



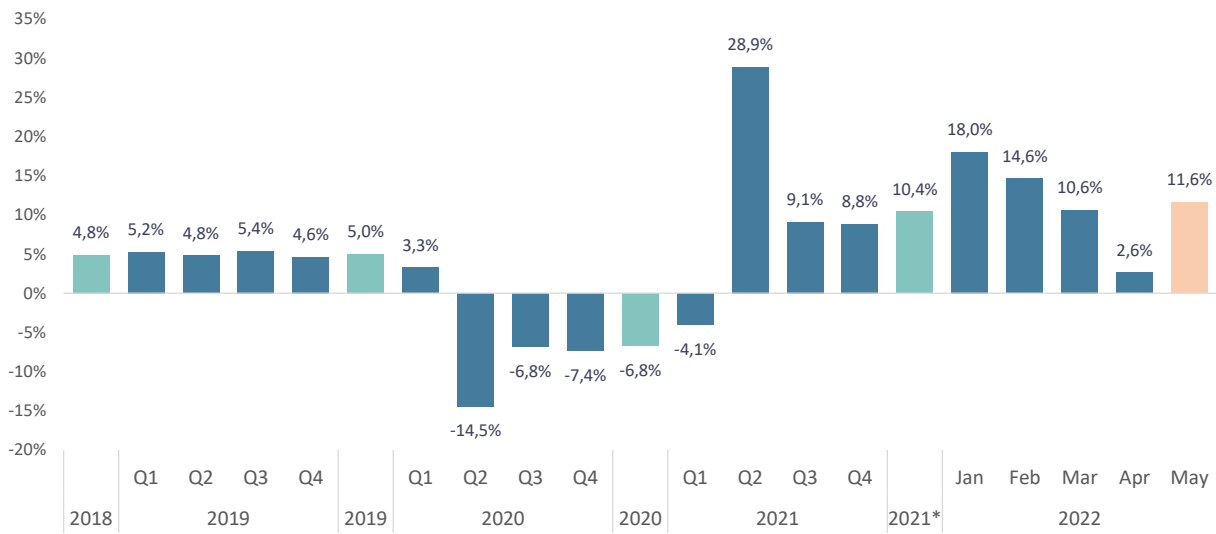
Current Economic Outlook

June, 2022

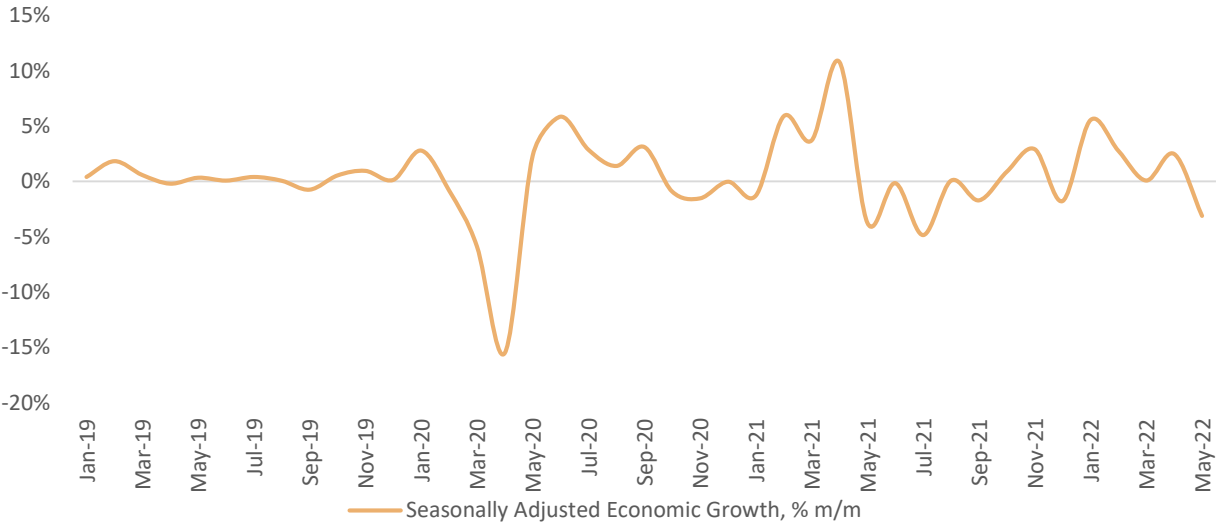
- In May 2022, the real GDP growth rate was 11.6 percent and average growth rate of the first five months of 2022 was 11.2 percent, according to the preliminary estimates of the National Statistics Office.
- In June, annual inflation stood at 12.8 percent, while core inflation was 6.6 percent
- In May, exports increased by 54.3 percent year-on-year and imports increased by 45.4 percent year-on-year, increasing the trade deficit by 38.3 percent year-on-year to 594.8 million USD
- For May, the real effective exchange rate appreciated by 21.6 percent compared to the same period of the previous year and by 2.1 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in May was equal to 11.6 percent

Economic Growth, % y/y

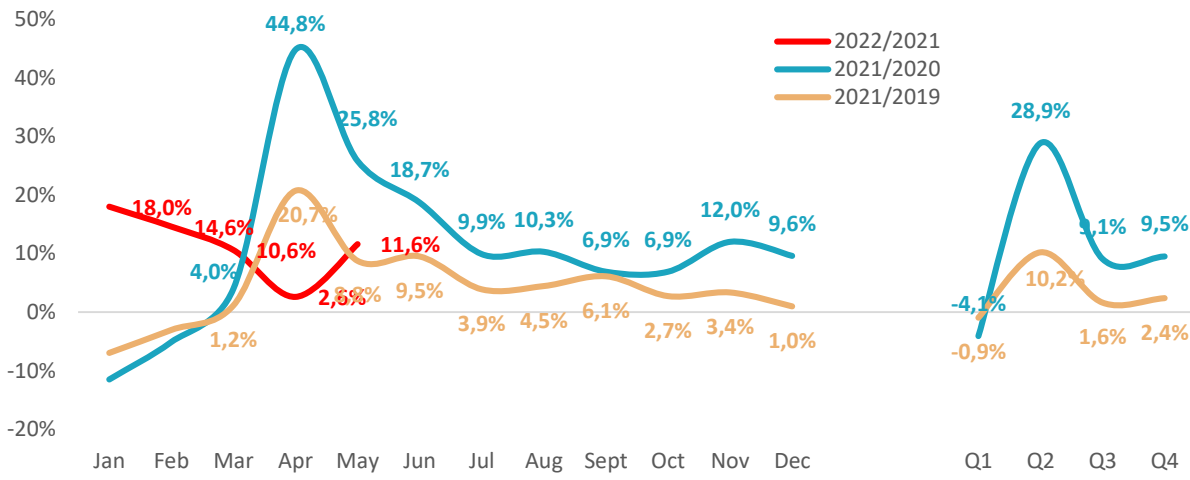


Economic Growth, % m/m



- Estimated real GDP growth rate in May 2022 equaled 11.6 percent YoY and average annual real GDP growth rate for 2022 January-May equals to 11.2 percent.
- In May 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing, electricity, gas, steam and air conditioning, hotels and restaurants, manufacturing, construction, mining.
- A decline was registered in the field of Activities of Households as employers.

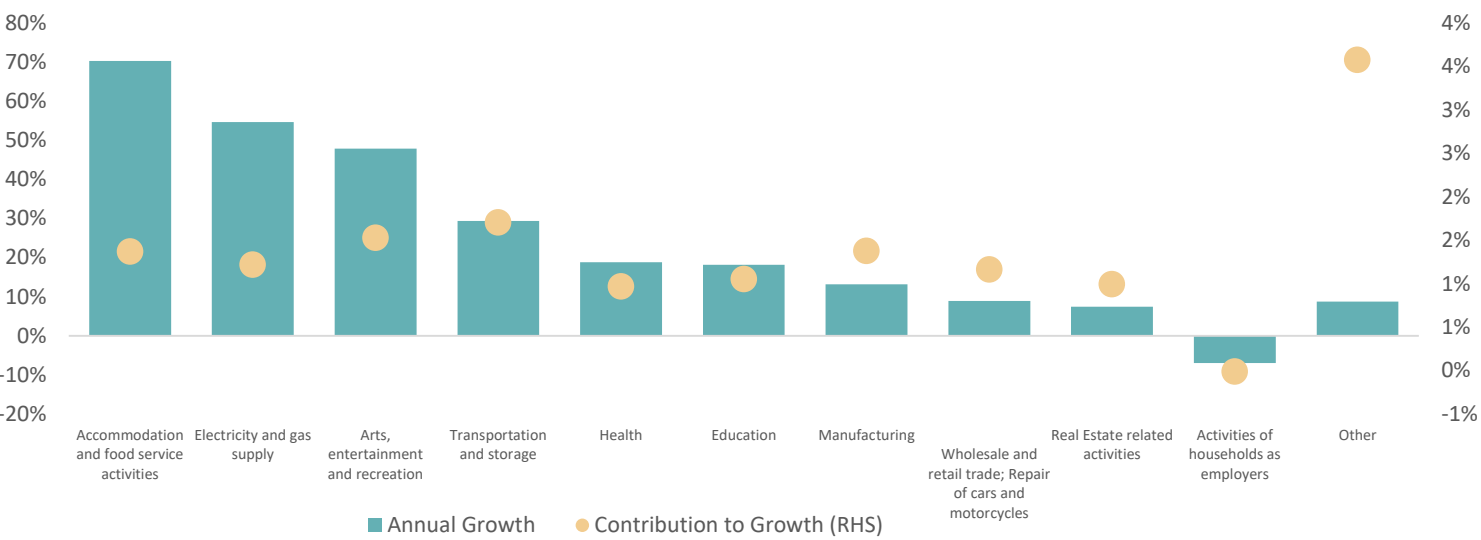
Economic Growth, 2022-2019



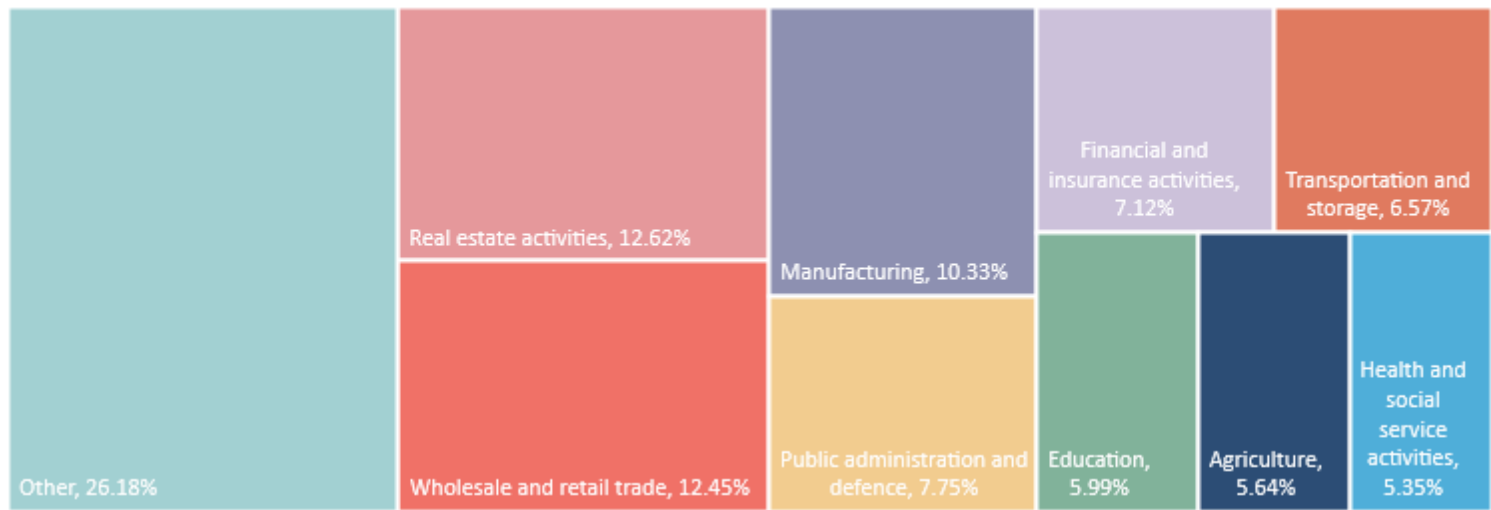
Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 14.9 percent in the first quarter of 2022

