



July, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in June annual economic growth amounted to 7.2% YoY
- Annual inflation amounted to 11.5% in July
- In July, GEL appreciated against USD (by 3.8%) and against EUR (by 7.8%) MoM

Macroeconomic Analysis and Tax Policy Unit

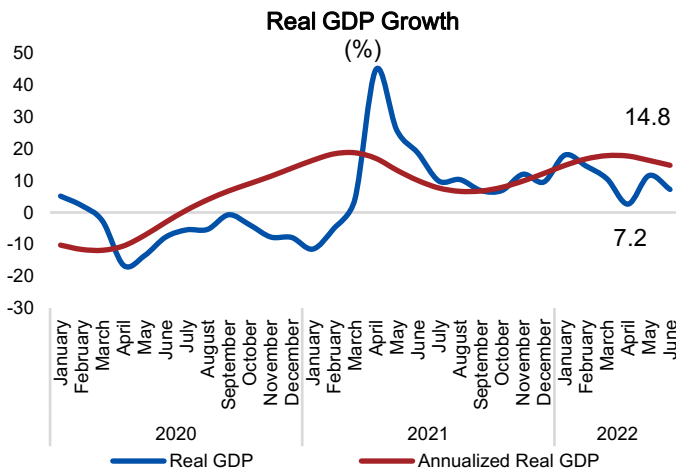
E-Mail: pbo@parliament.ge

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

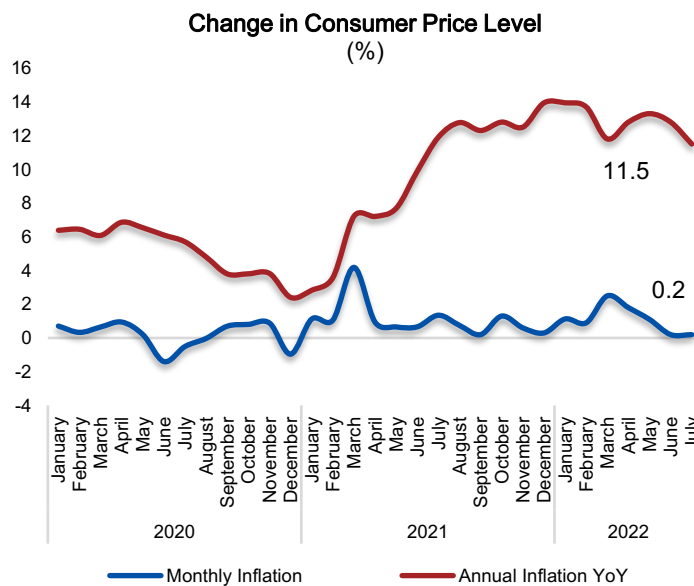
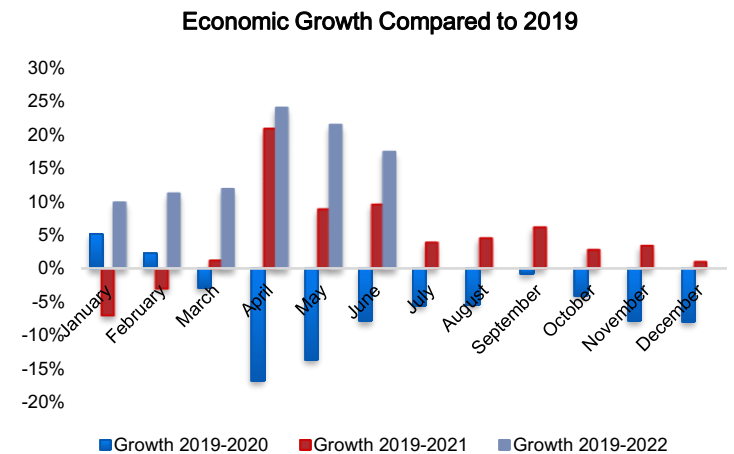


