



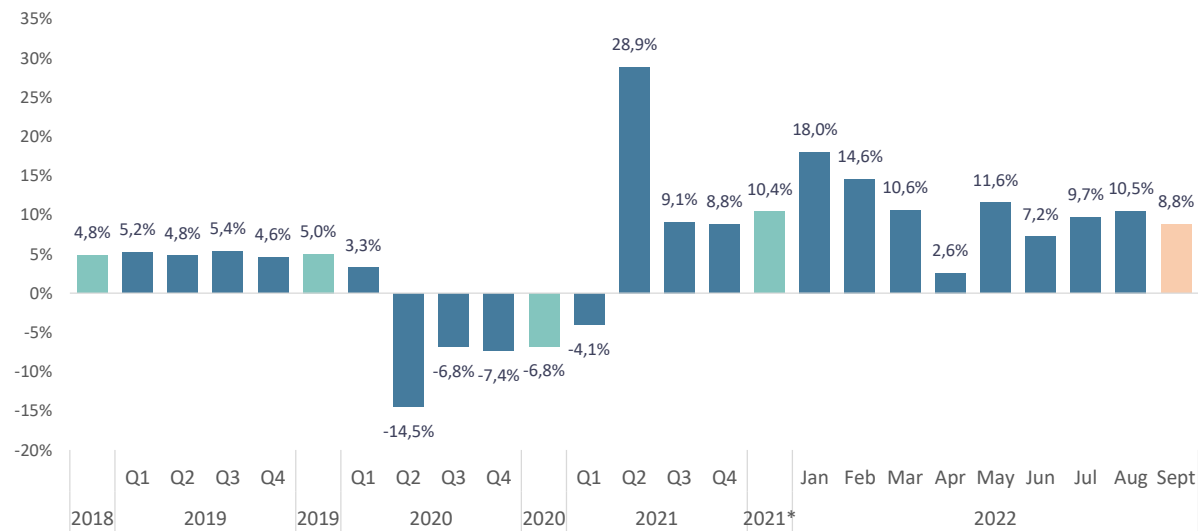
Current Economic Outlook

October, 2022

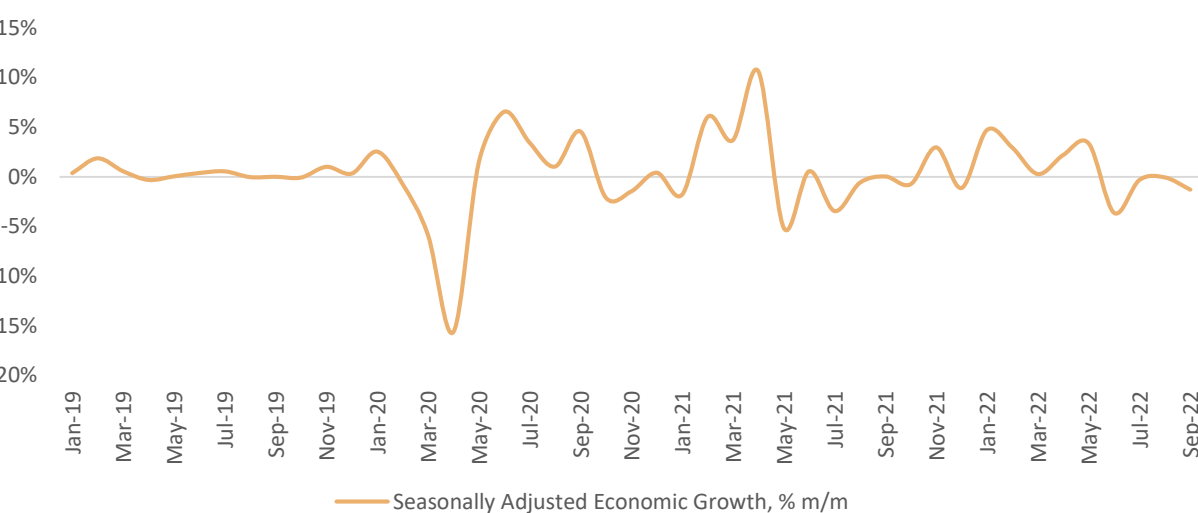
- In September 2022, the real GDP growth rate was 8.8 percent and average growth rate of the first nine months of 2022 was 10.2 percent, according to the preliminary estimates of the National Statistics Office.
- In October, annual inflation stood at 10.6 percent, while core inflation was 7.3 percent
- In September, exports increased by 40.0 percent year-on-year and imports increased by 13.8 percent year-on-year, decreasing the trade deficit by 3.1 percent year-on-year to 561.1 million USD
- For September, the real effective exchange rate appreciated by 18.3 percent compared to the same period of the previous year and depreciated by 2.2 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in September was equal to 8.8 percent

Economic Growth, % y/y

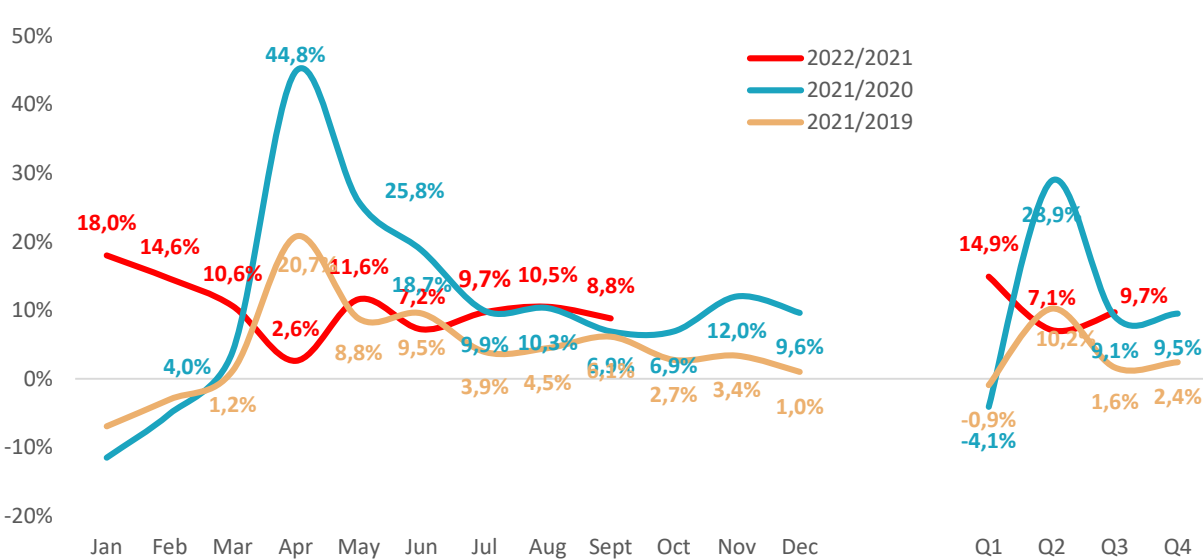


Economic Growth, % m/m



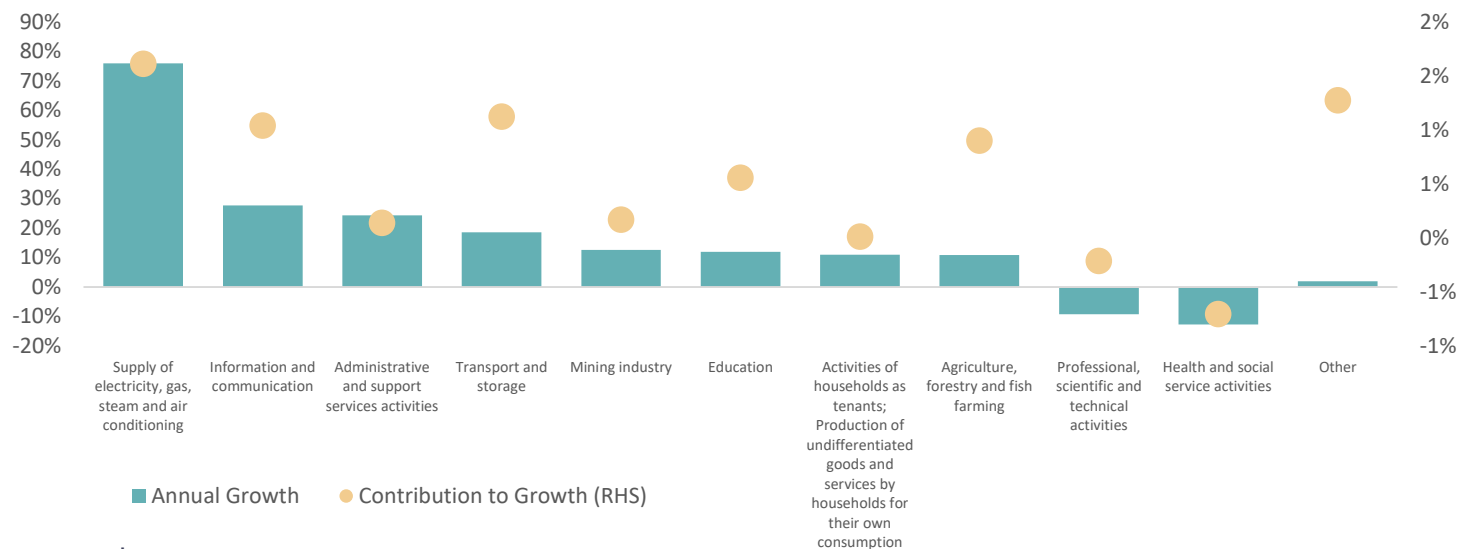
- Estimated real GDP growth rate in September 2022 equaled 8.8 percent YoY and average annual real GDP growth rate for 2022 January-September equals to 10.2 percent.
- In September 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing,, Information and Communication, Construction, Hotels and restaurants and trade, Manufacturing and Mining industry.
- A decline was registered in the field of Real estate related activities.

