



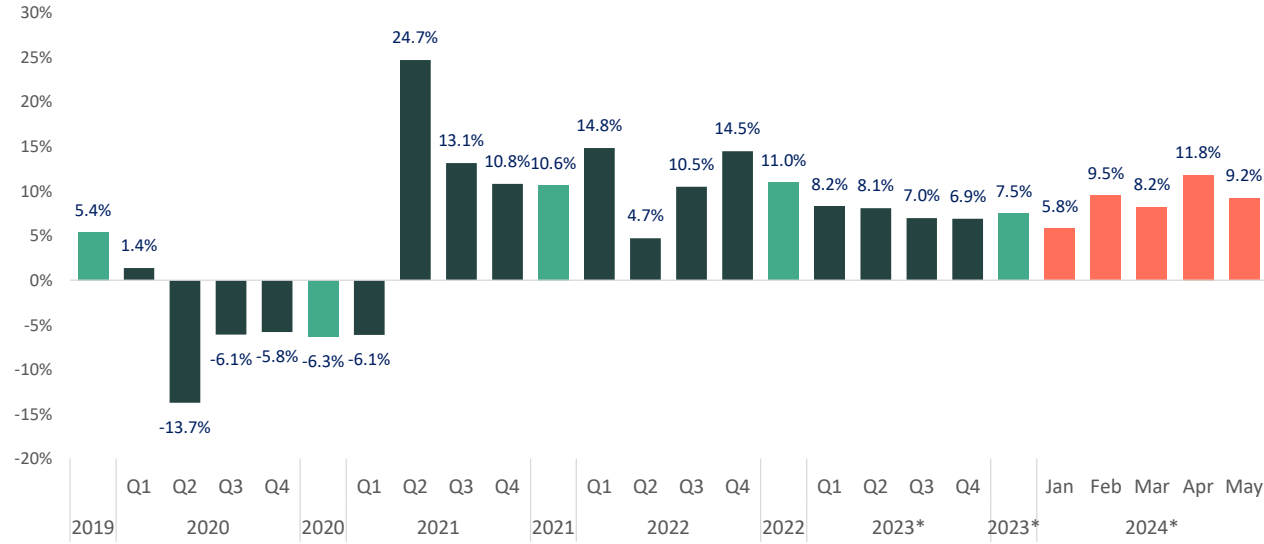
Current Economic Outlook

June, 2024

- In May 2024, the real GDP growth rate was 9.2 percent and average growth rate of the first five months of 2024 was 9.3 percent, according to the preliminary estimates of the National Statistics Office.
- In June, annual inflation stood at 2.2 percent, while core inflation was 1.4 percent
- In May, exports decreased by 5.6 percent year-on-year and imports decreased by 4.0 percent year-on-year, decreasing the trade deficit by 2.9 percent year-on-year to 767 million USD
- For May, the real effective exchange rate depreciated by 5.3 percent compared to the same period of the previous year and by 2.3 percent compared to the previous month
- The National Bank of Georgia kept monetary policy rate at 8 percent in June

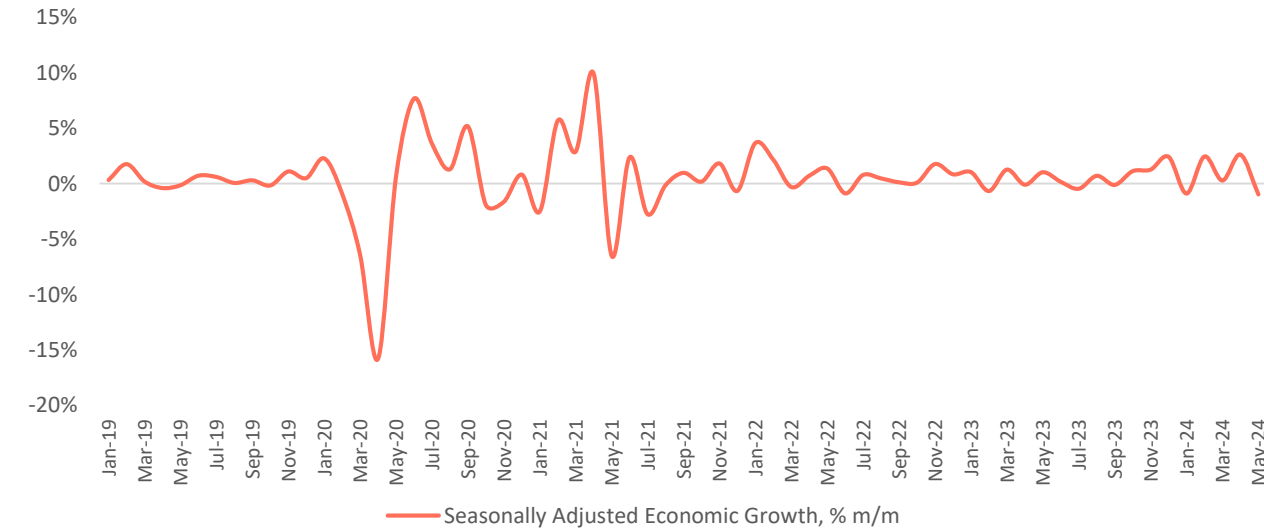
According to preliminary estimates Economic Growth in May was equal to 9.2 percent

Economic Growth, % y/y

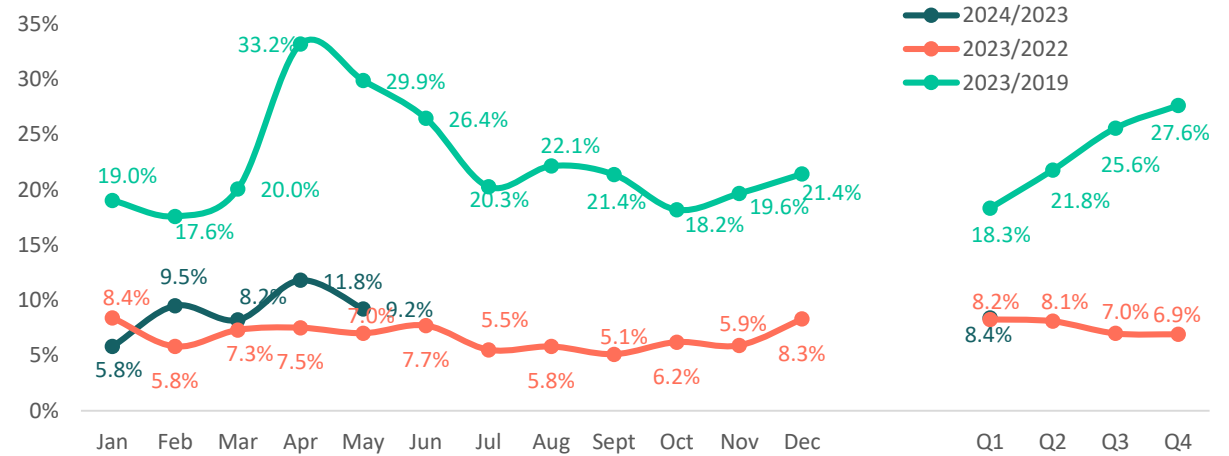


- Estimated real GDP growth rate in May 2024 equaled 9.2 percent YoY and average annual real GDP growth rate for the January-May of 2024 equals to 9.3 percent, while the seasonally adjusted economic growth in May comparing to the previous month was -1.0 percent.
- In May 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Information and communication, Professional, scientific and technical activities, Financial and insurance activities, Construction, Transportation and storage.

