



December, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in November* 2022 annual economic growth amounted to 9.3% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 9.8% in December, which was primarily driven by increasing prices on food and non-alcoholic beverages.
- In November*, general government revenues increased by 30.7% YoY, while expenses increased by 13.7% YoY.
- In November*, commercial bank loans amounted to 42.8 billion GEL. As for loans issued by types of activity, the highest were issued in trade, industry and construction.
- In January-November*, exports increased by 31.8%, while imports increased by 32.4% YoY. Trade turnover amounted to 17,018 million USD.
- In November* money transfers amounted 521.2 million USD. The main source of money transfers are Russia (60.7% of total) and EU countries (17.6%).
- In December international reserves reached historical maximum and amounted to 4,901 million USD.
- In November*, the dollarization on deposits decreased while on loans increased slightly MoM
- In December, GEL appreciated against USD (by 1.5%), while depreciated against EUR (by 2.3%) MoM

Macroeconomic Analysis and Tax Policy Unit

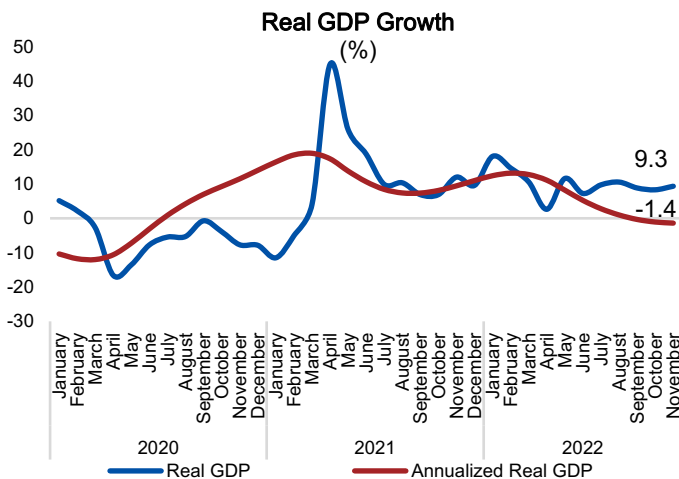
E-Mail: pbo@parliament.ge

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

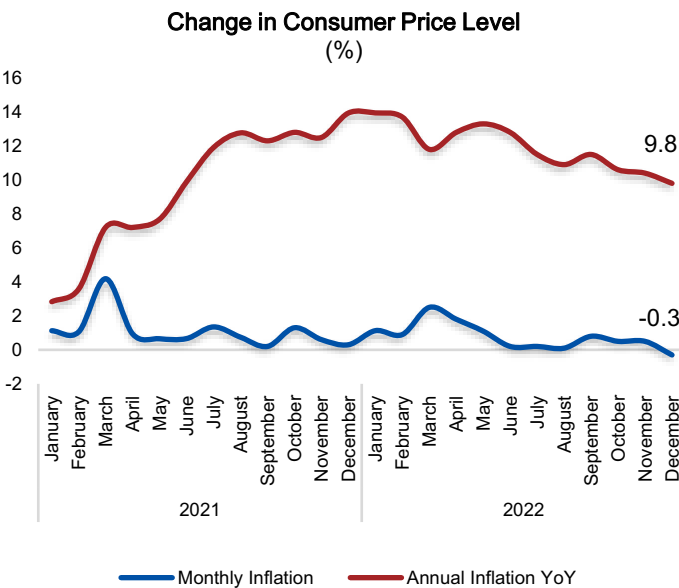
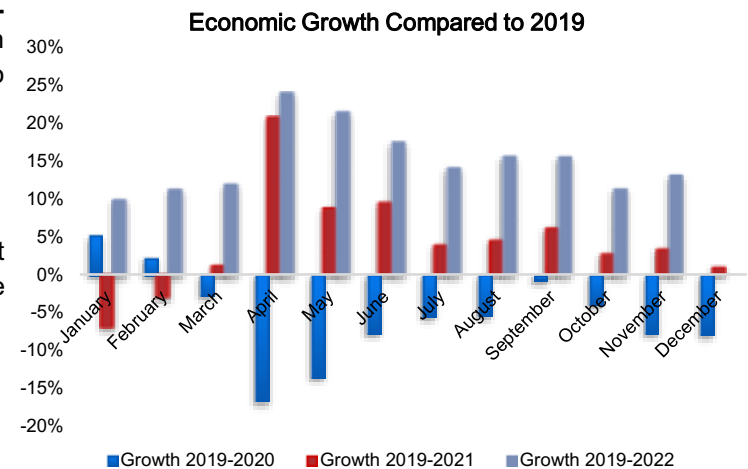


