



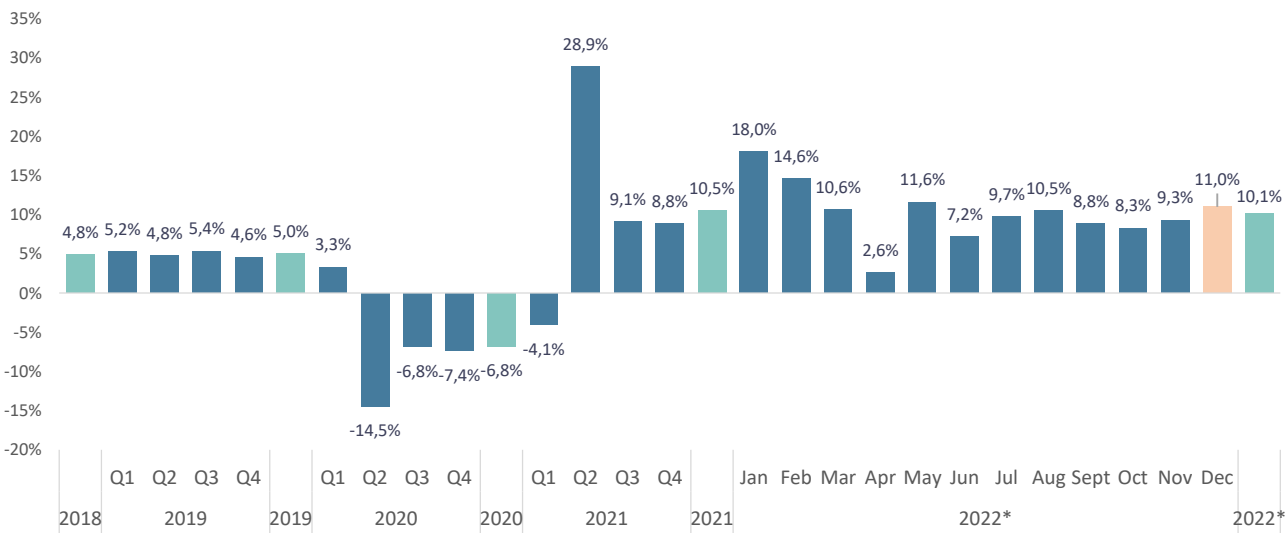
Current Economic Outlook

January, 2023

- In December 2022, the real GDP growth rate was 11 percent and average growth rate of 2022 was 10.1 percent, according to the preliminary estimates of the National Statistics Office.
- In January, annual inflation stood at 9.4 percent, while core inflation was 7.7 percent
- In December, exports increased by 32.5 percent year-on-year and imports increased by 31.2 percent year-on-year, increasing the trade deficit by 30.3 percent year-on-year to 822.6 million USD
- For December, the real effective exchange rate appreciated by 15.0 percent compared to the same period of the previous year and by 0.6 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

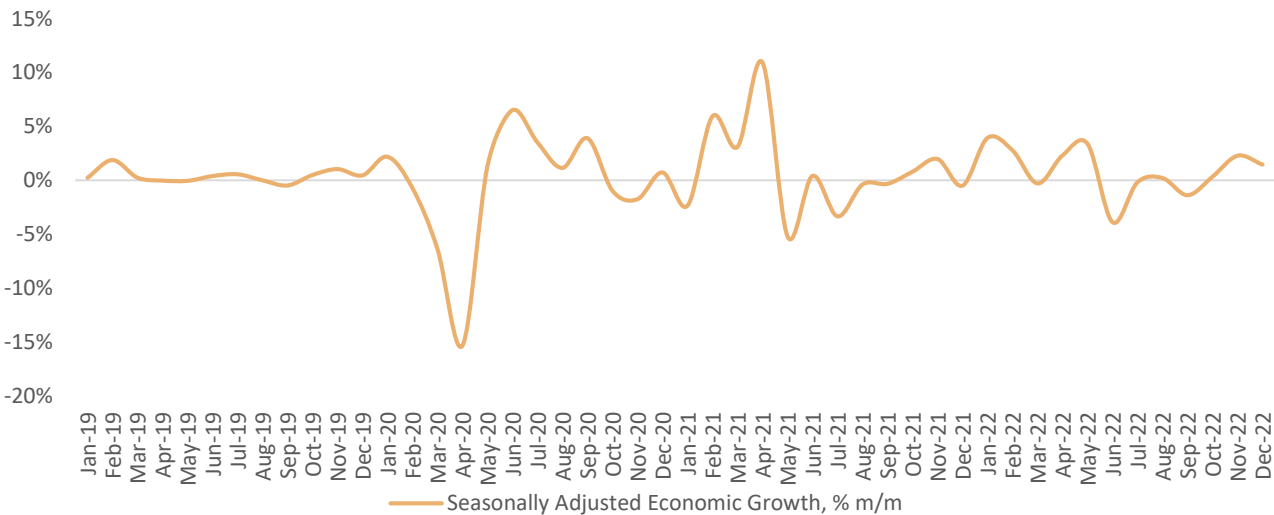
Economic Growth in December was equal to 11 percent

Economic Growth, % y/y

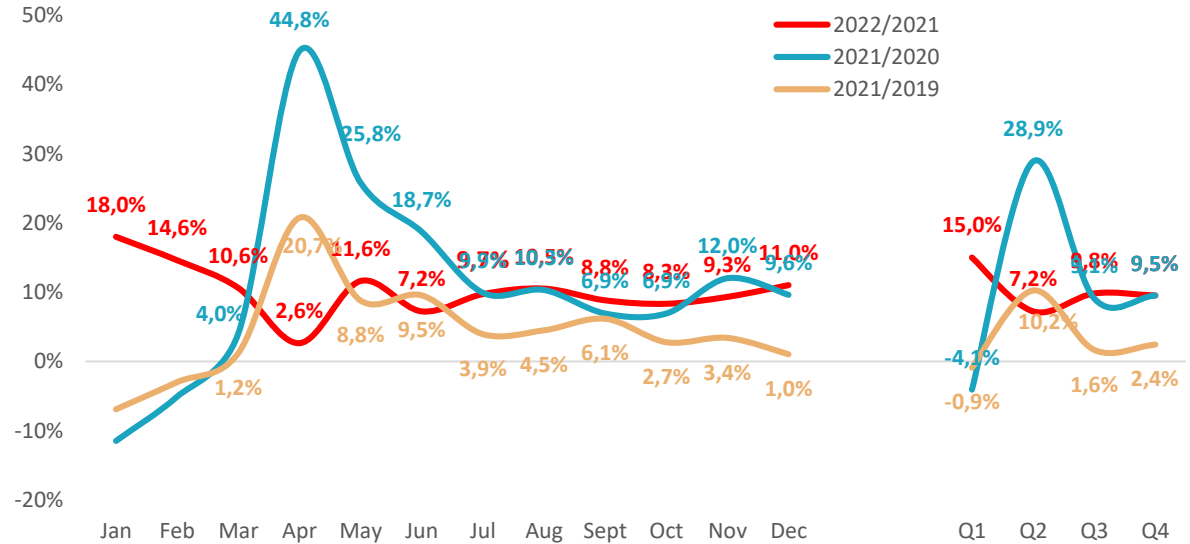


- Estimated real GDP growth rate in December 2022 equaled 11.0 percent YoY and average annual real GDP growth rate for 2022 equals to 10.1 percent.
- In December 2022 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, manufacturing, transport and warehousing, finance and insurance activities, trade, hotels and restaurants.
- A decline was registered in the field of real estate related activities, professional, scientific and technical activities and supply of electricity, gas, steam and air conditioning.

