



April, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in March annual economic growth amounted to 10.6% YoY
- Annual inflation amounted to 12.8% in April
- In April, GEL appreciated against USD (by 5.7%) and against EUR (by 7.2%) MoM

Macroeconomic Analysis and Tax Policy Unit

E-Mail: pbo@parliament.ge

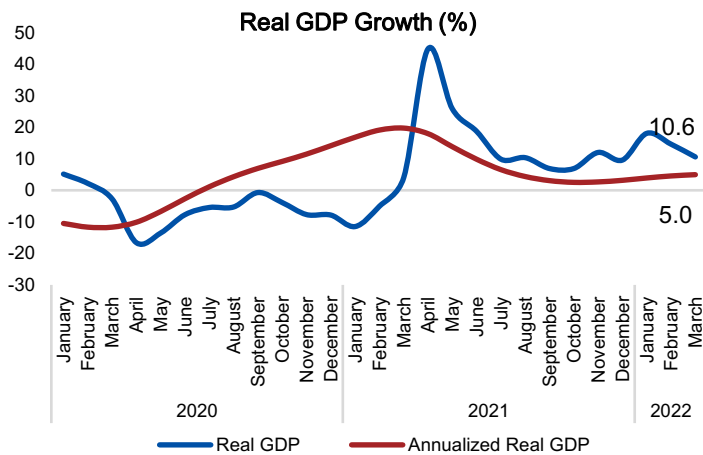
*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



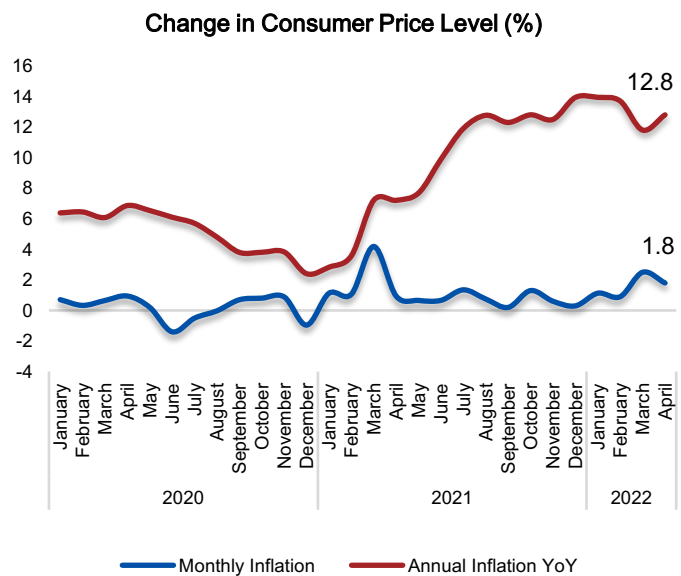
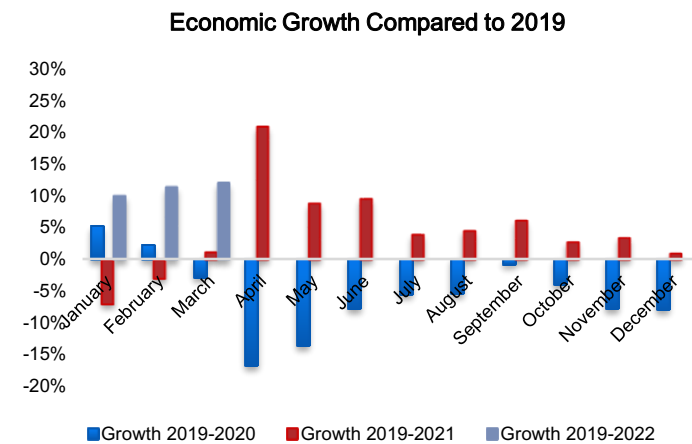
საპრობუჯეტო ანალიზის სამსახური

Parliamentary Budget Office of Georgia 2022

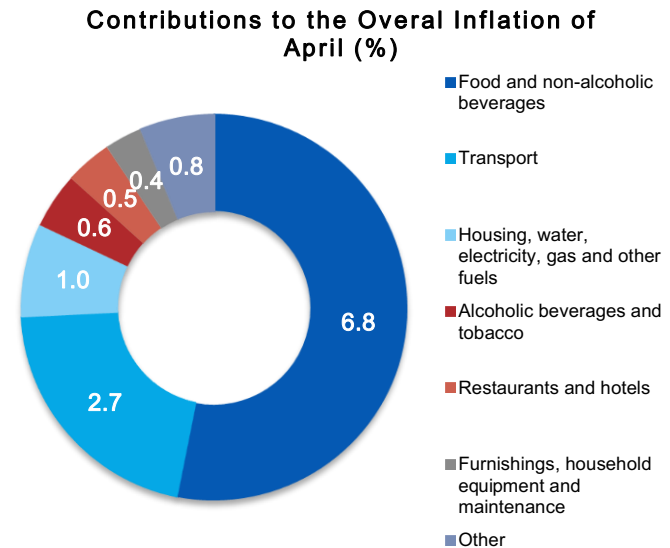
1. Real and Fiscal Sector



In March, positive annual economic growth was 10.6%. In accordance with preliminary estimates of GEOSTAT, in March 2022, annual real GDP growth amounted to 10.6% YoY. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 5.0% in March. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