Parliamentary Budget Office of Georgia 2023

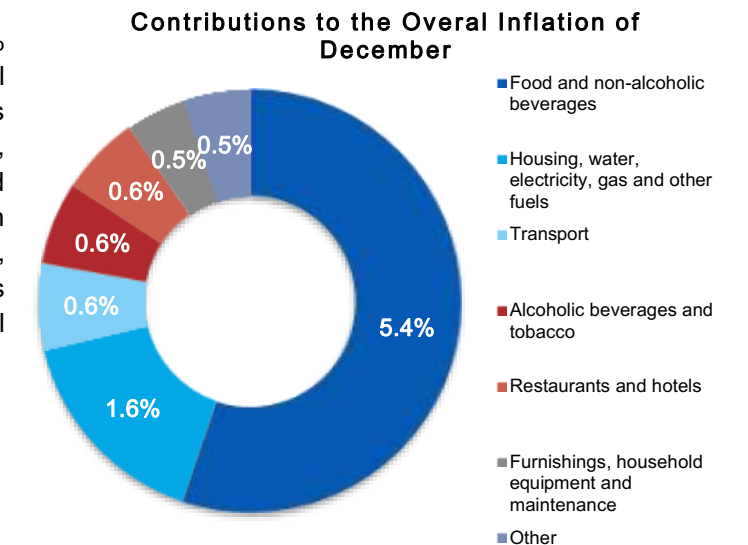
1. Real and Fiscal Sector



In November*, positive annual economic growth was 9.3%. In accordance with preliminary estimates of GEOSTAT, in November* 2022, annual real GDP growth amounted to 9.3% YoY. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to -1.4% in November. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

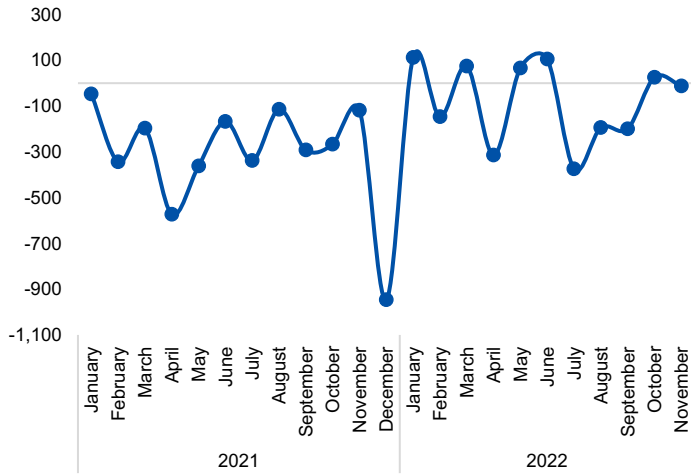


In December, annual CPI inflation amounted to 9.8% In December 2022, the inflation rate amounted to 9.8% YoY, higher than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, transport, alcoholic beverages and tobacco. With regard to the annual core inflation in December (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 6.8%. In November 2022, the annual forecasted GDP deflator amounted to 9.5%.



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

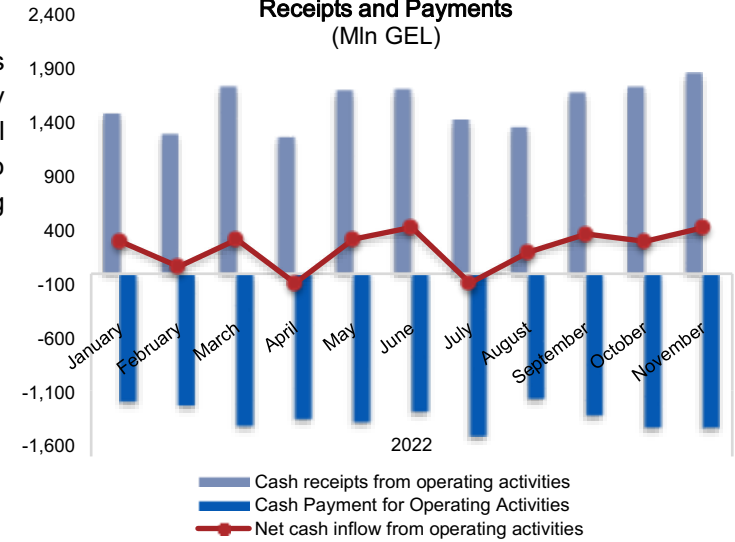
Consolidated Budget Balance
(MIn GEL)



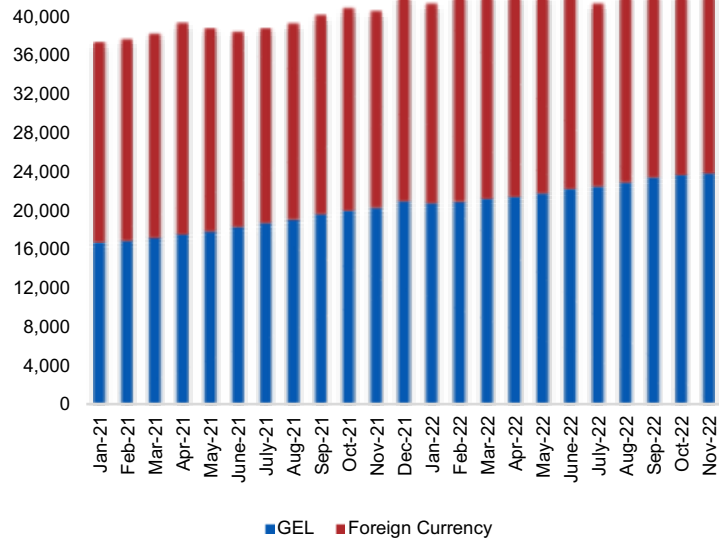
In November*, the general government net lending/borrowing was negative.

