



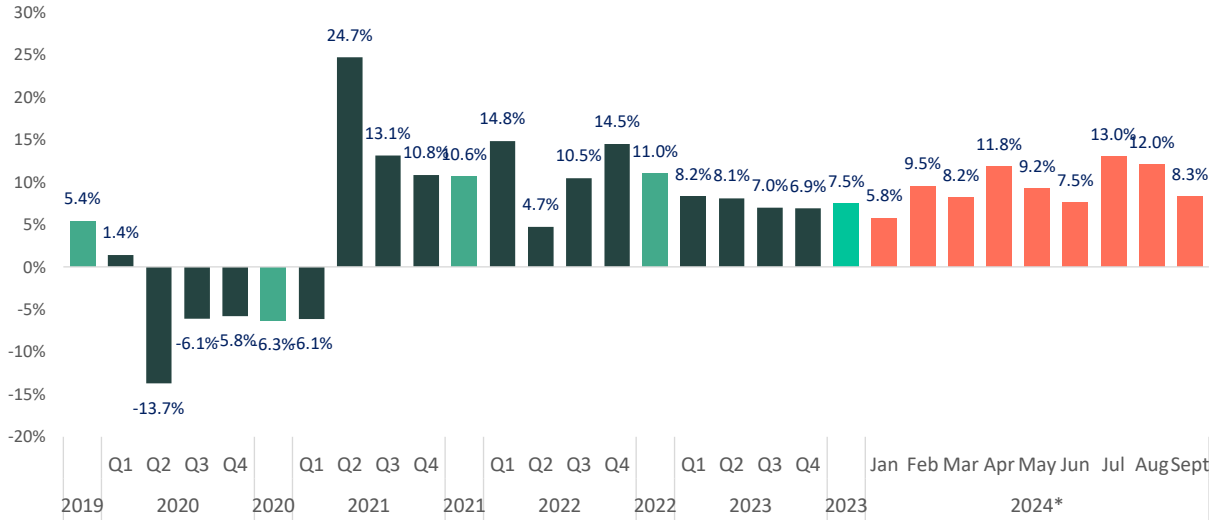
Current Economic Outlook

October, 2024

- In September 2024, the real GDP growth rate was 8.3 percent and average growth rate of the first nine months of 2024 was 9.8 percent, according to the preliminary estimates of the National Statistics Office.
- In October, annual inflation stood at 0.3 percent, while core inflation was 1.2 percent
- In September, exports increased by 17.0 percent year-on-year and imports decreased by 4.2 percent year-on-year, decreasing the trade deficit by 17.3 percent year-on-year to 708 million USD
- For September, the real effective exchange rate depreciated by 9.2 percent compared to the same period of the previous year and by 0.5 percent compared to the previous month
- The monetary policy rate is at 8 percent in October
- By the end of October, sovereign ratings for Georgia are following:
Fitch “BB stable” S&P “BB stable” Moody’s “Ba2 stable”

According to preliminary estimates Economic Growth in September was equal to 8.3 percent

Economic Growth, % y/y

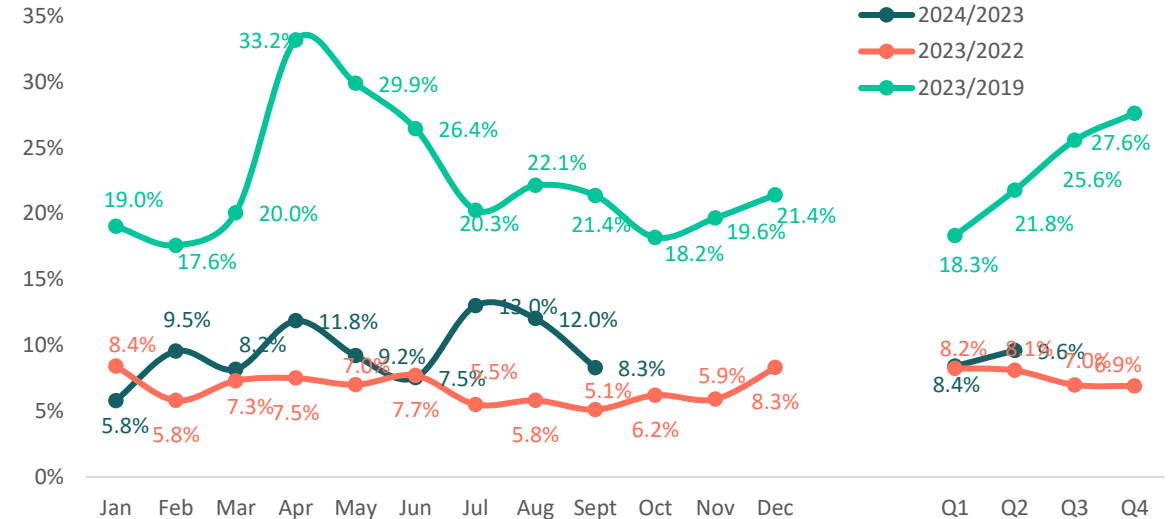


- Estimated real GDP growth rate in September 2024 equaled 8.3 percent YoY and average annual real GDP growth rate for the January-September of 2024 equals to 9.8 percent, while the seasonally adjusted economic growth in September comparing to the previous month was -1.6 percent.
- In September 2024 the estimated real growth compared to the same period of the previous year was observed in the following activities: Construction, Financial and insurance activities, Transportation and storage, Trade.

Economic Growth, % m/m

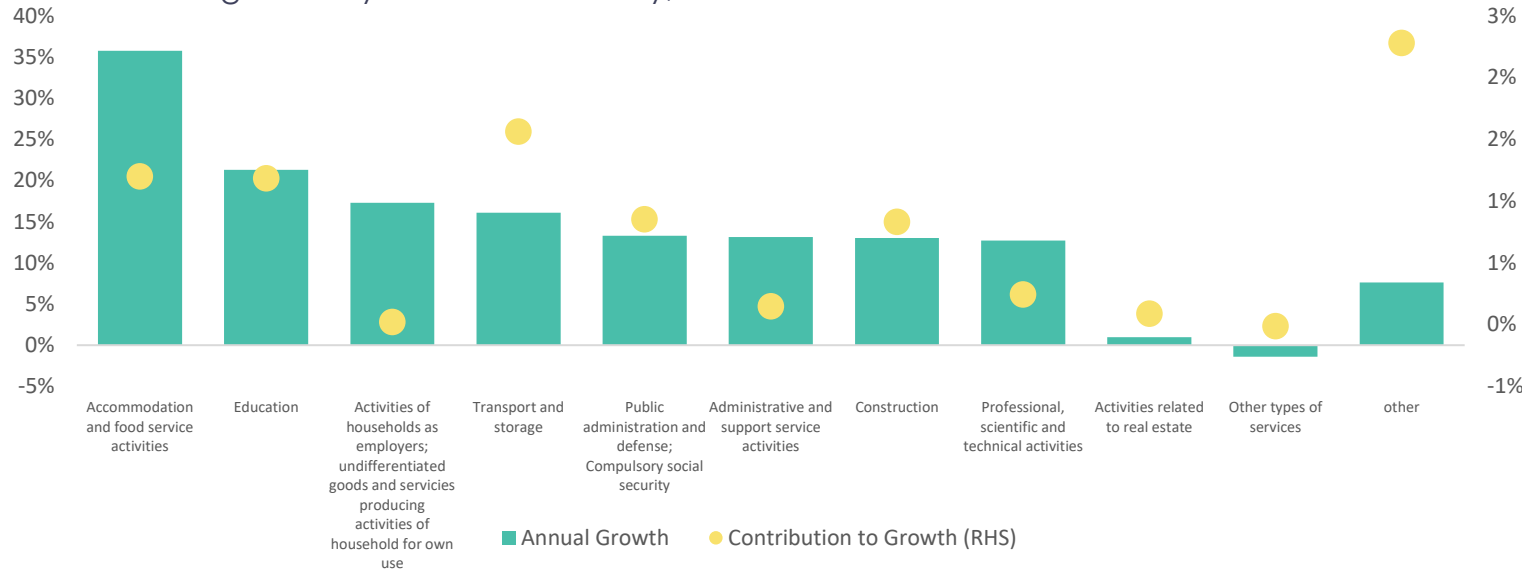


Economic Growth, 2024-2019



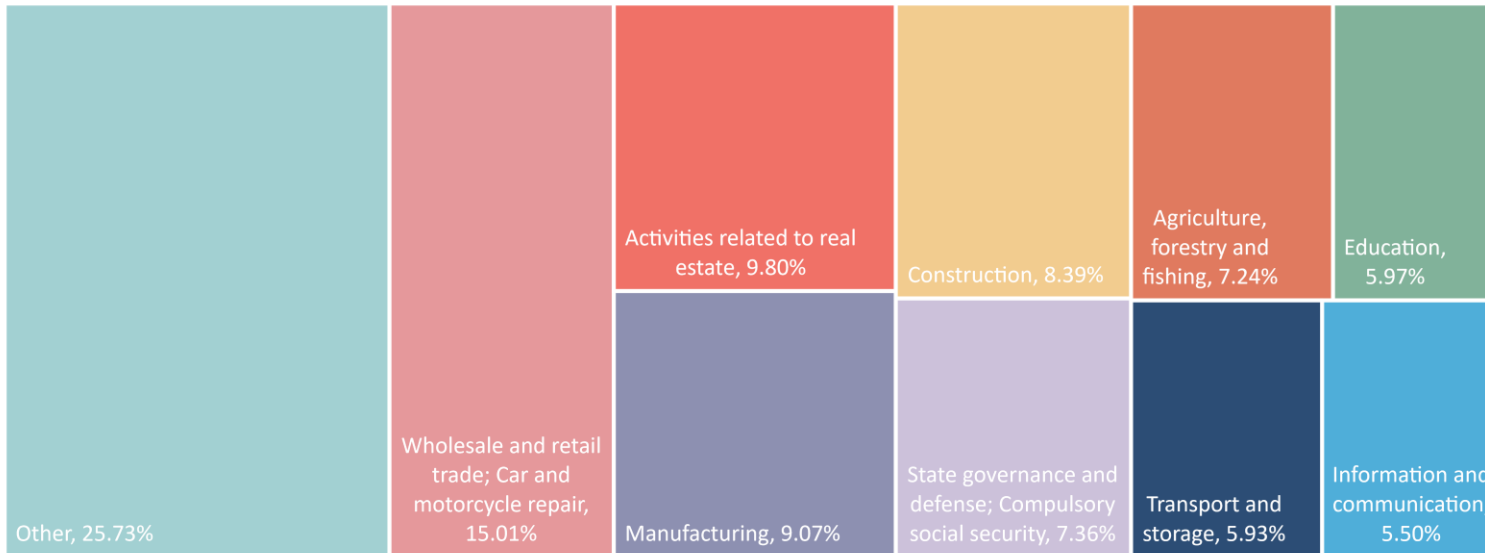
According to preliminary estimates, real GDP increased by 9.6 percent in the second quarter of 2024

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 p.p.)

