



Parliament of Georgia

Monthly Macroeconomic **Review**

February, 2024

Parliamentary Budget Office
of Georgia

2024

March

Main Macroeconomic indicators of February, 2024



In February, annual CPI inflation amounted to 0.3%, while annual core inflation was observed at 2.4%.



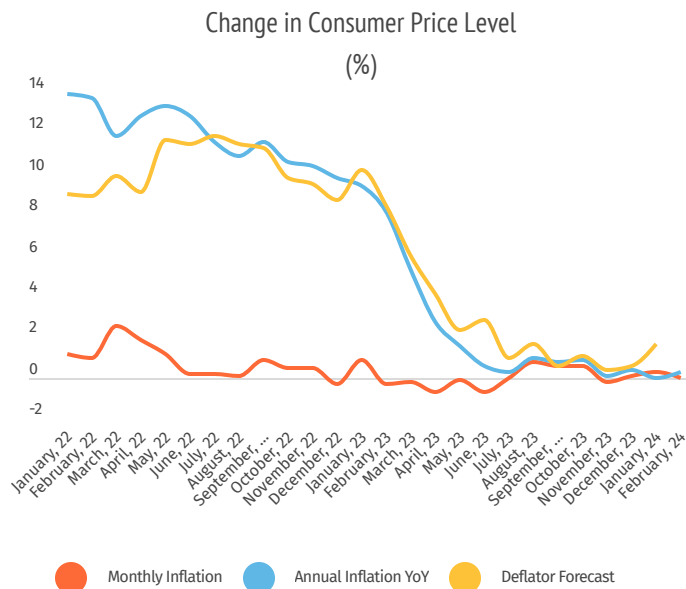
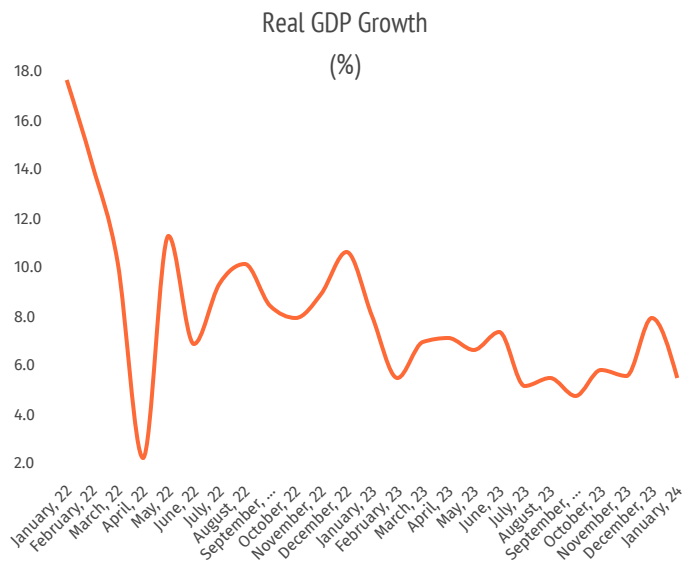
In January* 2023, money transfers amounted to 263.4 million USD.

- EU countries - 38.1%;
- Russia - 25.7%;
- USA - 14.4%;
- Other countries - 21.8%.

In January* 2023, the dollarization of deposits remained unchanged, while dollarization of loans decreased MoM.

In February 2024, GEL appreciated against USD (by 0.7%) and against EUR (by 1.9%) MoM.

1. Real and Fiscal Sector



In January*, positive annual economic growth was 5.8%.

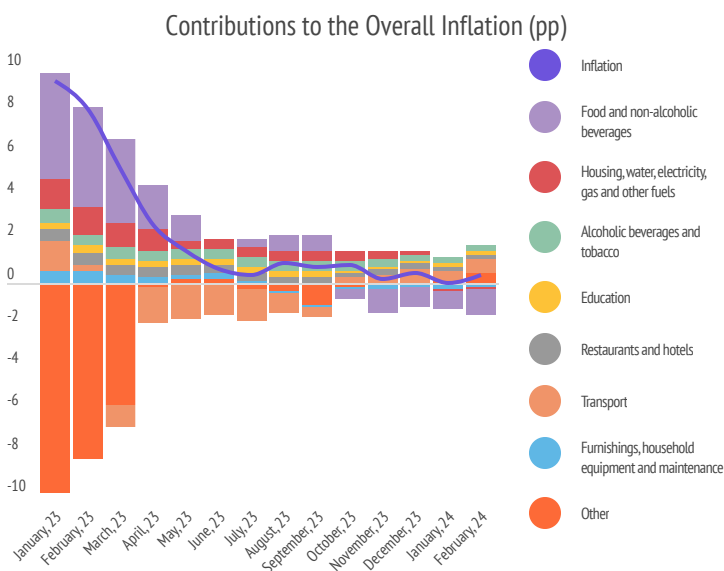
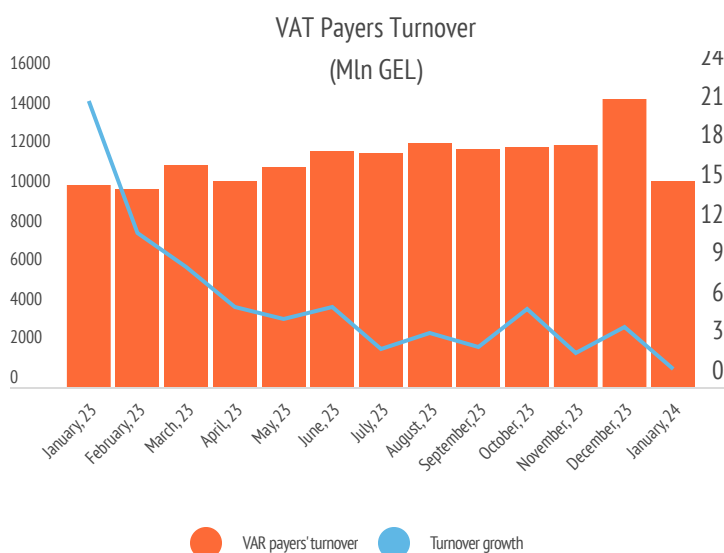
In accordance with preliminary estimates of GEOSTAT, in January* 2024, annual real GDP growth amounted to 5.8% YoY.

