



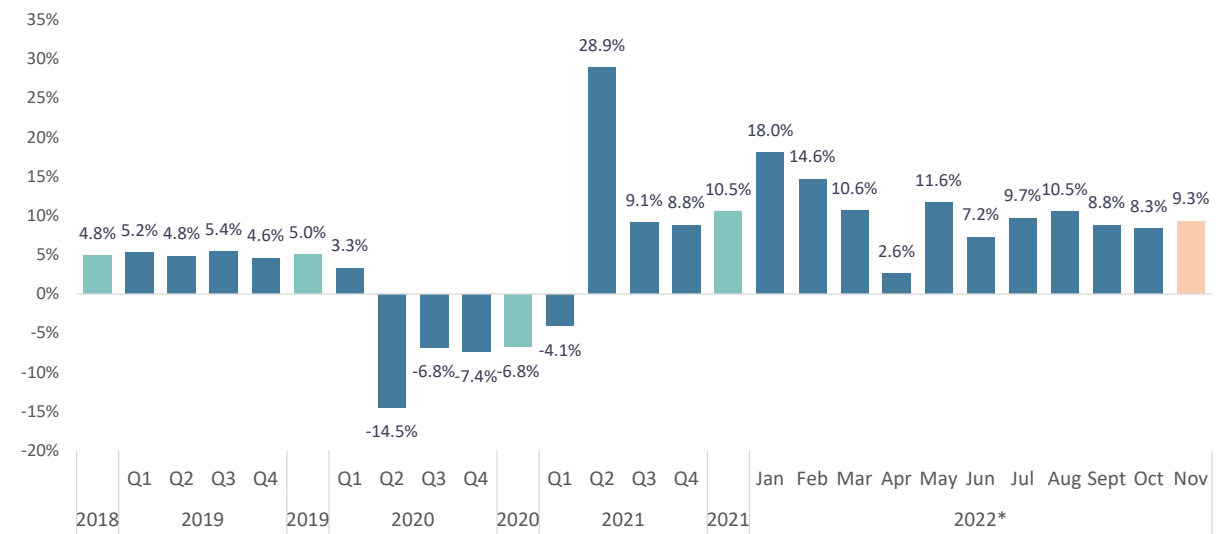
Current Economic Outlook

December, 2022

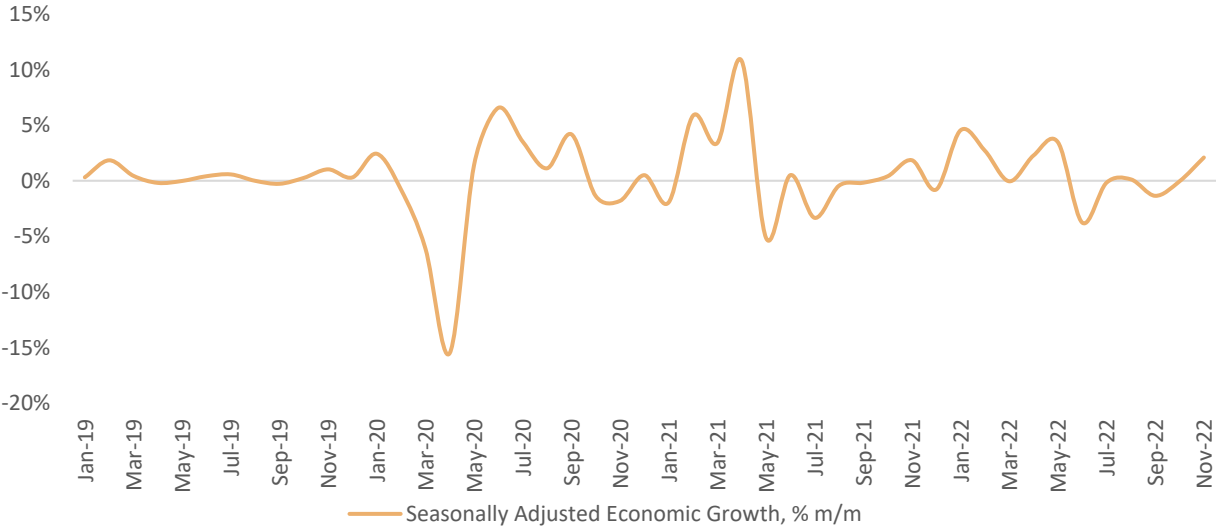
- In November 2022, the real GDP growth rate was 9.3 percent and average growth rate of the first eleven months of 2022 was 10 percent, according to the preliminary estimates of the National Statistics Office.
- In December, annual inflation stood at 9.8 percent, while core inflation was 6.9 percent
- In November, exports increased by 14.1 percent year-on-year and imports increased by 20.4 percent year-on-year, increasing the trade deficit by 24.9 percent year-on-year to 752.9 million USD
- For November, the real effective exchange rate appreciated by 18.9 percent compared to the same period of the previous year and by 0.6 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in November was equal to 9.3 percent

Economic Growth, % y/y

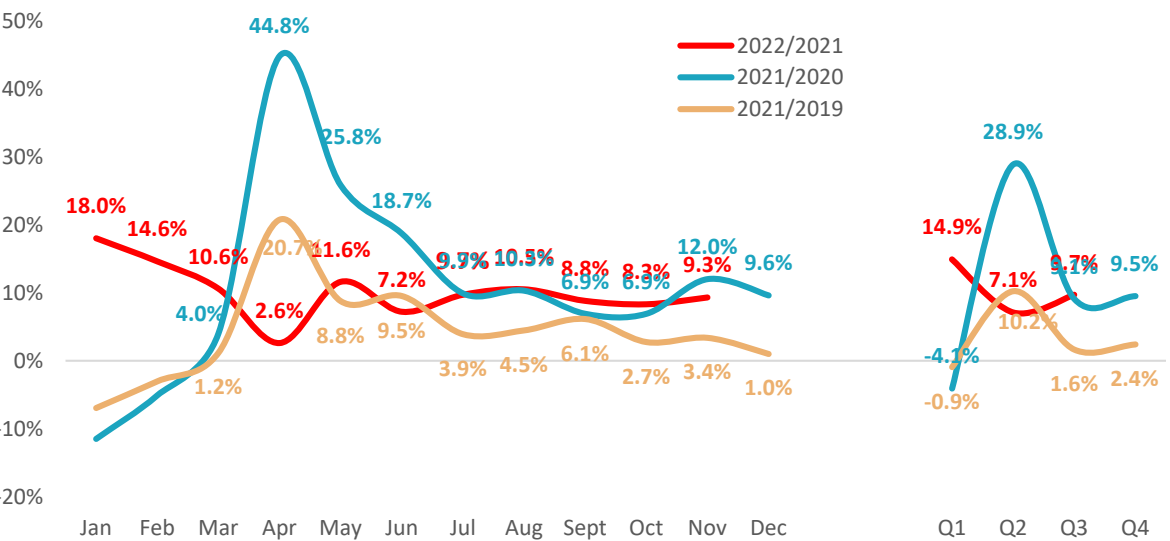


Economic Growth, % m/m



- Estimated real GDP growth rate in November 2022 equaled 9.3 percent YoY and average annual real GDP growth rate for 2022 January-November equals to 10.0 percent.
- In November 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, Trade..
- A decline was registered in the field of manufacturing and real estate related activities.

