



## Quarterly Macroeconomic Review \*

### Main Indicators of Quarter

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- In Q3 2023, according to preliminary estimate real GDP increased by 5.4%. Should be remarked, that real GDP growth is in less than forecasted 6.9% in August by parliamentary budget office.
- In Q3 2023, annual inflation amounted to 0.6%, lower than the inflation target of 3.0%.
- In Q3 2023, negative overall balance of consolidated budget amounted to GEL 834.5 million.
- Public debt in nominal terms shows increasing trend. The share of external debt in total public debt decreased. Namely, the share of external debt made up 73.7%, while the same indicator in Q3, 2022 was 76.3%.
- In Q2\* 2023, current account balance worsened. Namely, current account negative balance amounted to USD 366.0 million.
- In Q3 2023, the amount of international reserves reached to USD 5,273.2 million.
- In Q3 2023, the share of the export in external trade decreased from 30.0% to 28.7% YoY.
- In Q3 2023, remittances decreased by 15.1% YoY and amounted to USD 872.0 million.
- Monetary policy (refinancing) rate decreased to 10.0% since September, 2023.
- GEL depreciated against USD by 2.4% QoQ and appreciated by 7.7% YoY.
- 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

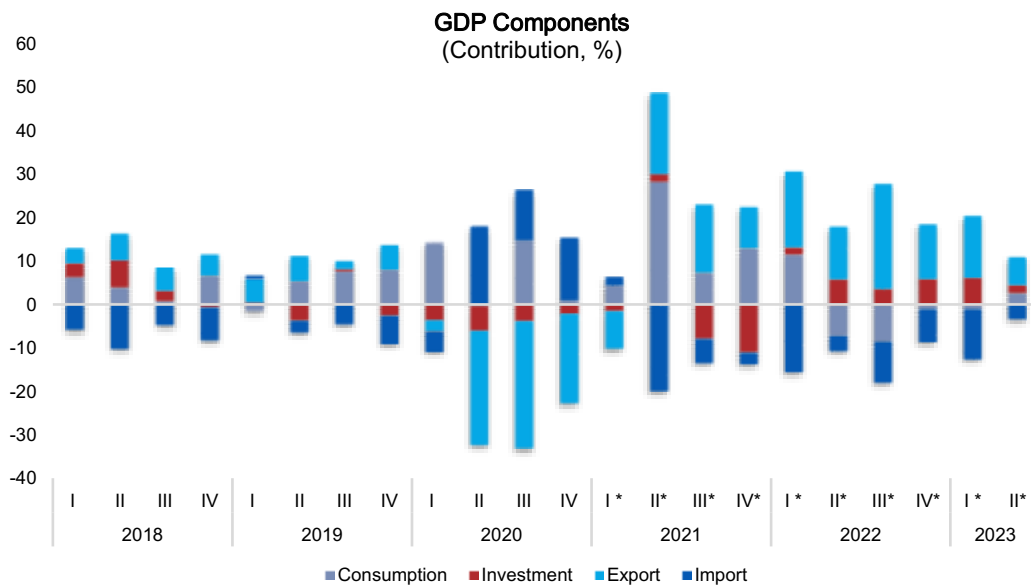
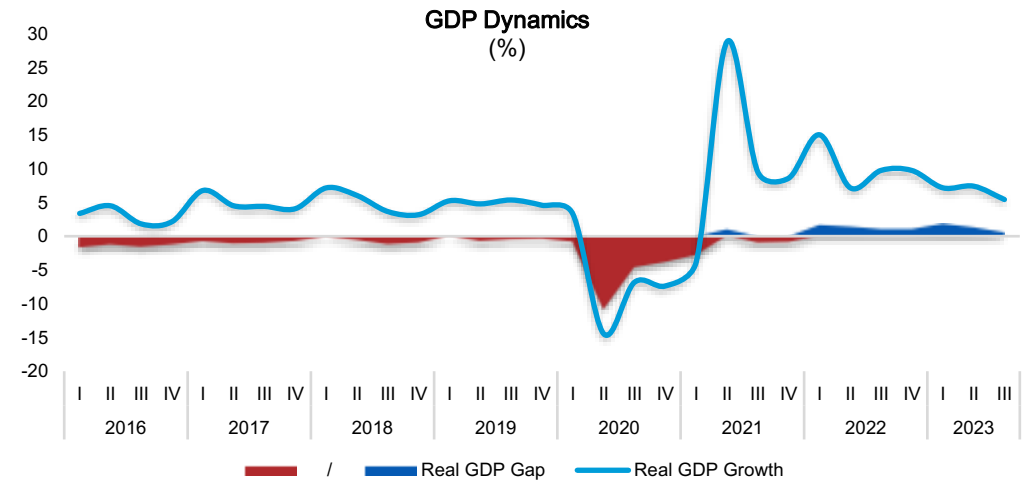


# 1. Real sector

In Q3 2023, according to GEOSTAT preliminary estimate average growth of real GDP amounted to 5.4%.

According to PBO evaluation, in Q3 2023, potential GDP was lower than the statistical measurement, hence the positive output gap equaled to 0.6%, while the output gap for the previous quarter was positive 1.3%.

The economic growth estimate for Q3 2023 made by the Parliamentary Budget Office in August 2023 was 6.9%<sup>1</sup>, which took into account the impact of the expected war between Russia and Ukraine on the Georgian economy.



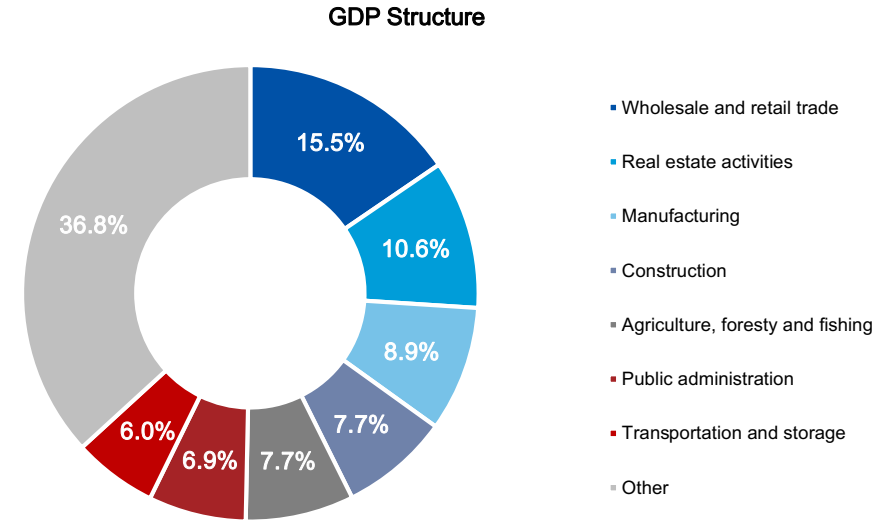
In Q2\* 2023, as per PBO estimates, export and consumption increase played major roles in GDP growth.

Analyzing GDP components, in Q2 2023, real GDP increase was primarily driven by export (6.4%), consumption (2.6%) and investment (1.8%). In the reporting period, import (-3.4%) had a negative impact on GDP.

