



2022 Asian Regional Forum  
on Investment Management  
of Foreign Exchange Reserves



# Effective Debt Management Strategies in Current Macroeconomic Conditions: The Case of Georgia

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# Georgia at a Glance



## Tax Policy and FTAS

0%

Corporate Income Tax on retained earning access to 2.8 BLN

## Doing Business

#8

Europe and Central Asia World Bank's Doing Business 2020 study

## Economic Freedom

#12

2021 Index of Economic Freedom by the Heritage Foundation

## Open Budget

#1

IBP Index 2021

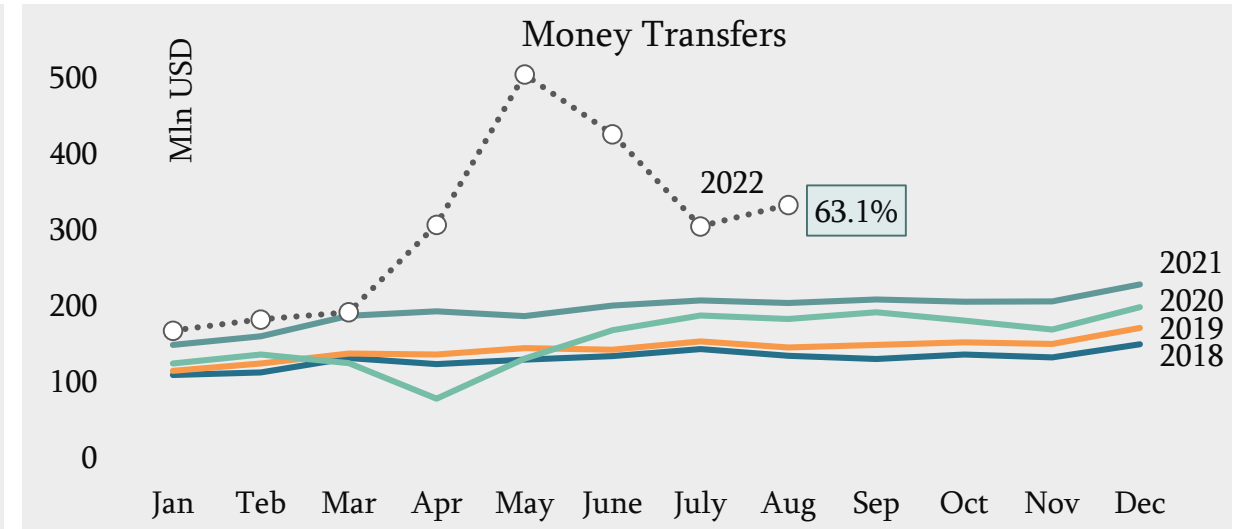
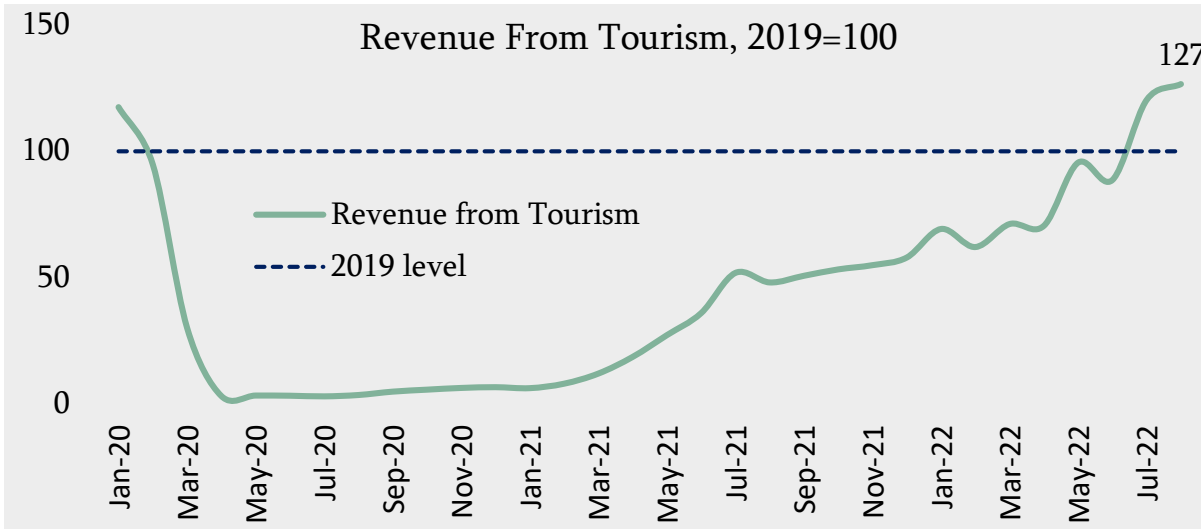
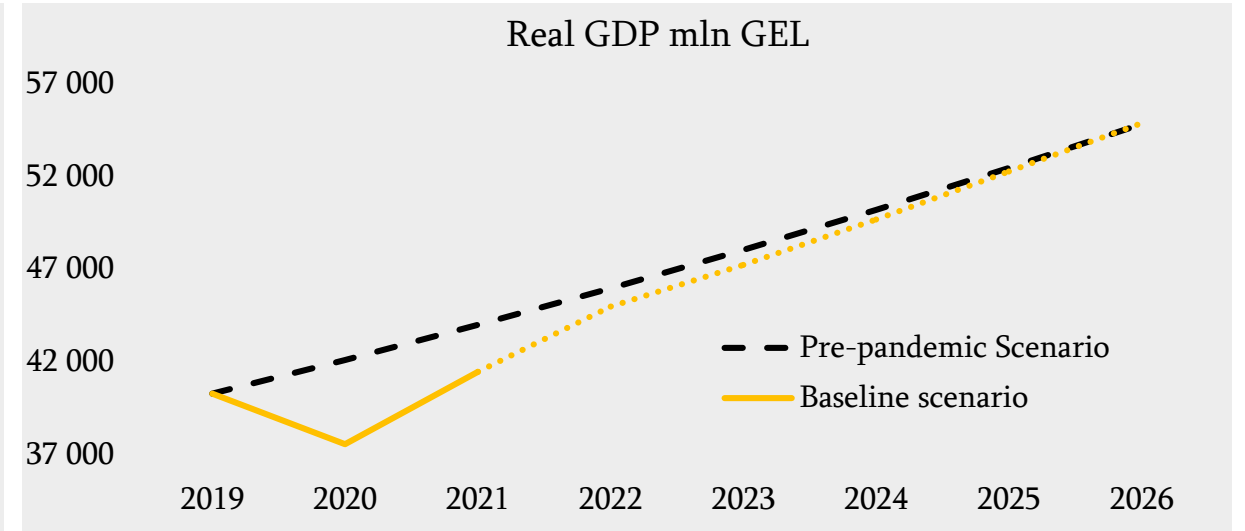
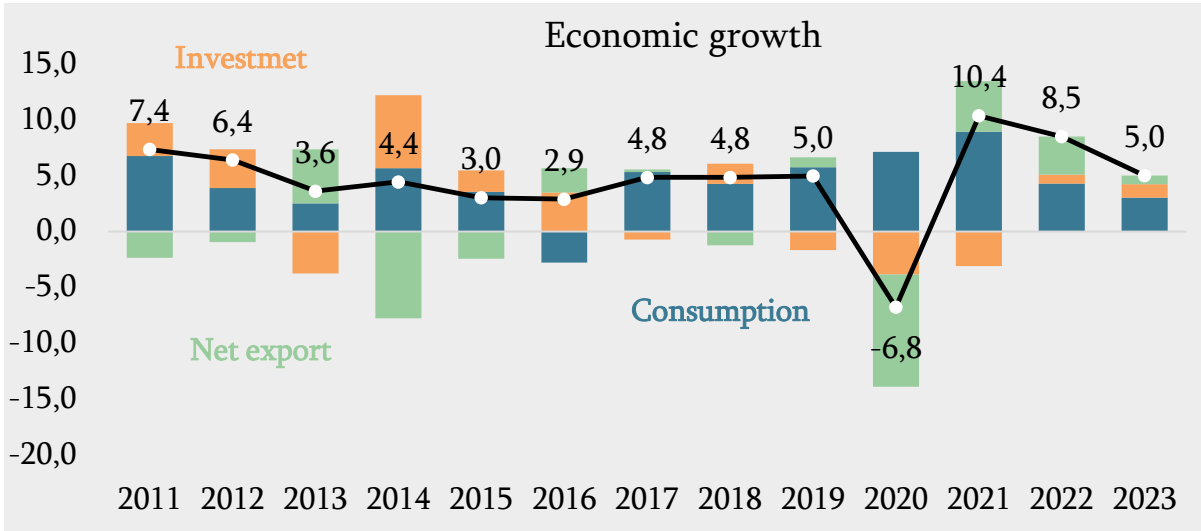
### Investor Friendly Business Environment

