



March, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in February annual economic growth amounted to 14.6% YoY
- Annual inflation amounted to 11.8% in March
- In March, GEL depreciated against USD (by 7.2%) and against EUR (by 4.5%) MoM

Macroeconomic Analysis and Tax Policy Unit

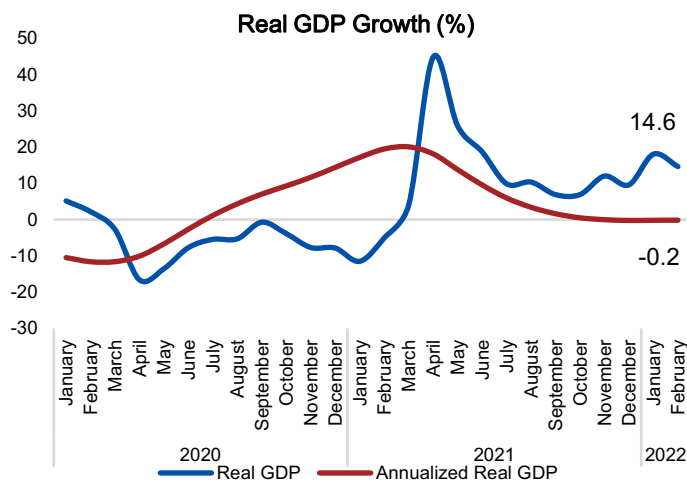
E-Mail: pbo@parliament.ge

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



Parliamentary Budget Office of Georgia 2022

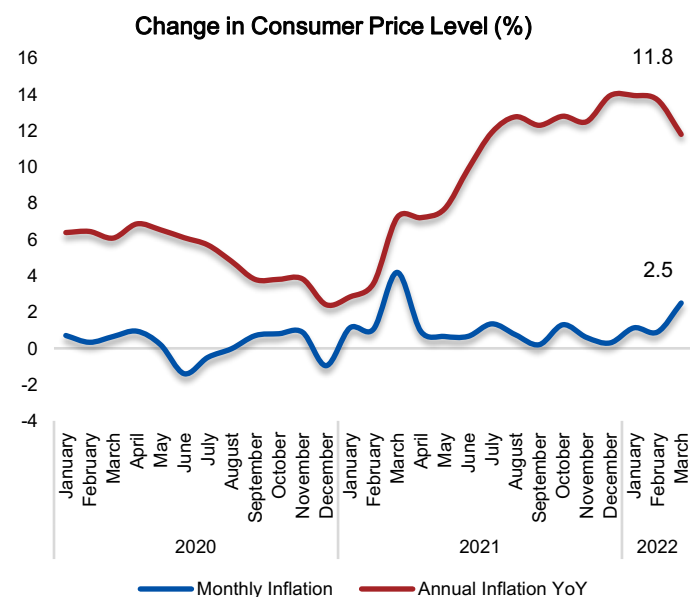
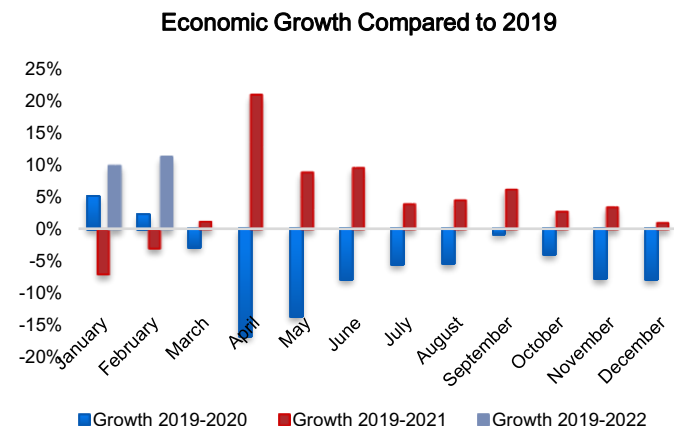
1. Real and Fiscal Sector



In February, positive annual economic growth was 14.6%. In accordance with preliminary estimates of GEOSTAT, in February 2022, annual real GDP growth amounted to 14.6% YoY.