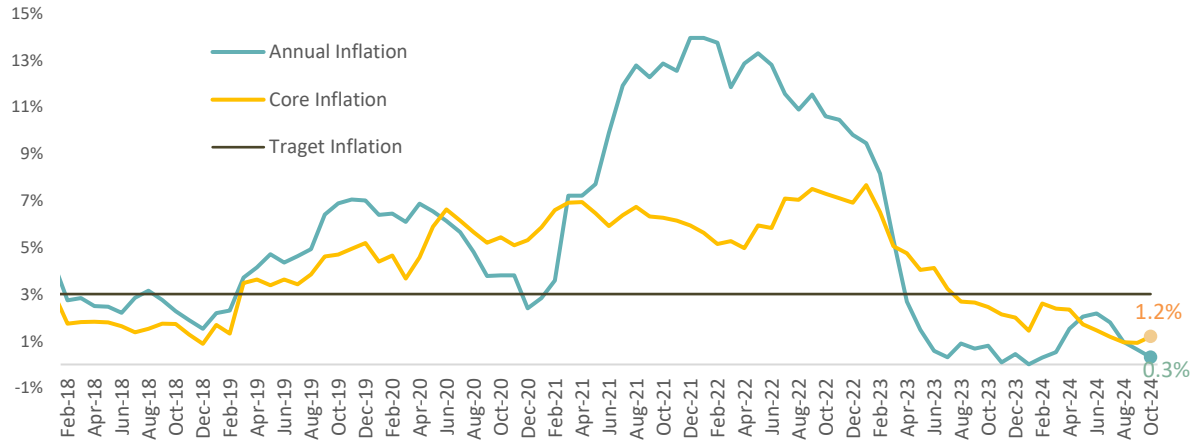
GDP by economic activity, 2024 II Quarter



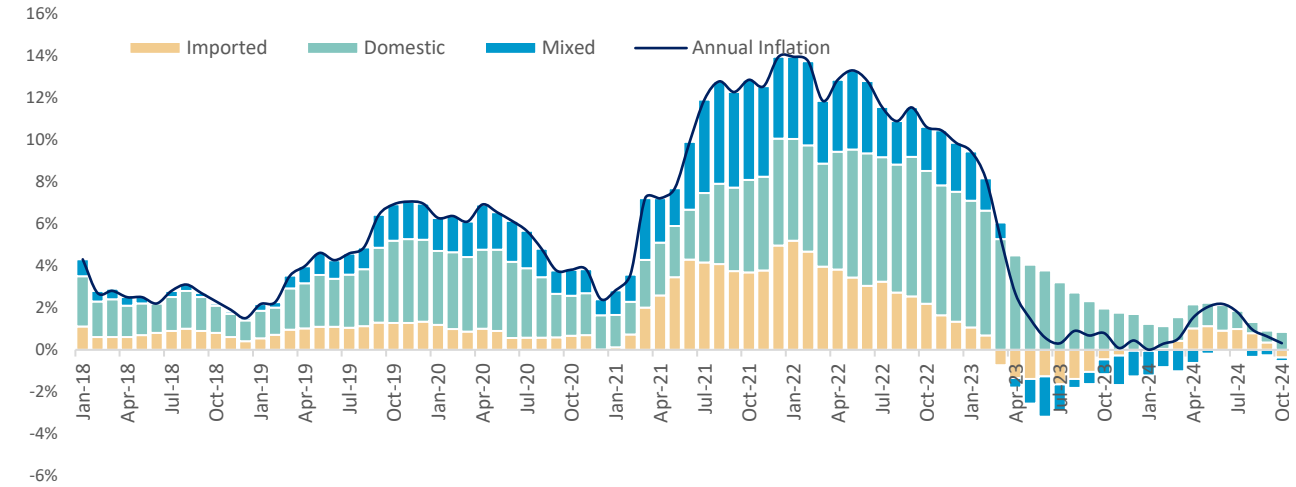
Source: Geostat

Annual inflation in October has reached 0.3 percent

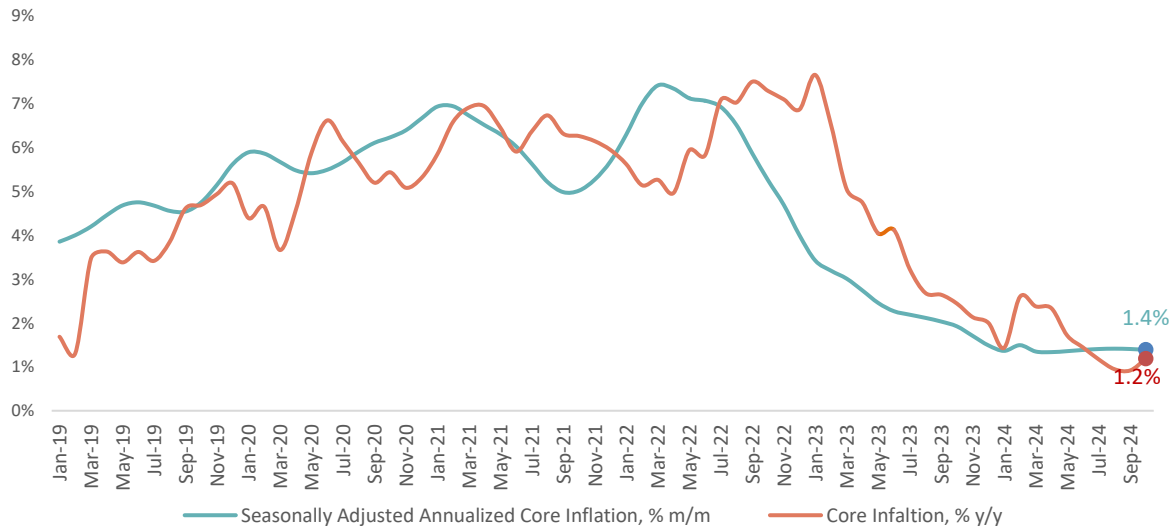
Total and Core Inflation, % y/y



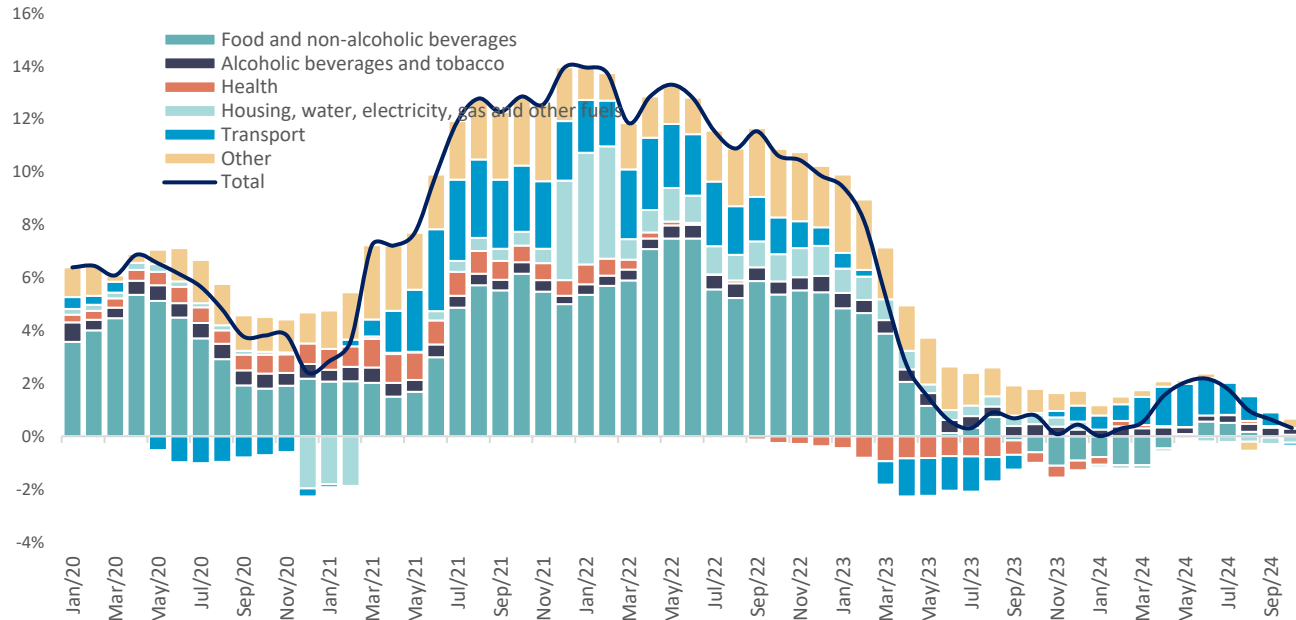
Inflation Decomposition



Core Inflation, % m/m



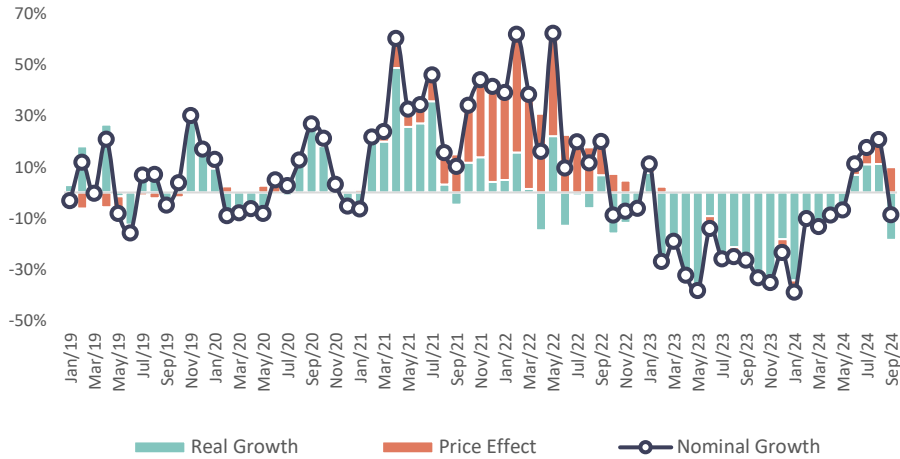
Inflation Decomposition by product group



