



September, 2023

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in August* 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 0.7% in September, lower than the inflation target of 3%, primarily driven by increasing prices on housing and alcoholic beverages.
- In August*, general government revenues increased by 26.9% YoY, while expenses increased by 9.5% YoY.
- In August*, commercial bank loans amounted to 46.6 billion GEL. As for loans issued by types of activity, the highest were issued in trade, construction and industry.
- In January - August*, goods exports increased by 14.4%, while imports increased by 17.8% YoY. Trade turnover amounted to 14,005 million USD.
- In August* money transfers amounted to 287.0 million USD. The main source of money transfers are EU countries (39.5% of total) and Russia (21.0%).
- In September, international reserves reached 5,273 million USD and increased by 22.3% YoY.
- In August*, the dollarization on deposits and on loans decreased MoM.
- In September, GEL depreciated against USD (by 0.9%) and appreciated against EUR (by 1.1%) MoM.

Macroeconomic Analysis and Tax Policy Unit

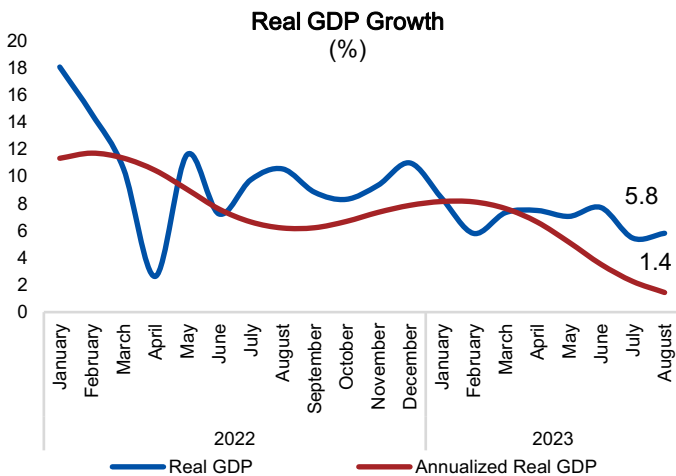
E-Mail: pbo@parliament.ge

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

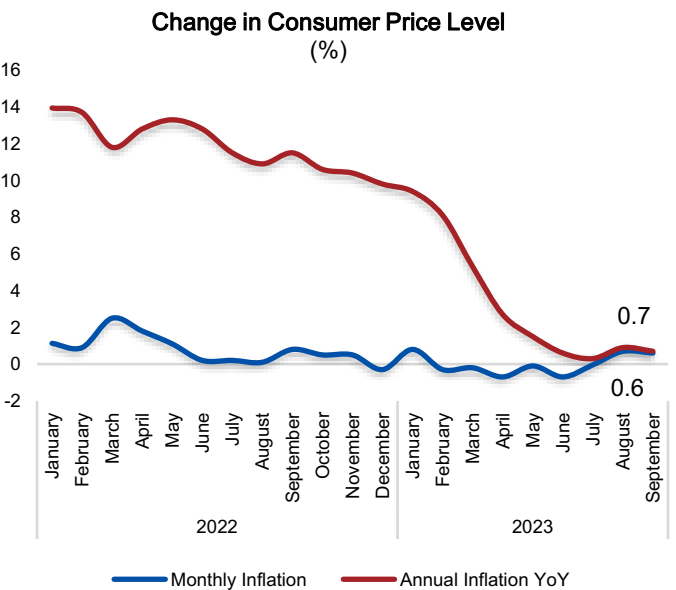
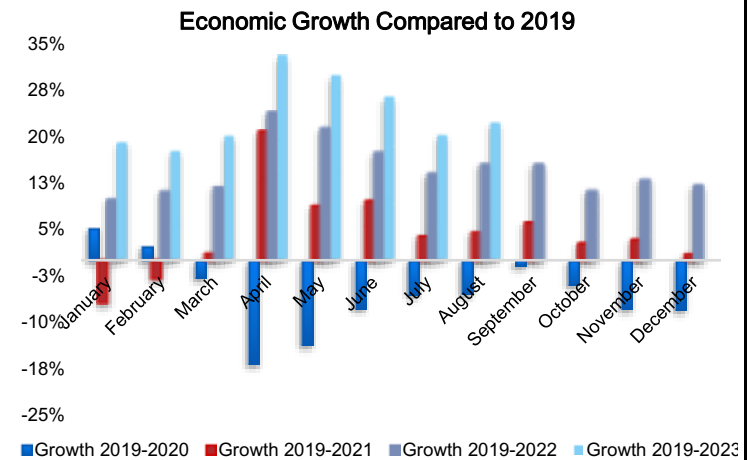


