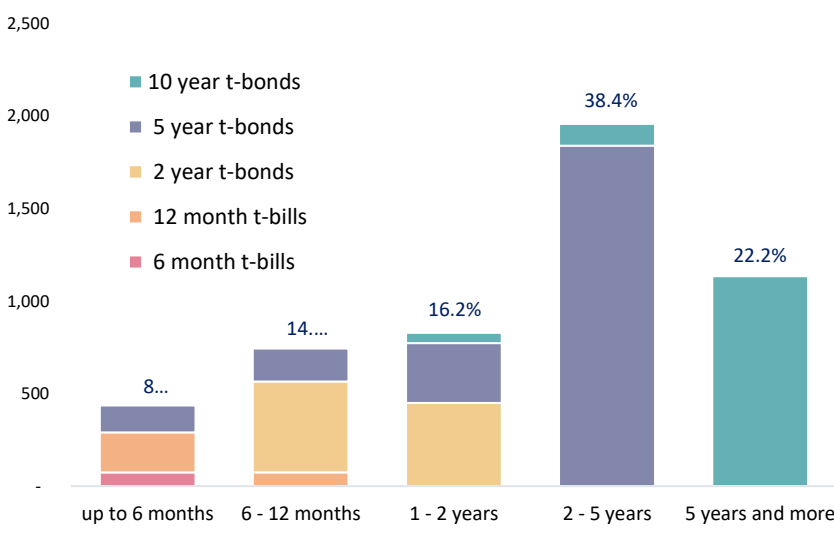
Weighted average interest rates



Issuance and Demand, mln GEL



Portfolio Forming Securities Composed by Time to Maturity

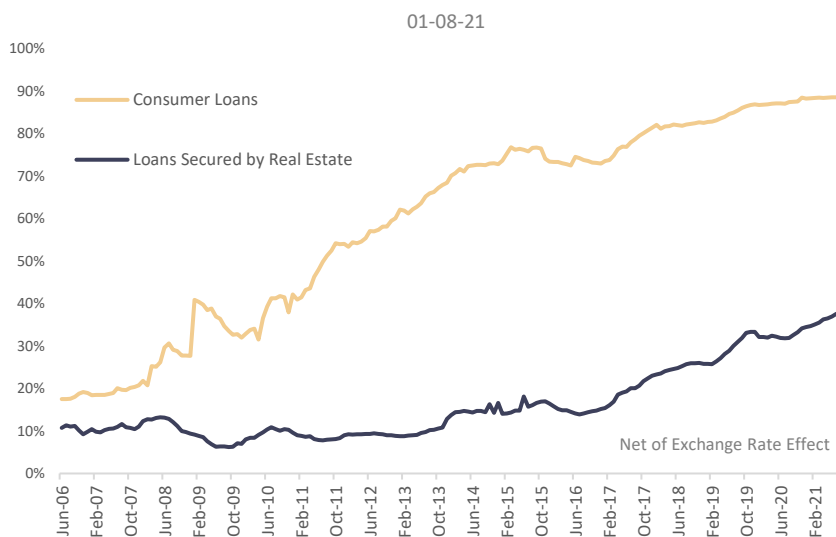
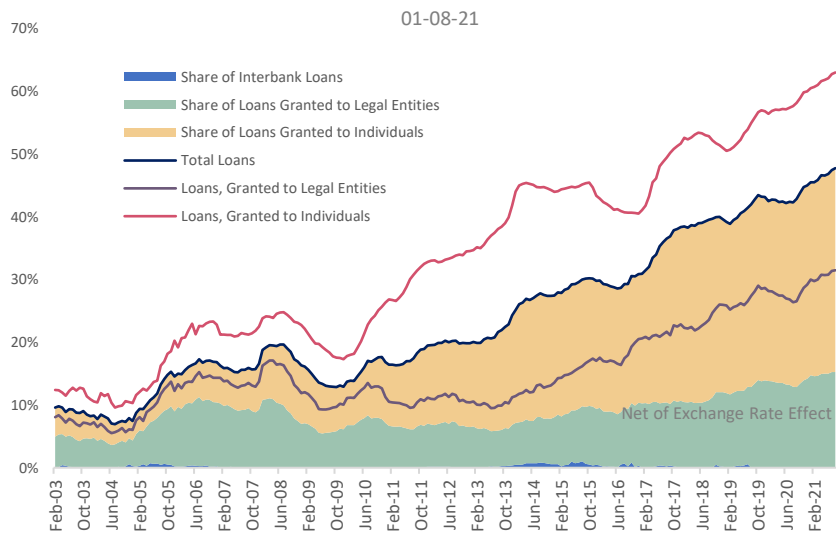


