



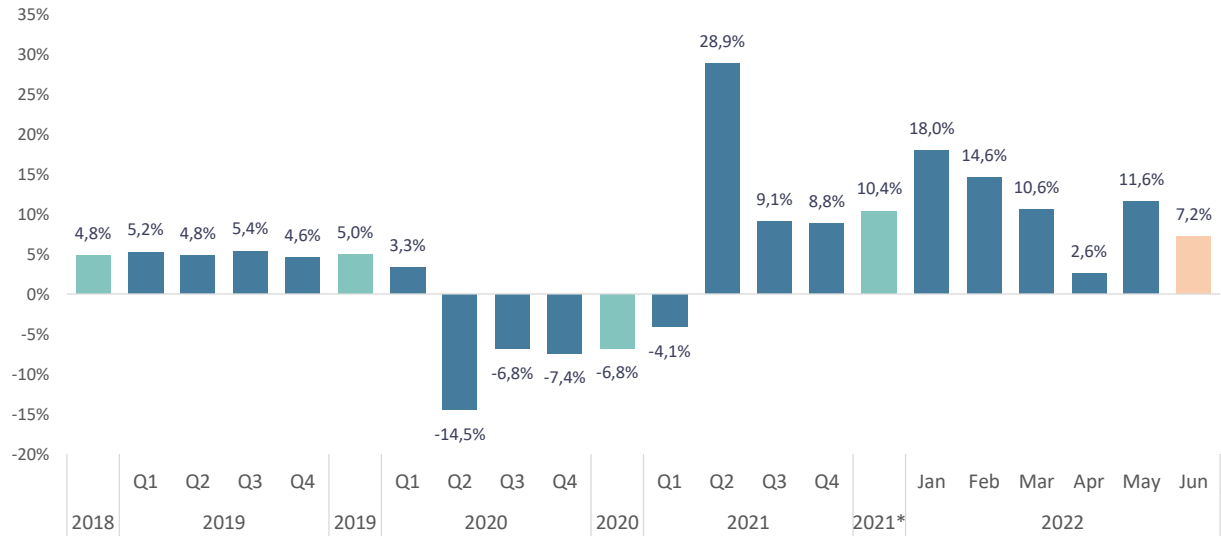
Current Economic Outlook

July, 2022

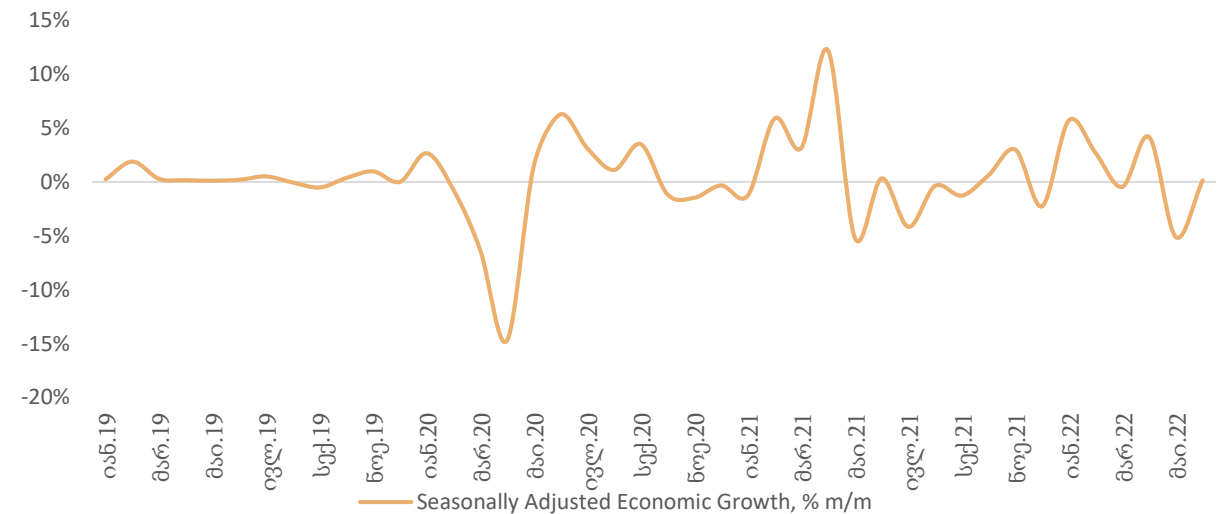
- In June 2022, the real GDP growth rate was 7.2 percent and average growth rate of the first half of 2022 was 10.5 percent, according to the preliminary estimates of the National Statistics Office.
- In July, annual inflation stood at 11.5 percent, while core inflation was 7.0 percent
- In June, exports increased by 27.9 percent year-on-year and imports increased by 21.2 percent year-on-year, increasing the trade deficit by 16.6 percent year-on-year to 598.4 million USD
- For June, the real effective exchange rate appreciated by 11.9 percent compared to the same period of the previous year and depreciated by 1.2 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in June was equal to 7.2 percent

Economic Growth, % y/y

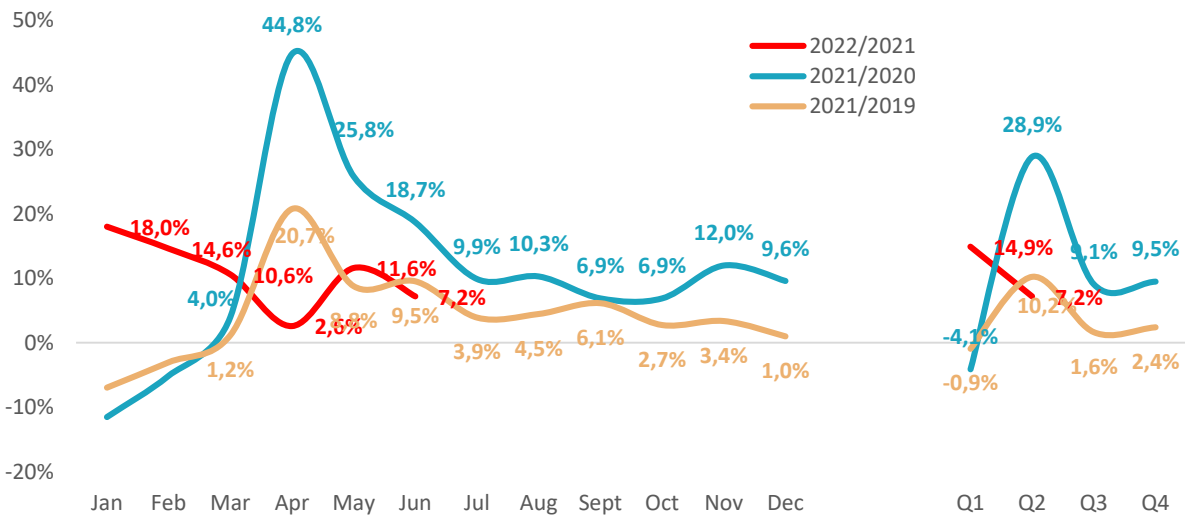


Economic Growth, % m/m



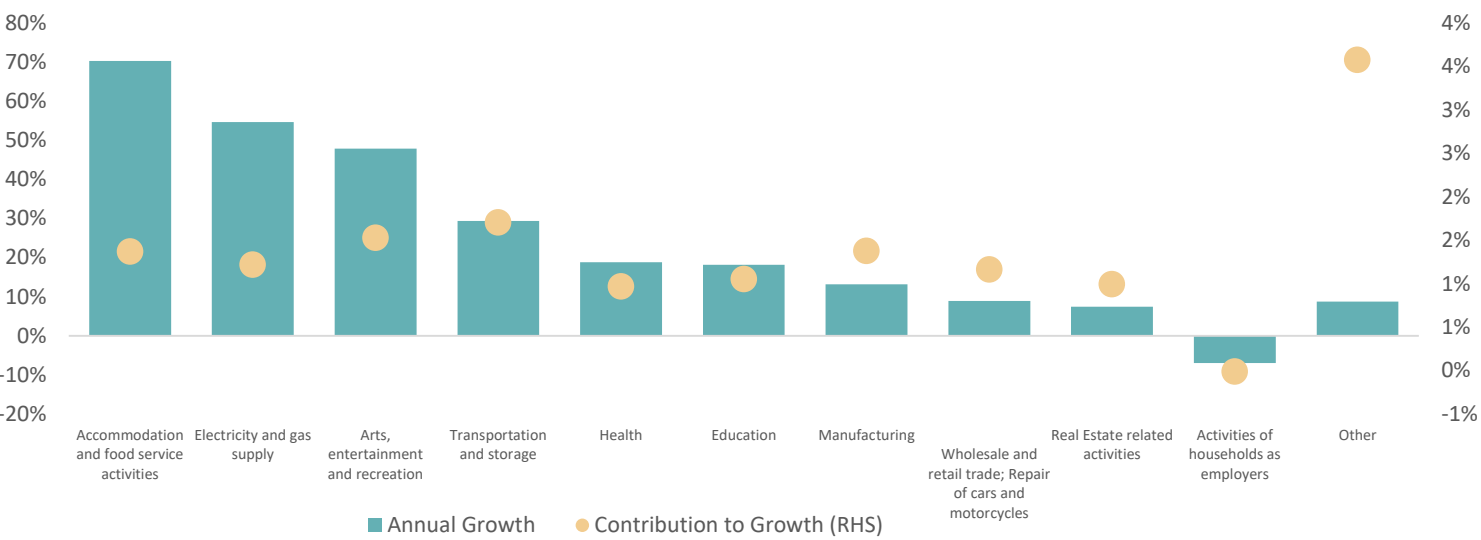
- Estimated real GDP growth rate in June 2022 equaled 7.2 percent YoY and average annual real GDP growth rate for 2022 January-June equals to 10.5 percent.
- In June 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing, Electricity, Gas, Steam and air conditioning supply, Information and Communication, hotels and restaurants, mining industry.
- A decline was registered in the field of Manufacturing industry, Construction and real estate property related fields.

