



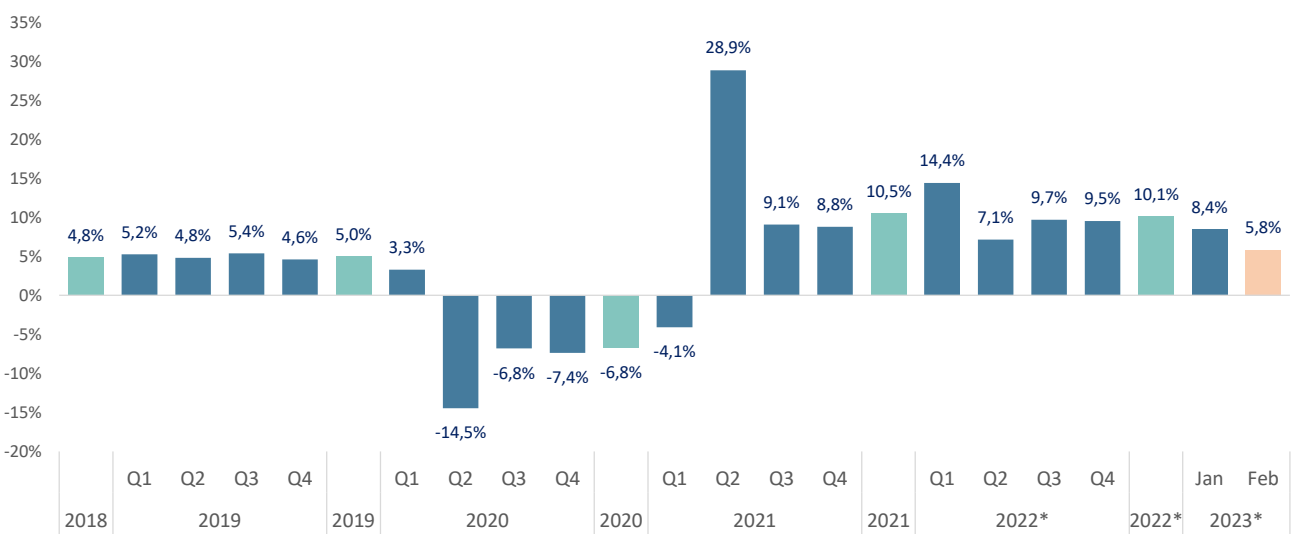
# Current Economic Outlook

March, 2023

- In February 2023, the real GDP growth rate was 5.8 percent and average growth rate of the first two months of 2023 was 7.1 percent, according to the preliminary estimates of the National Statistics Office.
- In March, annual inflation stood at 5.3 percent, while core inflation was 5.0 percent
- In February, exports increased by 6.3 percent year-on-year and imports decreased by 5.4 percent year-on-year, decreasing the trade deficit by 13.9 percent year-on-year to 508 million USD
- For February, the real effective exchange rate appreciated by 13.9 percent compared to the same period of the previous year and by 0.7 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

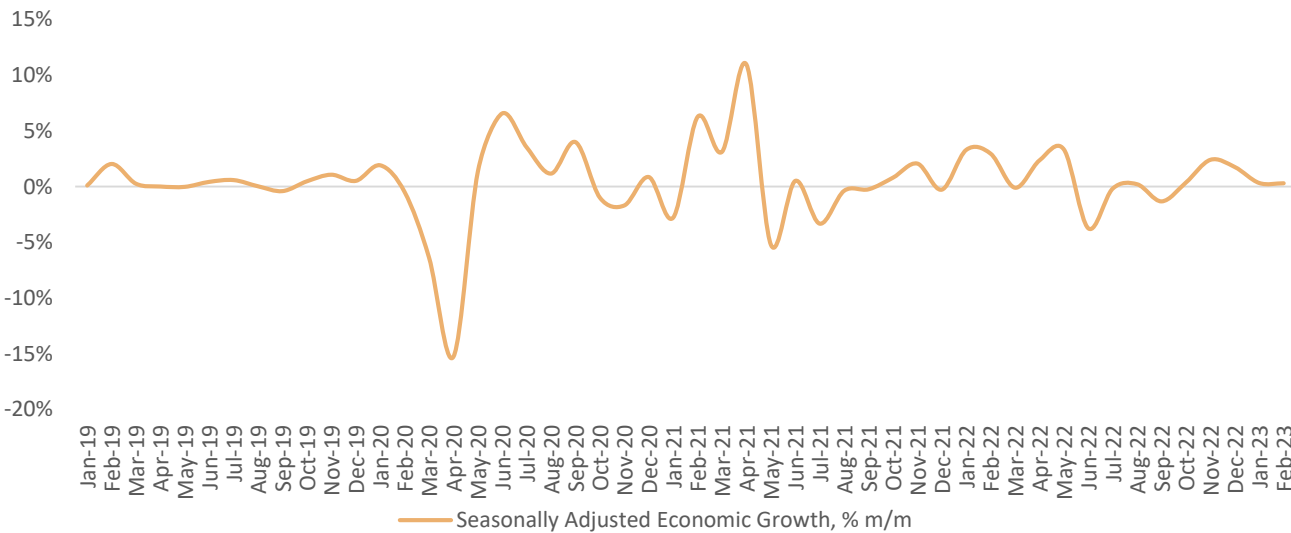
# Economic Growth in February was equal to 5.8 percent

Economic Growth, % y/y

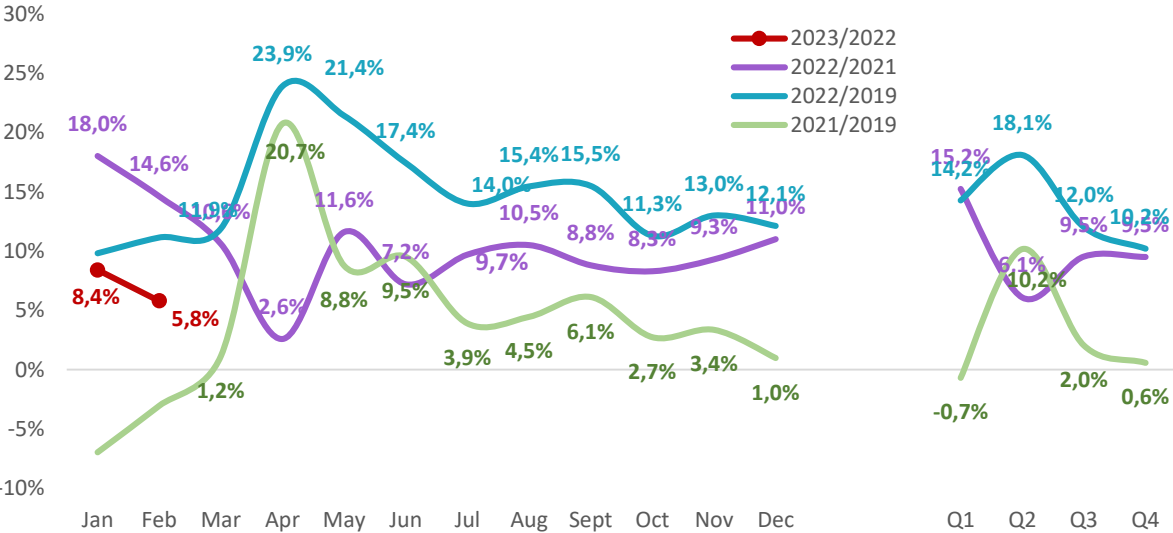


- Estimated real GDP growth rate in February 2023 equaled 5.8 percent YoY and average annual real GDP growth rate for 2022 equals to 10.1 percent.
- In February 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, finance and insurance Activities, trade, transport and warehousing.
- A decline was registered in the fields of manufacturing industry, real estate, in the sectors of professional, scientific and technical activities.

