



December 2020

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in November annual economic growth amounted to -7.7%
- Annual inflation amounted to 2.4% in December
- In December, GEL appreciated against USD (by 0.7%), and EUR (by 2.1%) MoM

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*According to the release calendar of the statistical data, some indicators represent the variables of the previous month

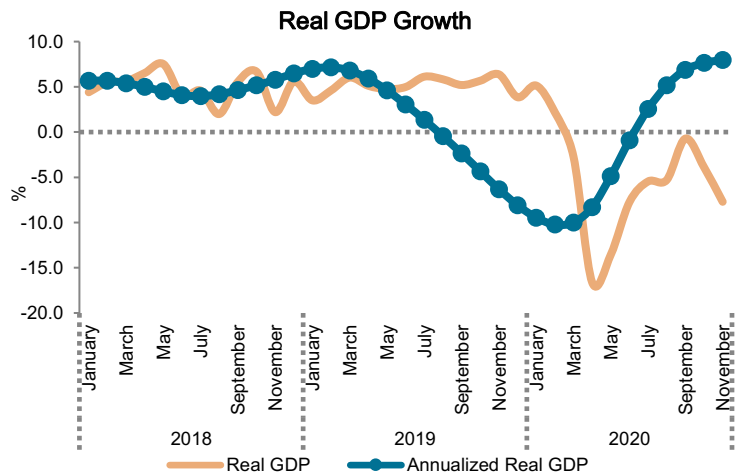


1. Real and Fiscal Sector

In November, negative annual economic growth was 7.7%.

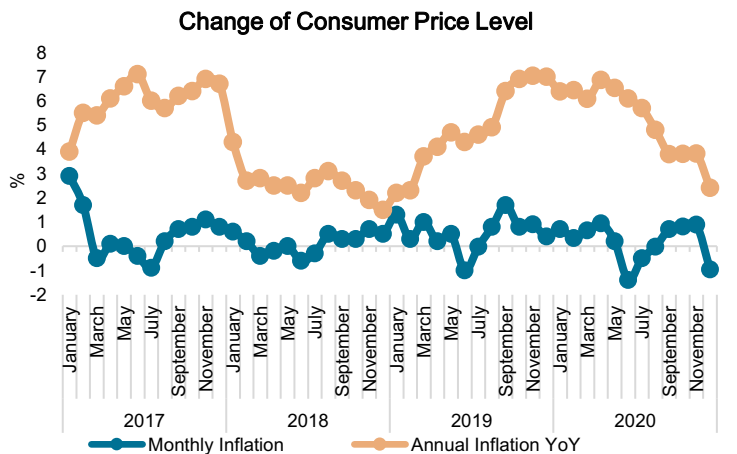
In accordance with preliminary estimates of GEOSTAT, in November 2020, annual real GDP growth amounted to -7.7%.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 8.0% in November.



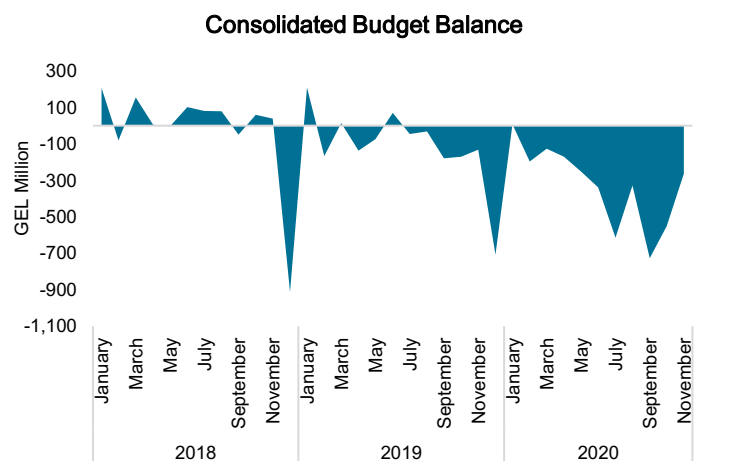
In December, annual CPI inflation amounted to 2.4%

In December 2020, inflation rate amounted to 2.4%, lower than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, healthcare, furnishing, household equipment and maintenance, tobacco and alcoholic beverages, housing, water, electricity, gas and other fuels. In November 2020, annual GDP deflator amounted 5.7%.