Real GDP growth by economic activity, 2022 I Quarter



GDP by economic activity, 2022 I Quarter

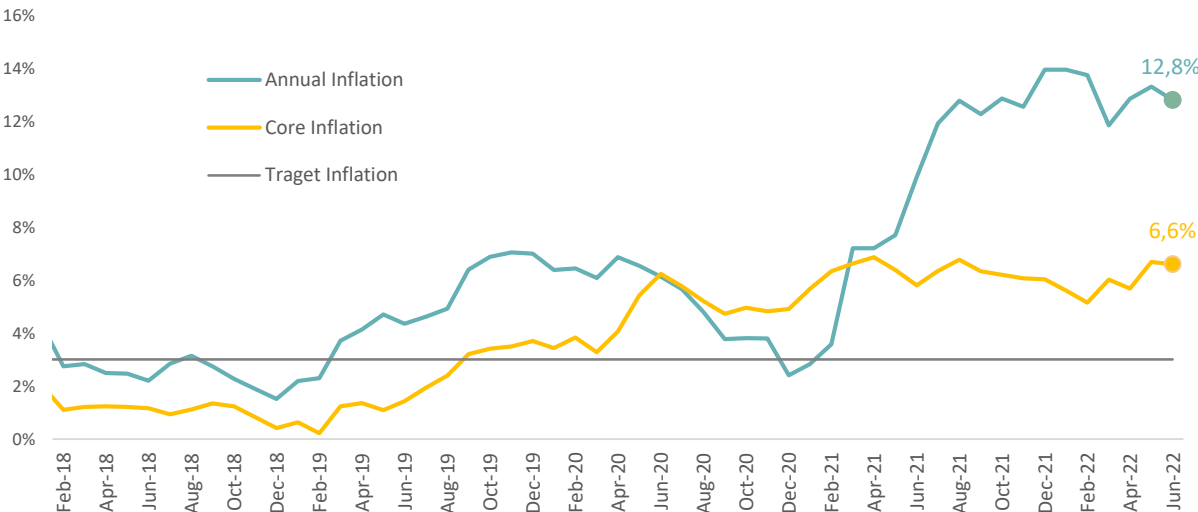


Source: Geostat

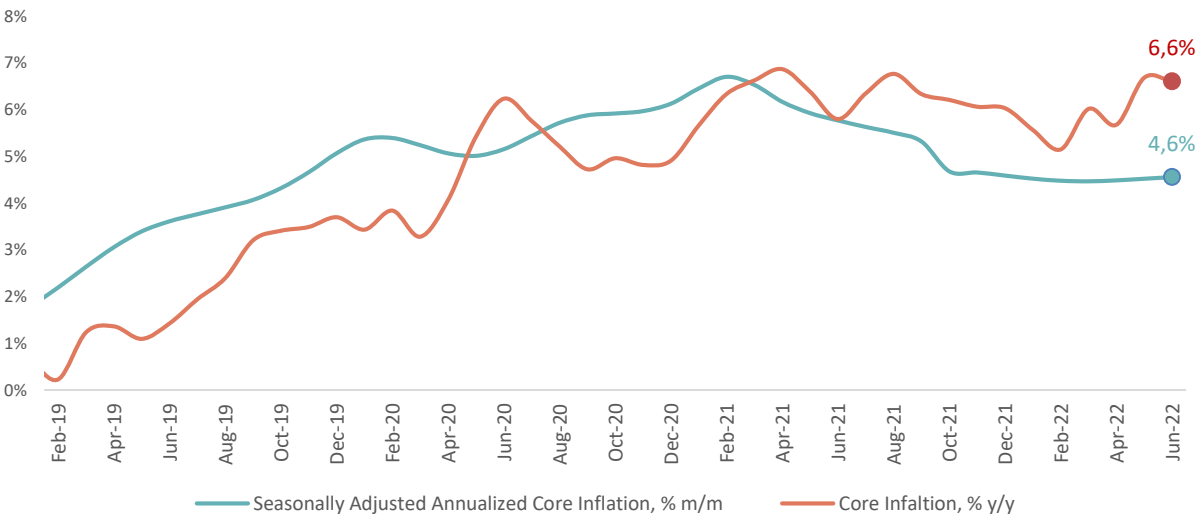
- According to preliminary estimates, in the first quarter of 2022 economic growth amounted to 14.9 percent, while in the fourth quarter of 2021, compared to the corresponding period of the previous year, real GDP increased by 8.8 percent and by 0.8 percent compared to the fourth quarter of 2019.
- The following industries have made a significant contribution to growth of Q1 2022:
 - Accommodation and food supply activities: 70.3% y/y (1.4 p.p.)
 - Electricity and gas supply: 54.7% y/y (1.2 p.p.)
 - Arts, entertainment and recreation: 47.6% y/y (1.5 p.p.)
 - Transport and warehousing: 29.4% y/y (1.7 p.p.)
 - Healthcare: 18.8% y/y (1.0 p.p.)
 - Education: 18.2% y/y (1.1 p.p.)
 - Manufacturing industry: 13.2% y/y (1.4 p.p.)
 - Wholesale and retail trade; Car and motorcycle repair: 8.9% y/y (1.2 p.p.)
 - Activities related to real estate: 7.4% y/y (1.0 p.p.)
- The following industries have made a significant contribution to the decline:
 - Activities of Households as employers: -7.0% y/y (-0.01 p.p.)

Annual inflation in June has reached 12.8 percent

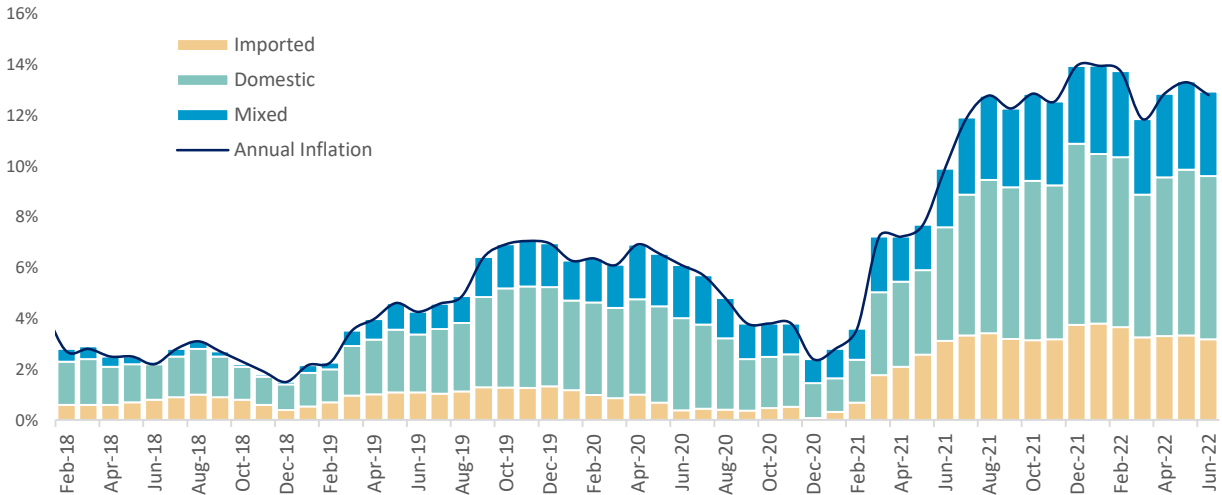
Total and Core Inflation, % y/y



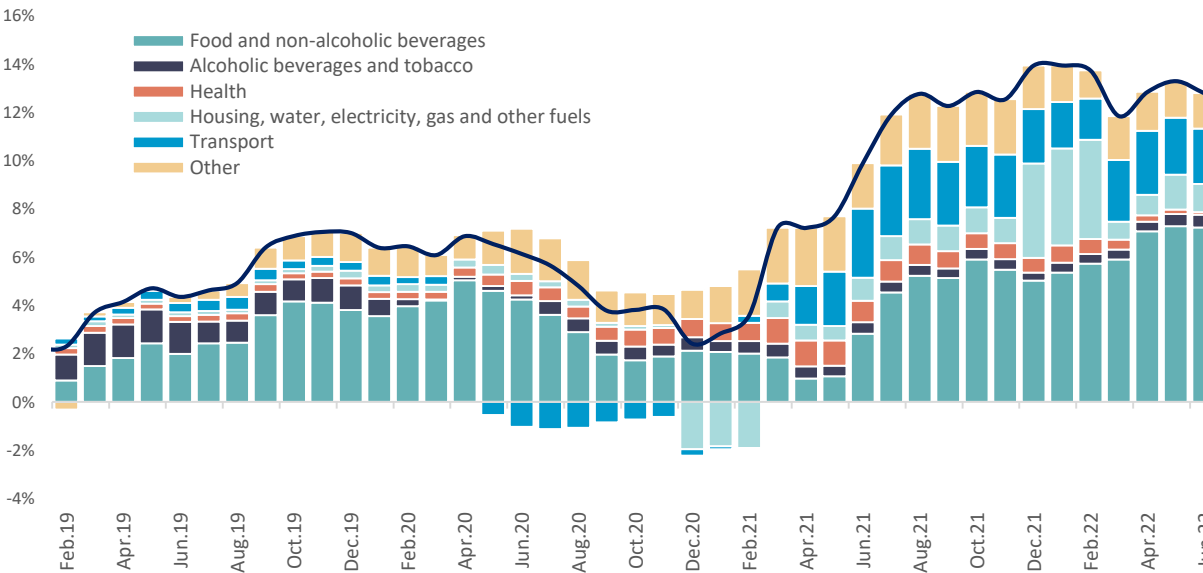
Core Inflation, % m/m



Inflation Decomposition



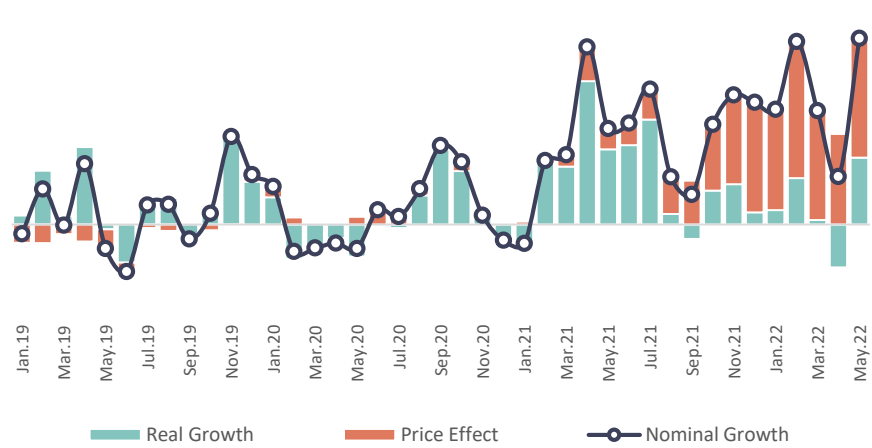
Inflation Decomposition by product group



