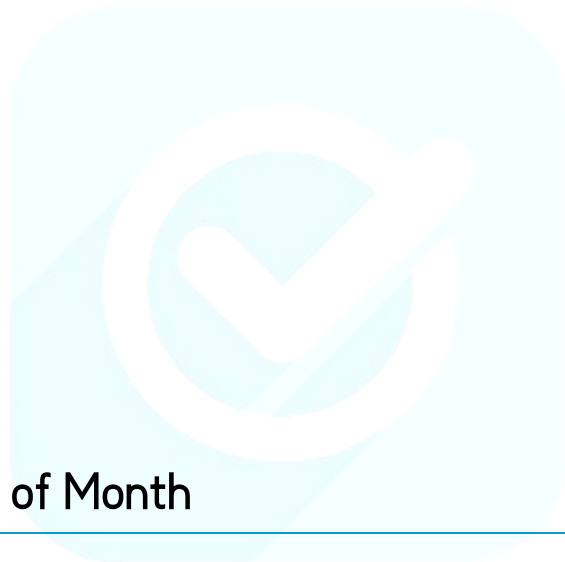




November 2020

Monthly Macroeconomic Review*



Main indicators of Month

- According to the GEOSTAT preliminary estimate, in October annual economic growth amounted to -3.9%
- Annual inflation amounted to 3.8% in November
- In November, GEL depreciated against USD (by 2.8%), and EUR (by 3.2%) MoM

Macroeconomic Analysis and Tax Policy Unit

E-Mail: pbo@parliament.ge

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

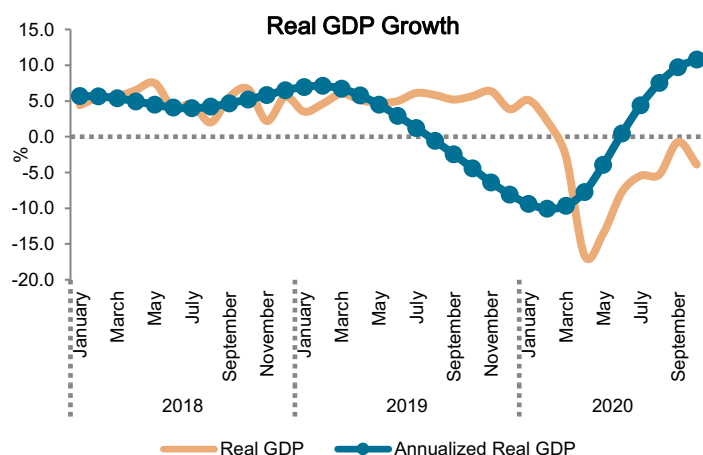


1. Real and Fiscal Sector

In October, negative annual economic growth was 3.9%.

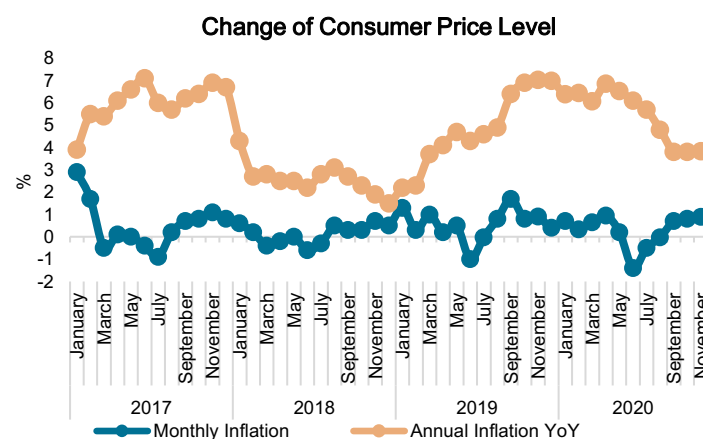
In accordance with preliminary estimates of GEOSTAT, in October 2020, annual real GDP growth amounted to -3.9%.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 10.81% in October.



