



August, 2022

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in July\* annual economic growth amounted to 9.7% YoY
- Annual inflation amounted to 10.9% in August
- In August, GEL appreciated against USD (by 2.6%) and against EUR (by 3.2%) MoM

Macroeconomic Analysis and Tax Policy Unit

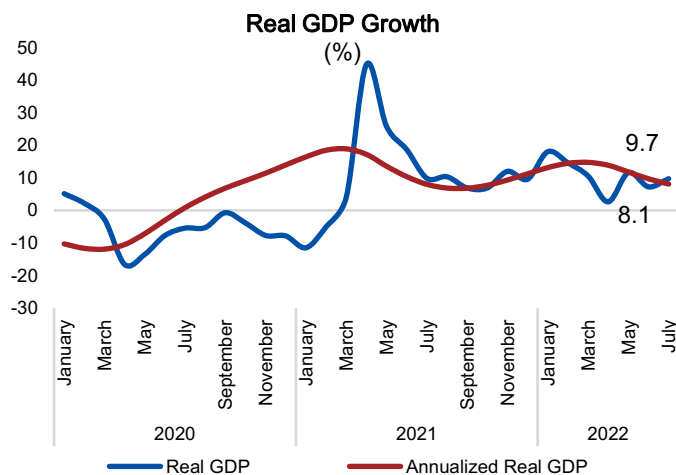
E-Mail: [pbo@parliament.ge](mailto:pbo@parliament.ge)

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

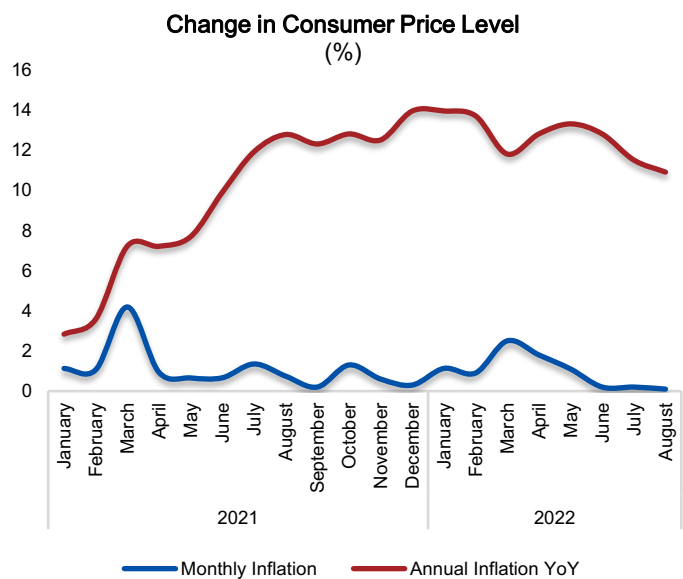
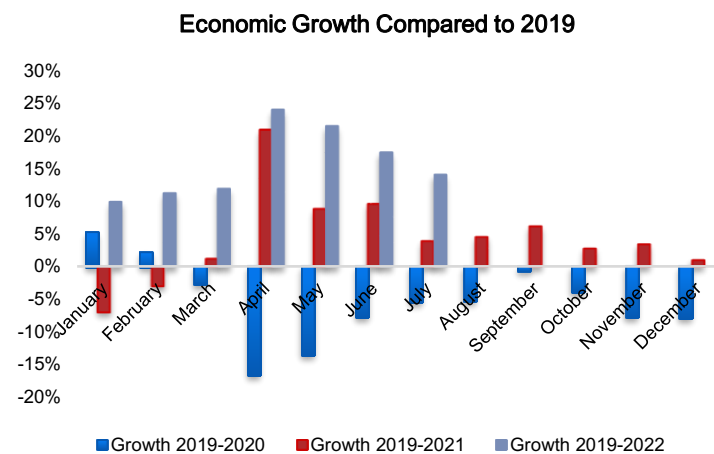


