



June, 2023

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in May\* annual economic growth amounted to 7.0% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 0.6% in June, which was primarily driven by increasing prices on alcoholic beverages and tobacco and housing.
- In May\*, general government revenues increased by 3.4% YoY, while expenses increased by 13.9% YoY.
- In May\*, commercial bank loans amounted to 44.5 billion GEL. As for loans issued by types of activity, the highest were issued in trade, industry and construction.
- In January - May\*, exports increased by 18.6%, while imports increased by 19.9% YoY. Trade turnover amounted to 8,363 million USD.
- In May\* money transfers amounted to 384.9 million USD. The main source of money transfers are Russia (40.2% of total) and EU countries (28.9%).
- In June, international reserves increased by 29.2% YoY and amounted to 5,067 million USD.
- In May\*, the dollarization on deposits slightly decreased while on loans increased MoM.
- In June, GEL depreciated against USD (by 3.2%) and against EUR (by 2.8%) MoM.

Macroeconomic Analysis and Tax Policy Unit

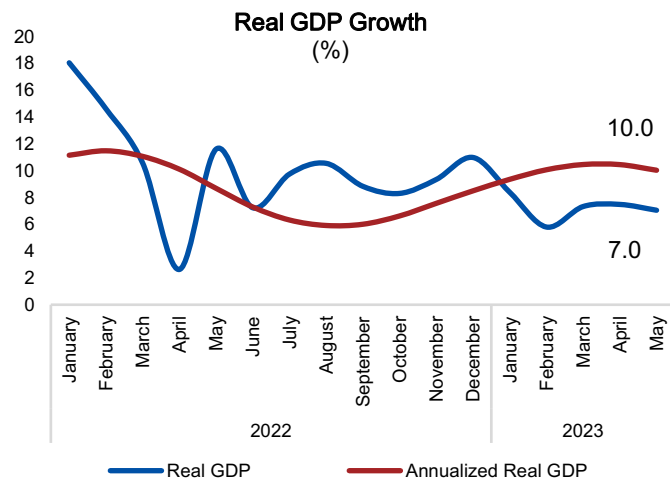
E-Mail: [pbo@parliament.ge](mailto:pbo@parliament.ge)

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



Parliamentary Budget Office of Georgia 2023

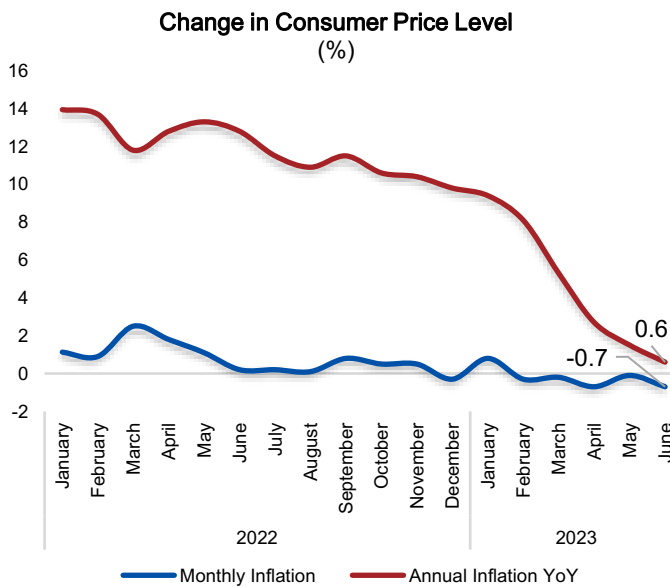
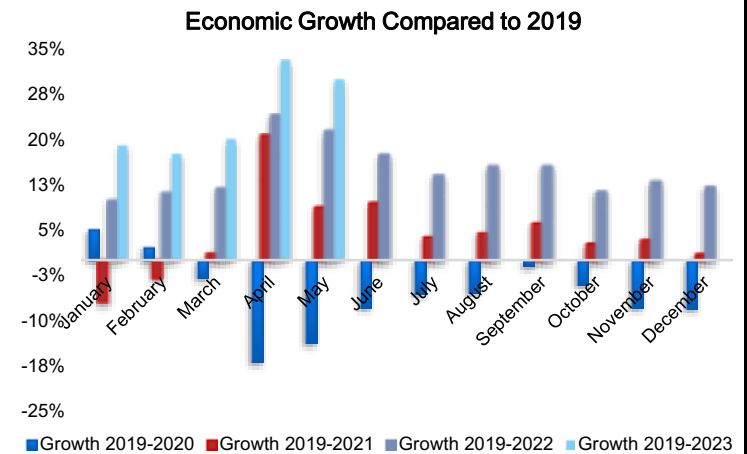
# 1. Real and Fiscal Sector



