



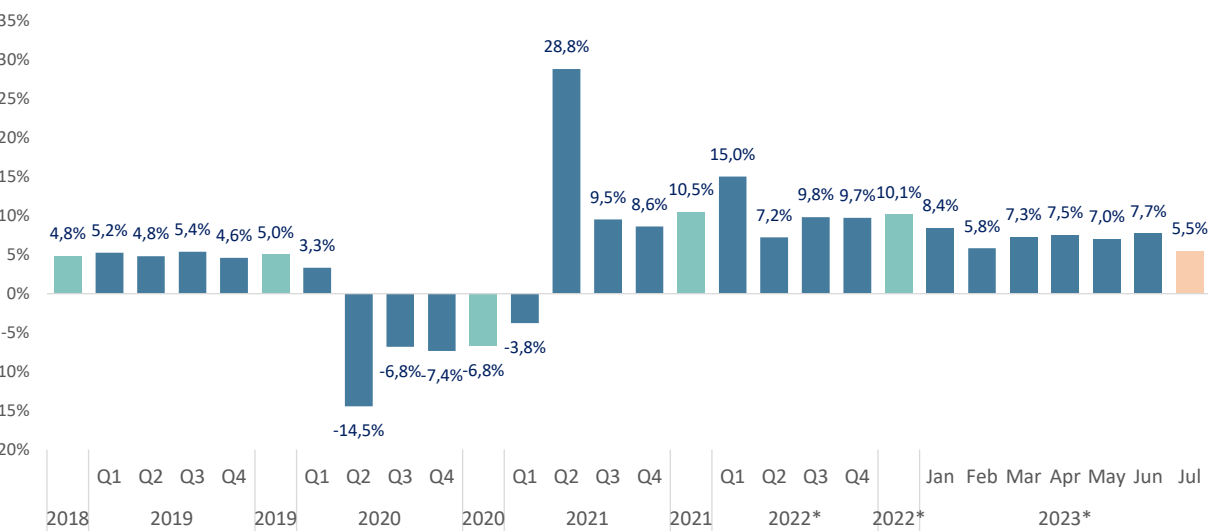
Current Economic Outlook

August, 2023

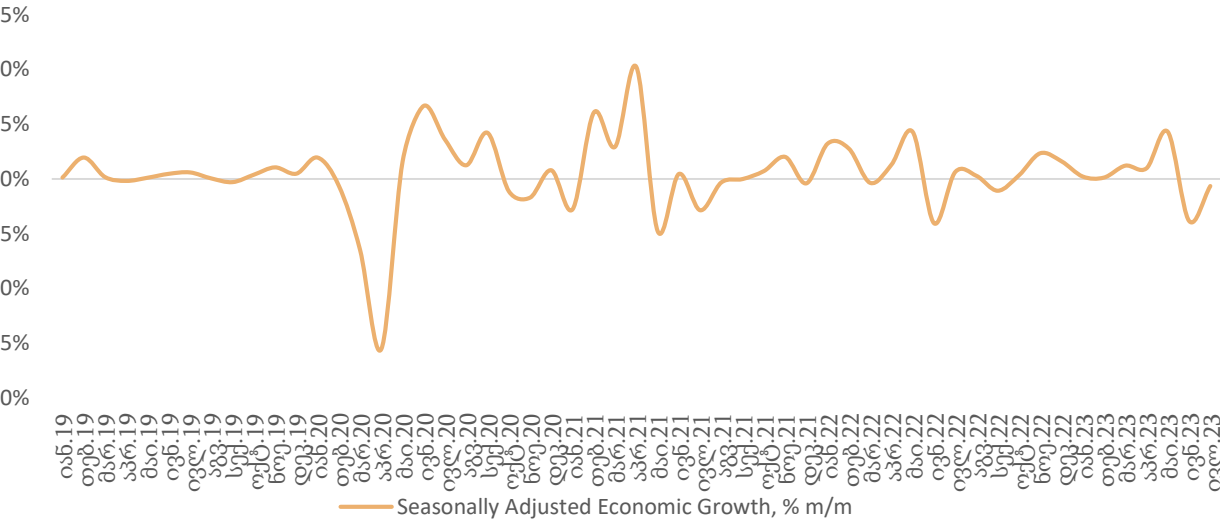
- In July 2023, the real GDP growth rate was 5.5 percent and average growth rate of the first seven months of 2023 was 7.2 percent, according to the preliminary estimates of the National Statistics Office.
- In August, annual inflation stood at 0.9 percent, while core inflation was 2.7 percent
- In July, exports decreased by 0.7 percent year-on-year and imports increased by 1.2 percent year-on-year, increasing the trade deficit by 2.8 percent year-on-year to 657 million USD
- For July, the real effective exchange rate appreciated by 13.8 percent compared to the same period of the previous year and by 2.4 percent compared to the previous month
- The National Bank of Georgia decreased monetary policy rate at 10.25 percent in August

Economic Growth in July was equal to 5.5 percent

Economic Growth, % y/y

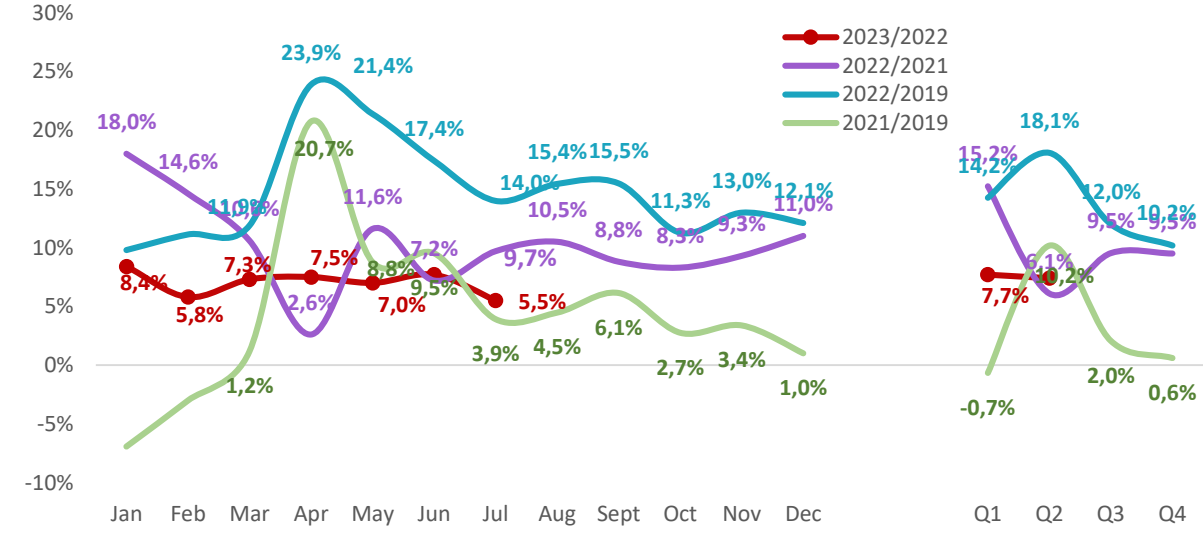


Economic Growth, % m/m



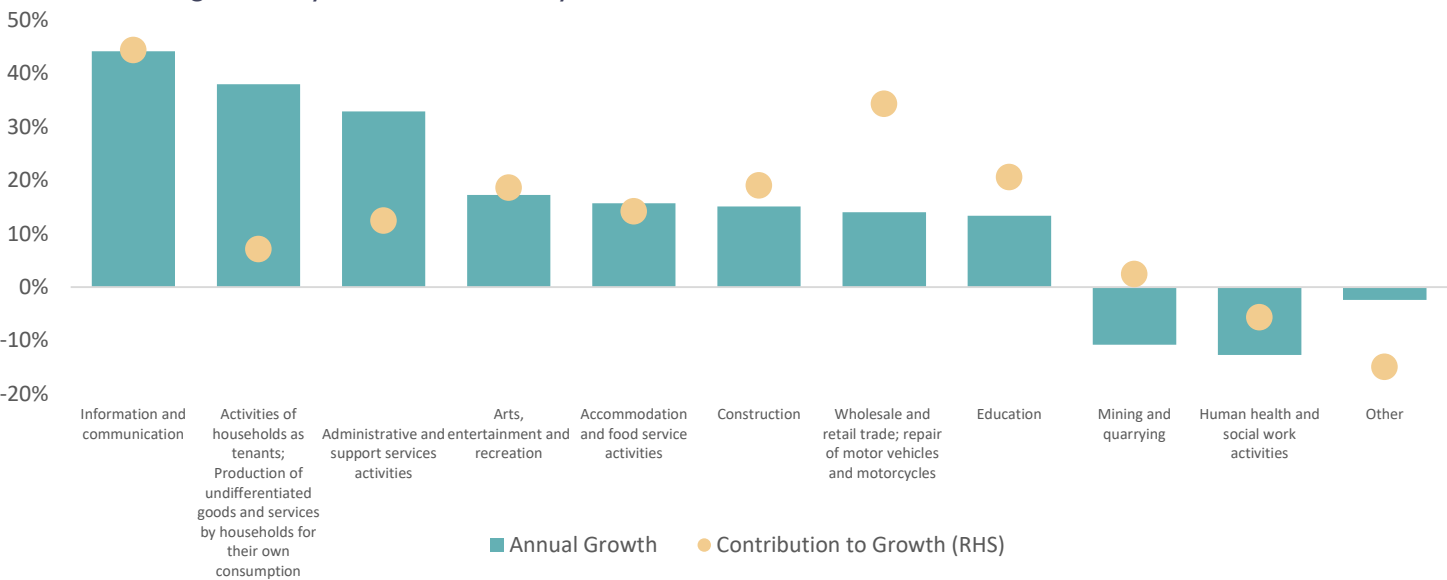
- Estimated real GDP growth rate in July 2023 equaled 5.5 percent YoY and average annual real GDP growth rate for the 2nd quarter of 2023 equals to 7.4 percent. Seasonally adjusted economic growth in July comparing to the previous month was - 0.6 percent.
- In July 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and insurance activities, construction, trade, professional, scientific and technical activities.
- A decline was registered in the fields of processing and mining, information and communication.