In November, the general government net lending/borrowing was negative.

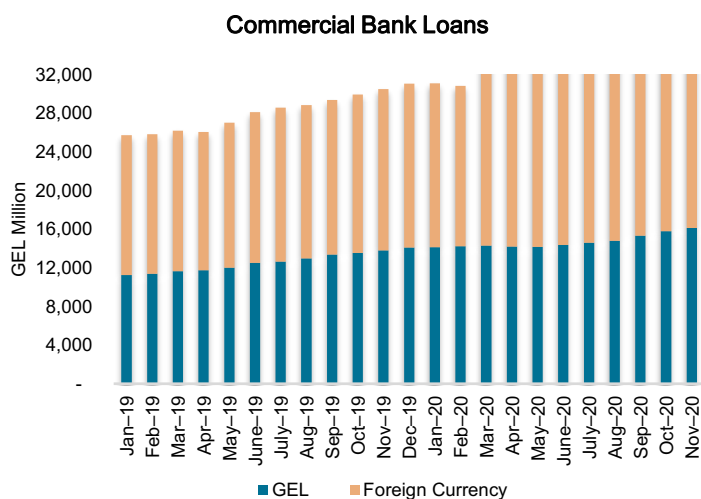
In November 2020, general government revenues increased by 2.8% YoY, while expenses increased by 19.8%. In the analyzing period, the general government positive net operating balance (government savings) amounted 39.0 million GEL, while the negative net lending/borrowing was defined by 263.7 million GEL.



¹ MoM annualized growth rate of real GDP is calculated on the basis of real GDP data by removing seasonality and random shocks, in order to showcase development trends

In November, compared to the same period of the previous year, commercial bank loans to the national economy exhibited an essential growth trend in both national and foreign currencies.

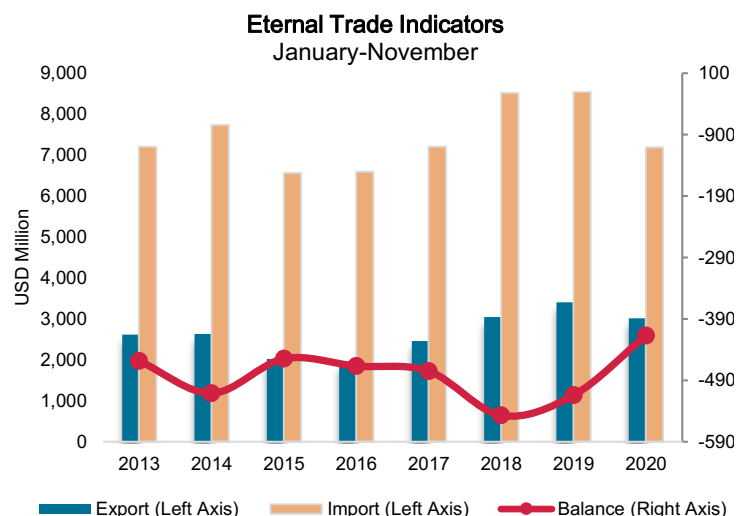
In November 2020, comparing to the November of the previous year, commercial bank loans increased by 19.7% YoY and amounted to 36.5 billion GEL. National currency loans increased by 16.9%, while foreign currency loans increased by 22.1%.



2. External Sector

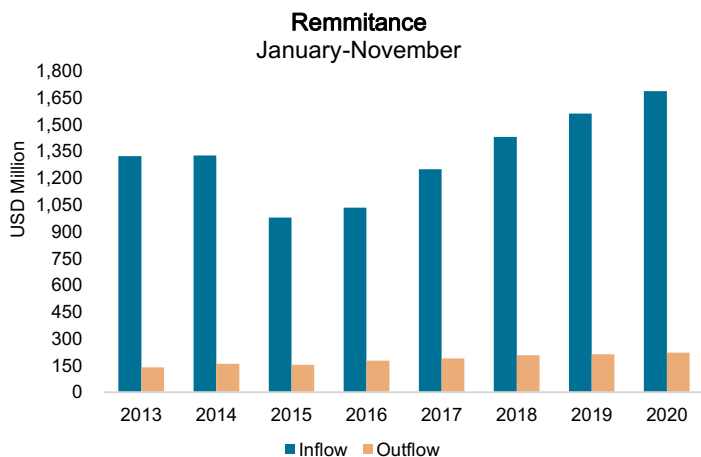
In January-November, export, as well as import of goods had decreased.

