



Current Economic Outlook

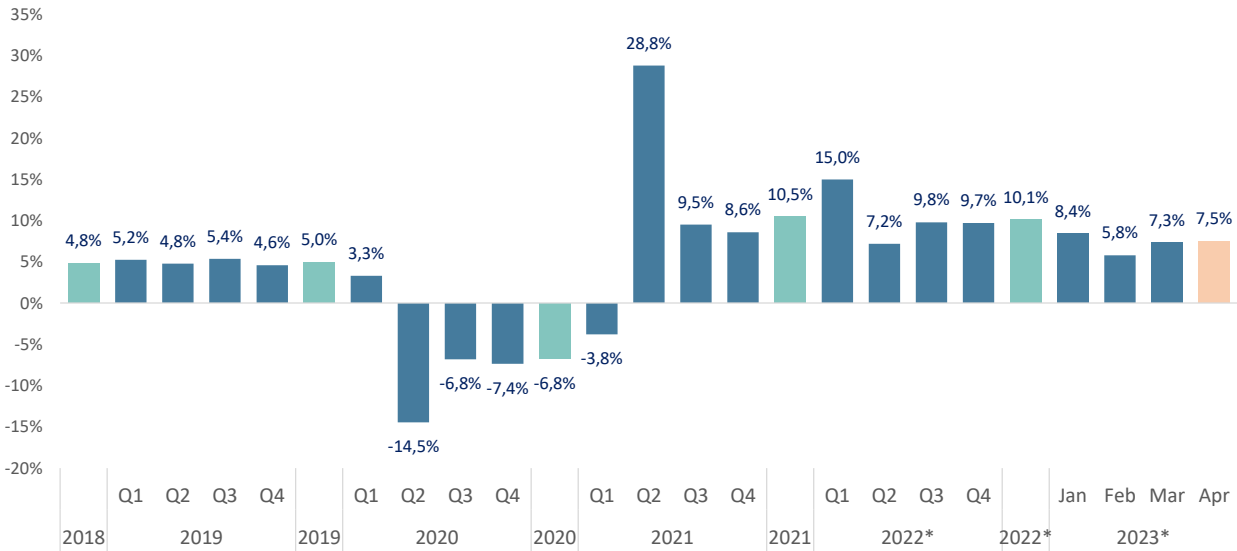
May, 2023

Key Developments

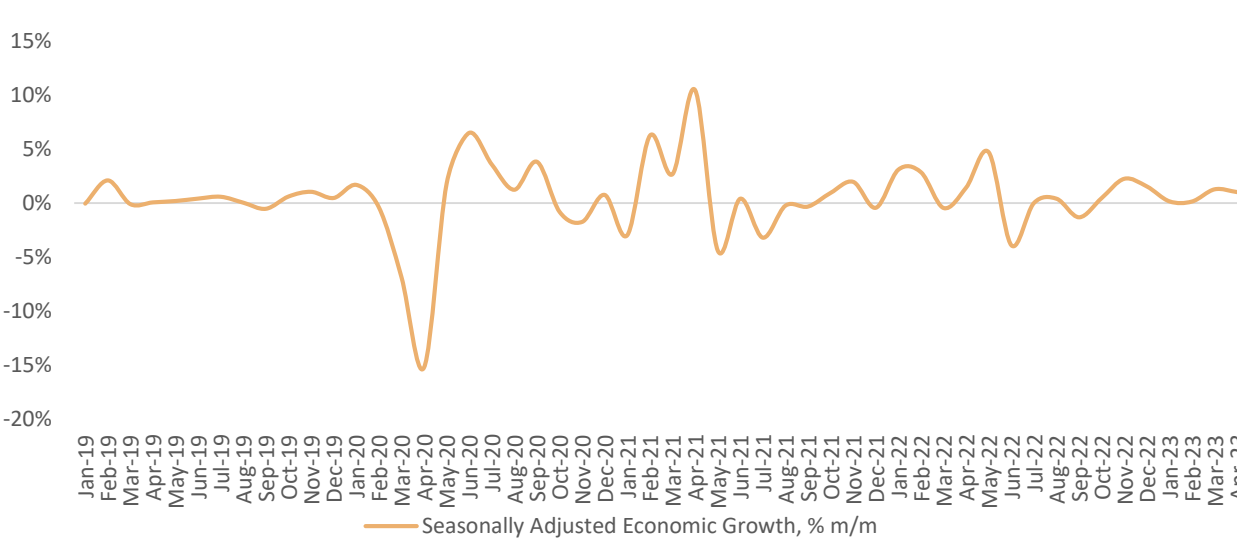
- In April 2023, the real GDP growth rate was 7.5 percent and average growth rate of the first four months of 2023 was 7.3 percent, according to the preliminary estimates of the National Statistics Office.
- In May, annual inflation stood at 1.5 percent, while core inflation was 4.0 percent
- In April, exports increased by 20.4 percent year-on-year and imports increased by 15.3 percent year-on-year, increasing the trade deficit by 11.6 percent year-on-year to 643 million USD
- For April, the real effective exchange rate appreciated by 18.7 percent compared to the same period of the previous year and by 1.8 percent compared to the previous month
- The National Bank of Georgia decreased the monetary policy rate to 10.5 percent

Economic Growth in April was equal to 7.5 percent

Economic Growth, % y/y

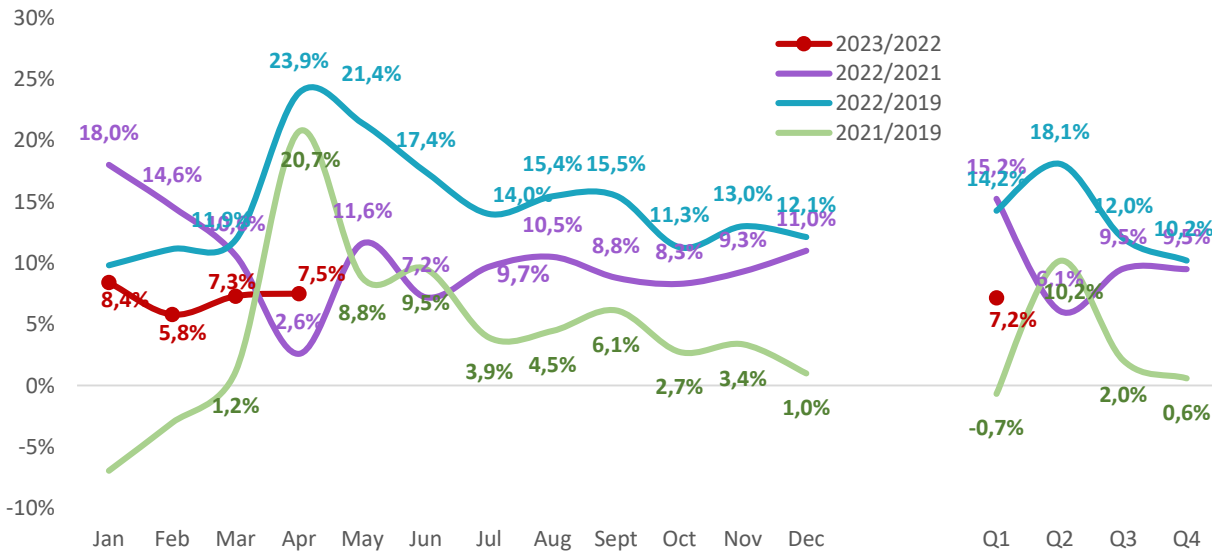


Economic Growth, % m/m



- Estimated real GDP growth rate in April 2023 equaled 7.5 percent YoY and average annual real GDP growth rate for the 1st quarter of 2023 equals to 7.2 percent. Seasonally adjusted economic growth in April comparing to the previous month was 1.0 percent.
- In April 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, financial and insurance activities, transport and warehousing, information and communication, trade.
- A decline was registered in the fields of in the manufacturing and real estate sectors.

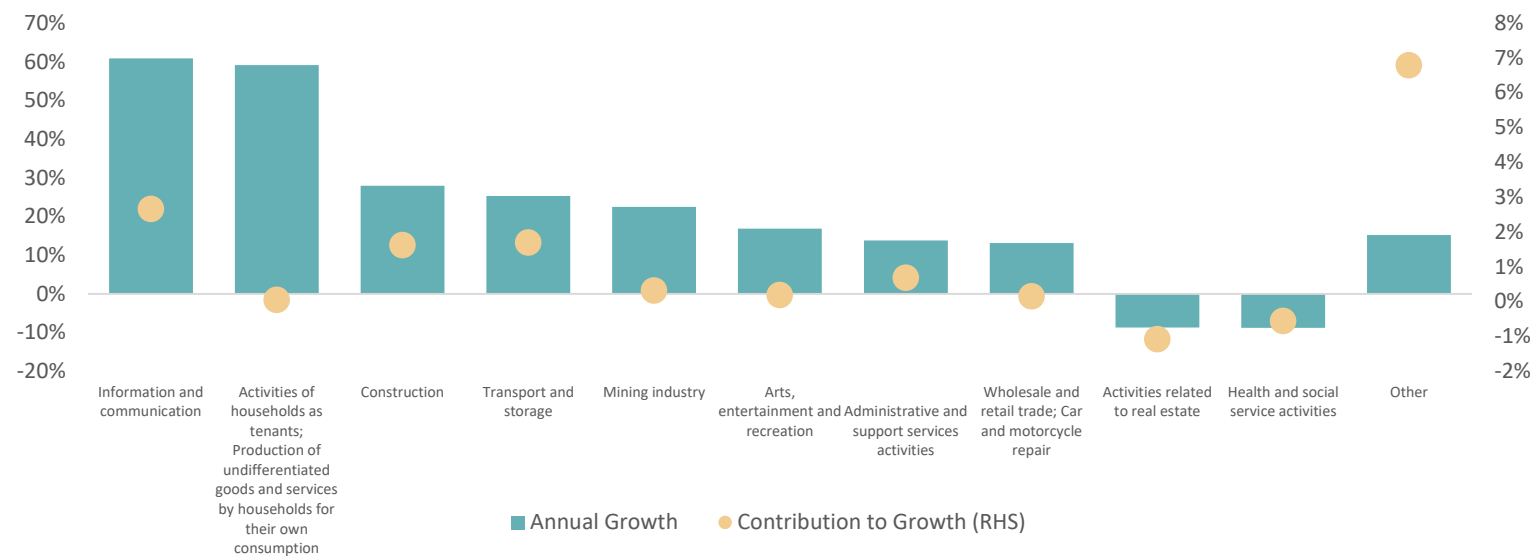
Economic Growth, 2023-2019



Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 9.5 percent in the fourth quarter of 2022