- ❖ No barriers for market entry and exit
- ❖ No restrictions on purchases of local assets by foreigners
- ❖ No restrictions on capital repatriation
- ❖ No restrictions on purchasing/selling foreign currencies
- ❖ No restrictions on money transfers.
- ❖ No taxes on government securities

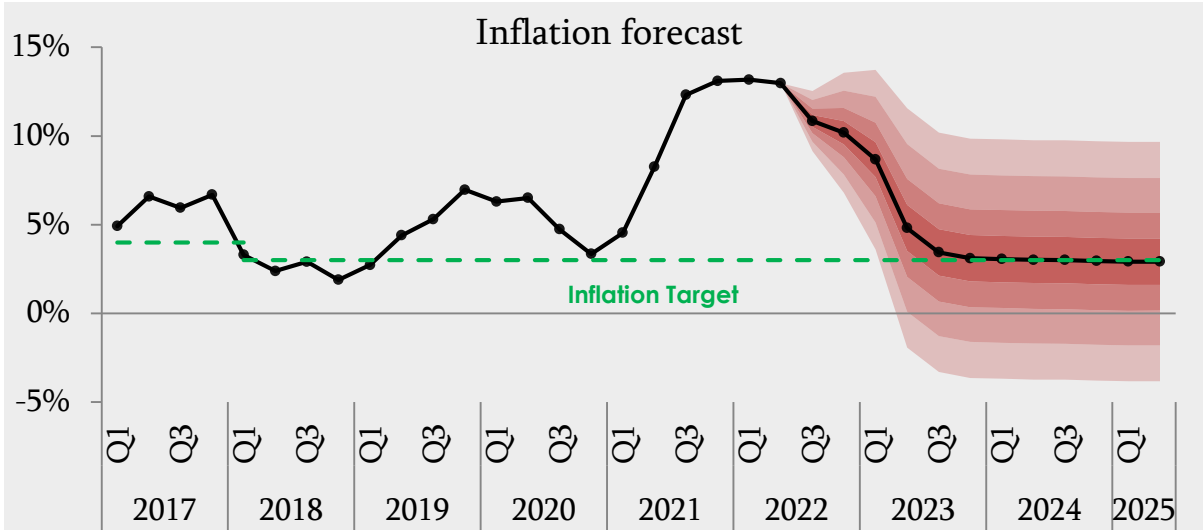
- ❖ GDP 2021: 18.7 bln USD
- ❖ GDP per capita 2021 PPP: 16,906 USD
- ❖ GDP per capita: 5,015 USD
- ❖ Average GDP real growth (2010-2021): 3.8 %
- ❖ Real GDP growth 2021: 10.4 %
- ❖ Average inflation rate (2010-2021): 4.5%
- ❖ Average Inflation 2021 inflation: 10.3%
- ❖ Government debt/GDP 2021: 49.4%

