



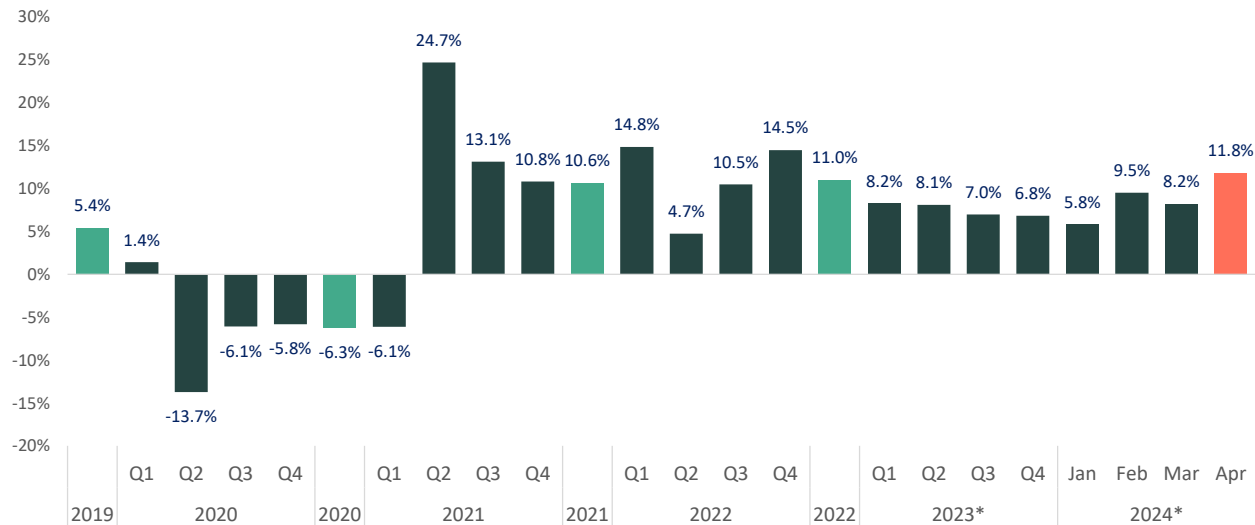
# Current Economic Outlook

May, 2024

- In April 2024, the real GDP growth rate was 11.8 percent and average growth rate of the first four months of 2024 was 9.0 percent, according to the preliminary estimates of the National Statistics Office.
- In May, annual inflation stood at 2.0 percent, while core inflation was 1.7 percent
- In April, exports decreased by 12.7 percent year-on-year and imports increased by 11.3 percent year-on-year, increasing the trade deficit by 27.8 percent year-on-year to 925 million USD
- For April, the real effective exchange rate depreciated by 3.3 percent compared to the same period of the previous year and appreciated by 0.2 percent compared to the previous month
- The National Bank of Georgia decreased monetary policy rate at 8 percent in May

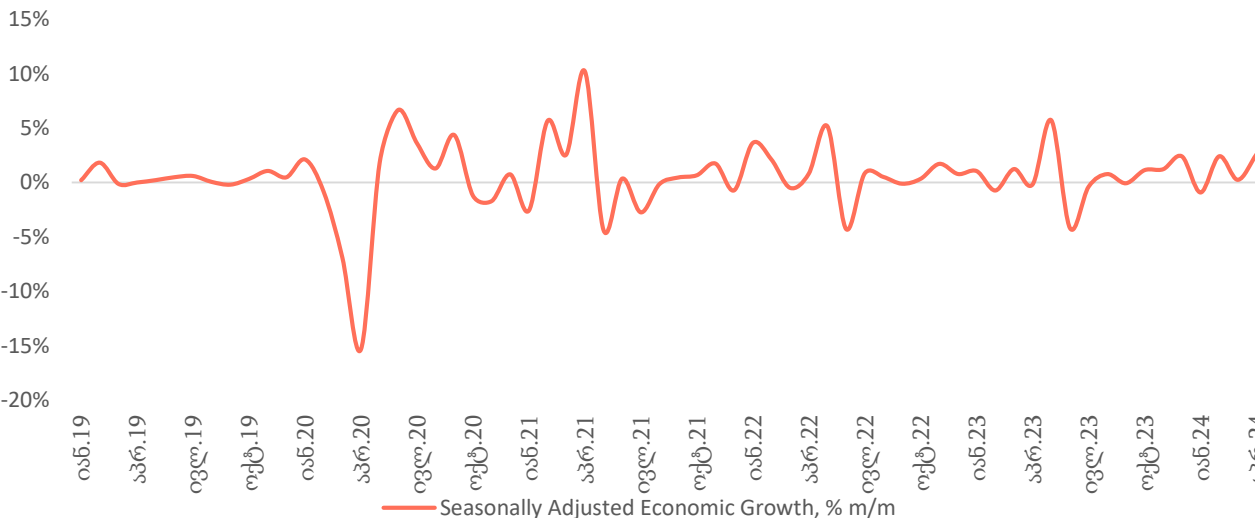
# According to preliminary estimates Economic Growth in April was equal to 11.8 percent

Economic Growth, % y/y

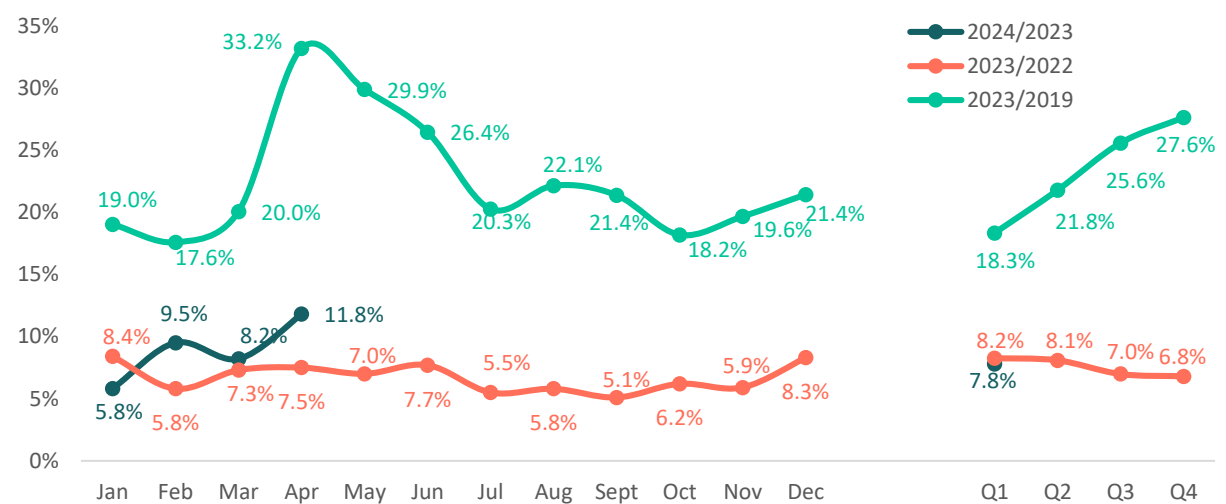


- Estimated real GDP growth rate in April 2024 equaled 11.8 percent YoY and average annual real GDP growth rate for the January-April of 2024 equals to 9.0 percent, while the seasonally adjusted economic growth in April comparing to the previous month was 2.6 percent.
- In April 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Construction, Information and communication, Transportation and storage, Trade, Professional, scientific and technical activities.
- A decline was registered in the field of Energy.

