



December, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in November* annual economic growth amounted to 5.9% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 0.4% in December, lower than the inflation target of 3.0%, due to increased prices on transport, alcoholic beverages and housing.
- In November*, general government revenues decreased by 3.6% YoY, while expenses increased by 1.2% YoY.
- In November*, commercial bank loans amounted to 49.4 billion GEL. As for loans issued by types of activity, the highest were issued in trade, construction and industry.
- In January - November*, goods exports increased by 11.1%, while imports increased by 16.1% YoY. Trade turnover amounted to 19,613 million USD.
- In November* money transfers amounted to 292.7 million USD. The main source of money transfers are EU countries (37.1% of total) and Russia (25.7%).
- In December, international reserves reached 5,003 million USD and increased by 2.1% YoY.
- In November*, the dollarization on deposits and loans increased slightly MoM.
- In December, GEL appreciated against USD (by 0.7%) and depreciated against EUR (by 0.5%) MoM.
- In December, the currencies of the region countries stand out with a tendency of depreciation towards USD, except Georgian Lari.

Macroeconomic Analysis and Tax Policy Unit

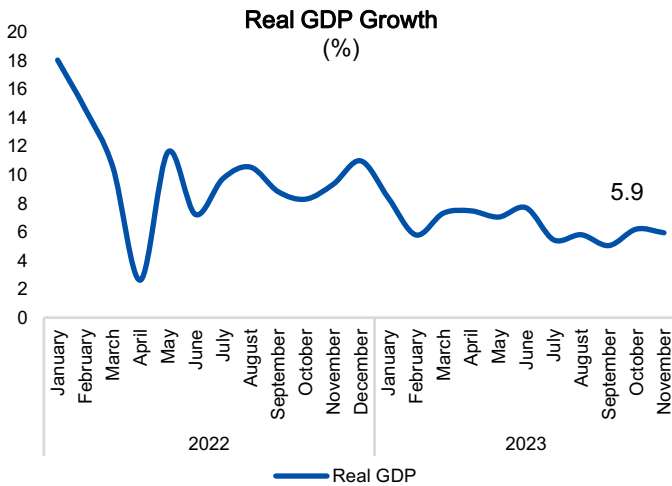
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*According to the release calendar of the statistical data, some indicators represent the variables of the previous month

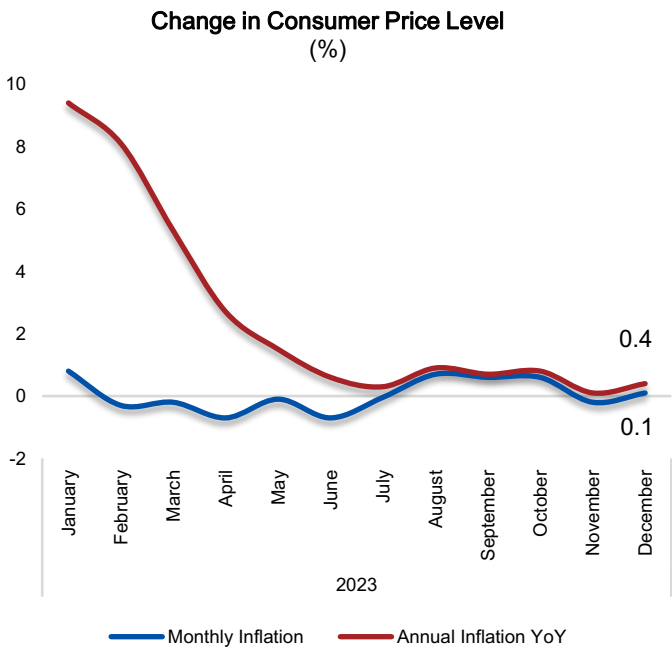
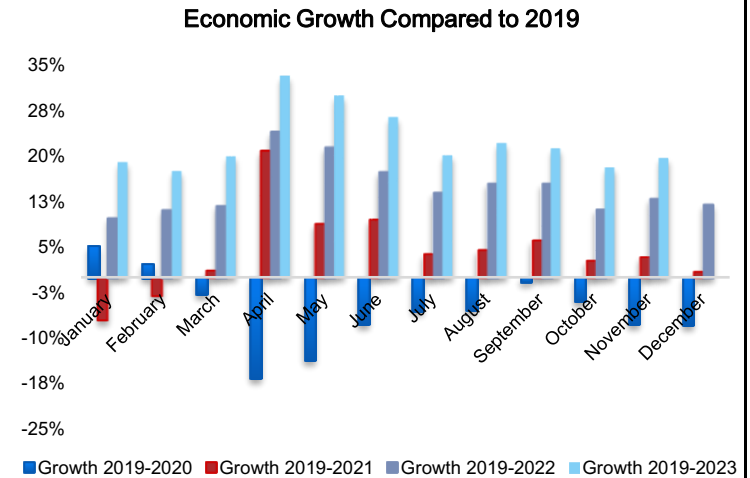


