



June, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in May annual economic growth amounted to 11.6% YoY
- Annual inflation amounted to 12.8% in June
- In June, GEL appreciated against USD (by 0.5%) and against EUR (by 0.3%) MoM

Macroeconomic Analysis and Tax Policy Unit

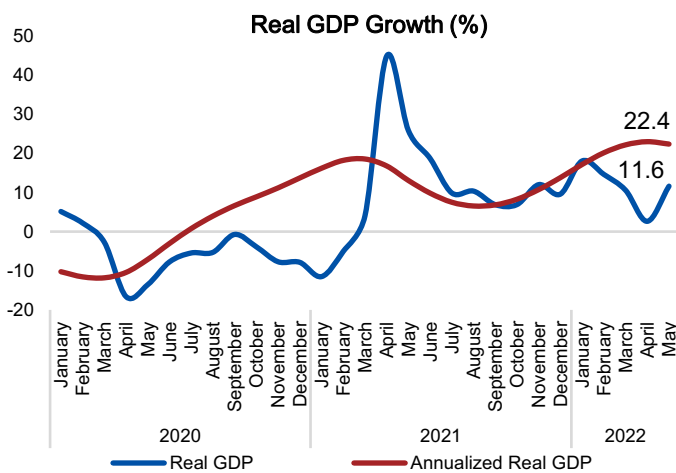
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*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



Parliamentary Budget Office of Georgia 2022

1. Real and Fiscal Sector

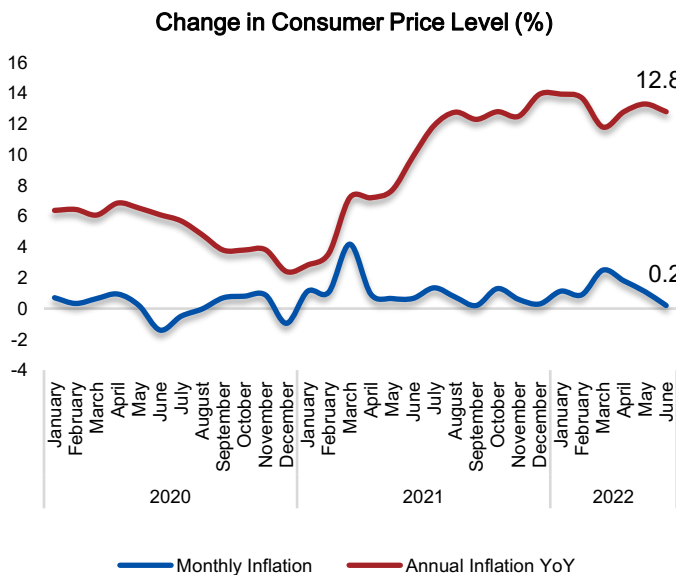
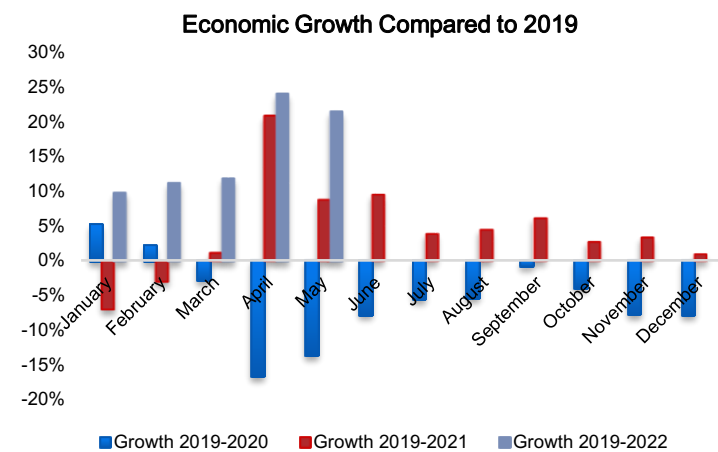


In May, positive annual economic growth was 11.6%.

In accordance with preliminary estimates of GEOSTAT, in May 2022, annual real GDP growth amounted to 11.6% YoY.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 22.4% in May.

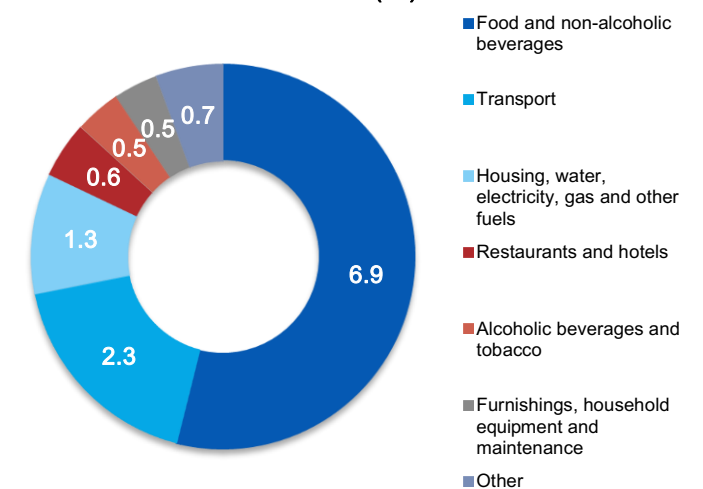
Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.



