



May, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in April* annual economic growth amounted to 7.5% YoY. Should be marked high economic growth rates and fast recovery process compared to 2019, pre pandemic period.
- Annual consumer price inflation amounted to 1.5% in May, which was primarily driven by increasing prices on food and non-alcoholic beverages.
- In April*, general government revenues increased by 71.4% YoY, while expenses increased by 10.8% YoY.
- In April*, commercial bank loans amounted to 43.6 billion GEL. As for loans issued by types of activity, the highest were issued in trade, industry and construction.
- In January - April*, exports increased by 23.6%, while imports increased by 21.2% YoY. Trade turnover amounted to 6,493 million USD.
- In April* money transfers amounted 369.7 million USD. The main source of money transfers are Russia (43.2% of total) and EU countries (28.0%).
- In May, international reserves reached increased by 29.8% YoY and amounted to 5,005 million USD.
- In April*, the dollarization on deposits and on loans decreased MoM.
- In May, GEL depreciated against USD (by 0.4%), while appreciated against EUR (by 0.3%) MoM.

Macroeconomic Analysis and Tax Policy Unit

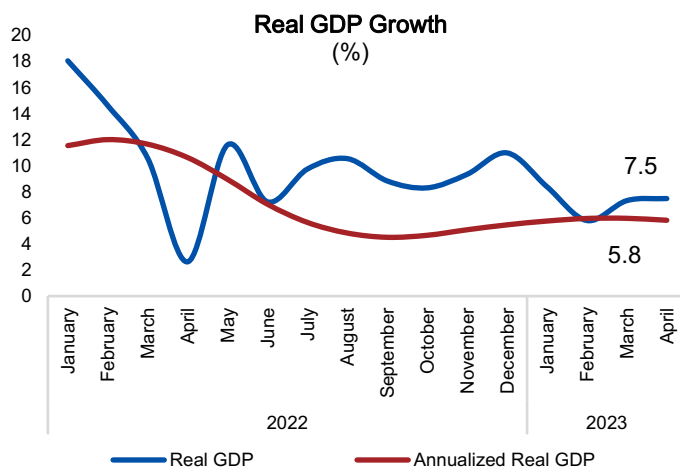
E-Mail: pbo@parliament.ge

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



Parliamentary Budget Office of Georgia 2023

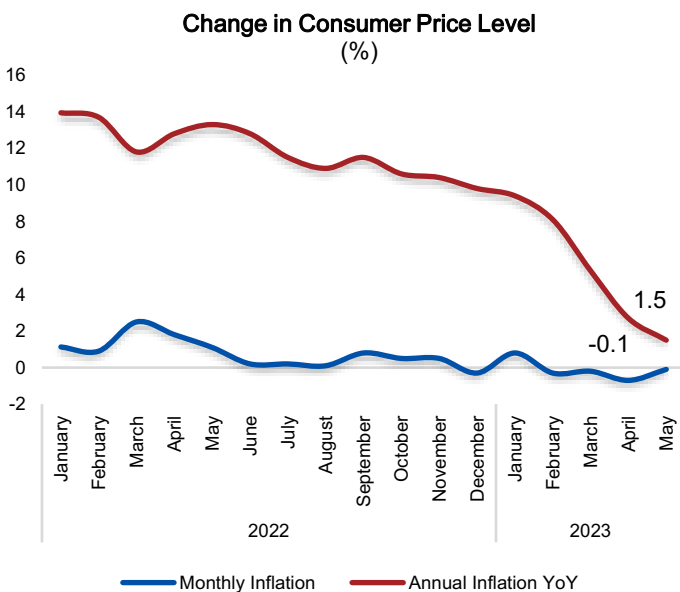
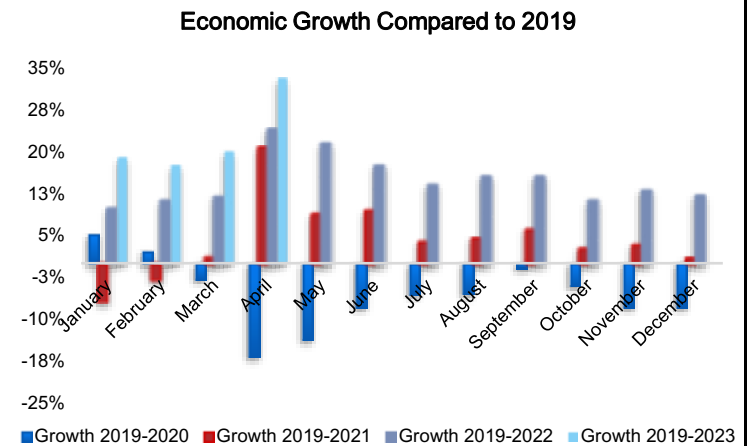
1. Real and Fiscal Sector