Economic Growth, 2022-2019

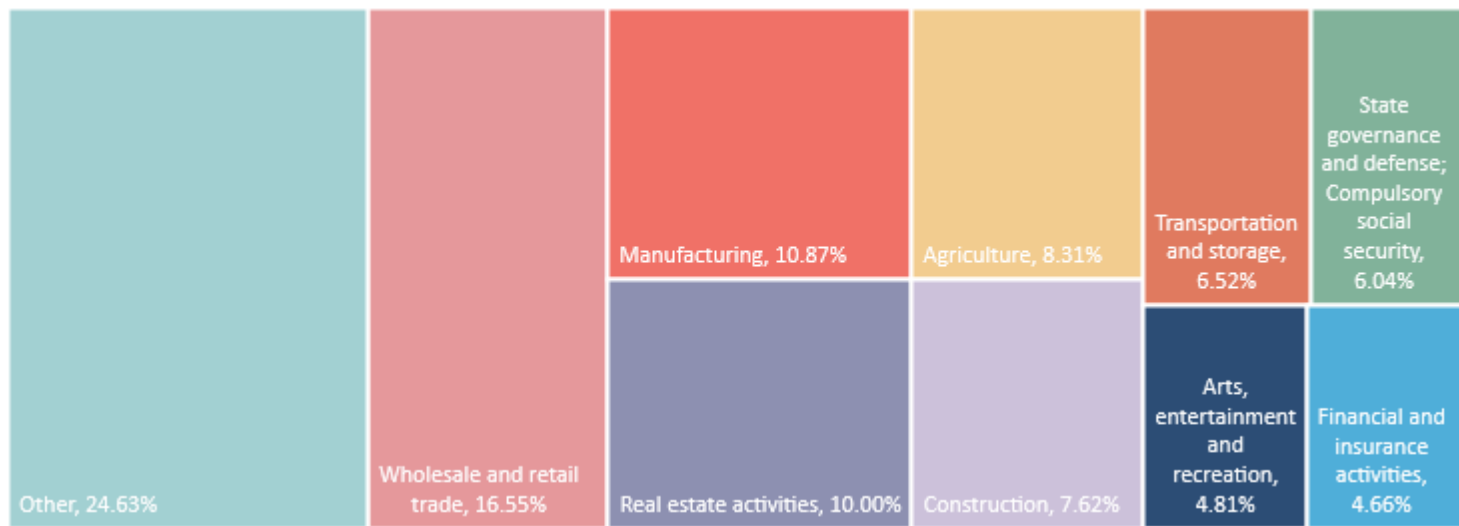


According to preliminary estimates, real GDP increased by 9.7 percent in the third quarter of 2022

Real GDP growth by economic activity, 2022 II Quarter



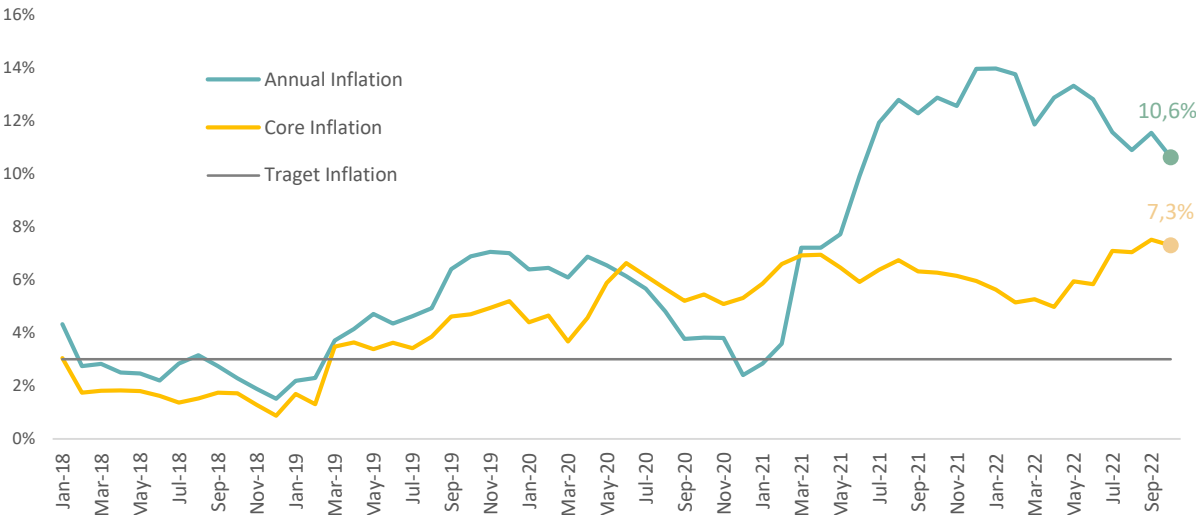
GDP by economic activity, 2022 II Quarter



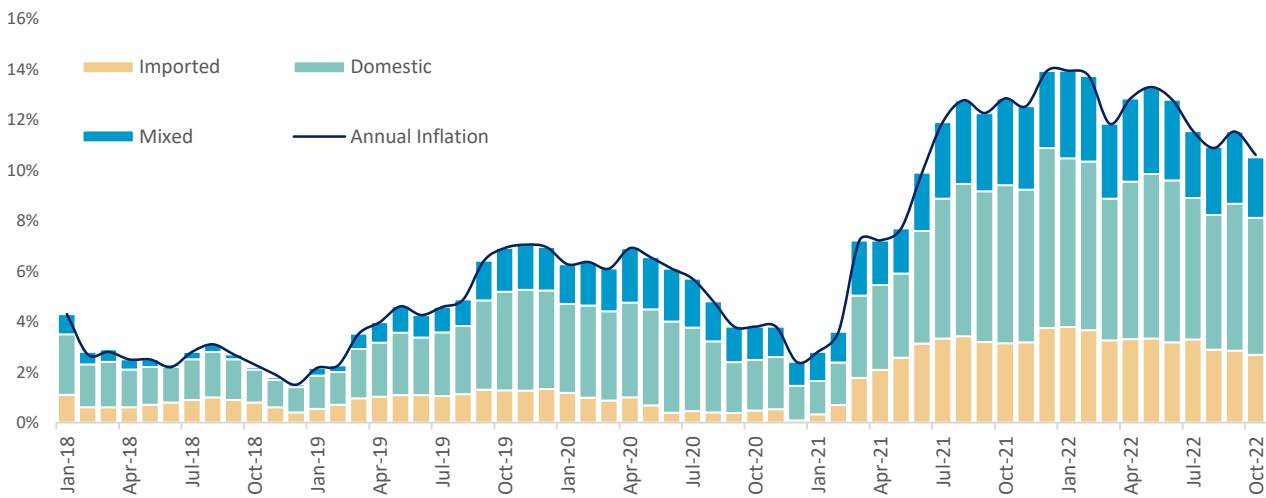
- According to preliminary estimates, in the third quarter of 2022 economic growth amounted to 9.7 percent, while in the second quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 7.1 percent and by 18.0 percent compared to the second quarter of 2019.
- The 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 October has reached 10.6 percent