In June, annual CPI inflation amounted to 12.8%

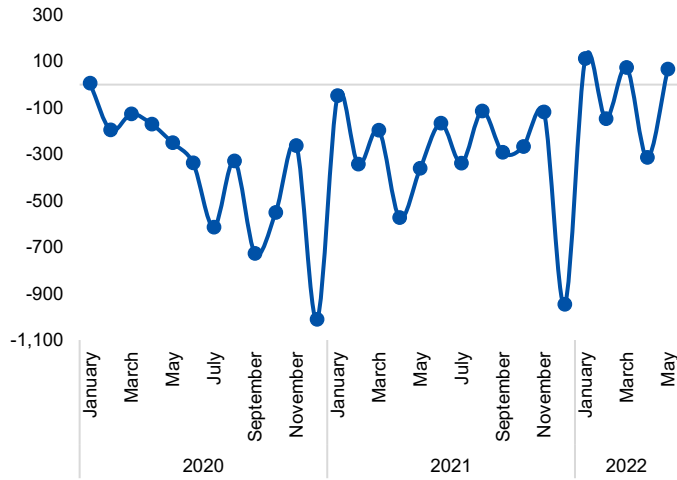
In June 2022, the inflation rate amounted to 12.8% YoY, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, restaurants and hotels, furnishings, alcoholic beverages and tobaccos. In May 2022, the annual forecasted GDP deflator amounted to 11.6%.

Contributions to the Overall Inflation of June (%)



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

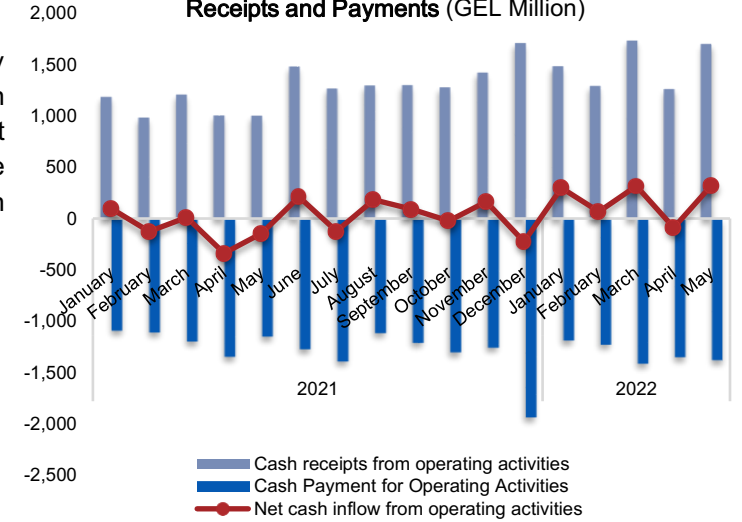
Consolidated Budget Balance (MIn GEL)



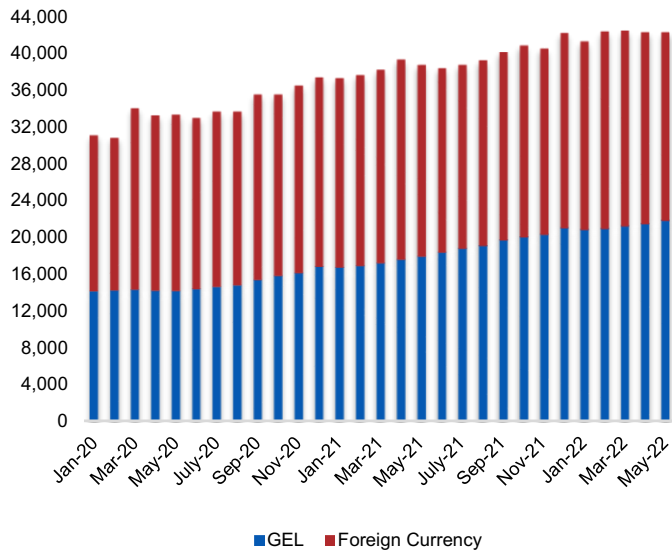
In May, the general government net lending/borrowing was positive.