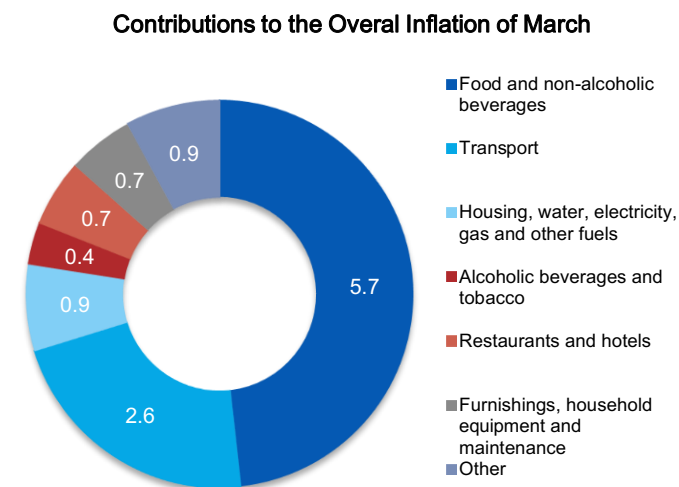
According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to -0.2% in February.

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



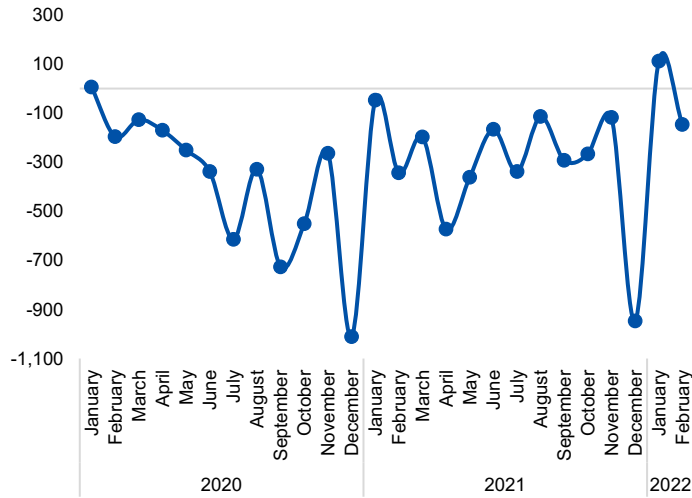
In March, annual CPI inflation amounted to 11.8%

In March 2022, the inflation rate amounted to 11.8%, 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 February 2022, the annual forecasted GDP deflator amounted to 8.9%.



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

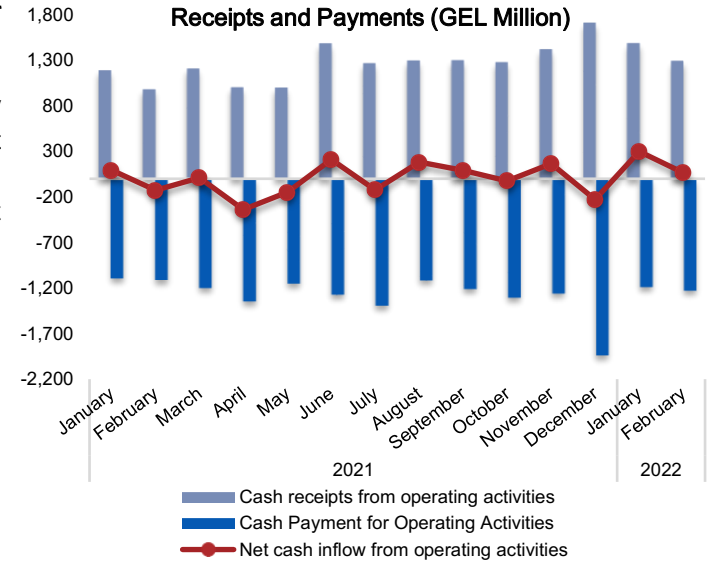
Consolidated Budget Balance (MIn GEL)



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

In February 2022, general government revenues increased by 31.4% YoY, while expenses increased by 10.6%. In the analyzing period, the general government positive net operating balance amounted to 65.9 million GEL, while negative net lending/borrowing was defined at 146.7 million GEL.