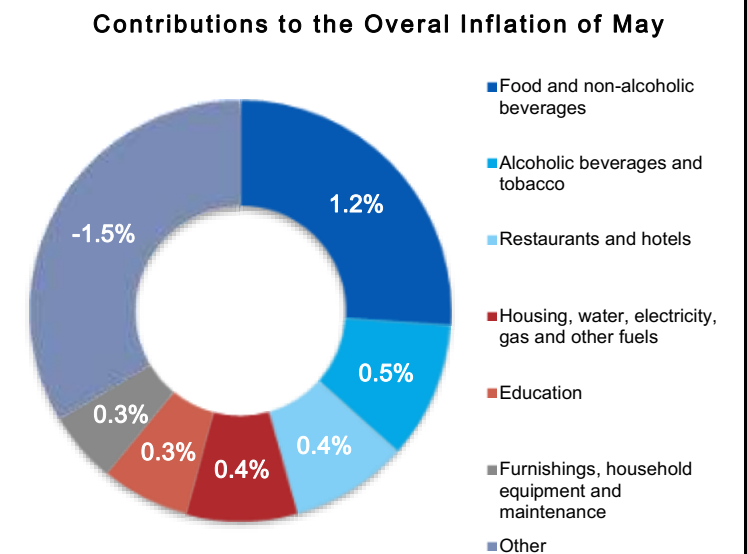
In April* 2023, positive annual economic growth was 7.5%. In accordance with preliminary estimates of GEOSTAT, in April* 2023, annual real GDP growth amounted to 7.5% YoY.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 5.8% in March.

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

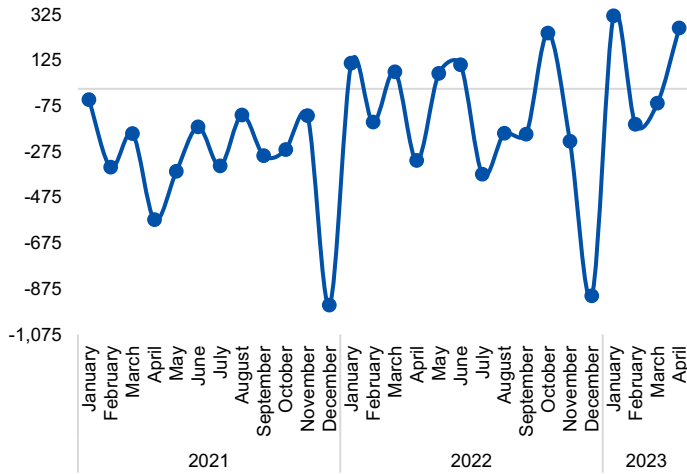


In May 2023, annual CPI inflation amounted to 1.5% In May 2023, the inflation rate amounted to 1.5% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, alcoholic beverages and tobacco, restaurants and hotels, housing, water, electricity, gas, education and furnishing. With regard to the annual core inflation in May (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 3.9%. In April* 2023, the annual forecasted GDP deflator amounted to 4.1%.



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

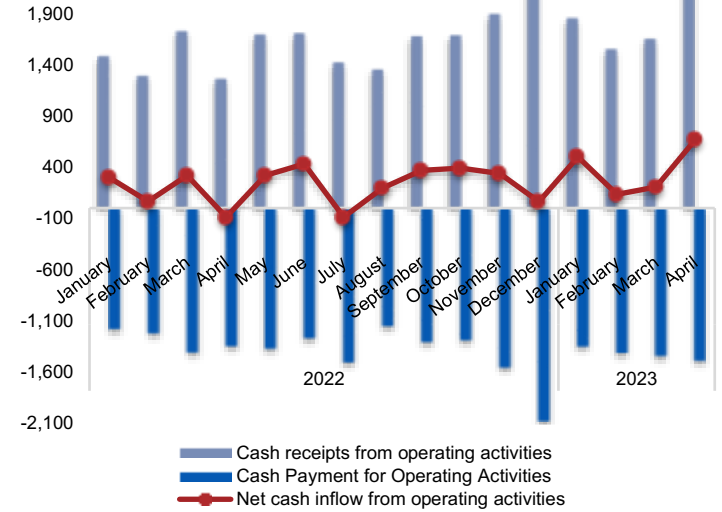
Consolidated Budget Balance
(MIn GEL)



