



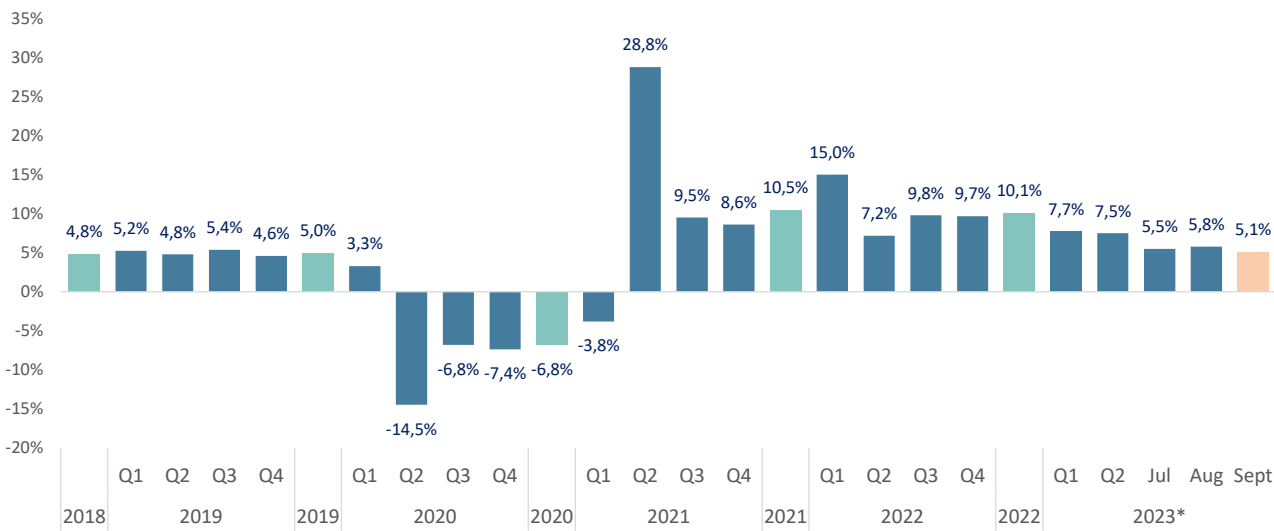
Current Economic Outlook

October, 2023

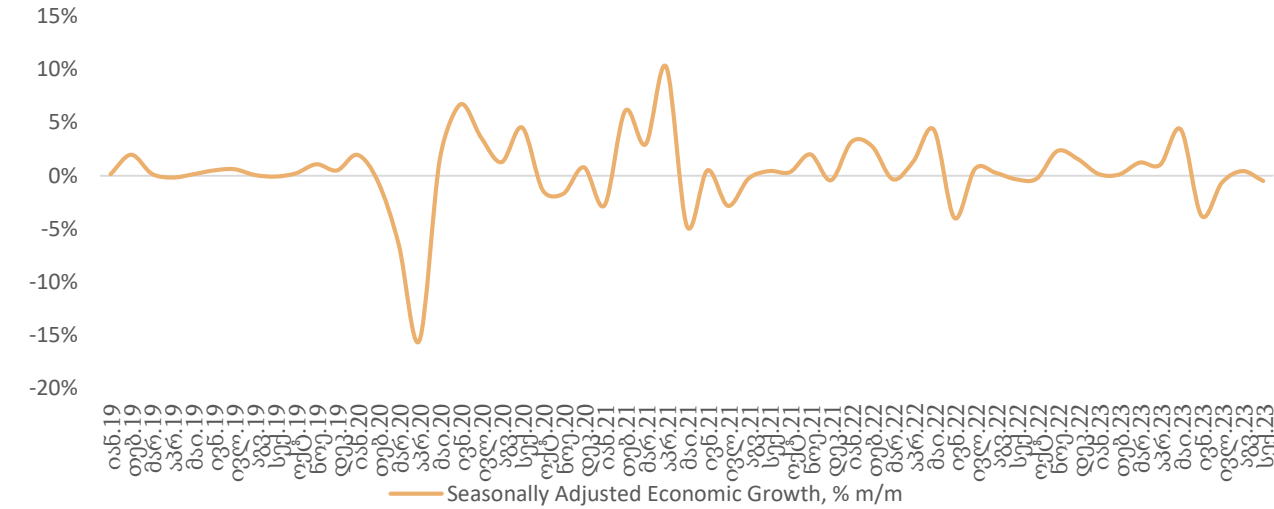
- In September 2023, the real GDP growth rate was 5.1 percent and average growth rate of the first nine months of 2023 was 6.8 percent, according to the preliminary estimates of the National Statistics Office.
- In October, annual inflation stood at 0.8 percent, while core inflation was 2.4 percent
- In September, exports increased by 0.9 percent year-on-year and imports increased by 9.2 percent year-on-year, increasing the trade deficit by 16.4 percent year-on-year to 713 million USD
- For September, the real effective exchange rate appreciated by 10.0 percent compared to the same period of the previous year and depreciated by 0.7 percent compared to the previous month
- The National Bank of Georgia kept monetary policy rate at 10 percent in October

Economic Growth in September was equal to 5.1 percent

Economic Growth, % y/y

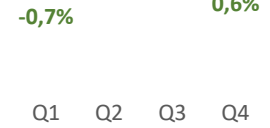
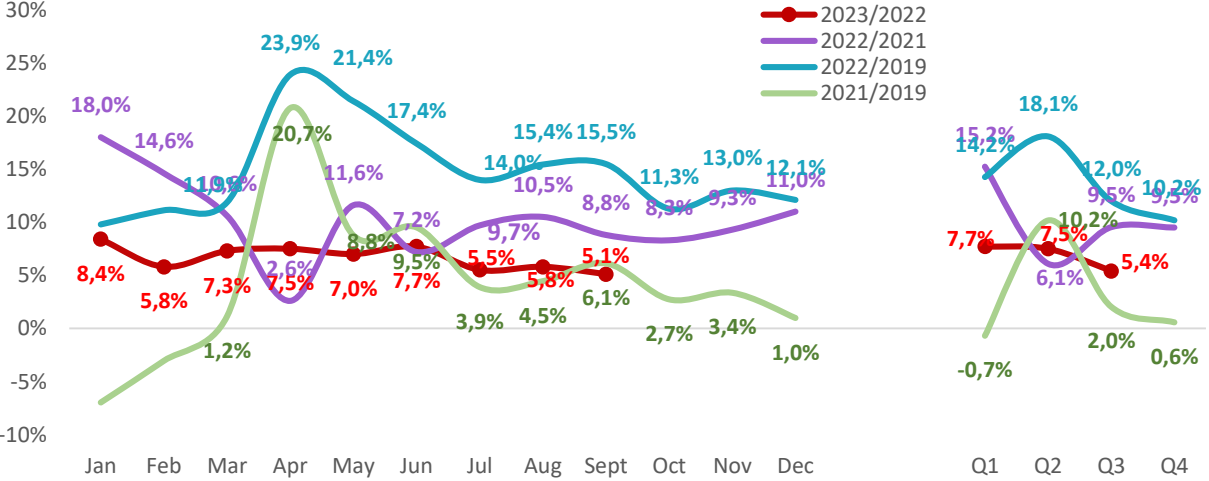


Economic Growth, % m/m



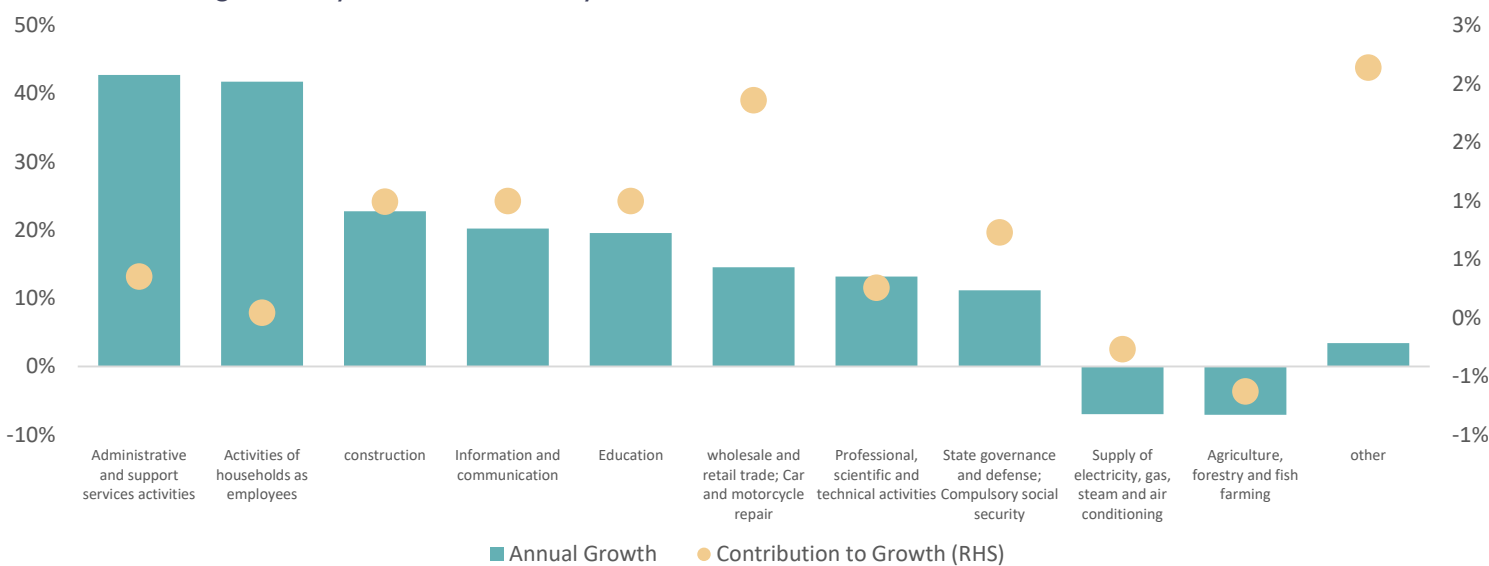
- Estimated real GDP growth rate in September 2023 equaled 5.1 percent YoY and average annual real GDP growth rate for the 3rd quarter of 2023 equals to 5.4 percent, while the average growth of the first 9 months was 6.8 percent. Seasonally adjusted economic growth in September comparing to the previous month was -0.5 percent.
- In September 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and insurance activities, Construction, Trade, Accommodation and food service activities.
- A decline was registered in the fields of Manufacturing, Transportation and storage, Real estate activities