Economic Growth, % m/m



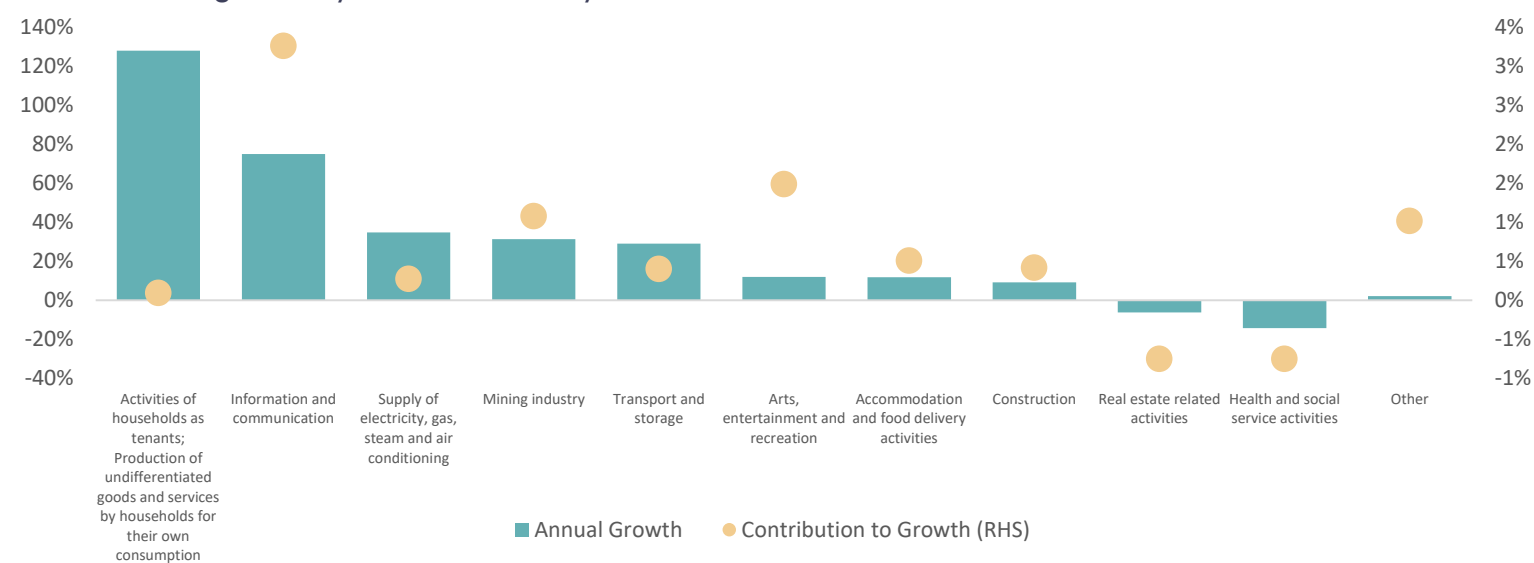
Economic Growth, 2022-2019



Source: Geostat, MOF

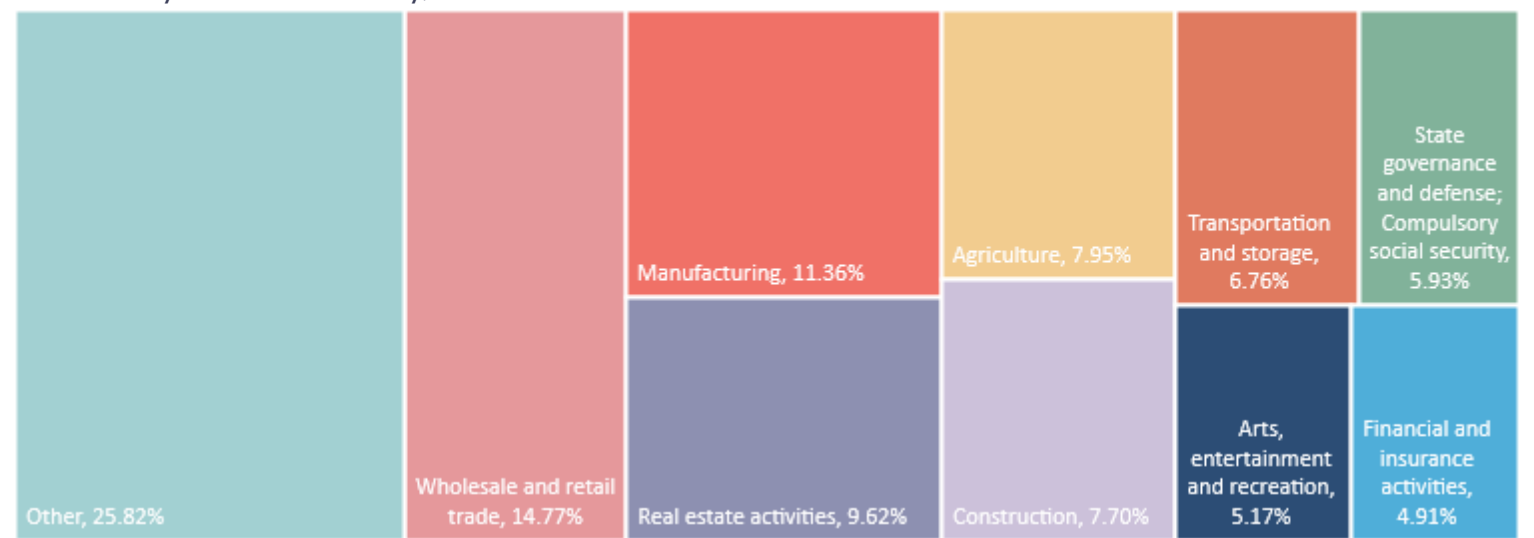
According to preliminary estimates, real GDP increased by 9.5 percent in the fourth quarter of 2022

Real GDP growth by economic activity, 2022 III Quarter



- According to preliminary estimates, in the third quarter of 2022 economic growth amounted to 9.8 percent, while in the second quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 7.2 percent and by 18.0 percent compared to the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q3 2022:
 - Activities of households as employers: 127.8% y/y (0.1 p.p.)
 - Information and communication: 74.9% y/y (3.3 p.p.)
 - Supply of electricity, gas, steam and air conditioning: 34.7% y/y (0.3 p.p.)
 - Mining industry: 31.3% y/y (1.1 p.p.)
 - Transport and warehousing: 29.0% y/y (0.4 p.p.)
 - Arts, entertainment and recreation: 12.0% y/y (1.5 p.p.)
 - Accommodation and food supply activities: 11.7 y/y (0.5 p.p.)
 - Construction: 9.1% y/y (0.4 p.p.)

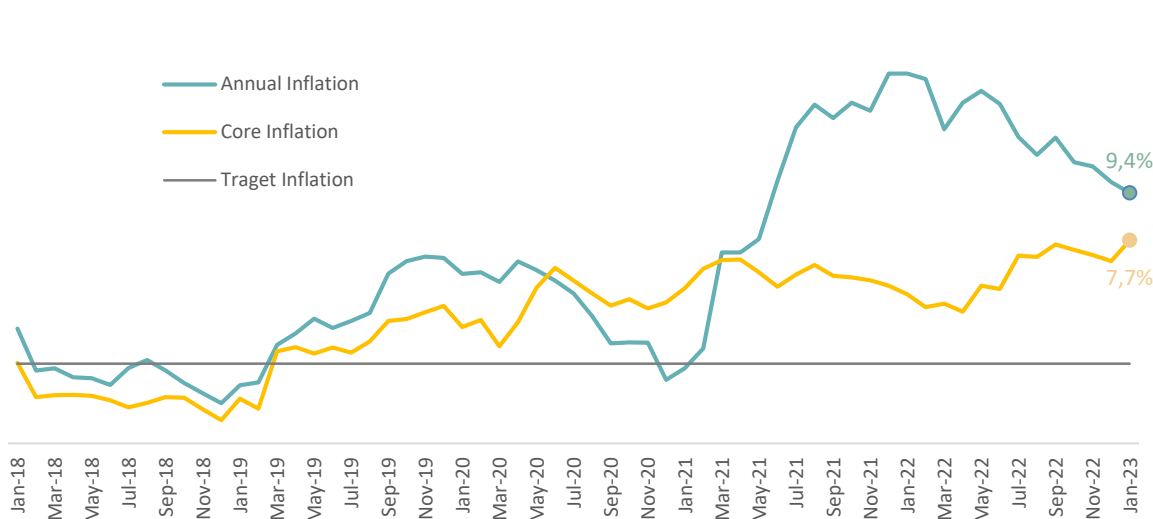
GDP by economic activity, 2022 III Quarter



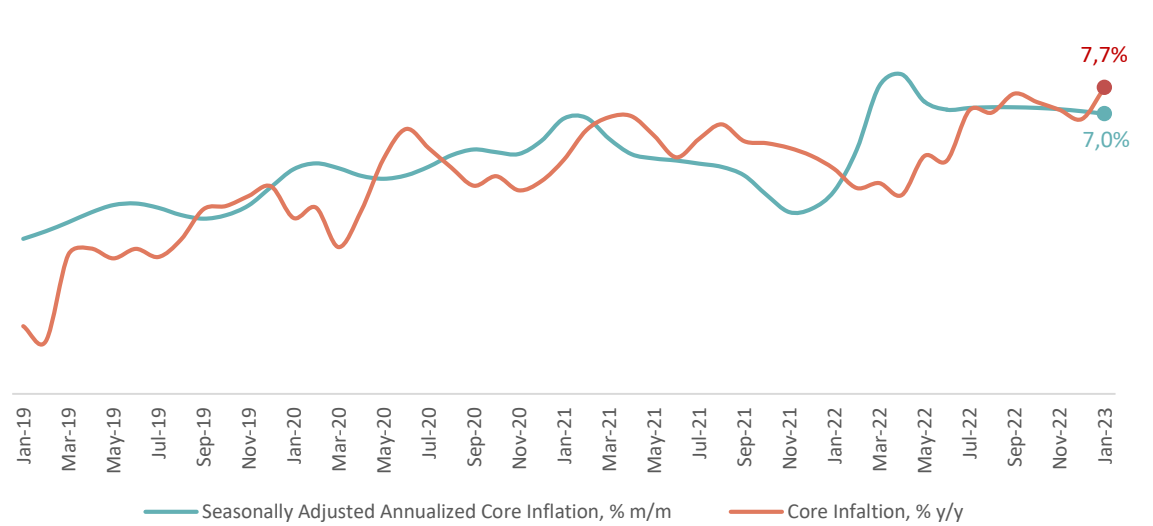
- The following sectors made a significant contribution to the decrease:
 - Real estate-related activities: -6.3 y/y (-0.8 p.p.)
 - Health care and social service activities: -14.3 y/y (-0.8 p.p.)

