



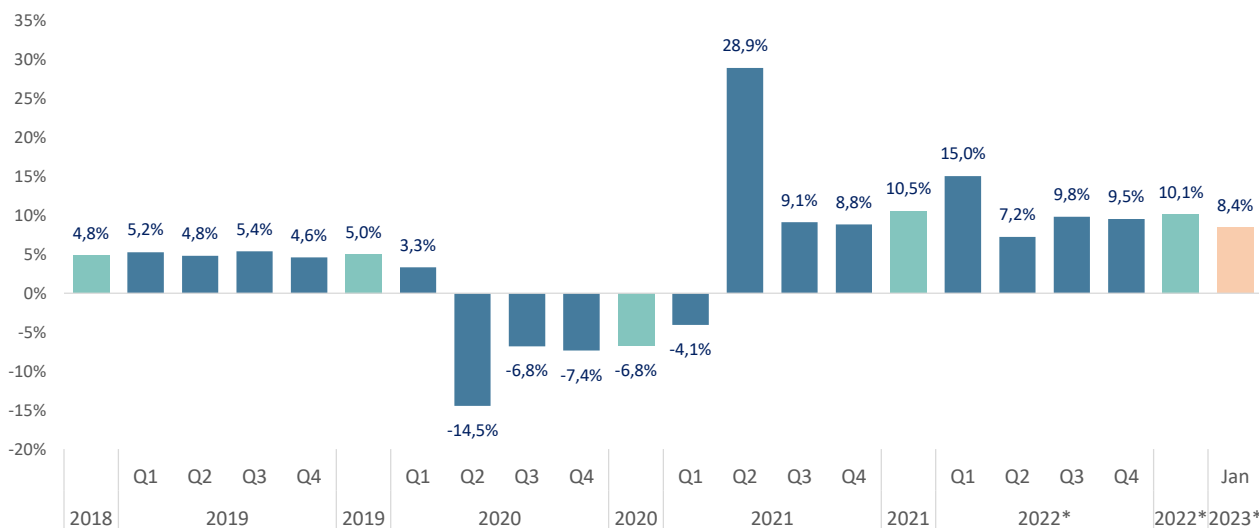
Current Economic Outlook

February, 2023

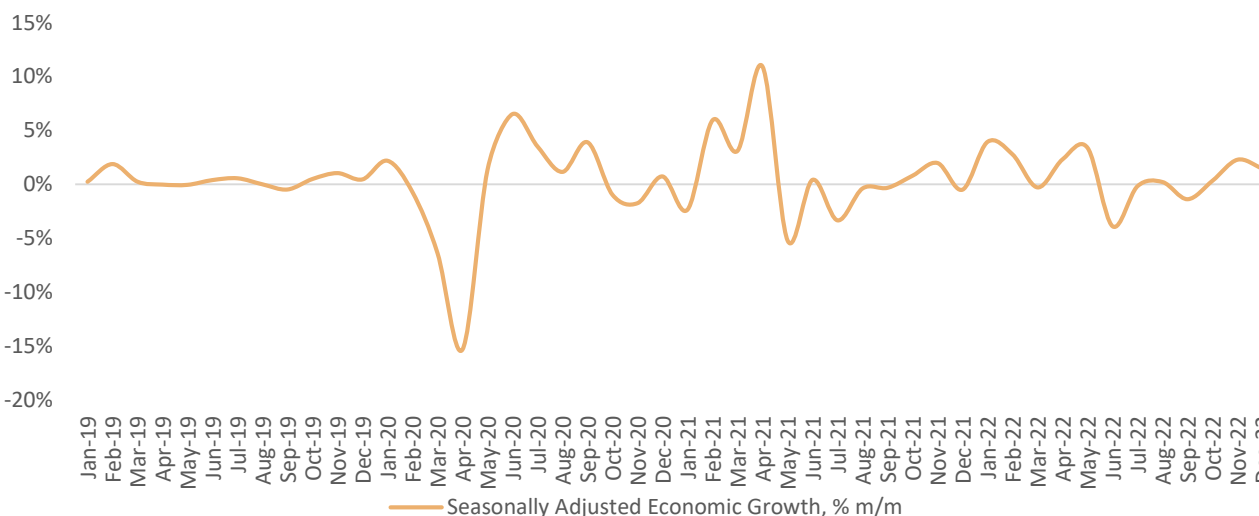
- In January 2023, the real GDP growth rate was 8.4 percent and average growth rate of 2022 was 10.1 percent, according to the preliminary estimates of the National Statistics Office.
- In February, annual inflation stood at 8.1 percent, while core inflation was 6.5 percent
- In January, exports increased by 38.5 percent year-on-year and imports increased by 25.2 percent year-on-year, increasing the trade deficit by 15.8 percent year-on-year to 543.9 million USD
- For January, the real effective exchange rate appreciated by 15.4 percent compared to the same period of the previous year and depreciated by 0.1 percent compared to the previous month
- The National Bank of Georgia kept the monetary policy rate to 11.0 percent

Economic Growth in January was equal to 8.4 percent

Economic Growth, % y/y



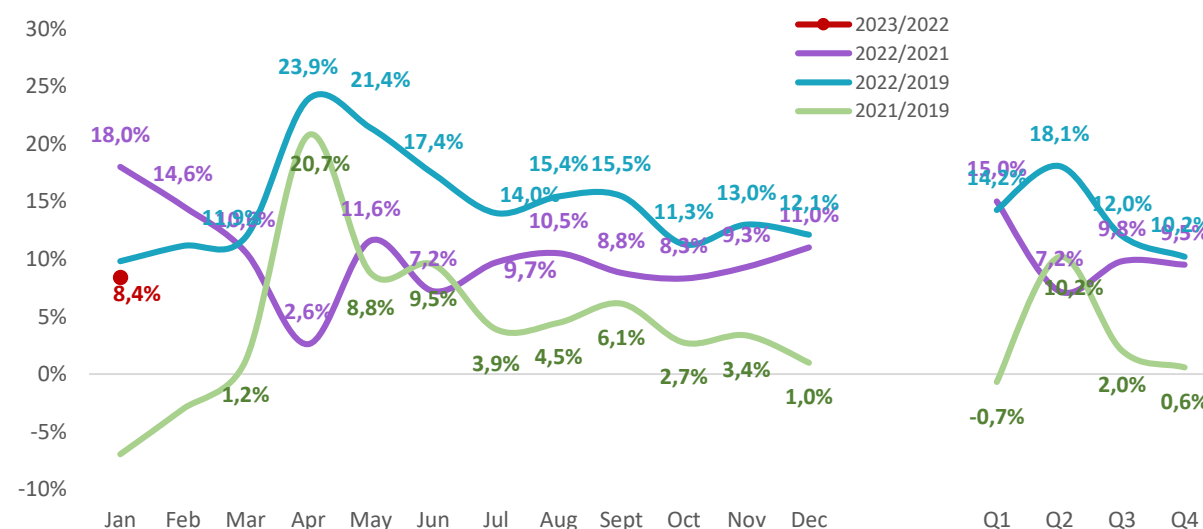
Economic Growth, % m/m



Source: Geostat, MOF

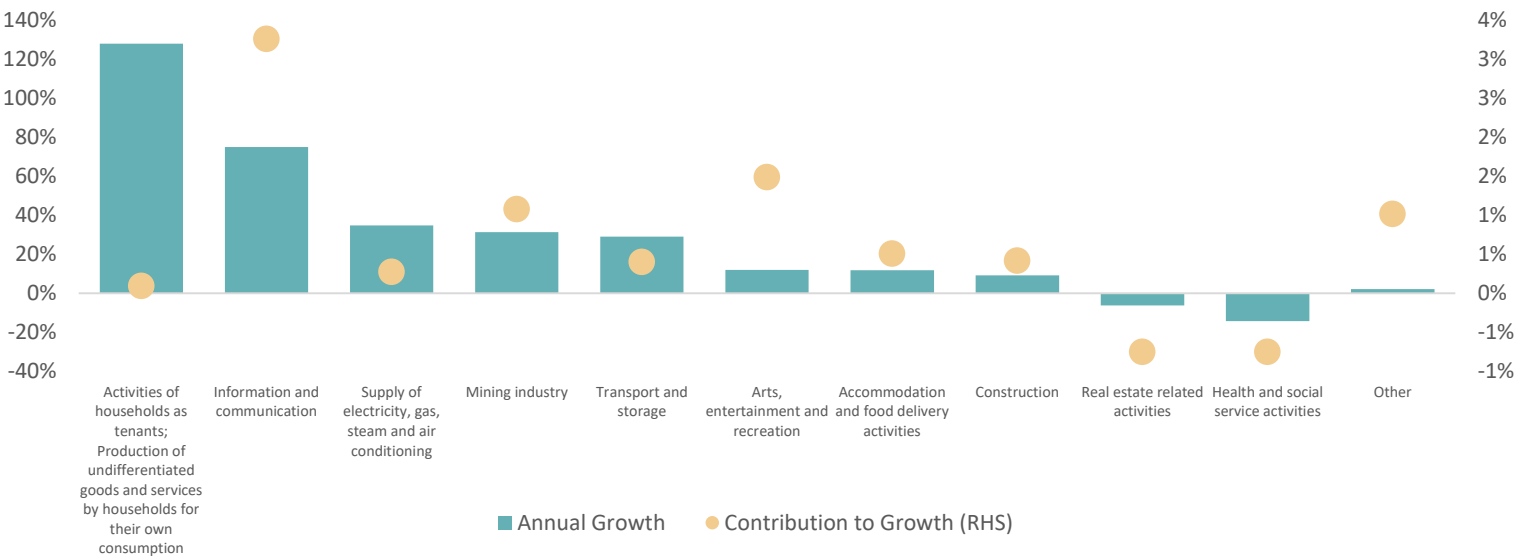
- Estimated real GDP growth rate in January 2023 equaled 8.4 percent YoY and average annual real GDP growth rate for 2022 equals to 10.1 percent.
- In January 2023 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, finance and insurance activities, transport and warehousing, trade, information and communication, Hotels and restaurants.
- A decline was registered in the fields of processing industry, professional, scientific and technical activities and energy.

