



March, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in February* annual economic growth amounted to 5.8% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 5.3% in March, which was primarily driven by increasing prices on food and non-alcoholic beverages.
- In February*, general government revenues increased by 20.4% YoY, while expenses increased by 16.0% YoY.
- In February*, 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 - February*, exports increased by 20.3%, while imports increased by 9.0% YoY. Trade turnover amounted to 2,898 million USD.
- In February* money transfers amounted 372.3 million USD. The main source of money transfers are Russia (50.3% of total) and EU countries (24.5%).
- In March, international reserves reached historical maximum and amounted to 5,004 million USD.
- In February*, the dollarization on deposits and on loans decreased MoM.
- In March, GEL appreciated against USD (by 2.3%), while appreciated against EUR (by 2.7%) MoM.

Macroeconomic Analysis and Tax Policy Unit

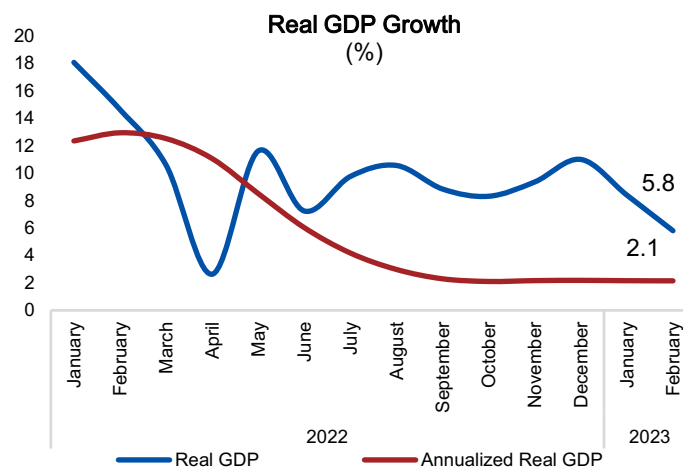
E-Mail: pbo@parliament.ge

*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

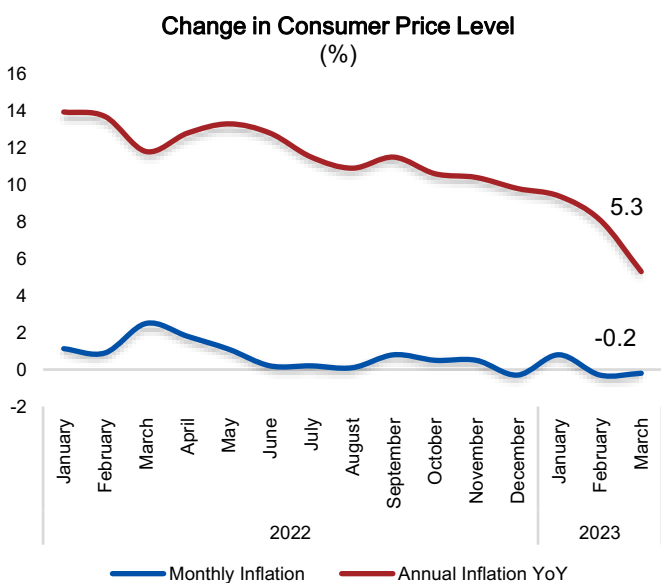
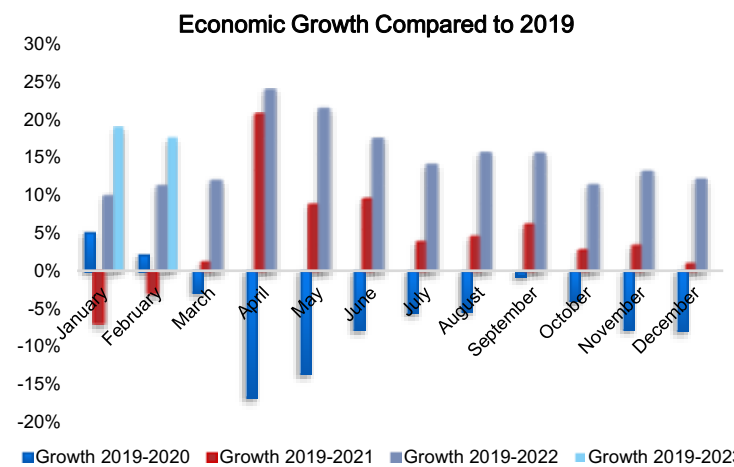


In February* 2023, positive annual economic growth was **5.8%**.