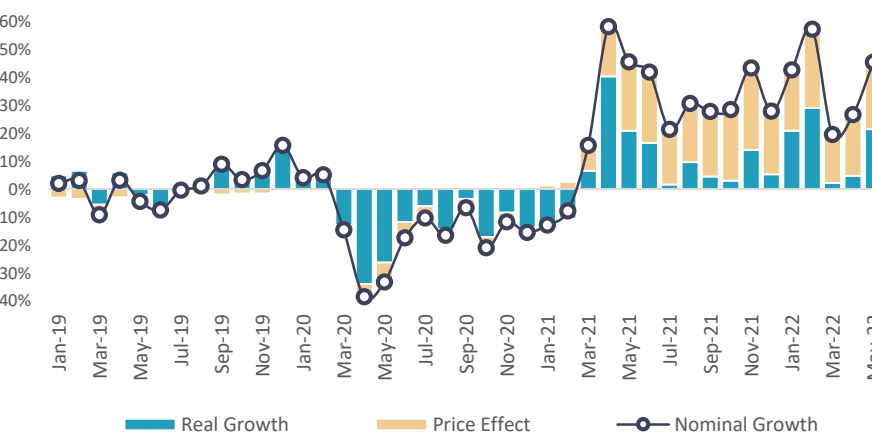
Source: Geostat, NBG, MOF

Trade Deficit increased by 38.3 percent annually

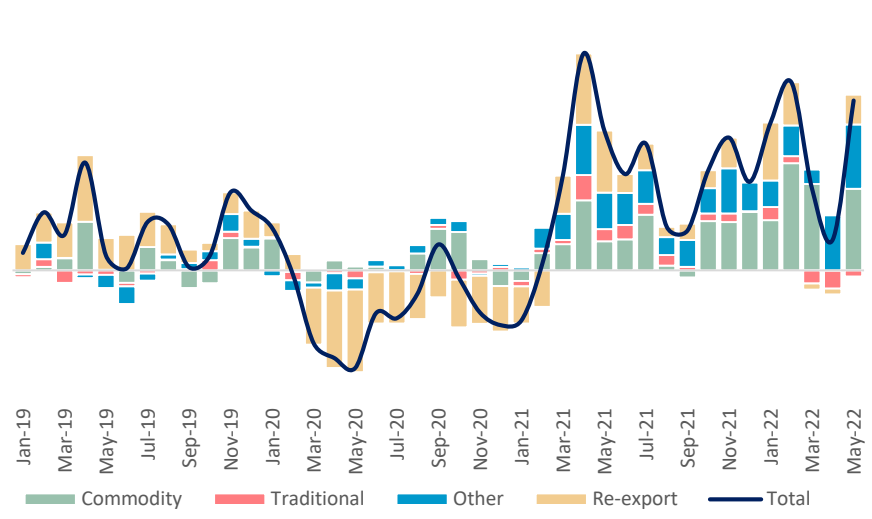
Change of Domestic Export, %y/y



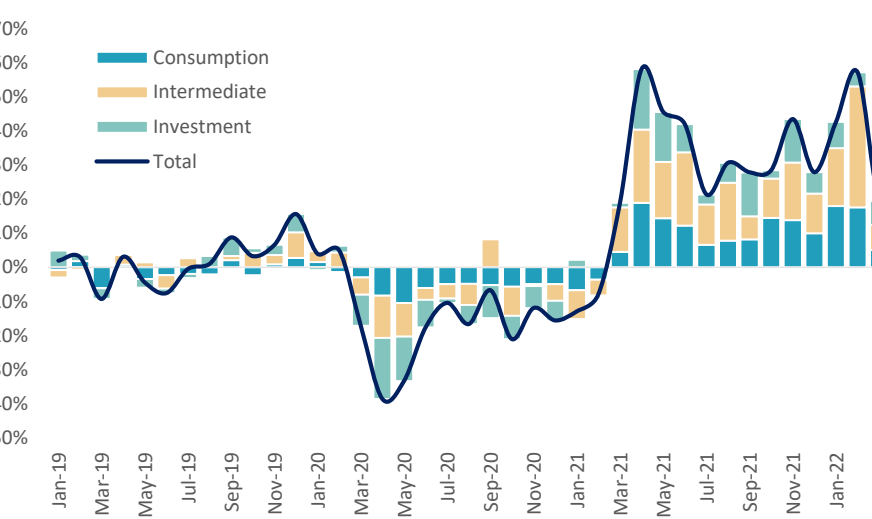
Change of Import, %y/y



Decomposition of Export



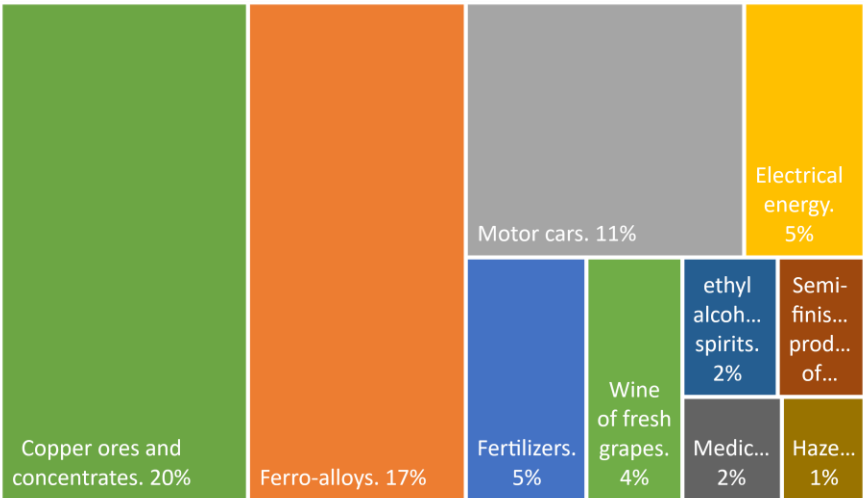
Decomposition of Change of Import, %y/y



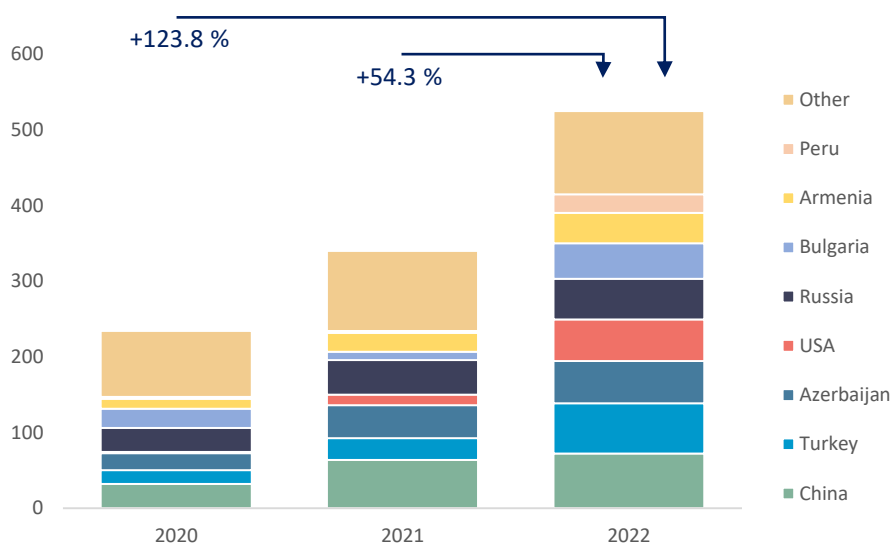
- Export increased annually by 54.3 percent to 524.6 million USD in May.
- Domestic export increased annually by 63.3 percent to 391.9 million USD.
- Import annually increased by 45.4 percent to 1,119.4 million USD in May.
- Trade deficit annually increased by 38.3 percent to 594.8 million USD in May.
- Share of re-export is equal to 9.7 percent (32.7 %y/y), while share of commodity export equals to 26.3 percent (70.7 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 4.9, 8.2 and 29.8 percent respectively.

