



July, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in June* annual economic growth amounted to 7.7% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 0.3% in July, which was primarily driven by increasing prices on Housing, water, electricity, gas and other fuels.
- In June*, general government revenues increased by 10.0% YoY, while expenses increased by 12.8% YoY.
- In June*, commercial bank loans amounted to 46.0 billion GEL. As for loans issued by types of activity, the highest were issued in trade, construction and industry.
- In January - June*, exports increased by 19.3%, while imports increased by 20.4% YoY. Trade turnover amounted to 10,268.6 million USD.
- In June* money transfers amounted to 353.2 million USD. The main source of money transfers are Russia (36.6% of total) and EU countries (31.1%).
- In July, international reserves reached historical maximum and amounted to 5,436 million USD.
- In June*, the dollarization on deposits and on loans increased MoM.
- In July, GEL appreciated against USD (by 0.8%) and depreciated against EUR (by 1.1%) MoM.

Macroeconomic Analysis and Tax Policy Unit

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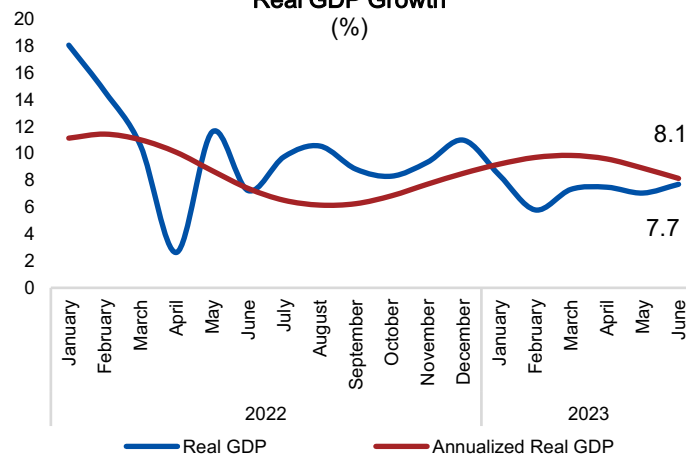
*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



Parliamentary Budget Office of Georgia 2023

1. Real and Fiscal Sector

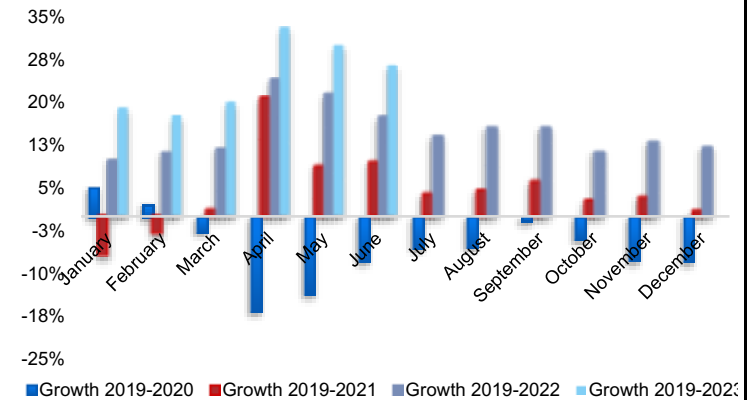
Real GDP Growth (%)



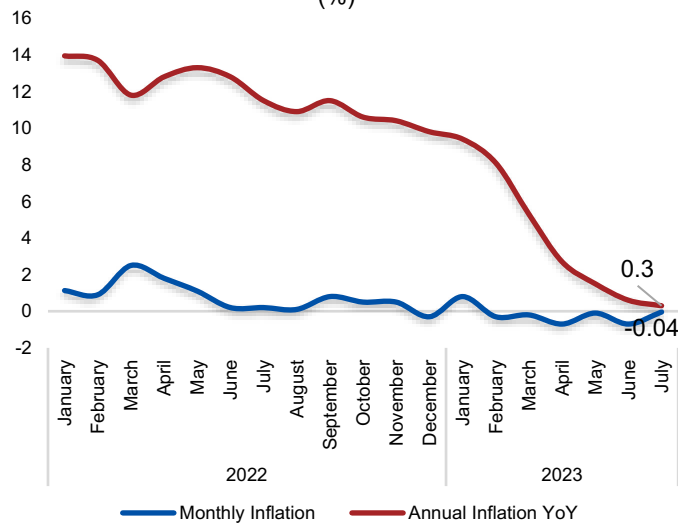
In June* 2023, positive annual economic growth was 7.7%. In accordance with preliminary estimates of GEOSTAT, in June* 2023, annual real GDP growth amounted to 7.7% YoY.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 8.1% in June. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

