



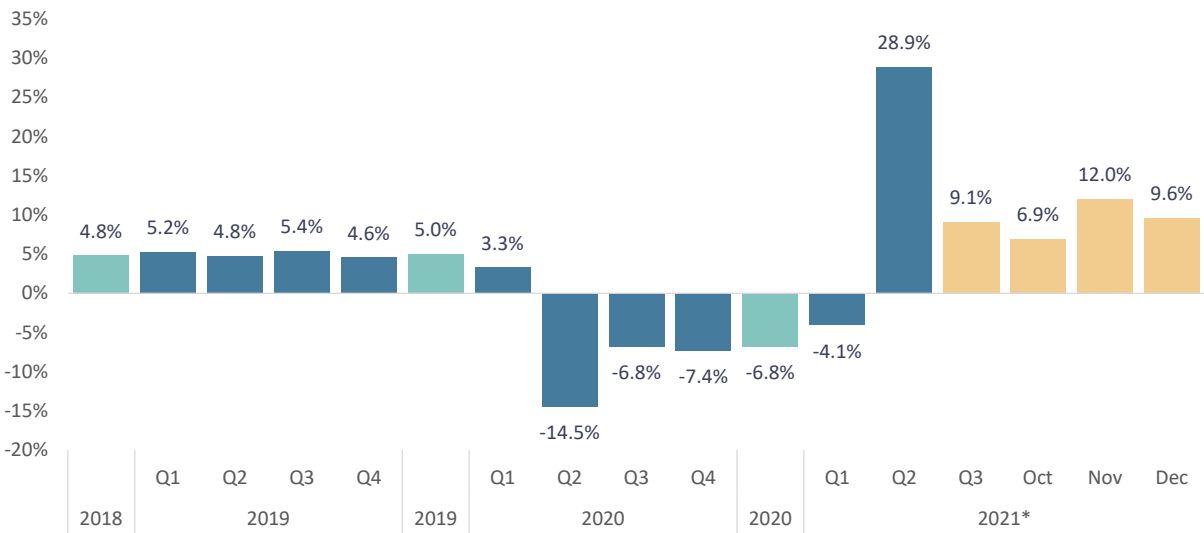
# Current Economic Outlook

January, 2022

- According to the preliminary estimates of the National Statistics Office, in December 2021, the real GDP growth rate was 9.6 percent and average growth rate of the year was 10.6 percent. The average economic growth for the fourth quarter of 2021 was amounted to 9.5 percent.
- Annual inflation stood at 13.9 percent in January, while core inflation was 5.6 percent
- In December, exports increased by 28.5 percent year-on-year and imports increased by 36.3 percent year-on-year, increasing the trade deficit by 24.8 percent year-on-year to 619.4 million USD
- The real effective exchange rate for December appreciated by 20.4 percent compared to the same period of the previous year and by 4.0 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate at 10.5 percent

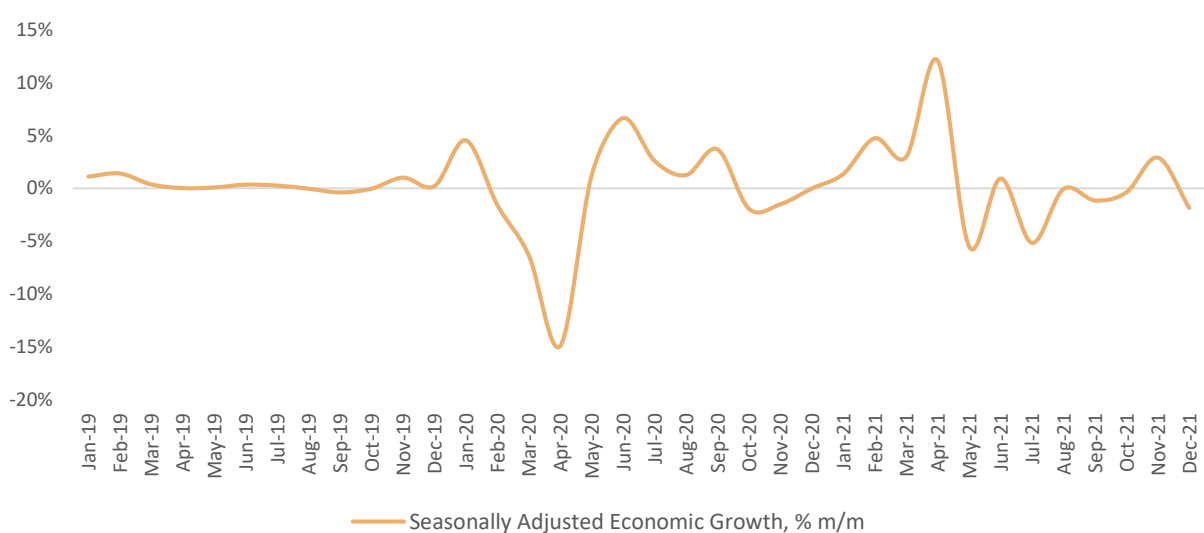
# Economic Growth in November was equal to 12 percent

Economic Growth, % y/y

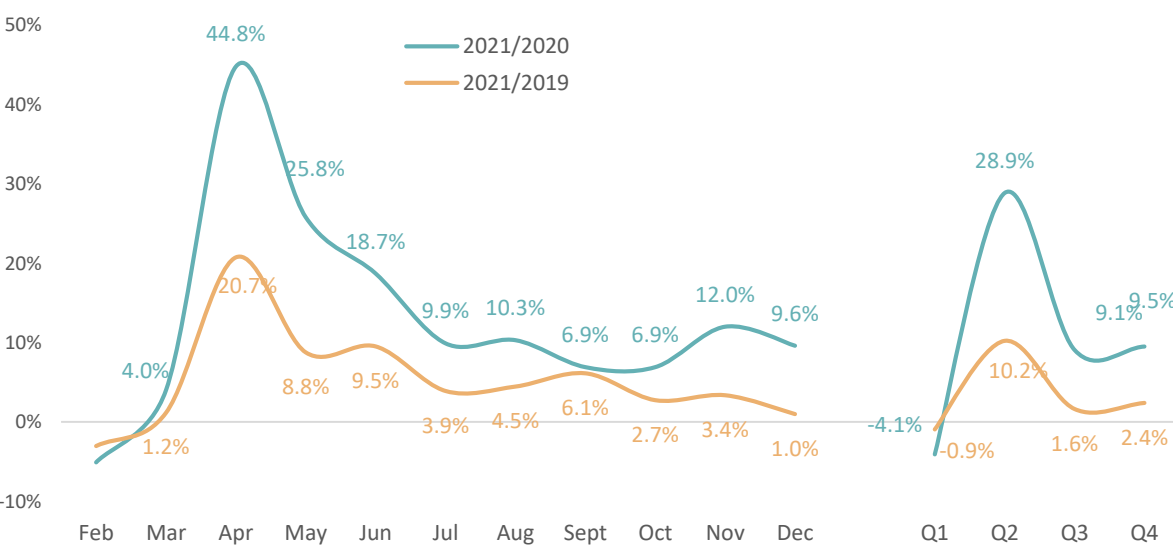


- Estimated real GDP growth rate in December 2021 equaled 9.6 percent YoY and average annual real GDP growth rate for 2021 equals to 10.6 percent.
- In December 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Transportation and storage, Trade, Hotels and restaurants, Electricity, gas, steam and air conditioning supply, Real estate activities, Arts, entertainment and recreation.
- A decline was registered in Construction.

Economic Growth, % m/m

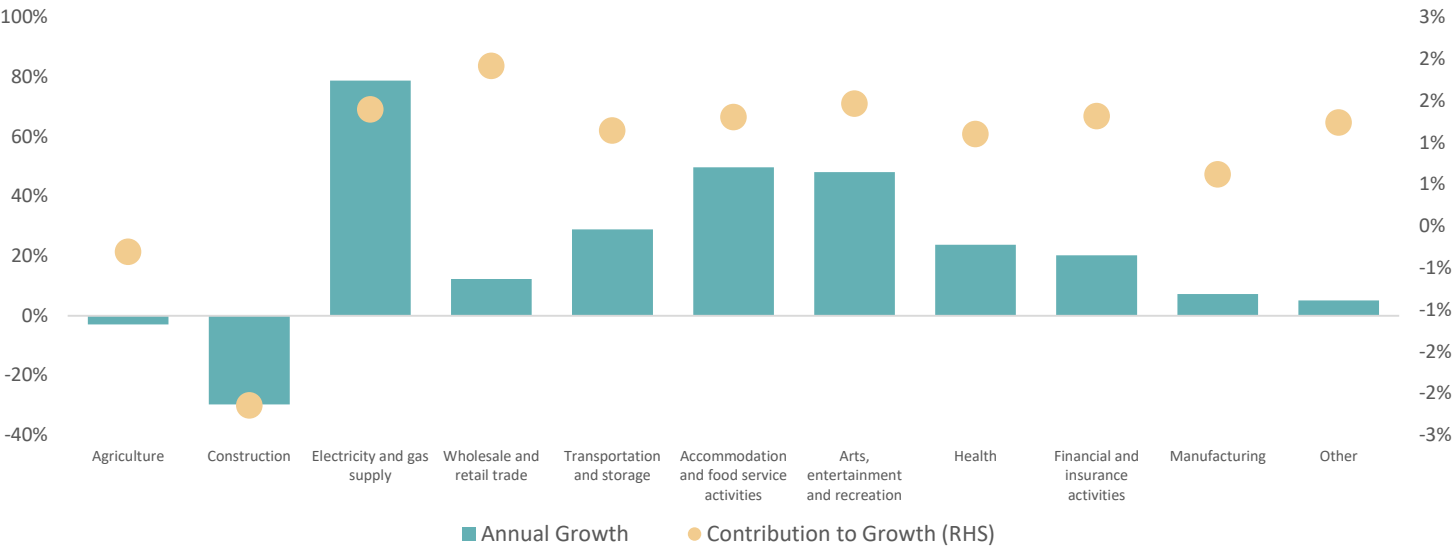


Economic Growth, 2021-2019



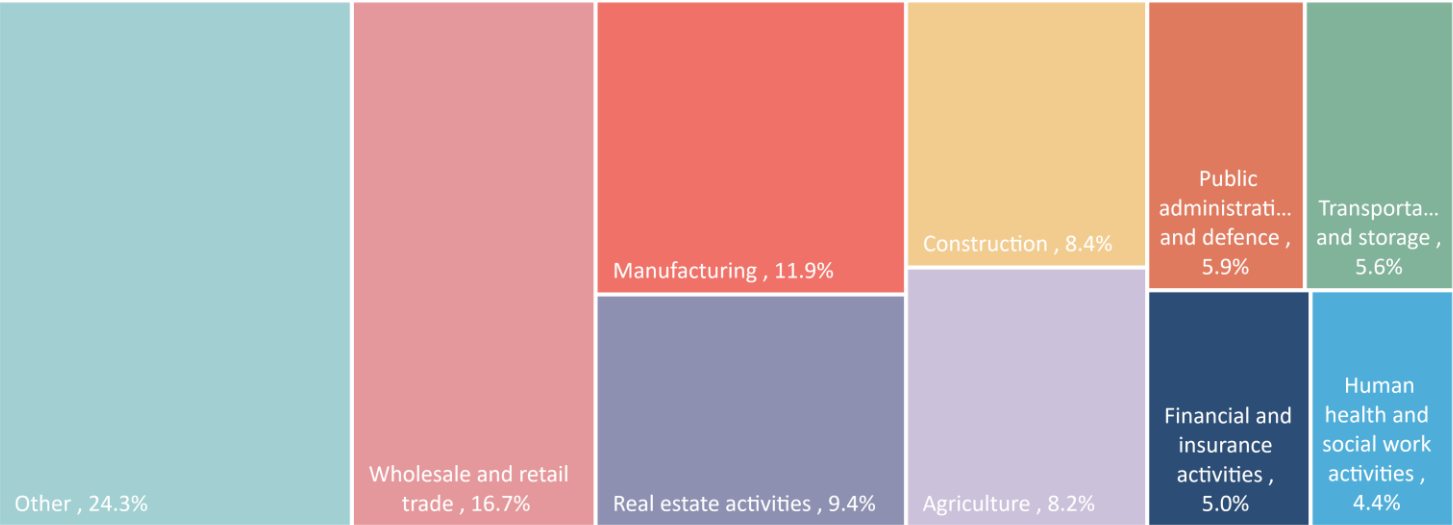
# According to preliminary estimates, real GDP increased by 9.1 percent in the third quarter of 2021