International trade is characterized by stable diversification

Top 10 Export goods, % of total Export



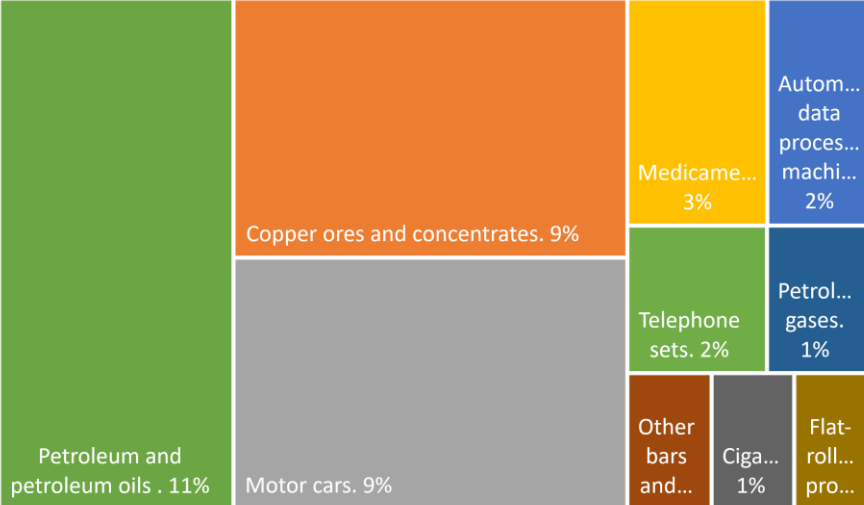
Export by country, May



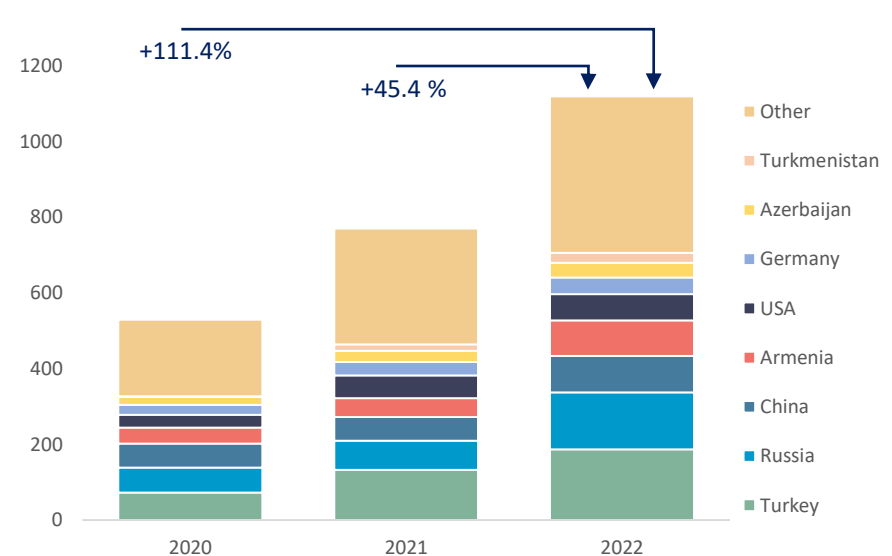
Top Export Products:

- Copper ores and concentrates: 102.6 mln. USD – 19.6 percent of total export.
- Ferro-alloys: 90.3 mln. USD – 17.2 percent.
- Motor cars: 59.0 mln. USD – 11.2 percent.

Top 10 Import goods, % of total Import



Import by country, May



Top Import Products :

- Petroleum and petroleum oils: 124.2 mln. USD – 11.1 percent.
- Copper ores and concentrates: 105.8 mln. USD – 9.5 percent of total import.
- Motor cars: 102.6 mln. USD – 9.2 percent.

Top Export Country:

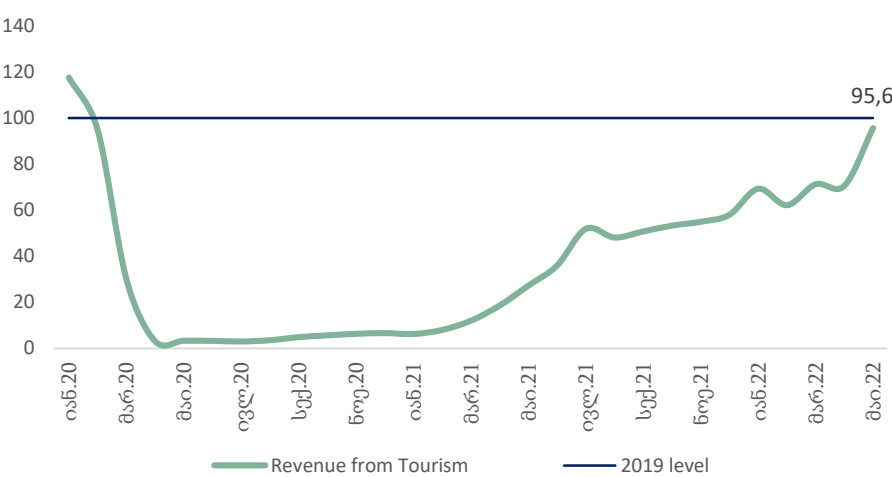
- China: 72.4 mln. USD – 13.8 percent.
- Turkey: 66.2 mln. USD – 12.6 percent.
- Azerbaijan: 55.7 mln. USD – 10.6 percent.

Top Import Country :

- Turkey: 187.0 mln. USD – 16.7 percent.
- Russia: 150.6 mln. USD – 13.5 percent.
- China: 95.9 mln. USD – 8.6 percent.

Tourism recovery continue to increase and reached 95.6 percent of 2019 level in May

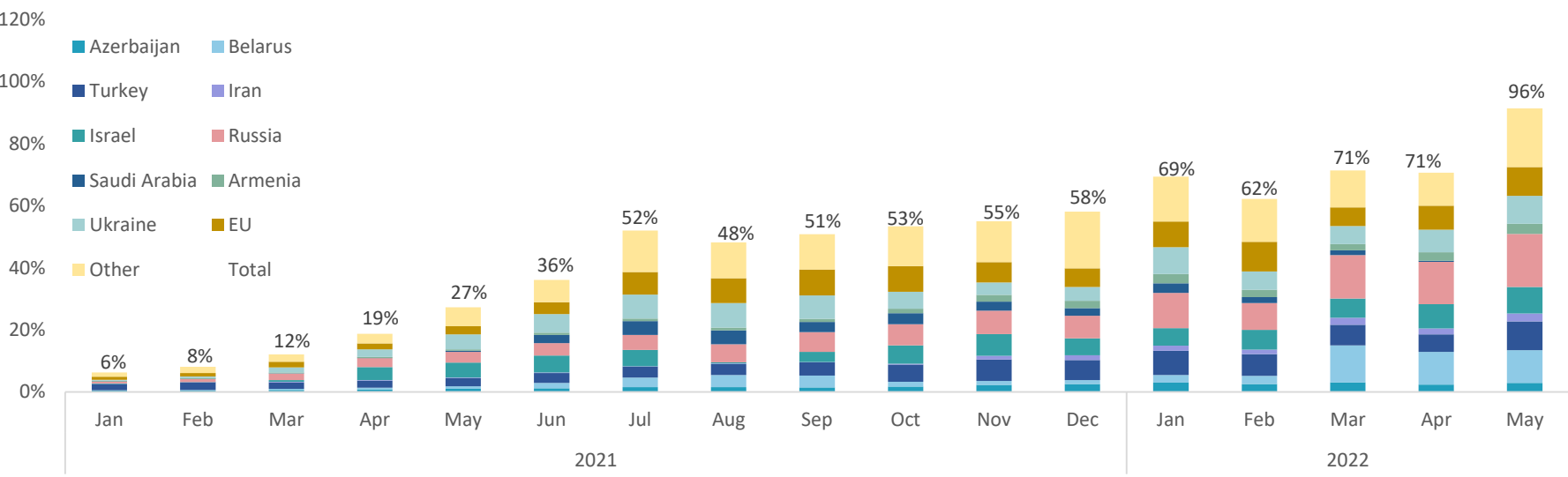
Revenue from Tourism, 2019 = 100



Revenue from Tourism, May 2022

Country	Tourism Revenue, mln USD
Russia	46.2
Belarus	28.6
EU + UK	25.1
Turkey	25
Ukraine	24.3
Israel	23.1
Other	86.3

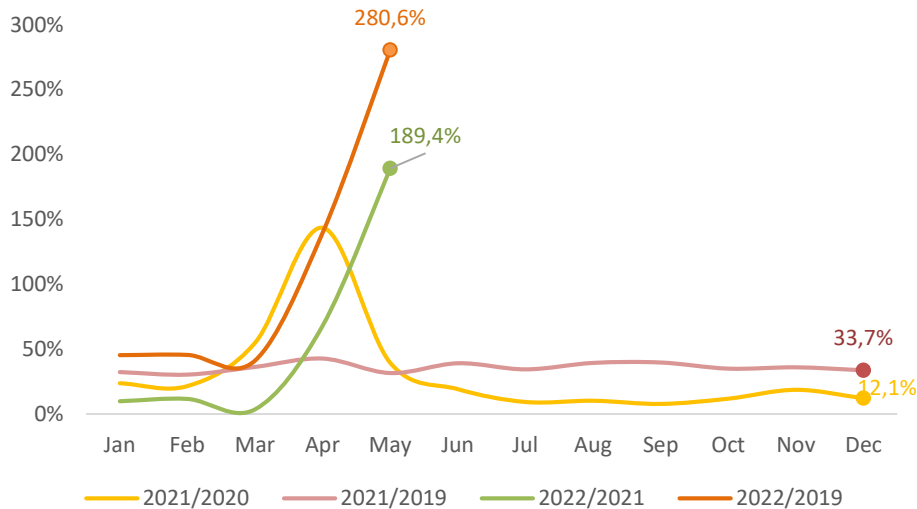
Recovery of Tourism by country, corresponding month of 2019 = 100, %



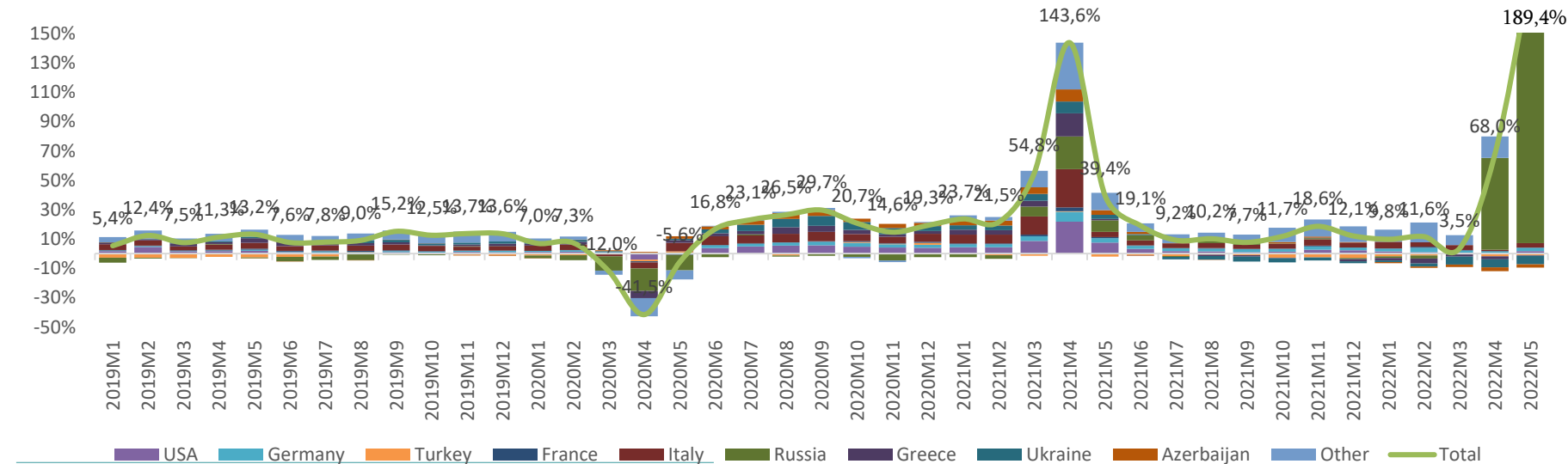
- In May 2022, tourism revenues increased by 250.4 percent to 258.6 million USD. Such high increase is mainly due to low level of tourism revenue inflow in May 2021 (73.8 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in May 2022 decreased by 4.4 percent compared to May 2019.
- At the same time, seasonally adjusted tourism revenues increased by 43.6 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, May 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	311.2	1169%	173.9
Italy	36.1	15.2%	2.9
USA	26.7	11.6%	1.7
Kazakhstan	19.8	678.9%	10.5
Greece	18.8	-2.8%	-0.3
Germany	12.5	44.1%	2.3
Other	51.9	-4.7	-1.74