Parliamentary Budget Office of Georgia 2022

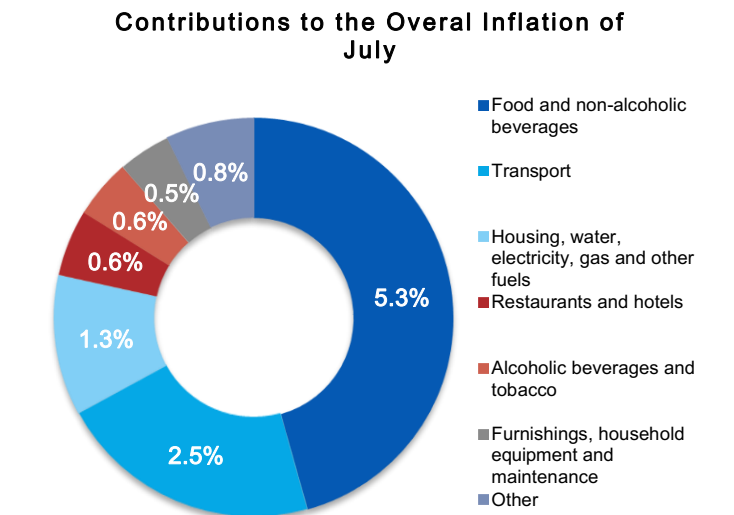
1. Real and Fiscal Sector



In June, positive annual economic growth was 7.2%.
 In accordance with preliminary estimates of GEOSTAT, in June 2022, annual real GDP growth amounted to 7.2% YoY.
 According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 14.8% in June.
 Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

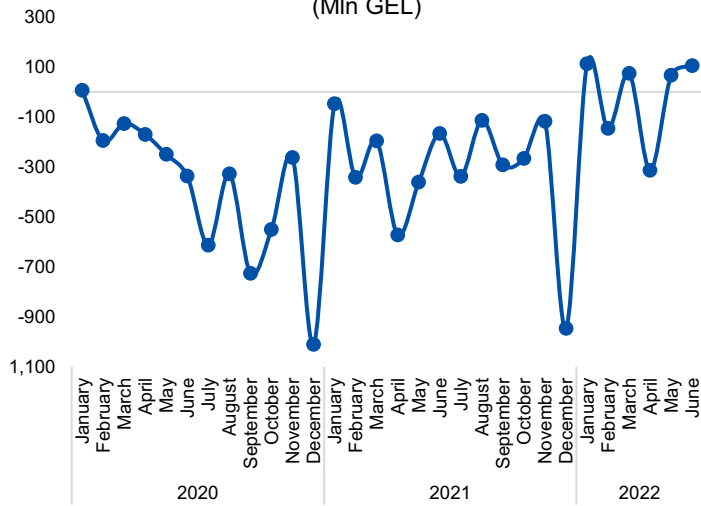


In July, annual CPI inflation amounted to 11.5%
 In July 2022, the inflation rate amounted to 11.5% YoY, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, restaurants and hotels, alcoholic beverages and tobaccos. In June 2022, the annual forecasted GDP deflator amounted to 11.4%.



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

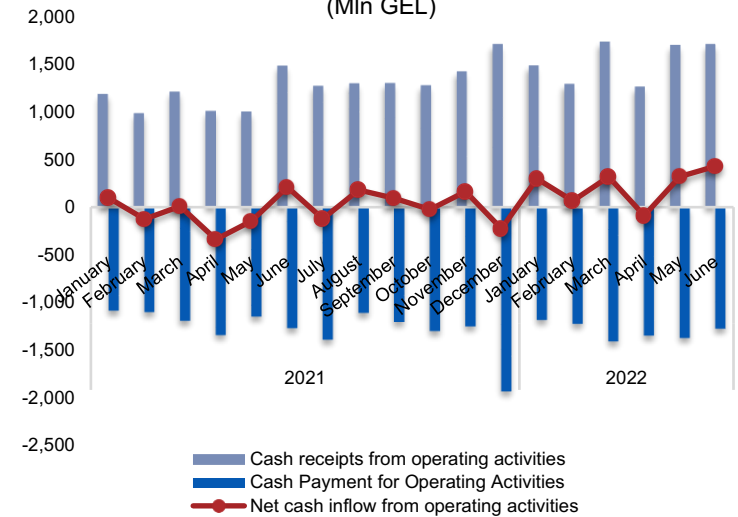
Consolidated Budget Balance
(MIn GEL)



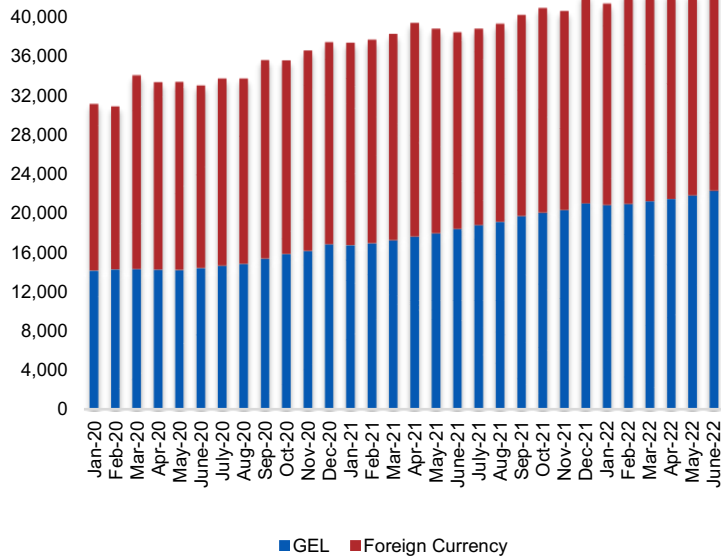
In June, the general government net lending/borrowing was positive.