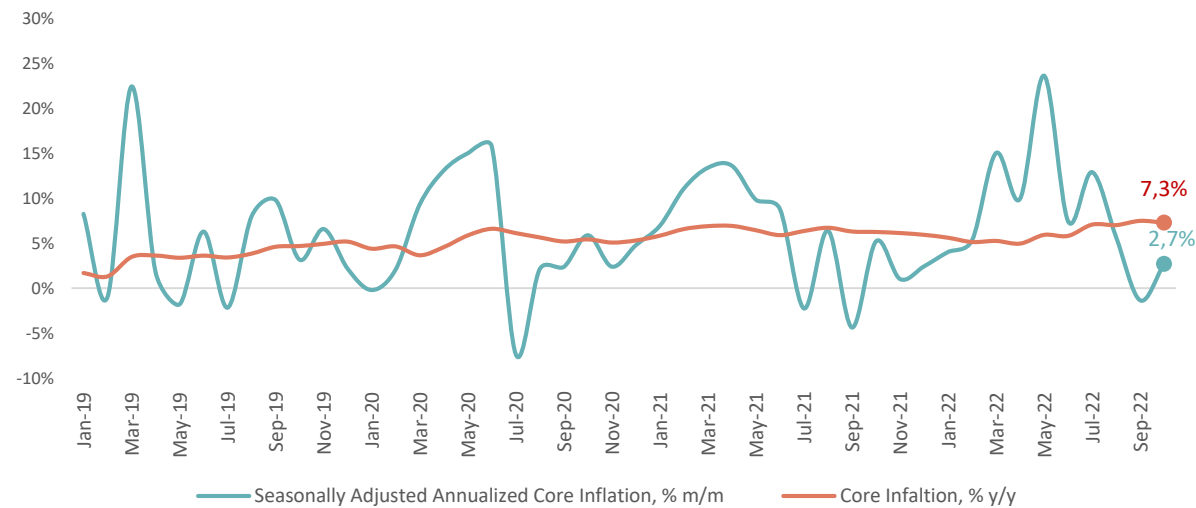
Total and Core Inflation, % y/y



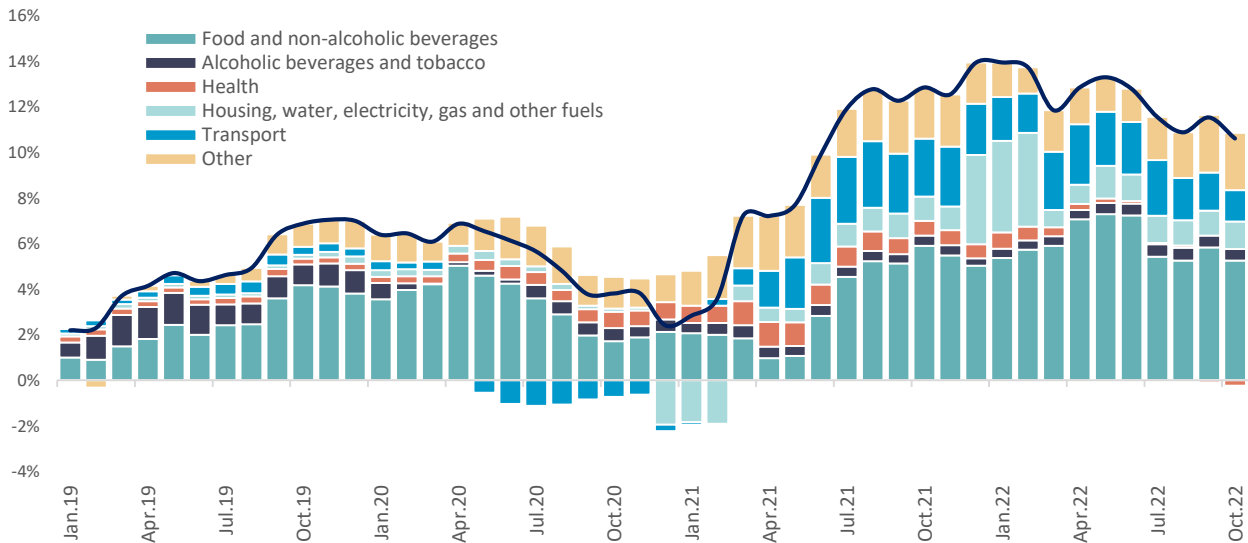
Inflation Decomposition



Core Inflation, % m/m



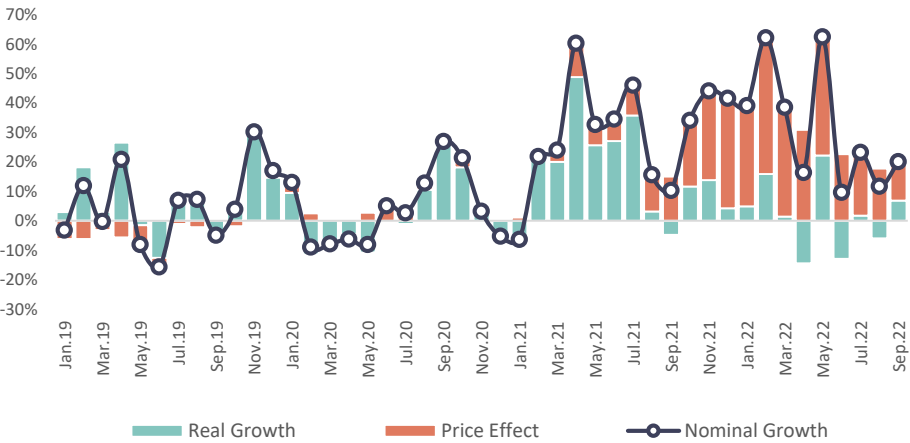
Inflation Decomposition by product group



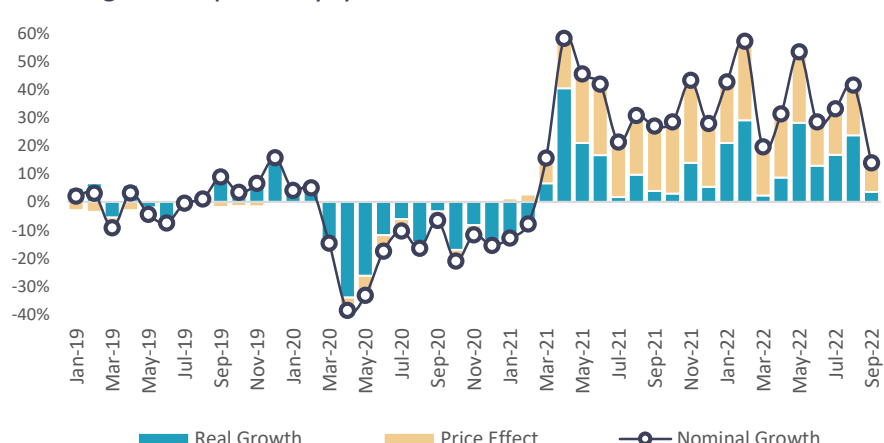
Source: Geostat, NBG, MOF

Trade Deficit decreased by 3.1 percent annually

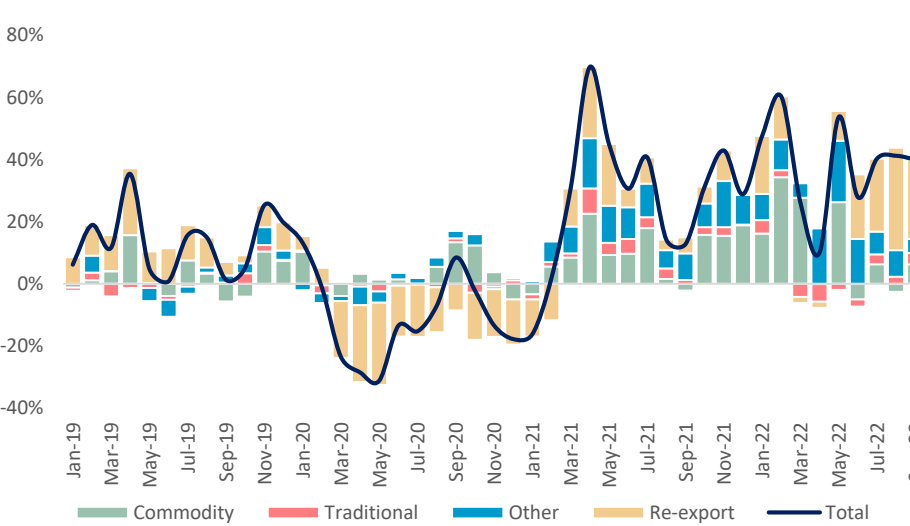
Change of Domestic Export, %y/y



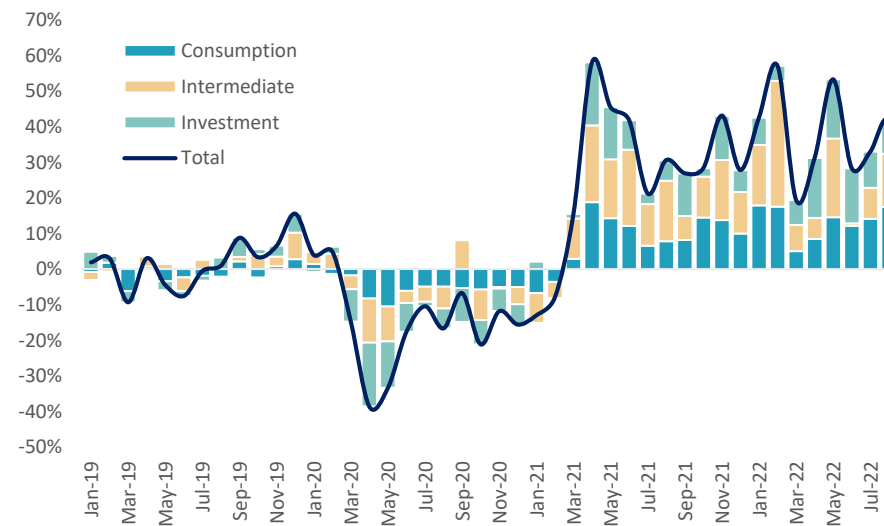
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

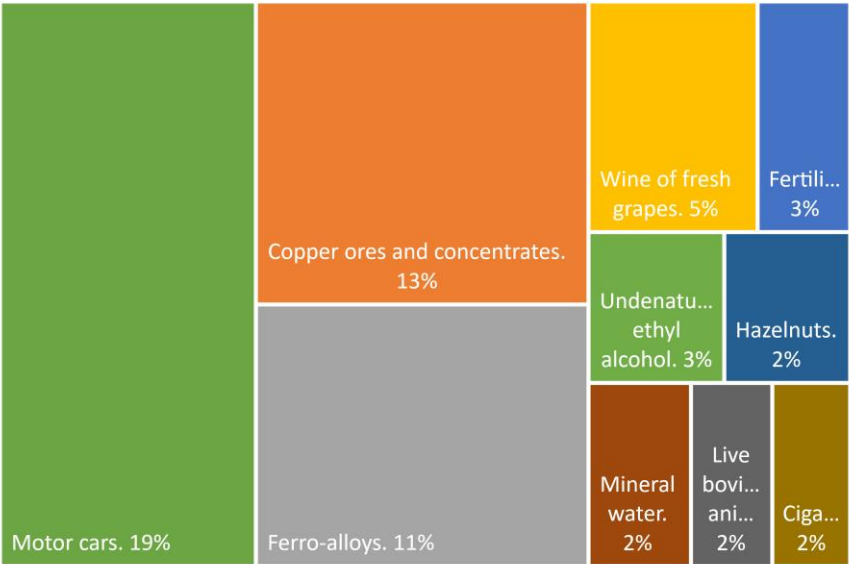


- Export increased annually by 40.0 percent to 523.2 million USD in September.
- Domestic export increased annually by 20.0 percent to 324.3 million USD.
- Import annually increased by 13.8 percent to 1,084.2 million USD in September.
- Trade deficit annually decreased by 3.1 percent to 561.1 million USD in September.
- Share of re-export in export growth is equal to 25.5 percent (92.2 %y/y), while share of commodity export is 6.3 percent (18.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 0, 11.7 and 2.2 percent respectively.

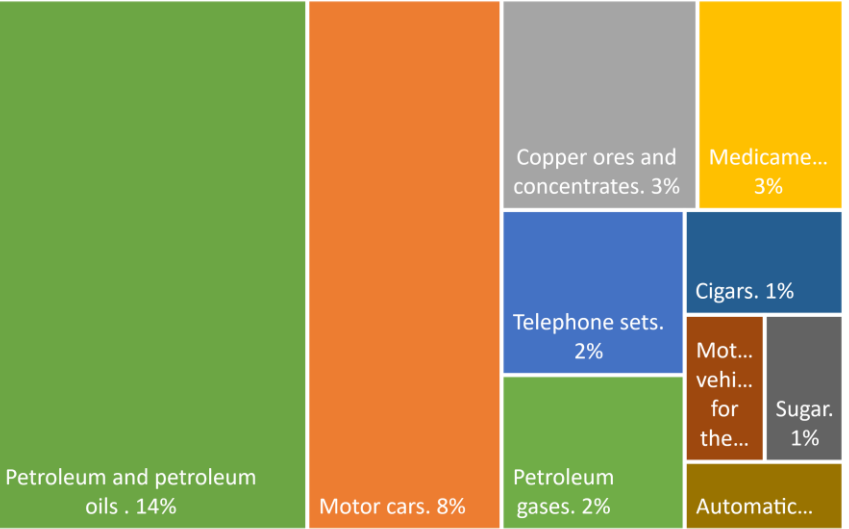
Source: Geostat, MOF

International trade is characterized by stable diversification

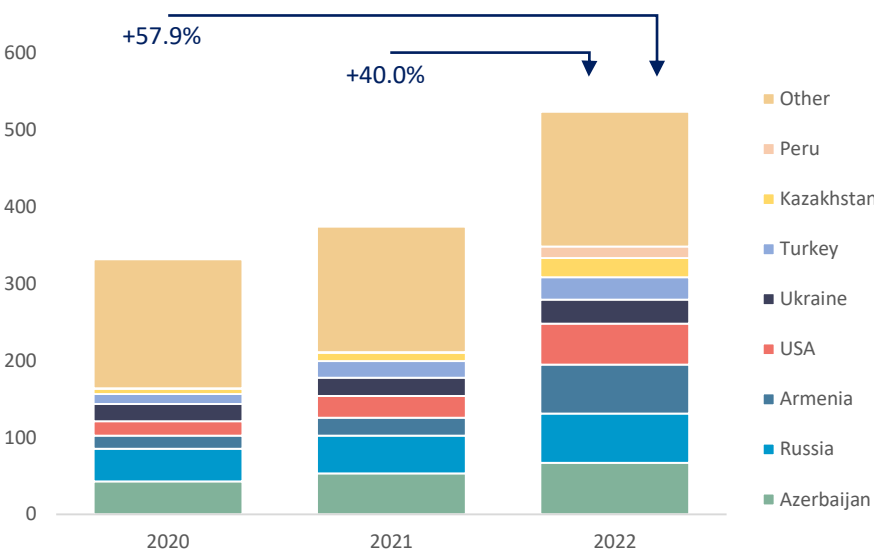
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