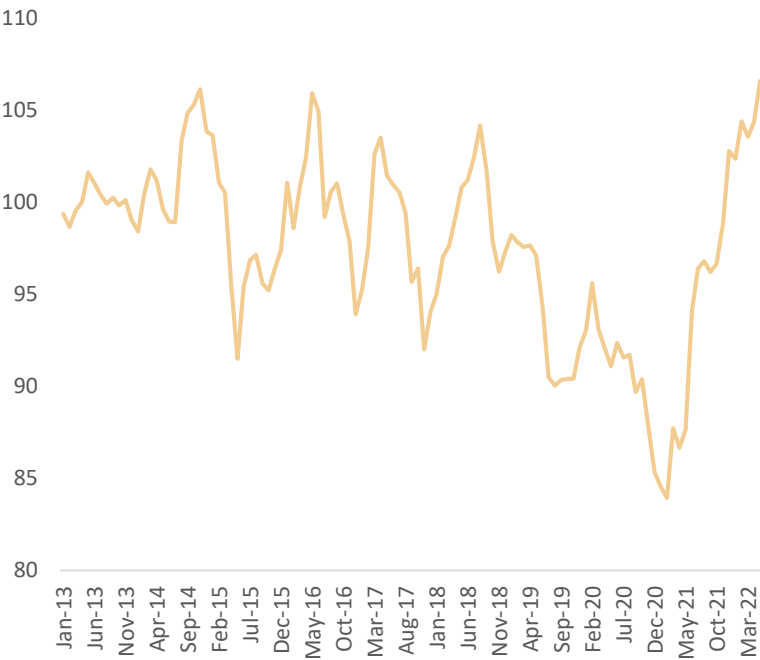
- In May 2022, net remittances were estimated at 477.0 million USD, representing a 189.4 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 280.6 percent.
- Net Remittances increased from:
 - Russia: 1169 percent (173.9 p.p. contribution to overall growth).
 - Kazakhstan: 678.9 percent (10.5 p.p. contribution to overall growth).
 - Germany: 44.1 percent (2.3 p.p. contribution to overall growth).
 - Italy: 15.2 percent (2.9 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece: -2.8 percent (-0.3 p.p. contribution to overall growth).

The real effective exchange rate in May appreciated by 21.6 percent annually

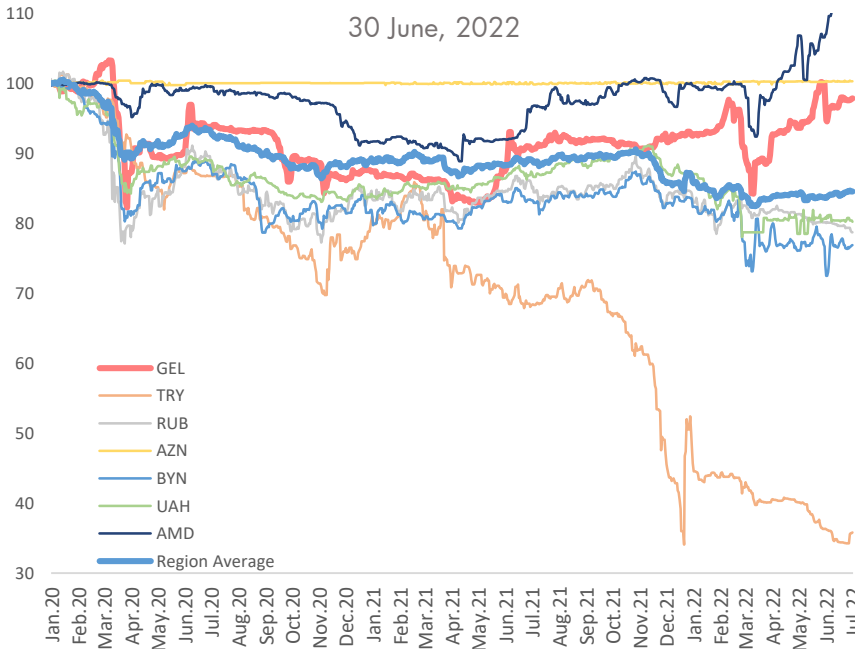
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



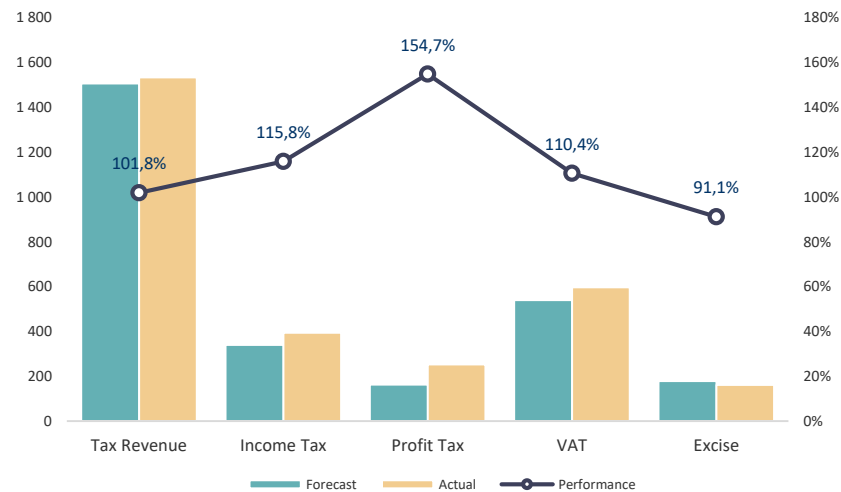
Note: Increase means appreciation

	June 30, 2022		Jun 30, 2022 - Jan 1, 2022	Jun 30, 2022 - Jan 1, 2021
Euro	3.0821	▲	4.3%	▼ -0.7%
US Dollar	2.9289	▼	-2.1%	▼ -8.7%
Turkish Lira	0.1758	▲	174.0%	▲ 187.5%
Russian Ruble	0.0565	▼	-18.4%	▼ -32.1%
NEER	137.07	▲	4.5%	▲ 23.9%
REER (May 2022)	131.05	▲	4.1%	▲ 24.9%

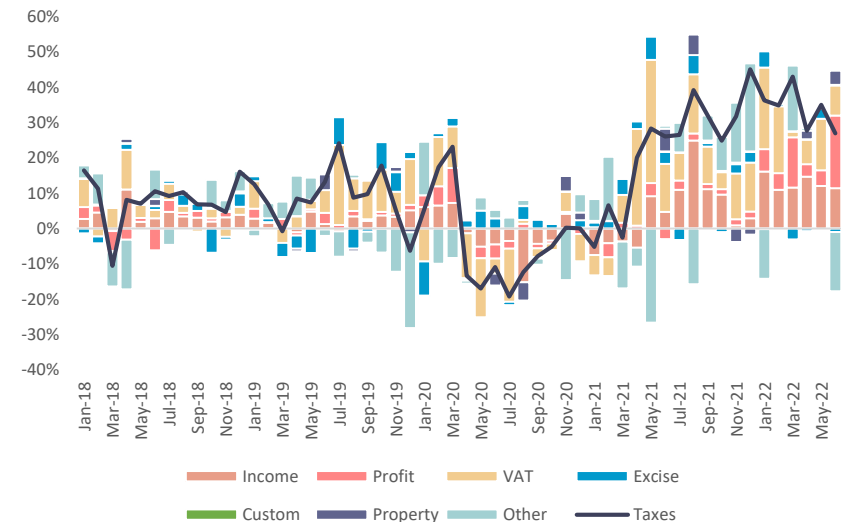
Source: NBG

Tax revenues in the June is above the forecast value by 1.8 percent

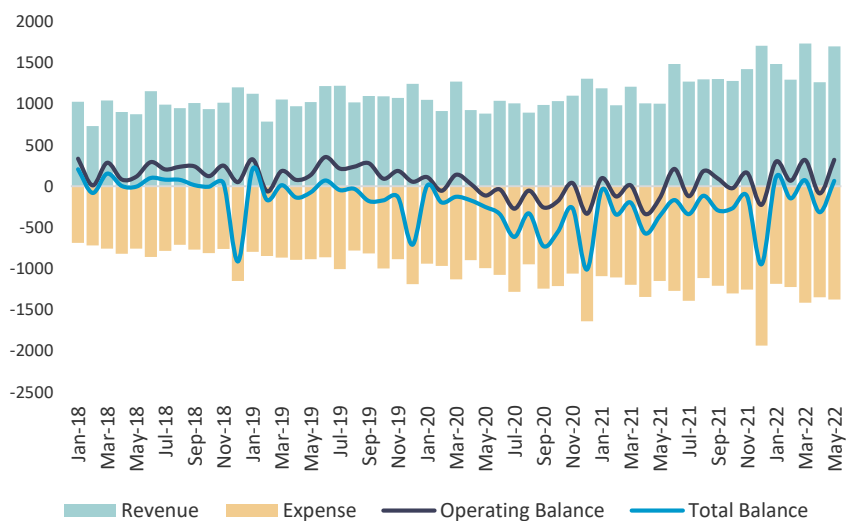
Budget Revenue Performance, June 2022



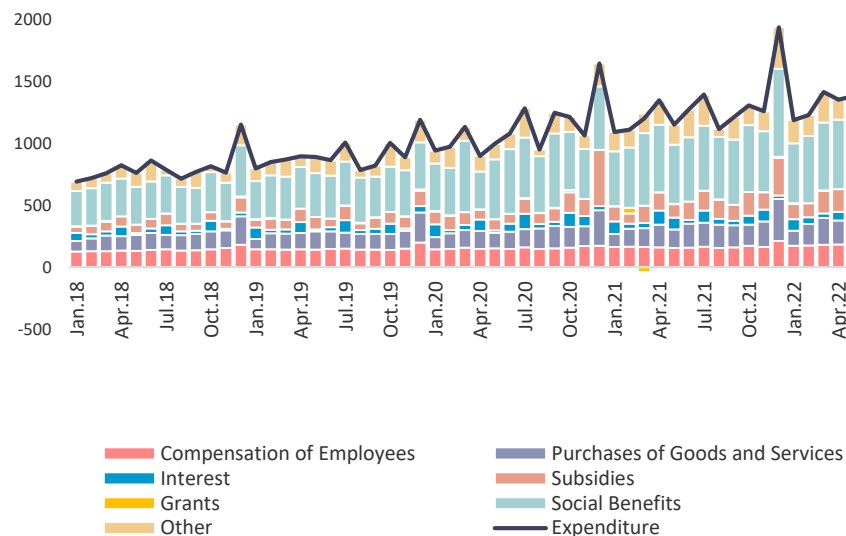
Tax Income, % y/y



Consolidated Budget, mln GEL



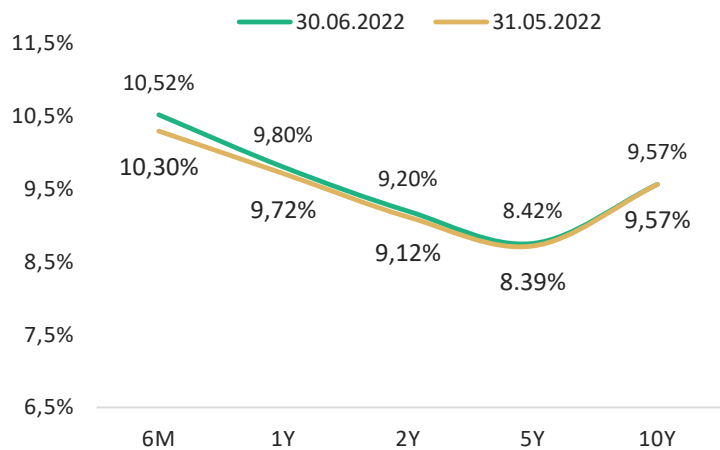
Consolidated Budget Expenditure, mln GEL