In accordance with preliminary estimates of GEOSTAT, in February* 2023, annual real GDP growth amounted to 5.8% YoY.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 2.1% in February.

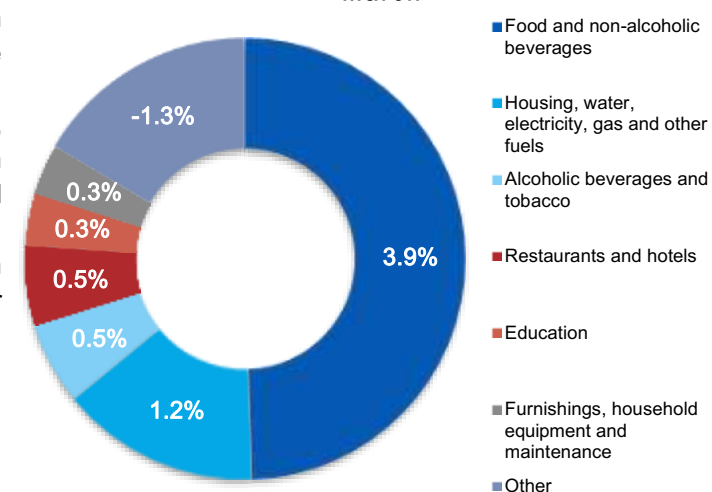
Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.



In March 2023, annual CPI inflation amounted to **5.3%**

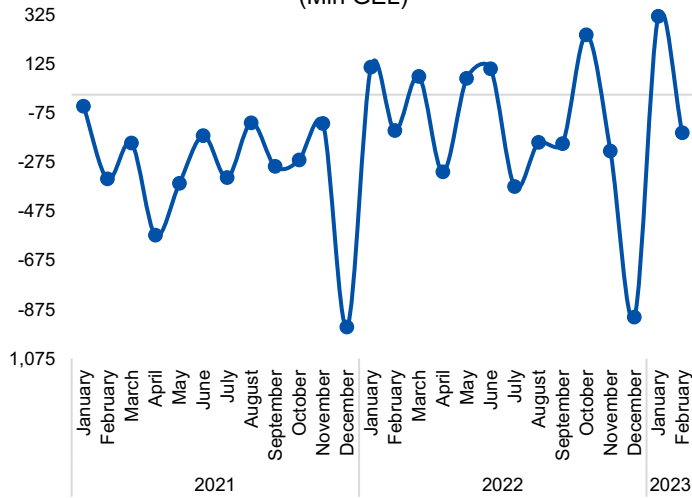
In March 2023, the inflation rate amounted to 5.3% YoY, higher than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, alcoholic beverages and tobacco, restaurants and hotels, education and furnishing. With regard to the annual core inflation in March (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 5.0%. In February 2023, the annual forecasted GDP deflator amounted to 8.4%.

Contributions to the Overall Inflation of March



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

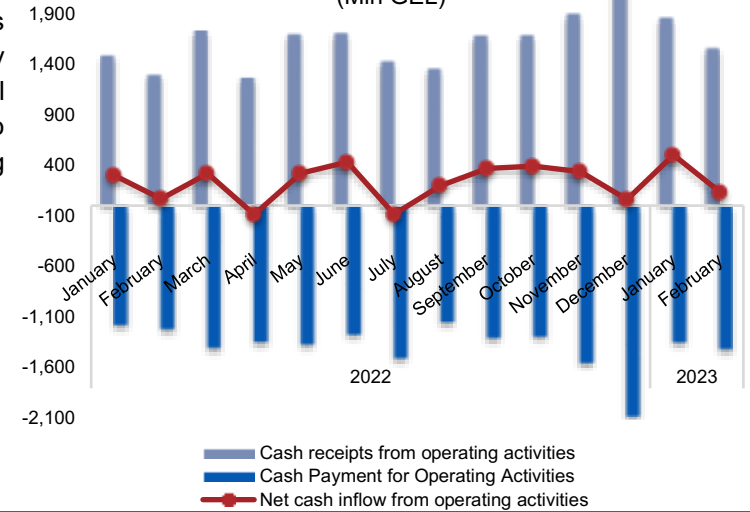
Consolidated Budget Balance
(Mln GEL)