- In August 2021, 4 auctions were held with total issuance volume of 87.625 million GEL.
- The weighted average interest rate amounted to 9.243 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 65 million GEL were redeemed.
- As of August 31, 2021 23.07 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 (July 2.41) and is 2.97.

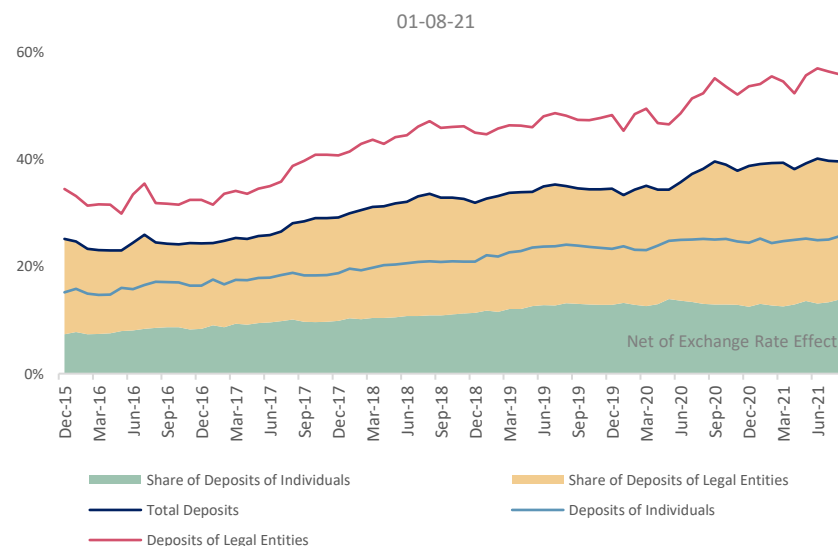
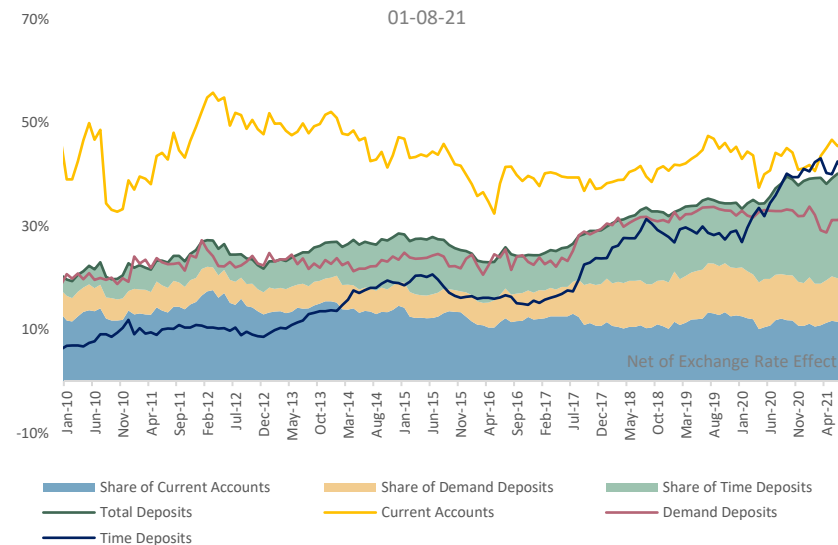
Source: Ministry of Finance of Georgia