Economic Growth, % m/m



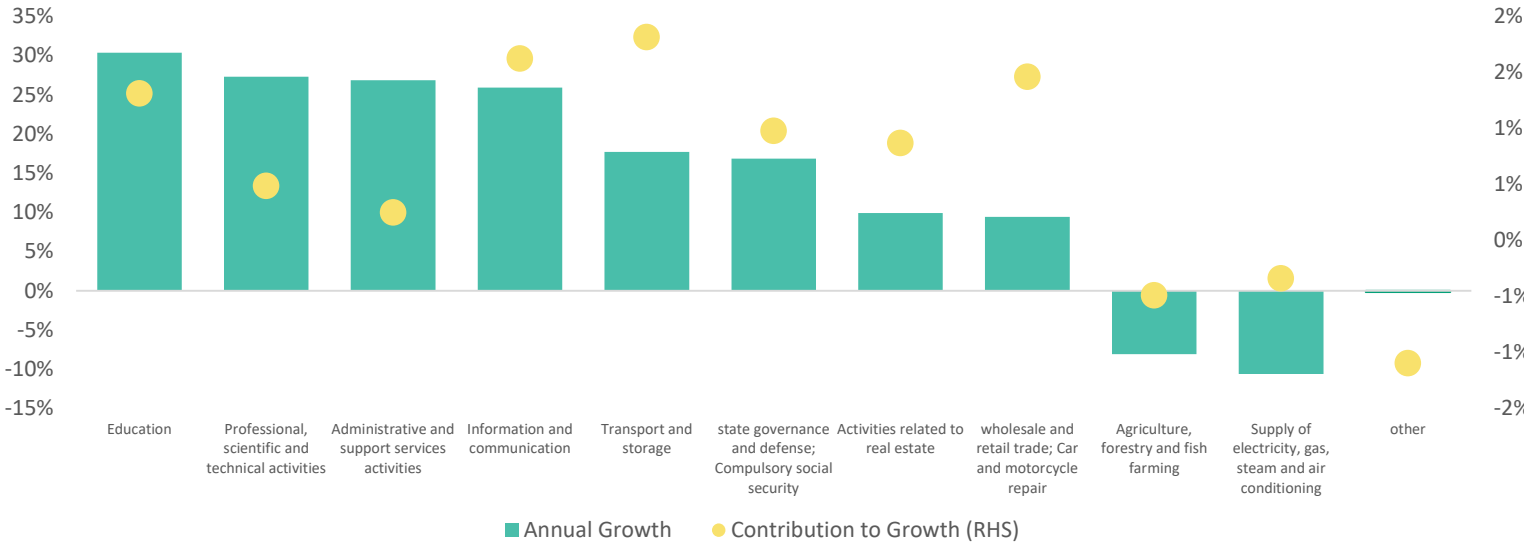
Economic Growth, 2024-2019



Source: Geostat, MOF

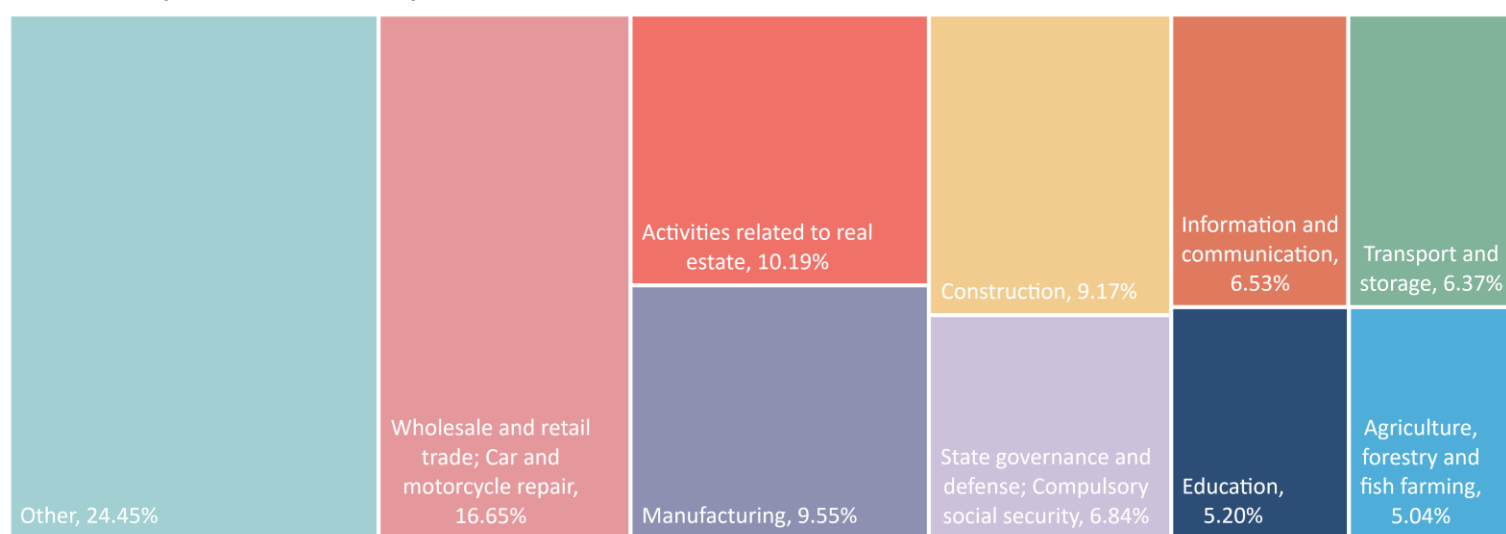
# According to preliminary estimates, real GDP increased by 6.9 percent in the fourth quarter of 2023

## Real GDP growth by economic activity, 2023 IV Quarter



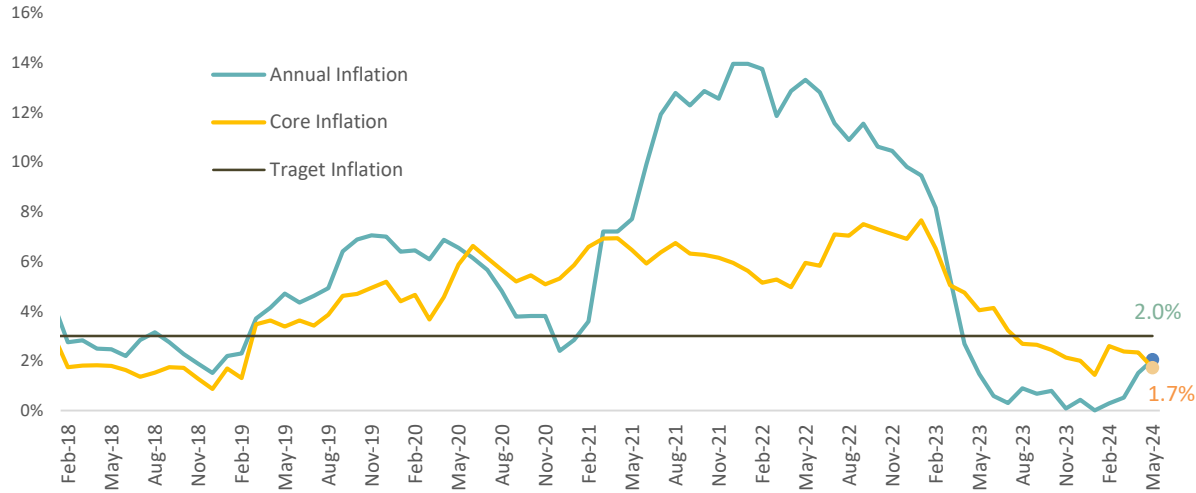
- According to preliminary estimates, in the fourth quarter of 2023 economic growth amounted to 6.9 percent, while in the third quarter of 2023, compared to the corresponding period of the previous year, real GDP increased by 7.0 percent. In the fourth quarter 2023 economic growth was 27.7 percent compared 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