Economic Growth, 2023-2019

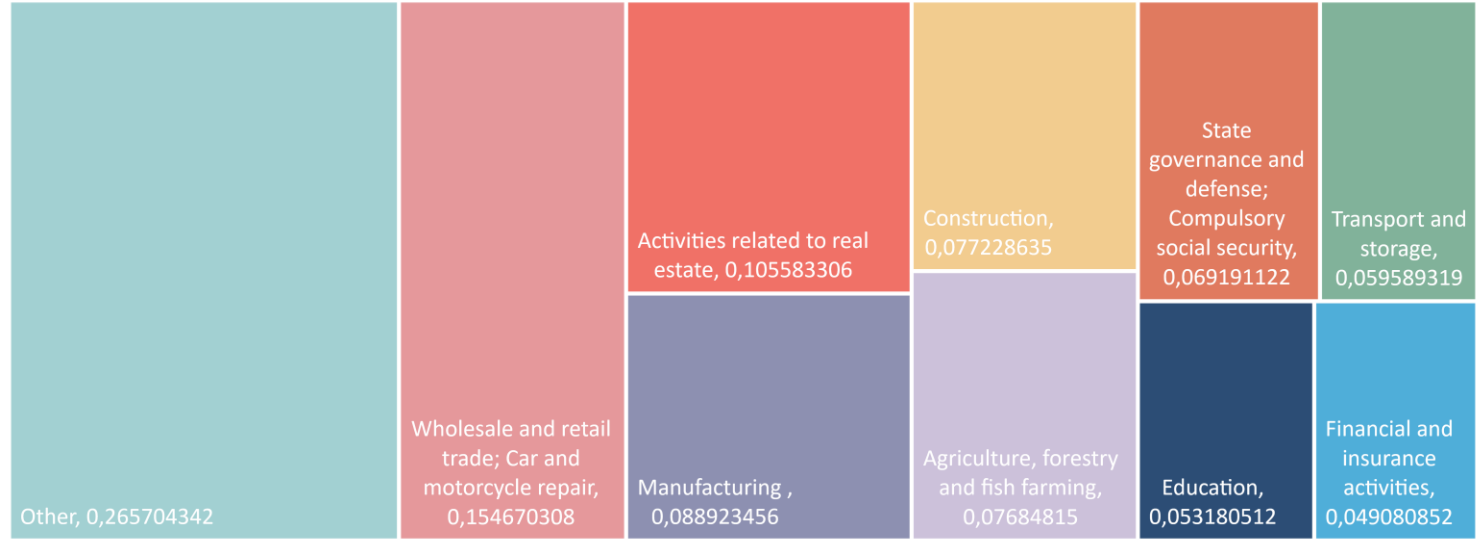


According to preliminary estimates, real GDP increased by 7.5 percent in the second quarter of 2023

Real GDP growth by economic activity, 2023 II Quarter



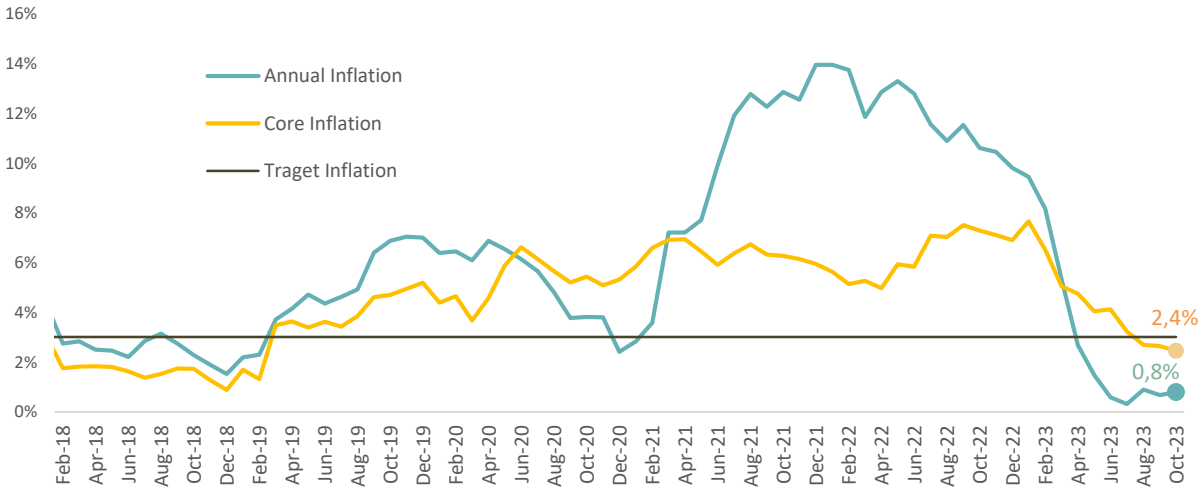
GDP by economic activity, 2023 II Quarter



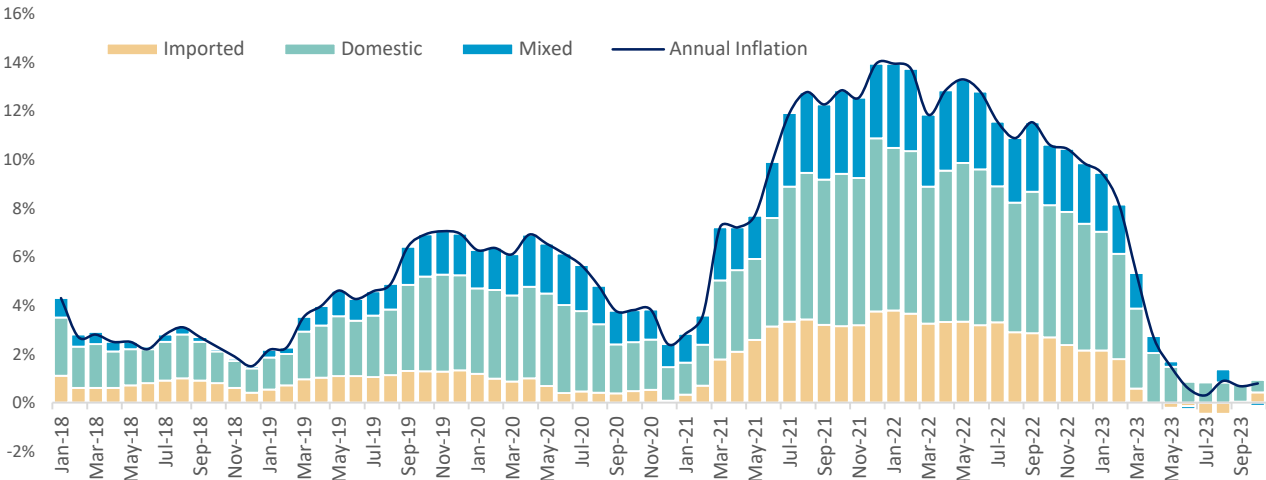
- According to preliminary estimates, in the second quarter of 2023 economic growth amounted to 7.5 percent, while in the first quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 7.7 percent. In the second quarter 2023 economic growth was 26.9 percent compared to the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q2 2023:
 - Administrative and support services activities 42.8% (0.4 p.p.)
 - Activities of households as renters: 41.8% y/y (0.04 p.p.)
 - Construction: 22.7% (1.0 p.p.)
 - Information and communication: 20.2% (1.0 p.p.)
 - Education: 19.6% (1.0 p.p.)
 - Wholesale and retail trade; Car and motorcycle repair: 14.6% (1.9 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Supply of electricity, gas, steam and air conditioning: -7.0% (-0.3 p.p.)
 - Agriculture, forestry and fish farming: -7.1% (-0.6 p.p.)