Economic Growth, 2023-2019



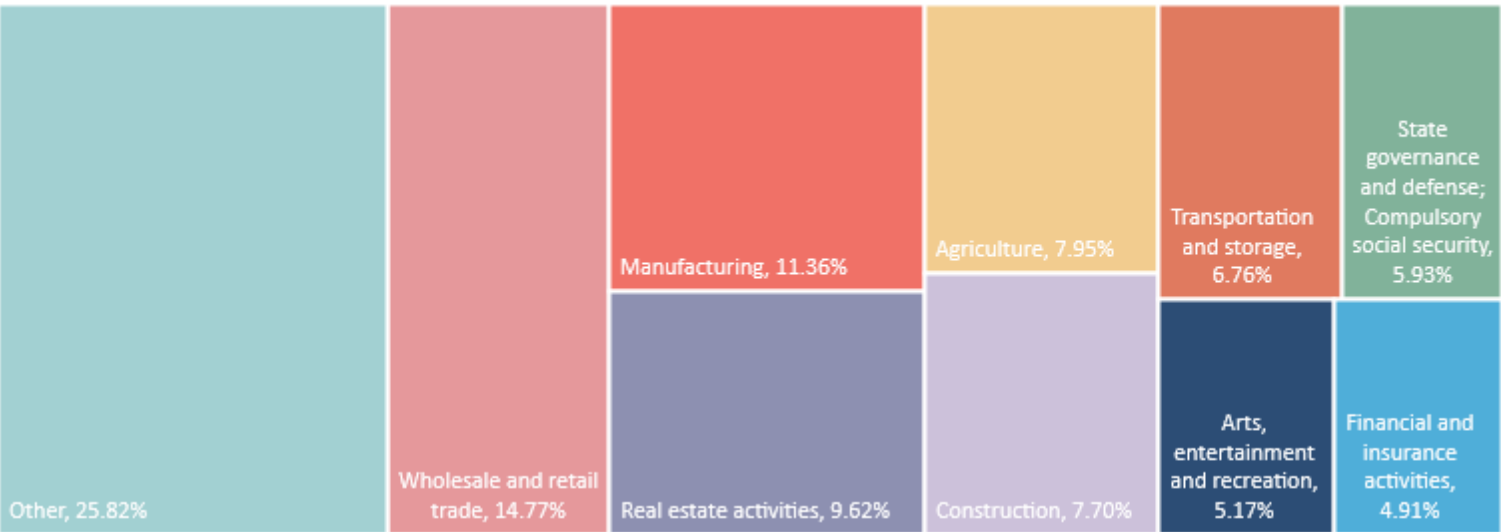
According to preliminary estimates, real GDP increased by 9.5 percent in the fourth quarter of 2022

Real GDP growth by economic activity, 2022 III Quarter



- According to preliminary estimates, in the fourth quarter of 2022 economic growth amounted to 9.5 percent, while in the third quarter of 2022, compared to the corresponding period of the previous year, real GDP increased by 9.8 percent and by 12.0 percent compared to the third 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.)

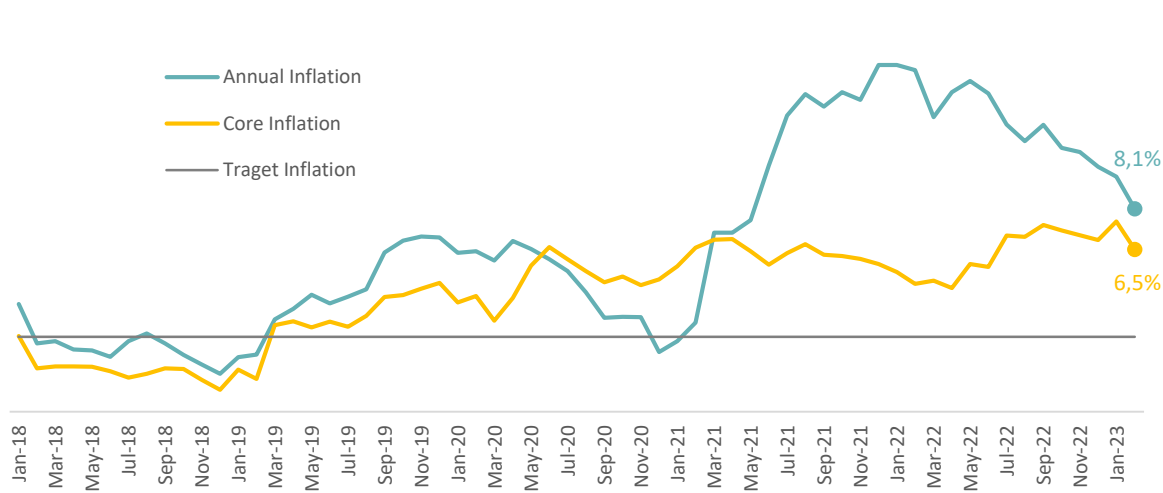
GDP by economic activity, 2022 III Quarter



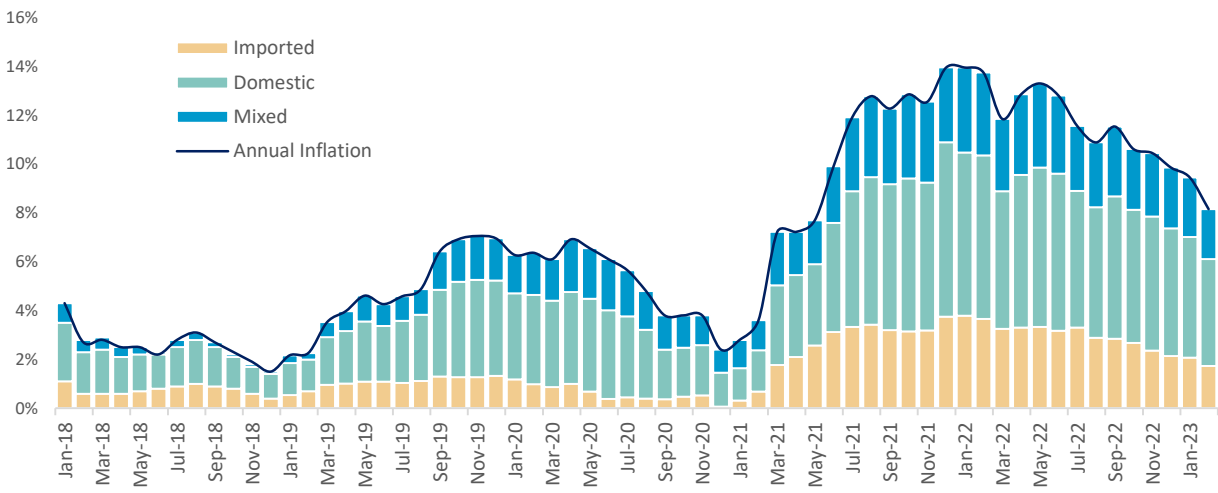
- The following sectors made a significant contribution to the decrease:
 - Real estate-related activities: -6.3 y/y (-0.8 p.p.)
 - Health care and social service activities: -14.3 y/y (-0.8 p.p.)

Annual inflation in February has reached 8.1 percent

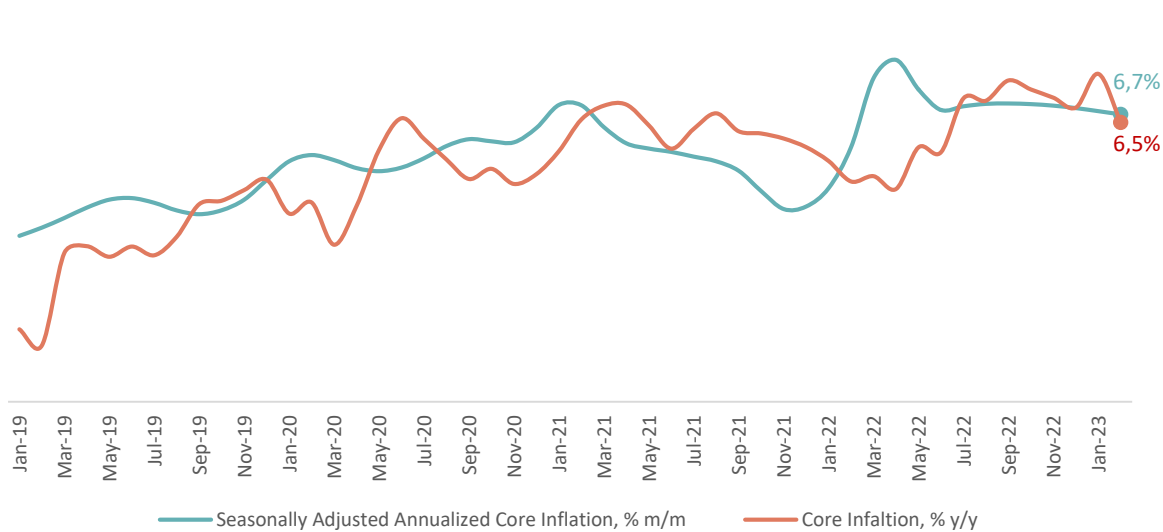
Total and Core Inflation, % y/y



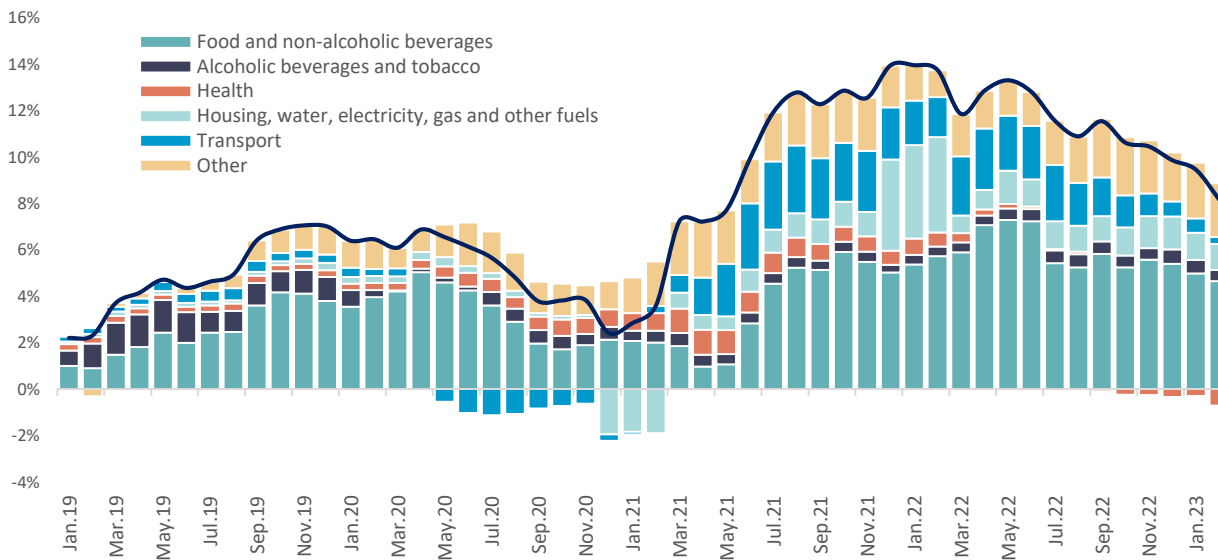
Inflation Decomposition



Core Inflation, % m/m



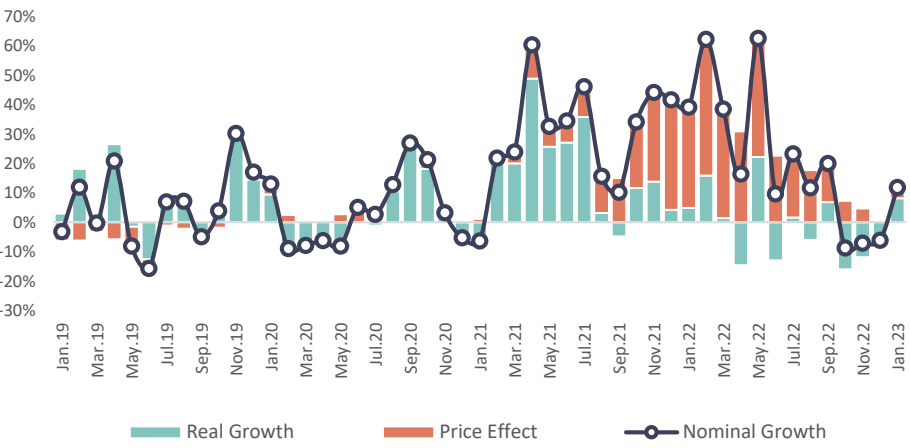
Inflation Decomposition by product group



