



## Quarterly Macroeconomic Review \*

### Main Indicators of Quarter

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- According to preliminary estimate real GDP increased by 9.5%
- Annual inflation amounted to 13.1%
- GEL depreciated against USD by 0.2% QoQ and appreciated by 4.7% YoY
- Negative overall balance of consolidated budget amounted to GEL 1,332.7 million
- Dollarization coefficient decreased on both deposits and loans YoY

Macroeconomic Analysis and Tax Policy Unit

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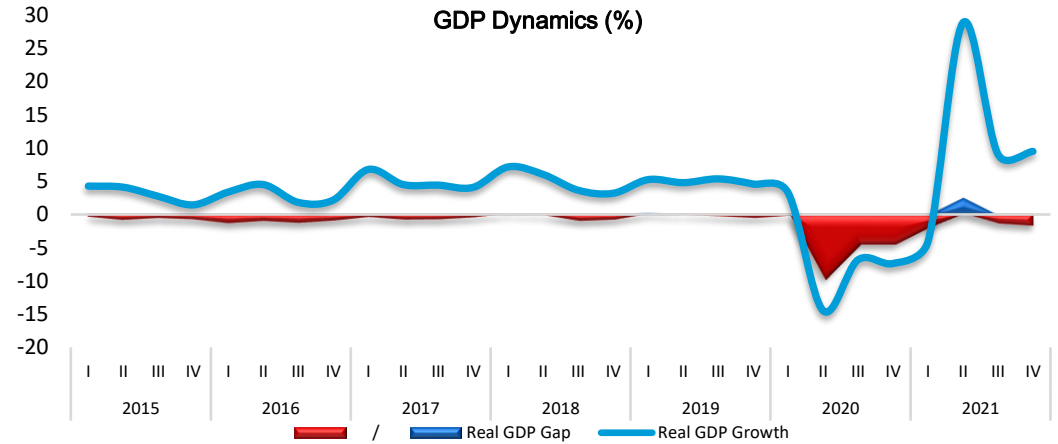
\*According to the release calendar of the statistical data, some indicators represent the variables of the previous quarter



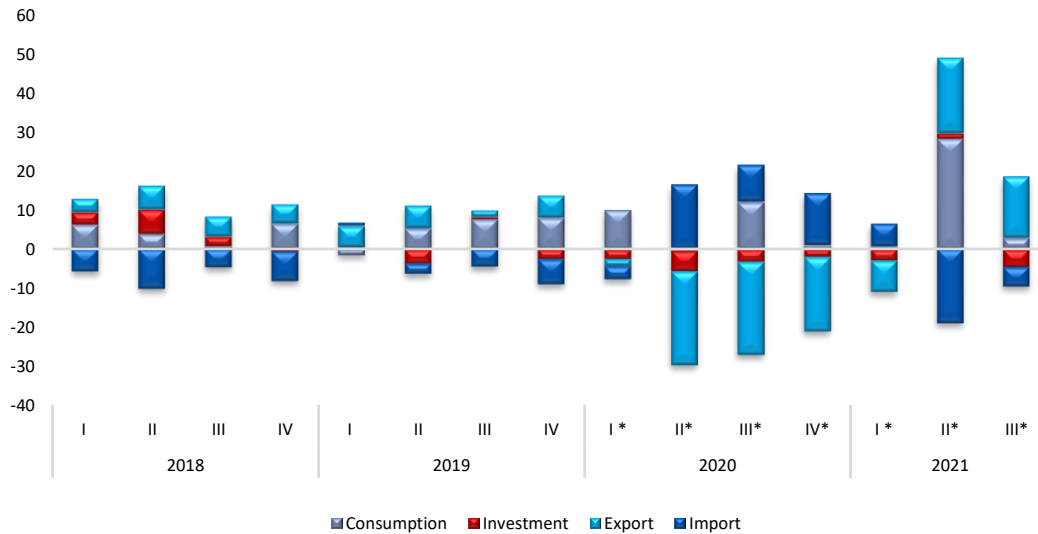
# 1. Real sector

In Q4 2021, according to preliminary estimate average growth of real GDP amounted to 9.5%.

According to PBO evaluation, in Q4 2021, potential GDP was higher than the statistical measurement, hence the negative output gap equaled -1.8%, while the output gap for the previous quarter was negative -1.4%.

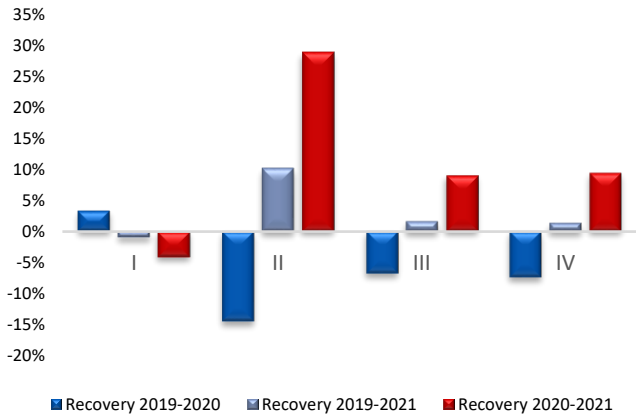


**GDP Components (Contribution, %)**



In Q3 2021, as per PBO estimates, export increase played a major role in GDP growth. Analyzing GDP components, in Q3 2021, real GDP increase was primarily driven by export (15.9%) and consumption (2.9%). In the reporting period, import (-5%) and investment (-4.6%) had a negative impact on GDP.

