

GEORGIA

MACRO OVERVIEW



Research

3 February 2022

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Vaccination in Georgia



Economic Growth



Performance in Q3 2021
Forecasts for 2022

Economic and Business Climate



Ifo Index: Georgian Economic Climate
BAG Index: Georgian Business Climate

State Budget 2022



Key Indicators
Tax Revenues
Expenditures

Key Macroeconomic Indicators



Inflation and Prices
Exchange Rates
Labour Market: salaries
Labour Market: vacancies

External Sector

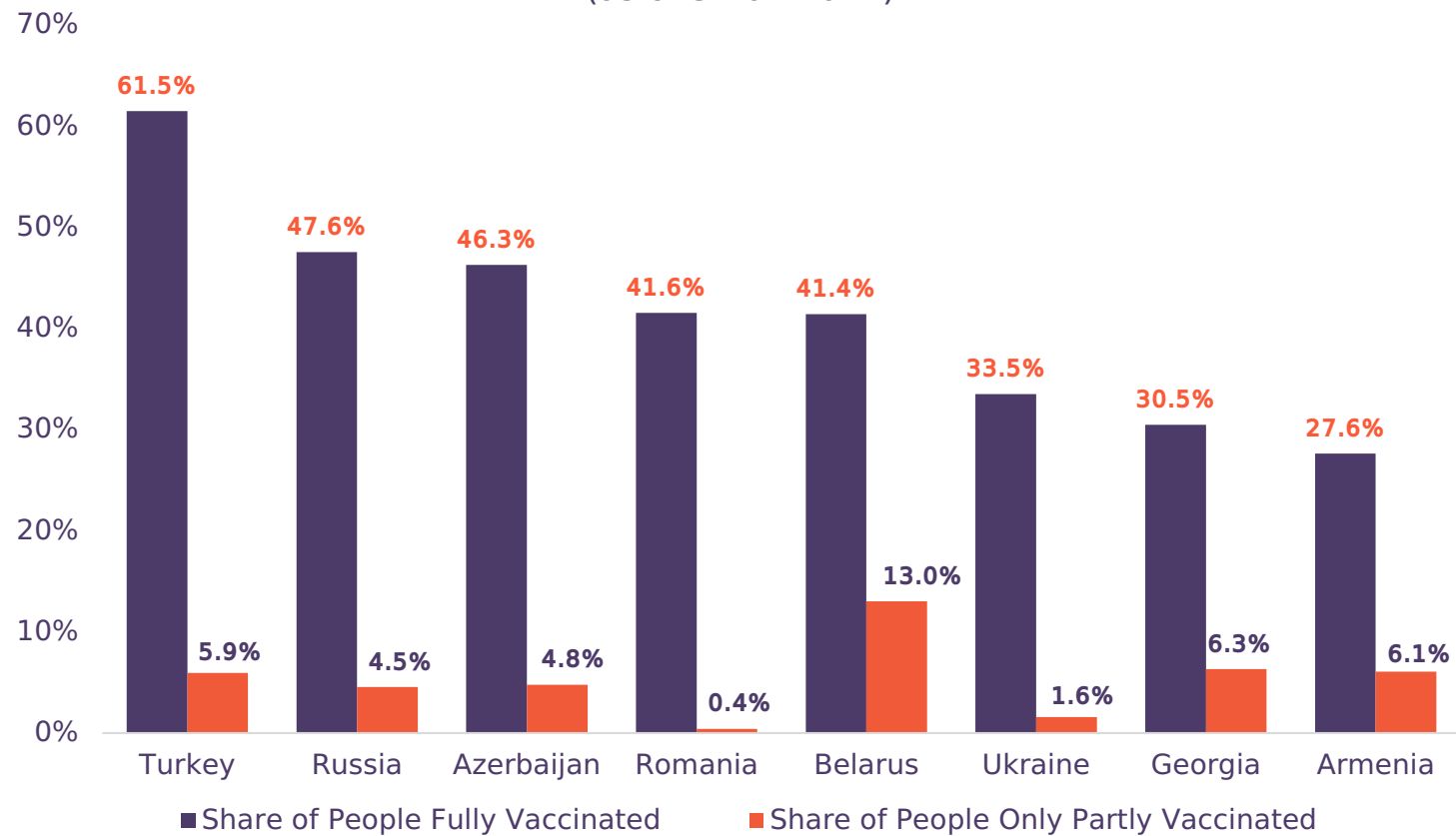


Tourism
Trade
Foreign Direct Investments
Remittances



VACCINATION IN GEORGIA

Share of total population vaccinated against COVID-19
(as of 31.01.2022)



- As of February 1, a total of **2 722 187** vaccine doses had been administered in Georgia
- As of January 31, **30.5%** of Georgian population is fully vaccinated, and **36.8%** is at least partially vaccinated



ECONOMIC GROWTH: PERFORMANCE IN Q3 2021

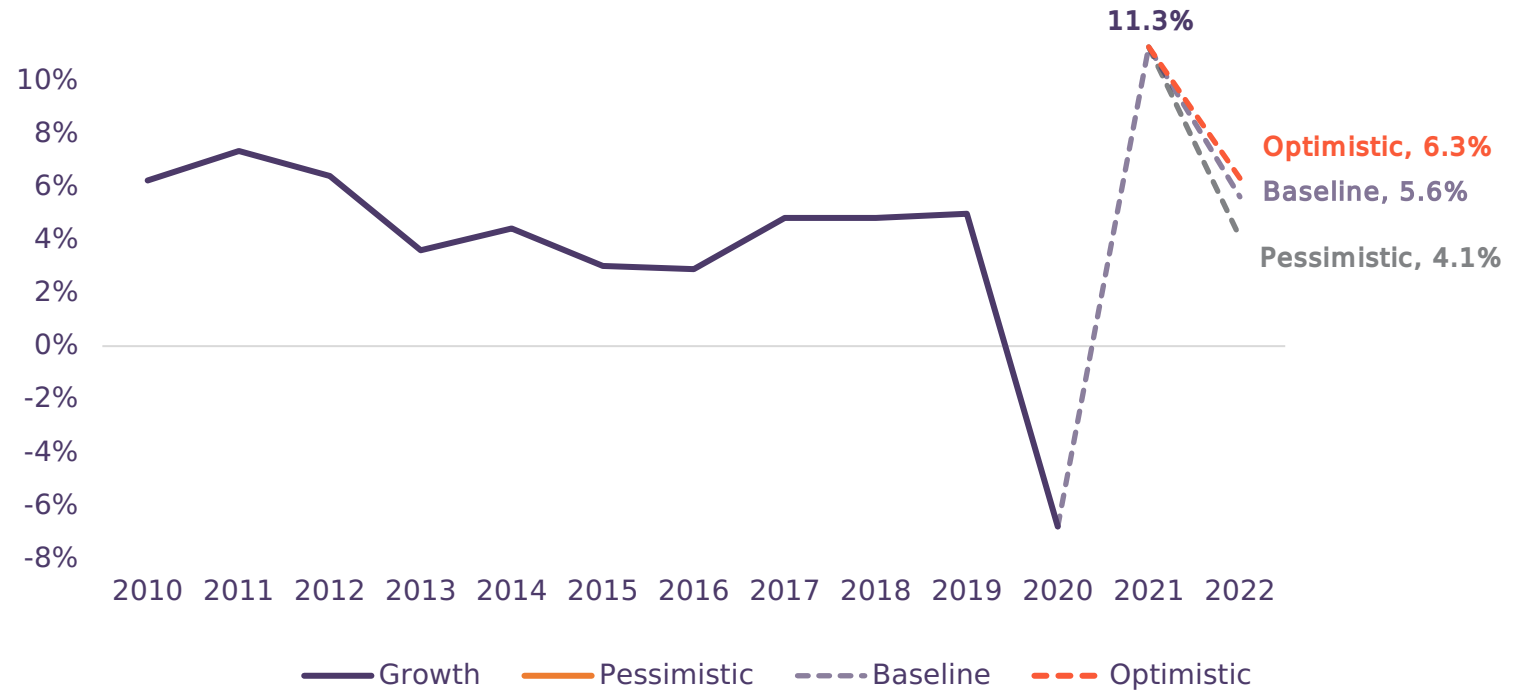
Selected Sectors	Absolute value of real GDP (GEL million)	Growth of GDP	
	2021Q3	2021Q3 / 2019Q3	2021Q3 / 2020Q3
Electricity, gas, steam and air conditioning supply	275.2	63%	79%
Human health and social work activities	497.5	26%	24%
Information and communication	393.7	25%	18%
Financial and insurance activities	677.3	17%	20%
Mining and quarrying	131.9	17%	2%
Arts, entertainment and recreation	392.1	16%	48%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1517.1	14%	12%
Construction	440.2	-35%	-30%
Transportation and storage	442.5	-9%	29%
Accommodation and food service activities	340.5	-29%	50%
Administrative and support service activities	86.8	-37%	41%

- In Q3 2021, **electricity, gas, steam and air conditioning supply** recorded impressive **62.8%** growth compared to Q3 2019
- In Q3 2021, **administrative and support services** and **construction** performed the worst, recording a decline of 37.4% and 34.6% respectively when compared to Q3 2019



