



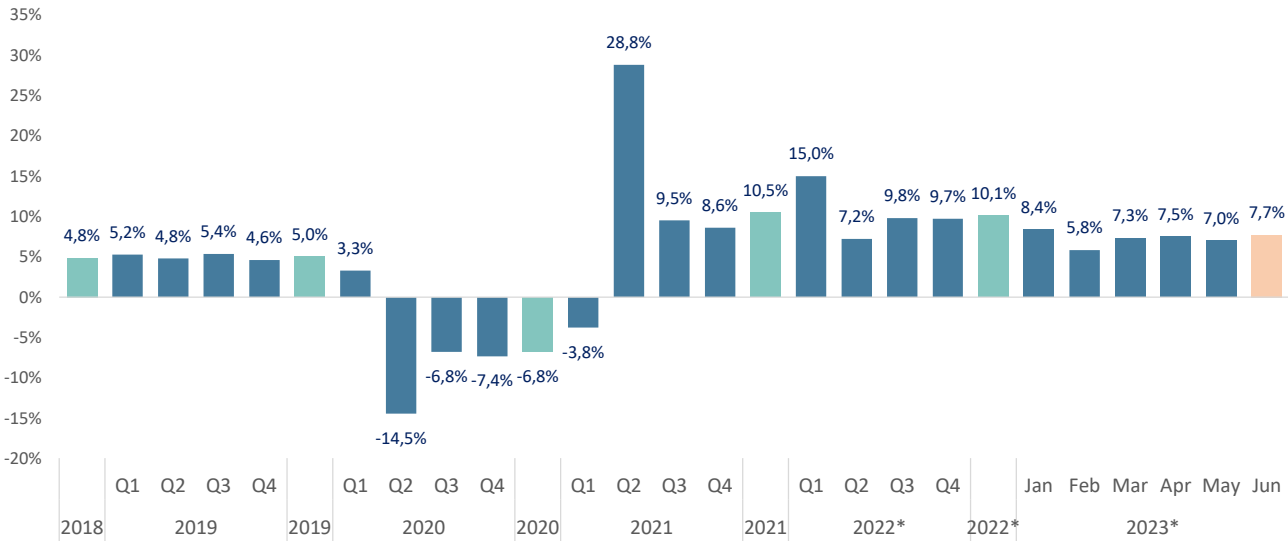
Current Economic Outlook

July, 2023

- In June 2023, the real GDP growth rate was 7.7 percent and average growth rate of the first six months of 2023 was 7.6 percent, according to the preliminary estimates of the National Statistics Office.
- In July, annual inflation stood at 0.3 percent, while core inflation was 3.2 percent
- In June, exports increased by 22.5 percent year-on-year and imports increased by 10.0 percent year-on-year, decreasing the trade deficit by 1.5 percent year-on-year to 666 million USD
- For June, the real effective exchange rate appreciated by 17.4 percent compared to the same period of the previous year and depreciated by 0.1 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate at 10.5 percent in June

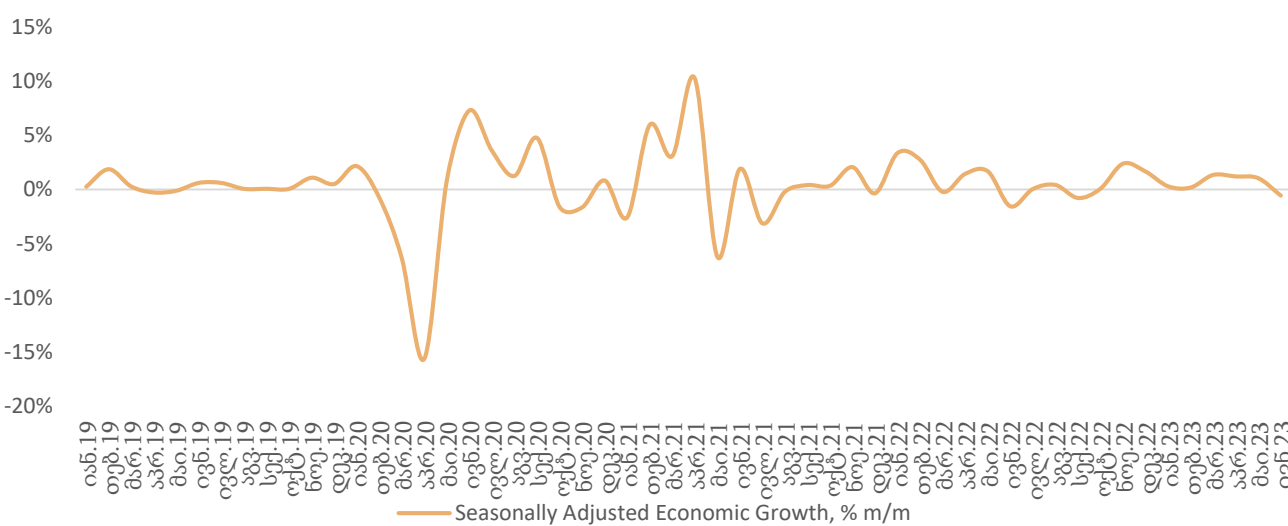
Economic Growth in June was equal to 7.7 percent

Economic Growth, % y/y

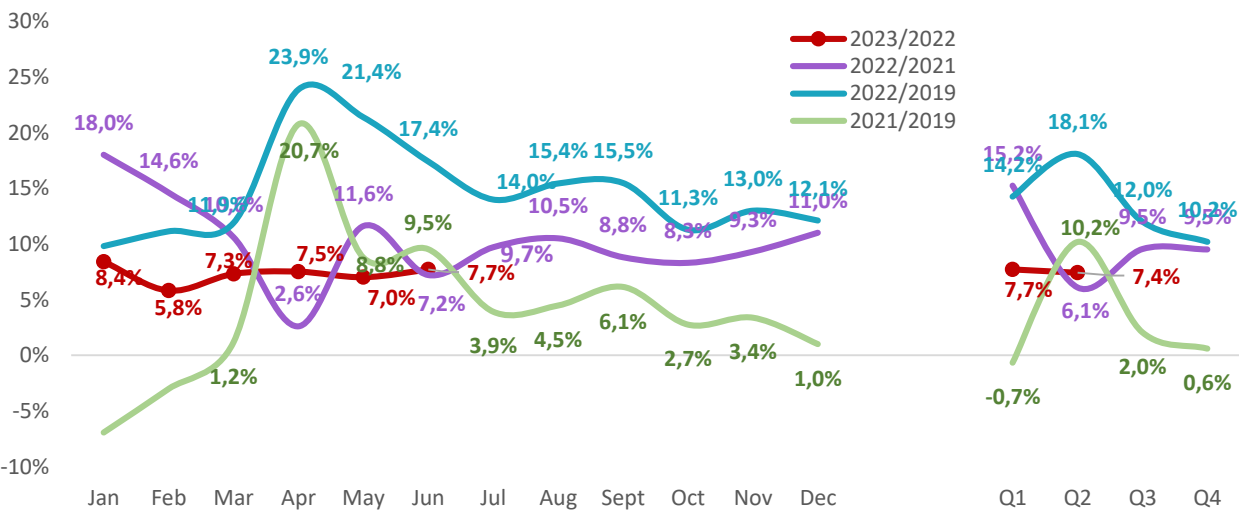


- Estimated real GDP growth rate in June 2023 equaled 7.7 percent YoY and average annual real GDP growth rate for the 2nd quarter of 2023 equals to 7.4 percent. Seasonally adjusted economic growth in June comparing to the previous month was - 0.6 percent.
- In June 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, trade, financial and insurance activities.
- A decline was registered in the fields of the transport and warehousing, electricity, gas, steam and air conditioning supply.