Economic Growth, 2023-2019

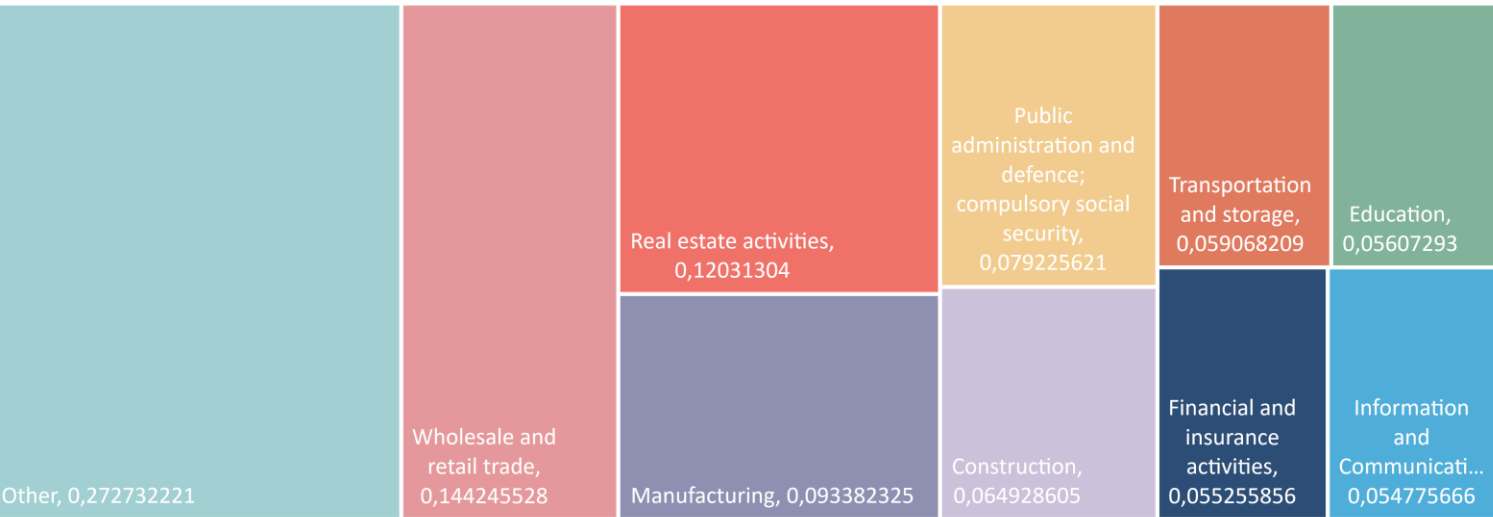


According to preliminary estimates, real GDP increased by 7.7 percent in the first quarter of 2023

Real GDP growth by economic activity, 2023 I Quarter



GDP by economic activity, 2023 I Quarter

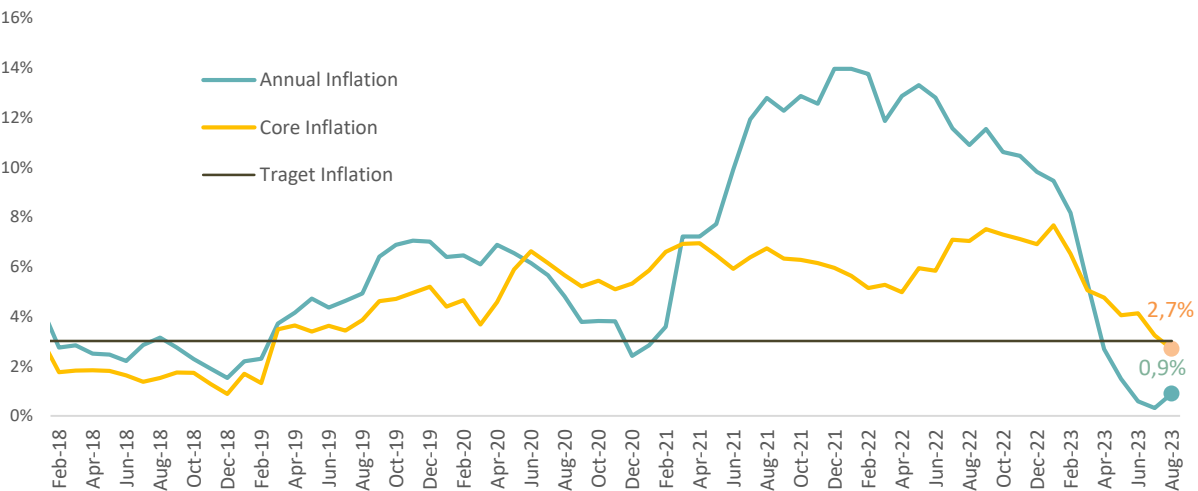


- According to preliminary estimates, in the first quarter of 2023 economic growth amounted to 7.7 percent, while in the fourth quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 9.7 percent. In the first quarter 2023 economic growth was 23.1 percent compared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

