



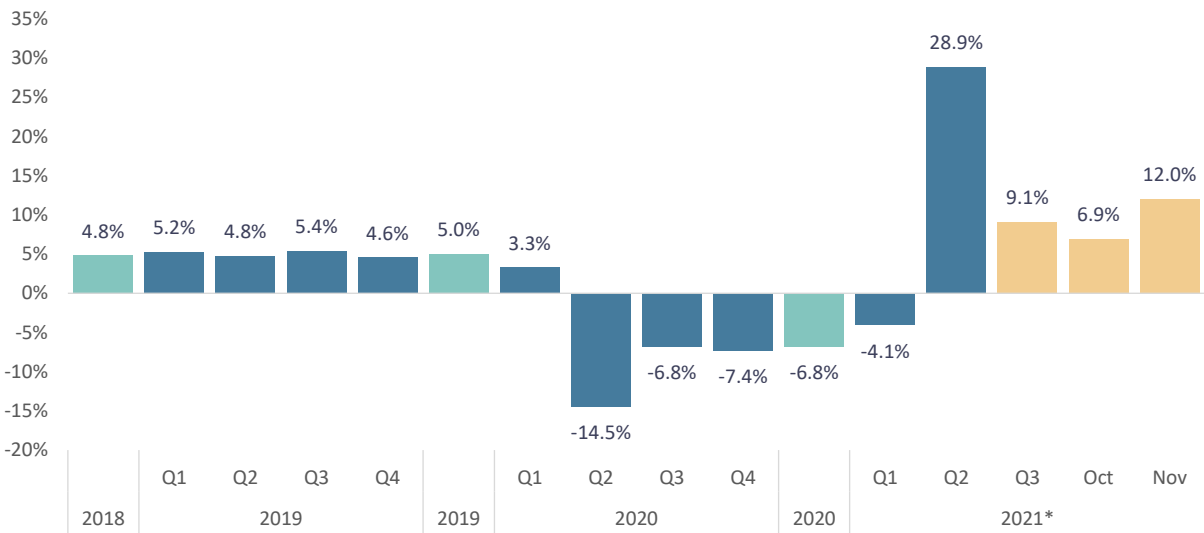
Current Economic Outlook

December, 2021

- According to the preliminary estimates of the National Statistics Office, in November 2021, the real GDP growth rate was 12 percent and average growth rate of 11 months was 10.7 percent. According to preliminary data, in the third quarter of 2021, annual economic growth was 9.1 percent.
- Annual inflation stood at 13.9 percent in December, while core inflation was 6 percent
- In November, exports increased by 42.8 percent year-on-year and imports increased by 39.6 percent year-on-year, increasing the trade deficit by 37.3 percent year-on-year to 576.9 million USD
- The real effective exchange rate for November appreciated by 12.5 percent compared to the same period of the previous year and by 2.3 percent compared to the previous month
- The National Bank of Georgia increased the monetary policy rate to 10.5 percent

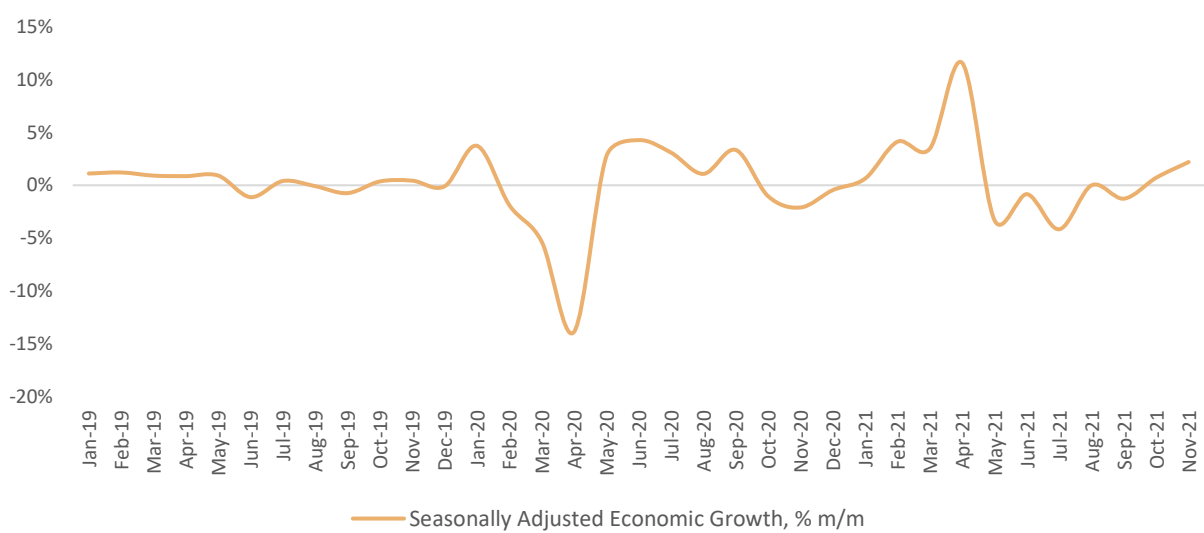
Economic Growth in November was equal to 12 percent

Economic Growth, % y/y

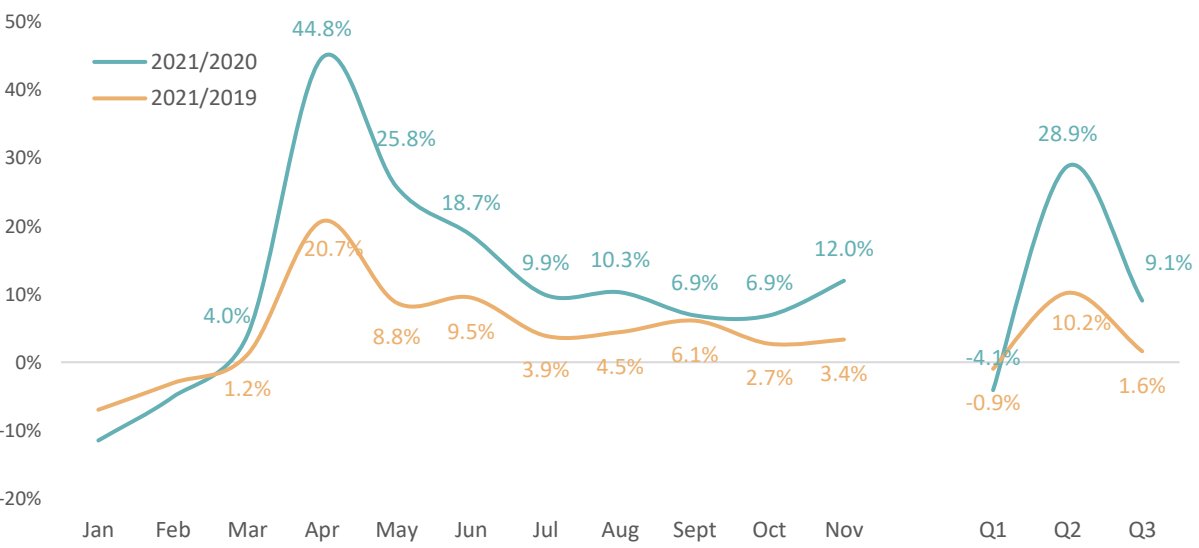


- Estimated real GDP growth rate in November 2021 equaled 12 percent YoY and average annual real GDP growth rate for the first 11 months equals to 10.7 percent.
- In November 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Transportation and storage, Arts, entertainment and recreation, Trade, Hotels and restaurants, Financial and Insurance activities.
- A decline was registered in Construction.

Economic Growth, % m/m

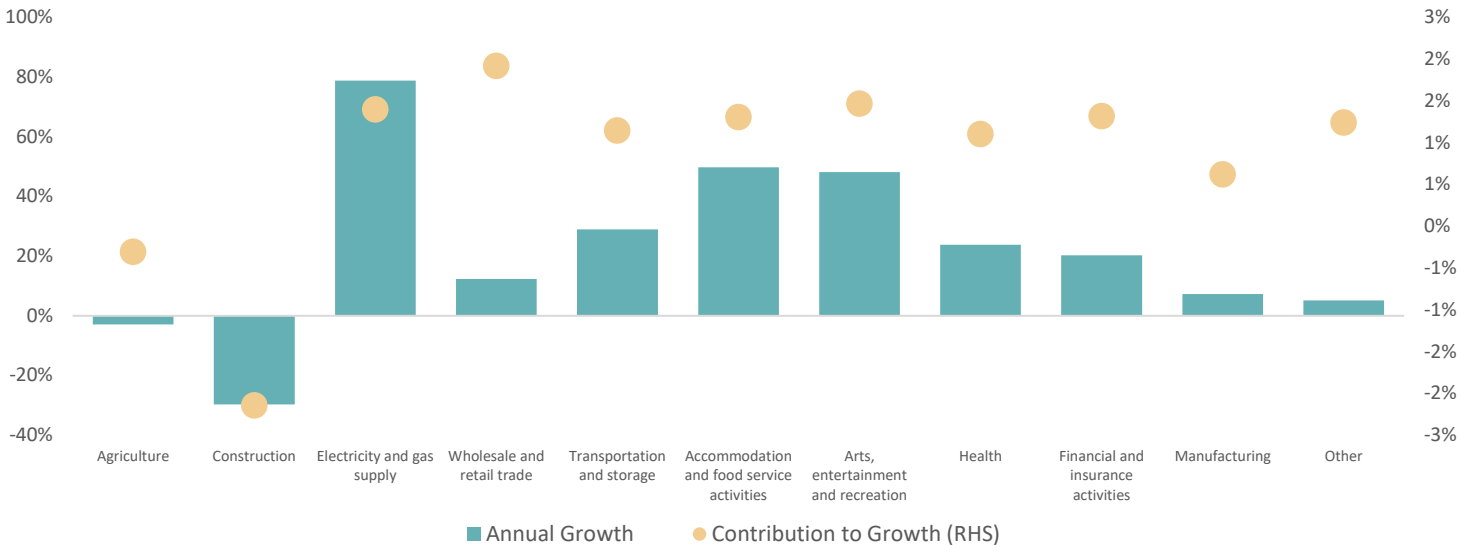


Economic Growth, 2021-2019



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

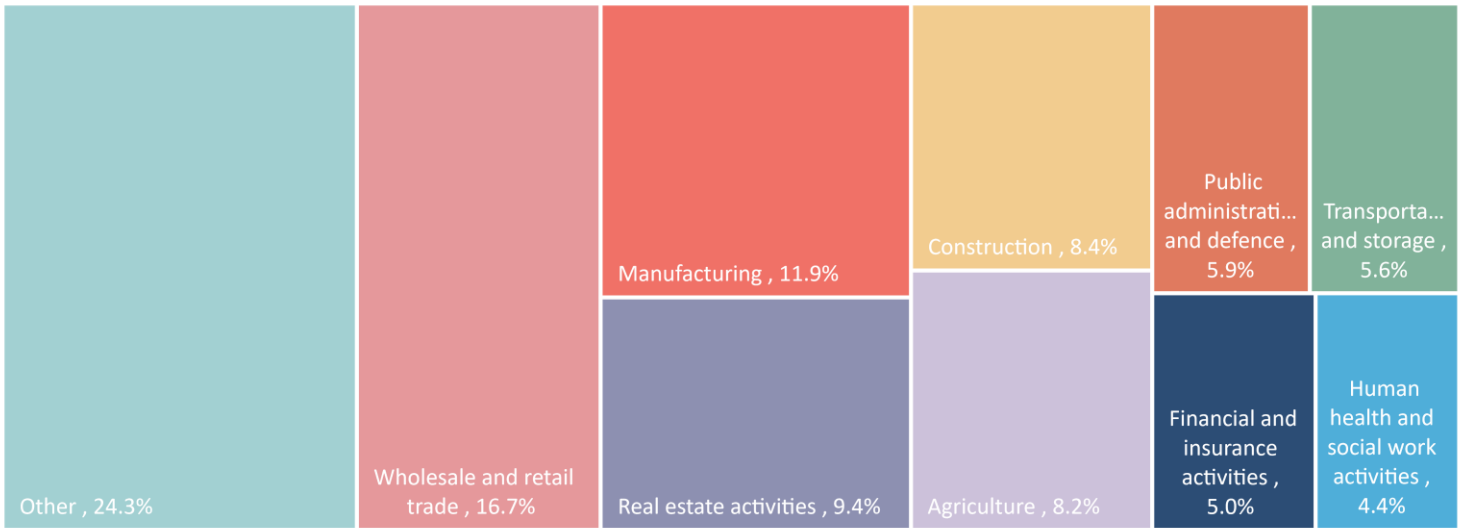


▪ According to preliminary estimates, in the third quarter of 2021, compared to the corresponding period of the previous year, real GDP increased by 9.1 percent and by 1.6 percent compared to the second quarter of 2019.