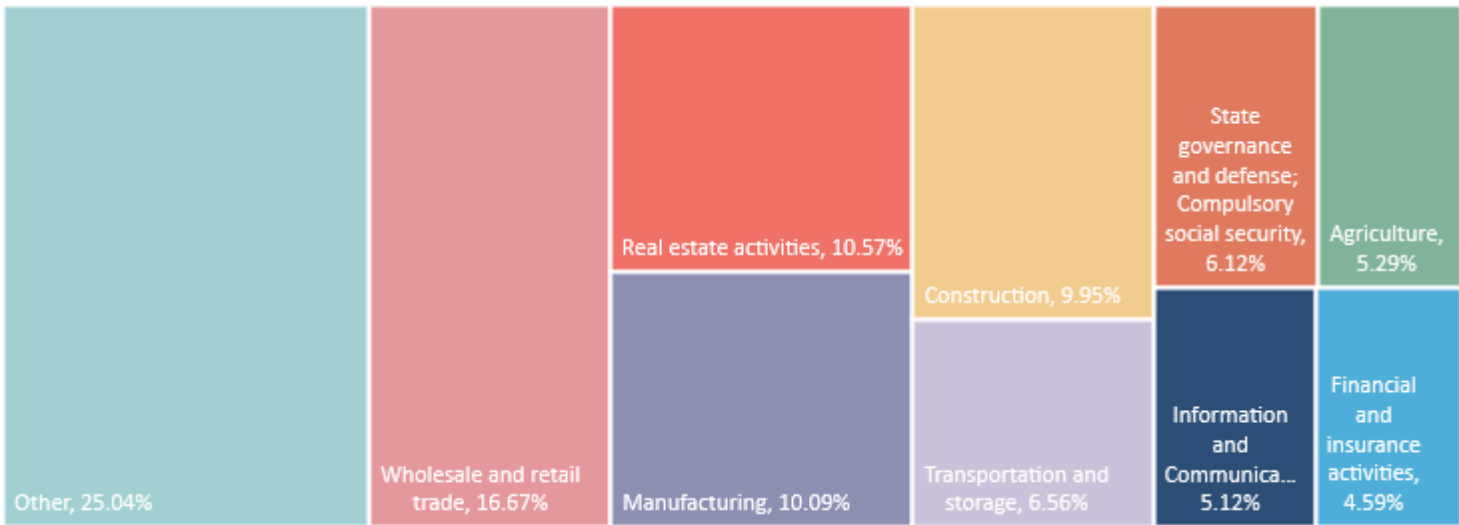
Real GDP growth by economic activity, 2022 IV Quarter



According to preliminary estimates, in the fourth quarter of 2022 economic growth amounted to 9.7 percent, while in the third quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 9.8 percent. In the fourth quarter 2023 economic growth was 0.4 percent compared to the fourth quarter of 2019.

- The following industries have made a significant contribution to growth of Q4 2022:
- Information and communication: 60.9% y/y (2.7 p.p.)
- Activities of households as employers: 59.1% y/y (0.05 p.p.)
- Construction 27.9% y/y (1.6 p.p.)
- Transport and warehousing: 25.3% y/y (1.7 p.p.)
- Mining industry: 22.5% y/y (0.3 p.p.)
- Arts, entertainment and recreation: 16.8% y/y (0.2 p.p.)
- Administrative and support services activities wholesale and retail trade;
- Repair of automobiles and motorcycles: 13.8% y/y (0.7 p.p.)

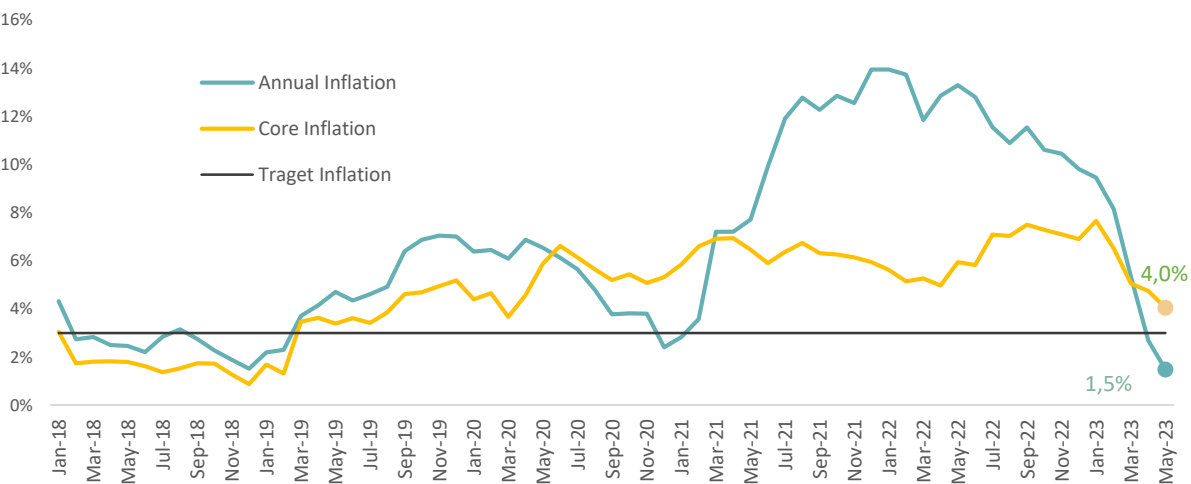
GDP by economic activity, 2022 IV Quarter



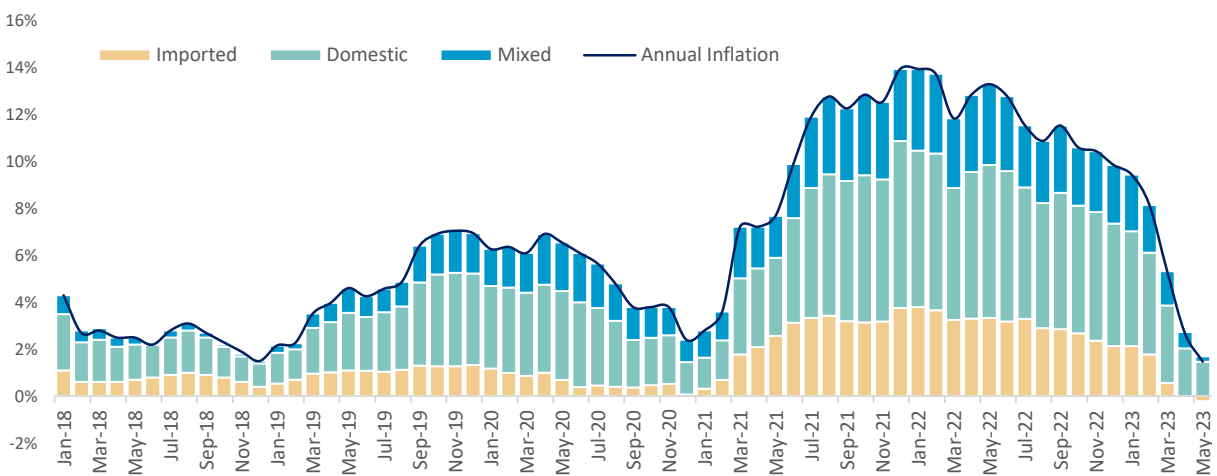
- The following sectors made a significant contribution to the decrease:
- Real estate-related activities: -8.7 y/y (-1.1 p.p.)
- Health care and social service activities: -8.8 y/y (-0.6 p.p.)