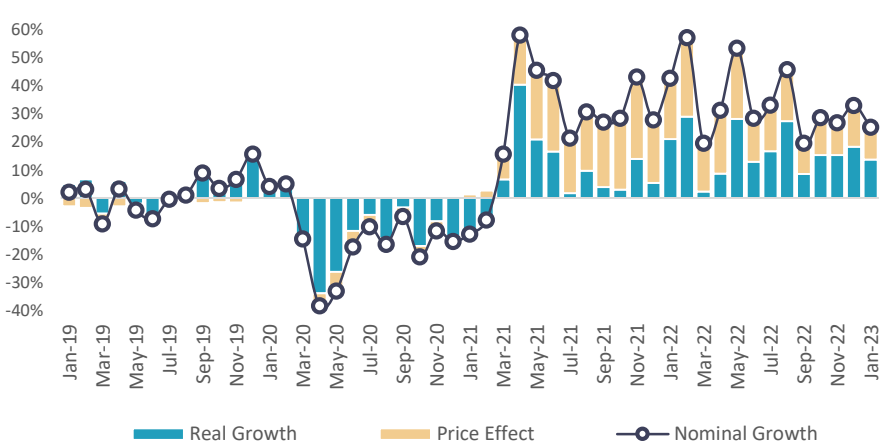
Source: Geostat, NBS, MOF

Trade Deficit increased by 15.8 percent annually

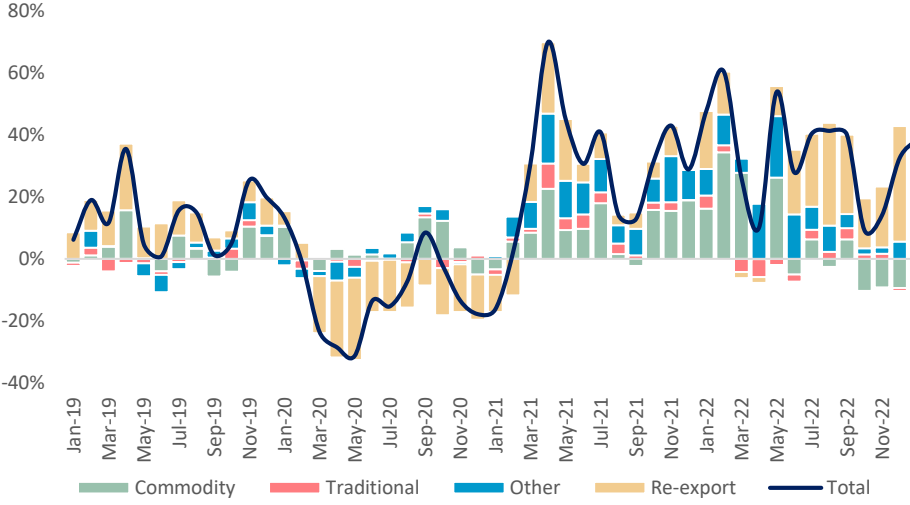
Change of Domestic Export, %y/y



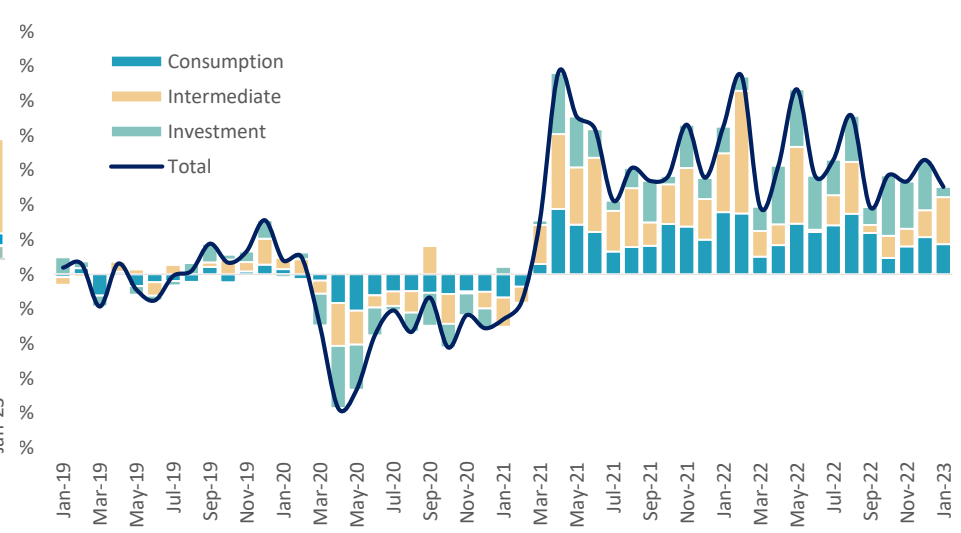
Change of Import, %y/y



Decomposition of Export



Decomposition of Change of Import, %y/y

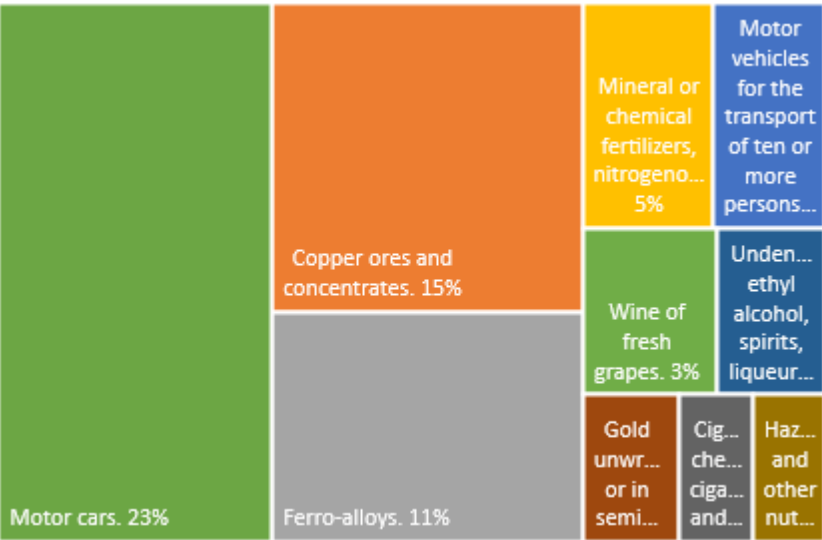


- Export increased annually by 38.5 percent to 459 million USD in January.
- Domestic export increased annually by 11.8 percent to 258.8 million USD.
- Import annually increased by 25.2 percent to 1,002.8 million USD in January.
- Trade deficit annually increased by 15.8 percent to 543.9 million USD in January.
- Share of re-export in export growth is equal to 30.3 percent (100.5 %y/y), while share of commodity export is 4.1 percent (11 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 2.9, 8.7 and 13.6 percent respectively.

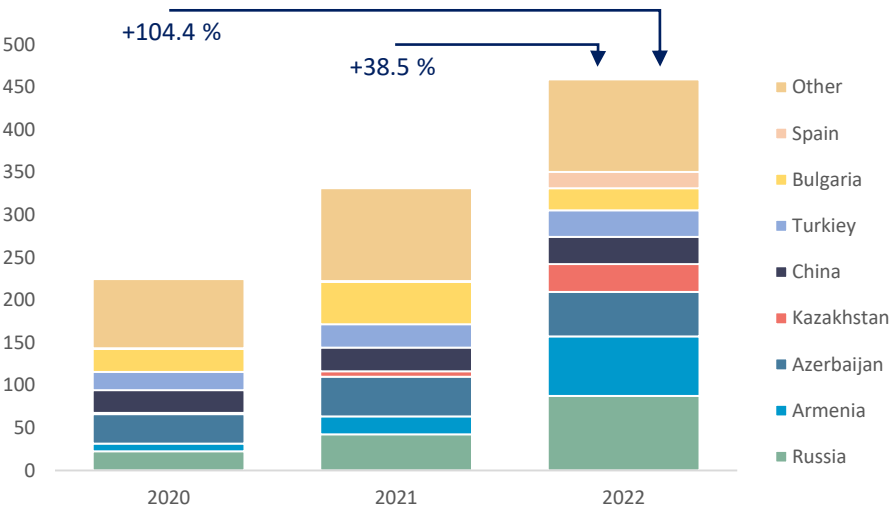
Source: Geostat, MOF

International trade is characterized by stable diversification

Top 10 Export goods, % of total Export

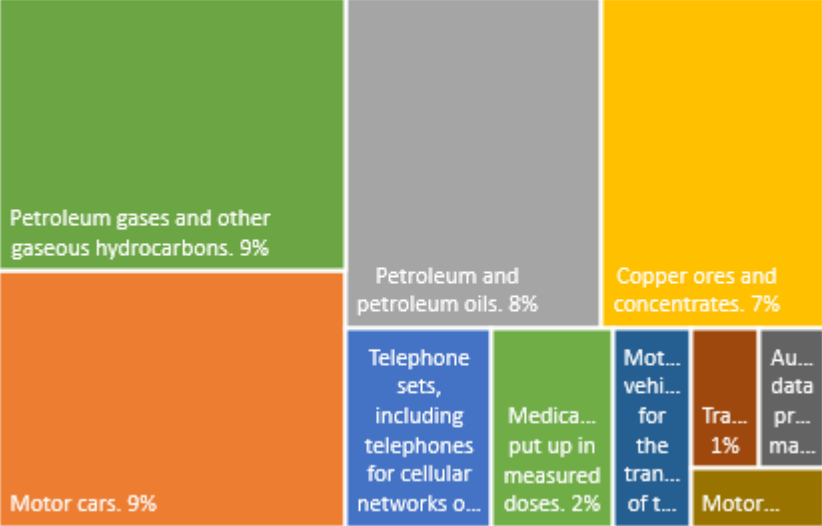


Export by country, January

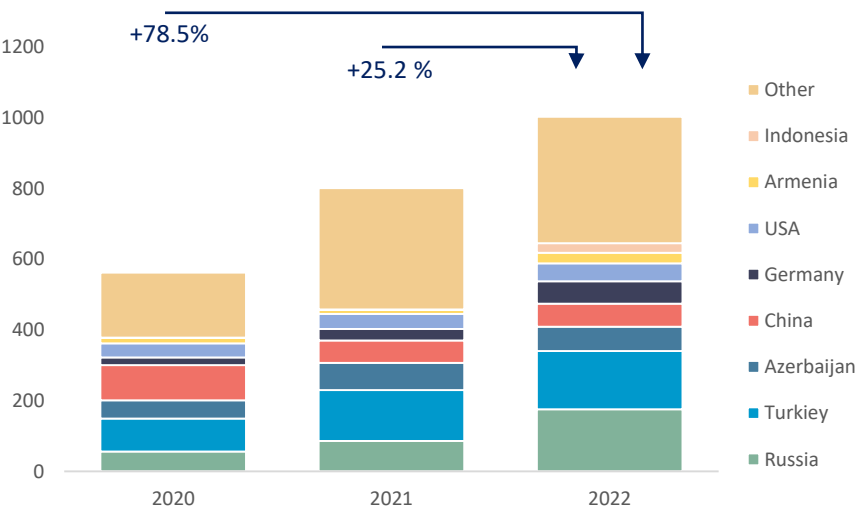


- Top Export Products:
 - Motor cars: 104.0 mln. USD – 22.7 percent of total export.
 - Copper ores and concentrates: 68.1 mln. USD – 14.8 percent.
 - Ferro-alloys: 50.8 mln. USD – 11.1 percent.