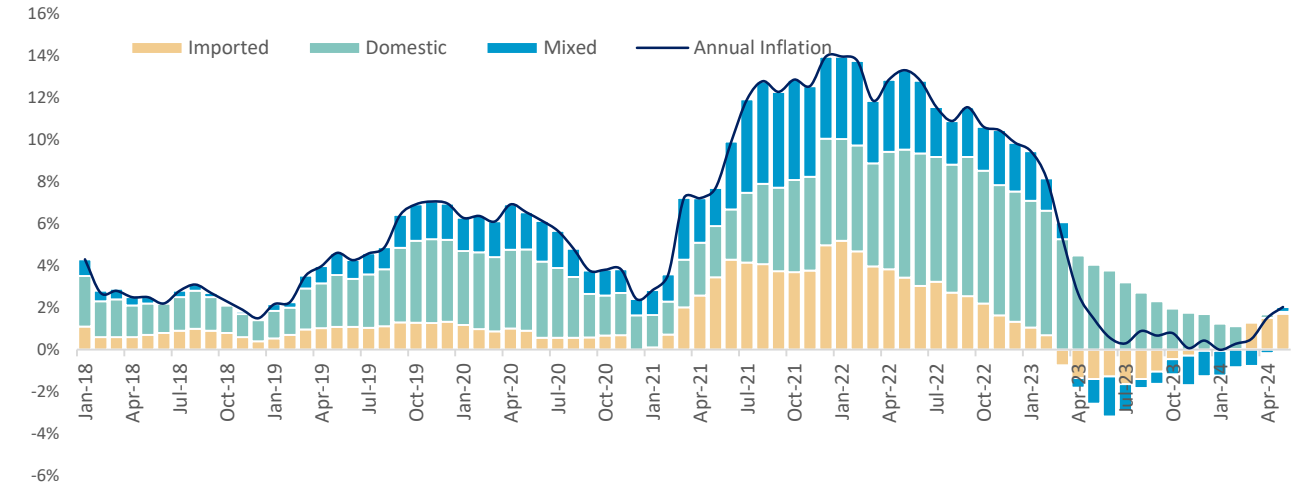


# Annual inflation in May has reached 2.0 percent

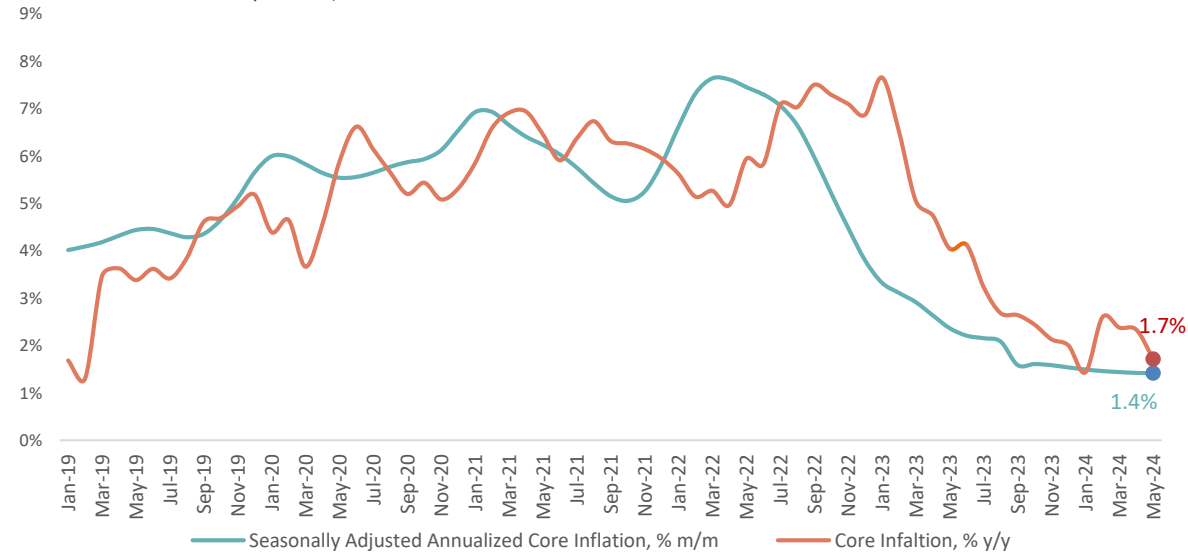
## Total and Core Inflation, % y/y



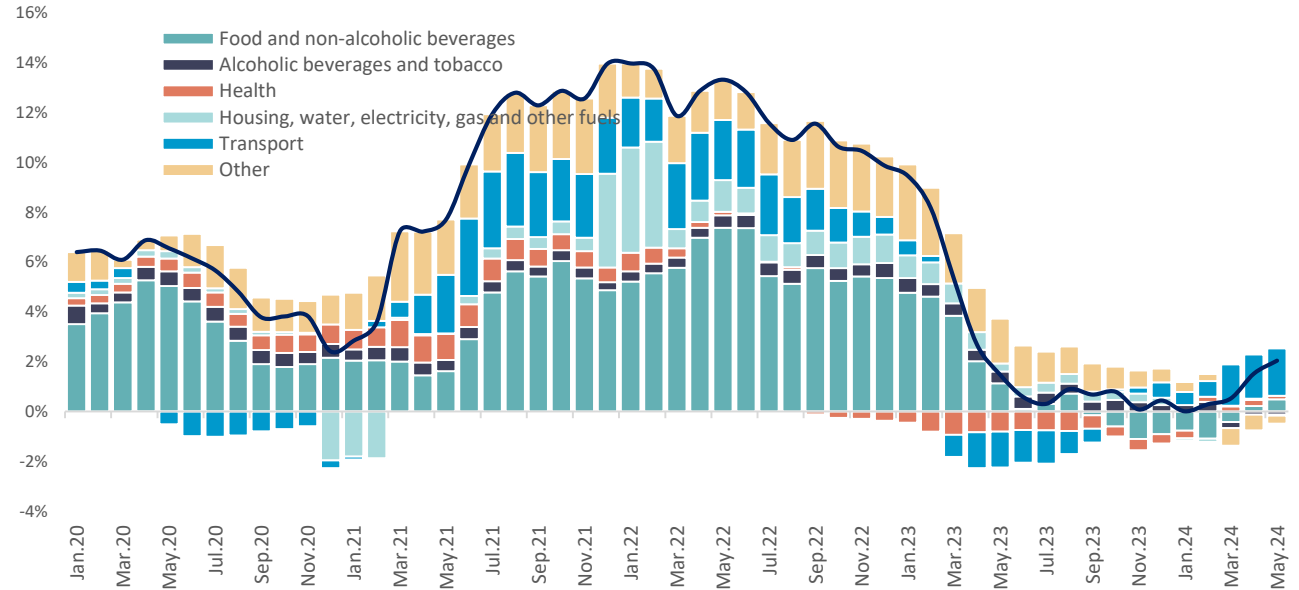
## Inflation Decomposition



## Core Inflation, % m/m



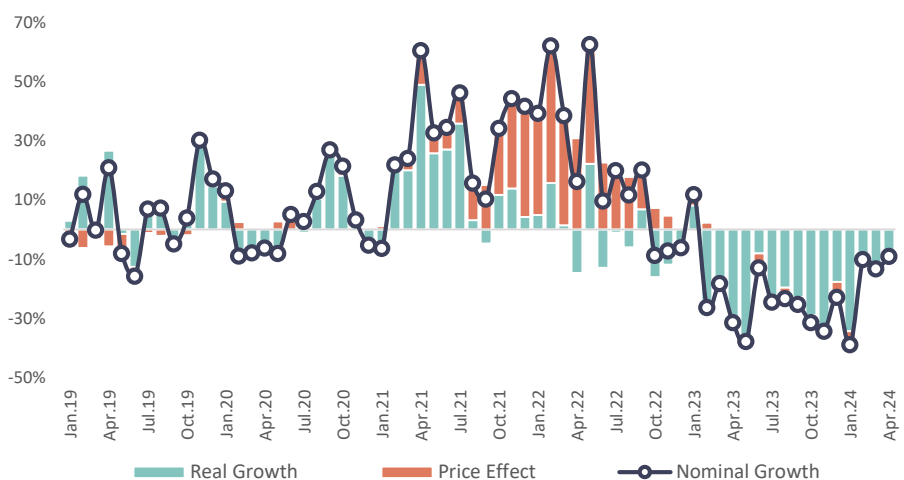
## Inflation Decomposition by product group



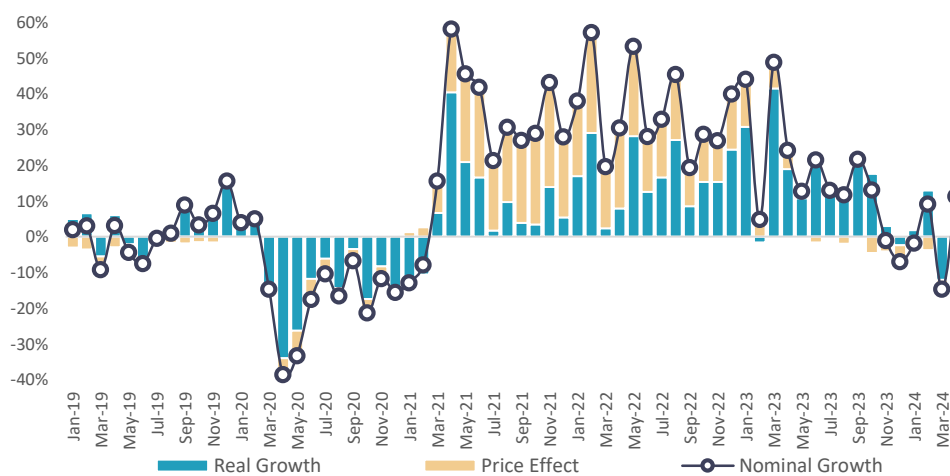
Source: Geostat, NBG, MOF

# Trade Deficit in April increased by 15.7 percent annually

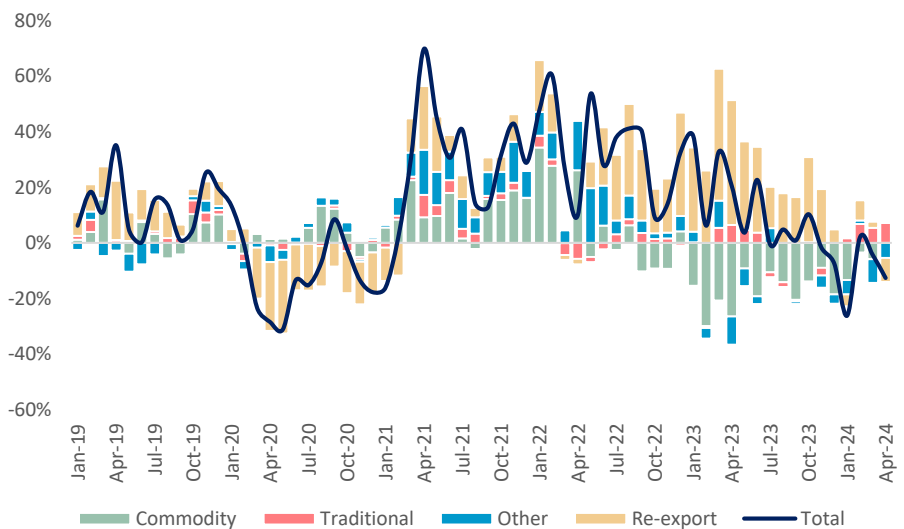
## Change of Domestic Export, %y/y



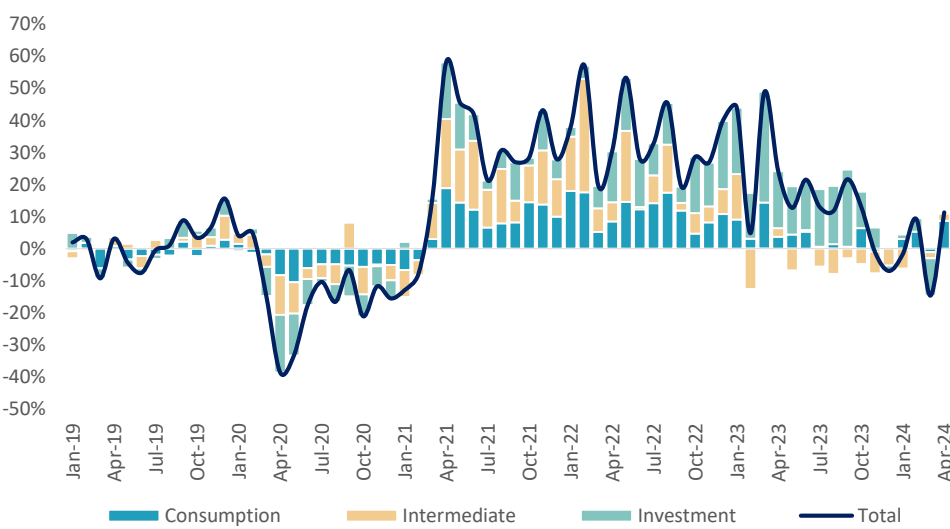
## Change of Import, %y/y



## Decomposition of Export



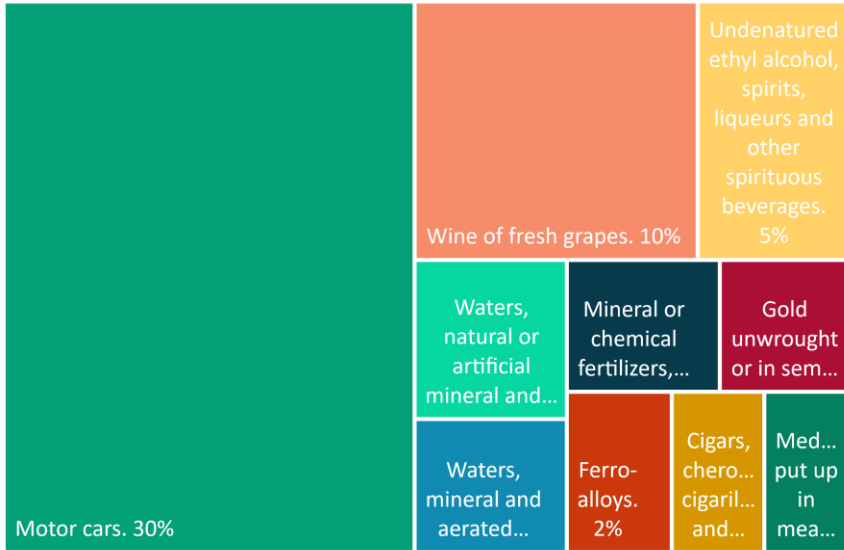
## Decomposition of Change of Import, %y/y



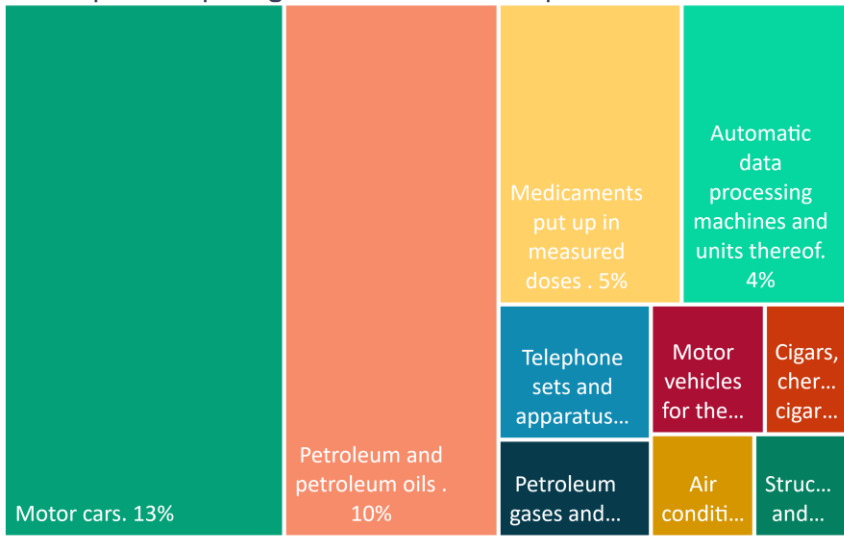
- Export decreased annually by 12.7 percent to 437.2 million USD in April.
- Domestic export decreased annually by 9.1 percent to 200.3 million USD.
- Import annually decreased by 11.3 percent to 1 362.2 million USD in April.
- Trade deficit annually increased by 15.7 percent to 1 161.9 million USD.
- Share of re-export in export growth is equal to -8.7 percent (-15.5 %y/y), while share of commodity export is negative 12.7 percent (-42.2 %y/y).
- Contribution of import of Investment, Consumption and Intermediate goods to total import annual growth was equal to 0.3, 8.7 and 2.3 percent respectively.