The larization rates continue to rise

Loan Larization



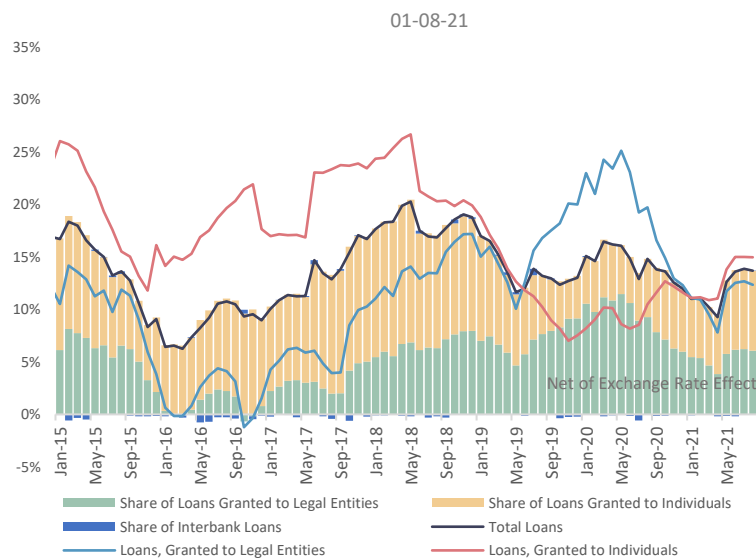
Deposit Larization



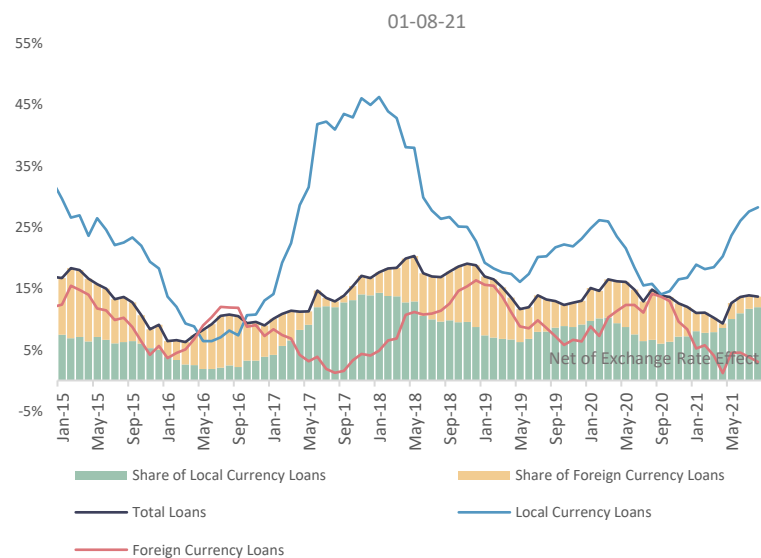
- As of August 1, 2021, the larization of total loans is 47.7 percent.
- The larization of loans to individuals is 63 percent.
- The larization of loans to legal entities amounted to 31.5 percent.
- The larization of total deposits equals to 39.5 percent.
- The larization on deposits of legal entities amounted to 55.8 percent.
- The larization of deposits of individuals is 25.7 percent.
- The larization of time deposits is 39.8 percent.
- The larization of current accounts equals to 46.7 percent.
- The larization of demand deposits is 32.1 percent.