Economic Growth, 2022-2019

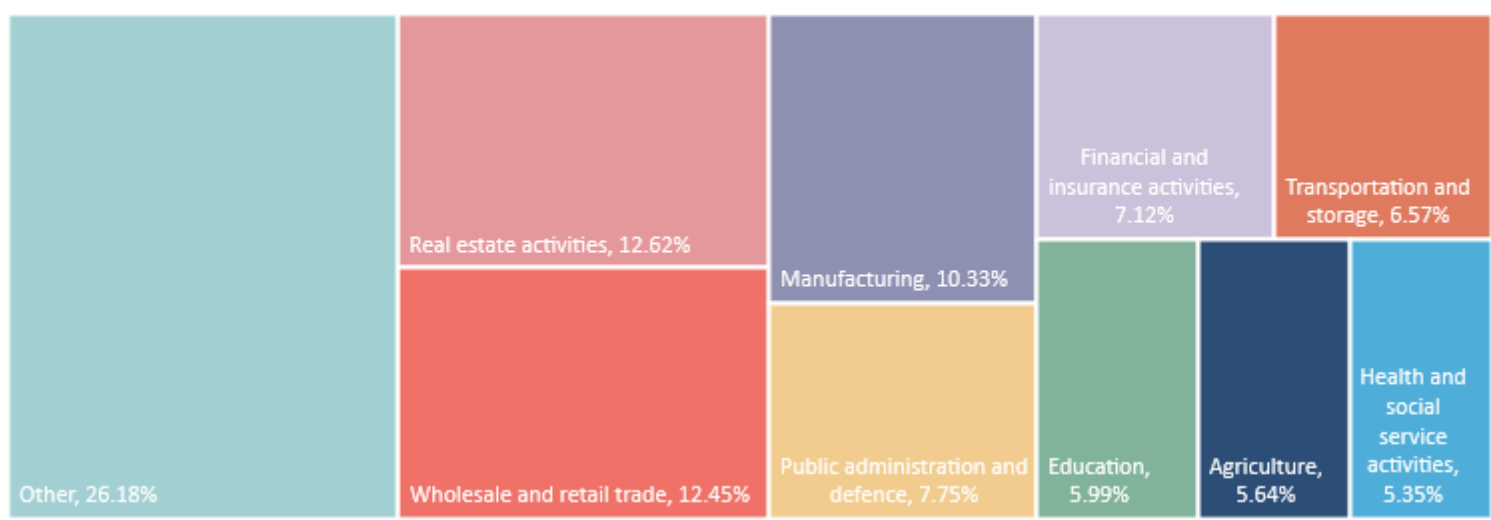


According to preliminary estimates, real GDP increased by 7.2 percent in the second quarter of 2022

Real GDP growth by economic activity, 2022 I Quarter



GDP by economic activity, 2022 I Quarter

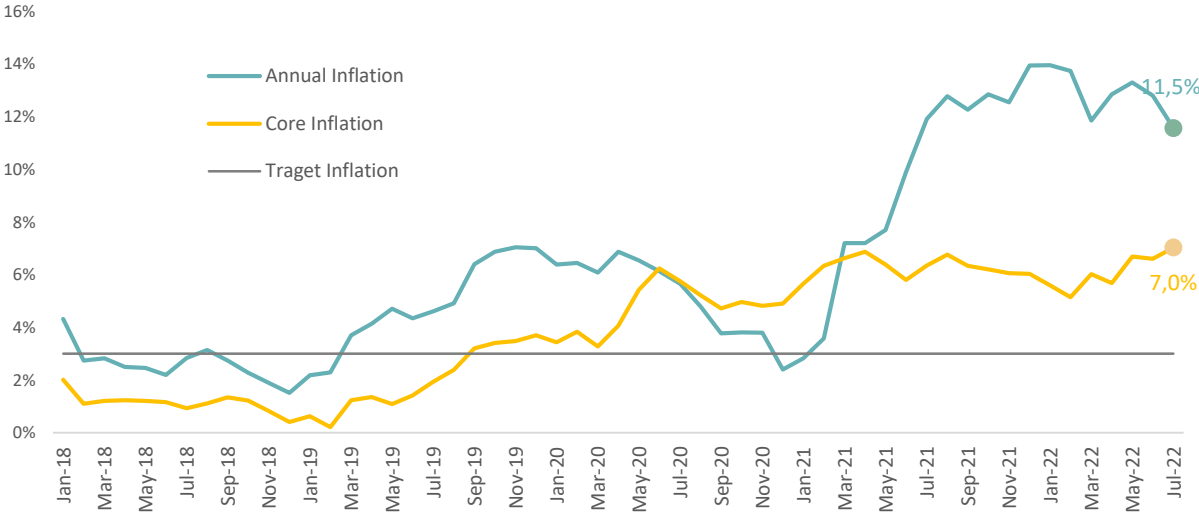


Source: Geostat

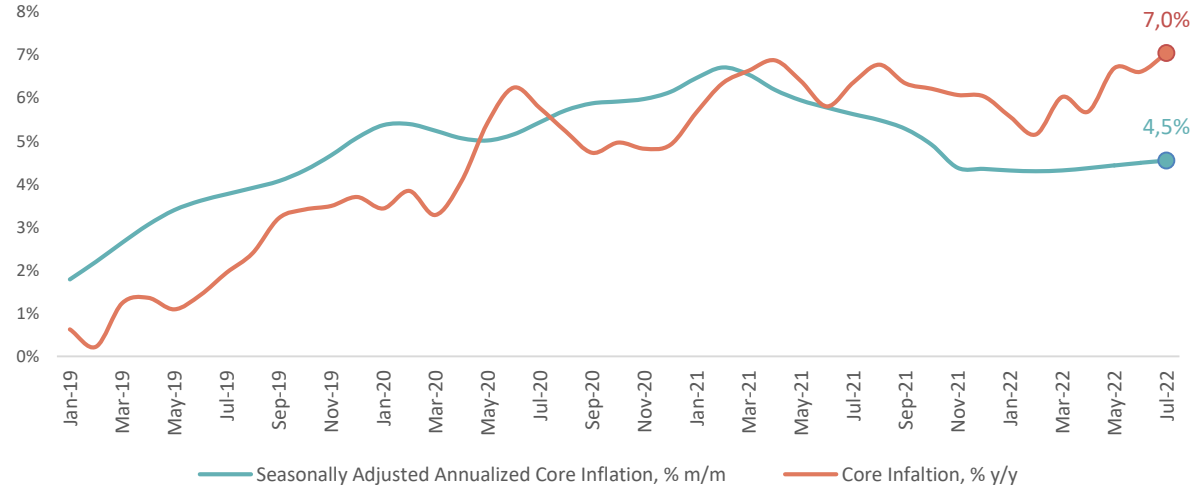
- According to preliminary estimates, in the second quarter of 2022 economic growth amounted to 7.2 percent, while in the first quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 14.9 percent and by 20.3 percent compared to the first quarter of 2019.
- The following industries have made a significant contribution to growth of Q1 2022:
 - Accommodation and food supply activities: 70.3% y/y (1.4 p.p.)
 - Electricity and gas supply: 54.7% y/y (1.2 p.p.)
 - Arts, entertainment and recreation: 47.6% y/y (1.5 p.p.)
 - Transport and warehousing: 29.4% y/y (1.7 p.p.)
 - Healthcare: 18.8% y/y (1.0 p.p.)
 - Education: 18.2% y/y (1.1 p.p.)
 - Manufacturing industry: 13.2% y/y (1.4 p.p.)
 - Wholesale and retail trade; Car and motorcycle repair: 8.9% y/y (1.2 p.p.)
 - Activities related to real estate: 7.4% y/y (1.0 p.p.)
- The following industries have made a significant contribution to the decline:
 - Activities of Households as employers: -7.0% y/y (-0.01 p.p.)

