



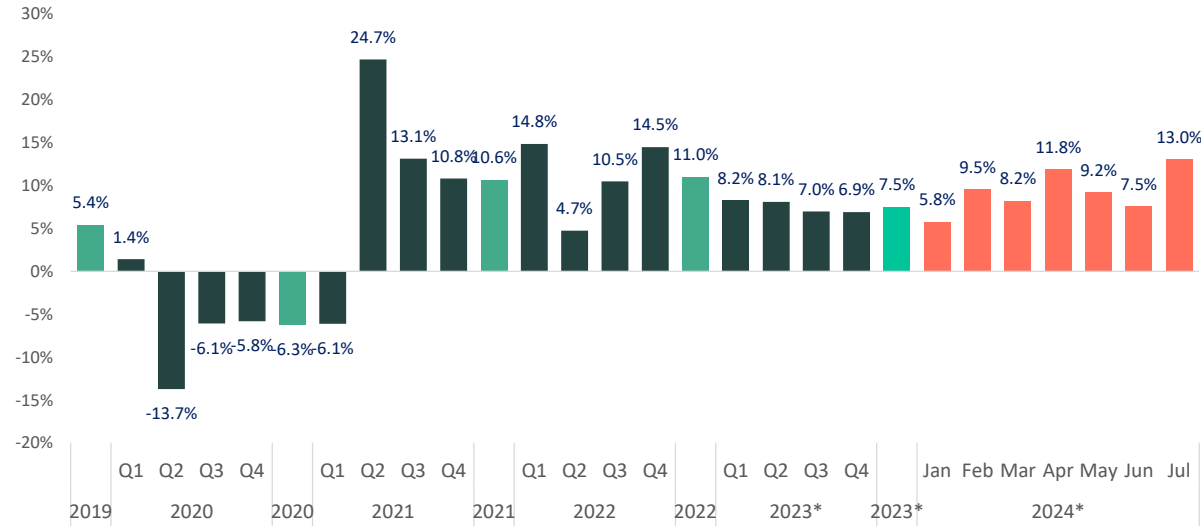
Current Economic Outlook

August, 2024

- In July 2024, the real GDP growth rate was 13.0 percent and average growth rate of the first seven months of 2024 was 9.7 percent, according to the preliminary estimates of the National Statistics Office.
- In August, annual inflation stood at 1.0 percent, while core inflation was 0.9 percent
- In July, exports increased by 29.9 percent year-on-year and imports increased by 7.2 percent year-on-year, decreasing the trade deficit by 7.8 percent year-on-year to 736 million USD
- For July, the real effective exchange rate depreciated by 10.4 percent compared to the same period of the previous year and appreciated by 1.9 percent compared to the previous month
- The monetary policy rate is at 8 percent in August
- By the end of August, sovereign ratings for Georgia are following:
Fitch “BB stable” S&P “BB stable” Moody’s “Ba2 stable”

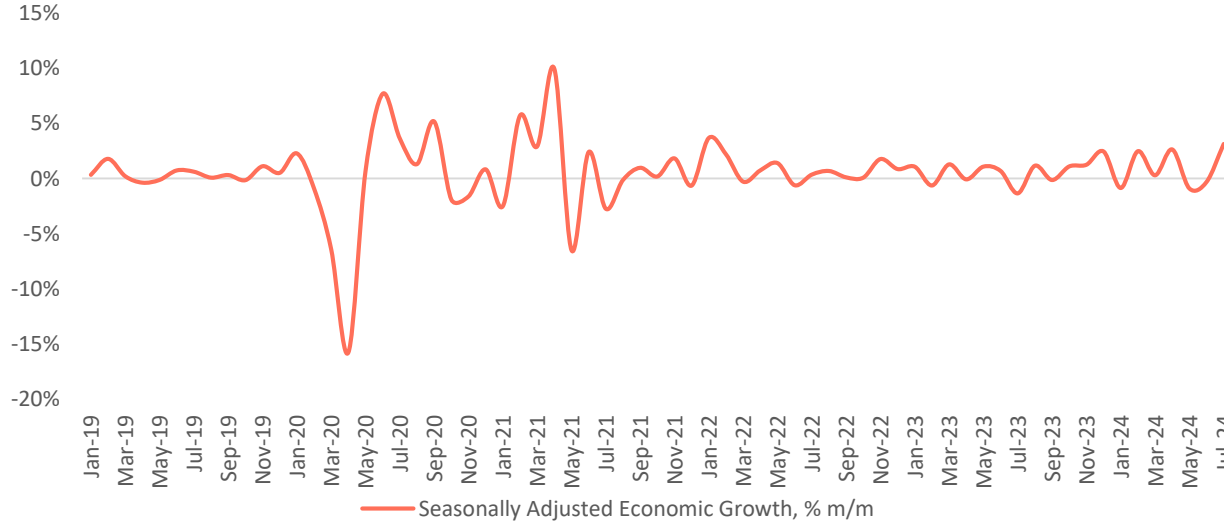
According to preliminary estimates Economic Growth in July was equal to 13.0 percent

Economic Growth, % y/y

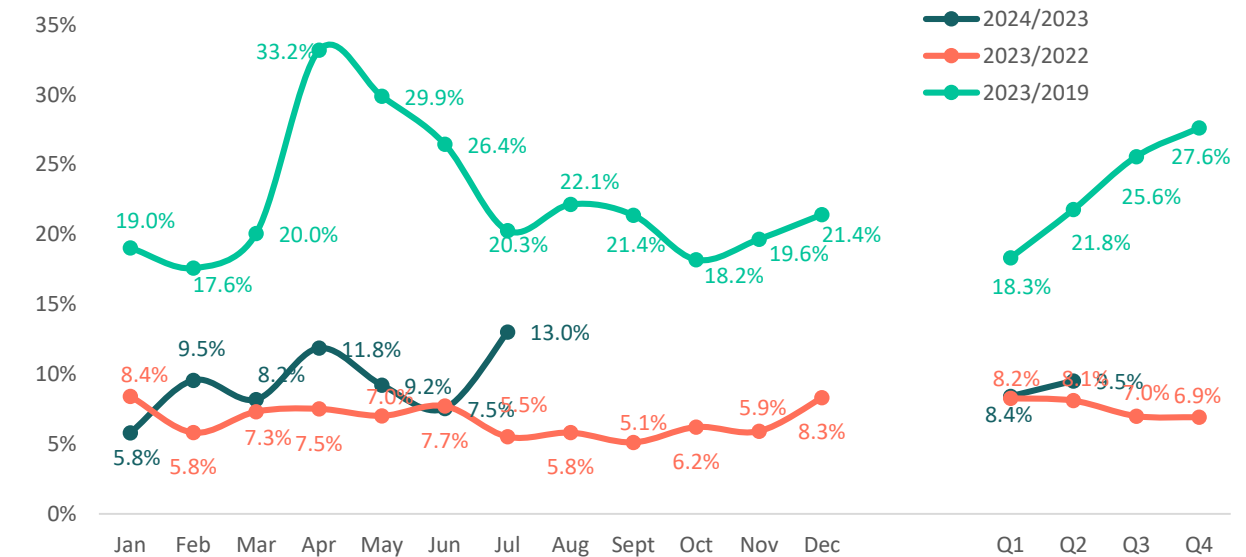


- Estimated real GDP growth rate in July 2024 equaled 13.0 percent YoY and average annual real GDP growth rate for the January-July of 2024 equals to 9.7 percent, while the seasonally adjusted economic growth in July comparing to the previous month was 3.1 percent.
- In July 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Manufacturing, Information and communication, Professional, scientific and technical activities, Trade.