In November* 2022, general government revenues increased by 30.7% YoY, while expenses increased by 13.7% YoY. In the analyzing period, the general government positive net operating balance amounted to 428.4 million GEL, while negative net lending/borrowing was defined at 11.8 million GEL.

Receipts and Payments
(MIn GEL)



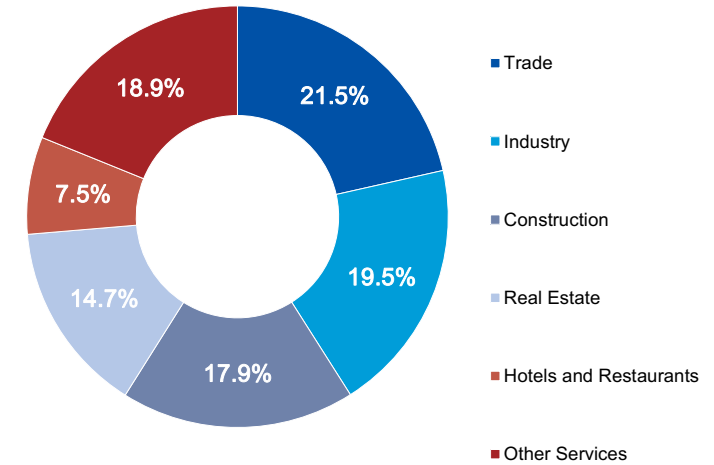
Commercial Bank Loans
(MIn GEL)



In November*, 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.

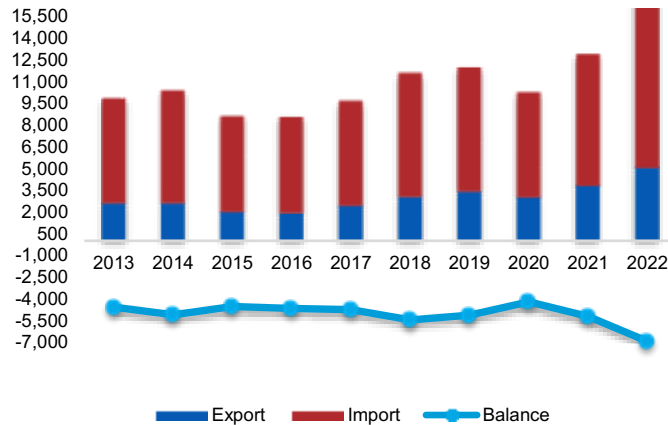
In November* 2022, compared to the November of the previous year, commercial bank loans increased by 5.6% and amounted to 42.8 billion GEL. National currency loans increased by 17.7%, while foreign currency loans decreased by 6.5%. It's worth mentioning that more than half of total loans (54.4%) was distributed to households. As for loans issued by types of activity, the highest 21.5% were issued in trade, 19.5% in industry, 17.9% in construction, 14.7% in real estate and 7.5% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

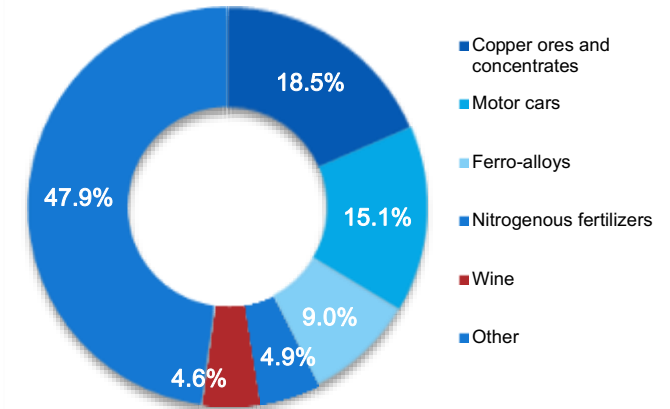
External Trade Indicators
(MIn USD)
January-November



