



May, 2022

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in April annual economic growth amounted to 2.6% YoY
- Annual inflation amounted to 13.3% in May
- In May, GEL appreciated against USD (by 3.2%) and against EUR (by 6.1%) MoM

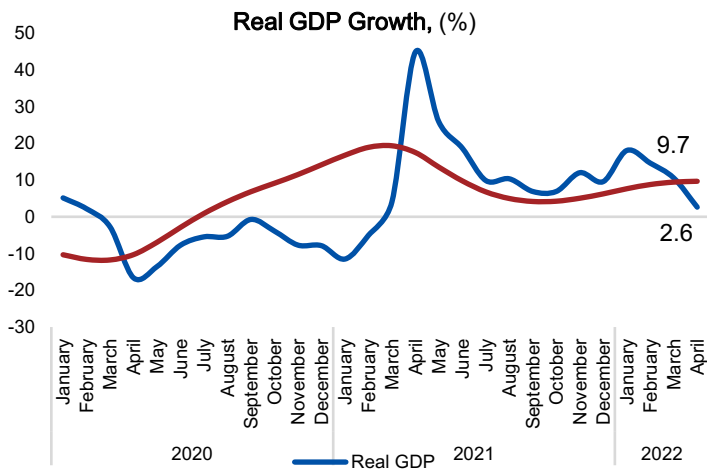
Macroeconomic Analysis and Tax Policy Unit

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



# 1. Real and Fiscal Sector

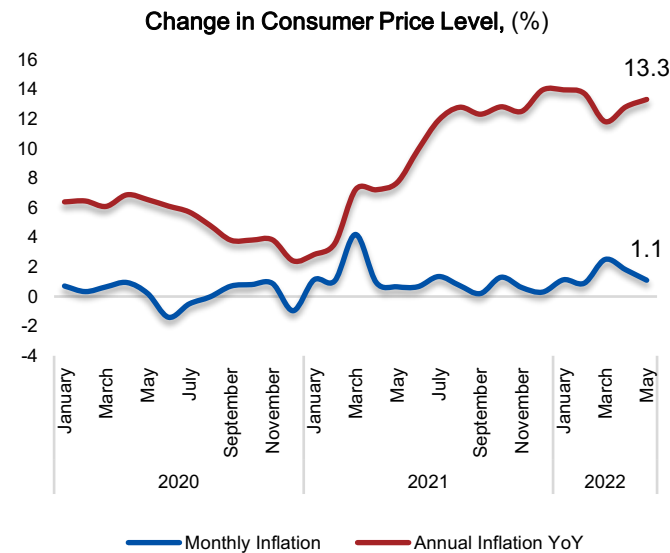
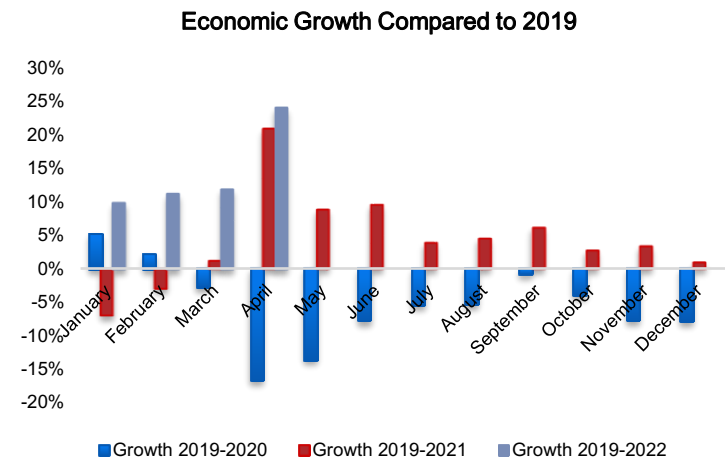


**In April, positive annual economic growth was 2.6%.**

In accordance with preliminary estimates of GEOSTAT, in April 2022, annual real GDP growth amounted to 2.6% YoY. Low growth rate compared to same month of previous year was mainly driven by basic effects (44.8 increase in April, 2021).