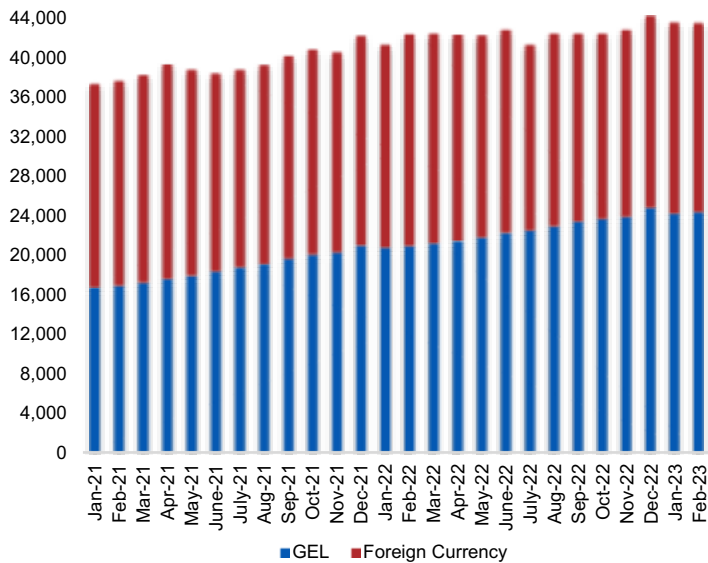
In February* 2023, the general government net lending/borrowing was negative.

In February* 2023, general government revenues increased by 20.4% YoY, while expenses increased by 16.0% YoY. In the analyzing period, the general government positive net operating balance amounted to 133.0 million GEL, while negative net lending/borrowing (budget deficit) was defined at 156.2 million GEL.

Receipts and Payments
(Mln GEL)



Comercial Bank Loans
(Mln GEL)

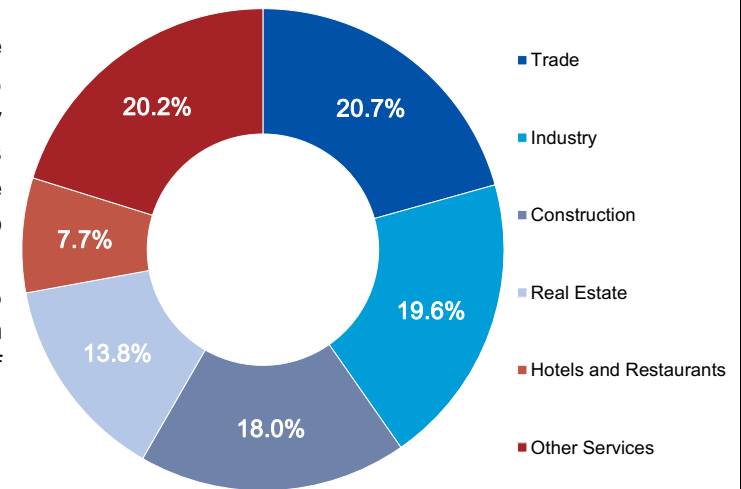


In February* 2023, compared to the same period of the previous year, commercial bank loans to the national economy increased in national currency and decreased in foreign currency.

In February* 2023, compared to the February of the previous year, commercial bank loans increased by 2.7% and amounted to 43.5 billion GEL. National currency loans increased by 16.5%, while foreign currency loans decreased by 10.7%. It's worth mentioning that more than half of total loans (54.8%) was distributed to households.

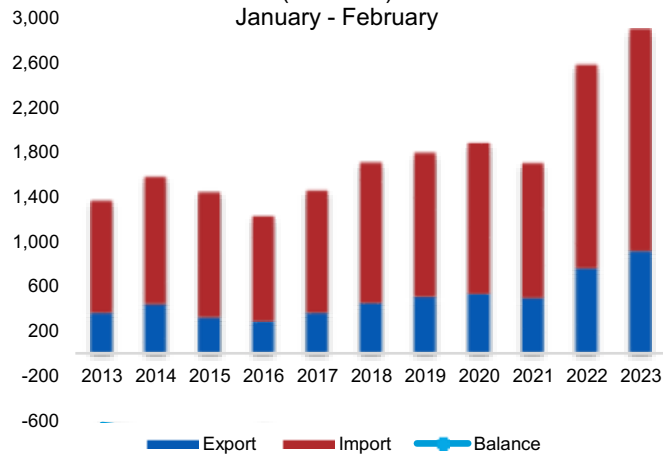
As for loans issued by types of activity, the highest 20.7% were issued in trade, 19.6% in industry, 18.0% in construction, 13.8% in real estate and 7.7% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(Mln USD)
January - February