Parliamentary Budget Office of Georgia 2024

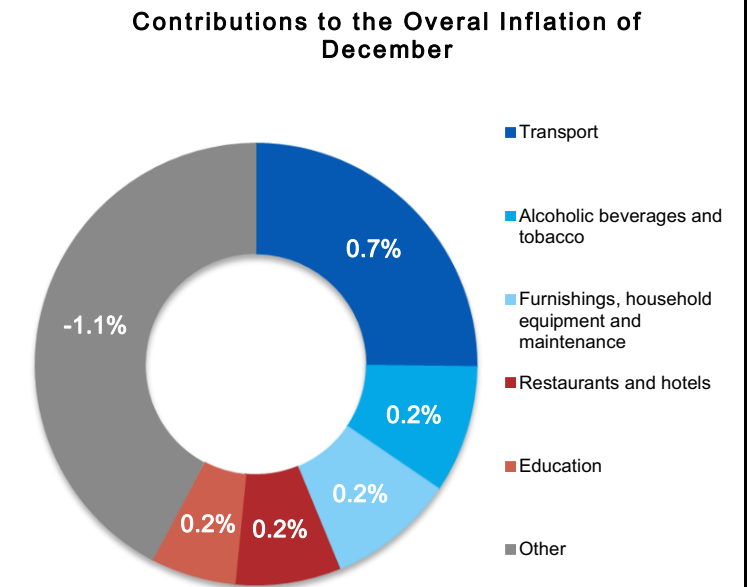
1. Real and Fiscal Sector



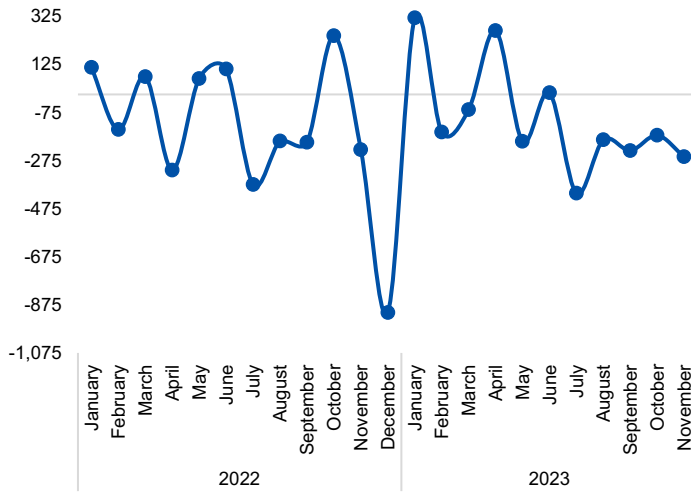
In November*, positive annual economic growth was 5.9%. In accordance with preliminary estimates of GEOSTAT, in November* 2023, annual real GDP growth amounted to 5.9% YoY. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.



In December, annual CPI inflation amounted to 0.4% In December 2023, the inflation rate amounted to 0.4% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the transport, alcoholic beverages and tobacco, housing, water, electricity, gas, restaurants, hotels and education. With regard to the annual core inflation in December (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 1.9%. In November* 2023, the annual forecasted GDP deflator amounted to 0.4%.



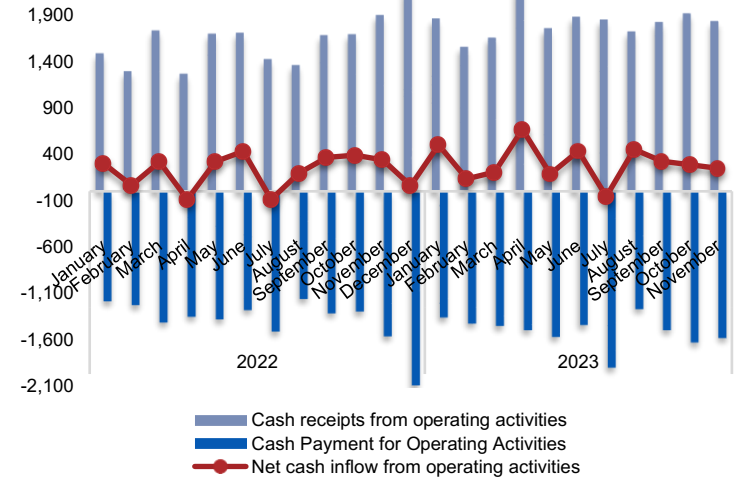
Consolidated Budget Balance
(MIn GEL)



