



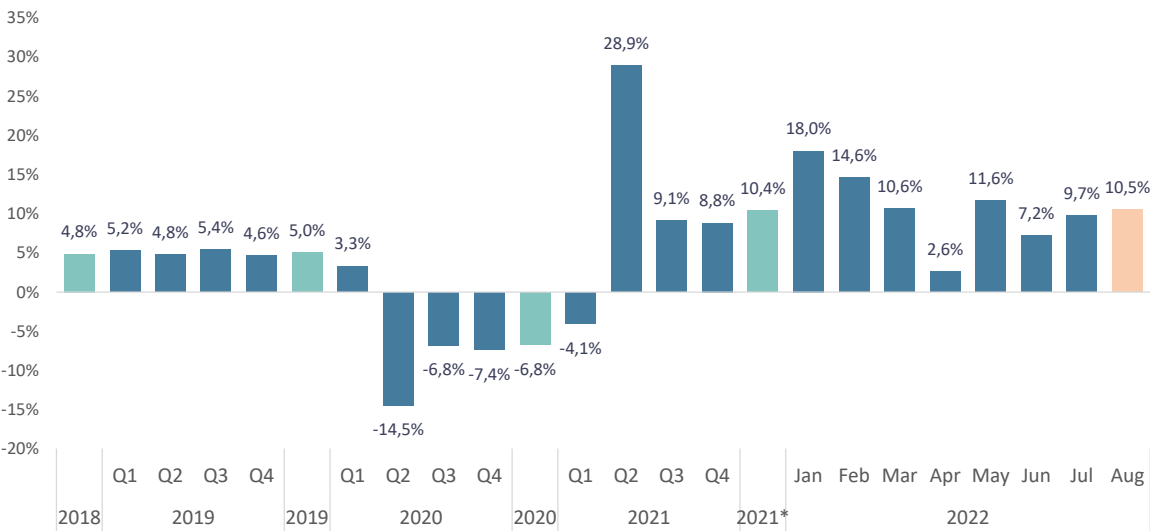
# Current Economic Outlook

September, 2022

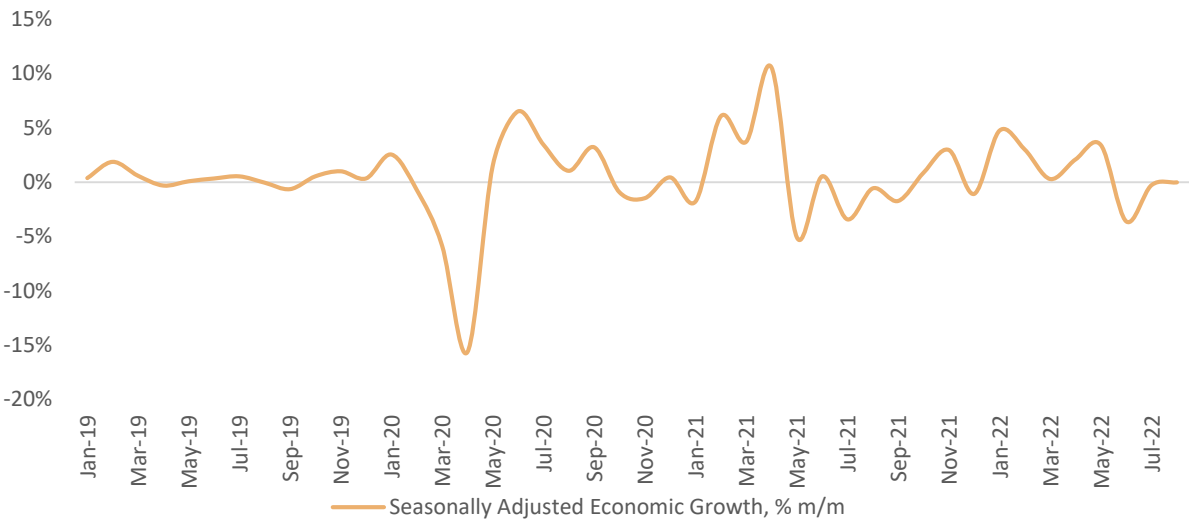
- In August 2022, the real GDP growth rate was 10.5 percent and average growth rate of the first eight months of 2022 was 10.3 percent, according to the preliminary estimates of the National Statistics Office.
- In September, annual inflation stood at 11.5 percent, while core inflation was 7.5 percent
- In August, exports increased by 40.4 percent year-on-year and imports increased by 39.7 percent year-on-year, increasing the trade deficit by 39.3 percent year-on-year to 743.1 million USD
- For August, the real effective exchange rate appreciated by 20.2 percent compared to the same period of the previous year and by 4.6 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

# Economic Growth in August was equal to 10.5 percent

Economic Growth, % y/y

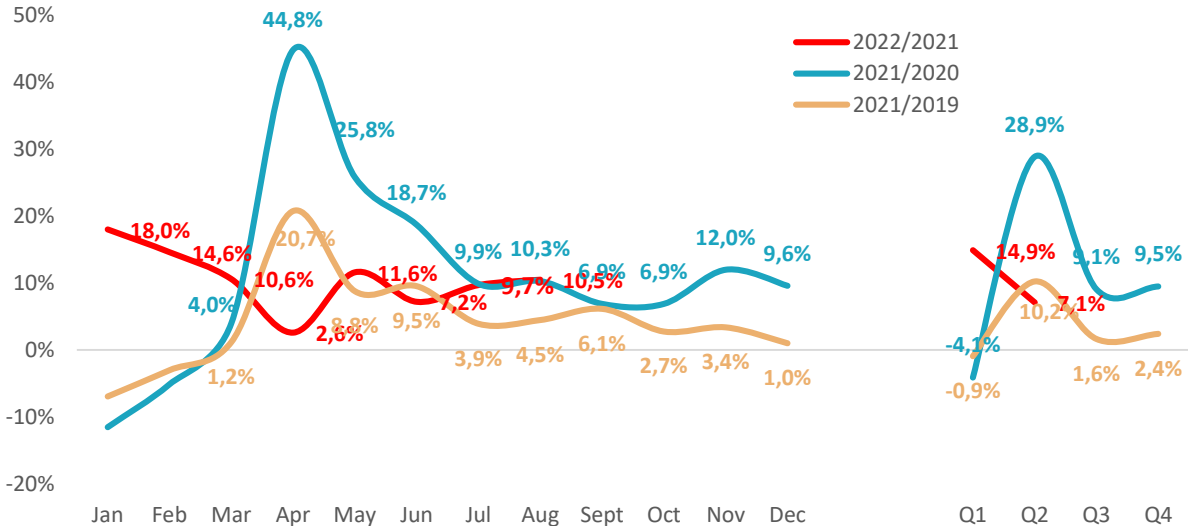


Economic Growth, % m/m



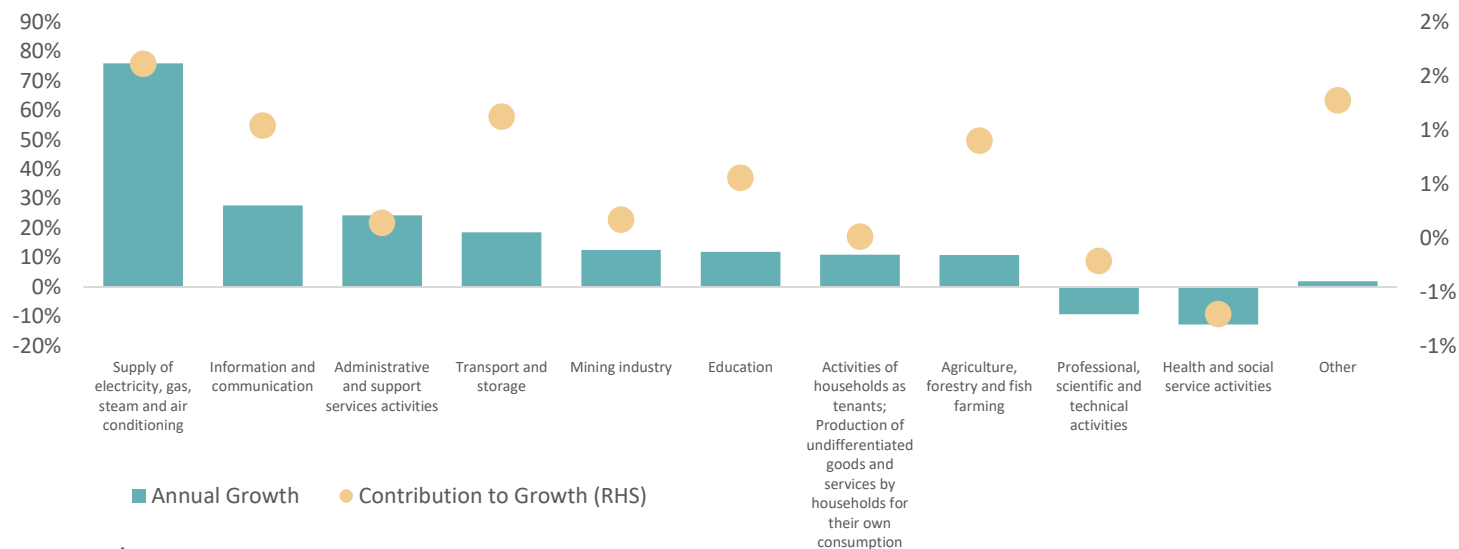
- Estimated real GDP growth rate in August 2022 equaled 10.5 percent YoY and average annual real GDP growth rate for 2022 January-August equals to 10.3 percent.
- In August 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing, Construction, Information and Communication, Hotels and restaurants and trade.
- A decline was registered in the field of Manufacturing industry and Real estate related activities.