Parliamentary Budget Office of Georgia 2023

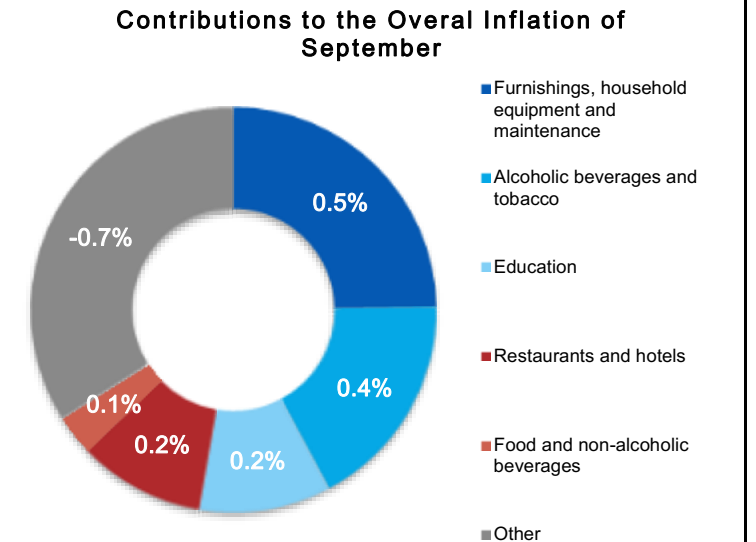
1. Real and Fiscal Sector



In August*, positive annual economic growth was 5.8%. In accordance with preliminary estimates of GEOSTAT, in August* 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 1.4% in August. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

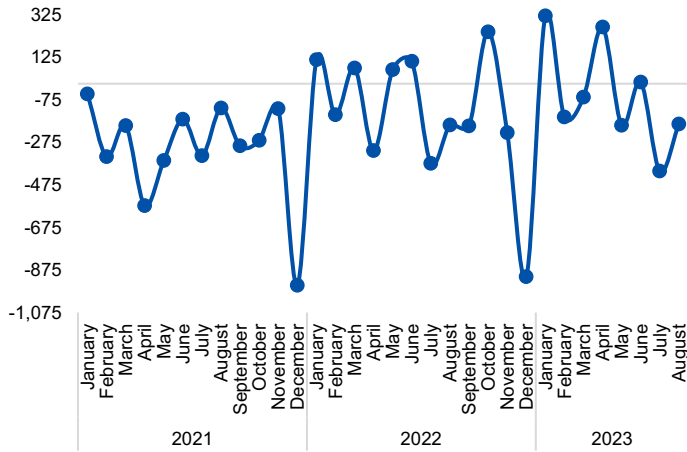


In September, annual CPI inflation amounted to 0.7% In September 2023, the inflation rate amounted to 0.7% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the housing, water, electricity, gas, alcoholic beverages and tobacco, education, restaurants and hotels and food and non-alcoholic beverages. With regard to the annual core inflation in September (excluded food and non-alcoholic beverages, tobacco, energy, regulated tariffs, transport), the prices increased by 2.5%. In August* 2023, the annual forecasted GDP deflator amounted to 1.6%.



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

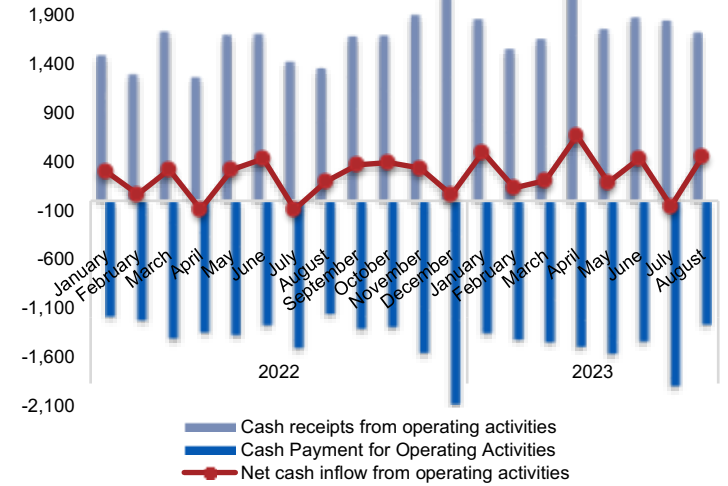
Consolidated Budget Balance
(Mln GEL)