# International trade is characterized by stable diversification

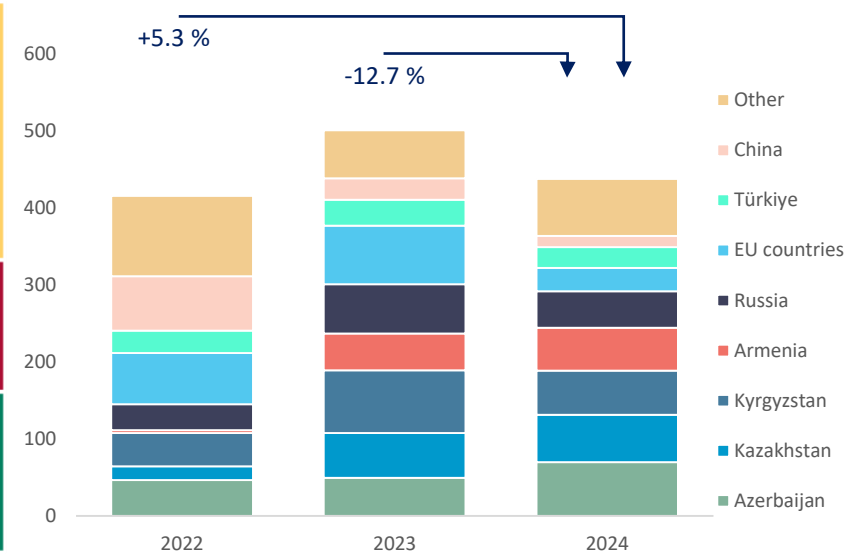
Top 10 Export goods, % of total Export



Top 10 Import goods, % of total Import



Export by country, April



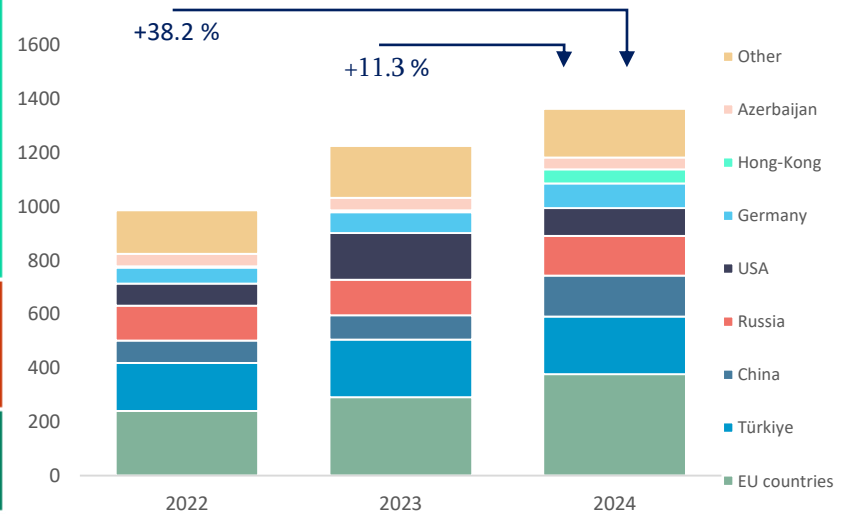
▪ **Top Export Products:**

- Motor cars: 132.2 million. USD – 30.4 percent of total exports.
- Wine of fresh grapes: 43.0 million USD – 9.8 percent.
- Udenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages: 22.8 million USD – 5.2 percent.

▪ **Top Import Products :**

- Motor cars: 174.0 million. USD – 12.8 percent of total imports.
- Petroleum and petroleum oils: 133.0 million US dollars – 9.8 percent.
- Medicaments put up in measured doses: 64.1 million USD – 4.7 percent.

Import by country, April



▪ **Top Export Country:**

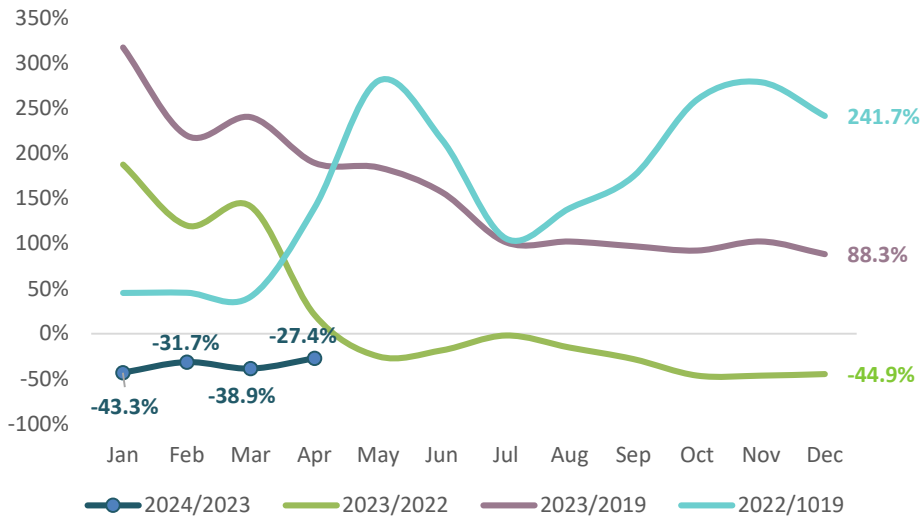
- Russia: 69.6 million USD, - 15.9 percent.
- Kazakhstan: 61.3 million USD, - 14.0 percent.
- Azerbaijan: 57.4 million USD - 13.1 percent.

▪ **Top Import Country :**

- European Union: 377.8 million. USD, - 27.7 percent.
- Turkey: 213.5 million USD, - 15.7 percent.
- China: 152.2 million USD - 11.2 percent.

# Net Remittances decreased by 27.4 percent in April 2024

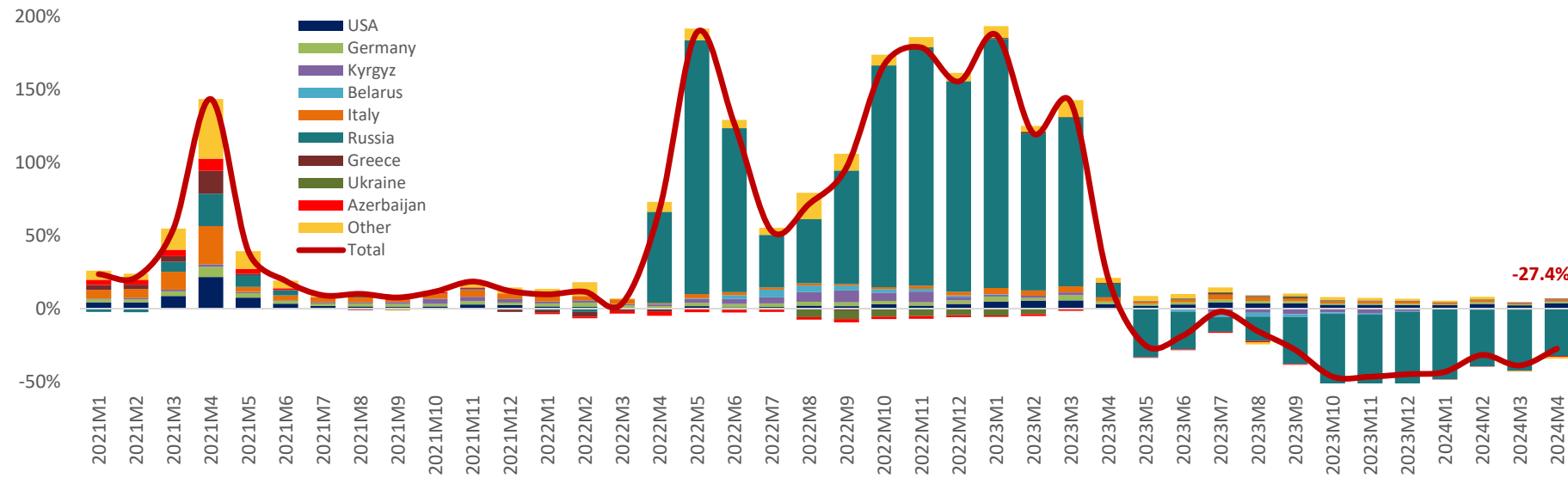
Net Remittances, 2024-2019



Net Remittances, April 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Russia	45.6	-70.9	-32.5
USA	44.9	38.1	3.6
Italy	44.8	12.0	1.4
Greece	20.3	6.4	0.4
Germany	19.8	16.0	0.8
Israel	19.4	17.7	0.9
Other	53.3	-11.1	-1.9

Net Remittances by country, %y/y



- In April 2024, net remittances were estimated at 248.1 million USD, representing a 27.4 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 110.3 percent.
- Net Remittances increased from:
  - Poland: 53.5 percent (0.2 pp contribution to total growth)
  - Ireland: 42.8 percent (0.4 pp contribution to total growth)
  - France: 15.6 percent (0.2 pp contribution to total growth)
- Net Remittances decreased from:
  - Azerbaijan: -90.2 percent (-0.6 pp contribution to total growth)
  - Russia: -70.9 percent (-32.5 pp contribution to total growth)
  - Kazakhstan: -41.4 percent (-2.3 pp contribution to total growth)
  - Turkey: -28.7 percent (-0.2 pp contribution to total growth)

Source: NBG



# Real Effective Exchange Rate Depreciated by 3.3 percent in April

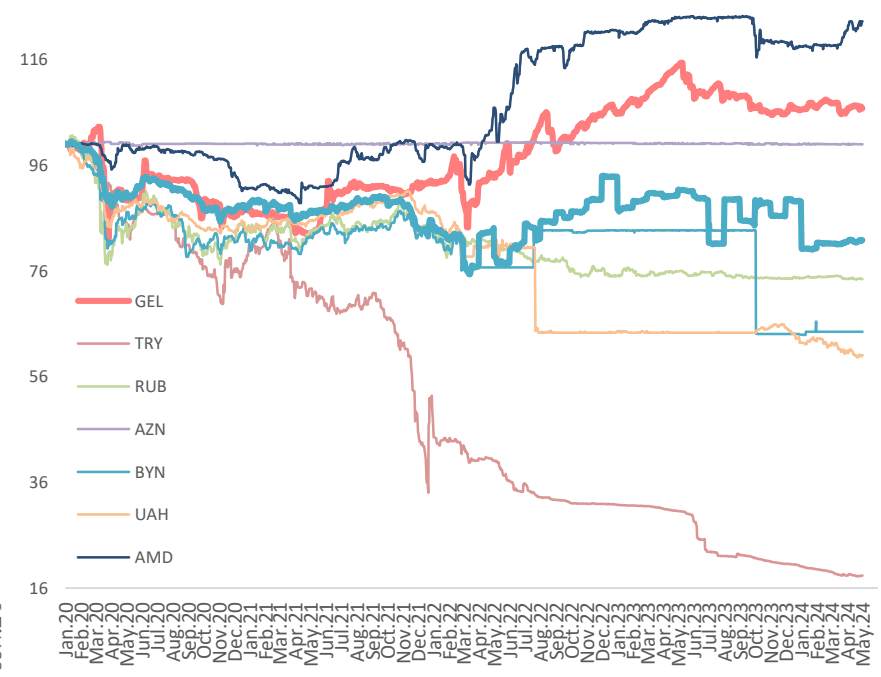
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