Economic Growth, % m/m

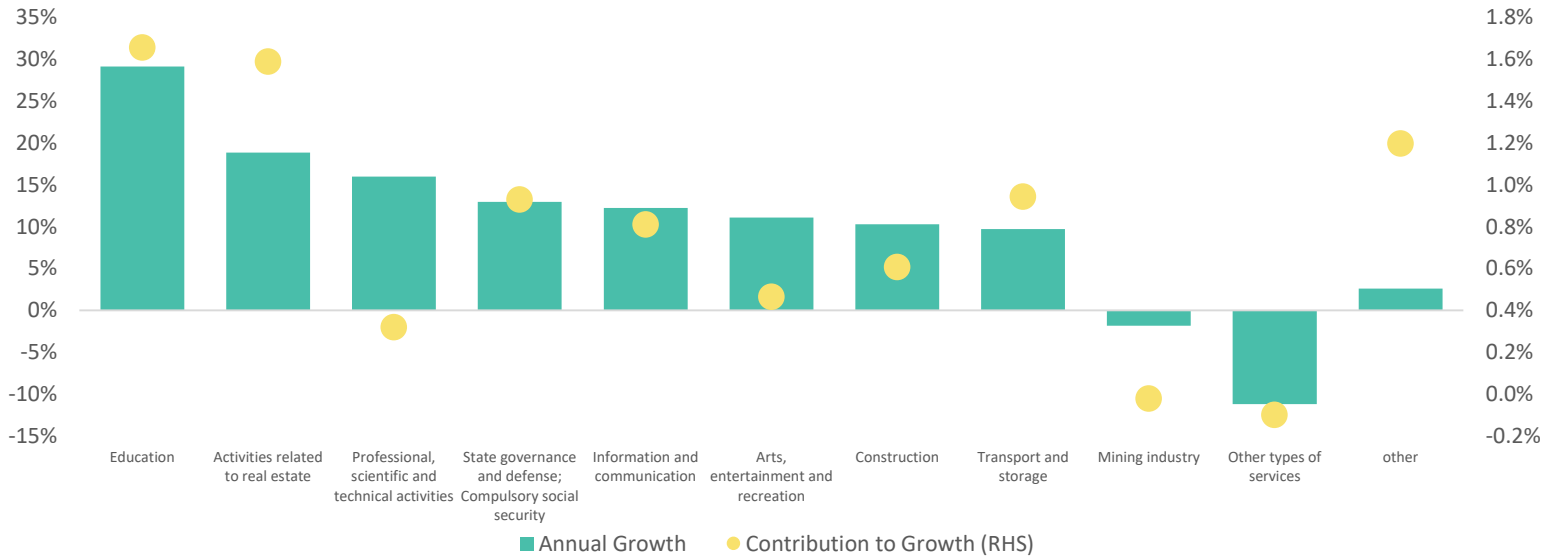


Economic Growth, 2024-2019



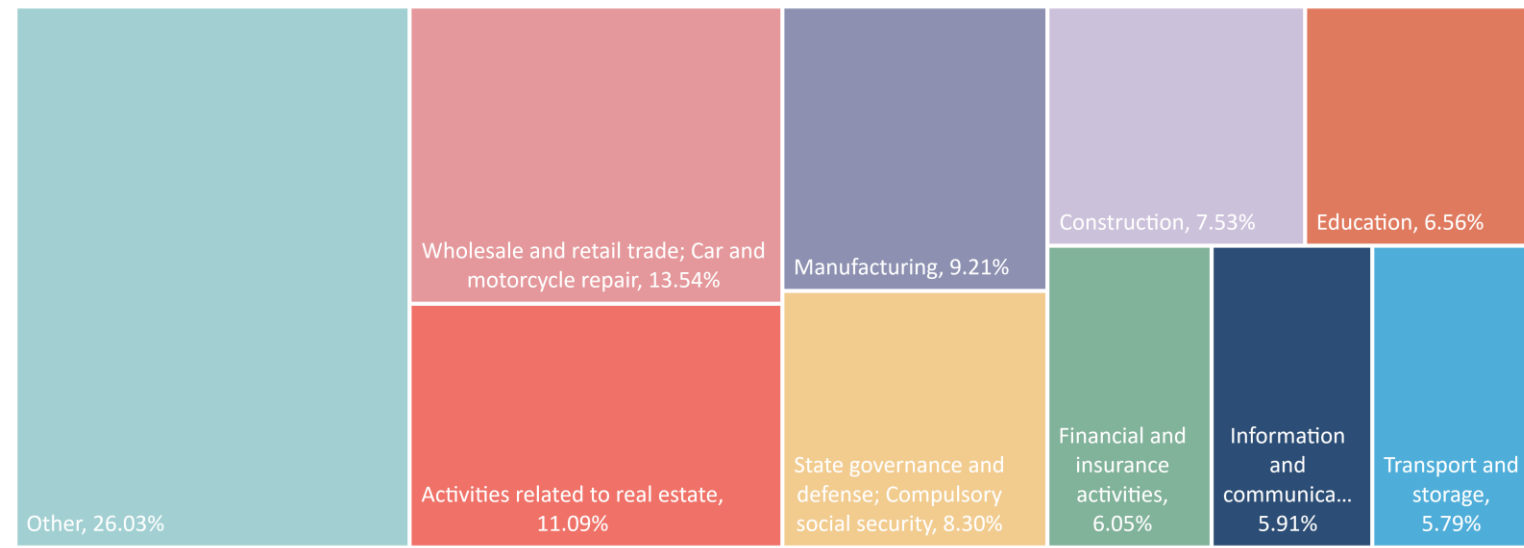
According to preliminary estimates, real GDP increased by 8.4 percent in the first quarter of 2024

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.)

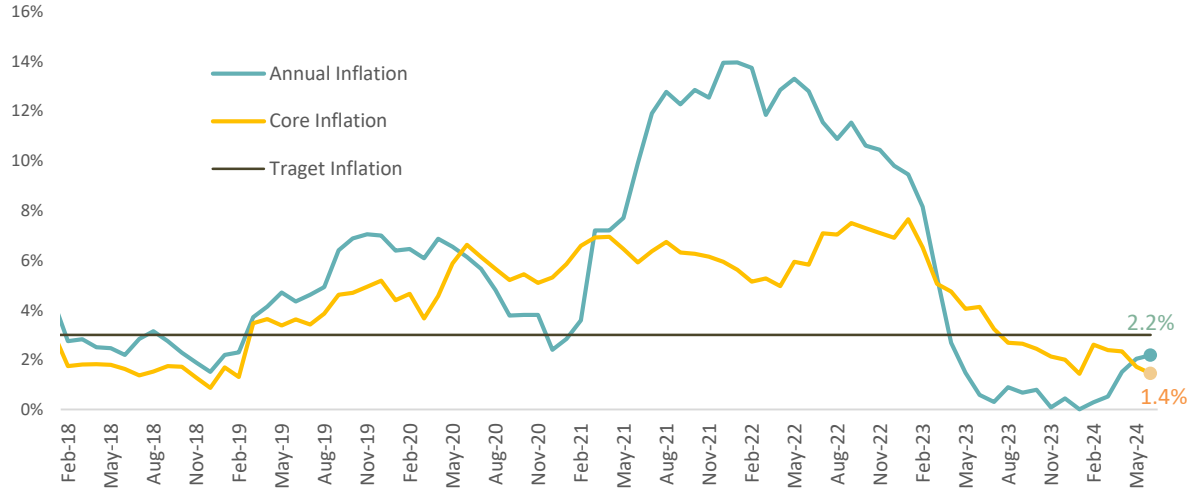
GDP by economic activity, 2024 I Quarter