**Economic Growth Compared to 2019 and 2020**

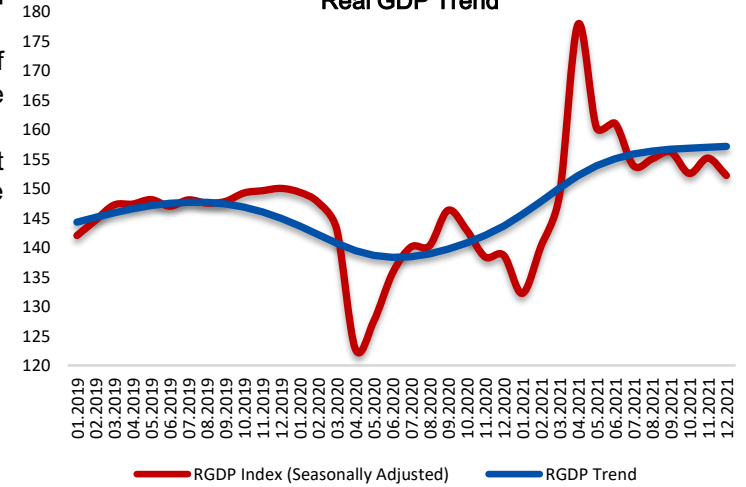


Observing monthly data reveals that the economic growth trend is not linear.

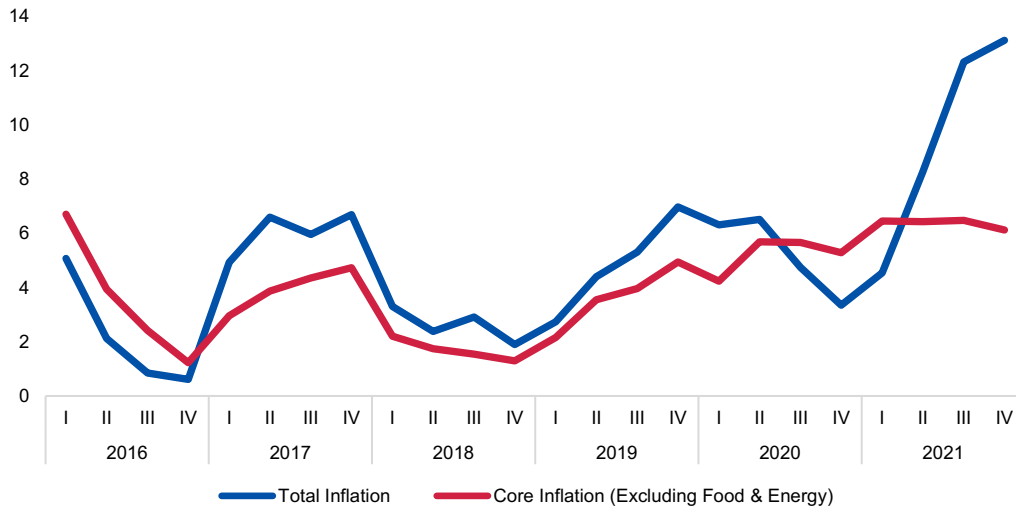
According to preliminary data, in Q4 2021, YoY growth of the real GDP trend<sup>1</sup> was 10.4%, compared to -2.6% in the respective period of 2020.

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

**Real GDP Trend**



**Consumer Price Inflation YoY**



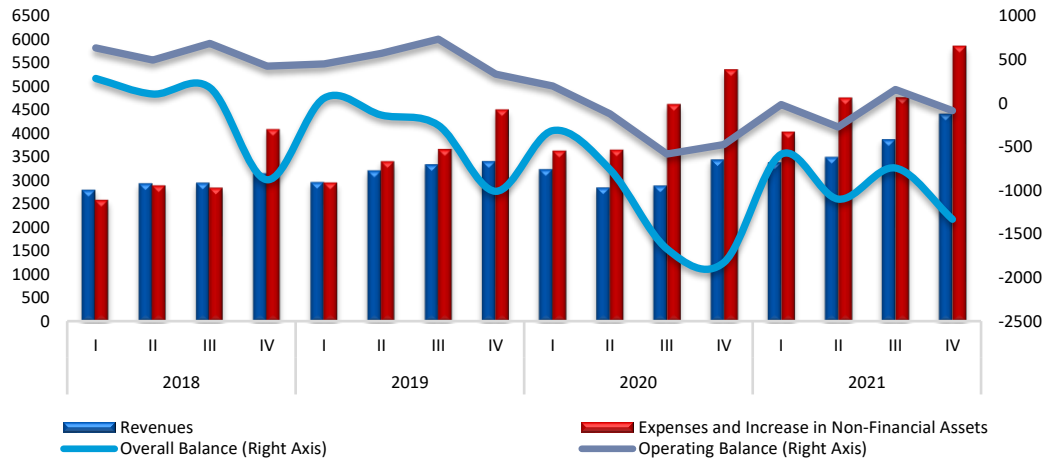
In Q4 2021, consumer price inflation has increased YoY trend.

In Q4 2021, average annual inflation reached 13.1%, higher than the inflation target of 3%. In Q4 2021, inflation was driven by increasing prices on food and non-alcoholic beverages, transport, healthcare, housing, water, electricity, gas and other fuels, and other groups.