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)

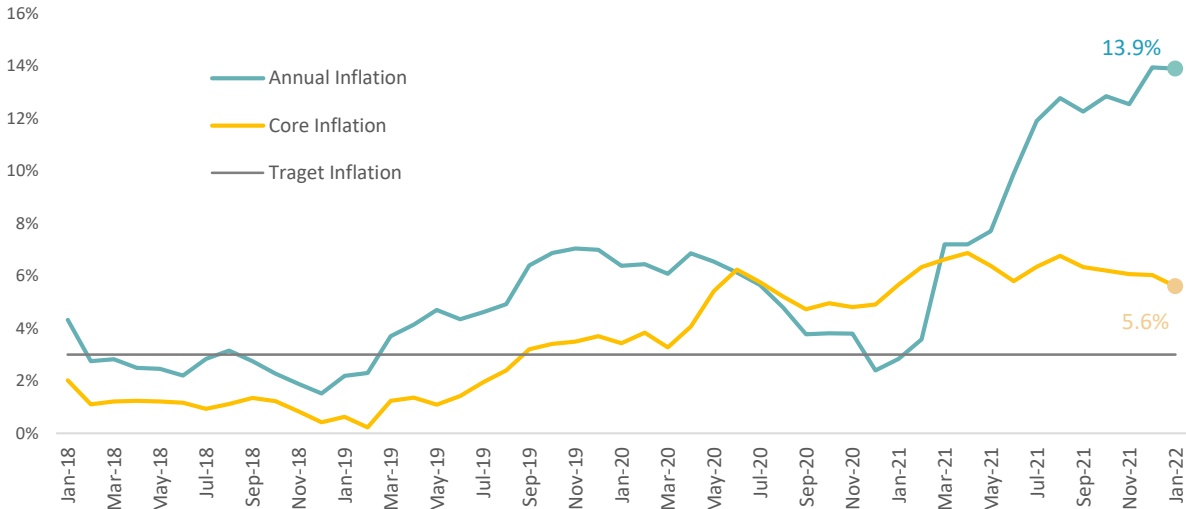
GDP by economic activity, 2021 III Quarter



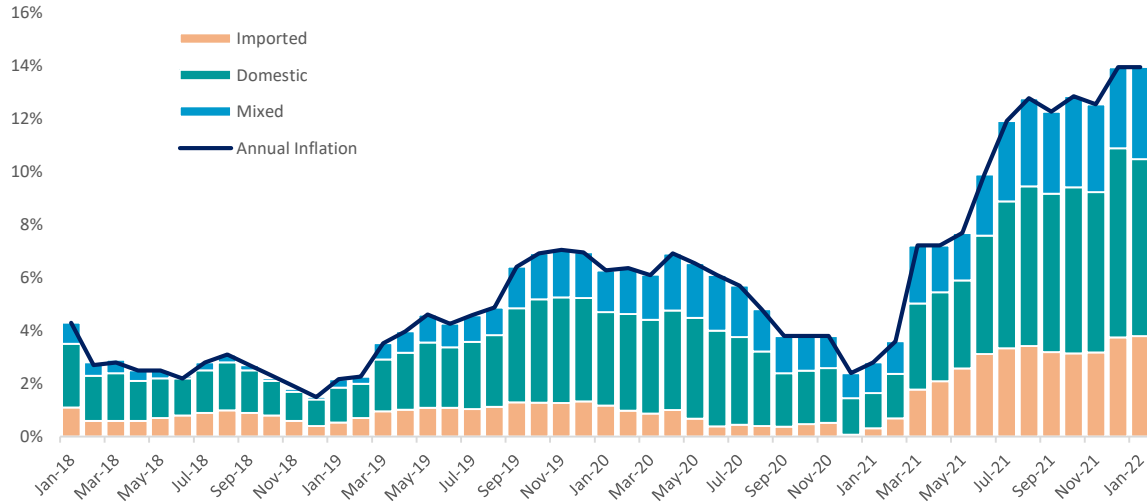
- The following industries have made a significant contribution to the decline:
  - Agriculture: -2.9% y/y (-0.3 pp)
  - Construction: -29.7% y/y (-2.1 pp)

# Annual inflation in January has reached 13.9 percent

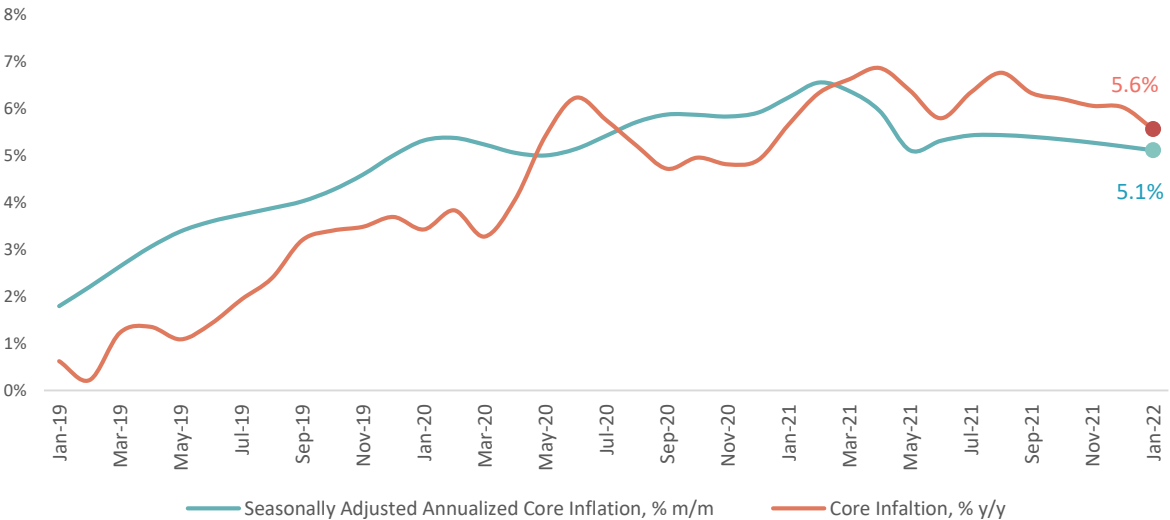
Total and Core Inflation, % y/y



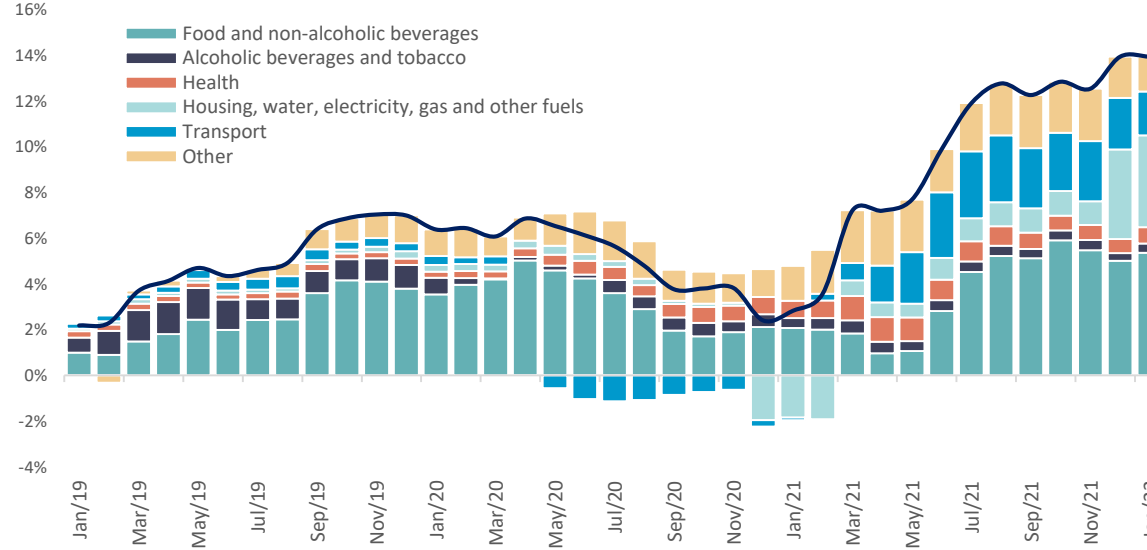
Inflation Decomposition



Core Inflation, % m/m



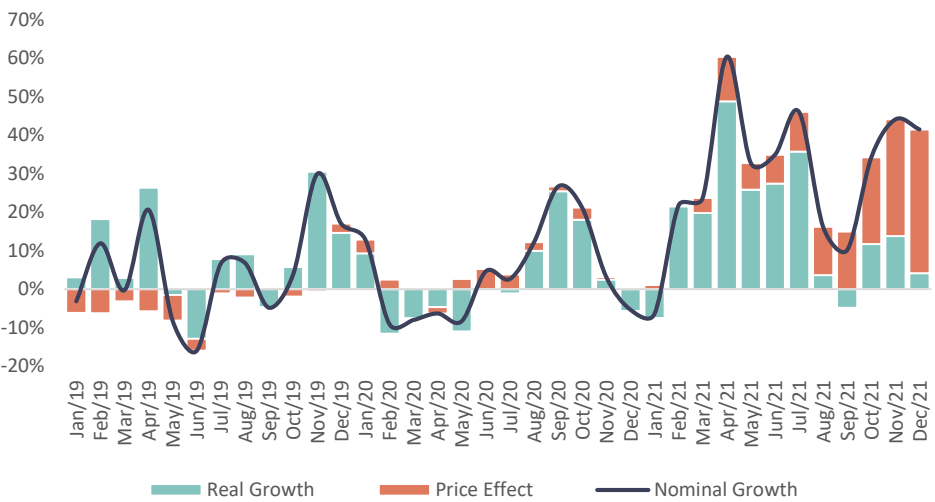
Inflation Decomposition by product group