Economic Growth, % m/m



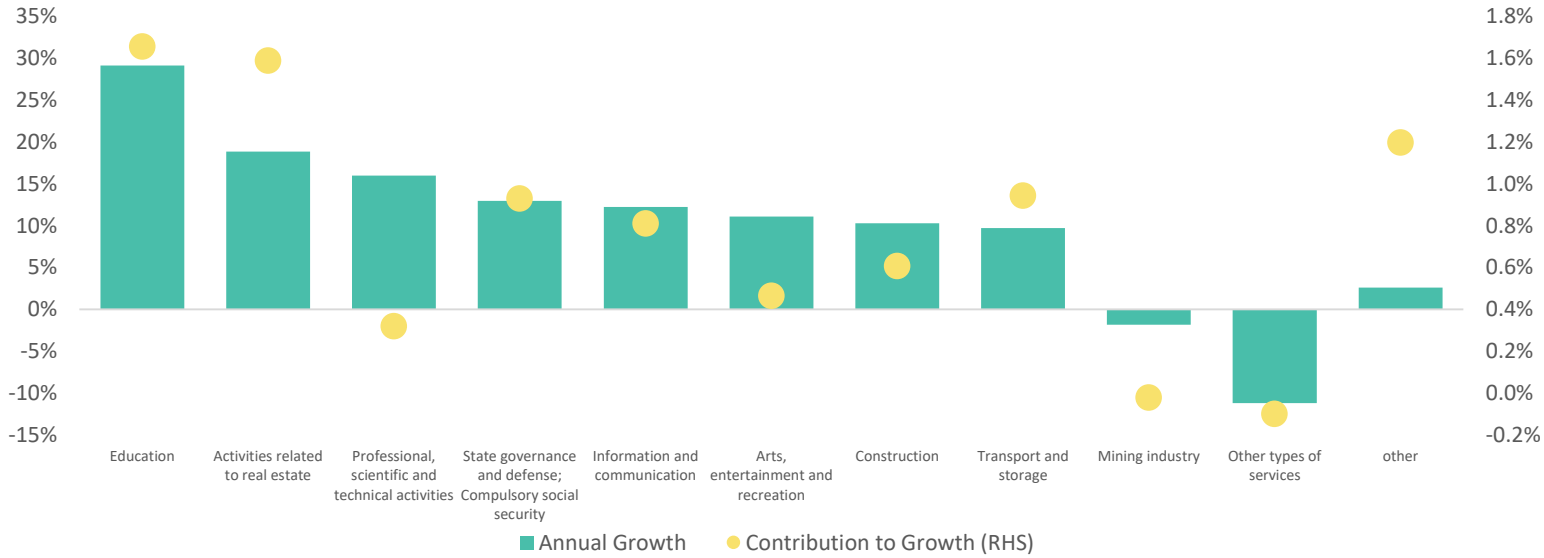
Economic Growth, 2024-2019



Source: Geostat, MOF

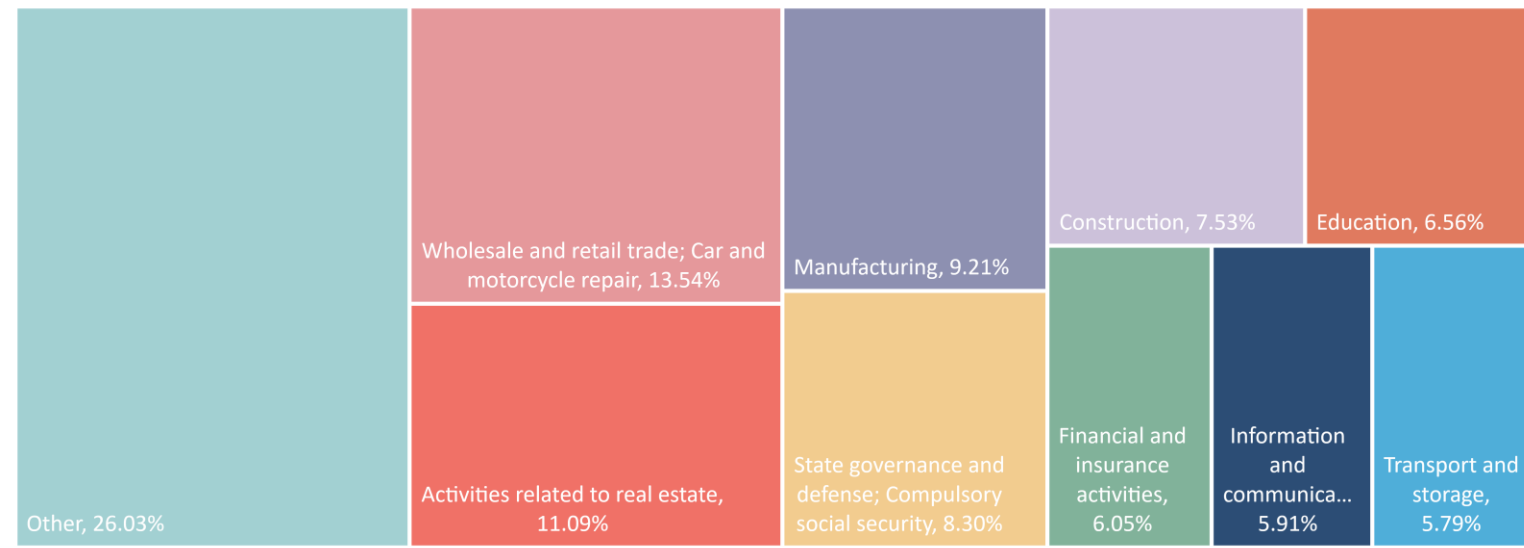
According to preliminary estimates, real GDP increased by 8.4 percent in the first quarter of 2024

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.)

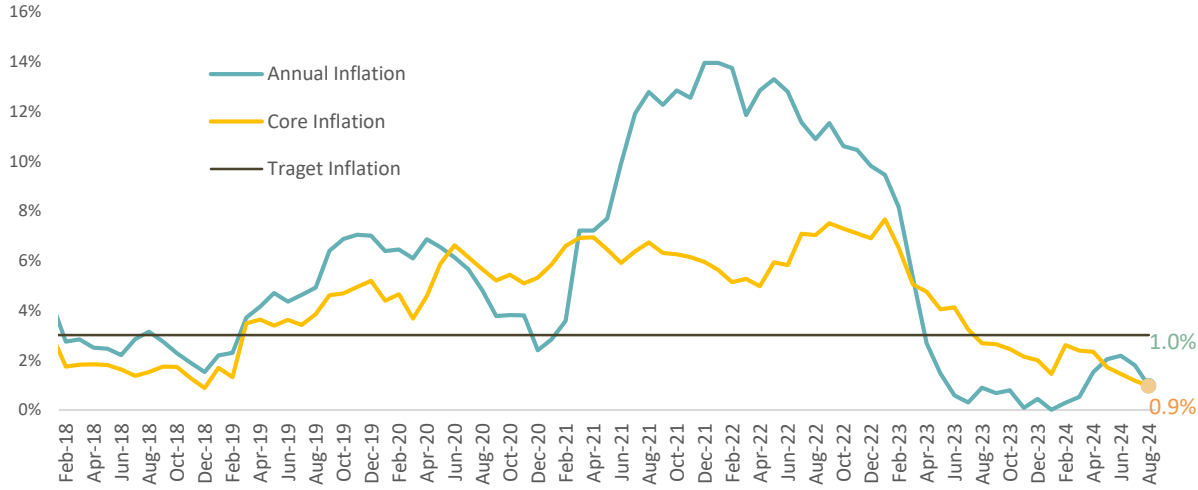
GDP by economic activity, 2024 I Quarter



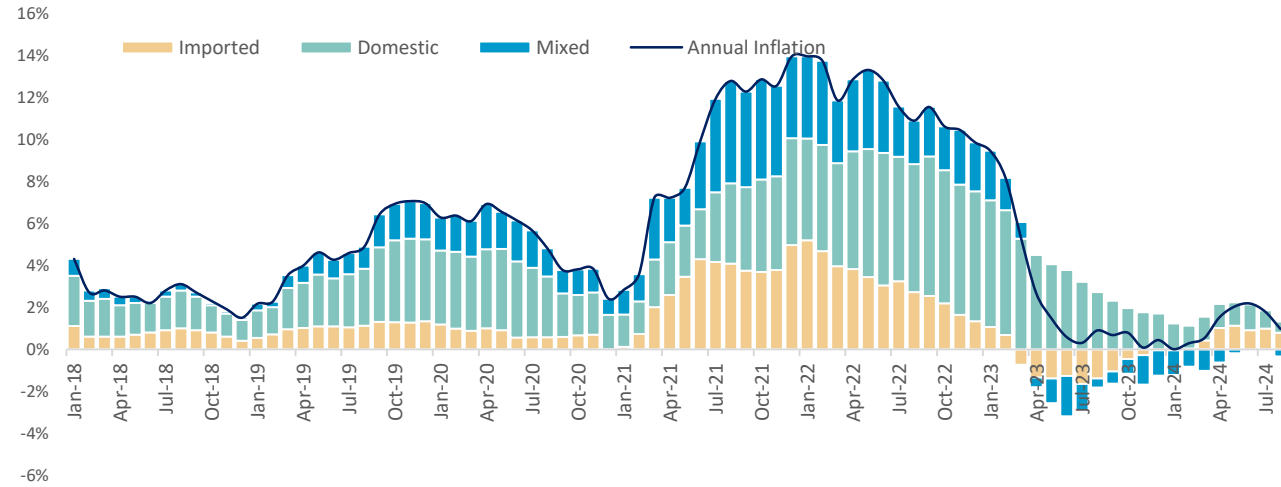
Source: Geostat

Annual inflation in August has reached 1.0 percent

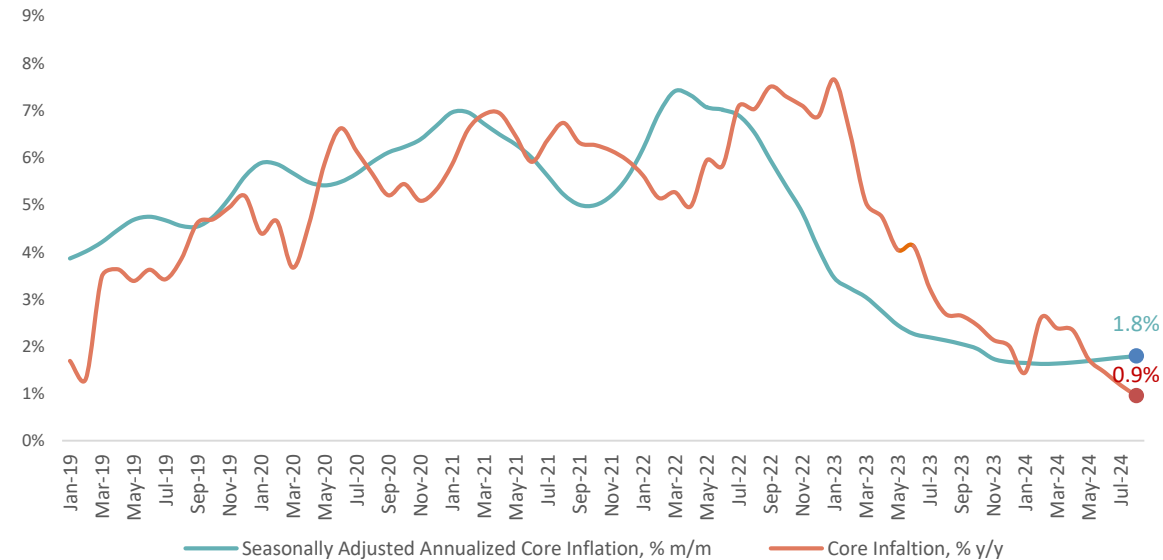
Total and Core Inflation, % y/y



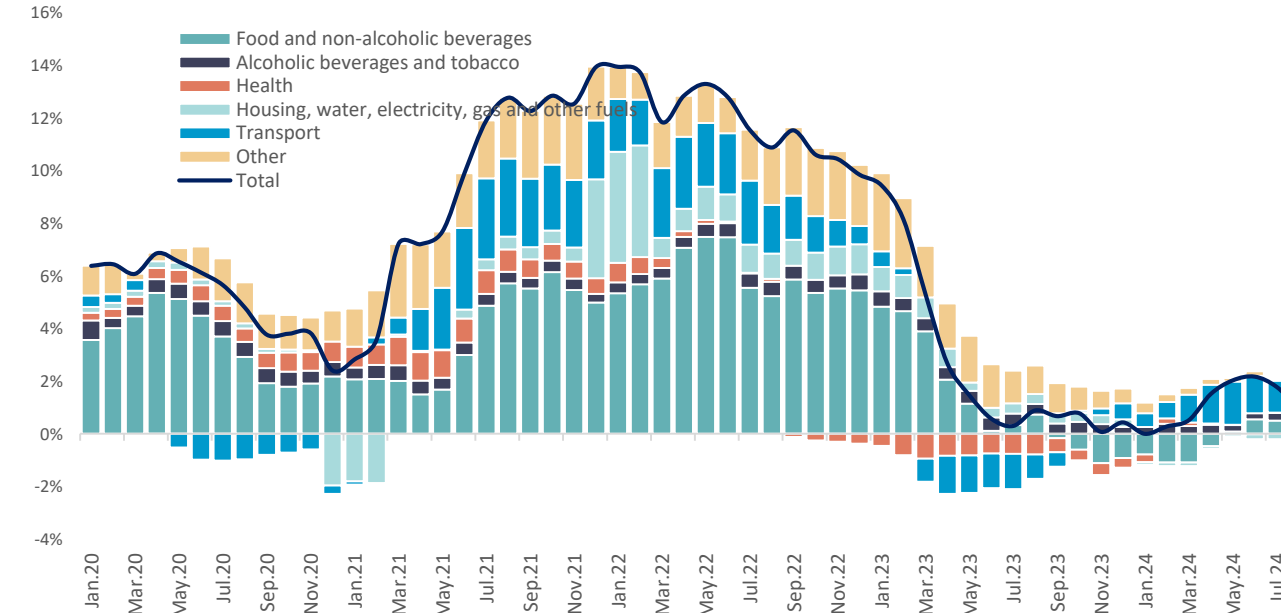
Inflation Decomposition



Core Inflation, % m/m



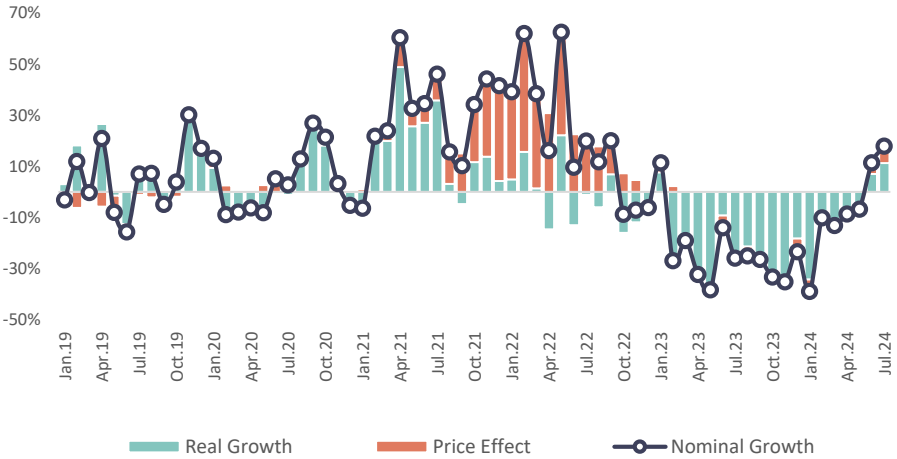
Inflation Decomposition by product group