Top 10 Import goods, % of total Import



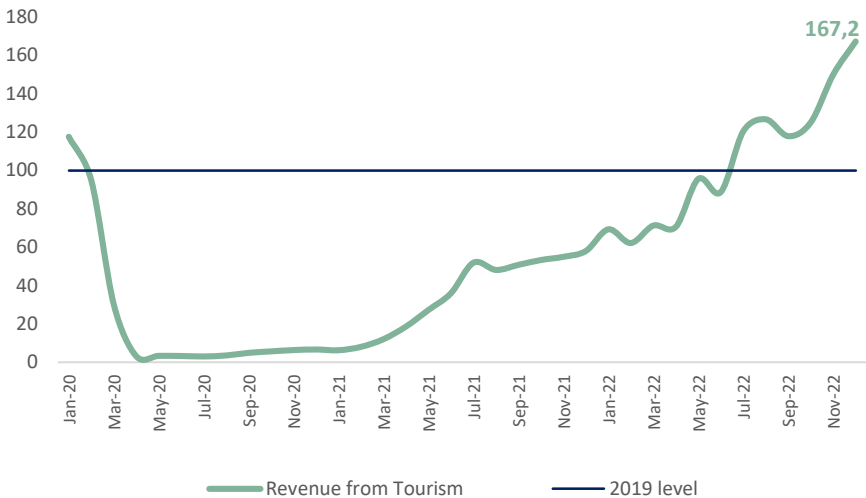
Import by country, January



- Top Import Country:
 - Russia: 87.8 mln. USD – 19.1 percent.
 - Armenia: 69.8 mln. USD – 15.2 percent.
 - Azerbaijan: 51.9 mln. USD – 11.3 percent.
- Top Export Country:
 - Russia: 175.8 mln. USD – 17.5 percent.
 - Turkey: 164.7 mln. USD – 16.4 percent.
 - Azerbaijan: 68.5 mln. USD – 6.8 percent.

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

Revenue from Tourism, 2019 = 100

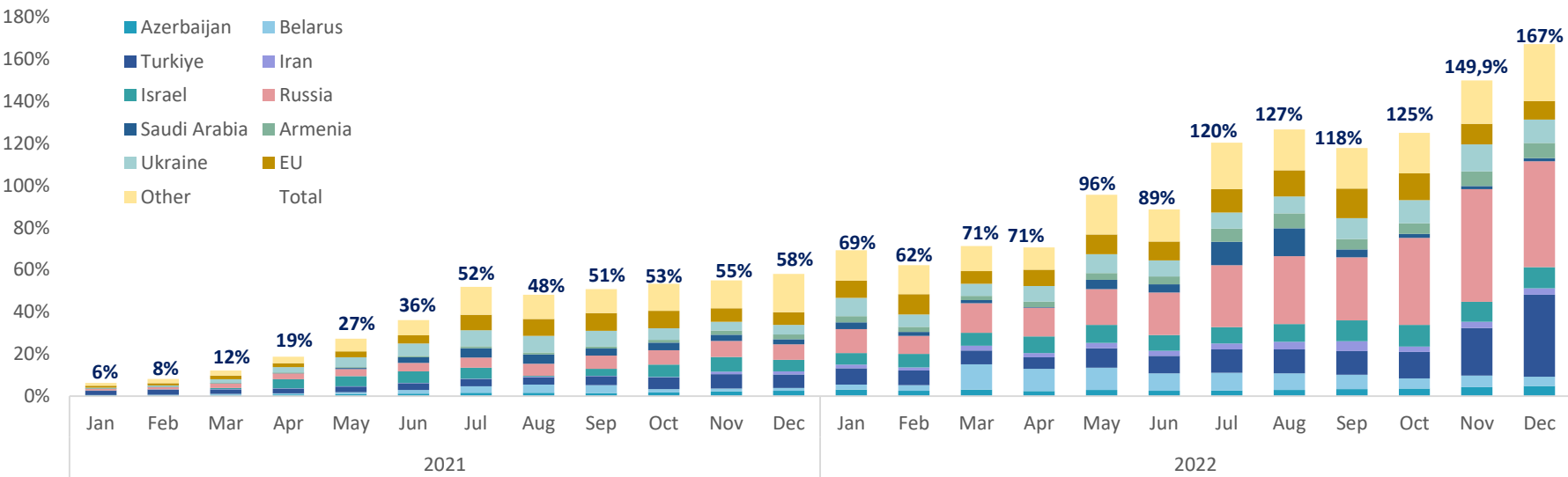


Revenue from Tourism, December 2022

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.

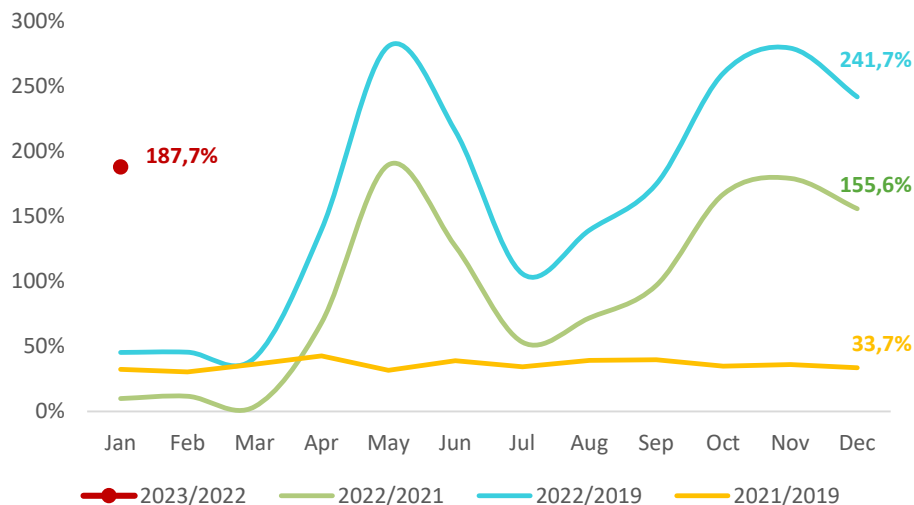
Recovery of Tourism by country, corresponding month of 2019 = 100, %



Source: NBG

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

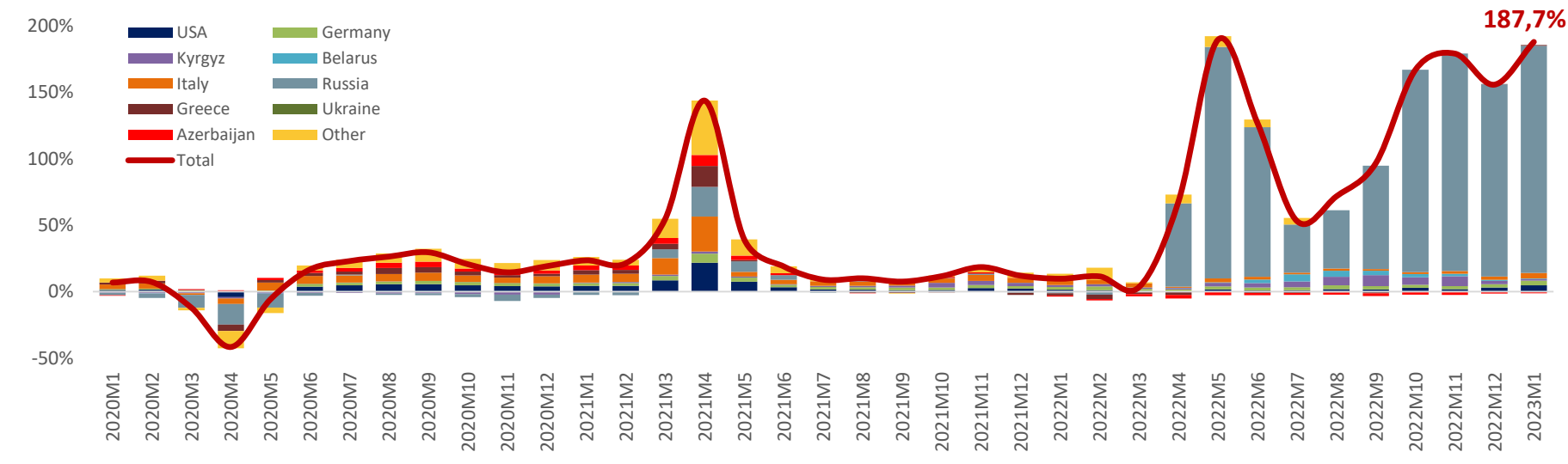
Net Remittances



Net Remittances, January 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	264.9	1509.3	170.7
Italy	38.9	18.5	4.2
USA	27.0	36.1	4.9
Israel	16.6	14.6	1.5
Greece	16.5	5.9	0.6
Kazakhstan	7.9	30.7	1.3
Other	46.9	16.5	4.6