Economic Growth, % m/m

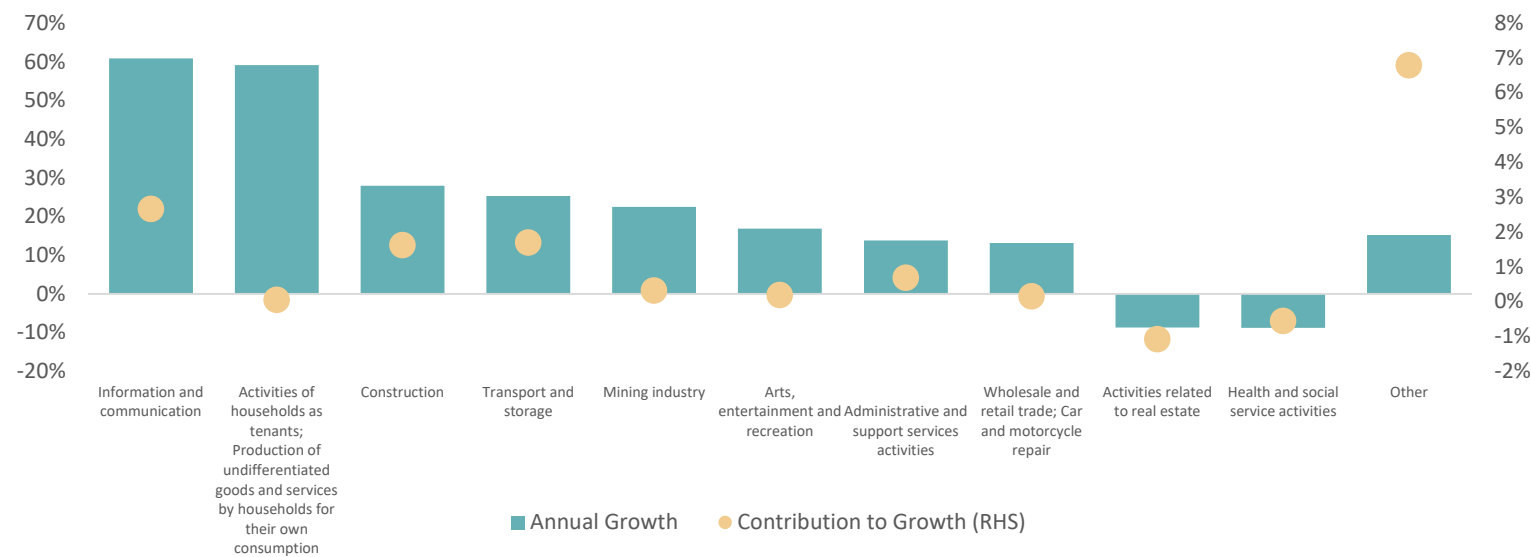


Economic Growth, 2023-2019



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

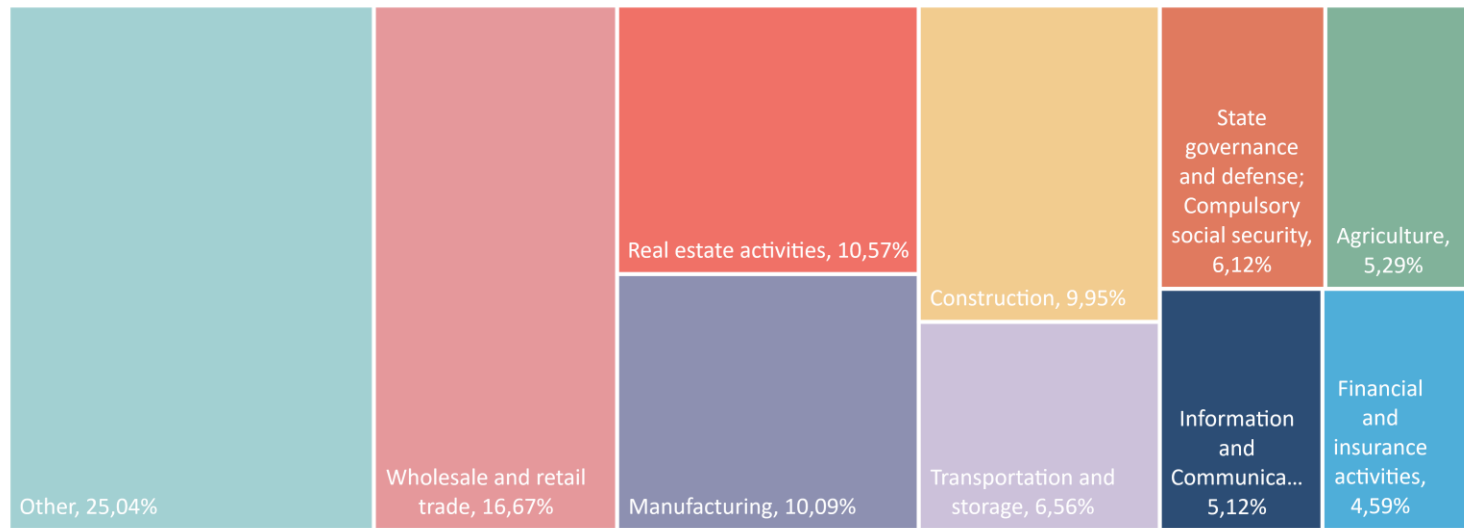
Real GDP growth by economic activity, 2022 IV Quarter



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.)

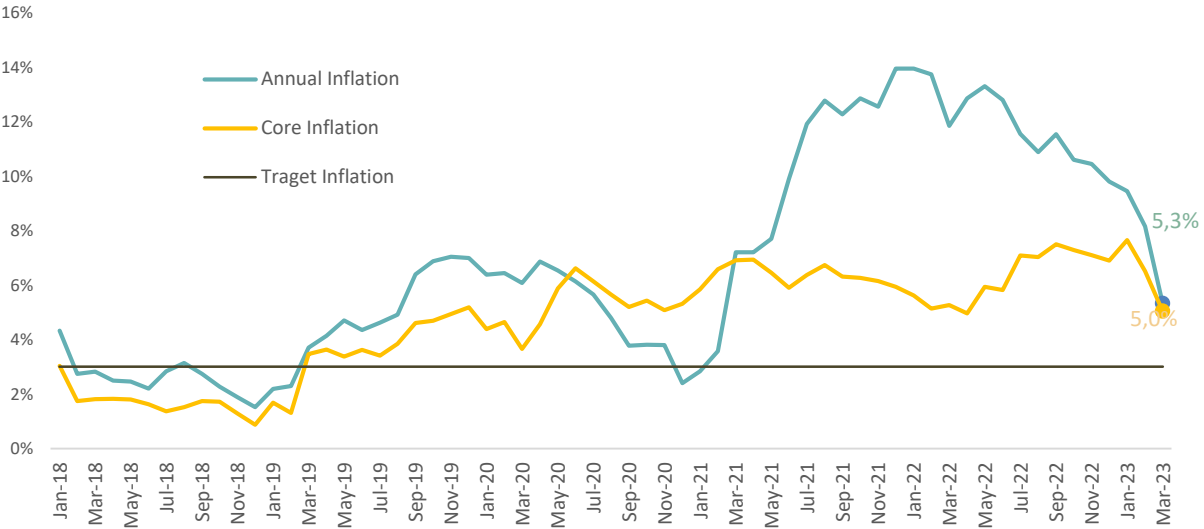
GDP by economic activity, 2022 IV Quarter



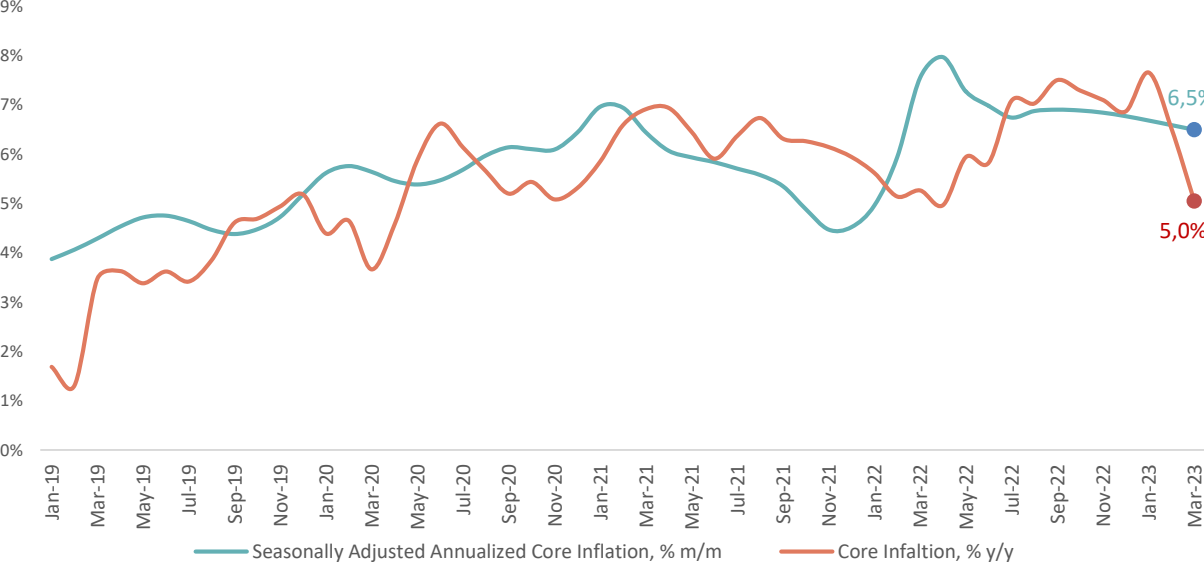
- The following sectors made a significant contribution to the decrease:
  - Real estate-related activities: -8.7 y/y (-1.1 p.p.)
  - Health care and social service activities: -8.8 y/y (-0.6 p.p.)

# Annual inflation in March has reached 5.3 percent

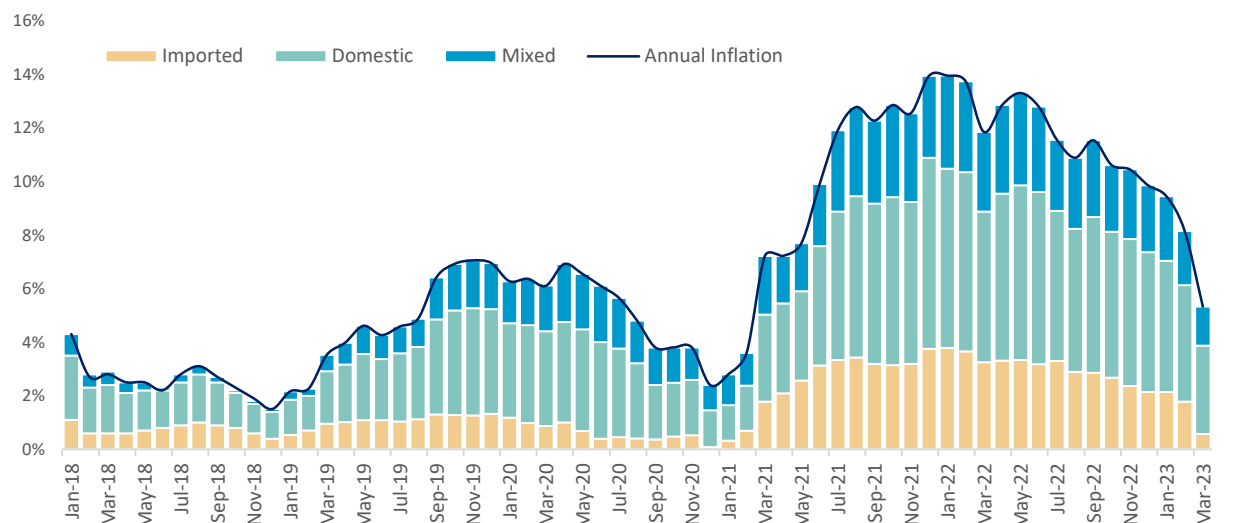
Total and Core Inflation, % y/y



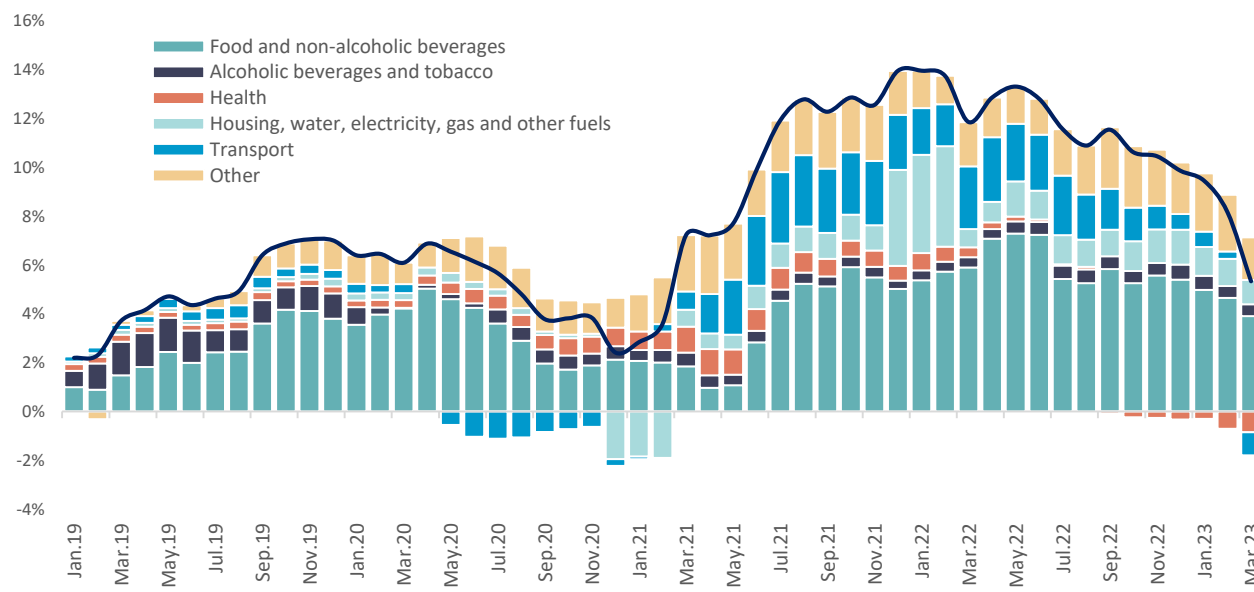
Core Inflation, % m/m



Inflation Decomposition



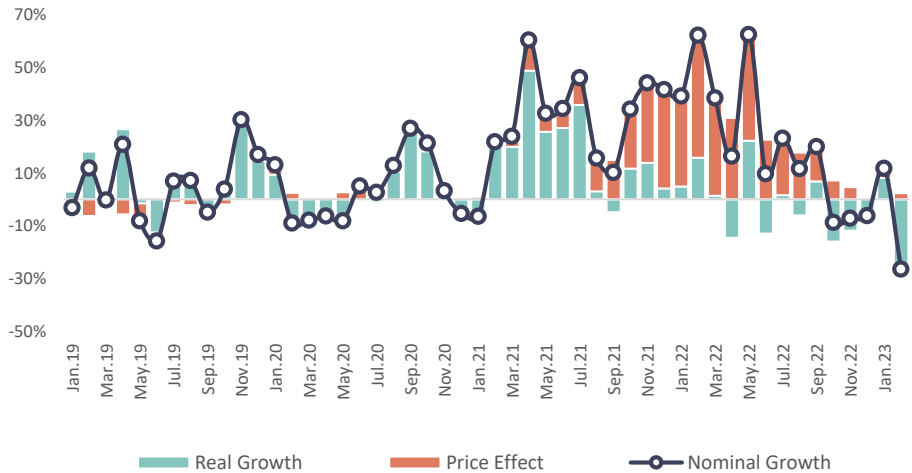
Inflation Decomposition by product group