ECONOMIC GROWTH: FORECASTS FOR 2022

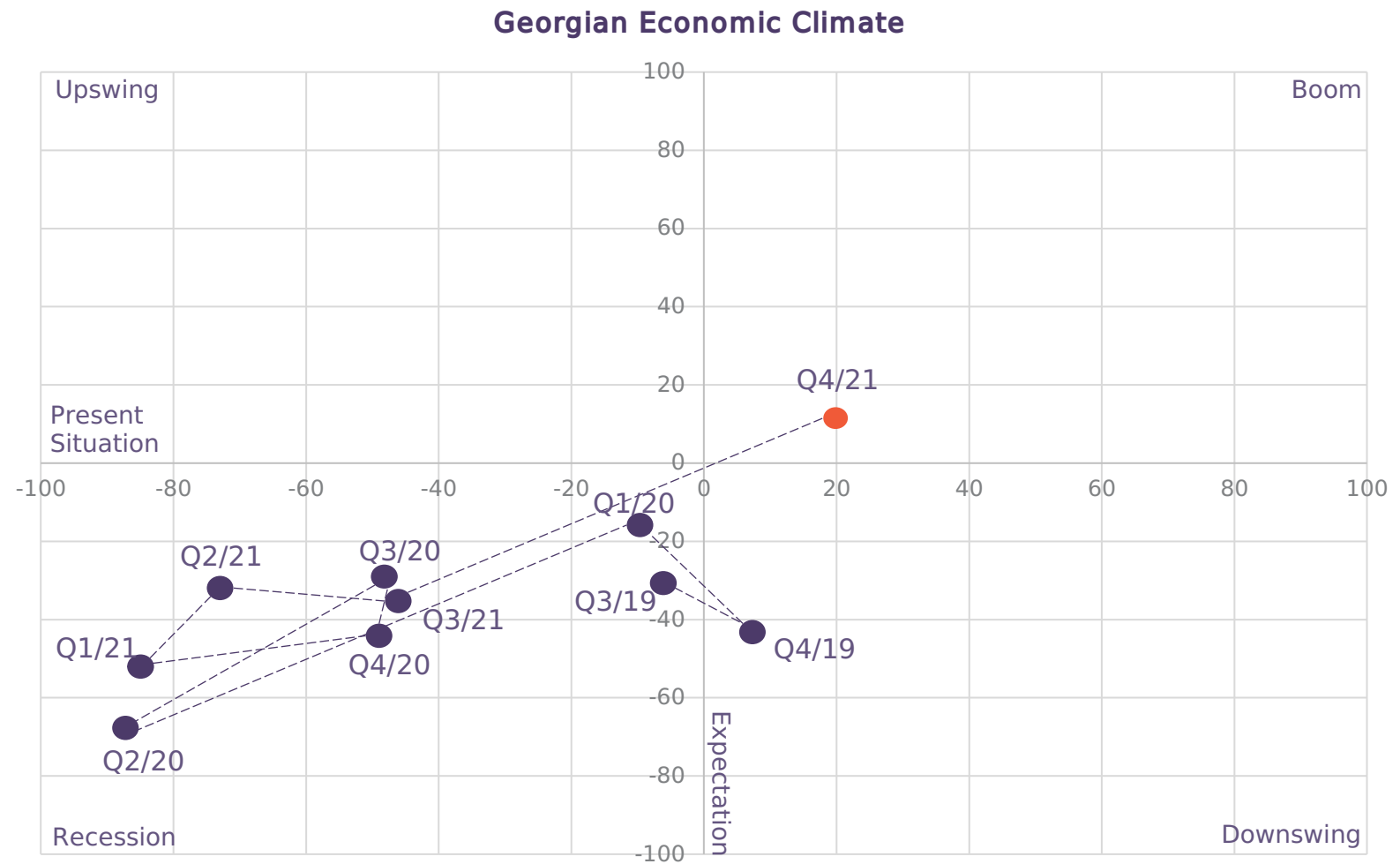
Real GDP growth in 2022 by scenarios



- PMC Research Center predicts that the revised growth rate of the Georgian economy in 2021 will amount to **11.3%**, and to **5.6%** in 2022
- In the optimistic scenario, which envisions higher vaccination rates and a lower likelihood of lockdowns, the economy is expected to grow by **6.3%** in 2022
- In the pessimistic scenario, which envisions lower vaccination rates and a higher chance of lockdowns, and a possible escalation of the Russia-Ukrainian conflict, economy is predicted to grow by **4.1%** in 2022



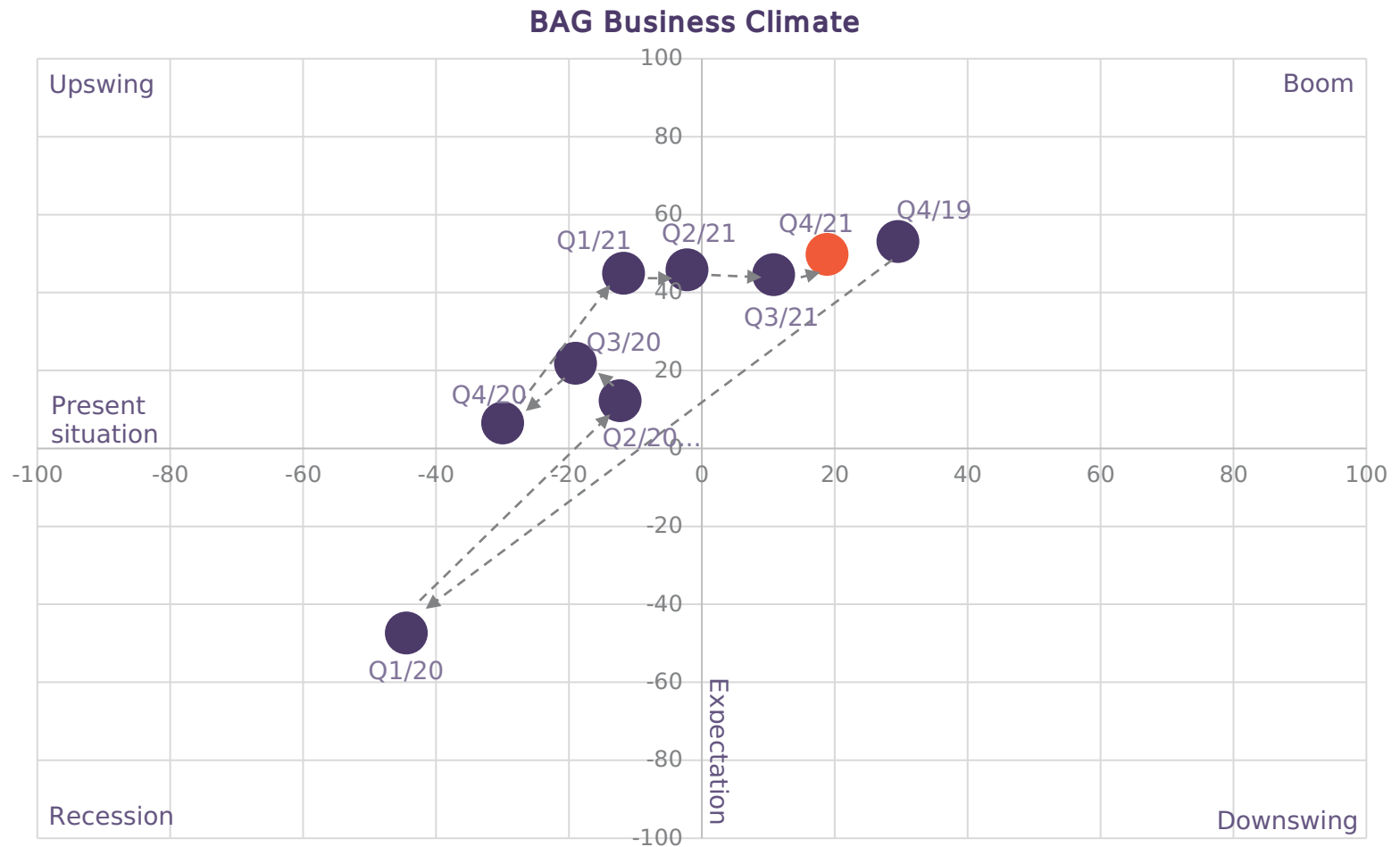
GEORGIAN ECONOMIC CLIMATE



- In Q4 2021, the surveyed economists gave a **positive assessment** of the economic climate in the country for the first time since the start of the pandemic