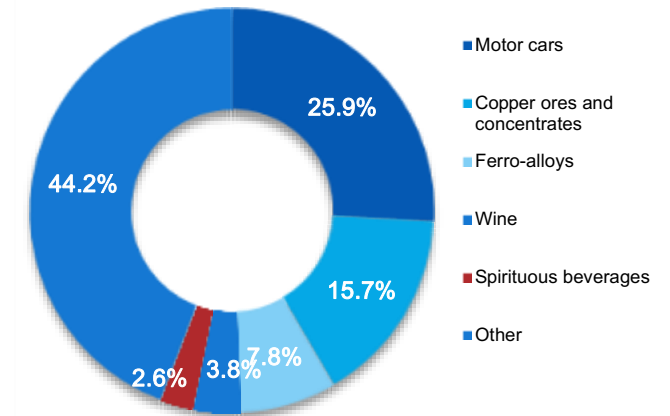


In January - February* 2023, both export and import of goods have increased.

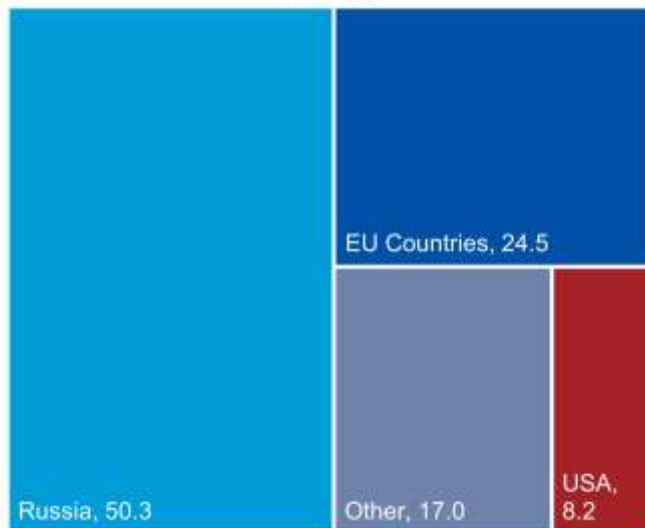
In January - February* 2023, exports increased by 20.3%, while imports increased by 9.0% YoY. As a result, trade turnover amounted 2,898 million USD (12.3% increase YoY). During this period, the share of exports in external trade amounted to 31.6%. Export growth was substantial in the following countries: Kyrgyzstan (993.8%), Spain (658.0%), Kazakhstan (393.5%), Armenia (191.7%) and Russia (38.1%). It needs to be mentioned that during this period export significantly decreased in Ukraine (71.7%), Bulgaria (58.7%).

High growth was recorded in several export commodity groups: motor cars (226.4%), Cigarettes and tobacco (214.8%) and alcoholic beverages (37.4%).

Major Commodity Groups by Exports
(January - February)



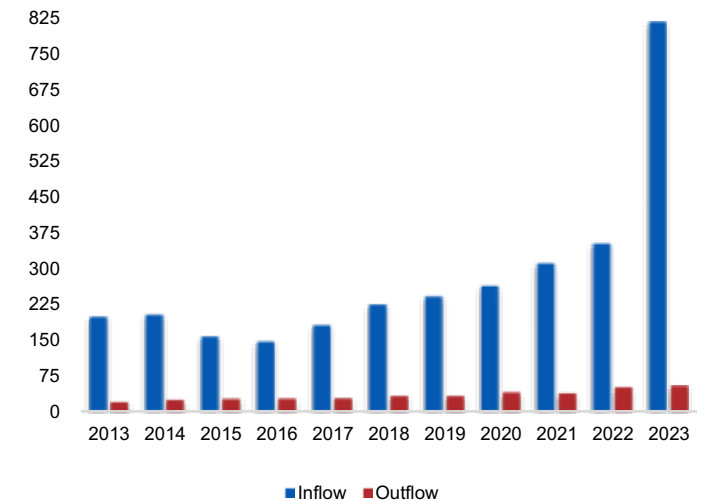
Remittance (%)
February



In February* 2023, remittances increased significantly

In February* 2023, remittances in Georgia increased by 103.0% YoY and amounted 372.3 million USD. In February* the main source of money transfers are Russia (50.3% of total) and EU countries (24.5%). In the analyzing period, remittances increased significantly from the following countries: Russia (by 753.7%), Kyrgyzstan (by 83.3%), Tajikistan (by 71.0%), USA (by 44.3%), United Kingdom (by 35.5%), Germany (by 29.0%).

