



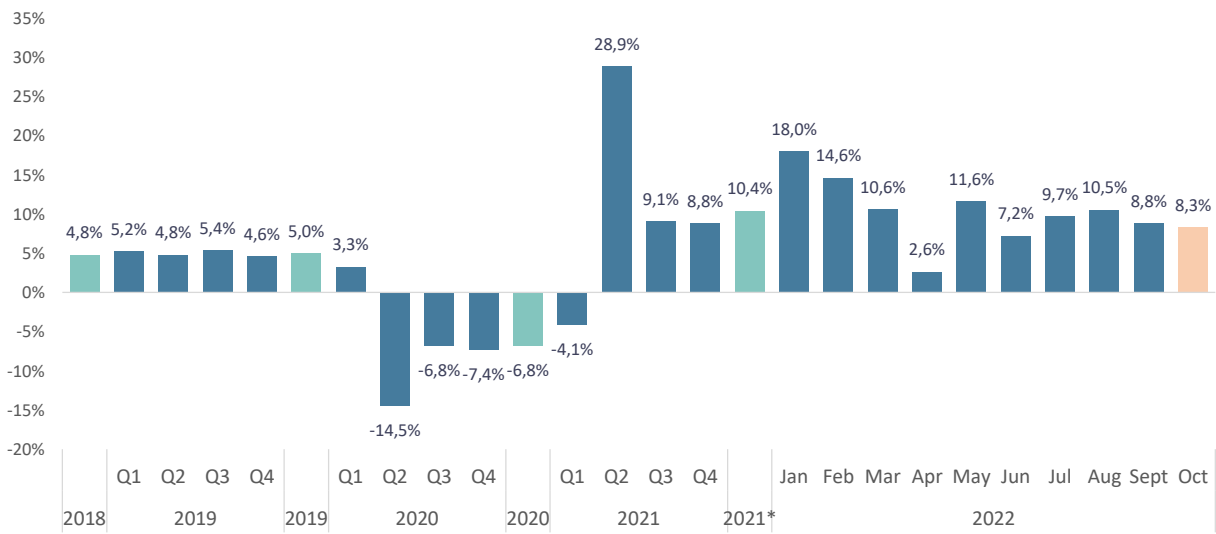
# Current Economic Outlook

November, 2022

- In October 2022, the real GDP growth rate was 8.3 percent and average growth rate of the first ten months of 2022 was 10 percent, according to the preliminary estimates of the National Statistics Office.
- In November, annual inflation stood at 10.4 percent, while core inflation was 7.1 percent
- In October, exports increased by 9.2 percent year-on-year and imports increased by 20.1 percent year-on-year, increasing the trade deficit by 28.6 percent year-on-year to 675.7 million USD
- For October, the real effective exchange rate appreciated by 20.9 percent compared to the same period of the previous year and by 2.6 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

# Economic Growth in October was equal to 8.3 percent

Economic Growth, % y/y

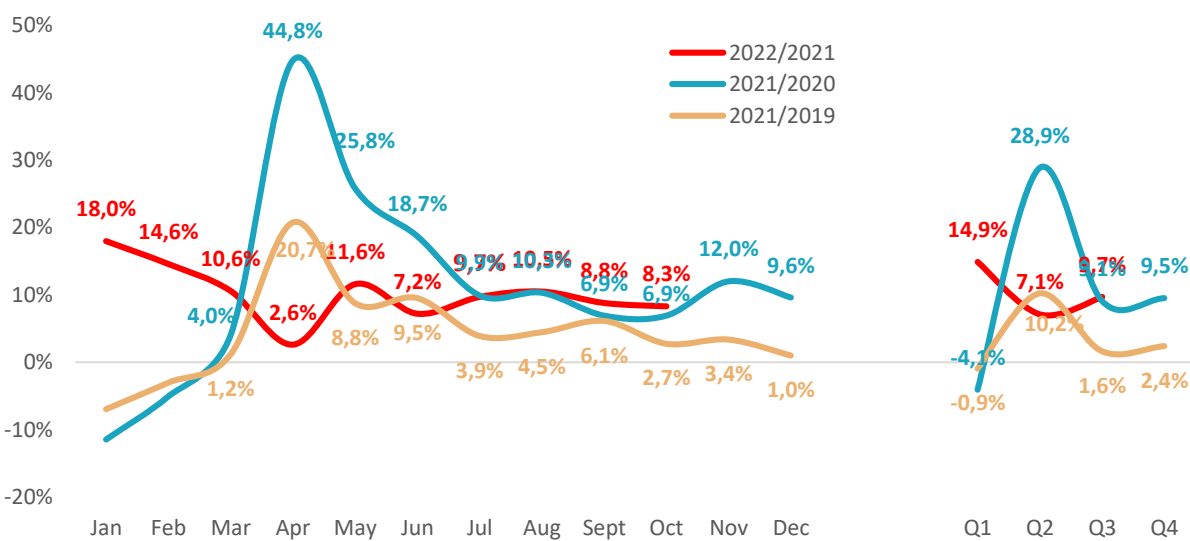


- Estimated real GDP growth rate in October 2022 equaled 8.3 percent YoY and average annual real GDP growth rate for 2022 January-October equals to 10.0 percent.
- In October 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Transport and warehousing, Financial and insurance activities, Mining industry, Hotels and Restaurants, Arts, Entertainment and Recreation.
- A decline was registered in the field of manufacturing and real estate related activities.

Economic Growth, % m/m



Economic Growth, 2022-2019



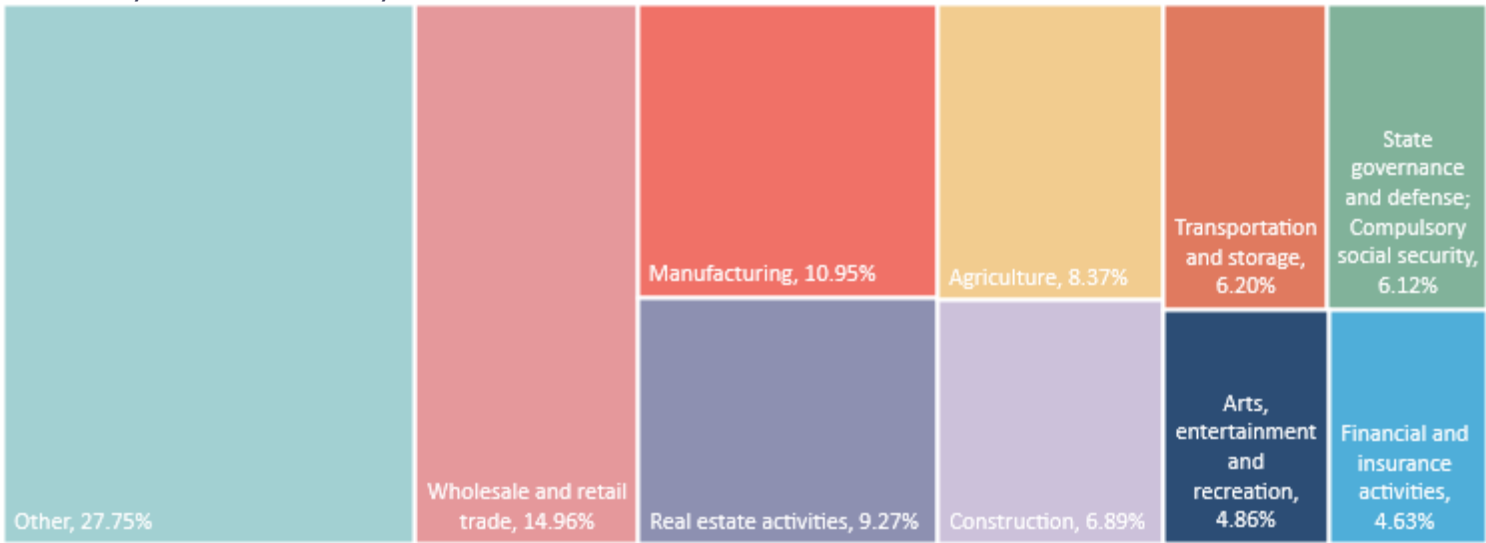
Source: Geostat, MOF

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

Real GDP growth by economic activity, 2022 II Quarter



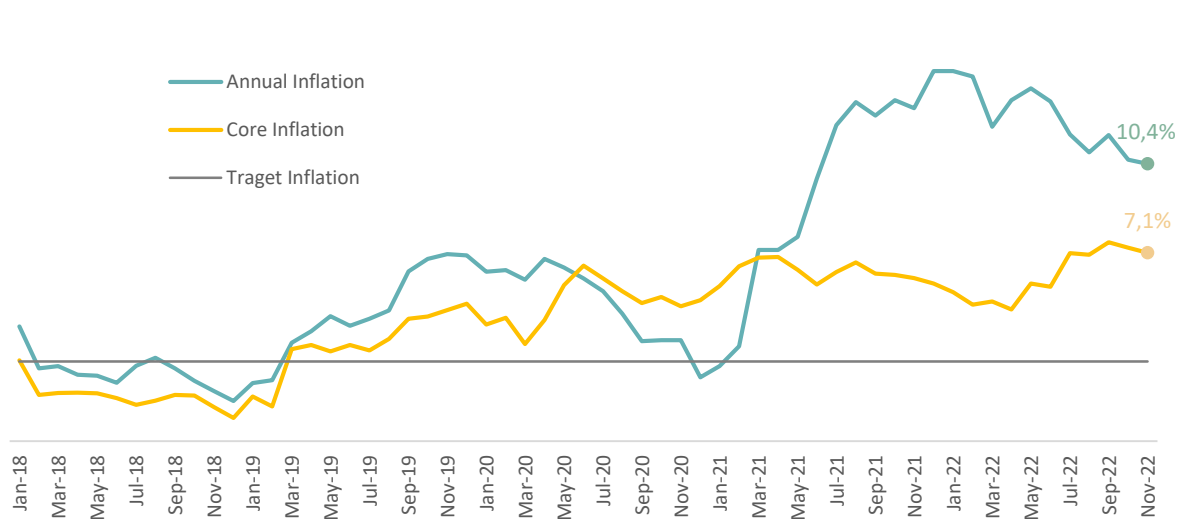
GDP by economic activity, 2022 II Quarter



