



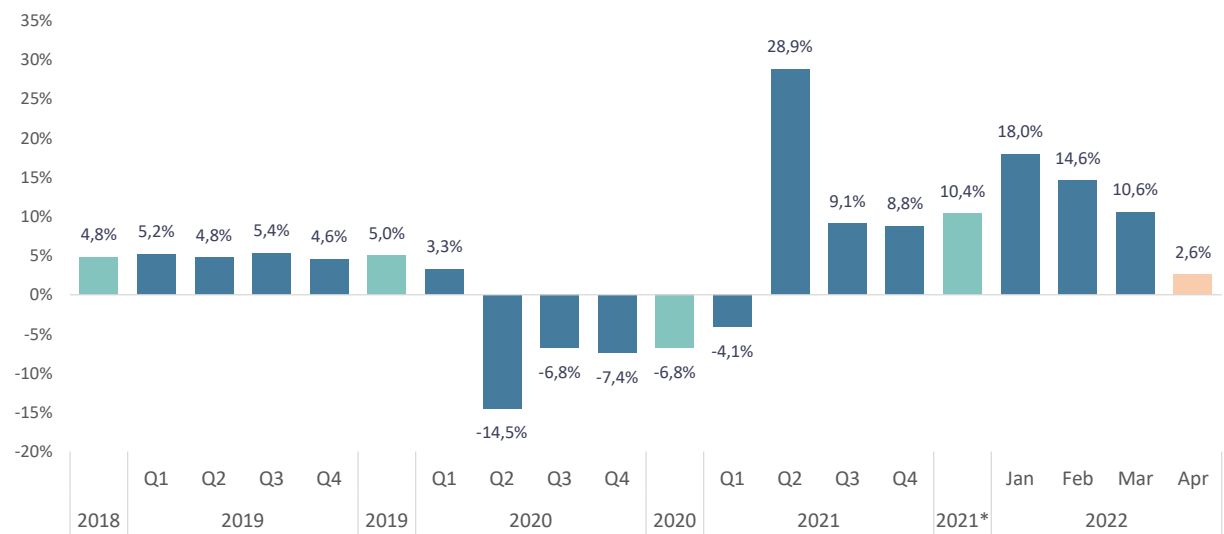
# Current Economic Outlook

May, 2022

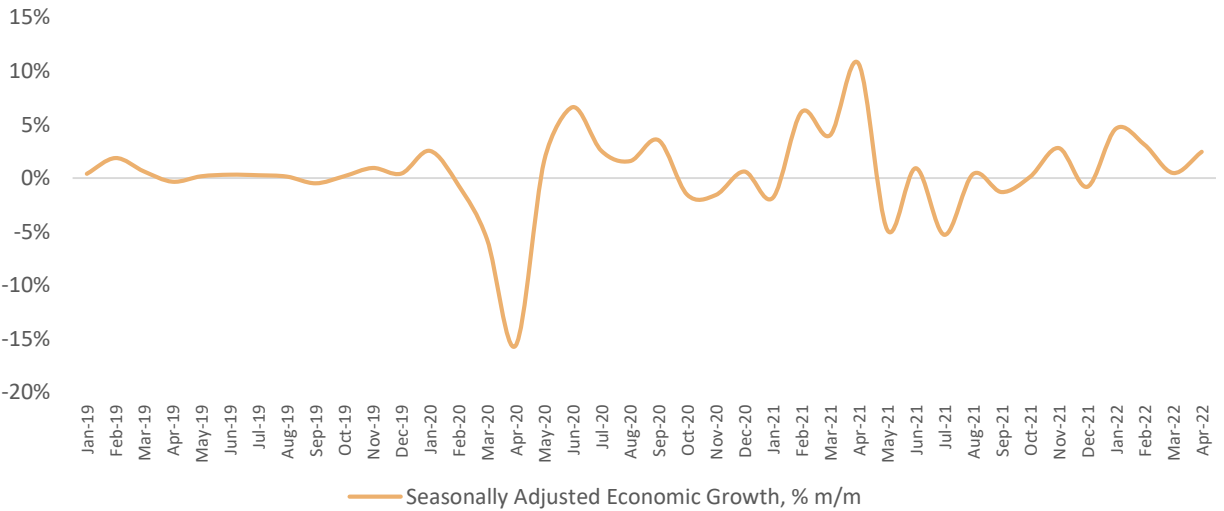
- In April 2022, the real GDP growth rate was 2.6 percent and average growth rate of the first quarter of 2022 was 14.4 percent, according to the preliminary estimates of the National Statistics Office.
- In May, annual inflation stood at 13.3 percent, while core inflation was 6.7 percent
- In April, exports increased by 10.0 percent year-on-year and imports increased by 25.4 percent year-on-year, increasing the trade deficit by 40.6 percent year-on-year to 532.8 million USD
- For April, the real effective exchange rate appreciated by 10.4 percent compared to the same period of the previous year and by 0.8 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

# Economic Growth in April was equal to 2.6 percent

Economic Growth, % y/y

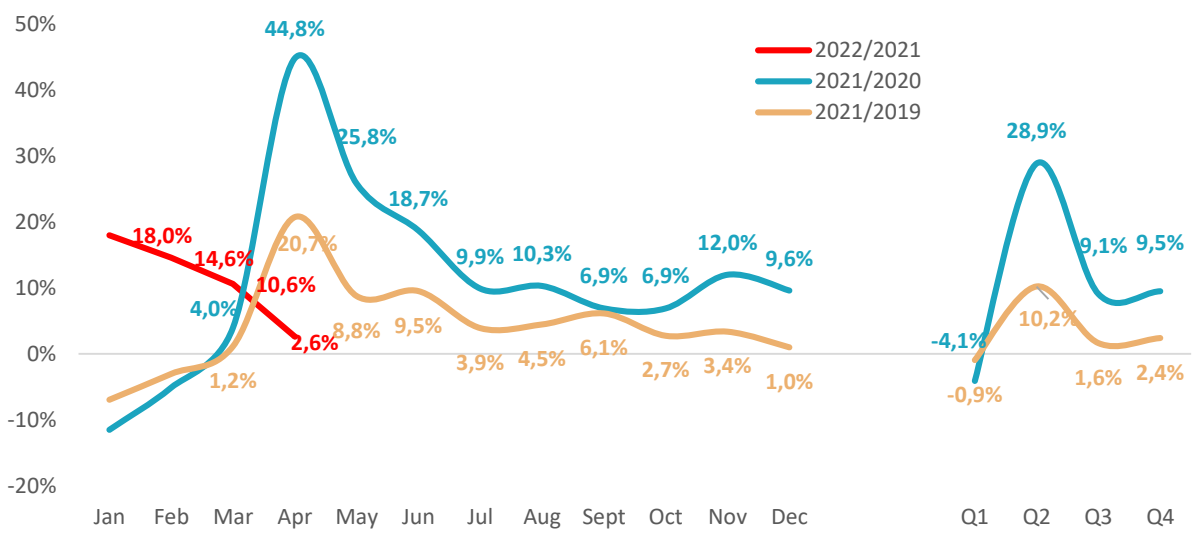


Economic Growth, % m/m



- Estimated real GDP growth rate in April 2022 equaled 2.6 percent YoY and average annual real GDP growth rate for 2022 January-April equals to 10.8 percent.
- In April 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing, hotels and restaurants, electricity, gas, steam and air conditioning supply, financial and insurance activities, arts, entertainment and leisure, mining industry.
- A decline was registered in the fields of construction, processing industry, professional, scientific, technical activities and trade.