Annual inflation in May has reached 1.5 percent

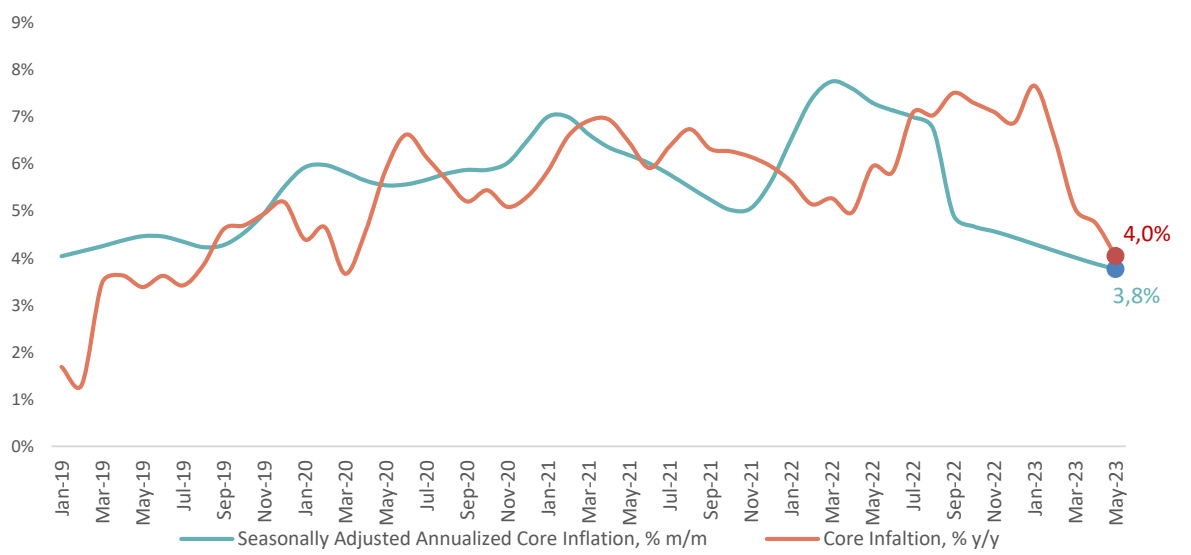
Total and Core Inflation, % y/y



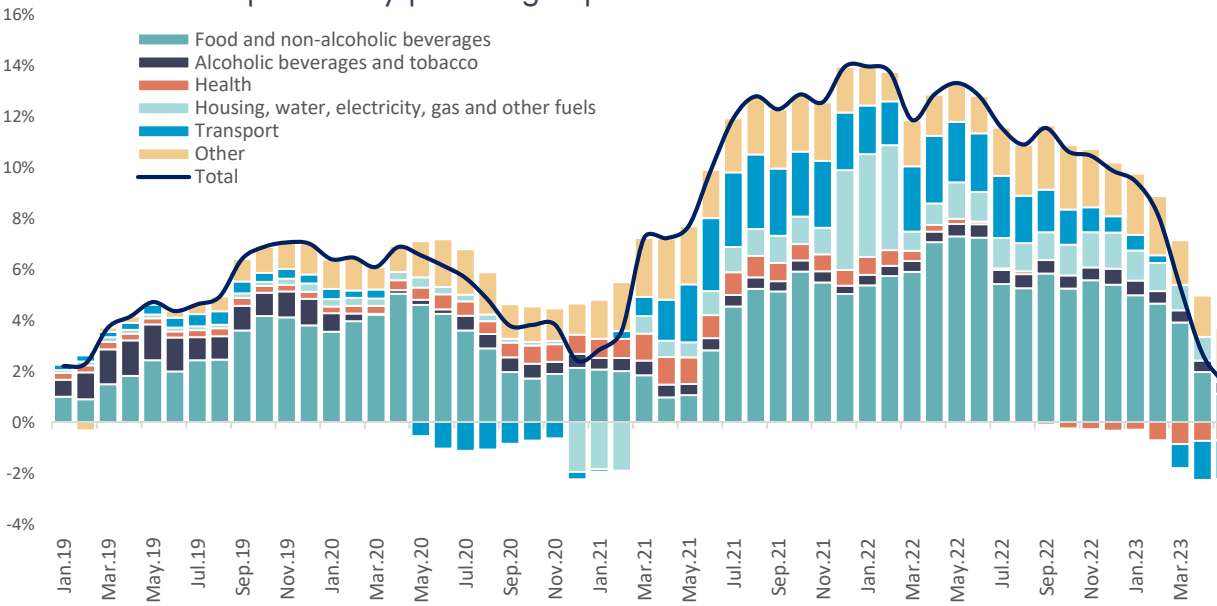
Inflation Decomposition



Core Inflation, % m/m



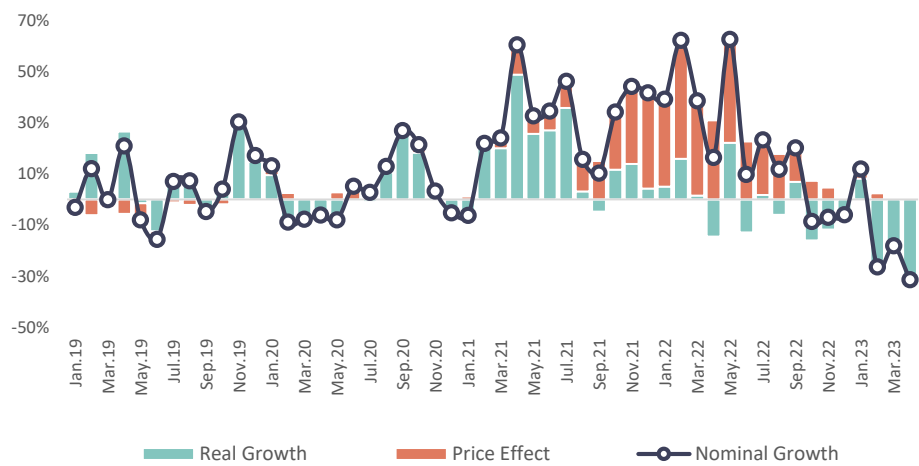
Inflation Decomposition by product group