<sup>1</sup> The trend represents monthly economic growth estimate with removed seasonality and random shocks

## 2. Fiscal Sector

Consolidated Budget Balance (Mln GEL)



**In Q4 2021, the consolidated budget balance was negative.**

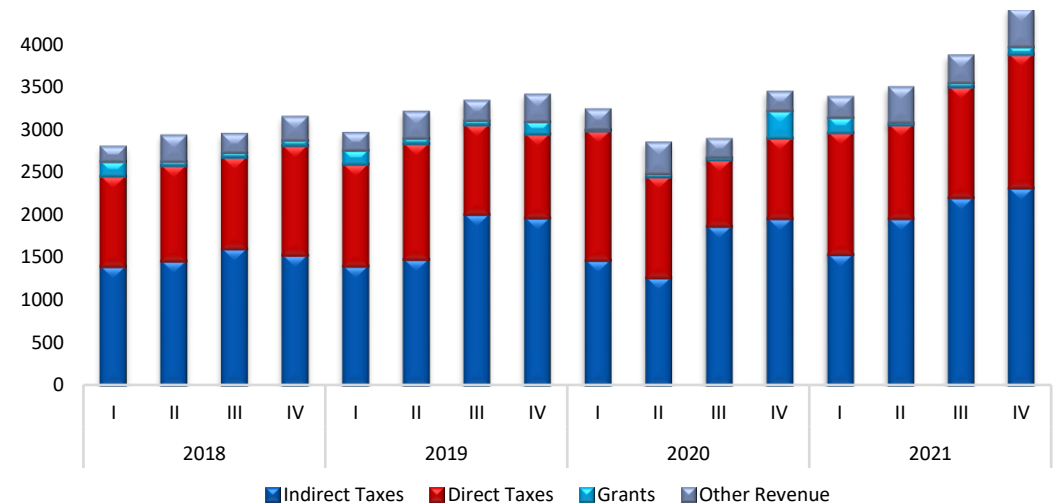
In Q4 2021, consolidated budget revenues increased by 28.0% YoY and reached GEL 4,406 million, while expenses and acquisition of non-financial assets increased by 9.4% and totaled GEL 5,837 million.

In Q4 2021, compared to Q4 2020, the operating balance increased by GEL 389.1 million, and the overall balance by GEL 493.5 million.

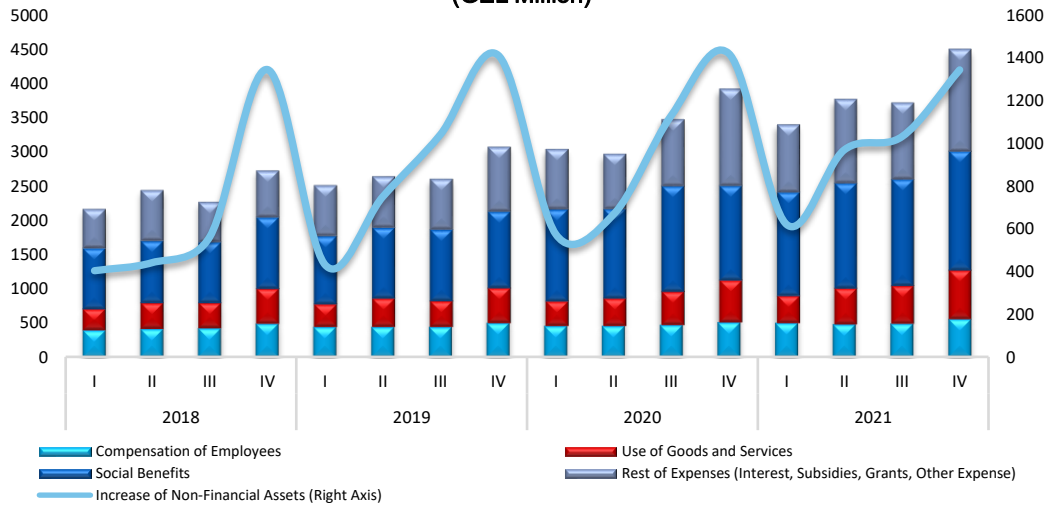
**In Q4 2021, tax revenues increased by 33.8% YoY and amounted to GEL 3,875 million.**

In Q4 2021, consolidated budget direct taxes increased by 65.6% YoY and totaled GEL 1,567 million, while indirect taxes increased by 18.4% and reached GEL 2,308 million.

Consolidated Budget Revenues (GEL Million)

