



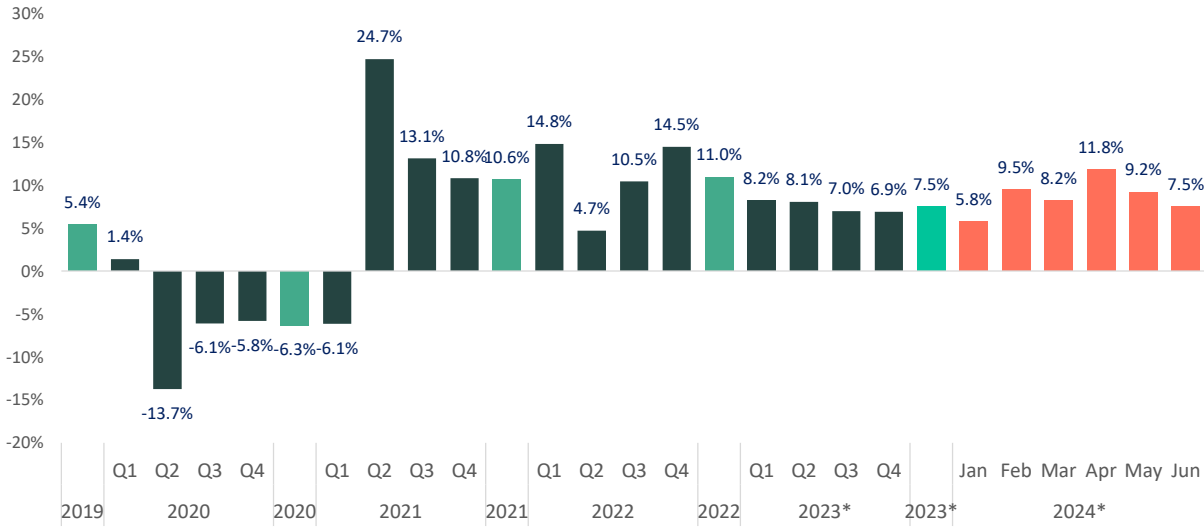
# Current Economic Outlook

July, 2024

- In June 2024, the real GDP growth rate was 7.5 percent and average growth rate of the first half of 2024 was 9.0 percent, according to the preliminary estimates of the National Statistics Office.
- In July, annual inflation stood at 1.8 percent, while core inflation was 1.4 percent
- In June, exports increased by 5.8 percent year-on-year and imports decreased by 9.6 percent year-on-year, decreasing the trade deficit by 20.2 percent year-on-year to 632 million USD
- For June, the real effective exchange rate depreciated by 9.9 percent compared to the same period of the previous year and by 4.9 percent compared to the previous month
- The National Bank of Georgia kept monetary policy rate at 8 percent in July
- By the end of July, sovereign ratings for Georgia are following:  
Fitch “BB stable”      S&P “BB stable”      Moody’s “Ba2 stable”

# According to preliminary estimates Economic Growth in June was equal to 7.5 percent

Economic Growth, % y/y

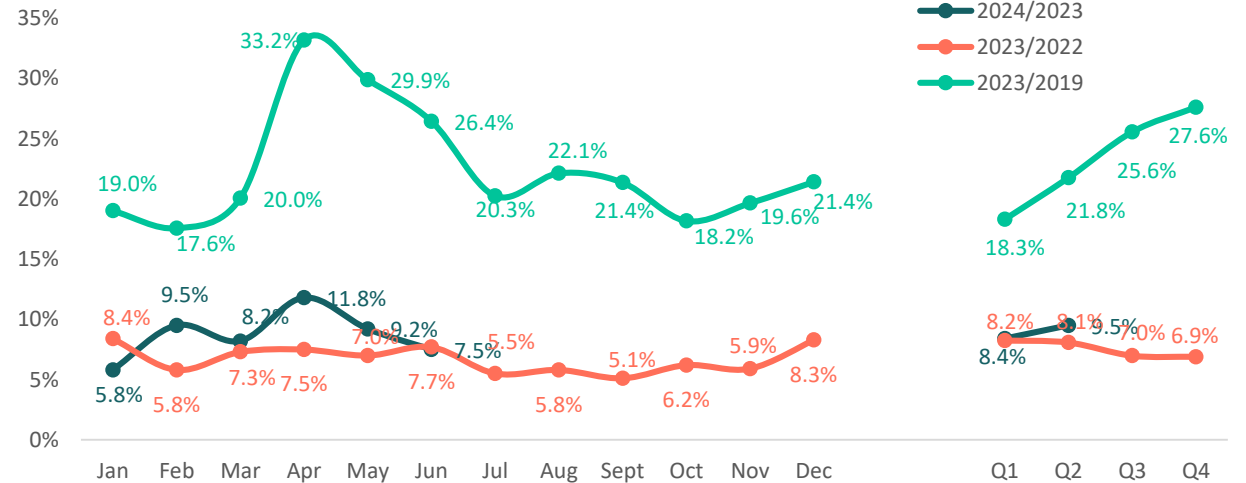


- Estimated real GDP growth rate in June 2024 equaled 7.5 percent YoY and average annual real GDP growth rate for the January-June of 2024 equals to 9.0 percent, while the seasonally adjusted economic growth in June comparing to the previous month was -0.5 percent.
- In June 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and insurance activities, Construction, Information and communication, Transportation and storage, Professional, scientific and technical activities.

Economic Growth, % m/m



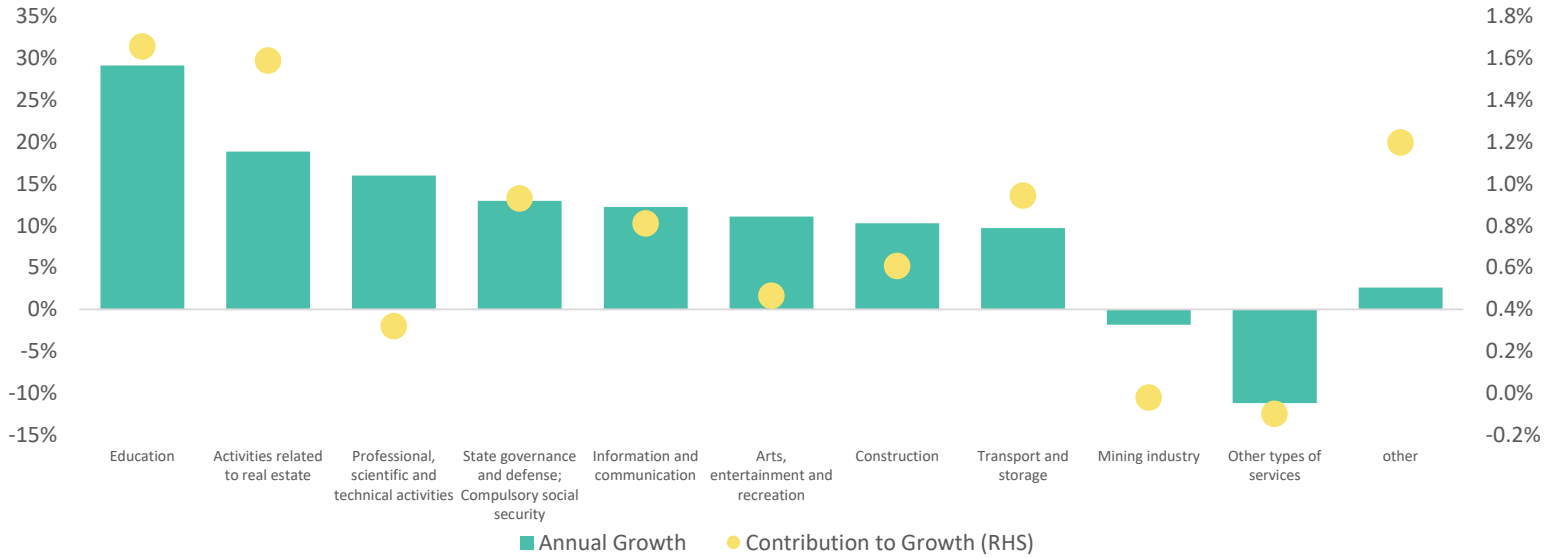
Economic Growth, 2024-2019



Source: Geostat, MOF

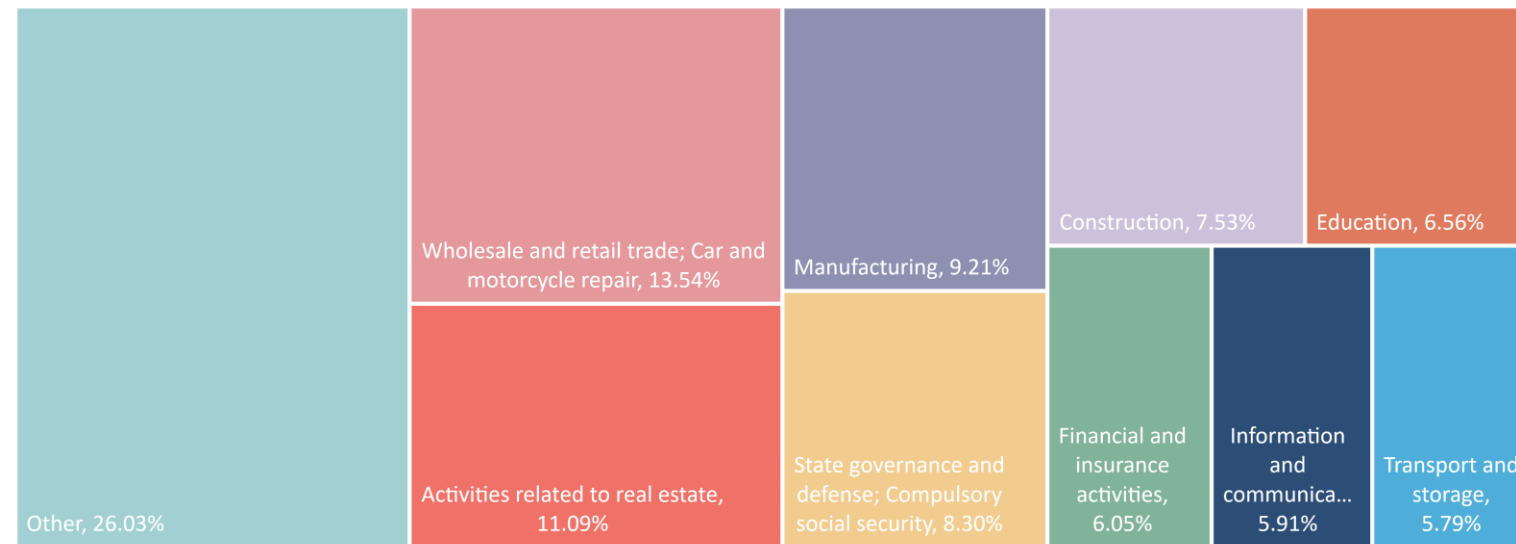
# According to preliminary estimates, real GDP increased by 8.4 percent in the first quarter of 2024

## Real GDP growth by economic activity, 2024 I Quarter



- According to preliminary estimates, the economy grew by 8.4 percent in the first quarter of 2024, and growth in 2023 was set at 7.5 percent. Growth in the first quarter of 2024 represents a 28.2 percent increase over the first quarter of 2019.
- The following industries have made a significant contribution to growth of Q1 2024:
  - Education: 29.1 % (1.7 p.p.)
  - Activities related to real estate: 18.8% (1.6 p.p.)
  - Professional, scientific and technical activities: 16.0 % (0.3 p.p.)
  - State governance and defense; Mandatory social security 13.0 % (0.9 p.p.)
  - Information and communication: 12.2 % (0.8 p.p.)
  - Arts, entertainment and recreation: 11.1% (0.5 p.p.)
  - Construction: 10.3 % (0.6 p.p.)
  - Transport and warehousing: 9.7 % (0.9 p.p.)
- The following sectors made a significant contribution to the decrease:
  - Mining industry: -1.8% (-0.02 pp.)
  - Other services: -11.2% (-0.1 pp.)