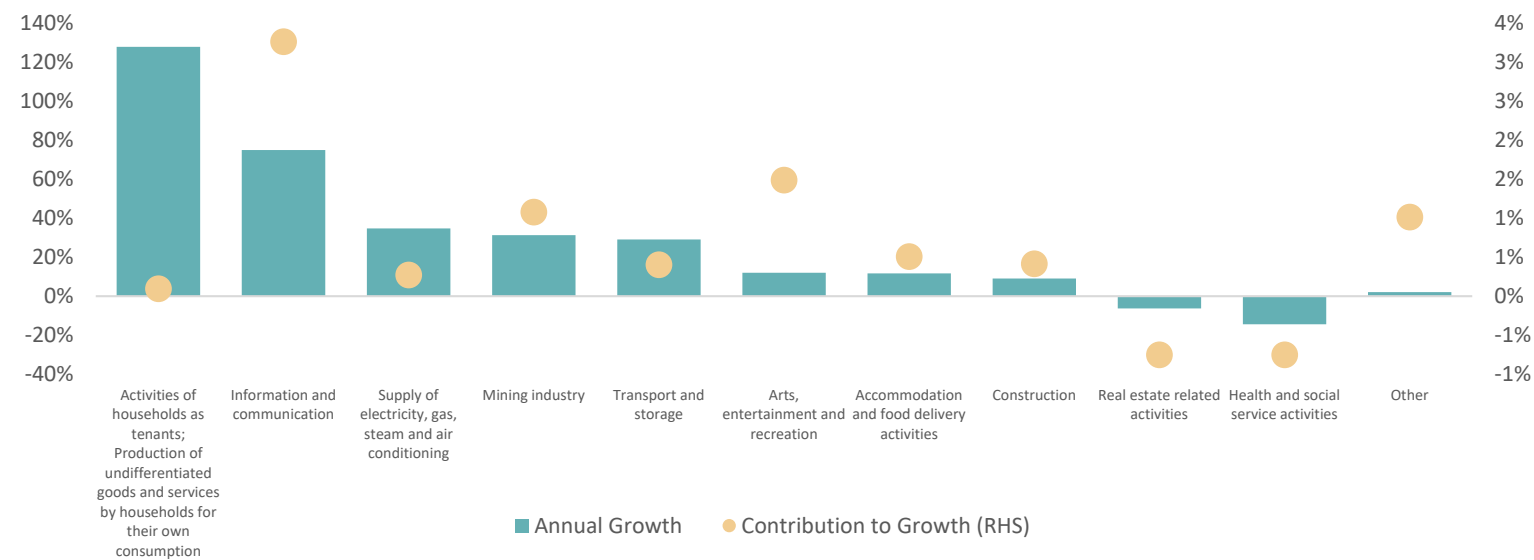
Economic Growth, 2022-2019



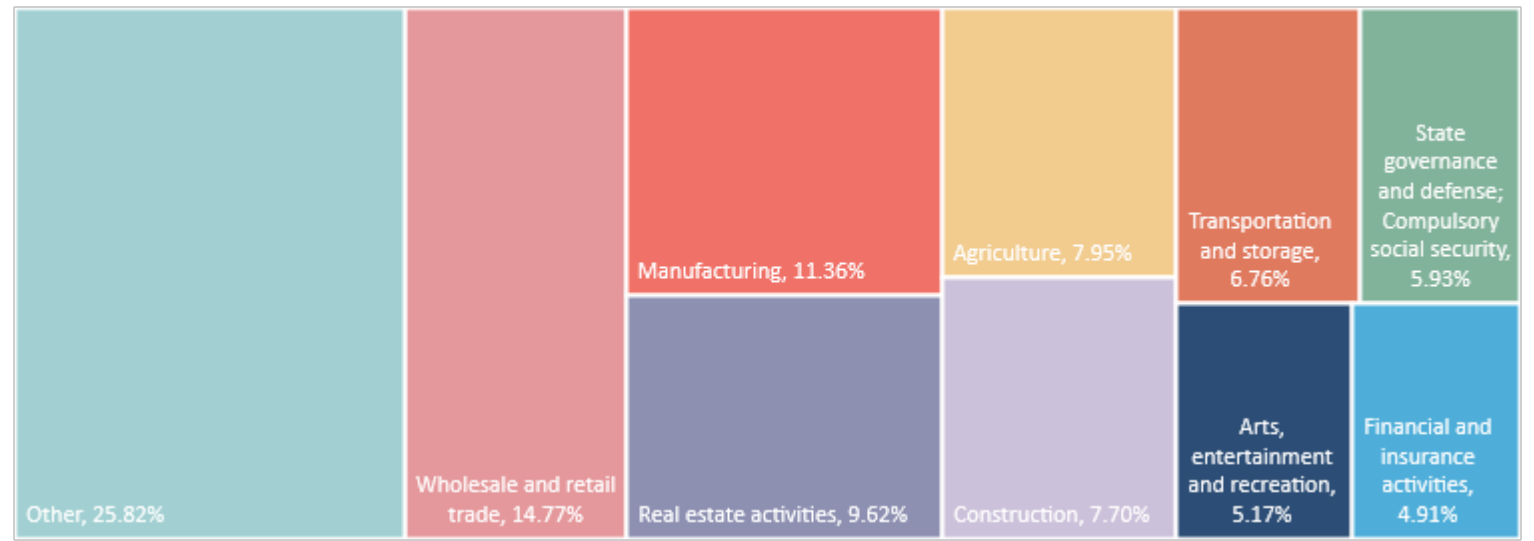
Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 9.8 percent in the third quarter of 2022

Real GDP growth by economic activity, 2022 III Quarter



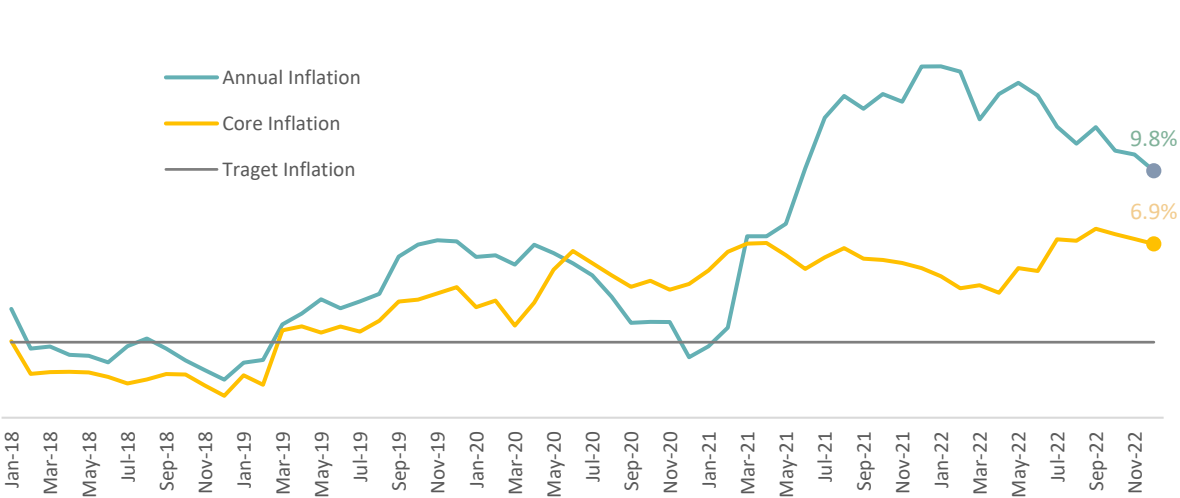
GDP by economic activity, 2022 III Quarter



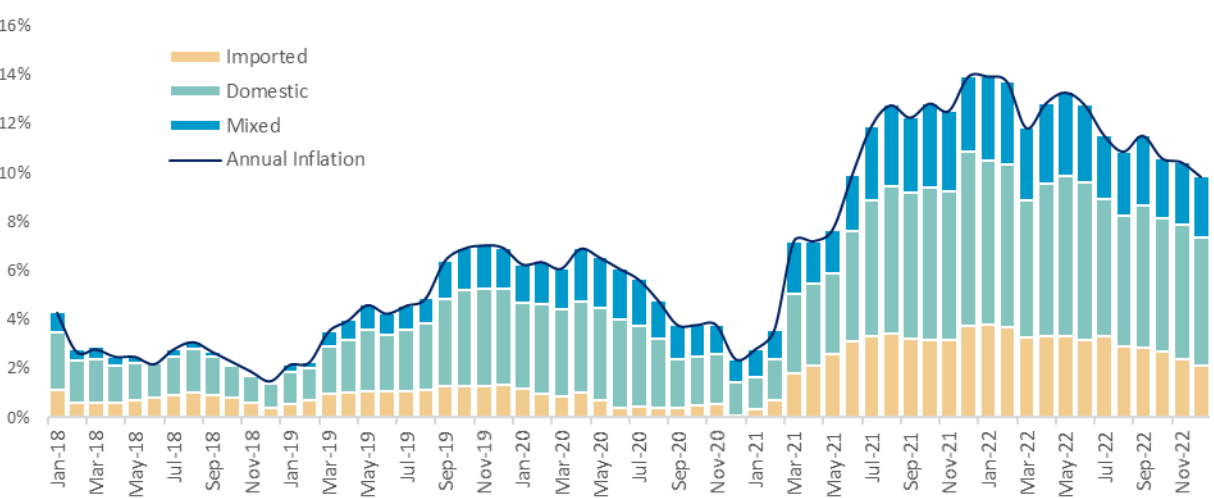
- According to preliminary estimates, in the third quarter of 2022 economic growth amounted to 9.8 percent, while in the second quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 7.2 percent and by 18.0 percent compared to the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q3 2022:
 - Activities of households as employers: 127.8% y/y (0.1 p.p.)
 - Information and communication: 74.9% y/y (3.3 p.p.)
 - Supply of electricity, gas, steam and air conditioning: 34.7% y/y (0.3 p.p.)
 - Mining industry: 31.3% y/y (1.1 p.p.)
 - Transport and warehousing: 29.0% y/y (0.4 p.p.)
 - Arts, entertainment and recreation: 12.0% y/y (1.5 p.p.)
 - Accommodation and food supply activities: 11.7 y/y (0.5 p.p.)
 - Construction: 9.1% y/y (0.4 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Real estate-related activities: -6.3 y/y (-0.8 p.p.)
 - Health care and social service activities: -14.3 y/y (-0.8 p.p.)

