



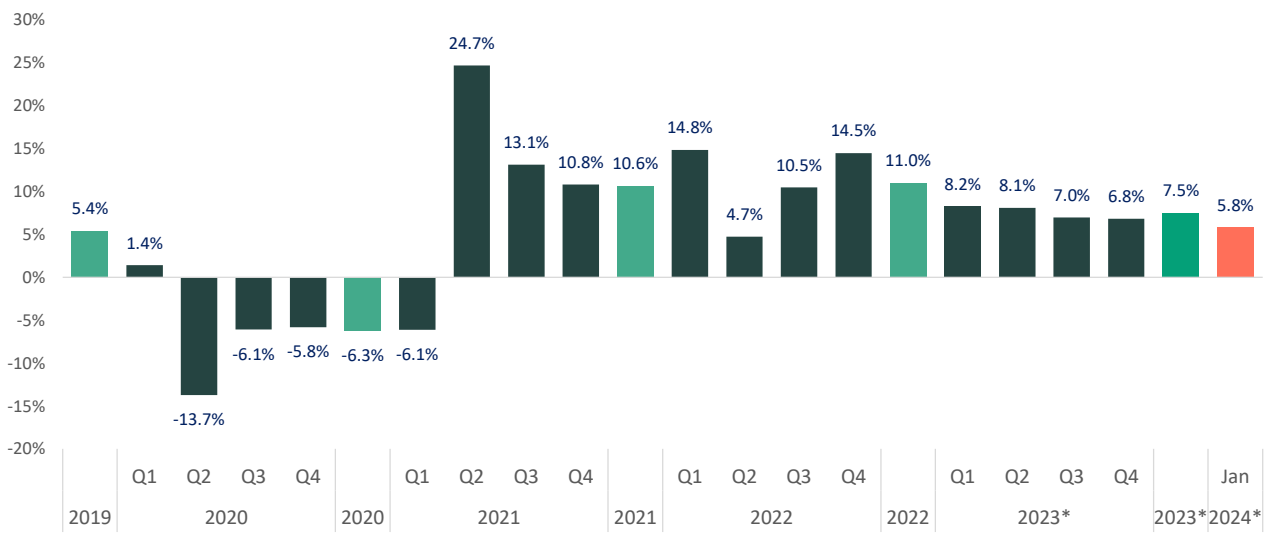
Current Economic Outlook

February, 2024

- In January 2024, the real GDP growth rate was 8.5 percent and average growth rate of 2023 was 7.5 percent, according to the preliminary estimates of the National Statistics Office.
- In February, annual inflation stood at 0.3 percent, while core inflation was 2.6 percent
- In January, exports decreased by 26.2 percent year-on-year and imports decreased by 10.1 percent year-on-year, increasing the trade deficit by 1.2 percent year-on-year to 664 million USD
- For January, the real effective exchange rate appreciated by 1.9 percent compared to the same period of the previous year and depreciated by 0.3 percent compared to the previous month
- There was no monetary policy committee meeting in February and monetary policy rate is at 9.0 percent

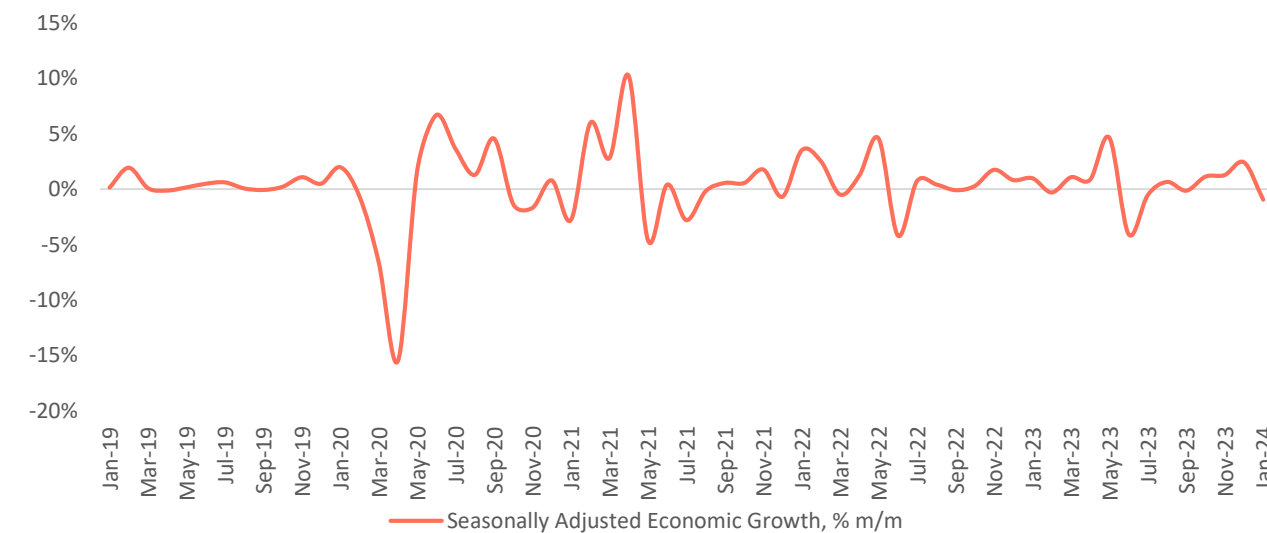
Economic Growth in January was equal to 5.8 percent

Economic Growth, % y/y

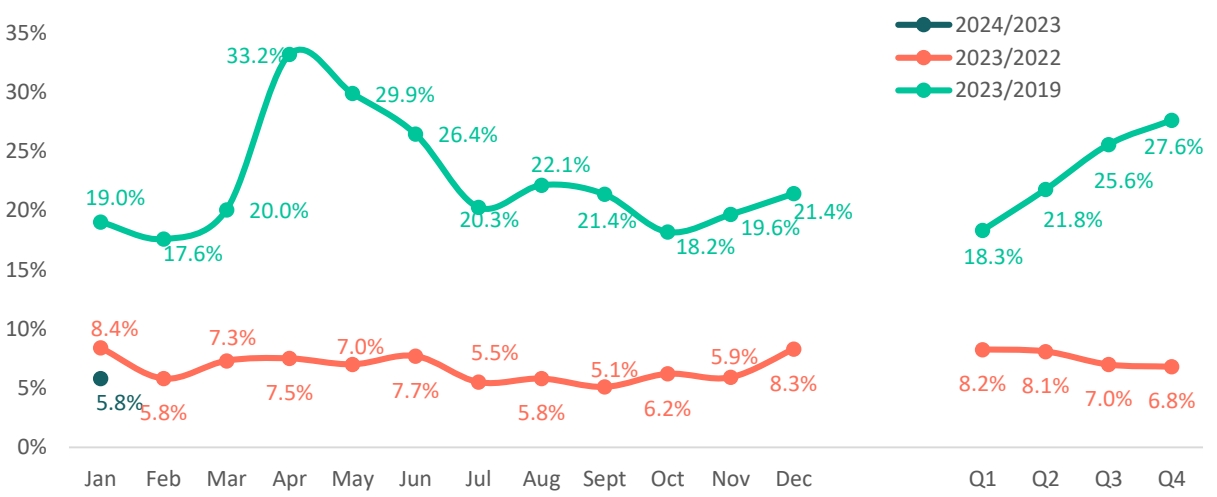


- Estimated real GDP growth rate in January 2024 equaled 5.8 percent YoY and average annual real GDP growth rate for the 4th quarter of 2023 equals to 6.8 percent, while the average growth of the 2023 was 7.5 percent. Seasonally adjusted economic growth in January comparing to the previous month was -1.0 percent.
- In January 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Financial and insurance activities, Information and communication.
- A decline was registered in the fields of Trade, Real estate activities and Manufacturing.