Economic Growth, 2022-2019

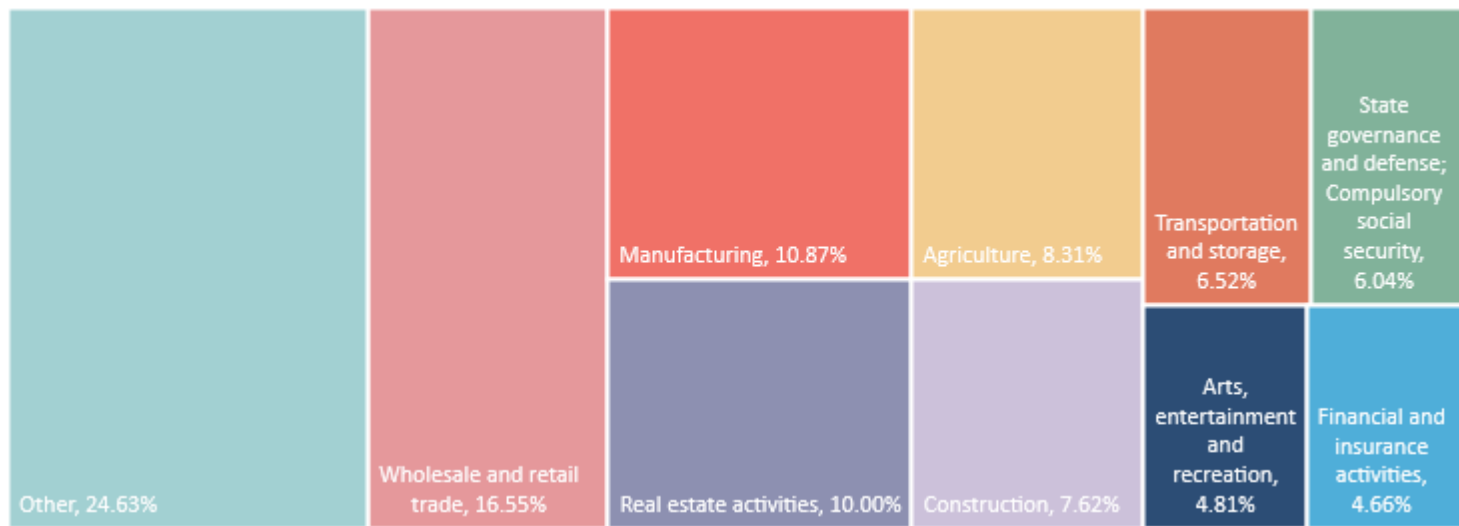


# According to preliminary estimates, real GDP increased by 7.1 percent in the second quarter of 2022

Real GDP growth by economic activity, 2022 II Quarter



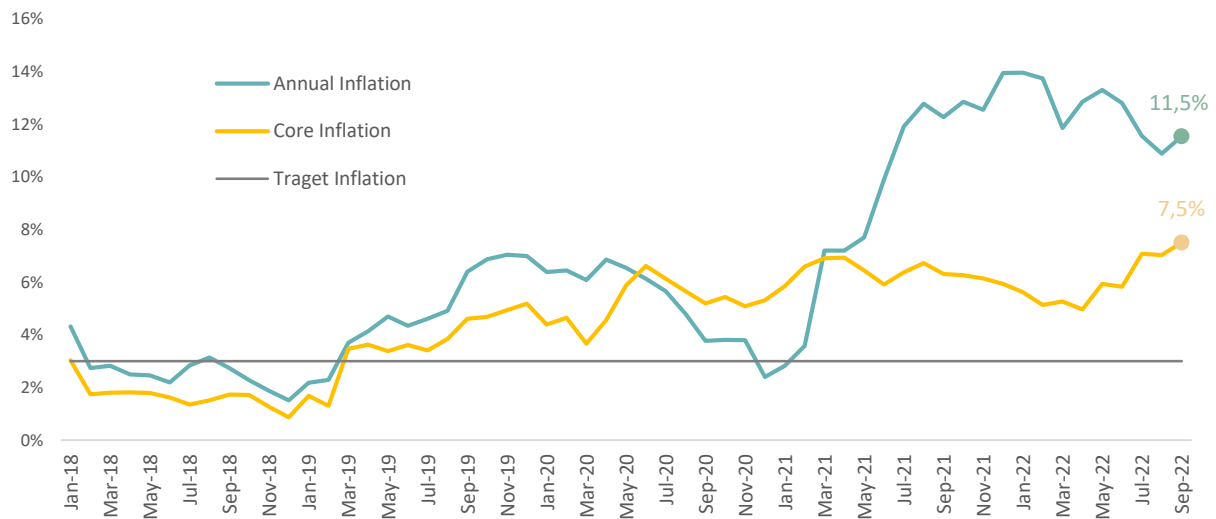
GDP by economic activity, 2022 II Quarter



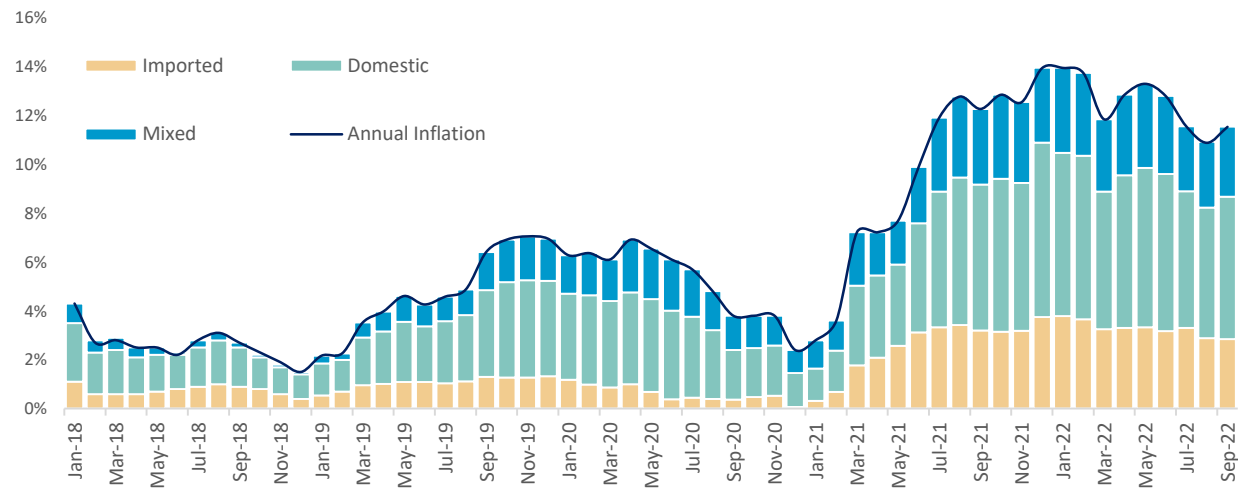
- According to preliminary estimates, in the second quarter of 2022 economic growth amounted to 7.1 percent, while in the first quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 14.9 percent and by 20.3 percent compared to the first quarter of 2019.
- The following industries have made a significant contribution to growth of Q2 2022:
  - Supply of electricity, gas, steam and air conditioning: 75.9% y/y (1.6 p.p.)
  - Information and communication: 27.7% y/y (1.0 p.p.)
  - Administrative and support services activities: - 24.4% y/y (0.1 p.p.)
  - Transport and warehousing: 18.6% y/y (1.1 p.p.)
  - Mining industry: 12.6% y/y (0.2 p.p.)
  - Education: 12.0% p.a. (0.6 p.p.)
  - Activities of households as employers: 11.0% y/y (0.01 p.p.)
  - Agriculture, forestry and fish farming: 10.9% y/y (0.9 p.p.)
- The following industries have made a significant contribution to the decline:
  - Health care and social service activities: -12.7% y/y (-0.7 p.p.)
  - Professional, scientific and technical activities: -9.2% y/y (-0.2 p.p.)

