



February, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in January* 2023 annual economic growth amounted to 8.4% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 8.1% in February 2023, which was primarily driven by increasing prices on food and non-alcoholic beverages.
- In January *, general government revenues increased by 25.1% YoY, while expenses increased by 14.4% YoY.
- In January*, commercial bank loans amounted to 43.5 billion GEL. As for loans issued by types of activity, the highest were issued in trade, industry and construction.
- In January*, exports increased by 38.5%, while imports increased by 25.2% YoY. Trade turnover amounted to 1,462 million USD.
- In January* money transfers amounted 445.0 million USD. The main source of money transfers are Russia (60.1% of total) and EU countries (20.4%).
- In February, international reserves amounted to 4,720 million USD.
- In January*, the dollarization on deposits decreased while on loans increased slightly MoM.
- In February, GEL appreciated against USD (by 1.1%), while appreciated against EUR (by 1.5%) MoM.

Macroeconomic Analysis and Tax Policy Unit

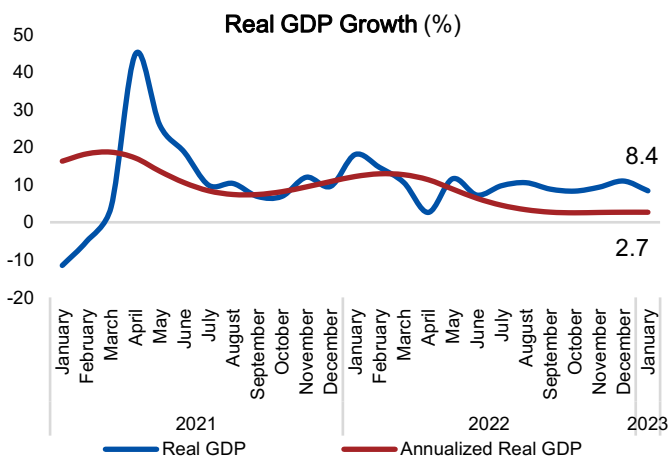
E-Mail: pbo@parliament.ge

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



Parliamentary Budget Office of Georgia 2023

1. Real and Fiscal Sector

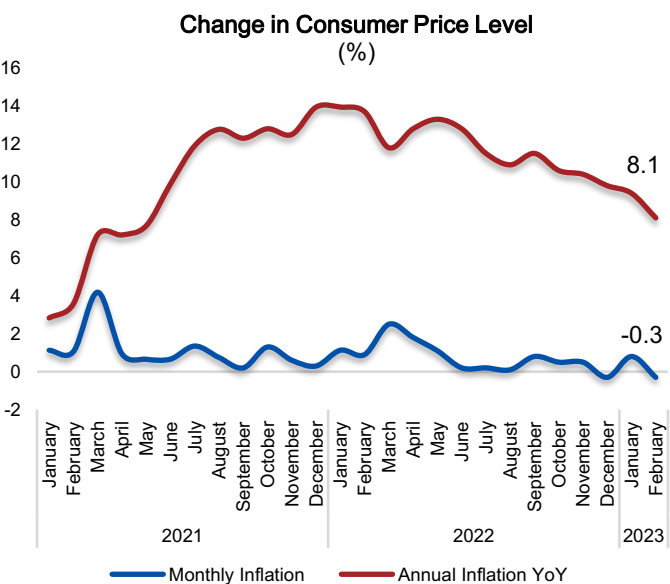
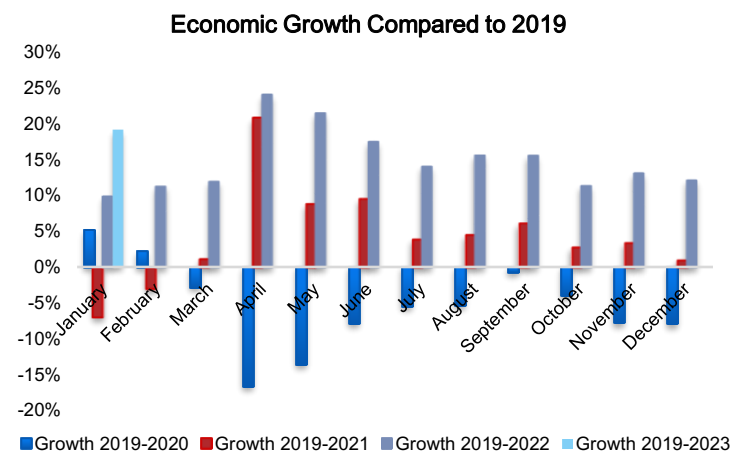


In January* 2023, positive annual economic growth was **8.4%**.

In accordance with preliminary estimates of GEOSTAT, in January* 2023, annual real GDP growth amounted to 8.4% YoY.