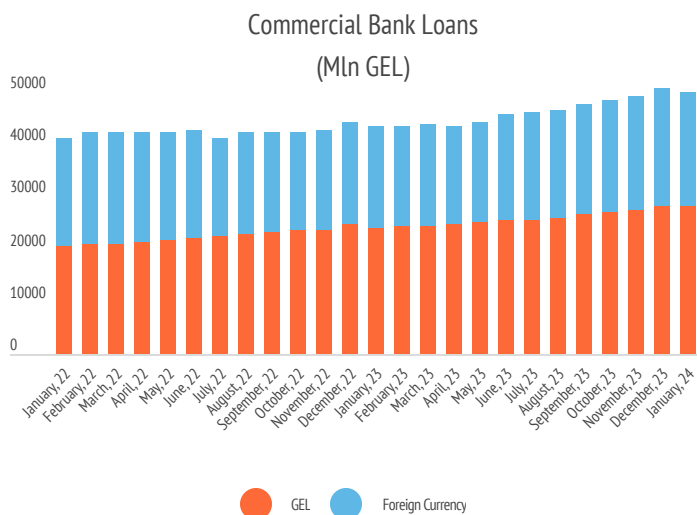
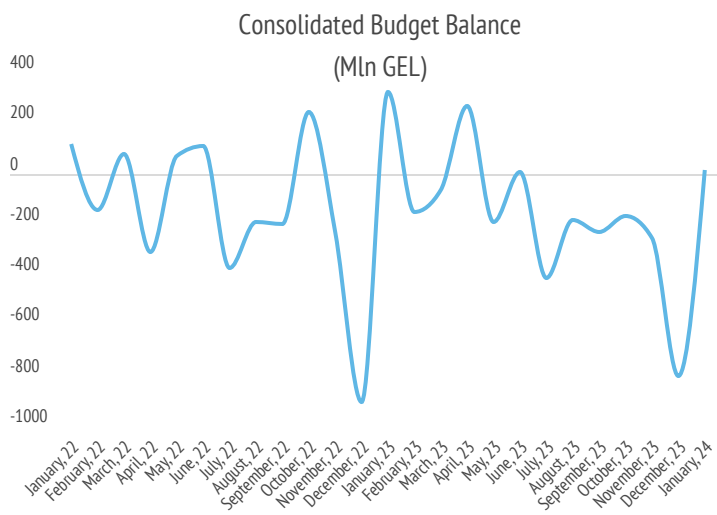
The main contributor in economic growth was construction, Manufacturing, Financial and insurance activities, Information and communication.

In January* 2024, the rate of VAT turnover of enterprises amounted to 10,445.9 million GEL, which is 1.4% higher YoY.

In February, annual CPI inflation amounted to 0.3%

In February 2024, the inflation rate amounted to 0.3% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by dynamics of prices on the clothing transport, alcoholic beverages and tobacco, restaurants, hotels, health, food and non-alcoholic beverages, clothing and footwear etc. With regard to the annual core inflation in February (excluded food and non-alcoholic beverages, energy, tobacco, regulated tariffs, transport (specific tariffs)), the prices increased by 2.4% YoY. In January* 2024, the annual forecasted GDP deflator amounted to 1.6%.





In January* 2024, the general government net lending/borrowing was positive.

In January* 2024, general government revenues increased by 13.9 % YoY, while expenses increased by 26.4% YoY. In the analyzing period, the general government positive net operating balance amounted to 400.6 million GEL, while negative net lending/borrowing (budget deficit) was defined at 12.4 million GEL.

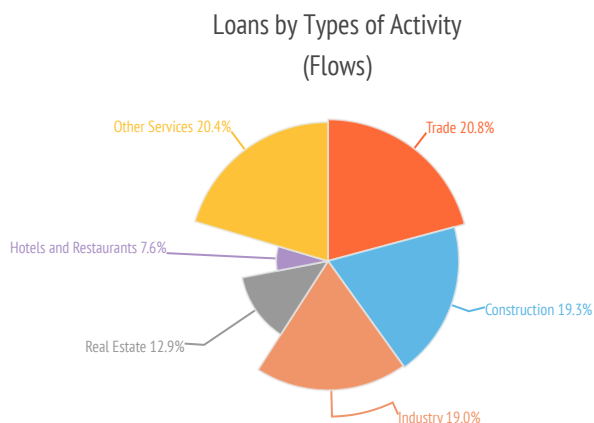
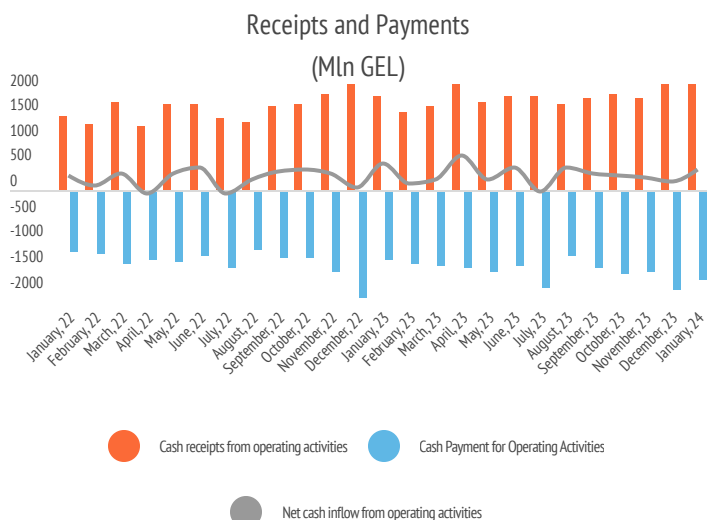
Worth noting, that in January 2024, tax revenues amounted to 1,589.8 million GEL, which is 10.9% higher YoY. Significant increase was observed in profit tax (+109.6%), excise tax (16.2%) and income tax (14.8%). Direct taxes comprised 46.1% of total taxes, while indirect taxes are 53.9%.