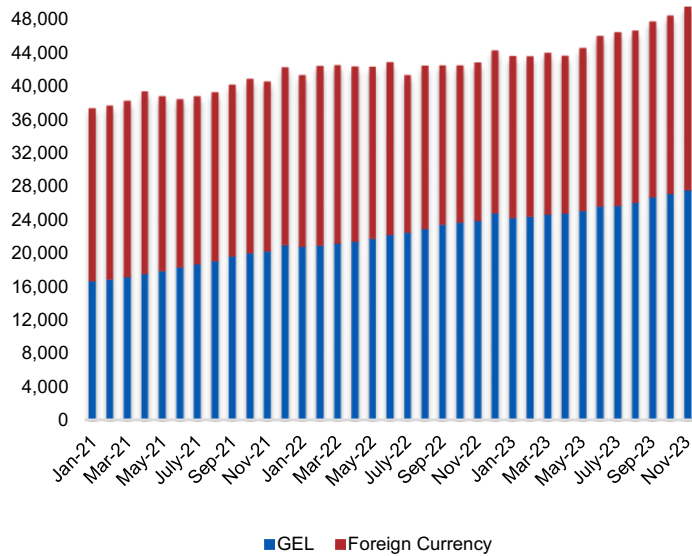
In November*, the general government net lending/borrowing was negative.

In November* 2023, general government revenues decreased by 3.6% YoY, while expenses increased by 1.2% YoY. In the analyzing period, the general government positive net operating balance amounted to 250.1 million GEL, while negative net lending/borrowing (budget deficit) was defined at 259.8 million GEL.

Receipts and Payments
(MIn GEL)



Commercial Bank Loans
(MIn GEL)

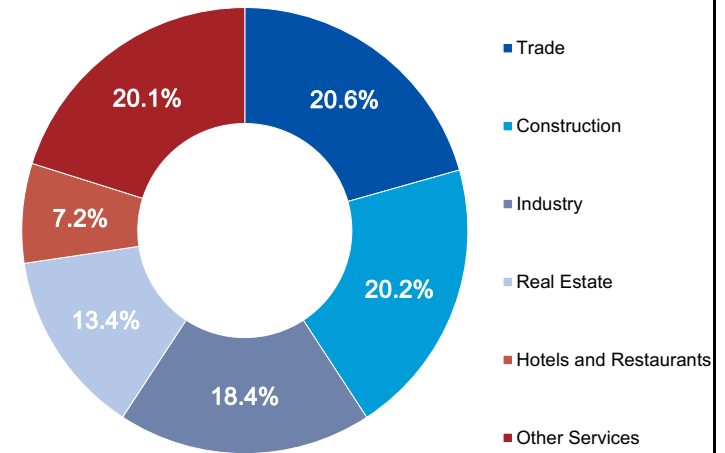


In November*, compared to the same period of the previous year, commercial bank loans to the national economy increased in both national currency and foreign currency.

In November* 2023, compared to the November of the previous year, commercial bank loans increased by 15.5% and amounted to 49.4 billion GEL. National currency loans increased by 15.3%, while foreign currency loans increased by 15.7%. As a result, loan dollarization increased by 0.36 pp and made up to 45.4%. It's worth mentioning, that more than half of total loans (53.8%) was distributed to households.

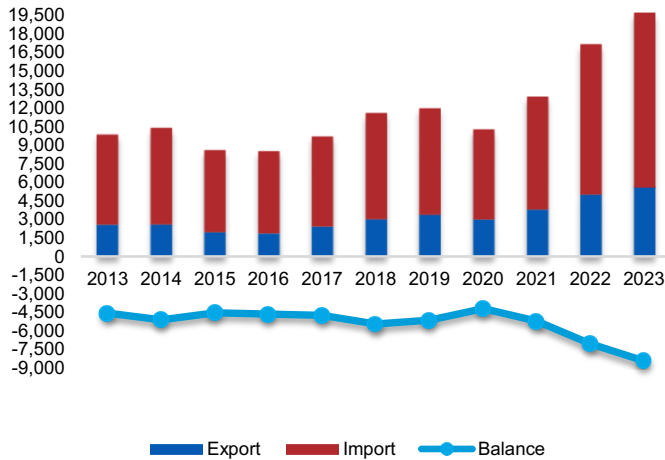
As for loans issued by types of activity, the highest 20.6% were issued in trade, 20.2% in construction, 18.4% in industry, 13.4% in real estate and 7.2% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

