



Parliament of Georgia

Monthly Macroeconomic **Review**

July, 2024

Parliamentary Budget Office
of Georgia

2024

August

Main Macroeconomic indicators of July, 2024

Real GDP Growth

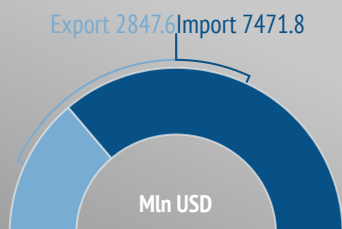
7.5%



In July, annual CPI inflation amounted to 1.8%, while annual core inflation was observed at 1.1%.



In January - June* 2024, goods exports decreased by 6.7%, while imports increased by 0.2% YoY.



In May* 2024, money transfers amounted to 281.1 million USD.

EU countries - 42.5%;

Russia - 17.4%;

USA - 17.0%;

Other countries - 23.1%.



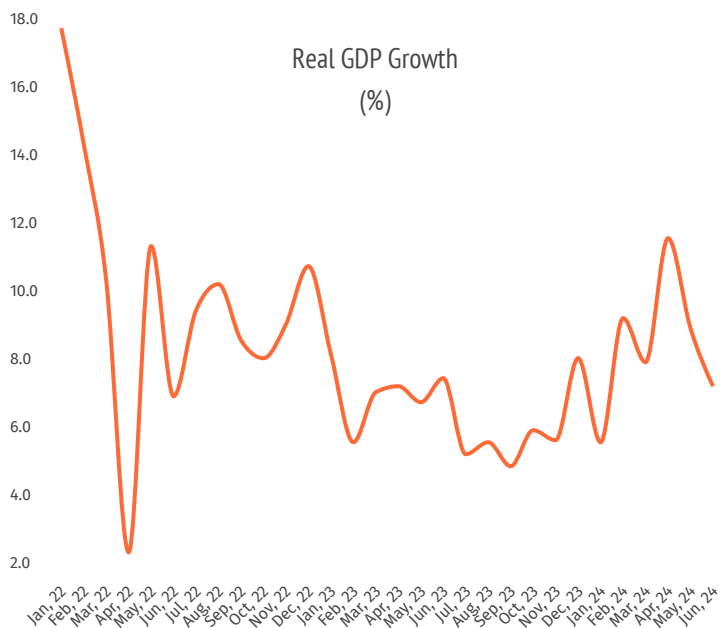
In June* 2024, the dollarization on both deposits and loans decreased MoM.



In July 2024, GEL appreciated against USD (by 3.4%) and against EUR (by 2.6%) MoM.



1. Real and Fiscal Sector

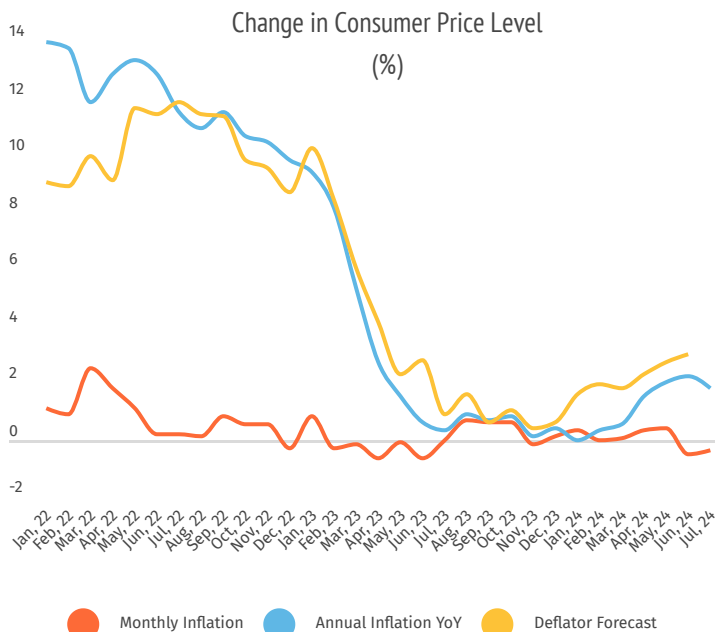
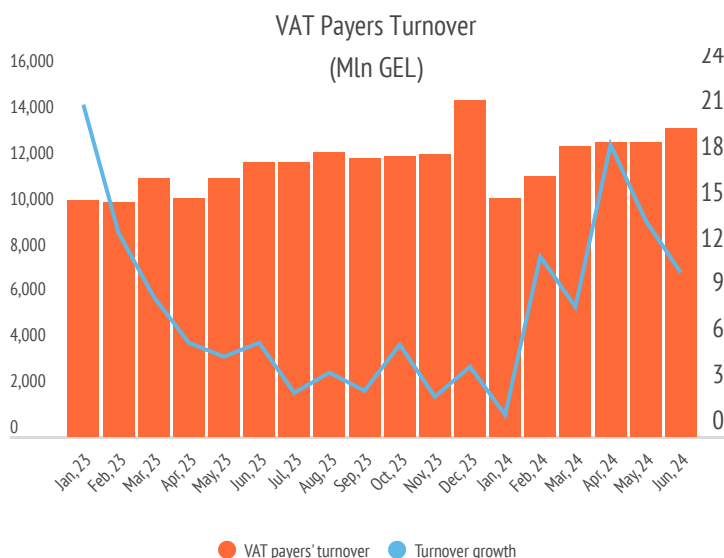


In June* 2024, positive annual economic growth was recorded at 7.5%.

In accordance with the preliminary estimates of GEOSTAT, in June*, annual real GDP growth rate amounted to 7.5% YoY.

The main positive contributors in economic growth were Financial and insurance activities, Construction, Information and communication, Transportation and storage, Professional, scientific and technical activities. While manufacturing fields negatively contributed.