The annual growth trend of loans is revealed

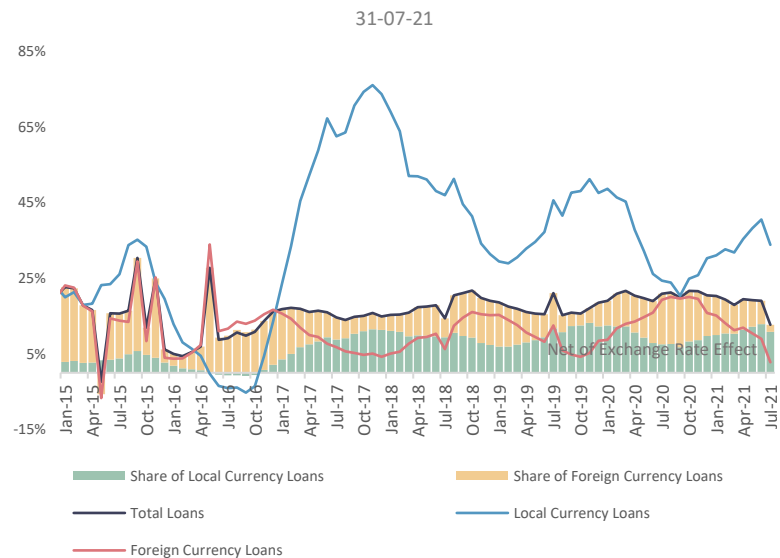
Loans, % y/y



Loans by Currency, % y/y



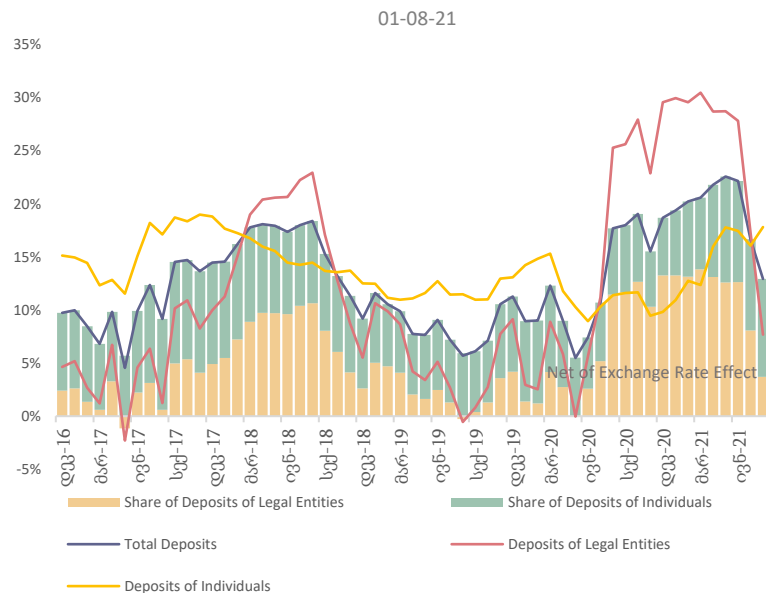
Mortgage Loans, % y/y



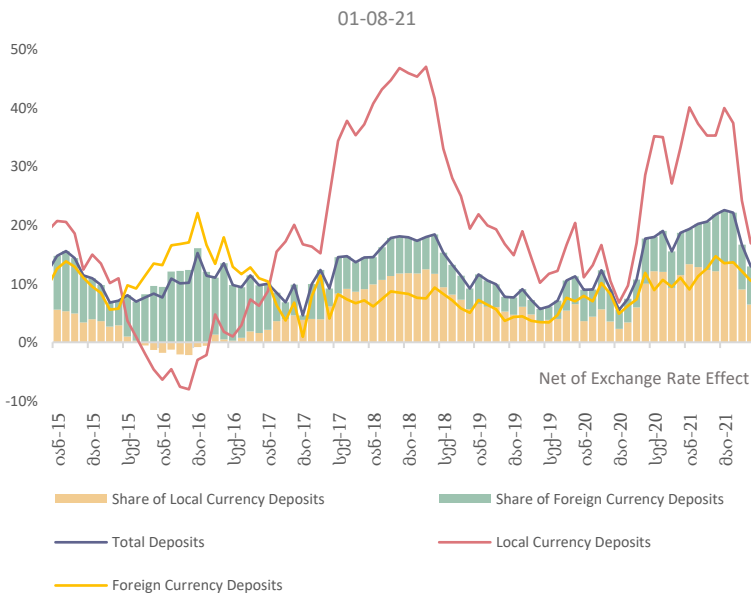
- As of August 1, 2021, total loans increased by 13.7 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 12.4 percent.
- The annual growth of loans to individuals is 15 percent.
- As of August 1, 2021, the growth rate of loans denominated in the national currency amounted to 28.3 percent.
- The annual growth of loans denominated in foreign currency amounted to 3 percent.
- As of July 30, 2021, the annual growth of loans secured by real estate amounted to 12.7 percent. At the same time, mortgage loans denominated in national currency increased by 33.9 percent, while mortgage loans denominated in foreign currency increased by 2.8 percent.

