



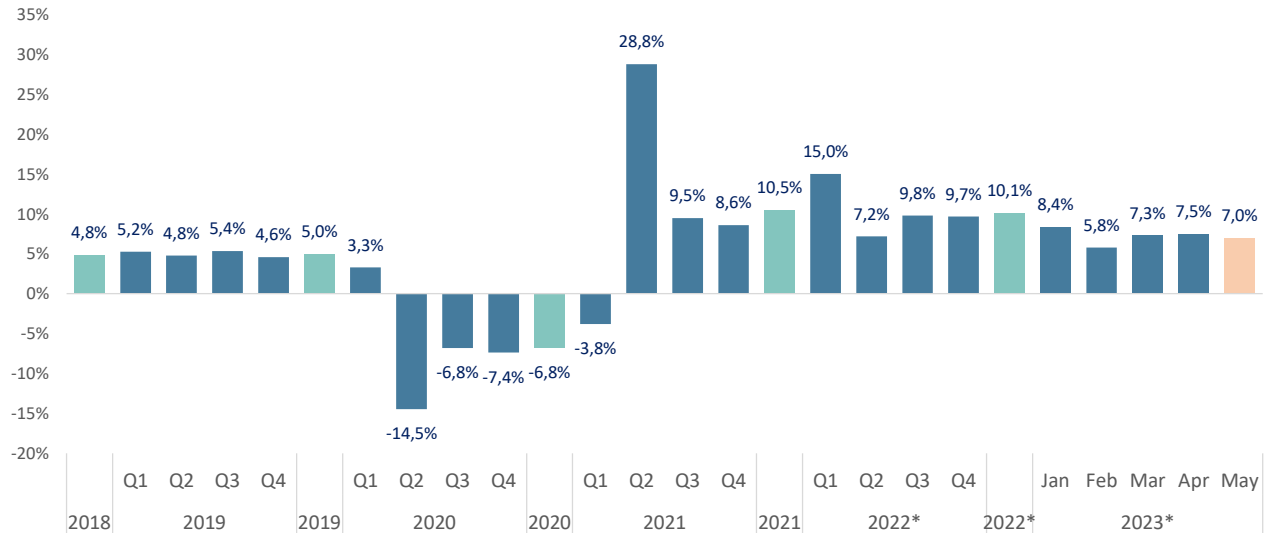
Current Economic Outlook

June, 2023

- In May 2023, the real GDP growth rate was 7.0 percent and average growth rate of the first five months of 2023 was 7.5 percent, according to the preliminary estimates of the National Statistics Office.
- In June, annual inflation stood at 0.6 percent, while core inflation was 4.1 percent
- In May, exports increased by 3.5 percent year-on-year and imports increased by 1.4 percent year-on-year, decreasing the trade deficit by 0.3 percent year-on-year to 656 million USD
- For May, the real effective exchange rate appreciated by 16.0 percent compared to the same period of the previous year and depreciated by 0.2 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate at 10.5 percent

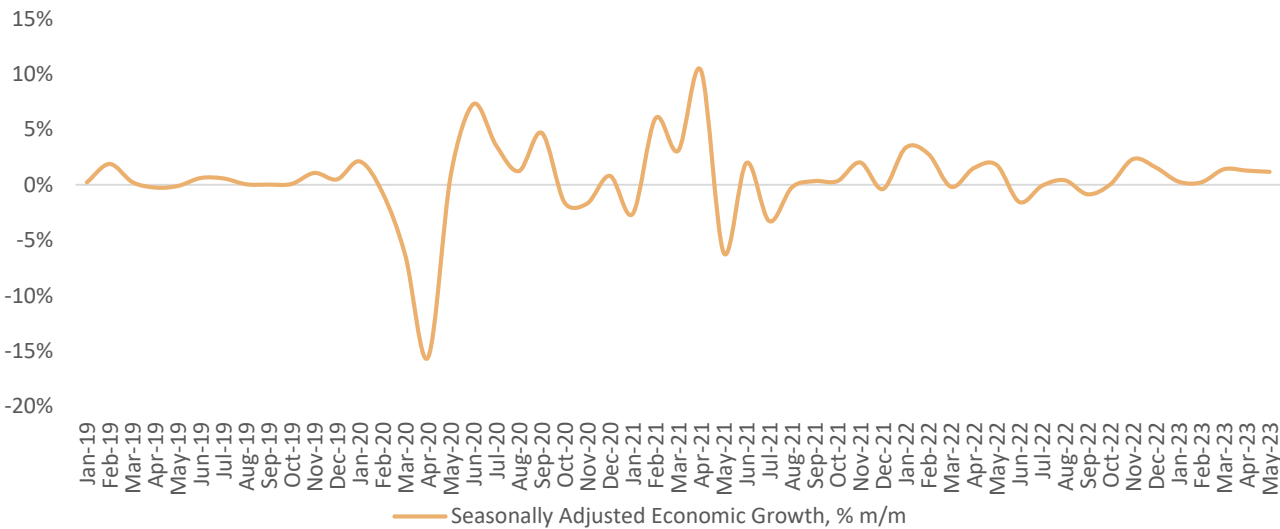
Economic Growth in May was equal to 7.0 percent

Economic Growth, % y/y

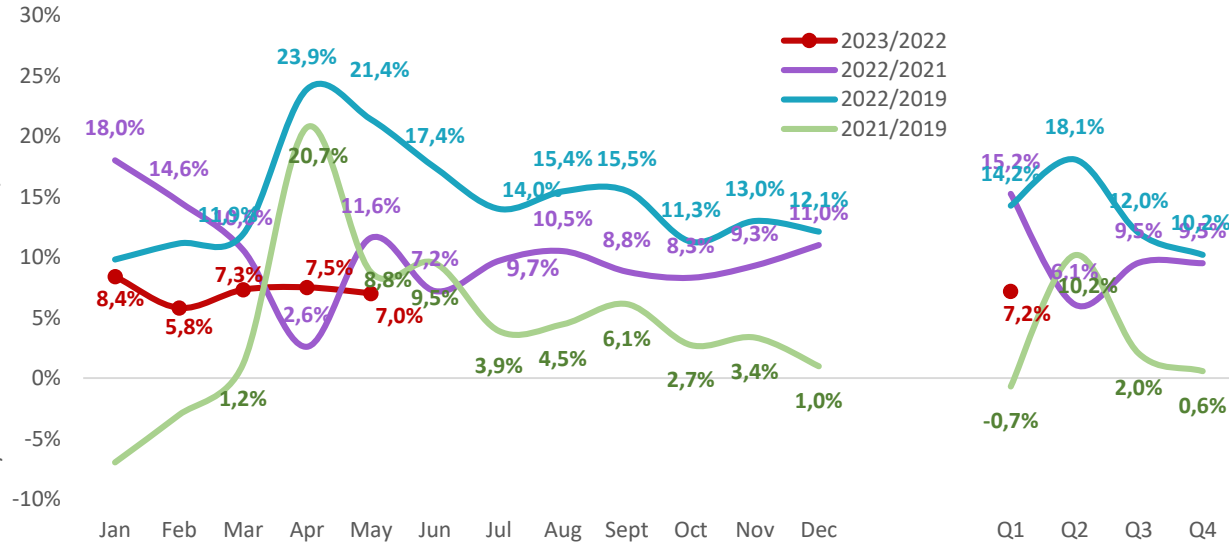


- Estimated real GDP growth rate in May 2023 equaled 7.0 percent YoY and average annual real GDP growth rate for the 1st quarter of 2023 equals to 7.7 percent. Seasonally adjusted economic growth in May comparing to the previous month was 1.2 percent.
- In May 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Information and communication, Trade, Transportation and storage, Financial and insurance activities.
- A decline was registered in the fields of in the manufacturing and real estate sectors.