Economic Growth, % m/m



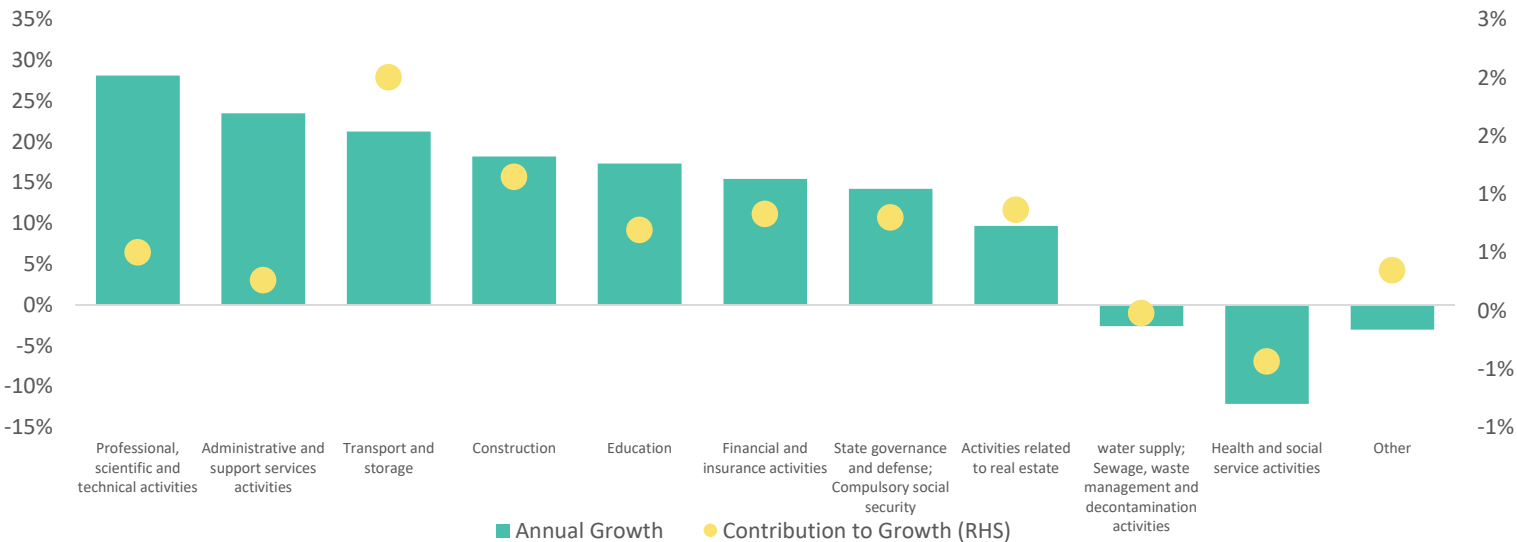
Economic Growth, 2023-2019



Source: Geostat, MOF

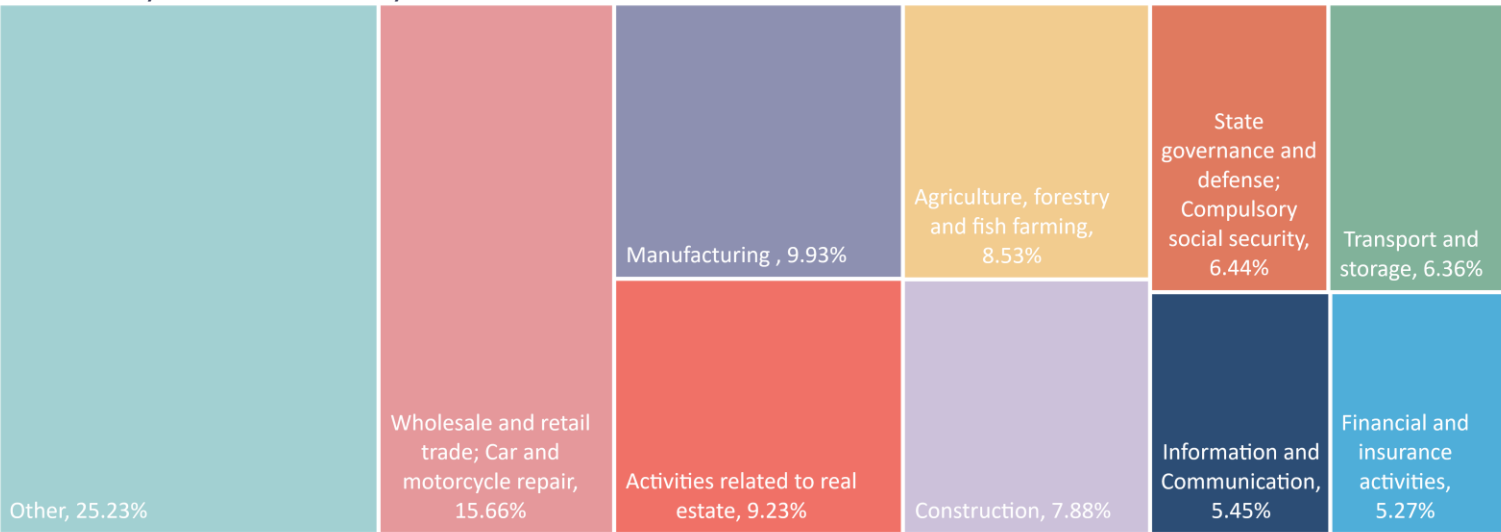
According to preliminary estimates, real GDP increased by 7.0 percent in the third quarter of 2023

Real GDP growth by economic activity, 2023 III Quarter



- According to preliminary estimates, in the third quarter of 2023 economic growth amounted to 7.0 percent, while in the second quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 8.1 percent. In the third quarter 2023 economic growth was 25.6 percent compared to the third quarter of 2019.
- The following industries have made a significant contribution to growth of Q3 2023:
 - Professional, scientific and technical activities 28.1% (0.5 p.p.)
 - Administrative and support services activities 23.5% (0.3 p.p.)
 - Transport and Storage: 21.3% (2.0 p.p.)
 - Construction: 18.2% (1.1 p.p.)
 - Education 17.3% (0.7 p.p.)
 - Financial and insurance activities 15.4% (0.8 p.p.)
 - State governance and defense; Mandatory social security 14.2% (0.8 p.p.)
 - Activities related to real estate: 14.2% (0.8 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Water supply; Sewage, waste management and decontamination activities : -2.6% (-0.02 p.p.)
 - Health care and social service activities: -12.1% (-0.4 p.p.)

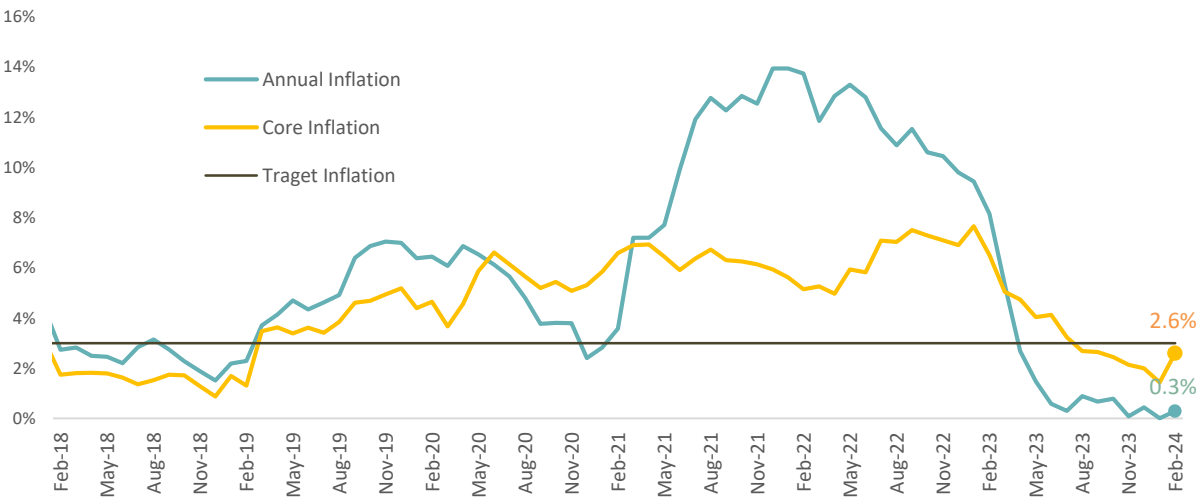
GDP by economic activity, 2023 III Quarter