Economic Growth, % m/m

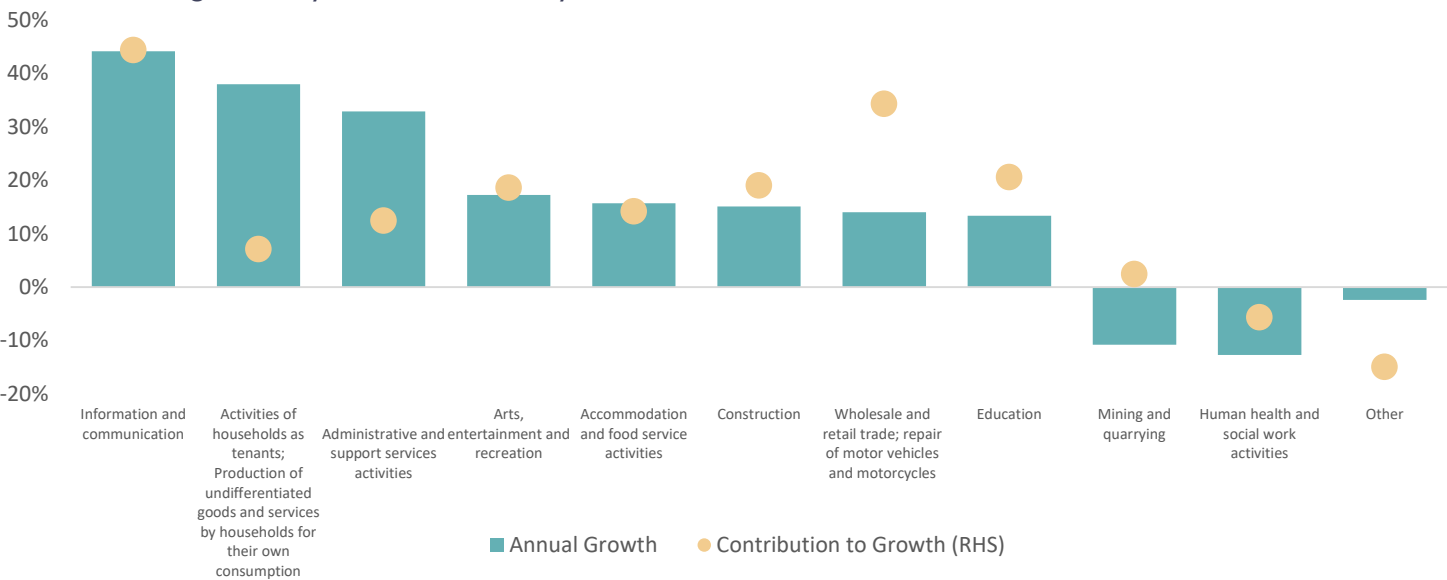


Economic Growth, 2023-2019

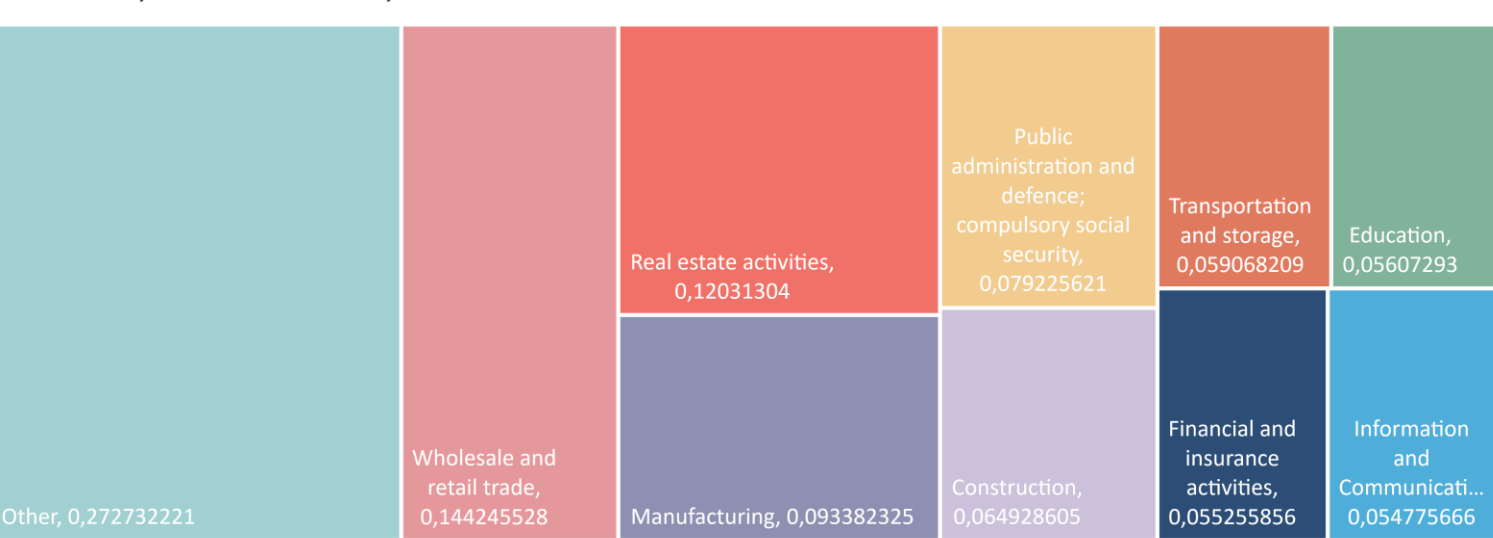


According to preliminary estimates, real GDP increased by 7.7 percent in the first quarter of 2023

Real GDP growth by economic activity, 2023 I Quarter



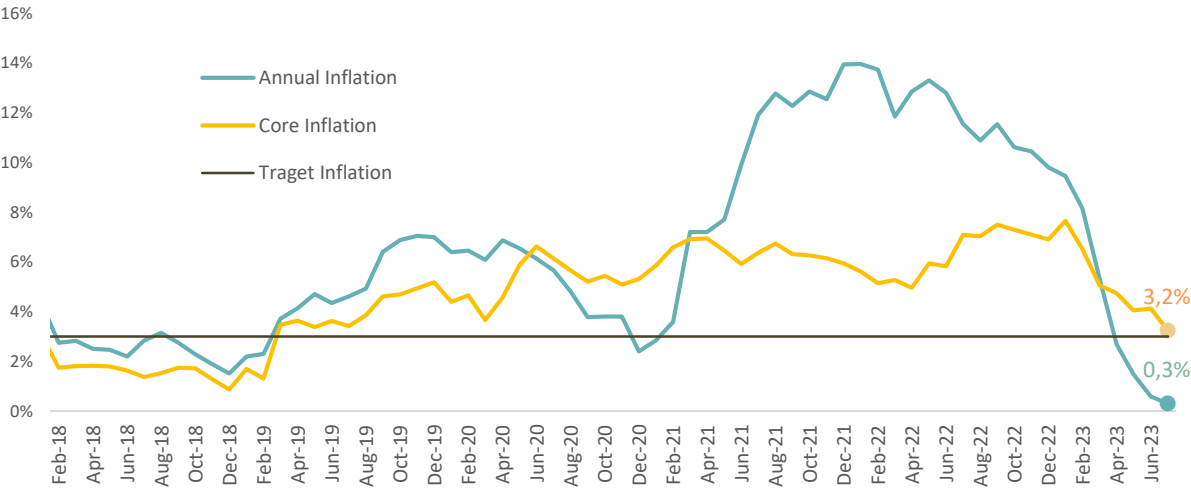
GDP by economic activity, 2023 I Quarter



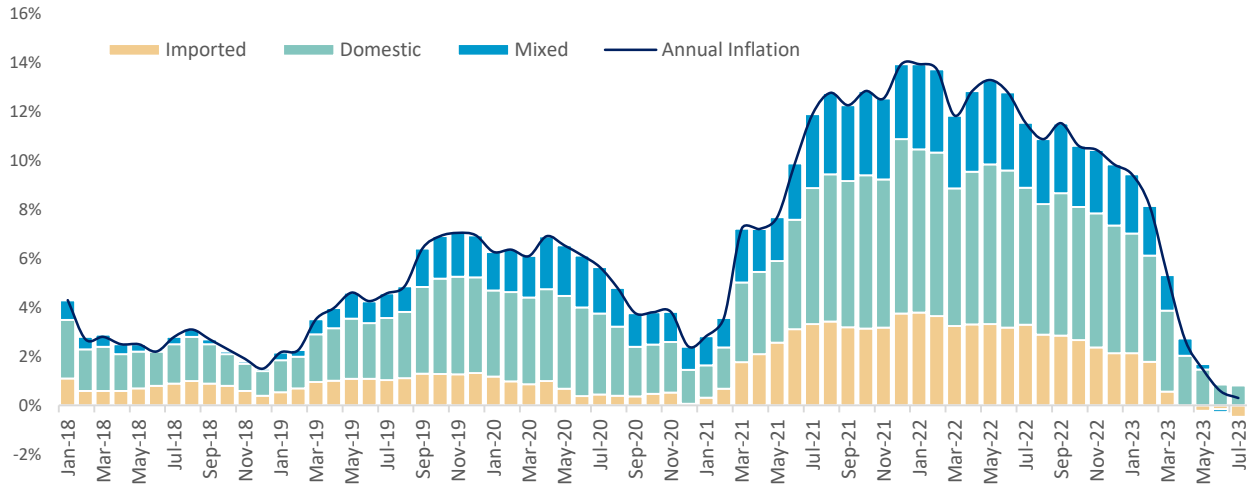
- According to preliminary estimates, in the first quarter of 2023 economic growth amounted to 7.7 percent, while in the fourth quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 9.7 percent. In the first quarter 2023 economic growth was 23.1 percent compared 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 July has reached 0.3 percent