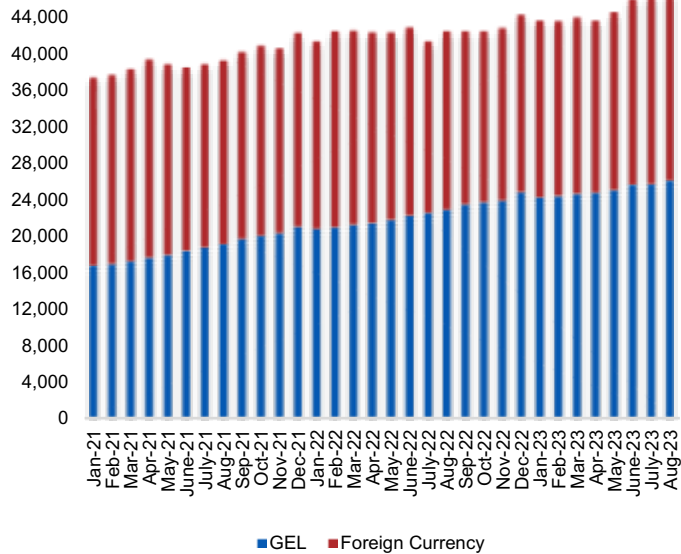
In August*, the general government net lending/borrowing was negative.

In August* 2023, general government revenues increased by 26.9% YoY, while expenses increased by 9.5% YoY. In the analyzing period, the general government positive net operating balance amounted to 452.5 million GEL, while negative net lending/borrowing (budget deficit) was defined at 189.2 million GEL.

Receipts and Payments
(Mln GEL)



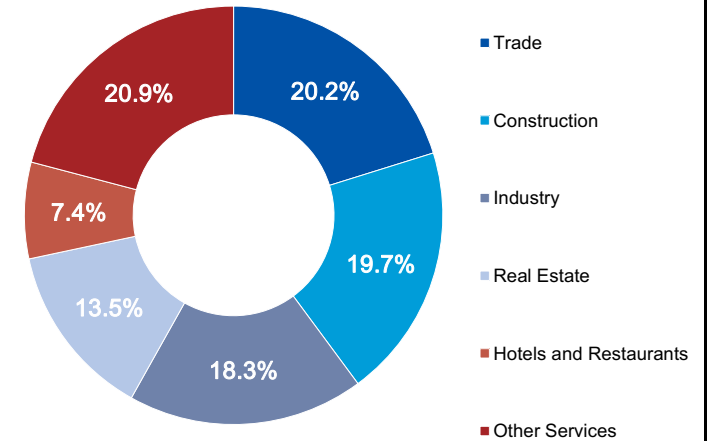
Comercial Bank Loans
(Mln GEL)



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

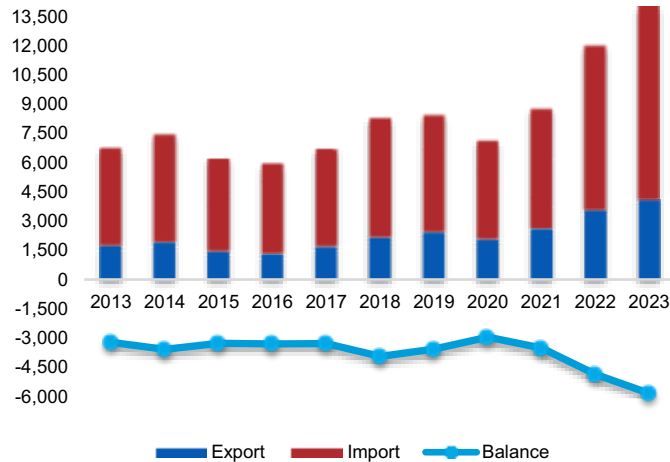
In August* 2023, compared to the August of the previous year, commercial bank loans increased by 9.8% and amounted to 46.6 billion GEL. National currency loans increased by 13.8%, while foreign currency loans increased by 5.1%. It's worth mentioning, that more than half of total loans (54.8%) was distributed to households. As for loans issued by types of activity, the highest 20.2% were issued in trade, 19.7% in construction, 18.3% in industry, 13.5% 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 - August

