



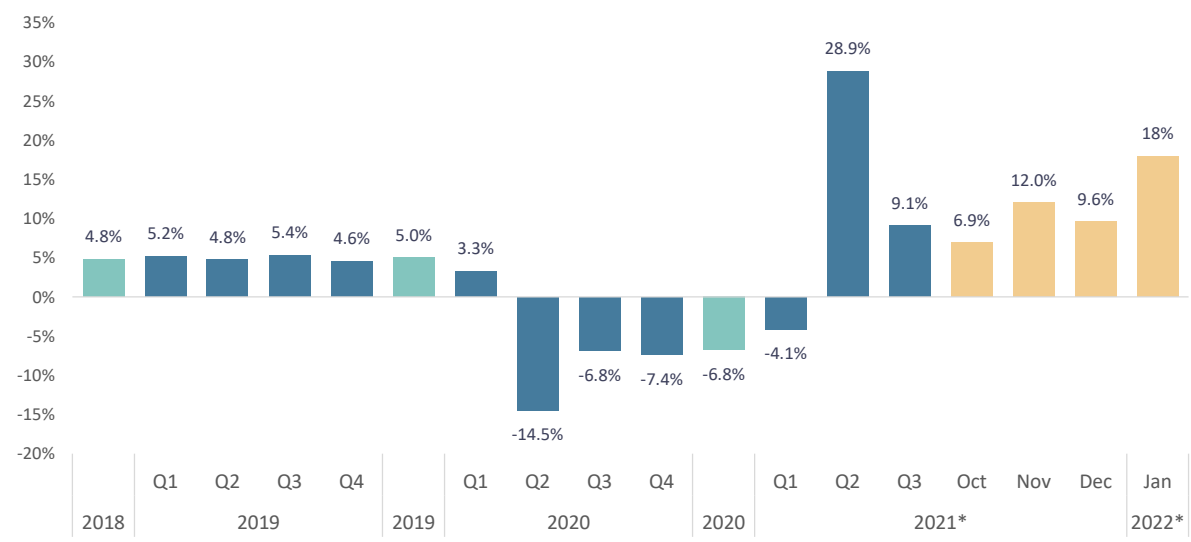
Current Economic Outlook

February, 2022

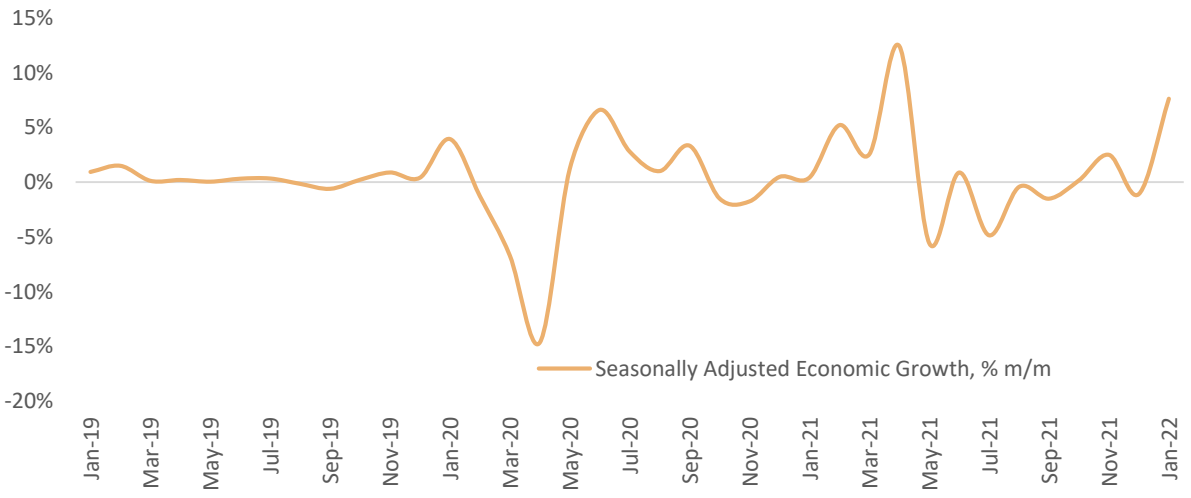
- According to the preliminary estimates of the National Statistics Office, in January 2022, the real GDP growth rate was 18.0 percent and average growth rate of the year was 10.6 percent.
- Annual inflation stood at 13.7 percent in February, while core inflation was 5.1 percent
- In January, exports increased by 47.6 percent year-on-year and imports increased by 38.7 percent year-on-year, increasing the trade deficit by 32.8 percent year-on-year to 447.8 million USD
- The real effective exchange rate for January appreciated by 21.1 percent compared to the same period of the previous year and depreciated by 0.4 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate at 10.5 percent
- International credit agency Fitch kept sovereign rating of Georgia at BB stable, while S&P improved rating to BB stable from BB negative

Economic Growth in January was equal to 18 percent

Economic Growth, % y/y

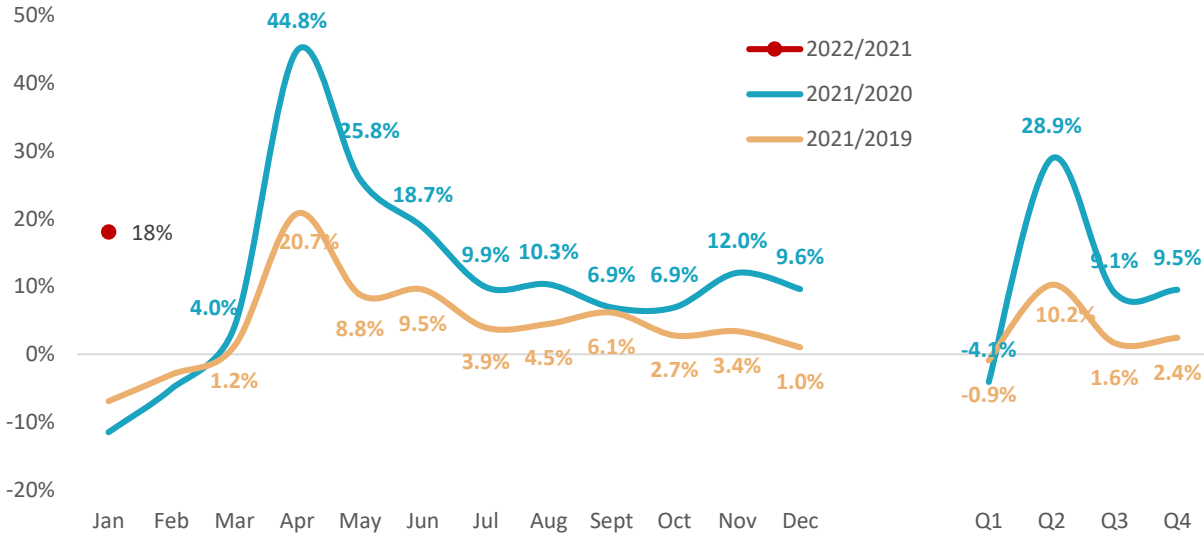


Economic Growth, % m/m



- Estimated real GDP growth rate in January 2022 equaled 18 percent YoY and average annual real GDP growth rate for 2022 equals to 10.6 percent.
- In January 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Transportation and storage, Electricity, gas, steam and air conditioning supply, Trade, Hotels and restaurants, Arts, entertainment and recreation, Real estate activities and Mining and quarrying.
- A decline was registered in Construction, Information and communication.

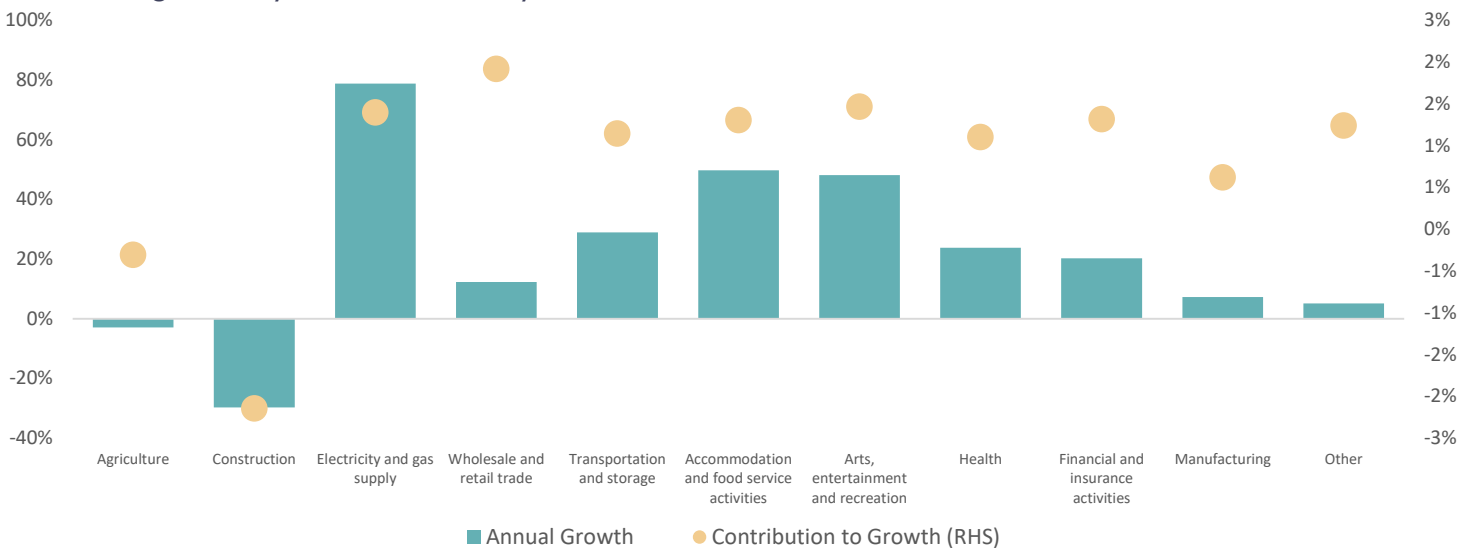
Economic Growth, 2021-2019



Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 9.1 percent in the third quarter of 2021

Real GDP growth by economic activity, 2021 III Quarter

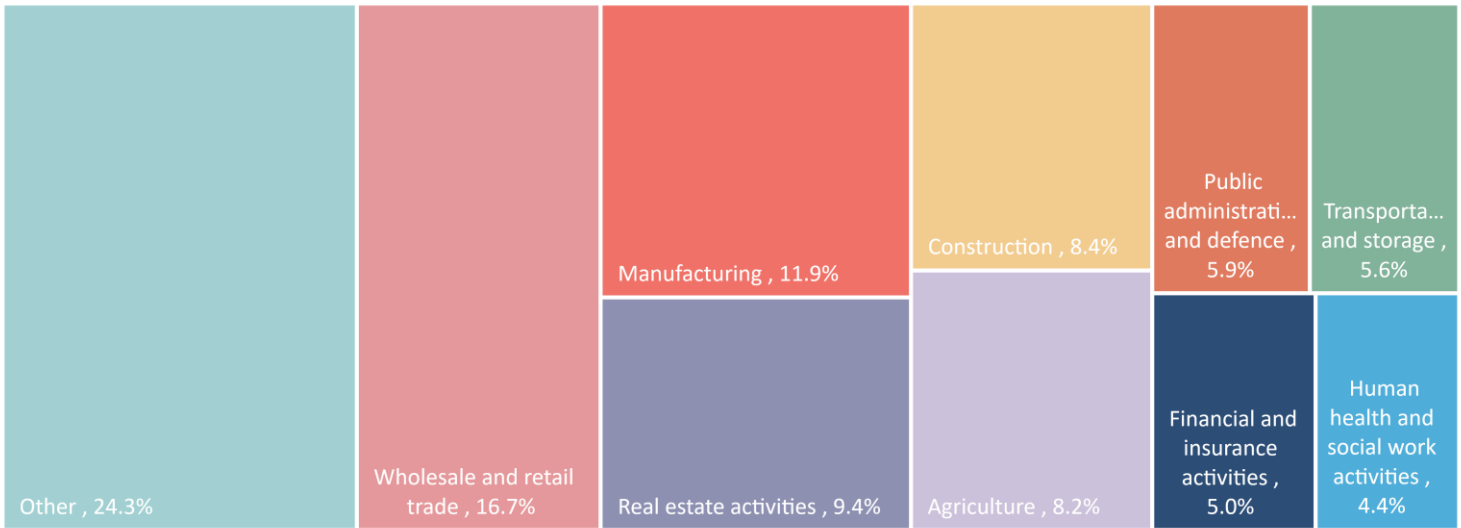


▪ According to preliminary estimates, in the third quarter of 2021, compared to the corresponding period of the previous year, real GDP increased by 9.1 percent and by 1.6 percent compared to the second quarter of 2019.