Economic Growth, % m/m



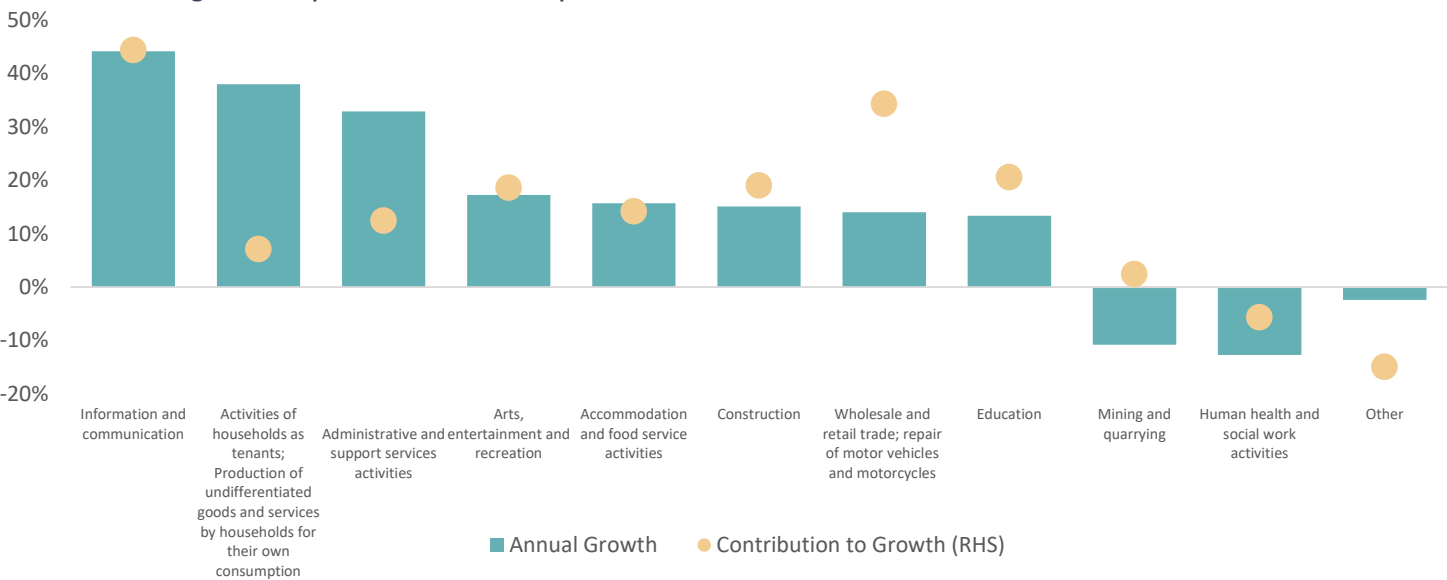
Economic Growth, 2023-2019



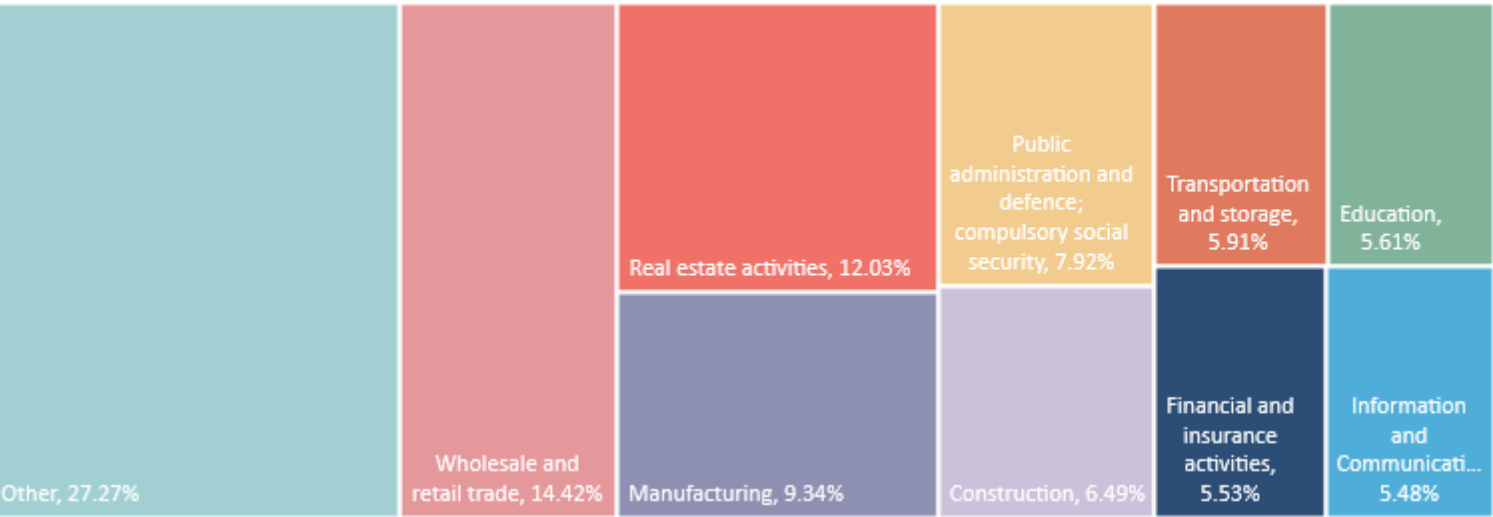
Source: Geostat, MOF

According to preliminary estimates, real GDP increased by 7.7 percent in the first quarter of 2023

Real GDP growth by economic activity, 2023 I Quarter



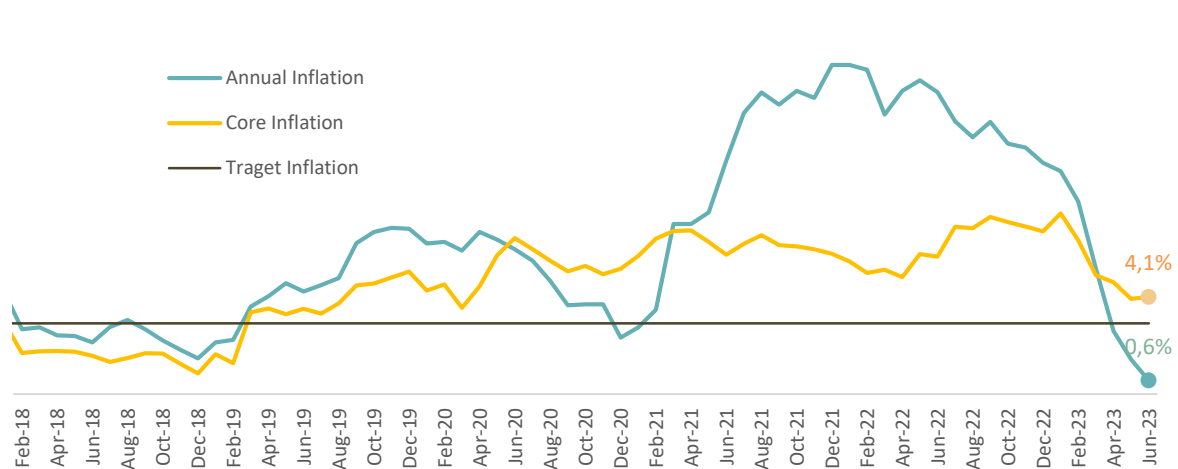
GDP by economic activity, 2023 I Quarter



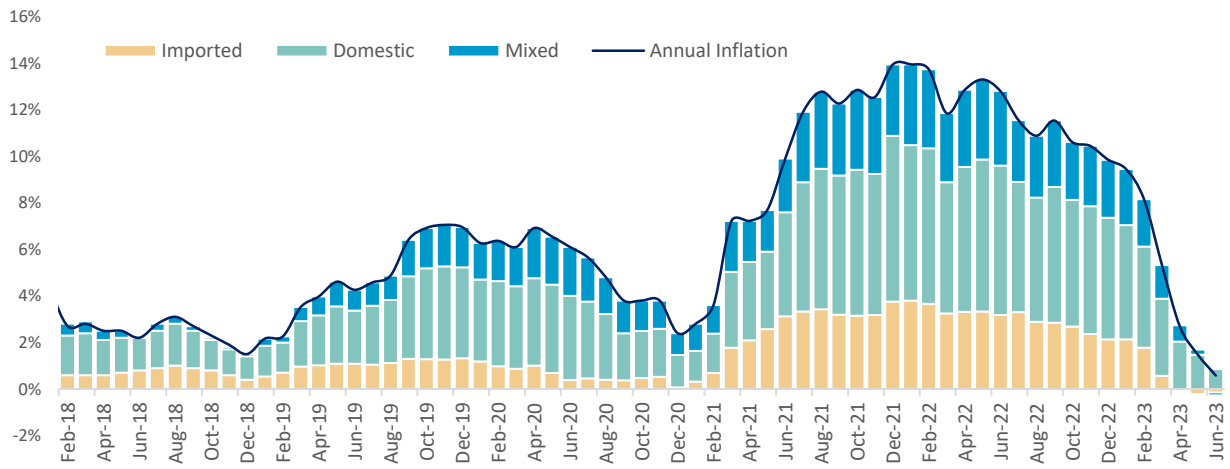
- According to preliminary estimates, in the first quarter of 2023 economic growth amounted to 7.7 percent, while in the fourth quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 9.7 percent. In the first quarter 2023 economic growth was 23.1 percent compared to the first quarter of 2019.
- The following industries have made a significant contribution to growth of Q1 2023:
 - Information and communication: 44.2% (2.2 p.p.)
 - Activities of households as employers: 38.0% y/y (0.05 p.p.)
 - Administrative and support services activities: 32.9% (0.4 p.p.)
 - Accommodation and food service activities: 15.7% (0.5 p.p.)
 - Construction: 15.1% (0.7 p.p.)
 - Wholesale and retail trade; repair of motor vehicles and motorcycles: 14.0% (1.6 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Mining and quarrying: -10.8 (-0.2 pp.)
 - Human health and social work activities: -12.7% (-0.7 p.p.)