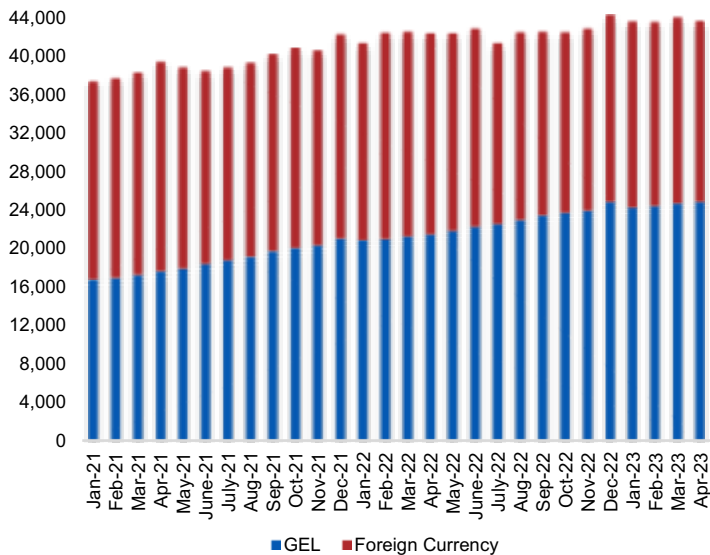
In April* 2023, the general government net lending/borrowing was positive.

In April* 2023, general government revenues increased by 71.4% YoY, while expenses increased by 10.8% YoY. In the analyzing period, the general government positive net operating balance amounted to 668.3 million GEL, while positive net lending/borrowing was defined at 265.5 million GEL.

Receipts and Payments
(MIn GEL)



Comercial Bank Loans
(MIn GEL)

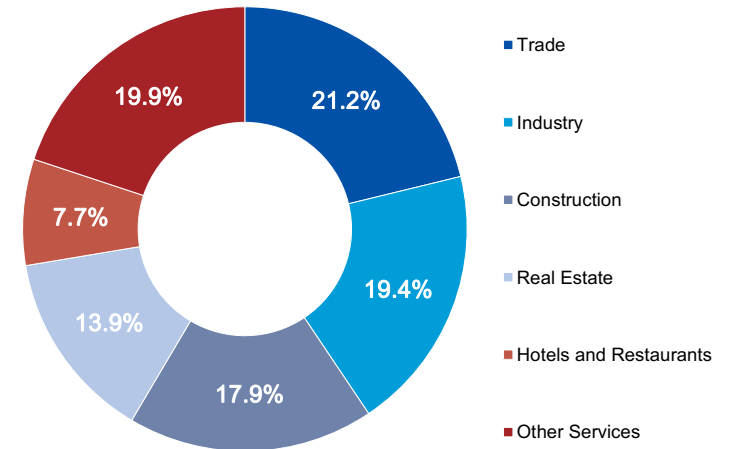


In April* 2023, compared to the same period of the previous year, commercial bank loans to the national economy increased in national currency and decreased in foreign currency.

In April* 2023, compared to the April of the previous year, commercial bank loans increased by 3.0% and amounted to 43.6 billion GEL. National currency loans increased by 15.6%, while foreign currency loans decreased by 10.0%. It's worth mentioning that more than half of total loans (55.4%) was distributed to households.

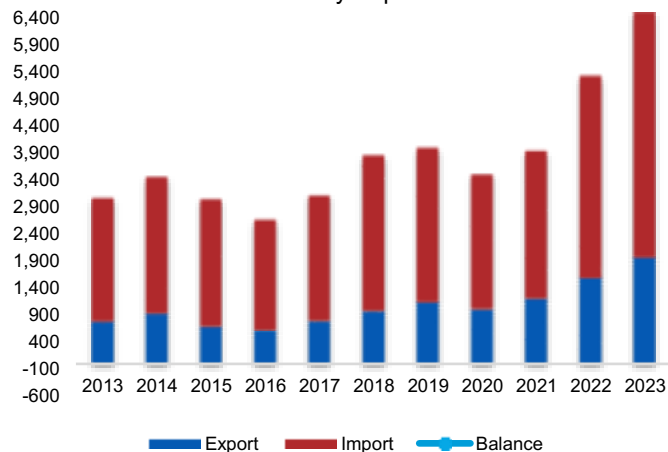
As for loans issued by types of activity, the highest 21.2% were issued in trade, 19.4% in industry, 17.9% in construction, 13.9% in real estate and 7.7% in the field of hotels and restaurants.