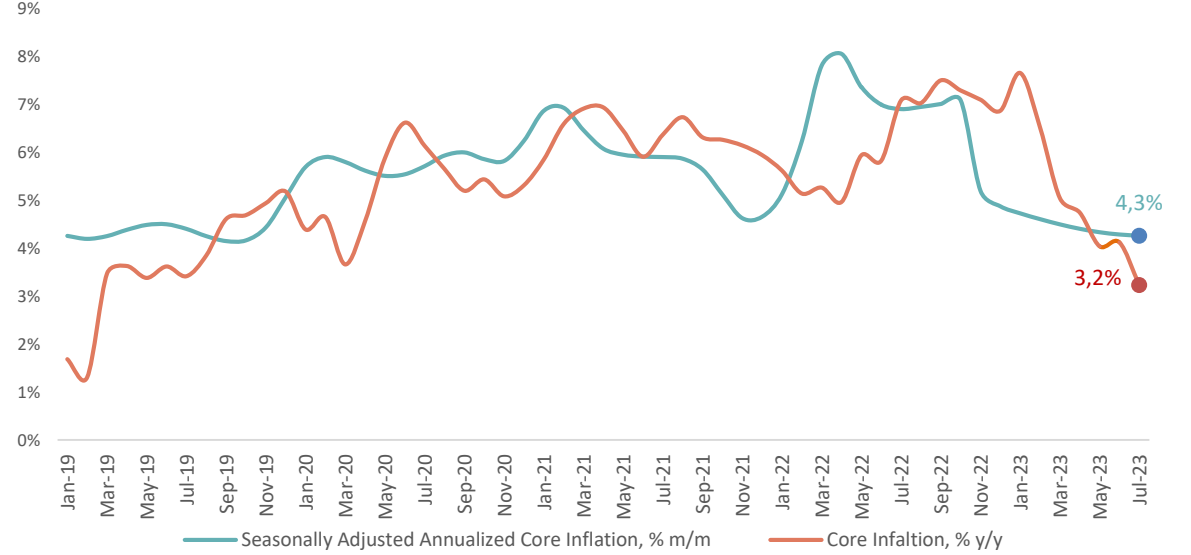
Total and Core Inflation, % y/y



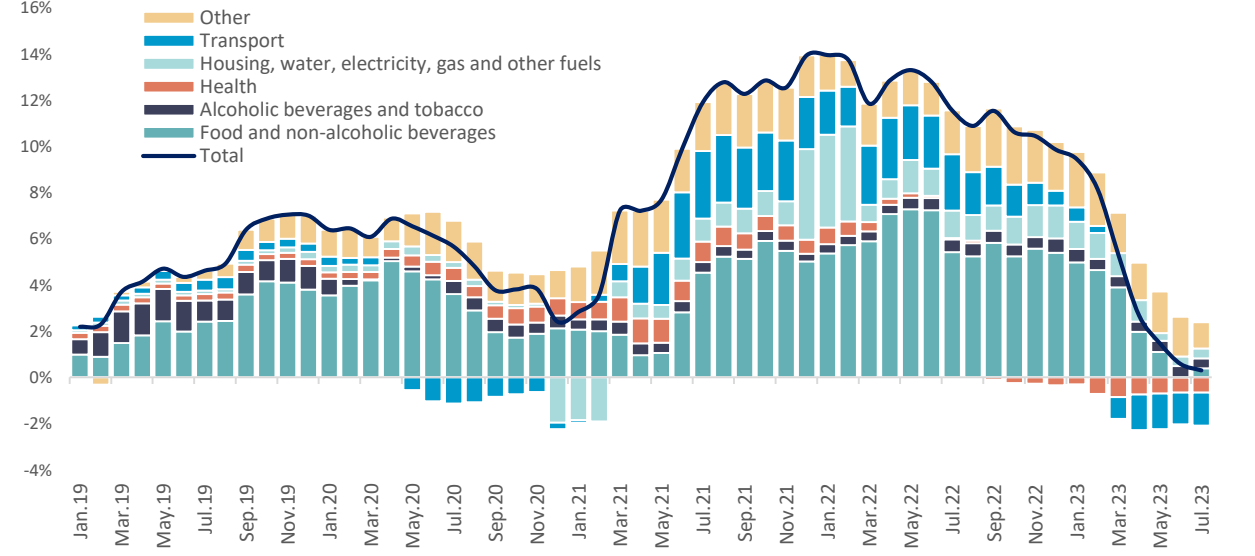
Inflation Decomposition



Core Inflation, % m/m



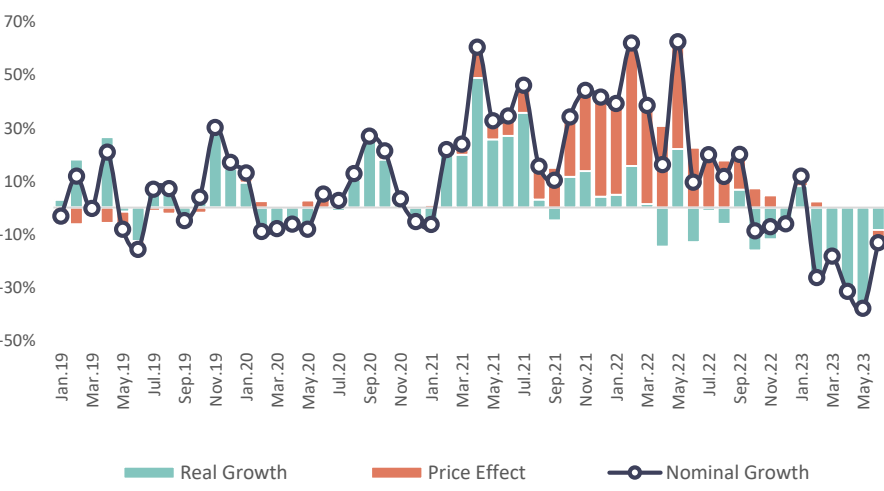
Inflation Decomposition by product group



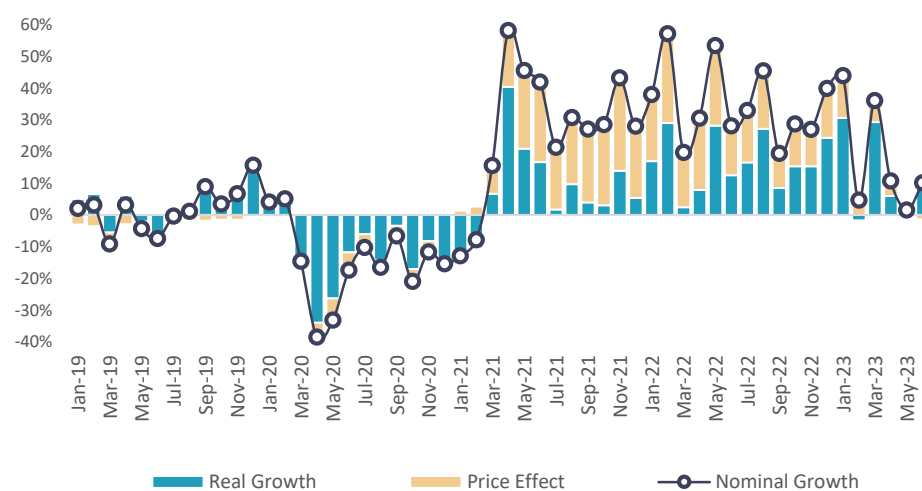
Source: Geostat, NBG, MOF

Trade Deficit decreased by 1.5 percent annually

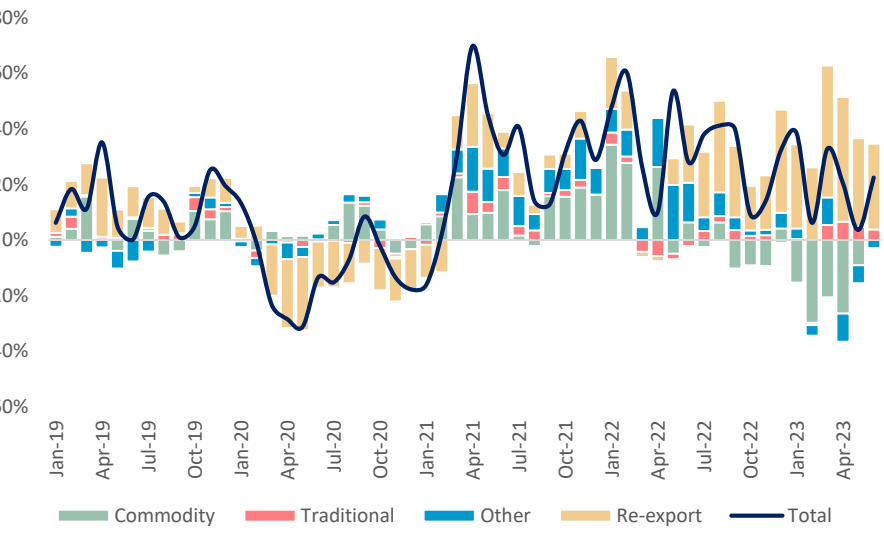
Change of Domestic Export, %y/y



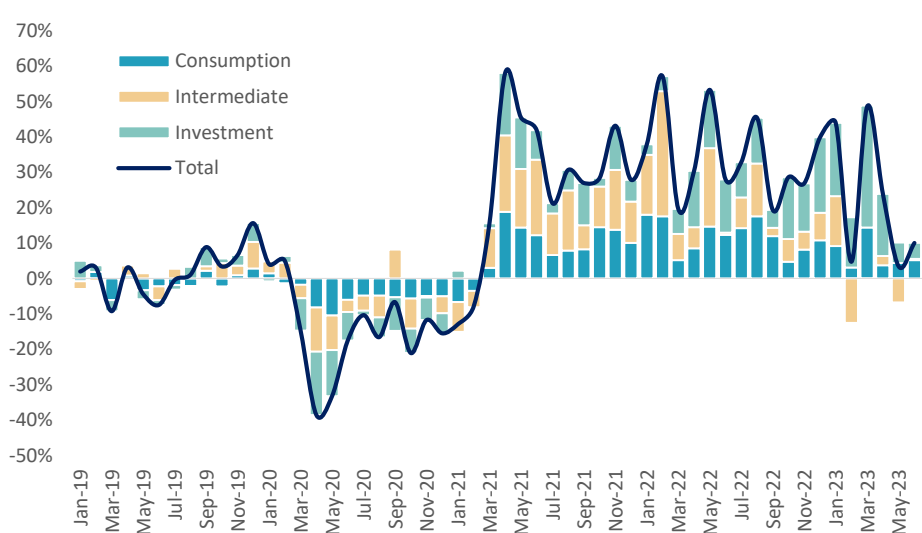
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

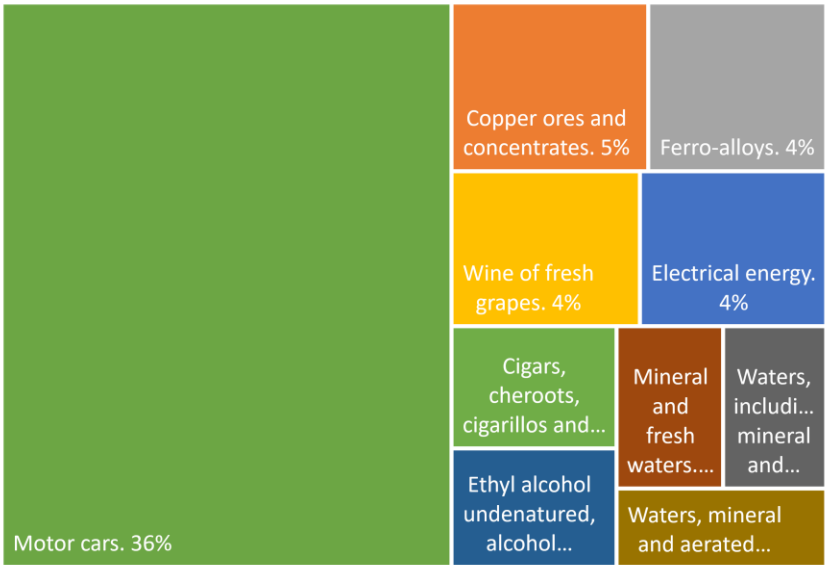


- Export increased annually by 22.5 percent to 549.6 million USD in June.
- Domestic export decreased annually by 8.4 percent to 245 million USD.
- Import annually increased by 10.0 percent to 1 216 million USD in June.
- Trade deficit annually decreased by 1.5 percent to 666 million USD in June.
- Share of re-export in export growth is equal to 30.9 percent (83.4 %y/y), while share of commodity export is negative 9.1 percent (-37.2 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 4.5, 5.1 and 0.4 percent respectively.