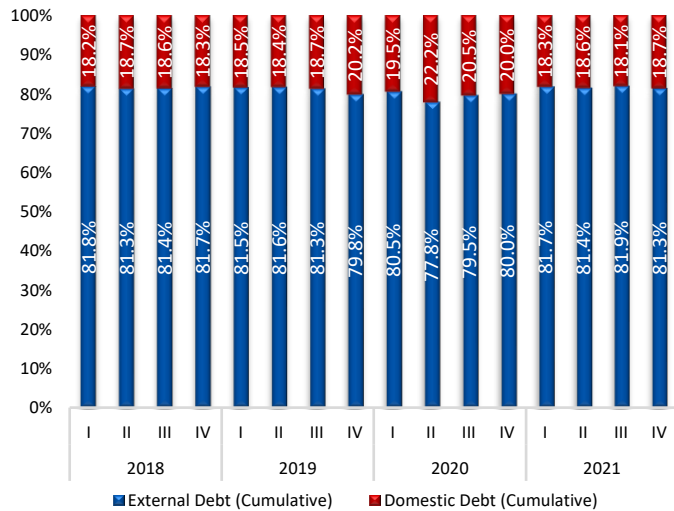


### Consolidated Budget Expenditures and Increase of Non-financial Assets (GEL Million)



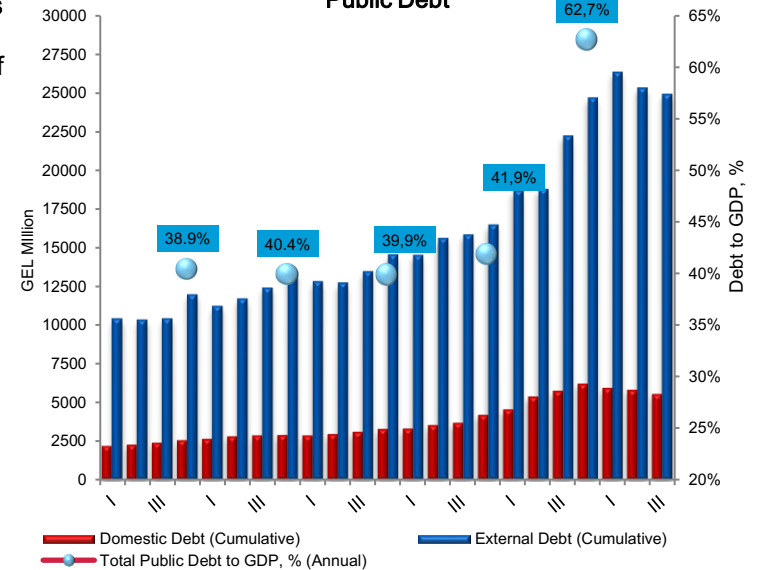
**In Q4 2021, recurrent expenditure increased while capital expenditures decreased YoY.**  
 In Q4 2021, consolidated budget recurrent expenses increased by 14.7% YoY and amounted to GEL 4,494 million. Expenses in non-financial assets (i.e. capital expenditure) decreased by -5.3% YoY and reached GEL 1,344 million.

### Dept Composition



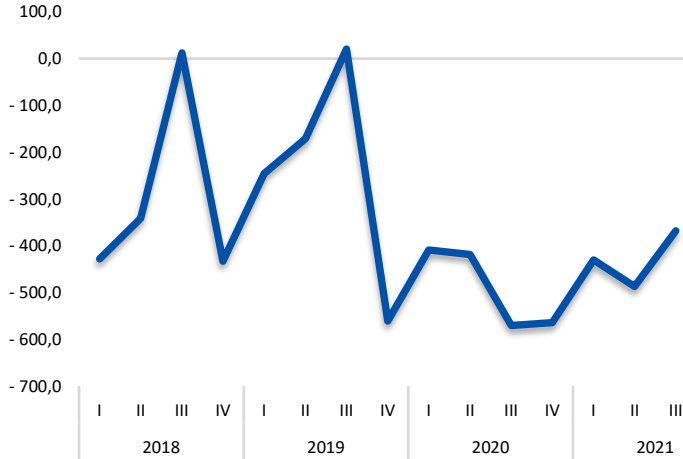
**As of 31 December 2021, public debt in nominal terms reached GEL 31,262 million, a 1.3% increase YoY.**  
 The external debt share made up 81.3% (80% at the end of Q4 2020), while the domestic debt share reached 18.7% (20% at the end of Q4 2020).

### Public Debt



### 3. External Sector

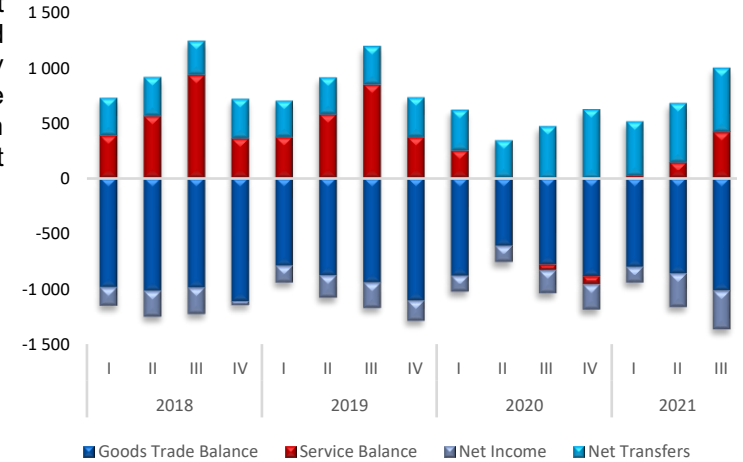
**Current Account**



**In Q3 2021, the current account balance was negative.**

In Q3 2021, the negative current account balance reached USD 368.1 million (-7.2% of GDP). Analyzing current account components, the trade balance of goods and services and net income deficit were only partially compensated by the surplus in transfers. It needs to be noted that because of ongoing difficulties export of tourism was decreased by 87.5% in Q1 2021. However, significant improvement was observed since Q2.

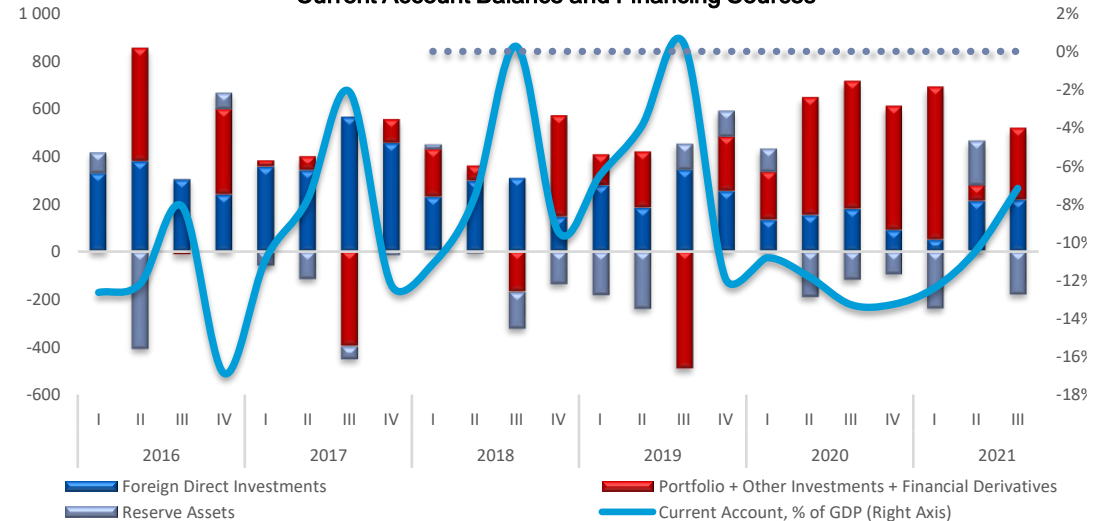
**Current Account Components (USD Million)**