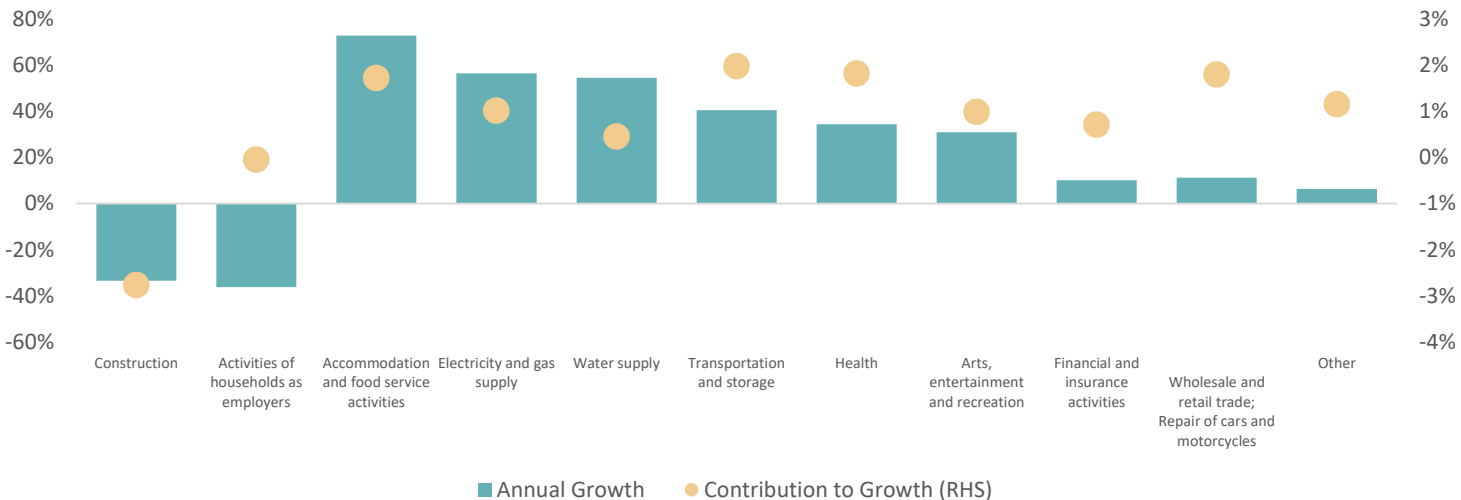
Economic Growth, 2022-2019



Source: Geostat, MOF

# According to preliminary estimates, real GDP increased by 14.4 percent in the first quarter of 2022

Real GDP growth by economic activity, 2021 IV Quarter

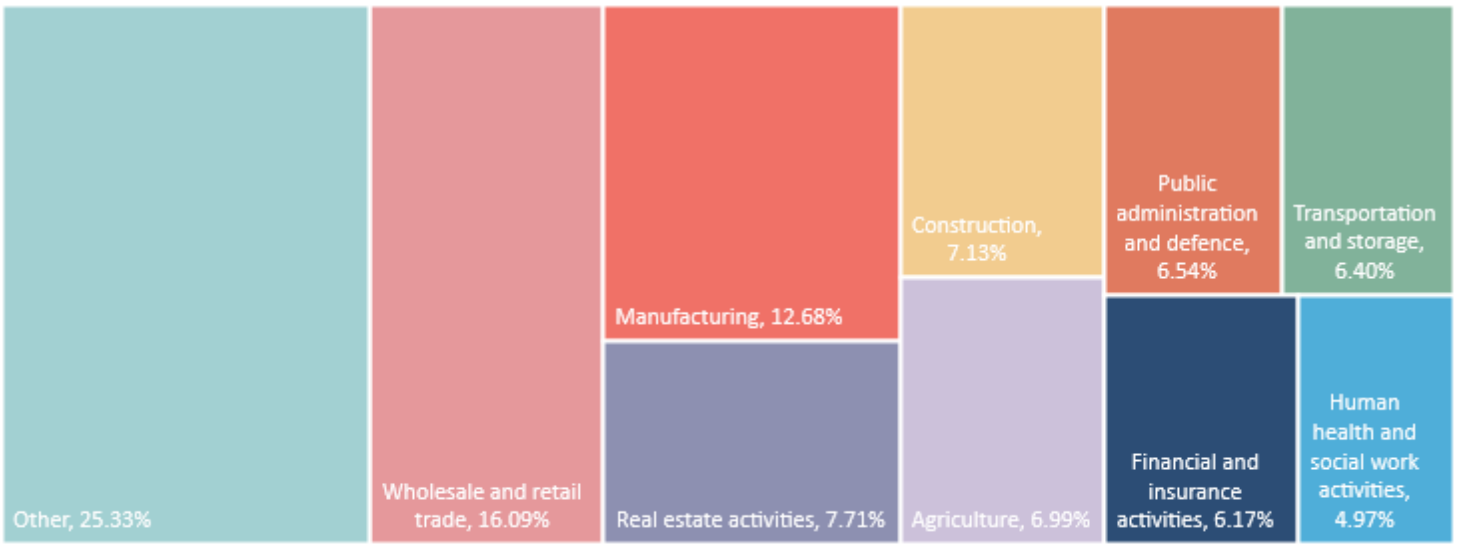


▪ According to preliminary estimates, in the first quarter of 2022 economic growth amounted to 14.4 percent, while in the fourth quarter of 2021, compared to the corresponding period of the previous year, real GDP increased by 8.8 percent and by 0.8 percent compared to the fourth quarter of 2019.

• The following industries have made a significant contribution to growth of Q4 2021:

- Electricity and gas supply: 56.5% y/y (1.0 pp)
- Water supply; Sewage, waste management and pollution control activities: 54.5% y/y (0.4% pp)
- Transportation and storage: 40.6% y/y (2.0 pp)
- Accommodation and food service activities: 72.8% y/y (1.7 pp)
- Arts, entertainment and recreation: 31.0% y/y (1.0 pp)
- Health and social service activities: 34.4% y/y (1.8 pp)
- Financial and insurance activities: 10.1% y/y (0.7 pp)
- Wholesale and retail trade: 11.2% y/y (1.8 pp)

GDP by economic activity, 2021 IV Quarter

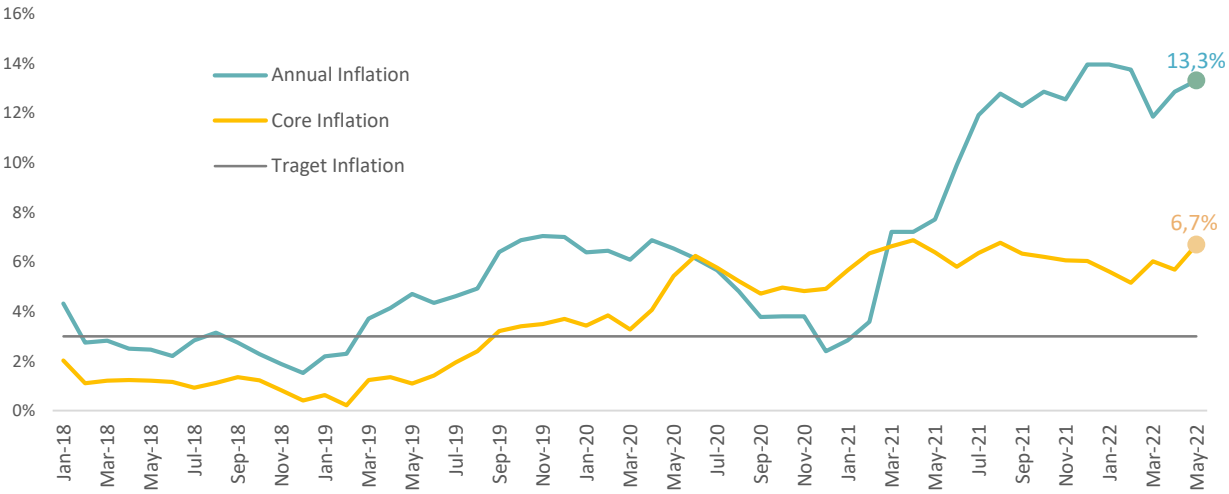


• The following industries have made a significant contribution to the decline:

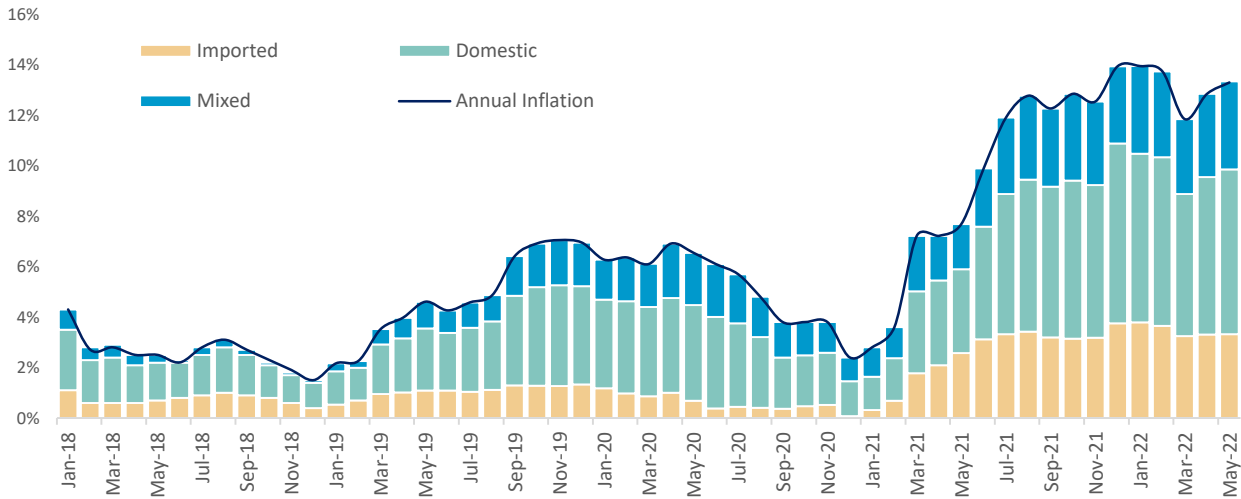
- Construction: -33,4% y/y (-2.8 pp)
- Activities of Households as employers: -36.1% y/y (-0.05 pp)