Annual inflation in June has reached 0.6 percent

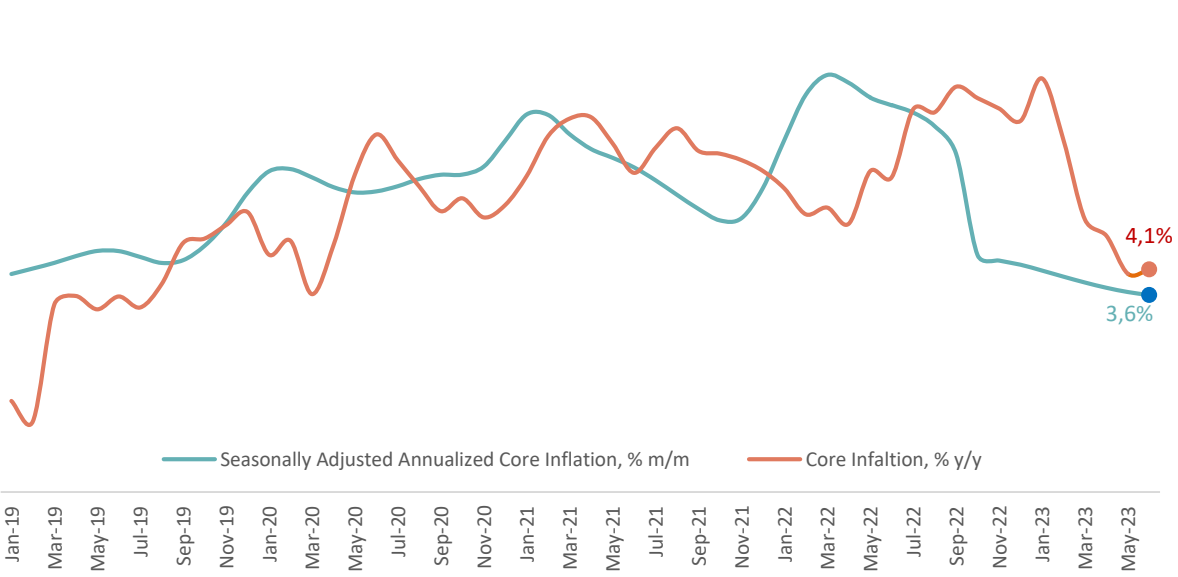
Total and Core Inflation, % y/y



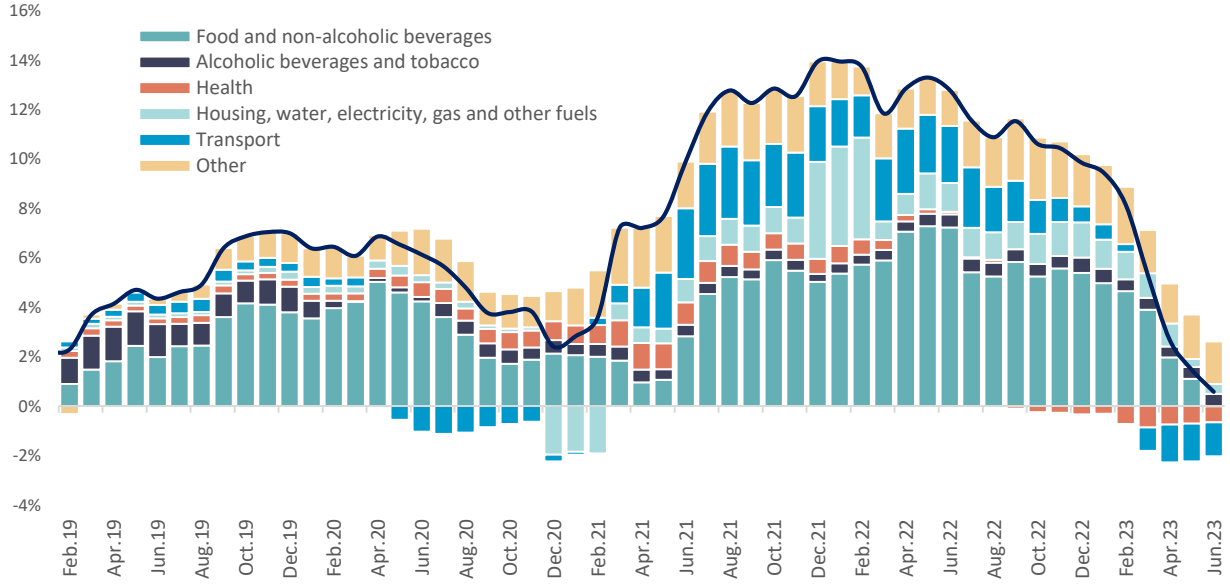
Inflation Decomposition



Core Inflation, % m/m



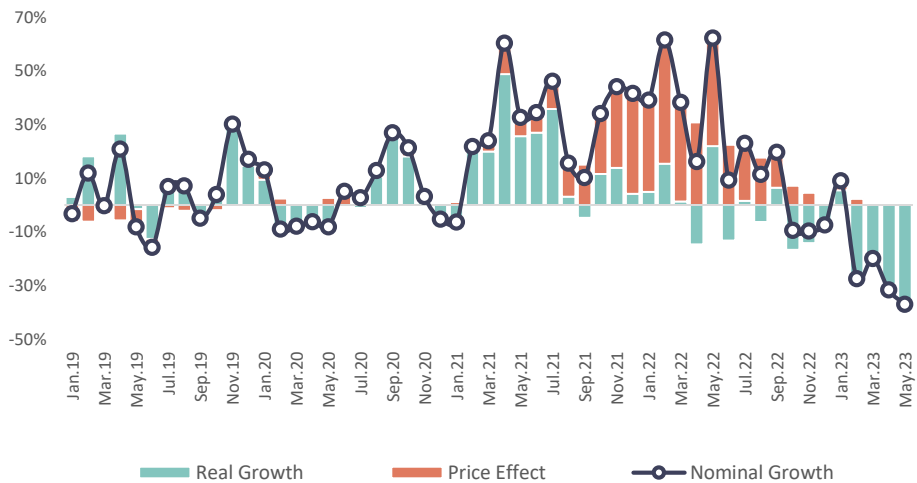
Inflation Decomposition by product group



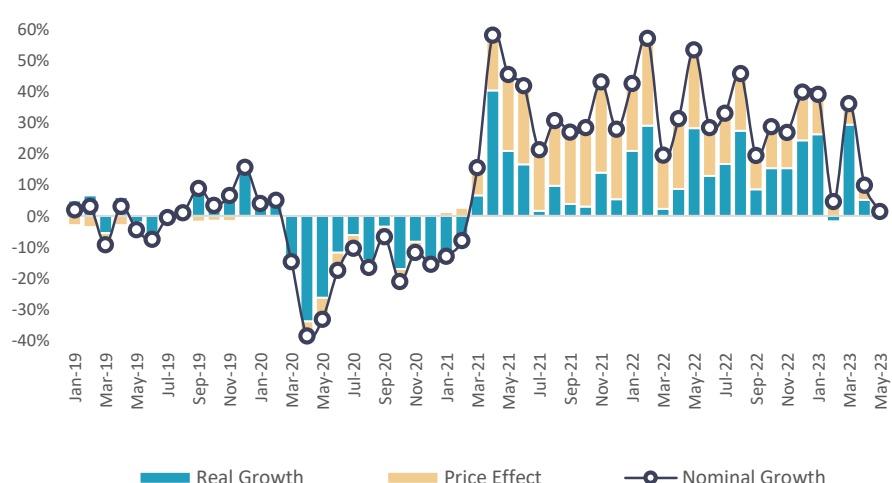
Source: Geostat, NBG, MOF

Trade Deficit decreased by 0.3 percent annually

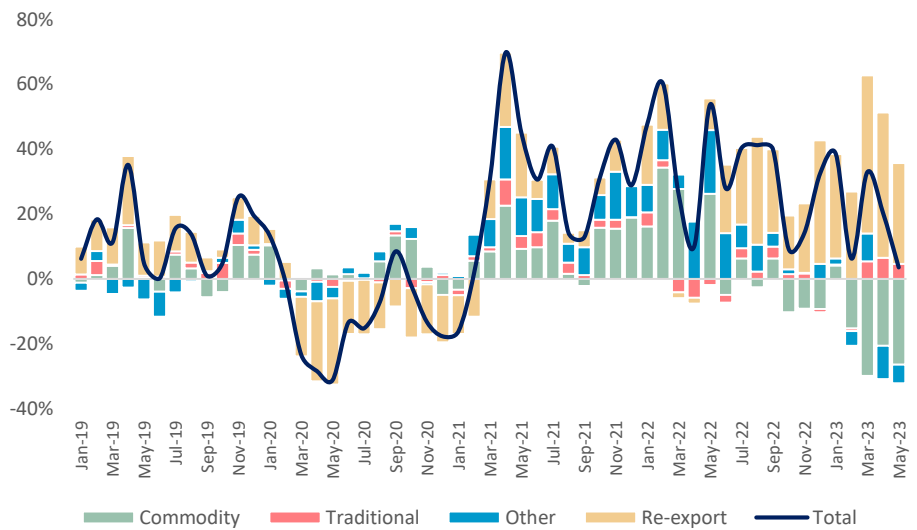
Change of Domestic Export, %y/y



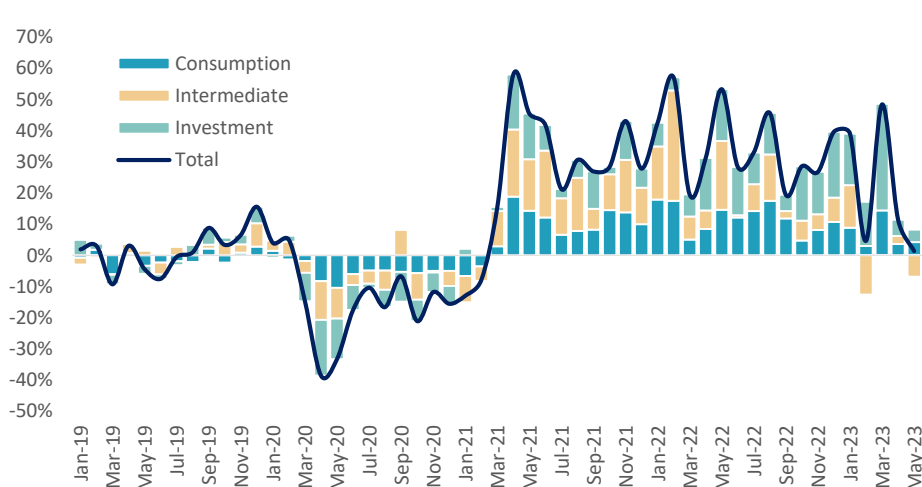
Change of Import, %y/y



Decomposition of Export



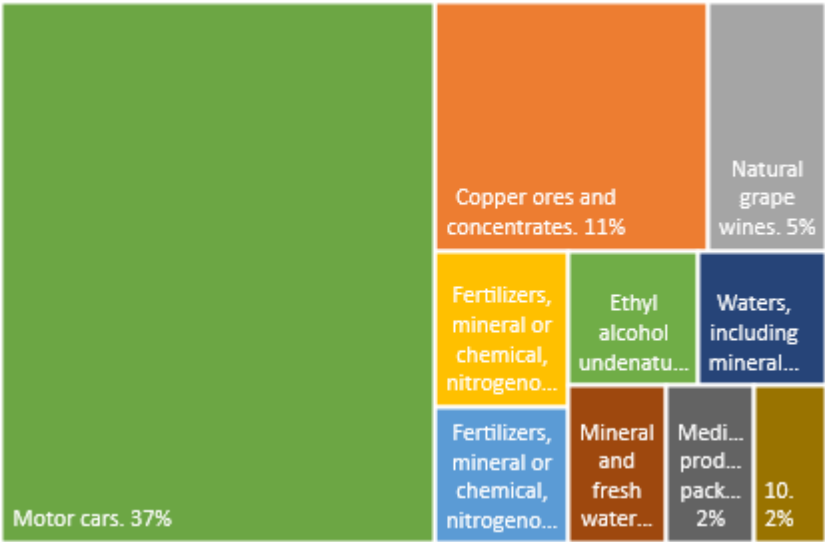
Decomposition of Change of Import, %y/y



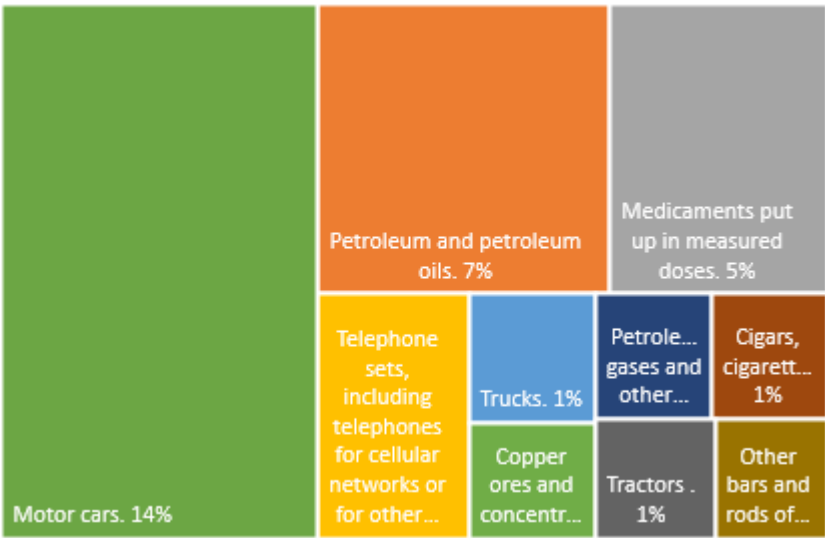
- Export increased annually by 3.4 percent to 541 million USD in May.
- Domestic export decreased annually by 37.0 percent to 245 million USD.
- Import annually increased by 1.4 percent to 1 197 million USD in May.
- Trade deficit annually decreased by 0.3 percent to 656 million USD in May.
- Share of re-export in export growth is equal to 31.1 percent (122.0 %y/y), while share of commodity export is negative 26.5 percent (-64.2 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 4.0, 4.2 and -6.8 percent respectively.