BAG INDEX: GEORGIAN BUSINESS CLIMATE

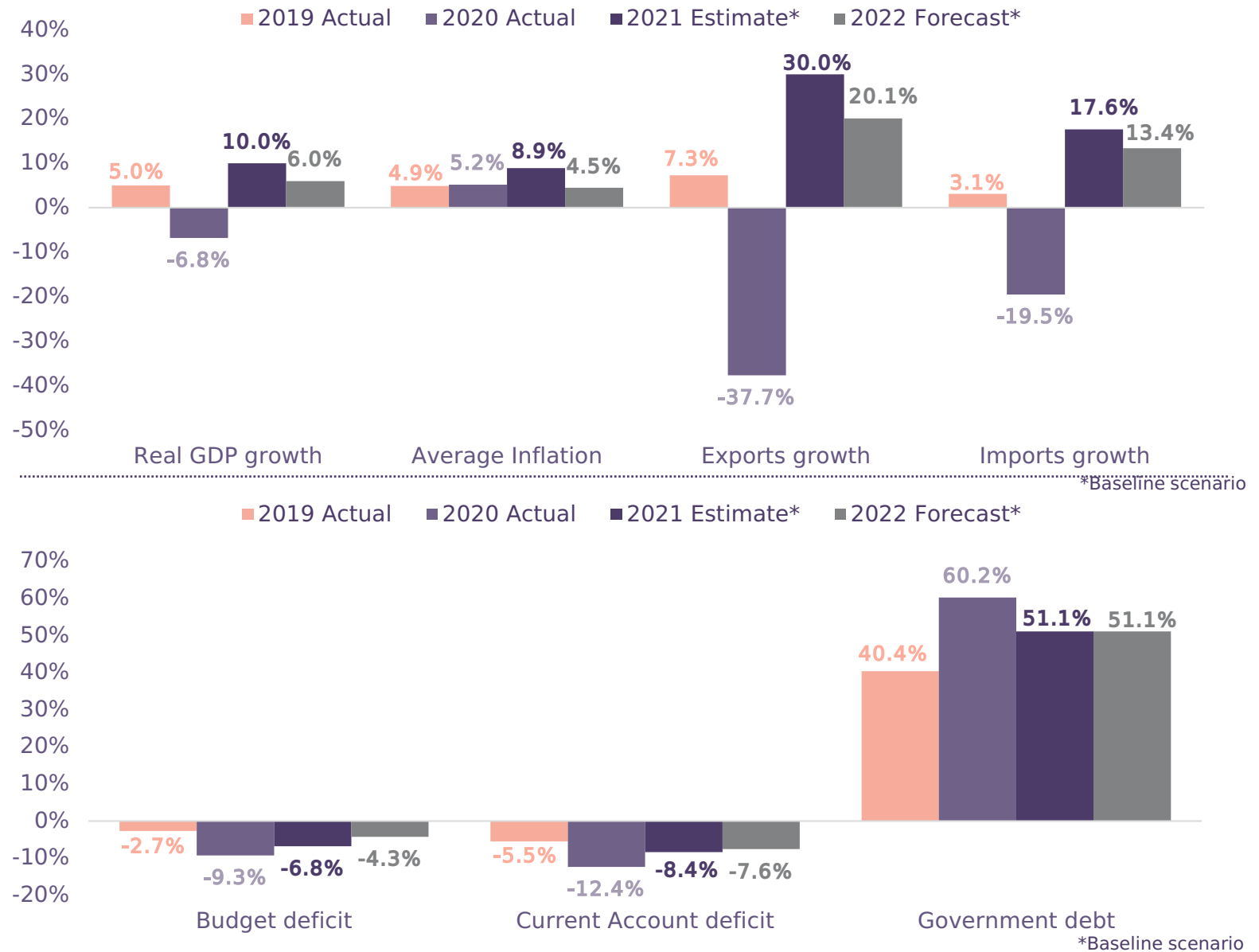


- In Q4 2021, the surveyed businesses delivered **positive assessments** for both the current situation and with respect to their expectations for the next quarter
- Across sectors, the **construction** sector fared **worst** on both indicators, while the **manufacturing** sector returned the **best** scores on the present business situation indicator and the **trade** sector returned the **best** scores on the business expectations indicator



