



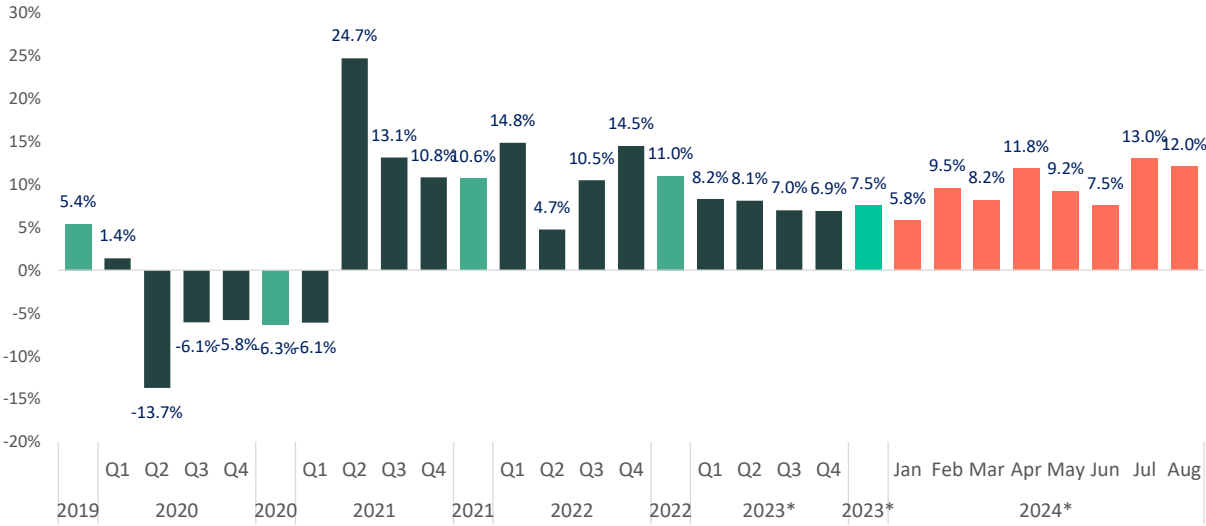
Current Economic Outlook

September, 2024

- In August 2024, the real GDP growth rate was 12.0 percent and average growth rate of the first eight months of 2024 was 10.0 percent, according to the preliminary estimates of the National Statistics Office.
- In September, annual inflation stood at 0.6 percent, while core inflation was 0.9 percent
- In August, exports increased by 30.1 percent year-on-year and imports decreased by 4.8 percent year-on-year, decreasing the trade deficit by 23.5 percent year-on-year to 642 million USD
- For August, the real effective exchange rate depreciated by 9.3 percent compared to the same period of the previous year and appreciated by 0.8 percent compared to the previous month
- The monetary policy rate is at 8 percent in September
- By the end of September, sovereign ratings for Georgia are following:
Fitch “BB stable” S&P “BB stable” Moody’s “Ba2 stable”

According to preliminary estimates Economic Growth in August was equal to 12.0 percent

Economic Growth, % y/y

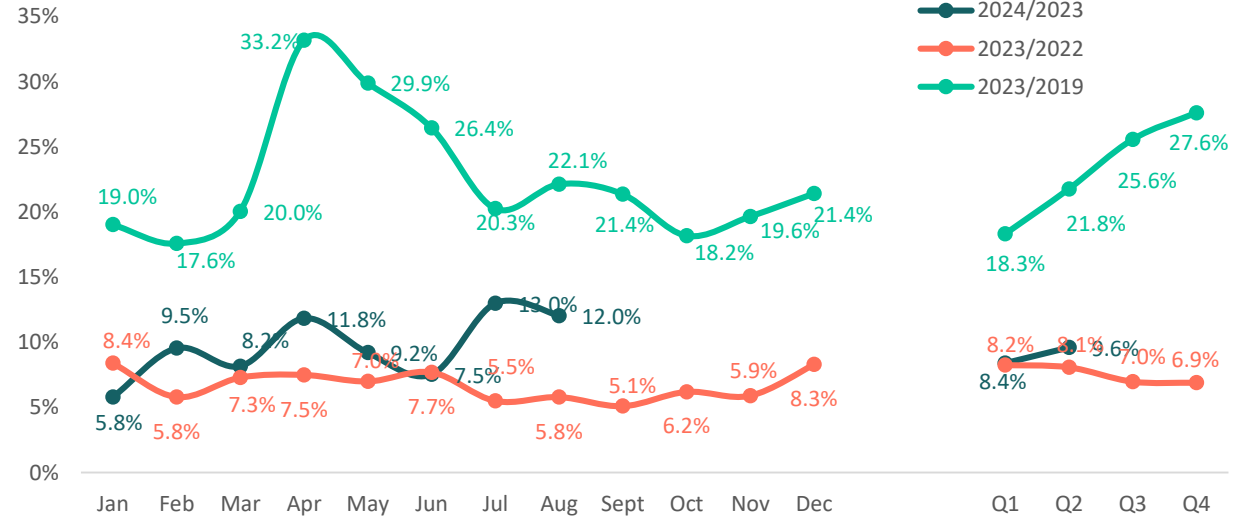


- Estimated real GDP growth rate in August 2024 equaled 12.0 percent YoY and average annual real GDP growth rate for the January-August of 2024 equals to 10.0 percent, while the seasonally adjusted economic growth in August comparing to the previous month was 0.1 percent.
- In August 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Professional, scientific and technical activities, Information and communication, Construction, Financial and insurance activities, Real estate activities, Trade.

Economic Growth, % m/m

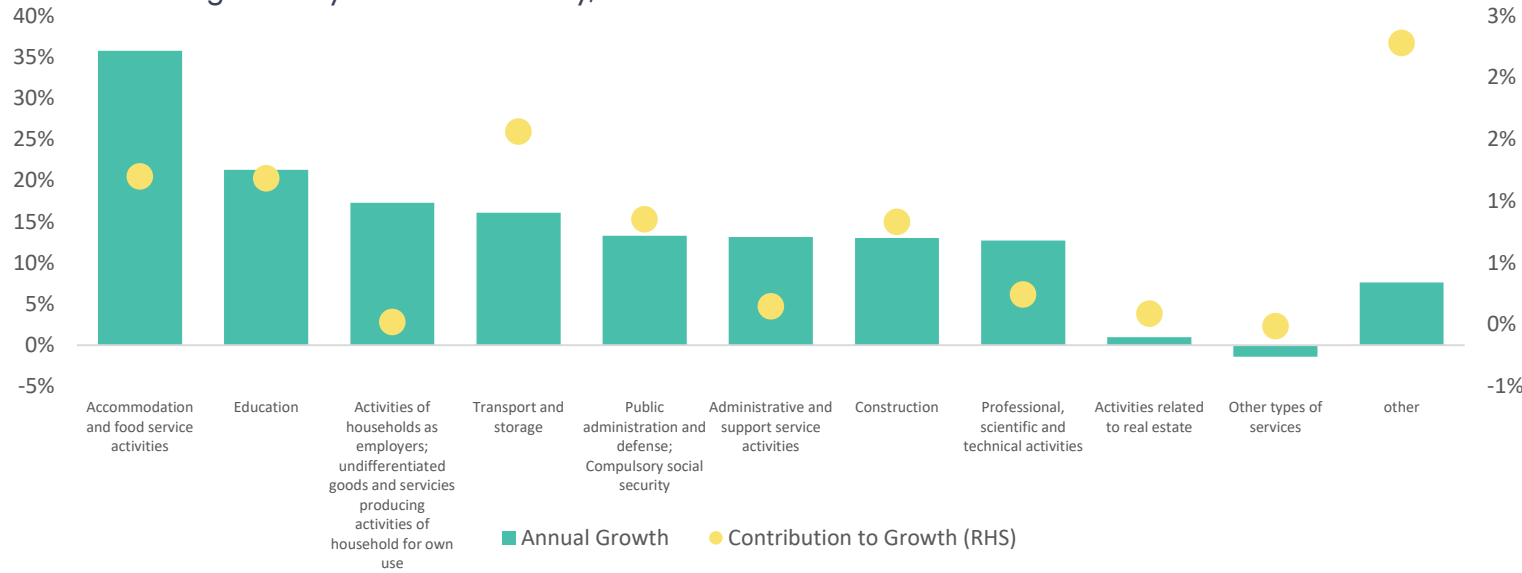


Economic Growth, 2024-2019



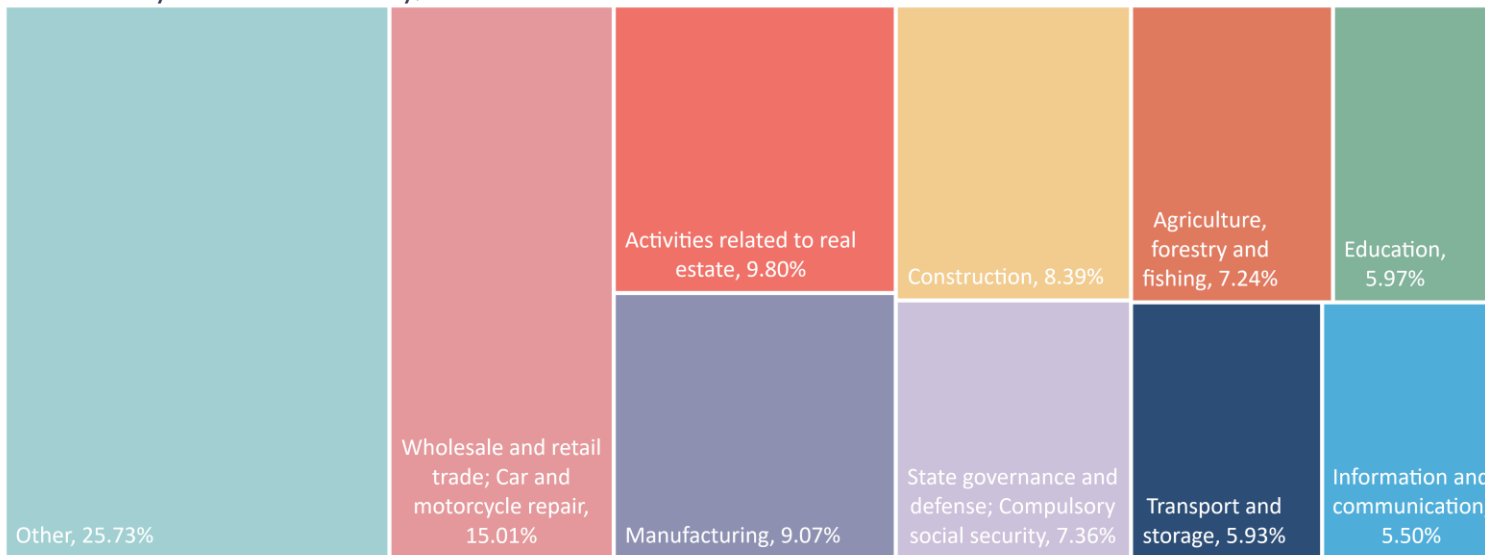
According to preliminary estimates, real GDP increased by 9.6 percent in the second quarter of 2024

Real GDP growth by economic activity, 2024 II Quarter



- According to preliminary estimates, the economy grew by 9.6 percent in the second quarter of 2024, and growth in the first quarter was set at 8.4 percent. Growth in the second quarter of 2024 represents a 33.5 percent increase over the second quarter of 2019.
- The following industries have made a significant contribution to growth of Q2 2024:
 - Accommodation and food service activities: 35.7 % (1.2 p.p.)
 - Education: 21.3% (1.2 p.p.)
 - Activities of households as employers; undifferentiated goods and services producing activities of household for own use : 17.3 % (0 p.p.)
 - Transport and warehousing: 16.1 % (1.6 p.p.)
 - State governance and defense; Mandatory social security: 13.3 % (0.9 p.p.)
 - Administrative and support service activities : 13.1% (0.1 p.p.)
 - Construction: 13.0 % (0.8 p.p.)
 - Professional, scientific and technical activities: 12.7 % (0.2 p.p.)
- The following sectors made a significant contribution to the decrease:
 - Electricity, gas, steam and air conditioning supply: -6.3% (-0.2 pp.)