International trade is characterized by stable diversification

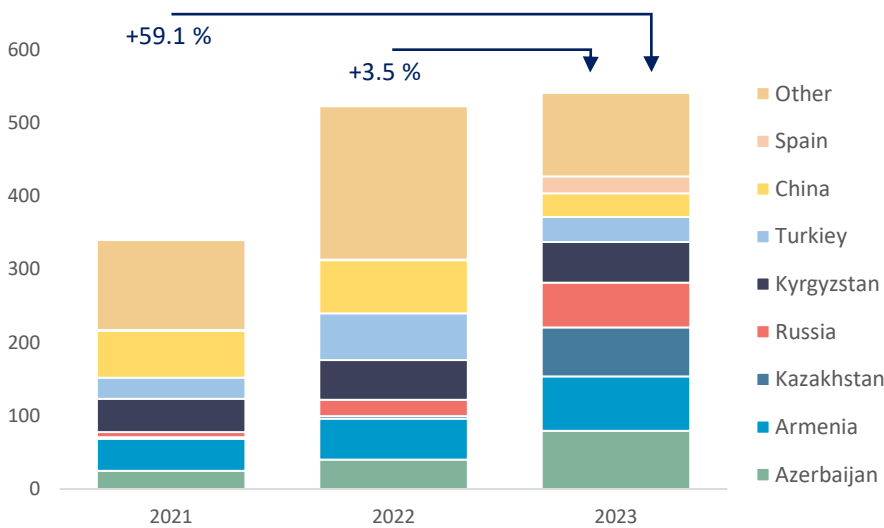
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, May



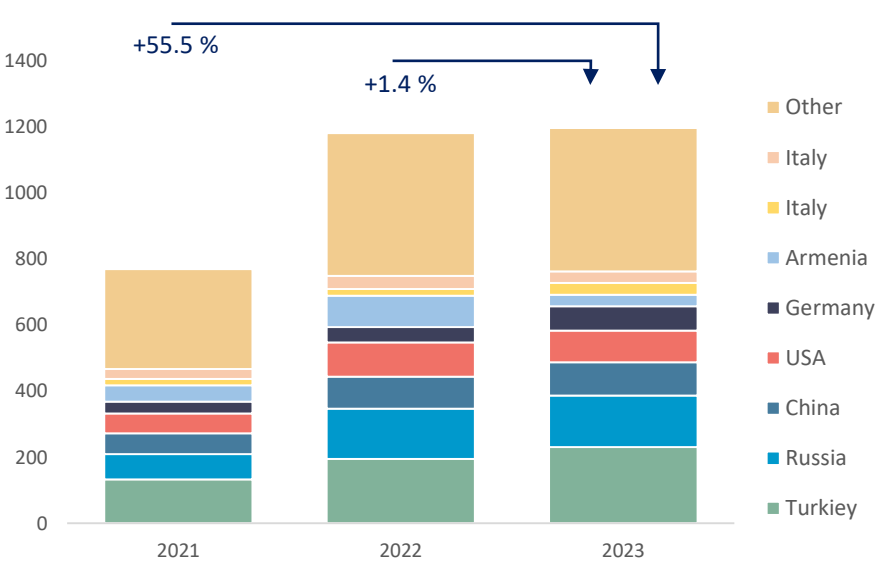
▪ **Top Export Products:**

- Motor cars: 200 mln. USD – 37.0 percent of total export.
- Copper ores and concentrates: 59.9 mln. USD – 10.7 percent.
- Natural Grapes Wines: 24.9 mln. USD – 4.6 percent.

▪ **Top Import Products :**

- Motor cars: 162.7 mln. USD – 13.6 percent.
- Petroleum and petroleum oils: 81.7 mln. USD – 5.1 percent of total import.
- Medicaments put up in measured doses: 60.7 mln. USD – 5.1 percent.

Import by country, May



▪ **Top Export Country:**

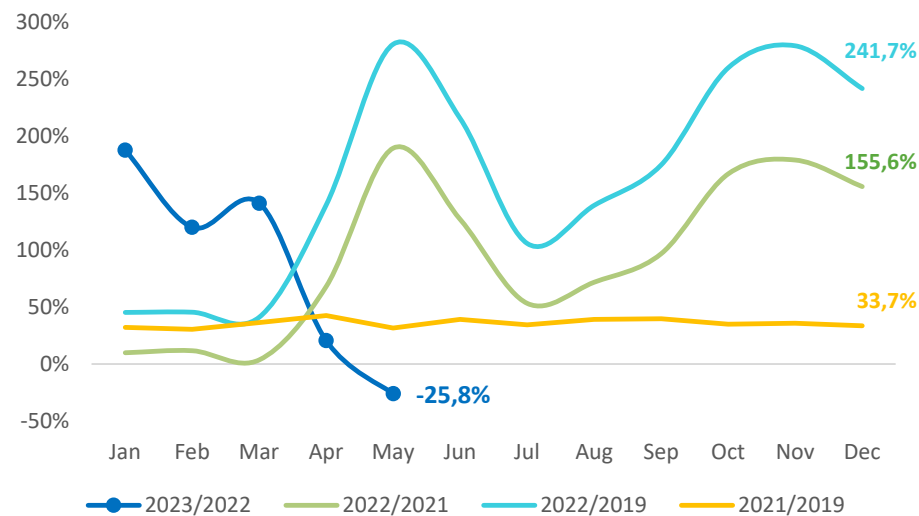
- Armenia: 79.3 mln. USD – 14.6 percent.
- Azerbaijan: 74.6 mln. USD – 13.8 percent.
- Kyrgyzstan: 66.6 mln. USD – 12.3 percent.

▪ **Top Import Country :**

- EU countries: 295.1 mln. USD – 33.6 percent
- Turkey: 231.0 mln. USD – 26.3 percent.
- Russia: 156.0 mln. USD – 17.7 percent.

Net Remittances decreased by 25.8 percent in May 2023

Net Remittances



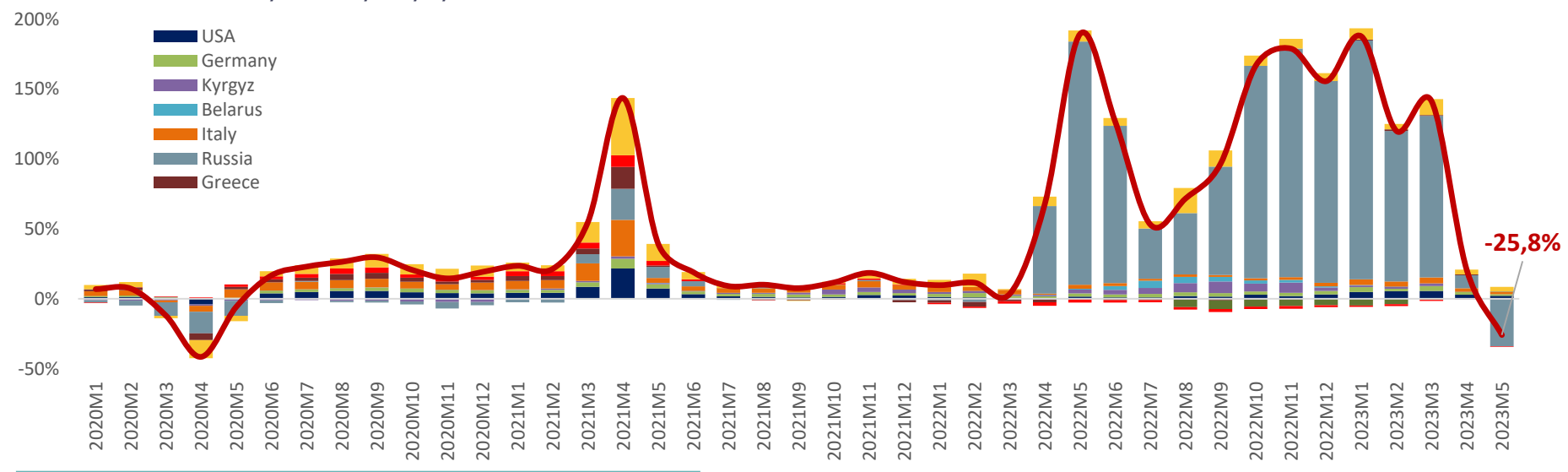
Net Remittances, May 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	151.1	-51.4	-33.6
Italy	43.2	19.6	1.5
USA	38.8	38/0	2.1
Greece	19.6	4.3	0.2
Kazakhstan	18.9	-4.5	-0.2
Germany	118.8	50.2	1.3
Other	65.5	26.2	2.7

- In May 2023, net remittances were estimated at 354.0 million USD, representing a 25.8 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 62.2 percent.

- Net Remittances increased from:
 - Germany: 50.3 percent (contribution of 1.3 pp to total growth).
 - USA: 38.0 percent (2.1 p.p. contribution to total growth).
 - Italy: 19.6 percent (contributing 1.5 pp to total growth).
 - Israel: 11.5 percent (contributing 0.4 pp to total growth).

Net Remittances by country, %y/y



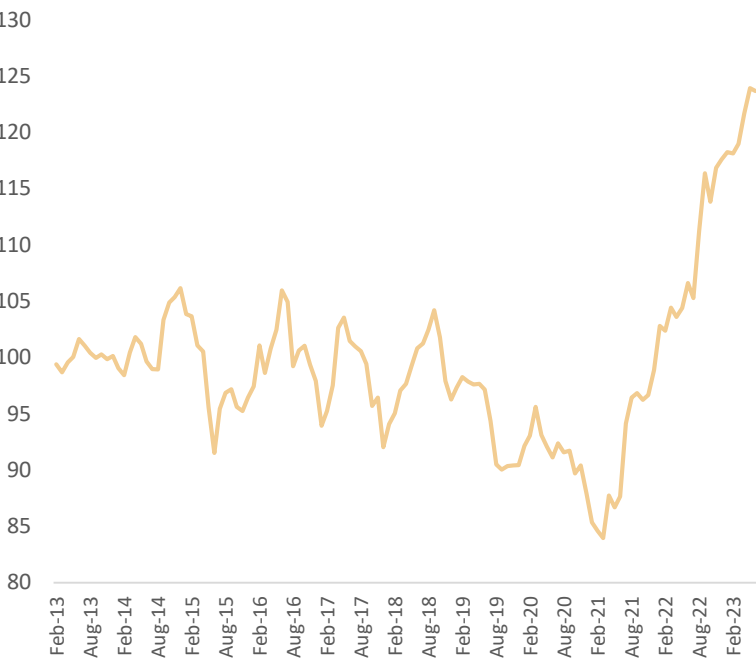
- Net Remittances decreased from:
 - Russia: -51.4 percent (-33.6 pp contribution to total growth)
 - Kazakhstan: - 4.5 (-0.2 pp contribution to total growth)