Economic Growth Compared to 2019

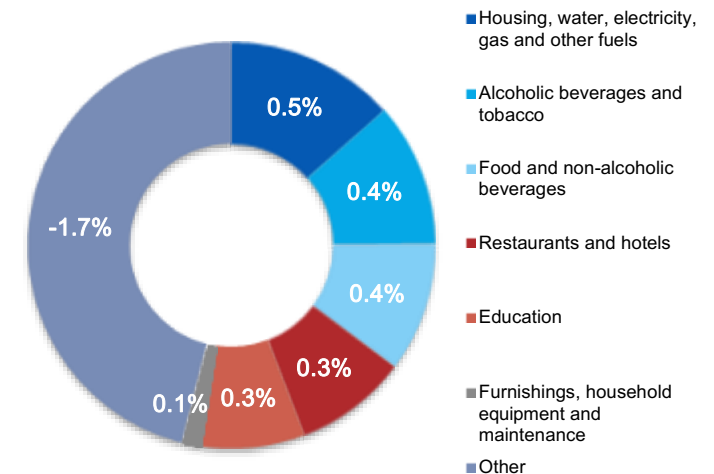


Change in Consumer Price Level (%)



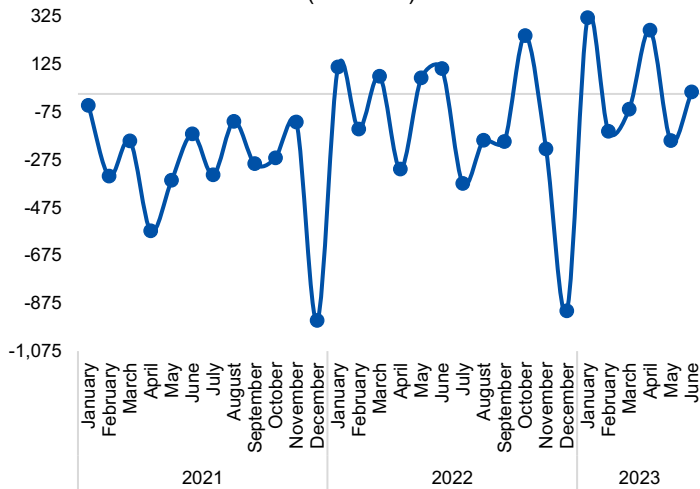
In July 2023, annual CPI inflation amounted to 0.3% In July 2023, the inflation rate amounted to 0.3% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the housing, water, electricity, gas, alcoholic beverages and tobacco, food and non-alcoholic beverages, restaurants and hotels, education and furnishing. With regard to the annual core inflation in July (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 3.1%. In June* 2023, the annual forecasted GDP deflator amounted to 2.8%.

Contributions to the Overall Inflation of July



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

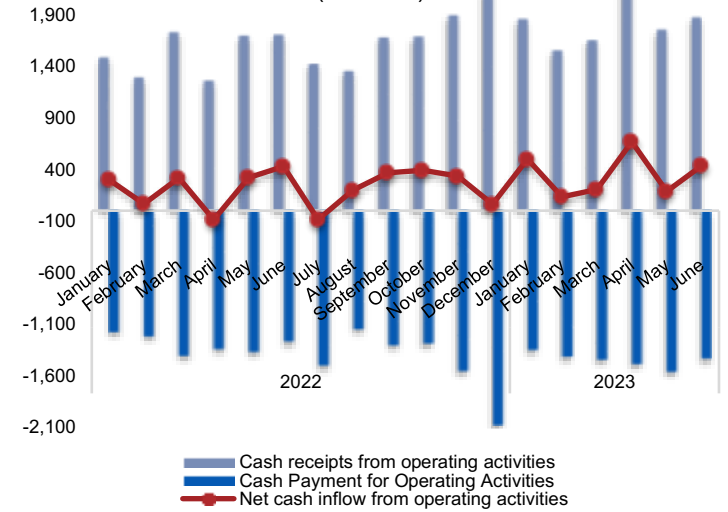
Consolidated Budget Balance
(Mln GEL)



