



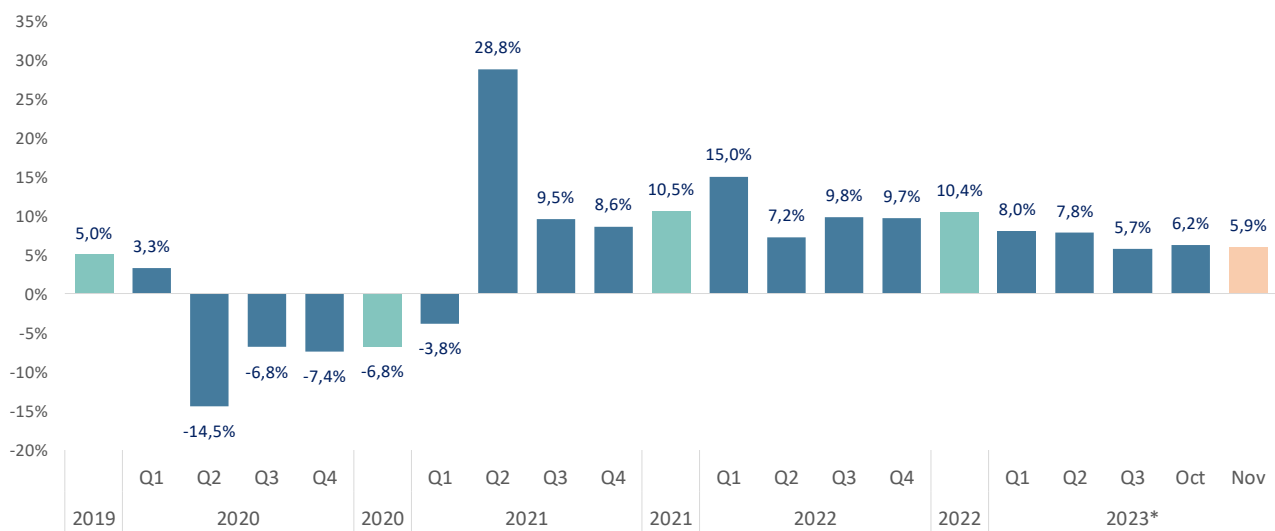
Current Economic Outlook

December, 2023

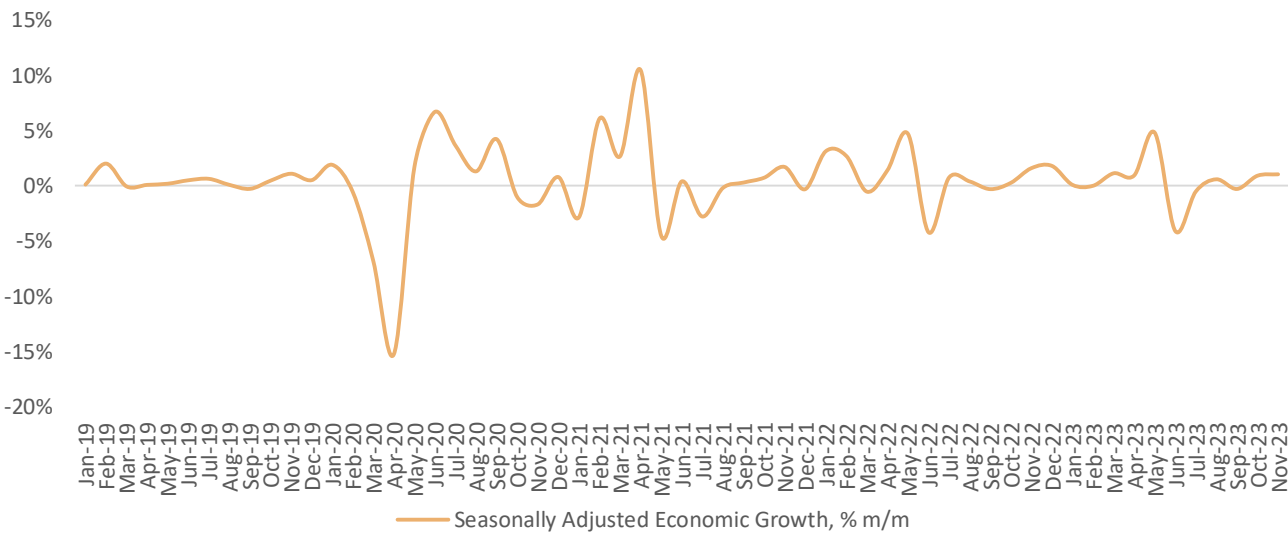
- In November 2023, the real GDP growth rate was 5.9 percent and average growth rate of the first eleven months of 2023 was 6.9 percent, according to the preliminary estimates of the National Statistics Office.
- In December, annual inflation stood at 0.4 percent, while core inflation was 2.0 percent
- In November, exports decreased by 1.8 percent year-on-year and imports decreased by 7.6 percent year-on-year, decreasing the trade deficit by 11.1 percent year-on-year to 730 million USD
- For November, the real effective exchange rate appreciated by 2.7 percent compared to the same period of the previous year and depreciated by 2.8 percent compared to the previous month
- The National Bank of Georgia decreased monetary policy rate at 9.5 percent in December

Economic Growth in November was equal to 5.9 percent

Economic Growth, % y/y

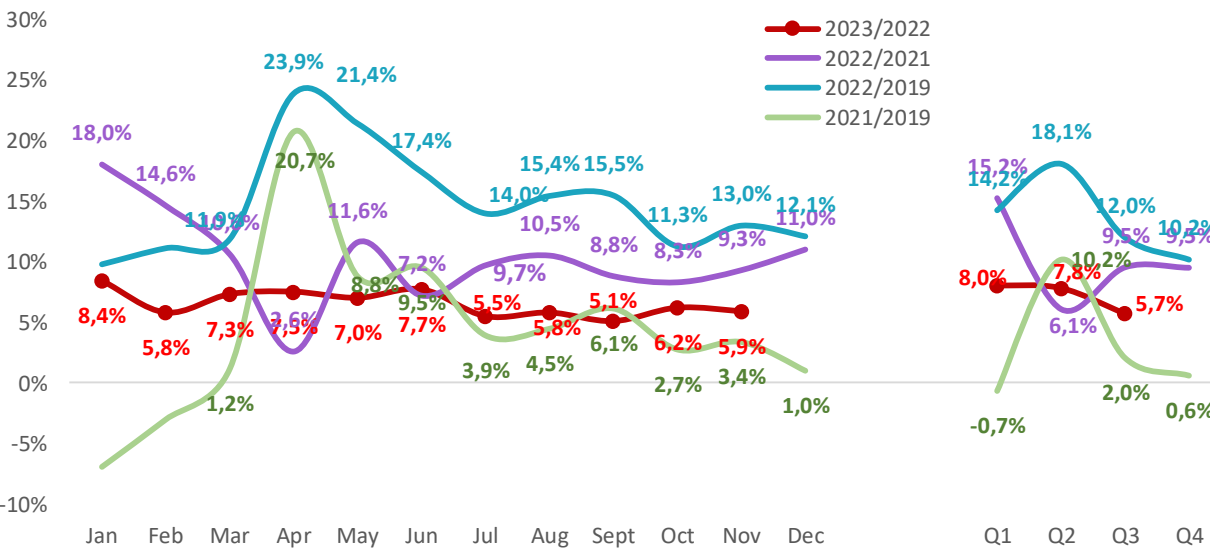


Economic Growth, % m/m



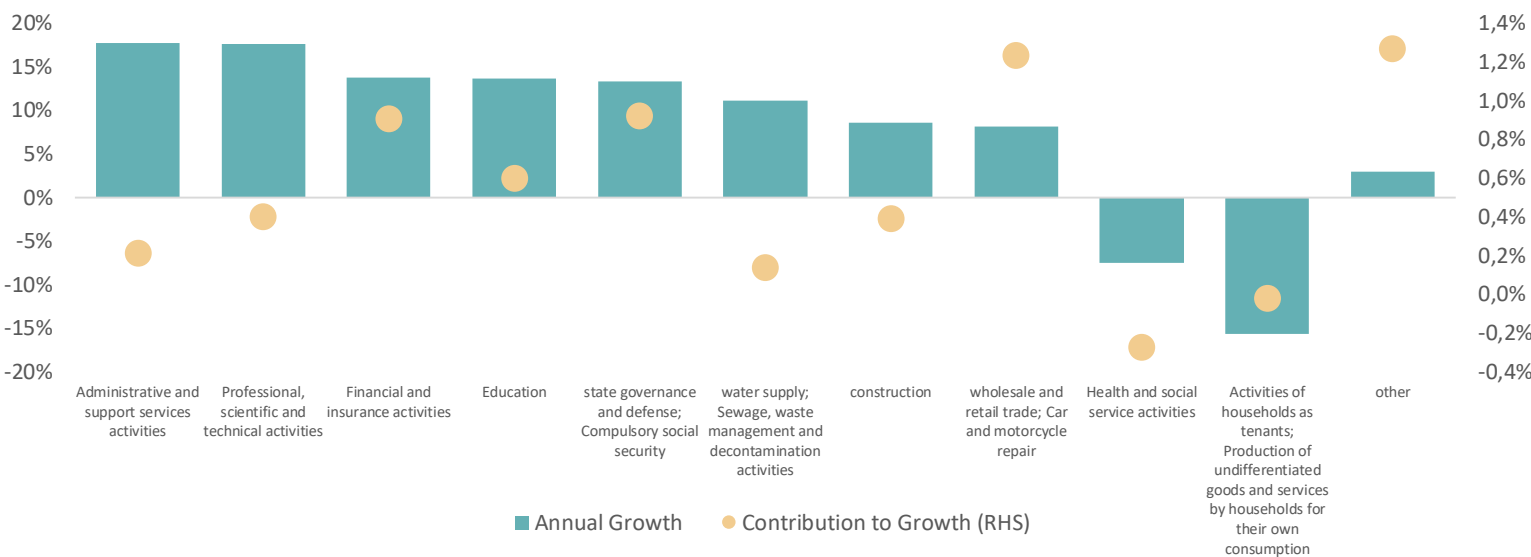
- Estimated real GDP growth rate in November 2023 equaled 5.9 percent YoY and average annual real GDP growth rate for the 3rd quarter of 2023 equals to 5.7 percent, while the average growth of the first 11 months was 6.9 percent. Seasonally adjusted economic growth in November comparing to the previous month was 1.0 percent.
- In November 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, Professional, scientific-technical activities and Trade.
- A decline was registered in the fields of n Manufacturing, Energy, Transportation and storage.