• 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

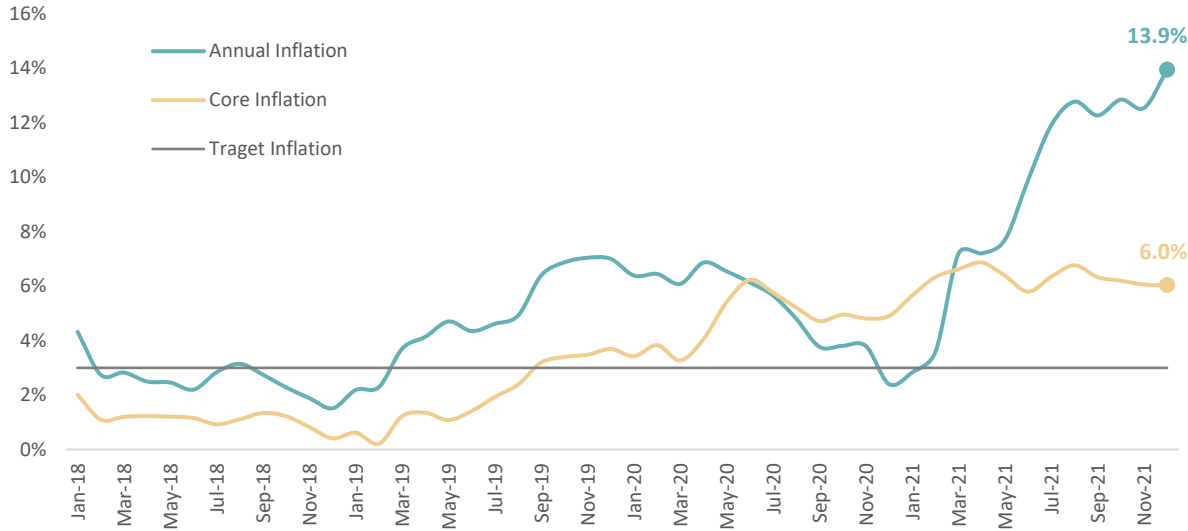


• The following industries have made a significant contribution to the decline:

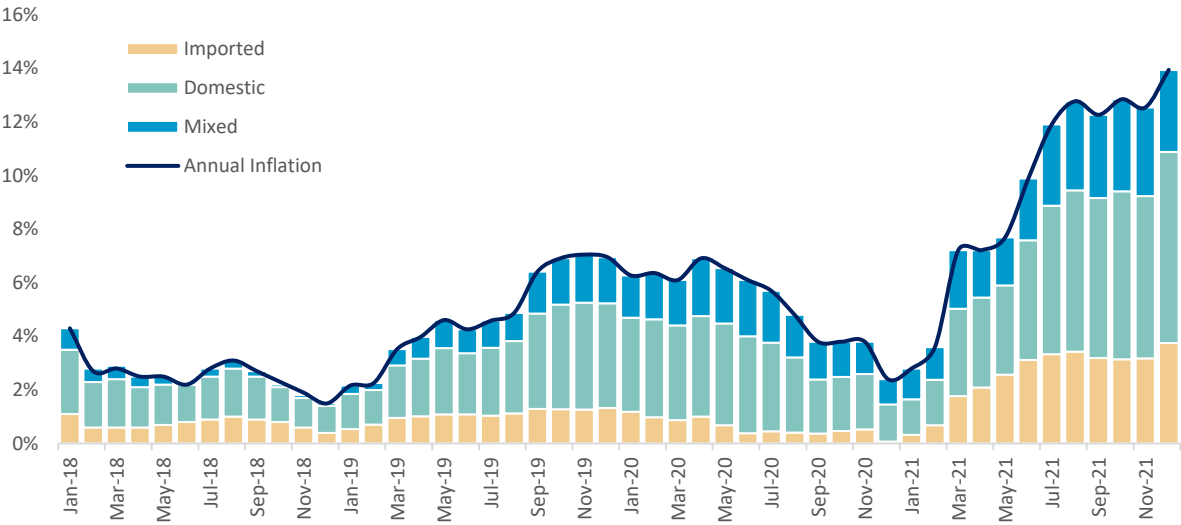
- Agriculture: -2.9% y/y (-0.3 pp)
- Construction: -29.7% y/y (-2.1 pp)

Annual inflation in December has reached 13.9 percent

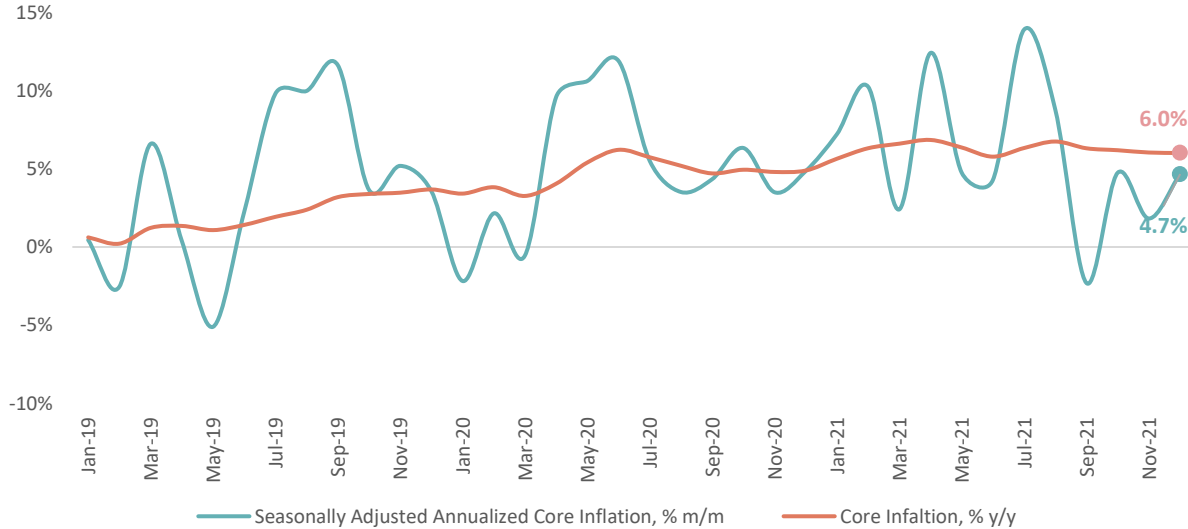
Total and Core Inflation, % y/y



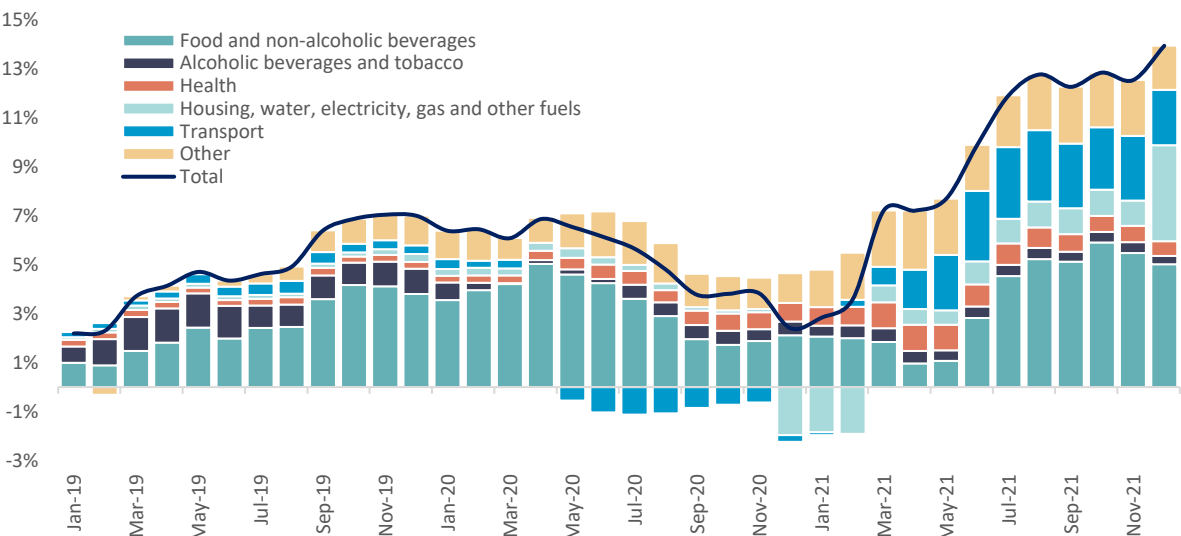
Inflation Decomposition



Core Inflation, % m/m



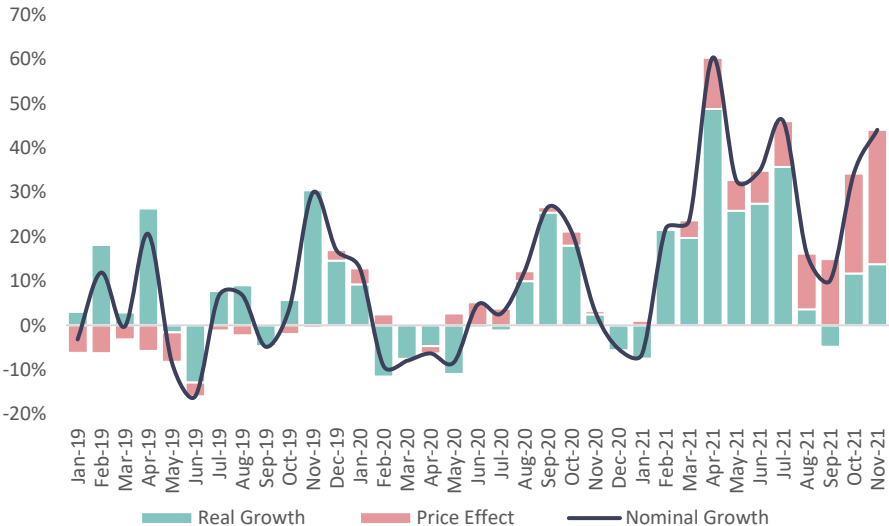
Inflation Decomposition by product group