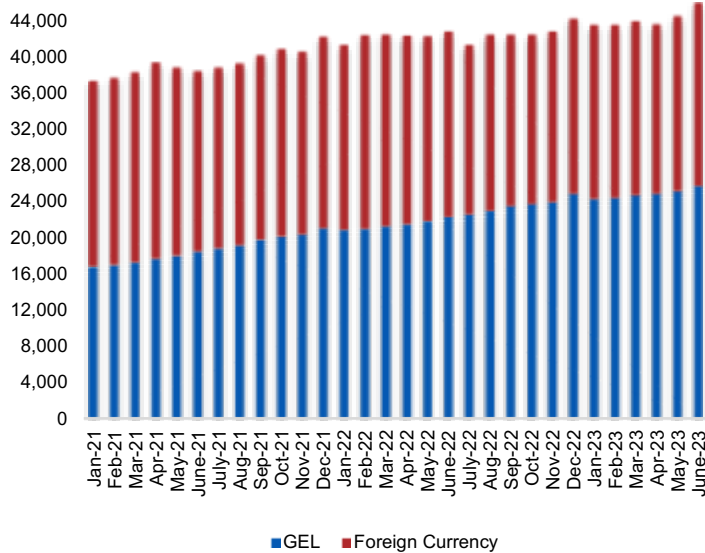
In June* 2023, the general government net lending/borrowing was positive.

In June* 2023, general government revenues increased by 10.0% YoY, while expenses increased by 12.8% YoY. In the analyzing period, the general government positive net operating balance amounted to 436.6 million GEL, while positive net lending/borrowing was defined at 7.2 million GEL.

Receipts and Payments
(Mln GEL)



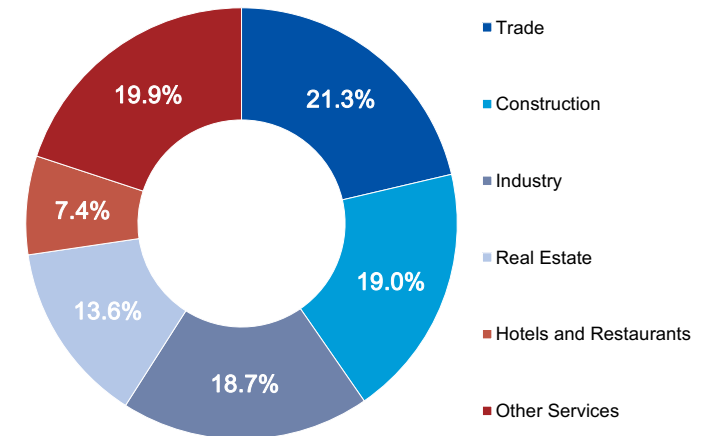
Commercial Bank Loans
(Mln GEL)



In June* 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.

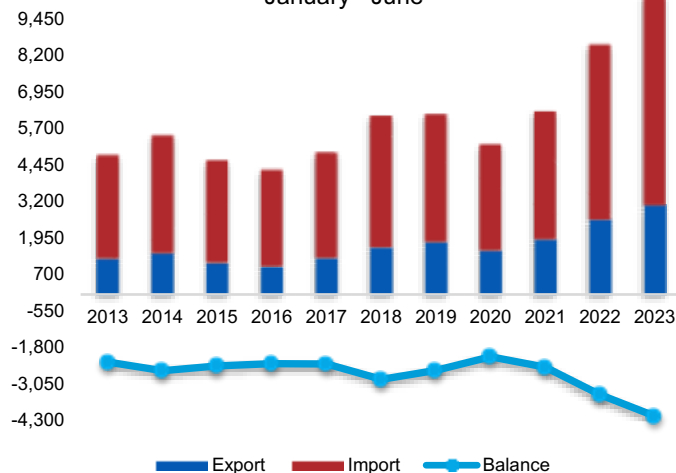
In June* 2023, compared to the June of the previous year, commercial bank loans increased by 7.4% and amounted to 46.0 billion GEL. National currency loans increased by 15.2%, while foreign currency loans decreased by 1.0%. It's worth mentioning, that more than half of total loans (54.6%) was distributed to households. As for loans issued by types of activity, the highest 21.3% were issued in trade, 19.0% in construction, 18.7% in industry, 13.6% in real estate and 7.4% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(Mln USD)
January - June

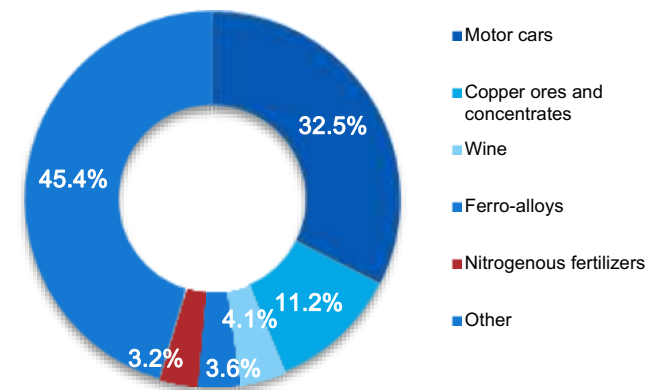


In January - June* 2023, both export and import of goods have increased.