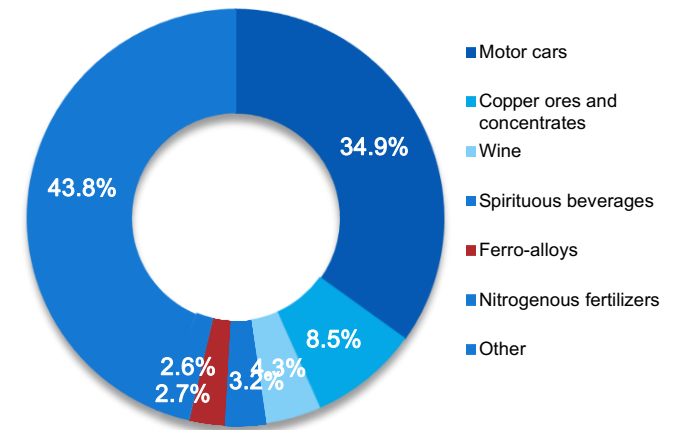
External Trade Indicators
(MIn USD)
January - November



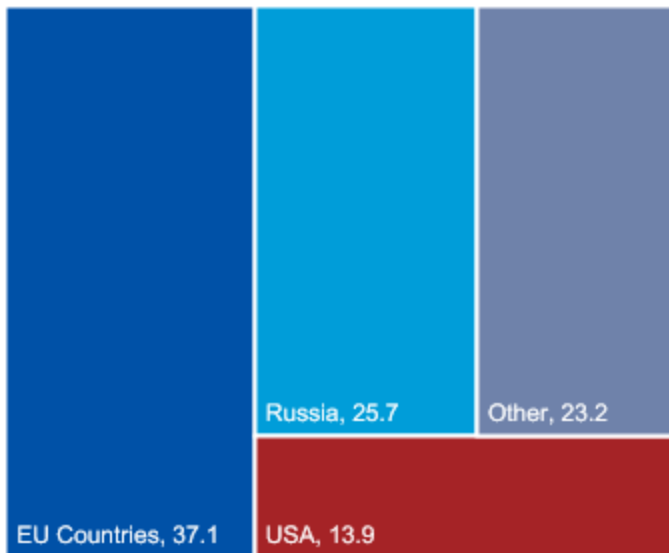
In January - November*, both export and import of goods increased.

In January - November*, goods exports increased by 11.1%, while imports increased by 16.1% YoY. As a result, trade turnover amounted to 19,613 million USD (14.7% increase YoY). During this period, the share of exports in external trade amounted to 28.5%. Export growth was substantial in the following countries: Kyrgyzstan (767%) and Kazakhstan (224%) due to the increase of re-exported motor cars, Armenia (44%), Azerbaijan (32%), Uzbekistan (13%), Russia (3%) and others. High growth was recorded in several export commodity groups: motor cars (155%), alcoholic beverages (42%), mineral and aerated waters with added sugar (35%), el. energy (23%), mineral waters (17%) and wines (3%). While deterioration was recorded in several groups: Ferro-alloys (67%), Copper ores (49%) and Nitrogenous fertilizers (41%).

Major Commodity Groups by Exports
(January - November)



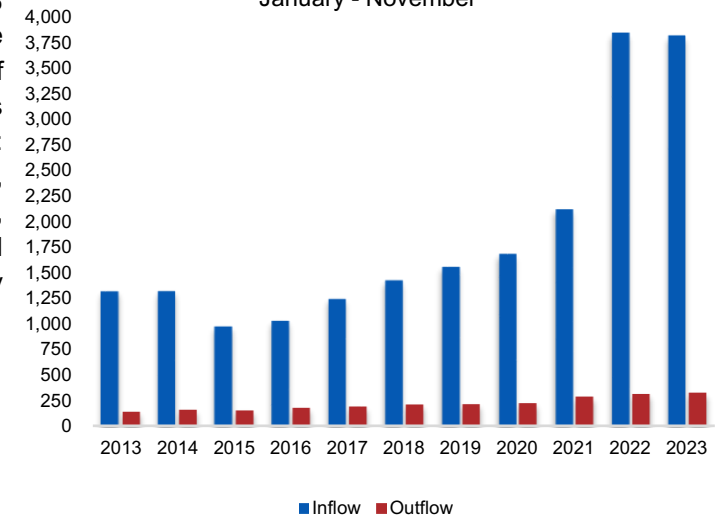
Remittance (%)
November



In November*, remittances decreased

In November*, remittances in Georgia decreased by 43.8% YoY and amounted to 292.7 million USD. In November*, the main source of money transfers were EU countries (37.1% of total) and Russia (25.7%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 71%), Ireland (by 67), USA (by 42%), Germany (by 32%), Canada (by 25%), Uzbekistan (by 24%), Saudi Arabia (by 24%) and others. Remittances deteriorated from Kyrgyzstan (by 86%), Russia (by 76%), Armenia (by 69%).