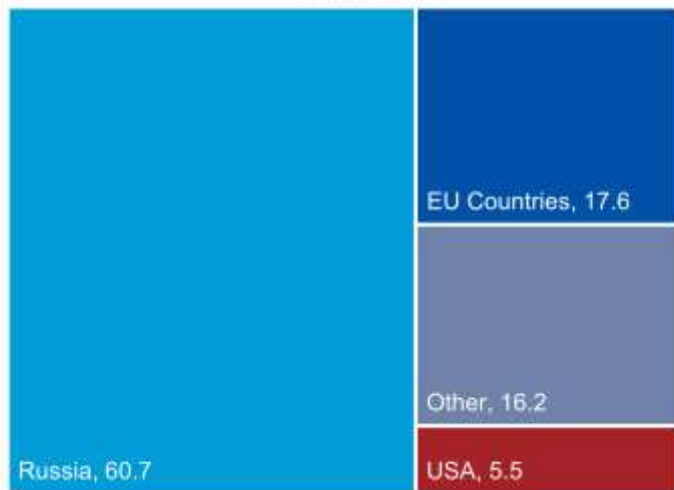
In January – November*, both export and import of goods have increased.

In January – November* 2022, exports increased by 31.8%, while imports increased by 32.4% YoY. As a result, trade turnover amounted 17,018 million USD (32.2% increase YoY). During this period, the share of exports in external trade amounted to 29.6%. Export growth was substantial in the following countries: Peru (896.7%, as a result of a sharp increase in the export of nitrogenous fertilizers), Kazakhstan (137.1%), Armenia (119.5%), USA (69.2%), Bulgaria (62.5%) and Turkey (40.2%). It needs to be mentioned that during this period export significantly decreased in Ukraine (20.3%). High growth was recorded in several export commodity groups: electrical energy (436.5%), nitrogenous fertilizers (155.1%), motor cars (82.7%), copper ores and concentrates (24.4%) medicaments (11.9%), ferro-alloys (9.7%), and wine (7.4%).

Major Commodity Groups by Exports
(January - November)



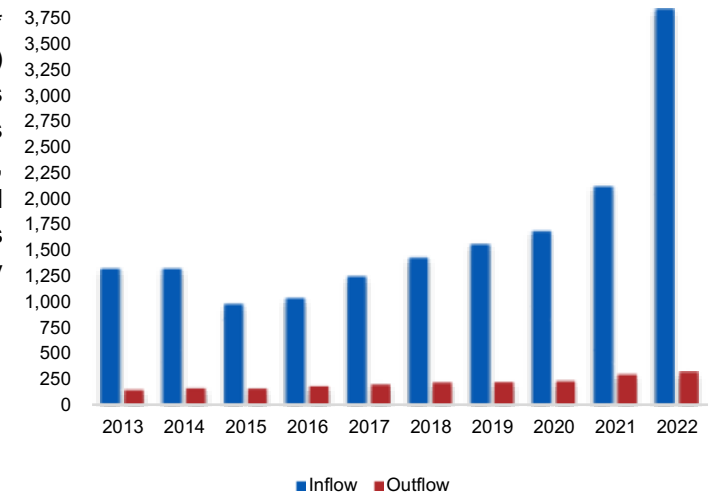
Remittance (%)
November



In November*, remittances increased significantly

In November* 2022, remittances in Georgia increased by 151.4% YoY and amounted 521.2 million USD. In November* the main source of money transfers are Russia (60.7% of total) and EU countries (17.6%). In the analyzing period, remittances increased significantly from the following countries: Belarus (by 867.7%), Russia (by 819.1%), Armenia (by 231.1%), Kyrgyzstan (by 206.5%), Tajikistan (by 190.9%), United Kingdom (by 132.7%), Uzbekistan (by 104.9%), Netherlands (by 54.8%), Ireland (by 44.3%), Germany (by 41.4%), USA (by 20.0%).

Remittance
(MIn USD)
January - November

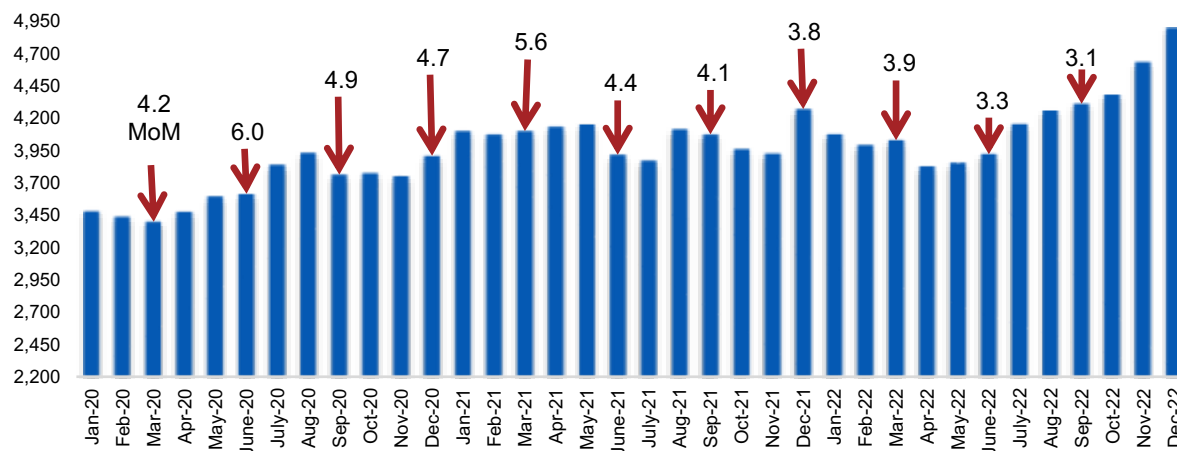


In December 2022, international reserves reached historical maximum and amounted to 4,901 million USD.