# Annual inflation in May has reached 13.3 percent

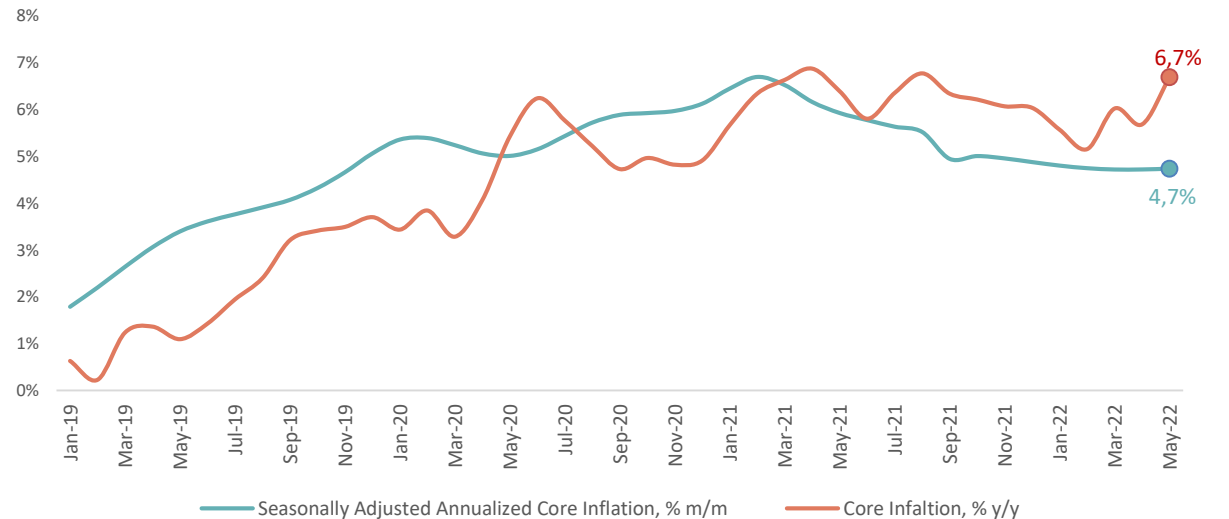
## Total and Core Inflation, % y/y



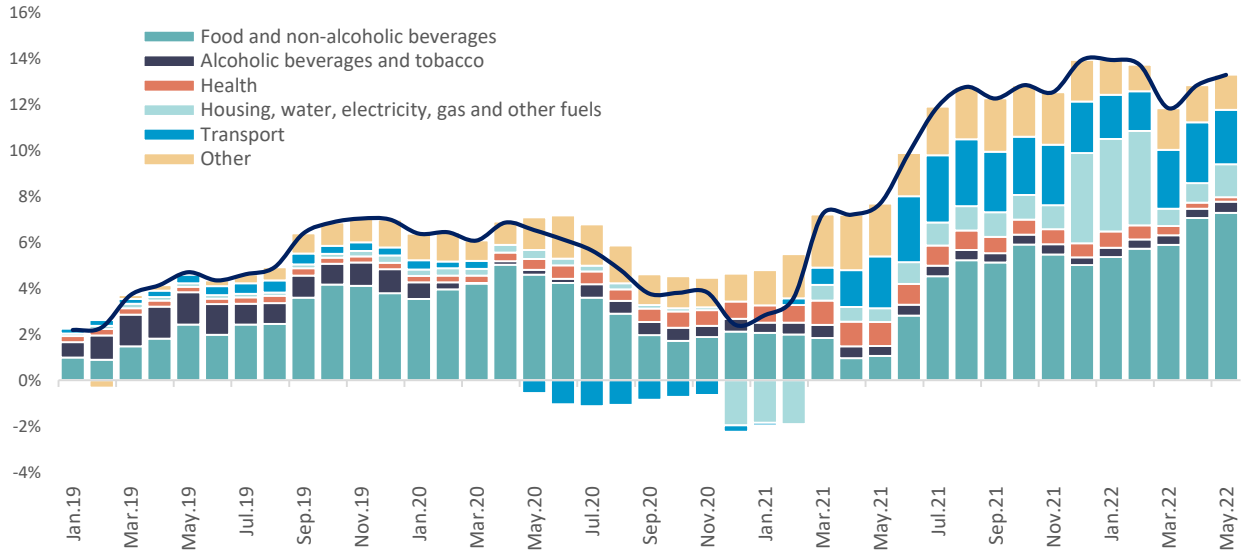
## Inflation Decomposition



## Core Inflation, % m/m



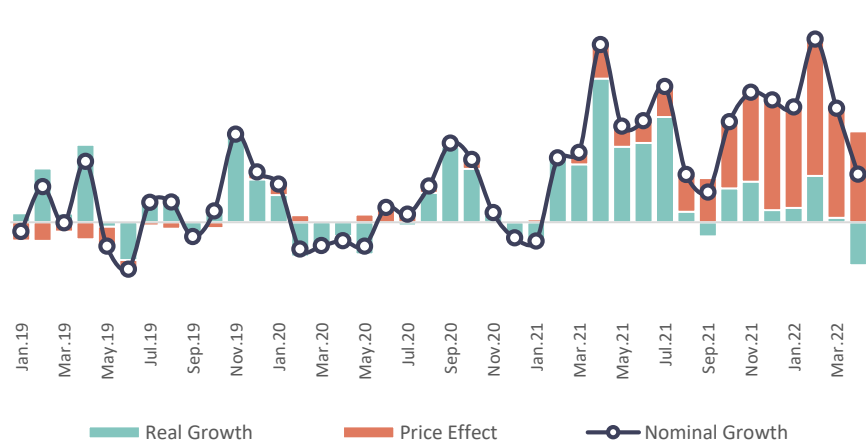
## Inflation Decomposition by product group



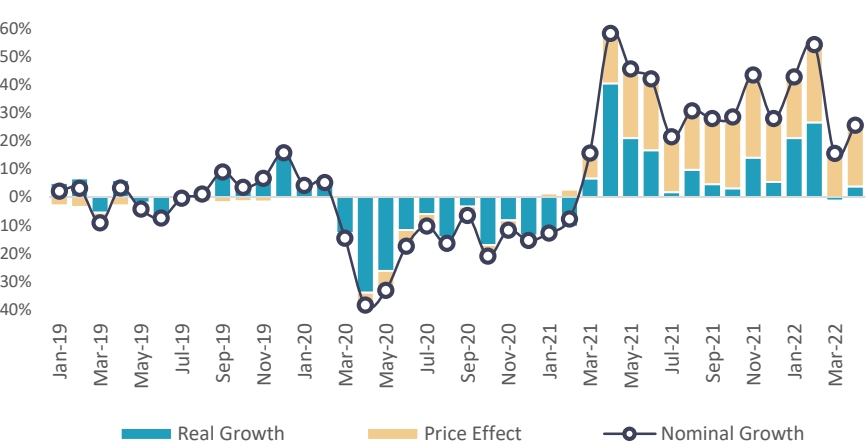
Source: Geostat, NBG, MOF

# Trade Deficit increased by 40.6 percent annually

Change of Domestic Export, %y/y

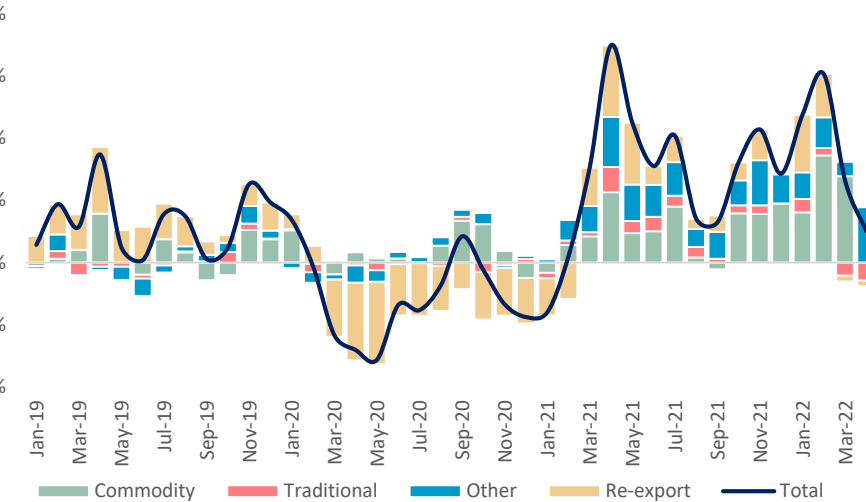


Change of Import, %y/y

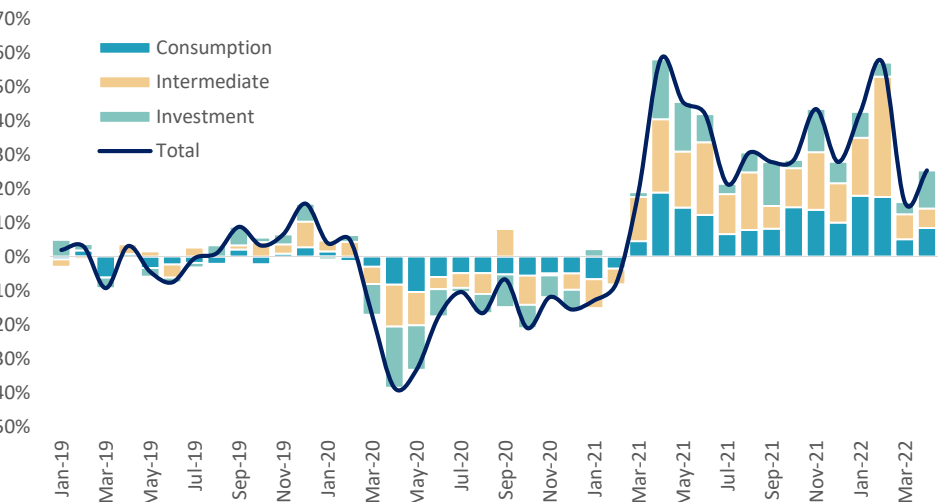


- Export increased annually by 10.0 percent to 415.2 million USD in April.
- Domestic export increased annually by 16.3 percent to 322.1 million USD.
- Import annually increased by 25.4 percent to 948.0 million USD in March.
- Trade deficit annually increased by 40.6 percent to 532.8 million USD in April.

Decomposition of Export



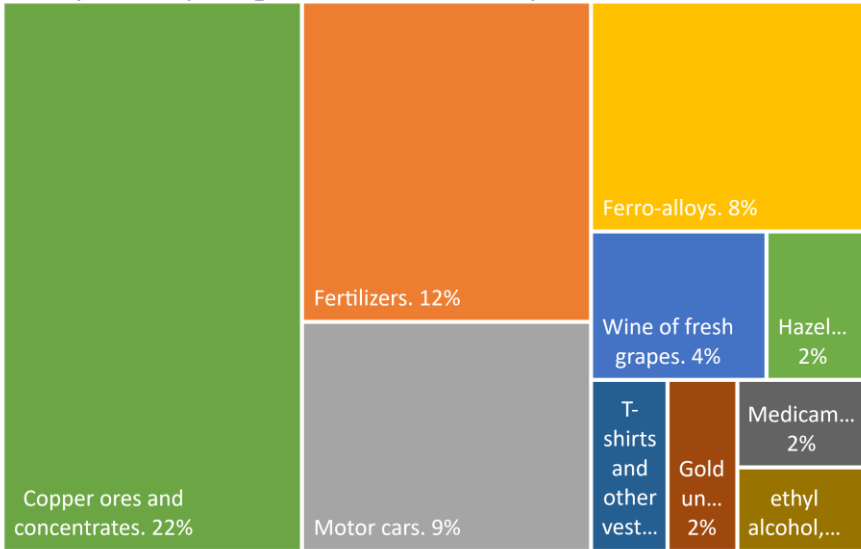
Decomposition of Change of Import, %y/y



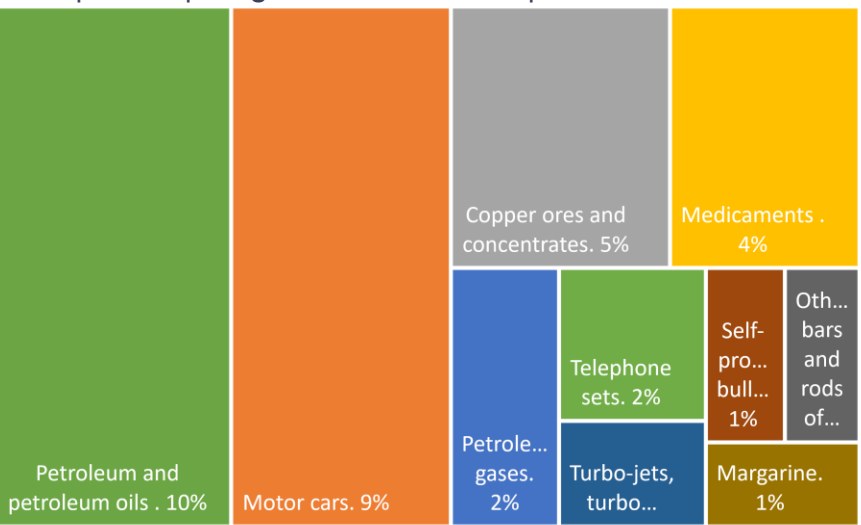
- Share of re-export is equal to 22.5 percent (-7.1 %y/y), while share of commodity export equals to 37.3 percent (-0.2 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 11.2, 8.4 and 5.8 percent respectively.