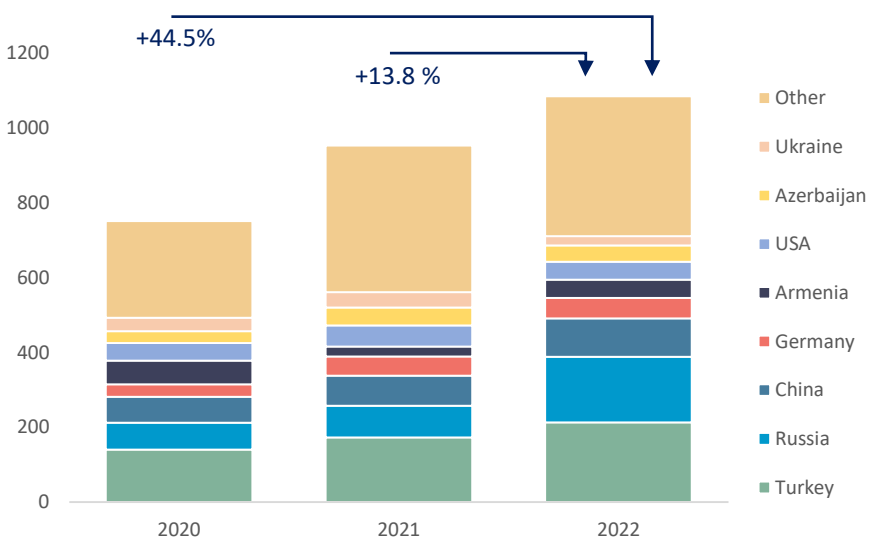
Export by country, September



- Top Export Products:
 - Motor cars 99.6 mln. USD – 19.0 percent.
 - Copper ores and concentrates: 69.4 mln. USD – 13.3 percent of total export.
 - Ferro-alloys: 60.0 mln. USD – 11.5 percent.

- Top Import Products :
 - Petroleum and petroleum oils: 148.7 mln. USD – 13.7 percent.
 - Motor cars: 91.9 mln. USD – 8.5 percent.
 - Copper ores and concentrates: 36.7 mln. USD – 3.4 percent of total import.

Import by country, September



- Top Export Country:
 - China: 72.2 mln. USD – 13.8 percent.
 - Azerbaijan: 67.1 mln. USD – 12.8 percent.
 - Russia: 63.8 mln. USD – 12.2 percent.

- Top Import Country :
 - Russia: 212.6 mln. USD – 19.6 percent.
 - Turkey: 175.0 mln. USD – 16.1 percent.
 - China: 103.3 mln. USD – 9.5 percent.

Source: Geostat

Tourism recovery continue to increase and reached 117.9% percent of 2019 level in September

Revenue from Tourism, 2019 = 100

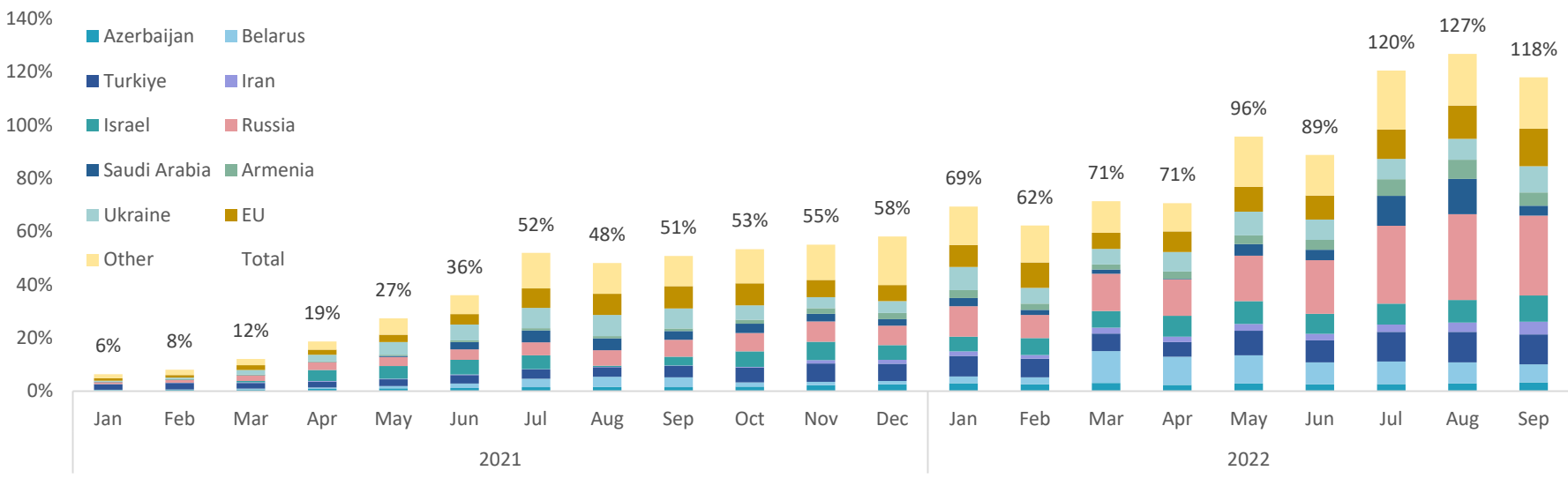


Revenue from Tourism, September 2022

Country	Tourism Revenue, mln USD
Russia	95.5
EU + UK	44.7
Turkey	35.8
Ukraine	31.5
Israel	31.5
Belarus	21.8
Other	114.8

- In September 2022, tourism revenues increased by 132.1 percent compared to the corresponding period of the previous year to 375.6 million USD. Such high increase is mainly due to low level of tourism revenue inflow in September 2021 (161.9 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 September 2022 increased by 17.9 percent compared to September 2019.

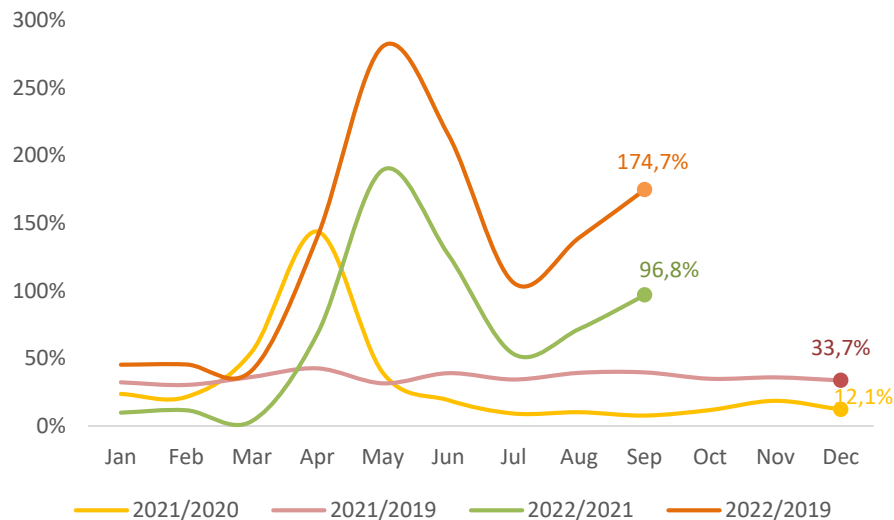
Recovery of Tourism by country, corresponding month of 2019 = 100, %



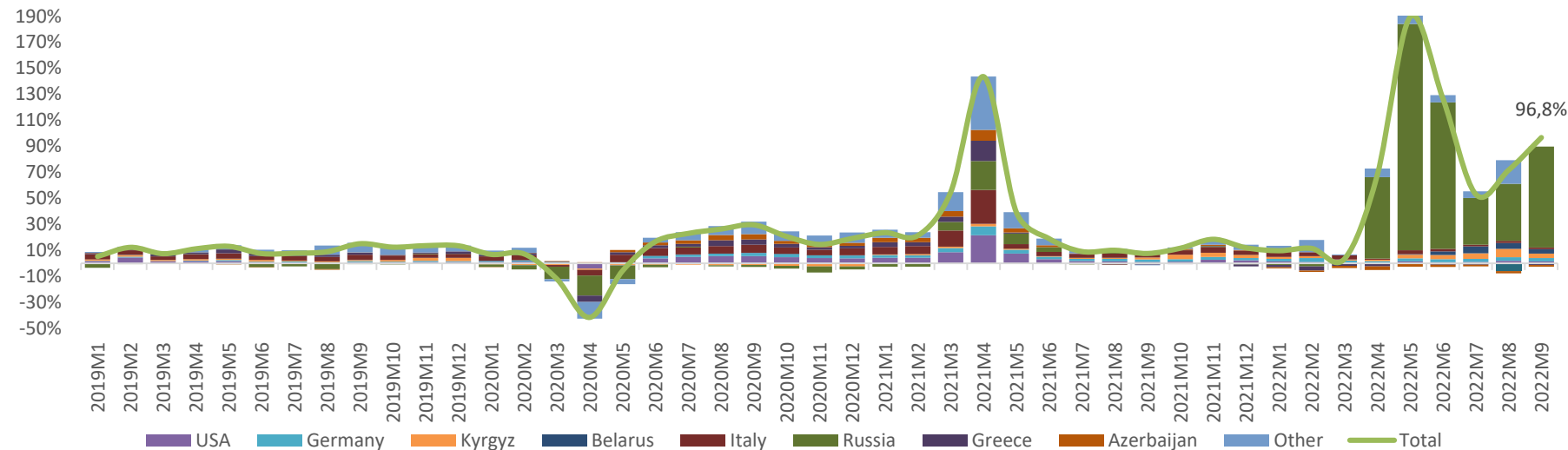
- At the same time, seasonally adjusted tourism revenues increased by -9.0 percent compared to the previous month.