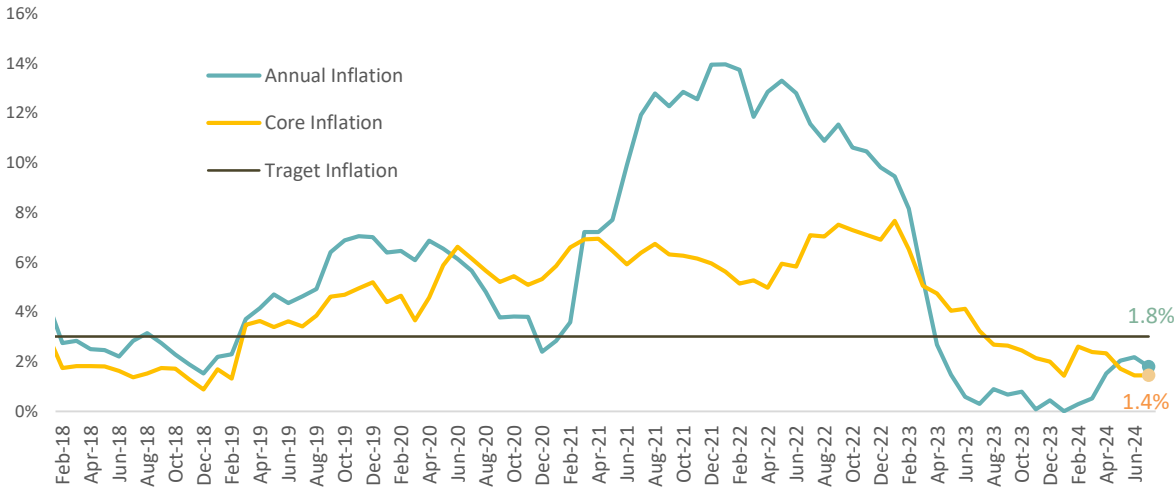
## GDP by economic activity, 2024 I Quarter



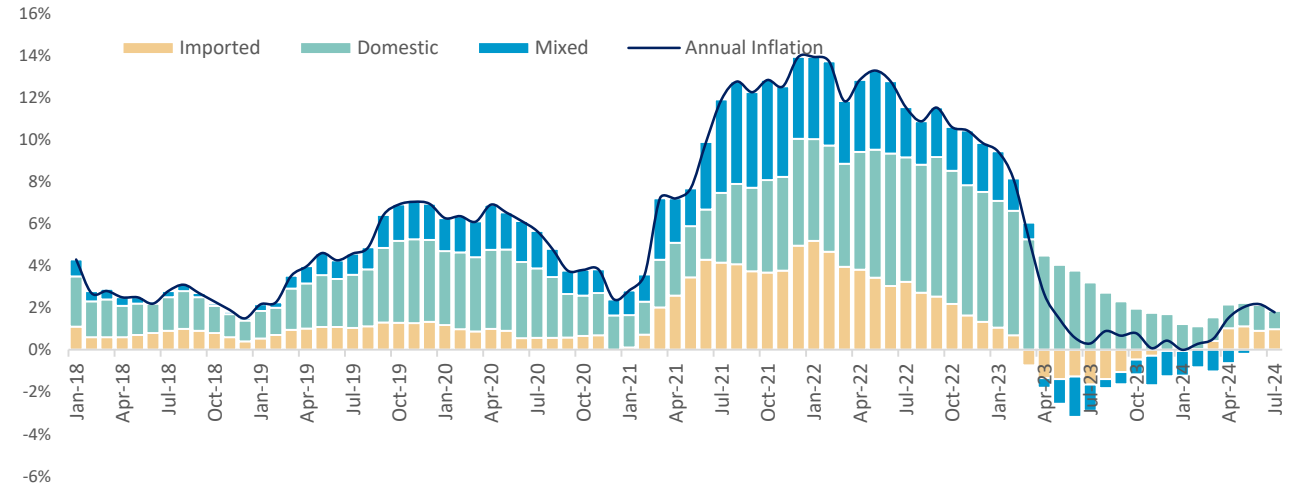
Source: Geostat

# Annual inflation in July has reached 1.8 percent

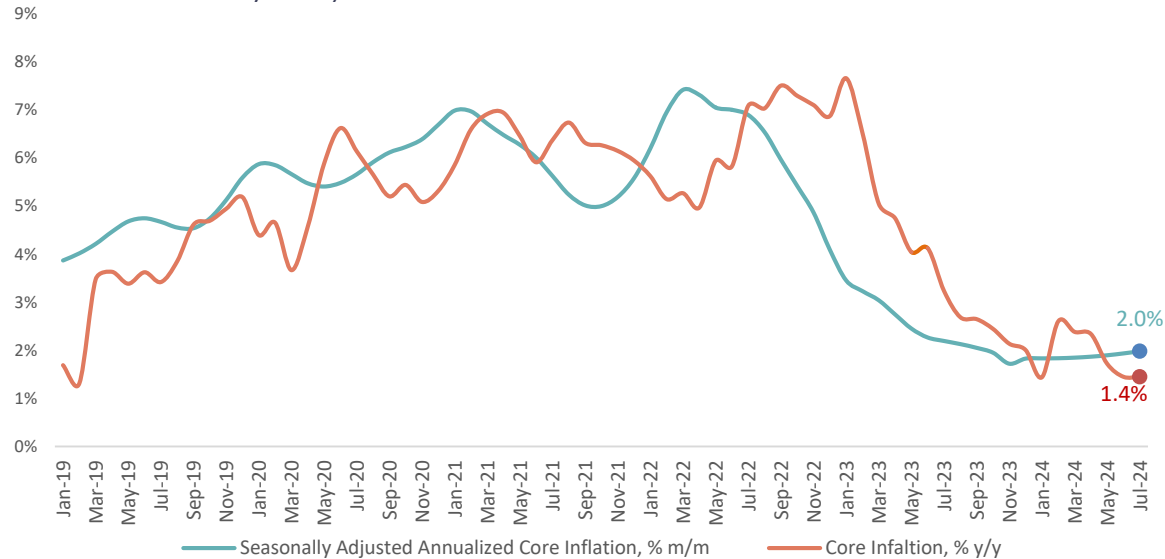
## Total and Core Inflation, % y/y



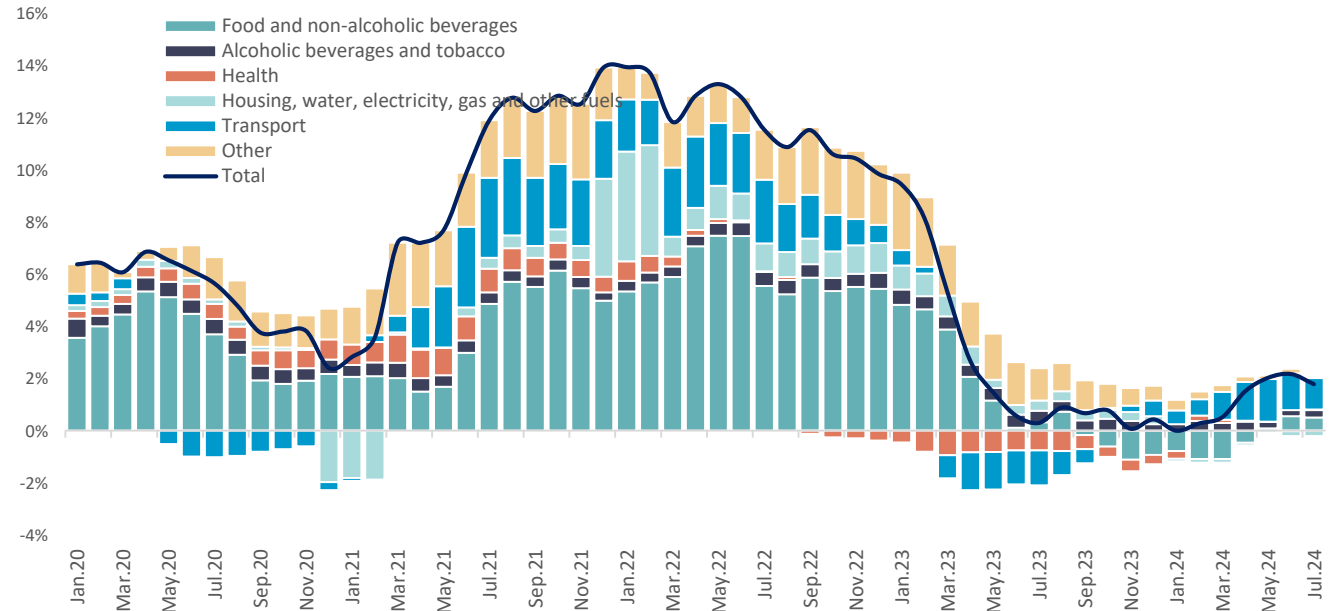
## Inflation Decomposition



## Core Inflation, % m/m



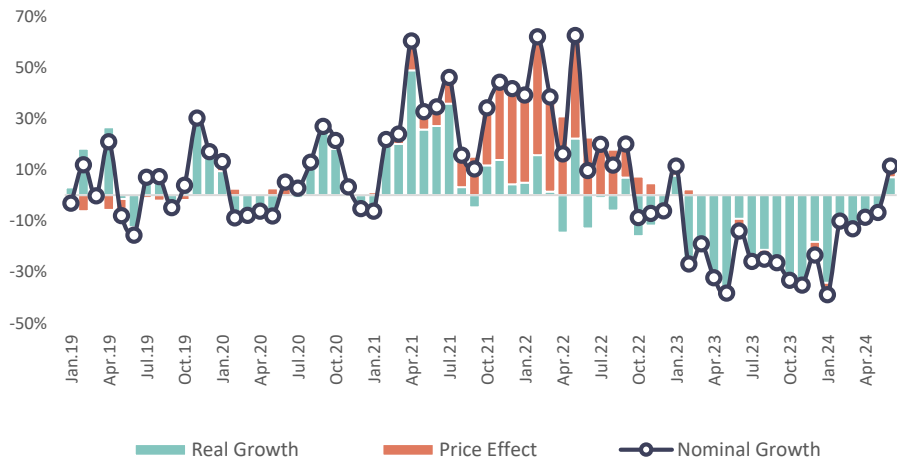
## Inflation Decomposition by product group



