



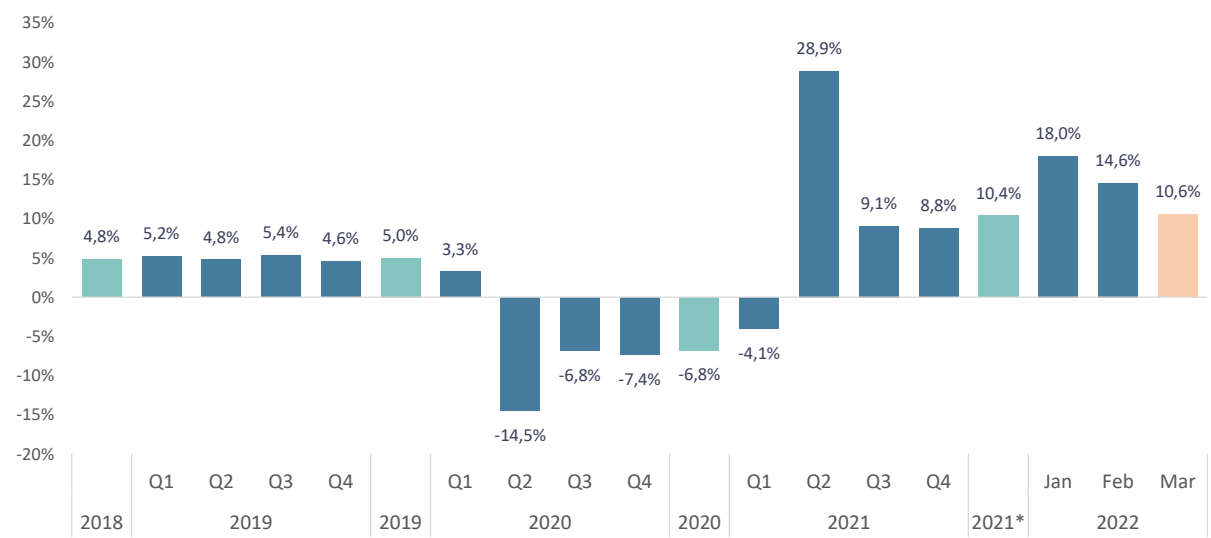
Current Economic Outlook

April, 2022

- According to the preliminary estimates of the National Statistics Office, in March 2022, the real GDP growth rate was 10.6 percent and average growth rate of the first quarter of 2022 was 14.4 percent.
- Annual inflation stood at 12.8 percent in February, while core inflation was 5.7 percent
- In March, exports increased by 26.3 percent year-on-year and imports increased by 15.3 percent year-on-year, increasing the trade deficit by 7.4 percent year-on-year to 482.6 million USD
- The real effective exchange rate for March appreciated by 18.1 percent compared to the same period of the previous year and depreciated by 0.8 percent compared to the previous month
- The National Bank of Georgia increased the monetary policy rate to 11.0 percent

Economic Growth in March was equal to 10.6 percent

Economic Growth, % y/y

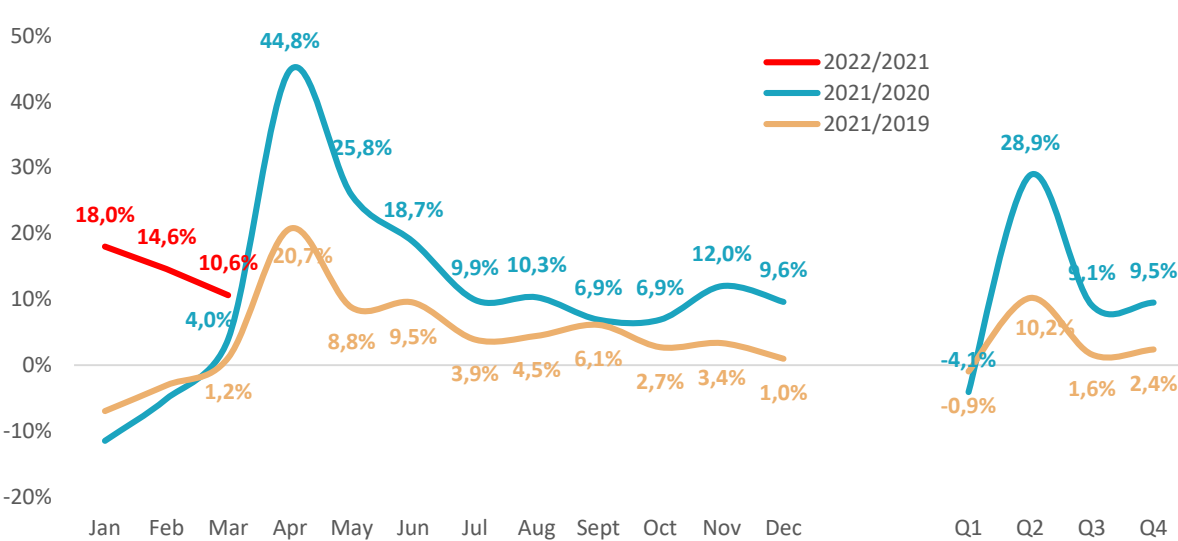


Economic Growth, % m/m



- Estimated real GDP growth rate in March 2022 equaled 10.6 percent YoY and average annual real GDP growth rate for 2022 January-March equals to 14.4 percent.
- In March 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Electricity, gas, steam and air conditioning supply, transport and storage, hotels and restaurants, construction, arts, entertainment and leisure, mining and manufacturing.
- A decline was registered in Construction, Activities of households as employers.

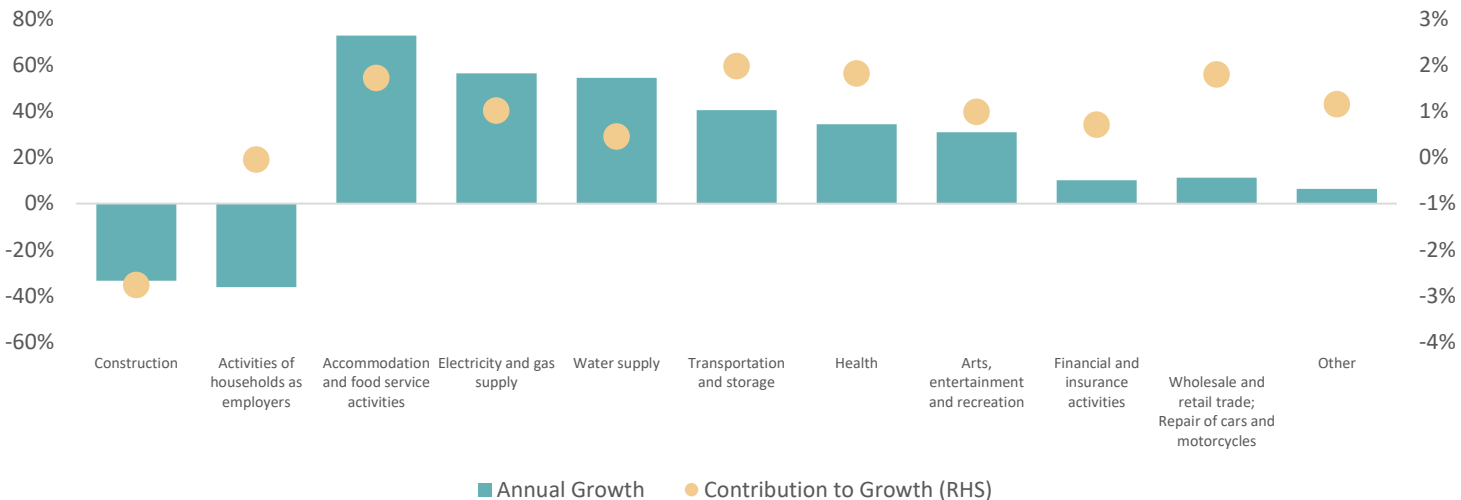
Economic Growth, 2022-2019



Source: Geostat, MOF

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

Real GDP growth by economic activity, 2021 IV Quarter

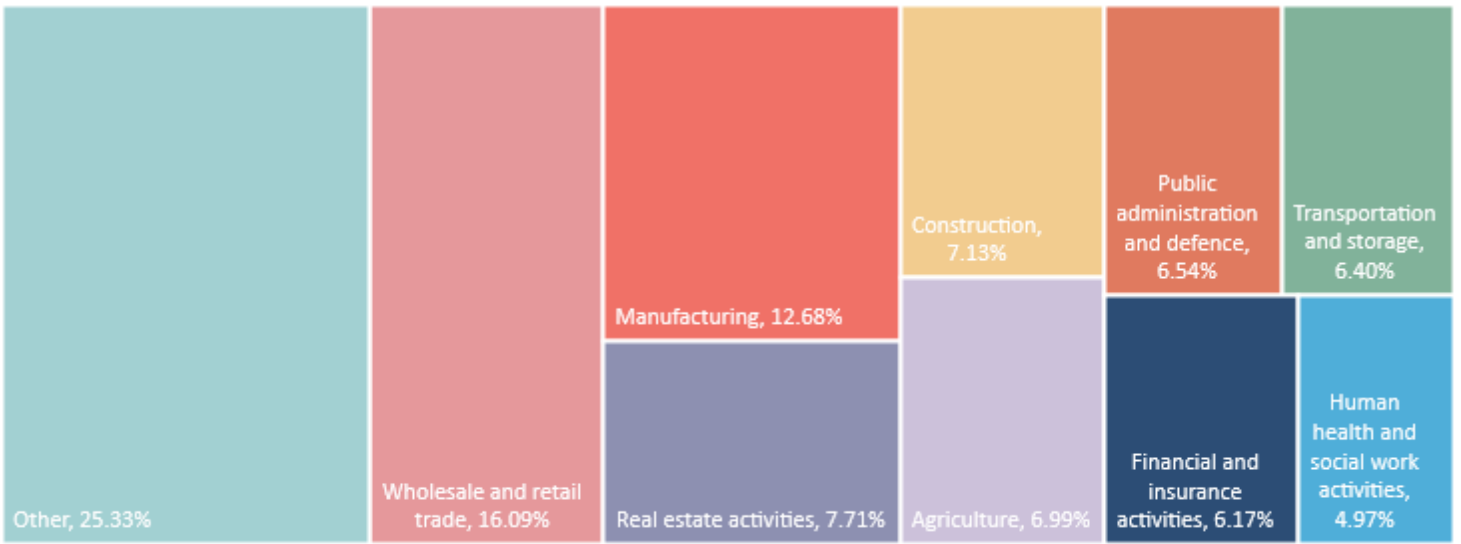


▪ According to preliminary estimates, in the first quarter of 2022 economic growth amounted to 14.4 percent, while in the fourth quarter of 2021, compared to the corresponding period of the previous year, real GDP increased by 8.8 percent and by 0.8 percent compared to the fourth quarter of 2019.