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

- Electricity and gas supply: 78.8% y/y (1.4 pp)
- Wholesale and retail trade: 12.3% y/y (1.9 pp)
- Transportation and storage: 29% y/y (1.1 pp)
- Accommodation and food service activities: 49.8% y/y (1.3 pp)
- Arts, entertainment and recreation: 48.1% y/y (1.5 pp)
- Health and social service activities: 23.8% y/y (1.1 pp)
- Financial and insurance activities: 20.3% y/y (1.3 pp)
- Manufacturing: 7.3% y/y (0.6 pp)

GDP by economic activity, 2021 III Quarter

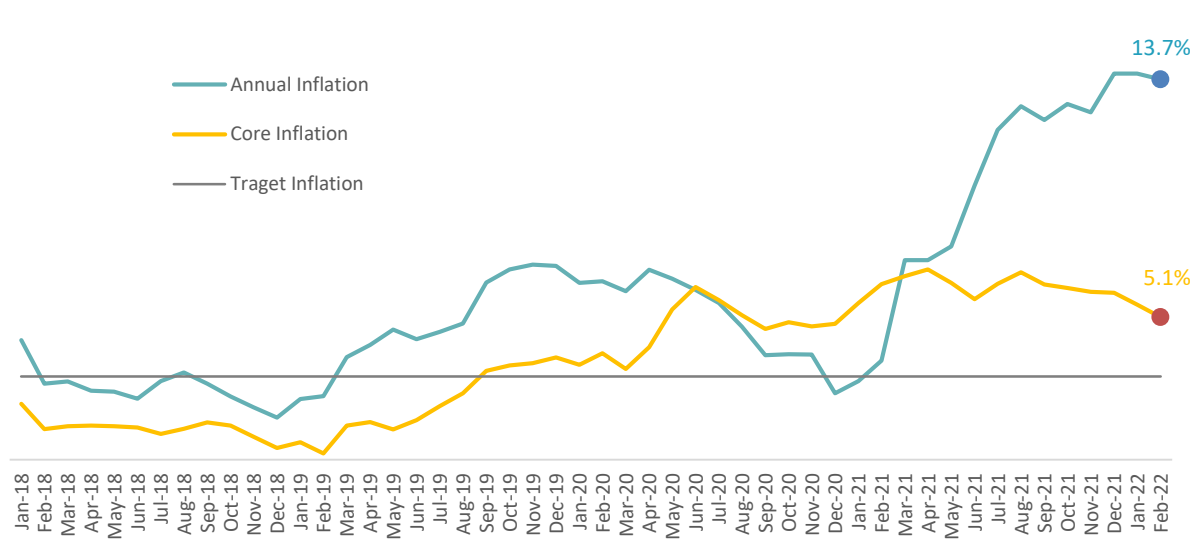


• The following industries have made a significant contribution to the decline:

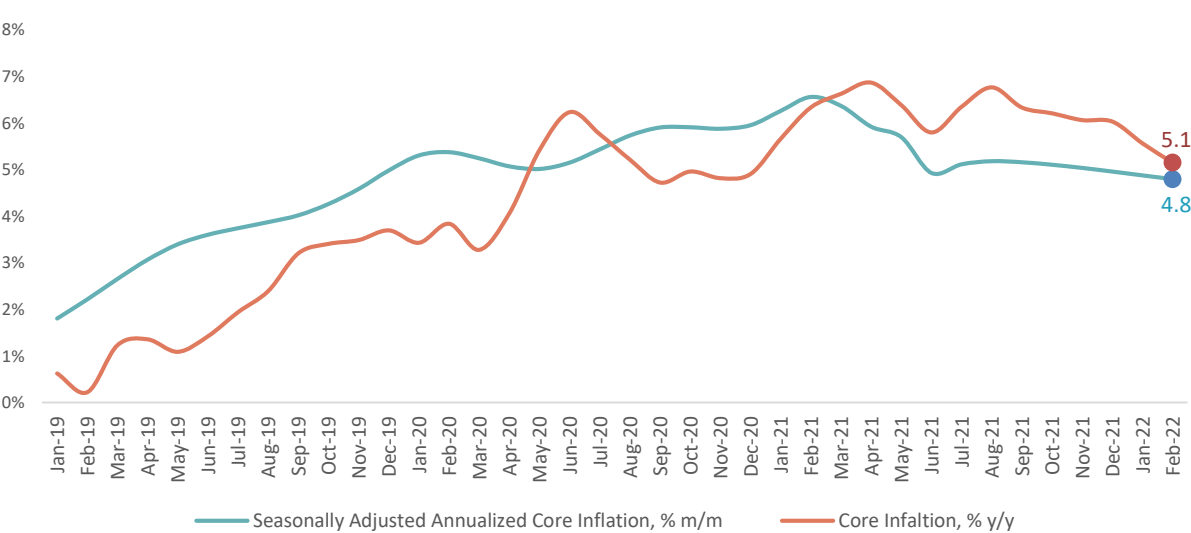
- Agriculture: -2.9% y/y (-0.3 pp)
- Construction: -29.7% y/y (-2.1 pp)

Annual inflation in February has reached 13.7 percent

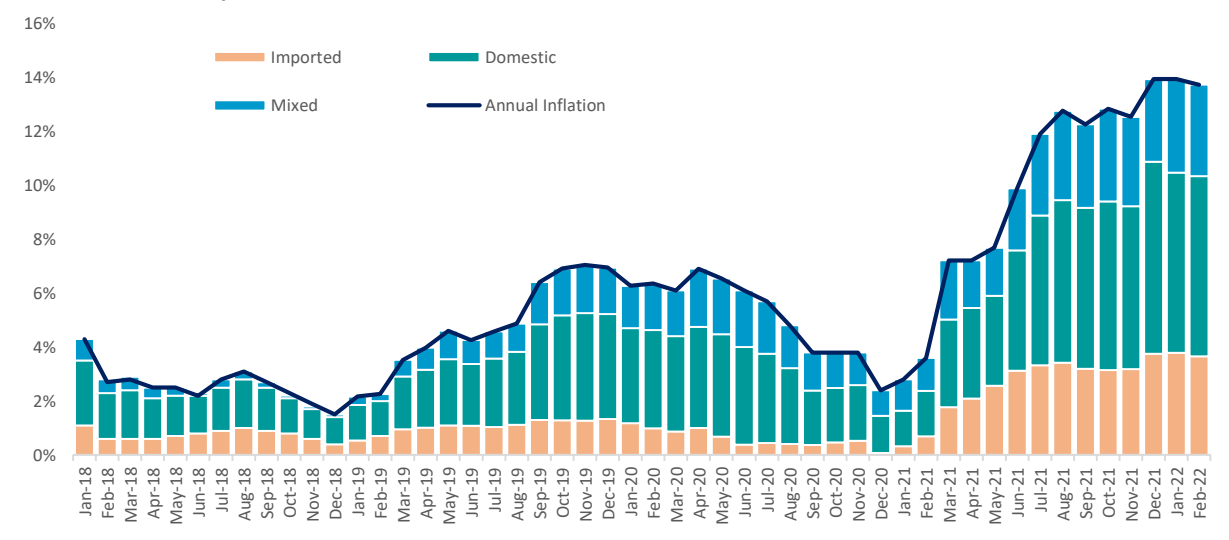
Total and Core Inflation, % y/y



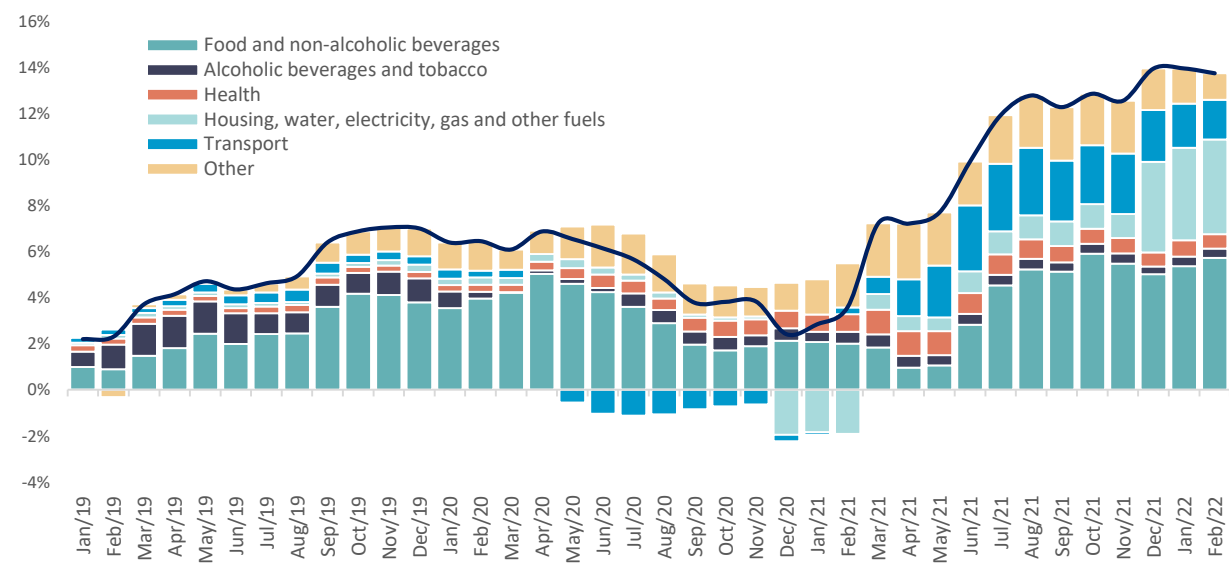
Core Inflation, % m/m



Inflation Decomposition



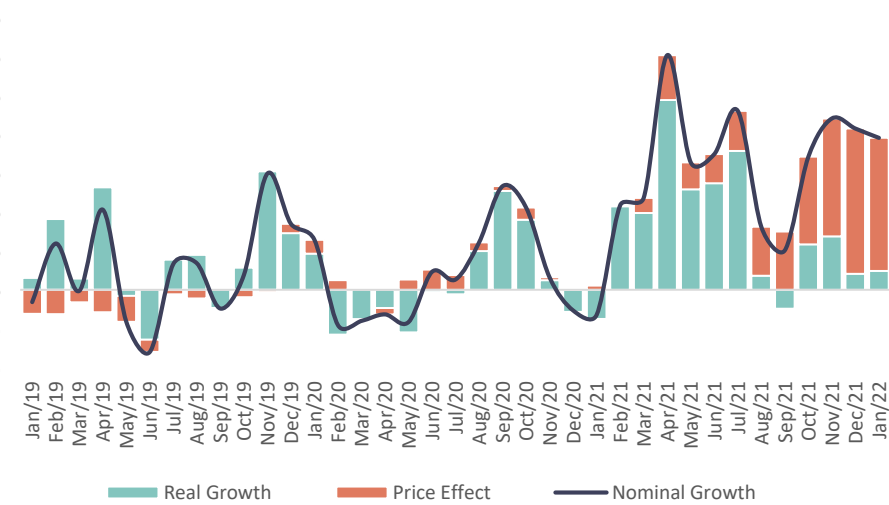
Inflation Decomposition by product group