# Annual inflation in September has reached 11.5 percent

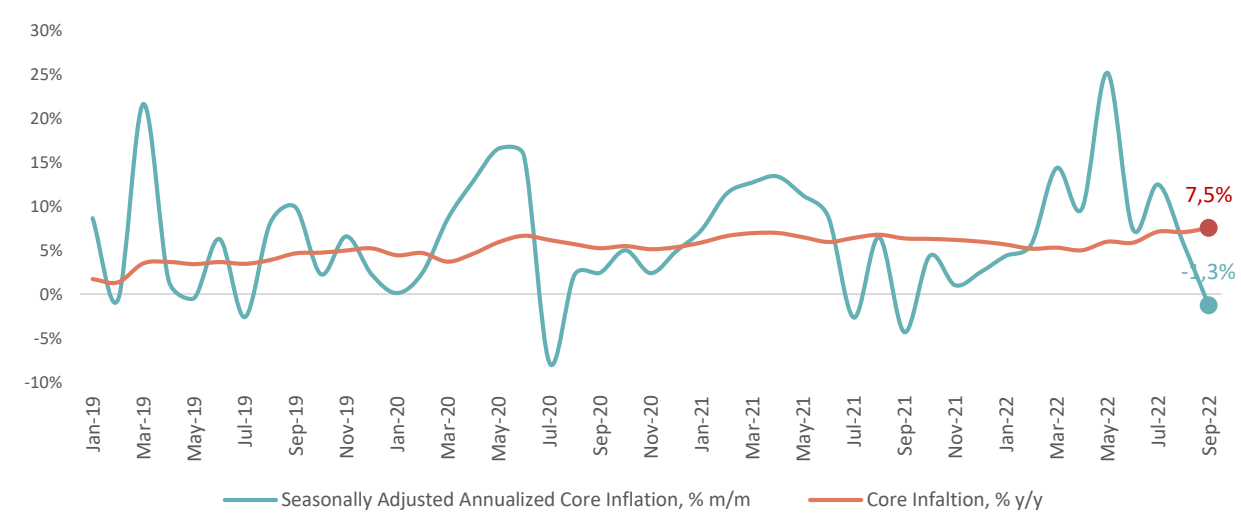
## Total and Core Inflation, % y/y



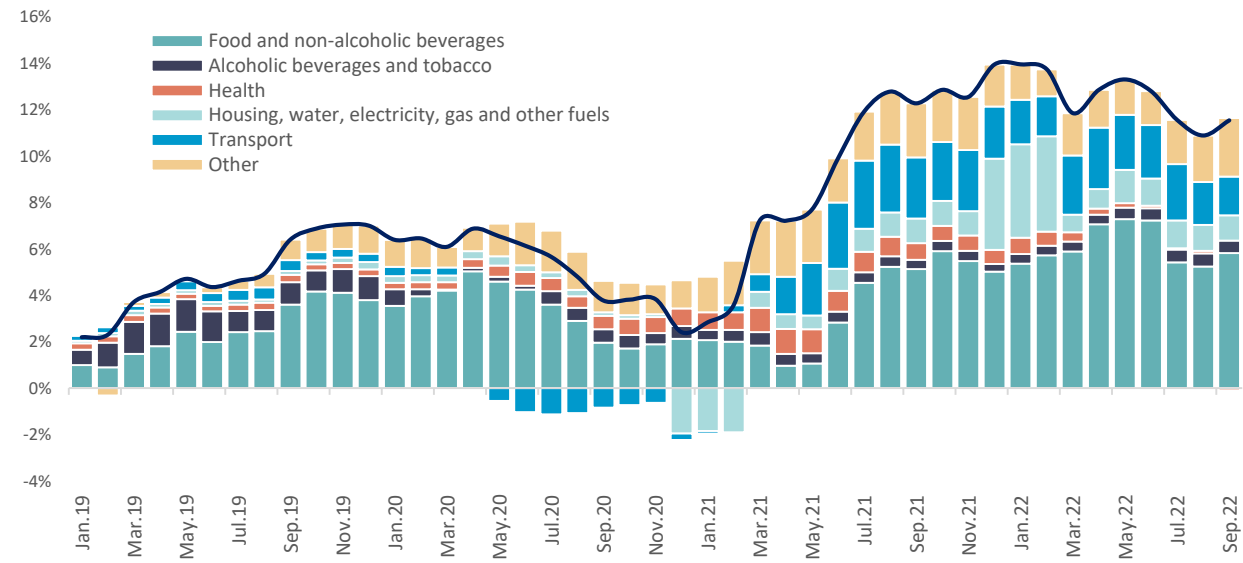
## Inflation Decomposition



## Core Inflation, % m/m



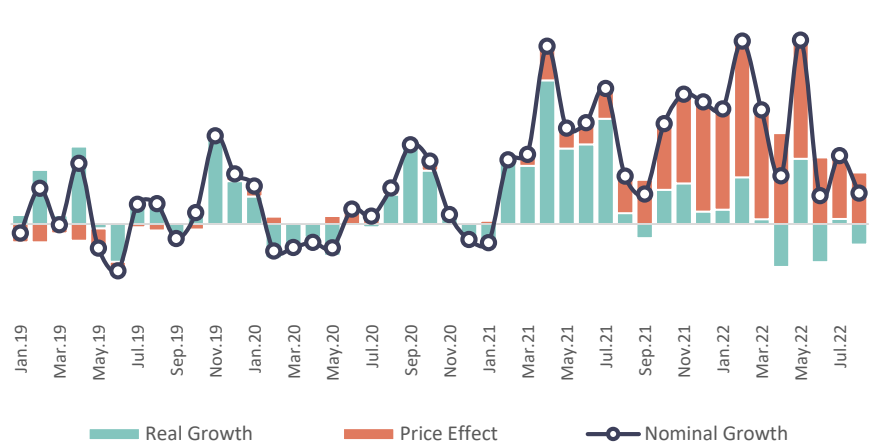
## Inflation Decomposition by product group



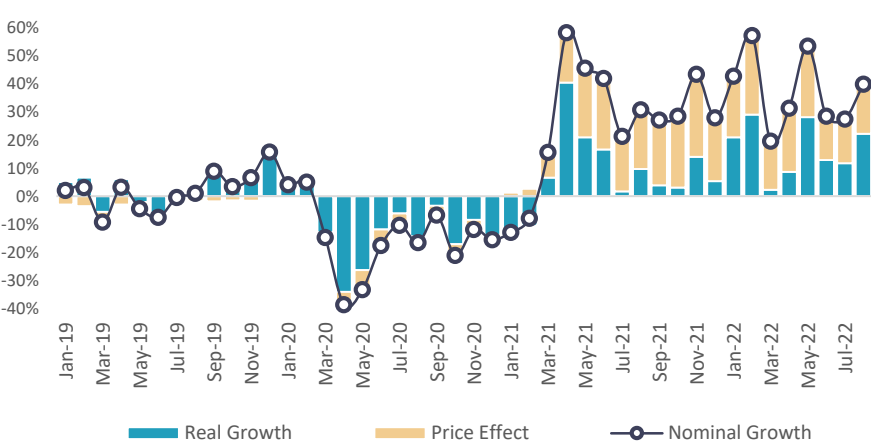
Source: Geostat, NBG, MOF

# Trade Deficit increased by 39.3 percent annually

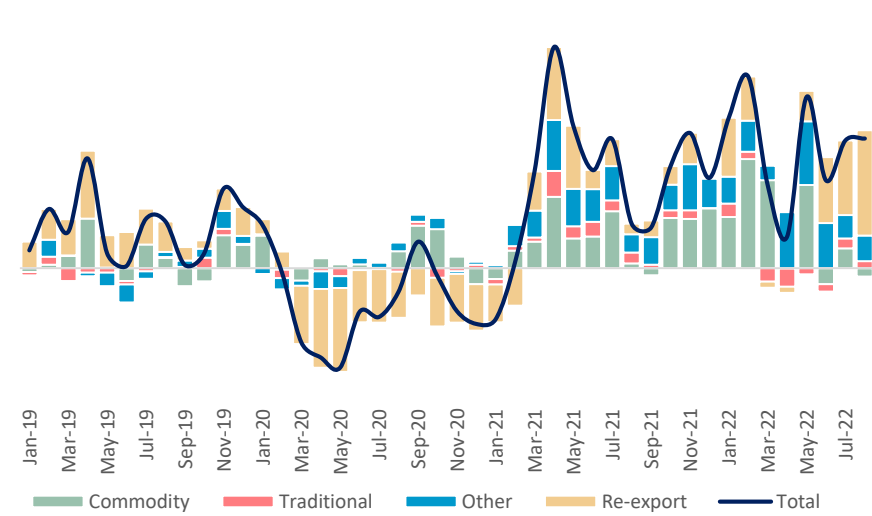
Change of Domestic Export, %y/y



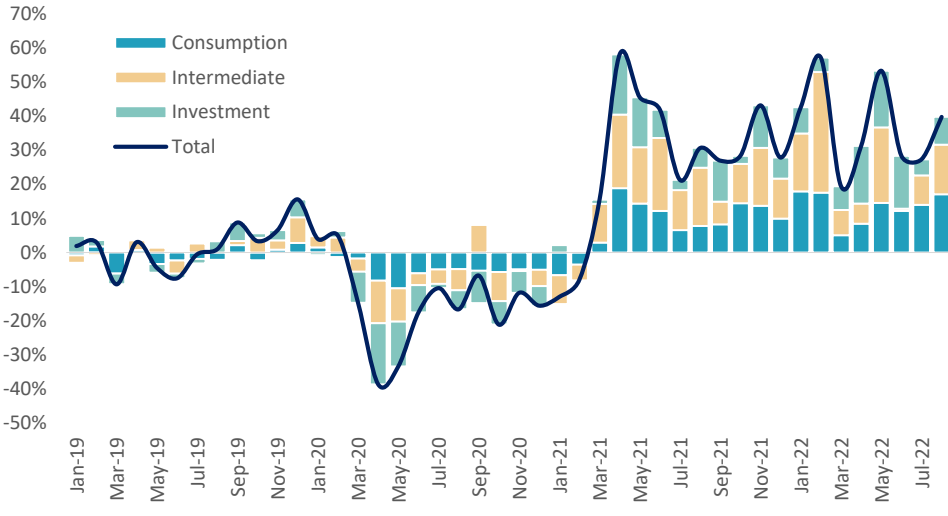
Change of Import, %y/y



Decomposition of Export



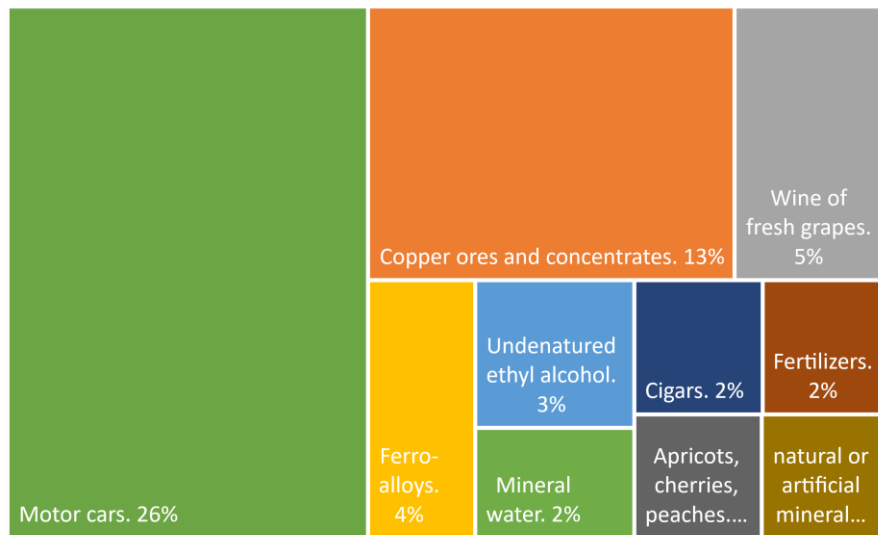
Decomposition of Change of Import, %y/y



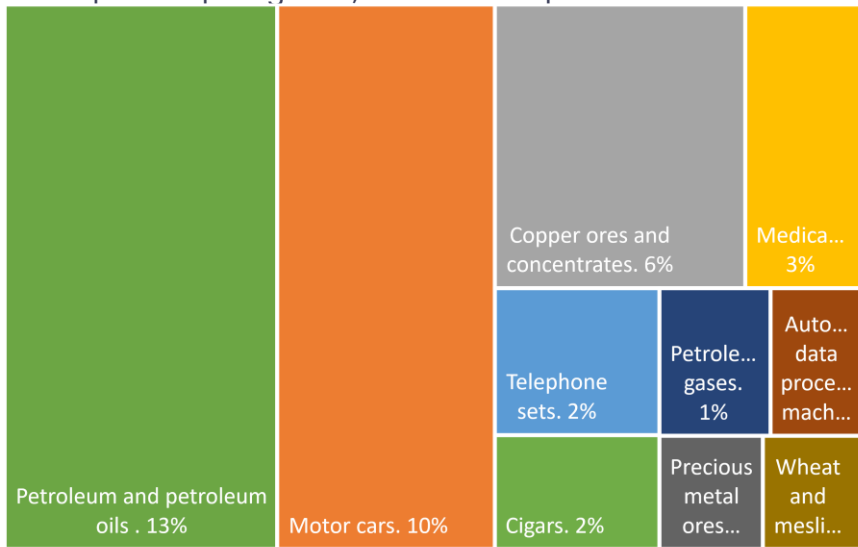
- Export increased annually by 40.4 percent to 470.7 million USD in August.
- Domestic export increased annually by 10.5 percent to 261.2 million USD.
- Import annually increased by 39.7 percent to 1,213.8 million USD in August.
- Trade deficit annually increased by 39.3 percent to 743.1 million USD in August.
- Share of re-export in export growth is equal to 33.2 percent (112.0 %y/y), while share of commodity export is negative 2.6 percent (-7.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 8.2, 17.0 and 14.6 percent respectively.