Annual inflation in July has reached 11.5 percent

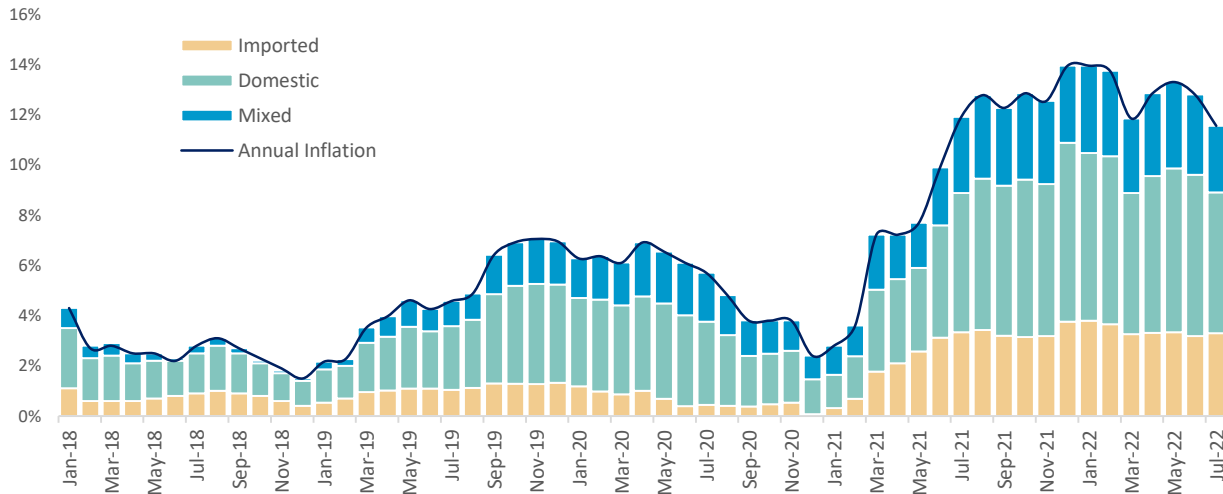
Total and Core Inflation, % y/y



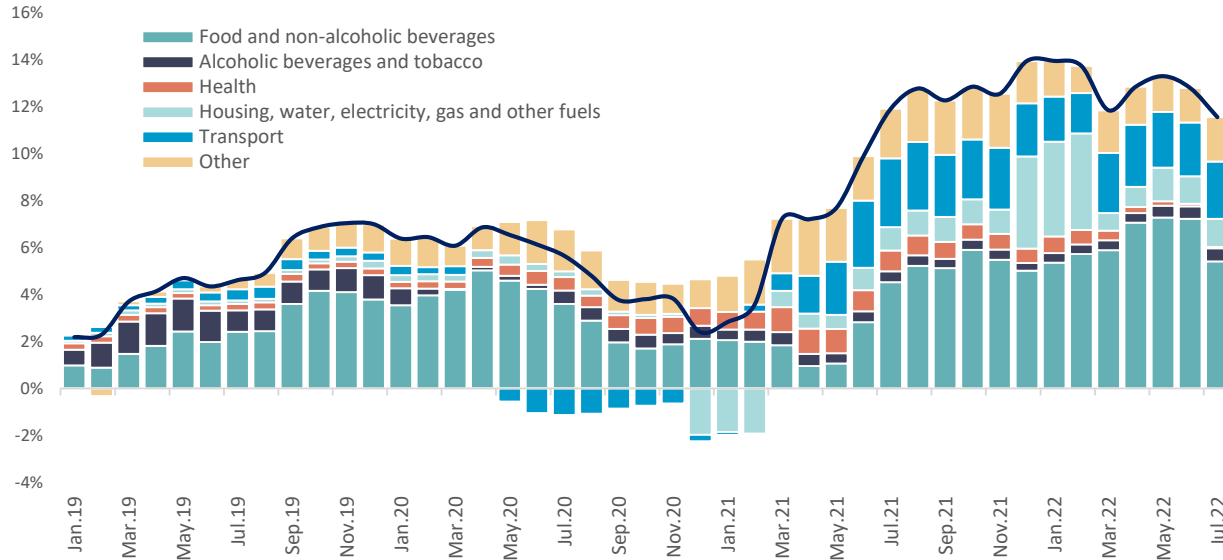
Core Inflation, % m/m



Inflation Decomposition



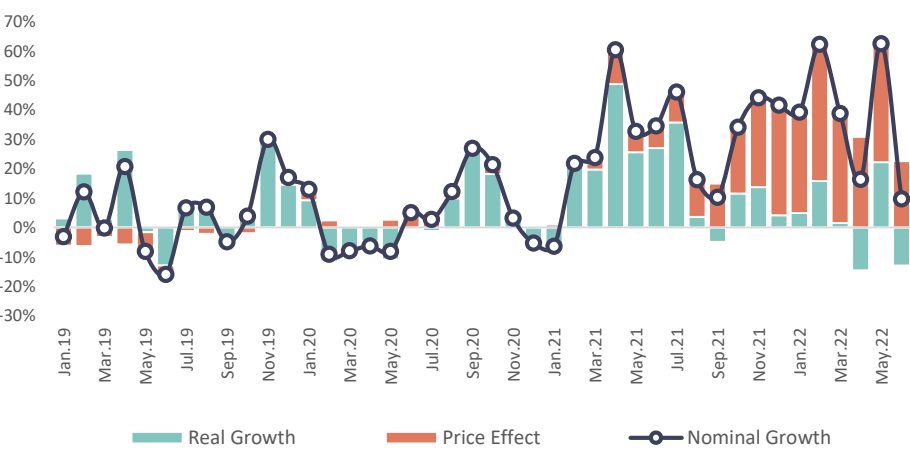
Inflation Decomposition by product group



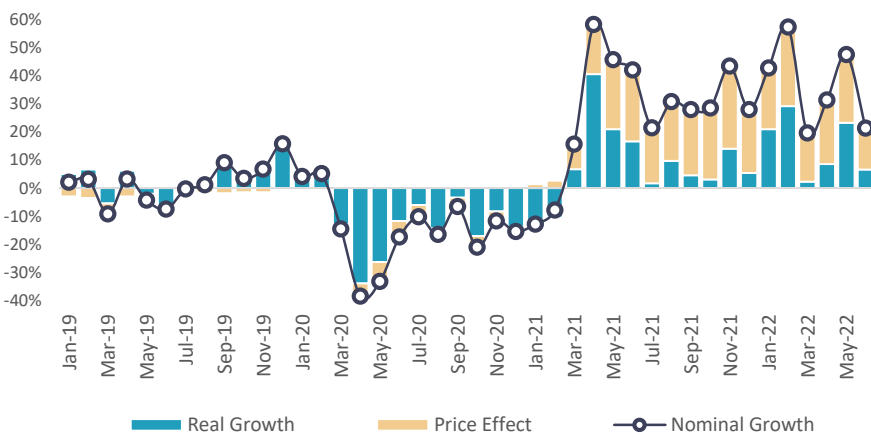
Source: Geostat, NBG, MOF

Trade Deficit increased by 16.6 percent annually

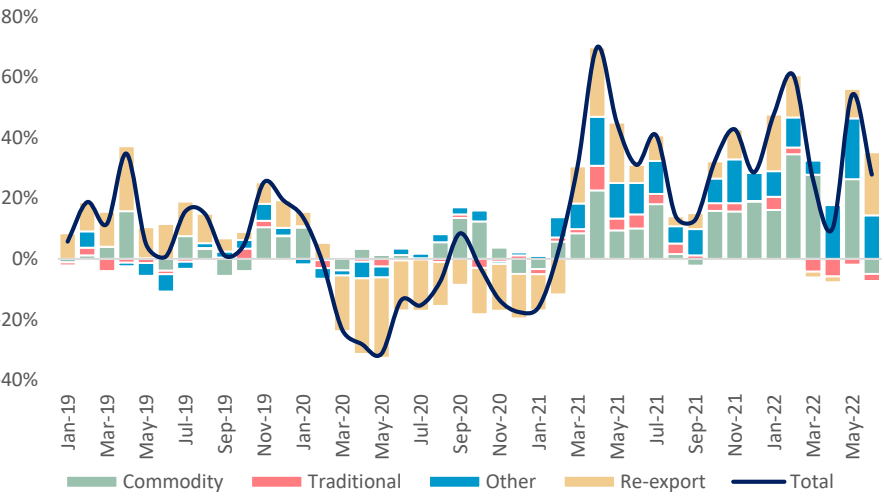
Change of Domestic Export, %/y



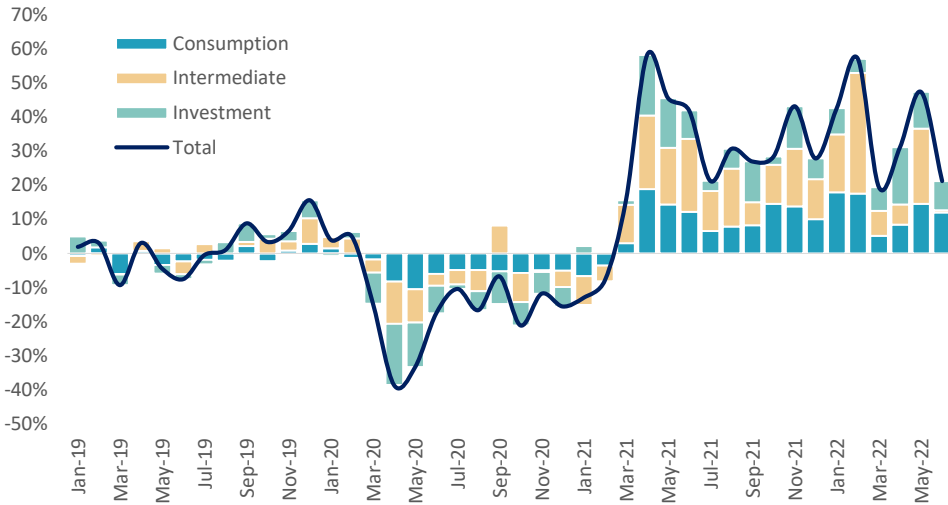
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y

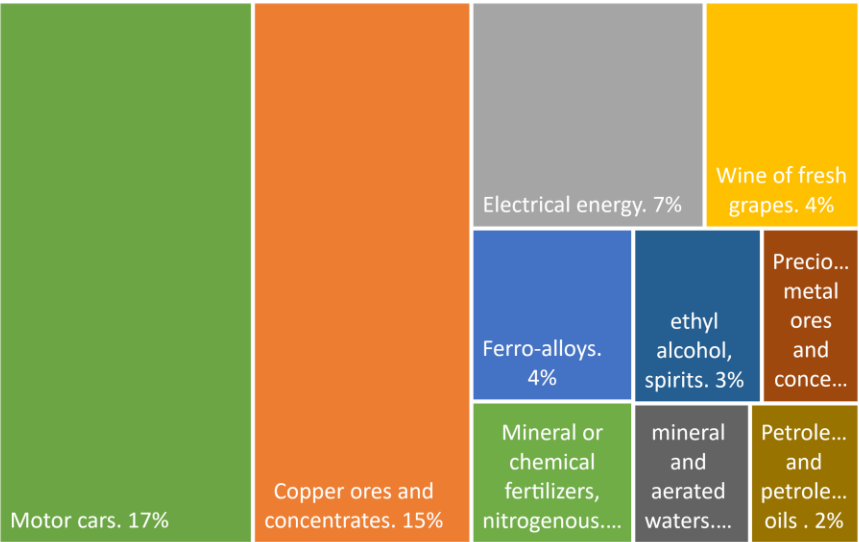


- Export increased annually by 27.9 percent to 448.6 million USD in June.
- Domestic export increased annually by 9.7 percent to 283.1 million USD.
- Import annually increased by 21.2 percent to 1,047.0 million USD in June.
- Trade deficit annually increased by 16.6 percent to 598.4 million USD in May.
- Share of re-export in export growth is equal to 20.8 percent (78.8 %/y/y), while share of commodity export equals to -5.0 percent (-13.8 %/y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 8.6, 12.0 and 0.6 percent respectively.