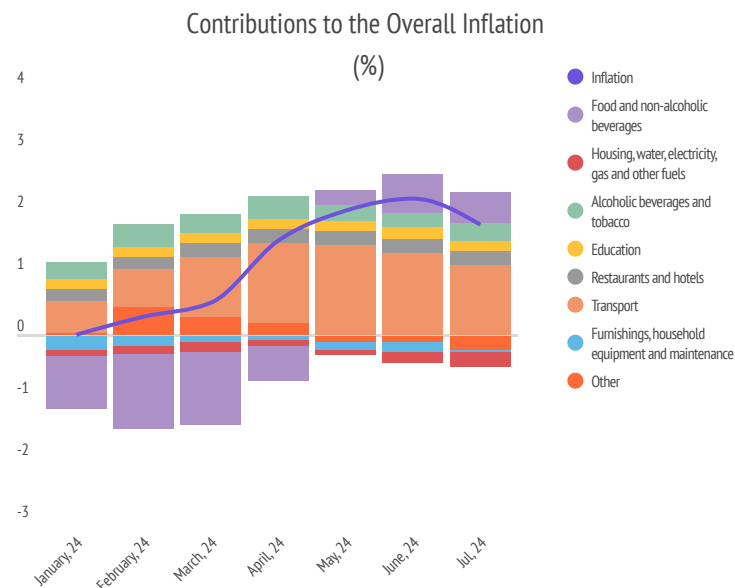
In June* 2024, the rate of VAT turnover of enterprises amounted to 13,471.3 million GEL, which is 10.7% higher YoY.

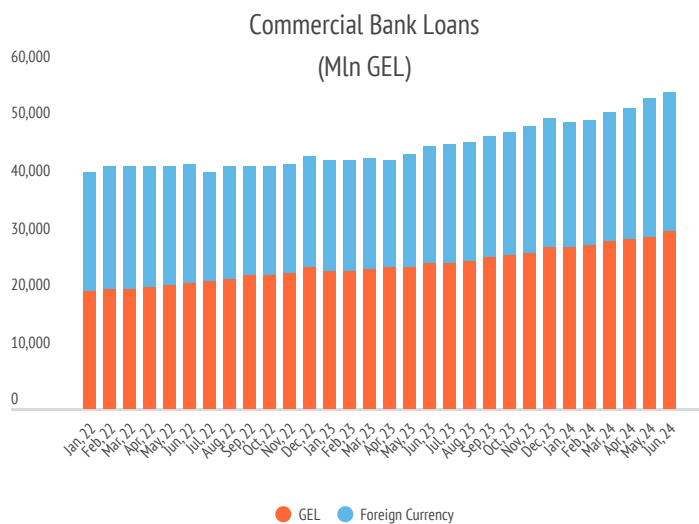
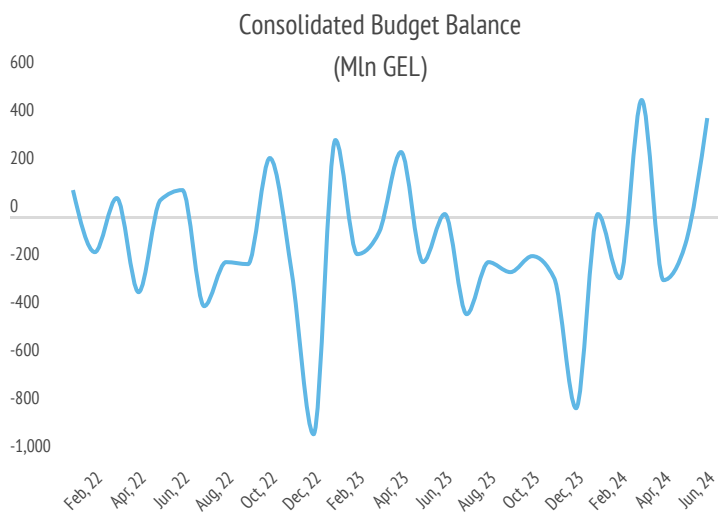


In July 2024, annual CPI inflation amounted to 1.8% YoY.

In July, the inflation rate amounted to 1.8% YoY, lower than the inflation target of 3.0%. Annual inflation was predominantly driven by the dynamics of prices on transport, food and non-alcoholic beverages, restaurants and hotels as well as alcoholic beverages and tobacco. With regard to the annual core inflation in July (excluded food and non-alcoholic beverages, energy, tobacco, regulated tariffs, transport (specific tariffs), the prices increased by 1.1% YoY.

In June* 2024, the annual forecasted GDP deflator amounted to 3.0%.





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

In June* 2024, general government revenues increased by 32.9% YoY, while expenses increased by 10.1% YoY. In the analyzing period, the general government positive net operating balance amounted to 907.3 million GEL, while positive net lending/borrowing was defined at 408.7 million GEL.

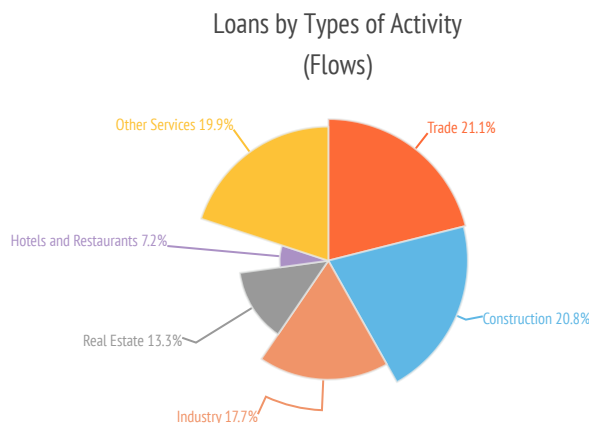
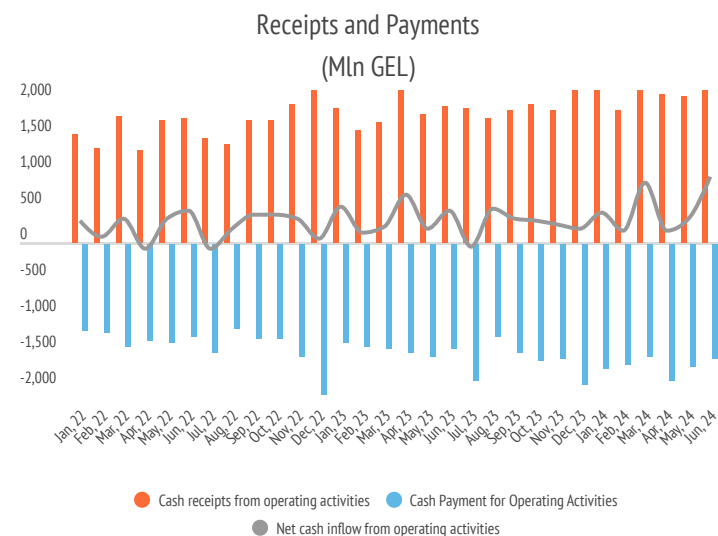
Worth noting, that in June* 2024, tax revenues amounted to 1,978.7 million GEL, which is 17.4% higher YoY. Significant increase was observed in profit tax (80.8%), excise tax (23.1%) and income tax (22.0%), while import tax decreased by 16.1%. Direct taxes comprised 52.9% of total taxes, while indirect taxes were 47.1%.

