**Chapter II**

**2022 Macroeconomic Review**

 **Economic growth**

In 2022, the real GDP growth compared to the previous year was set at 10.1 percent. The growth in the first quarter showed 15.0%, in the second quarter 7.2%, in the third quarter 9.8%, and in the fourth quarter 9.7%. In 2022, nominal GDP was estimated at 71 754.2 million GEL, up by 19.6 percent that in the previous year. As for the GDP per capita, it amounts to 19 452.7 GEL (6 671.9 USD).

As of 2022, economic growth was recorded in the following sectors: information and communication (49.9%), electricity, gas, steam, and air conditioning supply (38.9%), transport and warehousing (28.4%), administrative and support service activities (17.9%), arts, entertainment, and recreation (17.3%), accommodation and food supply activities (16.7%), water supply; sewage, waste management, and decontamination activities (9.2%), manufacturing industry (7.8%), wholesale and retail trade; repair of motor vehicles and motorcycles (6.1%). The decrease was recorded in the following sectors: healthcare and social service activities (5.7%), real estate activities (4.8%), as well as vocational, scientific, and technical activities (2.4%).

 **Role of the private sector in economic growth**

In 2022, the private sector still held the leading role in economic growth. In 2022, the volume of business sector turnover increased by 21.1 percent, and production value by 26.7 percent. The number of employees in the business sector increased by 44.8 thousand people on average, and by 47.6 thousand people only in the last quarter (these data are given according to the 2021-2022 business sector quarterly surveys of the National Statistics Office of Georgia).

 **Prices**

At the end of 2022, the annual inflation rate was set at 9.8 percent. For the same period, the average inflation rate was 11.9 percent.

Formation of annual inflation was mainly influenced by price changes in the following groups: food and non-alcoholic beverages: prices have increased by 16.3 percent, which was reflected in the increase of the overall index by 5.41 percentage points; housing, water, electricity, gas: 15.8 percent increase in prices was recorded, which was reflected in annual inflation by 1.58 percentage points; transport: prices have increased by 5.5 percent, which reflected on the annual index by 0.64 percentage points; alcoholic beverages, tobacco: prices have increased by 9.3 percent, which was reflected in annual inflation by 0.62 percentage points; hotels, cafes and restaurants: 14.8 percent increase in prices was recorded, which was reflected in the increase of the overall index by 0.6 percentage points.

**Exchange rate**

In 2022, the Georgian Lari gained value against the US dollar. In 2022, compared to 2021, the exchange rate of the Georgian Lari against the US dollar gained value by 12.8 percent and amounted to 2.7 GEL per US dollar. And the nominal effective exchange rate of the Georgian Lari, which represents the average exchange rate of the Lari with the exchange rates of the trading partners, strengthened by 24.9 percent.

 **Monetary aggregates**

In December 2022, compared to December 2021, the M3 broad money aggregate increased by 11.4 percent and amounted to 37 710.5 million GEL, while the M2 money supply increased by 22.9 percent and was recorded at the level of 19 790.7 million GEL.

In 2022, compared to the previous year, the deposit dollarization ratio decreased by 5.6 percentage points and amounted to 53.0 percent. Within the same period, the loan dollarization ratio decreased by 6.0 percentage points and amounted to 44.8 percent.

**Foreign sector**

In 2022, the foreign trade turnover with goods in Georgia amounted to 19 109.6 million US dollars, which is 33.2 percent more than the corresponding indicator of the previous year; Out of this, export amounts to 5 592.8 million US dollars (31.8 percent more) and import is 13 516.9 million US dollars (33.8 percent more). In 2022, the trade deficit of Georgia amounted to 7 924.1 million US dollars.

In 2022, the share of the EU in the total trade turnover amounted to 20.5 percent. Turkey - 14.7 percent, Russia - 13.0 percent, China - 9.7 percent, Azerbaijan - 6.9 percent.

The share of the EU in total exports is 15.4 percent. China - 13.2 percent, Azerbaijan - 12.0 percent, Russia - 11.7 percent, Armenia - 10.5 percent, and Turkey - 7.8 percent.

The share of the EU in total imports is 22.7 percent. Turkey - 17.6 percent, Russia - 13.6 percent, China - 8.3 percent, USA - 7.2 percent, Azerbaijan - 4.7 percent.

According to the commodity groups, copper ores and concentrates take the first place in exports with 18.3 percent, followed by: light vehicles 16.2 percent, ferroalloys 8.2 percent, nitrogen fertilizers 5.0 percent and natural grape wines 4.5 percent.