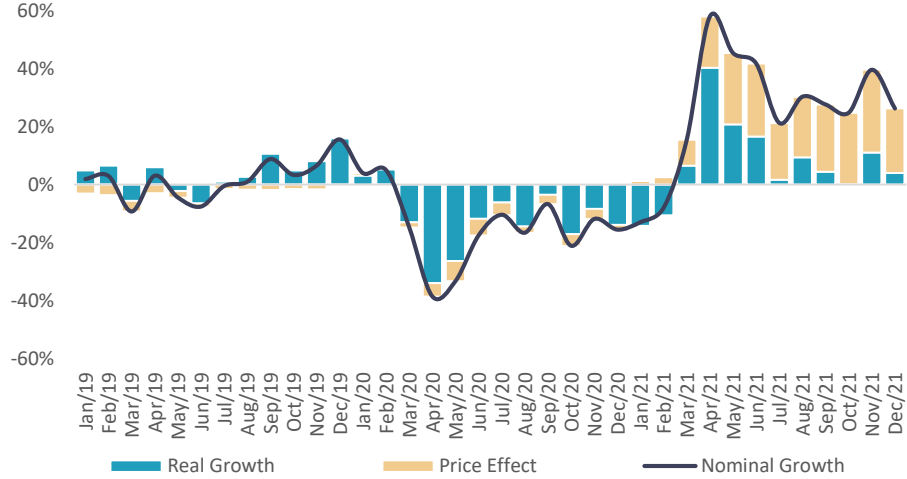
Source: Geostat, NBS, MOF

# Trade Deficit increased by 24.8 percent annually

Change of Domestic Export, %y/y

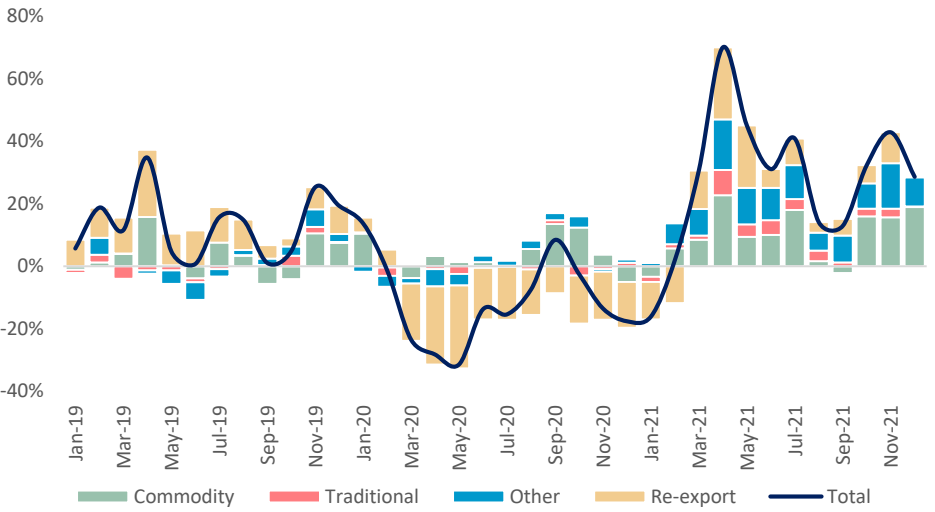


Change of Import, %y/y

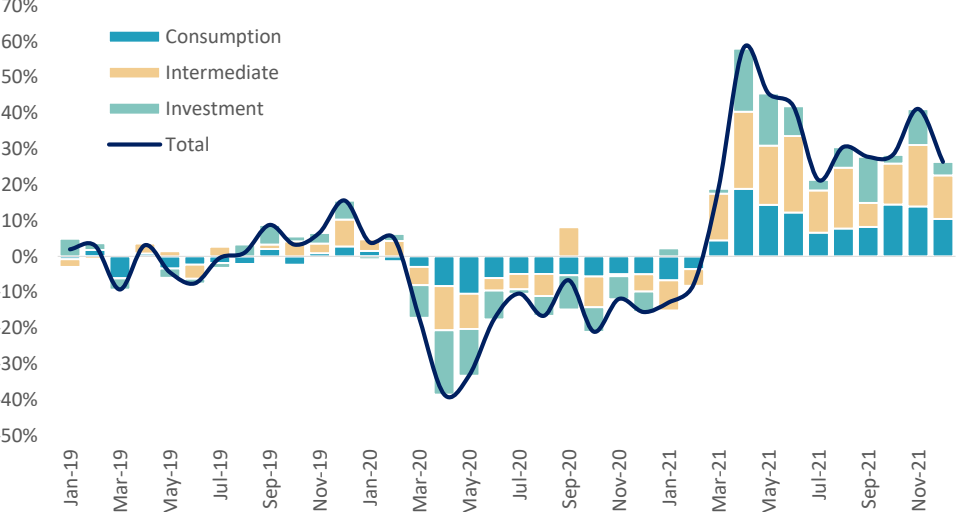


- Export increased annually by 28.5 percent to 417.9 million USD in December.
- Domestic export increased annually by 41.5 percent to 317.5 million USD.
- Import annually increased by 26.3 percent to 1,038.0 million USD in December.
- Trade deficit annually increased by 24.8 percent to 619.4 million USD in November.

Decomposition of Export



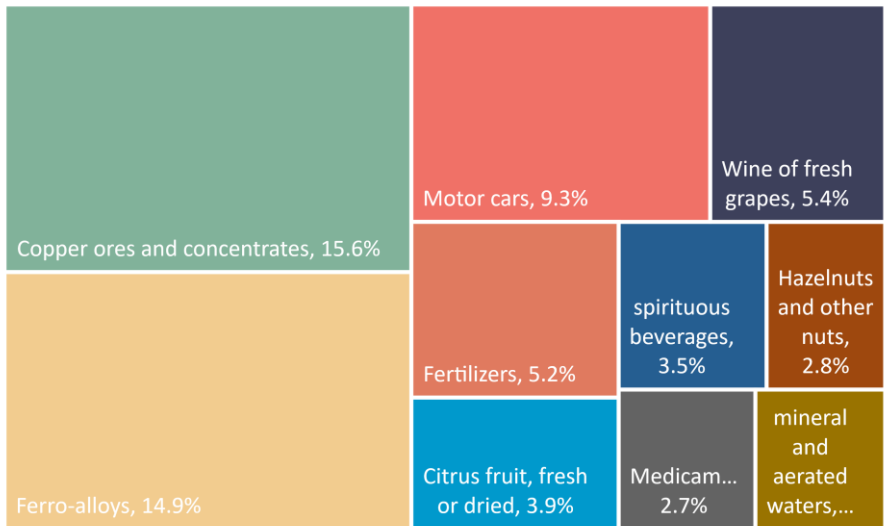
Decomposition of Change of Import, %y/y



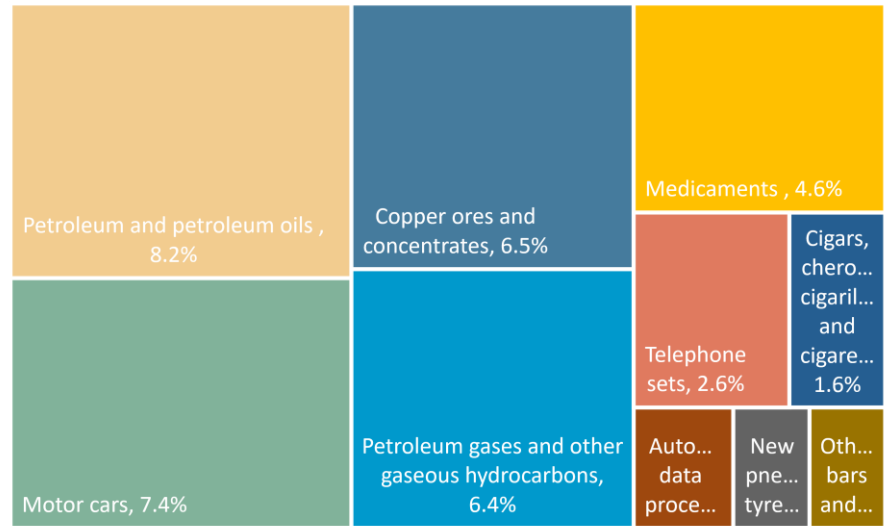
- Share of re-export is equal to 24.4 percent (0.5 %y/y), while share of commodity export equals to 37.4 percent (64.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 3.7, 10.4 and 12.2 percent respectively.

# International trade is characterized by stable diversification

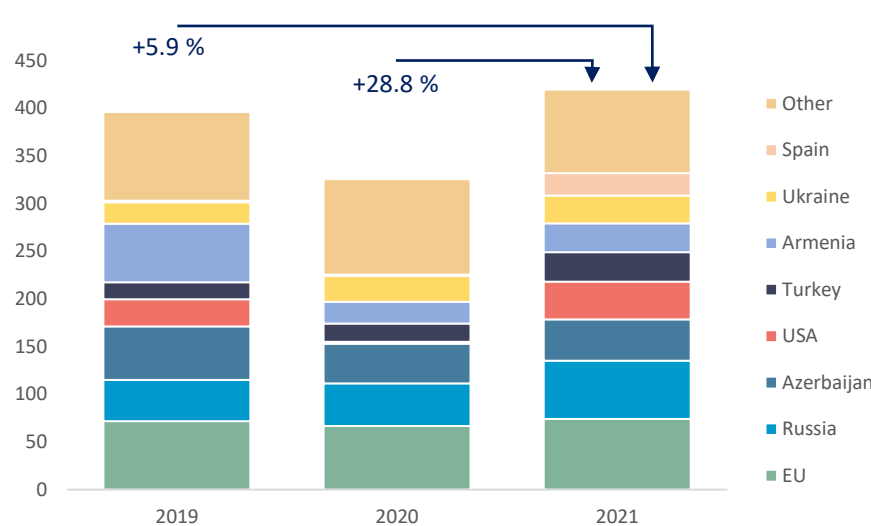
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, December



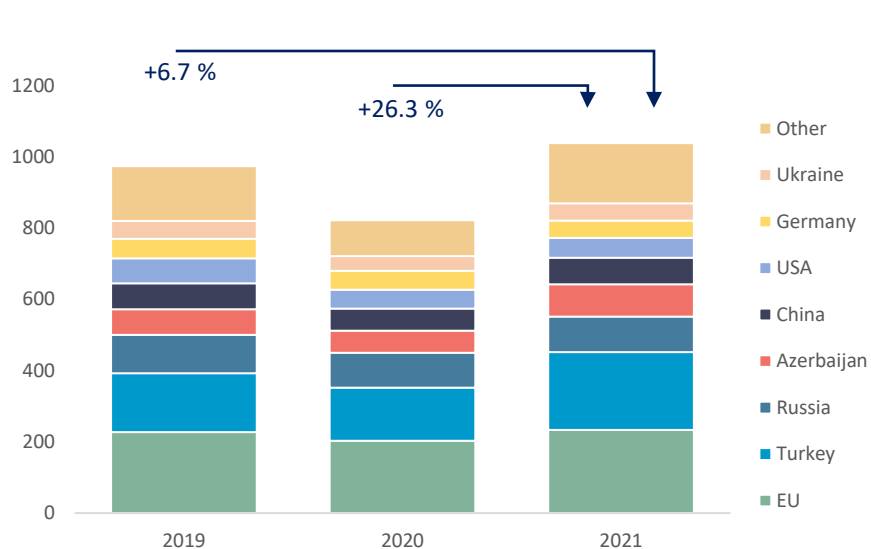
Top Export Products:

- Copper ores and concentrates: 65.3 mln. USD – 15.6 percent of total export.
- Ferro-alloys: 62.7 mln. USD – 14.9 percent.
- Motor cars: 38.9 mln. USD – 9.3 percent.