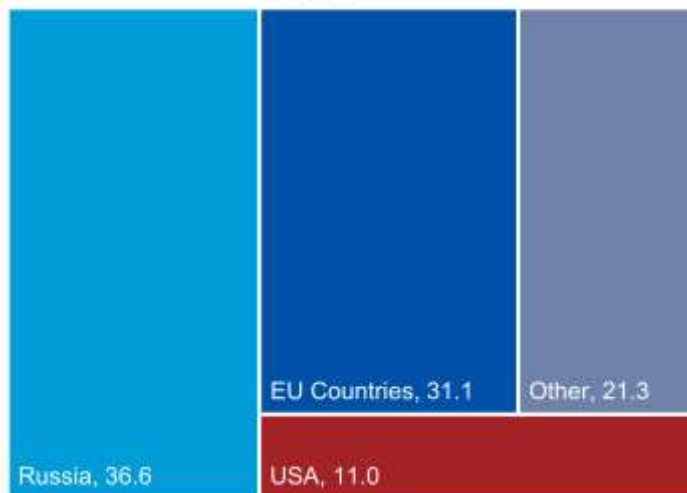
In January - June* 2023, exports increased by 19.3%, while imports increased by 20.4% YoY. As a result, trade turnover amounted 10,269 million USD (20.1% increase YoY). During this period, the share of exports in external trade amounted to 29.7%. Export growth was substantial in the following countries: Kyrgyzstan (1,360.1%, due to the increase of re-exported motor cars), Spain (550.1%), Kazakhstan (280.4%), Armenia (121.7%), Azerbaijan (44.0%), Russia (34.0%) and others. Export decreased in Ukraine by 42.6%.

High growth was recorded in several export commodity groups: motor cars (267.3%), tobacco (169.9%), mineral and aerated waters with added sugar (79.2%), alcoholic beverages (58.3%), mineral waters (46.0%), wine (26.3%). While deterioration was recorded in several groups: Ferro-alloys (63.6%), Nitrogenous fertilizers (40.6%) and Copper ores (36.0%).

Major Commodity Groups by Exports
(January - June)



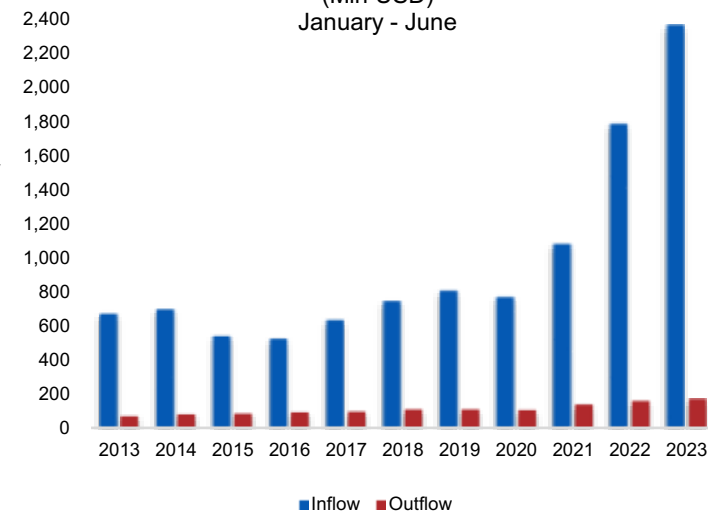
Remittance (%)
June



In June* 2023, remittances decreased

In June* 2023, remittances in Georgia decreased by 17.4% YoY and amounted 353.2 million USD. In June*, the main source of money transfers were Russia (36.6% of total) and EU countries (31.1%). In the analyzing period, remittances increased significantly from the following countries: Iraq (by 357.8%), Ireland (by 121.8%), United Kingdom (by 47.2%), Germany (by 44.7%), USA (by 40.0%), United Arab Emirates (by 40.0%), France (by 28.0%), Turkey (by 26.4%) and others.