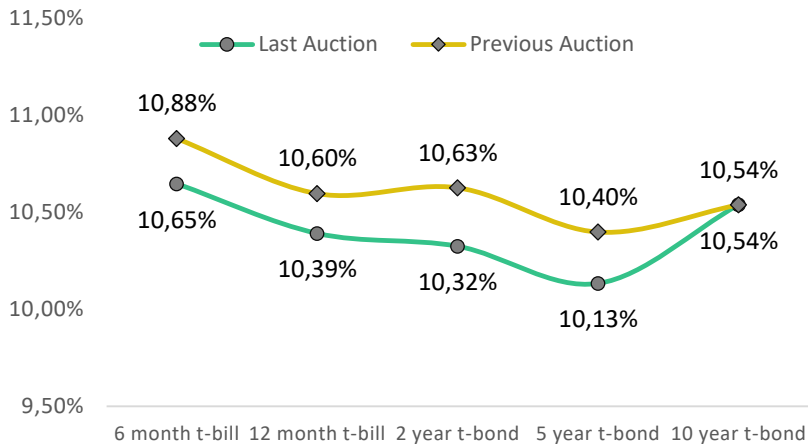
- The actual level of tax income in June 2022 was 1,532 mln GEL, which is 1.8 percent higher compared to the forecasted value of tax income of 1,505 mln GEL.
- Consolidated budget revenues increased by 69.3 percent and expenditures by 19.9 percent in May.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 320.6 million GEL, while the total balance was set at 66.2 million GEL.
- Revenue from taxes had a significant impact on revenue from profit in June, accounting for 20.6 percent of total growth.

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

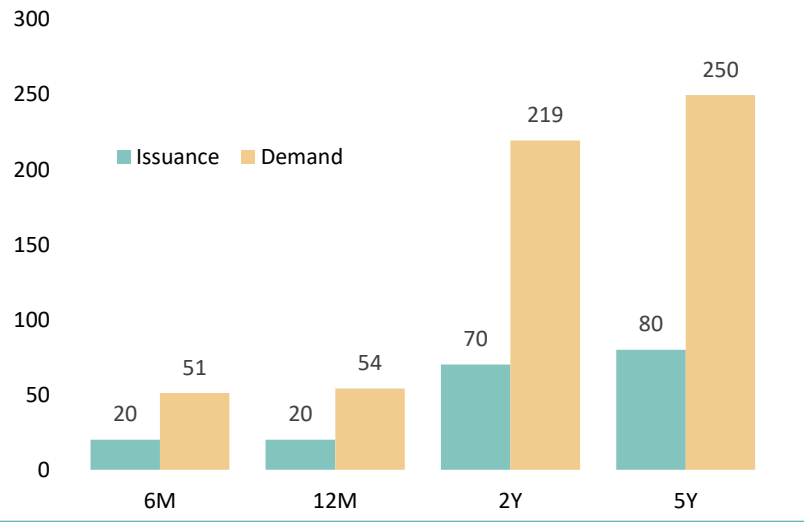


Weighted average interest rates

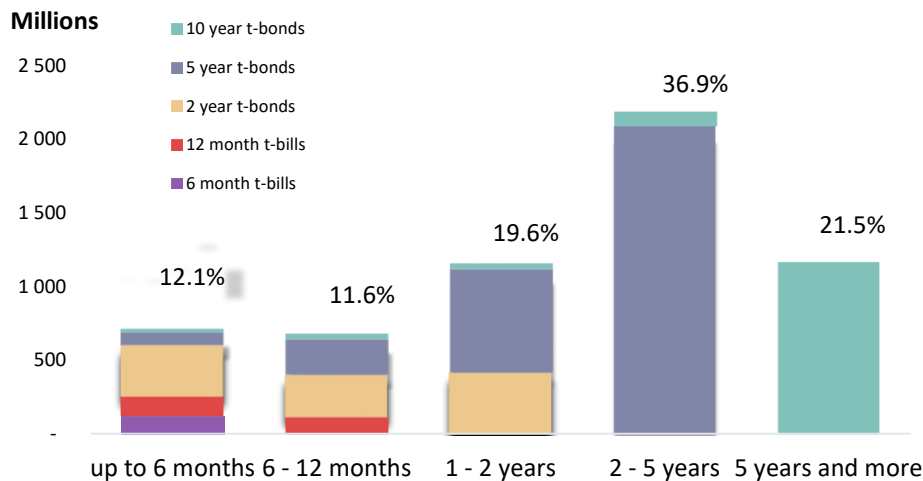


- In June 2022, 4 auctions were held with total issuance volume of 190 million GEL.
- The weighted average interest rate amounted to 10.284%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 35 million GEL were redeemed.
- As of June 30, 2022 23.7% 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 (May 2.79) and amounted to 3.02.

Issuance and Demand, mln GEL



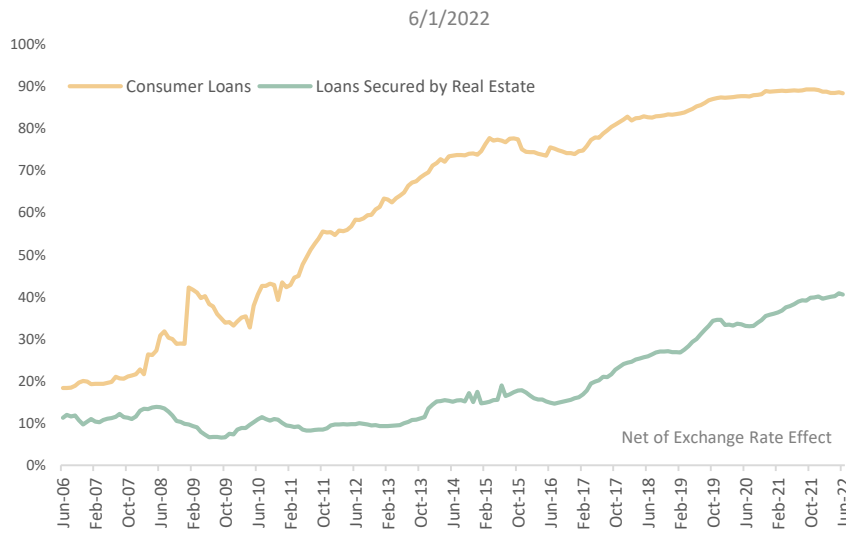
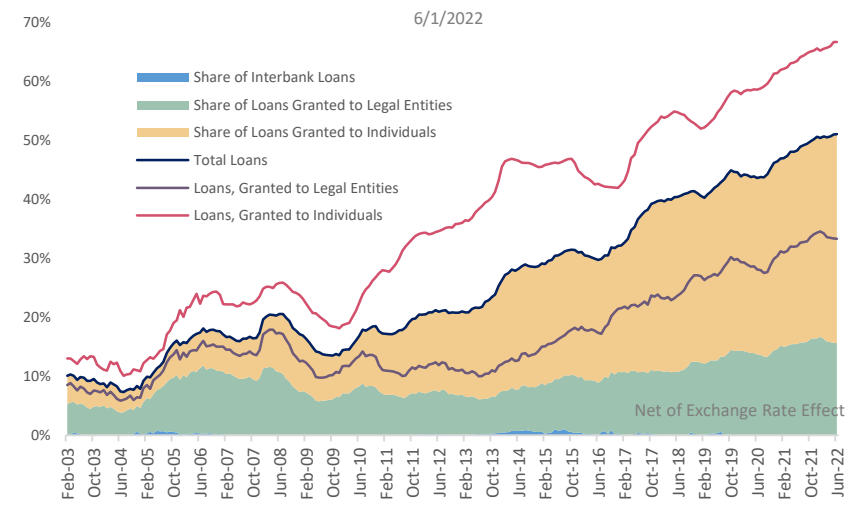
Portfolio Forming Securities Composed by Time to Maturity



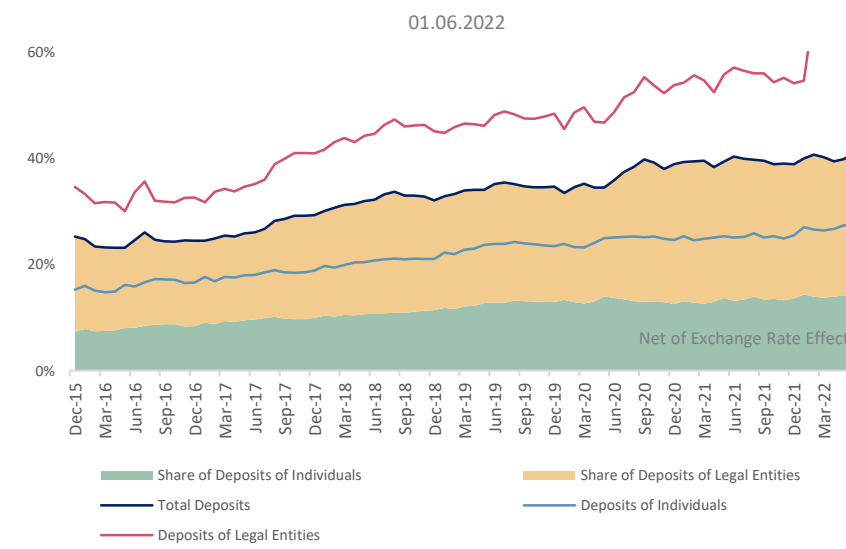
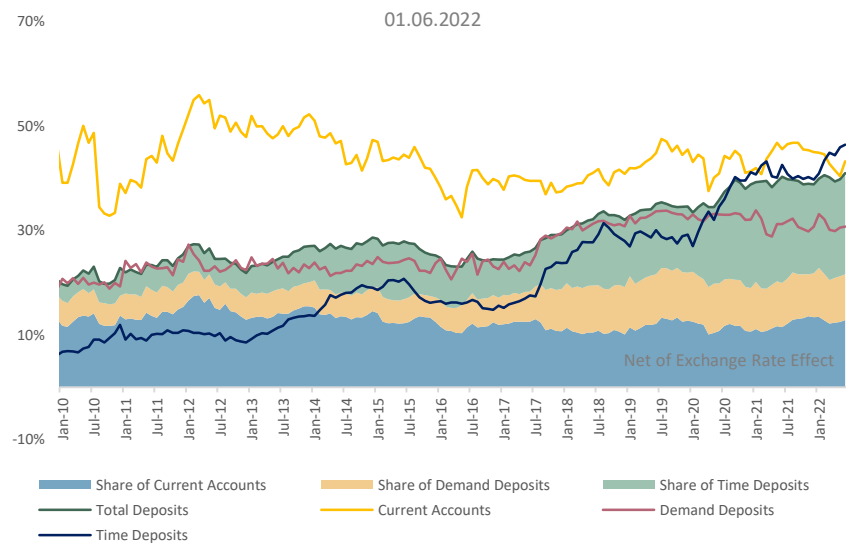
Source: MOF