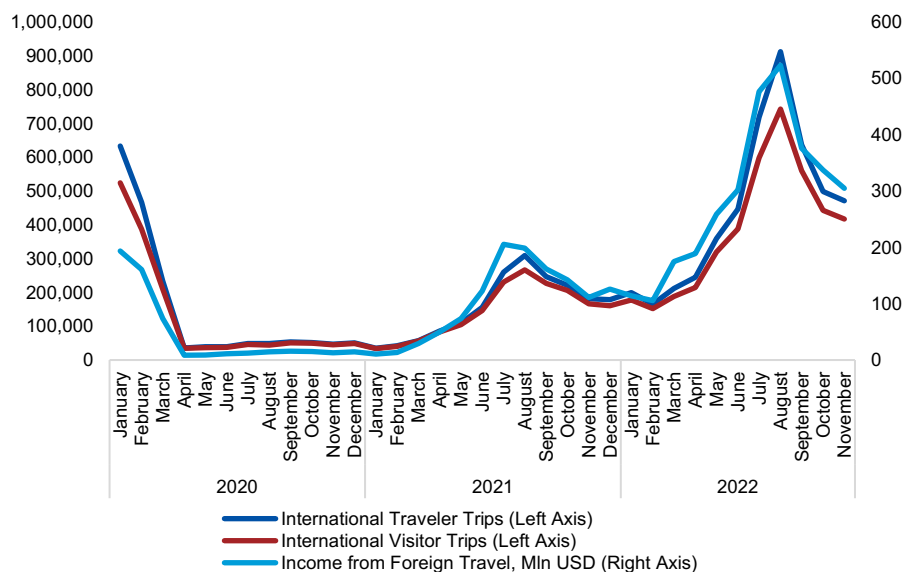
In December 2022, international reserves amounted to 4,901 million USD, which is an 14.7% YoY and 5.7% MoM increase.

In December 2022, no foreign exchange interventions were carried out by the National Bank of Georgia.

Gross International Reserves
(MIn USD)



International Traveler Trips and Income from Foreign Travel



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

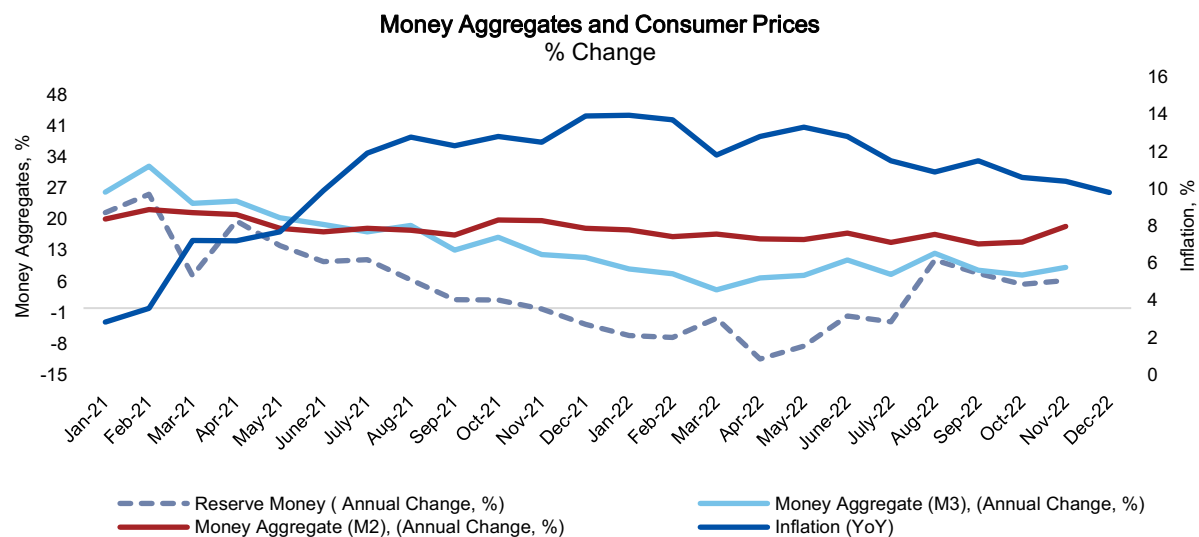
In November* 2022, international traveler trips increased by 160.4% YoY and amounted to 471,165. International traveler trips also include trips made by international visitors. In November* 2022 International visitor trips reached 417,184 (150.5% higher compared to the same indicator of November 2021). The majority of trips conducted by international visitor were from Russia (108,248, increase by 362.1% YoY), Turkey (101,940, Increase by 212.9% YoY) and Armenia (71,785, increase by 272.1% YoY).