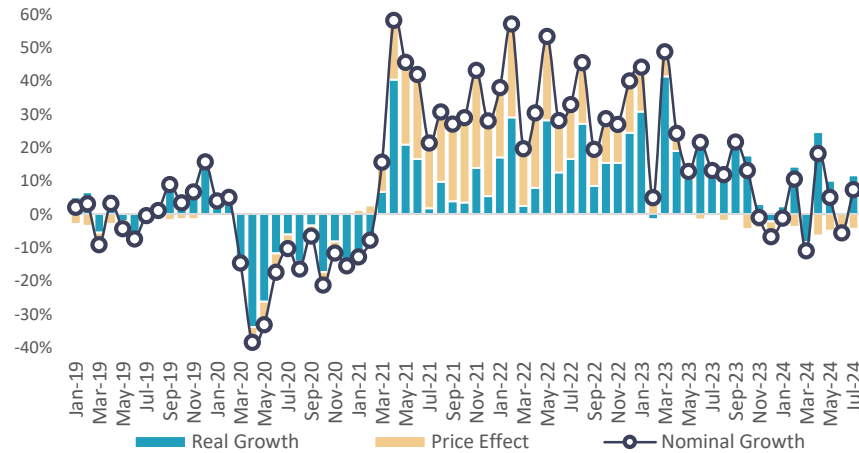
Source: Geostat, NBS, MOF

Trade Deficit in July decreased by 7.8 percent annually

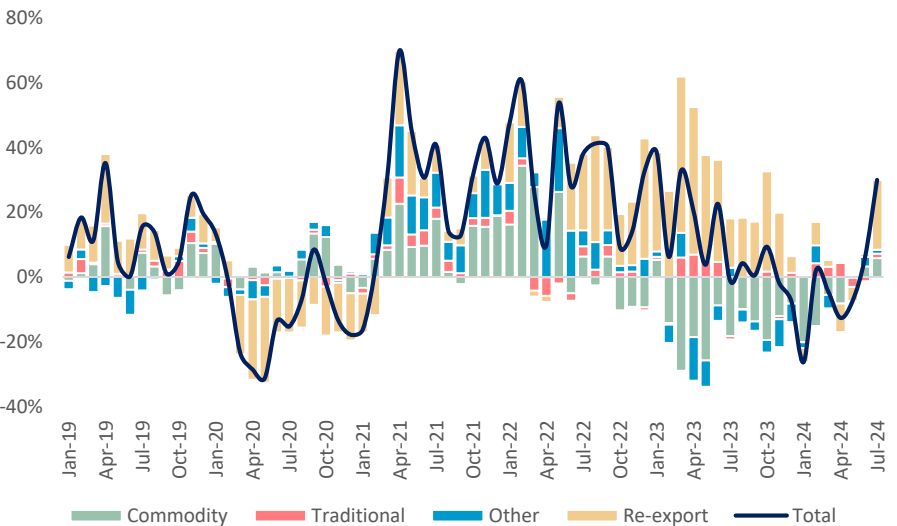
Change of Domestic Export, %/y



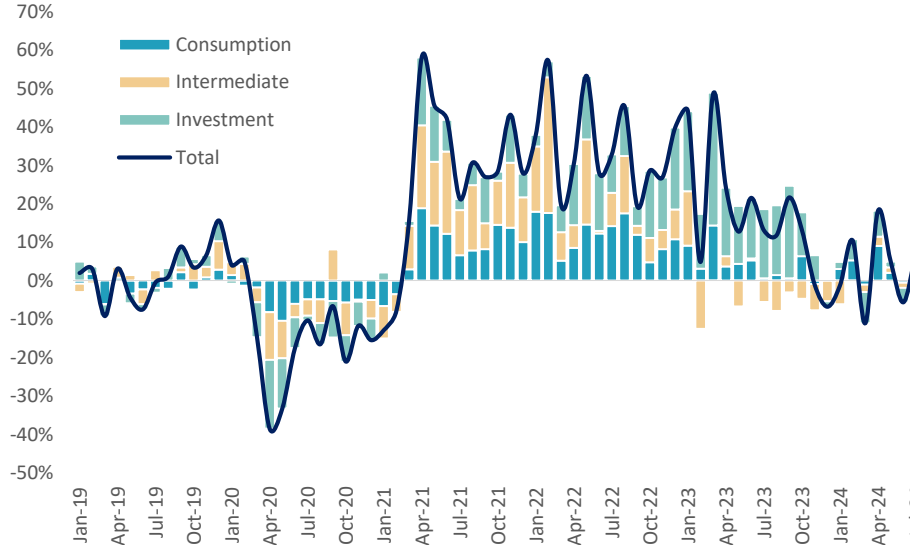
Change of Import, %/y



Decomposition of Export



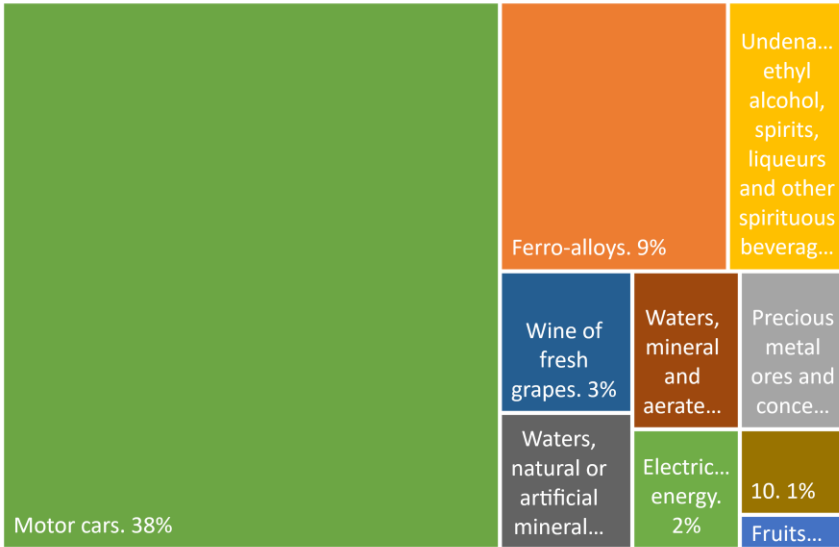
Decomposition of Change of Import, %/y



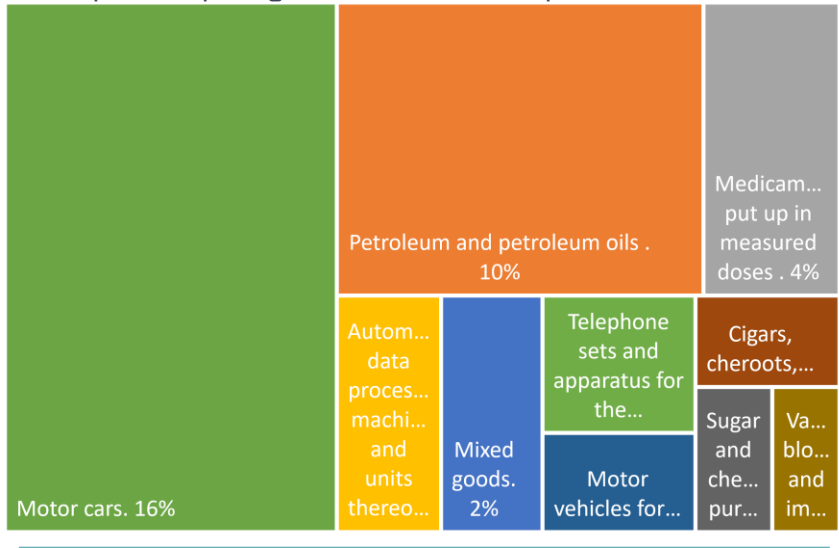
- Export in July increased annually by 29.9 percent to 684.6 million USD.
- Domestic export increased annually by 17.8 percent to 293.3 million USD.
- Import annually increased by 7.2 percent to 1 420.3 million USD in July.
- Trade deficit annually decreased by 7.8 percent to 735.7 million USD.
- Share of re-export in export growth is equal to 21.5 percent (40.7 %/y), while share of commodity export is 5.9 percent (45.8 %/y).
- Contribution of import of Investment, Intermediate, and Consumption goods to total import annual growth was equal to -3.1, 3.4 and 7.0 percent, respectively.