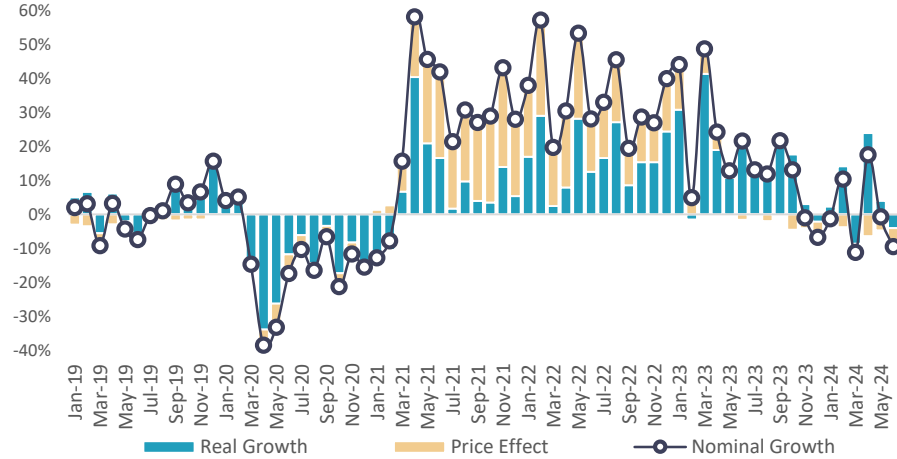
Source: Geostat, NBG, MOF

# Trade Deficit in June decreased by 20.2 percent annually

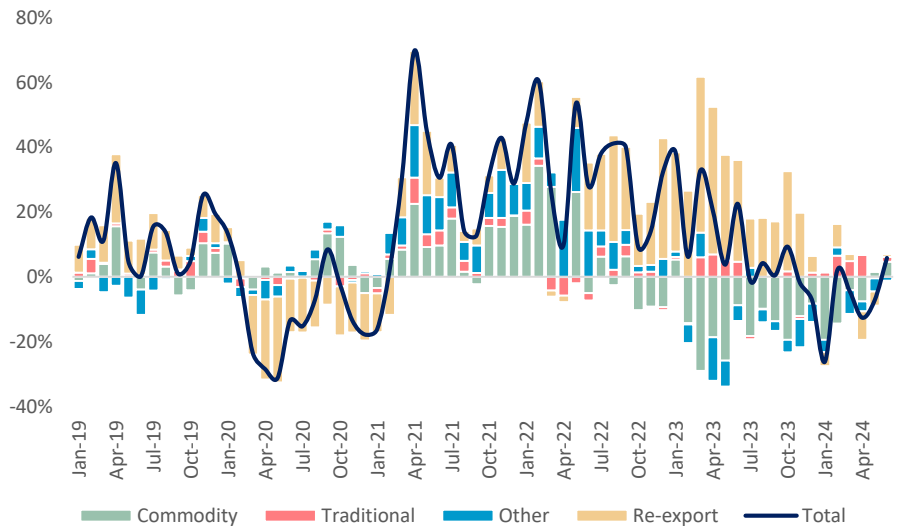
## Change of Domestic Export, %/y



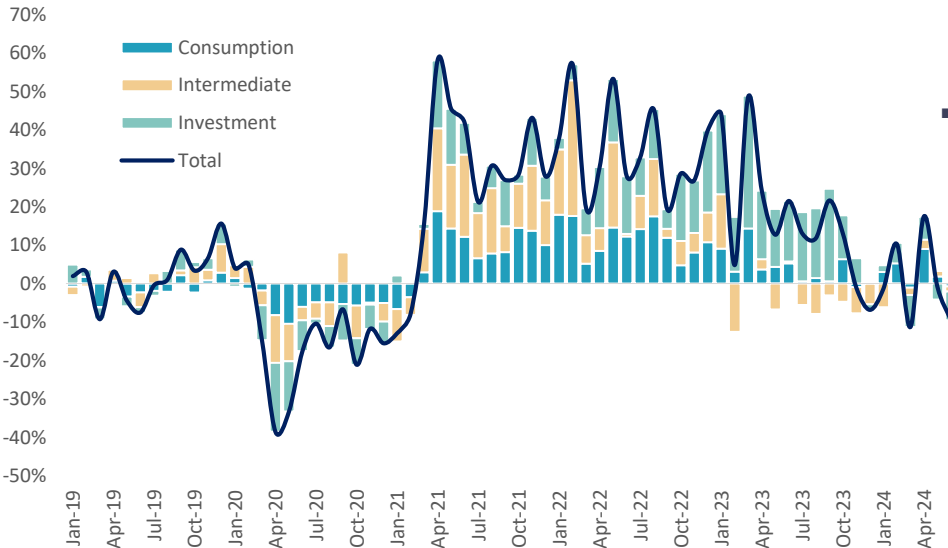
## Change of Import, %/y



## Decomposition of Export



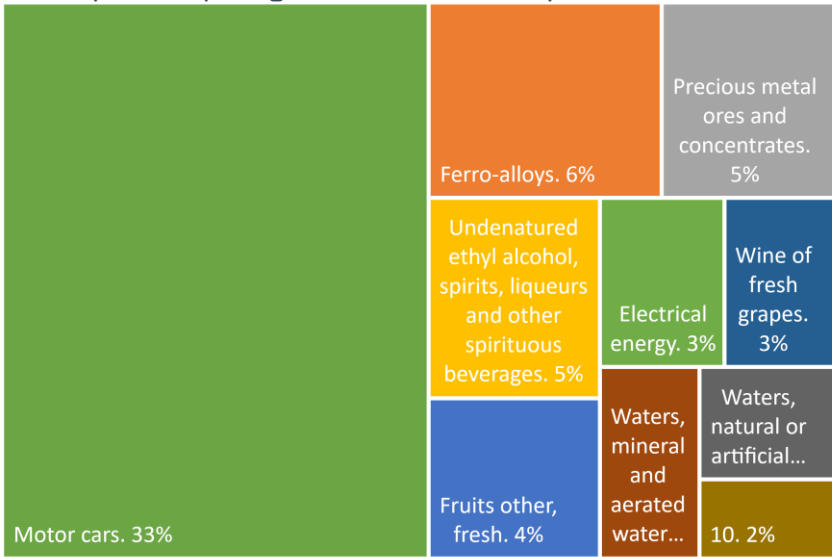
## Decomposition of Change of Import, %/y



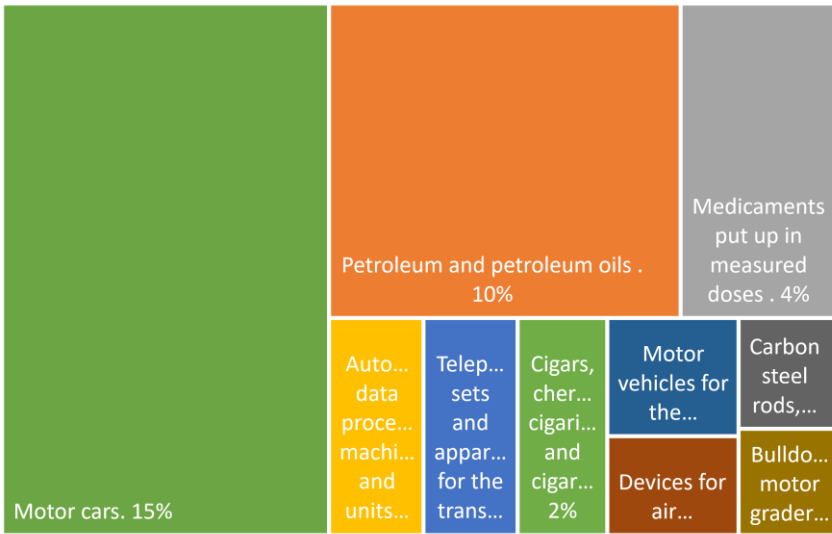
- Export in June increased annually by 5.8 percent to 582.1 million USD.
- Domestic export increased annually by 11.3 percent to 270.2 million USD.
- Import annually decreased by 9.6 percent to 1 214.5 million USD in June.
- Trade deficit annually decreased by 20.2 percent to 632.4 million USD.
- Share of re-export in export growth is equal to 0.9 percent (1.5 %/y), while share of commodity export is 5.8 percent (36.4 %/y).
- Contribution of import of Investment, Intermediate, and Consumption goods to total import annual growth was equal to -7.5, -1.3 and -0.7 percent, respectively.

# International trade is characterized by stable diversification

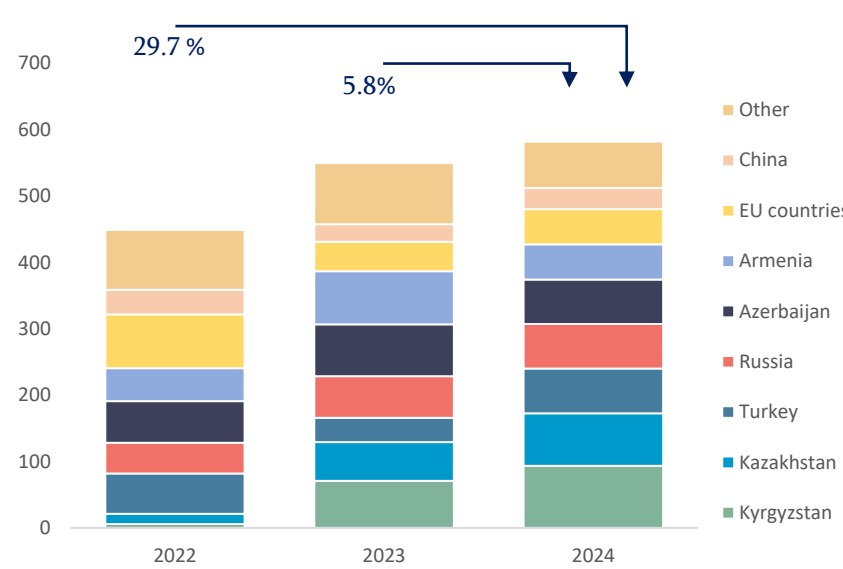
Top 10 Export goods, % of total Export



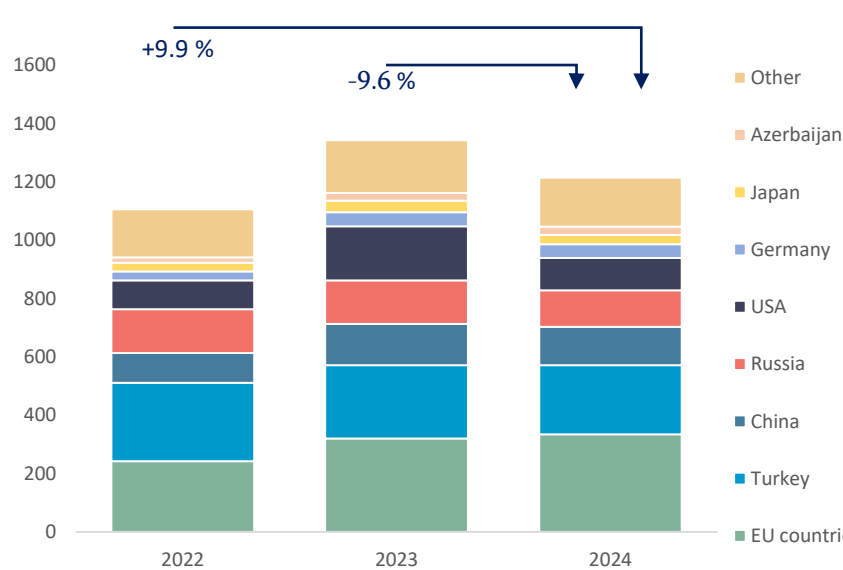
Top 10 Import goods, % of total Import



Export by country, June



Import by country, June



▪ **Top Export Products:**

- Motor cars: 194.3 million. USD - 33.4 percent of total exports.
- Ferro-alloys: 37.4 mln. USD - 6.4 percent of total exports.
- Precious metal ores and concentrates: 28.5 million USD - 4.9 percent of total exports.