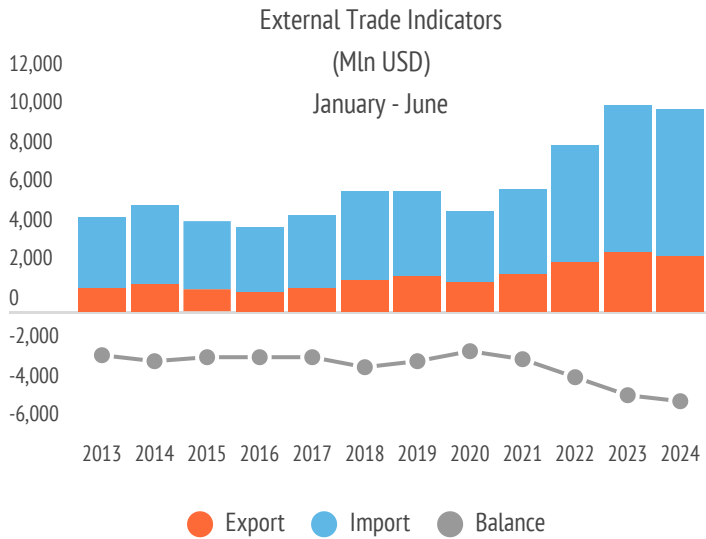
In June*, non-financial assets increase was observed at 14.4% YoY (GEL 71.5 million more).

In June* 2024, compared to the same period of the previous year, commercial bank loans to the national economy increased in both national and foreign currencies.

In June*, commercial bank loans to the national economy increased by 20.7% YoY and amounted to 55.5 billion GEL. National currency loans increased by 21.4%, while foreign currency loans increased by 19.8%. As a result, dollarization of whole commercial bank loans decreased by 0.44 pp MoM and made up to 45.1%. It is worth mentioning, that more than half of total loans to the national economy (53.2%) was distributed to households (85.8% of household loans were granted to individuals, and 14.2% to entrepreneurs). 36.6% of the issued loans are consumer loans, and 63.9% are secured by real estate.

As for loans issued by types of activity, the highest 21.1% was issued in trade, 20.8% in construction, 17.7% in industry, 13.3% in real estate and 7.2% in the field of hotels and restaurants.



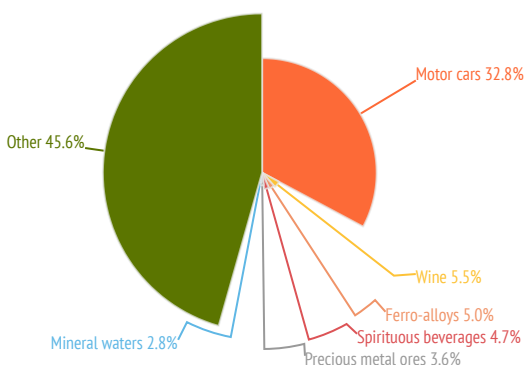


In January - June* 2024, compared to the same period of the previous year, export of goods decreased, while imports increased slightly.

In January - June*, export of goods decreased by 6.7%, while imports increased by 0.2% YoY. As a result, trade turnover amounted to 10,319.4 million USD (1.8% decrease YoY). During this period, the share of exports in external trade amounted to 27.6%. Export growth was substantial in the following countries: Kyrgyzstan (61%), Switzerland (25%), Kazakhstan (18%), Turkey (16%) and Uzbekistan (13%). In addition, exports decreased in Armenia (37%), China (34%), Azerbaijan (23%) etc.

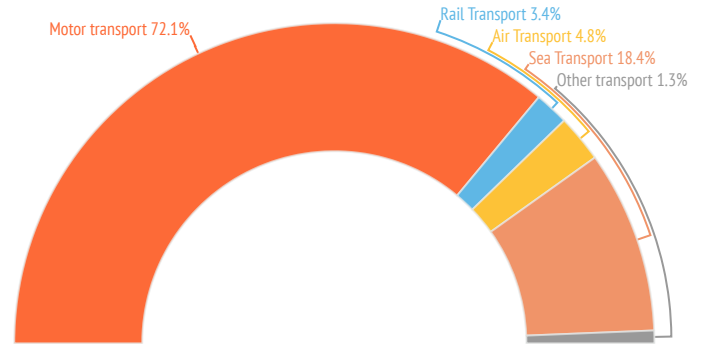
High growth was recorded in several export commodity groups: precious metal ores (239%), spirituous beverages (59%), Ferro-alloys (30%), natural wine (24%), mineral and aerated waters without sugar (23%), Gold (10%) etc. Deterioration was recorded in nitrogen fertilizers (38%), motor cars (6%) groups.