In January-November 2020, exports decreased by 11.3%, and import - by 15.9% YoY. This was basically caused by trade reduction. During this period, the share of exports in external trade amounted to 29.6%. Growth in export was substantial in the following countries: China (by 131%), Spain (87%) and Switzerland (26%). It needs to be mentioned that during this period export significantly decreased in Armenia (56%), USA (25%), Ukraine (17%) and Russia (13%).



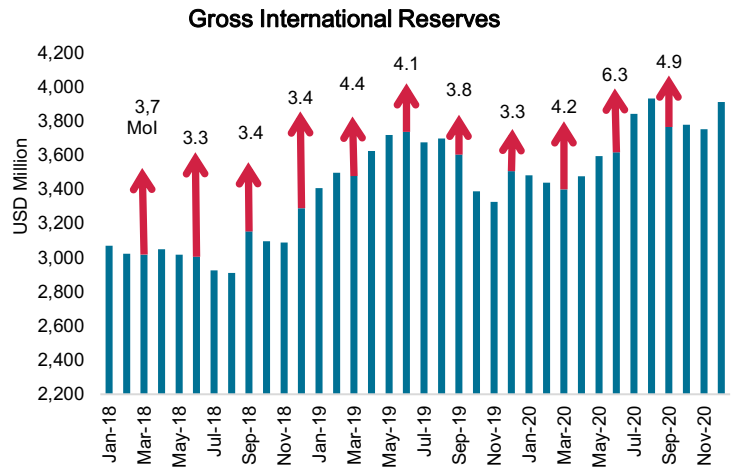
In November remittance increased

In November 2020, remittances increased by 12.5% YoY. The main source of money transfers are EU countries (42% of total), Russia (19%) and USA (12%). In the analyzing period, remittances increased significantly from following countries: Azerbaijan (by 208%), Ukraine (by 124%), Germany (by 65%), USA (by 36%) and Italy (by 28%). Meanwhile remittance decreased from Russia (by 16%).



In December 2020, International Reserves amounted 3,911 million USD.

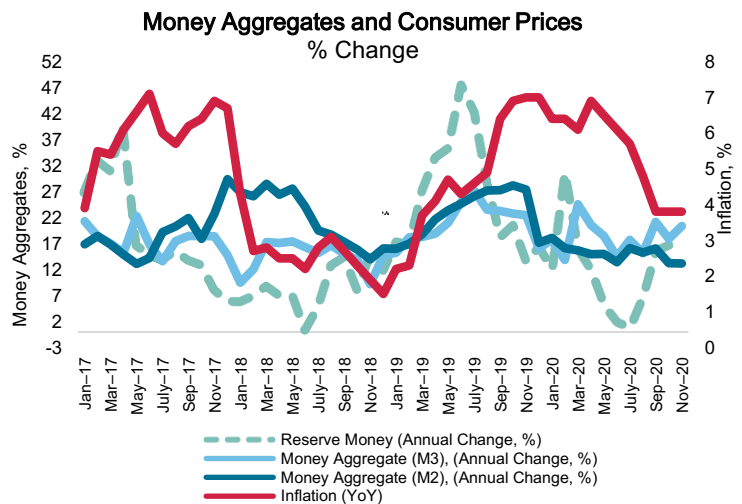
In December 2020, international reserves amounted to 3,911 million USD, which is 11.5% YoY increasing and 4.3% MoM decreasing. In November 2020, in response to the sharp exchange rate depreciation National bank sold 173.8 million USD. In January-June 2019, the National Bank of Georgia acquired 165 million USD through the auctions and 50 million USD through the used options, also in August-November bank sold 92.8 million USD.