Economic Growth, 2023-2019



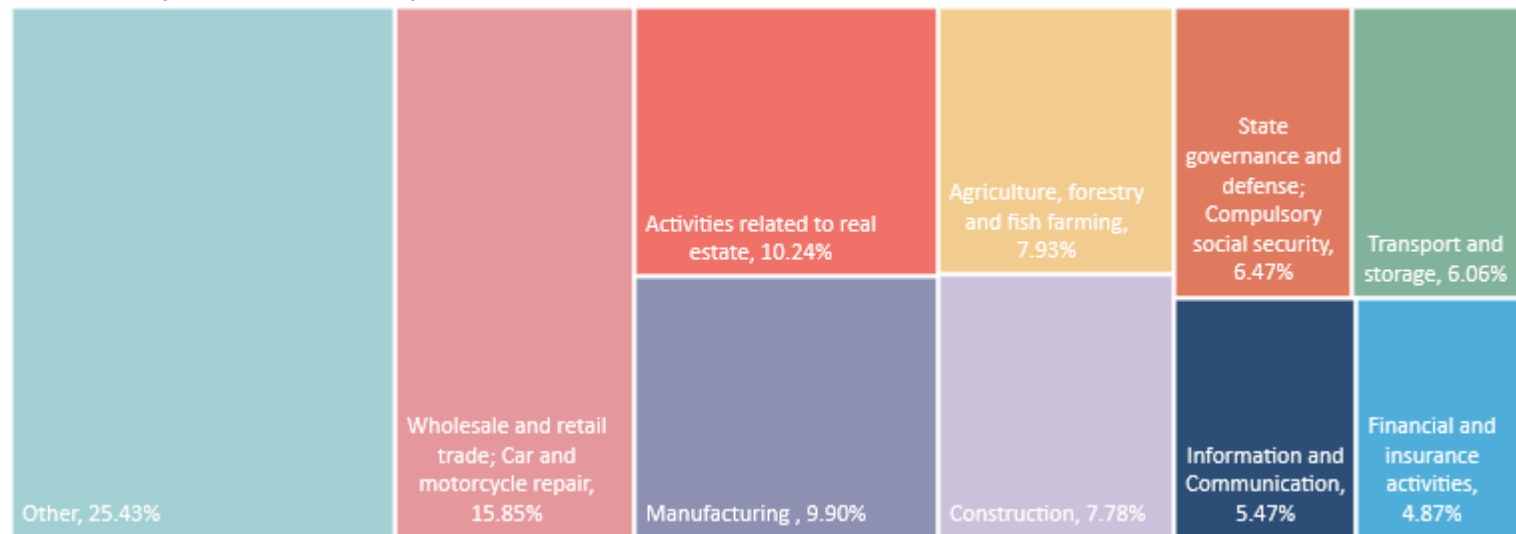
According to preliminary estimates, real GDP increased by 5.7 percent in the third quarter of 2023

Real GDP growth by economic activity, 2023 III Quarter



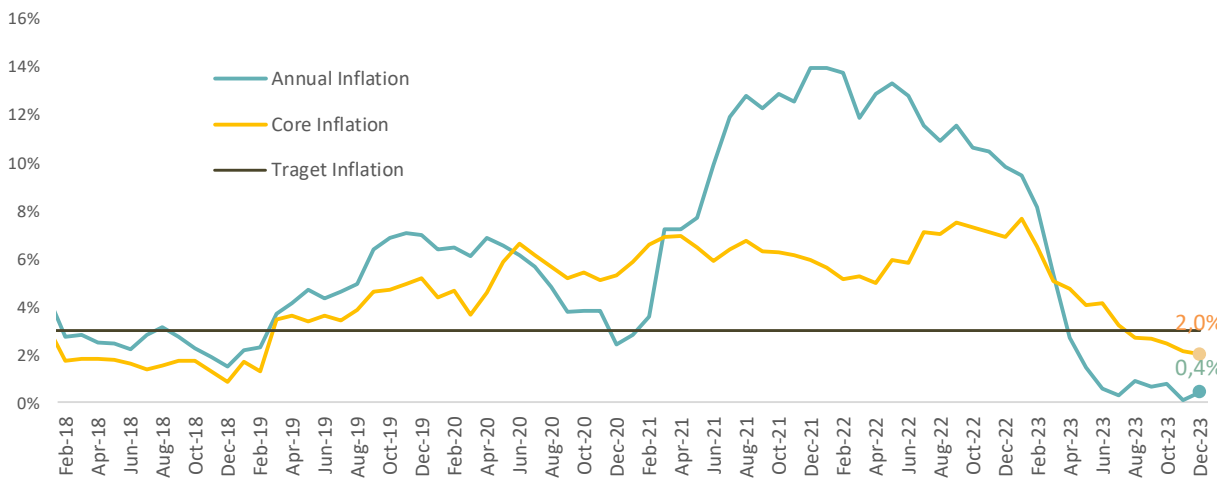
- According to preliminary estimates, in the third quarter of 2023 economic growth amounted to 5.7 percent, while in the second quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 7.8 percent. In the third quarter 2023 economic growth was 19.1 percent compared to the third quarter of 2019.
- The following industries have made a significant contribution to growth of Q3 2023:
 - Administrative and support services activities 17.7% (0.2 p.p.)
 - Professional, scientific and technical activities 17.6% (0.4 p.p.)
 - Financial and insurance activities 13.7% (0.9 p.p.)
 - Education 13.6% (0.6 p.p.)
 - state governance and defense; Mandatory social security 13.3% (0.9 p.p.)
 - water supply; Sewerage, waste management and decontamination activities 11.1% (0.1 p.p.)
 - Construction: 8.5% (0.4 p.p.)
 - wholesale and retail trade; Repair of automobiles and motorcycles: 8.1% (1.2 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Health care and social service activities: -7.5% (-0.3 p.p.)
 - Activities of households as employers: -15.7% (-0.02 p.p.)