Annual inflation in December has reached 9.8 percent

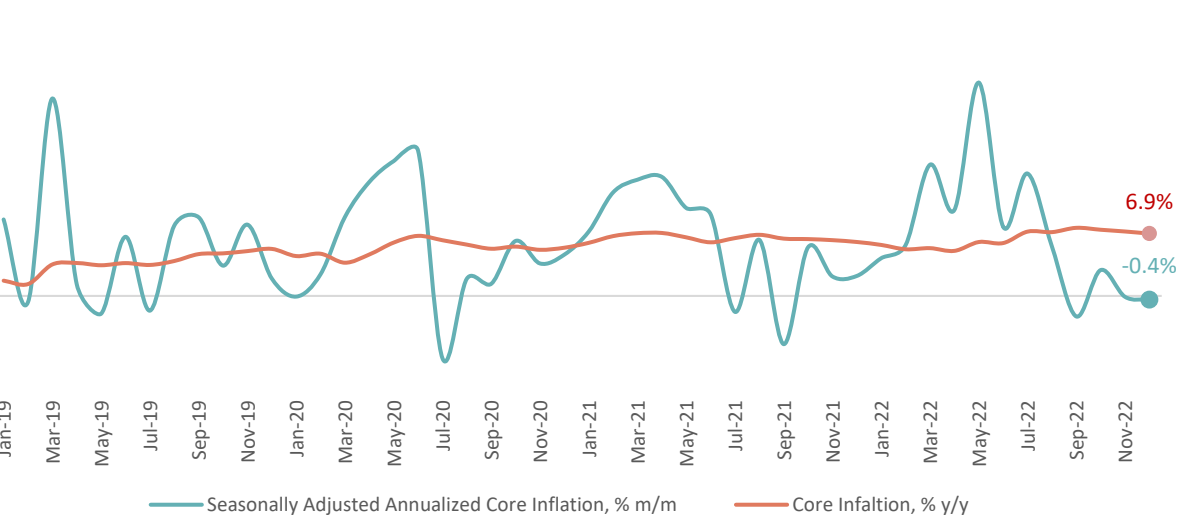
Total and Core Inflation, % y/y



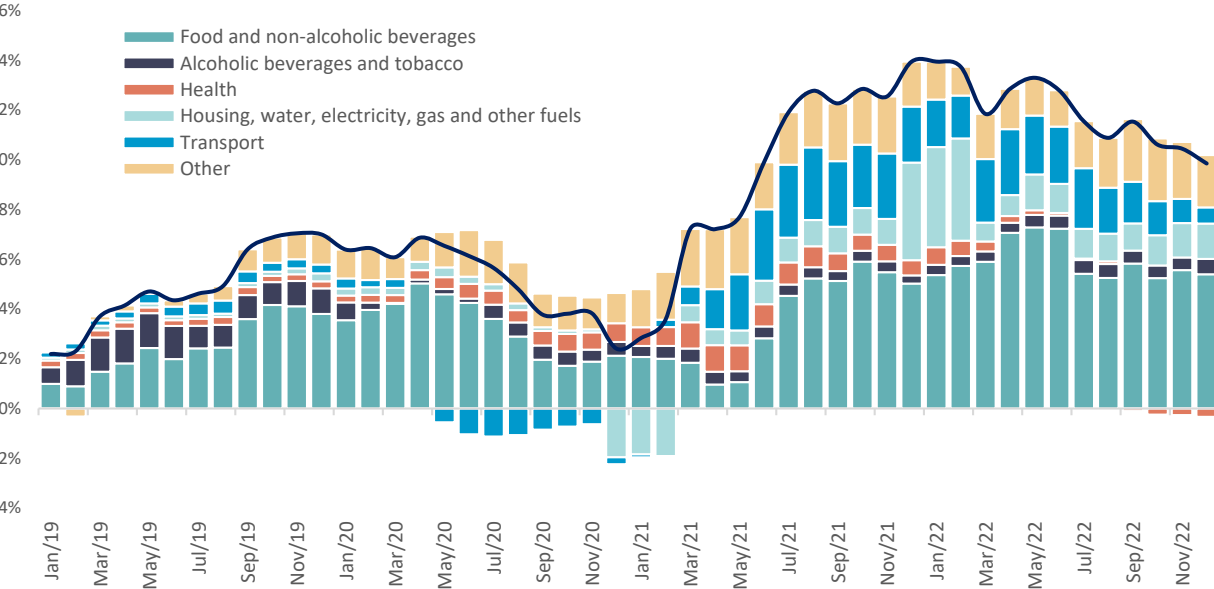
Inflation Decomposition



Core Inflation, % m/m



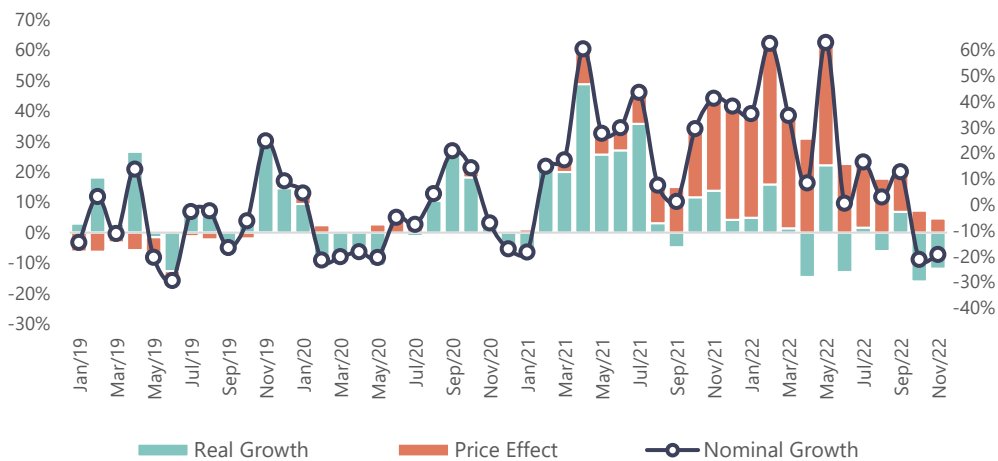
Inflation Decomposition by product group



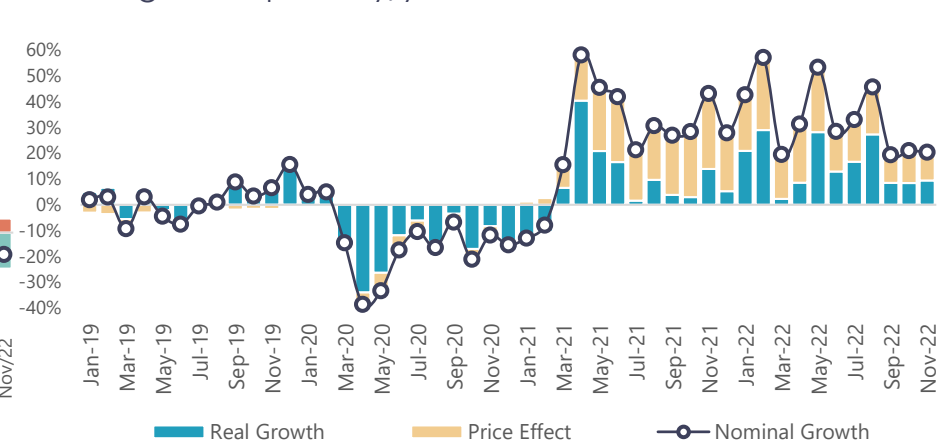
Source: Geostat, NBS, MOF

Trade Deficit increased by 24.9 percent annually

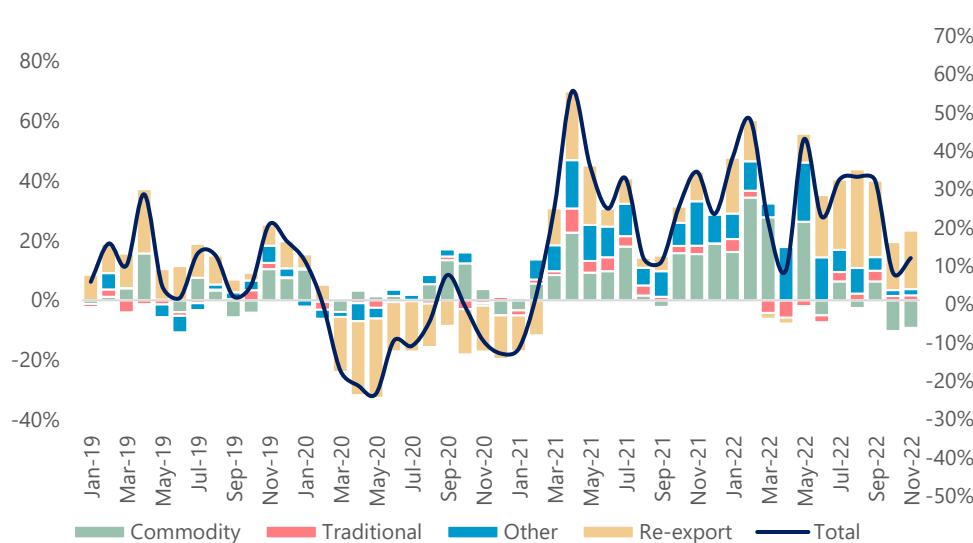
Change of Domestic Export, %y/y



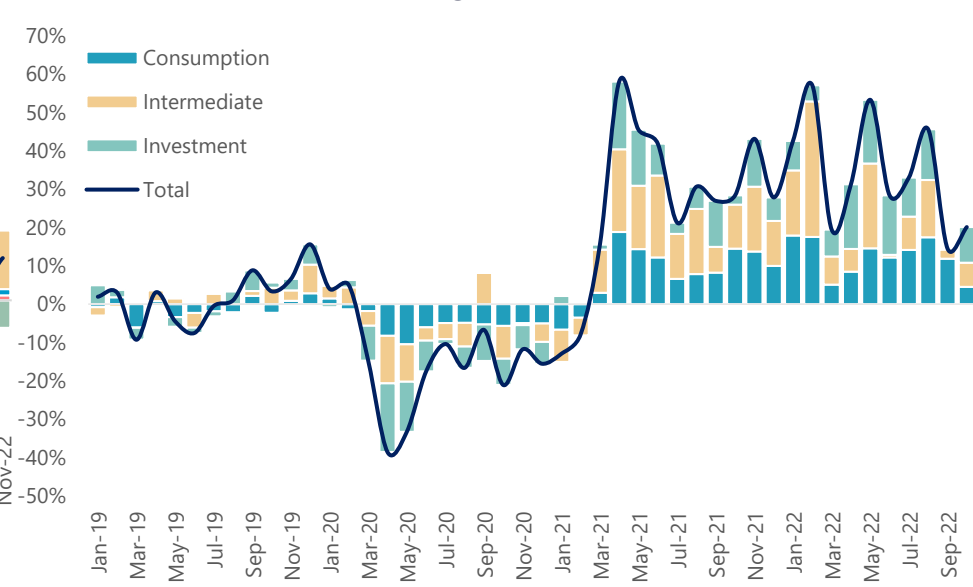
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

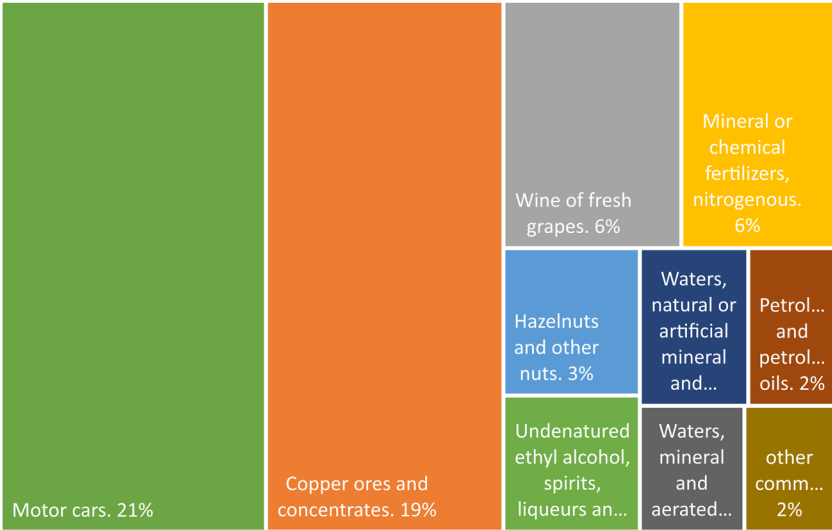


- Export increased annually by 14.1 percent to 491.1 million USD in November.
- Domestic export decreased annually by 7.2 percent to 301.9 million USD.
- Import annually increased by 20.4 percent to 1,244.0 million USD in November.
- Trade deficit annually increased by 24.9 percent to 752.9 million USD in November.
- Share of re-export in export growth is equal to 19.5 percent (72.7 %y/y), while share of commodity export is -9.2 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.

