



July 2020

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in June annual economic growth amounted to -7.7%
- Annual inflation amounted to 5.7% in July
- In July, 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

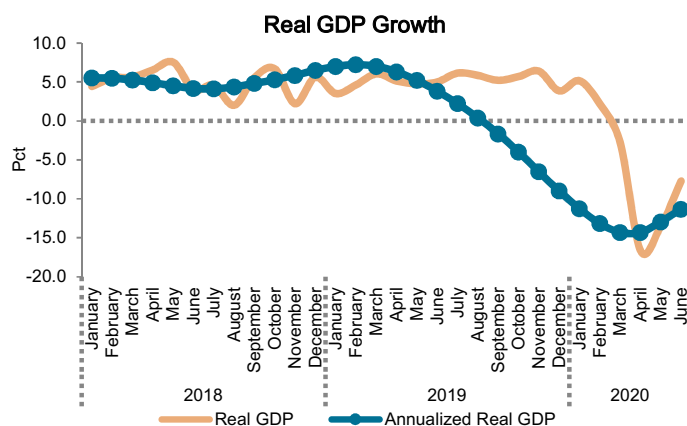


Parliamentary Budget Office of Georgia, 2020

# 1. Real and Fiscal Sector

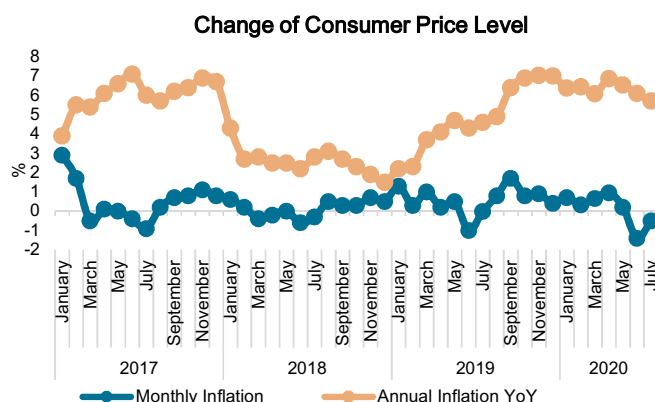
## In June, negative annual economic growth was 7.7%.

In accordance with preliminary estimates of GEOSTAT, in June 2020, annual real GDP growth amounted to -7.7%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to -11.4% in June.



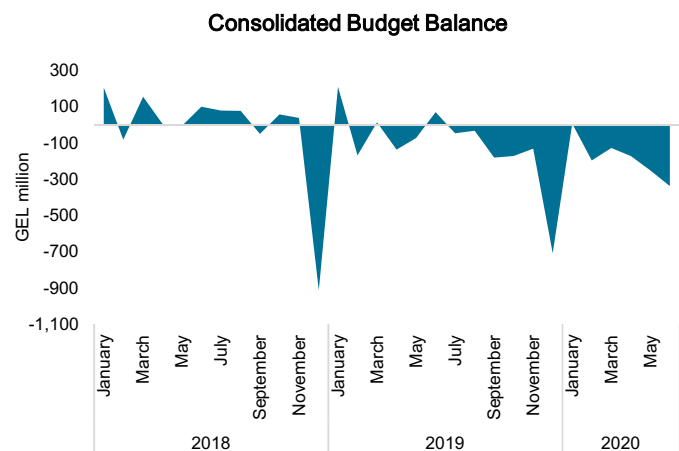
## In July, annual CPI inflation amounted to 5.7%

In July 2020, inflation rate amounted to 5.7%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food, non-alcoholic beverages, transport and clothing. In June 2020, annual GDP deflator amounted 6.9%.



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

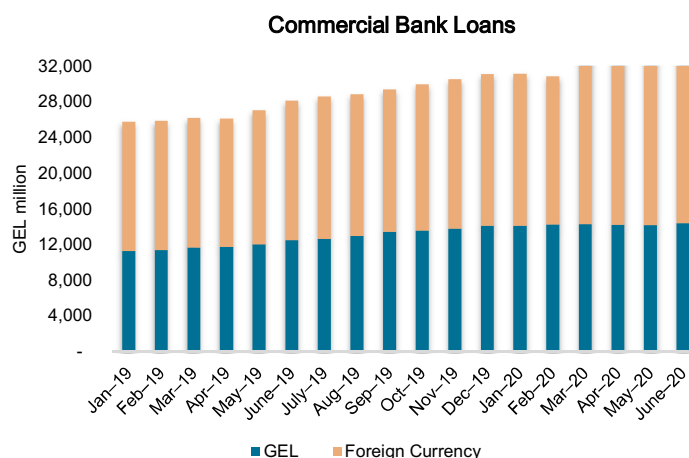
In June 2020, general government revenues decreased by 14.6% YoY, while expenses increased by 25.1%. In the analyzing period, the general government negative net operating balance (government savings) amounted 39 million GEL, while the negative net lending/borrowing was defined by 338.2 million GEL.