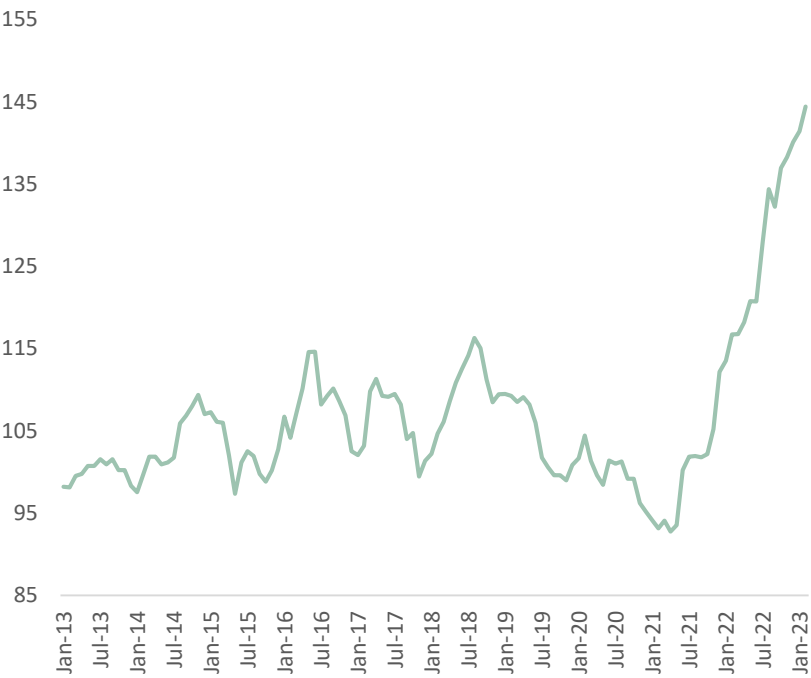
Net Remittances by country, %y/y



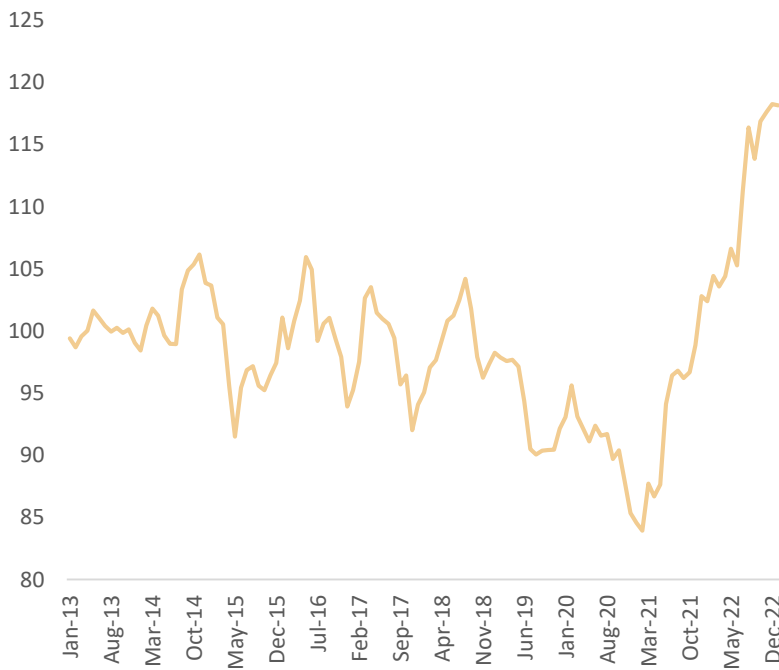
- In January 2023, net remittances were estimated at 418.7 million USD, representing a 187.7 percent annual increase. Relative to corresponding month of 2019, Net Remittances increased by 317.9 percent.
- Net Remittances increased from:
 - Russia : 1509.3 percent (170.7 p.p. contribution to overall growth).
 - Germany: 59.9 percent (3.4 p.p. contribution to overall growth).
 - USA: 36.1 percent (4.9 p.p. contribution to overall growth).
 - Italy: 18.5 percent (4.2 p.p. contribution to overall growth).
- Net Remittances decreased from:
 - Azerbaijan: -52.4 percent (-1.1 p.p. contribution to overall growth).

The Real effective exchange rate in January appreciated by 15.4 percent annually

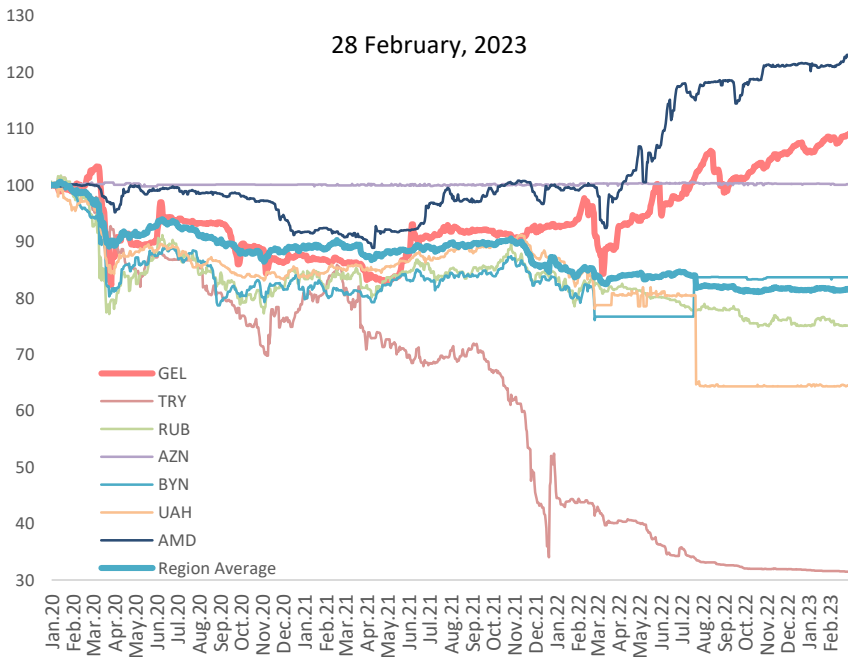
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



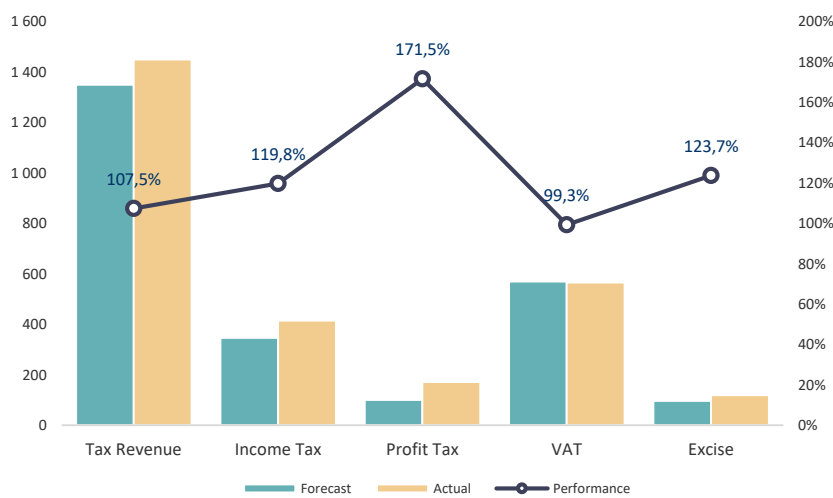
Note: Increase means appreciation

	February 28, 2023		Feb 28, 2023 - Jan 1, 2022		Feb 28, 2023 - Jan 1, 2021
Euro	2.7751	▲	15.8%	▲	10.3%
US Dollar	2.6272	▲	9.1%	▲	1.7%
Turkish Lira	0.1391	▲	246.3%	▲	263.3%
Russian Ruble	0.0349	▲	31.9%	▲	9.9%
NEER	137.07	▲	4.5%	▲	23.9%
REER (January 2023)	145.22	▲	15.4%	▲	38.4%

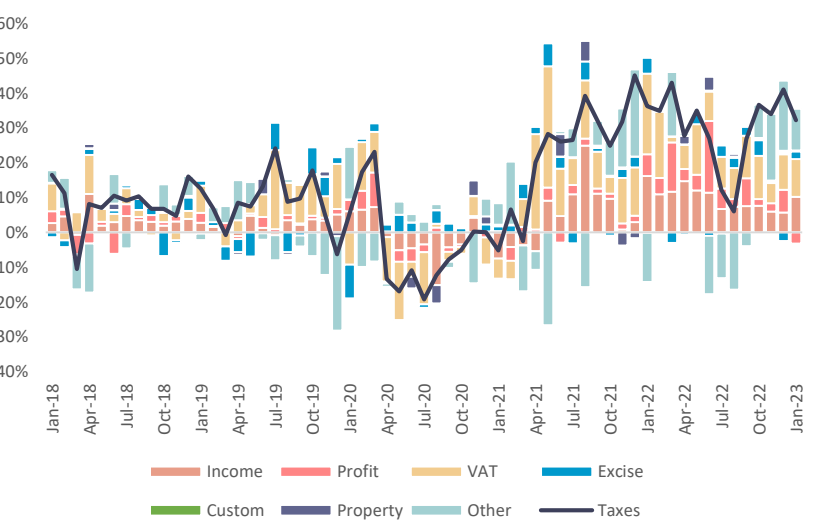
Source: NBG

Tax revenues in February is above the forecast value by 17.5 percent

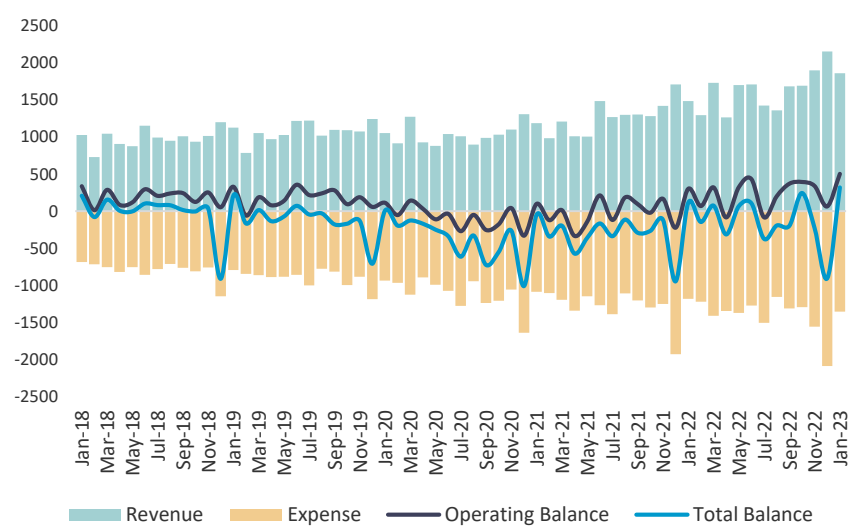
Budget Revenue Performance, February 2023