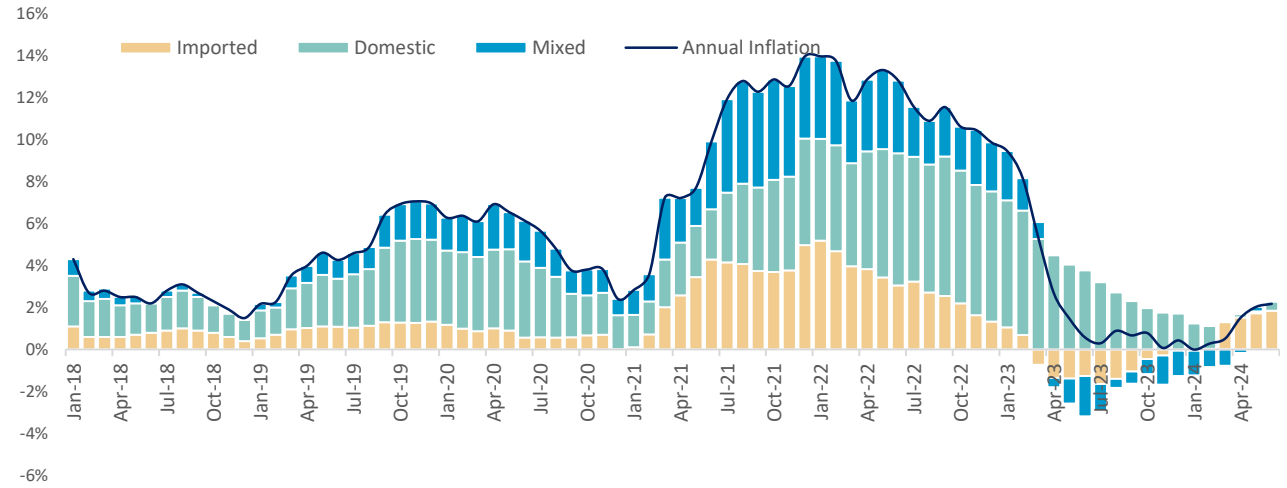
Source: Geostat

Annual inflation in June has reached 2.2 percent

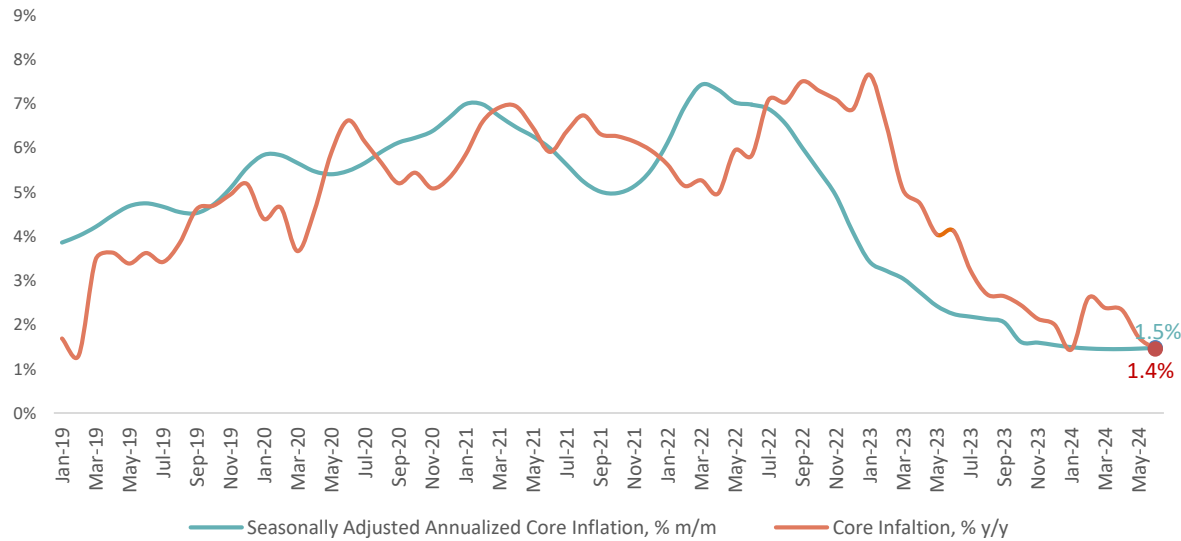
Total and Core Inflation, % y/y



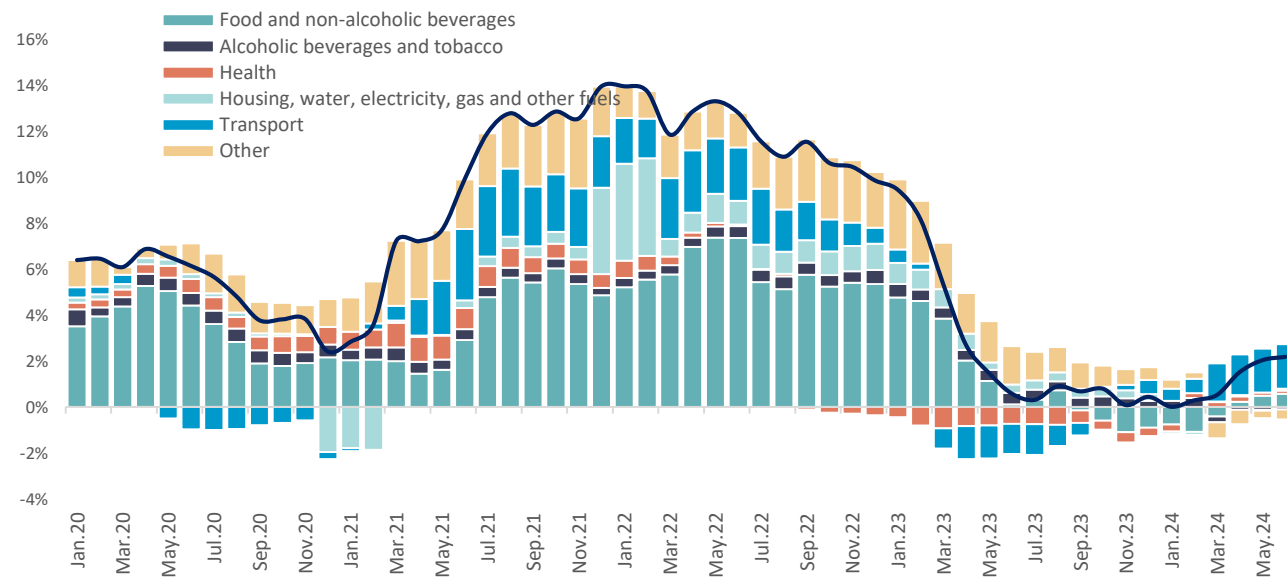
Inflation Decomposition



Core Inflation, % m/m



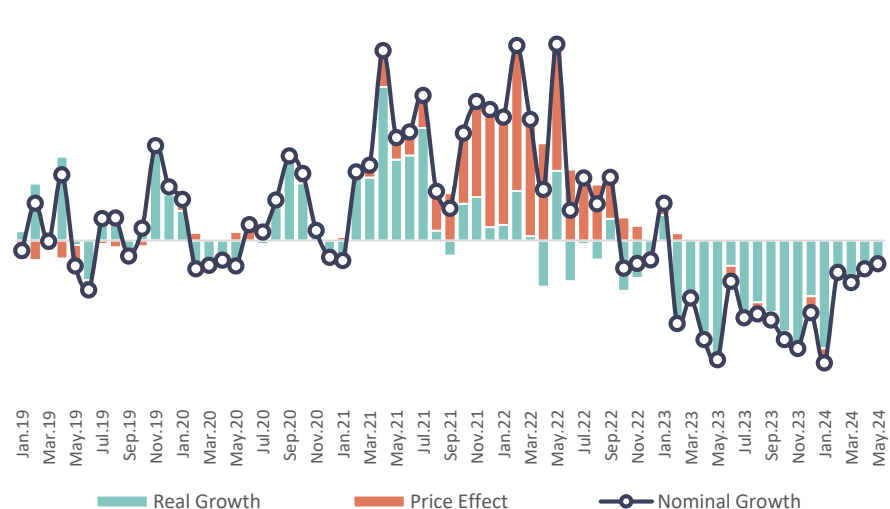
Inflation Decomposition by product group



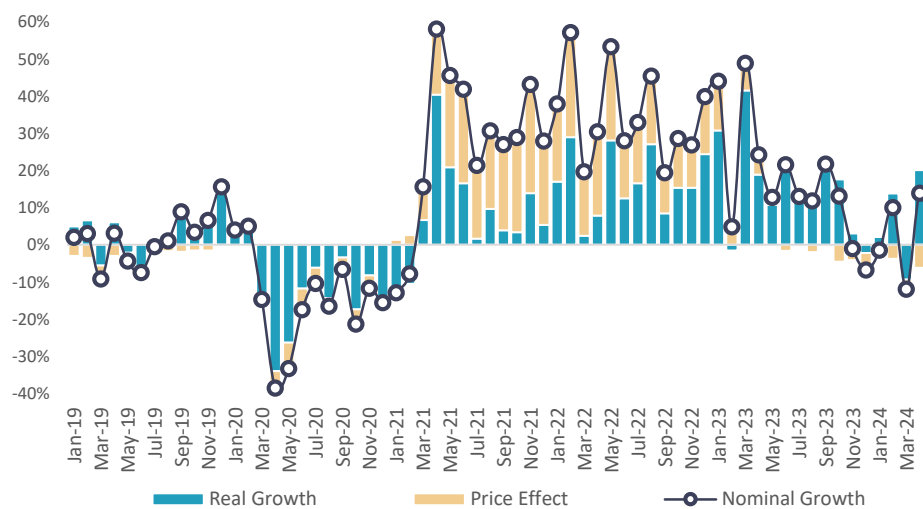
Source: Geostat, NBG, MOF

Trade Deficit in May increased by 2.9 percent annually

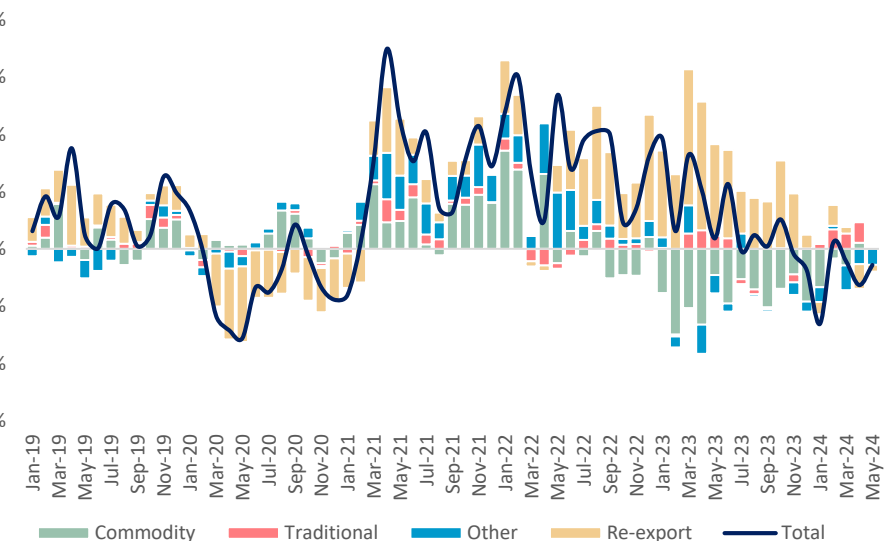
Change of Domestic Export, %/y



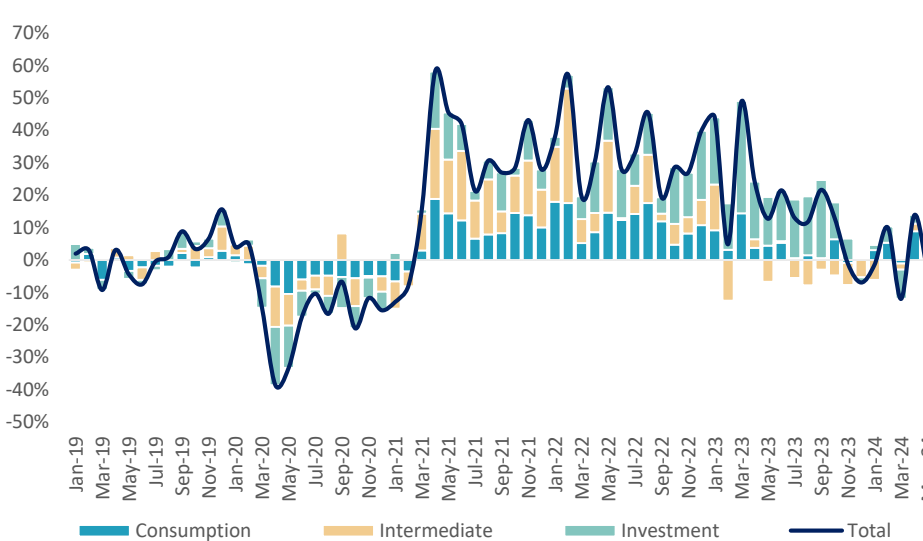
Change of Import, %/y



Decomposition of Export



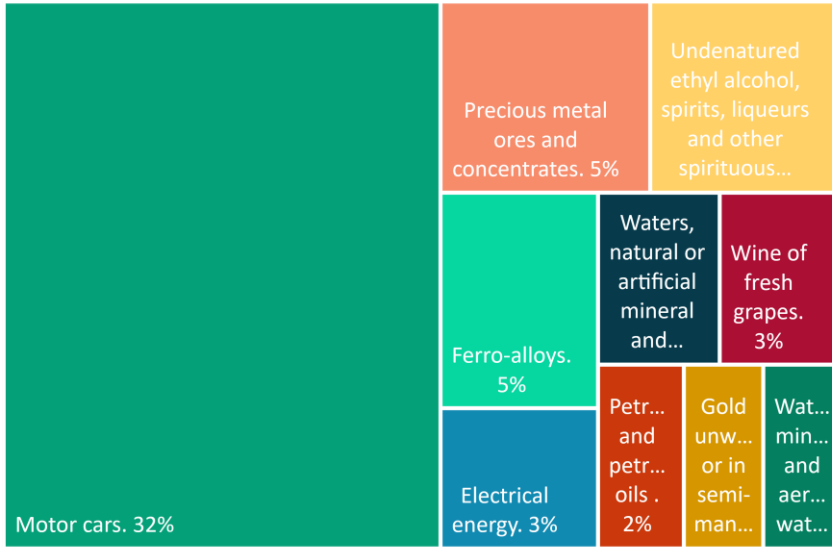
Decomposition of Change of Import, %/y



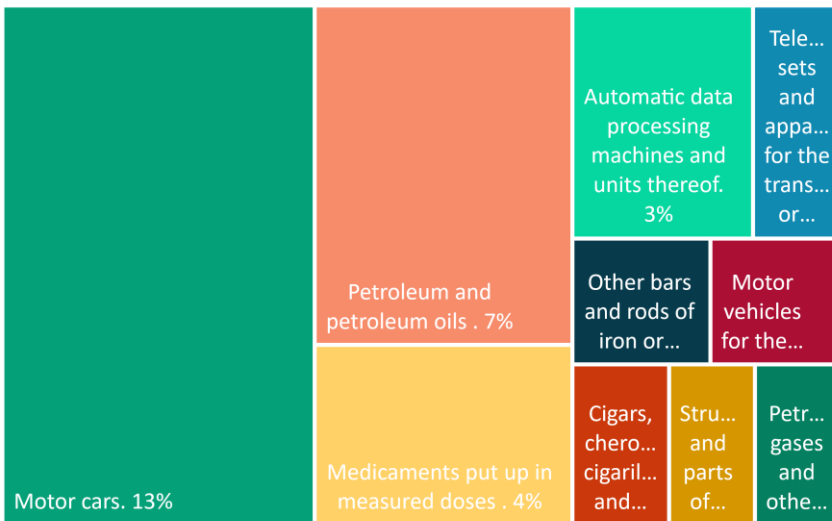
- Export in May decreased annually by 5.6 percent to 510.8 million USD.
- Domestic export decreased annually by 7.4 percent to 224.2 million USD.
- Import annually decreased by 4.0 percent to 1 277.5 million USD in May.
- Trade deficit annually increased by 2.9 percent to 766.7 million USD.
- Share of re-export in export growth is equal to -2.3 percent (-4.2 %/y), while share of commodity export is 2.2 percent (-15.3 %/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to -7.1, 1.8 and 1.4 percent respectively.

