



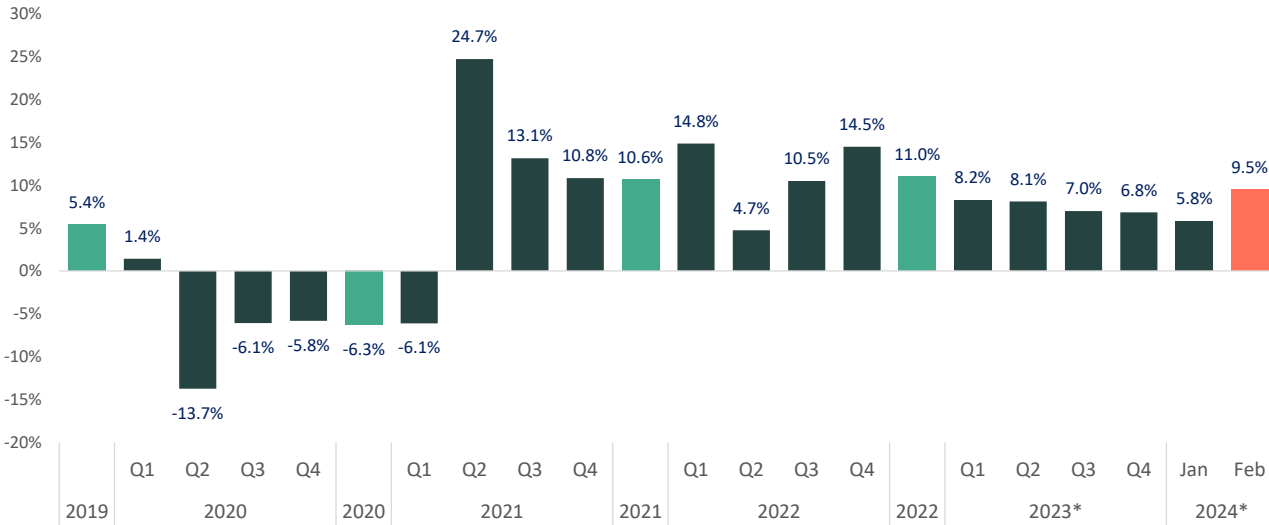
Current Economic Outlook

March, 2024

- In February 2024, the real GDP growth rate was 9.5 percent and average growth rate of 2023 was 7.5 percent, according to the preliminary estimates of the National Statistics Office.
- In March, annual inflation stood at 0.5 percent, while core inflation was 2.4 percent
- In February, exports decreased by 26.2 percent year-on-year and imports decreased by 10.1 percent year-on-year, increasing the trade deficit by 1.2 percent year-on-year to 664 million USD
- For February, the real effective exchange rate appreciated by 1.7 percent compared to the same period of the previous year and by 0.5 percent compared to the previous month
- The National Bank of Georgia decreased monetary policy rate at 8.25 percent in March

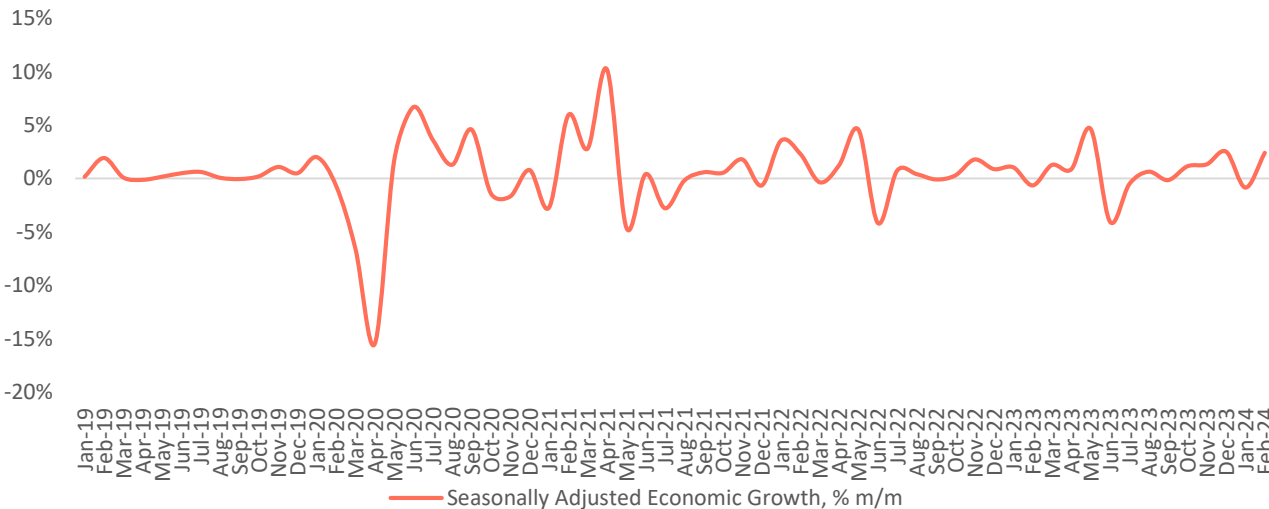
Economic Growth in February was equal to 9.5 percent

Economic Growth, % y/y

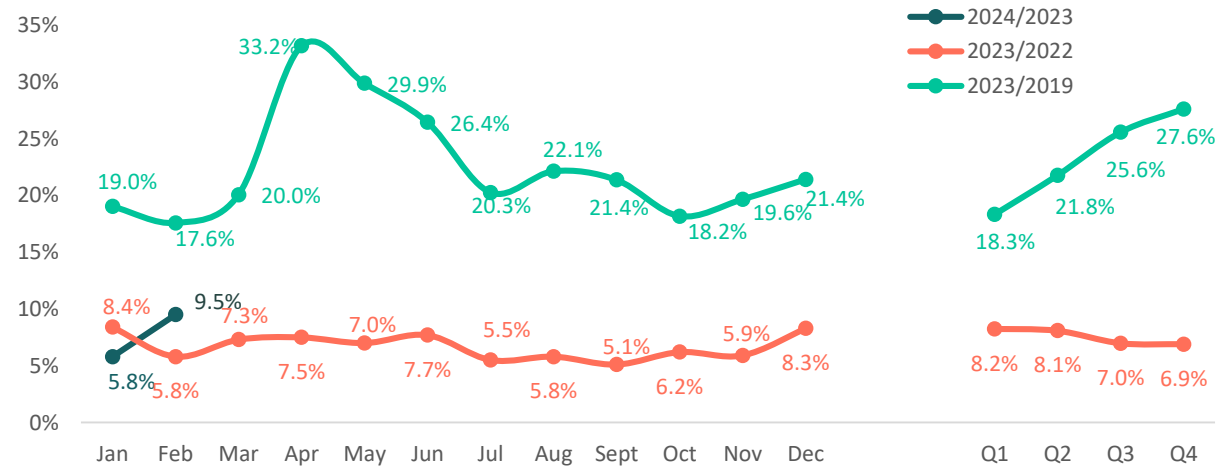


- Estimated real GDP growth rate in February 2024 equaled 9.5 percent YoY and average annual real GDP growth rate for the 4th quarter of 2023 equals to 6.9 percent, while the average growth of the 2023 was 7.5 percent. Seasonally adjusted economic growth in February comparing to the previous month was 2.4 percent.
- In February 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Construction, Professional scientific and technical activities, Information and communication and Transportation and storage.
- A decline was registered in the fields of Energy, Mining and quarrying activities.