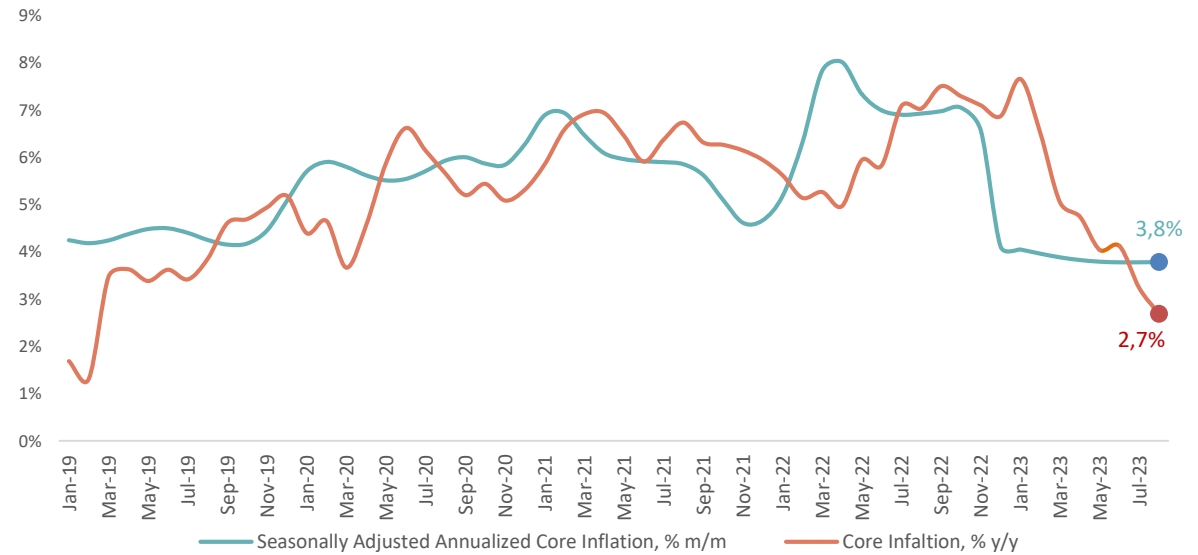
Source: Geostat

Annual inflation in August has reached 0.9 percent

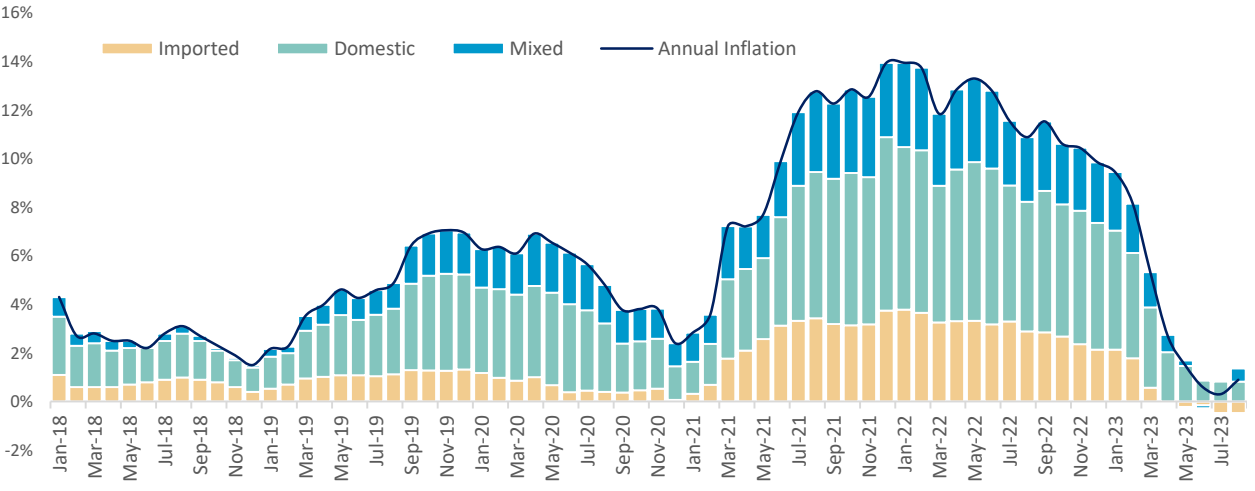
Total and Core Inflation, % y/y



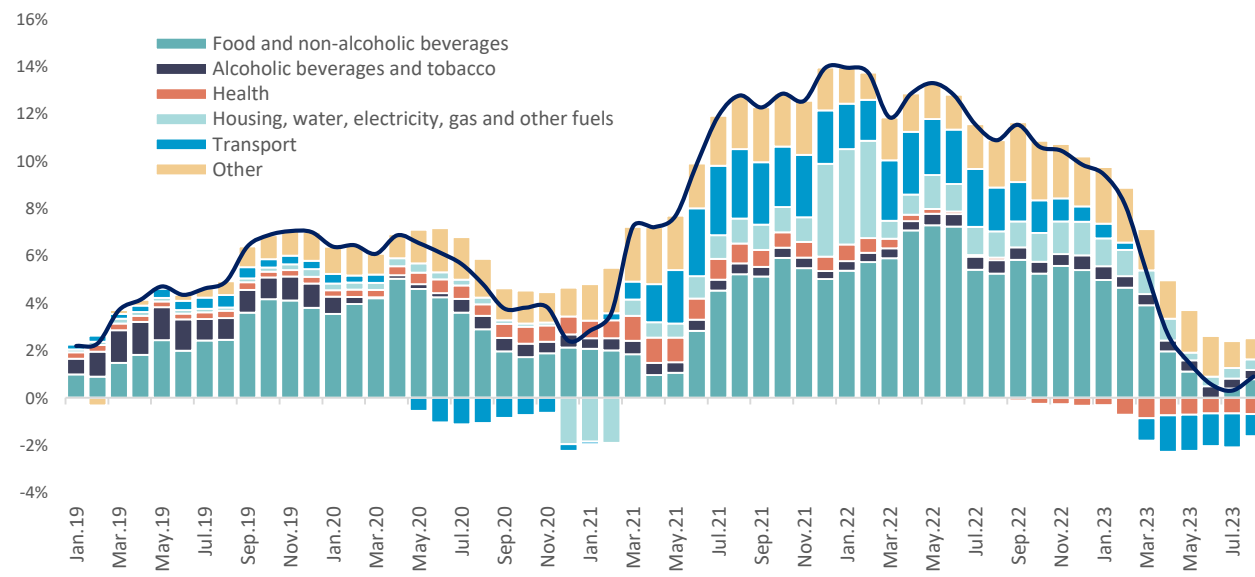
Core Inflation, % m/m



Inflation Decomposition



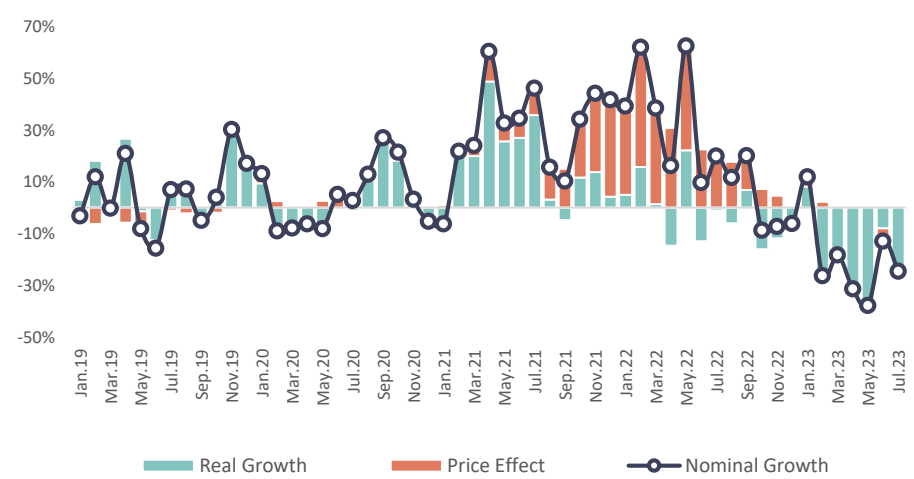
Inflation Decomposition by product group



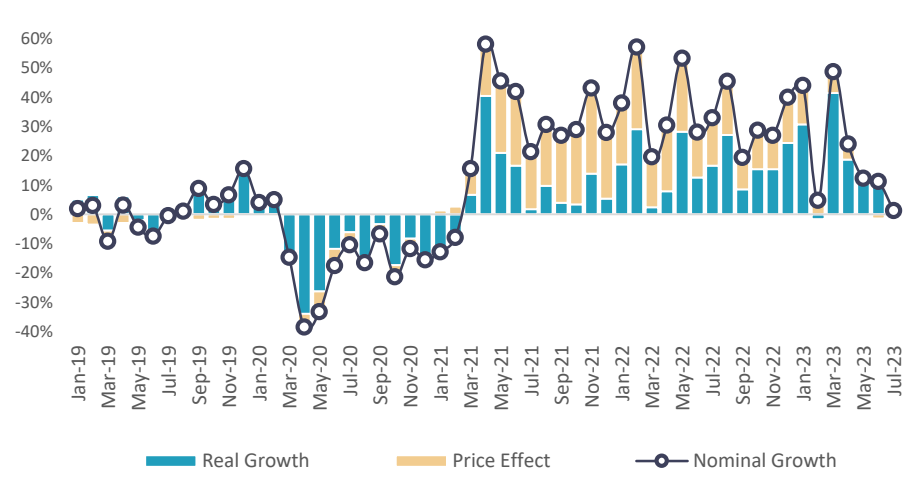
Source: Geostat, NBG, MOF

Trade Deficit increased by 2.8 percent annually

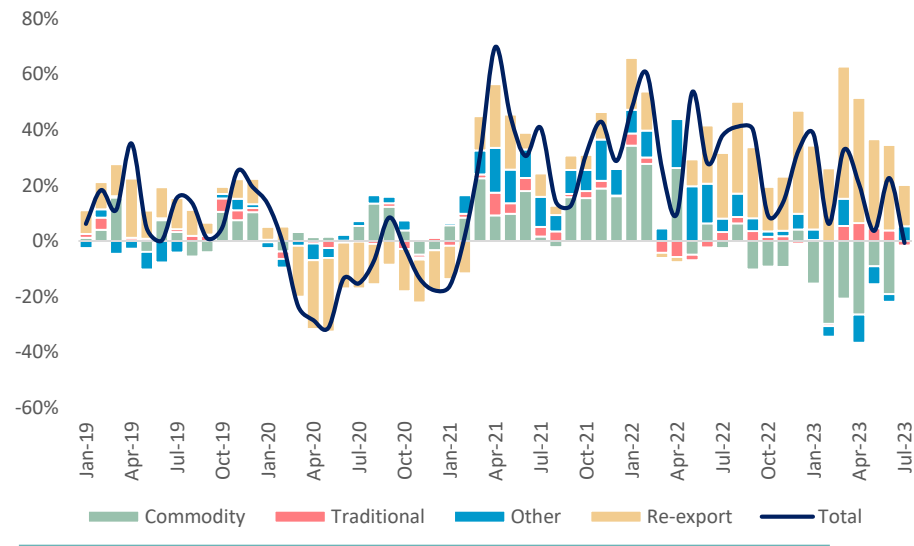
Change of Domestic Export, %y/y



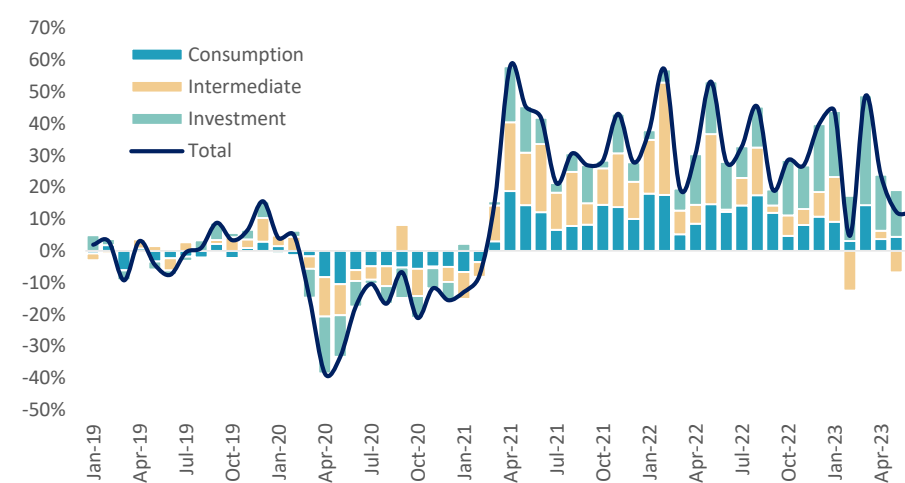
Change of Import, %y/y



Decomposition of Export



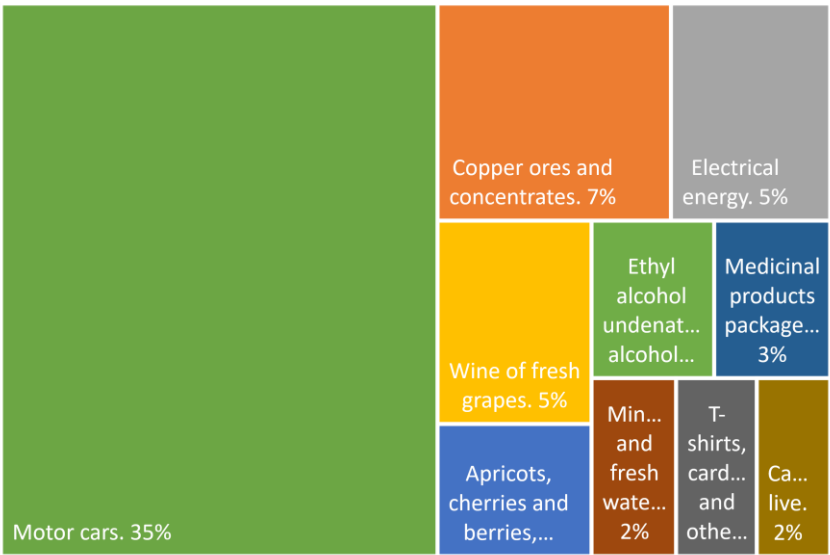
Decomposition of Change of Import, %y/y



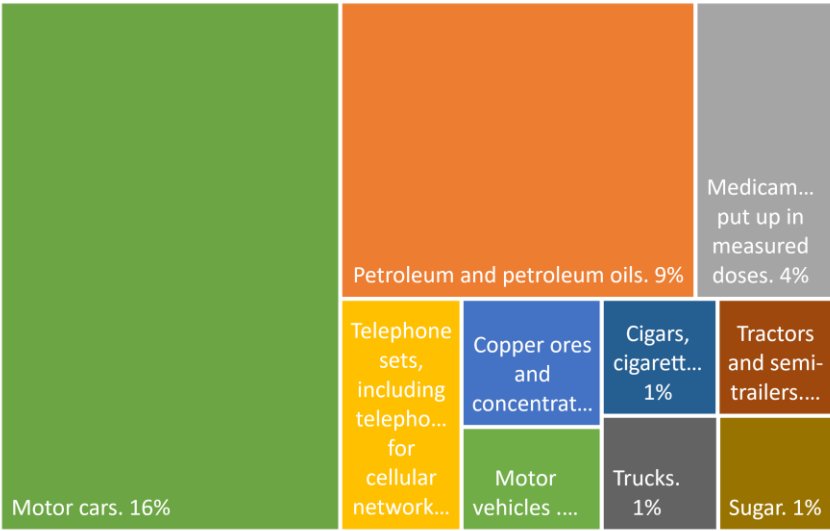
- Export decreased annually by 0.7 percent to 529.6 million USD in July.
- Domestic export decreased annually by 15.5 percent to 253 million USD.
- Import annually increased by 1.2 percent to 1 187 million USD in July.
- Trade deficit annually increased by 2.8 percent to 657 million USD in June.
- Share of re-export in export growth is equal to 14.8 percent (40.2 %y/y), while share of commodity export is negative 19.2 percent (-61.9 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 6.4, 0.4 and -5.6 percent respectively.