3. Monetary Sector

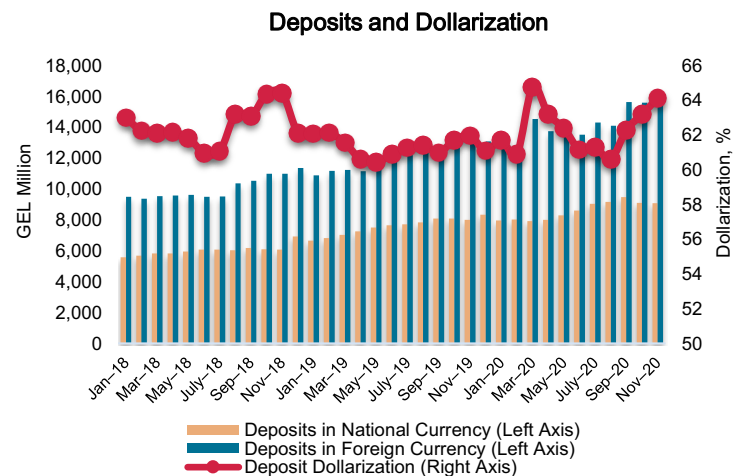
In November, compared to the same period of the previous years, reserve money had growth tendency.

In November 2020, reserve money increased by 16.7% YoY, money aggregate M2 – by 13.2%, and money aggregate M3 – by 20.4%. In November 2020, consumer price inflation amounted to 3.8% YoY.



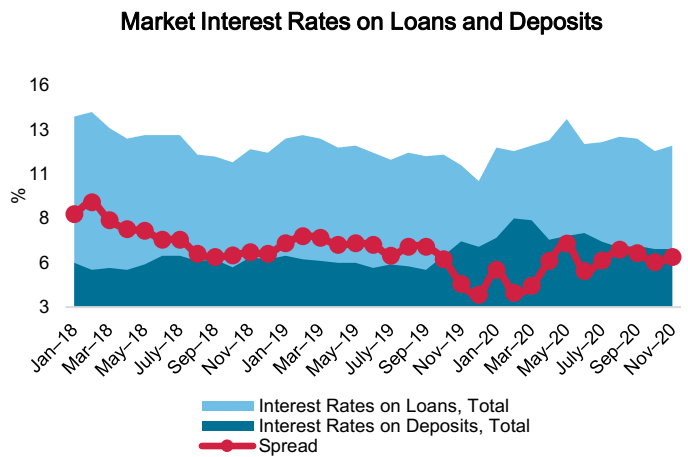
In November, the dollarization increased on deposits as well as on loans MoM.

In November 2020, the deposit dollarization indicator increased by 0.96 pp and amounted 64.13%, also the loan dollarization has increased by 0.38 pp and made up to 56.20%. In November, foreign currency deposits increased by 4.0% MoM, while national currency deposits decreased by 0.2%.



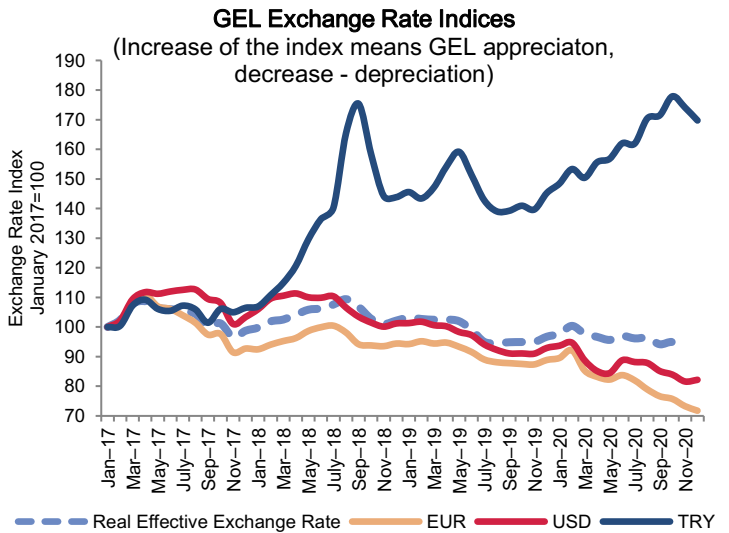
In November, interest rates decreased on deposits did not change while on loans has increased (by 0.3 pp) MoM.