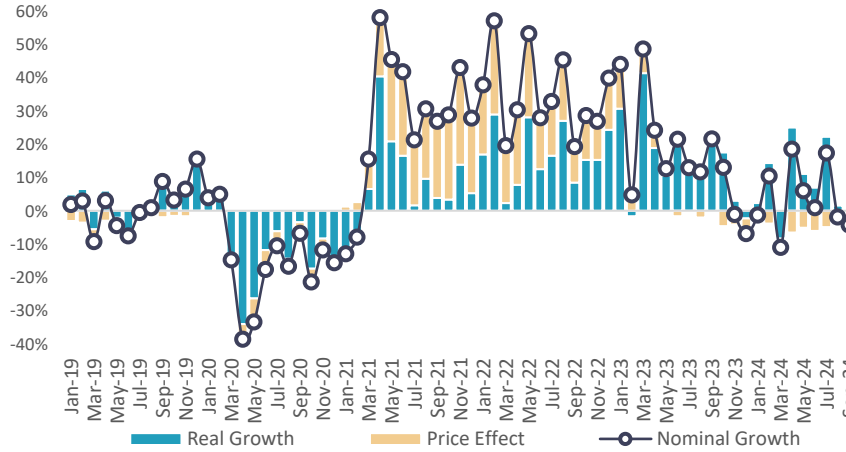
Source: Geostat, NBG, MOF

Trade Deficit in September decreased by 17.3 percent annually

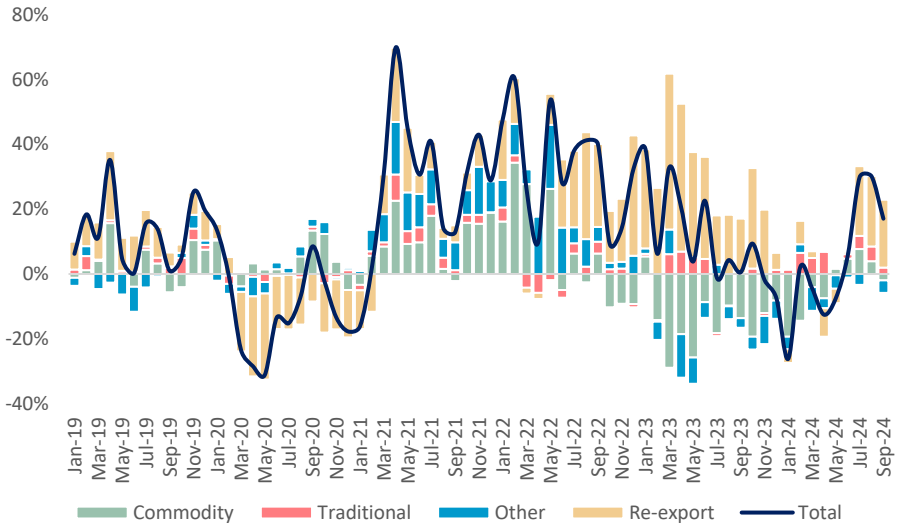
Change of Domestic Export, %y/y



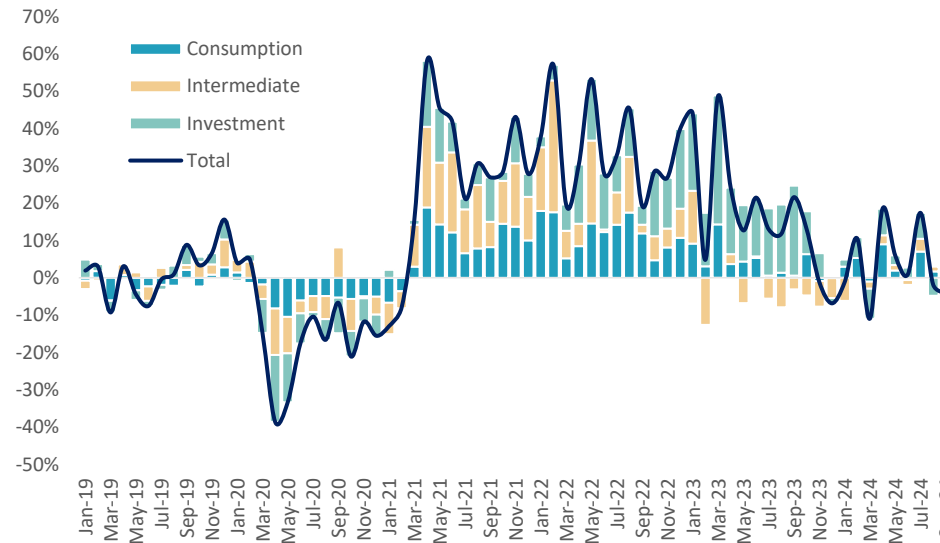
Change of Import, %y/y



Decomposition of Export



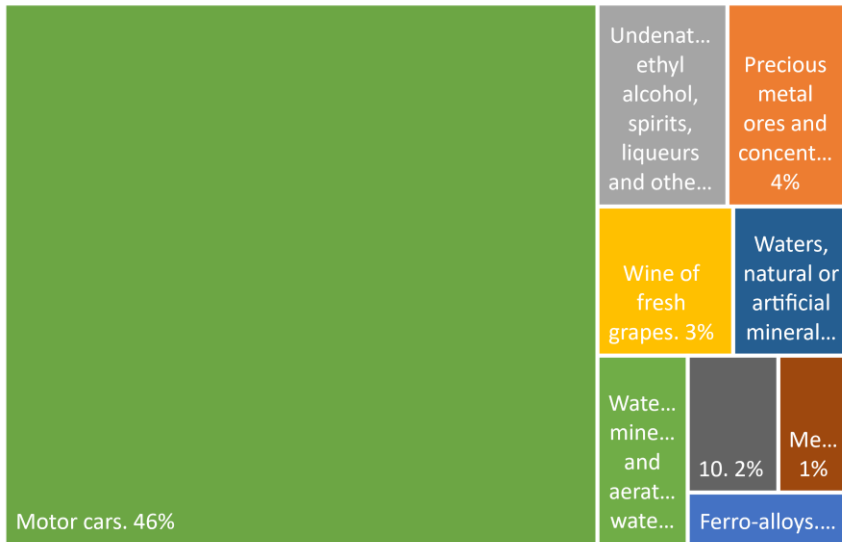
Decomposition of Change of Import, %y/y



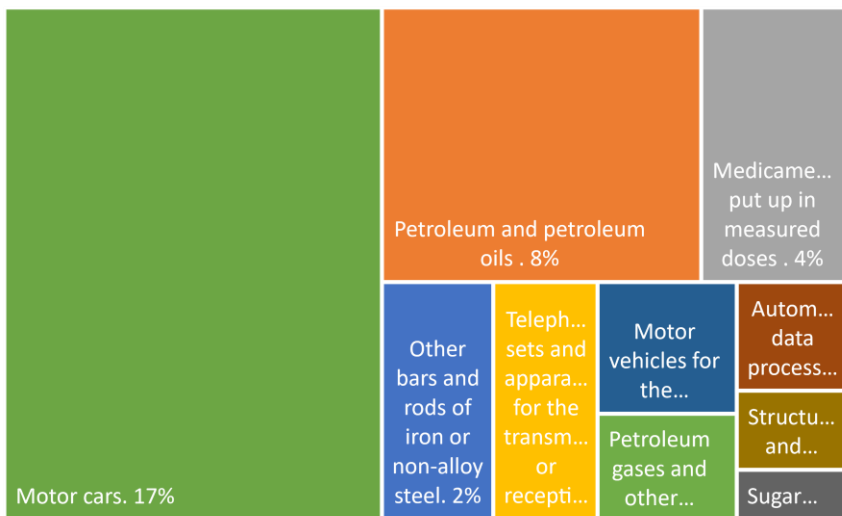
- Export in September increased annually by 17.0 percent to 615.6 million USD.
- Domestic export decreased annually by 8.6 percent to 217.8 million USD.
- Import annually decreased by 4.2 percent to 1 323.5 million USD in September.
- Trade deficit annually decreased by 17.3 percent to 707.9 million USD.
- Share of re-export in export growth is equal to 20.9 percent (38.8 %y/y), while share of commodity export is negative, -2.0 percent (-13.6 %y/y).
- Contribution of import of Investment, Intermediate, and Consumption goods to total import annual growth was equal to -8.6, 1.6 and 2.8 percent, respectively.

International trade is characterized by stable diversification

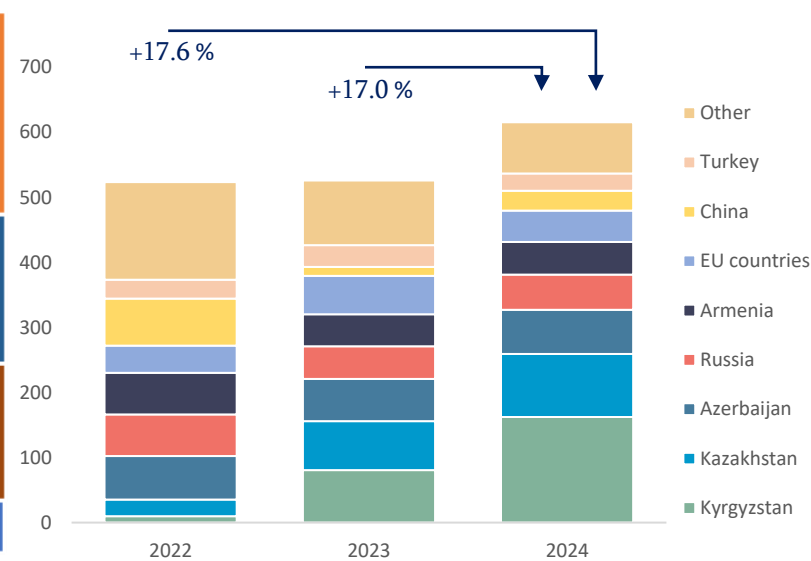
Top 10 Export goods, % of total Export



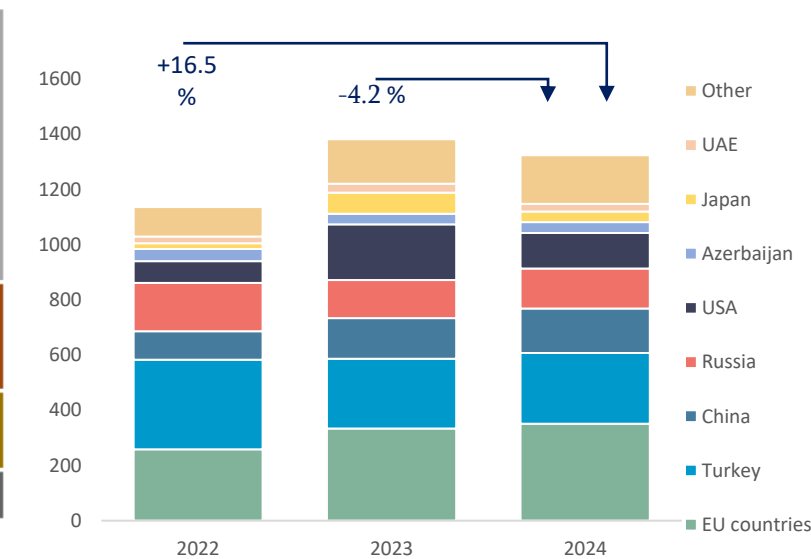
Top 10 Import goods, % of total Import



Export by country, September



Import by country, September



Top Export Products:

- Motor cars: 284.5 million. USD – 46.2 percent of total exports.
- Udenaturated ethyl alcohol, spirits: 23.8 mln. USD – 3.8 percent of total exports.
- Precious metal ores and concentrates: 21.9 million USD – 3.6 percent of total exports.