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

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

GDP by economic activity, 2021 IV Quarter

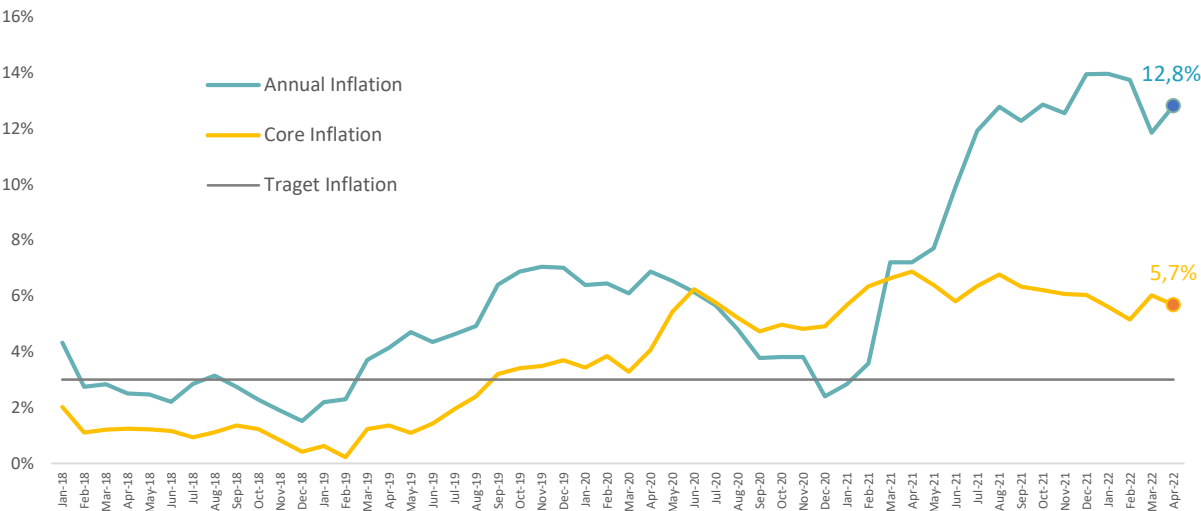


• The following industries have made a significant contribution to the decline:

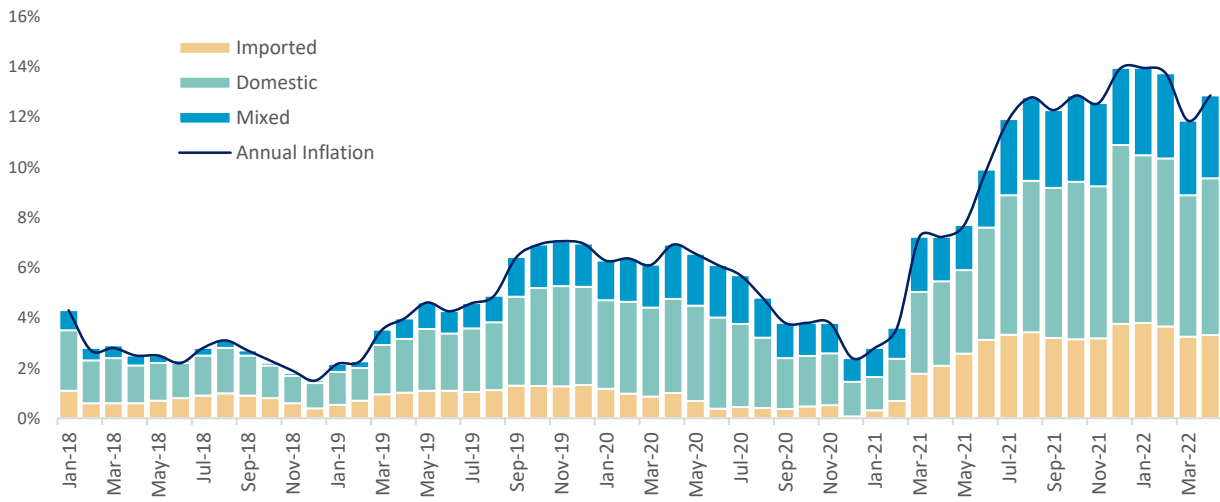
- Construction: -33,4% y/y (-2.8 pp)
- Activities of Households as employers: -36.1% y/y (-0.05 pp)

Annual inflation in April has reached 12.8 percent

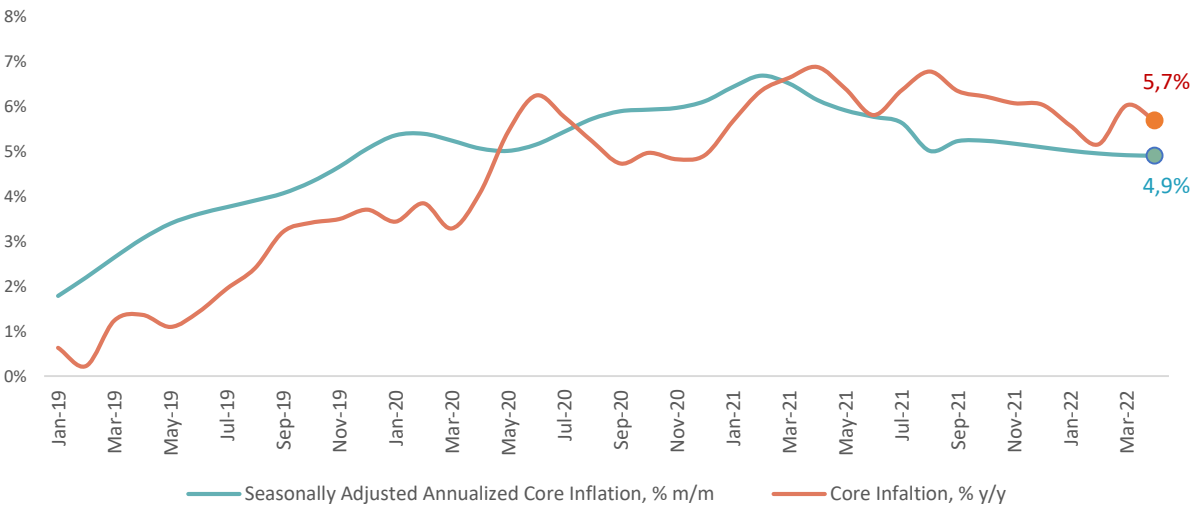
Total and Core Inflation, % y/y



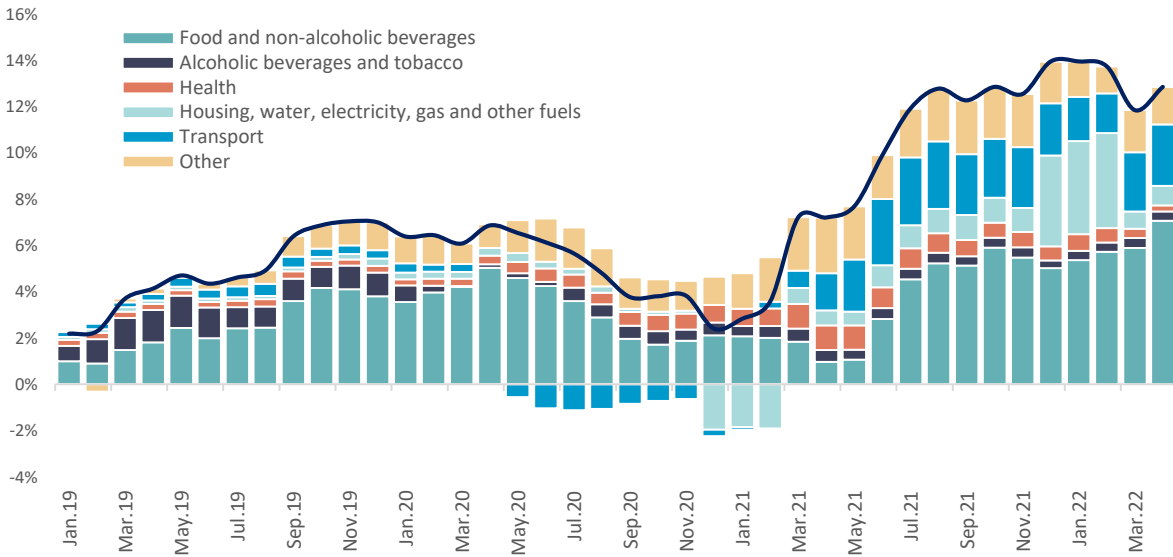
Inflation Decomposition



Core Inflation, % m/m



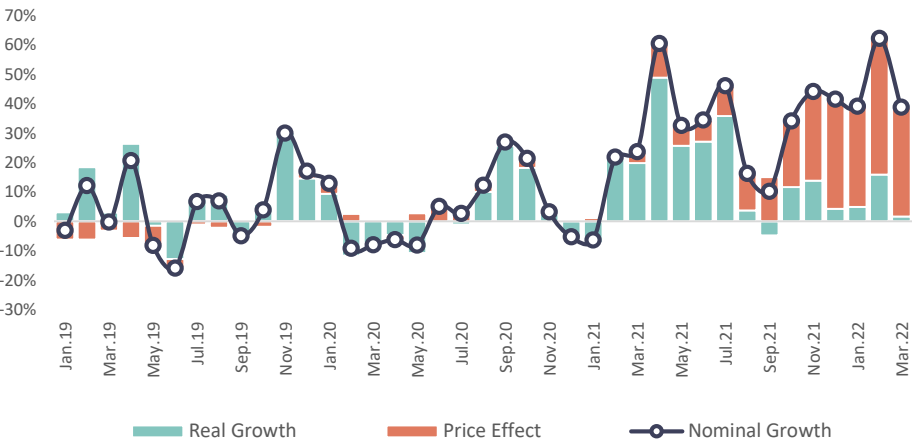
Inflation Decomposition by product group