Loans by Types of Activity
(Flows)



2. External Sector

External Trade Indicators
(Mln USD)
January - April

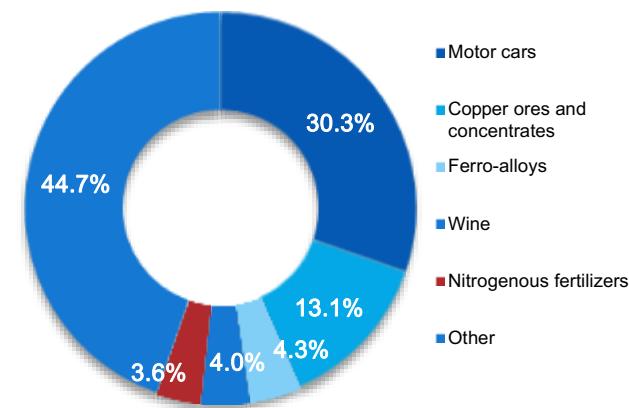


In January - April* 2023, both export and import of goods have increased.

In January - April* 2023, exports increased by 23.6%, while imports increased by 21.2% YoY. As a result, trade turnover amounted 6,493 million USD (21.9% increase YoY). During this period, the share of exports in external trade amounted to 30.2%. Export growth was substantial in the following countries: Kyrgyzstan (1,343.0%), Kazakhstan (333.9%), Armenia (158.2%), Azerbaijan (44.6%) and others. Export decreased in Ukraine (42.5%)

High growth was recorded in several export commodity groups: motor cars (350.8%), mineral and aerated waters (89.4%), alcoholic beverages (84.5%), wines (30.2%), nuts (14.0%) and gold (12.3%). While deterioration was recorded in several groups: Ferro-alloys (56.8%), Nitrogenous fertilizers (45.3%) and Copper ores (29.0%).

Major Commodity Groups by Exports
(January - April)



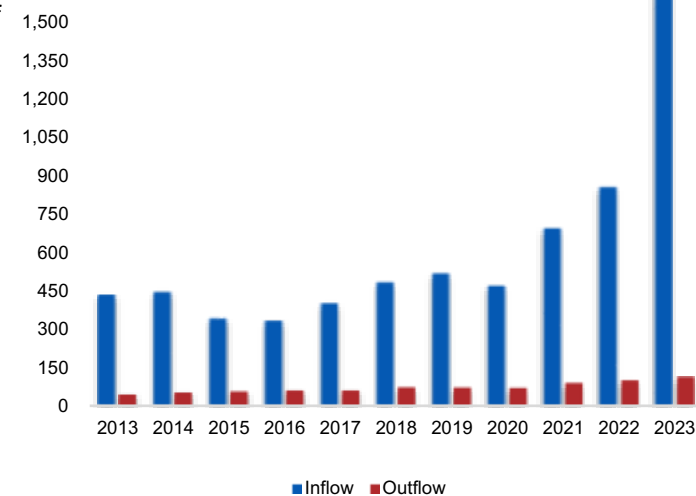
Remittance (%)
April



In April* 2023, remittances increased significantly

In April* 2023, remittances in Georgia increased by 20.0% YoY and amounted 369.7 million USD. In April* the main source of money transfers are Russia (43.2% of total) and EU countries (28.0%). In the analyzing period, remittances increased significantly from the following countries: Ireland (by 109.8%), Germany (by 50.4%), Netherlands (by 43.6%), United Kingdom (by 38.7%), USA (by 36.7%), France (by 28.9%), Italy (by 22.4%), Russia (by 20.0%) and Turkey (by 13.7%).