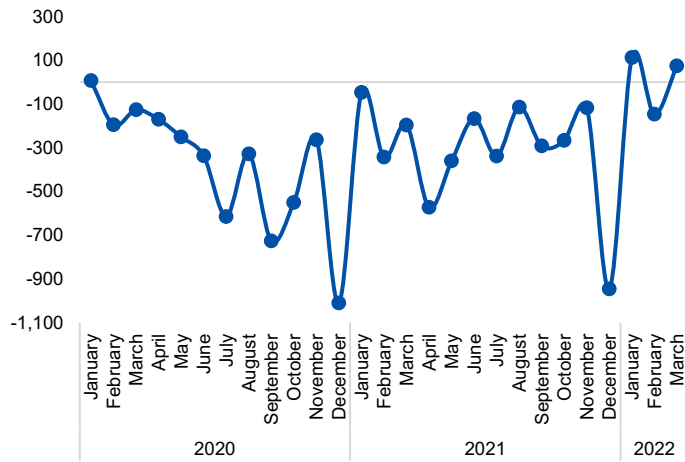


In April, annual CPI inflation amounted to 12.8%. In April 2022, the inflation rate amounted to 12.8% YoY, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, other fuels, transport, furnishings, household equipment and maintenance, restaurants and hotels and alcoholic beverages and tobaccos. In March 2022, the annual forecasted GDP deflator amounted to 9.9%.



¹ MoM annualized growth rate of real GDP is calculated on the basis of real GDP data by removing seasonality and random shocks, in order to showcase development trends

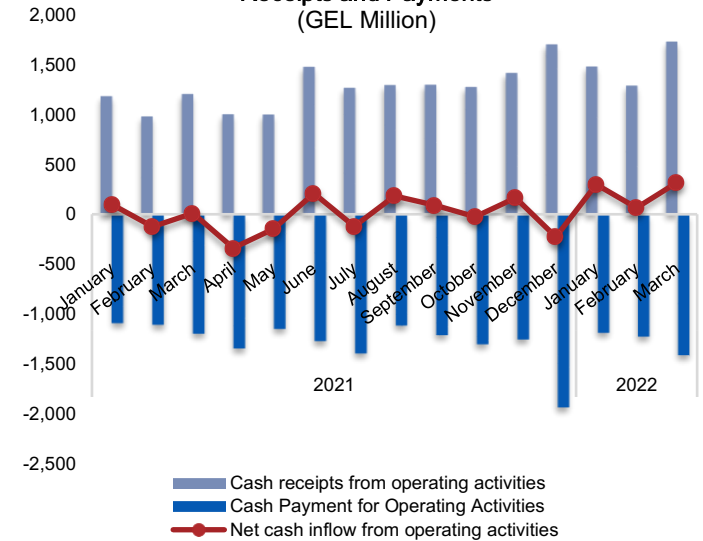
Consolidated Budget Balance
(Mln GEL)



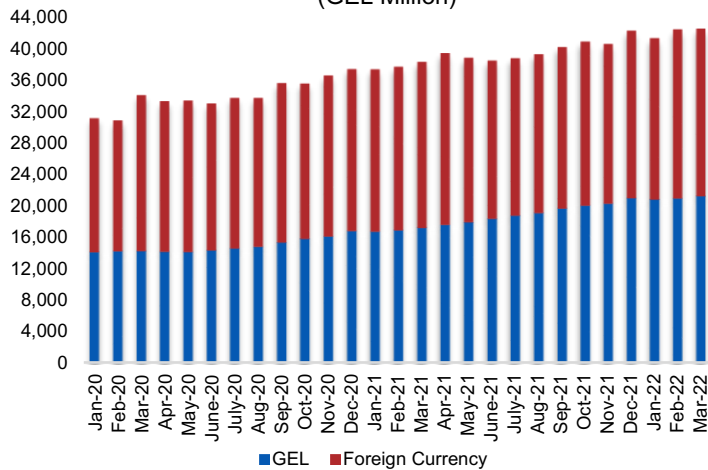
In March, the general government net lending/borrowing was Positive.

In March 2022, general government revenues increased by 43.3% YoY, while expenses increased by 18%. In the analyzing period, the general government positive net operating balance amounted to 318.4 million GEL, while positive net lending/borrowing was defined at 73.8 million GEL.