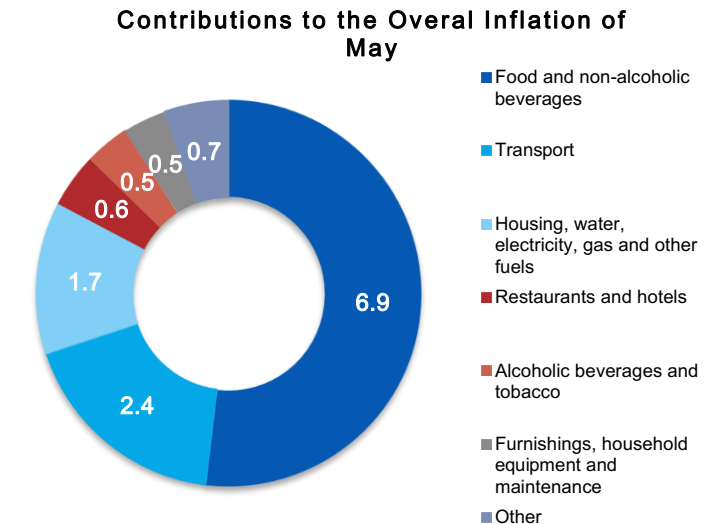
According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 9.7% in April.

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



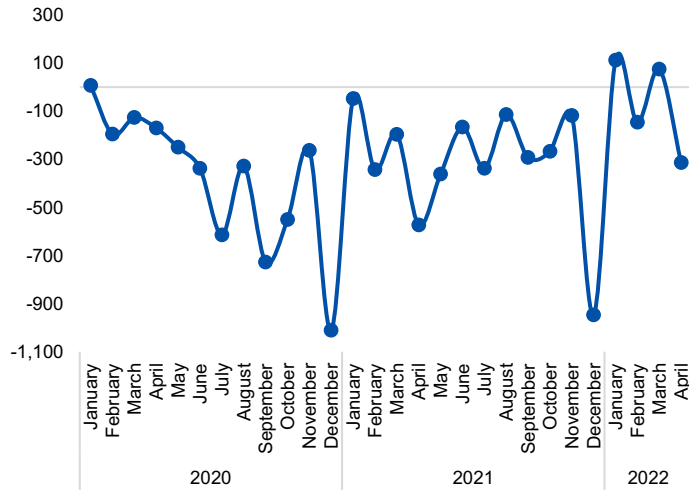
**In May, annual CPI inflation amounted to 13.3%**

In May 2022, the inflation rate amounted to 13.3%, 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, other fuels, restaurants and hotels, furnishings, alcoholic beverages and tobaccos. In April 2022, the annual forecasted GDP deflator amounted to 9.1%.



<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

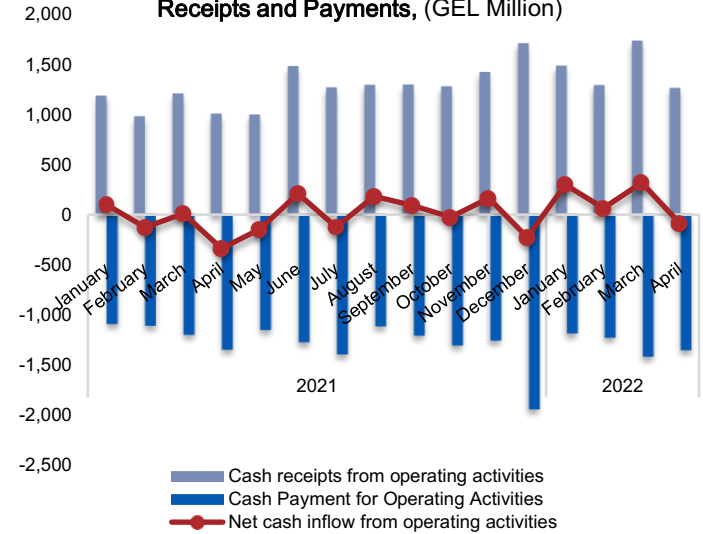
**Consolidated Budget Balance, (MIn GEL)**



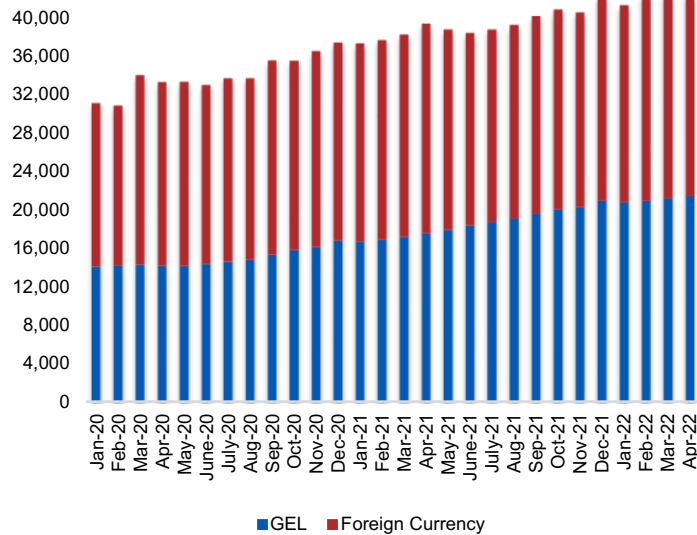
**In April, the general government net lending/borrowing was negative.**

In April 2022, general government revenues increased by 25.5% YoY, while expenses increased by 0.5%. In the analyzing period, the general government negative net operating balance amounted to 87.7 million GEL, while negative net lending/borrowing was defined at 314.7 million GEL.