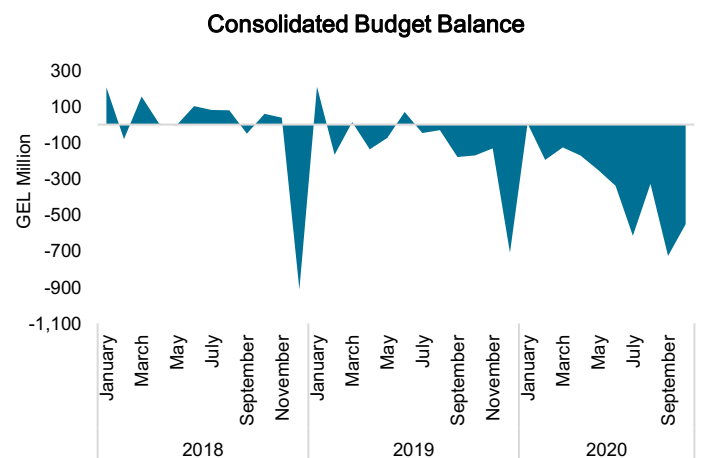
In November, annual CPI inflation amounted to 3.8%

In November 2020, inflation rate amounted to 3.8%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, healthcare, furnishing, household equipment and maintenance, tobacco and alcoholic beverages. In October 2020, annual GDP deflator amounted 4.4%.



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

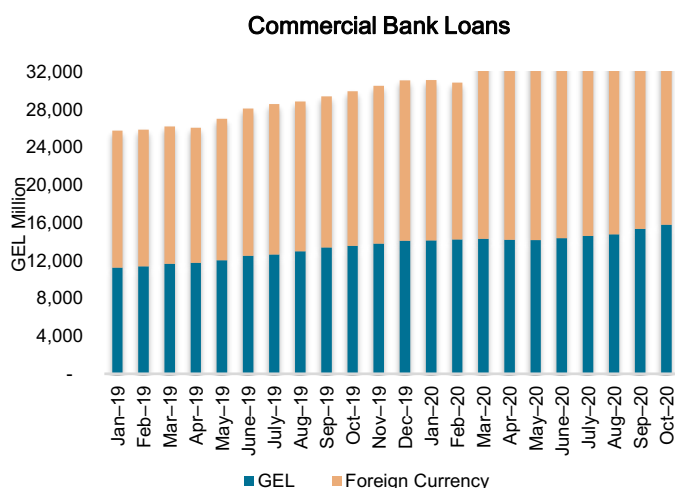
In October 2020, general government revenues decreased by 5.6% YoY, while expenses increased by 21.0%. In the analyzing period, the general government negative net operating balance (government savings) amounted 180.3 million GEL, while the negative net lending/borrowing was defined by 551.2 million 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 October, 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.

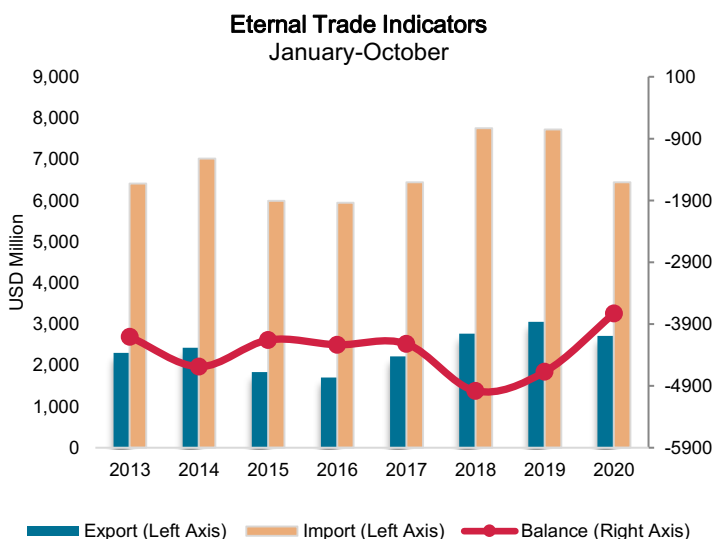
In October 2020, comparing to the October of the previous year, commercial bank loans increased by 18.7% YoY and amounted to 35.5 billion GEL. National currency loans increased by 16.6%, while foreign currency loans increased by 20.4%.