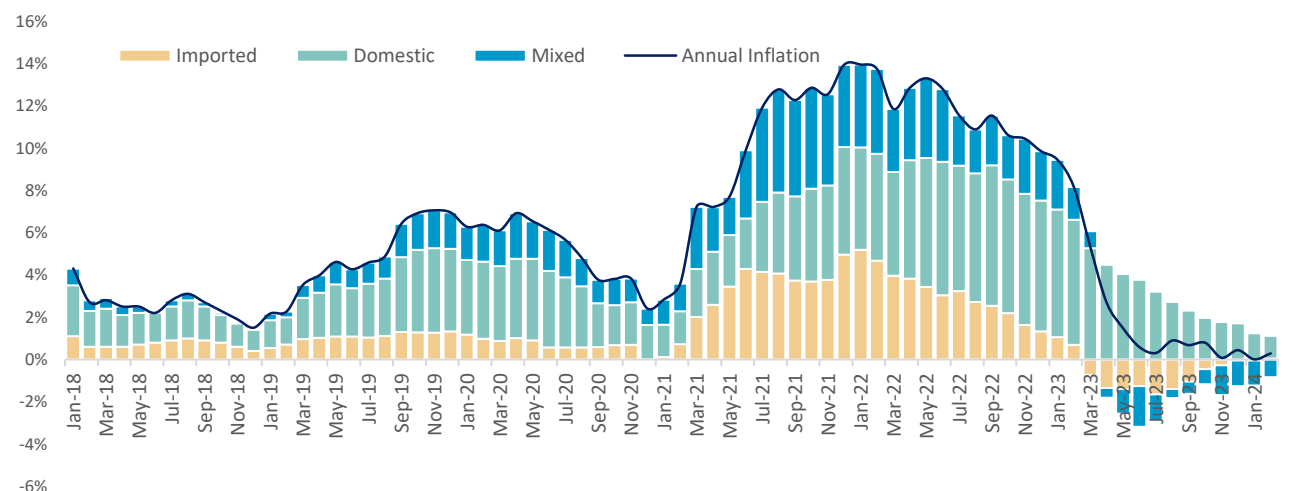
Source: Geostat

Annual inflation in February has reached 0.3 percent

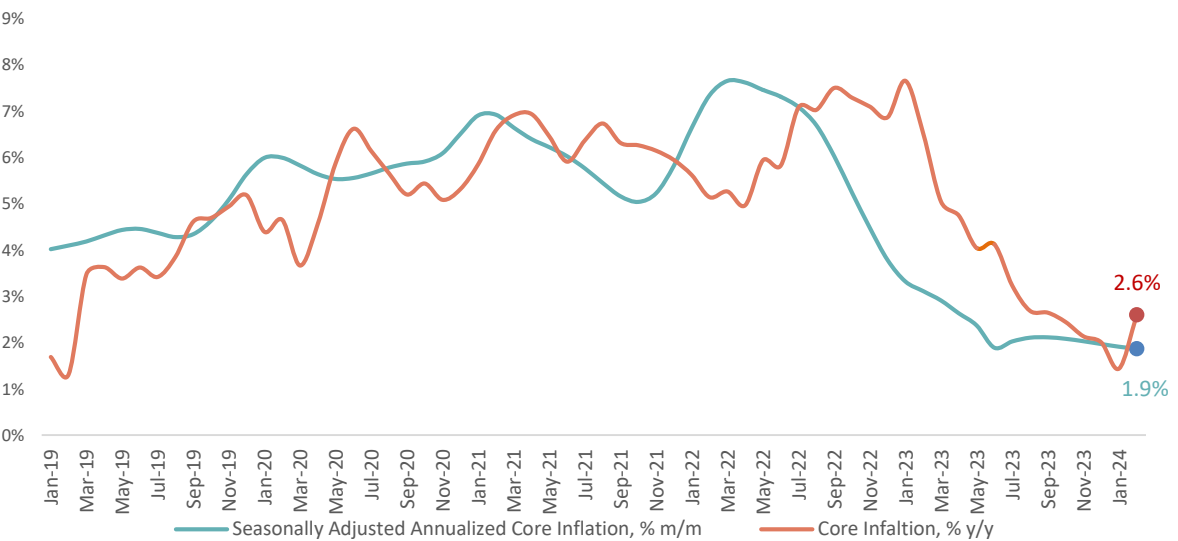
Total and Core Inflation, % y/y



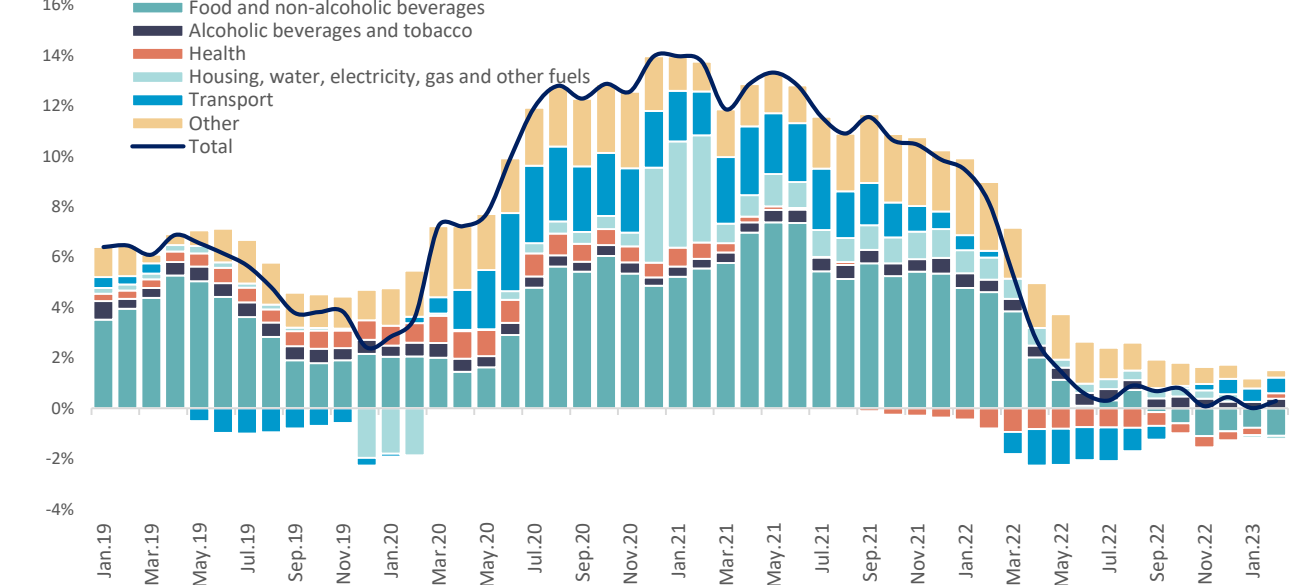
Inflation Decomposition



Core Inflation, % m/m



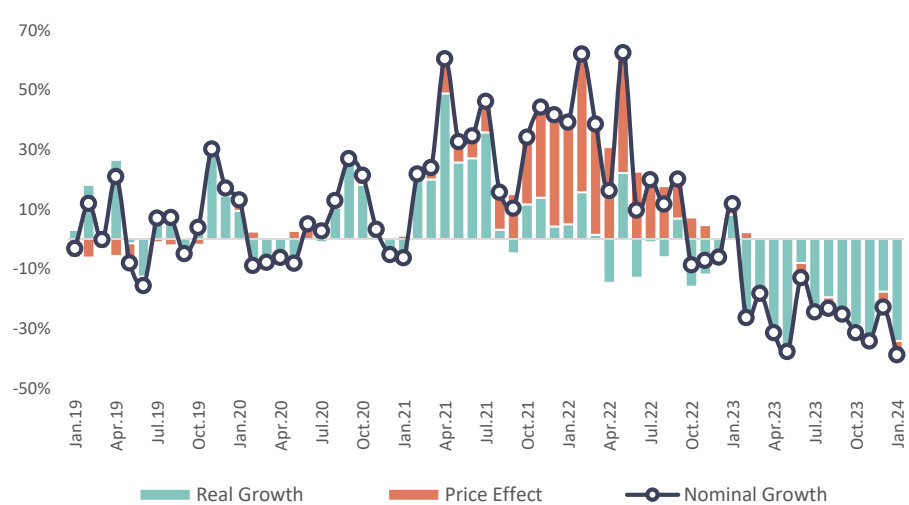
Inflation Decomposition by product group



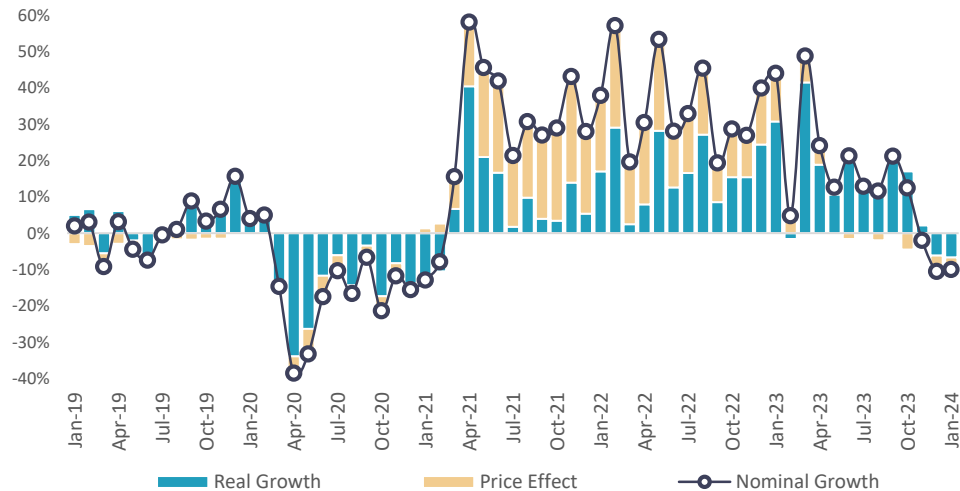
Source: Geostat, NBG, MOF

Trade Deficit in January increased by 1.2 percent annually

Change of Domestic Export, %y/y

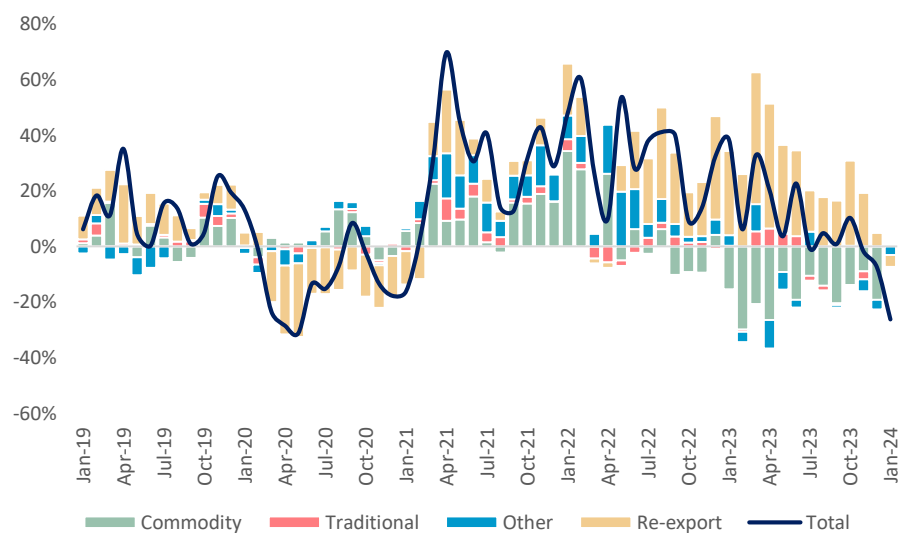


Change of Import, %y/y

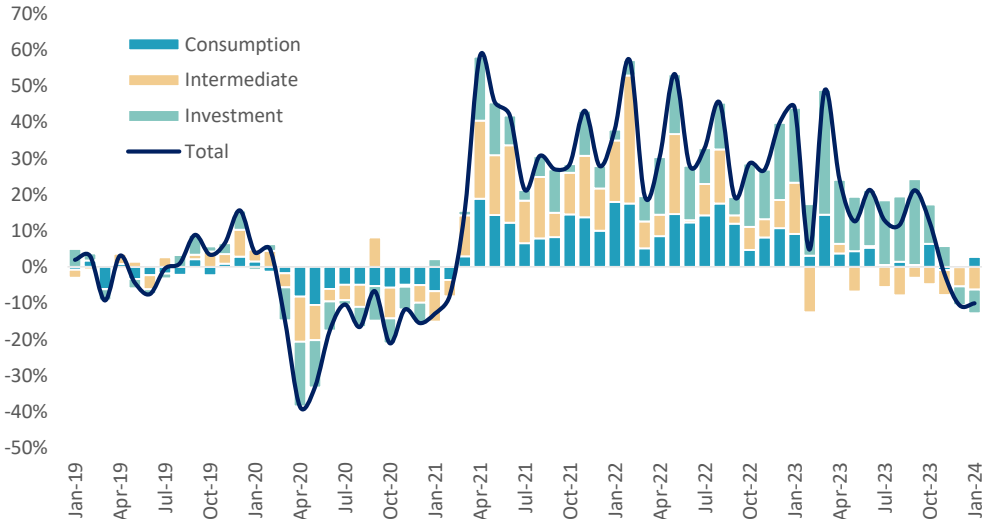


- Export decreased annually by 26.2 percent to 338.6 million USD in January.
- Domestic export decreased annually by 38.9 percent to 158.2 million USD.
- Import annually decreased by 10.1 percent to 1 002.7 million USD in January.
- Trade deficit annually decreased by 1.2 percent to 664.1 million USD in January.

Decomposition of Export



Decomposition of Change of Import, %y/y

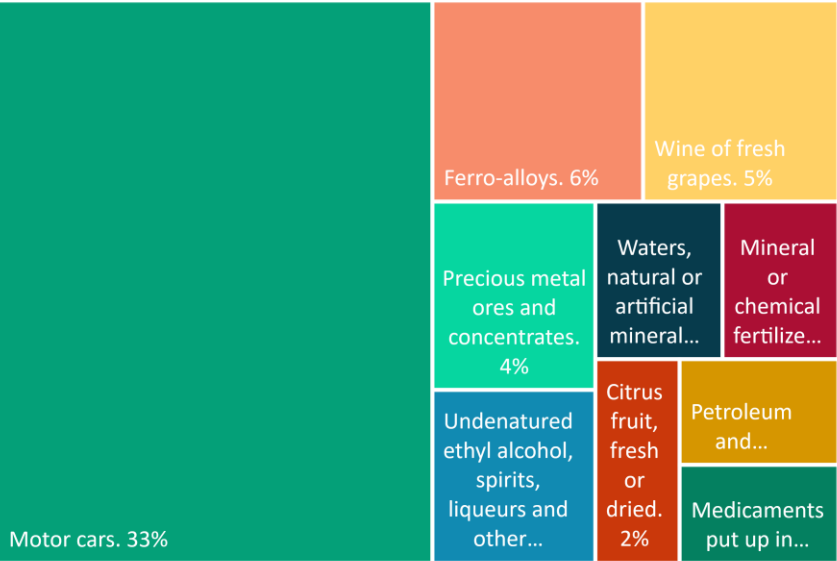


- Share of re-export in export growth is equal to -4.3 percent (-9.9 %y/y), while share of commodity export is negative 19.2 percent (-63.6 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to -6.6, 2.8 and -6.2 percent respectively.