In the commodity structure of import, light vehicles are in the first place, having a share of 12.0 percent in the total import, followed by: petroleum and petroleum products 9.9 percent, copper ores and concentrates 5.8 percent, petroleum gases 3.4 percent and medical supplies 3.0 percent.

***Trade with the EU countries***

In 2022, compared to the corresponding period of the previous year, exports to the EU countries increased by 20.3%.

Main export commodity groups are as follows:

* Copper ores and concentrates (437.8 million USD, 39.0% increase).
* Hazelnuts and other walnuts (74.0 million USD, 7.6% decrease).
* Natural grape wines (30.7 million USD, 7.1% increase).
* Light vehicles (30.0 million USD, 42.8% increase).
* Ferroalloys (26.5 million USD, 11.1% increase).

In 2022, compared to the corresponding period of the previous year, imports from the EU countries increased by 32.6%.

Main import commodity groups are as follows:

* Petroleum and petroleum products (440.2 million USD, 40.7% increase).
* Light vehicles (289.7 million USD, 116.5% increase).
* Medical supplies (205.5 million USD, 8.0% decrease).
* Phone devices, for cellular networks or other (74.2 million USD, 85.4% increase);
* Cargo vehicles (68.3 million USD, 6.6% increase).

***Trade with Turkey***

In 2022, compared to the corresponding period of the previous year, exports in Turkey increased by 34.9%.

Main export commodity groups are as follows:

* Electricity (79.5 million USD, 930.4% increase).
* Knitted products (116.2 million USD, 20.3% increase).
* Ferroalloys (60.3 million USD, 20.3% increase).
* Carbon steel semi-finished goods (18.2 million USD, 29.6% decrease).
* Ferrous scrap (15.5 million USD, 58.7% decrease).

In 2022, compared to the corresponding period of the previous year, imports from Turkey increased by 29.8%.

Main import commodity groups are as follows:

* Light vehicles (106.7 million USD, 460.6% increase).
* Medical supplies (73.2 million USD, 57.7% increase).
* Metal constructions from ferrous metals and their parts (53.8 million USD, 35.8% increase).
* Pipes, tubes, and hollow profiles of ferrous metals (47.5 million USD, 1.9% decrease);
* Cigars, cigarillos, and cigarettes (47.0 million USD).

***Trade with Russia***

In 2022, compared to the corresponding period of the previous year, exports in Russia increased by 6.8%.

Main export commodity groups are as follows:

* Natural grape wines (160.9 million USD, 23.0% increase).
* Ferroalloys (108.8 million USD, 36.6% decrease).
* Light vehicles (75.6 million USD, 338.1% increase).
* Alcoholic beverages (56.7 million USD, 37.5% increase).
* Mineral and fresh waters (51.0 USD, 16.3% decrease).

In 2022, compared to the corresponding period of the previous year, imports from Russia increased by 79.4%.

Main export commodity groups are as follows:

* Petroleum and petroleum products (622.7 million USD, 360.9% increase).
* Petroleum gases and gaseous hydrocarbons (112.4 million USD, 23.9% increase).
* Wheat or wheat-rye flour (66.8 million US dollars, 478.5% increase);
* Wheat and meslin (61.6 million USD, 29.5% decrease);
* Coke and semi-coke of coal (59.2 million USD, 152.5% increase).

**Remittances**

In 2022, net remittances increased by 98.2 percent compared to the previous year and amounted to 4,028.9 million USD (more by 1 996.2 million USD). Net remittances from Russia increased by 531.5 percent and amounted to 2 026.6 million USD (up by 1 705.7 million USD), from Italy by 11.5 percent and amounted to 423.0 million USD (up by 43.5 million USD), from the USA - by 11.4 percent and totaled to 312.2 million USD (more by 31.8 million USD), from Israel - by 5.8 percent and amounted to 192.9 million USD (up by 10.6 million USD), from Germany - by 43.5 percent and amounted to 154.7 million USD (up by 46.9 million USD). Decreased: from Greece - by 9.2 percent and amounted to 205.0 million USD (less by 20.9 million USD).

In relation to Russia, it should be highlighted that due to the capital control measures imposed in Russia, 2022 money transfer statistics also included money brought in by tourists and migrants through instant money transfer, which in some cases was related to a change of place of residence.

**Tourism**

In 2022, 5 427 thousand visitors traveled to Georgia (as of data of 2021, the number of visitors was 1 881 thousand), which is 188.5 percent more than the same data of the last year; the number of visitors in 2022 compared to the number of visitors in 2019 recovered by 58.0 percent (source: Georgian National Tourism Administration).