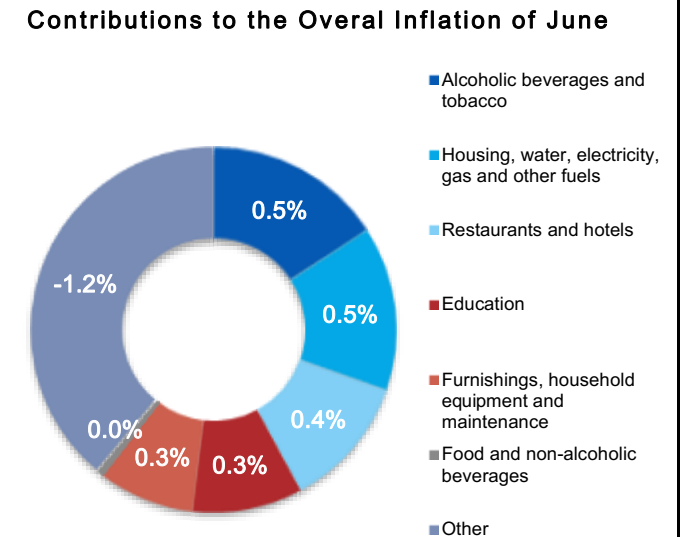
**In May\* 2023, positive annual economic growth was 7.0%.** In accordance with preliminary estimates of GEOSTAT, in May\* 2023, annual real GDP growth amounted to 7.0% YoY.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 10.0% in May.

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

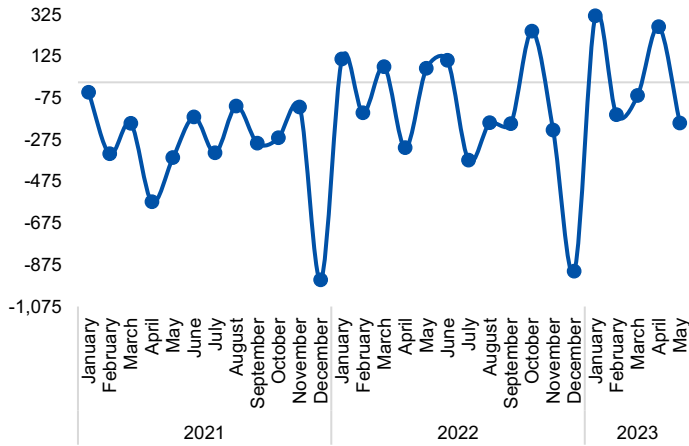


**In June 2023, annual CPI inflation amounted to 0.6%** In June 2023, the inflation rate amounted to 0.6% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the alcoholic beverages and tobacco, housing, water, electricity, gas, education and furnishing, restaurants and hotels. With regard to the annual core inflation in June (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 4.0%. In May\* 2023, the annual forecasted GDP deflator amounted to 2.3%.



<sup>1</sup> 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

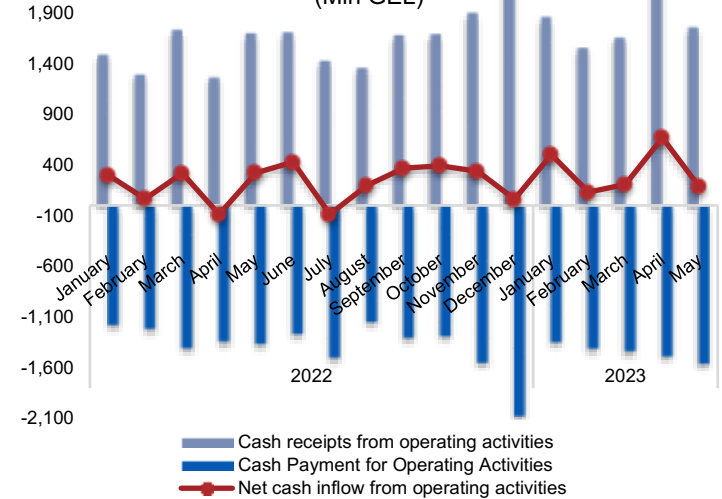
**Consolidated Budget Balance**  
(MIn GEL)