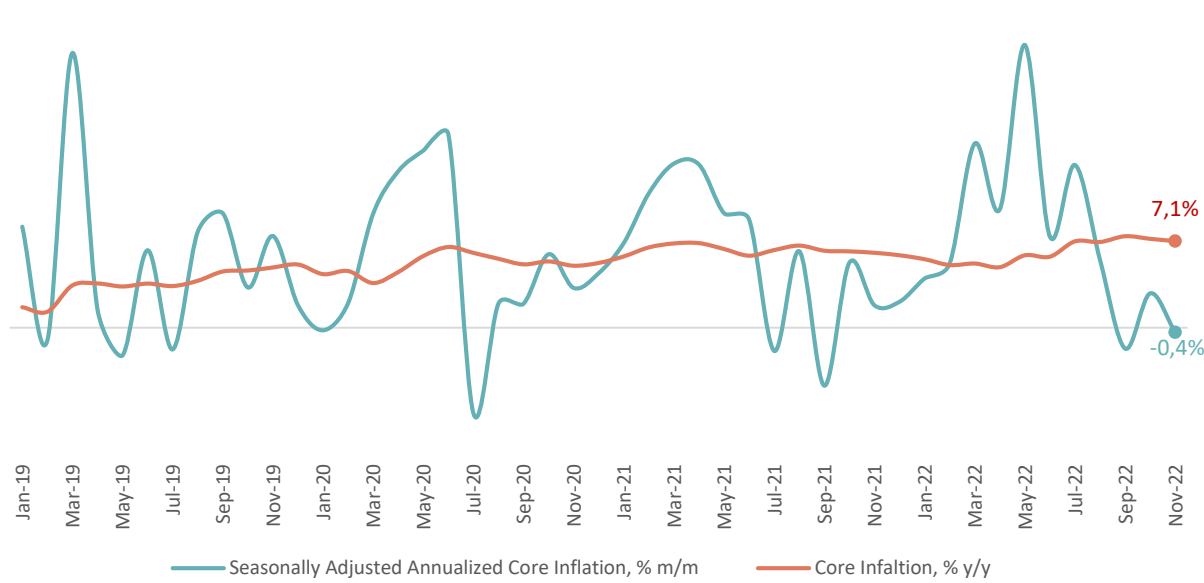
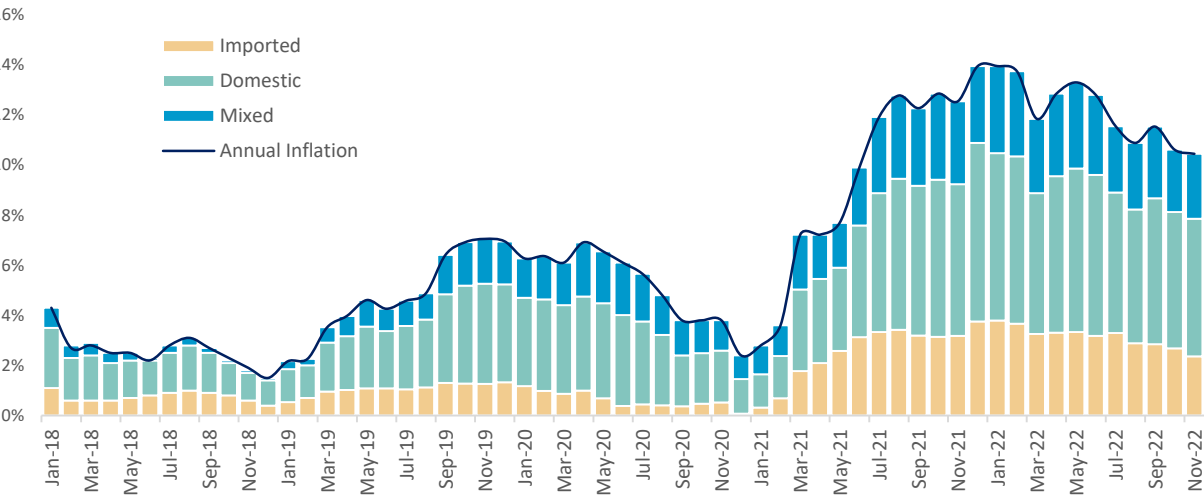
- According to preliminary estimates, in the third quarter of 2022 economic growth amounted to 9.7 percent, while in the second quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 7.2 percent and by 18.0 percent compared to the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q2 2022:
  - Supply of electricity, gas, steam and air conditioning: 72.6% y/y (1.7 p.p.)
  - Information and communication: 35.4% y/y (1.4 p.p.)
  - Administrative and support service activities: - 26.8% y/y (0.2 p.p.)
  - Transport and warehousing: 26.4% y/y (0.2 p.p.)
  - Mining industry: 15.5% y/y (1.6 p.p.)
  - Activities of households as employers: 11.0% y/y (0.02 p.p.)
  - Agriculture, forestry and fish farming: 10.1% y/y (0.01 p.p.)
  - Accommodation and food supply activities: 9.0 y/y (0.9 p.p.)
- The following sectors made a significant contribution to the decrease:
  - Real estate-related activities: -9.1 y/y (-1.1 p.p.)
  - Health care and social service activities: -13.9 y/y (-0.8 p.p.)

# Annual inflation in November has reached 10.4 percent

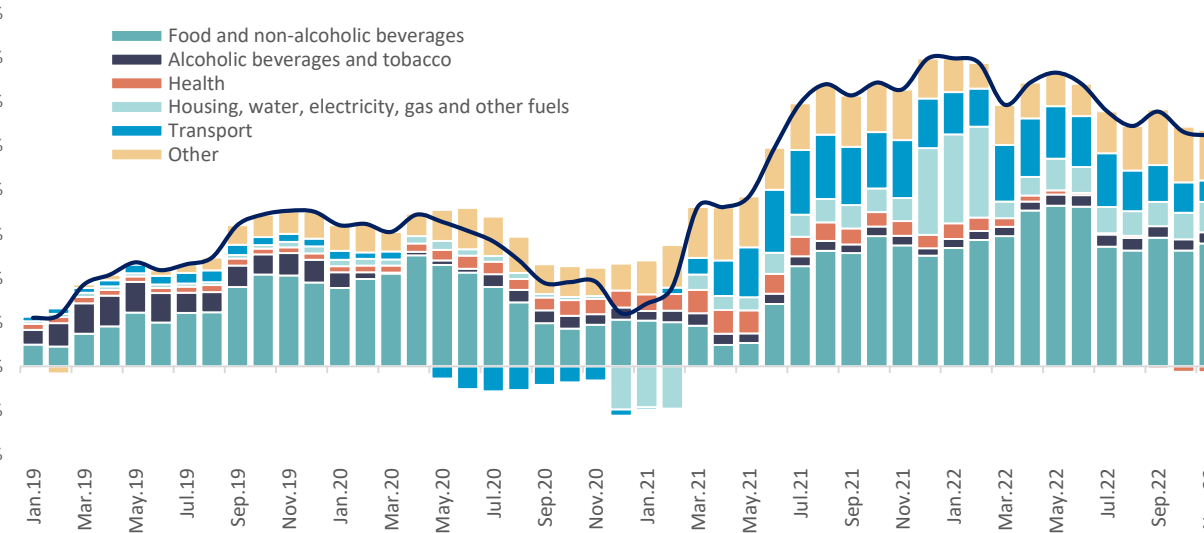
## Total and Core Inflation, % y/y



## Inflation Decomposition



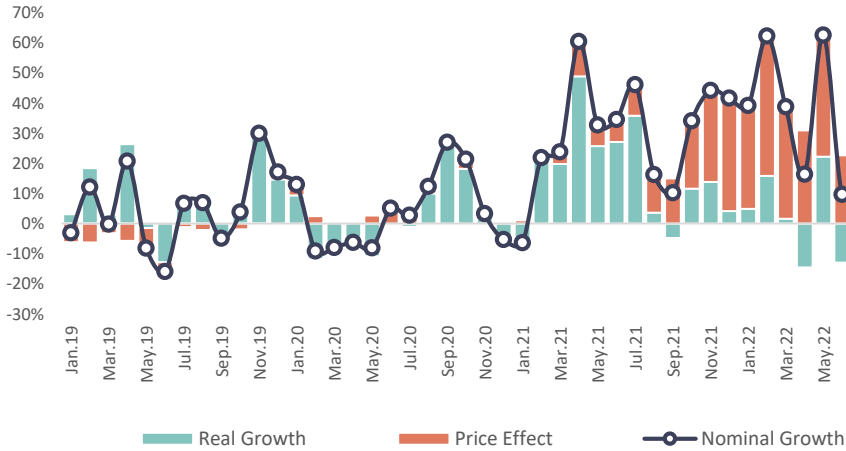
## Inflation Decomposition by product group