# International trade is characterized by stable diversification

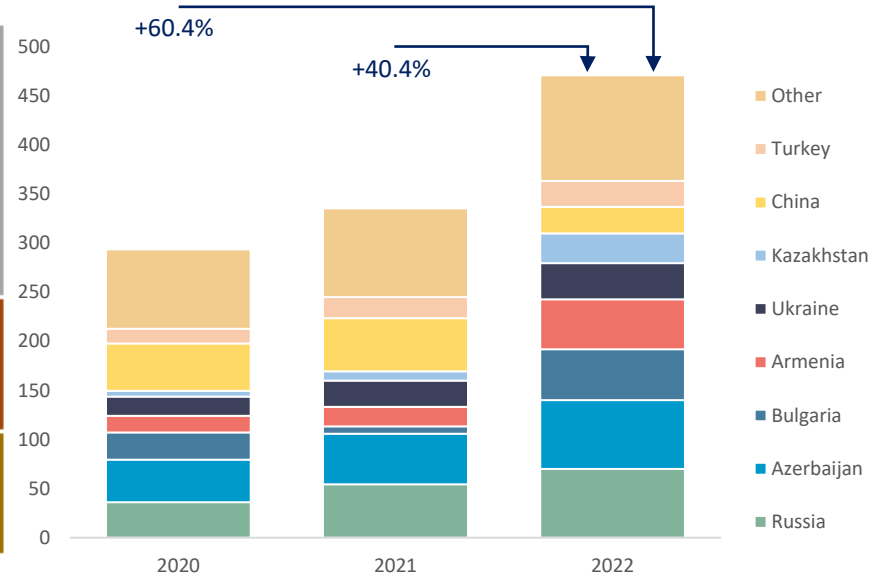
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



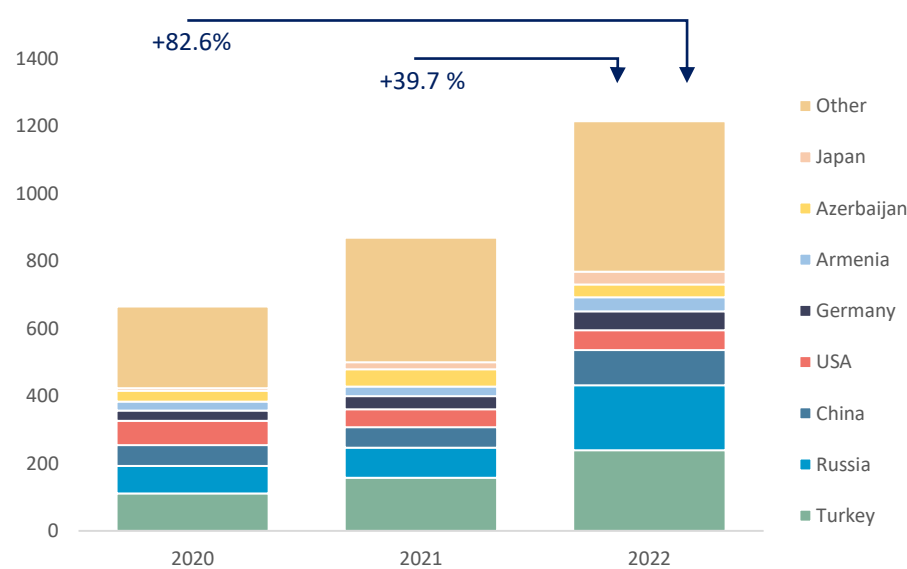
Export by country, August



- Top Export Products:
  - Motor cars 120.1 mln. USD – 25.5 percent.
  - Copper ores and concentrates: 62.9 mln. USD – 13.4 percent of total export.
  - Wine of fresh grapes: 25.4 mln. USD – 5.4 percent.

- Top Import Products :
  - Petroleum and petroleum oils: 153.9 mln. USD – 12.7 percent.
  - Motor cars: 122.7 mln. USD – 10.1 percent.
  - Copper ores and concentrates: 73.6 mln. USD – 6.1 percent of total import.

Import by country, August

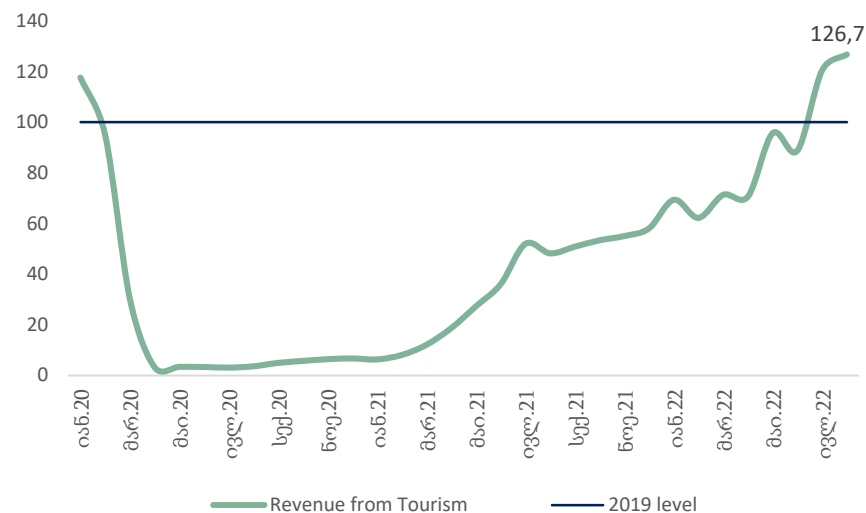


- Top Export Country:
  - Russia: 70.2 mln. USD – 14.9 percent.
  - Azerbaijan: 70.0 mln. USD – 14.9 percent.
  - Bulgaria: 51.7 mln. USD – 11.0 percent.

- Top Import Country :
  - Turkey: 239.2 mln. USD – 19.7 percent.
  - Russia: 192.9 mln. USD – 15.9 percent.
  - China: 103.6 mln. USD – 8.5 percent.

# Tourism recovery continue to increase and reached 126.7% percent of 2019 level in August

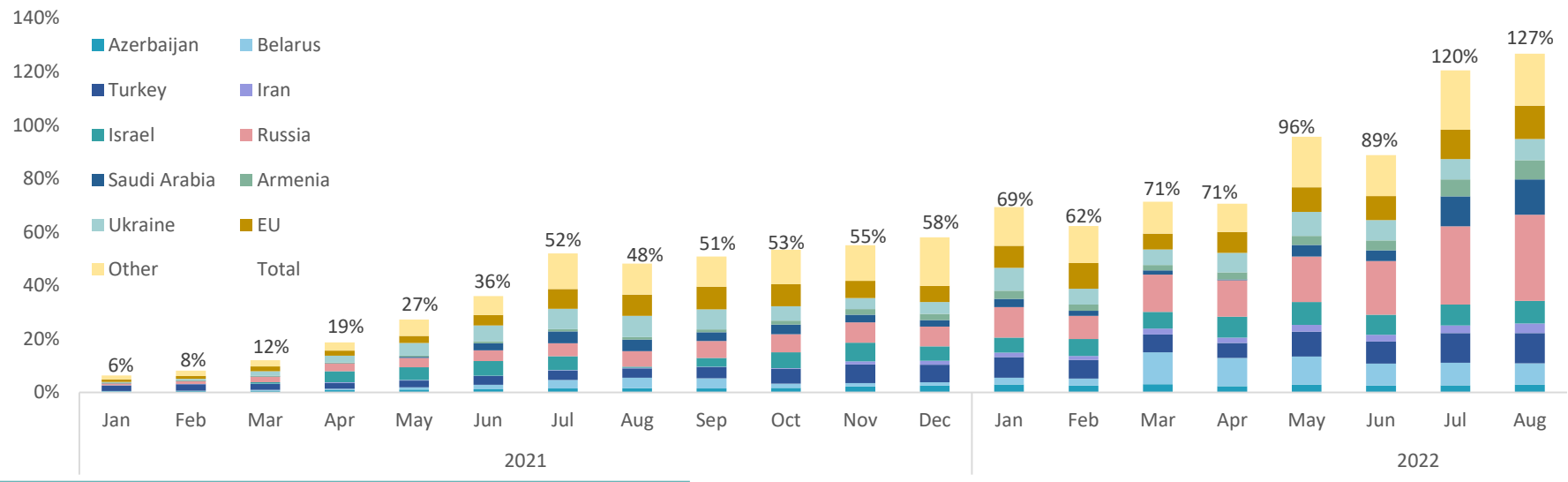
Revenue from Tourism, 2019 = 100



Revenue from Tourism, August 2022

Country	Tourism Revenue, mln USD
Russia	133.1
EU + UK	51.4
Turkey	46.9
Israel	35.0
Belarus	32.9
Ukraine	32.8
Other	190.9

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

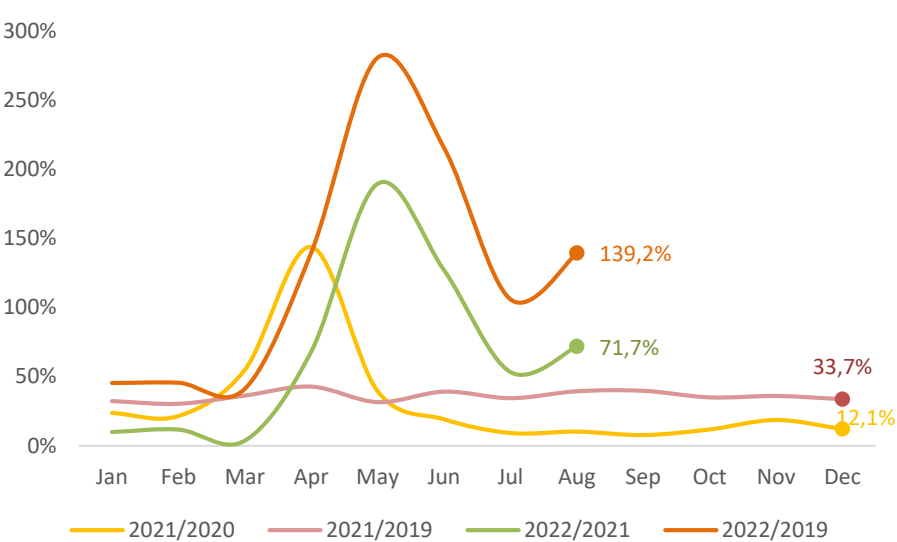


- In August 2022, tourism revenues increased by 163.1 percent compared to the corresponding period of the previous year to 522.9 million USD. Such high increase is mainly due to low level of tourism revenue inflow in August 2021 (198.8 million USD).
- Because of the recovery of economic activity in the region and within the country, tourism sector activities increased compared to 2019. In particular, revenue from tourism in August 2022 increased by 26.7 percent compared to August 2019.
- At the same time, seasonally adjusted tourism revenues increased by 3.8 percent compared to the previous month.