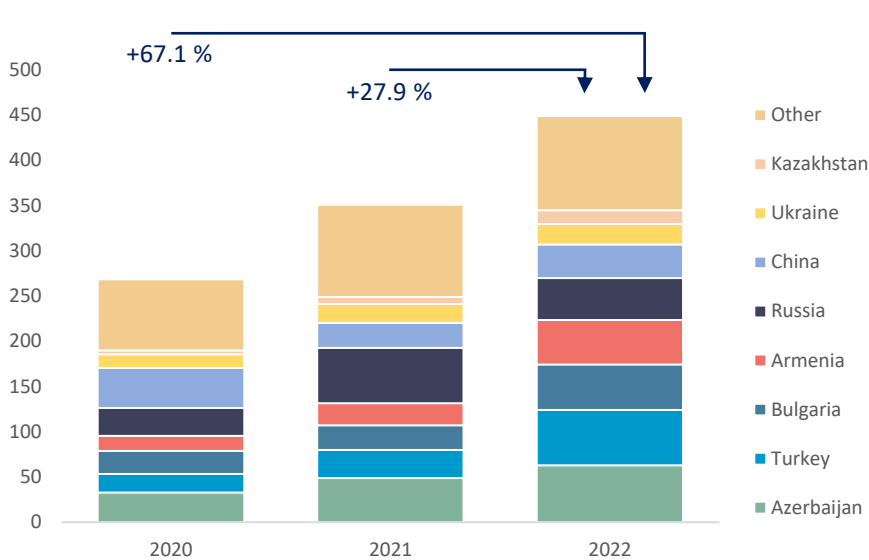
Source: Geostat, MOF

International trade is characterized by stable diversification

Top 10 Export goods, % of total Export

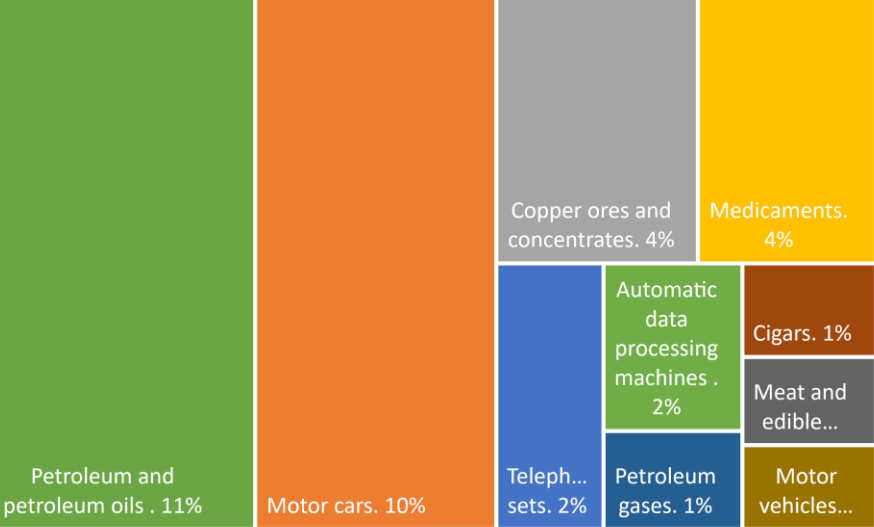


Export by country, June

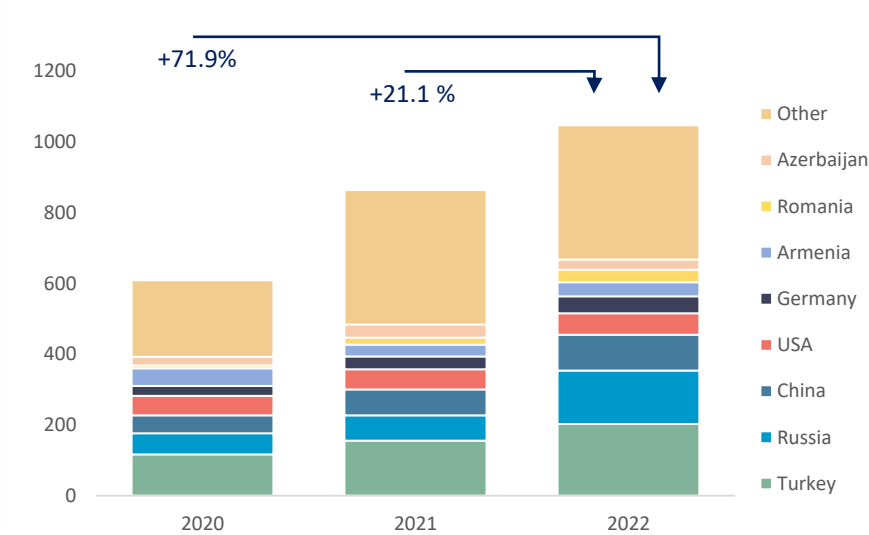


- Top Export Products:
 - Motor cars 78.3 mln. USD – 17.5 percent.
 - Copper ores and concentrates: 67.2 mln. USD – 15.0 percent of total export.
 - Electrical energy: 30.0 mln. USD – 6.7 percent.

Top 10 Import goods, % of total Import



Import by country, June



- Top Import Products :
 - Petroleum and petroleum oils: 115.4 mln. USD – 11.0 percent.
 - Motor cars: 105.6 mln. USD – 10.1 percent.
 - Copper ores and concentrates: 44.4 mln. USD – 4.2 percent of total import.

- Top Export Country:
 - Azerbaijan: 62.9 mln. USD – 14.0 percent.
 - Turkey: 61.4 mln. USD – 13.7 percent.
 - Bulgaria: 49.9 mln. USD – 11.1 percent.

- Top Import Country :
 - Turkey: 202.5 mln. USD – 19.3 percent.
 - Russia: 151.0 mln. USD – 14.4 percent.
 - China: 101.9 mln. USD – 9.7 percent.

Tourism recovery continue to increase and reached 88.7% percent of 2019 level in June

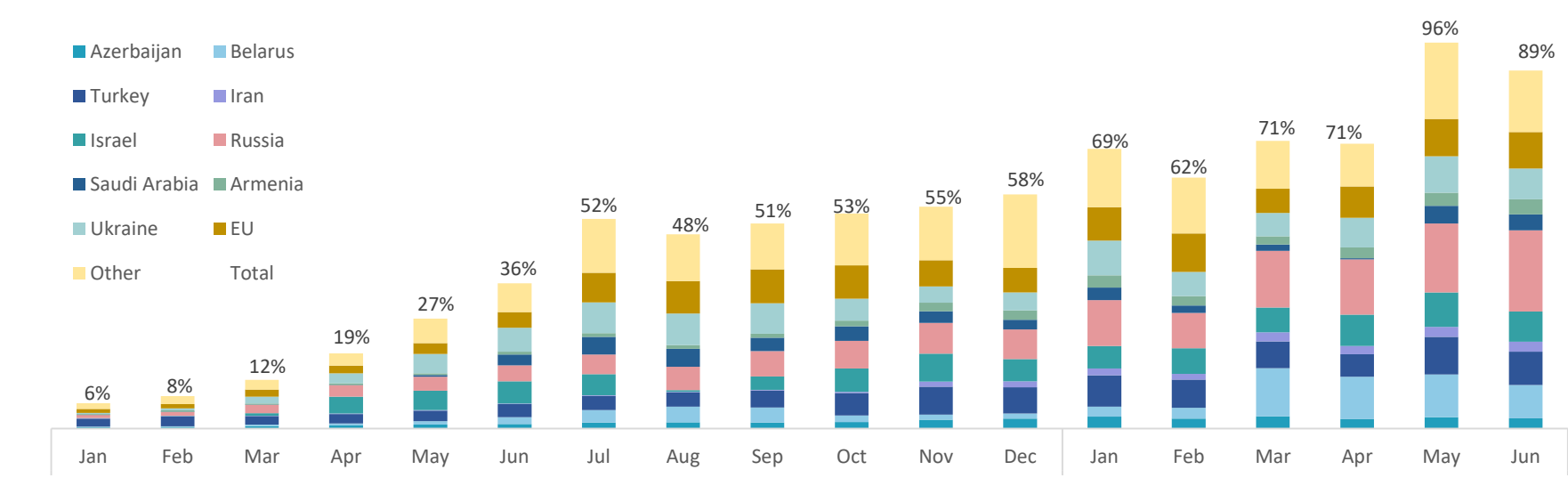
Revenue from Tourism, 2019 = 100



Revenue from Tourism, June 2022

Country	Tourism Revenue, mln USD
Russia	68.3
EU + UK	30.6
Belarus	28.1
Turkey	28
Ukraine	25.9
Israel	25.6
Other	95.2

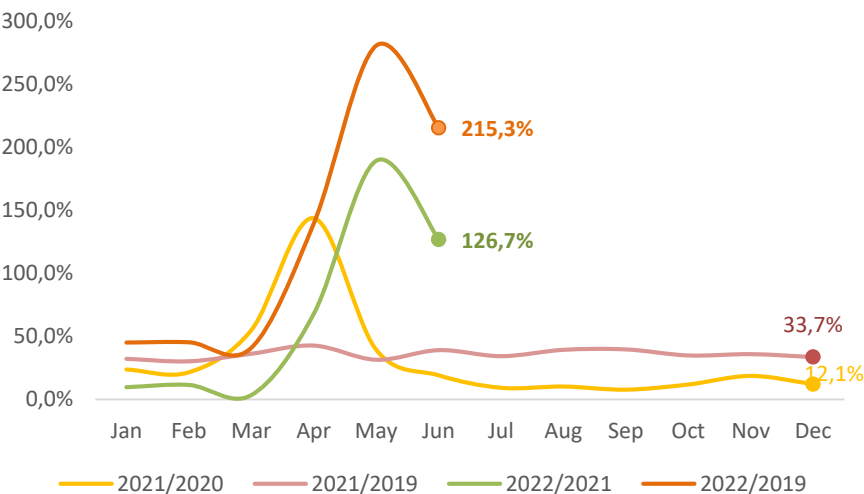
Recovery of Tourism by country, corresponding month of 2019 = 100, %



- In June 2022, tourism revenues increased by 146.3 percent to 301.7 million USD. Such high increase is mainly due to low level of tourism revenue inflow in June 2021 (122.5 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 June 2022 decreased by 11.3 percent compared to June 2019.
- At the same time, seasonally adjusted tourism revenues increased by 0.37 percent compared to the previous month.

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

Net Remittances

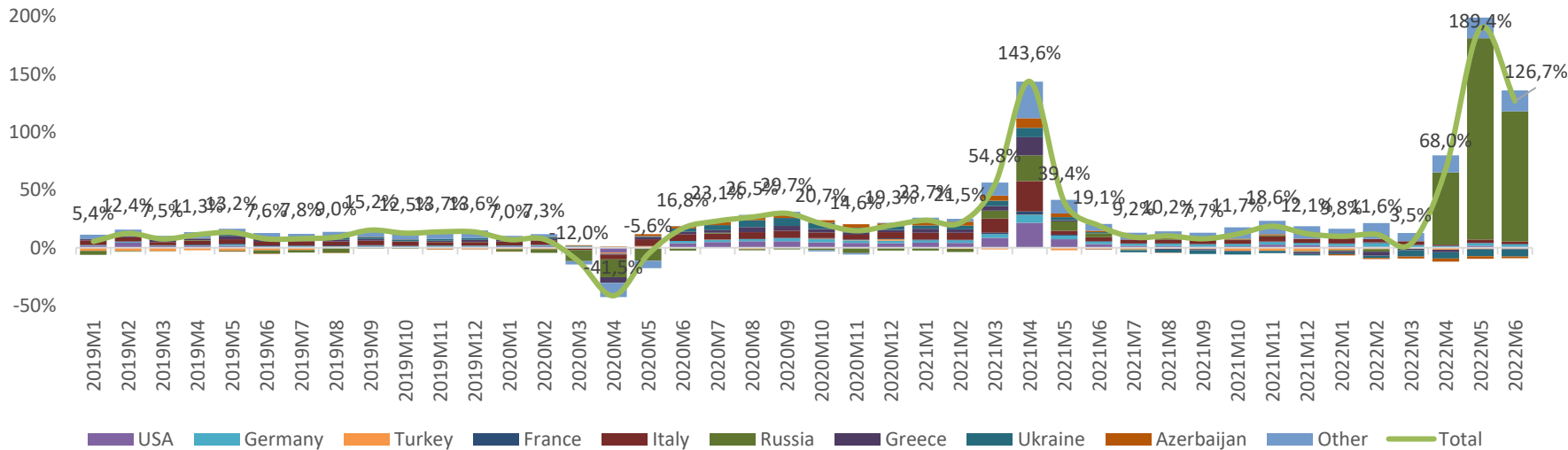


Net Remittances, June 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	228.6	625.8	112.4
Italy	34.8	11.6	2.1
USA	26.4	6.9	1.0
Kazakhstan	16.1	308.6	6.9
Israel	16.3	6.8	0.7
Greece	17.3	-8.8	-1.0
Other	58.2	16.8	4.6