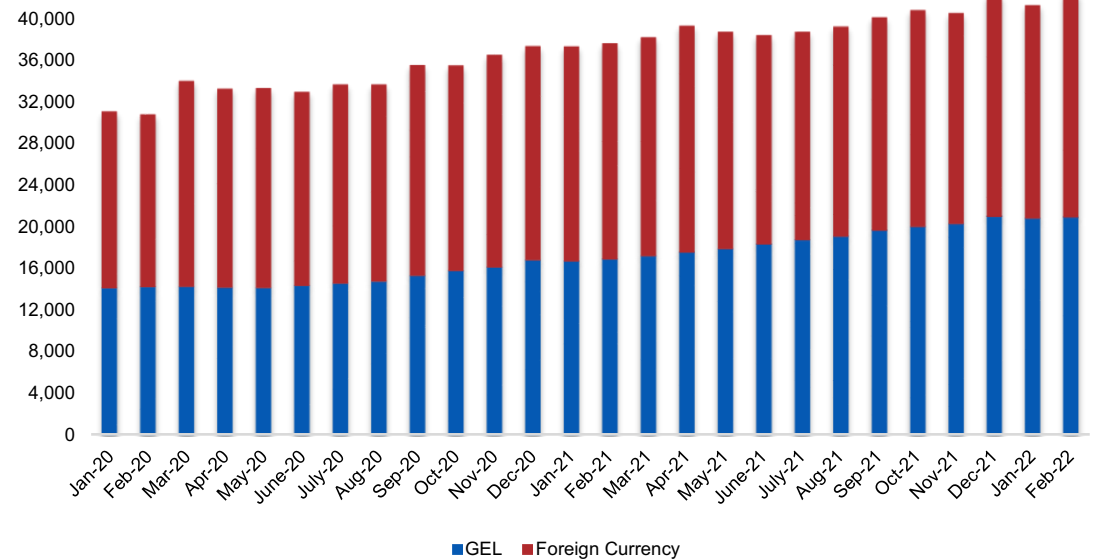
Receipts and Payments (GEL Million)



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

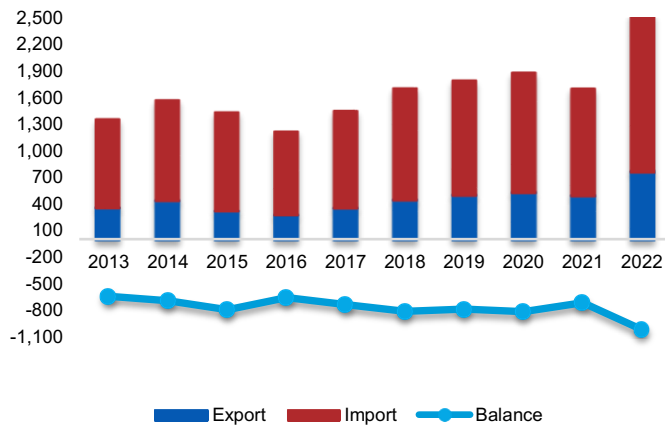
In February 2022, compared to the February of the previous year, commercial bank loans increased by 12.6% and amounted to 42.4 billion GEL. National currency loans increased by 23.8%, while foreign currency loans increased by 3.4%.

Comercial Bank Loans (GEL Million)



2. External Sector

External Trade Indicators (Mln USD)
January-February

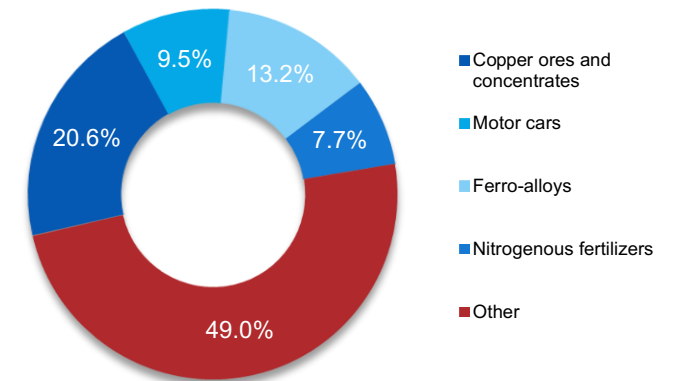


In January - February, both export and import of goods have increased.

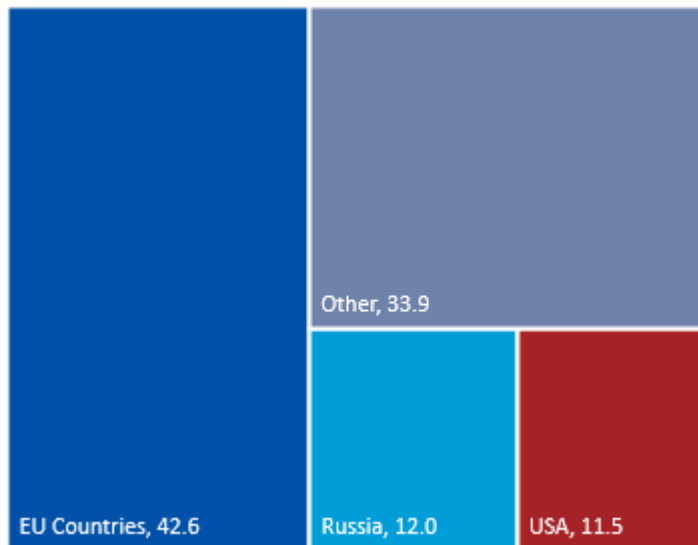
In January - February 2022, exports increased by 54.5%, while imports increased by 47.2% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 29.9%. Export growth was substantial in the following countries: India (2,256%), Peru (938.6%), Kazakhstan (334.7%), USA (146.7%) and Bulgaria (131%). It needs to be mentioned that during this period export significantly decreased in Tunisia (100%), Morocco (96.1%), Spain (84.2%) and Canada (76.8%).

