



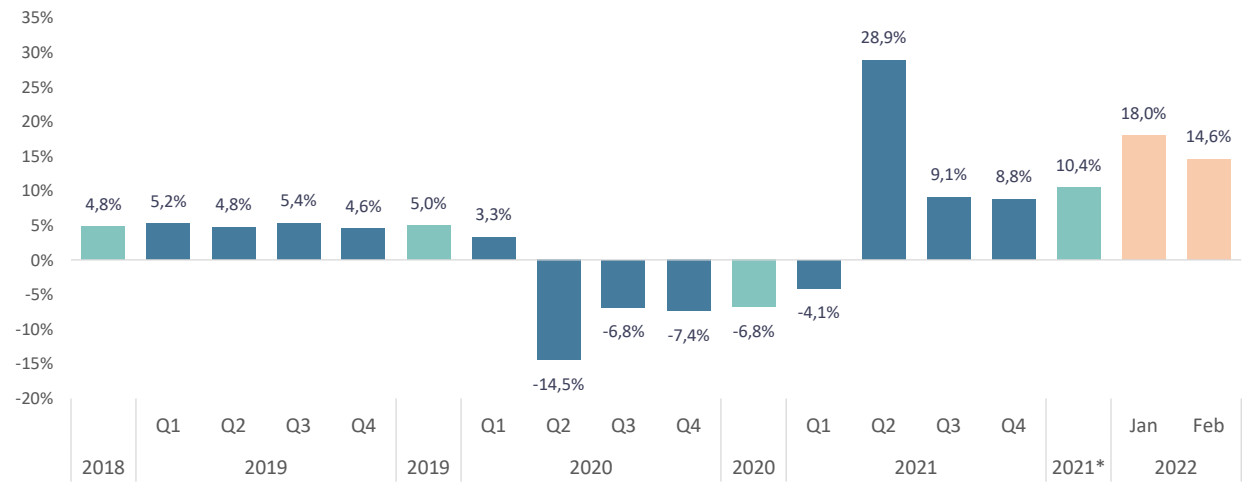
Current Economic Outlook

March, 2022

- According to the preliminary estimates of the National Statistics Office, in February 2022, the real GDP growth rate was 14.6 percent and average growth rate of the fourth quarter of 2021 was 8.8 percent.
- Annual inflation stood at 11.8 percent in February, while core inflation was 6.0 percent
- In February, exports increased by 60.6 percent year-on-year and imports increased by 53.5 percent year-on-year, increasing the trade deficit by 49.7 percent year-on-year to 670.7 million USD
- The real effective exchange rate for February appreciated by 24.4 percent compared to the same period of the previous year and by 2.0 percent compared to the previous month
- The National Bank of Georgia increased the monetary policy rate to 11.0 percent

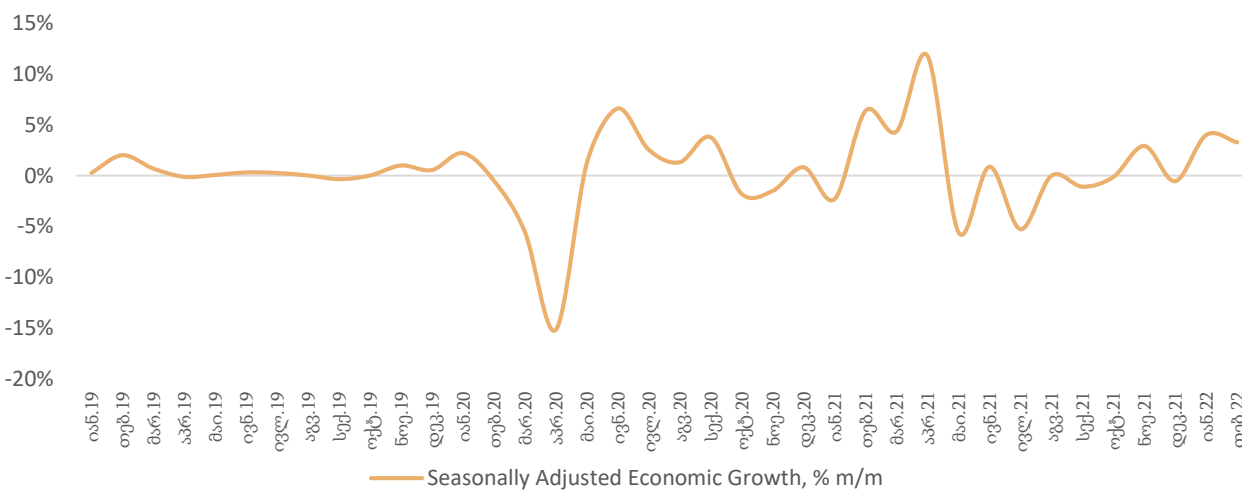
Economic Growth in February was equal to 14.6 percent

Economic Growth, % y/y

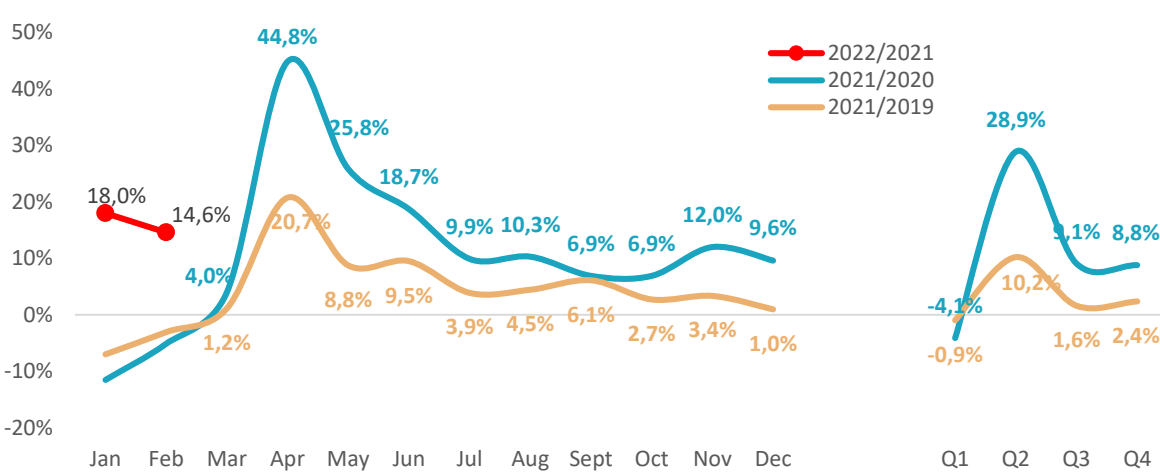


- Estimated real GDP growth rate in February 2022 equaled 14.6 percent YoY and average annual real GDP growth rate for 2022 January-February equals to 16.3 percent.
- In February 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Transportation and storage, Electricity, gas, steam and air conditioning supply, Trade, Hotels and restaurants, Arts, entertainment and recreation, Real estate activities and Mining and quarrying.
- A decline was registered in Construction, Activities of households as employers.

Economic Growth, % m/m



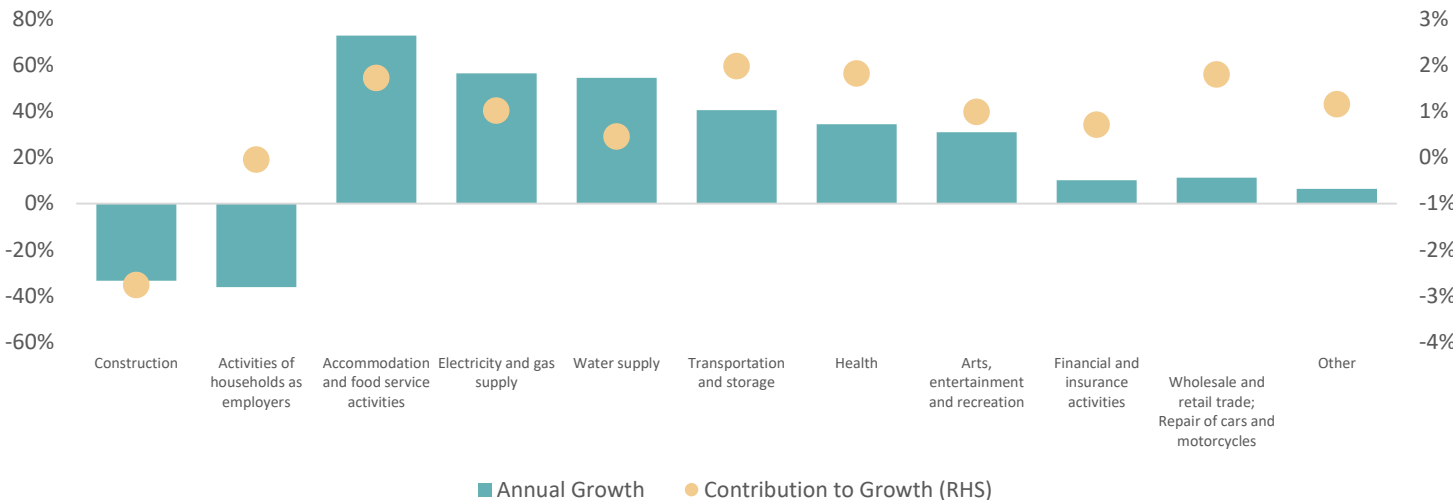
Economic Growth, 2022-2019



Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 8.8 percent in the fourth quarter of 2021

Real GDP growth by economic activity, 2021 IV Quarter



▪ According to preliminary estimates, 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 second quarter of 2019.