- In June 2022, net remittances were estimated at 397.8 million USD, representing a 126.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 215.3 percent.
- Net Remittances increased from:
 - Russia: 625.8 percent (112.4 p.p. contribution to overall growth).
 - Kazakhstan: 308.6 percent (6.9 p.p. contribution to overall growth).
 - Germany: 42.3 percent (2.2 p.p. contribution to overall growth).
 - Italy: 11.6 percent (2.1 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece -8.8 percent (-1.0 p.p. contribution to overall growth)

Net Remittances by country, %y/y

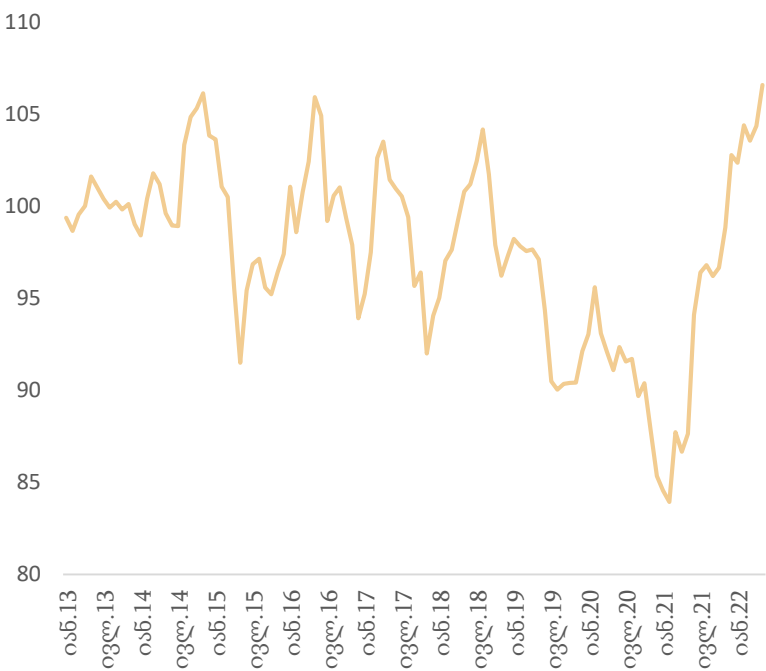


The Real effective exchange rate in June appreciated by 11.9 percent annually

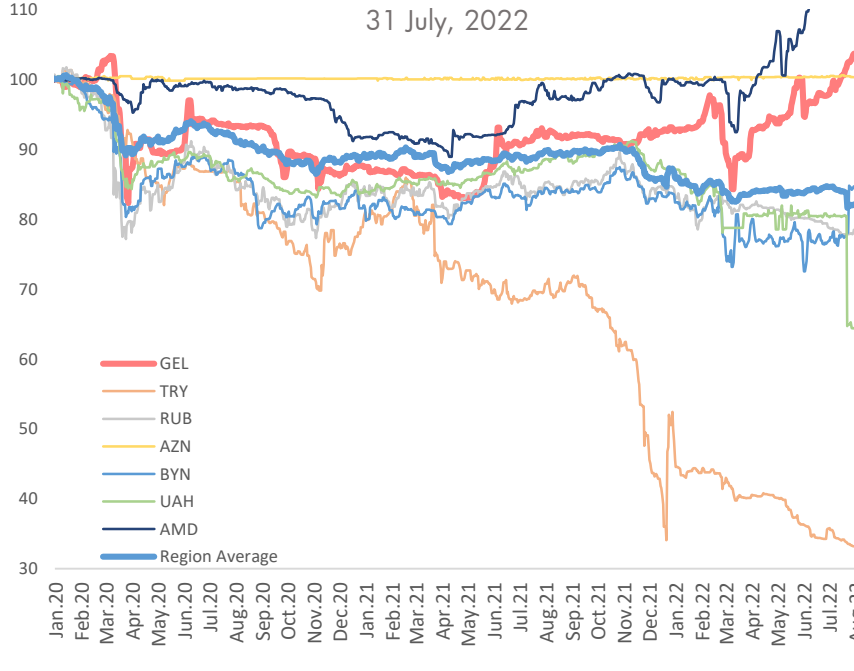
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



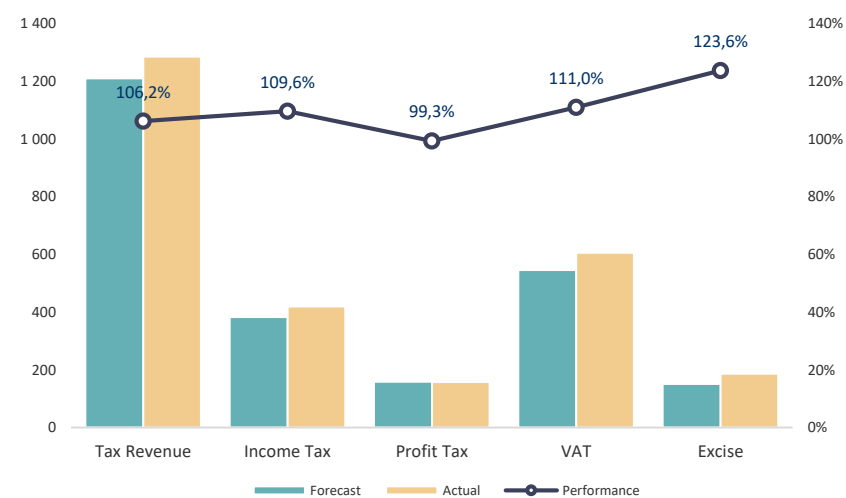
Note: Increase means appreciation

	July 31, 2022		Jul 31, 2022 - Jan 1, 2022		Jul 31, 2022 - Jan 1, 2021
Euro	2.8299	▲	13.6%	▲	8.1%
US Dollar	2.7652	▲	3.6%	▼	-3.3%
Turkish Lira	0.1544	▲	212.0%	▲	227.3%
Russian Ruble	0.0446	▲	3.4%	▼	-13.9%
NEER	137.07	▲	4.5%	▲	23.9%
REER (June 2022)	129.42	▲	2.8%	▲	23.3%

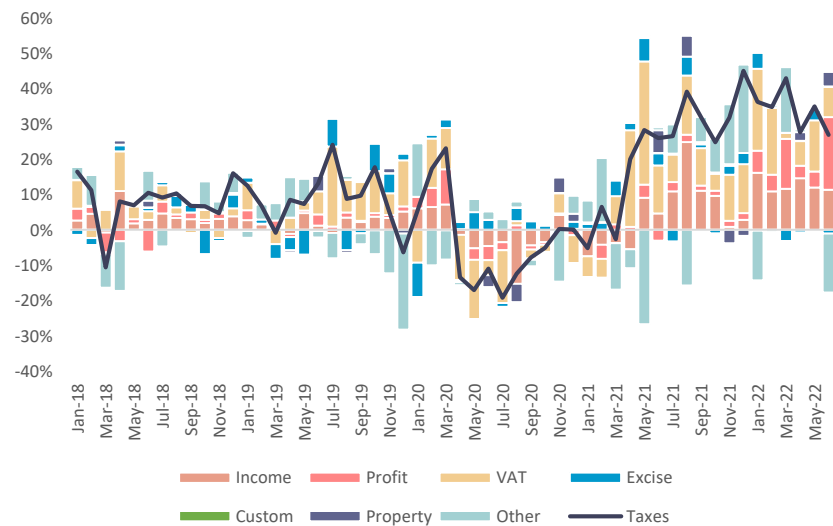
Source: NBS

Tax revenues in the July is above the forecast value by 6.2 percent

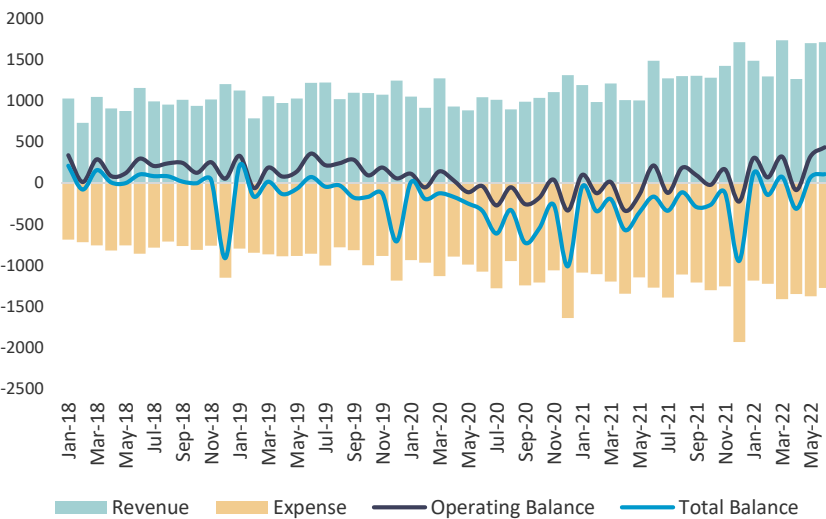
Budget Revenue Performance, July 2022



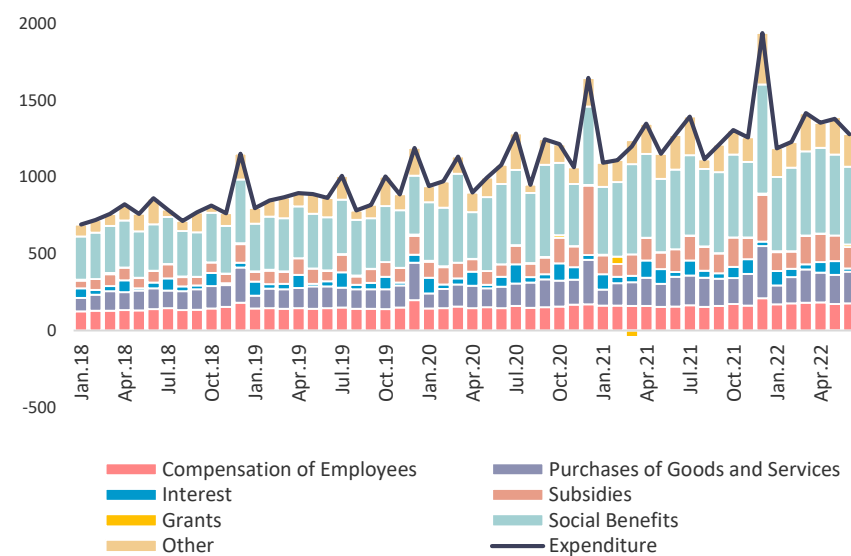
Tax Income, % v/v



Consolidated Budget, mln GEL



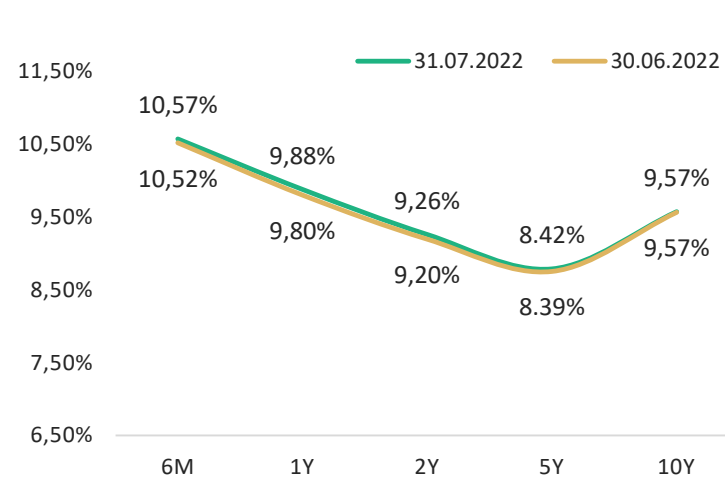
Consolidated Budget Expenditure, mln GEL