Top Import Products:

- Motor cars: 224.2 million. USD – 16.9 percent of total imports.
- Petroleum and petroleum oils: 101.7 million US dollars – 7.7 percent of total imports.
- Medicaments put up in measured doses: 46.6 million USD - 3.5 percent of total imports.

Top Export Country:

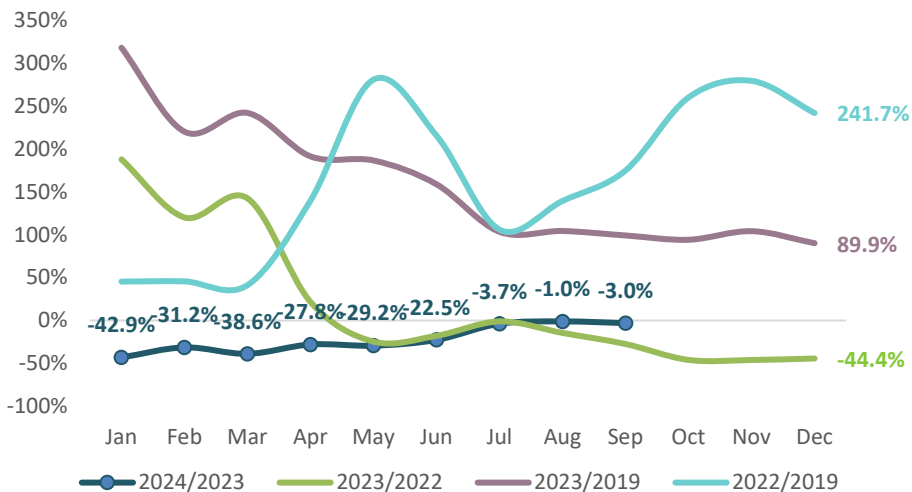
- Kyrgyzstan: 162.5 million USD, - 26.4 percent.
- Kazakhstan: 96.7 million USD, - 15.7 percent.
- Azerbaijan: 68.3 million USD – 11.1 percent.

Top Import Country:

- European Union: 351.2 million. USD, - 26.5 percent.
- Turkey: 221.2 million USD, - 16.7 percent.
- China: 161.4 million USD – 12.2 percent.

Net Remittances decreased by 3.0 percent in September 2024

Net Remittances, 2024-2019



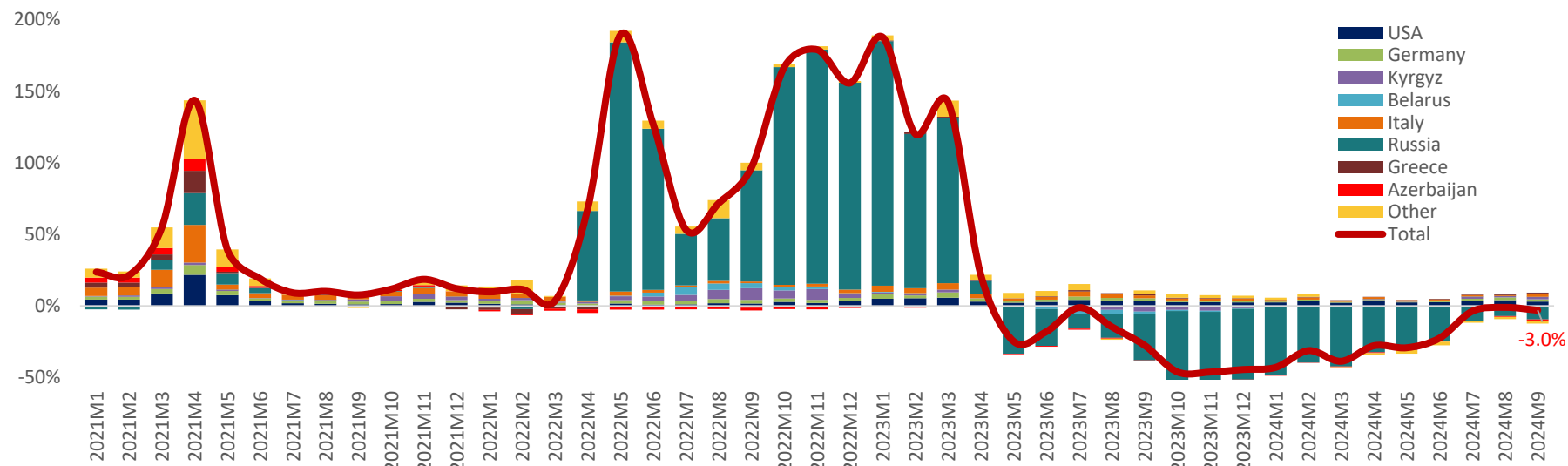
Net Remittances, September 2024

Country	Net Remittances (USD million)	Change, %y/y	Share in growth, pp
Italy	48.5	13.6	2.3
USA	48.0	19.0	3.0
Russia	32.1	-43.0	-9.4
Germany	24.8	19.8	1.6
Greece	20.9	8.3	0.6
Israel	20.2	20.7	1.3
Other	55.0	-10.2	-2.4

- In September 2024, net remittances were estimated at 249.5 million USD, representing a 3.0 percent annual decrease. Relative to corresponding month of 2019, Net Remittances increased by 92.9 percent.

- Net Remittances increased from:
 - USA: 19.0 percent (contributing 3.0 pp to total growth)
 - Italy: 13.6 percent (2.3 pp contribution to overall growth)
 - Kyrgyz Republic: 115.7 percent (1.8 pp contribution to overall growth)
- Net Remittances decreased from:
 - Russia: -43.0 percent (-9.4 pp contribution to total growth)
 - Kazakhstan: -60.9 percent (-4.1 pp contribution to total growth)
 - Iraq: -91.1 percent (-0.8 pp contribution to total growth)

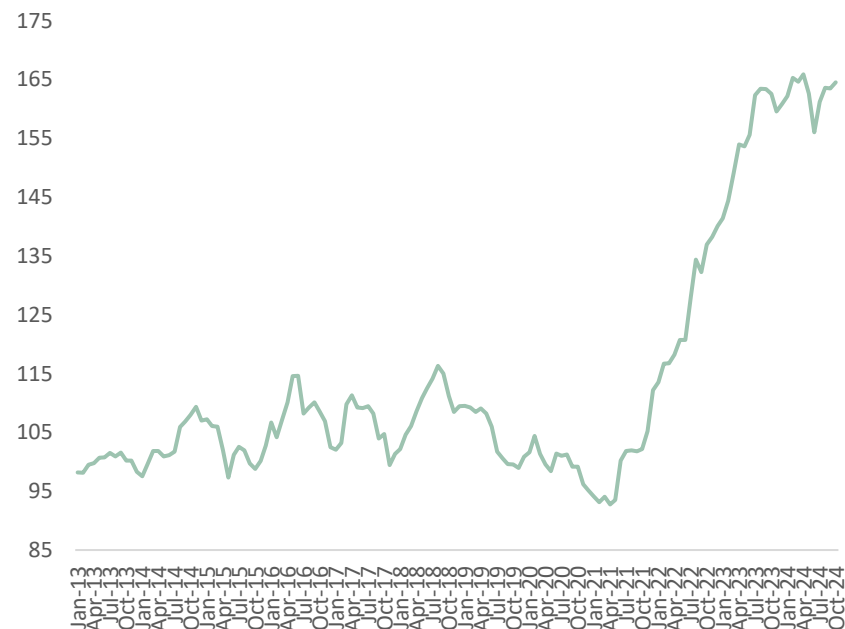
Net Remittances by country, %y/y



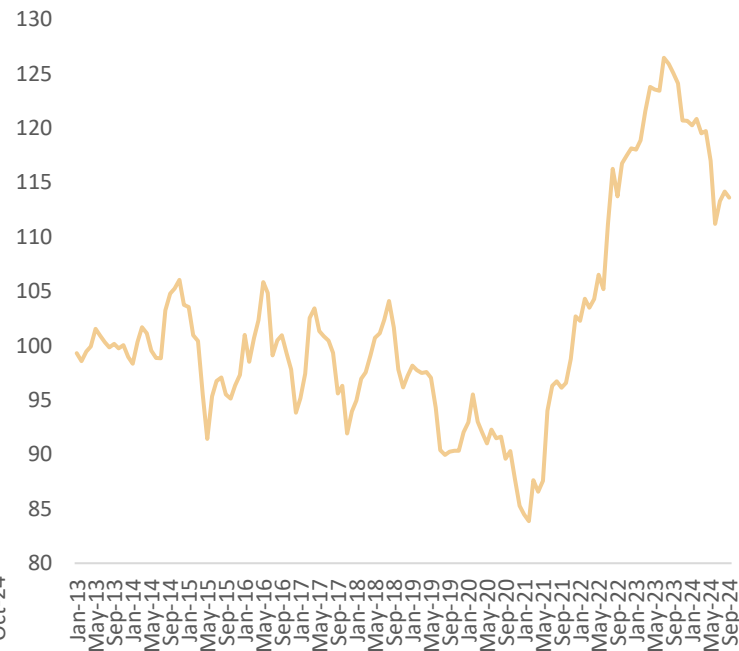
Source: NBG

Real Effective Exchange Rate Depreciated by 9.2 percent in September

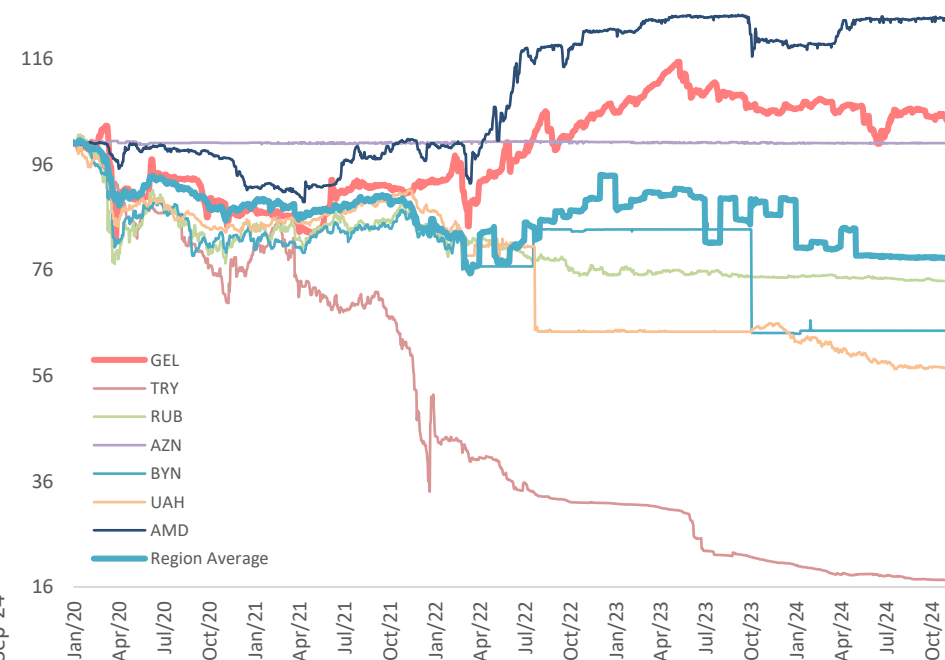
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