GDP by economic activity, 2023 III Quarter

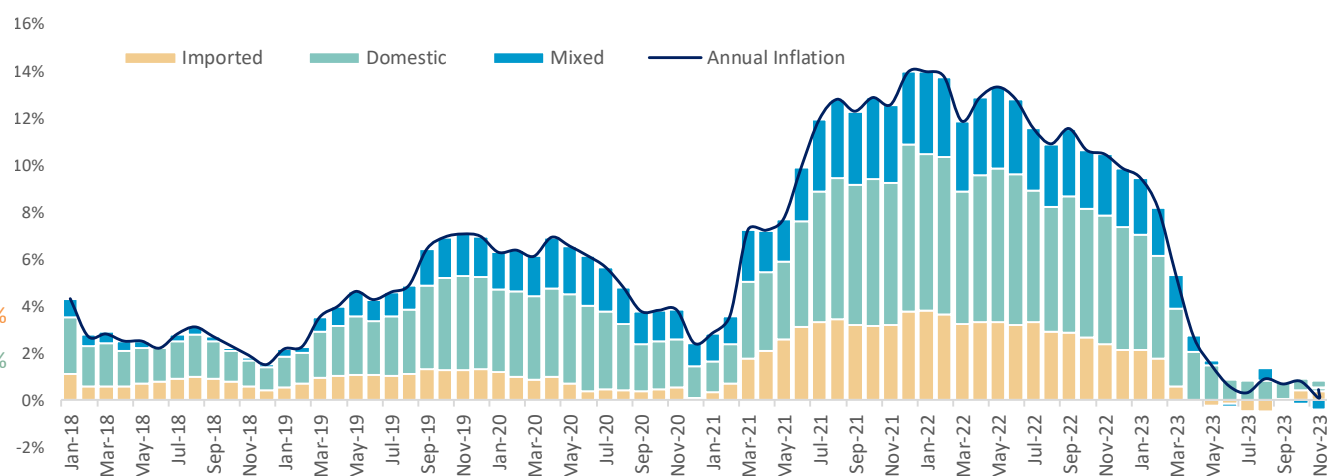


Annual inflation in December has reached 0.4 percent

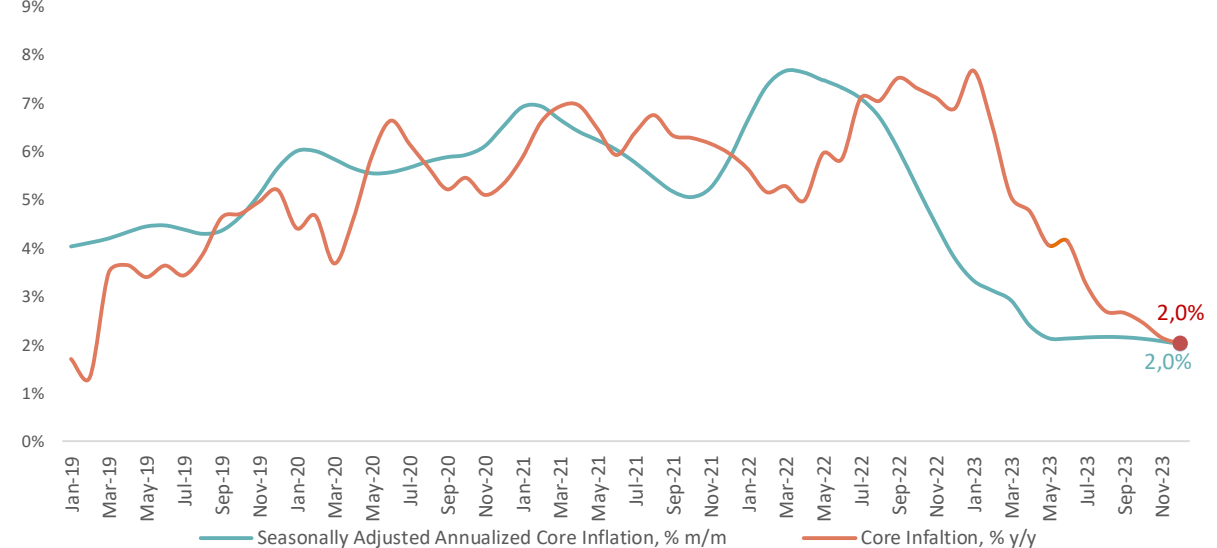
Total and Core Inflation, % y/y



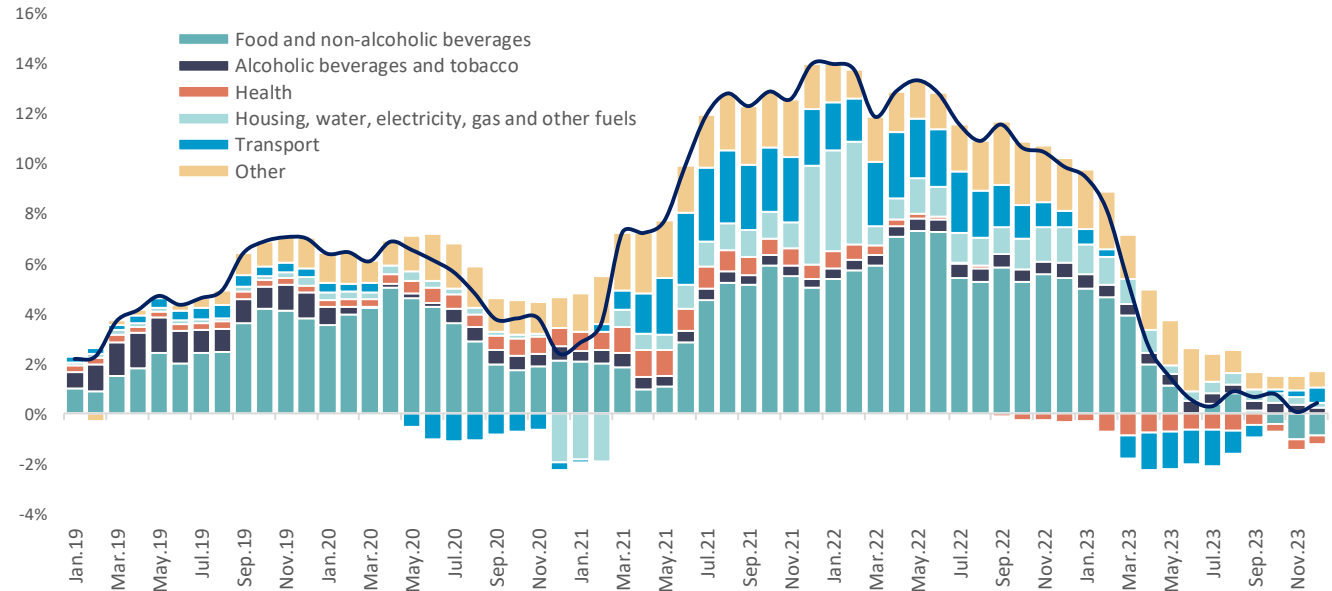
Inflation Decomposition



Core Inflation, % m/m



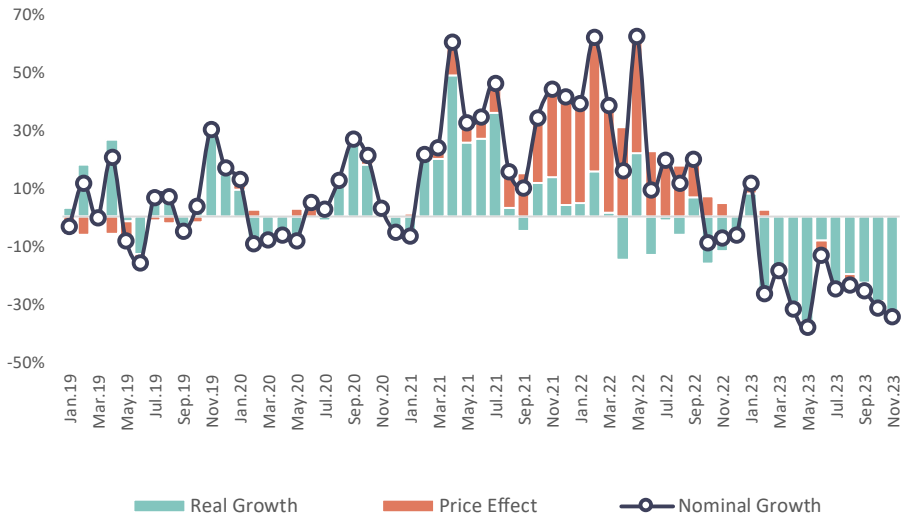
Inflation Decomposition by product group