International trade is characterized by stable diversification

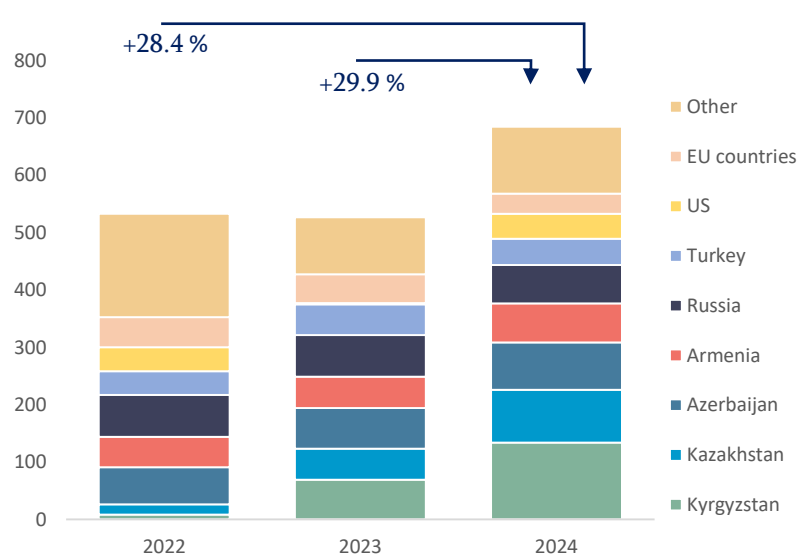
Top 10 Export goods, % of total Export



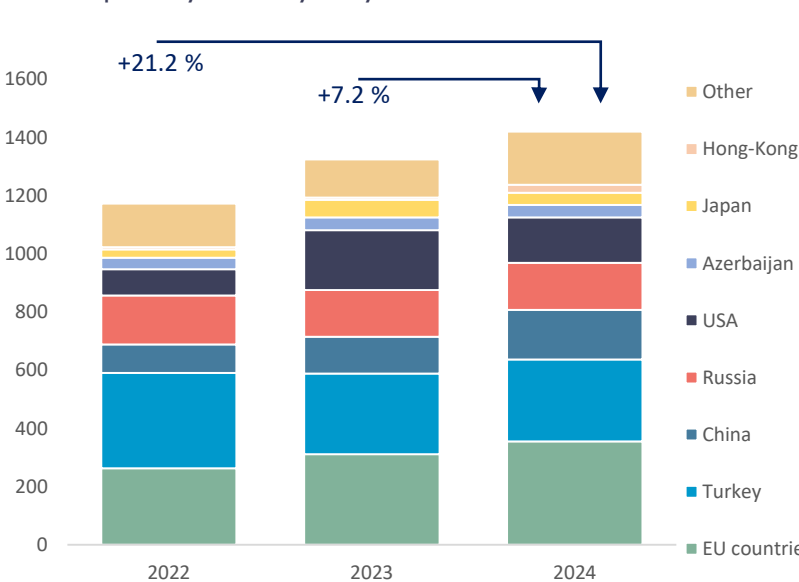
Top 10 Import goods, % of total Import



Export by country, July



Import by country, July



Top Export Products:

- Motor cars: 258.8 million. USD – 37.8 percent of total exports.
- Ferro-alloys: 58.4 mln. USD – 8.5 percent of total exports.
- Precious metal ores and concentrates: 15.6 million USD – 2.3 percent of total exports.

Top Import Products:

- Motor cars: 225.6 million. USD – 15.9 percent of total imports.
- Petroleum and petroleum oils: 138.0 million US dollars – 9.7 percent of total imports.
- Medicaments put up in measured doses: 51.2 million USD - 3.6 percent of total imports.

Top Export Country:

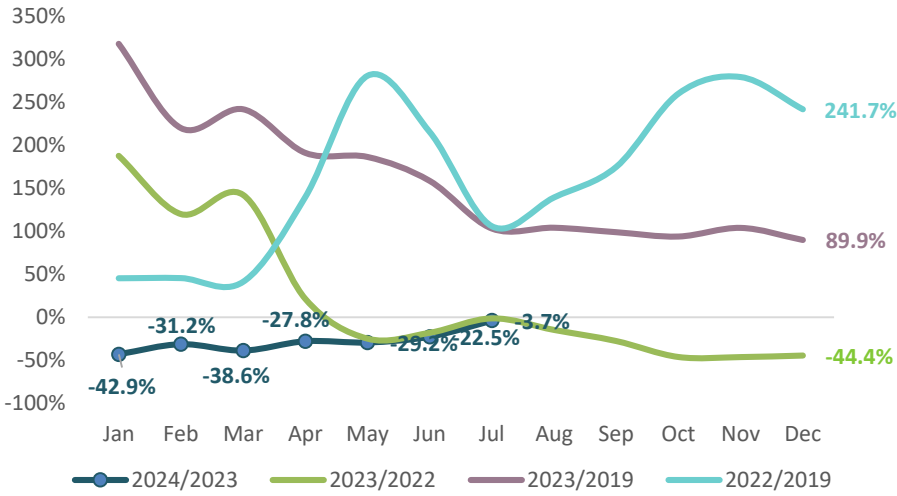
- Kyrgyzstan: 134.1 million USD, - 19.6 percent.
- Kazakhstan: 92.2 million USD, - 13.5 percent.
- Turkey: 46.0 million USD – 6.7 percent.

Top Import Country:

- European Union: 355.7 million. USD, - 25.0 percent.
- Turkey: 229.3 million USD, - 16.1 percent.
- China: 170.4 million USD – 12.0 percent.

Net Remittances decreased by 3.7 percent in July 2024

Net Remittances, 2024-2019

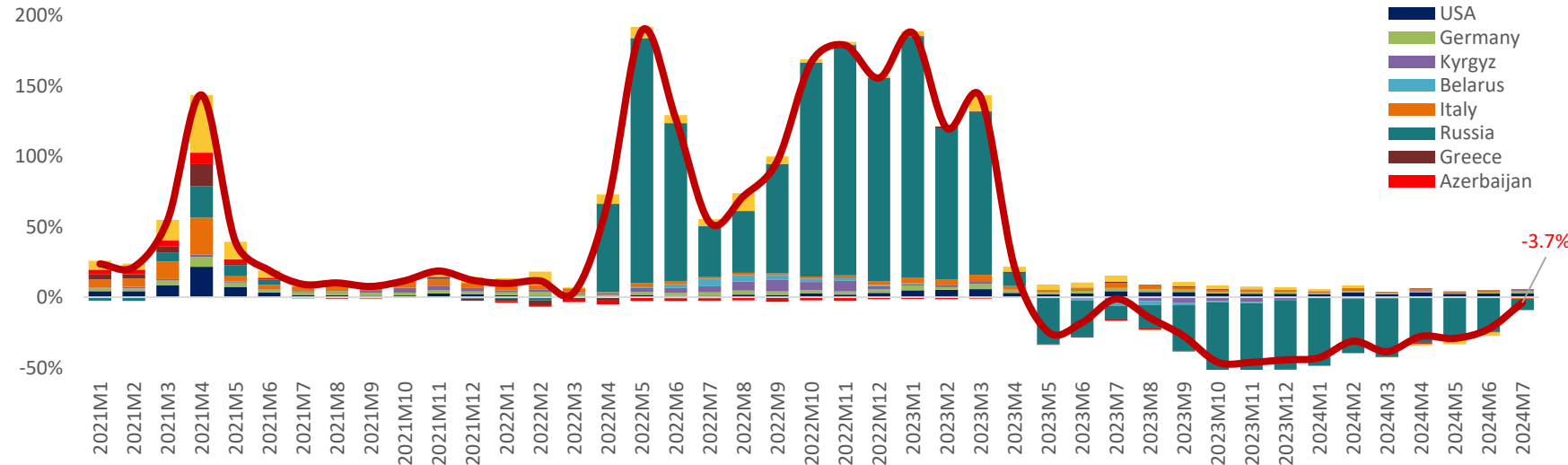


Net Remittances, July 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	49.3	-30.1	-7.7
USA	47.4	20.9	3.0
Italy	41.9	-7.0	-1.1
Germany	23.8	18.5	1.4
Greece	21.6	5.4	0.4
Israel	21.2	22.8	0
Other	59.6	-4.6	-1.0

- In July 2024, net remittances were estimated at 264.7 million USD, representing a 3.7 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 95.6 percent.
- Net Remittances increased from:
 - US: 20.9 percent (contributing 3.0 pp to total growth)
 - Israel: 22.8 percent (1.4 pp contribution to overall growth)
 - Germany: 18.5 percent (1.4 pp contribution to overall growth)
- Net Remittances decreased from:
 - Russia: -30.1 percent (-7.7 pp contribution to total growth)
 - Kazakhstan: -41.6 percent (-2.4 pp contribution to total growth)
 - Italy: -7.0 percent (-1.1 pp contribution to total growth)