In November 2020, market interest rates on loans amounted to 12.1%, while interest rates on deposits was defined at 6.3%. The interest rate spread (difference between loan and deposit rates) amounted to 5.8% as of November 2020, 1.5 pp higher compared to November 2019.



In December, compared to the previous month, GEL rate shows appreciation towards USD and depreciation towards EUR.

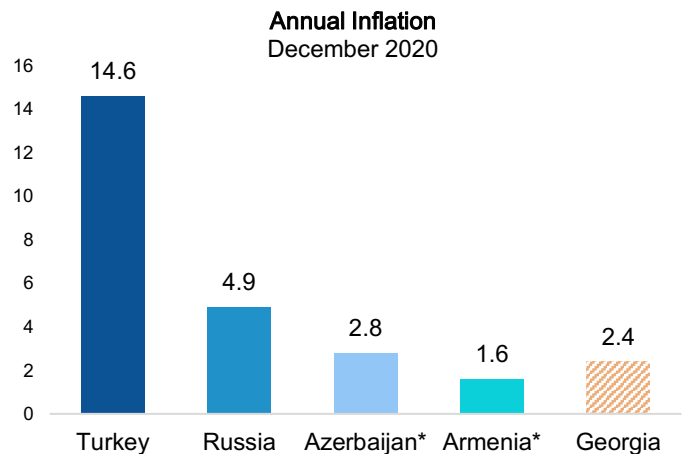
In December 2020, GEL appreciated by 0.7% against USD and depreciated by 2.1% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In December, GEL exchange rate depreciated by 11.6% towards USD and by 19.3% towards EUR YoY.



4. Regional Review

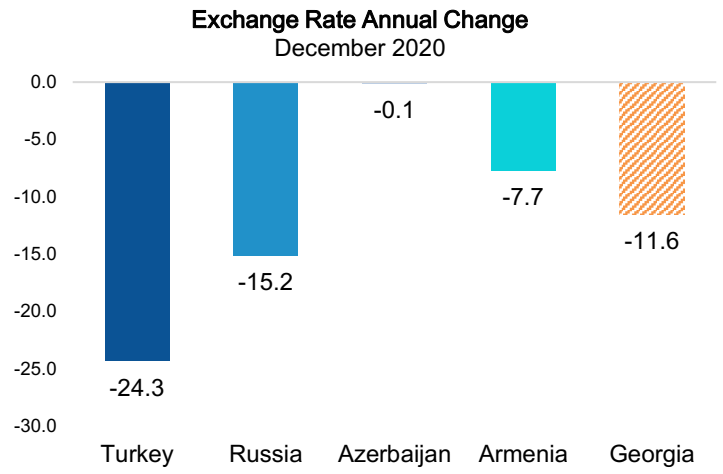
In December, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in December 2020, annual inflation amounted to 14.6% in Turkey. Inflation was lower in Russia (4.9%). As for Azerbaijan and Armenia, in November 2020, consumer prices have increased by 2.8% and by 1.6% YoY.



In December, currencies of the region countries, stand out with tendency of depreciation towards USD, but with different size.


Particularly, in December 2020, TRY depreciated by 24.3% YoY towards USD, RUB by 15.2%, AMD by 7.7% and AZN by 0.1%.



Summary Table²

 Increase

 Decrease

 Change < 1%

		12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020
Real Sector	GDP Growth Rate													
	VAT Turnover Growth Rate													
Monetary Sector	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
External Sector	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

* Values in the table are compared to those of the same month in the previous year.

		12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020
Real Sector	GDP Growth Rate													
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Fiscal Sector	Revenues													
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** Values in the table are compared to those of the previous month.

² Increase of exchange rate means depreciation, decrease – appreciation.