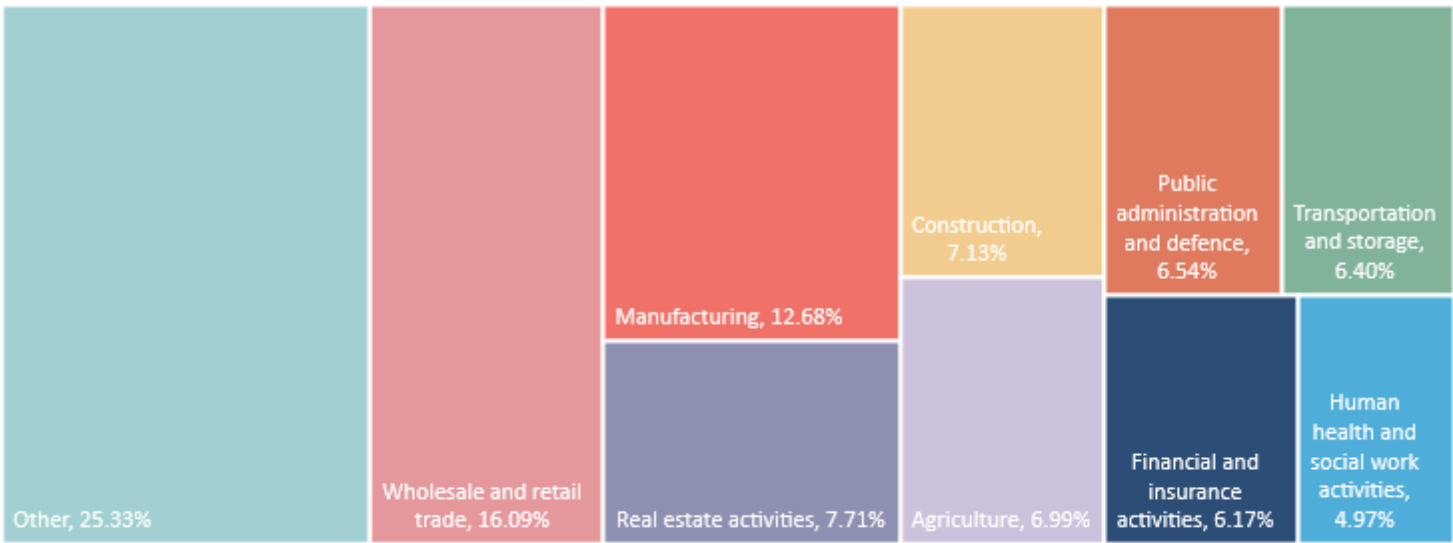
• The following industries have made a significant contribution to growth:

- 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)

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

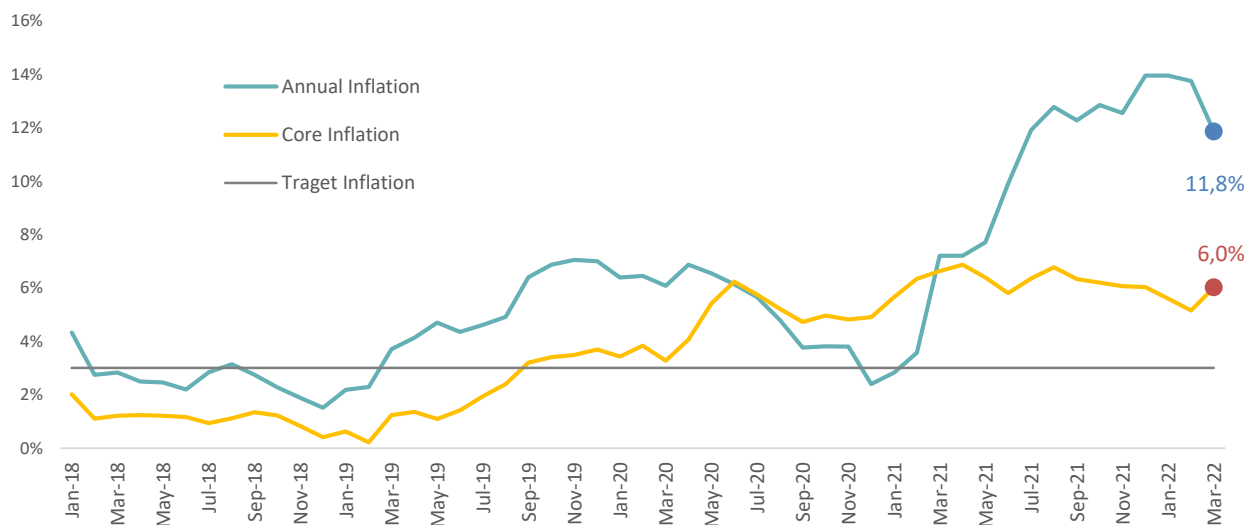
- Construction: -33.4% y/y (-2.8 pp)
- Activities of Households as employers: -36.1% y/y (-0.05 pp)

GDP by economic activity, 2021 IV Quarter

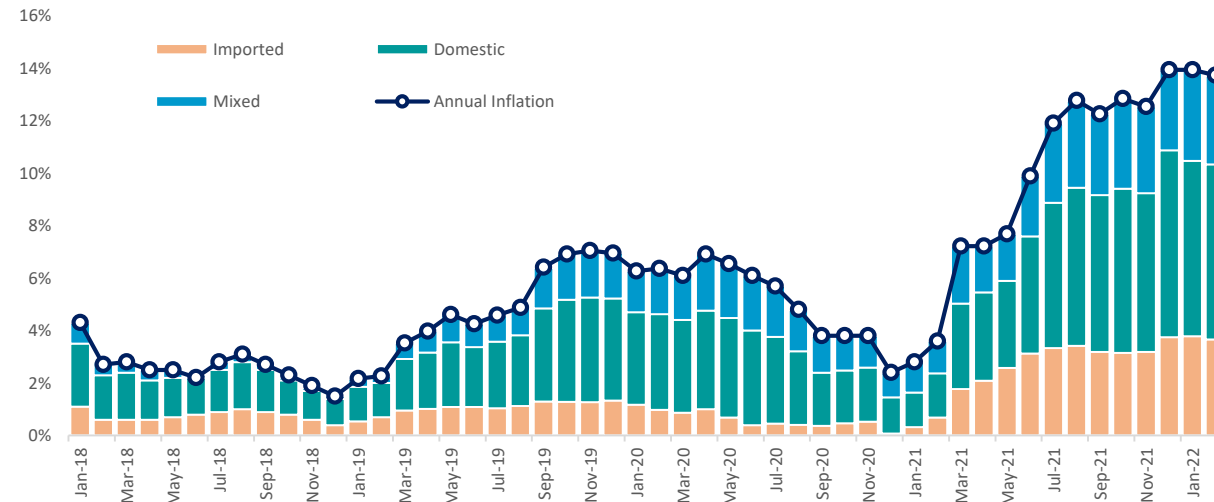


Annual inflation in March has reached 11.8 percent

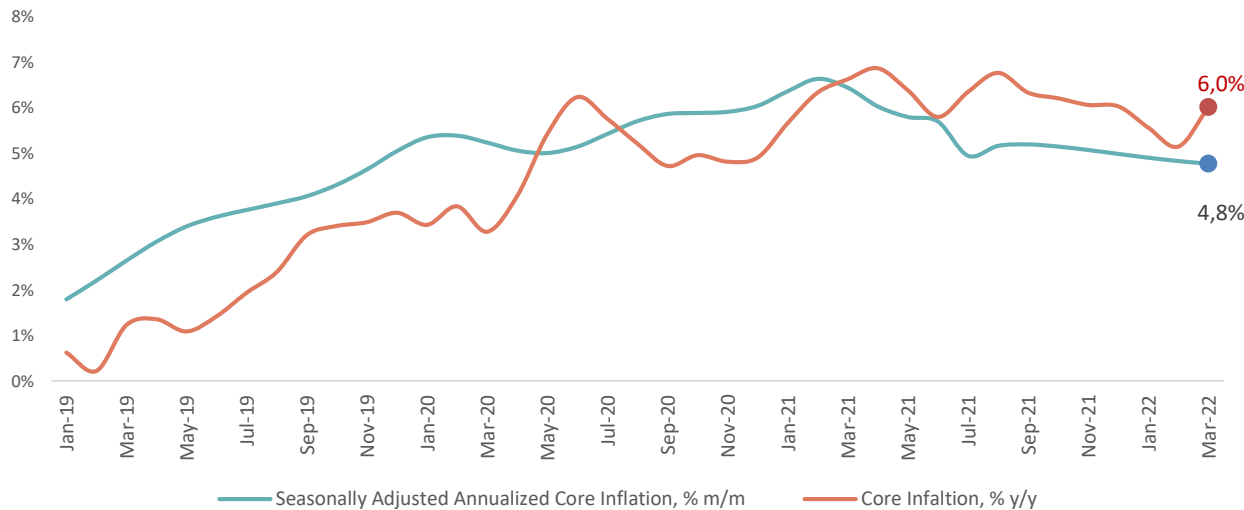
Total and Core Inflation, % y/y



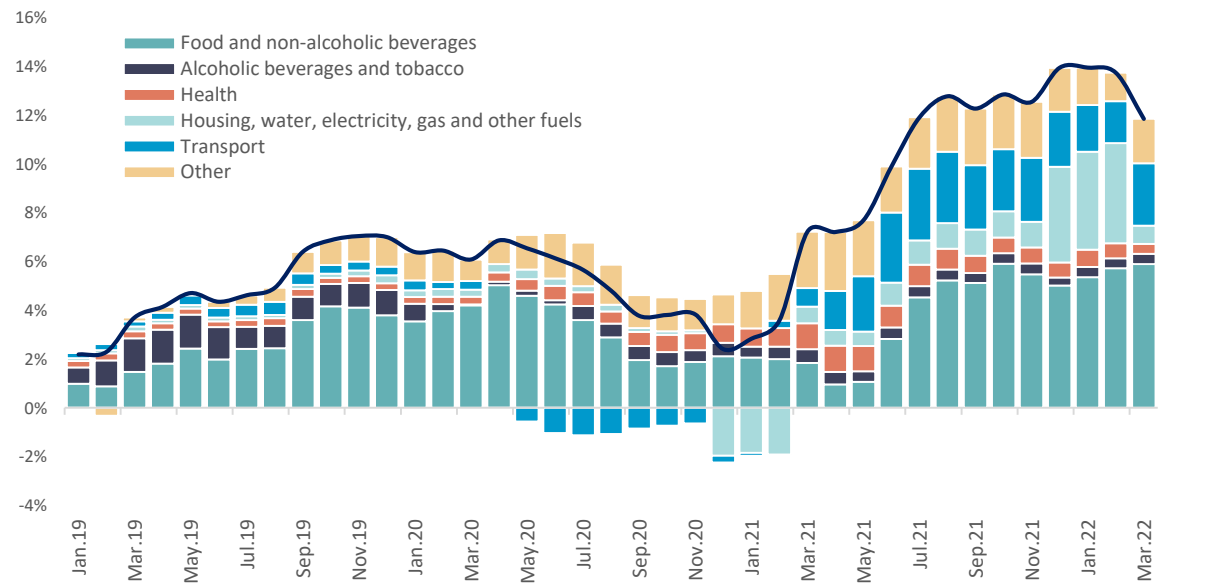
Inflation Decomposition



Core Inflation, % m/m



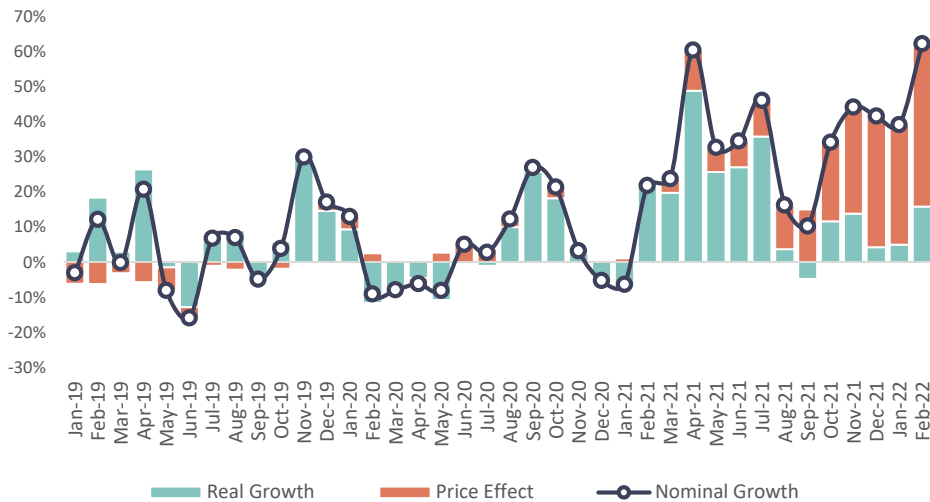
Inflation Decomposition by product group