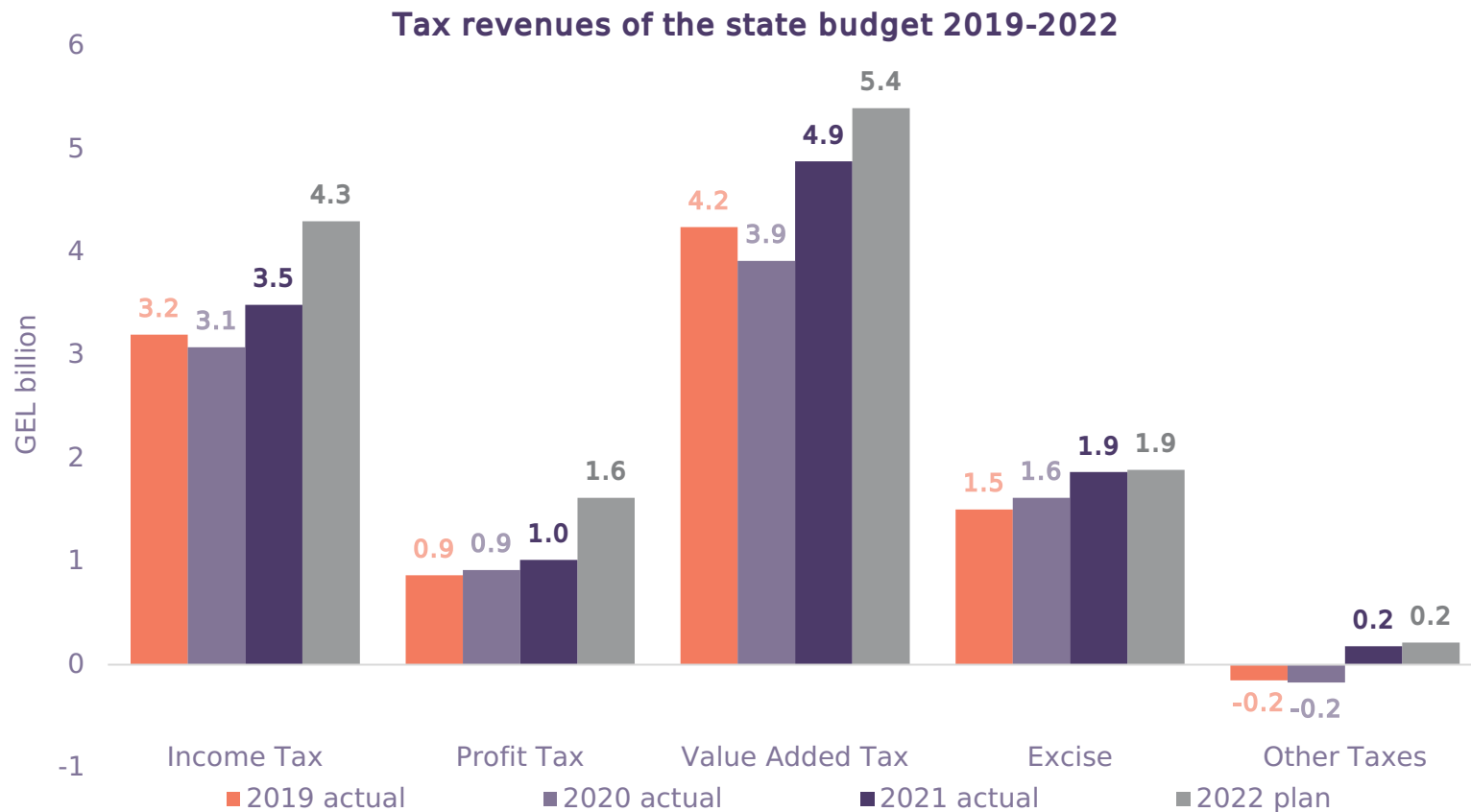
STATE BUDGET 2022: KEY INDICATORS

Key macroeconomic indicators from 2022 state budget





STATE BUDGET 2022: TAX REVENUES

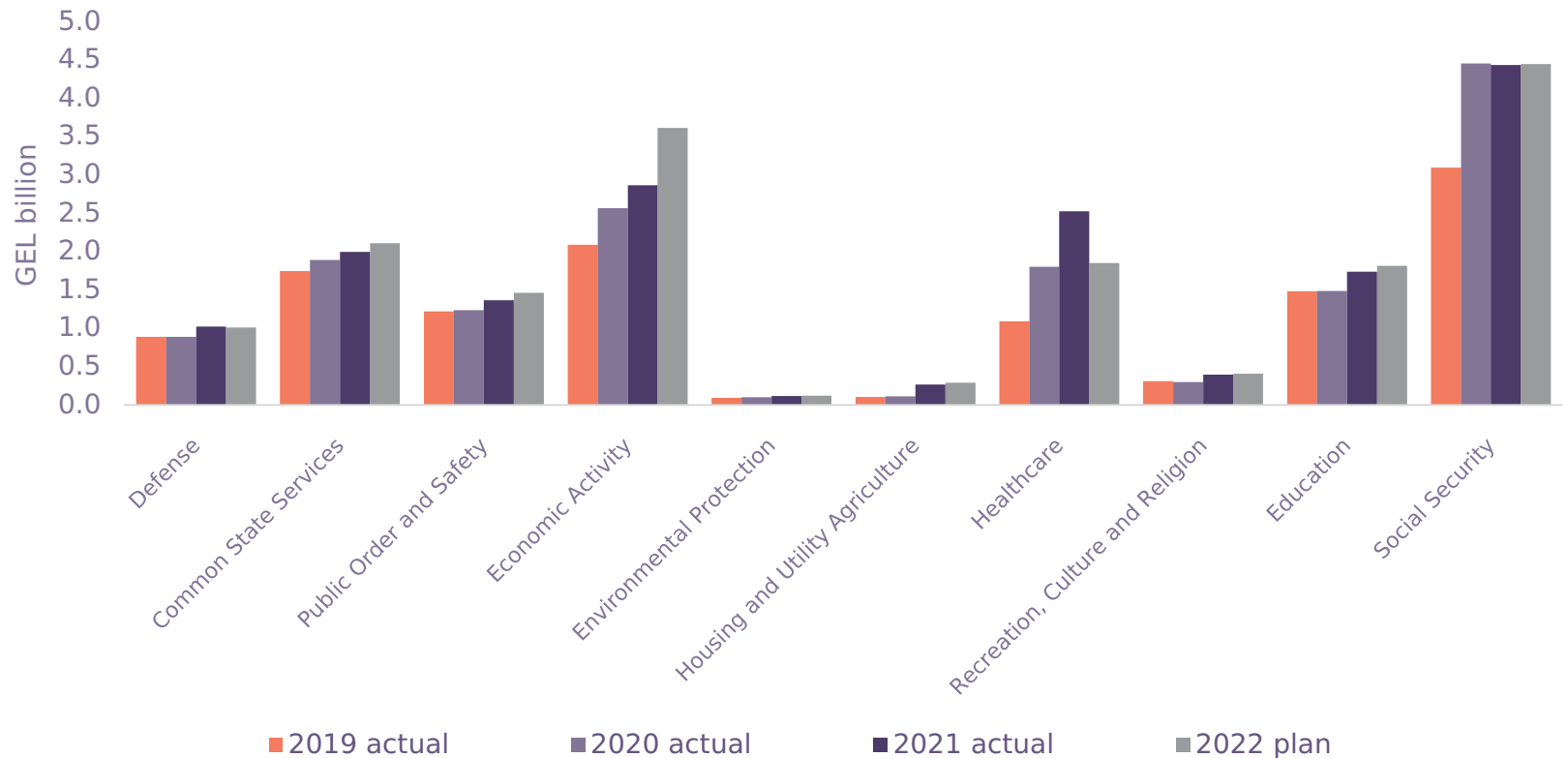


- In total, the planned tax revenues for the Georgian state budget of 2022 amount to 13.4 billion GEL, which is **17.3% higher** than in 2021
- Planned tax revenues for 2022 are higher mainly due to higher planned revenues from **income tax** and **profit tax**, which are expected to increase by 808 million GEL and 605 million GEL respectively, compared to 2021
- The highest percentage increase is envisioned for revenues from **profit tax**, which is expected to be **59.6% higher** than in 2021



STATE BUDGET 2022: EXPENDITURES

Functional classification of Georgian state budget expenses

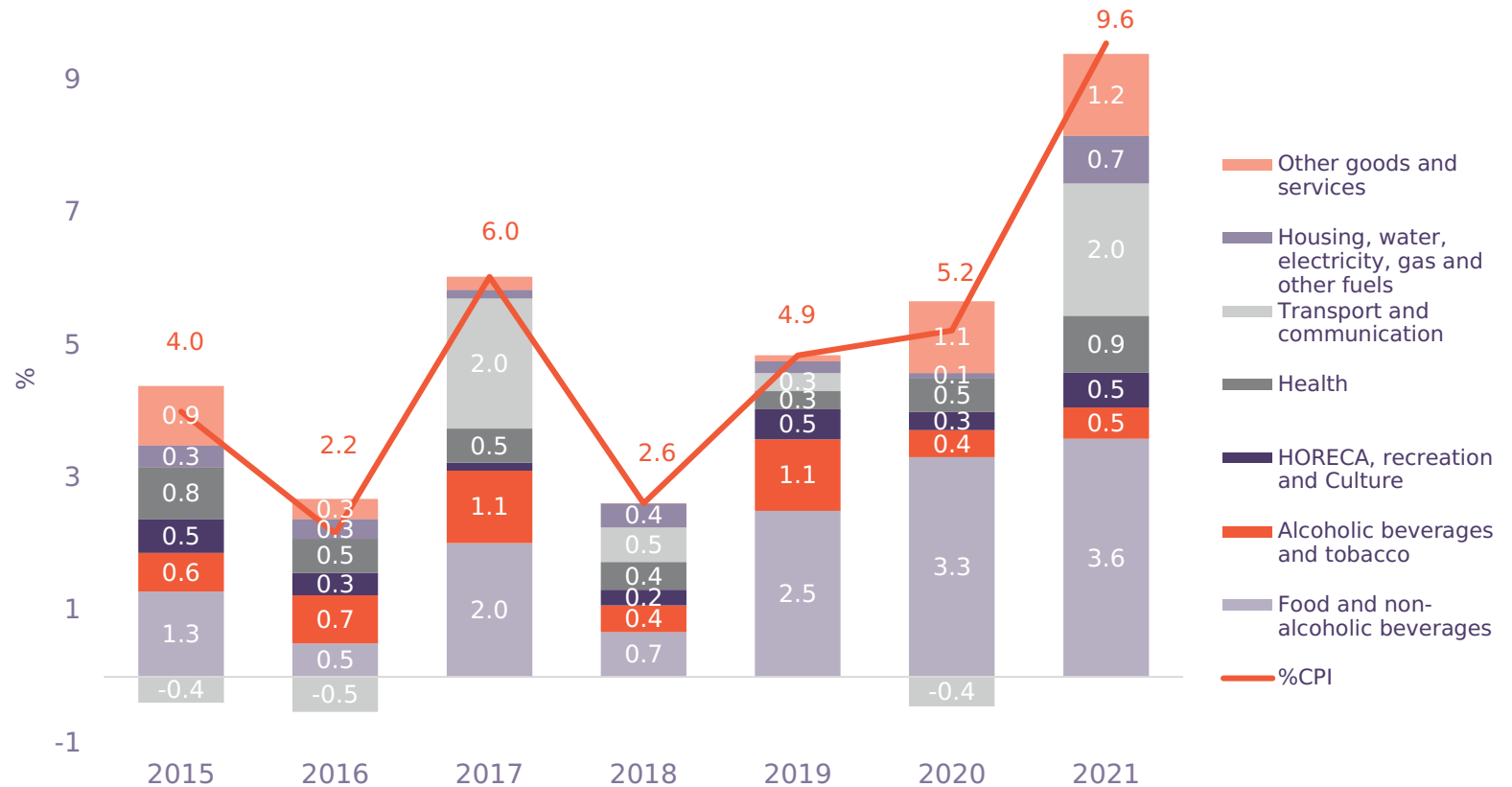


- In total, Georgian state budget expenditures in 2022 are to be increased by **2.4%** compared to 2021, by 15.4% compared to 2020 and by 41.3% compared to 2019
- Expenditures on **economic activity** are expected to **increase by 26.2%** in 2022, while expenses on **healthcare** will decrease by **26.7%** compared to 2021
- Expenditures on **social security**, which have drastically increased in 2020 and 2021 (by 43.7% and 43.2% compared to 2019, respectively), will remain high in 2022 - **4.45 billion GEL**, or 26.0% of total state budget expenditures)



KEY MACROECONOMIC INDICATORS: INFLATION

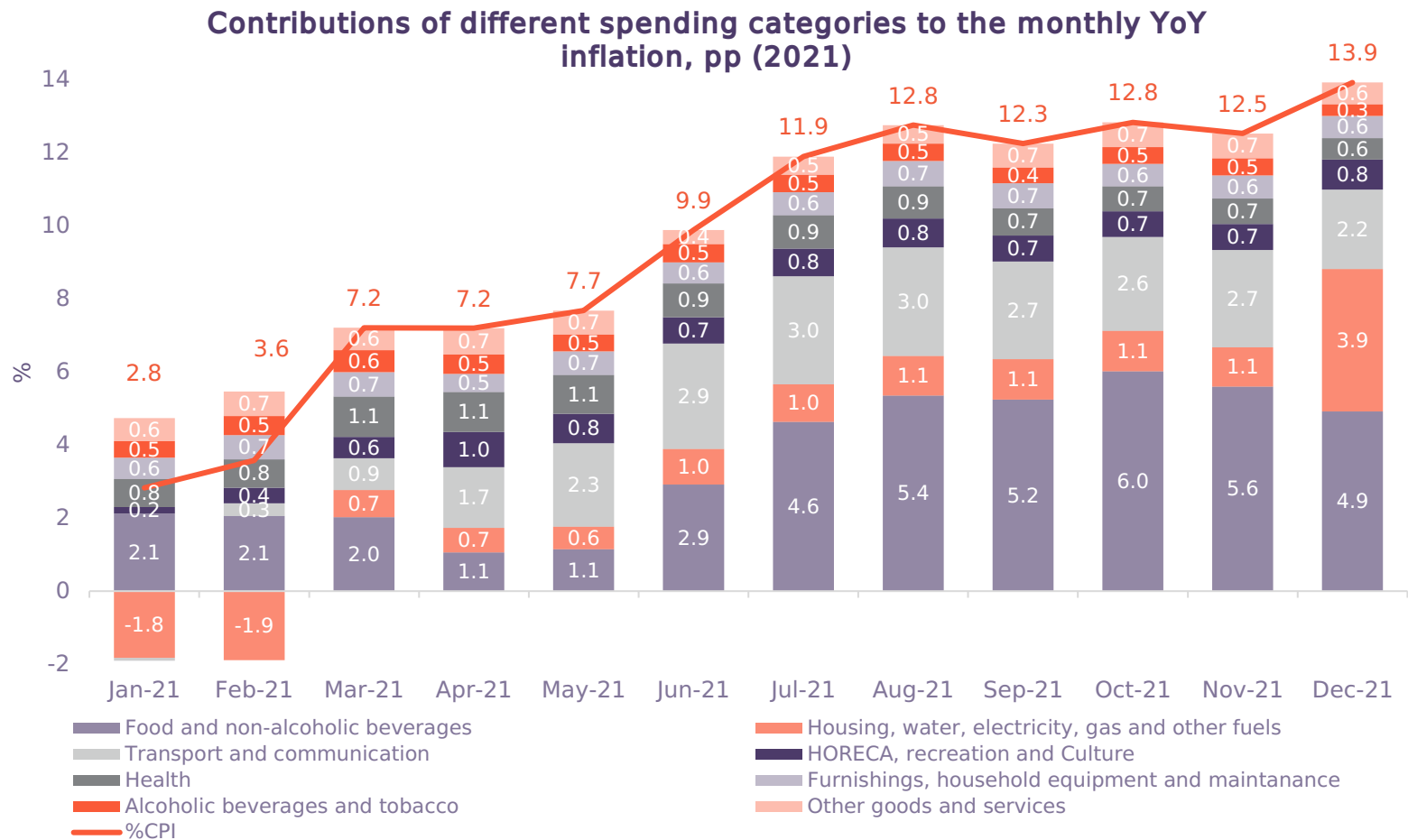
Contributions of different spending categories to the average YoY monthly inflation of the given year, pp (2017-2021)