**Receipts and Payments, (GEL Million)**



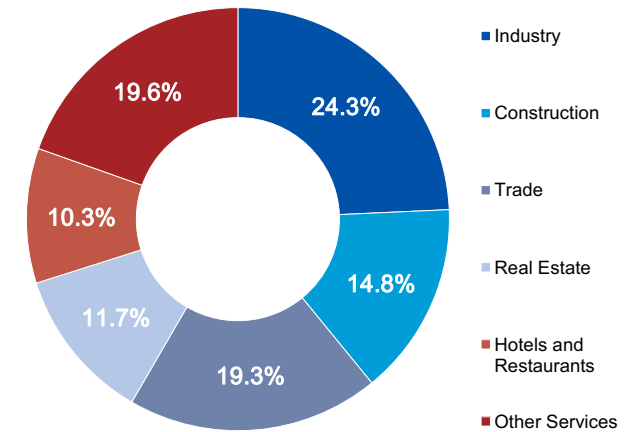
**Commercial Bank Loans (GEL Million)**



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

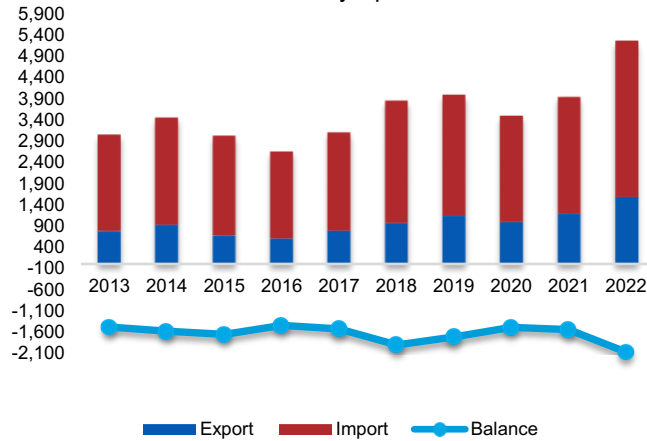
In April 2022, compared to the April of the previous year, commercial bank loans increased by 7.5% and amounted to 42.3 billion GEL. National currency loans increased by 21.8%, while foreign currency loans decreased by 4%. It's worth mentioning that more than half of total loans (52.4%) was distributed to households. As for loans issued by types of activity, the highest 24.3% were issued in industry, 19.3% in trade, 14.8% in construction and 11.7% in real estate.

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



## 2. External Sector

**External Trade Indicators**  
(Mln USD)  
January-April

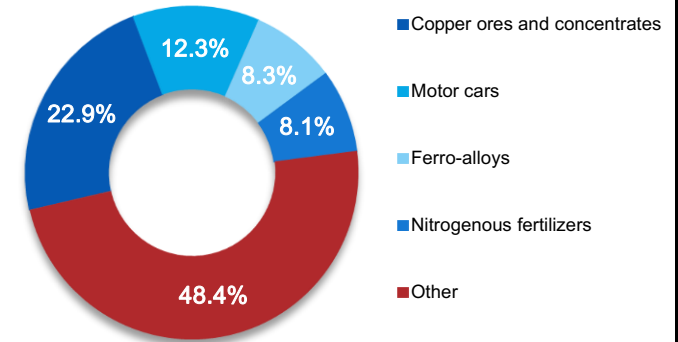


**In January - April, both export and import of goods have increased.**

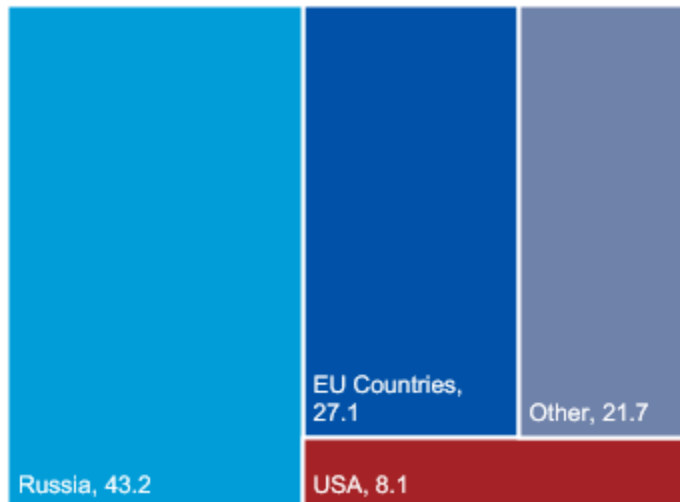
In January - April 2022, exports increased by 32.8%, while imports increased by 33.7% YoY. This was mainly due to the increase in trade turnover, which amounted 5,254 million USD (33.4% increase YoY). During this period, the share of exports in external trade amounted to 30.2%. Export growth was substantial in the following countries: Kazakhstan (198.5%), USA (129.9%), Armenia (102.3%), Bulgaria (50.6%) and China (46.1%). It needs to be mentioned that during this period export significantly decreased in Ukraine (45.7%).