High growth was recorded in several export commodity groups: nitrogenous fertilizers (214.2%), medicaments put up in measured doses (119.8%) and Ferro-alloys (92.7%).

Major Commodity Groups by Exports
January - February



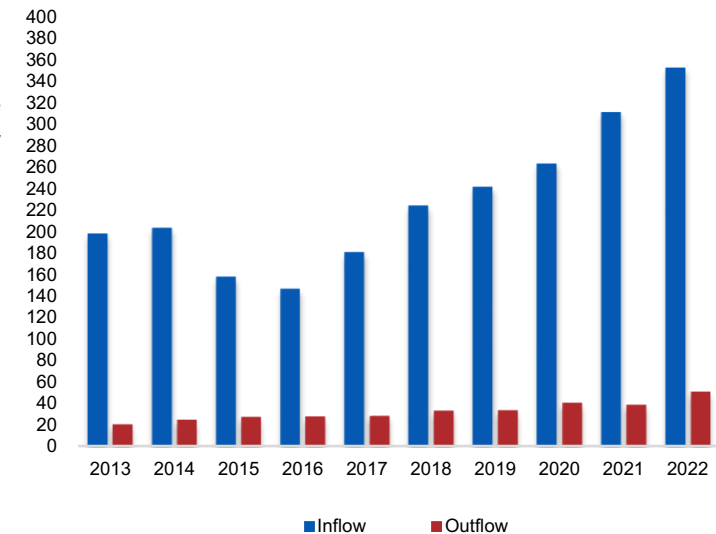
Remittance (%)
February



In February, remittances increased

In February 2022, remittances increased by 13.7% YoY. In February the main source of money transfers are EU countries (42.6% of total), Russia (12%), and the USA (11.5%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 680.7%), Kyrgyzstan (by 225.2%), United Kingdom (by 122.7%), Ireland (by 71.3%) and Germany (by 61.9%).

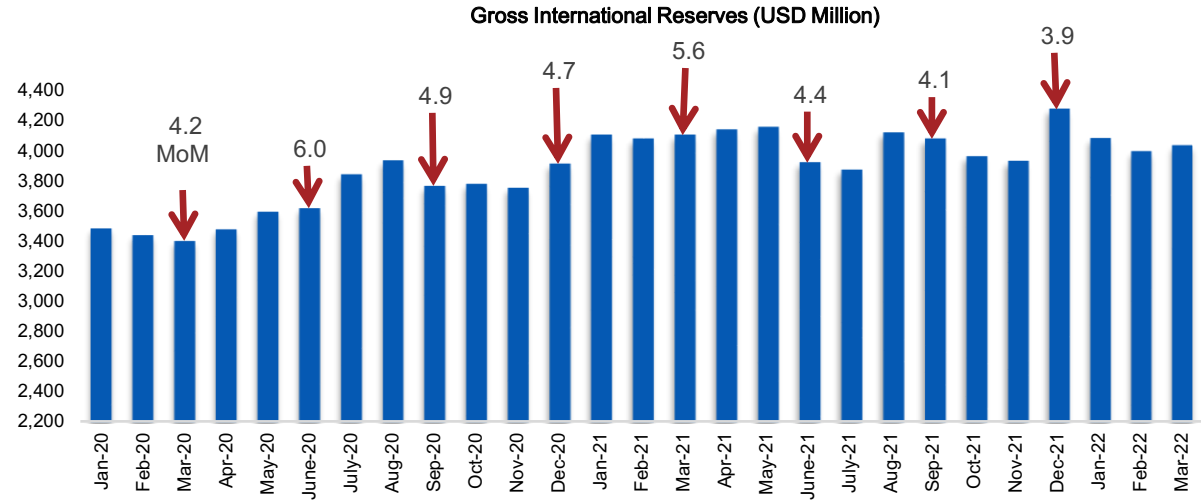
Remittance (USD Million)
January - February