- In 2021, the average YoY monthly inflation amounted to 9.6%, with increased prices in the categories of “food and non-alcoholic beverages” and “transport and communications” contributing most of this increase (3.6 pp and 2.0 pp, respectively)



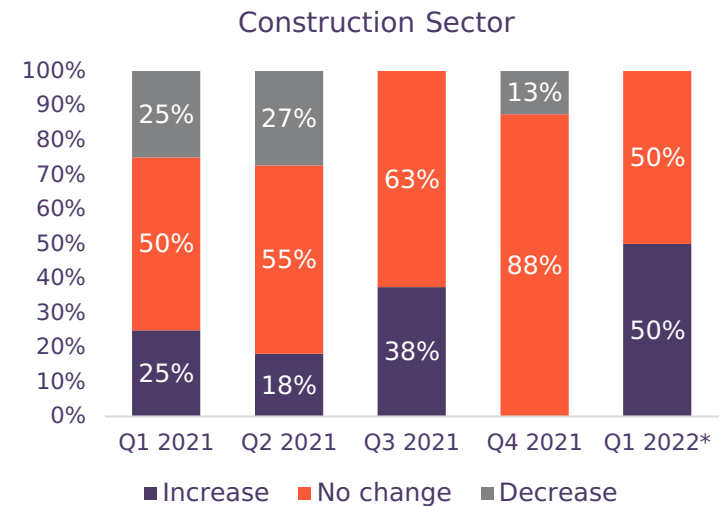
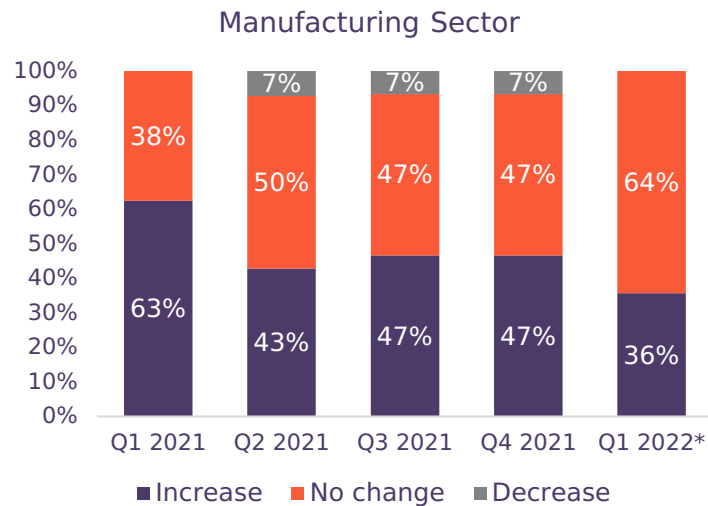
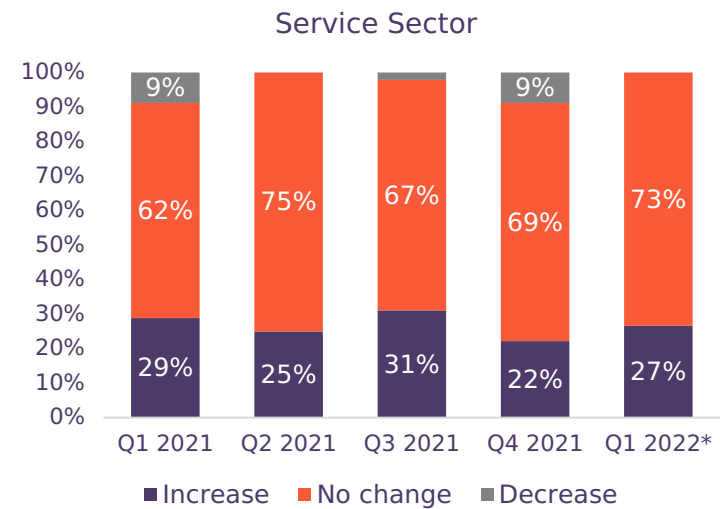
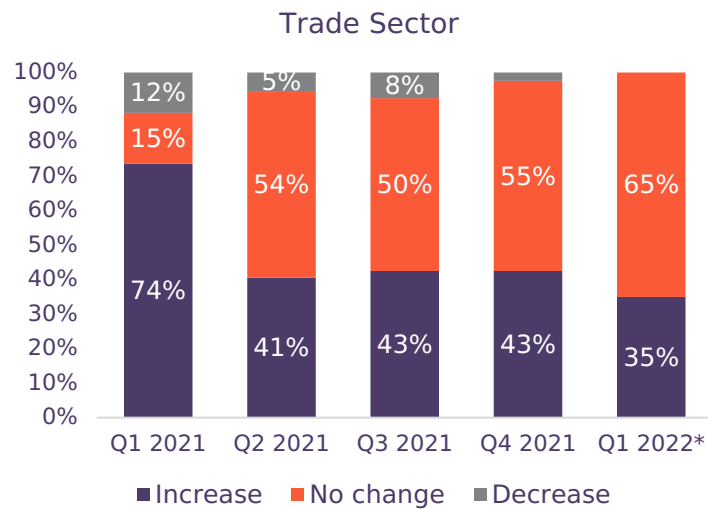
KEY MACROECONOMIC INDICATORS: INFLATION



- Since the beginning of 2021, monthly YoY CPI inflation has been increasing sharply, surpassing pre-pandemic levels, and reaching its peak to date of **13.9%** in December 2021 (representing a 11.1 pp increase from January 2021)
- To counteract this rise in inflation, the NBG increased its monetary policy rate several times throughout 2021, (rising from **8.0%** in January to **10.5%** in December)



BAG INDEX: EXPECTATIONS ABOUT PRICES



- About **one third** of surveyed businesses in “trade”, “service” and “manufacturing” expect **further price rises in Q1 2022**, while the corresponding figure for surveyed businesses in construction was 50%