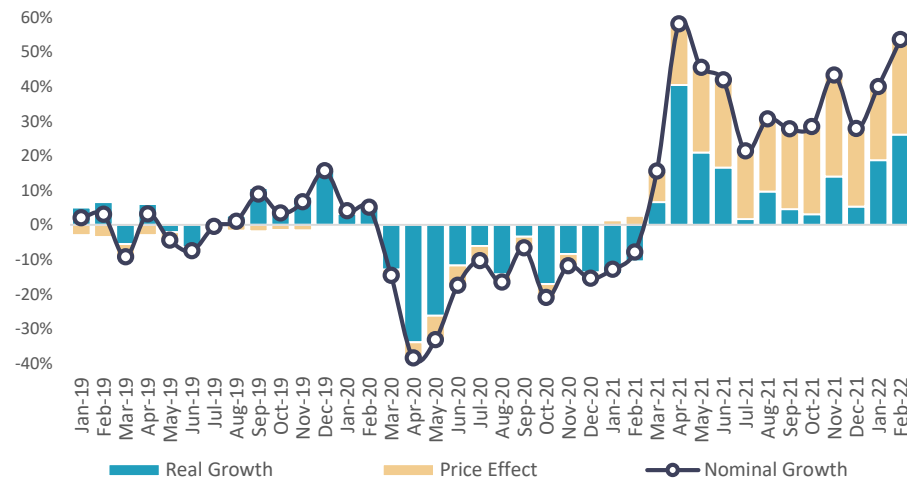
Source: Geostat, NBG, MOF

Trade Deficit increased by 49.7 percent annually

Change of Domestic Export, %y/y

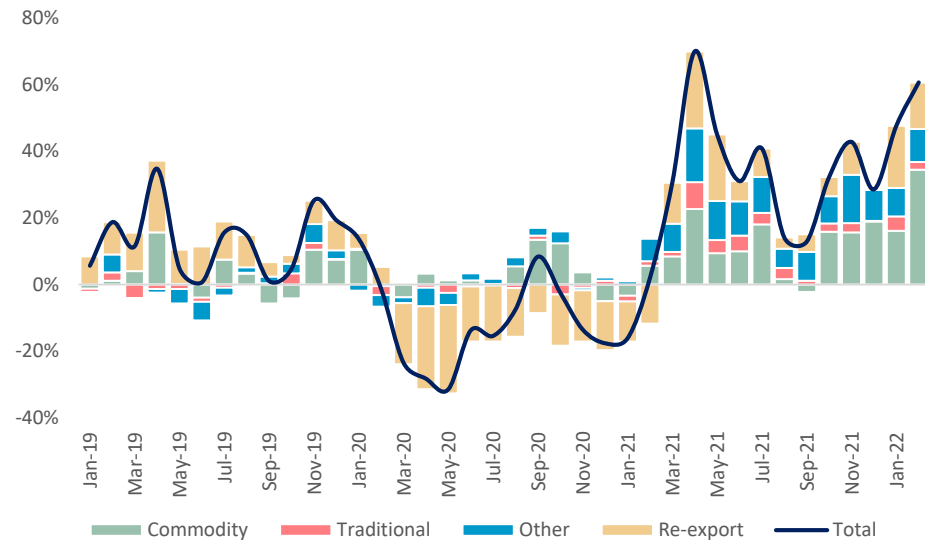


Change of Import, %y/y

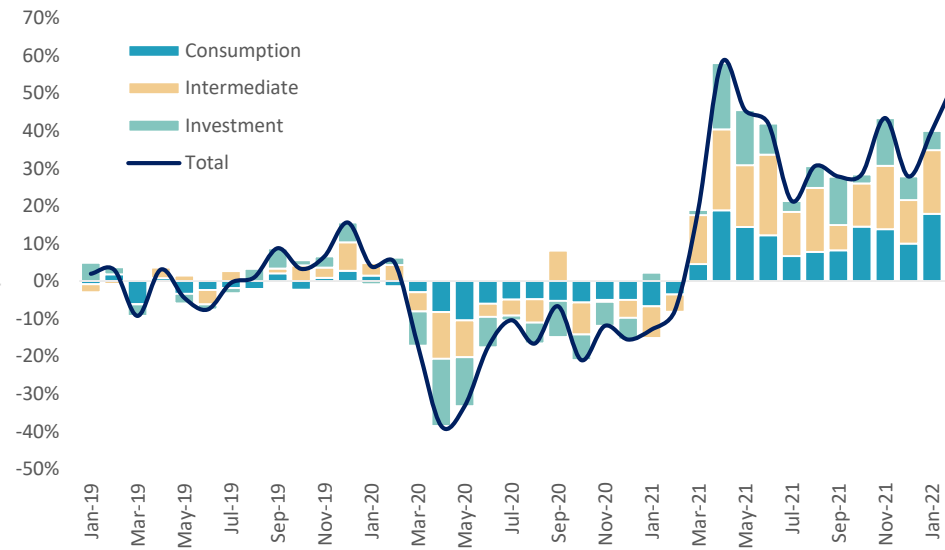


- Export increased annually by 60.6 percent to 427.7 million USD in February.
- Domestic export increased annually by 62.2 percent to 324.3 million USD.
- Import annually increased by 53.5 percent to 995.0 million USD in December.
- Trade deficit annually increased by 49.7 percent to 670.7 million USD in November.

Decomposition of Export



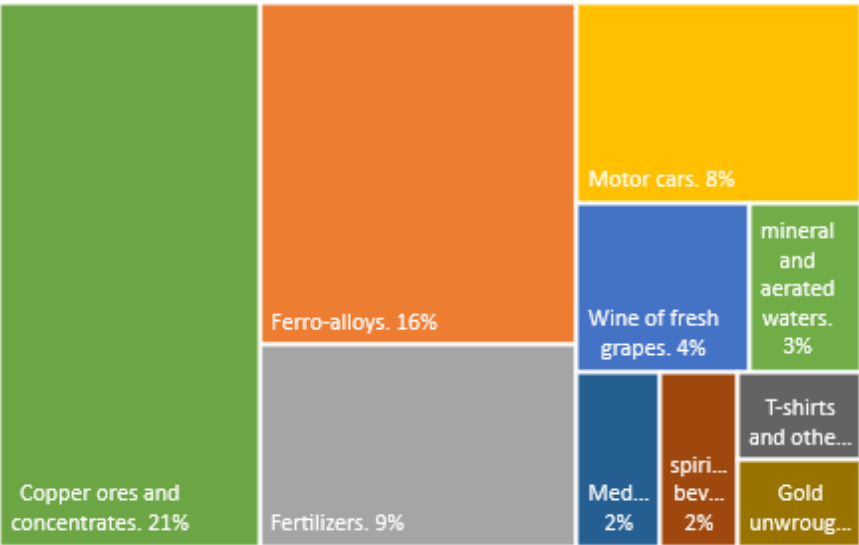
Decomposition of Change of Import, %y/y



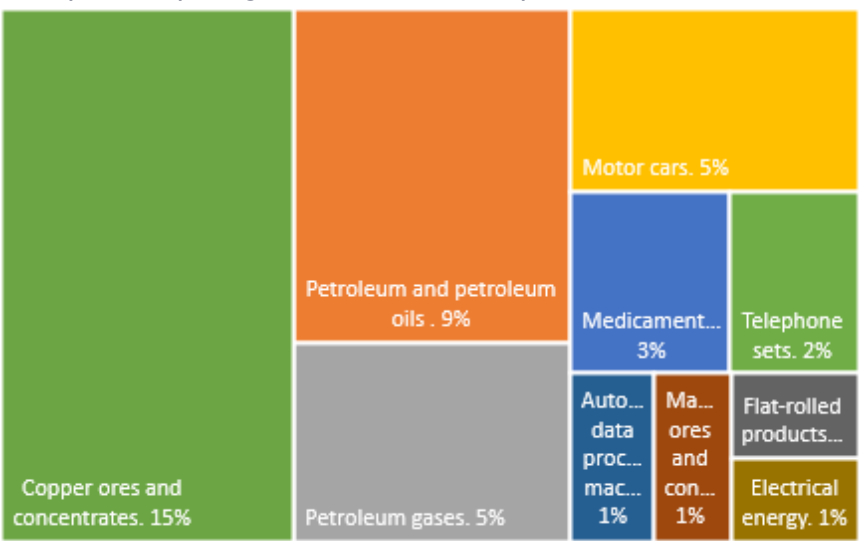
- Share of re-export is equal to 13.9 percent (54.8 %y/y), while share of commodity export equals to 34.5 percent (97.7 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 0.8, 17.4 and 35.3 percent respectively.