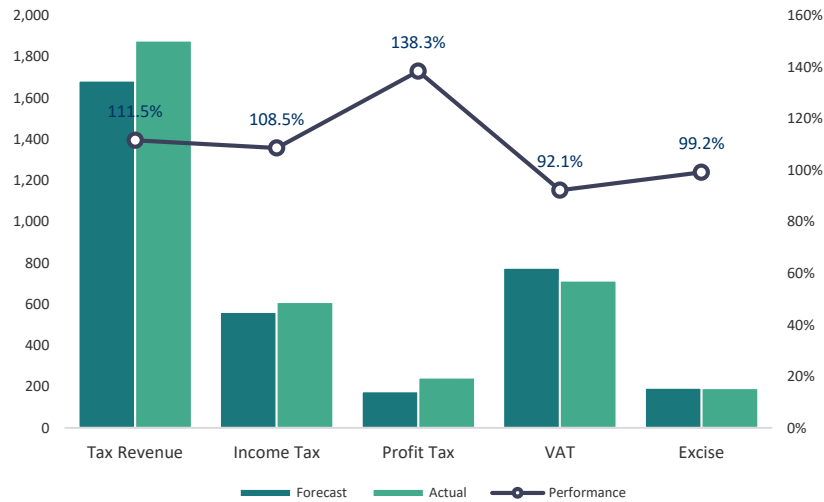


Note: Increase means appreciation

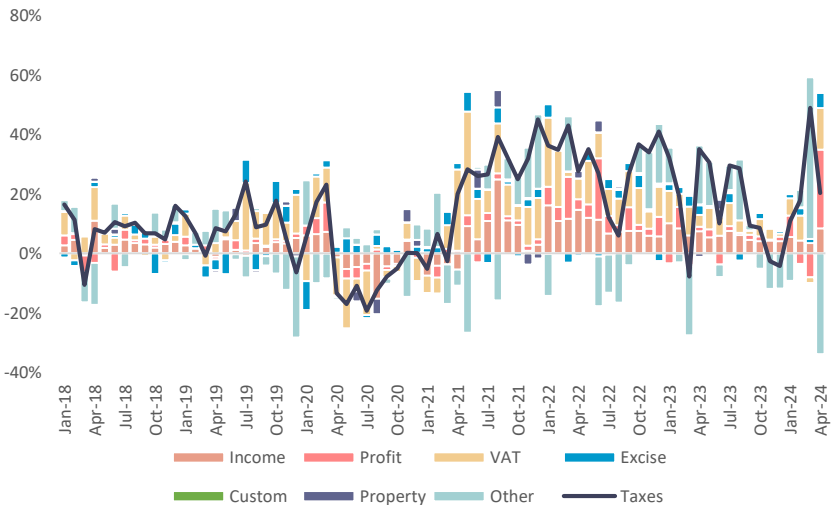
	June 1, 2024		June 1, 2024 - Jan 1, 2024		June 1, 2024 - Jan 1, 2023
Euro	3.0319	▼	-1.9%	▼	-4.9%
US Dollar	2.7949	▼	-3.8%	▼	-3.3%
Turkish Lira	0.0868	▲	4.8%	▲	66.2%
Russian Ruble	0.0310	▼	-3.4%	▲	18.7%
NEER	183.08	▼	-1.7%	▲	11.3%
REER (April 2024)	147.33	▼	-0.4%	▲	1.4%

# Tax revenues in May is above the forecast value by 11.5 percent

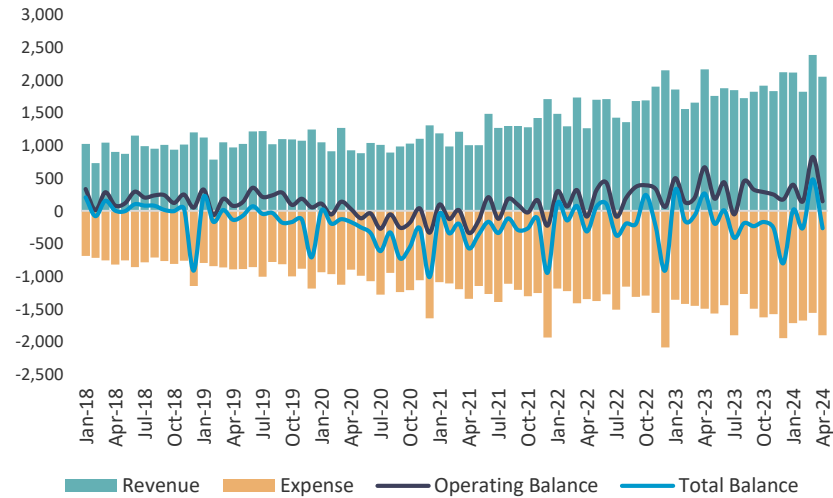
### Budget Revenue Performance, May 2024



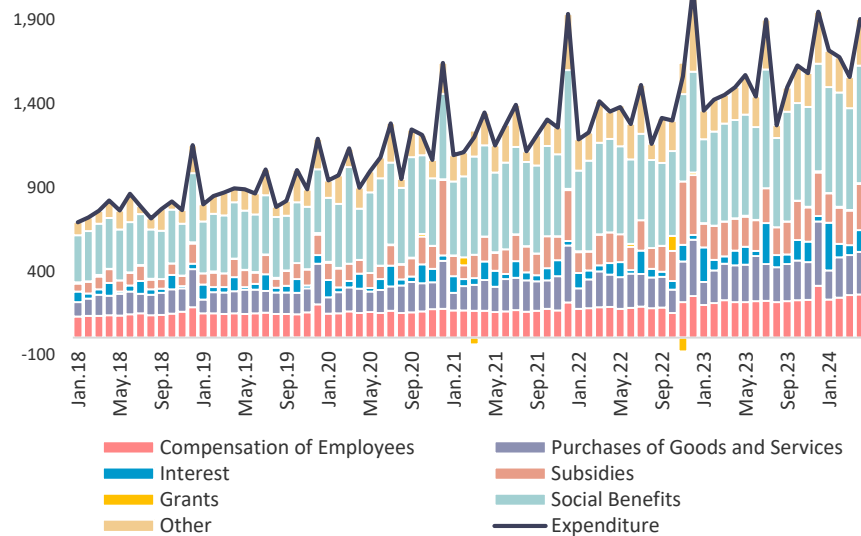
### Tax Income, % y/y



### Consolidated Budget, mln GEL



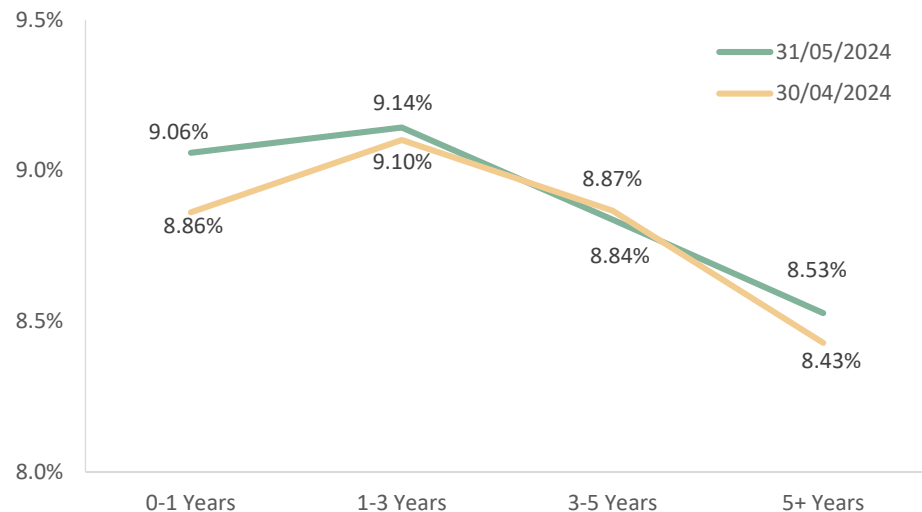
### Consolidated Budget Expenditure, mln GEL



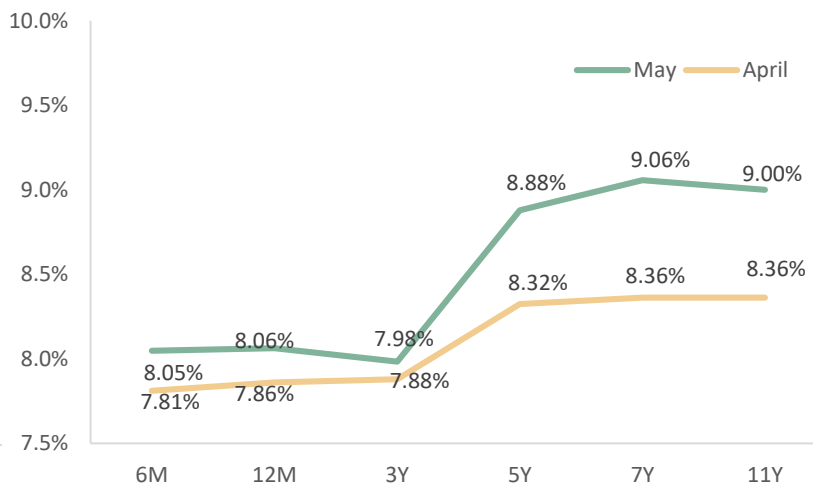
- The actual level of tax income in May 2024 was 1,878 mln GEL, which is above the forecasted value by 11.5 percent.
- Consolidated budget revenues decreased by 5.3 percent and expenditures increased by 27.2 percent in April.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 145.9 million GEL, while the total balance was set at negative 265.5 million GEL.
- Revenue from taxes had a significant impact on revenue from profit and VAT in April, accounting for 26.4 and 14 percent of total growth, respectively.