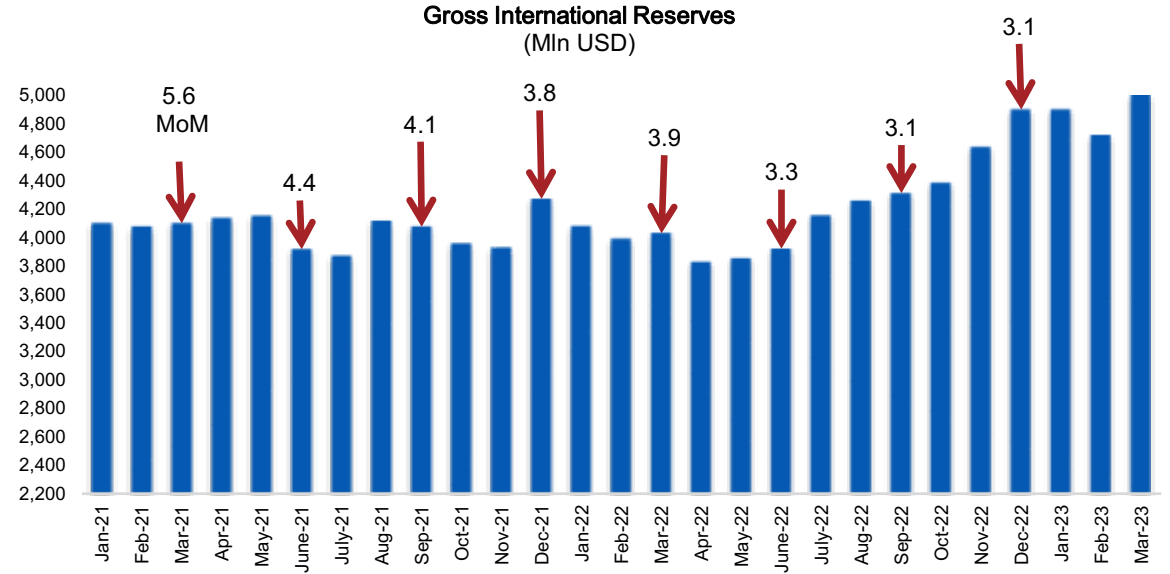
Remittance
(Mln USD)
January - February



In March 2023, international reserves amounted to 5,004 million USD.

In March 2023, international reserves amounted to 5,004 million USD, which is a 24.1% YoY and 6.0% MoM increase.