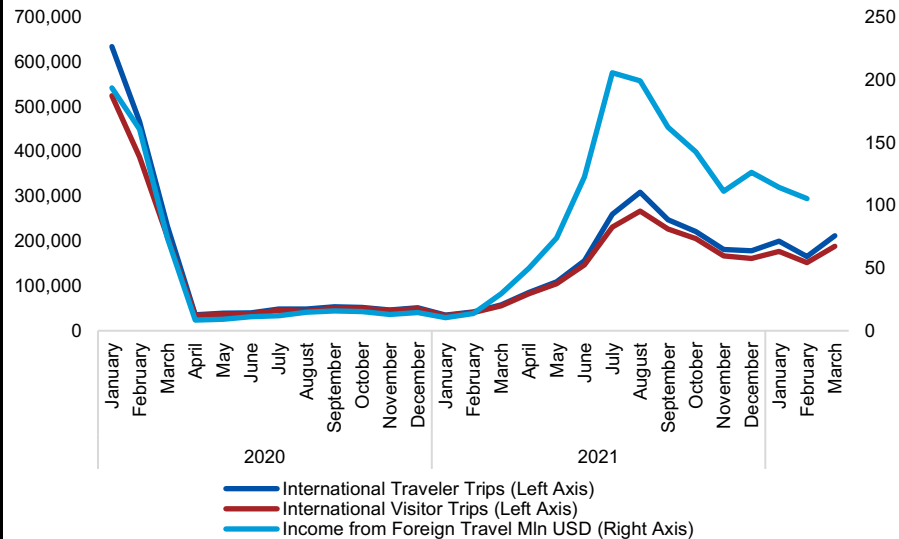
In March 2022, International Reserves amounted to 4,031 million USD.

In March 2022, international reserves amounted to 4,031 million USD, which is a 1.7% YoY decrease and 0.9% MoM increase.

In March, 2022 the National bank of Georgia sold 39.6 million USD.



International Traveler Trips and Income from Foreign Travel



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

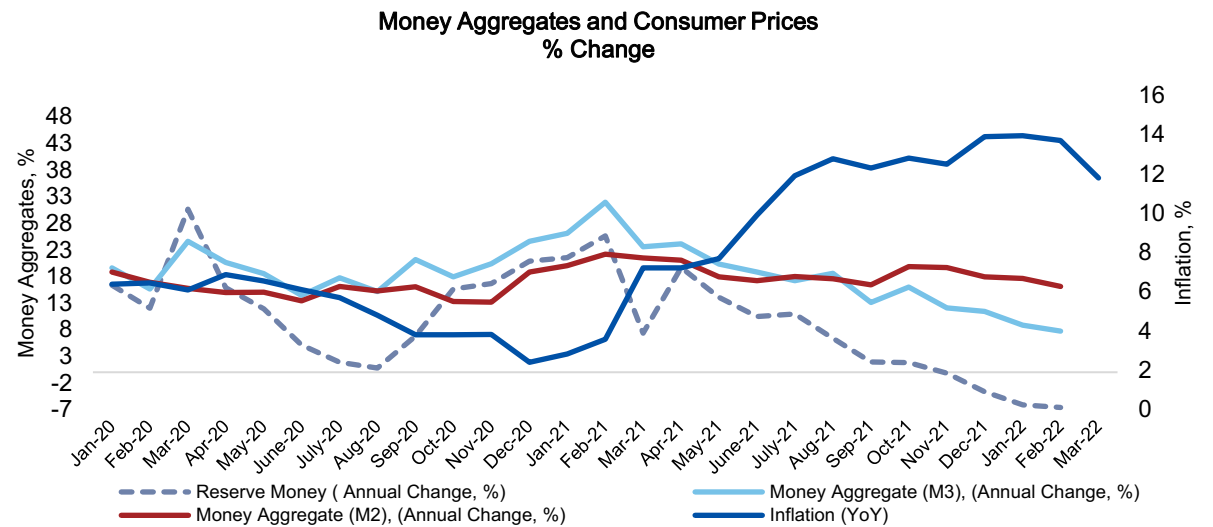
In March 2022, international traveler trips increased by 266.3% YoY and amounted to 211,484. International traveler trips also include trips made by international visitors. In March, 2022 International visitor trips reached 188,354 (236.9% higher compared to the same indicator of March, 2021).

In February* 2022, income from foreign travel amounted to 105.2 mln USD, which is 670.8% higher than same indicator in February, 2021.