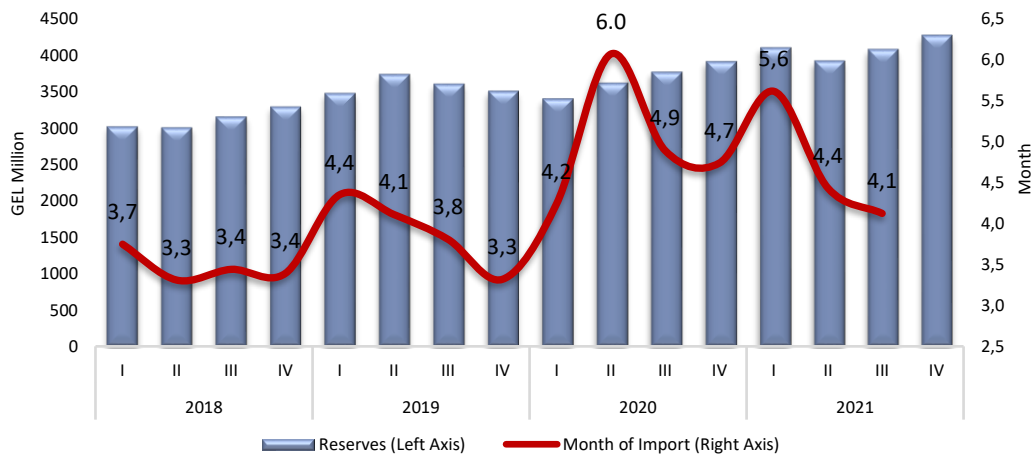
**In Q3 2021, the primary source of the current account deficit was portfolio and other investments, financial derivatives and foreign direct investments.**

During this period, net direct investments totaled USD 217 million (4.2% of GDP), a 22.1% increase in comparison with the same period of the previous year.

**Current Account Balance and Financing Sources**



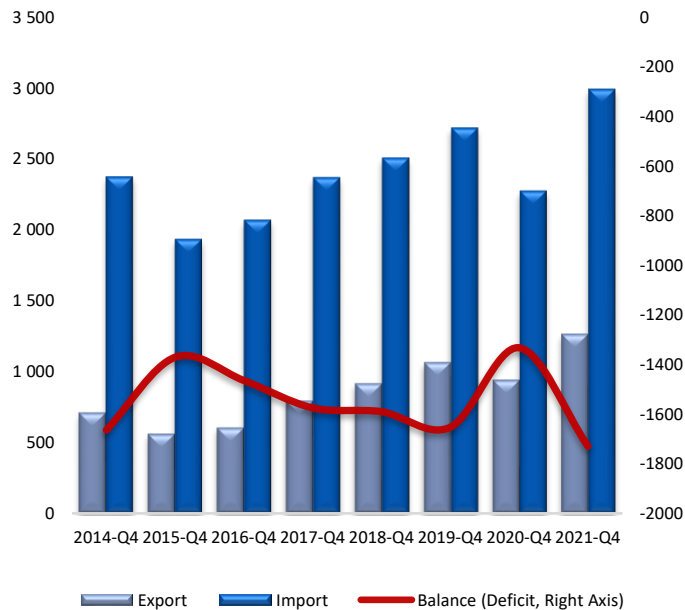
### Total International Reserves



**In Q4 2021, total international reserves reached USD 4,272 million.**

At the end of Q4 2021 total international reserves made up USD 4,272 million, an 9.2% increase YoY. In 2020, in response to the sharp exchange rate depreciation, the National Bank of Georgia sold USD 873 million. In 2021, NBG sold USD 333 million.

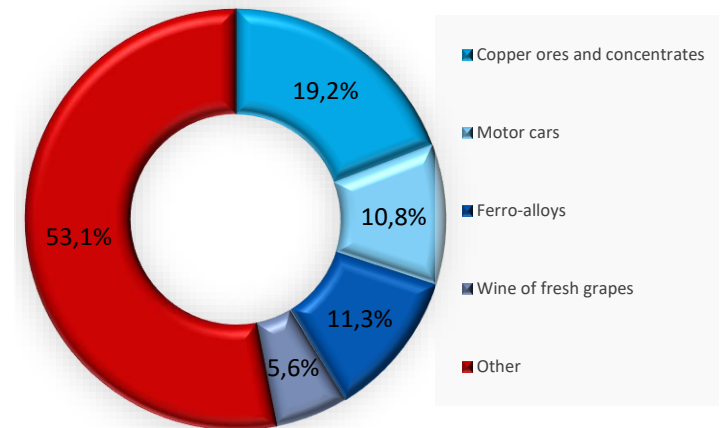
### External Trade of Goods (USD Million)



**In Q4 2021, an upward trend was observed in both export and import of goods.**

In Q4 2021, compared to the same period of the previous year export increased by 34.2%, while import increased by 31.6%. It is noteworthy that after a significant decline in 2020, notable growth was recorded in both export and import. In the reporting period share of the export in external trade increased from 29.3% to 29.7%.