International trade is characterized by stable diversification

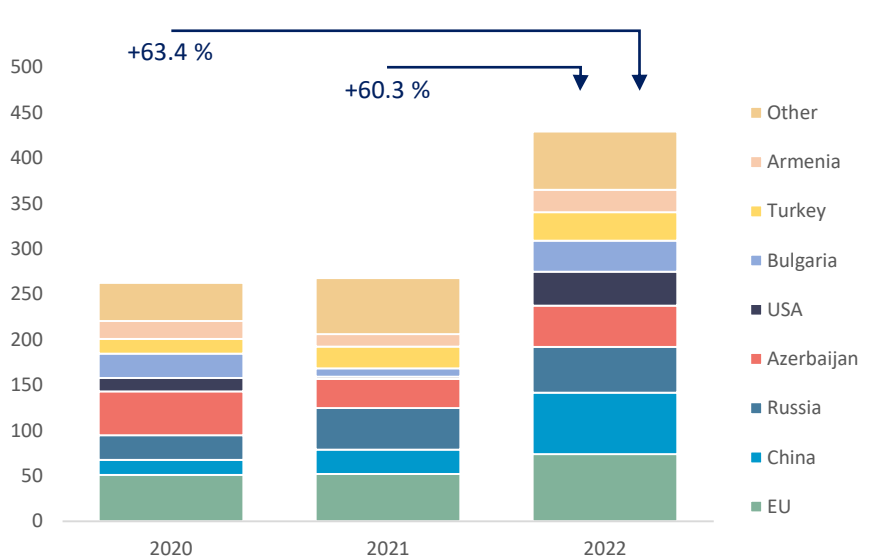
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



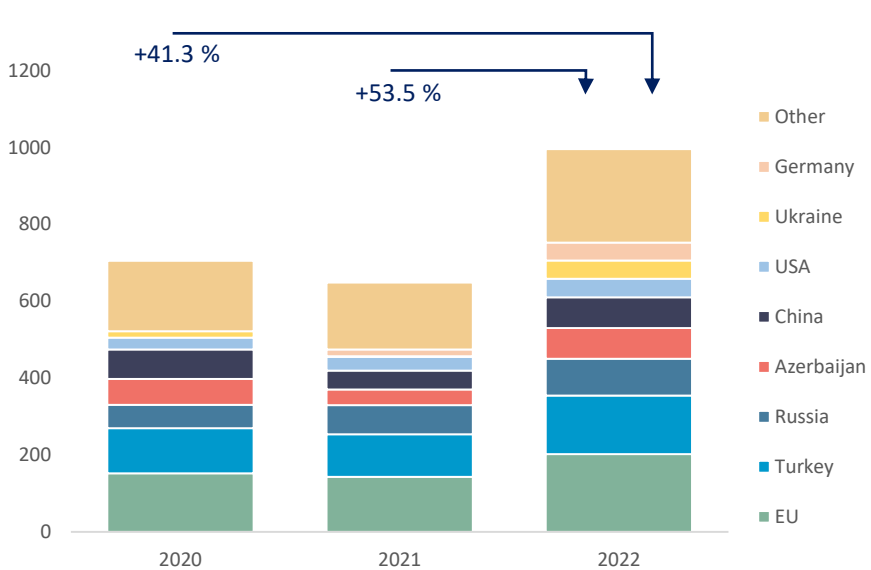
Export by country, February



- Top Export Products:
 - Copper ores and concentrates: 89.9 mln. USD – 21.0 percent of total export.
 - Ferro-alloys: 69.1 mln. USD – 16.1 percent.
 - Fertilizers: 40.6 mln. USD – 9.5 percent.

- Top Import Products :
 - Copper ores and concentrates: 151.4 mln. USD – 15.2 percent.
 - Petroleum and petroleum oils: 89.9 mln. USD – 9.0 percent.
 - petroleum gases: 53.7 mln. USD – 5.4 percent of total import.

Import by country, January

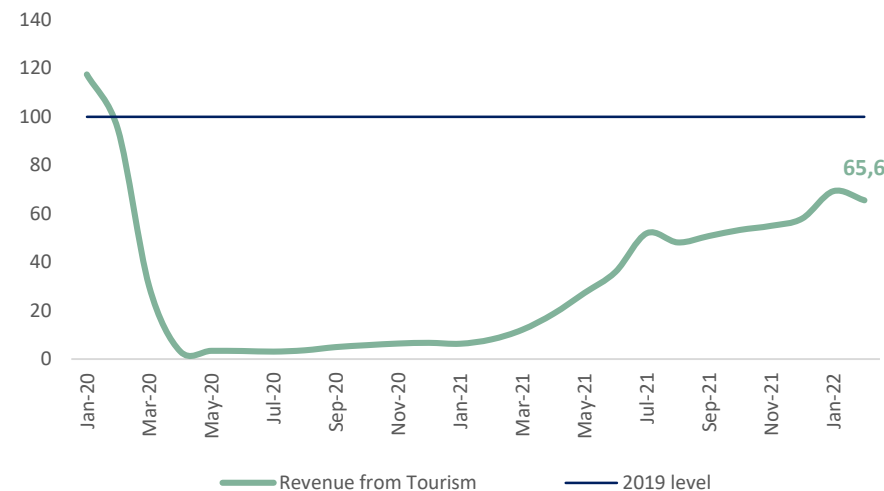


- Top Export Country:
 - EU: 74.2 mln. USD – 17.3 percent.
 - China: 67.6 mln. USD – 15.8 percent.
 - Russia: 50.2 mln. USD – 11.7 percent.

- Top Import Country :
 - EU: 202.3 mln. USD – 20.3 percent.
 - Turkey: 151.7 mln. USD – 15.2 percent.
 - Russia: 95.8 mln. USD – 9.6 percent.

Tourism recovery has slowed down due to increase of COVID daily cases and reached 66 percent of 2019 level in February

Revenue from Tourism, 2019 = 100

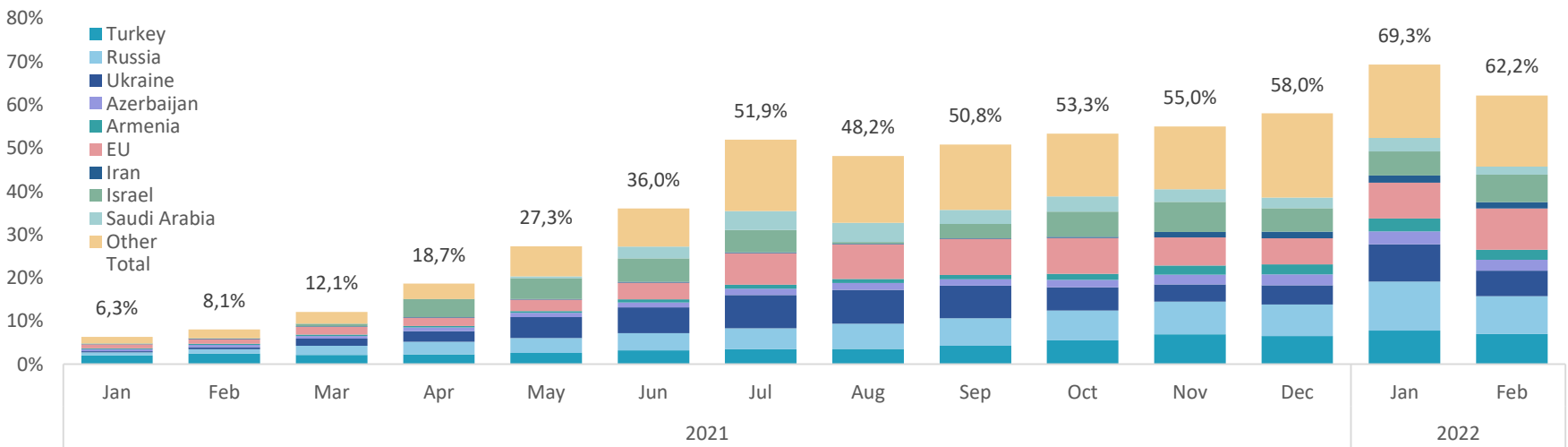


Revenue from Tourism, February 2022

Country	Tourism Revenue, mln USD
Russia	14.71
Turkey	11.87
EU + UK	16.16
Israel	10.8
Ukraine	10.1
Saudi Arabia	3.13
Other	27.89

- In February 2022, tourism revenues increased by 670.9 percent to 105.2 million USD. Such high increase is mainly due to low level of tourism revenue inflow in February 2021 (13.7 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 February 2022 decreased by 37.8 compared to January 2019.

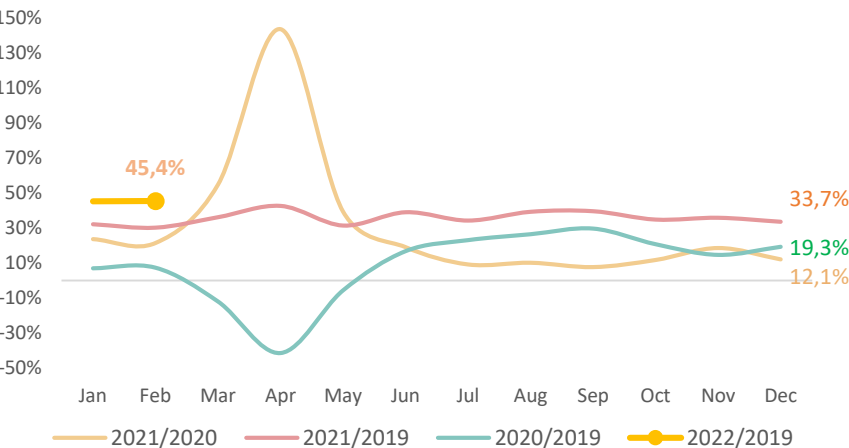
Recovery of Tourism by country, corresponding month of 2019 = 100, %



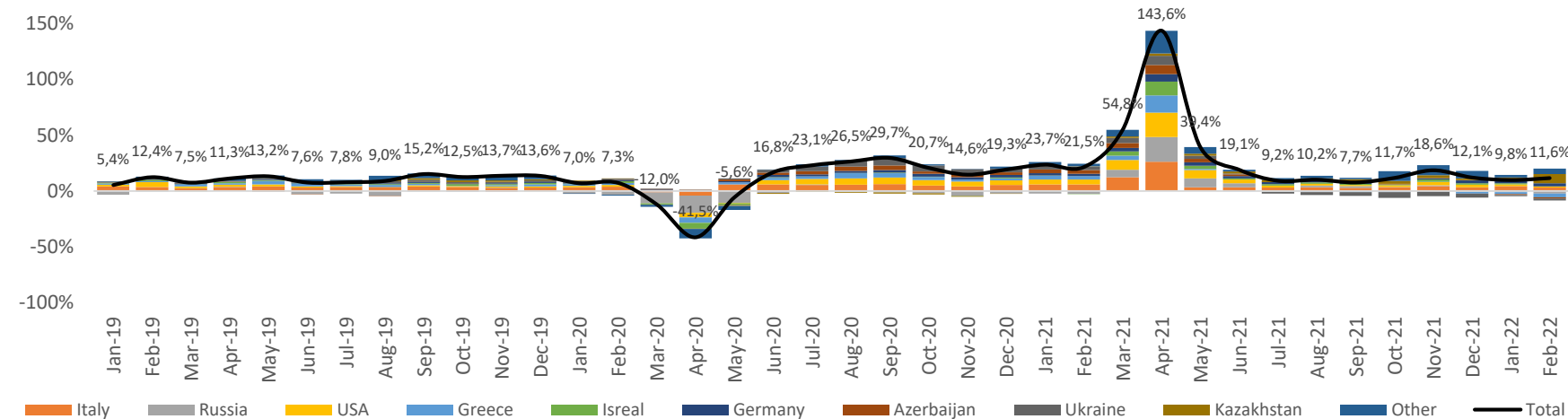
- At the same time, seasonally adjusted tourism revenues increased by 2.2 percent compared to the previous month.