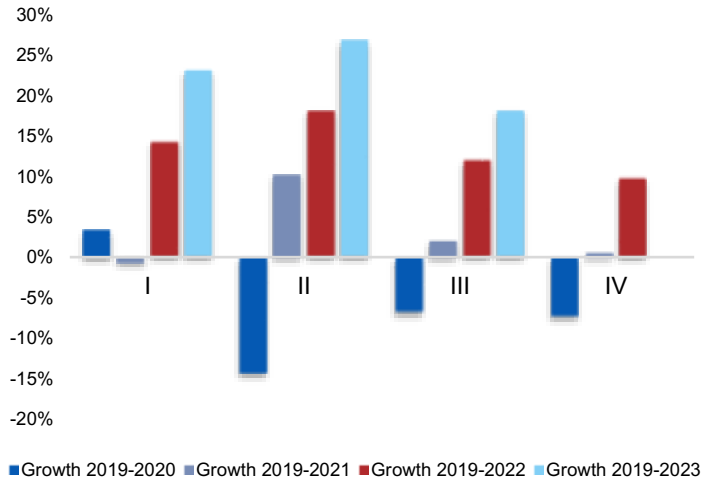
<sup>1</sup> [www.pbo.parliament.ge](http://www.pbo.parliament.ge)

In Q2\* 2023, wholesale and retail trade had the highest share in GDP structure.

In Q2\* 2023, wholesale and retail trade had the highest share in GDP structure (15.5%). The important share was observed for several sectors, namely, real estate activities (10.6%), manufacturing (8.9%), construction (7.7%), agriculture, forestry and fishing (7.7%), public administration, defense, social security (6.9%) and transportation and storage (6.0%).



### Economic Growth Compared to 2019

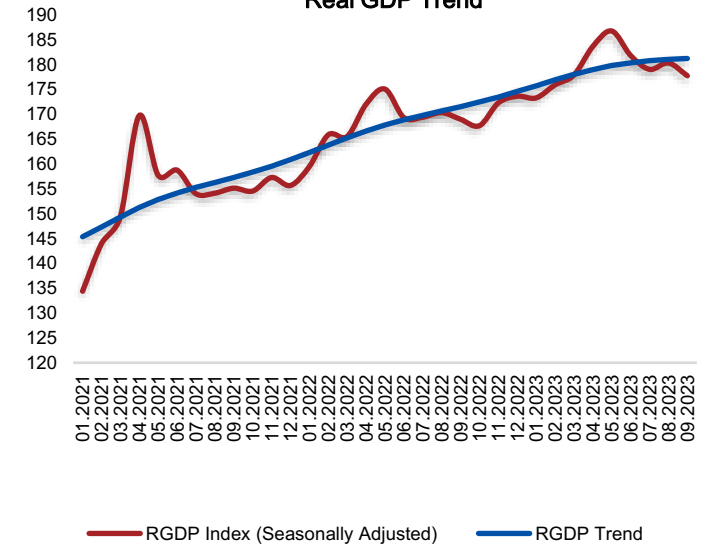


Observing monthly data reveals that the economic growth trend is not linear.

According to PBO estimate based on preliminary data, in Q3 2023, YoY growth of the real GDP trend<sup>2</sup> was 6.1%, compared to 9.2% growth rate in the respective period of 2022.

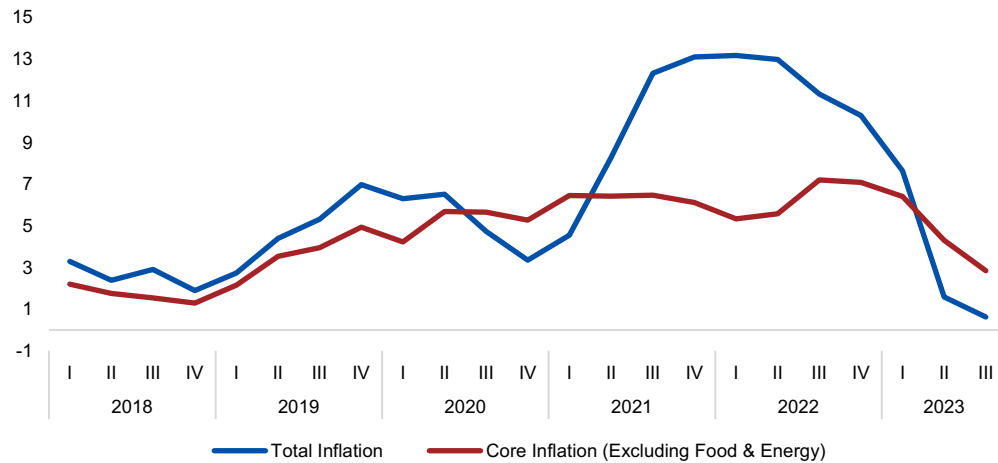
Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

### Real GDP Trend



<sup>2</sup> The trend represents monthly economic growth estimate with removed seasonality and random shocks

**Consumer Price Inflation YoY**

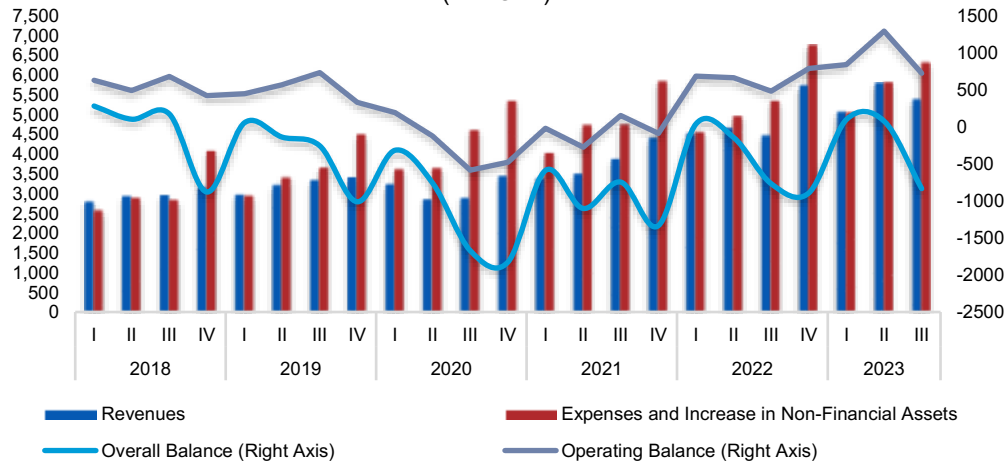


**In Q3 2023, consumer price inflation has decreased YoY trend.**

In Q3 2023, average annual inflation reached 0.6%, lower than the inflation target of 3.0%. In Q3 2023, inflation was driven by increasing prices on hotels and restaurants, education, alcoholic beverages and tobacco, housing, water, electricity, gas and other fuels, food and non-alcoholic beverages and other groups. In Q3 2023, average annual core inflation (excluding groups of food and non-alcoholic beverages and energy prices) amounted to 0.1%.