Parliamentary Budget Office of Georgia, 2022

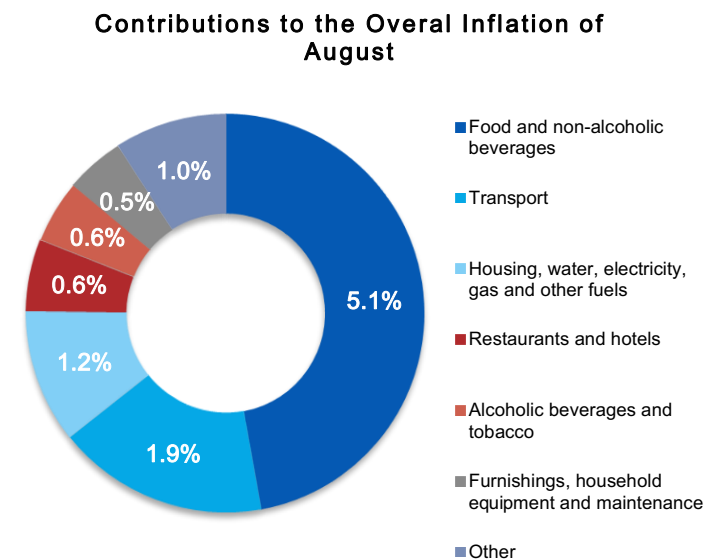
# 1. Real and Fiscal Sector



**In July\*, positive annual economic growth was 9.7%.**  
 In accordance with preliminary estimates of GEOSTAT, in July 2022, annual real GDP growth amounted to 9.7% YoY.  
 According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 8.1% in July.  
 Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

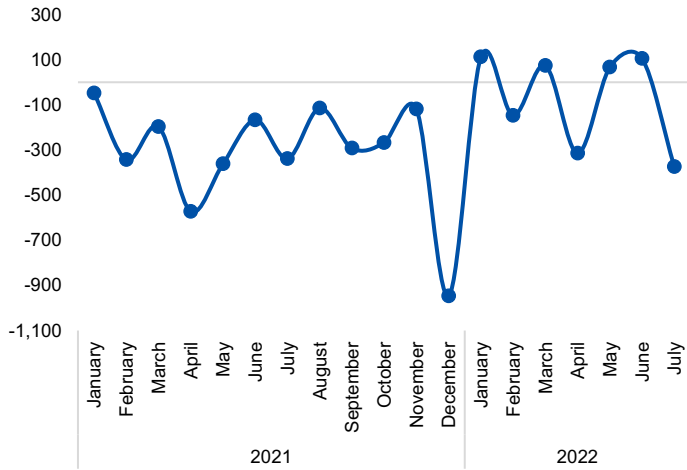


**In August, annual CPI inflation amounted to 10.9%**  
 In August 2022, the inflation rate amounted to 10.9% YoY, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, restaurants and hotels, alcoholic beverages and tobaccos. In July 2022, the annual forecasted GDP deflator amounted to 11.8%.



<sup>1</sup> 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

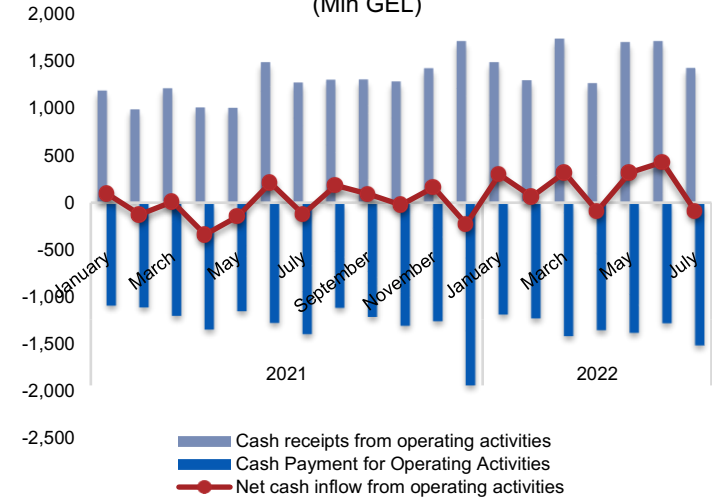
**Consolidated Budget Balance**  
(Mln GEL)



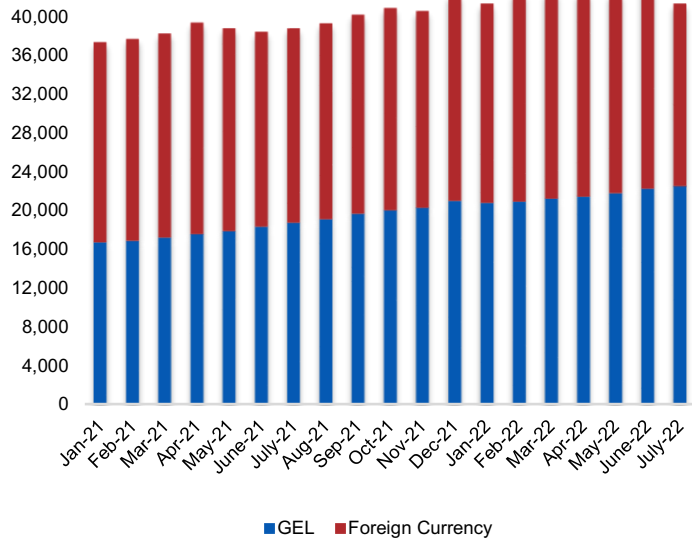
**In July\*, the general government net lending/borrowing was negative.**

In July 2022, general government revenues increased by 12.2% YoY, while expenses increased by 8.6% YoY. In the analyzing period, the general government negative net operating balance amounted to 86.4 million GEL, while negative net lending/borrowing was defined at 374.5 million GEL.