In November* 2022, income from foreign travel amounted to 305.0 mln USD, which is 174.9% higher than same indicator in November 2021.

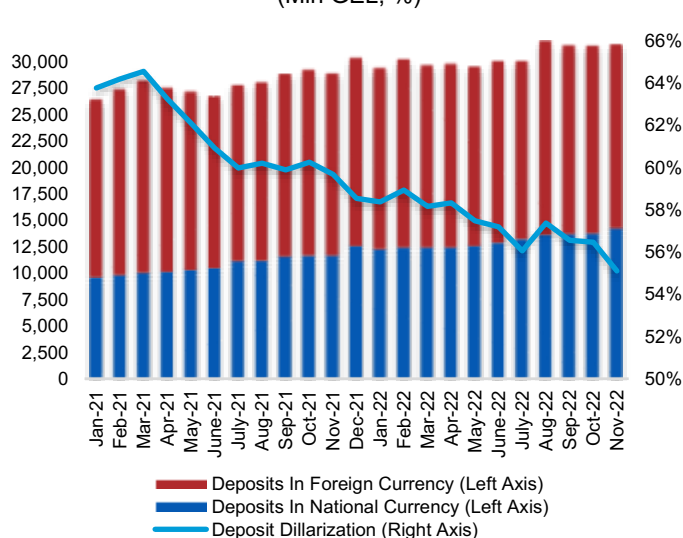
3. Monetary Sector

In November*, compared to the same period of the previous year, reserve money had an increase tendency.

In November* 2022, reserve money increased by 6.2% YoY, money aggregate M2 increased by 18.4%, and money aggregate M3 – by 9.2%. In December 2022, consumer price inflation amounted to 9.8% YoY.



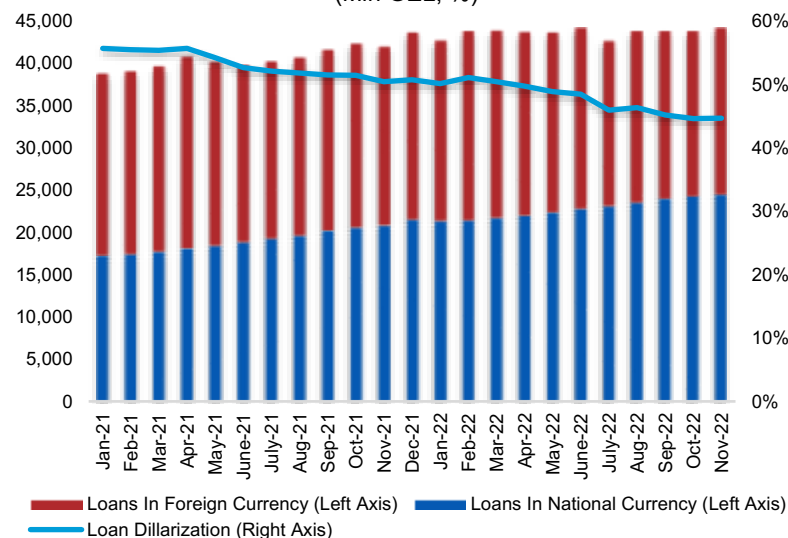
Deposits and Dollarization
(Mln GEL, %)



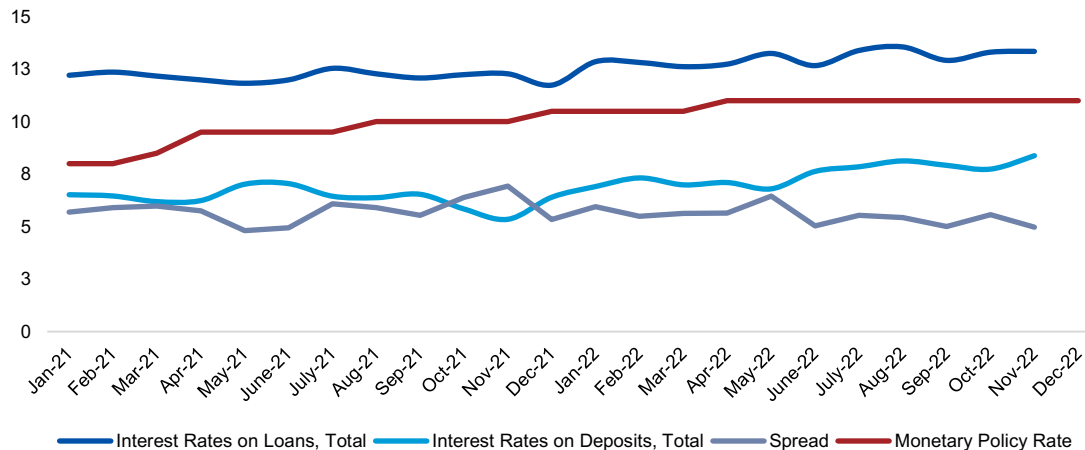
In November*, the dollarization on deposits decreased, while on loans increased slightly MoM.