Economic Growth, % m/m



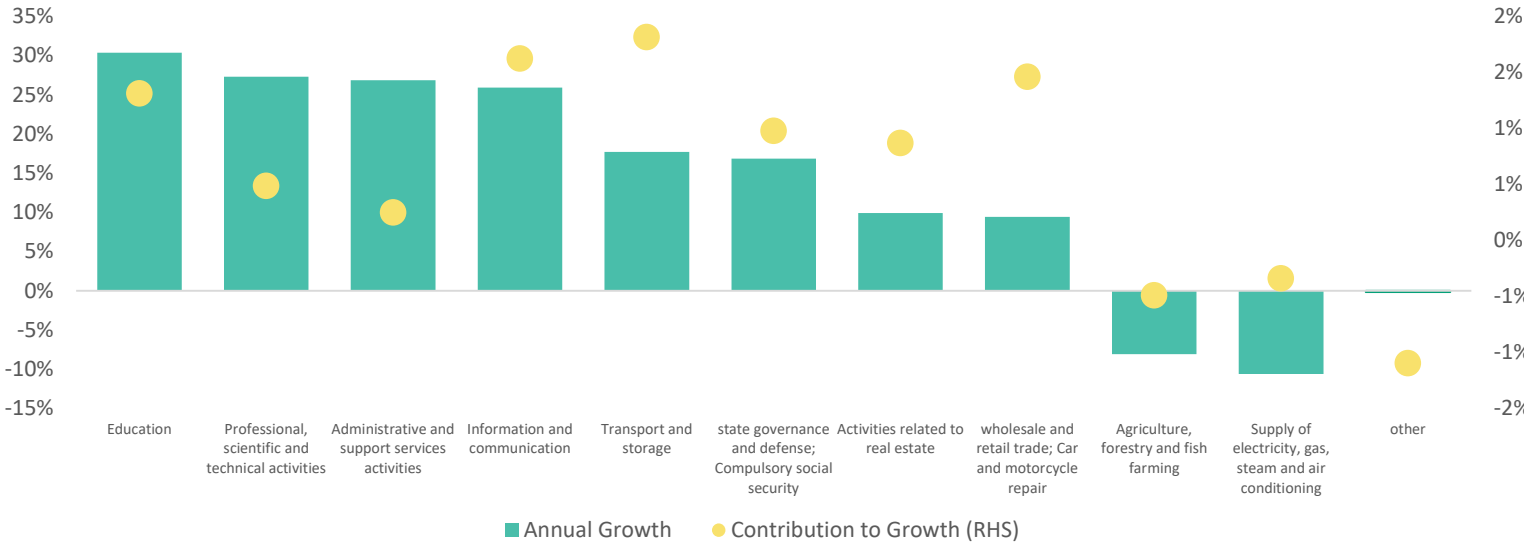
Economic Growth, 2023-2019



Source: Geostat, MOF

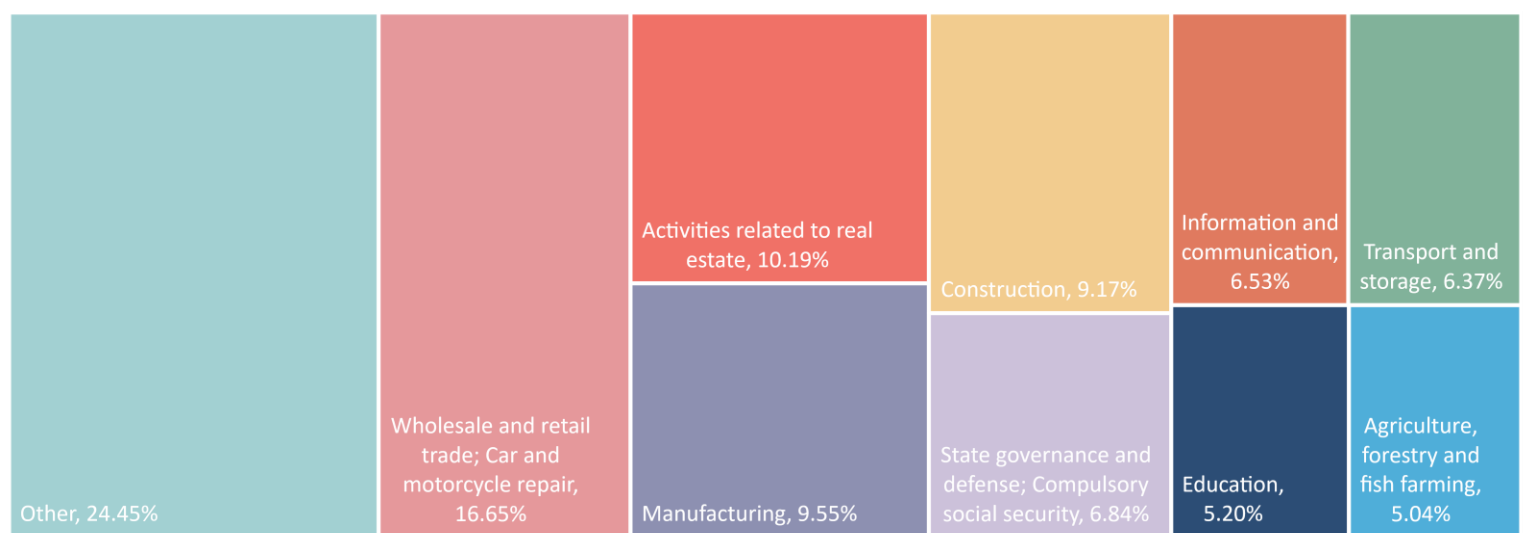
According to preliminary estimates, real GDP increased by 6.9 percent in the fourth quarter of 2023

Real GDP growth by economic activity, 2023 IV Quarter



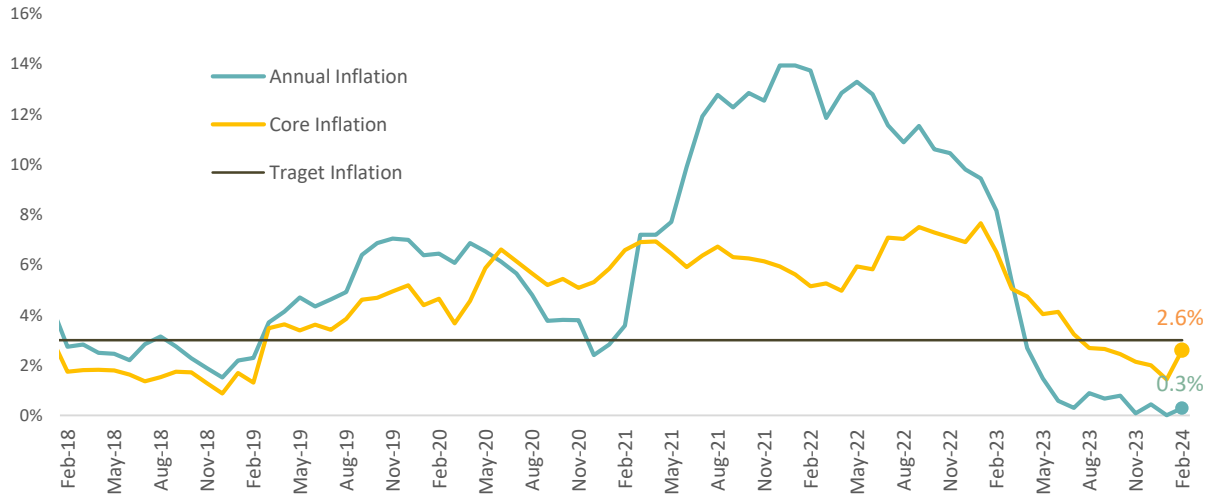
- According to preliminary estimates, in the fourth quarter of 2023 economic growth amounted to 6.9 percent, while in the third quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 7.0 percent. In the fourth quarter 2023 economic growth was 27.7 percent compared to the fourth quarter of 2019.
- The following industries have made a significant contribution to growth of Q4 2023:
 - Education: 30.4 % (1.3 p.p.)
 - Professional, scientific and technical activities: 27.3% (0.5 p.p.)
 - Administrative and support services activities: 26.9% (0.2 pp.)
 - Information and communication: 25.9 % (1.6 p.p.)
 - Transport and warehousing: 17.7% (1.8 p.p.)
 - State governance and defense; Mandatory social security 16.8 % (1.0 p.p.)
 - Activities related to real estate: 9.9% (0.9 p.p.)
 - Wholesale and retail trade; Repair of automobiles and motorcycles: 9.4 % (1.5 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Agriculture, forestry and fishing: -8.1% (-0.5 p.p.)
 - Supply of electricity, gas, steam and air conditioning: -10.6 % (-0.3 p.p.)