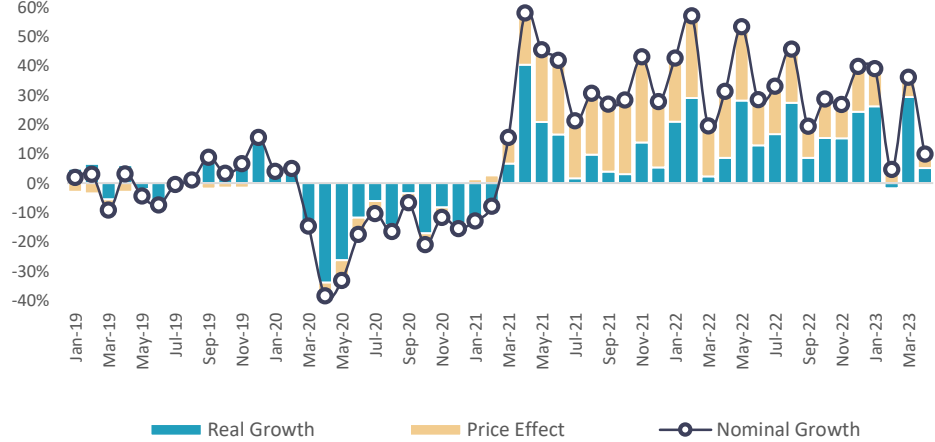
Source: Geostat, NBG, MOF

Trade Deficit increased by 11.6 percent annually

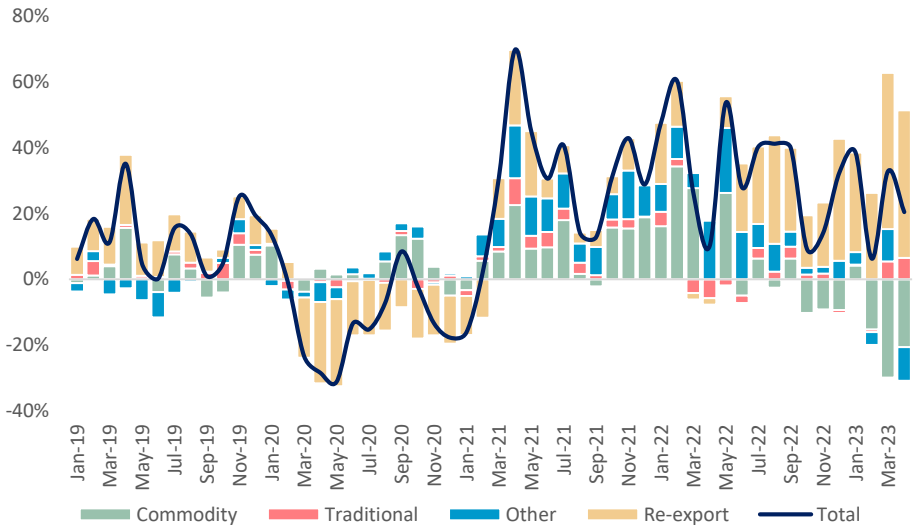
Change of Domestic Export, %y/y



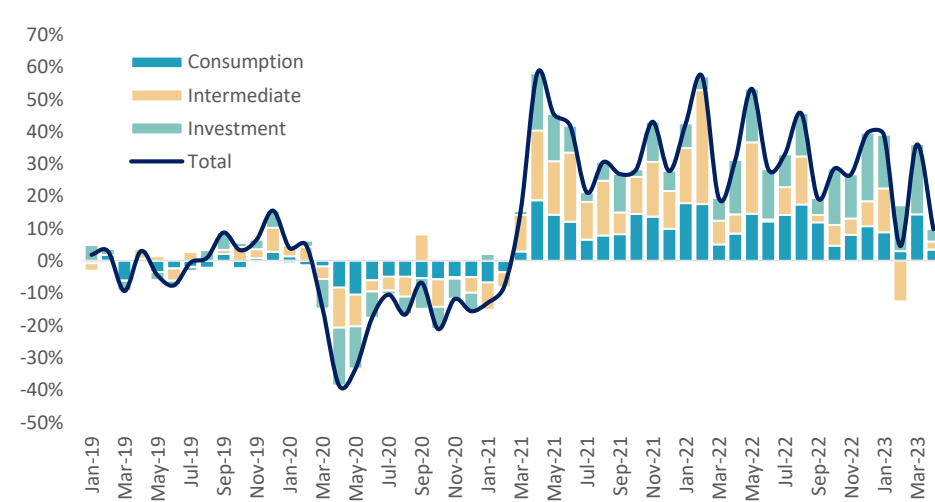
Change of Import, %y/y



Decomposition of Export



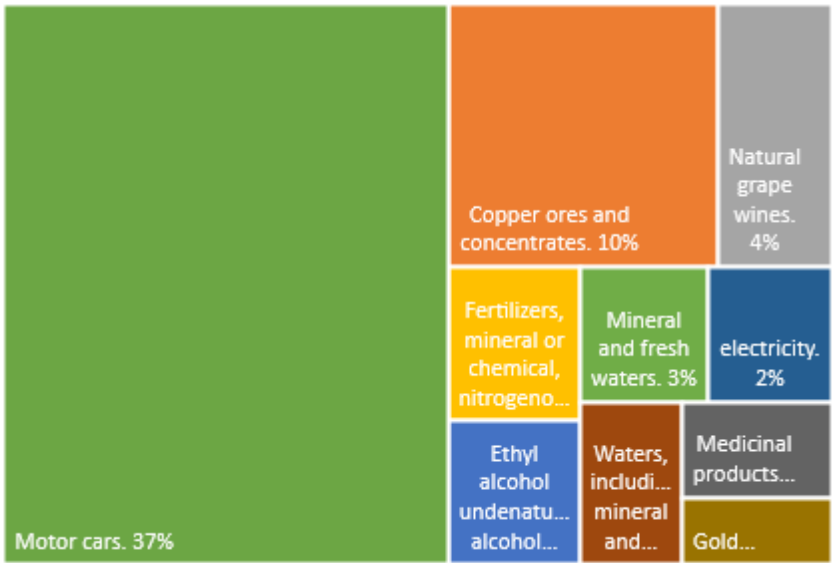
Decomposition of Change of Import, %y/y



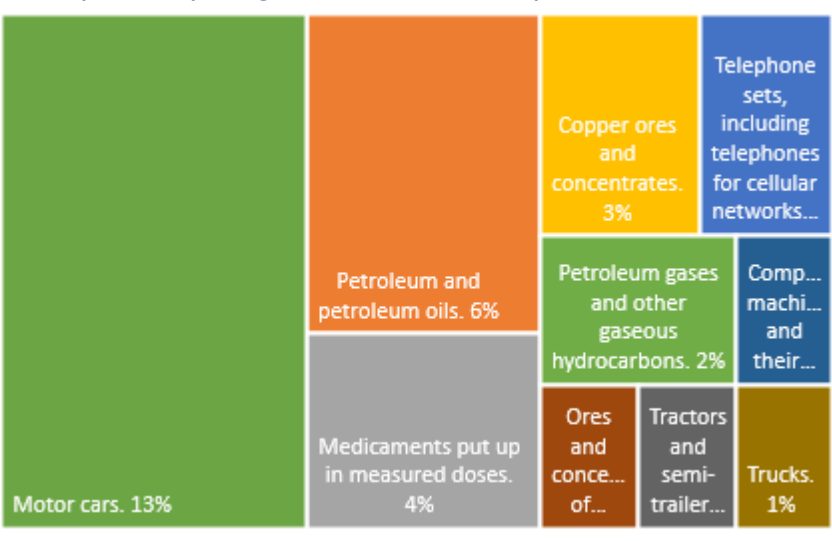
- Export increased annually by 20.4 percent to 501 million USD in April.
- Domestic export decreased annually by 31.6 percent to 220 million USD.
- Import annually increased by 15.3 percent to 1 144 million USD in April.
- Trade deficit annually increased by 11.6 percent to 643 million USD in April.
- Share of re-export in export growth is equal to 44.9 percent (199.4 %y/y), while share of commodity export is negative 20.7 percent (-55.5 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 3.9, 3.5 and 2.4 percent respectively.

International trade is characterized by stable diversification

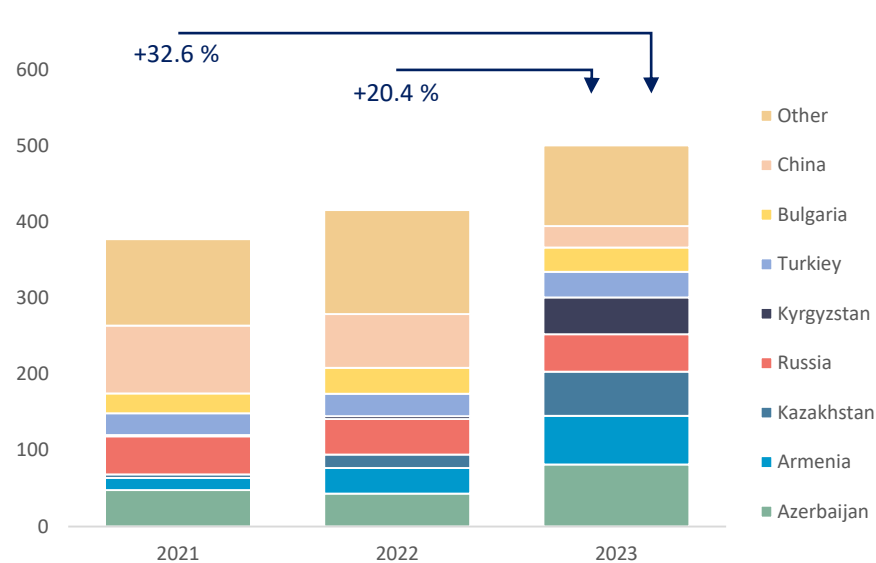
Top 10 Export goods, % of total Export



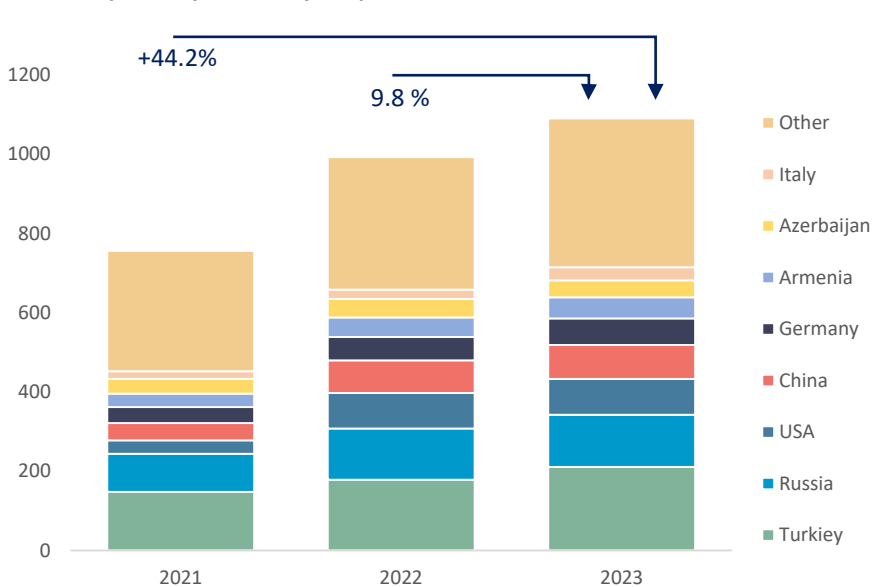
Top 10 Import goods, % of total Import



Export by country, April



Import by country, April



Top Export Products:

- Motor cars: 183.3 mln. USD – 36.6 percent of total export.
- Copper ores and concentrates: 52.1 mln. USD – 10.4 percent.
- Natural Grapes Wines: 22.1 mln. USD – 4.4 percent.

Top Import Products :

- Motor cars: 139.3 mln. USD – 18.8 percent.
- Petroleum and petroleum oils: 66.4 mln. USD – 6.1 percent of total import.
- Medicaments put up in measured doses: 40.4 mln. USD – 3.7 percent.

Top Export Country:

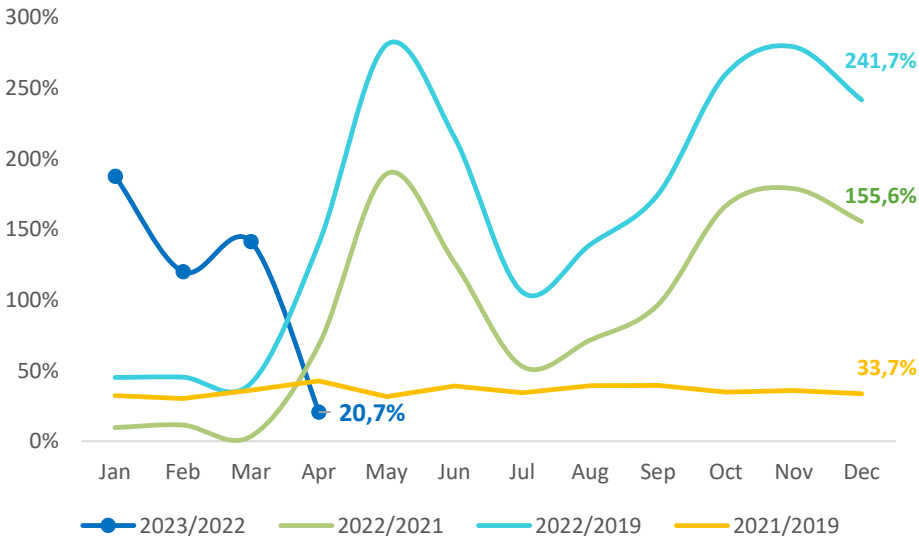
- Azerbaijan: 81.3 mln. USD – 16.2 percent.
- EU countries: 75.9 mln. USD – 15.1 percent.
- Armenia: 63.9 mln. USD – 12.8 percent.

Top Import Country :

- EU countries: 278.5 mln. USD – 25.5 percent
- Russia: 211.0 mln. USD – 19.3 percent.
- Turkey: 131.9 mln. USD – 12.1 percent.

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

Net Remittances



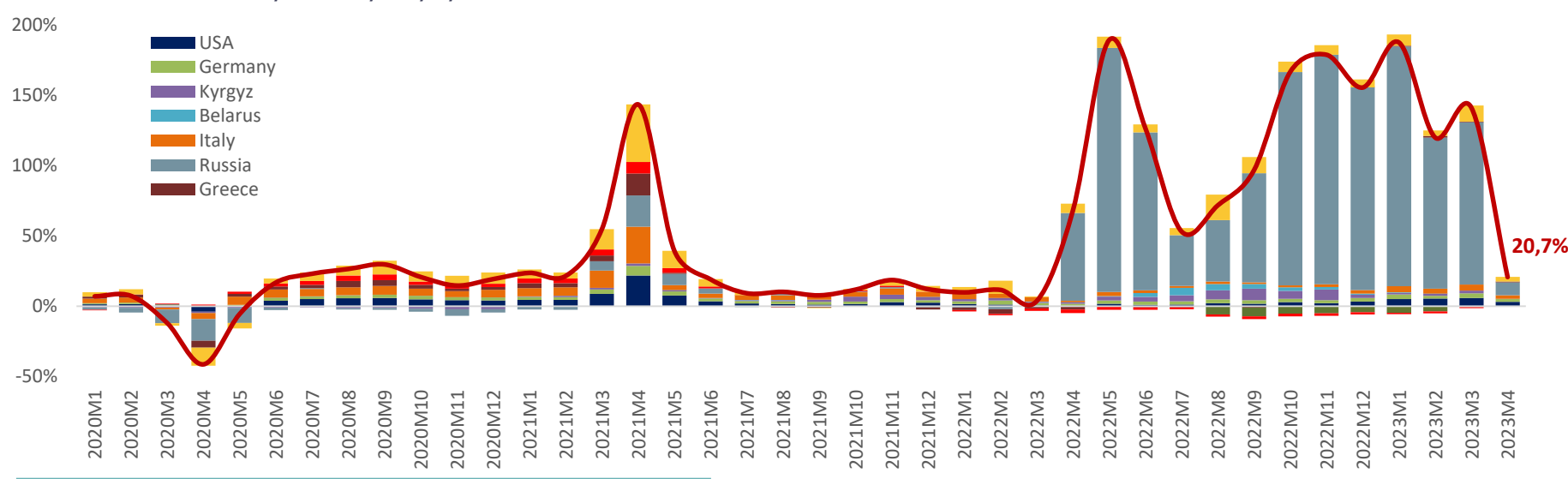
Net Remittances, April 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	156.3	19.9	9.2
Italy	40.0	21.9	2.5
USA	32.5	34.8	3.0
Greece	19.0	10.9	0.7
Kazakhstan	18.7	-2.0	-0.1
Germany	17.1	51.1	2.0
Other	57.7	20.2	3.7

■ In April 2023, net remittances were estimated at 341.3 million USD, representing a 20.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 189.3 percent.