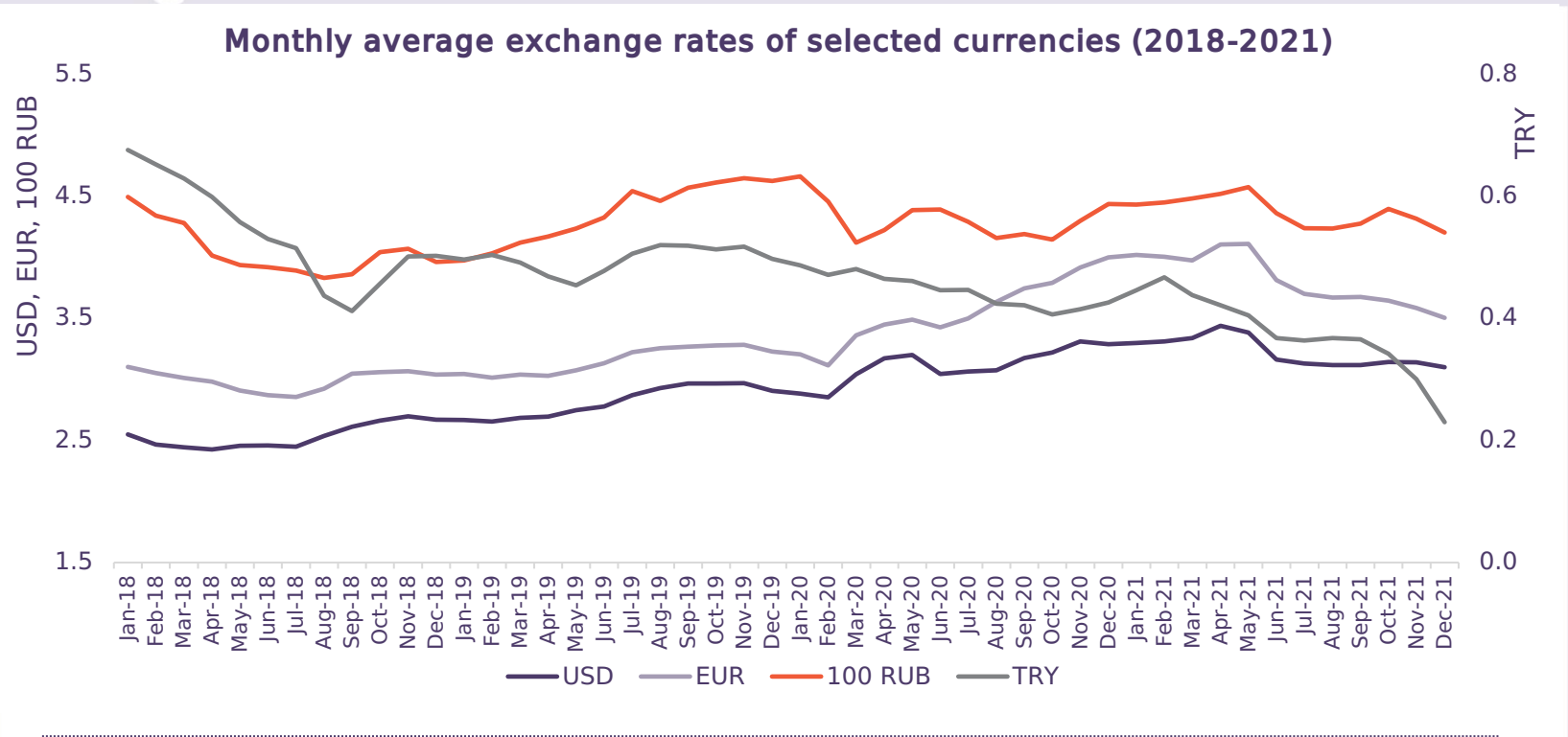
* Expectations



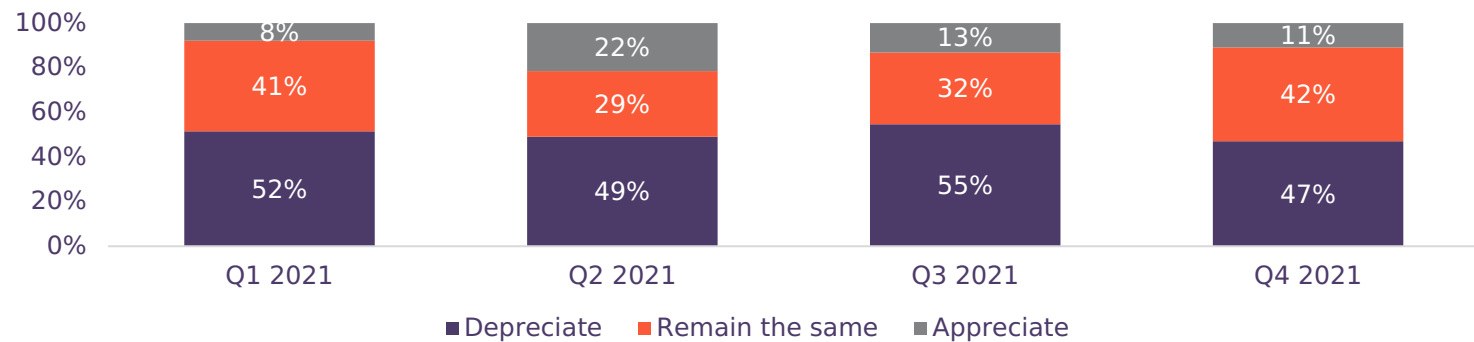
Research



KEY MACROECONOMIC INDICATORS: EXCHANGE RATES



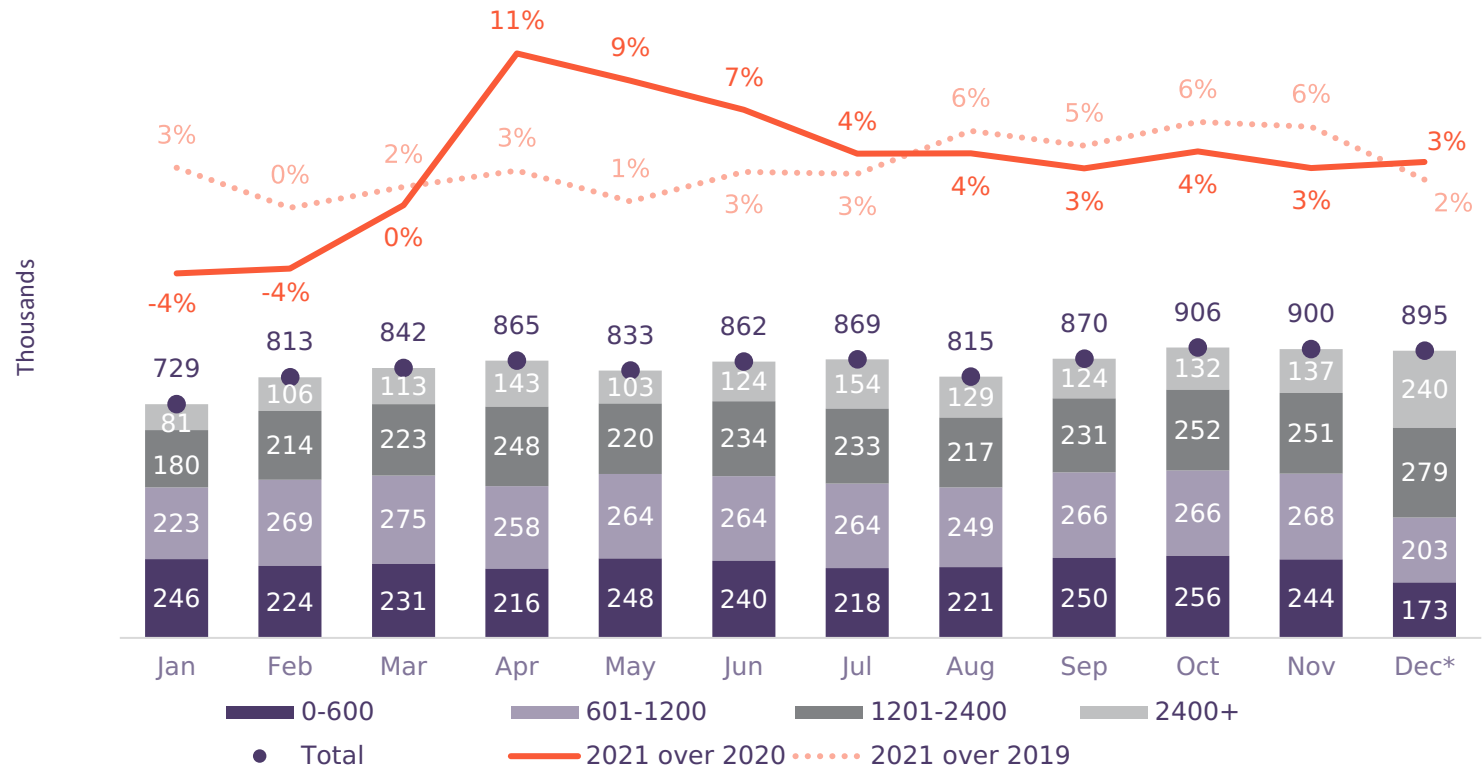
- According to the expectations of BAG member businesses, for the next six months, the exchange rate of the GEL against the USD will:





KEY MACROECONOMIC INDICATORS: EMPLOYMENT

Number of people receiving salaries by salary categories and its growth rate compared to 2020 and 2019 Jan 2021 - Dec 2021

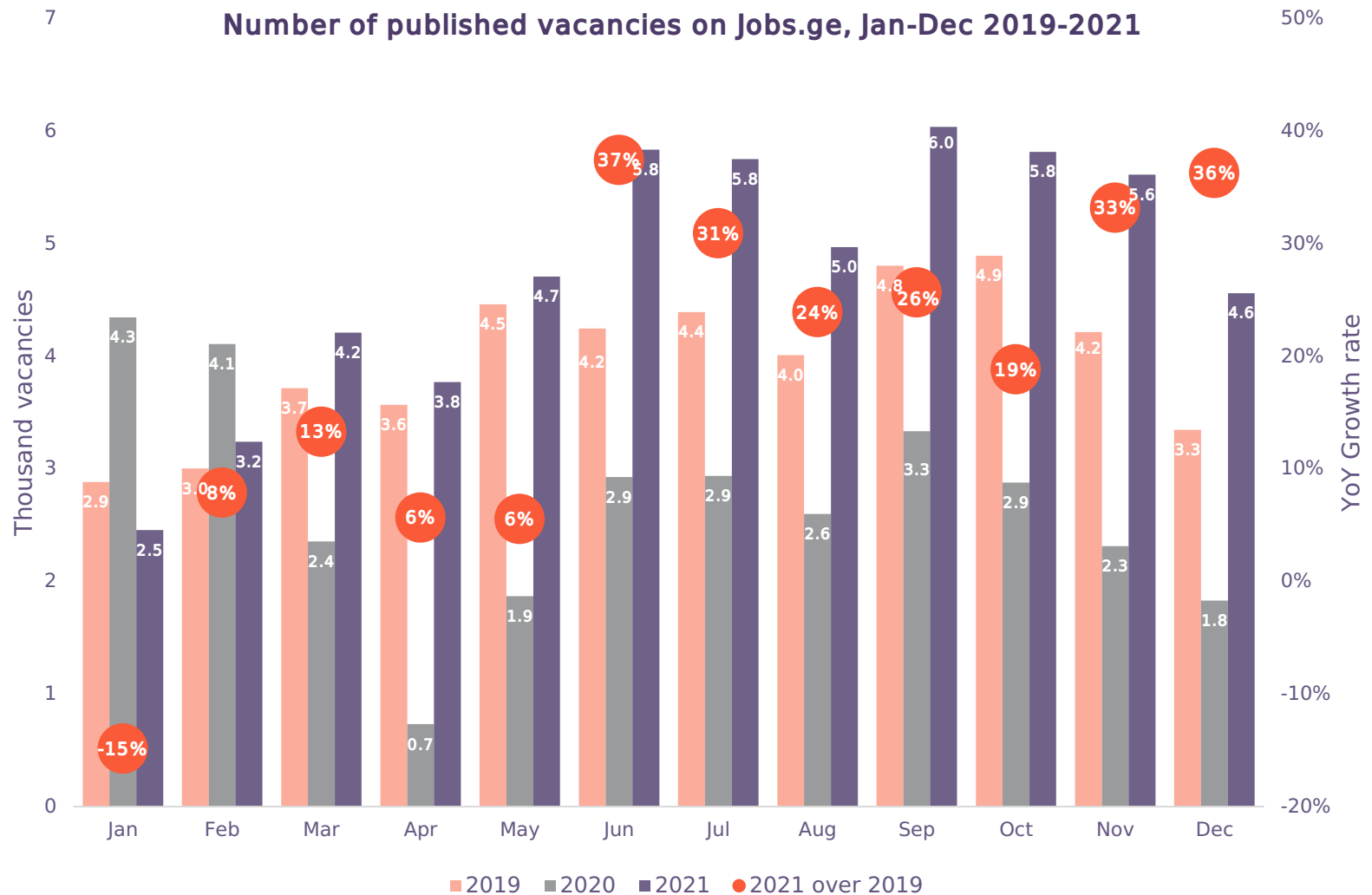


- Over the course of 2021, the share of persons receiving a salary of up to 600 GEL per month averaged 27%, while the share of persons receiving a salary of more than 2400 GEL averaged 15%

* The decrease of the share of 0-600 Gel and 601-1200 GEL categories in December was most likely due to a notable number of people receiving the 13th salary.



