



August, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in July* annual economic growth amounted to 5.5% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 0.9% in August, higher than the inflation target of 3%, primarily driven by increasing prices on food and non-alcoholic beverages and housing.
- In July*, general government revenues increased by 29.7% YoY, while expenses increased by 25.8% YoY.
- In July*, commercial bank loans amounted to 46.4 billion GEL. As for loans issued by types of activity, the highest were issued in trade, construction and industry.
- In January - July*, exports increased by 15.9%, while imports increased by 19.0% YoY. Trade turnover amounted to 12,106 million USD.
- In July* money transfers amounted to 301.1 million USD. The main source of money transfers are EU countries (38.4% of total) and Russia (24.5%).
- In August, international reserves reached historical maximum and amounted to 5,437 million USD.
- In July*, the dollarization on deposits and on loans increased slightly MoM.
- In August, GEL depreciated against USD (by 0.9%) and appreciated against EUR (by 0.2%) MoM.

Macroeconomic Analysis and Tax Policy Unit

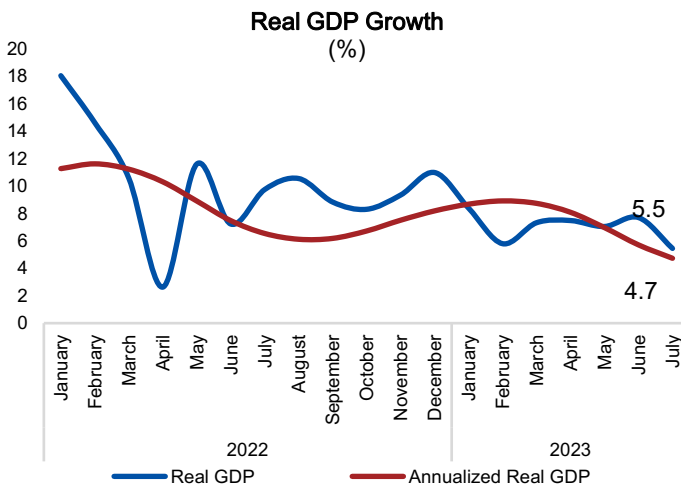
E-Mail: pbo@parliament.ge

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

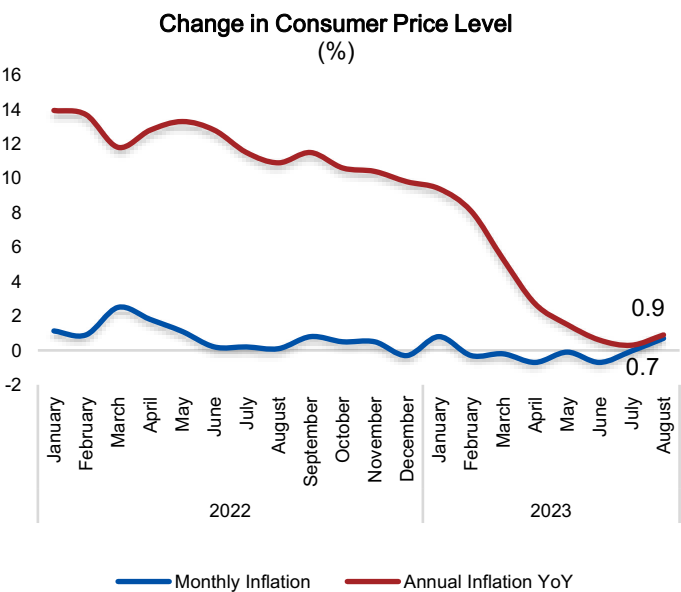
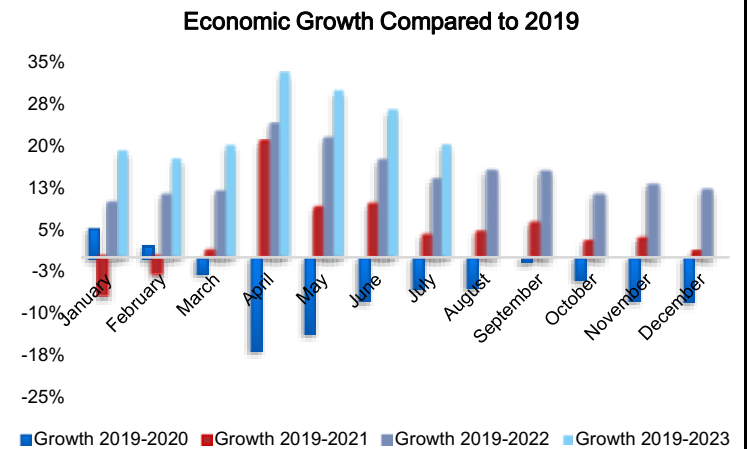


