



September, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in August* annual economic growth amounted to 10.5% YoY
- Annual inflation amounted to 11.5% in September
- In September, GEL depreciated against USD (by 2.7%) and against EUR (by 0.6%) MoM

Macroeconomic Analysis and Tax Policy Unit

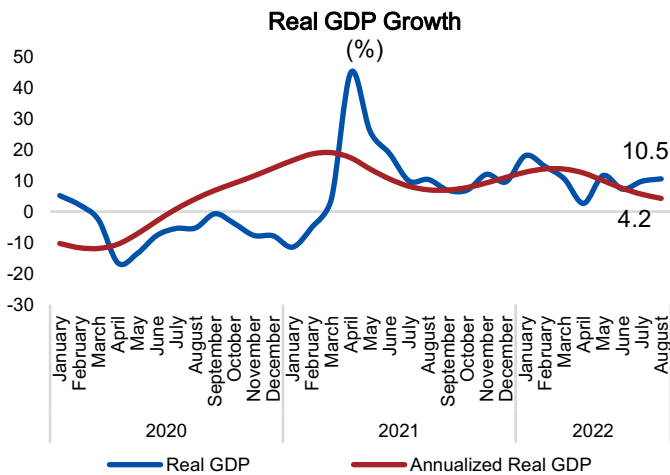
E-Mail: pbo@parliament.ge

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

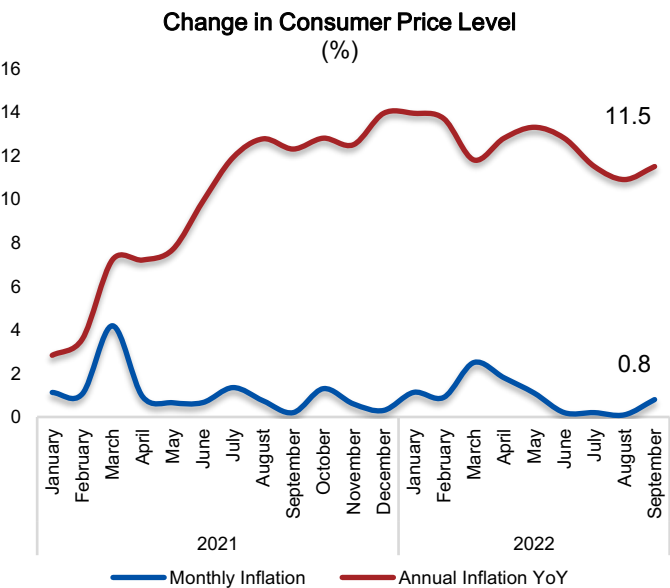
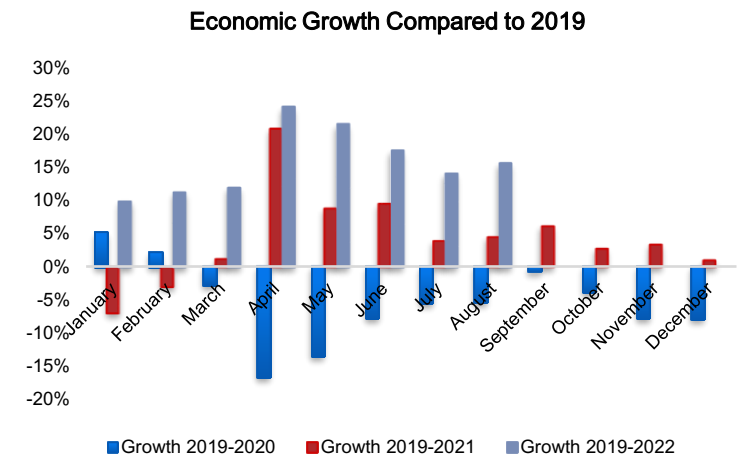


Parliamentary Budget Office of Georgia 2022

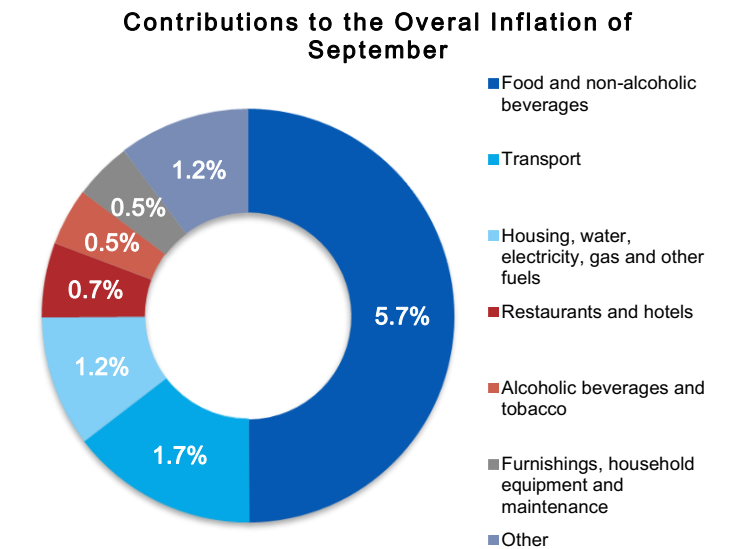
1. Real and Fiscal Sector



In August*, positive annual economic growth was 10.5%. In accordance with preliminary estimates of GEOSTAT, in August* 2022, annual real GDP growth amounted to 10.5% YoY. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 4.2% in August. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