Receipts and Payments
(GEL Million)



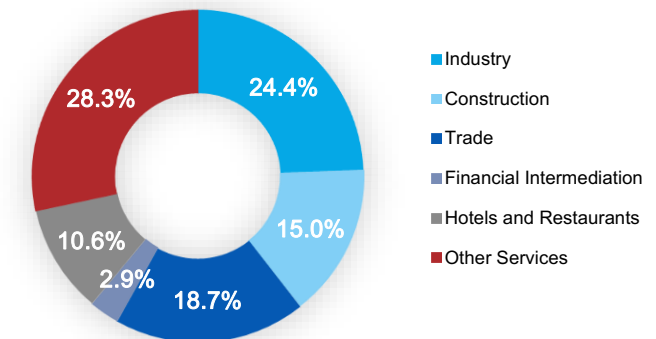
Comercial Bank Loans
(GEL Million)



In March, compared to the same period of the previous year, commercial bank loans to the national economy exhibited growth trend in national currency, as well as in foreign currency.

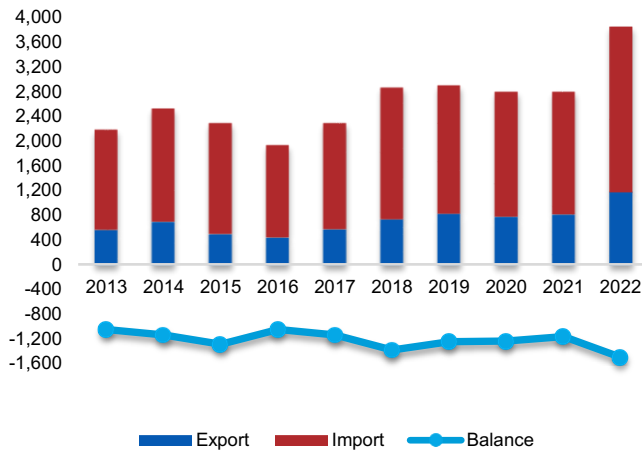
In March 2022, compared to the March of the previous year, commercial bank loans increased by 11% and amounted to 42.4 billion GEL. National currency loan increased by 23.2%, while foreign currency loan increased by 1.1%. It's worth mentioning that more than half of total loans (52.2%) was distributed to households. As for loans issued by types of activity, the highest 24.4% were issued in industry, 18.7% in trade, 15.0% in construction, 10.6% in hotels and restaurants and 2.9% in financial intermediation.

Loans by Types of Activity
(Flows) (GEL Million)



2. External Sector

External Trade Indicators (Mln USD)
January-March

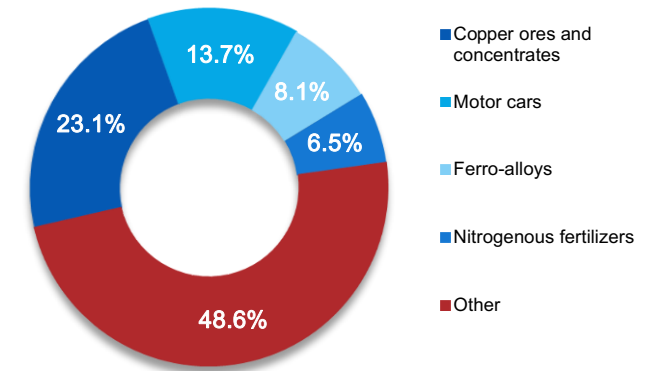


In January - March, both export and import of goods have increased.

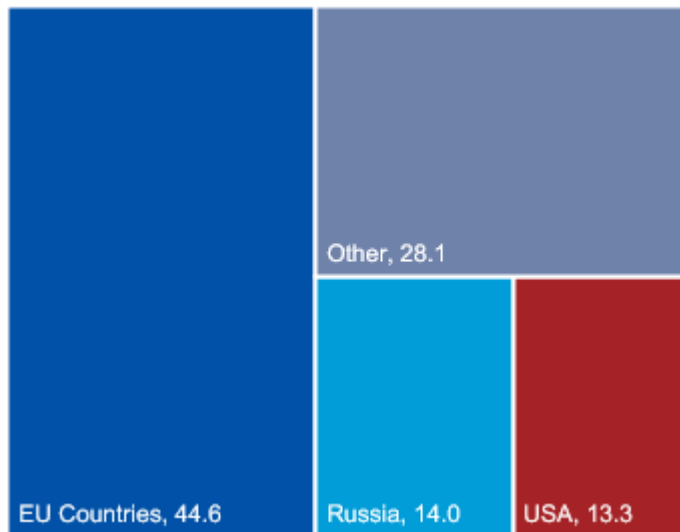
In January - March 2022, exports increased by 43.3% YoY, while imports increased by 35.7% YoY. This was mainly due to the increase in trade turnover, which amounted 3,865 million GEL (37.9% increase YoY). During this period, the share of exports in external trade amounted to 30.3%. Export growth was substantial in the following countries from major export countries: China (100.9%), Azerbaijan (19.9%), Russia (2.8%), Turkey (31.2%), Bulgaria (59.2%), USA (173.9%), Kazakhstan (149.7%) and in Armenia (100.2%). It needs to be mentioned that during this period export significantly decreased in Ukraine (25.6%).