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

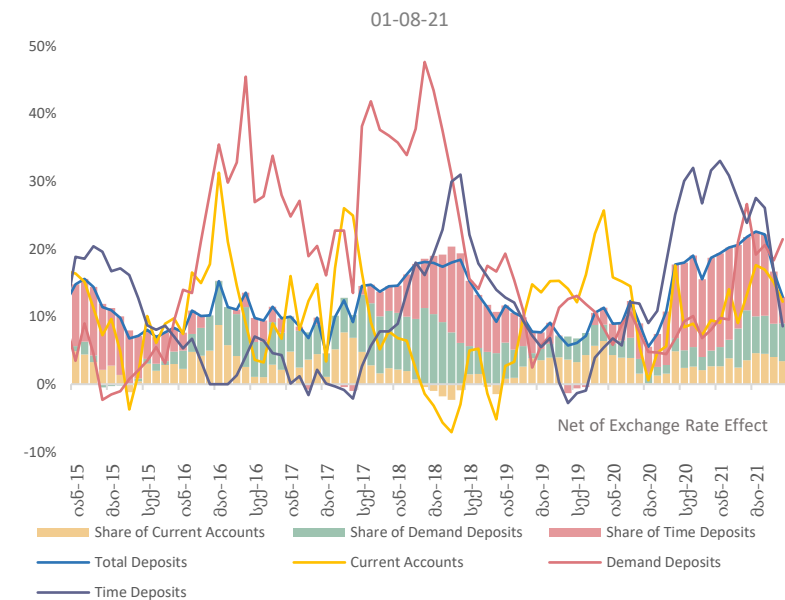
Deposits, % y/y



Deposits by Currency, % y/y



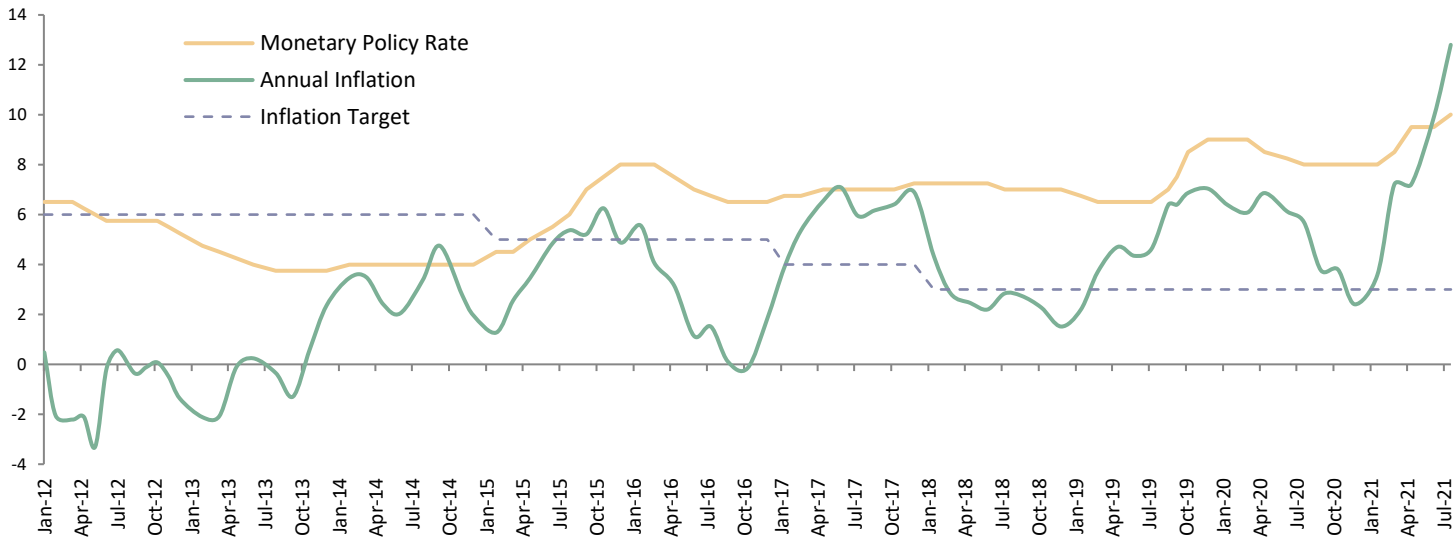
Deposits by type, % y/y



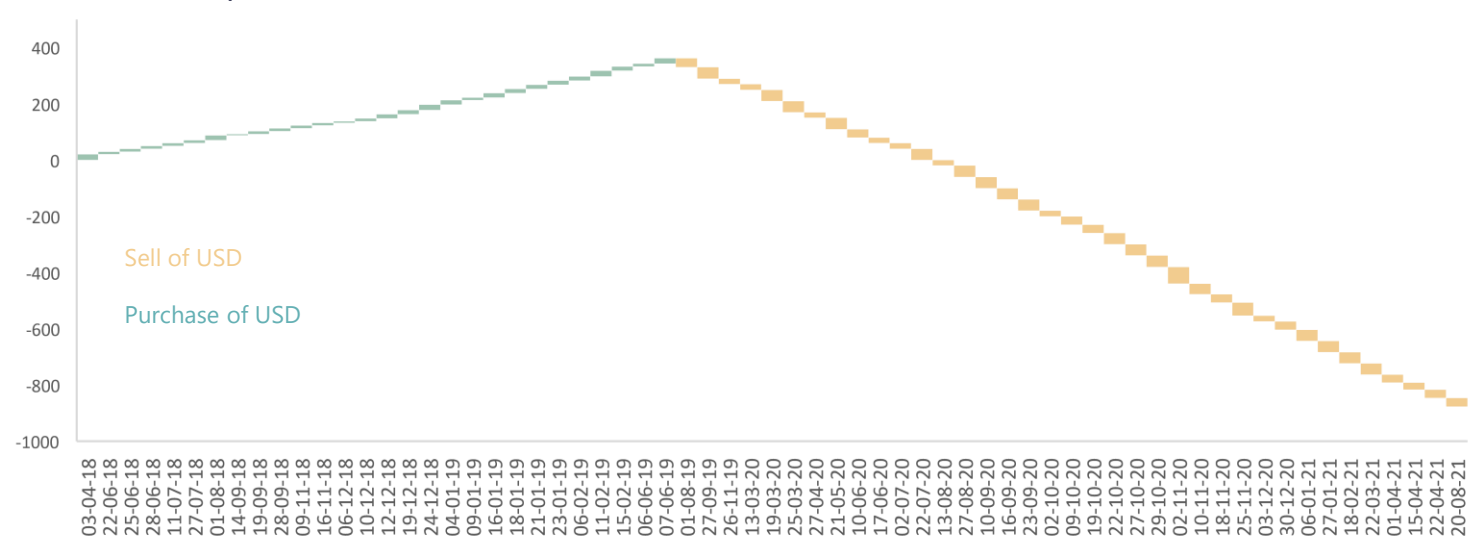
- As of August 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 13 percent.
- The annual growth of deposits denominated in the national currency amounted to 17 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 10 percent over the same period.
- The growth of deposits of individuals amounted to 18 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 8 percent.
- The annual growth of current accounts at the beginning of August 2021 was equal to 12.2 percent.
- The annual growth of time deposits was 8.6 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 21.4 percent.

The National Bank of Georgia has increased the monetary policy rate to 10 percent