2. External Sector

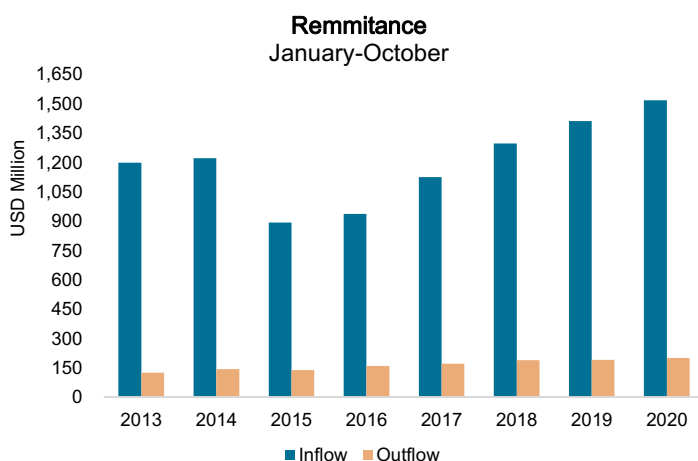
In January-October, export, as well as import of goods had decreased.

In January-October 2020, exports decreased by 11.1%, and import - by 16.6% 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 181%), Spain (55%) and Switzerland (31%). It needs to be mentioned that during this period export significantly decreased in Armenia (53%), USA (40%), Ukraine (20%) and Russia (14%).



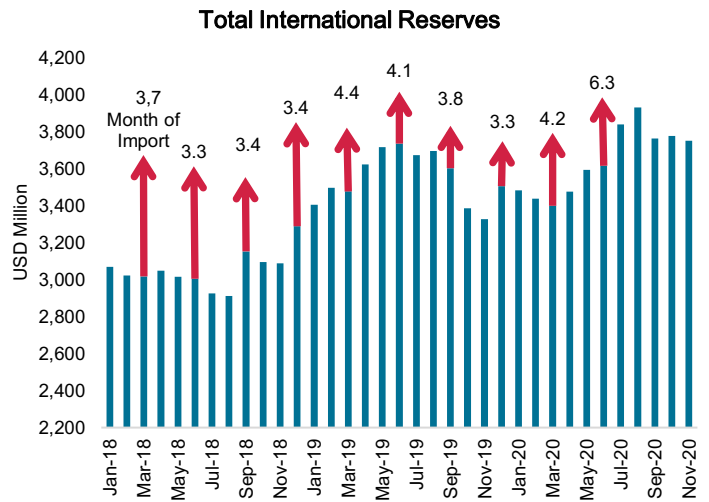
In October remittance increased

In October 2020, remittances increased by 18.6% 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: Ukraine (by 152%), Azerbaijan (by 145%), Germany (by 75%), USA (by 40%) and Greece (by 24%). Meanwhile remittance decreased from Russia (by 7%).



In November 2020, International Reserves amounted 3,764 million USD.

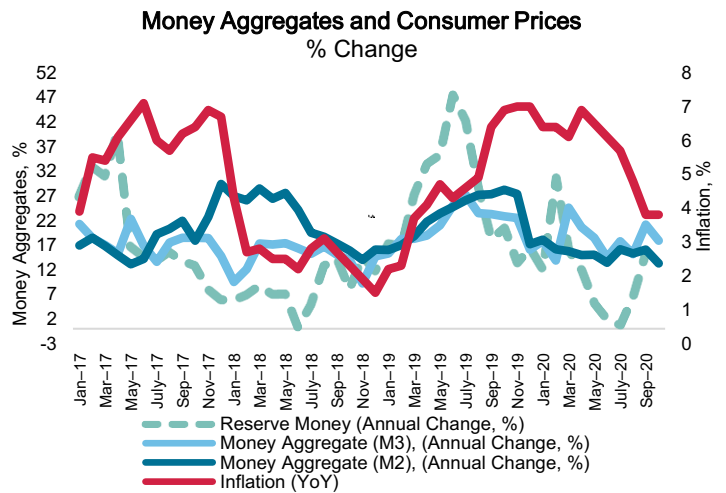
In November 2020, international reserves amounted to 3,764 million USD, which is 12.8% YoY increasing and 0.7% MoM decreasing. In October 2020, in response to the sharp exchange rate depreciation National bank sold 240.9 million USD. In January-June 2019, the National Bank of Georgia acquired 165 million 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