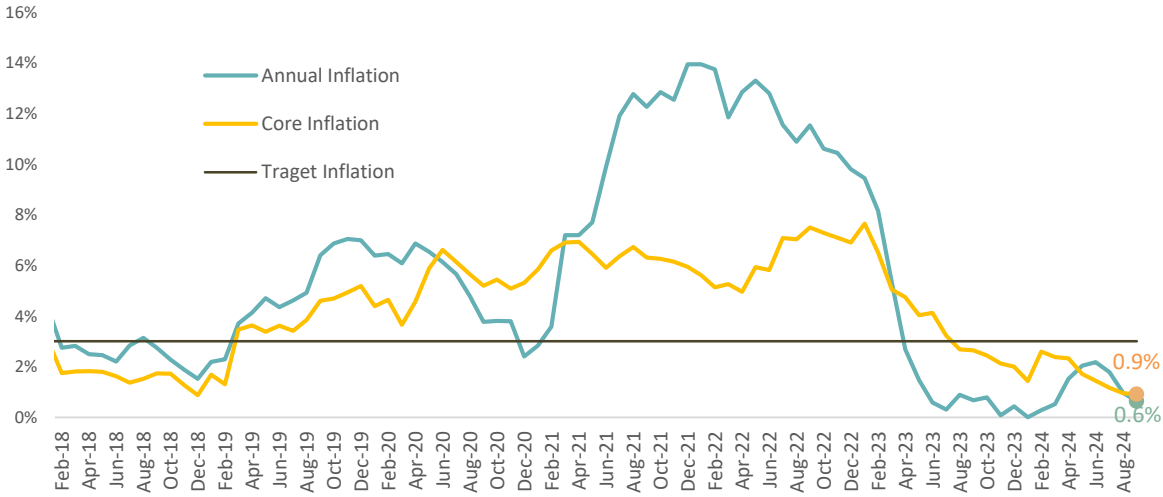
GDP by economic activity, 2024 II Quarter



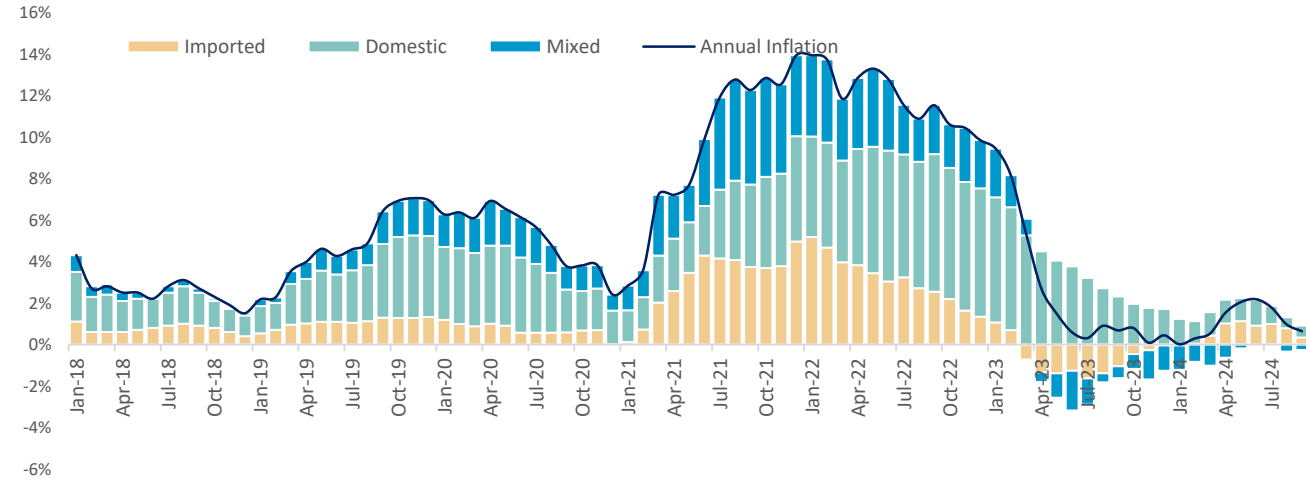
Source: Geostat

Annual inflation in September has reached 0.6 percent

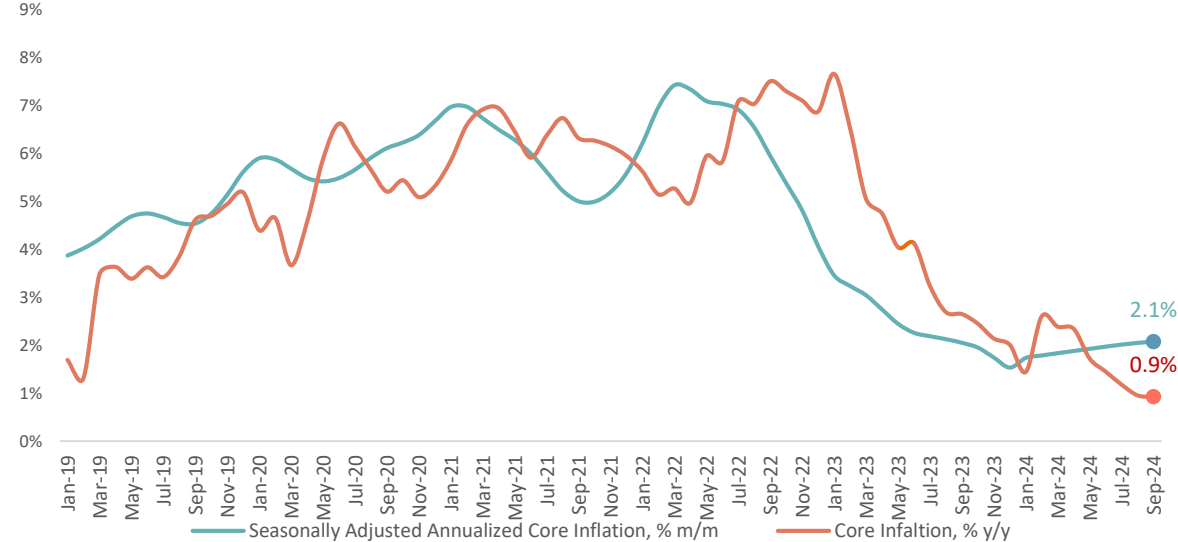
Total and Core Inflation, % y/y



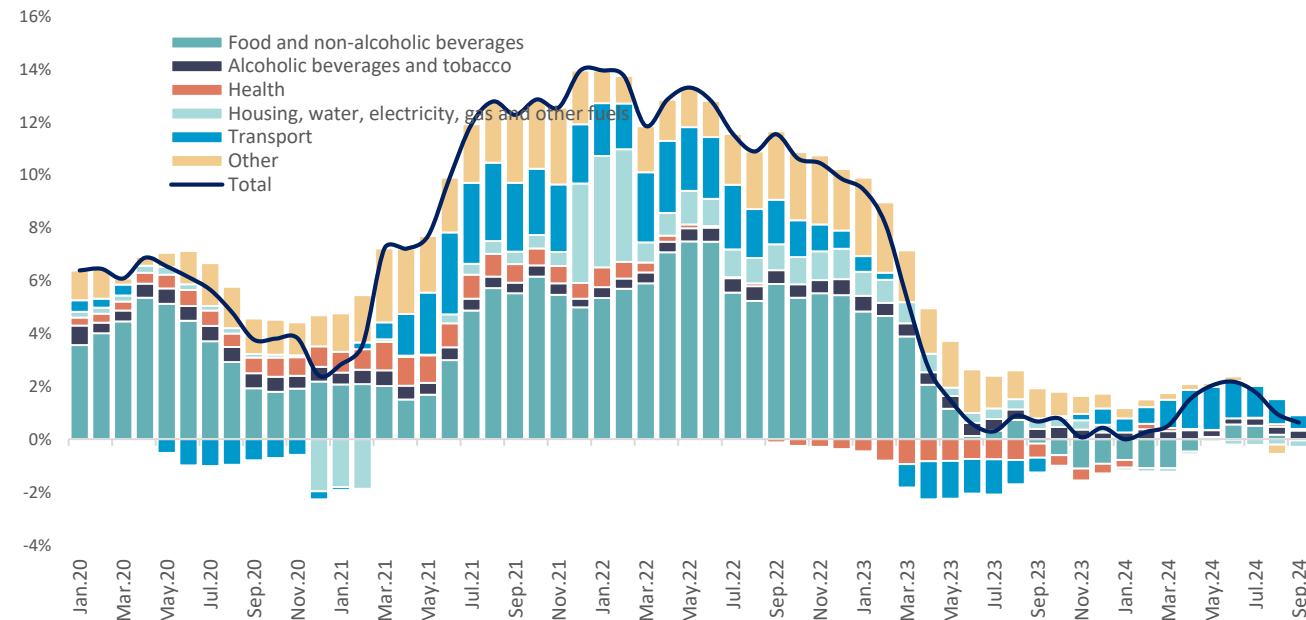
Inflation Decomposition



Core Inflation, % m/m



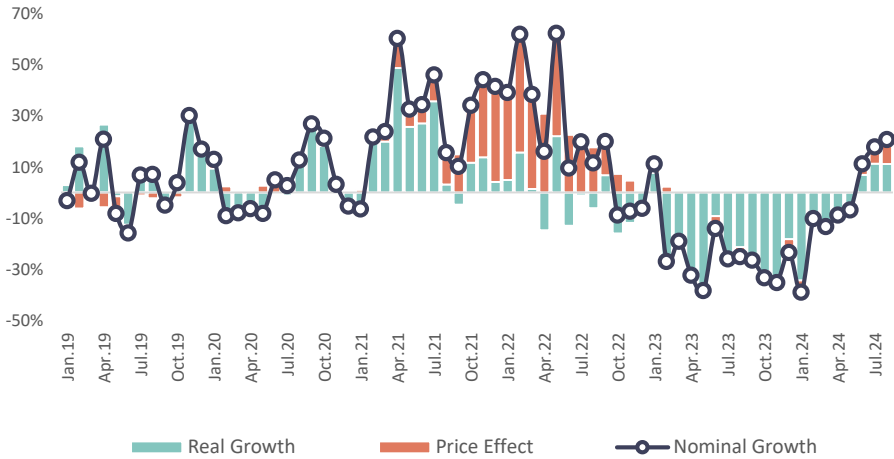
Inflation Decomposition by product group