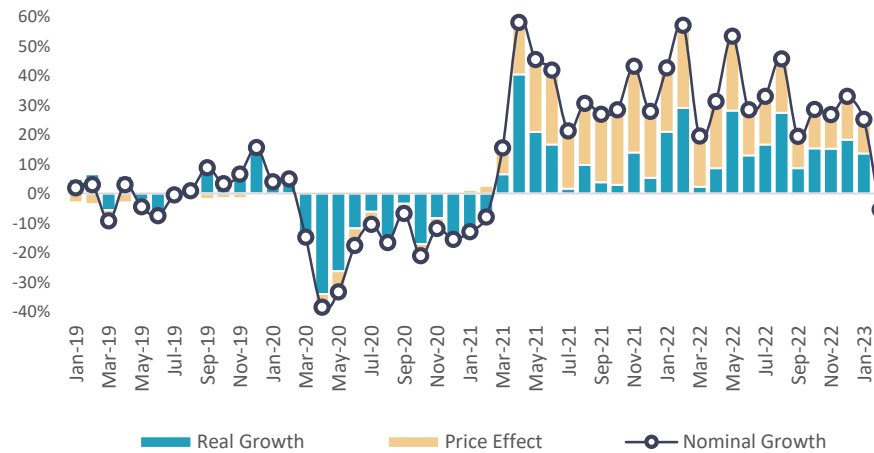
Source: Geostat, NBG, MOF

# Trade Deficit decreased by 13.9 percent annually

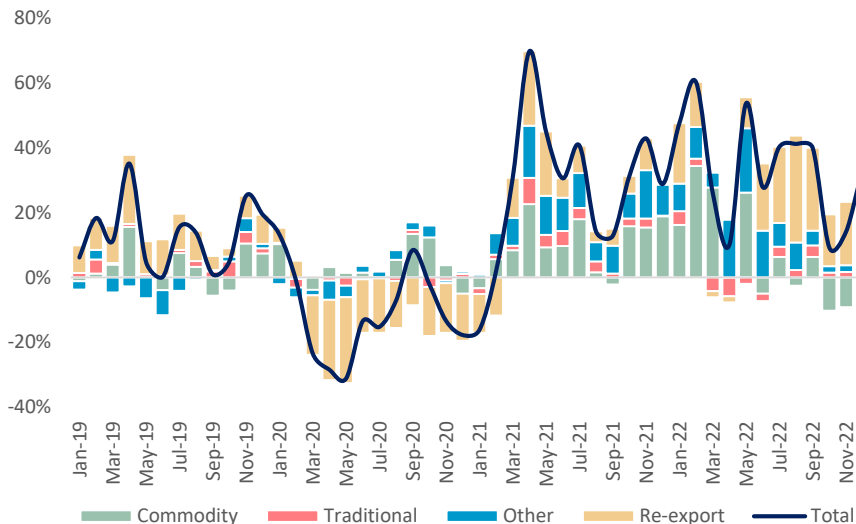
## Change of Domestic Export, %y/y



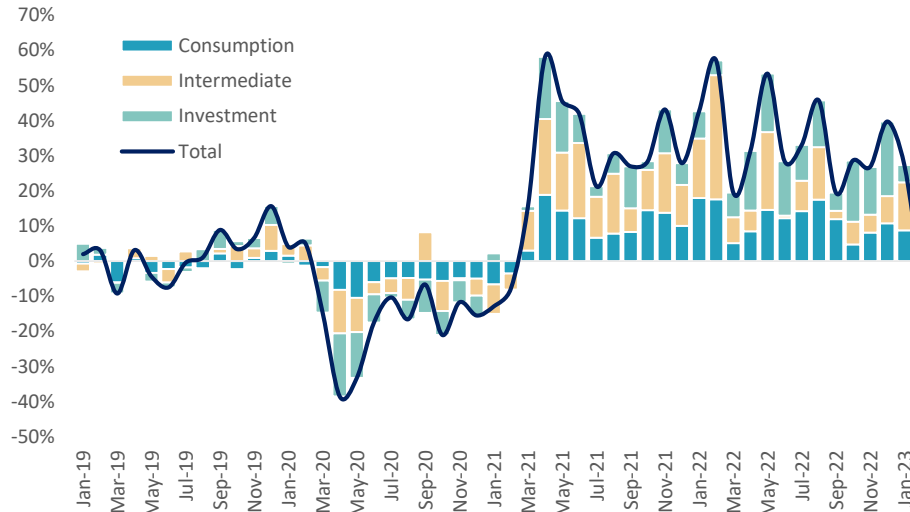
## Change of Import, %y/y



## Decomposition of Export



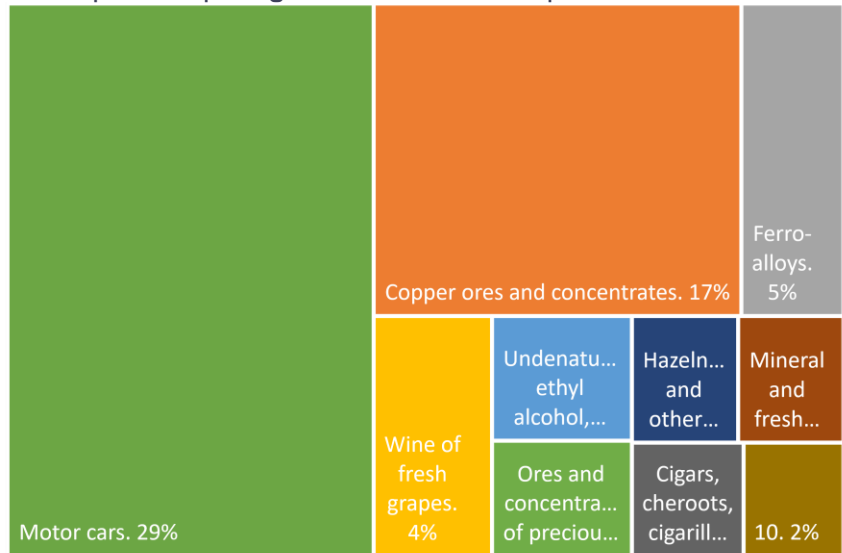
## Decomposition of Change of Import, %y/y



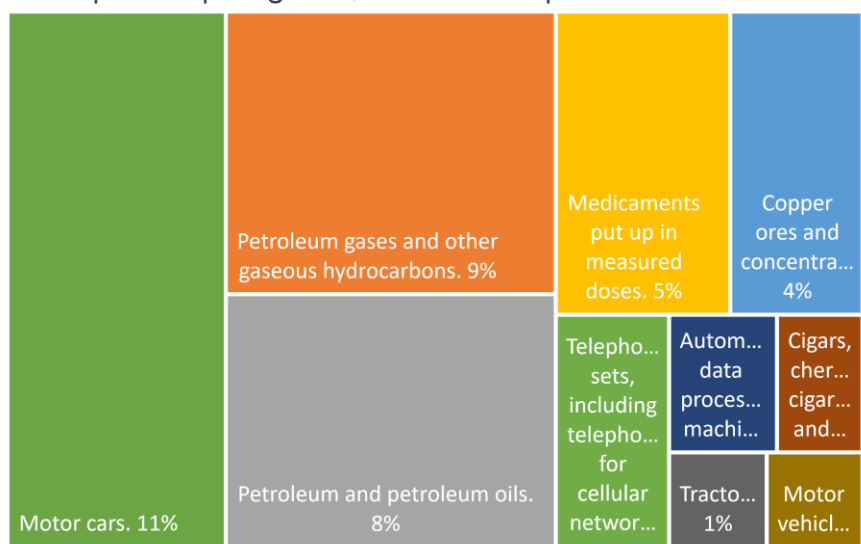
- Export increased annually by 6.3 percent to 456 million USD in February.
- Domestic export decreased annually by 26.5 percent to 238 million USD.
- Import annually decreased by 5.4 percent to 964 million USD in January.
- Trade deficit annually decreased by 13.9 percent to 508 million USD in February.
- Share of re-export in export growth is equal to 26.3 percent (107.7 %y/y), while share of commodity export is negative 15.4 percent (-35.5 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 4.2, 3.0 and -12.6 percent respectively.