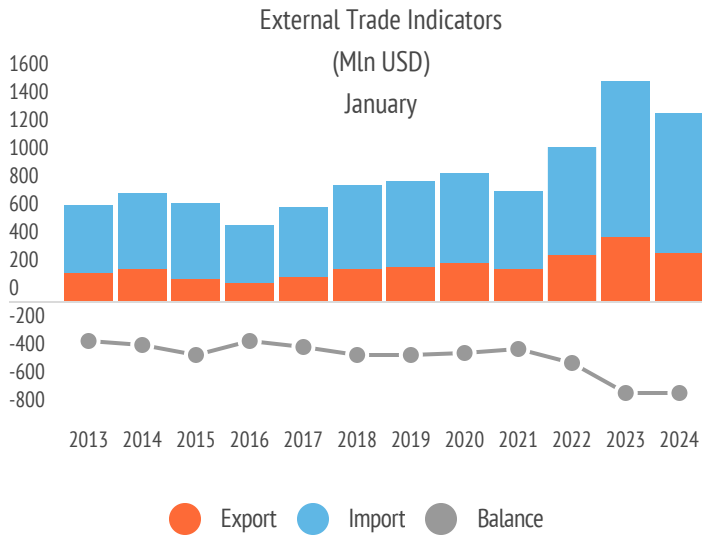
In January*, non-financial assets net increase was observed at 112.9 % YoY (GEL 205.9 million more), while net financial assets increased (GEL 29.0 million more).

In January*, 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 January* 2024, commercial bank loans to the national economy increased by 15.0% YoY and amounted to 50.1 billion GEL. National currency loans increased by 16.8%, while foreign currency loans increased by 12.8%. As a result, dollarization of loans decreased by 0.54 pp and made up to 44.6%. It is worth mentioning, that more than half of total loans (51.3%) was distributed to households (85.9% of household loans were granted to individuals, and 14.1% to entrepreneurs). 35.6% of the issued loans are consumer loans, and 64.2% are secured by real estate.

As for loans issued by types of activity, the highest 20.8% were issued in trade, 19.3% in construction, 19.0% in industry, 12.9% in real estate and 7.6% in the field of hotels and restaurants.



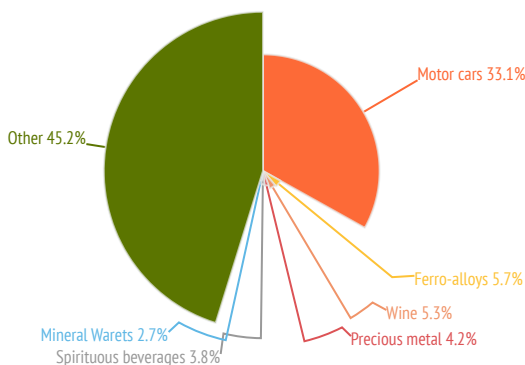


In January*, both export and import of goods decreased.

In January*, export of goods decreased by 26.2%, while imports decreased by 10.1% YoY. As a result, trade turnover amounted to 1,341 million USD (14.8% decrease YoY). During this period, the share of exports in external trade amounted to 25.2%. Export growth was substantial in the following countries: Kyrgyzstan (180%), Uzbekistan (40%) and Kazakhstan (10%) due to the increase of re-exported motor cars, Ukraine (43%). In addition, exports decreased in Russia (53%), Armenia (48%), China (37%), Azerbaijan (21%) etc.

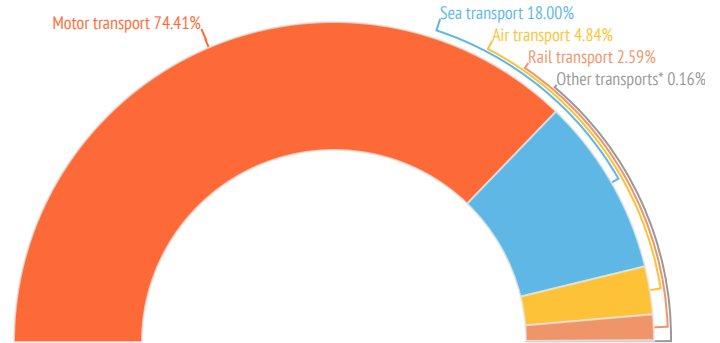
High growth was recorded in several export commodity groups: precious metal ores (612%), citrus fruits (185%), medicaments (128%), oil and petroleum products (85%), mineral and aerated waters with added sugar (42%), natural wine (14%). While deterioration was recorded in Ferro-alloys (62%) and Copper ores (60%) groups.

Major Commodity Groups by Exports (January)



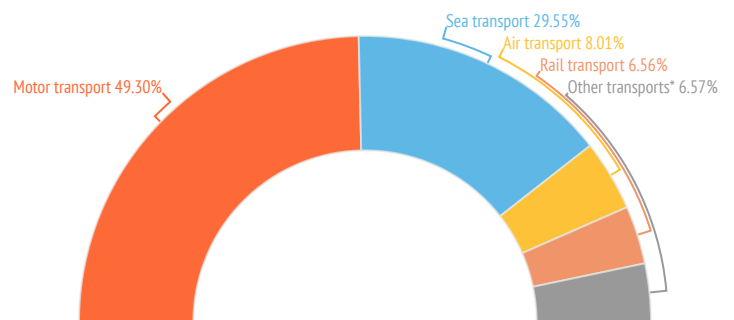
In January* 2024, according to the modes of transport, the largest part of exports, 74.4% was carried out by motor transport, 18.2% - by sea, 4.8% - by air, and 2.6% by rail transport. The share of other types of transport (Pipelines, cables and other mode of transports) was 0.2%.

Export by Mode of Transport (January)



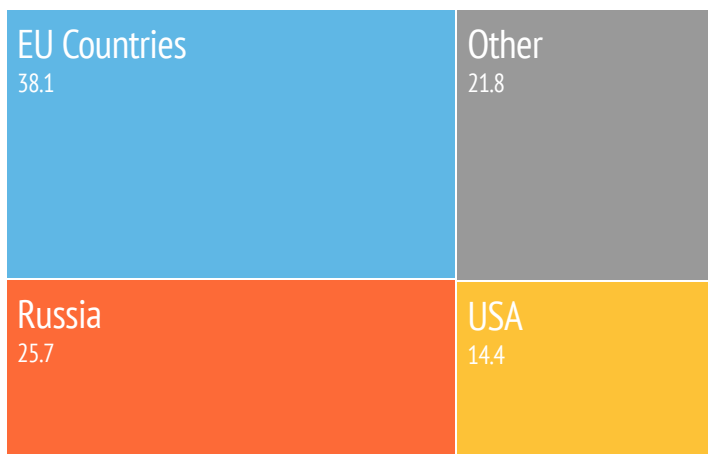
In January* 2024, according to the modes of transport, the largest part of imports, 49.3% was carried out by motor transport, 29.5% - by sea, 8.0% - by air, and 6.6% by rail transport. The share of other types of transportation (Pipelines, cables and other mode of transports) amounted to 6.6%.

