



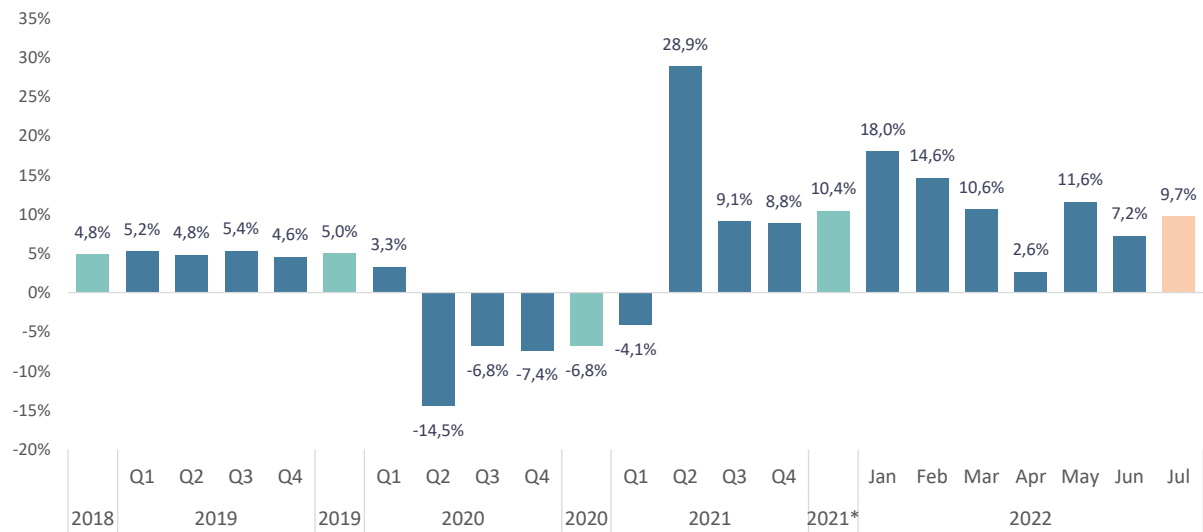
Current Economic Outlook

August, 2022

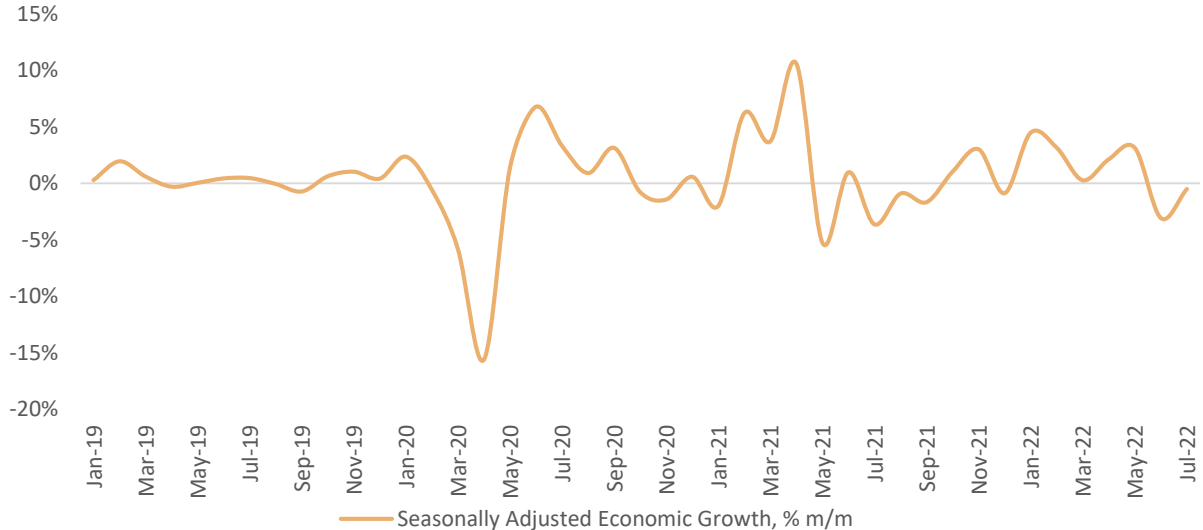
- In July 2022, the real GDP growth rate was 9.7 percent and average growth rate of the first seven months of 2022 was 10.3 percent, according to the preliminary estimates of the National Statistics Office.
- In August, annual inflation stood at 10.9 percent, while core inflation was 7.0 percent
- In July, exports increased by 40.4 percent year-on-year and imports increased by 26.2 percent year-on-year, increasing the trade deficit by 15.2 percent year-on-year to 572.0 million USD
- For July, the real effective exchange rate appreciated by 15.4 percent compared to the same period of the previous year and by 5.7 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in July was equal to 9.7 percent

Economic Growth, % y/y

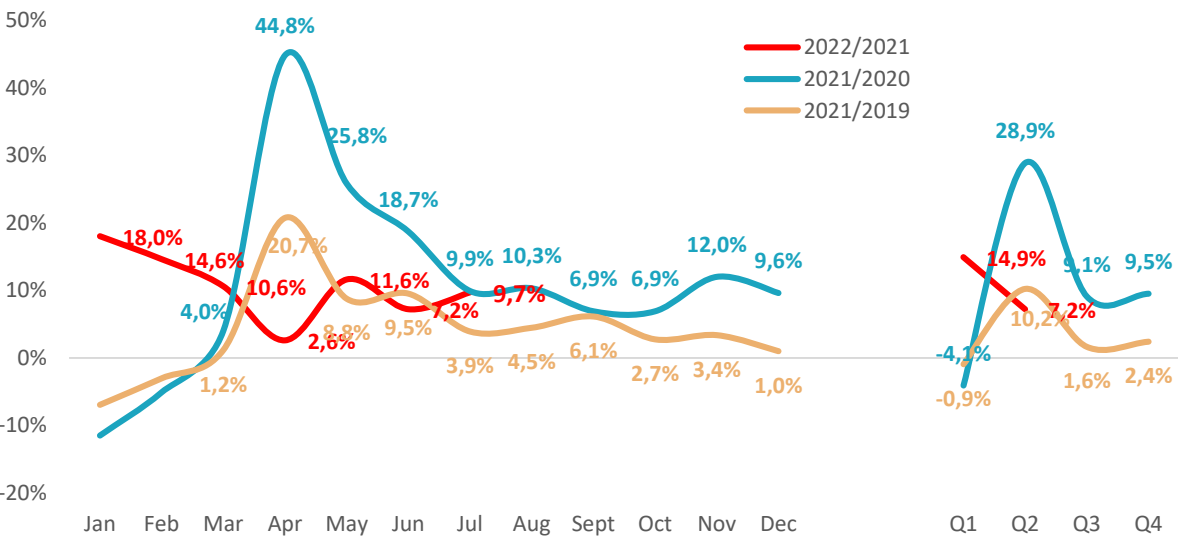


Economic Growth, % m/m



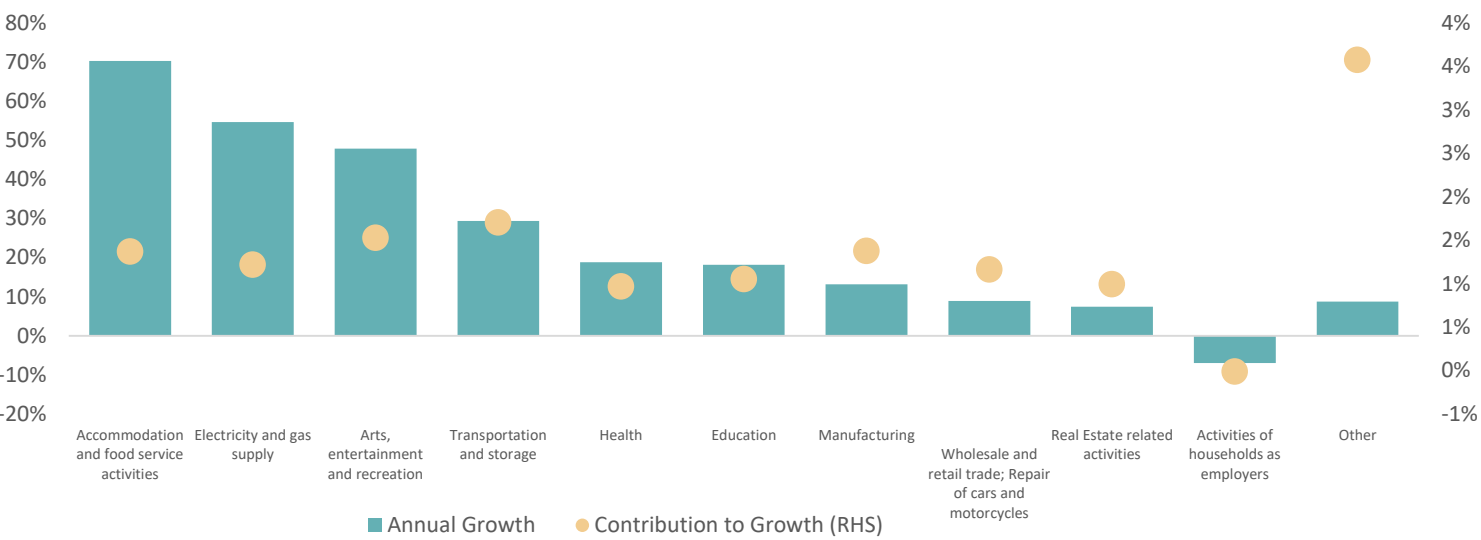
- Estimated real GDP growth rate in July 2022 equaled 9.7 percent YoY and average annual real GDP growth rate for 2022 January-July equals to 10.3 percent.
- In July 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Transport and warehousing, Construction, Information and Communication, Mining, Trade.
- A decline was registered in the field of Manufacturing industry.