September 30, 2024

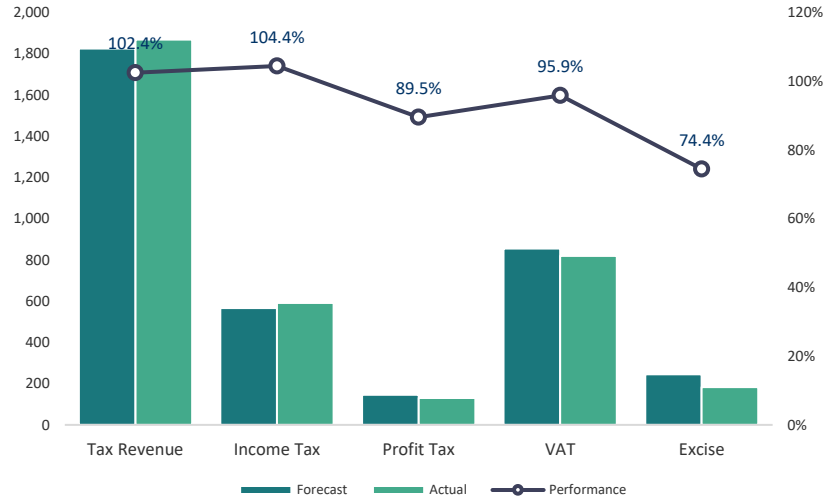
Note: Increase means appreciation

	November 1, 2024		October 1, 2024 - Jan 1, 2024		October 1, 2024 - Jan 1, 2023
Euro	2.9810	▼	-0.2%	▼	-3.2%
US Dollar	2.7427	▼	-1.9%	▼	-1.5%
Turkish Lira	0.0801	▲	13.6%	▲	80.1%
Russian Ruble	0.0282	▲	6.1%	▲	30.4%
NEER	190.55	▲	2.3%	▲	15.8%
REER (September 2024)	139.80	▼	-5.5%	▼	-3.8%

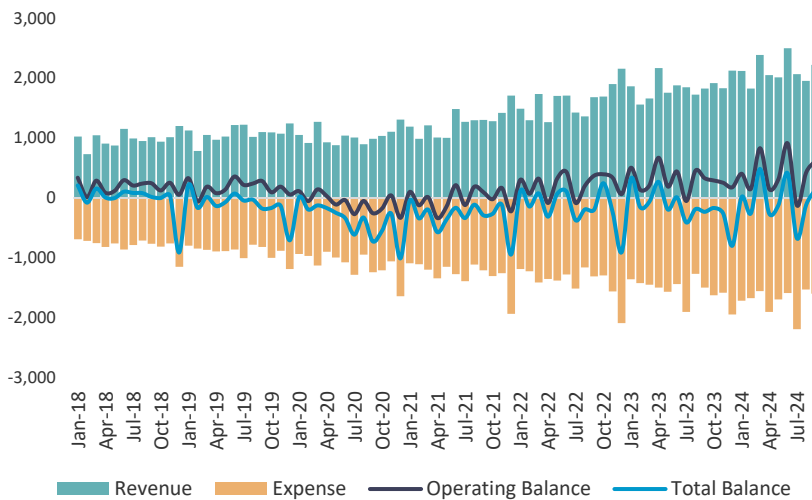
Source: NBG

Tax revenues in October is above the forecast value by 2.4 percent

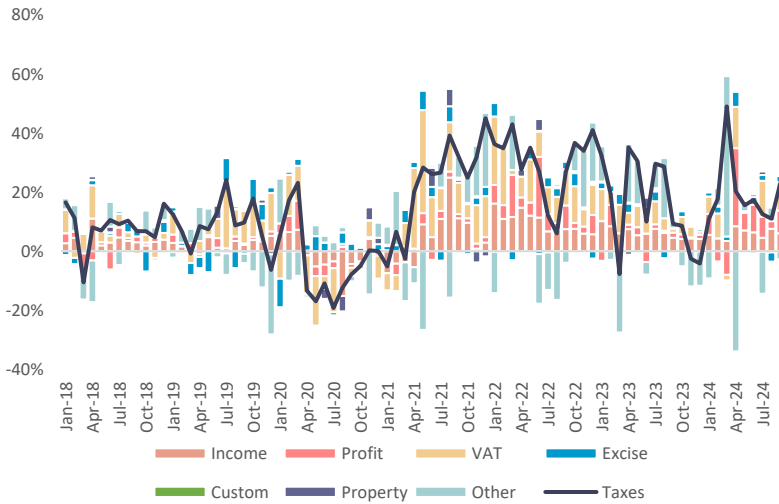
Budget Revenue Performance, October 2024



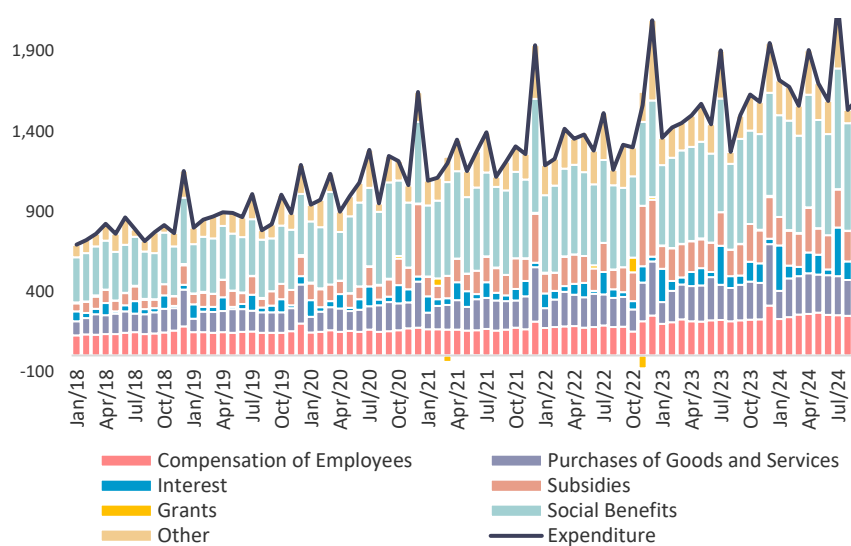
Consolidated Budget, mln GEL



Tax Income, % y/y



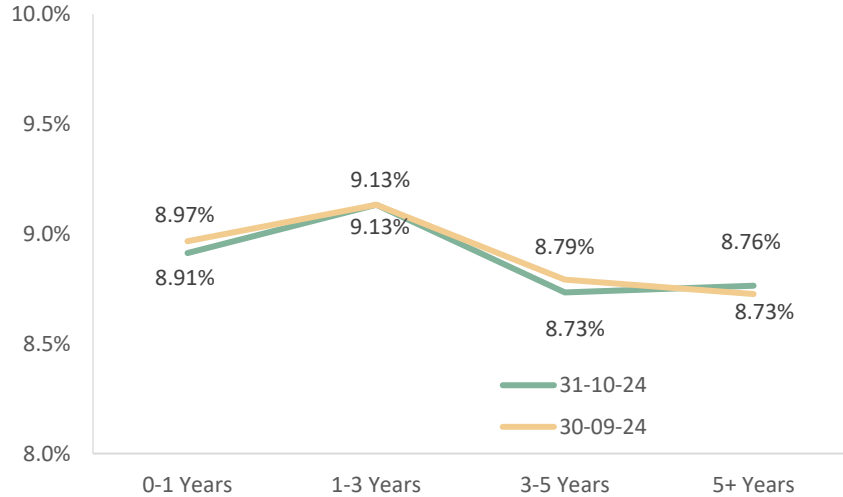
Consolidated Budget Expenditure, mln GEL



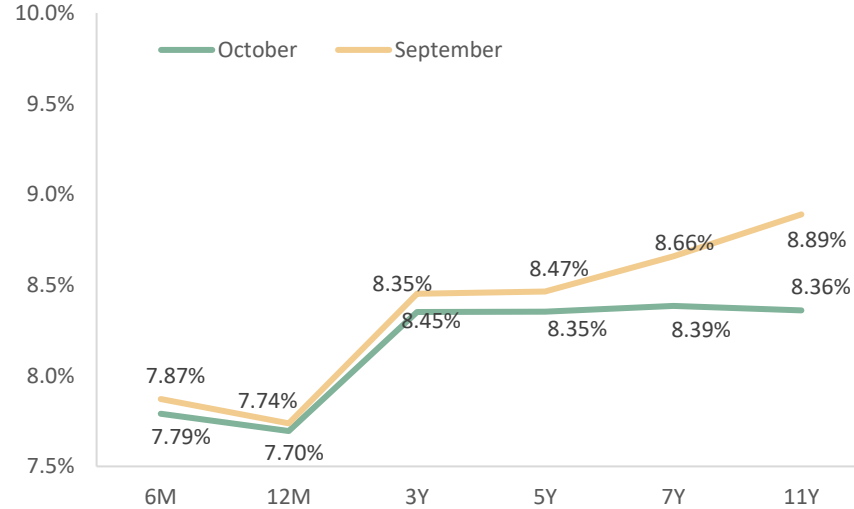
- The actual level of tax income in September 2024 was 1,868 mln GEL, which is above the forecasted value by 2.4 percent.
- Consolidated budget revenues increased by 21.7 percent and expenditures increased by 6.9 percent in September.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 617.1 million GEL, while the total balance was set at 138.3 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT and profit taxes in September, accounting for 9.5 and 7.7 percent of total growth, respectively.