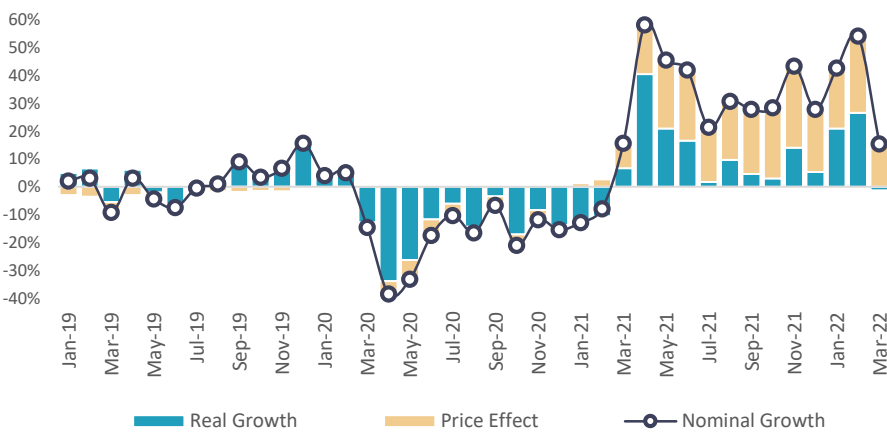
Source: Geostat, NBG, MOF

Trade Deficit increased by 7.4 percent annually

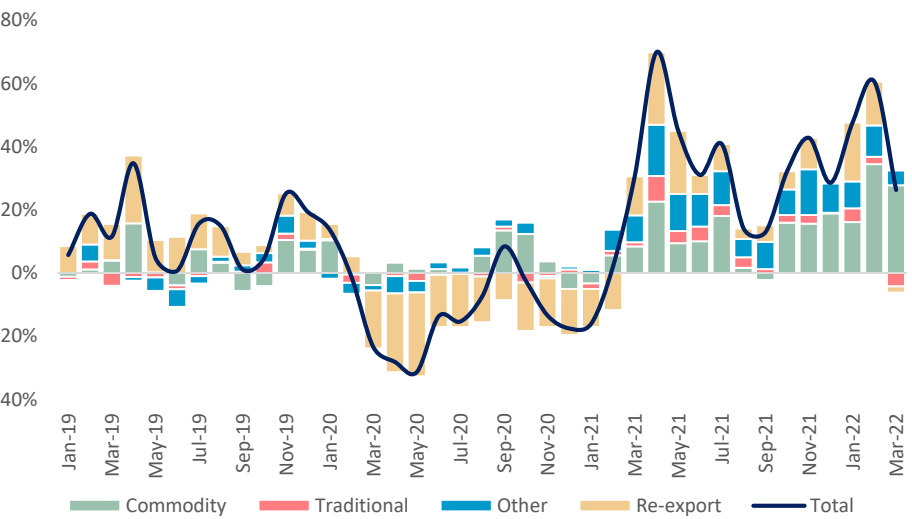
Change of Domestic Export, %y/y



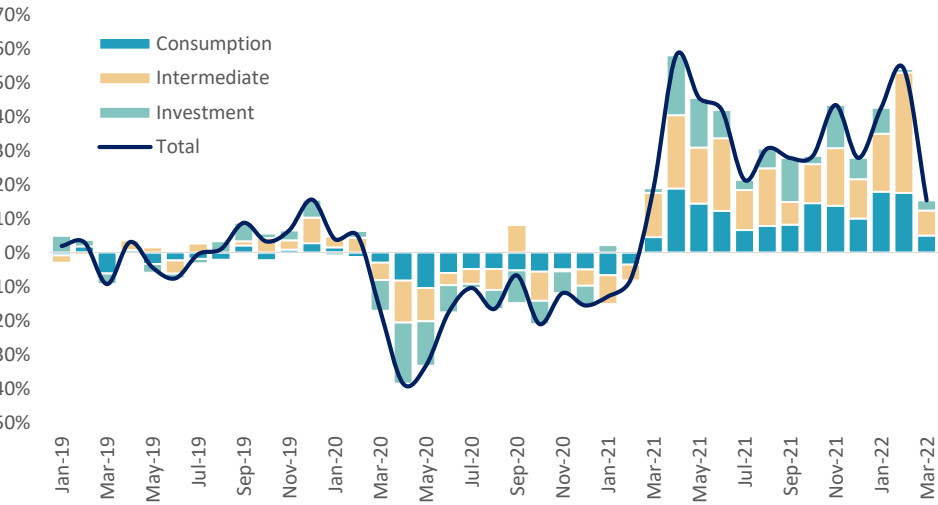
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

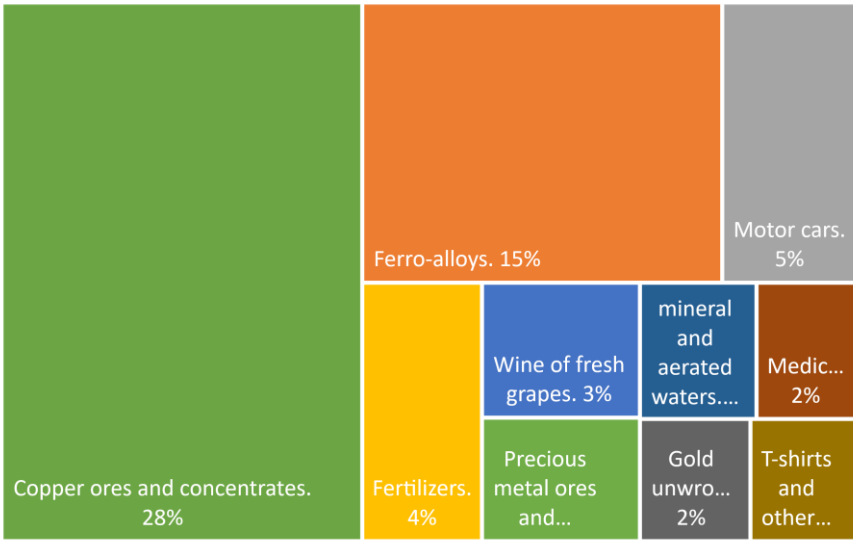


- Export increased annually by 26.3 percent to 410.9 million USD in March.
- Domestic export increased annually by 38.7 percent to 329.6 million USD.
- Import annually increased by 15.3 percent to 894.0 million USD in March.
- Trade deficit annually increased by 7.4 percent to 482.6 million USD in November.
- Share of re-export is equal to 19.9 percent (-7.1 %y/y), while share of commodity export equals to 52.0 percent (73.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 3.0, 5.0 and 7.3 percent respectively.

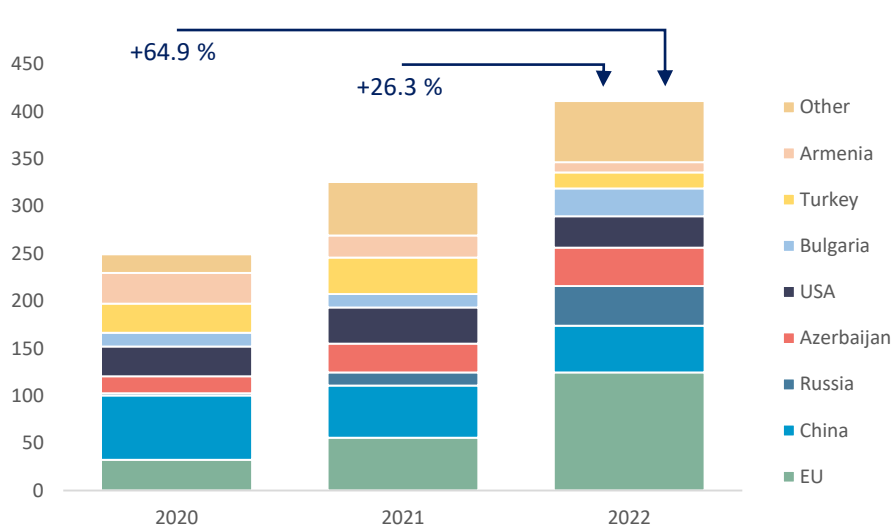
Source: Geostat, MOF

International trade is characterized by stable diversification

Top 10 Export goods, % of total Export



Export by country, March



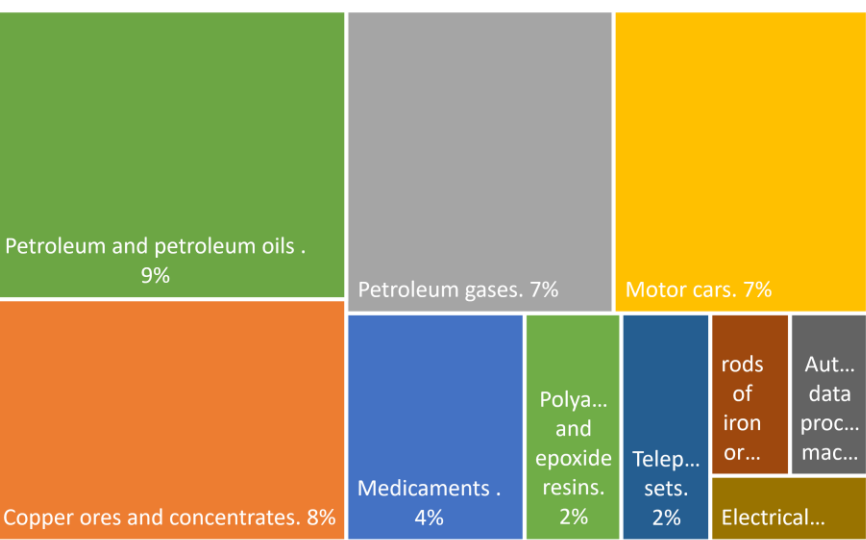
Top Export Products:

- Copper ores and concentrates: 114.8 mln. USD – 27.9 percent of total export.
- Ferro-alloys: 59.7 mln. USD – 14.5 percent.
- Motor cars: 22.3 mln. USD – 5.4 percent.

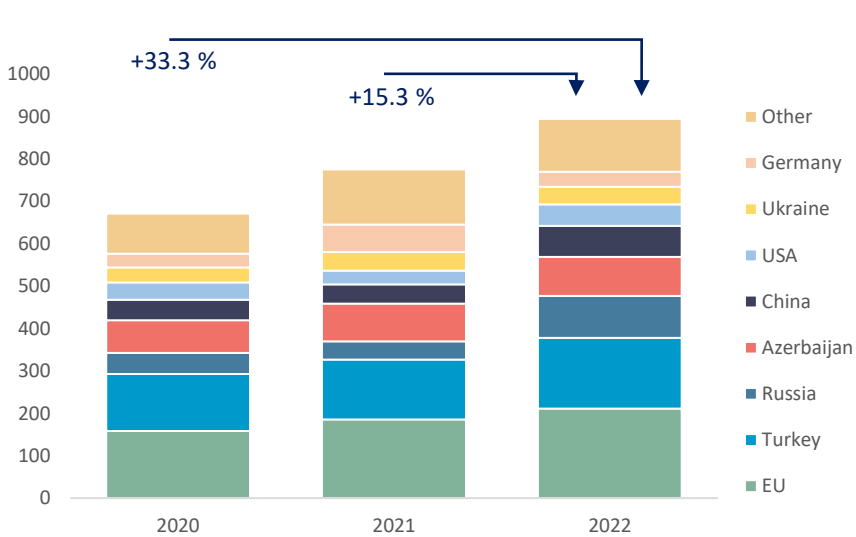
Top Import Products :

- Petroleum and petroleum oils: 81.9 mln. USD – 9.2 percent.
- Copper ores and concentrates: 68.6 mln. USD – 7.7 percent.
- petroleum gases: 64.9 mln. USD – 7.3 percent of total import.