Annual inflation in January has reached 9.4 percent

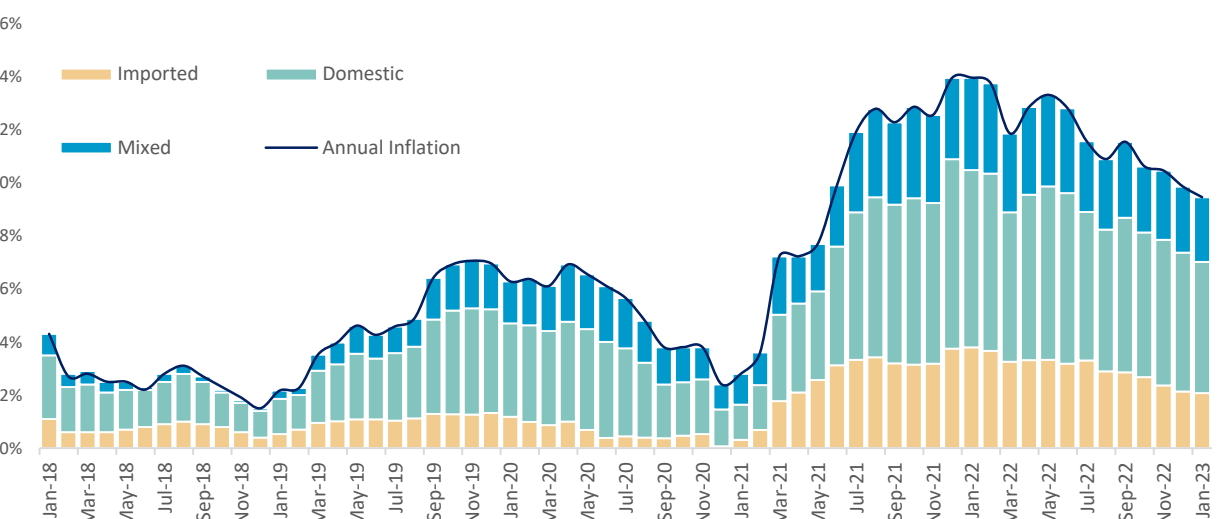
Total and Core Inflation, % y/y



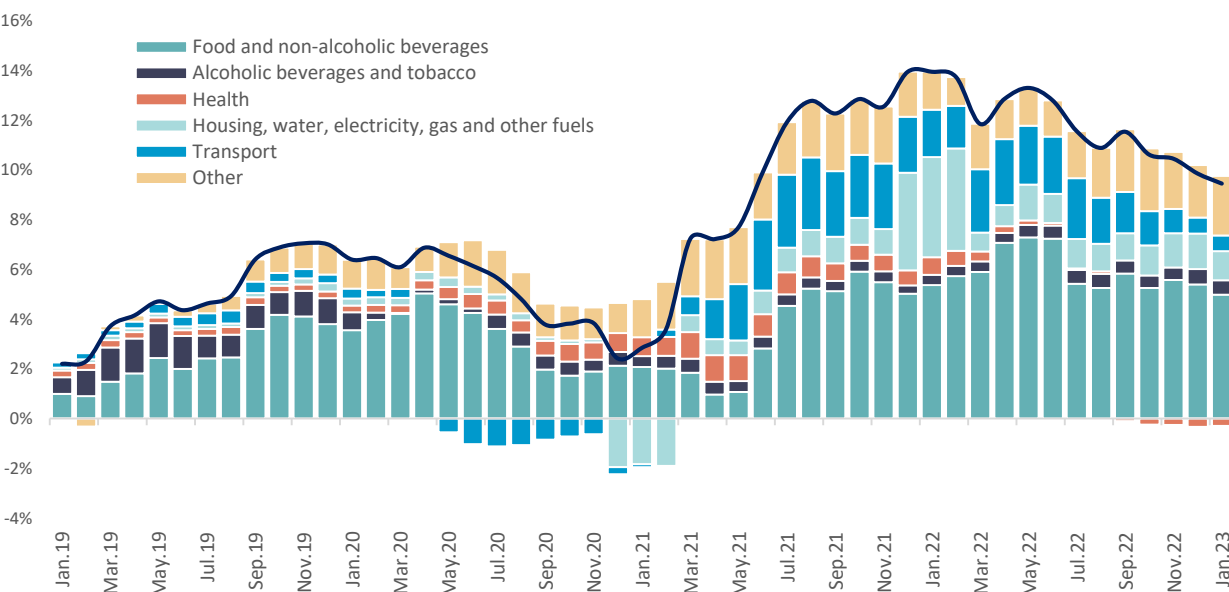
Core Inflation, % m/m



Inflation Decomposition



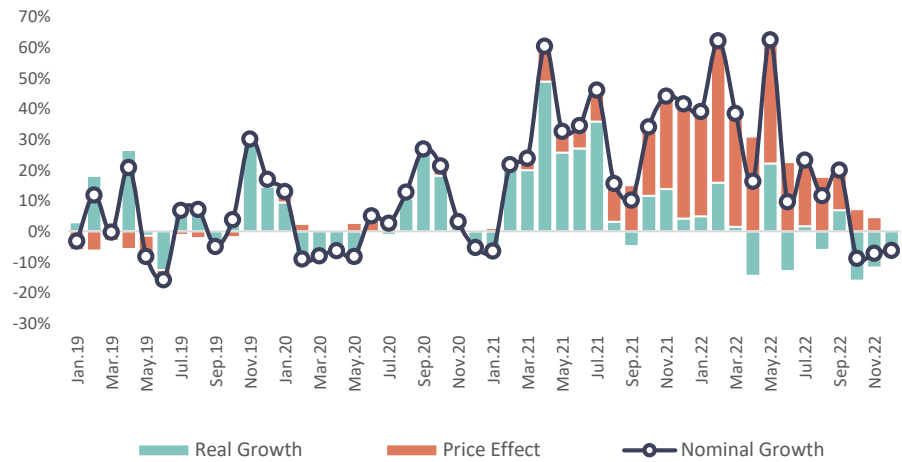
Inflation Decomposition by product group



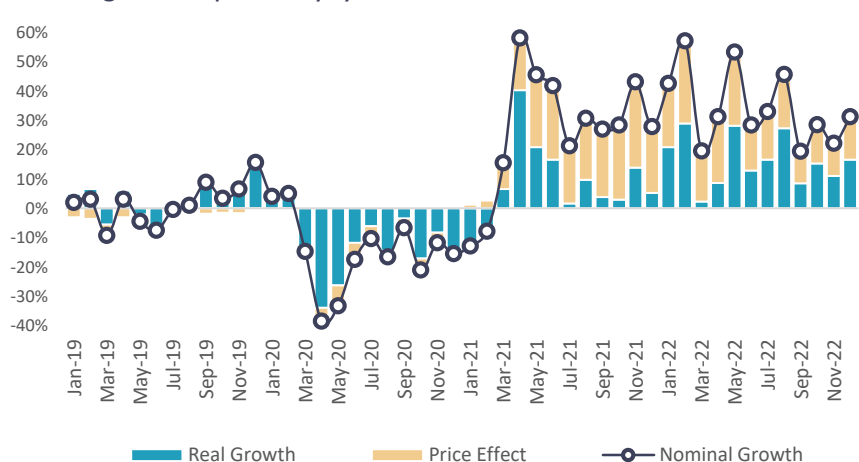
Source: Geostat, NBG, MOF

Trade Deficit increased by 30.3 percent annually

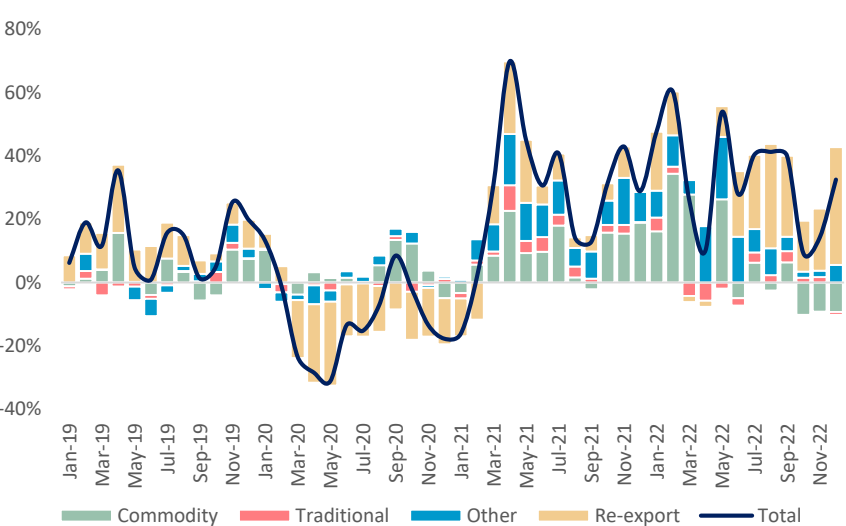
Change of Domestic Export, %y/y



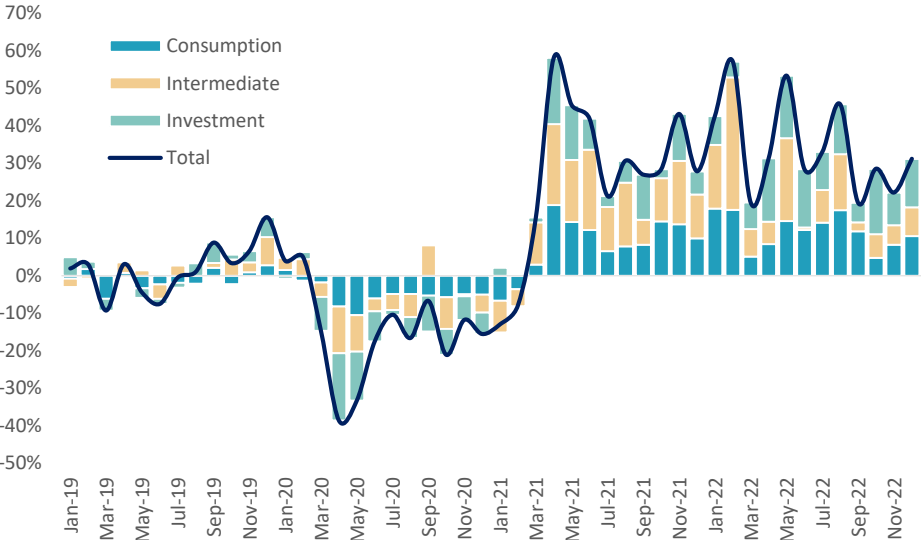
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

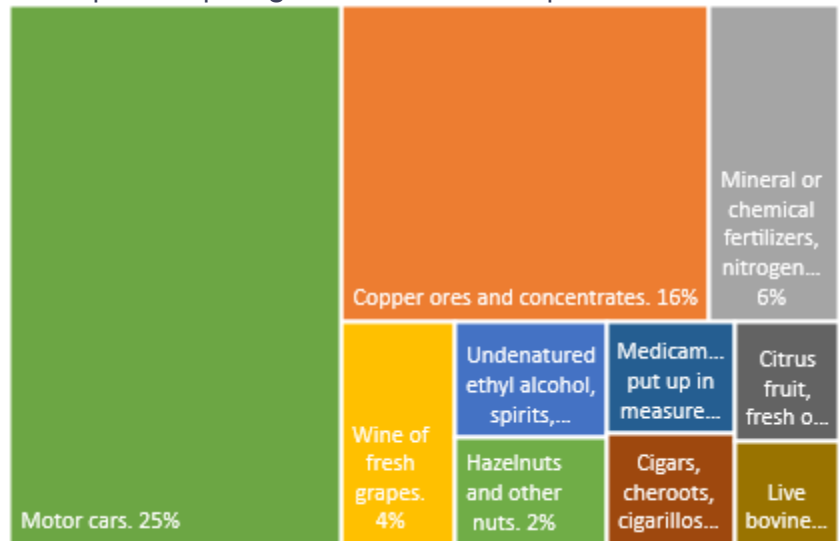


- Export increased annually by 32.5 percent to 555.8 million USD in December.
- Domestic export decreased annually by 6.2 percent to 297.9 million USD.
- Import annually increased by 31.2 percent to 1,378.4 million USD in December.
- Trade deficit annually increased by 30.3 percent to 822.6 million USD in December.
- Share of re-export in export growth is equal to 37.2 percent (152.9 %y/y), while share of commodity export is -9.4 percent (-25.1 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 12.9, 10.6 and 7.6 percent respectively.

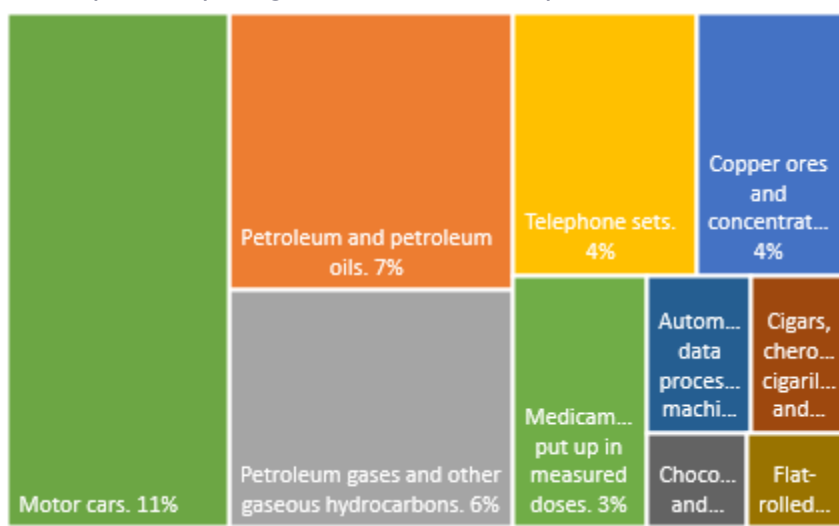
Source: Geostat, MOF

International trade is characterized by stable diversification

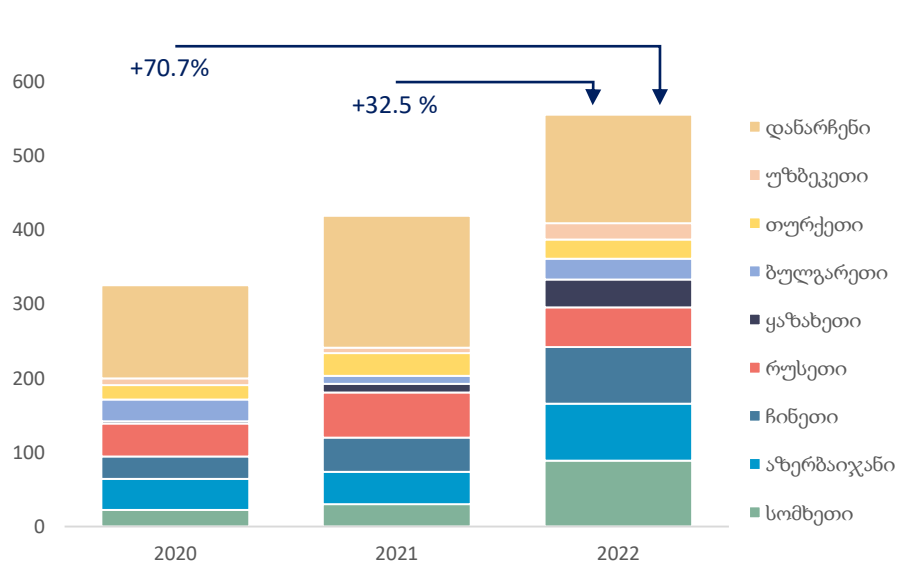
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import