Top Import Products :

- Petroleum and petroleum oils: 84.7 mln. USD – 8.2 percent.
- Motor cars: 77.0 mln. USD – 7.4 percent.
- Copper ores and concentrates: 67.8 mln. USD – 6.5 percent of total import.

Import by country, December



Top Export Country:

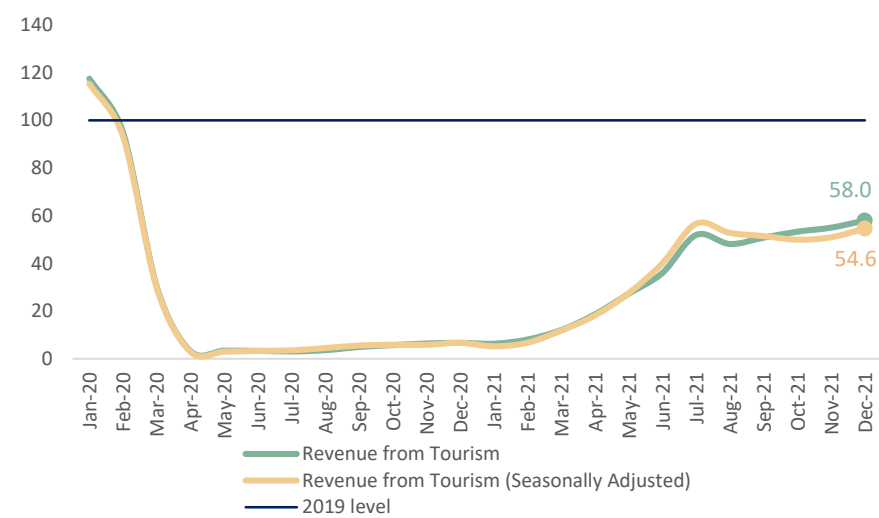
- EU: 74.2 mln. USD – 17.7 percent.
- Russia: 60.9 mln. USD – 14.5 percent.
- Azerbaijan: 48.4 mln. USD – 10.4 percent.

Top Import Country :

- EU: 233.4 mln. USD – 22.5 percent.
- Turkey: 218.1 mln. USD – 21.0 percent.
- Russia: 100.0 mln. USD – 9.6 percent.

# Tourism recovery has slowed down due to increase of COVID daily cases and reached 58 percent of 2019 level in December

Revenue from Tourism, 2019 = 100

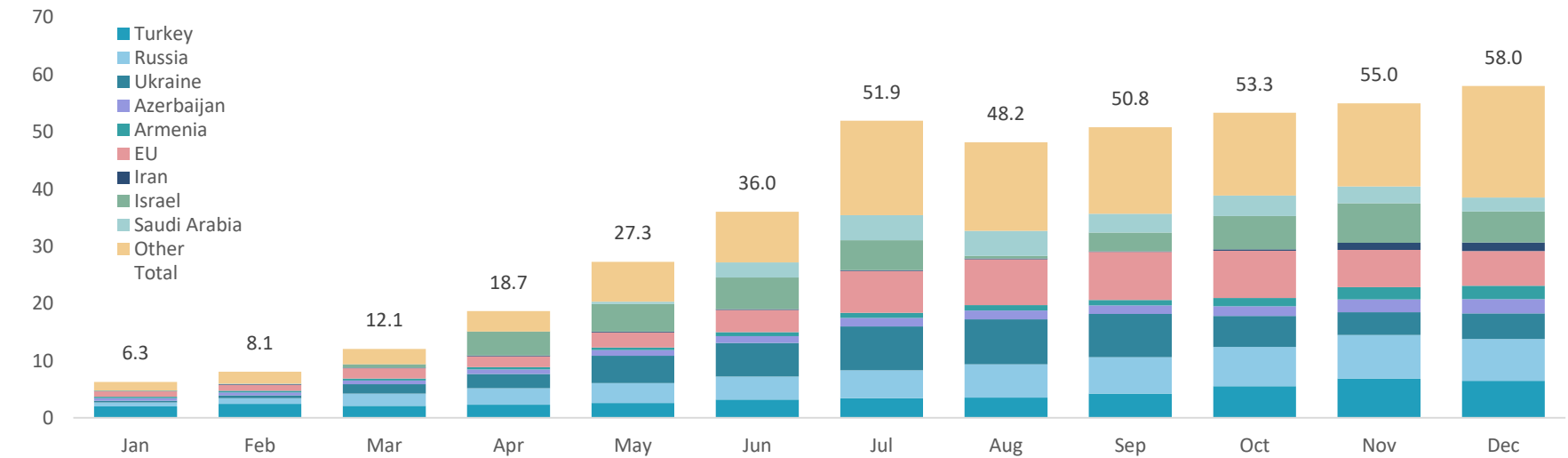


Revenue from Tourism, December 2021

Country	Tourism Revenue, mln USD
Russia	15.9
Turkey	14.1
EU + UK	13.1
Israel	11.9
Ukraine	9.7
Azerbaijan	5.4
Other	56.0

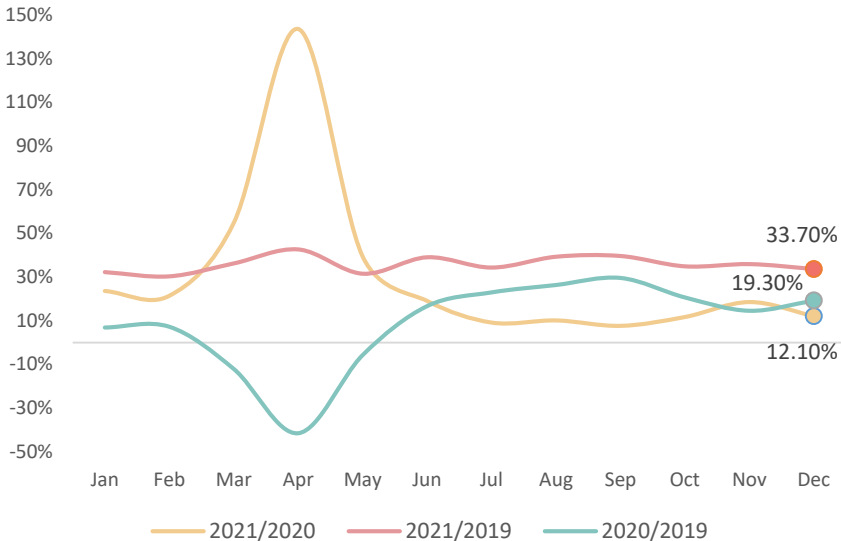
- In December 2021, tourism revenues increased by 768.5 percent to 126 million USD. Such high increase is mainly due to low level of tourism revenue inflow in December 2020 (14.5 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in December 2021 decreased by 42 compared to December 2019.
- At the same time, seasonally adjusted tourism revenues decreased by 3.1 percent compared to the previous month, which is partly due to increased daily COVID cases.

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



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

Net Remittances

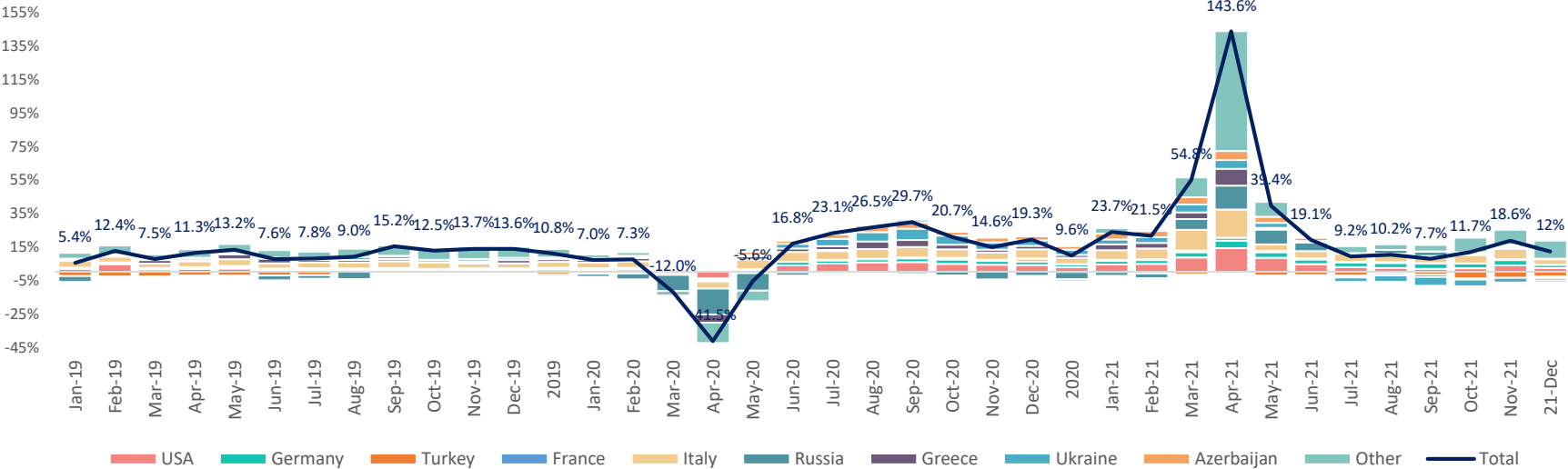


Net Remittances, December 2021

Country	Net Remittances	Change, %y/y	Share in growth, pp
Italy	37.3	18.8%	3.3
Russia	30.6	-4.5%	-0.8
USA	26.1	18.8%	2.4
Greece	18.8	-12.4%	-1.5
Israel	17.1	12.8%	1.1
Kazakhstan	12.5	429.4%	5.8
Other	53.7	6.2%	1.8

- In December 2021, net remittances were estimated at 196.1 million USD, representing a 12.1 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 33.7 percent.
- Net Remittances increased from:
  - Italy: 18.77 percent (3.3 p.p. contribution to overall growth).
  - Kazakhstan: 429.36 percent (5.79 p.p. contribution to overall growth).
  - USA: 18.81 percent (2.36 p.p. contribution to overall growth).
  - Germany: 38.85 percent (1.76 p.p. contribution to overall growth).
  - kyrgyzstan : 382.48 percent (2.5 p.p. contribution to overall growth).