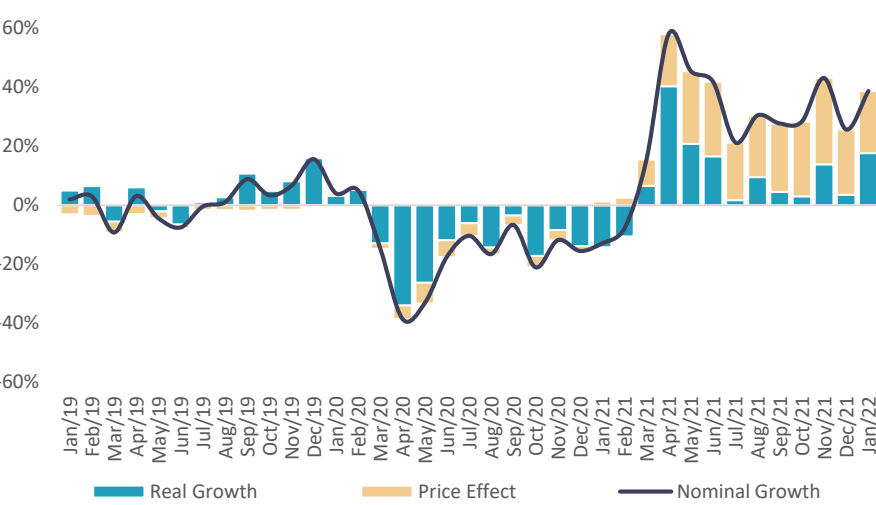
Source: Geostat, NBG, MOF

Trade Deficit increased by 32.8 percent annually

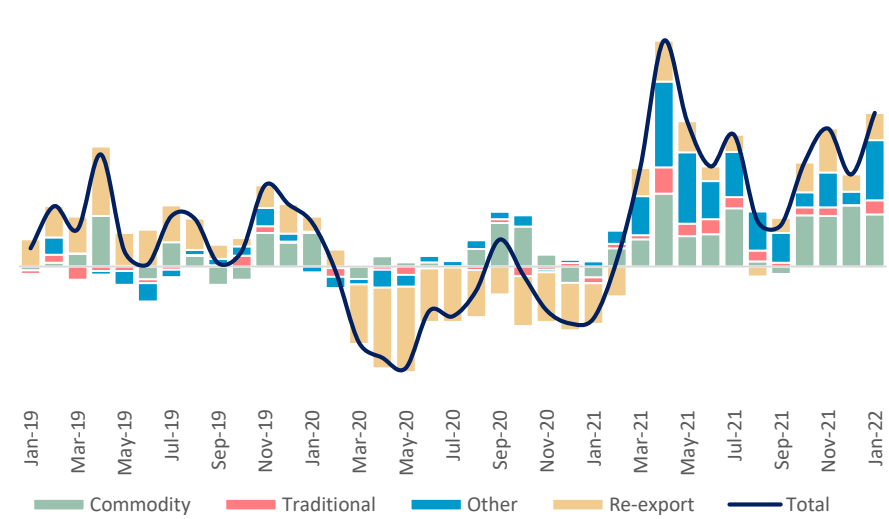
Change of Domestic Export, %y/y



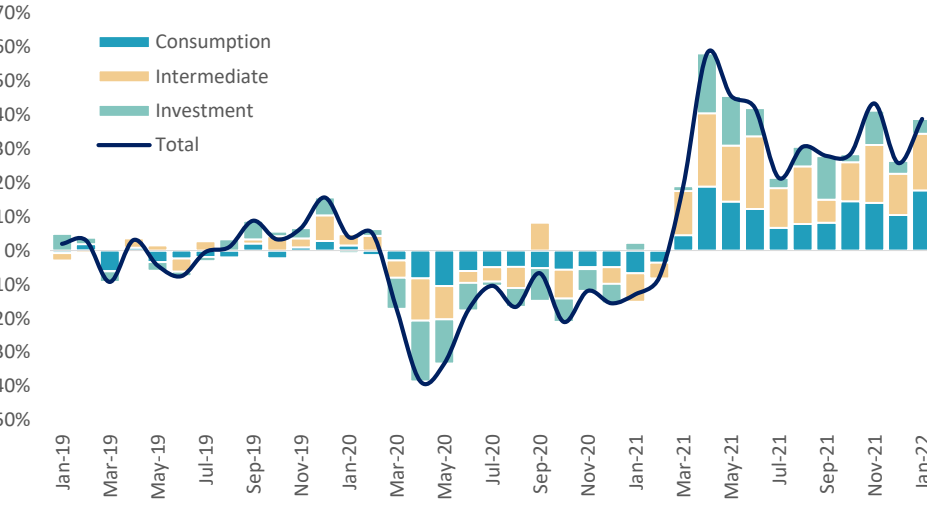
Change of Import, %y/y



Decomposition of Export



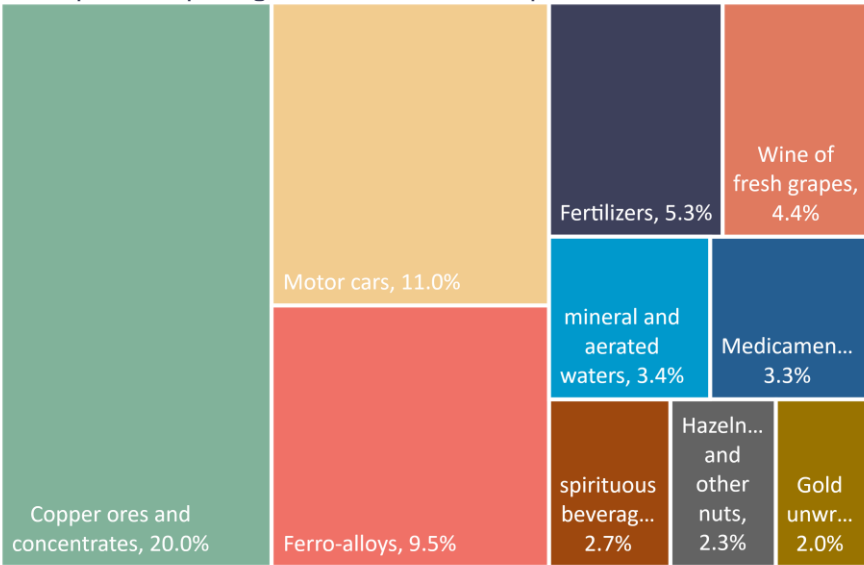
Decomposition of Change of Import, %y/y



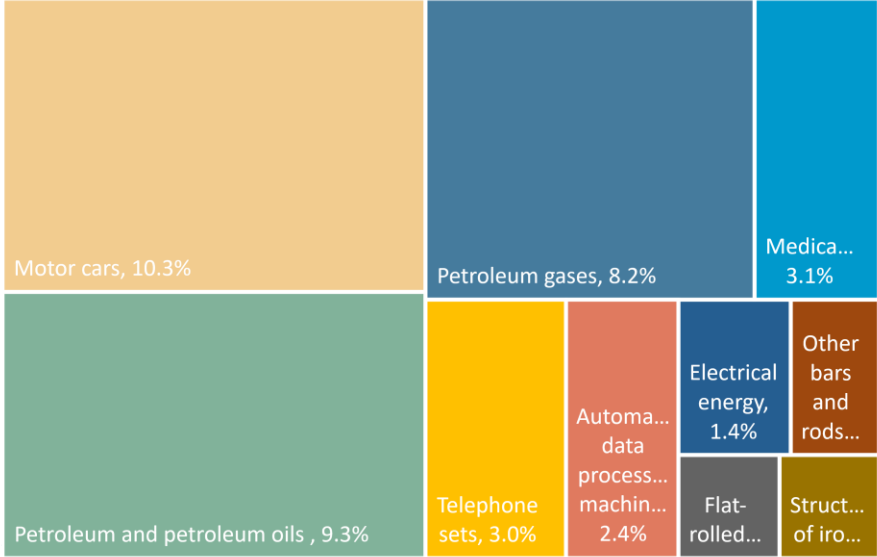
- Export increased annually by 47.6 percent to 331.3 million USD in December.
- Domestic export increased annually by 39.1 percent to 231.5 million USD.
- Import annually increased by 38.7 percent to 779.1 million USD in December.
- Trade deficit annually increased by 32.8 percent to 447.9 million USD in November.
- Share of re-export is equal to 8.5 percent (33.8 %y/y), while share of commodity export equals to 16.2 percent (41.0 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 4.4, 17.7 and 16.7 percent respectively.

International trade is characterized by stable diversification

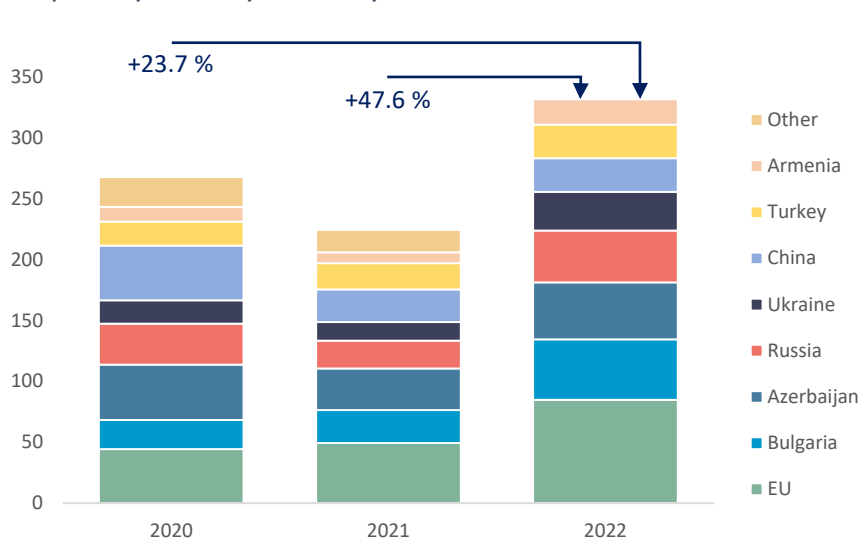
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, January



Top Export Products:

- Copper ores and concentrates: 66.8 mln. USD – 20.0 percent of total export.
- Motor cars: 36.4 mln. USD – 11.0 percent.
- Ferro-alloys: 31.4 mln. USD – 9.5 percent.