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

Net Remittances



Net Remittances by country, %y/y



Net Remittances, September 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	170.9	455.1	77.6
Italy	35.5	6.4	1.2
USA	27.2	12.4	1.7
Israel	17.8	18.0	1.5
Greece	16.7	-11.0	-1.1
Kazakhstan	3.5	-32.0	-0.9
Other	87.6	-34.4	16.7

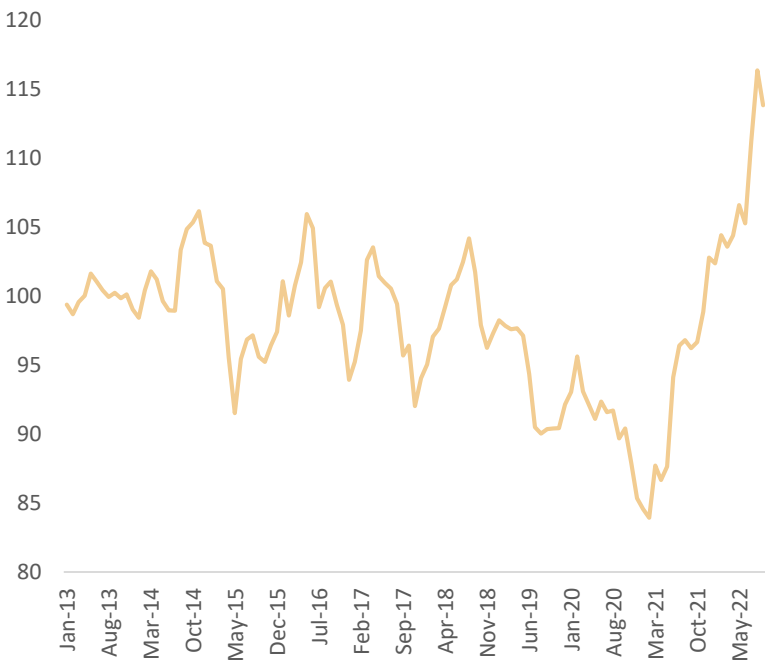
- In September 2022, net remittances were estimated at 355.2 million USD, representing a 96.8 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 174.7 percent.
- Net Remittances increased from:
 - Russia: 455.1 percent (77.6 p.p. contribution to overall growth).
 - Germany: 44.5 percent (2.6 p.p. contribution to overall growth).
 - USA: 12.4 percent (1.7 p.p. contribution to overall growth).
 - Italy: 6.4 percent (1.2 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece -11.0 percent (-0.9 p.p. contribution to overall growth)

The Real effective exchange rate in September appreciated by 18.3 percent annually

NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



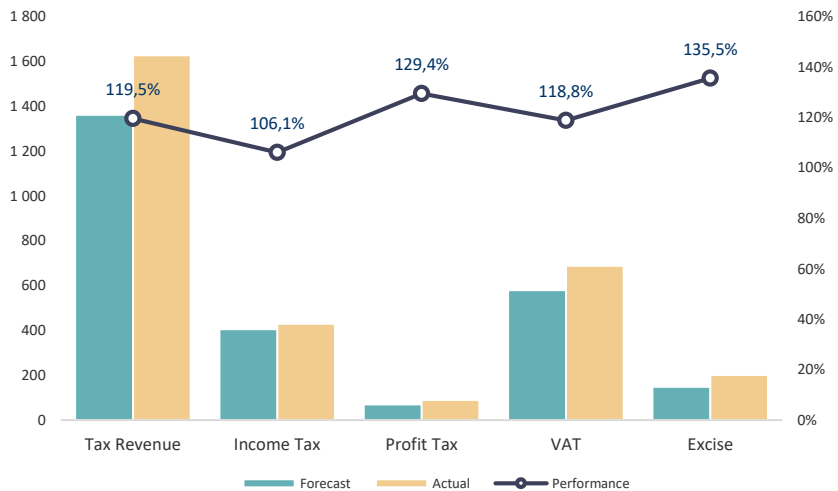
Note: Increase means appreciation

	October 31, 2022		Oct 31, 2022 - Jan 1, 2022		Oct 31, 2022 - Jan 1, 2021
Euro	2.7591	▲	16.5%	▲	10.9%
US Dollar	2.7758	▲	3.3%	▼	-3.7%
Turkish Lira	0.1492	▲	222.9%	▲	238.7%
Russian Ruble	0.0450	▲	2.5%	▼	-14.6%
NEER	137.07	▲	4.5%	▲	23.9%
REER (September 2022)	139.94	▲	11.2%	▲	33.4%

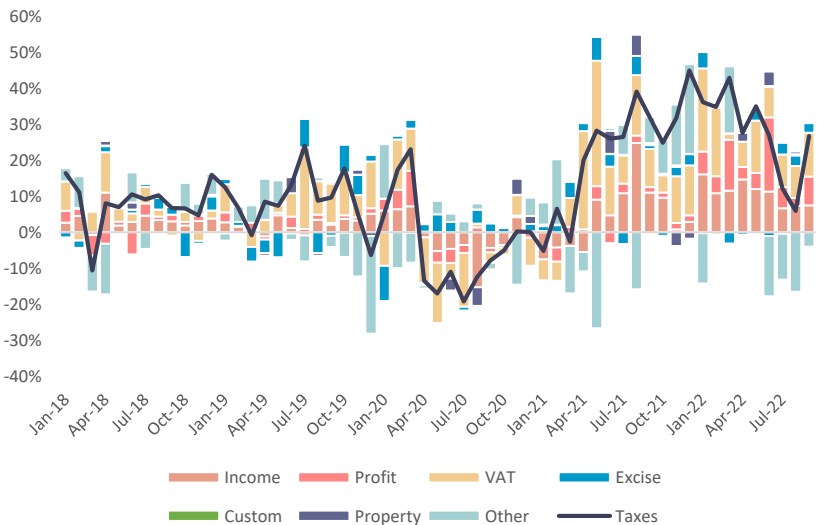
Source: NBG

Tax revenues in the October is above the forecast value by 19.5 percent

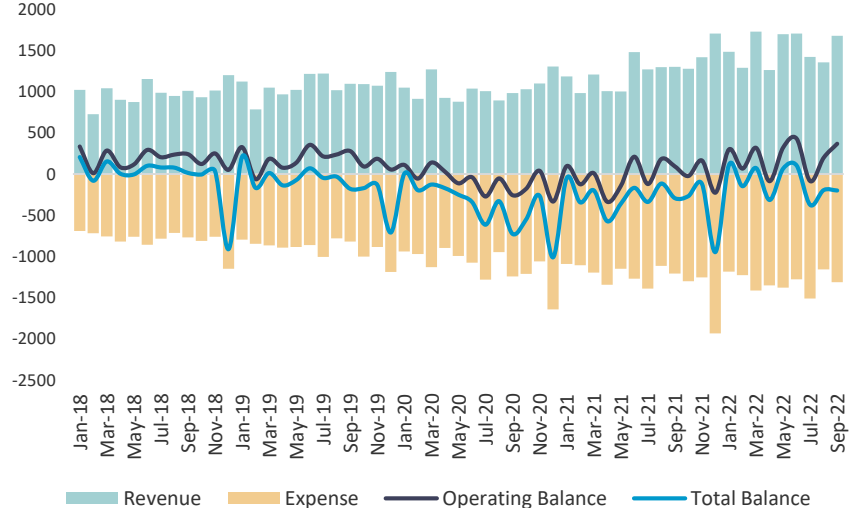
Budget Revenue Performance, October 2022



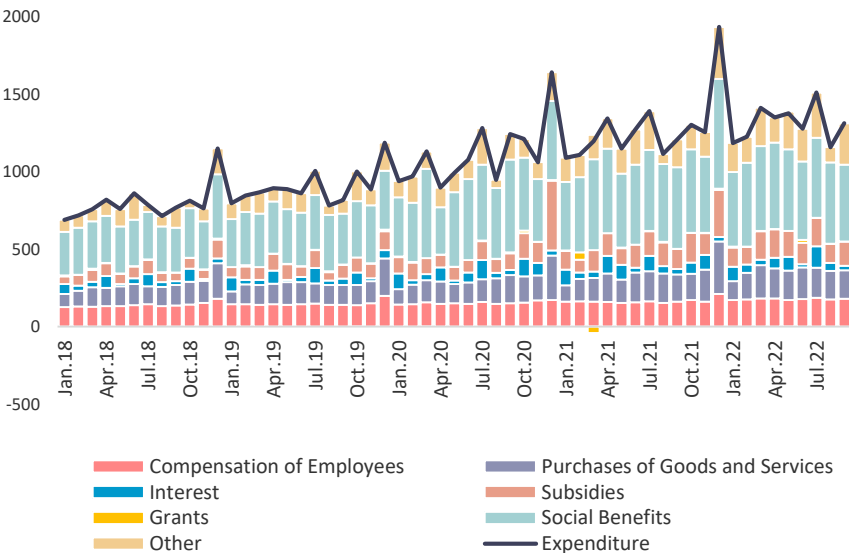
Tax Income, % y/y



Consolidated Budget, mln GEL



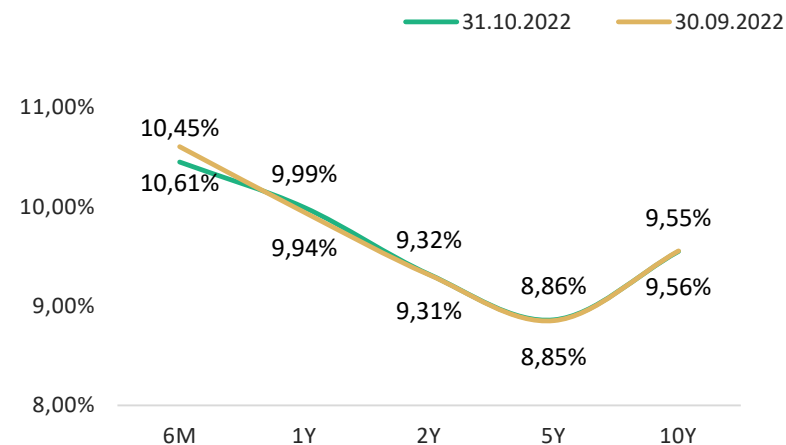
Consolidated Budget Expenditure, mln GEL