In June 2022, general government revenues increased by 15.2% YoY, while expenses increased by 0.4% YoY. In the analyzing period, the general government positive net operating balance amounted to 430.3 million GEL, while positive net lending/borrowing was defined at 104.9 million GEL.

Receipts and Payments
(MIn GEL)



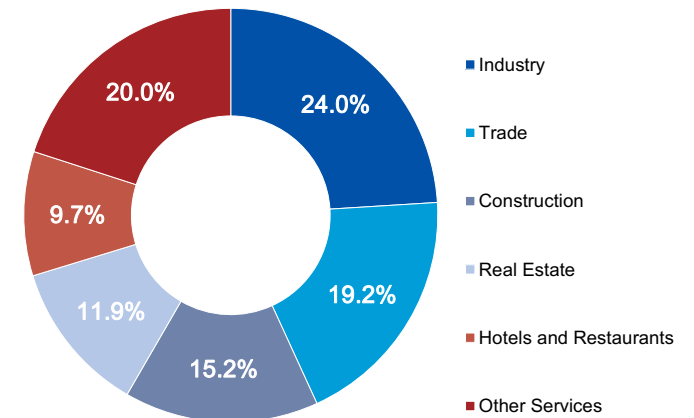
Commercial Bank Loans
(MIn GEL)



In June, compared to the same period of the previous year, commercial bank loans to the national economy exhibited growth trend in both national currency and in foreign currency.

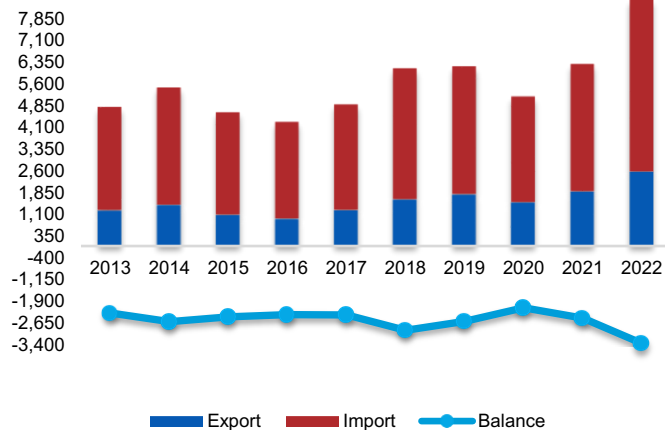
In June 2022, compared to the June of the previous year, commercial bank loans increased by 11.5% and amounted to 42.8 billion GEL. National currency loans increased by 21.1%, while foreign currency loans increased by 2.7%. It's worth mentioning that more than half of total loans (52.8%) was distributed to households. As for loans issued by types of activity, the highest 24.0% were issued in industry, 19.2% in trade, 15.2% in construction, 11.9% in real estate and 9.7% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(MIn USD)
January-June

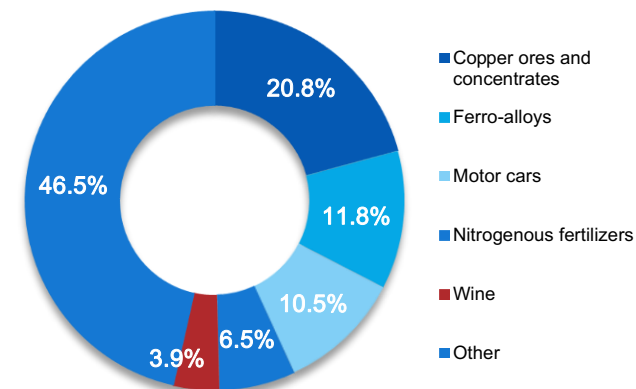


In January - June, both export and import of goods have increased.