KEY MACROECONOMIC INDICATORS: VACANCIES

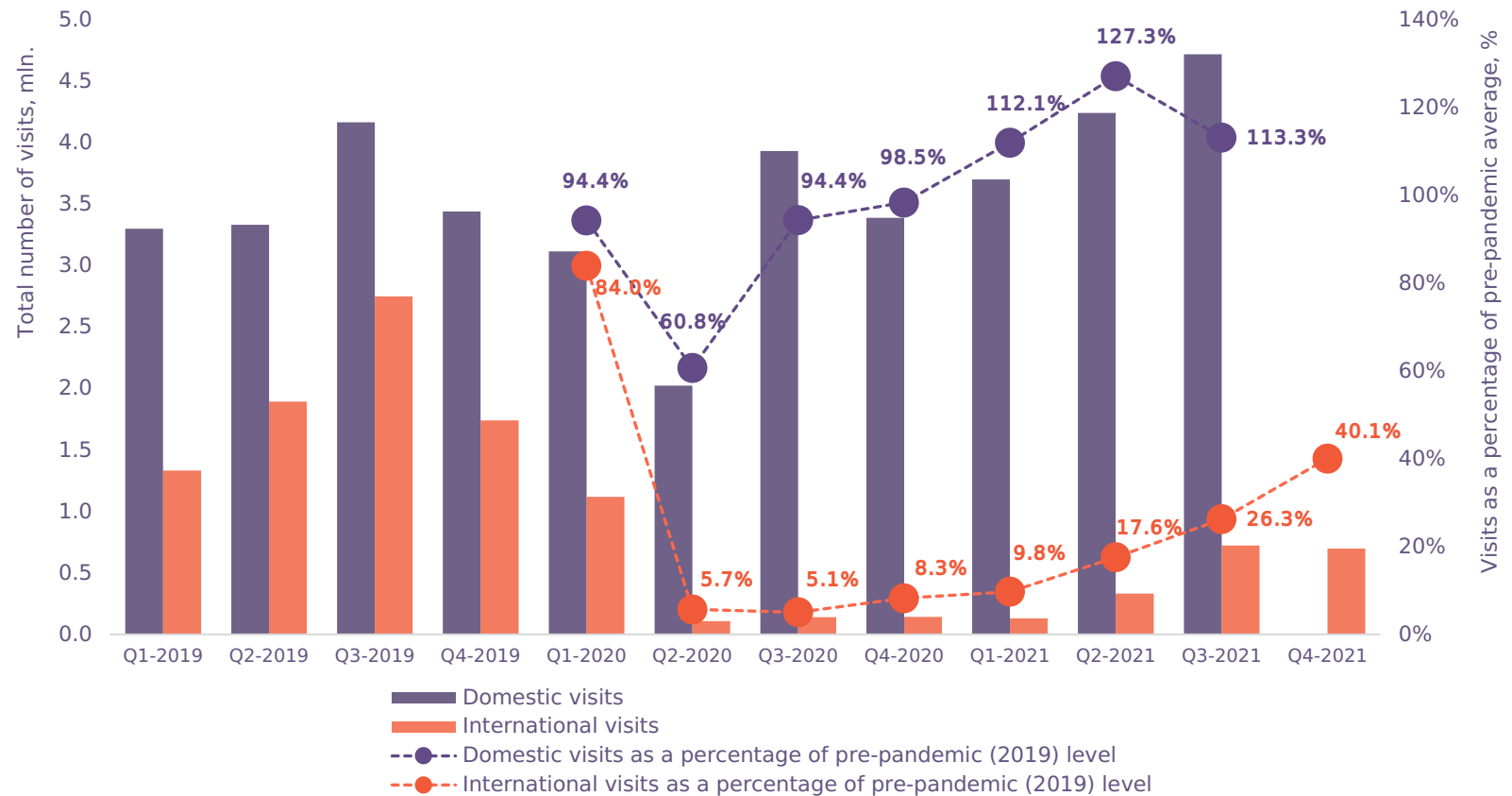


- In 2021, the number of published vacancies on jobs.ge increased by **77%** compared to 2020 and by **20%** compared to 2019



EXTERNAL SECTOR: TOURISM

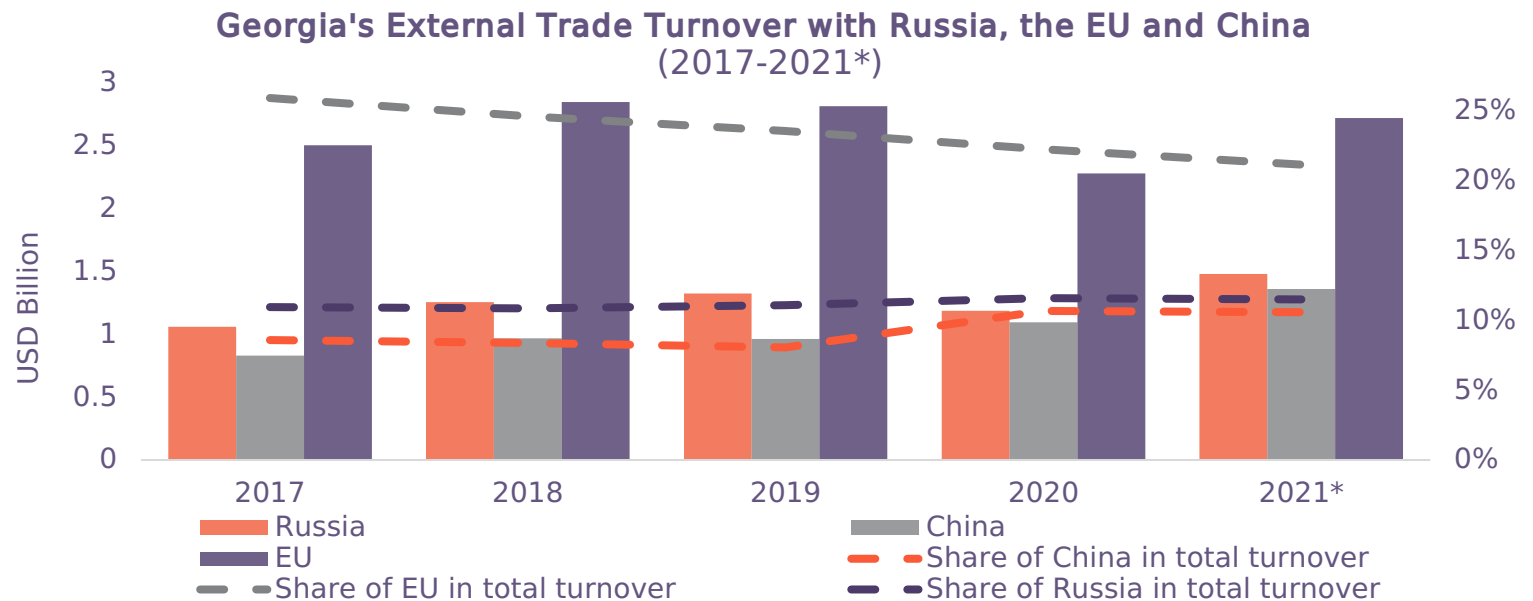
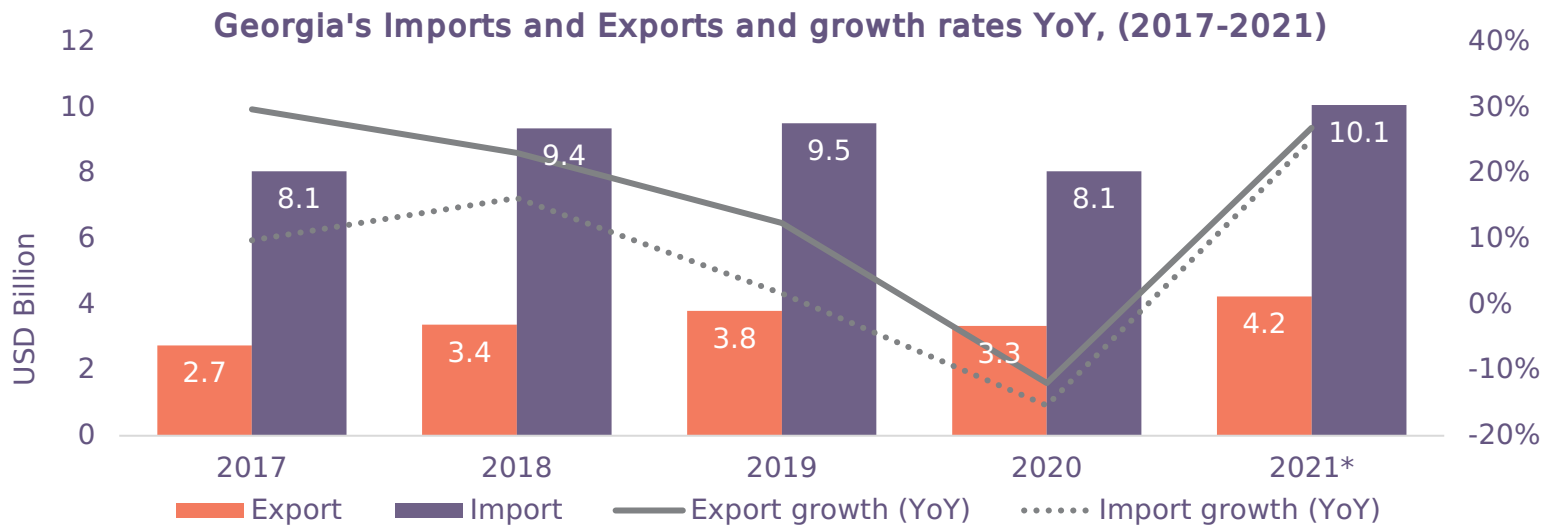
Total number of visits by domestic and international visitors and those visits as a percentage of corresponding figure in 2019