High growth was recorded in several export commodity groups: nitrogenous fertilizers (166.6%), Ferro-alloys (91.3%), Precious metal ores (75.4%), copper ores (71%), medicaments put up in measured doses (49.1%) and gold (47.9%).

Major Commodity Groups by Exports
(January - March)



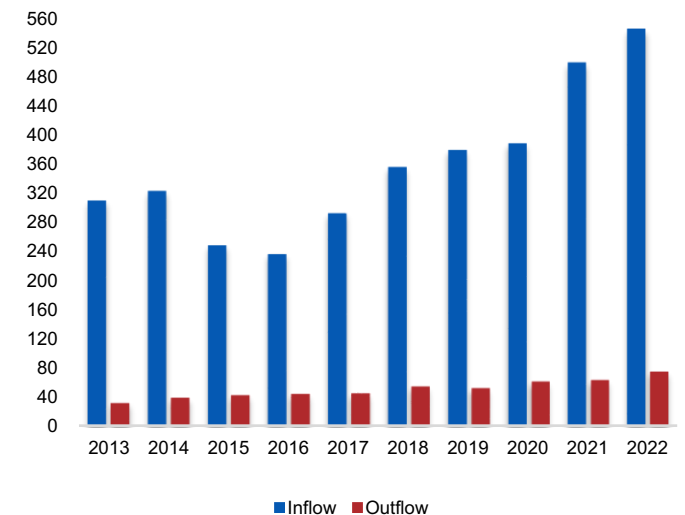
Remittance (%)
March



In March, remittances increased

In March 2022, remittances increased by 2.6% YoY and amounted to 193.1 million US dollars. In March the main source of money transfers are EU countries (44.6% of total), Russia (14%), and the USA (13.3%). In the analyzing period, remittances increased significantly from the following countries: Italy (18.2%), USA (6.3%), Israel (8.6%), Kazakhstan (217.1%), Spain (5.2%), France (25.7%), the United Kingdom (55.8%), Germany (34.5%), and decreased from Ukraine (99.2%), the Russian Federation (16.1%), Greece (8.3%) and Turkey (11.9%).

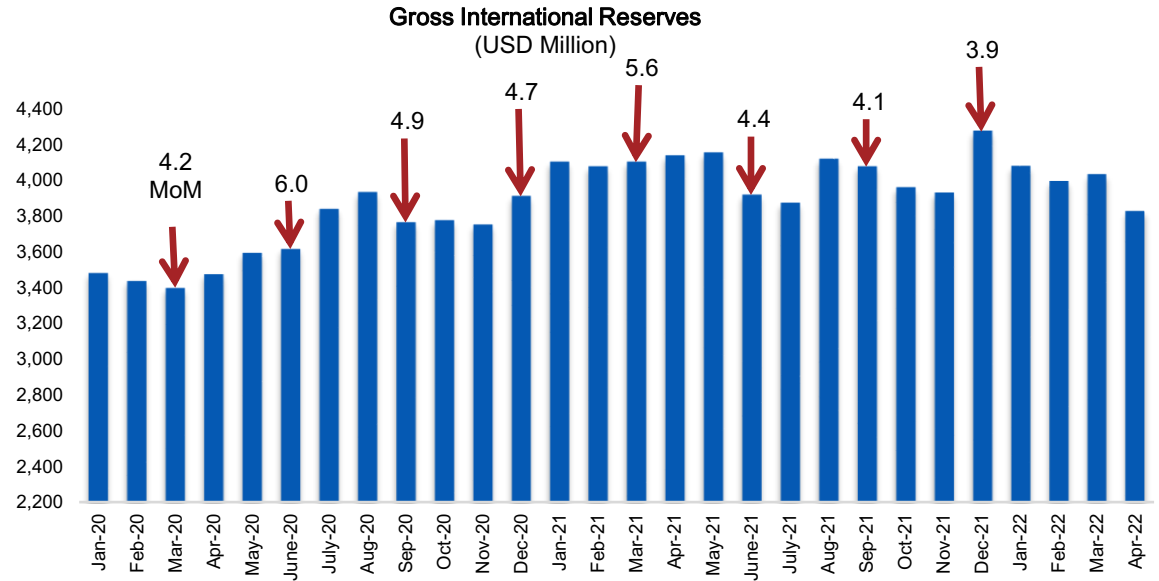
Remittance (USD Million)
January - March