Annual inflation in October has reached 0.8 percent

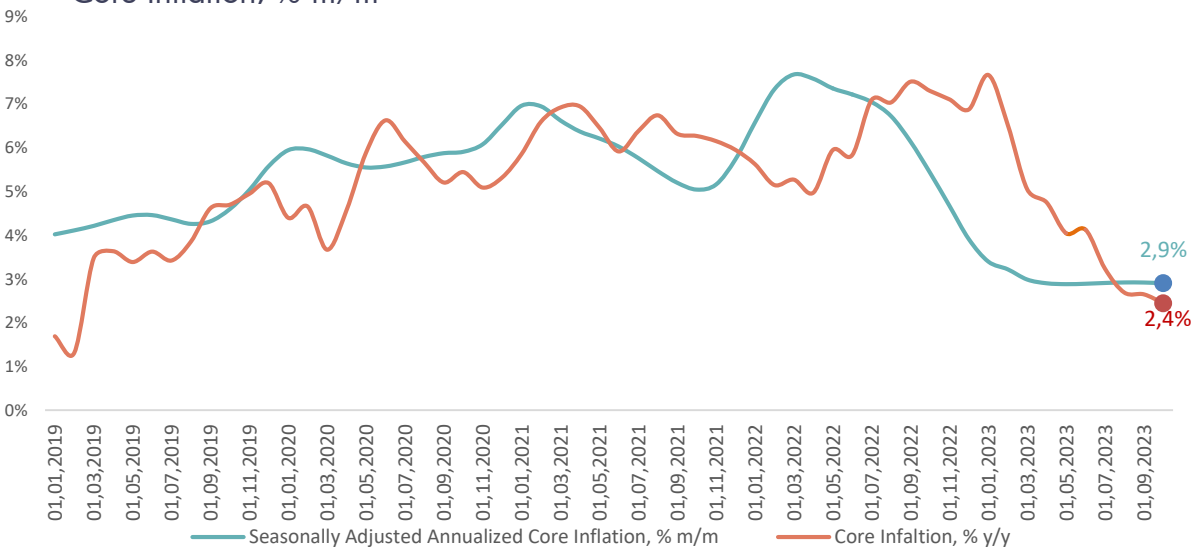
Total and Core Inflation, % y/y



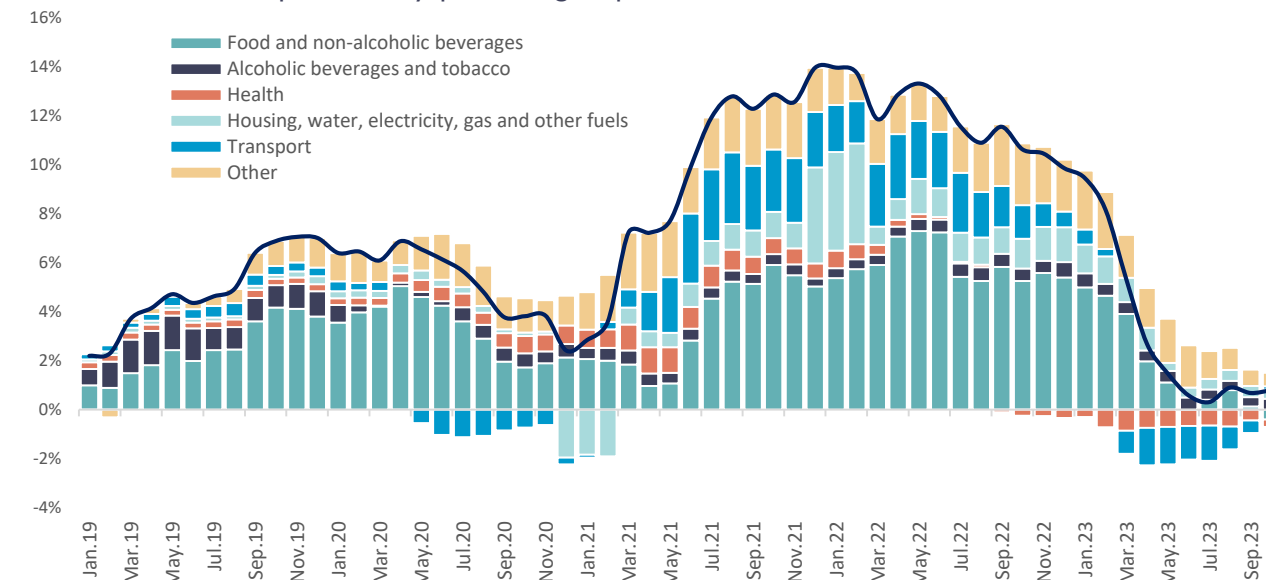
Inflation Decomposition



Core Inflation, % m/m



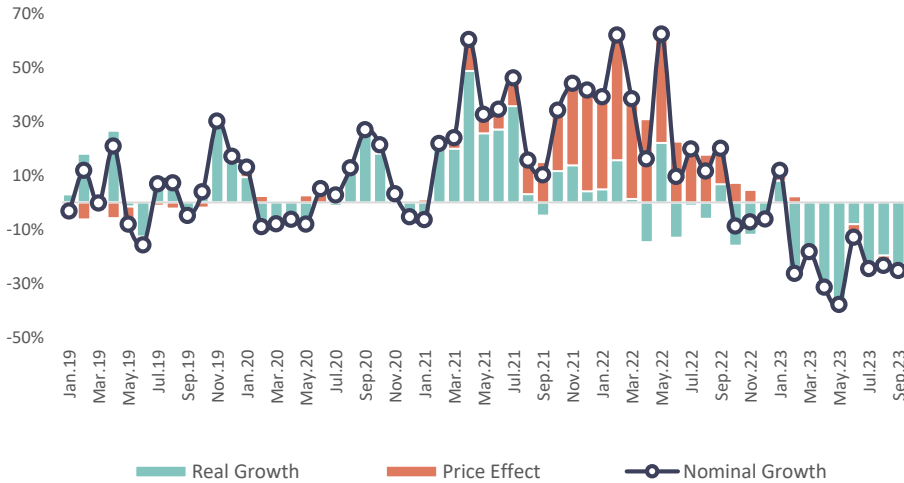
Inflation Decomposition by product group



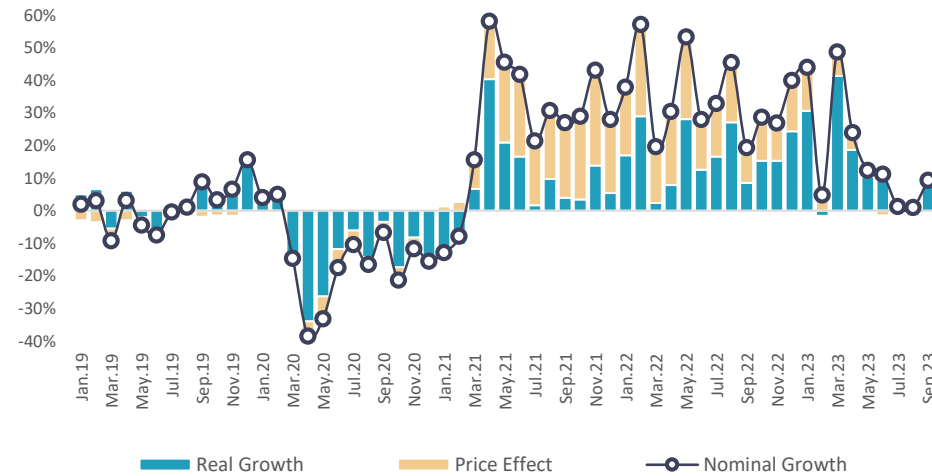
Source: Geostat, NBG, MOF

Trade Deficit increased by 16.4 percent annually

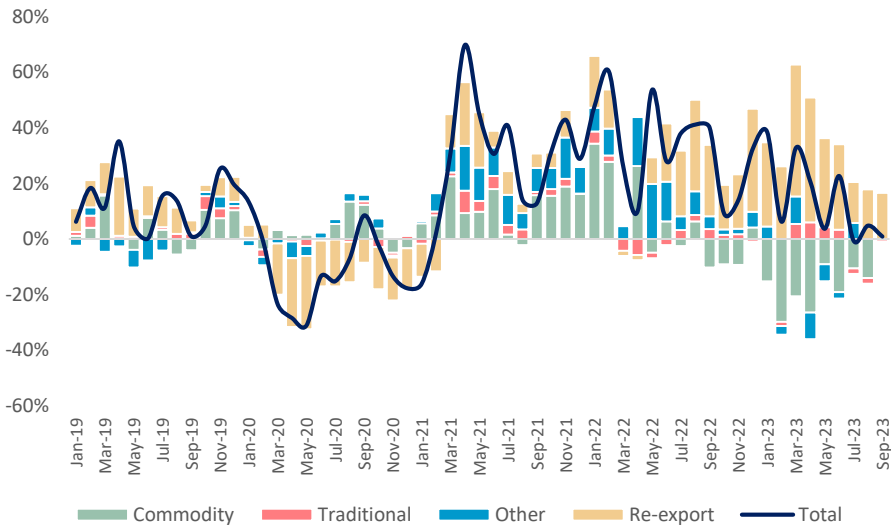
Change of Domestic Export, %y/y



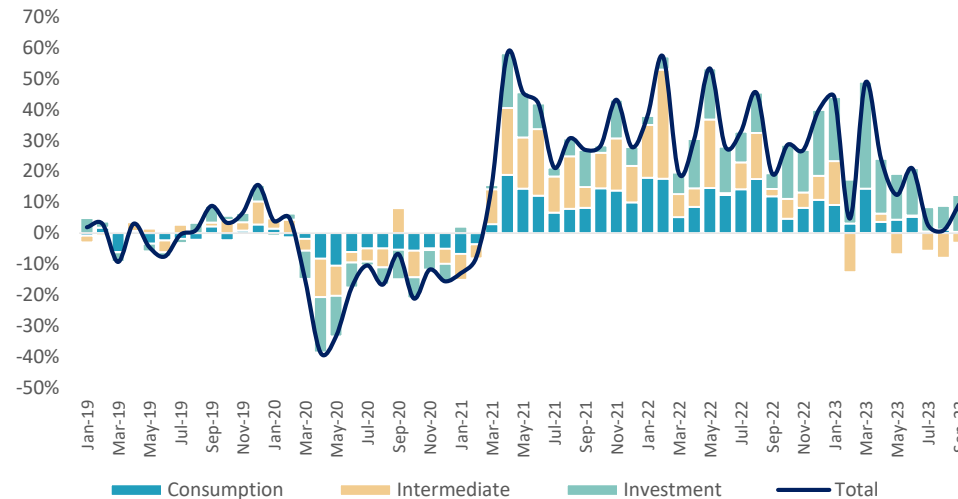
Change of Import, %y/y



Decomposition of Export



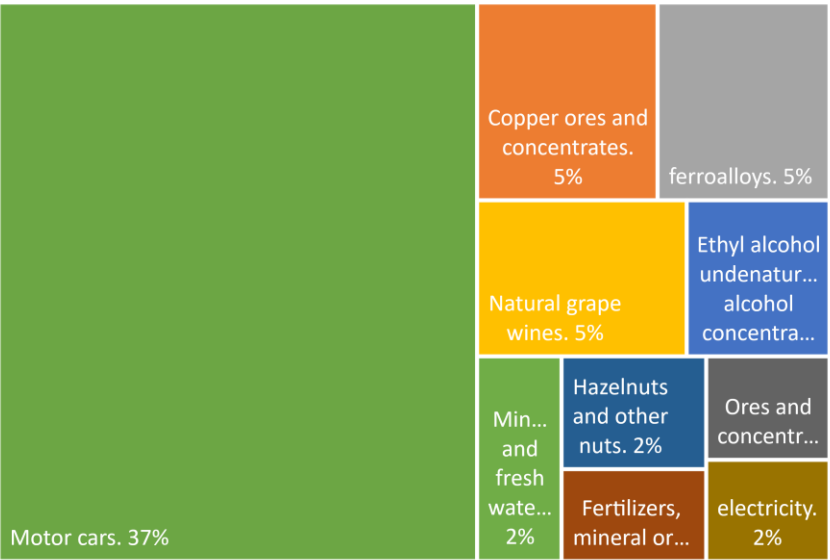
Decomposition of Change of Import, %y/y



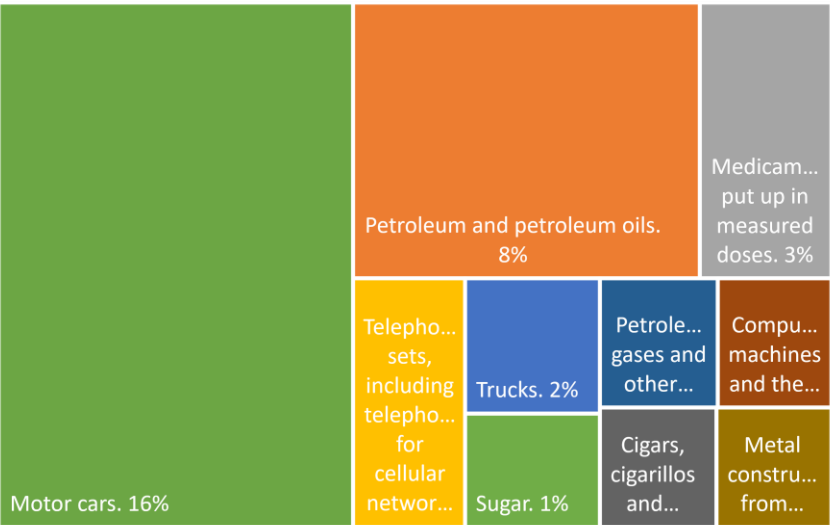
- Export increased annually by 0.9 percent to 528.0 million USD in September.
- Domestic export decreased annually by 25.3 percent to 242.2 million USD.
- Import annually increased by 9.2 percent to 1 241 million USD in September.
- Trade deficit annually increased by 16.4 percent to 713.3 million USD in September.
- Share of re-export in export growth is equal to 16.5 percent (43.4 %y/y), while share of commodity export is negative 14.1 percent (-49.2 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 11.9, 0.4 and -3.1 percent respectively.