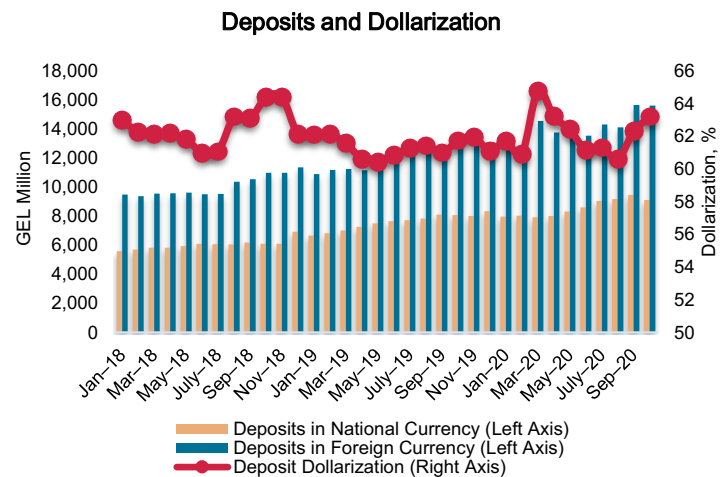
In October, compared to the same period of the previous years, reserve money had growth tendency.

In October 2020, reserve money increased by 15.7% YoY, money aggregate M2 – by 13.3%, and money aggregate M3 – by 17.9%. In October 2020, consumer price inflation amounted to 3.8% YoY.



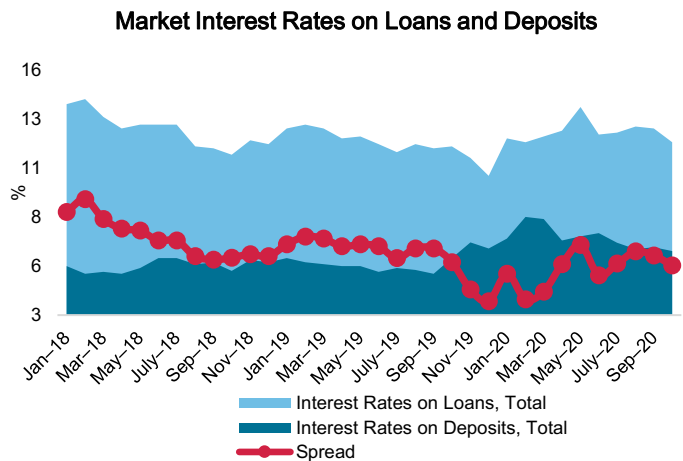
In October, the dollarization increased on deposits and decreased on loans MoM.

In October 2020, the deposit dollarization indicator increased by 0.88 pp and amounted 63.17%, also the loan dollarization has decreased by 1.26 pp and made up to 55.82%. In October, foreign currency deposits decreased by 0.3% MoM, while national currency deposits decreased by 3.9%.



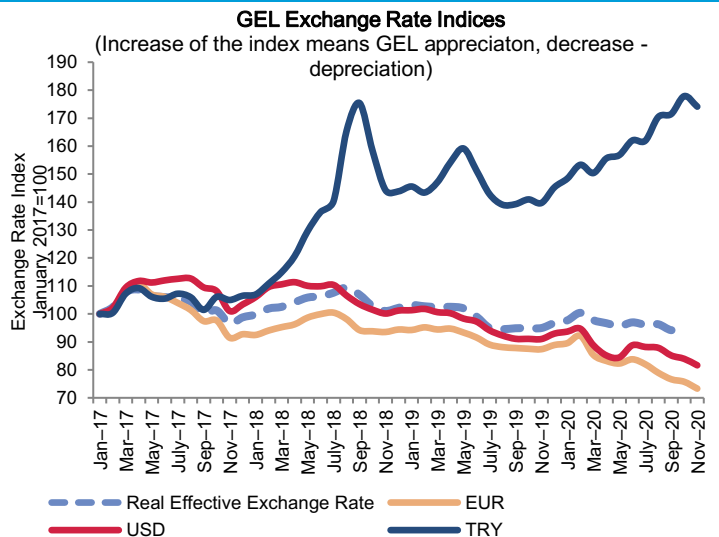
In October, interest rates decreased on deposits (by 0.2 pp) and also on loans (by 0.7 pp) MoM.