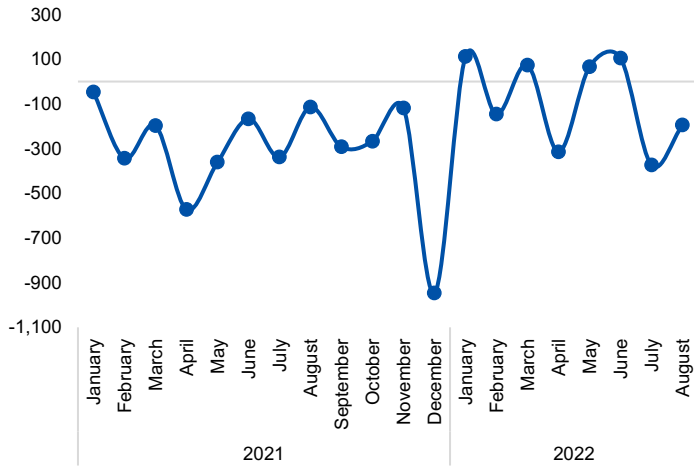


In September, annual CPI inflation amounted to 11.5% In September 2022, the inflation rate amounted to 11.5% YoY, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, restaurants and hotels, alcoholic beverages and tobaccos. With regard to the annual core inflation in September (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 7.5%. In August 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

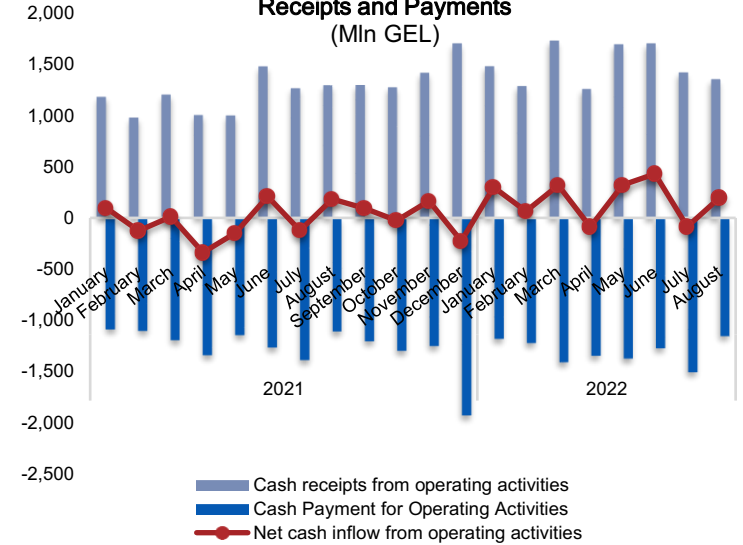
Consolidated Budget Balance
(MIn GEL)



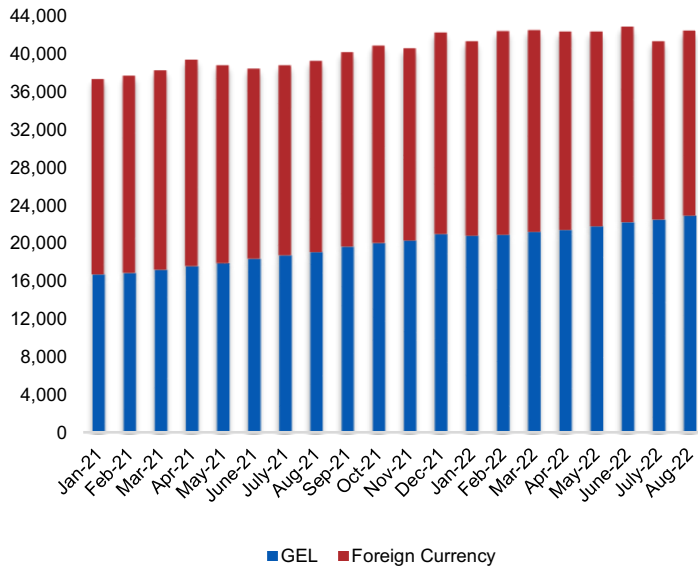
In August*, the general government net lending/borrowing was negative.