International trade is characterized by stable diversification

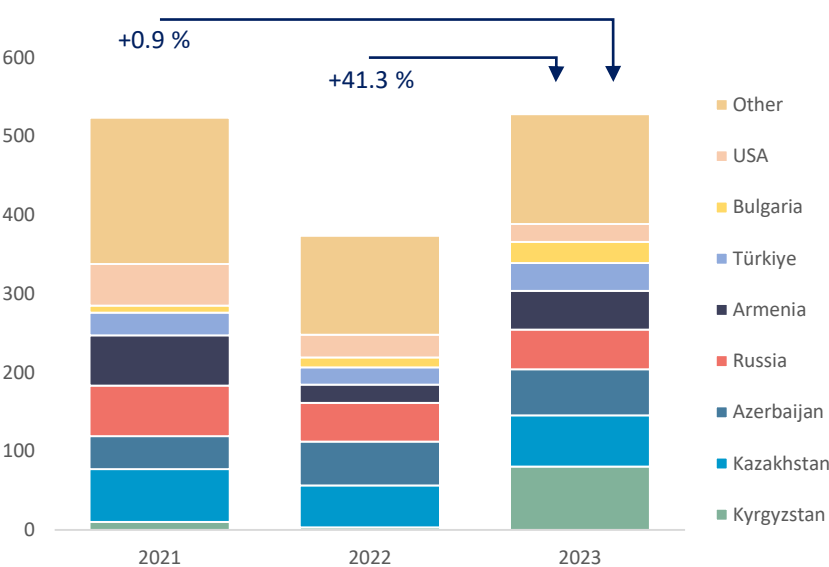
Top 10 Export goods, % of total Export



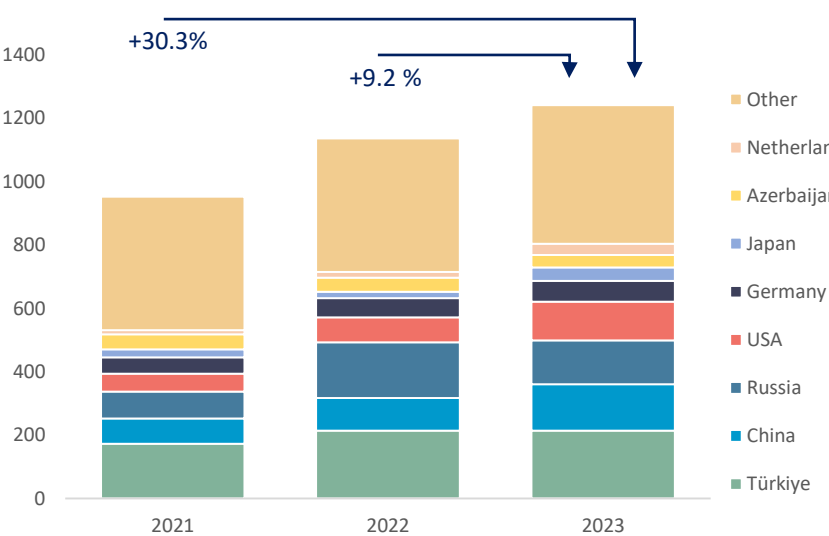
Top 10 Import goods, % of total Import



Export by country, September



Import by country, September



Top Export Products:

- Motor cars: 197.7 mln. USD – 37.4 percent of total exports.
- Copper ores and concentrates: 26.4 mln. USD – 5.0 percent.
- Ferroalloys: 25.1 mln. USD - 4.8 percent.

Top Import Products :

- Motor cars: 194.5 mln. USD – 15.7 percent of total imports.
- Petroleum and petroleum products: 100.1 mln. USD - 8.1 percent.
- Medicinal products packaged: 37.9 mln. USD - 3.1 percent.

Top Export Country:

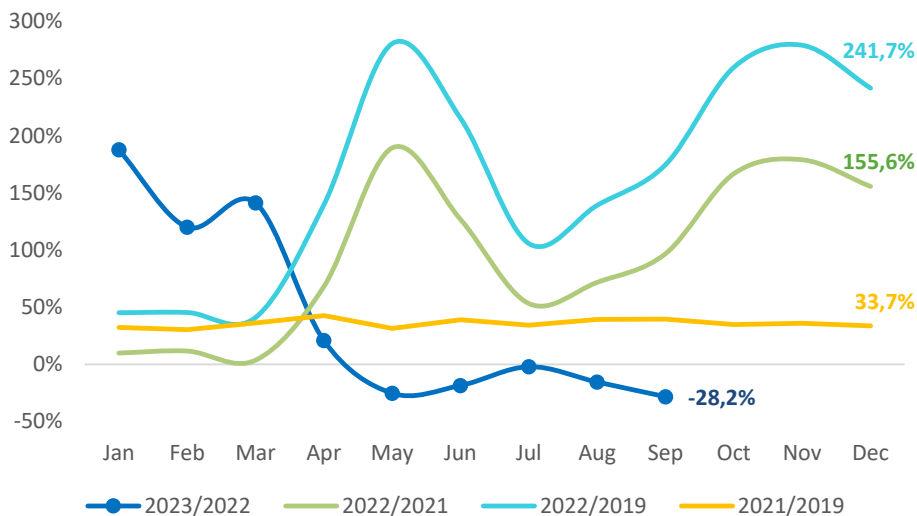
- Kyrgyzstan: 80.6 mln. USD, - 15.3 percent.
- Kazakhstan: 64.9 mln. USD - 12.3 percent.
- Azerbaijan: 58.7 mln. USD - 11.1 percent.

Top Import Country :

- Turkey: 214.2 mln. USD, - 17.3 percent.
- China: 146.3 mln. USD - 11.8 percent.
- Russia: 138.5 mln. USD - 11.2 percent.

Net Remittances decreased by 28.2 percent in September 2023

Net Remittances

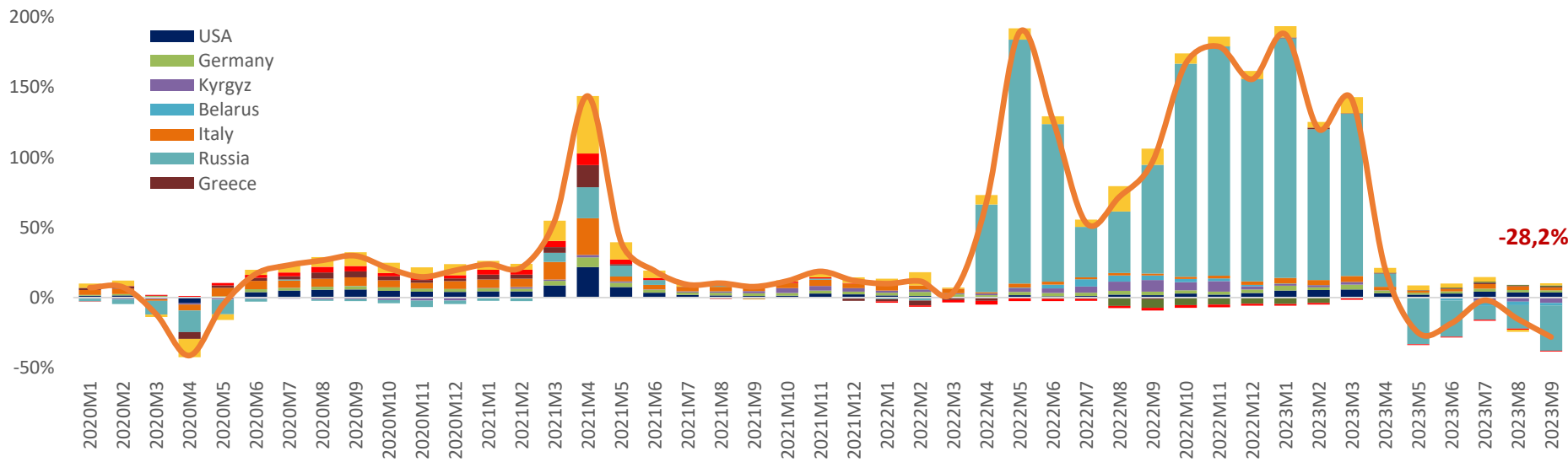


Net Remittances, September 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	56.1	-67.2	-32.3
Italy	42.3	19.1	1.9
USA	39.9	46.9	3.6
Germany	20.3	35.3	1.5
Greece	19.0	13.8	0.6
Kazakhstan	17.3	90.1	2.3
Other	60.0	-25.7	-5.8

- In September 2023, net remittances were estimated at 255 million USD, representing a 28.2 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 97.2 percent.
- Net Remittances increased from:
 - Iraq: 545.9 percent (contributing 0.5 pp to total growth).
 - Jordan: 497.5 percent (0.3 p.p. contribution to total growth).
 - Ireland: 93.9 percent (contributing 0.6 pp to total growth).
 - USA: 46.9 percent (contributing 3.6 pp to total growth).
- Net Remittances decreased from:
 - Armenia: -93.4 percent (-5.1 pp contribution to total growth)
 - Russia: -67.1 percent (-32.3 pp contribution to total growth).

