



GALT & TAGGART
CREATING OPPORTUNITIES

Georgia – the Outlook

Interest Rates

July 2023



Content

- Georgian economy
 - Growth
 - Currency
 - Inflation
- Interest rates - ₾/\$/€



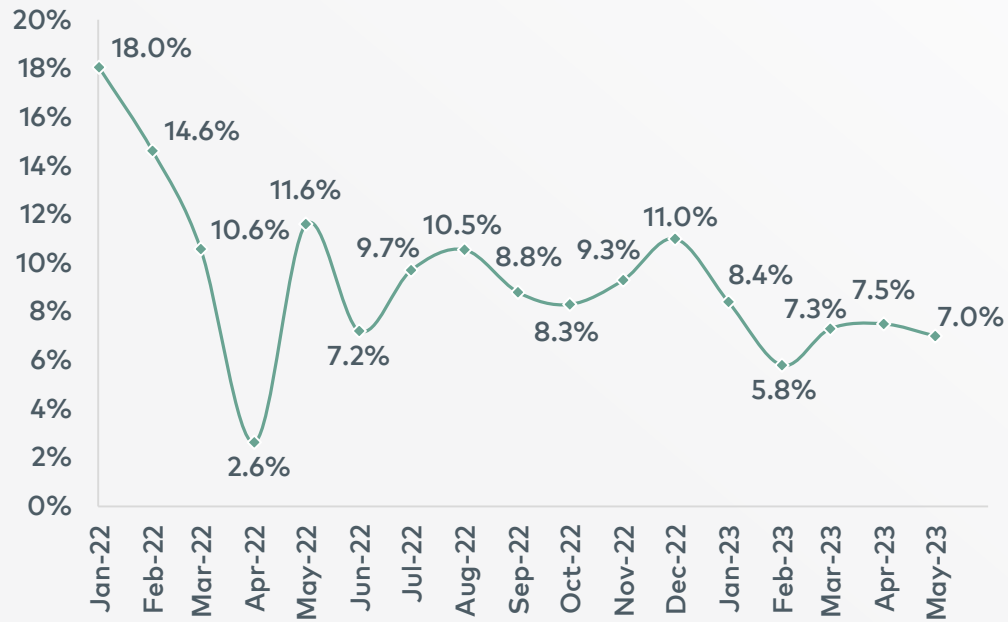


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Georgian Economy – the Outlook