International trade is characterized by stable diversification

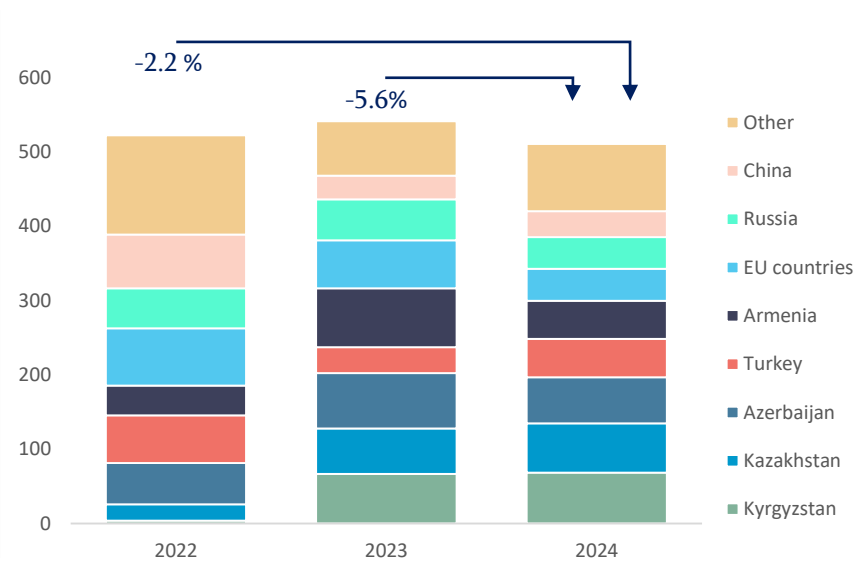
Top 10 Export goods, % of total Export



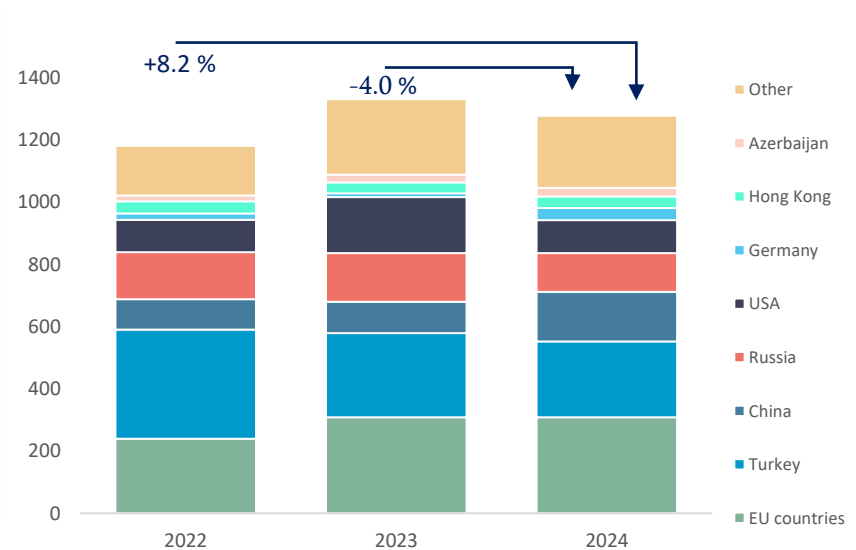
Top 10 Import goods, % of total Import



Export by country, May



Import by country, May



▪ **Top Export Products:**

- Motor cars: 163.0 million. USD - 31.9 percent of total exports.
- Precious metal ores and concentrates: 27.3 million USD - 5.3 percent of total exports.
- Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages: 24.8 mln. USD - 4.8 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:**

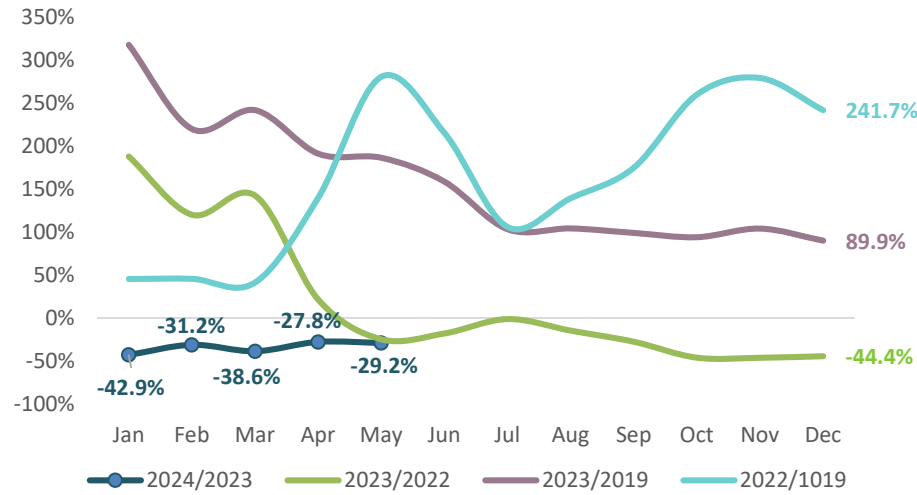
- Kyrgyzstan: 68.6 million USD, - 13.4 percent.
- Kazakhstan: 66.4 million USD, - 13.0 percent.
- Azerbaijan: 61.7 million USD - 12.1 percent.

▪ **Top Import Country :**

- European Union: 308.7 million. USD, - 24.2 percent.
- Turkey: 237.4 million USD, - 18.6 percent.
- China: 158.8 million USD - 12.4 percent.

Net Remittances decreased by 29.2 percent in May 2024

Net Remittances, 2024-2019

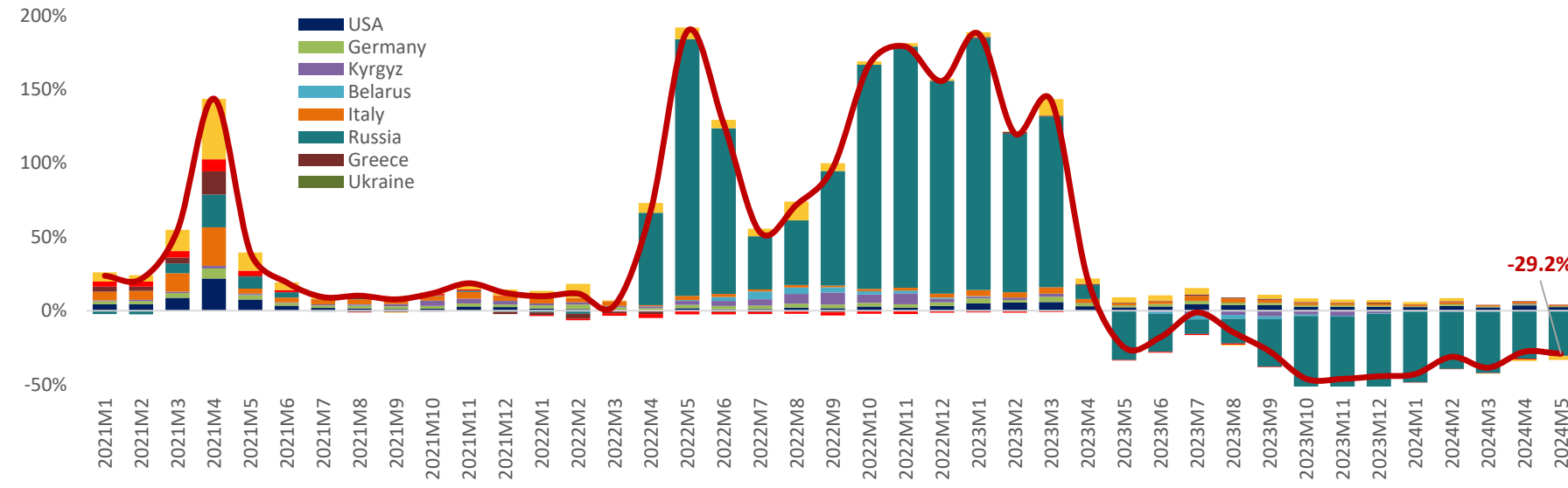


Net Remittances, May 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Italy	47.1	7.8	1.0
Russia	44.5	-71.1	-30.5
USA	46.1	24.0	2.5
Greece	20.5	3.2	0.2
Israel	21.1	21.4	1.0
Germany	20.9	8.8	0.5
Other	38.8	-20.1	-4.0

- In May 2024, net remittances were estimated at 254.2 million USD, representing a 29.2 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 102.8 percent.
- Net Remittances increased from:
 - Ireland: 28.6 percent (contributing 0.3 pp to total growth)
 - France: 8.8 percent (0.1 pp contribution to overall growth)
 - Spain: 4.6 percent (0.1 pp contribution to overall growth)
- Net Remittances decreased from:
 - Azerbaijan: -126.4 percent (-0.2 pp contribution to total growth)
 - Russia: -71.1 percent (-30.5 pp contribution to total growth)
 - Turkey: -70.1 percent (-1.6 pp contribution to total growth)
 - Kazakhstan: -45.3 percent (-2.4 pp contribution to total growth)