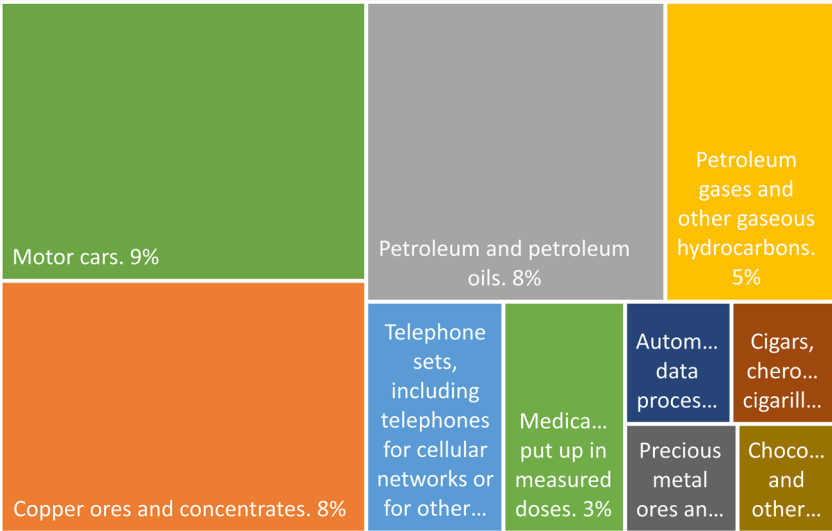
Source: Geostat, MOF

International trade is characterized by stable diversification

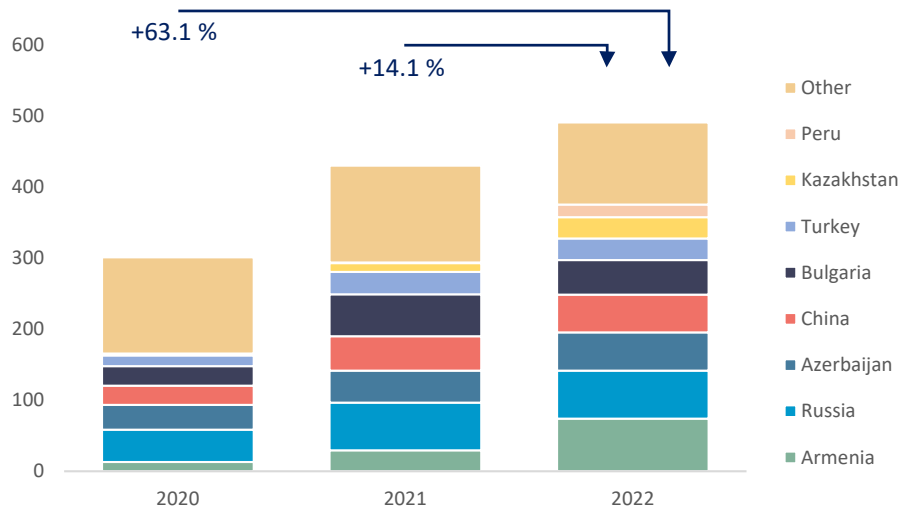
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, November



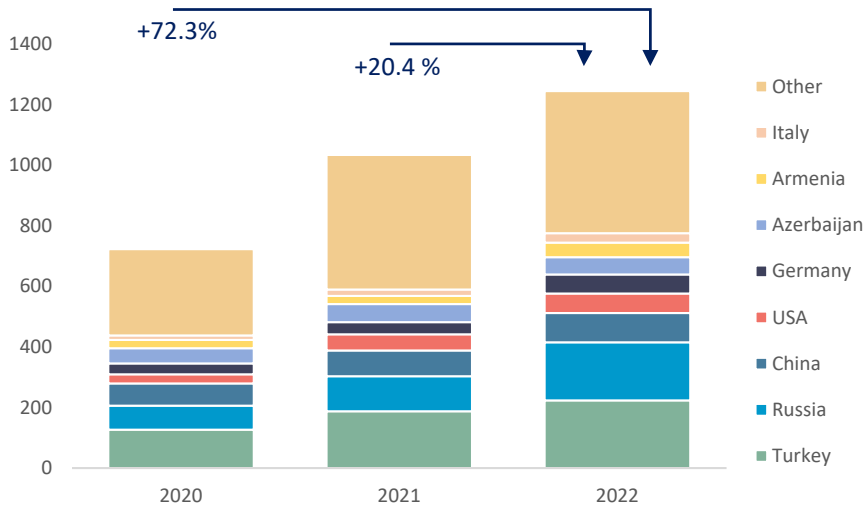
Top Export Products:

- Motor cars: 101.6 mln. USD – 20.7 percent of total export.
- Copper ores and concentrates: 90.9 mln. USD – 18.5 percent.
- Wine of fresh grapes: 31.7 mln. USD – 6.5 percent.

Top Import Products :

- Motor cars: 113.4 mln. USD – 9.1 percent.
- Copper ores and concentrates: 102.4 mln. USD – 8.2 percent of total import.
- Petroleum and petroleum oils: 99.6 mln. USD – 8.0 percent.

Import by country, November



Top Export Country:

- Armenia: 74.1 mln. USD – 15.1 percent.
- Russia: 67.6 mln. USD – 13.8 percent.
- Azerbaijan: 53.7 mln. USD – 10.9 percent.

Top Import Country :

- Turkey: 223.1 mln. USD – 17.9 percent.
- Russia: 191.7 mln. USD – 15.4 percent.
- China: 96.5 mln. USD – 7.8 percent.

Source: Geostat

Tourism recovery continue to increase and reached 151.2% percent of 2019 level in November

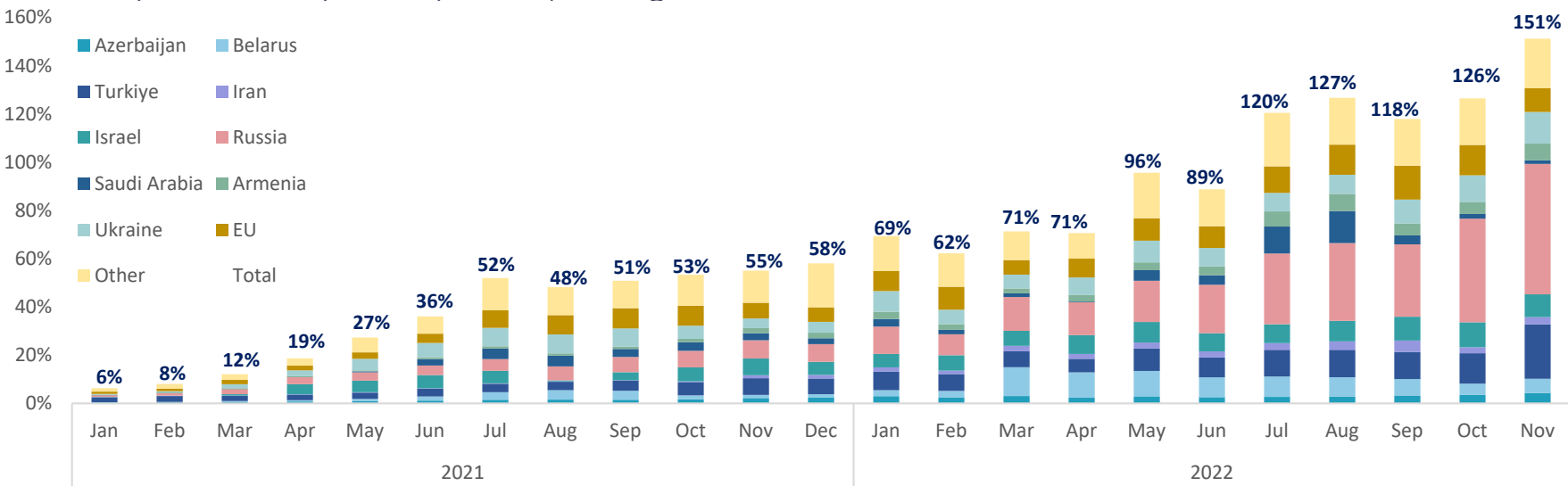
Revenue from Tourism, 2019 = 100



Revenue from Tourism, November 2022

Country	Tourism Revenue, mln USD
Russia	109.1
Turkey	45.6
Ukraine	26.5
EU + UK	19.7
Israel	19.1
Belarus	11.9
Other	73.1

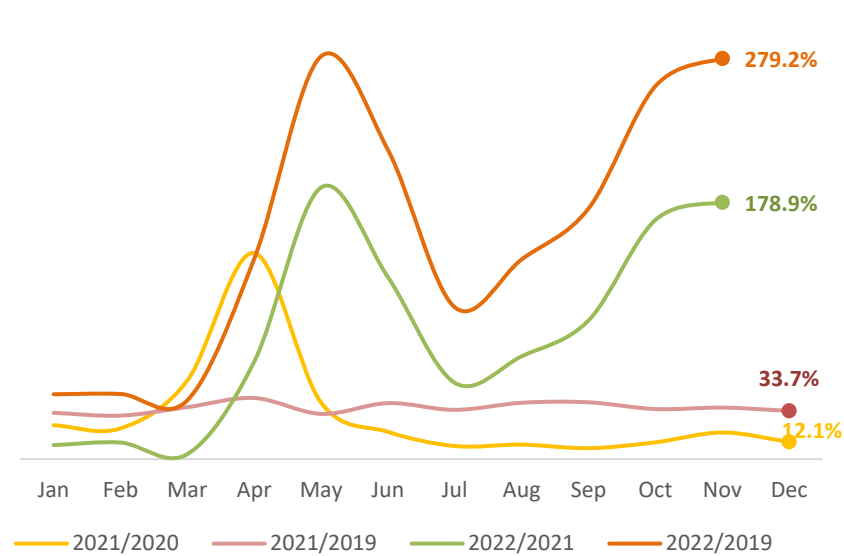
Recovery of Tourism by country, corresponding month of 2019 = 100, %