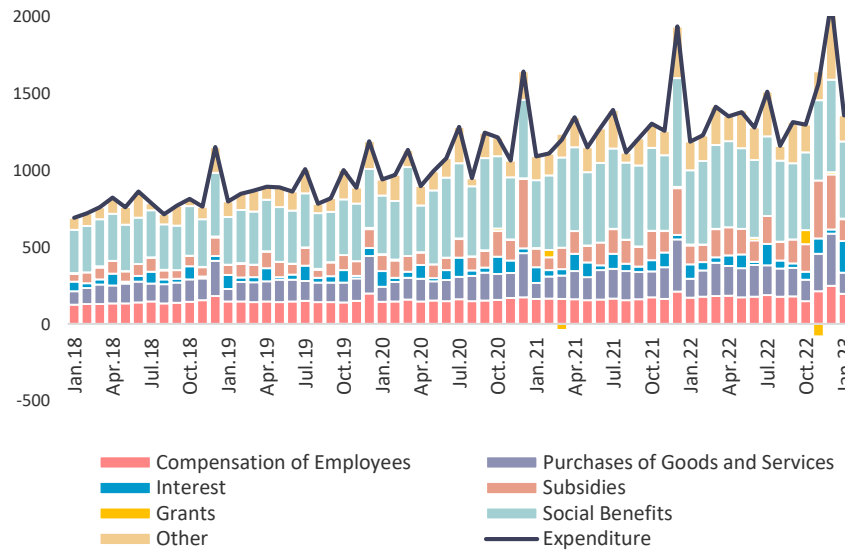
Tax Income, % y/y



Consolidated Budget, mln GEL



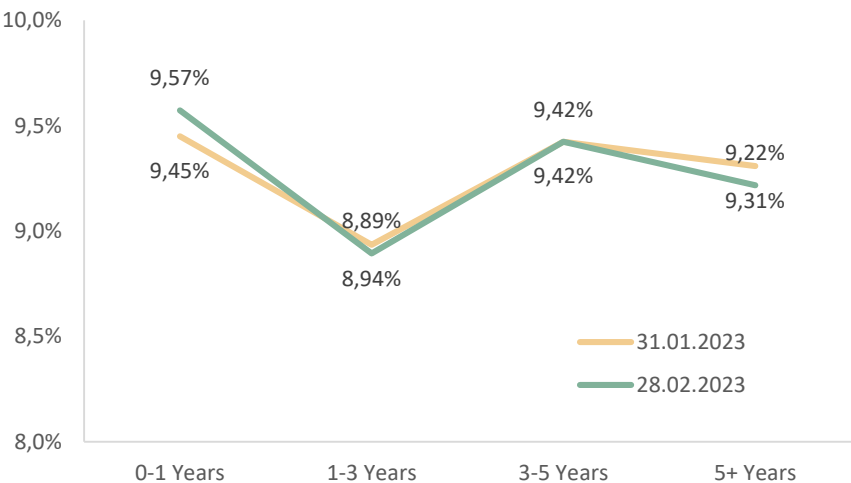
Consolidated Budget Expenditure, mln GEL



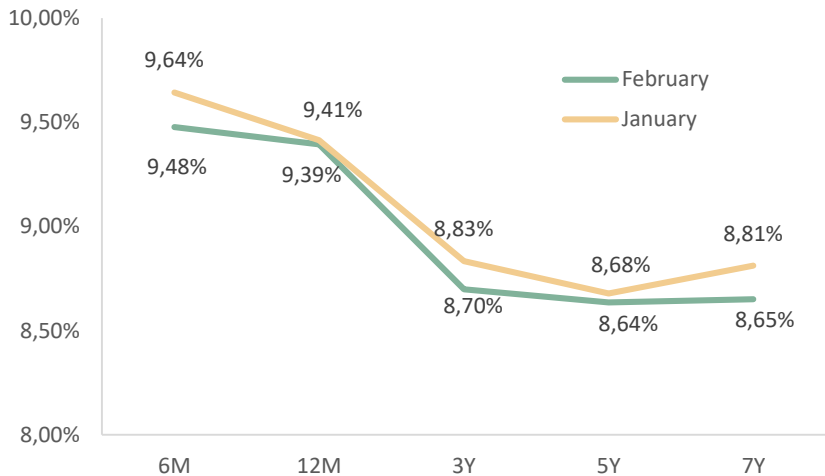
- The actual level of tax income in February 2023 was 1,450 mln GEL, which is above the forecasted value by 17.5 percent.
- Consolidated budget revenues increased by 25.1 percent and expenditures by 14.4 percent in December.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 501 million GEL, while the total balance was set at 318.7 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and Income tax in January, accounting for 10.8 and 10.1 percent of total growth, respectively.

The structure of the securities portfolio has undergone minor changes

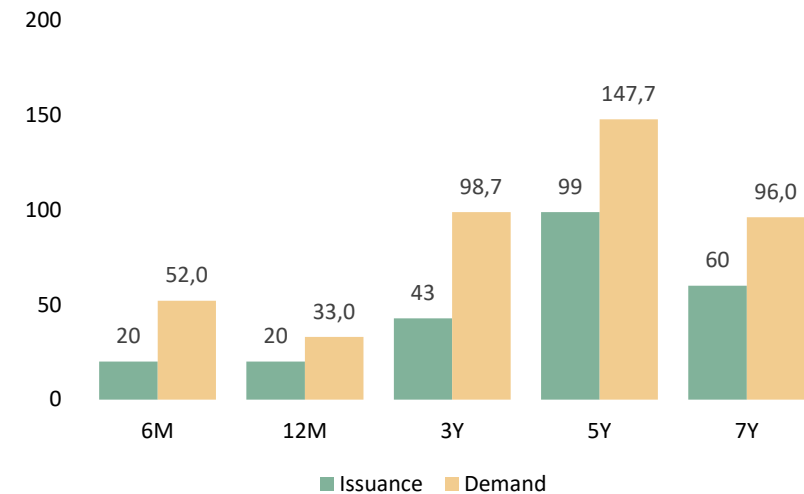
Portfolio Yield Curve



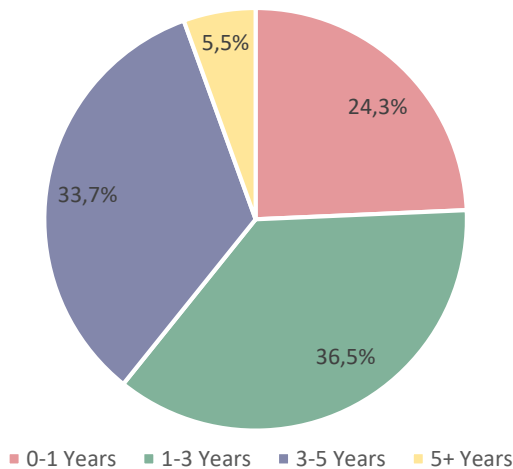
Weighted average interest rates



Issuance and Demand, mln GEL



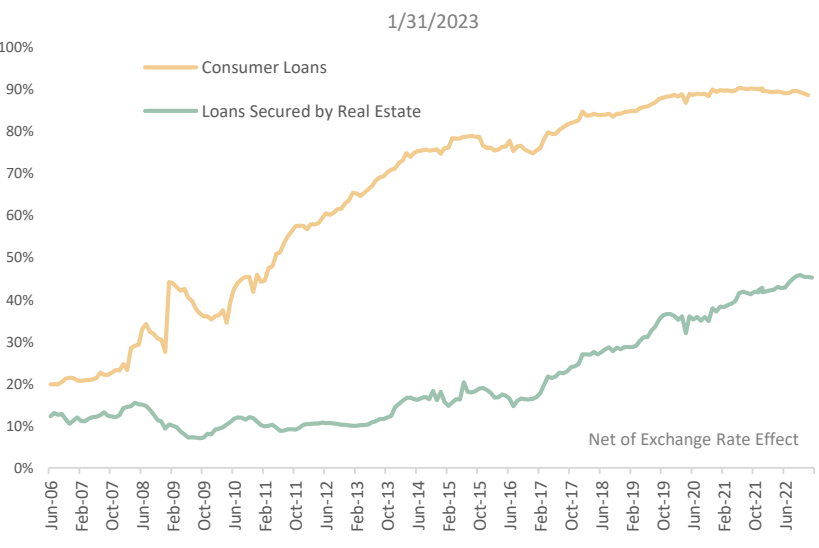
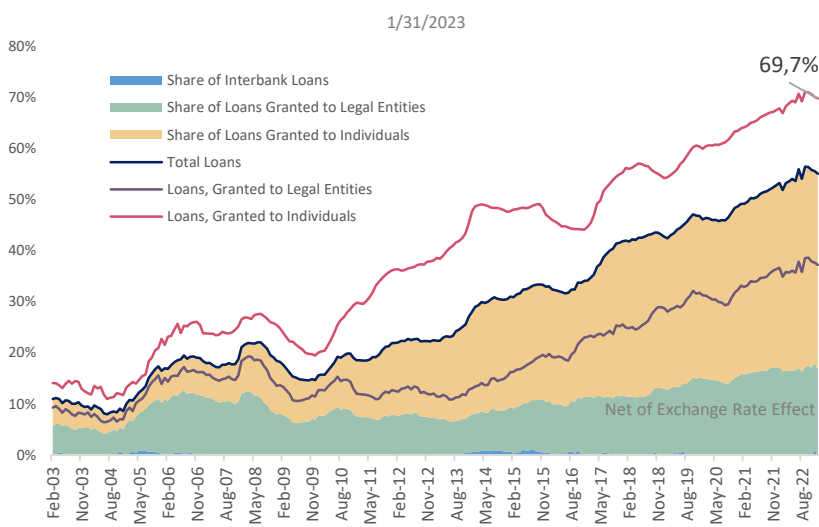
Portfolio Forming Securities Composed by Time to Maturity



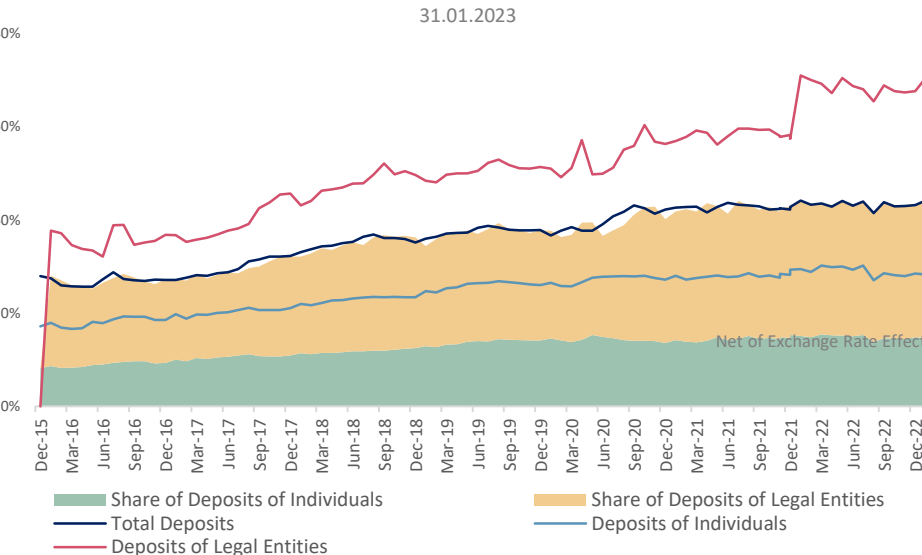
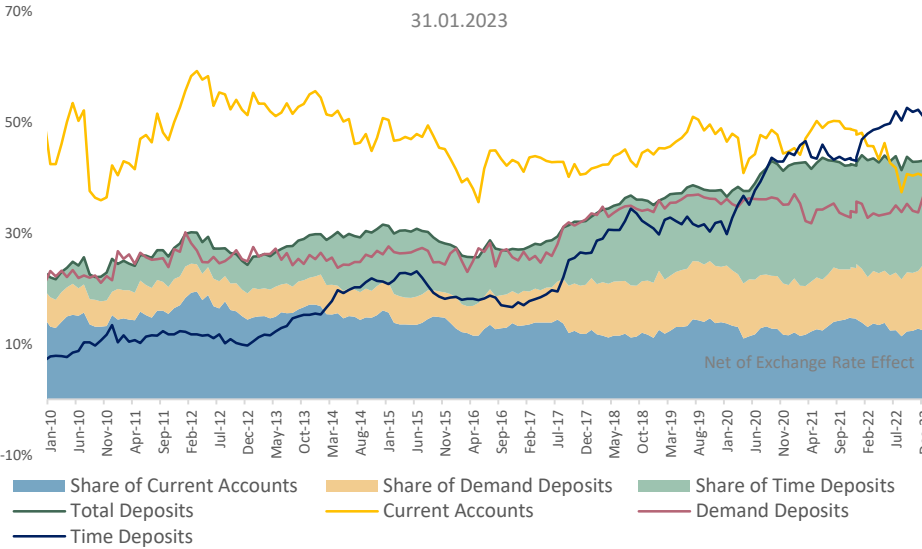
- In February 2023, 5 auctions were held with total issuance volume of 241.4 million GEL.
- The weighted average interest rate amounted to 8.78%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5 and 7. The treasury securities 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.