GDP by economic activity, 2023 IV Quarter

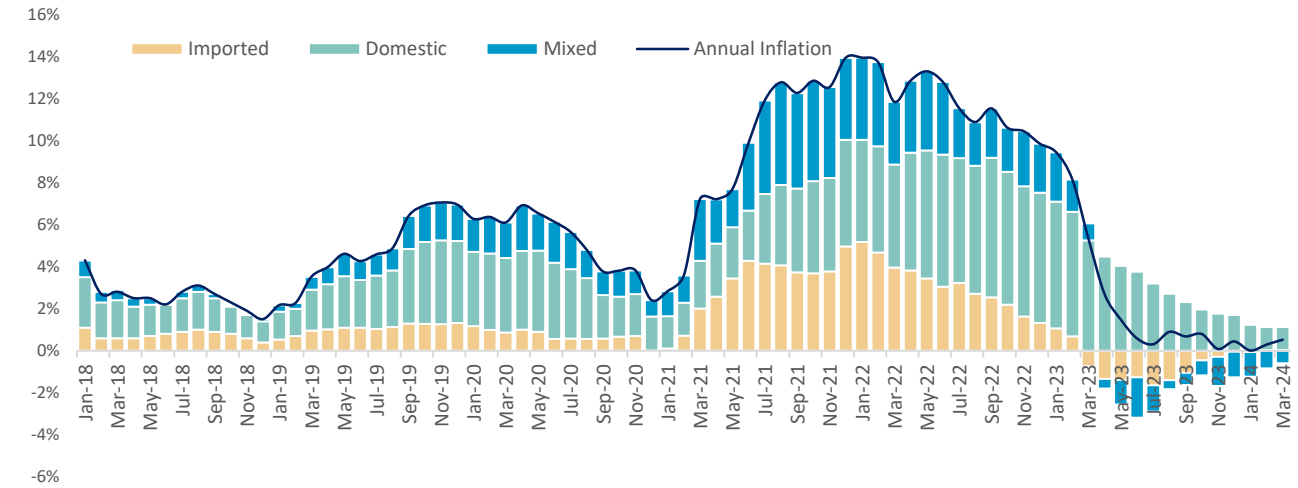


Annual inflation in March has reached 0.5 percent

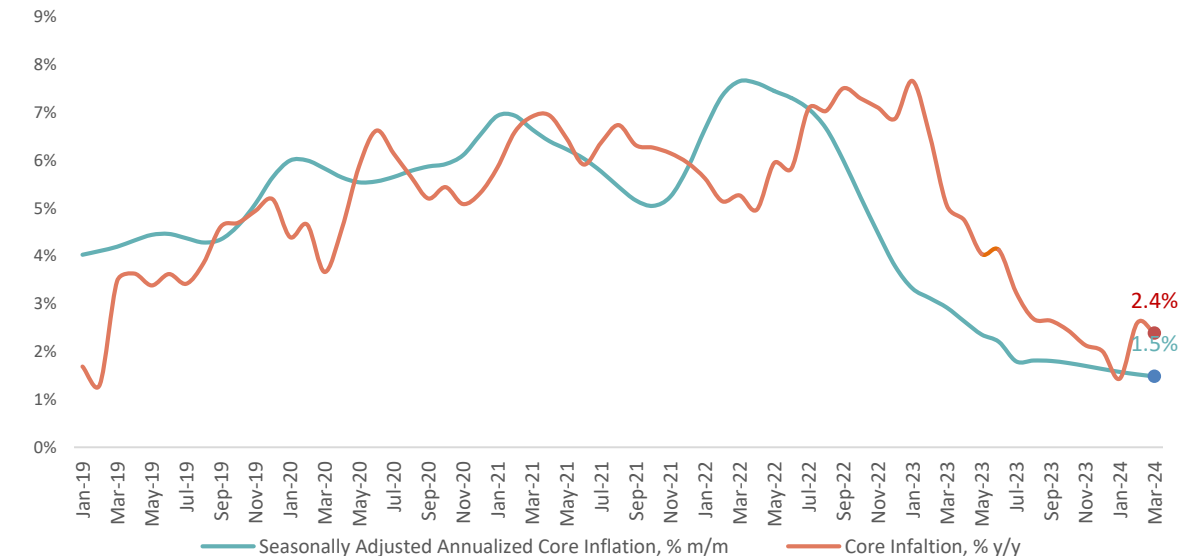
Total and Core Inflation, % y/y



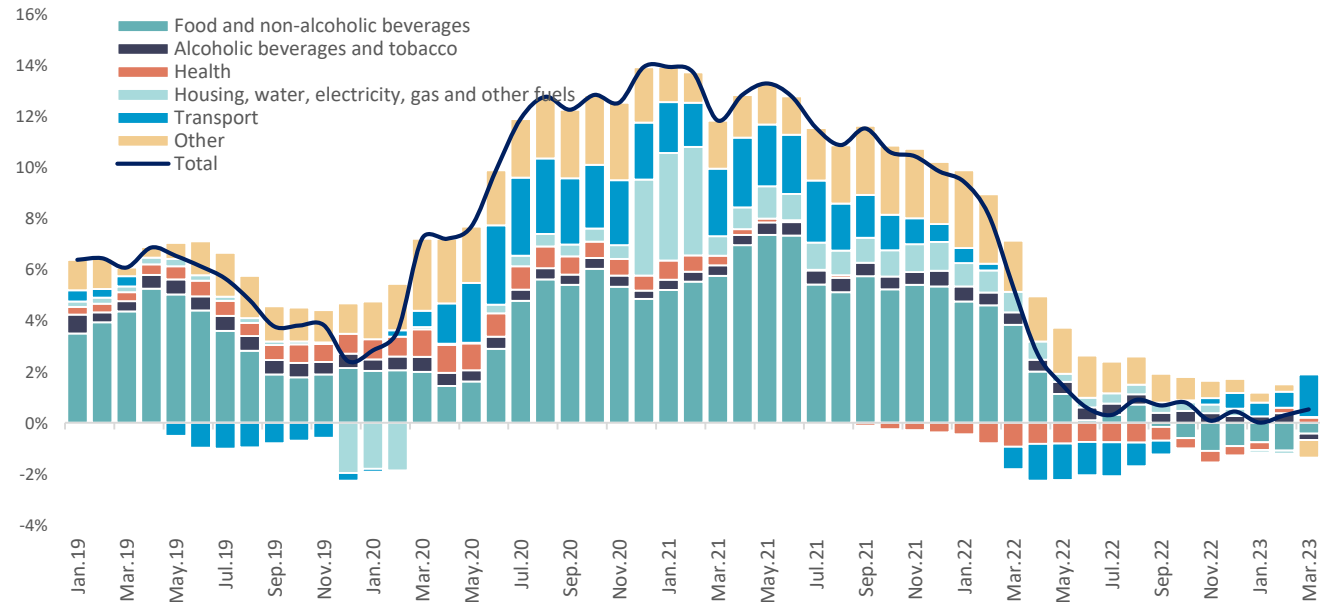
Inflation Decomposition



Core Inflation, % m/m



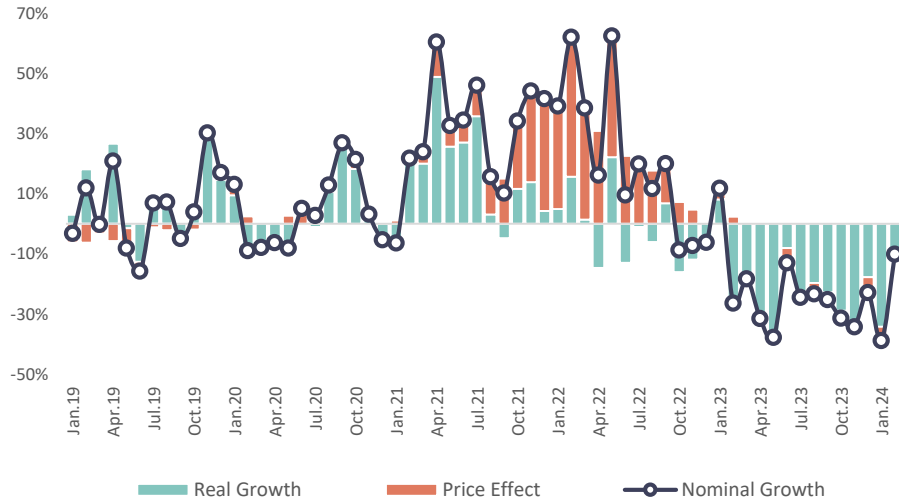
Inflation Decomposition by product group



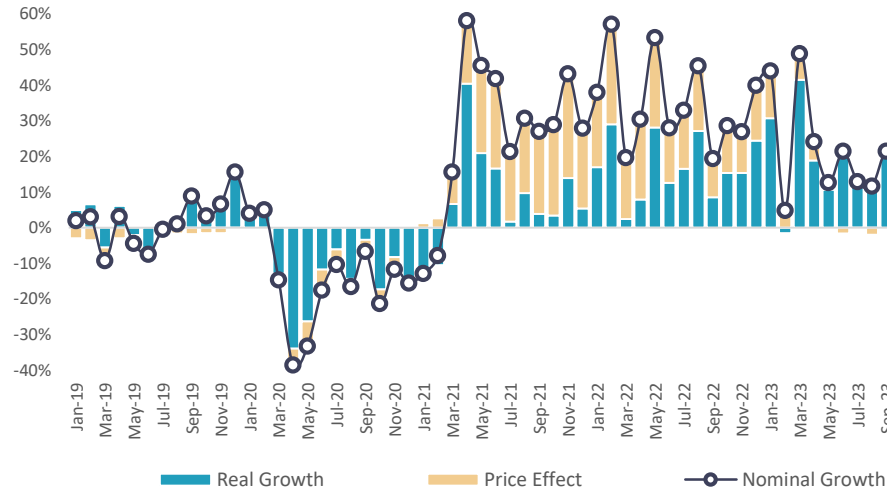
Source: Geostat, NBS, MOF

Trade Deficit in February increased by 6.3 percent annually

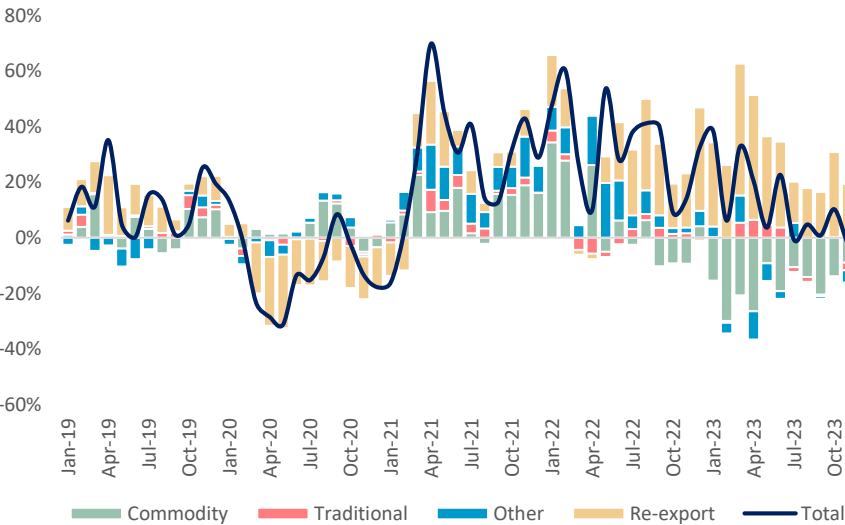
Change of Domestic Export, %y/y



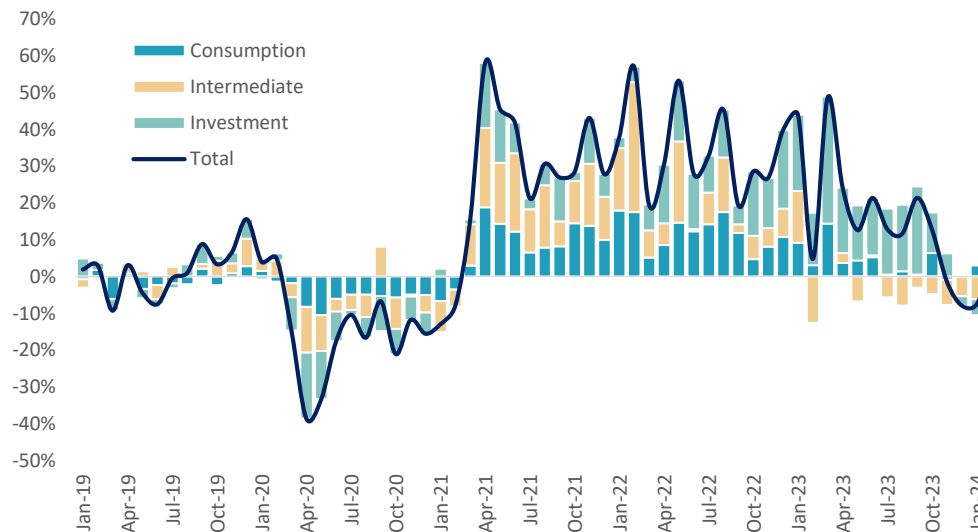
Change of Import, %y/y



Decomposition of Export



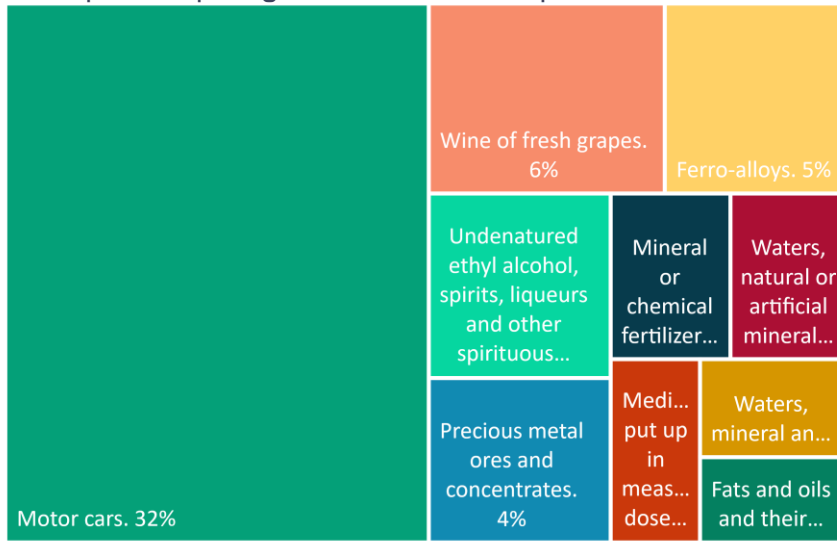
Decomposition of Change of Import, %y/y



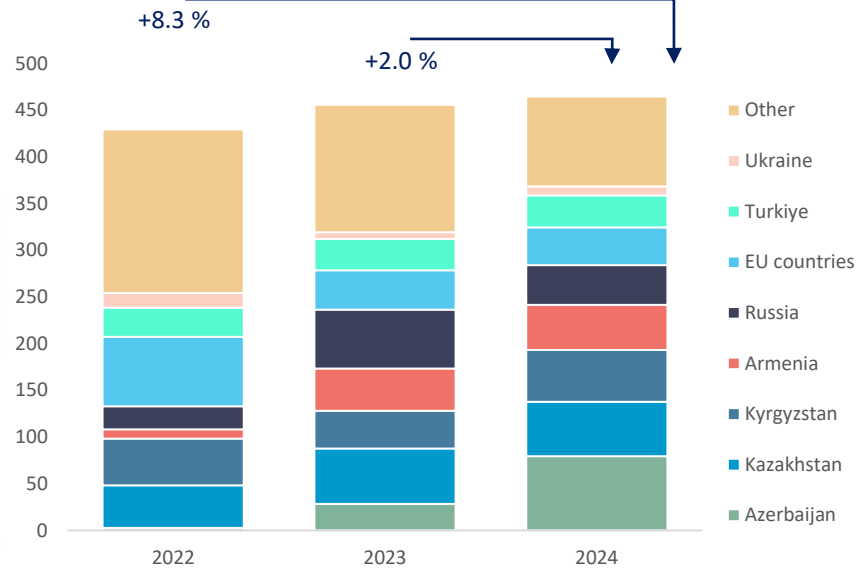
- Export increased annually by 2.0 percent to 464.7 million USD in February.
- Domestic export decreased annually by 10.1 percent to 214.2 million USD.
- Import annually increased by 4.4 percent to 1 115.2 million USD in February.
- Trade deficit annually increased by 6.3 percent to 650.5 million USD.
- Share of re-export in export growth is equal to 7.3 percent (15.2 %y/y), while share of commodity export is negative 13.4 percent (-50.8 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to -0.3, 5.1 and -0.4 percent respectively.

International trade is characterized by stable diversification

Top 10 Export goods, % of total Export



Export by country, February



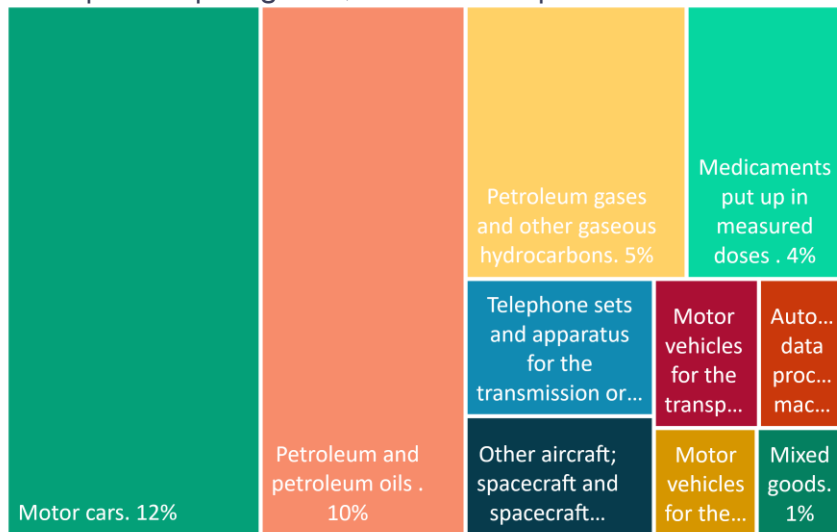
Top Export Products:

- Motor cars: 150.5 million. USD – 32.4 percent of total exports.
- Wine of fresh grapes: 29.6 million USD – 6.4 percent.
- Ferroalloys: 22.7 million USD – 4.9 percent.