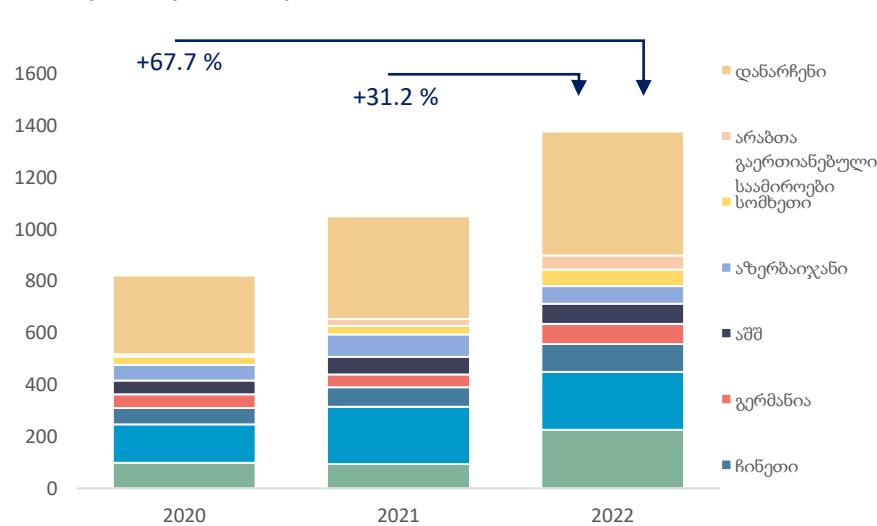


Export by country, December



- Top Export Products:
 - Motor cars: 141.0 mln. USD – 25.4 percent of total export.
 - Copper ores and concentrates: 91.4 mln. USD – 16.4 percent.
 - fertilizers: 32.3 mln. USD – 5.8 percent.
- Top Import Products :
 - Motor cars: 145.2 mln. USD – 10.5 percent.
 - Petroleum and petroleum oils: 100.8 mln. USD – 7.3 percent.
 - Petroleum gases: 86.4 mln. USD – 6.3 percent of total import.

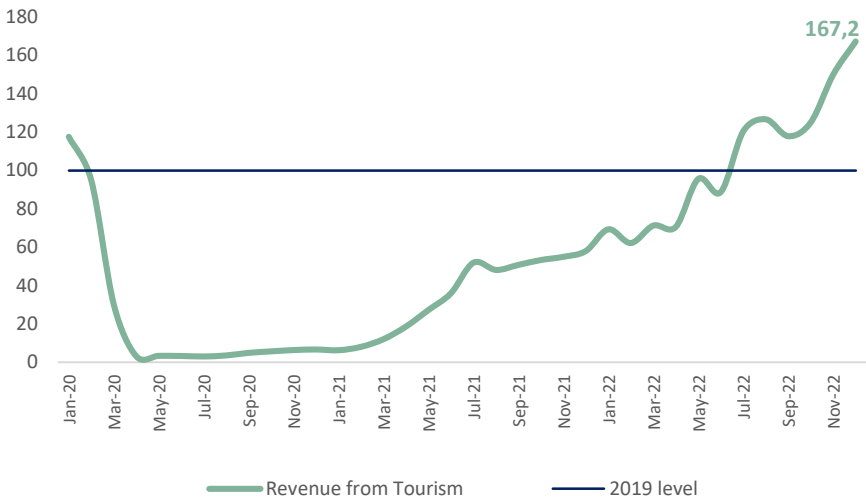
Import by country, December



- Top Export Country:
 - Armenia: 88.9 mln. USD – 16.0 percent.
 - Azerbaijan: 77.2 mln. USD – 13.9 percent.
 - China: 76.1 mln. USD – 13.7 percent.
- Top Import Country :
 - Russia: 226.4 mln. USD – 16.4 percent.
 - Turkey: 223.6 mln. USD – 16.2 percent.
 - China: 107.7 mln. USD – 7.8 percent.

Tourism recovery continue to increase and reached 167.2% percent of 2019 level in December 2022

Revenue from Tourism, 2019 = 100

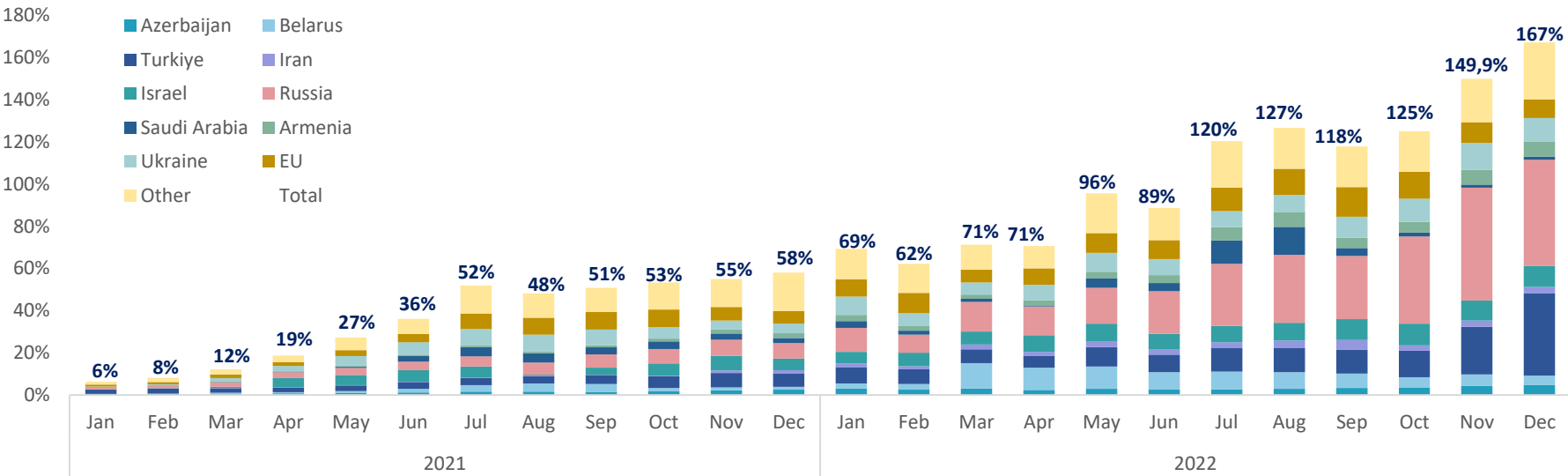


Revenue from Tourism, December 2022

Country	Tourism Revenue, mln USD
Russia	363.3
Turkiye	109.5
Ukraine	84.7
Israel	24.2
EU + UK	21.8
Armenia	19.1
Other	88.2

- In December 2022, tourism revenues increased by 188.2 percent compared to the corresponding period of the previous year to 363.3 million USD. Such high increase is mainly due to low level of tourism revenue inflow in December 2021 (126.1 million USD).
- Because of the recovery of economic activity in the region and within the country, tourism sector activities increased compared to 2019. In particular, revenue from tourism in December 2022 increased by 67.2 percent compared to December 2019.
- At the same time, seasonally adjusted tourism revenues increased by 14.4 percent compared to the previous month.

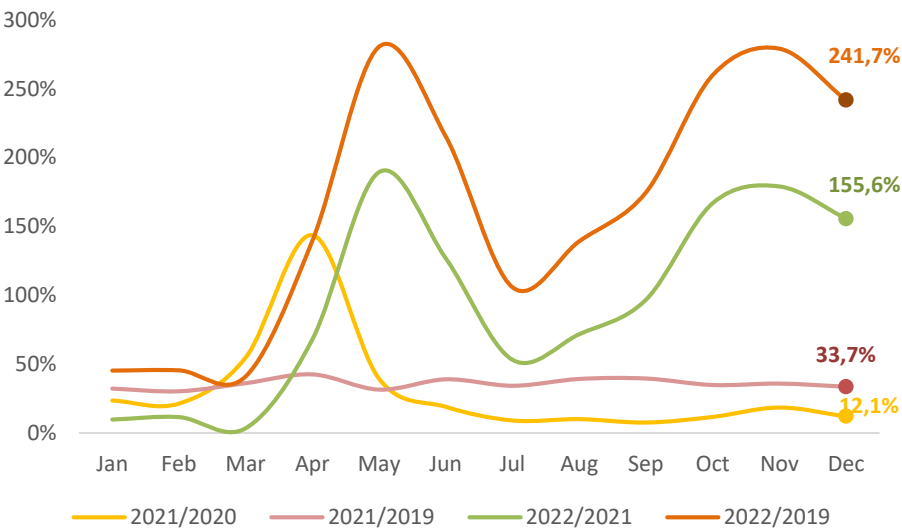
Recovery of Tourism by country, corresponding month of 2019 = 100, %



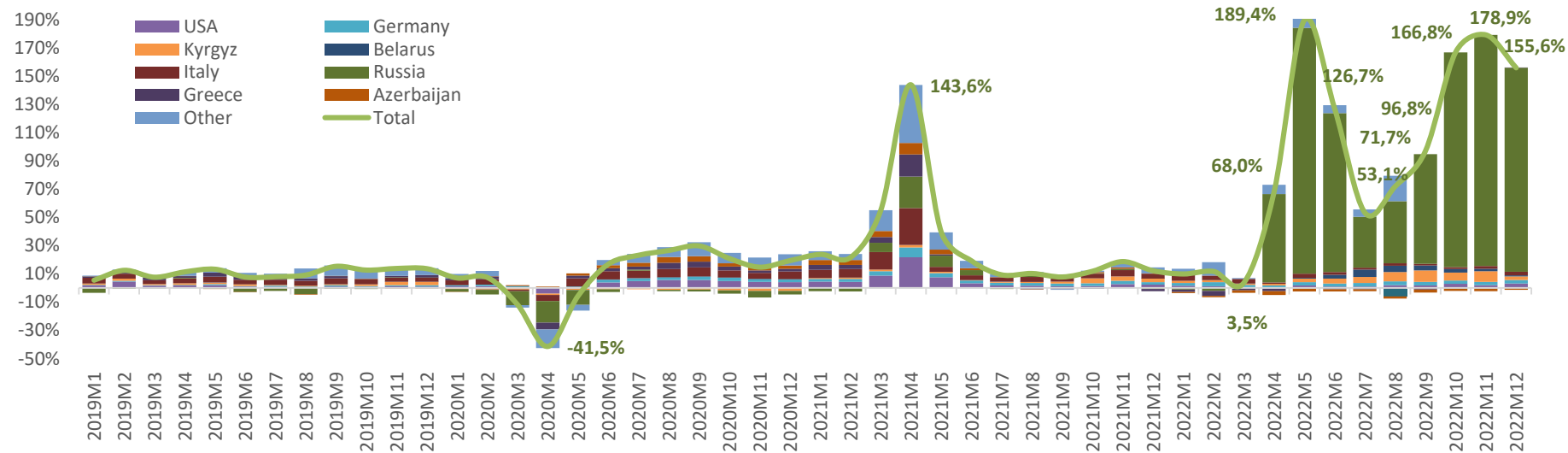
Source: NBG

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

Net Remittances



Net Remittances by country, %y/y



Net Remittances, December 2022

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	313.5	925.5	144.2
Italy	42.3	13.5	2.6
USA	32.4	24.0	3.2
Greece	18.9	0.6	0.1
Israel	18.5	8.0	0.7
Kazakhstan	10.9	-12.9	-0.8
Other	64.9	20.7	5.7