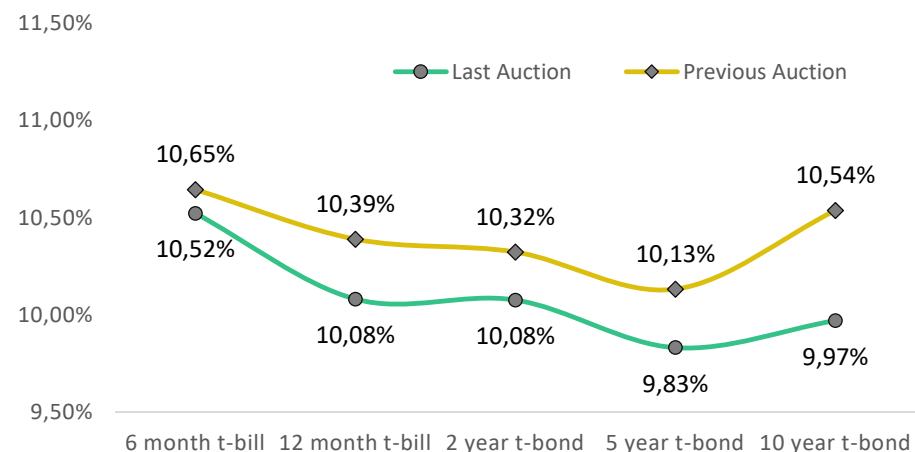
- The actual level of tax income in July 2022 was 1,285 mln GEL, which is 6.2 percent higher compared to the forecasted value of tax income of 1,210 mln GEL.
- Consolidated budget revenues increased by 15.2 percent and expenditures by 0.4 percent in June.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 430.3 million GEL, while the total balance was set at 104.9 million GEL.
- Revenue from taxes had a significant impact on revenue from profit in June, accounting for 20.6 percent of total growth.

The structure of the securities portfolio has undergone minor changes

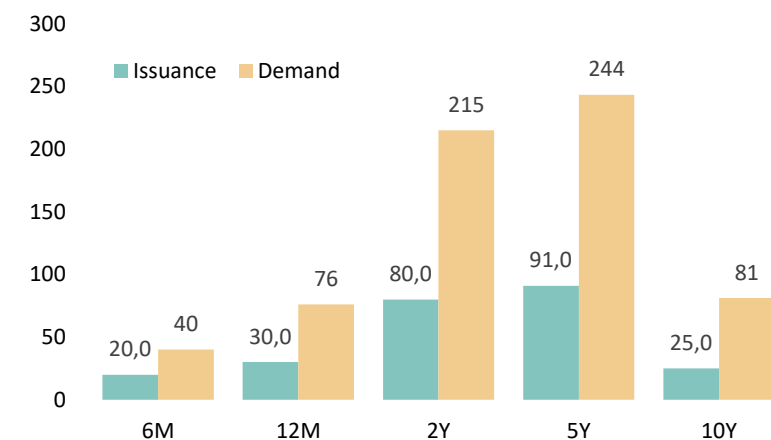
Portfolio Yield Curve



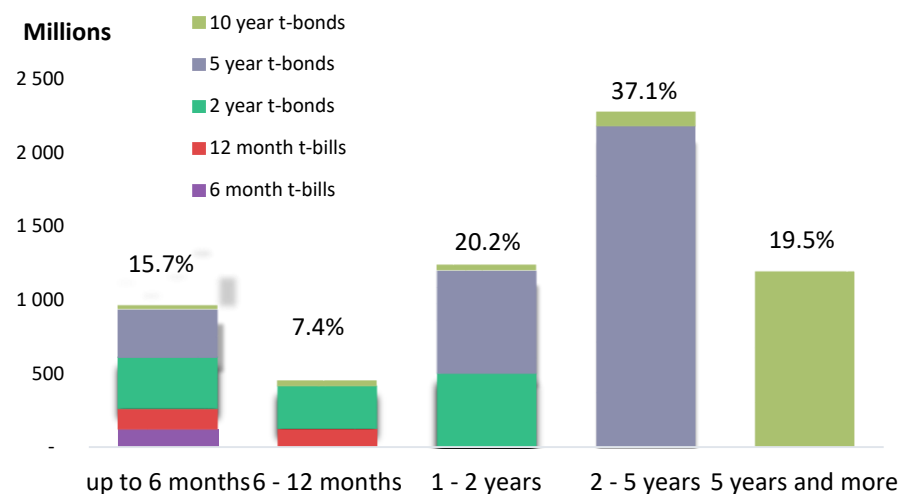
Weighted average interest rates



Issuance and Demand, mln GEL



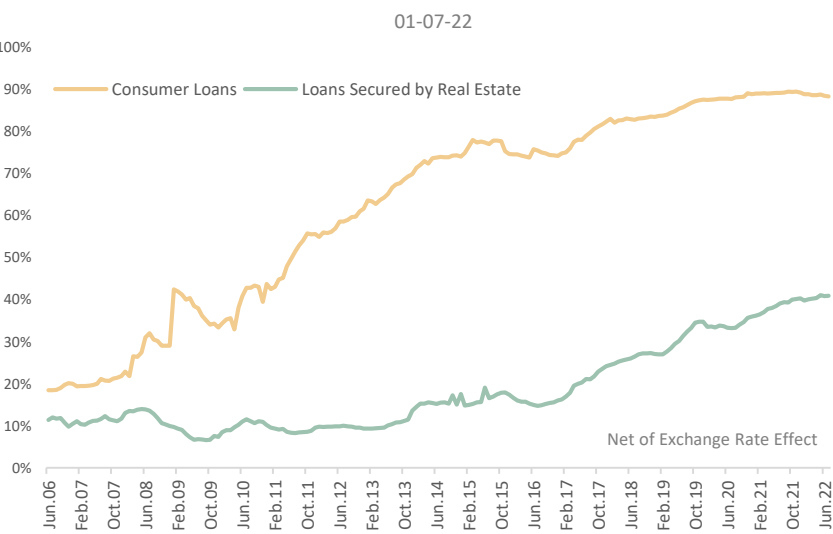
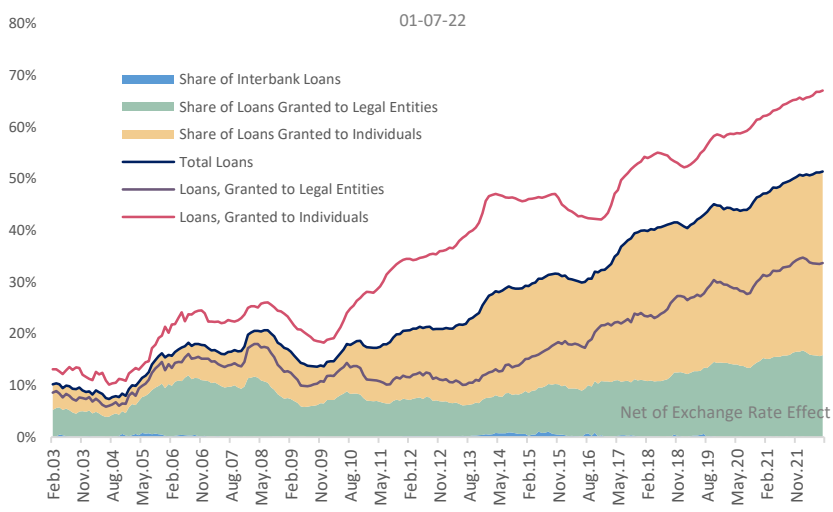
Portfolio Forming Securities Composed by Time to Maturity



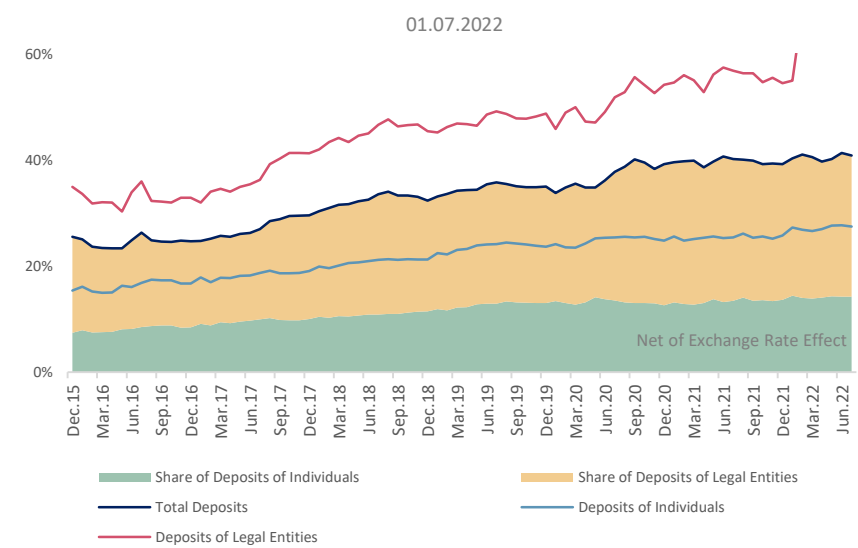
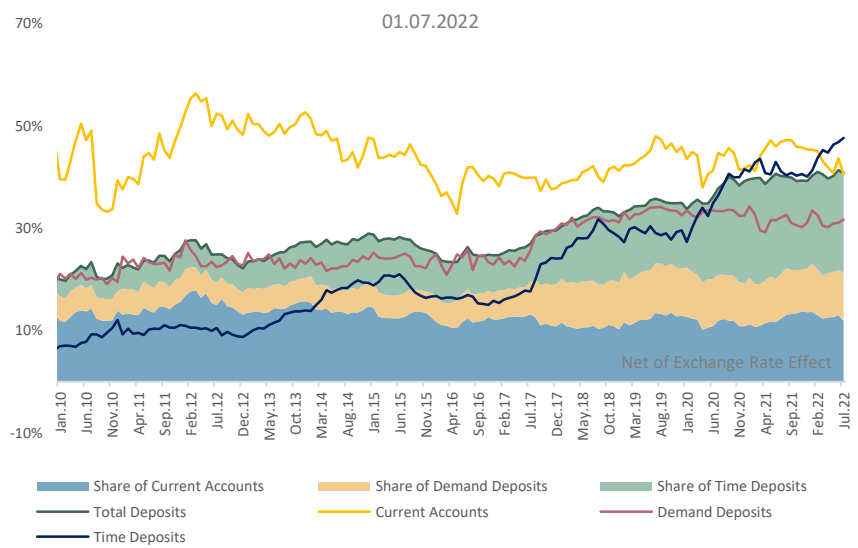
- In July 2022, 5 auctions were held with total issuance volume of 246.019 million GEL.
- The weighted average interest rate amounted to 10.012%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10 years.
- As of July 31, 2022 23.1% 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 (June 3.02) and amounted to 2.67.