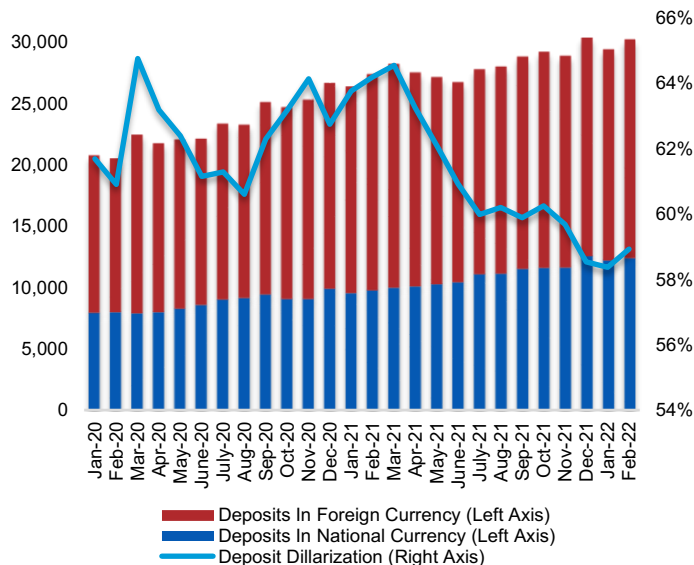
3. Monetary Sector

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

In February 2022, reserve money decreased by 6.6% YoY, money aggregate M2 increased by 16.1%, and money aggregate M3 – by 7.7%. In March 2022, consumer price inflation amounted to 11.8% YoY.



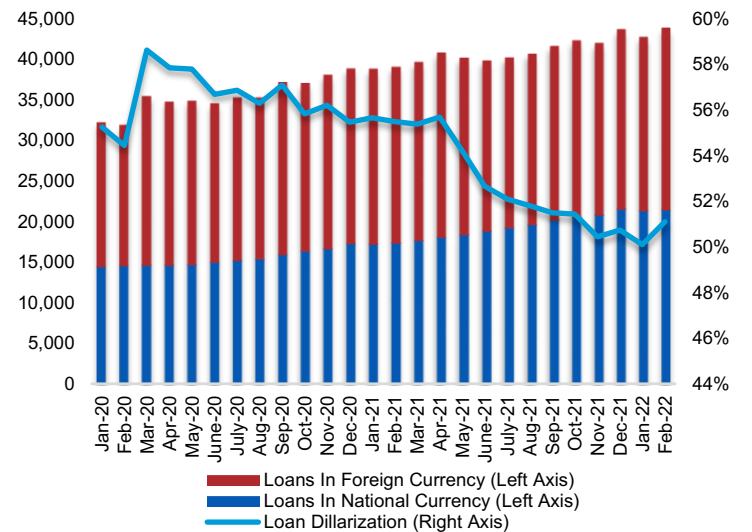
Deposits and Dollarization (MIn GEL)



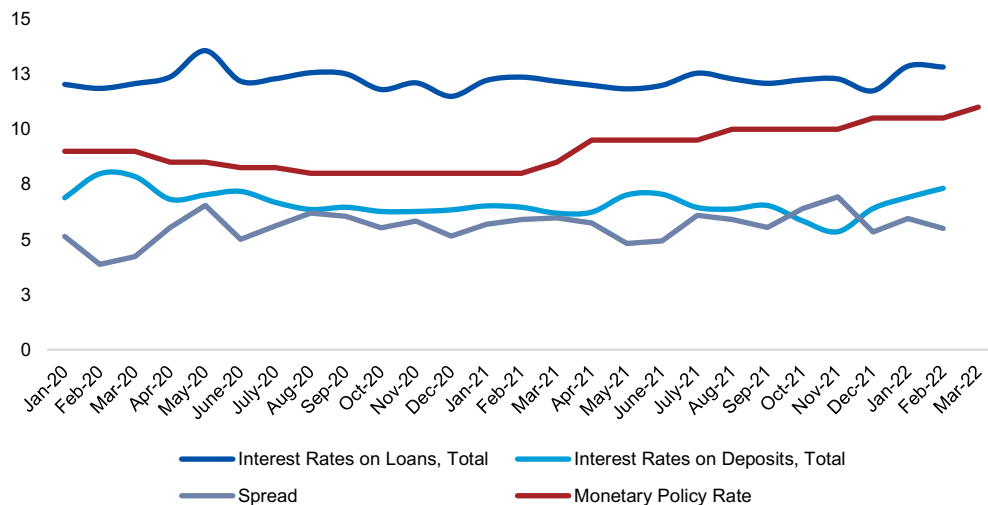
In February, the dollarization both on deposits and on loans increased MoM.

In February 2022, the deposit dollarization indicator increased by 0.56 pp and amounted to 58.9%, while loan dollarization has increased by 0.99 pp and made up to 51.1%. In February, foreign currency deposits increased by 3.8% MoM, while national currency deposits increased by 1.4%.