Structure of Treasury Securities Portfolio has Undergone Insignificant Changes

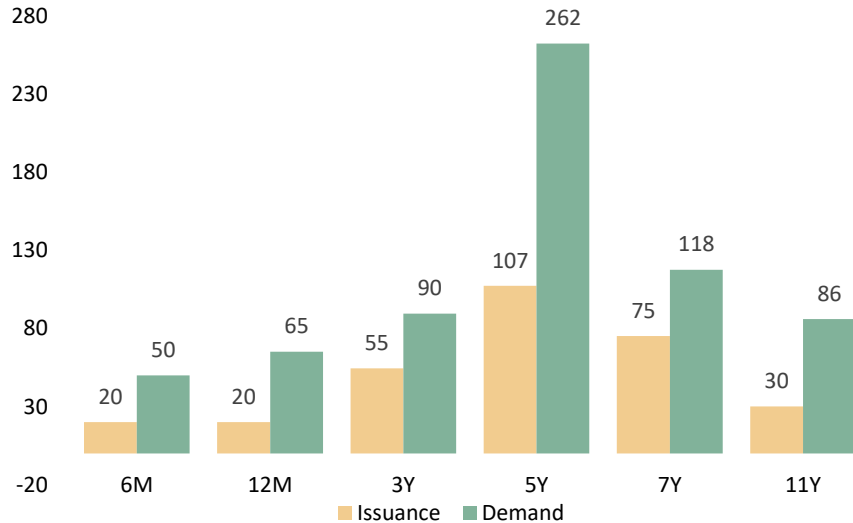
Portfolio Yield Curve



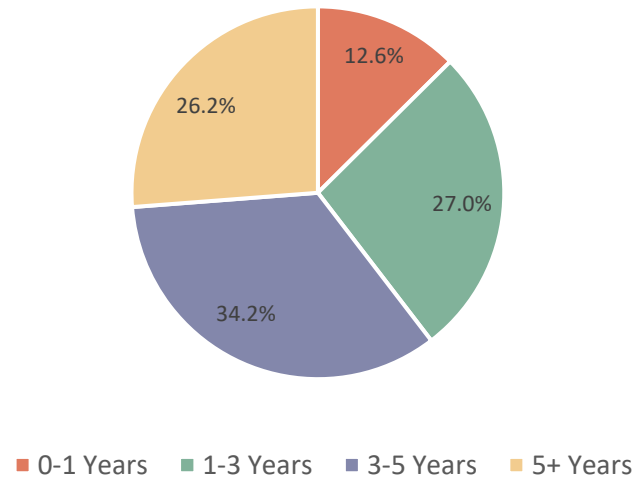
Weighted average interest rates



Issuance and Demand of Treasury Bonds, mln GEL



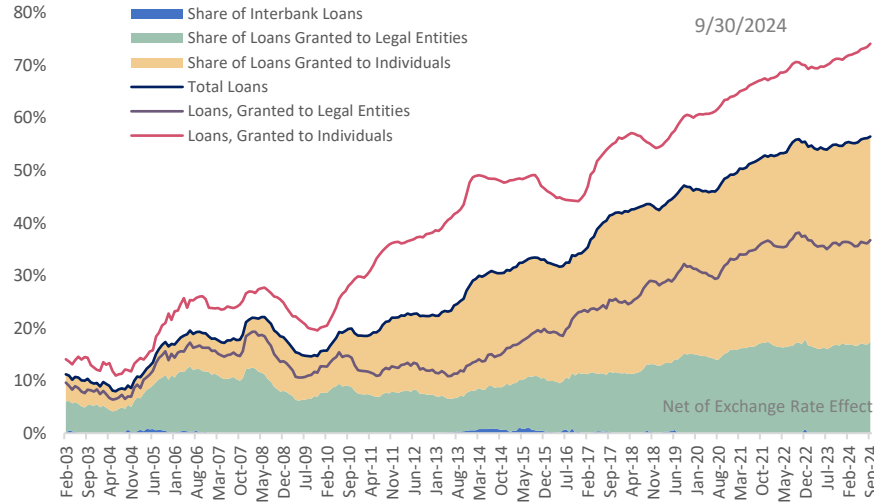
Portfolio by Residual Maturity, September 30,



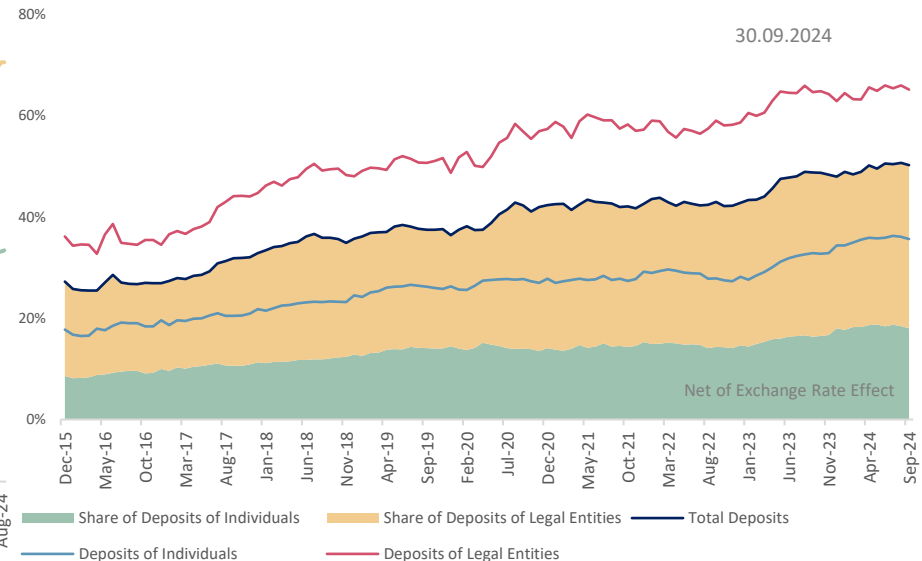
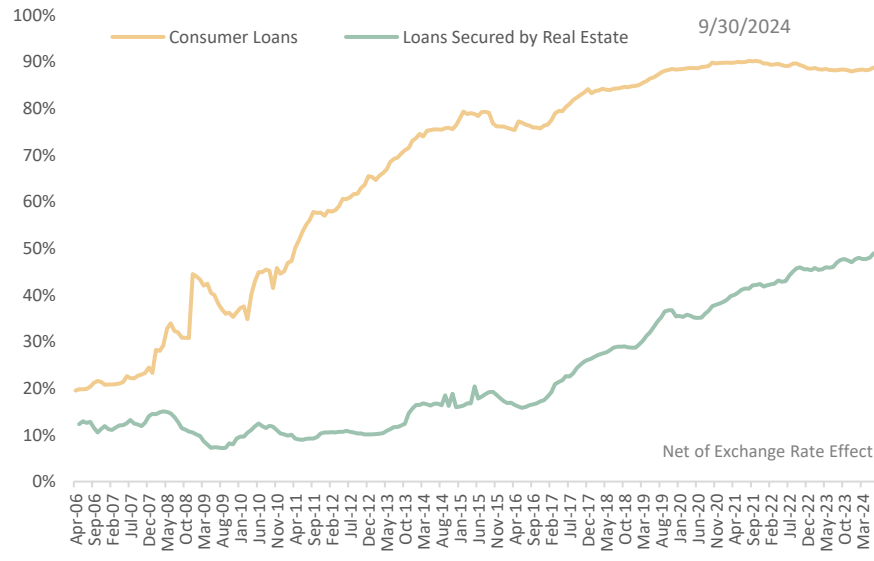
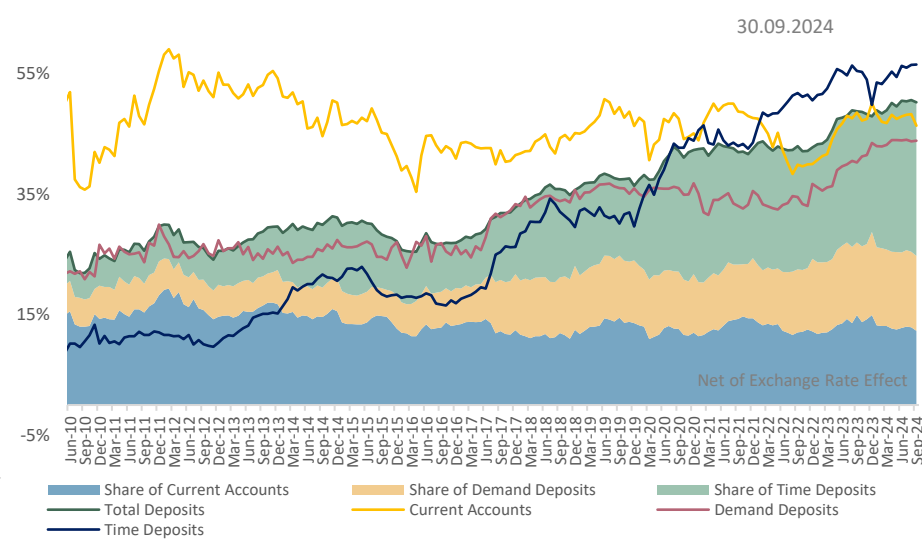
- In October 2024, 6 issuance auctions were held with the total issuance volume of 306.7 million GEL. One buyback auction was held during the month.
- The weighted average interest rate amounted to 8.282%.
- There were issued treasury bills with maturities of 6 months and 12 months and the treasury bonds with maturities of 3, 5, 7 and 11 years. The treasury securities with total amount of 268.95 million GEL were redeemed.
- As of October 31, 2024 around 34% of the treasury securities portfolio is composed of the securities whose maturity date is due for the next 3-5 year. The medium-term state financials securities (with duration 1-3 years) have also a sizable share (at around 27%) in the total portfolio.
- The Bid-to-cover ratio decreased compared to the previous month's value (September 2.32) and amounted to 2.19.
- In October the average time to maturity (ATM) for the treasury security portfolio has increased insignificantly to 3.53 (September 3.46).

In August Loan and Deposit Larization Indicators Continued Rising

Loan Larization



Deposit Larization

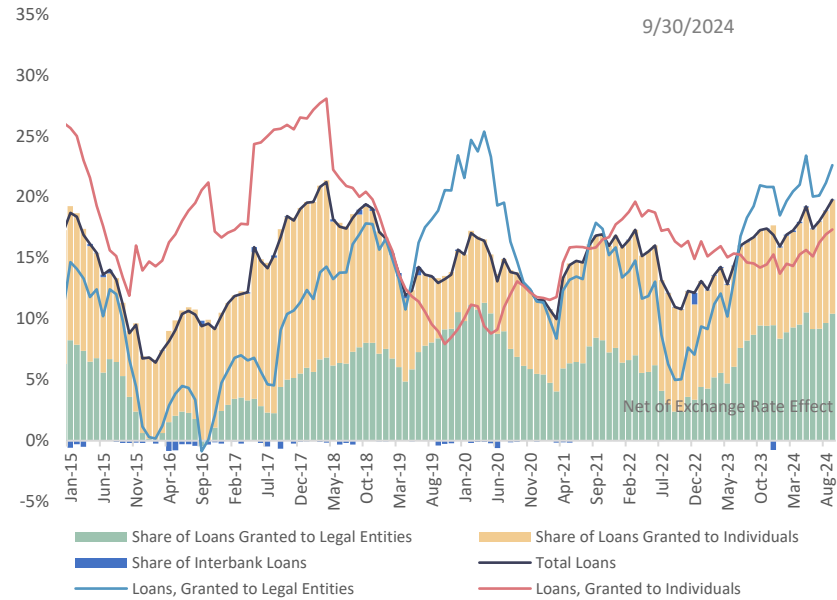


- As of September 30, 2024, the larization of total loans is 56.5 percent.
- The larization of loans to individuals is 74.1 percent.
- The larization of the loans to the legal entities amounted to 36.7 percent.
- The larization of the total deposits equals to 50.2 percent.
- The larization on the deposits of the legal entities amounted to 65.1 percent.
- The larization of the deposits of individuals is 35.6 percent.
- The larization of time deposits is 56.5 percent.
- The larization of the current accounts equals to 46.4 percent.
- The larization of the demand deposits is 43.9 percent.