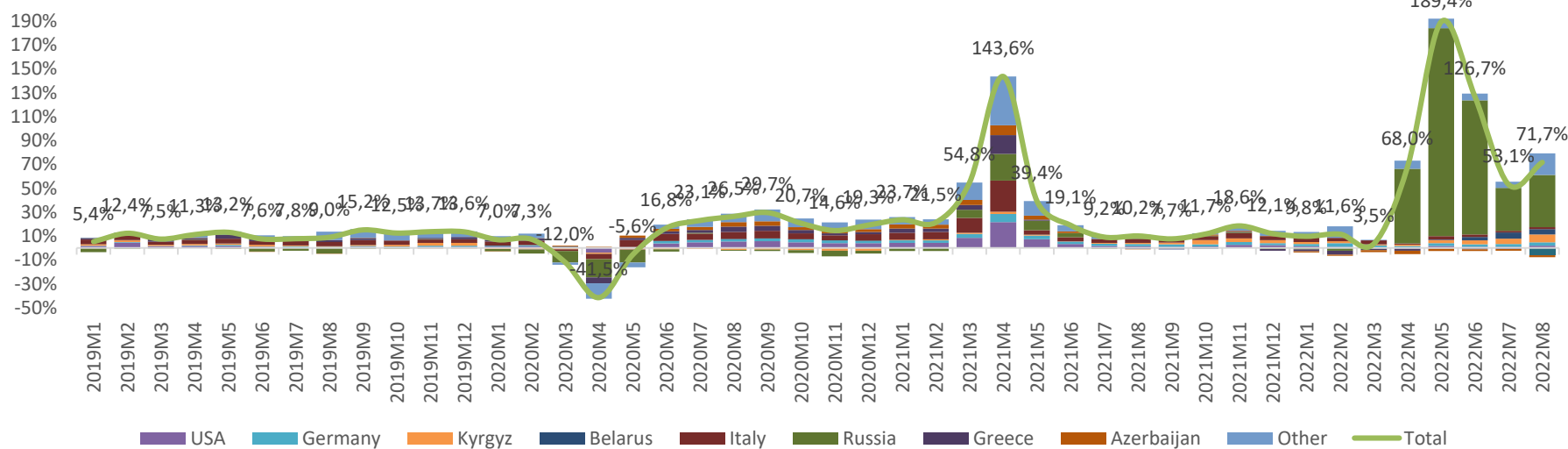


# Remittances are increasing as a result of economic activity in the region

Net Remittances



Net Remittances by country, %y/y



Net Remittances, August 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	107.9	258.4	43.9
Italy	35.9	8.8	1.6
USA	27.8	14.5	2.0
Israel	17.3	6.5	0.6
Greece	17.3	-4.9	-0.5
Kazakhstan	10.8	179.1	3.9
Other	87.6	69.3	20.19

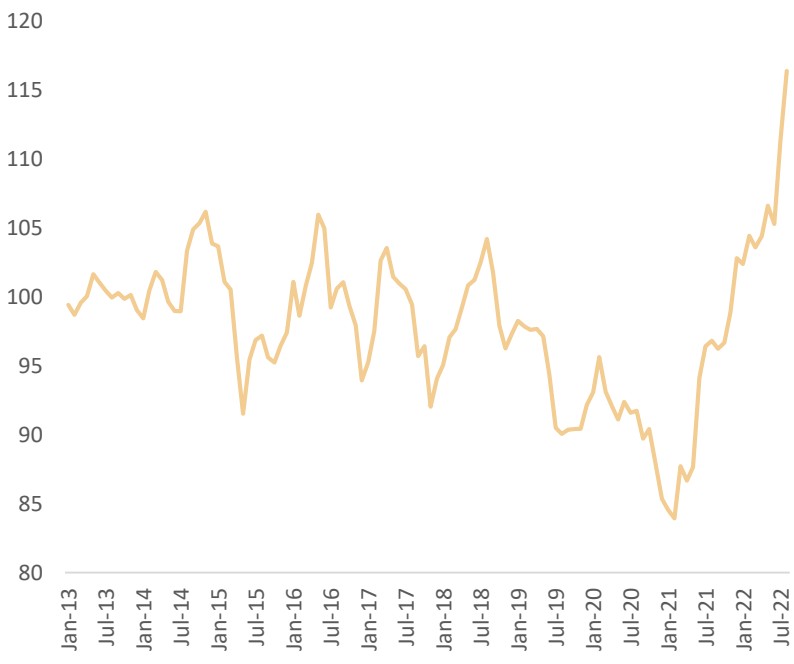
- In August 2022, net remittances were estimated at 304.7 million USD, representing a 71.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 139.2 percent.
- Net Remittances increased from:
  - Russia: 258.4 percent (43.9 p.p. contribution to overall growth).
  - Kazakhstan: 179.1 percent (3.9 p.p. contribution to overall growth).
  - Germany: 50.9 percent (2.7 p.p. contribution to overall growth).
  - Italy: 8.8 percent (1.6 p.p. contribution to overall growth).
- Net Remittances decreased from:
  - Greece -4.9 percent (-0.5 p.p. contribution to overall growth)

# The Real effective exchange rate in August appreciated by 20.2 percent annually

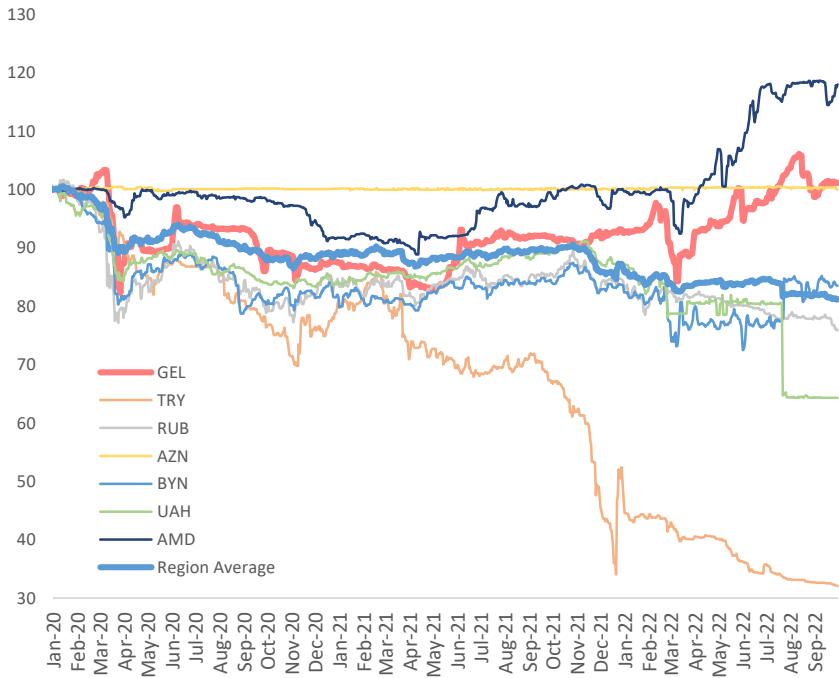
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



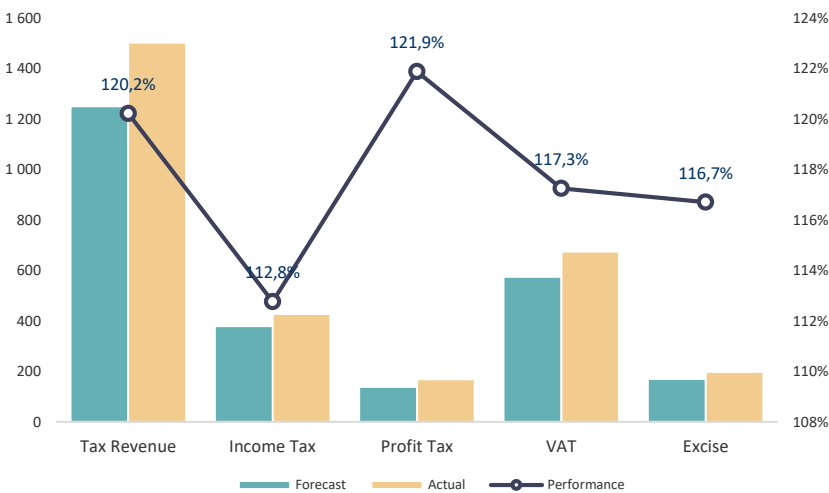
Note: Increase means appreciation

	September 30, 2022		Sep 30, 2022 - Jan 1, 2022		Sep 30, 2022 - Jan 1, 2021
Euro	2.7482	▲	27.3%	▲	46.4%
US Dollar	2.8352	▲	9.0%	▲	15.6%
Turkish Lira	0.1529	▲	51.2%	▲	187.7%
Russian Ruble	0.0490	▼	-15.8%	▼	-10.3%
NEER	137.07	▲	4.5%	▲	23.9%
REER (აგვისტო 2022)	143.04	▲	13.7%	▲	36.3%