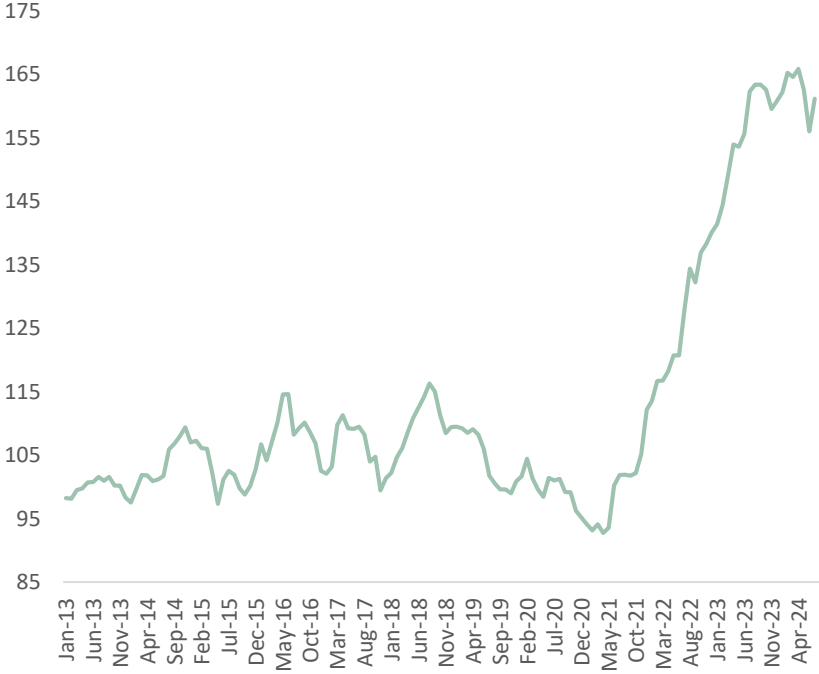
Net Remittances by country, %y/y



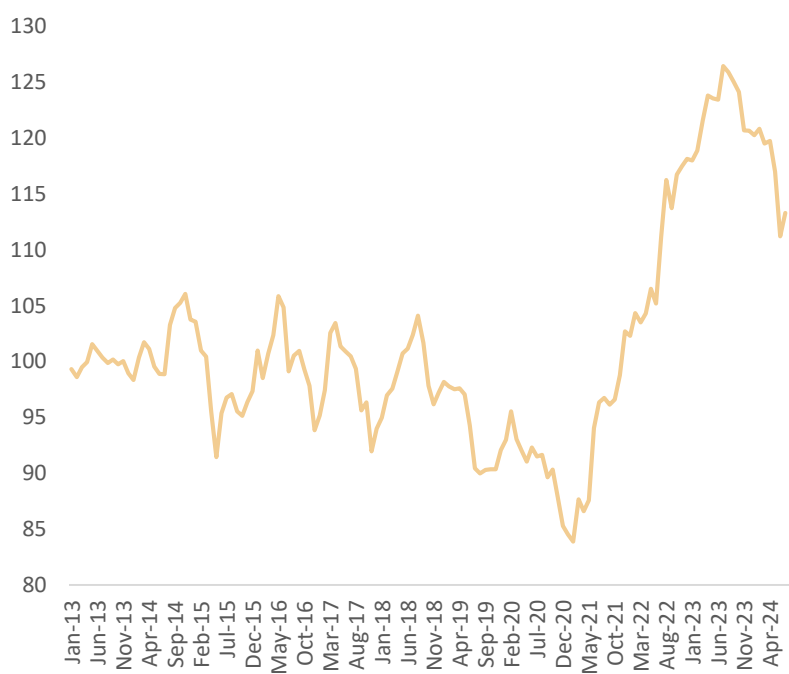
Source: NBG

Real Effective Exchange Rate Depreciated by 10.4 percent in July

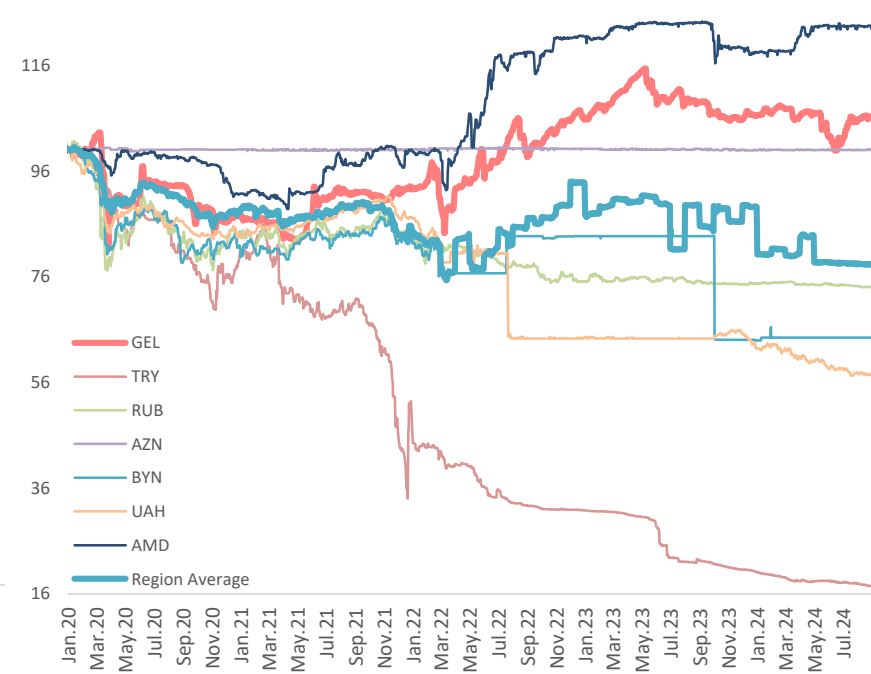
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



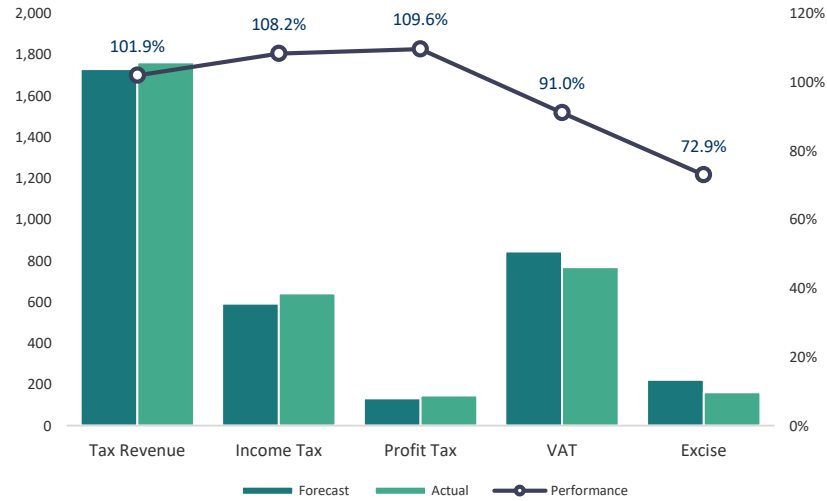
Note: Increase means appreciation

	September 1, 2024		September 1, 2024 - Jan 1, 2024		September 1, 2024 - Jan 1, 2023
Euro	2.9809	▼	-0.2%	▼	-3.2%
US Dollar	2.6911	▼	-0.1%	▲	0.4%
Turkish Lira	0.0790	▲	15.2%	▲	82.7%
Russian Ruble	0.0296	▲	1.2%	▲	24.4%
NEER	188.27	▲	1.1%	▲	14.4%
REER (July 2024)	139.39	▼	-5.8%	▼	-4.1%

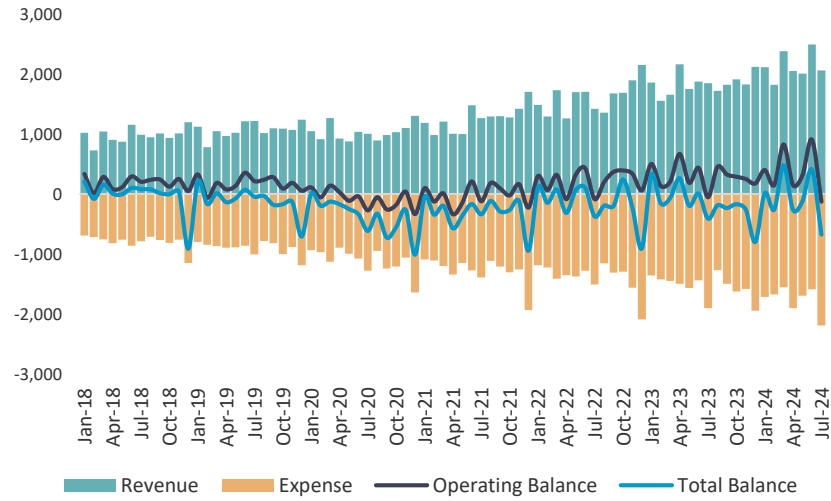
Source: NBG

Tax revenues in August is above the forecast value by 1.9 percent

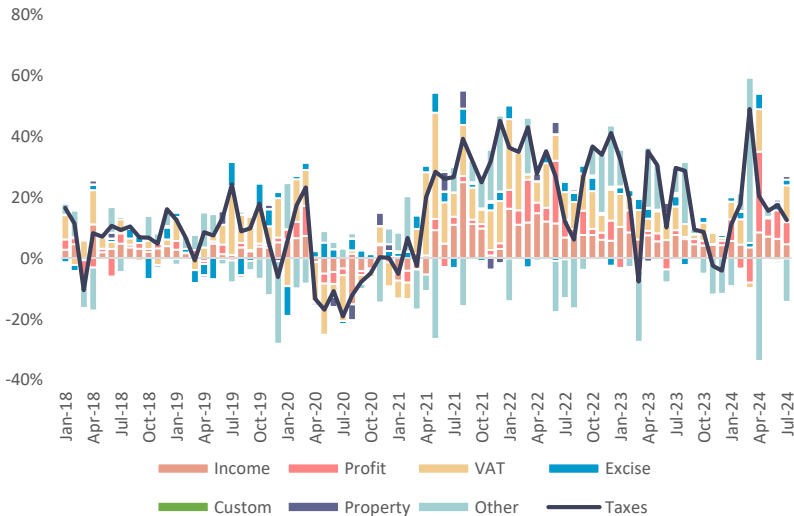
Budget Revenue Performance, August 2024



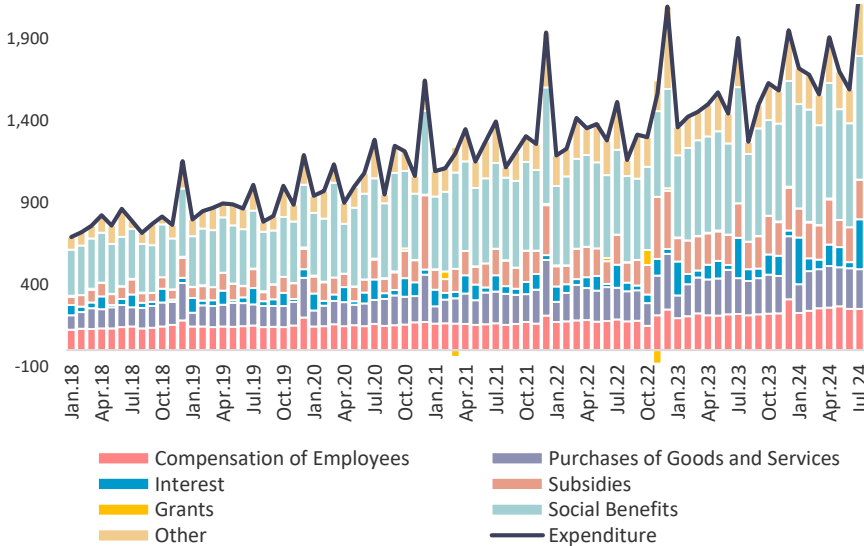
Consolidated Budget, mln GEL



Tax Income, % y/y



Consolidated Budget Expenditure, mln GEL

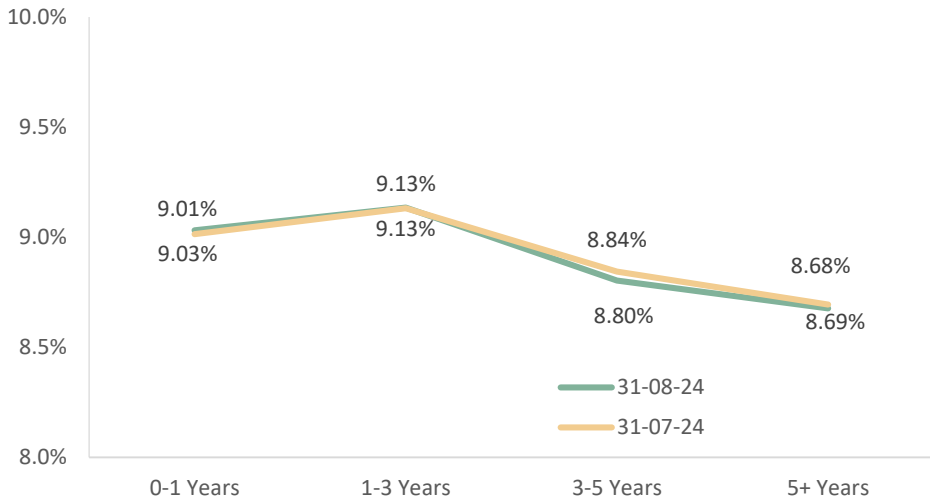


- The actual level of tax income in August 2024 was 1,761 mln GEL, which is above the forecasted value by 1.9 percent.
- Consolidated budget revenues increased by 11.8 percent and expenditures increased by 15.4 percent in July.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -127.7 million GEL, while the total balance was set at -676.2 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and profit taxes in July, accounting for 12.1 and 7.2 percent of total growth, respectively.