**Receipts and Payments**  
(Mln GEL)



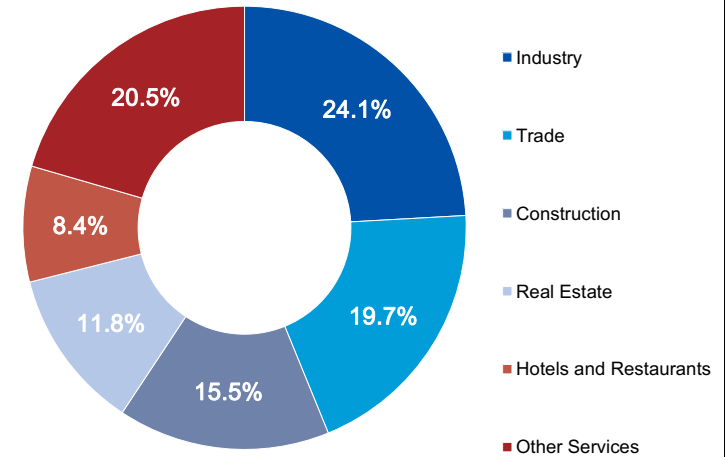
**Commercial Bank Loans**  
(Mln GEL)



**In July\*, compared to the same period of the previous year, commercial bank loans to the national economy increased in national currency and decreased in foreign currency.**

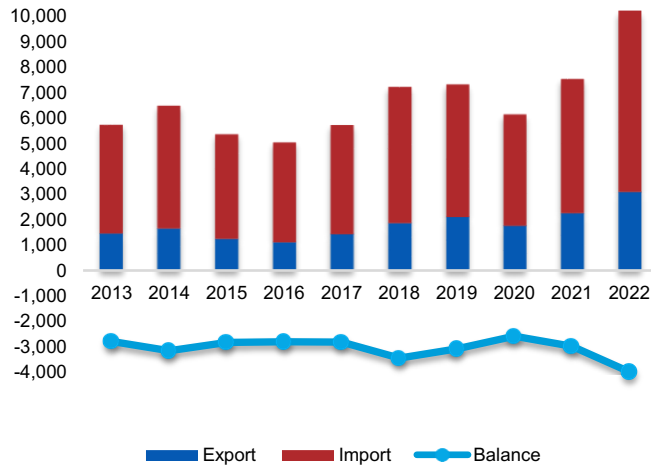
In July 2022, compared to the July of the previous year, commercial bank loans increased by 6.5% and amounted to 41.3 billion GEL. National currency loans increased by 20.0%, while foreign currency loans decreased by 6.1%. It's worth mentioning that more than half of total loans (54.1%) was distributed to households. As for loans issued by types of activity, the highest 24.1% were issued in industry, 19.7% in trade, 15.5% in construction, 11.8% in real estate and 8.4% in the field of hotels and restaurants.

**Loans by Types of Activity**  
(Flows)



## 2. External Sector

External Trade Indicators  
(Mln USD)  
January-July

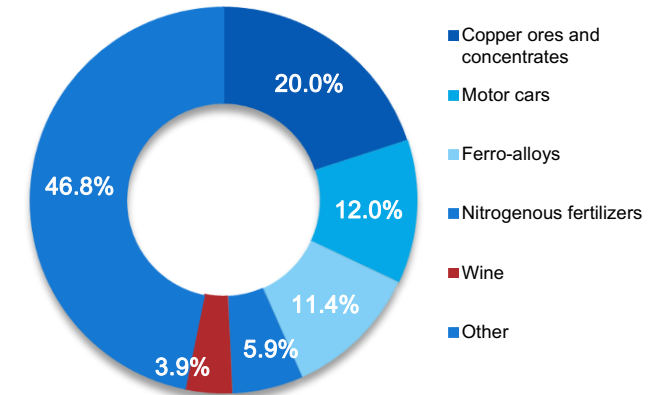


In January - July\*, both export and import of goods have increased.