In November* 2022, the deposit dollarization indicator decreased by 1.36 pp and amounted to 55.1% MoM, while loan dollarization has increased by 0.09 pp and made up to 44.7%. In November*, foreign currency deposits decreased by 2.0% MoM, while national currency deposits increased by 3.6%.

Loans and Dollarization
(Mln GEL, %)



Market Interest Rates on Loans and Deposits (%)



In November*, interest rates increased on deposits by 0.6 pp MoM, while interest rates increased on loans by 0.1 pp MoM.

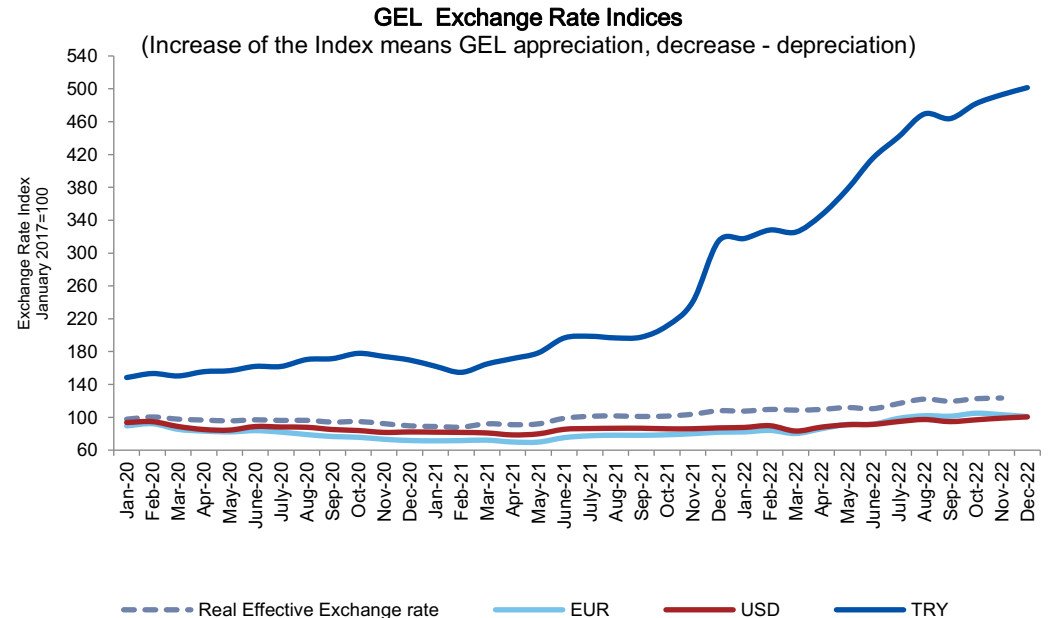
In November* 2022, market interest rates on loans amounted to 13.4%, while interest rates on deposits were defined at 8.4%. The interest rate spread (difference between loan and deposit rates) amounted to 5.0% as of November* 2022, 1.9 pp lower compared to November 2021.

On December 21, 2022, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

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

In December 2022, GEL appreciated against USD by 1.5%, while depreciated by 2.3% against EUR and appreciated by 1.8% against TRY MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In December, the GEL exchange rate appreciated by 15.3% towards USD, by 23.2% towards EUR and by 59.4% towards TRY YoY.