▪ **Top Import Products:**

- Motor cars: 169.0 million. USD - 13.2 percent of total imports.
- Petroleum and petroleum oils: 91.2 million US dollars - 7.1 percent of total imports.
- Medicaments put up in measured doses: 48.4 million USD - 3.8 percent of total imports.

▪ **Top Export Country:**

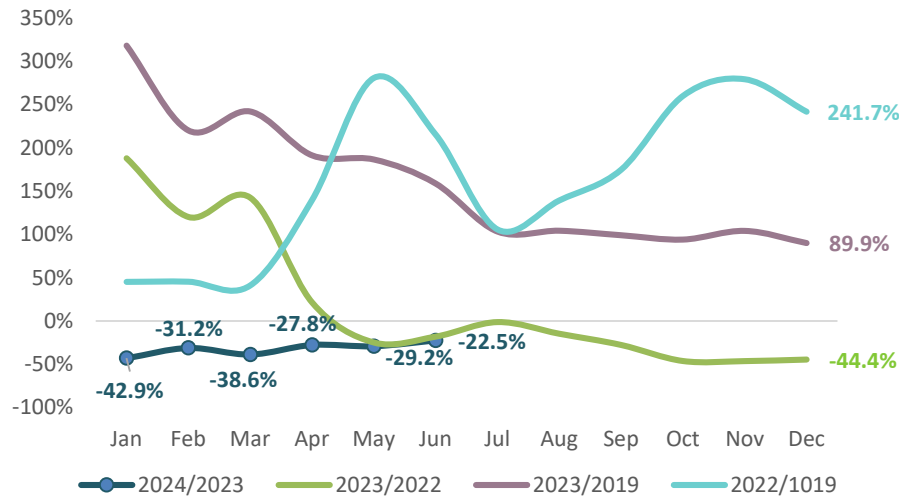
- Kyrgyzstan: 93.2 million USD, - 16.0 percent.
- Kazakhstan: 79.5 million USD, - 13.7 percent.
- Turkey: 67.5 million USD - 11.6 percent.

▪ **Top Import Country:**

- European Union: 334.1 million. USD, - 27.5 percent.
- Turkey: 202.2 million USD, - 16.7 percent.
- China: 130.9 million USD - 10.8 percent.

# Net Remittances decreased by 22.5 percent in June 2024

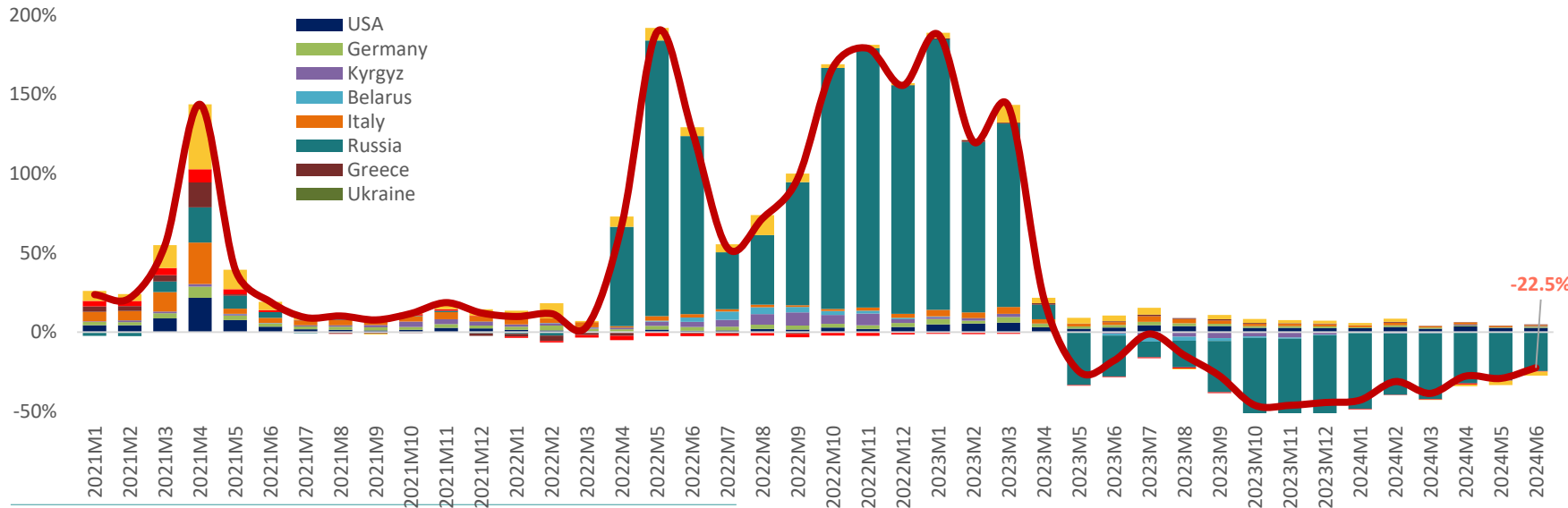
Net Remittances, 2024-2019



Net Remittances, June 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
USA	46.6	23.7	2.7
Russia	45.7	-63.7	-24.6
Italy	44.9	5.7	0.7
Germany	21.7	10.2	0.6
Greece	20.4	7.0	0.4
Israel	19.0	0.5	0
Other	54.7	-12.8	-2.0

Net Remittances by country, %y/y



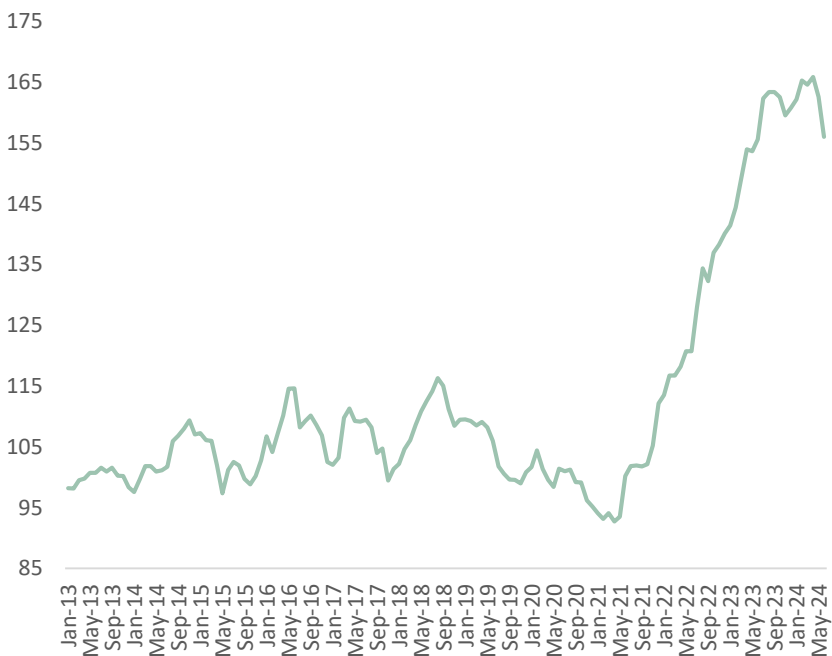
- In June 2024, net remittances were estimated at 252.9 million USD, representing a 22.5 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 100.5 percent.
- Net Remittances increased from:
  - US: 23.7 percent (contributing 2.7 pp to total growth)
  - Italy: 5.7 percent (0.7 pp contribution to overall growth)
  - Germany: 10.2 percent (0.6 pp contribution to overall growth)
- Net Remittances decreased from:
  - Russia: -63.7 percent (-24.6 pp contribution to total growth)
  - Kazakhstan: -39.7 percent (-2.0 pp contribution to total growth)
  - Turkey: -53.8 percent (-0.8 pp contribution to total growth)

Source: NBG

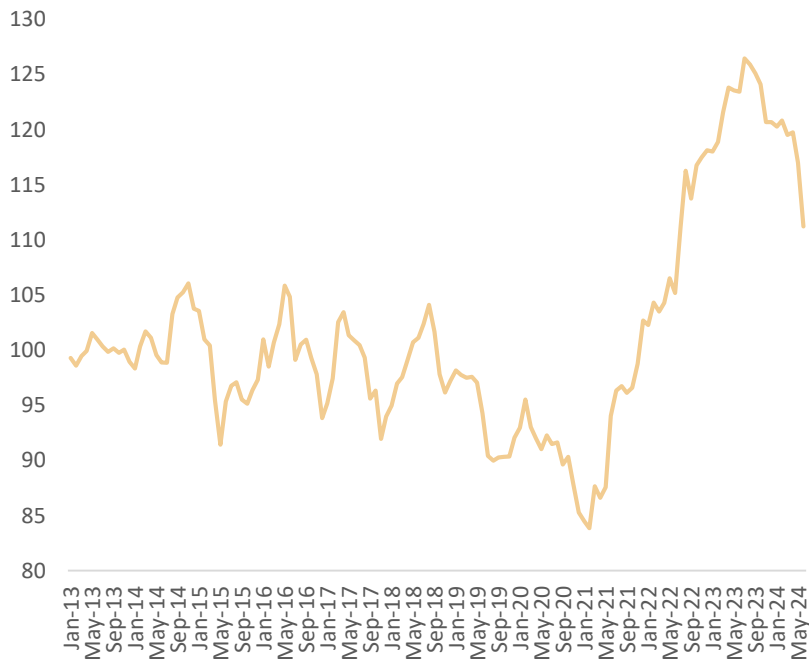


# Real Effective Exchange Rate Depreciated by 9.9 percent in June

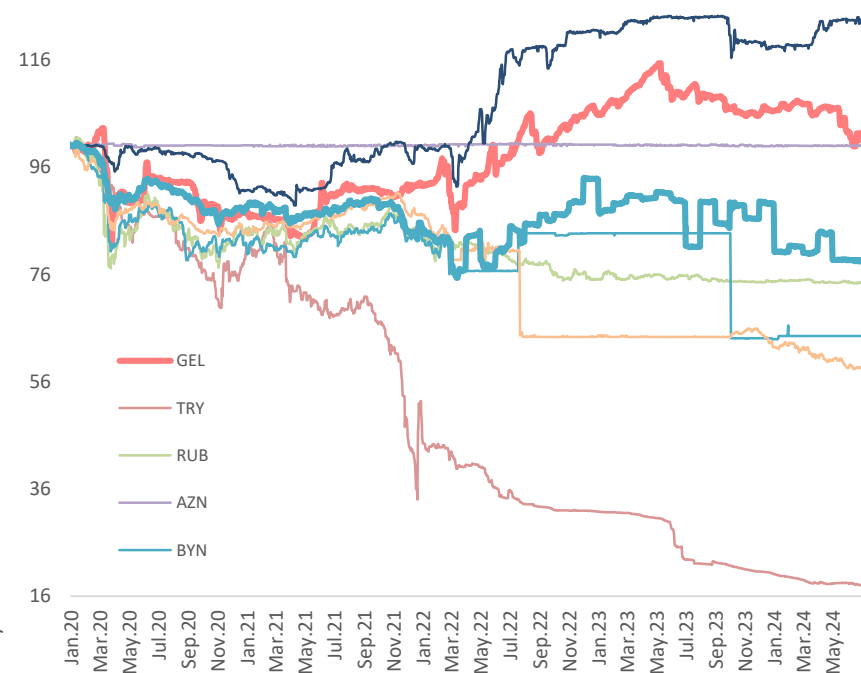
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