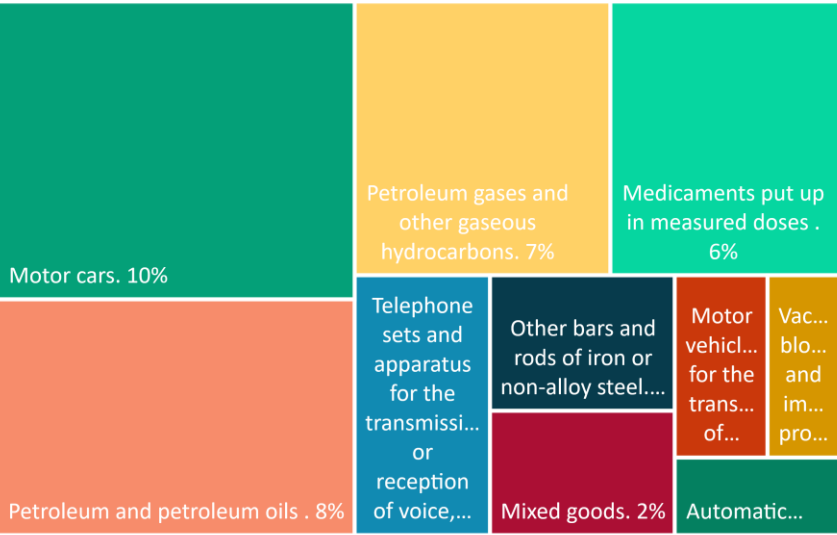
Source: Geostat, MOF

International trade is characterized by stable diversification

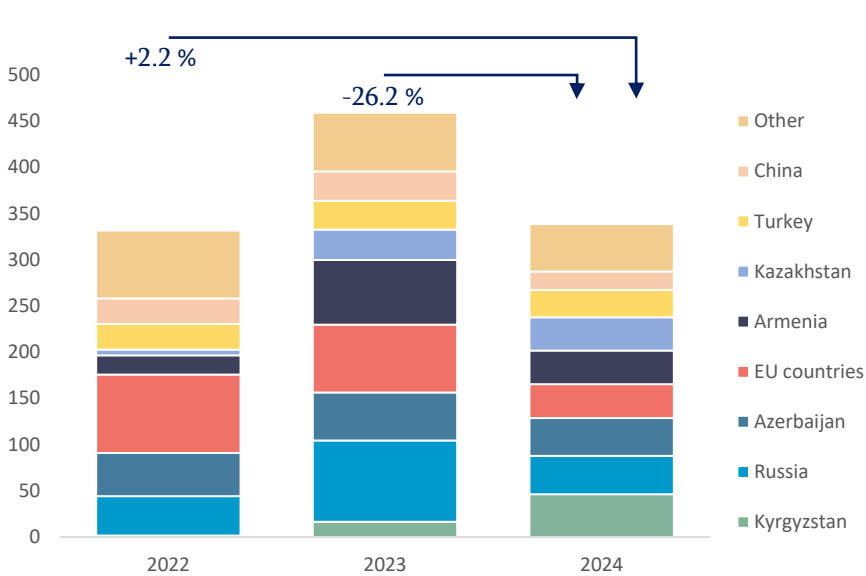
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, January



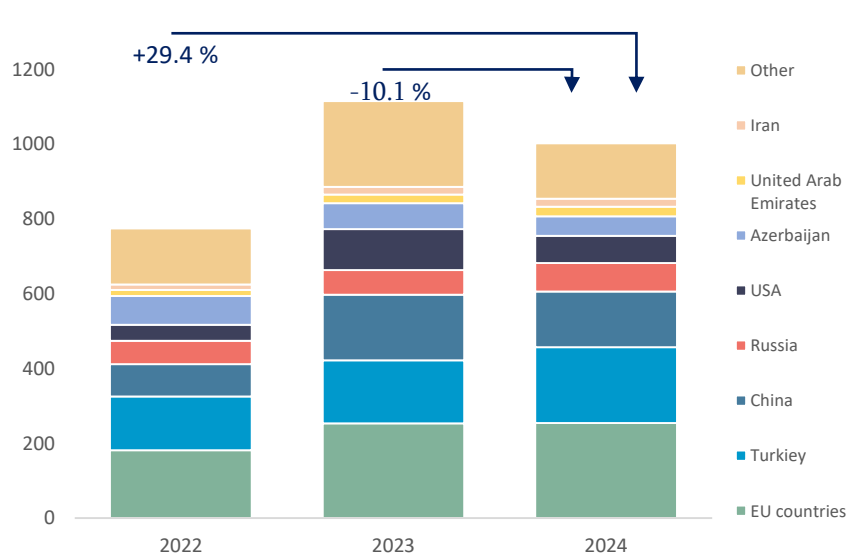
Top Export Products:

- Motor cars: 112.0 million. USD – 33.1 percent of total exports.
- Ferroalloys: 19.4 million USD – 5.7 percent.
- Wine of fresh grapes : 18.0 million USD - 5.3 percent.

Top Import Products :

- Motor cars: 101.4 million. USD – 10.1 percent of total imports.
- Petroleum and petroleum oils: 80.4 million US dollars - 8.0 percent.
- Petroleum gases and other gaseous hydrocarbons : 66.8 million USD – 6.7 percent.

Import by country, January



Top Export Country:

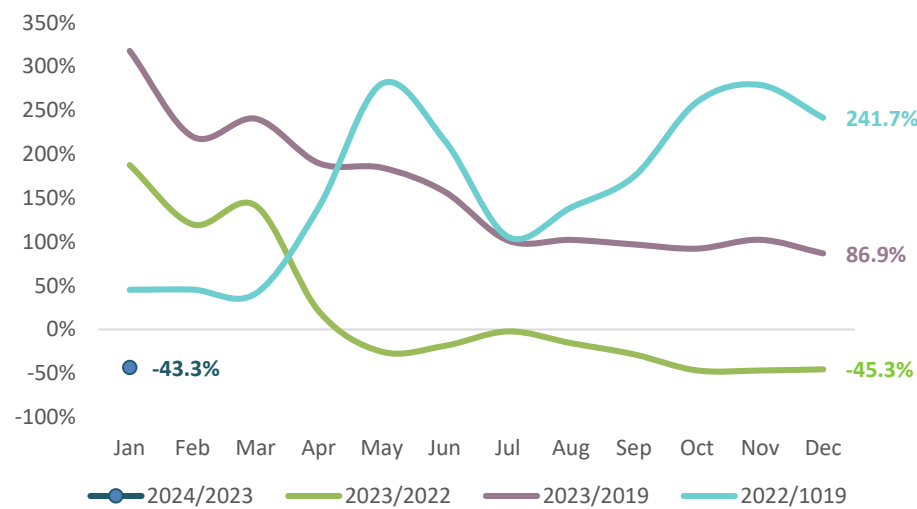
- Kyrgyzstan: 46.2 million US dollar - 13.7 percent.
- Russia: 41.6 million USD, - 12.3 percent.
- Azerbaijan: 40.9 million USD, - 12.1 percent.

Top Import Country :

- EU: 254.2 million USD, - 25.4 percent.
- Turkey: 203.1 million USD, - 20.3 percent.
- Russia: 148.4 million US dollar - 14.8 percent.

Net Remittances decreased by 43.3 percent in January 2024

Net Remittances, 2024-2019

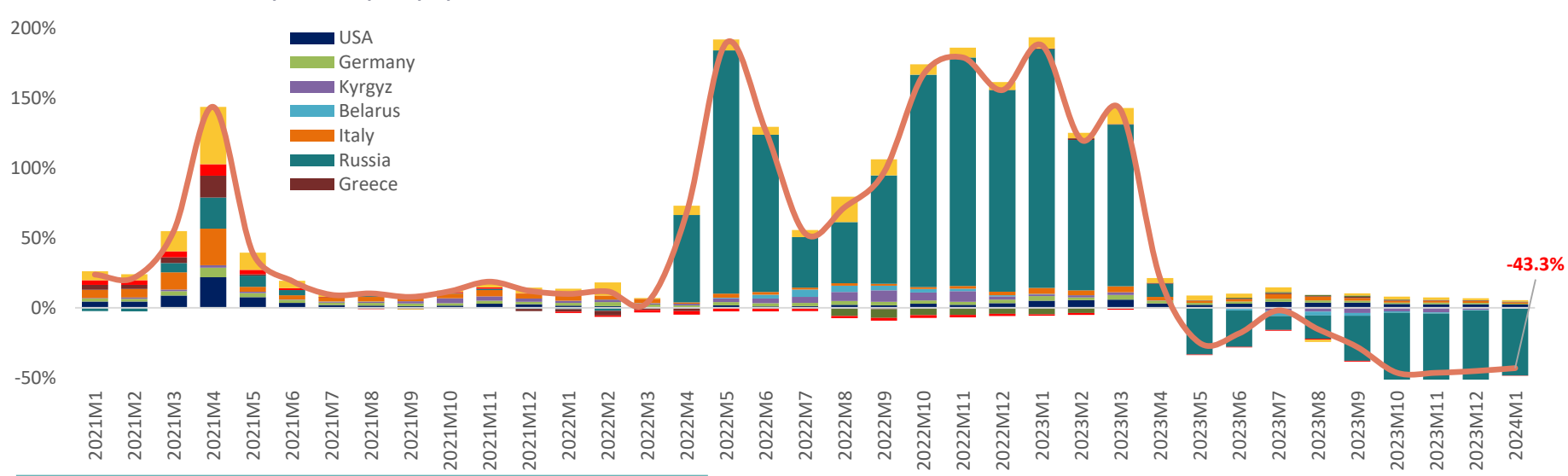


Net Remittances, January 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	64.2	-75.7	-47.9
Italy	43.4	11.5	1.1
USA	36.8	36.3	2.3
Greece	17.0	2.9	0.1
Israel	17.4	4.8	0.2
Germany	15.5	15.9	0.5
Other	43.3	4.3	0.4

- In January 2024, net remittances were estimated at 237.5 million USD, representing a 43.3 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 137.1 percent.
- Net Remittances increased from:
 - Iraq: 602.7 percent (contributing 0.4 pp to total growth).
 - Ireland: 64.5 percent (contributing 0.4 pp to total growth).
 - France: 14.2 percent (0.1 p.p. contribution to total growth).
- Net Remittances decreased from:
 - Russia: -75.7 percent (-47.9 p.p. contribution to total growth)
 - Azerbaijan: -62.9 percent (-0.2 pp contribution to total growth)
 - Turkey: -48.6 percent (-0.3 pp contribution to total growth)
 - Kyrgyzstan: -45.5 percent (-0.5 pp contribution to total growth).