Major Commodity Groups by Exports (January - June)



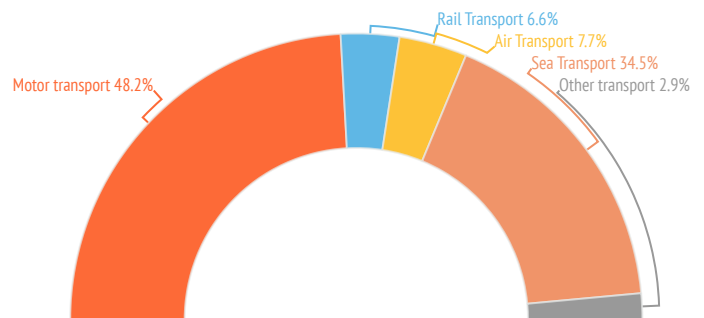
In January-June* 2024, according to the modes of transport, the largest part of exports, 72.1% was carried out by motor transport, 18.4% - by sea, 4.8% - by air, and 3.4% by rail transport. The share of other types of transport (Pipelines, cables and other mode of transports) was 1.3%.

Export by Mode of Transport (January - June)



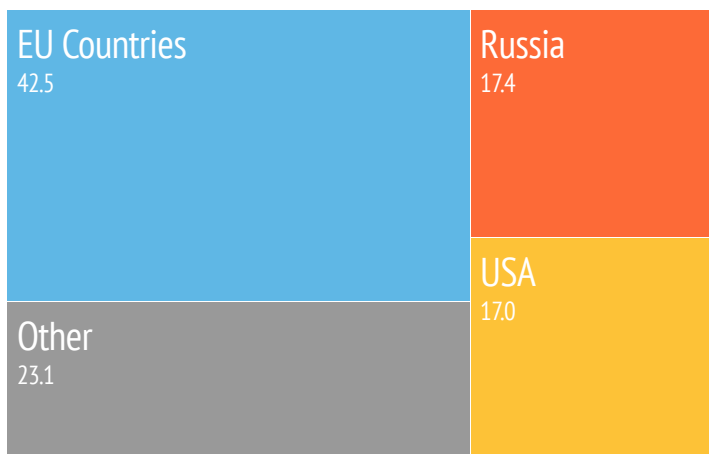
In January-June*, according to the modes of transport, the largest part of imports, 48.2% was carried out by motor transport, 34.5% - by sea, 7.7% - by air, and 6.6% by rail transport. The share of other types of transportation (Pipelines, cables and other mode of transports) amounted to 2.9%.

Import by Mode of Transport (January - June)

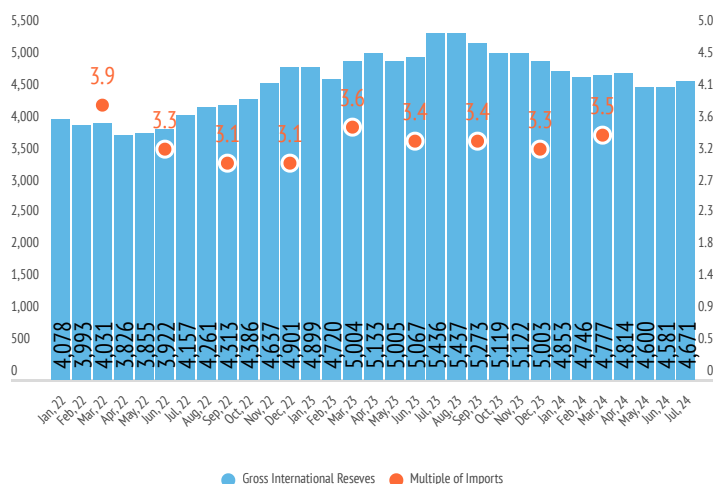


In January-June*, domestic export from Georgia amounted 1,293.2 million USD, which is 11.5% lower YoY. Ten largest countries by domestic export from Georgia were the followings: Russia (21.0% of total domestic export), Turkey (16.8%), China (10.0%), Armenia (5.0%), Azerbaijan (4.1%), Switzerland (3.9%), Ukraine (3.4%), USA (3.1%), Bulgaria (2.9%) and Kazakhstan (2.6%).

Remittance (%)
June



Gross International Reserves
(Mln USD)



In June 2024*, remittances decreased

In June*, remittances in Georgia decreased by 20.9% YoY and amounted to 281.1 million USD. The main source of money transfers were EU countries (42.5% of total) and Russia (17.4%). In the analyzing period, remittances increased significantly from the following countries: USA (22%, 47.8 mln USD), Italy (6%, 45.8 mln USD), Germany (9%, 22.4 mln USD), Greece (6%, 21.8 mln USD), Spain (15%, 6.0 mln USD) etc. Remittances deteriorated from Russia (62%, 48.8 mln USD), Kazakhstan (37%, 10.8 mln USD), Turkey (25%, 8.1 mln USD) etc.

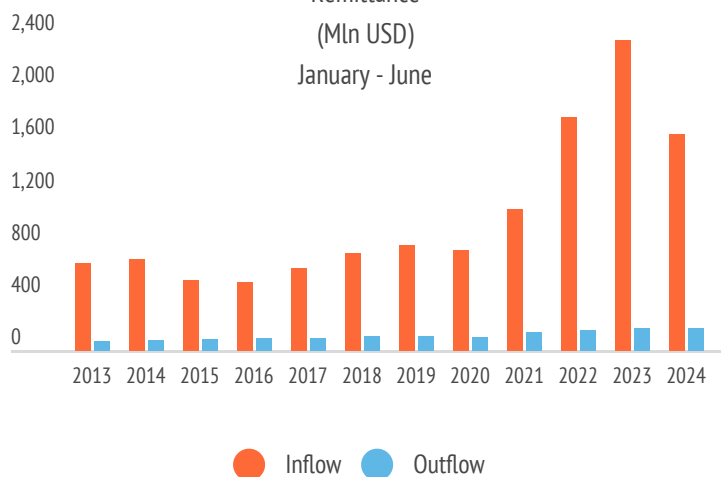
In July 2024, international reserves reached 4,671 million USD.