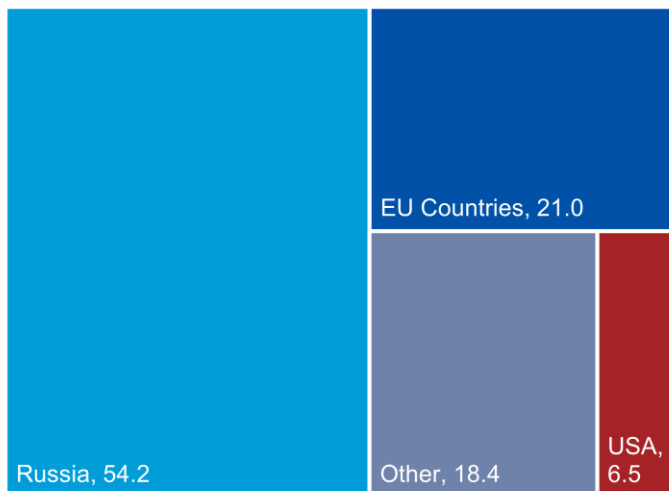
In January - June 2022, exports increased by 35.7%, while imports increased by 35.3% YoY. This was mainly due to the increase in trade turnover, which amounted 8,477 million USD (35.4% increase YoY). During this period, the share of exports in external trade amounted to 30.2%. Export growth was substantial in the following countries: Peru (1,067.8%, as a result of a sharp increase in the export of nitrogenous fertilizers), Kazakhstan (175.8%), USA (122.3%), Armenia (92.9%), Bulgaria (82.6%), Turkey (53.9%) and China (38.0%). It needs to be mentioned that during this period export significantly decreased in Ukraine (37.0%) and in Russia (2.8%).

High growth was recorded in several export commodity groups: electrical energy (303.8%), nitrogenous fertilizers (228.9%), ferro-alloys (61.9%), gold (47.8%), copper ores and concentrates (36.4%), and motor cars (31.1%).

Major Commodity Groups by Exports
(January - June)



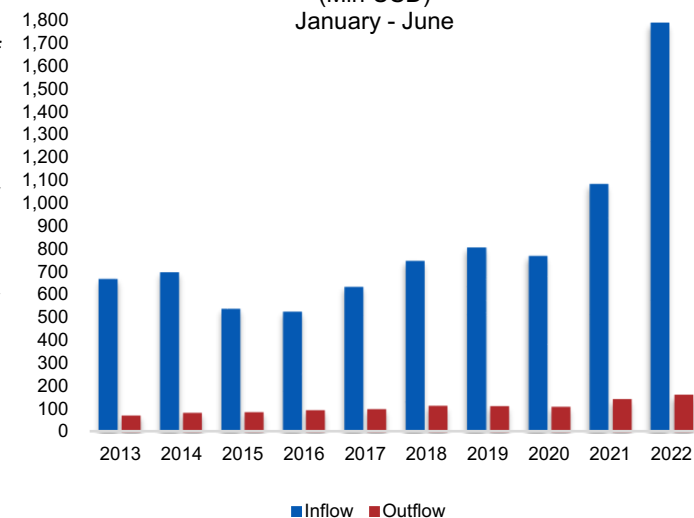
Remittance (%)
June



In June, remittances increased significantly

In June 2022, remittances increased by 111.7% YoY and amounted 427.4 million USD. In June the main source of money transfers are Russia (54.2% of total) and EU countries (21.0%). In the analyzing period, remittances increased significantly from the following countries: Belarus (by 756.0%), Kyrgyzstan (by 518.8%), Russia (by 492.2%), Tajikistan (by 334.8%), Armenia (by 301.8%), Kazakhstan (by 283.9%), Uzbekistan (by 114.7%), Saudi Arabia (by 75.7%), Netherlands (by 75.2%), while decreased from Ukraine (by 99.5%) and Azerbaijan (by 36.0%).