The larization rates continue to rise

Loan Larization



Deposit Larization

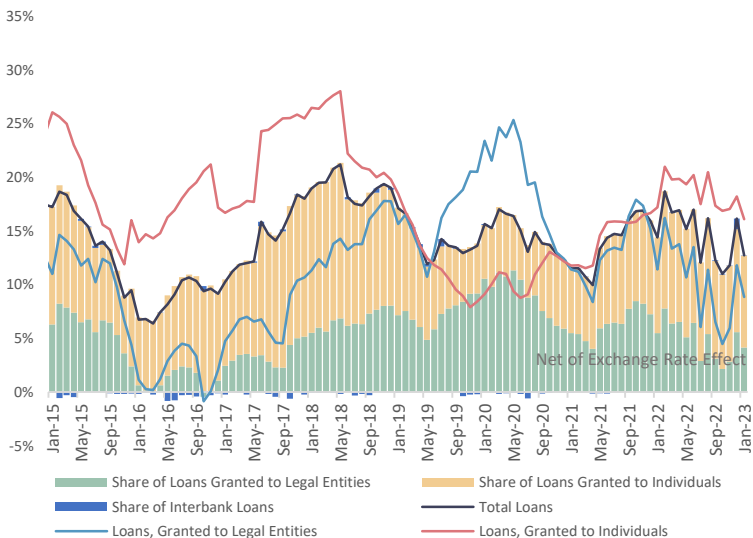


- As of February 1, 2023, the larization of total loans is 55 percent.
- The larization of loans to individuals is 69.7 percent.
- The larization of loans to legal entities amounted to 37.2 percent.
- The larization of total deposits equals to 44.1 percent.
- The larization on deposits of legal entities amounted to 70.4 percent.
- The larization of deposits of individuals is 28.2 percent.
- The larization of time deposits is 52.3 percent.
- The larization of current accounts equals to 41.5 percent.
- The larization of demand deposits is 36.9 percent.

The annual growth trend of loans is sustained

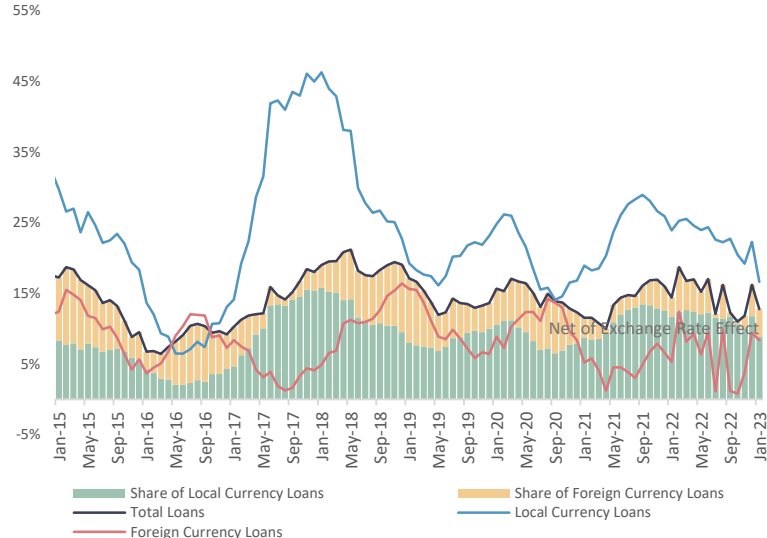
Loans, % y/y

1/31/2023



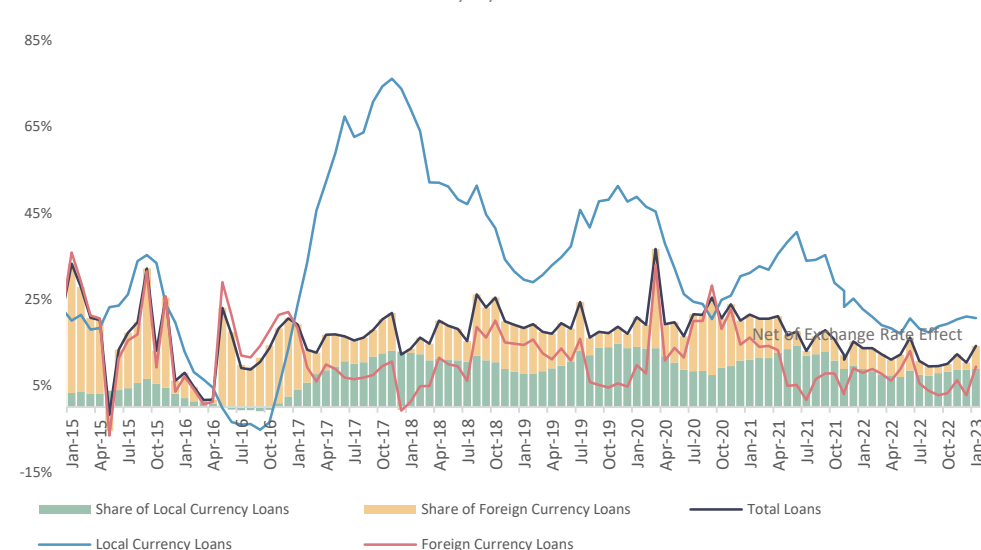
Loans by Currency, % y/y

1/31/2023



Mortgage Loans, % y/y

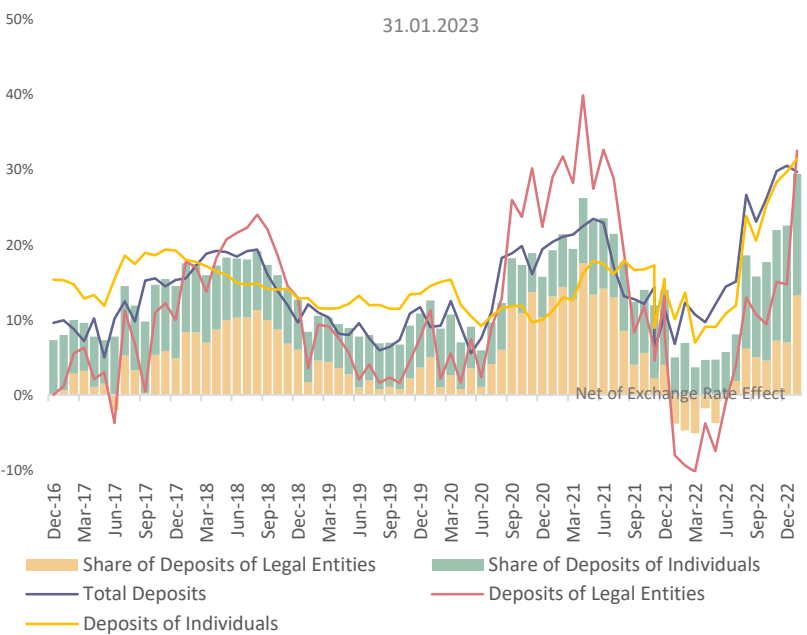
1/31/2023



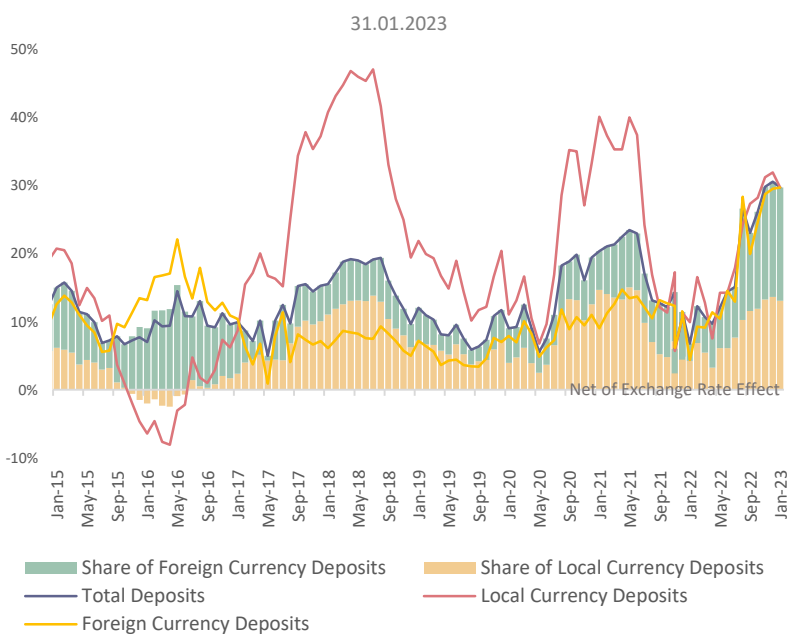
- As of February 1, 2023, the total loans increased by 12.7 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 8.9 percent.
- The annual growth of loans to individuals is 16.1 percent.
- As of February 1, 2023, the 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.