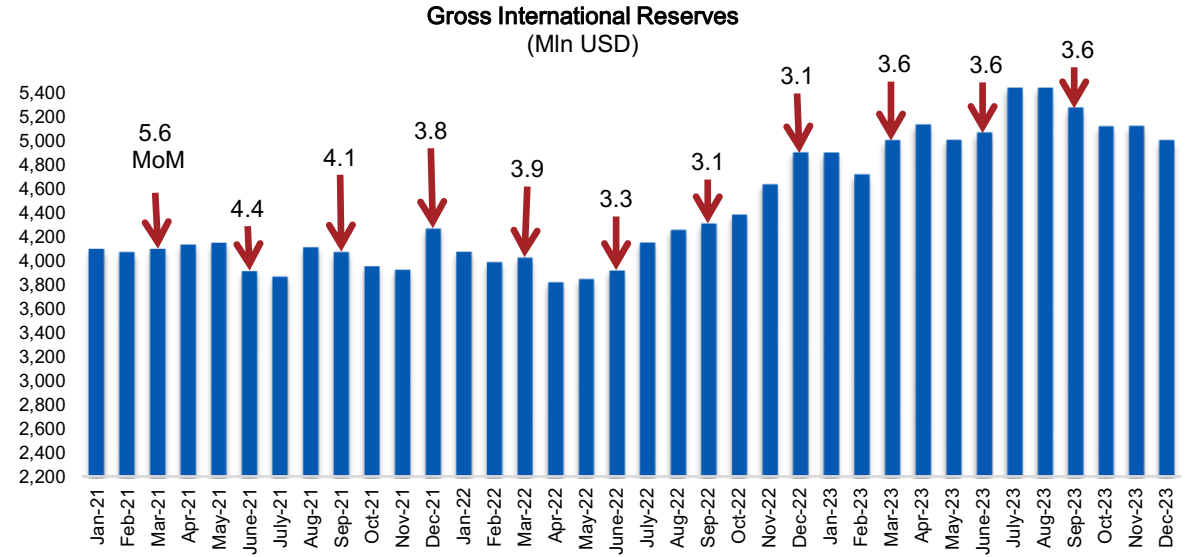
Remittance
(MIn USD)
January - November



In December, international reserves reached 5,003 million USD.

In December, international reserves amounted to 5,003 million USD, which is a 2.1% increase YoY and 2.3% decrease MoM.

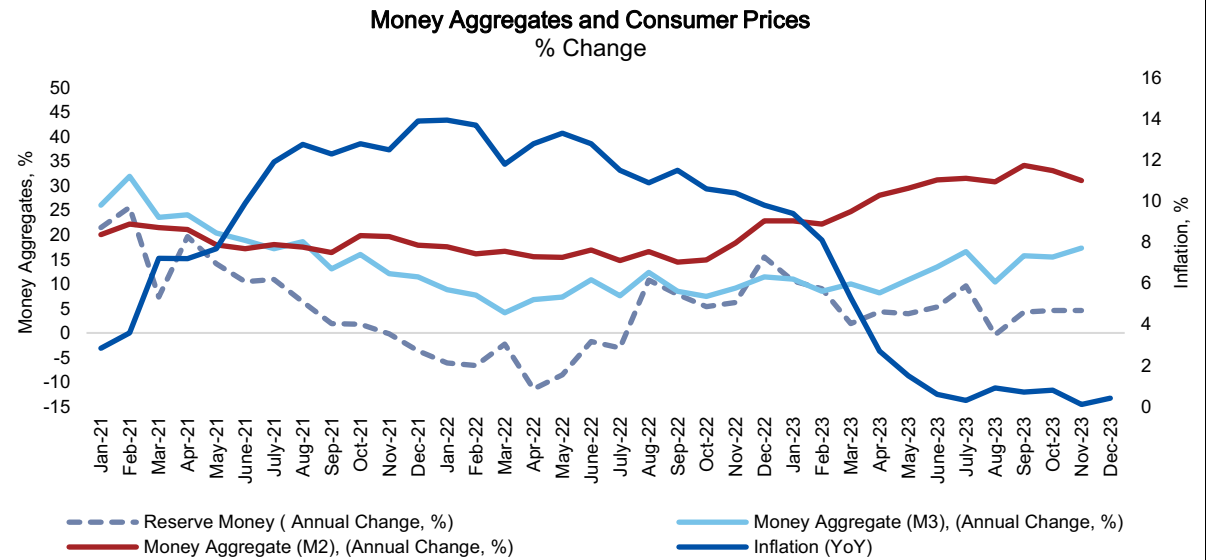
In December 2023, no foreign exchange interventions were carried out by the National Bank of Georgia.