Net Remittances by country, %y/y



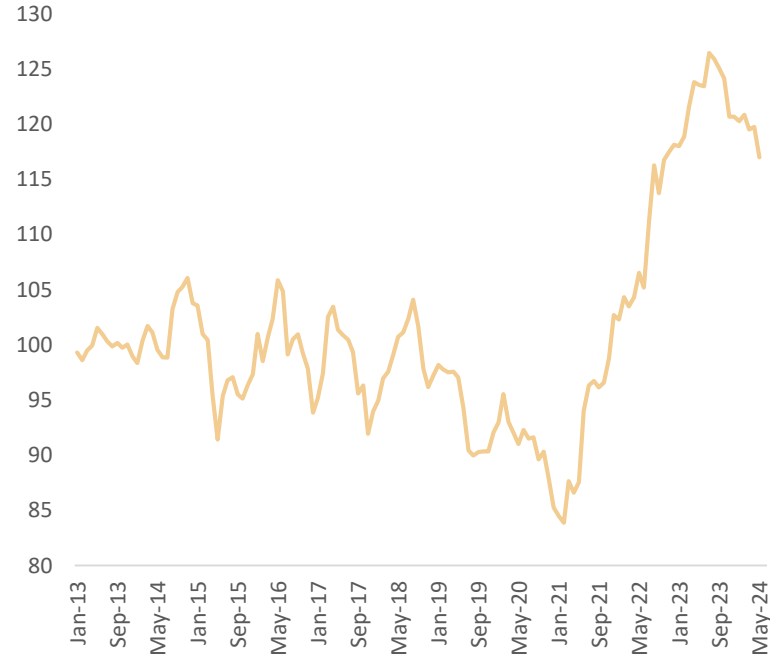
Source: NBG

Real Effective Exchange Rate Depreciated by 5.3 percent in May

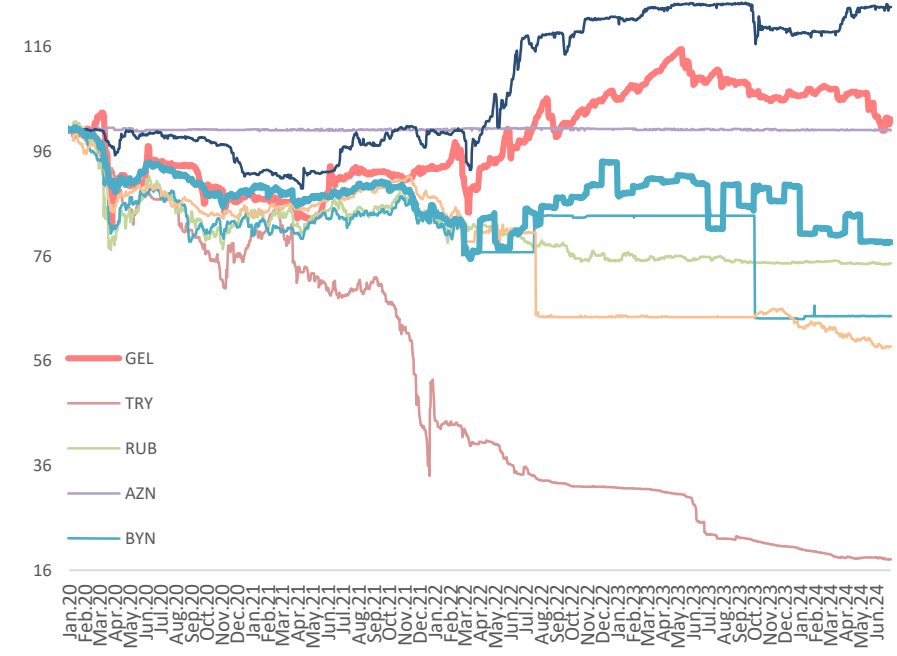
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

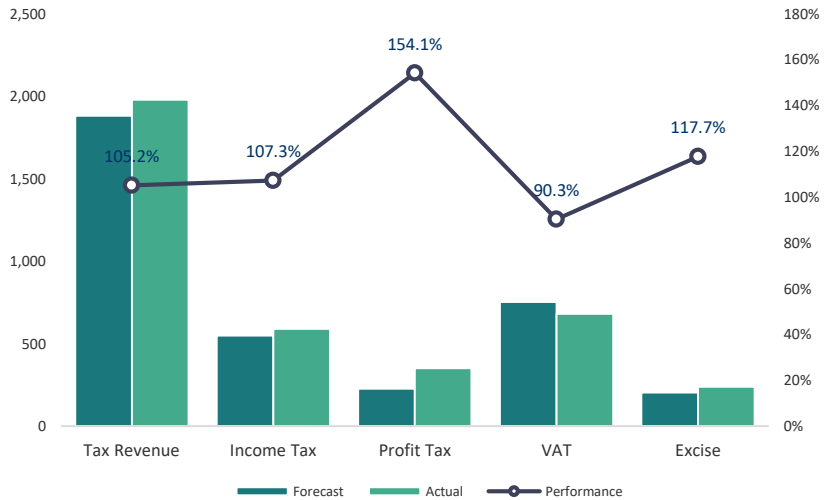


Note: Increase means appreciation

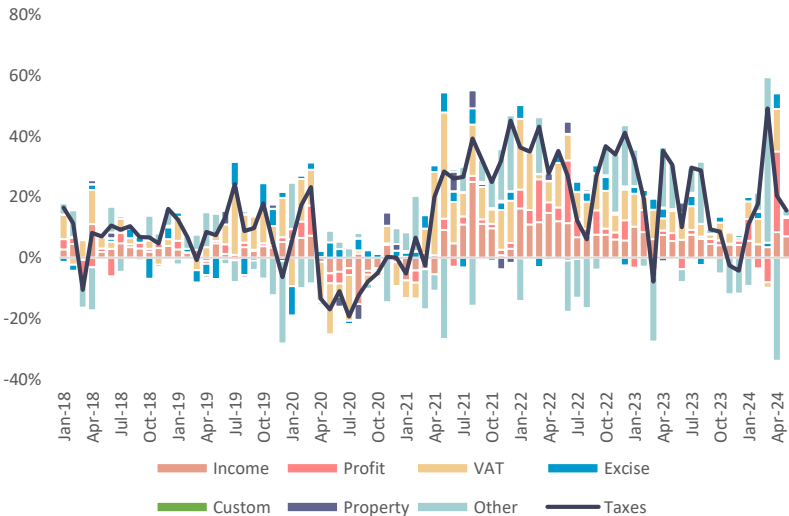
	July 1, 2024		July 1, 2024 - Jan 1, 2024		July 1, 2024 - Jan 1, 2023
Euro	3.0082	▼	-1.1%	▼	-4.1%
US Dollar	2.8101	▼	-4.3%	▼	-3.8%
Turkish Lira	0.0854	▲	6.6%	▲	69.0%
Russian Ruble	0.0330	▼	-9.4%	▲	11.3%
NEER	183.08	▼	-1.7%	▲	11.3%
REER (May 2024)	147.33	▼	-0.4%	▲	1.4%

Tax revenues in June is above the forecast value by 5.2 percent

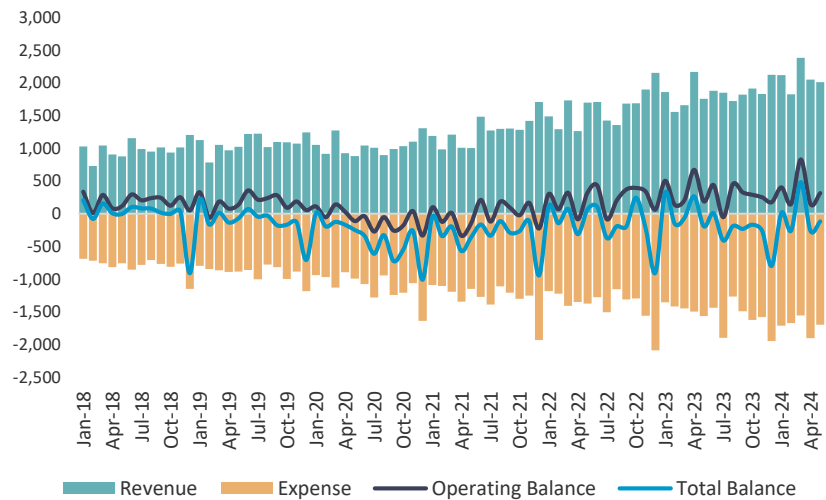
Budget Revenue Performance, June 2024



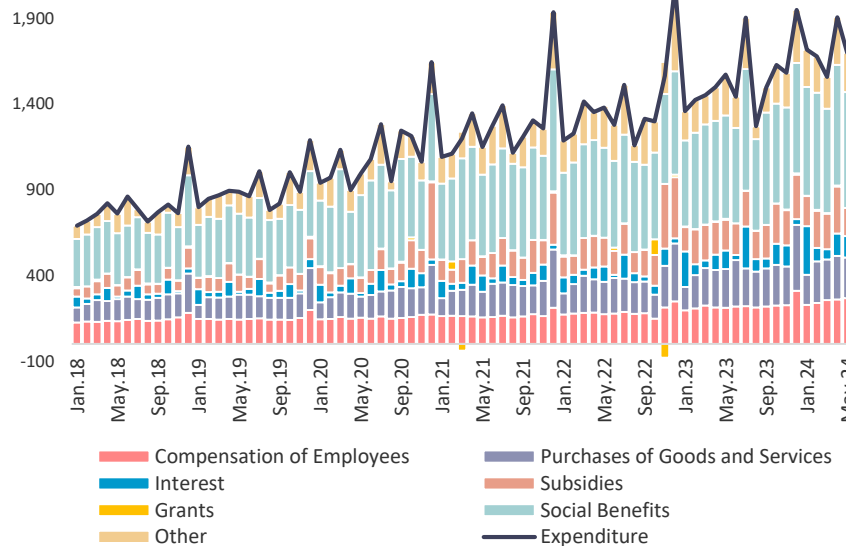
Tax Income, % y/y



Consolidated Budget, mln GEL



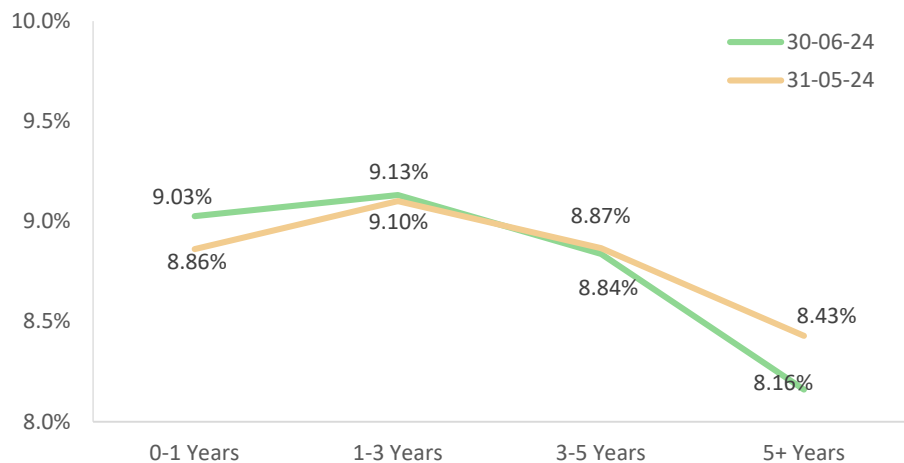
Consolidated Budget Expenditure, mln GEL



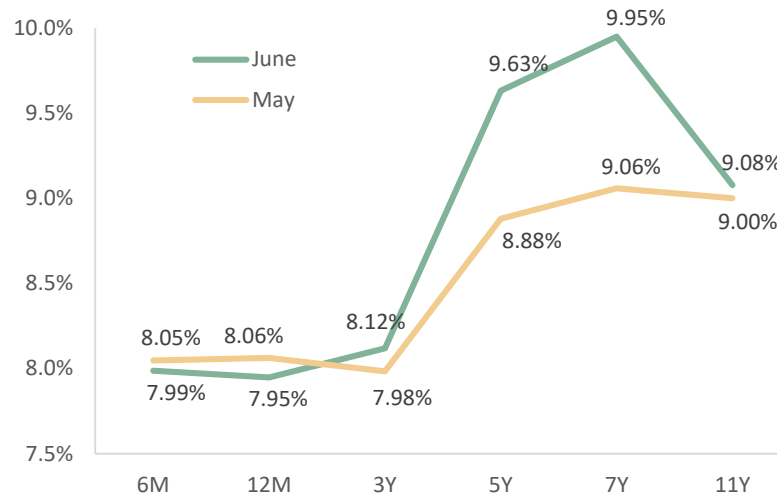
- The actual level of tax income in June 2024 was 1,980 mln GEL, which is above the forecasted value by 5.2 percent.
- Consolidated budget revenues increased by 14.5 percent and expenditures increased by 8.2 percent in May.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 313.1 million GEL, while the total balance was set at negative 119.3 million GEL.
- Revenue from taxes had a significant impact on revenue from income and profit taxes in May, accounting for 7 and 6 percent of total growth, respectively.