Net Remittances by country, %y/y

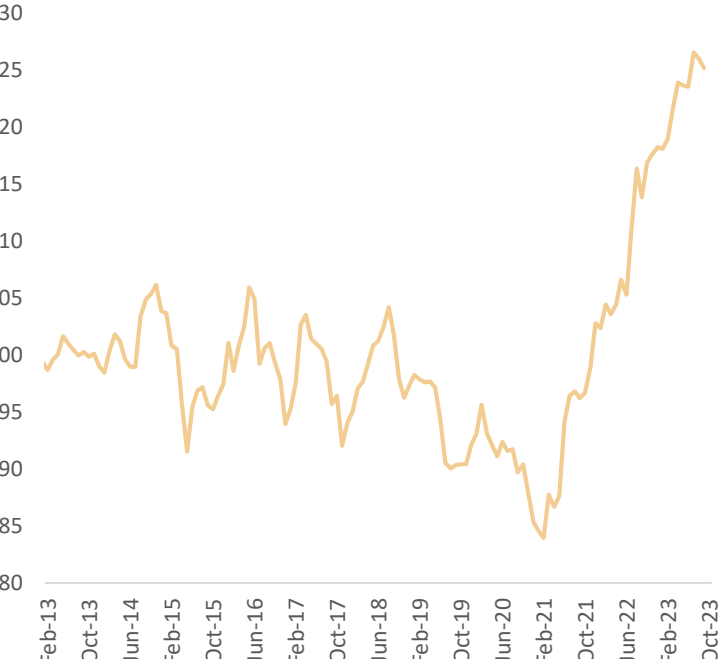


Real Effective Exchange Rate in September Appreciated by 10 percent Annually

NEER: 2013 = 100

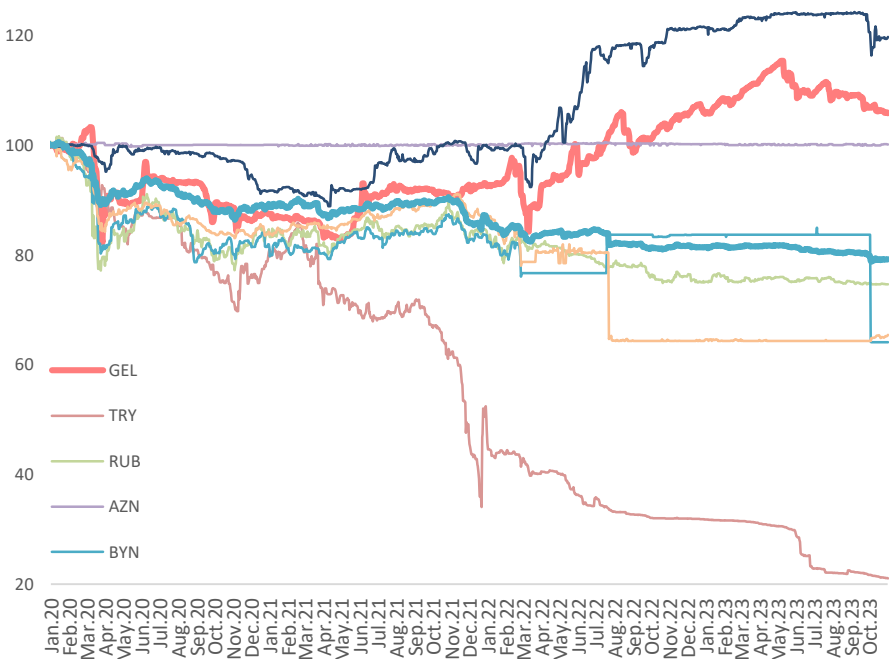


REER: 2013 = 100



USD Exchange Rates

October 31, 2023



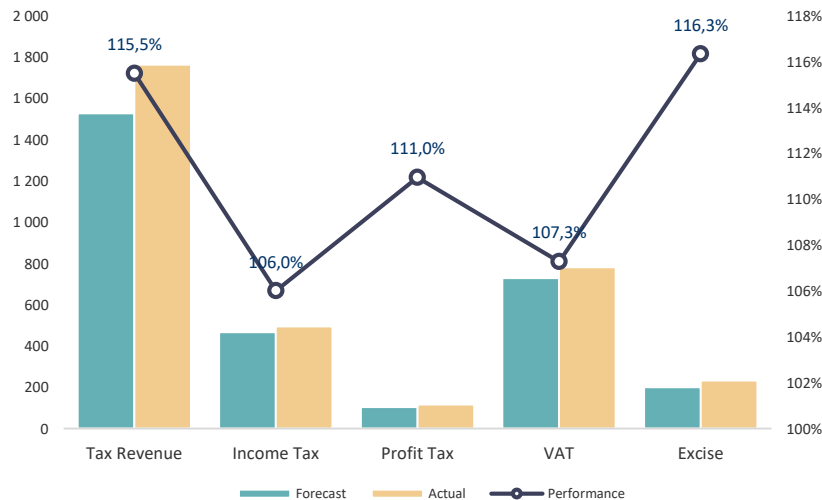
Note: Increase means appreciation

	November 1, 2023		Nov 1, 2023 - Jan 1, 2023		Nov 1, 2023 - Jan 1, 2022
Euro	2.8877	▼	-0.1%	▲	21.2%
US Dollar	2.7079	▼	-0.2%	▲	14.1%
Turkish Lira	0.0957	▲	50.8%	▲	428.1%
Russian Ruble	0.0294	▲	25.0%	▲	30.6%
NEER	185.96	▲	13.0%	▲	41.8%
REER (September 2023)	153.90	▲	6.0%	▲	21.8%

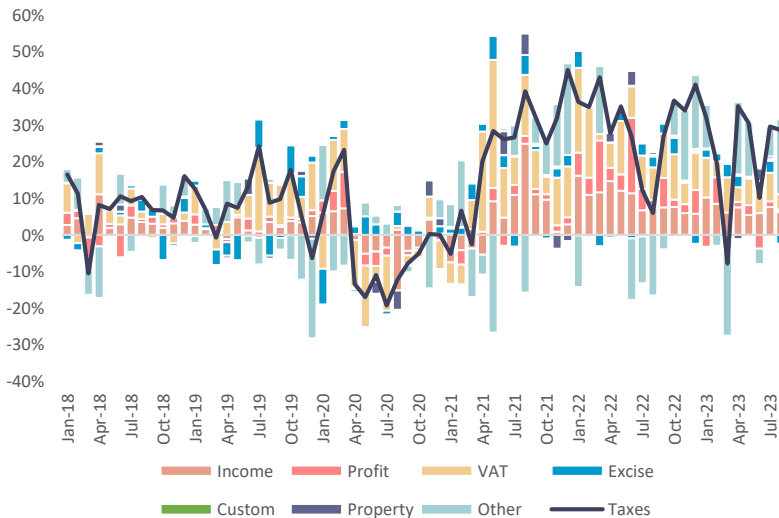
Source: NBG

Tax revenues in October is above the forecast value by 15.5 percent

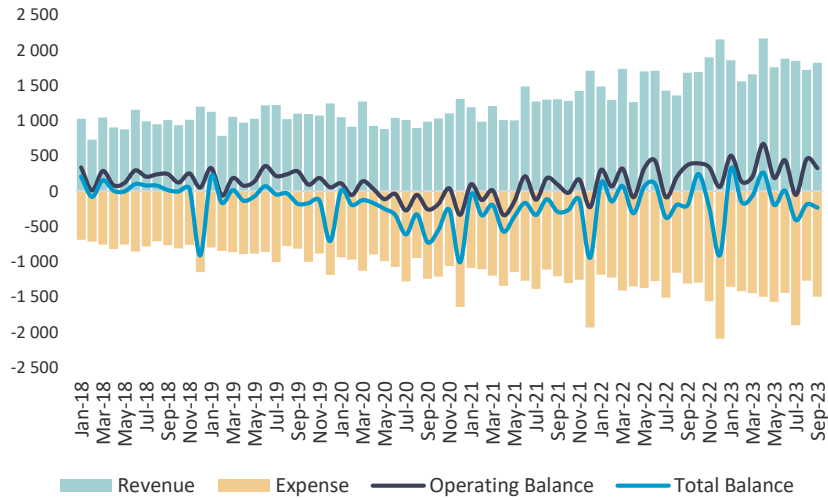
Budget Revenue Performance, October 2023



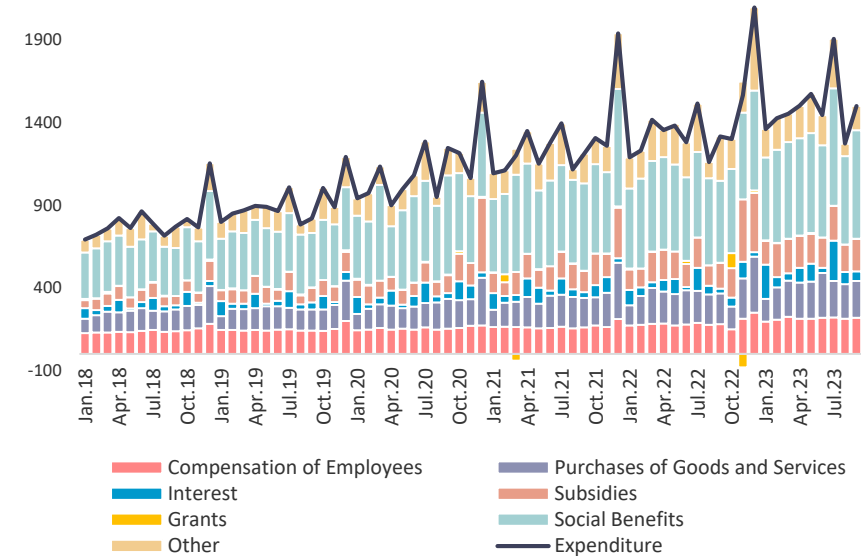
Tax Income, % y/y



Consolidated Budget, mln GEL



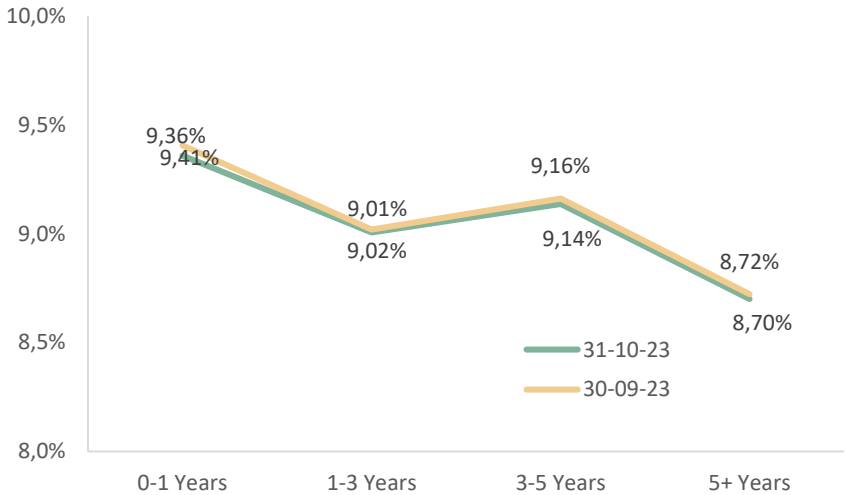
Consolidated Budget Expenditure, mln GEL



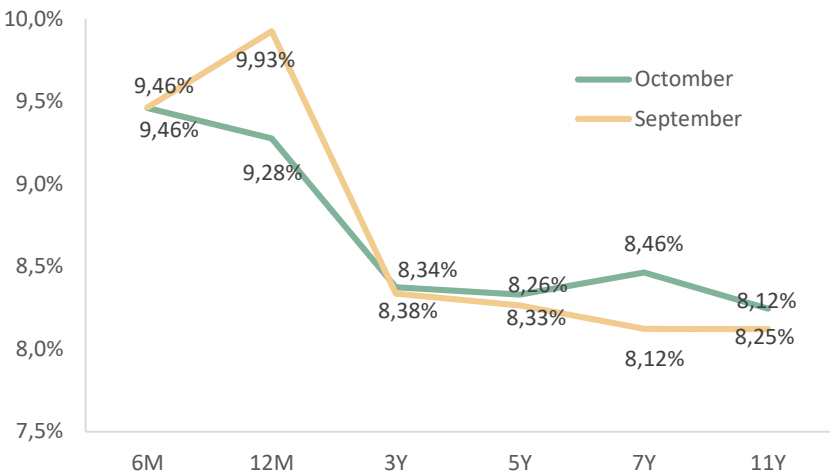
- The actual level of tax income in October 2023 was 1,766 mln GEL, which is above the forecasted value by 15.5 percent.
- Consolidated budget revenues increased by 8.4 percent and expenditures increased by 14.0 percent in September.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 325.1 million GEL, while the total balance was set at negative 233.8 million GEL.
- Revenue from taxes had a significant impact on revenue from Income and profit tax in September, accounting for 4.5 and 1.7 percent of total growth, respectively.