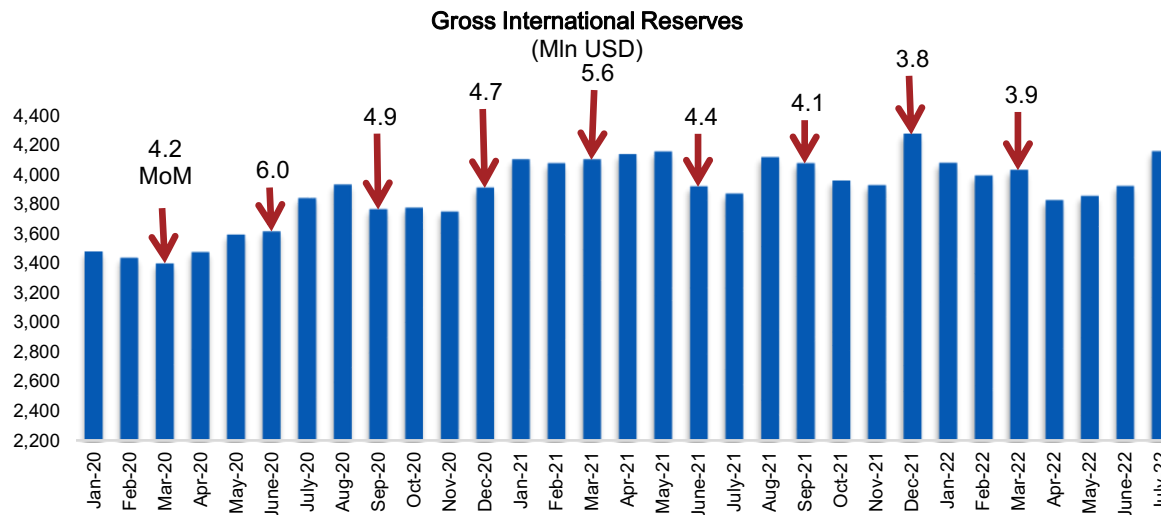
Remittance
(MIn USD)
January - June



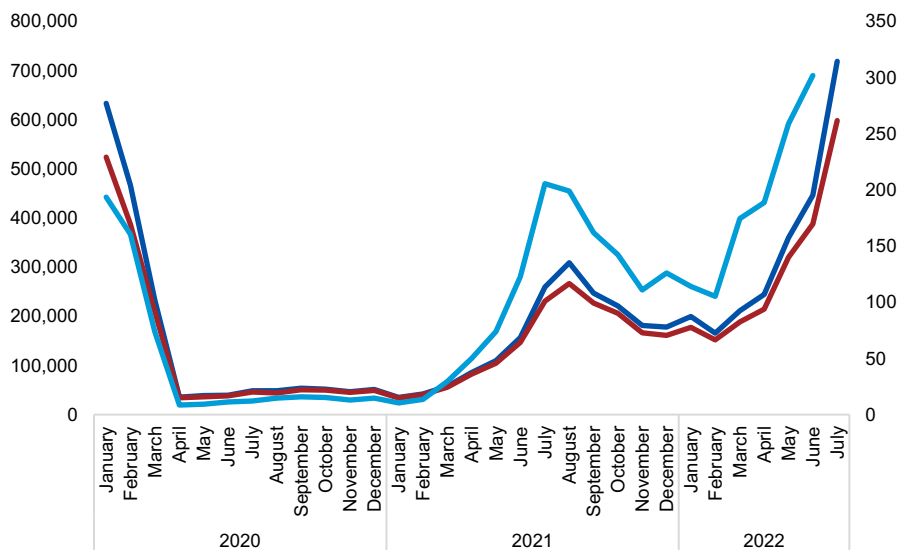
In July 2022, International Reserves amounted to 4,157 million USD.

In July 2022, international reserves amounted to 4,157 million USD, which is a 7.3% YoY and 6.0% MoM increase.

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



International Traveler Trips and Income from Foreign Travel



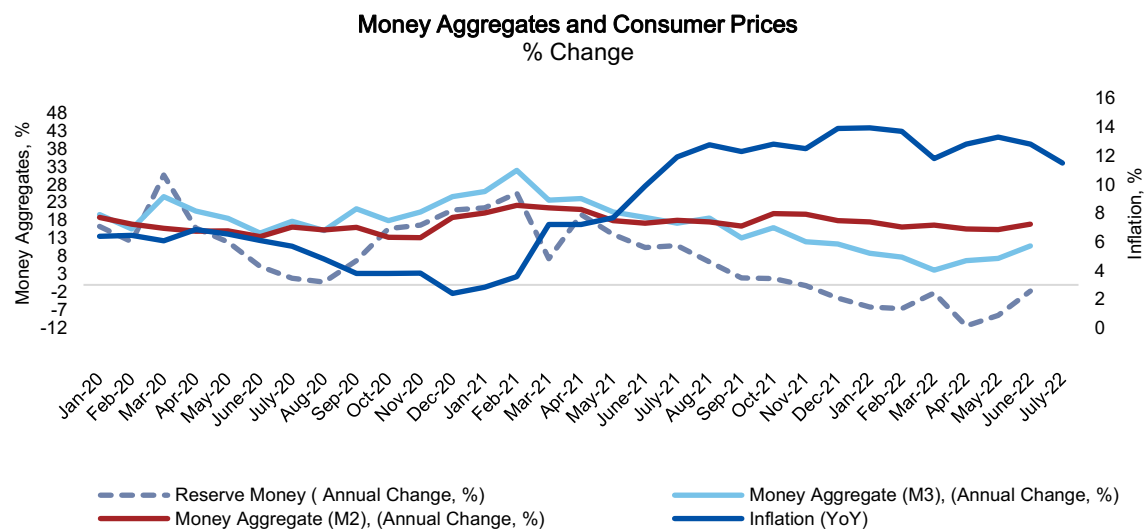
In July 2022 both international traveler trips and international visitor trips have increased.