## 2. Fiscal Sector

**Consolidated Budget Balance (Mln GEL)**



**In Q3 2023, the consolidated budget balance was negative.**

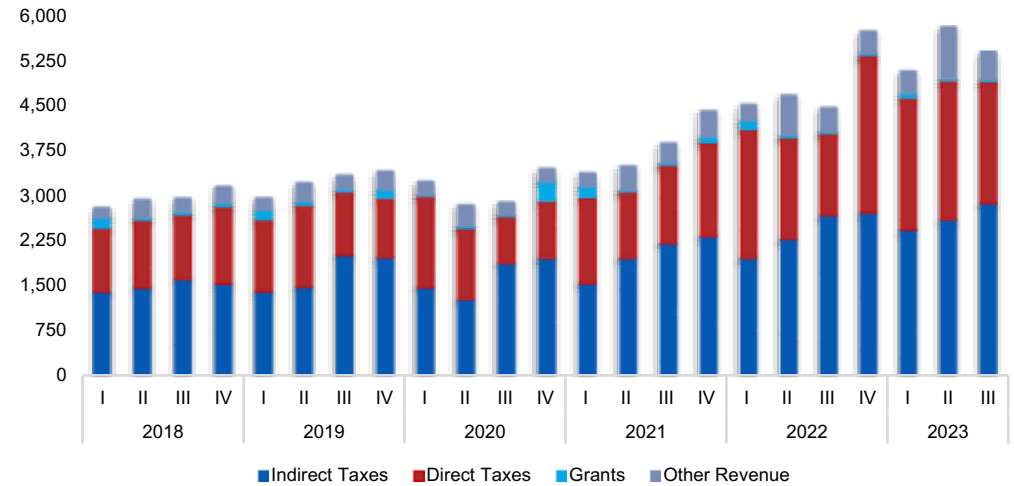
In Q3 2023, consolidated budget revenues increased by 20.8% YoY and reached GEL 5,389.6 million, while expenses and acquisition of non-financial assets increased by 18.2% and totaled GEL 6,306.8 million.

In Q3 2023, compared to Q3 2022, the operating balance increased by GEL 244.2 million and amounted to GEL 723.3 million, while the overall negative balance totaled GEL 834.5 million. It is worth mentioning that in the third quarter of 2022, the overall consolidated budget balance was negative and amounted to GEL 768.4 million.

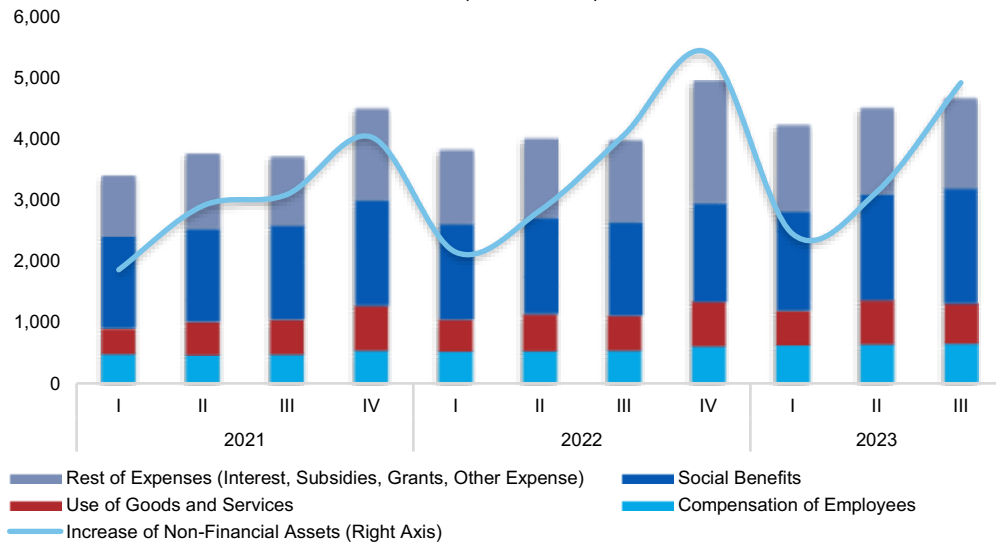
**In Q3 2023, tax revenues of consolidated budget increased by 21.7% YoY and amounted to GEL 4,893.2 million.**

In Q3 2023, direct taxes of consolidated budget increased by 50.1% YoY and totaled GEL 2,035.2 million, while indirect taxes increased by 7.2% and reached GEL 2,858.0 million. It is noteworthy that during the period, the grant component decreased by 20.2% and amounted to GEL 28.9 million, while other revenues increased by 16.0% and amounted to GEL 467.5 million.

**Consolidated Budget Revenues**  
(GEL Million)



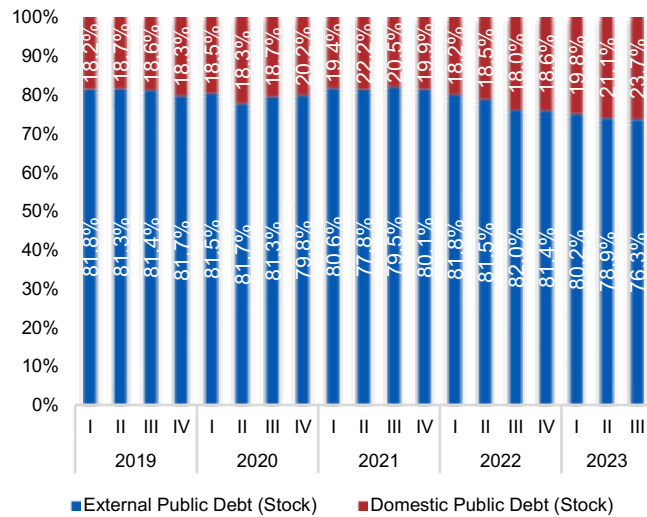
**Consolidated Budget Expenditures and Increase of Non-financial Assets**  
(GEL Million)



**In Q3 2023, both recurrent expenditures and capital expenditures increased YoY.**

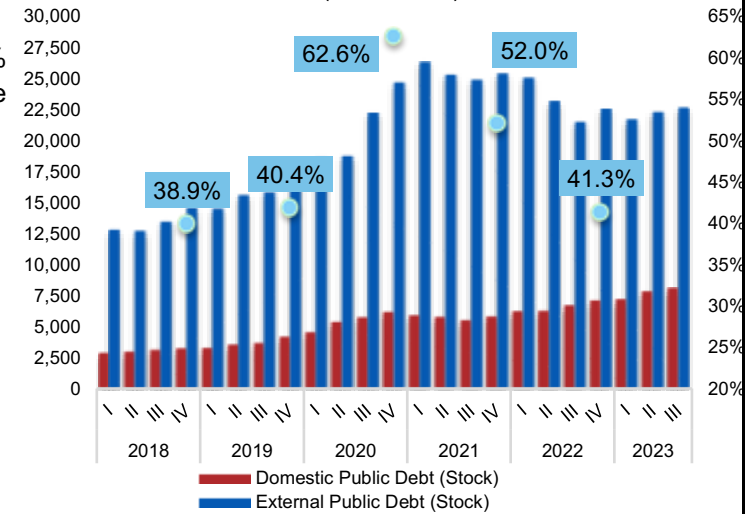
In Q3 2023, consolidated budget recurrent expenses increased by 17.2% YoY and amounted to GEL 4,666.3 million. Expenses in non-financial assets (i.e. capital expenditure) increased by 21.0% YoY and reached GEL 1,640.5 million. During the mentioned period expenditures on goods and services increased by 15.3% and amounted to GEL 647.8 million. Expenditures on compensation of employees increased by 20.3% and on social benefits increased by 23.3%, while in nominal terms they amounted to GEL 652.1 million and GEL 1,896.5 million. Other expenses (interest, subsidies, grants, other expenses) increased by 9.7% and amounted to GEL 1,469.9 million.