- Net Remittances increased from:
 - Germany: 51.1 percent (2.0 p.p. contribution to overall growth).
 - USA: 34.8 percent (3.0 p.p. contribution to overall growth).
 - Italy: 21.9 percent (2.5 p.p. contribution to overall growth).
 - Russia : 19.9 percent (9.2 p.p. contribution to overall growth).

Net Remittances by country, %y/y



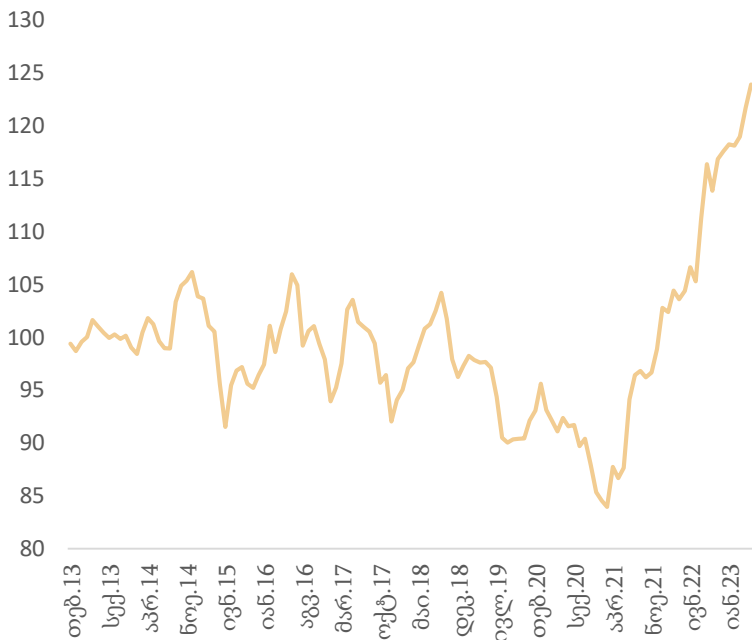
- Net Remittances decreased from:
 - Kazakhstan: -2.0 percent (-0.1 p.p. contribution to overall growth)

Real Effective Exchange Rate in April Appreciated by 18.7 percent Annually

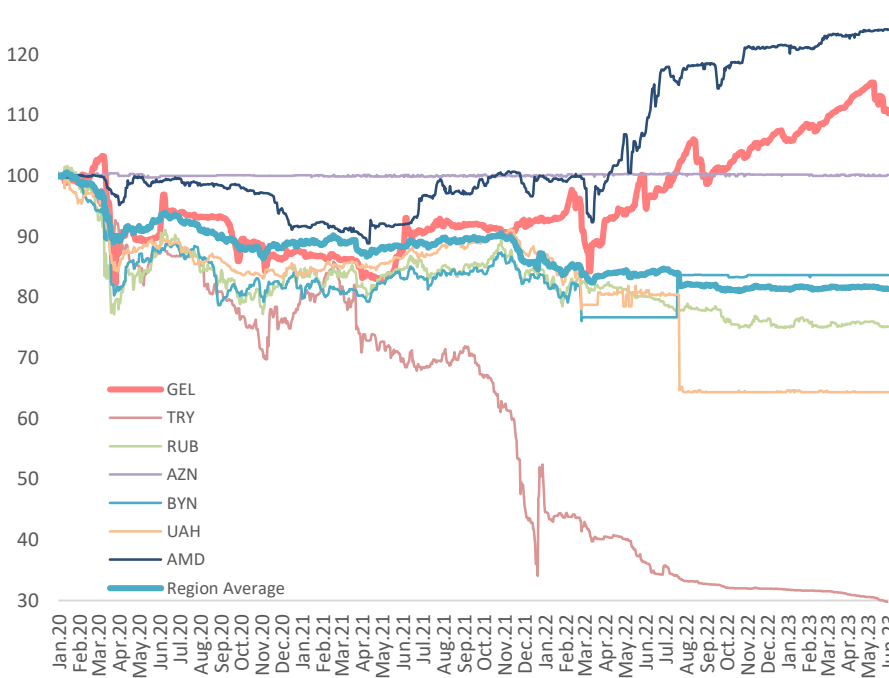
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates 31 May, 2023



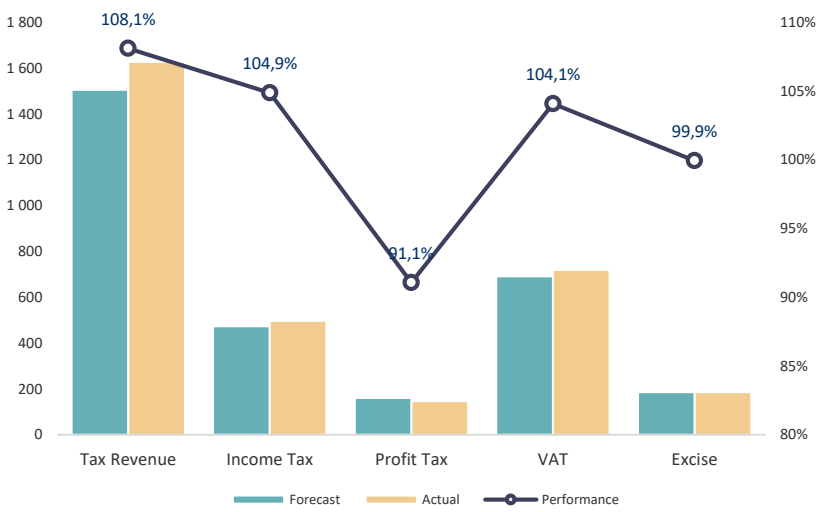
Note: Increase means appreciation

	May 31, 2023		May 31, 2023 - Jan 1, 2023		May 31, 2023 - Jan 1, 2022
Euro	2.7824	▲	3.7%	▲	25.8%
US Dollar	2.5919	▲	4.2%	▲	19.2%
Turkish Lira	0.1271	▲	13.5%	▲	297.6%
Russian Ruble	0.0321	▲	14.5%	▲	19.6%
NEER	177.07	▲	7.6%	▲	35.0%
REER (April 2023)	152.32	▲	4.9%	▲	20.5%