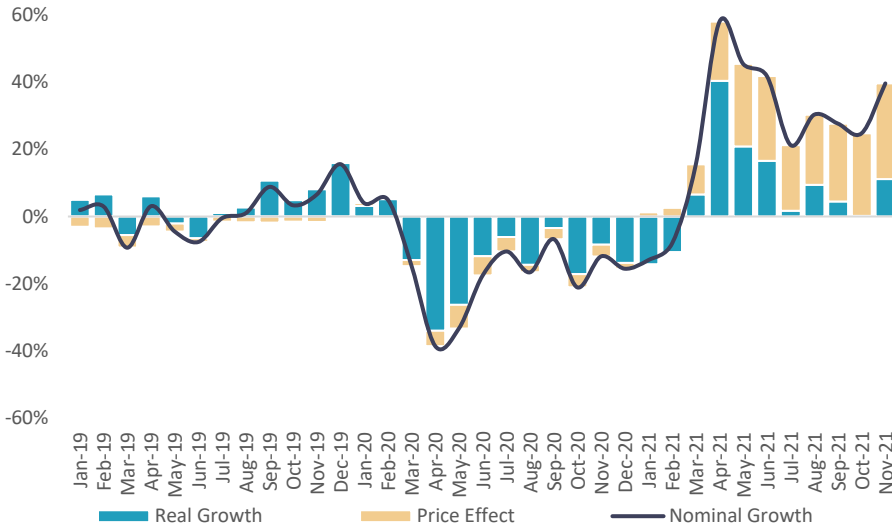
Source: Geostat, NBG, MOF

Trade Deficit increased by 37.3 percent annually

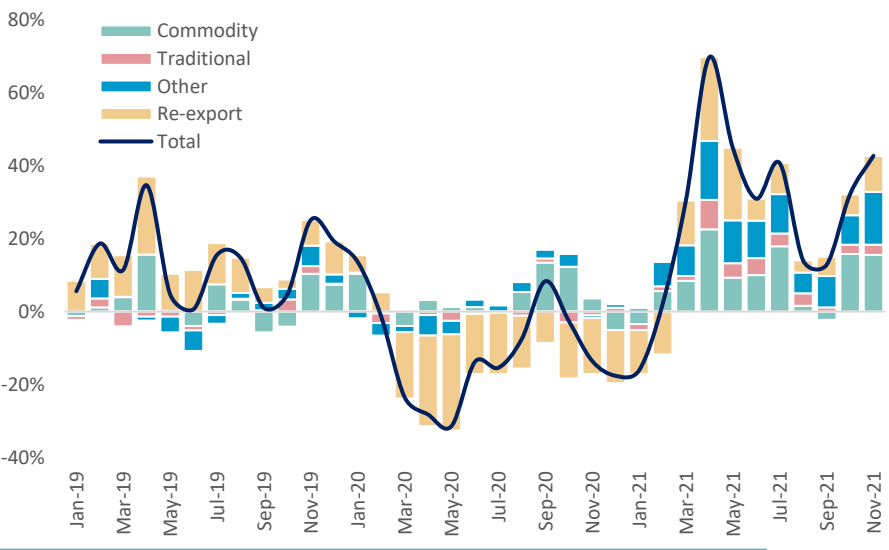
Change of Domestic Export, %/y



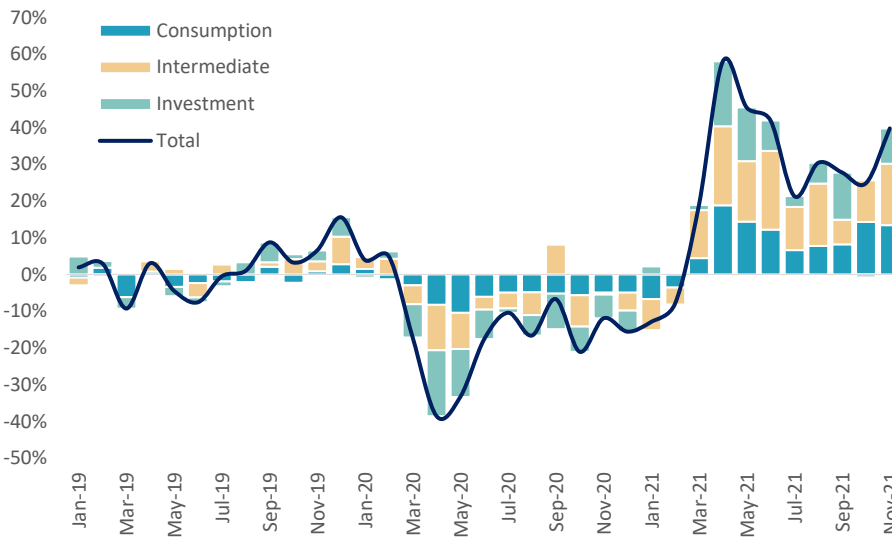
Change of Import, %/y



Decomposition of Export



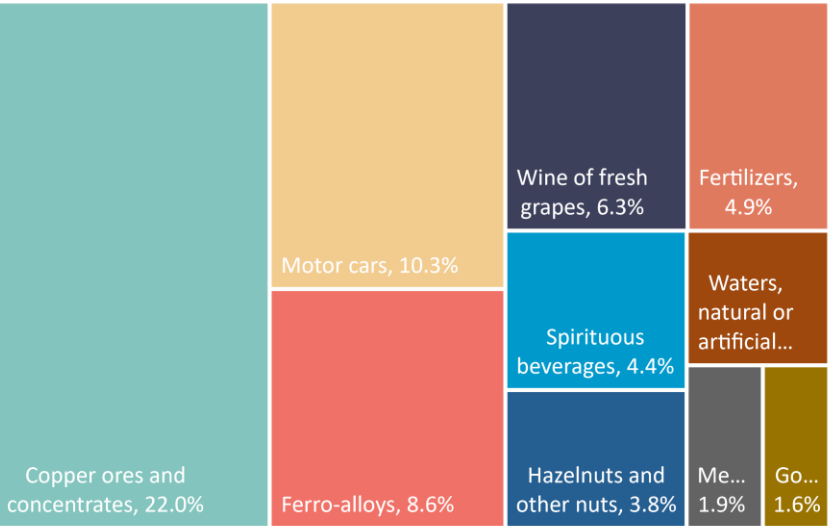
Decomposition of Change of Import, %/y



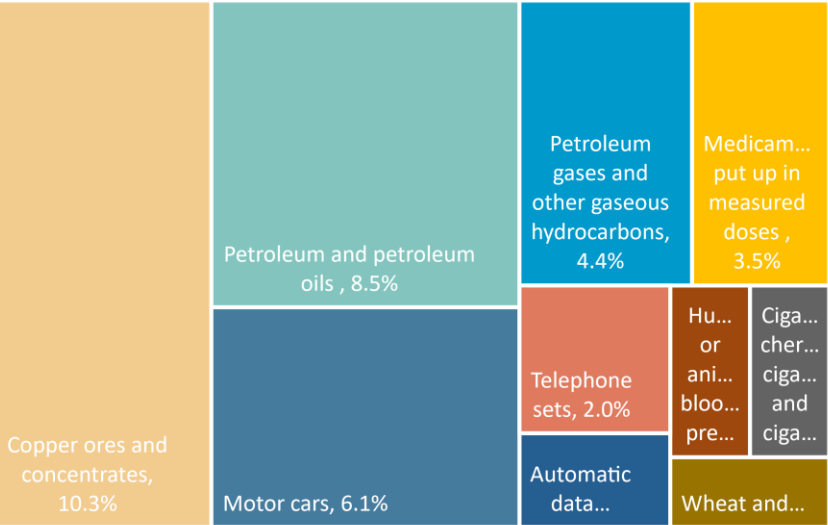
- Export increased annually by 42.8 percent to 428.9 million USD in November.
- Domestic export increased annually by 44.1 percent to 325.2 million USD.
- Import annually increased by 39.6 percent to 1,007.3 million USD in November.
- Trade deficit annually increased by 37.3 percent to 576.9 million USD in November.
- Share of re-export is equal to 24.5 percent (39.4 %/y), while share of commodity export equals to 36.5 percent (42.8 %/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 9.7, 13.5 and 16.7 percent respectively.

International trade is characterized by stable diversification

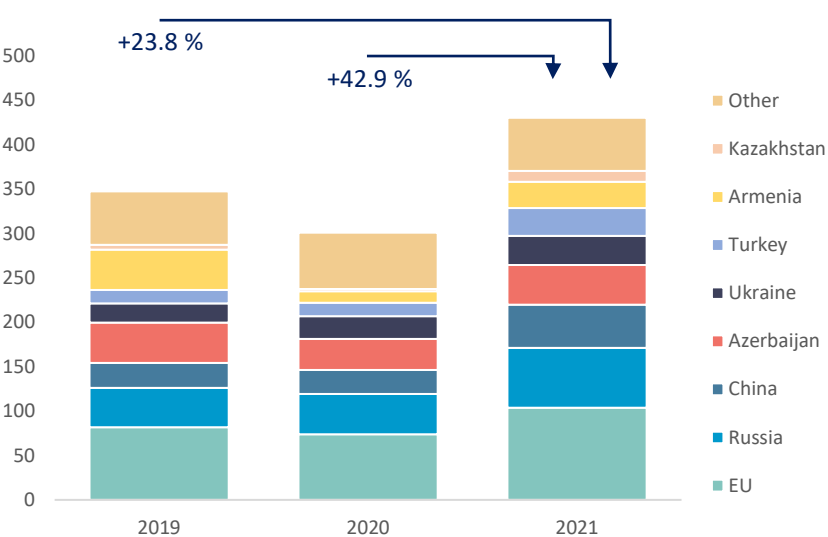
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



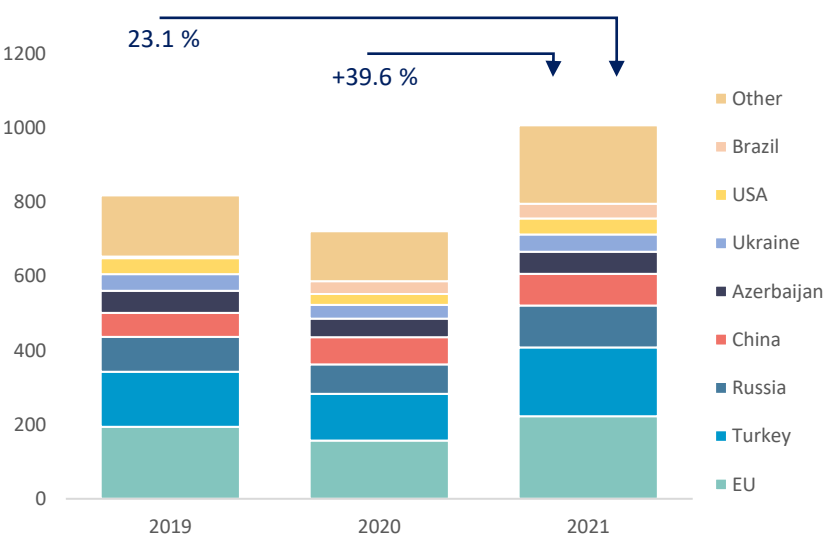
Export by country, November



- Top Export Products:
 - Copper ores and concentrates: 94.5 mln. USD – 22 percent of total export.
 - Motor cars: 44.3 mln. USD – 10.3 percent.
 - Ferro-alloys: 36.8 mln. USD – 8.6 percent.