International trade is characterized by stable diversification

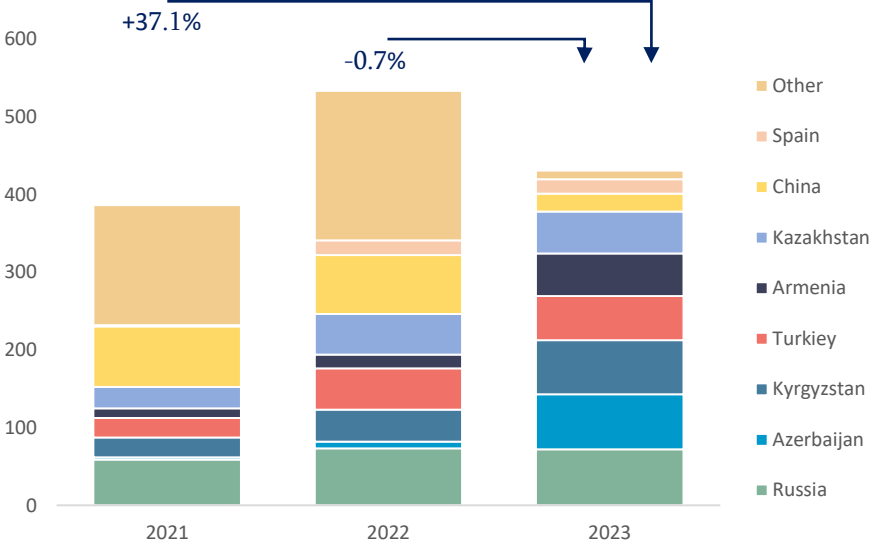
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, July



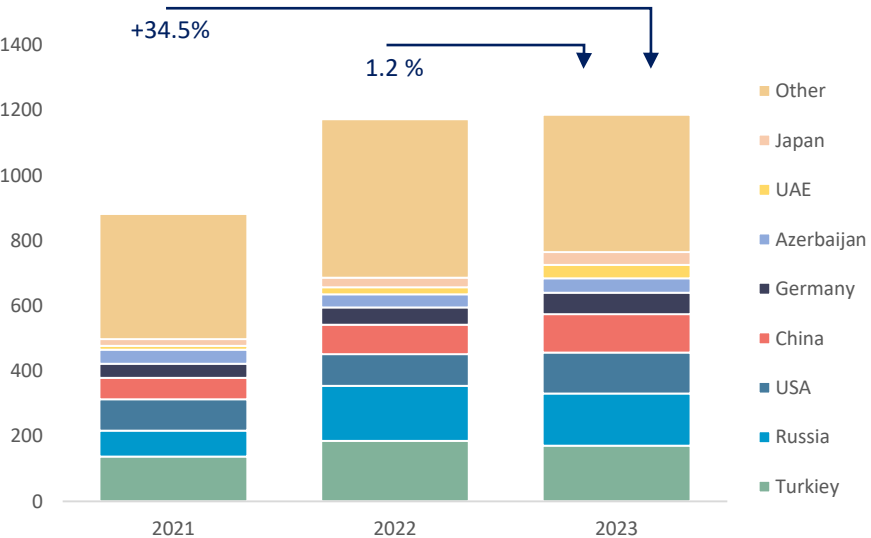
Top Export Products:

- Motor cars: 187 million. USD - 35.3 percent of total exports.
- Copper ores and concentrates: 39.3 million USD - 7.4 percent.
- Electricity: 26.8 million USD - 5.1 percent.

Top Import Products :

- Motor cars: 190.5 million. USD - 16.1 percent of total imports.
- Petroleum and petroleum oils: 111.6 million US dollars - 9.4 percent.
- Medicaments put up in measured doses: 43.2 million USD - 3.6 percent.

Import by country, July



Top Export Country:

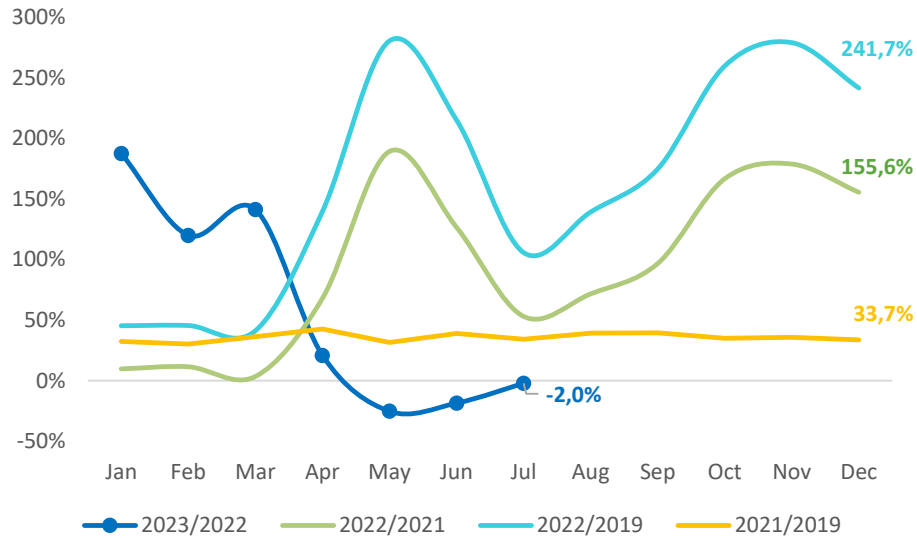
- Russia: 72.3 million USD, 13.6 percent.
- Azerbaijan: 70.7 million US dollar - 13.4 percent.
- Kyrgyzstan: 69.4 million USD - 13.1 percent.

Top Import Country :

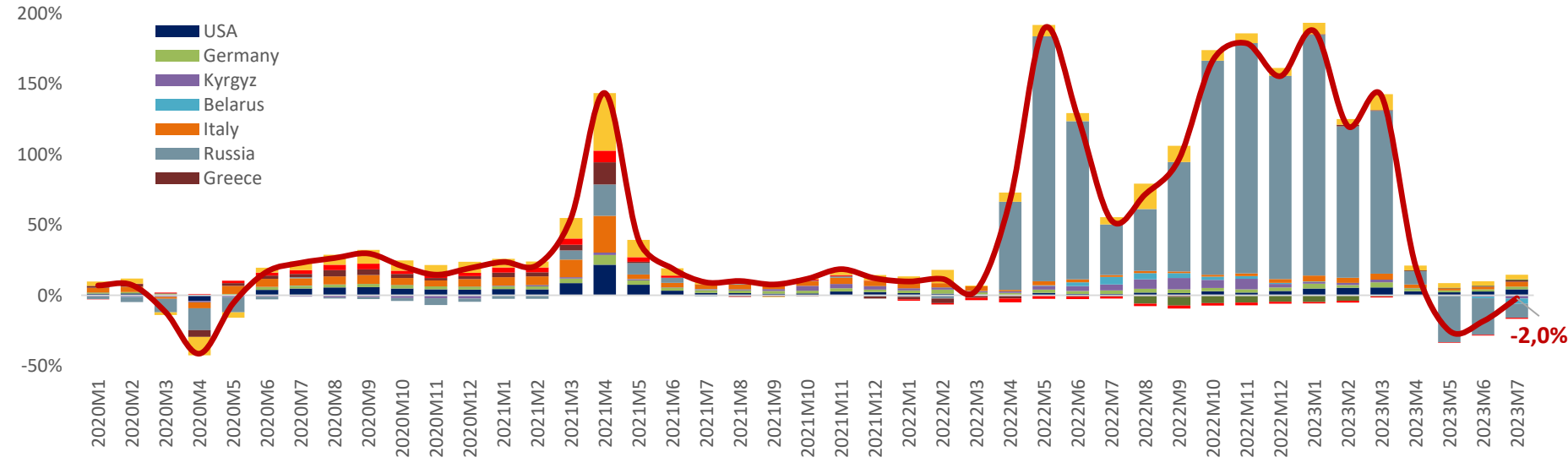
- Turkey: 171.1 million USD, 14.4 percent.
- Russia: 159.8 million USD - 13.5 percent.
- China: 126.2 million US dollar - 10.6 percent.

Net Remittances decreased by 2.0 percent in July 2023

Net Remittances



Net Remittances by country, %y/y



Net Remittances, July 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	70.3	-28.2	-9.9
Italy	44.5	26.4	3.3
USA	38.8	42.6	4.2
Greece	20.3	14.3	0.9
Germany	19.7	42.2	2.1
Israel	17.2	6.2	0.4
Other	61.9	-11.8	-3.0

- In July 2023, net remittances were estimated at 272.7 million USD, representing a 2.0 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 102 percent.
- Net Remittances increased from:
 - Iraq: 594.7 percent (contributing 0.7 pp to total growth).
 - Jordan: 412.2 percent (0.5 p.p. contribution to total growth).
 - Austria: 107.4 percent (0.2 pp contribution to total growth).
 - Kazakhstan: 73.9 percent (contribution of 2.4 pp to total growth).
- Net Remittances decreased from:
 - Armenia: -89.5 percent (-2.3 pp contribution to total growth)
 - Kyrgyzstan: -67.9 (-2.3 pp contribution to total growth).