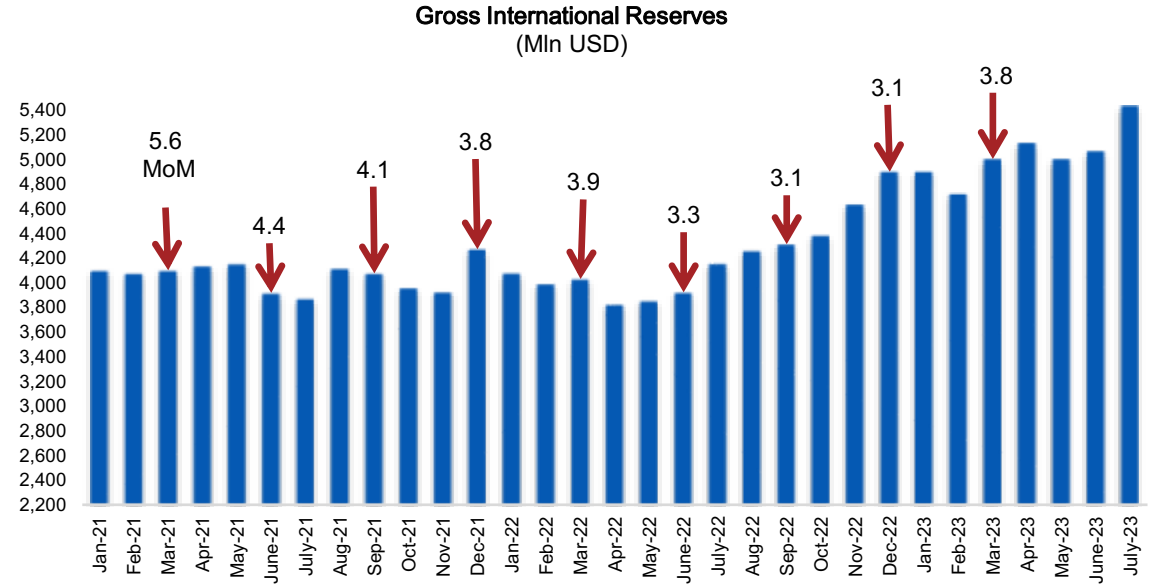
Remittance
(Mln USD)
January - June



In July, international reserves amounted to 5,436 million USD.

In July, international reserves amounted to 5,436 million USD, which is a 30.8% increase YoY and 7.3% increase MoM.

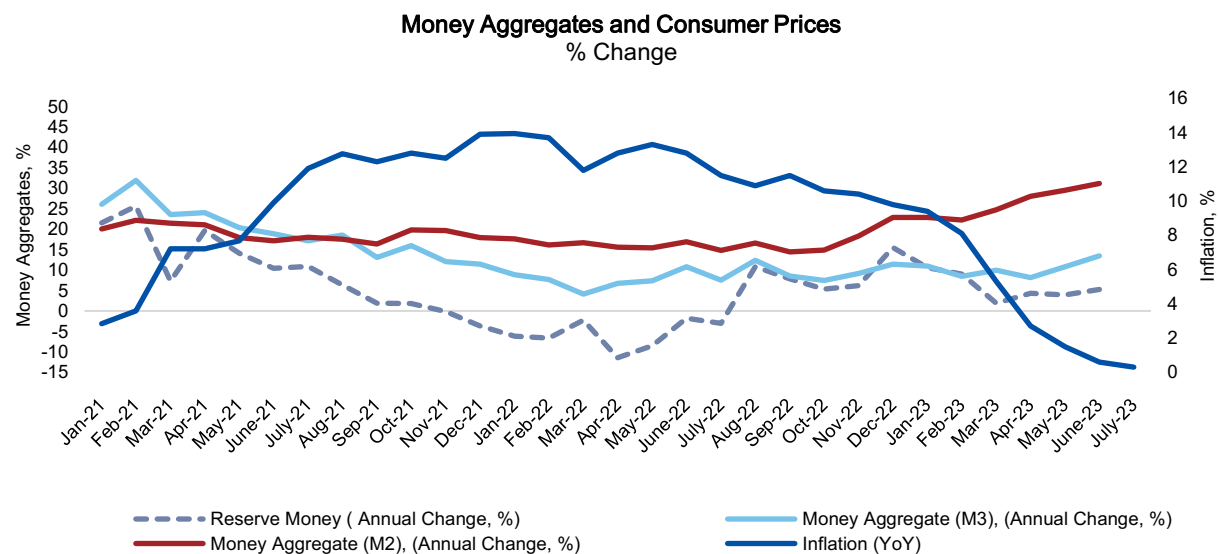
In July 2023, no foreign exchange interventions were carried out by the National Bank of Georgia.