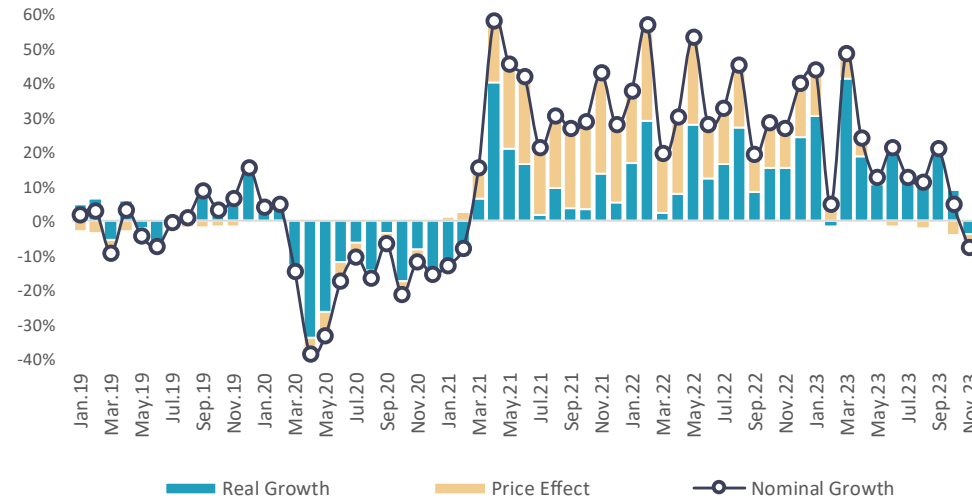
Source: Geostat, NBG, MOF

Trade Deficit decreased by 11.1 percent annually

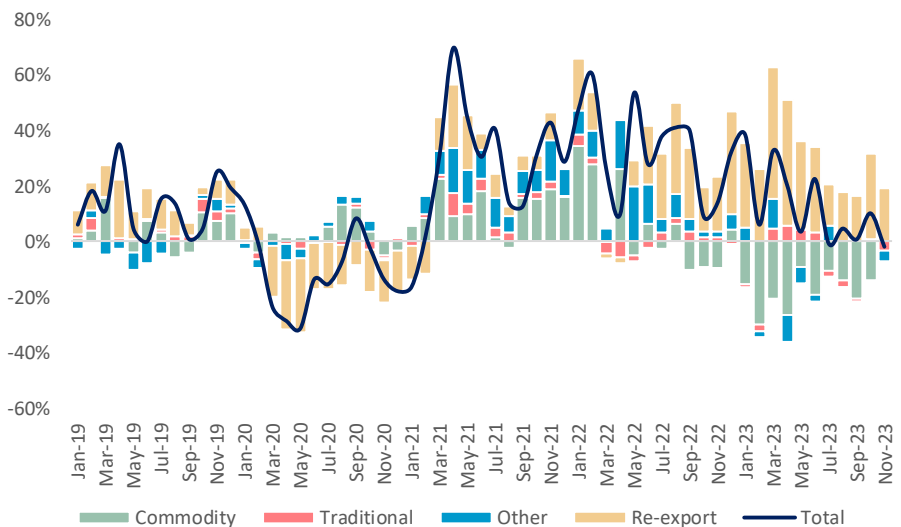
Change of Domestic Export, %y/y



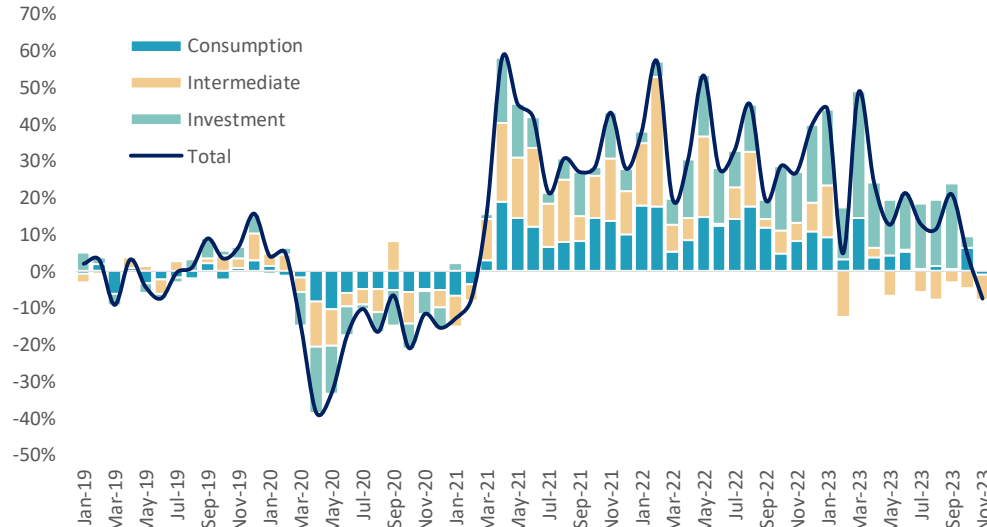
Change of Import, %y/y



Decomposition of Export



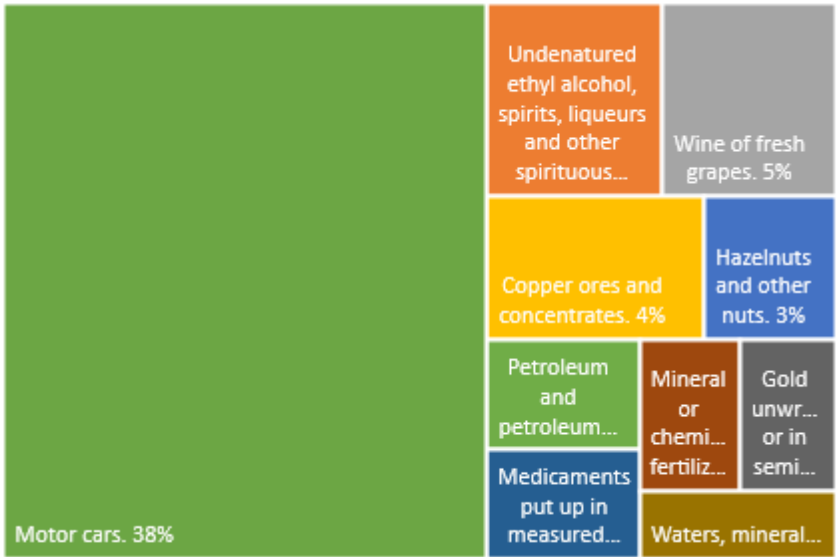
Decomposition of Change of Import, %y/y



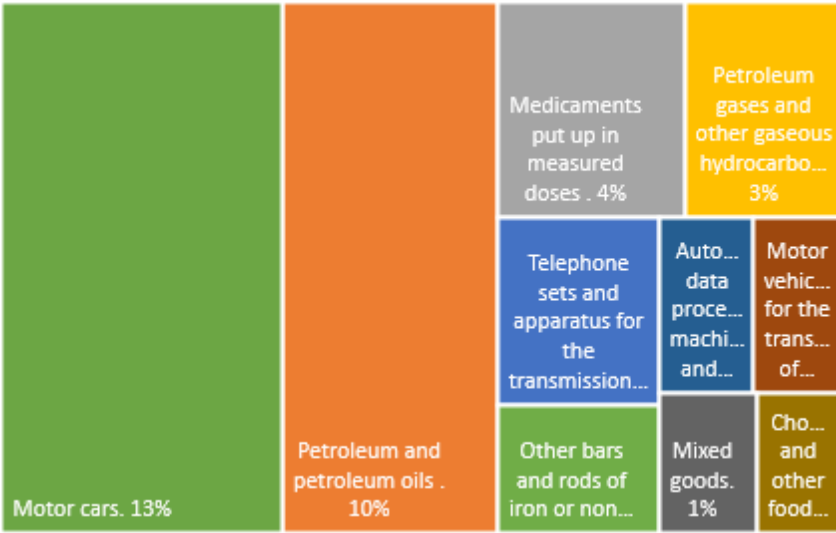
- Export decreased annually by 1.8 percent to 482 million USD in November.
- Domestic export decreased annually by 34.3 percent to 198.1 million USD.
- Import annually decreased by 7.6 percent to 1 211 million USD in November.
- Trade deficit annually decreased by 11.1 percent to 730.0 million USD in November.
- Share of re-export in export growth is equal to 19.3 percent (50.1 %y/y), while share of commodity export is negative 13.9 percent (-58.4 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 0.3, -1.0 and -6.9 percent respectively.

International trade is characterized by stable diversification

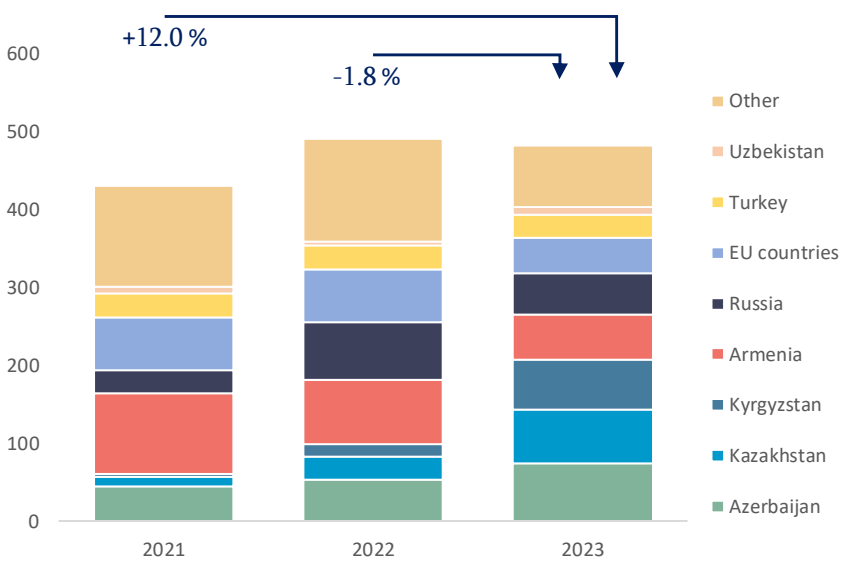
Top 10 Export goods, % of total Export



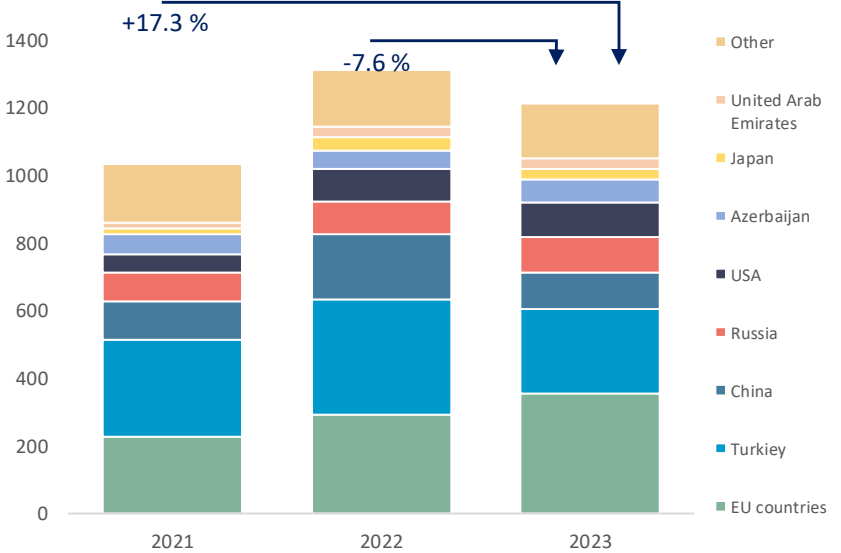
Top 10 Import goods, % of total Import



Export by country, November



Import by country, November



Top Export Products:

- Motor cars: 185.0 million. USD – 38.4 percent of total exports.
- Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages: 23.3 million USD – 4.8 percent of total exports.
- Natural grape wines: 23.0 million USD - 4.8 percent.

Top Import Products :

- Motor cars: 162.3 million USD – 13.4 percent of total imports.
- Petroleum and petroleum products: 124.4 million USD – 10.3 percent.
- Medicinal products packaged: 43.7 million USD – 3.6 percent.

Top Export Country:

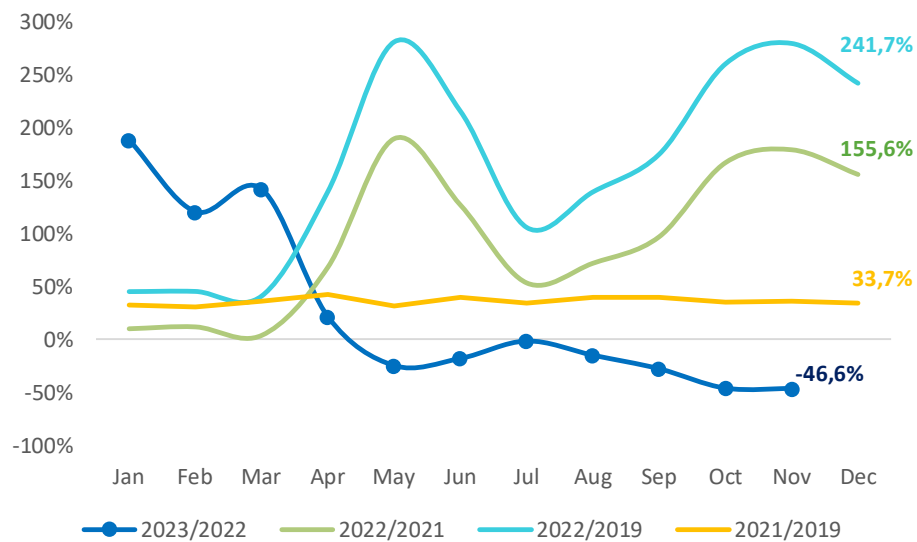
- Azerbaijan: 74.3 mln USD, - 15.4 percent.
- Kazakhstan: 69.3 mln US dollar - 14.4 percent.
- Kyrgyzstan: 64.4 mln USD - 13.4 percent..

Top Import Country :

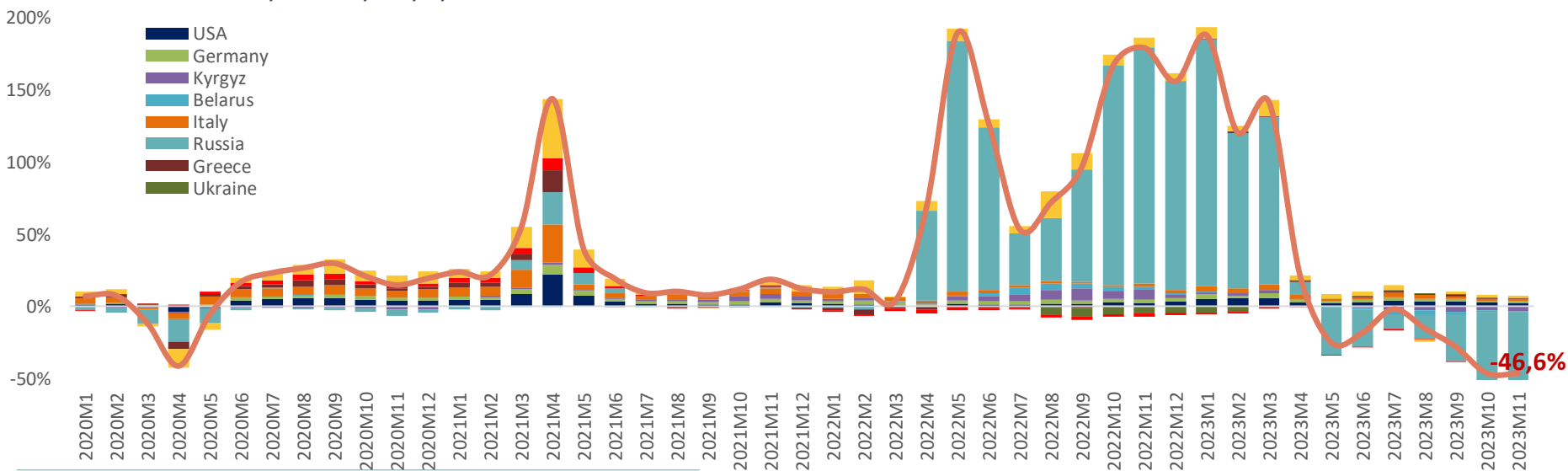
- Turkey: 220.4 mln USD, - 18.2 percent.
- Russia: 107.5 mln USD – 8.9 percent.
- China: 104.3 mln USD – 8.6 percent.