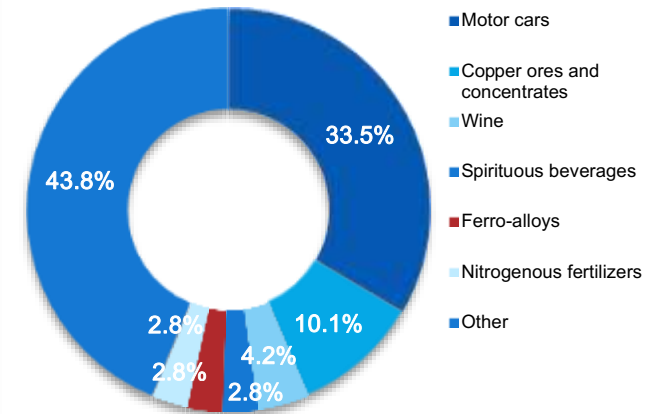


In January - August*, both export and import of goods have increased.

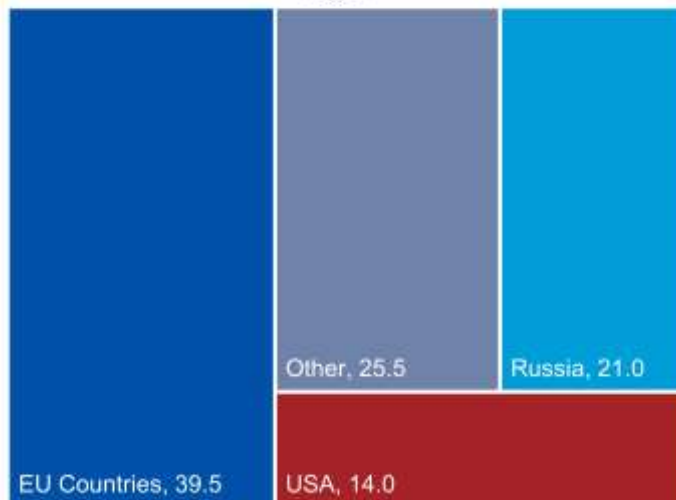
In January - August* 2023, exports increased by 14.4%, while imports increased by 17.8% YoY. As a result, trade turnover amounted to 14,005 million USD (16.8% increase YoY). During this period, the share of exports in external trade amounted to 29.1%. Export growth was substantial in the following countries: Kyrgyzstan (949%), due to the increase of re-exported motor cars), Kazakhstan (236%), Spain (150%), Armenia (83%), Azerbaijan (35%) and others.

High growth was recorded in several export commodity groups: motor cars (178.1%), mineral and aerated waters with added sugar (49.3%), alcoholic beverages (40.0%), mineral waters (33.2%). While deterioration was recorded in several groups: Ferro-alloys (69.1%), Nitrogenous fertilizers (41.2%) and Copper ores (39.8%).

Major Commodity Groups by Exports
(January - August)



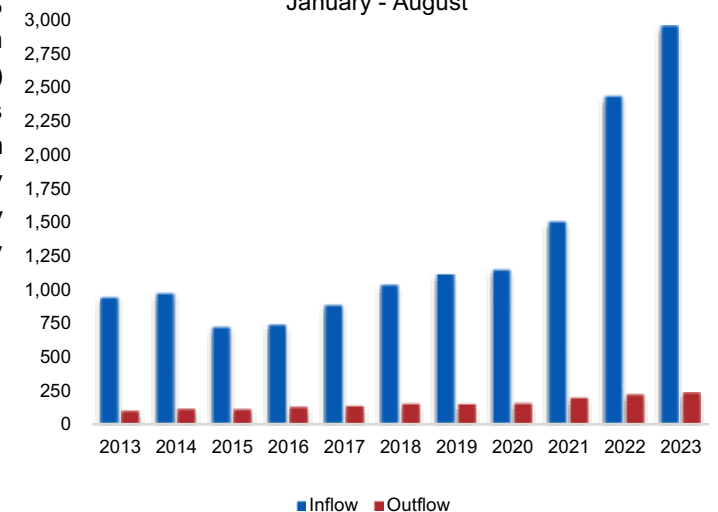
Remittance (%)
August



In August*, remittances decreased

In August* 2023, remittances in Georgia decreased by 14.1% YoY and amounted to 287.0 million USD. In August*, the main source of money transfers were EU countries (39.5% of total) and Russia (21.0%). In the analyzing period, remittances increased significantly from the following countries: Jordan (593.0%), Ireland (by 118.2%), Kazakhstan (54.9%), USA (by 37.6%), Germany (by 33.5%), Italy (23.0%), France (by 21.4%) and others. Remittances deteriorated from Russia by 45.6%.