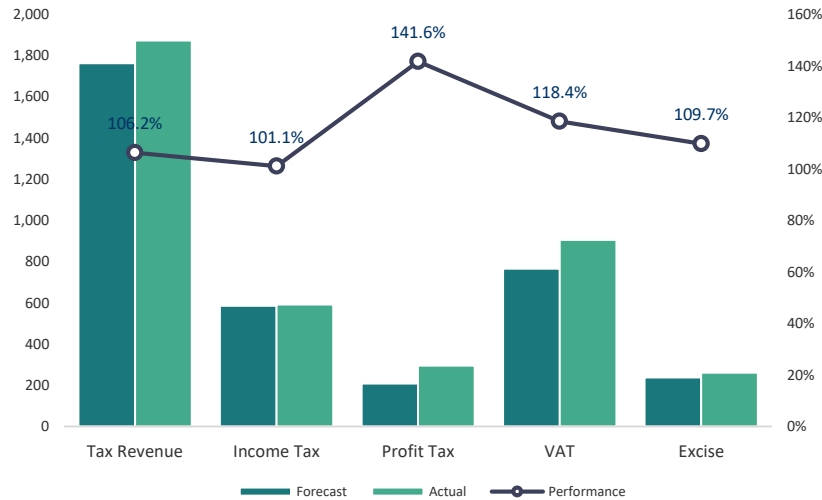
July 31, 2024

Note: Increase means appreciation

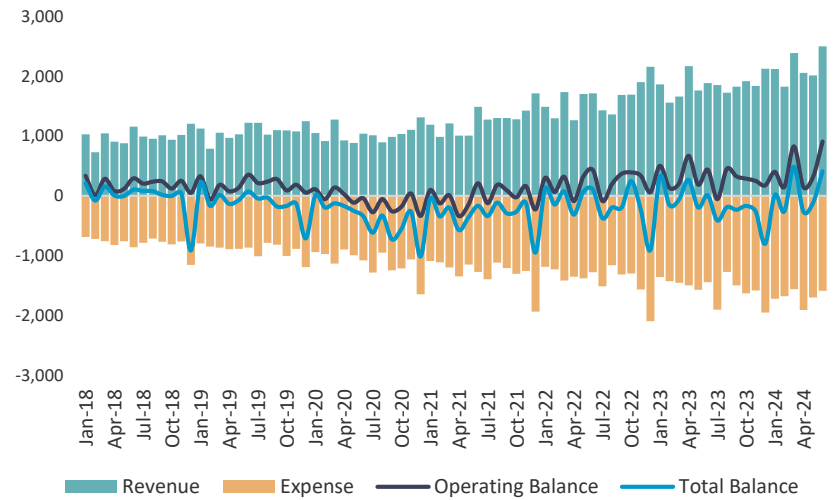
	August 1, 2024		August 1, 2024 - Jan 1, 2024		August 1, 2024 - Jan 1, 2023
Euro	2.9406	▲	1.2%	▼	-1.9%
US Dollar	2.7147	▼	-0.9%	▼	-0.5%
Turkish Lira	0.0819	▲	11.1%	▲	76.2%
Russian Ruble	0.0315	▼	-5.1%	▲	16.7%
NEER	188.27	▲	1.1%	▲	14.4%
REER (June 2024)	136.83	▼	-7.5%	▼	-5.9%

# Tax revenues in July is above the forecast value by 6.2 percent

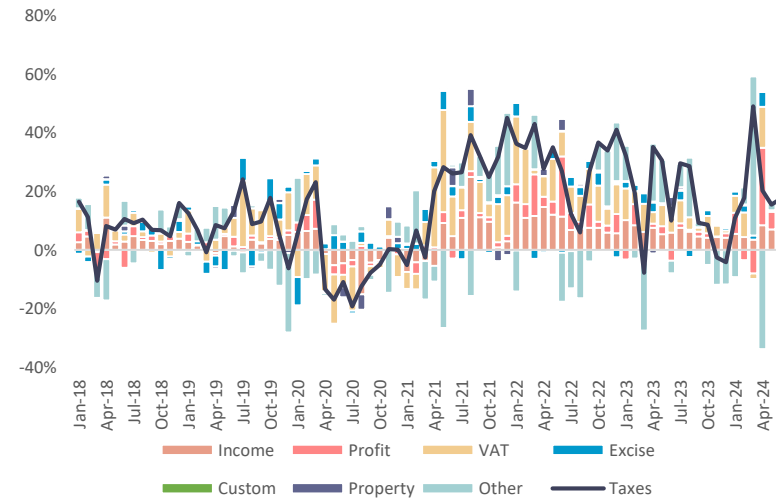
### Budget Revenue Performance, July 2024



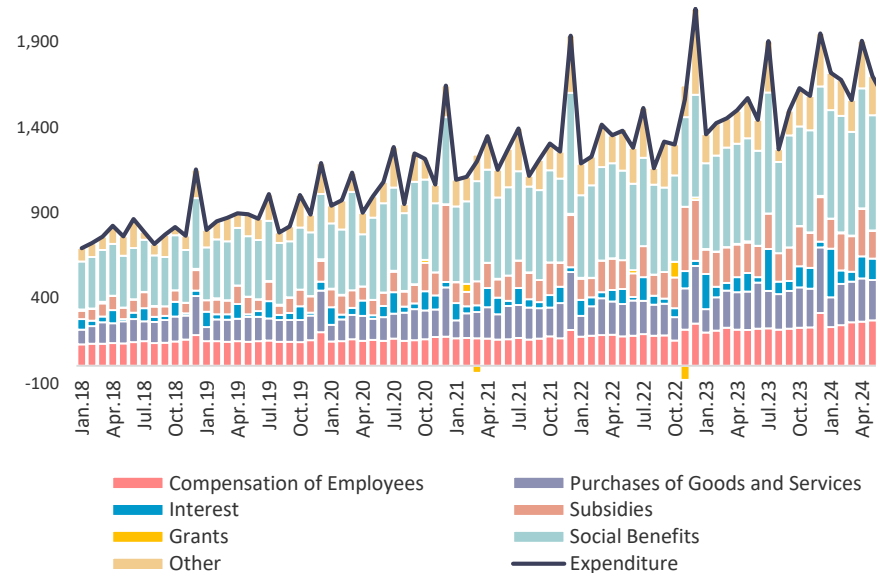
### Consolidated Budget, mln GEL



### Tax Income, % y/y



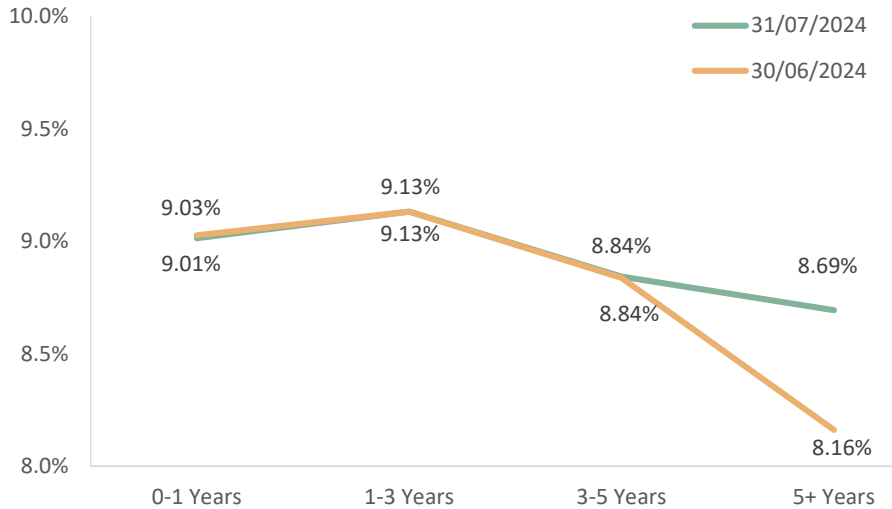
### Consolidated Budget Expenditure, mln GEL



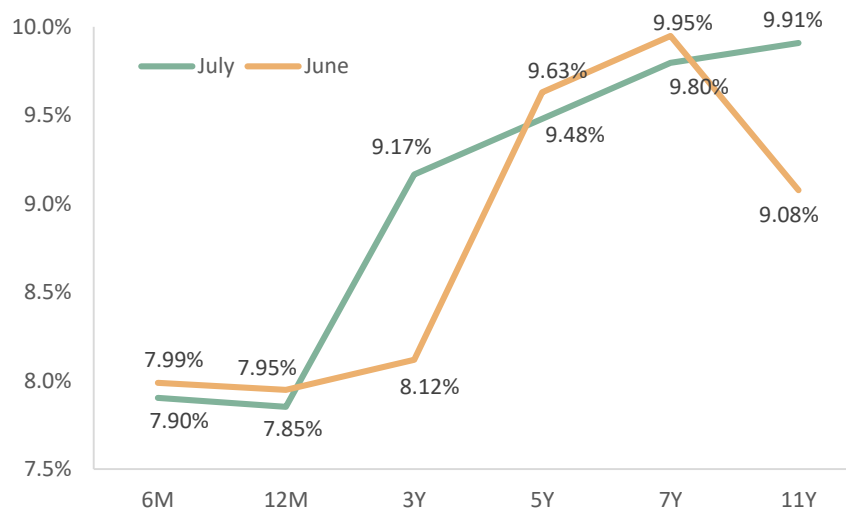
- The actual level of tax income in July 2024 was 1,872 mln GEL, which is above the forecasted value by 6.2 percent.
- Consolidated budget revenues increased by 32.9 percent and expenditures increased by 10.1 percent in June.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 907.3 million GEL, while the total balance was set at 408.7 million GEL.
- Revenue from taxes had a significant impact on revenue from profit and income taxes in June, accounting for 9.6 and 6.3 percent of total growth, respectively.