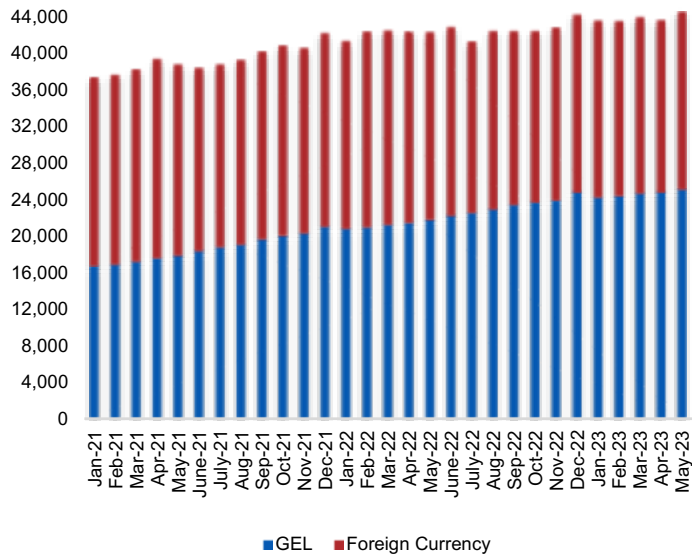
In May\* 2023, the general government net lending/borrowing was negative.

In May\* 2023, general government revenues increased by 3.4% YoY, while expenses increased by 13.9% YoY. In the analyzing period, the general government positive net operating balance amounted to 187.0 million GEL, while negative net lending/borrowing (budget deficit) was defined at 195.3 million GEL.

**Receipts and Payments**  
(MIn GEL)



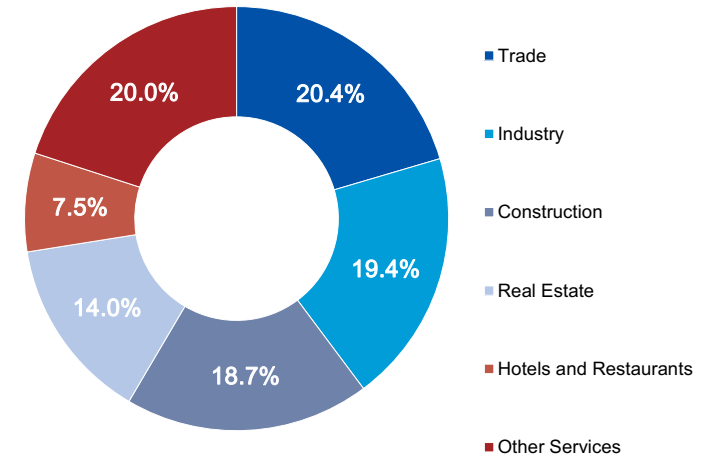
**Commercial Bank Loans**  
(MIn GEL)



In May\* 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.

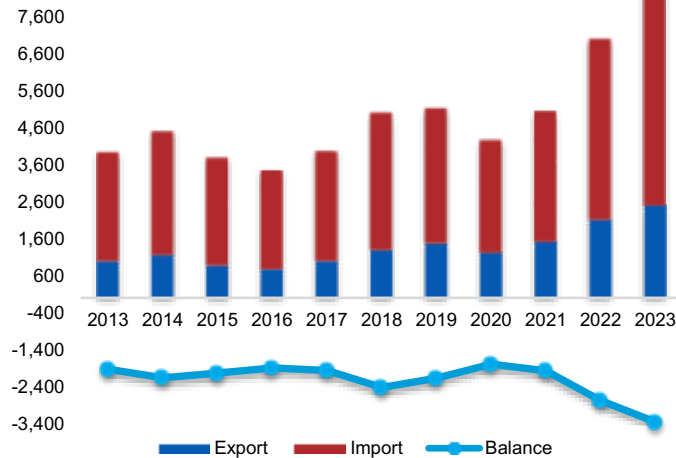
In May\* 2023, compared to the May of the previous year, commercial bank loans increased by 5.2% and amounted to 44.5 billion GEL. National currency loans increased by 15.0%, while foreign currency loans decreased by 5.2%. It's worth mentioning, that more than half of total loans (55.5%) was distributed to households. As for loans issued by types of activity, the highest 20.4% were issued in trade, 19.4% in industry, 18.7% in construction, 14.0% 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 - May