# International trade is characterized by stable diversification

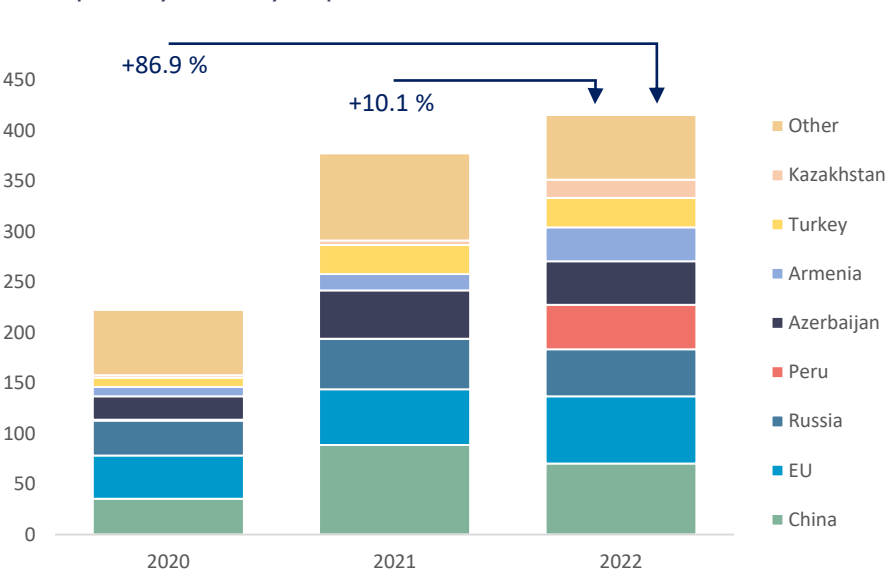
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, April



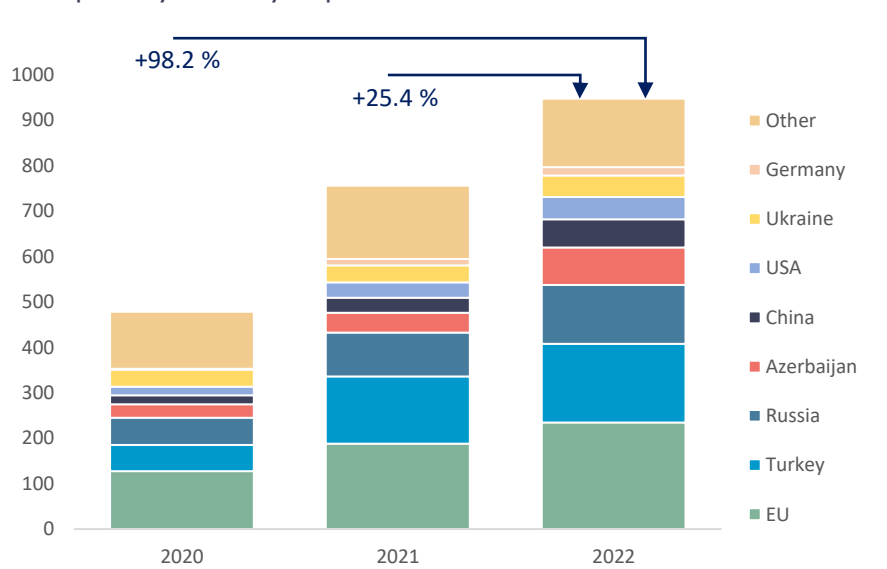
Top Export Products:

- Copper ores and concentrates: 92.2 mln. USD – 22.2 percent of total export.
- Fertilizers: 51.8 mln. USD – 12.5 percent.
- Motor cars: 37.1 mln. USD – 8.9 percent.

Top Import Products :

- Petroleum and petroleum oils: 92.5 mln. USD – 9.8 percent.
- petroleum gases: 86.7 mln. USD – 9.1 percent of total import.
- Copper ores and concentrates: 43.5 mln. USD – 4.6 percent.

Import by country, April



Top Export Country:

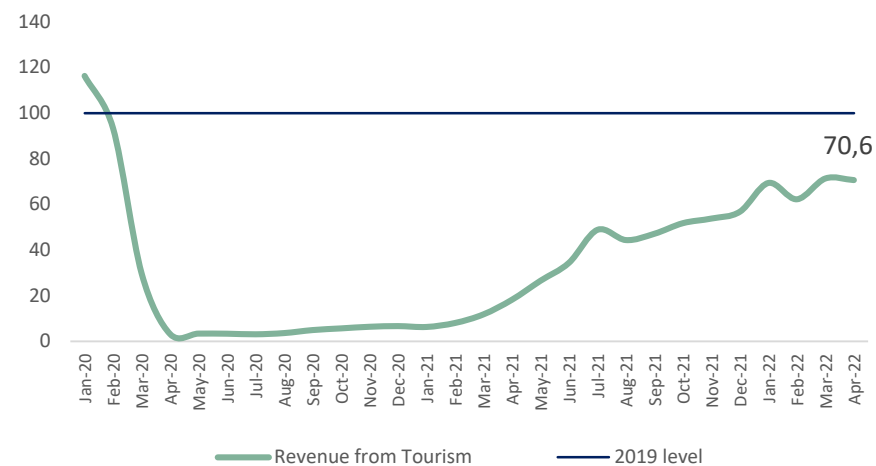
- China: 70.4 mln. USD – 16.9 percent.
- EU: 66.4 mln. USD – 16.0 percent.
- Russia: 46.6 mln. USD – 11.2 percent.

Top Import Country :

- EU: 234.4 mln. USD – 24.7 percent.
- Turkey: 173.7 mln. USD – 18.3 percent.
- Russia: 129.3 mln. USD – 13.6 percent.

# Tourism recovery continue to increase and reached 70.6 percent of 2019 level in April

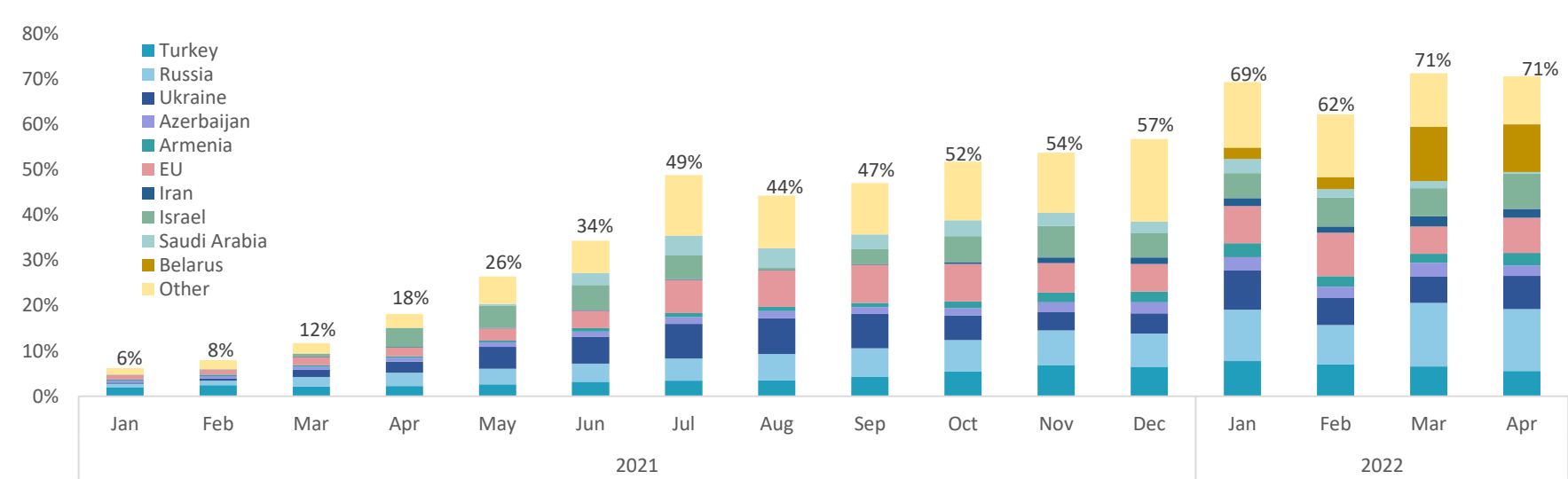
Revenue from Tourism, 2019 = 100



Revenue from Tourism, April 2022

Country	Tourism Revenue, mln USD
Russia	36.46
Belarus	28.12
Israel	20.88
EU + UK	20.76
Ukraine	19.47
Turkey	14.97
Other	47.93

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

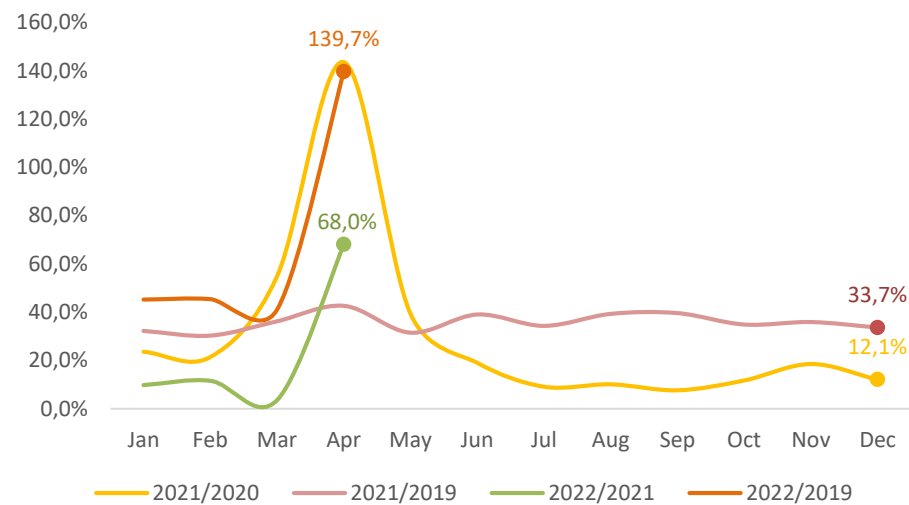


- In April 2022, tourism revenues increased by 288.9 percent to 188.6 million USD. Such high increase is mainly due to low level of tourism revenue inflow in April 2021 (48.5 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in April 2022 decreased by 29.4 percent compared to April 2019.
- At the same time, seasonally adjusted tourism revenues increased by 13.2 percent compared to the previous month.

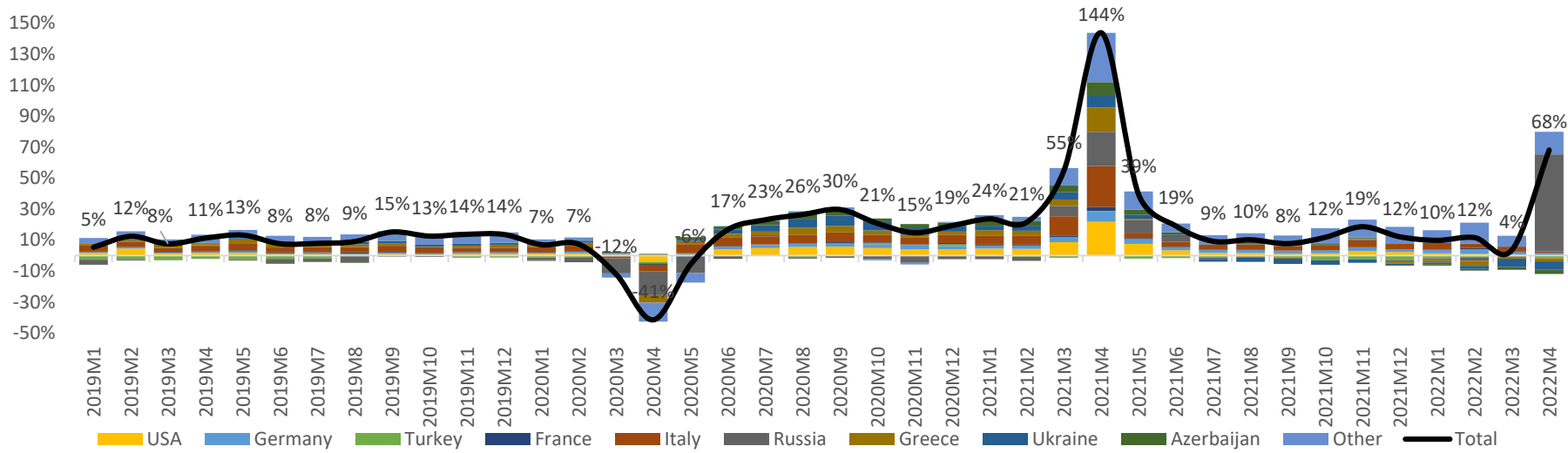


# Remittances are increasing as a result of economic activity in the region

Net Remittances



Net Remittances by country, %y/y



Net Remittances, April 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	130.3	421.9%	62.6
Italy	32.8	4.71%	0.9
USA	24.1	-1.9%	-0.3
Kazakhstan	19.1	933.7%	10.2
Greece	17.2	-16.8%	-2.1
Germany	11.3	35.3%	1.8
Other	48.0	-15.1	-5.1