Rating Agency	Rating	Outlook	Affirmed
Moody's	Ba2	Negative	Apr. 2022
S&P Global	BB	Stable	Aug. 2022
Fitch Ratings	BB	Stable	Jul. 2022

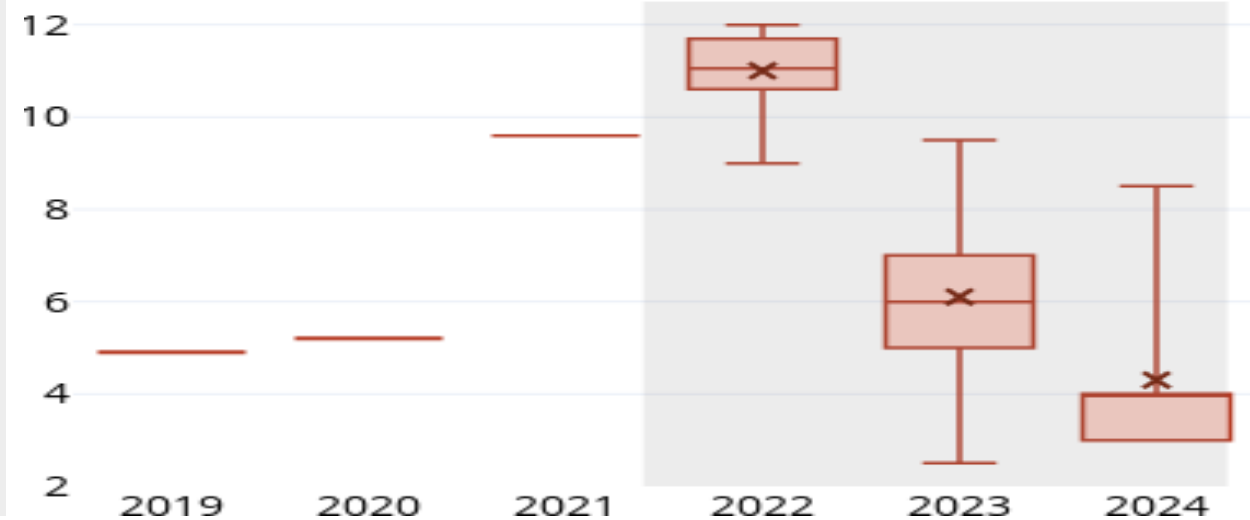
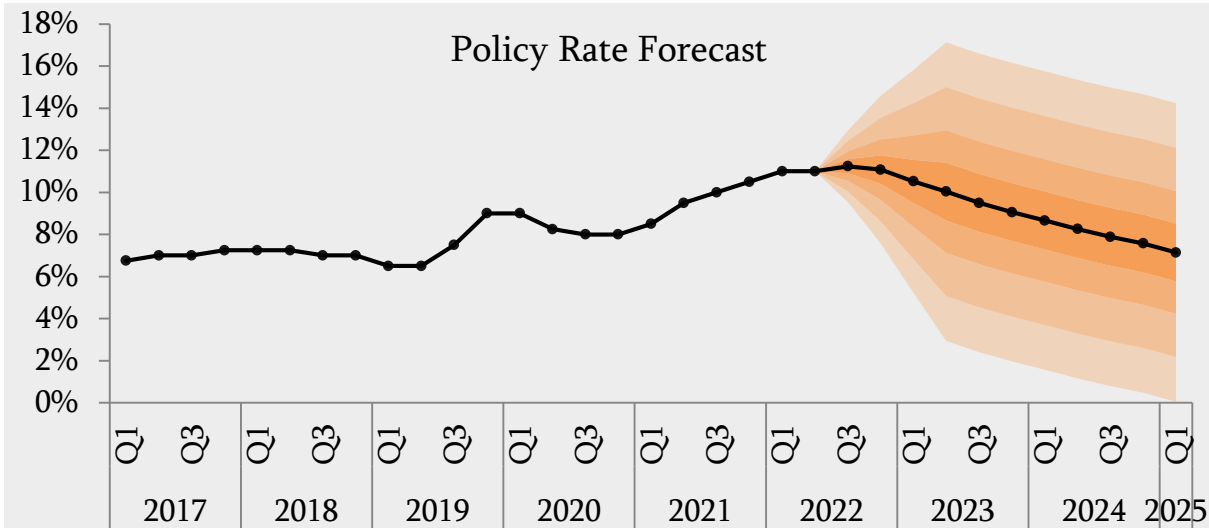
# Macro Overview