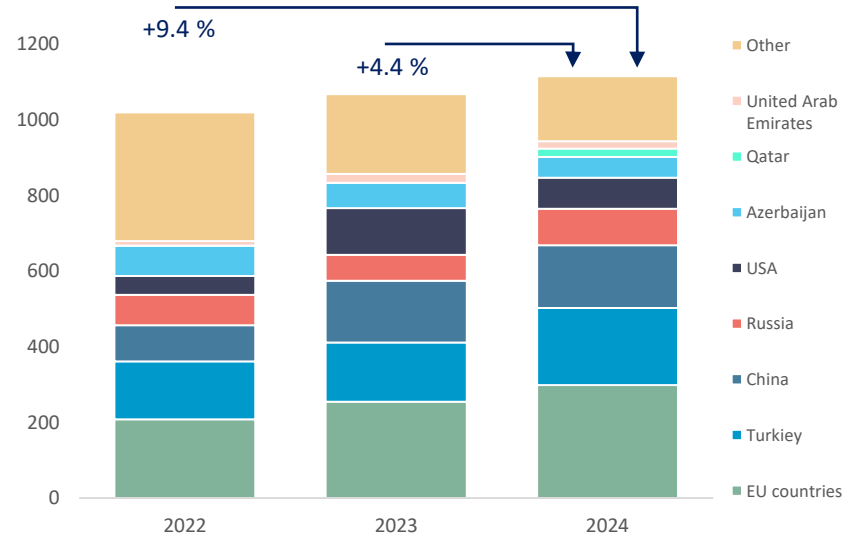
Top Import Products :

- Motor cars: 132.0 million. USD – 11.8 percent of total imports.
- Petroleum and petroleum oils: 106.6 million US dollars – 9.69 percent.
- Petroleum gases and other gaseous hydrocarbons : 59.2 million USD – 5.3 percent.

Top 10 Import goods, % of total Import



Import by country, February



Top Export Country:

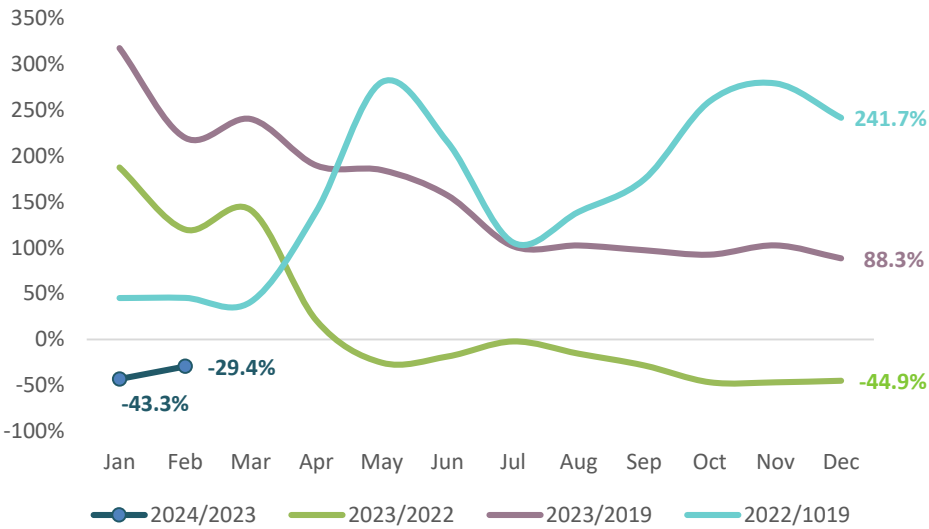
- Kyrgyzstan: 79.3 million US dollar - 17.1 percent.
- Azerbaijan: 58.5 million USD, - 12.6 percent.
- Russia: 55.2 million USD, - 11.9 percent.

Top Import Country :

- European Union: 298.1 million USD, - 26.7 percent.
- Turkey: 204.3 million USD, - 18.3 percent.
- Russia: 165.4 million US dollar - 14.8 percent.

Net Remittances decreased by 29.4 percent in February 2024

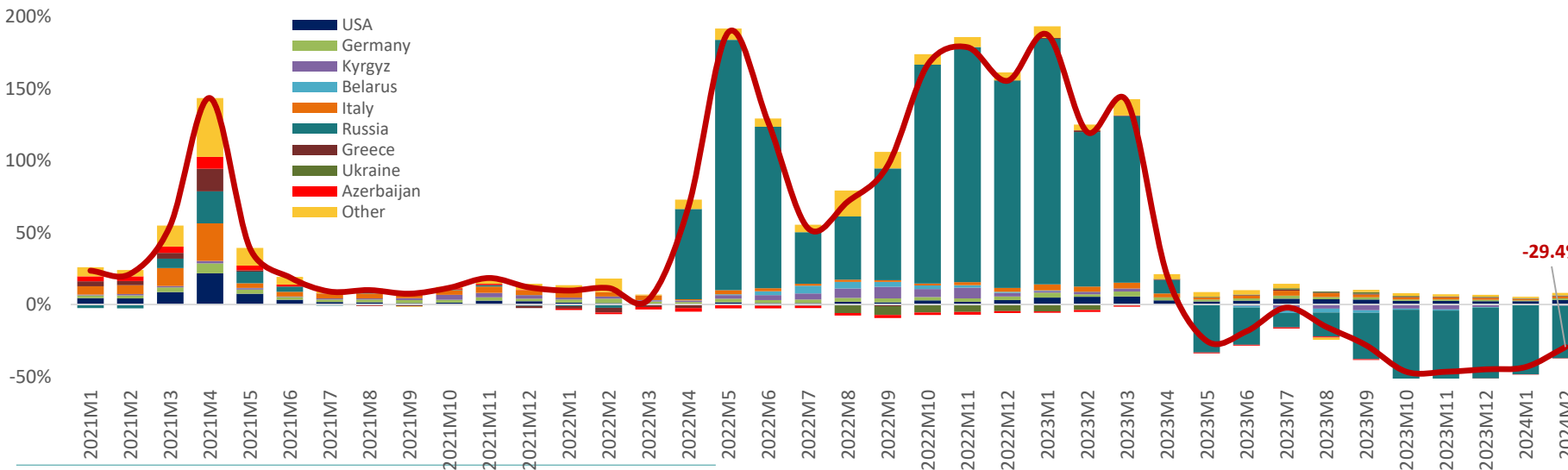
Net Remittances, 2024-2019



Net Remittances, February 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	58.4	-68.3	-36.5
Italy	43.0	13.0	1.4
USA	39.9	37.9	3.2
Israel	19.9	24.9	1.2
Greece	17.3	9.1	0.4
Germany	17.3	26.2	1.0
Other	47.4	-1.1	-0.1

Net Remittances by country, %y/y



- In February 2024, net remittances were estimated at 243.3 million USD, representing a 29.4 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 125.9 percent.
- Net Remittances increased from:
 - Ireland: 63.3 percent (contributing 0.5 pp to total growth)
 - France: 18.4 percent (0.2 p.p. contribution to total growth)
 - Spain: 18.1 percent (0.2 p.p. contribution to total growth)
- Net Remittances decreased from:
 - Russia: -68.3 percent (-36.5 pp contribution to total growth)
 - Azerbaijan: -63.1 percent (-0.2 pp contribution to total growth)
 - Turkey: -57.9 percent (-0.6 pp contribution to total growth)
 - Kyrgyzstan: -50.2 percent (-0.8 pp contribution to total growth)