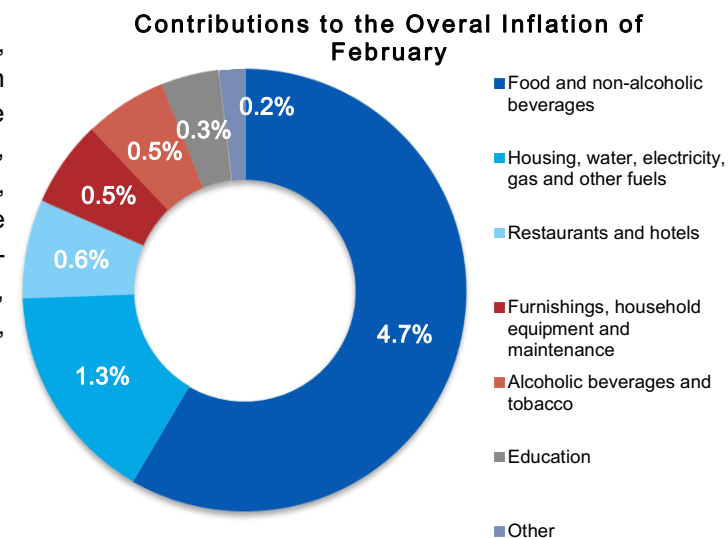
According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 2.7% in January.

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



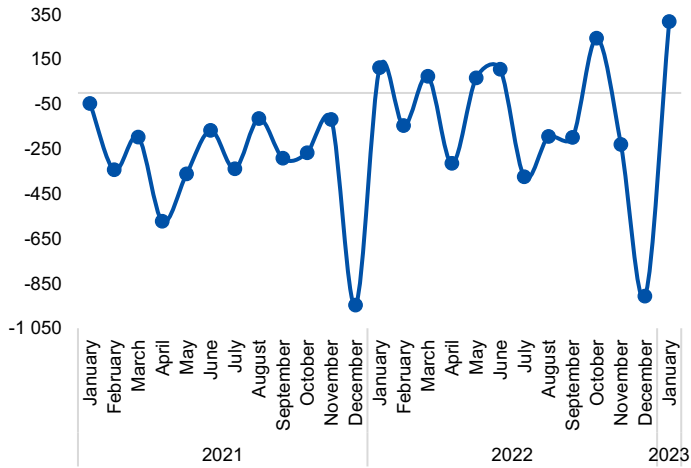
In February 2023, annual CPI inflation amounted to **8.1%**

In February 2023, the inflation rate amounted to 8.1% YoY, higher 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, restaurants and hotels, furnishing, alcoholic beverages and tobacco. With regard to the annual core inflation in February (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 6.5%. In January 2023, the annual forecasted GDP deflator amounted to 10.2%.



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

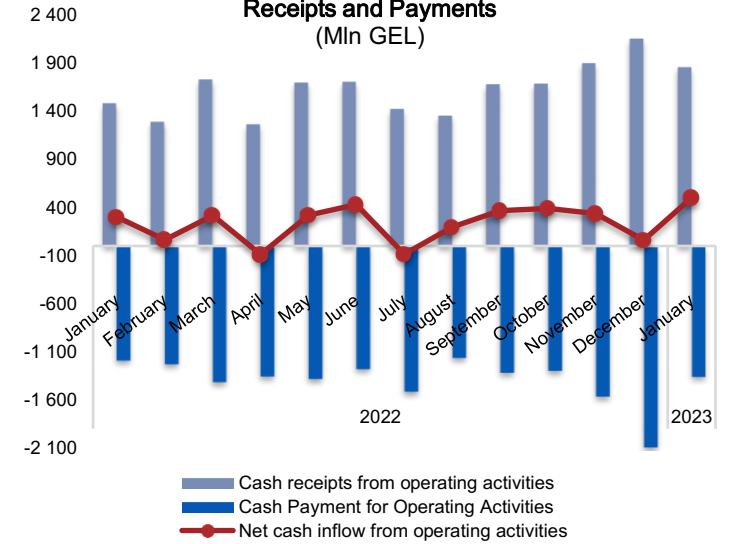
Consolidated Budget Balance
(Mln GEL)