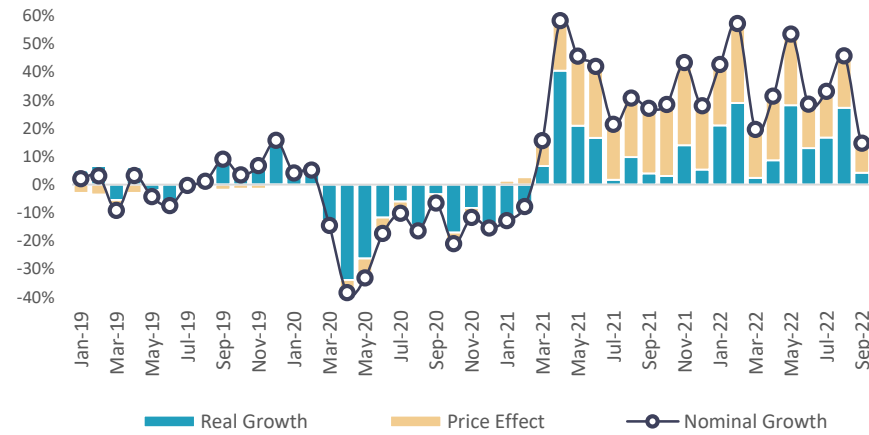
Source: Geostat, NBG, MOF

# Trade Deficit increased by 28.6 percent annually

## Change of Domestic Export, %y/y

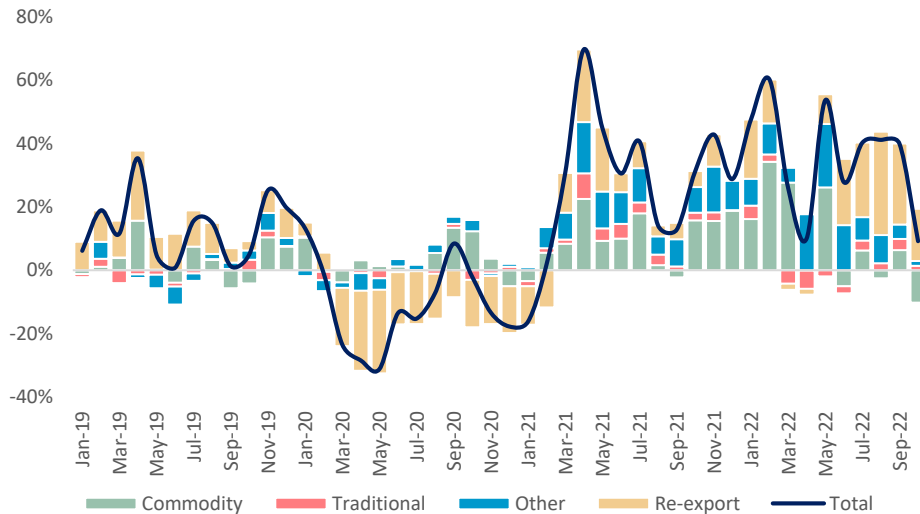


## Change of Import, %y/y

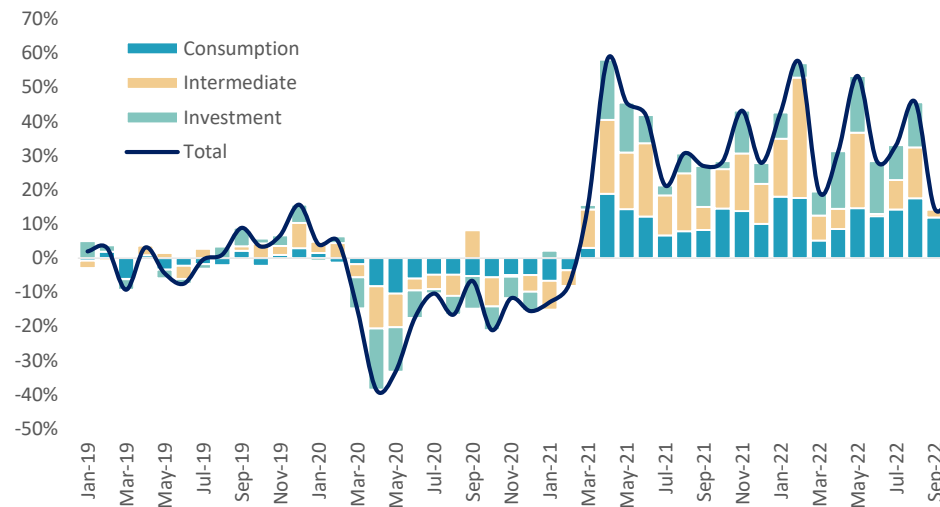


- Export increased annually by 9.2 percent to 448.8 million USD in October.
- Domestic export decreased annually by 8.8 percent to 290.3 million USD.
- Import annually increased by 20.1 percent to 1,224.4 million USD in September.
- Trade deficit annually increased by 28.6 percent to 675.7 million USD in September.

## Decomposition of Export



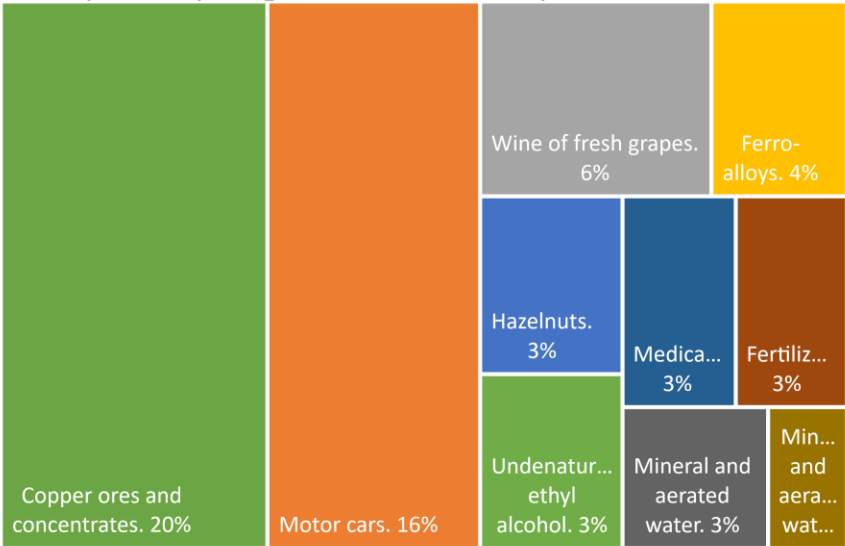
## Decomposition of Change of Import, %y/y



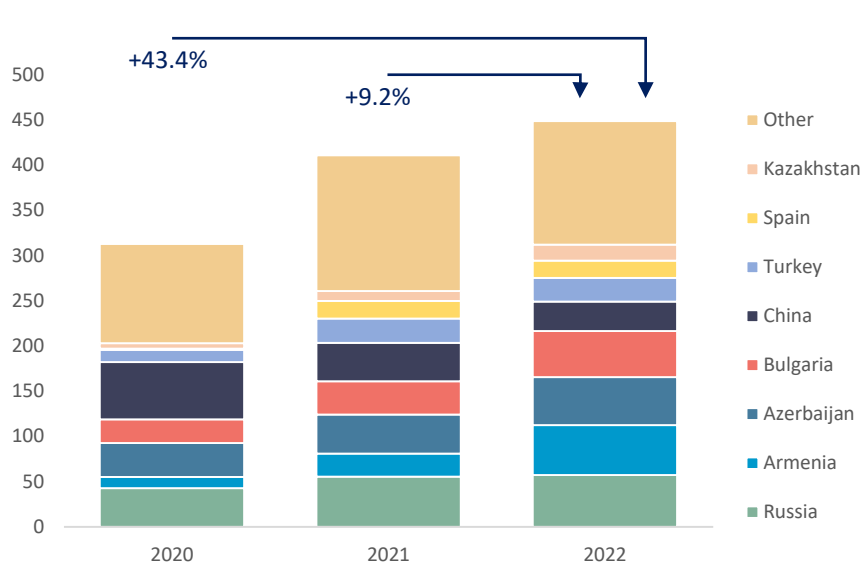
- Share of re-export in export growth is equal to 16.5 percent (72.7 %y/y), while share of commodity export is -10.2 percent (-25.1 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 9.3, 4.5 and 6.3 percent respectively.

# International trade is characterized by stable diversification

Top 10 Export goods, % of total Export

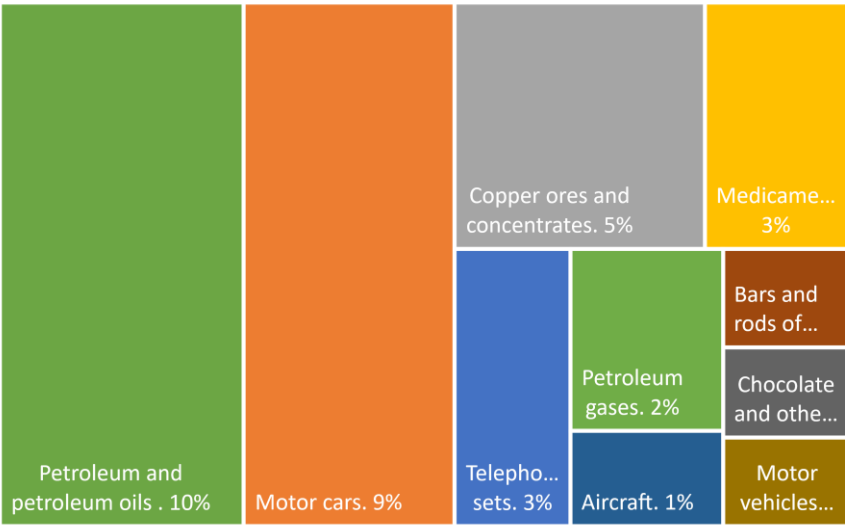


Export by country, October

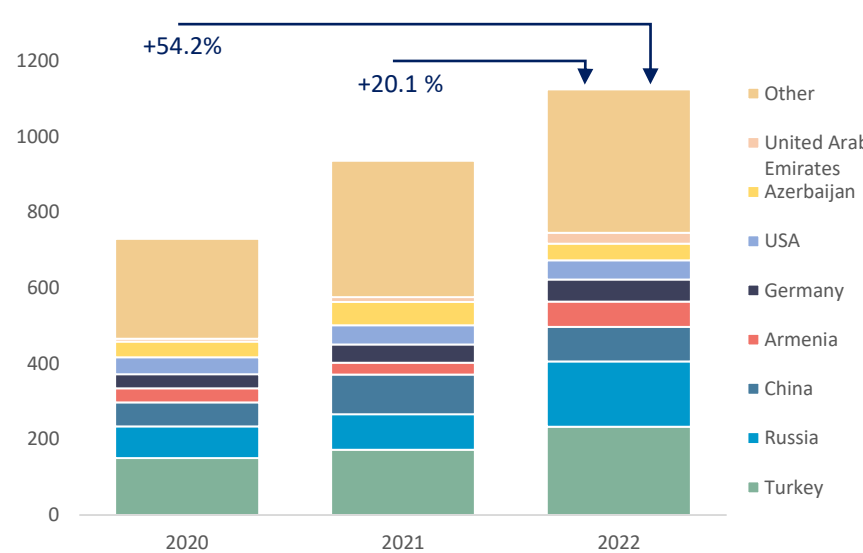


- Top Export Products:
  - Copper ores and concentrates: 88.8 mln. USD – 19.8 percent.
  - Motor cars: 70.8 mln. USD – 15.8 percent of total export.
  - Wine of fresh grapes: 27.5 mln. USD – 6.1 percent.