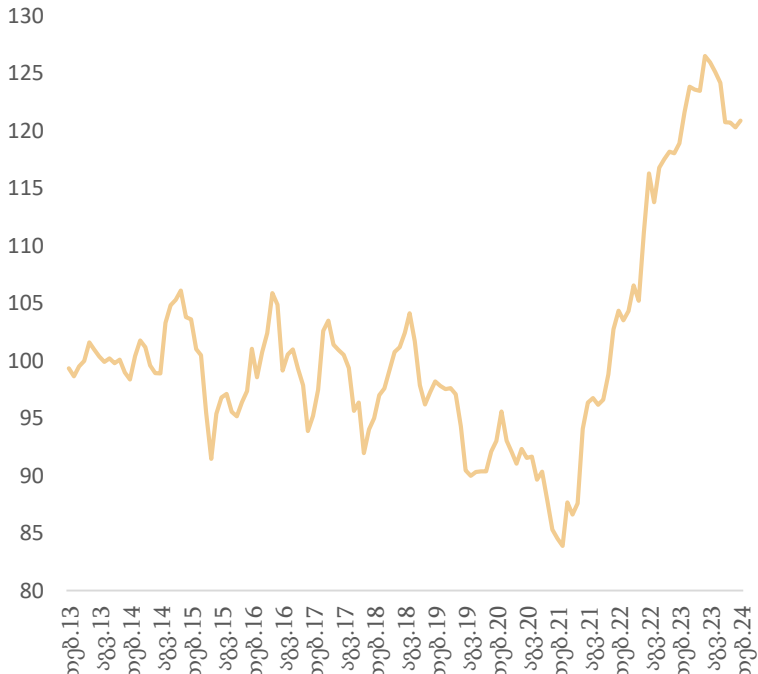
Source: NBG

Real Effective Exchange Rate Appreciated by 1.7 percent in February

NEER: 2013 = 100

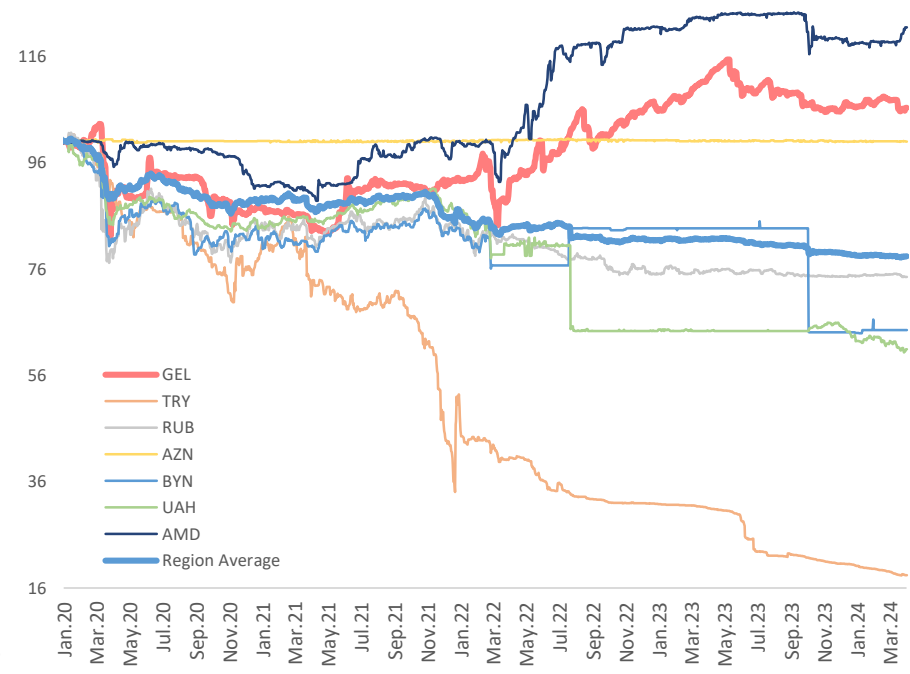


REER: 2013 = 100



USD Exchange Rates

March 31, 2024

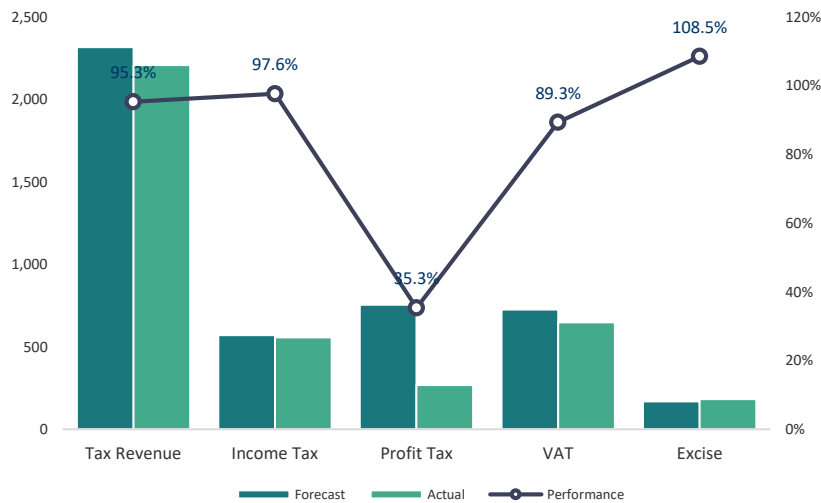


Note: Increase means appreciation

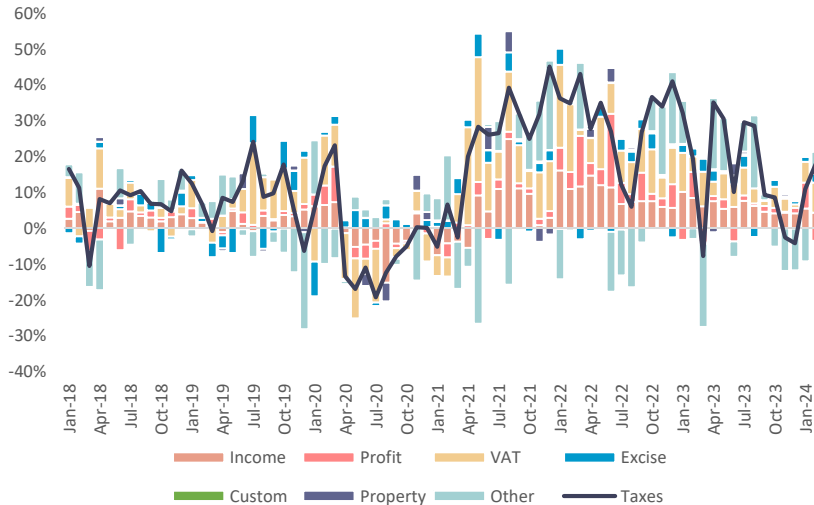
	April 1, 2024		Apr 1, 2024 - Jan 1, 2024		Apr 1, 2024 - Jan 1, 2023
Euro	2.9063	▲	2.4%	▼	-0.8%
US Dollar	2.6953	▼	-0.2%	▲	0.2%
Turkish Lira	0.0833	▲	9.2%	▲	73.2%
Russian Ruble	0.0291	▲	2.8%	▲	26.3%
NEER	191.06	▲	2.6%	▲	16.1%
REER (February 2024)	148.67	▲	0.5%	▲	2.3%

Tax revenues in March is below the forecast value by 4.7 percent

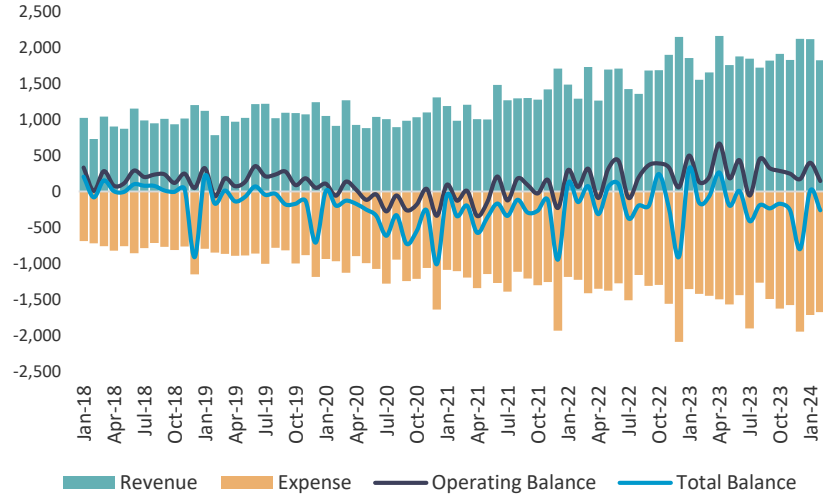
Budget Revenue Performance, March 2024



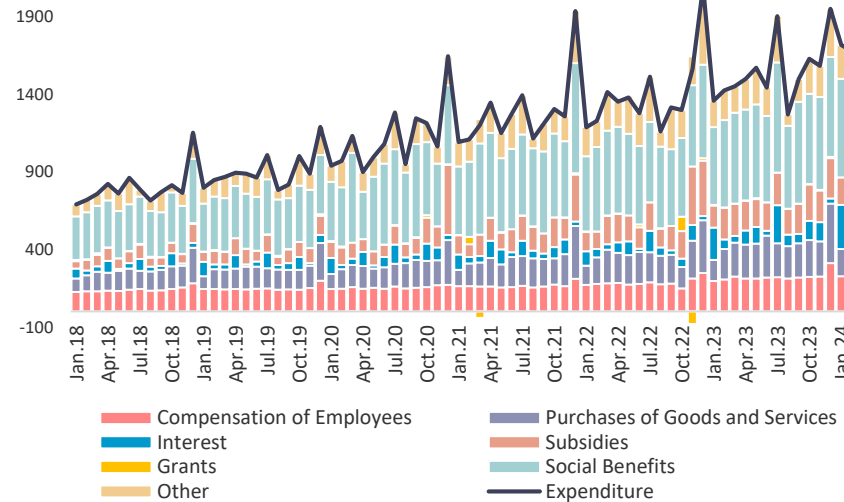
Tax Income, % y/y



Consolidated Budget, mln GEL



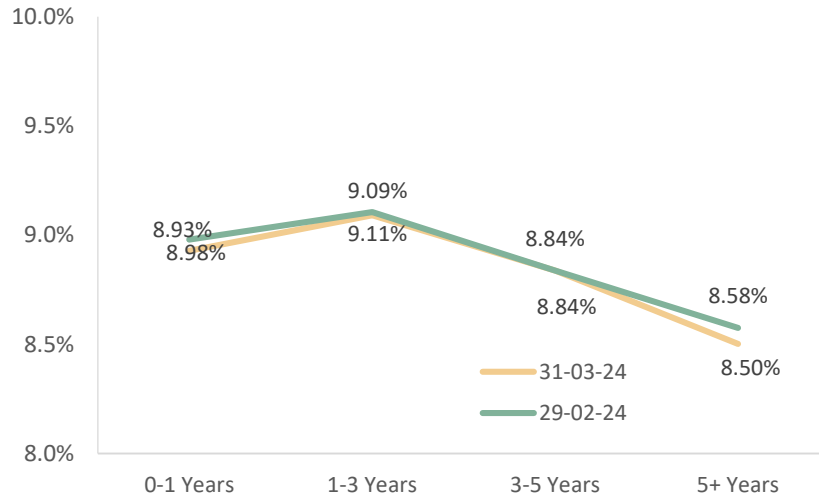
Consolidated Budget Expenditure, mln GEL



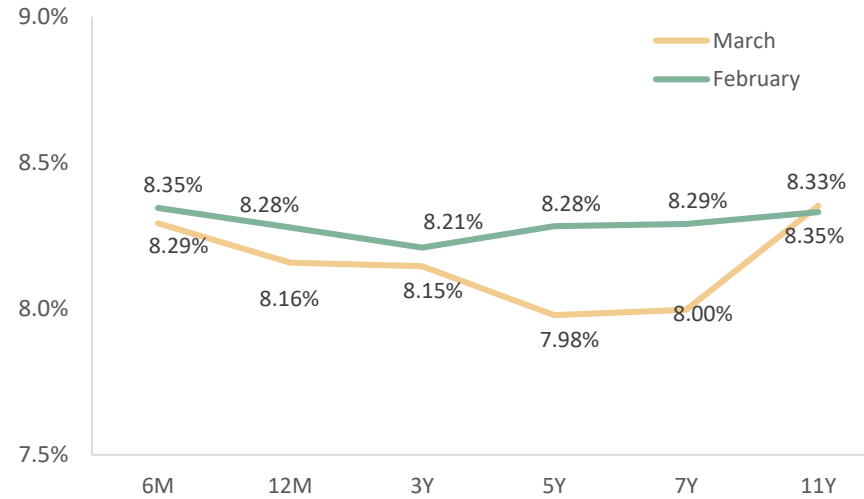
- The actual level of tax income in March 2024 was 2,207 mln GEL, which is below the forecasted value by 4.7 percent.
- Consolidated budget revenues increased by 17.2 percent and expenditures increased by 17.8 percent in February.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 147.8 million GEL, while the total balance was set at negative 261 million GEL.
- Revenue from taxes had a significant impact on revenue from value-added and income tax in February, accounting for 8.4 and 4.3 percent of total growth, respectively.