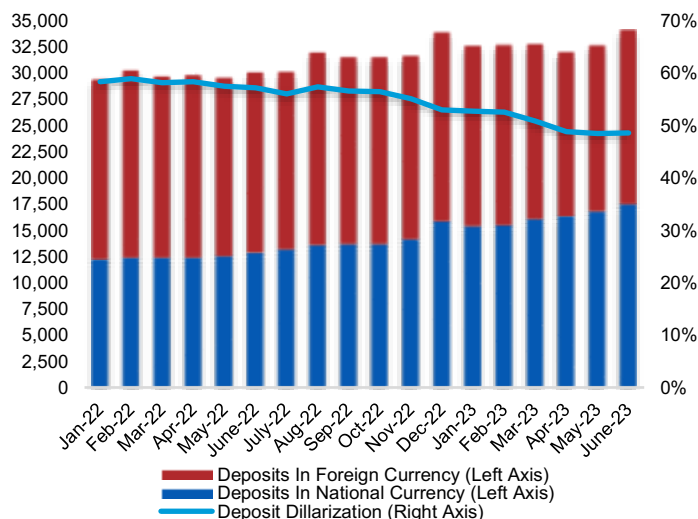
3. Monetary Sector

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

In June* 2023, reserve money increased by 5.3% YoY, money aggregate M2 increased by 31.2%, and money aggregate M3 – by 13.4%. In July 2023, consumer price inflation amounted to 0.3% YoY.



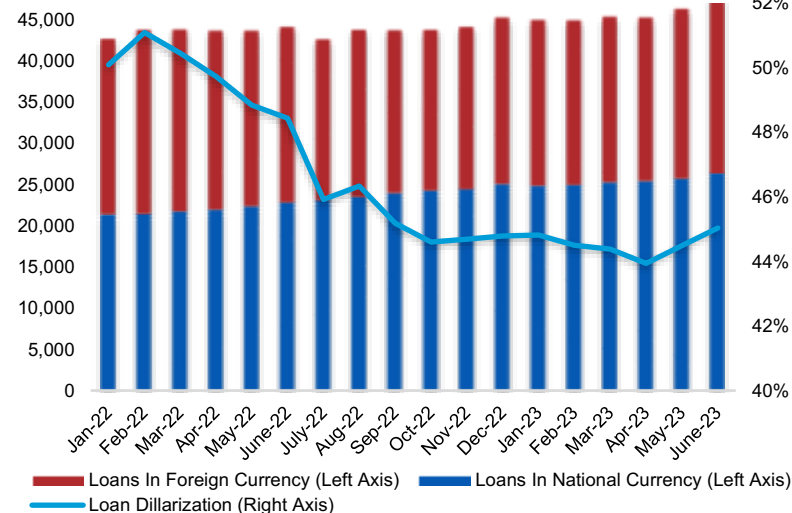
Deposits and Dollarization (MIn GEL, %)



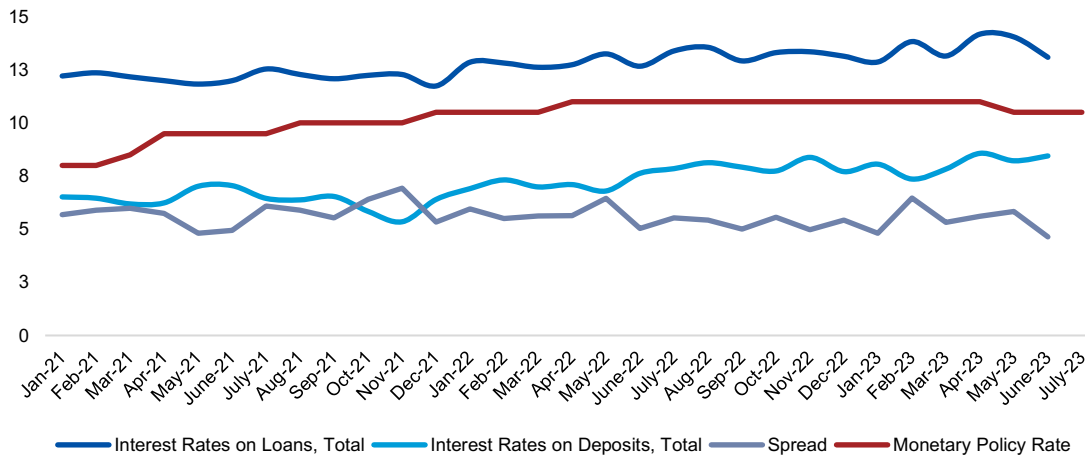
In June* 2023, the dollarization on deposits and on loans increased MoM.