Top 10 Import goods, % of total Import



Import by country, October



- Top Import Products :
  - Petroleum and petroleum oils: 113.7 mln. USD – 98.4 percent.
  - Motor cars: 91.9 mln. USD – 8.8 percent.
  - Copper ores and concentrates: 54.9 mln. USD – 4.9 percent of total import.

- Top Export Country:
  - Russia: 57.1 mln. USD – 12.7 percent.
  - Armenia: 55.4 mln. USD – 12.3 percent.
  - Azerbaijan: 53.1 mln. USD – 11.8 percent.
- Top Import Country :
  - Turkey: 233.2 mln. USD – 20.7 percent.
  - Russia: 172.3 mln. USD – 15.3 percent.
  - China: 91.3 mln. USD – 8.1 percent.

Source: Geostat

# Tourism recovery continue to increase and reached 126.4% percent of 2019 level in October

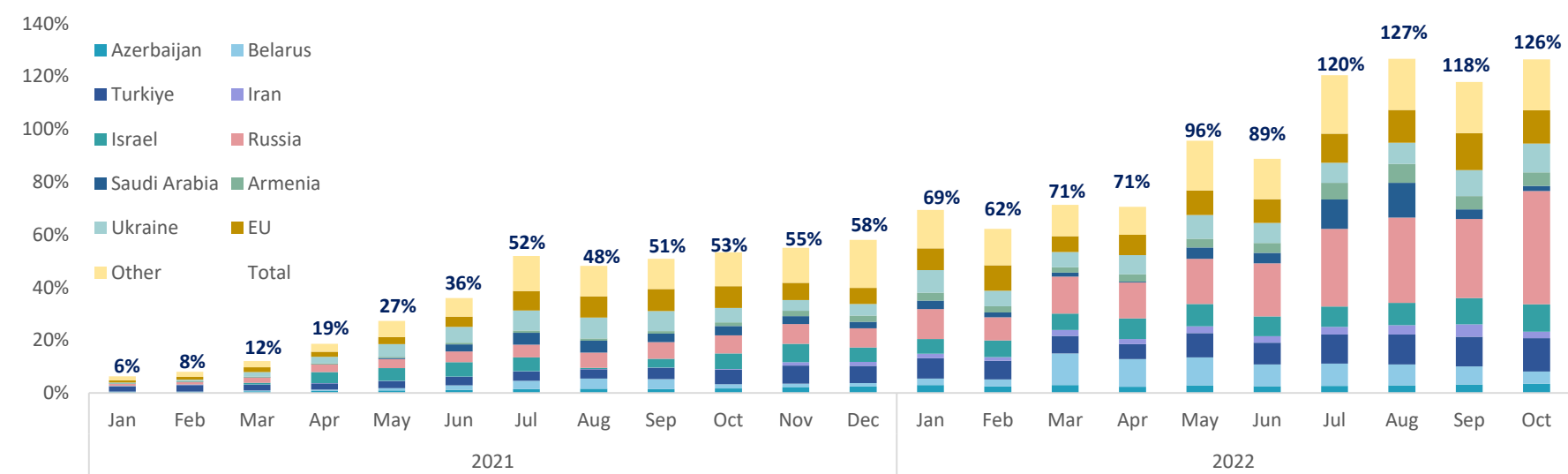
Revenue from Tourism, 2019 = 100



Revenue from Tourism, October 2022

Country	Tourism Revenue, mln USD
Russia	114.5
EU + UK	33.7
Turkey	33.6
Ukraine	29.3
Israel	27.7
Belarus	12.3
Other	86.2

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

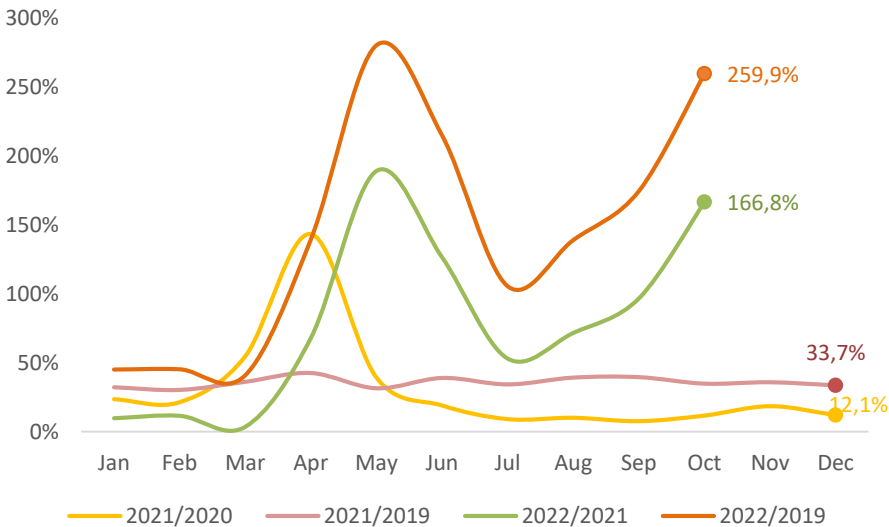


- In October 2022, tourism revenues increased by 137.1 percent compared to the corresponding period of the previous year to 337.3 million USD. Such high increase is mainly due to low level of tourism revenue inflow in October 2021 (142.3 million USD).
- Because of the recovery of economic activity in the region and within the country, tourism sector activities increased compared to 2019. In particular, revenue from tourism in October 2022 increased by 17.9 percent compared to October 2019.
- At the same time, seasonally adjusted tourism revenues decreased by 12.0 percent compared to the previous month.

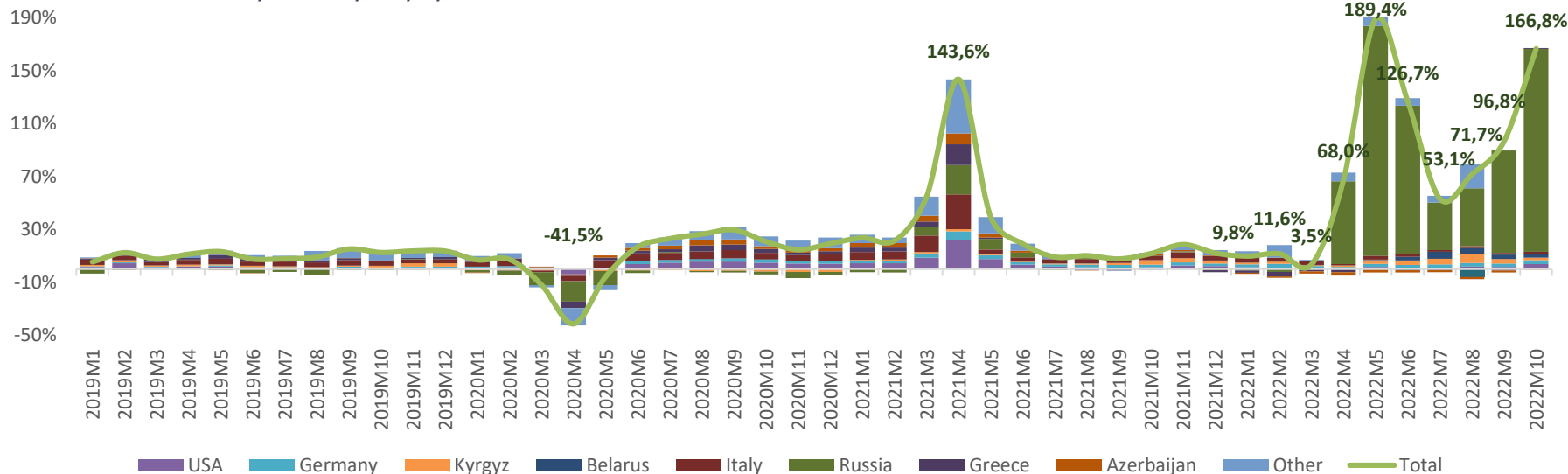


# Remittances are increasing as a result of economic activity in the region

Net Remittances



Net Remittances by country, %y/y



Net Remittances, October 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	296.5	945.2	152.0
Italy	34.9	7.7	1.4
USA	28.3	22.1	2.9
Greece	17.3	-3.6	-0.4
Israel	15.9	7.4	0.6
Kazakhstan	7.0	7.4	0.3
Other	70.7	32.9	9.9

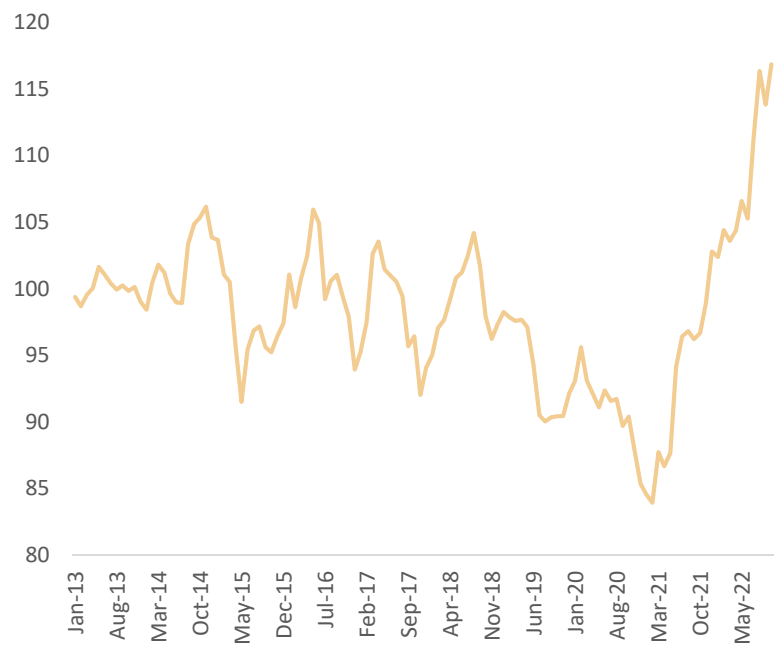
- In October 2022, net remittances were estimated at 470.6 million USD, representing a 166.8 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 259.9 percent.
- Net Remittances increased from:
  - Russia: 945.2 percent (152.0 p.p. contribution to overall growth).
  - Germany: 39.4 percent (2.3 p.p. contribution to overall growth).
  - USA: 22.1 percent (2.9 p.p. contribution to overall growth).
  - Italy: 7.7 percent (1.4 p.p. contribution to overall growth).
- Net Remittances decreased from:
  - Greece -3.6 percent (-0.4 p.p. contribution to overall growth)