Dept Composition



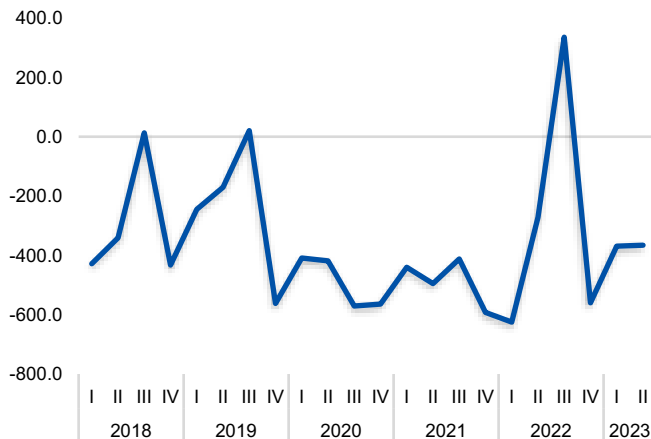
As of 30 September 2023, public debt in nominal terms reached GEL 30,704 million, an 9.1% increase YoY. The external debt share made up 73.7% in Q3 2023 (76.3% at the end of Q3 2022), while the domestic debt share reached 26.3% (23.7% at the end of Q3 2022).

Public Debt (GEL Million)



### 3. External Sector

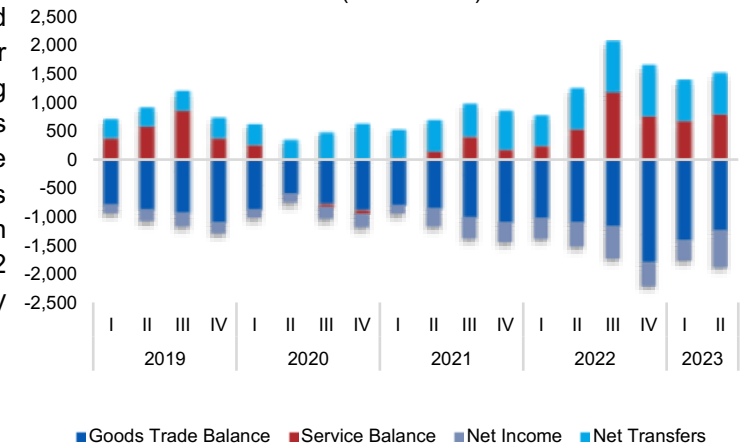
Current Account (USD Million)



In Q2\* 2023, the BOP current account balance was negative.

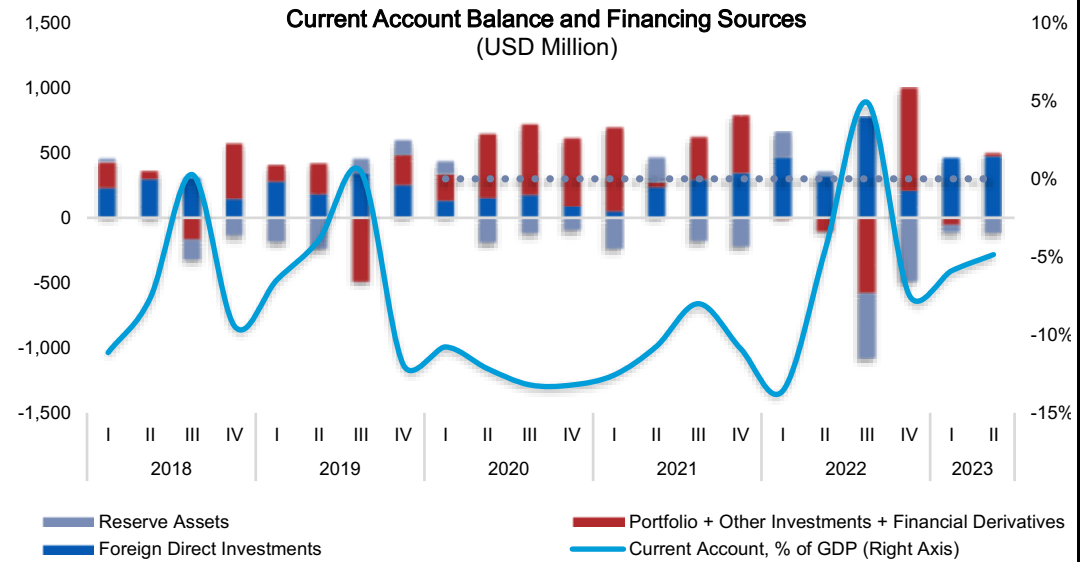
In Q2 2023, the negative current account balance reached USD 366.0 million (-4.9% of GDP), while the same indicator of the previous year was USD -271.6 million. Analyzing current account components, the trade balance of goods and net income deficit were partially compensated by the surplus in transfers and positive service balance. It needs to be noted that significant improvements were observed in export of tourism since Q2-Q4 in 2021 and Q1-Q4 in 2022 and Q1-Q2 in 2023. In Q2 2023, indicator increased by 34.8% YoY and totaled USD 1,009.1 million.

Current Account Components (USD Million)



In Q2\* 2023, the primary financing source of the current account deficit was foreign direct investments.

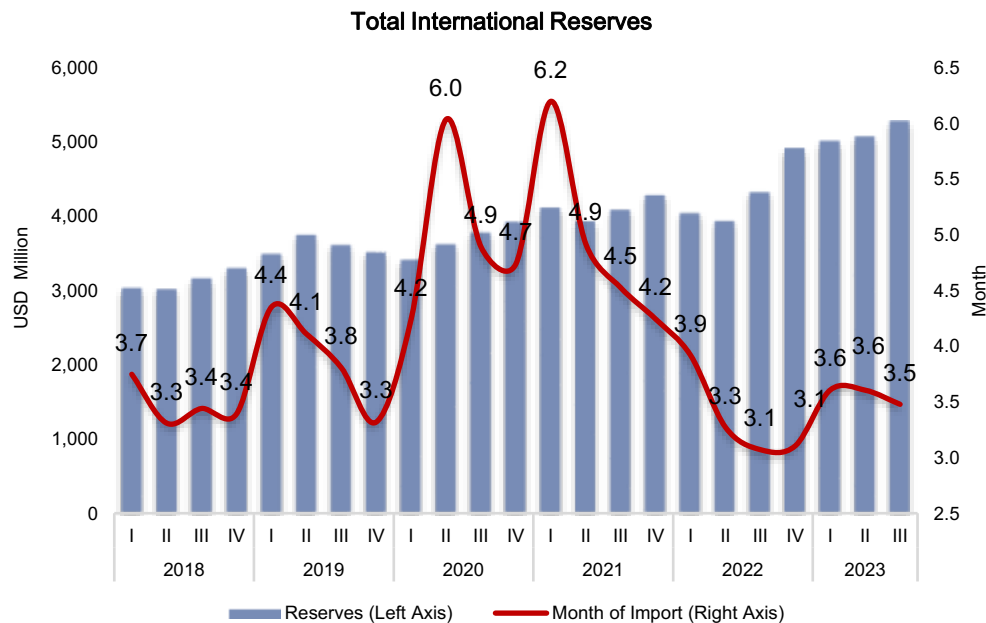
During this period, net direct investments totaled USD 472.6 million (6.3% of GDP), a 46.9% increase in comparison with the same period of the previous year.