In June* 2023, the deposit dollarization indicator increased by 0.14 pp and amounted to 48.6% MoM, while loan dollarization increased by 0.55 pp and made up to 45.0%. In June*, foreign currency deposits increased by 4.8% MoM, while national currency deposits increased by 4.2%.

Loans and Dollarization (MIn GEL, %)



Market Interest Rates on Loans and Deposits (%)



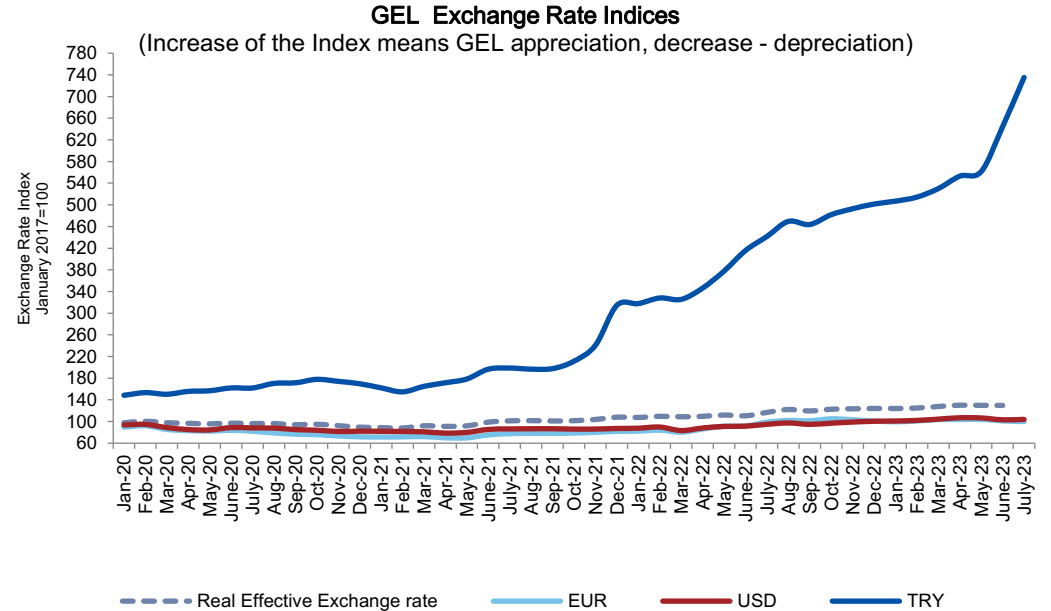
In June* 2023, interest rates increased on deposits by 0.2 pp MoM, while interest rates decreased on loans by 1.0 pp MoM.

In June* 2023, market interest rates on loans amounted to 13.1%, while interest rates on deposits were defined at 8.5%. The interest rate spread (difference between loan and deposit rates) amounted to 4.6% as of June* 2023, 0.4 pp lower compared to June 2022.

On June 21, 2023, the Monetary Policy Committee of the National Bank of Georgia decided to maintain the monetary policy at 10.5%.