In May 2022, general government revenues increased by 69.3% YoY, while expenses increased by 19.9% YoY. In the analyzing period, the general government positive net operating balance amounted to 320.6 million GEL, while positive net lending/borrowing was defined at 66.2 million GEL.

Receipts and Payments (GEL Million)



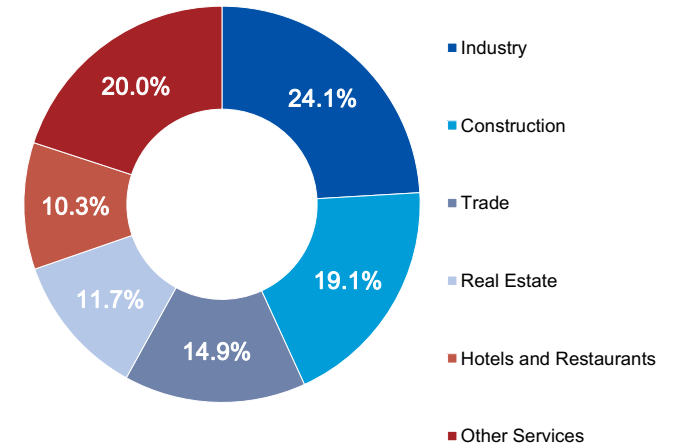
Commercial Bank Loans (GEL Million)



In May, compared to the same period of the previous year, commercial bank loans to the national economy exhibited growth trend in national currency, while decreased in foreign currency.

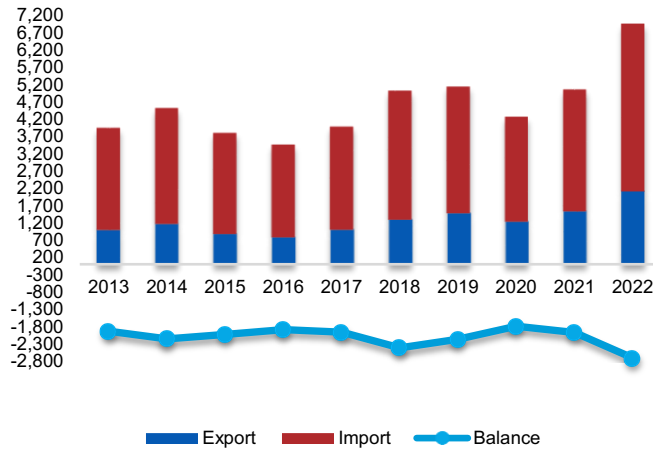
In May 2022, compared to the May of the previous year, commercial bank loans increased by 9.1% and amounted to 42.3 billion GEL. National currency loans increased by 21.7%, while foreign currency loans decreased by 1.7%. It's worth mentioning that more than half of total loans (52.9%) was distributed to households. As for loans issued by types of activity, the highest 24.1% were issued in industry, 19.1% in trade, 14.8% in construction, 11.7% in real estate and 10.3% in the field of hotels and restaurants.

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



2. External Sector

External Trade Indicators (MIn USD)
January-May

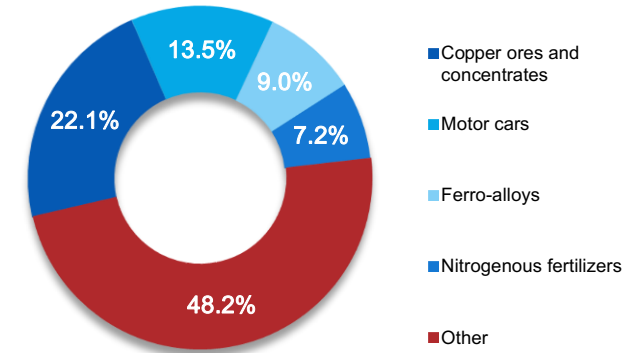


In January - May, both export and import of goods have increased.

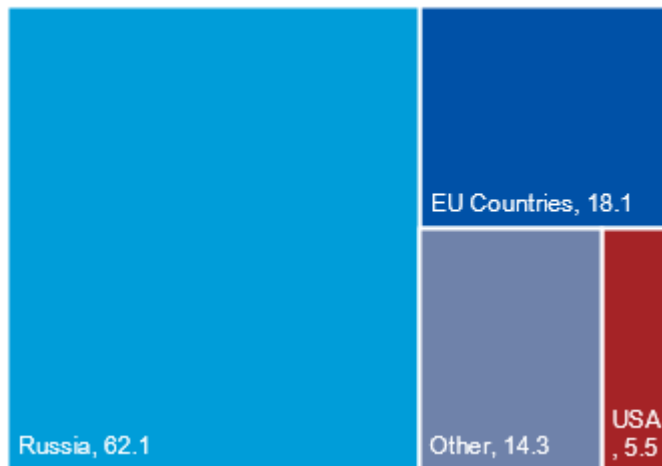
In January - May 2022, exports increased by 37.5%, while imports increased by 37.3% YoY. This was mainly due to the increase in trade turnover, which amounted 6,934 million USD (37.4% increase YoY). During this period, the share of exports in external trade amounted to 30.5%. Export growth was substantial in the following countries: Peru (1,397.8%, as a result of a sharp increase in the export of nitrogenous fertilizers), Kazakhstan (206.2%), USA (173.1%), Bulgaria (82.4%), Turkey (46.0%) and China (38.4%). It needs to be mentioned that during this period export significantly decreased in Ukraine (44.8%).