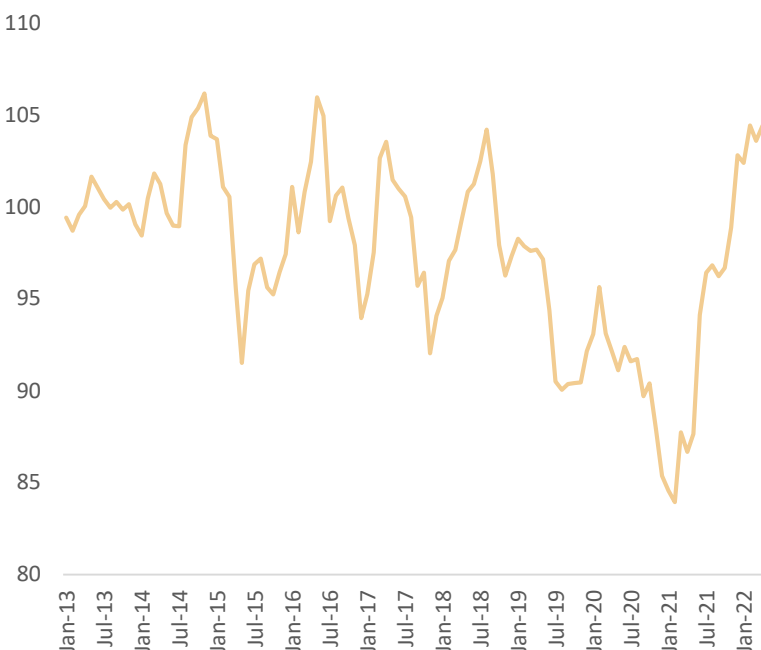
- In April 2022, net remittances were estimated at 282.8 million USD, representing a 68 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 139.7 percent.
- Net Remittances increased from:
  - Russia: 421.9 percent (62.6 p.p. contribution to overall growth).
  - Kazakhstan: 932.7 percent (10.2 p.p. contribution to overall growth).
  - Germany: 35.3 percent (1.9 p.p. contribution to overall growth).
- Net Remittances decreased from:
  - Ukraine: -142 percent (-5.4 p.p. contribution to overall growth).
  - Greece -16.8 percent (-2.1 p.p. contribution to overall growth)
  - USA: -1.9 percent (-0.3 p.p. contribution to overall growth).

The real effective exchange rate in April appreciated by 20.4 percent annually

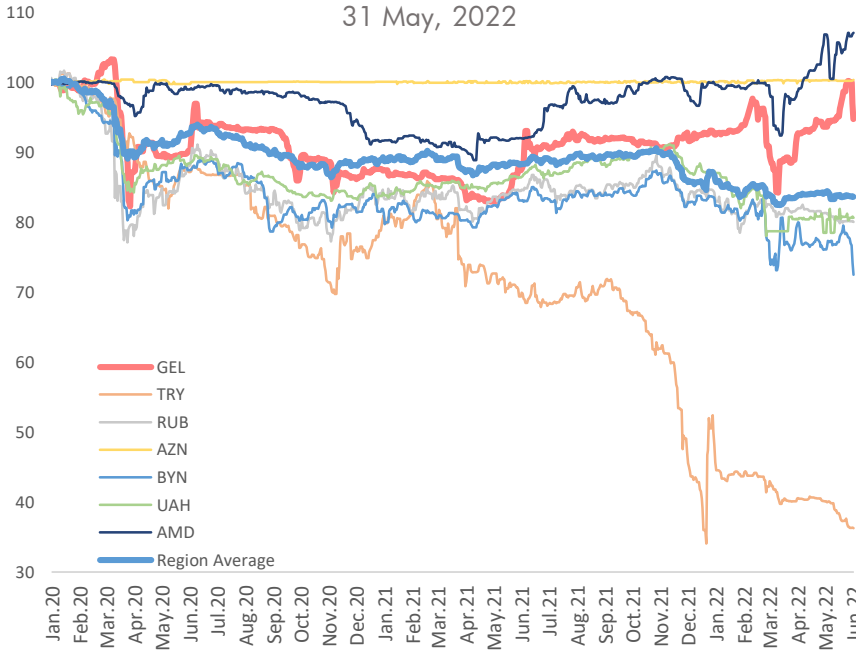
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



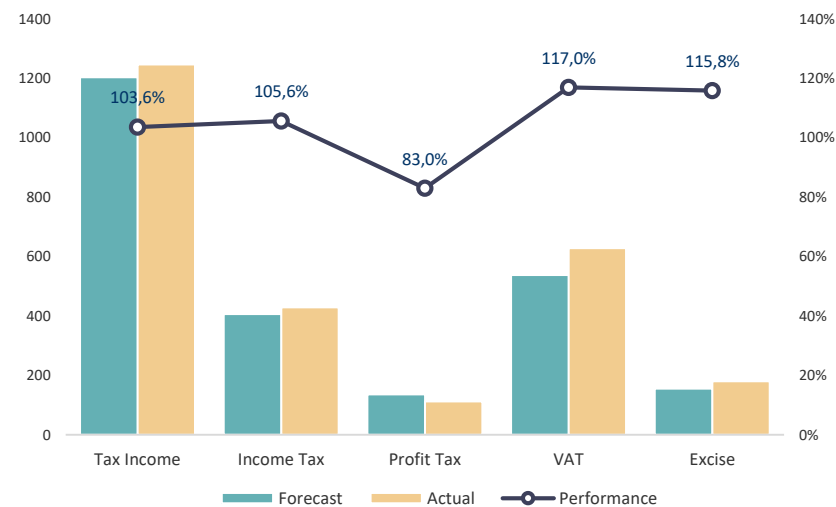
Note: Increase means appreciation

	May 31, 2022		May 31, 2022 - Jan 1, 2022		May 31, 2022 - Jan 1, 2021
Euro	3.1833	▲	1.0%	▼	-3.9%
US Dollar	2.9546	▼	-3.0%	▼	-9.5%
Turkish Lira	0.1805	▲	166.9%	▲	180.0%
Russian Ruble	0.0473	▼	-2.6%	▼	-18.9%
NEER	137.07	▲	4.5%	▲	23.9%
REER (April 2022)	128.33	▲	2.0%	▲	22.3%