The larization rates continue to rise

Loan Larization



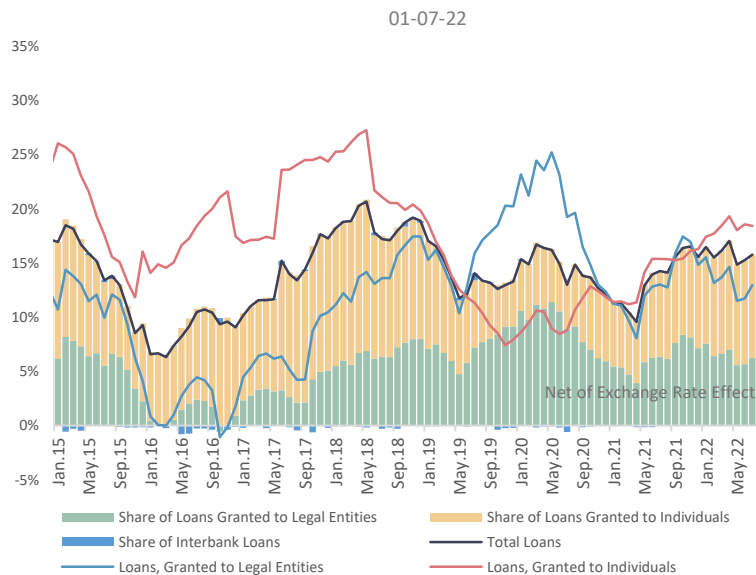
Deposit Larization



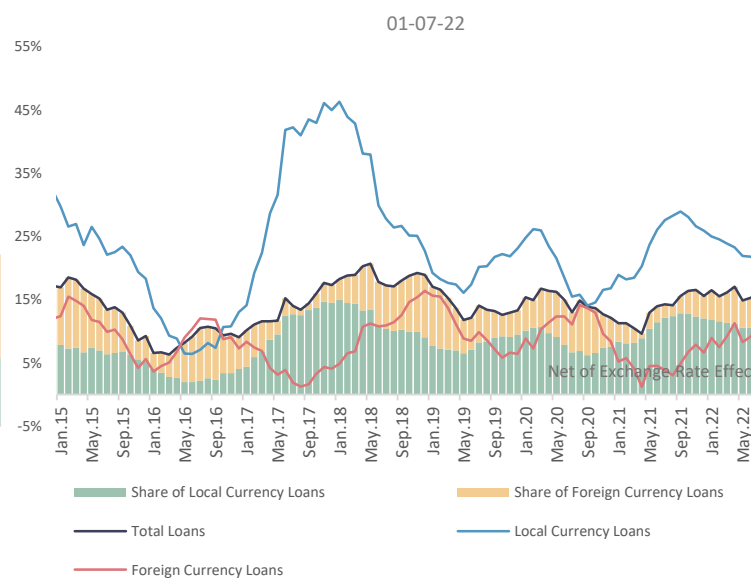
- As of July 1, 2022, the larization of total loans is 51.4 percent.
- The larization of loans to individuals is 67.0 percent.
- The larization of loans to legal entities amounted to 33.7 percent.
- The larization of total deposits equals to 40.8 percent.
- The larization on deposits of legal entities amounted to 66.7 percent.
- The larization of deposits of individuals is 27.5 percent.
- The larization of time deposits is 47.6 percent.
- The larization of current accounts equals to 40.6 percent.
- The larization of demand deposits is 31.7 percent.

The annual growth trend of loans is sustained

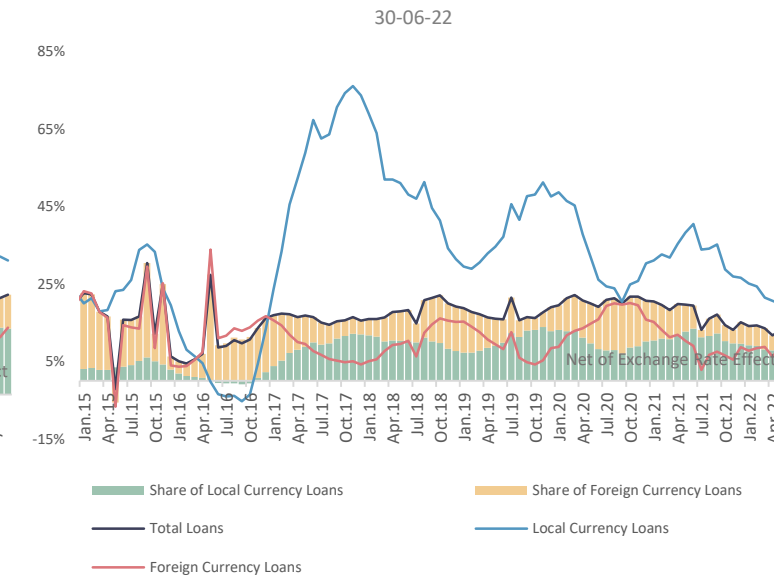
Loans, % y/y



Loans by Currency, % y/y



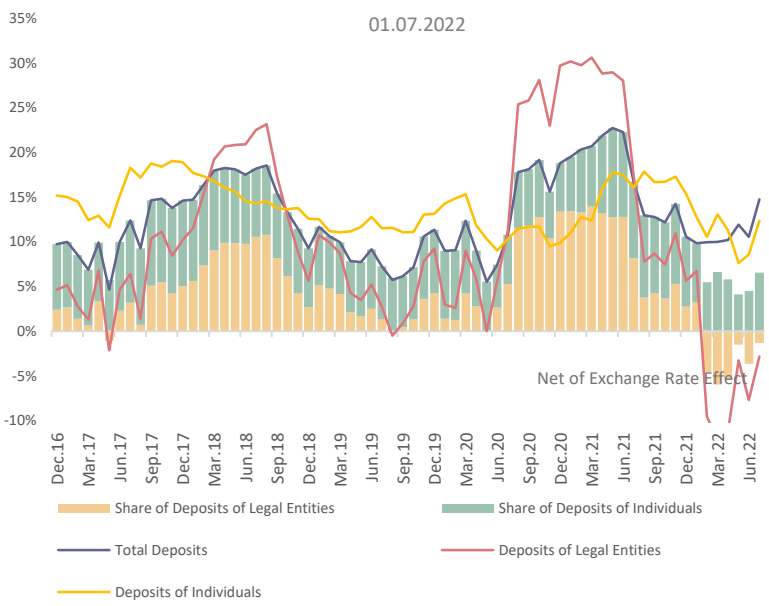
Mortgage Loans, % y/y



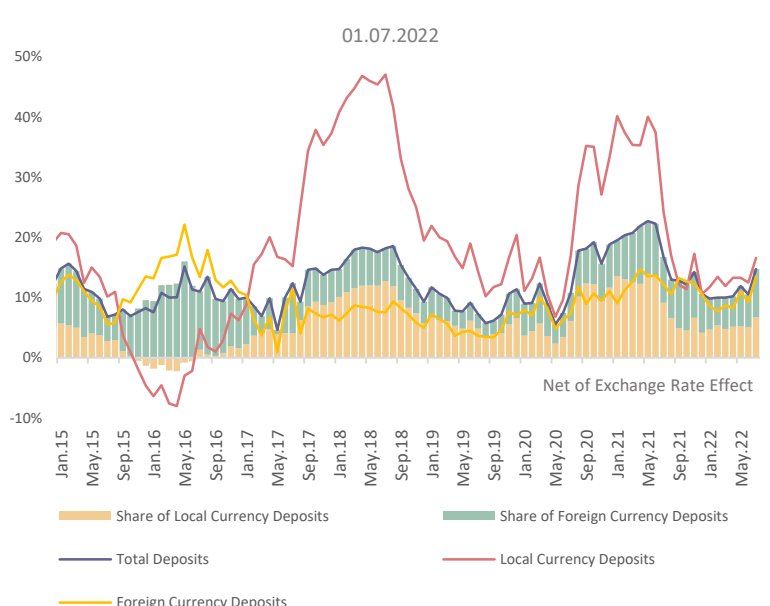
- As of July 1, 2022, total loans increased by 15.8 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 13.0 percent.
- The annual growth of loans to individuals is 18.4 percent.
- As of July 1, 2022, the growth rate of loans denominated in the national currency amounted to 21.2 percent.
- The annual growth of loans denominated in foreign currency amounted to 10.6 percent.
- As of June 30, 2022, the annual growth of loans secured by real estate amounted to 13.7 percent. At the same time, mortgage loans denominated in national currency increased by 19.1 percent, while mortgage loans denominated in foreign currency increased by 10.2 percent.