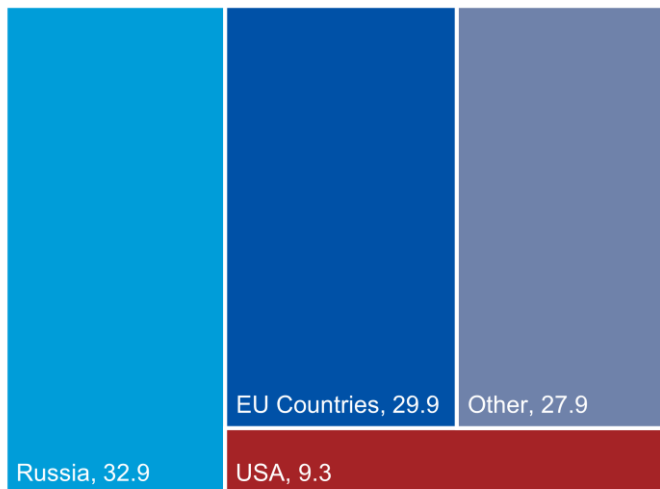
In January - July 2022, exports increased by 36.4%, while imports increased by 34.8% YoY. This was mainly due to the increase in trade turnover, which amounted 10,188 million USD (35.3% increase YoY). During this period, the share of exports in external trade amounted to 30.4%. Export growth was substantial in the following countries: Peru (950.2%, as a result of a sharp increase in the export of nitrogenous fertilizers), Kazakhstan (136.1%), USA (115.2%), Armenia (96.3%), Bulgaria (84.7%), Turkey (54.9%) and China (29.4%). It needs to be mentioned that during this period export significantly decreased in Ukraine (21.1%).

High growth was recorded in several export commodity groups: electrical energy (337.3%), nitrogenous fertilizers (236.6%), ferro-alloys (55.0%), motor cars (49.3%), copper ores and concentrates (33.9%) and T-shirts knitted (20.0%).

Major Commodity Groups by Exports  
(January - July)



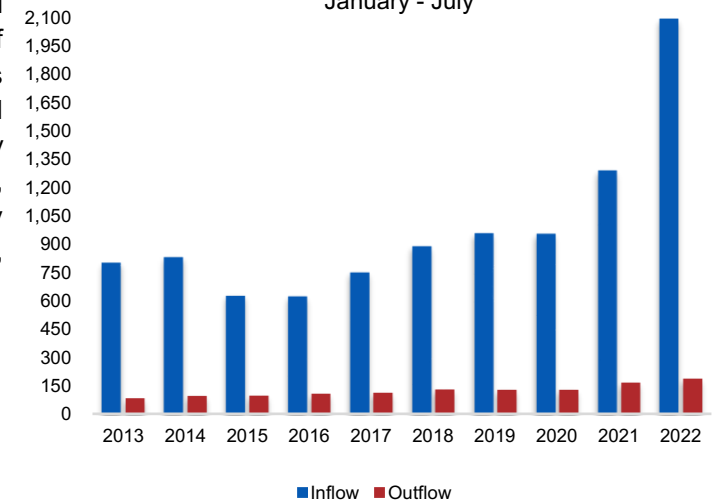
Remittance (%)  
July



In July\*, remittances increased significantly

In July 2022, remittances increased by 46.8% YoY and amounted 306.0 million USD. In July the main source of money transfers are Russia (32.9% of total) and EU countries (29.9%). In the analyzing period, remittances increased significantly from the following countries: Belarus (by 1,244.1%), Armenia (by 549.8%), Kyrgyzstan (by 413.6%), Tajikistan (by 257.3%), Uzbekistan (by 152.4%), Russia (by 150.8%), Kazakhstan (by 102.8%), Saudi Arabia (by 86.5%), United Kingdom (by 80.6%).