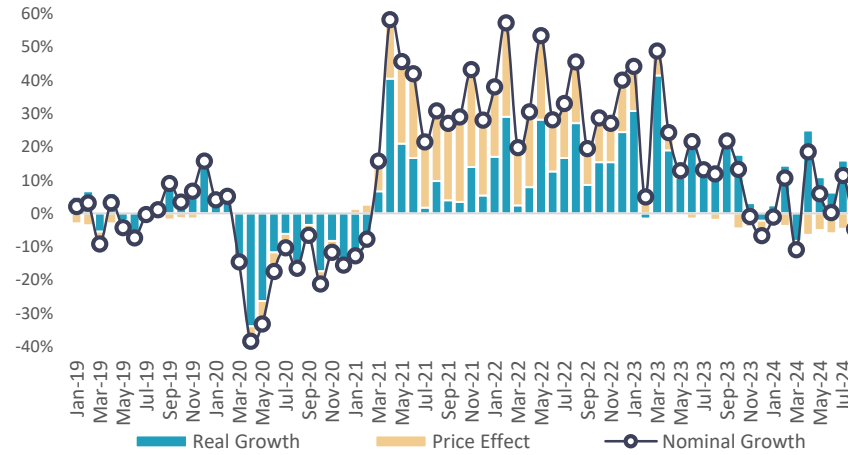
Source: Geostat, NBG, MOF

Trade Deficit in August decreased by 23.5 percent annually

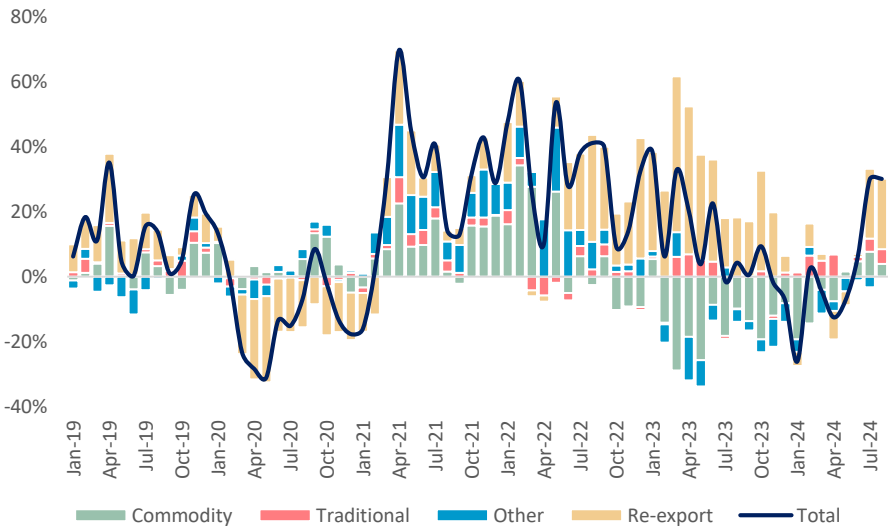
Change of Domestic Export, %/y



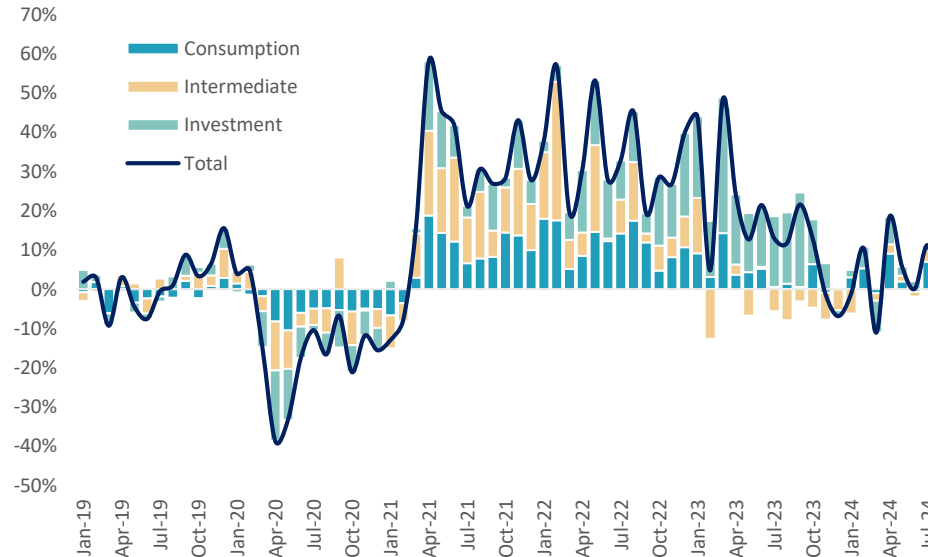
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y



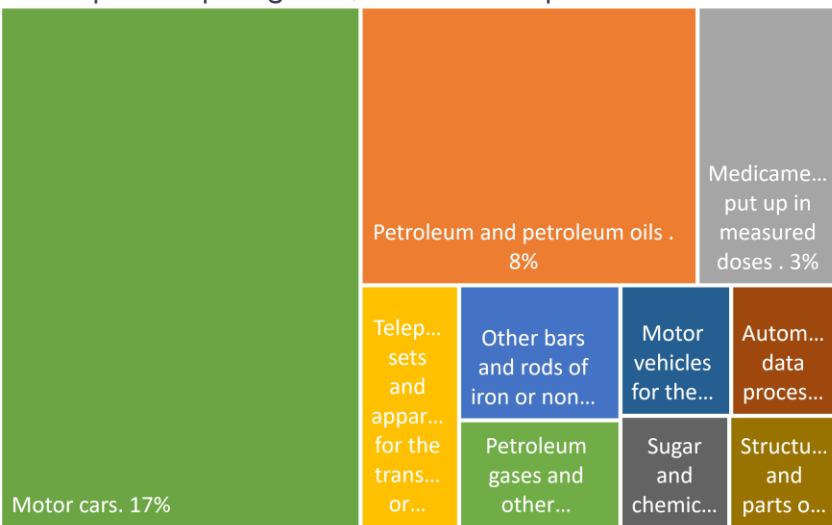
- Export in August increased annually by 30.1 percent to 641.7 million USD.
- Domestic export increased annually by 20.8 percent to 238.7 million USD.
- Import annually decreased by 4.8 percent to 1 341.7 million USD in August.
- Trade deficit annually decreased by 23.5 percent to 641.7 million USD.
- Share of re-export in export growth is equal to 21.8 percent (36.3 %/y), while share of commodity export is 3.9 percent (34.2 %/y).
- Contribution of import of Investment, Intermediate, and Consumption goods to total import annual growth was equal to -7.7, 1.3 and 1.6 percent, respectively.

International trade is characterized by stable diversification

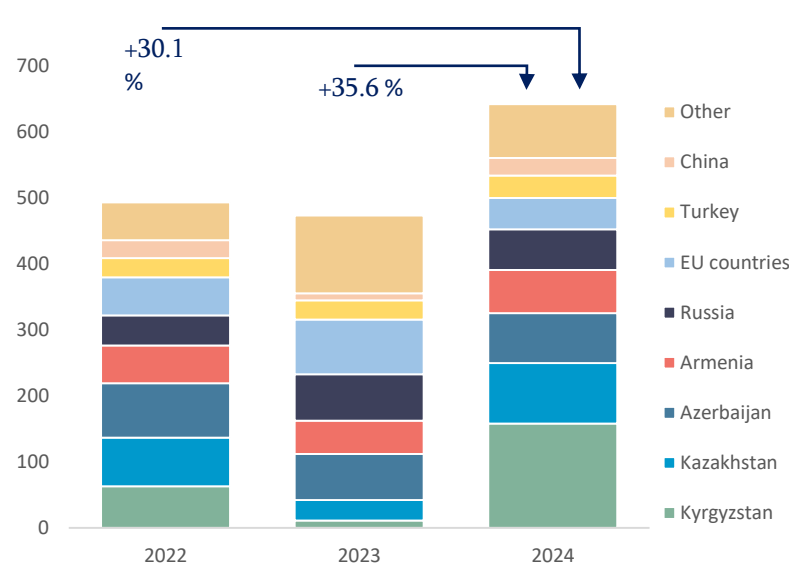
Top 10 Export goods, % of total Export



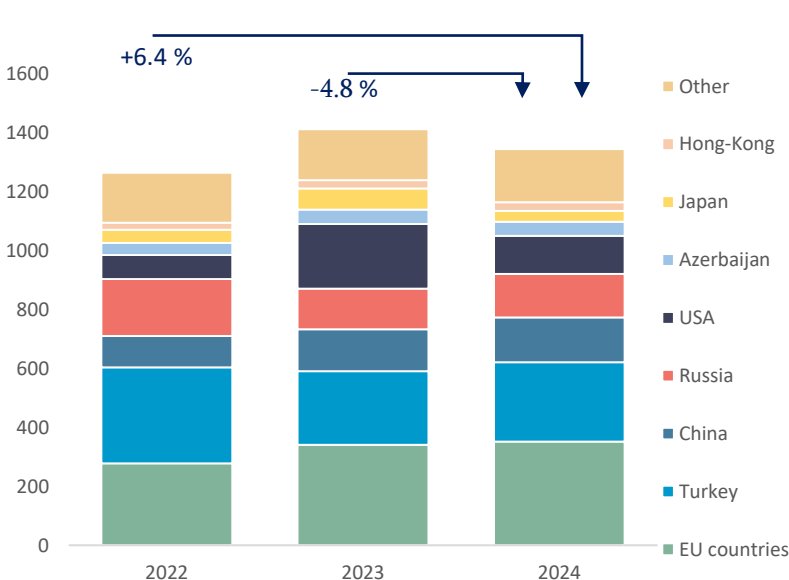
Top 10 Import goods, % of total Import



Export by country, August



Import by country, August



Top Export Products:

- Motor cars: 285.4 million. USD – 44.5 percent of total exports.
- Precious metal ores and concentrates: 30.6 mln. USD – 4.8 percent of total exports.
- Undenatured ethyl alcohol, spirits: 25.0 million USD – 3.9 percent of total exports.