Economic Growth, 2022-2019

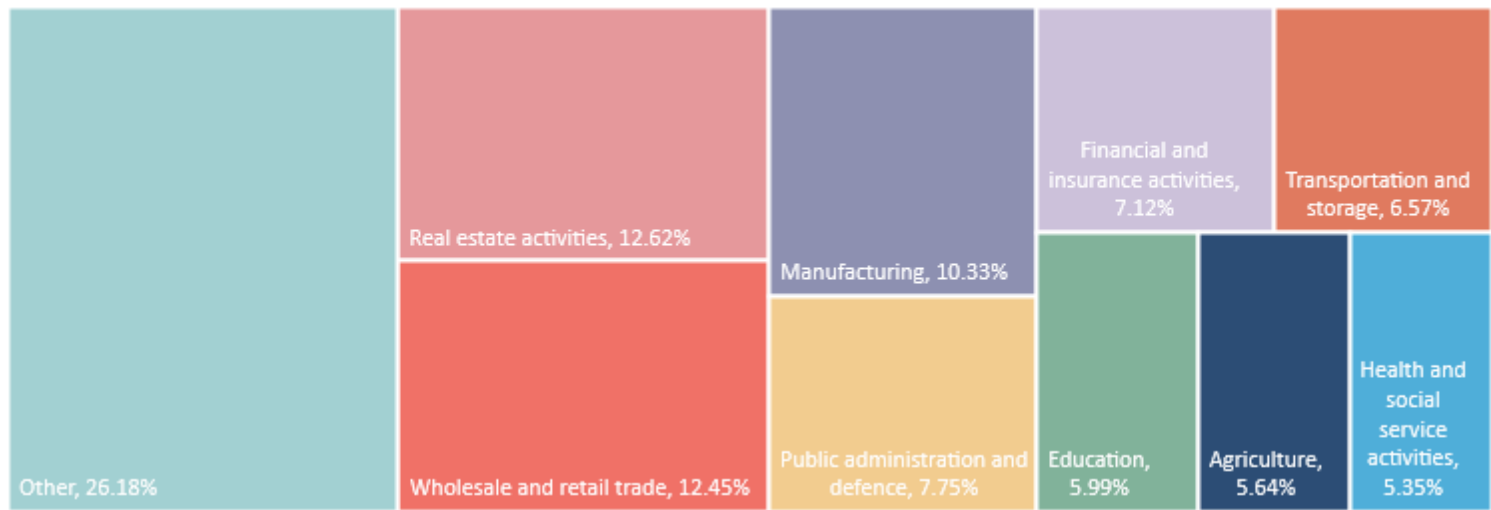


According to preliminary estimates, real GDP increased by 7.2 percent in the second quarter of 2022

Real GDP growth by economic activity, 2022 I Quarter



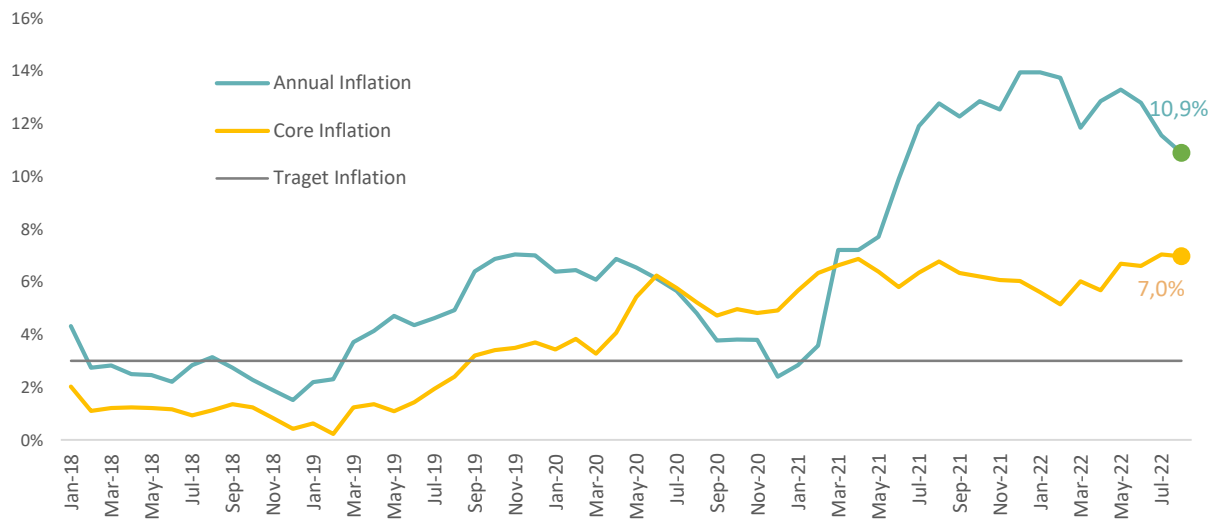
GDP by economic activity, 2022 I Quarter



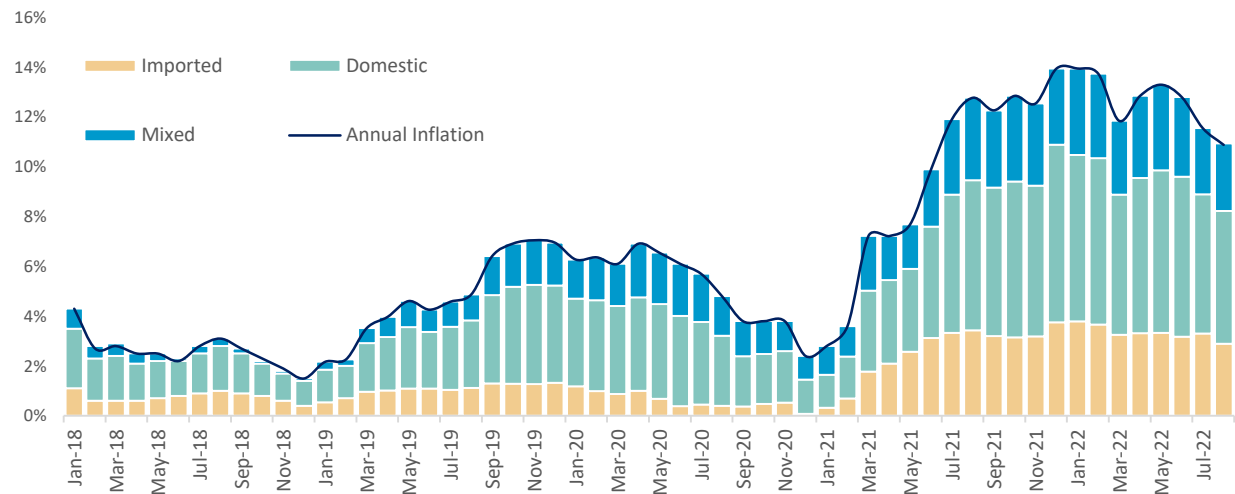
- According to preliminary estimates, in the second quarter of 2022 economic growth amounted to 7.2 percent, while in the first quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 14.9 percent and by 20.3 percent compared to the first quarter of 2019.
- The following industries have made a significant contribution to growth of 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 August has reached 10.9 percent

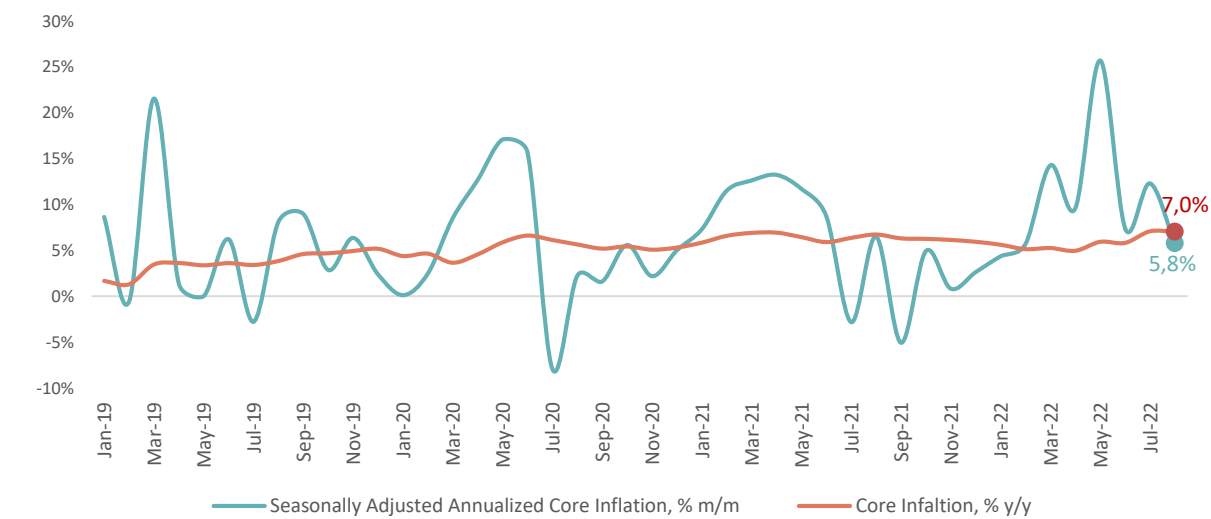
Total and Core Inflation, % y/y



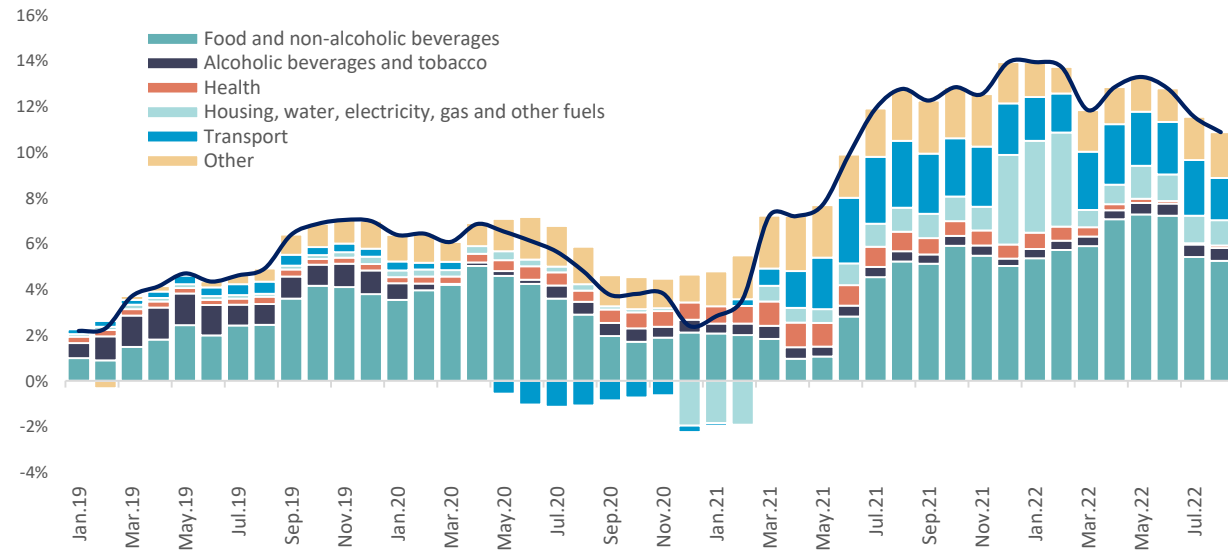
Inflation Decomposition



Core Inflation, % m/m



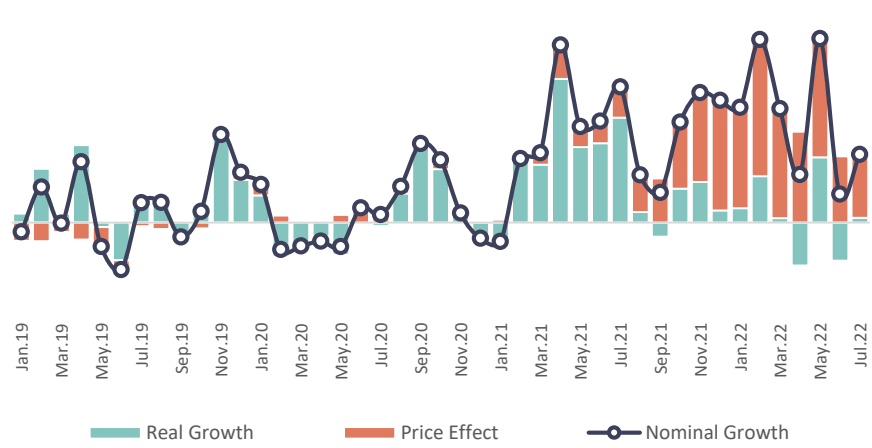
Inflation Decomposition by product group