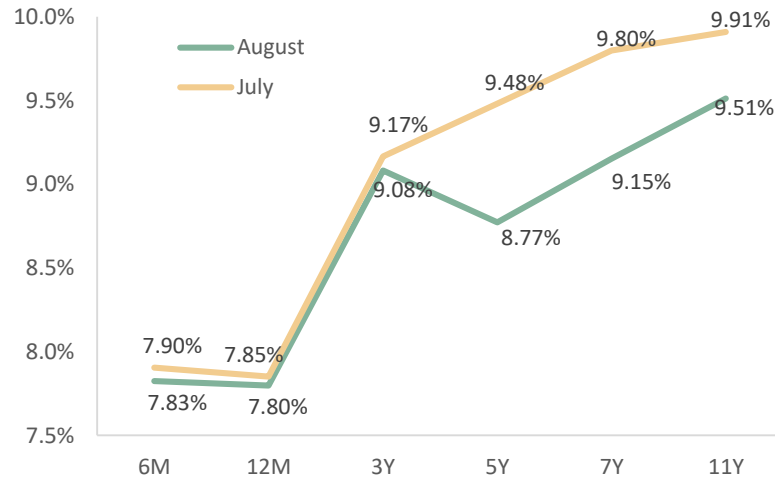
Source: MOF

Treasury Financial Securities Portfolio Changed in August

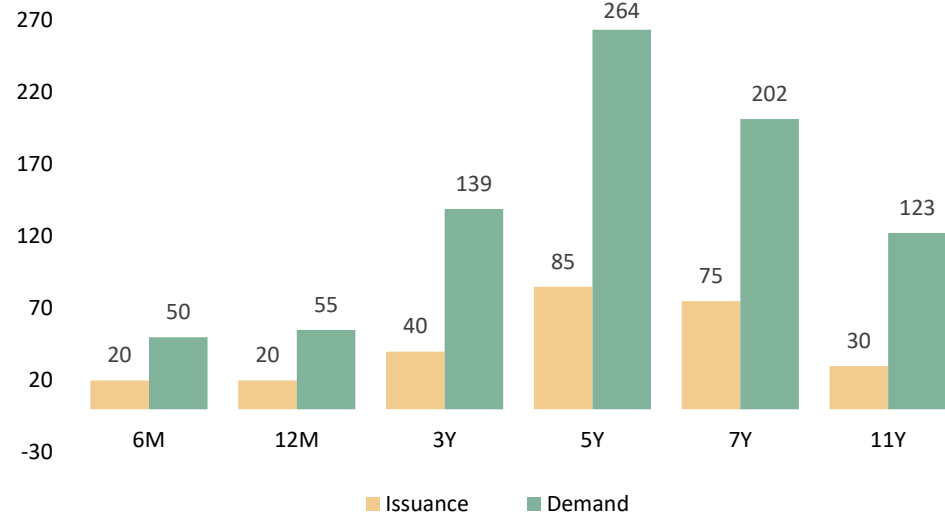
Portfolio Yield Curve



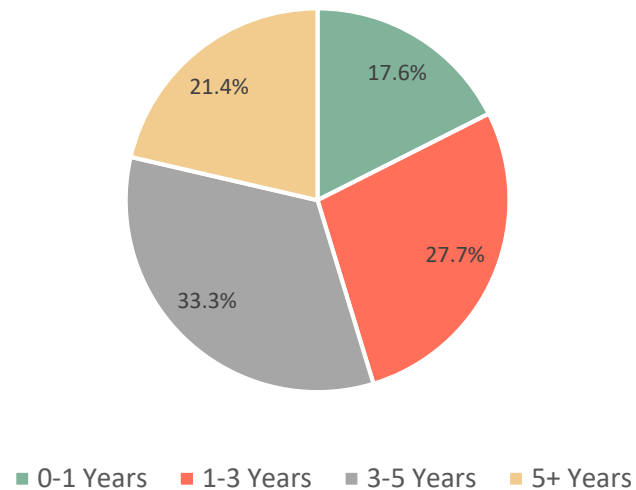
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



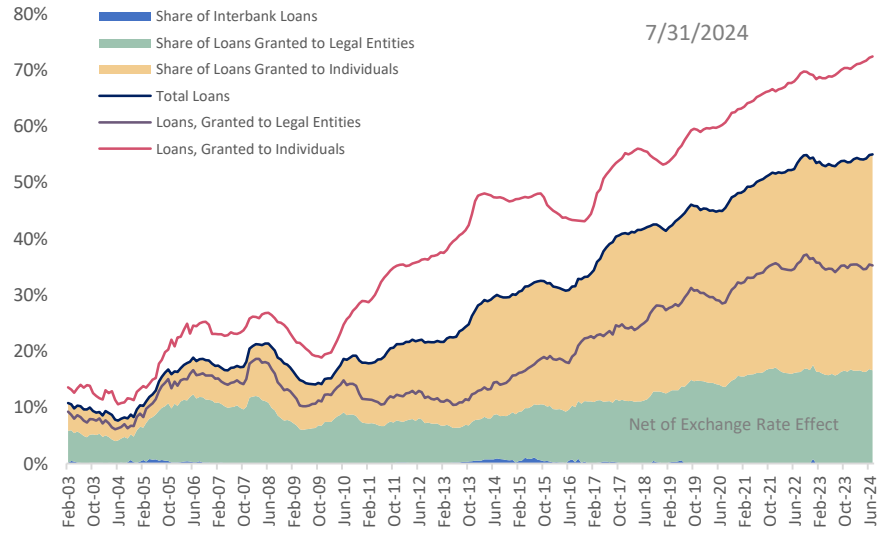
Portfolio by Residual Maturity, August 31, 2024



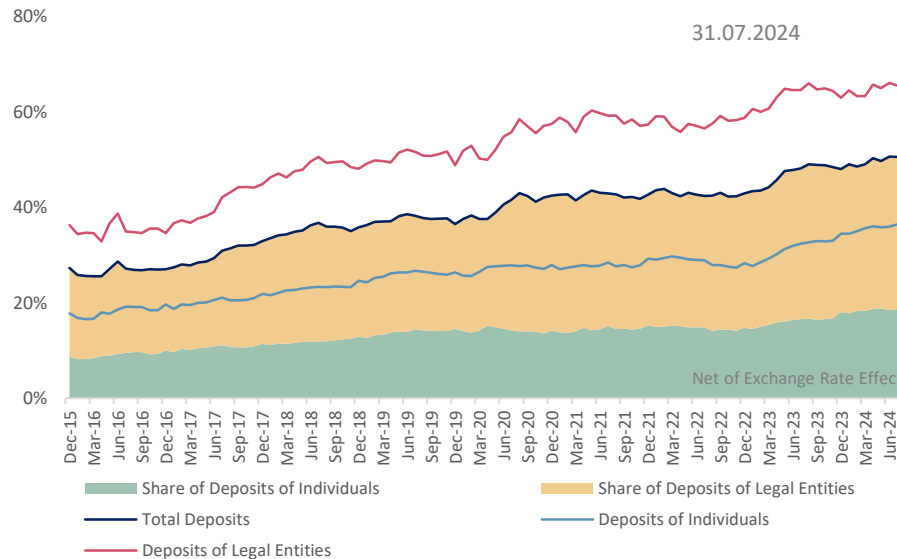
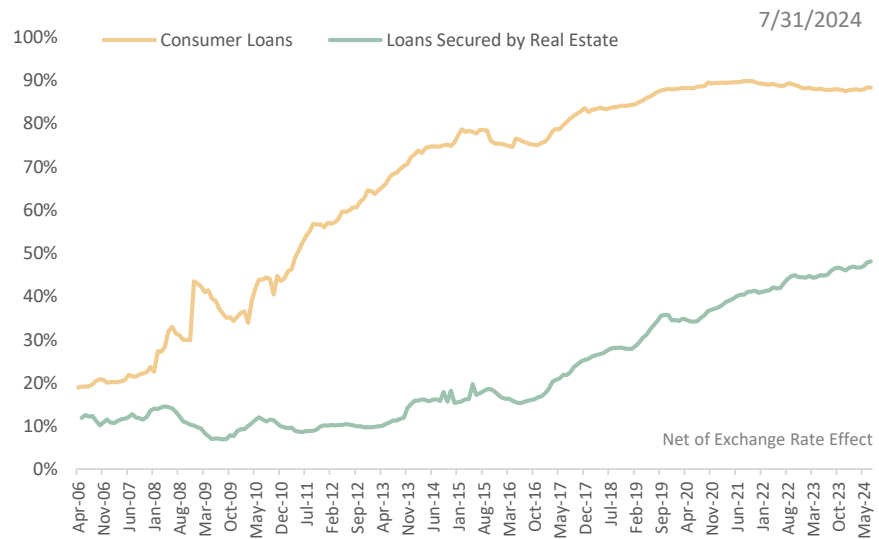
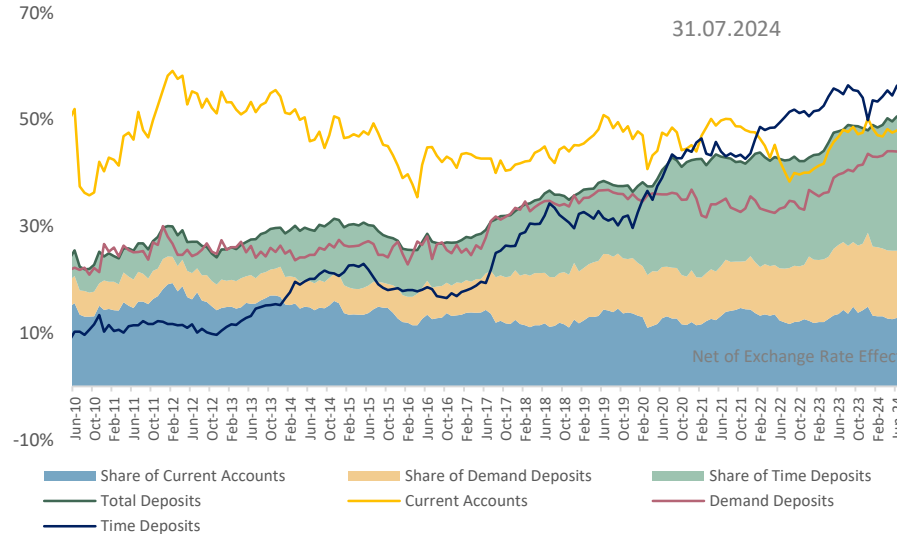
- In August, 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 270 million GEL.
- The weighted average interest rate amounted to 8.86%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with the residual maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 40 million GEL were redeemed.
- There were changes in the treasury financial security portfolio. As of August 31, 2024, 33.3% of the treasury securities portfolio (in July, it was 27.1%) is composed of the securities whose maturity date is due for the next 3-5 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 5 or more years maturities was reduced considerably from 28.6% to 21.4%.
- The Bid-to-cover ratio increased compared to the previous month's value (July 2.74) and amounted to 3.08.
- The average Time to Maturity (ATM) has insignificantly decreased from 3.48 to 3.33 years.