Treasury Financial Securities Portfolio Changed Slightly in June

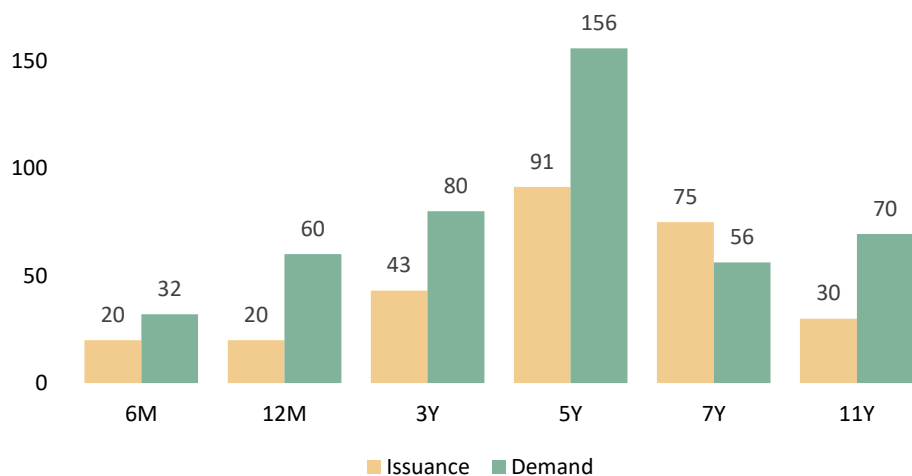
Portfolio Yield Curve



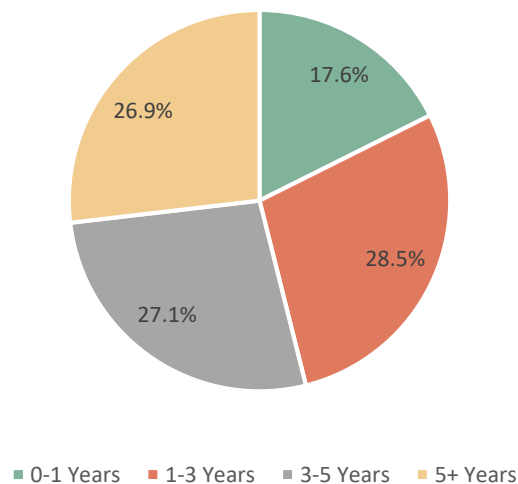
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



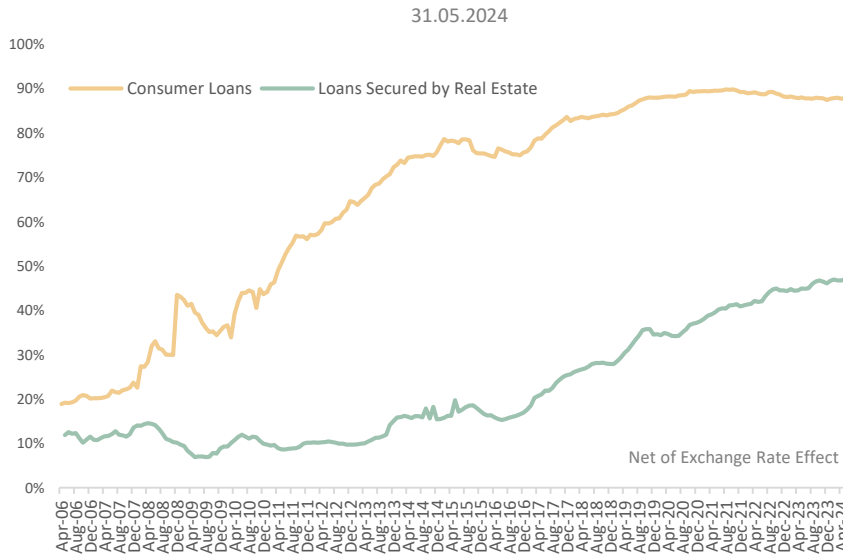
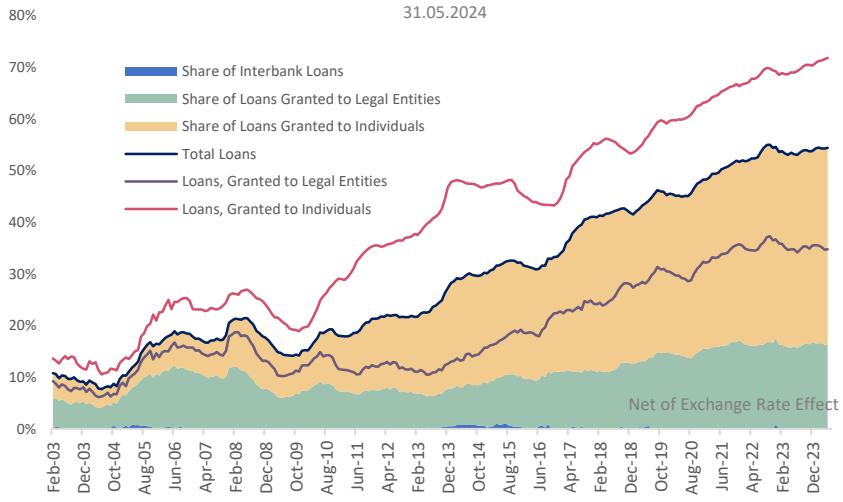
Portfolio by Residual Maturity, June 30, 2024



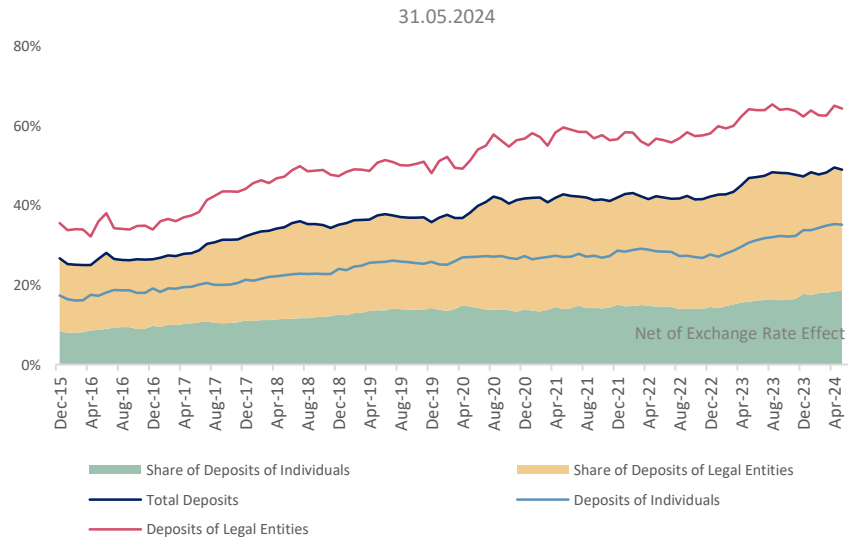
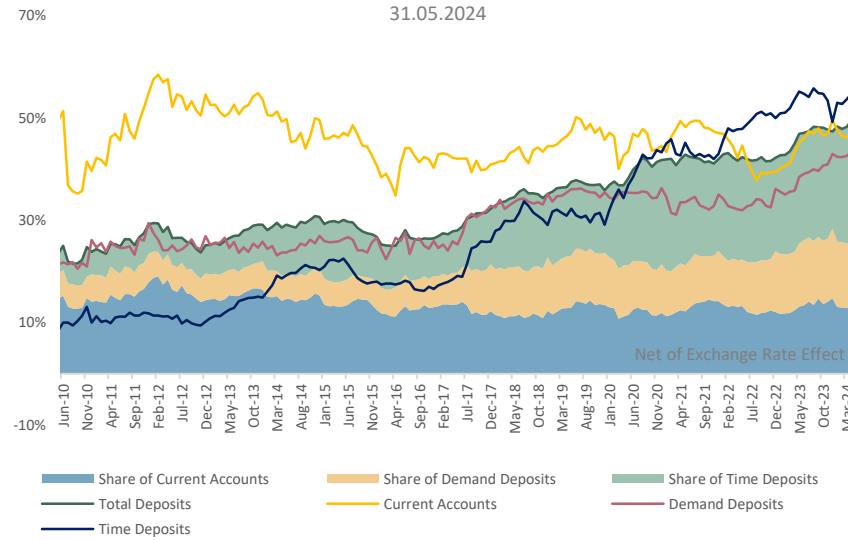
- In June 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 260.63 million GEL.
- The weighted average interest rate amounted to 9.132%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 80 million GEL were redeemed. The bonds with a nominal value of 40 million GEL were redeemed.
- There were slight changes in the treasury financial security portfolio. As of June 30, 2024, 28.5% of the treasury securities portfolio (in May it was 28.9%) 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 27.1%) in the total portfolio. The share of the securities with 5 years and more maturities increased from 25.3% to 26.9%.
- The Bid-to-cover ratio decreased compared to the previous month's value (May 1.82) and amounted to 1.62.