Import by Mode of Transport (January)

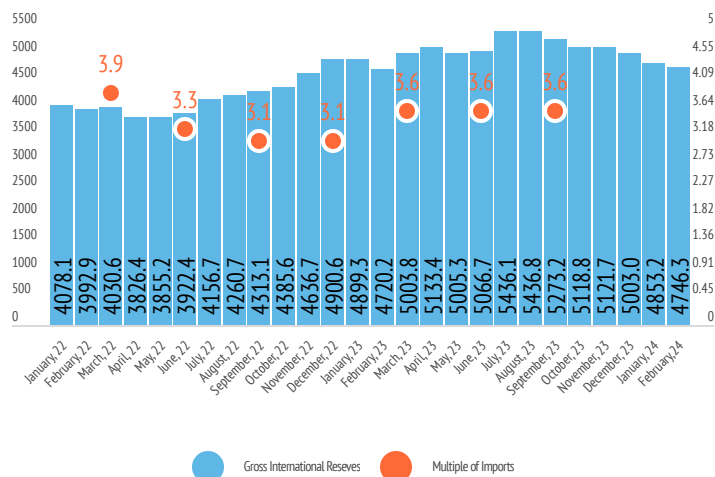


In January* 2024, domestic export from Georgia amounted 158.2 million USD, which is 38.9% lower YoY. Ten largest countries by domestic export from Georgia were the followings: Russia (21.3% of total domestic export), Turkey (16.6%), China (11.3%), Azerbaijan (5.1%), Ukraine (5.0%), Armenia (4.7%), Switzerland (3.9%), Greece (3.2%), Germany (3.0%) and Romania (2.5%).

Remittance (%)
January



Gross International Reserves
(Mln USD)



In January 2024*, remittances decreased.

In January*, remittances in Georgia decreased by 40.8 % YoY and amounted to 263.4 million USD. In January*, the main source of money transfers were EU countries (38.1% of total) and Russia (25.7%). In the analyzing period, remittances increased significantly from the following countries: Ireland (by 62%), USA (by 33%), Germany (by 14%), Poland (by 9%), Italy (by 11%), France (by 11%) etc. Remittances deteriorated from Russia (by 75%), Kyrgyzstan (by 40%), Turkey (by 15%), United Kingdom (by 22%) etc.

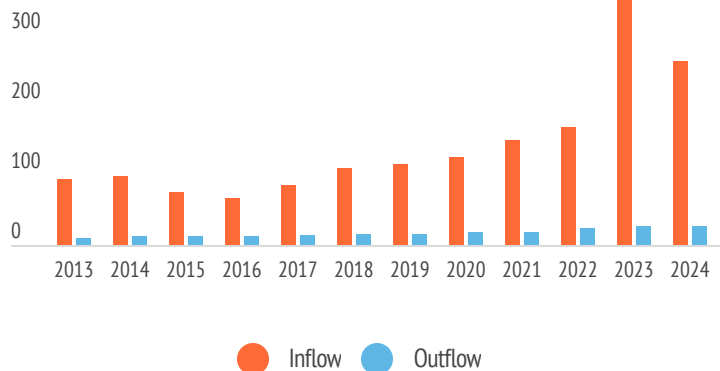
In February 2024, international reserves reached 4,746 million USD.

In February, international reserves amounted to 4,746 million USD, which is a 0.6% increase YoY and 2.2% decrease MoM.

In February 2024, no foreign exchange interventions were carried out by the National Bank of Georgia.

*To assess reserve adequacy it is usually used 3 months multiple of import. Additional information can be found on a [link](#).

Remittance
(Mln USD)
January



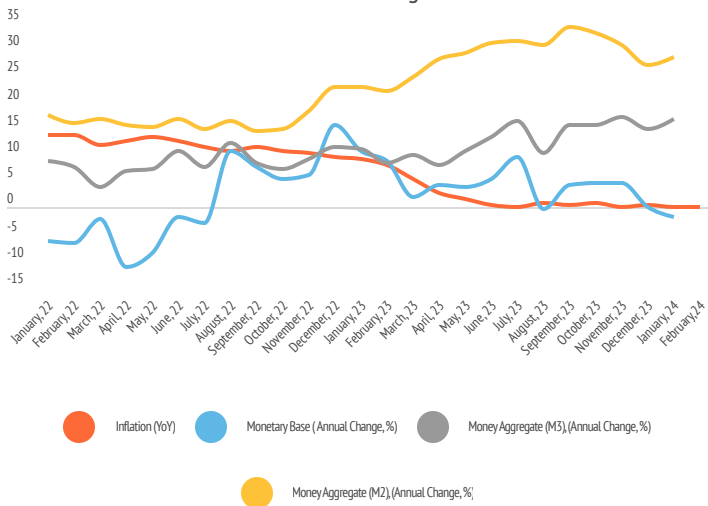
3. Monetary Sector

In January*, compared to the same period of the previous year, monetary base slightly decreased.

In January* 2024, monetary base decreased by 1.9 % YoY, including increased national currency in circulation by 16.3% and declined liabilities to other depository corporations by 15.8%.

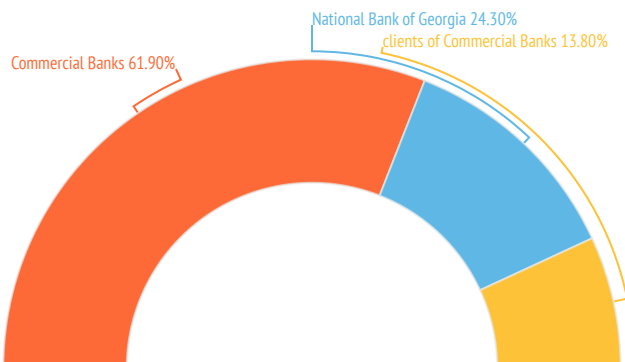
Money aggregate M2 increased by 28.5%, and money aggregate M3 – by 16.7%. In February 2024, consumer price inflation amounted to 0.3% YoY.