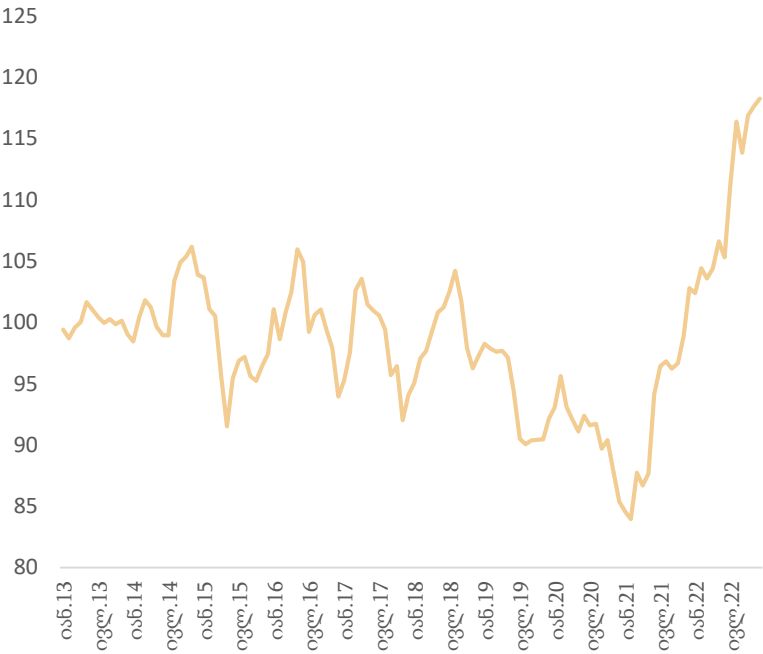
- In December 2022, net remittances were estimated at 501.4 million USD, representing a 155.6 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 241.7 percent.
- Net Remittances increased from:
 - Russia: 925.5 percent (144.2 p.p. contribution to overall growth).
 - Germany: 44.6 percent (2.5 p.p. contribution to overall growth).
 - USA: 24.0 percent (3.2 p.p. contribution to overall growth).
 - Italy: 13.5 percent (2.6 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Kazakhstan: -12.9 percent (-0.8 p.p. contribution to overall growth)

The Real effective exchange rate in December appreciated by 15.0 percent annually

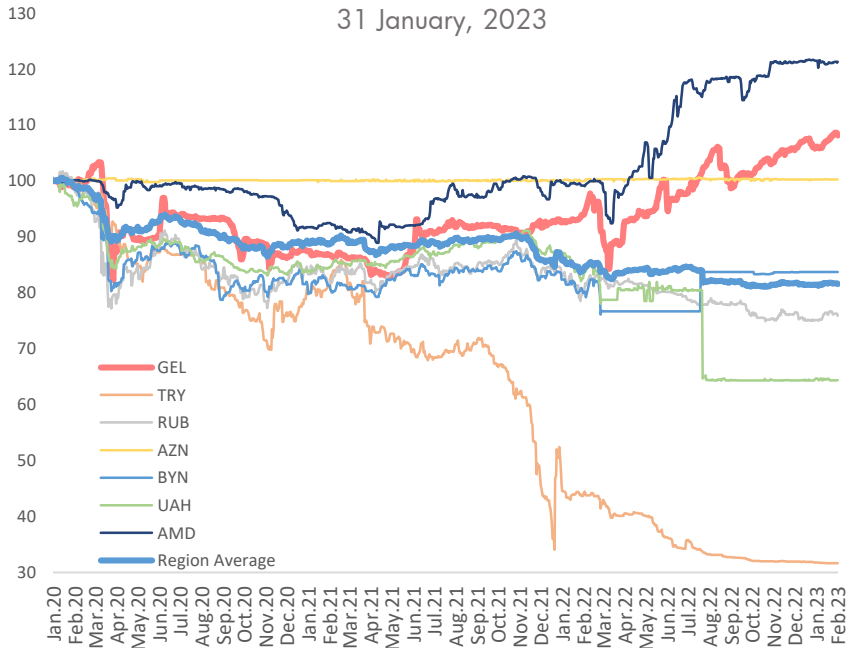
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

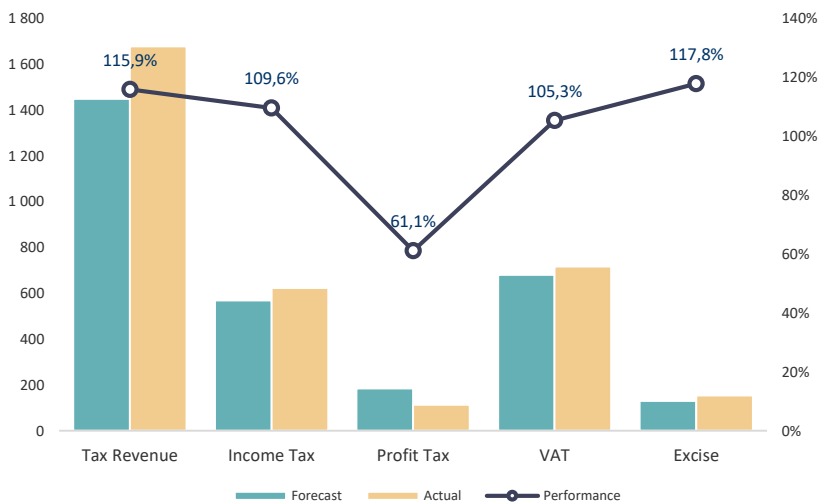


Note: Increase means appreciation

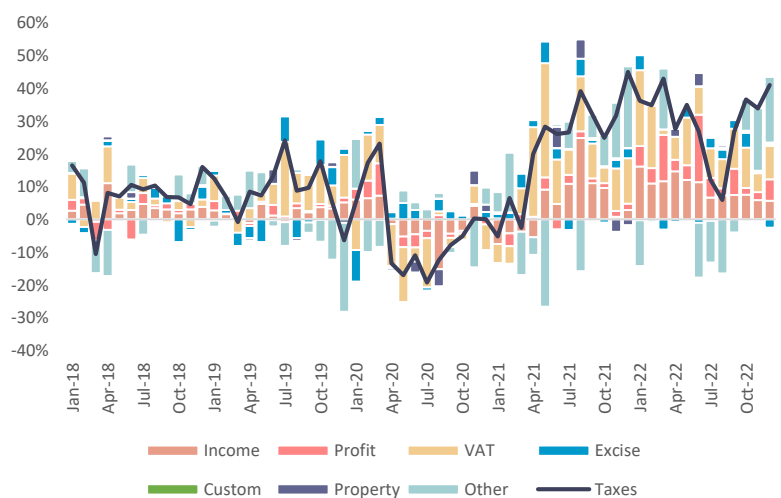
	January 31, 2023		Jan 31, 2023 - Jan 1, 2022		Jan 31, 2023 - Jan 1, 2021
Euro	2.8813	▲	11.6%	▲	6.2%
US Dollar	2.6410	▲	8.5%	▲	1.2%
Turkish Lira	0.1404	▲	243.1%	▲	260.0%
Russian Ruble	0.0379	▲	21.7%	▲	1.3%
NEER	137.07	▲	4.5%	▲	23.9%
REER (December 2022)	145.35	▲	15.5%	▲	38.5%

Tax revenues in January is above the forecast value by 15.9 percent

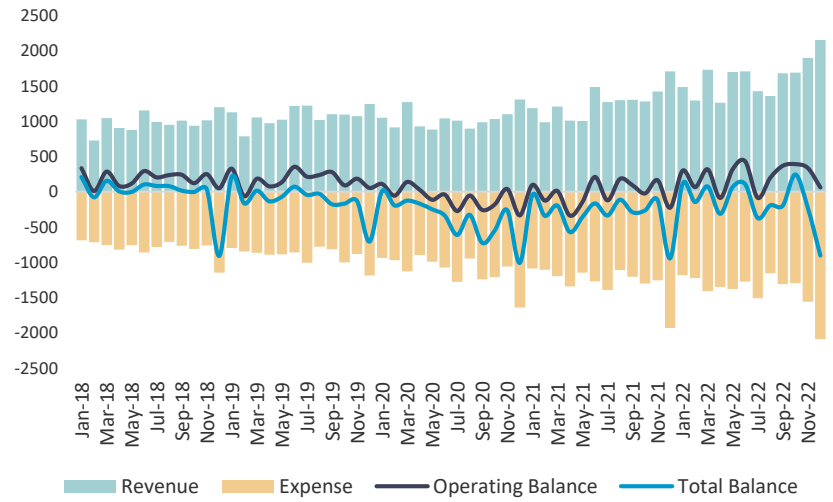
Budget Revenue Performance, January 2023



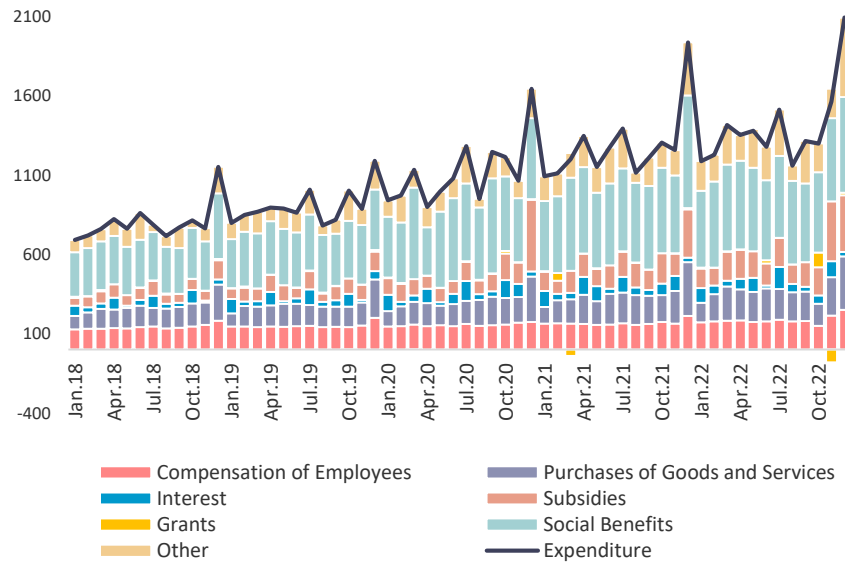
Tax Income, % y/y



Consolidated Budget, mln GEL

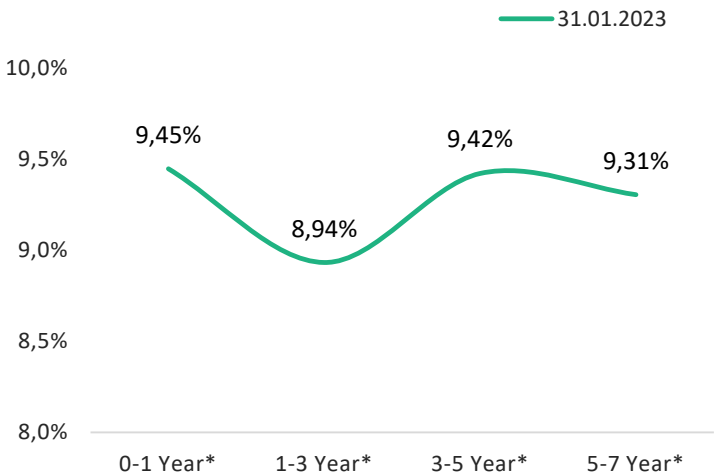


- The actual level of tax income in January 2022 was 1,678 mln GEL, which is above the forecasted value by 15.9 percent.
- Consolidated budget revenues increased by 26.0 percent and expenditures by 8.1 percent in December.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 61.1 million GEL, while the total balance was set at -906.7 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and profit tax in December, accounting for 10.2 and 6.5 percent of total growth, respectively.