# Treasury Financial Securities Portfolio Changed in July

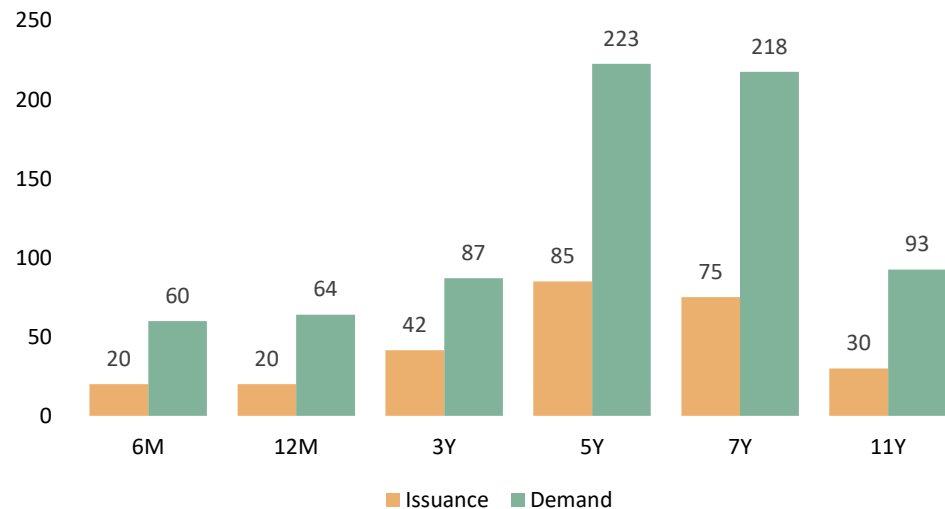
Portfolio Yield Curve



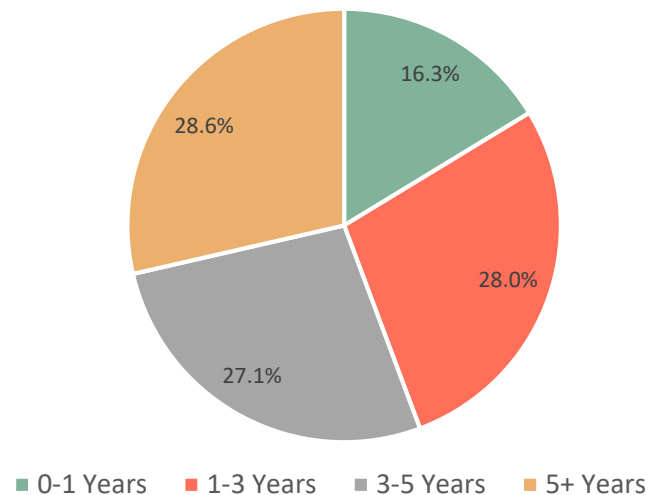
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



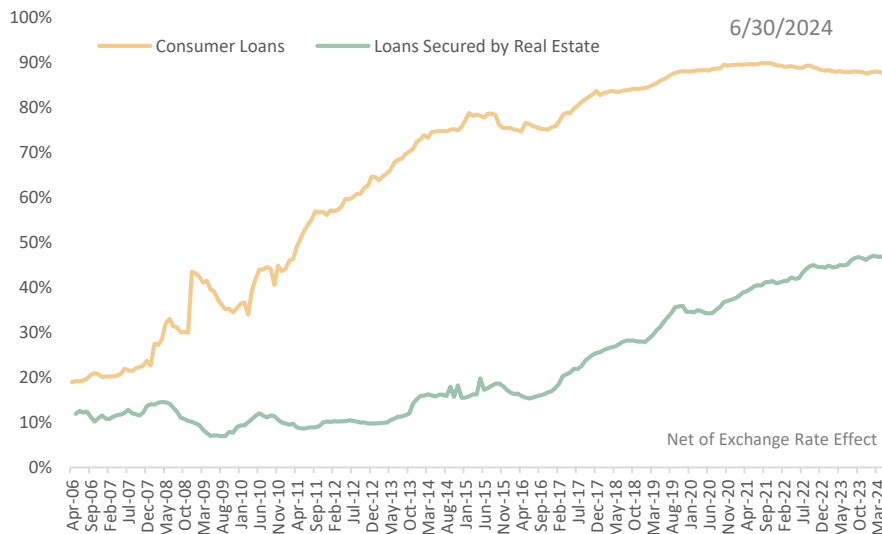
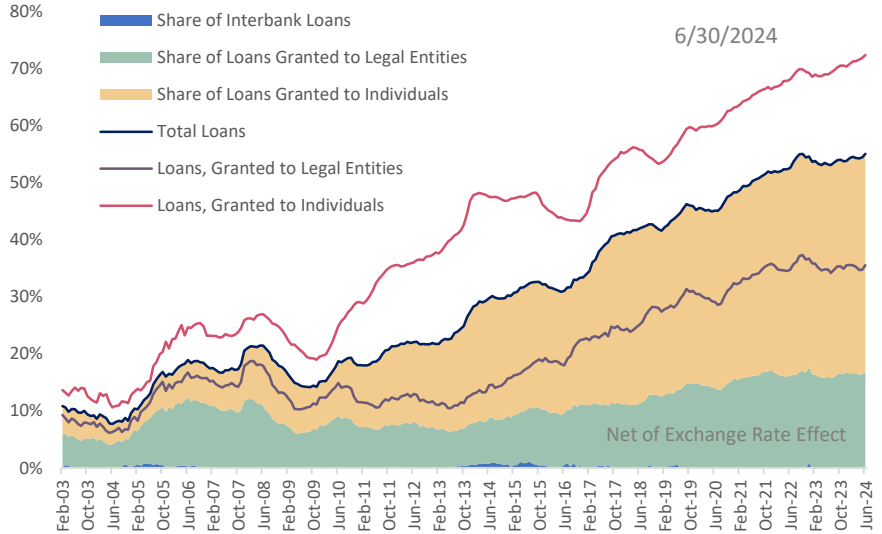
Portfolio by Residual Maturity, July 31, 2024



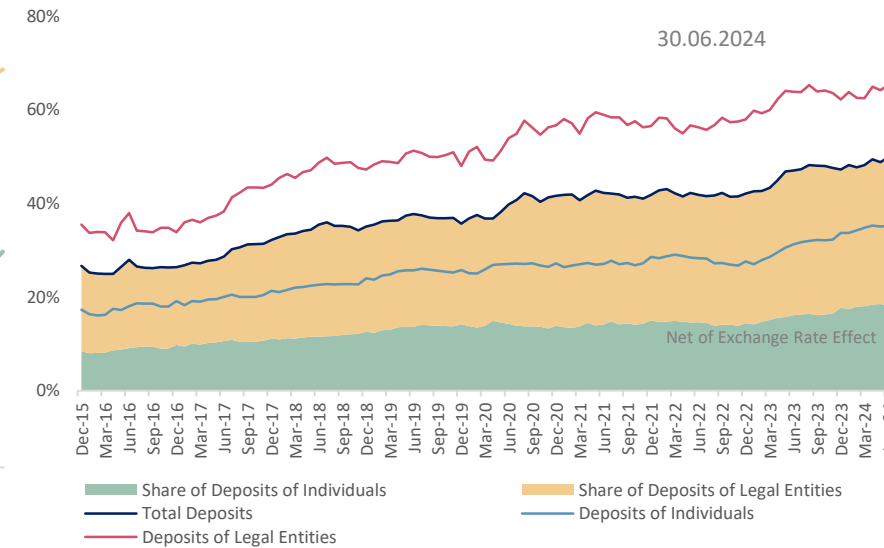
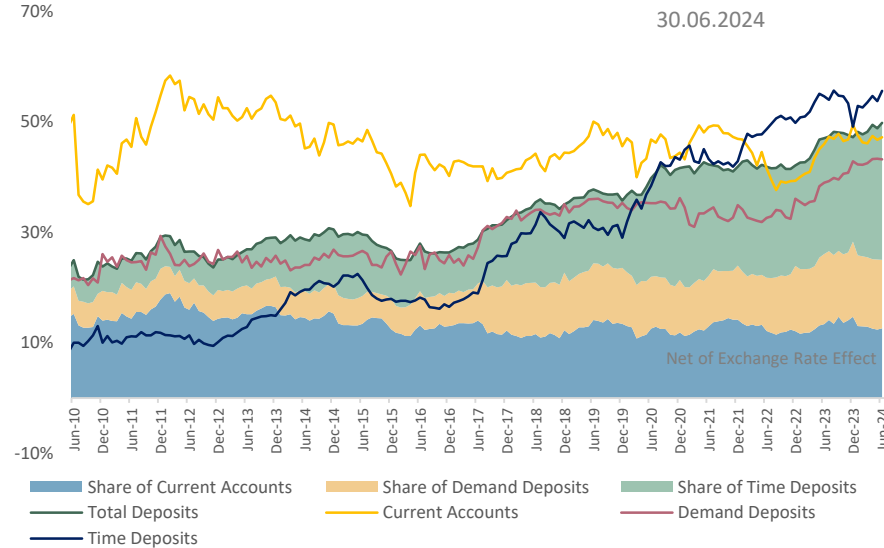
- In July, 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 271.6 million GEL.
- The weighted average interest rate amounted to 9.332%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with the residual maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 130 million GEL were redeemed. The bonds with a nominal value of 40 million GEL were redeemed.
- There were changes in the treasury financial security portfolio. As of July 31, 2024, 28.6% of the treasury securities portfolio (in June, it was 26.9%) is composed of the securities whose maturity date is due for the next 5 or more years. The medium-term state financials securities (with duration 1-3 years) have also a sizable share (at around 28%) in the total portfolio. The share of the securities with 3-5 years maturities remained at the same level at 27.1%.
- The Bid-to-cover ratio decreased compared to the previous month's value (June 1.62) and amounted to 2.74.
- The average Time to Maturity (ATM) has insignificantly increased from 3.46 to 3.48 years.