3. Monetary Sector

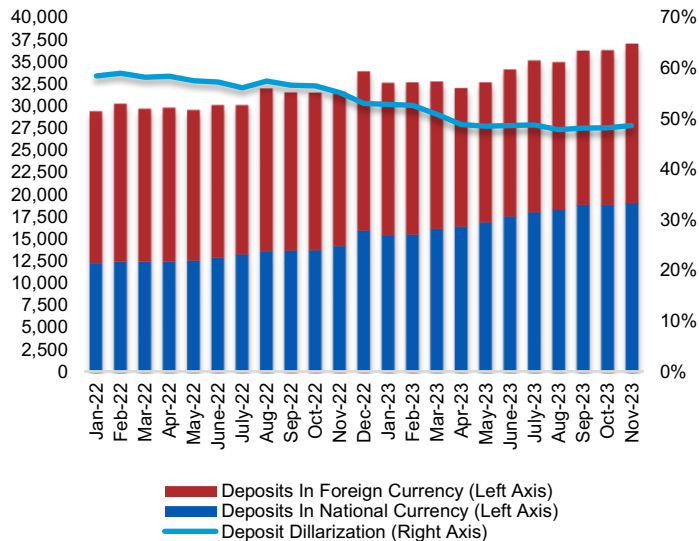
In November*, compared to the same period of the previous year, reserve money had an increasing tendency.

In November* 2023, reserve money increased by 4.6% YoY, money aggregate M2 increased by 31.0%, and money aggregate M3 – by 17.3%. In December 2023, consumer price inflation amounted to 0.4% YoY.



Deposits and Dollarization

(MIn GEL, %)

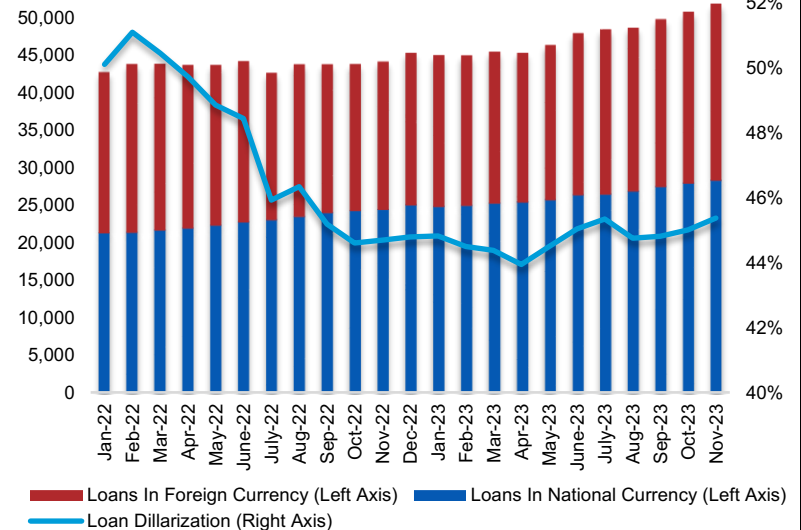


In November*, the dollarization on deposits and on loans increased slightly MoM.

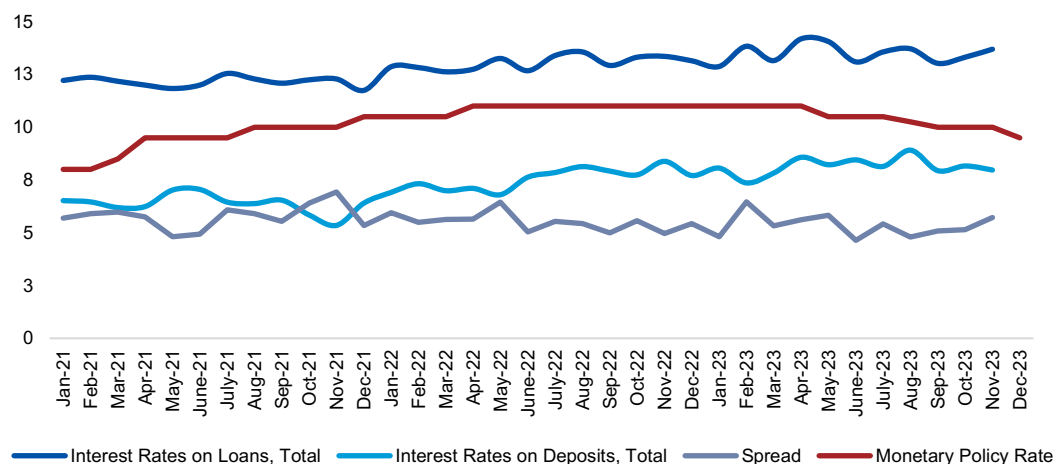
In November* 2023, the deposit dollarization indicator increased by 0.48 pp and amounted to 48.6% MoM, while loan dollarization increased by 0.36 pp and made up to 45.4%. In November*, foreign currency deposits increased by 3.0% MoM, while national currency deposits increased by 1.0% MoM.