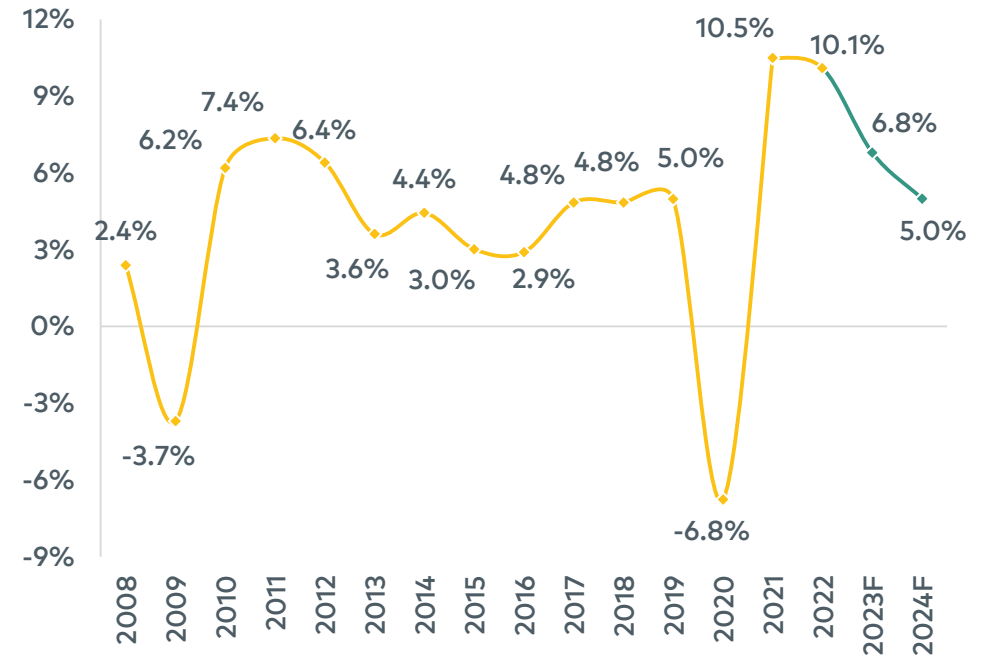
Better-than-expected growth in 2023

Real GDP growth in Georgia, % change y/y



Source: Geostat

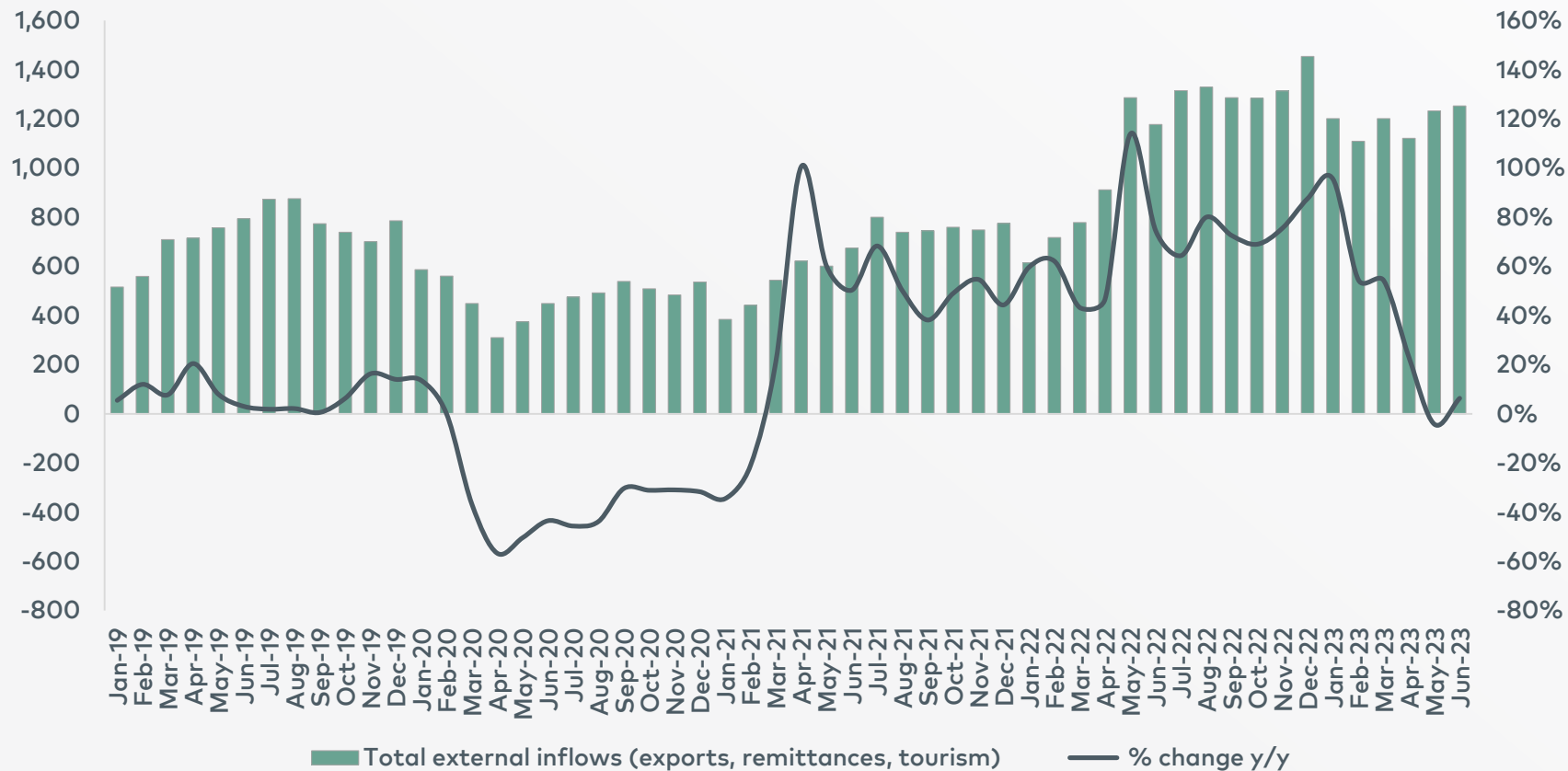
Real GDP growth forecast



Source: Geostat, Galt & Taggart

External inflows remain at a high level

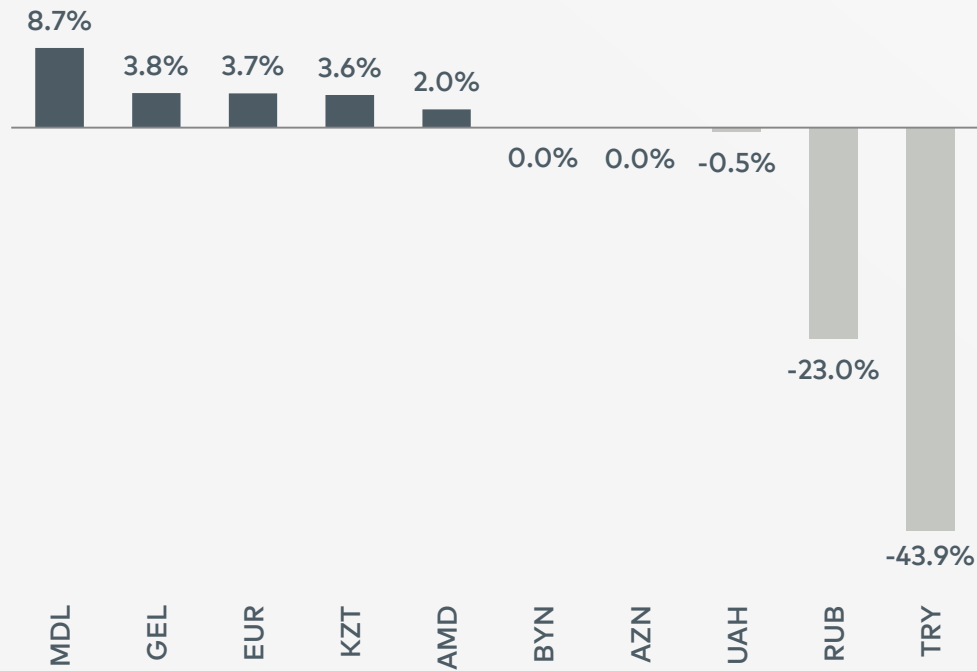
Total external inflows (exports, remittances, tourism revenues)