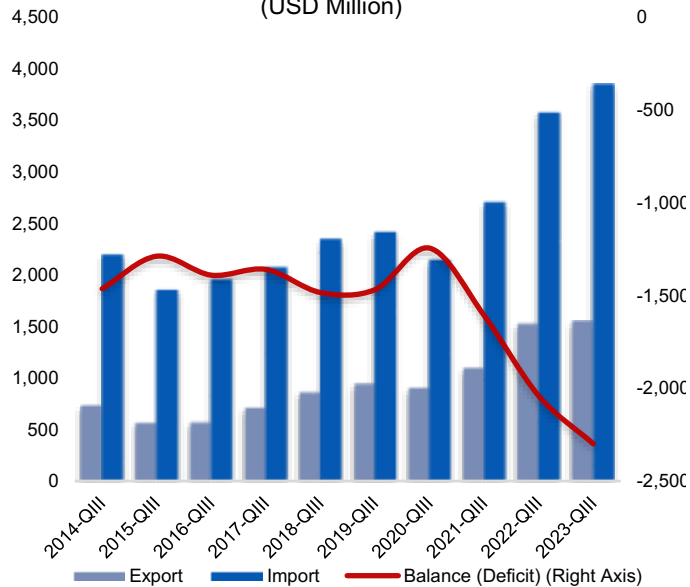
In Q3 2023, total international reserves amounted to USD 5,273.2 million.

At the end of Q3 2023 total international reserves made up USD 5,273.2 million, which is 22.3% increase YoY.

In Q3 2023, the National Bank of Georgia sold 64.8 million USD through the foreign exchange auctions.



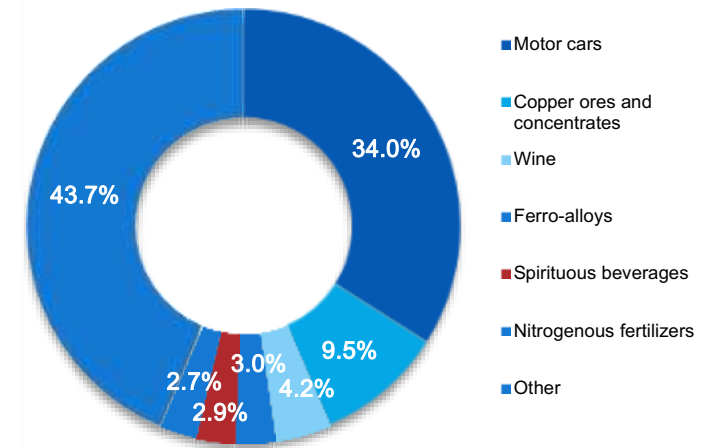
**External Trade of Goods**  
(USD Million)



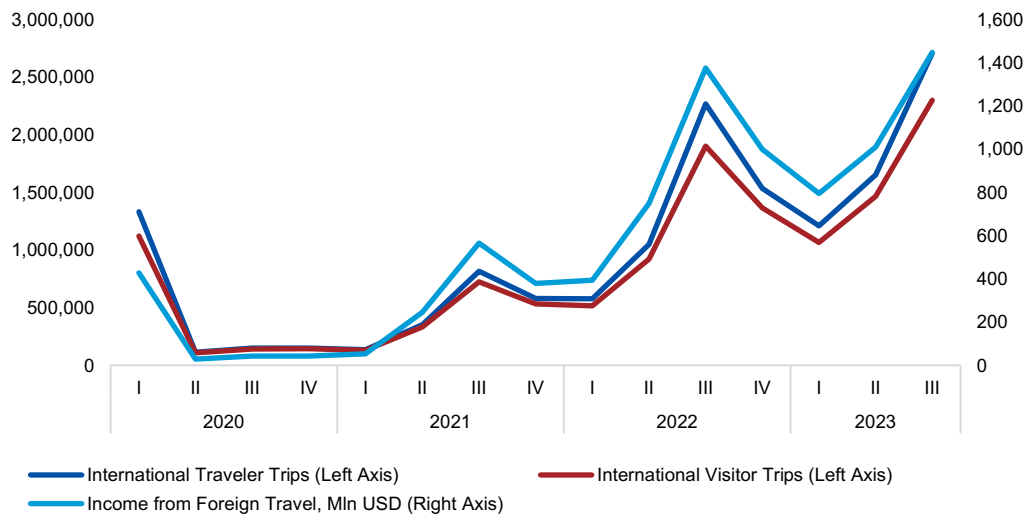
**In Q3 2023, an upward trend was observed in both export and import of goods.**

In Q3 2023, compared to the same period of the previous year export of goods increased by 1.6% and amounted to USD 1,553.6 million, while import of goods increased by 7.9% and totaled USD 3,853.4 million. In the reporting period share of the export in external trade decreased from 30.0% to 28.7%. In the I-III quarters of 2023, the largest export commodities were exports of motor cars, copper ores and concentrates, wines, ferro-alloys, spirituous beverages and others.

**Major Commodity Groups by Exports**  
(I - III Quarters)



**International Traveler Trips and Income from Foreign Travel**

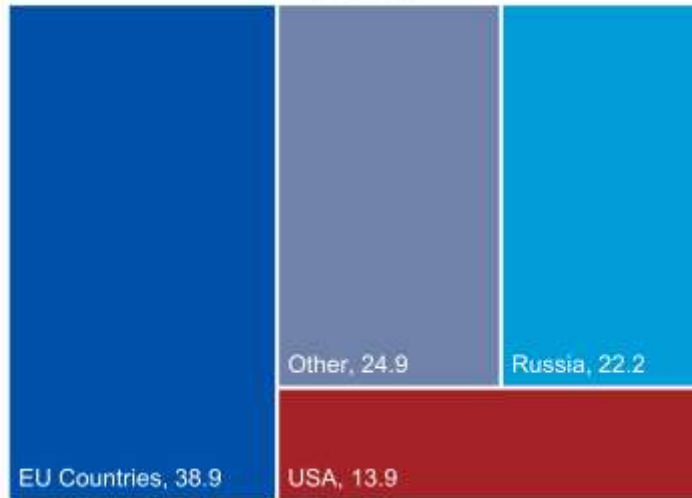


**In Q3, 2023 both international traveler trips and international visitor trips have increased.**

In Q3 2023, international traveler trips increased by 19.4% YoY and amounted to 2,706,863. International traveler trips also include trips made by international visitors. In Q3 2023, International visitor trips reached 2,298,720 (21.0% higher compared to the same indicator of Q3, 2022). The majority of trips conducted by international visitor were from Russia (571,421, increase by 7.2% YoY), Turkey (498,892, increase by 77.3% YoY) and Armenia (338,970, increase by 4.0% YoY).

In Q3 2023, income from foreign travel amounted to 1,447.1 mln USD, a 5.3% increase YoY.

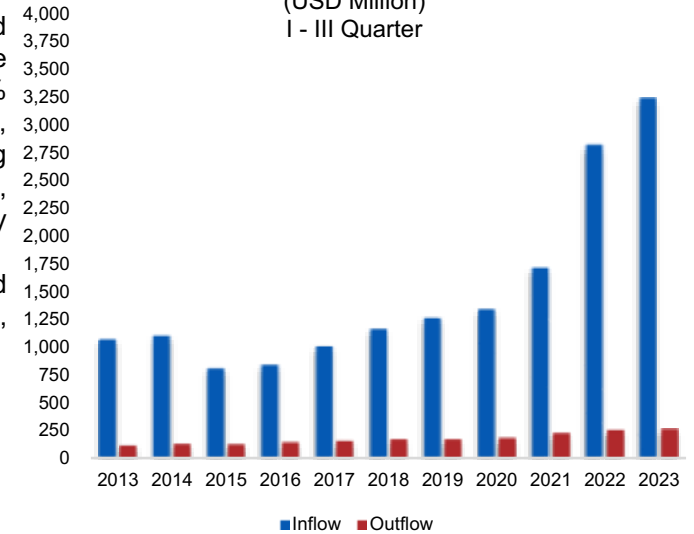
Remittance (%)  
III Quarter



### In Q3, 2023 remittances decreased

In Q2 2023, remittances decreased by 15.1% YoY and amounted to USD 872.0 million. During this period the main source of money transfers are EU countries (38.9% of total) and Russia (22.2%). In the analyzing period, remittances increased significantly from the following countries: Jordan (433%), Iraq (366%), Ireland (105%), Kazakhstan (65%), USA (41%), Germany (35%), Italy (23%), United Kingdom (22%), France (21%) and others. In the analyzing period, remittances decreased significantly from Armenia (87%), Kyrgyzstan (70%), Russia (50%), Azerbaijan (18%) and others.