In August* 2022, general government revenues increased by 4.6% YoY, while expenses increased by 4.0% YoY. In the analyzing period, the general government positive net operating balance amounted to 197.8 million GEL, while negative net lending/borrowing was defined at 194.5 million GEL.

Receipts and Payments
(MIn GEL)



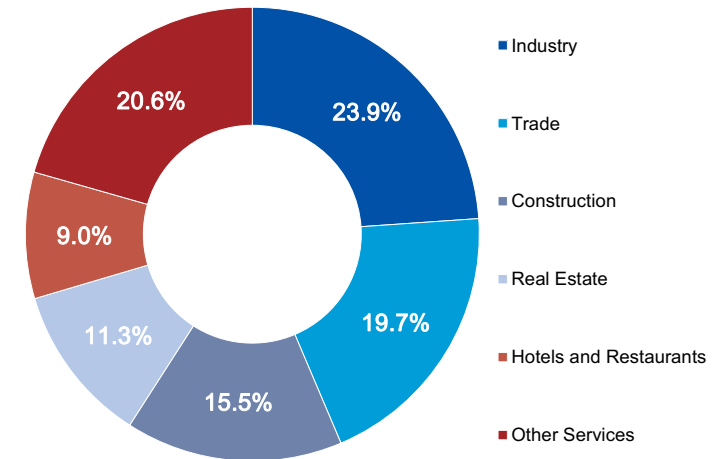
Comercial Bank Loans
(MIn GEL)



In August*, 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.

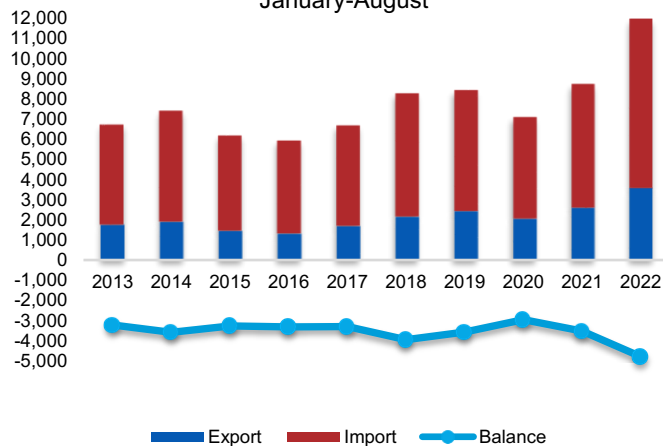
In August* 2022, compared to the August of the previous year, commercial bank loans increased by 8.1% and amounted to 42.4 billion GEL. National currency loans increased by 20.0%, while foreign currency loans decreased by 3.2%. It's worth mentioning that more than half of total loans (54.2%) was distributed to households. As for loans issued by types of activity, the highest 23.9% were issued in industry, 19.7% in trade, 15.5% in construction, 11.3% in real estate and 9.0% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(MIn USD)
January-August

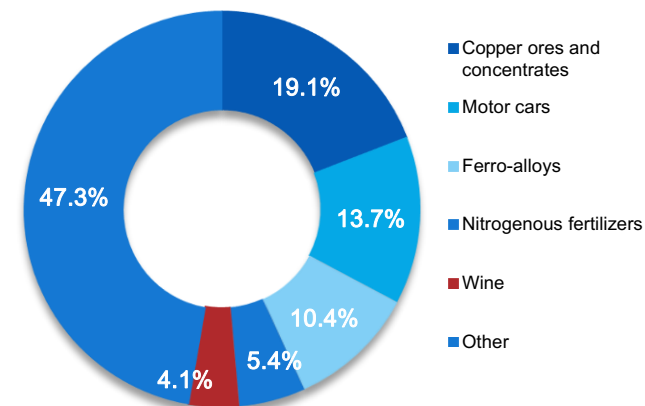


In January – August*, both export and import of goods have increased.