High growth was recorded in several export commodity groups: nitrogenous fertilizers (251.2%), Ferro-alloys (75.3%), copper ores and concentrates (37.7%), medicaments put up in measured doses (22.2%) and T-shirts knitted (20.8%).

**Major Commodity Groups by Exports**  
(January - April)



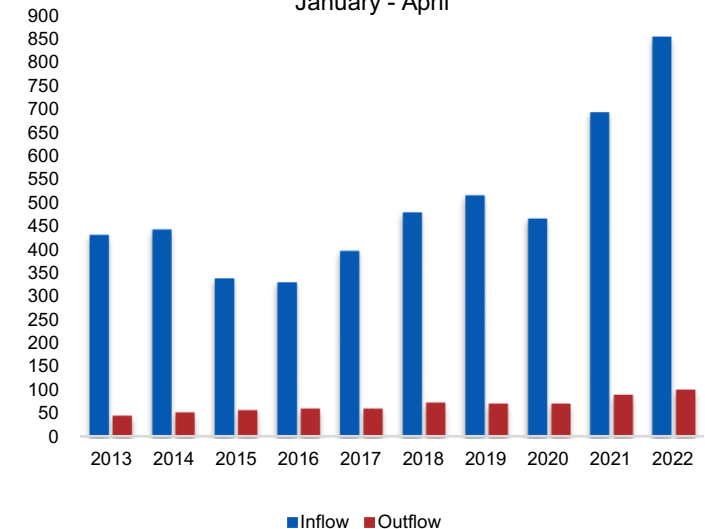
**Remittance (%)**  
April



**In April, remittances increased significantly**

In April 2022, remittances increased by 58.8% YoY and amounted 308.1 million USD. In April the main source of money transfers are Russia (43.2% of total) and EU countries (27.1%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 704.9%), Russia (by 298.8%), Tajikistan (by 191.5%), Kyrgyzstan (by 156.6%), United Arab Emirates (by 62.9%), United Kingdom (by 39.1%) and Germany (by 37.5%), while decreased from Ukraine (by 99.5%) and Azerbaijan (by 45.1%).

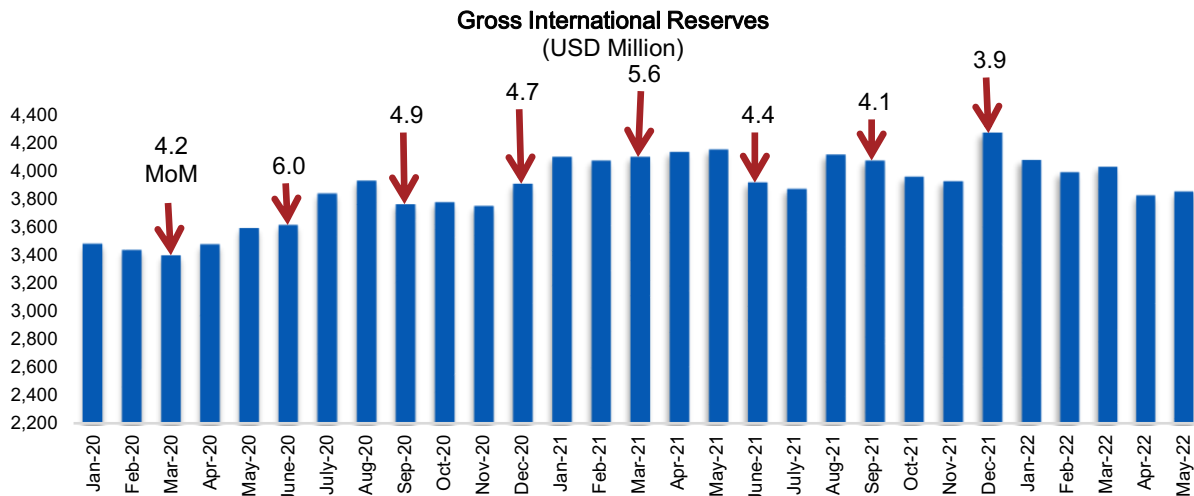
**Remittance**  
(USD Million)  
January - April