# The Real effective exchange rate in October appreciated by 20.9 percent annually

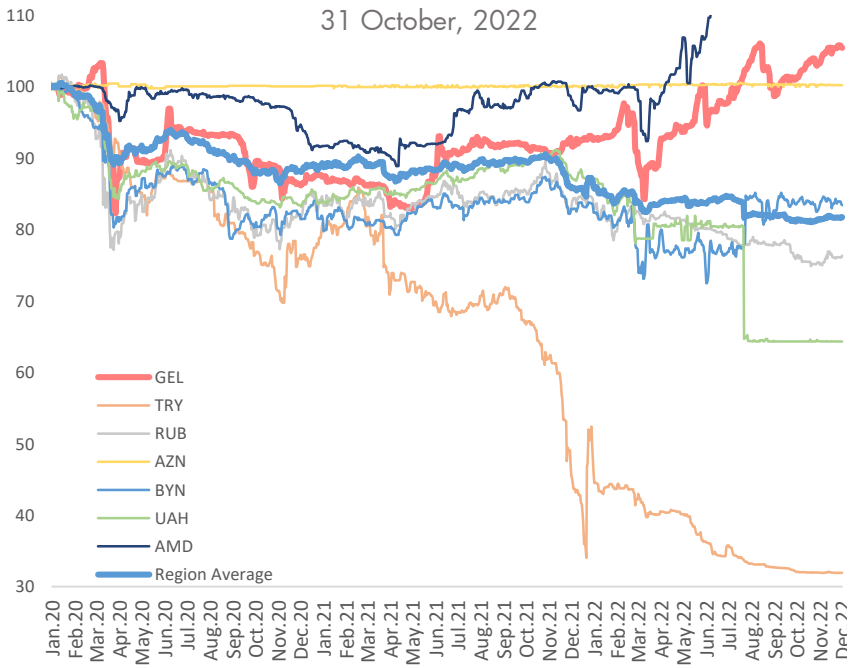
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



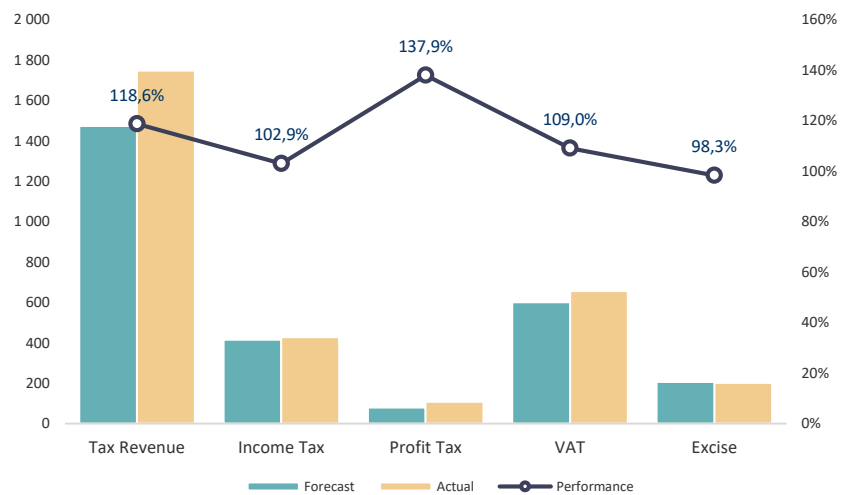
Note: Increase means appreciation

	November 30, 2022		Nov 30, 2022 - Jan 1, 2022		Nov 30, 2022 - Jan 1, 2021
Euro	2.8196	▲	14.0%	▲	8.5%
US Dollar	2.7153	▲	5.6%	▼	-1.6%
Turkish Lira	0.1457	▲	230.6%	▲	246.9%
Russian Ruble	0.0445	▲	3.6%	▼	-13.8%
NEER	137.07	▲	4.5%	▲	23.9%
REER (October 2022)	143.65	▲	14.1%	▲	36.9%

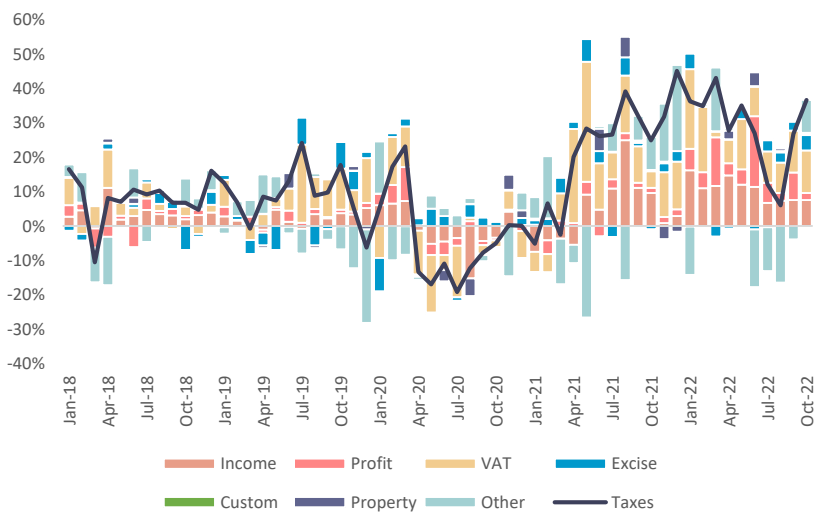
Source: NBG

# Tax revenues in the November is above the forecast value by 18.6 percent

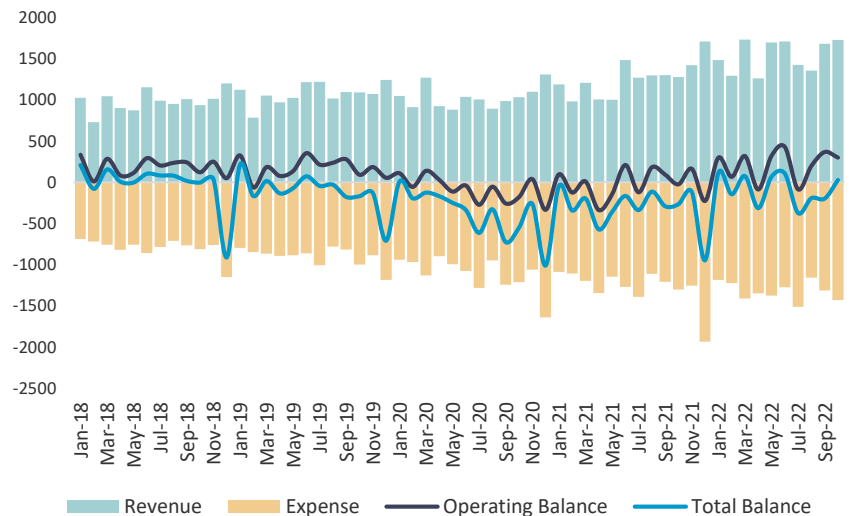
Budget Revenue Performance, November 2022



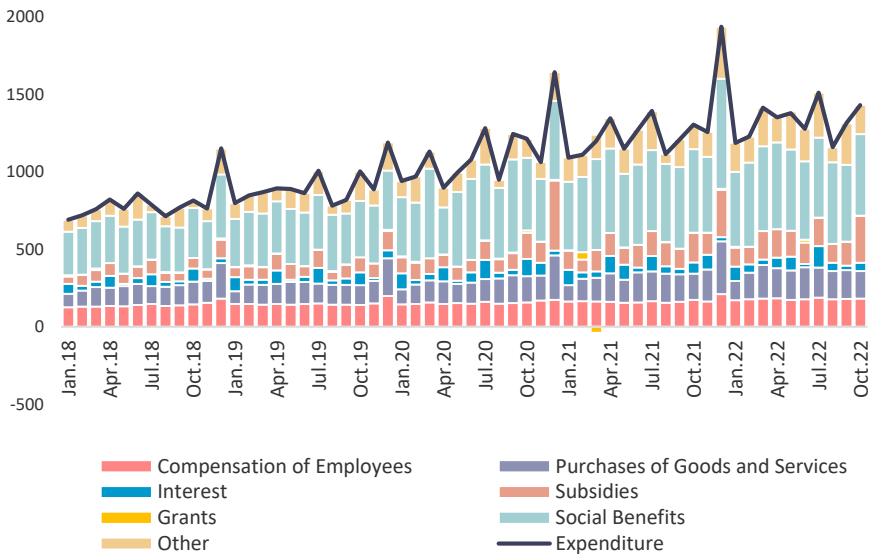
Tax Income, % y/y



Consolidated Budget, mln GEL



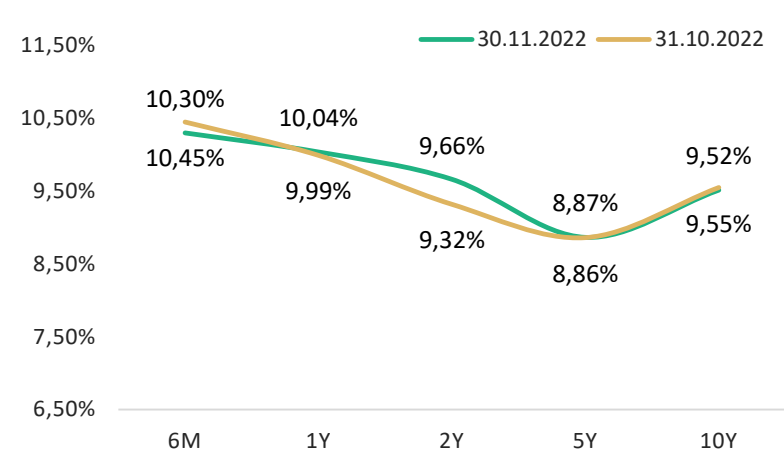
Consolidated Budget Expenditure, mln GEL