Net Remittances by country, %y/y



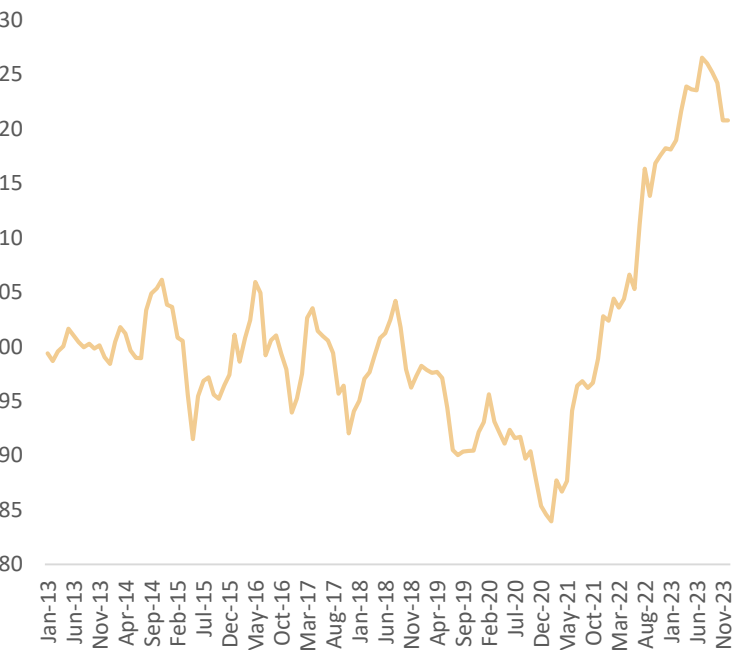
Source: NBG

Real Effective Exchange Rate Appreciated by 2.1 percent in December

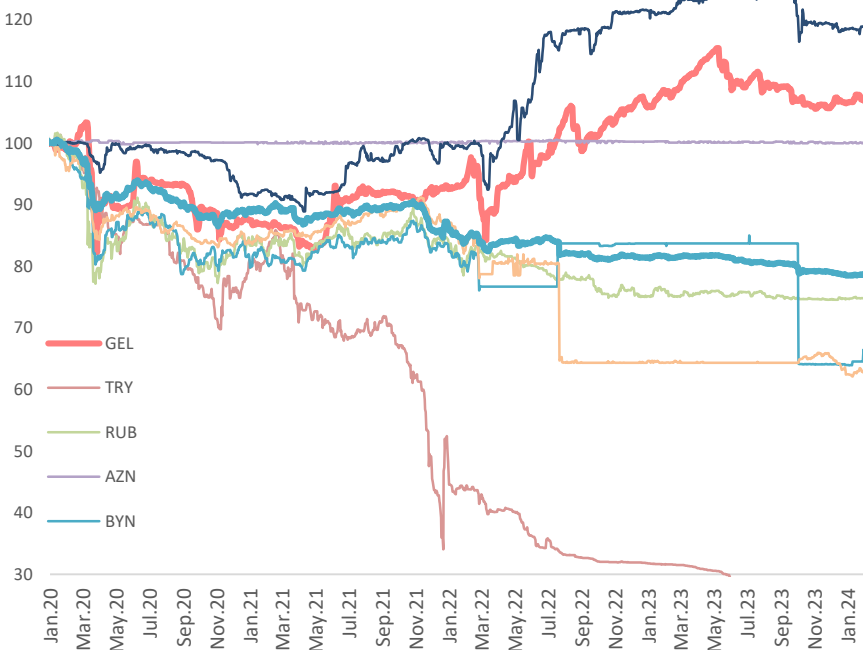
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates January 31, 2024



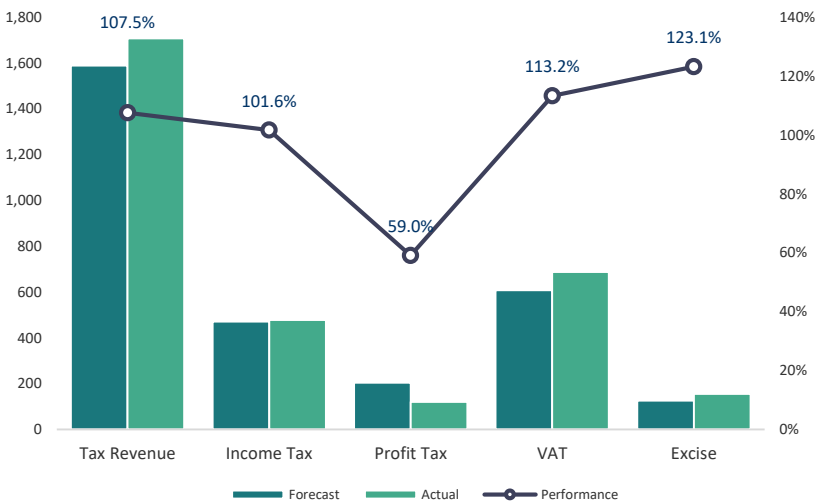
Note: Increase means appreciation

	February 1, 2024		Febr 1, 2024 - Jan 1, 2023		Febr 1, 2024 - Jan 1, 2022
Euro	2.9044	▼	-0.7%	▲	20.5%
US Dollar	2.6818	▲	0.8%	▲	15.2%
Turkish Lira	0.0883	▲	63.4%	▲	161.8%
Russian Ruble	0.0299	▲	22.9%	▲	37.9%
NEER	188.64	▲	14.6%	▲	43.9%
REER (December 2023)	148.47	▲	2.3%	▲	17.5%

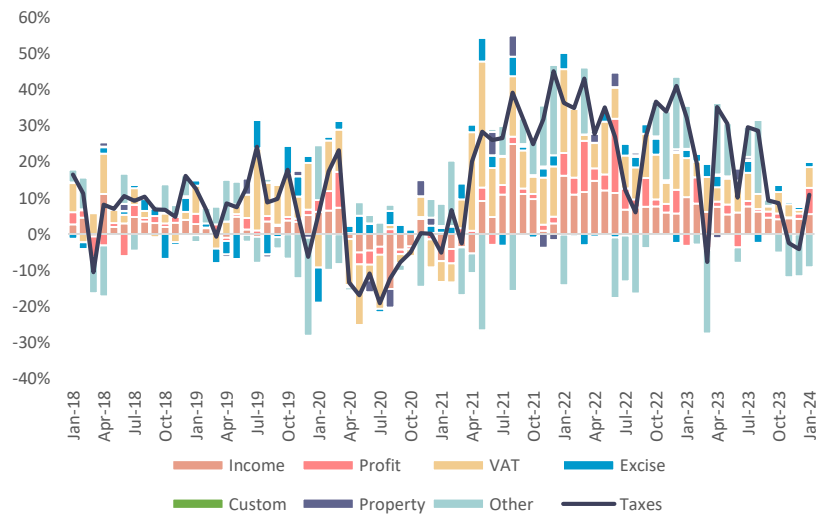
Source: NBG

Tax revenues in February is above the forecast value by 7.5 percent

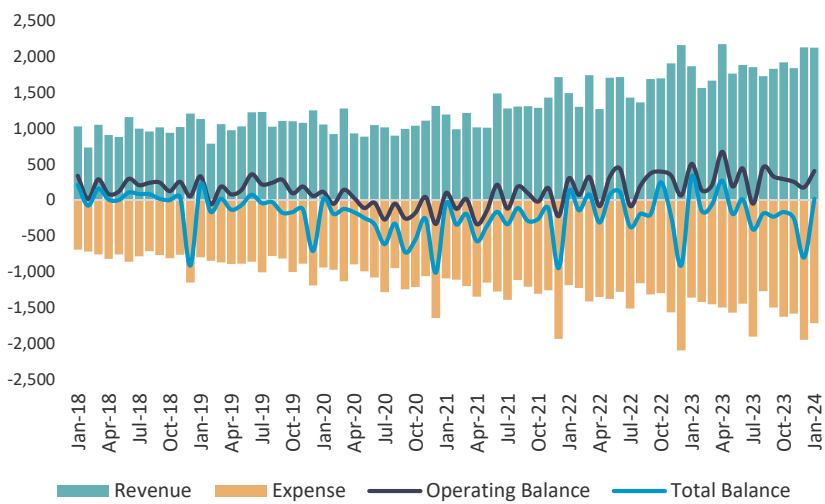
Budget Revenue Performance, February 2024



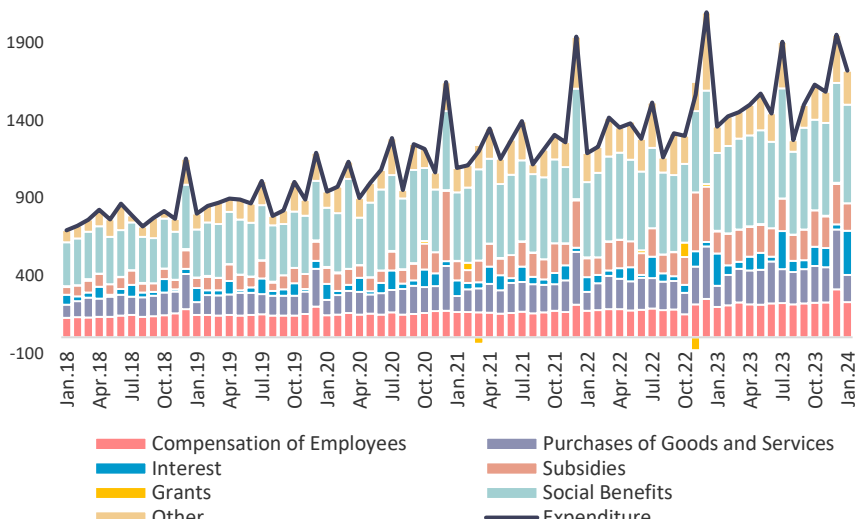
Tax Income, % y/y



Consolidated Budget, mln GEL



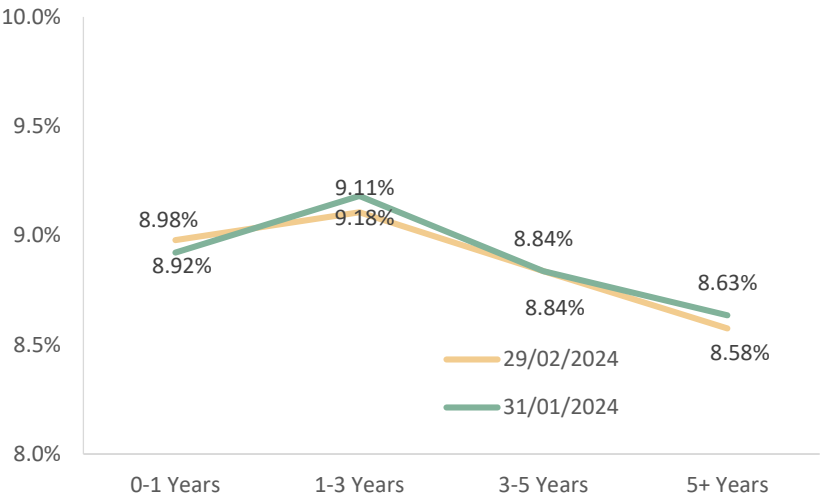
Consolidated Budget Expenditure, mln GEL



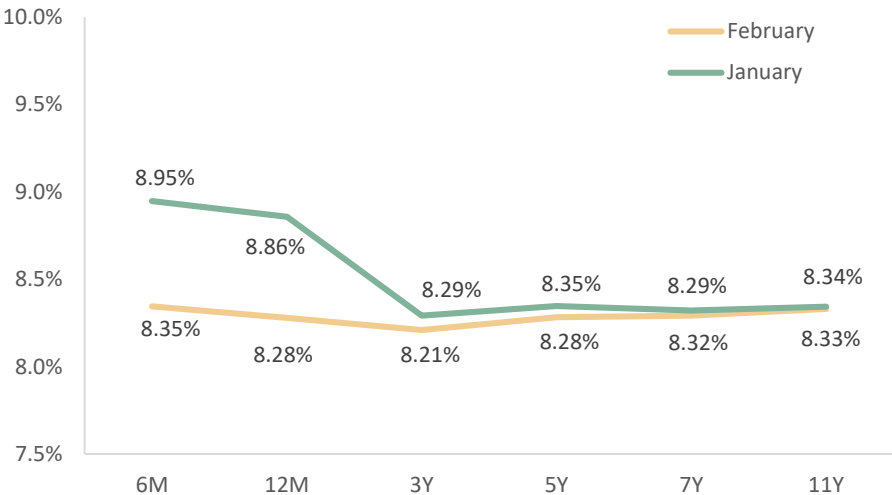
- The actual level of tax income in February 2024 was 1,707 mln GEL, which is above the forecasted value by 7.5 percent.
- Consolidated budget revenues increased by 13.9 percent and expenditures increased by 26.4 percent in January.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 400.6 million GEL, while the total balance was set at 12.4 million GEL.
- Revenue from taxes had a significant impact on revenue from profit and value-added tax in January, accounting for 7.2 and 5.8 percent of total growth, respectively.