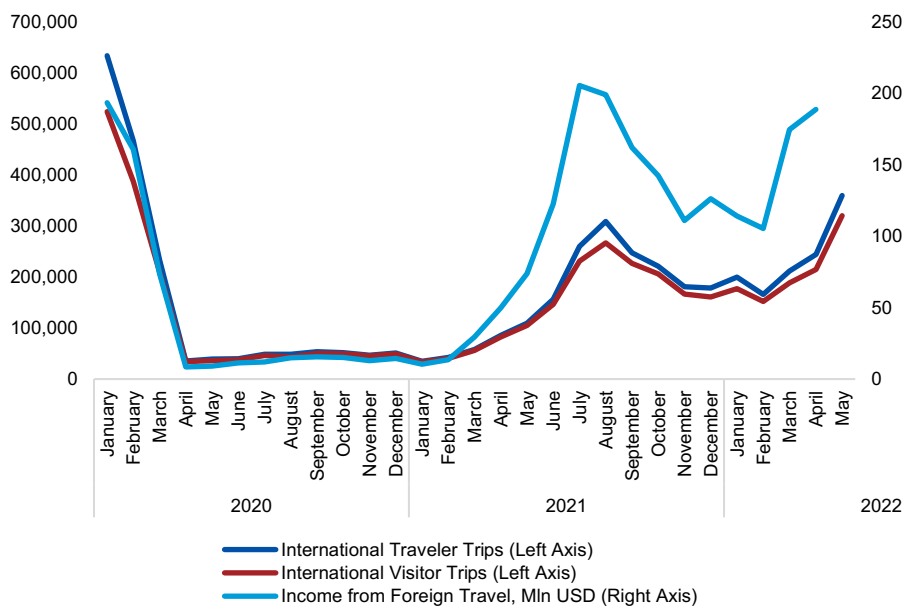
**In May 2022, International Reserves amounted to 3,855 million USD.**

In May 2022, international reserves amounted to 3,855 million USD, which is a 7.2% YoY decrease and 0.8% MoM increase.

At the foreign exchange auction of the National Bank of Georgia held on May 24, 2022, the National Bank purchased 10 million USD.



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



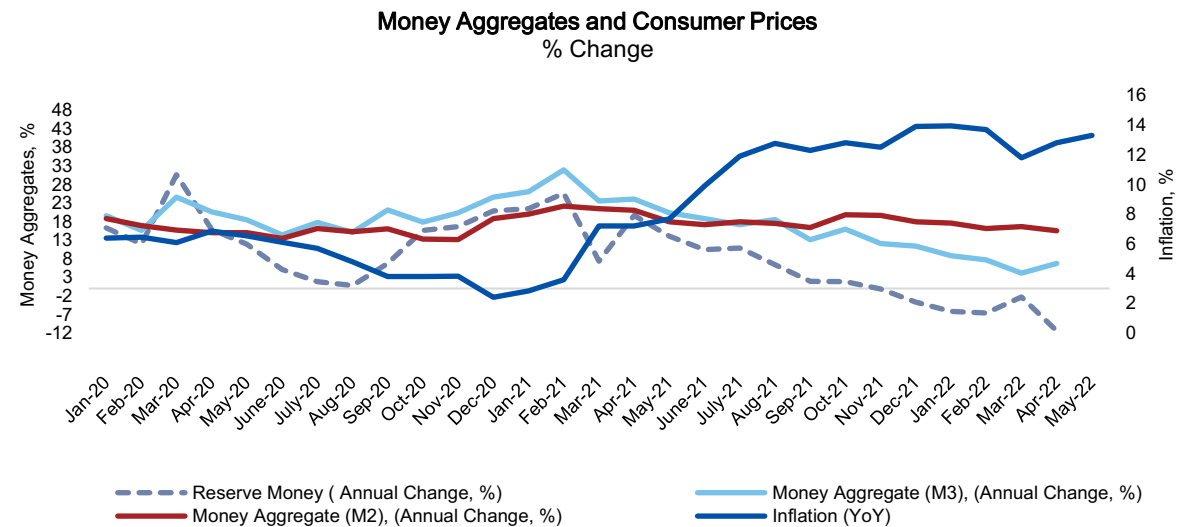
**In May 2022 both international traveler trips and international visitor trips have increased.**

In May 2022, international traveler trips increased by 228.5% YoY and amounted to 359,238. International traveler trips also include trips made by international visitors. In May 2022 International visitor trips reached 319,796 (205.3% higher compared to the same indicator of May 2021). In April\* 2022, income from foreign travel amounted to 188.6 mln USD, which is 138.7 mln USD higher than the same indicator in April 2021.