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

Net Remittances



Net Remittances by country, %y/y



Net Remittances, February 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Italy	32.4	14,8%	3.0
Russia	15,7	-16,5%	-2.2
USA	20,5	8,15%	1.1
Greece	14,1	-24,9%	-3.3
Kazakhstan	12,96	825,7	8,2
Germany	10,8	62,4%	2,93
Other	36.6	5.5%	1.86

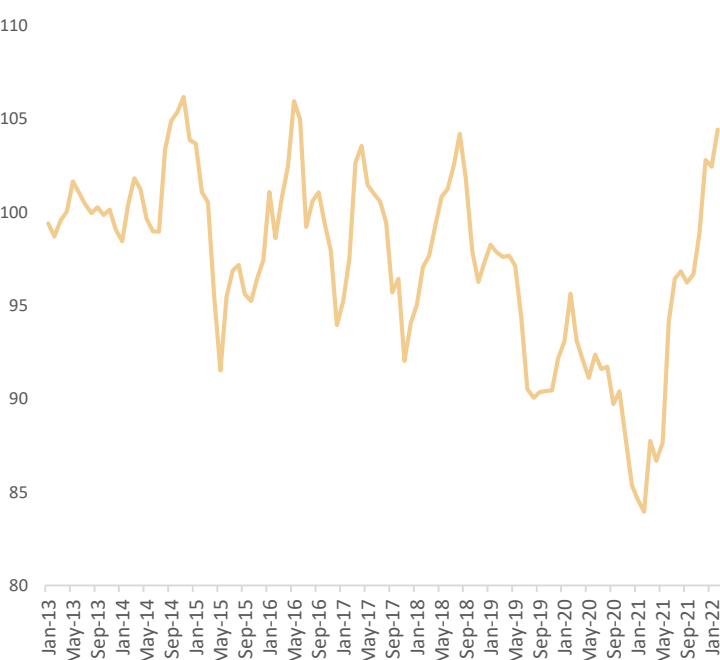
- In February 2022, net remittances were estimated at 156.7 million USD, representing a 11.6 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 45.4 percent.
- Net Remittances increased from:
 - Italy: 14.8 percent (3.0 p.p. contribution to overall growth).
 - USA: 8.1 percent (1.1 p.p. contribution to overall growth).
 - Germany: 62.4 percent (8.2 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Ukraine: -51.4 percent (-2.0 p.p. contribution to overall growth).
 - Russia: -16.5 percent (-2.2 p.p. contribution to overall growth).
 - Greece -24.9 percent (-3.3 p.p. contribution to overall growth)

The real effective exchange rate in February appreciated by 2.0 percent annually

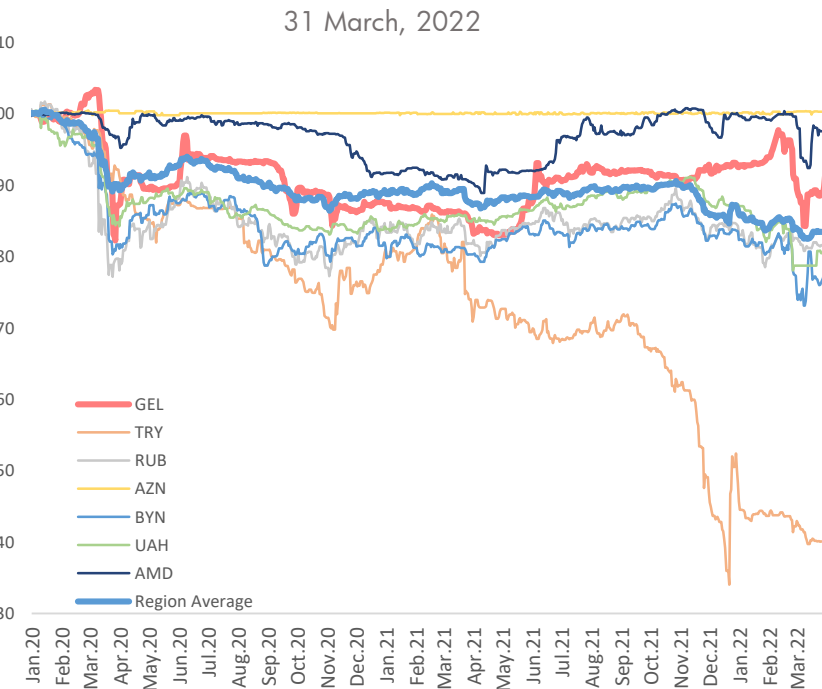
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



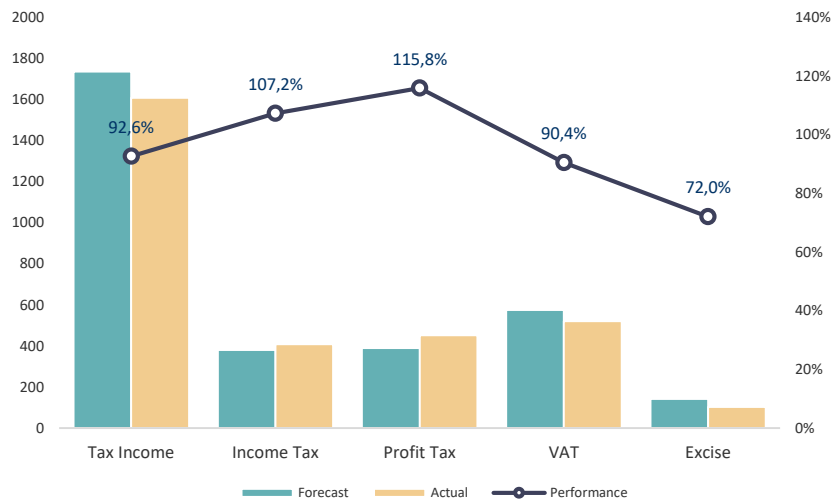
Note: Increase means appreciation

	March 31, 2022		Mar 31, 2022 - Jan 1, 2021		Mar 31, 2022 - Jan 1, 2020
Euro	3.4496	▼	-6.8%	▼	-11.3%
US Dollar	3.1013	▼	-7.6%	▼	-13.8%
Turkish Lira	0.2113	▲	128.0%	▲	139.2%
Russian Ruble	0.0368	▲	25.4%	▲	4.4%
NEER	136.32	▲	23.2%	▲	14.4%
REER (February 2022)	128.35	▲	22.3%	▲	13.3%