Parliamentary Budget Office of Georgia 2023

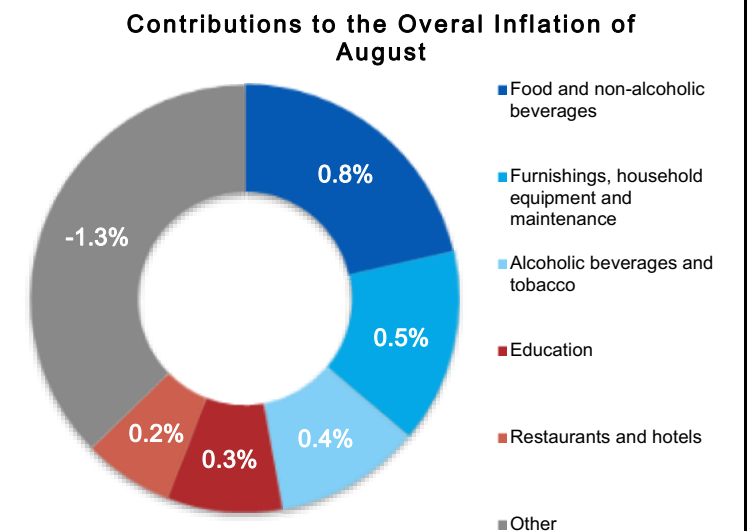
1. Real and Fiscal Sector



In July* 2023, positive annual economic growth was 5.5%. In accordance with preliminary estimates of GEOSTAT, in July* 2023, annual real GDP growth amounted to 5.5% YoY. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 4.7% in July. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

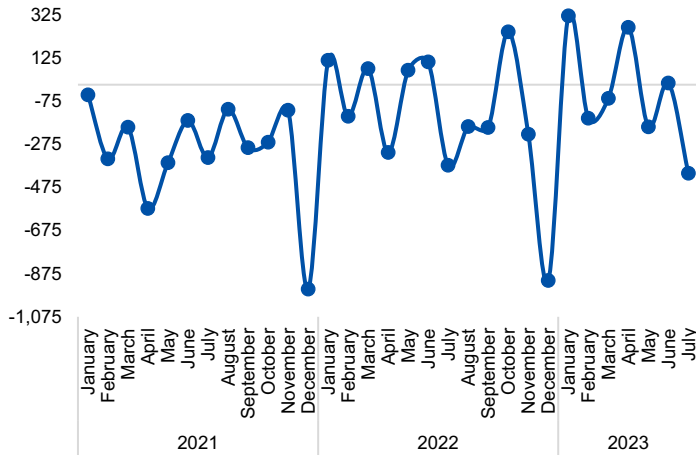


In August 2023, annual CPI inflation amounted to 0.9% In August 2023, the inflation rate amounted to 0.9% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, alcoholic beverages and tobacco, education and restaurants and hotels. With regard to the annual core inflation in August (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 2.7%. In July* 2023, the annual forecasted GDP deflator amounted to 0.9%.



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

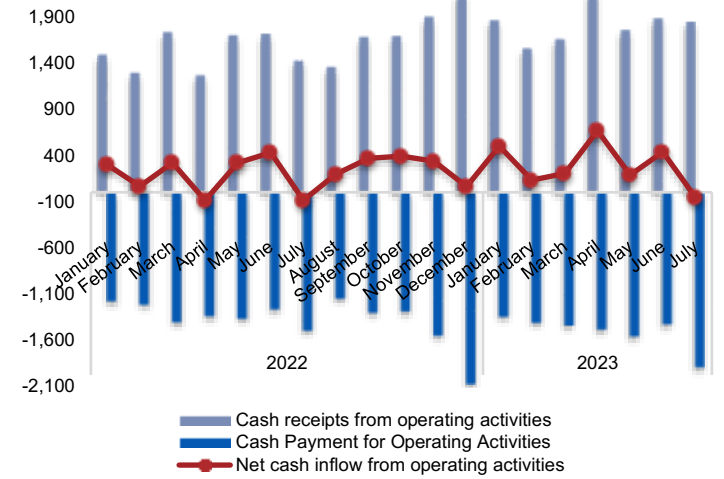
Consolidated Budget Balance
(Mln GEL)



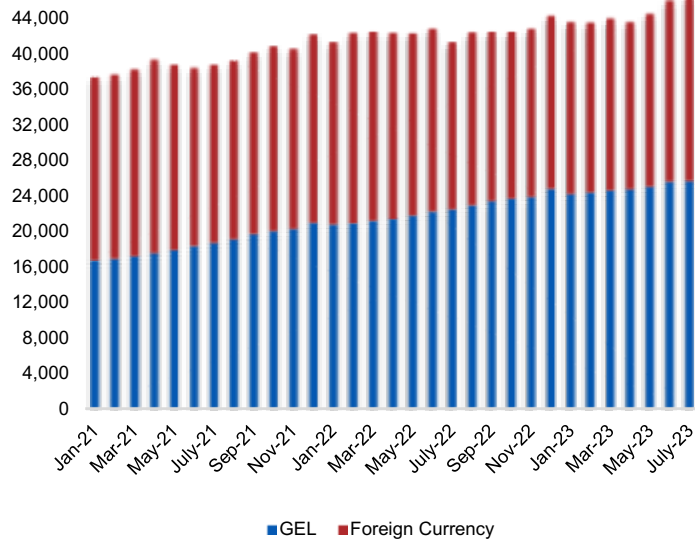
In July* 2023, the general government net lending/borrowing was negative.