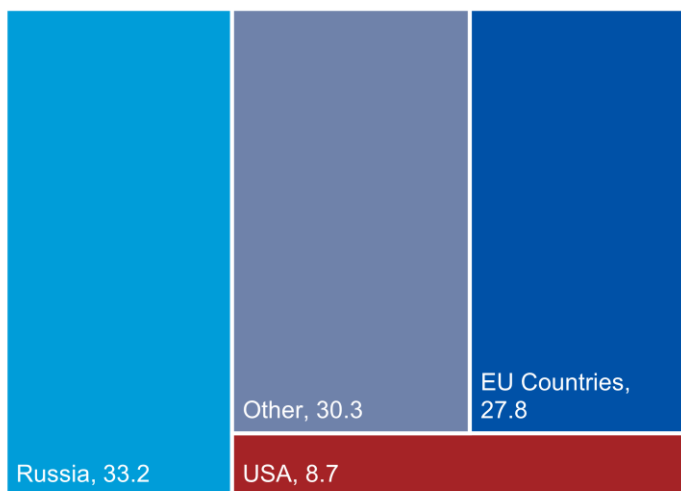
In January – August* 2022, exports increased by 36.9%, while imports increased by 36.5% YoY. This was mainly due to the increase in trade turnover, which amounted 11,936 million USD (36.6% increase YoY). During this period, the share of exports in external trade amounted to 29.9%. Export growth was substantial in the following countries: Peru (878.0%, as a result of a sharp increase in the export of nitrogenous fertilizers), Kazakhstan (152.8%), Bulgaria (113.2%), USA (108.2%), Armenia (104.3%), Turkey (51.8%) and Azerbaijan (21.5%). It needs to be mentioned that during this period export significantly decreased in Ukraine (13.0%).

High growth was recorded in several export commodity groups: electrical energy (398.5%), nitrogenous fertilizers (239.0%), precious metal ores (125.4%), motor cars (67.3%), ferro-alloys (40.0%) and copper ores and concentrates (32.0%).

Major Commodity Groups by Exports
(January - August)



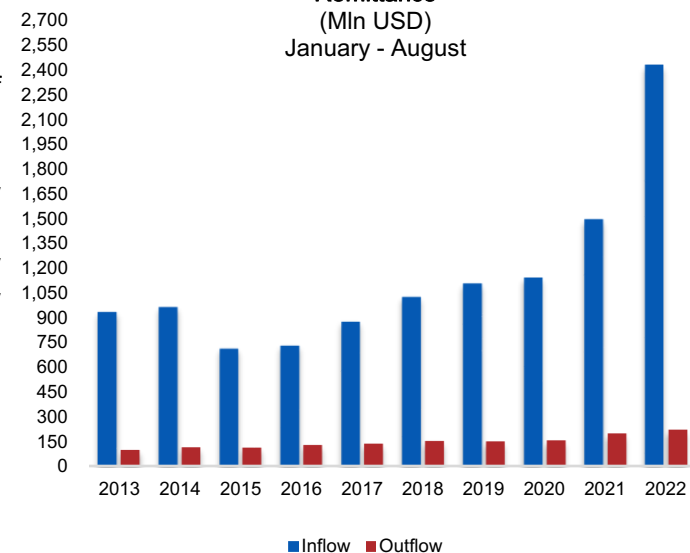
Remittance (%)
August



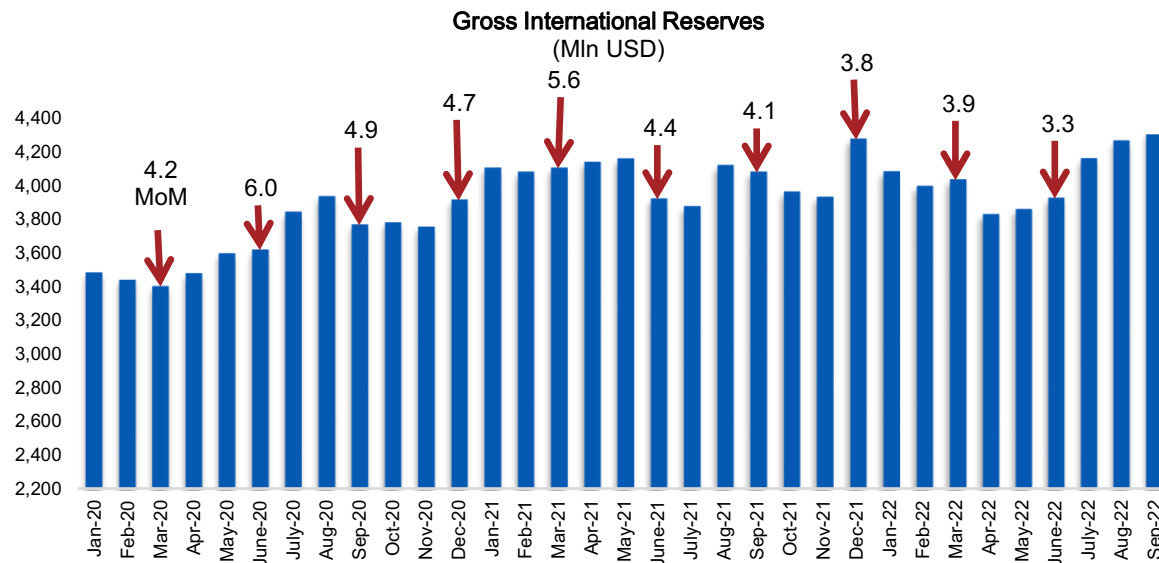
In August*, remittances increased significantly

In August* 2022, remittances increased by 63.1% YoY and amounted 334.3 million USD. In August the main source of money transfers are Russia (33.2% of total) and EU countries (27.8%). In the analyzing period, remittances increased significantly from the following countries: Armenia (by 1,421.6%), Belarus (by 1,412.9%), Kyrgyzstan (by 658.8%), Tajikistan (by 281.4%), Russia (by 194.6%), Kazakhstan (by 167.0%), Uzbekistan (by 163.3%), United Kingdom (by 115.1%), Netherlands (by 67.3%).