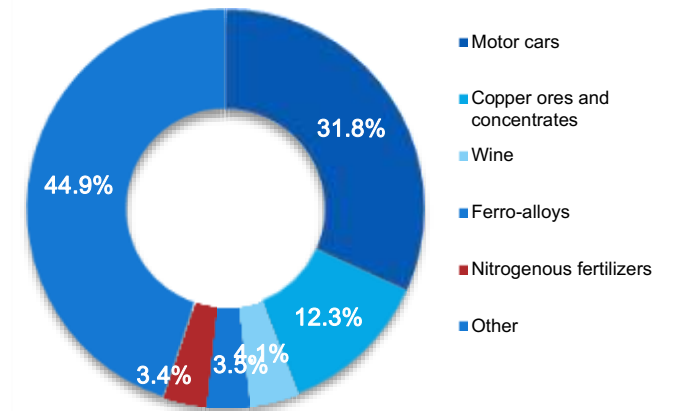


**In January - May\* 2023, both export and import of goods have increased.**

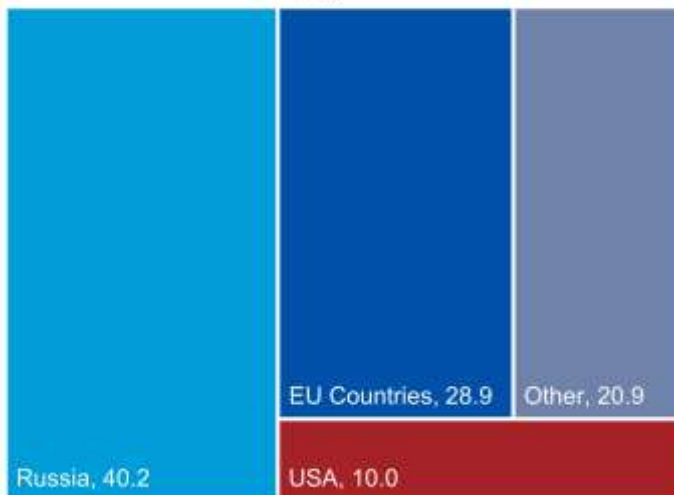
In January - May\* 2023, exports increased by 18.6%, while imports increased by 19.9% YoY. As a result, trade turnover amounted 8,363 million USD (19.5% increase YoY). During this period, the share of exports in external trade amounted to 29.9%. Export growth was substantial in the following countries: Kyrgyzstan (1,431.9%, due to the increase of re-exported motor cars), Spain (654.3%), Kazakhstan (278.6%), Armenia (141.8%), Azerbaijan (50.2%), Russia (33.8%) and others. Export decreased in Ukraine by 38.2%.

High growth was recorded in several export commodity groups: motor cars (316.2%), mineral and aerated waters with added sugar (96.2%), alcoholic beverages (71.0%), wine (29.7%), mineral waters (26.8%), and gold (8.9%). While deterioration was recorded in several groups: Ferro-alloys (69.7%), Nitrogenous fertilizers (44.0%) and Copper ores (32.2%).

**Major Commodity Groups by Exports**  
(January - May)



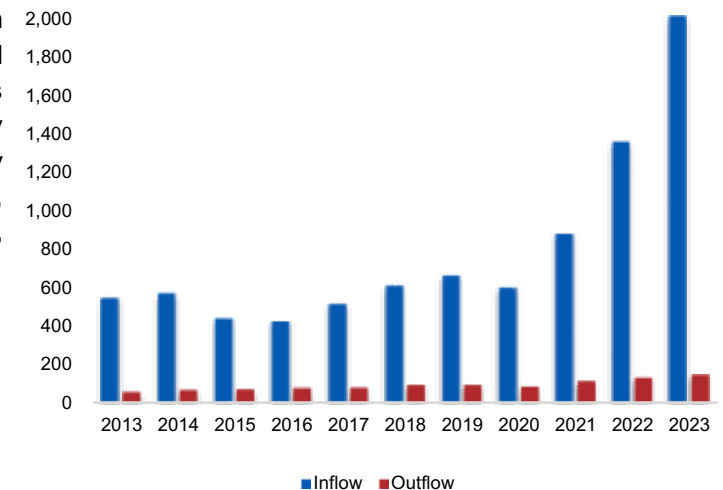
**Remittance (%)**  
May



**In May\* 2023, remittances decreased**

In May\* 2023, remittances in Georgia decreased by 23.9% YoY and amounted 384.9 million USD. In May\*, the main source of money transfers were Russia (40.2% of total) and EU countries (28.9%). In the analyzing period, remittances increased significantly from the following countries: Iraq (by 390.6%), Ireland (by 109.6%), Turkey (by 80.5%), Germany (by 48.5%), United Kingdom (by 41.3%), USA (by 37.9%), United Arab Emirates (by 37.1%), Netherlands (by 29.4%), France (by 24.3%) and others.