Top Import Products :

- Motor cars: 80.2 mln. USD – 10.3 percent.
- Petroleum and petroleum oils: 72.7 mln. USD – 9.3 percent.
- petroleum gases: 64.0 mln. USD – 8.2 percent of total import.

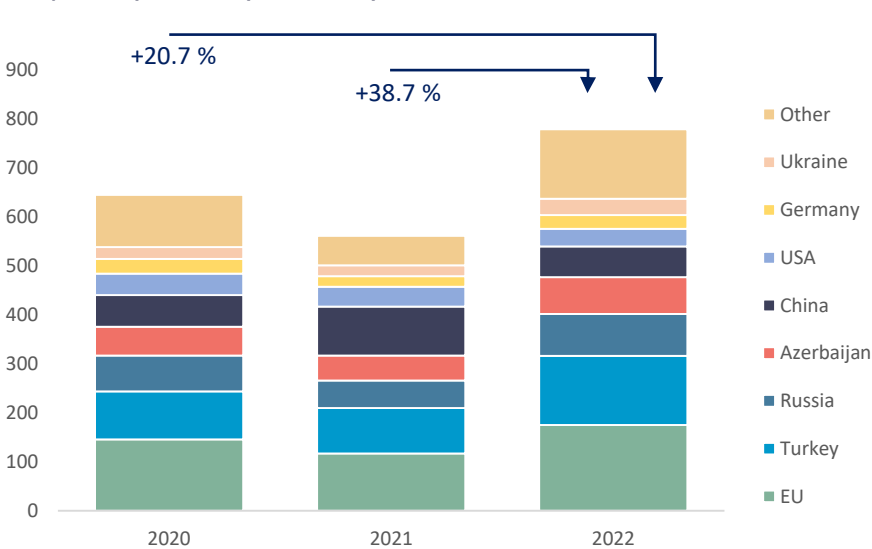
Top Export Country:

- EU: 84.9 mln. USD – 25.6 percent.
- Azerbaijan: 46.8 mln. USD – 14.1 percent.
- Russia: 42.7 mln. USD – 12.9 percent.

Top Import Country :

- EU: 175.0 mln. USD – 22.5 percent.
- Turkey: 141.1 mln. USD – 18.1 percent.
- Russia: 85.9 mln. USD – 11.0 percent.

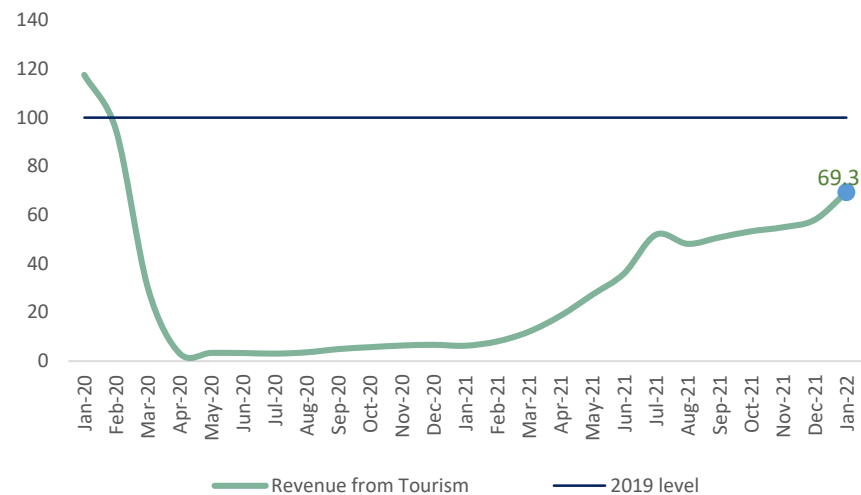
Import by country, January



Source: Geostat

Tourism recovery has slowed down due to increase of COVID daily cases and reached 69 percent of 2019 level in January

Revenue from Tourism, 2019 = 100

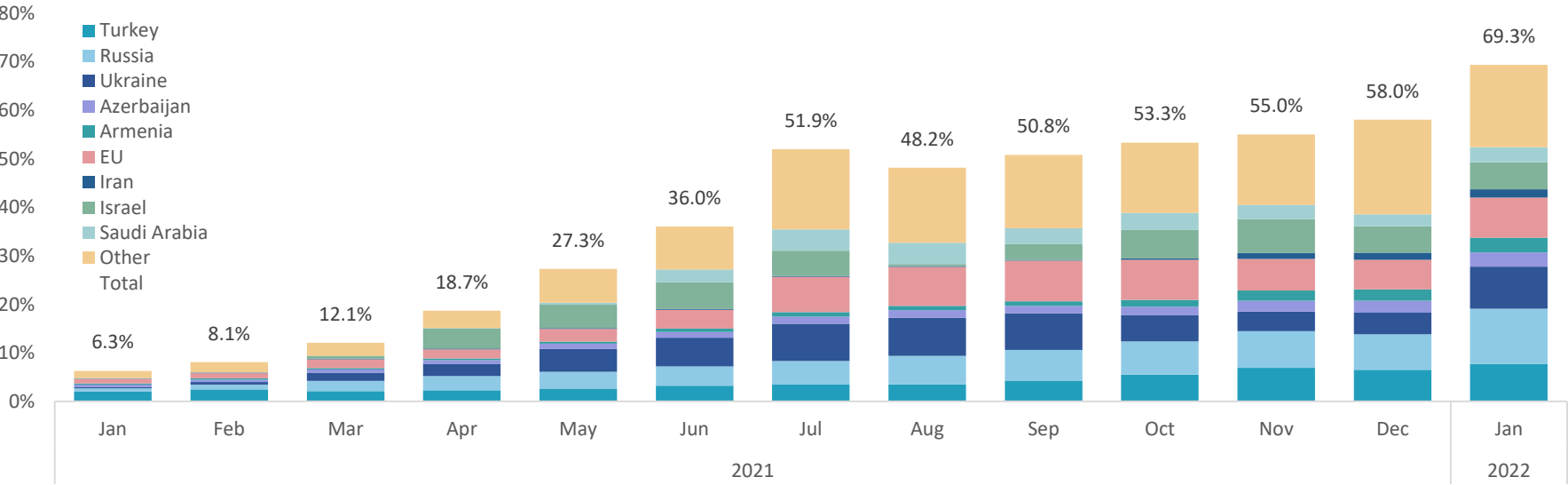


Revenue from Tourism, January 2022

Country	Tourism Revenue, mln USD
Russia	18.7
Turkey	12.8
EU + UK	13.6
Israel	9.1
Ukraine	14.2
Azerbaijan	4.9
Other	40.8

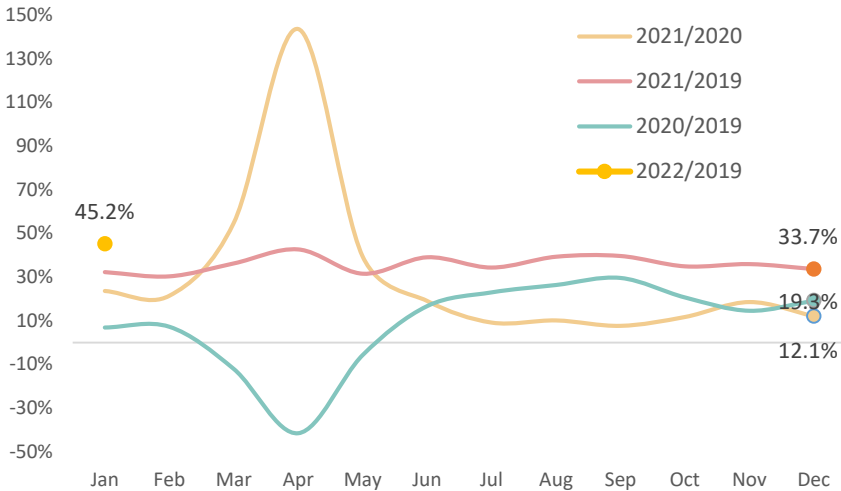
- In January 2022, tourism revenues increased by 1001 percent to 114 million USD. Such high increase is mainly due to low level of tourism revenue inflow in January 2021 (10.4 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in January 2021 decreased by 31 compared to January 2019.
- At the same time, seasonally adjusted tourism revenues increased by 16.1 percent compared to the previous month.

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



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

Net Remittances



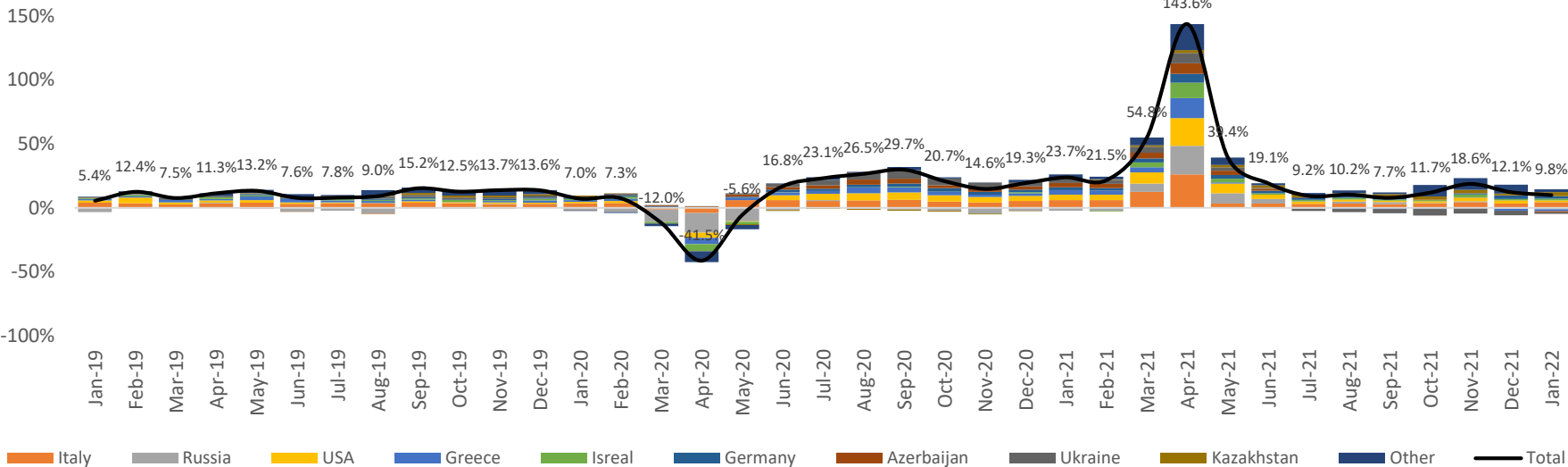
Net Remittances, January 2022

Country	Net Remittances	Change, %y/y	Share in growth, pp
Italy	32.8	21.4%	4.4
Russia	16.5	-8.2%	-1.1
USA	19.8	11.1%	1.5
Greece	15.6	-12.2%	-1.6
Israel	14.5	12.1%	1.2
Germany	8.3	46.4%	2.0
Other	46.3	18.8%	5.5

■ In January 2022, net remittances were estimated at 145.5 million USD, representing a 9.8 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 45.2 percent.