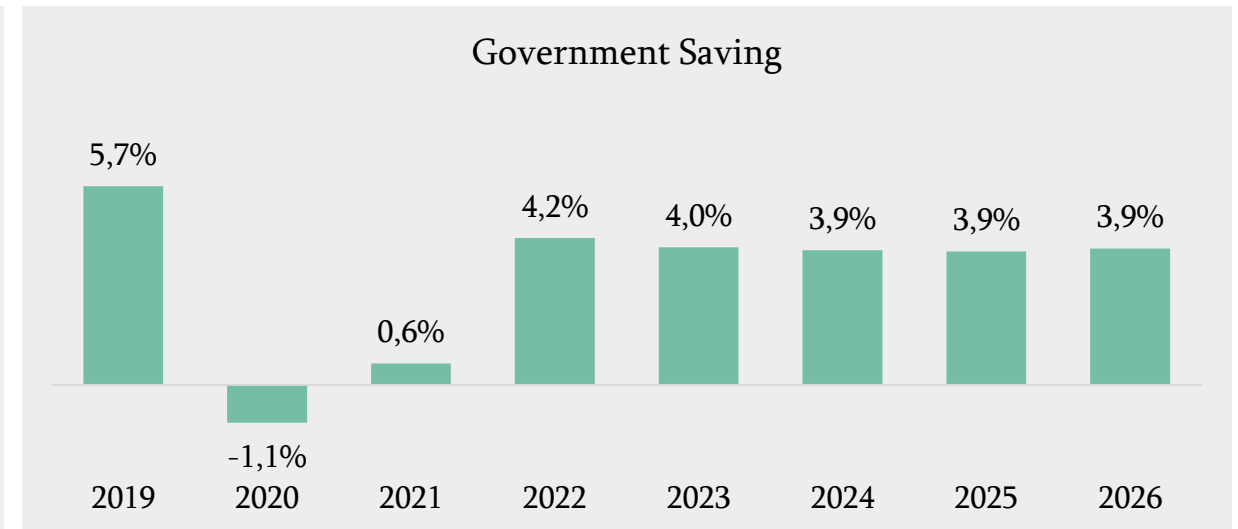
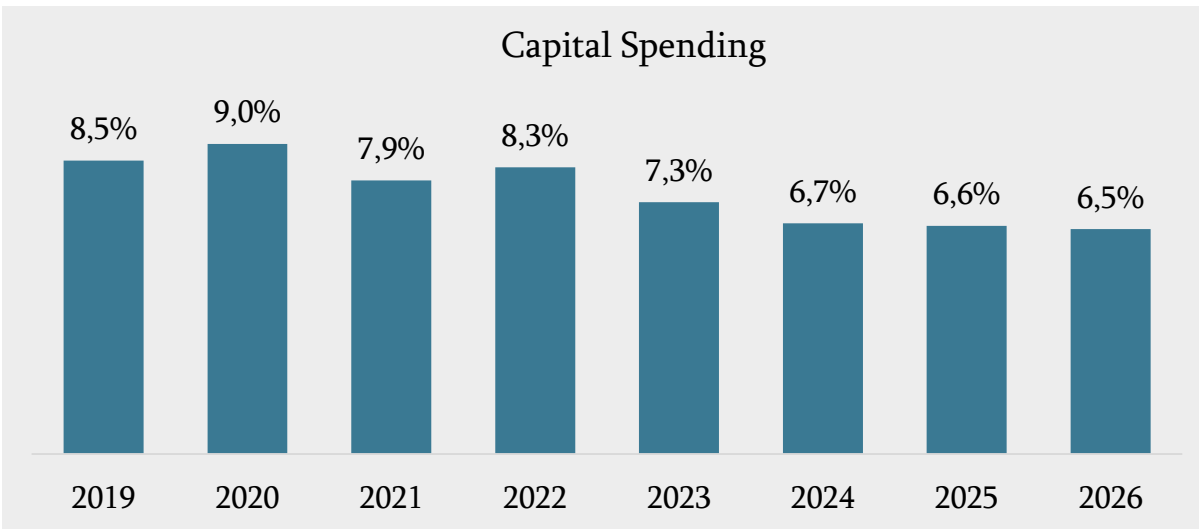
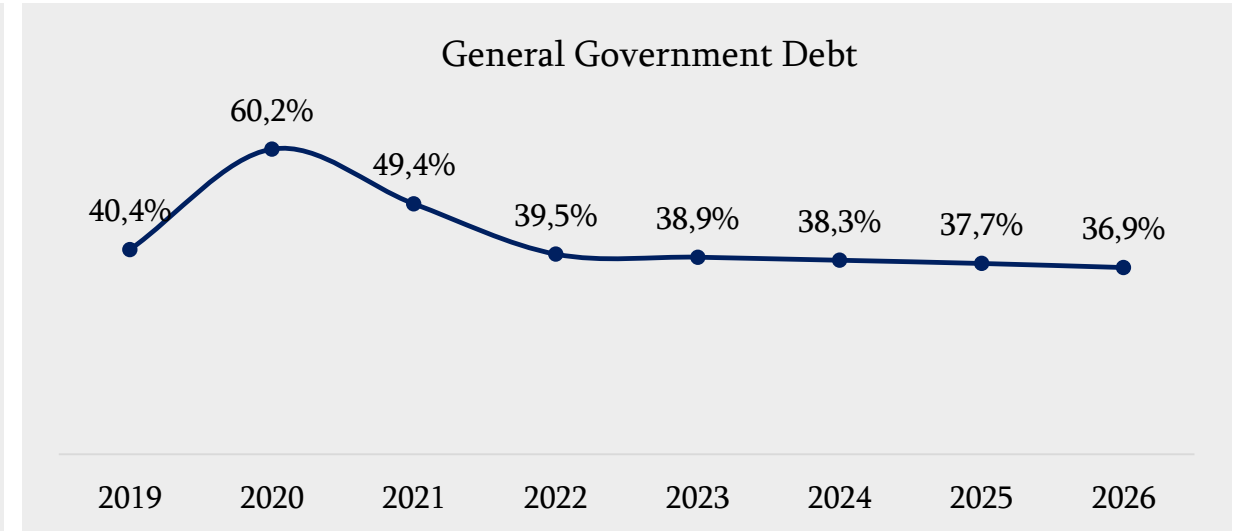
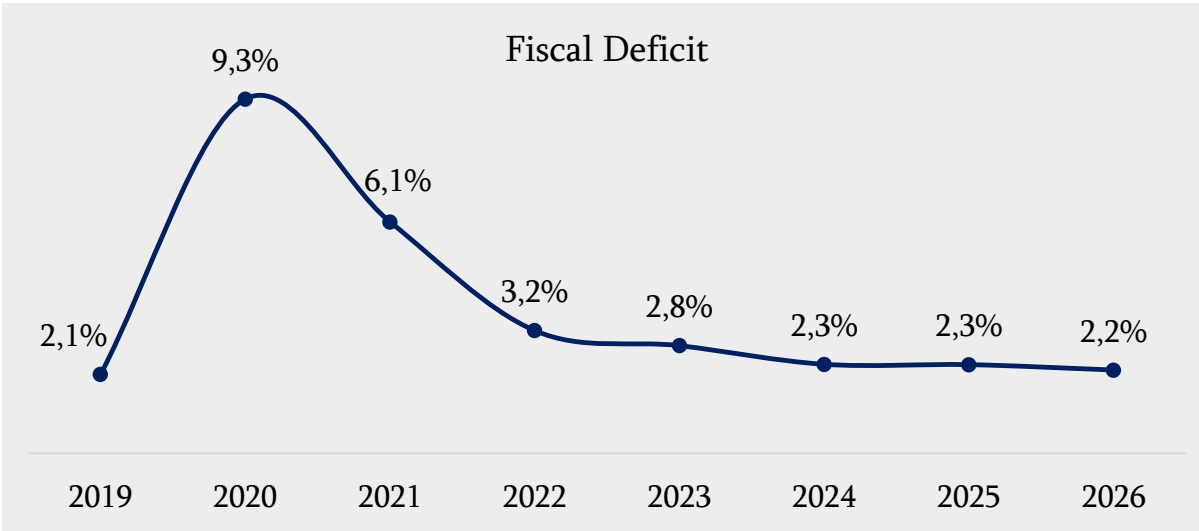
# Inflation