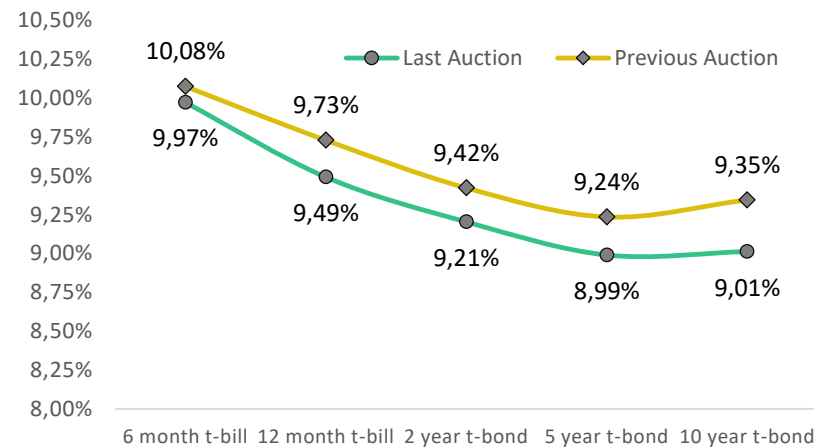
- The actual level of tax income in November 2022 was 1,747 mln GEL, which is 18.6 percent higher compared to the forecasted value of tax income of 1,473 mln GEL.
- Consolidated budget revenues increased by 35.3 percent and expenditures by 9.8 percent in October.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 299.9 million GEL, while the total balance was set at 25.7 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT in September, accounting for 12.4 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

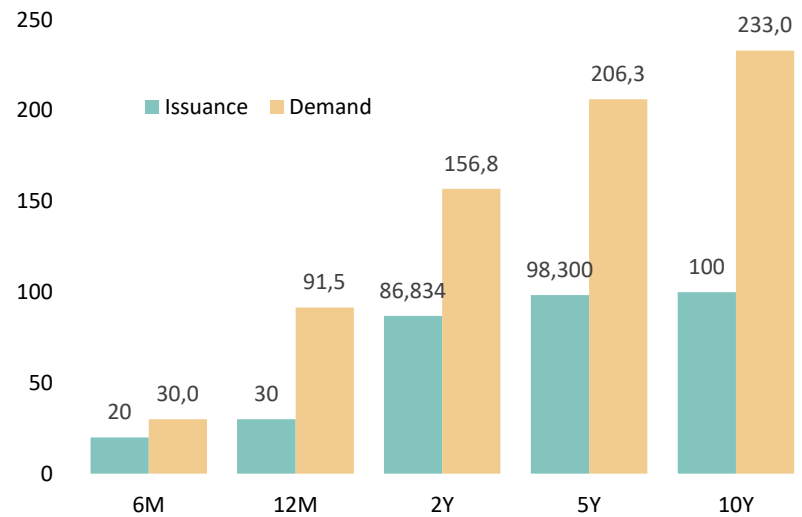
Portfolio Yield Curve



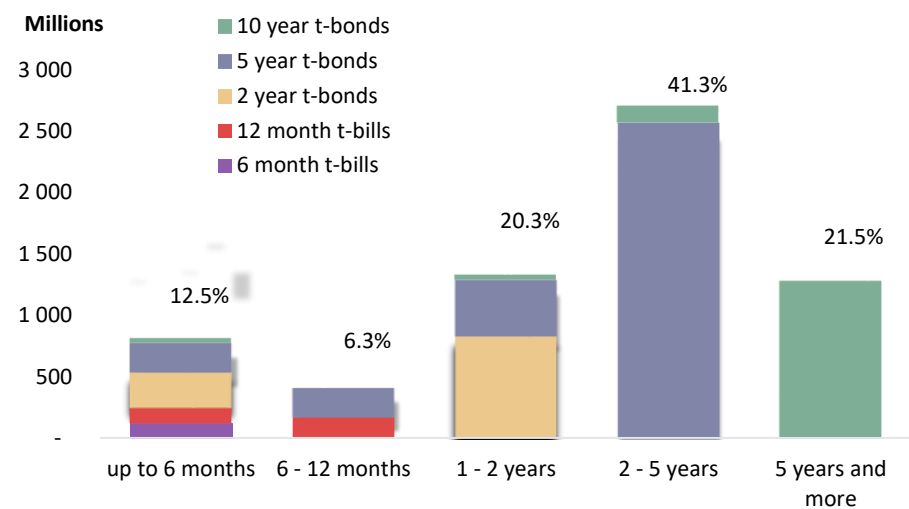
Weighted average interest rates



Issuance and Demand, mln GEL



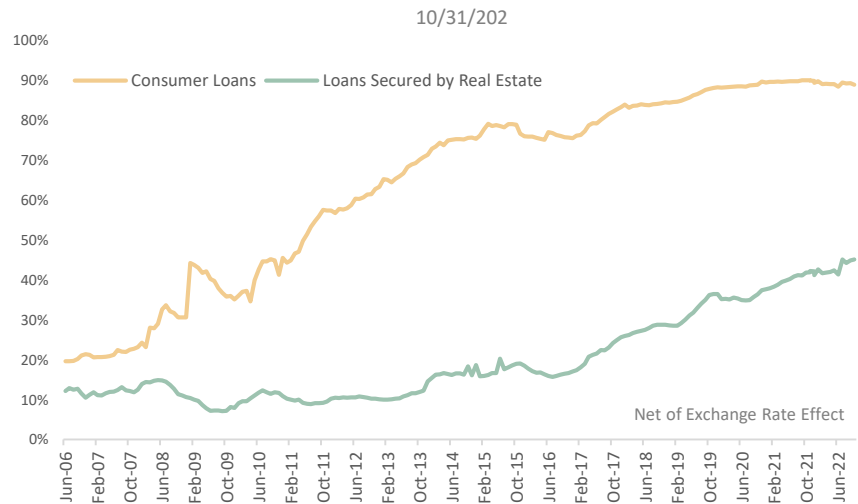
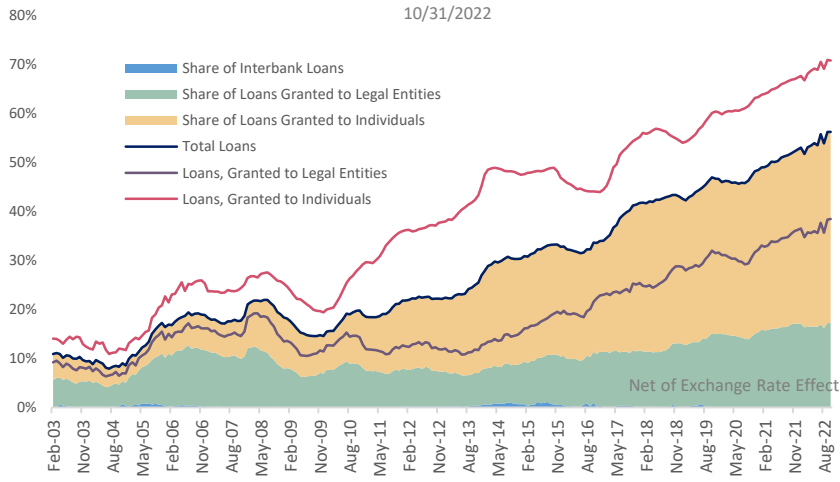
Portfolio Forming Securities Composed by Time to Maturity



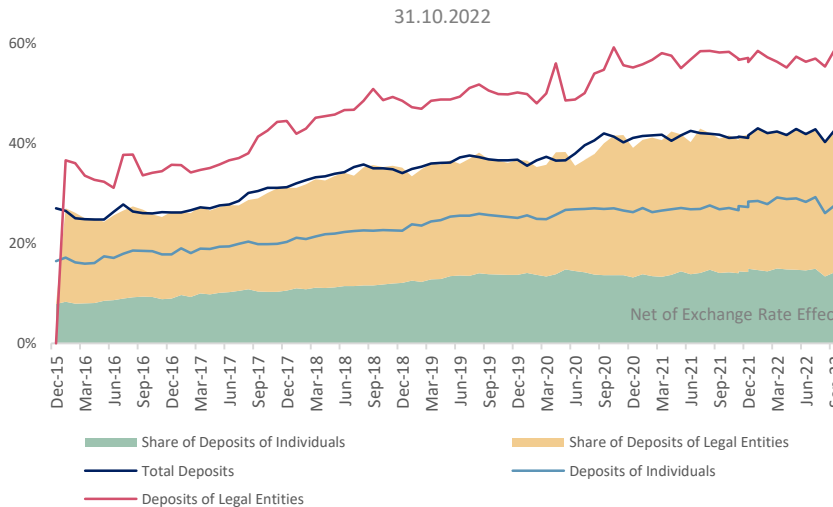
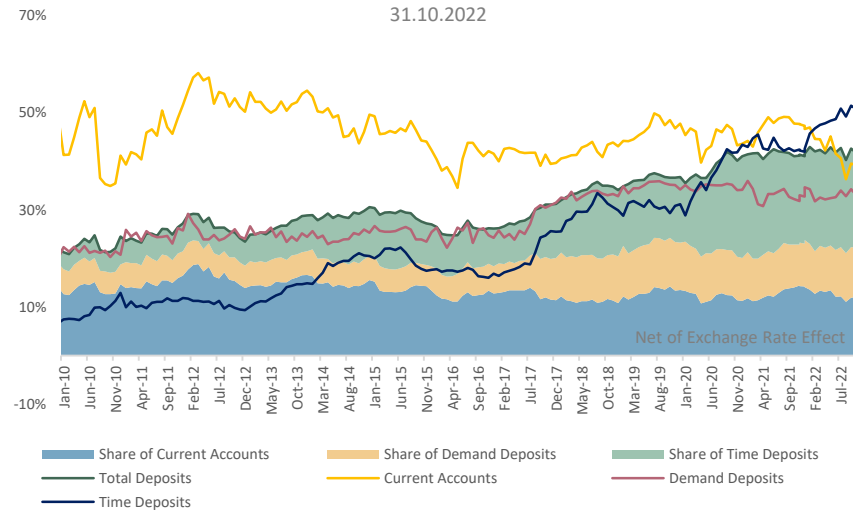
- In November 2022, 5 auctions were held with total issuance volume of 335.134 million GEL
- The weighted average interest rate amounted to 9.157%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10 years. Treasury securities with total amount of 400 million GEL were redeemed.
- As of November 30, 2022 18.77% 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 (October 2.09) and amounted to 2.14.