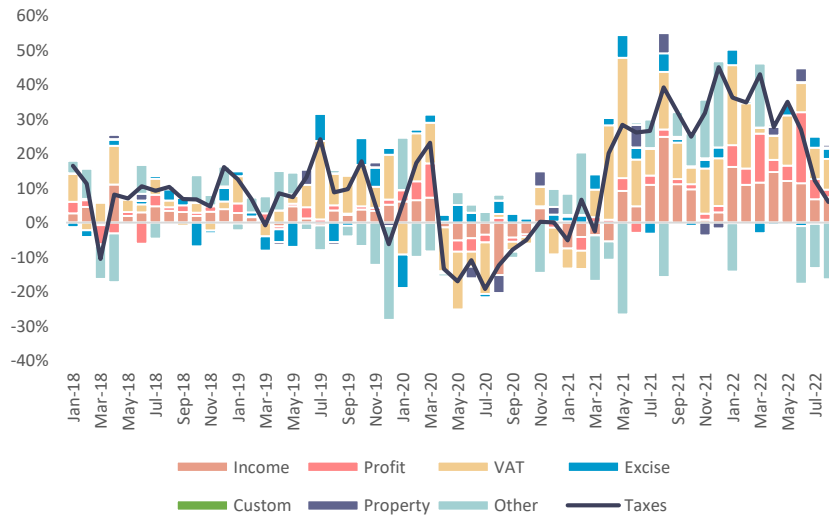
Source: NBG

# Tax revenues in the September is above the forecast value by 20.2 percent

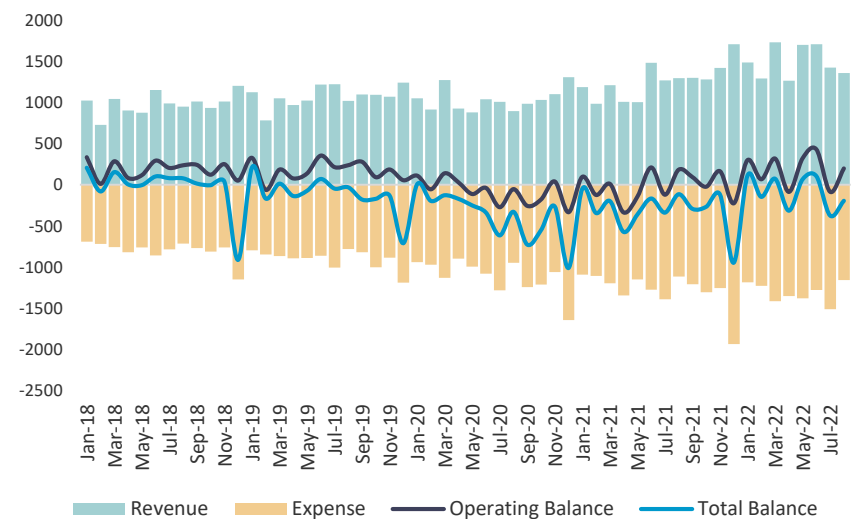
Budget Revenue Performance, September 2022



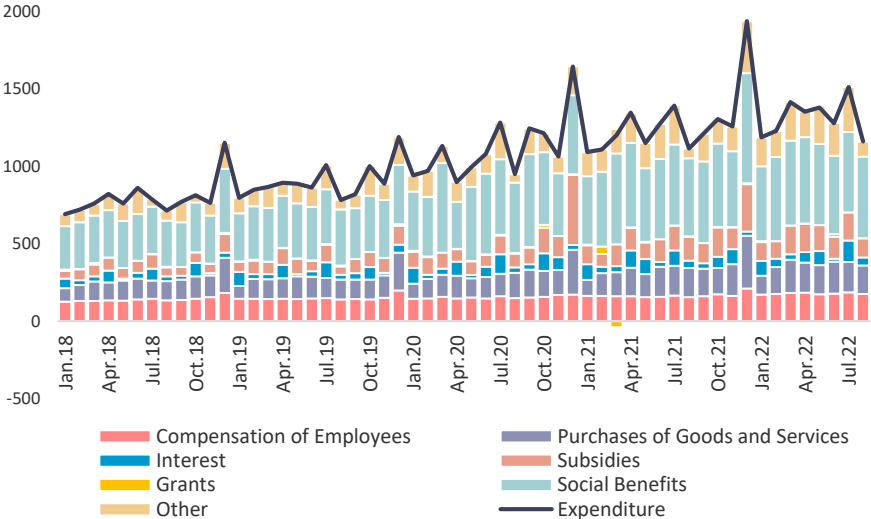
Tax Income, % y/y



Consolidated Budget, mln GEL



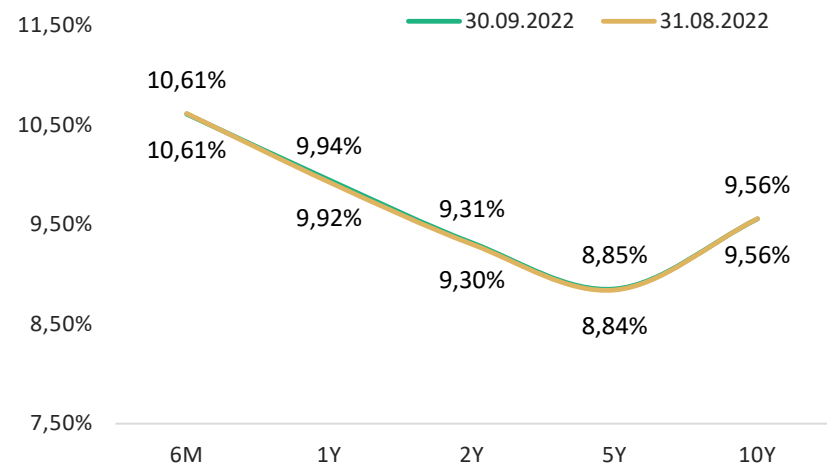
Consolidated Budget Expenditure, mln GEL



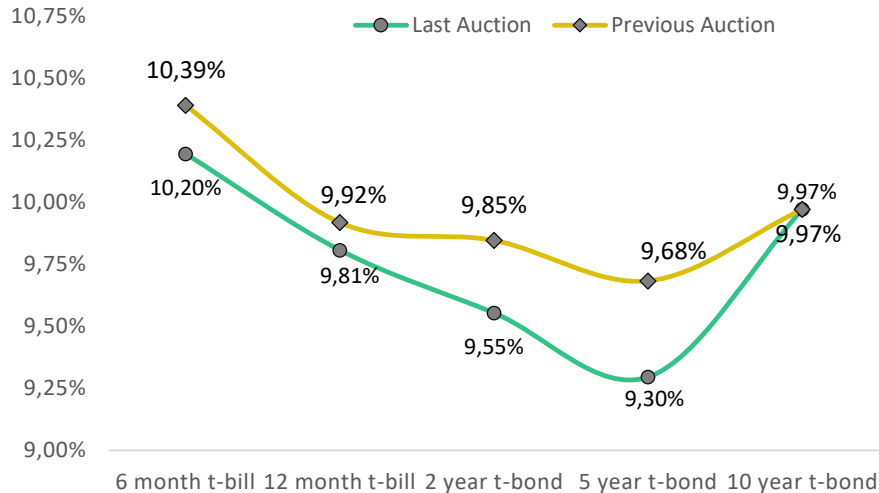
- The actual level of tax income in September 2022 was 1,503 mln GEL, which is 20.2 percent higher compared to the forecasted value of tax income of 1,250 mln GEL.
- Consolidated budget revenues increased by 4.6 percent and expenditures by 4.0 percent in August.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 197.8 million GEL, while the total balance was set at -194.5 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT in August, accounting for 8.9 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

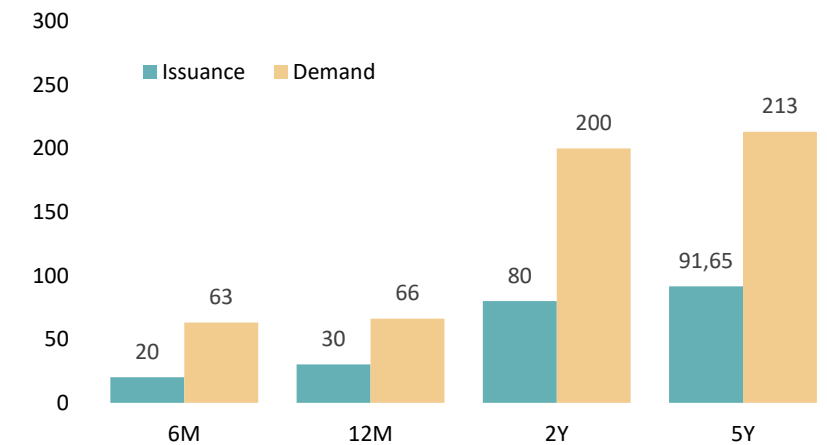


Weighted average interest rates

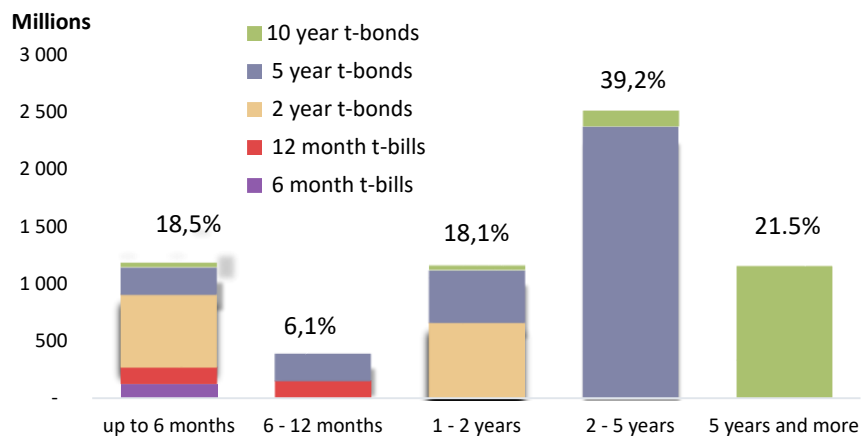


- In September 2022, 4 auctions were held with total issuance volume of 221.65 Million GEL.
- The weighted average interest rate amounted to 9.539%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 35 million GEL were redeemed.
- As of September 30, 2022 24.6% of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio slightly decreased compared to the previous month's value (August 2.48) and amounted to 2.45.