In July Loan and Deposit Larization Indicators Are Stable

Loan Larization



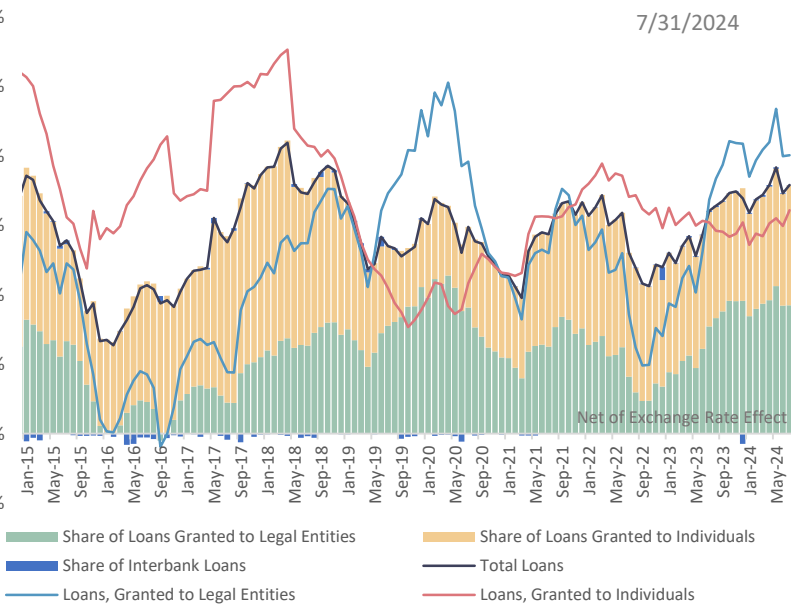
Deposit Larization



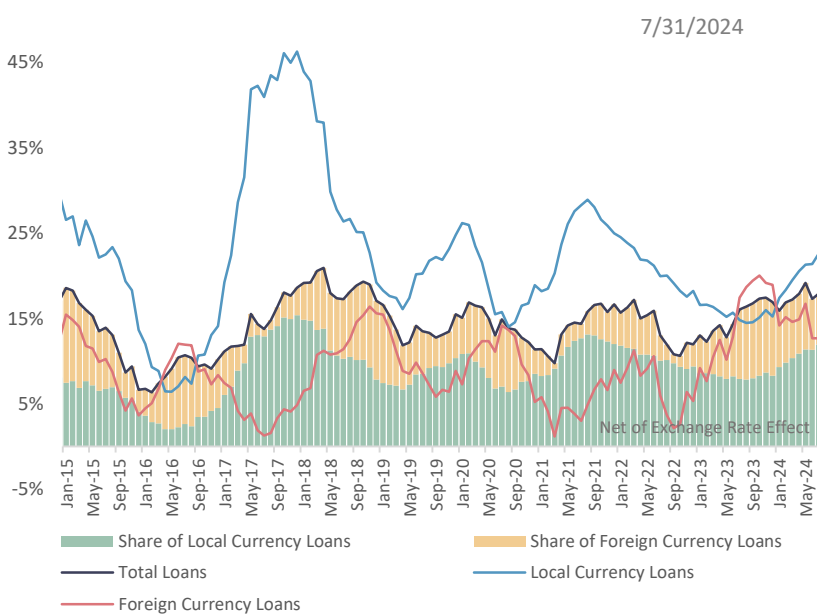
- As of July 31, 2024, the larization of total loans is 55 percent.
- The larization of loans to individuals is 72.4 percent.
- The larization of the loans to legal entities amounted to 35.2 percent.
- The larization of the total deposits equals to 50.5 percent.
- The larization on the deposits of legal entities amounted to 65.4 percent.
- The larization of the deposits of individuals is 36.3 percent.
- The larization of time deposits is 56 percent.
- The larization of current accounts equals to 48.2 percent.
- The larization of the demand deposits is 44.1 percent.

High Annual Growth Trends of Loans Have Retained

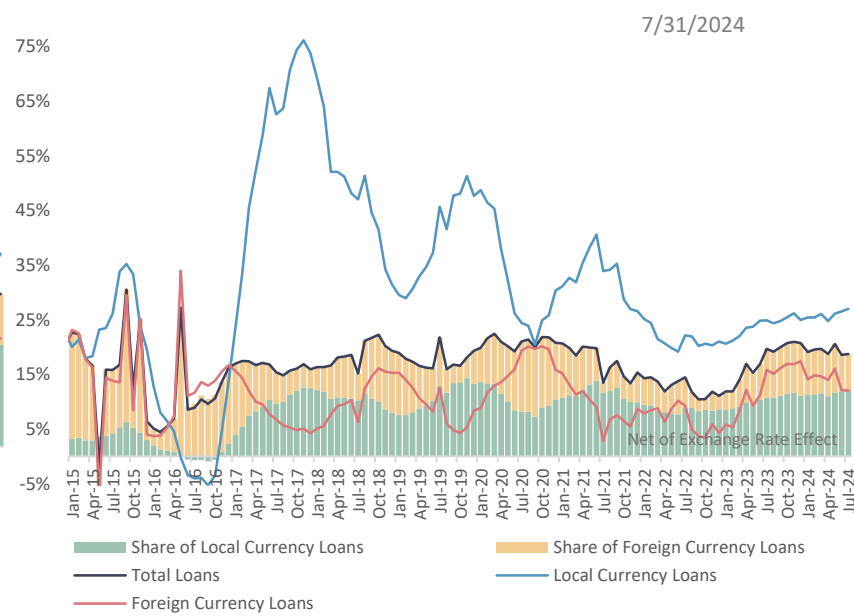
Loans Growth Rates, % y/y



Loans by Currency, % y/y



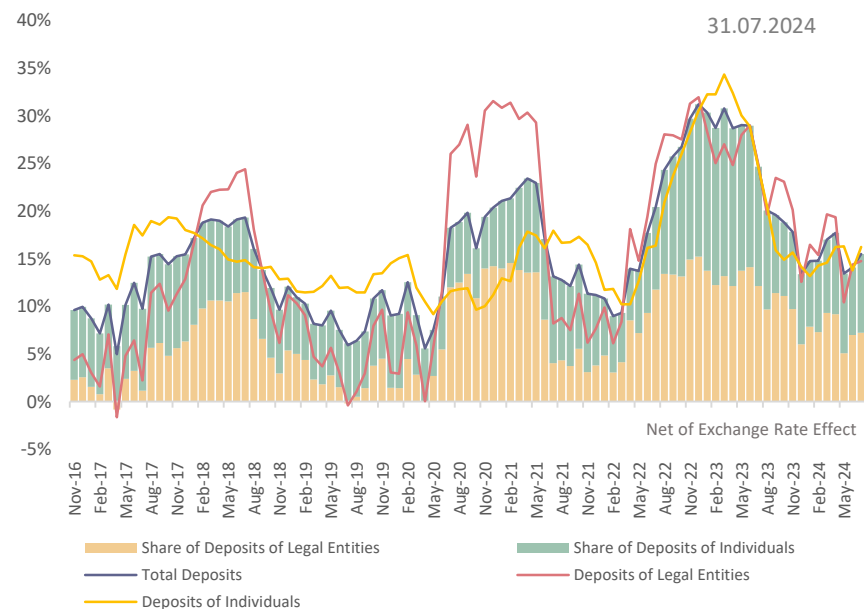
Mortgage Loans, % y/y



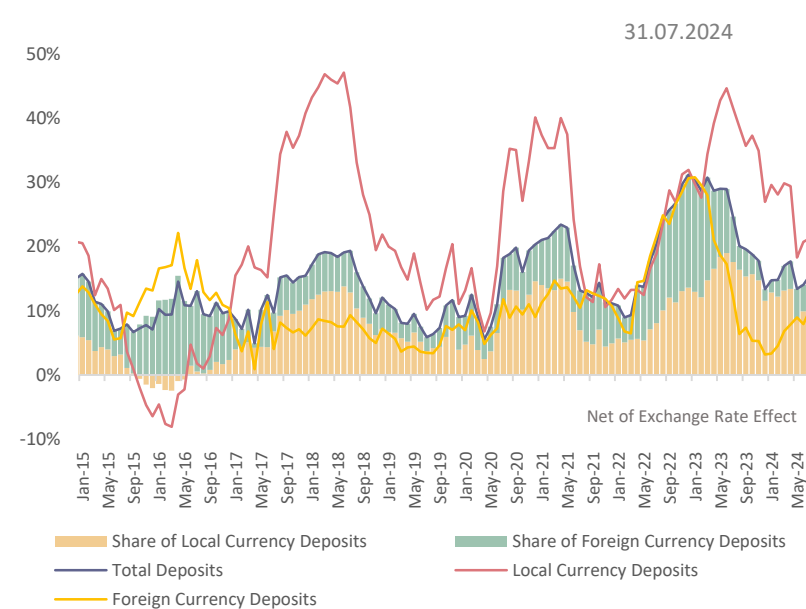
- As of July 31, 2024, the total loans increased by 17.9 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 20 percent.
- The annual growth of loans to individuals is 16.1 percent.
- As of August 1, 2024, the growth rate of the loans denominated in the national currency amounted to 22.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 12.7 percent.
- As of July 31, 2024, the annual growth of the loans secured by real estate amounted to 18.7 percent. At the same time, the mortgage loans denominated in the national currency increased by 27 percent, while the mortgage loans denominated in the foreign currency also increased by 12 percent.