High growth was recorded in several export commodity groups: nitrogenous fertilizers (232.2%), Ferro-alloys (98.0%), copper ores and concentrates (42.5%), T-shirts knitted (20.1%) and medicaments put up in measured doses (18.7%).

Major Commodity Groups by Exports
(January - May)



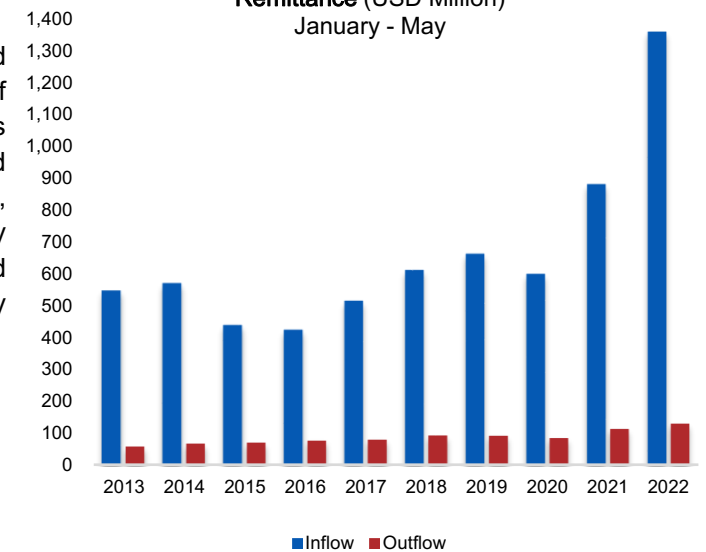
Remittance (%)
May



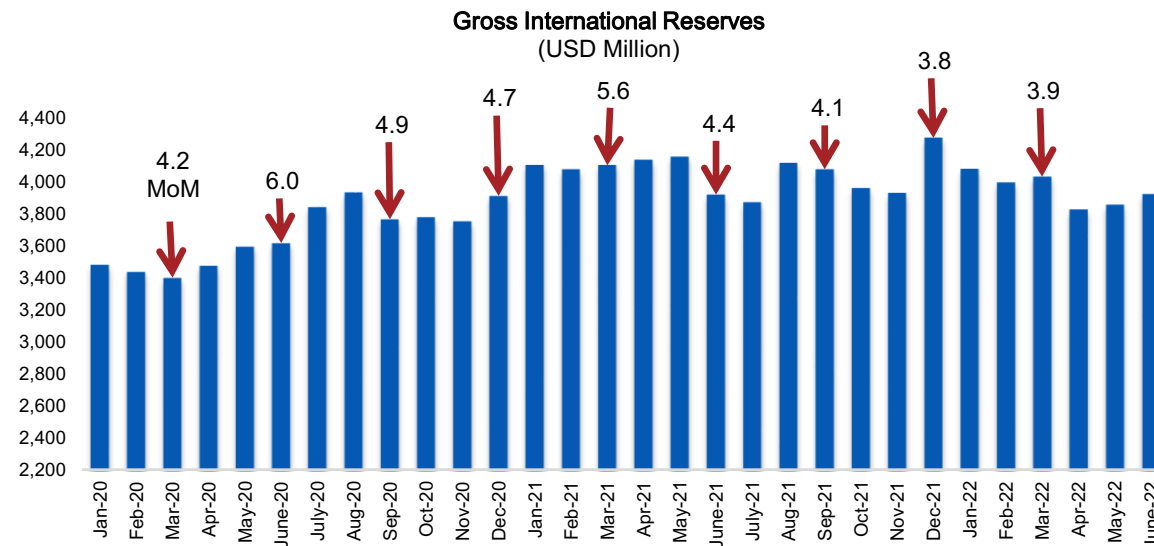
In May, remittances increased significantly

In May 2022, remittances increased by 169.4% YoY and amounted 505.7 million USD. In May the main source of money transfers are Russia (62.1% of total) and EU countries (18.1%). In the analyzing period, remittances increased significantly from the following countries: Russia (by 888.7%), Kazakhstan (by 586.6%), Kyrgyzstan (by 371.5%), Belarus (by 210.1%), Tajikistan (by 203.0%), Uzbekistan (by 191.7%) and Netherlands (by 86.0%), while decreased from Ukraine (by 99.3%) and Azerbaijan (by 39.5%).