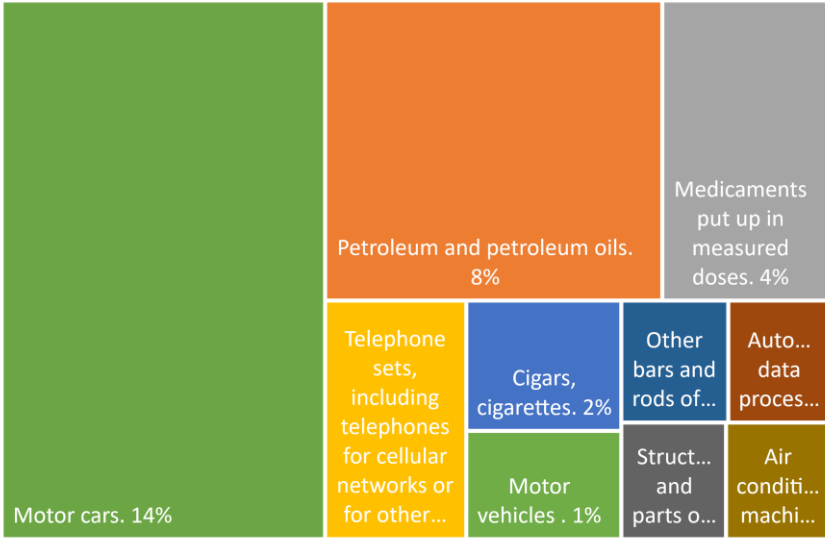
Source: Geostat, MOF

International trade is characterized by stable diversification

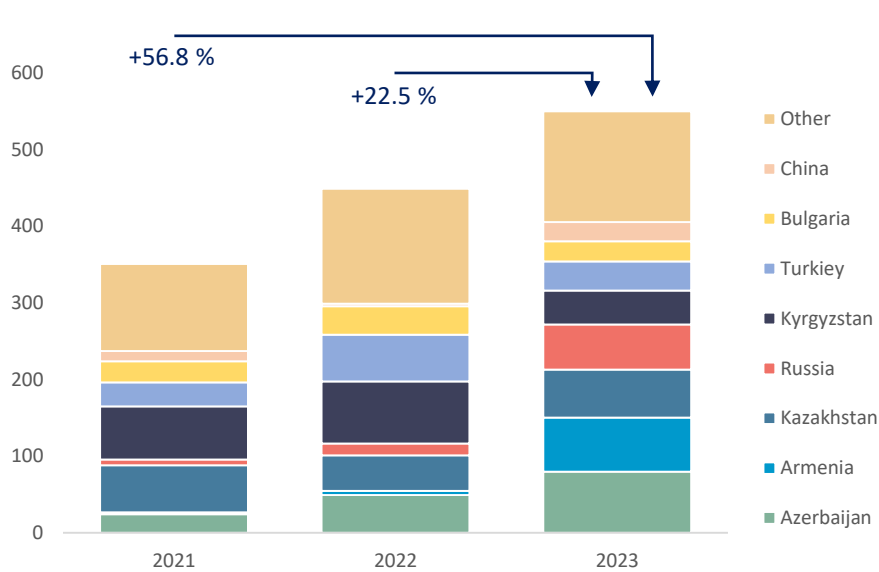
Top 10 Export goods, % of total Export



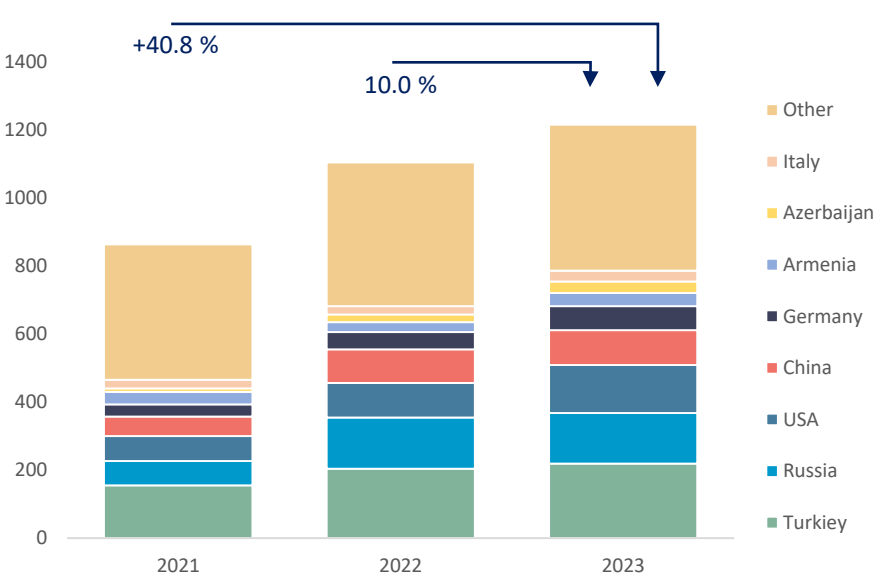
Top 10 Import goods, % of total Import



Export by country, June



Import by country, June



Top Export Products:

- Motor cars: 196 mln. USD – 35.6 percent of total export.
- Copper ores and concentrates: 25.6 mln. USD – 4.7 percent.
- Ferro-alloys: 23.2 mln. USD – 4.2 percent.

Top Import Products :

- Motor cars: 116.6 mln. USD – 13.7 percent.
- Petroleum and petroleum oils: 96.8 mln. USD – 8.0 percent of total import.
- Medicaments put up in measured doses: 48.1 mln. USD – 4.0 percent.

Top Export Country:

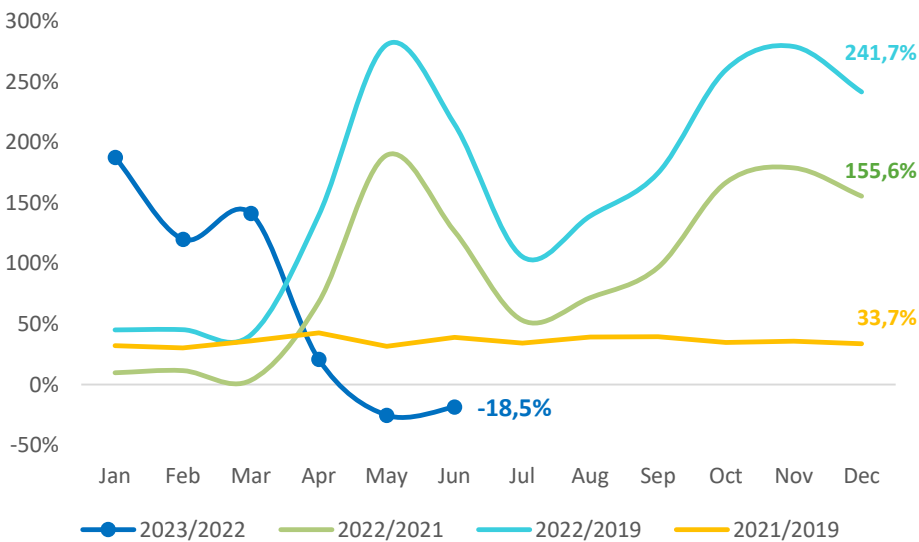
- Armenia: 80.0 mln. USD – 14.5 percent.
- Azerbaijan: 76.8 mln. USD – 14.0 percent.
- Kyrgyzstan: 70.6 mln. USD – 12.3 percent.

Top Import Country :

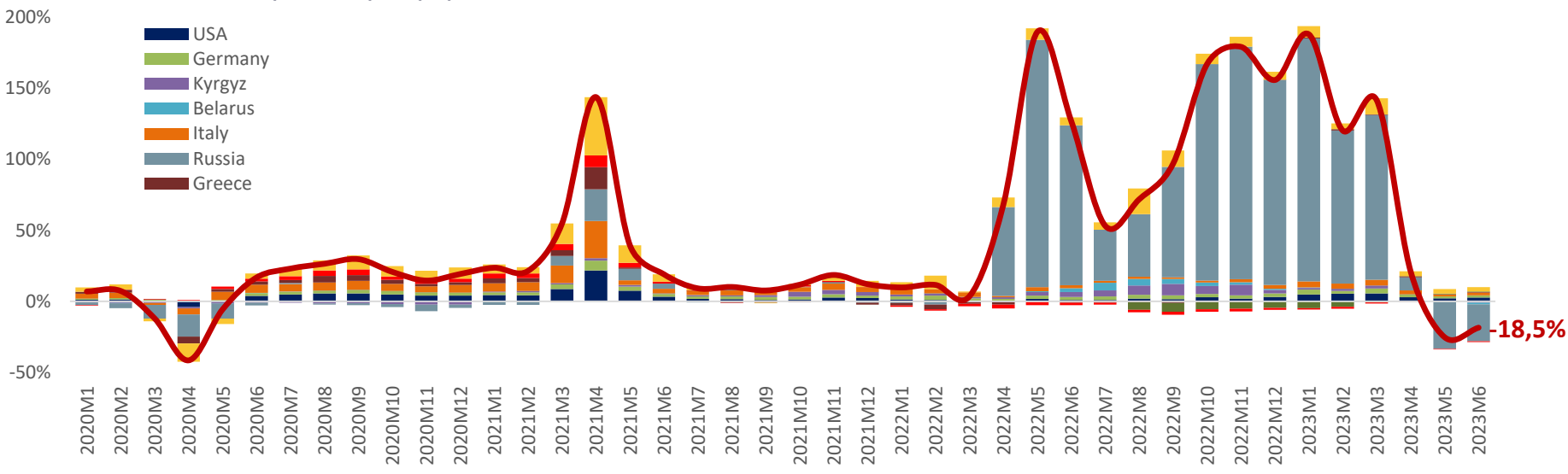
- EU countries: 301.3 mln. USD – 24.8 percent
- Türkiye: 219.5 mln. USD – 18.0 percent.
- Russia: 148.3 mln. USD – 12.2 percent.

Net Remittances decreased by 18.5 percent in June 2023

Net Remittances



Net Remittances by country, %y/y



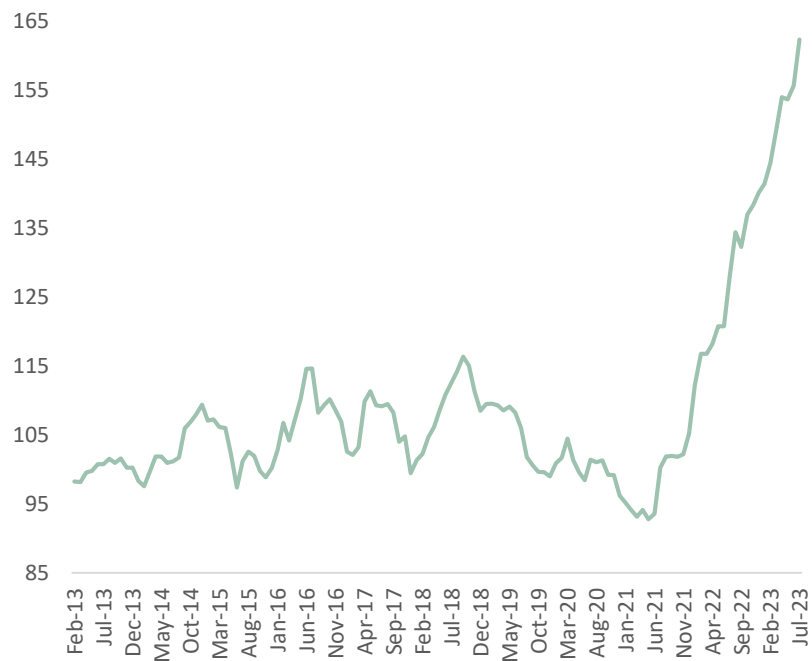
Net Remittances, June 2023

| Country | Net Remittances (USD million) | Change, %y/y | Share in growth, pp |
|---------|-------------------------------|--------------|---------------------|
| Russia | 125.7 | -45.0 | -25.9 |
| Italy | 42.0 | 20.7 | 1.8 |
| USA | 37.4 | 41.5 | 2.8 |
| Greece | 18.8 | 9.1 | 0.4 |
| Germany | 19.3 | 47.2 | 1.6 |
| Israel | 18.9 | 15.7 | 0.6 |
| Other | 62.1 | 1.6 | 0.3 |