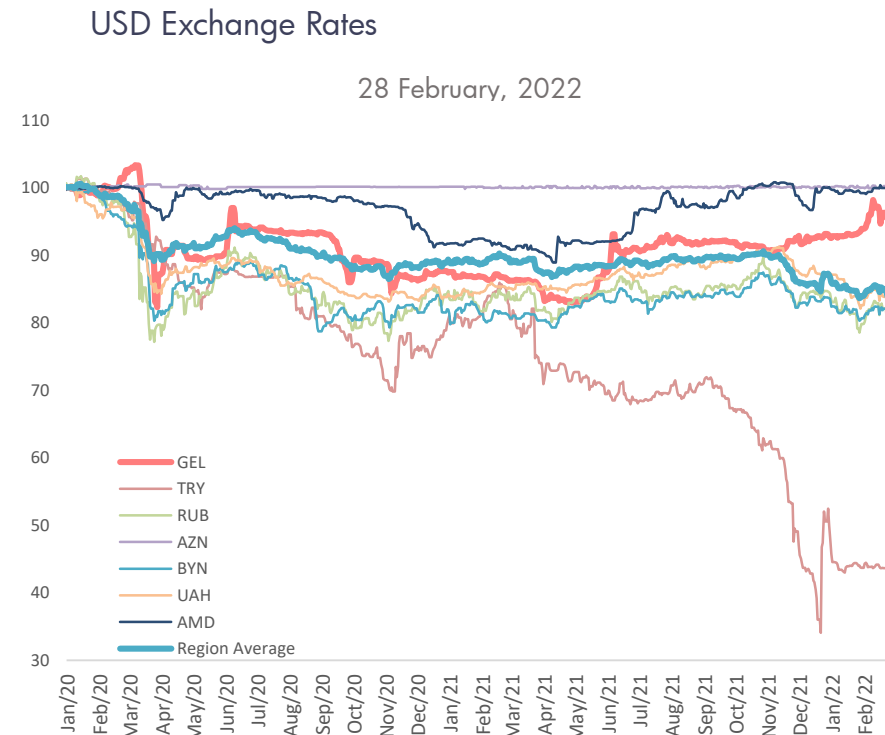
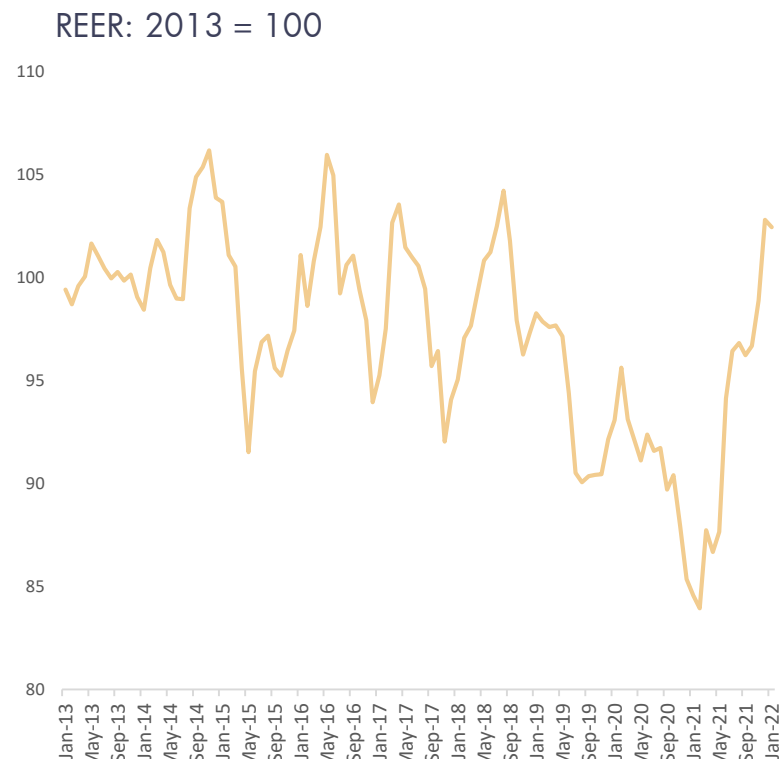
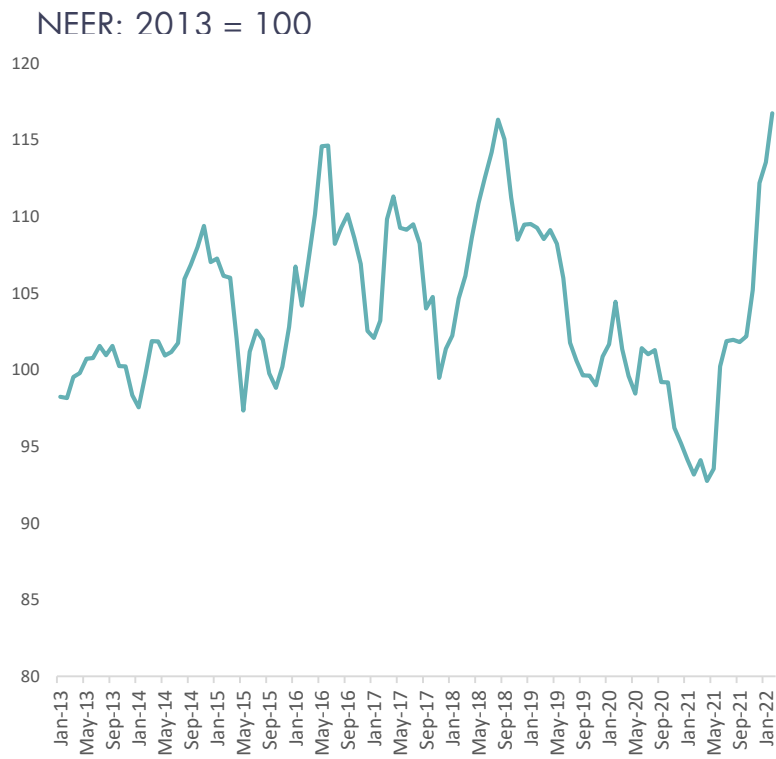
- Net Remittances increased from:
 - Italy: 21.4 percent (4.4 p.p. contribution to overall growth).
 - USA: 19.8 percent (1.5 p.p. contribution to overall growth).
 - Germany: 46.4 percent (2.0 p.p. contribution to overall growth).
 - Israel: 12.1 percent (1.2 p.p. contribution to overall growth).

Net Remittances by country, %y/y



- Net Remittances decreased from:
 - Ukraine: 29.6 percent (-1.1 p.p. contribution to overall growth).
 - Russia: -8.2 percent (-1.1 p.p. contribution to overall growth).
 - Greece -12.2 percent (-1.6 p.p. contribution to overall growth)

The real effective exchange rate in January depreciated by 0.4 percent annually



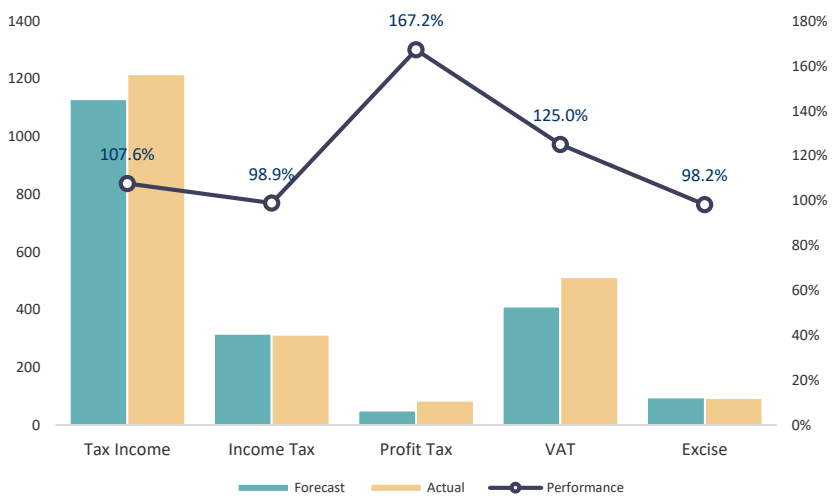
Note: Increase means appreciation

	February 28, 2022		Feb 28, 2022 - Jan 1, 2022		Feb 28, 2022 - Jan 1, 2021
Euro	3.5255	▼	-0.7%	▲	14.1%
US Dollar	3.1540	▼	-2.1%	▲	3.9%
Turkish Lira	0.2238	▲	3.3%	▲	96.6%
Russian Ruble	0.0374	▲	10.2%	▲	17.4%
NEER	132.97	▲	1.4%	▲	20.2%
REER (January, 2022)	125.91	▼	-0.4%	▲	20.0%