Sharp decline in deposits of legal entities continues

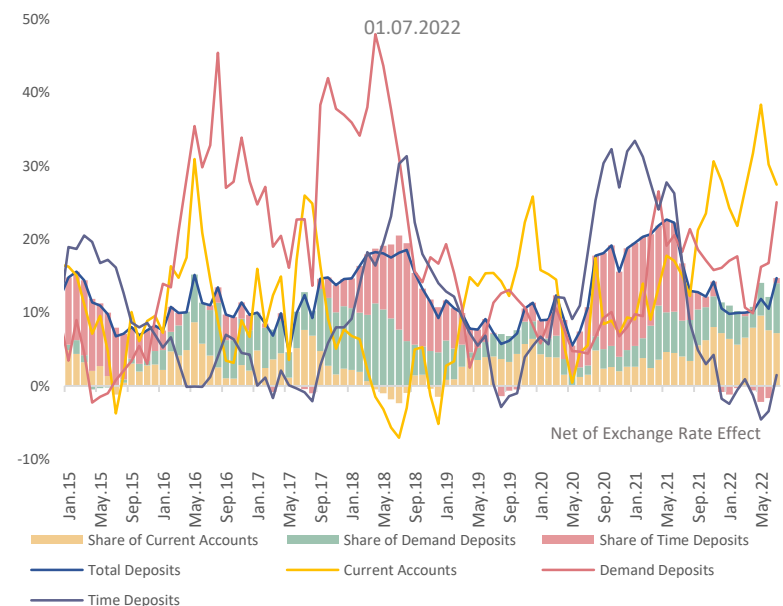
Deposits, % y/y



Deposits by Currency, % y/y



Deposits by type, % y/y

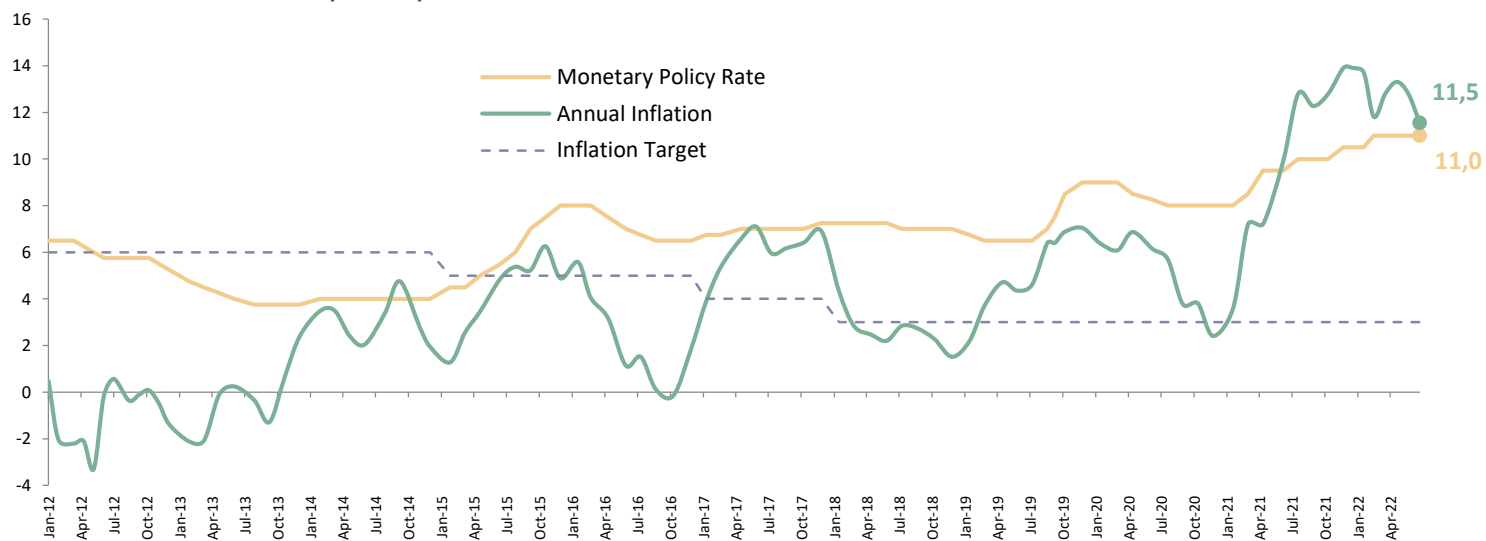


- As of July 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 14.7 percent.
- The annual growth of deposits denominated in the national currency amounted to 16.5percent. The annual growth of deposits denominated in foreign currency is relatively stable at 13.5 percent over the same period.
- The growth of deposits of individuals amounted to 12.3 percent, while the annual growth of deposits of legal entities once again decreased and its value in the same period amounted to -2.8 percent.
- The annual growth of current accounts at the beginning of July 2022 was equal to 27.4 percent.
- The annual growth of time deposits was 1.5 percent.
- The growth of demand deposits amounted to 25.1 percent.

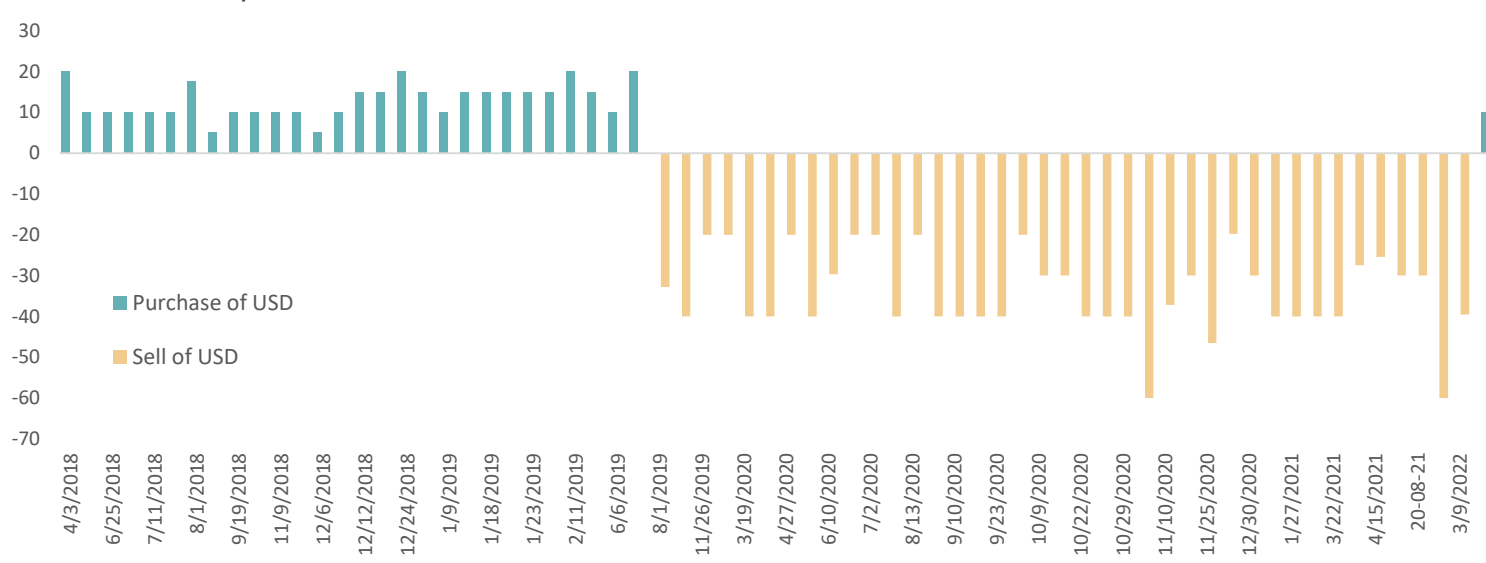
Source: NBG

The National Bank of Georgia increased the monetary policy rate to 11.0 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD

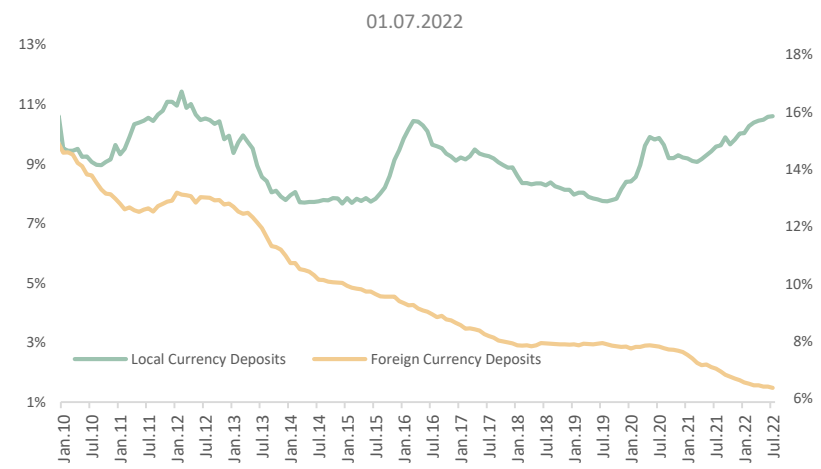


- On June 22 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to National Bank, the sanctions imposed against Russia due to its aggression against Ukraine, as well as supply-side disruptions, and a sharp decline of goods exports from Ukraine due to the ongoing war, have significantly raised international prices on food, energy and other commodities
- According to the National Bank, other things equal, it is expected that inflation will remain above the target throughout the year; however, it will have a declining path as external factors are phased-out and given that monetary policy remains tight
- The next meeting of the Monetary Policy Committee will be held on August 3, 2022.

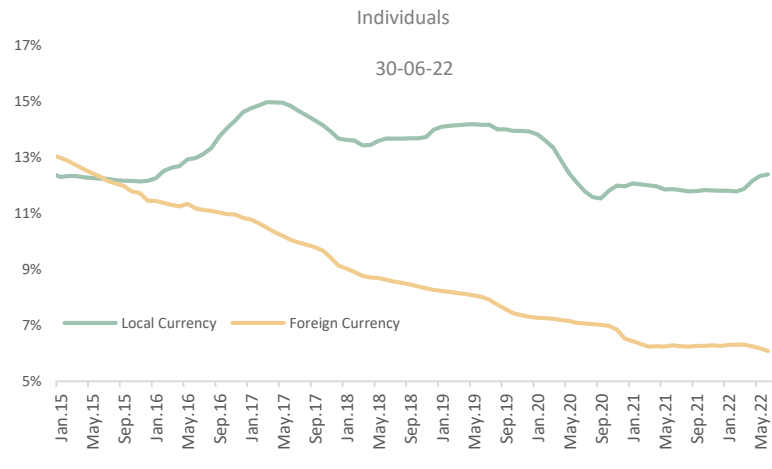
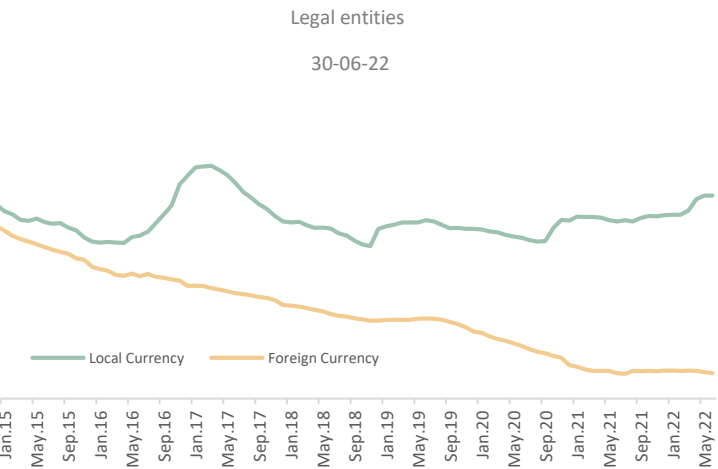
Source: NBG

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 July 1, 2022, the interest rate on foreign currency deposits was 1.5 percent, and in national currency – 10.6 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.1 percent, and in foreign currency – 1.6 percent.
- The average annual interest rate on deposits by individuals is 1.5 percent for foreign currency deposits and 10.6 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 15.3 percent (19.8 percent in national currency and 4.6 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 6.5 percent in foreign currency).
- At the end of June 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.1 percent, and in foreign currency 7.1 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 5.8 percent.

Disclaimer

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