In July* 2023, general government revenues increased by 29.7% YoY, while expenses increased by 25.8% YoY. In the analyzing period, the general government negative net operating balance amounted to 54.3 million GEL, while negative net lending/borrowing (budget deficit) was defined at 411.5 million GEL.

Receipts and Payments
(Mln GEL)



Commercial Bank Loans
(Mln GEL)

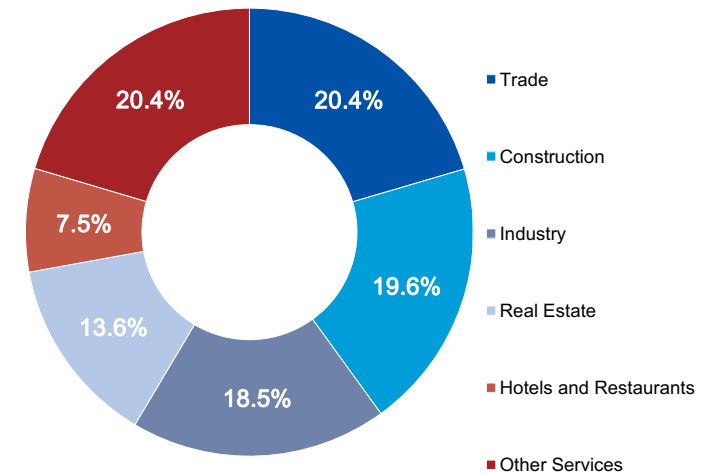


In July* 2023, compared to the same period of the previous year, commercial bank loans to the national economy increased in both, national currency and foreign currency.

In July* 2023, compared to the July of the previous year, commercial bank loans increased by 12.3% and amounted to 46.4 billion GEL. National currency loans increased by 14.1%, while foreign currency loans increased by 10.2%. It's worth mentioning, that more than half of total loans (54.8%) was distributed to households.

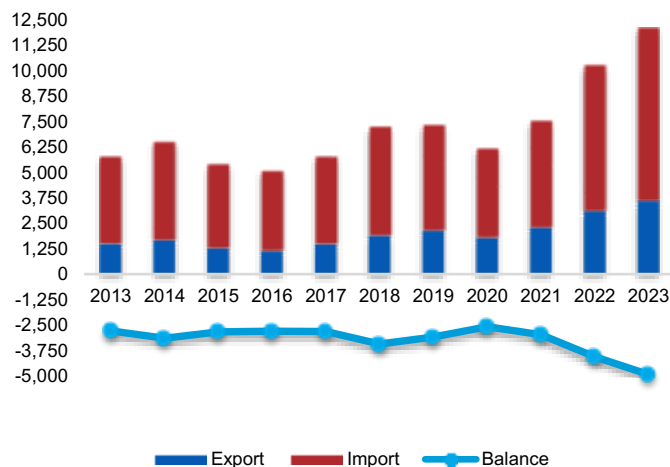
As for loans issued by types of activity, the highest 20.4% were issued in trade, 19.6% in construction, 18.5% in industry, 13.6% in real estate and 7.5% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(Mln USD)
January - July

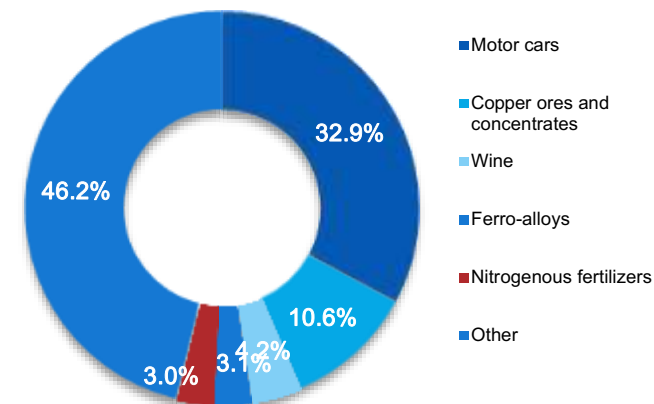


In January - July* 2023, both export and import of goods have increased.