Money Aggregates and Consumer Prices
% Change



As of March 1, 2024, the nominal value of treasury securities was 8,162.0 million GEL. Among them, 61.9% are owned by commercial banks, 24.3% by the National Bank, and 13.8% by clients of commercial banks (resident - 79.2%, non-resident - 20.8%).

Treasury Securities
(February)

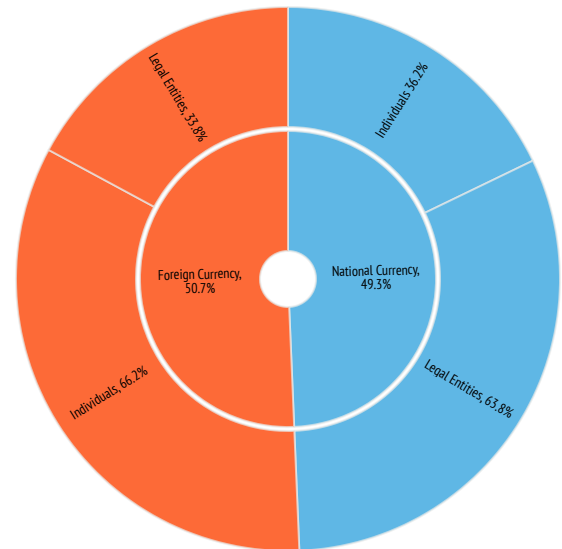


In January* 2024, the total volume of deposits amounted to 52,114.5 million GEL, which is 15.8% higher YoY. Among them, deposits denominated in national currency made up 49.3%, while deposits in foreign currency made up 50.7% respectively.

According to the data available by the end of January 2024, 63.8% of deposits denominated in national currency belong to legal entities, and 36.2% to individuals.

Herewith, 66.2% of foreign currency deposits were owned by individuals, and 33.8% - legal entities.

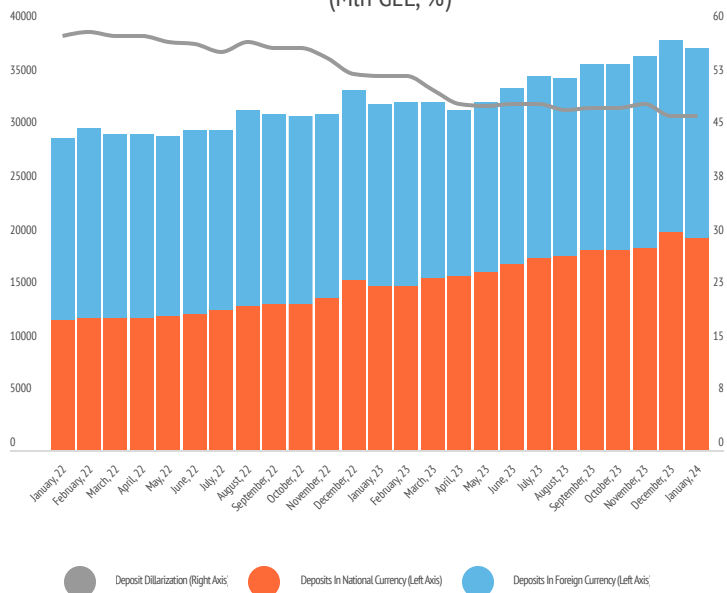
Deposits
(January)



In addition, 46.5% of deposits denominated in national currency were time deposits, 27.0% were current accounts, and 26.5% were demand deposits.

In the case of foreign currency, time deposits still hold the largest share (38.6%), followed by demand deposits (33.7%) and current accounts (27.7%).

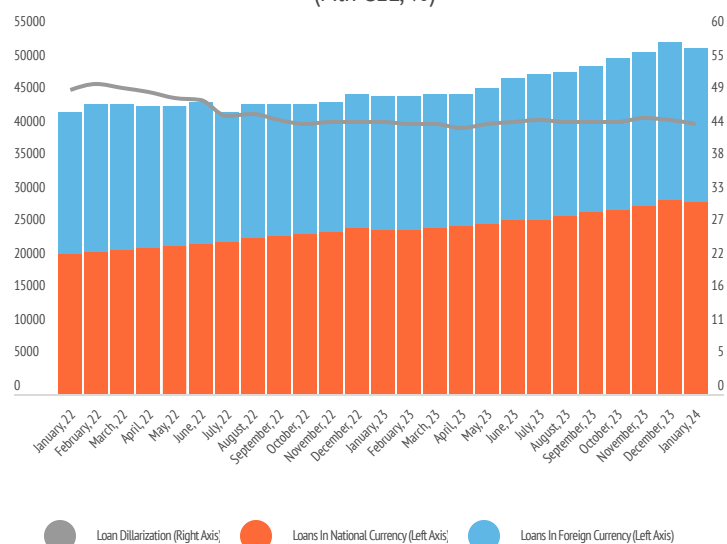
Deposits and Dollarization
(Mln GEL, %)



In January*, the dollarization on deposits remained the same, while decreased on loans MoM.

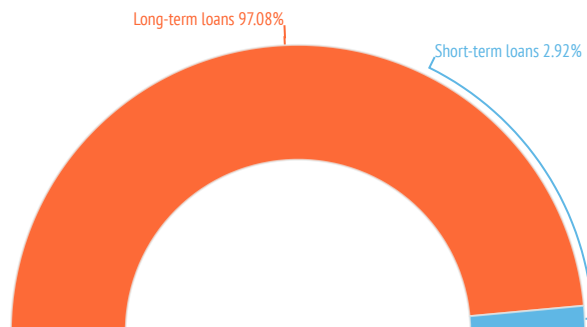
In January* 2024, the deposit dollarization indicator didn't change and amounted to 47.0% MoM, while loan dollarization decreased by 0.54 pp and made up to 44.6%. In January*, foreign currency deposits decreased by 2.1% MoM as well as national currency deposits.