Source: Geostat, NBG, Galt & Taggart

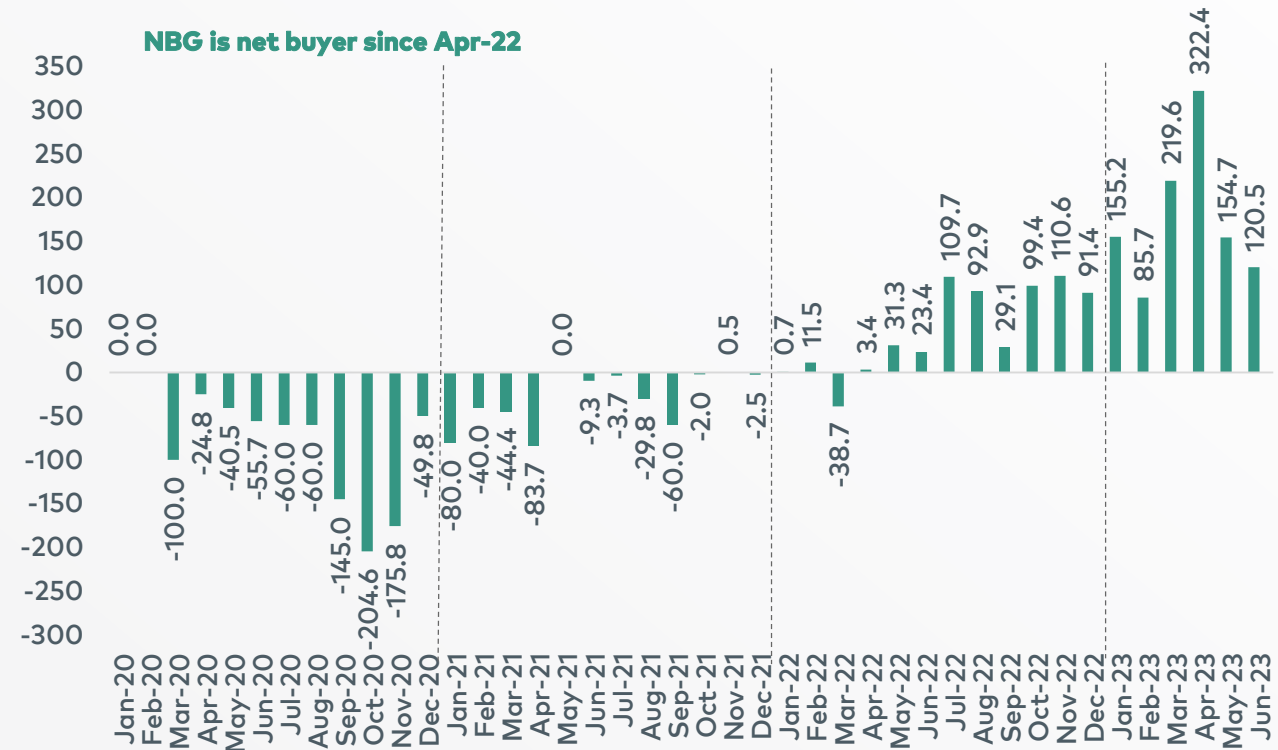
GEL is stable, reserve accumulation continues

Currencies vs dollar, 1 Jan – 25 July 2023



Source: Bloomberg
Note: +/- means appreciation/depreciation.

NBG continues building reserves

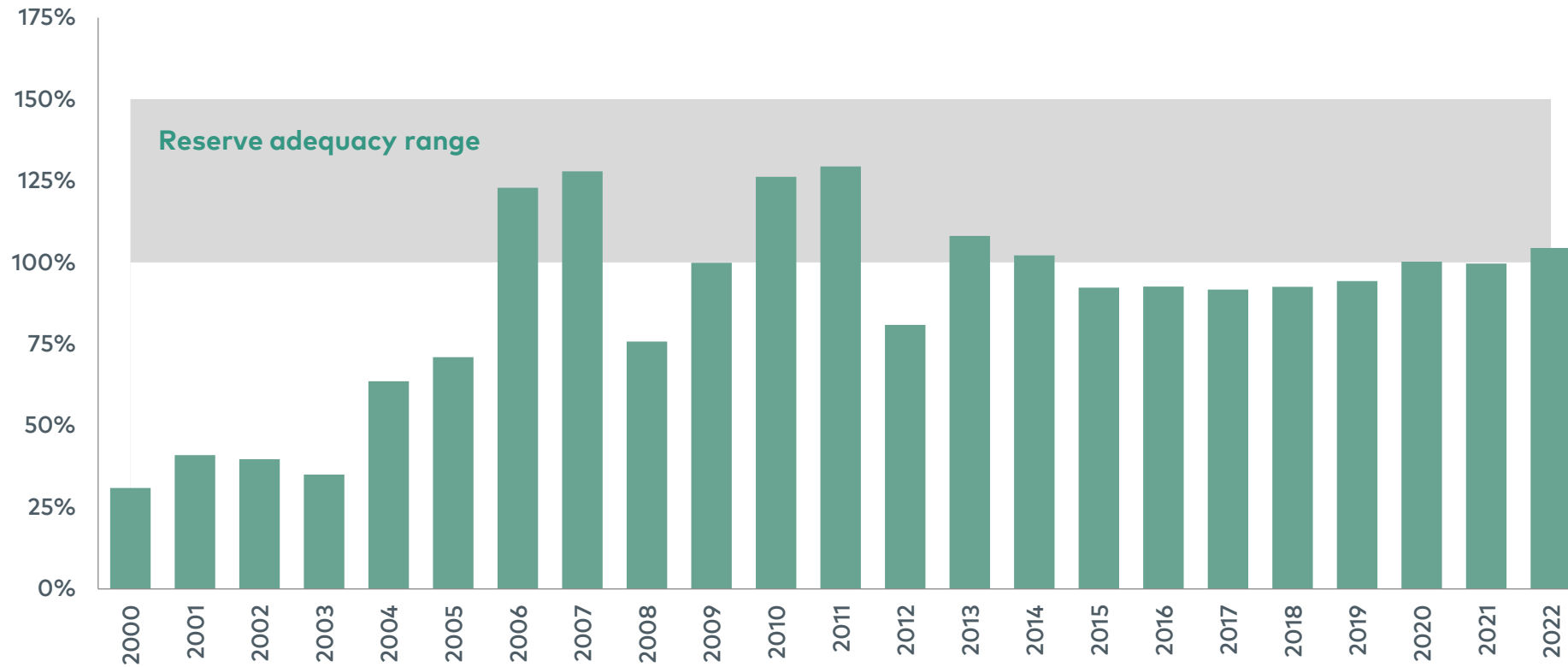


Source: NBG
Note: - means sale, + means purchase.