# Treasury Financial Securities Portfolio Changed Significantly in May

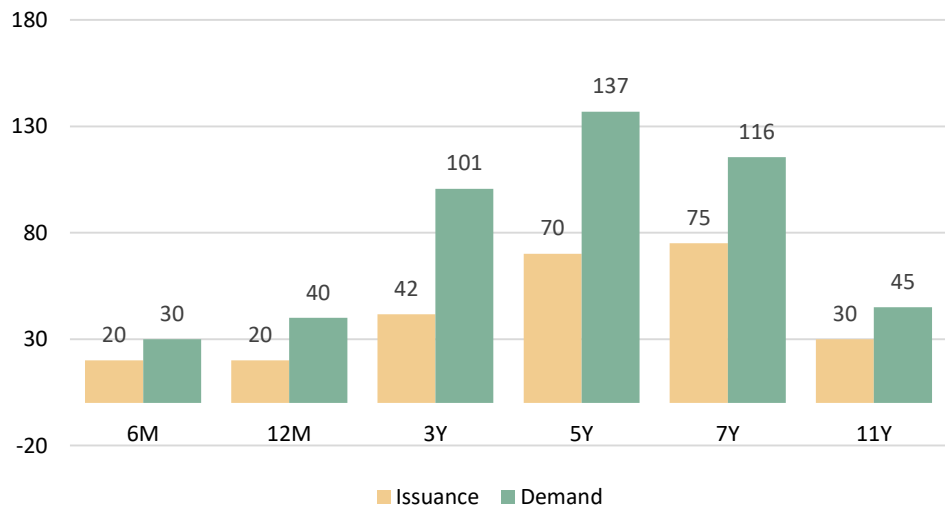
Portfolio Yield Curve



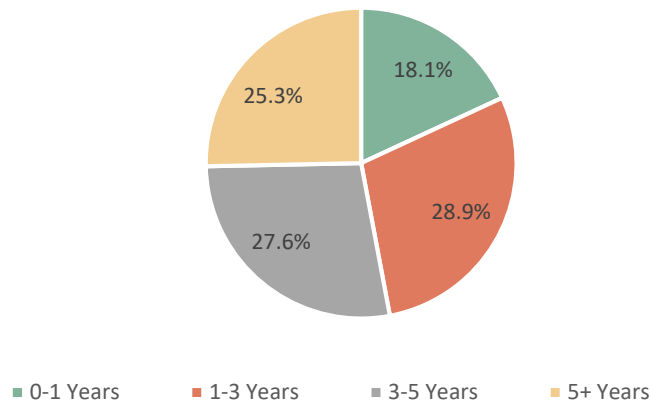
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



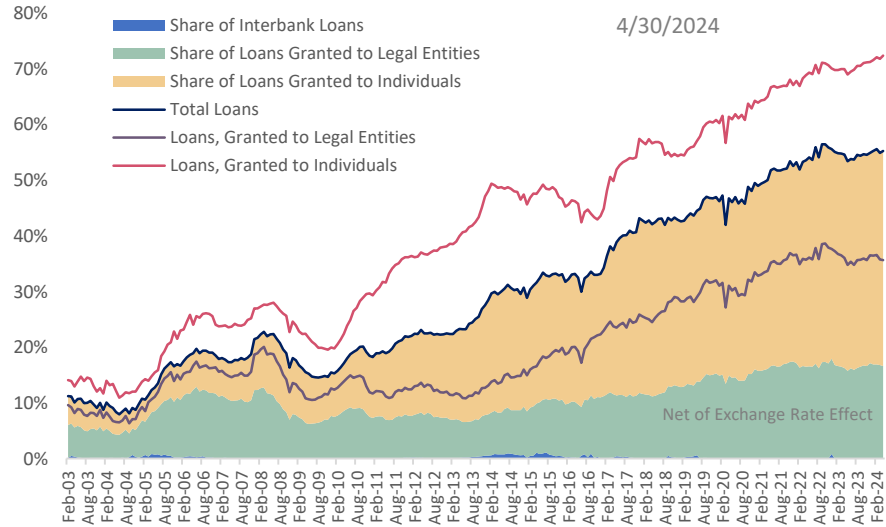
Portfolio by Residual Maturity, May 31, 2024



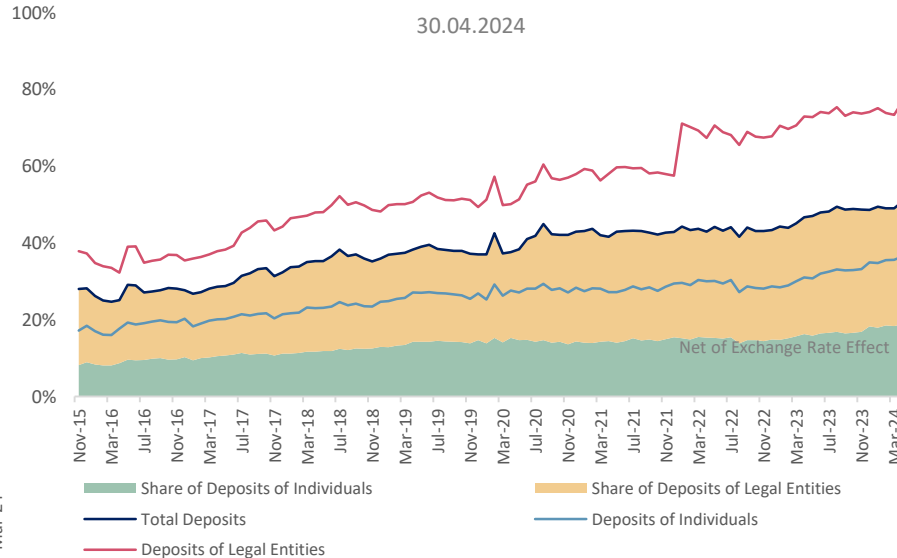
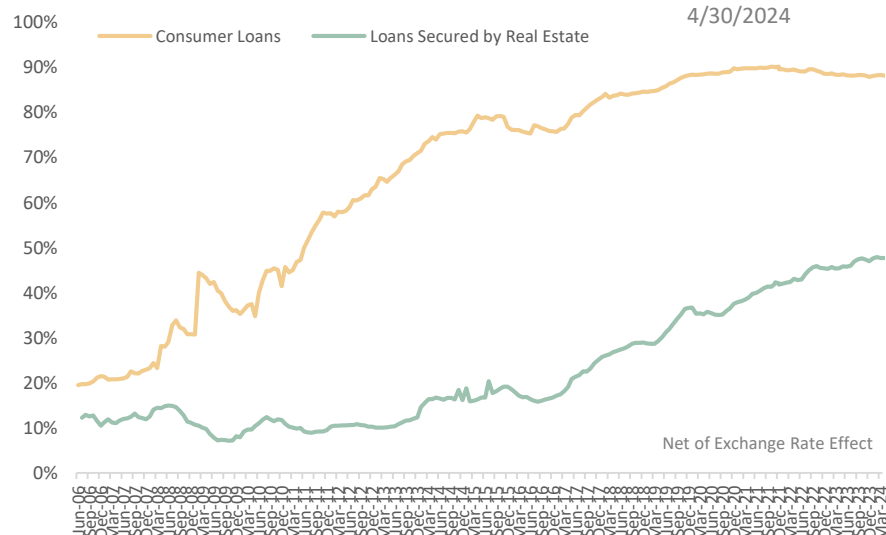
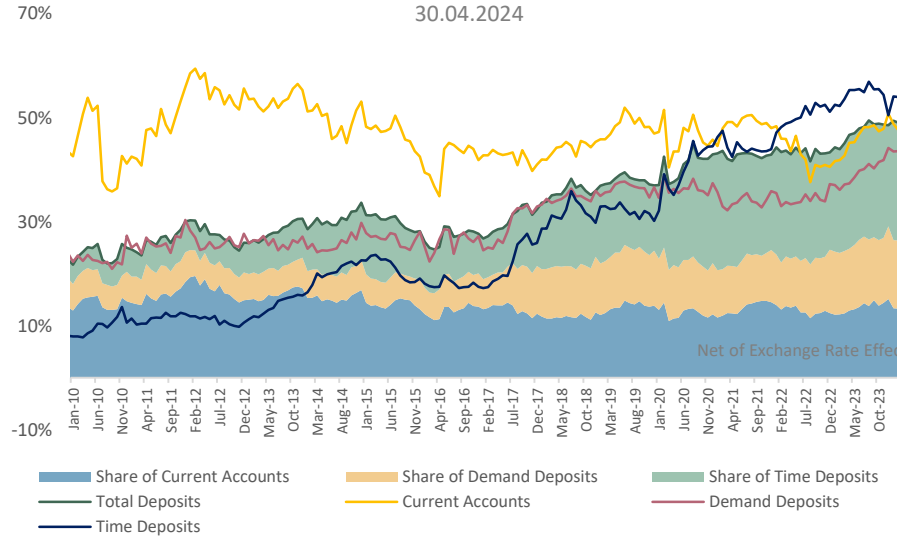
- In May 2024, 6 issuance and 1 buyback auctions were held with the total issuance volume of 256.77 million GEL.
- The weighted average interest rate amounted to 8.67%.
- There were issued treasury bills with maturities of 6 and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 400 million GEL were redeemed. The bonds with a nominal value of 40 million GEL were redeemed.
- There were significant changes in the treasury financial security portfolio. As of May 31, 2024, 28.9% of the treasury securities portfolio (in April it was 37.1%) 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 27.6%) in the total portfolio. The share of the securities with 5 years and more maturities increased from 22.8% to 25.3%.
- The Bid-to-cover ratio decreased compared to the previous month's value (April 1.71) and amounted to 1.82.