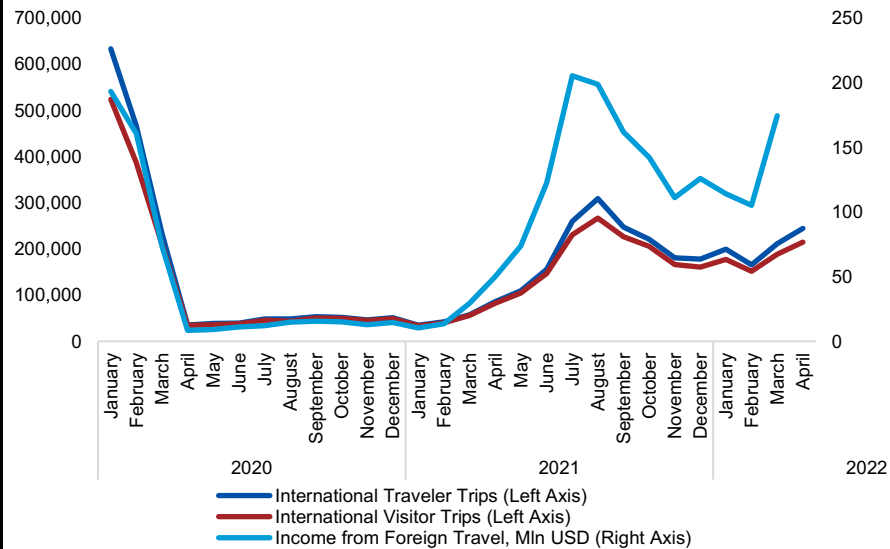
In April 2022, International Reserves amounted to 3,826 million USD.

In April 2022, international reserves amounted to 3,826 million USD, which is a 7.5% YoY and 5.1% MoM decrease.

In April 2022, no foreign exchange interventions were carried out by the National Bank.



International Traveler Trips and Income from Foreign Travel



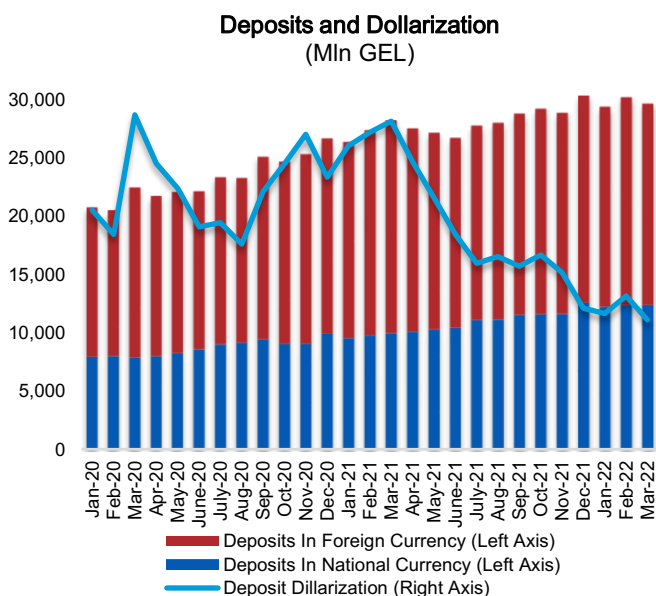
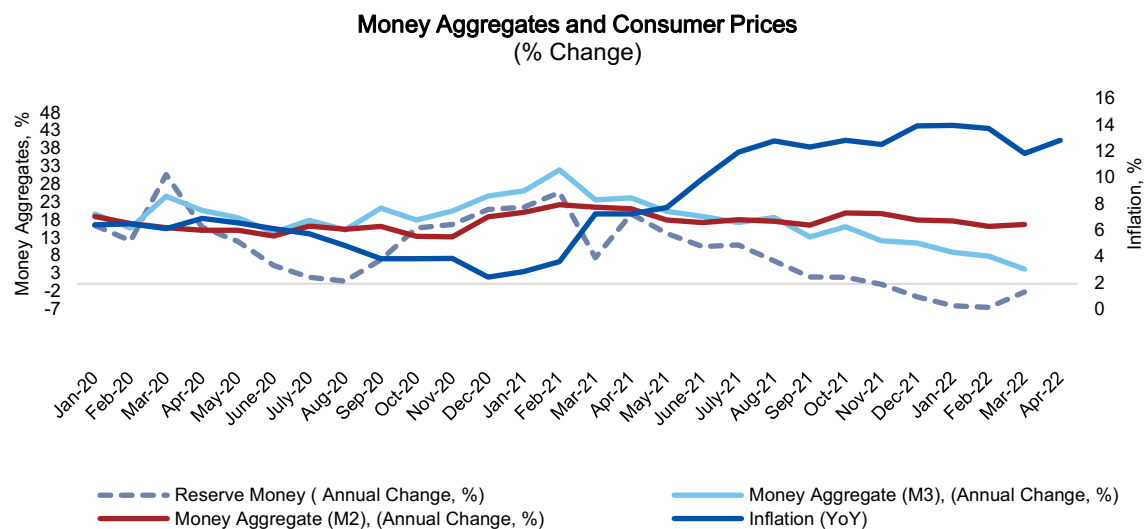
In April, 2022 both international traveler trips and international visitor trips have increased.