- Inflation exceeded 10 percent
- NBG is committed to bringing inflation back to the target
- Approaching the target in the second half of 2023
- Most likely, the next move of the NBG will be on a rate reduction side.
- Market expectation is greatly in line with NBG's projection of inflation



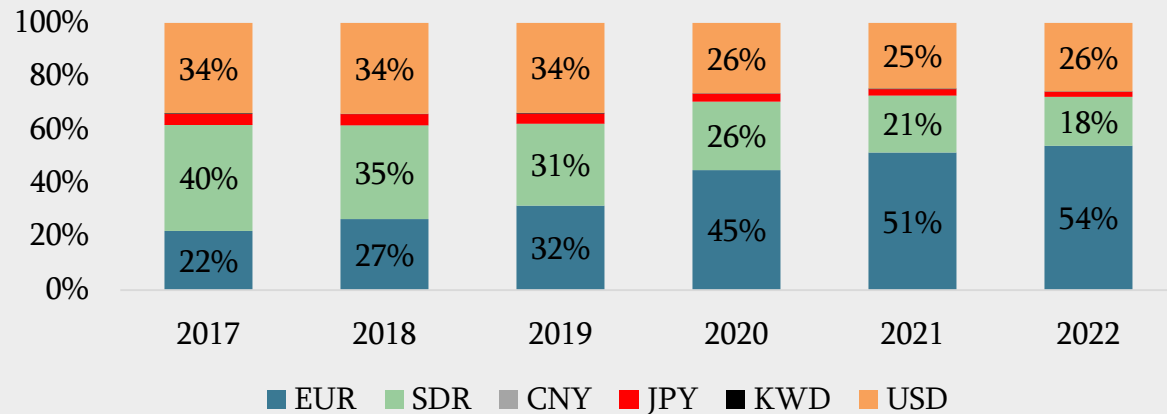
# Fiscal Policy



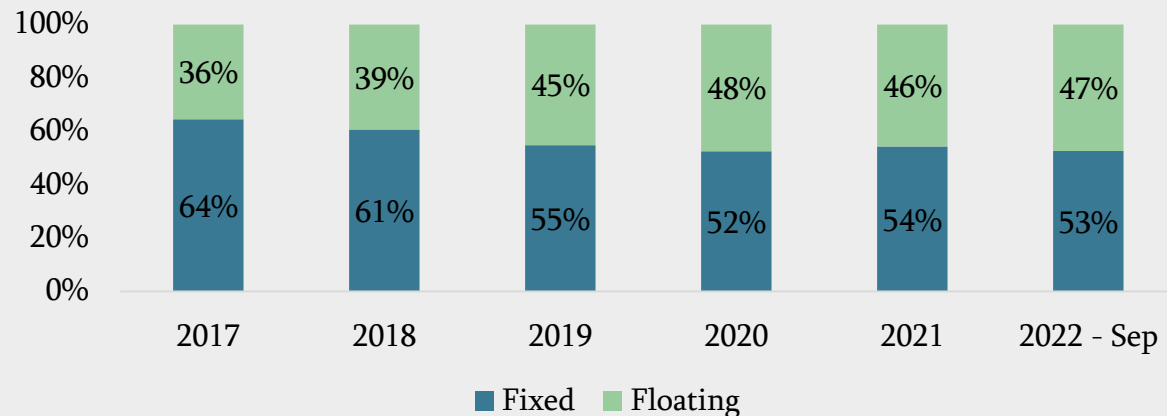
# Debt Portfolio Dynamics



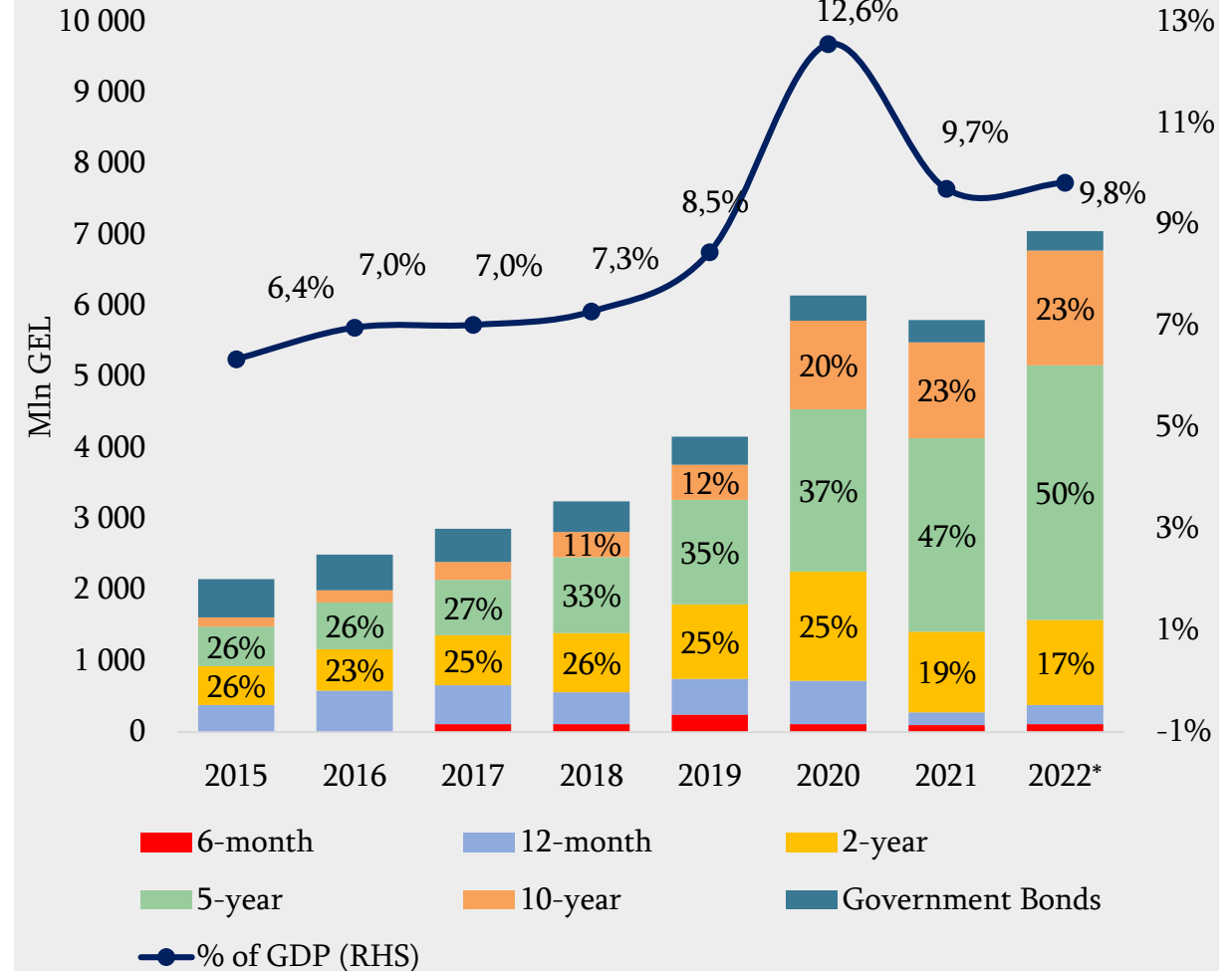
### External Debt - Currency Composition