- Top Import Products :
 - Copper ores and concentrates: 103.5 mln. USD – 10.3 percent of total import.
 - Petroleum and petroleum oils: 85.9 mln. USD – 8.5 percent.
 - Motor cars: 61.7 mln. USD – 6.1 percent.

Import by country, November

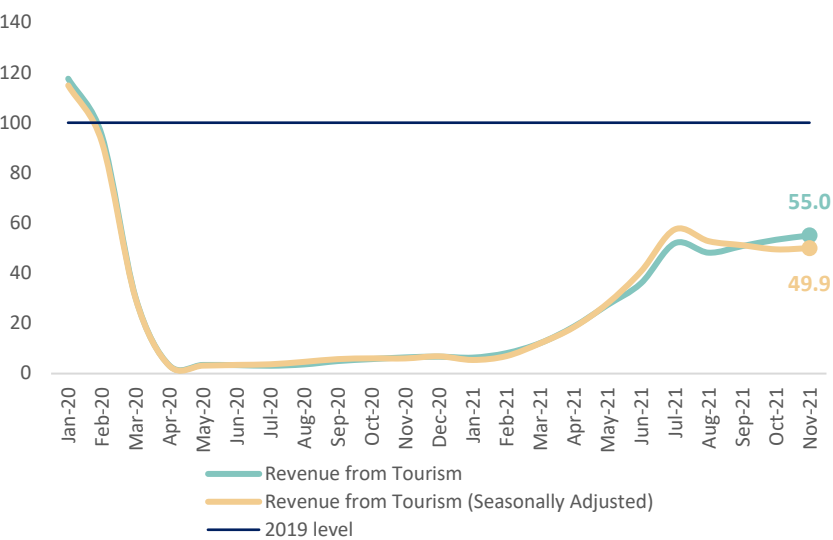


- Top Export Country:
 - EU: 104 mln. USD – 24.2 percent.
 - Russia: 67.3 mln. USD – 15.6 percent.
 - China: 48.5 mln. USD – 11.3 percent.

- Top Import Country :
 - EU: 222.3 mln. USD – 22.1 percent.
 - Turkey: 185.6 mln. USD – 18.4 percent.
 - Russia: 113.3 mln. USD – 11.2 percent.

Tourism recovery has slowed down due to increase of COVID daily cases and reached 55 percent of 2019 level in November

Revenue from Tourism, 2019 = 100

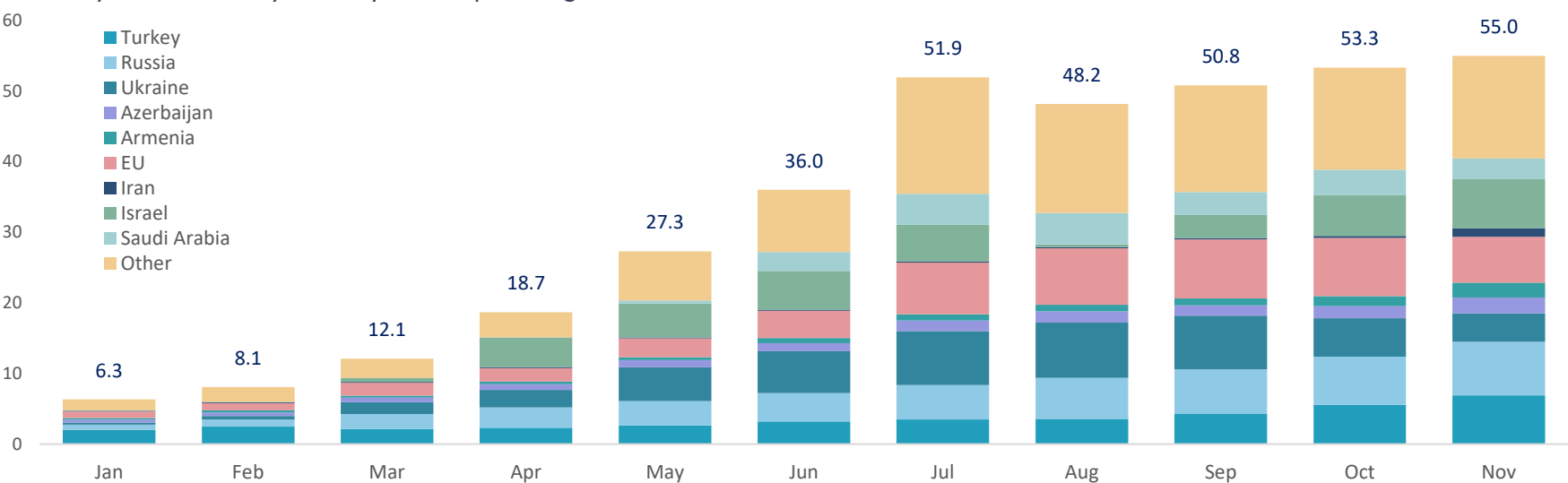


Revenue from Tourism, November 2021

Country	Tourism Revenue, mln USD
Russia	15.3
Israel	14.0
Turkey	13.9
EU + UK	13.1
Ukraine	8.1
Saudi Arabia	5.9
Other	40.7

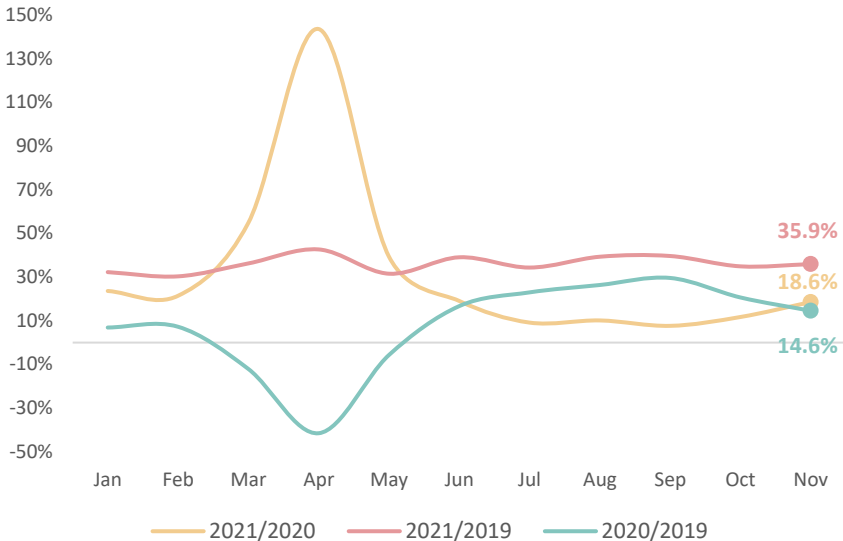
- In November 2021, tourism revenues increased by 761.8 percent to 111 million USD. Such high increase is mainly due to low level of tourism revenue inflow in November 2020 (12.9 million USD).
- Despite the slight recovery in the region and within the country, tourism sector activities remains on a lower levels compared to 2019. In particular, revenue from tourism in November 2021 decreased by 45 compared to November 2019.
- At the same time, seasonally adjusted tourism revenues decreased by 3.2 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

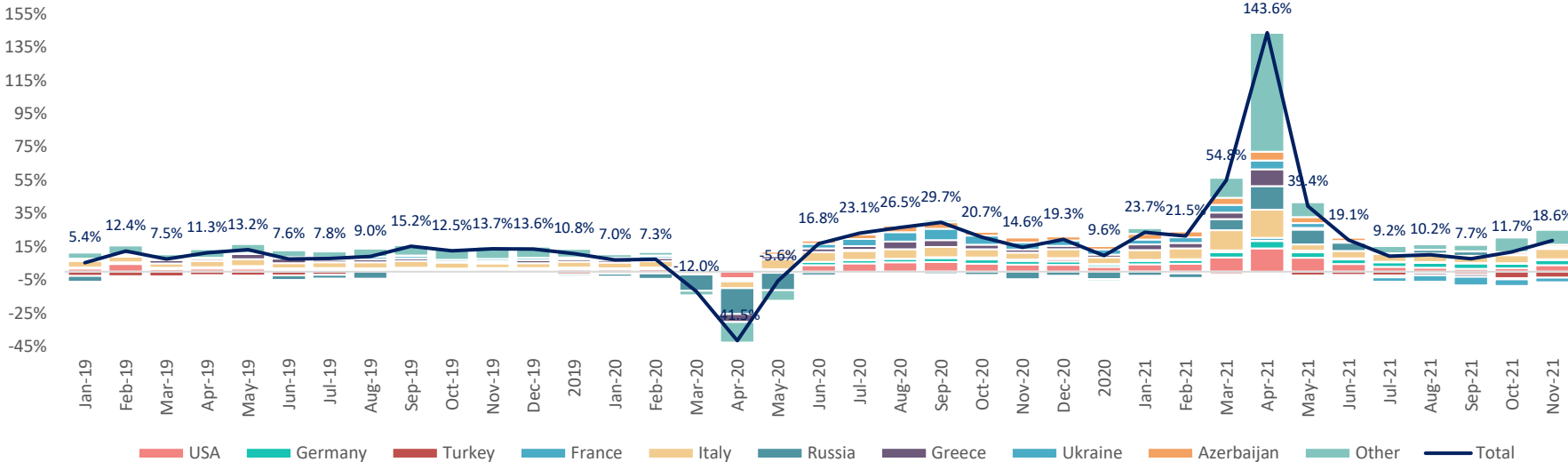


Net Remittances, November 2021

Country	Net Remittances	Change, %y/y	Share in growth, pp
Italy	31.4	26.4%	4.4
Russia	26.1	4.5%	0.8
USA	23.5	21.2%	2.8
Greece	17.6	2.3%	0.3
Israel	16.5	23.7%	2.1
Germany	10.4	46.4%	2.2
Other	50.0	21.6%	6.0

- In November 2021, net remittances were estimated at 175.6 million USD, representing a 18.6 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 35.9 percent.
- Net Remittances increased from:
 - Italy: 26.4 percent (4.4 p.p. contribution to overall growth).
 - Russia: 4.5 percent (0.8 p.p. contribution to overall growth).
 - USA: 21.2 percent (2.8 p.p. contribution to overall growth).
 - Germany: 46.4 percent (2.2 p.p. contribution to overall growth).
 - Israel: 23.7 percent (2.1 p.p. contribution to overall growth).