In April 2022, international traveler trips increased by 184.9% YoY and amounted to 244,293. International traveler trips also include trips made by international visitors. In April, 2022 International visitor trips reached 216,644 (160.1% higher compared to the same indicator of April, 2021). In March* 2022, income from foreign travel amounted to 174.5 mln USD, which is 145 mln USD higher than the same indicator in March, 2021.

3. Monetary Sector

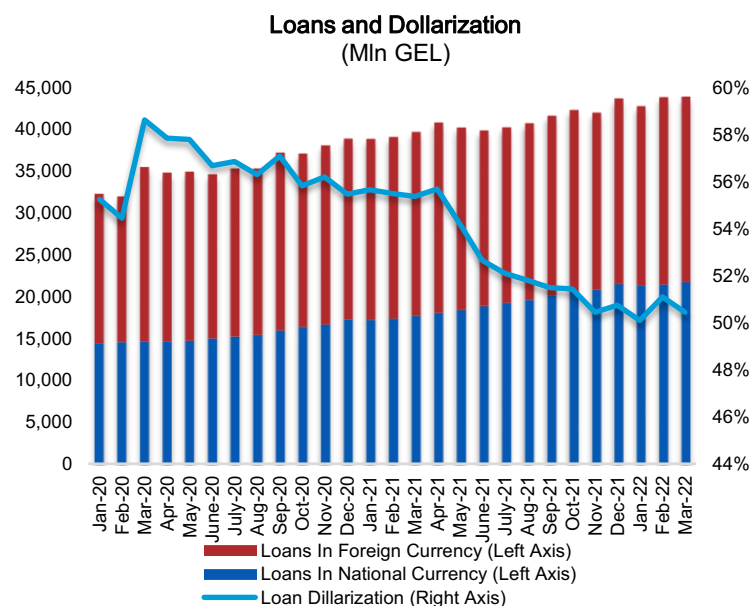
In March, compared to the same period of the previous year, reserve money had a decrease tendency.

In March 2022, reserve money decreased by 2.3% YoY, money aggregate M2 increased by 16.7%, and money aggregate M3 – by 4.1%. In April 2022, consumer price inflation amounted to 12.8% YoY.

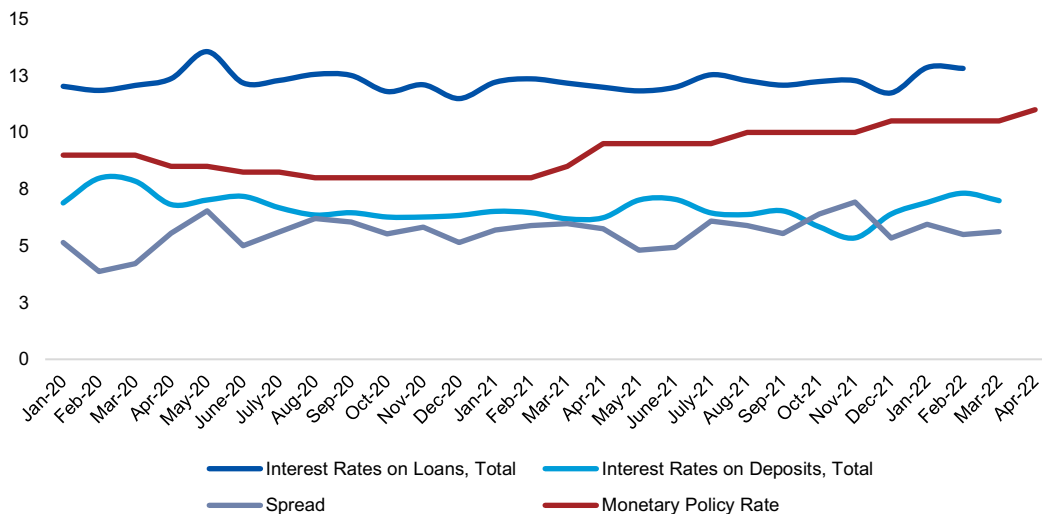


In March, the dollarization both on deposits and on loans decreased MoM.

In March 2022, the deposit dollarization indicator decreased by 0.77 pp and amounted to 58.2%, while loan dollarization has decreased by 0.64 pp and made up to 50.4%. In March, foreign currency deposits decreased by 3% MoM, while national currency deposits increased by 0.1%.