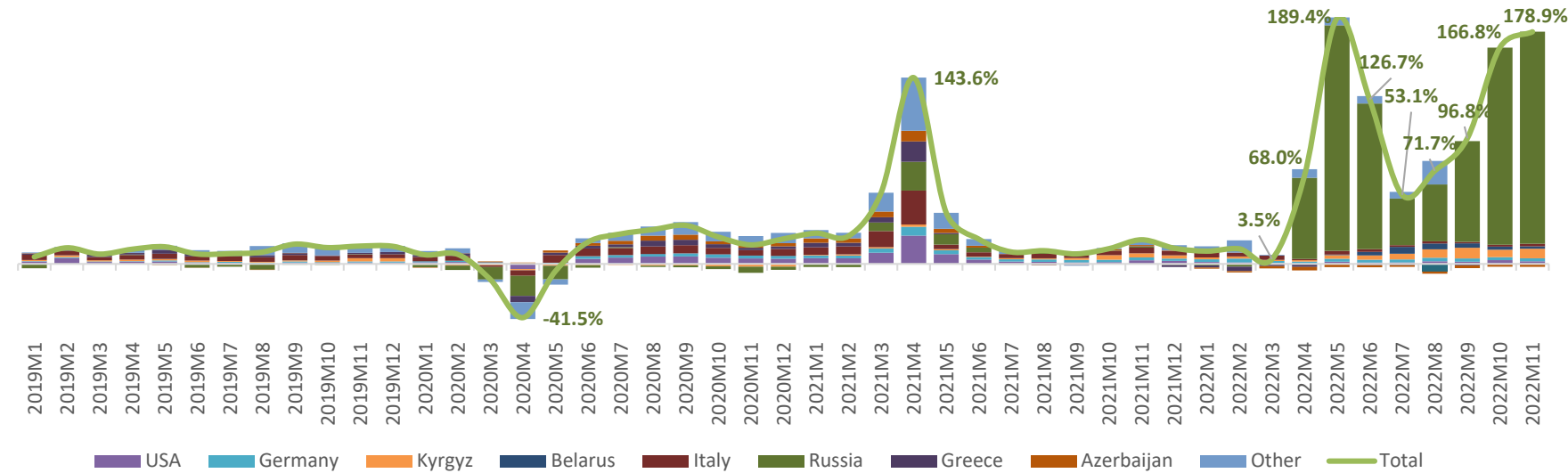
- In November 2022, tourism revenues increased by 174.9 percent compared to the corresponding period of the previous year to 305.0 million USD. Such high increase is mainly due to low level of tourism revenue inflow in November 2021 (111.0 million USD).
- Because of the recovery of economic activity in the region and within the country, tourism sector activities increased compared to 2019. In particular, revenue from tourism in November 2022 increased by 51.2 percent compared to November 2019.
- At the same time, seasonally adjusted tourism revenues increased by 22.1 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, November 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	313.2	1098.8	163.5
Italy	34.8	11.0	2.0
USA	27.0	15.0	2.0
Greece	16.9	-4.3	-0.4
Israel	16,7	1.3	0.1
Kazakhstan	9.4	10.4	0.5
Other	71.7	38.1	11.2

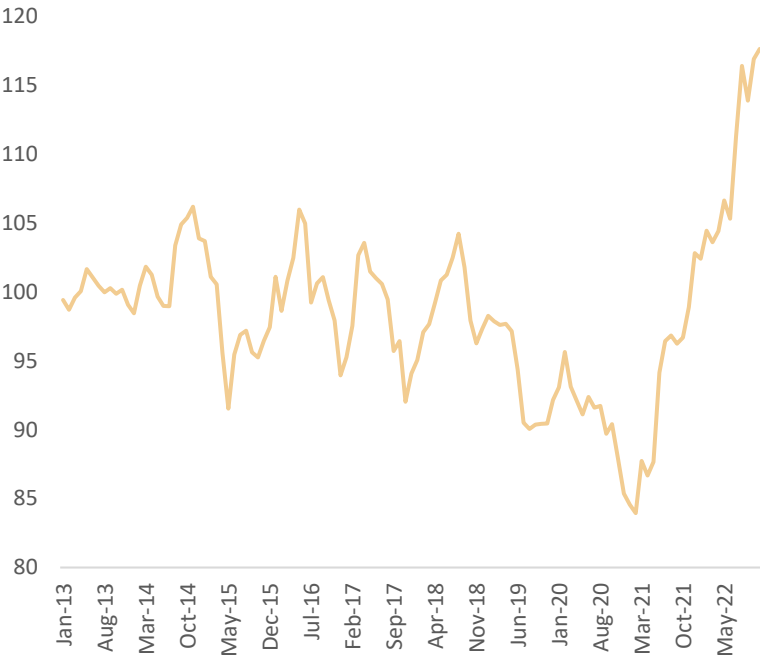
- In November 2022, net remittances were estimated at 489.7 million USD, representing a 178.9 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 279.2 percent.
- Net Remittances increased from:
 - Russia: 1098.8 percent (163.5 p.p. contribution to overall growth).
 - Germany: 38.4 percent (2.3 p.p. contribution to overall growth).
 - USA: 15.0 percent (2.0 p.p. contribution to overall growth).
 - Italy: 11.0 percent (2.0 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Greece -4.3 percent (-0.4 p.p. contribution to overall growth)

The Real effective exchange rate in November appreciated by 18.9 percent annually

NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

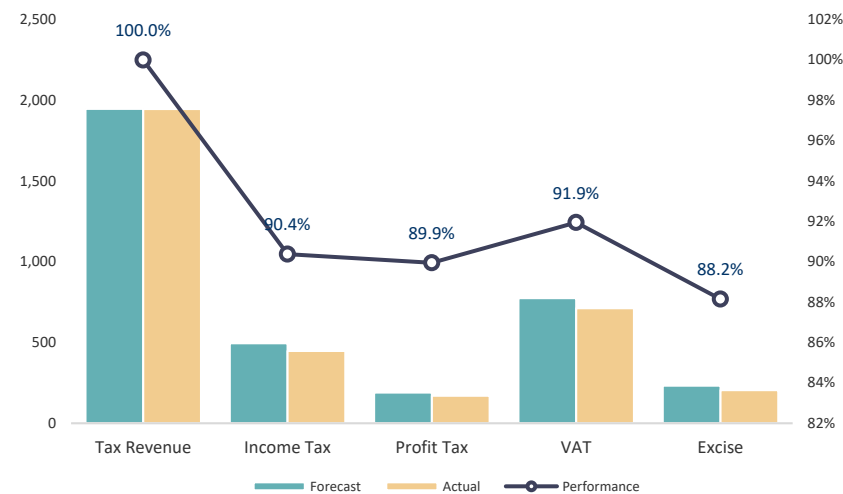


Note: Increase means appreciation

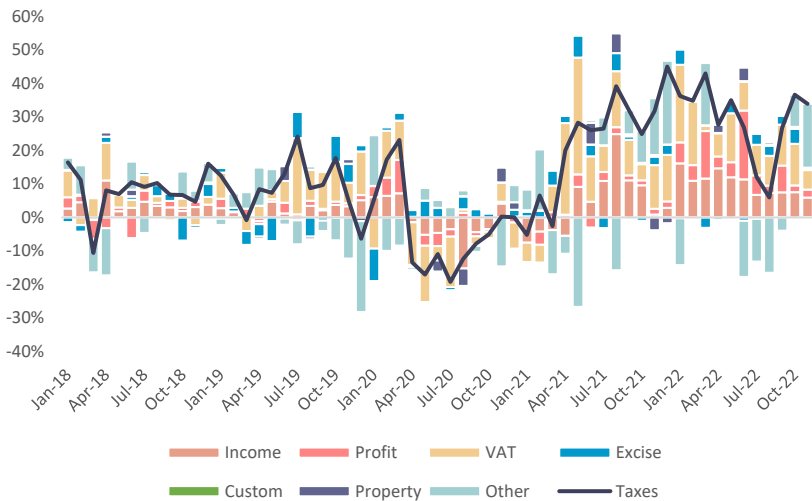
	December 31, 2022		Dec 31, 2022 - Jan 1, 2022		Dec 31, 2022 - Jan 1, 2021
Euro	2.8844	▲	11.4%	▲	6.1%
US Dollar	2.7020	▲	6.1%	▼	-1.1%
Turkish Lira	0.1443	▲	233.8%	▲	250.2%
Russian Ruble	0.0368	▲	25.4%	▲	4.4%
NEER	137.07	▲	4.5%	▲	23.9%
REER (November 2022)	144.56	▲	14.9%	▲	37.8%

Tax revenues in November has performed by 100 percent

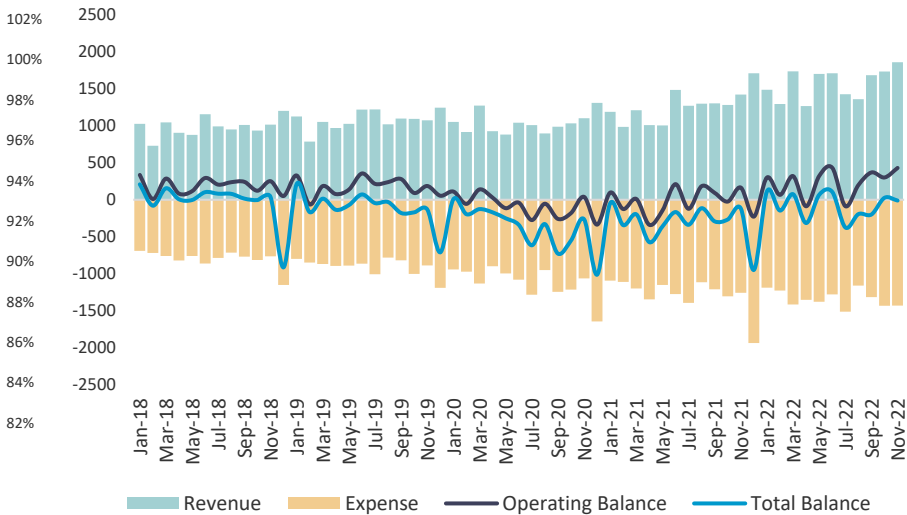
Budget Revenue Performance, December 2022