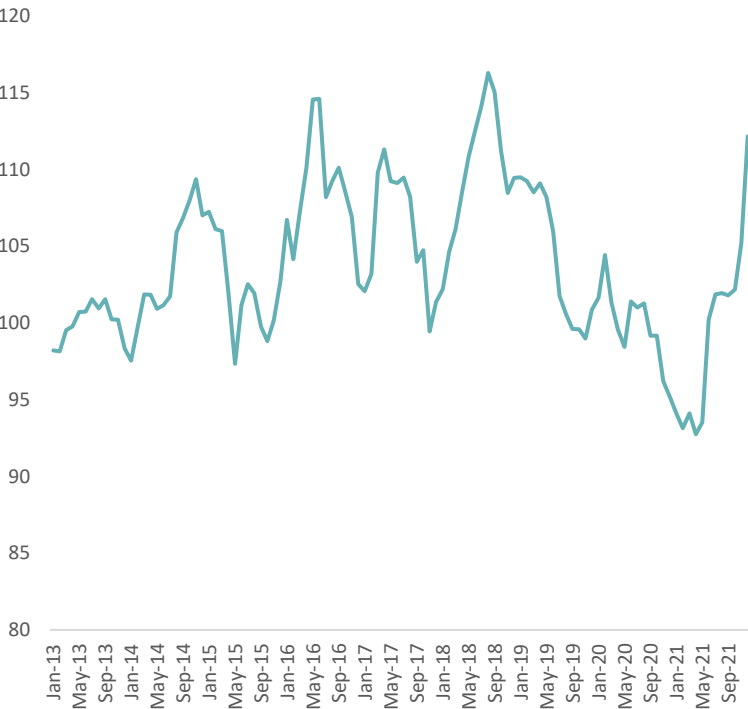
Net Remittances by country, %y/y



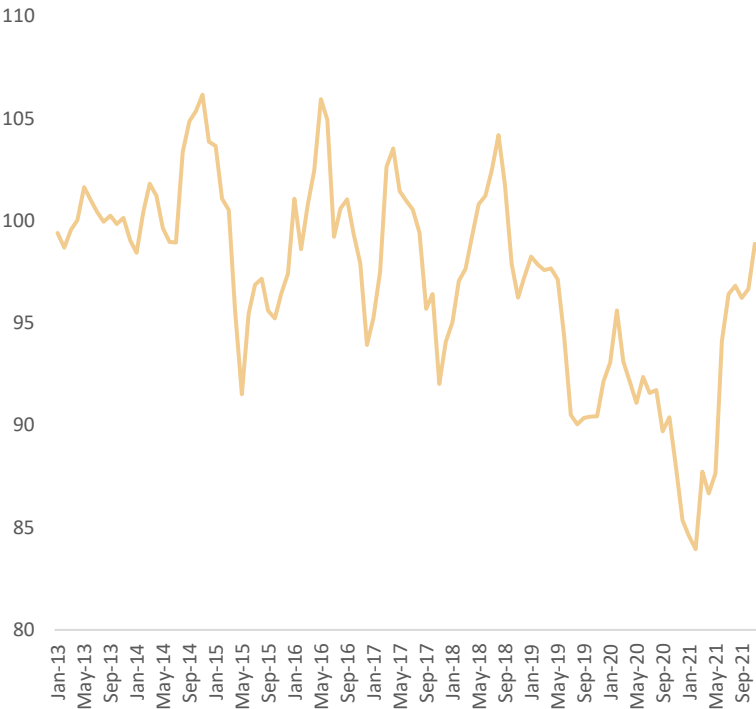
- Net Remittances decreased from:
 - Ukraine: 39.7 percent (-2 p.p. contribution to overall growth).

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

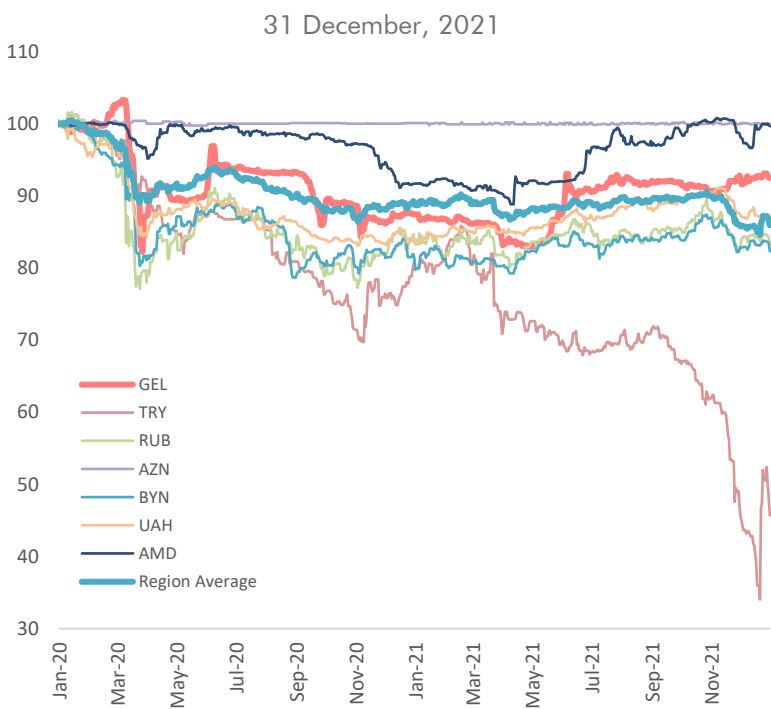
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

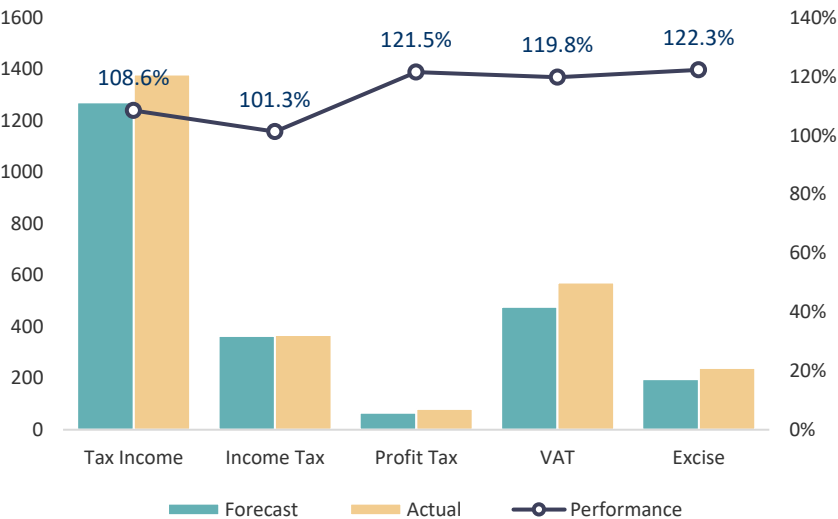


Note: Increase means appreciation

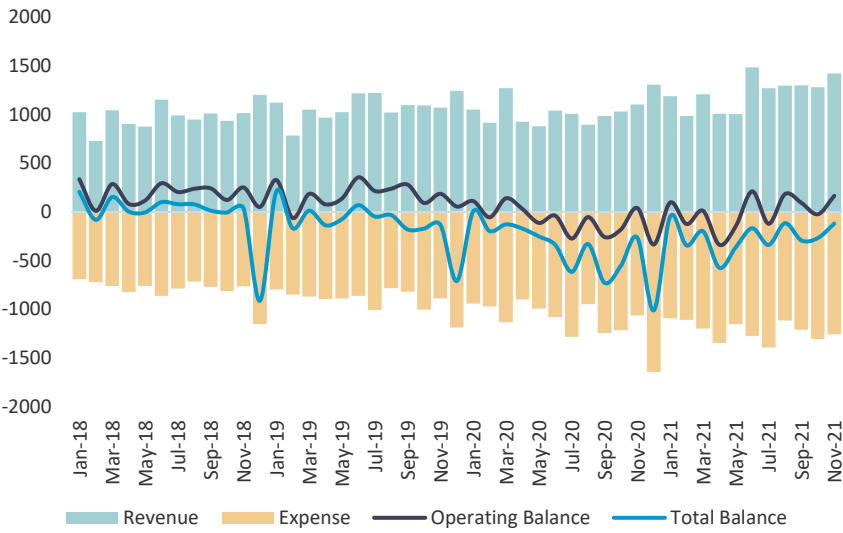
	31 December, 2021	31 December 2021 - 1 January 2021	31 December 2021 - 1 January 2020
Euro	3.5040	-8.3%	-12.7%
US Dollar	3.0976	-7.5%	-13.7%
Turkish Lira	0.2379	102.5%	112.4%
Russian Ruble	0.0415	11.1%	-7.4%
NEER	130.23	17.7%	9.2%
REER (November, 2021)	121.54	15.8%	7.3%

Tax revenues in the December exceeded the forecast value by 8.6 percent

Budget Revenue Performance, December 2021

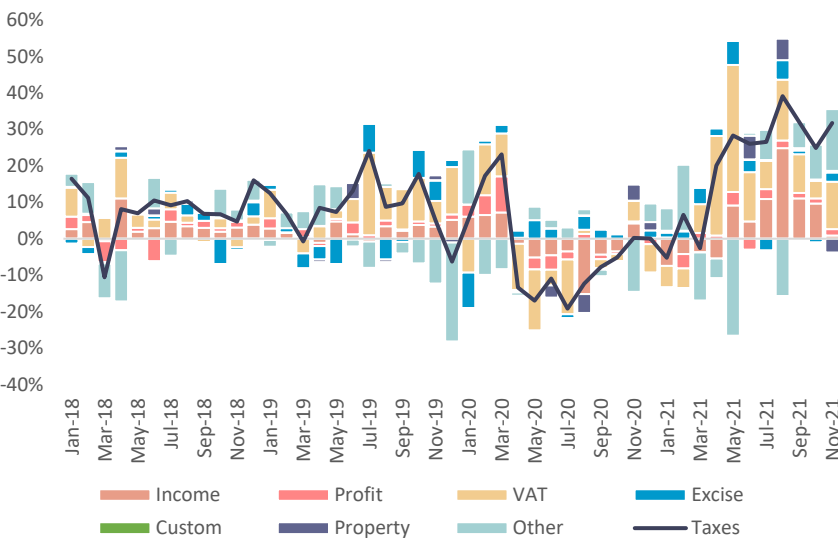


Consolidated Budget, mln GEL

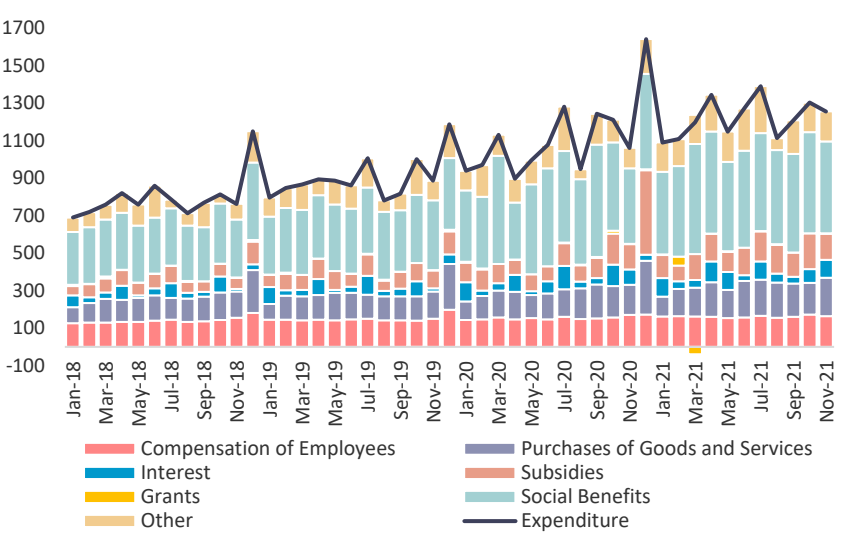


- The actual level of tax income in December was 1,380.1 mln GEL, which is 8.6 percent higher compared to the forecasted value of tax income of 1,271.4 mln GEL.
- Consolidated budget revenues increased by 29 percent and expenditures by 18.3 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 164.0 million GEL, while the total balance was set at -118.4 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 13 percent of total growth.