The larization rates continue to rise

Loan Larization



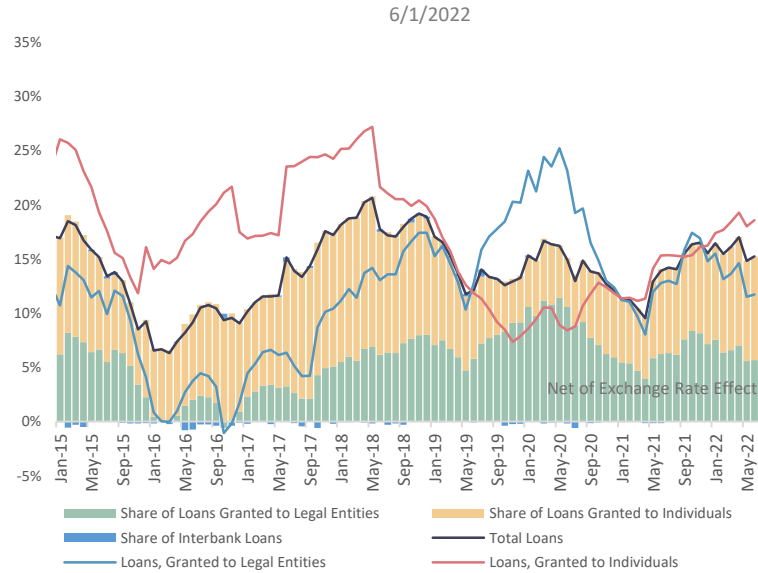
Deposit Larization



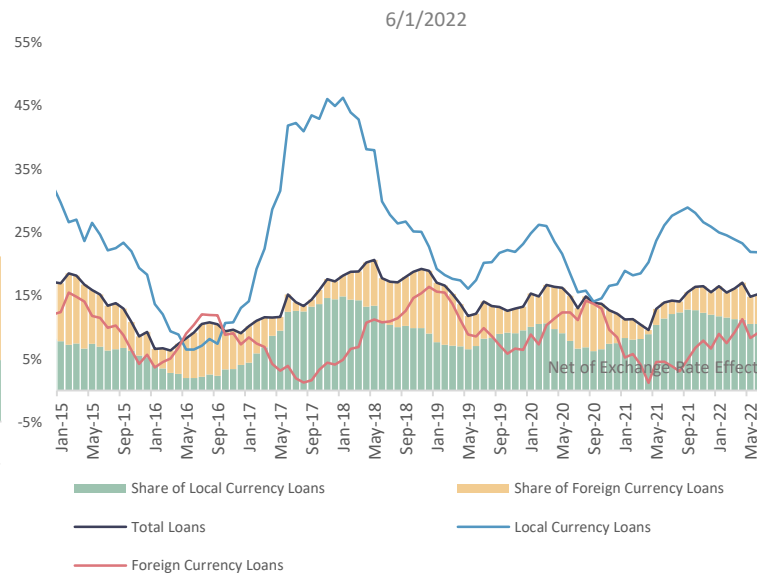
- As of June 1, 2022, the larization of total loans is 50.9 percent.
- The larization of loans to individuals is 66.6 percent.
- The larization of loans to legal entities amounted to 33.2 percent.
- The larization of total deposits equals to 41.0 percent.
- The larization on deposits of legal entities amounted to 67.8 percent.
- The larization of deposits of individuals is 27.4 percent.
- The larization of time deposits is 46.4 percent.
- The larization of current accounts equals to 43.2 percent.
- The larization of demand deposits is 30.7 percent.

The annual growth trend of loans is sustained

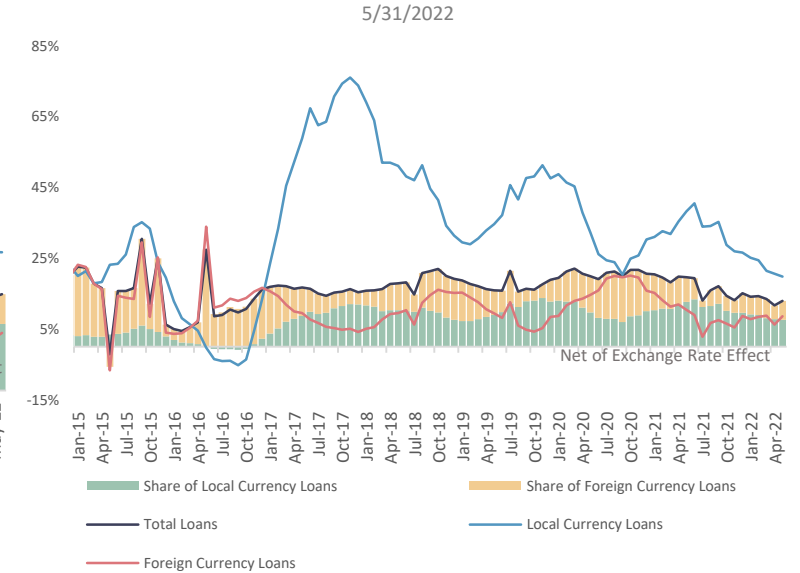
Loans, % y/y



Loans by Currency, % y/y



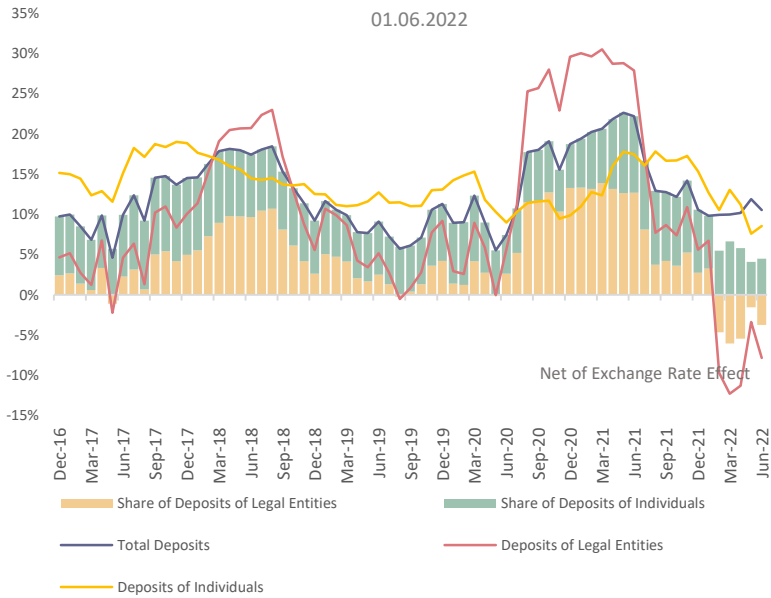
Mortgage Loans, % y/y



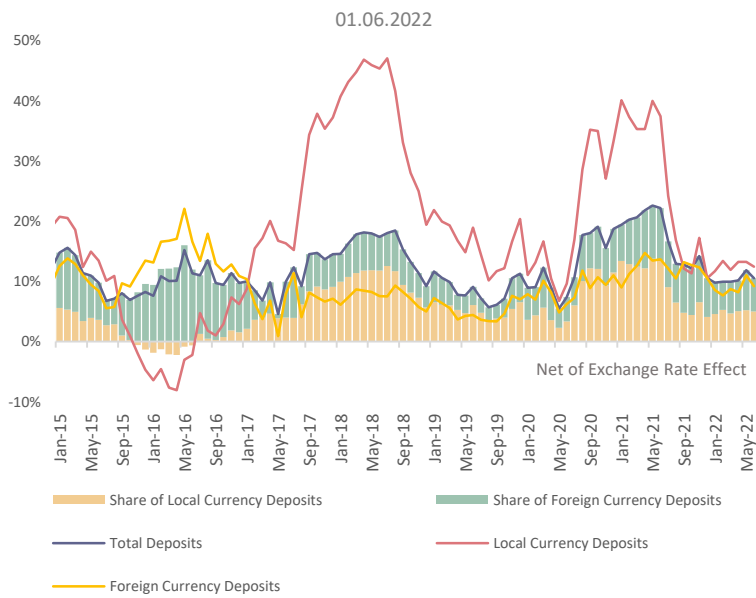
- As of June 1, 2022, total loans increased by 15.2 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 11.7 percent.
- The annual growth of loans to individuals is 18.6 percent.
- As of June 1, 2022, the growth rate of loans denominated in the national currency amounted to 21.8 percent.
- The annual growth of loans denominated in foreign currency amounted to 9.1 percent.
- As of May 31, 2022, the annual growth of loans secured by real estate amounted to 12.9 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 8.6 percent.