<sup>1</sup> 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 June, compare 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.**

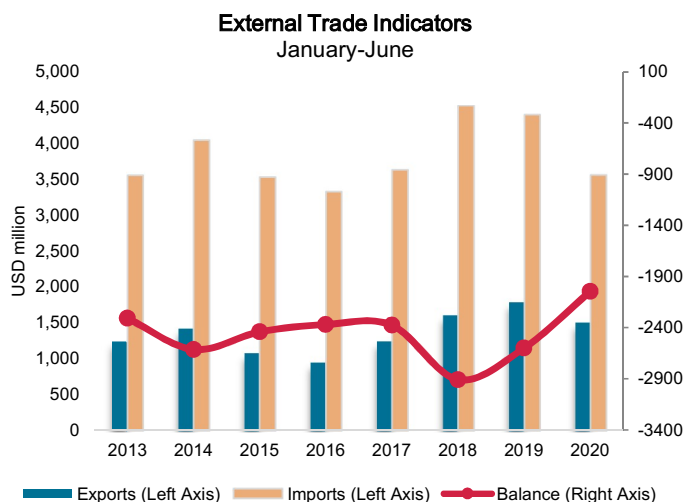
In June 2020, comparing to the June of the previous year, commercial bank loans increased by 17.3% YoY and amounted to 33.0 billion GEL. National currency loans increased by 14.9%, while foreign currency loans increased by 19.2%.



## 2. External Sector

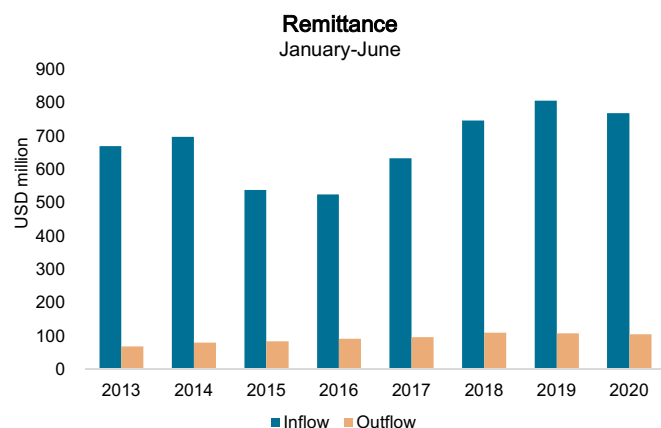
**In January-June, export, as well as import of goods had decreased.**

In January-June 2020, exports decreased by 15.9%, and import - by 19.1% YoY. This was basically caused by trade reduction in June. During this period, the share of exports in external trade amounted to 29.8%. Growth in export was substantial in the following countries: China (by 290%), Spain (111%) and Switzerland (45%). It needs to be mentioned that during this period export significantly decreased in Armenia (45%), Ukraine (37%) Russia (28%) and Turkey (15%).



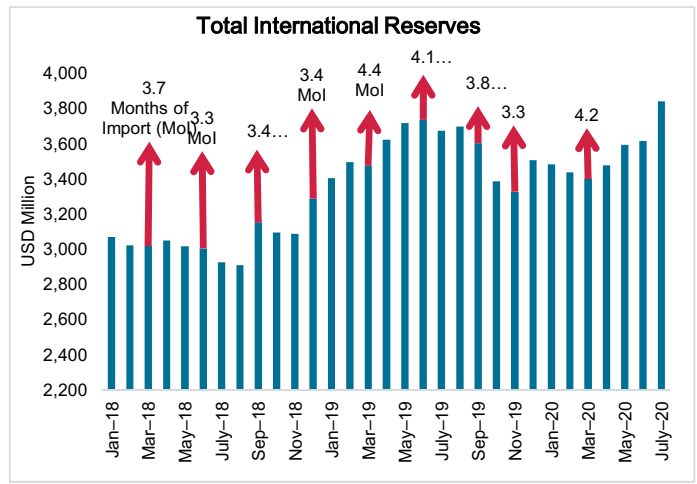
**In June remittance declined**

In June 2020, remittances decreased by 4.6% YoY. The main source of money transfers are EU countries (46% of total) and Russia (19%). In the analyzing period, compare to the previous month remittances increased significantly from following countries: Ukraine (by 77%), Great Britain (by 65%), Russia (by 64%), Turkey (by 47%) and USA (32%).