Market Interest Rates on Loans and Deposits (%)



In March, interest rates decreased on deposits by 0.3 pp MoM, while interest rates decreased on loans by 0.2 pp MoM.

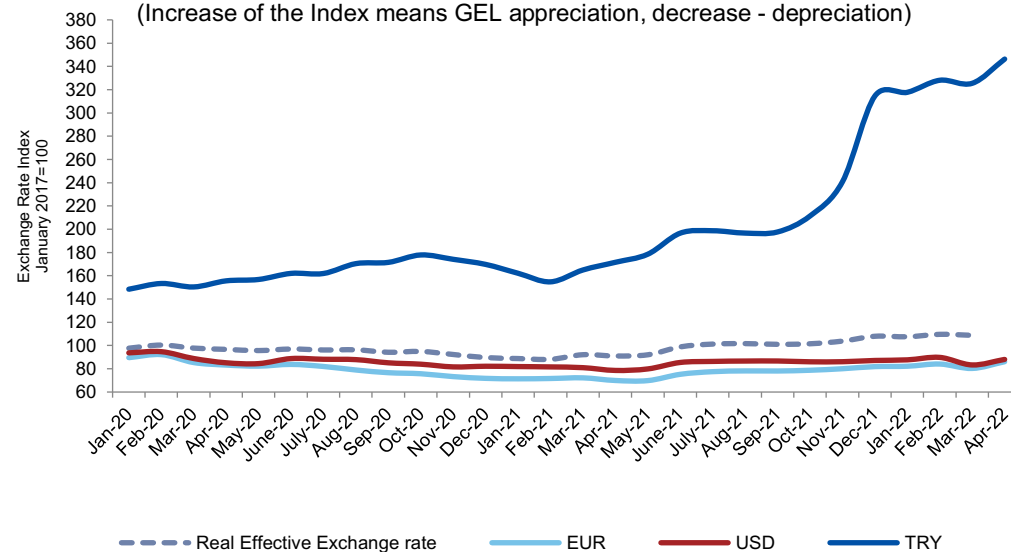
In March 2022, market interest rates on loans amounted to 12.6%, while interest rates on deposits were defined at 7%. The interest rate spread (difference between loan and deposit rates) amounted to 5.6% as of March 2022, 0.4 pp lower compared to March 2021.

On March 30, 2022, the monetary policy committee of the National Bank of Georgia decided to increase the monetary policy rate by 0.5 PP and defined it at 11%.

In April, compared to the previous month, the GEL shows appreciation toward USD and EUR. In April 2022, GEL appreciated against USD by 5.7%, against EUR by 7.2% and against TRY by 6.4% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In April, the GEL exchange rate appreciated by 12.1% toward USD, by 23.1% toward and by 101.9% toward TRY YoY.

GEL Exchange Rate Indices

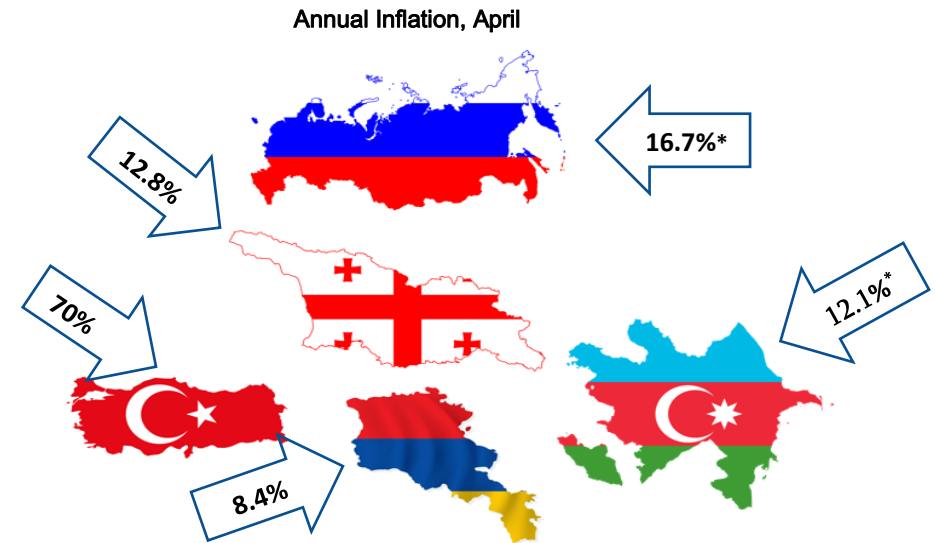
(Increase of the Index means GEL appreciation, decrease - depreciation)