Remittance  
(USD Million)  
I - III Quarter

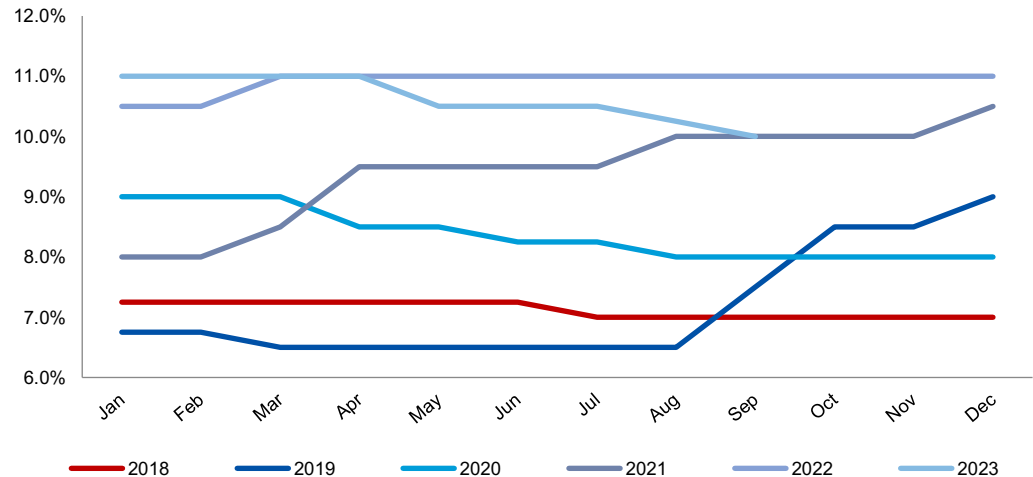


## 4. Monetary Sector

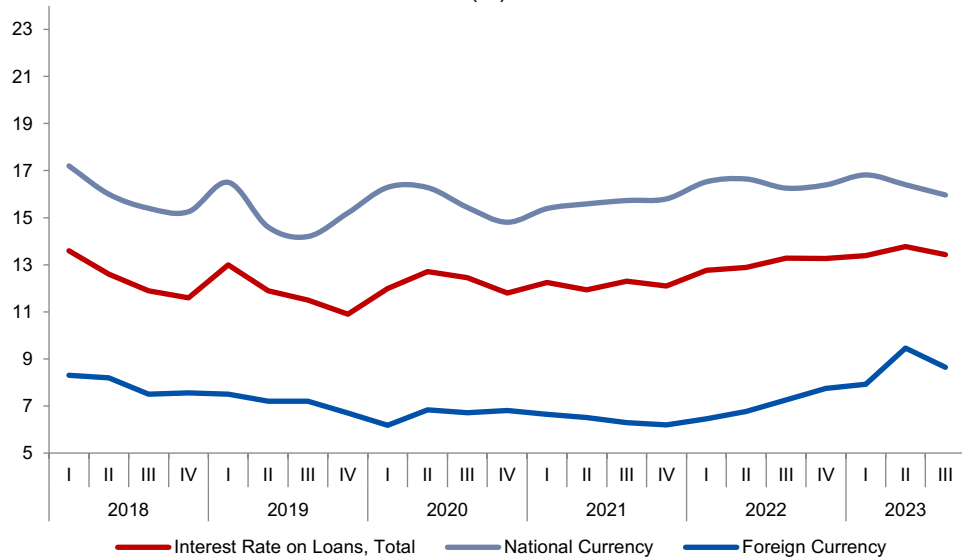
In Q3 2023 the monetary policy (refinancing) rate was 10.0%.

March 30, 2022 the Monetary Policy rate increased by 0.5 pp to 11.0%. During 2022 and on February 1 and March 29, 2023 monetary policy committee decided to remain the rate unchanged (11.0%). 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%. On August 13, 2023 and on September 13, 2023, the monetary policy committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.25 PP. The monetary policy rate amounted to 10.0%.

Monetary Policy (Refinancing) Rate



### Market Interest Rates on Loans (%)



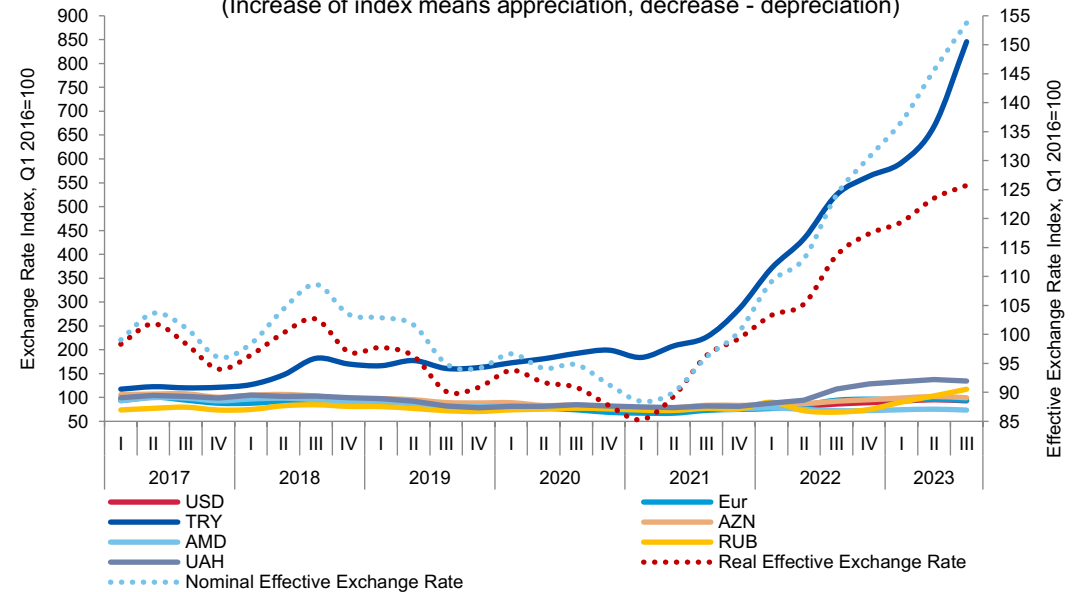
**In Q3 2023, the market interest rate on loans reached 13.4%.**