Real Effective Exchange Rate in July Appreciated by 13.8 percent Annually

NEER: 2013 = 100

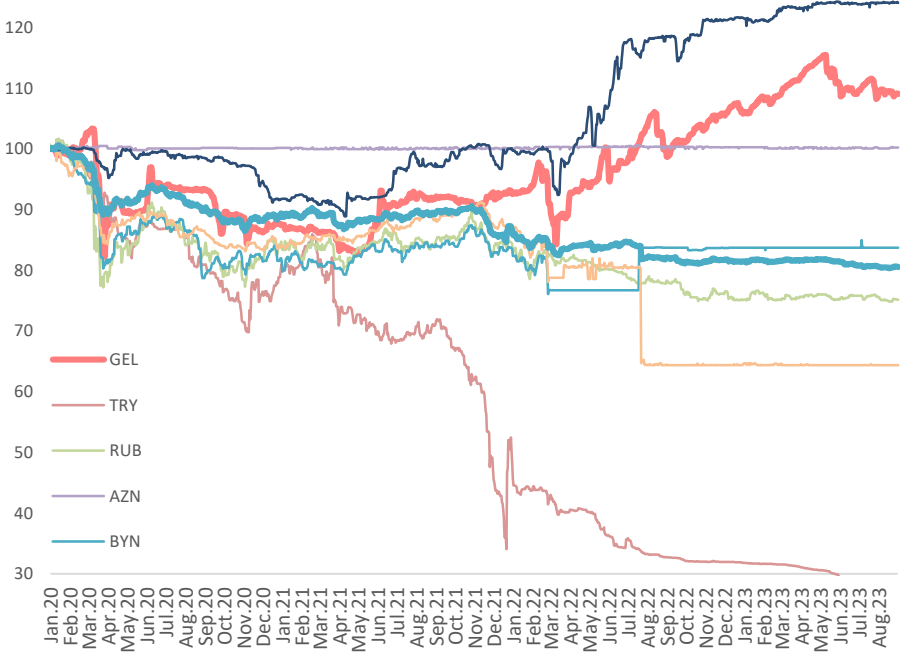


REER: 2013 = 100



USD Exchange Rates

August 31, 2023



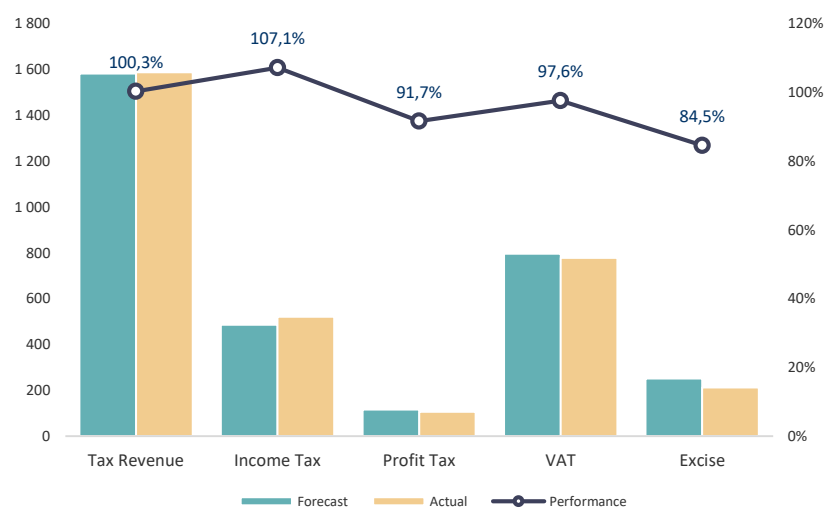
Note: Increase means appreciation

	September 1, 2023		Sept 1, 2023 - Jan 1, 2023		Sept 1, 2023 - Jan 1, 2022
Euro	2.8596	▲	0.9%	▲	22.4%
US Dollar	2.6293	▲	2.8%	▲	17.5%
Turkish Lira	0.0985	▲	46.5%	▲	134.7%
Russian Ruble	0.0272	▲	35.0%	▲	51.3%
NEER	189.54	▲	15.2%	▲	44.6%
REER (July 2023)	155.58	▲	7.2%	▲	23.1%

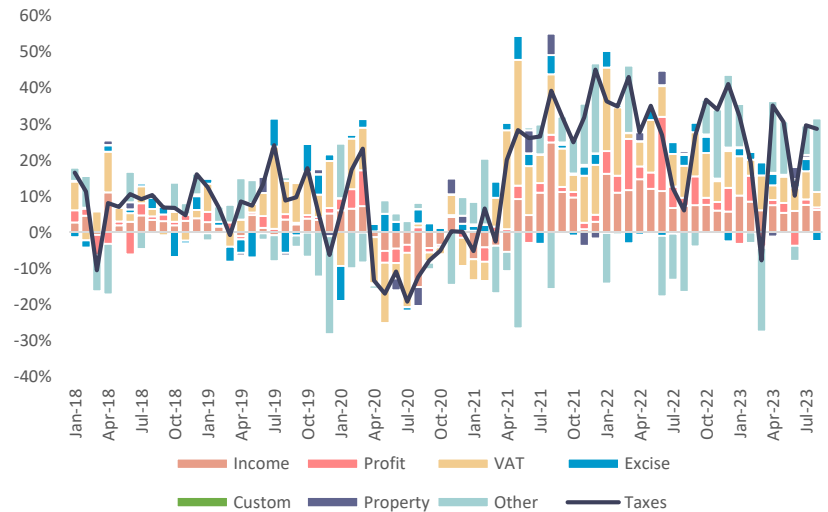
Source: NBG

Tax revenues in August is above the forecast value by 0.3 percent

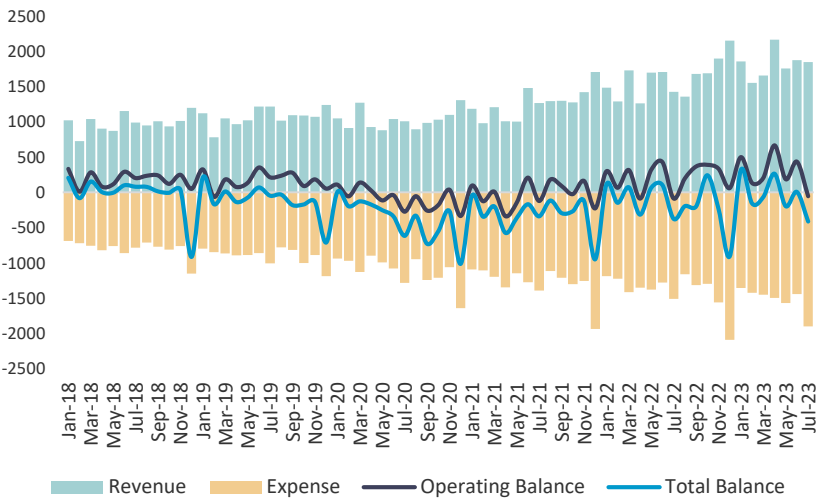
Budget Revenue Performance, August 2023



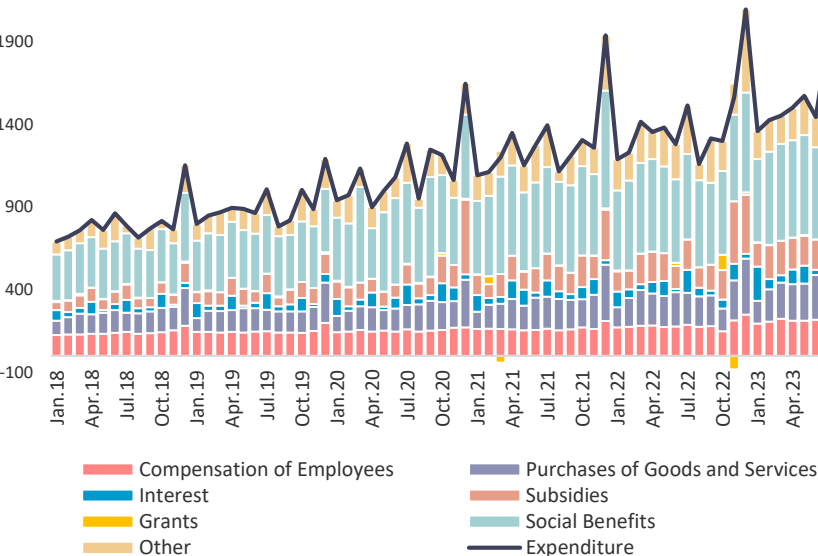
Tax Income, % y/y



Consolidated Budget, mln GEL



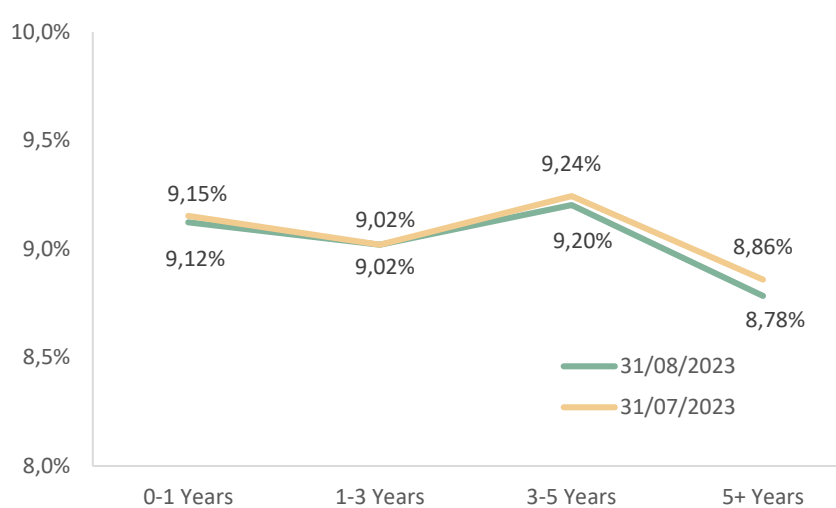
Consolidated Budget Expenditure, mln GEL



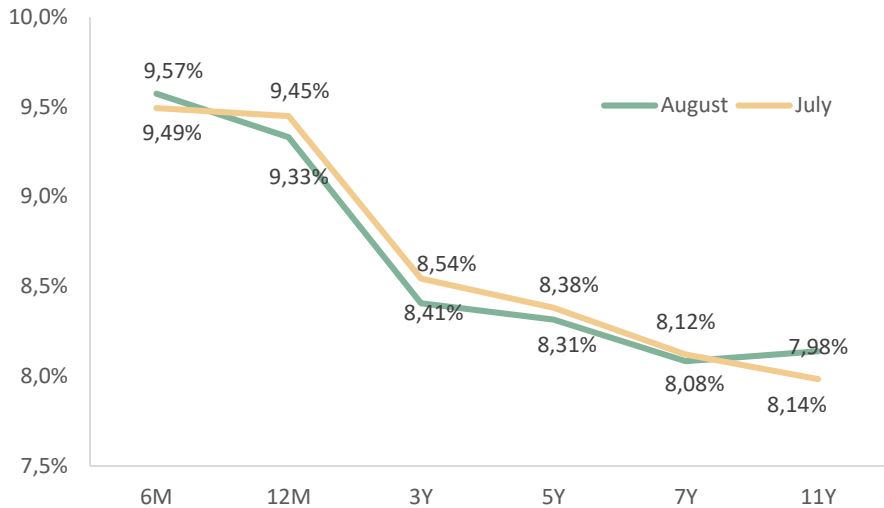
- The actual level of tax income in August 2023 was 1,587 mln GEL, which is above the forecasted value by 0.3 percent.
- Consolidated budget revenues increased by 29.7 percent and expenditures increased by 25.8 percent in July.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -54.3 million GEL, while the total balance was set at negative 411.5 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT in August, accounting for 6.2 and 4.2 percent of total growth, respectively.