# 3. Monetary Sector

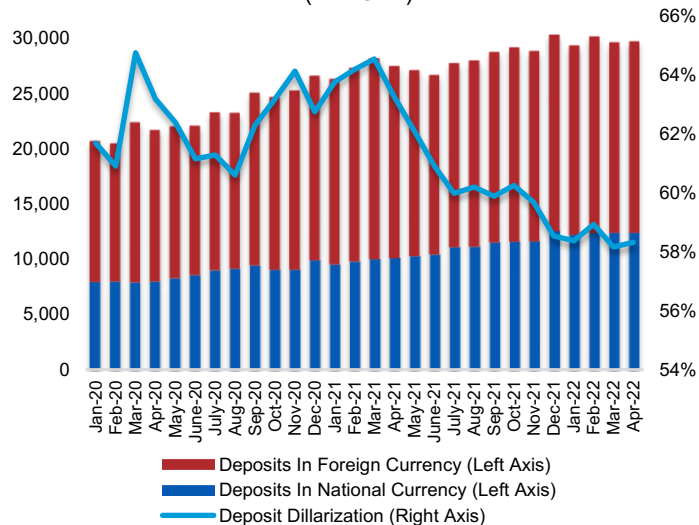
In April, compared to the same period of the previous year, reserve money had a decrease tendency.

In April 2022, reserve money decreased by 11.4% YoY, money aggregate M2 increased by 15.6%, and money aggregate M3 – by 6.8%. In May 2022, consumer price inflation amounted to 13.3% YoY.



### Deposits and Dollarization

(MIn GEL)

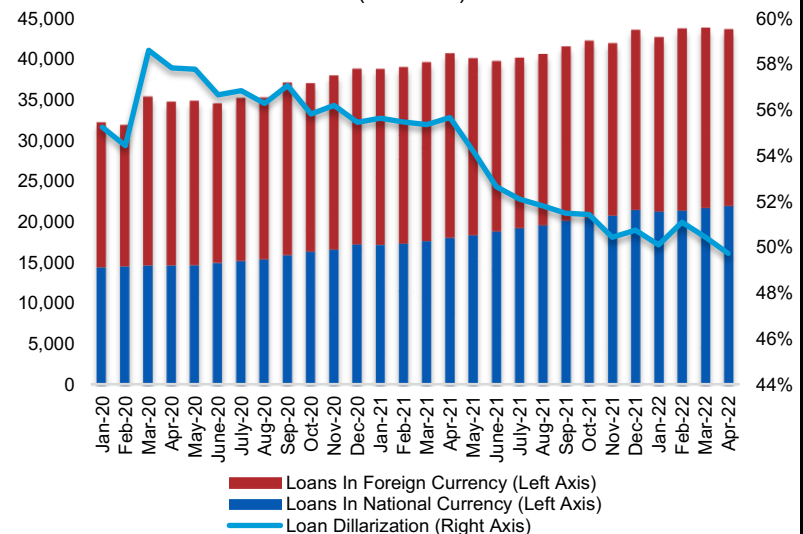


In April, the dollarization on deposits increased, while on loans decreased MoM.

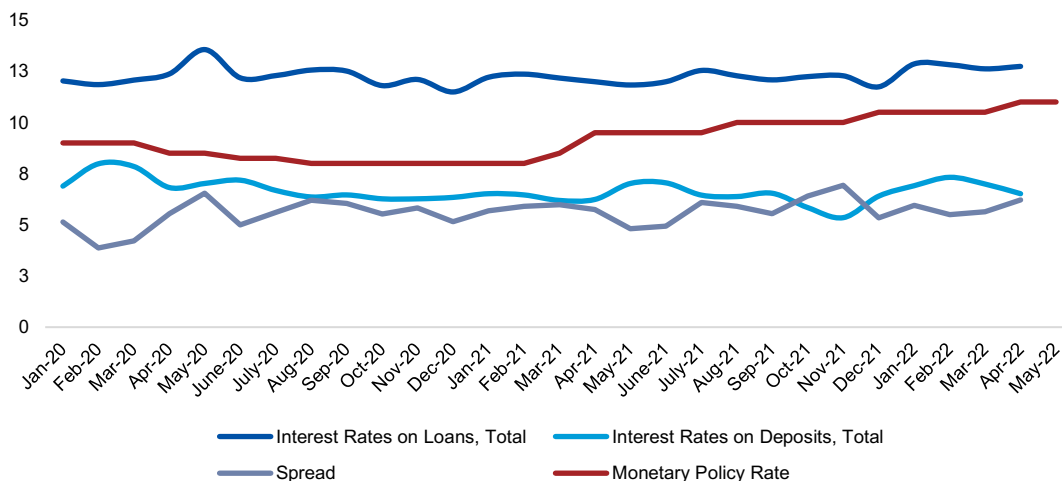
In April 2022, the deposit dollarization indicator increased by 0.16 pp MoM and amounted to 58.3%, while loan dollarization has decreased by 0.72 pp MoM and made up to 49.7%. In April, foreign currency deposits increased by 0.6% MoM, while national currency deposits decreased by 0.02%.