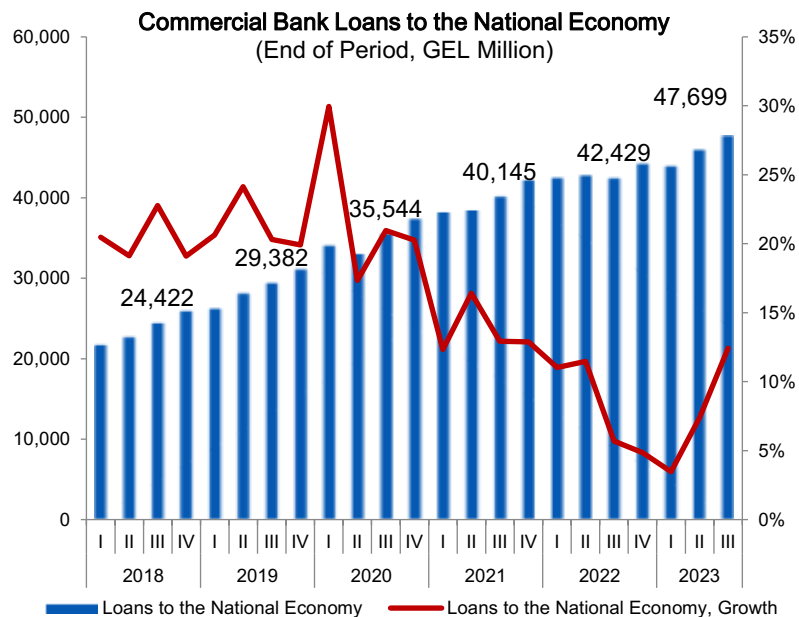
In Q3 2023, market interest rate on loans decreased by 0.34 pp QoQ and reached 13.4%. The interest rate on national currency loans decreased by 0.44 pp QoQ (16.0%), while on foreign currency loans increased by 0.82 pp QoQ (8.6%).

**In Q3 2023, the exchange rate of GEL depreciated QoQ against all primary currencies, except TRY and RUB.**

In Q3 2023, the exchange rate of GEL (period average) against USD depreciated by 2.4% QoQ and appreciated by 7.7% YoY. Compared to the Q3 2022, GEL depreciated against EUR (0.1%), while appreciated against TRY (61.2%), RUB (69.2%), AZN (7.9%), ADM (2.0%) and UAH (14.1%).

### GEL Exchange Rate Indices (Increase of index means appreciation, decrease - depreciation)

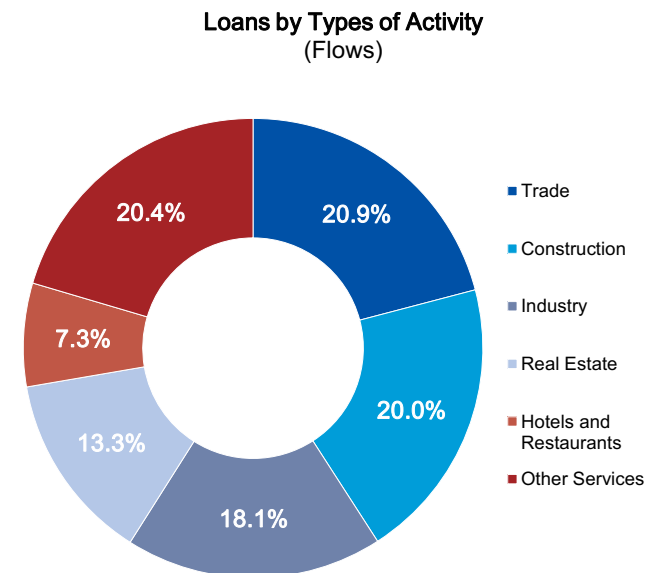




**In Q3 2023, loans to the national economy (end of period) increased.**

In Q3 2023, loans to the national economy increased by 12.4% YoY and amounted to GEL 47,699 million. More than half of total loans (54.2%) was distributed to households.

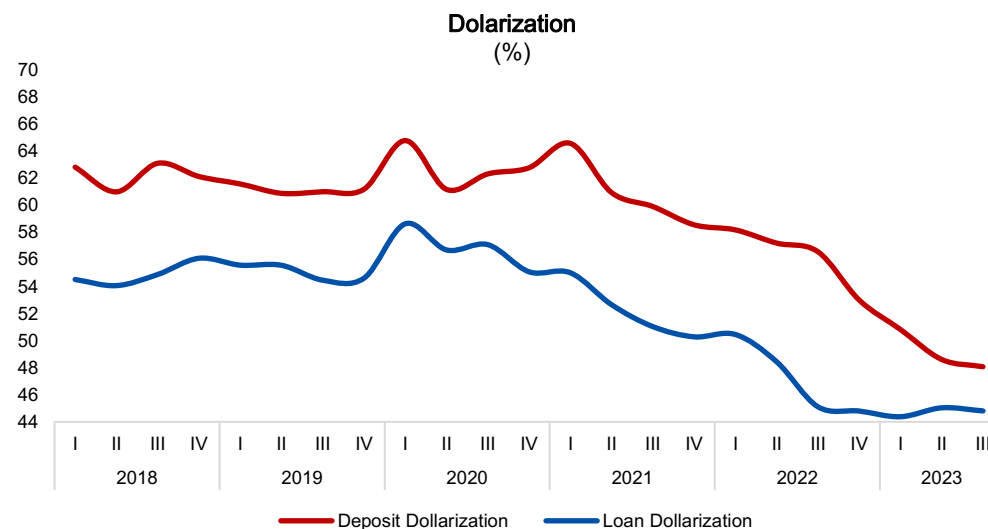
As for loans issued by types of activity, the highest 20.9% were issued in trade, 20.0% in construction, 18.1% in industry, 13.3% in real estate and 7.3% in hotels and restaurants.



**In Q3 2023, the dollarization coefficient decreased on both deposits and loans YoY.**

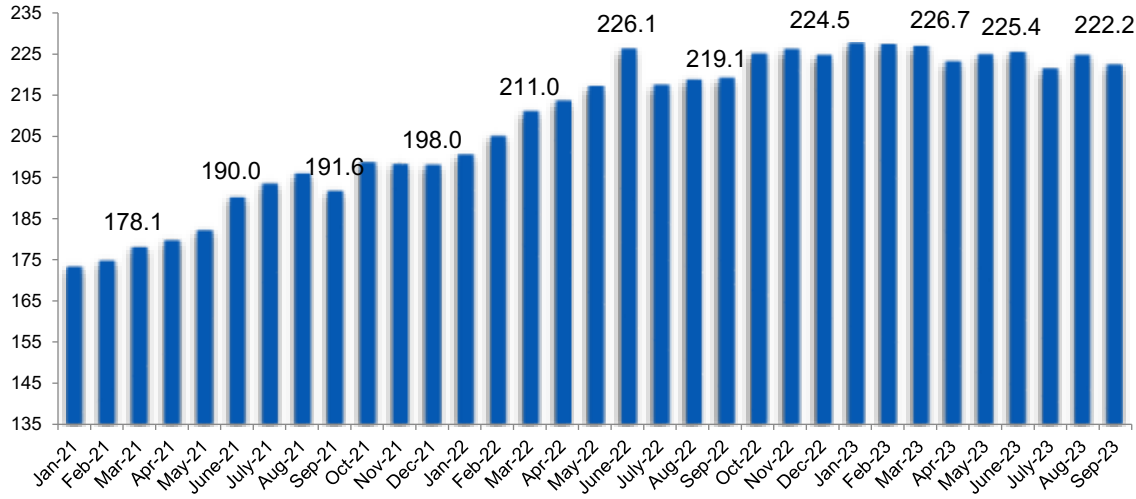
In Q1 2023, the dollarization coefficient decreased on both deposits and loans YoY, amounted to 50.8% and 44.4%, respectively. In Q2 2023, dollarization on deposits amounted to 48.6%, while dollarization on loans was observed on 45.0%.