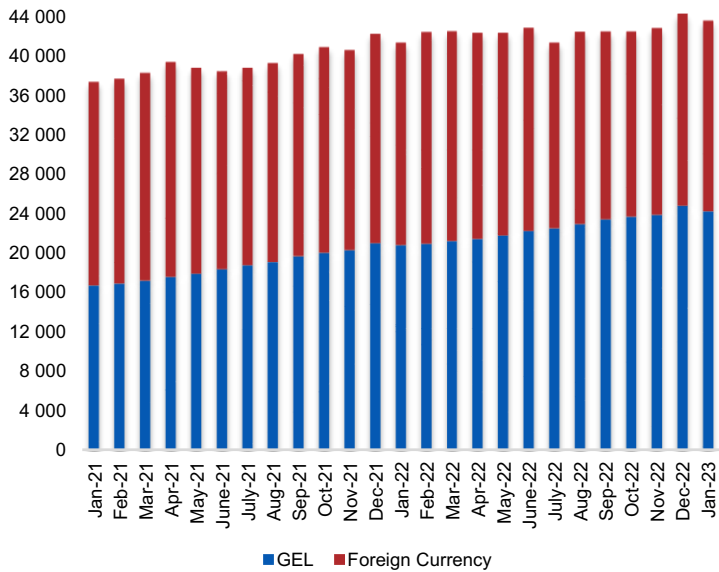
In January* 2023, the general government net lending/borrowing was positive.

In January* 2023, general government revenues increased by 25.1% YoY, while expenses increased by 14.4% YoY. In the analyzing period, the general government positive net operating balance amounted to 501 million GEL, while positive net lending/borrowing was defined at 318.7 million GEL.

Receipts and Payments
(Mln GEL)



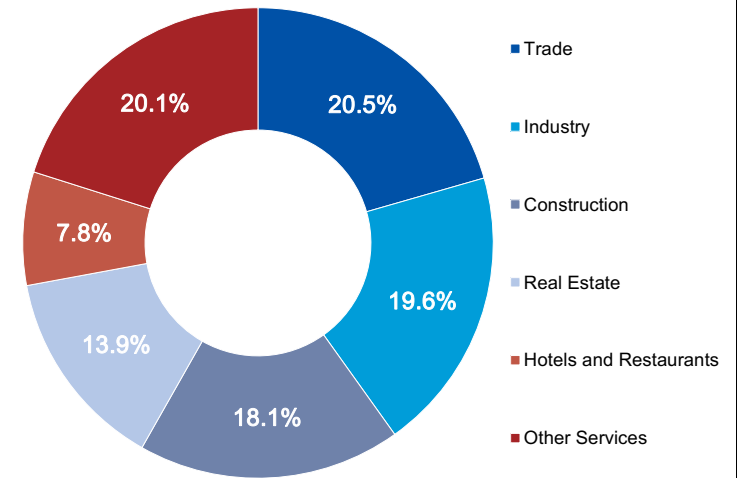
Commercial Bank Loans
(Mln GEL)



In January* 2023, 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.

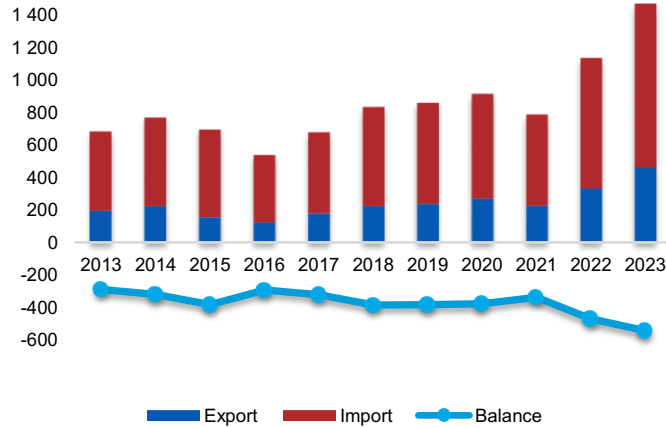
In January* 2023, compared to the January of the previous year, commercial bank loans increased by 5.4% and amounted to 43.5 billion GEL. National currency loans increased by 16.5%, while foreign currency loans decreased by 5.7%. It's worth mentioning that more than half of total loans (54.7%) was distributed to households. As for loans issued by types of activity, the highest 20.5% were issued in trade, 19.6% in industry, 18.1% in construction, 13.9% in real estate and 7.8% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

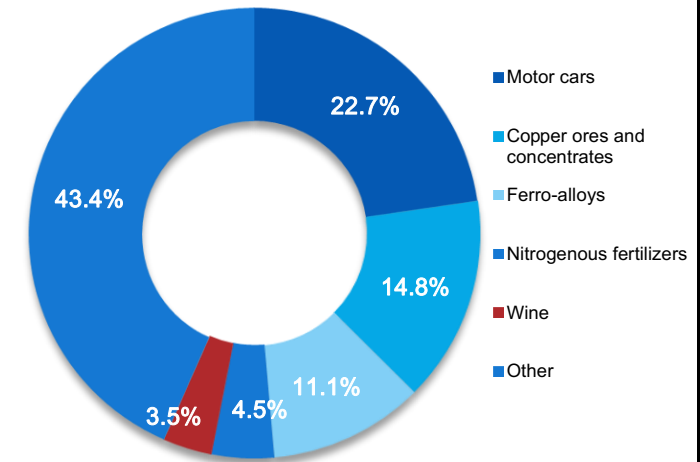
External Trade Indicators
(Mln USD)
January