In May Loan and Deposit Larization Indicator Decreased Slightly

Loan Larization



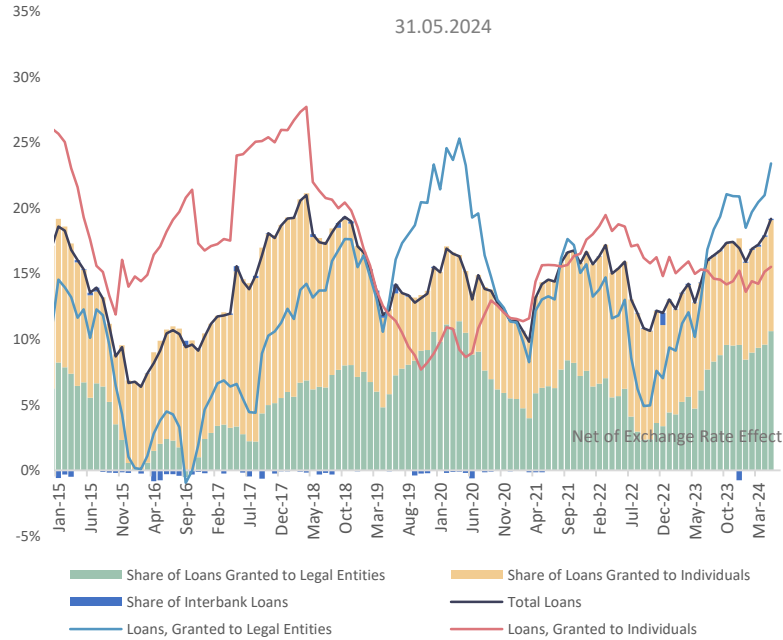
Deposit Larization



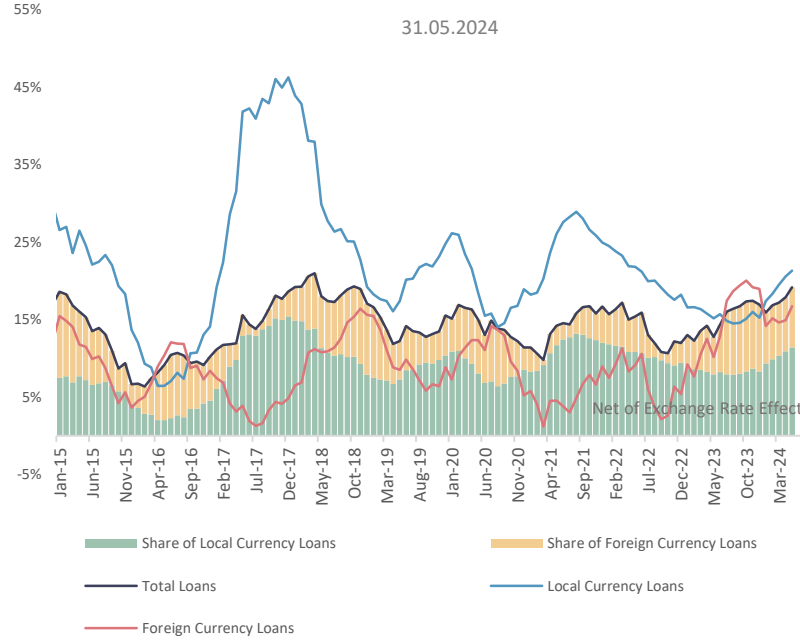
- As of May 31, 2024, the larization of total loans is 54.4 percent.
- The larization of loans to individuals is 71.8 percent.
- The larization of the loans to legal entities amounted to 34.7 percent.
- The larization of the total deposits equals to 48.9 percent.
- The larization on the deposits of legal entities amounted to 64.3 percent.
- The larization of the deposits of individuals is 35.2 percent.
- The larization of time deposits is 53.8 percent.
- The larization of current accounts equals to 46.9 percent.
- The larization of the demand deposits is 43.4 percent.

High Annual Growth Trends of Loans Have Retained

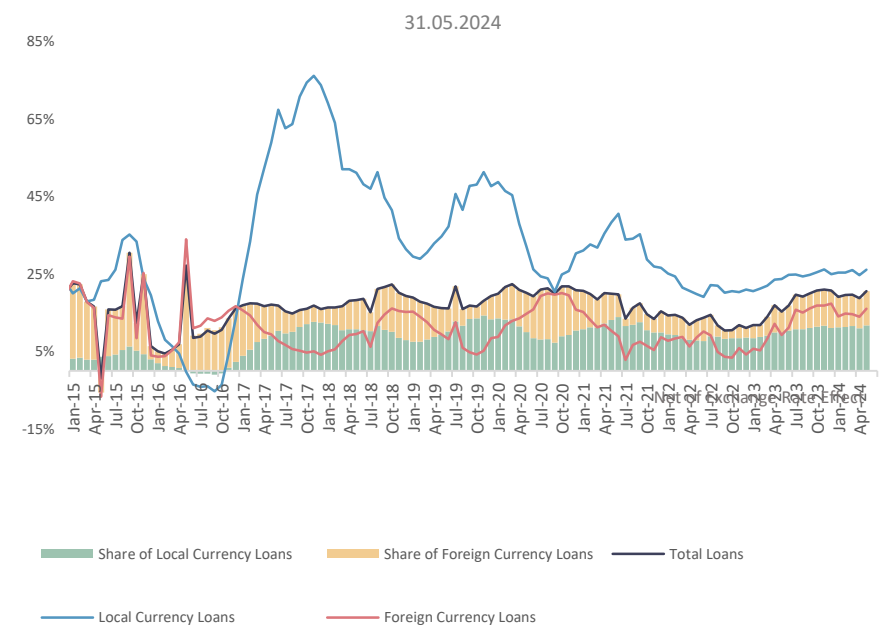
Loans Growth Rates, % y/y



Loans by Currency, % y/y



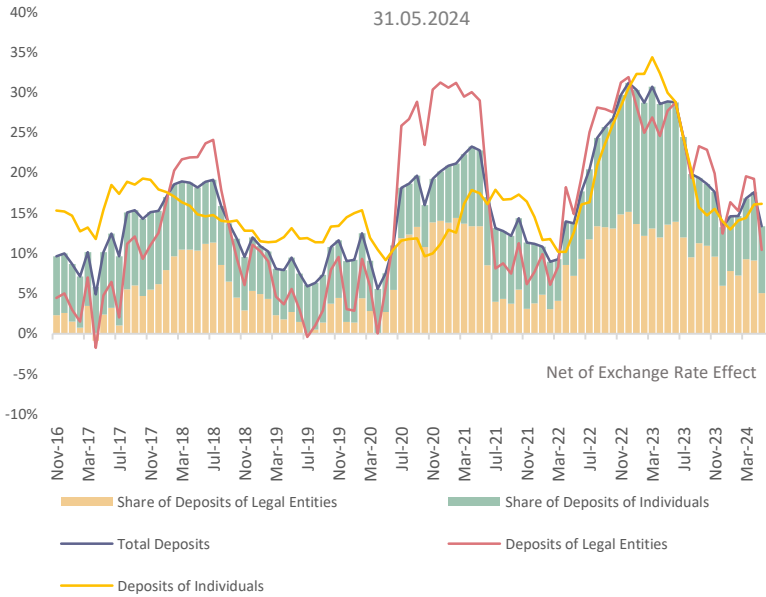
Mortgage Loans, % y/y



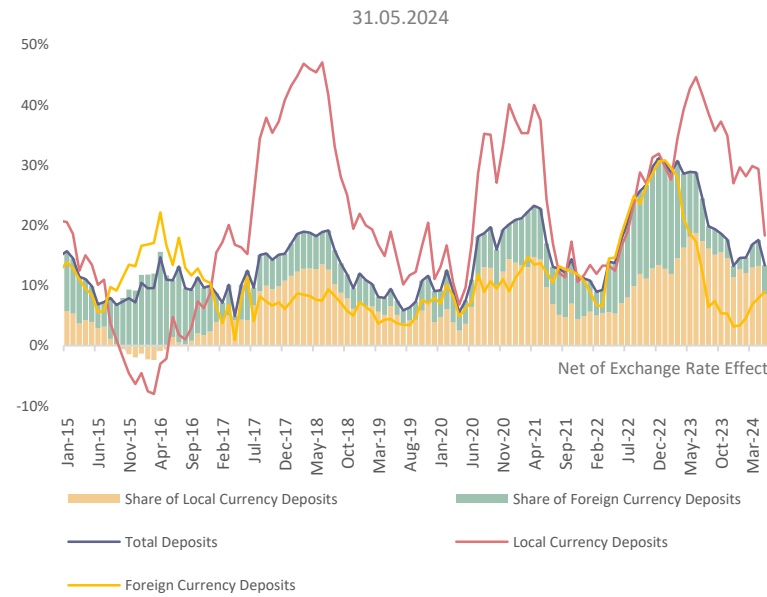
- As of May 31, 2024, the total loans increased by 19.2 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 23.4 percent.
- The annual growth of loans to individuals is 15.5 percent.
- As of May 31, 2024, the growth rate of the loans denominated in the national currency amounted to 21.3 percent.
- The annual growth of loans denominated in foreign currency amounted to 16.7 percent.
- As of June 1, 2024, the annual growth of the loans secured by real estate amounted to 20.5 percent. At the same time, the mortgage loans denominated in the national currency increased by 26.1 percent, while the mortgage loans denominated in the foreign currency also increased by 16.0 percent.

Annual Growth Rates of Deposits Are Declining

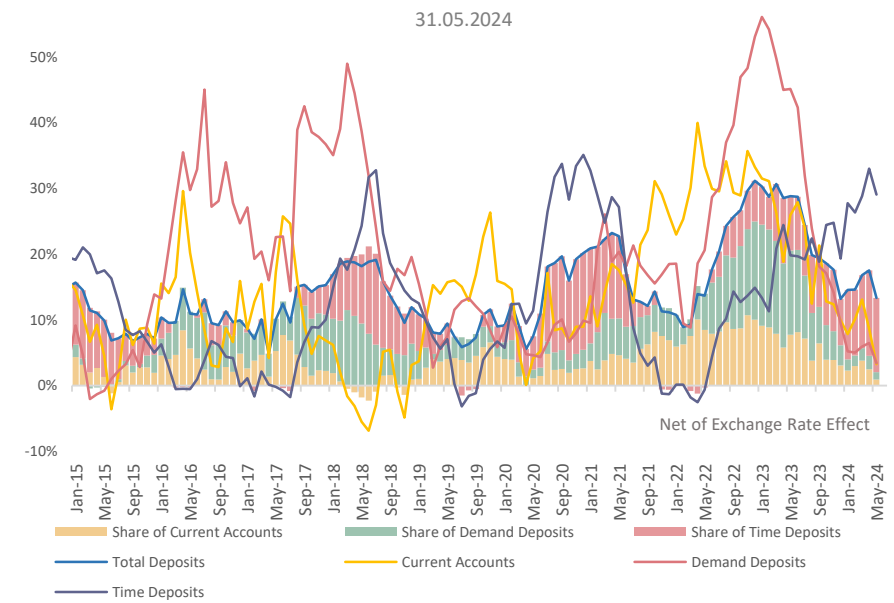
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