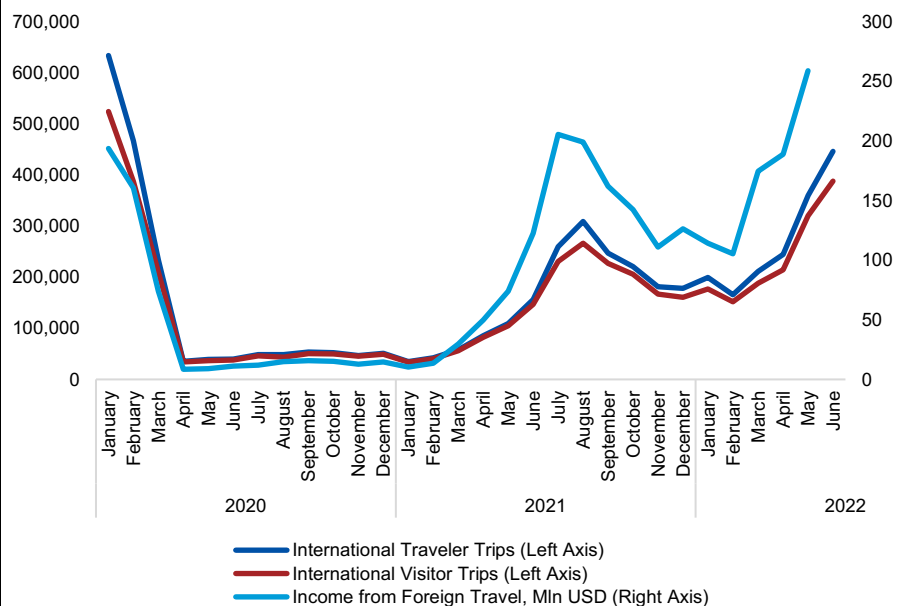
Remittance (USD Million)
January - May



In June 2022, International Reserves amounted to 3,922 million USD.
 In June 2022, international reserves amounted to 3,922 million USD, which is a 0.1% YoY and 1.7% MoM increase.
 In June 2022, no foreign exchange interventions were carried out by the National Bank.



International Traveler Trips and Income from Foreign Travel

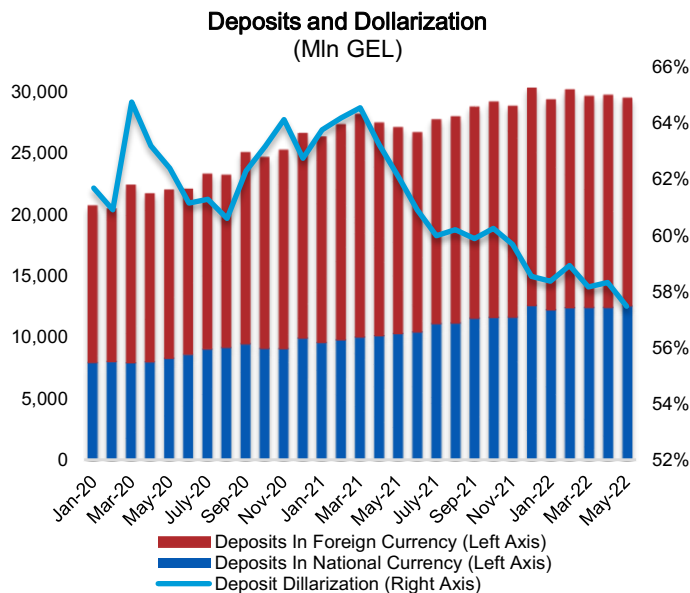
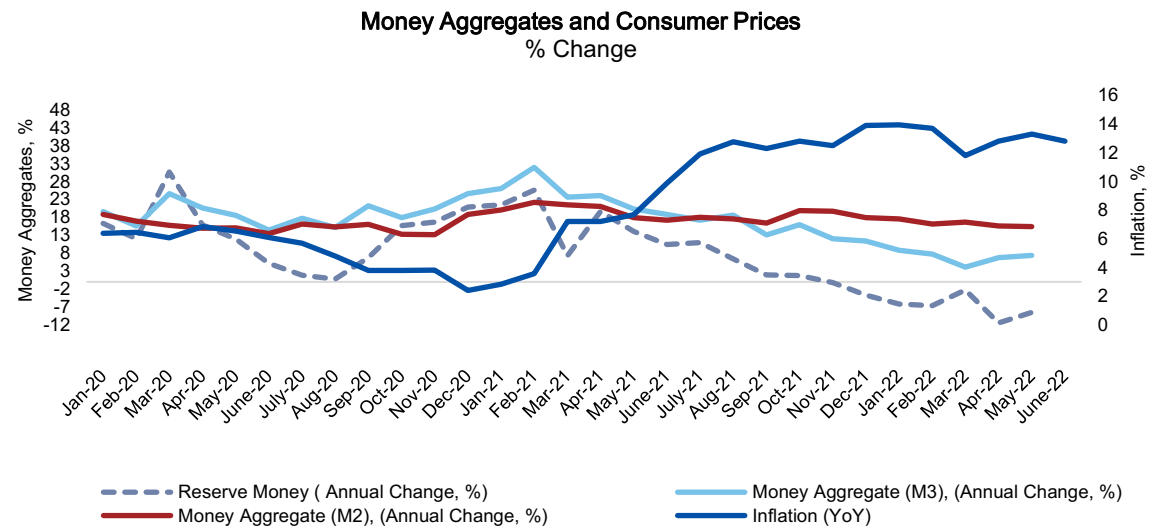