Tax Income, % y/y

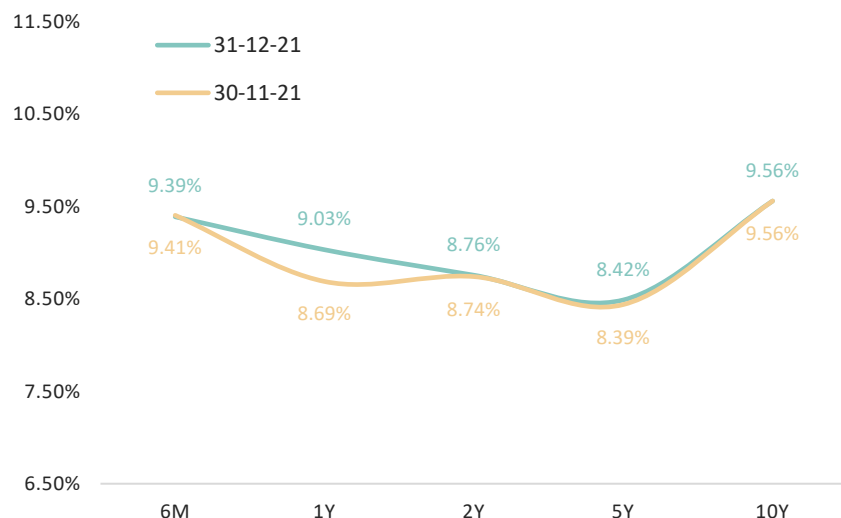


Consolidated Budget Expenditure, mln GEL

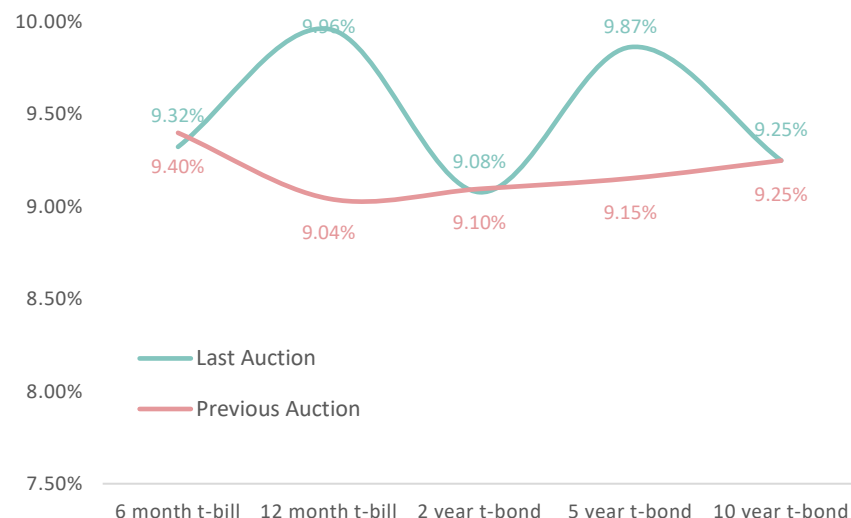


The structure of the securities portfolio has undergone minor changes

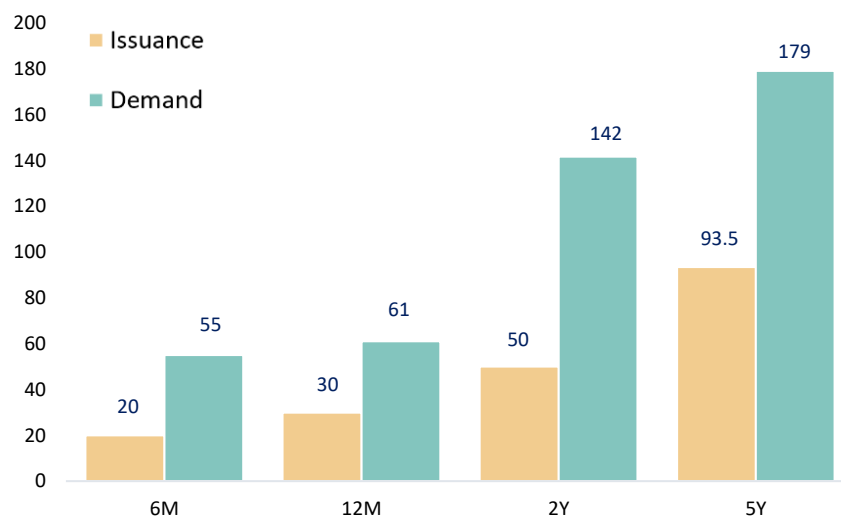
Portfolio Yield Curve



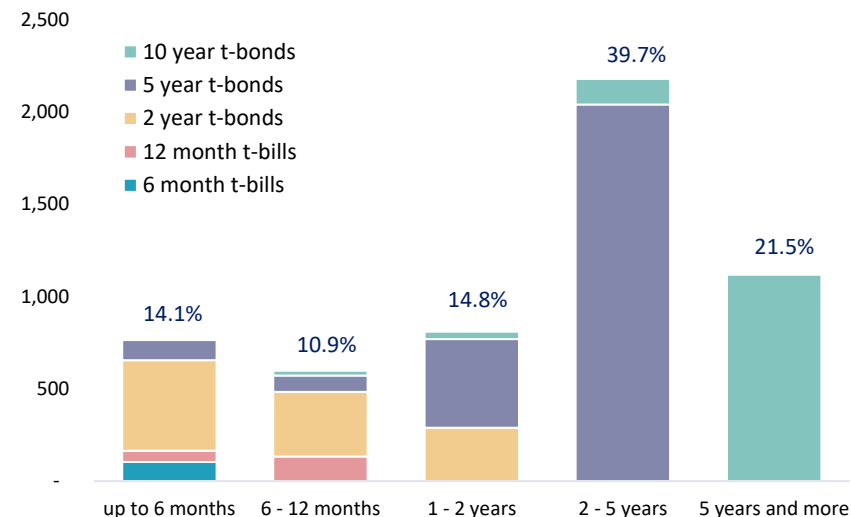
Weighted average interest rates



Issuance and Demand, mln GEL



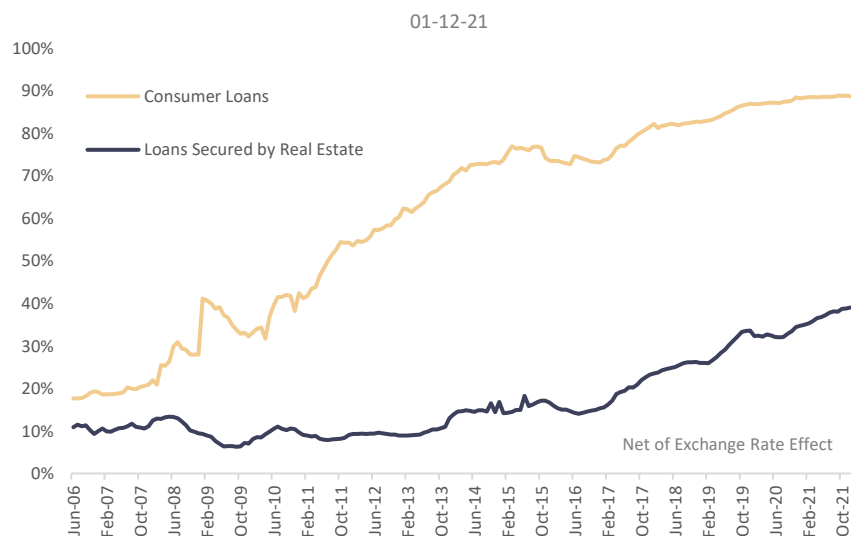
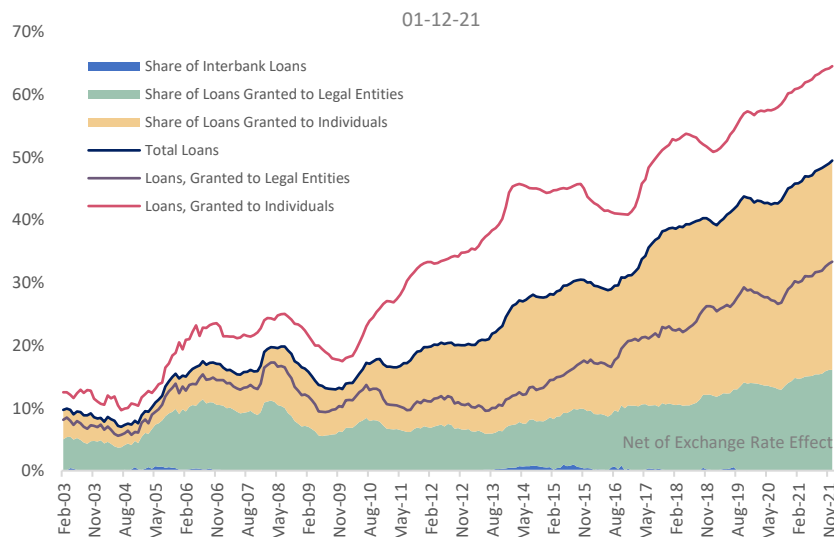
Portfolio Forming Securities Composed by Time to Maturity