Structure of the Securities Portfolio has Undergone Changes

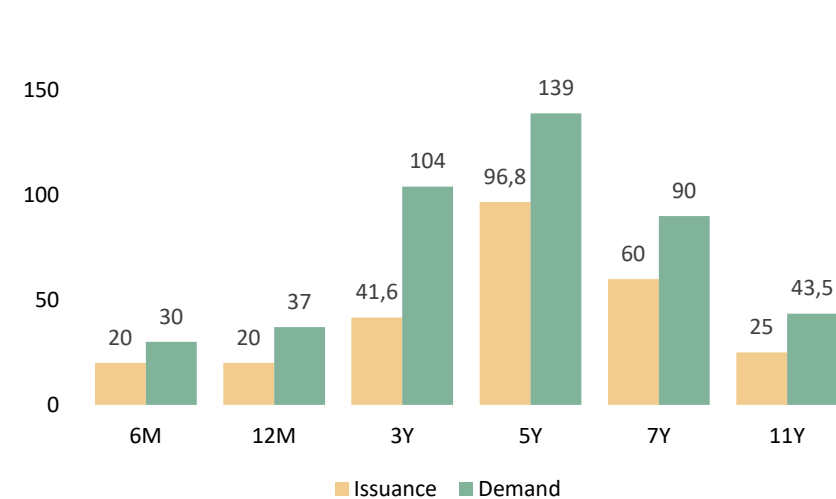
Portfolio Yield Curve



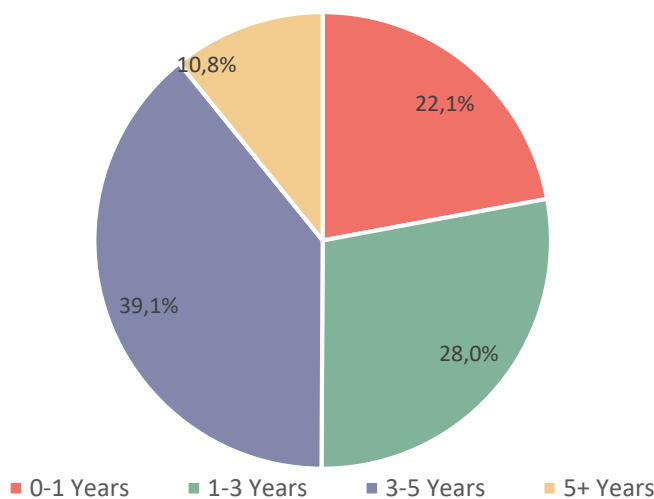
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



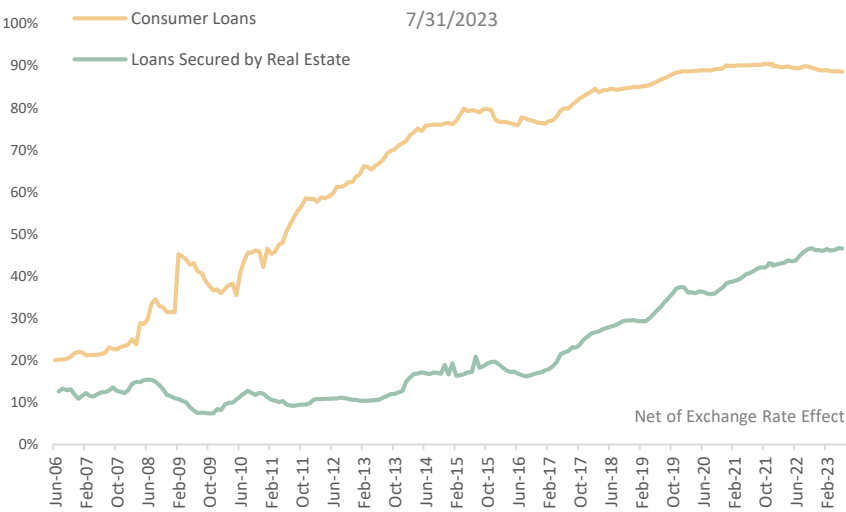
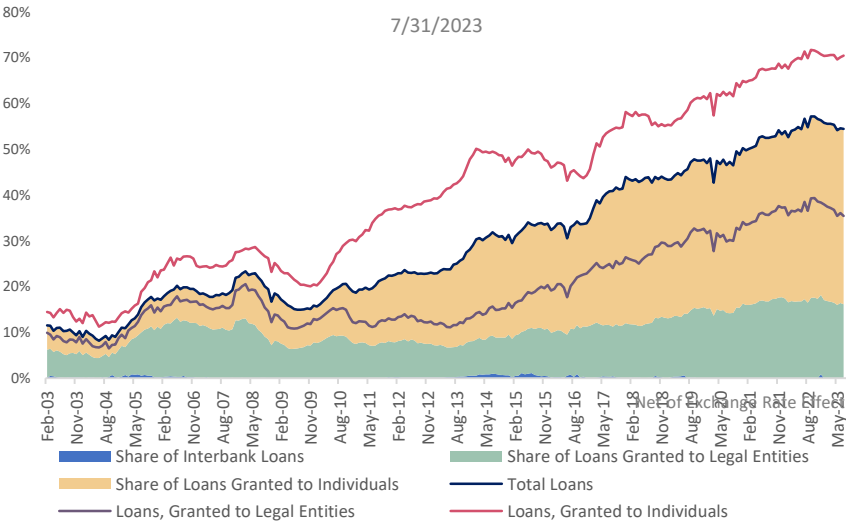
Portfolio by Residual Maturity (August 31)



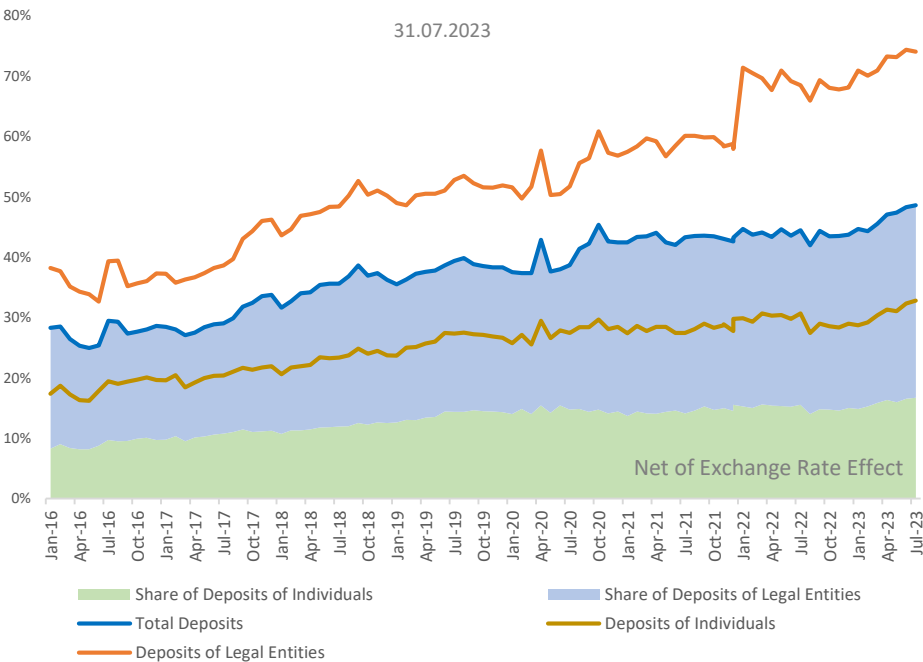
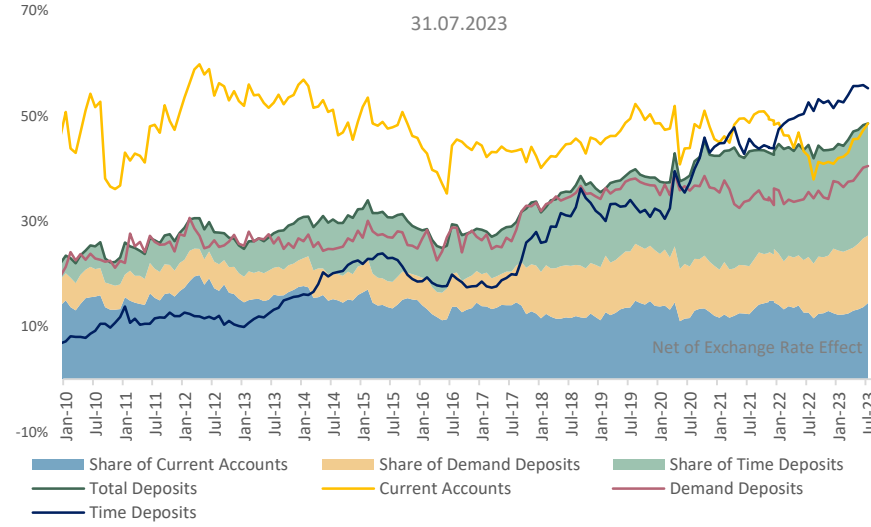
- In August 2023, 6 auctions were held with the total issuance volume of 263.35 million GEL. One buyback auction was held during the month.
- The weighted average interest rate amounted to 8.43%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 50 million GEL were redeemed.
- As of August 31, 2023 around 39% of the treasury securities portfolio 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 28%) in the total portfolio.
- The Bid-to-cover ratio decreased compared to the previous month's value (July 2.26) and amounted to 1.86.

Some Larization Rates Stop Rising

Loan Larization



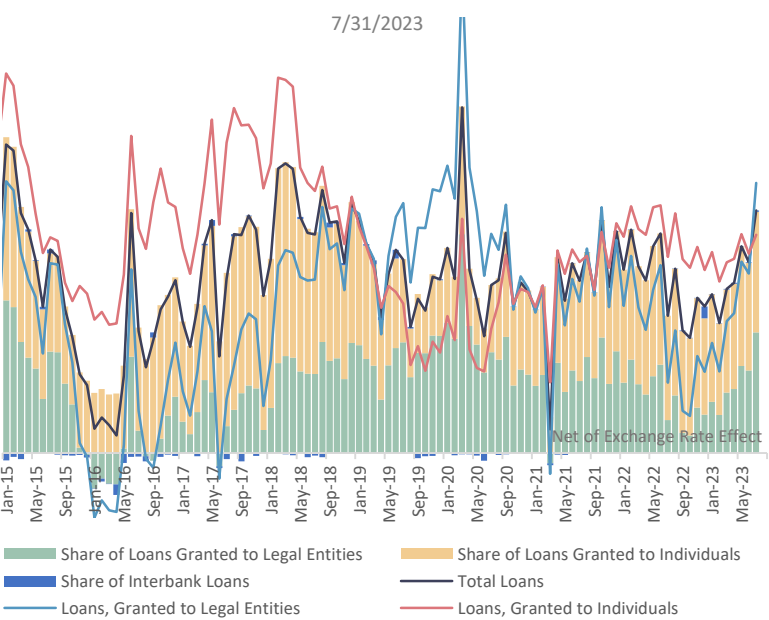
Deposit Larization



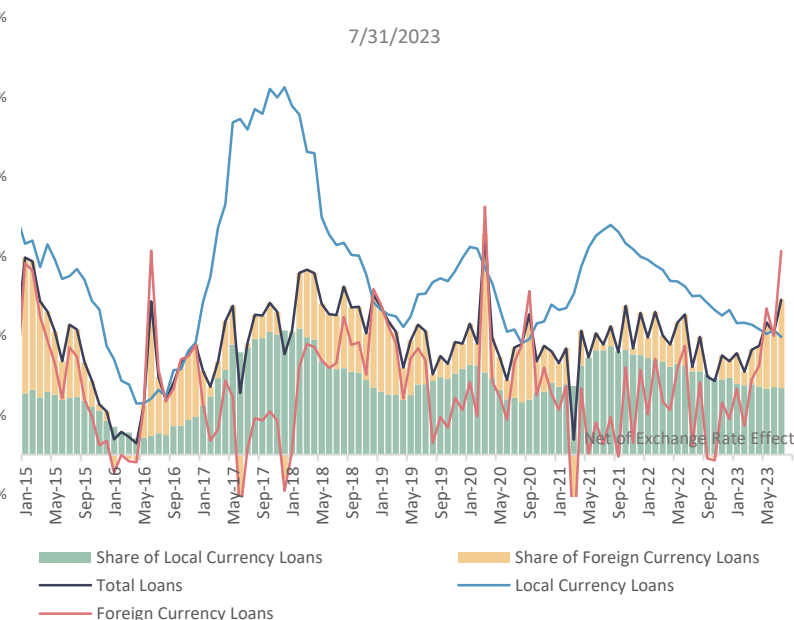
- As of July 31, 2023, the larization of total loans is 54.4 percent.
- The larization of loans to individuals is 70.4 percent.
- The larization of the loans to legal entities amounted to 35.4 percent.
- The larization of the total deposits equals to 48.6 percent.
- The larization on the deposits of legal entities amounted to 74.0 percent.
- The larization of the deposits of individuals is 32.8 percent.
- The larization of time deposits is 55.2 percent.
- The larization of current accounts equals to 48.5 percent.
- The larization of the demand deposits is 40.5 percent.