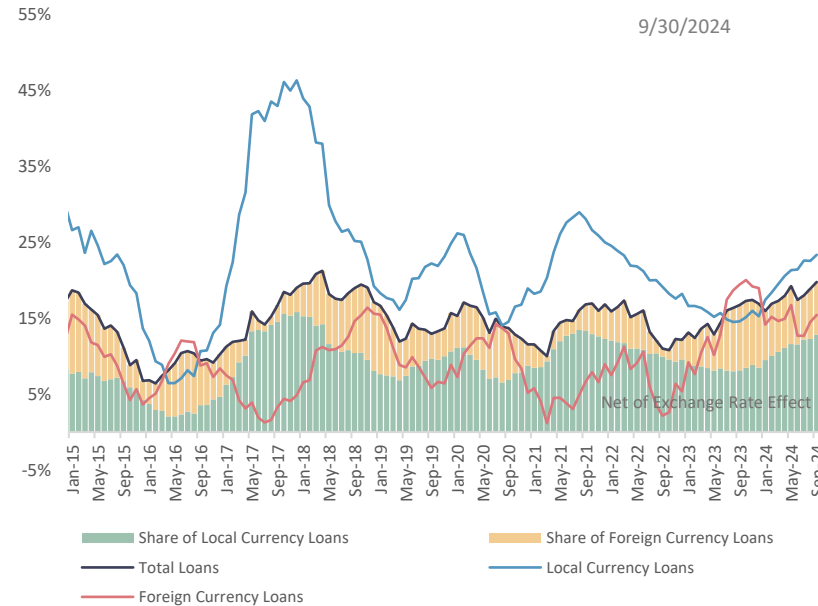
Source: NBG

In August High Annual Growth Trends of Loans Have Retained

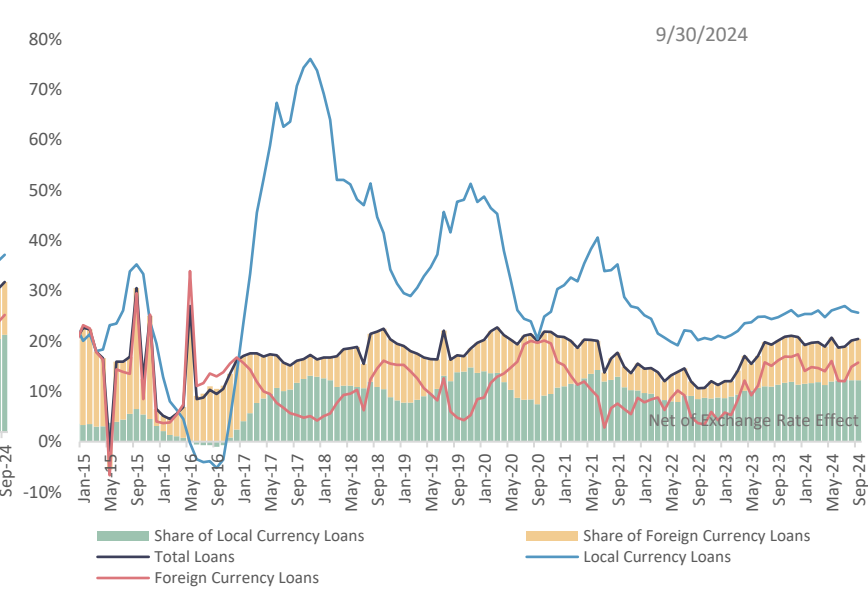
Loans Growth Rates, % y/y



Loans by Currency, % y/y



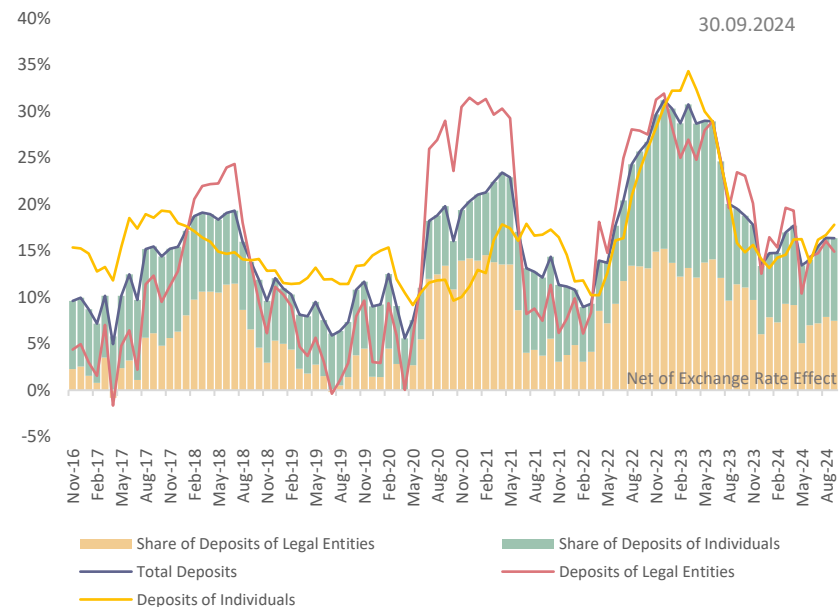
Mortgage Loans, % y/y



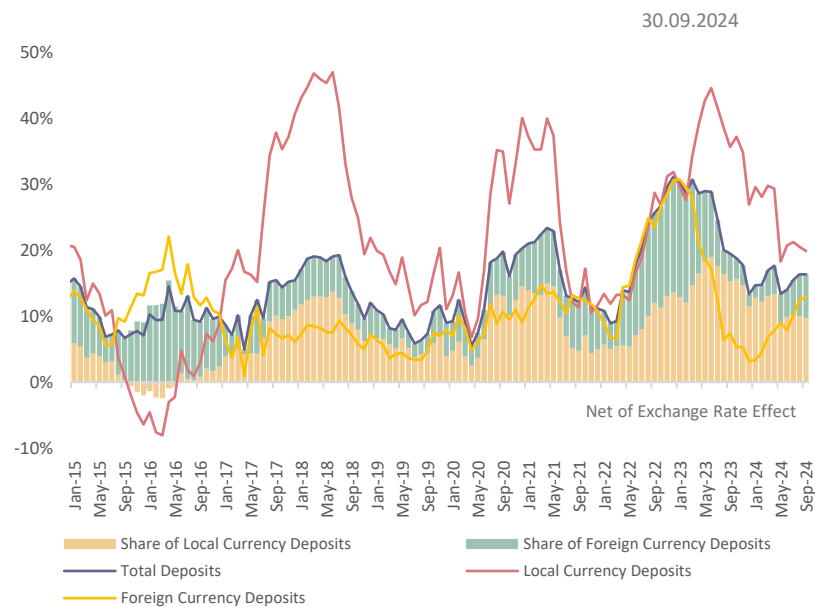
- As of September 30, 2024, the total loans increased by 19.8 percent compared to the corresponding period of 2023 (excluding exchange rate effects).
- The annual growth of loans to the legal entities is 22.6 percent.
- The annual growth of loans to individuals is 17.3 percent.
- As of October 1, 2024, the growth rate of the loans denominated in the national currency amounted to 23.3 percent.
- The annual growth of loans denominated in foreign currency amounted to 14.9 percent.
- As of September 30, 2024, the annual growth of loans secured by real estate amounted to 20.4 percent. At the same time, the mortgage loans denominated in national currency increased by 25.6 percent, while the mortgage loans denominated in the foreign currency increased by 15.7 percent.