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 June* 2022, income from foreign travel amounted to 301.7 USD, which is 146.3% higher than same indicator in June 2021.

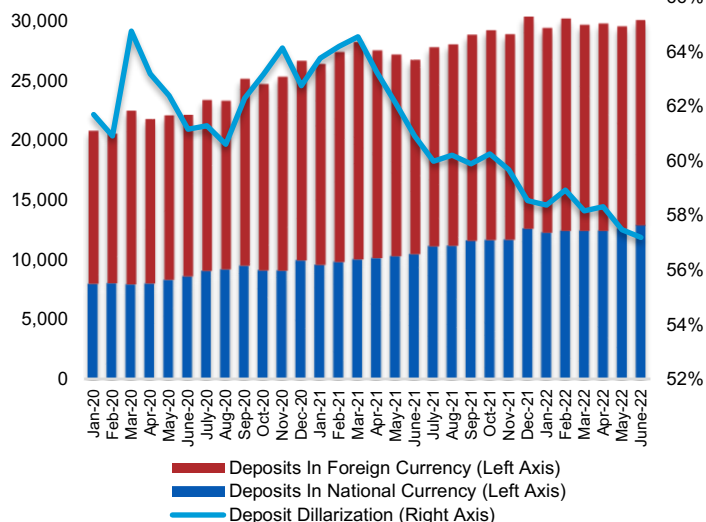
3. Monetary Sector

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

In June 2022, reserve money decreased by 1.7% YoY, money aggregate M2 increased by 16.9%, and money aggregate M3 – by 10.8%. In July 2022, consumer price inflation amounted to 11.5% YoY.



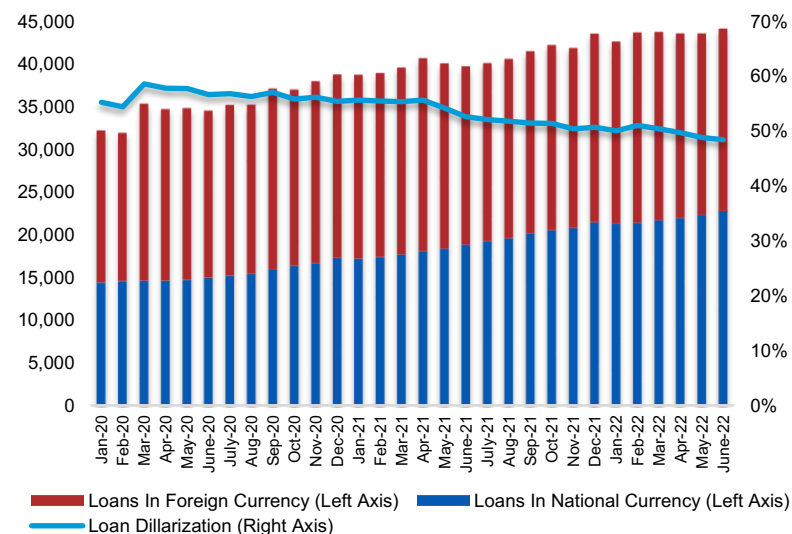
Deposits and Dollarization
(MIn GEL) (%)



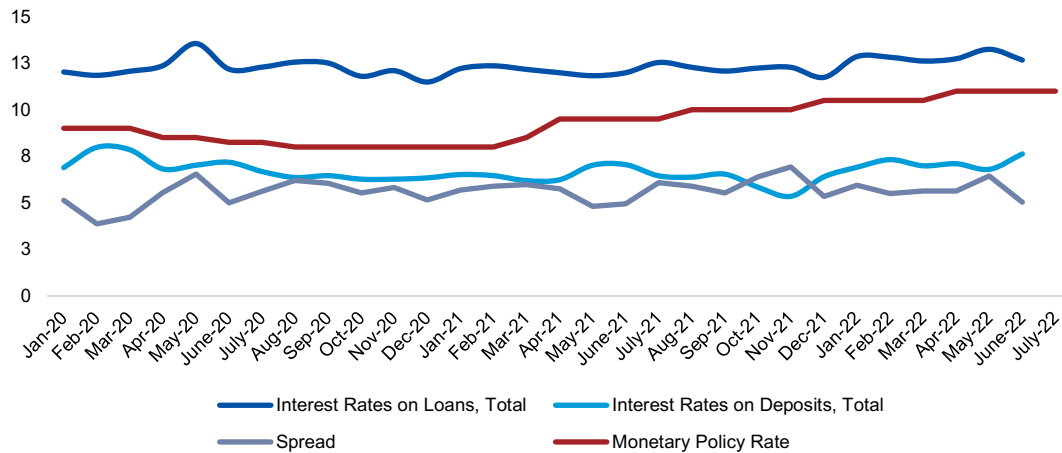
In June, the dollarization on deposits and on loans decreased MoM.