# International trade is characterized by stable diversification

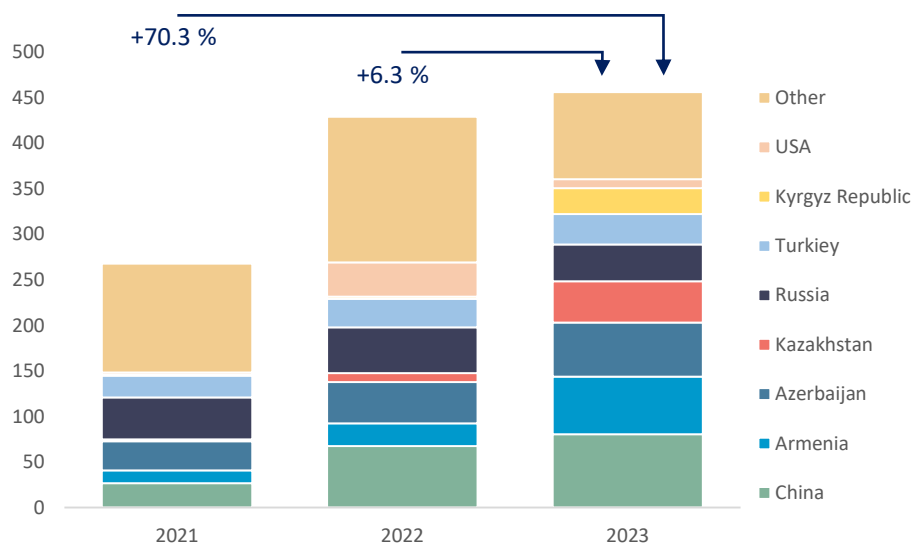
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



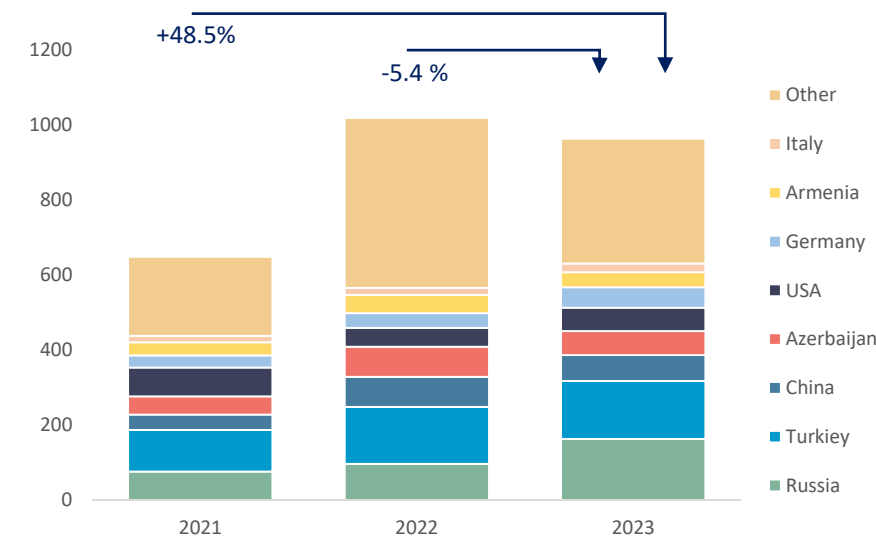
Export by country, February



- Top Export Products:
  - Motor cars: 132.6 mln. USD – 29.1 percent of total export.
  - Copper ores and concentrates: 75.3 mln. USD – 16.5 percent.
  - Ferro-alloys: 20.9 mln. USD – 4.6 percent.

- Top Import Products :
  - Motor cars: 106.3 mln. USD – 11.0 percent.
  - Petroleum gases: 84.9 mln. USD – 8.8 percent of total import.
  - Petroleum and petroleum oils: 75.9 mln. USD – 7.9 percent.

Import by country, February

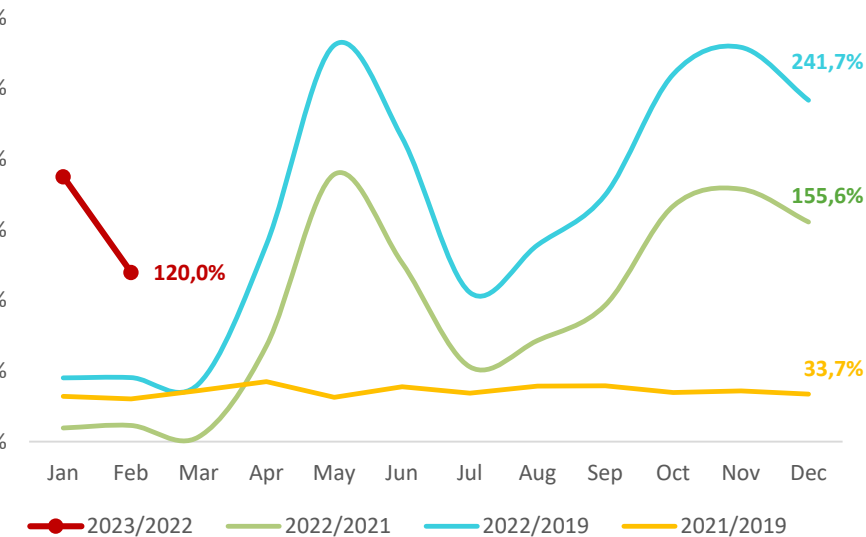


- Top Export Country:
  - China: 80.7 mln. USD – 17.7 percent.
  - Armenia: 63.2 mln. USD – 13.9 percent.
  - Azerbaijan: 59.3 mln. USD – 11.3 percent.

- Top Import Country :
  - Russia: 162.9 mln. USD – 16.9 percent.
  - Turkey: 154.5 mln. USD – 16.0 percent.
  - China: 68.8 mln. USD – 7.1 percent.

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

Net Remittances

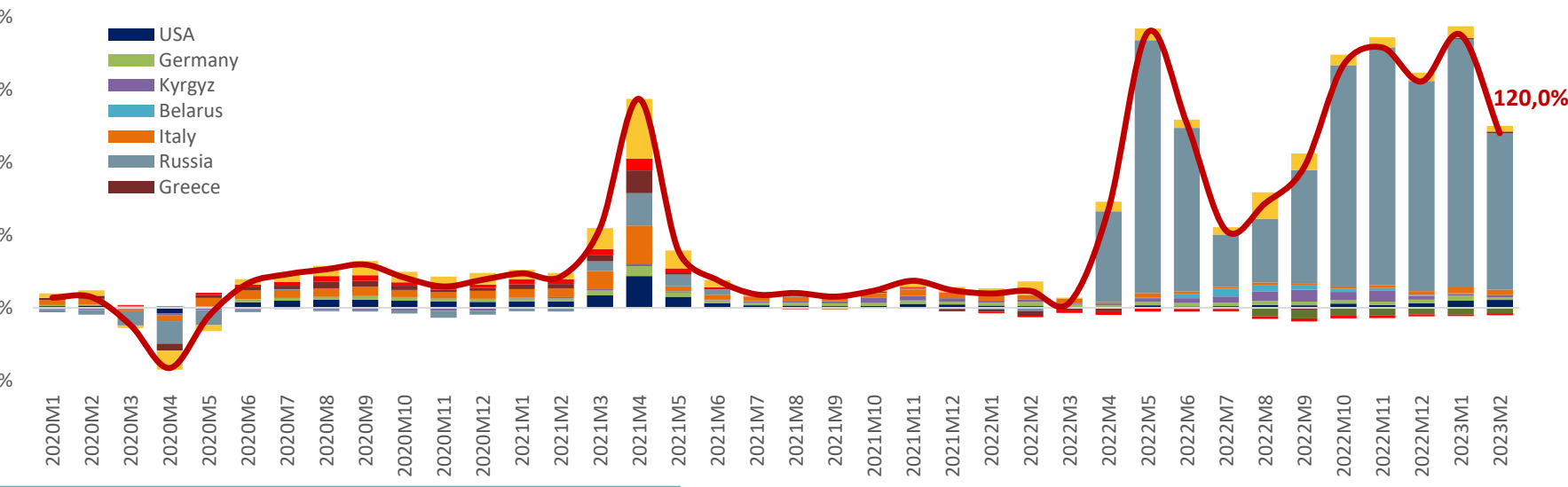


Net Remittances, February 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	184.2	1077.0	107.6
Italy	38.1	17.6	3.9
USA	28.9	41.3	5.4
Israel	16.0	17.2	1.5
Greece	15.9	12.5	1.1
Kazakhstan	11.9	-7.9	-0.7
Other	49.7	4.8	1.4

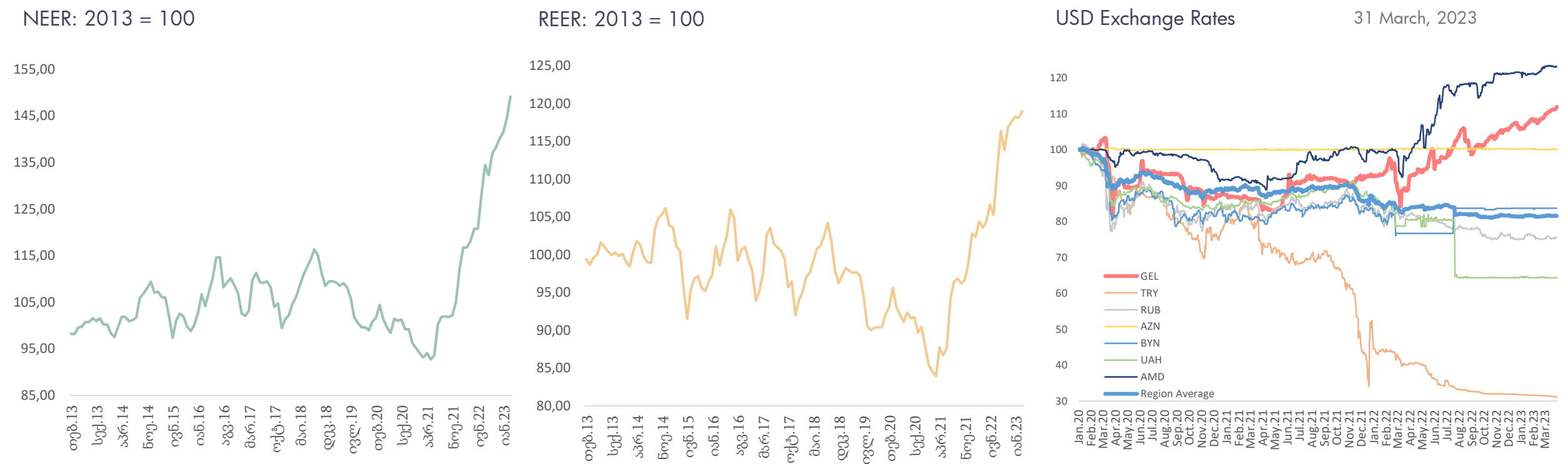
- In February 2023, net remittances were estimated at 344.7 million USD, representing a 120 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 220 percent.
- Net Remittances increased from:
  - Russia : 1077 percent (107.6 p.p. contribution to overall growth).
  - Germany: 26.8 percent (1.9 p.p. contribution to overall growth).
  - USA: 41.3 percent (5.4 p.p. contribution to overall growth).
  - Italy: 17.6 percent (3.9 p.p. contribution to overall growth).
- Net Remittances decreased from:
  - Kazakhstan: -7.9 percent (-0.7 p.p. contribution to overall growth)

Net Remittances by country, %y/y





The Real effective exchange rate in February appreciated by 13.9 percent annually



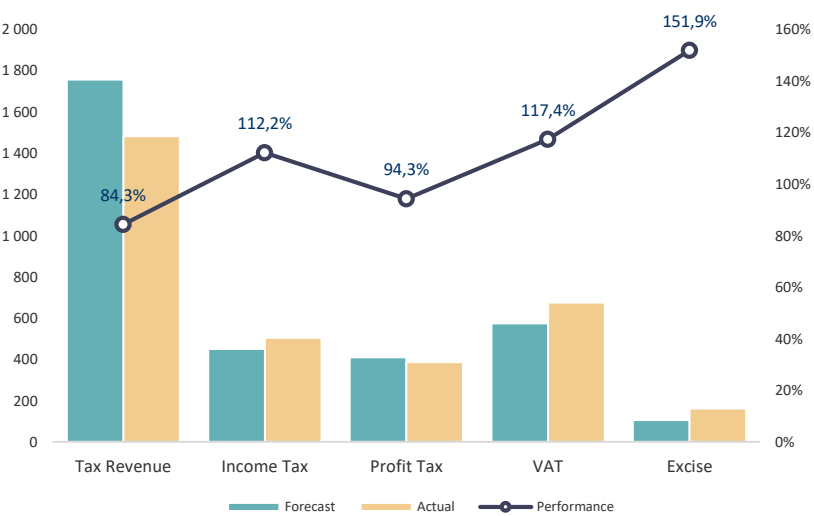
Note: Increase means appreciation

	March 31, 2023		Mar 31, 2023 - Jan 1, 2023		Mar 31, 2023 - Jan 1, 2022
Euro	2.7862	▲	3.5%	▲	25.6%
US Dollar	2.5604	▲	5.5%	▲	20.7%
Turkish Lira	0.1336	▲	8.0%	▲	278.3%
Russian Ruble	0.0331	▲	10.9%	▲	15.8%
NEER	174.88	▲	6.3%	▲	33.4%
REER (February 2023)	146.26	▲	0.7%	▲	15.7%