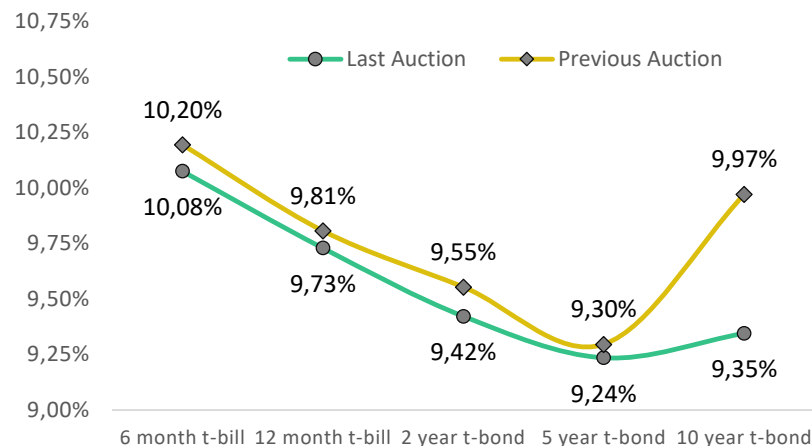
- The actual level of tax income in October 2022 was 1,626 mln GEL, which is 19.5 percent higher compared to the forecasted value of tax income of 1,361 mln GEL.
- Consolidated budget revenues increased by 29.2 percent and expenditures by 8.6 percent in September.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 367.7 million GEL, while the total balance was set at -199.4 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT in September, accounting for 12.2 percent of total growth.

The structure of the securities portfolio has undergone minor changes

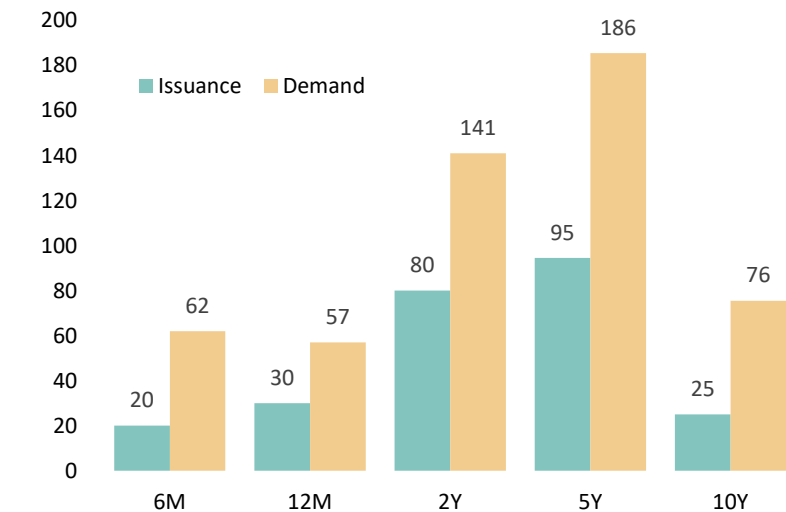
Portfolio Yield Curve



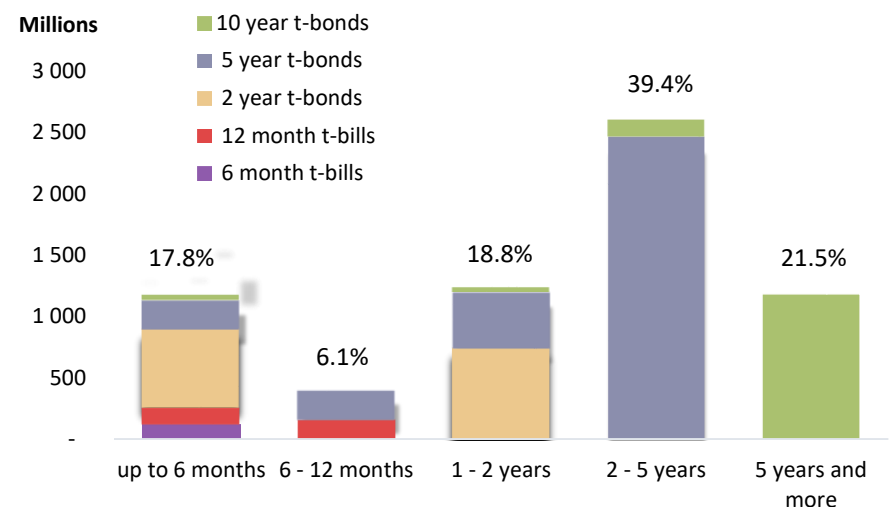
Weighted average interest rates



Issuance and Demand, mln GEL



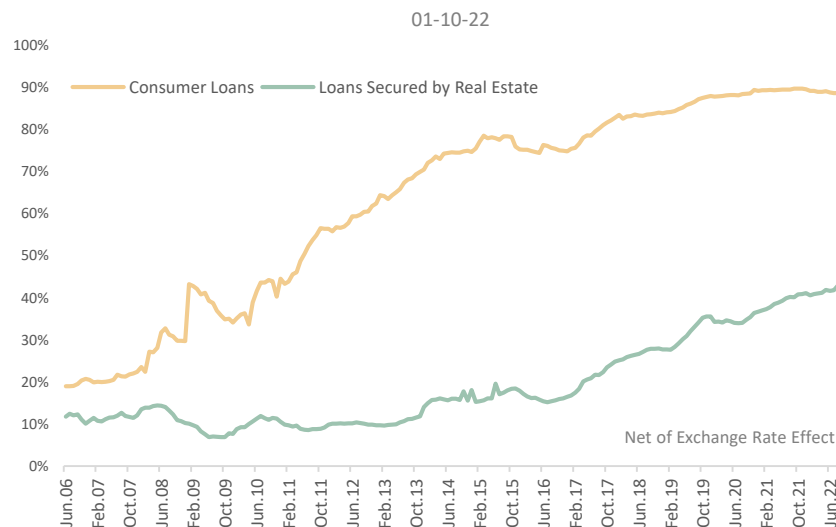
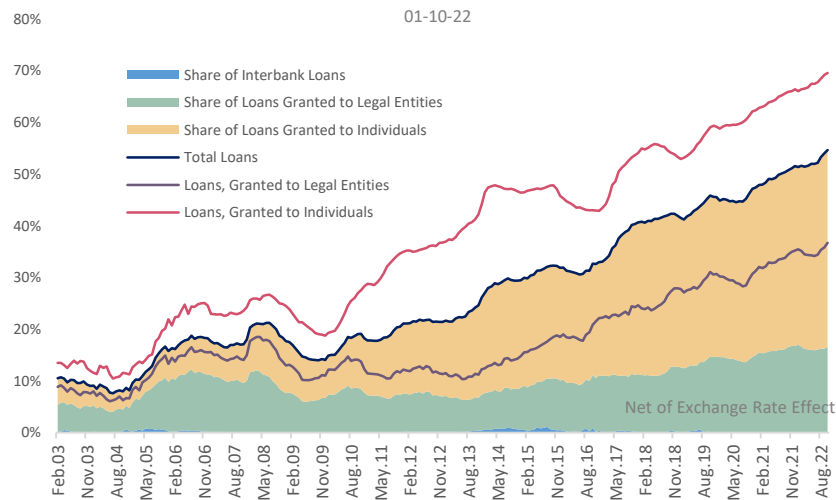
Portfolio Forming Securities Composed by Time to Maturity



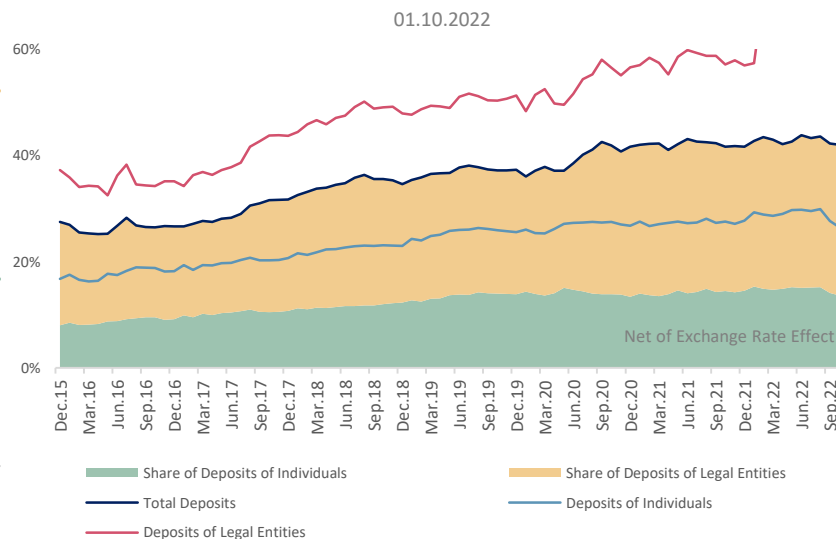
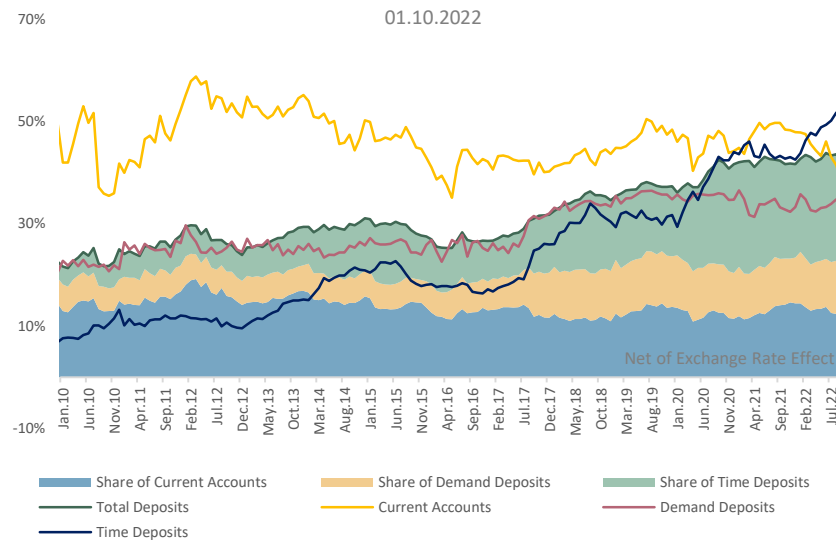
- In October 2022, 5 auctions were held with total issuance volume of 249.5 million GEL.
- The weighted average interest rate amounted to 9.434%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10 years. Treasury securities with total amount of 50 million GEL were redeemed.
- As of October 31, 2022 23.9% 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 (September 2.45) and amounted to 2.09.