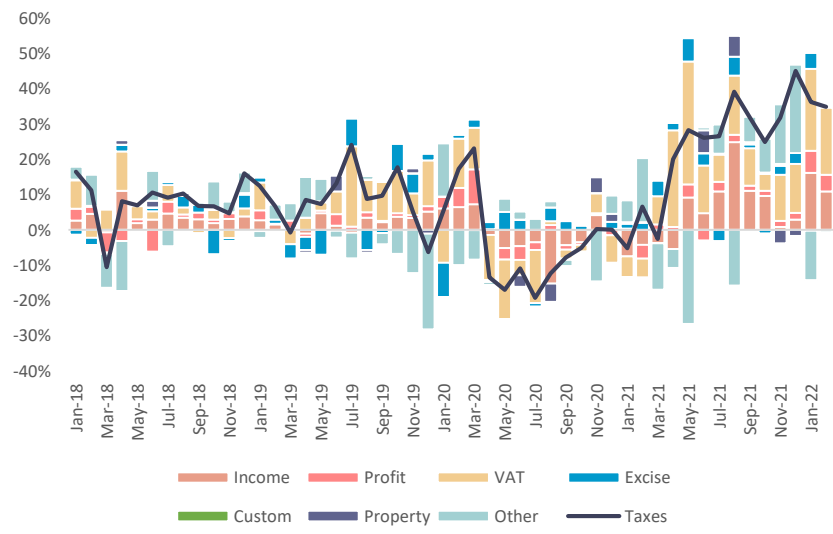
Source: NBG

Tax revenues in the February exceeded the forecast value by 7.6 percent

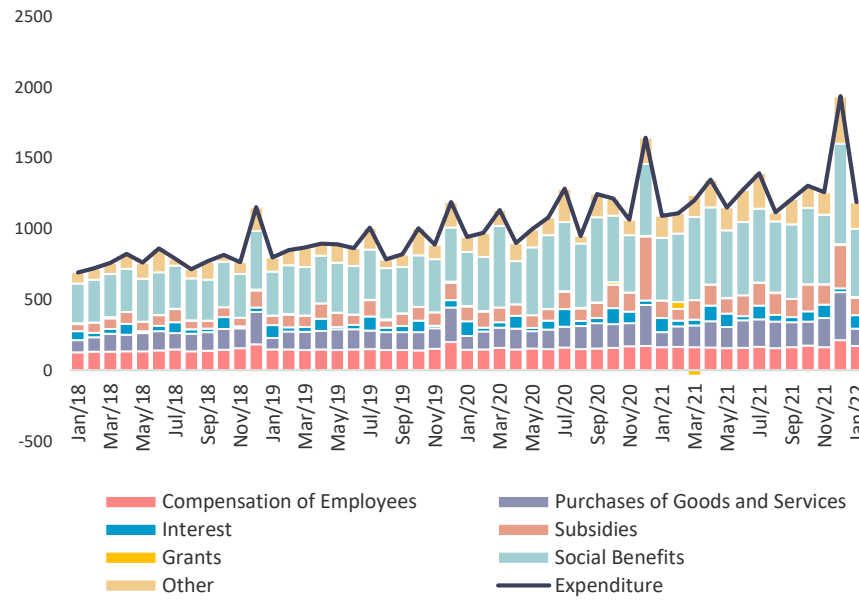
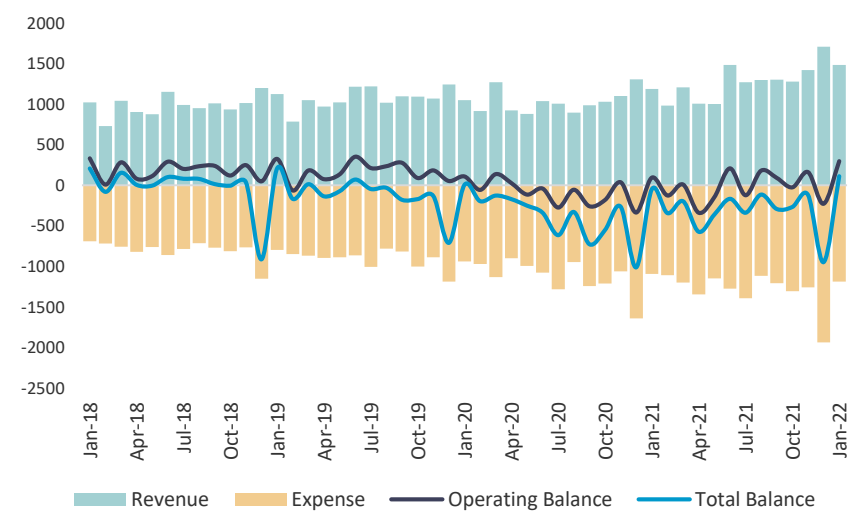
Budget Revenue Performance, February 2022



Tax Income, % y/y



Consolidated Budget, mln GEL

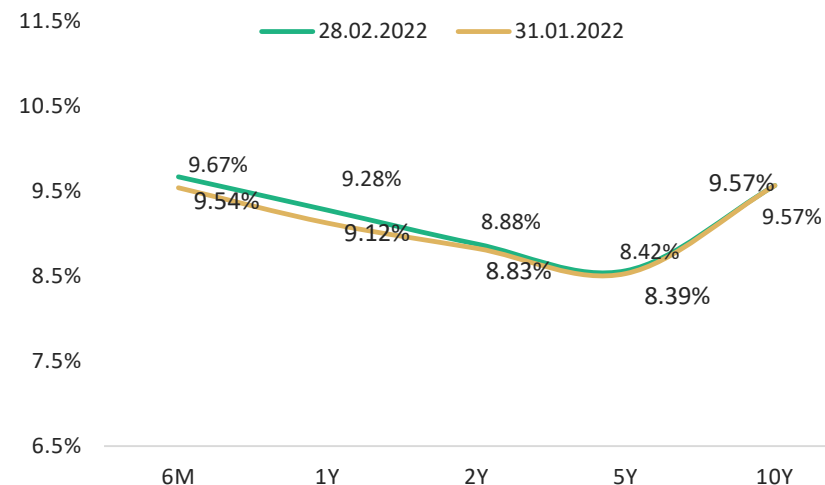


- The actual level of tax income in February was 1,214.9 mln GEL, which is 7.6 percent higher compared to the forecasted value of tax income of 1,129.0 mln GEL.
- Consolidated budget revenues increased by 25.1 percent and expenditures by 8.7 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 299.3 million GEL, while the total balance was set at 111.7 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT in February, accounting for 19.0 percent of total growth.

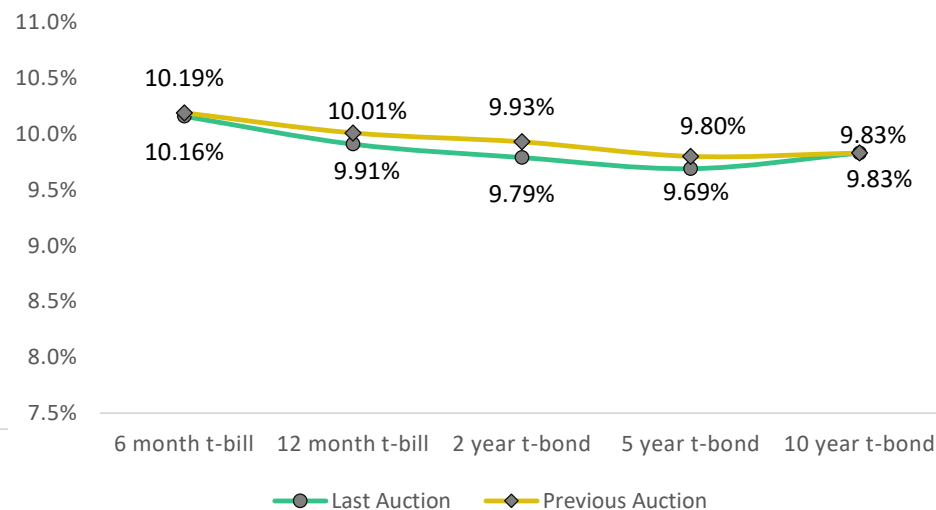
Source: MOF

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

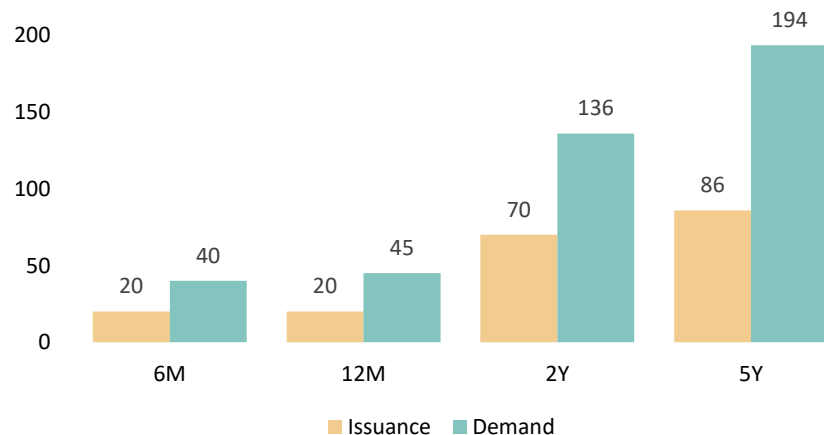


Weighted average interest rates

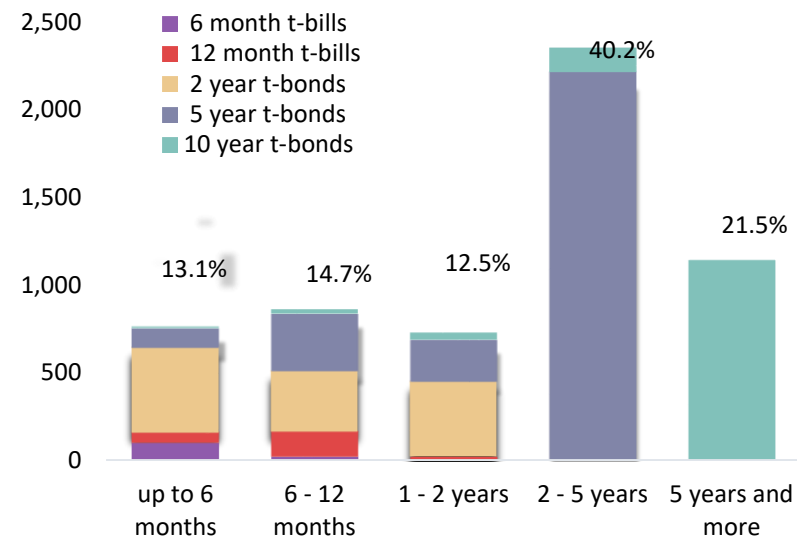


Issuance and Demand, mln GEL

Issuance and Demand
Million GEL



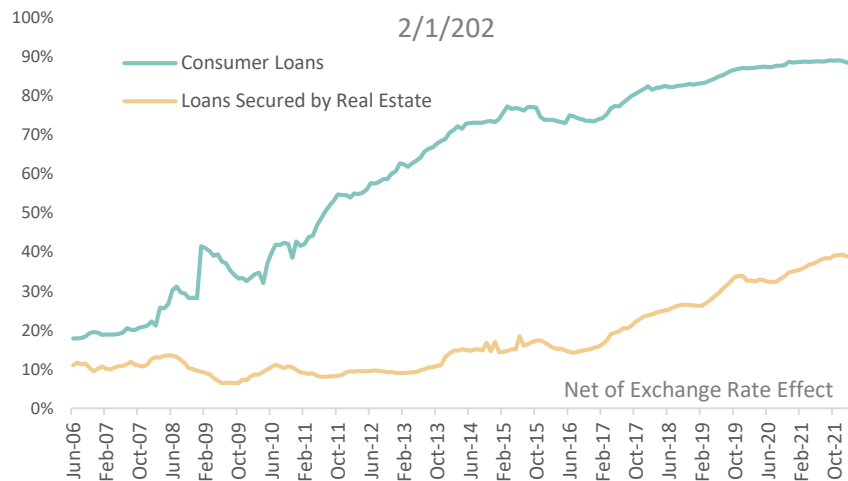
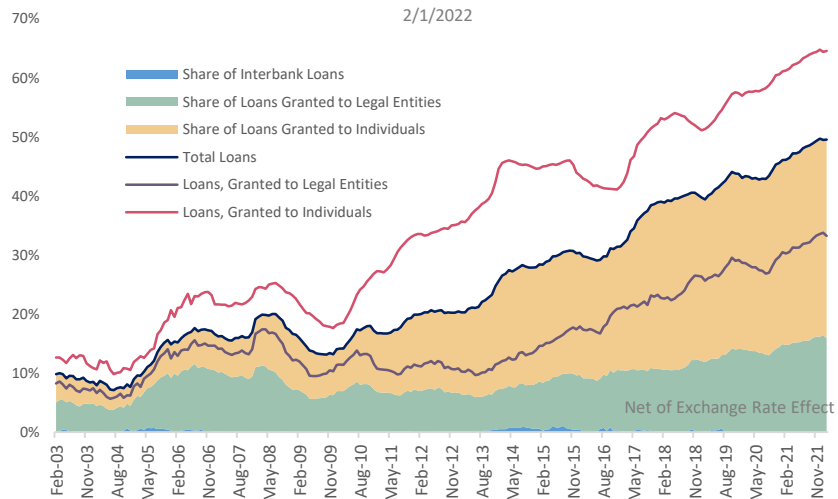
Portfolio Forming Securities Composed by Time to Maturity