Net Remittances decreased by 46.6 percent in November 2023

Net Remittances



Net Remittances by country, %y/y

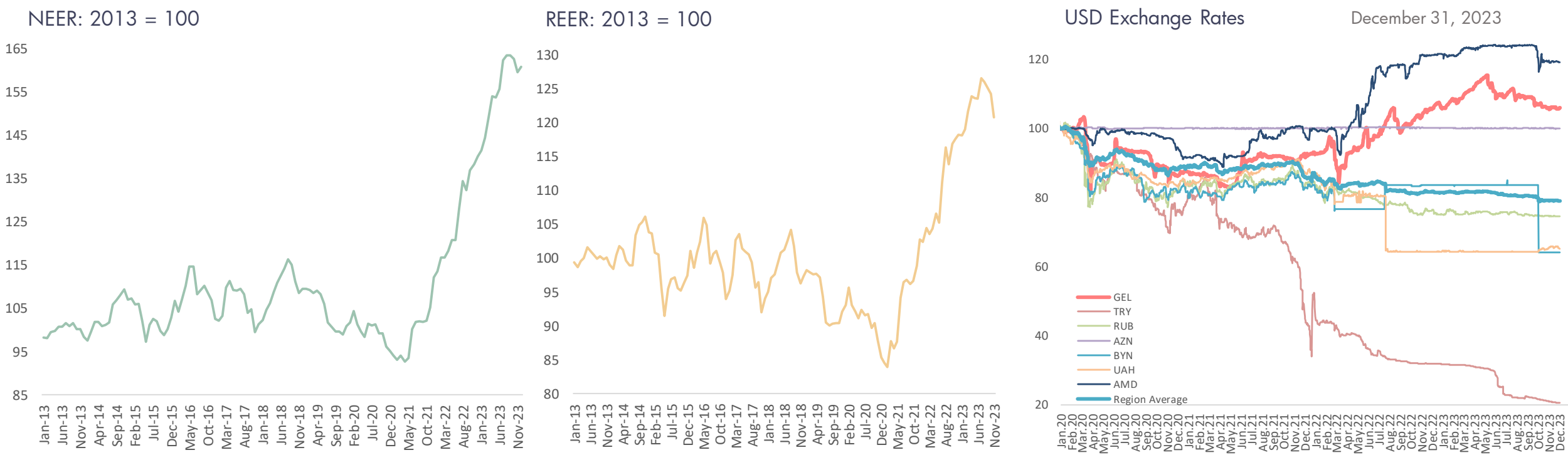


Net Remittances, November 2023

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	71.8	-77.1	-49.3
Italy	41.8	20.1	1.4
USA	39.5	46.1	2.5
Germany	19.5	35.9	1.1
Greece	18.5	9.8	0.3
Israel	18.1	8.1	0.3
Other	52.3	-21.7	-2.9

- In November 2023, net remittances were estimated at 261.5 million USD, representing a 46.6 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 102.4 percent.
- Net Remittances increased from:
 - Kazakhstan: 80.9 percent (contribution of 1.5 pp to total growth).
 - Ireland: 69.0 percent (contribution of 0.3 pp to total growth).
 - USA: 39.5 percent (contribution of 2.5 pp to total growth).
 - Italy: 20.1 percent (contribution of 1.4 pp to total growth).
- Net Remittances decreased from:
 - Russia: -77.1 percent (-49.3 pp contribution to total growth)
 - Turkey: -58.1 percent (-0.2 pp contribution to total growth)

Real Effective Exchange Rate Appreciated by 2.7 percent in November



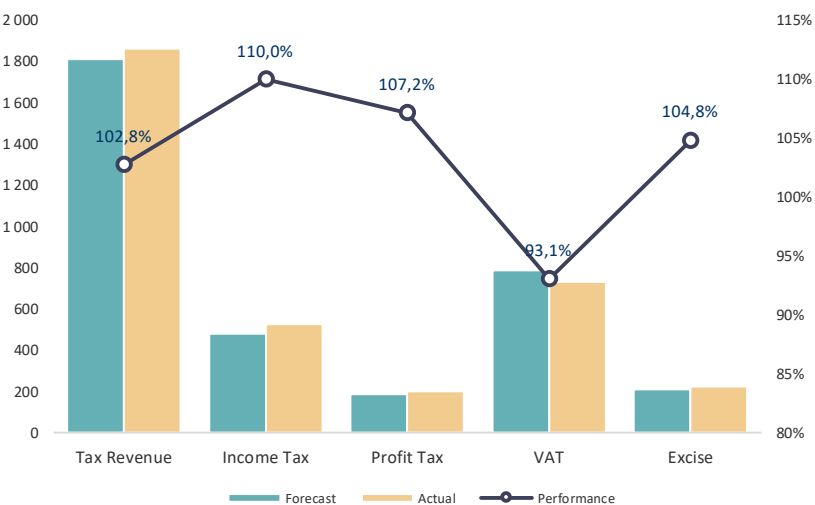
Note: Increase means appreciation

	January 1, 2024		Jan 1, 2024 - Jan 1, 2023		Jan 1, 2024 - Jan 1, 2022
Euro	2.9753	▲	-3.1%	▲	17.6%
US Dollar	2.6894	▲	0.5%	▲	14.9%
Turkish Lira	0.0910	▲	58.6%	▲	154.1%
Russian Ruble	0.0299	▲	22.9%	▲	37.8%
NEER	186.24	▲	13.2%	▲	42.0%
REER (November 2023)	148.49	▲	2.3%	▲	17.5%

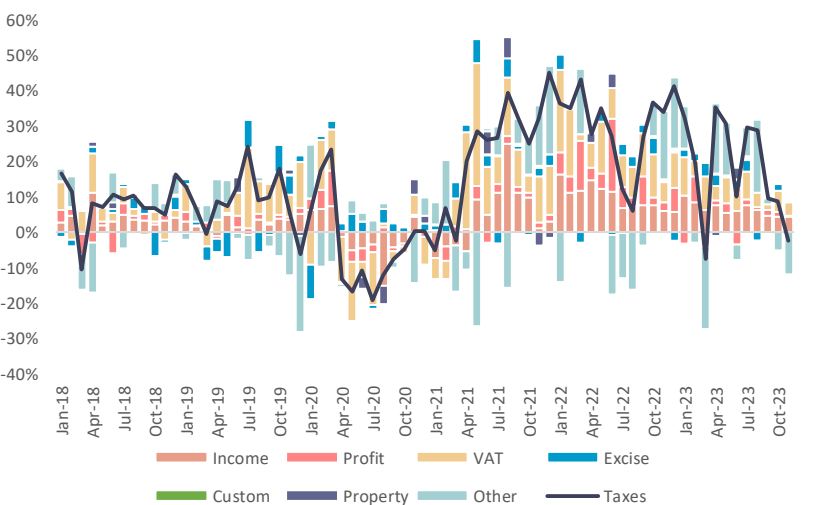
Source: NBG

Tax revenues in December is above the forecast value by 2.8 percent

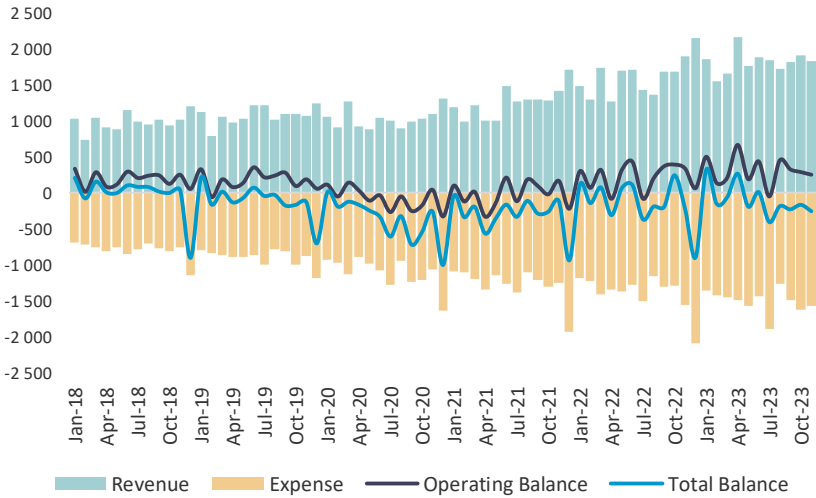
Budget Revenue Performance, December 2023