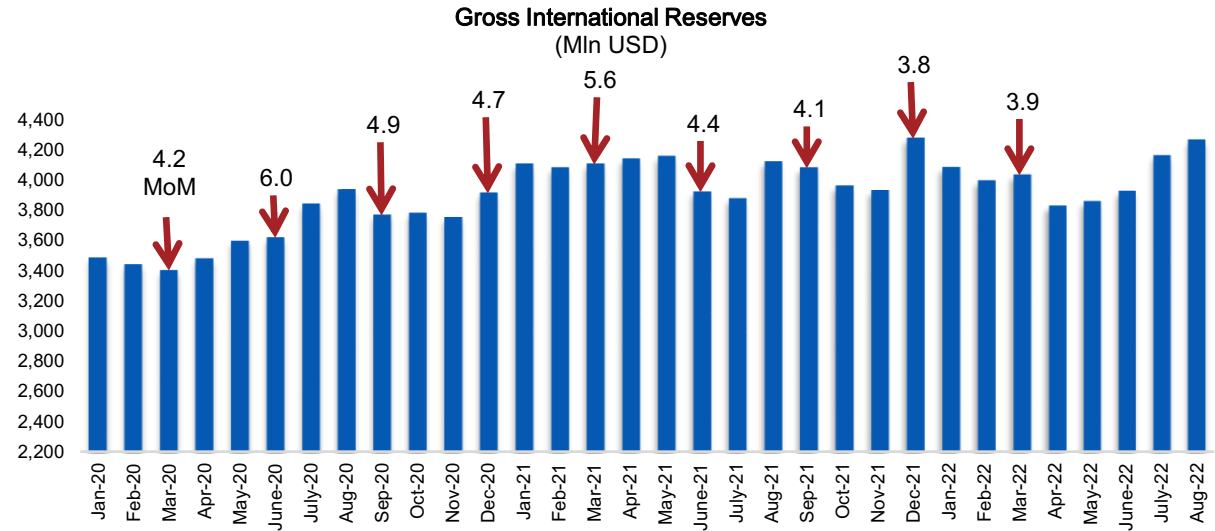
Remittance  
(Mln USD)  
January - July



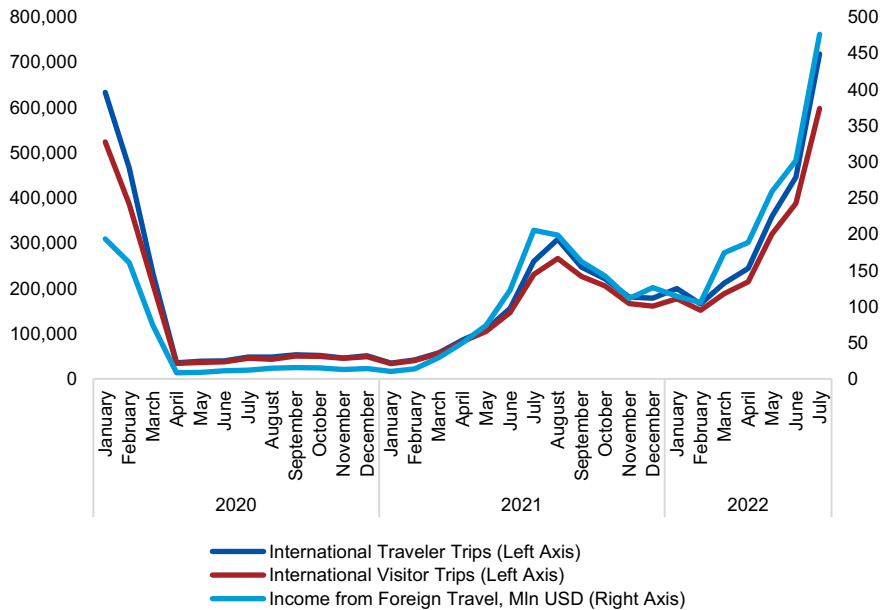
**In August 2022, International Reserves amounted to 4,261 million USD.**

In August 2022, international reserves amounted to 4,261 million USD, which is a 7.3% YoY and 2.5% MoM increase.

At the foreign exchange auction of the National Bank of Georgia held on August, the National Bank purchased 70.0 million USD and sold 40.6 million USD.



**International Traveler Trips and Income from Foreign Travel**



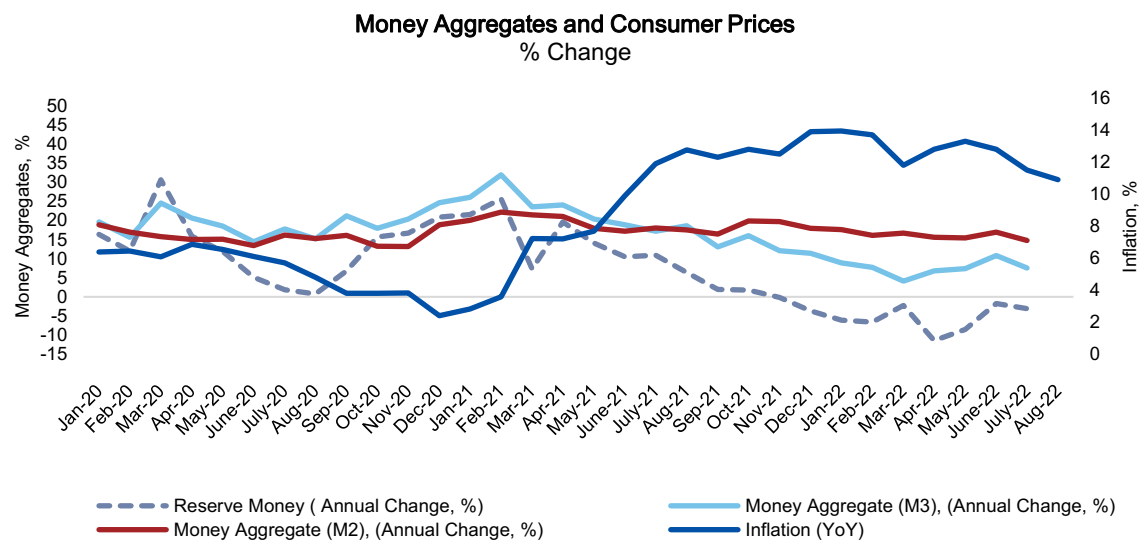
**In July\* 2022 both international traveler trips and international visitor trips have increased.**