In June 2022, the deposit dollarization indicator decreased by 0.28 pp and amounted to 57.2% MoM, while loan dollarization has decreased by 0.41 pp and made up to 48.4%. In June, foreign currency deposits increased by 1.3% MoM, while national currency deposits increased by 2.5%.

Loans and Dollarization
(MIn GEL) (%)



Market Interest Rates on Loans and Deposits (%)



In June, interest rates increased on deposits by 0.8 pp MoM, while interest rates decreased on loans by 0.6 pp MoM.

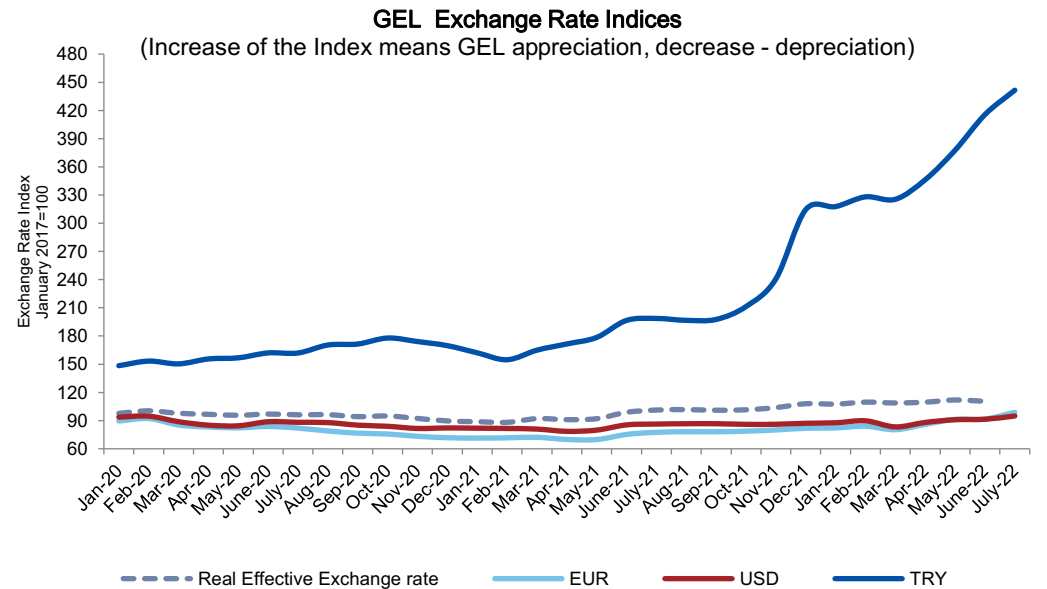
In June 2022, market interest rates on loans amounted to 12.7%, while interest rates on deposits were defined at 7.6%. The interest rate spread (difference between loan and deposit rates) amounted to 5.0% as of June 2022, 0.1 pp higher compared to June 2021.

On June 22, 2022, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

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

In July 2022, GEL appreciated against USD by 3.8%, while appreciated by 7.8% against EUR and by 6.3% against TRY MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In July, the GEL exchange rate appreciated by 9.9% towards USD, by 27.4% towards EUR and by 122.3% towards TRY YoY.