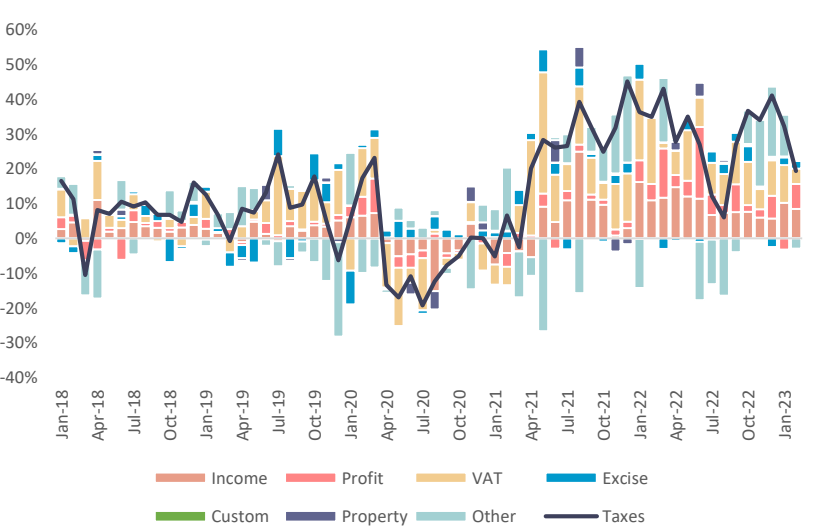
Source: NBG

# Tax revenues in March is below the forecast value by 15.7 percent

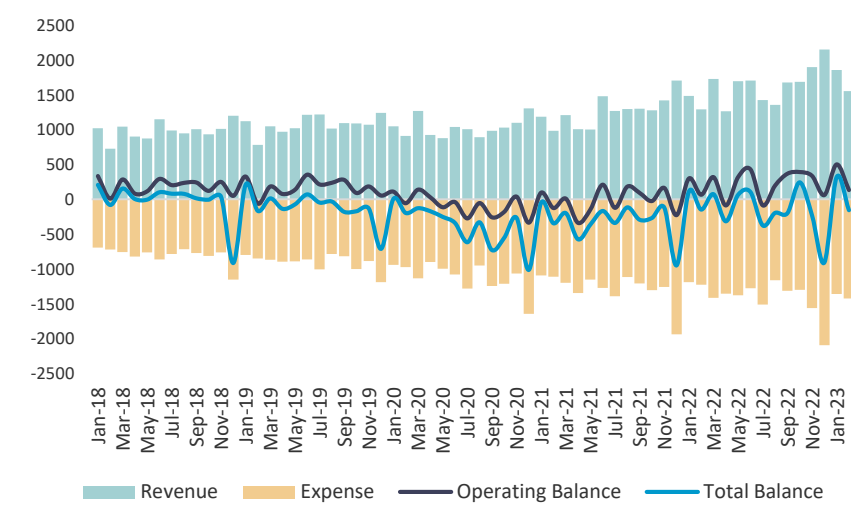
Budget Revenue Performance, March 2023



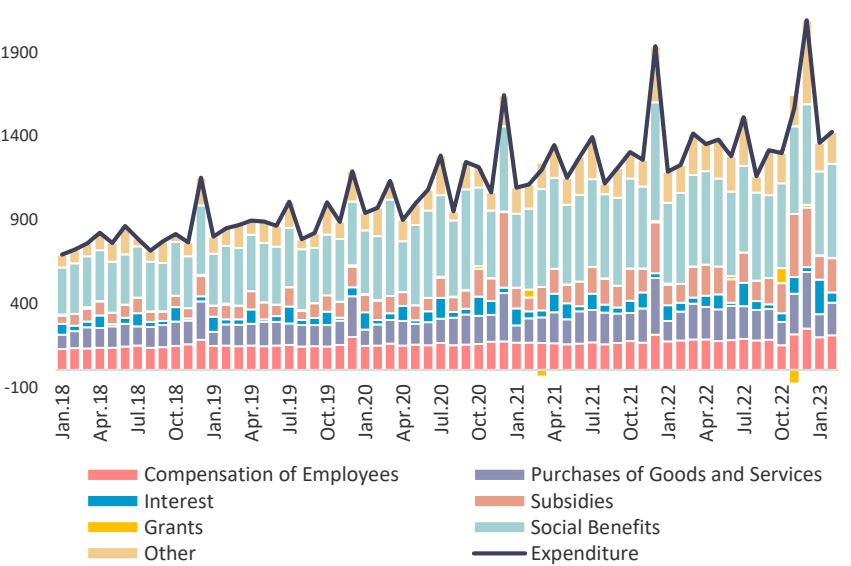
Tax Income, % y/y



Consolidated Budget, mln GEL



Consolidated Budget Expenditure, mln GEL

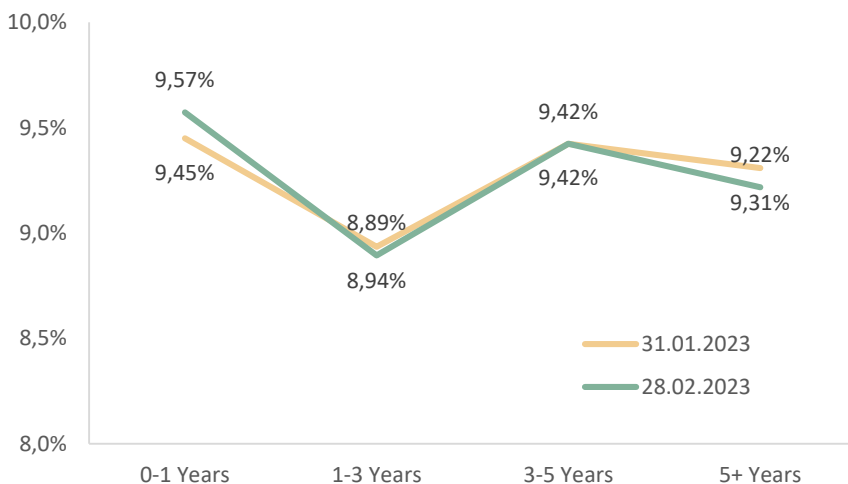


- The actual level of tax income in March 2023 was 1,481 mln GEL, which is below the forecasted value by 15.7 percent.
- Consolidated budget revenues increased by 20.4 percent and expenditures by 16.0 percent in February.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 133 million GEL, while the total balance was set at negative 156.2 million GEL.
- Revenue from taxes had a significant impact on revenue from Income and Profit tax in February, accounting for 8.4 and 7.2 percent of total growth, respectively.

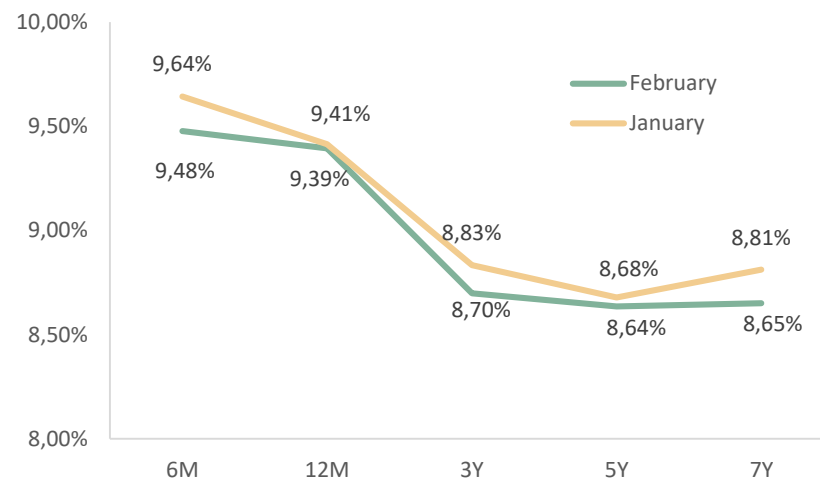
Source: MOF

# The structure of the securities portfolio has undergone minor changes

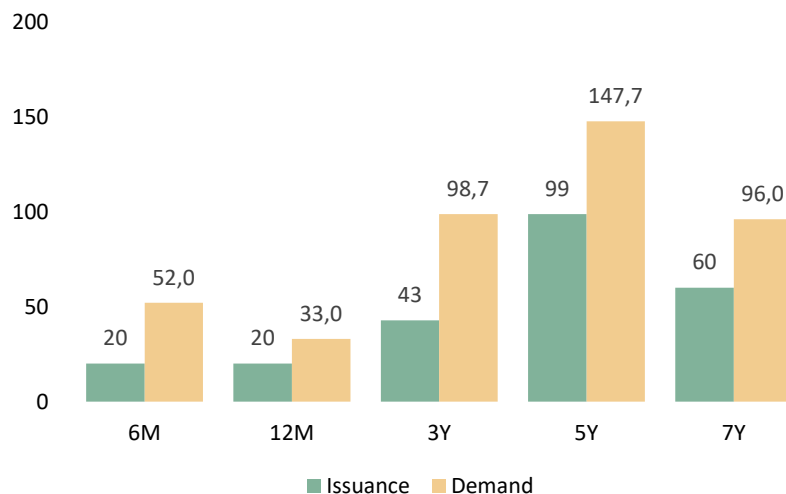
Portfolio Yield Curve



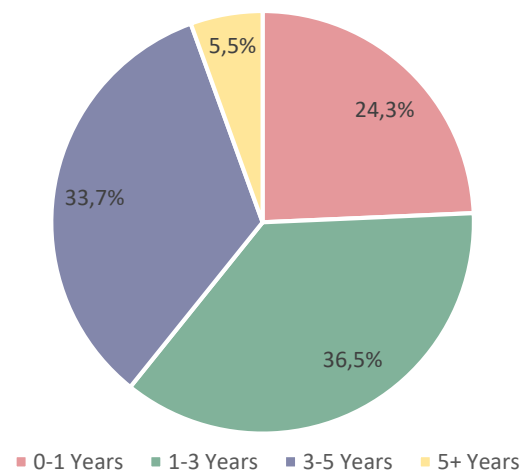
Weighted average interest rates



Issuance and Demand, mln GEL



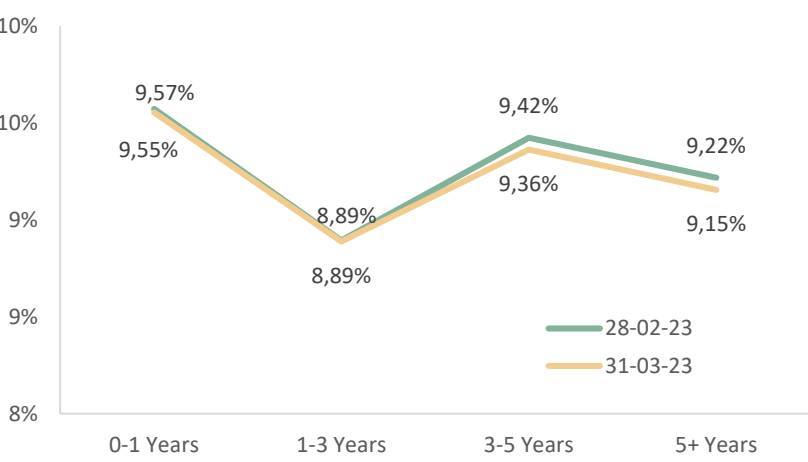
Portfolio Forming Securities Composed by Time to Maturity