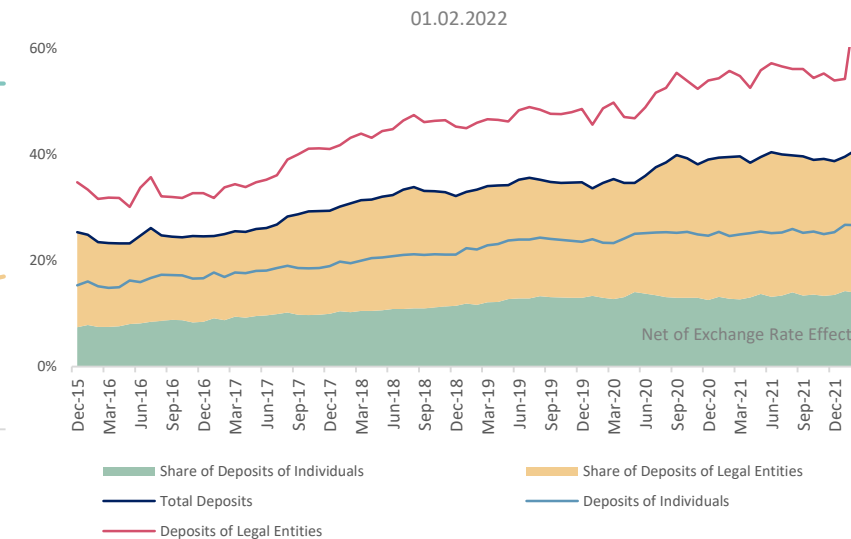
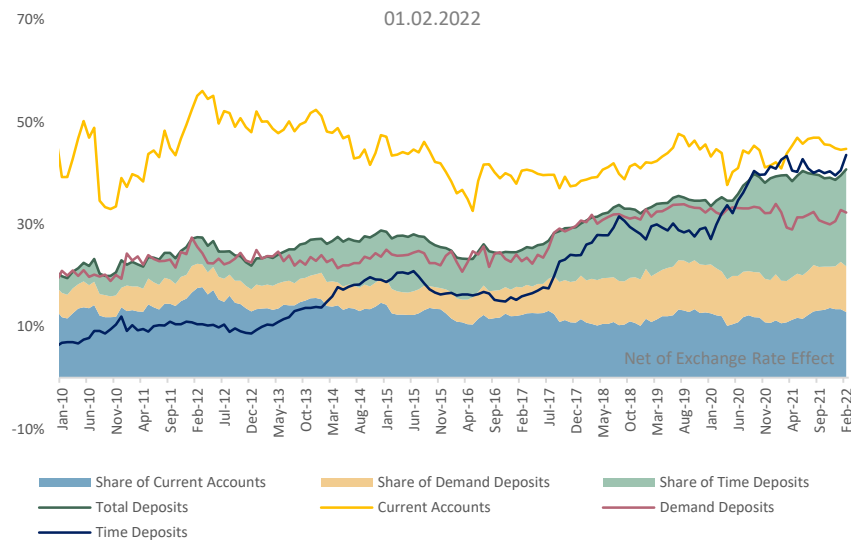
- In February 2022, 4 auctions were held with total issuance volume of 196 million GEL.
- The weighted average interest rate amounted to 9.794 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 30 million GEL were redeemed (6 and 12 months 15-15 million GEL).
- As of February 28 2022, 27.82 percent 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 (January 1.77) and amounted to 2.11

The larization rates continue to rise

Loan Larization



Deposit Larization

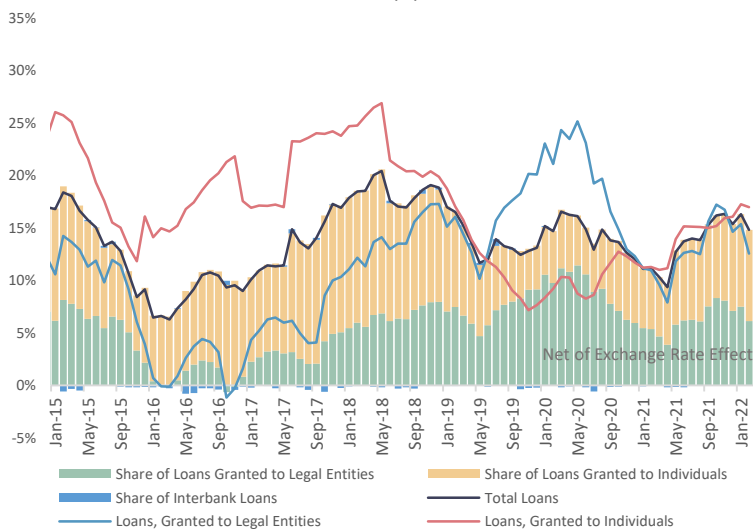


- As of February 1, 2022, the larization of total loans is 49.5 percent.
- The larization of loans to individuals is 64.5 percent.
- The larization of loans to legal entities amounted to 33.2 percent.
- The larization of total deposits equals to 40.8 percent.
- The larization on deposits of legal entities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

The annual growth trend of loans is revealed

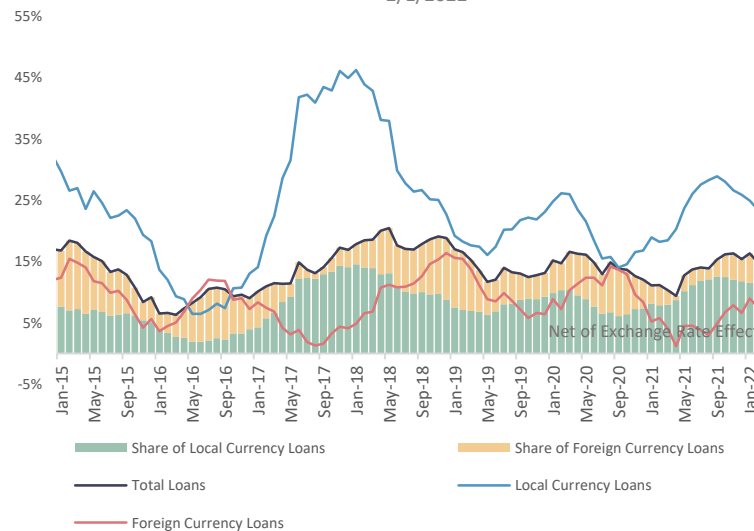
Loans, % y/y

2/1/2022



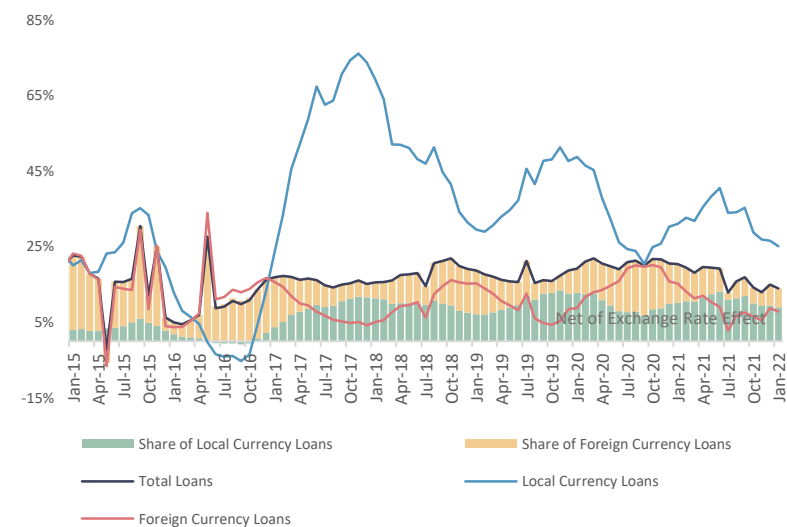
Loans by Currency, % y/y

2/1/2022



Mortgage Loans, % y/y

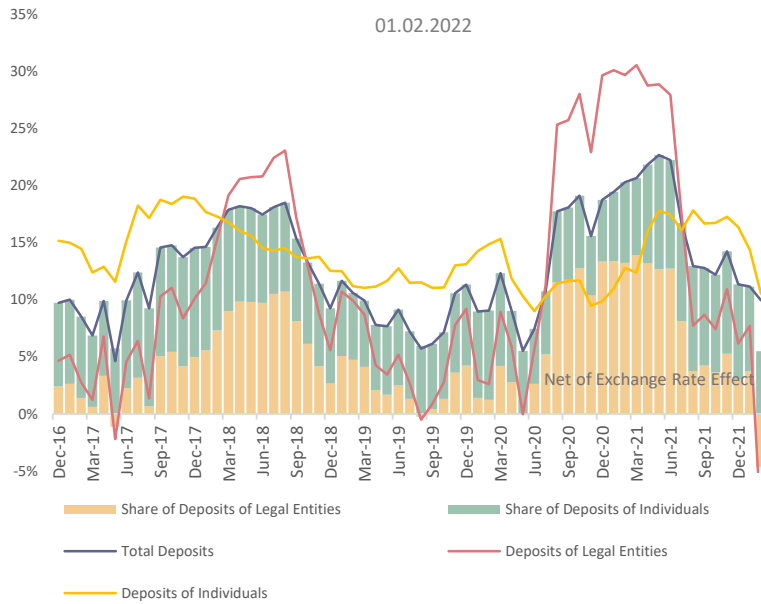
1/31/2022



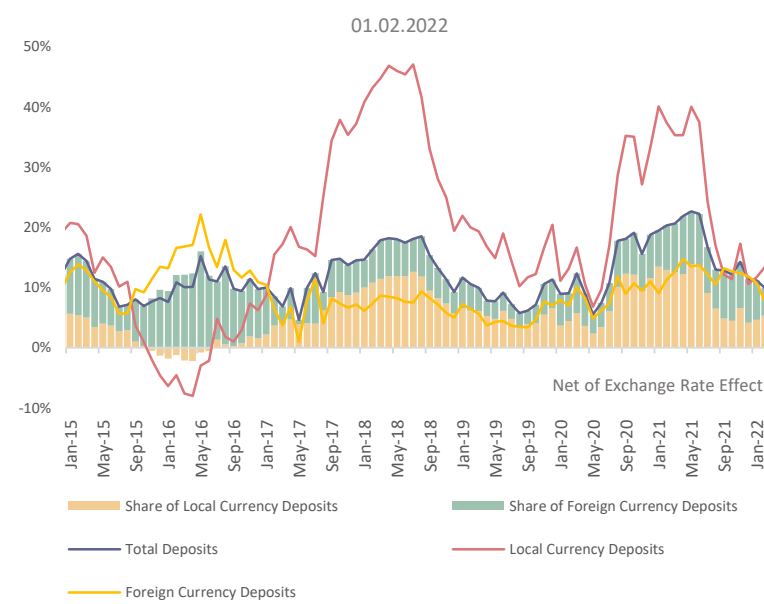
- As of February 1, 2022, total loans increased by 14.8 percent compared to the corresponding period of 2021 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 13.0 percent.
- The annual growth of loans to individuals is 17.5 percent.
- As of February 1, 2022, the growth rate of loans denominated in the national currency amounted to 24.5 percent.
- The annual growth of loans denominated in foreign currency amounted to 7.5 percent.
- As of January 31, 2022, the annual growth of loans secured by real estate amounted to 14.0 percent. At the same time, mortgage loans denominated in national currency increased by 25.1 percent, while mortgage loans denominated in foreign currency increased by 7.8 percent.