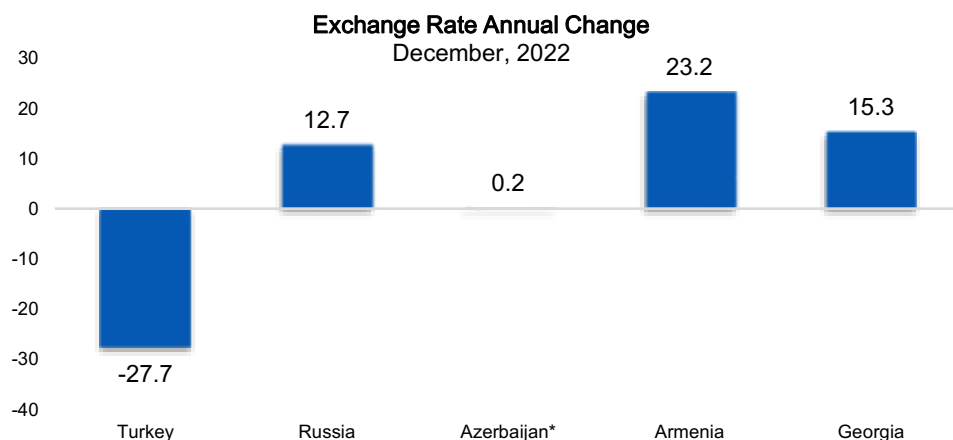
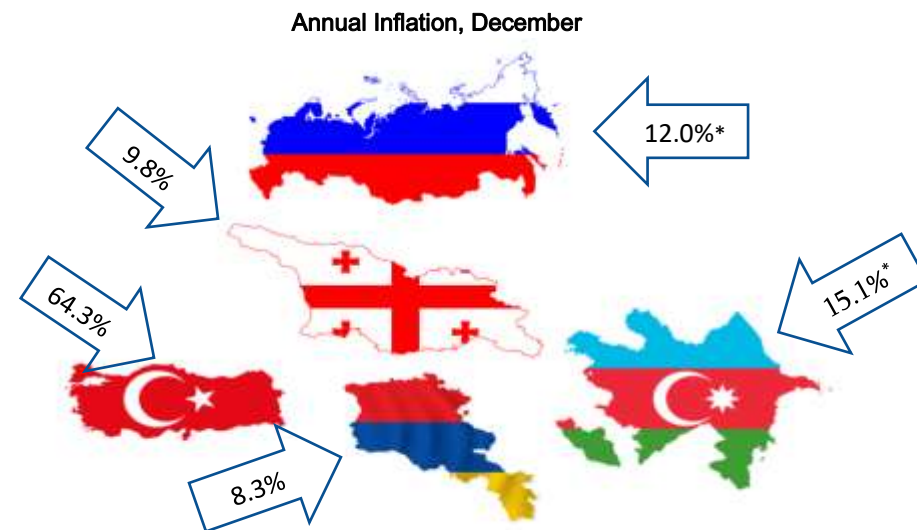
It should be noted that in recent months, the volume of foreign direct investments, remittances, as well as the income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



4. Regional Review

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

Namely, in December 2022, annual inflation amounted to 64.3% in Turkey. Inflation was lower in Armenia (8.3%). As for Azerbaijan and Russia, in November* 2022, consumer prices have increased by 15.1% in Azerbaijan and by 12.0% YoY in Russia.



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

Particularly, in December 2022, AMD appreciated by 23.2%, RUB by 12.7% and AZN by 0.2% YoY towards USD. In the analyzing period TRY depreciated by 27.7% YoY towards USD.

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

		Dec 21	Jan 22	Feb 22	Mar 22	Apr 21	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22
Real Sector	GDP Growth Rate (%)	9.6	18.0	14.6	10.6	2.6	11.6	7.2	9.7	10.5	8.8	8.3	9.3	
	VAT Turnover Growth Rate (%)	31.2	39.8	27.3	24.4	11.7	25.3	20.4	21.9	23.0	19.5	14.8	16.7	
Monetary Sector	Inflation (%)	13.9	13.9	13.7	11.8	12.8	13.3	12.8	11.5	10.9	11.5	10.6	10.4	9.8
	Monetary Policy Rate (%)	10.5	10.5	10.5	11.0	11.0	11.0	11.0	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	0.4	0.4	
External Sector	Exchange Rate (GEL)	3.1	3.1	3.0	3.2	3.1	3.0	3.0	2.8	2.8	2.9	2.8	2.7	2.7
	Remittances (Thousand USD)	229,487.0	168,840.5	183,418.8	193,065.3	308,140.1	505,708.1	427,354.6	306,023.4	334,266.1	387,177.7	501,998.8	521,164.6	
	Export (USD Million)	419.5	331.3	429.0	411.4	415.7	522.6	448.5	542.2	473.3	523.2	448.8	491.1	
	Import (USD Million)	1,050.8	801.0	1,019.2	926.1	992.8	1,180.8	1,109.1	1,173.7	1,265.1	1,137.0	1,132.4	1,244.0	
	Trade Balance (USD Million)	-631.3	-469.7	-590.2	-514.7	-577.0	-658.2	-660.7	-631.5	-791.8	-613.8	-683.7	-752.9	
	International Reserves (USD Million)	4,272.1	4,078.1	3,992.9	4,030.6	3,826.4	3,855.2	3,922.4	4,156.7	4,260.7	4,313.1	4,385.6	4,636.7	4,900.6
Fiscal Sector	Revenues (GEL Million)	1,707.4	1,485.1	1,292.1	1,731.5	1,263.2	1,697.9	1,707.5	1,424.4	1,356.2	1,680.6	1,730.1	1,856.7	
	Recurrent Expenditure (GEL Million)	1,934.4	1,185.8	1,226.2	1,413.1	1,350.9	1,377.3	1,277.2	1,510.8	1,158.4	1,312.9	1,430.2	1,428.3	
	Capital Expenditure (GEL Million)	798.8	193.9	218.0	304.2	230.5	266.1	445.9	327.5	403.4	624.5	287.1	461.2	

Increase
 Decrease
 Change < 1%

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

		12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
External Sector	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rserves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
External Sector	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rserves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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