Top Import Products:

- Motor cars: 222.0 million. USD – 16.5 percent of total imports.
- Petroleum and petroleum oils: 110.9 million US dollars – 8.3 percent of total imports.
- Medicaments put up in measured doses: 46.0 million USD - 3.4 percent of total imports.

Top Export Country:

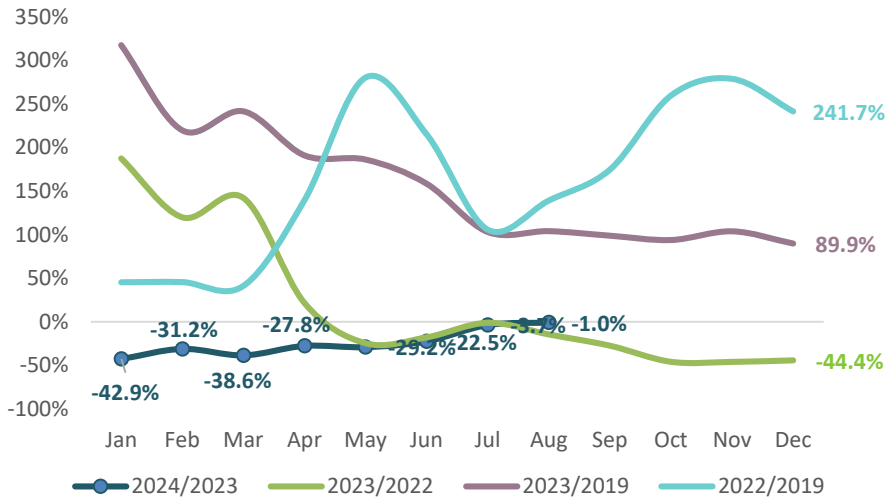
- Kyrgyzstan: 158.0 million USD, - 24.6 percent.
- Kazakhstan: 91.7 million USD, - 14.3 percent.
- Azerbaijan: 75.4 million USD – 11.8 percent.

Top Import Country:

- European Union: 351.3 million. USD, - 26.1 percent.
- Turkey: 240.2 million USD, - 17.9 percent.
- China: 152.1 million USD – 11.3 percent.

Net Remittances decreased by 1.0 percent in August 2024

Net Remittances, 2024-2019

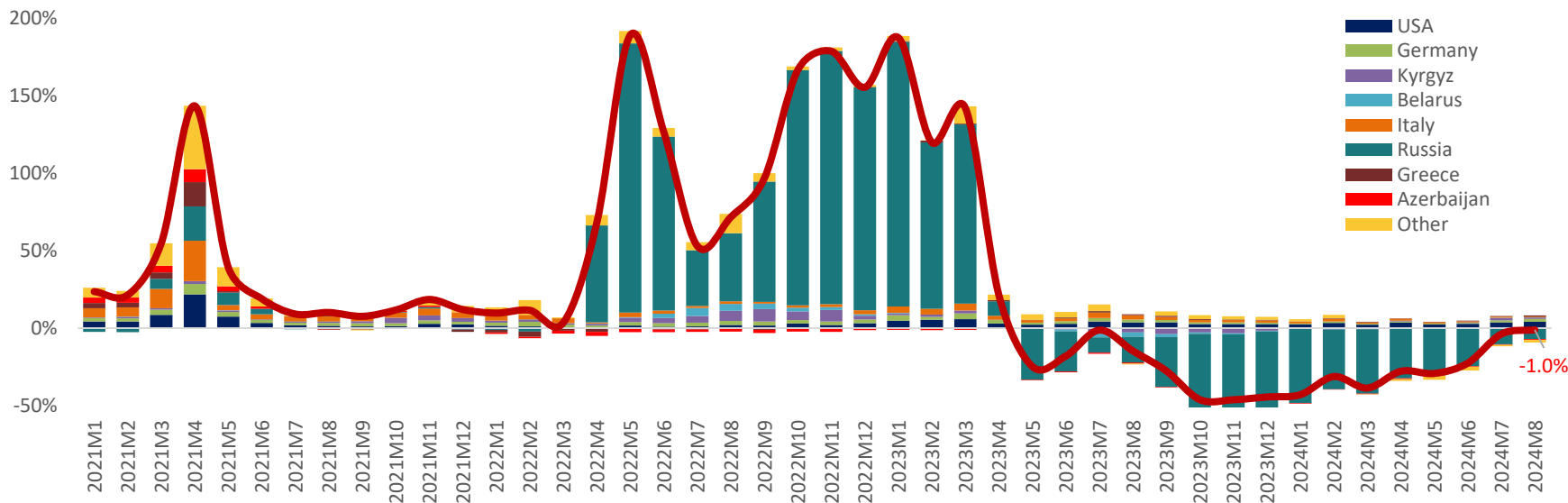


Net Remittances, August 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
USA	49.3	27.0	4.1
Italy	47.4	2.8	0.5
Russia	41.9	-32.3	-7.1
Germany	23.8	24.3	1.9
Greece	21.6	11.0	0.8
Israel	21.2	19.5	1.2
Other	59.6	-9.5	-2.3

- In August 2024, net remittances were estimated at 257.5 million USD, representing a 1.0 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 102.1 percent.
- Net Remittances increased from:
 - USA: 27.0 percent (contributing 4.1 pp to total growth)
 - Germany: 24.3 percent (1.9 pp contribution to overall growth)
 - Israel: 19.5 percent (1.2 pp contribution to overall growth)
- Net Remittances decreased from:
 - Russia: -32.3 percent (-7.1 pp contribution to total growth)
 - Kazakhstan: -57.7 percent (-3.9 pp contribution to total growth)
 - Turkey: -42.9 percent (-0.5 pp contribution to total growth)

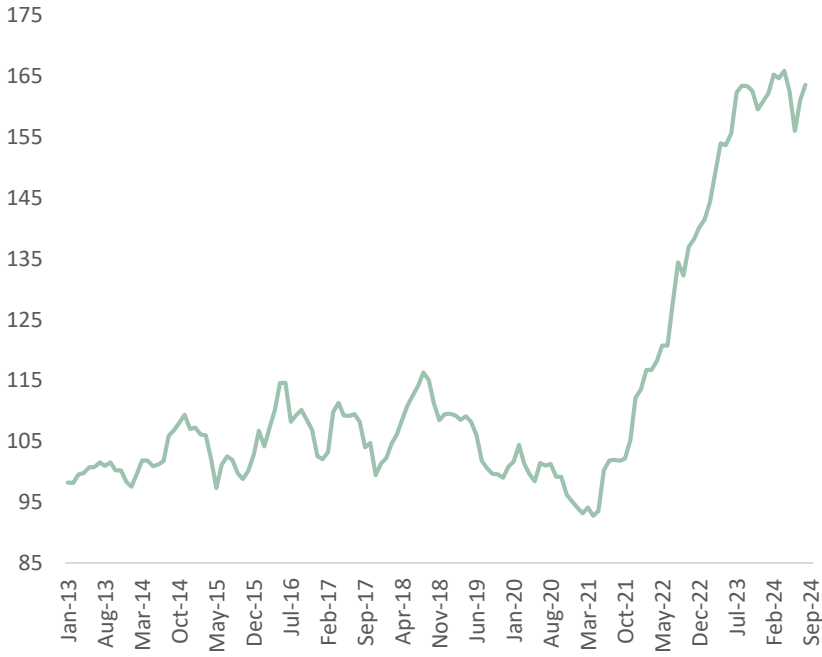
Net Remittances by country, %y/y



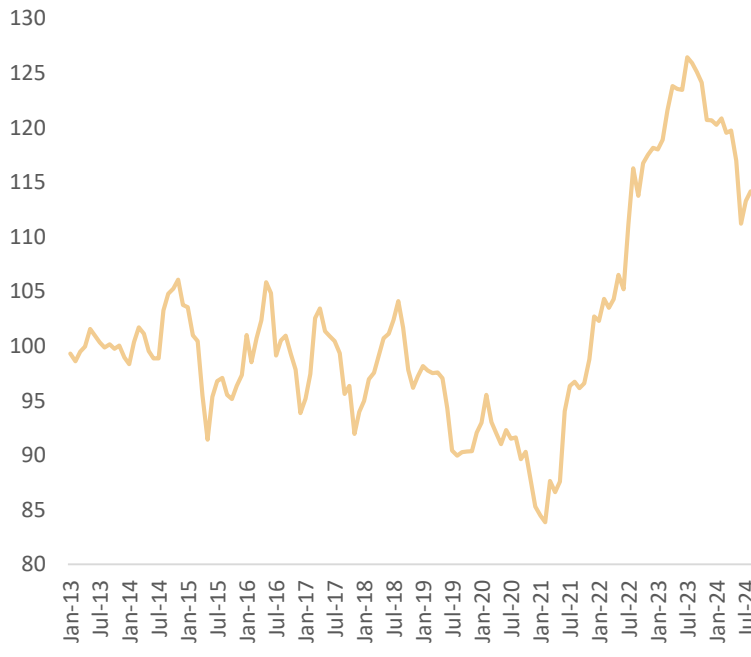
Source: NBG

Real Effective Exchange Rate Depreciated by 9.3 percent in August

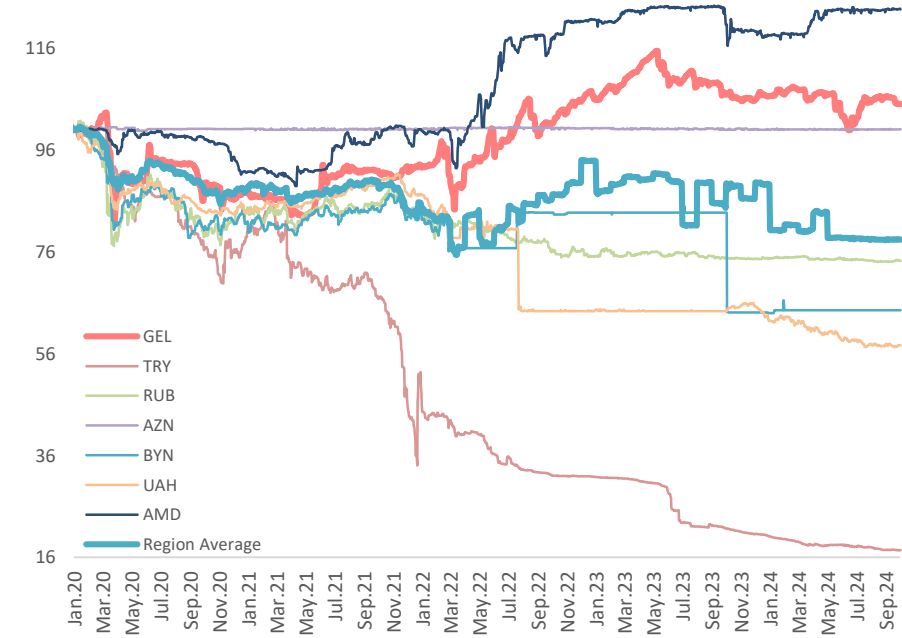
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