Structure of the Securities Portfolio has Undergone Slight Changes

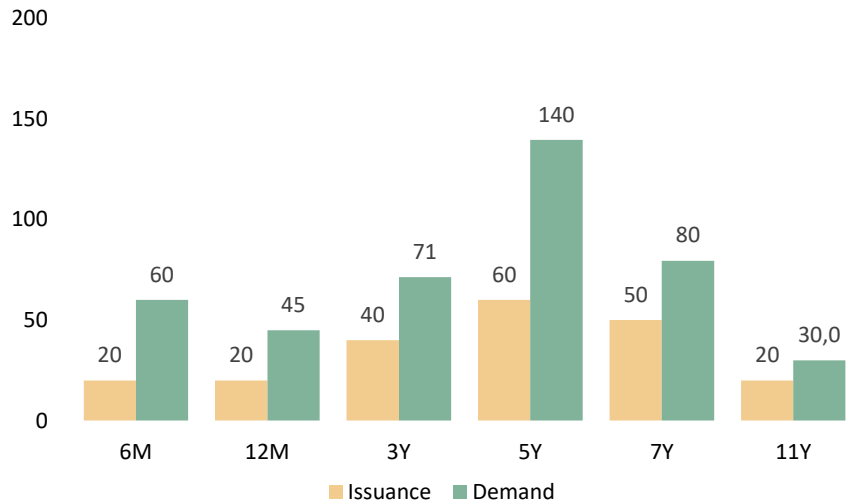
Portfolio Yield Curve



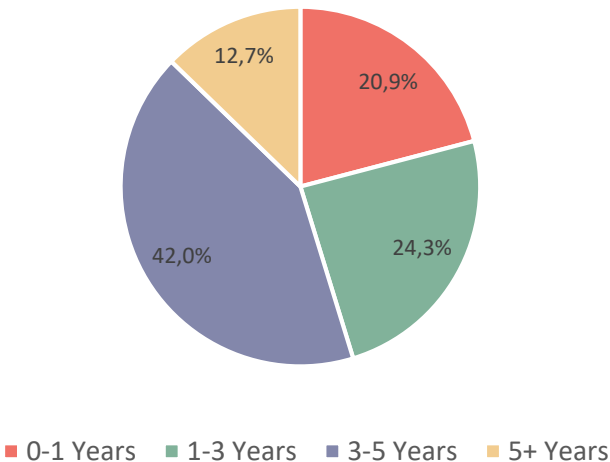
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



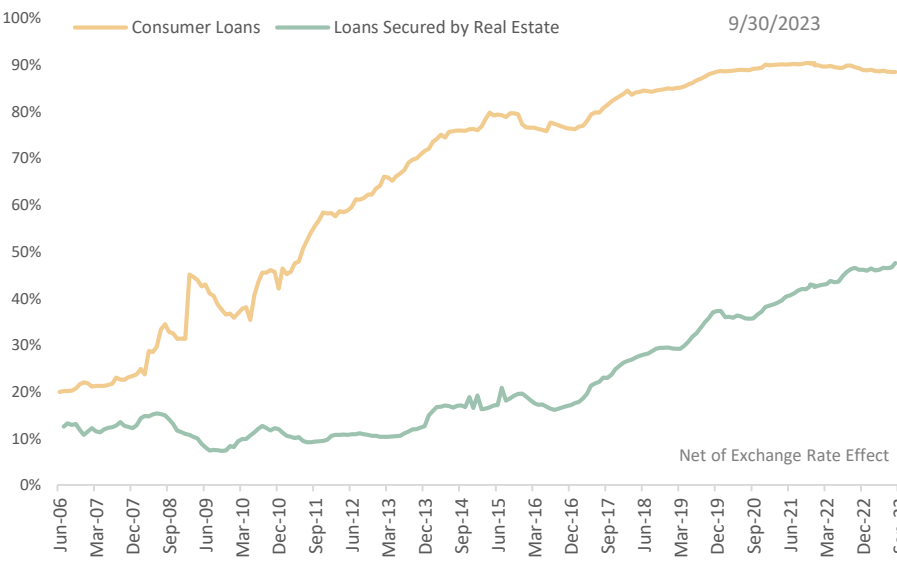
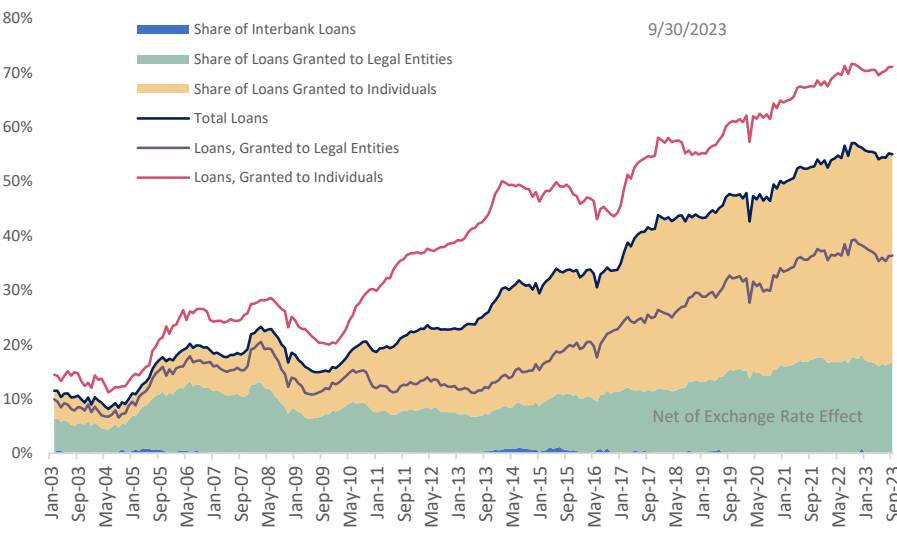
Portfolio by Residual Maturity, October 31, 2023



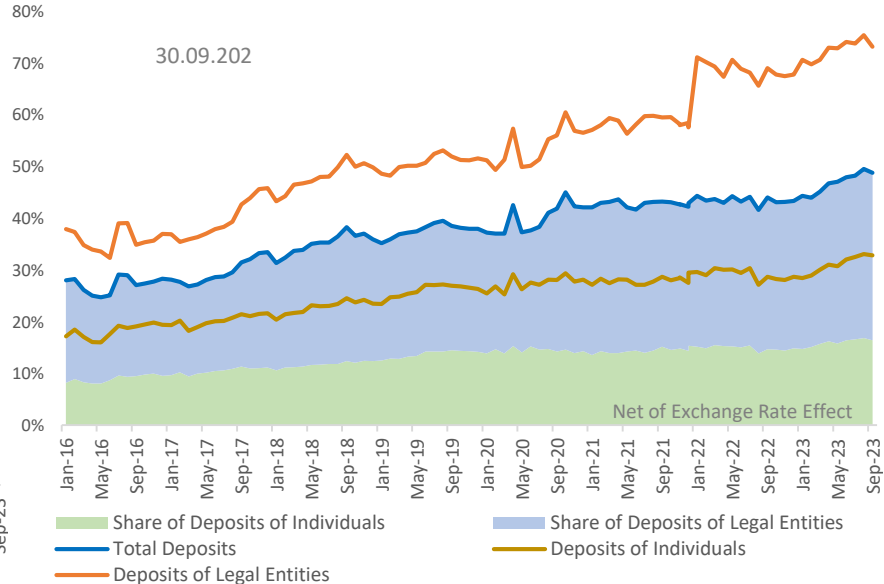
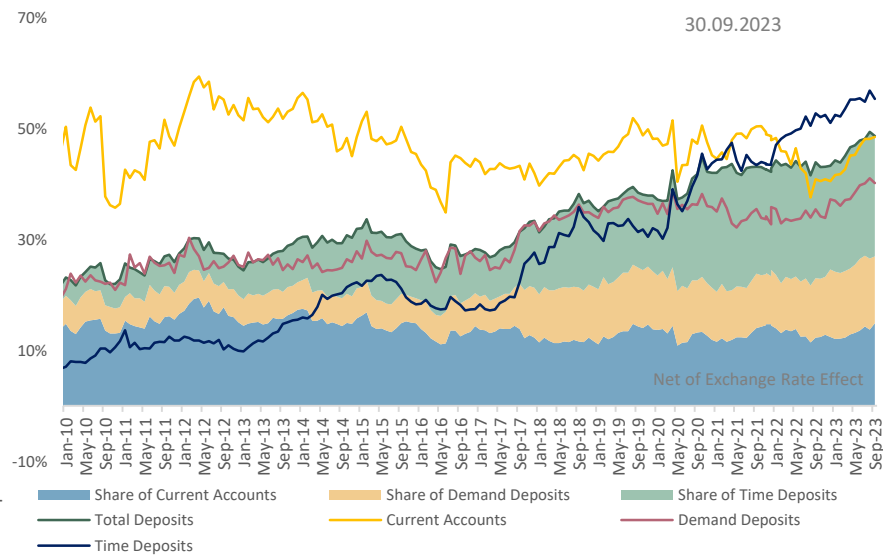
- In October 2023, 6 auctions were held with the total issuance volume of 214.85 million GEL. One buyback auction was held during the month.
- The weighted average interest rate amounted to 8.55%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 80 million GEL were redeemed.
- As of October 31, 2023 around 42% of the treasury securities portfolio (In September it was 41%) is composed of the securities whose maturity date is due for the next 3-5 year. The medium-term state financials securities (with duration 1-3 years) have also a sizable share (at around 24%) in the total portfolio. The later was 28% in the previous period (September).
- The Bid-to-cover ratio decreased compared to the previous month's value (September 1.58) and amounted to 2.03.

Most of Larization Indicators Continue Rising

Loan Larization



Deposit Larization

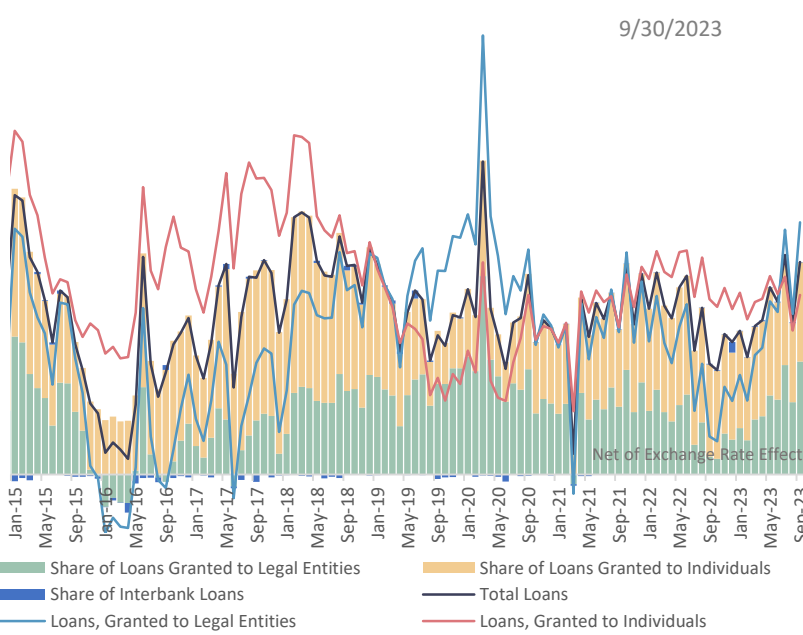


- As of September 30, 2023, the larization of total loans is 55 percent.
- The larization of loans to individuals is 71 percent.
- The larization of the loans to legal entities amounted to 36.3 percent.
- The larization of the total deposits equals to 48.7 percent.
- The larization on the deposits of legal entities amounted to 73.1 percent.
- The larization of the deposits of individuals is 32.8 percent.
- The larization of time deposits is 55.4 percent.
- The larization of current accounts equals to 48.6 percent.
- The larization of the demand deposits is 40.2 percent.