Georgia has adequate reserves

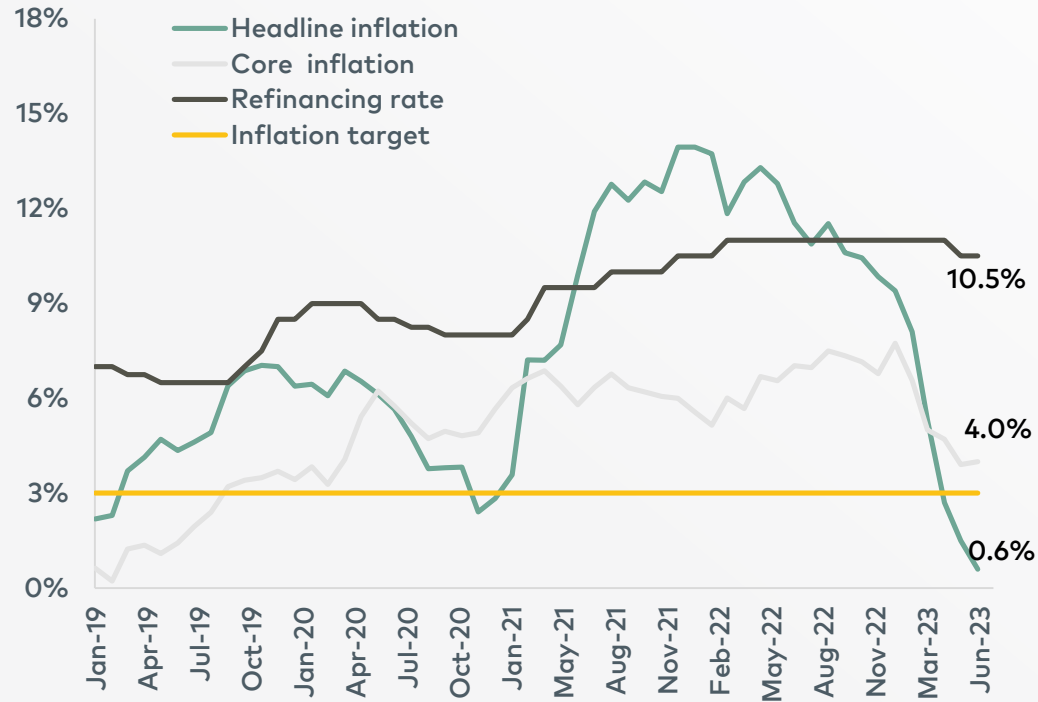
Georgia's FX reserve adequacy, ARA metric

ARA Metric = 5% × Exports + 5% × Broad Money + 30% × Short term Debt + 15% × Other Liabilities



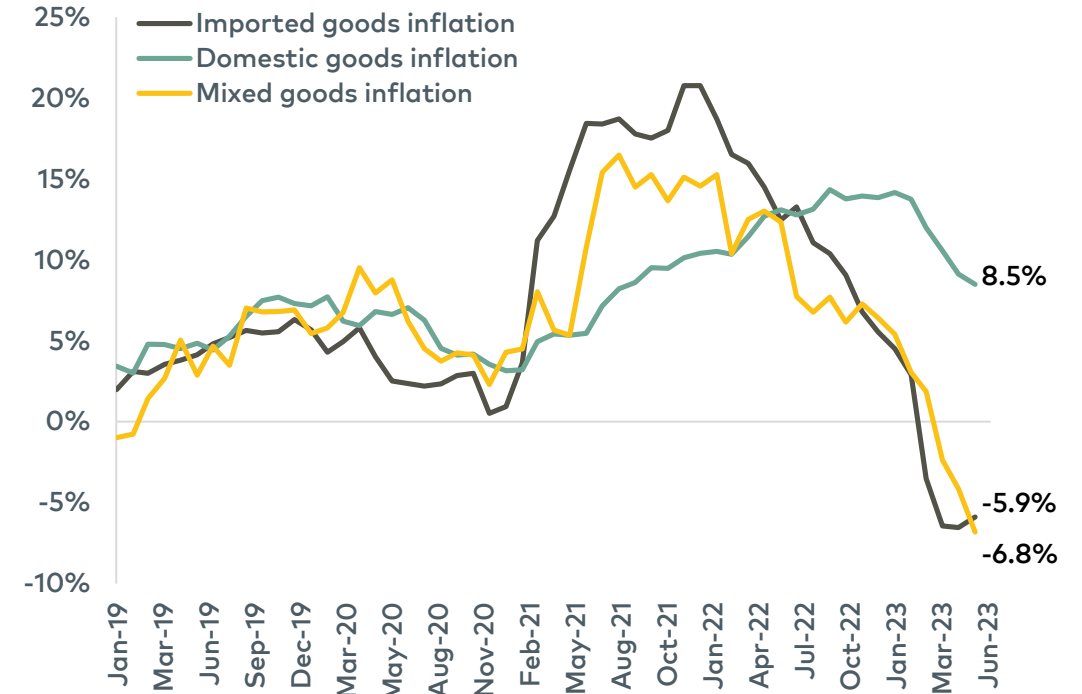
Disinflation and monetary easing expected to continue

Inflation and monetary policy rate



Source: NBG, Geostat

Imported and domestic inflation dynamics



Source: Geostat

Conclusion

GDP

We forecast real GDP growth at 6.8% in 2023 and 5.0% in 2024.