The annual growth of deposits continues high growth

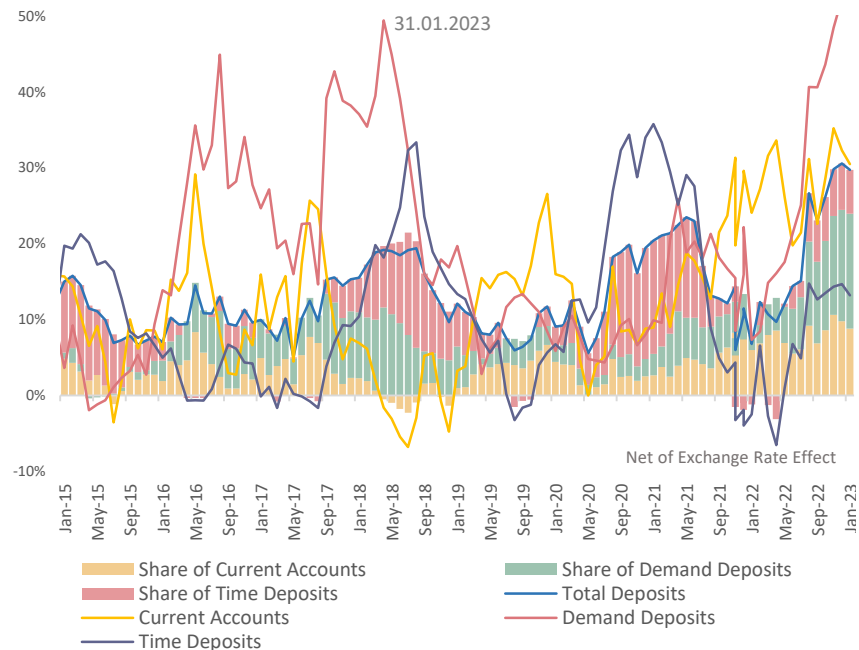
Deposits, % y/y



Deposits by Currency, % y/y



Deposits by type, % y/y

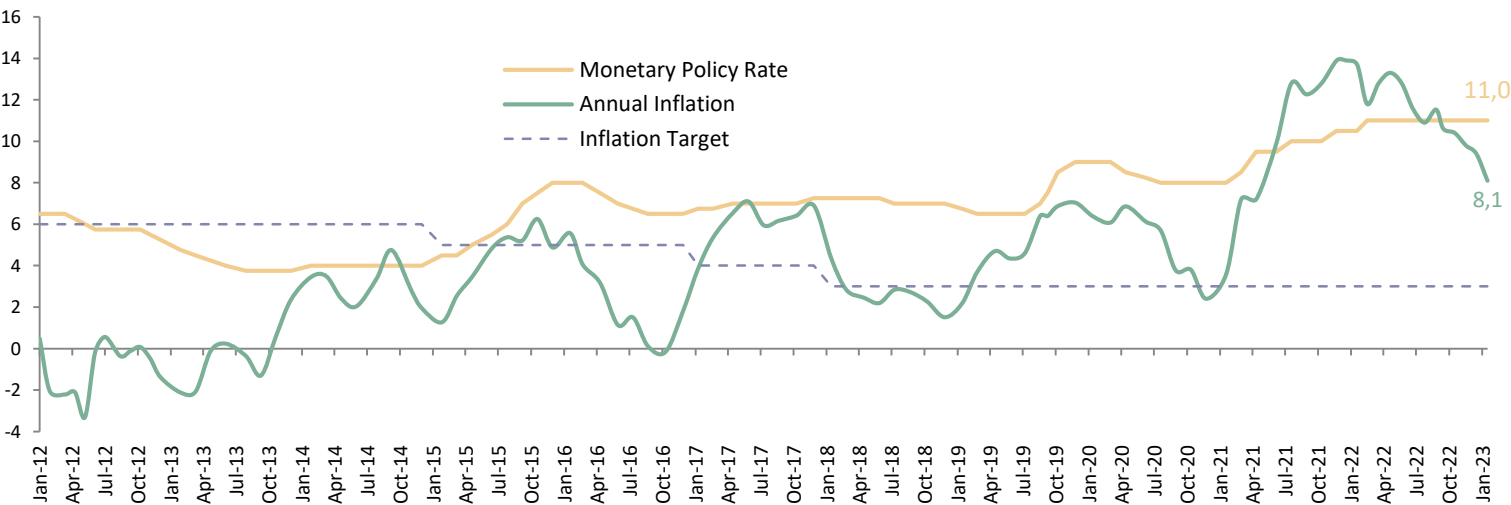


- As of February 1, 2023, the growth of total deposits compared to the corresponding period of the previous year is 29.7 percent.
- The annual growth of deposits denominated in the national currency amounted to 29.7 percent. The annual growth of deposits denominated in foreign currency stood at 29.7 percent over the same period.
- The growth of deposits of individuals amounted to 31.4 percent, while the annual growth of deposits of legal entities in the same period amounted to 32.5 percent.
- The annual growth of current accounts at the beginning of February 2023 was equal to 30.4 percent.
- The annual growth of time deposits was 13.2 percent.
- The growth of demand deposits amounted to 55.4 percent.

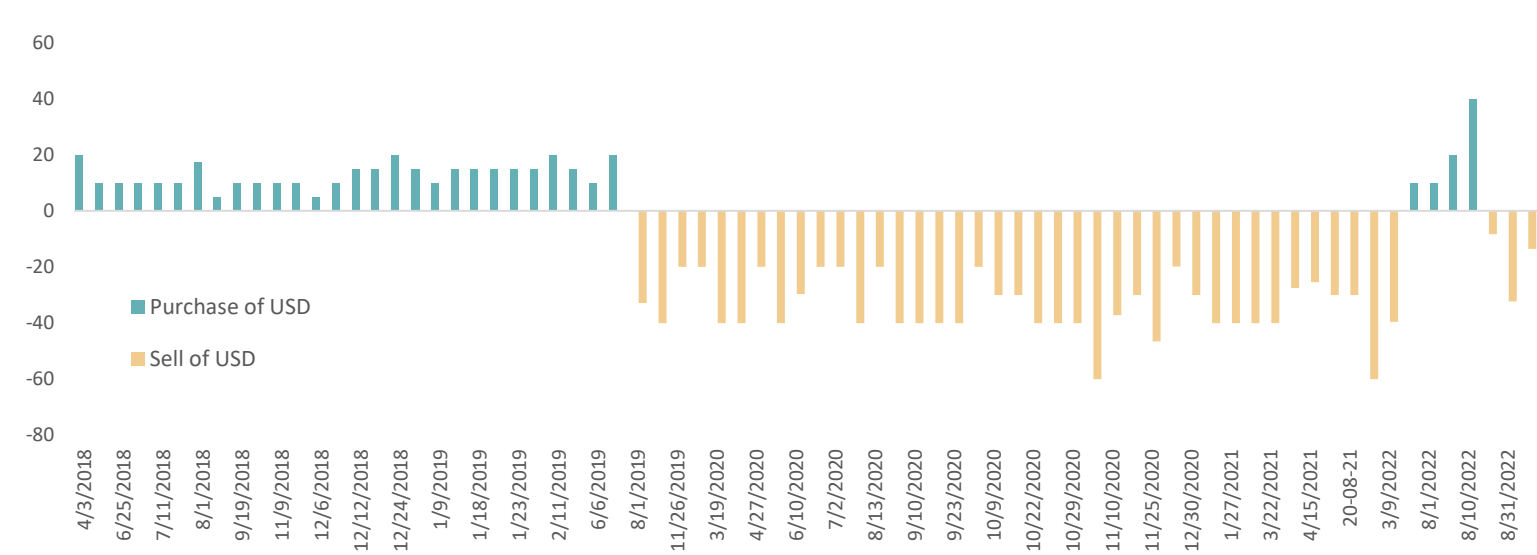
Source: NBG

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

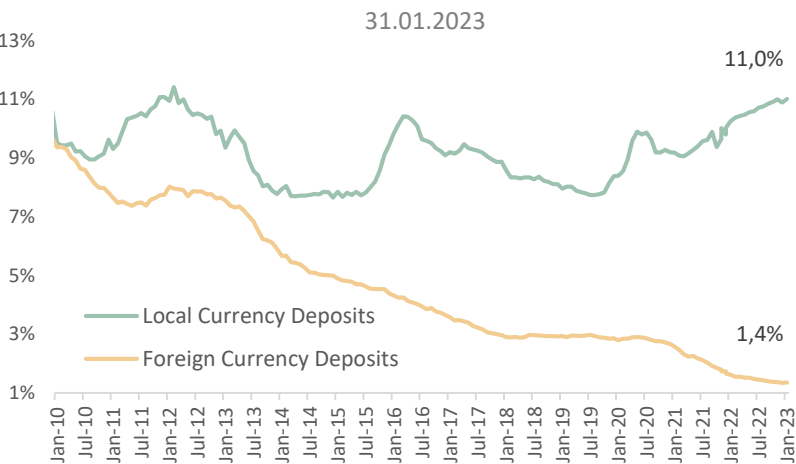


- On February 1, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to keep the refinancing rate at 11.0 percent.
- According to the NBG, annual inflation in Georgia has already passed the peak and follows a downward trend, mainly driven by the gradual neutralization of the external 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 were no FX interventions through auctions during January.

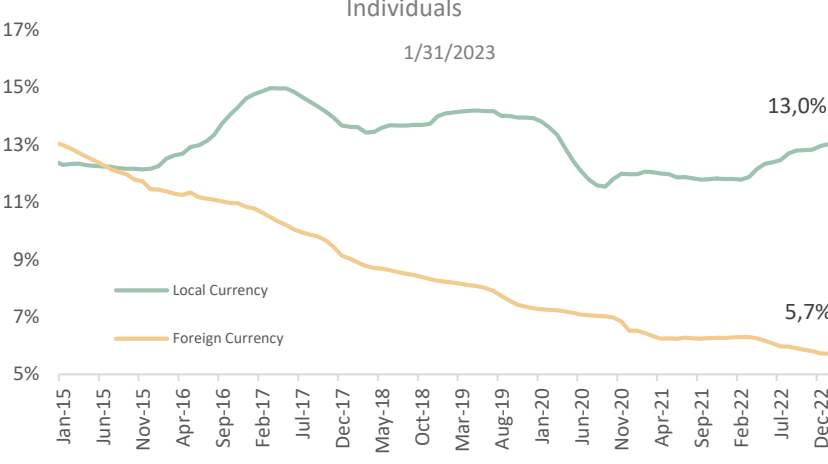
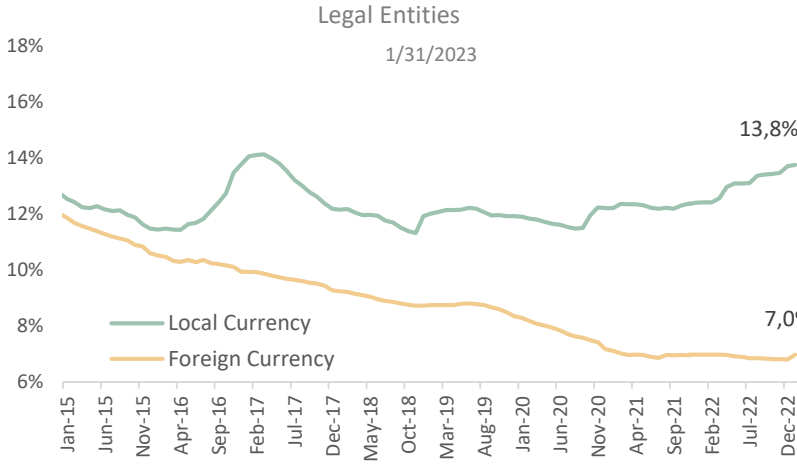
Source: NBG

Market Interest Rates Are Stable Both in National and Foreign Currencies

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of February 1, 2023, the interest rate on foreign currency deposits was 1.4 percent, and in the national currency – 11 percent.
- The weighted average interest rate on deposits in the national currency (GEL) by legal entities was 11.2 percent, and in the 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 the 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 January 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 14.2 percent, and in foreign currency 8.6 percent. The interest rate on loans to individuals in the national currency was 13.3 percent, and in foreign currency 6.4 percent.

Source: NBG

Disclaimer

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