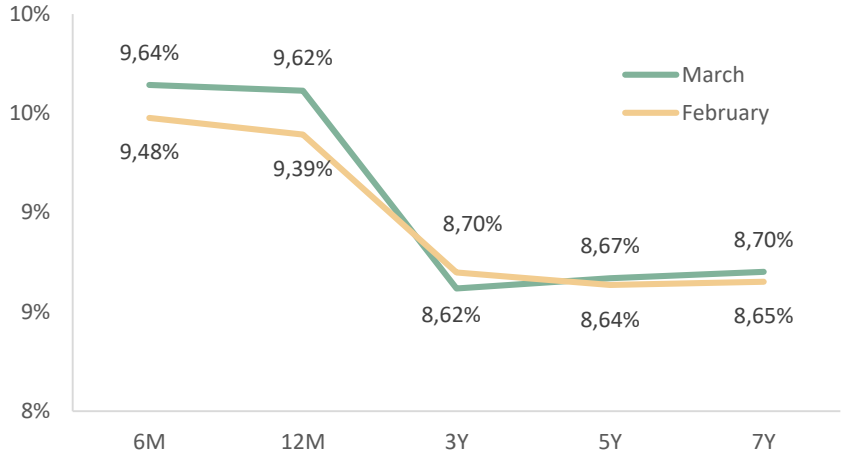
- In February 2023, 5 auctions were held with total issuance volume of 241.4 million GEL.
- The weighted average interest rate amounted to 8.78%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5 and 7. The treasury securities with total amount of 370 million GEL were redeemed.
- As of February 28, 2023 20.7% of the treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio increased compared to the previous month's value (January 2.1) and amounted to 1.77.

# Structure of the Securities Portfolio has Undergone Minor Changes

Portfolio Yield Curve

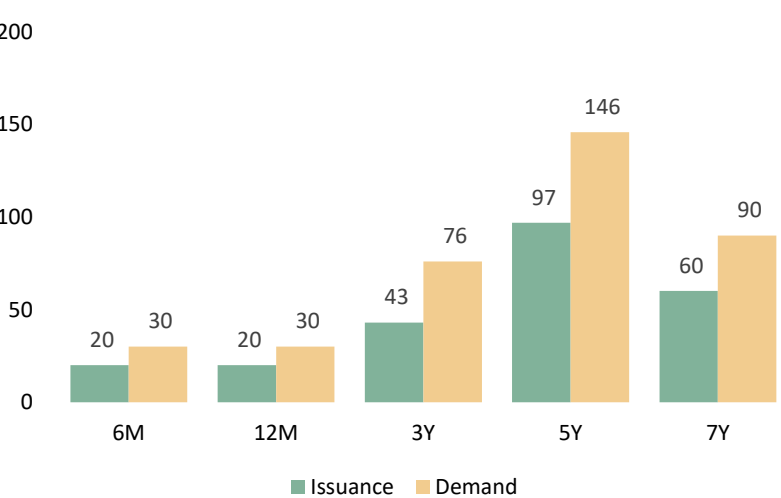


Weighted average interest rates

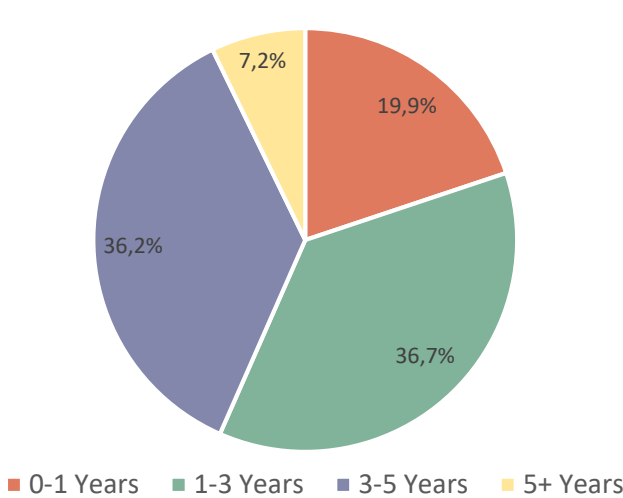


- In March 2023, 5 auctions were held with total issuance volume of 239.75 million GEL.
- The weighted average interest rate amounted to 8.83%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5 and 7 years. Treasury securities with total amount of 35 million GEL were redeemed.
- As of March 31, 2023 almost 20% of treasury securities portfolio is composed of 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.
- Bid-to-cover ratio decreased compared to the previous month's value (February 1.77) and amounted to 1.55.

Issuance and Demand of Treasury Bonds, mln GEL

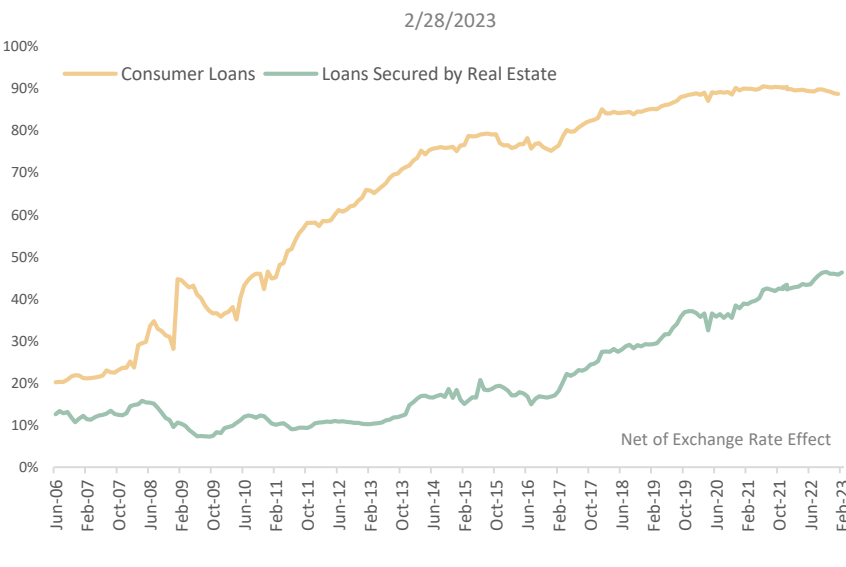
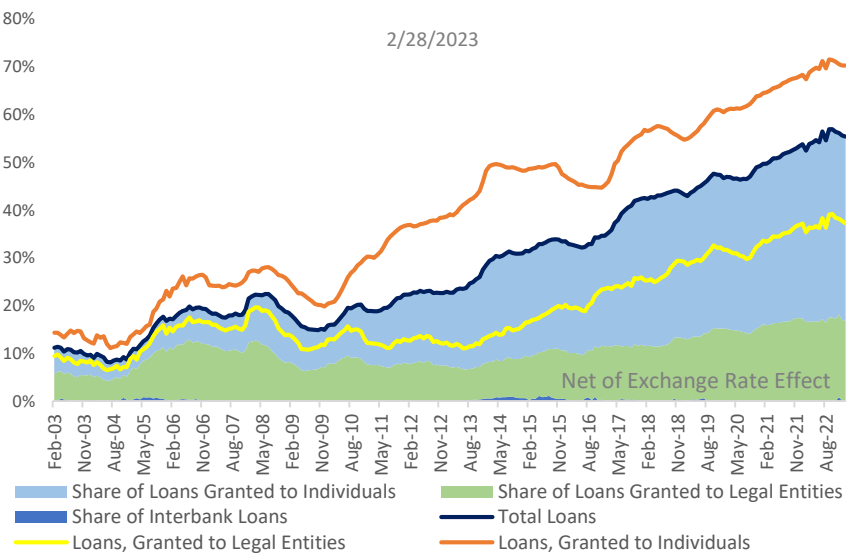


Portfolio by Residual Maturity

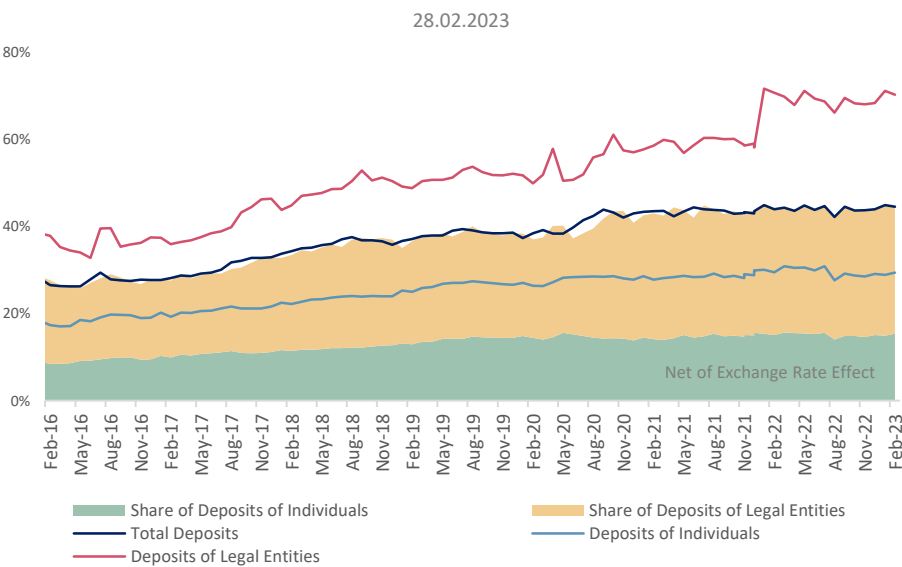
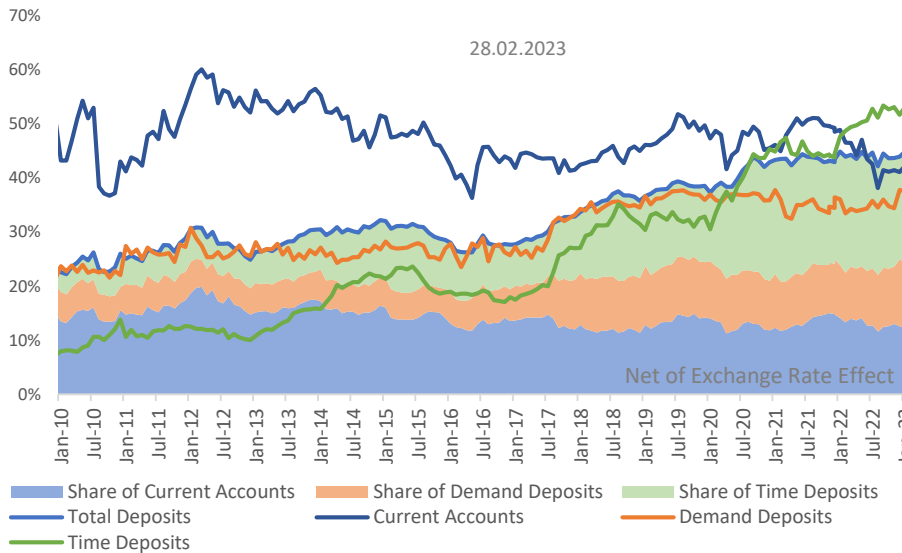