Loans and Dollarization (MIn GEL)



Market Interest Rates on Loans and Deposits (%)



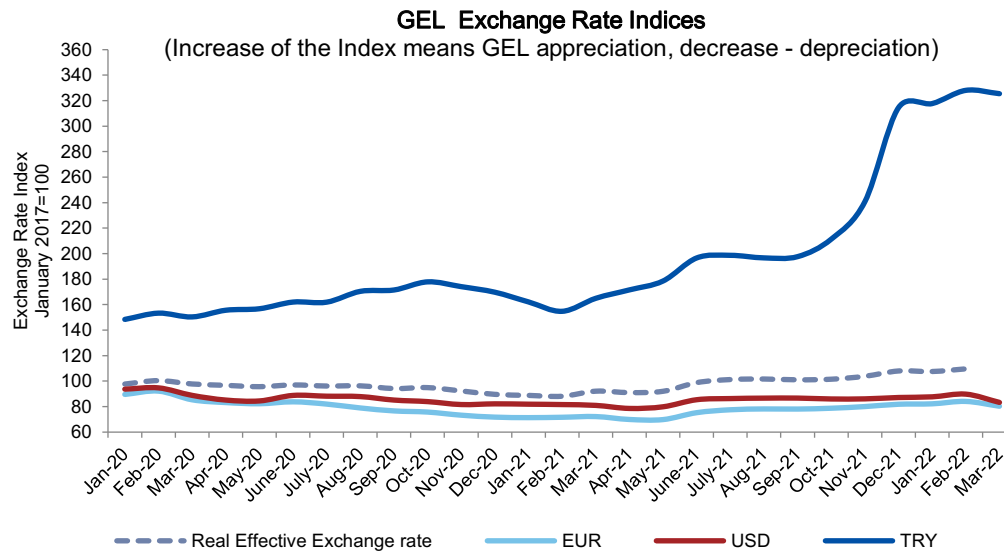
In February, interest rates increased on deposits by 0.4 pp MoM, while interest rates decreased on loans by 0.04 pp MoM.

In February 2022, market interest rates on loans amounted to 12.8%, while interest rates on deposits were defined at 7.3%. The interest rate spread (difference between loan and deposit rates) amounted to 5.5% as of February 2022, 0.4 pp lower compared to February 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. The monetary policy rate amounted to 11%.

In March, compared to the previous month, the GEL shows depreciation toward USD and towards EUR.

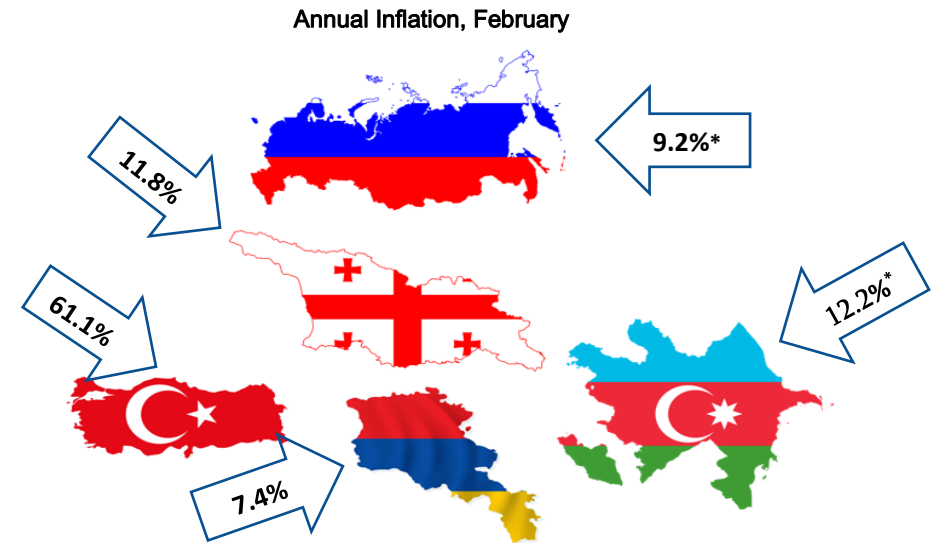
In March 2022, GEL depreciated against USD by 7.2%, while depreciated by 4.5% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated slightly. In March, the GEL exchange rate appreciated by 2.9% towards USD and by 12.2% towards EUR YoY.