In June 2022 both international traveler trips and international visitor trips have increased.
 In June 2022, international traveler trips increased by 185.5% YoY and amounted to 445,894. International traveler trips also include trips made by international visitors. In June 2022 International visitor trips reached 387,781 (164.4% higher compared to the same indicator of June 2021).
 In May* 2022, income from foreign travel amounted to 258.6 mln USD, which is 250.4% higher than same indicator in May 2021.

3. Monetary Sector

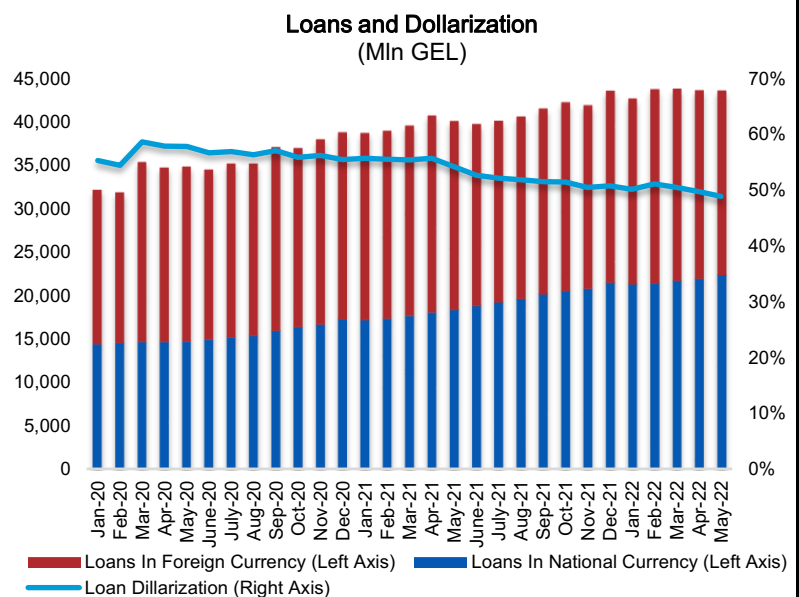
In May, compared to the same period of the previous year, reserve money had a decrease tendency.

In May 2022, reserve money decreased by 8.5% YoY, money aggregate M2 increased by 15.4%, and money aggregate M3 – by 7.3%. In June 2022, consumer price inflation amounted to 12.8% YoY.

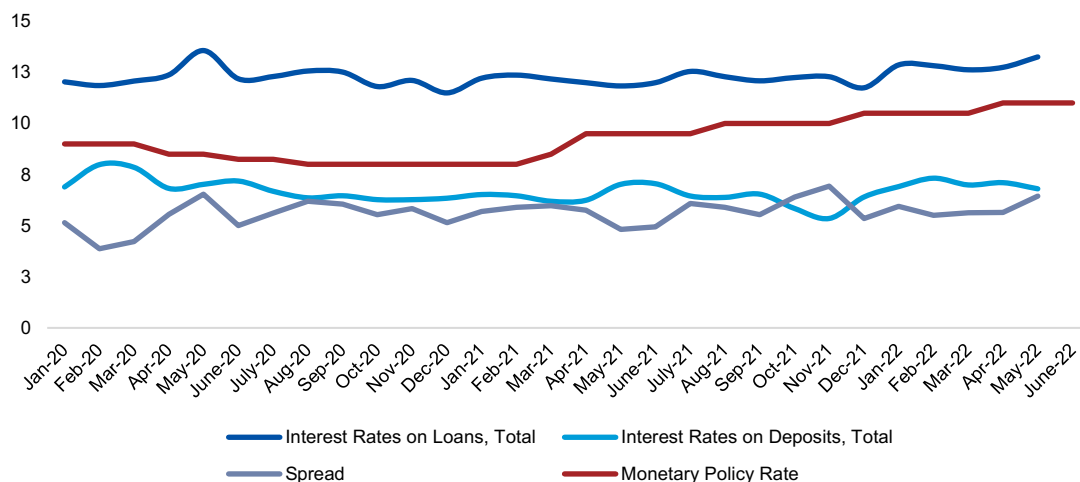


In May, the dollarization on deposits and on loans decreased MoM.