### Interest Type Composition of Government External Debt



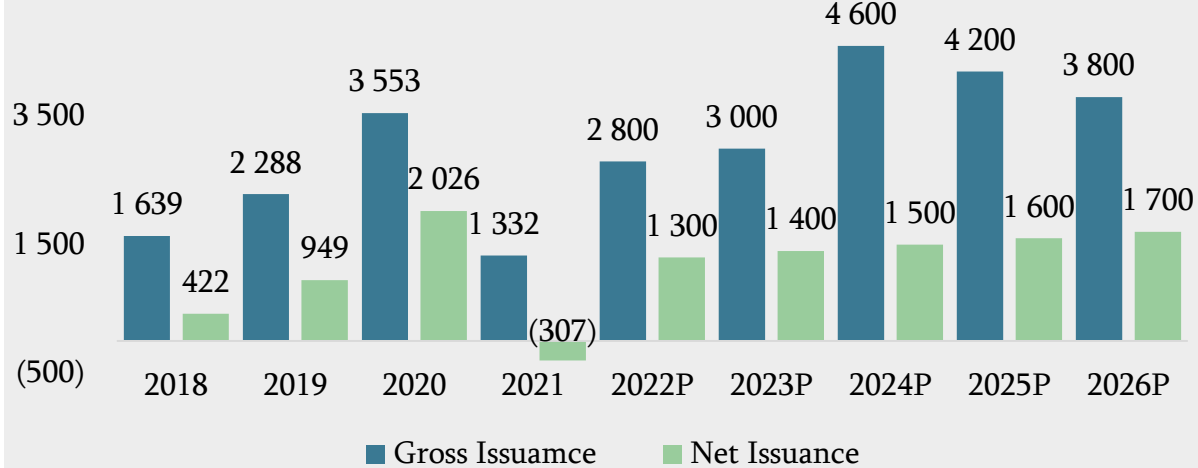
### Domestic Debt Dynamics



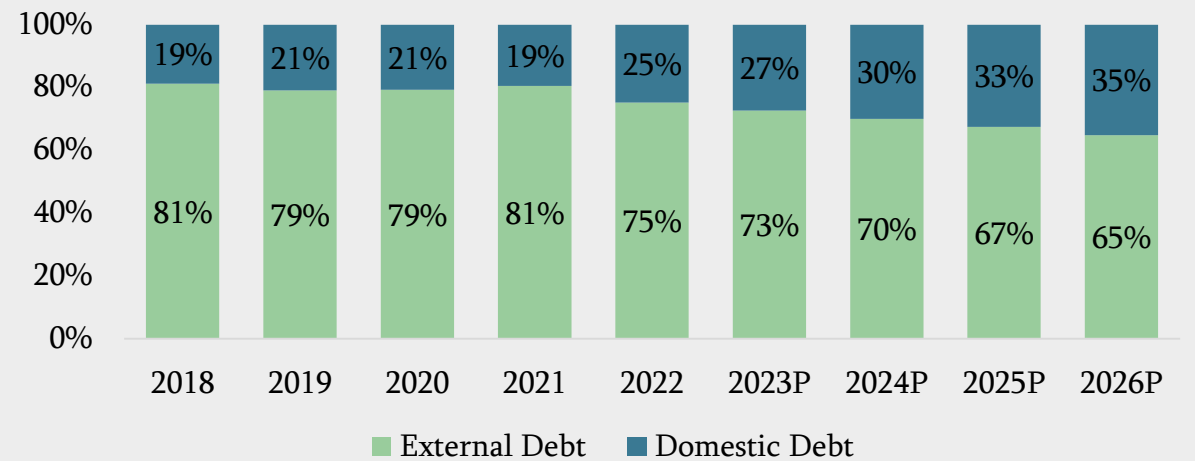
# Financing Policy



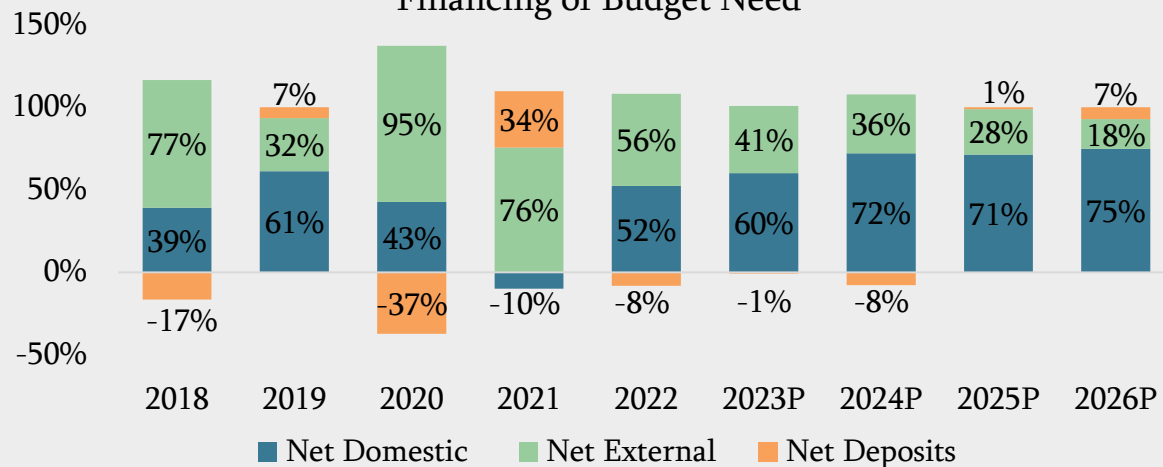
Dynamics of Issuance on the Local Market (mln GEL)