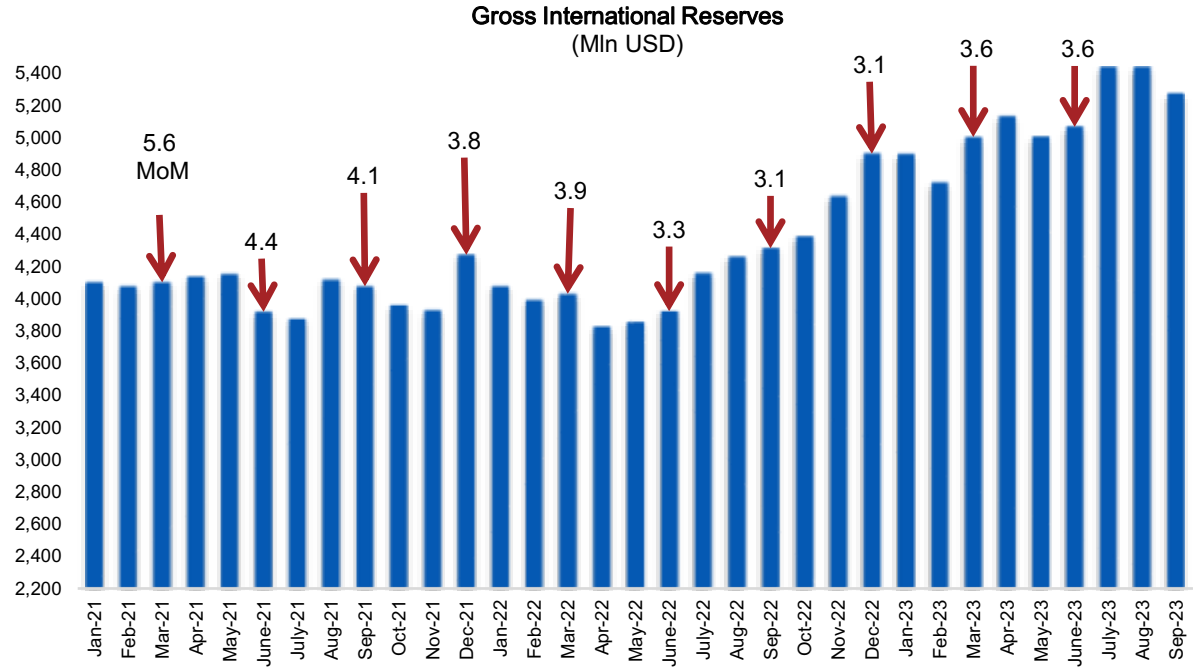
Remittance
(Mln USD)
January - August



In September, international reserves reached 5,273 million USD.

In September, international reserves amounted to 5,273 million USD, which is a 22.3% increase YoY and 3.0% decrease MoM.

In September 2023, the National Bank of Georgia sold 64.8 million USD through the foreign exchange auctions.