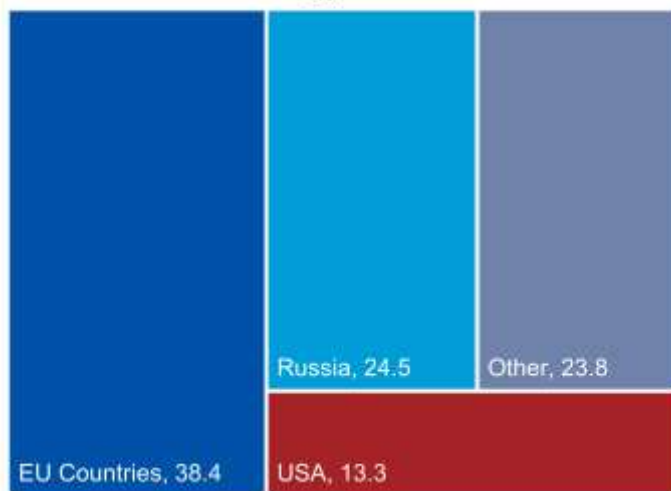
In January - July* 2023, exports increased by 15.9%, while imports increased by 19.0% YoY. As a result, trade turnover amounted 12,106 million USD (18.0% increase YoY). During this period, the share of exports in external trade amounted to 29.6%. Export growth was substantial in the following countries: Kyrgyzstan (1,158%, due to the increase of re-exported motor cars), Kazakhstan (266%), Spain (162%), Armenia (97%), Azerbaijan (38%), Russia (26%) and others. Export decreased in Ukraine by 57%.

High growth was recorded in several export commodity groups: motor cars (217%), mineral and aerated waters with added sugar (62%), alcoholic beverages (46%), mineral waters (38%). While deterioration was recorded in several groups: Ferro-alloys (69%), Nitrogenous fertilizers (42%) and Copper ores (39%).

Major Commodity Groups by Exports
(January - July)



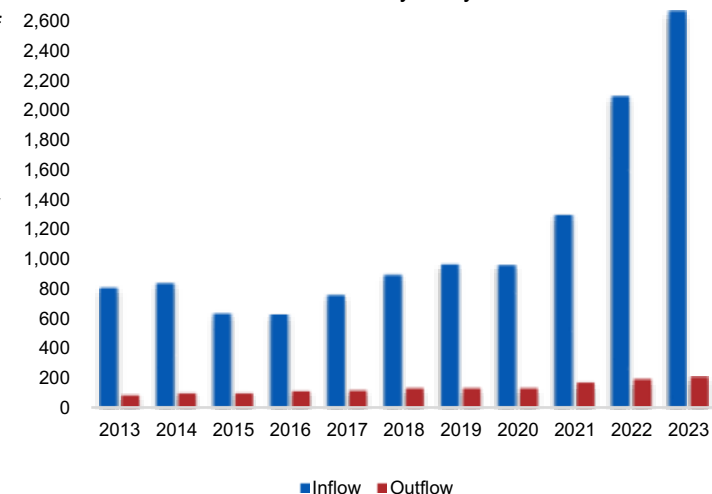
Remittance (%)
July



In July* 2023, remittances decreased slightly

In July* 2023, remittances in Georgia decreased by 1.6% YoY and amounted 301.1 million USD. In July*, the main source of money transfers were EU countries (38.4% of total) and Russia (24.5%). In the analyzing period, remittances increased significantly from the following countries: Iraq (by 531.3%), Jordan (369.1%), Ireland (by 109.3%), Kazakhstan (62.0%), United Kingdom (by 46.7%), Germany (by 40.3%), USA (by 40.1%), United Arab Emirates (by 38.7%), Netherlands (28.5%), France (by 27.8%), Belgium (26.9%), Italy (26.1%) and others. Remittances deteriorated from Russia by 26.6%.