Sharp decline in deposits of legal entities continues

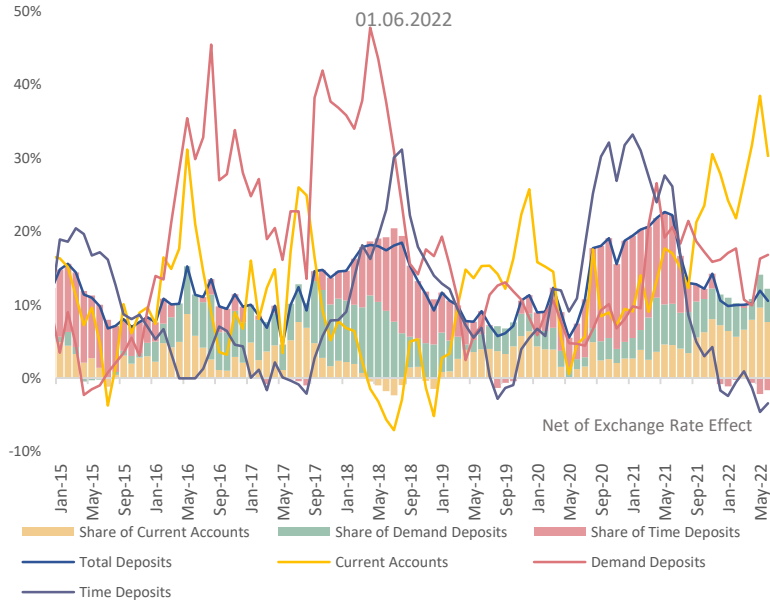
Deposits, % y/y



Deposits by Currency, % y/y



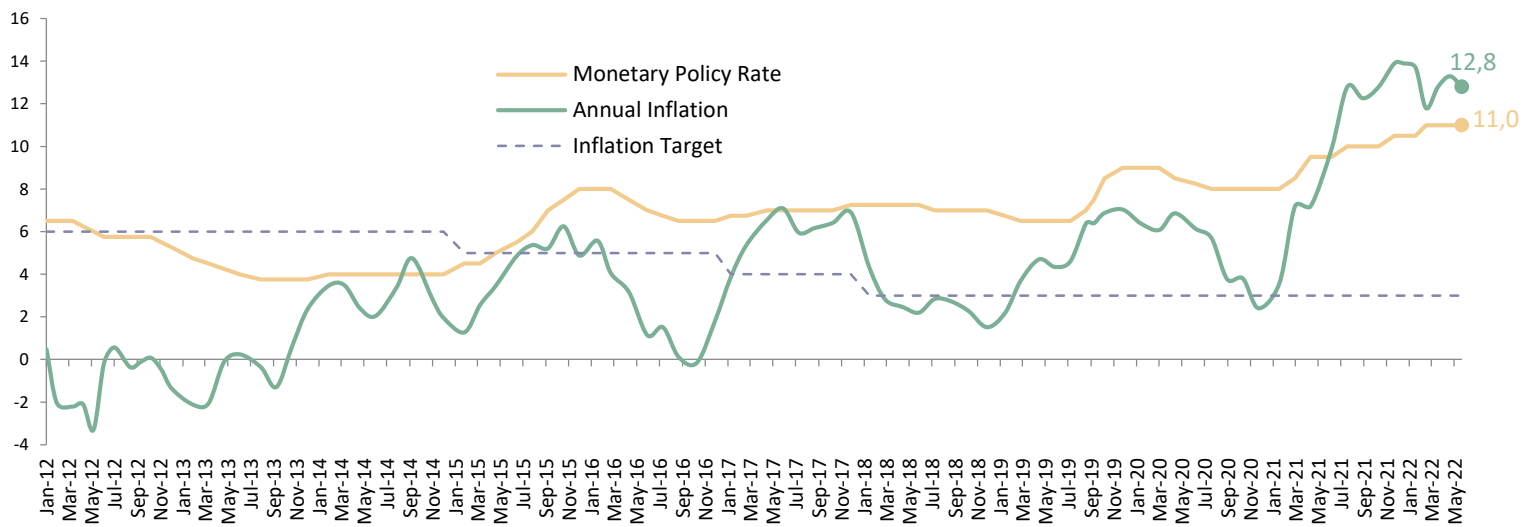
Deposits by type, % y/y



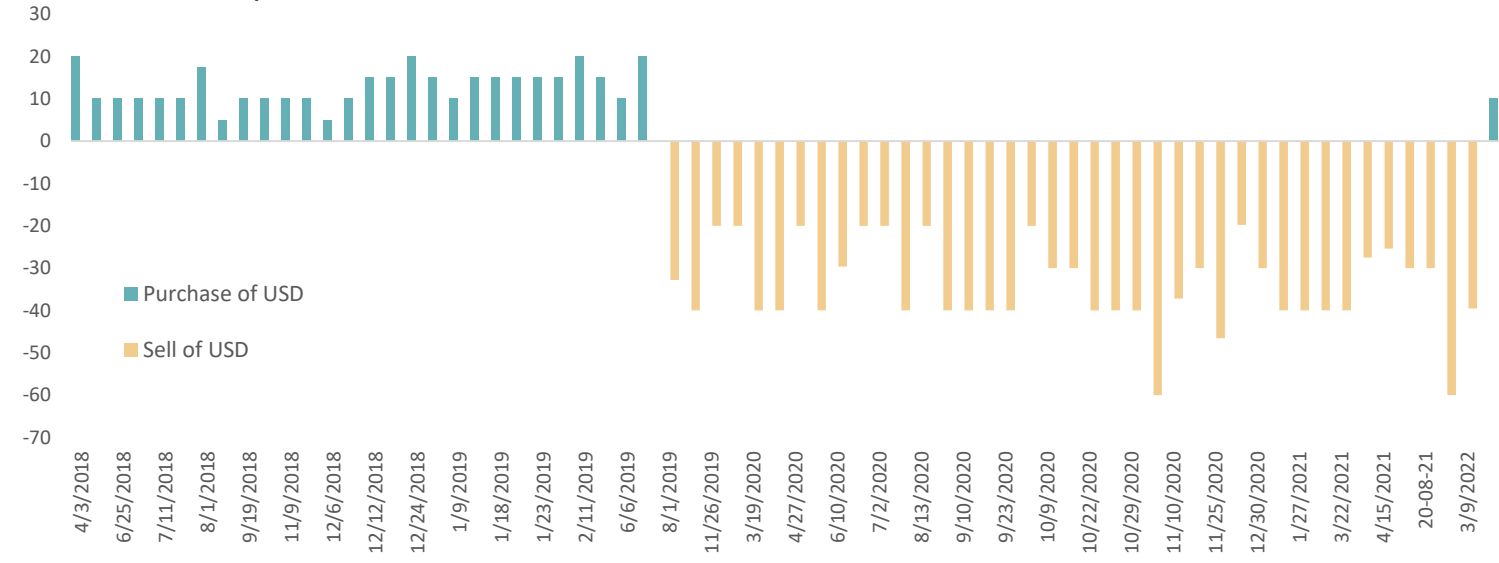
- As of June 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 10.5 percent.
- The annual growth of deposits denominated in the national currency amounted to 12.5percent. The annual growth of deposits denominated in foreign currency is relatively stable at 9.2percent over the same period.
- The growth of deposits of individuals amounted to 8.5 percent, while the annual growth of deposits of legal entities once again decreased and its value in the same period amounted to -7.9 percent.
- The annual growth of current accounts at the beginning of June 2022 was equal to 30.2 percent.
- The annual growth of time deposits was -3.5 percent.
- The growth of demand deposits amounted to 16.8 percent.

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

Inflation and Monetary Policy Rate



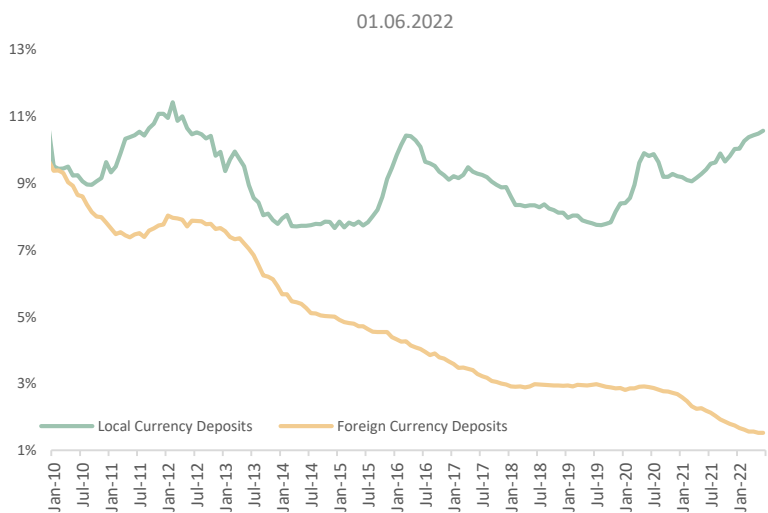
Trade of USD by NBG, mln USD



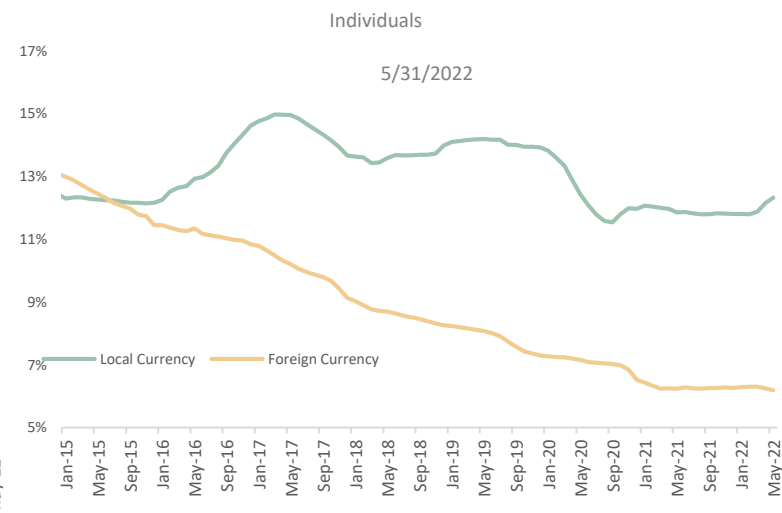
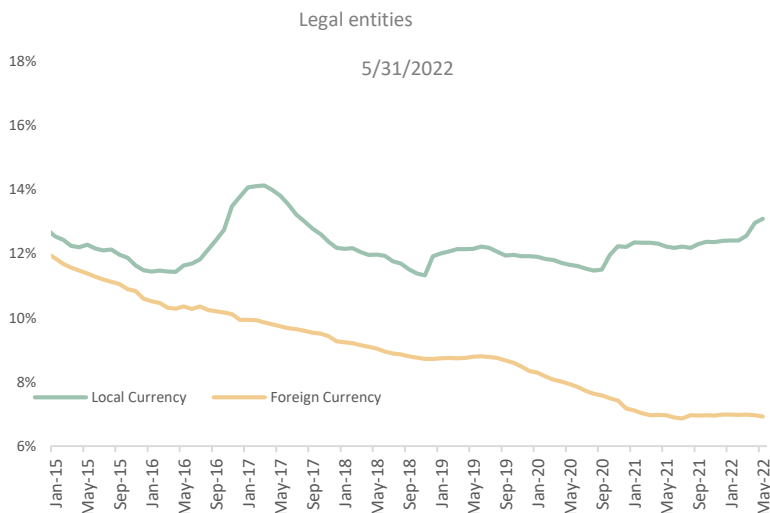
- On June 22 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to National Bank, the sanctions imposed against Russia due to its aggression against Ukraine, as well as supply-side disruptions, and a sharp decline of goods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

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 June 1, 2022, the interest rate on foreign currency deposits was 1.5 percent, and in national currency – 10.6 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.9 percent, and in foreign currency – 1.6 percent.
- The average annual interest rate on deposits by individuals is 1.5 percent for foreign currency deposits and 10.6 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.4 percent (19.7 percent in national currency and 6.3percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.8 percent (18.1 percent in national currency and 6.4 percent in foreign currency).
- At the end of May 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.1 percent, and in foreign currency – 6.9 percent. The interest rate on loans to individuals in the national currency was 13.3 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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