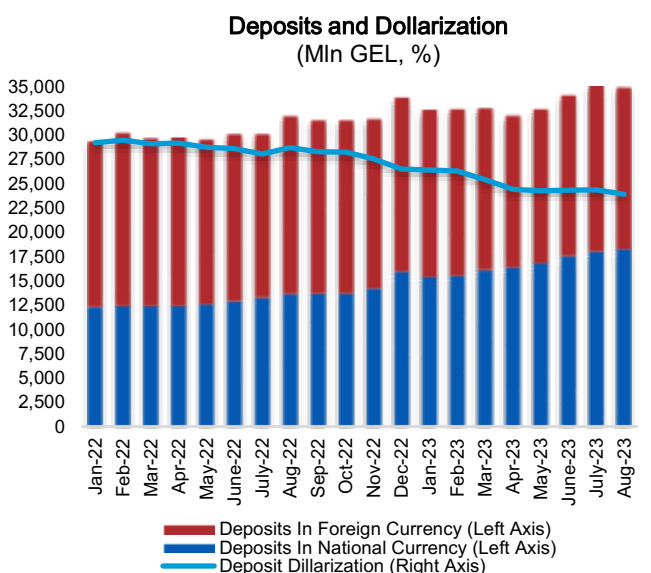
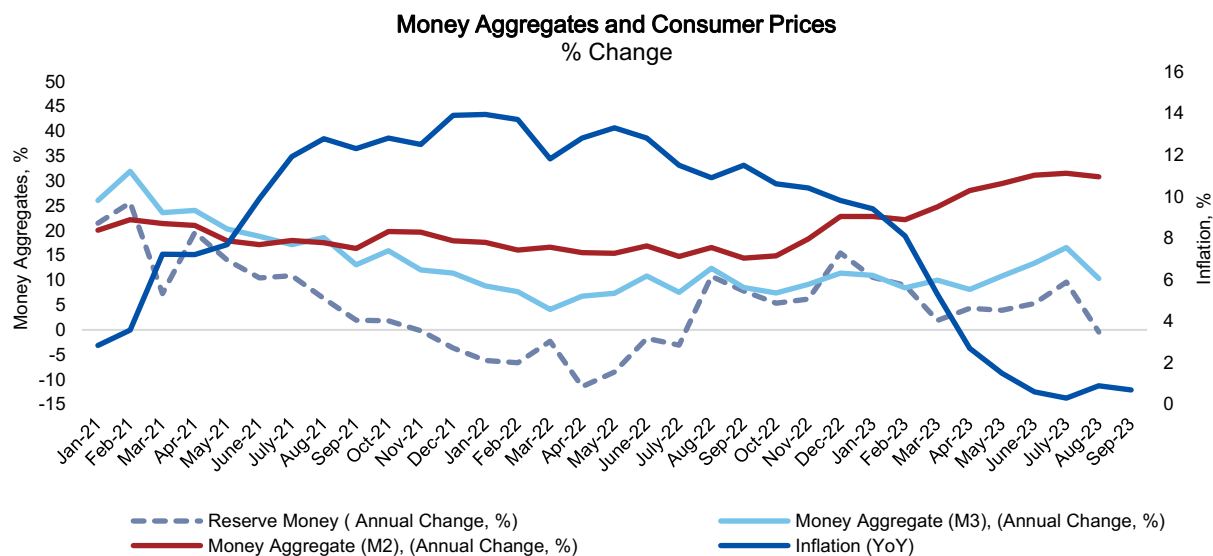


3. Monetary Sector

In August*, compared to the same period of the previous year, reserve money had a decreasing tendency.

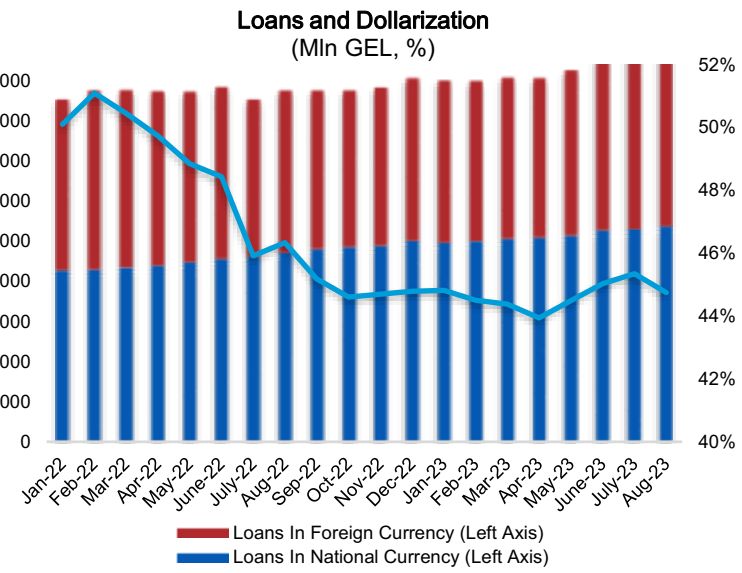
In August* 2023, reserve money decreased by 0.4% YoY, money aggregate M2 increased by 30.8%, and money aggregate M3 – by 10.4%.

In September 2023, consumer price inflation amounted to 0.7% YoY.