In July 2022, international traveler trips increased by 176.7% YoY and amounted to 718,401. International traveler trips also include trips made by international visitors. In July 2022 International visitor trips reached 597,887 (158.9% higher compared to the same indicator of July 2021). The majority of trips conducted by international visitor were from Russia (156,737, increase by 525.5% YoY), Armenia (103,906, Increase by 427.3% YoY) and Turkey (95,989, increase by 173.9% YoY). In July 2022, income from foreign travel amounted to 476.1 USD, which is 131.9% higher than same indicator in July 2021.

### 3. Monetary Sector

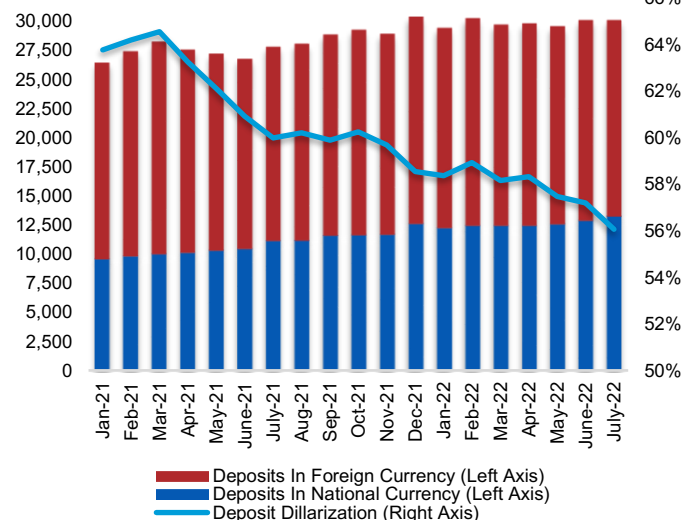
In July\*, compared to the same period of the previous year, reserve money had a decrease tendency.

In July 2022, reserve money decreased by 3.0% YoY, money aggregate M2 increased by 14.8%, and money aggregate M3 – by 7.6%. In August 2022, consumer price inflation amounted to 10.9% YoY.



#### Deposits and Dollarization

(Mln GEL, %)

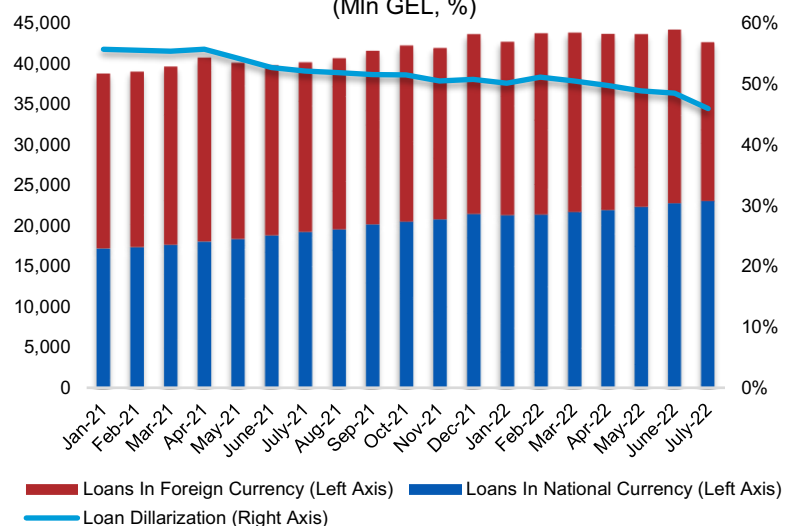


In July\*, the dollarization on deposits and on loans decreased MoM.