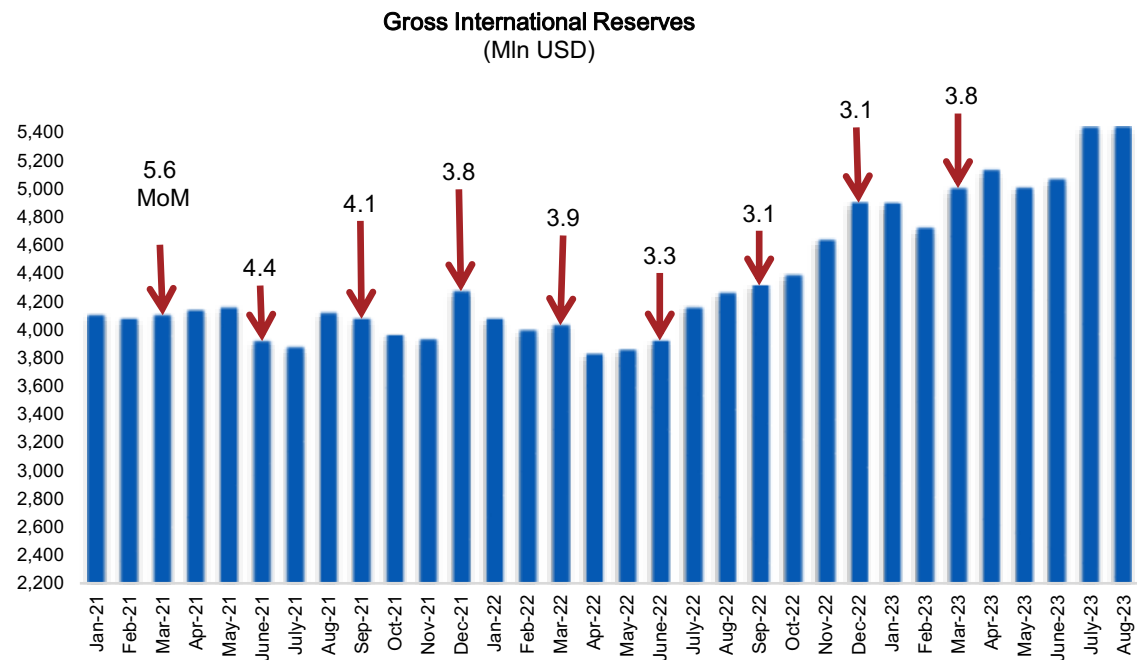
Remittance
(Mln USD)
January - July



In August, international reserves reached historical maximum and amounted to 5,437 million USD.

In August, international reserves amounted to 5,437 million USD, which is a 27.6% increase YoY and 0.01% increase MoM.

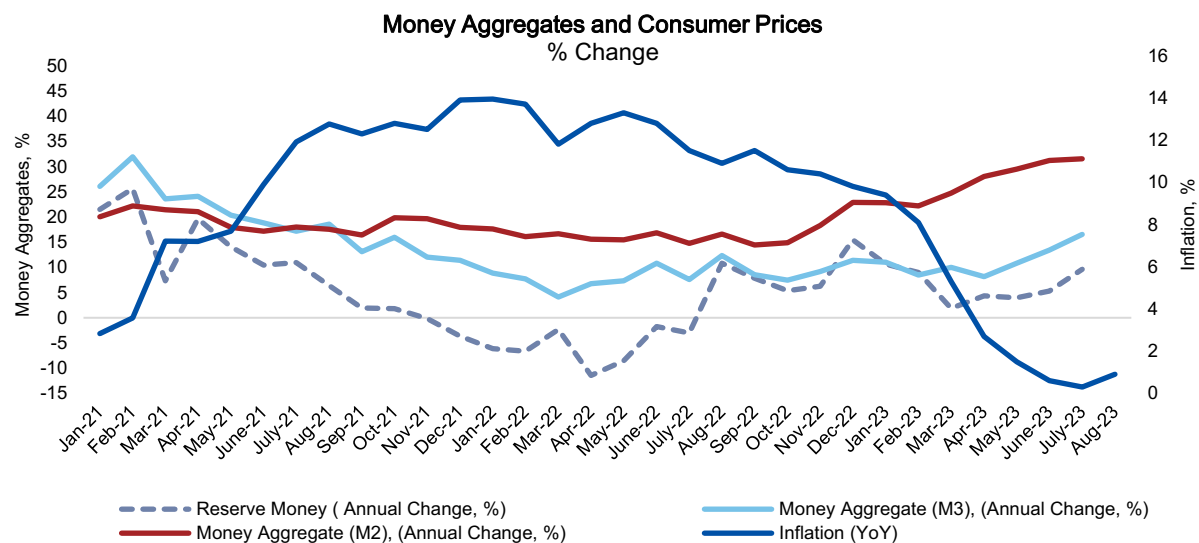
In August 2023, no foreign exchange interventions were carried out by the National Bank of Georgia.



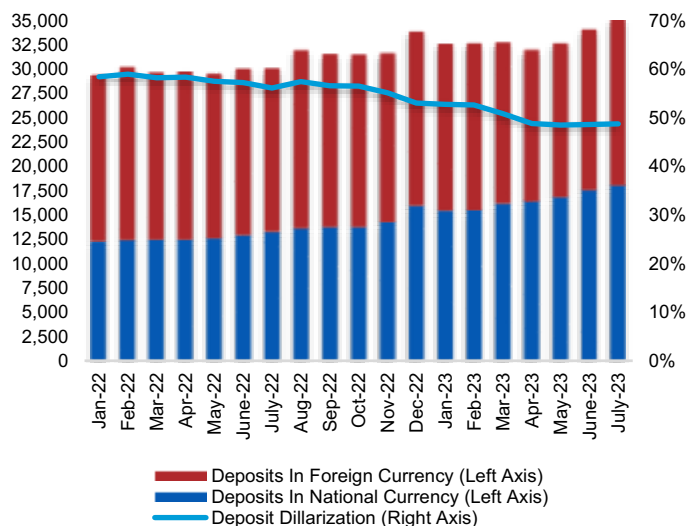
3. Monetary Sector

In July* 2023, compared to the same period of the previous year, reserve money had an increasing tendency.

In July* 2023, reserve money increased by 9.6% YoY, money aggregate M2 increased by 31.5%, and money aggregate M3 – by 16.6%. In August 2023, consumer price inflation amounted to 0.9% YoY.