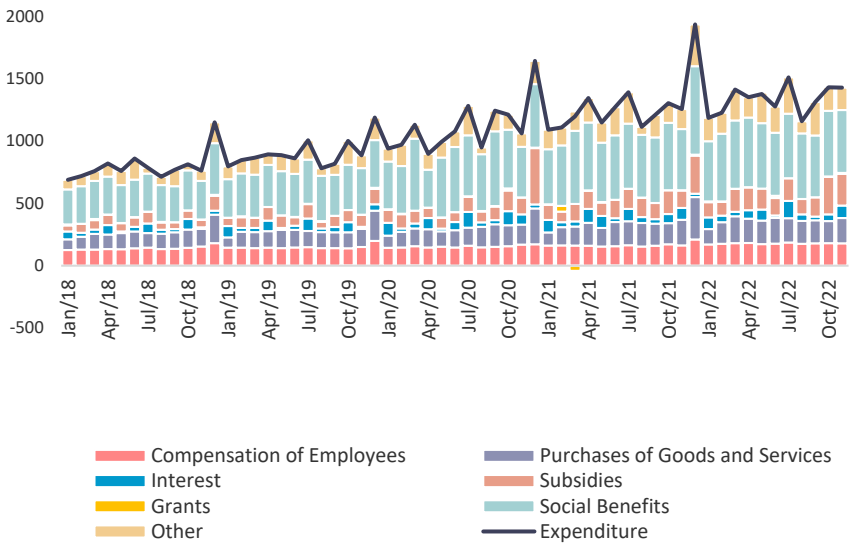
Tax Income, % y/y



Consolidated Budget, mln GEL



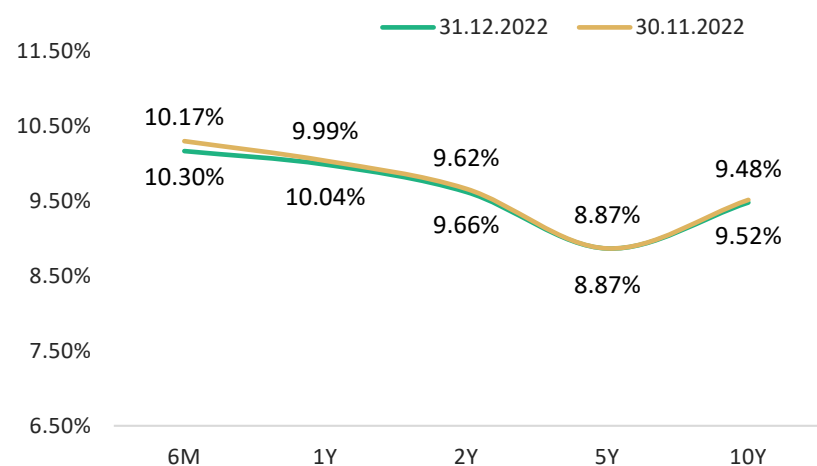
Consolidated Budget Expenditure, mln GEL



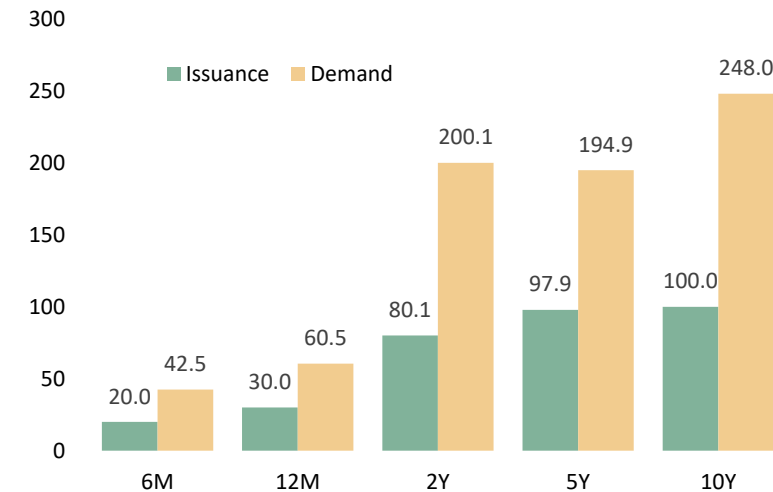
- The actual level of tax income in December 2022 was 1,946 mln GEL, which is the same as the forecasted value.
- Consolidated budget revenues increased by 30.7 percent and expenditures by 13.7 percent in November.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 428.4 million GEL, while the total balance was set at -11.8 million GEL.
- Revenue from taxes had a significant impact on revenue from Income and VAT in October, accounting for 5.9 and 5.8 percent of total growth, respectively.

The structure of the securities portfolio has undergone minor changes

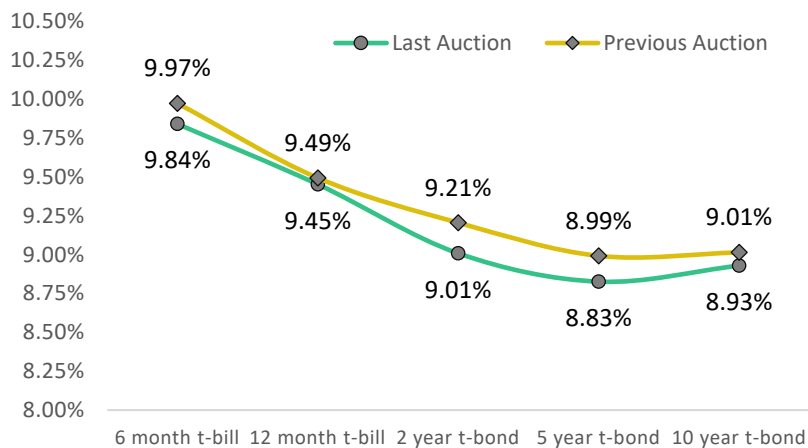
Portfolio Yield Curve



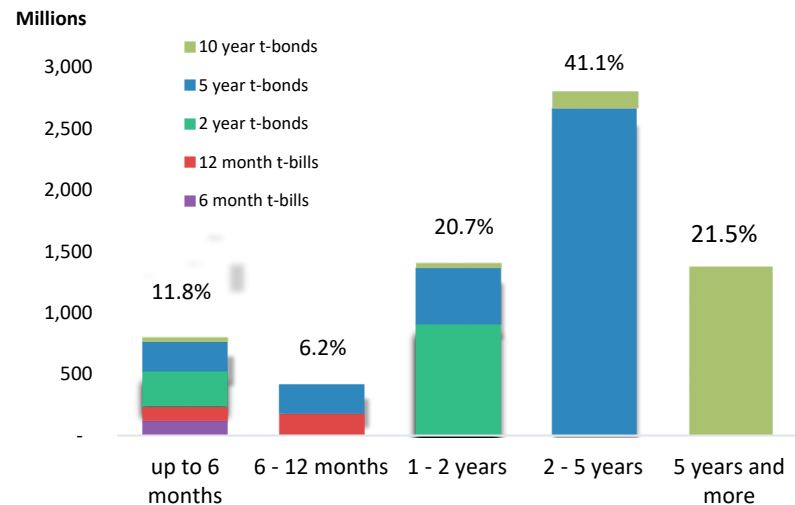
Issuance and Demand, mln GEL



Weighted average interest rates



Portfolio Forming Securities Composed by Time to Maturity

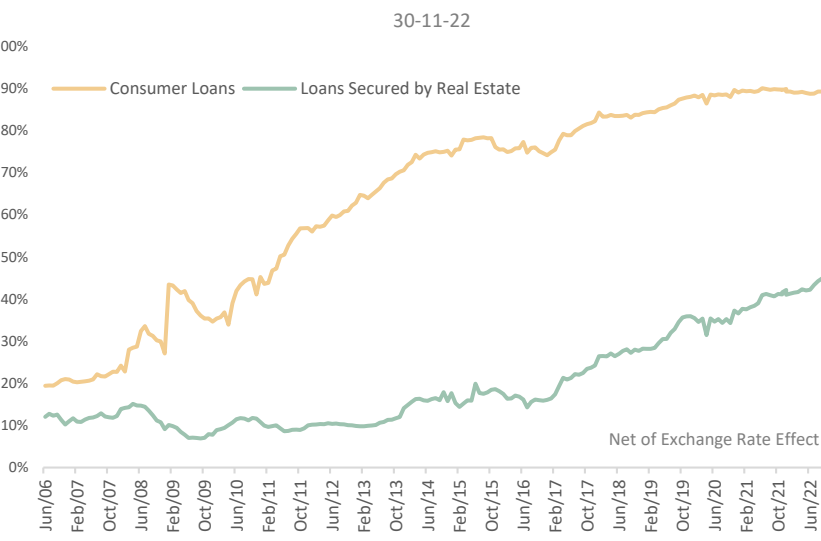
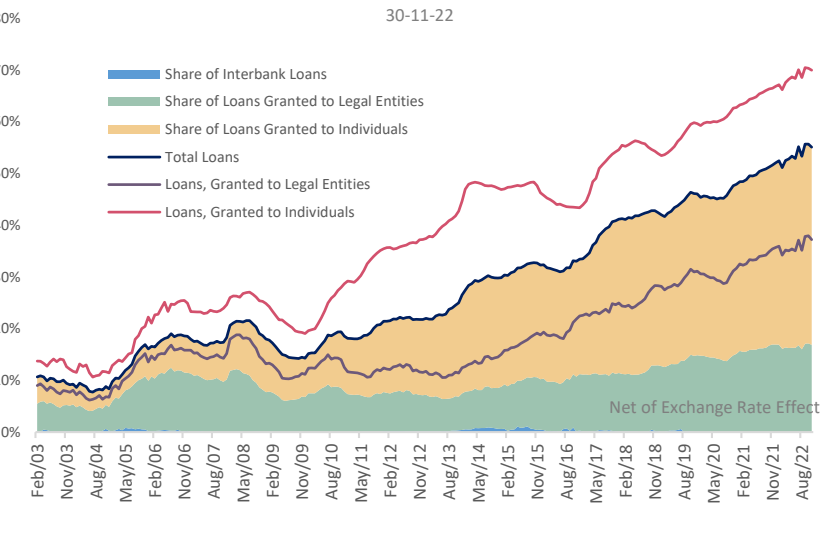


- In December 2022, 5 auctions were held with total issuance volume of 327.904 million GEL.
- The weighted average interest rate amounted to 9.021%.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10. Treasury securities with total amount of 50 million GEL were redeemed.
- As of December 31, 2022 18% 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 (November 2.14) and amounted to 2.27.