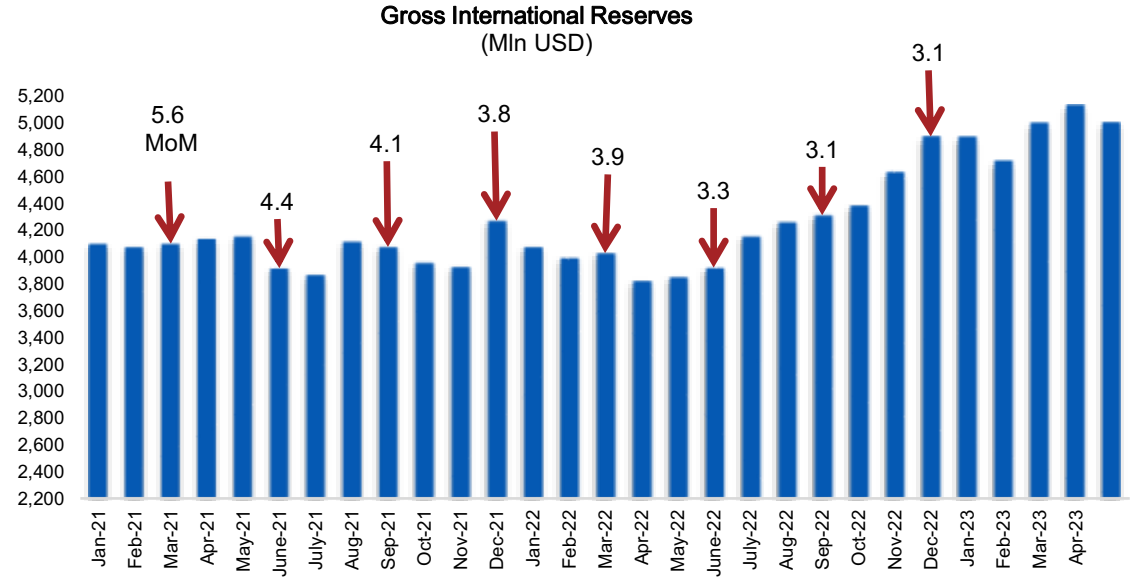
Remittance
(Mln USD)
January - April



In May, international reserves amounted to 5,005 million USD.

In May, international reserves amounted to 5,005 million USD, which is a 29.8% increase YoY and 2.5% decrease MoM.

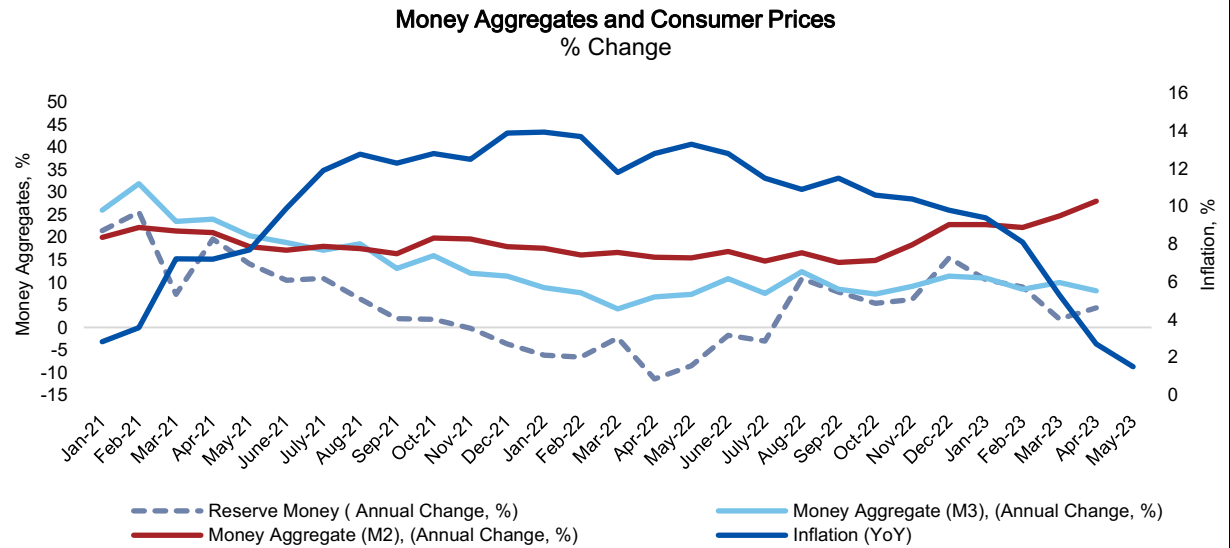
In May 2023, no foreign exchange interventions were carried out by the National Bank of Georgia.