Real Effective Exchange Rate in June Appreciated by 16 percent Annually

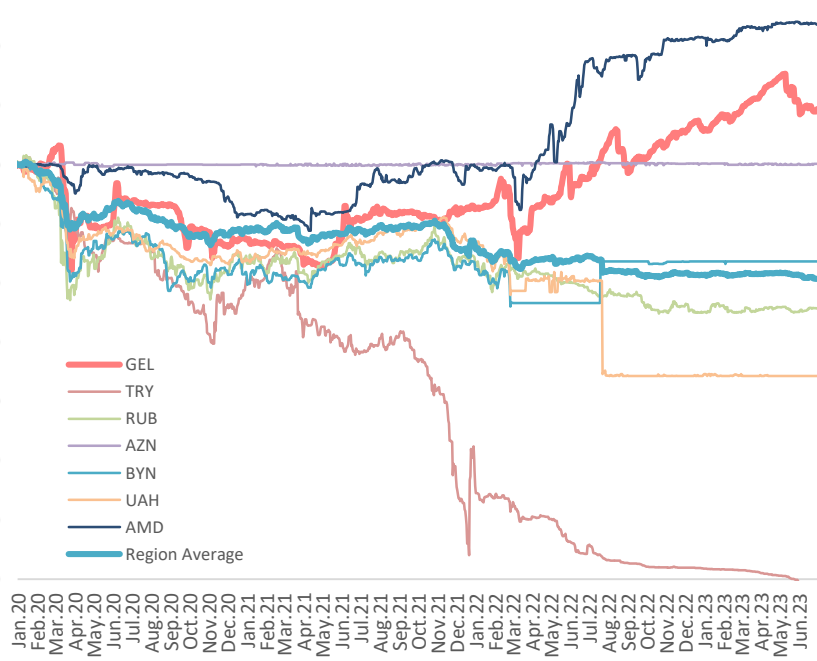
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates June 30, 2023

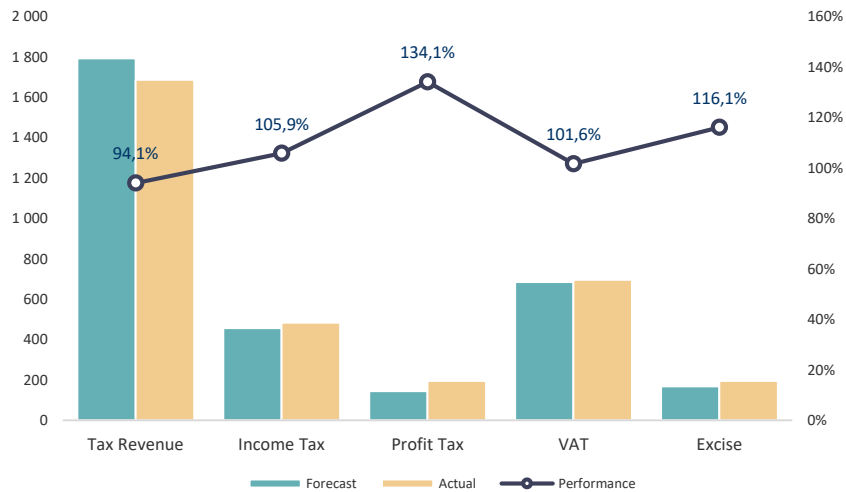


Note: Increase means appreciation

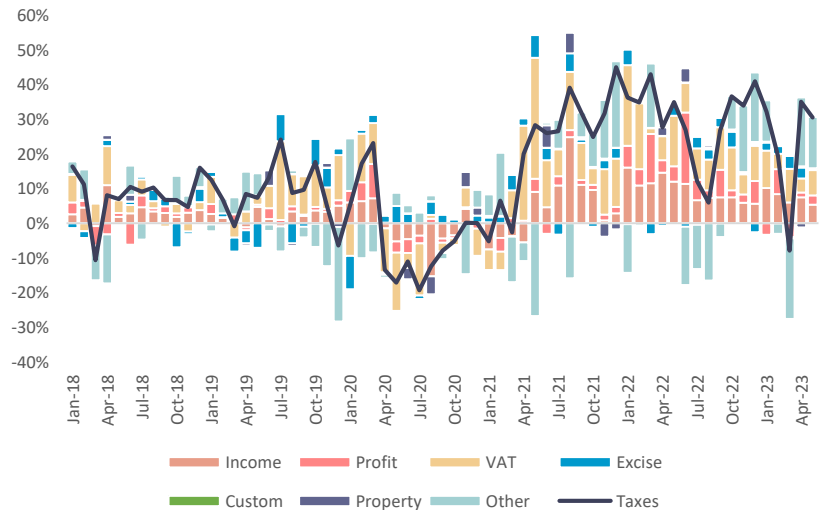
	June 30, 2023		Jun 30, 2023 - Jan 1, 2023		Jun 30, 2023 - Jan 1, 2022
Euro	2.8591	▲	0.9%	▲	22.4%
US Dollar	2.6177	▲	3.2%	▲	18.0%
Turkish Lira	0.1004	▲	43.7%	▲	403.4%
Russian Ruble	0.0301	▲	22.2%	▲	27.6%
NEER	185.90	▲	13.0%	▲	41.8%
REER (May 2023)	152.01	▲	4.7%	▲	20.3%

Tax revenues in June is below the forecast value by 5.9 percent

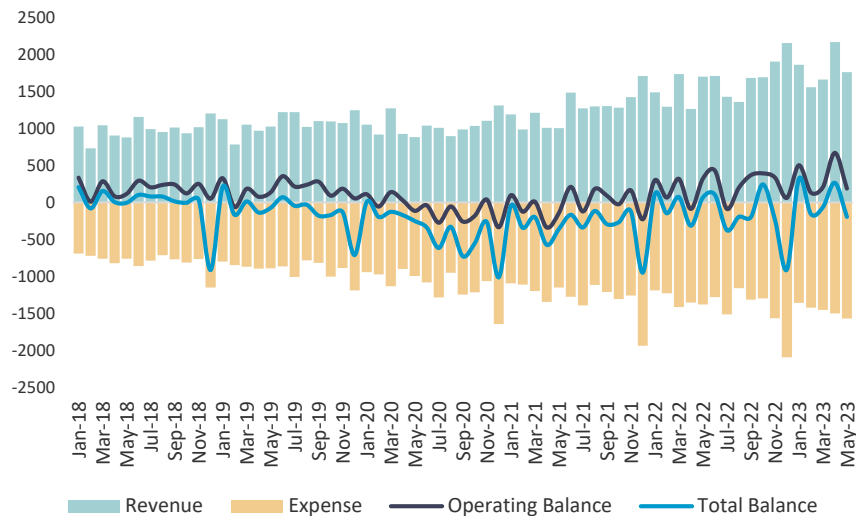
Budget Revenue Performance, June 2023



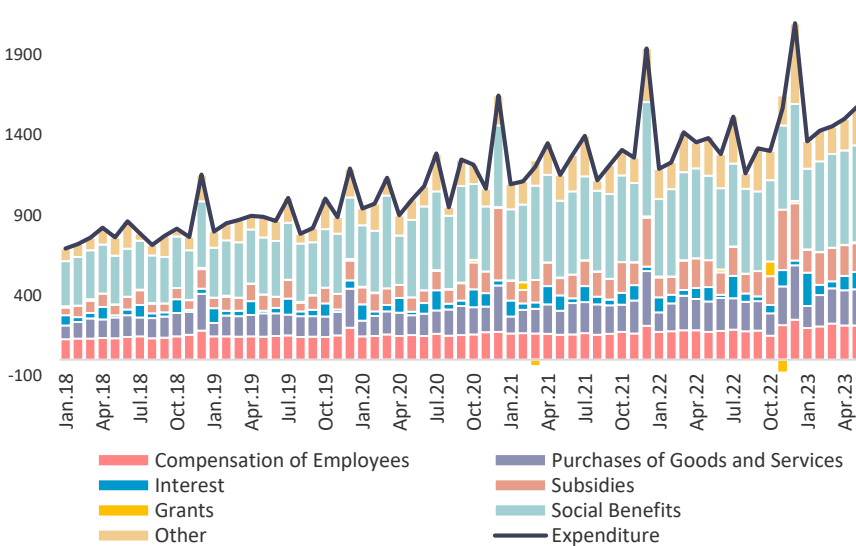
Tax Income. % v/v



Consolidated Budget, mln GEL



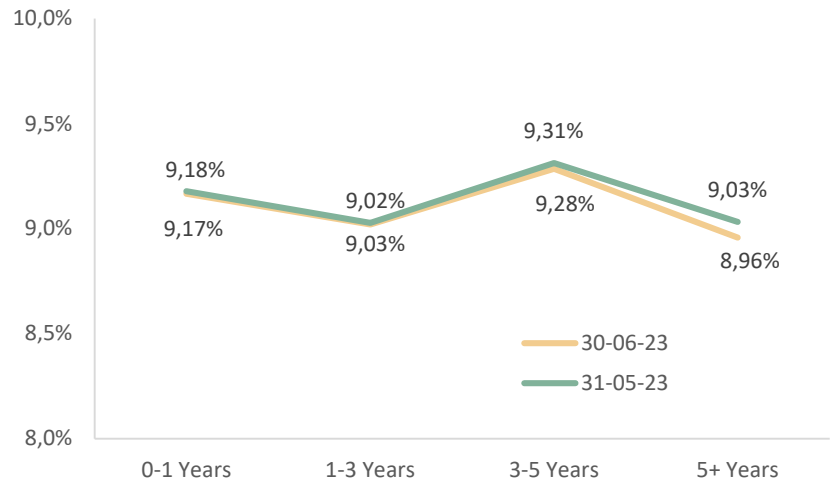
Consolidated Budget Expenditure, mln GEL



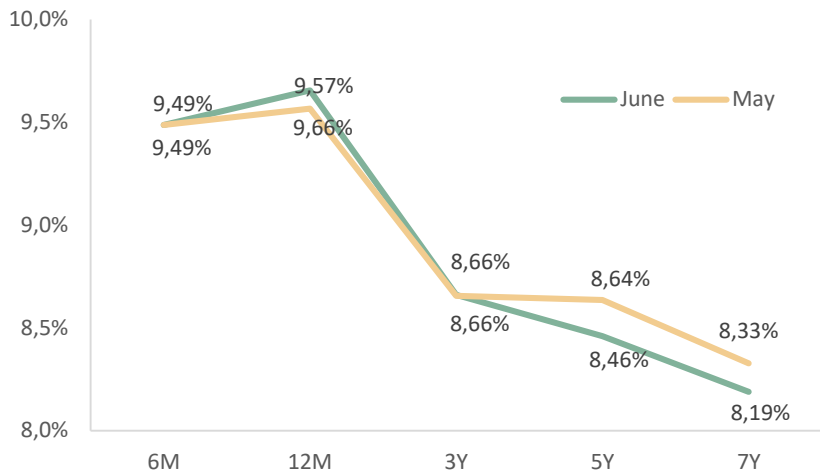
- The actual level of tax income in June 2023 was 1,686 mln GEL, which is below the forecasted value by 5.9 percent.
- Consolidated budget revenues increased by 3.4 percent and expenditures increased by 13.9 percent in May.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 187.0 million GEL, while the total balance was set at -195.3 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and Income tax in May, accounting for 7.2 and 5.4 percent of total growth, respectively.