### Loans and Dollarization

(MIn GEL)



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



**In April, interest rates decreased on deposits by 0.5 pp MoM, while interest rates increased on loans by 0.1 pp MoM.**

In April 2022, market interest rates on loans amounted to 12.7%, while interest rates on deposits were defined at 6.5%. The interest rate spread (difference between loan and deposit rates) amounted to 6.2% as of April 2022, 0.5 pp higher compared to April 2021.

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

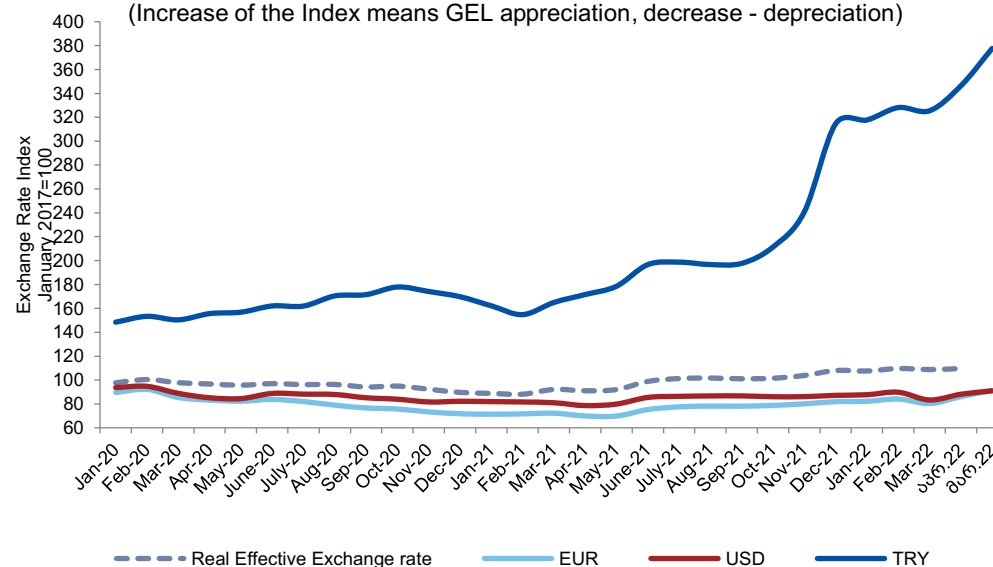
**In May, compared to the previous month, the GEL appreciated toward USD and EUR.**

In May 2022, GEL appreciated against USD by 3.2% MoM, while appreciated by 6.1% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In May, the GEL exchange rate appreciated by 13.8% towards USD, by 30.8% towards EUR and by 111.6% towards TRY YoY.

It should be noted that in April, the volume of remittances to Georgia increased significantly, as well as revenues from tourism and exports, which had a positive impact on the appreciation of the GEL exchange rate in May.