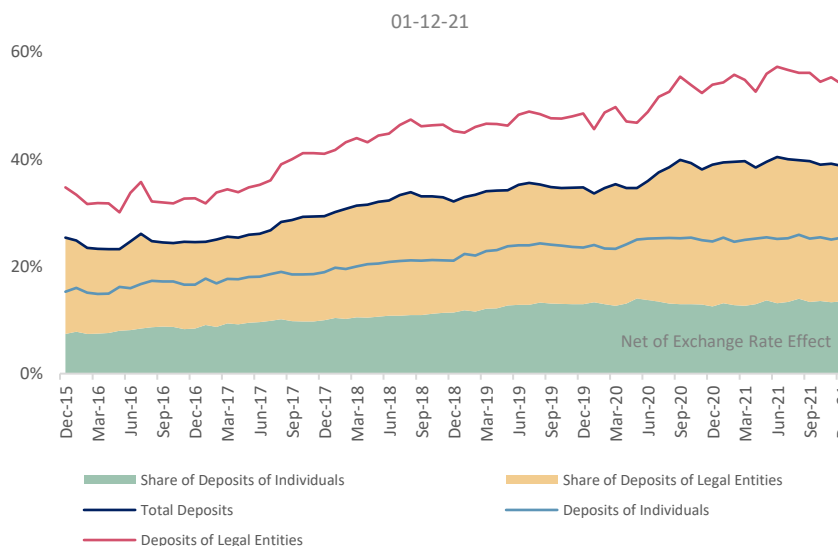
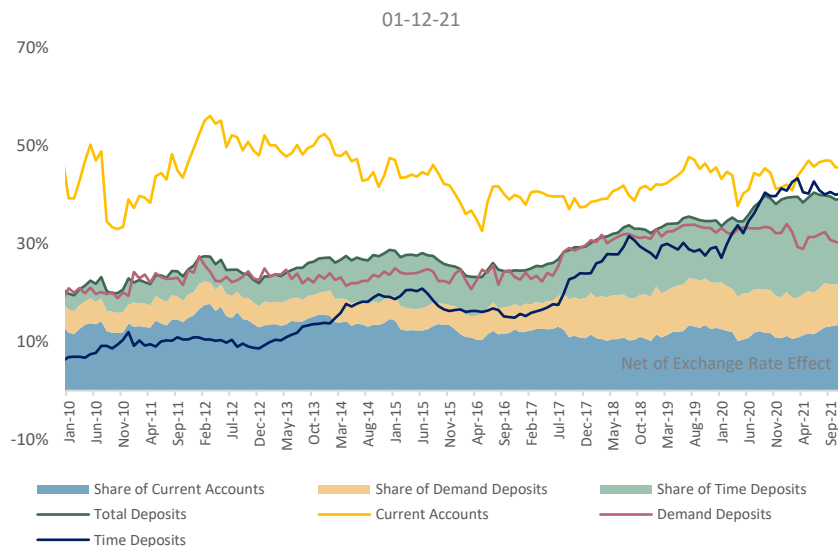
- In December 2021, 4 auctions were held with total issuance volume of 193.5 million GEL.
- The weighted average interest rate amounted to 9.621 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 15 million GEL were redeemed.
- As of December 31, 2021 25 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 (November 2.37) and amounted to 2.26.

The larization rates continue to rise

Loan Larization



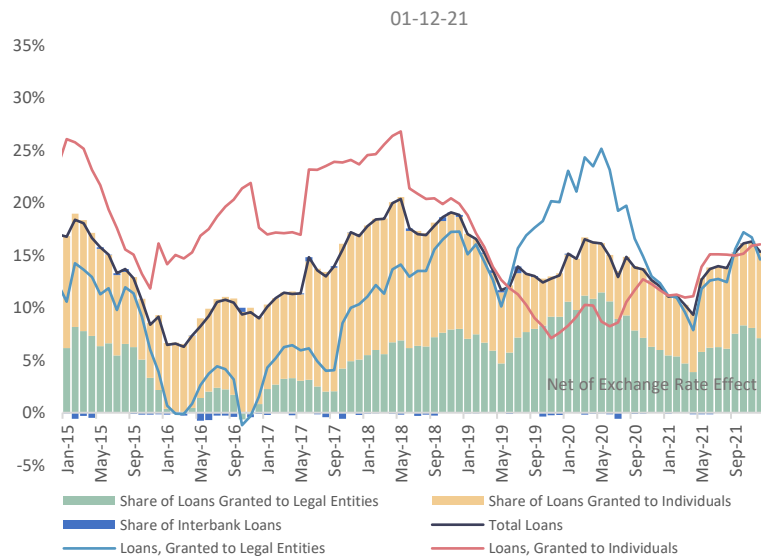
Deposit Larization



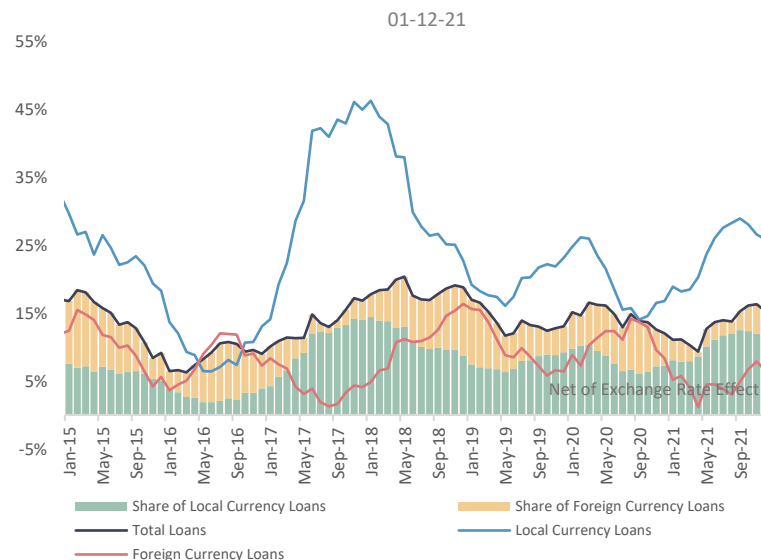
- As of December 1, 2021, the larization of total loans is 49.4 percent.
- The larization of loans to individuals is 64.5 percent.
- The larization of loans to legal entities amounted to 33.3 percent.
- The larization of total deposits equals to 38.7 percent.
- The larization on deposits of legal entities amounted to 53.9 percent.
- The larization of deposits of individuals is 25.3 percent.
- The larization of time deposits is 39.6 percent.
- The larization of current accounts equals to 44.9 percent.
- The larization of demand deposits is 30.6 percent.

The annual growth trend of loans is revealed

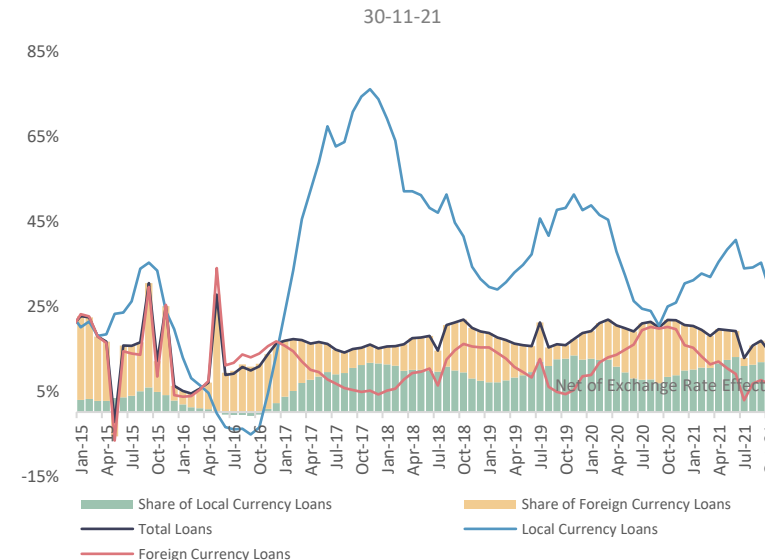
Loans, % y/y



Loans by Currency, % y/y



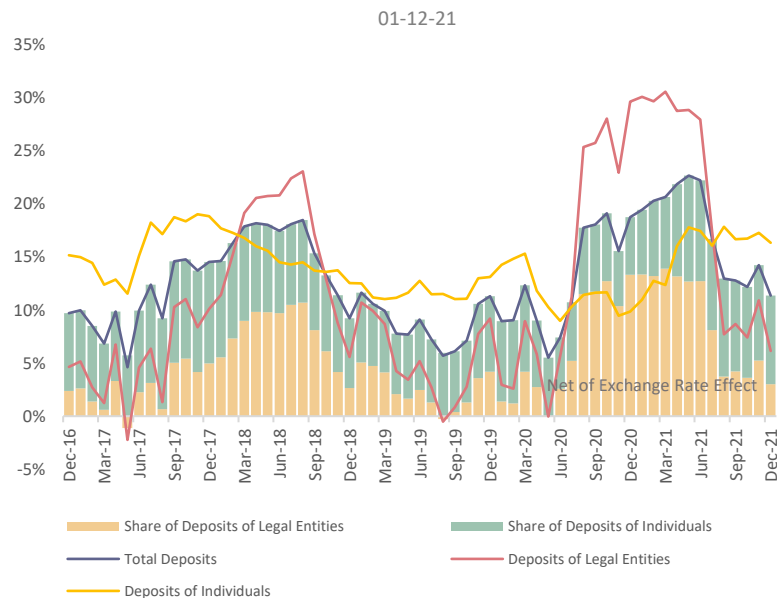
Mortgage Loans, % y/y



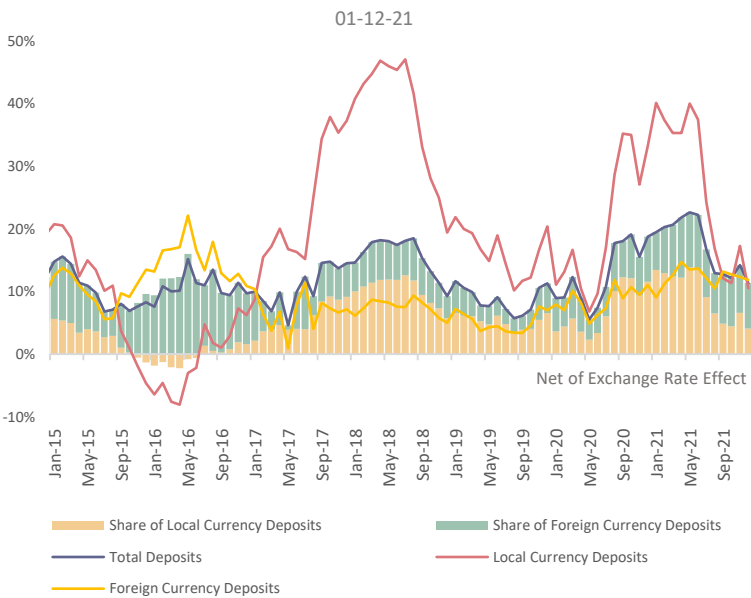
- As of December 1, 2021, total loans increased by 15.3 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 14.6 percent.
- The annual growth of loans to individuals is 16 percent.
- As of December 1, 2021, the growth rate of loans denominated in the national currency amounted to 25.9 percent.
- The annual growth of loans denominated in foreign currency amounted to 6.6 percent.
- As of November 31, 2021, the annual growth of loans secured by real estate amounted to 12.9 percent. At the same time, mortgage loans denominated in national currency increased by 26.9 percent, while mortgage loans denominated in foreign currency increased by 5.4 percent.