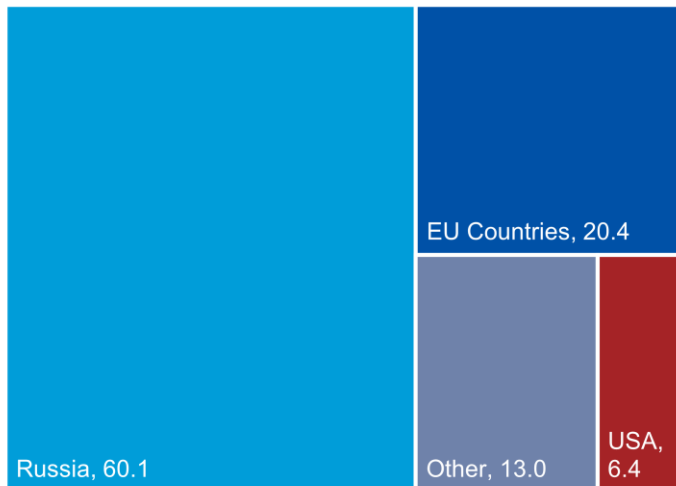
In January* 2023, both export and import of goods have increased.

In January* 2023, exports increased by 38.5%, while imports increased by 25.2% YoY. As a result, trade turnover amounted 1,462 million USD (29.1% increase YoY). During this period, the share of exports in external trade amounted to 31.4%. Export growth was substantial in the following countries: Peru (24,461%, as a result of a sharp increase in the export of nitrogenous fertilizers), Spain (2,332.1%), Kyrgyzstan (1,031.8%), Kazakhstan (433.5%), Armenia (235.6%) and Russia (105.7%). It needs to be mentioned that during this period export significantly decreased in Ukraine (77.9%). High growth was recorded in several export commodity groups: motor cars (186.6%), Cigarettes and tobacco (154.6%) Ferro Alloys (61.8%), precious metal ores (49.4%), and alcoholic beverages (43.7%).

Major Commodity Groups by Exports
(January)



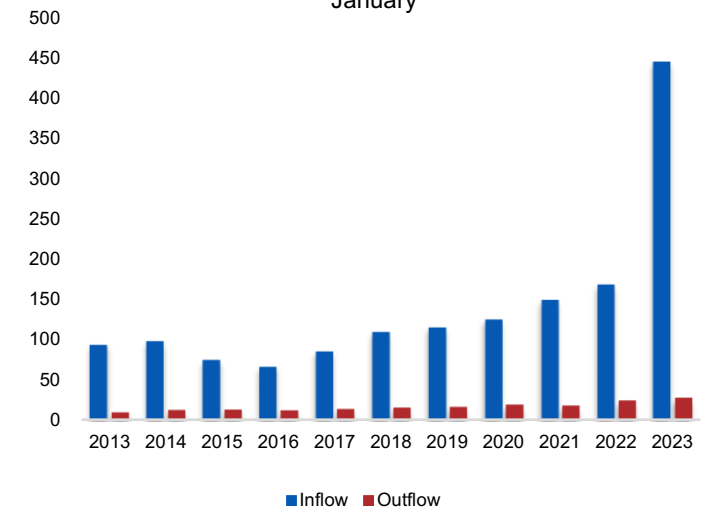
Remittance (%)
January



In January* 2023, remittances increased significantly

In January* 2023, remittances in Georgia increased by 163.5% YoY and amounted 445.0 million USD. In January* the main source of money transfers are Russia (60.1% of total) and EU countries (20.4%). In the analyzing period, remittances increased significantly from the following countries: Russia (by 1,095.7%), Belarus (by 300.0%), Tajikistan (by 120.0%), Ireland (by 73.5%), United Kingdom (by 72.1%), Armenia (by 66.9%), Germany (by 61.8%), Kyrgyzstan (by 60.1%), USA (by 40.8%), France (by 33.7%), Kazakhstan (by 32.1%).