**GEL Exchange Rate Indices**

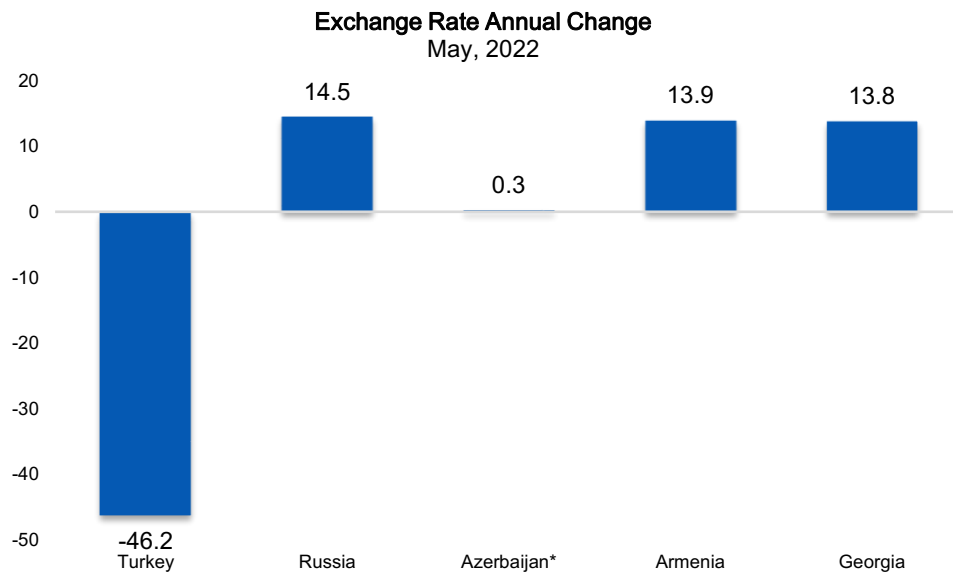
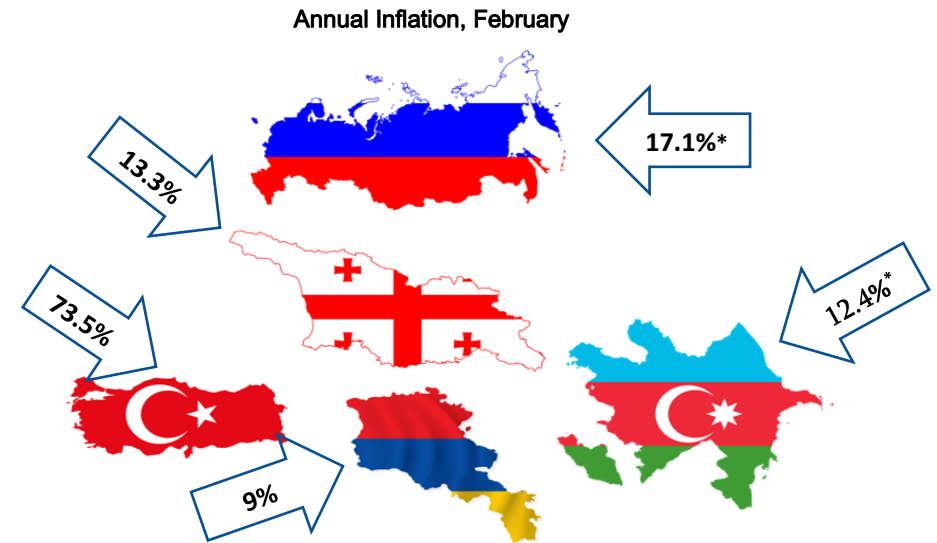
(Increase of the Index means GEL appreciation, decrease - depreciation)



## 4. Regional Review

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

Namely, in May 2022, annual inflation amounted to 73.5% in Turkey. Inflation was lower in Russia (17.1%) and Armenia (9%). As for Azerbaijan\*, in April 2022 consumer prices have increased by 12.4% YoY.



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

Particularly, in May 2022, RUB appreciated by 14.5%, AMD by 13.9% and AZN by 0.3% YoY towards USD. In the analyzing period TRY depreciated by 46.2% YoY towards USD.

## Summary Tables of Main Economic Indicators

**Table N1. Main Economic Indicators**

		Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	May 22
Real Sector	GDP Growth Rate (%)	25.8	18.7	9.9	10.3	6.9	6.9	12.0	9.6	18.0	14.6	10.6	2.6	
	VAT Turnover Growth Rate (%)	50.3	37.5	26.5	31.2	24.0	25.6	32.6	31.2	39.8	27.3	24.4	11.7	
Monetary Sector	Inflation (%)	7.7	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8	13.3
	Monetary Policy Rate (%)	9.5	9.5	9.5	10.0	10.0	10.0	10.0	10.5	10.5	10.5	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)	3.4	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.2	3.1	3.0
	Remittances (Thousand USD)	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	193 065.3	308 140.1	
	Export (USD Million)	340.0	350.7	386.3	335.1	373.6	411.2	430.4	419.5	331.3	429.0	411.4	415.7	
	Import (USD Million)	770.1	863.7	882.6	868.1	958.3	936.2	1 033.3	1 050.3	800.6	998.6	894.0	948.0	
	Trade Balance (USD Million)	-430.1	-513.1	-496.2	-533.0	-584.7	-524.9	-603.0	-630.8	-469.3	-569.6	-482.6	-532.3	
	International Reserves (USD Million)	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	3 826.4	3 855.2
Fiscal Sector	Revenues (GEL Million)	1 002.9	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	
	Recurrent Expenditure (GEL Million)	1 148.9	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	
	Capital Expenditure (GEL Million)	222.8	496.1	243.1	308.1	479.9	248.2	296.6	798.8	193.9	218.0	304.2	230.5	

Increase
  Decrease
  Change < 1%

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

		05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022
<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 Rservices													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022
<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 Rservices													
<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.