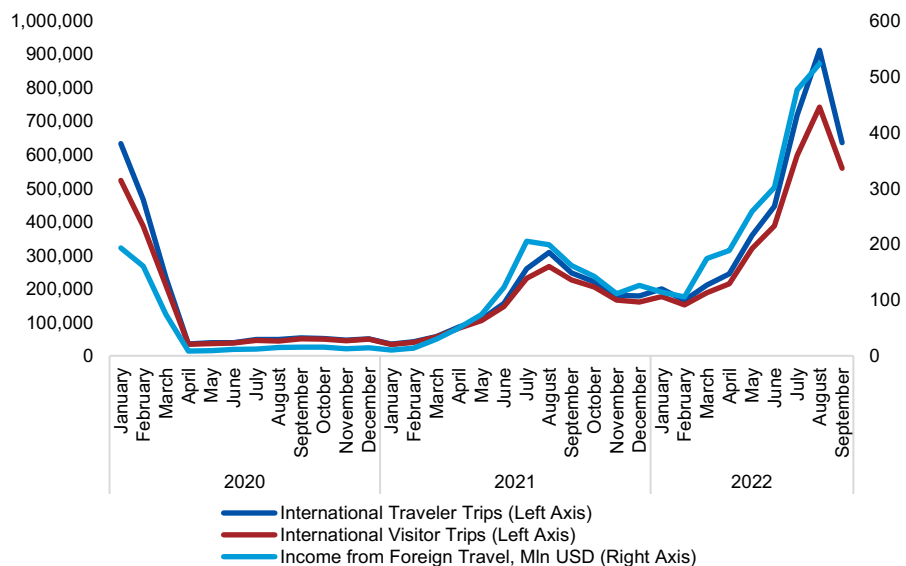
Remittance
(MIn USD)
January - August



In September 2022, International Reserves amounted to 4,313 million USD.
 In September 2022, international reserves amounted to 4,313 million USD, which is a 5.8% YoY and 1.2% MoM increase.
 At the foreign exchange auction of the National Bank of Georgia held on September, the National Bank sold 13.6 million USD.