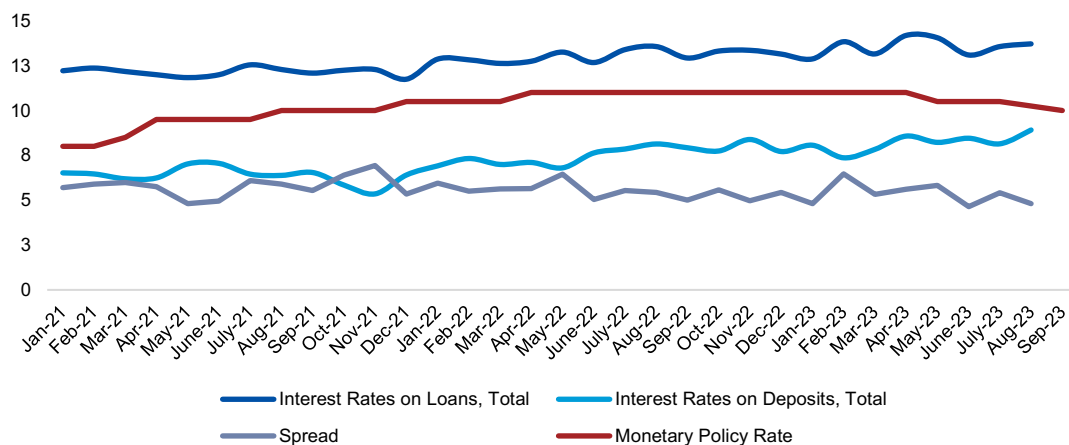


In August*, the dollarization on deposits and on loans decreased MoM.

In August* 2023, the deposit dollarization indicator decreased by 0.93 pp and amounted to 47.8% MoM, while loan dollarization decreased by 0.60 pp and made up to 44.7%. In August*, foreign currency deposits decreased by 2.4% MoM, while national currency deposits increased by 1.3%.



Market Interest Rates on Loans and Deposits (%)



In August*, interest rates on deposits increased by 0.8 pp MoM, while interest rates on loans increased by 0.2 pp MoM.

In August* 2023, market interest rates on loans amounted to 13.7%, while interest rates on deposits were defined at 8.9%. The interest rate spread (difference between loan and deposit rates) amounted to 4.8% as of August* 2023, 0.63 pp lower compared to August 2022.

On September 13, 2023, according to the Monetary Policy Committee decision of the National Bank of Georgia, the monetary policy rate decreased by 0.25 PP and was defined at 10.0%.

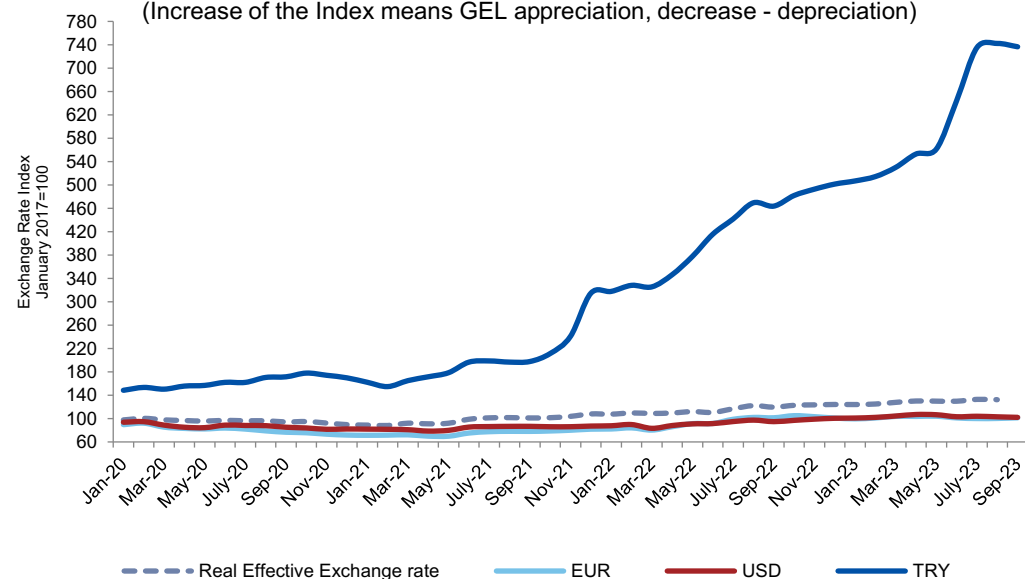
In September, compared to the previous month, the GEL shows depreciation towards USD and appreciation toward EUR.