Structure of the Treasury Securities Portfolio Experienced Minor Changes in February

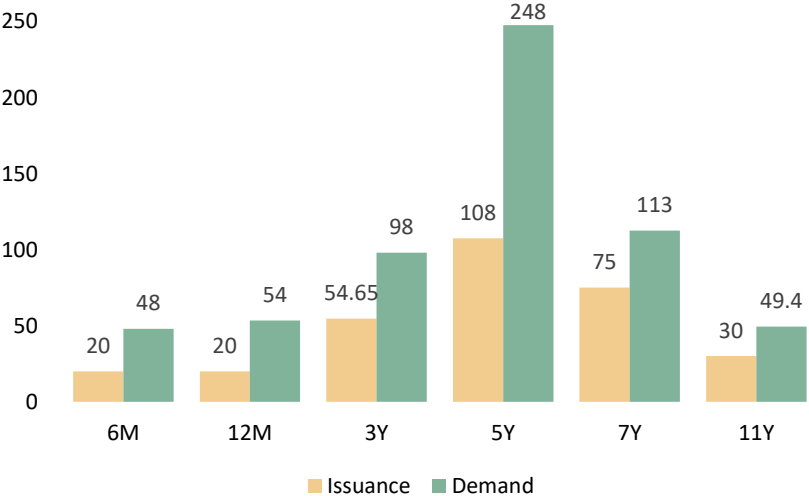
Portfolio Yield Curve



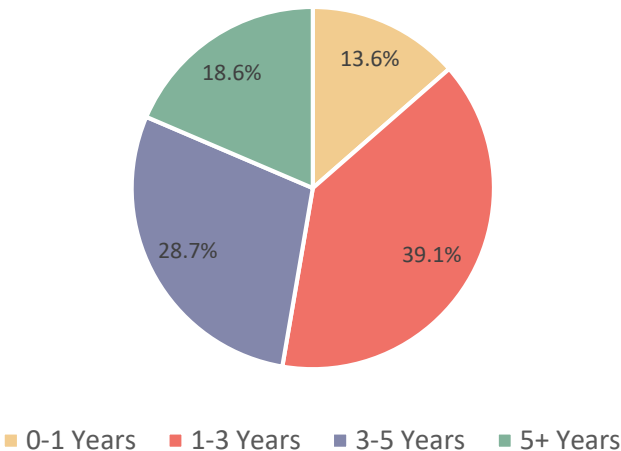
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



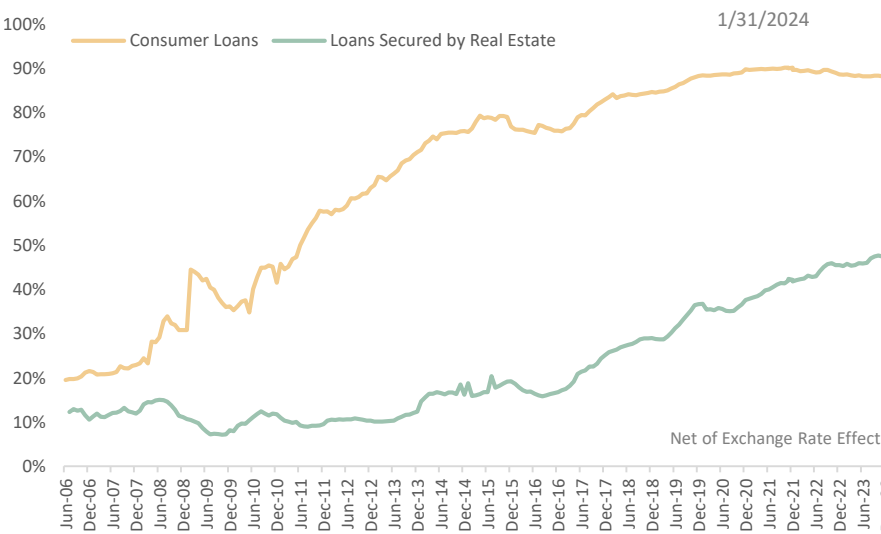
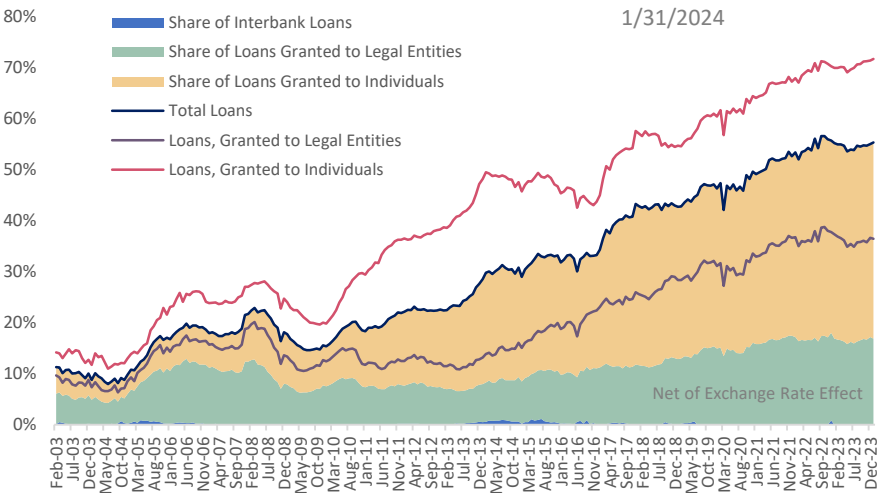
Portfolio by Residual Maturity, February 29, 2023



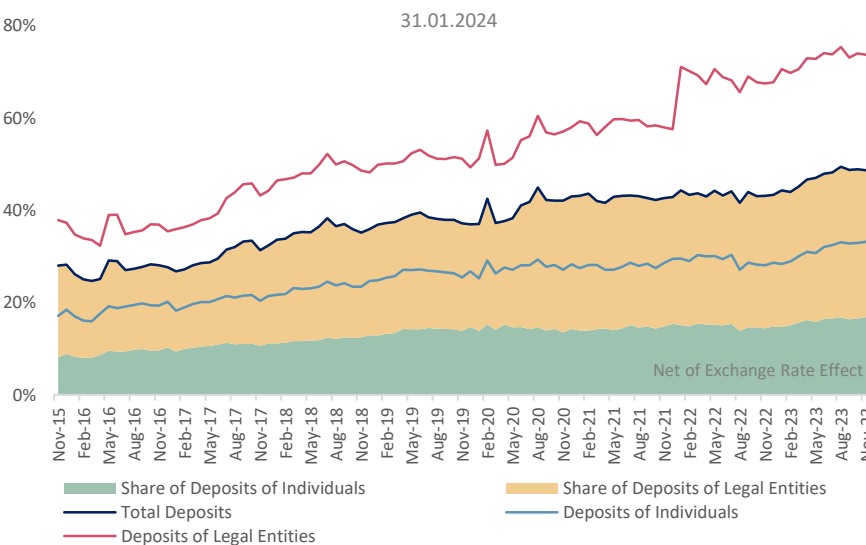
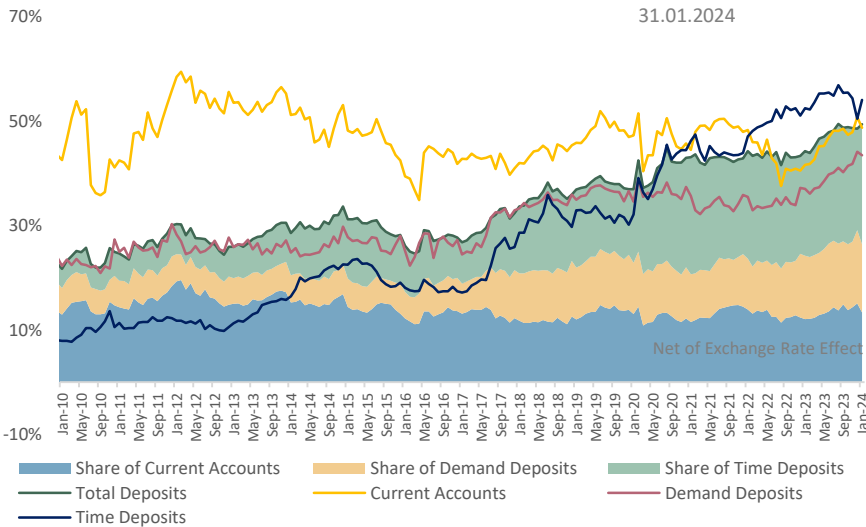
- In February 2024, 6 issuance, 1 buyback and 2 switch auctions were held with the total issuance volume of 407.99 million GEL.
- The weighted average interest rate amounted to 8.28%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 225 million GEL were redeemed. On the switch auctions, the bonds with a nominal value of 50 million GEL were switched.
- As of February 29, 2024 39.1% of the treasury securities portfolio (in January it was 40.9%) is composed of the securities whose maturity date is due for the next 1-3 years. The medium-term state financials securities (with duration 3-5 years) have also a sizable share (at around 29%) in the total portfolio. The share of securities with 5 years maturities increased from 15.6% to 18.6%.
- The Bid-to-cover ratio decreased compared to the previous month's value (January 2.02) and amounted to 1.98.