Annual Growth Rates of Deposits Are Increasing

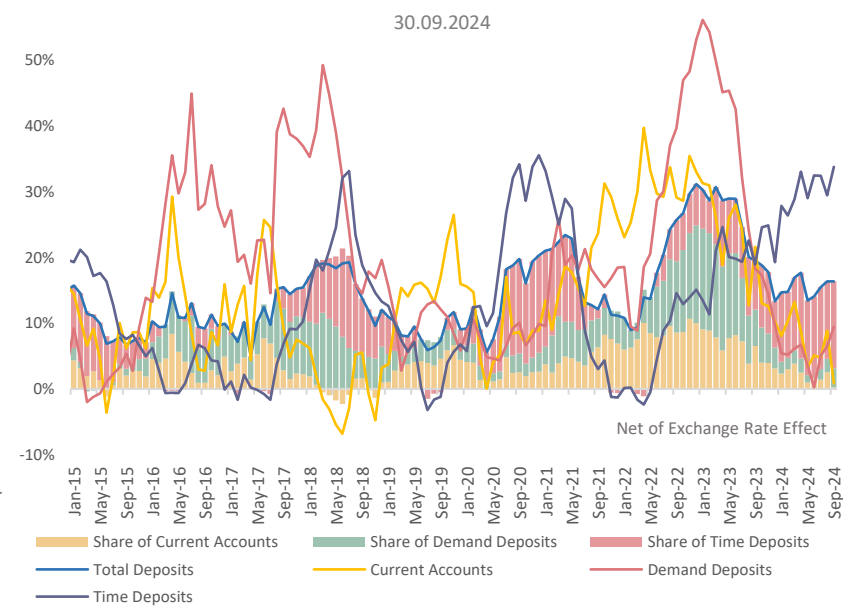
Deposits Annual Growth, % y/y



Deposits by Currency, % y/y



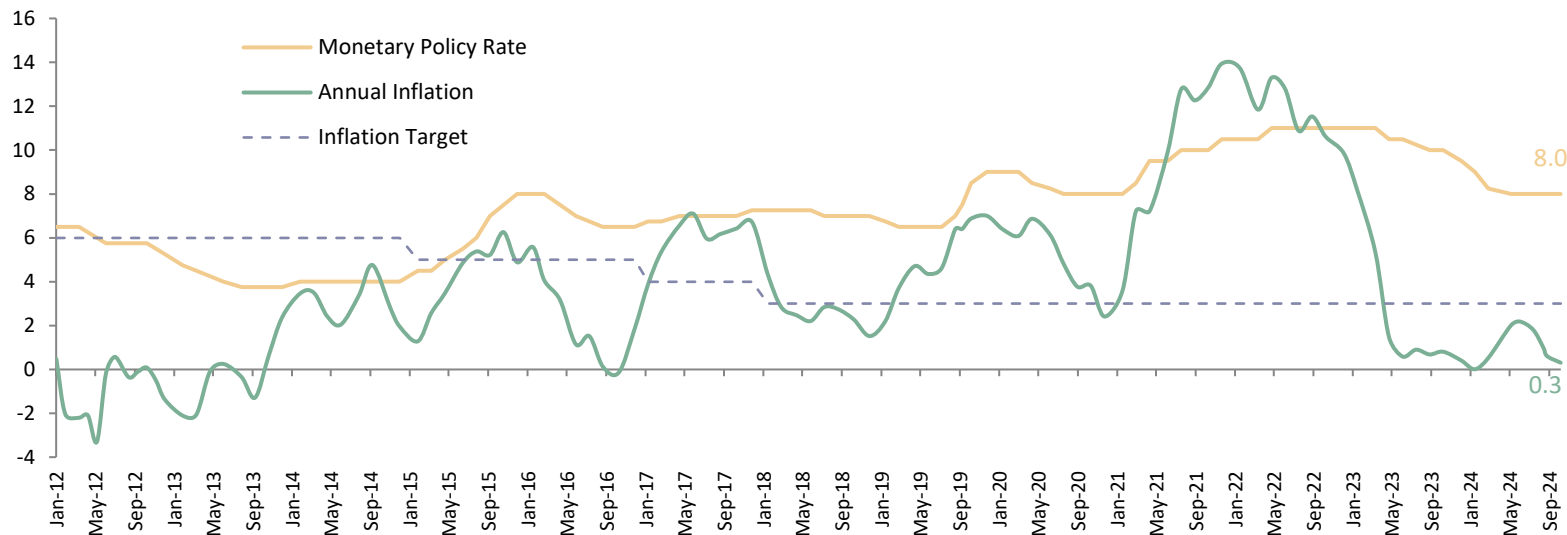
Deposits by Type, % y/y



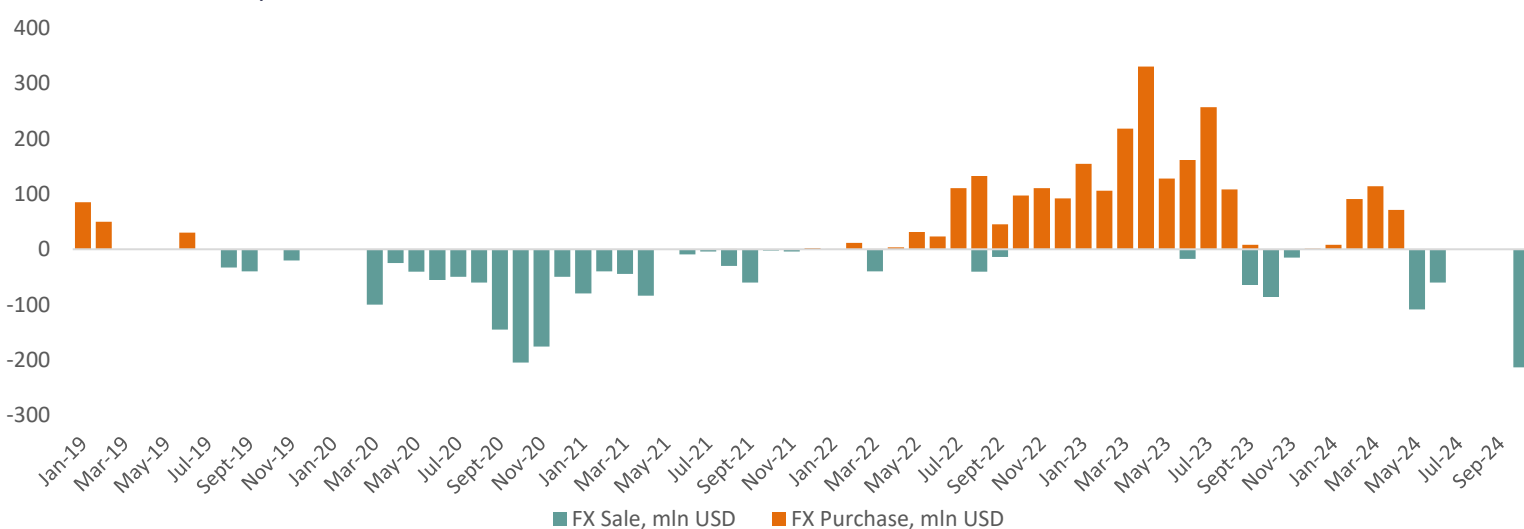
- As of September 30, 2024, the growth of the total deposits compared to the corresponding period of the previous year is 16.4 percent.
- The annual growth of the deposits denominated in the national currency amounted to 19.9 percent. The annual growth of the deposits denominated in foreign currency stood at 13.0 percent over the same period.
- The growth of deposits of individuals amounted to 17.8 percent, while the annual growth of deposits of legal entities in the same period amounted to 14.9 percent.
- The annual growth of current accounts at the beginning of October, 2024, was equal to 0.8 percent.
- The annual growth of the time deposits was 33.8 percent.
- The growth of the demand deposits amounted to 9.5 percent.

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

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD



- On October 23, 2024, the Monetary Policy Committee of the National Bank of Georgia decided not to change the refinancing rate and determined it at 8.0 percent level.

- Per the NBG, the factual inflation is less than the target one (3 percent). The major reasons of this are the domestic factors such as a decreasing of inflation for domestically produced goods and services and the tightened monetary policy effects that cause stabilization of inflation. In this regard, the increased market competition 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 (Ukraine, Middle East) can create an inflationary pressure in the country. Besides the current situation in the Red Sea creates threats of an increase in transportation costs which causes the risks of inflation of imported goods. The inflation was 0.3 percent in October of this year. It is expected that the inflation in Georgia will be around the target level at the end of 2024.

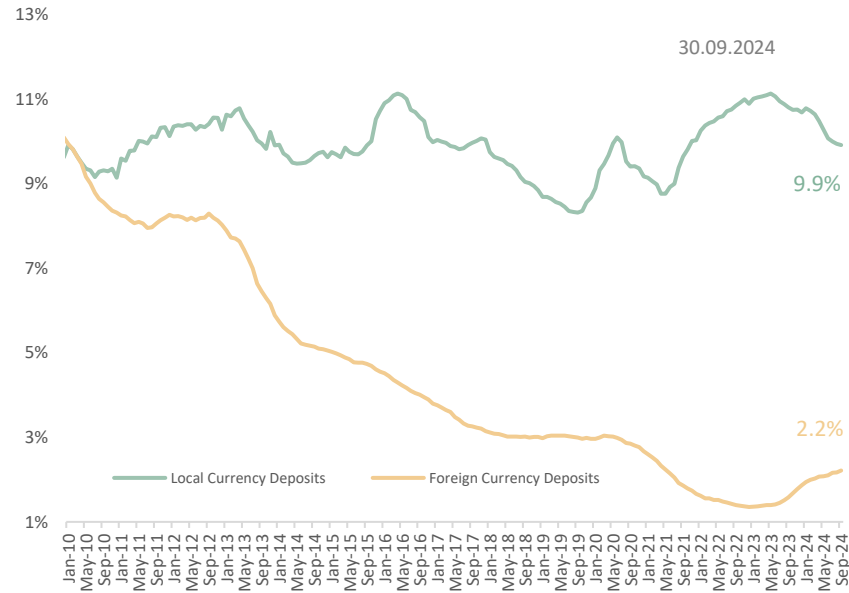
- The next meeting of the Monetary Policy Committee will be held on December 18, 2024.

- The NBG made sizable foreign exchange interventions through the auctions during October, 2024. The NBG sold totally 213.4 USD in October.

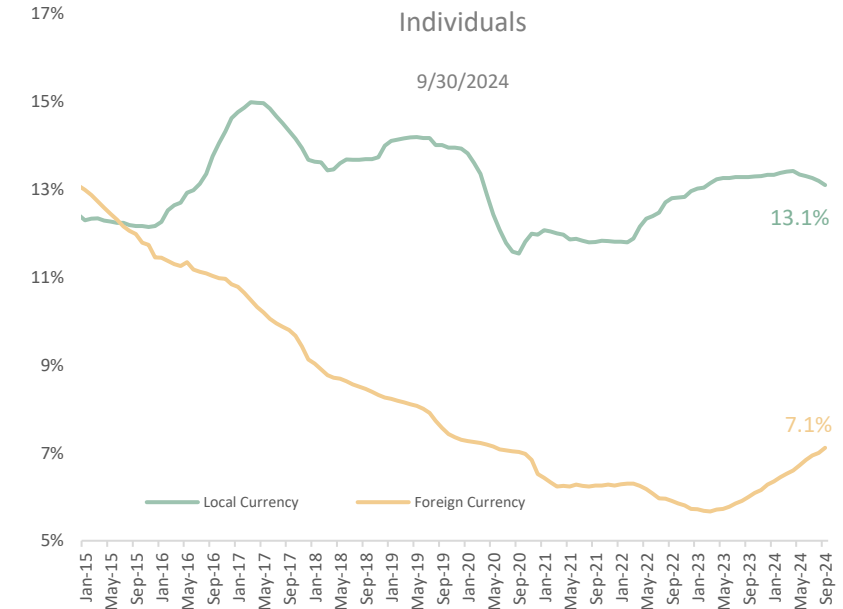
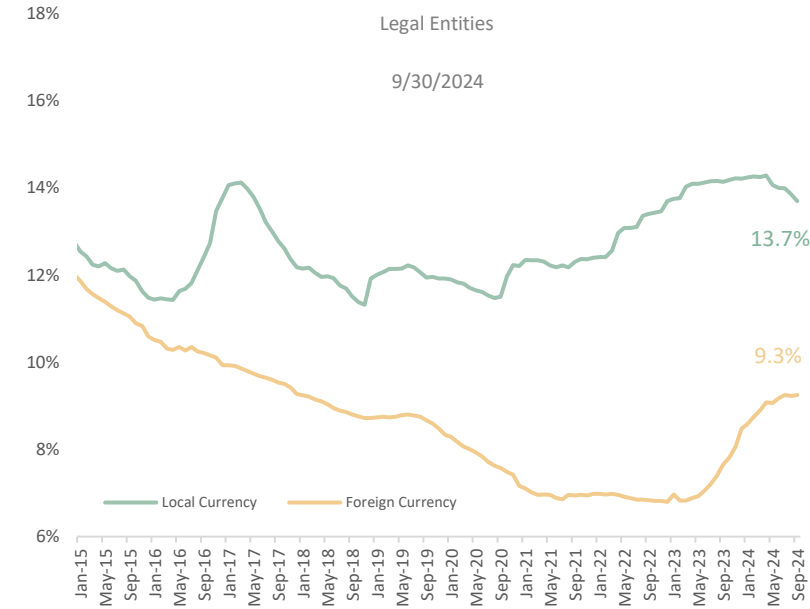
Source: NBG

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 October 1, 2024, the interest rate on foreign currency deposits was 2.2 percent, and in national currency – 9.9 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 10.0 percent, and in foreign currency – 3.0 percent.
- The average annual interest rate on deposits by individuals is 1.4 percent for foreign currency deposits and 11.1 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 16.0 percent (17.8 percent in national currency and 6.6 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 16.4 percent (17.6 percent in national currency and 7.5 percent in foreign currency).
- At the end of September, 2024, the interest rate on 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 12.3 percent, and in foreign currency 6.9 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.

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