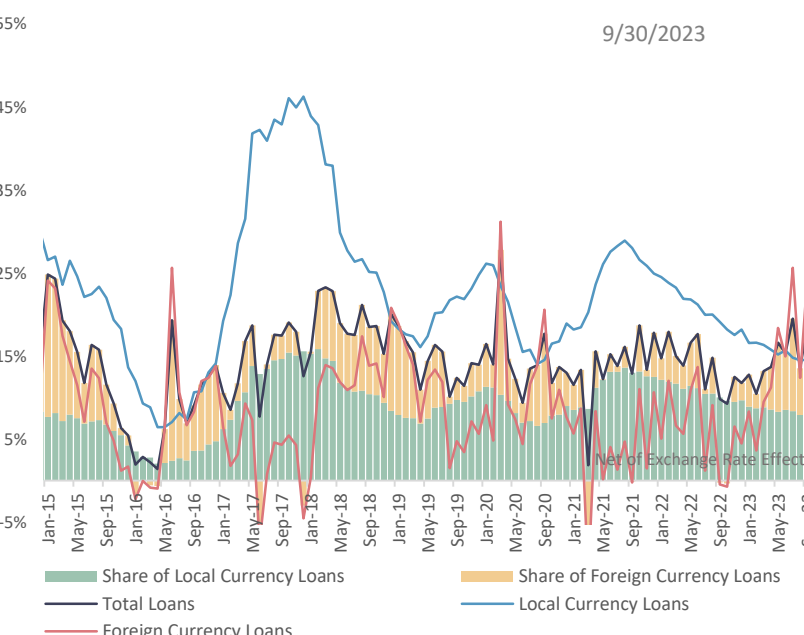
Source: NBG

Annual Growth Trends of Loans Have Improved

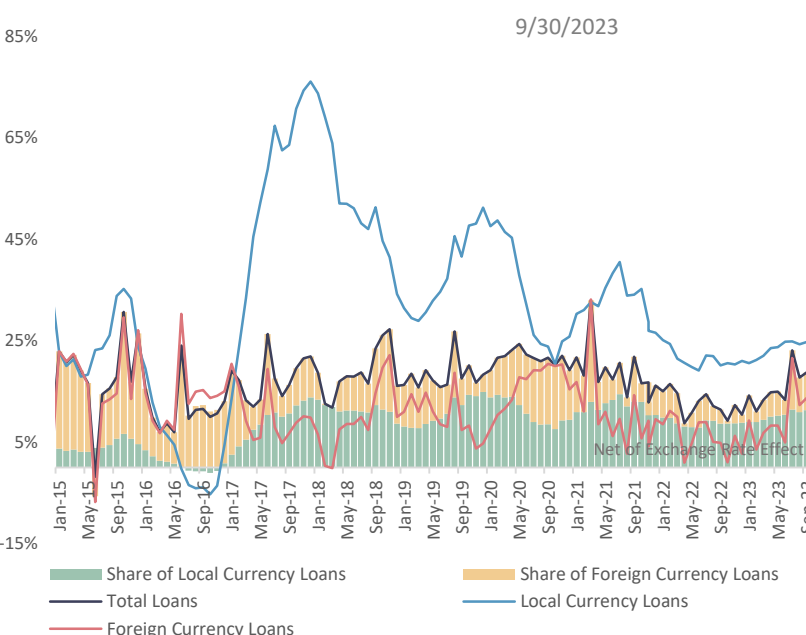
Loans Growth Rates, % y/y



Loans by Currency, % y/y



Mortgage Loans, % y/y

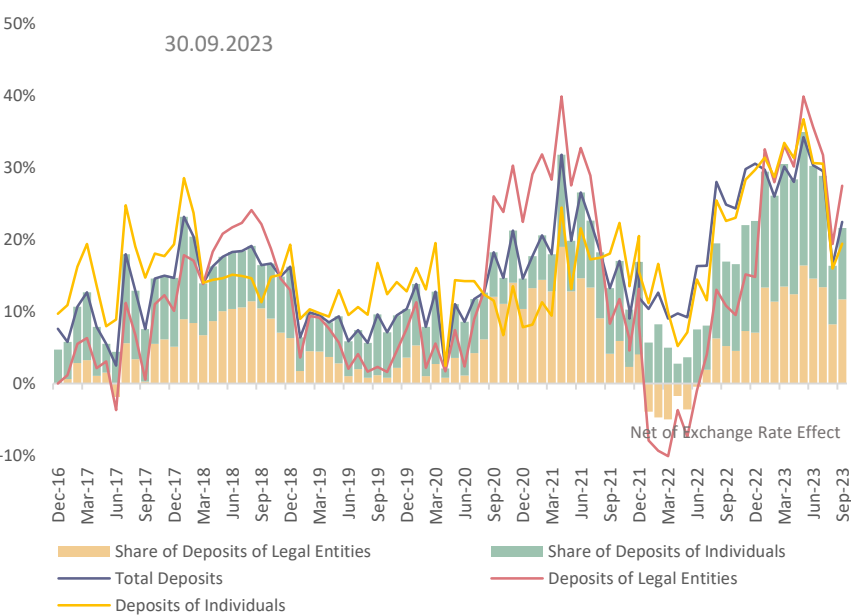


- As of September 30, 2023, the total loans increased by 18.9 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 22.4 percent.
- The annual growth of loans to individuals is 16 percent.
- As of September 30, 2023, the growth rate of the loans denominated in the national currency amounted to 14.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 24.6 percent.
- As of September 30, 2023, the annual growth of loans secured by real estate amounted to 18.7 percent. At the same time, the mortgage loans denominated in national currency increased by 24.7 percent, while the mortgage loans denominated in the foreign currency increased by 13.7 percent.

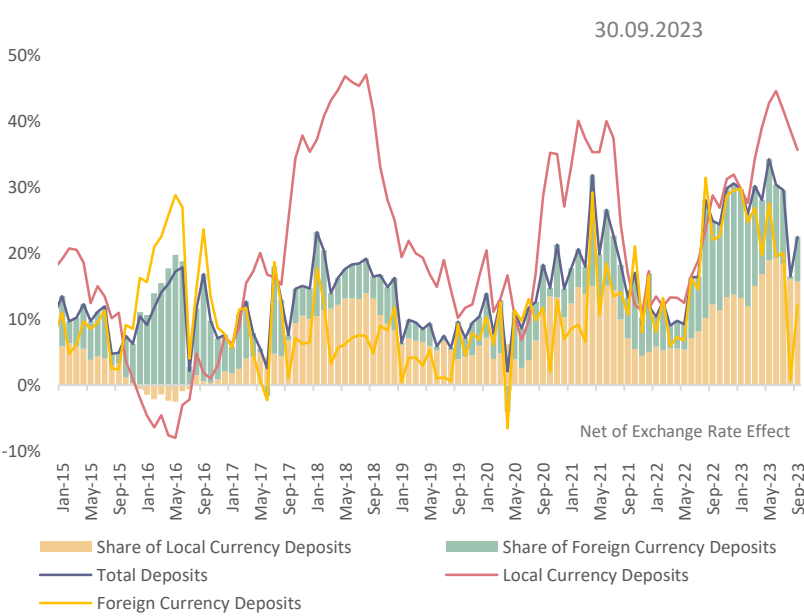
Source: NBG

Annual Growth Rates of Deposits Have Improved

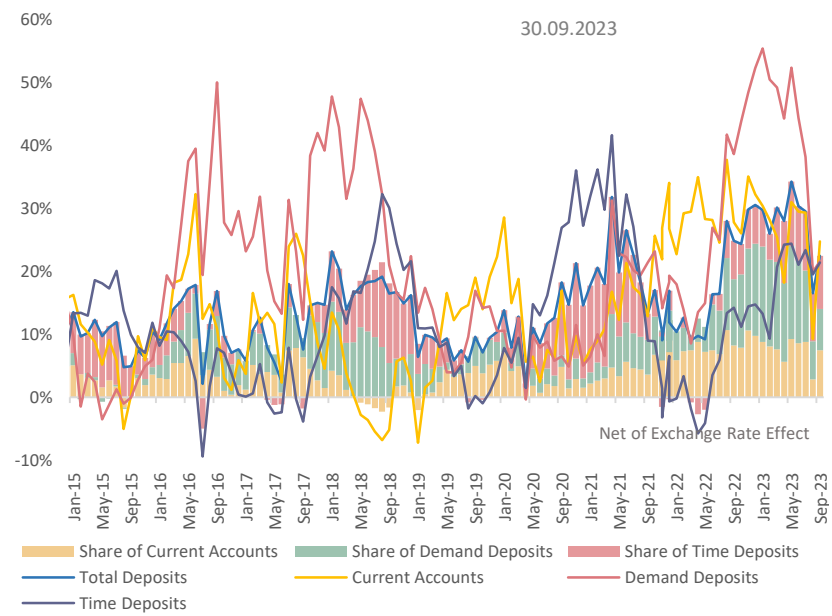
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