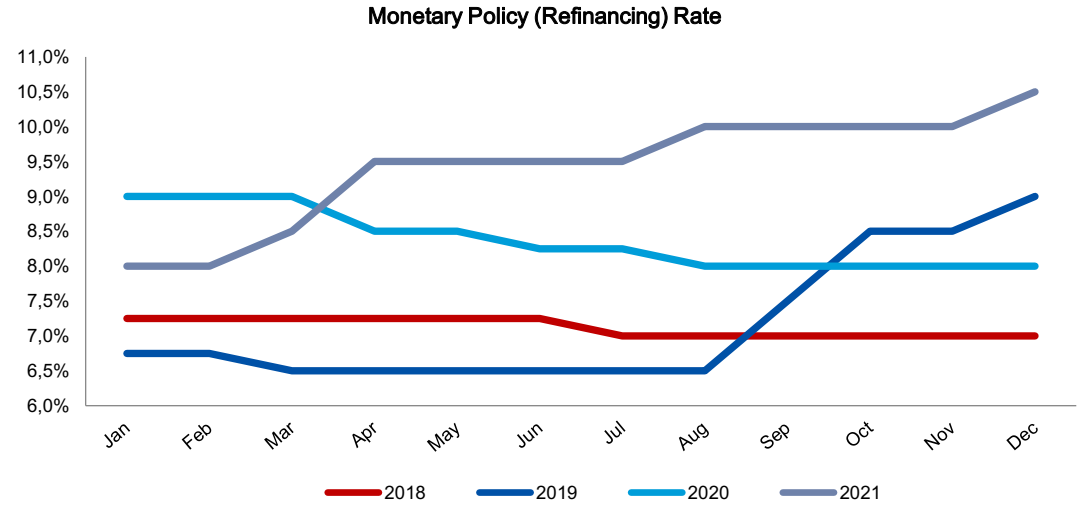
### Major Commodity Groups by Exports (January - December, 2021)



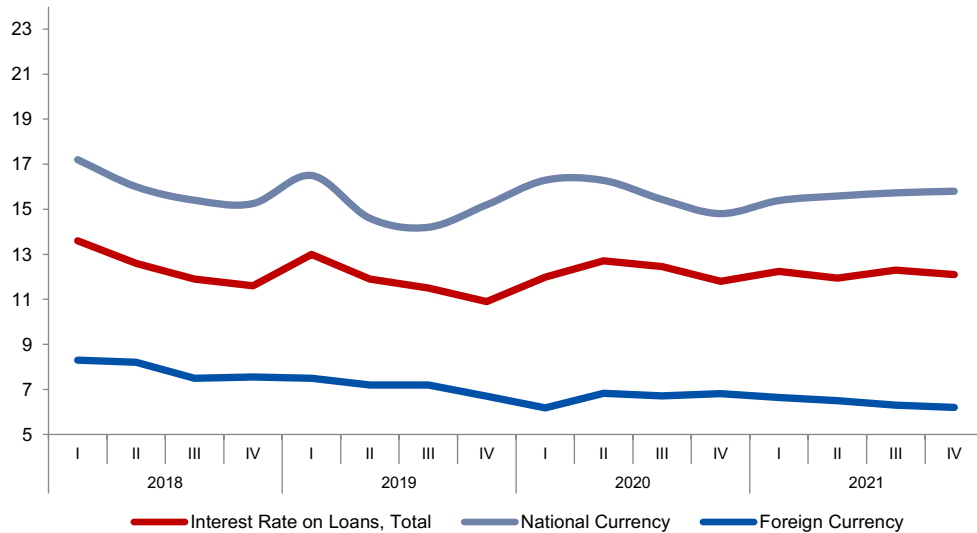
## 4. Monetary Sector

**In Q4 2021 the monetary policy rate was 10.5%.**

At the beginning of 2020, the monetary policy rate was 9.0%, and from Q2 it started to decrease gradually and was set at 8.0% by the end of 2020. 8% was maintained in January-February 2021, and from March, in order to mitigate inflationary pressures, monetary policy was strengthened gradually, and the policy rate increased to 8.5%. The Monetary Policy Committee increased the rate to 9.5% and 10% accordingly in April and August. In December, monetary policy rate was set at 10.5%.



**Market Interest Rates on Loans**

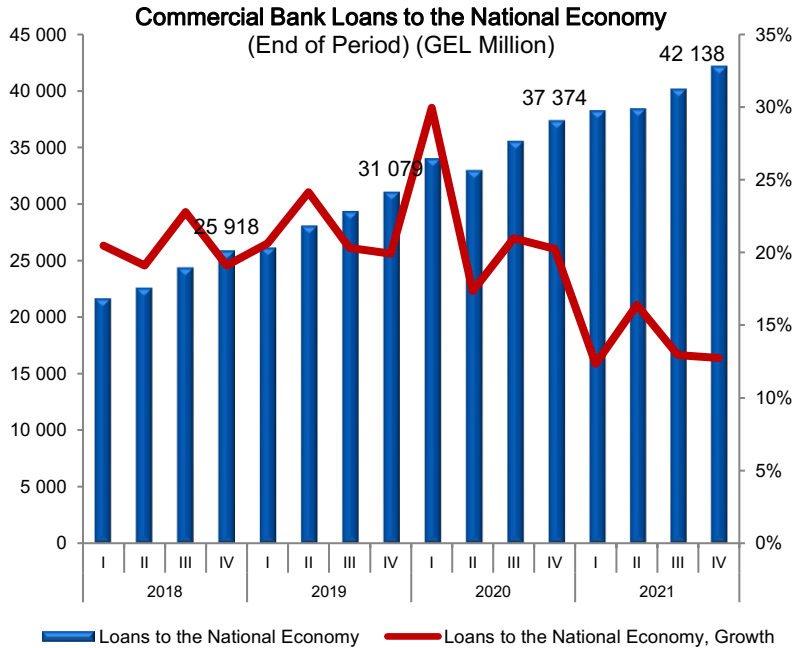
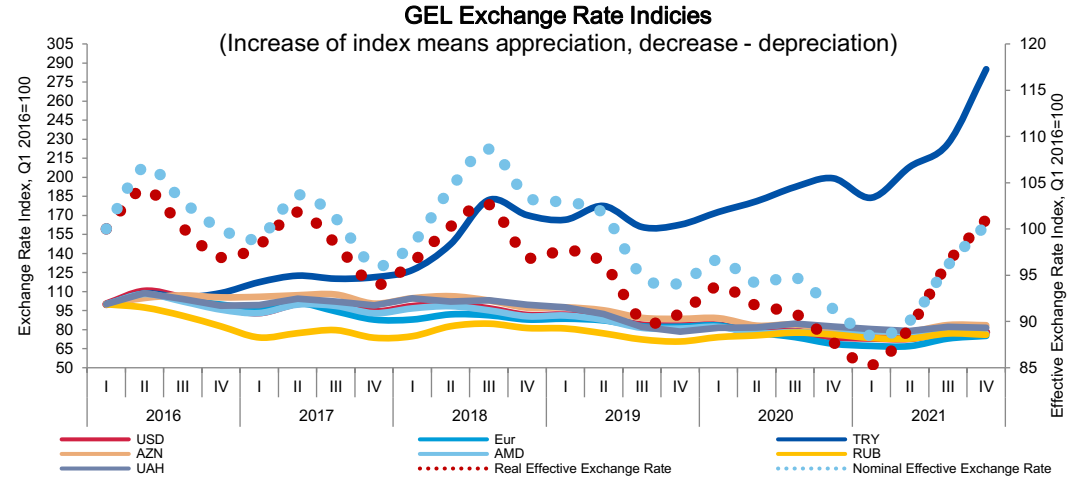