# In June Loan and Deposit Larization Indicators Increased

## Loan Larization



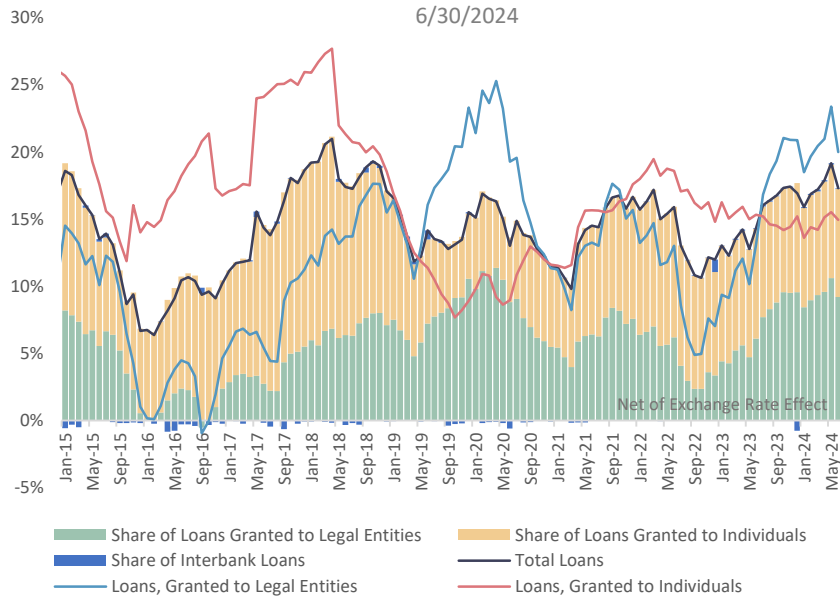
## Deposit Larization



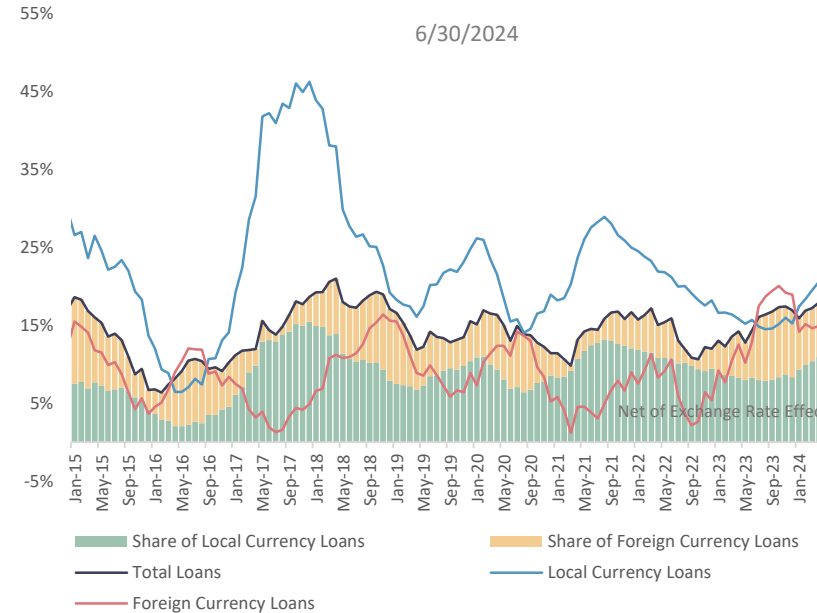
- As of June 30, 2024, the larization of total loans is 55 percent.
- The larization of loans to individuals is 72.3 percent.
- The larization of the loans to legal entities amounted to 35.5 percent.
- The larization of the total deposits equals to 49.8 percent.
- The larization on the deposits of legal entities amounted to 65.2 percent.
- The larization of the deposits of individuals is 35.2 percent.
- The larization of time deposits is 55.6 percent.
- The larization of current accounts equals to 47.2 percent.
- The larization of the demand deposits is 43.2 percent.

# High Annual Growth Trends of Loans Have Retained

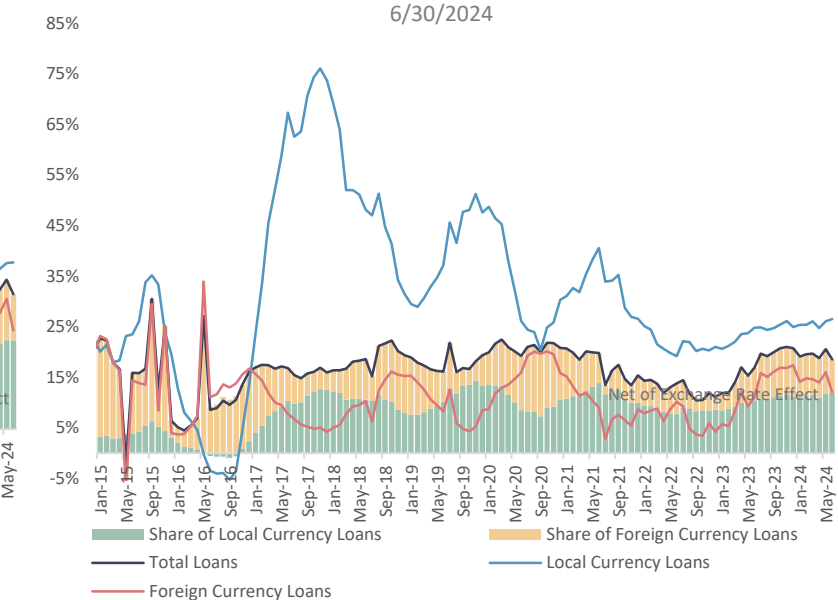
Loans Growth Rates, % y/y



Loans by Currency, % y/y



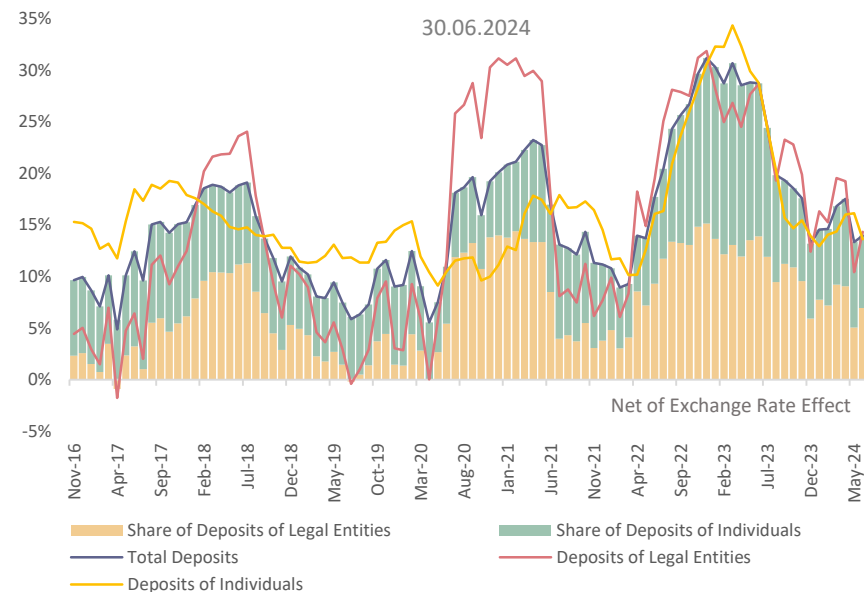
Mortgage Loans, % y/y



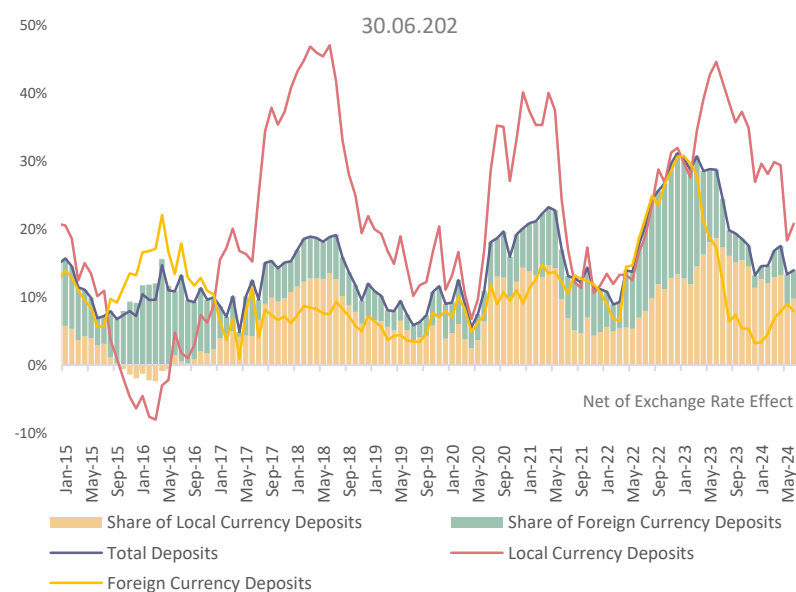
- As of June 30, 2024, the total loans increased by 17.3 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 20 percent.
- The annual growth of loans to individuals is 15 percent.
- As of July 1, 2024, the growth rate of the loans denominated in the national currency amounted to 21.4 percent.
- The annual growth of loans denominated in foreign currency amounted to 12.7 percent.
- As of June 30, 2024, the annual growth of the loans secured by real estate amounted to 18.5 percent. At the same time, the mortgage loans denominated in the national currency increased by 26.5 percent, while the mortgage loans denominated in the foreign currency also increased by 12.0 percent.