GEL/\$

We expect average GEL/US\$ at 2.6 in 2023 and 2.7 in 2024.



Risks

Geopolitical tensions and global recession fears.



Inflation

We forecast annual average inflation at 2.4% in 2023 and 3.1% in 2024.



Refinancing rate

We expect refinancing rate at 9.5% by end-2023 and at 8.0 by end-2024.





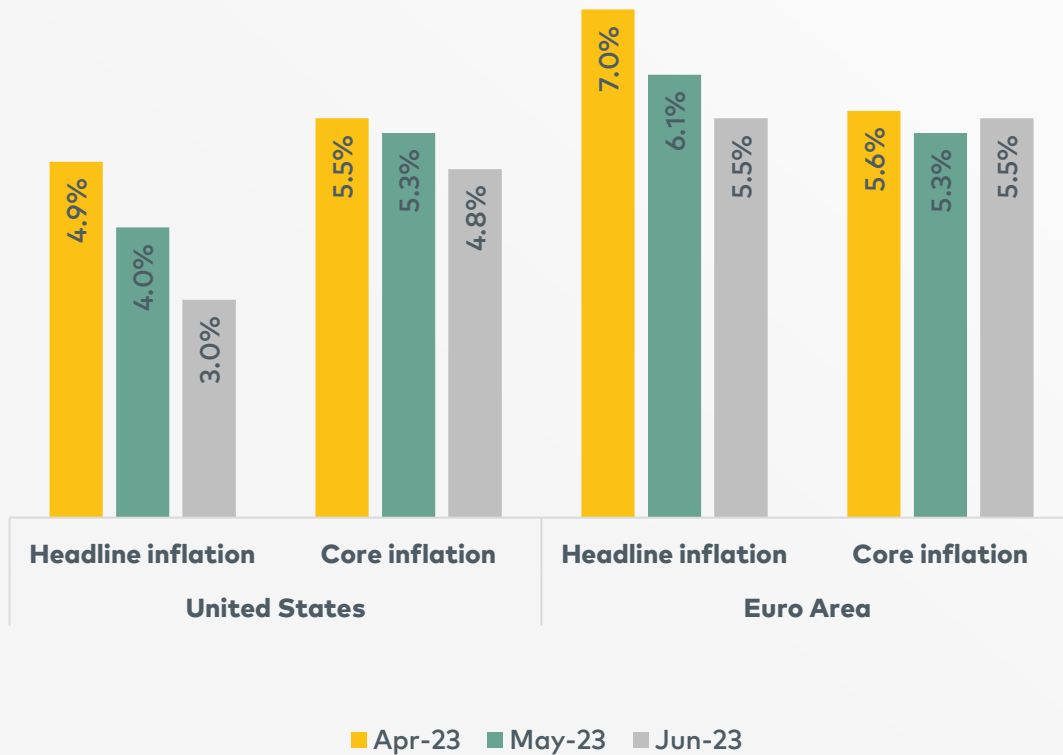
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Interest rates dynamics