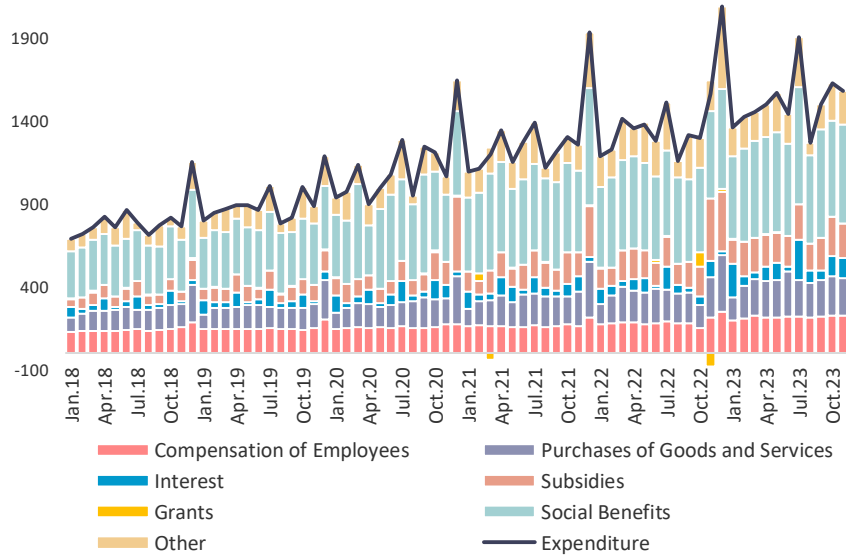
Tax Income, % y/y



Consolidated Budget, mln GEL



Consolidated Budget Expenditure, mln GEL

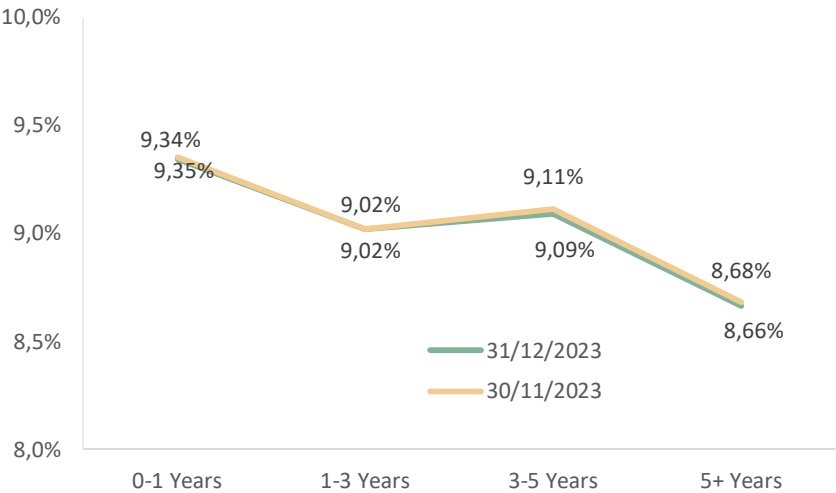


- The actual level of tax income in December 2023 was 1,863 mln GEL, which is above the forecasted value by 2.8 percent.
- Consolidated budget revenues decreased by 3.6 percent and expenditures increased by 1.2 percent in November.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 250.1 million GEL, while the total balance was set at negative 259.8 million GEL.
- Revenue from taxes had a significant impact on revenue from Income tax and VAT in November, accounting for 4.3 and 3.6 percent of total growth, respectively.

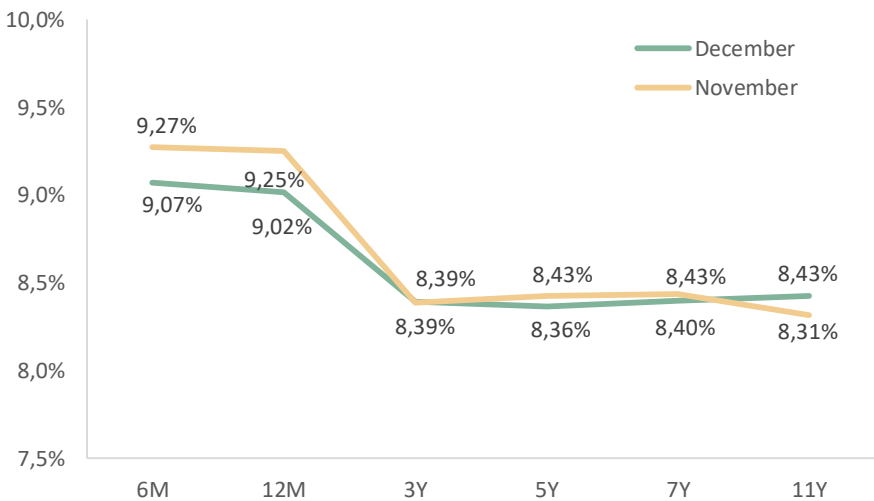
Source: MOF

Structure of the Securities Portfolio has Not Changed Significantly in December

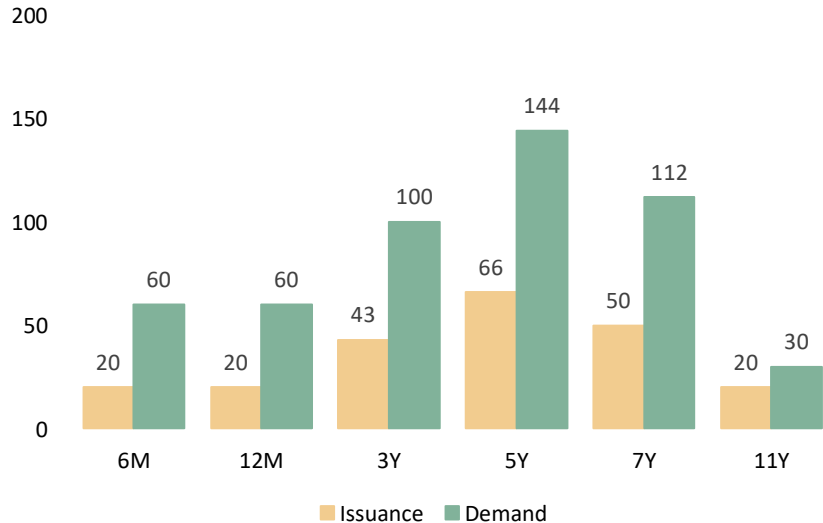
Portfolio Yield Curve



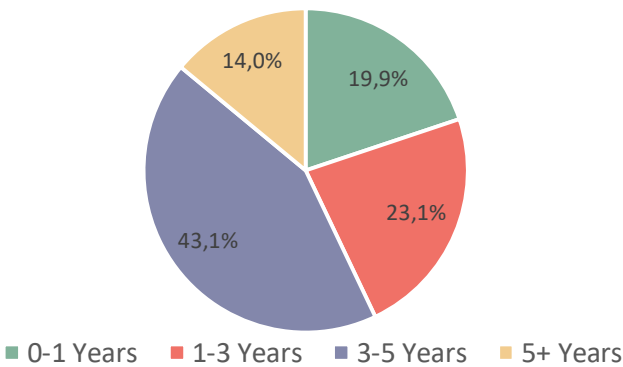
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



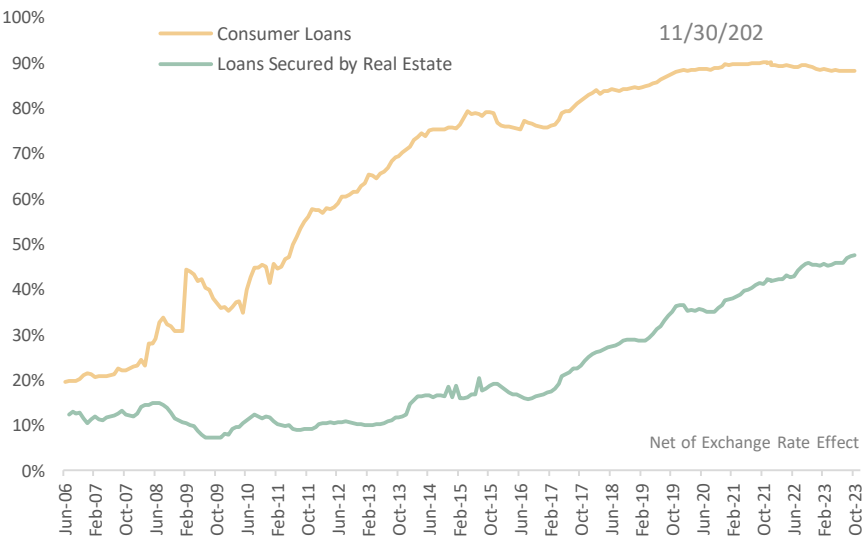
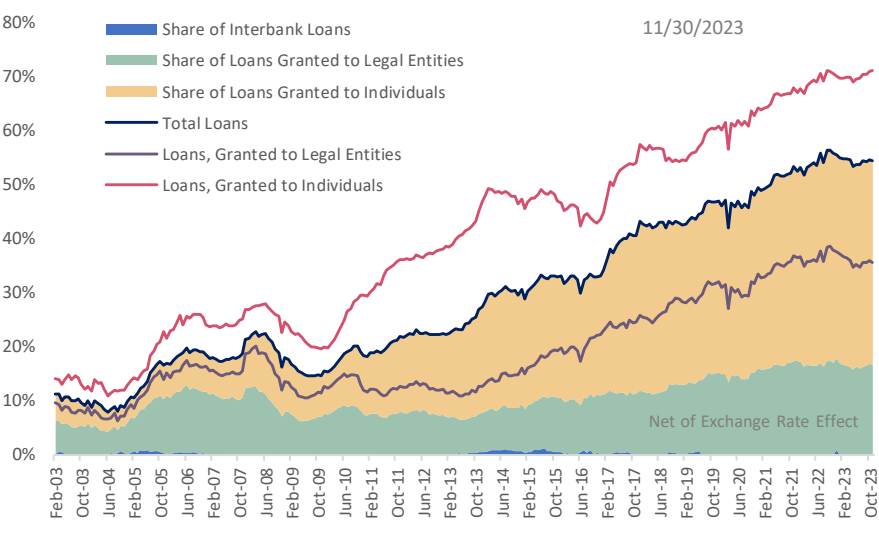
Portfolio by Residual Maturity, December 31, 2023