# Annual Growth Rates of Deposits Are Declining

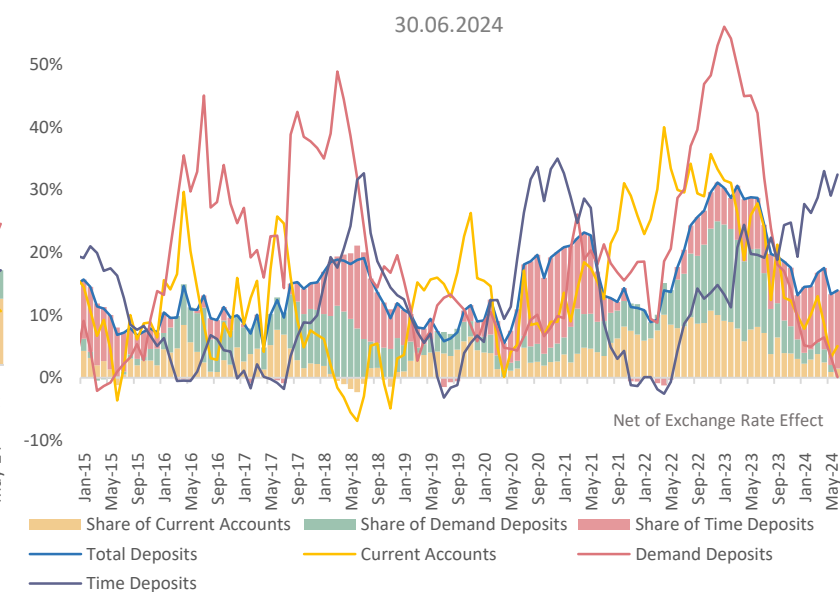
## Deposits Annual Growth, % y/y



## Deposits by Currency, % y/y



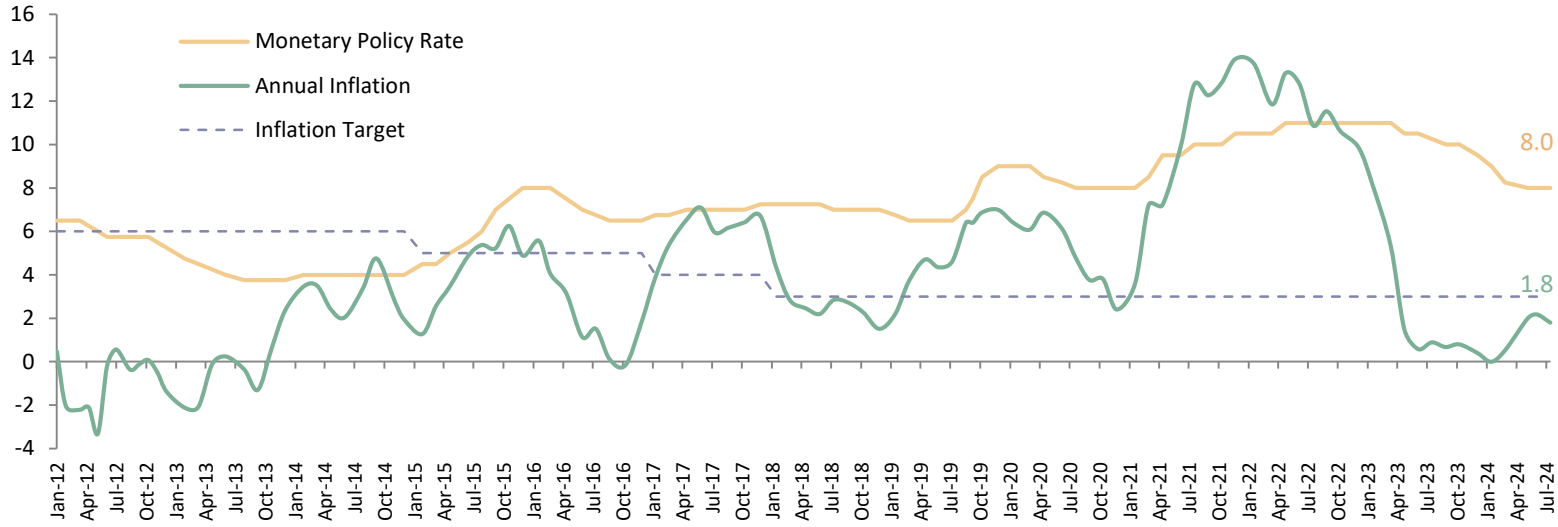
## Deposits by Type, % y/y



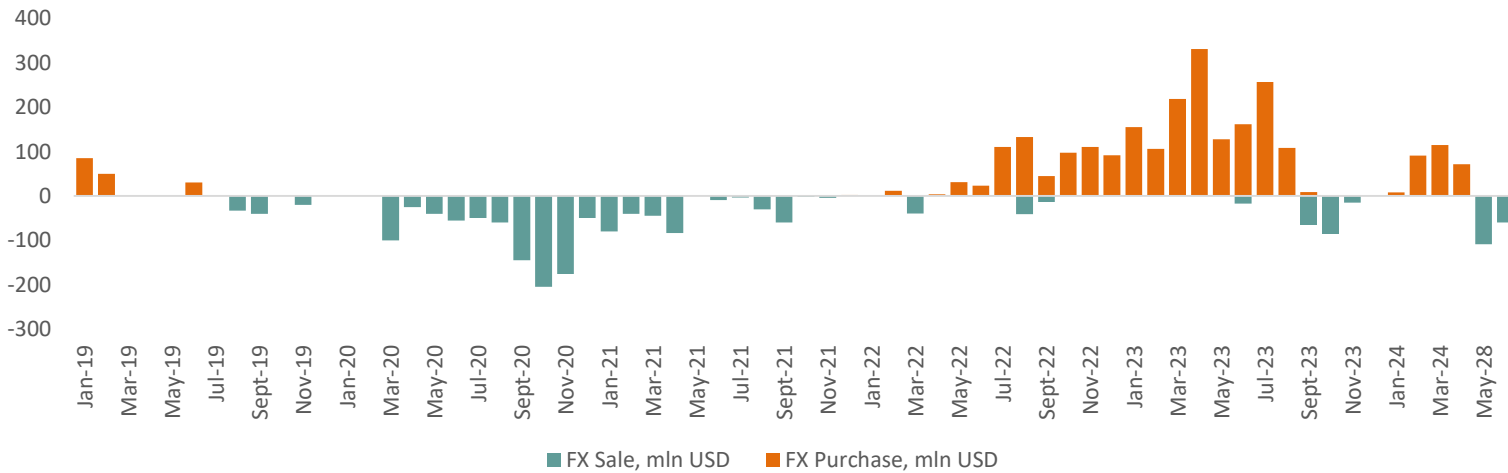
- As of July 1, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 14 percent.
- The annual growth of the deposits denominated in the national currency amounted to 20.7 percent. The annual growth of the deposits denominated in foreign currency stood at 7.9 percent over the same period.
- The growth of the deposits of individuals amounted to 13.6 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.3 percent.
- The annual growth of current accounts at the beginning of July, 2024, was equal to 5.1 percent.
- The annual growth of the time deposits was 32.4 percent.
- The growth of the demand deposits amounted to 0.1 percent.

# Monetary Policy Rate Kept at 8.0 percent in July

## Inflation and Monetary Policy Rate



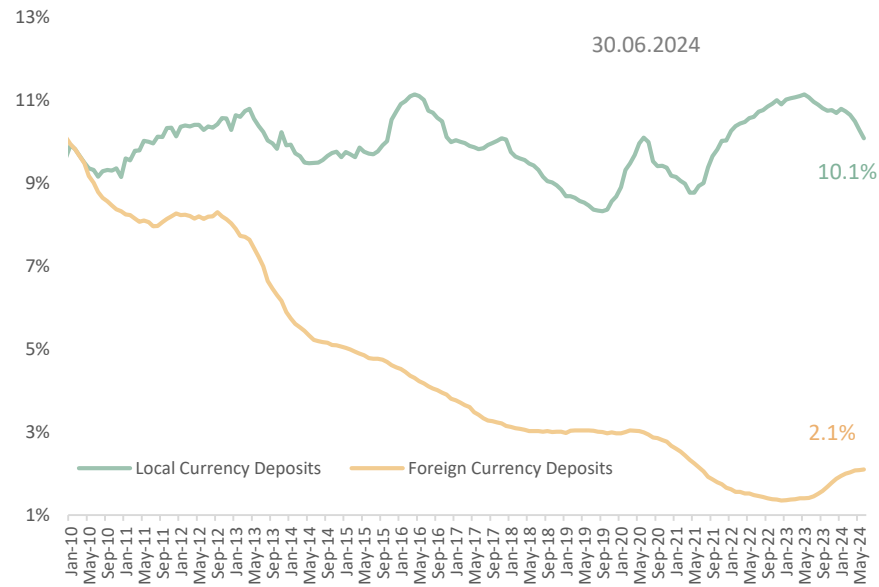
## Trade of USD by NBG, mln USD



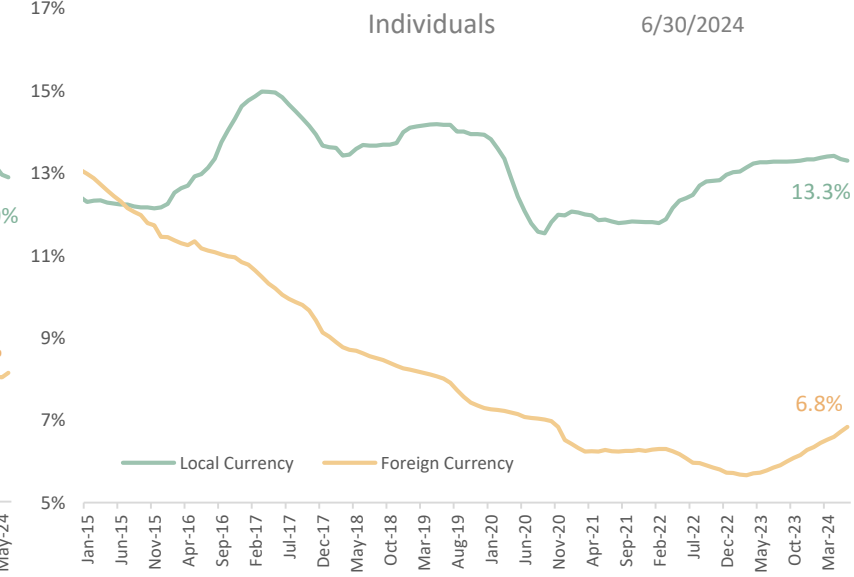
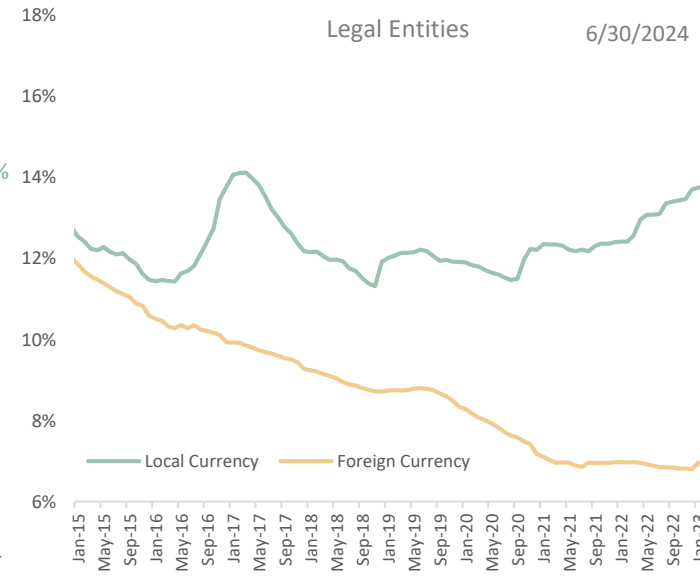
- In July 30, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) conducted a meeting and determined it at 8.0 percent level.
- Per the NBG, the factual inflation is less than the target one (3 percent). The major reason of this is the domestic factors such as stabilization of inflation for domestically produced goods and services. In this regard, an increased competition from abroad plays important role. It is also relevant to note that the economic activities have raised more that it was expected, but production capacity has risen, which mitigates inflationary pressure. As for the external factors, it should be underlined that there is a high global economic uncertainty that can create an inflationary pressure in the country. It is also worth noting that the rising shipping costs from china has increased inflationary risks of imported goods. The inflation was 1.8 percent in July of this year. It is expected that the inflation in Georgia will be around the target level in the second half of 2024.
- The next meeting of the Monetary Policy Committee will be held on September 11, 2024.
- The NBG did not make the foreign exchange interventions during July of 2024 via the currency auctions.

# Market Interest Rates on Foreign Currency Has an Increasing Trend, While on Local Currency They Declined

## Interest Rates on Deposits



## Interest rates on Loans secured by Real Estate



- As of July 1, 2024, the interest rate on foreign currency deposits was 2.1 percent, and in the national currency – 10.1 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10 percent, and in foreign currency – 3.1 percent.
- The average annual interest rate on deposits by individuals is 2.1 percent for foreign currency deposits and 10.1 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 12.2 percent (16 percent in the national currency and 6.1 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 15.6 percent (16.5 percent in the national currency and 7.7 percent in foreign currency).
- At the end of June, 2024, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 12.5 percent, and in the foreign currency 9.4 percent. The interest rate on the loans to individuals in the national currency was 12.4 percent, and in foreign currency 7.4 percent.



## Disclaimer

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Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: [info@mof.ge](mailto:info@mof.ge); [www.mof.ge](http://www.mof.ge)



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OF GEORGIA