Structure of the Securities Portfolio has Undergone Changes

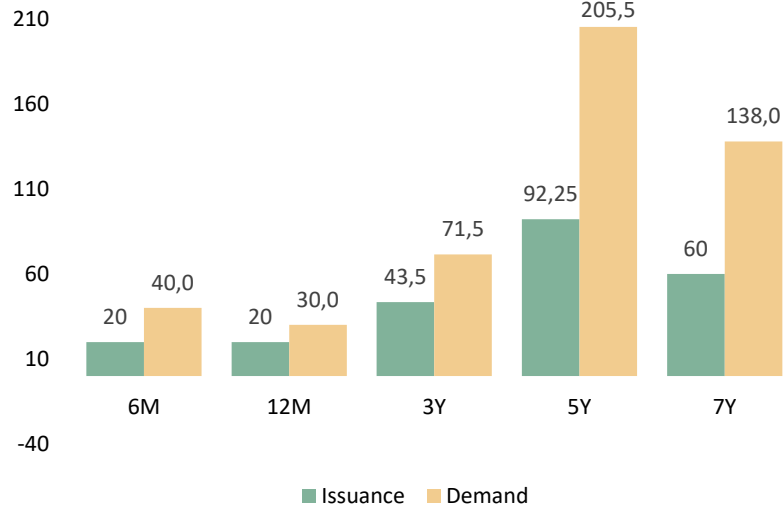
Portfolio Yield Curve



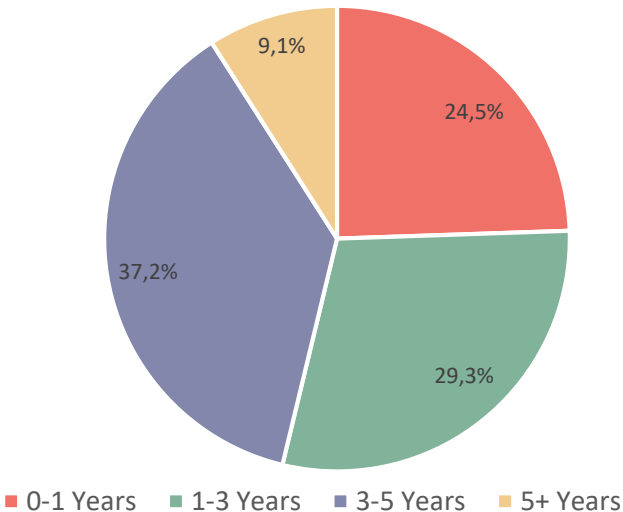
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



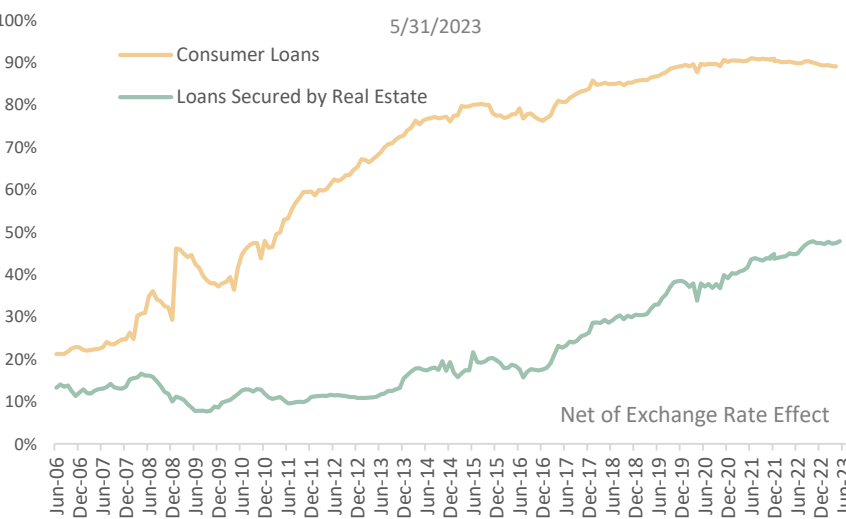
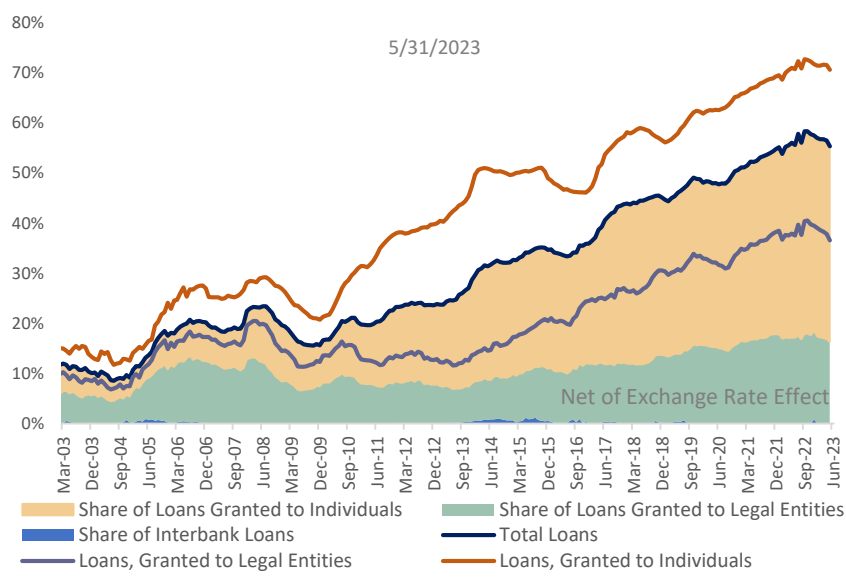
Portfolio by Residual Maturity (June 30)



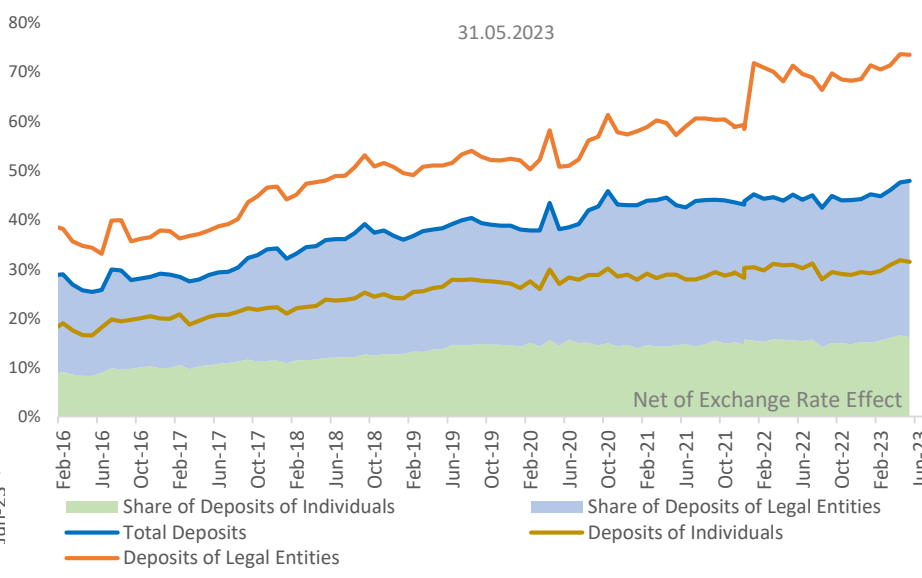
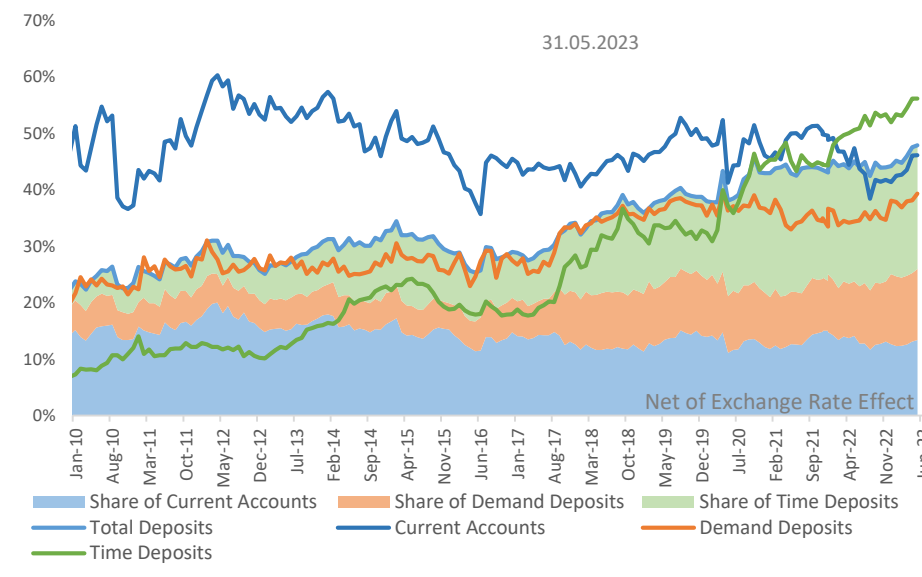
- In June 2023, 5 auctions were held with total issuance volume of 235.75 million GEL.
- The weighted average interest rate amounted to 8.6%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5 and 7 years. Treasury securities with total amount of 40 million GEL were redeemed.
- As of June 30, 2023 around 37% 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 also a sizable share (at around 29%) in the total portfolio.
- The Bid-to-cover ratio decreased compared to the previous month's value (May 1.68) and amounted to 1.08.