International Traveler Trips and Income from Foreign Travel

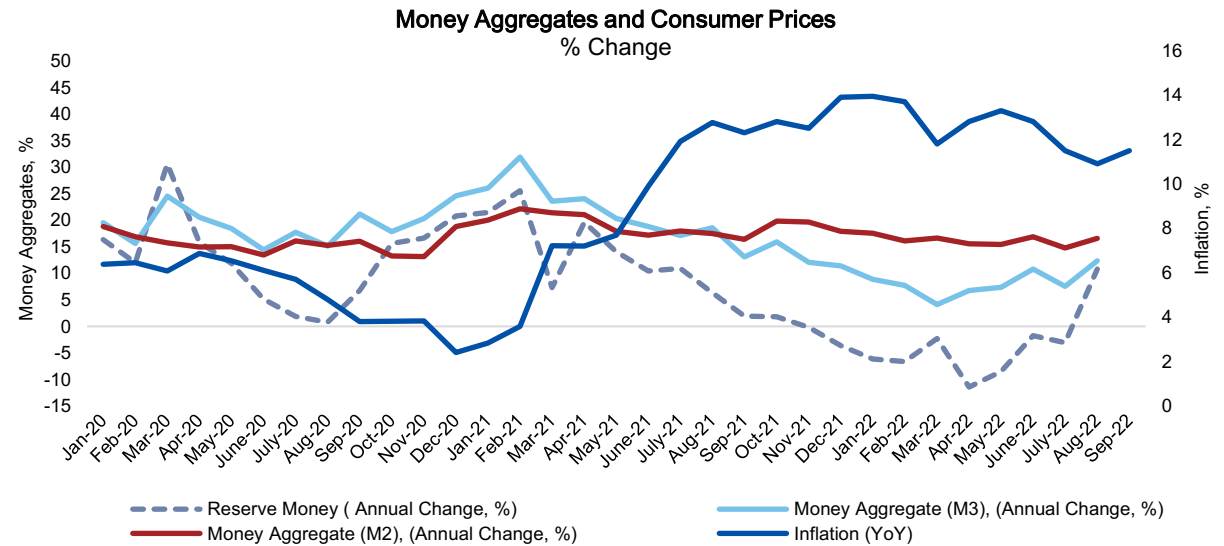


In September 2022 both international traveler trips and international visitor trips have increased.
 In September 2022, international traveler trips increased by 106.1% YoY and amounted to 636,235. International traveler trips also include trips made by international visitors. In September 2022 International visitor trips reached 559,887 (110.1% higher compared to the same indicator of September 2021). The majority of trips conducted by international visitor were from Russia (163,192, increase by 392.4% YoY), Armenia (83,603, Increase by 360.4% YoY) and Turkey (81,790, increase by 153.4% YoY).
 In August* 2022, income from foreign travel amounted to 522.9 mln USD, which is 163.1% higher than same indicator in August 2021.

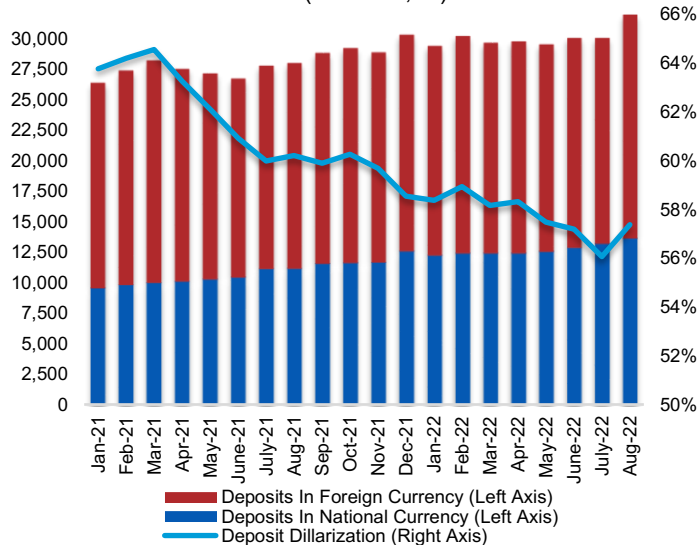
3. Monetary Sector

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

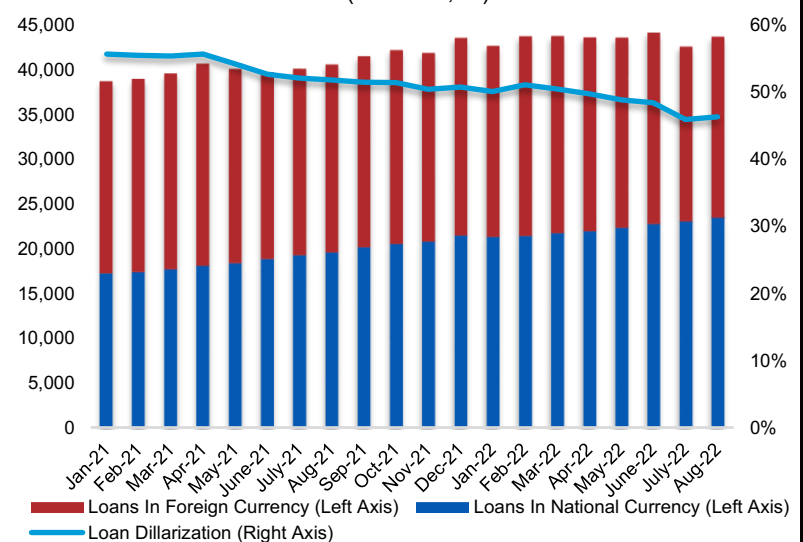
In August* 2022, reserve money increased by 10.8% YoY, money aggregate M2 increased by 16.6%, and money aggregate M3 – by 12.4%. In September 2022, consumer price inflation amounted to 11.5% YoY.



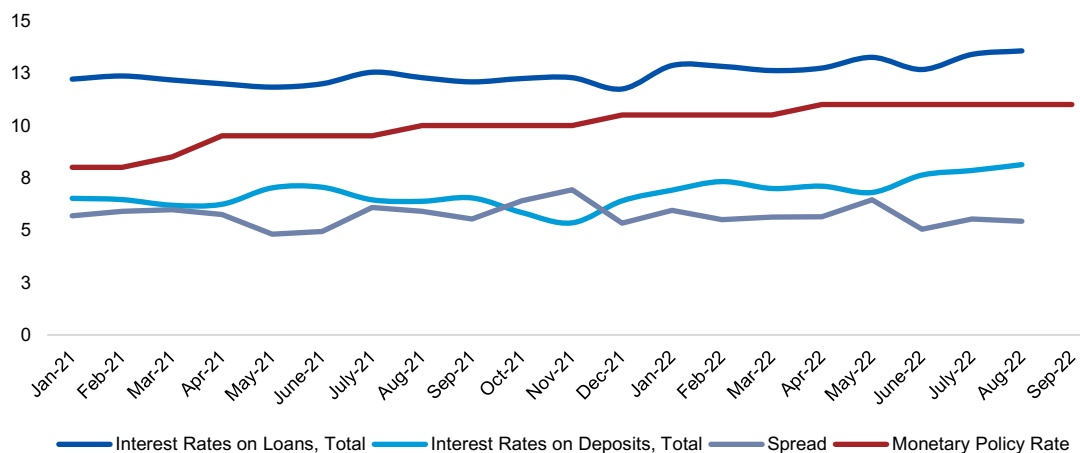
Deposits and Dollarization
(Mln GEL, %)