In January Loan and Deposit Larization Indicators Raised

Loan Larization



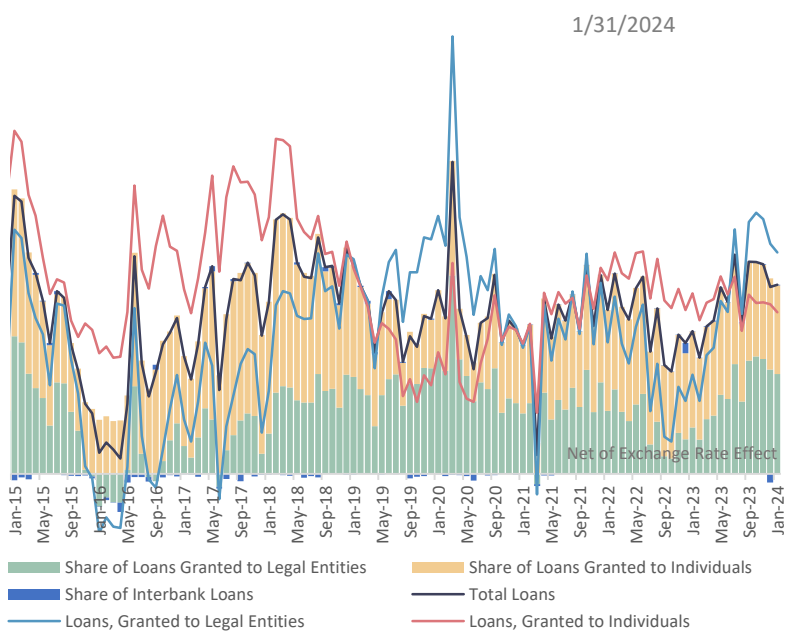
Deposit Larization



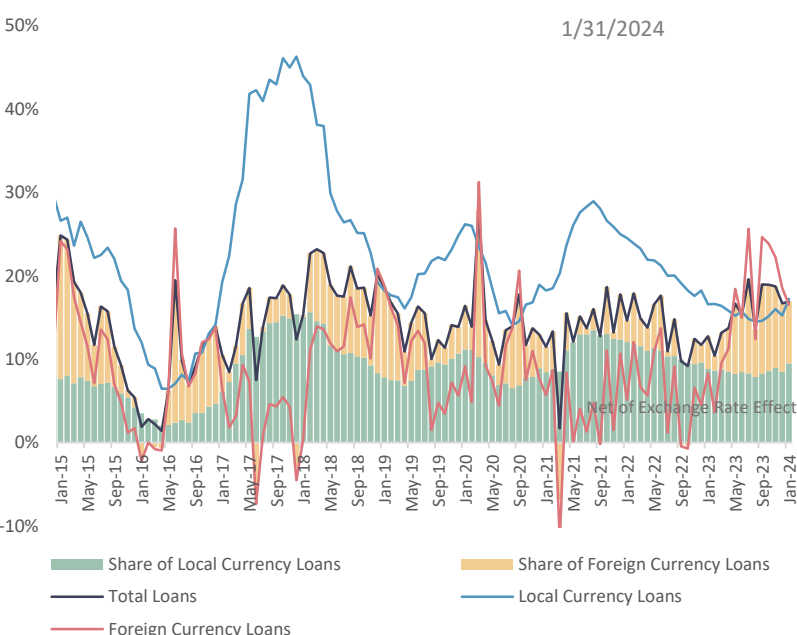
- As of January 31, 2024, the larization of total loans is 55.3 percent.
- The larization of loans to individuals is 71.6 percent.
- The larization of the loans to legal entities amounted to 36.4 percent.
- The larization of the total deposits equals to 49.4 percent.
- The larization on the deposits of legal entities amounted to 75.1 percent.
- The larization of the deposits of individuals is 34.8 percent.
- The larization of time deposits is 54.0 percent.
- The larization of current accounts equals to 48.7 percent.
- The larization of the demand deposits is 43.5 percent.

High Annual Growth Trends of Loans Have Retained

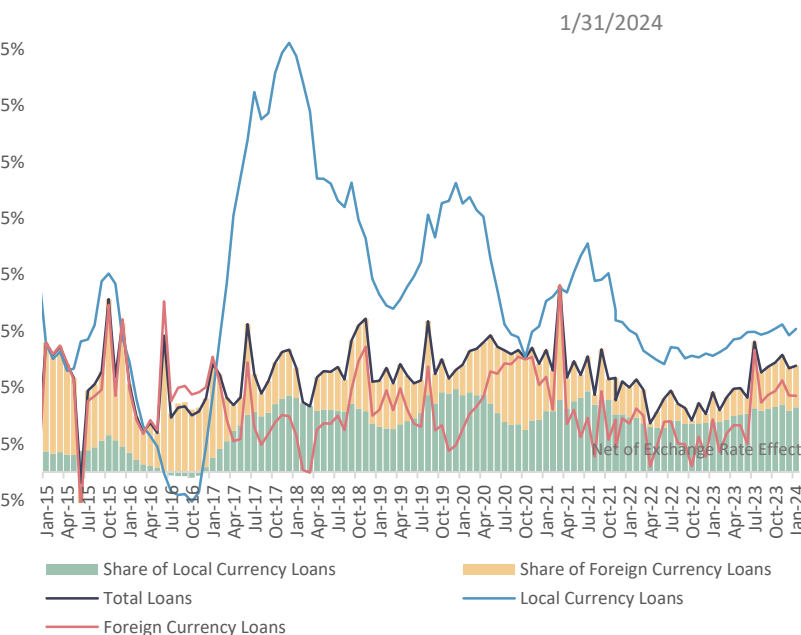
Loans Growth Rates, % y/y



Loans by Currency, % y/y



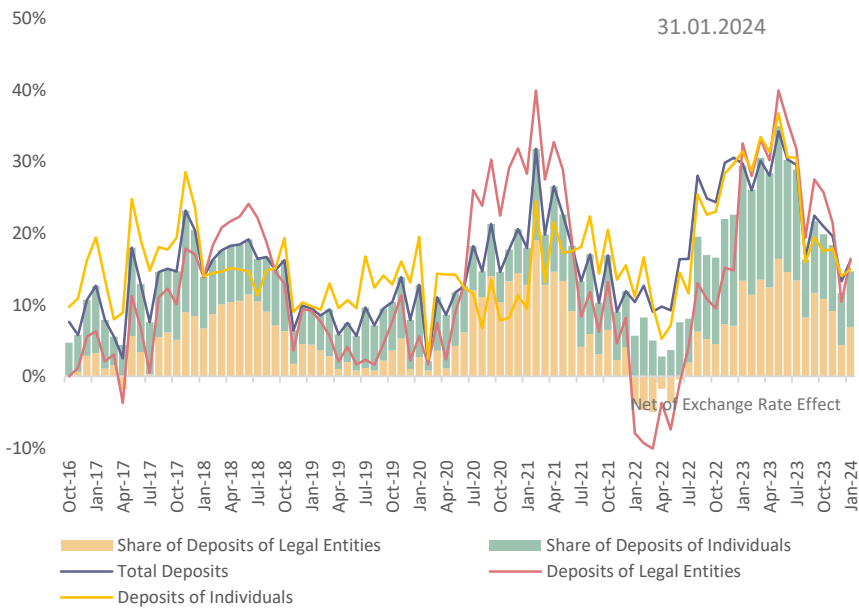
Mortgage Loans, % y/y



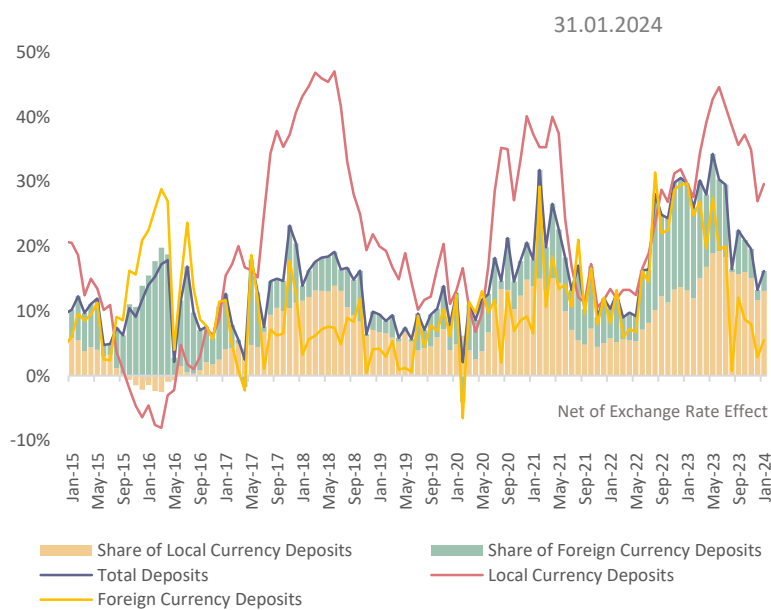
- As of January 31, 2024, the total loans increased by 16.9 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 19.7 percent.
- The annual growth of loans to individuals is 14.4 percent.
- As of January 31, 2024, the growth rate of the loans denominated in the national currency amounted to 17.2 percent.
- The annual growth of loans denominated in foreign currency amounted to 16.5 percent.
- As of January 31, 2024, the annual growth of the loans secured by real estate amounted to 18.8 percent. At the same time, the mortgage loans denominated in the national currency increased by 25.4 percent, while the mortgage loans denominated in the foreign currency also increased by 13.5 percent.

Annual Growth Rates of Deposits Are High

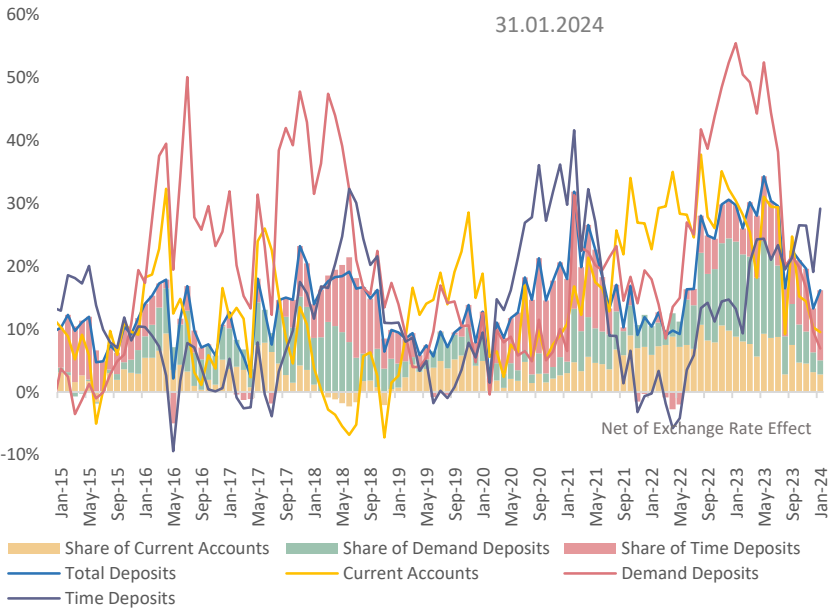
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