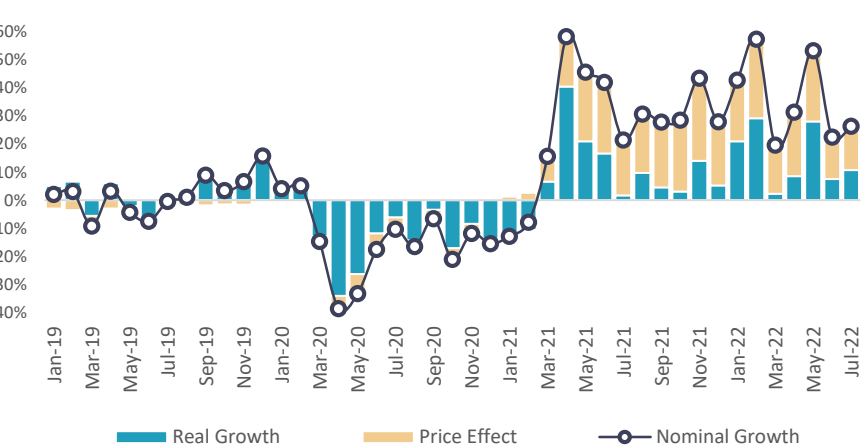
Source: Geostat, NBG, MOF

Trade Deficit increased by 15.2 percent annually

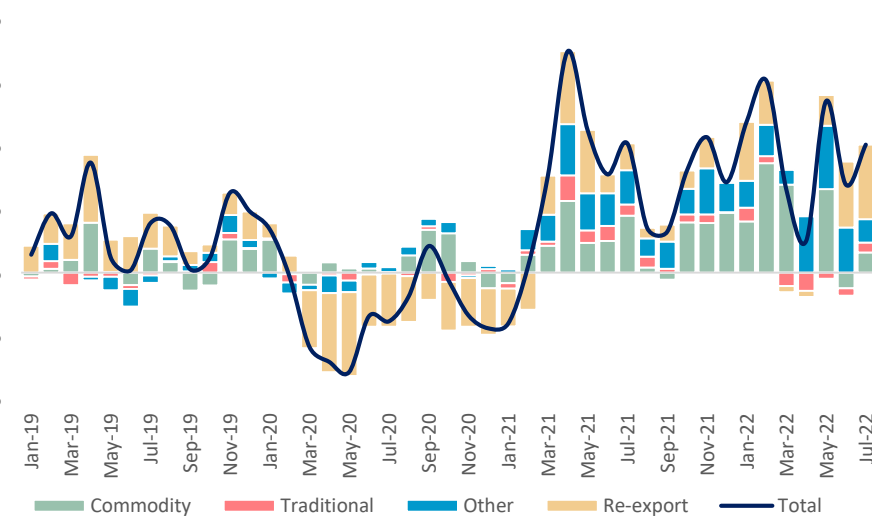
Change of Domestic Export, %y/y



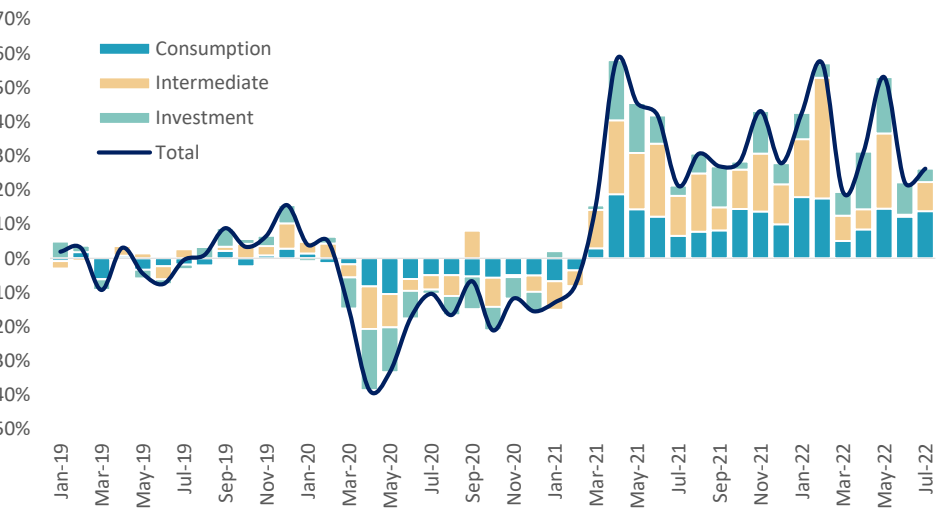
Change of Import, %y/y



Decomposition of Export



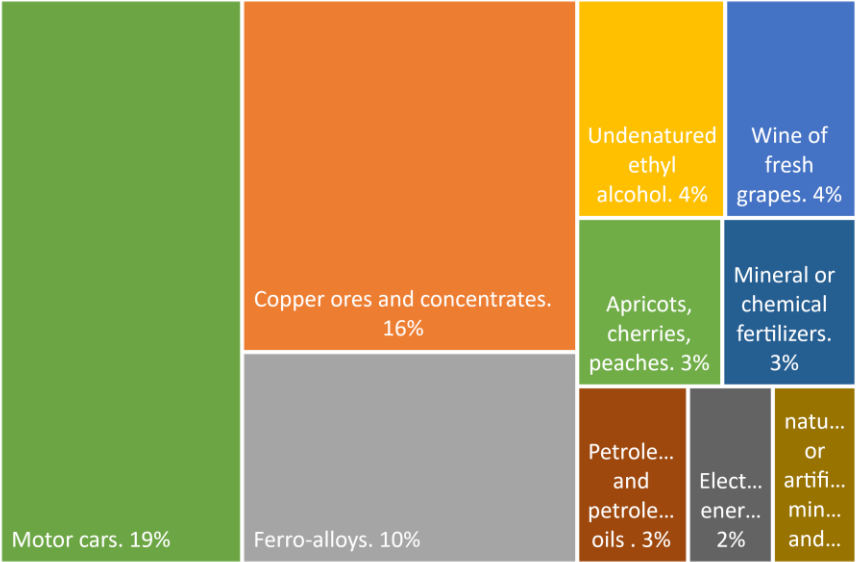
Decomposition of Change of Import, %y/y



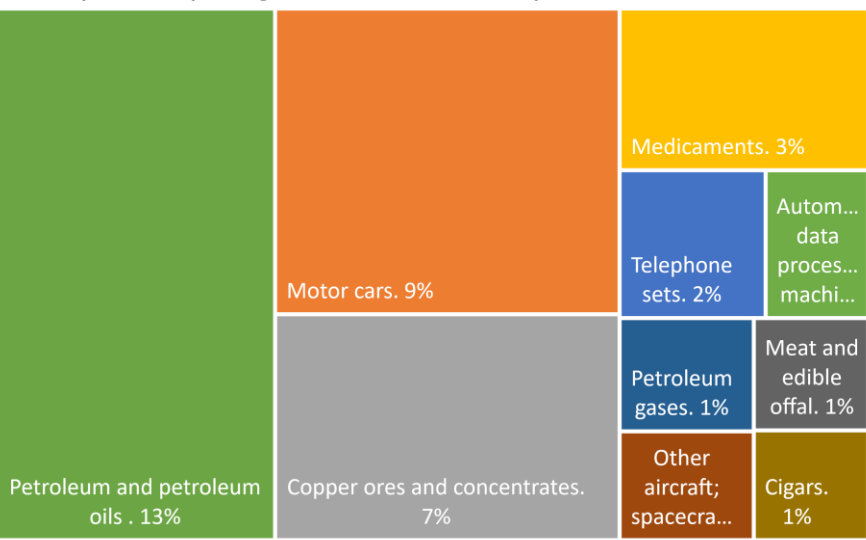
- Export increased annually by 40.4 percent to 541.7 million USD in July.
- Domestic export increased annually by 23.2 percent to 345.5 million USD.
- Import annually increased by 26.2 percent to 1,114.0 million USD in July.
- Trade deficit annually increased by 15.2 percent to 572.0 million USD in July.
- Share of re-export in export growth is equal to 23.5 percent (85.8 %y/y), while share of commodity export equals to 6.3 percent (17.3 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 3.9, 13.8 and 8.5 percent respectively.