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

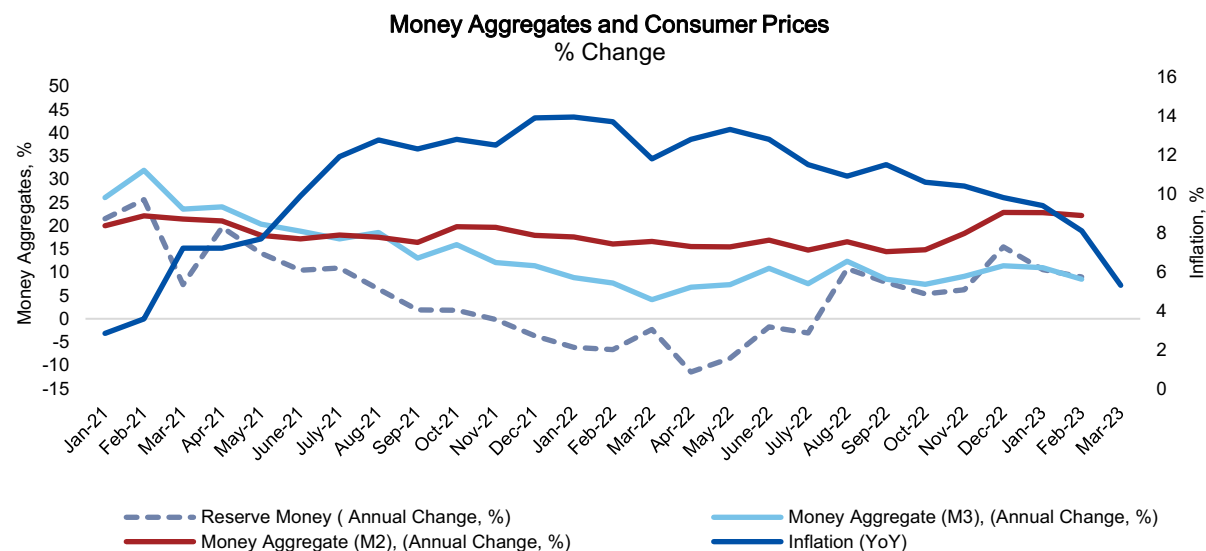


3. Monetary Sector

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

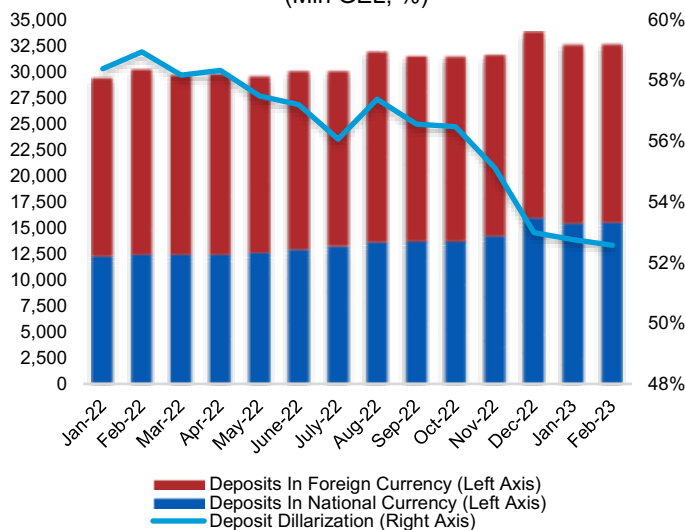
In February* 2023, reserve money increased by 9.0% YoY, money aggregate M2 increased by 22.2%, and money aggregate M3 – by 8.5%.

In March 2023, consumer price inflation amounted to 5.3% YoY.



Deposits and Dollarization

(MIn GEL, %)

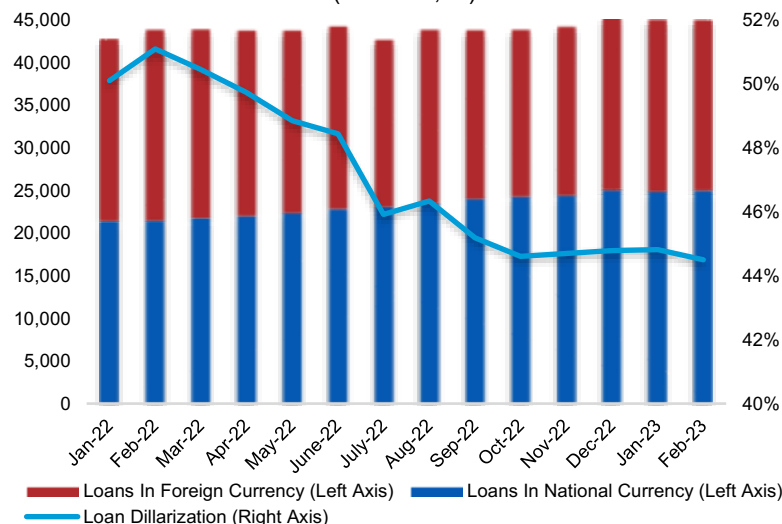


In February* 2023, the dollarization on deposits and on loans decreased MoM.

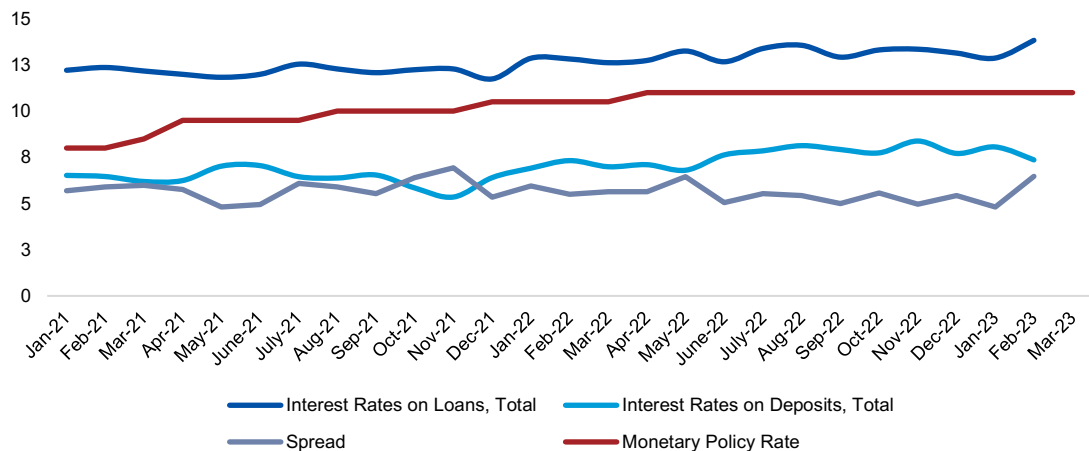
In February* 2023, the deposit dollarization indicator decreased by 0.19 pp and amounted to 52.6% MoM, while loan dollarization has decreased by 0.32 pp and made up to 44.5%. In February*, foreign currency deposits decreased by 0.2% MoM, while national currency deposits increased by 0.6%.