September 30, 2024

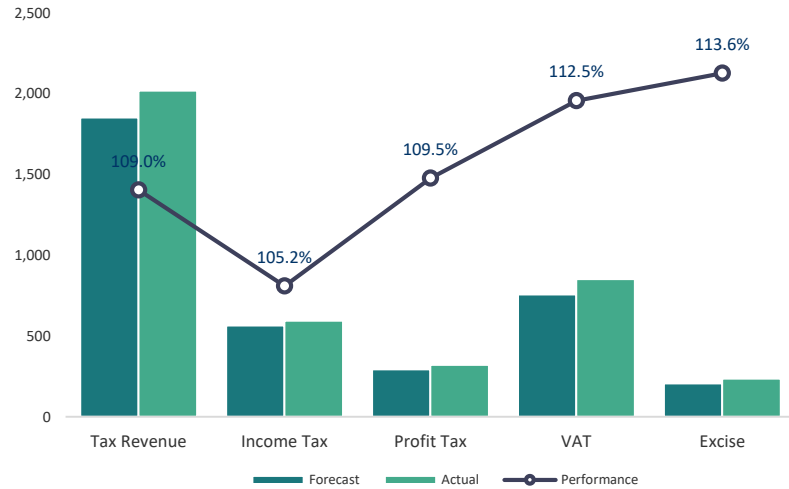
Note: Increase means appreciation

	October 1, 2024		October 1, 2024 - Jan 1, 2024		October 1, 2024 - Jan 1, 2023
Euro	3.0532	▼	-2.6%	▼	-5.5%
US Dollar	2.7300	▼	-1.5%	▼	-1.0%
Turkish Lira	0.0799	▲	13.9%	▲	80.6%
Russian Ruble	0.0293	▲	2.0%	▲	25.3%
NEER	188.27	▲	1.1%	▲	14.4%
REER (August 2024)	140.46	▼	-5.1%	▼	-3.4%

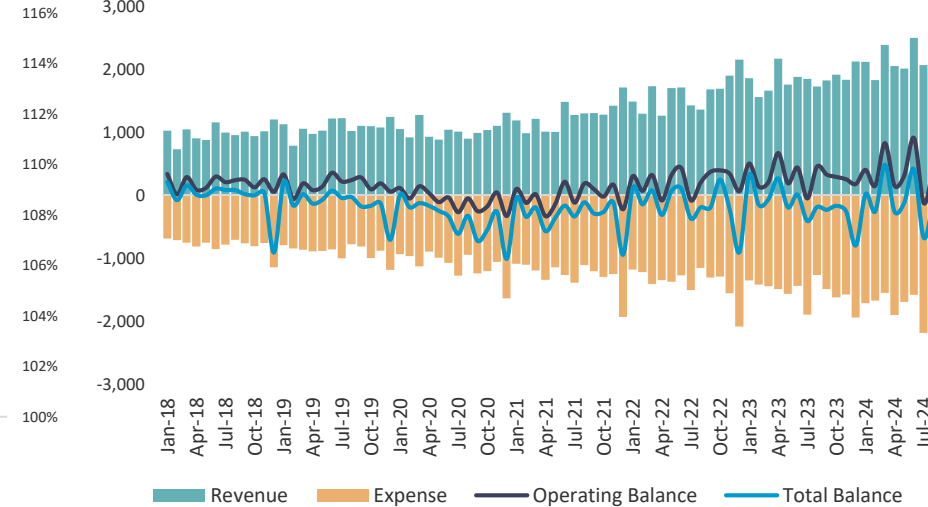
Source: NBS

Tax revenues in September is above the forecast value by 9.0 percent

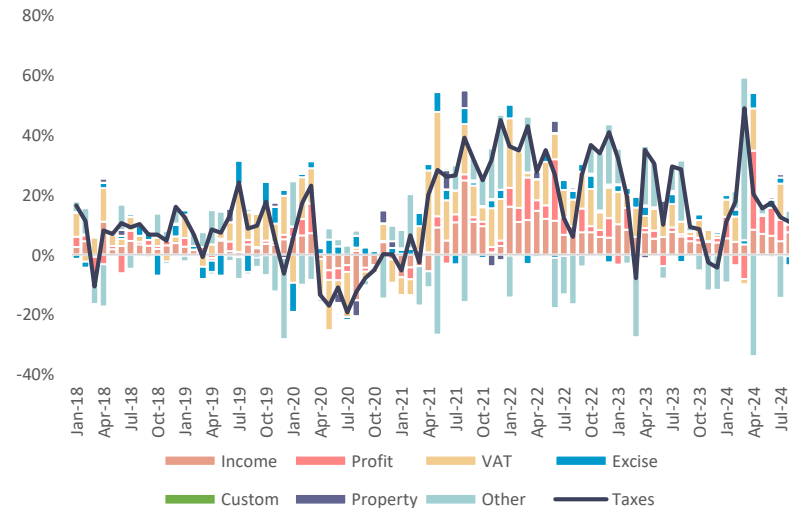
Budget Revenue Performance, September 2024



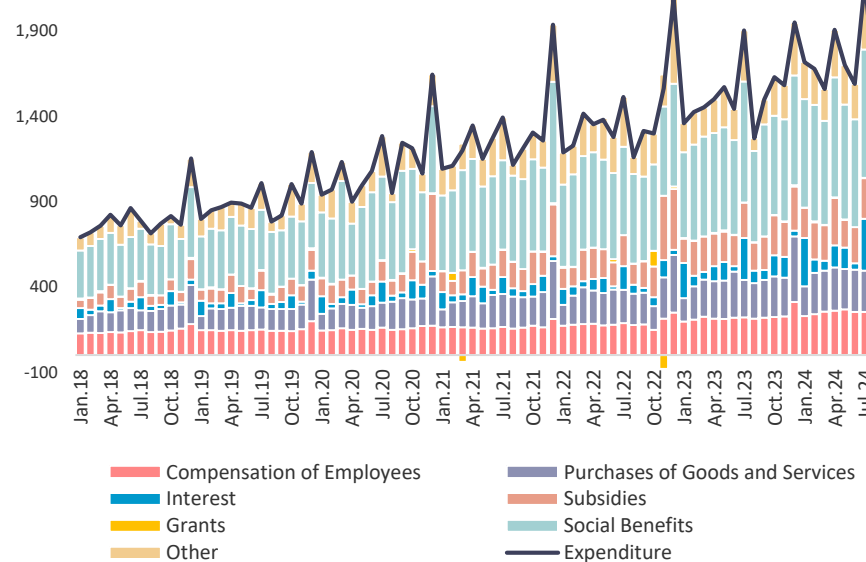
Consolidated Budget, mln GEL



Tax Income, % y/y



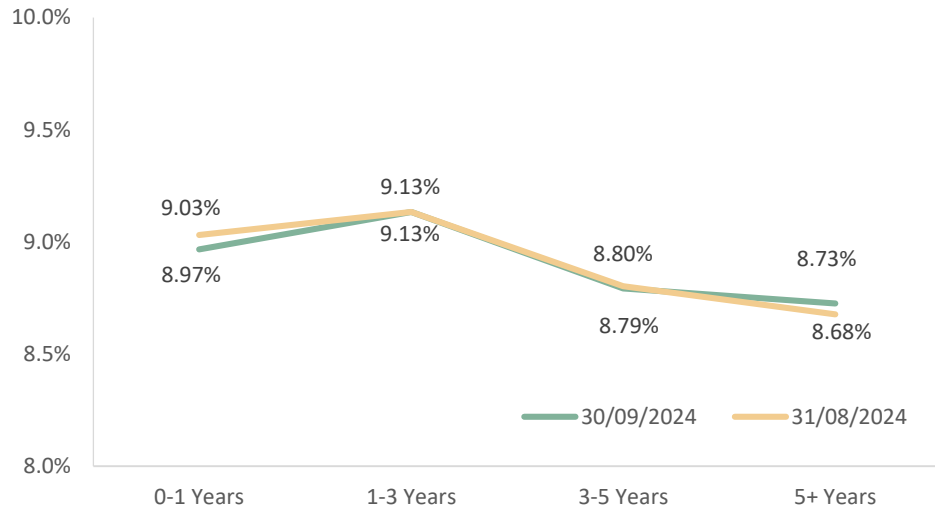
Consolidated Budget Expenditure, mln GEL



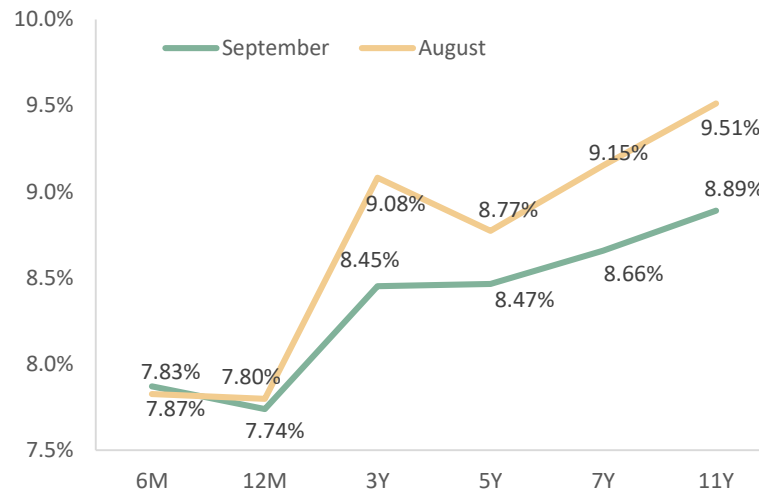
- The actual level of tax income in August 2024 was 2,018 mln GEL, which is above the forecasted value by 9.0 percent.
- Consolidated budget revenues increased by 13.3 percent and expenditures increased by 20.7 percent in August.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 419.4 million GEL, while the total balance was set at -120.0 million GEL.
- Revenue from taxes had a significant impact on revenue from Income and profit taxes in August, accounting for 7.6 and 2.5 percent of total growth, respectively.