In September 2023, GEL depreciated against USD by 0.9%, appreciated against EUR by 1.1%, while depreciated against TRY by 0.8% MoM. In the analyzing period, the nominal effective exchange rate slightly depreciated. In September, the GEL exchange rate appreciated by 7.7% YoY towards USD, slightly depreciated by 0.01% YoY towards EUR and appreciated by 58.8% 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

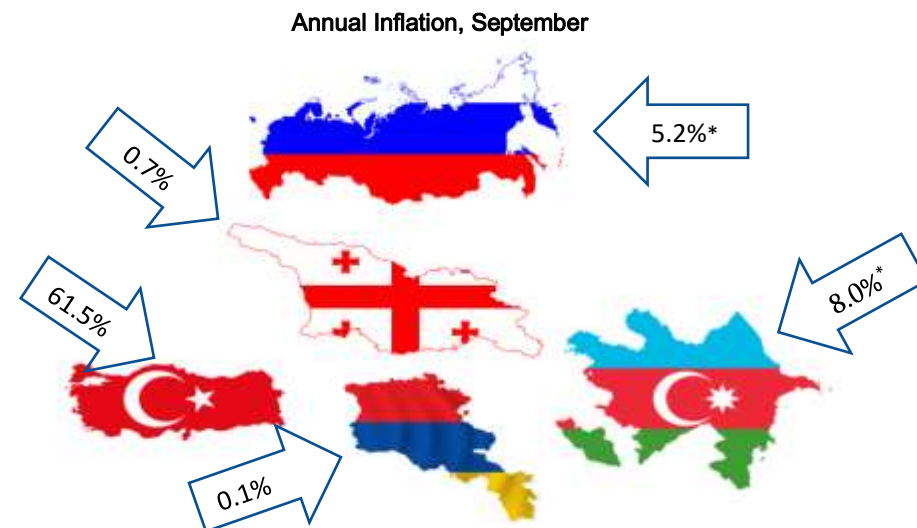
(Increase of the Index means GEL appreciation, decrease - depreciation)



4. Regional Review

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

Namely, in September 2023, annual inflation amounted to 61.5% in Turkey. Inflation was lower in Armenia (0.1%). As for Azerbaijan and Russia, in August* 2023, consumer prices increased by 8.0% YoY in Azerbaijan and by 5.2% YoY in Russia.



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

Particularly, in September 2023, AMD appreciated by 5.7% YoY towards USD. In the analyzing period RUB depreciated by 37.9% YoY, TRY by 32.2% YoY 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

		Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23
Real Sector	GDP Growth Rate (%)	8.8	8.3	9.3	11.0	8.4	5.8	7.3	7.5	7.0	7.7	5.5	5.8	
	VAT Turnover Growth Rate (%)	19.5	14.8	16.7	16.6	18.8	11.7	9.2	6.1	5.2	6.1	2.9	4.2	
Monetary Sector	Inflation (%)	11.5	10.6	10.4	9.8	9.4	8.1	5.3	2.7	1.5	0.6	0.3	0.9	0.7
	Monetary Policy Rate (%)	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.5	10.5	10.5	10.25	10.0
	Deposit Dollarization (%)	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Loan Dollarization (%)	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4
External Sector	Exchange Rate (GEL)	2.85	2.79	2.73	2.69	2.68	2.65	2.59	2.52	2.53	2.62	2.60	2.62	2.65
	Remittances (Thousand USD)	387,178	501,999	521,165	535,251	444,964	372,328	438,392	369,709	384,886	353,171	301,068	287,006	
	Export (USD Million)	523.5	448.7	490.7	555.8	459.0	455.8	546.7	500.5	541.4	550.4	529.8	495.8	
	Import (USD Million)	1136.5	1203.9	1310.9	1469.3	1114.8	1067.4	1378.0	1222.7	1326.8	1337.2	1204.8	1274.0	
	Trade Balance (USD Million)	-612.9	-755.2	-820.2	-913.5	-655.9	-611.6	-831.3	-722.1	-785.4	-786.7	-675.0	-778.3	
	International Reserves (USD Million)	4,313	4,386	4,637	4,900.6	4,899.3	4,720.2	5,003.8	5,133.4	5,005.3	5,066.7	5,436.1	5,436.8	5,273.2
Fiscal Sector	Revenues (GEL Million)	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	1,846.9	1,721.5	
	Recurrent Expenditure (GEL Million)	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	1,901.2	1,269.0	
	Capital Expenditure (GEL Million)	624.5	148.0	600.3	1,054.5	185.9	313.1	317.4	414.1	400.6	495.8	365.4	659.1	

Increase
 Decrease
 Change < 1%

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

		09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023	08.2023	09.2023
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.

		09.2022	10.2022	11.2022	12.2022	01.2023	02.2023	03.2023	04.2023	05.2023	06.2023	07.2023	08.2023	09.2023
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.