Revenues from tourism amounted to 3 516.6 million USD, which is higher by 182.5 percent (an increase of 2 271.7 million USD) than the last year. Tourism revenues in 2022 compared to tourism revenues in 2019 recovered by 107.6 percent (source: National Bank of Georgia).

In relation to Russia, it should be noted that if the number of tourists from Russia and Ukraine is excluded from the tourism income, the recovery rate compared to 2019 is 91.0 percent. It should be highlighted, that while forecasting economic growth in 2022, the recovery of revenues from tourism was expected to be within 70.0 percent.

**Foreign direct investments**

In 2022, according to the preliminary data, foreign direct investments increased by 61.1 percent and amounted to 2 000.0 million USD. The growth is derived from the increase of two components of foreign direct investments - equity capital and reinvestment rate. In terms of foreign direct investments made in Georgia, the largest investor countries are the United Kingdom (428.3 million USD), Spain (367.0 million US dollars), and the USA (163.9 million US dollars). The largest foreign investments were made in the financial and insurance sector (526.4 million USD), real estate (406.9 million USD), and water supply and waste management (197.0 million USD).

**Information on 2022 consolidated budget revenue performance of Georgia**

The consolidated budget revenue projection for 2022 was determined at 19 217 000.0 thousand GEL. Within the reporting period, 19 377 554.4 thousand GEL was mobilized, i.e., 100.8% of the forecast indicator.

The projected **tax** rate was estimated as 17 350 000.0 thousand GEL, while within the reporting period, 17 385 944.3 thousand GEL was mobilized, i.e., 100.2% of the projected rate. It should be highlighted, that 2266.0 million GEL was returned to taxpayers in the form of overpaid taxes in 2022.

The projected **grant** rate was estimated as 357 000.0 thousand GEL, while within the reporting period, 364 658.4 thousand GEL was mobilized, i.e., 102.1% of the projected rate.

The projected **other revenue** rate was determined at 1 510 000.0 thousand GEL; within the reporting period, 1 626 951.7 thousand GEL was mobilized, i.e., 107.7% of the projected rate.

From the decrease in **nonfinancial assets,** 435 576.5 thousand GEL was mobilized, which is 96.8% of the projected rate (450,000.0 thousand GEL).

From the decrease in **financial assets,** 102 416.3 thousand GEL was mobilized, which is 68.3% of the projected rate (150 000.0 thousand GEL).

**2022 consolidated budget revenue performance indicators**

*Thousand GEL*

| **Name** | **Planned** | **Actual** |  **+/-**  | **%** |
| --- | --- | --- | --- | --- |
| **Revenues** | **19,217,000.0** | **19,377,554.4** | **160,554.4** | **100.8** |
|  **Taxes** | **17,350,000.0** | **17,385,944.3** | **35,944.3** | **100.2** |
| Income tax | 5,025,000.0 | 5,034,089.3 | 9,089.3 | 100.2 |
| Profit tax | 1,930,000.0 | 1,930,151.4 | 151.4 | 100.0 |
| VAT | 7,370,000.0 | 7,452,868.5 | 82,868.5 | 101.1 |
| Excise | 2,045,000.0 | 2,010,227.8 | -34,772.2 | 98.3 |
| Import duty | 125,000.0 | 125,992.0 |  992.0 | 100.8 |
| Property tax | 595,000.0 | 603,501.3 | 8,501.3 | 101.4 |
| Other taxes | 260,000.0 | 229,114.1 | -30,885.9 | 88.1 |
| **Grants** | **357,000.0** | **364,658.4** | **7,658.4** | **102.1** |
| **Other revenues** | **1,510,000.0** | **1,626,951.7** | **116,951.7** | **107.7** |

**Information on the revenue performance of the 2022 state budget of Georgia**

The projected indicator of state budget revenues for 2022 was determined at 16 357 411.0 thousand GEL; within the reporting period 16 450 247.4 thousand GEL was mobilized, i.e., 100.6% of the projected rate.

**2022 state budget revenue performance indicators**

*thousand GEL*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name** | **Planned** | **Actual** |  **+/-**  | **%** |
|  **Revenues** | **16,357,411.0** | **16,450,247.4** | **92,836.4** | **100.6** |
| Taxes | 14,964,700.0 | 14,976,686.1 | 11,986.1 | 100.1 |
| Grants | 342,711.0 | 359,062.1 | 16,351.1 | 104.8 |
| Other revenues | 1,050,000.0 | 1,114,499.2 | 64,499.2 | 106.1 |

The projected **tax** indicator was estimated as 14 964 700.0 thousand GEL; within the reporting period 14 976 686.1 thousand GEL was mobilized, i.e. 100.1% of the projected indicator.