# In April Deposit Larization Indicator Increased Sharply

## Loan Larization



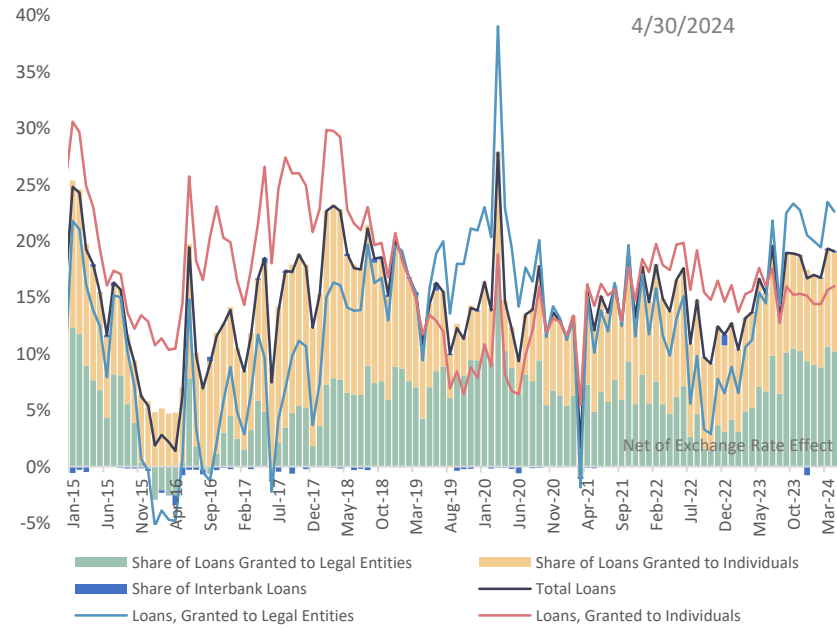
## Deposit Larization



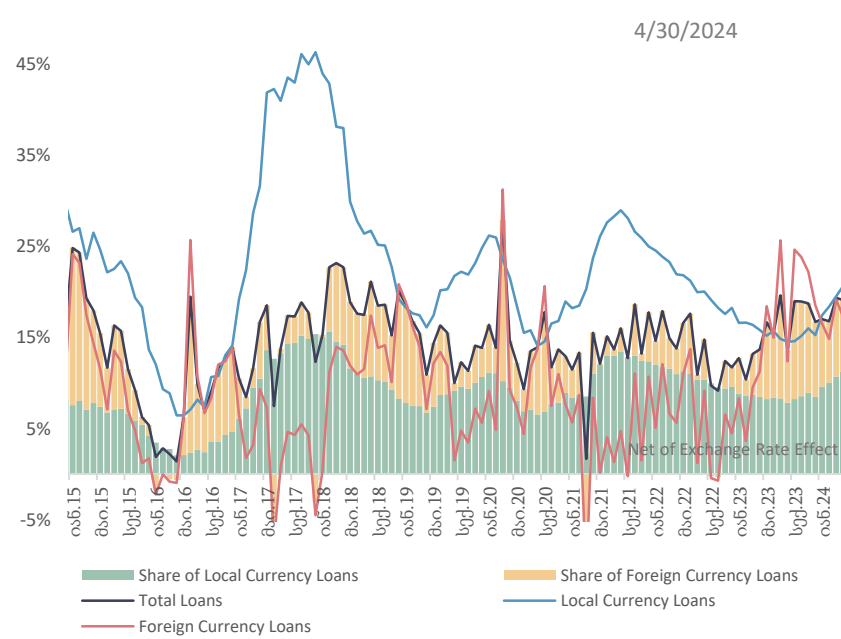
- As of April 30, 2024, the larization of total loans is 55.2 percent.
- The larization of loans to individuals is 72.4 percent.
- The larization of the loans to legal entities amounted to 35.6 percent.
- The larization of the total deposits equals to 50.7 percent.
- The larization on the deposits of legal entities amounted to 76.7 percent.
- The larization of the deposits of individuals is 36.4 percent.
- The larization of time deposits is 55.9 percent.
- The larization of current accounts equals to 48.7 percent.
- The larization of the demand deposits is 44.5 percent.

# High Annual Growth Trends of Loans Have Retained

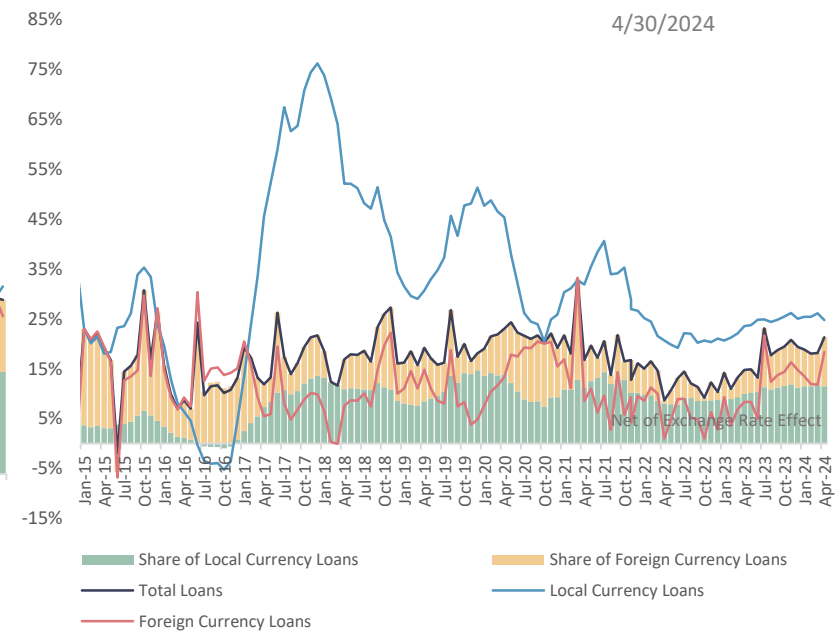
Loans Growth Rates, % y/y



Loans by Currency, % y/y



Mortgage Loans, % y/y

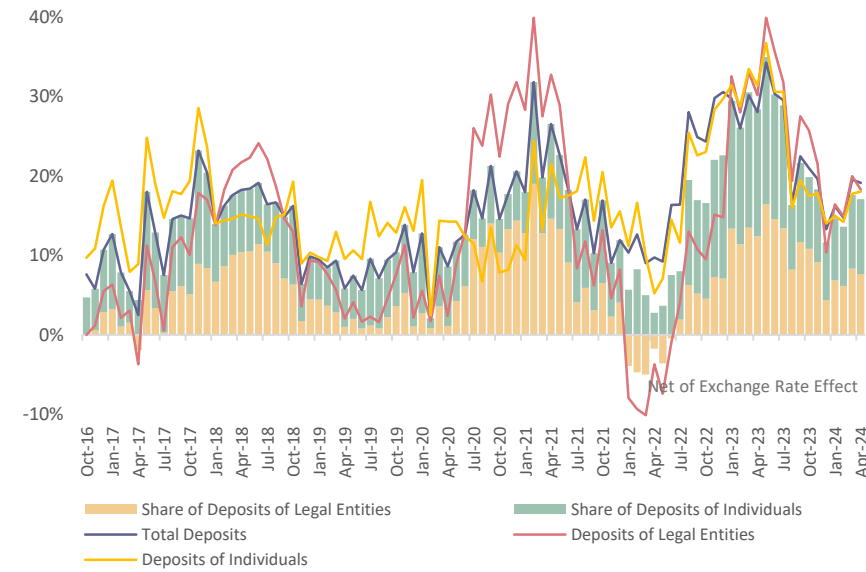


- As of April 30, 2024, the total loans increased by 19.1 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of the loans to the legal entities is 22.6 percent.
- The annual growth of loans to individuals is 16 percent.
- As of April 30, 2024, the growth rate of the loans denominated in the national currency amounted to 20.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 17.3 percent.
- As of May 1, 2024, the annual growth of the loans secured by real estate amounted to 21.3 percent. At the same time, the mortgage loans denominated in the national currency increased by 24.7 percent, while the mortgage loans denominated in the foreign currency also increased by 18.3 percent.