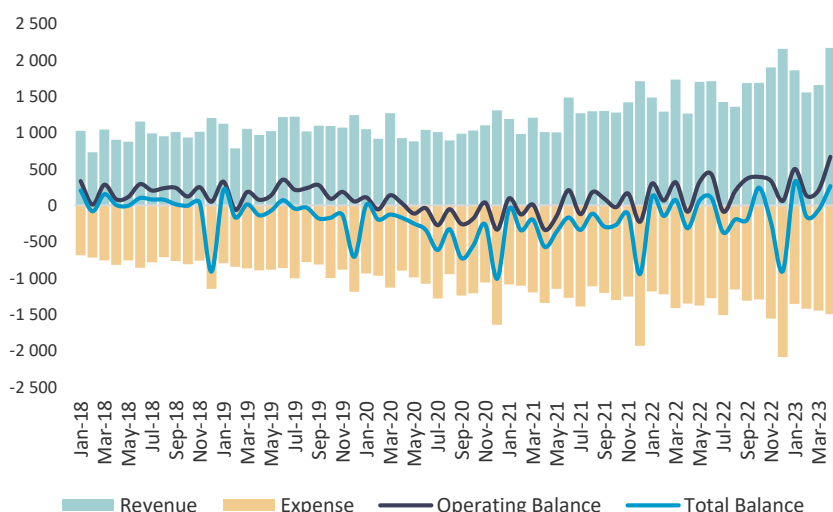
Source: NBG

Tax revenues in May is above the forecast value by 8.1 percent

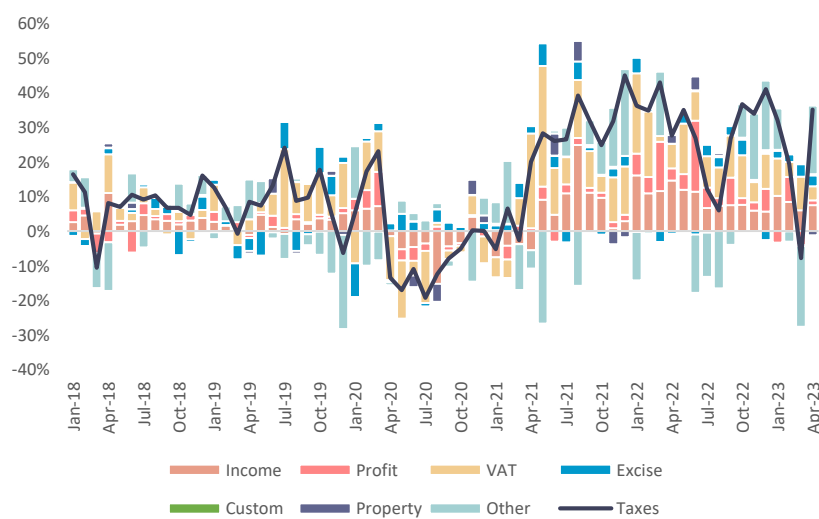
Budget Revenue Performance, May 2023



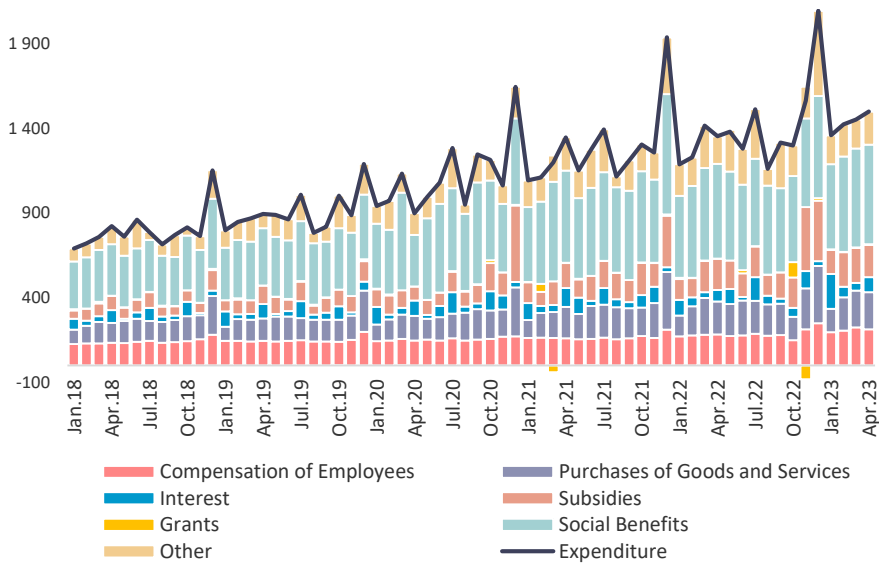
Consolidated Budget, mln GEL



Tax Income, % y/y



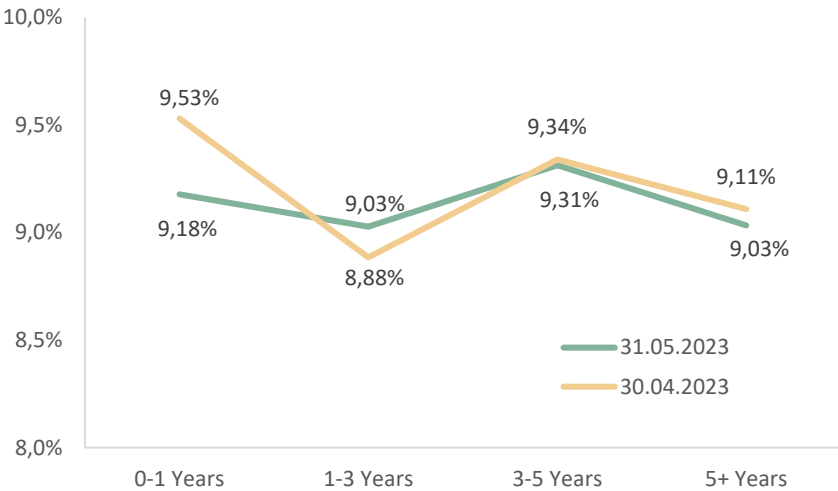
Consolidated Budget Expenditure, mln GEL



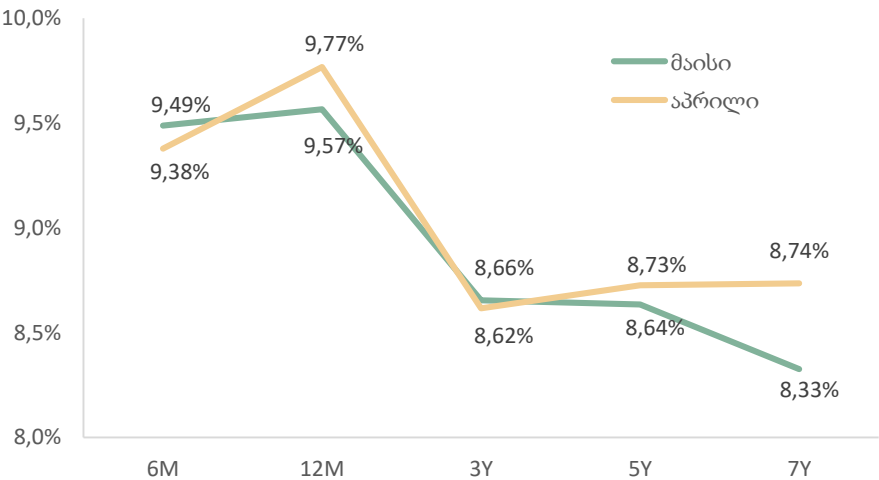
- The actual level of tax income in May 2023 was 1,626 mln GEL, which is above the forecasted value by 8.1 percent.
- Consolidated budget revenues decreased by 71.4 percent and expenditures increased by 10.8 percent in April.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 668.3 million GEL, while the total balance was set at 265.5 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT in April, accounting for 7.5 and 4.0 percent of total growth, respectively.

Structure of the Securities Portfolio has Undergone Minor Changes

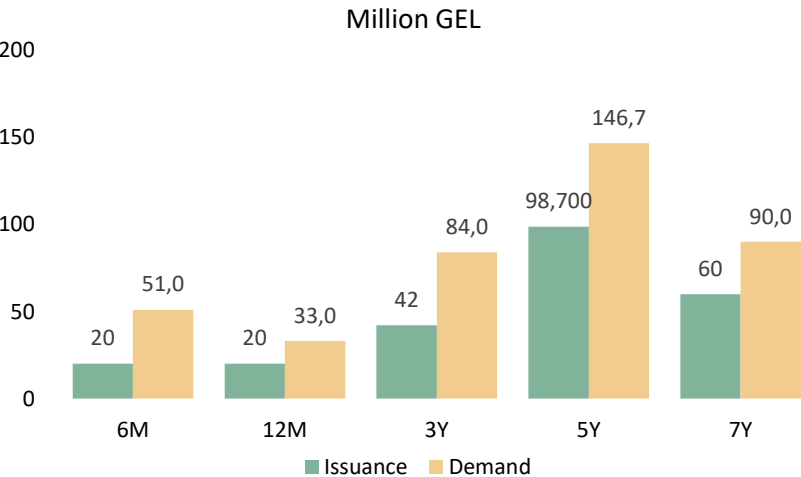
Portfolio Yield Curve



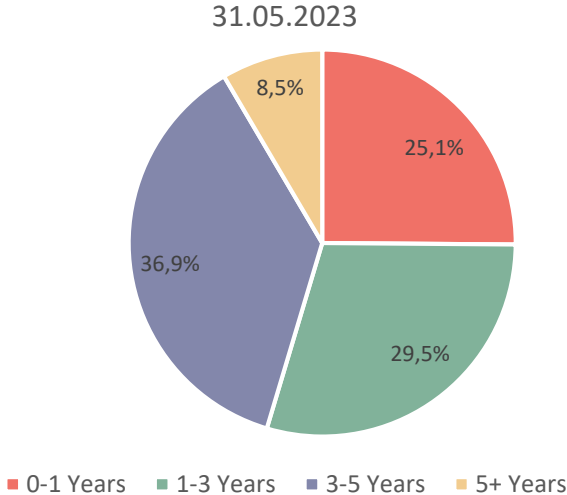
Weighted Average Interest Rates



Issuance and Demand of Treasury Bonds, mln GEL



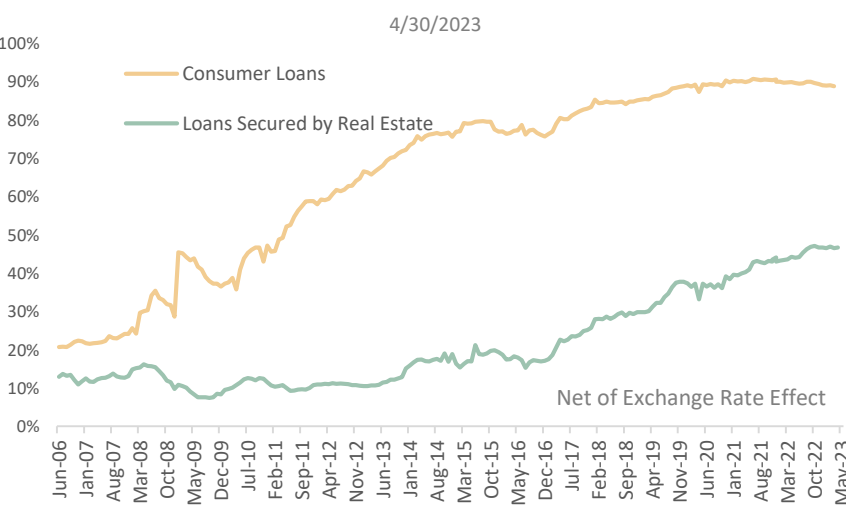
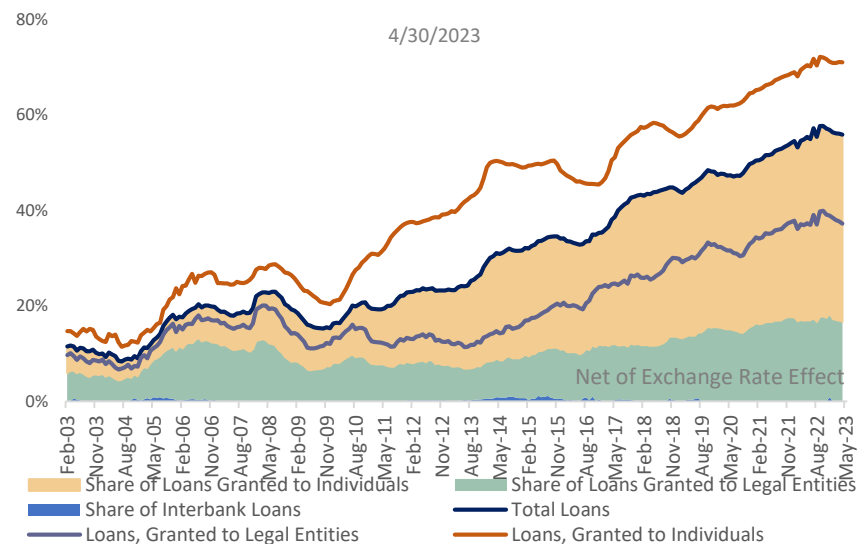
Portfolio by Residual Maturity