Issuance and Demand, mln GEL

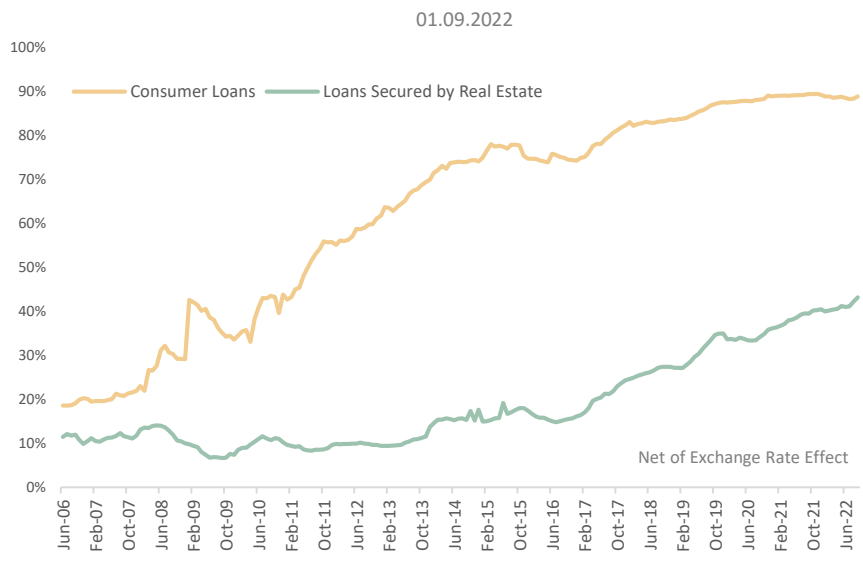
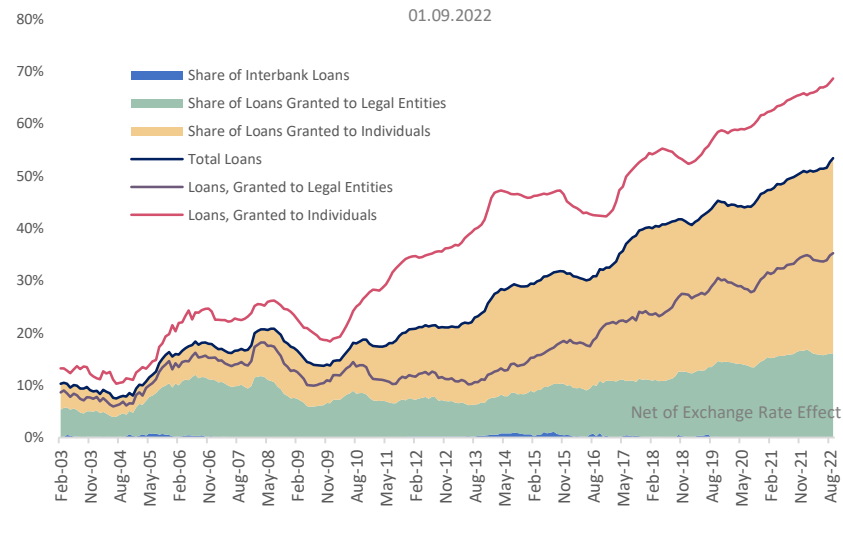


Portfolio Forming Securities Composed by Time to Maturity

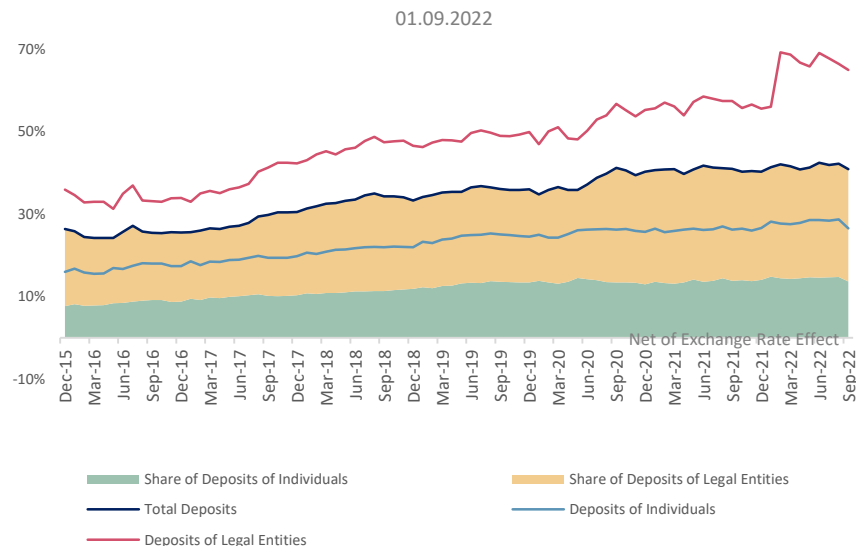
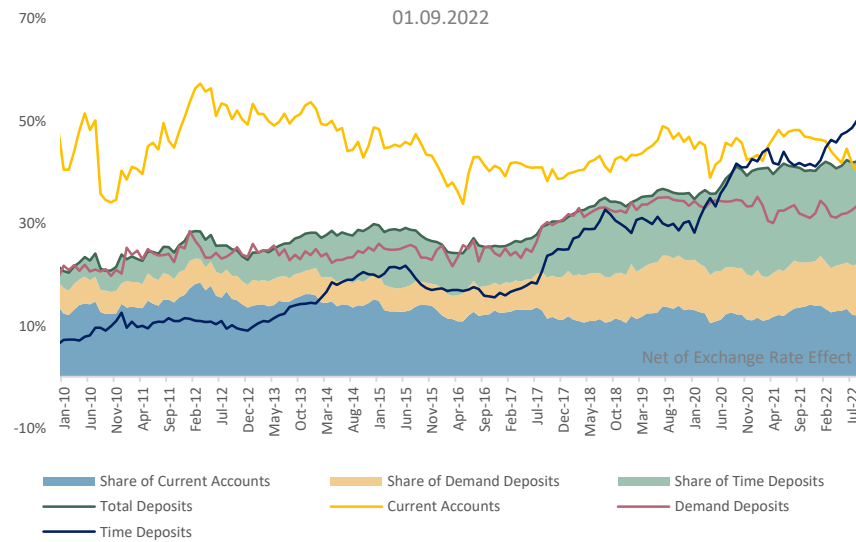


# The larization rates continue to rise

## Loan Larization



## Deposit Larization



- As of September 1, 2022, the larization of total loans is 53.4 percent.
- The larization of loans to individuals is 68.7 percent.
- The larization of loans to legal entities amounted to 35.2 percent.
- The larization of total deposits equals to 40.8 percent.
- The larization on deposits of legal entities amounted to 64.9 percent.
- The larization of deposits of individuals is 26.5 percent.
- The larization of time deposits is 49.8 percent.
- The larization of current accounts equals to 36.9 percent.
- The larization of demand deposits is 33.3 percent.

# The annual growth trend of loans is sustained

Loans. % v/v

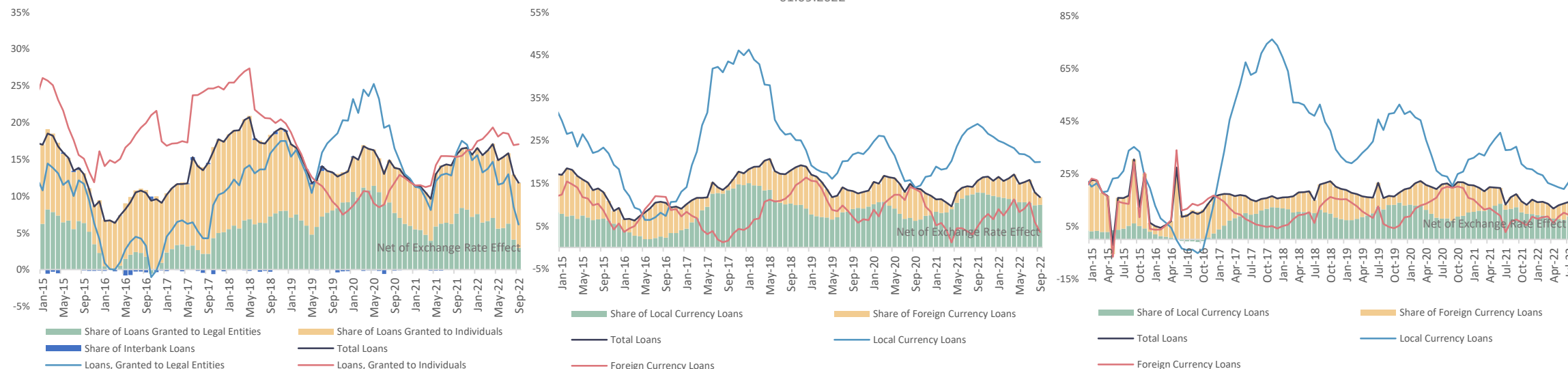
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Loans by Currency, % y/y

01.09.2022

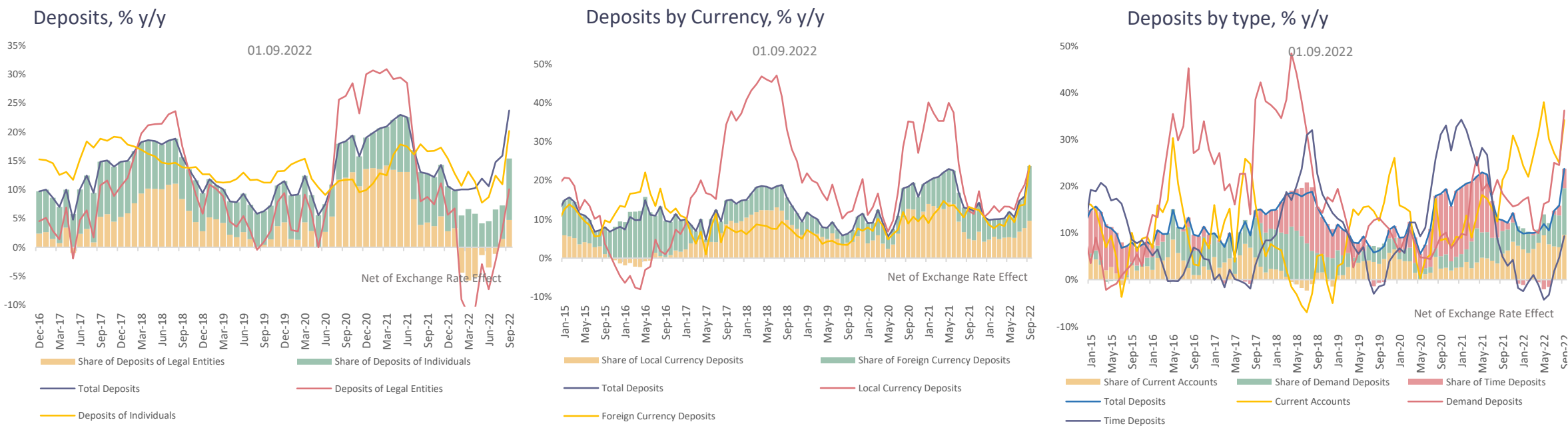
Mortgage Loans. % v/v

31.08.2022



- As of September 1, 2022, total loans increased by 11.8 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 6.1 percent.
- The annual growth of loans to individuals is 17.0 percent.
- As of September 1, 2022, the growth rate of loans denominated in the national currency amounted to 20.0 percent.
- The annual growth of loans denominated in foreign currency amounted to minus 3.6 percent.
- As of August 31, 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 21.9 percent, while mortgage loans denominated in foreign currency increased by 4.9 percent.