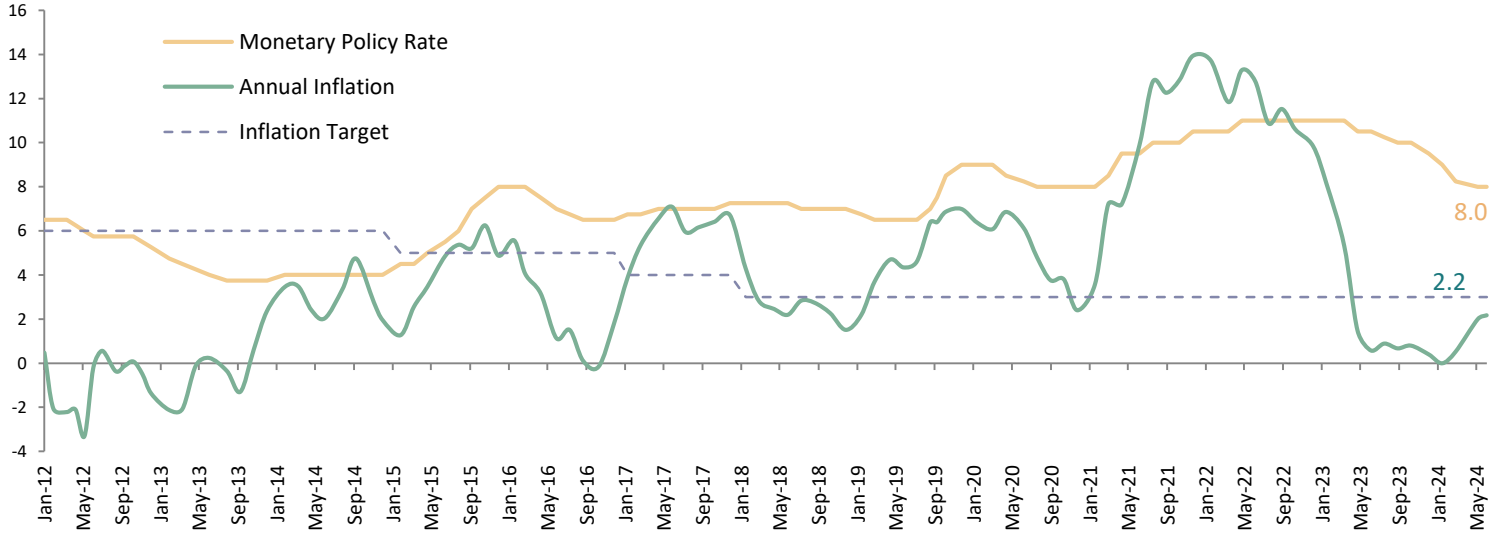
Deposits by Type, % y/y



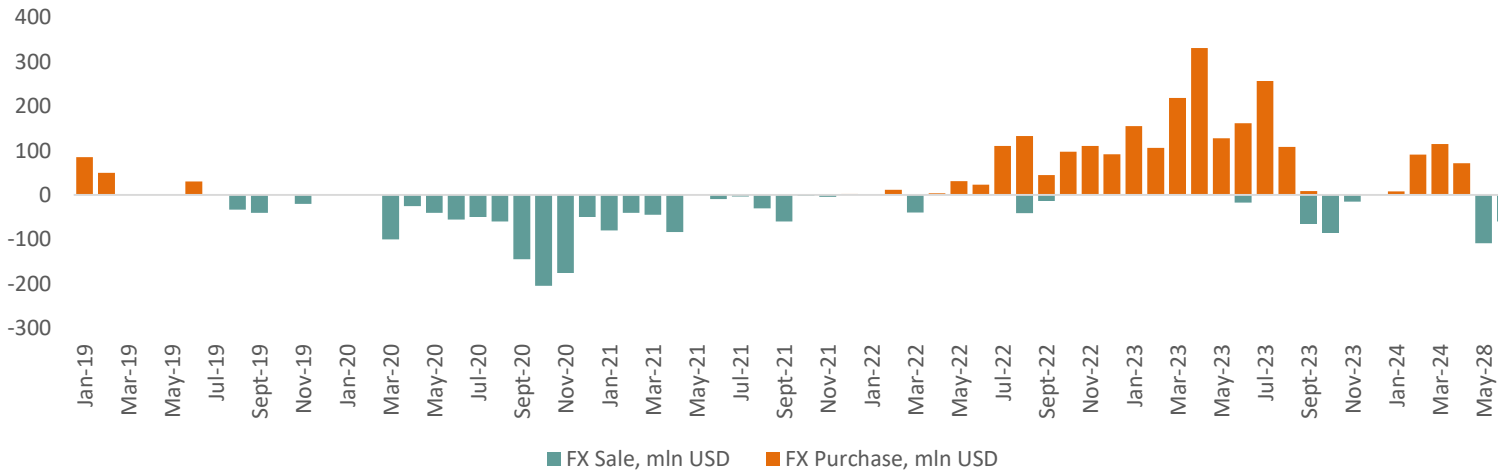
- As of June 1, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 13.4 percent.
- The annual growth of the deposits denominated in the national currency amounted to 18.3 percent. The annual growth of the deposits denominated in foreign currency stood at 9.0 percent over the same period.
- The growth of the deposits of individuals amounted to 16.1 percent, while the annual growth of deposits of legal entities in the same period amounted to 10.4 percent.
- The annual growth of current accounts at the beginning of June, 2024, was equal to 3.3 percent.
- The annual growth of the time deposits was 29.1 percent.
- The growth of the demand deposits amounted to 3.4 percent.

Monetary Policy Rate Kept at 8.0 percent in June

Inflation and Monetary Policy Rate



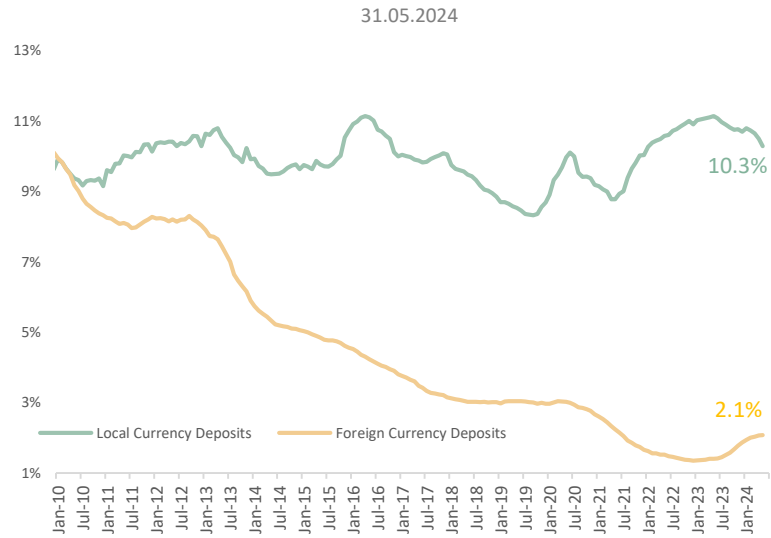
Trade of USD by NBG, mln USD



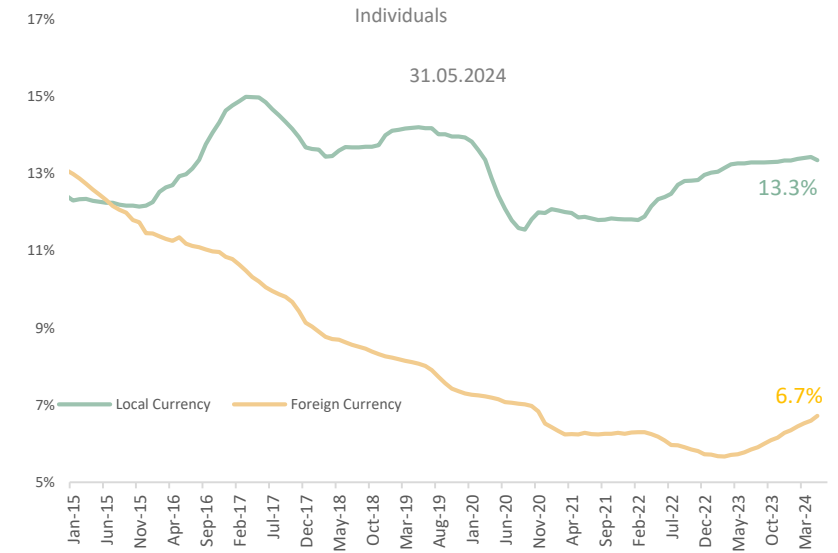
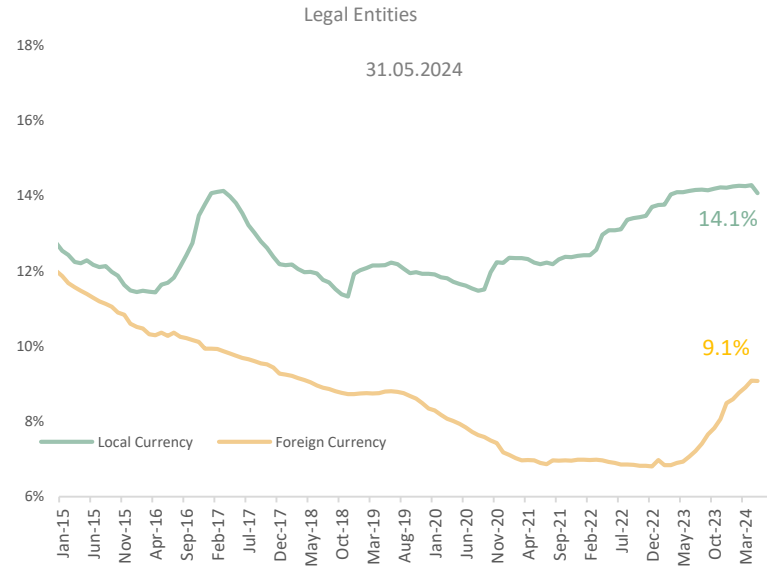
- In May 22, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) conducted a meeting and reduced the refinancing rate by 0.22 pp and determined it at 8.0 percent level.
- Per the NBG, the factual inflation is less than the target one (3 percent). There are both external and internal factors affecting it. Exchange rate volatility creates inflationary pressures from imported goods. Also, despite recent declines in international oil prices, global food prices have risen. As for the internal factors, it should be noted that the economic and credit activities have improved in the country and there is an increased inflation expectations. It was at 2.2 percent in June this year and has on a upward path. It is expected that the inflation in Georgia will be around the target one in the second half of the current year.
- The next meeting of the Monetary Policy Committee will be held on July 31, 2024.
- The NBG made foreign exchange intervention during June (2024) and sold 60 mln USD to avoid short-term exchange rate fluctuations.

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

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of June 1, 2024, the interest rate on foreign currency deposits was 2.1 percent, and in the national currency – 10.3 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.3 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 10.3 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 11.9 percent (16.2 percent in the national currency and 6.2 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 15.6 percent (16.6 percent in the national currency and 7.7 percent in foreign currency).
- At the end of May, 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.

Source: NBG

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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