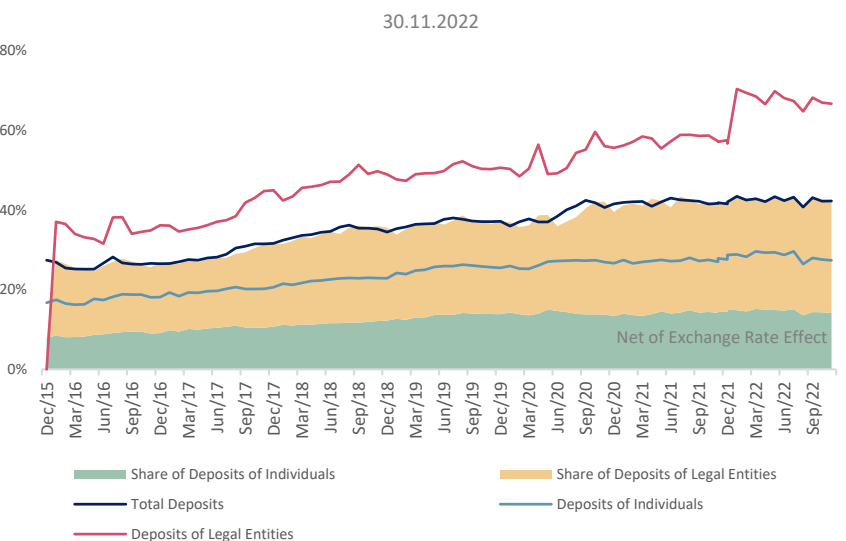
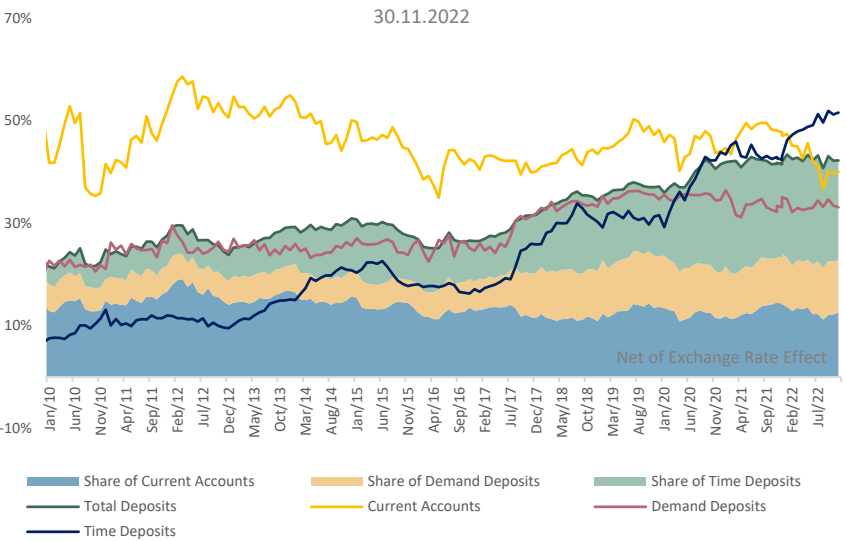
Source: MOF

The larization rates continue to rise

Loan Larization

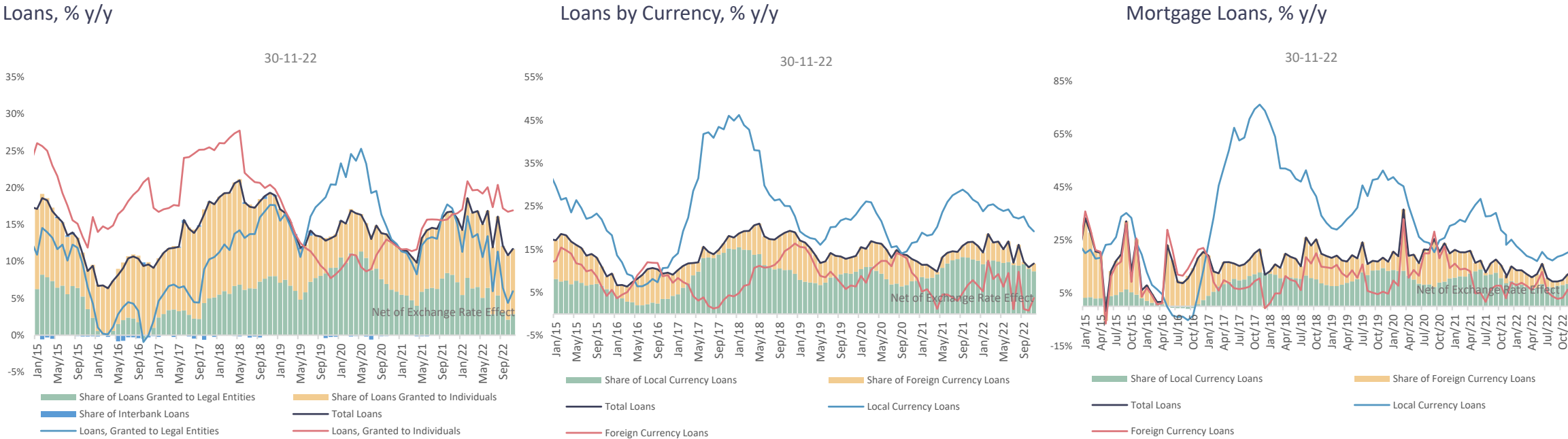


Deposit Larization



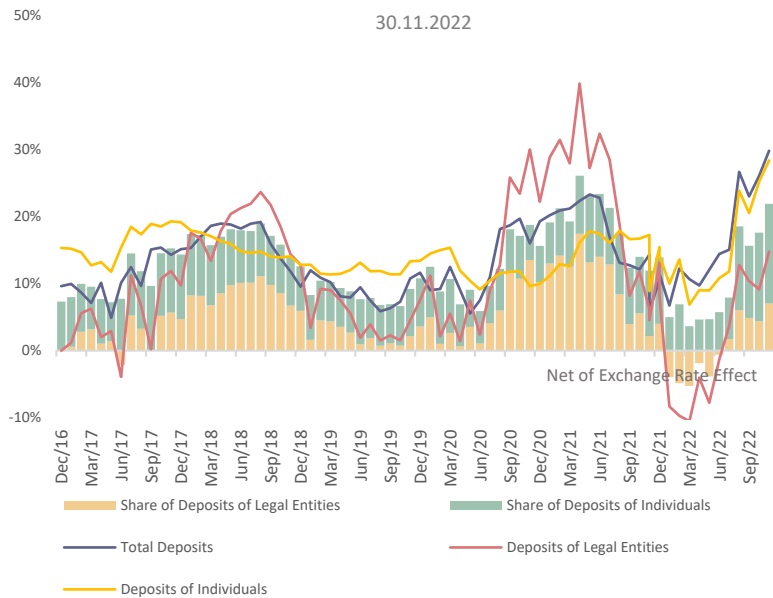
- As of December 1, 2022, the larization of total loans is 55.1 percent.
- The larization of loans to individuals is 70.0 percent.
- The larization of loans to legal entities amounted to 37.2 percent.
- The larization of total deposits equals to 42.3 percent.
- The larization on deposits of legal entities amounted to 66.7 percent.
- The larization of deposits of individuals is 27.4 percent.
- The larization of time deposits is 51.6 percent.
- The larization of current accounts equals to 40.1 percent.
- The larization of demand deposits is 33.1 percent.

The annual growth trend of loans is sustained

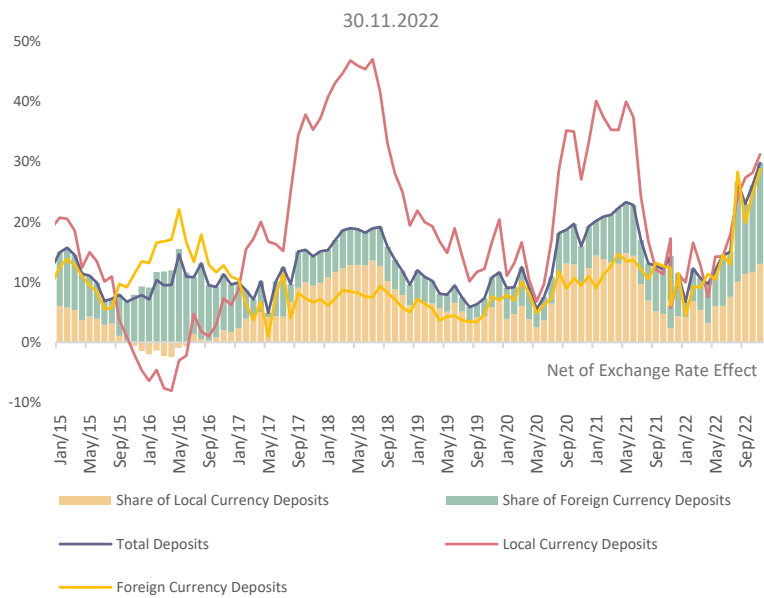


The annual growth of deposits denominated in foreign currency continues stable growth