# The larization rates continue to rise

## Loan Larization



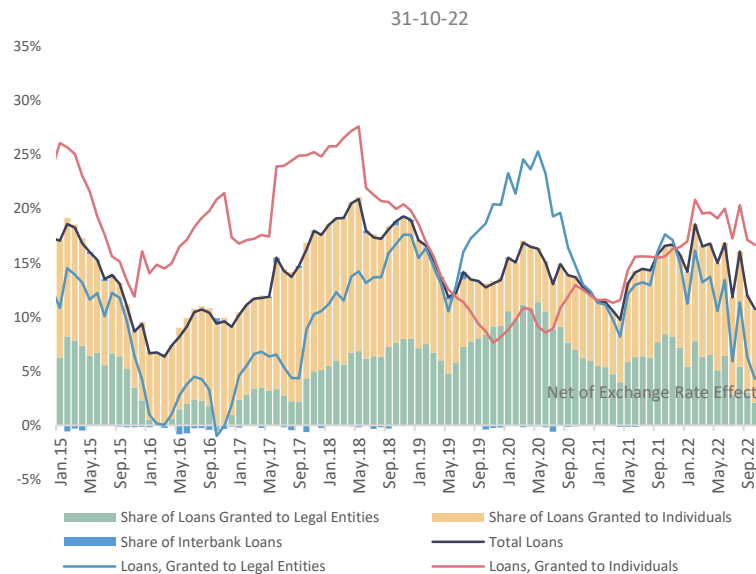
## Deposit Larization



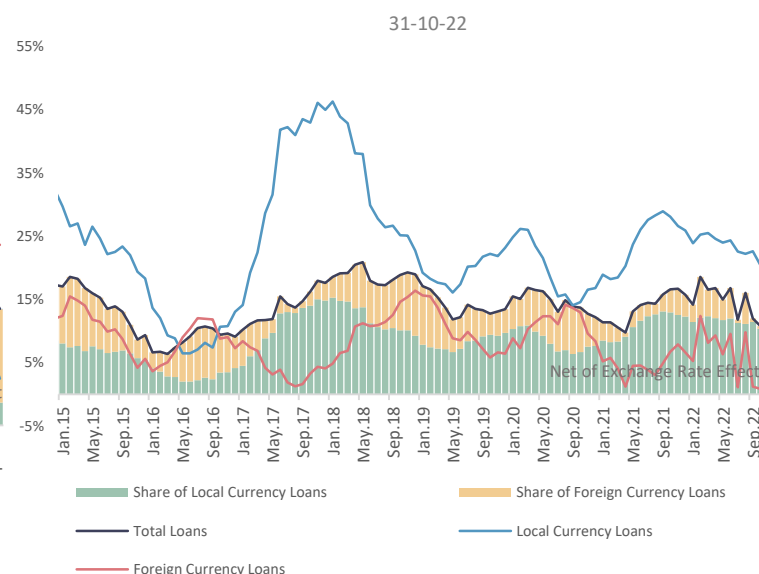
- As of November 1, 2022, the larization of total loans is 56.2 percent.
- The larization of loans to individuals is 70.8 percent.
- The larization of loans to legal entities amounted to 38.4 percent.
- The larization of total deposits equals to 41.7 percent.
- The larization on deposits of legal entities amounted to 57.6 percent.
- The larization of deposits of individuals is 27.1 percent.
- The larization of time deposits is 50.7 percent.
- The larization of current accounts equals to 39.2 percent.
- The larization of demand deposits is 33.0 percent.

# The annual growth trend of loans is sustained

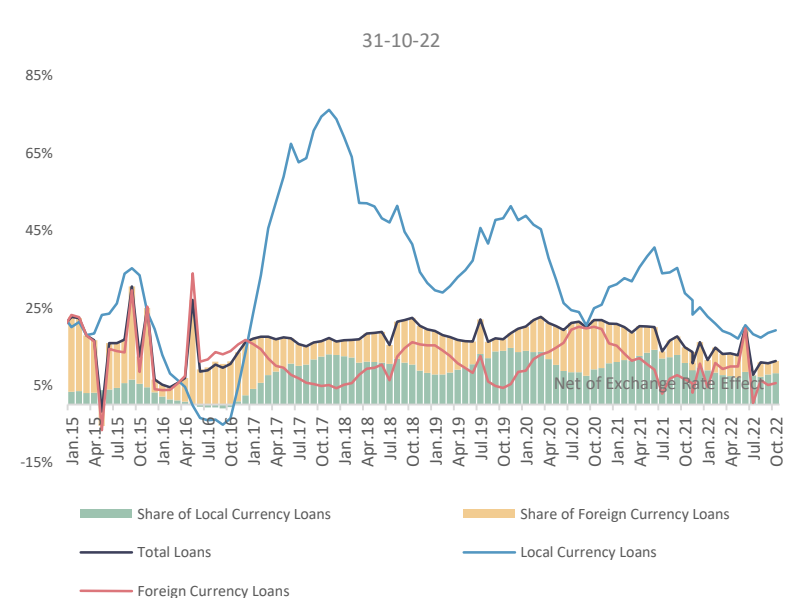
Loans, % y/y



Loans by Currency, % y/y



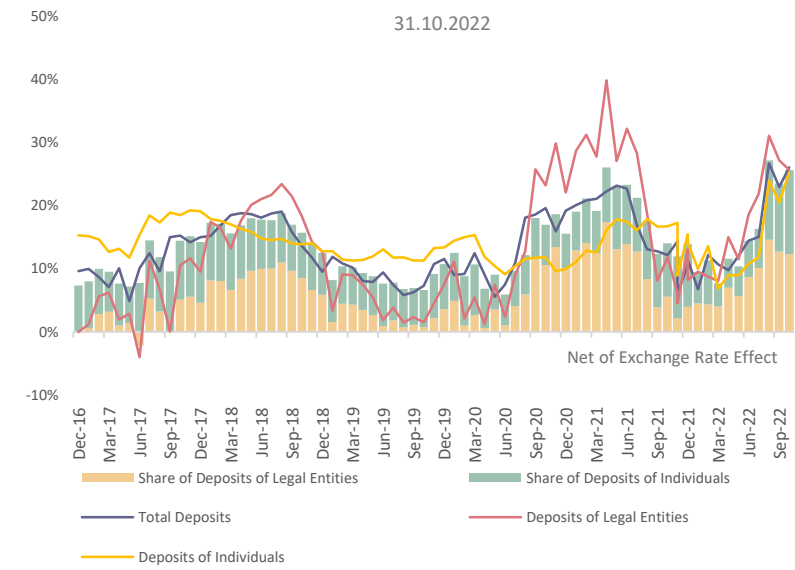
Mortgage Loans, % y/y



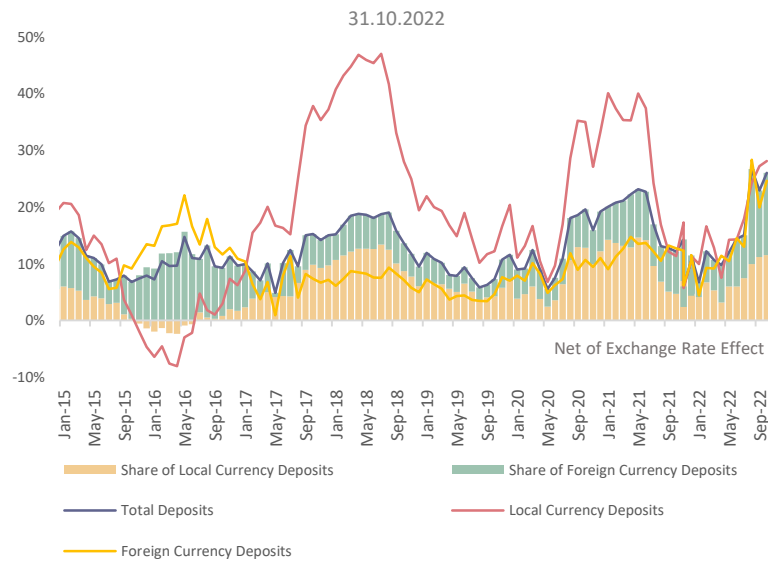
- As of November 1, 2022, total loans increased by 11.0 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 4.5 percent.
- The annual growth of loans to individuals is 16.9 percent.
- As of December 1, 2022, the growth rate of loans denominated in the national currency amounted to 20.4 percent.
- The annual growth of loans denominated in foreign currency amounted to 0.8 percent.
- As of October 31, 2022, the annual growth of loans secured by real estate amounted to 11.2 percent. At the same time, mortgage loans denominated in national currency increased by 19.1 percent, while mortgage loans denominated in foreign currency increased by 5.5 percent.