Top 10 Import goods, % of total Import



Import by country, March



Top Export Country:

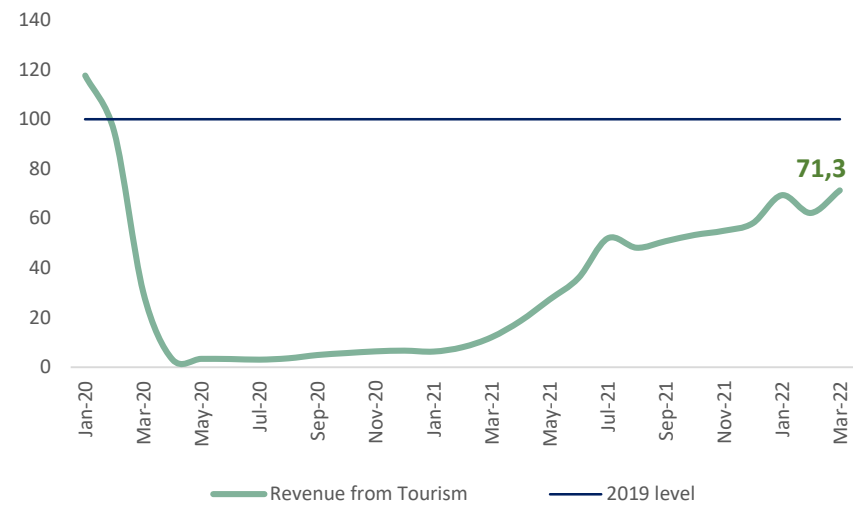
- EU: 49.6 mln. USD – 12 percent.
- China: 124.6 mln. USD – 30.3 percent.
- USA: 41.9 mln. USD – 10.2 percent.

Top Import Country :

- EU: 211.8 mln. USD – 23.7 percent.
- Turkey: 166.5 mln. USD – 18.6 percent.
- China: 98.9 mln. USD – 11.1 percent.

Tourism recovery continue to increase and reached 71 percent of 2019 level in March

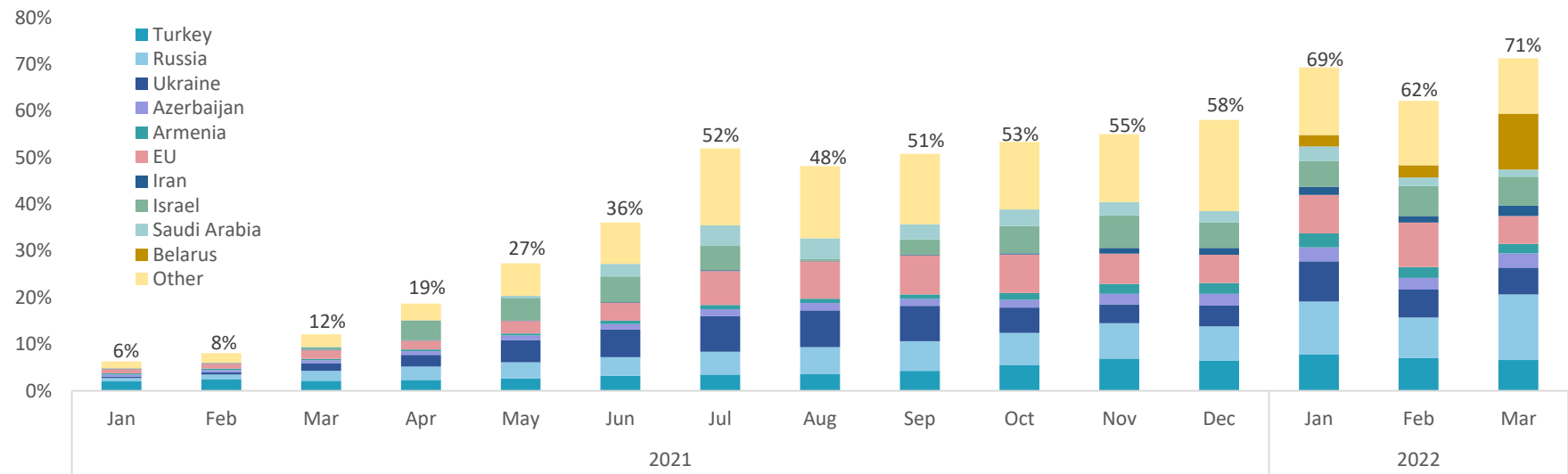
Revenue from Tourism, 2019 = 100



Revenue from Tourism, March 2022

Country	Tourism Revenue, mln USD
Russia	34,32
Turkey	16,15
EU + UK	14,71
Israel	15,18
Ukraine	14,12
Saudi Arabia	3,82
Other	76,16

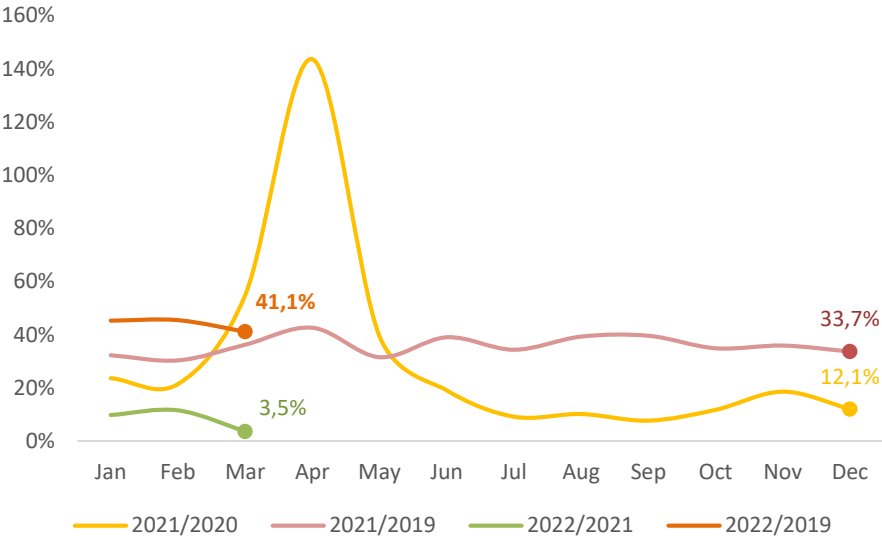
Recovery of Tourism by country, corresponding month of 2019 = 100, %



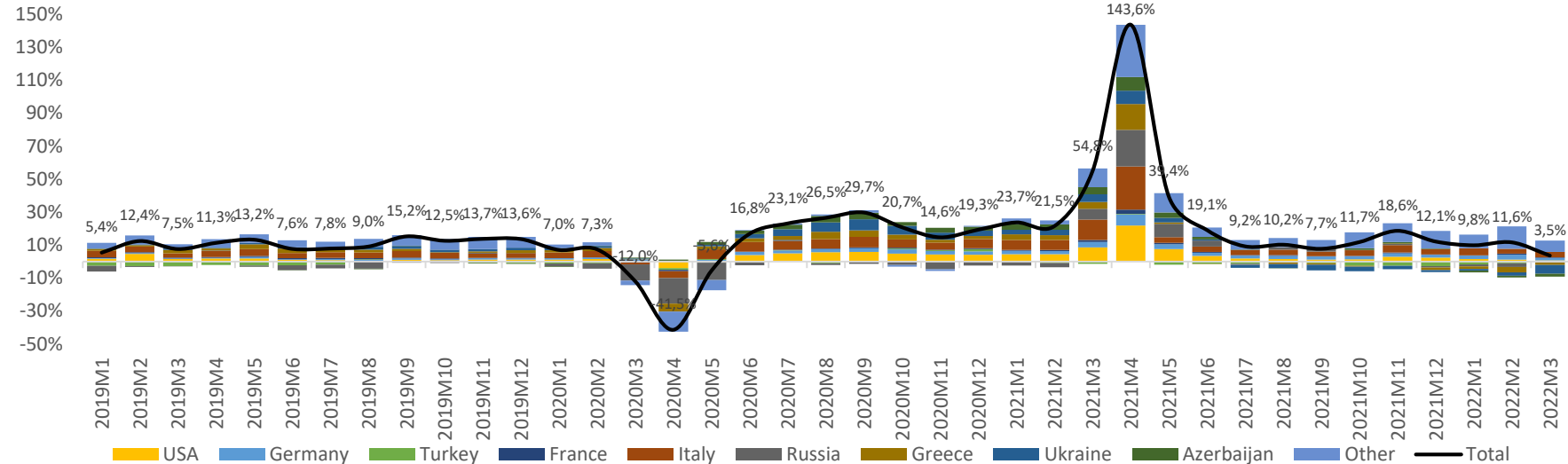
- In March 2022, tourism revenues increased by 490.6 percent to 174.5 million USD. Such high increase is mainly due to low level of tourism revenue inflow in February 2021 (29.5 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in February 2022 decreased by 28.7 compared to January 2019.
- At the same time, seasonally adjusted tourism revenues increased by 18.4 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, March 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Italy	35.4	17,5%	3.2
Russia	24,3	-1,7%	-0,3
USA	24,8	4,0%	0,6
Greece	17,3	-12,3%	-1,5
Germany	10,7	32,9%	1,6
Kazakhstan	6,8	273,8%	3,1
Other	49,9	35,9%	13,7

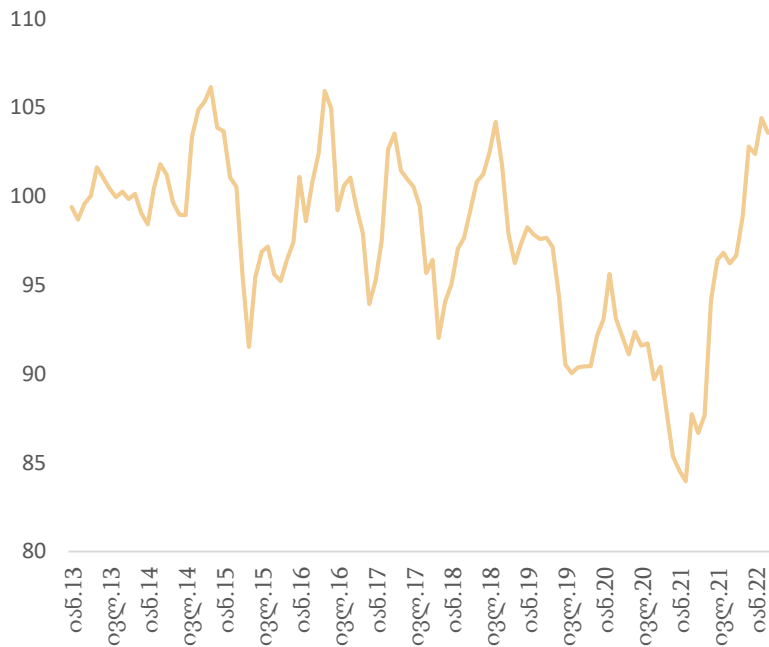
- In March 2022, net remittances were estimated at 169.1 million USD, representing a 3.5 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 41.1 percent.
- Net Remittances increased from:
 - Germany: 32.9 percent (1.6 p.p. contribution to overall growth).
 - Italy: 17.5 percent (3.2 p.p. contribution to overall growth).
 - USA: 4.0 percent (0.6 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Ukraine: -135.8 percent (-5.4 p.p. contribution to overall growth).
 - Greece -12.3 percent (-1.5 p.p. contribution to overall growth)
 - Russia: -1.7 percent (-0.3 p.p. contribution to overall growth).