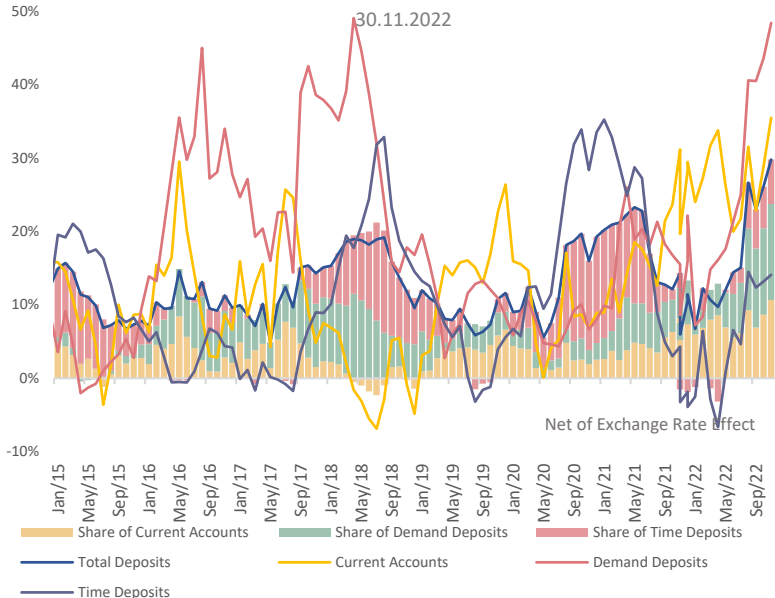
Deposits, % y/y



Deposits by Currency, % y/y



Deposits by type, % y/y

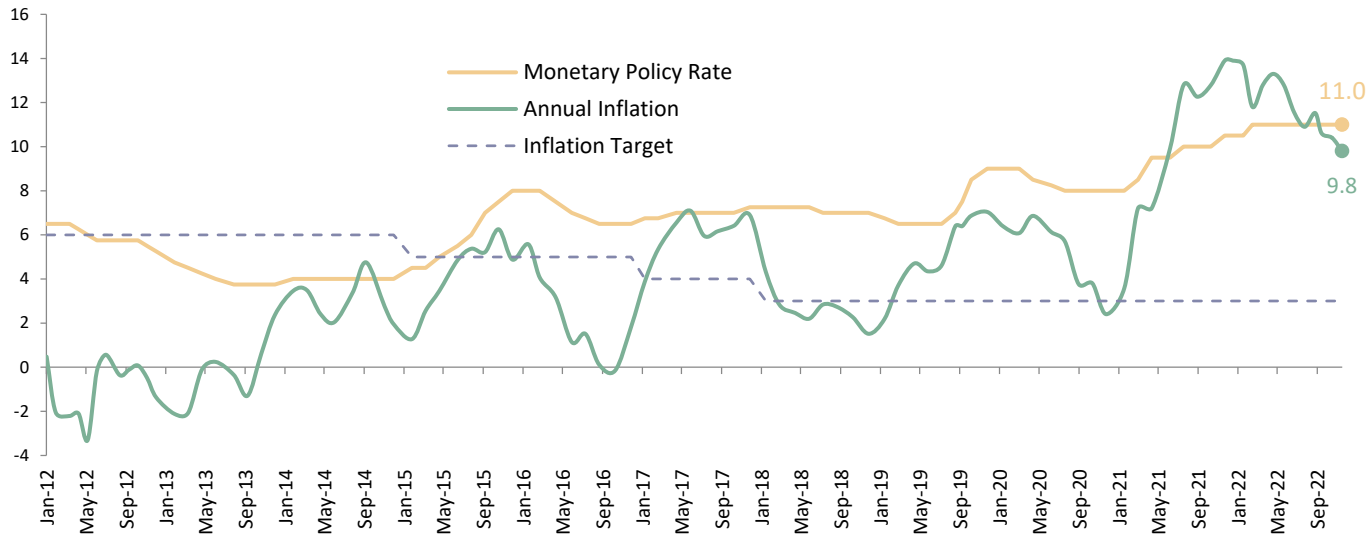


- As of December 1, 2022, the growth of total deposits compared to the corresponding period of the previous year is 29.8 percent.
- The annual growth of deposits denominated in the national currency amounted to 31.2 percent. The annual growth of deposits denominated in foreign currency stood at 28.8 percent over the same period.
- The growth of deposits of individuals amounted to 28.4 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.8 percent.
- The annual growth of current accounts at the beginning of December 2022 was equal to 35.5 percent.
- The annual growth of time deposits was 14.1 percent.
- The growth of demand deposits amounted to 48.4 percent.

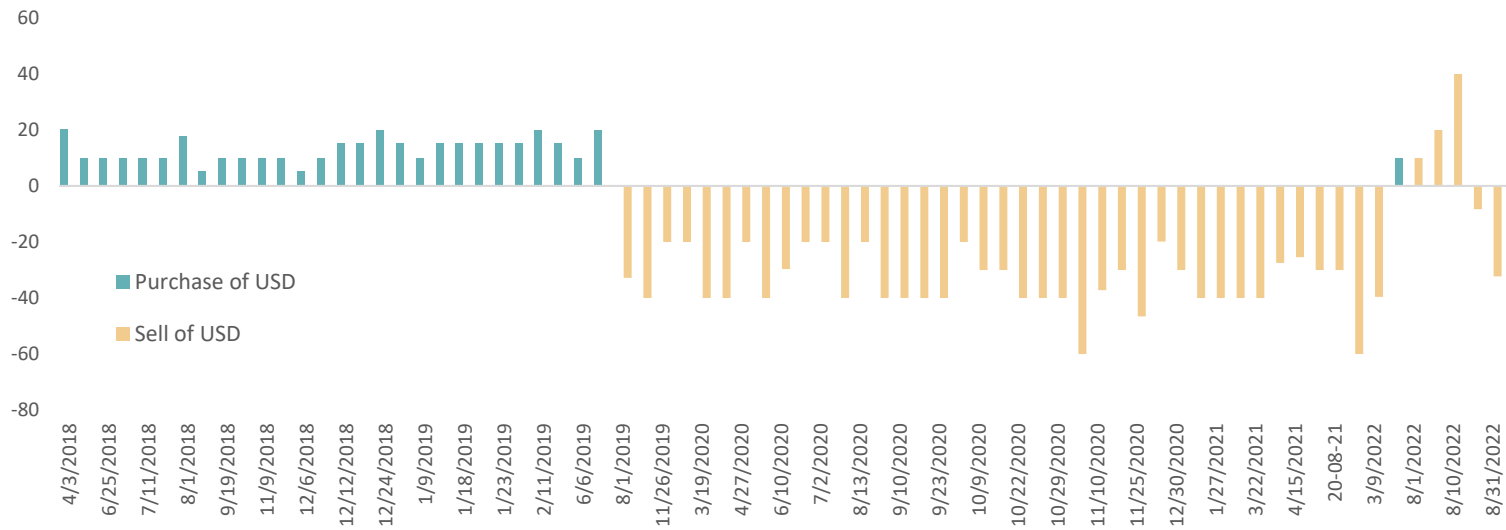
Source: NBG

The National Bank of Georgia increased the monetary policy rate to 11.0 percent

Inflation and Monetary Policy Rate



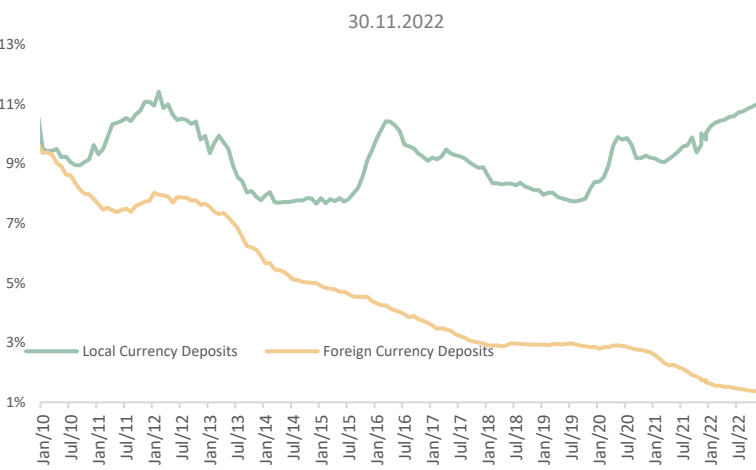
Trade of USD by NBG, mln USD



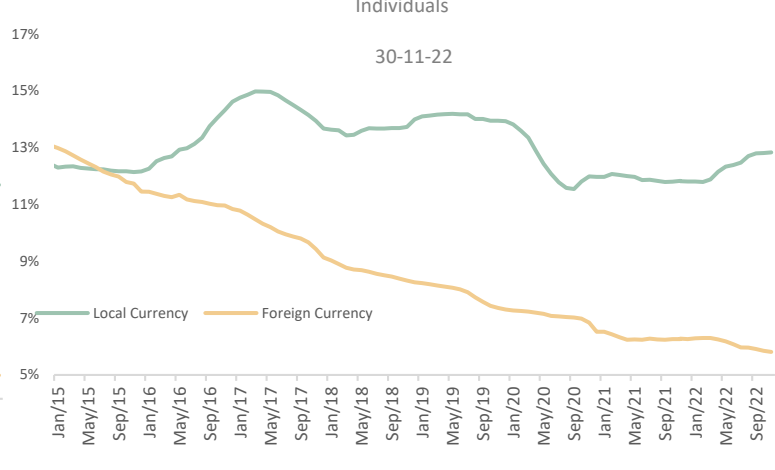
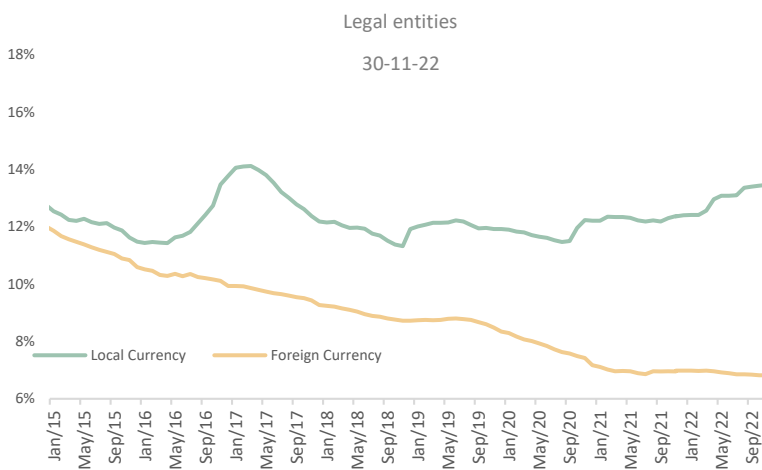
- On December 21, 2022, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- Per NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in place due to the pandemic. Recently however, there have appeared signs of price stabilization on international commodity markets. As a result of the sanctions lately imposed by the European Union, oil prices have decreased. At the same time, international shipping costs continue to fall at a rapid pace, which should be reflected in import prices. In Georgia inflation has already retreated from its peak and, even though it still remains at a high level at 10.4 percent in November, is now on a downward path. It is expected that given the appreciated exchange rate, the aforementioned global trends will be gradually transmitted to the local market, helping to further reduce inflation.
- The next meeting of the Monetary Policy Committee will be held on February 1, 2023.
- There was no FX interventions through auctions during December.

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, 2022, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 11.0 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.2 percent, and in foreign currency – 1.7 percent.
- The average annual interest rate on deposits by individuals is 1.4 percent for foreign currency deposits and 11.0 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.2 percent (19.0 percent in national currency and 6.6 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.7 percent (17.9 percent in national currency and 6.7 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 14.2 percent, and in foreign currency 8.1 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.2 percent.

Source: NBG

Disclaimer

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