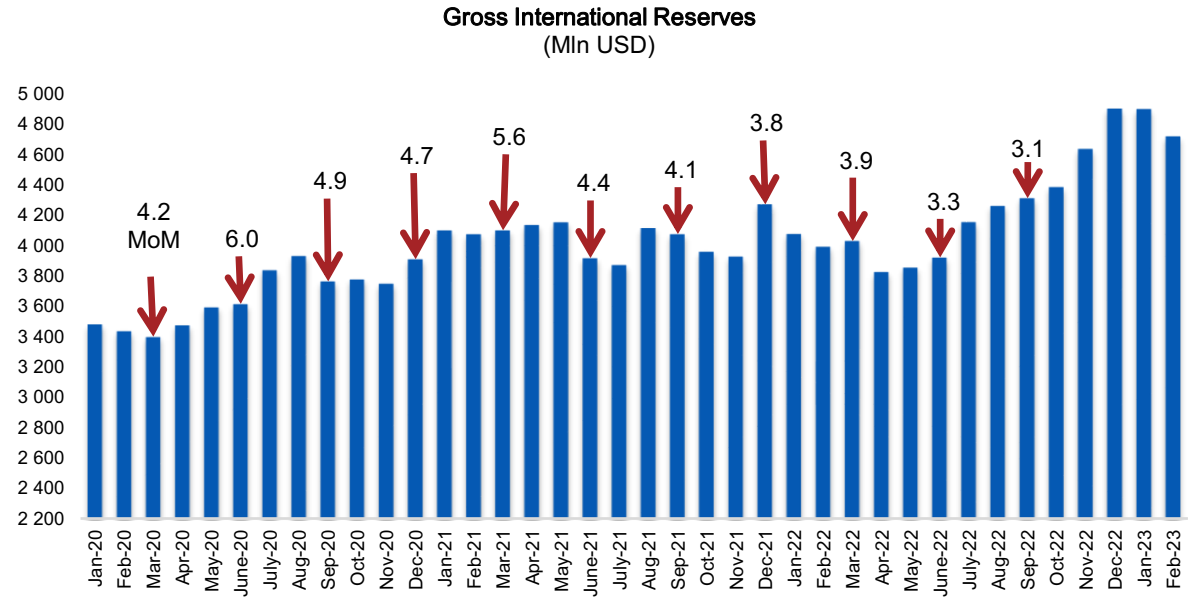
Remittance
(Mln USD)
January



In February 2023, international reserves amounted to 4,720 million USD.

In February 2023, international reserves amounted to 4,720 million USD, which is an 18.2% YoY increase and 3.7% MoM decrease.

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

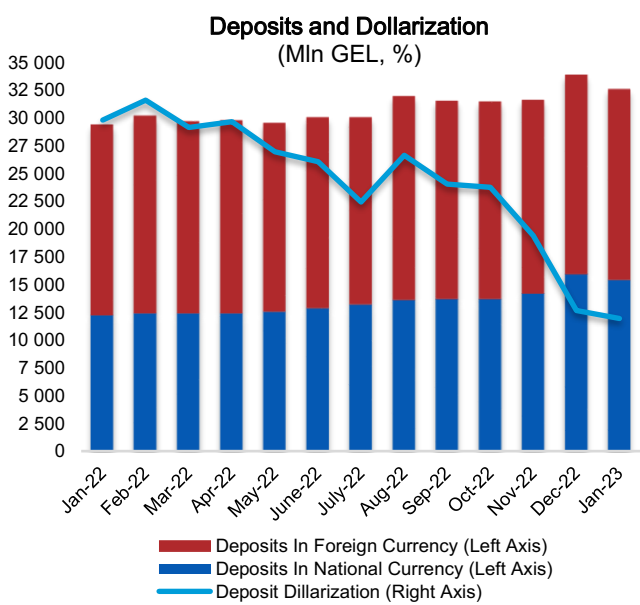
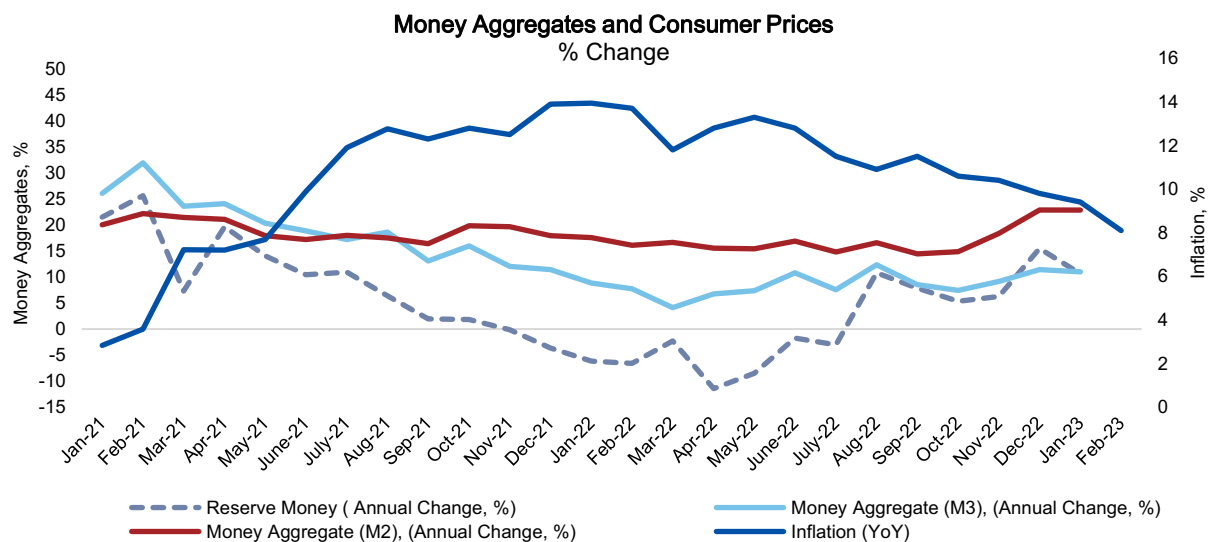