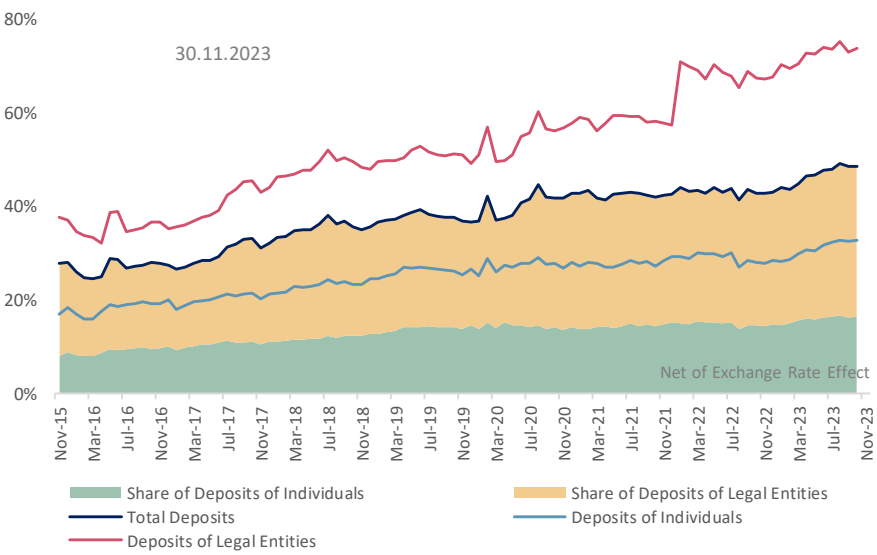
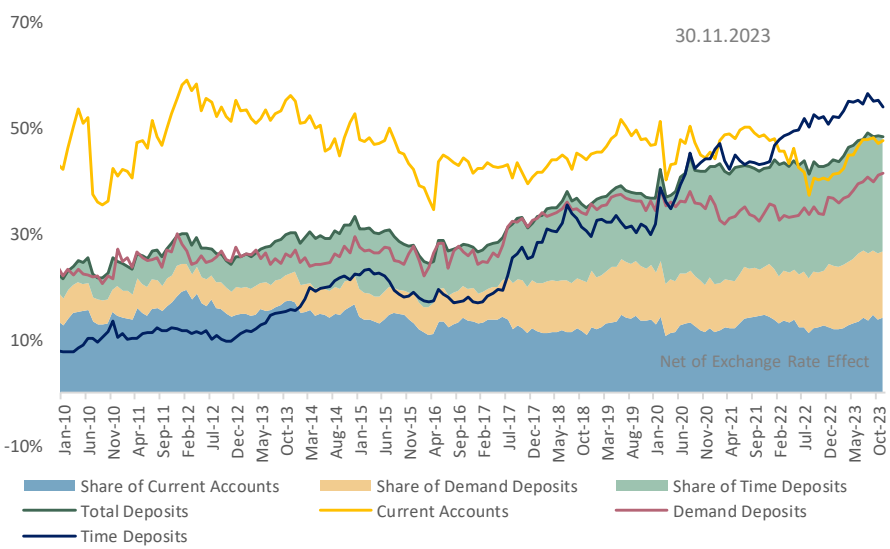
- In December 2023, 6 auctions were held with the total issuance volume of 219.0 million GEL. One buyback auction was held during the month.
- The weighted average interest rate amounted to 8.51%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 52.11 million GEL were redeemed, including 2.11 mln GEL repurchased through BuyBack auctions.
- As of December 31, 2023 around 43% of the treasury securities portfolio (in November it was 42.6%) 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 23%) in the total portfolio. The later was 23.5% in the previous period (November).
- The Bid-to-cover ratio decreased compared to the previous month's value (November 2.71) and amounted to 2.31.

In November Larization Indicators' Growth Has Lessened

Loan Larization



Deposit Larization

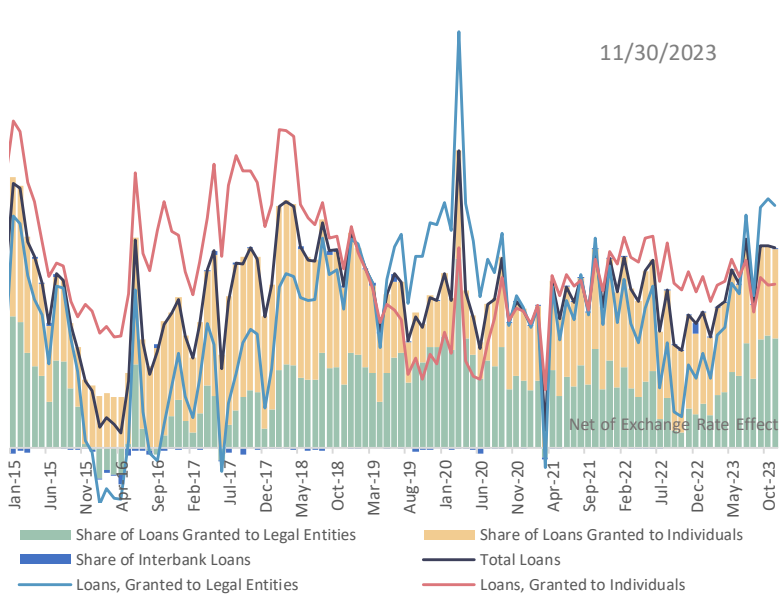


- As of November 30, 2023, the larization of total loans is 54.5 percent.
- The larization of loans to individuals is 71.1 percent.
- The larization of the loans to legal entities amounted to 35.6 percent.
- The larization of the total deposits equals to 48.4 percent.
- The larization on the deposits of legal entities amounted to 73.4 percent.
- The larization of the deposits of individuals is 32.9 percent.
- The larization of time deposits is 54.1 percent.
- The larization of current accounts equals to 47.6 percent.
- The larization of the demand deposits is 41.5 percent.

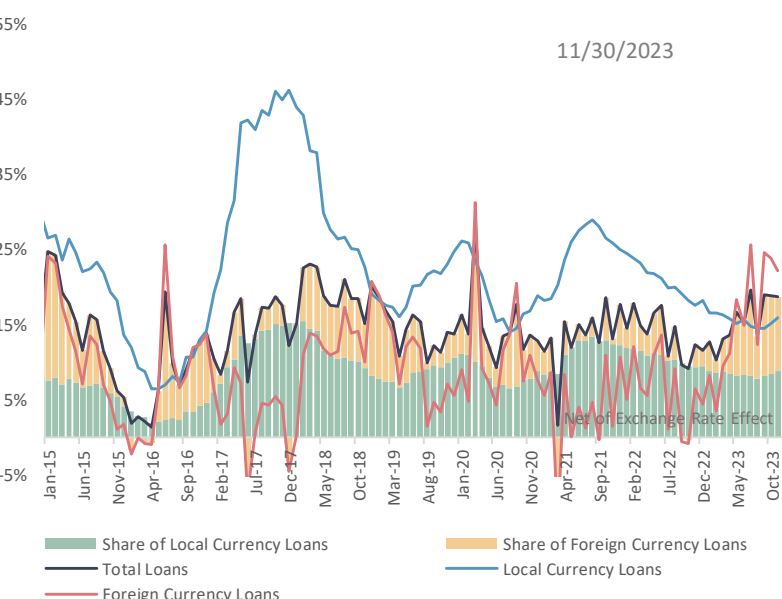
Source: NBG

High Annual Growth Trends of Loans Have Retained

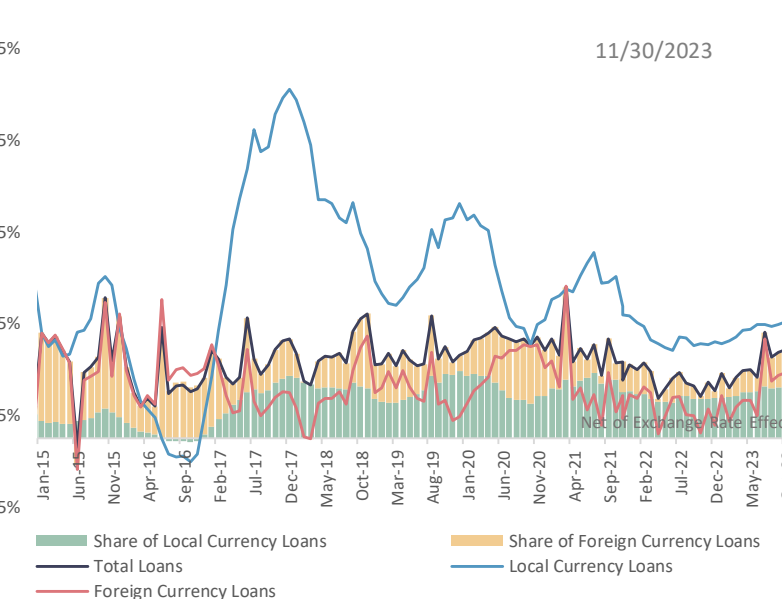
Loans Growth Rates, % y/y



Loans by Currency, % y/y

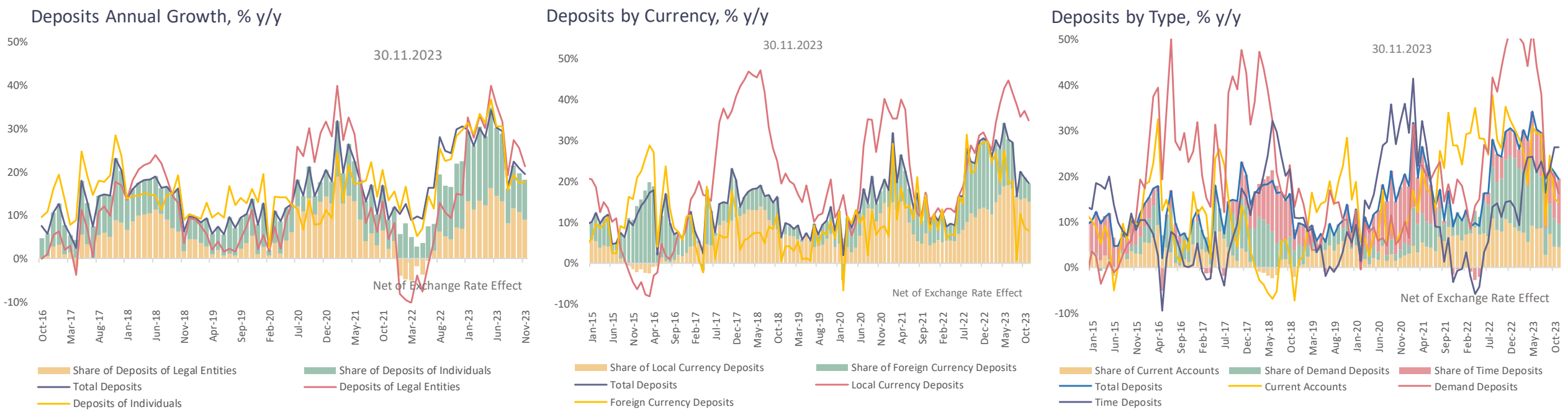


Mortgage Loans, % y/y



- As of November 30, 2023, the total loans increased by 18.7 percent compared to the corresponding period of 2022 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 22.7 percent.
- The annual growth of loans to individuals is 15.3 percent.
- As of November 30, 2023, the growth rate of the loans denominated in the national currency amounted to 16 percent.
- The annual growth of loans denominated in foreign currency amounted to 22.2 percent.
- As of November 30, 2023, the annual growth of the loans secured by real estate amounted to 20.7 percent. At the same time, the mortgage loans denominated in national currency increased by 26.1 percent, while the mortgage loans denominated in the foreign currency increased by 16.3 percent.