3. Monetary Sector

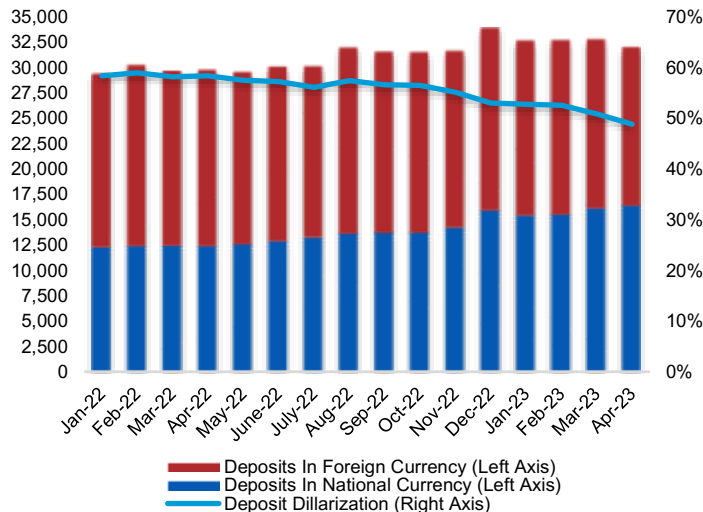
In April* 2023, compared to the same period of the previous year, reserve money had an increasing tendency.

In April* 2023, reserve money increased by 4.3% YoY, money aggregate M2 increased by 28.1%, and money aggregate M3 – by 8.1%. In May 2023, consumer price inflation amounted to 1.5% YoY.



Deposits and Dollarization

(Mln GEL, %)

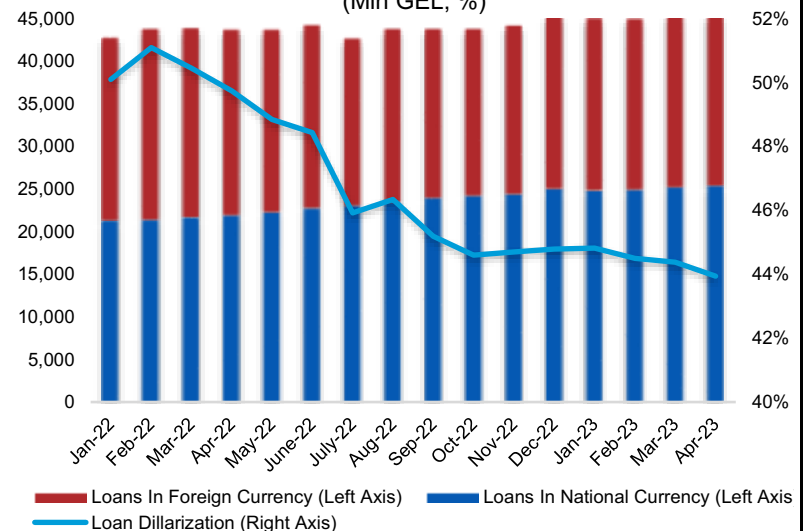


In April* 2023, the dollarization on deposits and on loans decreased MoM.

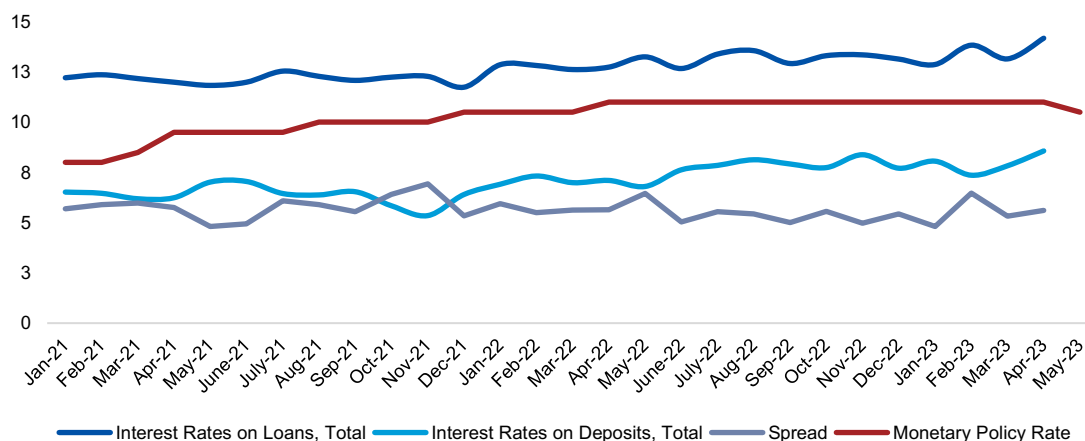
In April* 2023, the deposit dollarization indicator decreased by 2.02 pp and amounted to 48.8% MoM, while loan dollarization has decreased by 0.44 pp and made up to 43.9%. In April*, foreign currency deposits decreased by 6.2% MoM, while national currency deposits increased by 1.7%.