The growth of deposits denominated in national currency exceeds that of foreign currency

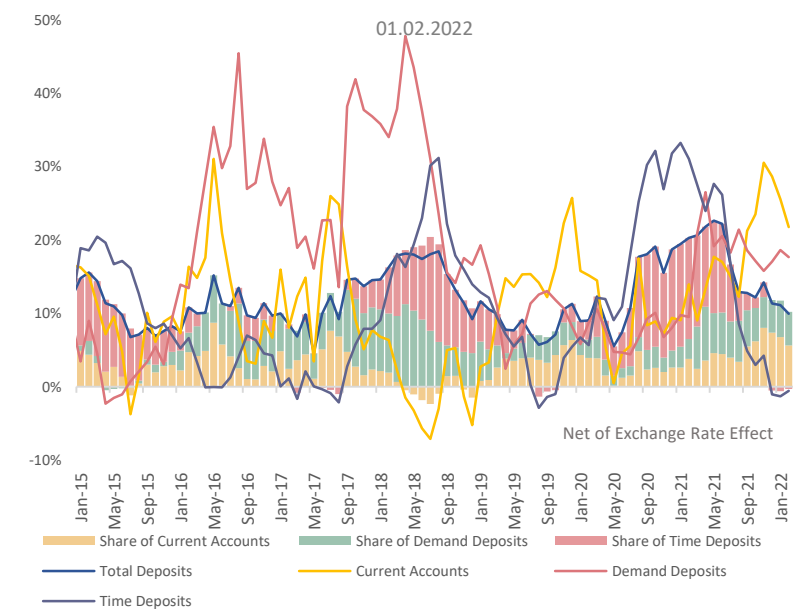
Deposits, % y/y



Deposits by Currency, % y/y



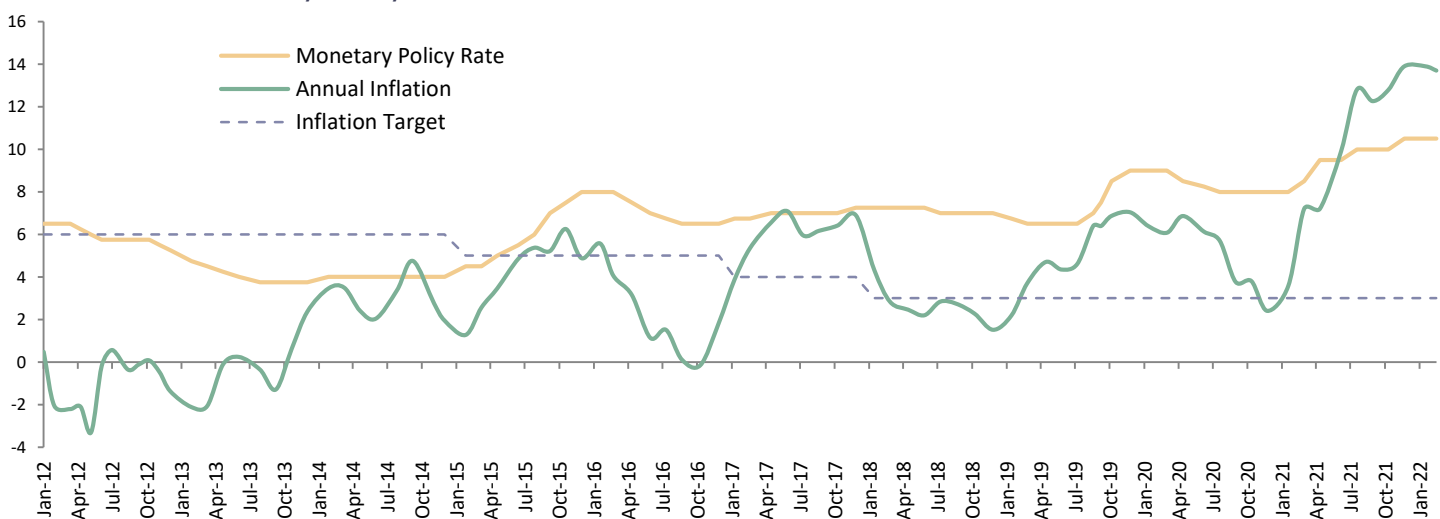
Deposits by type, % y/y



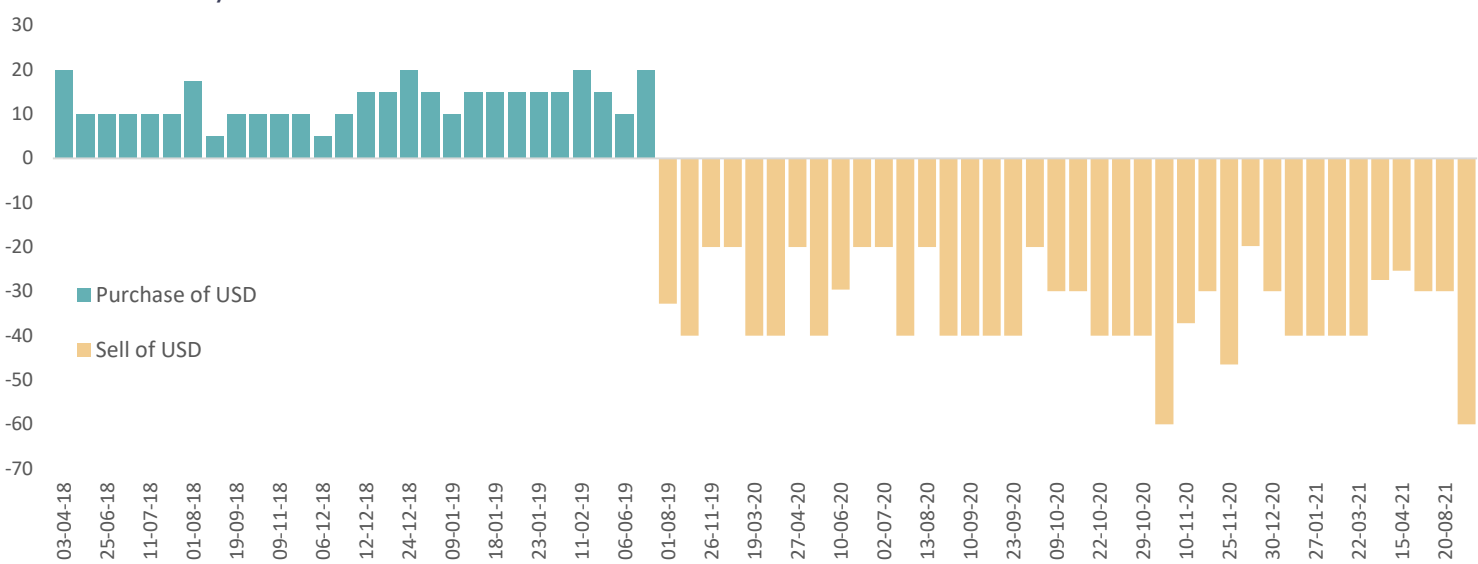
- As of February 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 9.9 percent.
- The annual growth of deposits denominated in the national currency amounted to 13.4 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 7.7 percent over the same period.
- The growth of deposits of individuals amounted to 10.5 percent, while the annual growth of deposits of legal entities showed a significant decrease and its value in the same period amounted to -9.7 percent.
- The annual growth of current accounts at the beginning of February 2022 was equal to 21.8 percent.
- The annual growth of time deposits was -0.6 percent.
- The growth of demand deposits amounted to 17.7 percent.

The National Bank of Georgia increased the monetary policy rate to 10.5 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



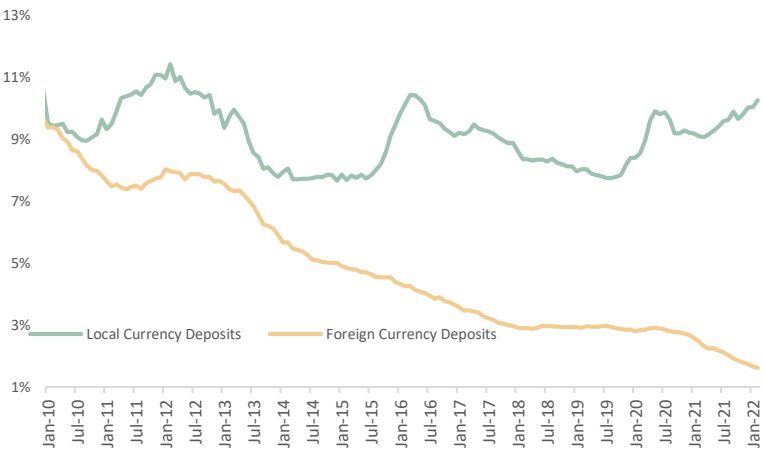
- On February 2 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 10.5 percent.
- The monetary policy rate is 10.5 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products.
- According to the National Bank, all other things equal, inflation is expected to decrease gradually from the spring and approaching to the target level by the end of the year. Recently there are the signs of stabilizing the core and monthly inflation. The gradual reduction of inflation, together with the weakening of one-off factors, will be facilitated by planned fiscal consolidation and tighter monetary policy.
- The next meeting of the Monetary Policy Committee will be held on March 30, 2022.
- In 2021, the National Bank sold 332.9 million USD.

Source: NBG

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

Interest Rates on Deposits

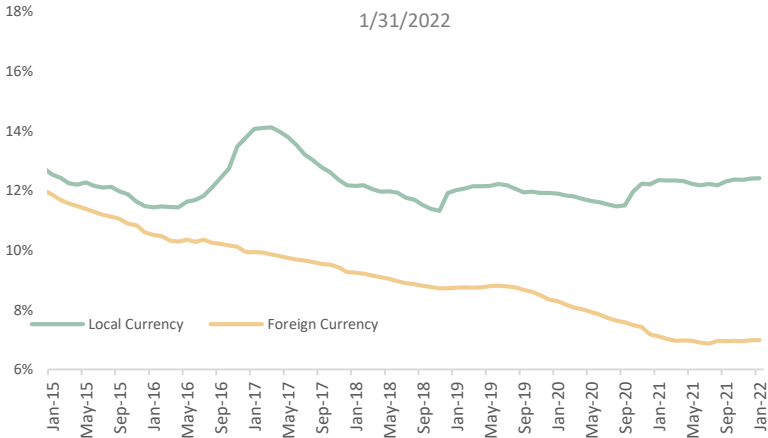
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Interest rates on Loans secured by Real Estate

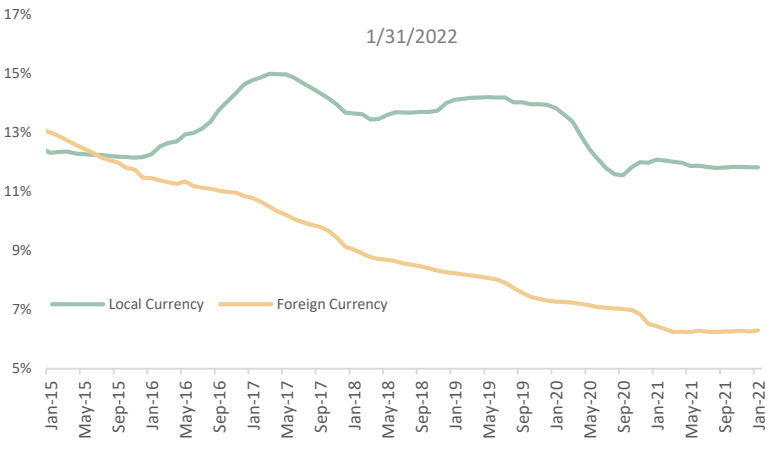
Legal entities

1/31/2022



Individuals

1/31/2022



- As of February 1, 2022, the interest rate on foreign currency deposits was 1.6 percent, and in national currency – 10.3 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.6 percent, and in foreign currency – 2.6 percent.
- The average annual interest rate on deposits by individuals is 1.6 percent for foreign currency deposits and 10.3 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.2 percent (20.2 percent in national currency and 5.9 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 January 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.8 percent, and in foreign currency – 7.0 percent. The interest rate on loans to individuals in the national currency was 13.0 percent, and in foreign currency - 5.7 percent.

Source: NBG

Disclaimer

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