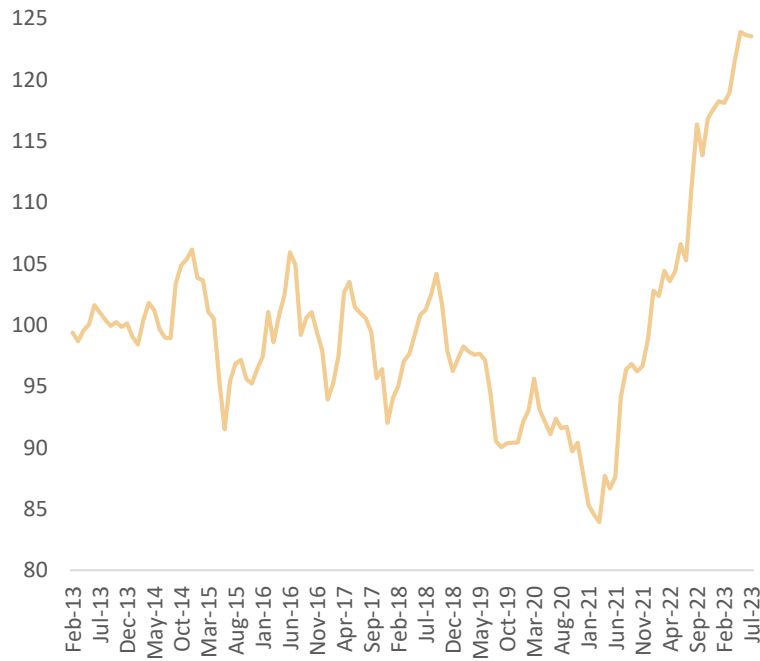
- In June 2023, net remittances were estimated at 324.3 million USD, representing a 18.5 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 157.1 percent.
- Net Remittances increased from:
 - Türkiye: 154.7 percent (contribution of 0.7 pp to total growth).
 - Germany: 47.2 percent (contribution of 1.6 pp to total growth).
 - USA: 41.5 percent (contributing 2.8 pp to total growth).
 - Italy: 20.7 percent (1.8 p.p. contribution to total growth).
- Net Remittances decreased from:
 - Russia: -45.0 percent (-25.9 pp contribution to total growth)
 - Belarus: -98.8 (-1.3 pp contribution to total growth)

Real Effective Exchange Rate in June Appreciated by 17.4 percent Annually

NEER: 2013 = 100

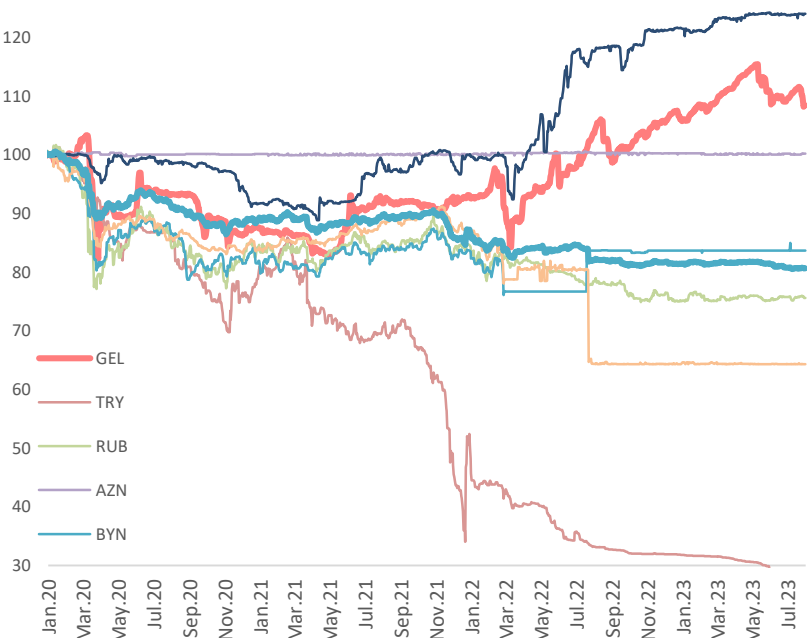


REER: 2013 = 100



USD Exchange Rates

July 31, 2023

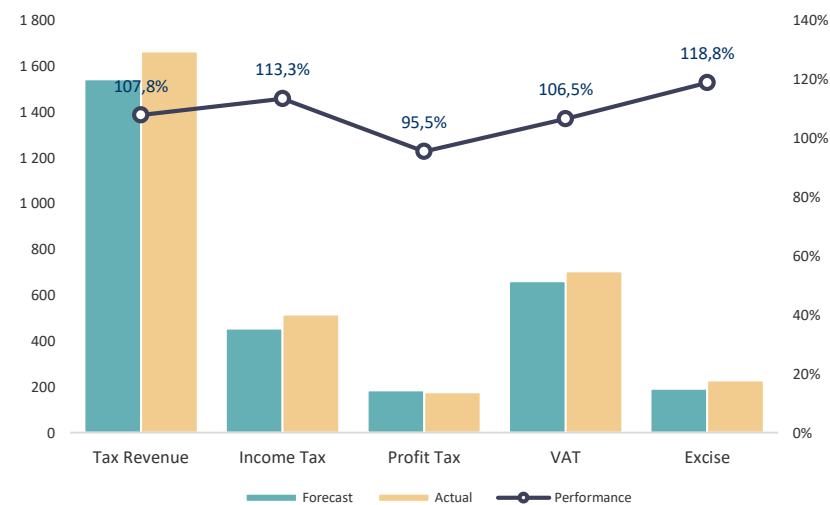


Note: Increase means appreciation

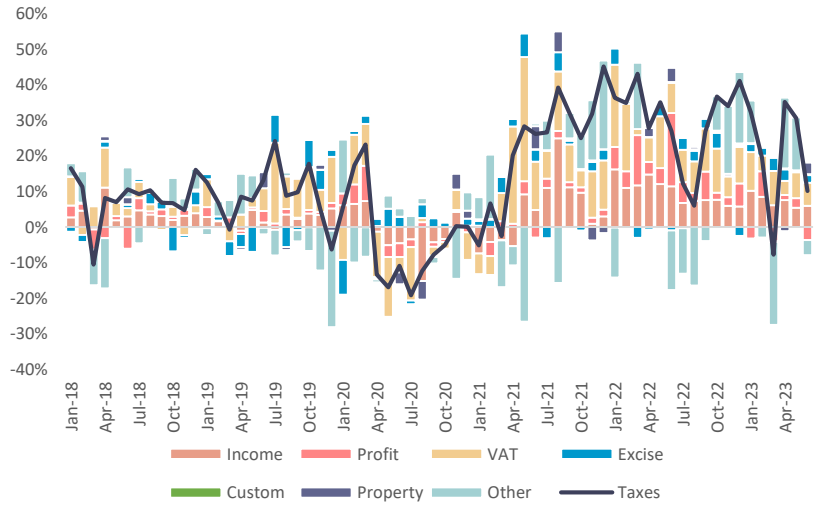
| | July 31, 2023 | | July 31, 2023 - Jan 1, 2023 | | July 31, 2023 - Jan 1, 2022 |
|------------------|---------------|---|-----------------------------|---|-----------------------------|
| Euro | 2,9060 | ▼ | -0,7% | ▲ | 20,4% |
| US Dollar | 2,6433 | ▲ | 2,2% | ▲ | 16,9% |
| Turkish Lira | 0,0981 | ▲ | 47,1% | ▲ | 135,7% |
| Russian Ruble | 0,0291 | ▲ | 26,4% | ▲ | 41,7% |
| NEER | 186,05 | ▲ | 13,1% | ▲ | 41,9% |
| REER (June 2023) | 151,88 | ▲ | 4,6% | ▲ | 20,2% |

Tax revenues in July is above the forecast value by 7.8 percent

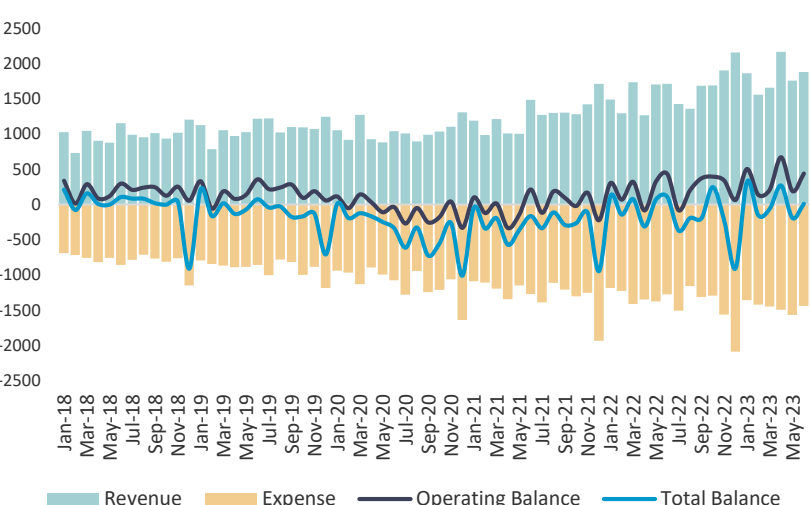
Budget Revenue Performance, July 2023



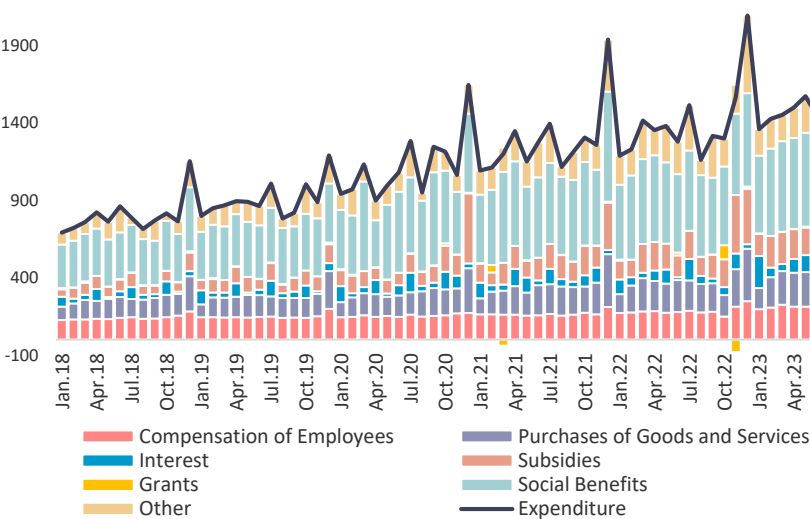
Tax Income, % y/y



Consolidated Budget, mln GEL



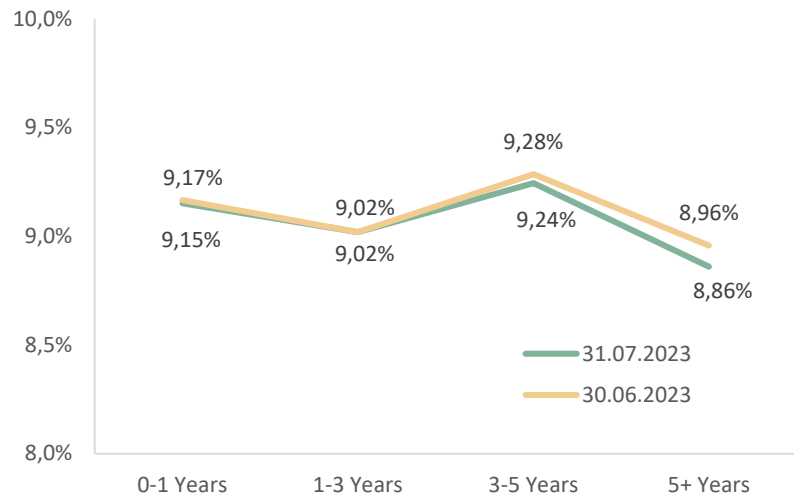
Consolidated Budget Expenditure, mln GEL