Net Remittances by country, %y/y



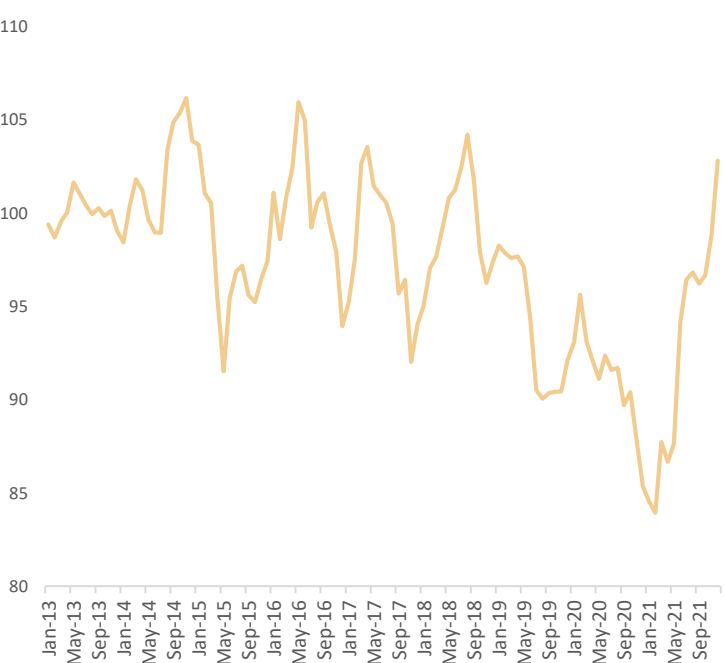
- Net Remittances decreased from:
  - Turkey: 85.29 percent (-2.9 p.p. contribution to overall growth).

# The real effective exchange rate in November appreciated by 12.5 percent annually

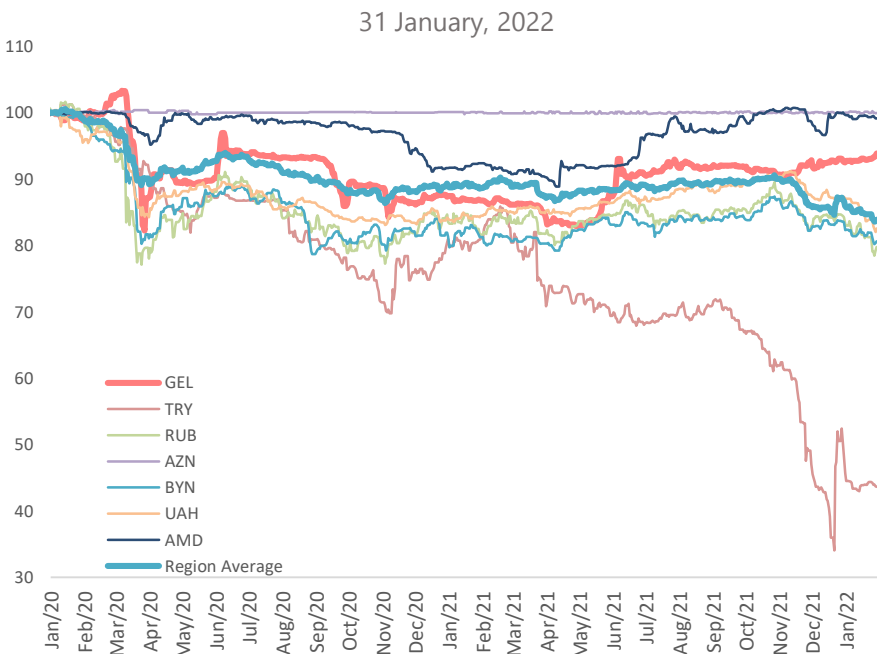
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

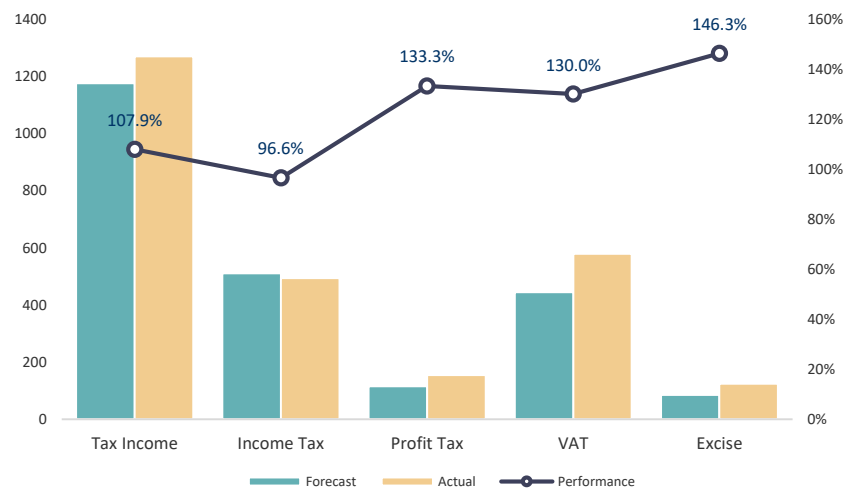


Note: Increase means appreciation

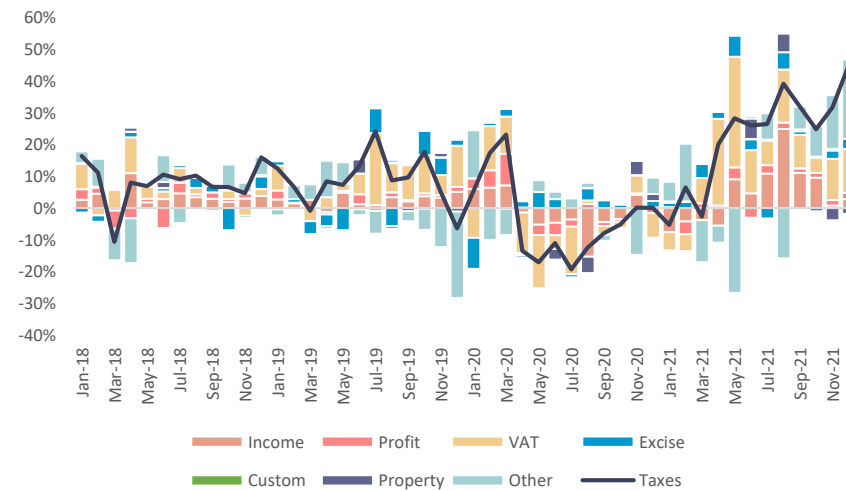
	January 31, 2022		Jan 31, 2022 - Jan 1, 2021		Jan 31, 2022 - Jan 1, 2020
Euro	3.3994	▲	18.4%	▼	-5.4%
US Dollar	3.0521	▲	7.4%	▼	-6.1%
Turkish Lira	0.2240	▲	96.4%	▲	115.0%
Russian Ruble	0.0392	▲	12.1%	▲	17.7%
NEER	130.23	▲	17.7%	▲	9.2%
REER (December 2021)	126.36	▲	20.4%	▲	11.6%

# Tax revenues in the January exceeded the forecast value by 7.9 percent

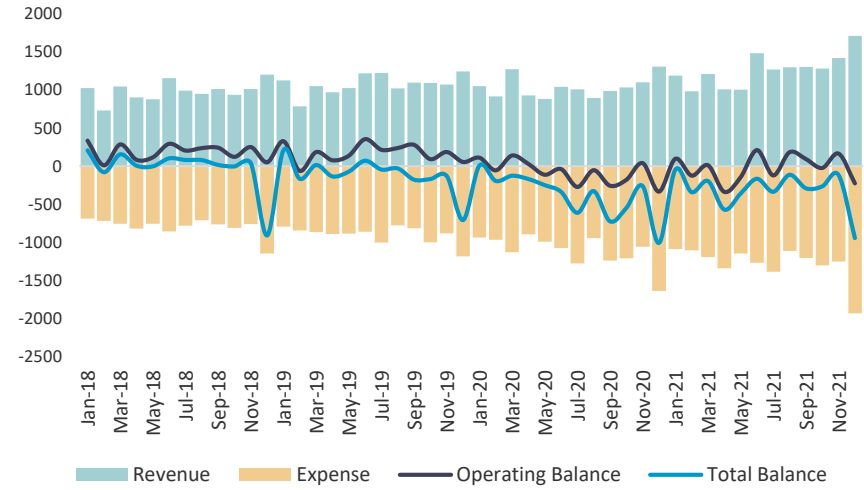
Budget Revenue Performance, January 2022



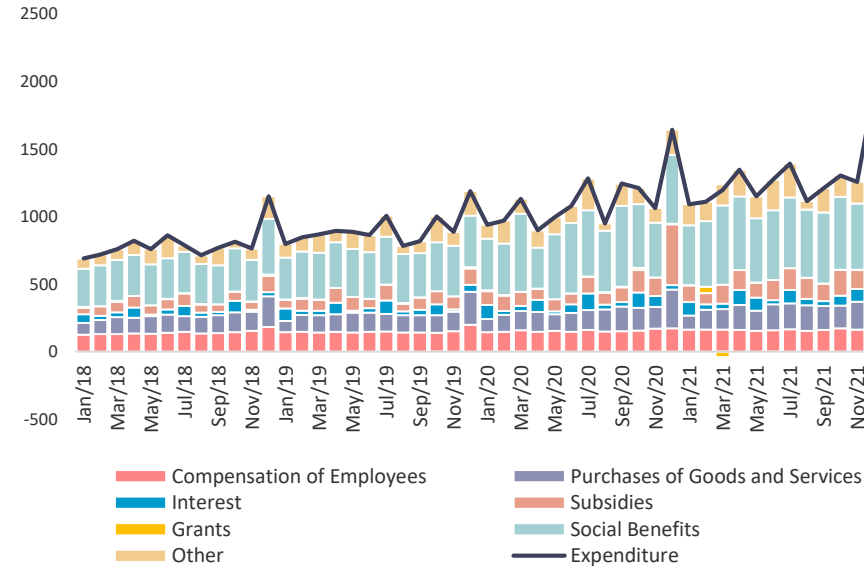
Tax Income, % y/y



Consolidated Budget, mln GEL



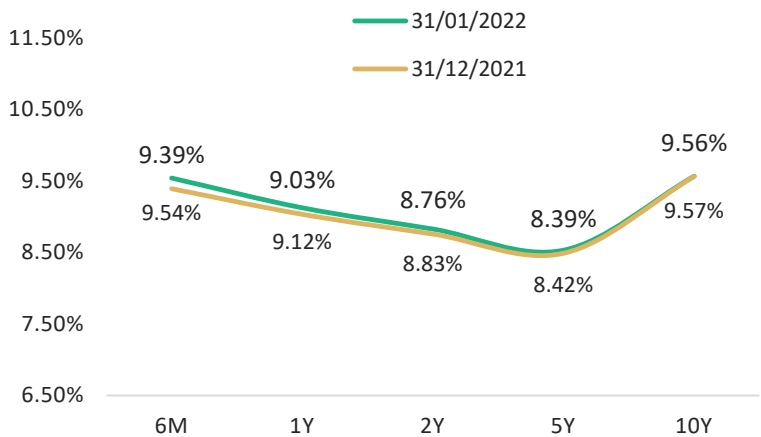
Consolidated Budget Expenditure, mln GEL