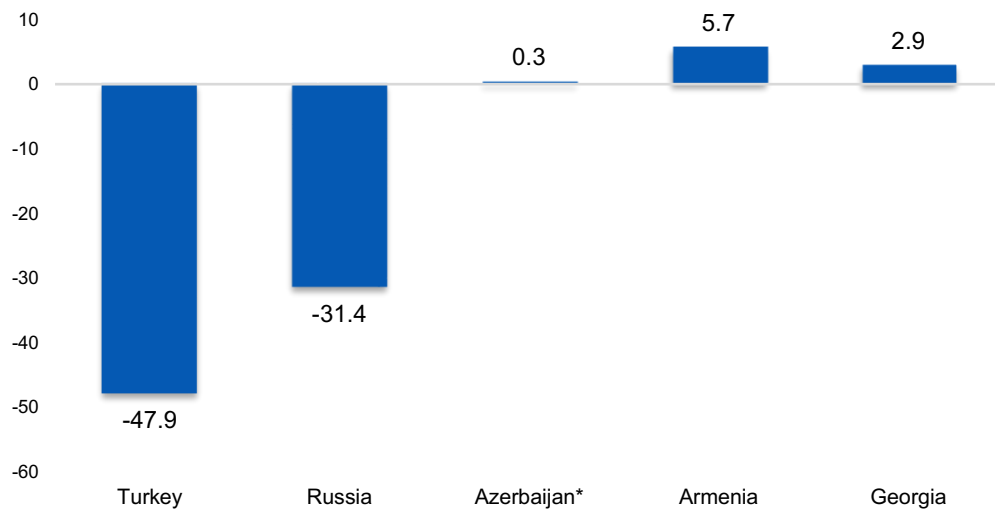
4. Regional Review

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

Namely, in March 2022, annual inflation amounted to 61.1% in Turkey. Inflation was lower in Armenia (7.4%). As for Azerbaijan and Russia, in February 2022, consumer prices have increased by 12.2% in Azerbaijan and by 9.2% YoY in Russia.



Exchange Rate Annual Change
March, 2022



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

Particularly, in March 2022, AMD appreciated by 5.7% and AZN by 0.3% YoY towards USD. In the analyzing period TRY depreciated by 47.9% and RUB by 31.4% YoY.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
Real Sector	GDP Growth Rate (%)	4.0	44.8	25.8	18.7	9.9	10.3	6.9	6.9	12.0	9.6	18.0	14.6	
	VAT Turnover Growth Rate (%)	21.5	93.4	50.3	37.5	26.5	31.2	24.0	25.6	32.6	31.2	39.8	27.3	
Monetary Sector	Inflation (%)	7.2	7.2	7.7	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8
	Monetary Policy Rate (%)	8.50	9.50	9.50	9.50	9.50	10.0	10.0	10.0	10.0	10.5	10.5	10.5	11.0
	Deposit Dollarization (%)	64.55	0.63	0.62	0.61	0.60	0.60	0.60	0.60	0.60	0.59	0.59	0.58	
	Loan Dollarization (%)	55.36	0.56	0.54	0.53	0.52	0.52	0.51	0.51	0.50	0.51	0.50	0.51	
External Sector	Exchange Rate (GEL)	3.34	3.44	3.38	3.16	3.13	3.12	3.12	3.14	3.14	3.10	3.08	3.01	3.24
	Remittances (Thousand USD)	188,171.1	194,056.8	187,714.4	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	
	Export (USD Million)	325.7	377.7	340.0	350.7	386.3	335.1	373.6	411.2	430.4	419.5	331.3	429.0	
	Import (USD Million)	775.0	756.2	770.0	863.7	882.5	867.2	957.8	935.7	1,017.0	1,038.0	786.2	995.5	
	Trade Balance (USD Million)	(449.3)	(378.5)	(430.0)	(513.0)	(496.2)	(532.1)	(584.2)	(524.4)	(586.6)	(618.5)	(454.8)	(566.5)	
	International Reserves (USD Million)	4,101.3	4,136.3	4,153.5	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
Fiscal Sector	Revenues (GEL Million)	1,208.2	1,006.6	1,002.9	1,482.2	1,269.4	1,296.6	1,300.5	1,278.7	1,420.04	1,707.4	1,485.1	1,292.1	
	Recurrent Expenditure (GEL Million)	1,197.4	1,344.7	1,148.9	1,271.98	1,391.22	1,113.9	1,208.4	1,303.1	1,256	1,934.4	1,185.8	1,226.2	
	Capital Expenditure (GEL Million)	245.8	250.2	222.8	496.1	243.1	308.1	479.9	248.2	296.6	798.8	193.9	218	

Increase
 Decrease
 Change < 1%

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

		03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022
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.

		03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022
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.