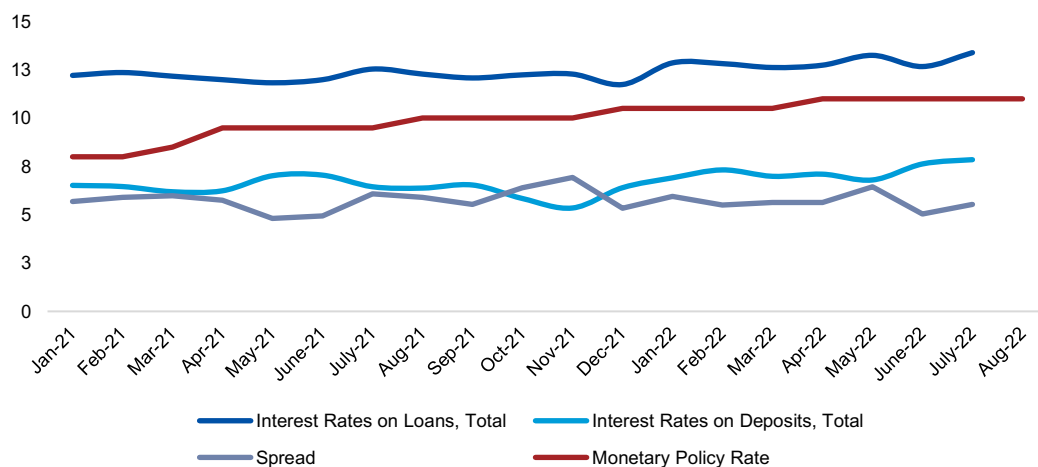
In July 2022, the deposit dollarization indicator decreased by 1.13 pp and amounted to 56.1% MoM, while loan dollarization has decreased by 2.52 pp and made up to 45.9%. In July, foreign currency deposits decreased by 2.0% MoM, while national currency deposits increased by 2.6%.

#### Loans and Dollarization

(Mln GEL, %)



**Market Interest Rates on Loans and Deposits (%)**



In July\*, interest rates increased on deposits by 0.2 pp MoM, while interest rates increased on loans by 0.7 pp MoM.

In July 2022, market interest rates on loans amounted to 13.4%, while interest rates on deposits were defined at 7.9%. The interest rate spread (difference between loan and deposit rates) amounted to 5.5% as of July 2022, 0.5 pp higher compared to July 2021.

On August 3, 2022, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

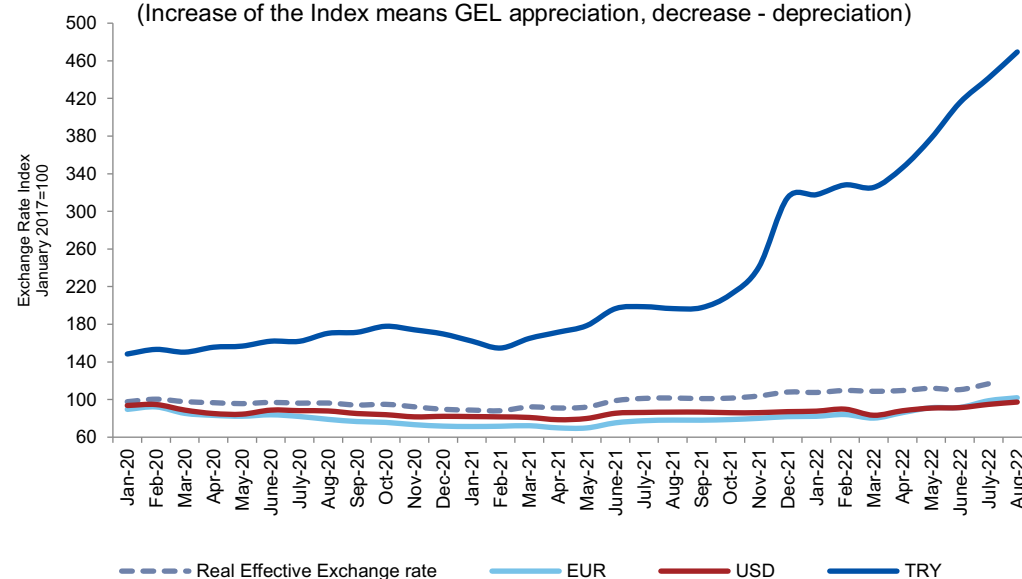
**In August, compared to the previous month, the GEL shows appreciation toward USD and towards EUR.**

In August 2022, GEL appreciated against USD by 2.6%, while appreciated by 3.2% against EUR and by 6.3% against TRY MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In August, the GEL exchange rate appreciated by 12.3% towards USD, by 30.4% towards EUR and by 138.7% towards TRY YoY.

It should be noted that in recent months, the volume of foreign direct investments, remittances, as well as the income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.