In July, international reserves amounted to 4,671 million USD, which is a 14.1% decrease YoY and 2.0% increase MoM.

In July 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 - June



3. Monetary Sector

In June* 2024, compared to the same period of the previous year, monetary base increased.

In June*, monetary base increased by 4.7% YoY, including increased national currency in circulation by 16.7% and declined liabilities to other depository corporations by 6.6%.

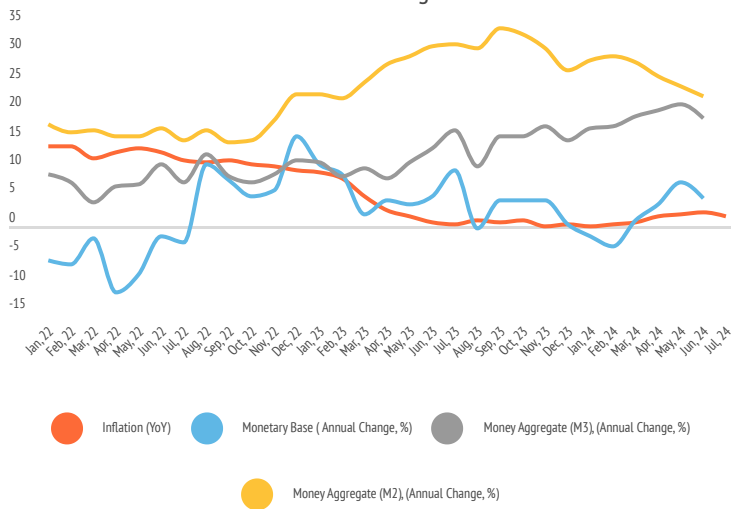
Money aggregate M2 increased by 22.4%, while money aggregate M3 increased by 18.6%. In July 2024, consumer price inflation amounted to 1.8% YoY.

In June* 2024, the total volume of deposits in commercial banks (stocks) amounted to 56,826.7 million GEL, which is 18.2% higher YoY. Among them, deposits denominated in national currency made up 49.8%, while deposits in foreign currency made up 50.2% respectively.

According to the data available by the end of June 2024, 63.6% of deposits denominated in national currency belong to legal entities, and 36.4% to individuals.

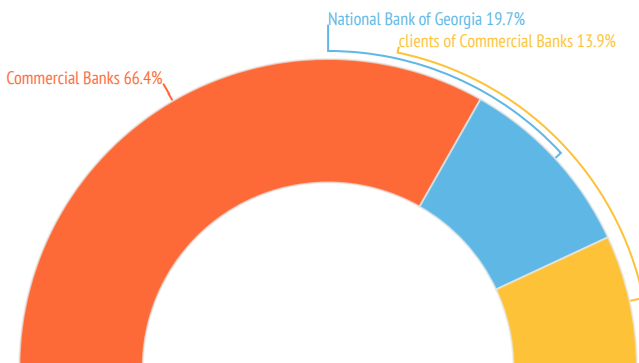
Herewith, 66.4% of foreign currency deposits were owned by individuals, and 33.6% - by legal entities.

Money Aggregates and Consumer Prices
% Change



As of the end of July 2024, the nominal value of treasury securities issued by government was 8,754.4 million GEL. Among them, 66.5% is owned by commercial banks, 29.7% by the National Bank, and 13.9% by other resident and non-resident clients (resident – 11.8%, non-resident – 2.1%).

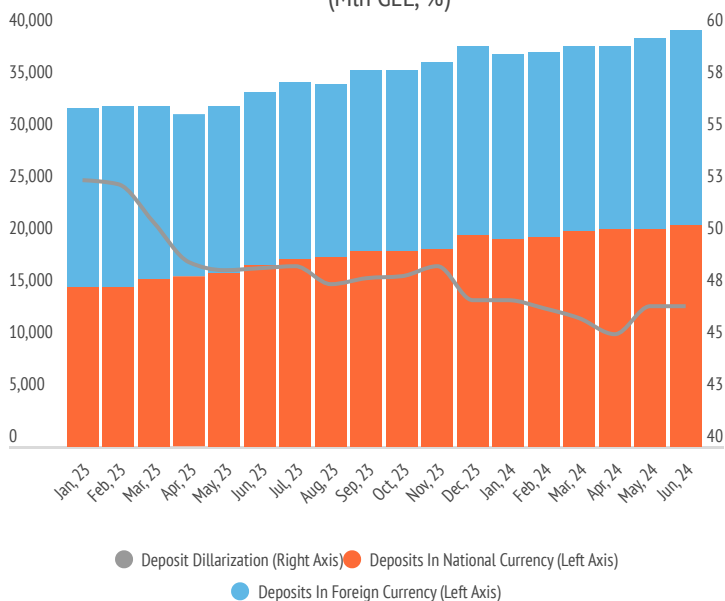
Treasury Securities
(July)



In addition, 49.8% of deposits denominated in national currency were time deposits, 25.3% - current accounts and 24.9% - demand deposits.

In the case of foreign currency, time deposits still hold the largest share (39.5%), followed by demand deposits (32.4%) and current accounts (28.1%).

Deposits and Dollarization
(Mln GEL, %)

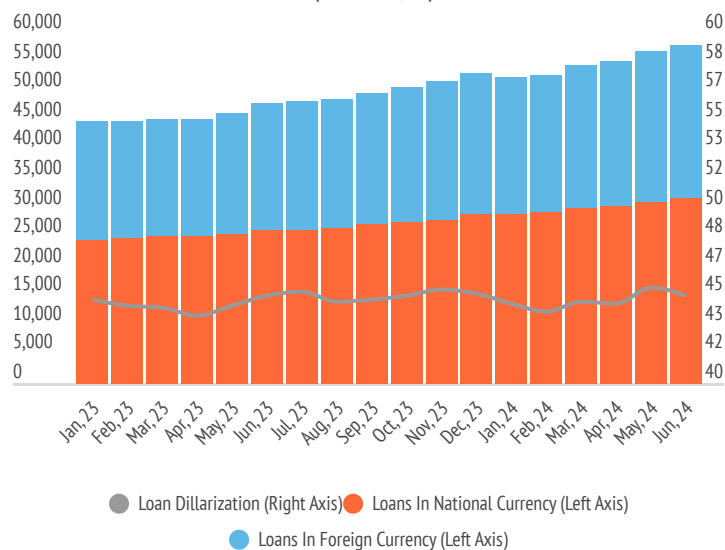


In June* 2024, the dollarization decreased on deposits as well as on loans MoM.