Mobilization of certain tax types in the state budget is as follows:

* As income tax, 4 644 377.3 thousand GEL is mobilized, which is 100.2% of the projected indicator (4 635 000.0 thousand GEL).
* As profit tax, 1 930 151.4 thousand GEL is mobilized, which is 100.0% of the projected indicator (1 930 000.0 thousand GEL).
* As Value Added Tax, 6 036 823.5 thousand GEL is mobilized, which is 101.1% of the projected indicator (5 969 700.0 thousand GEL).
* As excise, 2 010 227.8 thousand GEL is mobilized, which is 98.3% of the projected indicator (2 045 000.0 thousand GEL).
* As import tax, 125 992.0 thousand GEL is mobilized, which is 100.8% of the projected indicator (125 000.0 thousand GEL).
* As the other taxes, 229 114.1 thousand GEL is mobilized, which is 88.1% of the projected indicator (260 000.0 thousand GEL). 2,266.0 million GEL was returned to taxpayers in the form of overpaid taxes in 2022.

**2022 state budget tax income performance indicators**

*Thousand GEL*

| **Name** | **Planned** | **Actual** |  **+/-**  | **%** |
| --- | --- | --- | --- | --- |
|  **Taxes** | **14,964,700.0** | **14,976,686.1** | **11,986.1** | **100.1** |
|  Income tax | 4,635,000.0 | 4,644,377.3 | 9,377.3 | 100.2 |
|  Profit tax | 1,930,000.0 | 1,930,151.4 | 151.4 | 100.0 |
|  VAT | 5,969,700.0 | 6,036,823.5 | 67,123.5 | 101.1 |
|  Excise | 2,045,000.0 | 2,010,227.8 | -34,772.2 | 98.3 |
|  Import duty | 125,000.0 | 125,992.0 |  992.0 | 100.8 |
|  Other taxes | 260,000.0 | 229,114.1 | -30,885.9 | 88.1 |

The projected **grant** indicator was defined at 342 711.0 thousand GEL; within the reporting period, 359 062.1 thousand GEL was mobilized, i.e., 104.8% of the projected indicator; in particular:

* Budget support grants - 121 632.2 thousand GEL.
* Grants for investments - 31 572.2 thousand GEL.
* Treasury grants - 107 695.6 thousand GEL.
* Funds directed to the state budget by the legal entities of public law under Article 35 of the Law of Georgia on the 2022 State Budget of Georgia.

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| **Name** | **Reporting period fact** |
| --- | --- |
| **Grants** | **359,062.1** |
| **Budget support grants**  | **121,632.2** |
|  **Grants for investments**  | **31,572.2** |
| SDC | 95.1 |
| IFAD | 1,251.3 |
| EU | 19,182.0 |
| EBRD | 336.5 |
| E5P | 2,170.5 |
| KfW | 6,647.4 |
| CNF | 1,889.4 |
|  **Treasury grants** | **107,695.6** |
|  **Current grants from central LEPLs and NNLEs** | **98,162.1** |

**Other revenues** were estimated in the amount of 1 050 000.0 thousand GEL; 1 114 499.2 thousand GEL was mobilized, i.e., 106.1% of the projected indicator.

Within the reporting period, another revenue mobilization in terms of individual types are as follows:

* + As **property income**, 642 725.8 thousand GEL is mobilized, which is 102.7% of the projected indicator (625 615.0 thousand GEL). From here:
* **Interest** - 251 360.7 thousand GEL, which is 104.7% (240 000.0 thousand GEL) of the projected indicator.
* **Dividends** - 356 242.8 thousand GEL, which is 100.0% (356 115.0 thousand GEL) of the projected indicator; inter alia, income from the National Bank amounts to 356 060.0 thousand GEL.
* As **interest on bonds**, 35 122.3 thousand GEL is mobilized, which is 119.1% (29 500.0 thousand GEL) of the projected indicator.
	+ As **sales revenue** 93 084.9 thousand GEL is mobilized, which represents 115.8% (80 385.0 thousand GEL), of which:
* As **administrative and other fees** - 89 086.1 thousand GEL, which is 116.6% (76 385.0 thousand GEL) of the projected indicator, including the following:
	+ - Licensing fee - 551.9 thousand GEL, i.e., 94.3% (585.0 thousand GEL) of the projected rate.
		- Permit fee - 57 317.6 thousand GEL, i.e., 123.5% (46 400.0 thousand GEL) of the projected rate.
		- Registration fee - 2 071.2 thousand GEL, i.e., 103.6% (2 000.0 thousand GEL) of the projected rate.
		- State duty - 25 521.0 thousand GEL, i.e., 106.3% (24 000.0 thousand GEL) of the projected rate.
		- Consular fee - 1 825.5 thousand GEL, i.e., 107.4% (1 700.0 thousand GEL) of the projected rate.
		- Military service delay fee - 1 051.4 thousand GEL, i.e., 105.1% (1 000.0 thousand GEL) of the projected rate.
		- As for the other unclassified fees, 747.6 thousand GEL is mobilized, i.e., 106.8% (700.0 thousand GEL) of the projected rate.
* **Goods and services sold with non-market terms and conditions -** 3 998.8 thousand GEL, which is 100.0% (4 000.0 thousand GEL) of the projected rate.
	+ - From sales of goods - 0.6 thousand GEL.
		- From providing services - 3 984.9 thousand GEL, which is 99.6% (4 000.0 thousand GEL) of the projected rate.
		- Other revenue from goods and services sold with non-market terms and conditions – 13.3 thousand GEL.
	+ **As sanctions (fines and penalties)** 129 720.2 thousand GEL is mobilized, i.e., 104.6% (124 000.0 thousand GEL) of the projected rate.
	+ **Transfers not classified elsewhere** - 248 968.3 thousand GEL (113.2% (220 000.0 thousand GEL) of the projected rate) is mobilized, including the income received from the road usage charge amounted to 128 055.3 thousand GEL, which almost doubled compared to the actual figure of 2021. On the one hand, the mentioned increase is caused by the increase in the amount of road usage charge from June 2022 (from 200 GEL to 350 GEL), and on the other hand, by the increase in transit shipments.

**Performance indicators of other revenues of the 2022 state budget**

*Thousand GEL*

| **Name** | **Planned** | **Actual** |  **+/-**  | **%** |
| --- | --- | --- | --- | --- |
| **Other revenue** | **1,050,000.0** | **1,114,499.2** | **64,499.2** | **106.1** |
|  **Property income**  | **625,615.0** | **642,725.8** | **17,110.8** | **102.7** |
|  Interest | 240,000.0 | 251,360.7 | 11,360.7 | 104.7 |
| Dividends | 356,115.0 | 356,242.8 | 127.8 | 100.0 |
| Interest on bonds | 29,500.0 | 35,122.3 | 5,622.3 | 119.1 |
|  **Sales revenue**  | **80,385.0** | **93,084.9** | **12,699.9** | **115.8** |
|  **Administrative and other fees** | **76,385.0** | **89,086.1** | **12,701.1** | **116.6** |
|  Licensing fee | 585.0 | 551.9 | -33.1 | 94.3 |
|  Permit fee | 46,400.0 | 57,317.6 | 10,917.6 | 123.5 |
|  Registration fee | 2,000.0 | 2,071.2 | 71.2 | 103.6 |
|  State duty  | 24,000.0 | 25,521.0 | 1,521.0 | 106.3 |
|  Consular fee | 1,700.0 | 1,825.5 | 125.5 | 107.4 |
|  Military service delay fee | 1,000.0 | 1,051.35 | 51.3 | 105.1 |
| Other unclassified fees | 700.0 | 747.6 | 47.6 | 106.8 |
| **Goods and services sold with non-market terms and conditions** | **4,000.0** | **3,998.8** | **-1.2** | **100.0** |
|  From sales of goods |  | 0.6 | 0.6 |  |
|  From providing services  | 4,000.0 | 3,984.9 | -15.1 | 99.6 |
| Other revenue from goods and services sold with non-market terms and conditions |  | 13.3 | 13.3 |  |
| **Sanctions (fines and penalties)** | **124,000.0** | **129,720.2** | **5,720.2** | **104.6** |
| **Transfers not classified elsewhere** | **220,000.0** | **248,968.3** | **28,968.3** | **113.2** |

202 833.5 thousand GEL was mobilized from the decrease in **nonfinancial assets,** which represents 67.6% (300 000.0 thousand GEL) of the projected rate, including 170 605.1 thousand GEL mobilized from the sale of fixed assets, which is 63.2% (270 000.0 thousand GEL) of the projected rate; 32 227.2 thousand GEL is mobilized from the land sale, which represents 107.4% (30 000.0 thousand GEL) of the projected rate and material stocks amount to 1.3 thousand GEL.

It should be noted that the non-financial decrease indicator of the consolidated budget amounted to 96.8%; this indicator is mainly formed from the income received from the sale of land, a large part of which is reflected in the incomes of the budgets of the municipalities.

144 228.9 thousand GEL is mobilized from the decrease in **financial assets,** which represents 96.2% (150 000.0 thousand GEL) of the projected rate.