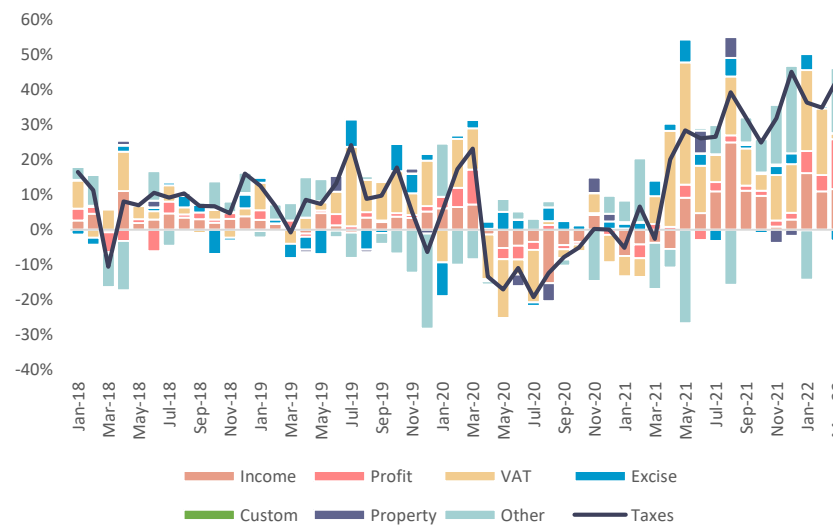
Source: NBG

Tax revenues in the March is behind the forecast value by 7.4 percent

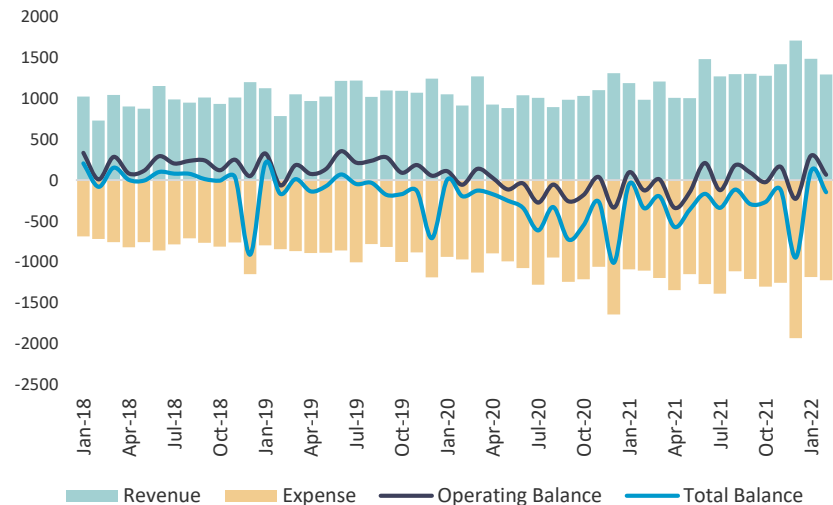
Budget Revenue Performance, March 2022



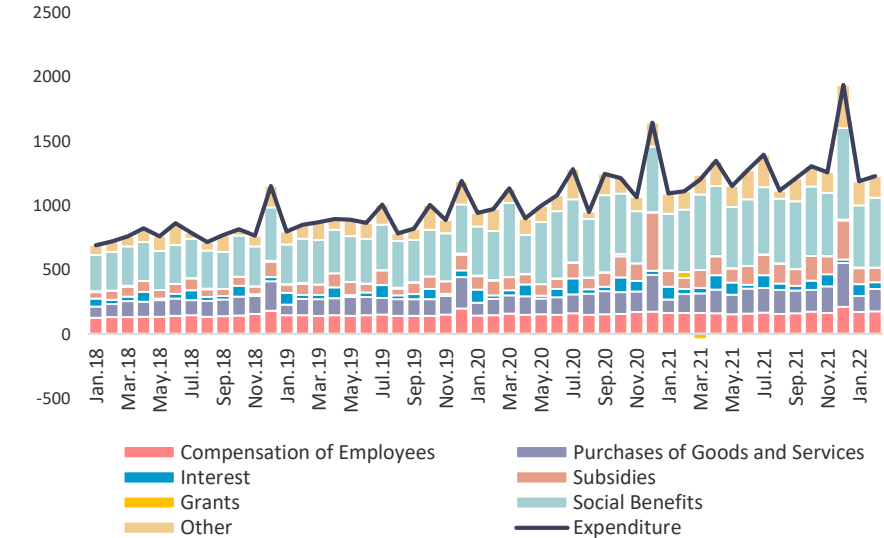
Tax Income, % v/v



Consolidated Budget, mln GEL



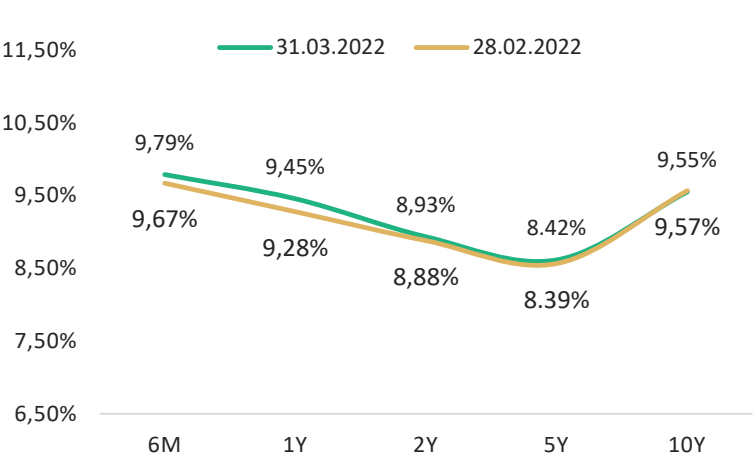
Consolidated Budget Expenditure, mln GEL



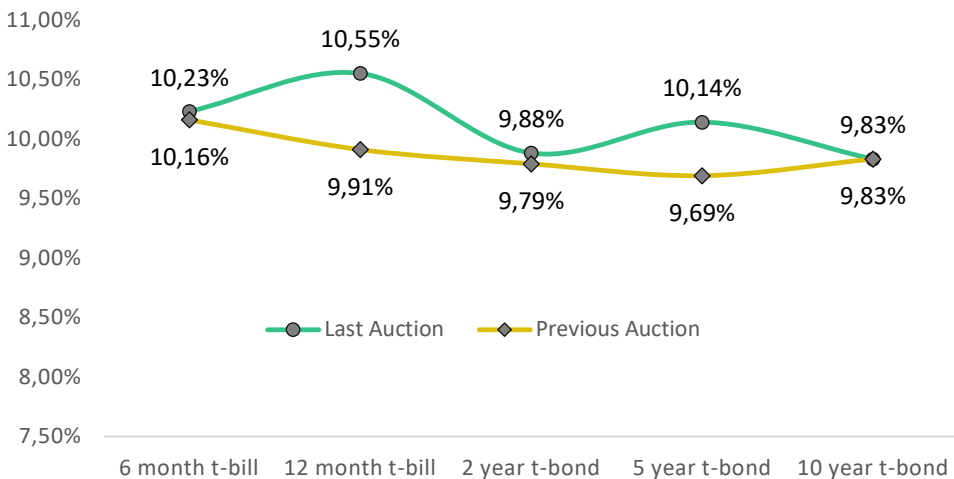
- The actual level of tax income in March 2022 was 1,607 mln GEL, which is 7.4 percent lower compared to the forecasted value of tax income of 1,735 mln GEL.
- Consolidated budget revenues increased by 31.4 percent and expenditures by 10.6 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 65.9 million GEL, while the total balance was set at -146.7 million GEL.
- Revenue from taxes had a significant impact on revenue from profit in March, accounting for 14.2 percent of total growth.

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

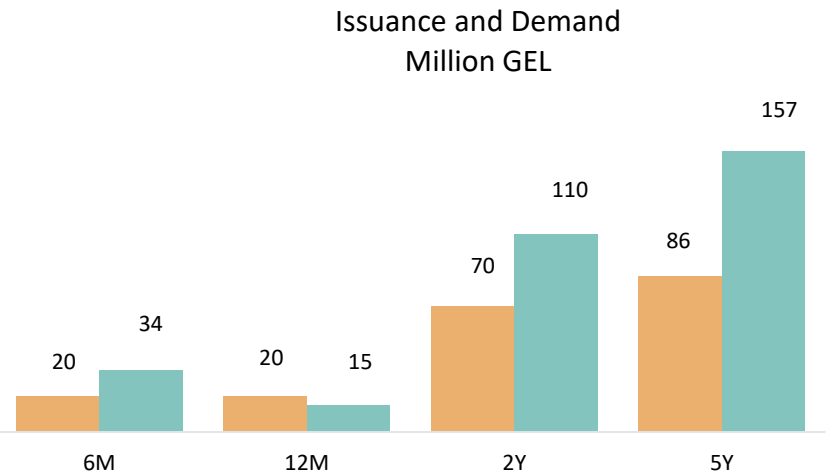


Weighted average interest rates

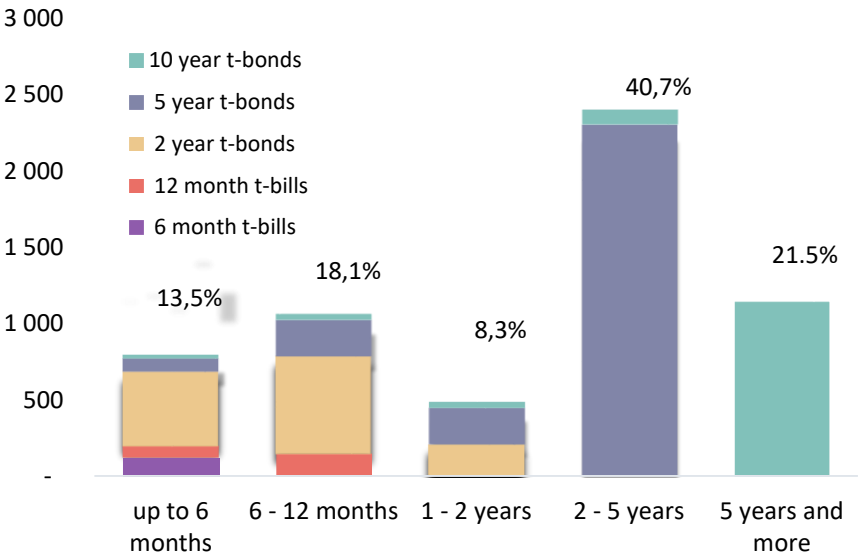


- In March 2022, 4 auctions were held with total issuance volume of 191.5 million GEL.
- The weighted average interest rate amounted to 10.09%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 150 million GEL were redeemed
- As of March 31, 2022 31.6% 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 (February 2.11) and amounted to 1.61.

Issuance and Demand, mln GEL



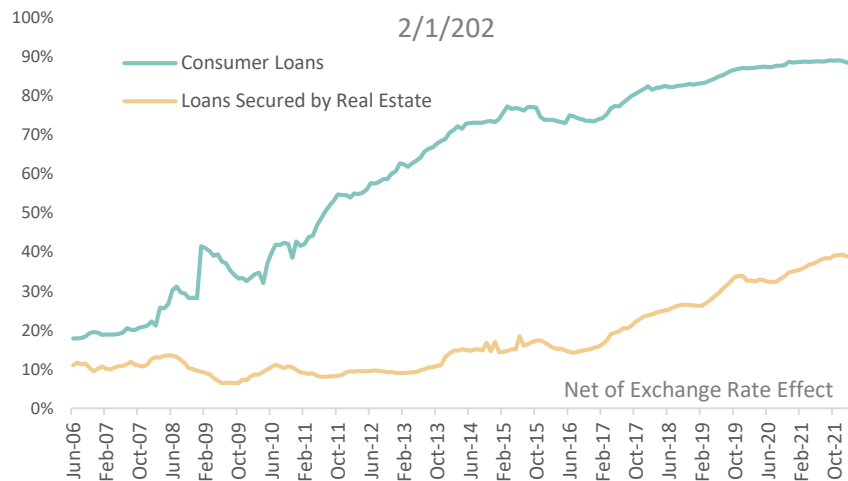
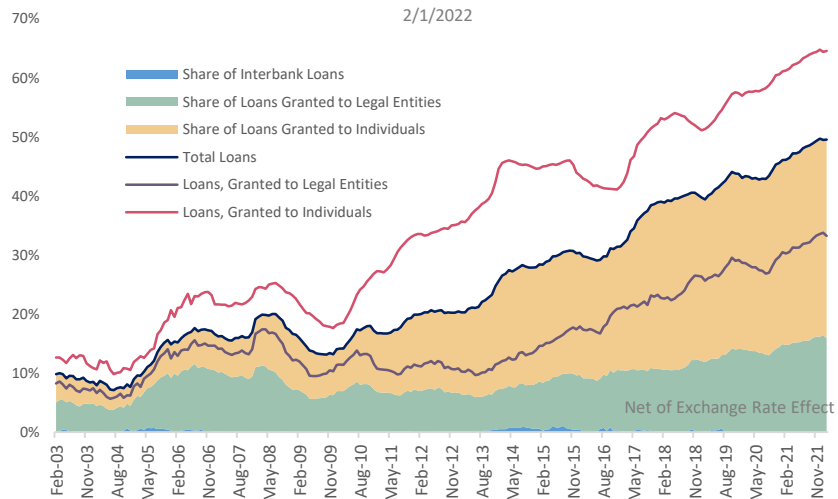
Portfolio Forming Securities Composed by Time to Maturity