Loans and Dollarization

(Mln GEL, %)



Market Interest Rates on Loans and Deposits (%)



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

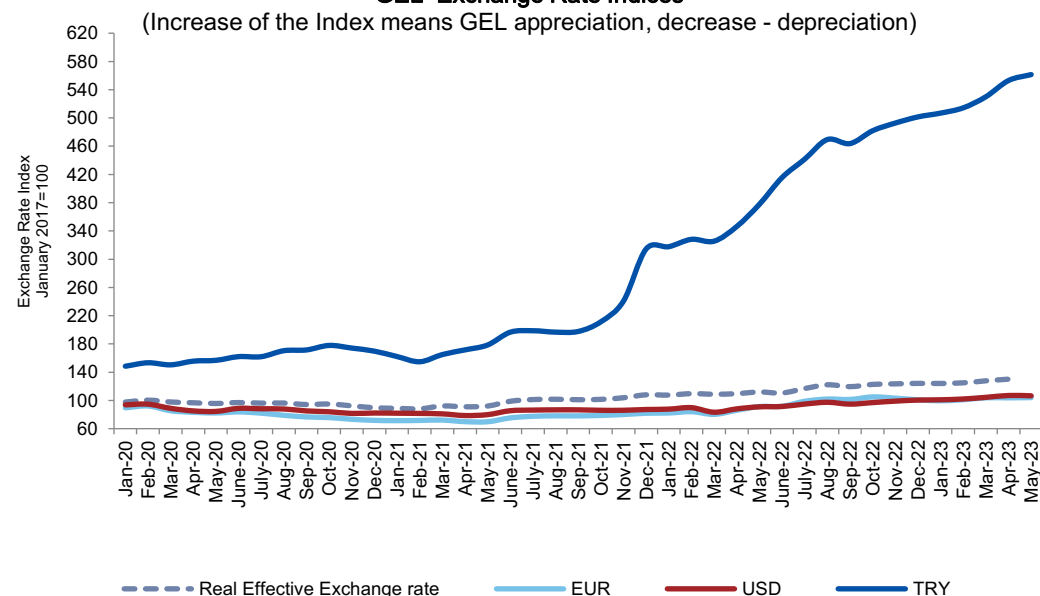
In April* 2023, market interest rates on loans amounted to 14.2%, while interest rates on deposits were defined at 8.6%. The interest rate spread (difference between loan and deposit rates) amounted to 5.6% as of April* 2023, 0.03 pp lower compared to April 2022.

On May 10, 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 10.5%.

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

In May 2023, GEL depreciated against USD by 0.4%, while appreciated by 0.3% against EUR and appreciated by 1.5% against TRY MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In May, the GEL exchange rate appreciated by 17.2% YoY towards USD, by 13.9% YoY towards EUR and by 48.7% 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.