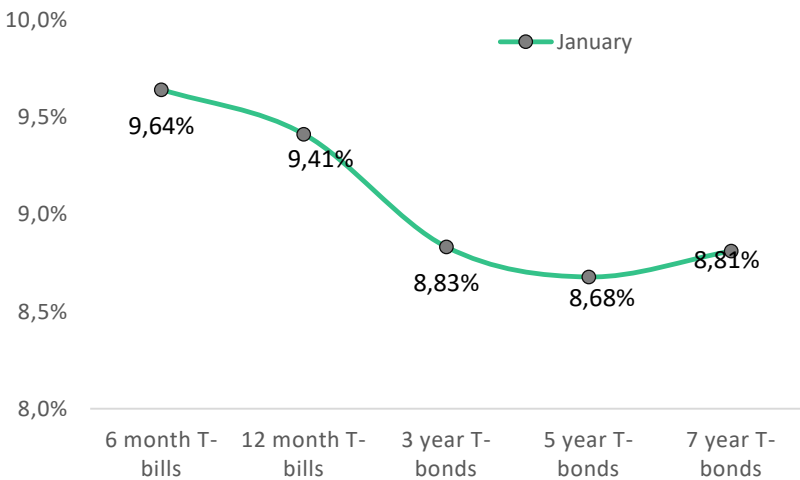


The structure of the securities portfolio has undergone minor changes

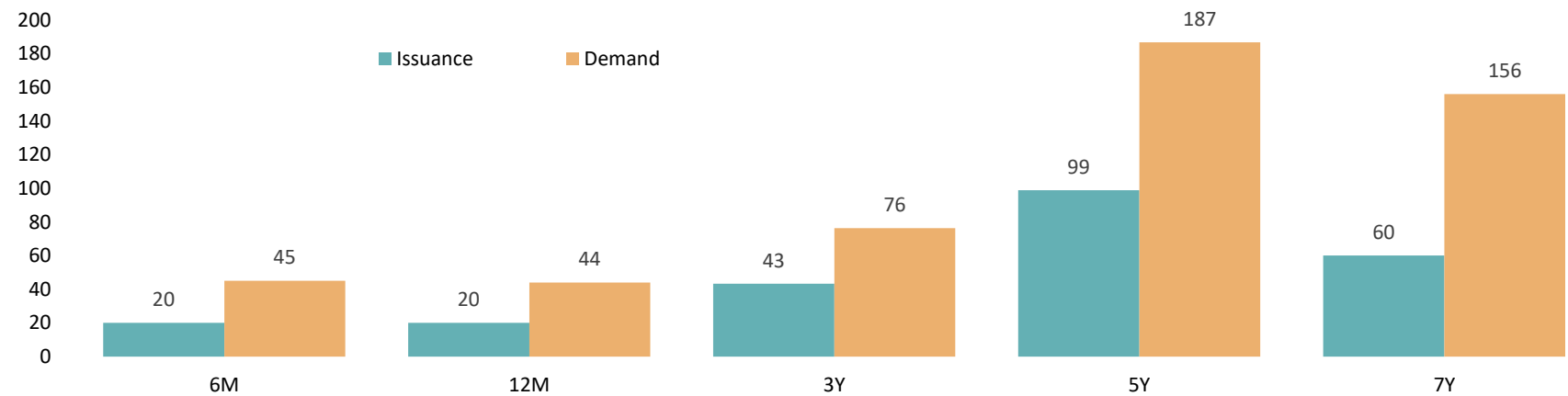
Portfolio Yield Curve



Weighted average interest rates



Issuance and Demand, mln GEL

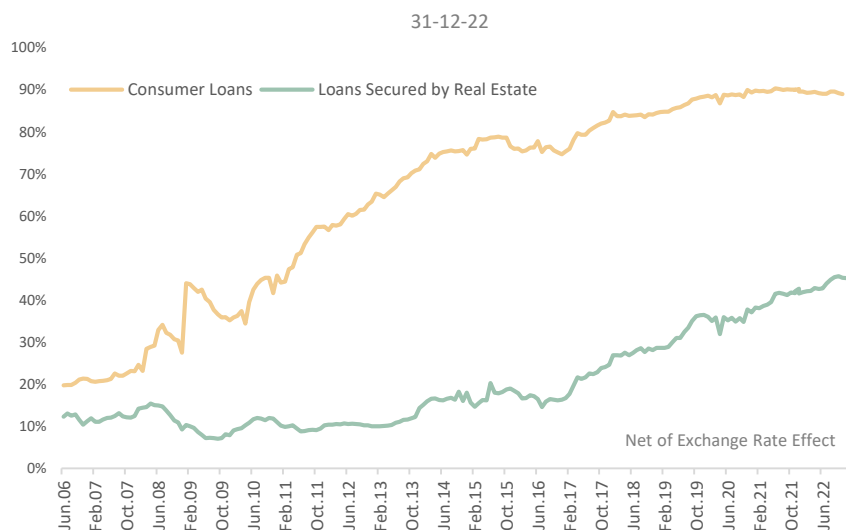
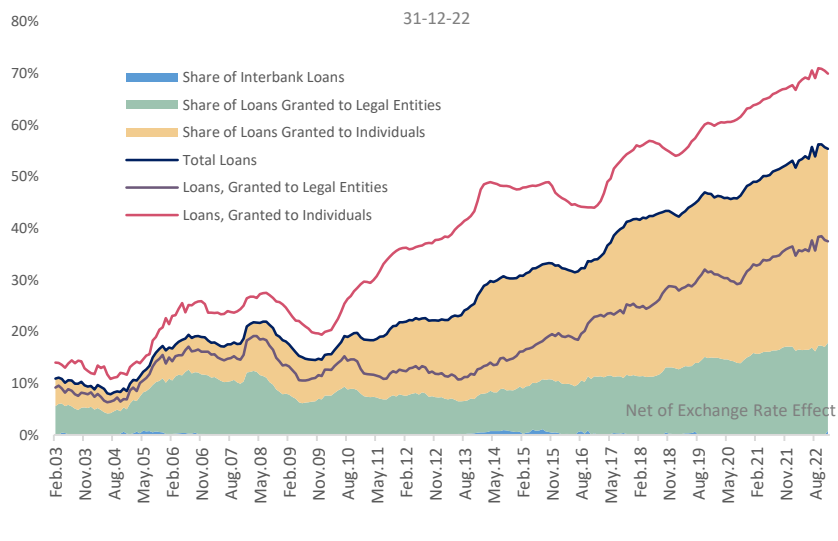


- In January 2023, 5 auctions were held with total issuance volume of 242.087 million GEL.
- The weighted average interest rate amounted to 8.880%.
- There were issued Treasury Bills with total amount 40 million and Treasury bonds with the amount of 202.087 million.
- Treasury securities with total amount of 40 million GEL were redeemed.
- As of January 31, 2023 24% of treasury securities portfolio is composed of securities with the remaining maturity of less than 1 year.
- Bid-to-cover ratio slightly changed compared to the previous month's value (December 2.27) and amounted to 2.10.

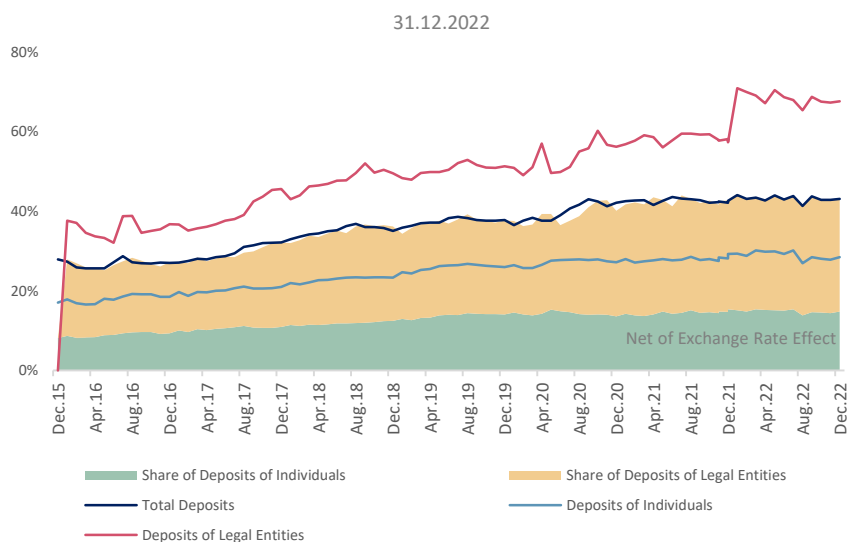
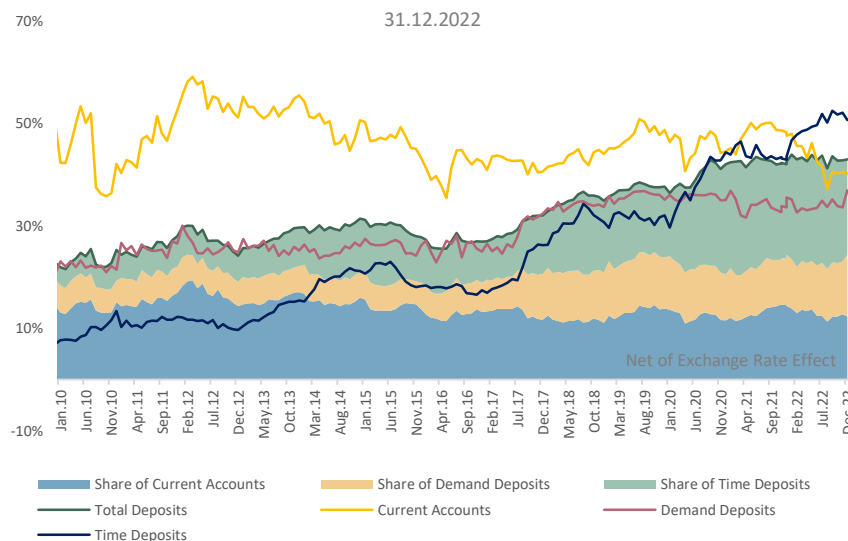
Source: MOF