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

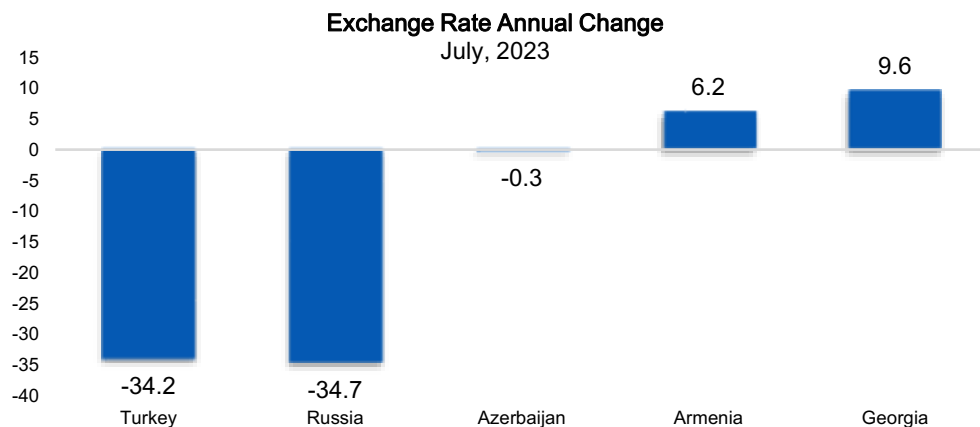
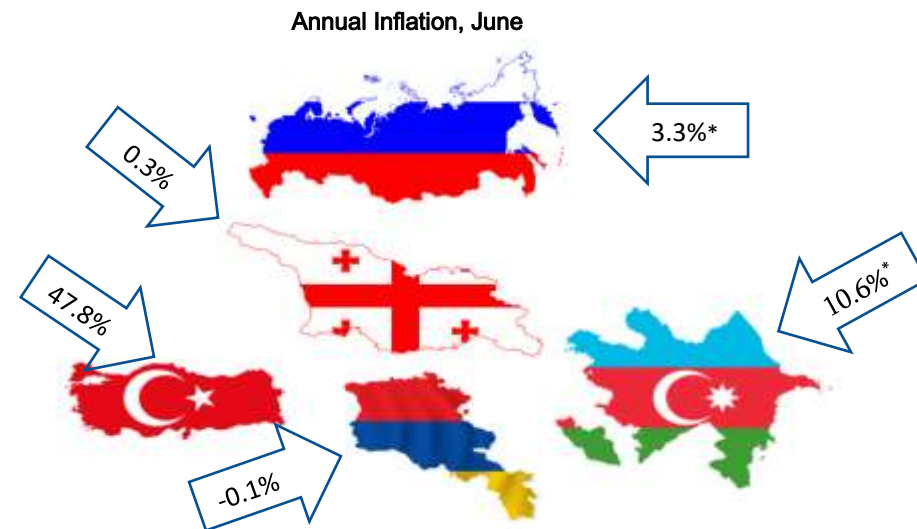
In July 2023, GEL appreciated against USD by 0.8%, and depreciated against EUR by 1.1%, while appreciated against TRY by 14.1% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In July, the GEL exchange rate appreciated by 9.6% YoY towards USD, by 1.3% YoY towards EUR and by 66.5% 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.



4. Regional Review

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

Namely, in July 2023, annual inflation amounted to 47.8% in Turkey. Deflation was observed in Armenia (-0.1%). As for Azerbaijan and Russia, in June* 2023, consumer prices increased by 10.6% in Azerbaijan and by 3.3% YoY in Russia.



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

Particularly, in July 2023, AMD appreciated by 6.2% YoY towards USD. In the analyzing period RUB depreciated by 34.7%, TRY by 34.2% and AZN by 0.3%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

		Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23
Real Sector	GDP Growth Rate (%)	9.7	10.5	8.8	8.3	9.3	11.0	8.4	5.8	7.3	7.5	7.0	7.7	
	VAT Turnover Growth Rate (%)	21.9	23.0	19.5	14.8	16.7	16.6	18.8	11.7	9.2	6.1	5.2	6.1	
Monetary Sector	Inflation (%)	11.5	10.9	11.5	10.6	10.4	9.8	9.4	8.1	5.3	2.7	1.5	0.6	0.3
	Monetary Policy Rate (%)	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.5	10.5	10.5
	Deposit Dollarization (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	
	Loan Dollarization (%)	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5
External Sector	Exchange Rate (GEL)	2.8	2.8	2.9	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.6	2.6
	Remittances (Thousand USD)	306,023.4	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	
	Export (USD Million)	533.2	473.1	523.5	448.7	490.7	555.8	459.0	455.8	546.7	500.5	541.2	549.6	
	Import (USD Million)	1,171.8	1,262.8	1,136.5	1,203.9	1,310.9	1,469.3	1,114.6	1,067.0	1,377.2	1,220.9	1,220.3	1,215.8	
	Trade Balance (USD Million)	-638.7	-789.7	-612.9	-755.2	-820.2	-913.5	-655.7	-611.2	-830.5	-720.4	-679.2	-666.1	
	International Reserves (USD Million)	4,156.7	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
Fiscal Sector	Revenues (GEL Million)	1,424.4	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	
	Recurrent Expenditure (GEL Million)	1,510.8	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	
	Capital Expenditure (GEL Million)	327.5	403.4	624.5	148.0	600.3	1,054.5	185.9	313.1	317.4	414.1	400.6	495.8	

Increase
 Decrease
 Change < 1%

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

		07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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