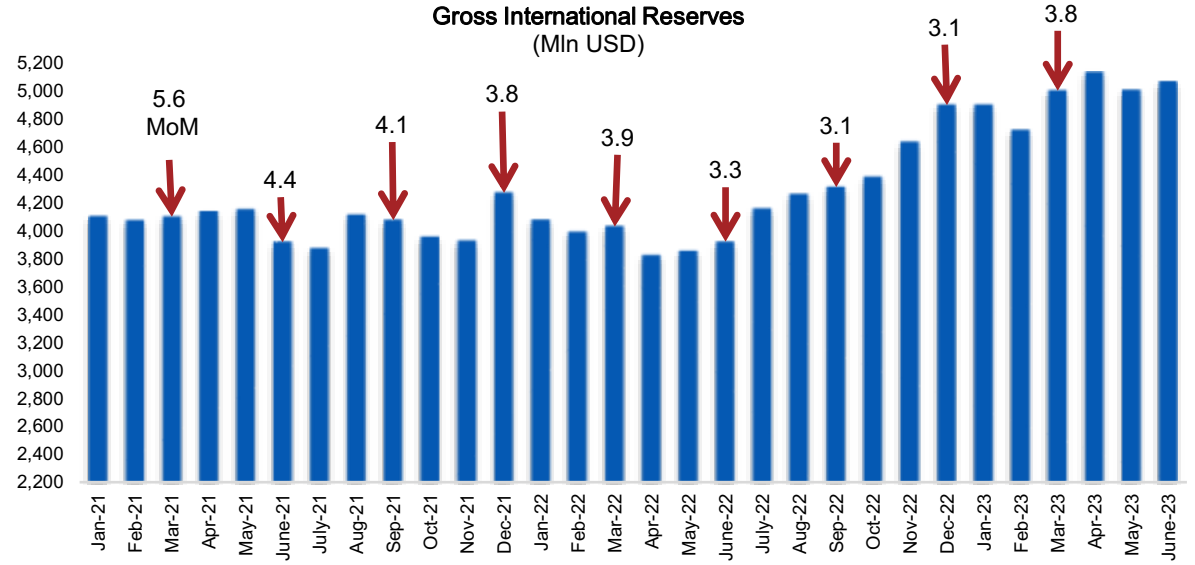
**Remittance**  
(Mln USD)  
January - May



**In June, international reserves amounted to 5,067 million USD.**

In June, international reserves amounted to 5,067 million USD, which is a 29.2% increase YoY and 1.2% increase MoM.

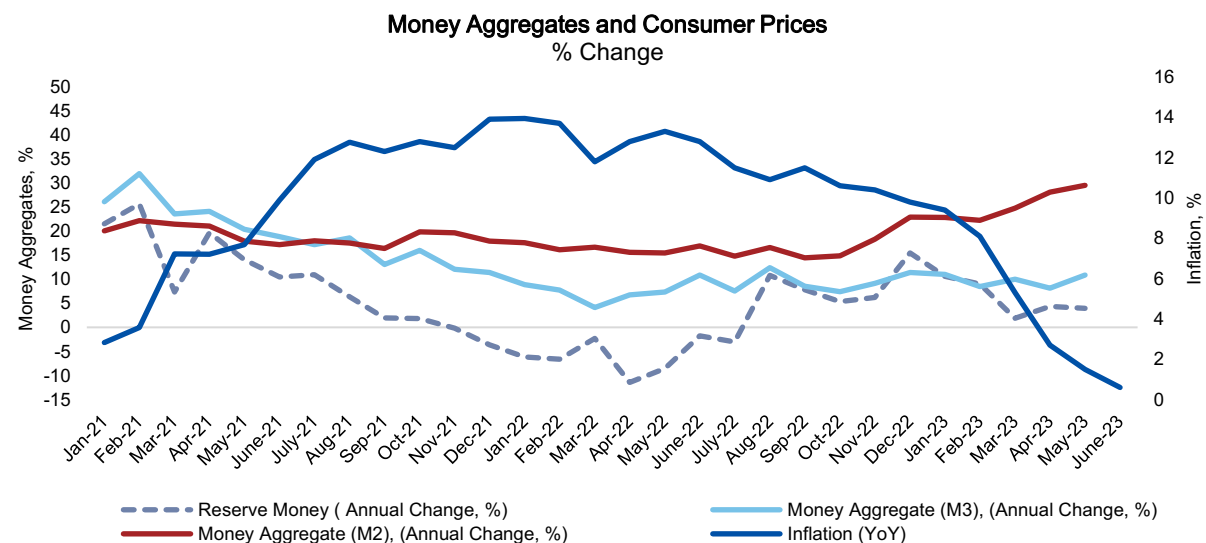
In June 2023, the National Bank of Georgia sold 17.1 million USD through the foreign exchange auctions.