# Some Larization Rates Stop Rising

## Loan Larization



## Deposit Larization

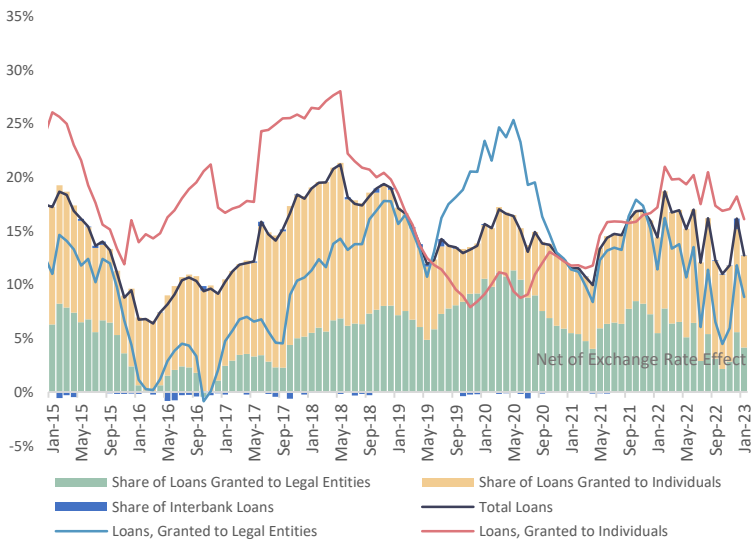


- As of March 1, 2023, the larization of total loans is 55.3 percent.
- The larization of loans to individuals is 70.2 percent.
- The larization of loans to legal entities amounted to 37.2 percent.
- The larization of total deposits equals to 44.4 percent.
- The larization on deposits of legal entities amounted to 70.1 percent.
- The larization of deposits of individuals is 29.3 percent.
- The larization of time deposits is 52.7 percent.
- The larization of current accounts equals to 42.3 percent.
- The larization of demand deposits is 37.0 percent.

# The annual growth trend of loans is sustained

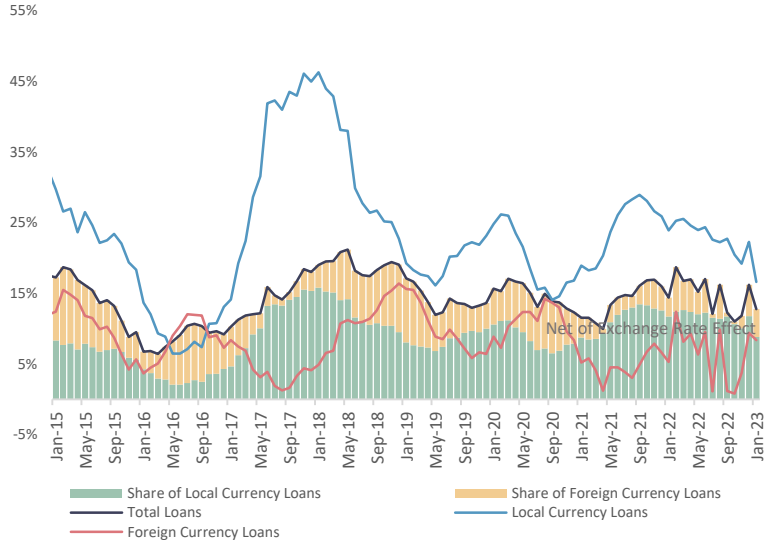
Loans, % y/y

1/31/2023



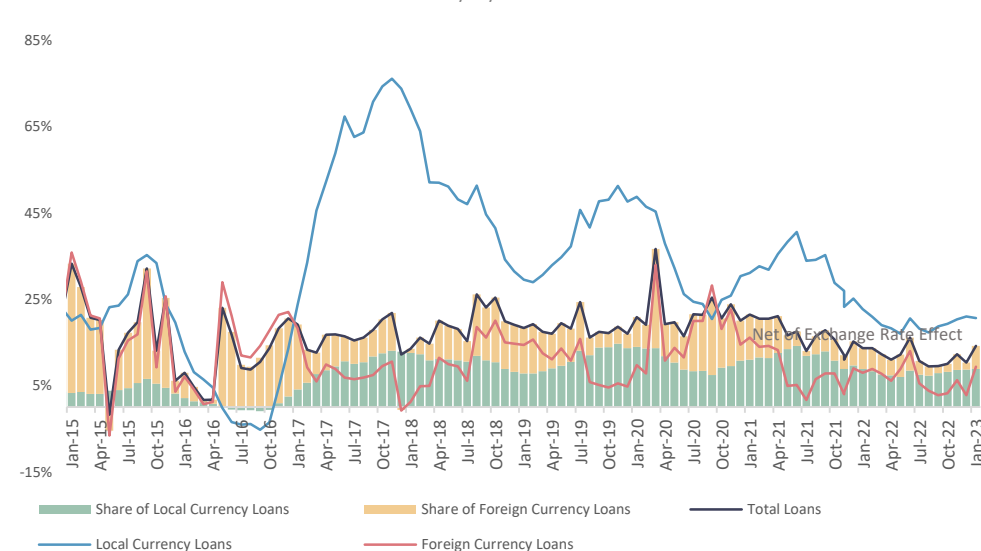
Loans by Currency, % y/y

1/31/2023



Mortgage Loans, % y/y

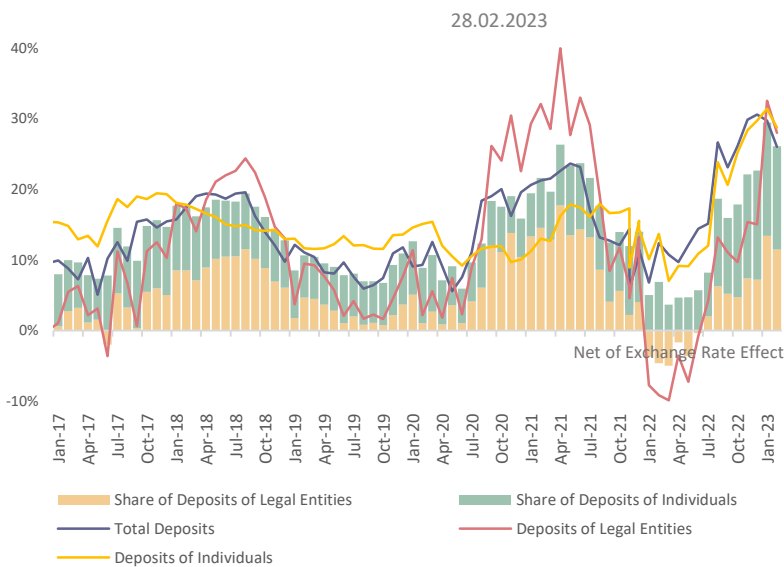
1/31/2023



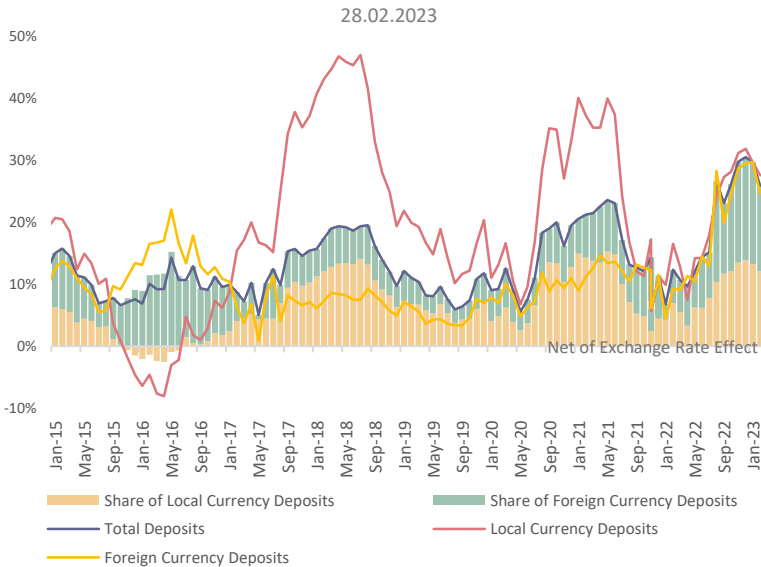
- As of February 1, 2023, the total loans increased by 12.7 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 8.9 percent.
- The annual growth of loans to individuals is 16.1 percent.
- As of February 1, 2023, the growth rate of loans denominated in the national currency (GEL) amounted to 16.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 8.3 percent.
- As of January 31, 2023, the annual growth of loans secured by real estate amounted to 14.1 percent. At the same time, mortgage loans denominated in national currency increased by 20.6 percent, while the mortgage loans denominated in foreign currency increased by 9.3 percent.