Loans and Dollarization
(Mln GEL, %)



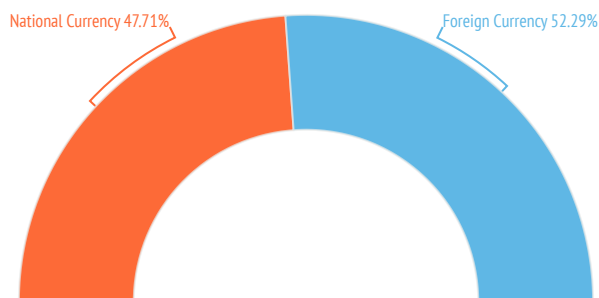
In January* 2024, the volume of consumer loans amounted to 9,759.9 million GEL, which is 25.5% higher YoY. Among them, the share of long-term loans were 97.1%, while short-term loans comprised only 2.9%.

Consumer Loans
(January)



In January* 2024, the volume of loans secured by real estate amounted to 33,903.7 million GEL, which is 20.2% higher YoY. Among them, the share of loans issued in national currency were 47.7%, while loans denominated in foreign currency were 52.3%.

Loans Secured by Real Estate
(January)

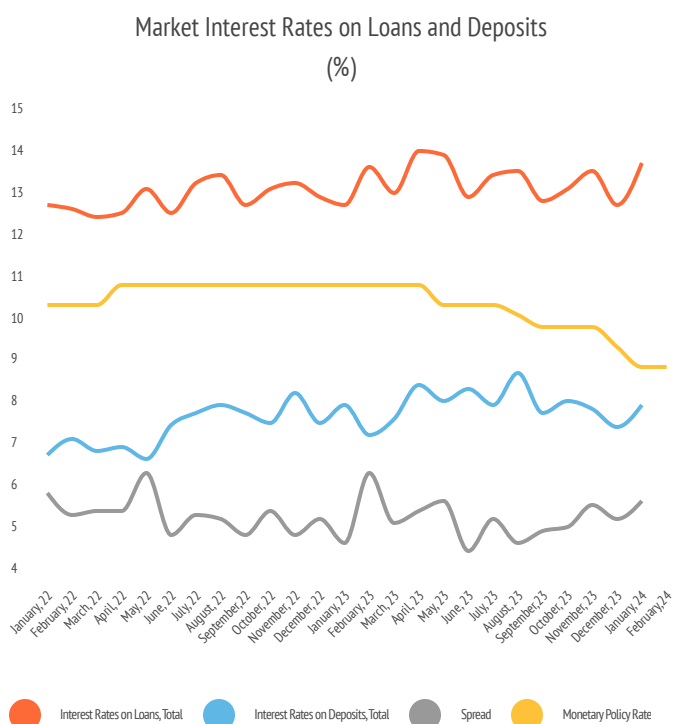


According to the data available by the end of January 2024, in terms of regions, 62.2% of loans issued by commercial banks denominated in national currency were granted in Tbilisi, 8.0% in Imereti, 7.5% in the Autonomous Republic of Adjara, 5.7% in Kakheti, 4.7% in Kvemo Kartli. The share of loans issued in other regions is relatively small.

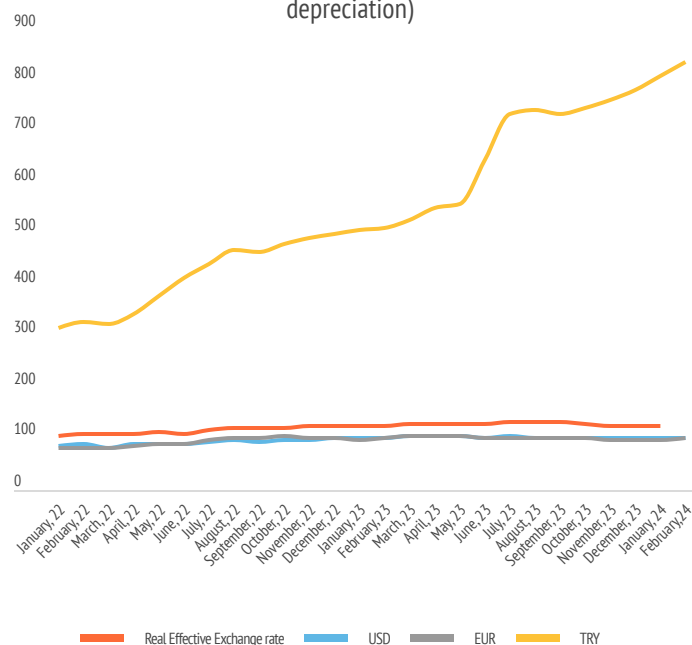
In January*, interest rates on deposits increased by 0.6 pp MoM, while interest rates on loans increased by 0.9 pp MoM.

In January* 2024, market interest rates on loans amounted to 13.9%, while interest rates on deposits were defined at 8.1%. The interest rate spread (difference between loan and deposit rates) amounted to 5.8% as of January* 2024, 0.98 pp higher compared to January 2023.

In February, the decision of the Monetary Committee of the National Bank of Georgia made in January 2024 to reduce the refinancing rate by 0.5% remained unchanged, thus the monetary policy rate remained at 9.0%.



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



In February, compared to the previous month, the GEL appreciated towards USD, EUR and TRY.

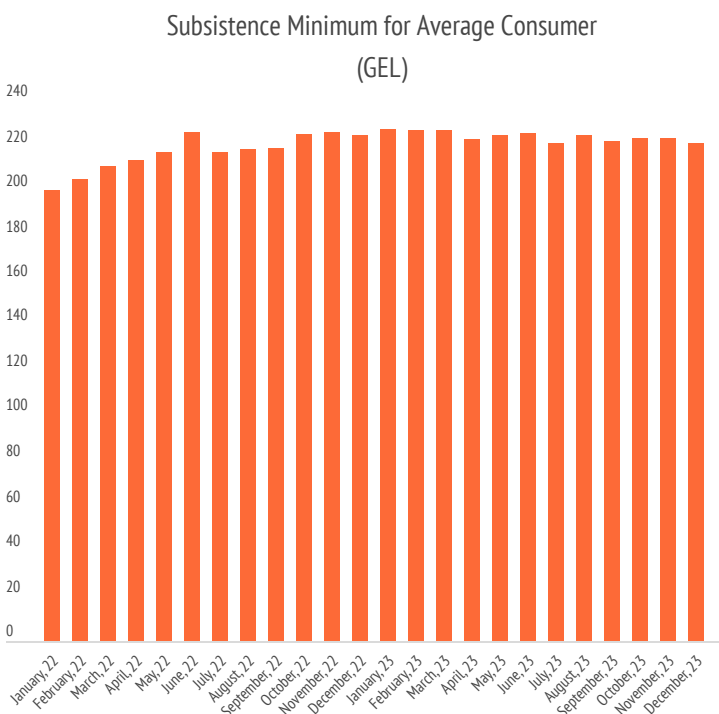
In February 2024, GEL appreciated against USD by 0.7%, and against EUR by 1.9%, while appreciated against TRY by 3.2% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In February, the GEL exchange rate depreciated by 0.3% YoY towards USD and by 1.0% YoY towards EUR, while appreciated by 62.7% YoY towards TRY.