3. Monetary Sector

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

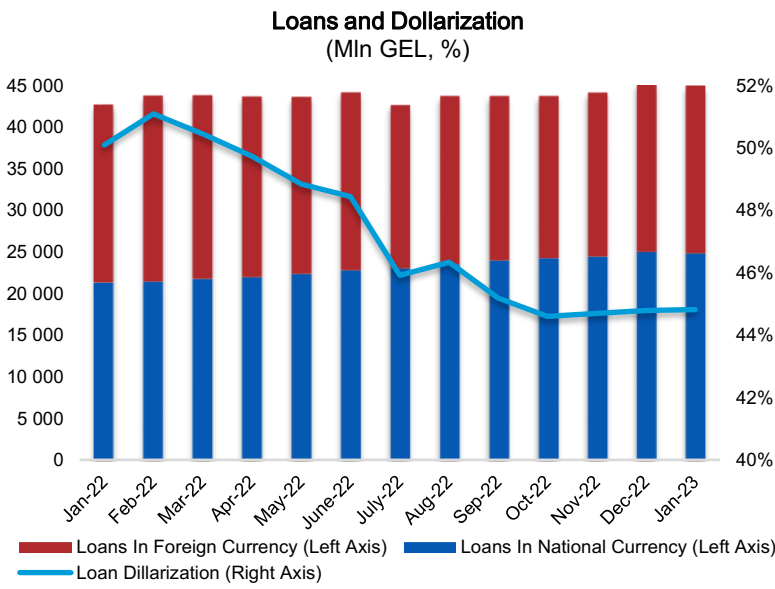
In January* 2023, reserve money increased by 10.6% YoY, money aggregate M2 increased by 22.8%, and money aggregate M3 – by 11.0%.

In February 2023, consumer price inflation amounted to 8.1% YoY

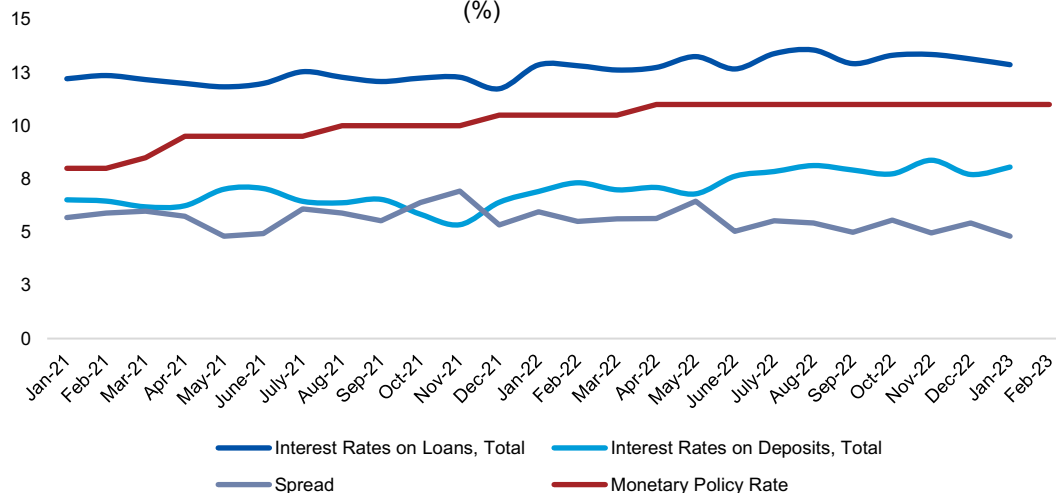


In January* 2023, the dollarization on deposits decreased, while on loans increased slightly MoM.