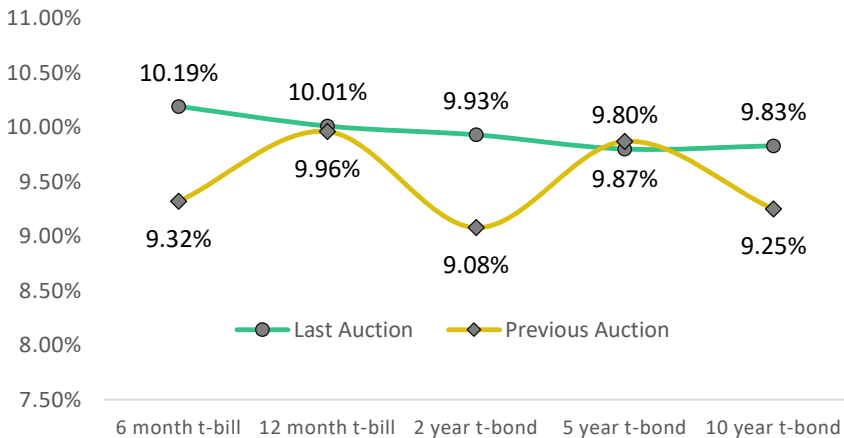
- The actual level of tax income in January was 1,269.3 mln GEL, which is 7.9 percent higher compared to the forecasted value of tax income of 1,176.0 mln GEL.
- Consolidated budget revenues increased by 30.6 percent and expenditures by 17.8 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -227.0 million GEL, while the total balance was set at -947.2 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 13.9 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

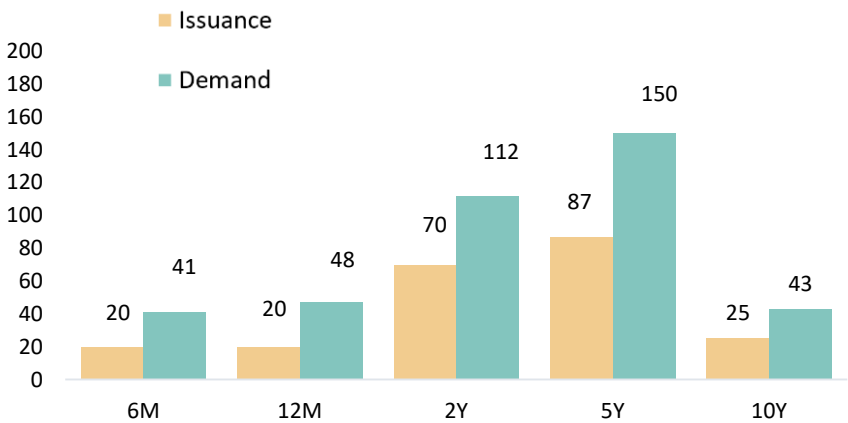
Portfolio Yield Curve



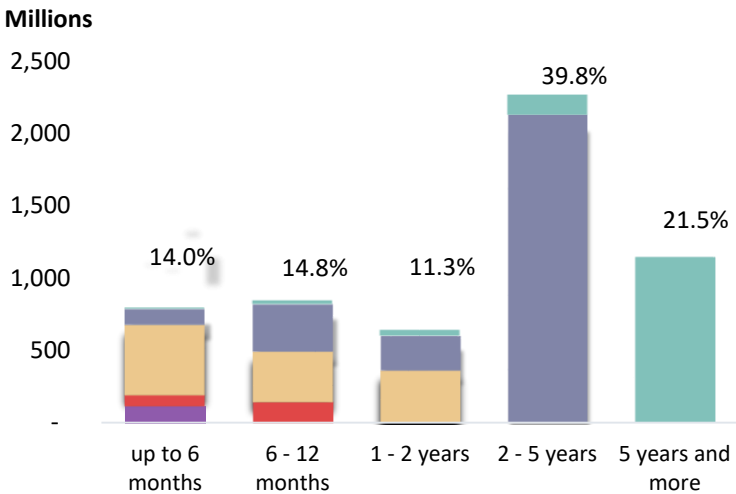
Weighted average interest rates



Issuance and Demand, mln GEL



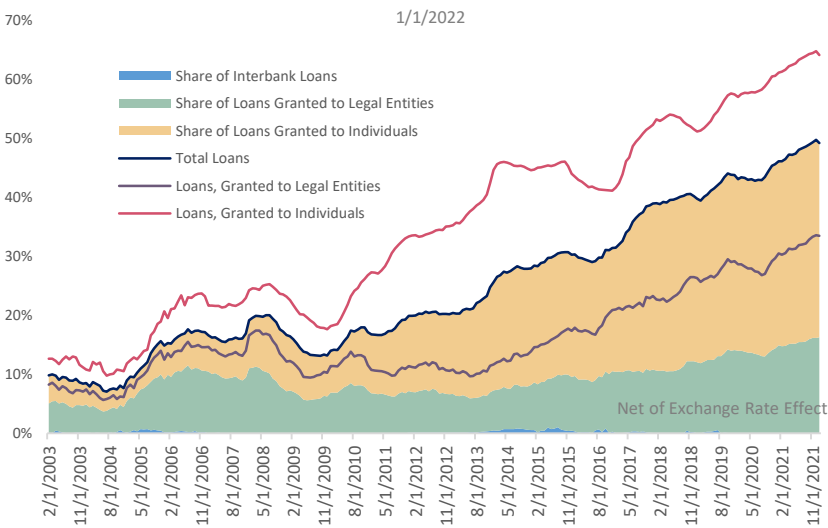
Portfolio Forming Securities Composed by Time to Maturity



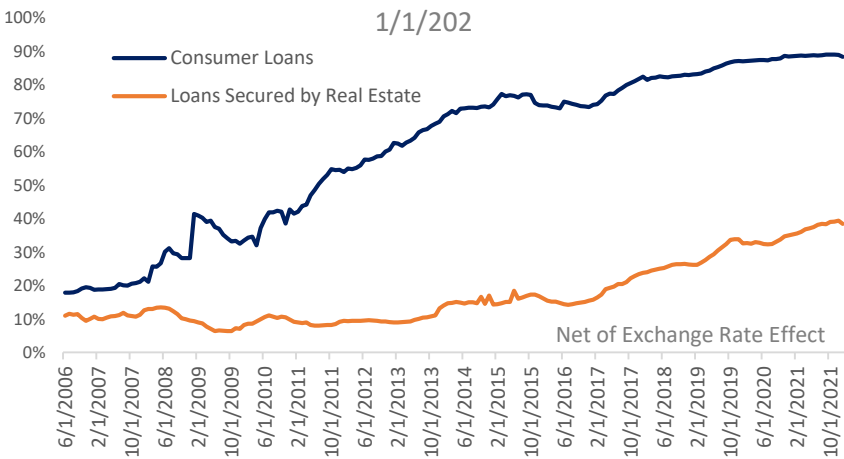
- In January 2022, 5 auctions were held with total issuance volume of 221.885 million GEL.
- The weighted average interest rate amounted to 9.896 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 15 million GEL were redeemed.
- As of January 31 2022 28.8 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio decreased compared to the previous month's value (December 2.26) and amounted to 1.77

# The larization rates continue to rise

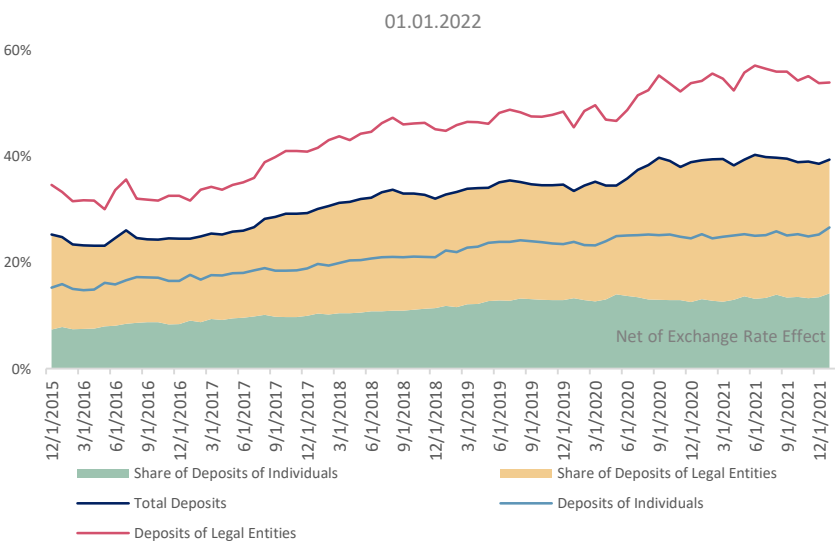
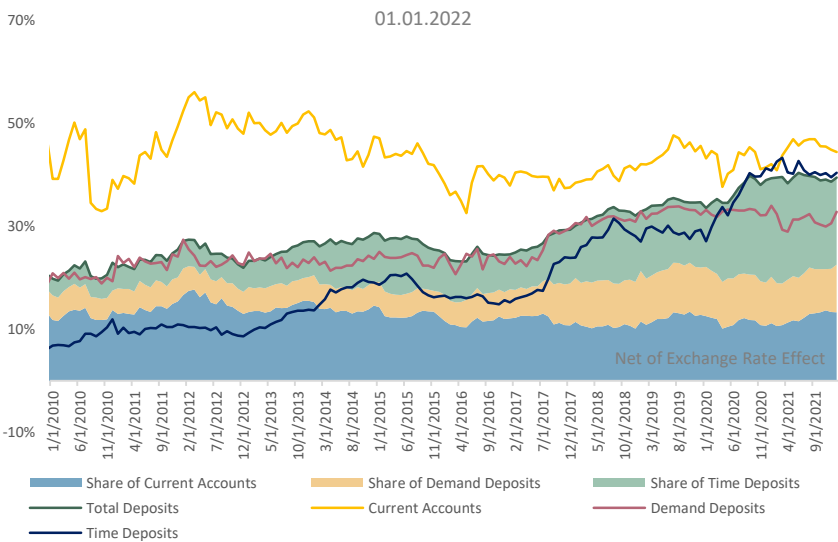
## Loan Larization