Loans and Dollarization

(MIn GEL, %)



Market Interest Rates on Loans and Deposits (%)



In February* 2023, interest rates decreased on deposits by 0.7 pp MoM, while interest rates increased on loans by 1.0 pp MoM.

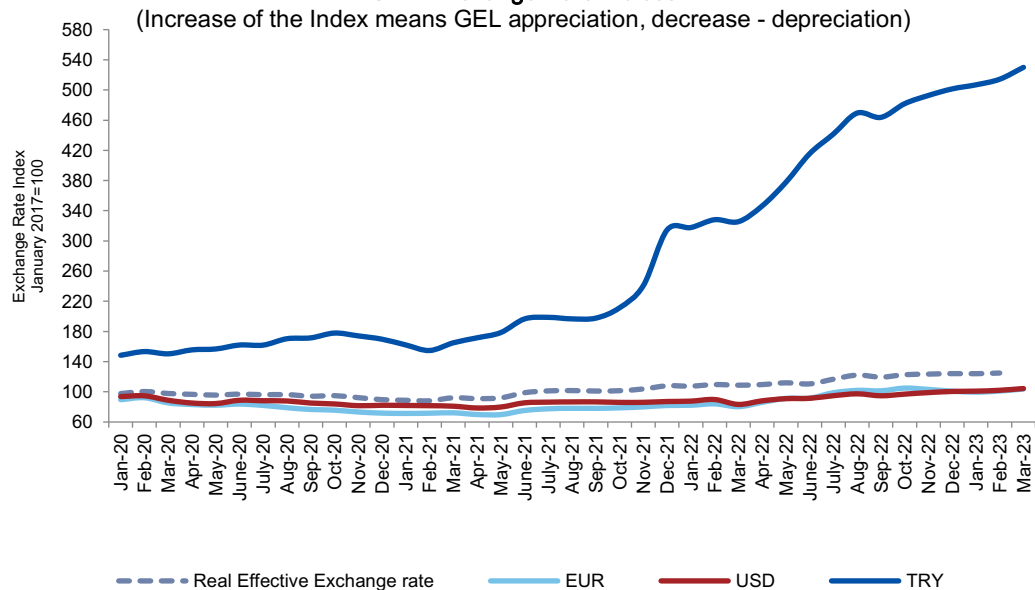
In February* 2023, market interest rates on loans amounted to 13.8%, while interest rates on deposits were defined at 7.4%. The interest rate spread (difference between loan and deposit rates) amounted to 6.5% as of February* 2023, 1.0 pp higher compared to February 2022.

On March 29, 2023, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 11.0%.

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

In March 2023, GEL appreciated against USD by 2.3%, while appreciated by 2.7% against EUR and appreciated by 3.1% against TRY MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In March, the GEL exchange rate appreciated by 25.3% YoY towards USD, by 29.2% YoY towards EUR and by 62.8% 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.