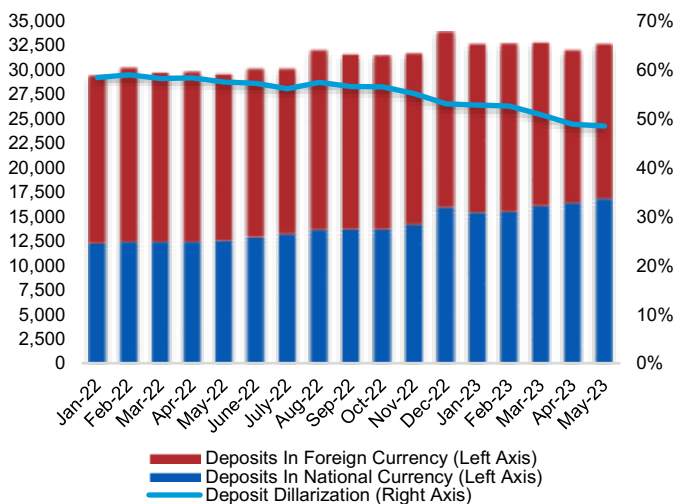
### 3. Monetary Sector

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

In May\* 2023, reserve money increased by 3.9% YoY, money aggregate M2 increased by 29.5%, and money aggregate M3 – by 10.9%. In June 2023, consumer price inflation amounted to 0.6% YoY.



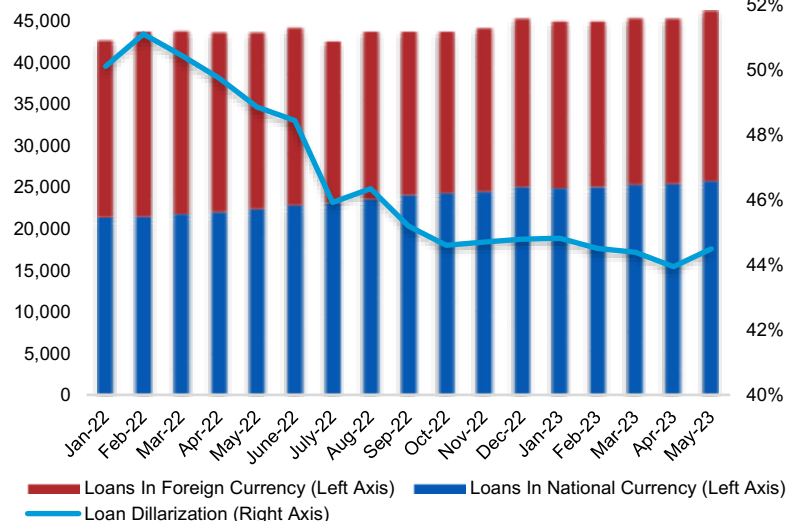
#### Deposits and Dollarization (Mln GEL, %)



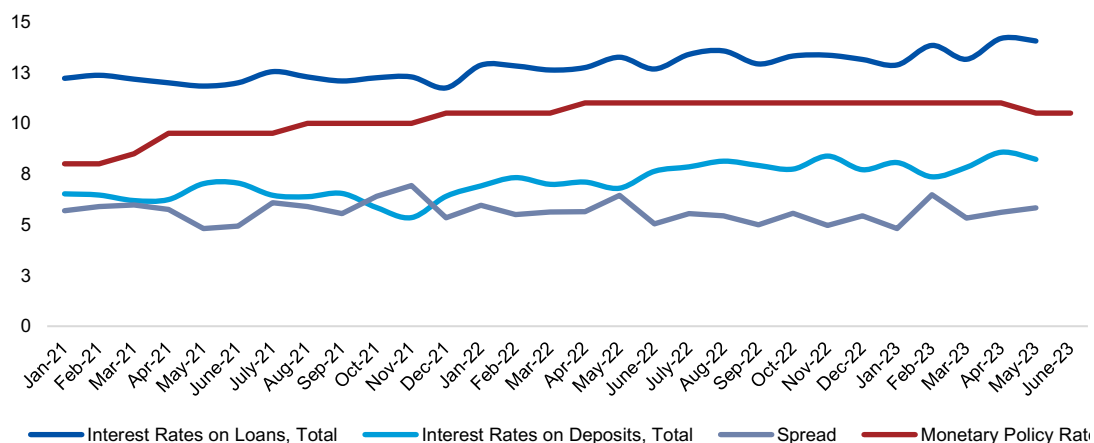
In May\* 2023, the dollarization on deposits decreased while on loans it increased MoM.