In May 2022, the deposit dollarization indicator decreased by 0.85 pp and amounted to 57.5% MoM, while loan dollarization has decreased by 0.89 pp and made up to 48.8%. In May, foreign currency deposits decreased by 2.3% MoM, while national currency deposits increased by 1.2%.



Market Interest Rates on Loans and Deposits (%)



In May, interest rates decreased on deposits by 0.3 pp MoM, while interest rates increased on loans by 0.5 pp MoM.

In May 2022, market interest rates on loans amounted to 13.3%, while interest rates on deposits were defined at 6.8%. The interest rate spread (difference between loan and deposit rates) amounted to 6.5% as of May 2022, 1.6 pp higher compared to May 2021.

On June 22, 2022, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11%.

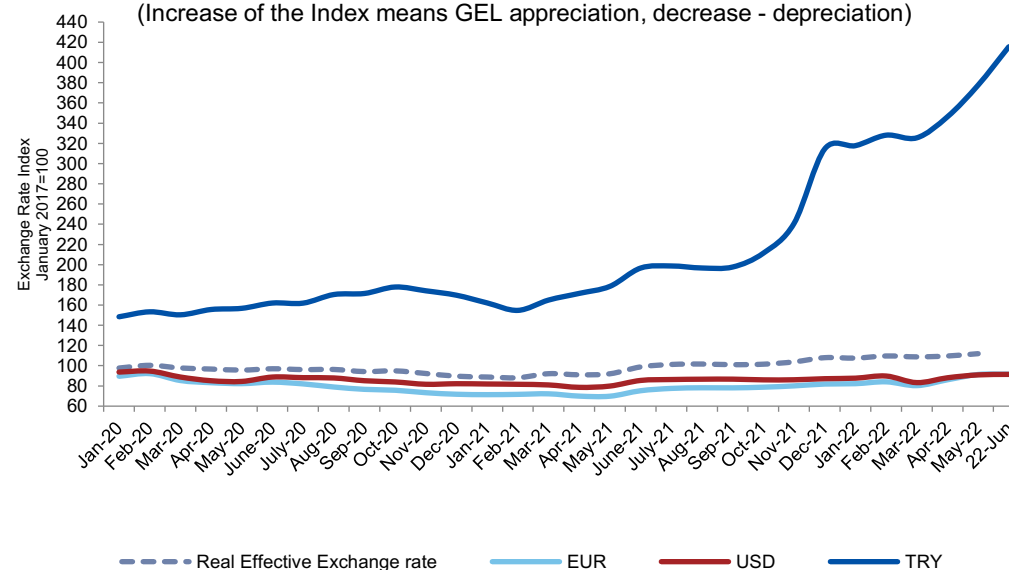
In June, compared to the previous month, the GEL shows appreciation toward USD and towards EUR.

In June 2022, GEL appreciated against USD by 0.5%, while appreciated by 0.3% against EUR and by 10.0% against TRY MoM. In the analyzing period, the nominal effective exchange rate depreciated slightly. In June, the GEL exchange rate appreciated by 7% towards USD, by 21.8% towards EUR and by 111.4% towards TRY YoY.

It should be noted that in recent months, the volume of direct foreign 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

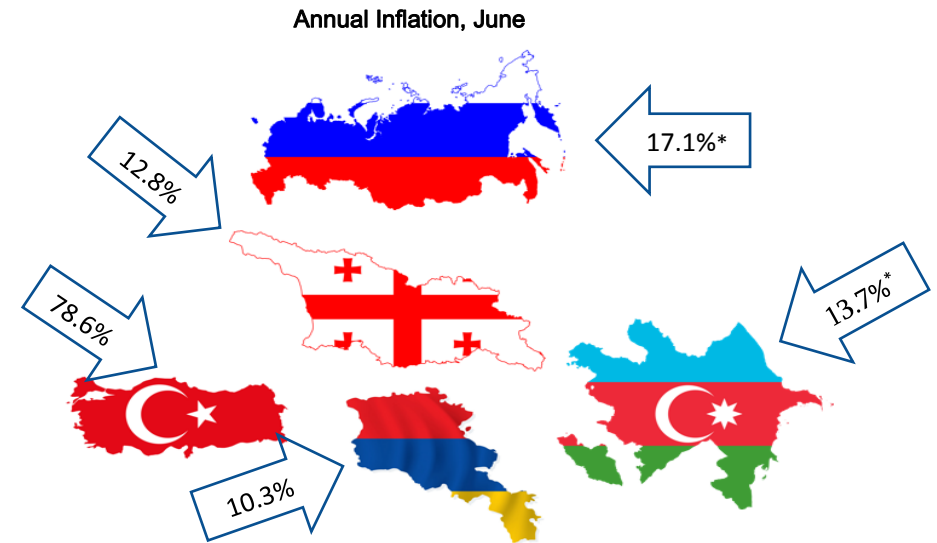
(Increase of the Index means GEL appreciation, decrease - depreciation)