Loans and Dollarization
(Mln GEL, %)



Market Interest Rates on Loans and Deposits (%)



In August*, interest rates increased on deposits by 0.3 pp MoM, while interest rates increased on loans by 0.2 pp MoM.

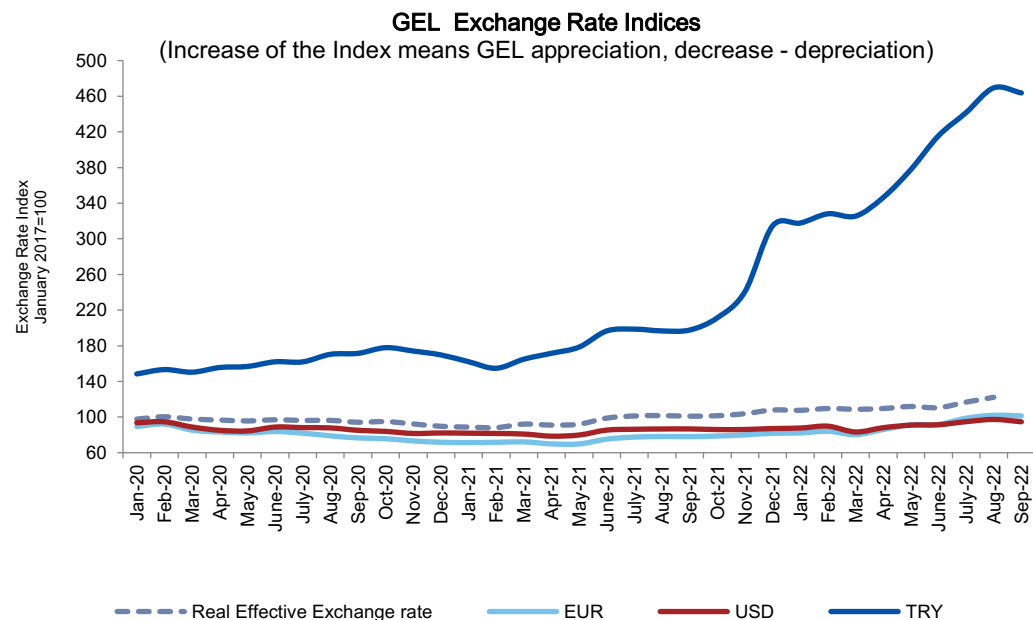
In August* 2022, market interest rates on loans amounted to 13.6%, while interest rates on deposits were defined at 8.1%. The interest rate spread (difference between loan and deposit rates) amounted to 5.5% as of August* 2022, 0.4 pp lower compared to August 2021.

On September 14, 2022, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

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

In September 2022, GEL depreciated against USD by 2.7%, while depreciated by 0.6% against EUR and by 1.2% against TRY MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In September, the GEL exchange rate appreciated by 9.3% towards USD, by 29.8% towards EUR and by 134.6% towards TRY YoY.