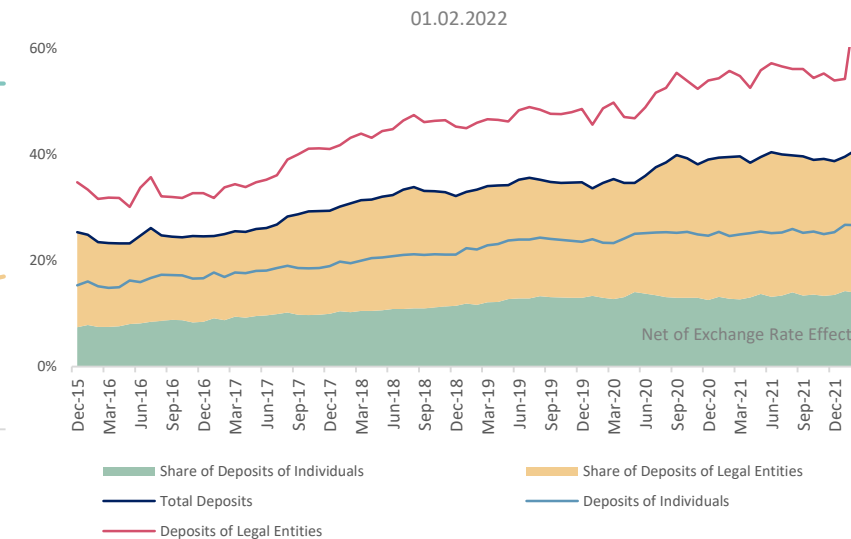
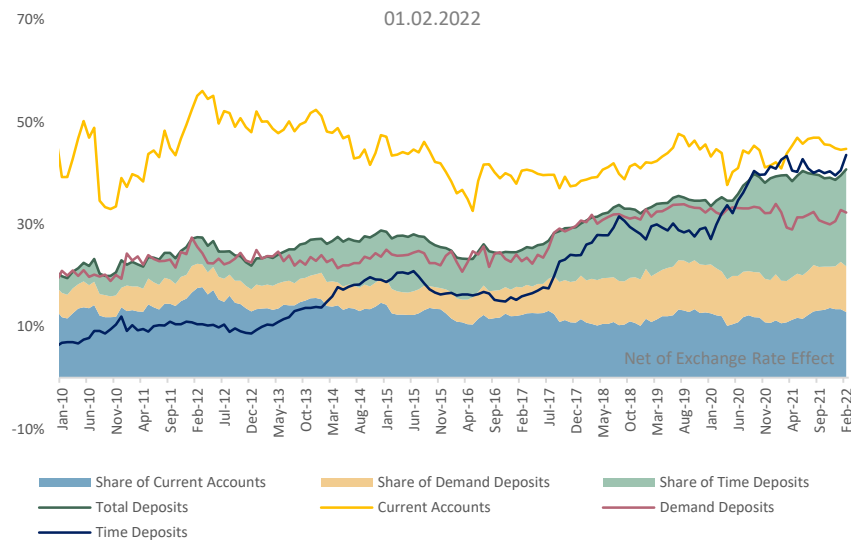
Source: MOF

The larization rates continue to rise

Loan Larization



Deposit Larization

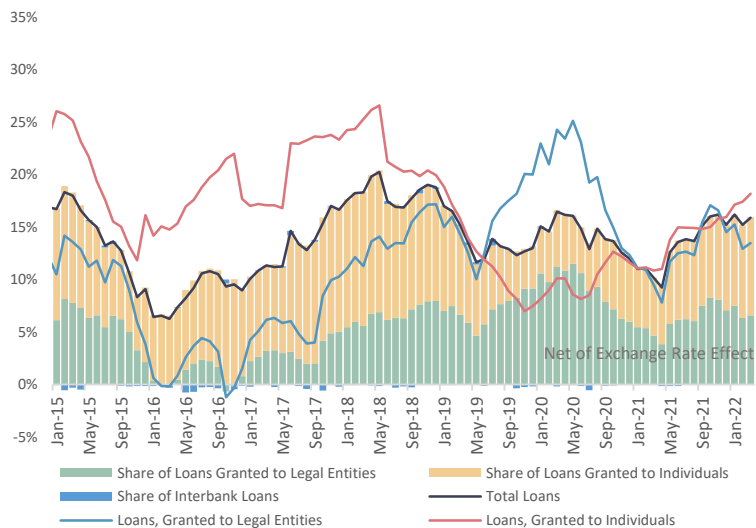


- As of February 1, 2022, the larization of total loans is 49.5 percent.
- The larization of loans to individuals is 64.5 percent.
- The larization of loans to legal entities amounted to 33.2 percent.
- The larization of total deposits equals to 40.8 percent.
- The larization on deposits of legal entities amounted to 68.0 percent.
- The larization of deposits of individuals is 26.7 percent.
- The larization of time deposits is 43.5 percent.
- The larization of current accounts equals to 44.7 percent.
- The larization of demand deposits is 32.2 percent.

The annual growth trend of loans is sustained

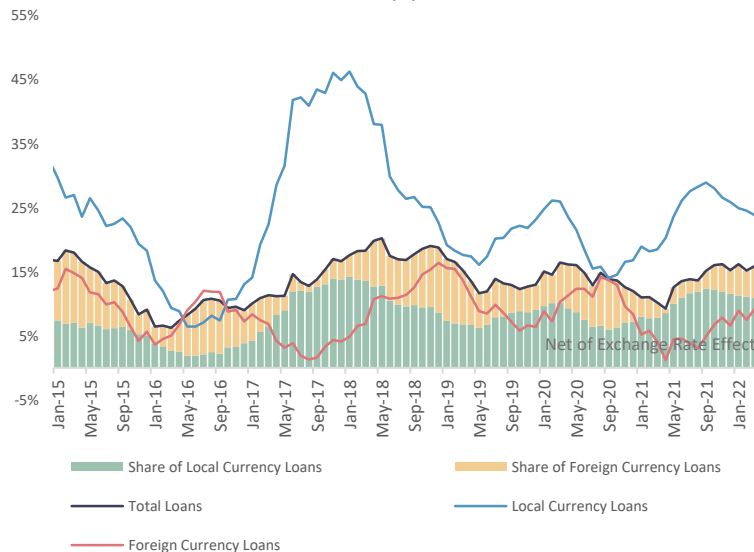
Loans, % y/y

3/1/2022



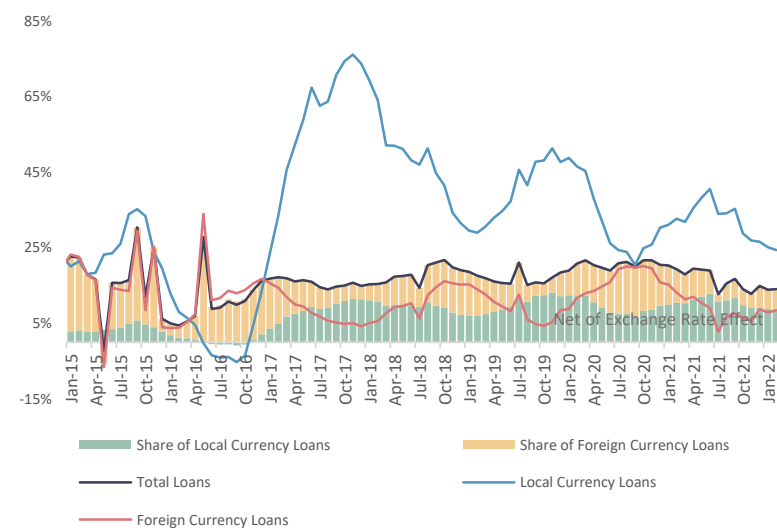
Loans by Currency, % y/y

3/1/2022



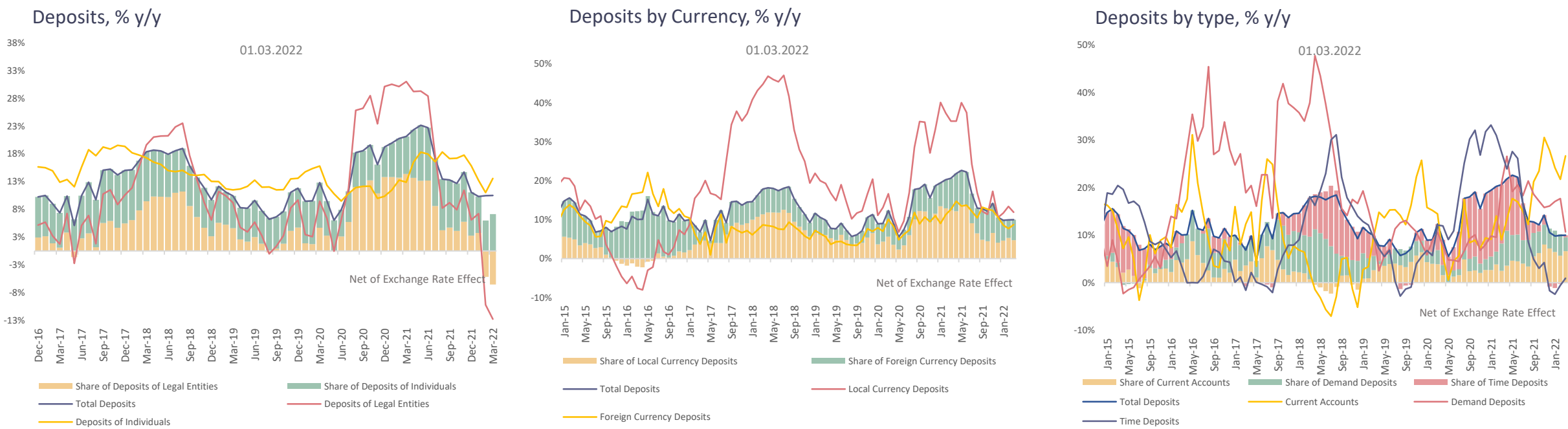
Mortgage Loans, % y/y

2/28/2022



- As of March 1, 2022, total loans increased by 15.9 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 13.5 percent.
- The annual growth of loans to individuals is 18.2 percent.
- As of February 1, 2022, the growth rate of loans denominated in the national currency amounted to 23.8 percent.
- The annual growth of loans denominated in foreign currency amounted to 9.2 percent.
- As of February 28, 2022, the annual growth of loans secured by real estate amounted to 14.0 percent. At the same time, mortgage loans denominated in national currency increased by 24.4 percent, while mortgage loans denominated in foreign currency increased by 8.4 percent.