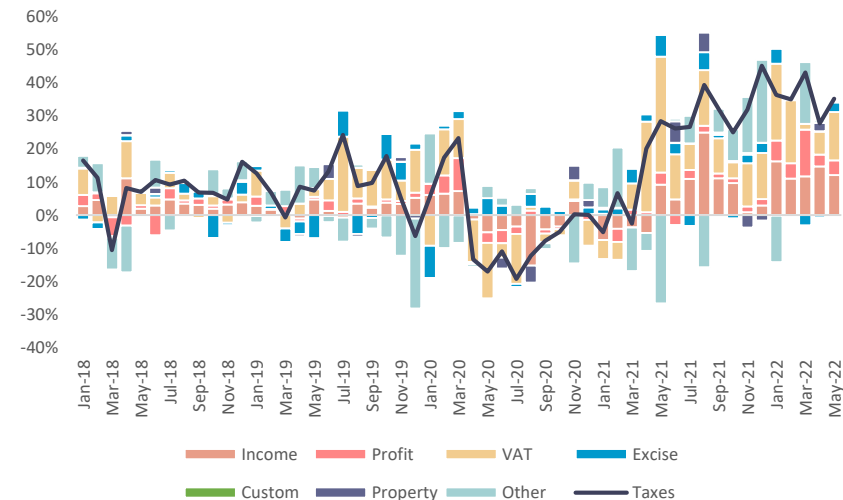
Source: NBG

# Tax revenues in the May is above the forecast value by 3.6 percent

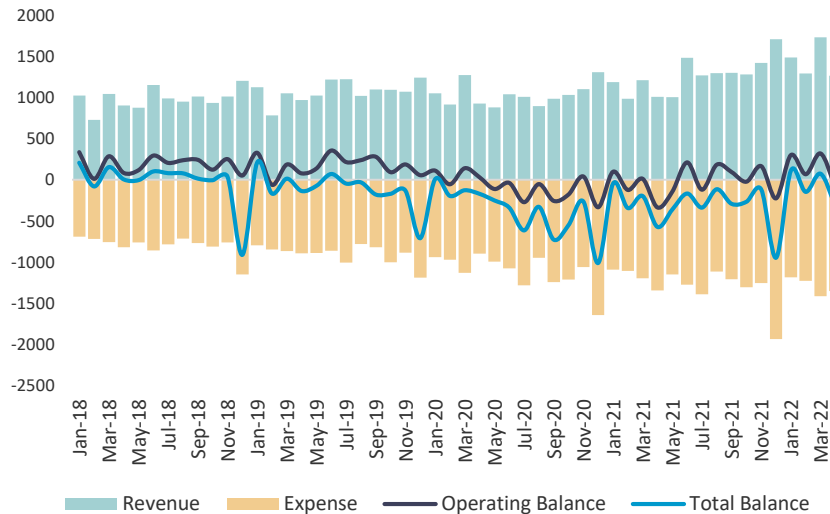
Budget Revenue Performance, May 2022



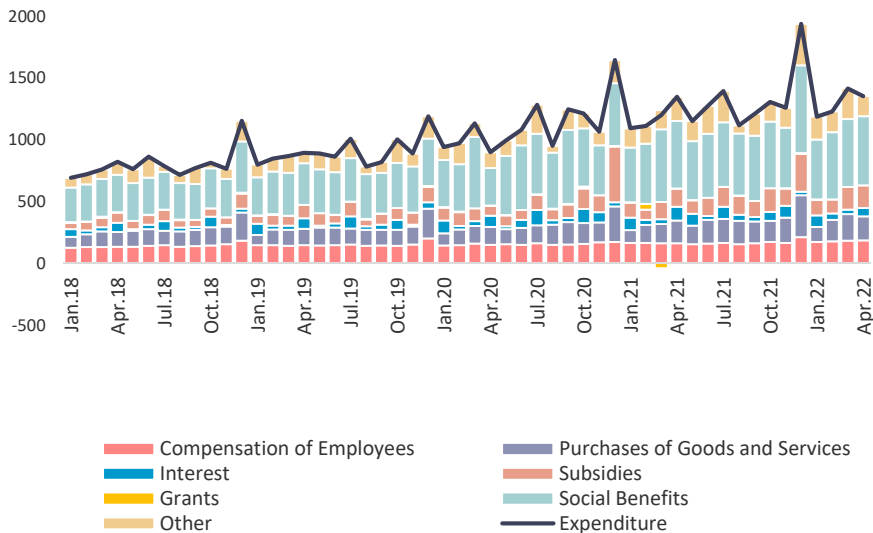
Tax Income, % y/y



Consolidated Budget, mln GEL



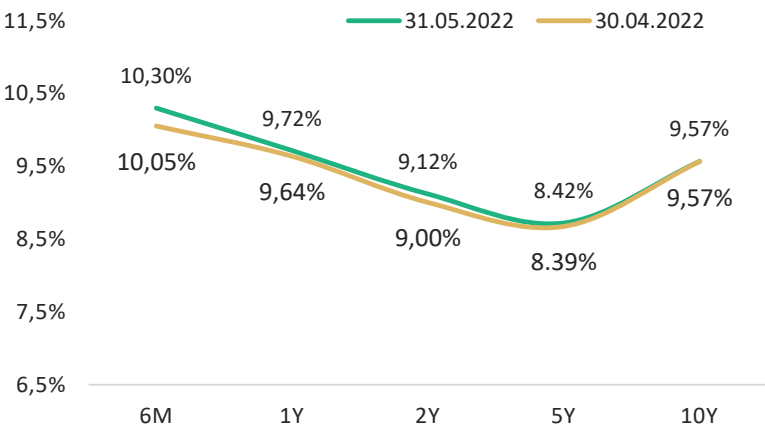
Consolidated Budget Expenditure, mln GEL



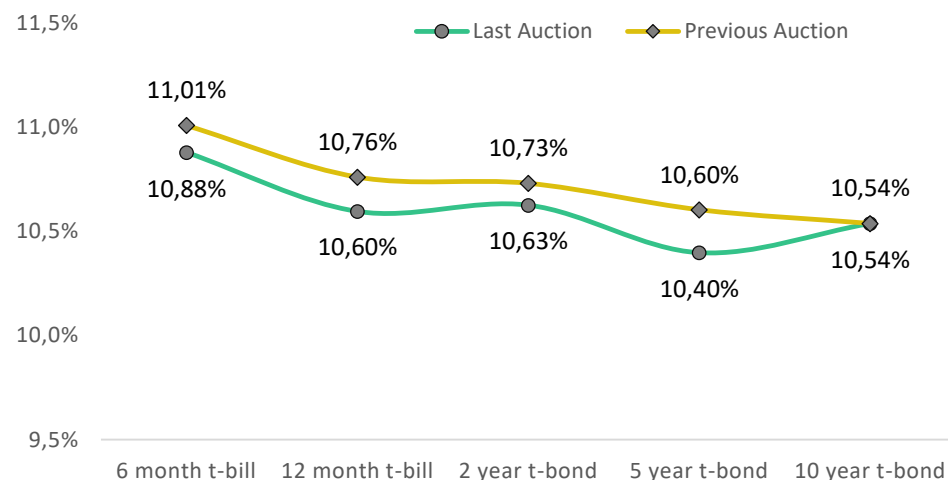
- The actual level of tax income in May 2022 was 1,246 mln GEL, which is 3.6 percent higher compared to the forecasted value of tax income of 1,203 mln GEL.
- Consolidated budget revenues increased by 25.5 percent and expenditures by 0.5 percent in April.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -87.7 million GEL, while the total balance was set at -314.7 million GEL.
- Revenue from taxes had a significant impact on revenue from profit in May, accounting for 14.6 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

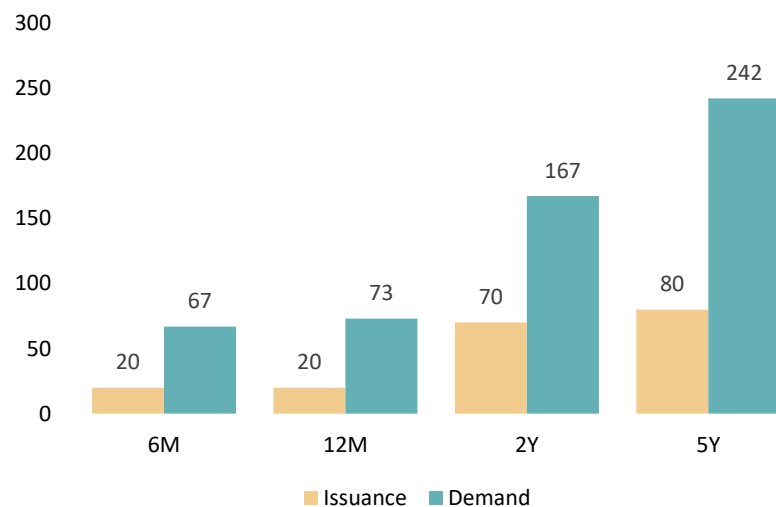


Weighted average interest rates

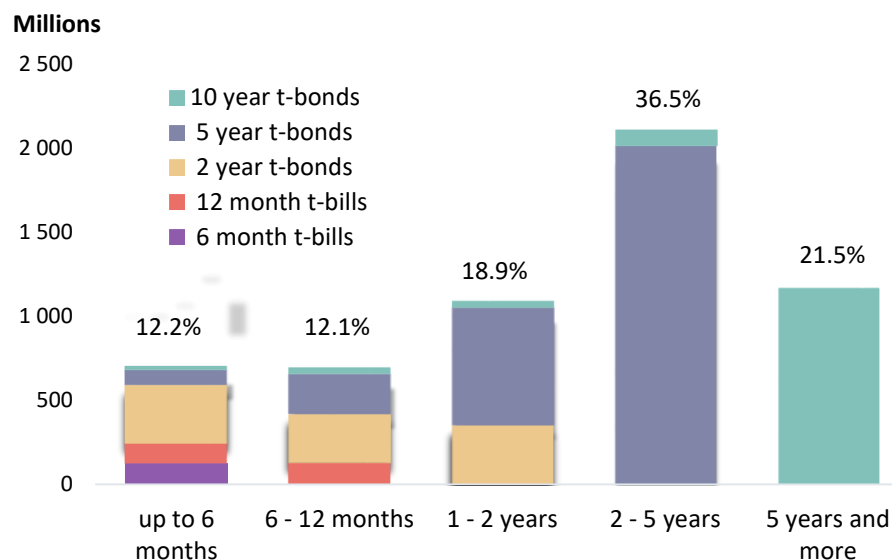


- In May 2022, 4 auctions were held with total issuance volume of 190 million GEL
- The weighted average interest rate amounted to 10.552%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 20 million GEL were redeemed.
- As of May 31, 2022 24.27% 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 (April 2.17) and amounted to 2.79.

Issuance and Demand, mln GEL

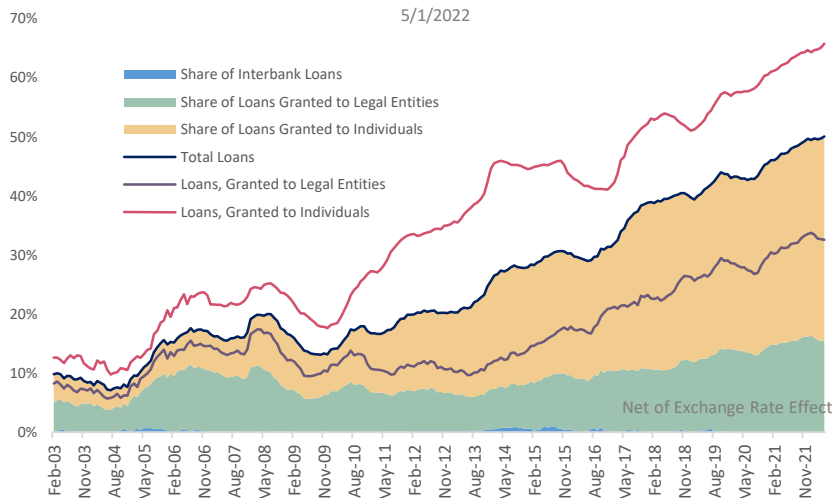


Portfolio Forming Securities Composed by Time to Maturity

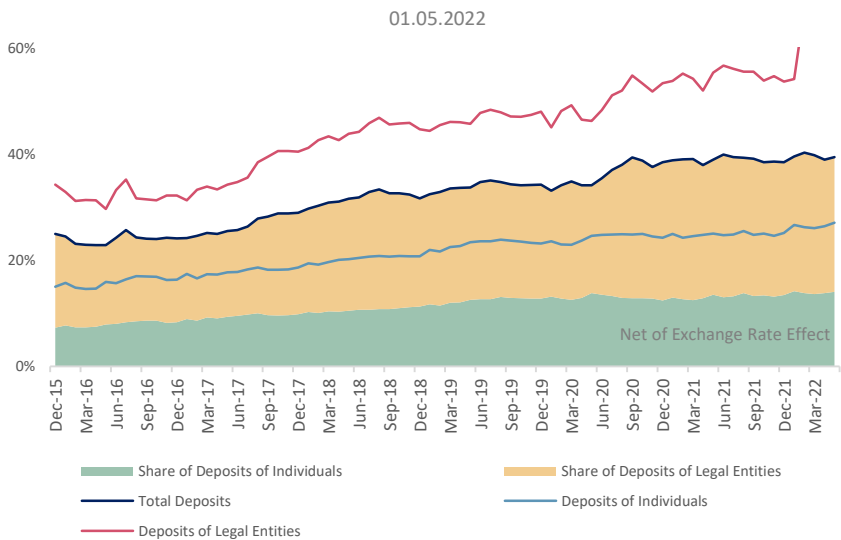
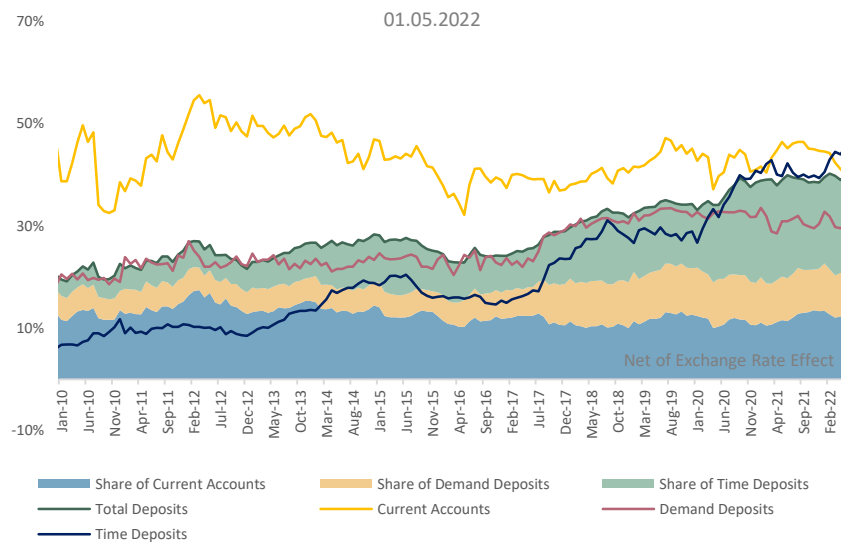