The larization rates continue to rise

Loan Larization



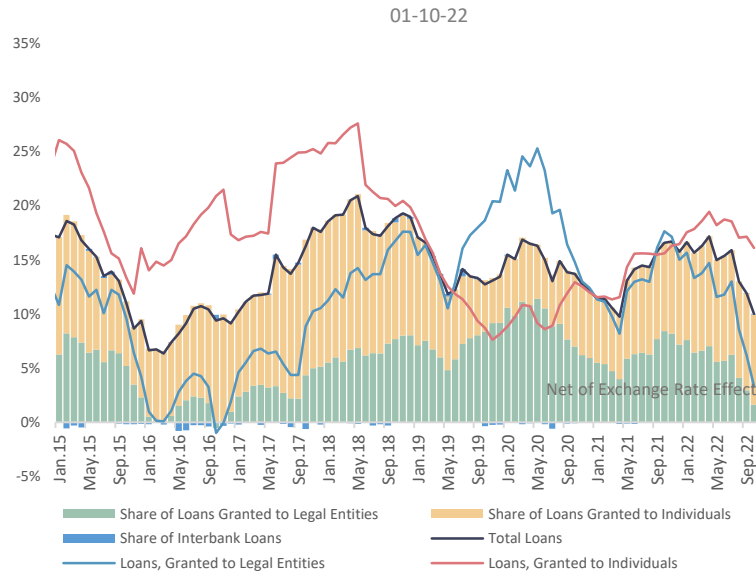
Deposit Larization



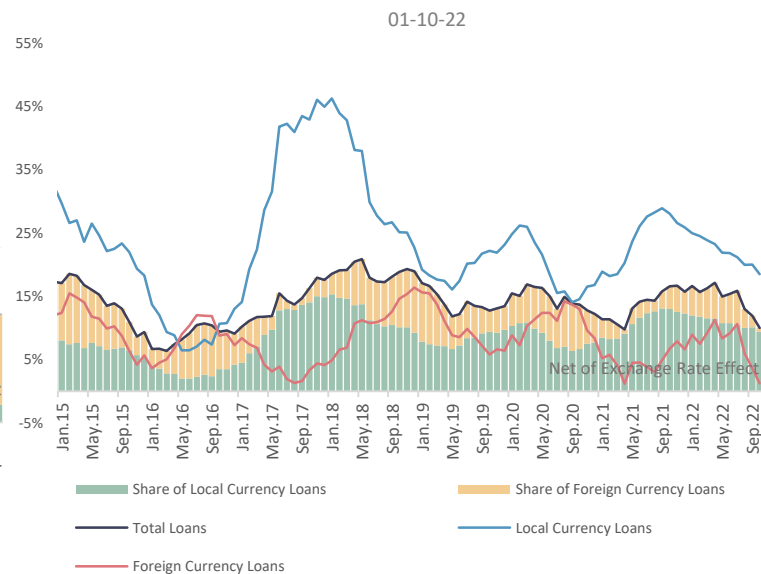
- As of October 1, 2022, the larization of total loans is 54.7 percent.
- The larization of loans to individuals is 69.5 percent.
- The larization of loans to legal entities amounted to 36.7 percent.
- The larization of total deposits equals to 42.0 percent.
- The larization on deposits of legal entities amounted to 67.5 percent.
- The larization of deposits of individuals is 26.5 percent.
- The larization of time deposits is 50.9 percent.
- The larization of current accounts equals to 38.9 percent.
- The larization of demand deposits is 33.6 percent.

The annual growth trend of loans is sustained

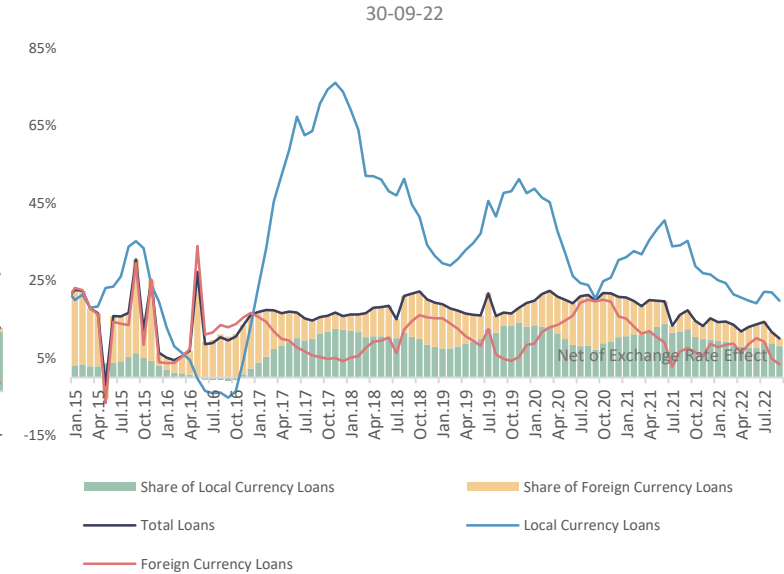
Loans, % y/y



Loans by Currency, % y/y



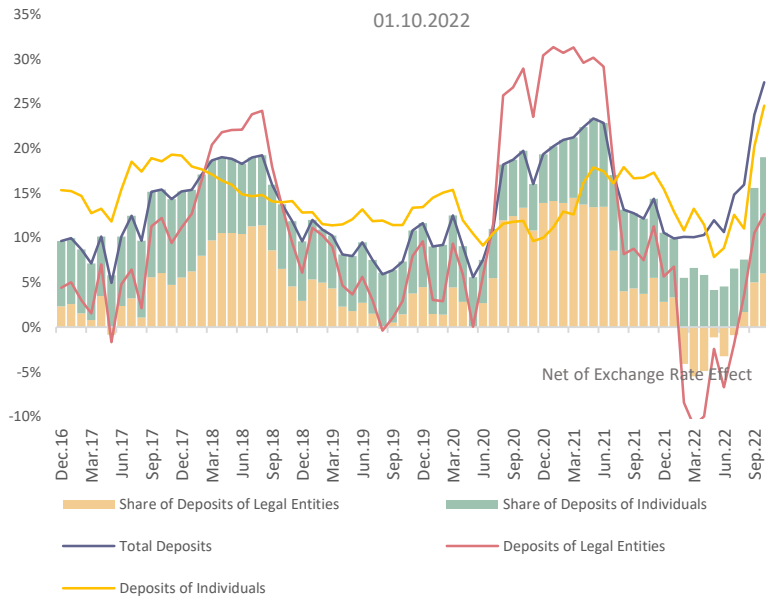
Mortgage Loans, % y/y



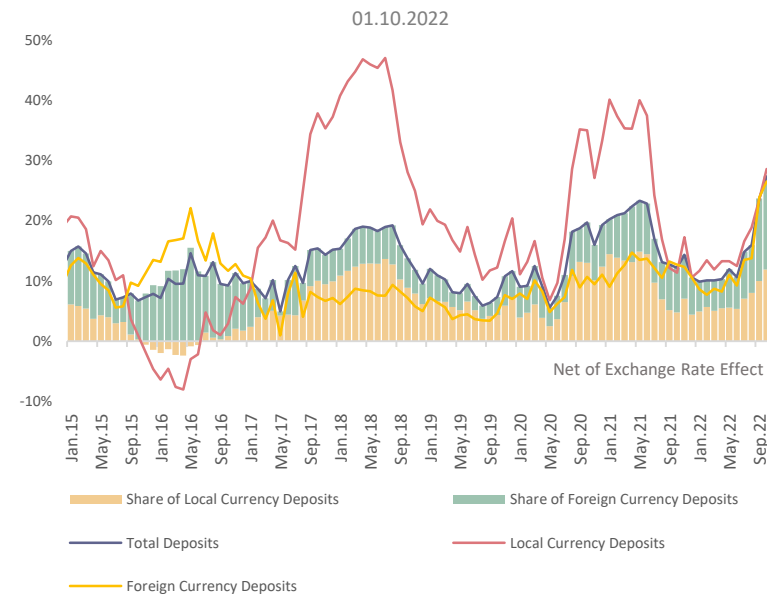
- As of October 1, 2022, total loans increased by 10.0 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 3.3 percent.
- The annual growth of loans to individuals is 16.1 percent.
- As of October 1, 2022, the growth rate of loans denominated in the national currency amounted to 18.5 percent.
- The annual growth of loans denominated in foreign currency amounted to 1.3 percent.
- As of September 31, 2022, the annual growth of loans secured by real estate amounted to 10.1 percent. At the same time, mortgage loans denominated in national currency increased by 19.8 percent, while mortgage loans denominated in foreign currency increased by 3.3 percent.