**In Q4 2021, the market interest rate on loans reached 12.1%.**

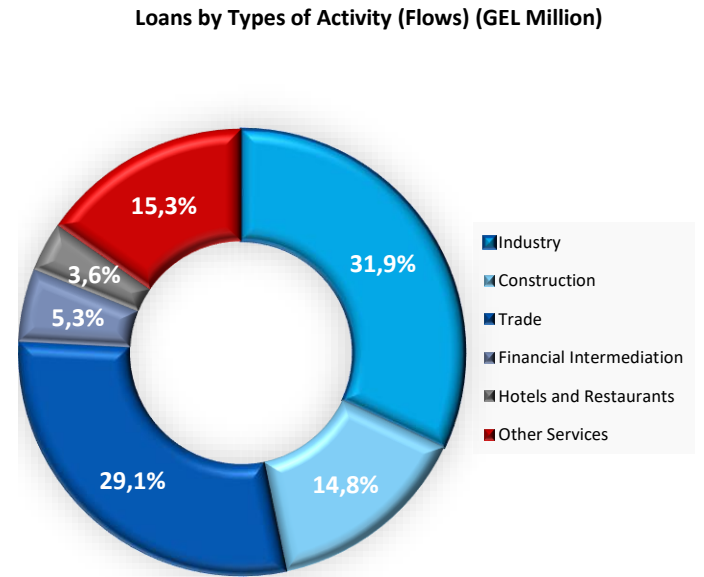
In Q4 2021, market interest rate on loans decreased by 0.2 pp QoQ and reached 12.1%. The interest rate on national currency increased by 0.1 pp QoQ (15.8%) loans, while on foreign currency loans decreased by 0.1 pp (6.2%).

In Q4 2021, the exchange rate of GEL depreciated QoQ against all primary currencies, except EUR and TRY.

In Q4 2021, the exchange rate of GEL (period average) against USD depreciated by 0.2% QoQ and appreciated by 4.7% YoY. Compared to the Q4 2020 GEL appreciated against EUR (9%), TRY (43.1%), AZN (4.7%) and AMD (0.3%), while depreciated against UAH (1.3%) and RUB (0.3%).

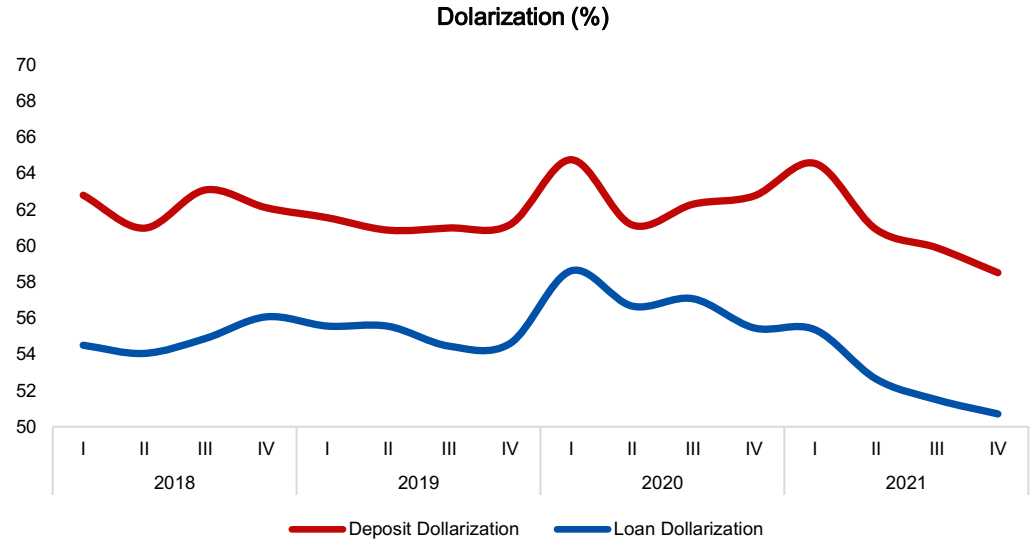


In Q4 2021, loans to the national economy (end of period) increased. In Q4 2021, loans to the national economy increased by 12.7% YoY and by 5% QoQ. More than half of total loans was distributed to households.