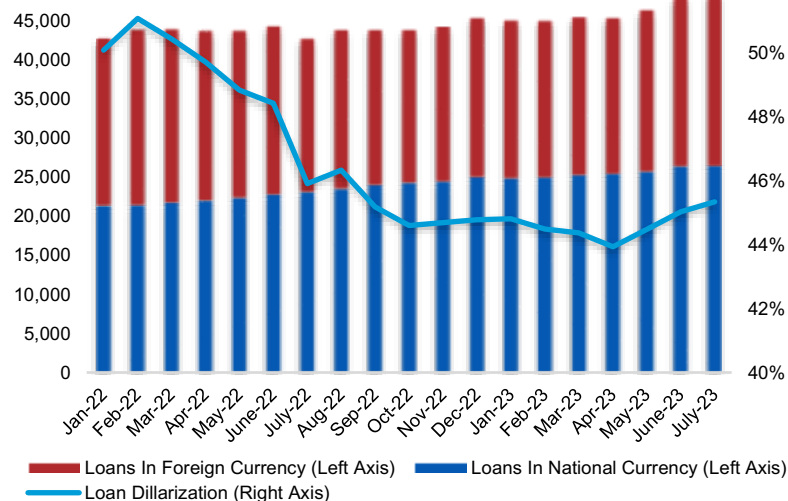
Deposits and Dollarization
(Mln GEL, %)



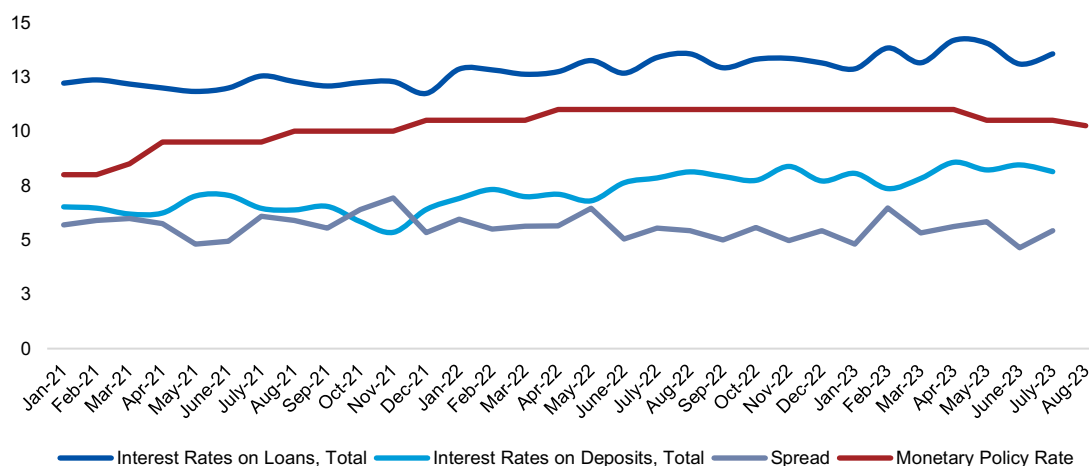
In July* 2023, the dollarization on deposits and on loans increased MoM.

In July* 2023, the deposit dollarization indicator increased by 0.11 pp and amounted to 48.7% MoM, while loan dollarization increased by 0.31 pp and made up to 45.3%. In July*, foreign currency deposits increased by 3.2% MoM, while national currency deposits increased by 2.7%.

Loans and Dollarization
(Mln GEL, %)



Market Interest Rates on Loans and Deposits (%)



In July* 2023, interest rates decreased on deposits by 0.3 pp MoM, while interest rates increased on loans by 0.5 pp MoM.

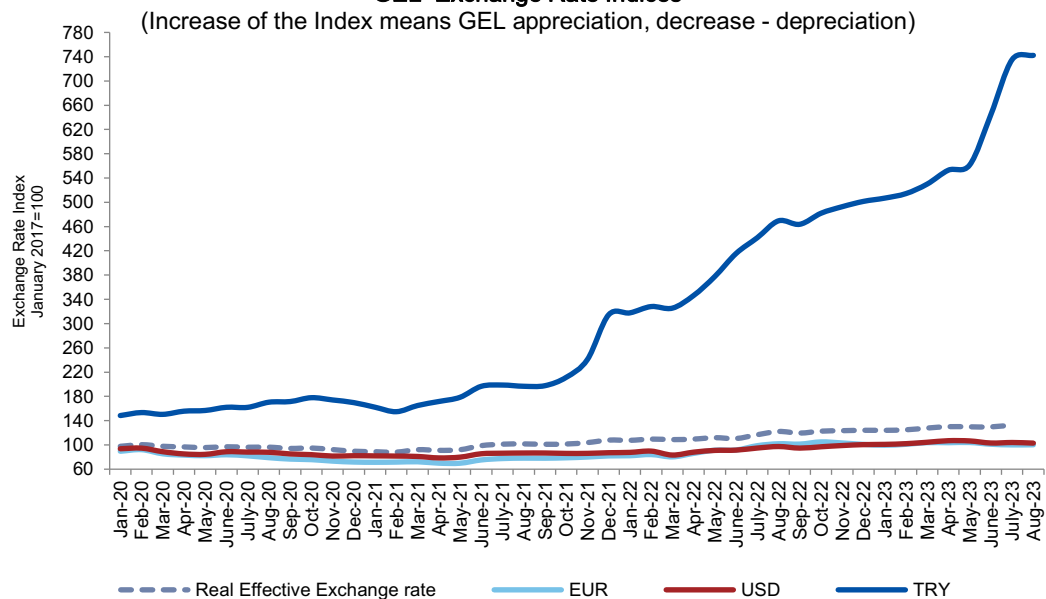
In July* 2023, market interest rates on loans amounted to 13.6%, while interest rates on deposits were defined at 8.1%. The interest rate spread (difference between loan and deposit rates) amounted to 5.4% as of July* 2023, 0.12 pp lower compared to July 2022.