It should be noted, that in recent years, 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. In particular, in February, the average exchange rate of the GEL against to the US dollar was 2.66, and against to the euro it was 2.87.

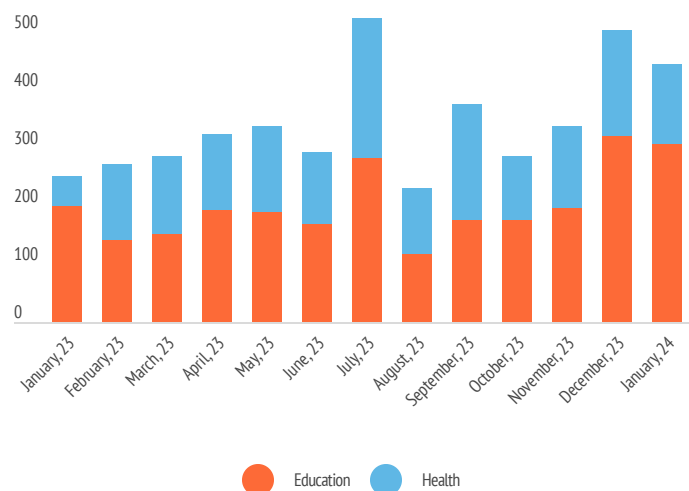
4. Social Sector

In Q4 2023, the subsistence minimum of the average consumer decreased YoY.

At the end of Q4 2023, in December, subsistence minimum of the average consumer totaled GEL 221.1, GEL 3.4 lower YoY and GEL 1.1 lower QoQ. In Q4 2023, average quarterly subsistence minimum rate decreased by 1.1% YoY.



Public Expenditure on Education and Healthcare (GEL Million)



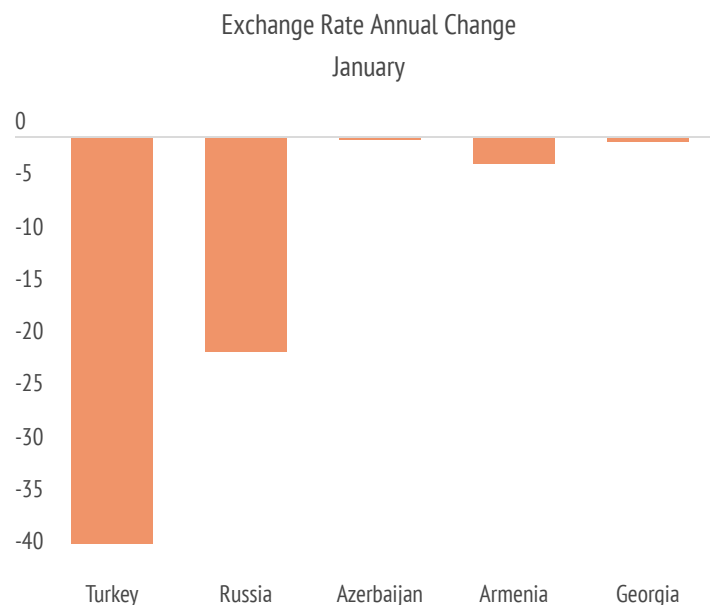
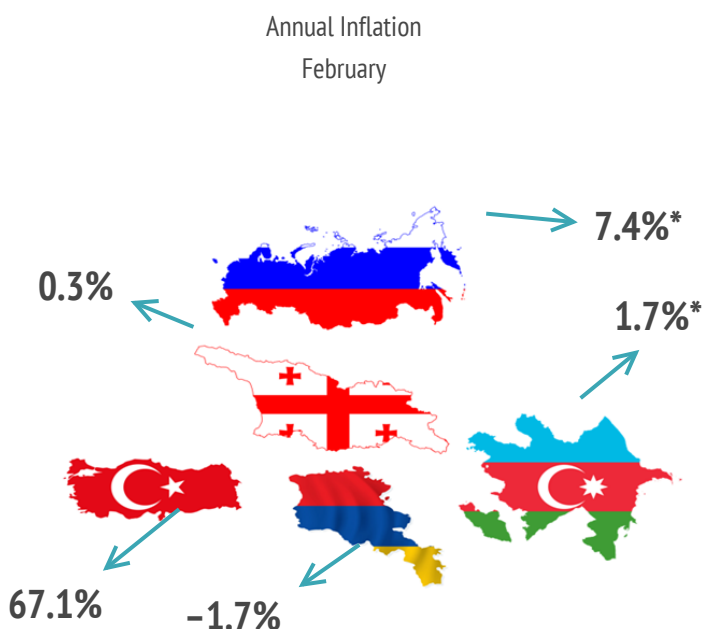
In January* 2024, public expenditures on healthcare and education increased YoY.

In January*2024, expenditure on education (as per functional classification) amounted to GEL 309.1 million, which is 53.9% increase YoY. Meanwhile, expenditures on healthcare amounted to GEL 138.4 million, 160.2% increase YoY.

4. Regional Review

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

Namely, in February 2024, annual inflation amounted to 67.1% in Turkey, while deflation was observed in Armenia (-1.7%). As for Azerbaijan and Russia, in January* 2024, consumer prices increased by 1.7% YoY in Azerbaijan and by 7.4% YoY in Russia.