# Annual Growth Rates of Deposits Are Still High

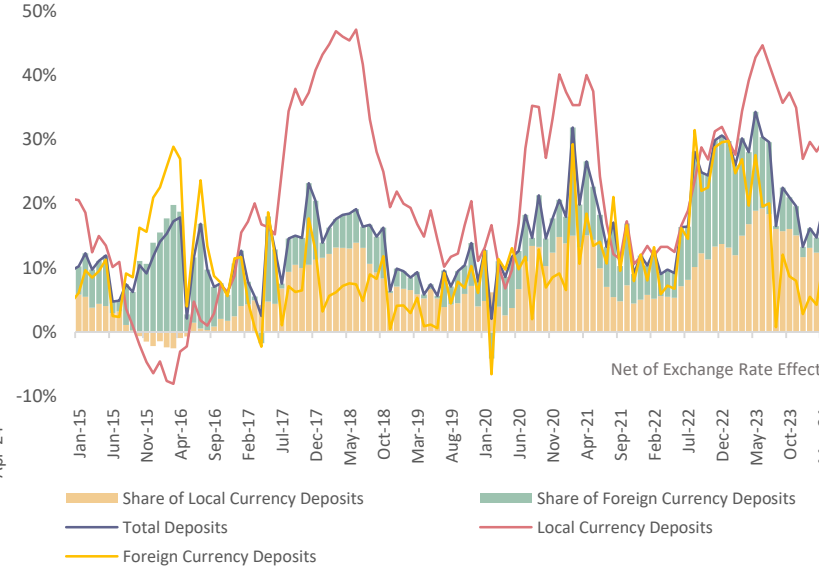
Deposits Annual Growth, % y/y

30.04.2024



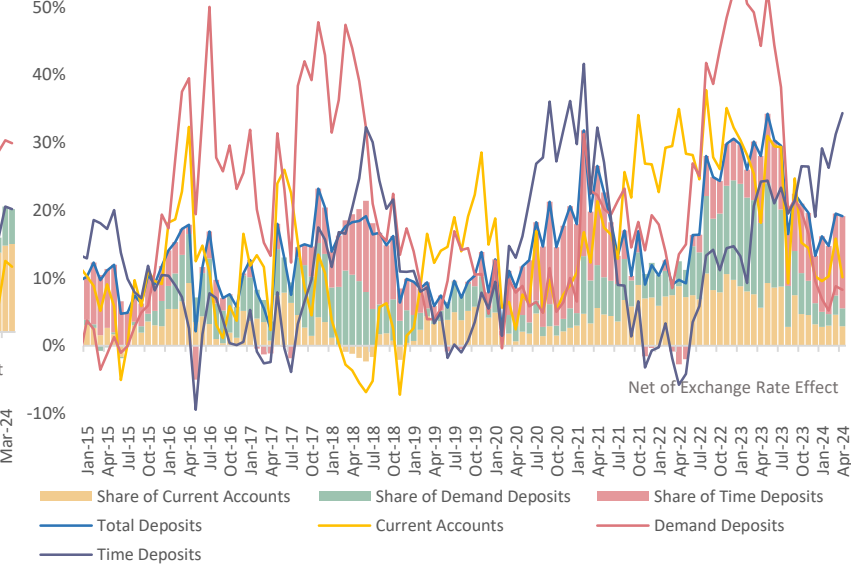
Deposits by Currency, % y/y

30.04.2024



Deposits by Type, % y/y

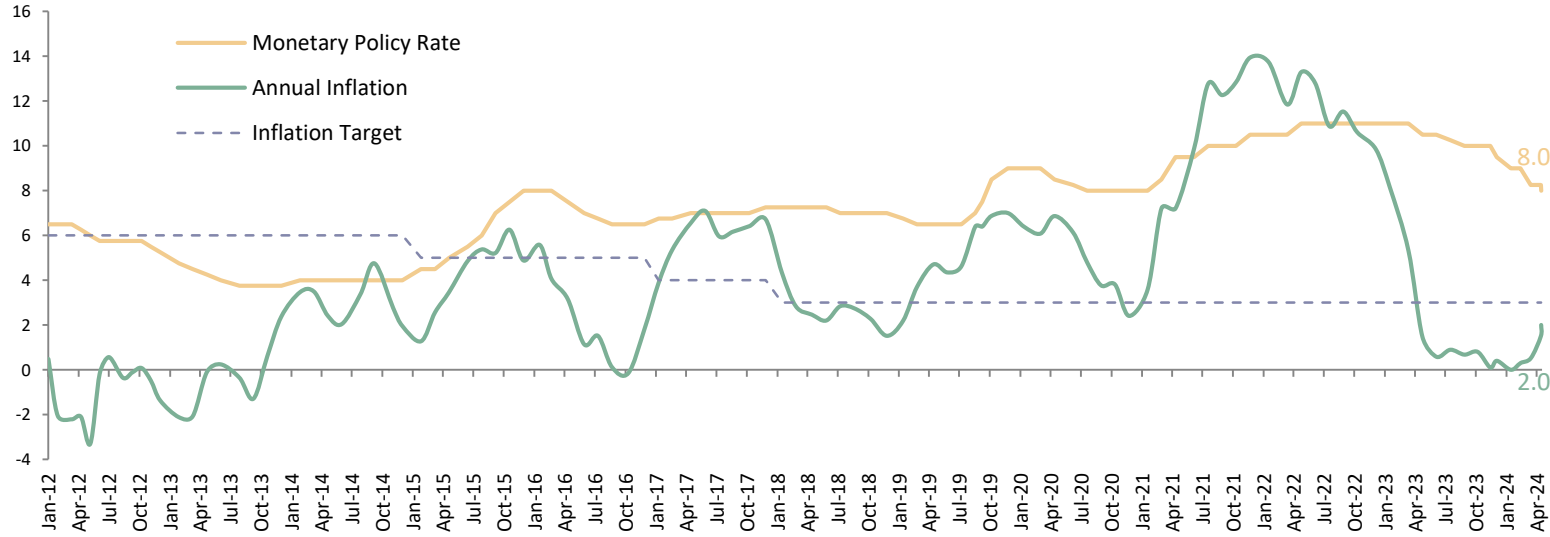
30.04.2024



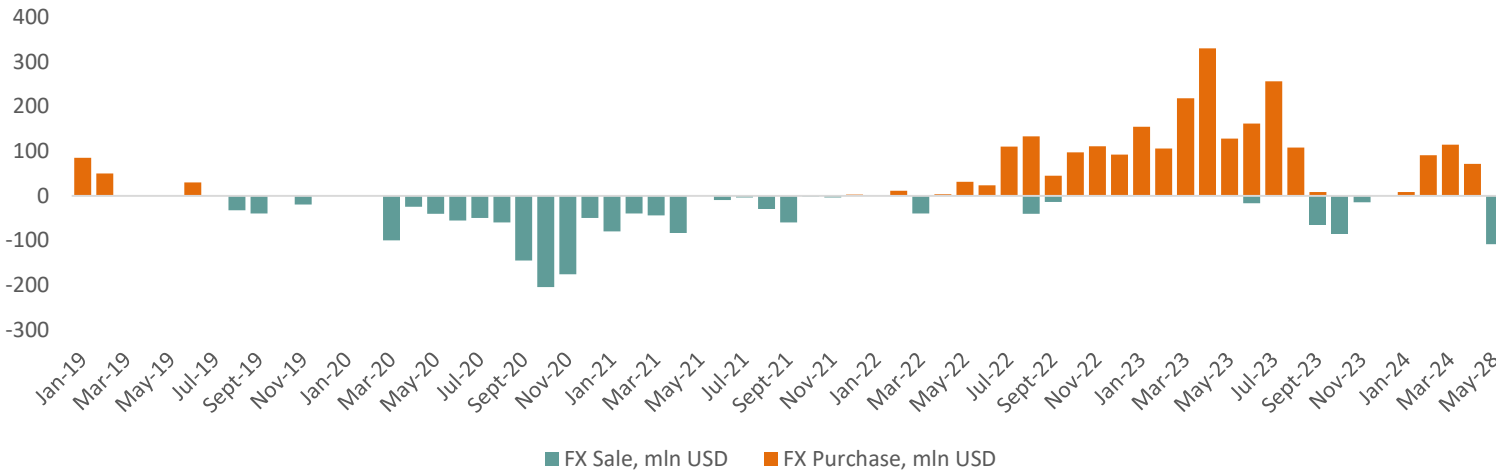
- As of May 1, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 19.1 percent.
- The annual growth of the deposits denominated in the national currency amounted to 29.4 percent. The annual growth of the deposits denominated in foreign currency stood at 10.1 percent over the same period.
- The growth of the deposits of individuals amounted to 18 percent, while the annual growth of deposits of legal entities in the same period amounted to 18.3 percent.
- The annual growth of current accounts at the beginning of May, 2024, was equal to 10.1 percent.
- The annual growth of the time deposits was 34.3 percent.
- The growth of the demand deposits amounted to 8.3 percent.

# Monetary Policy Rate Reduced at 8.0 percent in May

## Inflation and Monetary Policy Rate



## Trade of USD by NBG, mln USD

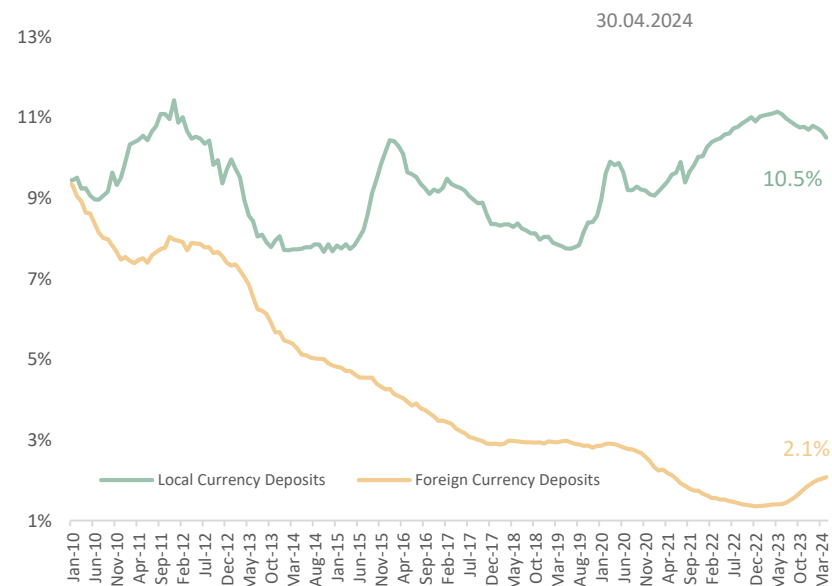


- In May 22, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) conducted a meeting and reduced the refinancing rate by 0.22 pp and determined it at 8.0 percent level.
- Per the NBG, the factual inflation is less than the target one (3 percent). There are both external and internal factors affecting it. The external shocks related to the acute geopolitical situation in the region. As for the internal factors, it is worth highlighting a decrease in domestic products inflation and the tighter monetary policy that affect inflation in Georgia. The economic and credit activities are improved in the country. As a result, abovementioned factors offset each other and the inflation expectations are increased. It was at 2.0 percent in May this year and has on a upward path. It is expected that the inflation in Georgia will be around the target one in the first half of the current year. 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 June 19, 2024.
- The NBG made some foreign exchange interventions during May (2024) and sold 108.7 mln USD to avoid short-term exchange rate fluctuations.

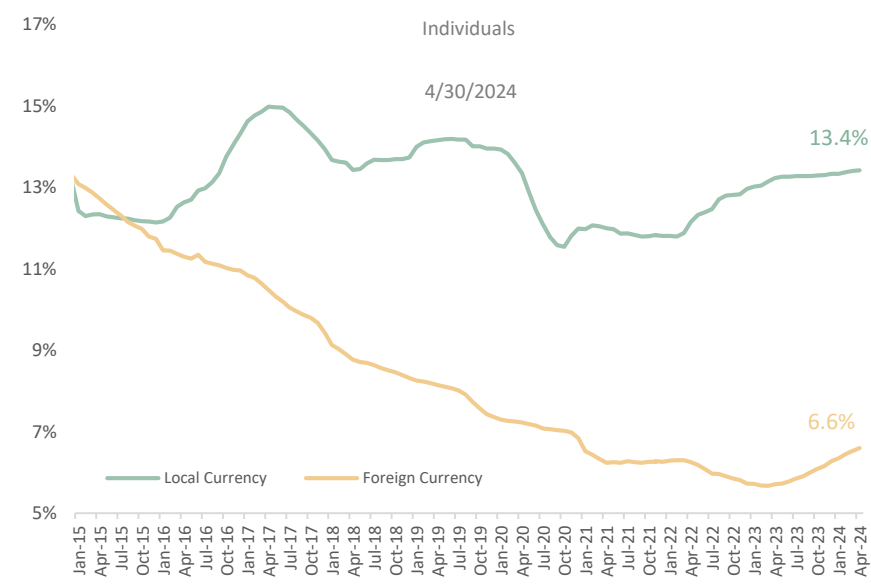
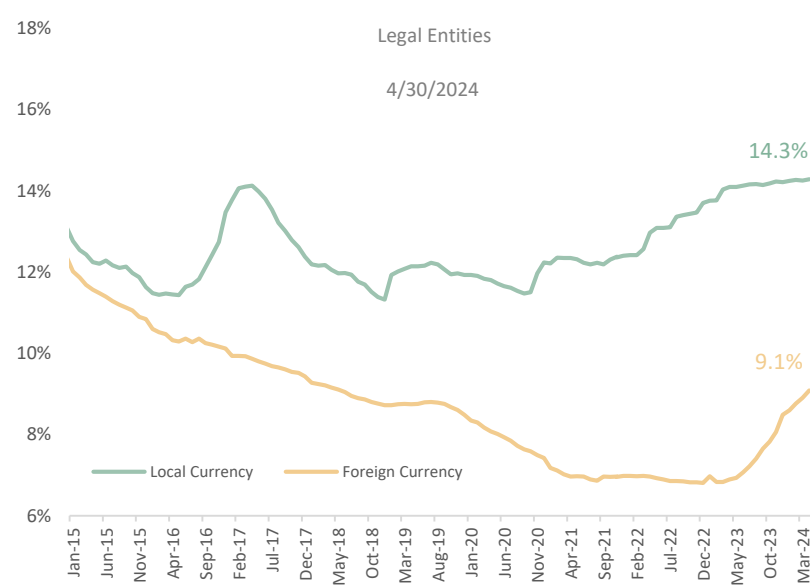
Source: NBG

# Market Interest Rates on Foreign Currency Has an Increasing Trend

## Interest Rates on Deposits



## Interest rates on Loans secured by Real Estate



- As of May 1, 2024, the interest rate on foreign currency deposits was 2.1 percent, and in the national currency – 10.5 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.2 percent, and in foreign currency – 3.0 percent.
- The average annual interest rate on deposits by individuals is 2.0 percent for foreign currency deposits and 10.7 percent for the national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 13.2 percent (16.4 percent in the national currency and 6.5 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 15.7 percent (16.7 percent in the national currency and 7.7 percent in foreign currency).
- At the end of April, 2024, the interest rate on the mortgage loans denominated in local currency issued to legal entities was 12.7 percent, and in the foreign currency 9.4 percent. The interest rate on the loans to individuals in the national currency was 12.5 percent, and in foreign currency 7.4 percent.



## Disclaimer

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