In January* 2023, the deposit dollarization indicator decreased by 0.23 pp and amounted to 52.8% MoM, while loan dollarization has increased by 0.03 pp and made up to 44.8%. In January*, foreign currency deposits decreased by 4.1% MoM, while national currency deposits decreased by 3.2%.



Market Interest Rates on Loans and Deposits (%)



In January* 2023, interest rates increased on deposits by 0.4 pp MoM, while interest rates decreased on loans by 0.3 pp MoM.

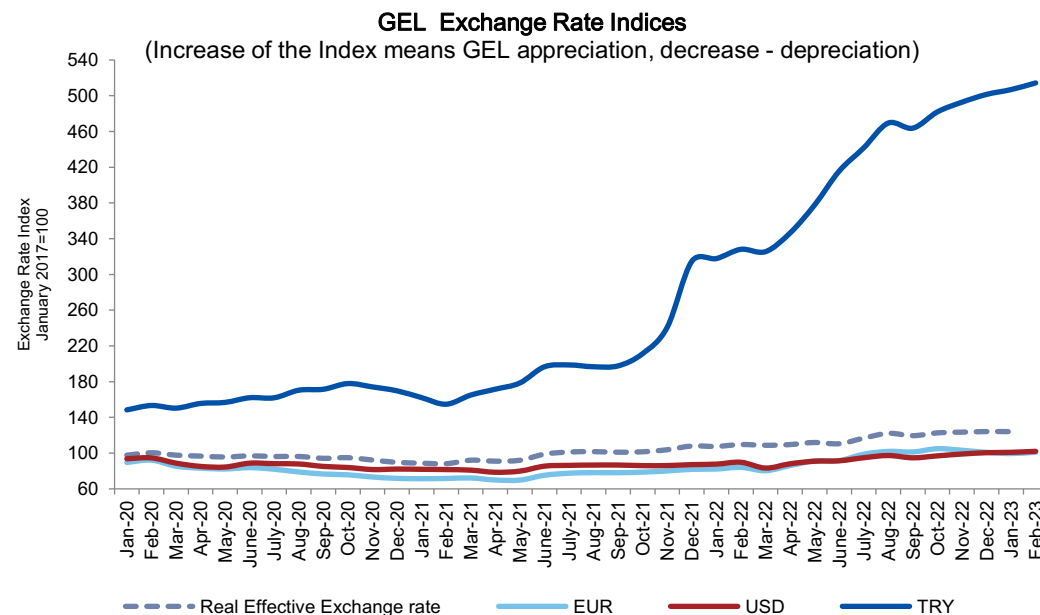
In January* 2023, market interest rates on loans amounted to 12.9%, while interest rates on deposits were defined at 8.1%. The interest rate spread (difference between loan and deposit rates) amounted to 4.8% as of January* 2023, 1.1 pp lower compared to January 2022.

On February 1, 2023, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

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

In February 2023, GEL appreciated against USD by 1.1%, while appreciated by 1.5% against EUR and appreciated by 1.5% against TRY MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In February, the GEL exchange rate appreciated by 13.7% towards USD, by 20.2% towards EUR and by 56.8% towards TRY YoY.