In February, the currencies of the region countries stand out with a tendency of depreciation towards USD.

Particularly, in February 2024, GEL depreciated by 0.3% YoY towards USD. In the analyzing period TRY depreciated by 38.7%, RUB by 20.4%, AMD by 2.5% and AZN by 0.1%YoY towards USD.

Summary Tables of Main Economic Indicators

| | Feb 23 | Mar 23 | Apr 23 | May 23 | Jun 23 | Jul 23 | Aug 23 | Sep 23 | Oct 23 | Nov 23 | Dec 23 | Jan 24 | Feb 24 |
|--------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| GDP Growth Rate (%) | 5.80 | 7.3 | 7.5 | 7.0 | 7.7 | 5.5 | 5.8 | 5.1 | 6.2 | 5.9 | 8.3 | 5.8 | |
| VAT Turnover Growth Rate (%) | 11.70 | 9.2 | 6.1 | 5.2 | 6.1 | 2.9 | 4.2 | 3.0 | 6.0 | 2.6 | 4.6 | 1.4 | |
| Inflation (%) | 8.10 | 5.3 | 2.7 | 1.5 | 0.6 | 0.3 | 0.9 | 0.7 | 0.8 | 0.1 | 0.4 | 0.0 | 0.3 |
| Monetary Policy Rate (%) | 11.00 | 11.0 | 11.0 | 10.5 | 10.5 | 10.5 | 10.25 | 10.00 | 10.00 | 10.00 | 9.50 | 9.00 | 9.00 |
| Deposit Dollarization (%) | 0.50 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | |
| Loan Dollarization (%) | 0.40 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.4 | |
| Exchange Rate (GEL) | 2.60 | 2.6 | 2.5 | 2.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| Remittances (Thousand USD) | 372,328.30 | 438,392.2 | 369,709.2 | 384,885.8 | 353,170.7 | 301,068.1 | 287,005.6 | 283,878.0 | 283,006.1 | 292,732.9 | 308,285.9 | 263,386.6 | |
| Export (USD Million) | 455.80 | 546.7 | 500.5 | 541.4 | 550.2 | 526.8 | 493.2 | 526.0 | 494.9 | 482.0 | 514.2 | 338.6 | |
| Import (USD Million) | 1,067.70 | 1,378.3 | 1,223.5 | 1,328.9 | 1,340.2 | 1,322.4 | 1,408.9 | 1,376.9 | 1,353.9 | 1,284.7 | 1,313.6 | 1,002.7 | |
| Trade Balance (USD Million) | -611.9 | -831.6 | -722.9 | -787.5 | -790.1 | -795.6 | -915.7 | -850.9 | -859.0 | -802.7 | -799.4 | -664.1 | |
| International Reserves (USD Million) | 4,720.20 | 5,003.8 | 5,133.4 | 5,005.3 | 5,066.7 | 5,436.1 | 5,436.8 | 5,273.2 | 5,118.8 | 5,121.7 | 5,003.0 | 4,853.2 | 4,746.3 |
| Revenues (GEL Million) | 1,555.1 | 1,656.6 | 2,165.0 | 1,755.9 | 1,877.8 | 1,846.9 | 1,721.5 | 1,821.2 | 1,913.4 | 1,830.8 | 2,122.0 | 2,116.3 | |
| Recurrent Expenditure (GEL Million) | 1,422.1 | 1,450.0 | 1,496.7 | 1,568.9 | 1,441.2 | 1,901.2 | 1,269.0 | 1,496.1 | 1,626.2 | 1,580.7 | 1,947.1 | 1,715.7 | |
| Capital Expenditure (GEL Million) | 313.1 | 317.4 | 414.1 | 400.6 | 495.8 | 365.4 | 659.1 | 616.0 | 468.6 | 544.5 | 1,109.4 | 402.3 | |



Increase



Decrease



Change < 1%

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

| | | 02.2023 | 03.2023 | 04.2023 | 05.2023 | 06.2023 | 07.2023 | 08.2023 | 09.2023 | 10.2023 | 11.2023 | 12.2023 | 01.2024 | 02.2024 |
|------------------------|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Sector | GDP Growth Rate | | | | | | | | | | | | | |
| | VAT Turnover Growth Rate | | | | | | | | | | | | | |
| Monetary Sector | Inflation | | | | | | | | | | | | | |
| | Monetary Policy Rate | | | | | | | | | | | | | |
| | Deposit Dollarization | | | | | | | | | | | | | |
| | Loan Dollarization | | | | | | | | | | | | | |
| External Sector | Exchange Rate | | | | | | | | | | | | | |
| | Remittances | | | | | | | | | | | | | |
| | Export | | | | | | | | | | | | | |
| | Import | | | | | | | | | | | | | |
| | Trade Balance | | | | | | | | | | | | | |
| | International Reserves | | | | | | | | | | | | | |
| Fiscal Sector | Revenues | | | | | | | | | | | | | |
| | Recurrent Expenditure | | | | | | | | | | | | | |
| | Capital Expenditure | | | | | | | | | | | | | |

Comparison of key economic indicators with similar data of the previous month

| | | 02.2023 | 03.2023 | 04.2023 | 05.2023 | 06.2023 | 07.2023 | 08.2023 | 09.2023 | 10.2023 | 11.2023 | 12.2023 | 01.2024 | 02.2024 |
|------------------------|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Sector | GDP Growth Rate | | | | | | | | | | | | | |
| | VAT Turnover Growth Rate | | | | | | | | | | | | | |
| Monetary Sector | Inflation | | | | | | | | | | | | | |
| | Monetary Policy Rate | | | | | | | | | | | | | |
| | Deposit Dollarization | | | | | | | | | | | | | |
| | Loan Dollarization | | | | | | | | | | | | | |
| External Sector | Exchange Rate | | | | | | | | | | | | | |
| | Remittances | | | | | | | | | | | | | |
| | Export | | | | | | | | | | | | | |
| | Import | | | | | | | | | | | | | |
| | Trade Balance | | | | | | | | | | | | | |
| | International Reserves | | | | | | | | | | | | | |
| Fiscal Sector | Revenues | | | | | | | | | | | | | |
| | Recurrent Expenditure | | | | | | | | | | | | | |
| | Capital Expenditure | | | | | | | | | | | | | |

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