# The larization rates continue to rise

## Loan Larization



## Deposit Larization

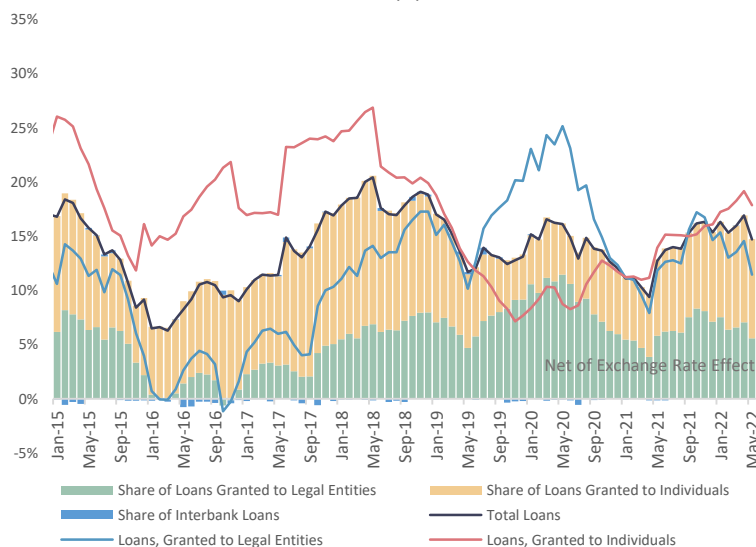


- As of May 1, 2022, the larization of total loans is 50.1 percent.
- The larization of loans to individuals is 65.8 percent.
- The larization of loans to legal entities amounted to 32.6 percent.
- The larization of total deposits equals to 39.4 percent.
- The larization on deposits of legal entities amounted to 64.0 percent.
- The larization of deposits of individuals is 27.0 percent.
- The larization of time deposits is 45.5 percent.
- The larization of current accounts equals to 40.0 percent.
- The larization of demand deposits is 30.2 percent.

# The annual growth trend of loans is sustained

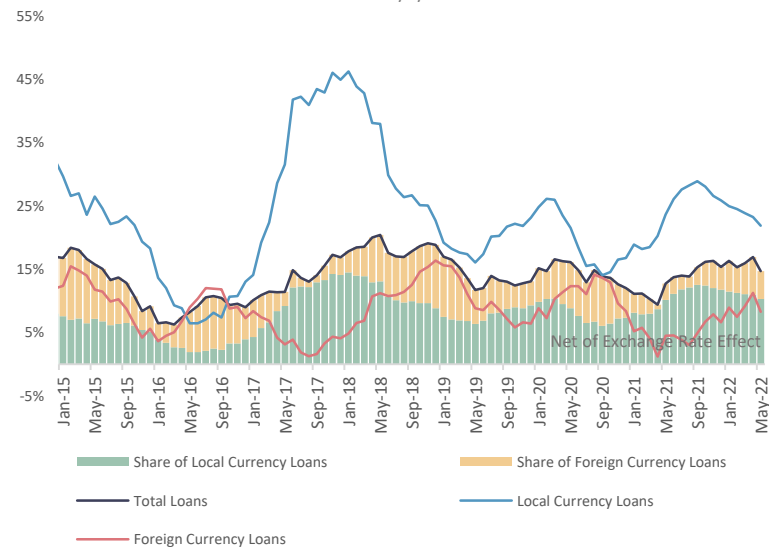
Loans, % y/y

5/1/2022



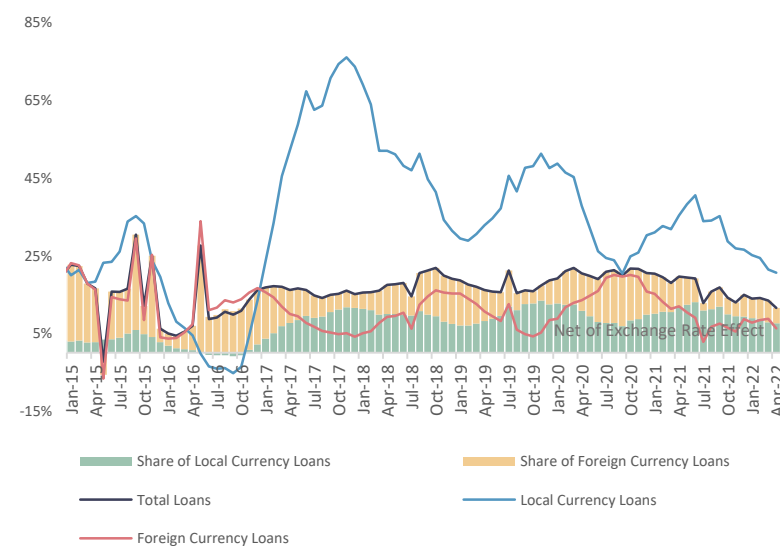
Loans by Currency, % y/y

5/1/2022



Mortgage Loans, % y/y

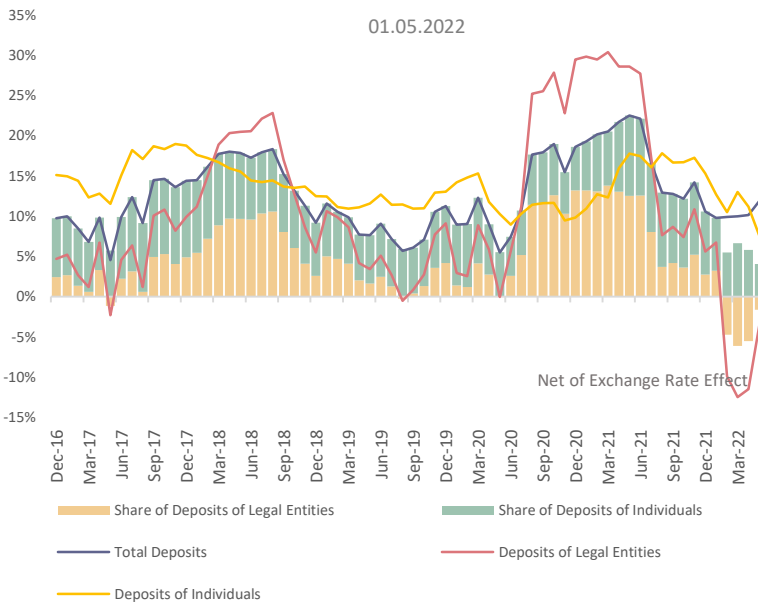
4/30/2022



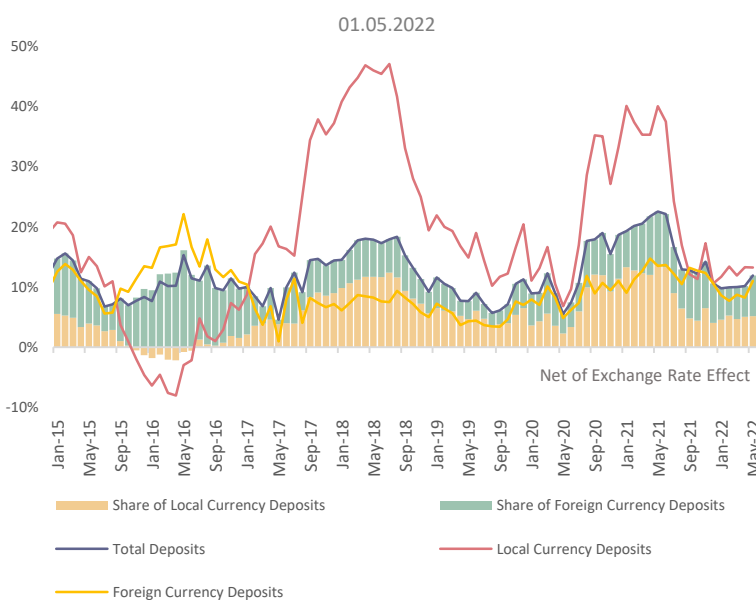
- As of May 1, 2022, total loans increased by 14.7 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 11.4 percent.
- The annual growth of loans to individuals is 17.9 percent.
- As of May 1, 2022, the growth rate of loans denominated in the national currency amounted to 21.9 percent.
- The annual growth of loans denominated in foreign currency amounted to 8.3 percent.
- As of April 30, 2022, the annual growth of loans secured by real estate amounted to 11.6 percent. At the same time, mortgage loans denominated in national currency increased by 20.6 percent, while mortgage loans denominated in foreign currency increased by 6.3 percent.