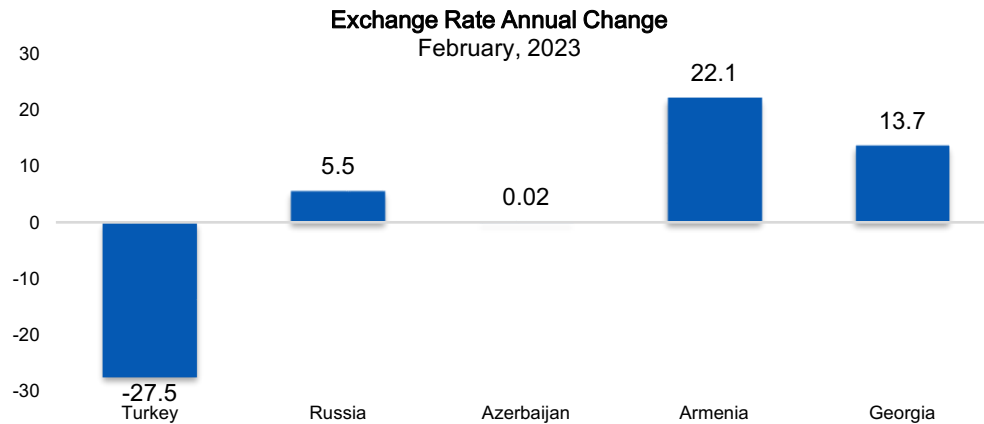
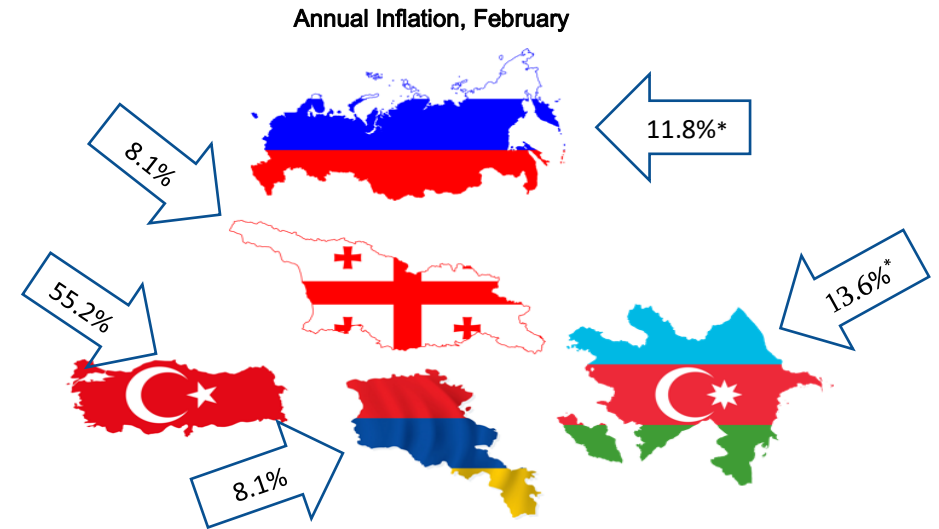
It should be noted that in recent months, the volume of foreign direct investments, remittances, income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



4. Regional Review

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

Namely, in February 2023, annual inflation amounted to 55.2% in Turkey. Inflation was lower in Armenia (8.1%). As for Azerbaijan and Russia, in January* 2023, consumer prices have increased by 13.6% in Azerbaijan and by 11.8% YoY in Russia.



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

Particularly, in February 2023, AMD appreciated by 22.1%, RUB by 5.5% and AZN by 0.02% YoY towards USD. In the analyzing period TRY depreciated by 27.5% 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

		Feb 22	Mar 22	Apr 21	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23
Real Sector	GDP Growth Rate (%)	14.6	10.6	2.6	11.6	7.2	9.7	10.5	8.8	8.3	9.3	11.0	8.4	
	VAT Turnover Growth Rate (%)	27.3	24.4	11.7	25.3	20.4	21.9	23.0	19.5	14.8	16.7	16.6	18.8	
Monetary Sector	Inflation (%)	13.7	11.8	12.8	13.3	12.8	11.5	10.9	11.5	10.6	10.4	9.8	9.4	8.1
	Monetary Policy Rate (%)	10.5	11.0	11.0	11.0	11.0	11.0	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	0.5	
	Loan Dollarization (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	
External Sector	Exchange Rate (GEL)	3.0	3.2	3.1	3.0	3.0	2.8	2.8	2.9	2.8	2.7	2.7	2.7	2.6
	Remittances (Thousand USD)	183 418.8	193 065.3	308 140.1	505 708.1	427 354.6	306 023.4	334 266.1	387 177.7	501 998.8	521 164.6	535 251.1	444 964.0	
	Export (USD Million)	429.0	411.4	415.7	522.6	448.5	542.1	473.3	523.2	448.7	491.1	555.8	459.0	
	Import (USD Million)	1 019.2	926.1	992.8	1 181.0	1 109.2	1 173.7	1 265.5	1 137.3	1 203.8	1 310.0	1 397.3	1 002.8	
	Trade Balance (USD Million)	-590.2	-514.7	-577.1	-658.4	-660.7	-631.6	-792.2	-614.2	-755.0	-819.0	-841.5	-543.9	
	International Reserves (USD Million)	3 992.9	4 030.6	3 826.4	3 855.2	3 922.4	4 156.7	4 260.7	4 313.1	4 385.6	4 636.7	4 900.6	4 899.3	4 720.2
Fiscal Sector	Revenues (GEL Million)	1 292.1	1 731.5	1 263.2	1 697.9	1 707.5	1 424.4	1 356.2	1 680.6	1 688.4	1 898.4	2 151.6	1 858.0	
	Recurrent Expenditure (GEL Million)	1 226.2	1 413.1	1 350.9	1 377.3	1 277.2	1 510.8	1 158.4	1 312.9	1 296.9	1 561.6	2 090.5	1 357.0	
	Capital Expenditure (GEL Million)	218.0	304.2	230.5	266.1	445.9	327.5	403.4	624.5	148.0	600.3	1 054.5	185.9	

Increase
 Decrease
 Change < 1%

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

		02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	
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.

		02.2022	03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	
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.