Annual Growth Trend of Loans is Sustained

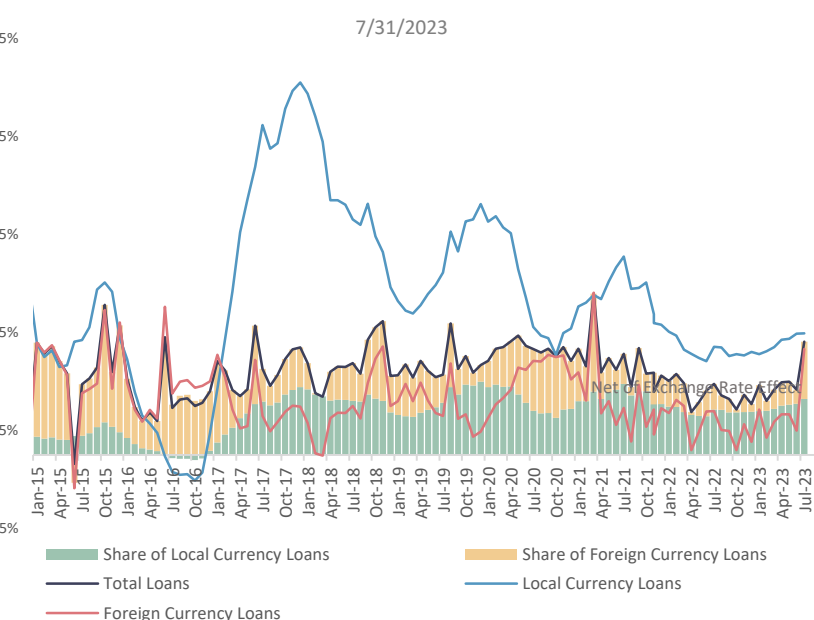
Loans Growth Rates, % y/y



Loans by Currency, % y/y



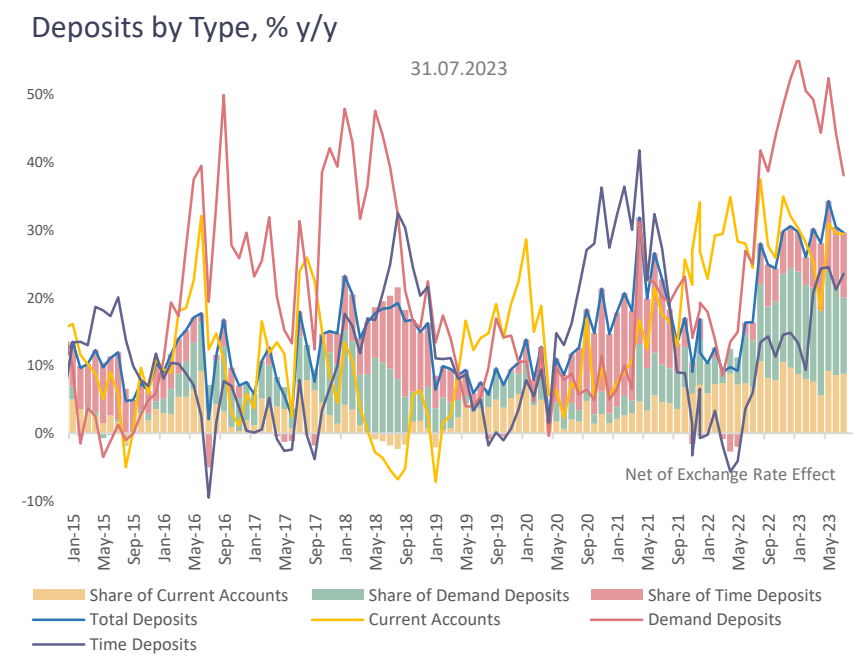
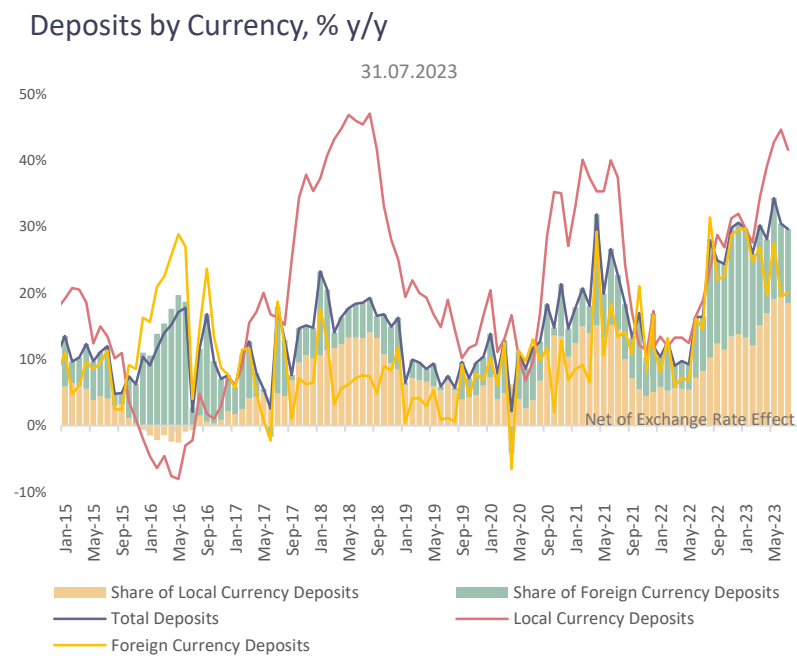
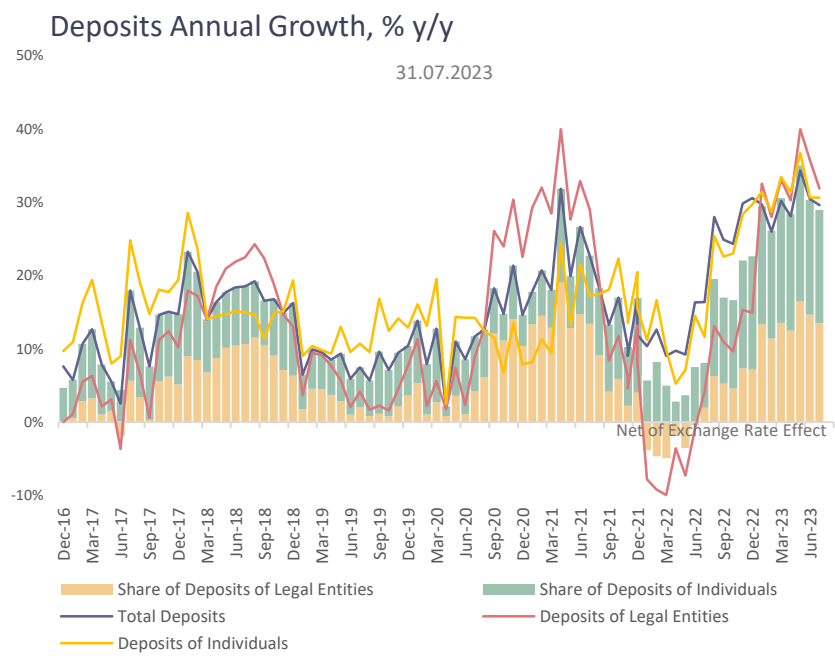
Mortgage Loans, % y/y



- As of July 31, 2023, the total loans increased by 19.5 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 21.7 percent.
- The annual growth of loans to individuals is 17.6 percent.
- As of July 31, 2023, the growth rate of the loans denominated in the national currency amounted to 14.8 percent.
- The annual growth of loans denominated in foreign currency amounted to 25.6 percent.
- As of July 31, 2023, the annual growth of loans secured by real estate amounted to 23.1 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 21.6 percent.

Source: NBG

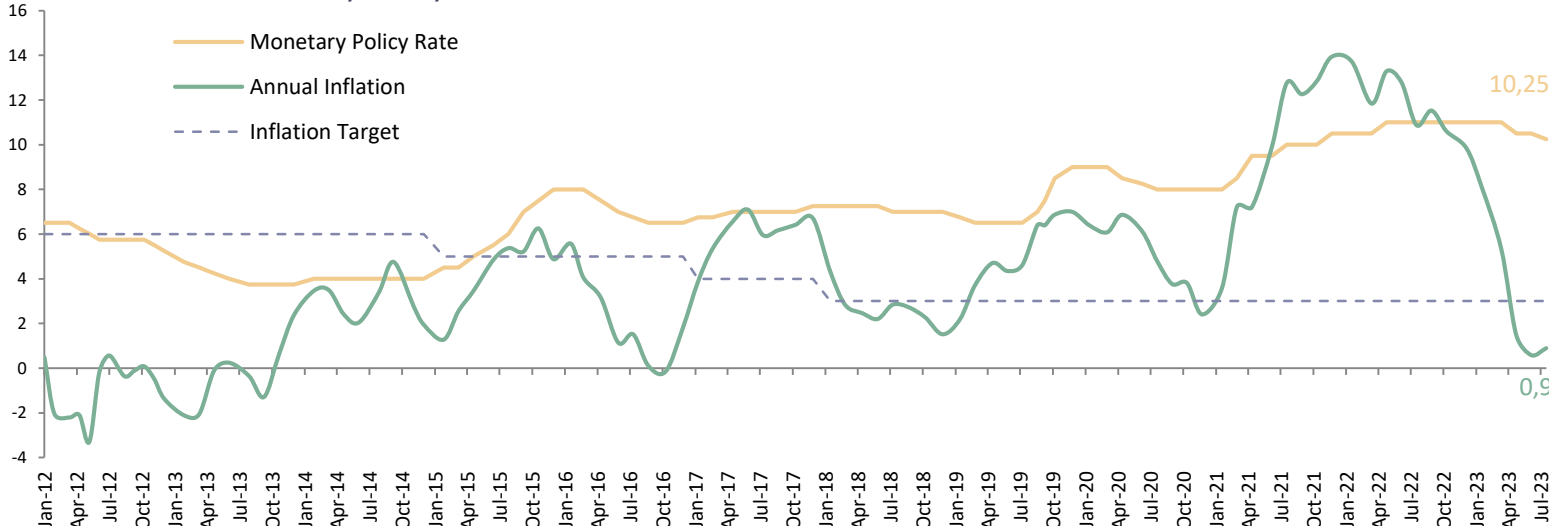
Annual Changes of Deposits Continue Growing at the Stable Rates