**GEL Exchange Rate Indices**

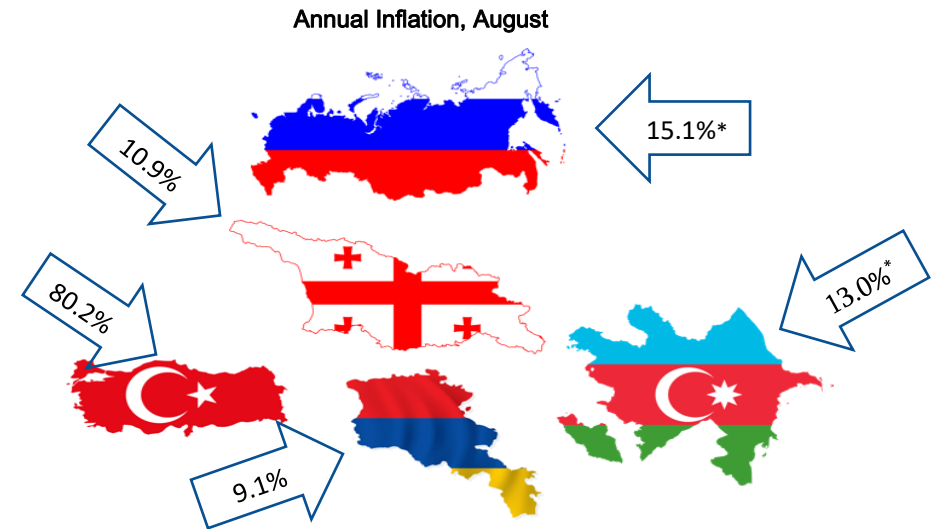
(Increase of the Index means GEL appreciation, decrease - depreciation)



## 4. Regional Review

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

Namely, in August 2022, annual inflation amounted to 80.2% in Turkey. Inflation was lower in Armenia (9.1%). As for Azerbaijan\* and Russia\*, in July 2022, consumer prices have increased by 13.0% in Azerbaijan and by 15.1% YoY in Russia.



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

Particularly, in August 2022, RUB appreciated by 21.4%, AMD by 21.3% and AZN by 0.2% YoY towards USD. In the analyzing period TRY depreciated by 52.9% YoY.

### Sources of Used Data:

1. National Statistics Office of Georgia
2. Ministry of Finance of Georgia

3. National Bank of Georgia
4. Georgian National Tourism Administration

## Summary Tables of Main Economic Indicators

**Table N1.** Main Economic Indicators

		Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 21	May 22	Jun 22	Jul 22	Aug 22
Real Sector	GDP Growth Rate (%)	10.3	6.9	6.9	12.0	9.6	18.0	14.6	10.6	2.6	11.6	7.2	9.7	
	VAT Turnover Growth Rate (%)	31.2	24.0	25.6	32.6	31.2	39.8	27.3	24.4	11.7	25.3	20.4	21.9	
Monetary Sector	Inflation (%)	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8	13.3	12.8	11.5	10.9
	Monetary Policy Rate (%)	10.0	10.0	10.0	10.0	10.5	10.5	10.5	11.0	11.0	11.0	11.0	11.0	11.0
	Deposit Dollarization (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
	Loan Dollarization (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
External Sector	Exchange Rate (GEL)	3.12	3.12	3.14	3.14	3.10	3.08	3.01	3.24	3.07	2.97	2.95	2.85	2.77
	Remittances (Thousand USD)	204 893	209 750	206 691	207 338	229 487	168 840	183 419	193 065	308 140	505 708	427 355	306 023	
	Export (USD Million)	335.1	373.6	411.2	430.4	419.5	331.3	429.0	411.4	415.7	522.6	448.4	542.2	
	Import (USD Million)	868.1	958.3	936.2	1033.3	1050.3	800.9	1019.1	925.7	992.3	1179.1	1056.3	1114.0	
	Trade Balance (USD Million)	-533.0	-584.7	-524.9	-603.0	-630.8	-469.6	-590.1	-514.3	-576.6	-656.5	-607.8	-571.8	
	International Reserves (USD Million)	4 117	4 077	3 959	3 928	4 272	4 078	3 993	4 031	3 826	3 855	3 922	4 157	4 261
Fiscal Sector	Revenues (GEL Million)	1 296.6	1 300.5	1 278.7	1 420.0	1 707.4	1 485.1	1 292.1	1 731.5	1 263.2	1 697.9	1 707.5	1 424.4	
	Recurrent Expenditure (GEL Million)	1 113.9	1 208.4	1 303.1	1 256.0	1 934.4	1 185.8	1 226.2	1 413.1	1 350.9	1 377.3	1 277.2	1 510.8	
	Capital Expenditure (GEL Million)	308.1	479.9	248.2	296.6	798.8	193.9	218.0	304.2	230.5	266.1	445.9	327.5	

Increase
  Decrease
  Change < 1%

**Table N2<sup>2</sup>.** Comparison of key economic indicators with similar data for the corresponding month of last year.

		08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022
<b>Real Sector</b>	GDP Growth Rate													
	VAT Turnover Growth Rate													
<b>Monetary Sector</b>	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
<b>External Sector</b>	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022
<b>Real Sector</b>	GDP Growth Rate													
	VAT Turnover Growth Rate													
<b>Monetary Sector</b>	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
<b>External Sector</b>	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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