International trade is characterized by stable diversification

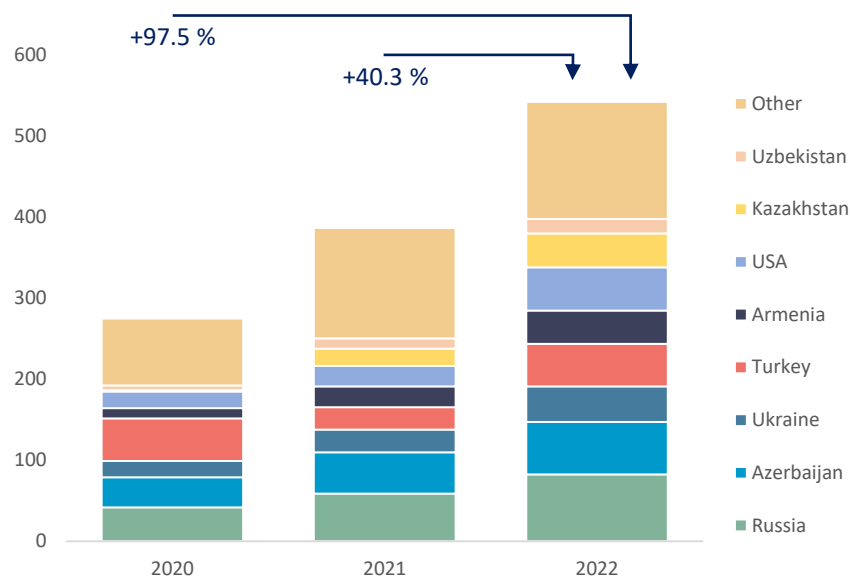
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



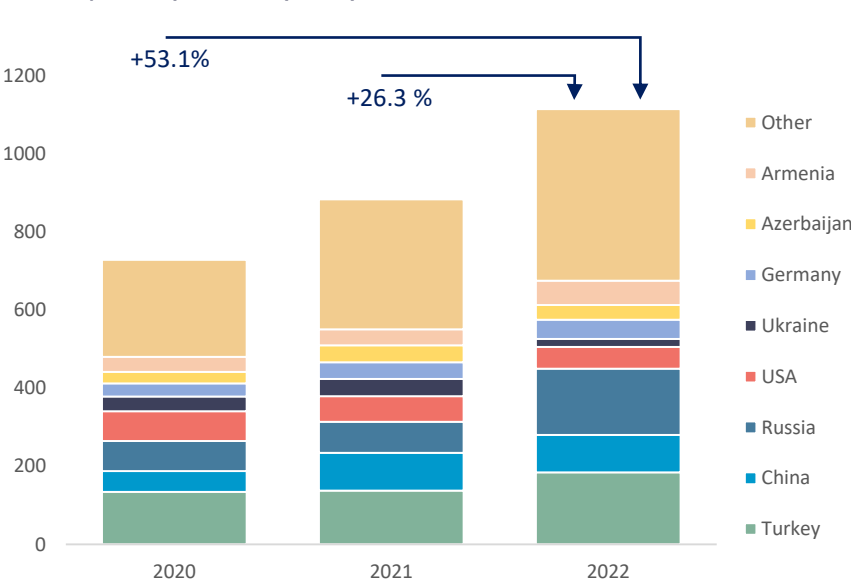
Export by country, July



- Top Export Products:
 - Motor cars 101.5 mln. USD – 18.7 percent.
 - Copper ores and concentrates: 87.8 mln. USD – 16.2 percent of total export.
 - Ferro-alloys: 52.7 mln. USD – 9.7 percent.

- Top Import Products :
 - Petroleum and petroleum oils: 141.8 mln. USD – 12.7 percent.
 - Motor cars: 101.1 mln. USD – 9.1 percent.
 - Copper ores and concentrates: 74.6 mln. USD – 6.7 percent of total import.

Import by country, July

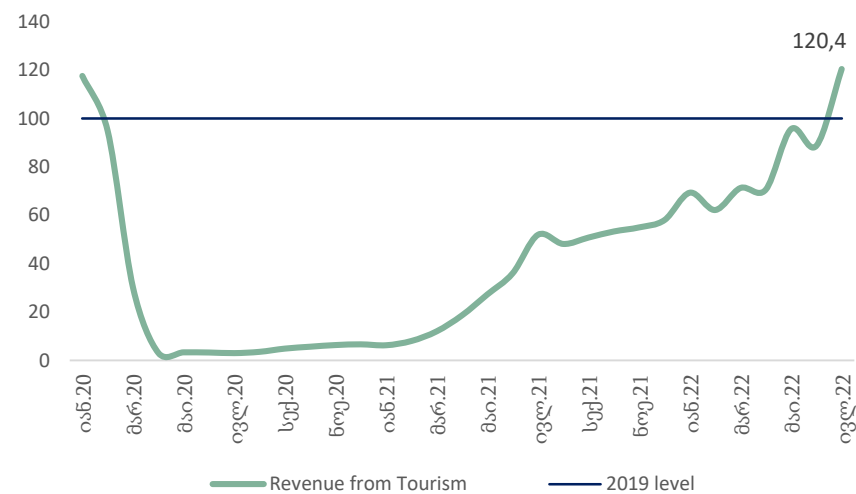


- Top Export Country:
 - Russia: 82.6 mln. USD – 15.2 percent.
 - China: 75.6 mln. USD – 13.9 percent.
 - Azerbaijan: 64.5 mln. USD – 11.9 percent.

- Top Import Country :
 - Turkey: 183.6 mln. USD – 16.5 percent.
 - Russia: 169.1 mln. USD – 15.2 percent.
 - China: 96.3 mln. USD – 8.6 percent.

Tourism recovery continue to increase and reached 120.4% percent of 2019 level in July

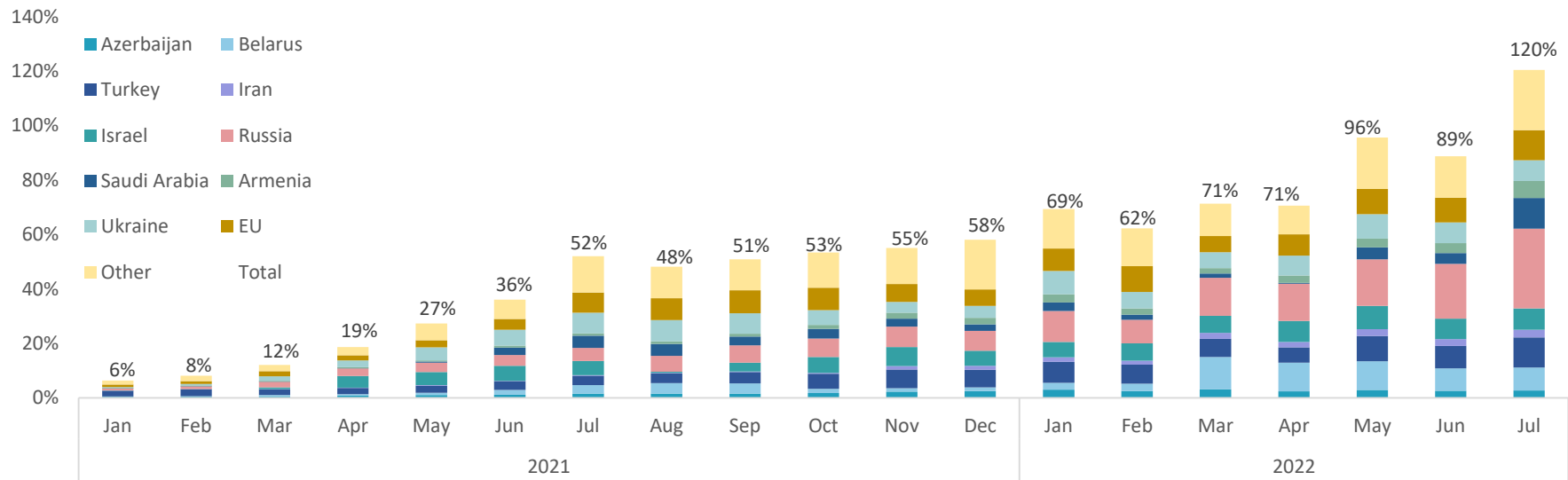
Revenue from Tourism, 2019 = 100



Revenue from Tourism, June 2022

Country	Tourism Revenue, mln USD
Russia	116,1
EU + UK	43,6
Belarus	33,5
Turkey	43,8
Ukraine	30,25
Israel	30,8
Other	178,1

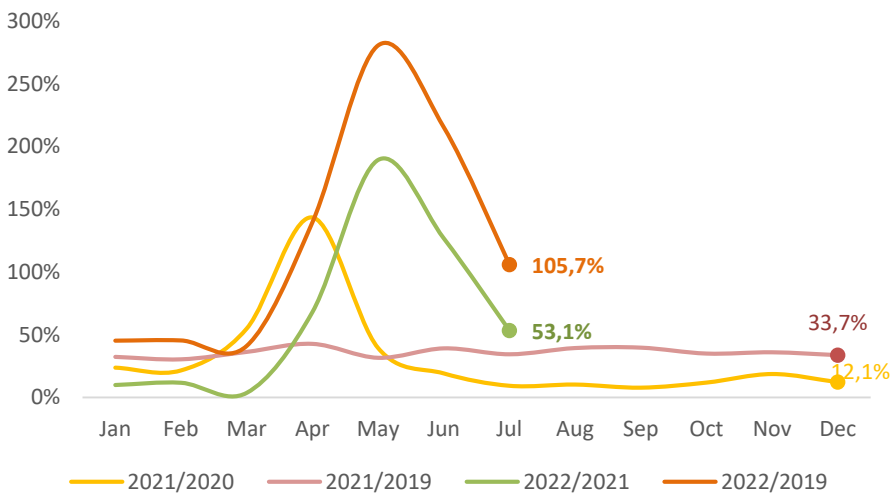
Recovery of Tourism by country, corresponding month of 2019 = 100, %



- In July 2022, tourism revenues increased by 131.9 percent to 476.1 million USD. Such high increase is mainly due to low level of tourism revenue inflow in July 2021 (205.3 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 July 2022 increased by 20.4 percent compared to July 2019.
- At the same time, seasonally adjusted tourism revenues increased by 8.1 percent compared to the previous month.