# The annual growth of deposits is still high

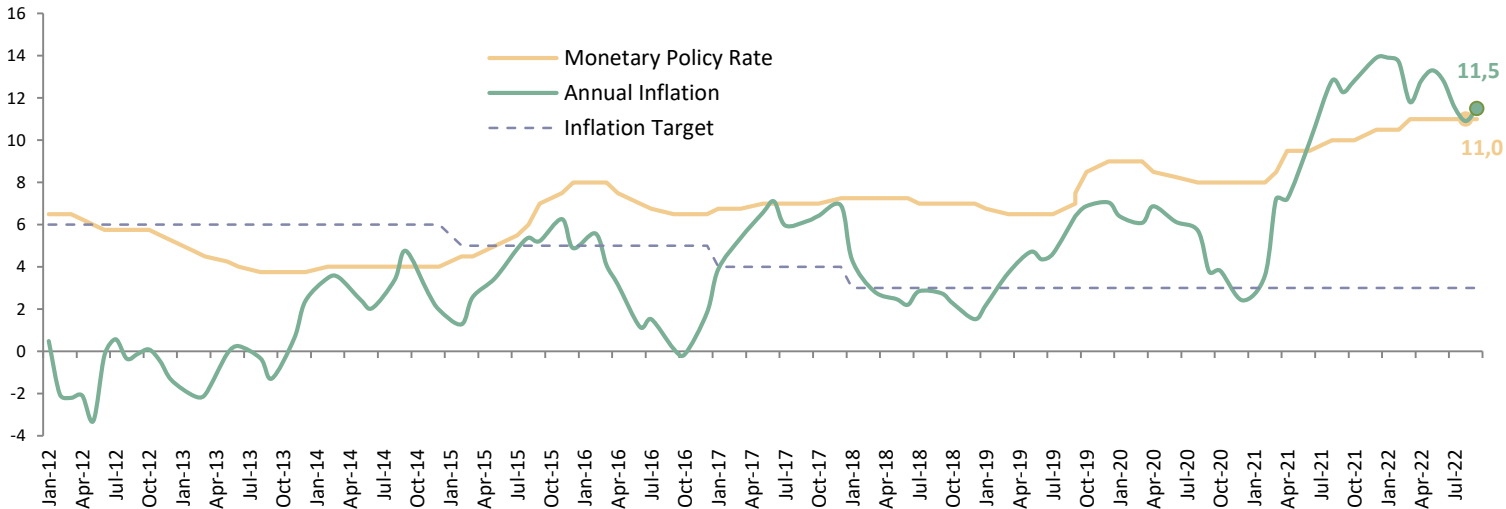


- As of September 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 23.7 percent.
- The annual growth of deposits denominated in the national currency amounted to 23.5 percent. The annual growth of deposits denominated in foreign currency increased by 23.8 percent over the same period.
- The growth of deposits of individuals amounted to 20.1 percent, while the annual growth of deposits of legal entities in the same period amounted to 10.0 percent.
- The annual growth of current accounts at the beginning of September 2022 was equal to 34.1 percent.
- The annual growth of time deposits was 9.3 percent.
- The growth of demand deposits amounted to 36.2 percent.

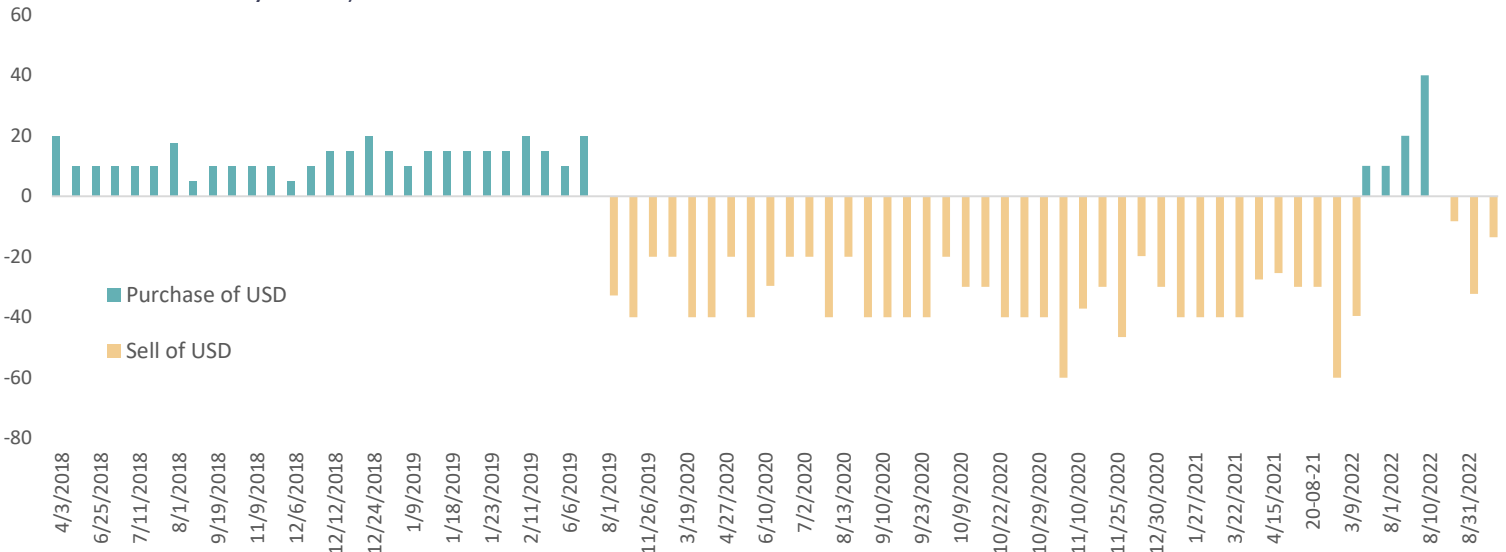
Source: NBG

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

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



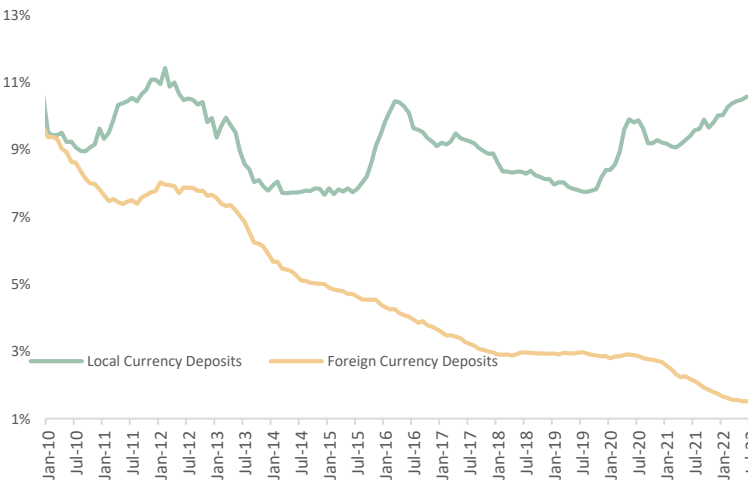
- On September 14, 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to the National Bank, Although recently prices on international commodity markets seem to have stabilized, uncertainty remains high and future trends largely depend on global geopolitical developments. Overall, under the influence of these factors, the inflation will tend to decline in the current and next years - but at a slower pace compared to the previous forecast - and other things equal, will gradually approach the target level from the second half of 2023.
- The next meeting of the Monetary Policy Committee will be held on October 26, 2022.
- In September NBG intervened into FX market only once, in second half amid to depreciation of GEL NBG sold 13.6 mln USD via FX auctions.



# Market interest rates slightly changed in national and foreign currency

Interest Rates on Deposits

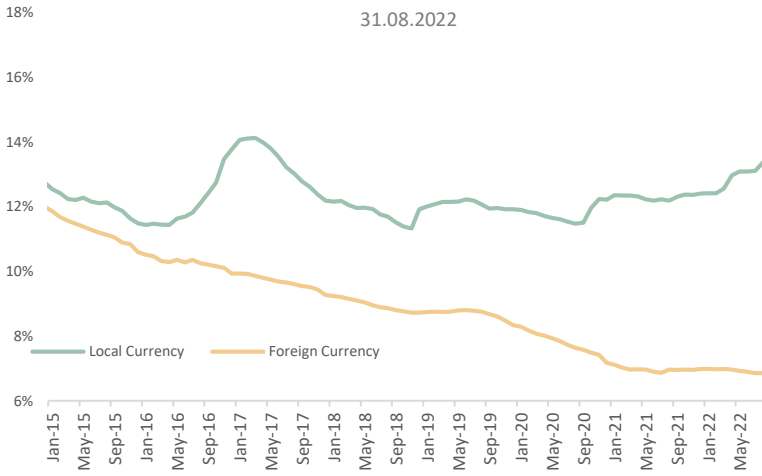
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Interest rates on Loans secured by Real Estate

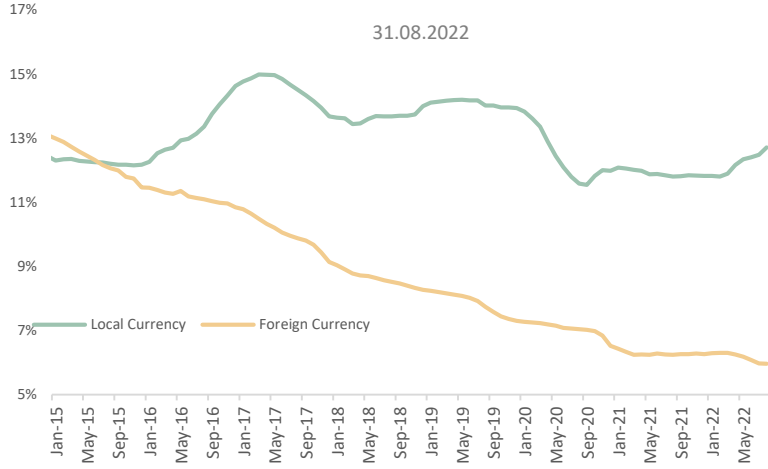
Legal entites

31.08.2022



Individuals

31.08.2022



- As of September 1, 2022, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 10.8 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.1 percent, and in foreign currency – 1.7 percent.
- The average annual interest rate on deposits by individuals is 1.4 percent for foreign currency deposits and 10.8 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.4 percent (19.5 percent in national currency and 6.8 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.8 percent (18.0 percent in national currency and 6.8 percent in foreign currency).
- At the end of August 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.2 percent, and in foreign currency 7.4 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 5.9 percent.

## Disclaimer

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