Some Larization Rates Stop Rising

Loan Larization



Deposit Larization

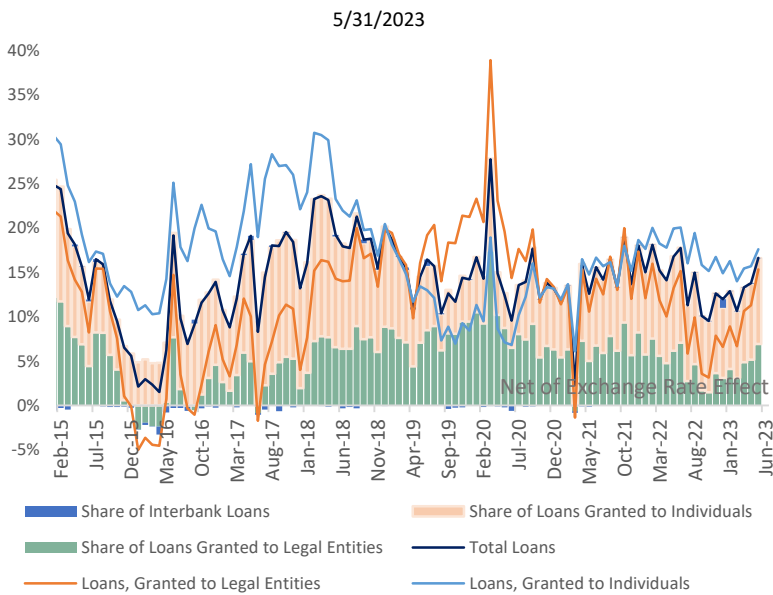


- As of May 31, 2023, the larization of total loans is 55.3 percent.
- The larization of loans to individuals is 70.6 percent.
- The larization of loans to legal entities amounted to 36.5 percent.
- The larization of total deposits equals to 47.8 percent.
- The larization on deposits of legal entities amounted to 73.5 percent.
- The larization of deposits of individuals is 31.4 percent.
- The larization of time deposits is 56.1 percent.
- The larization of current accounts equals to 46.1 percent.
- The larization of demand deposits is 39.3 percent.

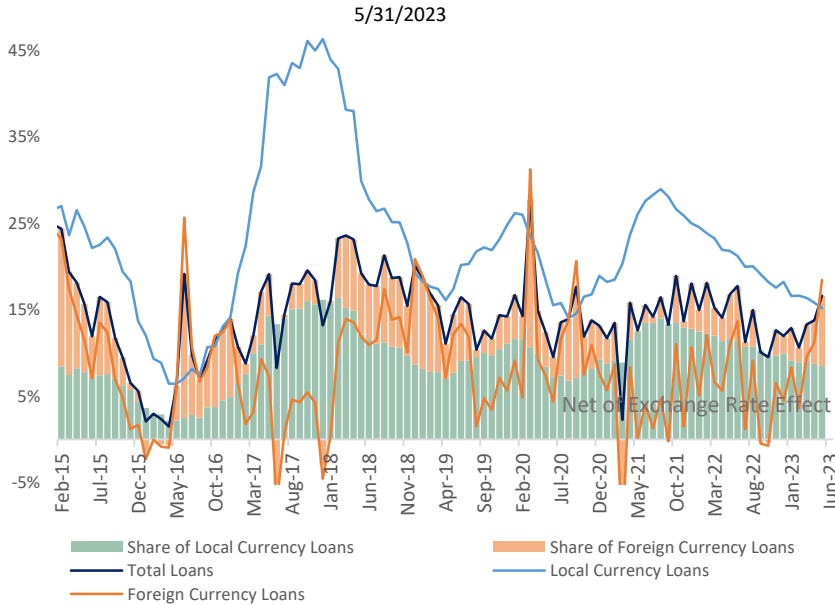
Source: NBG

Annual Growth Trend of Loans is Sustained

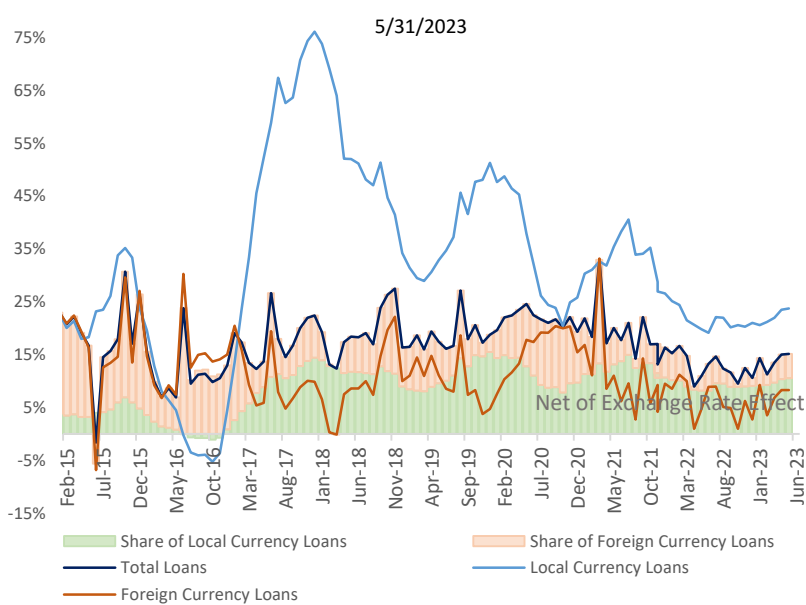
Loans Growth Rates, % y/y



Loans by Currency, % y/y



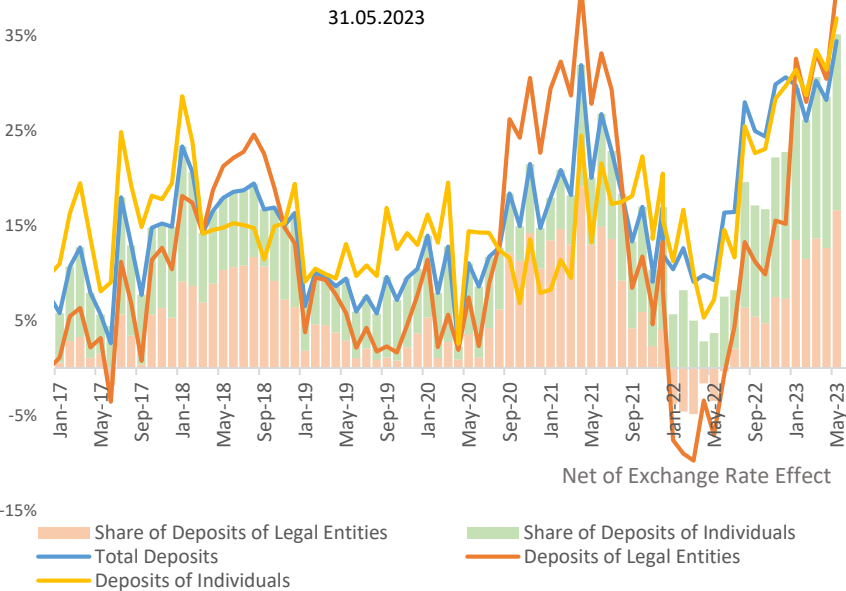
Mortgage Loans, % y/y



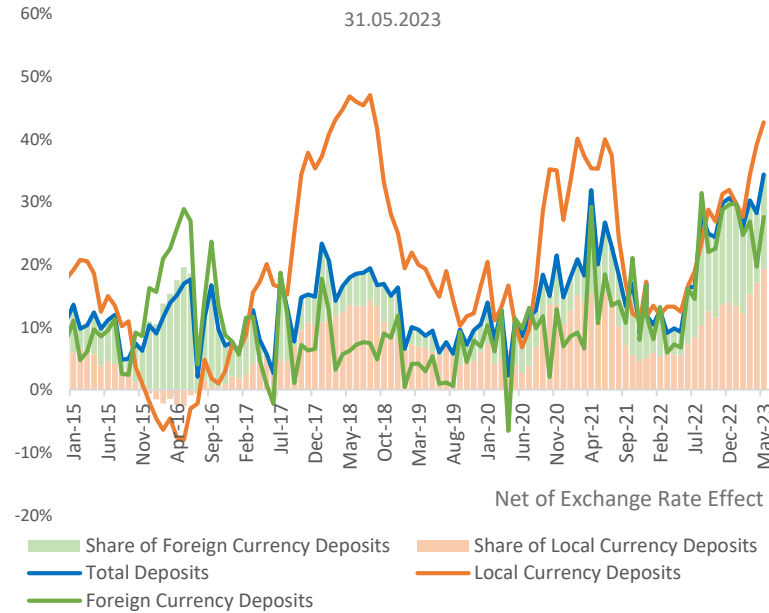
- As of May 31, 2023, the total loans increased by 16.6 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 15.3 percent.
- The annual growth of loans to individuals is 17.6 percent.
- As of May 31, 2023, the growth rate of loans denominated in the national currency amounted to 15.2 percent.
- The annual growth of loans denominated in foreign currency amounted to 18.4 percent.
- As of May 31, 2023, the annual growth of loans secured by real estate amounted to 15.1 percent. At the same time, the mortgage loans denominated in national currency increased by 23.7 percent, while the mortgage loans denominated in the foreign currency increased by 8.3 percent.

Annual Growth of Deposits Denominated in Foreign Currency Continues Stable Growth

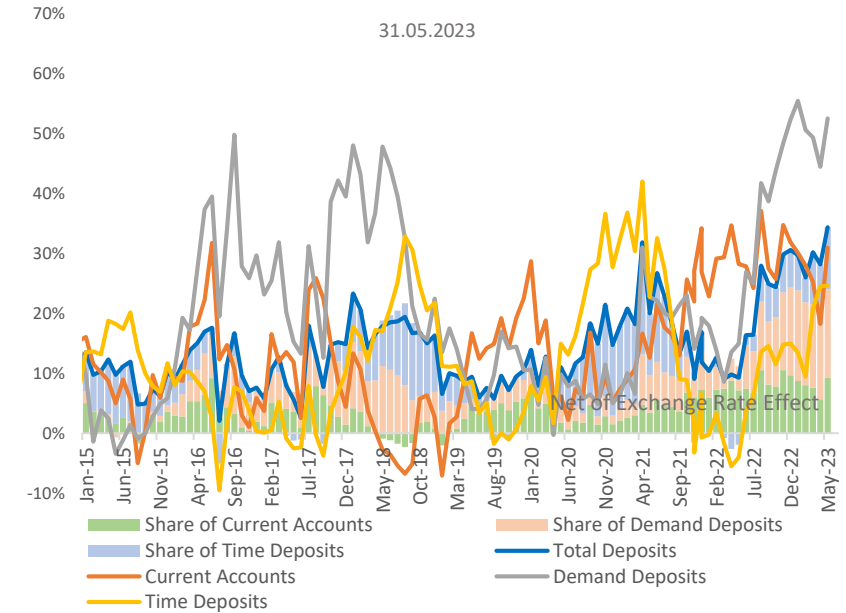
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