The real effective exchange rate in March appreciated by 18.1 percent annually

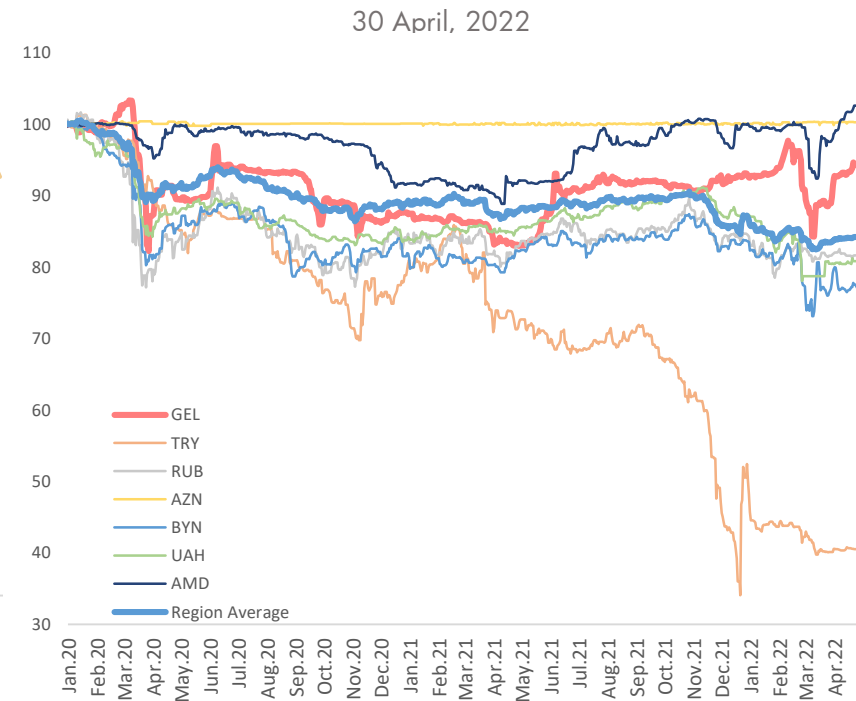
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



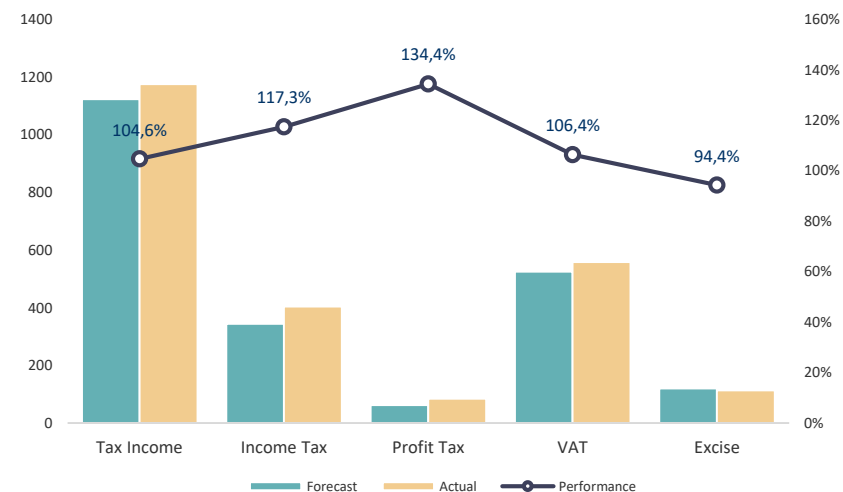
Note: Increase means appreciation

	April 30, 2022		Apr 30, 2022 - Jan 1, 2022		Apr 30, 2022 - Jan 1, 2021
Euro	3.2338	▼	-0.6%	▼	-5.4%
US Dollar	3.0591	▼	-6.3%	▼	-12.6%
Turkish Lira	0.2063	▲	133.5%	▲	145.0%
Russian Ruble	0.0429	▲	7.4%	▼	-10.5%
NEER	137.07	▲	4.5%	▲	23.9%
REER (March 2022)	127.32	▲	1.2%	▲	21.3%

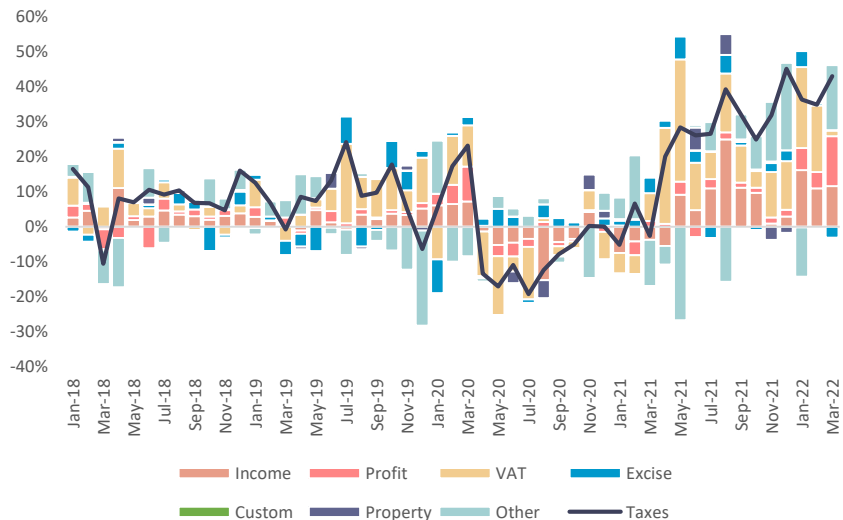
Source: NBG

Tax revenues in the April is above the forecast value by 4.6 percent

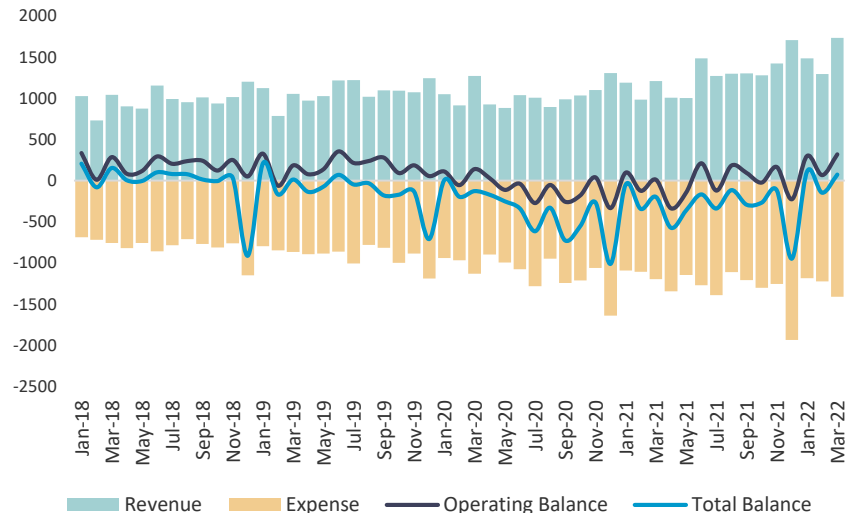
Budget Revenue Performance, April 2022



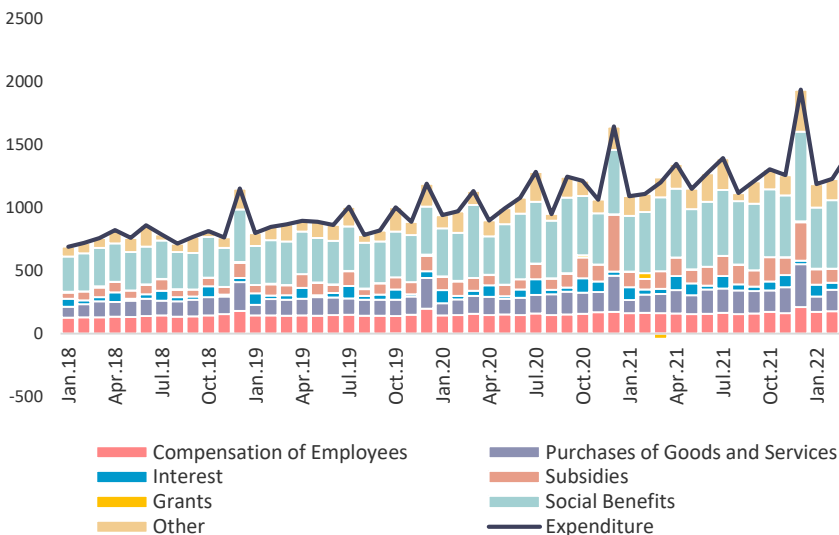
Tax Income, % v/v



Consolidated Budget, mln GEL



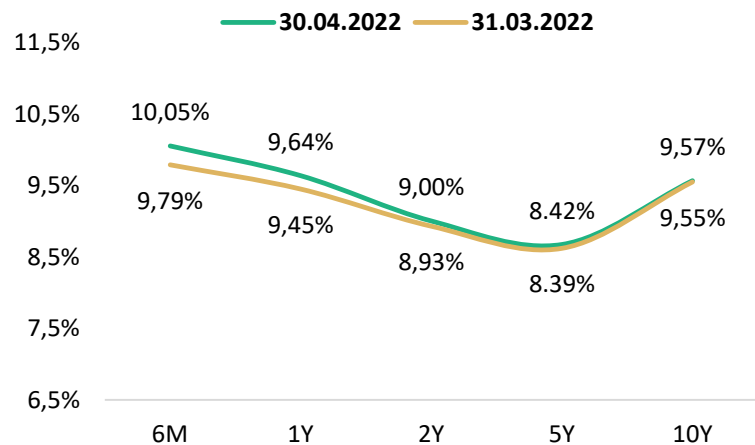
Consolidated Budget Expenditure, mln GEL