Annual Growth Rates of Deposits Are High

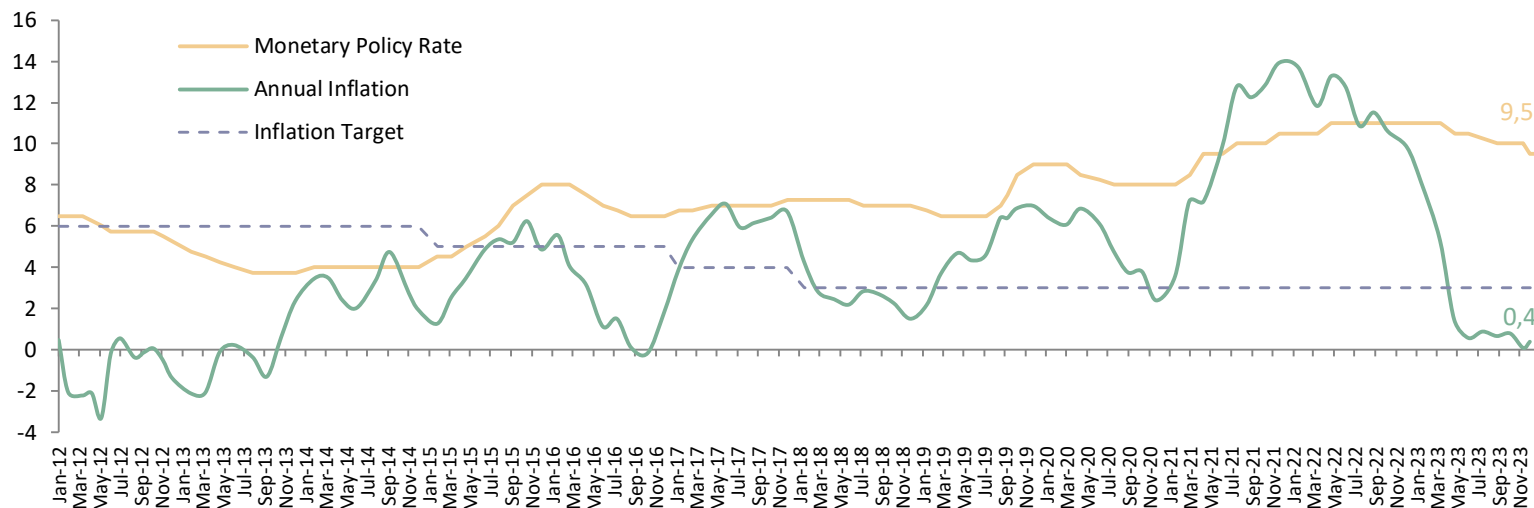


- As of November 30, 2023, the growth of the total deposits compared to the corresponding period of the previous year is 19.5 percent.
- The annual growth of the deposits denominated in the national currency amounted to 34.9 percent. The annual growth of the deposits denominated in foreign currency stood at 8.0 percent over the same period.
- The growth of deposits of individuals amounted to 17.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 21.4 percent.
- The annual growth of current accounts at the beginning of December, 2023, was equal to 14.3 percent.
- The annual growth of the time deposits was 26.4 percent.
- The growth of the demand deposits amounted to 16.4 percent.

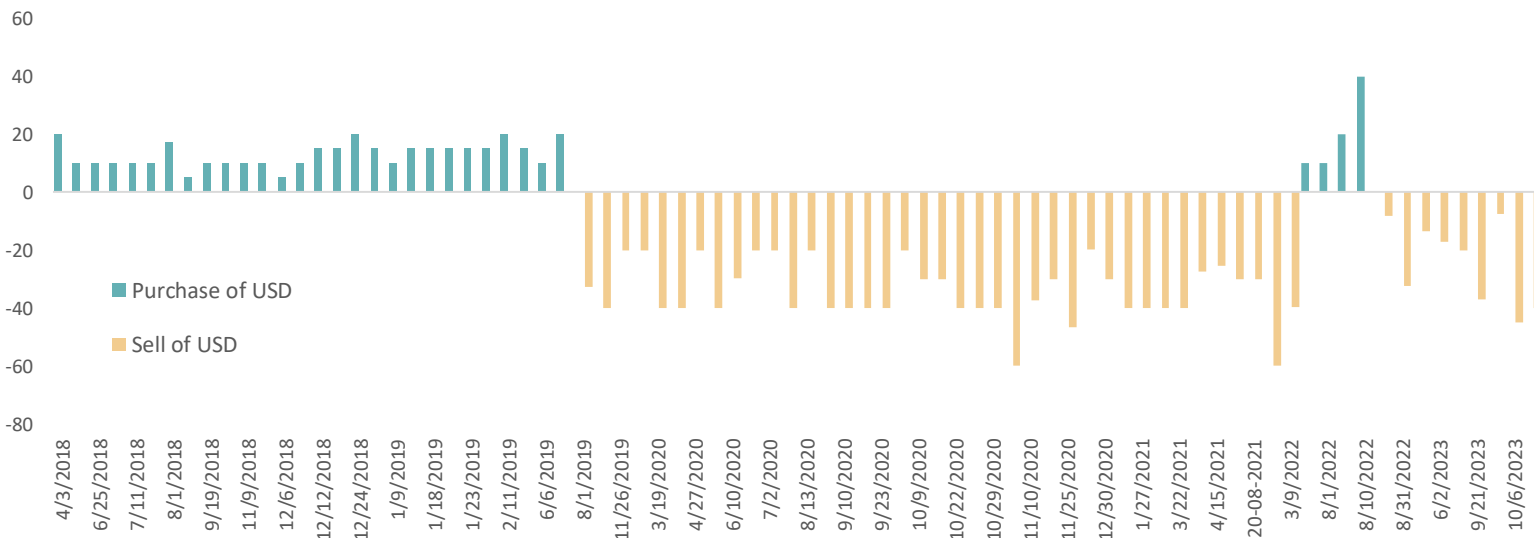
Source: NBG

The National Bank of Georgia Reduced the Monetary Policy Rate to 9.5 percent

Inflation and Monetary Policy Rate

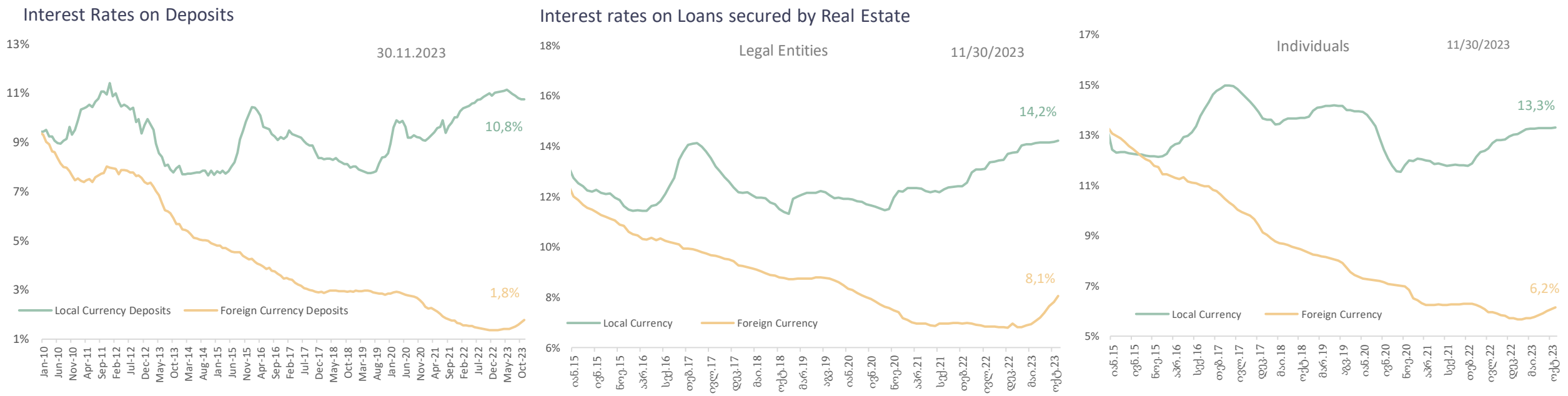


Trade of USD by NBG, mln USD



- On December, 2023, the Monetary Policy Committee of the National Bank of Georgia was conducted. The NBG decreased the refinancing rate to 9.5 percent level within this period.
- Per the NBG, inflation is less than the target one (3 percent). Besides, the role of the external factors in formation of inflation has reduced significantly. Recently, there have appeared signs of price stabilization on international commodity markets. At the same time, the international shipping costs continue to decrease at a rapid pace, which are reflected in import prices. In Georgia, the inflation has already retreated from its peak and fell below the target inflation at 0.4 percent in December, is now 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 January 31, 2024.
- The NBG did not make any foreign exchange interventions through the auctions during December, 2023.

Market Interest Rates Increased in Foreign Currency



- As of December 1, 2023, the interest rate on foreign currency deposits was 1.8 percent, and in the national currency – 10.8 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 11 percent, and in foreign currency – 2.6 percent.
- The average annual interest rate on deposits by individuals is 1.7 percent for foreign currency deposits and 10.8 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 15.1 percent (17.4 percent in the national currency and 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.2 percent (17.3 percent in the national currency and 7.8 percent in foreign currency).
- At the end of November, 2023, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.6 percent, and in the foreign currency 9.5 percent. The interest rate on the loans to individuals in the national currency was 13 percent, and in foreign currency 7.3 percent.

Source: NBG

Disclaimer

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