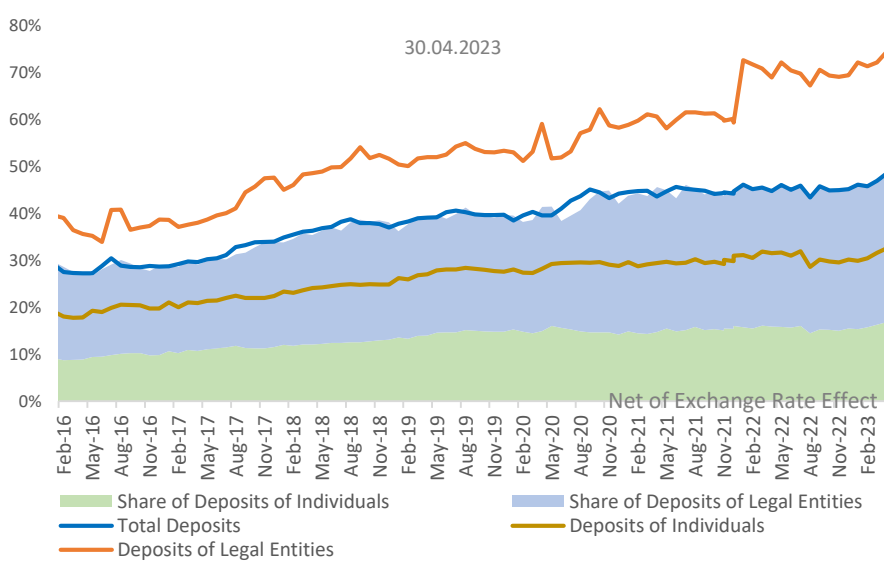
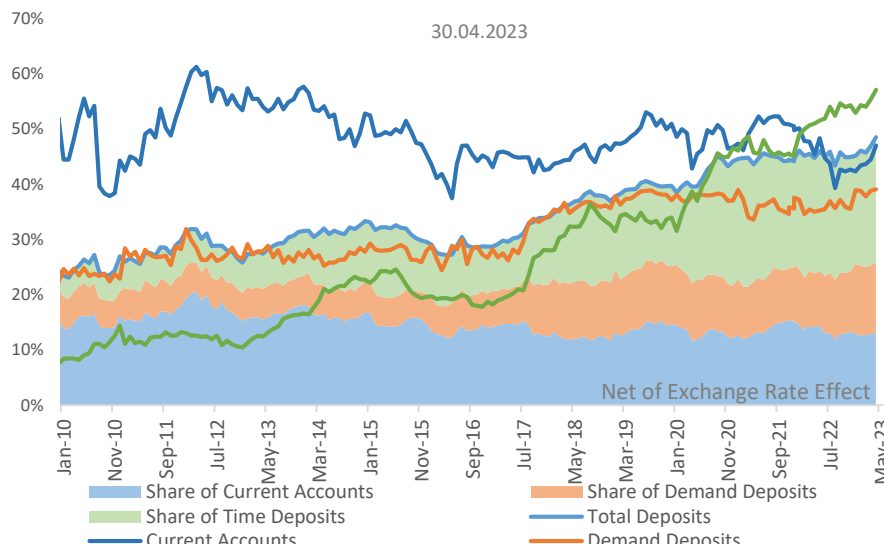
- In May 2023, 5 auctions were held with total issuance volume of 240.7 million GEL.
- The weighted average interest rate amounted to 8.71%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5 and 7 years. The treasury securities with total amount of 40 million GEL were redeemed.
- As of May 31, 2023 around 25.1% of the treasury securities portfolio is composed of the securities whose maturity date is due for the next 1 year. The medium-term state financials securities (with duration 1-3 years) have the biggest share (at around 37%) in the total portfolio.
- The bid-to-cover ratio decreased compared to the previous month's value (April 1.73) and amounted to 1.68.

All Larization Rates Continue Rising

Loan Larization



Deposit Larization

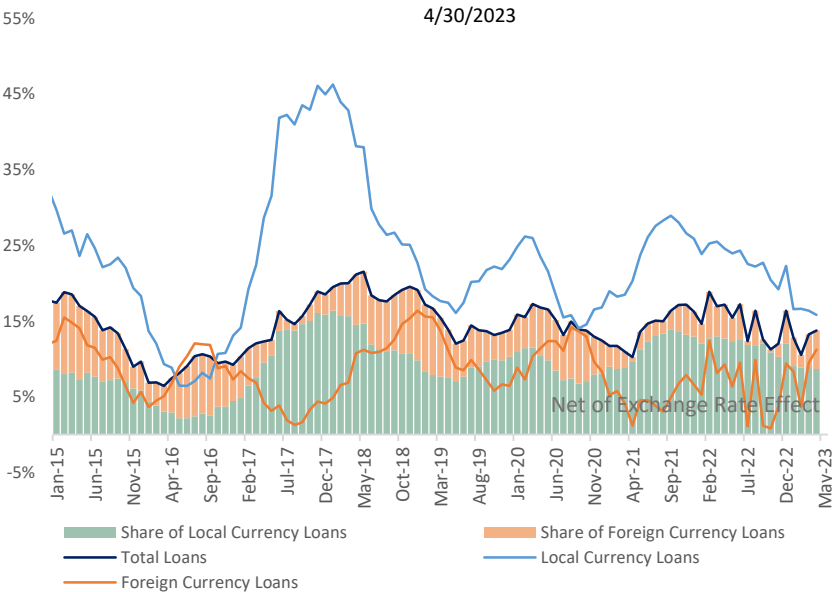


- As of May 1, 2023, the larization of total loans is 55.8 percent.
- The larization of loans to individuals is 71 percent.
- The larization of loans to legal entities amounted to 37.2 percent.
- The larization of total deposits equals to 48.5 percent.
- The larization on deposits of legal entities amounted to 74.3 percent.
- The larization of deposits of individuals is 32.5 percent.
- The larization of time deposits is 57.1 percent.
- The larization of current accounts equals to 47 percent.
- The larization of demand deposits is 39 percent.