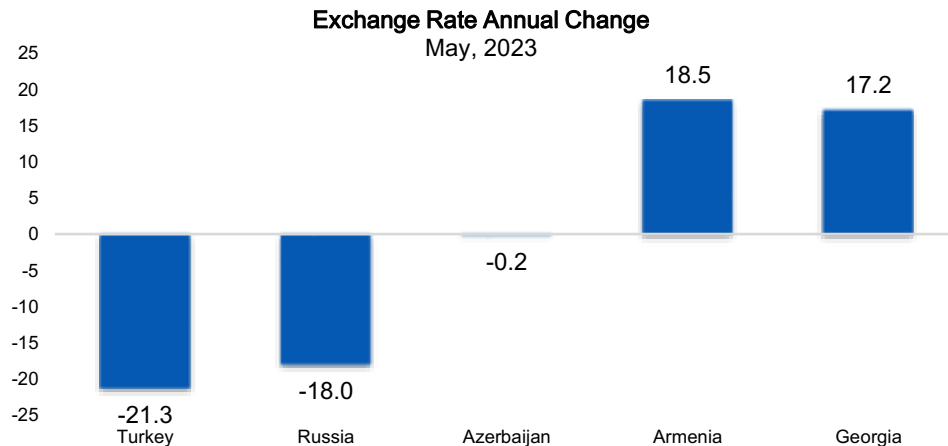
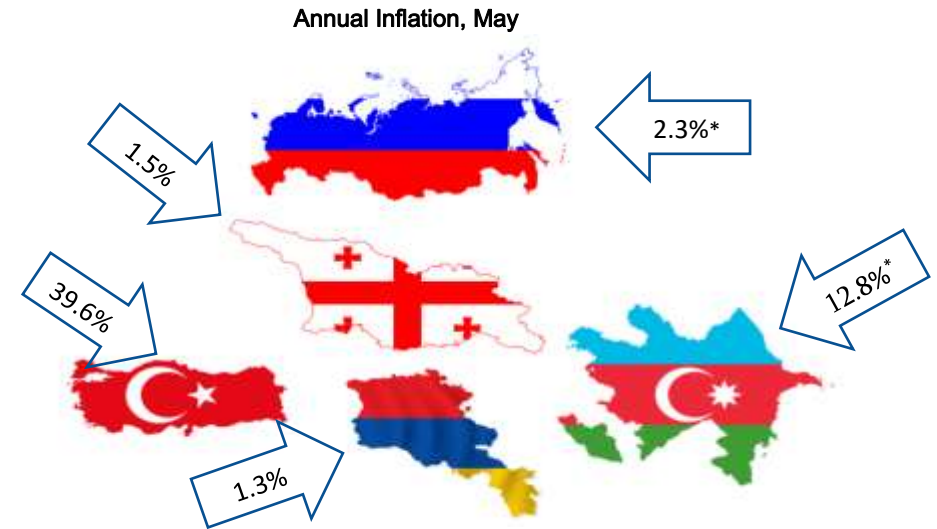
GEL Exchange Rate Indices



4. Regional Review

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

Namely, in May 2023, annual inflation amounted to 39.6% in Turkey. Inflation was lower in Armenia (1.3%). As for Azerbaijan and Russia, in April* 2023, consumer prices have increased by 12.8% in Azerbaijan and by 2.3% YoY in Russia.



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

Particularly, in May 2023, AMD appreciated by 18.5% YoY towards USD. In the analyzing period TRY depreciated by 21.3%, RUB by 18.0% 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

		May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23
Real Sector	GDP Growth Rate (%)	11.6	7.2	9.7	10.5	8.8	8.3	9.3	11.0	8.4	5.8	7.3	7.5	
	VAT Turnover Growth Rate (%)	25.3	20.4	21.9	23.0	19.5	14.8	16.7	16.6	18.8	11.7	9.2	6.1	
Monetary Sector	Inflation (%)	13.3	12.8	11.5	10.9	11.5	10.6	10.4	9.8	9.4	8.1	5.3	2.7	1.5
	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	10.5
	Deposit Dollarization (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	
	Loan Dollarization (%)	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
External Sector	Exchange Rate (GEL)	2.97	2.95	2.85	2.77	2.85	2.79	2.73	2.69	2.68	2.65	2.59	2.52	2.53
	Remittances (Thousand USD)	505,708	427,355	306,023	334,266	387,178	501,999	521,165	535,251	444,964	372,328	438,392	369,709	
	Export (USD Million)	522.6	448.5	542.1	473.3	523.2	448.7	491.1	555.8	459.0	455.9	546.7	500.7	
	Import (USD Million)	1181.0	1109.3	1173.8	1266.0	1137.5	1204.7	1310.8	1469.5	1114.0	1066.2	1260.2	1090.6	
	Trade Balance (USD Million)	-658.4	-660.8	-631.7	-792.7	-614.3	-756.0	-819.7	-913.7	-655.0	-610.3	-713.5	-589.9	
	International Reserves (USD Million)	3,855	3,922	4,157	4,261	4,313	4,386	4,637	4,900.6	4,899.3	4,720.2	5,003.8	5,133.4	5,005.3
Fiscal Sector	Revenues (GEL Million)	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	1,656.6	2,165.0	
	Recurrent Expenditure (GEL Million)	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	1,450.0	1,496.7	
	Capital Expenditure (GEL Million)	266.1	445.9	327.5	403.4	624.5	148.0	600.3	1,054.5	185.9	313.1	317.4	414.1	

Increase
 Decrease
 Change < 1%

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

		05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	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.

		05.2022	06.2022	07.2022	08.2022	09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
	Exchange Rate													
External Sector	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.