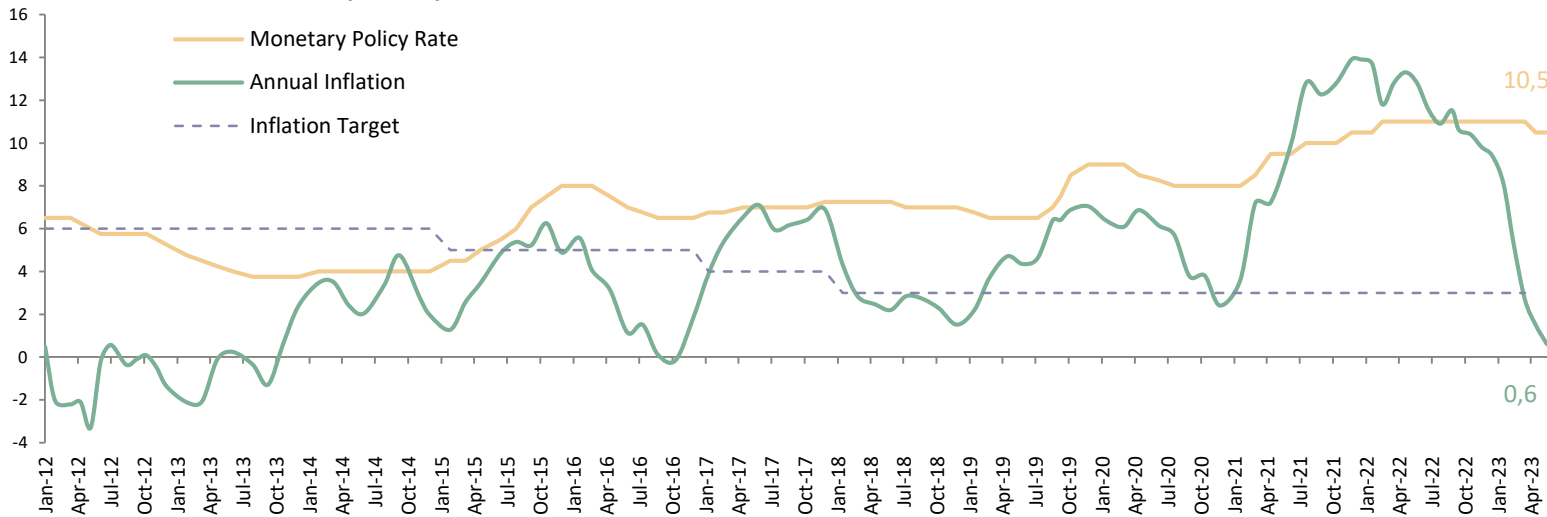
Deposits by Type, % y/y



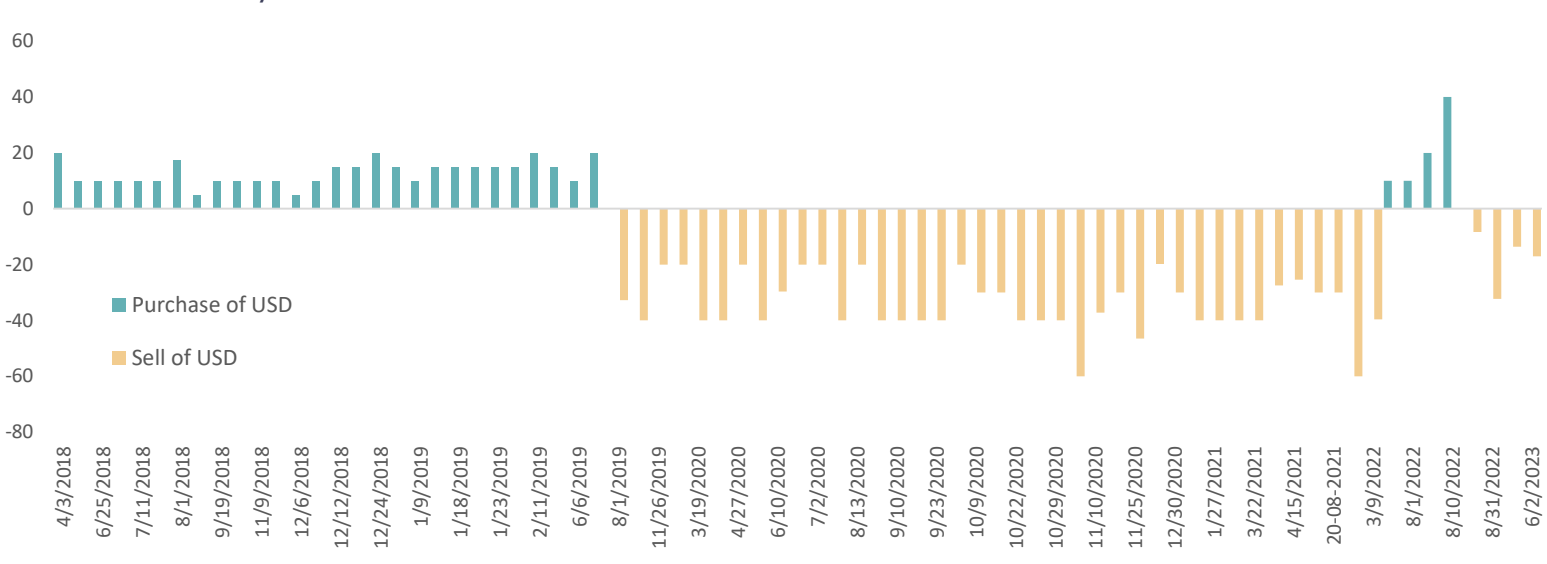
- As of May 31, 2023, the growth of total deposits compared to the corresponding period of the previous year is 34.4 percent.
- The annual growth of deposits denominated in the national currency amounted to 42.7 percent. The annual growth of deposits denominated in foreign currency stood at 27.5 percent over the same period.
- The growth of deposits of individuals amounted to 36.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 40 percent.
- The annual growth of current accounts at the beginning of May, 2023 was equal to 31 percent.
- The annual growth of time deposits was 24.7 percent.
- The growth of demand deposits amounted to 52.6 percent.

The National Bank of Georgia Kept the Monetary Policy Rate at 10.5 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



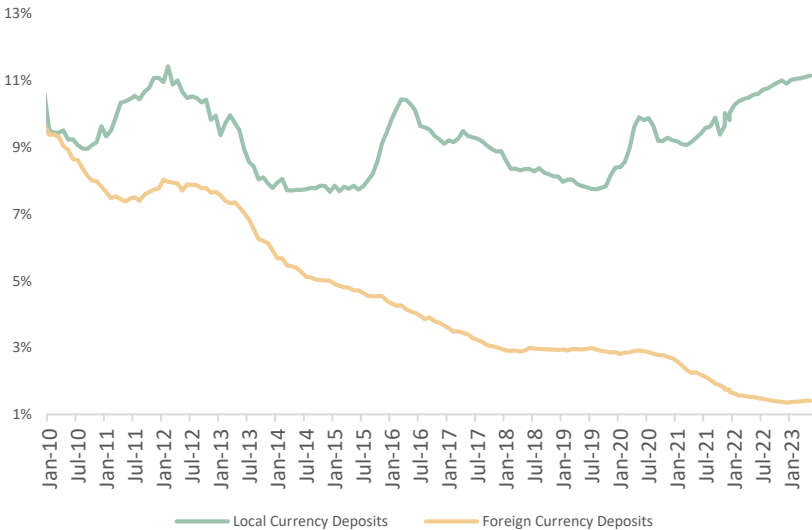
- On June 21, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 10.5 percent level..
- Per the NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in place 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 0.6 percent in June, 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 August 2, 2023.
- The NBG made the interventions through the auctions during June, 2023 and sold 17.1 million USD.

Source: NBG

Market Interest Rates Increased in National Currency and Decreased in Foreign Currency

Interest Rates on Deposits

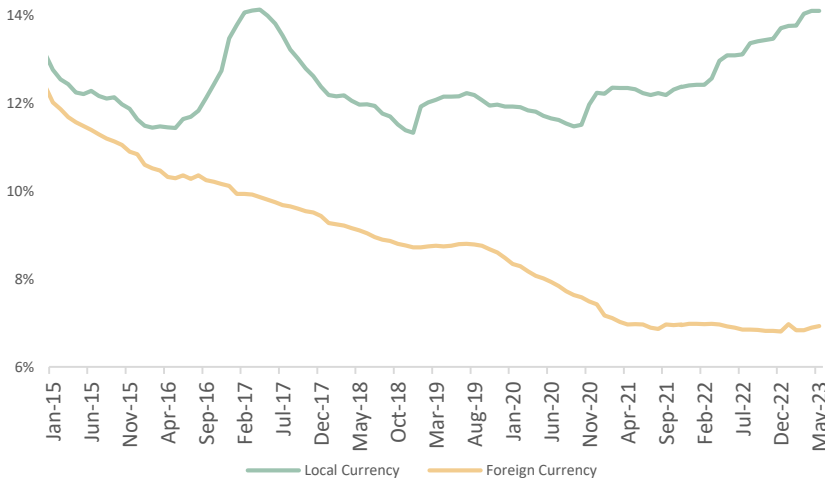
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Interest rates on Loans secured by Real Estate

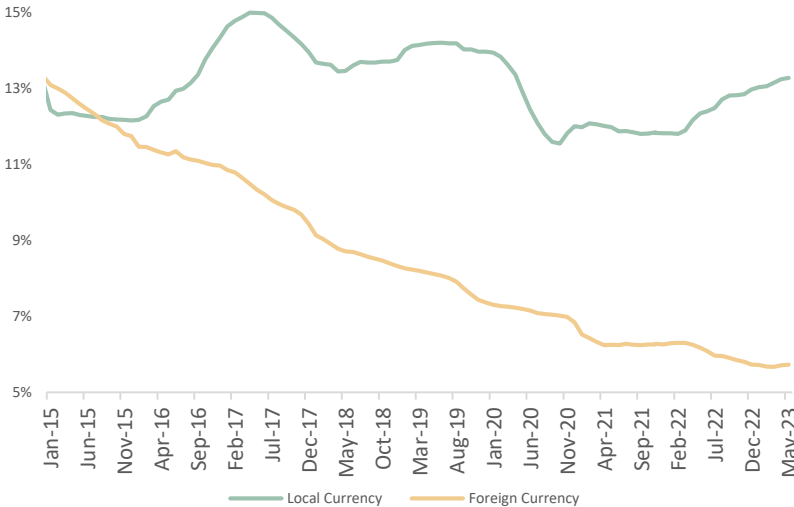
Legal Entities

5/31/2023



Individuals

5/31/2023



- As of May 31, 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 percent, and in foreign currency – 2.1 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 16.3 percent (18.3 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 (17.7 percent in national currency and 7.2 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 14.1 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.

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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