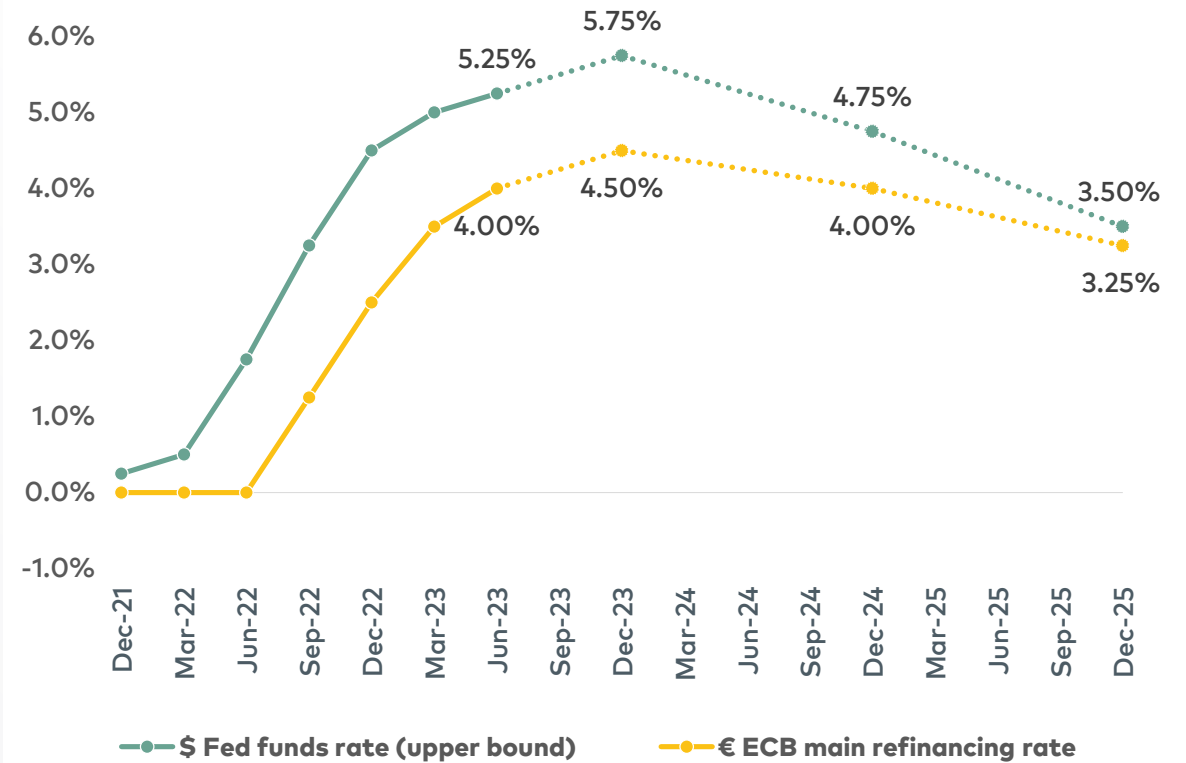
₪/\$/€

USD and Euro interest rates are on the rise

Recent inflation dynamics

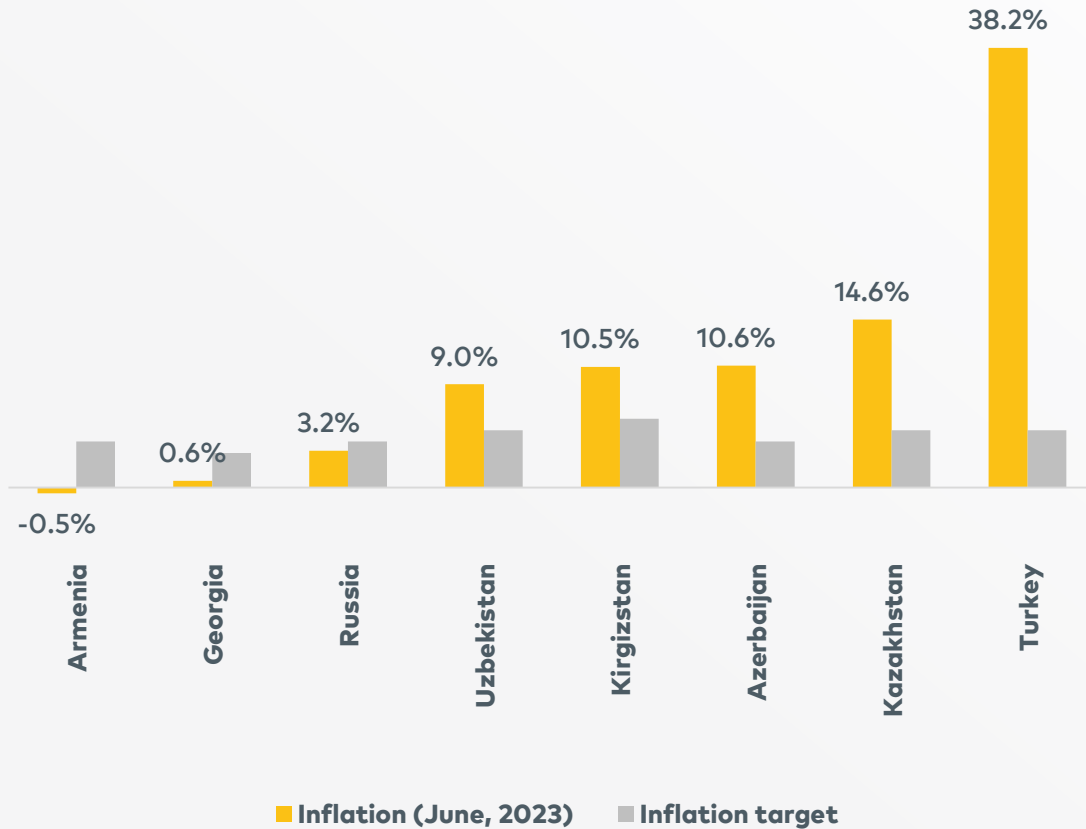


Dollar/Euro interest rates expectations

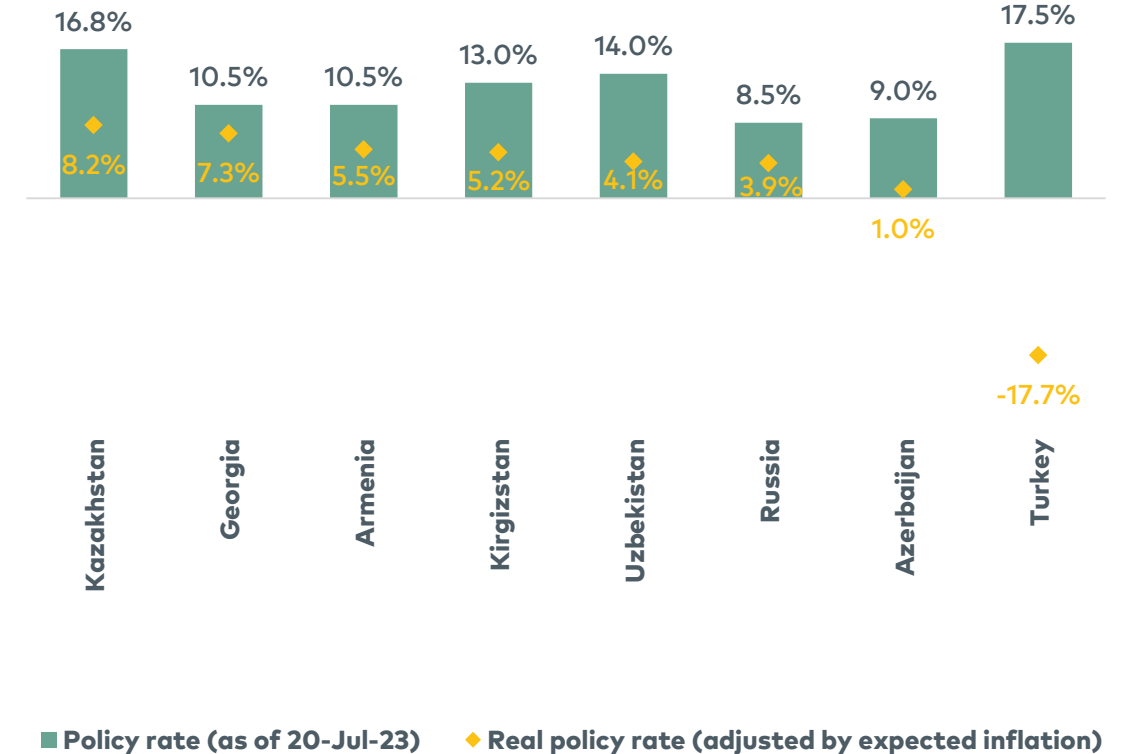


Georgia has one of the tightest monetary policies in the region