The larization rates continue to rise

Loan Larization



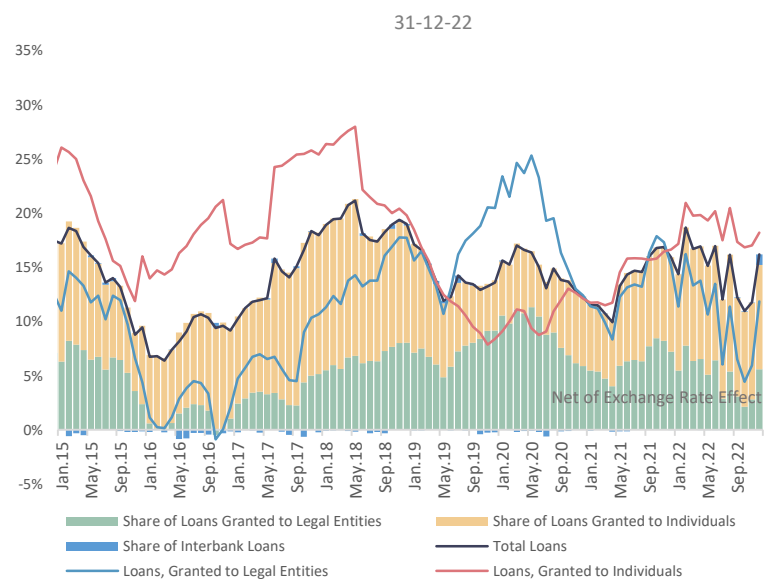
Deposit Larization



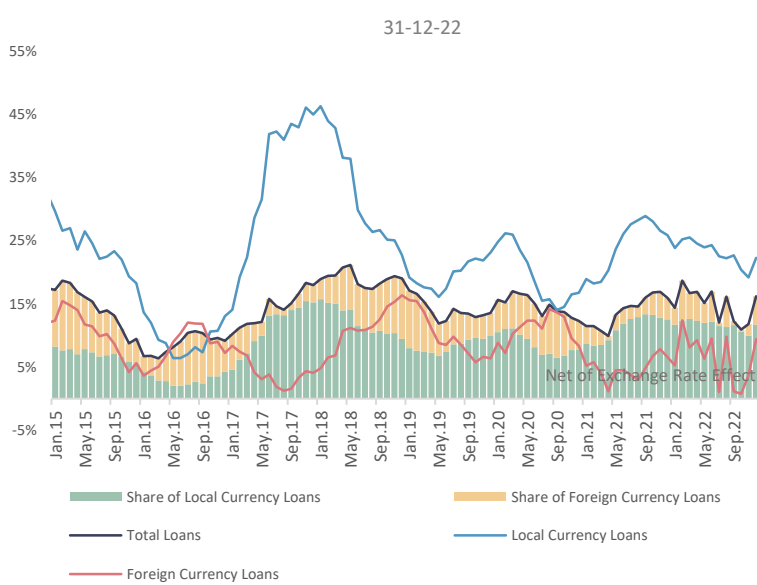
- As of January 1, 2023, the larization of total loans is 55.4 percent.
- The larization of loans to individuals is 69.9 percent.
- The larization of loans to legal entities amounted to 37.5 percent.
- The larization of total deposits equals to 43.0 percent.
- The larization on deposits of legal entities amounted to 67.5 percent.
- The larization of deposits of individuals is 28.4 percent.
- The larization of time deposits is 50.7 percent.
- The larization of current accounts equals to 40.2 percent.
- The larization of demand deposits is 37.0 percent.

The annual growth trend of loans is sustained

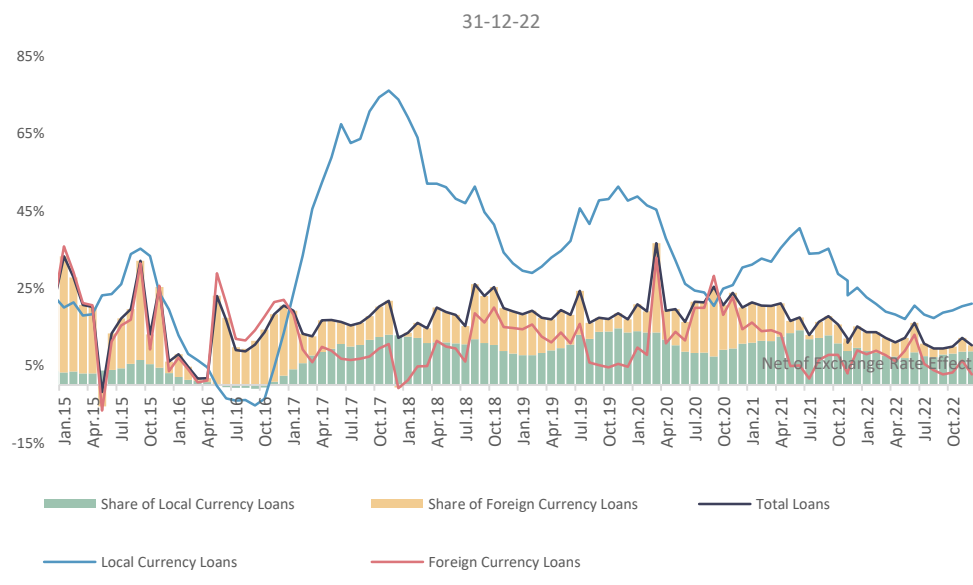
Loans, % y/y



Loans by Currency, % y/y



Mortgage Loans, % y/y

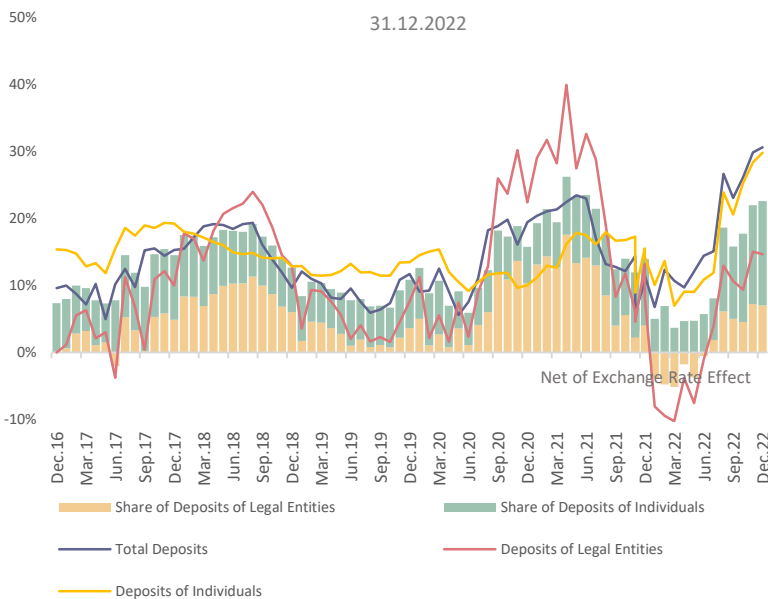


- As of January 1, 2023, total loans increased by 16.2 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 11.9 percent.
- The annual growth of loans to individuals is 18.2 percent.
- As of January 1, 2023, the growth rate of loans denominated in the national currency amounted to 22.3 percent.
- The annual growth of loans denominated in foreign currency amounted to 9.4 percent.
- As of December 31, 2022, the annual growth of loans secured by real estate amounted to 10.3 percent. At the same time, mortgage loans denominated in national currency increased by 21.0 percent, while mortgage loans denominated in foreign currency increased by 2.7 percent.

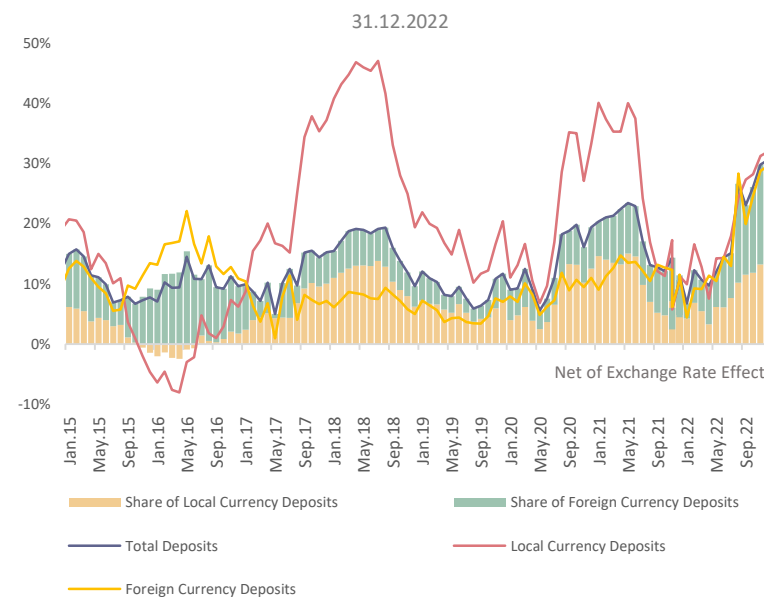
Source: NBG

The annual growth of deposits denominated in foreign currency continues stable growth