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

Net Remittances

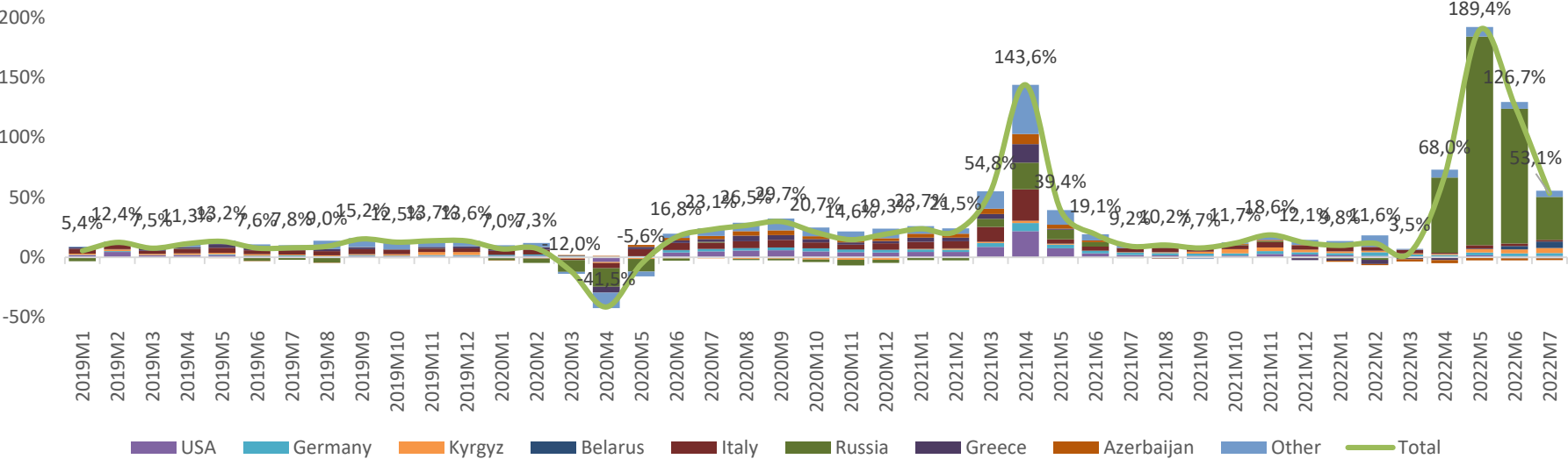


Net Remittances, July 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	98.0	201.0	36.0
Italy	35.2	7.4	1.3
USA	27.2	7.7	1.1
Kazakhstan	8.9	103.3	2.5
Greece	17.7	-8.6	-0.9
Israel	16.2	3.7	0.3
Other	75.1	45.1	12.8

- In July 2022, net remittances were estimated at 278.3 million USD, representing a 53.1 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 105.7 percent.
- Net Remittances increased from:
 - Russia: 201 percent (36 p.p. contribution to overall growth).
 - Kazakhstan: 103.3 percent (2.5 p.p. contribution to overall growth).
 - Germany: 45.9 percent (2.4 p.p. contribution to overall growth).
 - Italy: 7.4 percent (1.3 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece -8.6 percent (-0.9 p.p. contribution to overall growth)

Net Remittances by country, %y/y



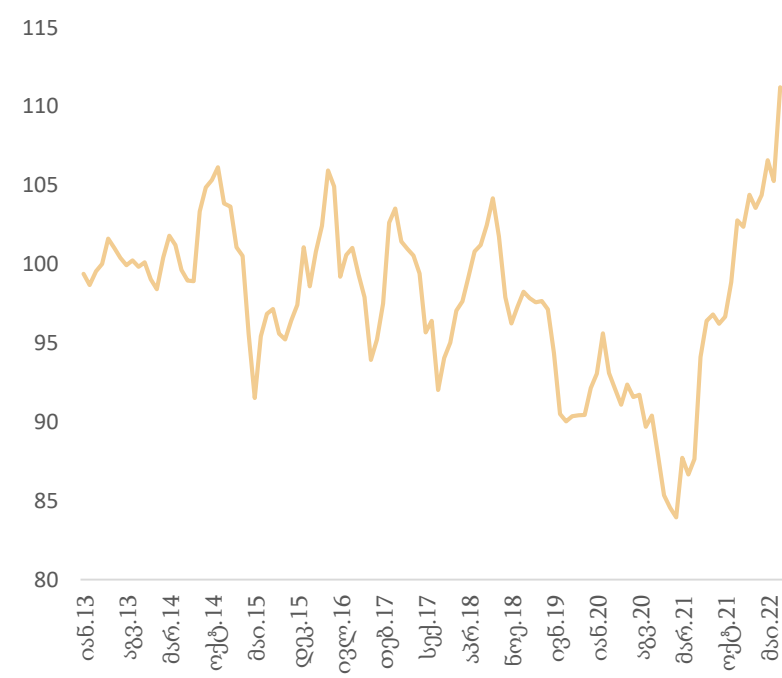
Source: NBS

The Real effective exchange rate in July appreciated by 15.4 percent annually

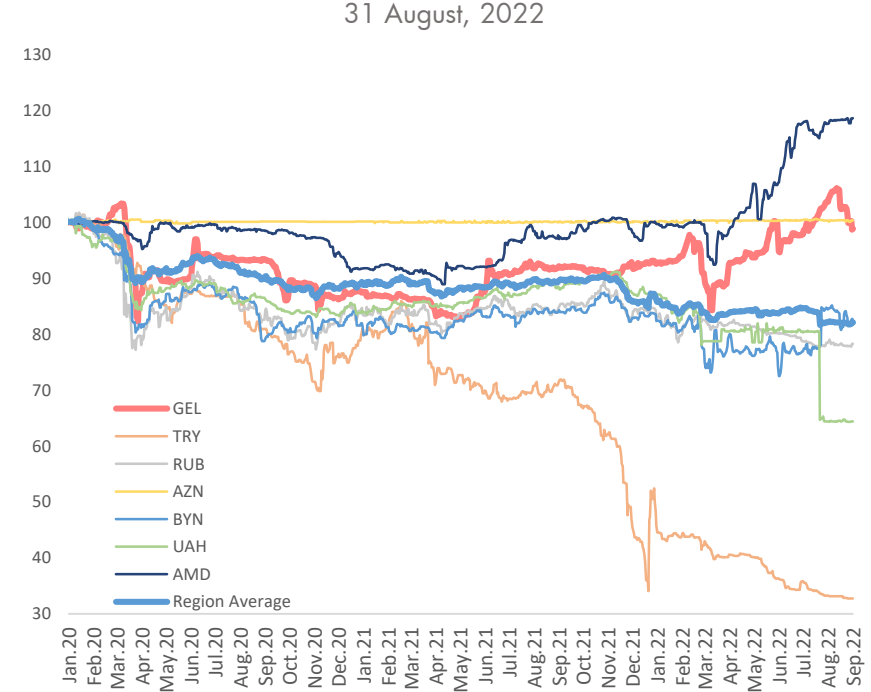
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



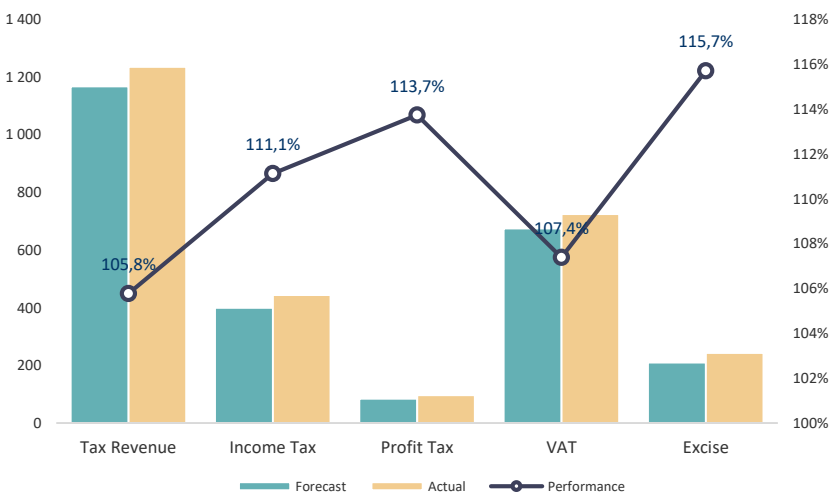
Note: Increase means appreciation

	August 31, 2022		Aug 31, 2022 - Jan 1, 2022		Aug 31, 2022 - Jan 1, 2021
Euro	2.9126	▲	10.4%	▲	5.1%
US Dollar	2.9045	▼	-1.3%	▼	-8.0%
Turkish Lira	0.1598	▲	201.4%	▲	216.3%
Russian Ruble	0.0478	▼	-3.6%	▼	-19.7%
NEER	137.07	▲	4.5%	▲	23.9%
REER (July 2022)	136.74	▲	8.6%	▲	30.3%