Weighted Average Interest Rates of Treasury Financial Securities Reduced in March

Portfolio Yield Curve

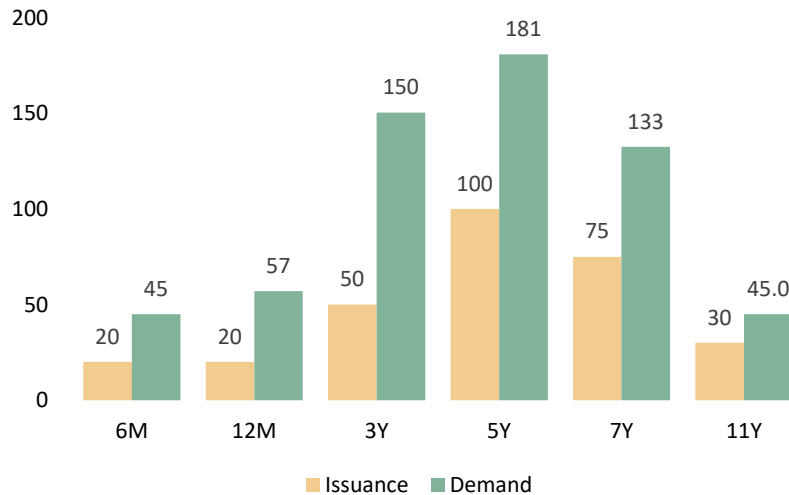


Weighted average interest rates

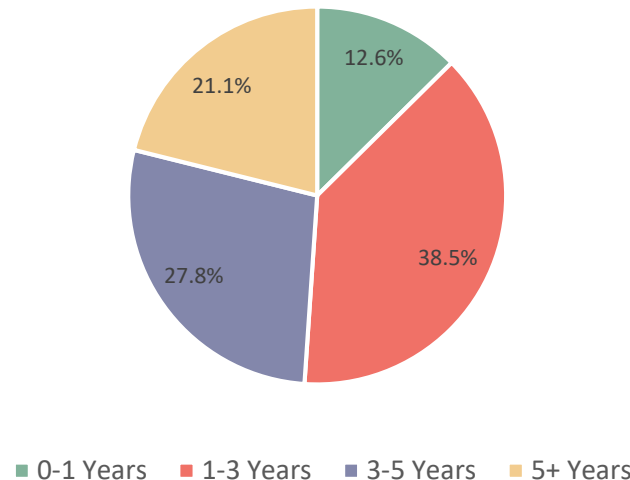


- In March 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 305.4 million GEL.
- The weighted average interest rate amounted to 8.08%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 85 million GEL were redeemed. The bonds with a nominal value of 45 million GEL were redeemed.
- There were no significant changes in the treasury financial security portfolio. As of March 31, 2024, 38.5% of the treasury securities portfolio (in February it was 39.1%) is composed of the securities whose maturity date is due for the next 1-3 years. The medium-term state financials securities (with duration 3-5 years) have also a sizable share (at around 28%) in the total portfolio. The share of securities with 5 years maturities increased from 18.6% to 21.1%.
- The Bid-to-cover ratio increased compared to the previous month's value (February 1.98) and amounted to 2.07.

Issuance and Demand of Treasury Bonds, mln GEL

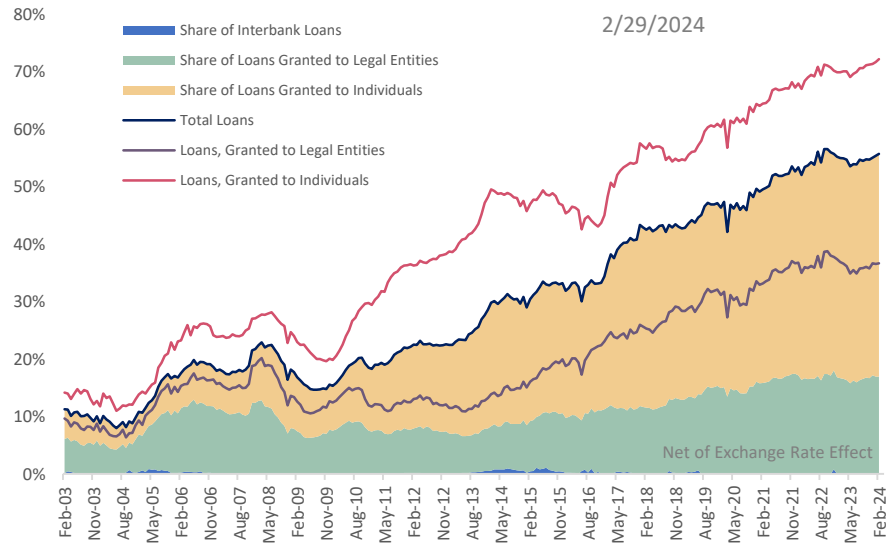


Portfolio by Residual Maturity, March 31, 2024

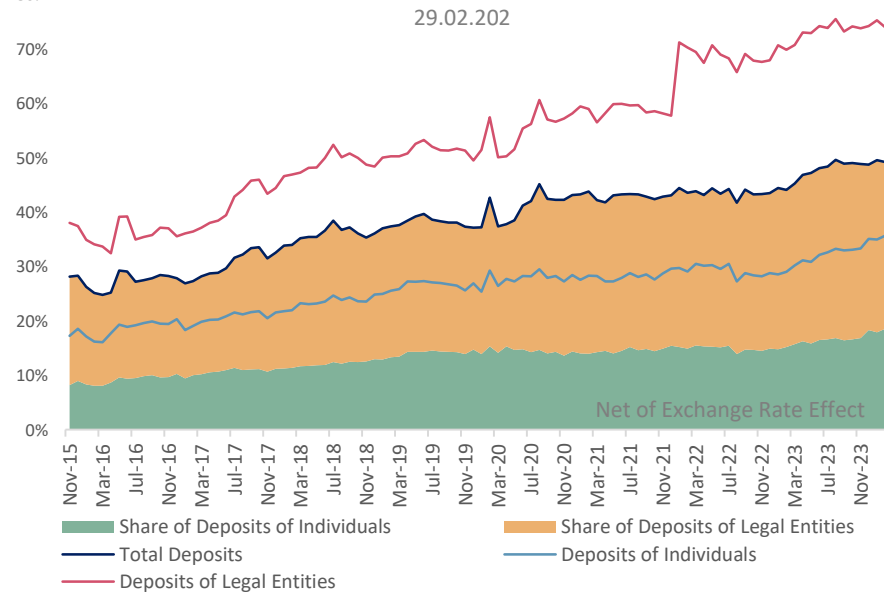
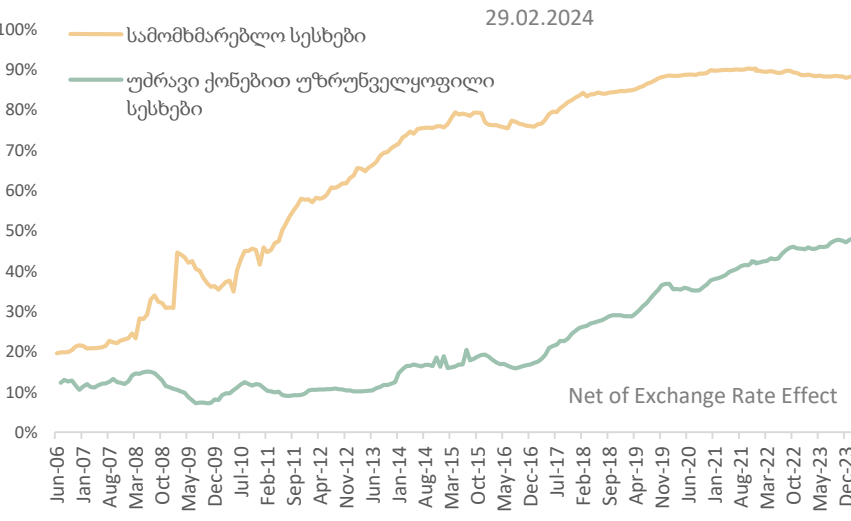
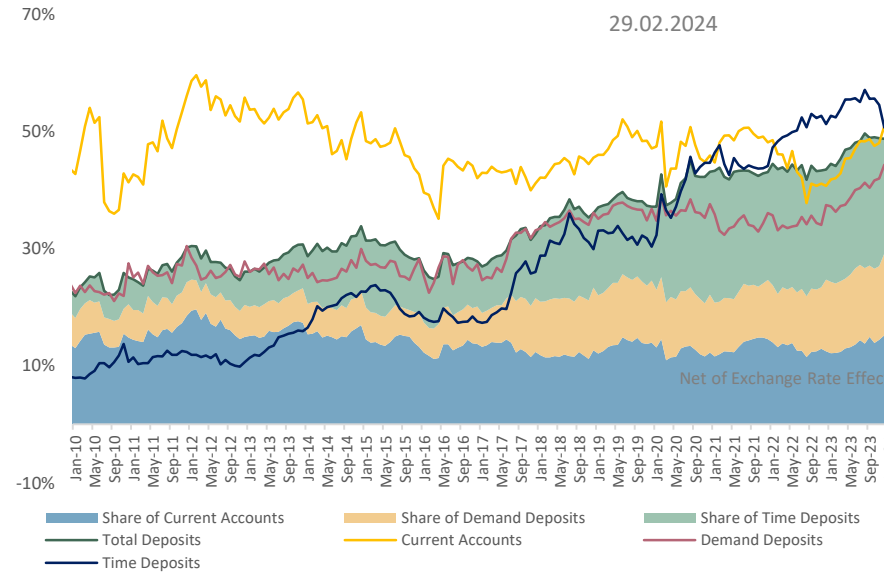


In February Loan Larization Indicator Increased and Deposit Larization Decreased

Loan Larization



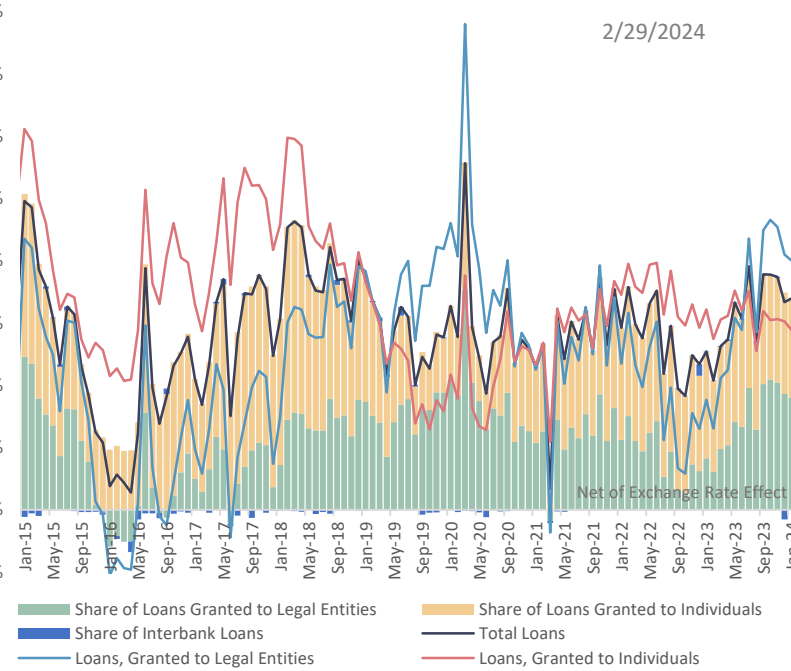
Deposit Larization



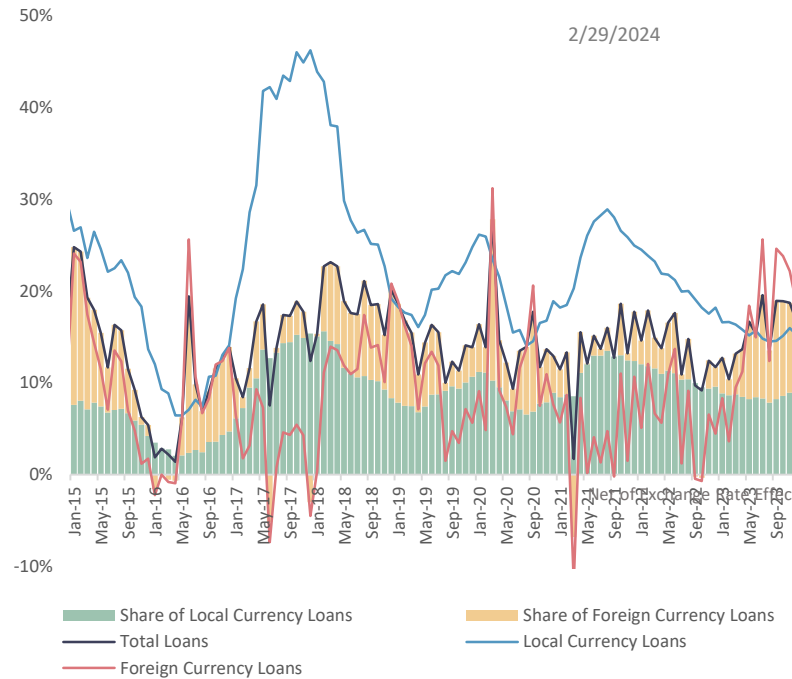
- As of February 29, 2024, the larization of total loans is 55.7 percent.
- The larization of loans to individuals is 72.2 percent.
- The larization of the loans to legal entities amounted to 36.6 percent.
- The larization of the total deposits equals to 49.2 percent.
- The larization on the deposits of legal entities amounted to 74 percent.
- The larization of the deposits of individuals is 35.7 percent.
- The larization of time deposits is 54.1 percent.
- The larization of current accounts equals to 47.8 percent.
- The larization of the demand deposits is 43.7 percent.