Loans and Dollarization

(MIn GEL, %)



Market Interest Rates on Loans and Deposits (%)



In November*, interest rates on deposits decreased by 0.2 pp MoM, while interest rates on loans increased by 0.4 pp MoM.

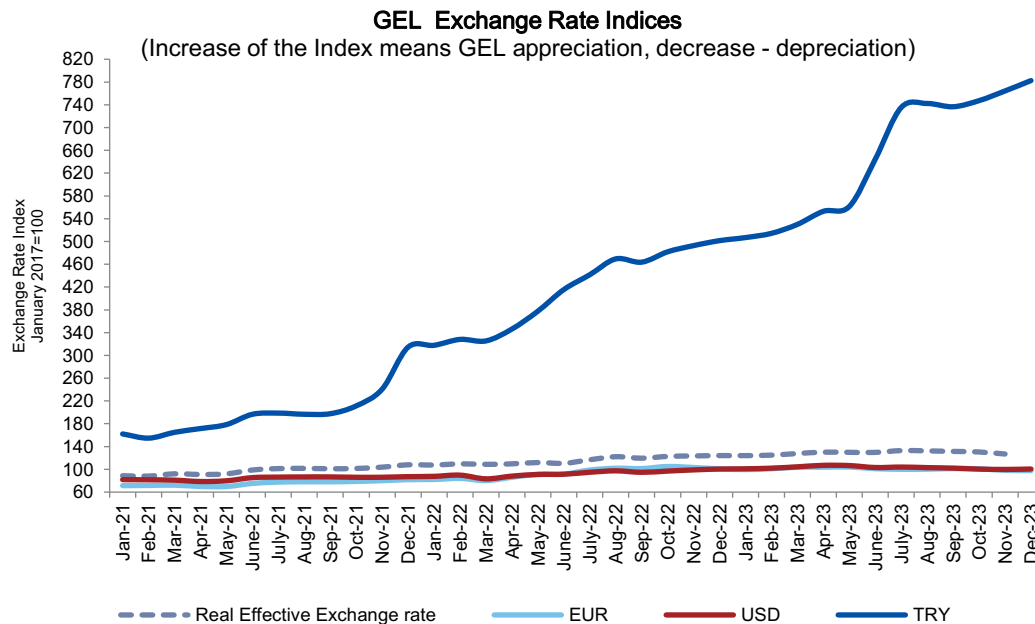
In November* 2023, market interest rates on loans amounted to 13.7%, while interest rates on deposits were defined at 8.0%. The interest rate spread (difference between loan and deposit rates) amounted to 5.7% as of November* 2023, 0.73 pp higher compared to November 2022.

On December 20, 2023 the monetary policy committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.5 PP. The monetary policy rate amounted to 9.5%.

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

In December 2023, GEL appreciated against USD by 0.7%, depreciated against EUR by 0.5%, while appreciated against TRY by 2.4% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In December, the GEL exchange rate appreciated by 0.1% YoY towards USD, depreciated by 3.1% towards EUR and appreciated by 56.0% YoY towards TRY YoY.

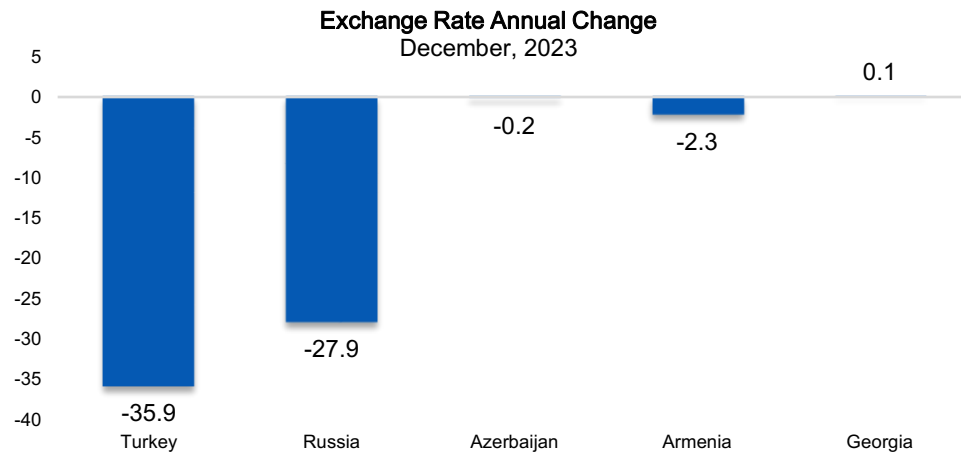
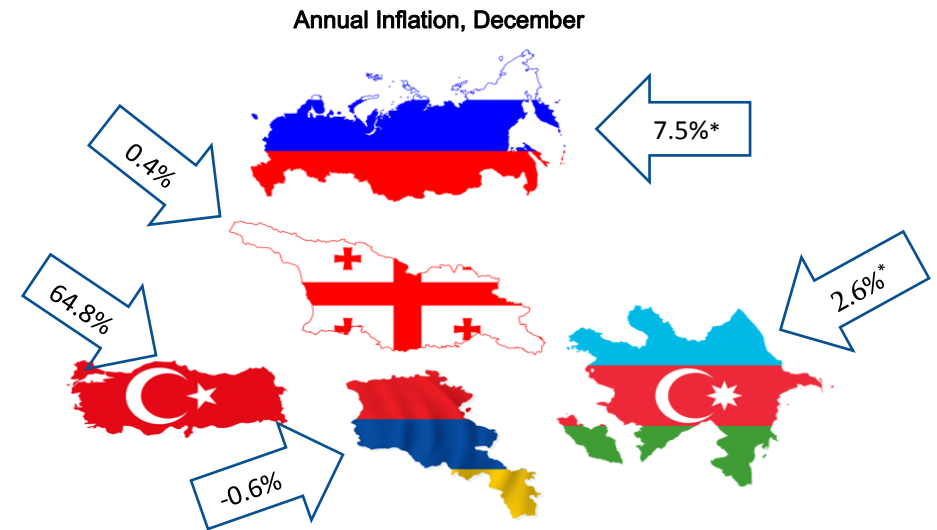
It should be noted, that in recent months, the volume of foreign direct investments, remittances, income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