Treasury Financial Securities Portfolio Changed in September

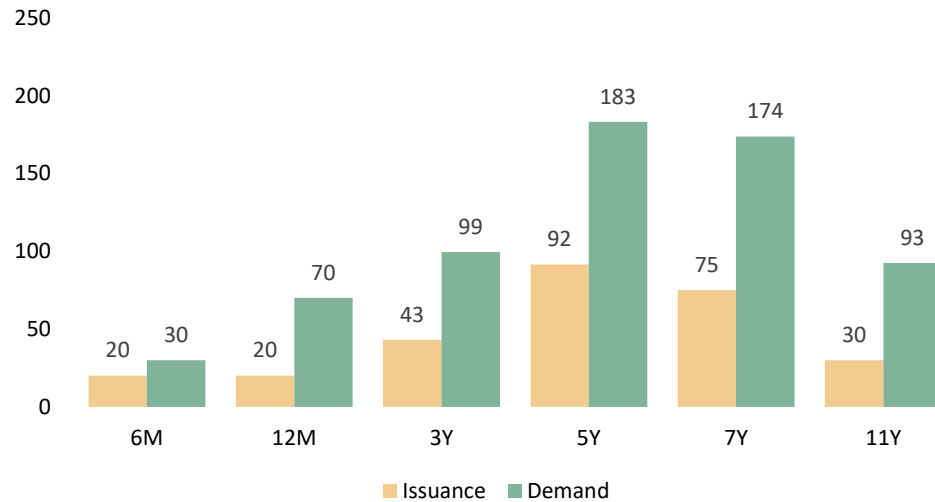
Portfolio Yield Curve



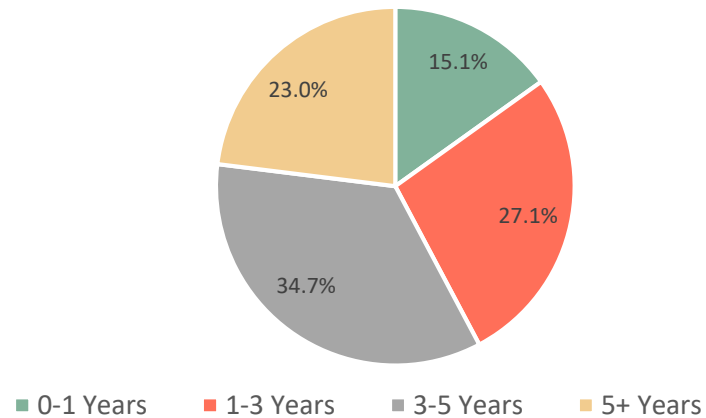
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



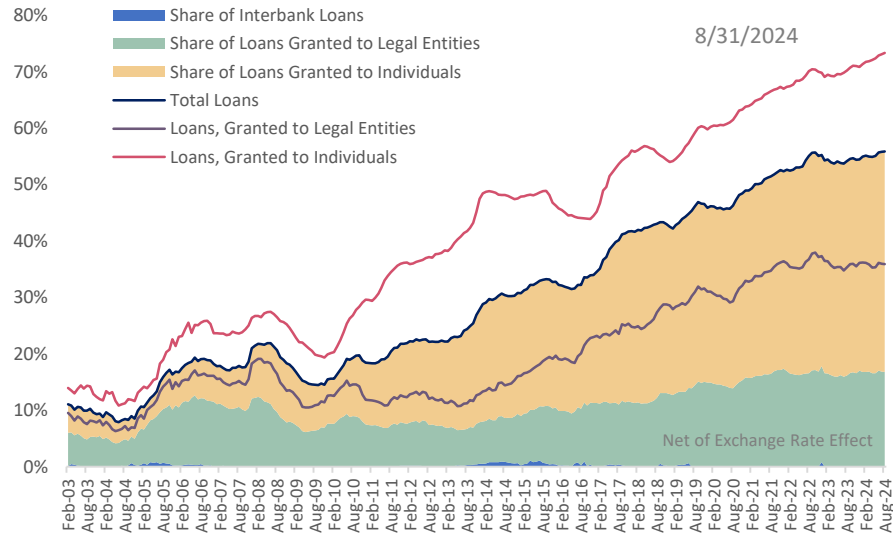
Portfolio by Residual Maturity, September 30, 2024



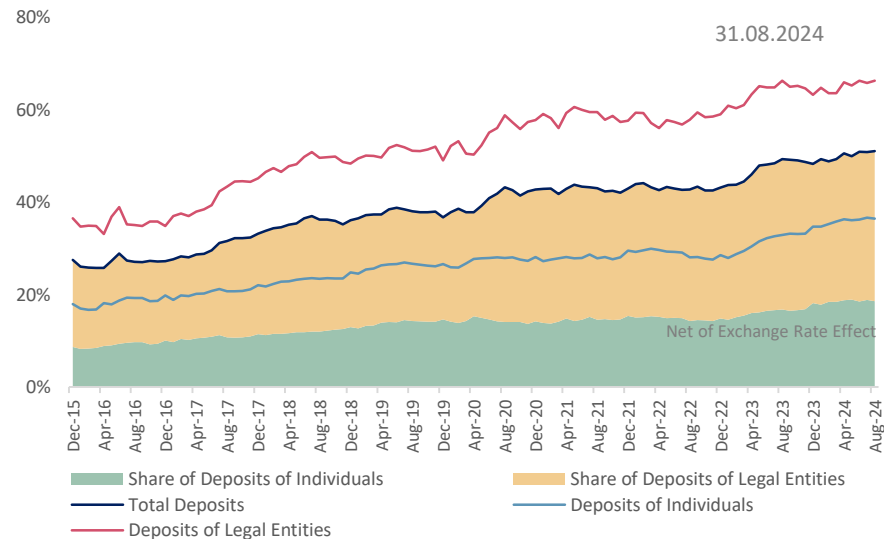
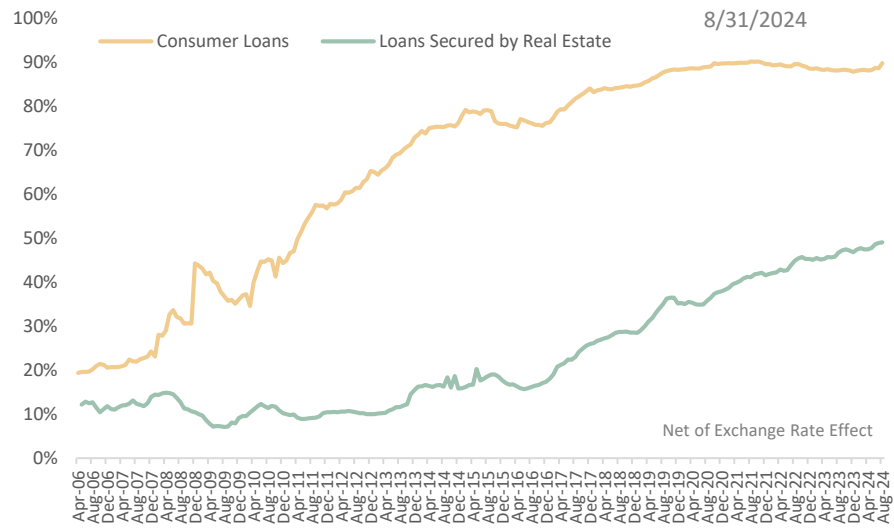
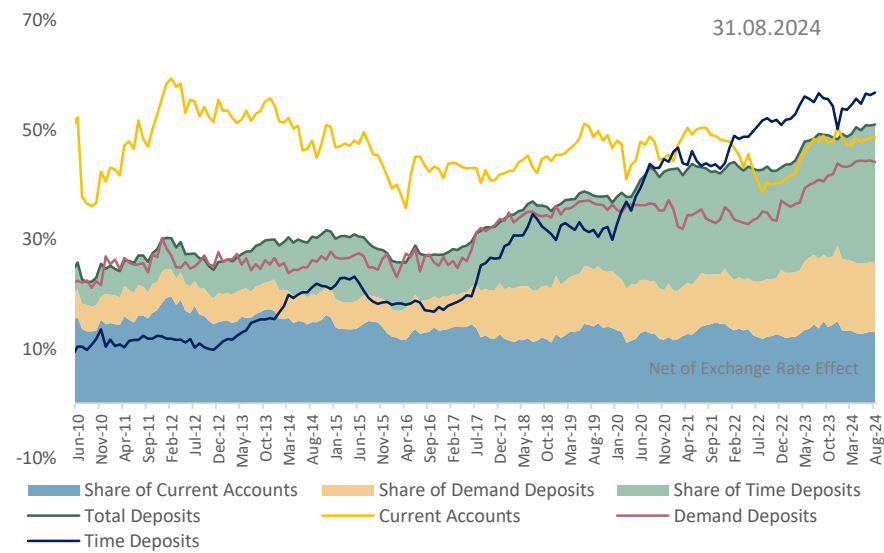
- In September, 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 279.5 million GEL.
- The weighted average interest rate amounted to 8.466%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with the residual maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 80 million GEL were redeemed.
- There were changes in the treasury financial security portfolio. As of September 30, 2024, 34.7% of the treasury securities portfolio (in August, it was 33.3%) 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 27.1%) in the total portfolio. The share of the securities with 5 or more years maturities was reduced considerably from 21.4% to 23.0%.
- The Bid-to-cover ratio increased compared to the previous month's value (August 3.08) and amounted to 2.32.
- The average Time to Maturity (ATM) has insignificantly decreased from 3.47 to 3.46 years.

In August Loan and Deposit Larization Indicators Continued Rising

Loan Larization



Deposit Larization



- As of August 31, 2024, the larization of total loans is 55.9 percent.
- The larization of loans to individuals is 73.3 percent.
- The larization of the loans to legal entities amounted to 35.9 percent.
- The larization of the total deposits equals to 51.0 percent.
- The larization on the deposits of legal entities amounted to 66.2 percent.
- The larization of the deposits of individuals is 36.4 percent.
- The larization of time deposits is 56.8 percent.
- The larization of current accounts equals to 48.6 percent.
- The larization of the demand deposits is 44.1 percent.