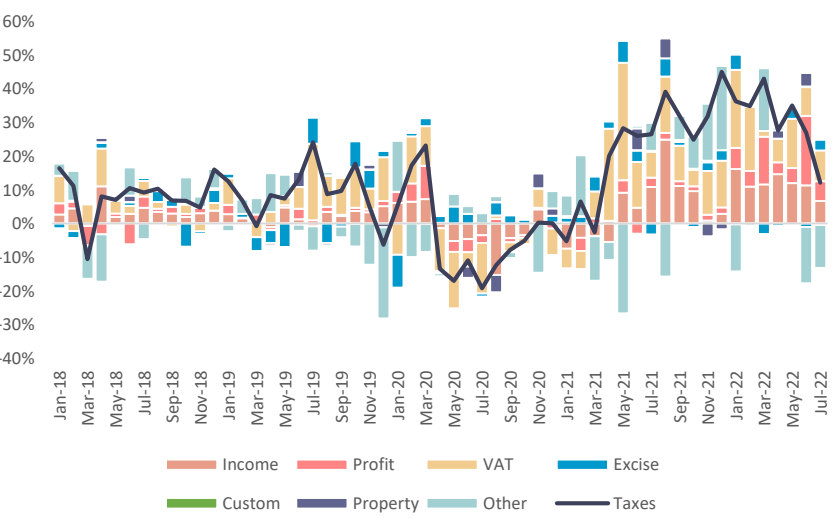
Source: NBG

Tax revenues in the August is above the forecast value by 5.8 percent

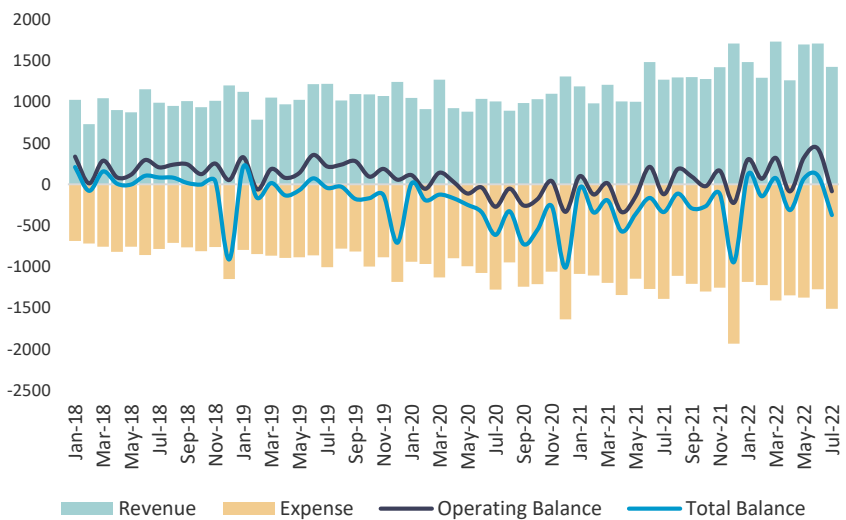
Budget Revenue Performance, August 2022



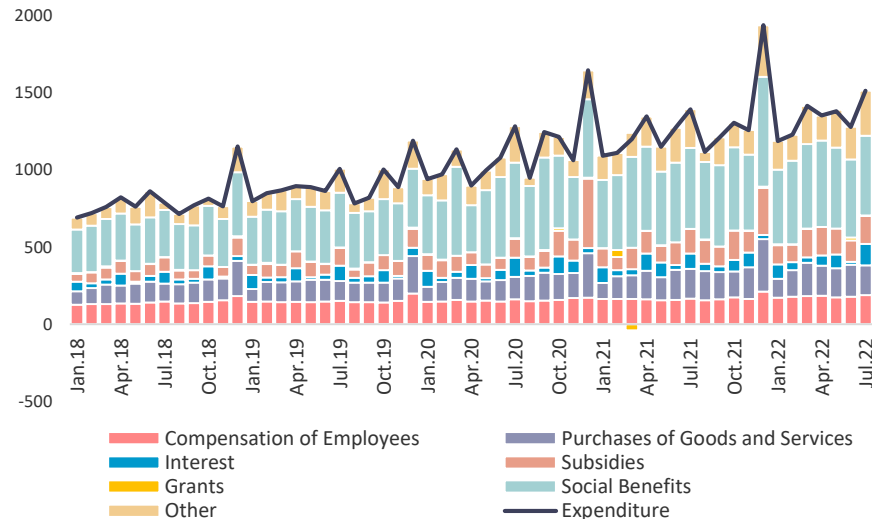
Tax Income, % y/y



Consolidated Budget, mln GEL



Consolidated Budget Expenditure, mln GEL

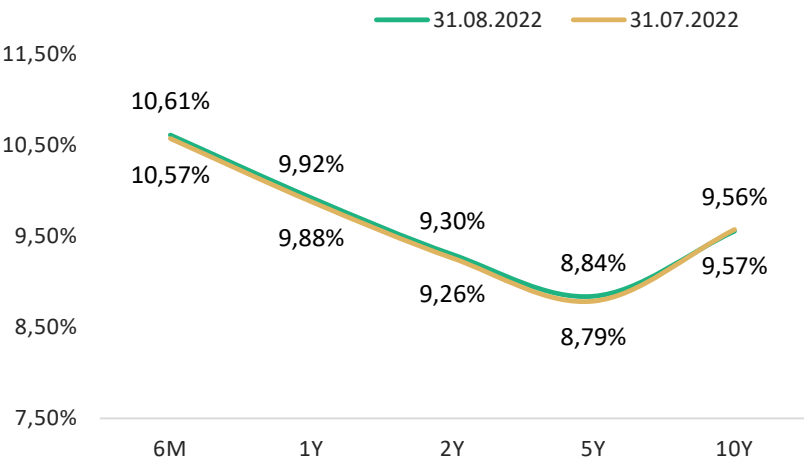


- The actual level of tax income in August 2022 was 1,234 mln GEL, which is 5.8 percent higher compared to the forecasted value of tax income of 1,167 mln GEL.
- Consolidated budget revenues increased by 12.2 percent and expenditures by 8.6 percent in July.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -86.4 million GEL, while the total balance was set at -374.5 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT in July, accounting for 9.1 percent of total growth.

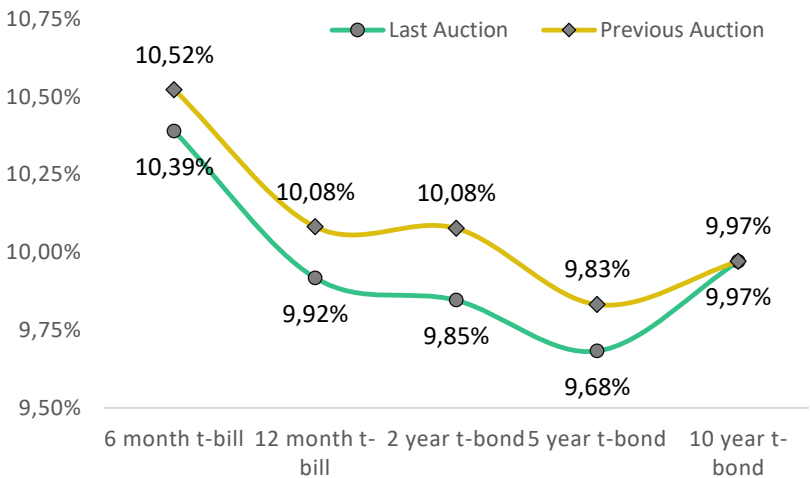
Source: MOF

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

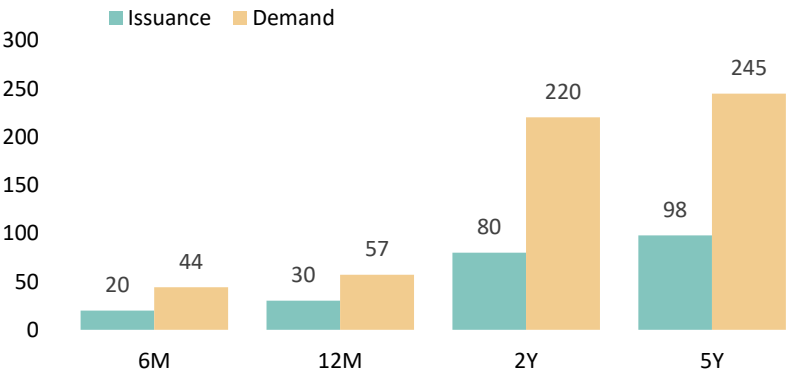


Weighted average interest rates

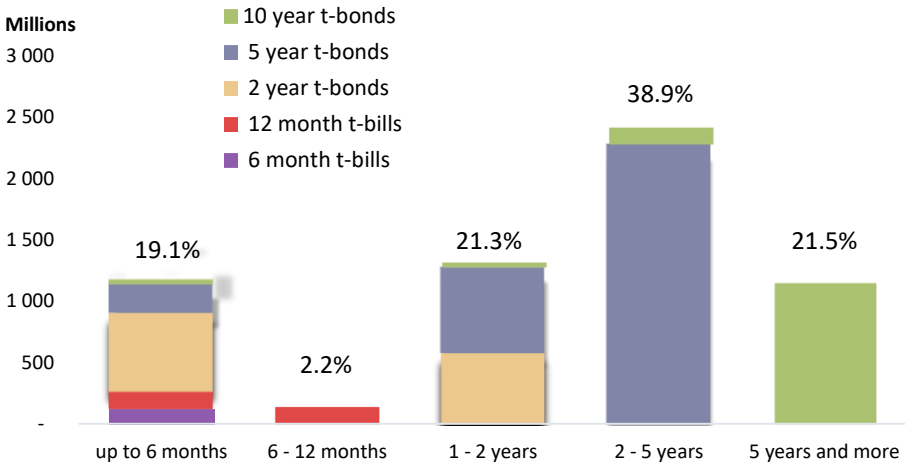


- In August 2022, 4 auctions were held with total issuance volume of 228 million GEL.
- The weighted average interest rate amounted to 9.833%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5.
- As of August 31, 2022 21.27% of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio slightly decreased compared to the previous month's value (July 2.67) and amounted to 2.48.