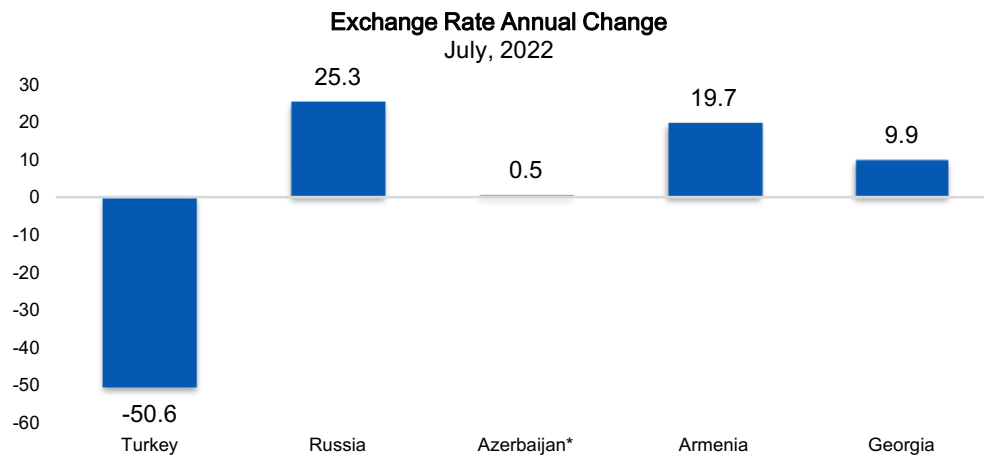
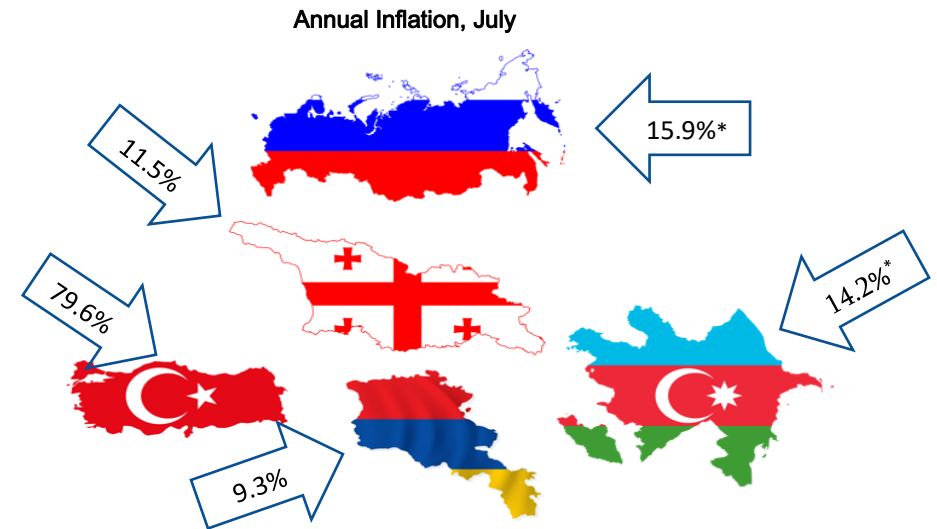
It should be noted that in recent months, the volume of foreign direct investments, remittances, as well as the income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



4. Regional Review

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

Namely, in July 2022, annual inflation amounted to 79.6% in Turkey. Inflation was lower in Armenia (9.3%). As for Azerbaijan* and Russia*, in June 2022, consumer prices have increased by 14.2% in Azerbaijan and by 15.9% YoY in Russia.



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

Particularly, in July 2022, RUB appreciated by 25.3%, AMD by 19.7% and AZN by 0.5% YoY towards USD. In the analyzing period TRY depreciated by 50.6% 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

		Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 21	May 22	Jun 22	Jul 22
Real Sector	GDP Growth Rate (%)	9.9	10.3	6.9	6.9	12.0	9.6	18.0	14.6	10.6	2.6	11.6	7.2	
	VAT Turnover Growth Rate (%)	26.5	31.2	24.0	25.6	32.6	31.2	39.8	27.3	24.4	11.7	25.3	20.4	
Monetary Sector	Inflation (%)	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8	13.3	12.8	11.5
	Monetary Policy Rate (%)	9.5	10.0	10.0	10.0	10.0	10.5	10.5	10.5	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)	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.2	3.1	3.0	3.0	2.8
	Remittances (Thousand USD)	208,428.2	204,893.0	209,749.8	206,691.2	207,337.5	229,487.0	168,840.5	183,418.8	193,065.3	308,140.1	505,708.1	427,354.6	
	Export (USD Million)	386.3	335.1	373.6	411.2	430.4	419.5	331.3	429.0	411.4	415.7	522.6	448.6	
	Import (USD Million)	882.6	868.1	958.3	936.2	1,033.3	1,050.3	800.9	1,018.9	925.6	991.7	1,134.7	1,047.0	
	Trade Balance (USD Million)	-496.2	-533.0	-584.7	-524.9	-603.0	-630.8	-469.5	-589.8	-514.2	-575.9	-612.0	-598.4	
	International Reserves (USD Million)	3,872.7	4,116.7	4,076.6	3,959.0	3,928.5	4,272.1	4,078.1	3,992.9	4,030.6	3,826.4	3,855.2	3,922.4	4,156.7
Fiscal Sector	Revenues (GEL Million)	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	1,263.2	1,697.9	1,707.5	
	Recurrent Expenditure (GEL Million)	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	1,350.9	1,377.3	1,277.2	
	Capital Expenditure (GEL Million)	243.1	308.1	479.9	248.2	296.6	798.8	193.9	218.0	304.2	230.5	266.1	445.9	

Increase
 Decrease
 Change < 1%

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

		07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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