In August High Annual Growth Trends of Loans Have Retained

Loans Growth Rates, % y/y

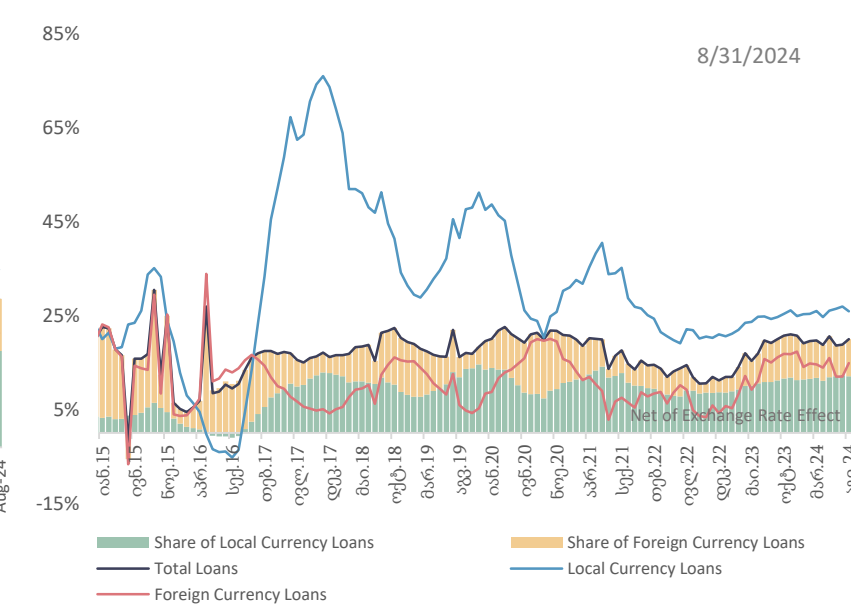
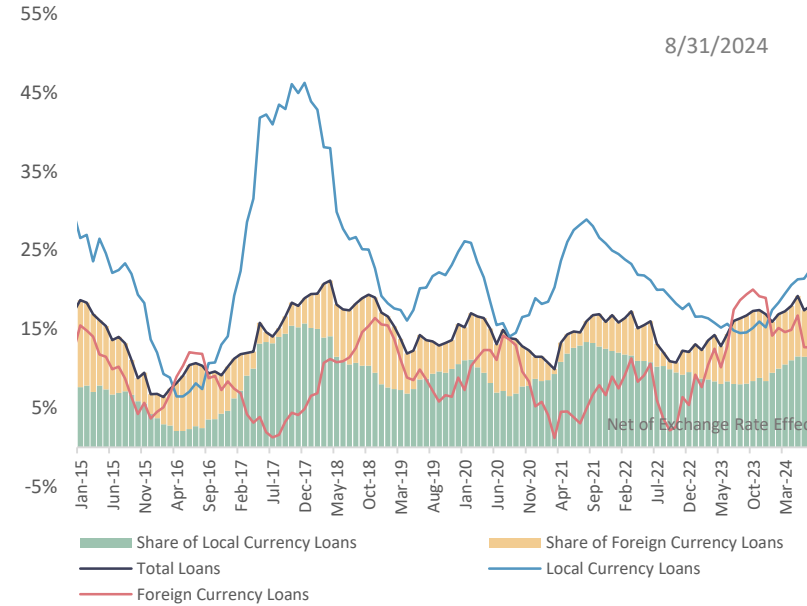
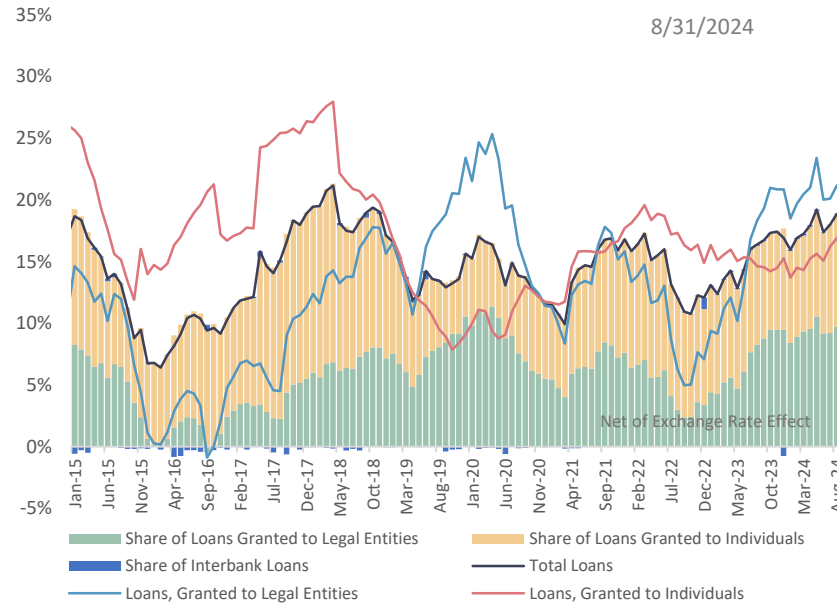
8/31/2024

Loans by Currency, % y/y

8/31/2024

Mortgage Loans, % y/y

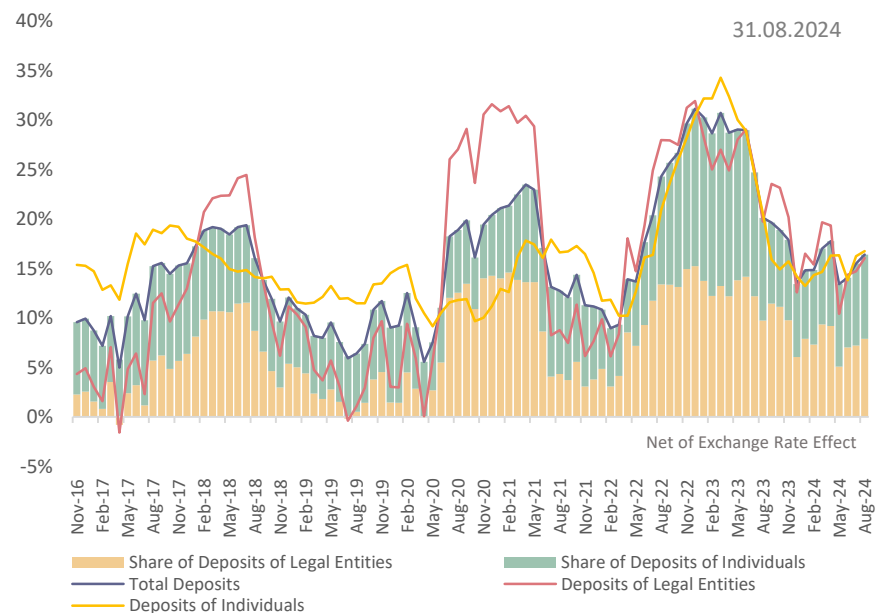
8/31/2024



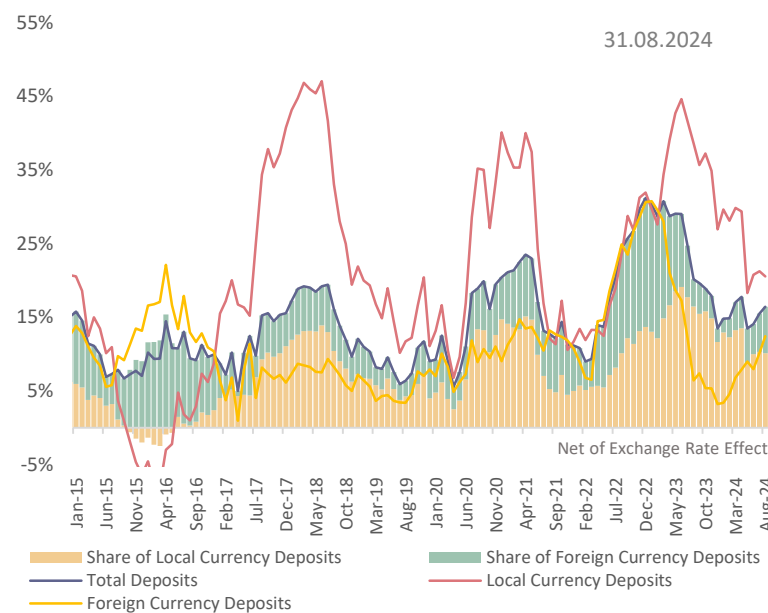
- As of August 31, 2024, the total loans increased by 18.8 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 21.2 percent.
- The annual growth of loans to individuals is 16.9 percent.
- As of September 1, 2024, the growth rate of the loans denominated in the national currency amounted to 22.5 percent.
- The annual growth of loans denominated in foreign currency amounted to 14.5 percent.
- As of August 31, 2024, the annual growth of the loans secured by real estate amounted to 20.0 percent. At the same time, the mortgage loans denominated in the national currency increased by 25.9 percent, while the mortgage loans denominated in the foreign currency also increased by 14.9 percent.

Annual Growth Rates of Deposits Are Increasing

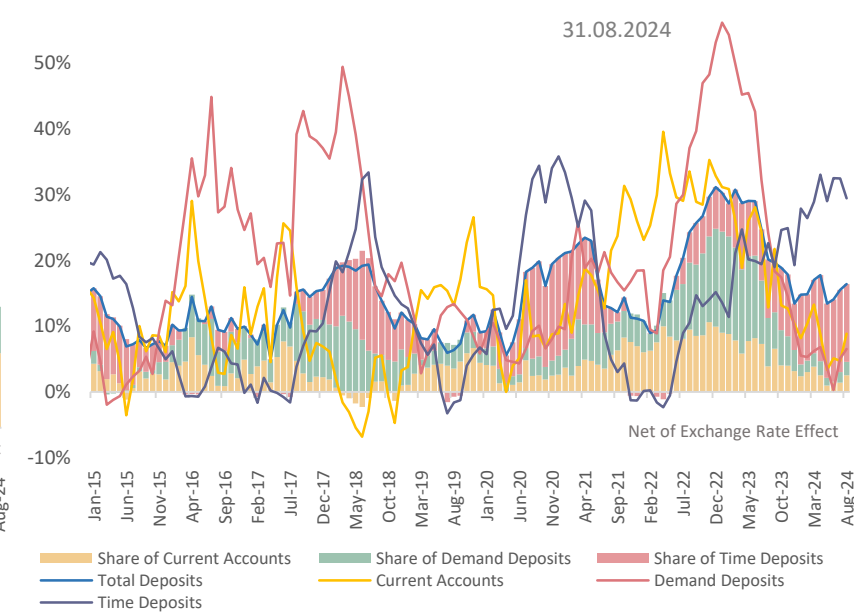
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