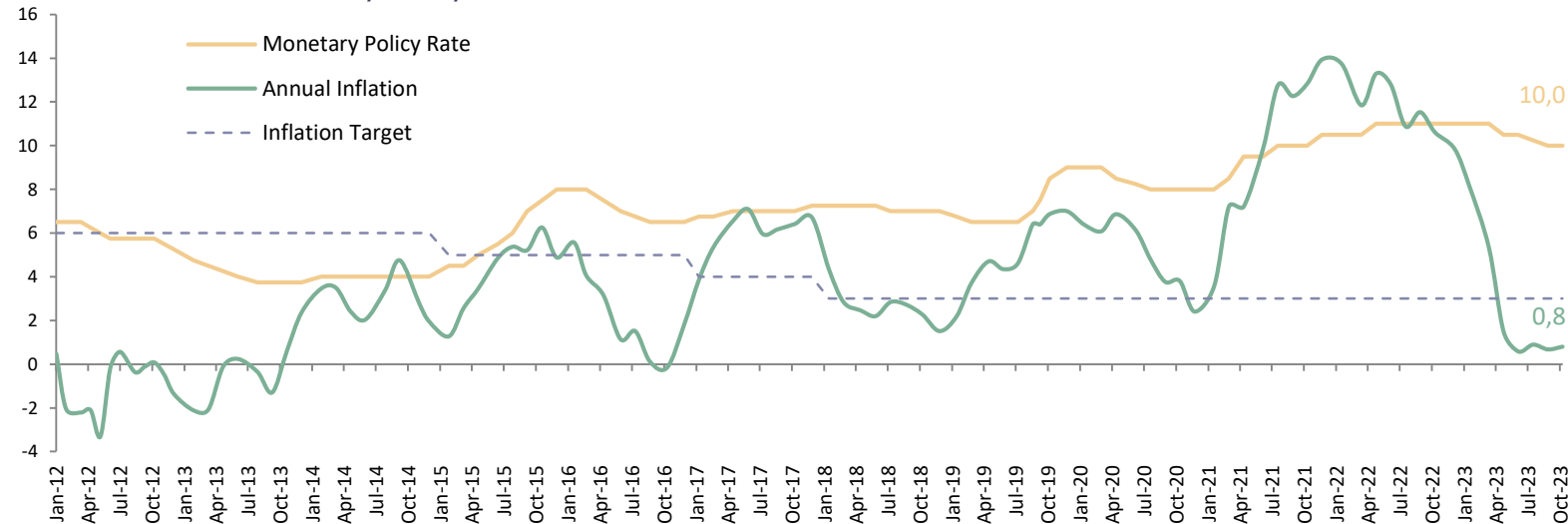
Deposits by Type, % y/y



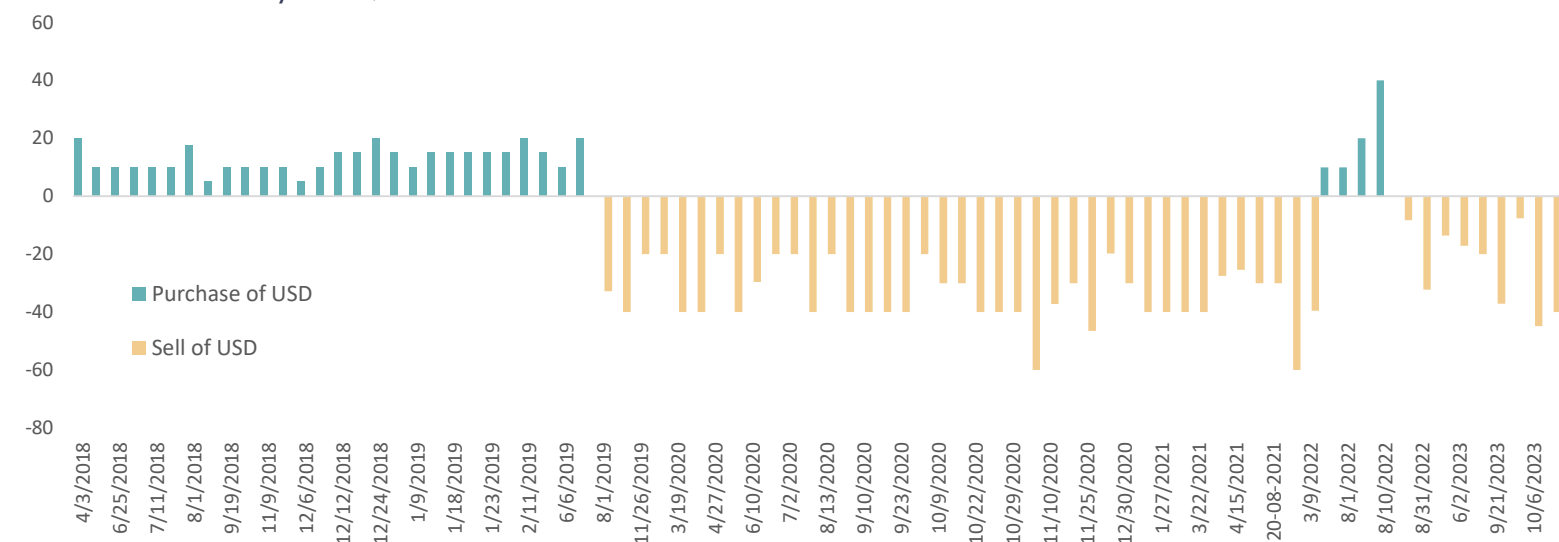
- As of September 30, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 22.5 percent.
- The annual growth of the deposits denominated in the national currency amounted to 35.7 percent. The annual growth of the deposits denominated in foreign currency stood at 12.1 percent over the same period.
- The growth of deposits of individuals amounted to 19.4 percent, while the annual growth of deposits of legal entities in the same period amounted to 27.5 percent.
- The annual growth of current accounts at the beginning of October, 2023, was equal to 24.7 percent.
- The annual growth of the time deposits was 21.4 percent.
- The growth of the demand deposits amounted to 21.6 percent.

The National Bank of Georgia Reduced the Monetary Policy Rate to 10.0 percent

Inflation and Monetary Policy Rate



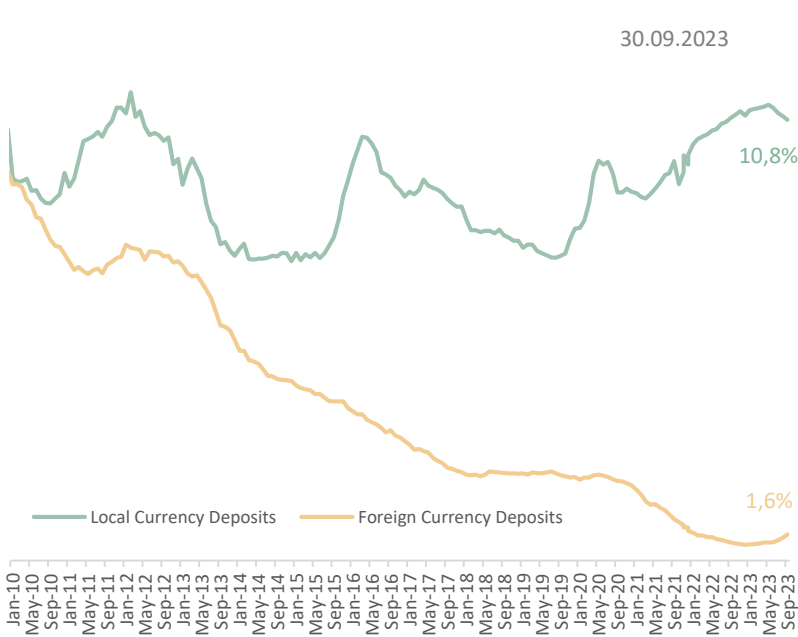
Trade of USD by NBG, mln USD



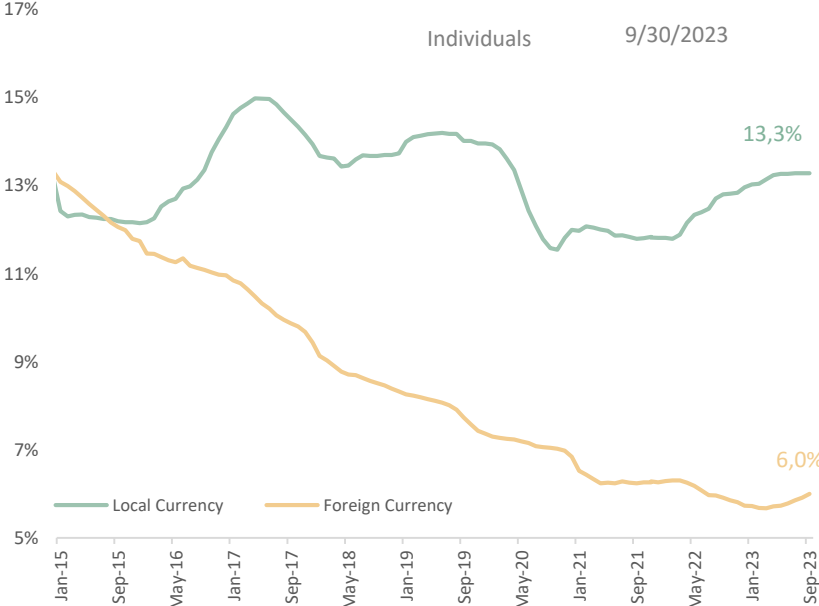
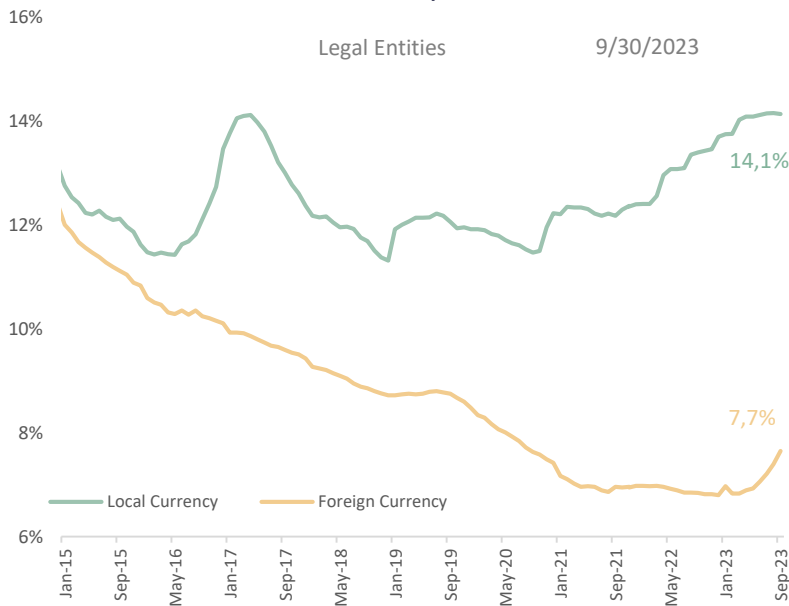
- On October 25, 2023, the Monetary Policy Committee of the National Bank of Georgia decided not to change the refinancing rate and determined it at 10.0 percent level.
- Per the NBG, inflation is less than the target one (3 percent). Besides, the role of the external factors in formation of inflation has reduced significantly. Recently, there have appeared signs of price stabilization on international commodity markets. At the same time, the international shipping costs continue to decrease at a rapid pace, which are reflected in import prices. In Georgia, the inflation has already retreated from its peak and fell below the target inflation at 0.8 percent in October, is now on a downward path. It is expected that given the appreciated Georgian Lari, the aforementioned global trends will be gradually transmitted to the local markets, helping to further reduce inflation. In spite of the tendencies mentioned above, the risks of inflation rising remain at the high level that, with the existing strain geopolitical situation, pushes the NBG to loose the monetary policy at a slower pace.
- The next meeting of the Monetary Policy Committee will be held on December 18, 2023.
- The NBG has made the foreign exchange interventions through the auctions during October, 2023. The NBG totally sold 84.9 million USD.

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

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of October 1, 2023, the interest rate on foreign currency deposits was 1.6 percent, and in national currency – 10.8 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.8 percent, and in foreign currency – 2.4 percent.
- The average annual interest rate on deposits by individuals is 1.5 percent for foreign currency deposits and 10.9 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 15.4 percent (17.4 percent in national currency and 5.9 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.3 percent (17.4 percent in national currency and 7.6 percent in foreign currency).
- At the end of September, 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.7 percent, and in the foreign currency 9.3 percent. The interest rate on the loans to individuals in the national currency was 13.1 percent, and in foreign currency 7.1 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.

Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: info@mof.ge; www.mof.ge



MINISTRY OF FINANCE
OF GEORGIA