**In July 2020, International Reserves amounted 3,840 million USD.**

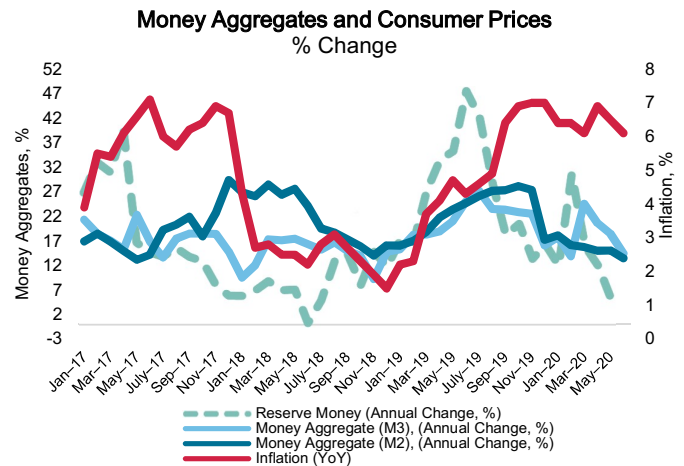
In July 2020, international reserves amounted to 3,840 million USD, which is 4.5% YoY increasing and 6.2% MoM increasing. In March 2020, in response to the sharp exchange rate depreciation National bank sold 100 million USD. In January-June 2019, the National Bank of Georgia acquired 165 million USD through the auctions and 50 million USD through the used options, also in August-November bank sold 92.8 million USD.



### 3. Monetary Sector

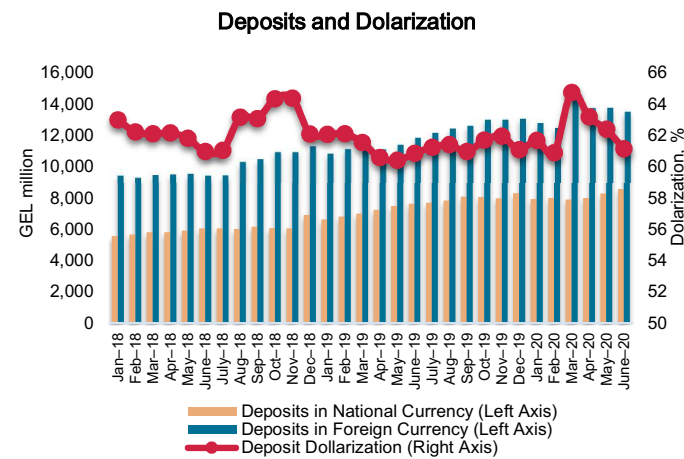
**In June, compare to the same period of the previous years, reserve money had growth tendency.**

In June 2020, reserve money increased by 5.1% YoY, money aggregate M2 – by 13.4%, and money aggregate M3 – by 14.4%. In June 2020, consumer price inflation amounted to 6.1% YoY



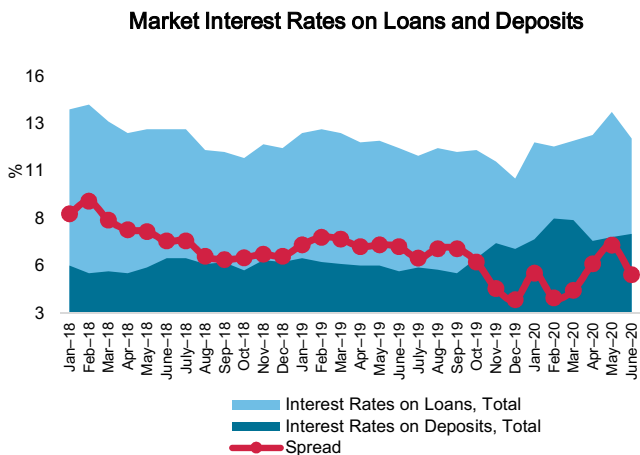
**In June, the dollarization decreased on both deposits and loans MoM.**

In June 2020, the deposit dollarization indicator decreased by 1.24 pp and amounted 61.15%, also the loan dollarization has decreased by 1.1 pp and made up to 56.68%. In June, foreign currency deposits increased by 3.5% MoM, while national currency deposits decreased by 1.8%.