In October 2020, market interest rates on loans amounted to 11.8%, while interest rates on deposits was defined at 6.3%. The interest rate spread (difference between loan and deposit rates) amounted to 5.5% as of October 2020, 0.2 pp lower compared to October 2019.



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

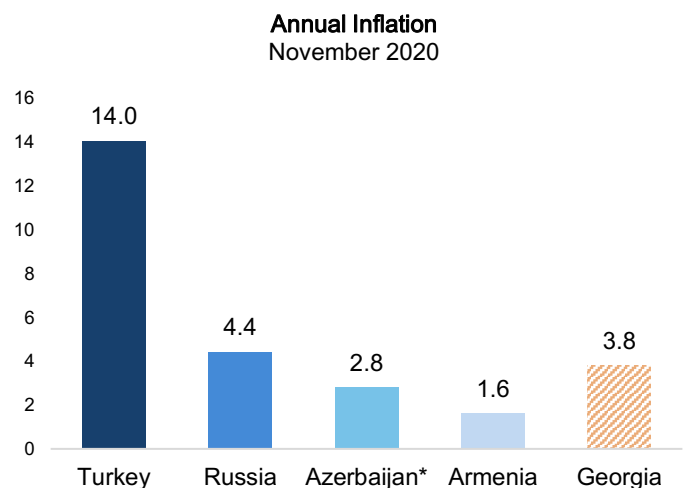
In November 2020, GEL depreciated by 2.8% against USD and by 3.2% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In November, GEL exchange rate depreciated by 10.3% towards USD and by 16.1% towards EUR YoY.



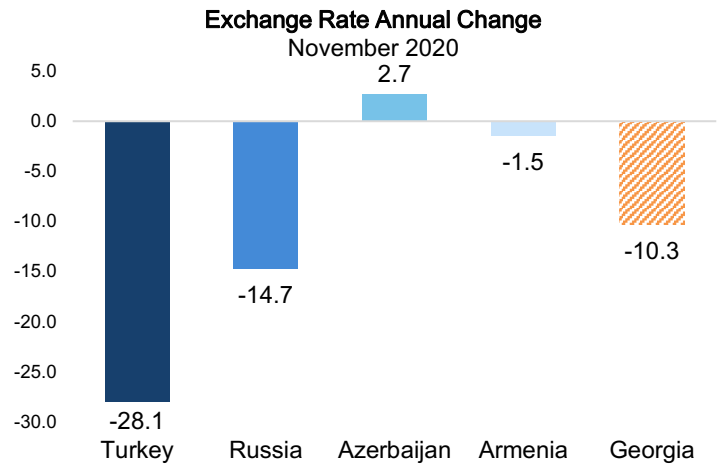
4. Regional Review

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

Namely, in November 2020, annual inflation amounted to 14.0% in Turkey. Inflation was lower in Russia (4.4%) and in Armenia (1.6%). As for Azerbaijan, in October 2020, consumer prices have increased by 2.8% YoY.



In November, currencies of the region countries, except for AZN, stand out with tendency of depreciation towards USD, but with different size. Particularly, in November 2020, TRY depreciated by 28.1% YoY towards USD, RUB by 14.7% and AMD by 1.5%. Appreciation was insignificant for AZN (by 2.7%).



Summary Table²



Increase



Decrease



Change < 1%

		11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020
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.

		11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020
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 previous month.

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