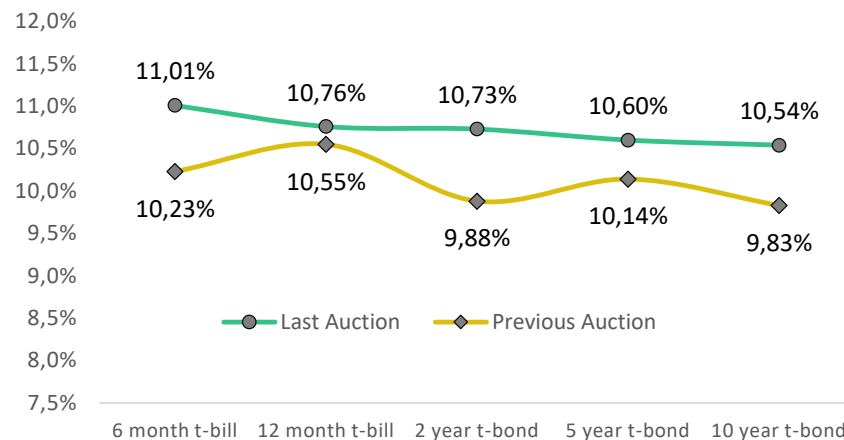
- The actual level of tax income in April 2022 was 1,175 mln GEL, which is 4.6 percent higher compared to the forecasted value of tax income of 1,123 mln GEL.
- Consolidated budget revenues increased by 43.3 percent and expenditures by 18.0 percent in March.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 318.4 million GEL, while the total balance was set at 73.7 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

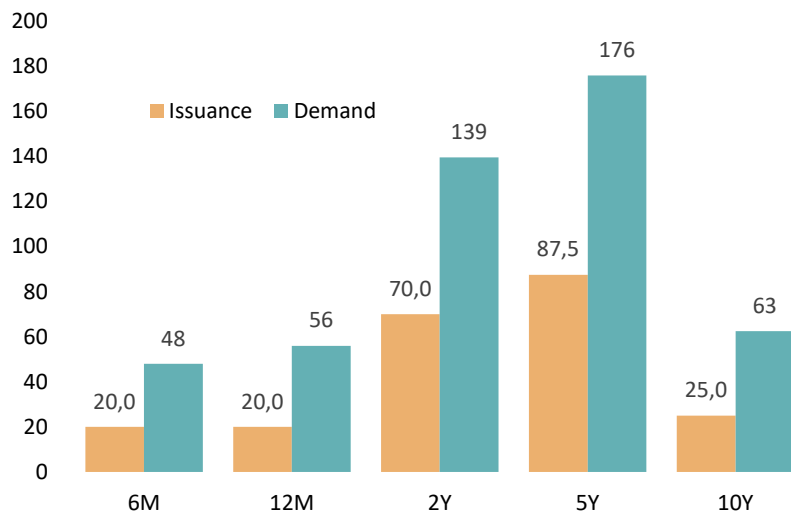


Weighted average interest rates

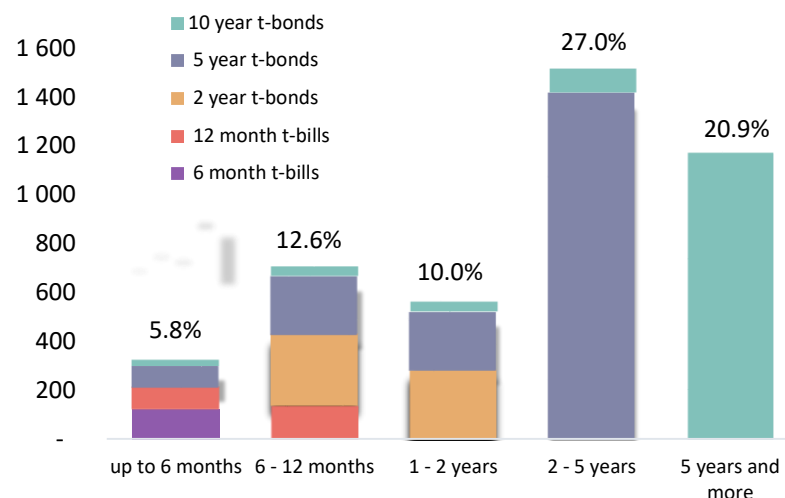


- In April 2022, 5 auctions were held with total issuance volume of 222,46 million GEL.
- The weighted average interest rate amounted to 10.69%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2,5 and 10 years. Treasury securities with total amount of 525 million GEL were redeemed.
- As of April 30, 2022 18.4% of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year
- Bid-to-cover ratio increased compared to the previous month's value (March 1.61) and amounted to 2.17.

Issuance and Demand, mln GEL

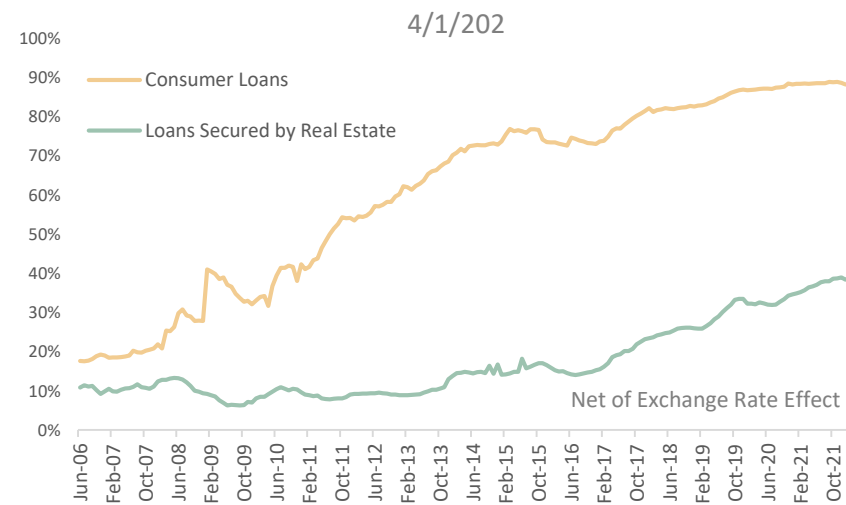
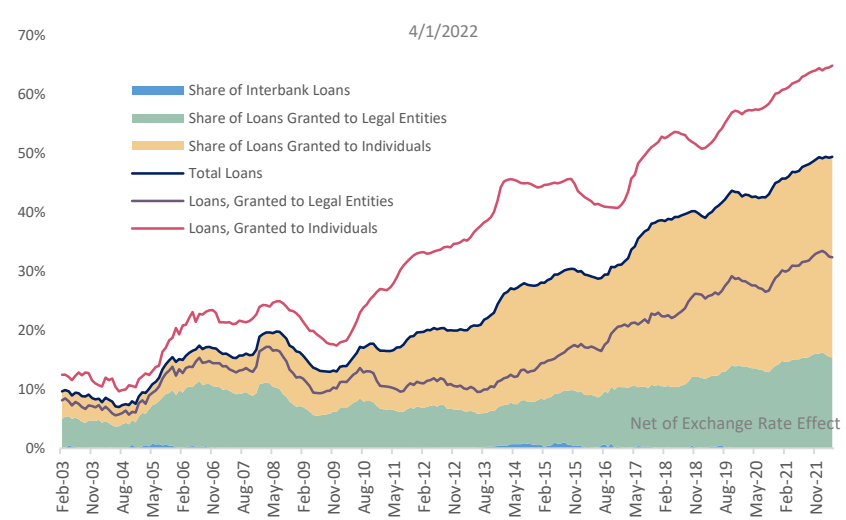


Portfolio Forming Securities Composed by Time to Maturity

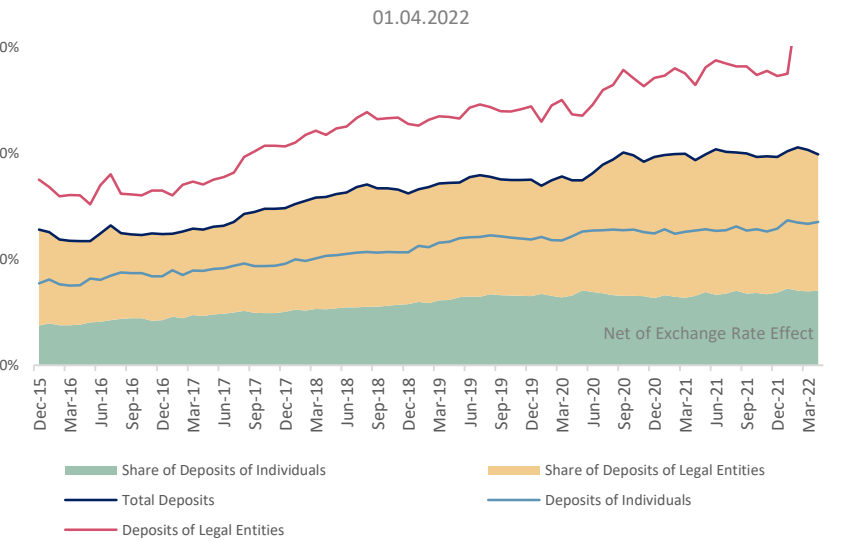
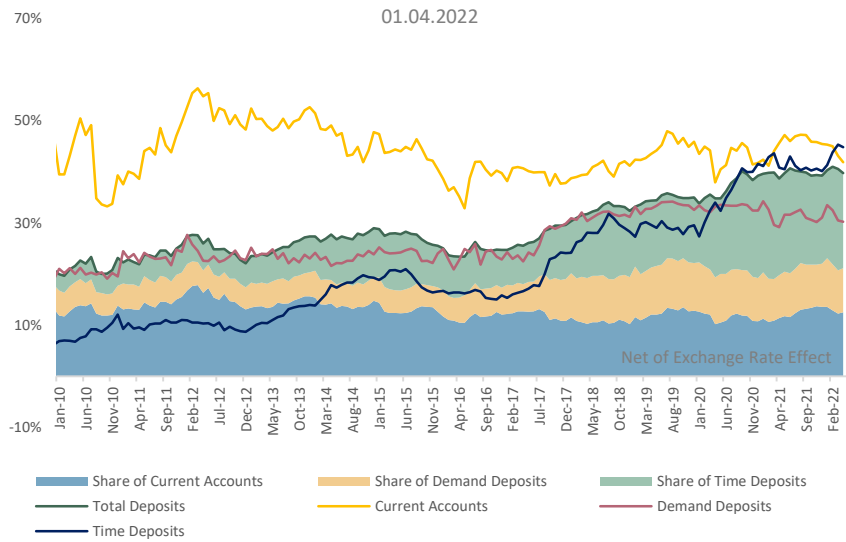