Annual Growth Trend of Loans is Sustained

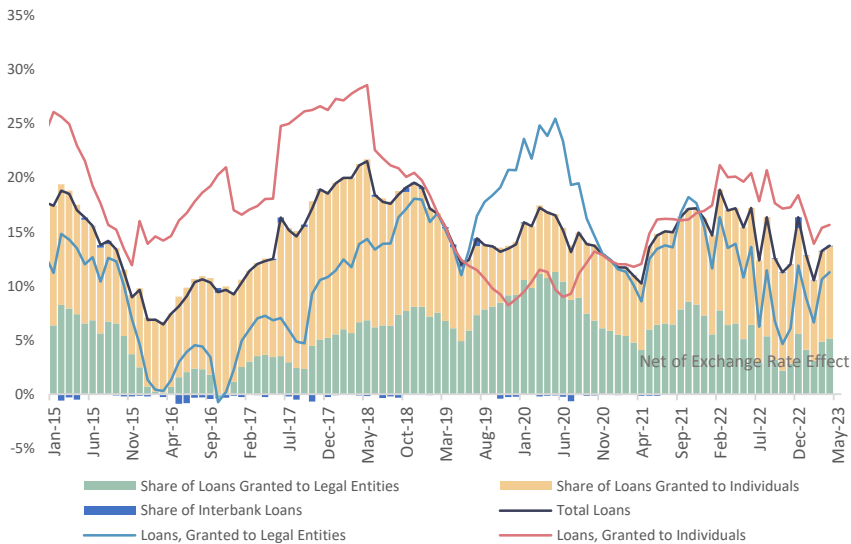
Loans Growth Rates, % y/y

4/30/2023



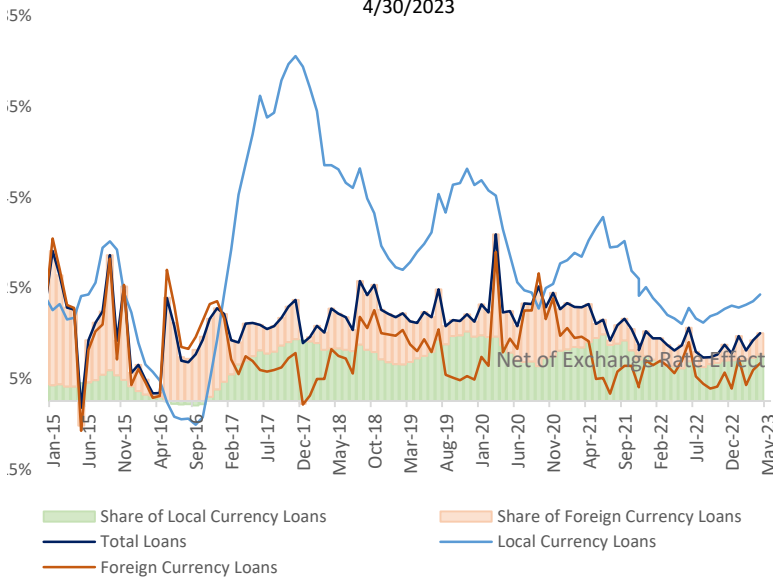
Loans by Currency, % y/y

4/30/2023



Mortgage Loans, % y/y

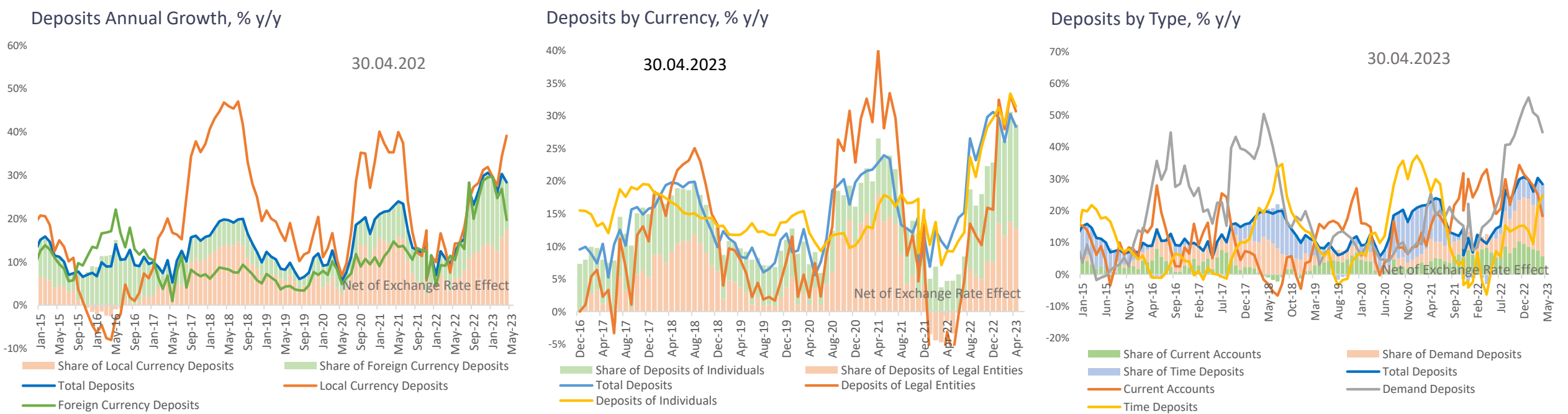
4/30/2023



- As of May 1, 2023, the total loans increased by 13.7 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 11.3 percent.
- The annual growth of loans to individuals is 15.6 percent.
- As of May 1, 2023, the growth rate of loans denominated in the national currency amounted to 15.8 percent.
- The annual growth of loans denominated in foreign currency amounted to 11.2 percent.
- As of May 1, 2023, the annual growth of loans secured by real estate amounted to 14.9 percent. At the same time, the mortgage loans denominated in national currency increased by 23.5 percent, while the mortgage loans denominated in the foreign currency increased by 8.3 percent.

Source: NBG

Annual Growth of Deposits Denominated in Foreign Currency Continues Stable Growth

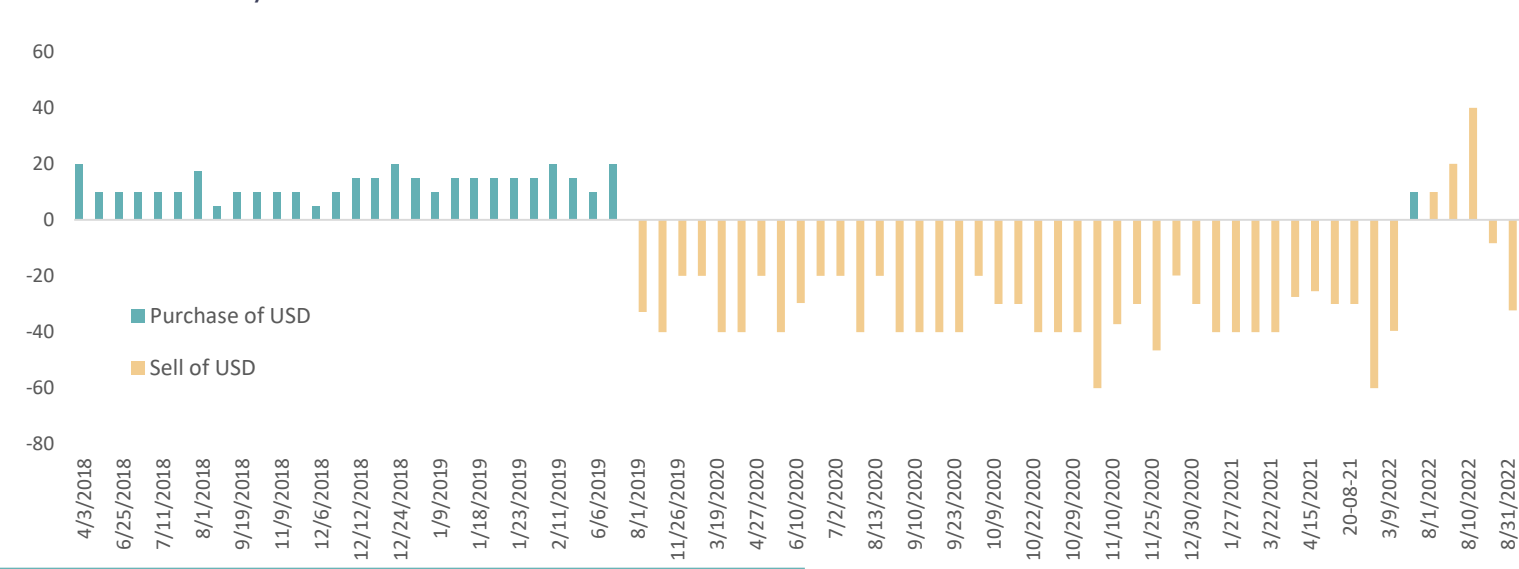


The National Bank of Georgia Decreased the Monetary Policy Rate to 10.5 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



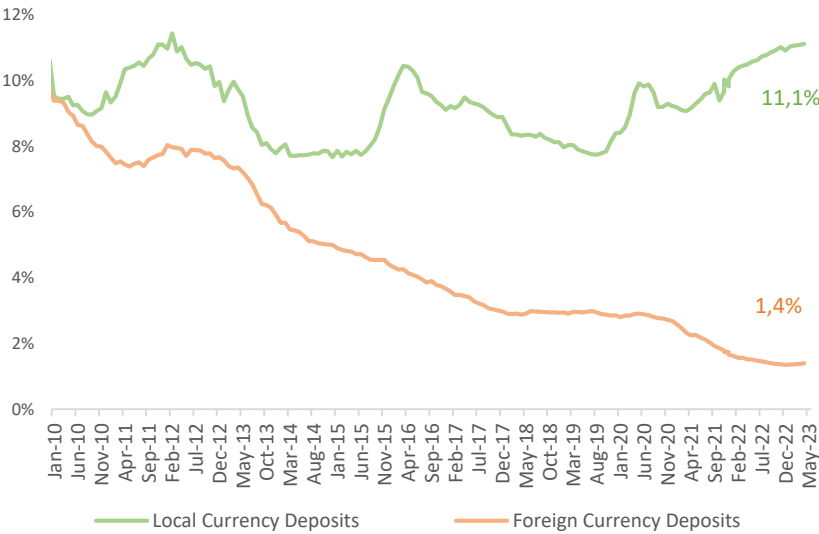
- On May 10, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to reduce the refinancing rate to 10.5 percent.
- Per the NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in place due 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 fell below the target inflation at 1.5 percent in May, 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 June 19, 2023.
- There was no FX interventions through auctions during May, 2023.

Source: NBG

Market Interest Rates Increased Slightly in National Currency

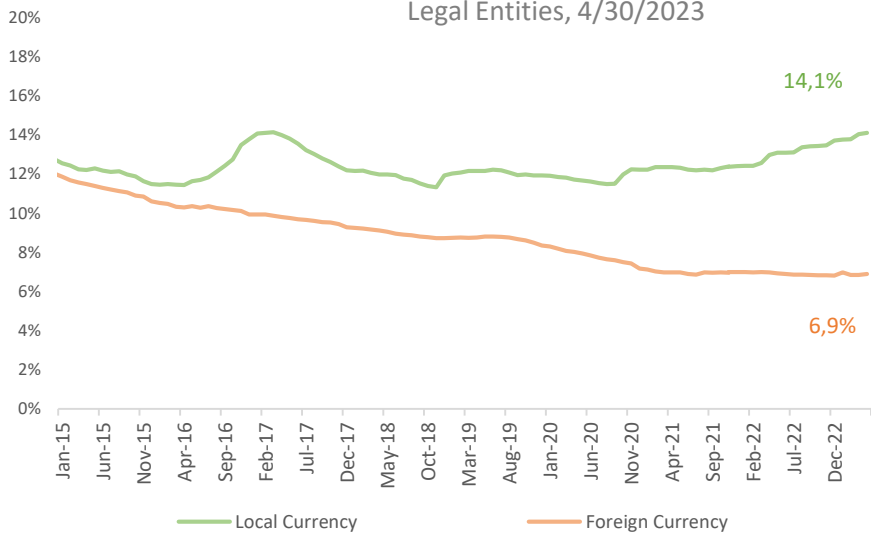
Interest Rates on Deposits

30.04.2023

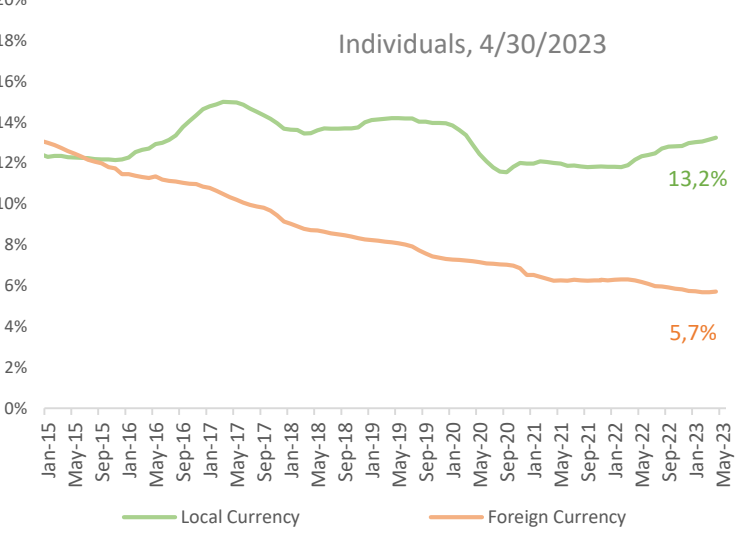


Interest rates on Loans secured by Real Estate

Legal Entities, 4/30/2023



Individuals, 4/30/2023



- As of May 1, 2023, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 11.1 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.2 percent, and in foreign currency – 1.9 percent.
- The average annual interest rate on deposits by individuals is 1.4 percent for foreign currency deposits and 11.1 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.5 percent (18.4 percent in national currency and 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.6 percent (17.8 percent in national currency and 7.1 percent in foreign currency).
- At the end of May 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.3 percent, and in foreign currency 9.1 percent. The interest rate on loans to individuals in the national currency was 13.4 percent, and in foreign currency 6.6 percent.

Source: NBG

Disclaimer

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