## Larization of Loans by Type



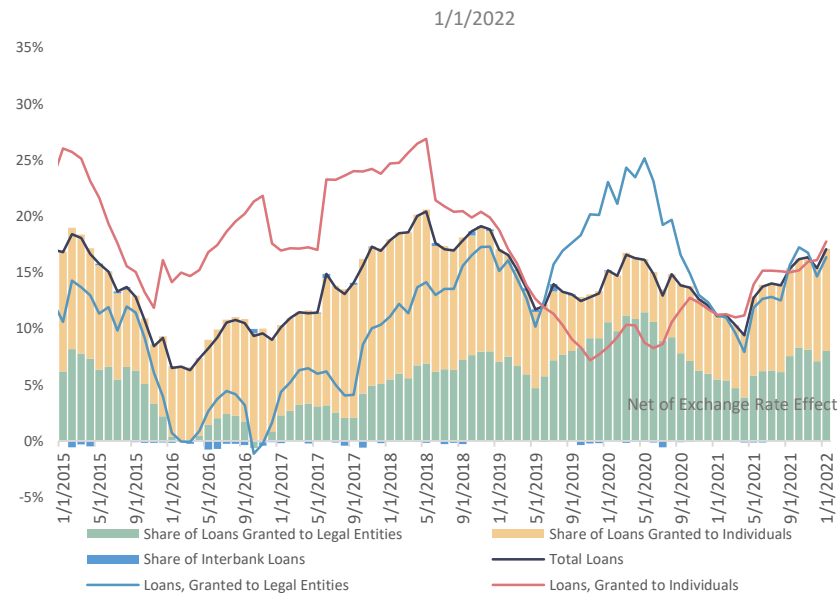
## Deposit Larization



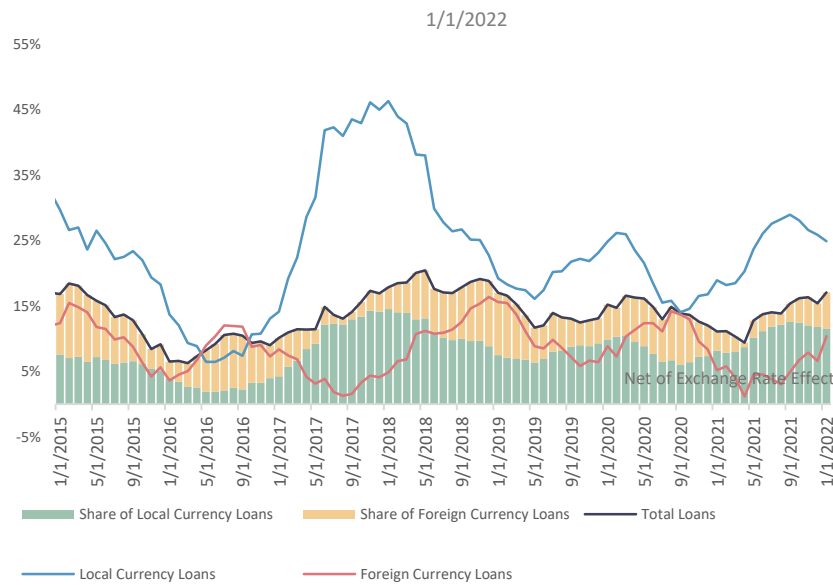
- As of January 1 2022, the larization of total loans is 49.15 percent.
- The larization of loans to individuals is 64.1 percent.
- The larization of loans to legal entities amounted to 33.4 percent.
- The larization of total deposits equals to 39.4 percent.
- The larization on deposits of legal entities amounted to 53.9 percent.
- The larization of deposits of individuals is 25.3 percent.
- The larization of time deposits is 40.36 percent.
- The larization of current accounts equals to 44.4 percent.
- The larization of demand deposits is 32.7 percent.

# The annual growth trend of loans is revealed

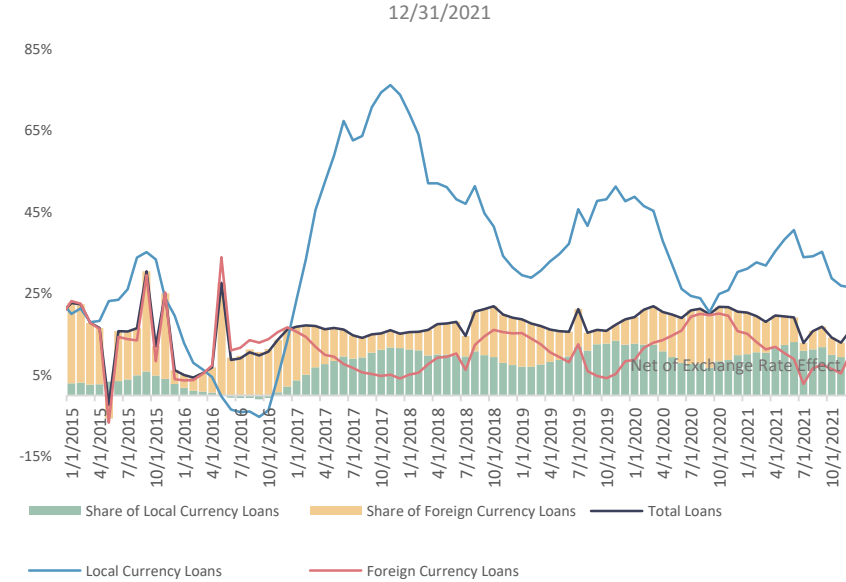
Loans, % y/y



Loans by Currency, % y/y



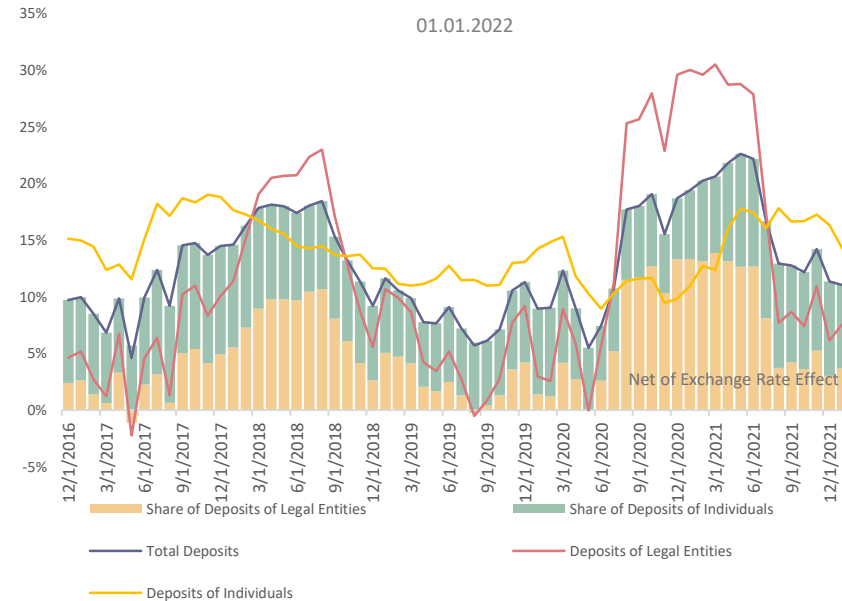
Mortgage Loans, % y/y



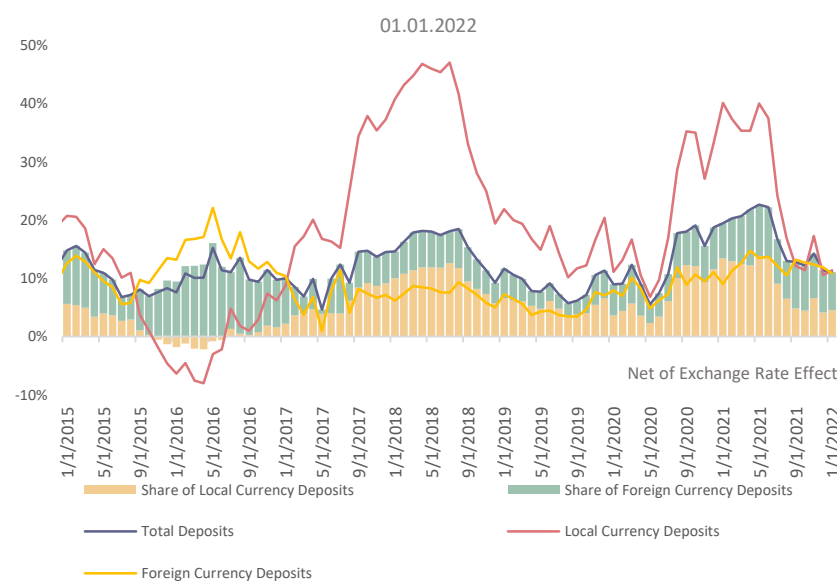
- As of January 1 2022, total loans increased by 17.1 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 16.3 percent.
- The annual growth of loans to individuals is 17.7 percent.
- As of January 1 2022, the growth rate of loans denominated in the national currency amounted to 24.9 percent.
- The annual growth of loans denominated in foreign currency amounted to 10.4 percent.
- As of December 31 2021, the annual growth of loans secured by real estate amounted to 15.9 percent. At the same time, mortgage loans denominated in national currency increased by 26.5 percent, while mortgage loans denominated in foreign currency increased by 10.2 percent.