In June*, the deposit dollarization indicator decreased by 0.03 pp and amounted to 46.7% MoM, while loan dollarization decreased by 0.44 pp and made up to 45.1% MoM.

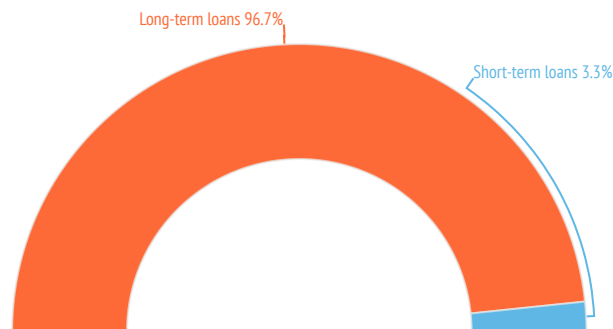
In June*, national currency deposits increased by 1.8% MoM, while foreign currency deposits increased by 1.7%.

Loans and Dollarization
(Mln GEL, %)



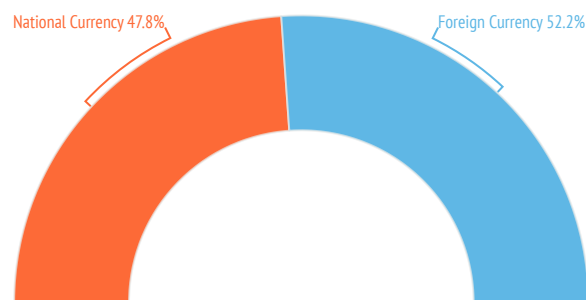
In June* 2024, the volume of consumer loans amounted to 10,919.1 million GEL, which is 28.8% increase YoY. Among them, the share of long-term loans were 96.7%, while short-term loans comprised only 3.3%.

Consumer Loans
(June)



During the same period, the volume of loans secured by real estate amounted to 37,671.3 million GEL, which is 23.2% higher YoY. Among them, the share of loans issued in national currency were 47.8%, while loans denominated in foreign currency were 52.2%.

Loans Secured by Real Estate
(June)



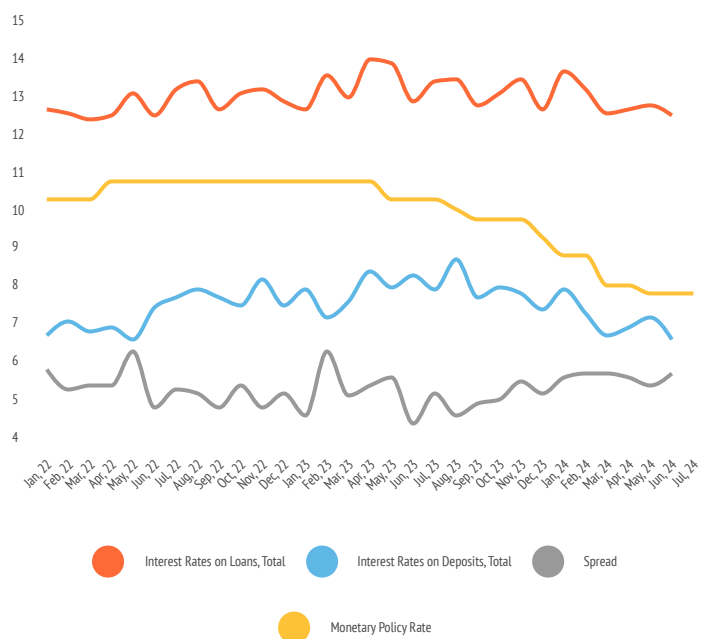
According to the data available by the end of June* 2024, in terms of regions, 62.6% of loans issued by commercial banks denominated in national currency were granted in Tbilisi, 8.0% in Imereti, 7.4% in the Autonomous Republic of Adjara, 5.6% in Kakheti, 4.7% in Kvemo Kartli. The share of loans issued in other regions is relatively small.

In June* 2024, interest rates on deposits decreased by 0.6 pp while on loans decreased by 0.3 pp MoM.

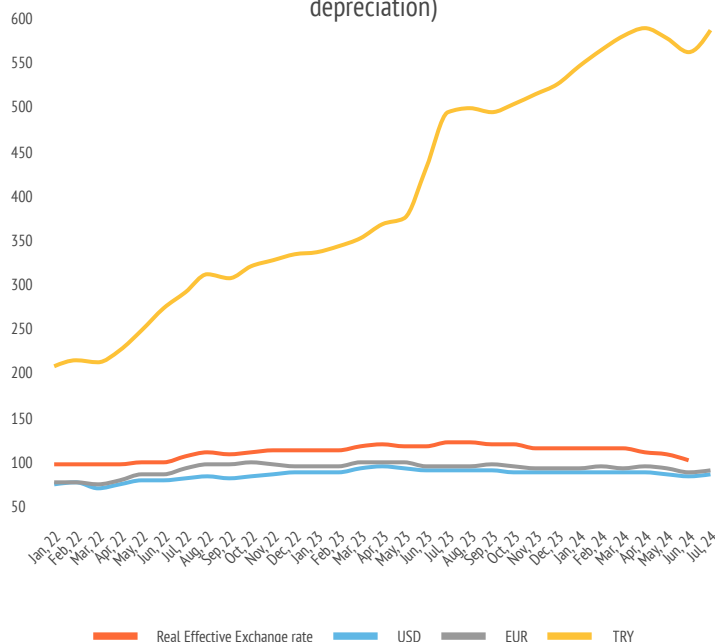
In June* market interest rates on loans amounted to 12.7%, while interest rates on deposits were defined at 6.8%. The interest rate spread (difference between loan and deposit rates) amounted to 5.9% as of June* 2024, 1.24 pp higher compared to the same indicator of June 2023.