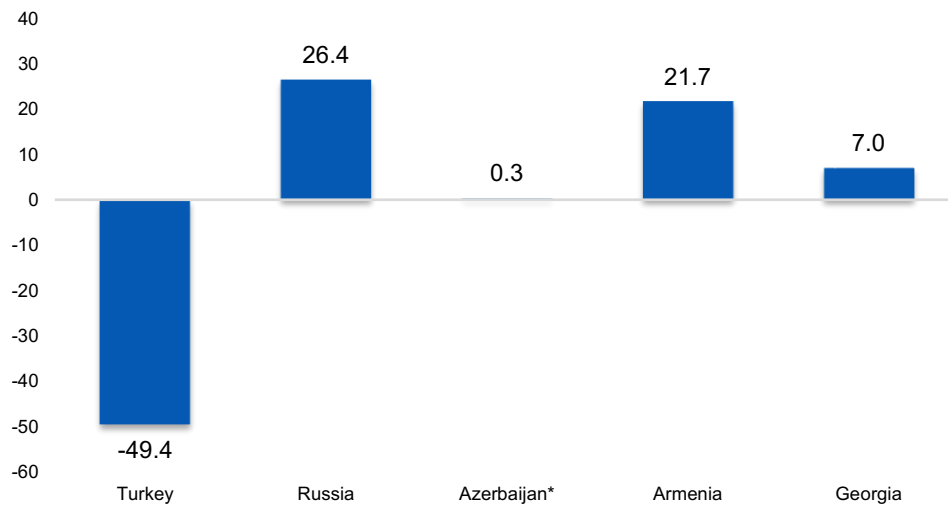
4. Regional Review

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

Namely, in June 2022, annual inflation amounted to 78.6% in Turkey. Inflation was lower in Armenia (10.3%). As for Azerbaijan* and Russia*, in May 2022, consumer prices have increased by 13.7% in Azerbaijan and by 17.1% YoY in Russia.



Exchange Rate Annual Change
June, 2022



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

Particularly, in June 2022, RUB appreciated by 26.4%, AMD by 21.7% and AZN by 0.3% YoY towards USD. In the analyzing period TRY depreciated by 49.4% YoY.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 21	May 22	Jun 22
Real Sector	GDP Growth Rate (%)	18.7	9.9	10.3	6.9	6.9	12.0	9.6	18.0	14.6	10.6	2.6	11.6	
	VAT Turnover Growth Rate (%)	37.5	26.5	31.2	24.0	25.6	32.6	31.2	39.8	27.3	24.4	11.7	25.3	
Monetary Sector	Inflation (%)	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8	13.3	12.8
	Monetary Policy Rate (%)	9.5	9.5	10.0	10.0	10.0	10.0	10.5	10.5	10.5	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)	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.2	3.1	3.0	3.0
	Remittances (Thousand USD)	201,898.4	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	
	Export (USD Million)	350.7	386.3	335.1	373.6	411.2	430.4	419.5	331.3	429.0	411.4	415.7	524.6	
	Import (USD Million)	863.7	882.6	868.1	958.3	936.2	1,033.3	1,050.3	800.8	1,018.7	925.6	957.0	1,119.4	
	Trade Balance (USD Million)	-513.1	-496.2	-533.0	-584.7	-524.9	-603.0	-630.8	-469.5	-589.6	-514.2	-541.3	-594.8	
	International Reserves (USD Million)	3,918.4	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
Fiscal Sector	Revenues (GEL Million)	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	1,263.2	1,697.9	
	Recurrent Expenditure (GEL Million)	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	1,350.9	1,377.3	
	Capital Expenditure (GEL Million)	496.1	243.1	308.1	479.9	248.2	296.6	798.8	193.9	218.0	304.2	230.5	266.1	

Increase
 Decrease
 Change < 1%

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

		06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022
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.

		06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022
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.