High Annual Growth Trends of Loans Have Retained

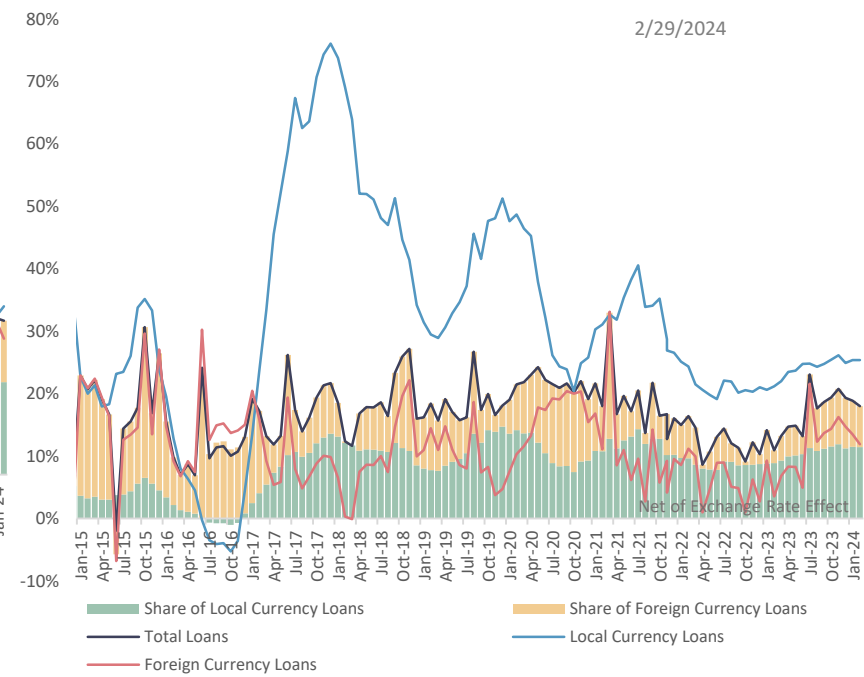
Loans Growth Rates, % y/y



Loans by Currency, % y/y



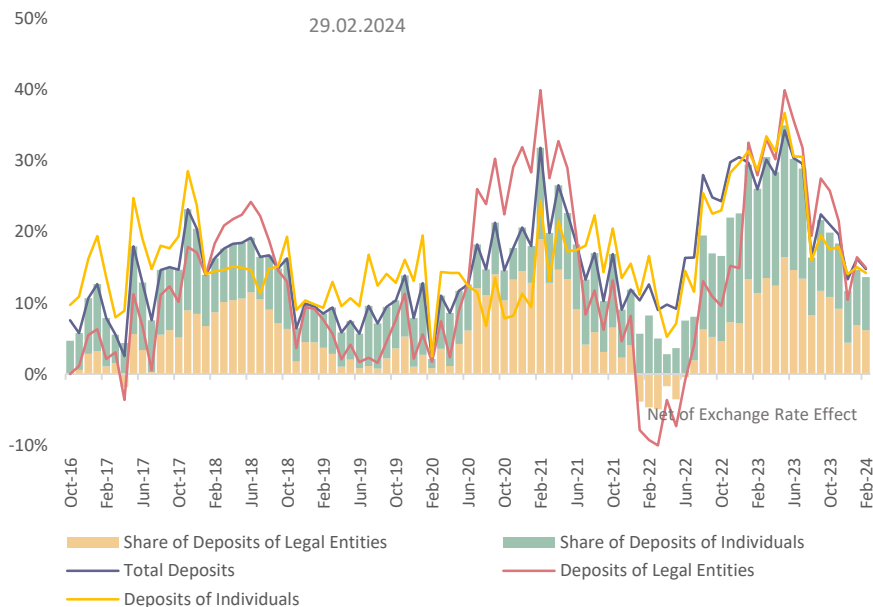
Mortgage Loans, % y/y



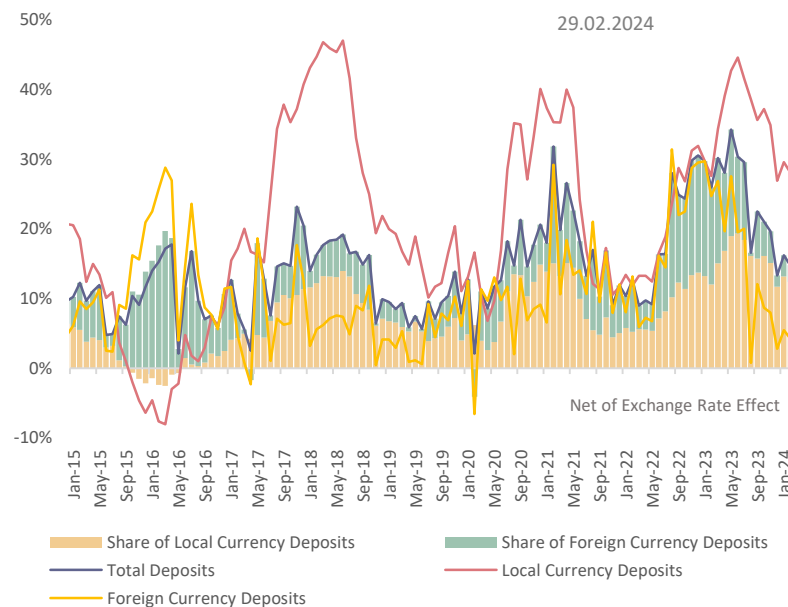
- As of February 29, 2024, the total loans increased by 16.8 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 19.4 percent.
- The annual growth of loans to individuals is 14.4 percent.
- As of February 29, 2024, the growth rate of the loans denominated in the national currency amounted to 18.4 percent.
- The annual growth of loans denominated in foreign currency amounted to 14.8 percent.
- As of March 1, 2024, the annual growth of the loans secured by real estate amounted to 18 percent. At the same time, the mortgage loans denominated in the national currency increased by 25.4 percent, while the mortgage loans denominated in the foreign currency also increased by 11.9 percent.

Annual Growth Rates of Deposits Have Declined

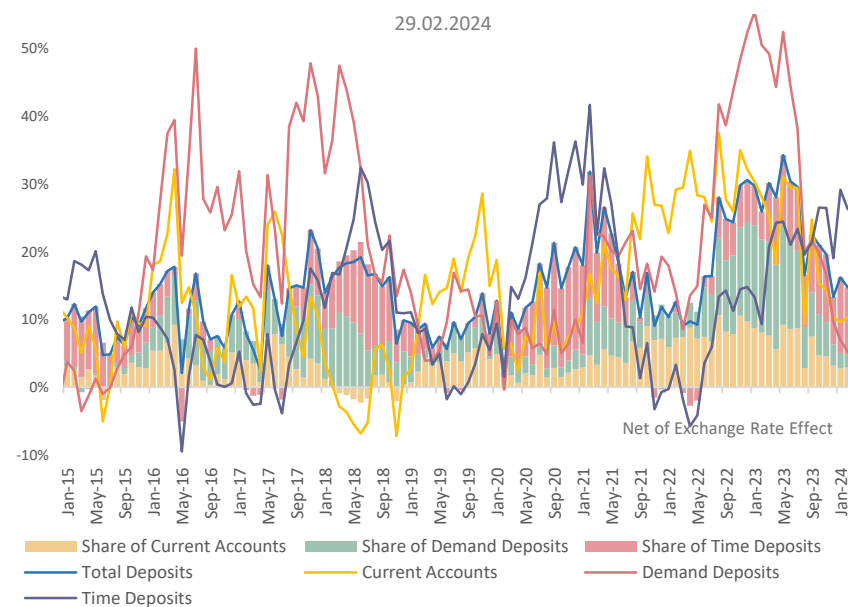
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