Sharp decline in deposits of legal entities continues

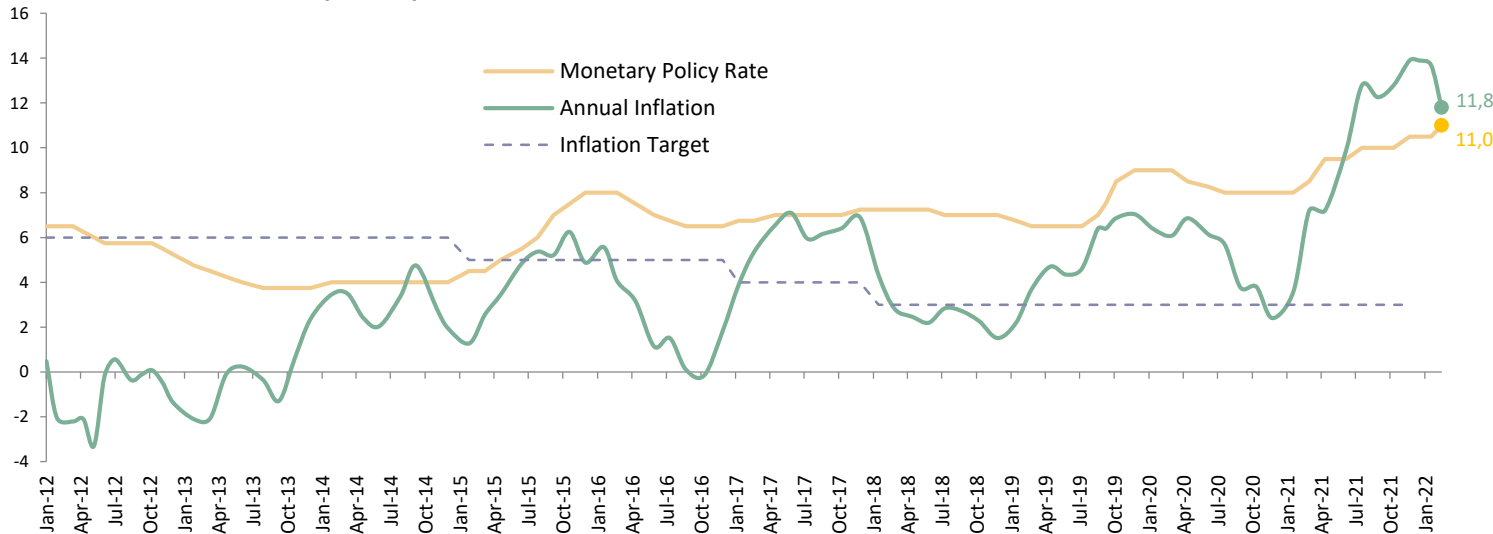


- As of March 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 10 percent.
- The annual growth of deposits denominated in the national currency amounted to 11.9 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 8.7 percent over the same period.
- The growth of deposits of individuals amounted to 13.0 percent, while the annual growth of deposits of legal entities showed a significant decrease and its value in the same period amounted to -12.4 percent.
- The annual growth of current accounts at the beginning of March 2022 was equal to 26.7 percent.
- The annual growth of time deposits was 0.9 percent.
- The growth of demand deposits amounted to 17.7 percent.

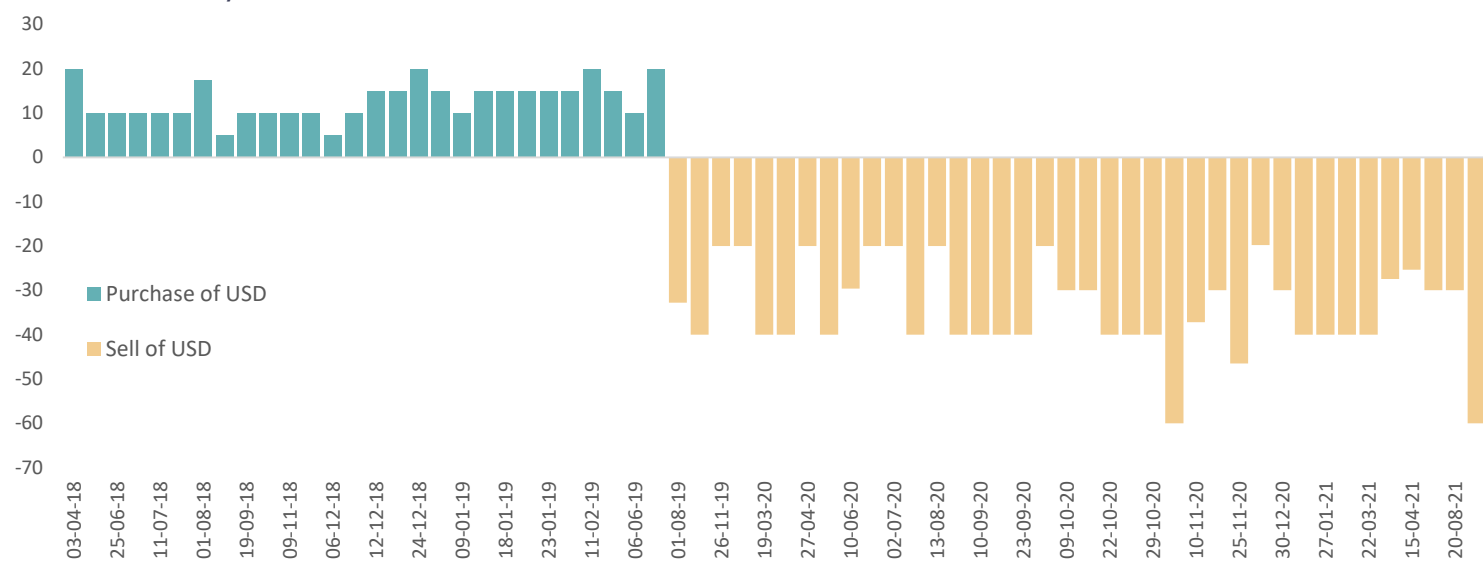
Source: NBG

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

Inflation and Monetary Policy Rate



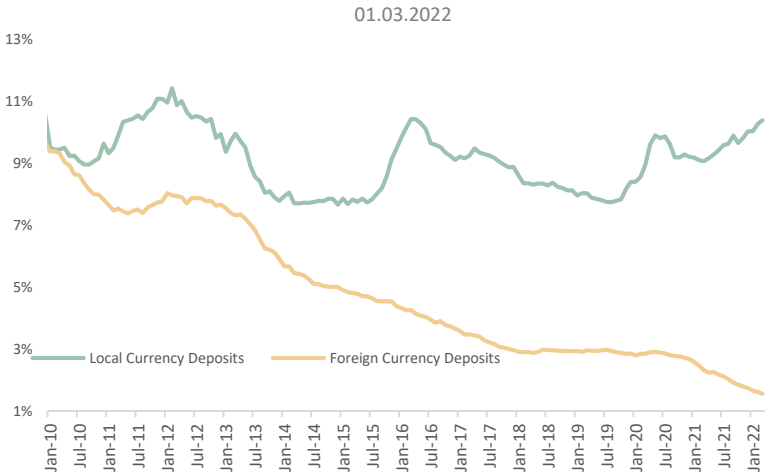
Trade of USD by NBG, mln USD



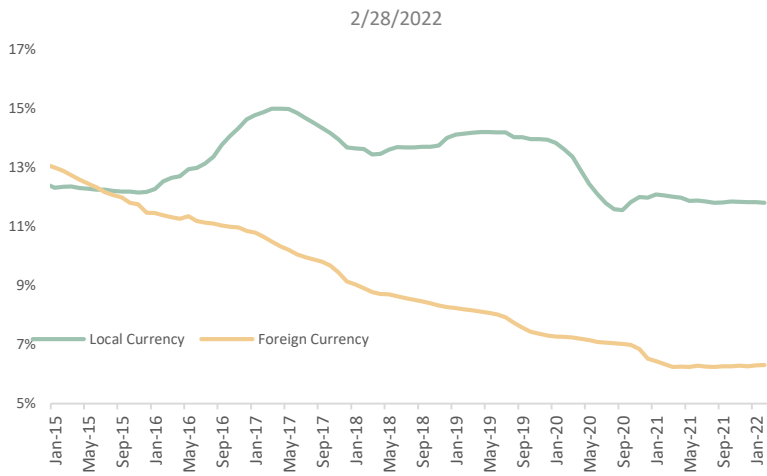
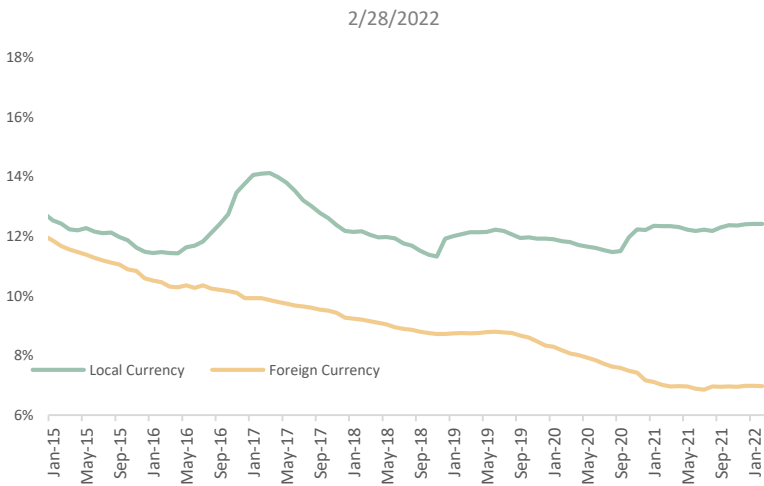
- On February 2 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 10.5 percent.
- The monetary policy rate is 10.5 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products.
- According to the National Bank, all other things equal, inflation is expected to decrease gradually from the spring and approaching to the target level by the end of the year. Recently there are the signs of stabilizing the core and monthly inflation. The gradual reduction of inflation, together with the weakening of one-off factors, will be facilitated by planned fiscal consolidation and tighter monetary policy.
- The next meeting of the Monetary Policy Committee will be held on March 30, 2022.
- In 2021, the National Bank sold 332.9 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 March 1, 2022, the interest rate on foreign currency deposits was 1.6 percent, and in national currency – 10.4 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 1.6 percent for foreign currency deposits and 10.4 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.4 percent (20.0 percent in national currency and 6.1 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.7 percent (18.1 percent in national currency and 6.5 percent in foreign currency).
- At the end of February 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.8 percent, and in foreign currency – 6.8 percent. The interest rate on loans to individuals in the national currency was 13.0 percent, and in foreign currency - 5.7 percent.

Disclaimer

The publication was prepared by the Macroeconomic Analysis and Fiscal Policy Planning Department of the Ministry of Finance of Georgia. The information and opinions contained in this publication represent the views of the authors - the economic team of the Macroeconomic Analysis and Fiscal Policy Planning Department and do not represent the official position of the Ministry of Finance of Georgia. The analytical information provided in the publication serves informational purposes and is obtained from public sources. The forecasts and calculations given in the report should not be taken as a promise, reference or guarantee.

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