The larization rates continue to rise

Loan Larization



Deposit Larization

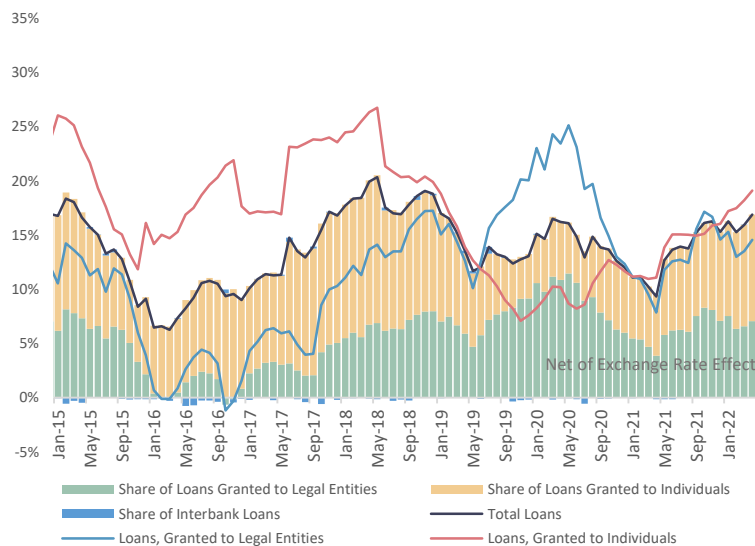


- As of April 1, 2022, the larization of total loans is 49.4 percent.
- The larization of loans to individuals is 64.8 percent.
- The larization of loans to legal entities amounted to 32.3 percent.
- The larization of total deposits equals to 39.8 percent.
- The larization on deposits of legal entities amounted to 65.7 percent.
- The larization of deposits of individuals is 27.0 percent.
- The larization of time deposits is 44.8 percent.
- The larization of current accounts equals to 41.9 percent.
- The larization of demand deposits is 30.2 percent.

The annual growth trend of loans is sustained

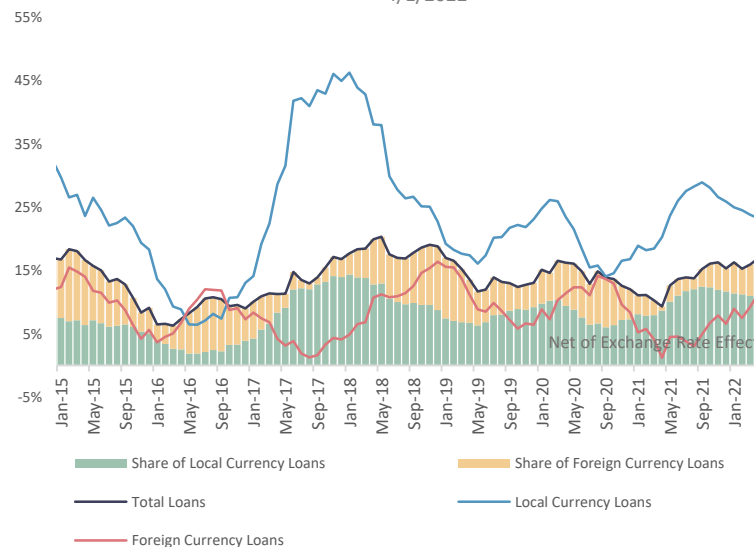
Loans, % y/y

4/1/2022



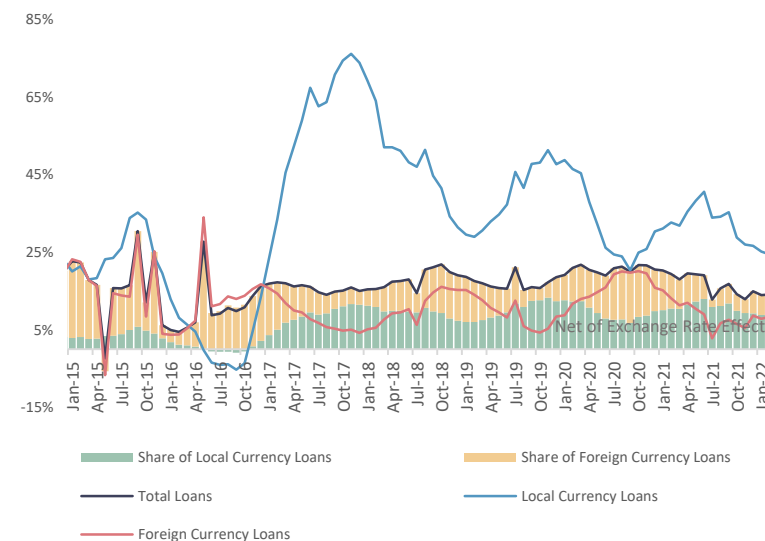
Loans by Currency, % y/y

4/1/2022



Mortgage Loans, % y/y

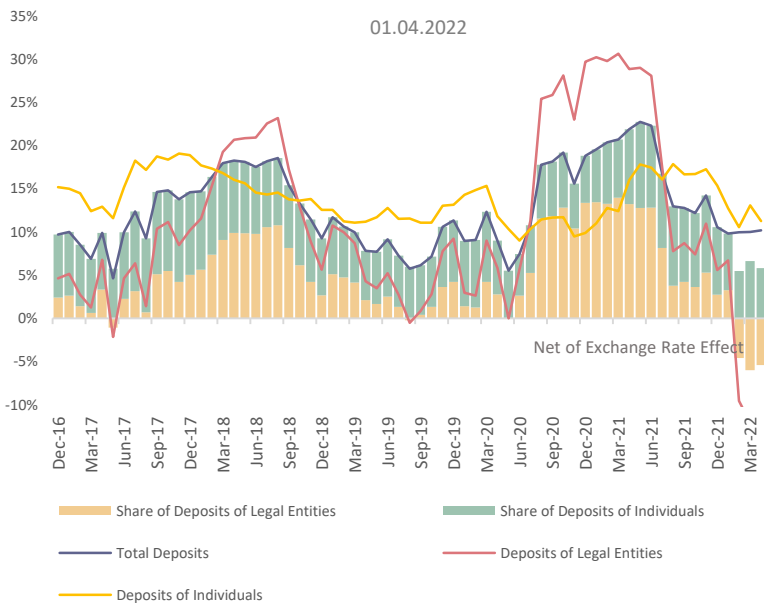
3/31/2022



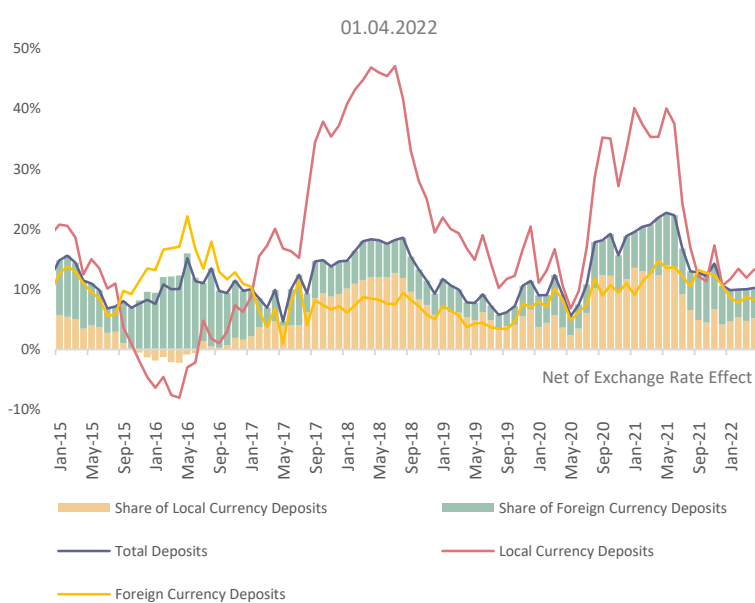
- As of April 1, 2022, total loans increased by 16.9 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 14.5 percent.
- The annual growth of loans to individuals is 19.1 percent.
- As of April 1, 2022, the growth rate of loans denominated in the national currency amounted to 23.2 percent.
- The annual growth of loans denominated in foreign currency amounted to 11.3 percent.
- As of March 31, 2022, the annual growth of loans secured by real estate amounted to 13.4 percent. At the same time, mortgage loans denominated in national currency increased by 21.5 percent, while mortgage loans denominated in foreign currency increased by 8.7 percent.