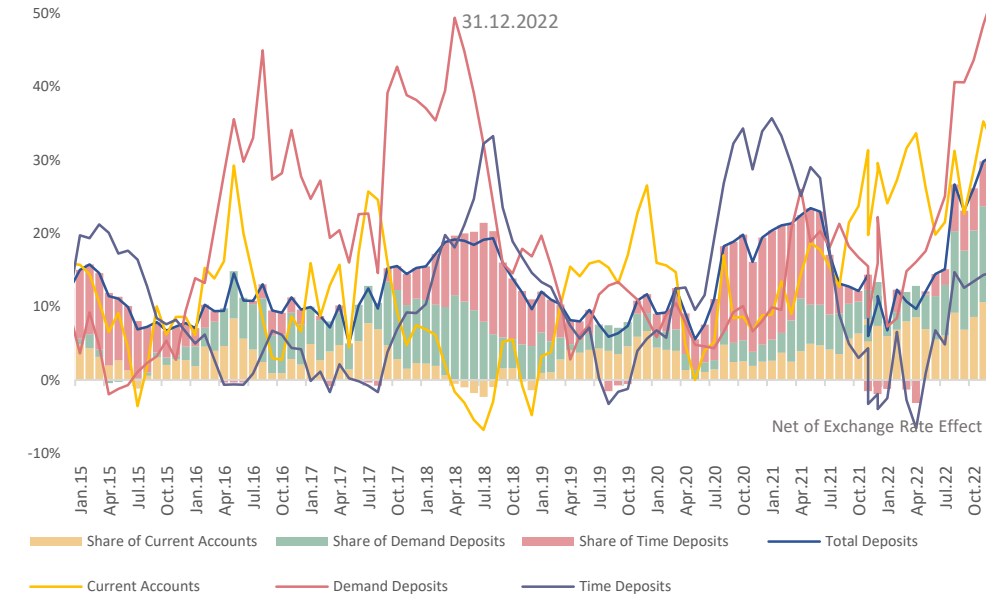
Deposits, % y/y



Deposits by Currency, % y/y



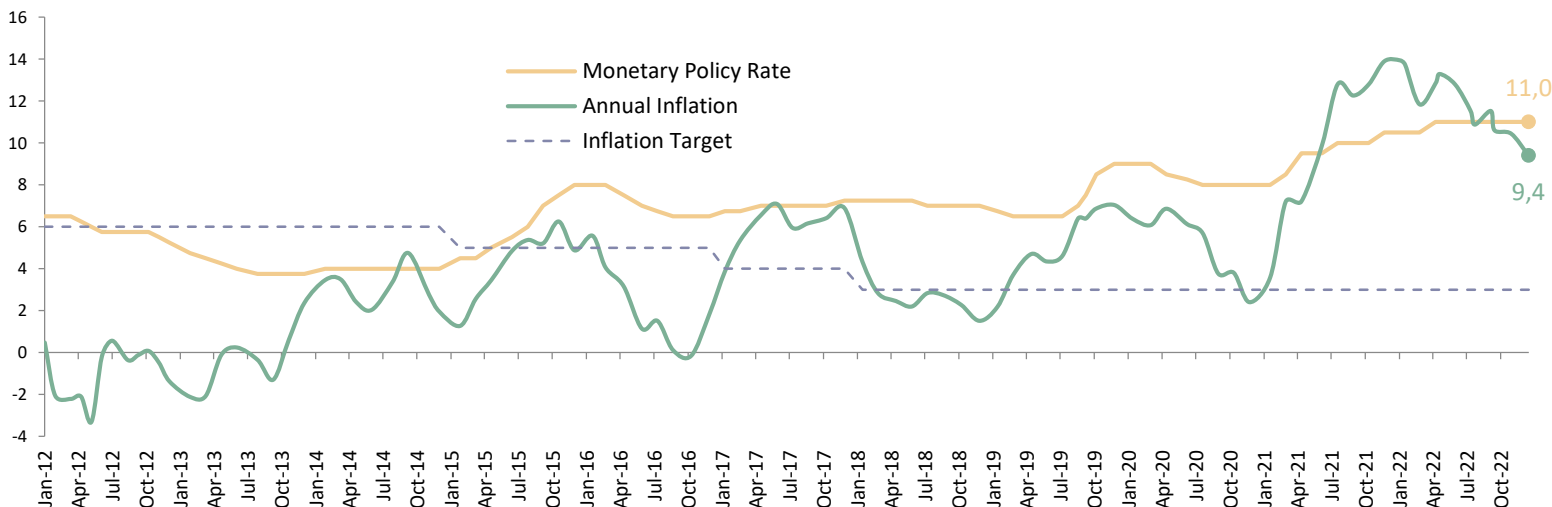
Deposits by type, % y/y



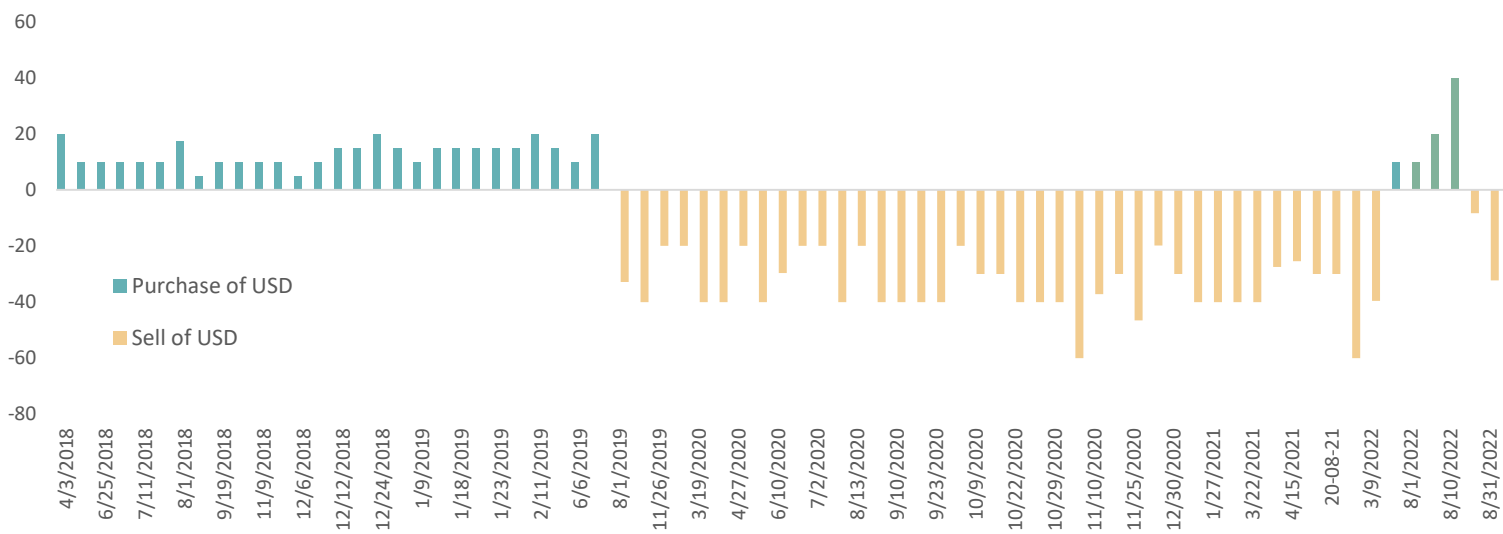
- As of January 1, 2023, the growth of total deposits compared to the corresponding period of the previous year is 30.6 percent.
- The annual growth of deposits denominated in the national currency amounted to 31.9 percent. The annual growth of deposits denominated in foreign currency stood at 29.6 percent over the same period.
- The growth of deposits of individuals amounted to 29.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.6 percent.
- The annual growth of current accounts at the beginning of January 2023 was equal to 32.3 percent.
- The annual growth of time deposits was 14.7 percent.
- The growth of demand deposits amounted to 52.3 percent.

The National Bank of Georgia increased the monetary policy rate to 11.0 percent

Inflation and Monetary Policy Rate



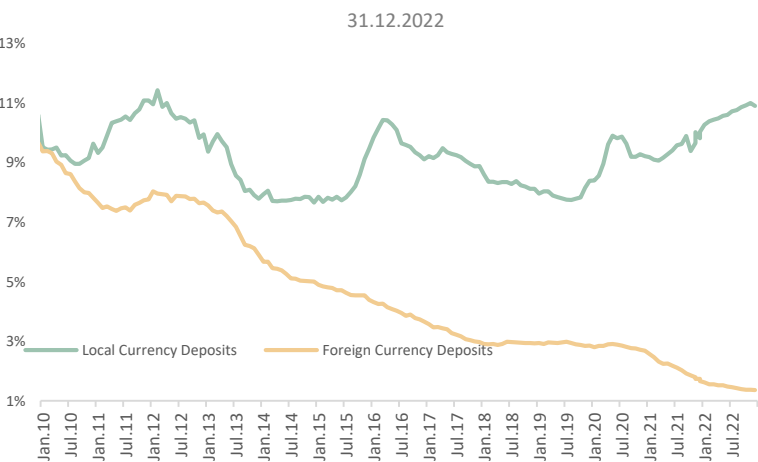
Trade of USD by NBG, mln USD



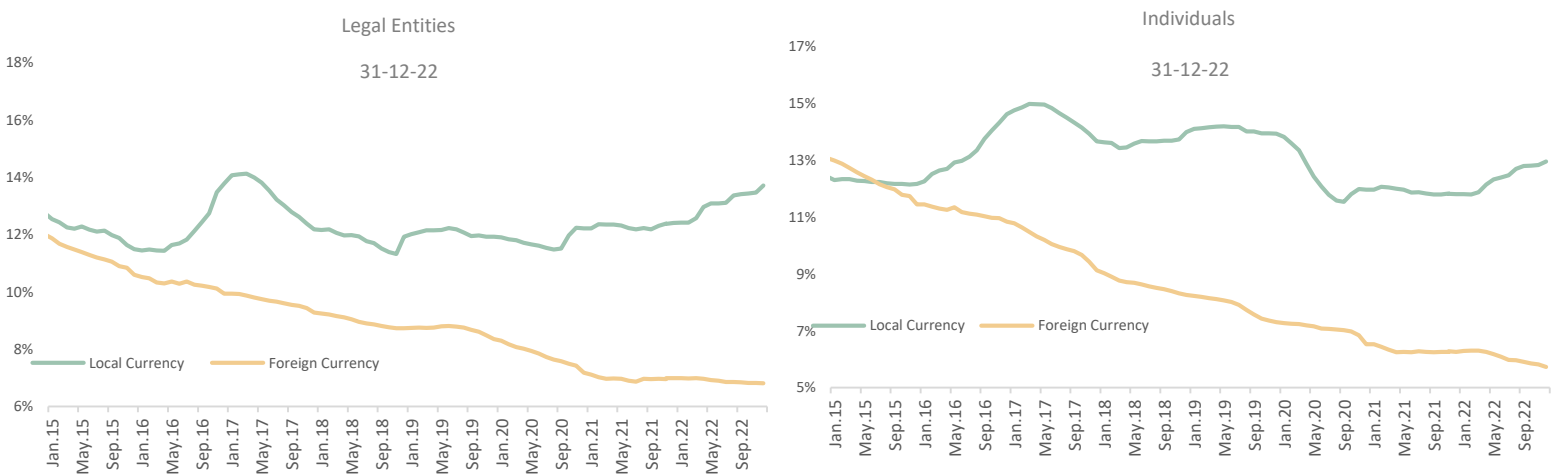
- On February 1, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- Per NBG, Annual inflation in Georgia has already passed the peak and follows a downward trend, mainly driven by the gradual neutralization of the external factors. In particular, according to the Food and Agriculture Organization (FAO), the international food price index has been decreasing since March last year. At the same time, international shipping costs continue to decline and as of December 2022 have fell down almost to the pre-pandemic level. These trends, against the backdrop of a stronger exchange rate, are being transmitted to the local market and reduce imported inflation. Both prolonged period of tight monetary policy and fiscal consolidation support the reduction of headline inflation. According to the updated macroeconomic forecast, other things being equal, given tight monetary policy annual inflation will continue to decline and approach the target level in the second half of 2023.
- The next meeting of the Monetary Policy Committee will be held on March 29, 2023.
- There was no FX interventions through auctions during December.

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 January 1, 2023, the interest rate on foreign currency deposits was 1.4 percent, and in national currency – 10.9 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11.3 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 10.9 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 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.6 percent (17.9 percent in national currency and 6.9 percent in foreign currency).
- At the end of December 2022, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.2 percent, and in foreign currency 8.5 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.3 percent.

Source: NBG

Disclaimer

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