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

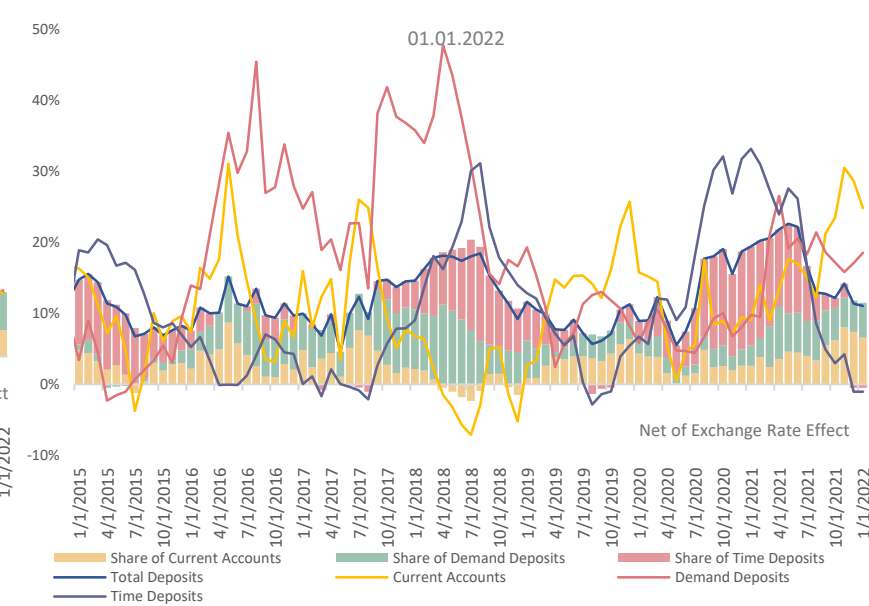
Deposits, % y/y



Deposits by Currency, % y/y



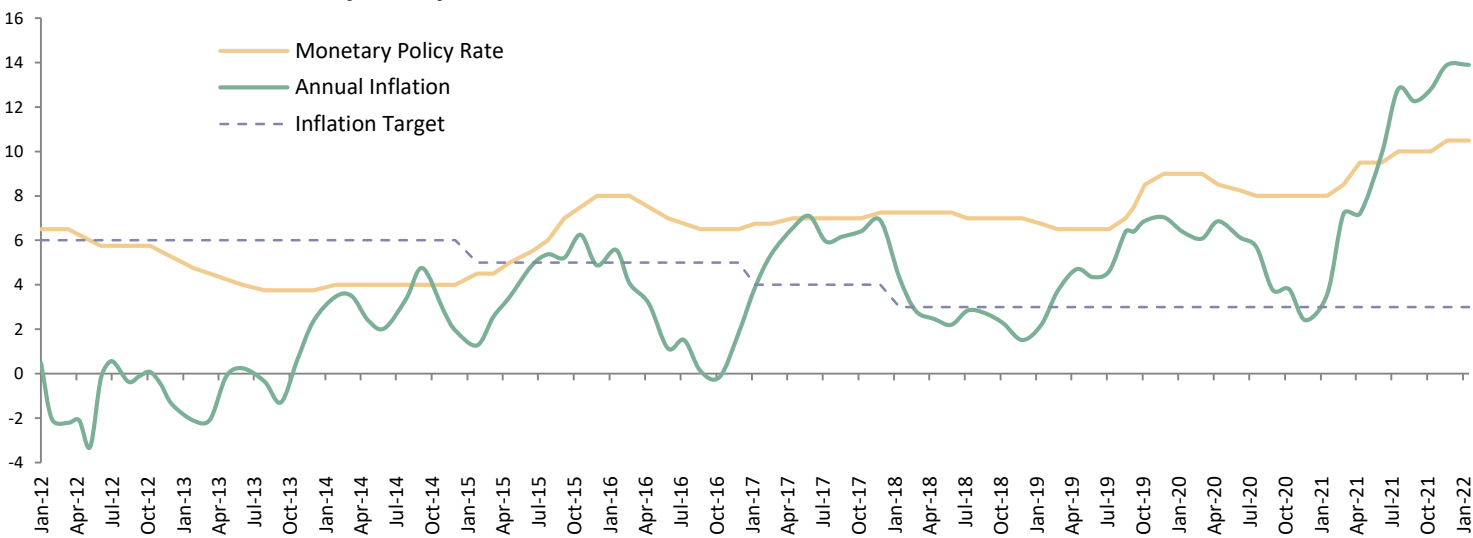
Deposits by type, % y/y



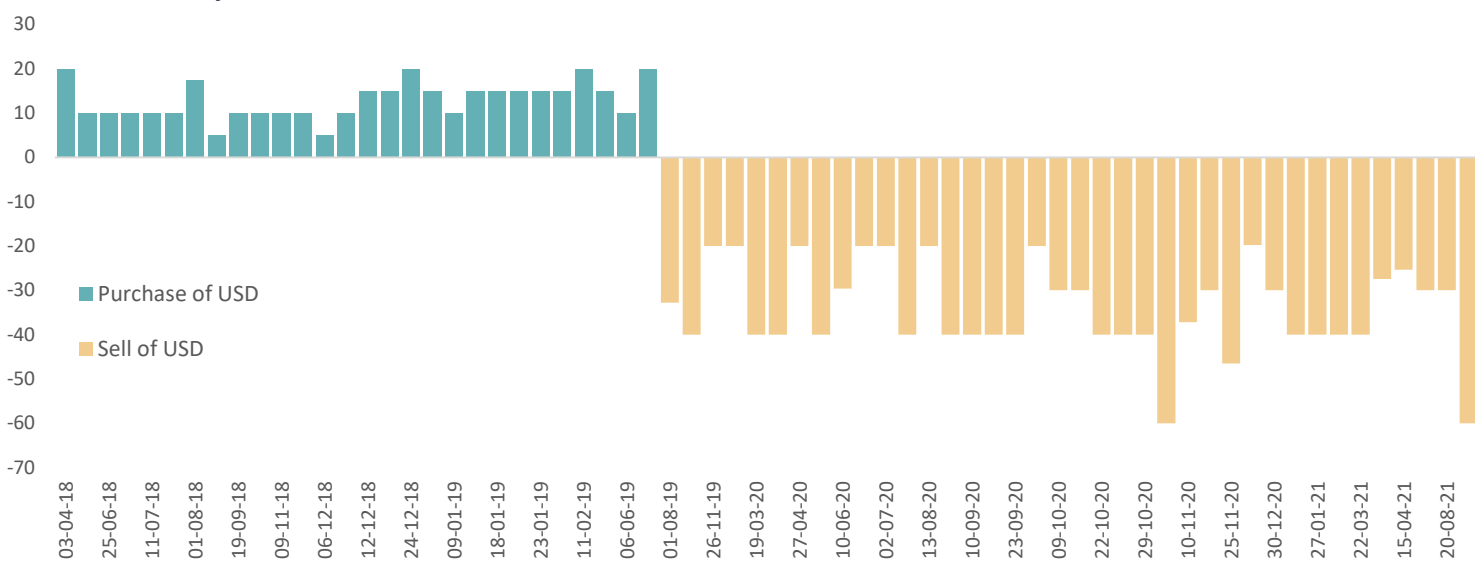
- As of January 1 2022, the growth of total deposits compared to the corresponding period of the previous year is 11.0 percent.
- The annual growth of deposits denominated in the national currency amounted to 11.4 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 10.8 percent over the same period.
- The growth of deposits of individuals amounted to 14.3 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 7.6 percent.
- The annual growth of current accounts at the beginning of January 2022 was equal to 24.8 percent.
- The annual growth of time deposits was -1.02 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 18.6 percent.

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

Inflation and Monetary Policy Rate



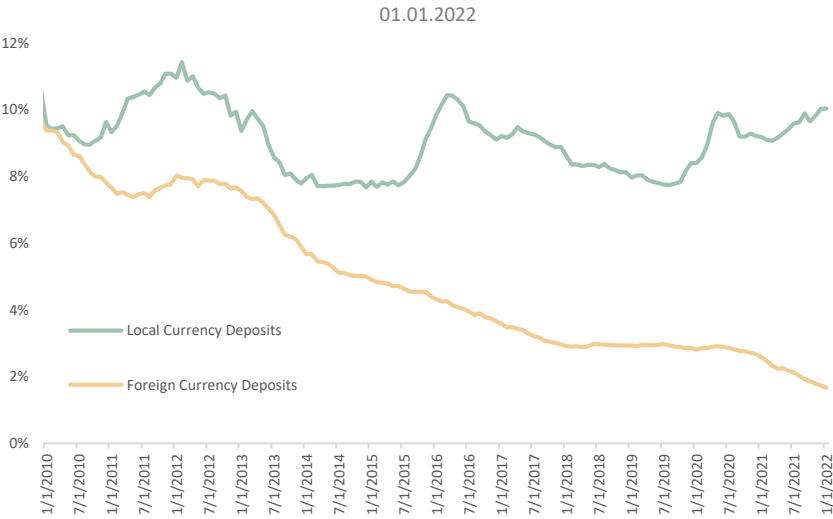
Trade of USD by NBG, mln USD



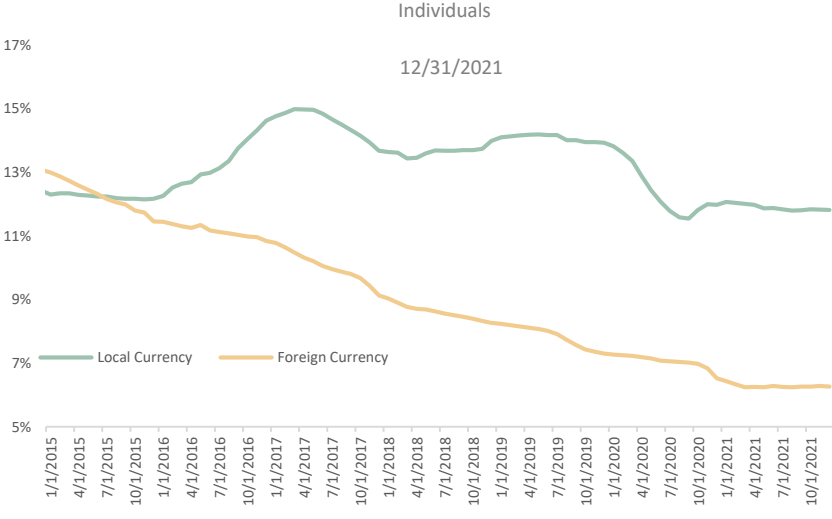
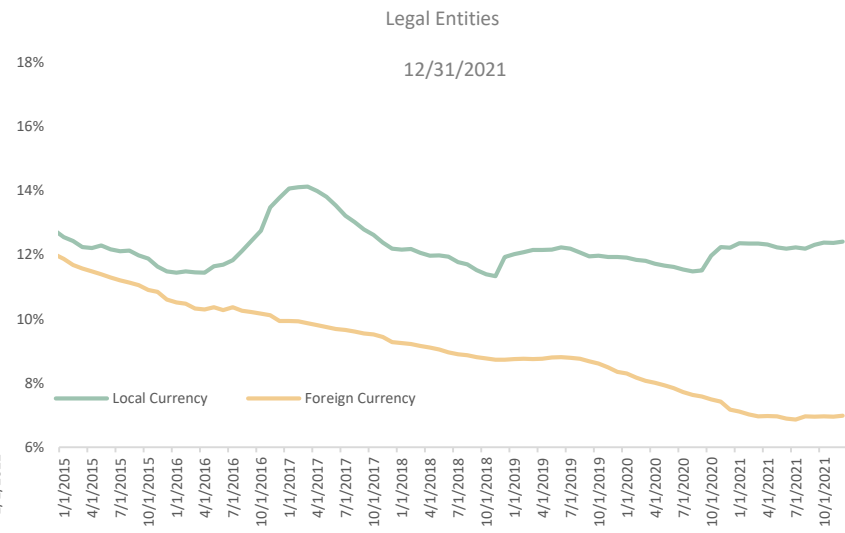
- On February 2 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 10.5 percent.
- The monetary policy rate is 10.5 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world 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.

# 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 January 1 2022, the interest rate on foreign currency deposits was 1.7 percent, and in national currency – 10.0 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.3 percent, and in foreign currency - 1.7 percent.
- The average annual interest rate on deposits by individuals is 1.7 percent for foreign currency deposits and 10 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 18.1 percent (20.0 percent in national currency and 6.7 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 December 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.7 percent, and in foreign currency – 6.8 percent. The interest rate on loans to individuals in the national currency was 13.0 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.

Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: [info@mof.ge](mailto:info@mof.ge); [www.mof.ge](http://www.mof.ge)



MINISTRY OF FINANCE  
OF GEORGIA