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

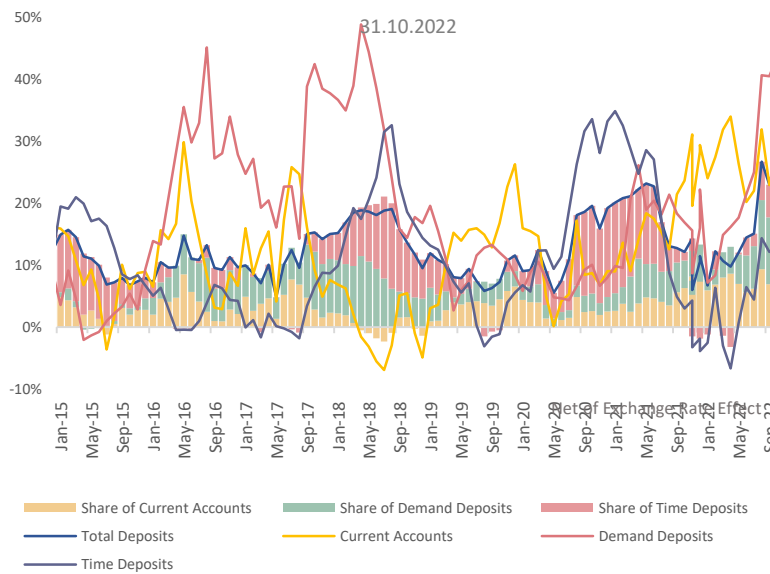
Deposits, % y/y



Deposits by Currency, % y/y



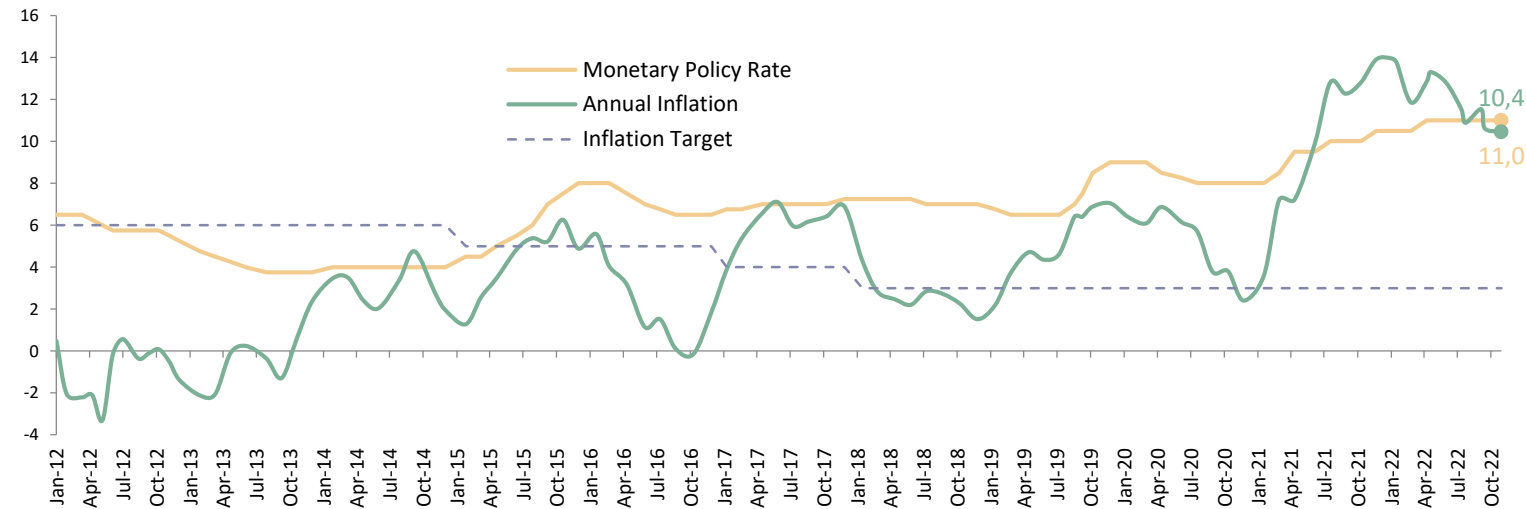
Deposits by type, % y/y



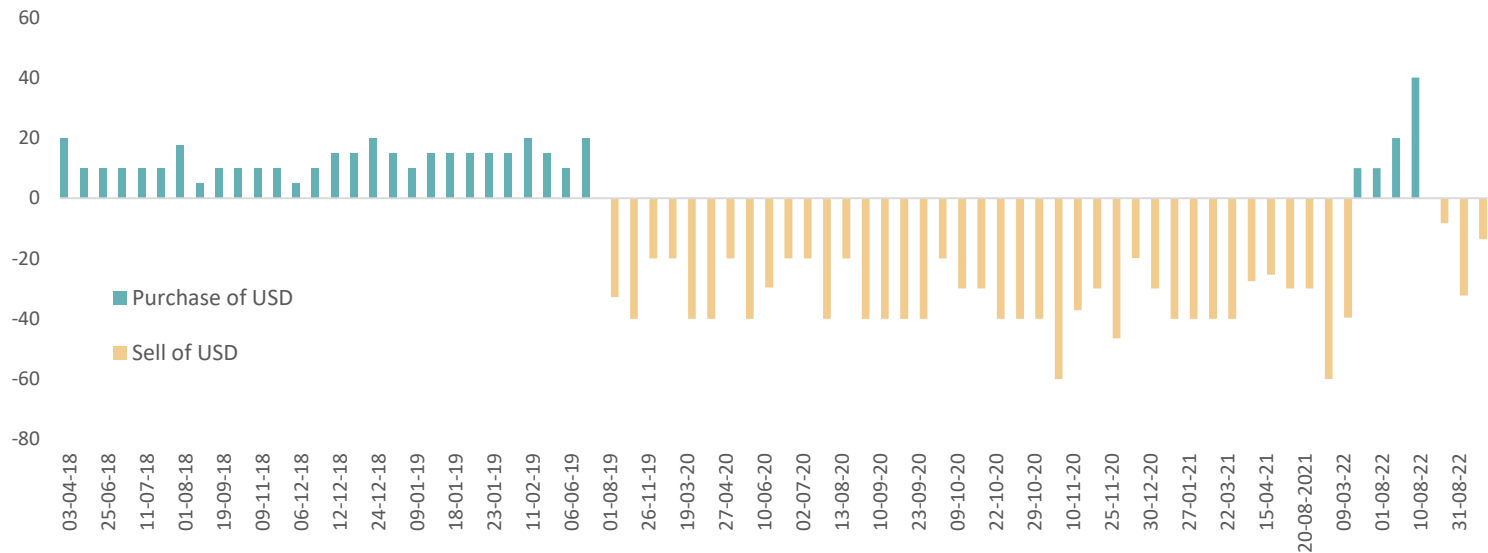
- As of November 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 26.0 percent.
- The annual growth of deposits denominated in the national currency amounted to 28.1 percent. The annual growth of deposits denominated in foreign currency stood at 24.6 percent over the same period.
- The growth of deposits of individuals amounted to 25.2 percent, while the annual growth of deposits of legal entities in the same period amounted to 25.6 percent.
- The annual growth of current accounts at the beginning of November 2022 was equal to 28.9 percent.
- The annual growth of time deposits was 13.0 percent.
- The growth of demand deposits amounted to 43.6 percent.

# The monetary policy rate is kept to 11.0 percent

## Inflation and Monetary Policy Rate



## Trade of USD by NBG, mln USD

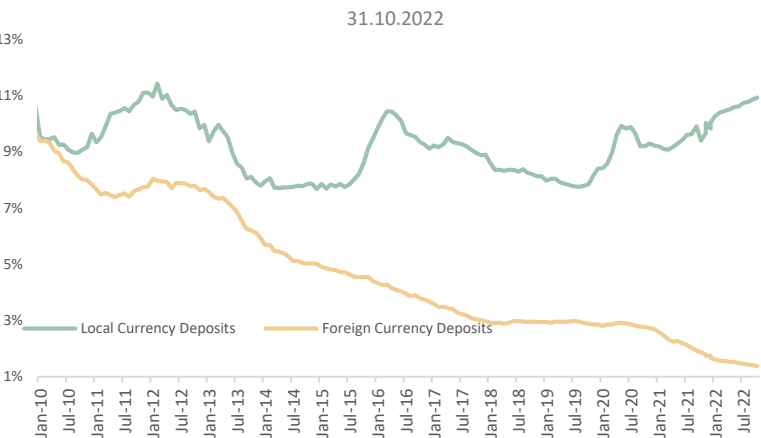


- On October 26, 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- Inflationary pressure is still high in most of the world, to which the leading central banks are responding with tightened financial conditions. This worsens global economic growth outlook and creates stagflation risks. Inflation in Georgia has retreated from its peak, however it still remains at a high level, amounting to 10.4 percent in November. Recently, positive trends are being observed on the international commodity markets, with commodity prices and international shipping costs declining. At the same time, although remaining at a high level, the international food price index according to the Food and Agriculture Organization (FAO) has been falling for 6 consecutive months.
- The next meeting of the Monetary Policy Committee will be held on December 21, 2022.
- There was no FX interventions during November.

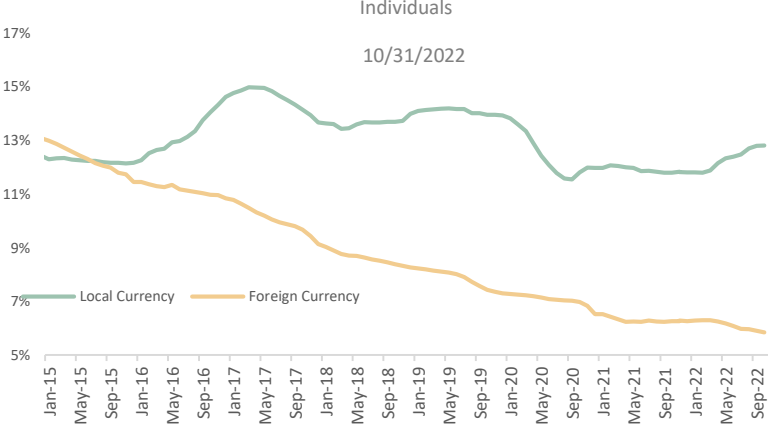
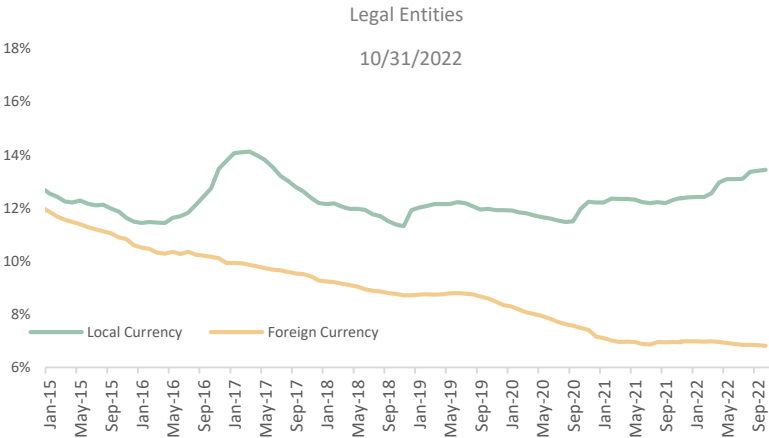


# Market interest rates increased in national currency and decreased in foreign currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of November 1, 2022, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 10.9 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 10.6 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 6.3 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 6.4 percent in foreign currency).
- At the end of November 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 6.1 percent.

## Disclaimer

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