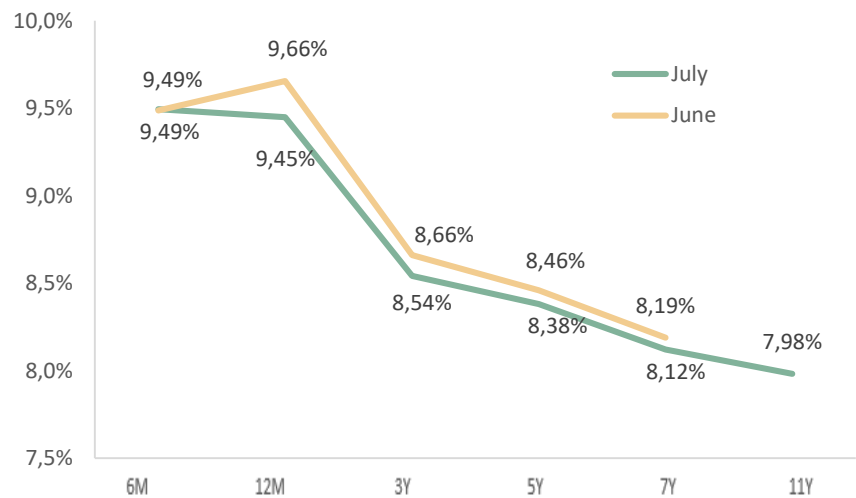
- The actual level of tax income in July 2023 was 1,664 mln GEL, which is above the forecasted value by 7.8 percent.
- Consolidated budget revenues increased by 10.0 percent and expenditures increased by 12.8 percent in June.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 436.6 million GEL, while the total balance was set at 7.2 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and Income tax in June, accounting for 6.5 and 5.9 percent of total growth, respectively.

Structure of the Securities Portfolio has Undergone Slight Changes

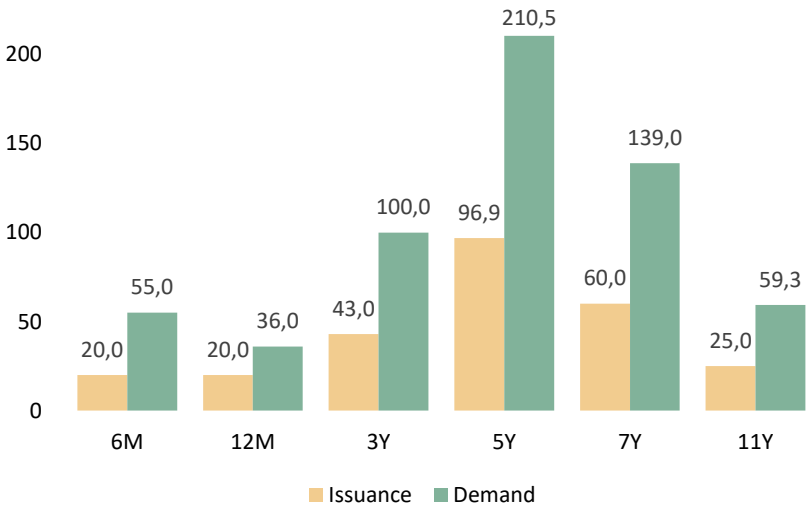
Portfolio Yield Curve



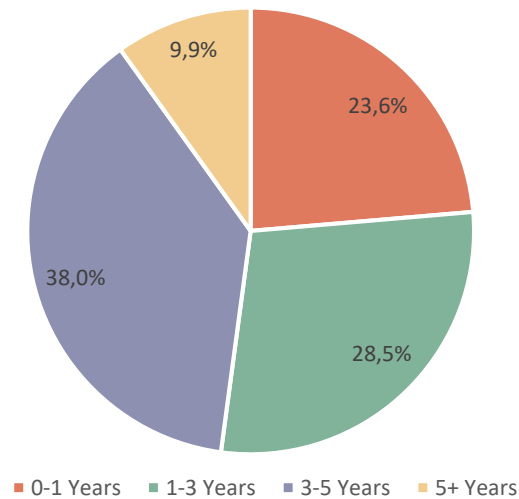
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



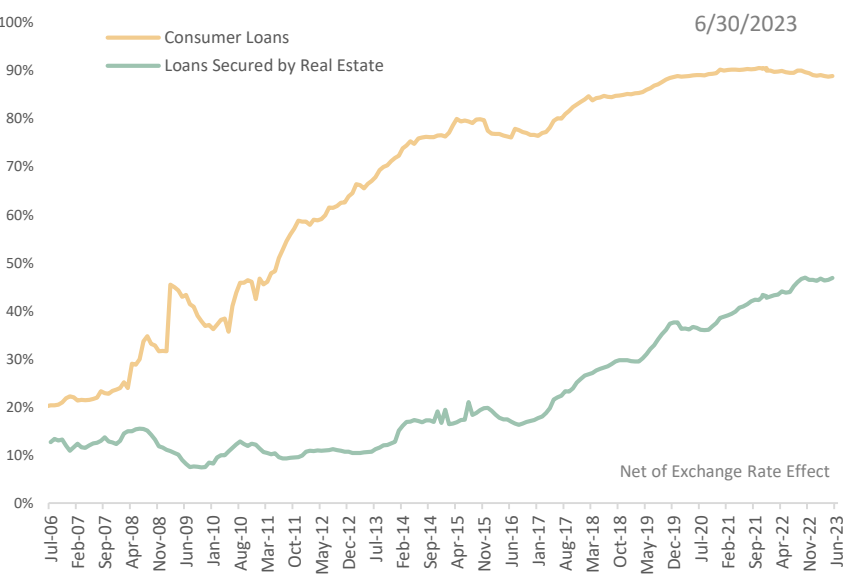
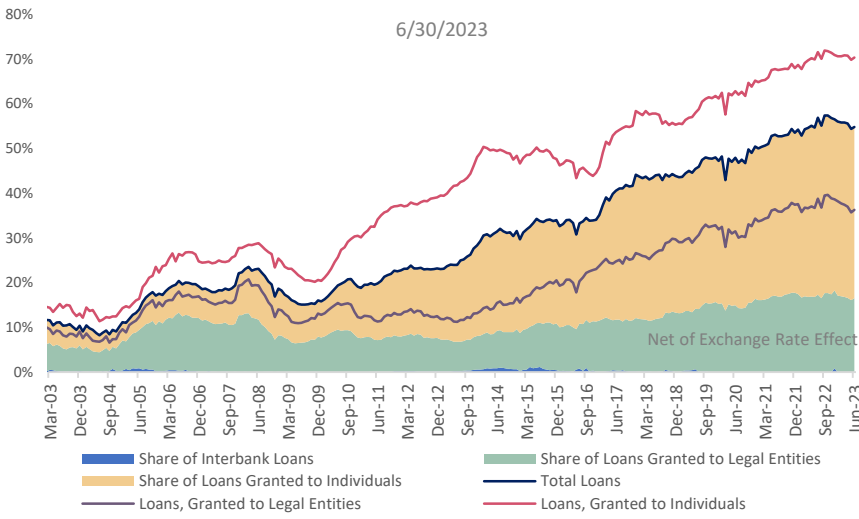
Portfolio by Residual Maturity (July 31)



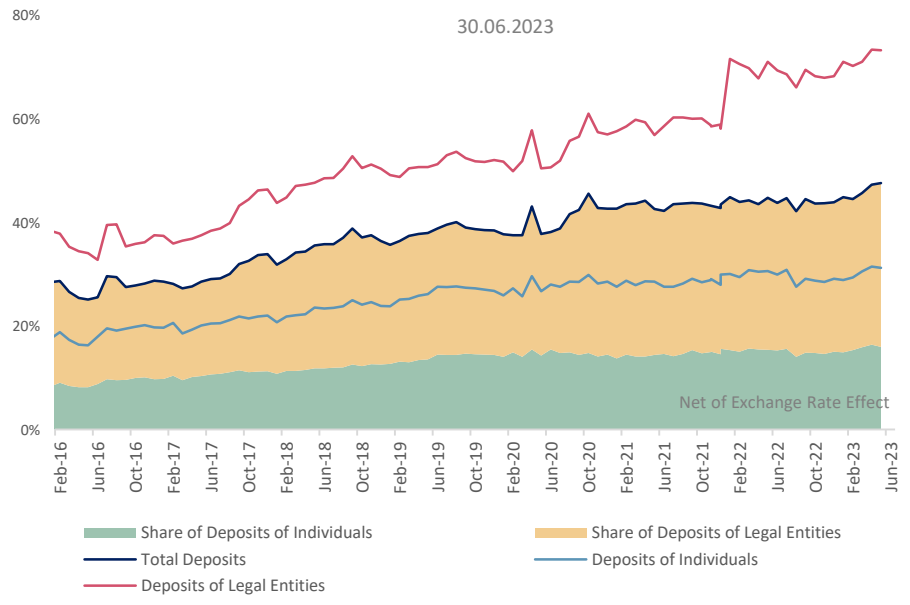
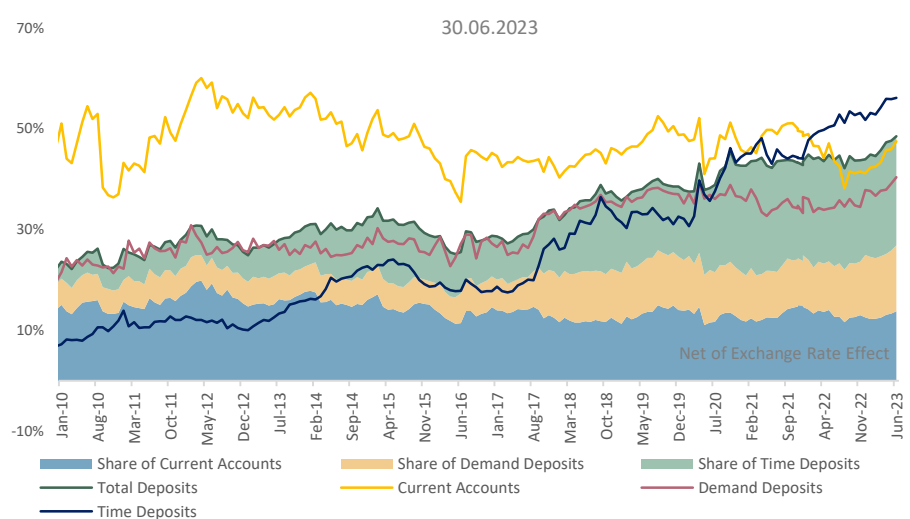
- In July 2023, 6 auctions were held with total issuance volume of 264.85 million GEL.
- The weighted average interest rate amounted to 8.5%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. Treasury securities with total amount of 40 million GEL were redeemed.
- As of July 31, 2023 around 38% of the treasury securities portfolio is composed of the securities whose maturity date is with duration 3-5 years. The medium-term state financials securities (with duration 1-3 years) have also a sizable share (at around 28%) in the total portfolio, while 24% are securities with maturity date due for the next 1 year. .
- The Bid-to-cover ratio decreased compared to the previous month's value (June 2.08) and amounted to 2.26.