Issuance and Demand, mln GEL

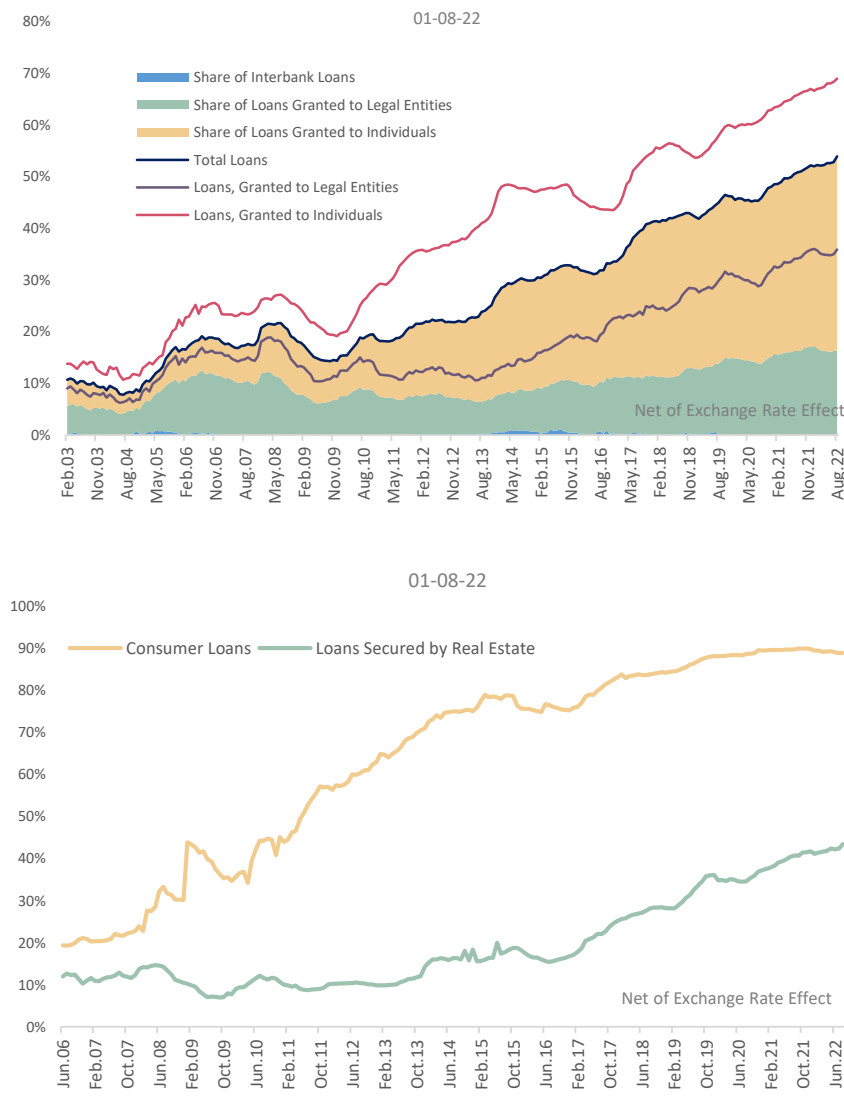


Portfolio Forming Securities Composed by Time to Maturity

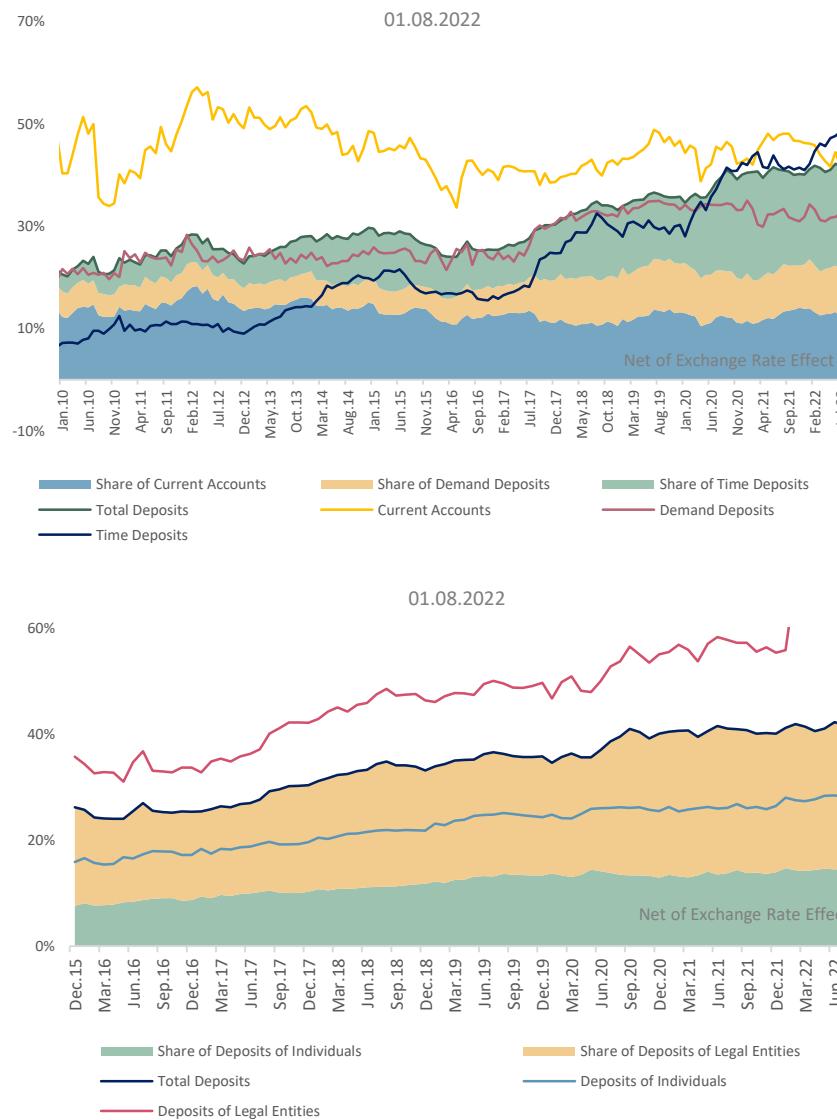


The larization rates continue to rise

Loan Larization



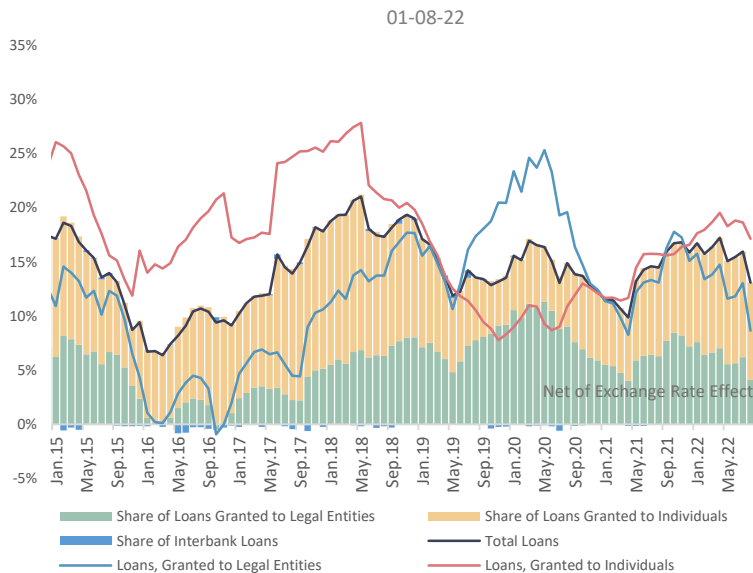
Deposit Larization



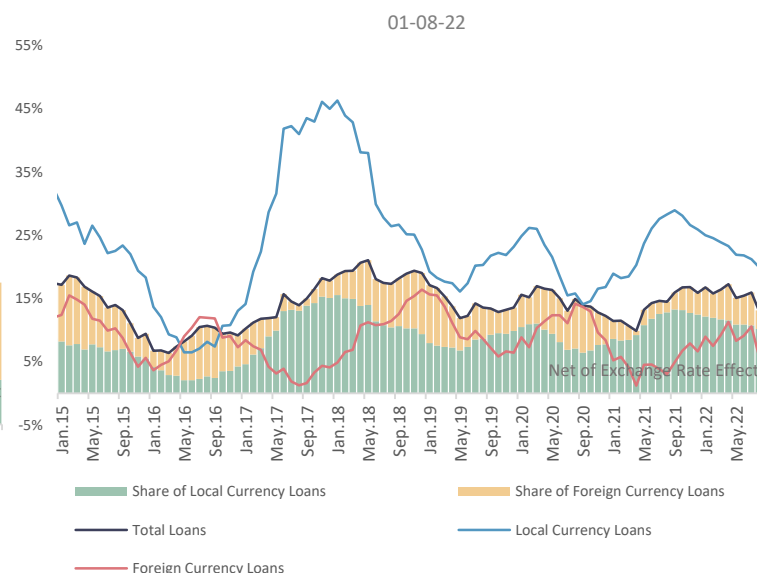
- As of August 1, 2022, the larization of total loans is 53.9 percent.
- The larization of loans to individuals is 69.0 percent.
- The larization of loans to legal entities amounted to 35.9 percent.
- The larization of total deposits equals to 41.9 percent.
- The larization on deposits of legal entities amounted to 66.2 percent.
- The larization of deposits of individuals is 28.5 percent.
- The larization of time deposits is 50.0 percent.
- The larization of current accounts equals to 39.8 percent.
- The larization of demand deposits is 33.2 percent.

The annual growth trend of loans is sustained

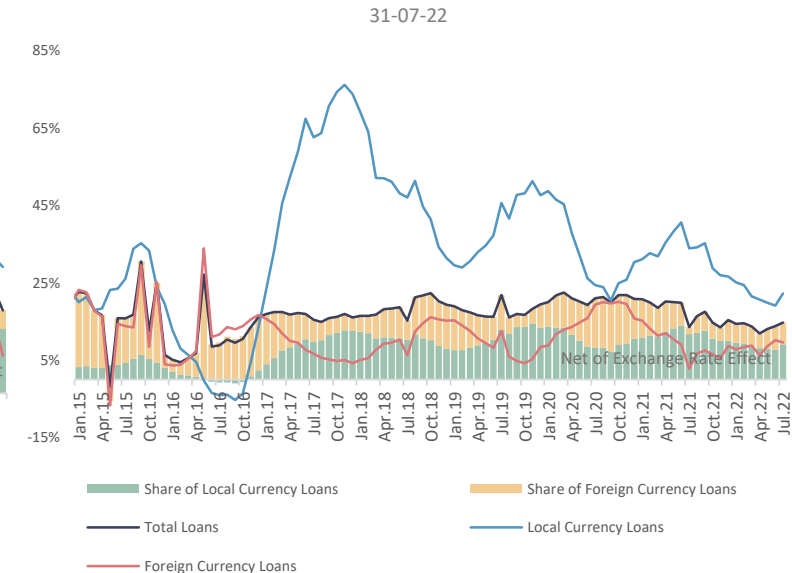
Loans, % y/y



Loans by Currency, % y/y

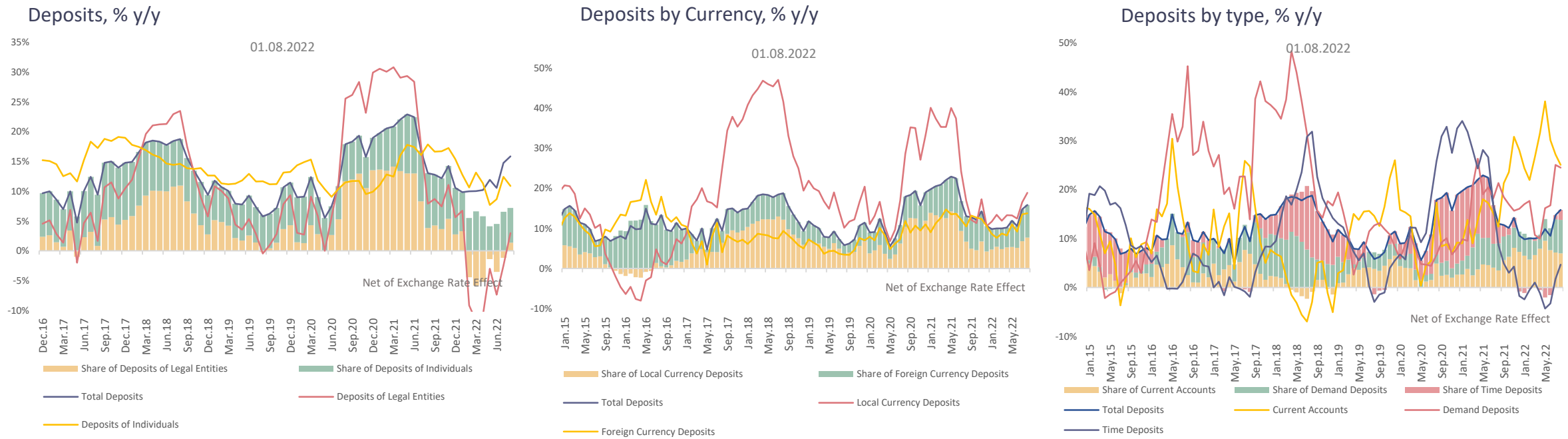


Mortgage Loans, % y/y



- As of August 1, 2022, total loans increased by 13.1 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 8.6 percent.
- The annual growth of loans to individuals is 17.1 percent.
- As of August 1, 2022, the growth rate of loans denominated in the national currency amounted to 20.0 percent.
- The annual growth of loans denominated in foreign currency amounted to minus 6.0 percent.
- As of July 31, 2022, the annual growth of loans secured by real estate amounted to 14.7 percent. At the same time, mortgage loans denominated in national currency increased by 22.2 percent, while mortgage loans denominated in foreign currency increased by 9.6 percent.