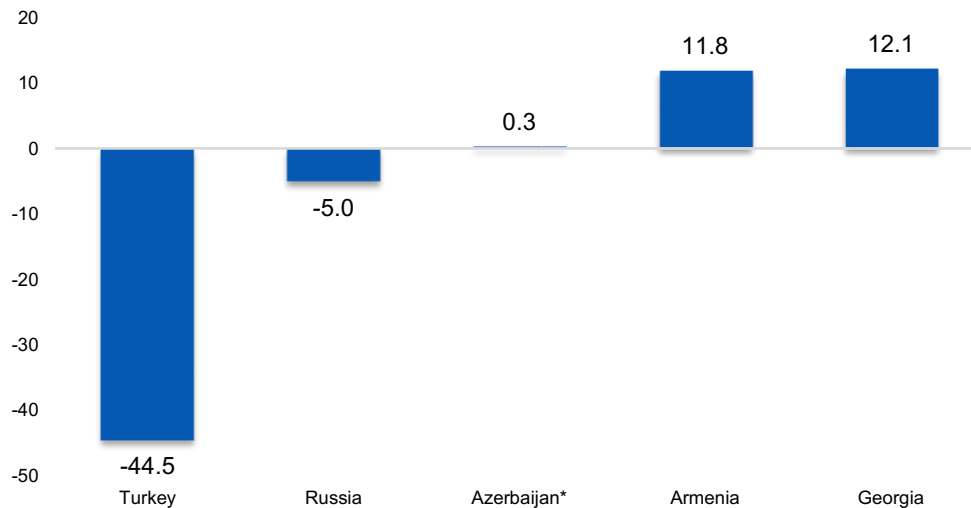
4. Regional Review

In April, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in April 2022, annual inflation amounted to 70% in Turkey. Inflation was lower in Armenia (8.4%). As for Azerbaijan and Russia, in March 2022, consumer prices have increased by 12.1% in Azerbaijan and by 16.7% YoY in Russia.



Exchange Rate Annual Change
April, 2022



In April, part of the currencies of the region countries stand out with a tendency of appreciation toward USD, while others depreciated.

Particularly, in April 2022, AMD appreciated by 11.8% and AZN by 0.3% YoY toward USD. In the analyzing period TRY depreciated by 44.5% and RUB by 5% YoY.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22
Real Sector	GDP Growth Rate (%)	44.8	25.8	18.7	9.9	10.3	6.9	6.9	12.0	9.6	18.0	14.6	10.6	
	VAT Turnover Growth Rate (%)	93.4	50.3	37.5	26.5	31.2	24.0	25.6	32.6	31.2	39.8	27.3	24.4	
Monetary Sector	Inflation (%)	7.2	7.7	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8
	Monetary Policy Rate (%)	9.50	9.50	9.50	9.5	10.0	10.0	10.0	10.0	10.5	10.5	10.5	11.0	11.0
	Deposit Dollarization (%)	0.63	0.62	0.61	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
	Loan Dollarization (%)	0.56	0.54	0.53	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
External Sector	Exchange Rate (GEL)	3.44	3.38	3.16	3.13	3.12	3.12	3.14	3.14	3.10	3.08	3.01	3.24	3.07
	Remittances (Thousand USD)	194,057	187,714	201,898	208,428	204,893	209,750	206,691	207,338	229,487	168,840	183,419	193,065	
	Export (USD Million)	377.7	340.0	350.7	386.3	335.1	373.6	411.2	430.4	419.5	331.3	429.0	411.4	
	Import (USD Million)	756.3	770.1	863.7	882.6	868.1	958.3	936.2	1033.3	1050.3	800.6	998.6	894.0	
	Trade Balance (USD Million)	-378.6	-430.1	-513.1	-496.2	-533.0	-584.7	-524.9	-603.0	-630.8	-469.3	-569.6	-482.6	
	International Reserves (USD Million)	4,136	4,154	3,918	3,873	4,117	4,077	3,959	3,928	4,272	4,078	3,993	4,031	3,826
Fiscal Sector	Revenues (GEL Million)	1,006.6	1,002.9	1,482.2	1,269.4	1,296.6	1,300.5	1,278.7	1,420.0	1,707.4	1,485.1	1,292.1	1,731.5	
	Recurrent Expenditure (GEL Million)	1,344.7	1,148.9	1,272.0	1,391.2	1,113.9	1,208.4	1,303.1	1,256.0	1,934.4	1,185.8	1,226.2	1,413.1	
	Capital Expenditure (GEL Million)	250.2	222.8	496.1	243.1	308.1	479.9	248.2	296.6	798.8	193.9	218.0	304.2	

Increase
 Decrease
 Change < 1%

Table N2². Comparison of key economic indicators with similar data for the corresponding month of last year.

		04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
	Revenues													
Fiscal Sector	Recurent Expenditure													
	Capital Expenditure													

Table N3. Comparison of key economic indicators with similar data of the previous month.

		04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
	Revenues													
Fiscal Sector	Recurent Expenditure													
	Capital Expenditure													

² Indicators of table N2 and N3 are based on the data in Table N1.