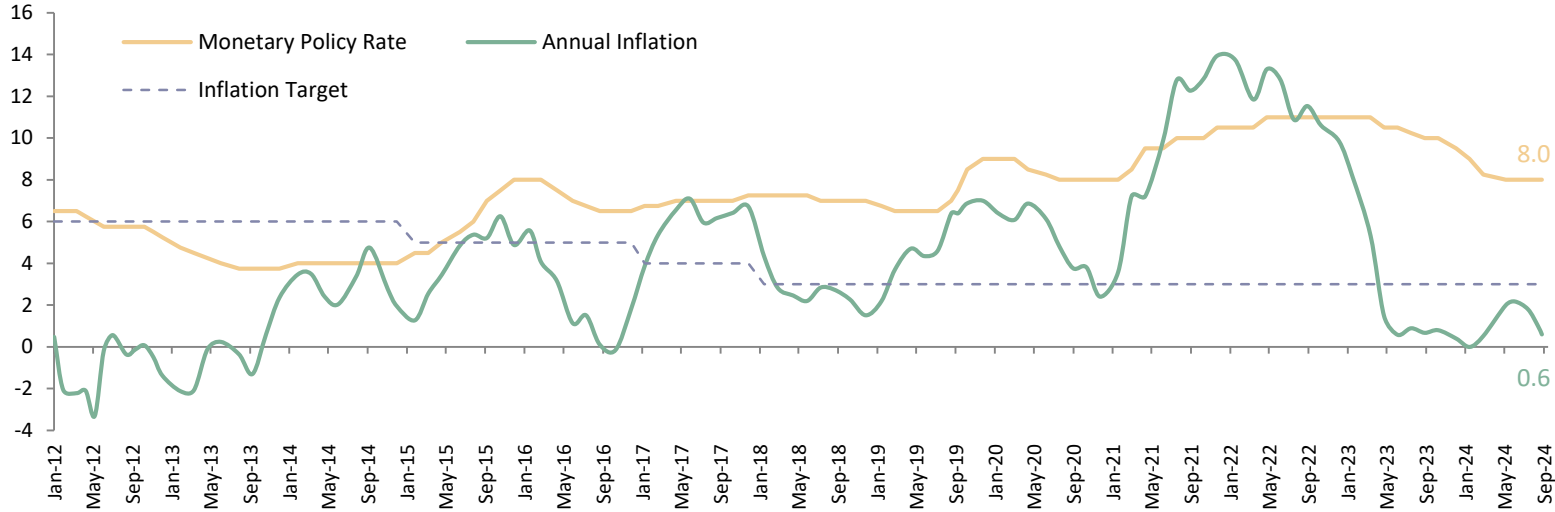
Deposits by Type, % y/y



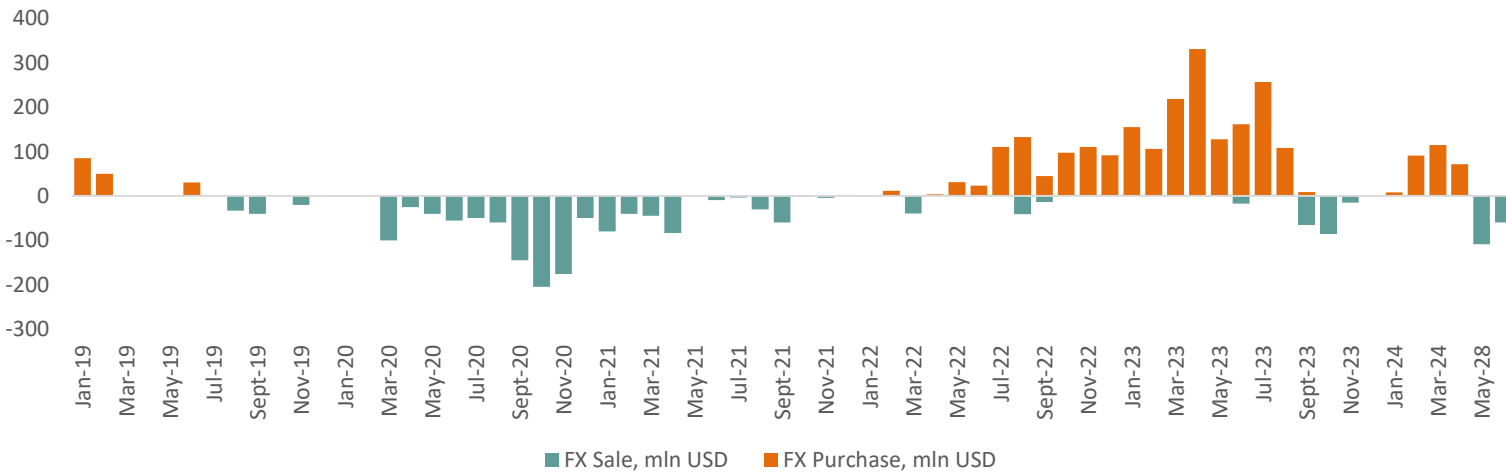
- As of September 1, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 16.4 percent.
- The annual growth of the deposits denominated in the national currency amounted to 20.5 percent. The annual growth of the deposits denominated in foreign currency stood at 12.4 percent over the same period.
- The growth of the deposits of individuals amounted to 16.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 16.1 percent.
- The annual growth of current accounts at the end of August, 2024, was equal to 8.9 percent.
- The annual growth of the time deposits was 29.4 percent.
- The growth of the demand deposits amounted to 6.5 percent.

The NBG Remained Monetary Policy Rate at 8.0 percent Level in September

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



- In September 11, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) has conducted a meeting and decided not to change the monetary policy rate. Thus, the 8 percent refinancing rate was in force within the abovementioned month.

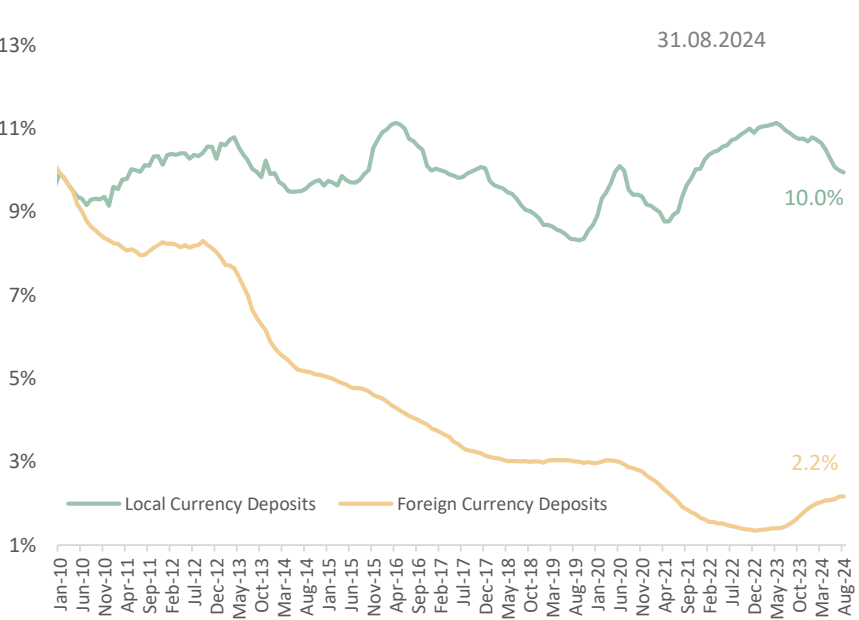
- Per the NBG, the factual inflation is less than the target one (3 percent). The major reason of this is the domestic factors such as a decreasing of inflation for domestically produced goods and services that causes stabilization of inflation related expectations. In this regard, the tight monetary policy also plays an important role which mitigates inflationary factors. It is also relevant to note that the economic activities have raised more than it was expected, but production capacity has risen, which mitigates inflationary pressure. As for the external factors, the global economic uncertainty and strain geopolitical situations can create an inflationary pressure in the country. The inflation was 0.6 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 October 23, 2024.
- The NBG did not make the foreign exchange interventions during September of 2024 via the currency auctions.

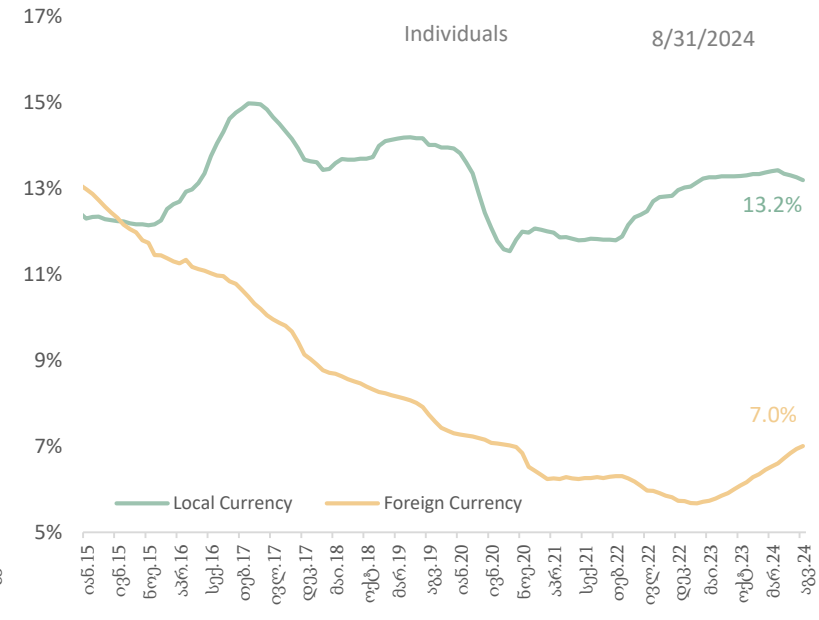
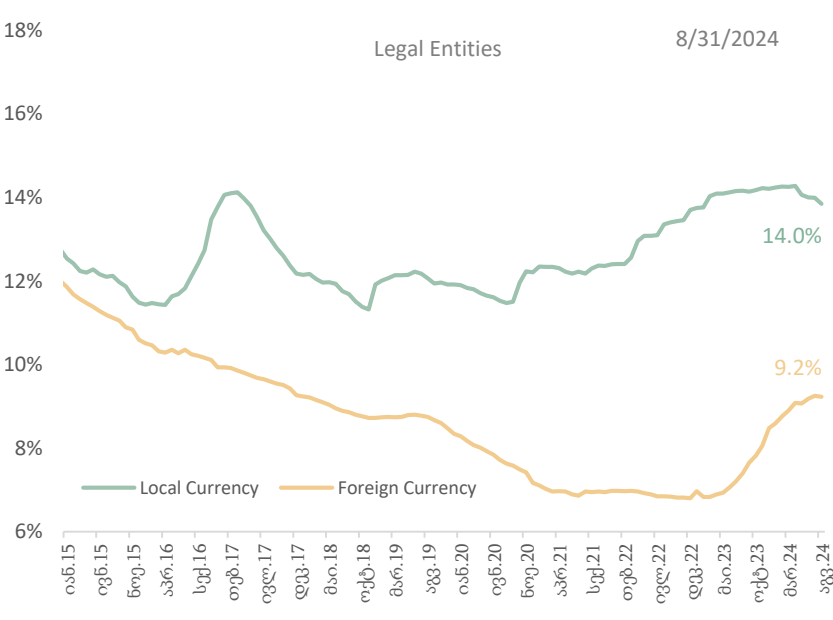
Source: NBG

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 September 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 9.9 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 11.8 percent (15.9 percent in the national currency and 6.0 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 15.8 percent (16.6 percent in the national currency and 7.7 percent in foreign currency).
- At the end of August, 2024, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 12.4 percent, and in the foreign currency 9.5 percent. The interest rate on the loans to individuals in the national currency was 12.3 percent, and in foreign currency 7.5 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.

Georgia, Tbilisi 0105, Gorgasali Street N16

Tel: (995 32) 2 261 407

E-mail: info@mof.ge; www.mof.ge



MINISTRY OF FINANCE
OF GEORGIA