On July 30, 2024, the monetary policy committee of the National Bank of Georgia decided to maintain the monetary policy rate at 8.00%.

Market Interest Rates on Loans and Deposits (%)



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



In July 2024, compared to the previous month, the GEL appreciated towards USD and EUR.

In July, GEL appreciated against USD by 3.4% MoM, against EUR by 2.6% MoM and against TRY by 4.5% MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. As for the annual indicators, the GEL exchange rate depreciated by 5.0% YoY towards USD and by 3.3% YoY towards EUR, while appreciated by 18.3% YoY towards TRY.

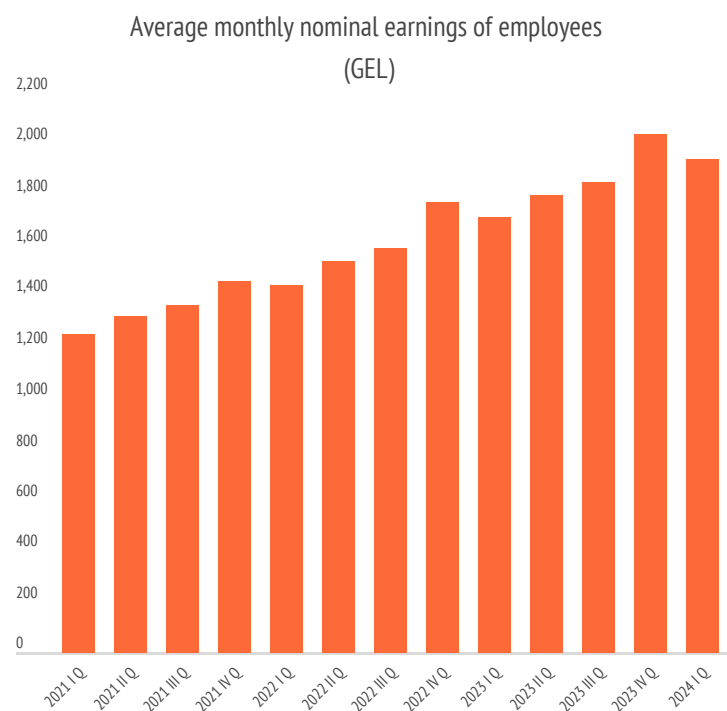
In July, the average exchange rate of the GEL against USD was defined as 2.73, while it was 2.96 against EUR and 0.08 against TRY.

4. Social Sector

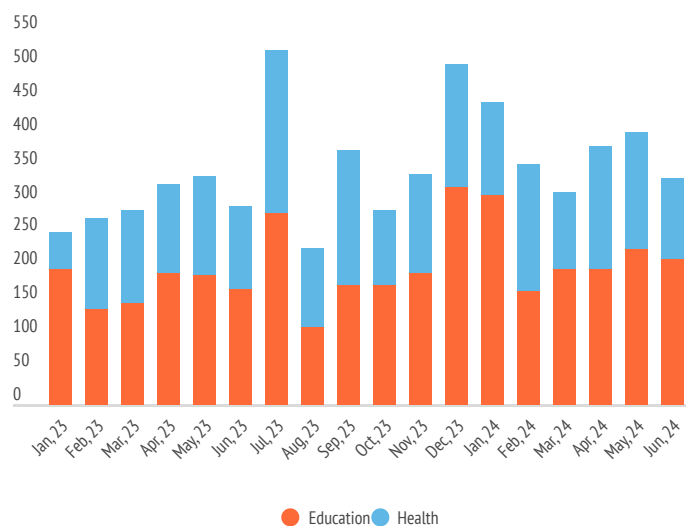
In Q1 2024, average monthly nominal earnings of employees increased YoY.

In Q1 2024, the average monthly nominal earnings of employees amounted to 1,943.4 GEL, which is 13.2% increase YoY (227 GEL more). Compared to the previous quarter the indicator decreased by 4.9%, which is 101 GEL less.

As for the change in the average monthly nominal earnings of employees by sector, in the I quarter of 2024, the highest average monthly salary was recorded in the field of financial and insurance activities (4,519 GEL; 20.2% increase YoY), as well as in information and communication (3,957 GEL; 9.0% increase YoY) and in the field of Professional, scientific and technical activities (2,673 GEL; 12.0% increase YoY).



Public Expenditure on Education and Healthcare (GEL Million)