In Q3 2023, the dollarization coefficient decreased on both deposits and loans YoY. Namely, dollarization on deposits amounted to 48.1%, which is 0.5 pp lower QoQ and 8.5 pp lower YoY. While dollarization on loans was observed on 44.8%, decrease by 0.2 pp QoQ and by 0.3% YoY.



# 5. Social Sector

**Subsistence Minimum for Average Consumer (GEL)**



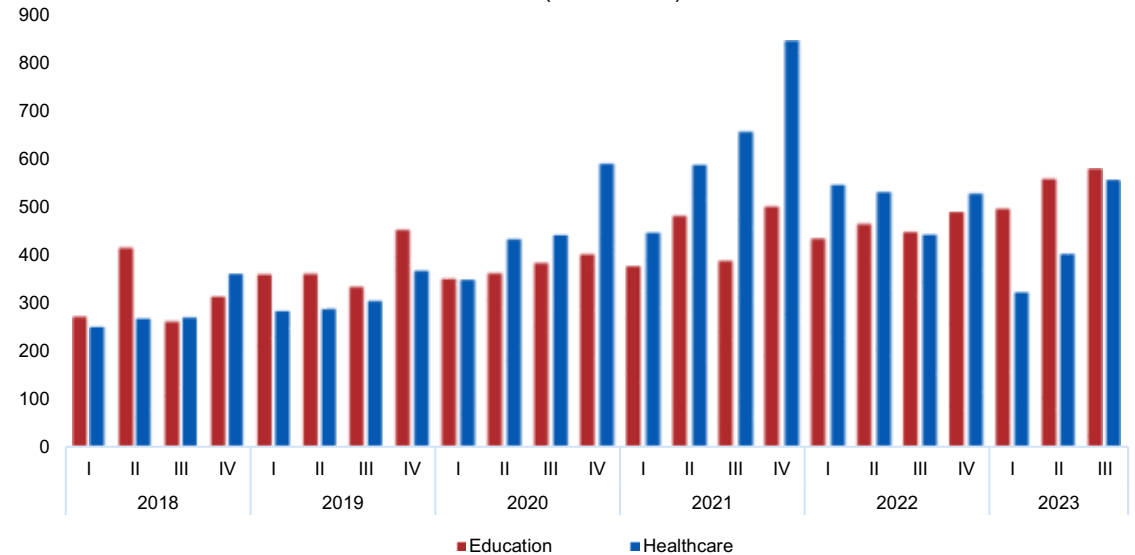
**In Q2 2023, the subsistence minimum increased YoY.**

At the end of Q3 2023, in September, the average consumer subsistence minimum totaled GEL 222.2, GEL 3.2 higher YoY and GEL 3.2 lower QoQ. In Q3 2023, average quarterly subsistence minimum rate increased by 2.0% YoY.

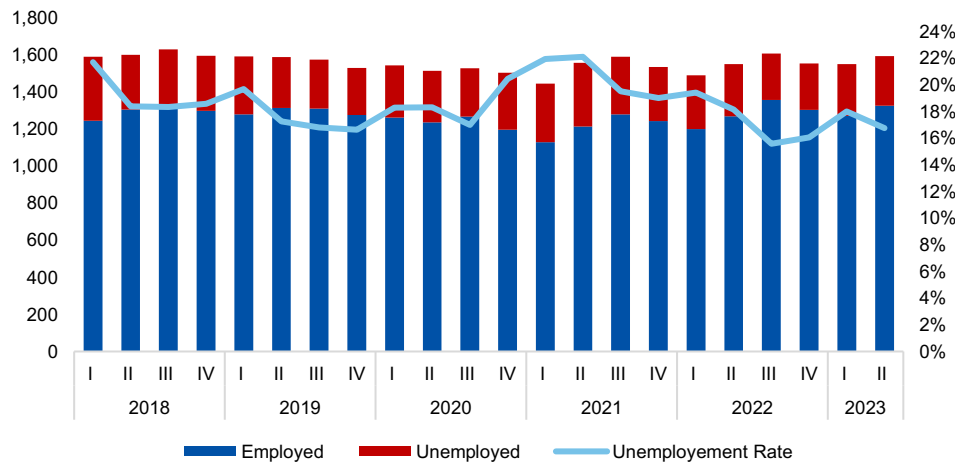
**In Q3 2023, compared to the same period of the previous year, increased, public expenditures on both, education and healthcare.**

In Q3 2023, expenditure on education (as per functional classification) amounted to GEL 577.8 million, 29.6% increase compared to the same period of the last year. Meanwhile expenditure on healthcare amounted to GEL 553.4 million, 25.8% increase compared to the same period of the last year.

**Public Expenditure on Education and Healthcare (GEL Million)**



**Labour Force Indicators**  
(Thousand Persons)



In Q2\* 2023, the total number of employed persons increased, while the number of unemployed persons decreased YoY.

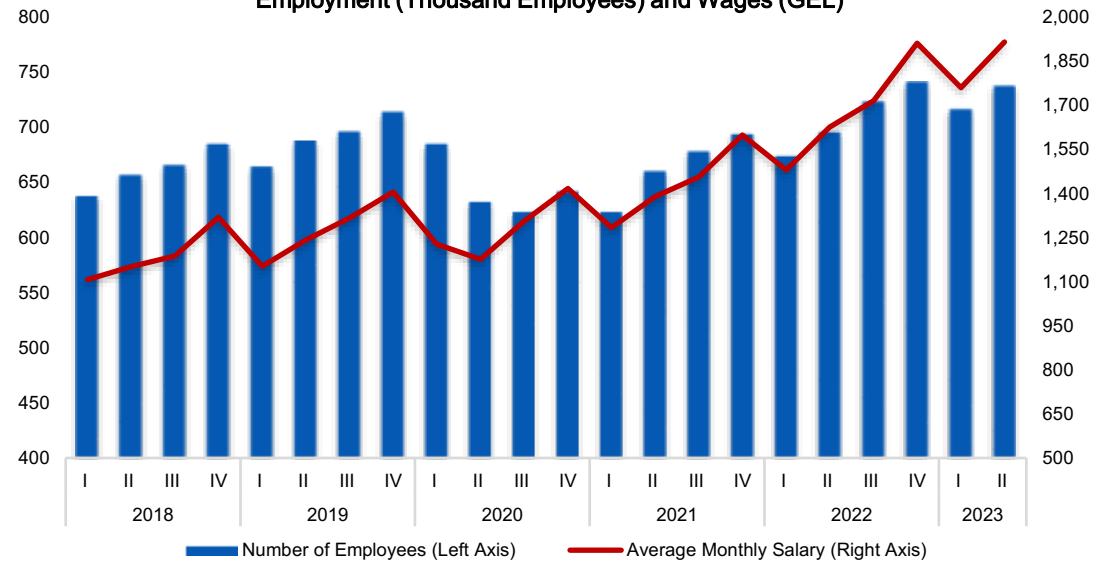
In Q2 2023, the number employed persons increased by 4.5% YoY and amounted to 1,327.4 thousand (Hired employees share in total employed persons amounted 69.1%, while the share of self-employed was observed at 30.9%). While the number of unemployed persons decreased by 5.2% and amounted 266.9 thousand.

In Q2 2023, unemployment rate was observed at 16.7% (1.4 pp lower compared to Q2 2022).

**In Q2\* 2023, the total number of employees in the business sector and salary increased YoY.**

In Q2 2023, the number of business sector employees increased by 6.1% YoY and amounted to 737.7 thousand. Average monthly salary increased by 17.8% YoY and amounted to GEL 1,914.7.

**Employment (Thousand Employees) and Wages (GEL)**



**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