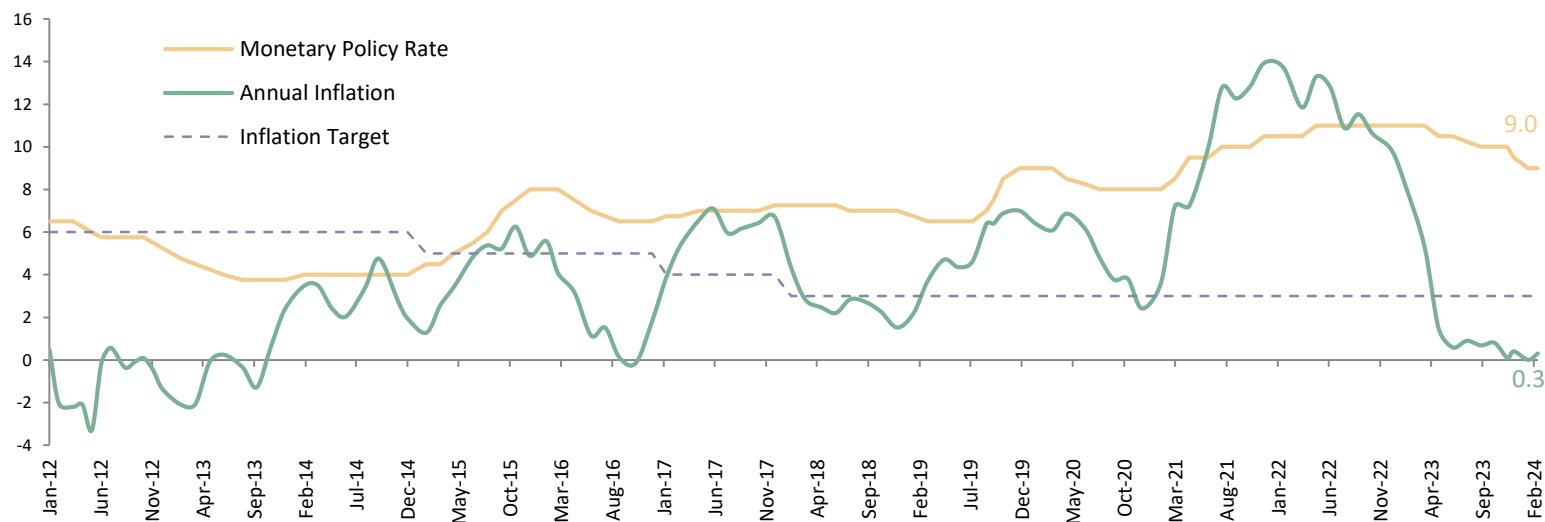
Deposits by Type, % y/y



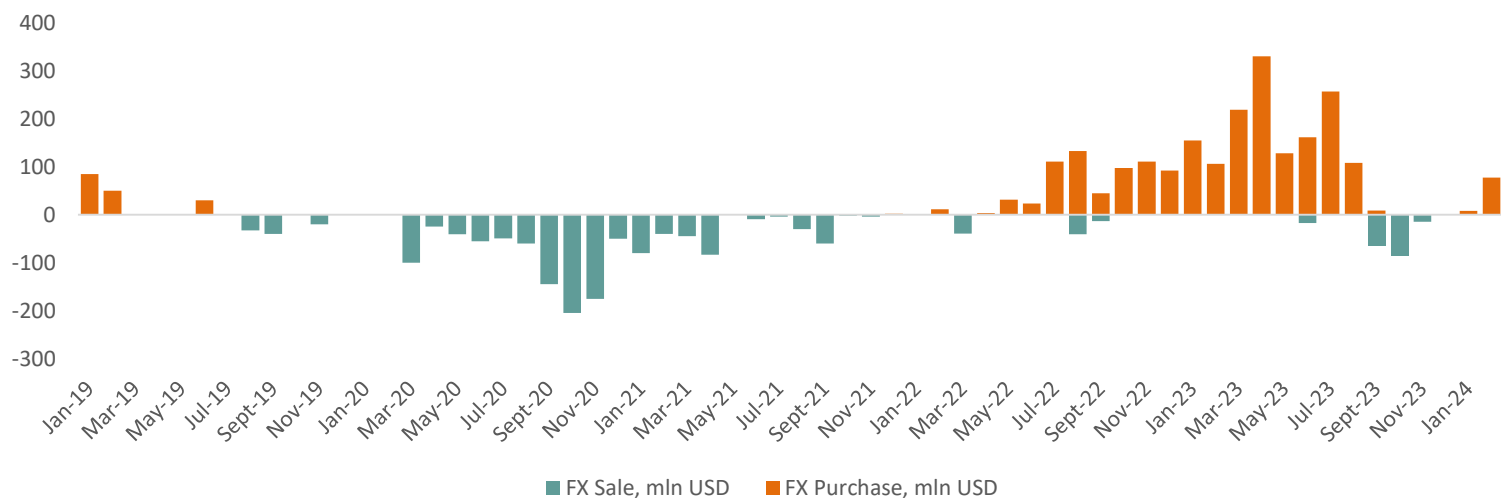
- As of January 31, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 16.2 percent.
- The annual growth of the deposits denominated in the national currency amounted to 29.6 percent. The annual growth of the deposits denominated in foreign currency stood at 5.5 percent over the same period.
- The growth of the deposits of individuals amounted to 15 percent, while the annual growth of deposits of legal entities in the same period amounted to 16.4 percent.
- The annual growth of current accounts at the beginning of February, 2024, was equal to 9.5 percent.
- The annual growth of the time deposits was 29.1 percent.
- The growth of the demand deposits amounted to 6.9 percent.

The Monetary Policy Rate Remained at 9.0 percent in February

Inflation and Monetary Policy Rate



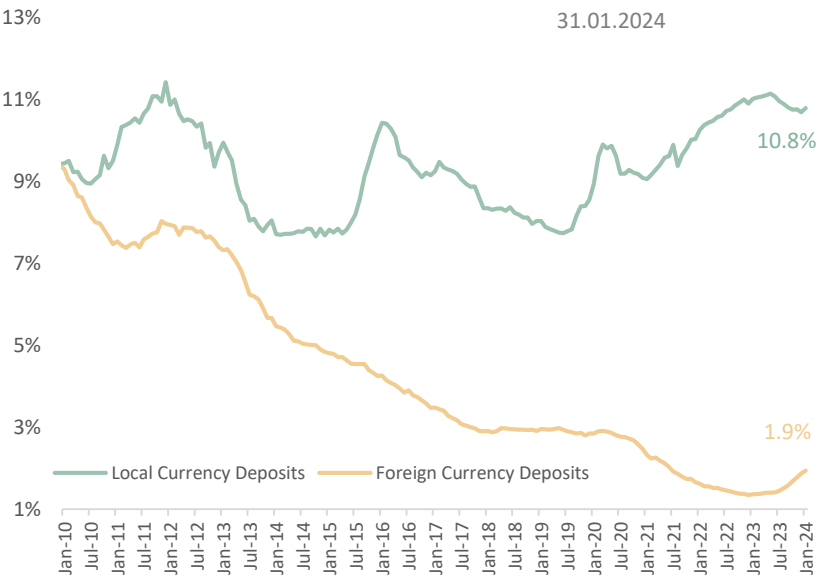
Trade of USD by NBG, mln USD



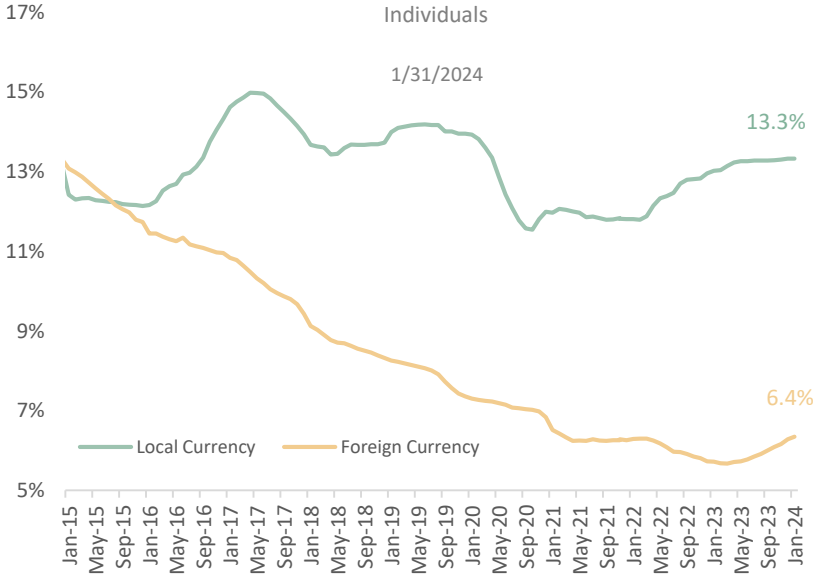
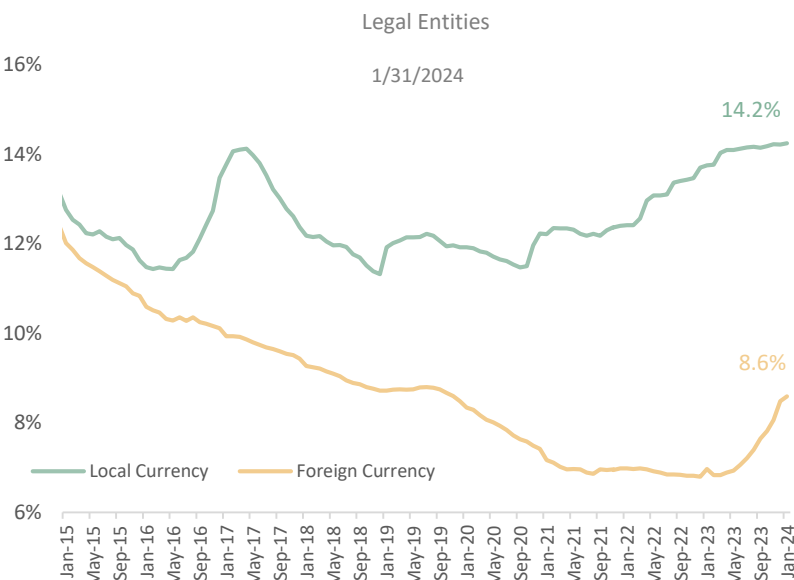
- On February, 2024, the Monetary Policy Committee of the National Bank of Georgia was not conducted. So, the refinancing rate at 9.0 percent level was in force within this period.
- Per the NBG, inflation is less than the target one (3 percent). There are both external and internal factors affecting it. The external shocks related to the Russo-Ukrainian war and the Pandemic are weakened which mitigate the role of them into the inflation formation. As for the internal factors, it is worth highlighting a decrease in domestic products inflation and tighter monetary policy influencing the inflation in Georgia. In Georgia, the inflation has already retreated from its peak. It was at 0.3 percent in January this year and still has on a downward path. It is expected that given the appreciated Georgian Lari, the aforementioned global trends will be gradually transmitted to the local markets, helping to further reduce inflation. In spite of the tendencies mentioned above, the risks of inflation rising remain at the high level that, with the existing strain geopolitical situation, pushes the NBG to loose the monetary policy at a slower pace.
- The next meeting of the Monetary Policy Committee will be held on March 13, 2024.
- The NBG made a few foreign exchange interventions through the Bmatch platform during February, 2024 and purchased 77.5 mln USD.

Market Interest Rates Increased in Foreign Currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of February 1, 2024, the interest rate on foreign currency deposits was 1.9 percent, and in the national currency – 10.8 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.9 percent, and in foreign currency – 2.8 percent.
- The average annual interest rate on deposits by individuals is 1.9 percent for foreign currency deposits and 10.7 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 13.9 percent (17.1 percent in the national currency and 6.3 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.0 percent (17.1 percent in the national currency and 7.8 percent in foreign currency).
- At the end of January, 2024, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 13.3 percent, and in the foreign currency 9.4 percent. The interest rate on the loans to individuals in the national currency was 12.8 percent, and in foreign currency 7.4 percent.

Disclaimer

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