# Annual Growth of Deposits Continues Stable Growth

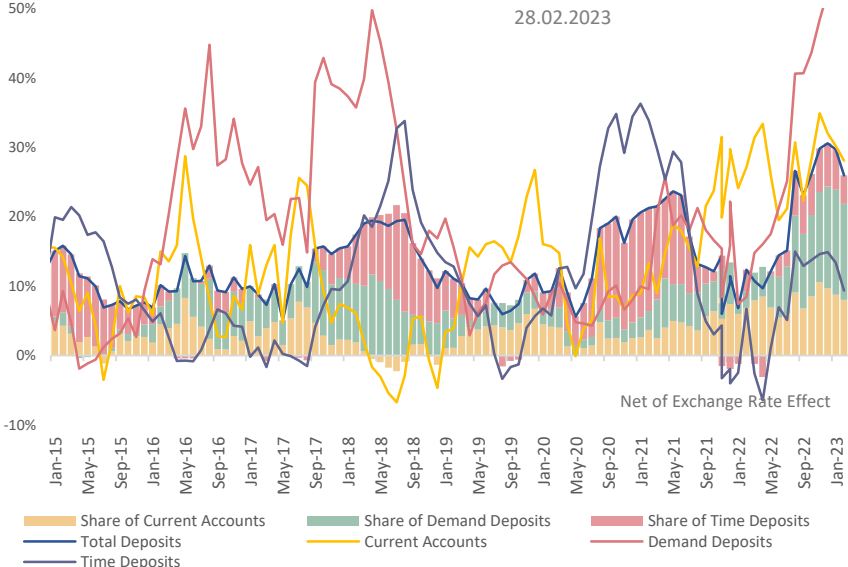
Deposits, % y/y



Deposits by Currency, % y/y



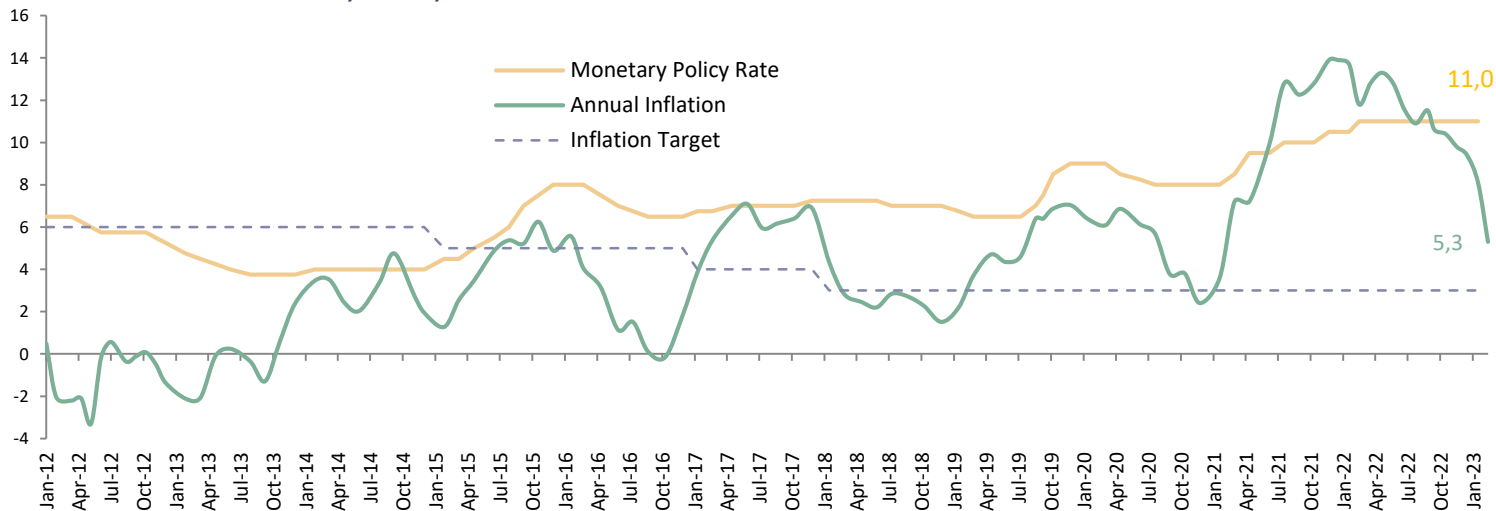
Deposits by Type, % y/y



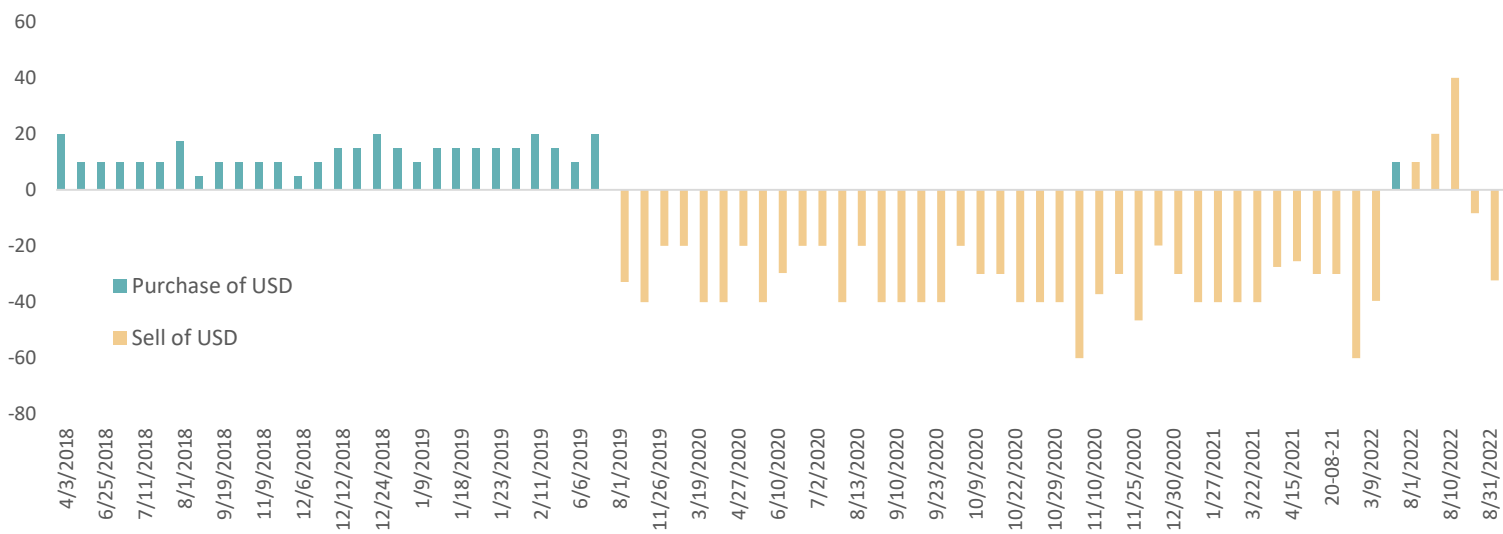
- As of March 1, 2023, the growth of total deposits compared to the corresponding period of the previous year is 26 percent.
- The annual growth of deposits denominated in the national currency amounted to 27.6 percent. The annual growth of deposits denominated in foreign currency stood at 24.7 percent over the same period.
- The growth of deposits of individuals amounted to 28.7 percent, while the annual growth of deposits of legal entities in the same period amounted to 28 percent.
- The annual growth of current accounts at the beginning of March 2023 was equal to 28.1 percent.
- The annual growth of time deposits was 9.4 percent.
- The growth of demand deposits amounted to 50.6 percent.

# The National Bank of Georgia Kept the Monetary Policy Rate at 11.0 percent

## Inflation and Monetary Policy Rate



## Trade of USD by NBG, mln USD

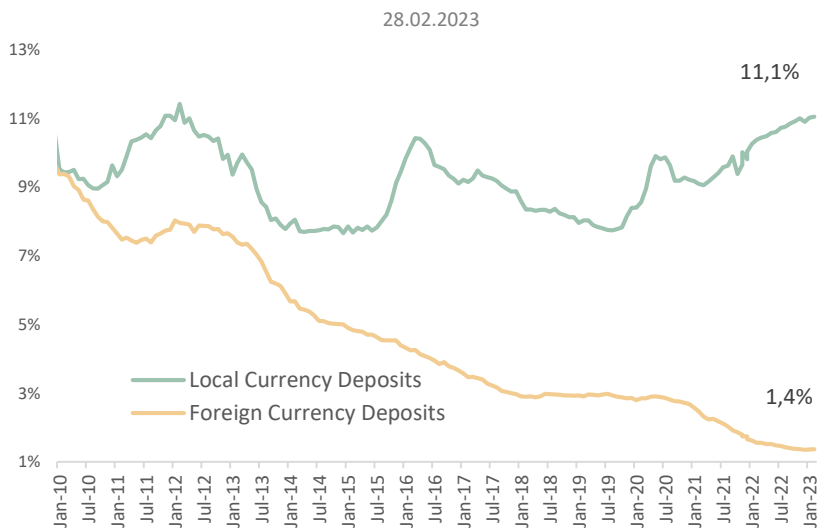


- On March 29, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to the NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in 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, even though it still remains above the target inflation at 5.3 percent in March, 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 May 1, 2023.
- There was no FX interventions through auctions during February, 2023.

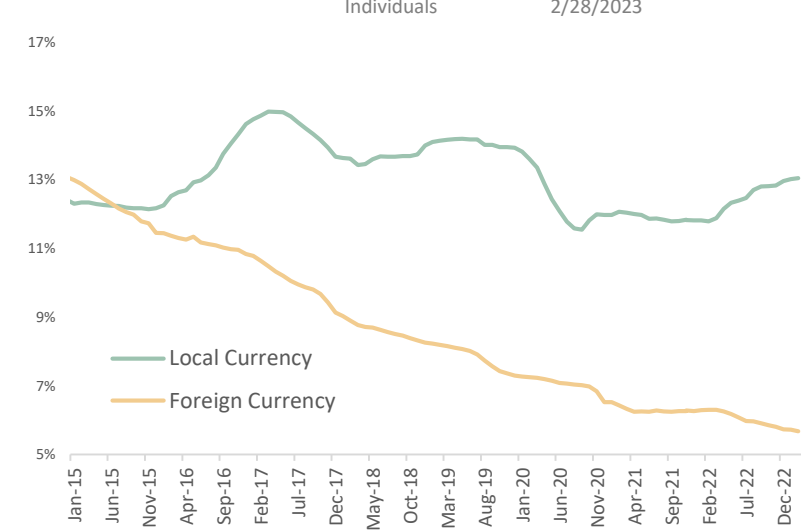
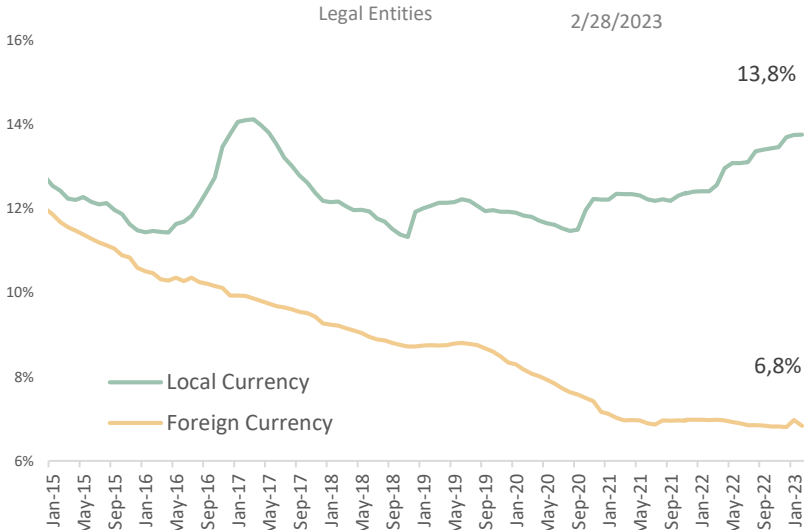


# Market Interest Rates Increased in National Currency and Decreased in Foreign Currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of March 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 11.4 percent, and in foreign currency – 1.7 percent.
- The average annual interest rate on deposits by individuals is 1.4 percent for foreign currency deposits and 11 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.7 percent (18.8 percent in national currency and 6.6 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 6.9 percent in foreign currency).
- At the end of February 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.3 percent, and in foreign currency 8.8 percent. The interest rate on loans to individuals in the national currency was 13.4 percent, and in foreign currency 6.5 percent.

## Disclaimer

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