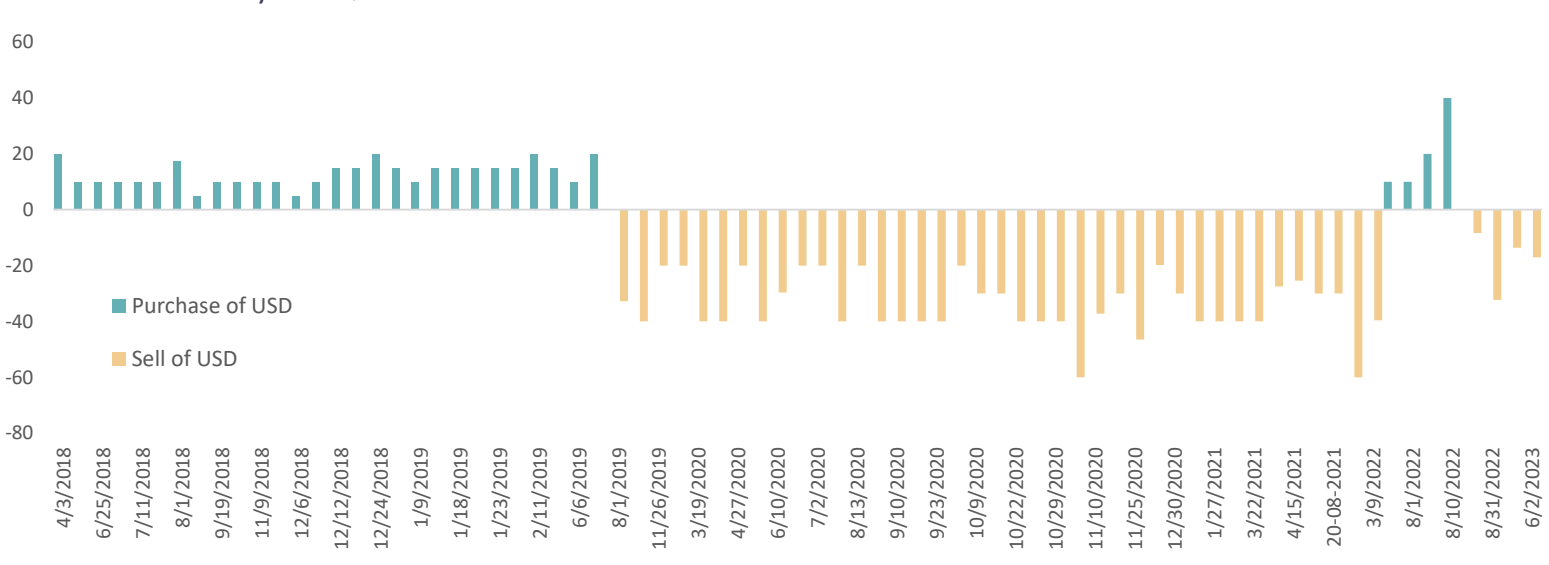
- As of July 31, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 29.6 percent.
- The annual growth of the deposits denominated in the national currency amounted to 41.6 percent. The annual growth of the deposits denominated in foreign currency stood at 20.0 percent over the same period.
- The growth of deposits of individuals amounted to 30.6 percent, while the annual growth of deposits of legal entities in the same period amounted to 31.9 percent.
- The annual growth of current accounts at the beginning of August, 2023, was equal to 29.4 percent.
- The annual growth of the time deposits was 23.5 percent.
- The growth of the demand deposits amounted to 38.1 percent.

The National Bank of Georgia Decreased the Monetary Policy Rate to 10.25 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD

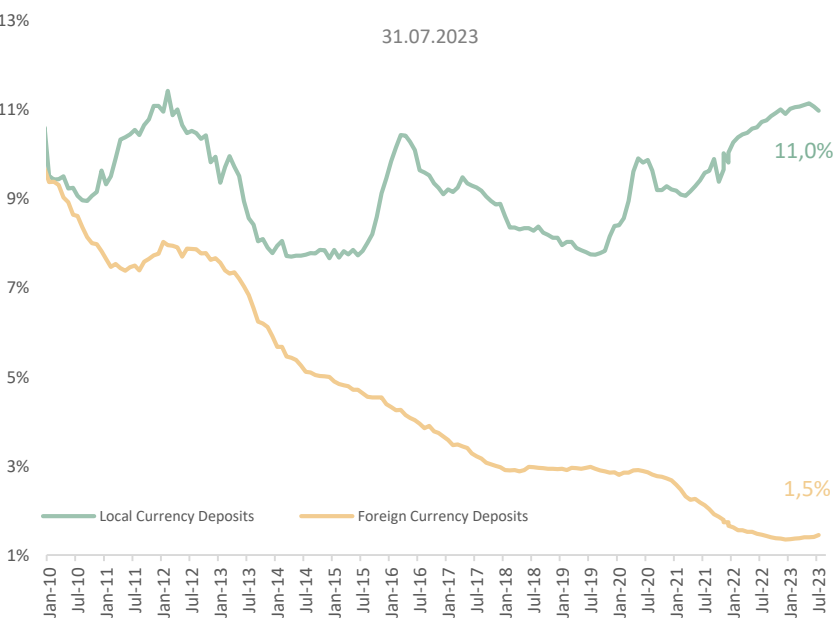


- On August 2, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to reduce the refinancing rate by 0.25 pp and determined it at 10.25 percent level.
- Per the NBG, Russia's invasion in Ukraine has led to significant global economic disturbances and further exacerbated supply-demand imbalances already in place due to the pandemic. However, there have appeared signs of price stabilization on international commodity markets recently. 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. Inflation has already retreated from its peak in Georgia, fell below the target inflation at 0.9 percent in August, and 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 September 13, 2023.
- The NBG did not make any foreign exchange interventions through the auctions during August, 2023.

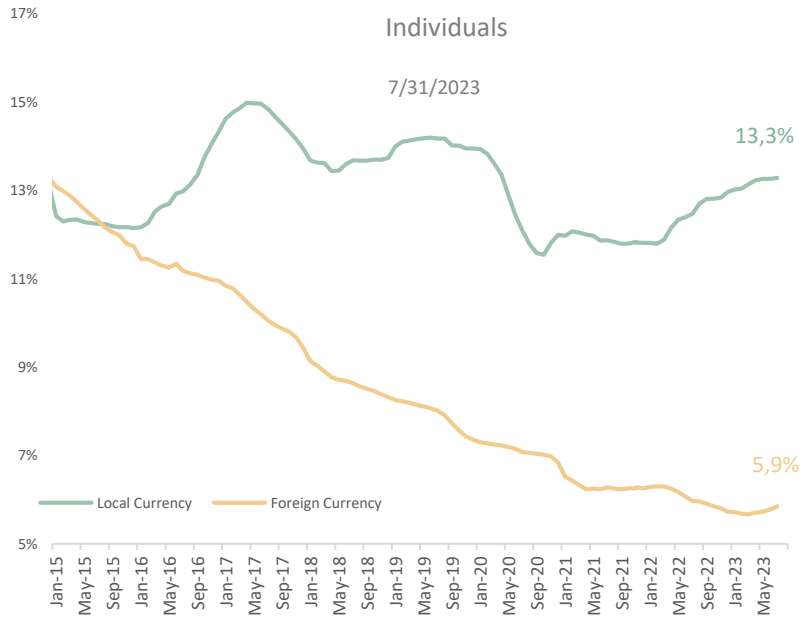
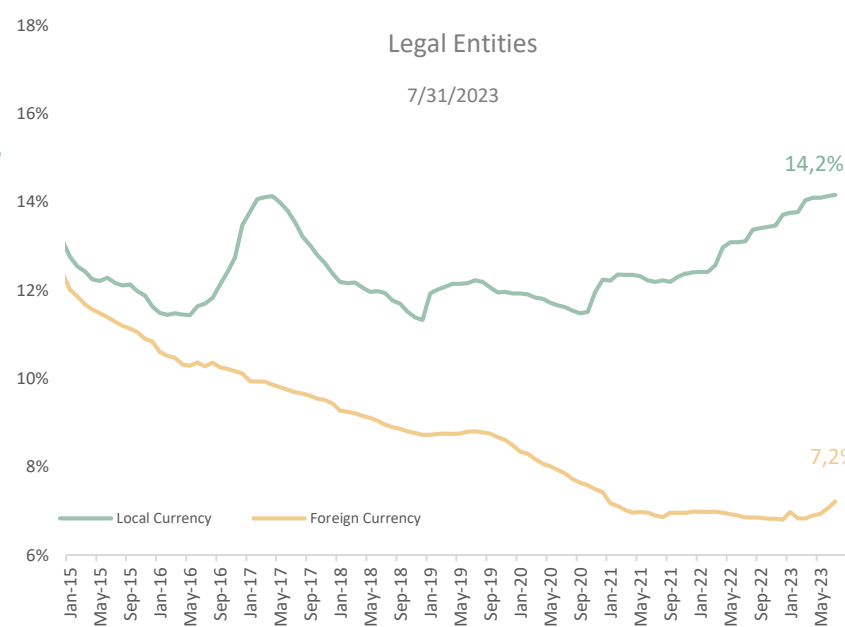
Source: NBG

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 August 1, 2023, the interest rate on foreign currency deposits was 1.5 percent, and in national currency – 11.0 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.1 percent, and in foreign currency – 2.2 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 16.0 percent (17.8 percent in national currency and 6.6 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.4 percent (17.6 percent in national currency and 7.5 percent in foreign currency).
- At the end of July, 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14 percent, and in the foreign currency 9.3 percent. The interest rate on the loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.9 percent.

Source: NBG

Disclaimer

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