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

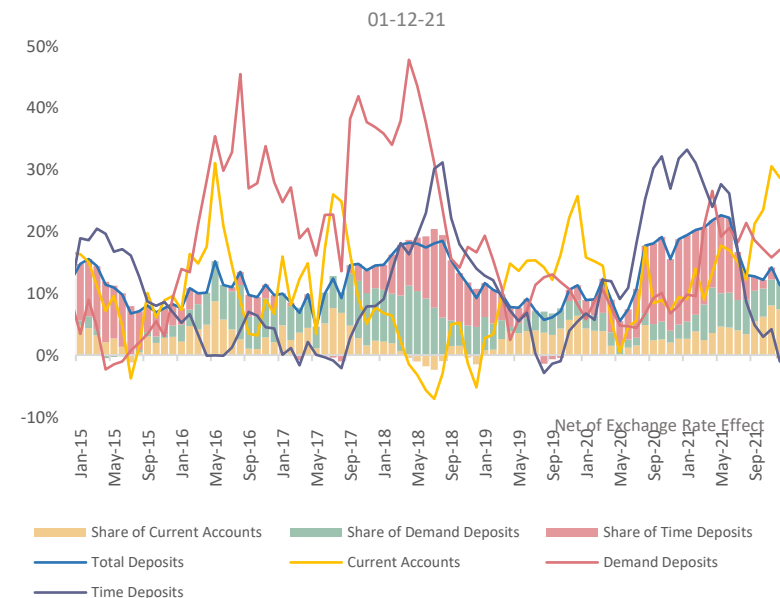
Deposits, % y/y



Deposits by Currency, % y/y



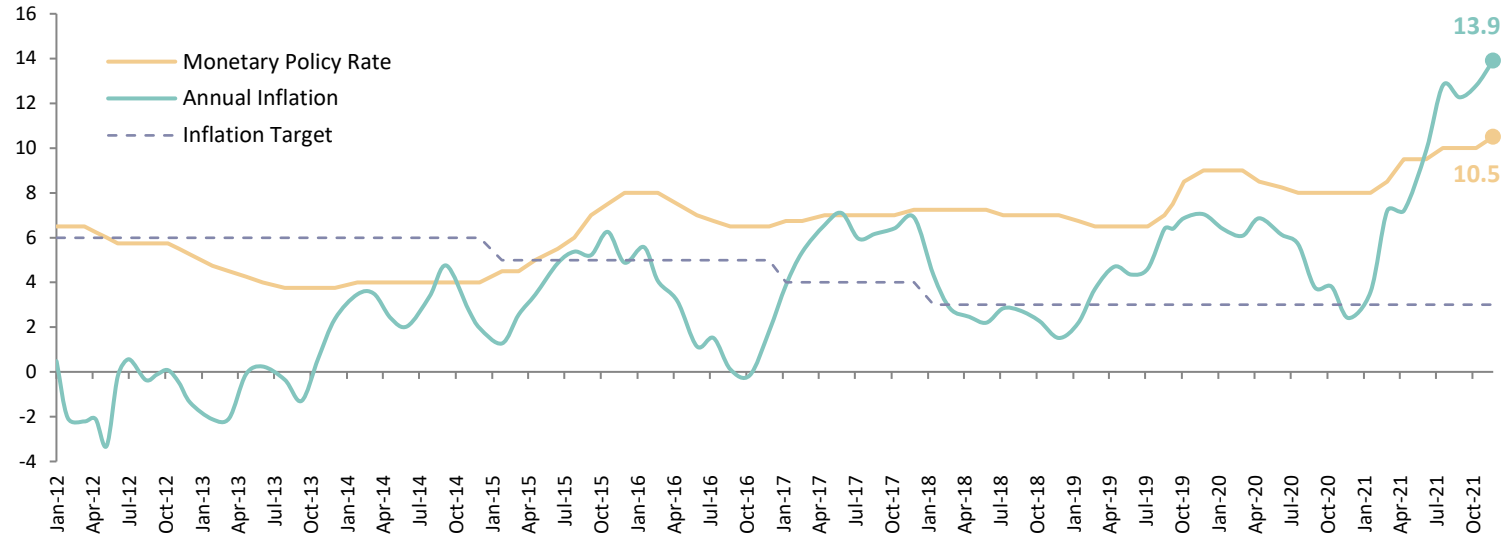
Deposits by type, % y/y



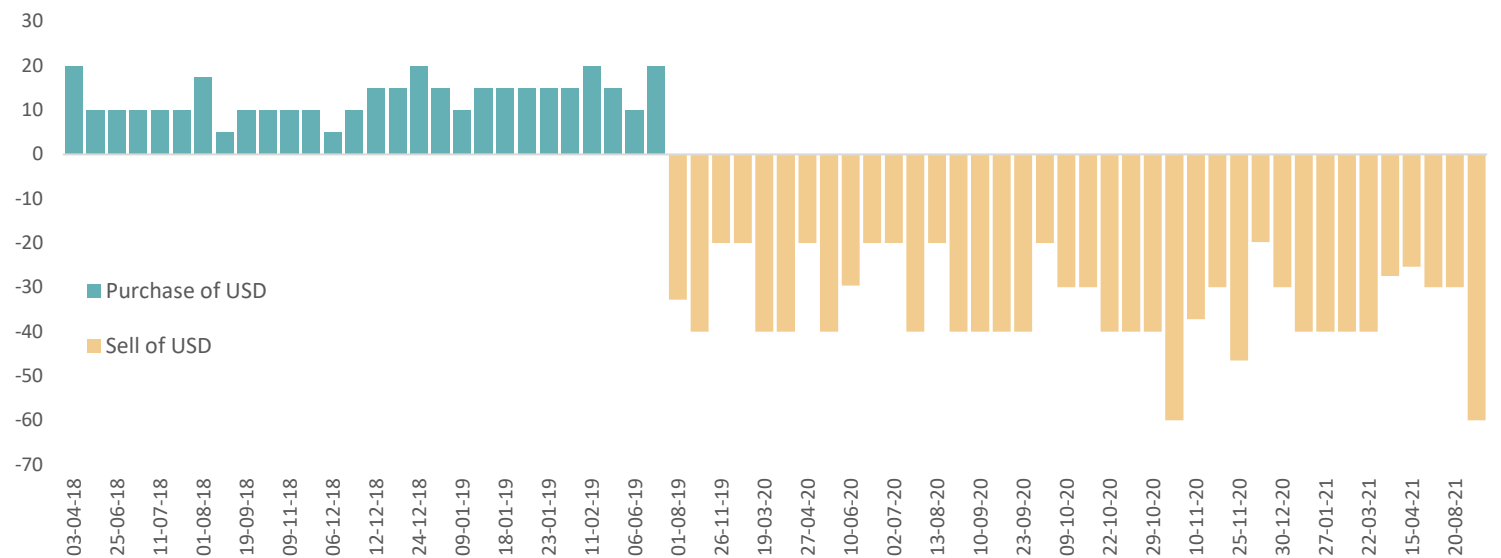
- As of December 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 11.3 percent.
- The annual growth of deposits denominated in the national currency amounted to 10.5 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 11.9 percent over the same period.
- The growth of deposits of individuals amounted to 16.3 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 6.2 percent.
- The annual growth of current accounts at the beginning of December 2021 was equal to 28.7 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 17.1 percent.

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

Inflation and Monetary Policy Rate



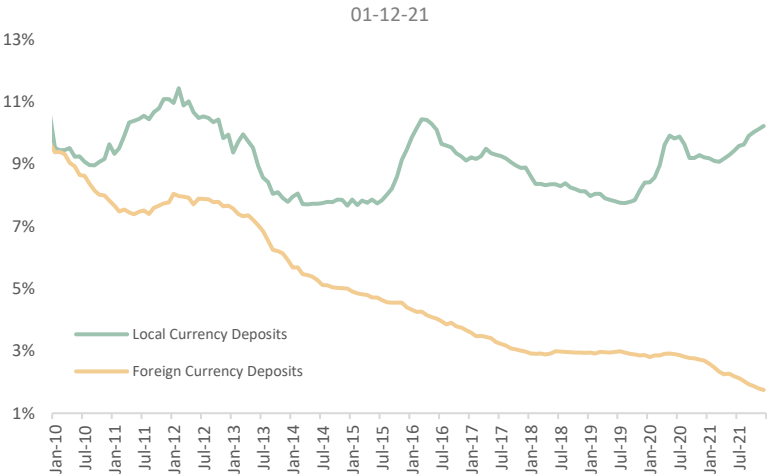
Trade of USD by NBG, mln USD



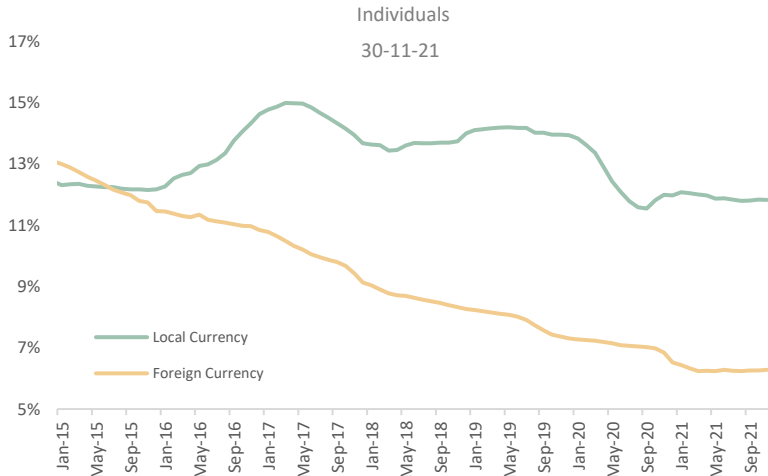
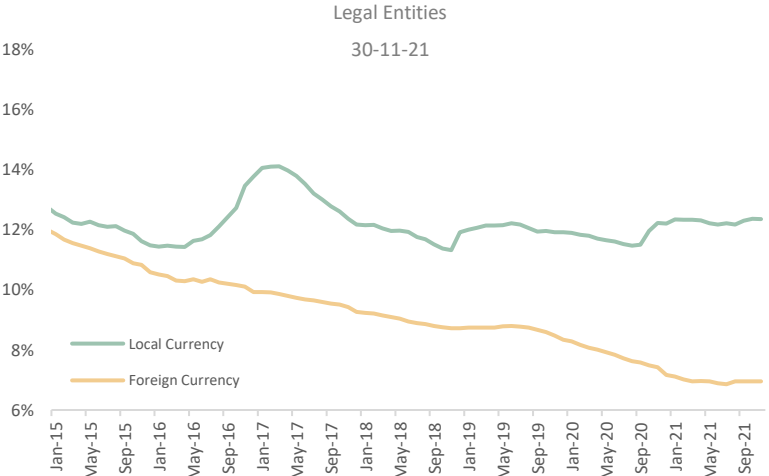
- On December 8, 2021, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 0.5 pp.
- The monetary policy rate is 10.5 percent.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products. According to the NBG, the contribution of such exogenous factors to the headline inflation is about 9 pp in November.
- According to the National Bank, all other things equal, inflation is expected to increase temporarily in the coming months due to the base effect of utility bills, although it will start to decline in the spring. 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 February 2, 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 December 1, 2021, the interest rate on foreign currency deposits was 1.7 percent, and in national currency – 10.2 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 (20.2 percent in national currency and 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.9 percent (18.2 percent in national currency and 6.7 percent in foreign currency).
- At the end of November 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.5 percent, and in foreign currency – 6.8 percent. The interest rate on loans to individuals in the national currency was 12.8 percent, and in foreign currency - 5.8 percent.

Disclaimer

The publication was prepared by the Macroeconomic Analysis and Fiscal Policy Planning Department of the Ministry of Finance of Georgia. The information and opinions contained in this publication represent the views of the authors - the economic team of the Macroeconomic Analysis and Fiscal Policy Planning Department and do not represent the official position of the Ministry of Finance of Georgia. The analytical information provided in the publication serves informational purposes and is obtained from public sources. The forecasts and calculations given in the report should not be taken as a promise, reference or guarantee.

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