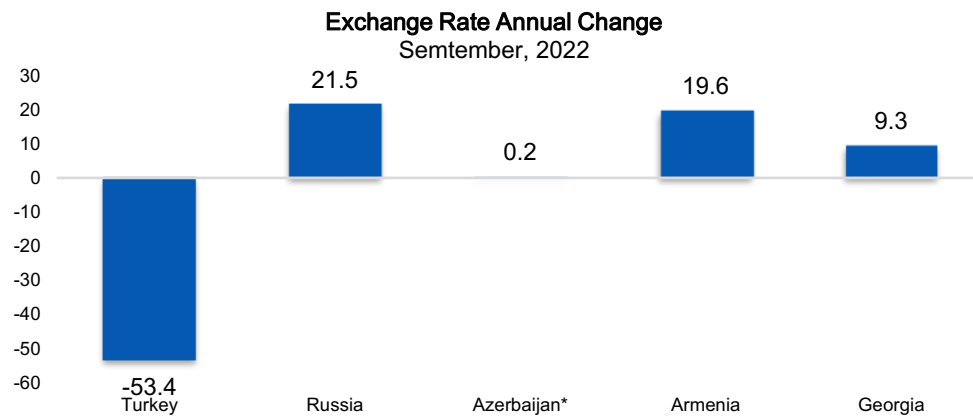
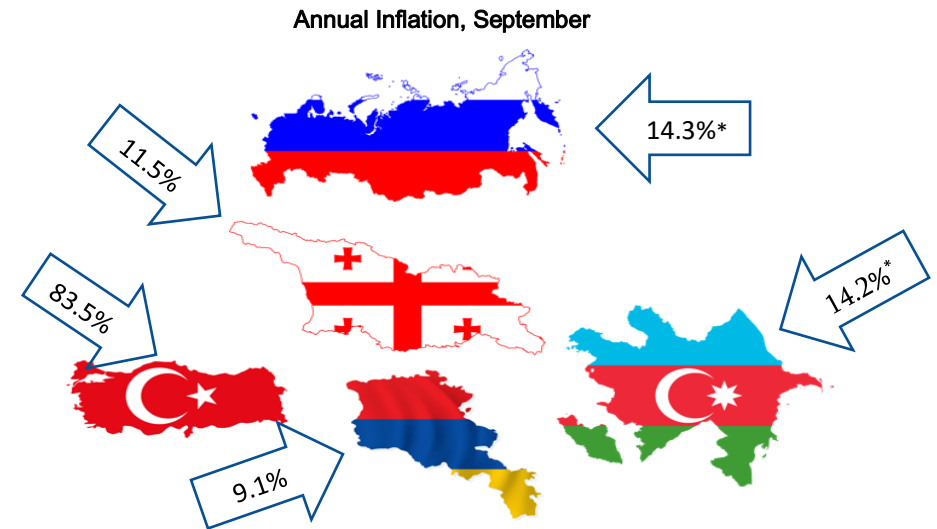
It should be noted that in recent months, the volume of foreign direct investments, remittances, as well as the income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



4. Regional Review

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

Namely, in September 2022, annual inflation amounted to 83.5% in Turkey. Inflation was lower in Armenia (9.1%). As for Azerbaijan* and Russia*, in August* 2022, consumer prices have increased by 14.2% in Azerbaijan and by 14.3% YoY in Russia.



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

Particularly, in September 2022, RUB appreciated by 21.5%, AMD by 19.6% and AZN by 0.2% YoY towards USD. In the analyzing period TRY depreciated by 53.4% 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

		Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 21	May 22	Jun 22	Jul 22	Aug 22	Sep 22
Real Sector	GDP Growth Rate (%)	6.9	6.9	12.0	9.6	18.0	14.6	10.6	2.6	11.6	7.2	9.7	10.5	
	VAT Turnover Growth Rate (%)	24.0	25.6	32.6	31.2	39.8	27.3	24.4	11.7	25.3	20.4	21.9	23.0	
Monetary Sector	Inflation (%)	12.3	12.8	12.5	13.9	13.9	13.7	11.8	12.8	13.3	12.8	11.5	10.9	11.5
	Monetary Policy Rate (%)	10.0	10.0	10.0	10.5	10.5	10.5	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	0.5	0.5	
External Sector	Exchange Rate (GEL)	3.1	3.1	3.1	3.1	3.1	3.0	3.2	3.1	3.0	3.0	2.8	2.8	2.9
	Remittances (Thousand USD)	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	306 023.4	334 266.1	
	Export (USD Million)	373.6	411.2	430.4	419.5	331.3	429.0	411.4	415.7	522.6	448.4	542.2	470.7	
	Import (USD Million)	958.3	936.2	1 033.3	1 050.3	800.9	1 019.1	925.7	992.3	1 180.5	1 108.8	1 123.3	1 213.8	
	Trade Balance (USD Million)	-584.7	-524.9	-603.0	-630.8	-469.6	-590.1	-514.3	-576.6	-657.9	-660.3	-581.2	-743.1	
	International Reserves (USD Million)	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	4 260.7	4 313.1
Fiscal Sector	Revenues (GEL Million)	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	1 424.4	1 356.2	
	Recurrent Expenditure (GEL Million)	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	1 510.8	1 158.4	
	Capital Expenditure (GEL Million)	479.9	248.2	296.6	798.8	193.9	218.0	304.2	230.5	266.1	445.9	327.5	403.4	

Increase
 Decrease
 Change < 1%

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

		09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rservices													
	Revenues													
Fiscal Sector	Recurent Expenditure													
	Capital Expenditure													

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

		09.2021	10.2021	11.2021	12.2021	01.2022	02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rservices													
	Revenues													
Fiscal Sector	Recurent Expenditure													
	Capital Expenditure													

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