On August 2, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.25 PP. The monetary policy rate amounted to 10.25%.

In August 2023, compared to the previous month, the GEL shows depreciation towards USD and appreciation toward EUR.

In August 2023, GEL depreciated against USD by 0.9%, and appreciated against EUR by 0.2%, while appreciated against TRY by 0.9% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In August, the GEL exchange rate appreciated by 5.8% YoY towards USD, by 1.7% YoY towards EUR and by 58.1% YoY towards TRY. It should be noted, that in recent months, the volume of foreign direct investments, remittances, income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.

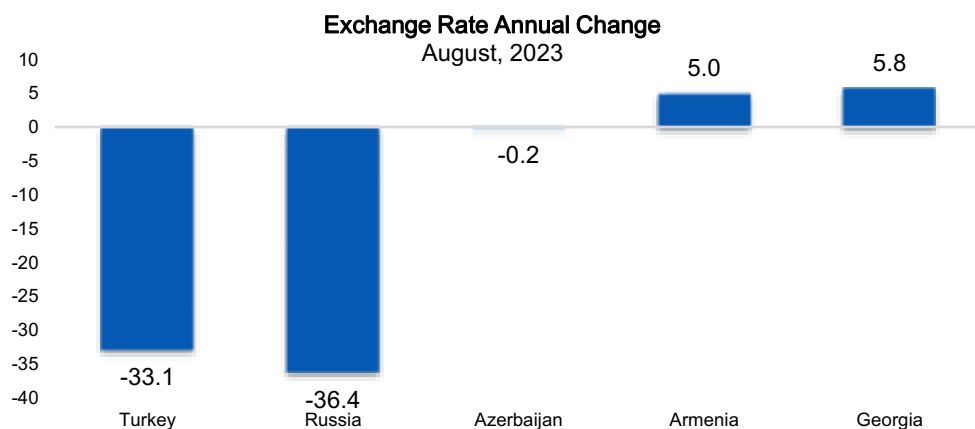
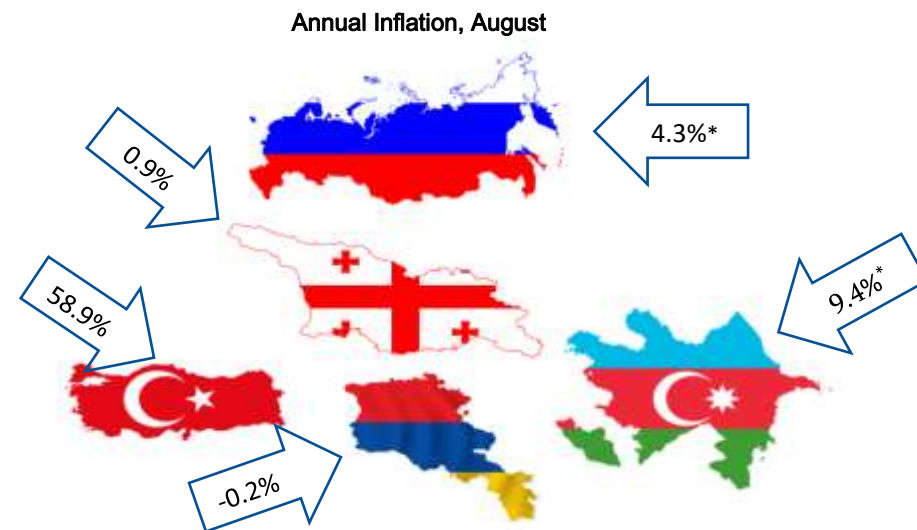
GEL Exchange Rate Indices



4. Regional Review

In August 2023, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in August 2023, annual inflation amounted to 58.9% in Turkey. Deflation was observed in Armenia (-0.2%). As for Azerbaijan and Russia, in July* 2023, consumer prices increased by 9.4% in Azerbaijan and by 4.3% YoY in Russia.