In May\* 2023, the deposit dollarization indicator decreased by 0.33 pp and amounted to 48.5% MoM, while loan dollarization increased by 0.55 pp and made up to 44.5%. In May\*, foreign currency deposits increased by 1.3% MoM, while national currency deposits increased by 2.7%.

#### Loans and Dollarization (Mln GEL, %)



**Market Interest Rates on Loans and Deposits**  
(%)



**In May\* 2023, interest rates decreased on deposits by 0.4 pp MoM, while interest rates decreased on loans by 0.1 pp MoM.**

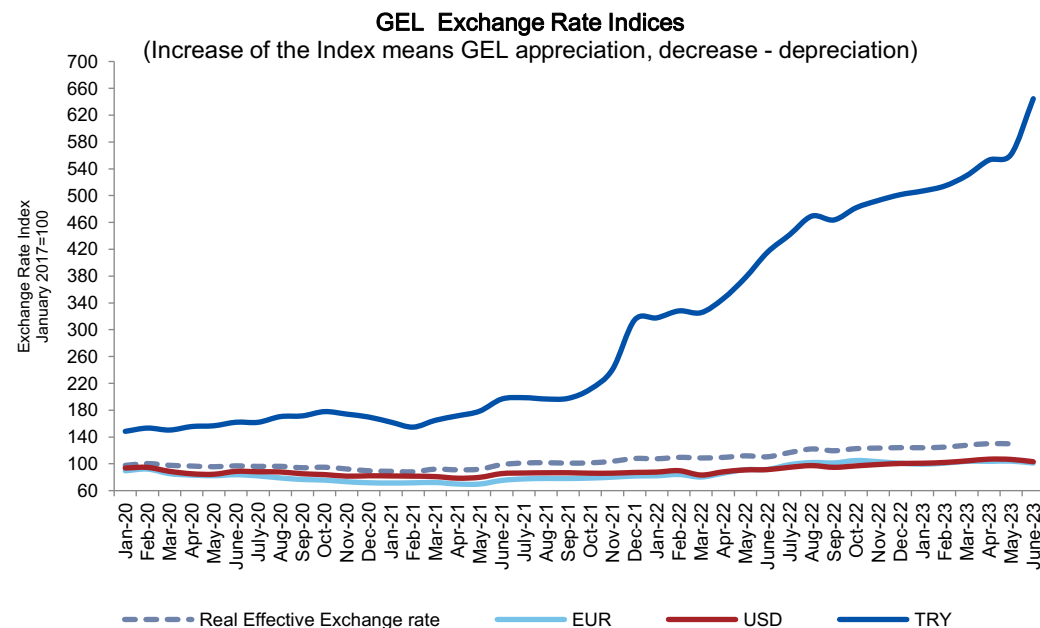
In May\* 2023, market interest rates on loans amounted to 14.1%, while interest rates on deposits were defined at 8.2%. The interest rate spread (difference between loan and deposit rates) amounted to 5.8% as of May\* 2023, 0.62 pp lower compared to May 2022.

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

**In June 2023, compared to the previous month, the GEL shows depreciation towards USD and EUR.**

In June 2023, GEL depreciated against USD by 3.2%, and against EUR by 2.8%, while appreciated against TRY by 14.8% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In June, the GEL exchange rate appreciated by 12.9% YoY towards USD, by 10.4% YoY towards EUR and by 55.1% YoY towards TRY.