Some Larization Rates Stop Rising

Loan Larization



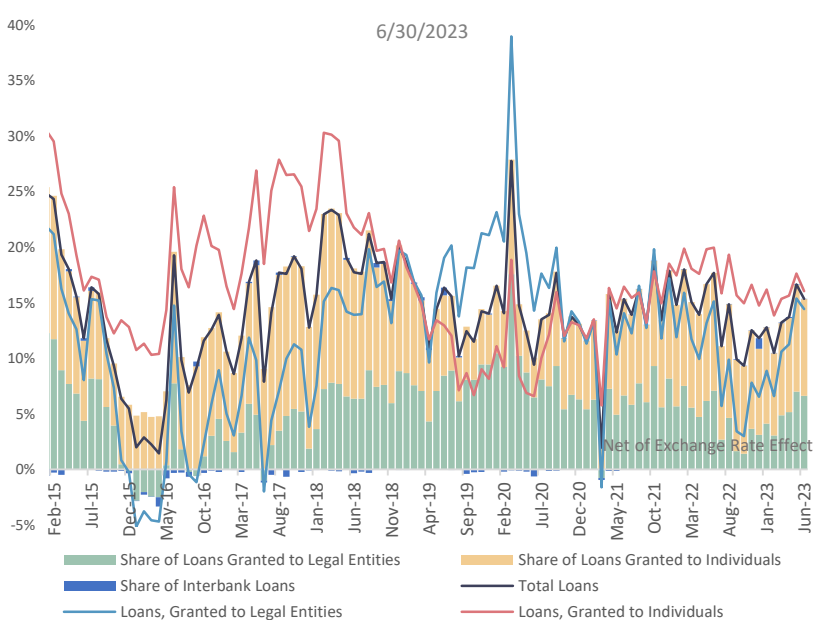
Deposit Larization



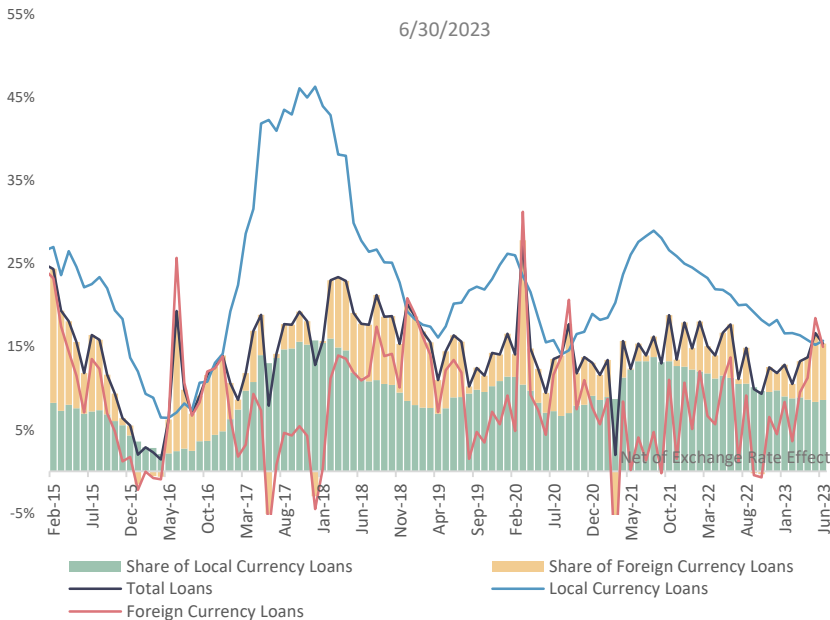
- As of June 30, 2023, the larization of total loans is 54.8 percent.
- The larization of loans to individuals is 70.3 percent.
- The larization of the loans to legal entities amounted to 36.3 percent.
- The larization of the total deposits equals to 48.5 percent.
- The larization on the deposits of legal entities amounted to 74.5 percent.
- The larization of the deposits of individuals is 32.5 percent.
- The larization of time deposits is 56.1 percent.
- The larization of current accounts equals to 47.5 percent.
- The larization of the demand deposits is 40.4 percent.

Annual Growth Trend of Loans is Sustained

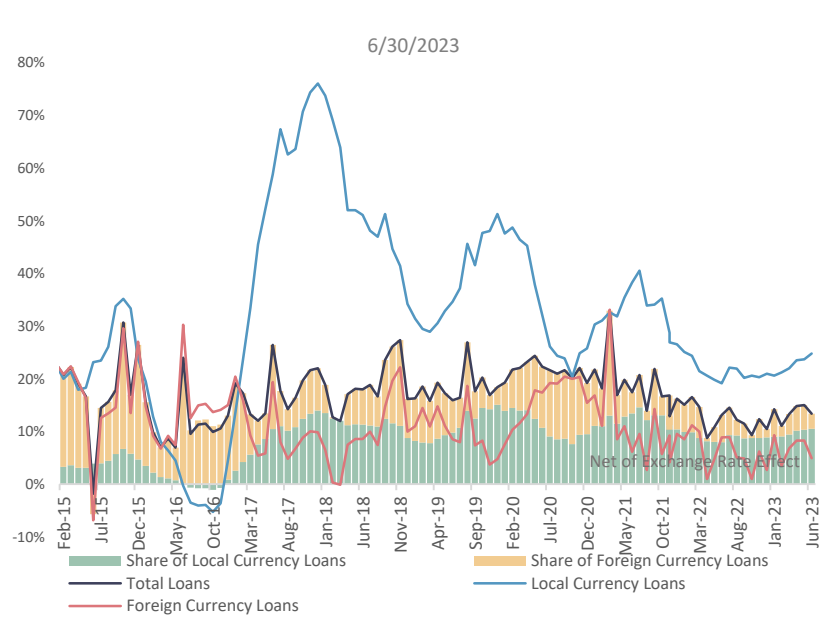
Loans Growth Rates, % y/y



Loans by Currency, % y/y

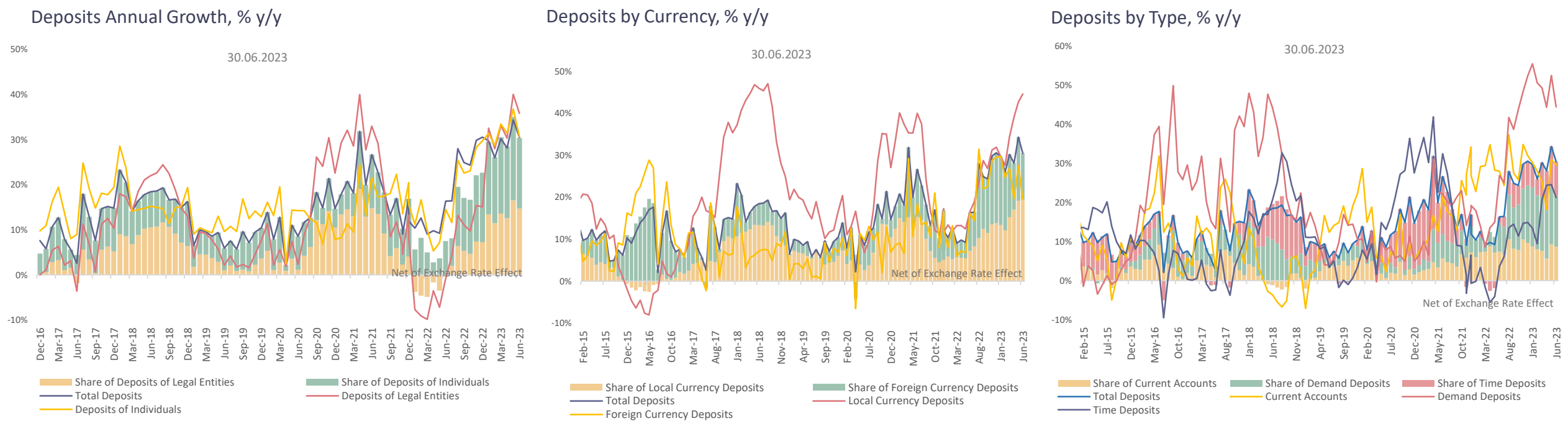


Mortgage Loans, % y/y



- As of June 30, 2023, the total loans increased by 15.4 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 14.4 percent.
- The annual growth of loans to individuals is 16 percent.
- As of June 30, 2023, the growth rate of the loans denominated in the national currency amounted to 15.7 percent.
- The annual growth of loans denominated in foreign currency amounted to 15 percent.
- As of June 30, 2023, the annual growth of loans secured by real estate amounted to 13.4 percent. At the same time, the mortgage loans denominated in national currency increased by 24.8 percent, while the mortgage loans denominated in the foreign currency increased by 4.9 percent.