# Sharp decline in deposits of legal entities continues

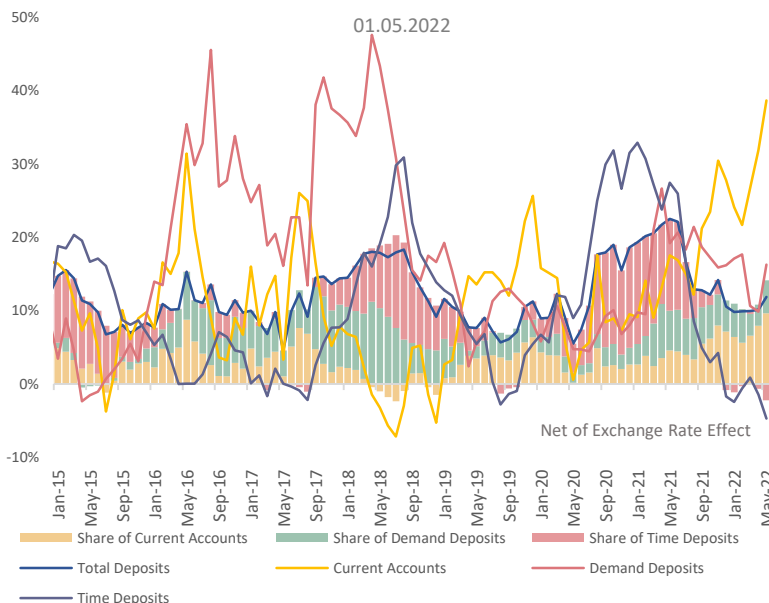
Deposits, % y/y



Deposits by Currency, % y/y



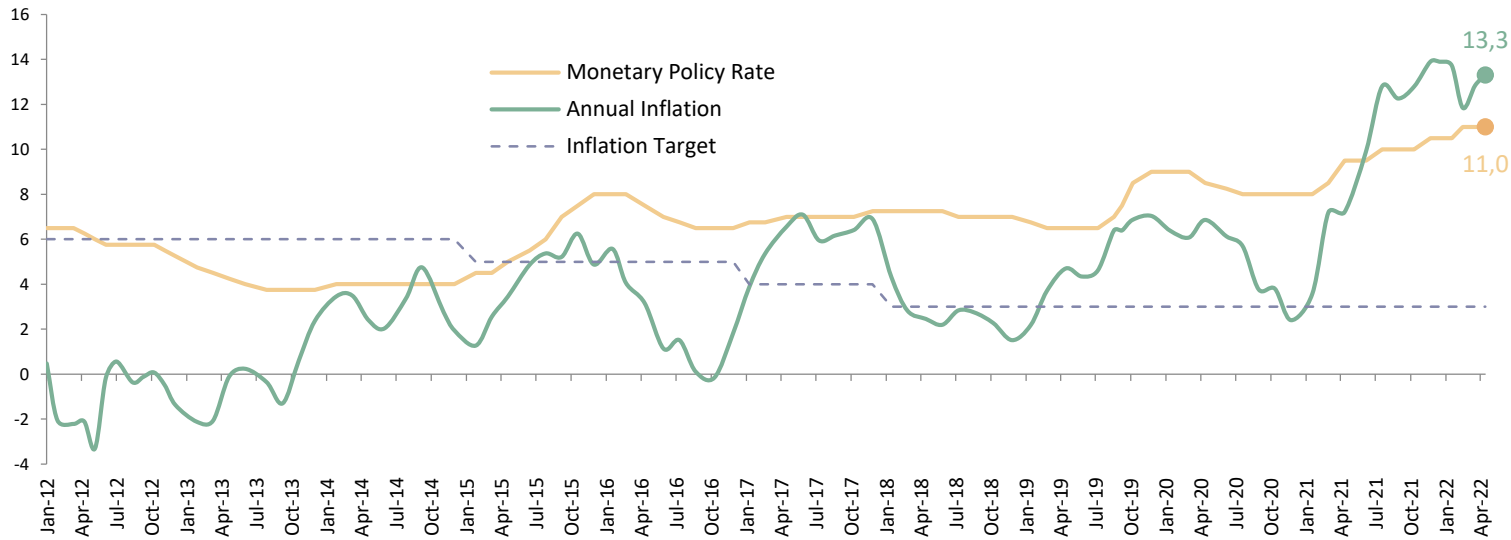
Deposits by type, % y/y



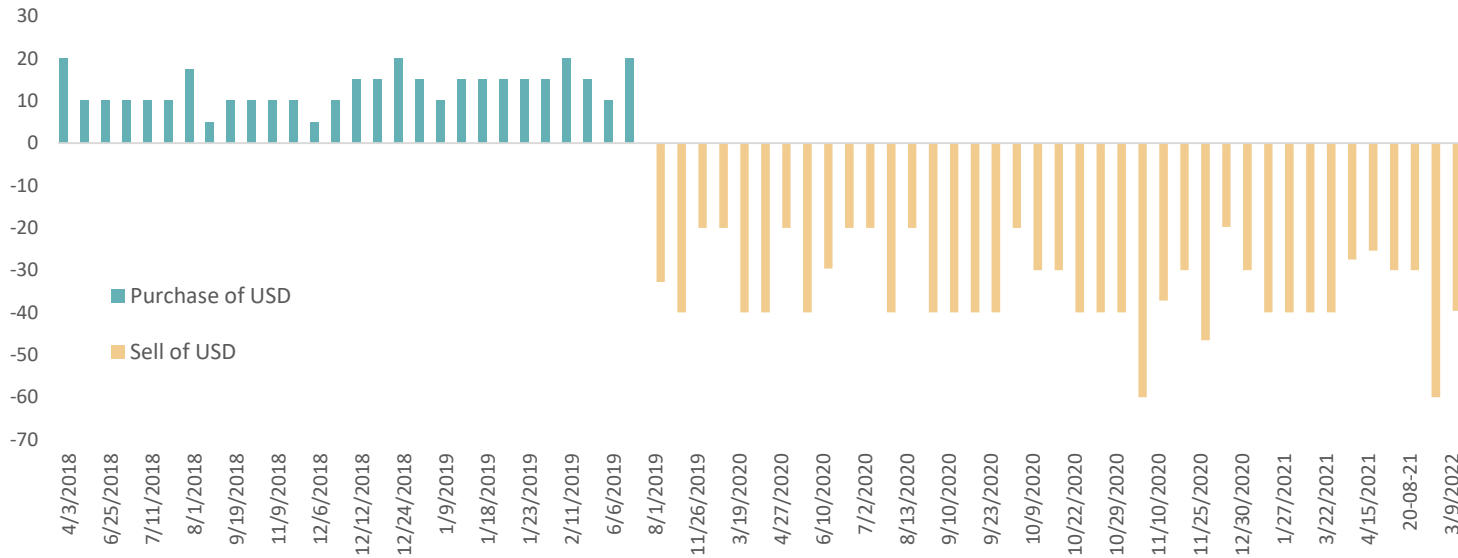
- As of May 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 11.9 percent.
- The annual growth of deposits denominated in the national currency amounted to 13.3 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 11.0 percent over the same period.
- The growth of deposits of individuals amounted to 7.5 percent, while the annual growth of deposits of legal entities once again decreased and its value in the same period amounted to -3.5 percent.
- The annual growth of current accounts at the beginning of May 2022 was equal to 38.6 percent.
- The annual growth of time deposits was -4.7 percent.
- The growth of demand deposits amounted to 16.3 percent.

# The National Bank of Georgia kept the monetary policy rate at 11.0 percent

## Inflation and Monetary Policy Rate



## Trade of USD by NBG, mln USD

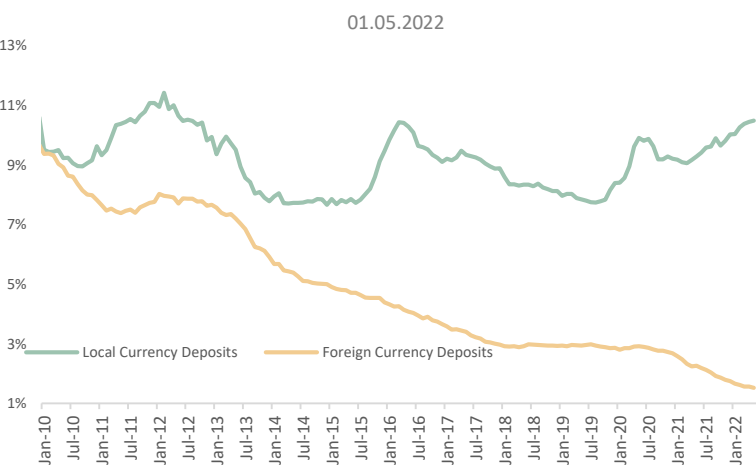


- On May 11 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11 percent.
- According to the NBG, the sanctions imposed on Russia due to its military actions, and supply-side disruptions significantly increased prices of number of product categories on international markets. Therefore, inflation increased significantly both in developed and developing economies. Global surge in prices was transmitted to Georgian market as well and, despite the slowdown compared to the beginning of the year, inflation in Georgia remains high (12.8 percent). At the same time, recent appreciation of lari supported the decrease in imported inflation.
- According to the National Bank, other things equal inflation will remain high over the course of the year, however it will have a declining path as last year's one tight.
- The next meeting of the Monetary Policy Committee will be held on June 22, 2022.
- First time after 2019, on May 24<sup>th</sup> NBG purchased 10 million USD.

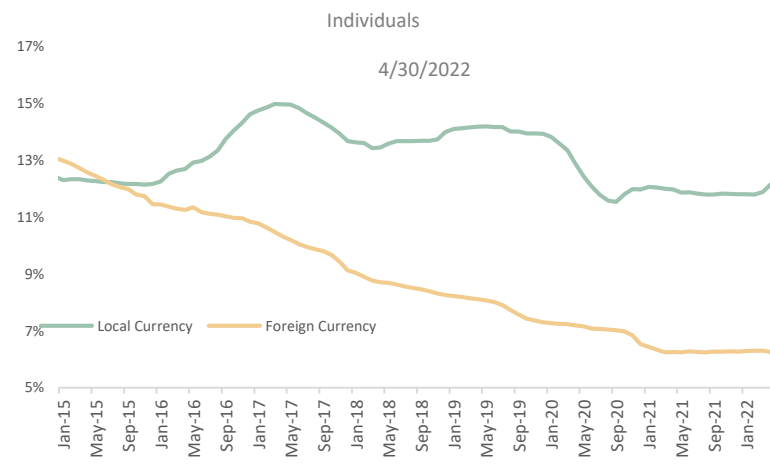
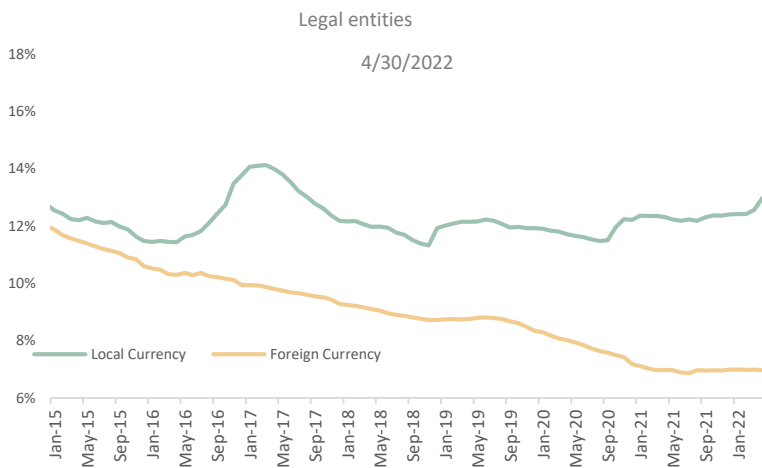


# Market interest rates increased in national currency and decreased in foreign currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of May 1, 2022, the interest rate on foreign currency deposits was 1.5 percent, and in national currency – 10.5 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.8 percent, and in foreign currency – 1.7 percent.
- The average annual interest rate on deposits by individuals is 1.5 percent for foreign currency deposits and 10.5 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.0 percent (19.8 percent in national currency and 5.9 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.8 percent (18.1 percent in national currency and 6.4 percent in foreign currency).
- At the end of April 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.1 percent, and in foreign currency – 6.9 percent. The interest rate on loans to individuals in the national currency was 13.2 percent, and in foreign currency - 5.7 percent.

## Disclaimer

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