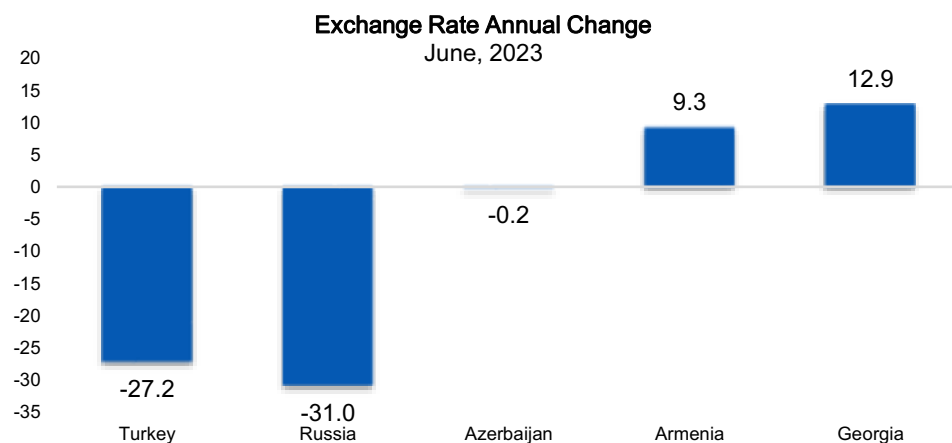
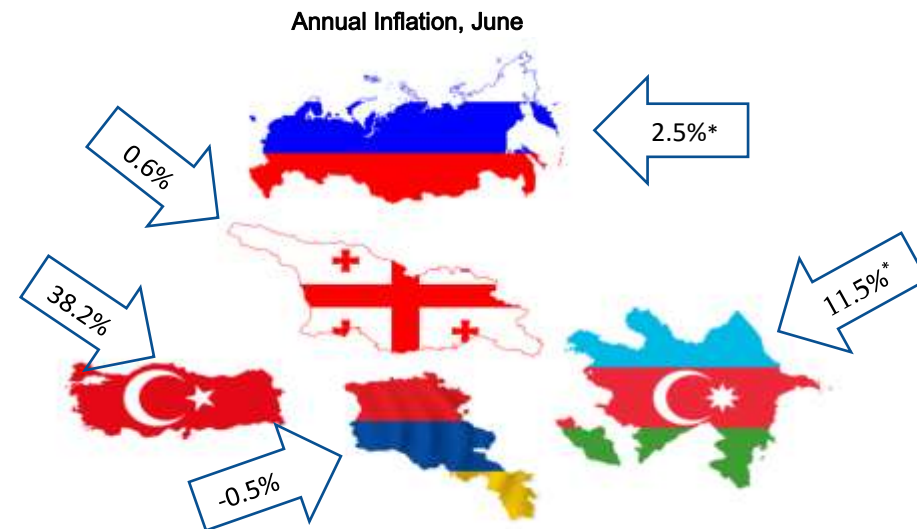
It should be noted, that in recent months, the volume of foreign direct investments, remittances, income from tourism and export in Georgia has increased significantly, which had a positive effect on the appreciation of the GEL.



## 4. Regional Review

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

Namely, in June 2023, annual inflation amounted to 38.2% in Turkey. Deflation was observed in Armenia (-0.5%). As for Azerbaijan and Russia, in May\* 2023, consumer prices increased by 11.5% in Azerbaijan and by 2.5% YoY in Russia.



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

Particularly, in June 2023, AMD appreciated by 9.3% YoY towards USD. In the analyzing period RUB depreciated by 31.0%, TRY by 27.2% 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

		Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23
Real Sector	GDP Growth Rate (%)	7.2	9.7	10.5	8.8	8.3	9.3	11.0	8.4	5.8	7.3	7.5	7.0	
	VAT Turnover Growth Rate (%)	20.4	21.9	23.0	19.5	14.8	16.7	16.6	18.8	11.7	9.2	6.1	5.2	
Monetary Sector	Inflation (%)	12.8	11.5	10.9	11.5	10.6	10.4	9.8	9.4	8.1	5.3	2.7	1.5	0.6
	Monetary Policy Rate (%)	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.5	10.5
	Deposit Dollarization (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	
	Loan Dollarization (%)	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
External Sector	Exchange Rate (GEL)	3.0	2.8	2.8	2.9	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.6
	Remittances (Thousand USD)	427,354.6	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	
	Export (USD Million)	448.8	533.2	473.1	523.5	448.7	490.7	555.8	458.9	455.8	546.7	500.5	541.0	
	Import (USD Million)	1,105.3	1,171.8	1,262.8	1,136.5	1,203.9	1,310.9	1,469.3	1,114.1	1,066.7	1,374.8	1,106.7	1,197.4	
	Trade Balance (USD Million)	-656.5	-638.7	-789.7	-612.9	-755.2	-820.2	-913.5	-655.2	-611.0	-828.2	-606.2	-656.3	
	International Reserves (USD Million)	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	5,003.8	5,133.4	5,005.3	5,066.7
Fiscal Sector	Revenues (GEL Million)	1,707.5	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	
	Recurrent Expenditure (GEL Million)	1,277.2	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	
	Capital Expenditure (GEL Million)	445.9	327.5	403.4	624.5	148.0	600.3	1 054.5	185.9	313.1	317.4	414.1	400.6	

Increase
  Decrease
  Change < 1%

**Table N2<sup>2</sup>.** Comparison of key economic indicators with similar data for the corresponding month of last year.

		06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023
<b>Real Sector</b>	GDP Growth Rate													
	VAT Turnover Growth Rate													
<b>Monetary Sector</b>	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
<b>External Sector</b>	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rserves													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023
<b>Real Sector</b>	GDP Growth Rate													
	VAT Turnover Growth Rate													
<b>Monetary Sector</b>	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
<b>External Sector</b>	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rserves													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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