In August 2023, part of the currencies of the region countries stand out with a tendency of appreciation towards USD, while others depreciated.

Particularly, in August 2023, AMD appreciated by 5.0% YoY towards USD. In the analyzing period RUB depreciated by 36.4%, TRY by 33.1% and AZN by 0.2% 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

| | | Aug 22 | Sep 22 | Oct 22 | Nov 22 | Dec 22 | Jan 23 | Feb 23 | Mar 23 | Apr 23 | May 23 | Jun 23 | Jul 23 | Aug 23 |
|------------------------|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Real Sector | GDP Growth Rate (%) | 10.5 | 8.8 | 8.3 | 9.3 | 11.0 | 8.4 | 5.8 | 7.3 | 7.5 | 7.0 | 7.7 | 5.5 | |
| | VAT Turnover Growth Rate (%) | 23.0 | 19.5 | 14.8 | 16.7 | 16.6 | 18.8 | 11.7 | 9.2 | 6.1 | 5.2 | 6.1 | 2.9 | |
| Monetary Sector | Inflation (%) | 10.9 | 11.5 | 10.6 | 10.4 | 9.8 | 9.4 | 8.1 | 5.3 | 2.7 | 1.5 | 0.6 | 0.3 | 0.9 |
| | Monetary Policy Rate (%) | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 10.5 | 10.5 | 10.5 | 10.25 |
| | Deposit Dollarization (%) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | |
| | Loan Dollarization (%) | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| External Sector | Exchange Rate (GEL) | 2.8 | 2.9 | 2.8 | 2.7 | 2.7 | 2.7 | 2.6 | 2.6 | 2.5 | 2.5 | 2.6 | 2.6 | 2.6 |
| | Remittances (Thousand USD) | 334,266.1 | 387,177.7 | 501,998.8 | 521,164.6 | 535,251.1 | 444,964.0 | 372,328.3 | 438,392.2 | 369,709.2 | 384,885.8 | 353,170.7 | 301,068.1 | |
| | Export (USD Million) | 473.1 | 523.5 | 448.7 | 490.7 | 555.8 | 459.0 | 455.8 | 546.7 | 500.5 | 541.4 | 550.4 | 529.6 | |
| | Import (USD Million) | 1,262.8 | 1,136.5 | 1,203.9 | 1,310.9 | 1,469.3 | 1,114.8 | 1,067.3 | 1,377.8 | 1,221.8 | 1,325.7 | 1,228.2 | 1,186.6 | |
| | Trade Balance (USD Million) | -789.7 | -612.9 | -755.2 | -820.2 | -913.5 | -655.8 | -611.5 | -831.1 | -721.2 | -784.3 | -677.7 | -657.0 | |
| | International Reserves (USD Million) | 4,260.7 | 4,313.1 | 4,385.6 | 4,636.7 | 4,900.6 | 4,899.3 | 4,720.2 | 5,003.8 | 5,133.4 | 5,005.3 | 5,066.7 | 5,436.1 | 5,436.8 |
| Fiscal Sector | Revenues (GEL Million) | 1,356.2 | 1,680.6 | 1,688.4 | 1,898.4 | 2,151.6 | 1,858.0 | 1,555.1 | 1,656.6 | 2,165.0 | 1,755.9 | 1,877.8 | 1,846.9 | |
| | Recurrent Expenditure (GEL Million) | 1,158.4 | 1,312.9 | 1,296.9 | 1,561.6 | 2,090.5 | 1,357.0 | 1,422.1 | 1,450.0 | 1,496.7 | 1,568.9 | 1,441.2 | 1,901.2 | |
| | Capital Expenditure (GEL Million) | 403.4 | 624.5 | 148.0 | 600.3 | 1,054.5 | 185.9 | 313.1 | 317.4 | 414.1 | 400.6 | 495.8 | 365.4 | |

Increase
 Decrease
 Change < 1%

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

| | | 08.2022 | 09.2022 | 10.2022 | 11.2022 | 12.2022 | 01.2023 | 02.2023 | 03.2023 | 04.2023 | 05.2023 | 06.2023 | 07.2023 | 08.2023 |
|------------------------|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 Rserves | | | | | | | | | | | | | |
| Fiscal Sector | Revenues | | | | | | | | | | | | | |
| | Recurent Expenditure | | | | | | | | | | | | | |
| | Capital Expenditure | | | | | | | | | | | | | |

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

| | | 08.2022 | 09.2022 | 10.2022 | 11.2022 | 12.2022 | 01.2023 | 02.2023 | 03.2023 | 04.2023 | 05.2023 | 06.2023 | 07.2023 | 08.2023 |
|------------------------|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 Rserves | | | | | | | | | | | | | |
| Fiscal Sector | Revenues | | | | | | | | | | | | | |
| | Recurent Expenditure | | | | | | | | | | | | | |
| | Capital Expenditure | | | | | | | | | | | | | |

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