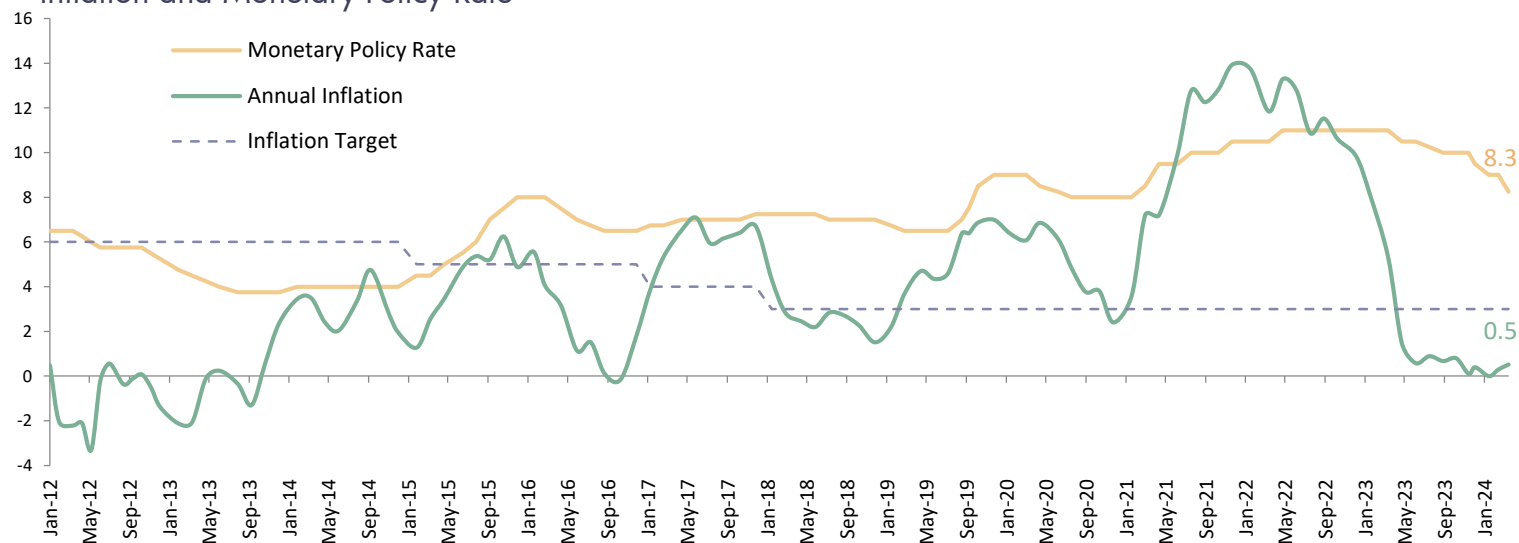
Deposits by Type, % y/y



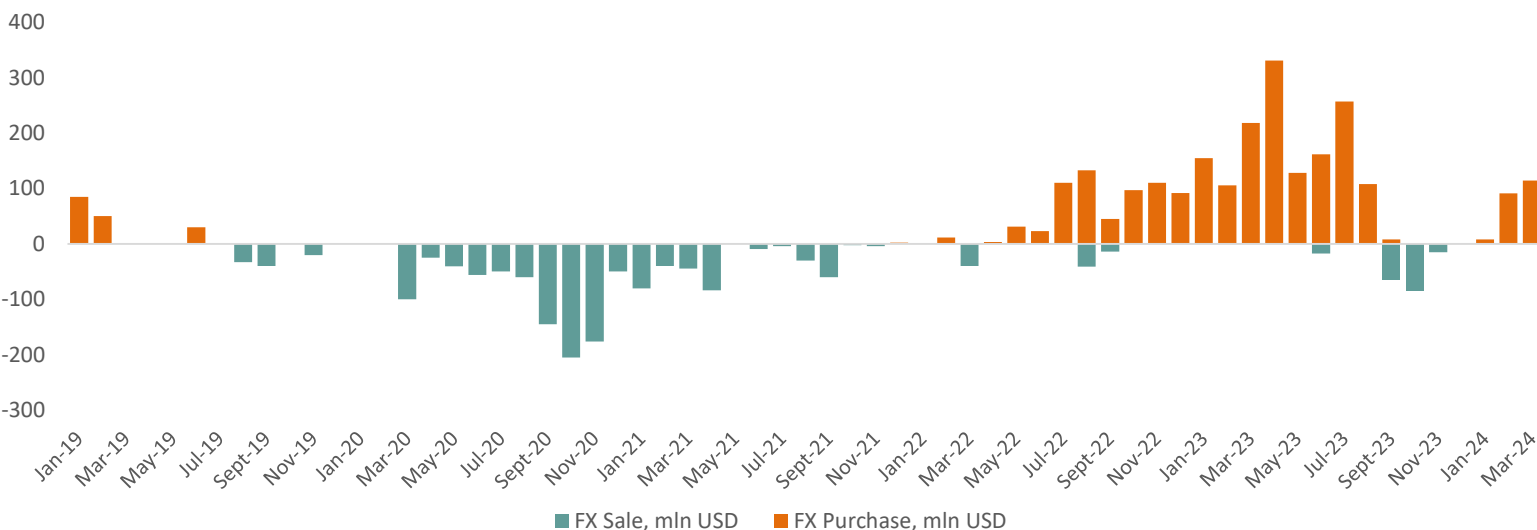
- As of February 29, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 14.8 percent.
- The annual growth of the deposits denominated in the national currency amounted to 28.1 percent. The annual growth of the deposits denominated in foreign currency stood at 4.2 percent over the same period.
- The growth of the deposits of individuals amounted to 14.3 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.9 percent.
- The annual growth of current accounts at the beginning of March, 2024, was equal to 10.3 percent.
- The annual growth of the time deposits was 26.3 percent.
- The growth of the demand deposits amounted to 5.3 percent.

The National Bank of Georgia Reduced the Monetary Policy Rate to 8.25 percent in March

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD

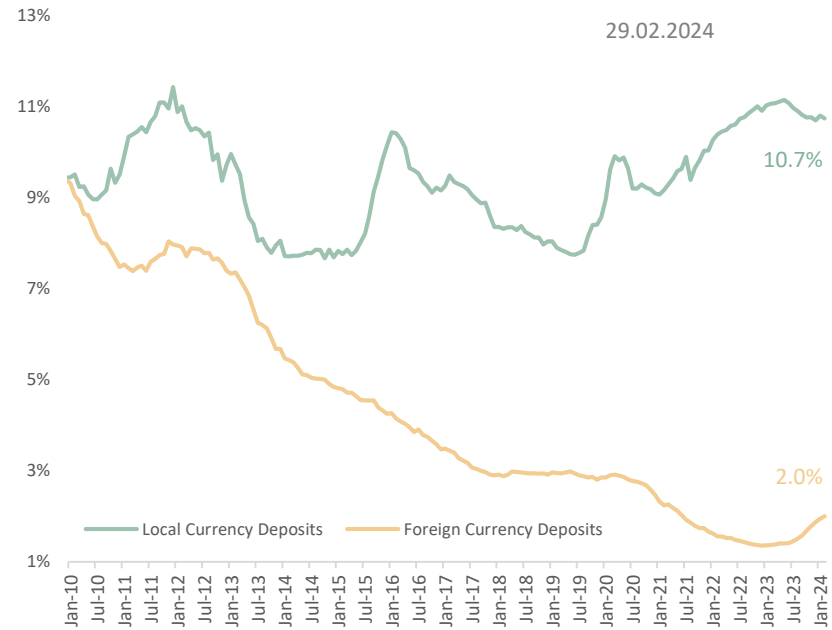


- On March 13, 2024, the Monetary Policy Committee of the National Bank of Georgia was conducted and the NBG reduced the refinancing rate by 0.75 p.p. and determined it at 8.25 percent level.
- Per the NBG, inflation is less than the target one (3 percent). There are both external and internal factors affecting it. The external shocks related to the Russo-Ukrainian war and the Pandemic are weakened which mitigate the role of them into the inflation formation. As for the internal factors, it is worth highlighting a decrease in domestic products inflation and tighter monetary policy influencing the inflation in Georgia. The inflation expectation is decreasing and it amounted to 0.5 percent in March 2024, and still has on a downward path. It is expected that given the appreciated Georgian Lari, the aforementioned global trends will be gradually transmitted to the local markets, helping to inflation stabilization. In spite of the tendencies mentioned above, the risks of inflation rising remain at the high level that, with the existing strain geopolitical situation, pushes the NBG to loose the monetary policy at a slower pace.
- The next meeting of the Monetary Policy Committee will be held on May 8, 2024.
- The NBG made a few foreign exchange interventions through the Bmatch platform during March, 2024. The NBG purchased 114.3 mln USD in this period.

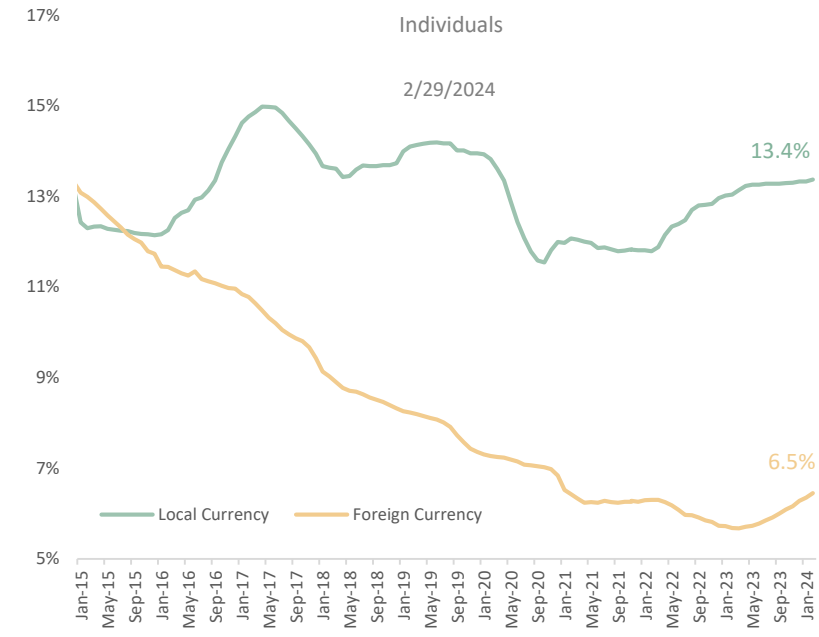
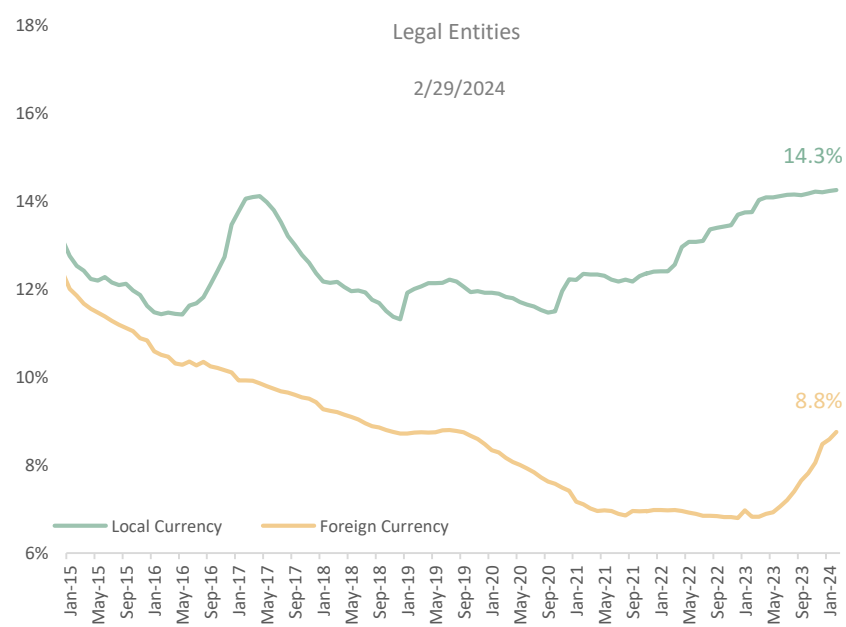
Source: NBG

Market Interest Rates Increased in Foreign Currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of March 1, 2024, the interest rate on foreign currency deposits was 2.0 percent, and in the national currency – 10.7 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.8 percent, and in foreign currency – 2.7 percent.
- The average annual interest rate on deposits by individuals is 1.9 percent for foreign currency deposits and 10.8 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 13.7 percent (17.1 percent in the national currency and 6.3 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.0 percent (17.1 percent in the national currency and 7.8 percent in foreign currency).
- At the end of February, 2024, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 13.1 percent, and in the foreign currency 9.4 percent. The interest rate on the loans to individuals in the national currency was 12.7 percent, and in foreign currency 7.3 percent.

Disclaimer

The publication was prepared by the Macroeconomic Analysis and Fiscal Policy Planning Department of the Ministry of Finance of Georgia. The information and opinions contained in this publication represent the views of the authors - the economic team of the Macroeconomic Analysis and Fiscal Policy Planning Department and do not represent the official position of the Ministry of Finance of Georgia. The analytical information provided in the publication serves informational purposes and is obtained from public sources. The forecasts and calculations given in the report should not be taken as a promise, reference or guarantee.

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