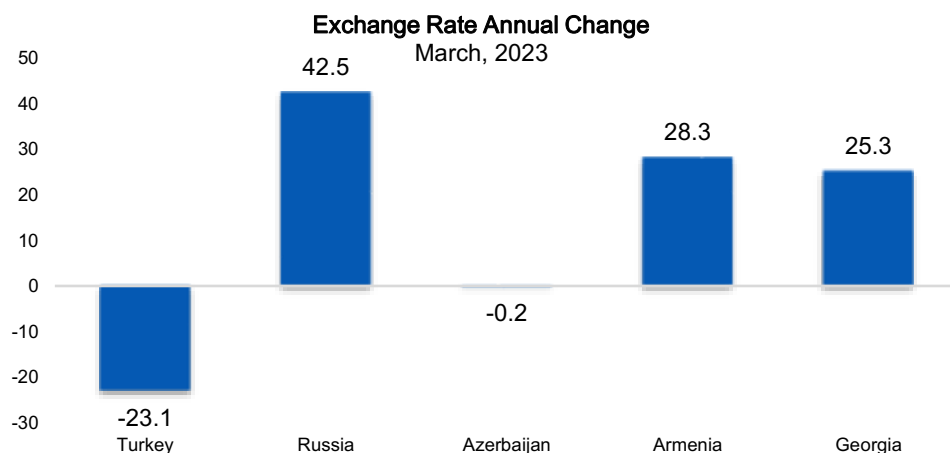
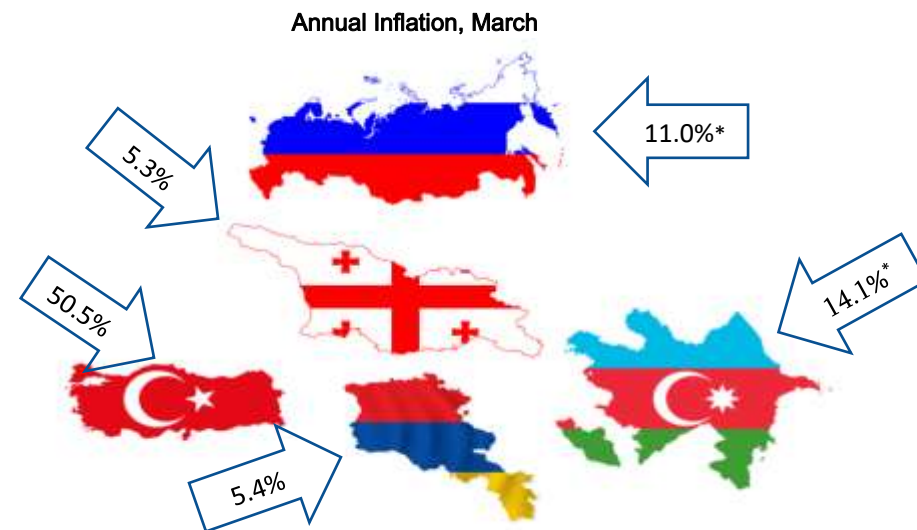
GEL Exchange Rate Indices



4. Regional Review

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

Namely, in March 2023, annual inflation amounted to 50.5% in Turkey. Inflation was lower in Armenia (5.4%). As for Azerbaijan and Russia, in February* 2023, consumer prices have increased by 14.1% in Azerbaijan and by 11.0% YoY in Russia.



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

Particularly, in March 2023, RUB appreciated by 42.5% and AMD by 28.3% YoY towards USD. In the analyzing period TRY depreciated by 23.1% 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

		Mar 22	Apr 21	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Real Sector	GDP Growth Rate (%)	10.6	2.6	11.6	7.2	9.7	10.5	8.8	8.3	9.3	11.0	8.4	5.8	
	VAT Turnover Growth Rate (%)	24.4	11.7	25.3	20.4	21.9	23.0	19.5	14.8	16.7	16.6	18.8	11.7	
Monetary Sector	Inflation (%)	11.8	12.8	13.3	12.8	11.5	10.9	11.5	10.6	10.4	9.8	9.4	8.1	5.3
	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	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	0.5	0.5	
	Loan Dollarization (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	
External Sector	Exchange Rate (GEL)	3.2	3.1	3.0	3.0	2.8	2.8	2.9	2.8	2.7	2.7	2.7	2.6	2.6
	Remittances (Thousand USD)	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	372 328.3	
	Export (USD Million)	411.4	415.7	522.6	448.5	542.1	473.3	523.2	448.7	491.1	555.8	459.0	455.9	
	Import (USD Million)	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	1 019.7	963.7	
	Trade Balance (USD Million)	-514.7	-577.1	-658.4	-660.7	-631.6	-792.2	-614.2	-755.0	-819.0	-841.5	-560.7	-507.9	
	International Reserves (USD Million)	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	5 003.8
Fiscal Sector	Revenues (GEL Million)	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	1 555.1	
	Recurrent Expenditure (GEL Million)	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	1 422.1	
	Capital Expenditure (GEL Million)	304.2	230.5	266.1	445.9	327.5	403.4	624.5	148.0	600.3	1 054.5	185.9	313.1	

Increase
 Decrease
 Change < 1%

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

		03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023
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.

		03.2022	04.2022	05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023
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.