Sharp decline in deposits of legal entities continues

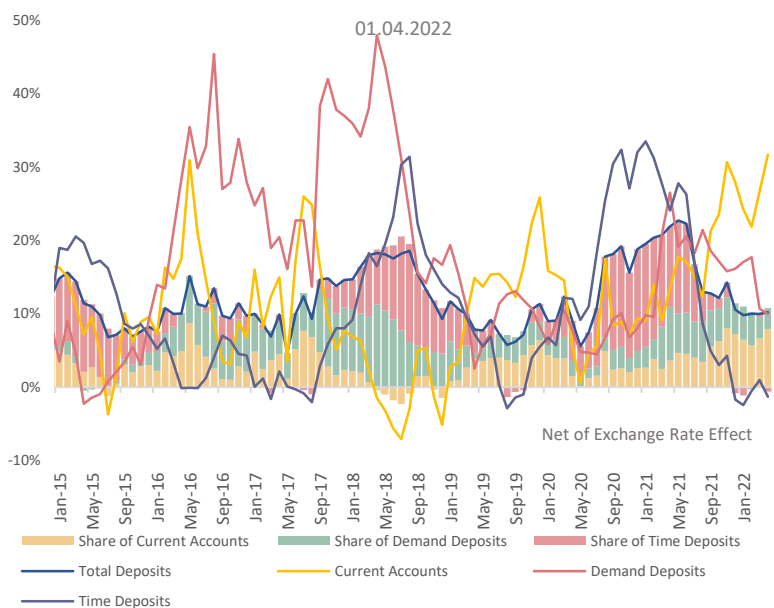
Deposits, % y/y



Deposits by Currency, % y/y



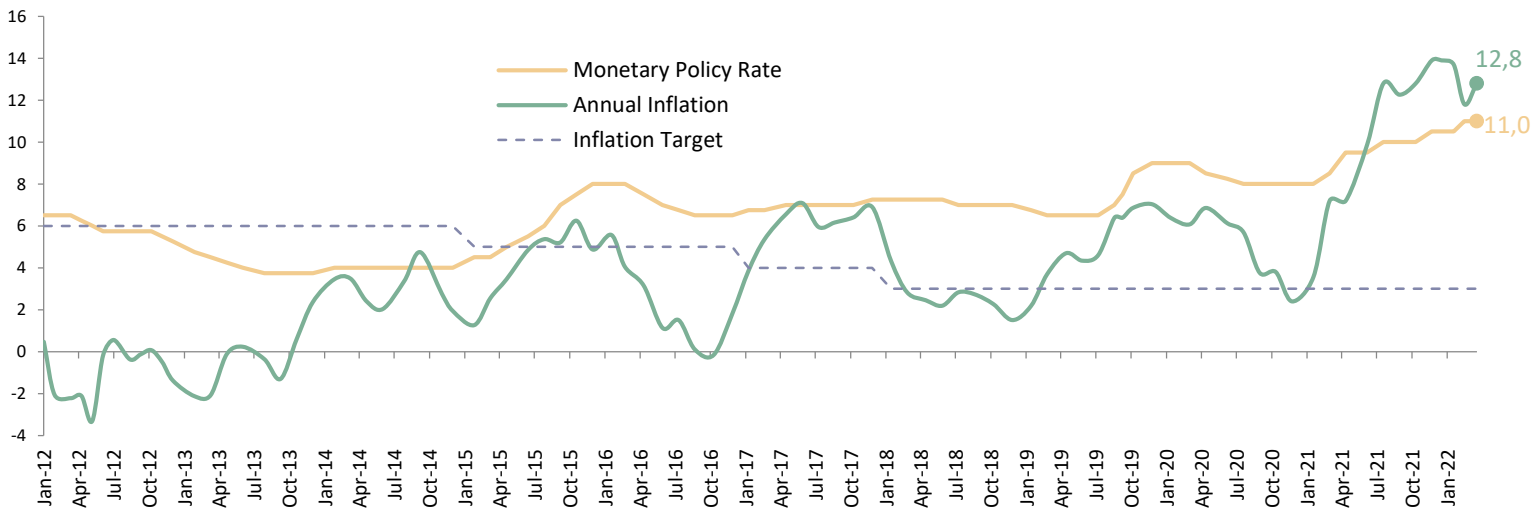
Deposits by type, % y/y



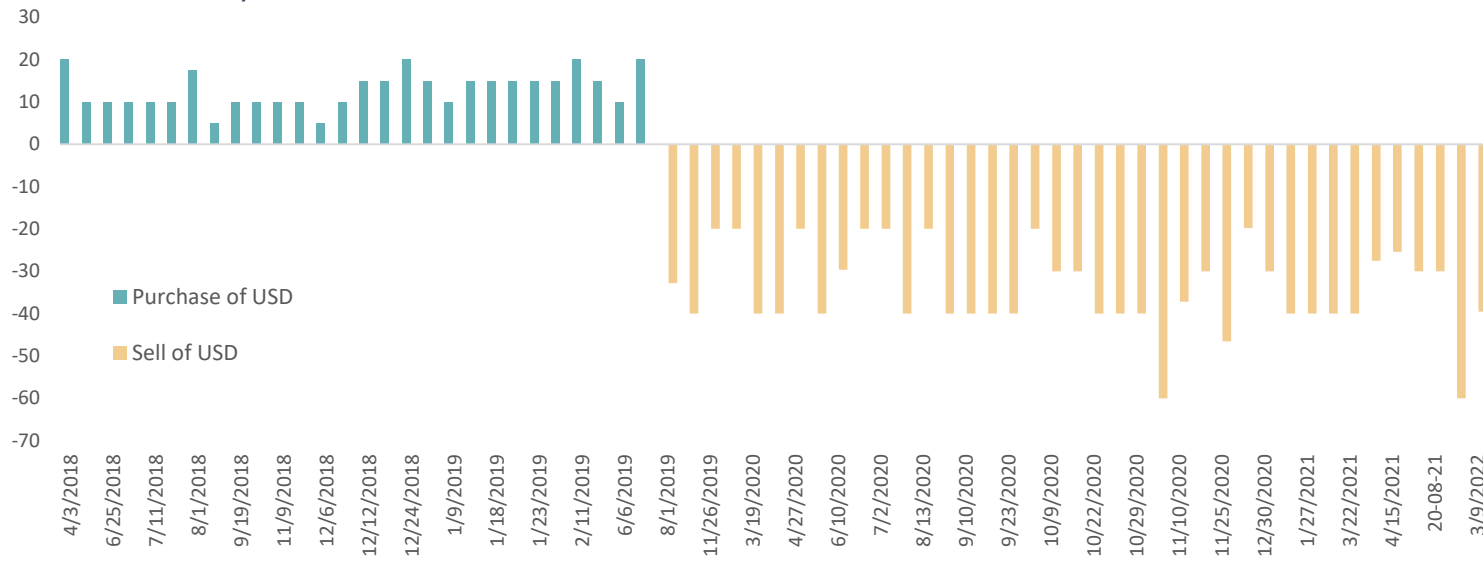
- As of April 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 10.2 percent.
- The annual growth of deposits denominated in the national currency amounted to 13.3 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 8.2 percent over the same period.
- The growth of deposits of individuals amounted to 11.3 percent, while the annual growth of deposits of legal entities showed a significant decrease and its value in the same period amounted to -11.1 percent.
- The annual growth of current accounts at the beginning of April 2022 was equal to 31.7 percent.
- The annual growth of time deposits was -1.3 percent.
- The growth of demand deposits amounted to 9.9 percent.

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

Inflation and Monetary Policy Rate



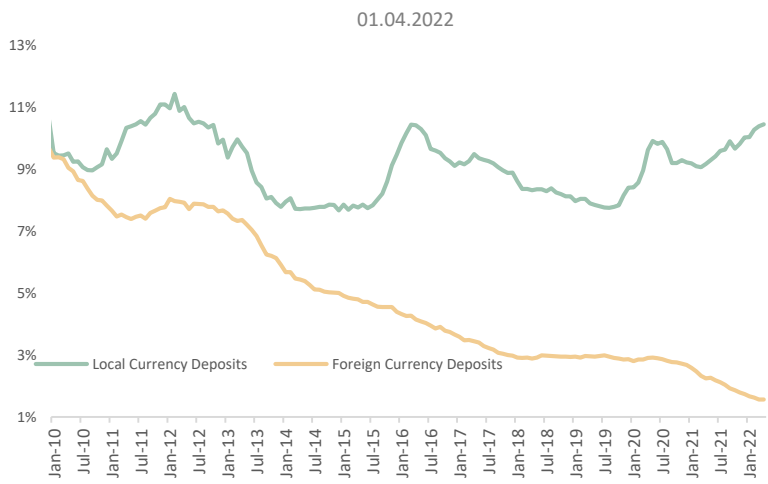
Trade of USD by NBG, mln USD



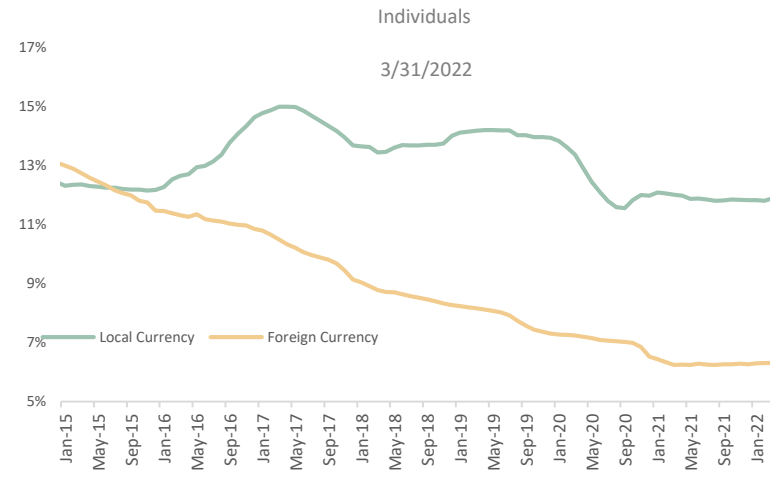
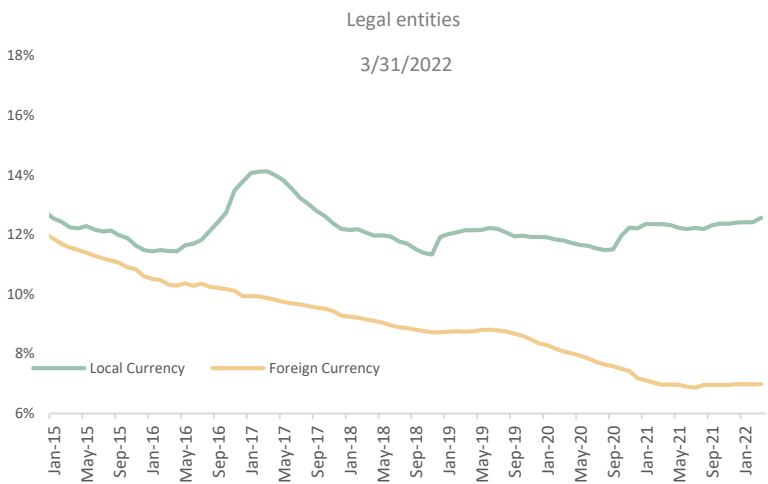
- On March 30 2022, the Monetary Policy Committee of the National Bank of Georgia decided to rise monetary policy by 0.5 pp from 10.5 to 11.0 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products.
- According to the NBG, the recent developments, in particular Russia's invasion in Ukraine and the resulting full scale war, have posed new challenges to the world economy that was still in the phase of post-pandemic recovery. The intensified inflationary risks amid a new shock have on a world scale slowed the projected pace of decline of already high global inflation. Georgia had an annual inflation rate of 13.7 percent in February. Reduction of inflation is expected from March, mainly related to the elimination of base effect of subsidy of utility bills. However, without the new shock, this reduction would have been much larger. The sanctions imposed on Russia due to military actions and supply-side disruptions have significantly increased the prices of a number of product categories on the world markets. First of all, against the background of increasing oil prices, there is a sharp rise in fuel prices, which is expected to have a significant impact on inflation.
- Next Monetary Policy Committee meeting will be held on 11th of May.
- In 2022 NBG intervened in FX market once in 9th of March and sold 39.570 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 April 1, 2022, the interest rate on foreign currency deposits was 1.56 percent, and in national currency – 10.44 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.64 percent, and in foreign currency – 1.58 percent.
- The average annual interest rate on deposits by individuals is 1.56 percent for foreign currency deposits and 10.44 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.0 percent (19.9 percent in national currency and 5.9 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 6.4 percent in foreign currency).
- At the end of March 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 12.6 percent, and in foreign currency – 7.0 percent. The interest rate on loans to individuals in the national currency was 11.9 percent, and in foreign currency – 6.3 percent.

Disclaimer

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