Inflation and Monetary Policy Rate



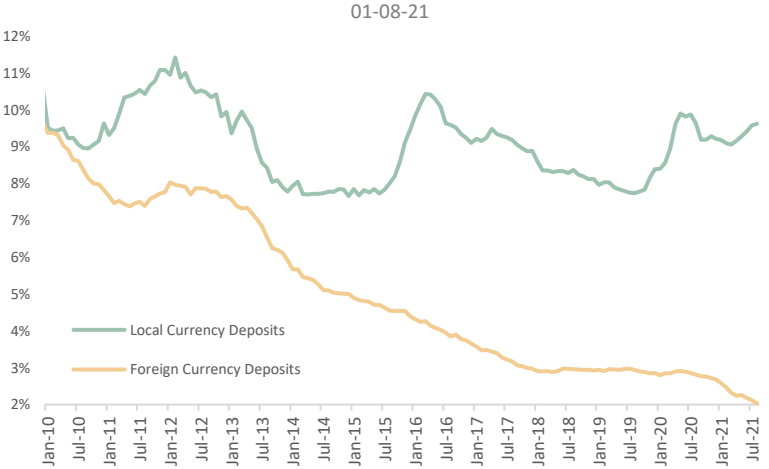
Trade of USD by NBG, mln USD



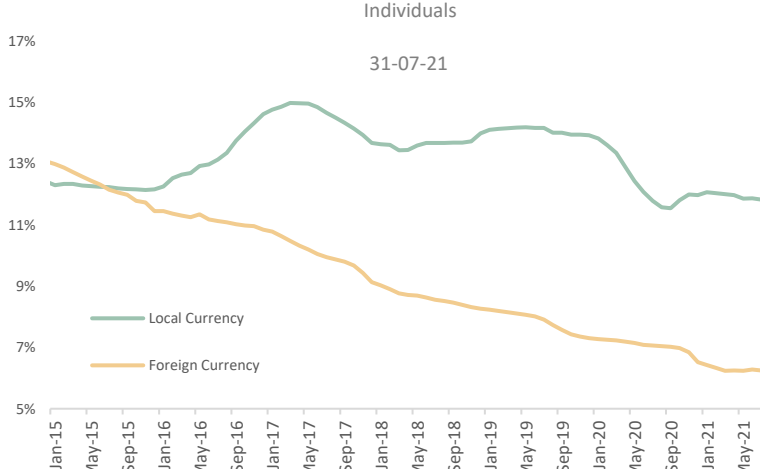
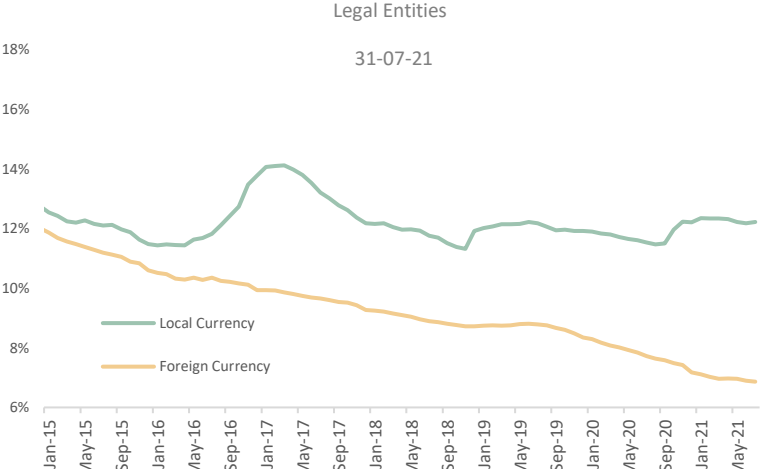
- On August 4, 2021, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 0.5 percentage points.
- The monetary policy rate is 10 percent.
- According to the National Bank, all other things equal, inflation will be above 9 percent on average in 2021, and in 2022 inflation will begin to decline, gradually approaching its medium-term target.
- 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.
- The next meeting of the Monetary Policy Committee will be held on September 15, 2021.

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 August 1, 2021, the interest rate on foreign currency deposits was 2 percent, and in national currency - 9.6 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10 percent, and in foreign currency - 2 percent.
- The average annual interest rate on deposits by individuals is 2.1 percent for foreign currency deposits and 9 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.9 percent (21.7 percent in national currency and 5.9 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.2 percent (18.4 percent in national currency and 7.3 percent in foreign currency).
- At the end of July 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.1 percent, and in foreign currency – 6.9 percent. The interest rate on loans to individuals in the national currency was 12.5 percent, and in foreign currency - 6 percent.

Disclaimer

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