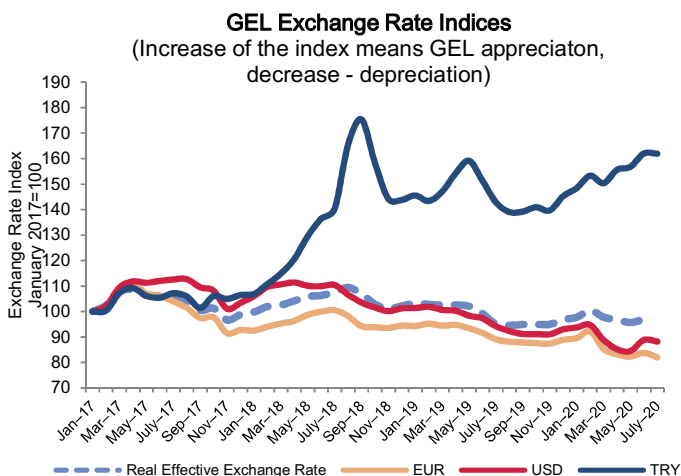
**In June, interest rates increased on deposits (by 0.16 pp) while decreased on loans (by 1.4 pp) MoM.**

In June 2020, market interest rates on loans amounted to 12.2%, while interest rates on deposits was defined at 7.18%. The interest rate spread (difference between loan and deposit rates) amounted to 5.0% as of June 2020, 1.5 pp lower compared to June 2019.



**In July, comparing to the previous month, GEL rate shows depreciation towards USD and EUR.**

In July 2020, GEL depreciated by 0.7% against USD, and by 2.1% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In July, GEL exchange rate depreciated by 6.3% towards USD and by 7.9% towards EUR YoY.



## 4. Regional Review

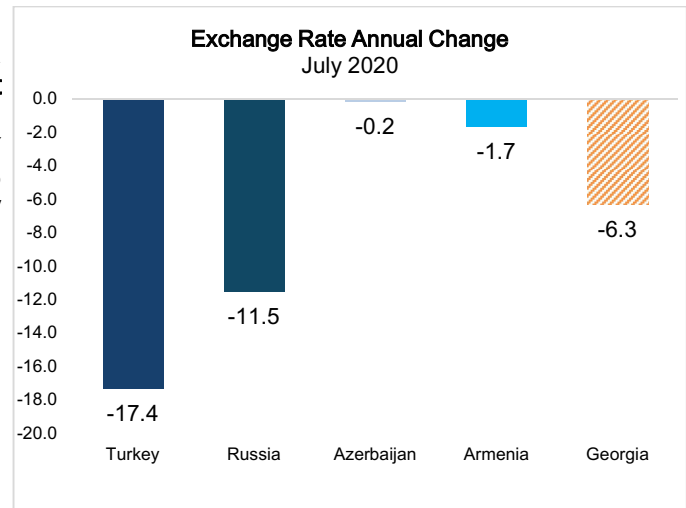
**In July, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in July 2020, annual inflation amounted to 11.8% in Turkey. Inflation was lower in Russia (3.4%) and in Armenia (1.5%). As for Azerbaijan, in June 2020, consumer prices have increased by 3.0% YoY.



**In July, currencies of the region countries stand out with tendency of depreciatation towards USD, but with different size.**

Particularly, in July 2020, TRY depreciated by 17.4% YoY towards USD, by 11.5% towards RUB and by 1.7% towards AMD. Depreciation was insignificant for AZN (by 0.2%).



## Summary Table<sup>2</sup>



Increase



Decrease



Change < 1%

		07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020
<b>Real Sector</b>	GDP Growth Rate													
	VAT Turnover Growth Rate													
<b>Monetary Sector</b>	Inflation													
	Monetary Policy Rate													
	Deposit Dolarization													
	Loan Dolarization													
<b>External Sector</b>	Exchange Rate													
	Remittances													
	Export													
	Import													
	Trade Balance													
	International Rerves													
<b>Fiscal Sector</b>	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		07.2019	08.2019	09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020
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	Recurent Expenditure													
	Capital Expenditure													

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

<sup>2</sup> Increase of exchange rate means depreciation, decrease – appreciation.