Annual Growth Rates of Deposits Are Increasing

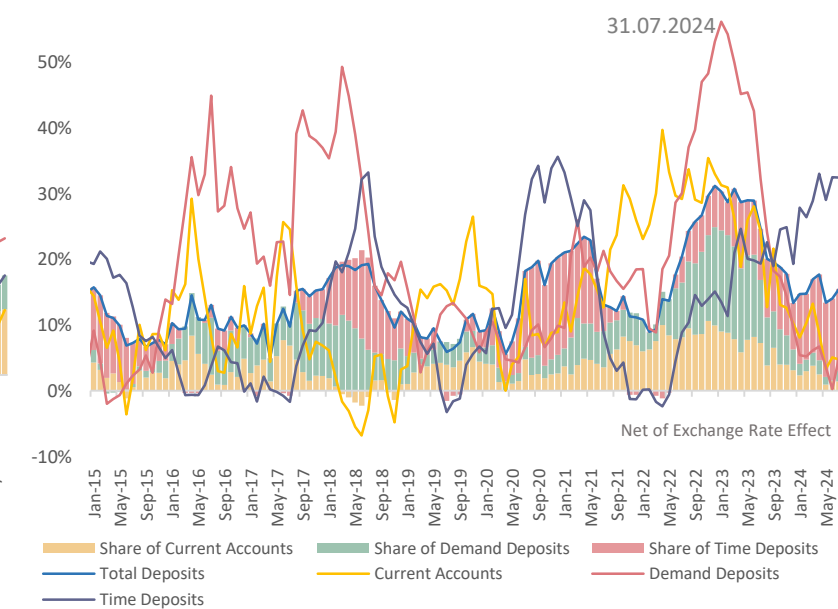
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



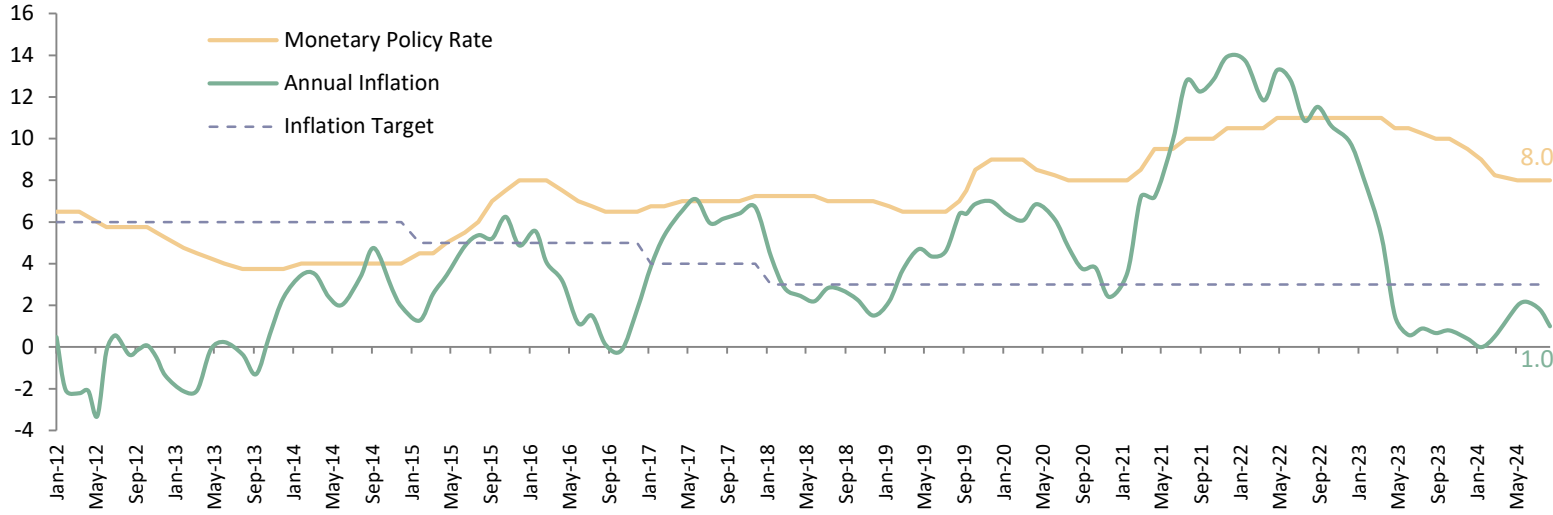
Deposits by Type, % y/y



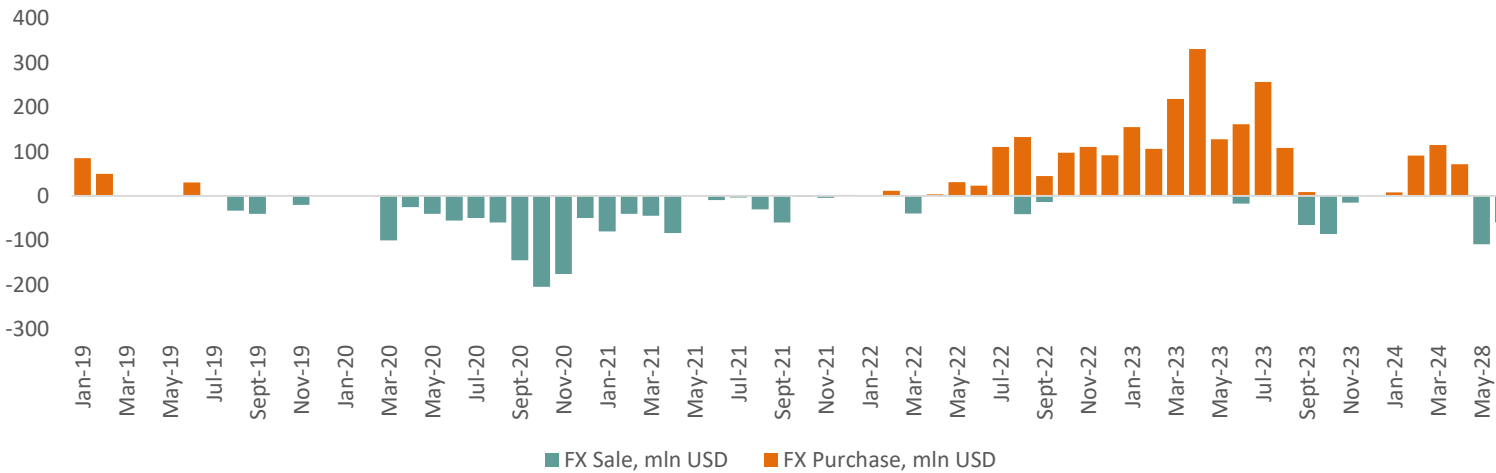
- As of August 1, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 15.5 percent.
- The annual growth of the deposits denominated in the national currency amounted to 21.2 percent. The annual growth of the deposits denominated in foreign currency stood at 10.1 percent over the same period.
- The growth of the deposits of individuals amounted to 16.2 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.7 percent.
- The annual growth of current accounts at the end of July, 2024, was equal to 4.7 percent.
- The annual growth of the time deposits was 32.4 percent.
- The growth of the demand deposits amounted to 5.1 percent.

Monetary Policy Rate Kept at 8.0 percent in August

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD

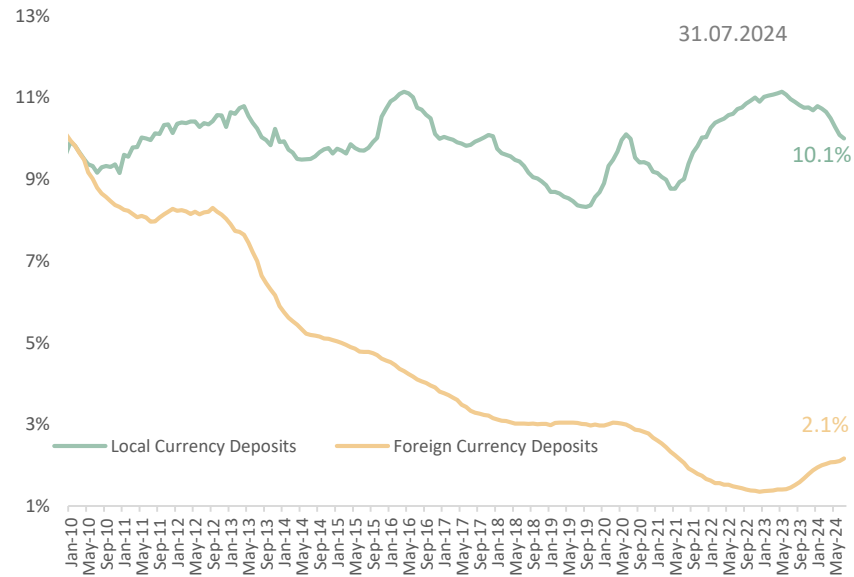


- In August 30, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) has not changed the monetary policy rate. Thus, the 8 percent refinancing rate was in force within the abovementioned month.
- Per the NBG, the factual inflation is less than the target one (3 percent). The major 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 1.0 percent in August 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 August of 2024 via the currency auctions.

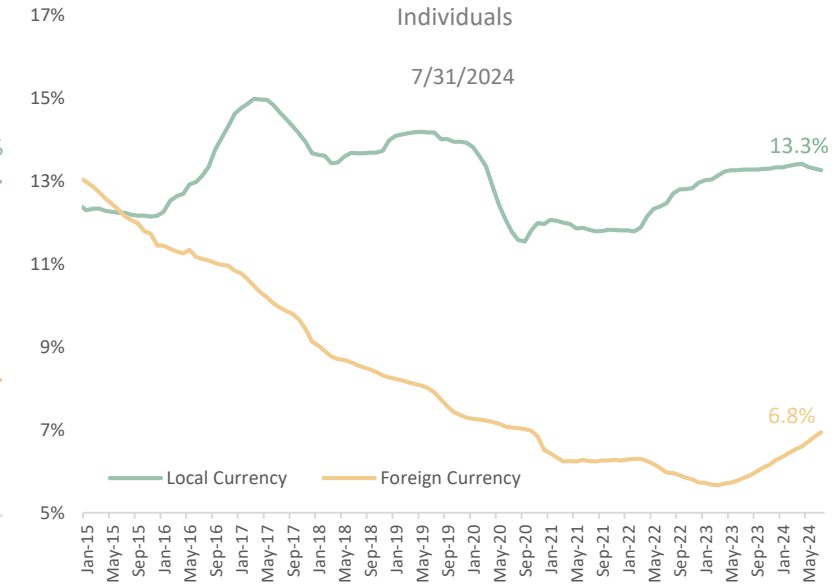
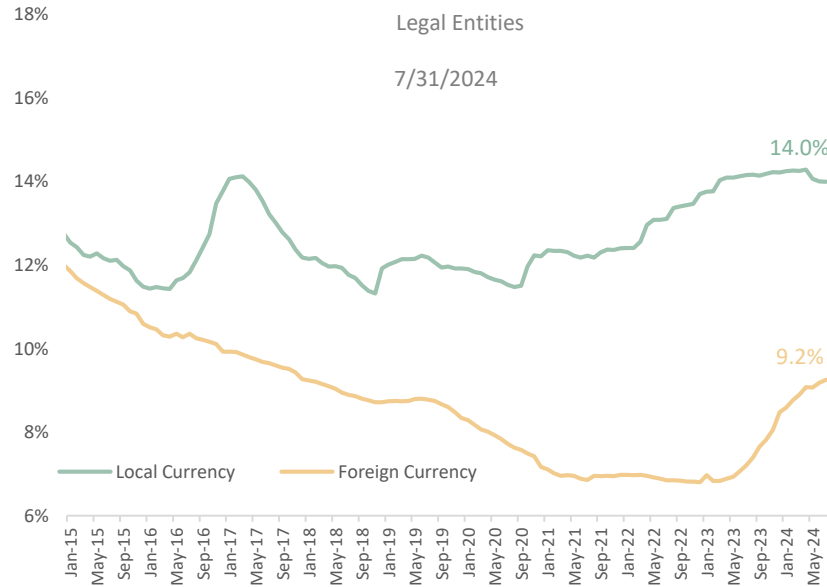
Source: NBG

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 August 1, 2024, the interest rate on foreign currency deposits was 2.2 percent, and in the national currency – 10 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 2.2 percent for foreign currency deposits and 10 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 11.7 percent (15.9 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 July, 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 9.5 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

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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