4. Regional Review

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

Namely, in December 2023, annual inflation amounted to 64.8% in Turkey, while deflation was observed in Armenia (-0.6%). As for Azerbaijan and Russia, in November* 2023, consumer prices increased by 2.6% YoY in Azerbaijan and by 7.5% YoY in Russia.



In December, the currencies of the region countries stand out with a tendency of depreciation towards USD, except Georgian Lari.

Particularly, in December 2023, GEL appreciated by 0.1% YoY towards USD. In the analyzing period TRY depreciated by 35.9%, RUB by 27.9%, AMD by 2.3% 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

		Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23
Real Sector	GDP Growth Rate (%)	11.0	8.4	5.8	7.3	7.5	7.0	7.7	5.5	5.8	5.1	6.2	5.9	
	VAT Turnover Growth Rate (%)	16.6	18.8	11.7	9.2	6.1	5.2	6.1	2.9	4.2	3.0	6.0	2.6	
Monetary Sector	Inflation (%)	9.8	9.4	8.1	5.3	2.7	1.5	0.6	0.3	0.9	0.7	0.8	0.1	0.4
	Monetary Policy Rate (%)	11.0	11.0	11.0	11.0	11.0	10.5	10.5	10.5	10.25	10.00	10.00	10.00	9.50
	Deposit Dollarization (%)	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Loan Dollarization (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.5	0.5	
External Sector	Exchange Rate (GEL)	2.7	2.7	2.6	2.6	2.5	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.7
	Remittances (Thousand USD)	535 251.1	444 964.0	372 328.3	438 392.2	369 709.2	384 885.8	353 170.7	301 068.1	287 005.6	283 878.0	283 006.1	292 732.9	
	Export (USD Million)	555.8	459.0	455.8	546.7	500.5	541.4	550.4	529.8	495.8	528.0	494.9	482.0	
	Import (USD Million)	1 469.3	1 114.9	1 067.7	1 378.2	1 223.2	1 328.6	1 339.8	1 321.9	1 406.8	1 374.0	1 261.8	1 211.5	
	Trade Balance (USD Million)	-913.5	-655.9	-611.9	-831.5	-722.7	-787.3	-789.4	-792.1	-911.0	-846.0	-766.9	-729.5	
	International Reserves (USD Million)	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	5 273.2	5 118.8	5 121.7	5 003.0
Fiscal Sector	Revenues (GEL Million)	2 151.6	1 858.0	1 555.1	1 656.6	2 165.0	1 755.9	1 877.8	1 846.9	1 721.5	1 821.2	1 913.4	1 830.8	
	Recurrent Expenditure (GEL Million)	2 090.5	1 357.0	1 422.1	1 450.0	1 496.7	1 568.9	1 441.2	1 901.2	1 269.0	1 496.1	1 626.2	1 580.7	
	Capital Expenditure (GEL Million)	1 054.5	185.9	313.1	317.4	414.1	400.6	495.8	365.4	659.1	616.0	468.6	544.5	

Increase
 Decrease
 Change < 1%

Table N2¹. Comparison of key economic indicators with similar data for the corresponding month of last year.

		12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023	08.2023	09.2023	10.2023	11.2023	12.2023
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.

		12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023	08.2023	09.2023	10.2023	11.2023	12.2023
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													

¹ Indicators of table N2 and N3 are based on the data in Table N1.