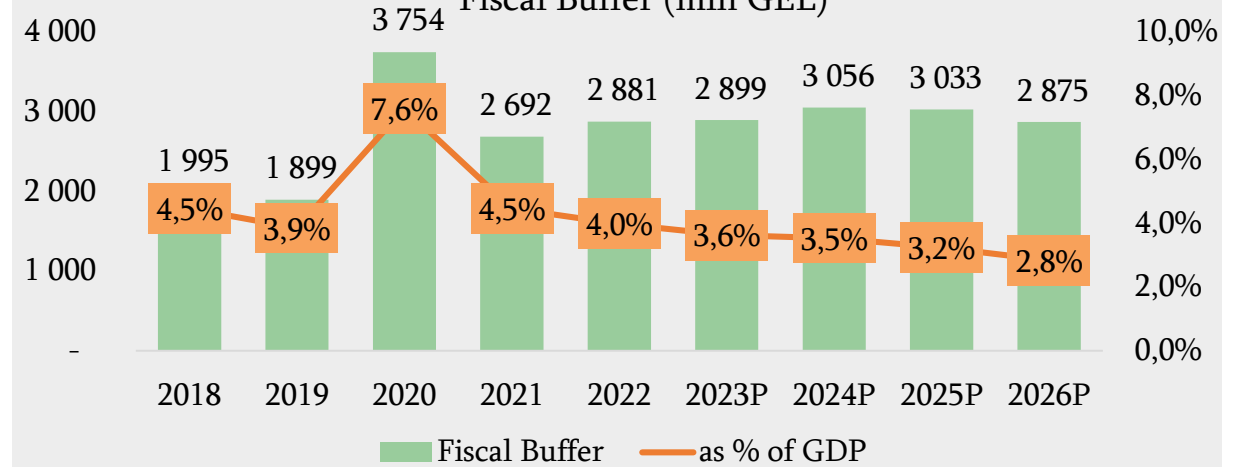
Dollarization of Government Debt



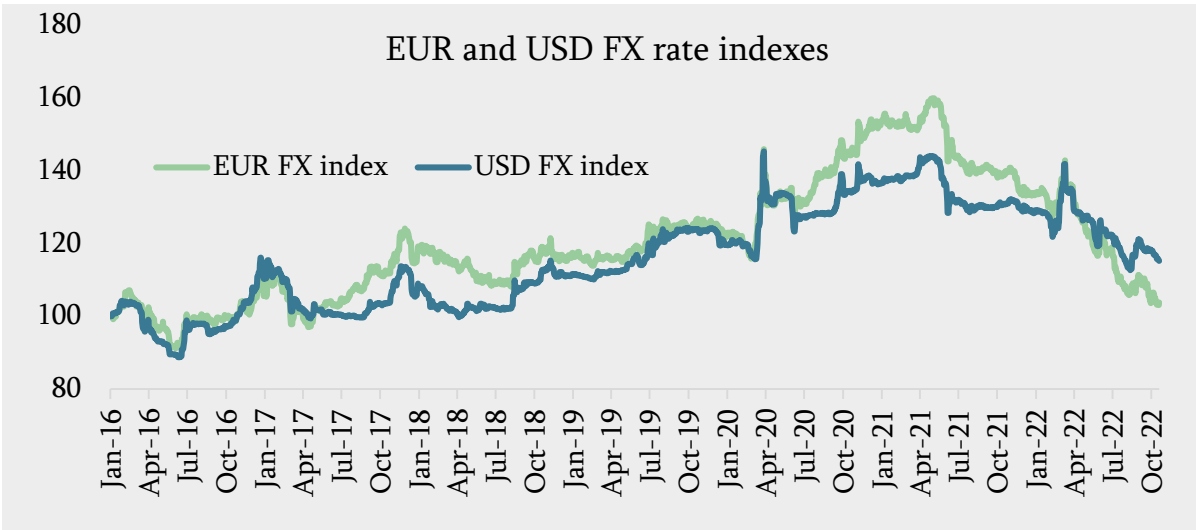
Financing of Budget Need



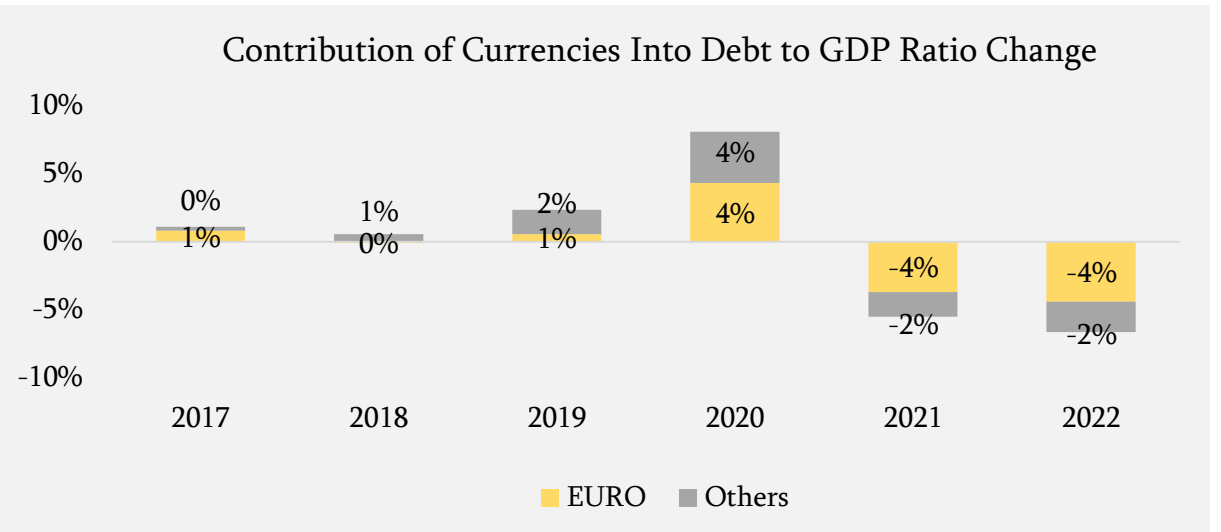
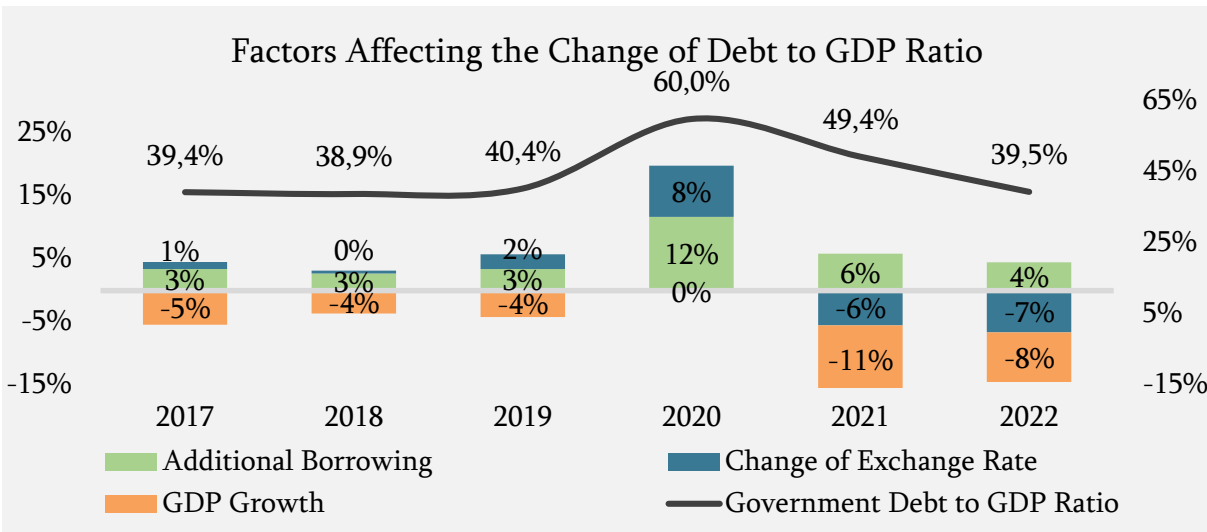
Fiscal Buffer (mln GEL)



# Exchange Rate Impact on Debt



- A significant part of public debt is denominated in hard currencies (80% in 2021)
- Therefore, FX volatility has a substantial impact on the debt level
- In 2020, the beginning of the pandemic, local currency depreciation had a significant impact to debt to GDP ratio
- After 2020, debt to GDP ratio declined significantly due to the local currency appreciation against the USD and EUR





# Key Takeaways



- The high share of external debt – requires a gradual move toward domestic borrowing
- The rapid growth of global rates – a cautious balance is necessary between fixed vs floating-rate borrowing
- Domestic debt market development is vital to tackle challenges coming from the global environment
- Gradual increase of EURO borrowing - a priority while borrowing from external sources

Thank you for your attention!