Inflation in the region

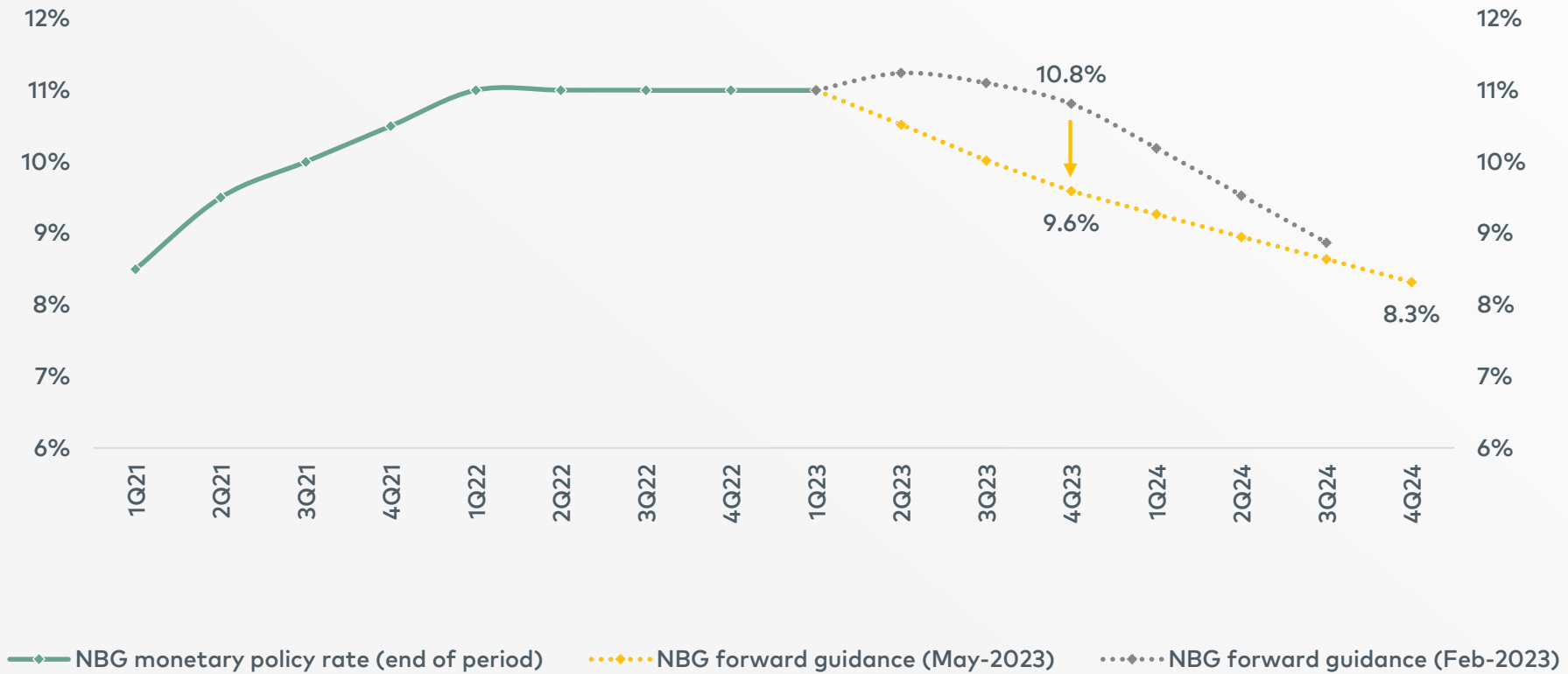


Interest rates of regional central banks



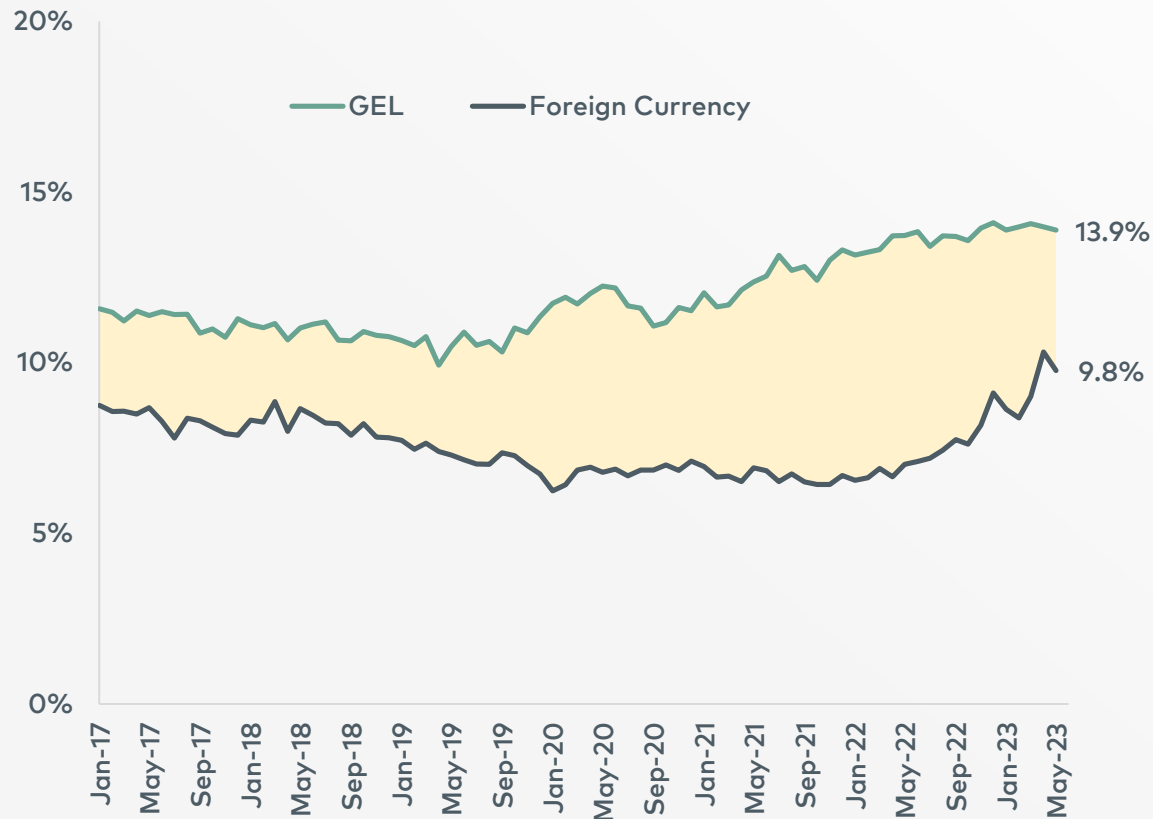
National Bank plans gradually reduce the refinancing rate

Forward guidance on NBG's refinancing rate

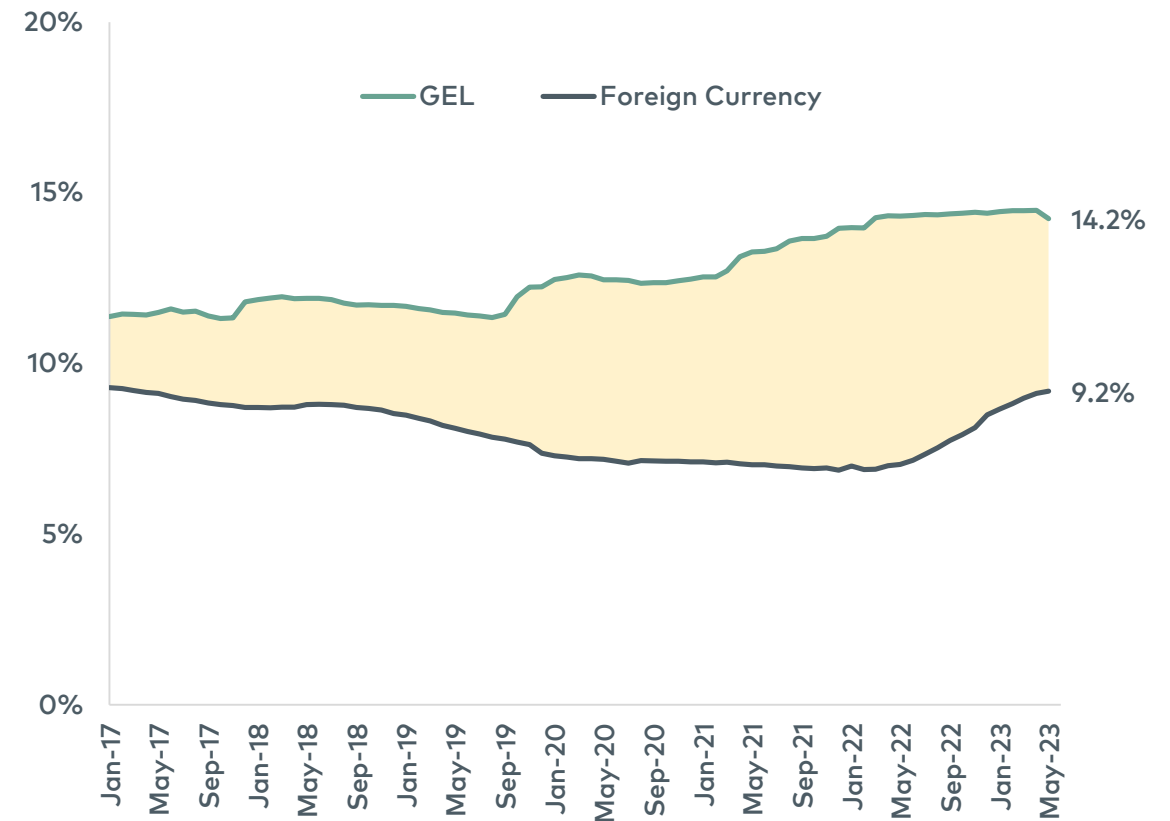


Increase in interest rates in FX has not yet been fully reflected in the portfolio of business loans

Average interest rates on legal entity business loans (flow)



Average interest rates on legal entity business loans (stock)





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