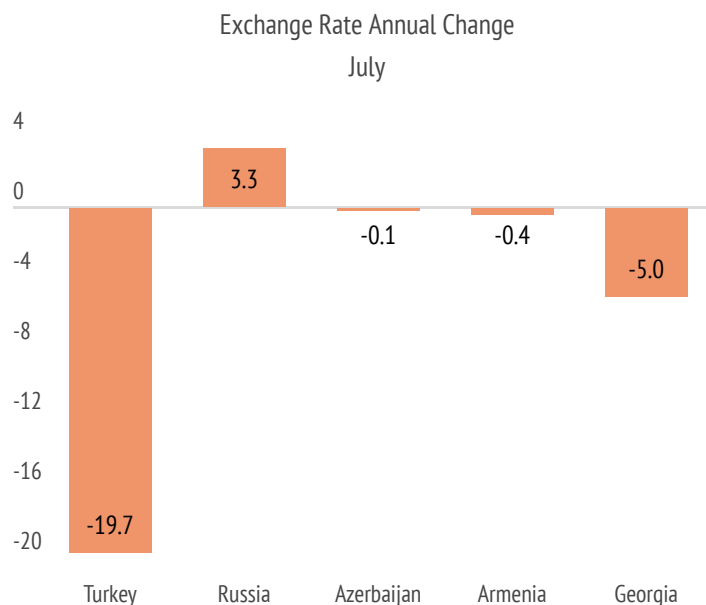
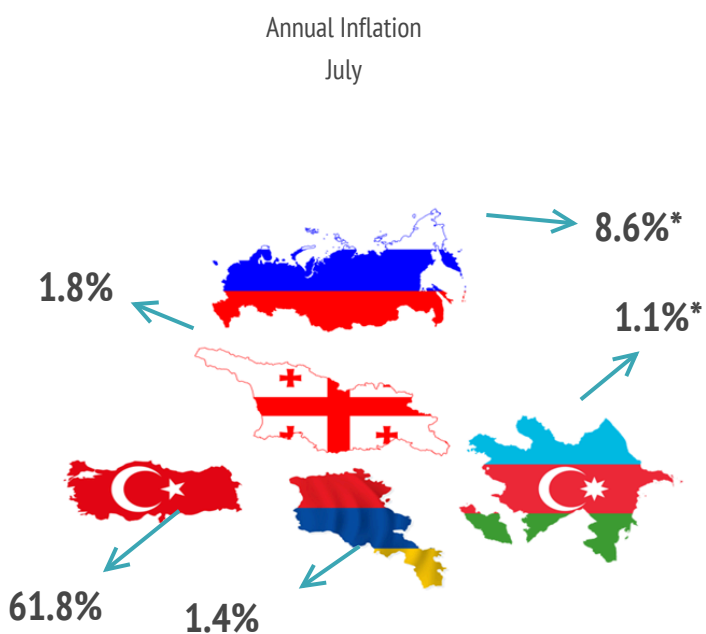
In June* 2024, public expenditures on healthcare decreased, while expenditures on education increased YoY.

In June*, expenditure on education (as per functional classification) amounted to GEL 215.9 million, which is 26.4% increase YoY. Meanwhile, expenditures on healthcare amounted to 117.3 million GEL, 4.4% decreased YoY.

5. Regional Review

In July 2024, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in July 2024, annual inflation amounted to 61.8% in Turkey, while in Armenia it was relatively small (1.4%). As for Azerbaijan and Russia, in June* 2024, consumer prices increased by 1.1% YoY and by 8.6% YoY respectively.



In July 2024, part of the currencies of the region countries stand out with a tendency of depreciation towards USD, except RUB.

Particularly, in July, GEL depreciated by 5.0% YoY towards USD. In the analyzing period TRY depreciated by 19.7%, AMD by 0.4% and AZN by 0.1% YoY towards USD. In the analyzing period RUB appreciated by 3.3% YoY towards USD.

Summary Tables of Main Economic Indicators

	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24
GDP Growth Rate (%)	5.5	5.8	5.1	6.2	5.9	8.3	5.8	9.5	8.2	11.8	9.2	7.5	
VAT Turnover Growth Rate (%)	2.9	4.2	3.0	6.0	2.6	4.6	1.4	11.8	8.5	19.1	14.1	10.7	
Inflation (%)	0.3	0.9	0.7	0.8	0.1	0.4	1.4	0.3	0.5	1.5	2.0	2.2	1.8
Monetary Policy Rate (%)	10.5	10.25	10.00	10.00	10.00	9.50	9.00	9.00	8.25	8.25	8.00	8.00	8.00
Deposit Dollarization (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Loan Dollarization (%)	0.5	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.5	
Exchange Rate (GEL)	2.60	2.62	2.65	2.69	2.71	2.69	2.68	2.66	2.68	2.68	2.72	2.83	2.73
Remittances (Thousand USD)	301,068	287,006	283,878	283,006	292,733	308,286	265,093	266,386	280,934	278,515	284,309	281,091	
Export (USD Million)	526.9	493.2	526.0	490.6	481.8	514.4	338.6	465	523	437	502	582	
Import (USD Million)	1324.6	1411.4	1382.0	1361.1	1296.6	1368.8	1100.3	1,178	1,222	1,438	1,319	1,214	
Trade Balance (USD Million)	-797.7	-918.2	-856.0	-870.5	-814.8	-854.5	-761.7	-713	-699	-1001	-817	-632	
International Reserves (USD Million)	5,436.1	5,436.8	5,273.2	5,118.8	5,121.7	5,009.6	4,853.2	4,746	4,777	4,814	4,600	4,581	4,671
Revenues (GEL Million)	1,846.9	1,721.5	1,821.2	1,913.4	1,830.8	2,122.0	2,116.3	1,823	2,384	2,050	2,010	2,495	
Recurrent Expenditure (GEL Million)	1,901.2	1,269.0	1,496.1	1,626.2	1,580.7	1,947.1	1,715.7	1,676	1,558	1,904	1,697	1,587	
Capital Expenditure (GEL Million)	365.4	659.1	616.0	468.6	544.5	1,109.4	402.3	420.30	430.20	423.70	458.90	567.30	



Increase



Decrease



Change < 1%

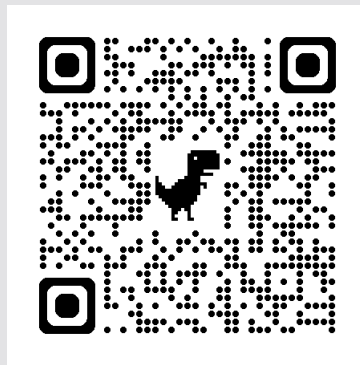
Comparison of key economic indicators with similar data for the corresponding month of last year

		07.2023	08.2023	09.2023	10.2023	11.2023	12.2023	01.2024	02.2024	03.2024	04.2024	05.2024	06.2024	07.2024
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													
Fiscal Sector	International Reserves													
	Revenues													
	Recurrent Expenditure													
	Capital Expenditure													

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

		07.2023	08.2023	09.2023	10.2023	11.2023	12.2023	01.2024	2.2024	03.2024	04.2024	05.2024	06.2024	07.2024
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													
Fiscal Sector	International Reserves													
	Revenues													
	Recurrent Expenditure													
	Capital Expenditure													

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