Annual Growth of Deposits Denominated in Foreign Currency Continues Stable Growth

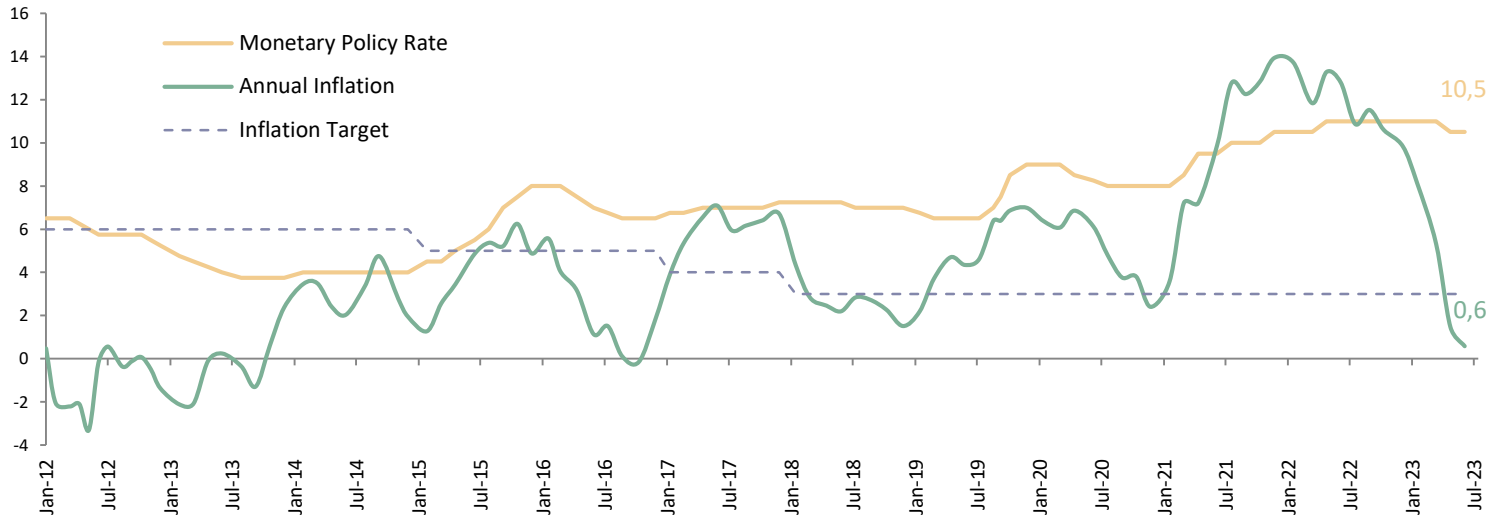


- As of June 30, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 30.5 percent.
- The annual growth of the deposits denominated in the national currency amounted to 44.6 percent. The annual growth of the deposits denominated in foreign currency stood at 19.5 percent over the same period.
- The growth of deposits of individuals amounted to 30.7 percent, while the annual growth of deposits of legal entities in the same period amounted to 35.8 percent.
- The annual growth of current accounts at the beginning of June, 2023, was equal to 29.6 percent.
- The annual growth of the time deposits was 21.3 percent.
- The growth of the demand deposits amounted to 44.5 percent.

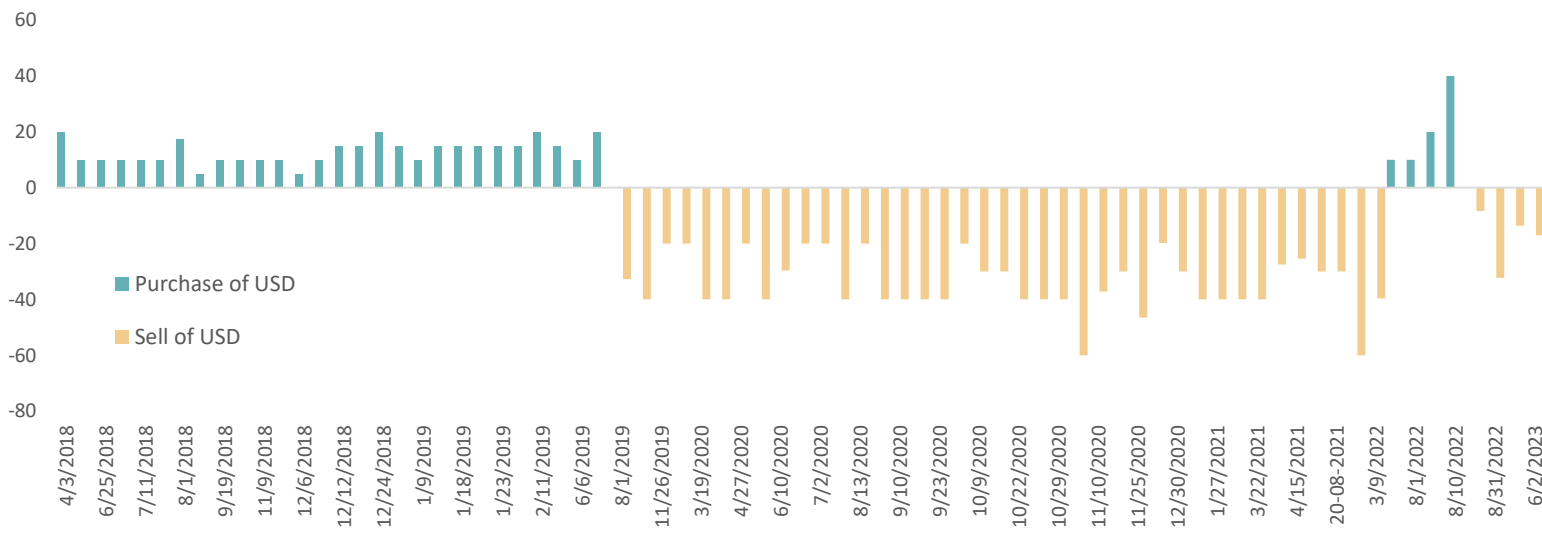
Source: NBG

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

Inflation and Monetary Policy Rate



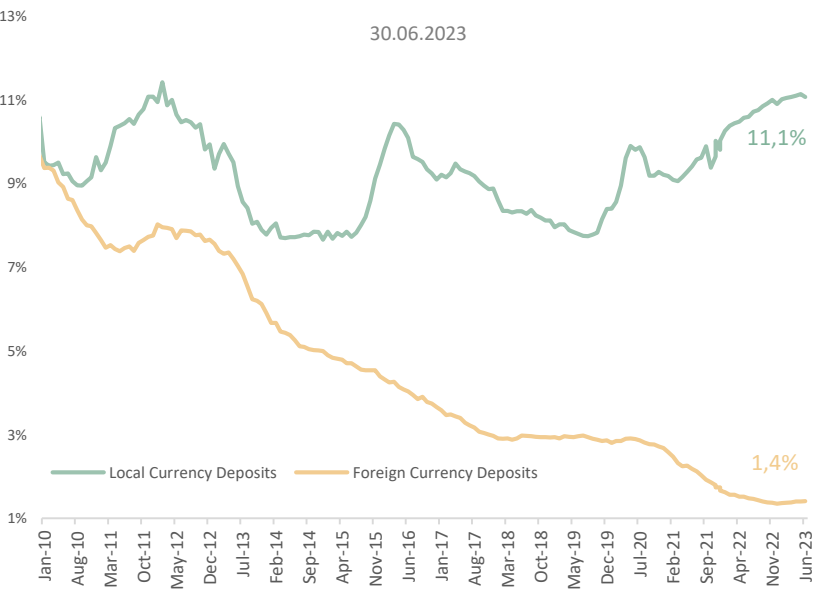
Trade of USD by NBG, mln USD



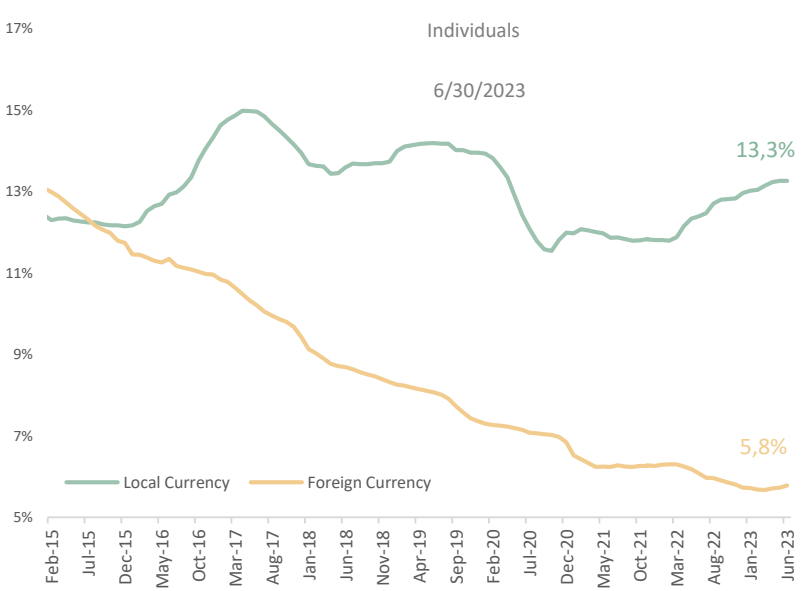
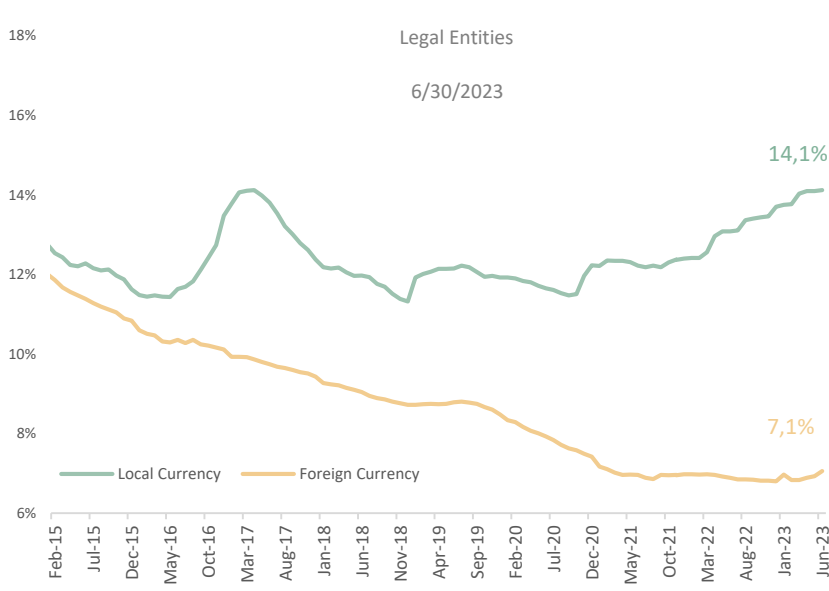
- On June 21, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 10.5 percent level..
- Per the NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in place 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.

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

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of June 30, 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 16.2 percent (17.9 percent in national currency and 6.6 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.5 percent (17.6 percent in national currency and 7.3 percent in foreign currency).
- At the end of June, 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14 percent, and in foreign currency 9.2 percent. The interest rate on the loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.8 percent.

Source: NBG

Disclaimer

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