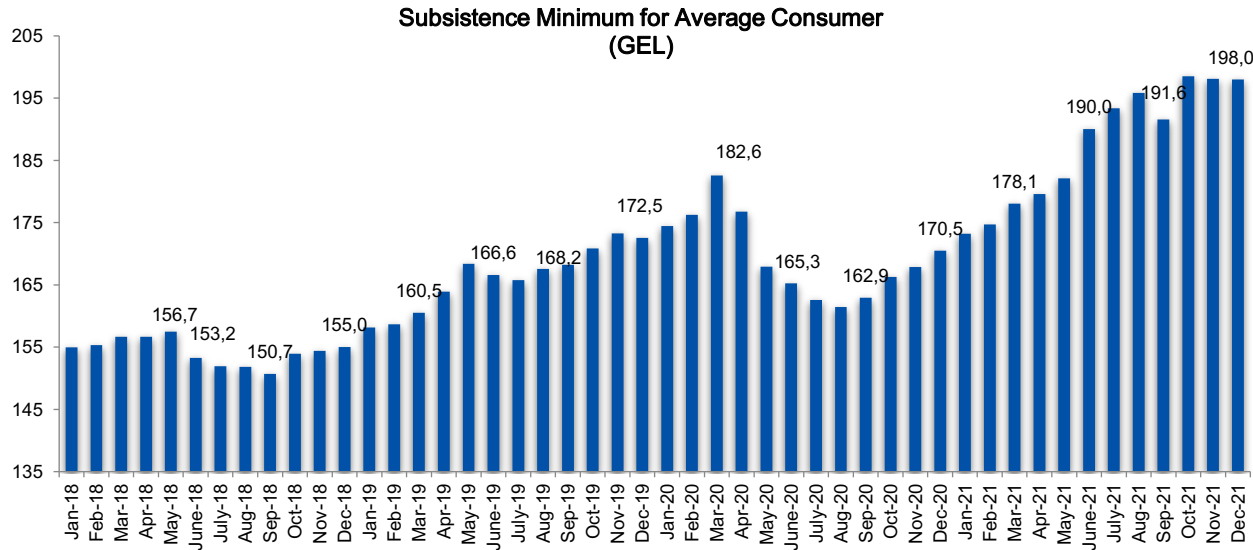


**In Q4 2021, the dollarization coefficient decreased on both, deposits and loans.**

In Q1 2020, both indices showed high growth, and the dollarization of deposits and loans amounted to 64.8% and 58.6%, respectively. By the end of 2020, dollarization had declined, although in the first quarter of 2021, the dollarization of deposits was still high at 64.6%. In Q4 2021, compared to the previous quarter, the dollarization coefficient on deposits decreased by 1.4 pp to 58.5%, while on loans it decreased by 0.8 pp to 50.7%.



## 5. Social Sector



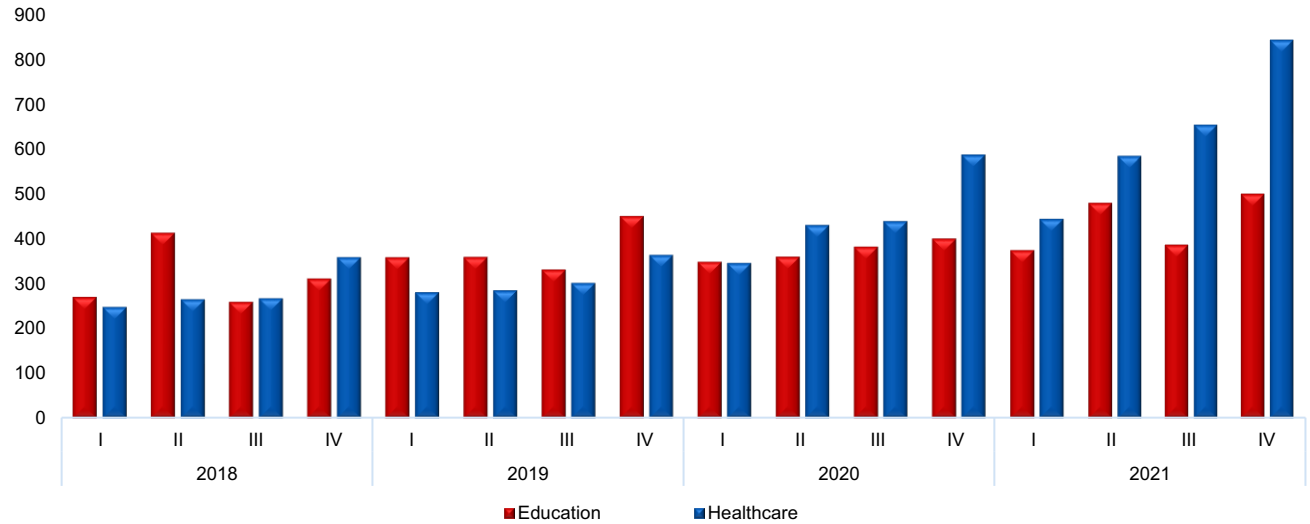
**In Q4 2021, the subsistence minimum increased YoY.**

At the end of Q4 2021, in December, the average consumer subsistence minimum totaled GEL 198, GEL 27.4 higher YoY.

In Q4 2021 compared to the same period of the previous year public expenditures on healthcare and education significantly increased.

In Q4 2021, expenditure on education (as per functional classification) amounted to GEL 499.8 million, 24.9% increase compared to the same period of the last year. Meanwhile expenditure on healthcare reached GEL 843.2 million, 43.5% increase compared to the same period of the last year.

Public Expenditure on Education and Healthcare (GEL Million)



Employment (Thousand Employees) and Wages (GEL)



In Q3 2021, the total number of employees in the business sector and salary increased YoY.

In Q3 2021, the number of business sector employees increased by 8.9% YoY and amounted to 678 thousand. Average monthly salary increased by GEL 149.6 YoY and amounted to GEL 1,455.5.