The annual growth of deposits denominated in foreign currency continues stable growth

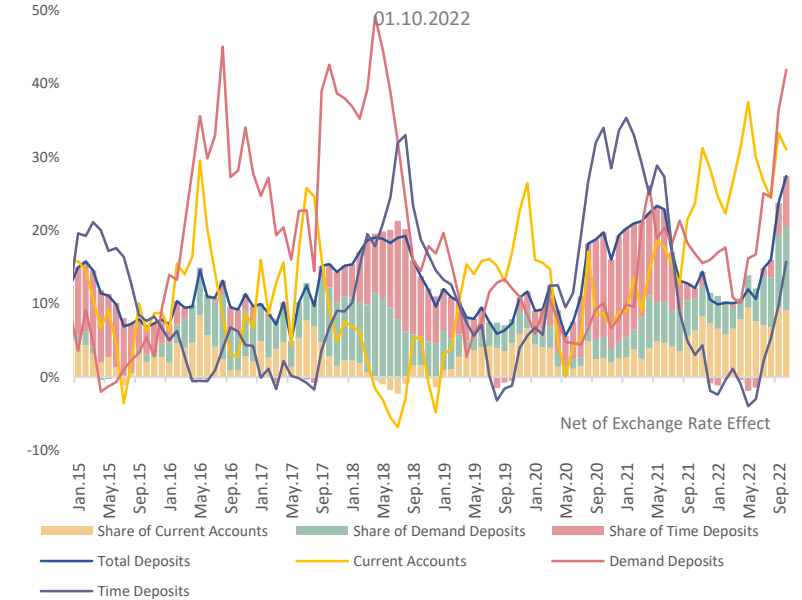
Deposits, % y/y



Deposits by Currency, % y/y



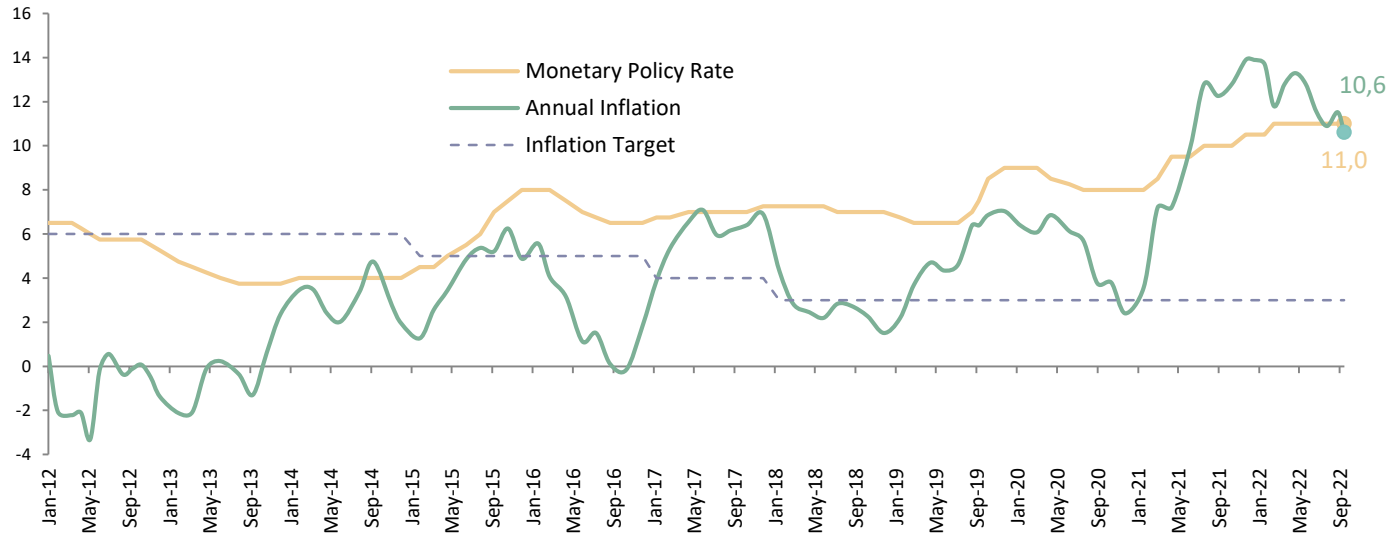
Deposits by type, % y/y



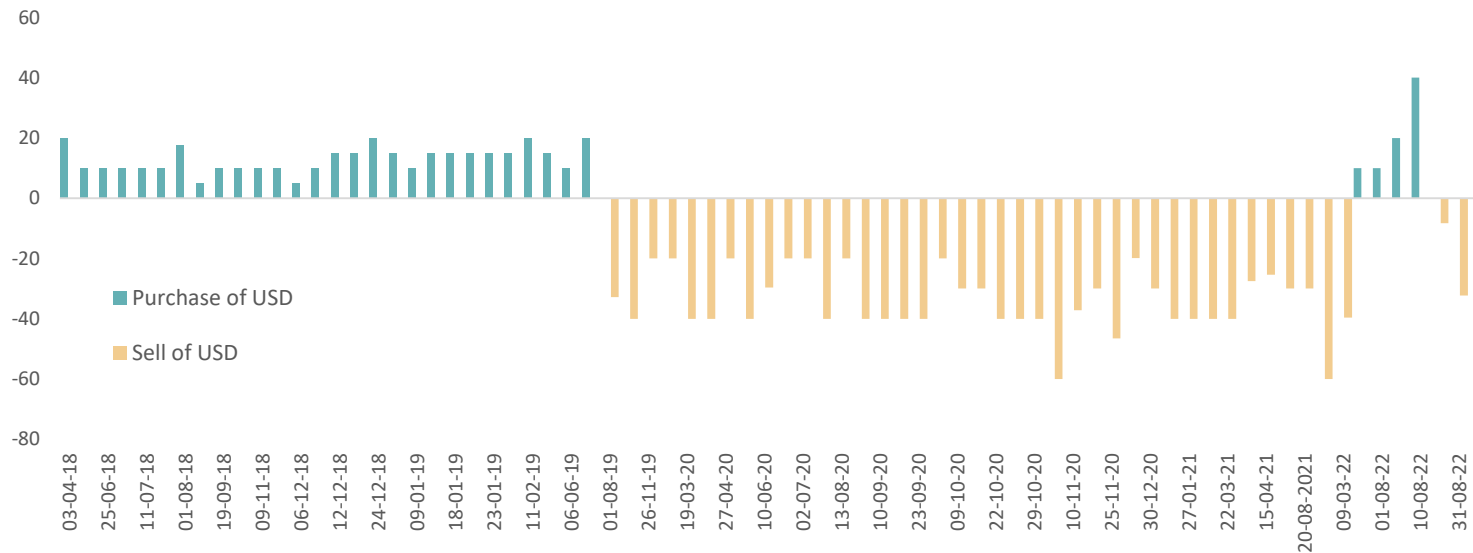
- As of October 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 27.4 percent.
- The annual growth of deposits denominated in the national currency amounted to 28.6 percent. The annual growth of deposits denominated in foreign currency stood at 26.5 percent over the same period.
- The growth of deposits of individuals amounted to 24.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 12.6 percent.
- The annual growth of current accounts at the beginning of October 2022 was equal to 31.0 percent.
- The annual growth of time deposits was 15.7 percent.
- The growth of demand deposits amounted to 41.9 percent.

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

Inflation and Monetary Policy Rate



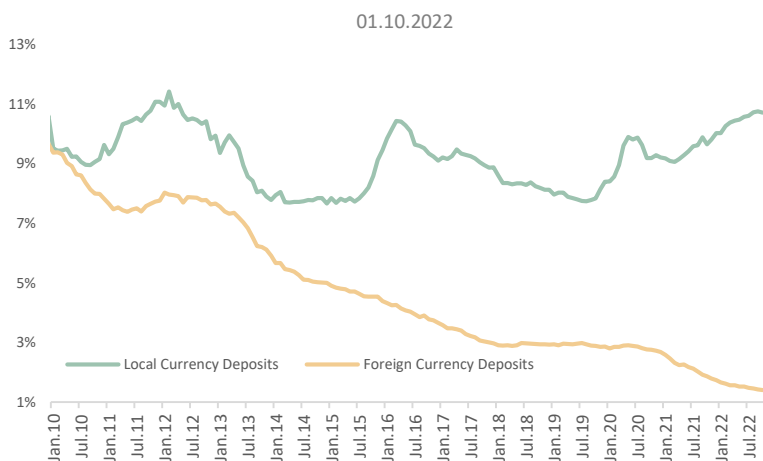
Trade of USD by NBG, mln USD



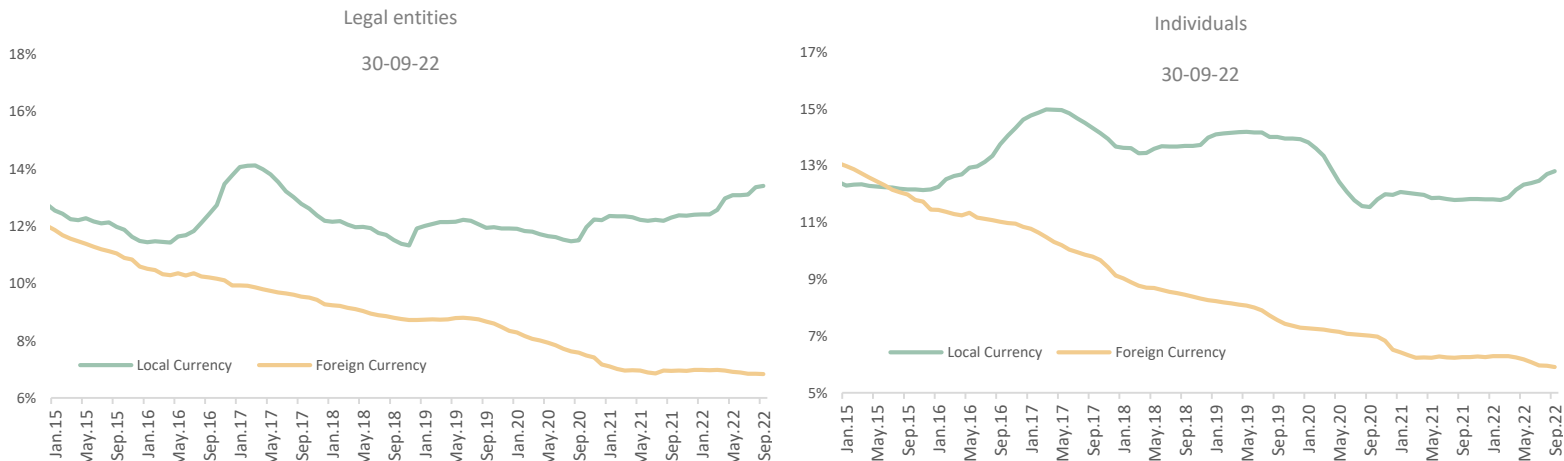
- On October 26, 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- Inflationary pressure is still high in most of the world, to which the leading central banks are responding with tightened financial conditions. This worsens global economic growth outlook and creates stagflation risks. Inflation in Georgia has retreated from its peak, however it still remains at a high level, amounting to 11.5 percent in September. Recently, positive trends are being observed on the international commodity markets, with commodity prices and international shipping costs declining. At the same time, although remaining at a high level, the international food price index according to the Food and Agriculture Organization (FAO) has been falling for 6 consecutive months.
- The next meeting of the Monetary Policy Committee will be held on December 21, 2022.
- There was no FX interventions during October

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 October 1, 2022, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 10.7 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.0 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 10.7 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.6 percent (19.3 percent in national currency and 6.8 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.7 percent (17.9 percent in national currency and 6.6 percent in foreign currency).
- At the end of September 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.2 percent, and in foreign currency 7.7 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.0 percent.

Source: NBG

Disclaimer

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