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

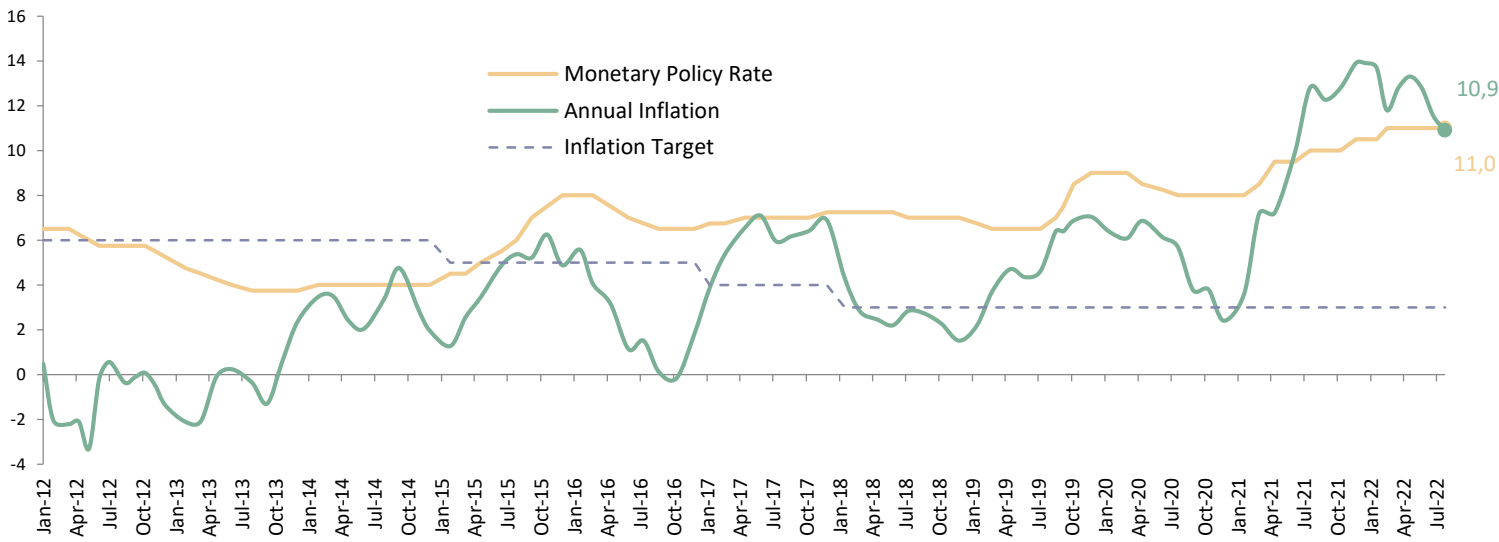


- As of August 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 15.8 percent.
- The annual growth of deposits denominated in the national currency amounted to 18.9 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 13.8 percent over the same period.
- The growth of deposits of individuals amounted to 10.9 percent, while the annual growth of deposits of legal entities in the same period amounted to 3.0 percent.
- The annual growth of current accounts at the beginning of August 2022 was equal to 25.1 percent.
- The annual growth of time deposits was 4.6 percent.
- The growth of demand deposits amounted to 24.5 percent.

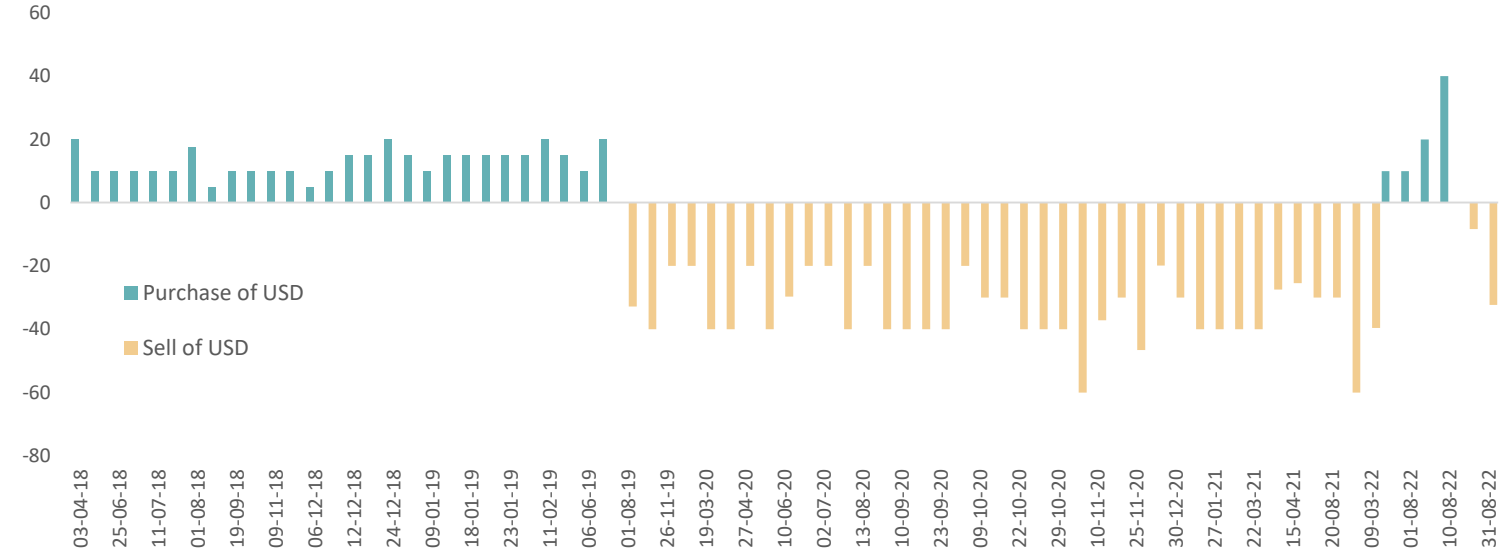
Source: NBG

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

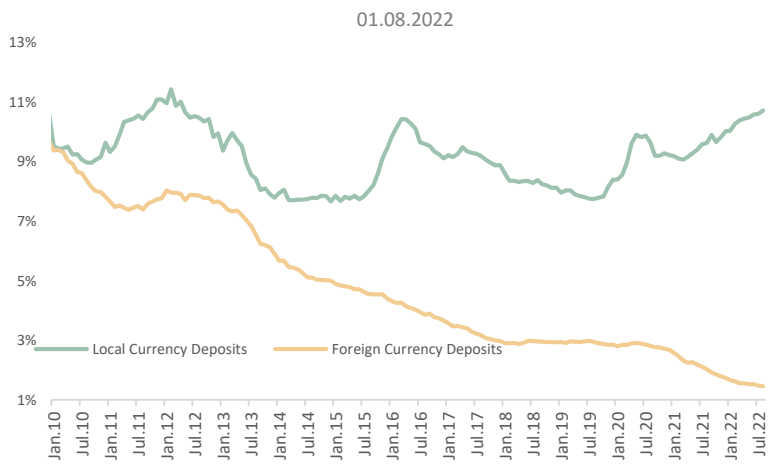


- On August 3 22 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to the National Bank, Although recently prices on international commodity markets seem to have stabilized, uncertainty remains high and future trends largely depend on global geopolitical developments. Overall, under the influence of these factors, the inflation will tend to decline in the current and next years - but at a slower pace compared to the previous forecast - and other things equal, will gradually approach the target level from the second half of 2023.
- The next meeting of the Monetary Policy Committee will be held on September 14, 2022.
- In August NBG intervened into FX market five times, in the first half of August, when GEL was appreciating against USD NBG bought 70mln USD, and in second half amid to sharp depreciation of GEL NBG sold 40.6 mln USD via FX auctions.

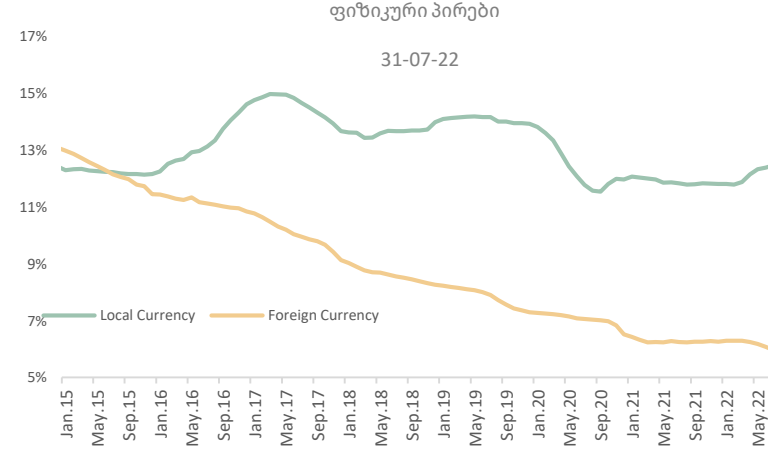
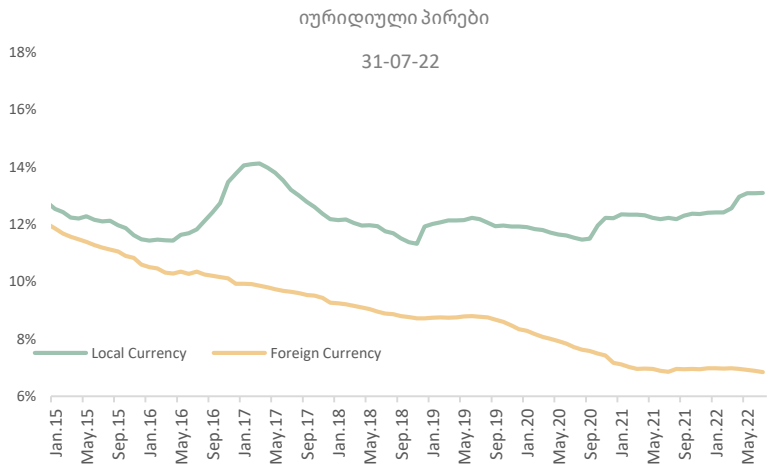
Source: NBG

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 August 1, 2022, the interest rate on foreign currency deposits was 1.5 percent, and in national currency – 10.7 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.1 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 10.7 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 15.5 percent (19.7 percent in national currency and 4.5 percent 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 6.5 percent in foreign currency).
- At the end of July 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.2 percent, and in foreign currency 7.2 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 5.9 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.

Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: info@mof.ge; www.mof.ge



MINISTRY OF FINANCE
OF GEORGIA