- While international visits **recovered** slightly in 2021, it was only **a fraction** of pre-pandemic levels
- Conversely, **domestic visits exceeded** pre-pandemic levels significantly in Q1-Q3 of 2021

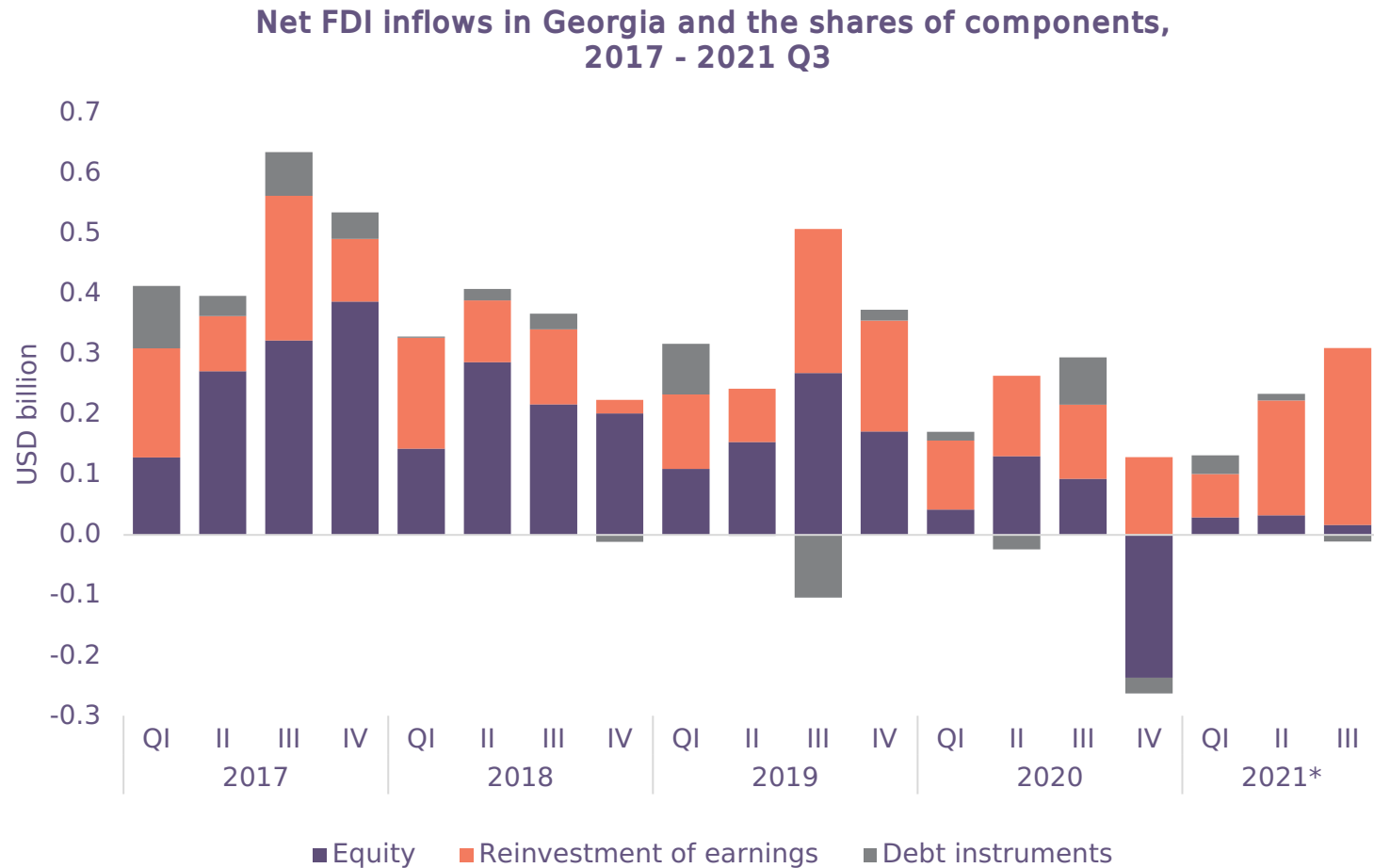


EXTERNAL SECTOR: TRADE





EXTERNAL SECTOR: FOREIGN DIRECT INVESTMENTS

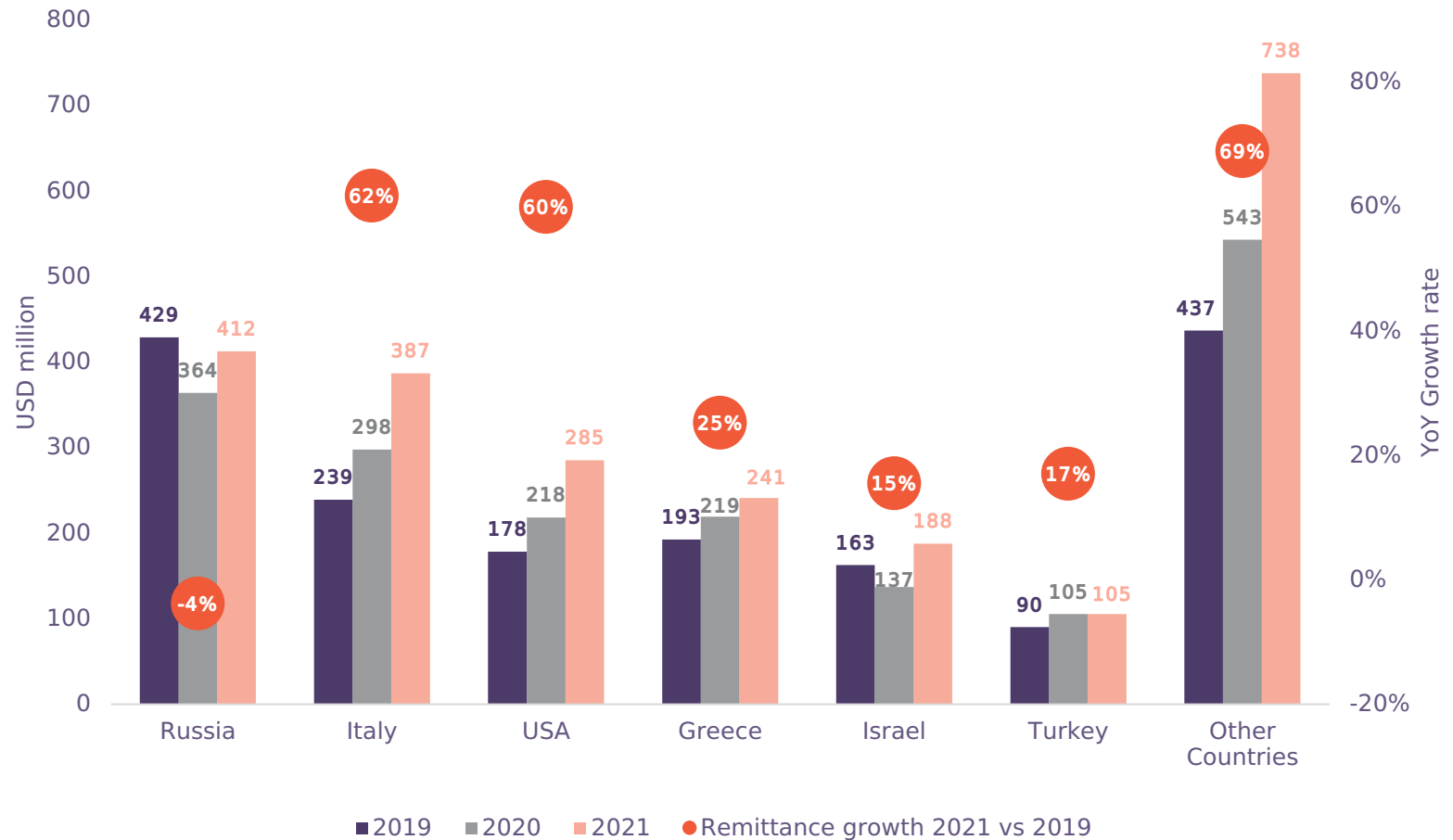


- In Q3 2021, total FDI inflows **increased** by **1.4%** when compared to Q3 2020, and **decreased** by **25.9%** when compared to Q3 2019
- In Q3 2021, the share of total FDI inflows into Georgia that were **reinvested** reached **98.1%**



EXTERNAL SECTOR: REMITTANCES

A comparison of remittances in Georgia by countries, 2019-2021



- Remittance inflows increased by **23.6%** to **2.3 billion USD** in 2021 compared to 2019, and by **12.7%** when compared to 2020

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