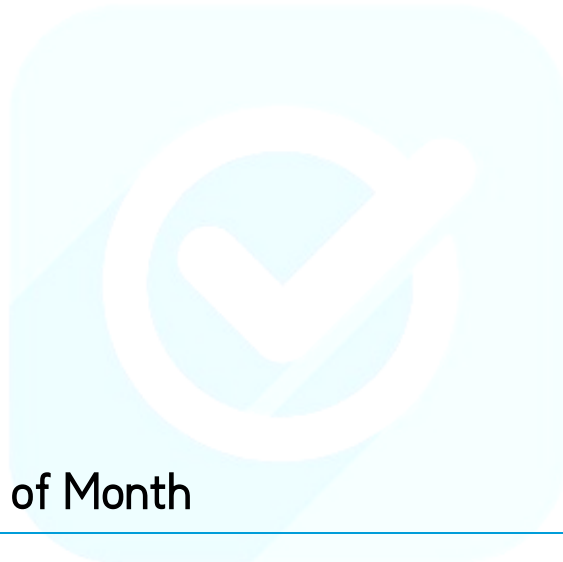




September 2020

## Monthly Macroeconomic Review\*



### Main indicators of Month

---

- According to the GEOSTAT preliminary estimate, in August annual economic growth amounted to -5.3%
- Annual inflation amounted to 3.8% in September
- In September, GEL depreciated against USD (by 3.1%), and EUR (by 2.9%) MoM

Macroeconomic Analysis and Tax Policy Unit

E-Mail: [pbo@parliament.ge](mailto:pbo@parliament.ge)

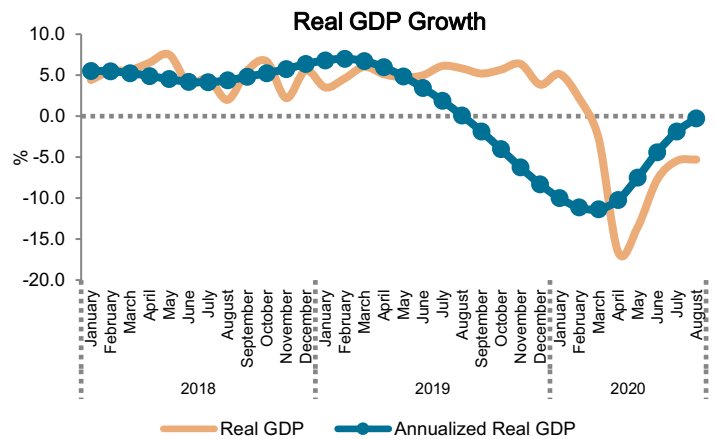
\*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



# 1. Real and Fiscal Sector

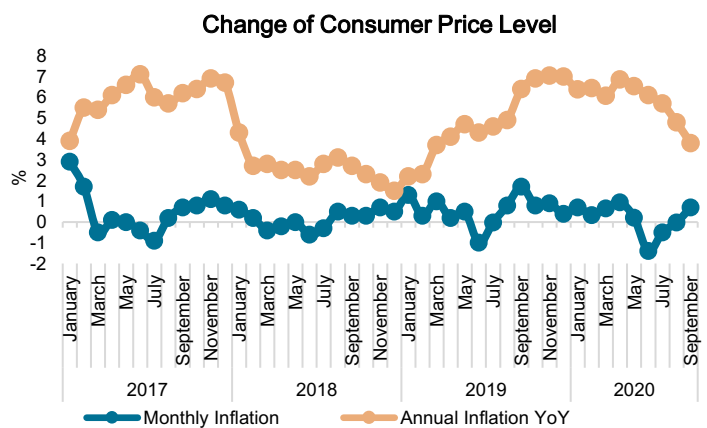
**In August, negative annual economic growth was 5.3%.**

In accordance with preliminary estimates of GEOSTAT, in August 2020, annual real GDP growth amounted to -5.3%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to -0.25% in August.



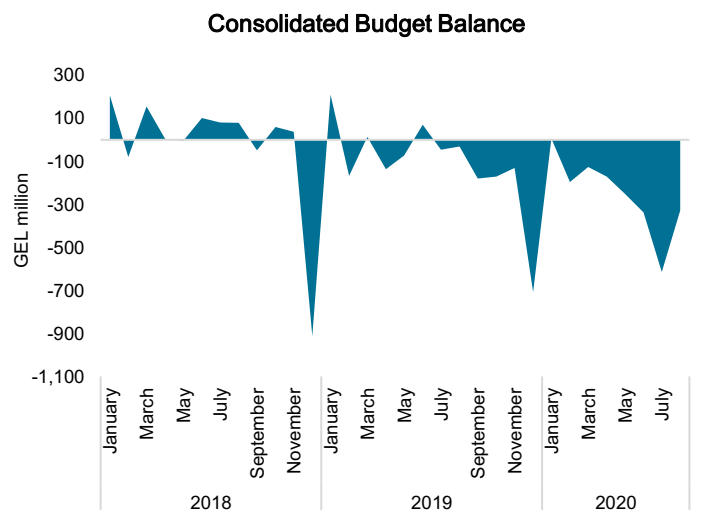
**In September, annual CPI inflation amounted to 3.8%**

In September 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 and clothing. In August 2020, annual GDP deflator amounted 4.8%.



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

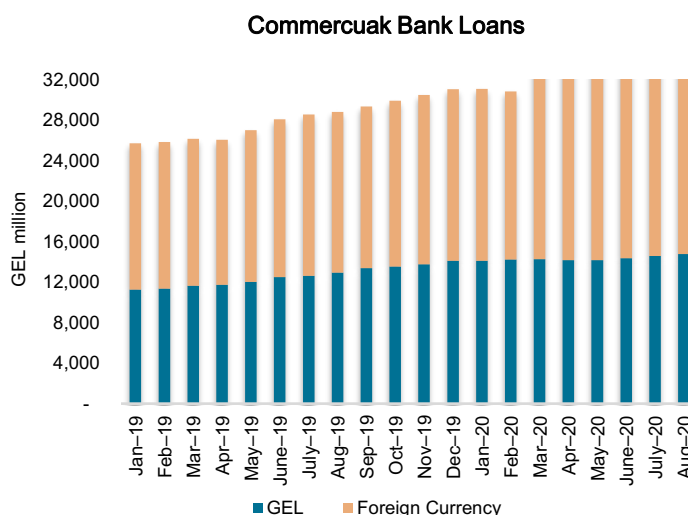
In August 2020, general government revenues decreased by 12.2% YoY, while expenses increased by 21.3%. In the analyzing period, the general government negative net operating balance (government savings) amounted 53.6 million GEL, while the negative net lending/borrowing was defined by 328.8 million GEL.



<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 August, 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.

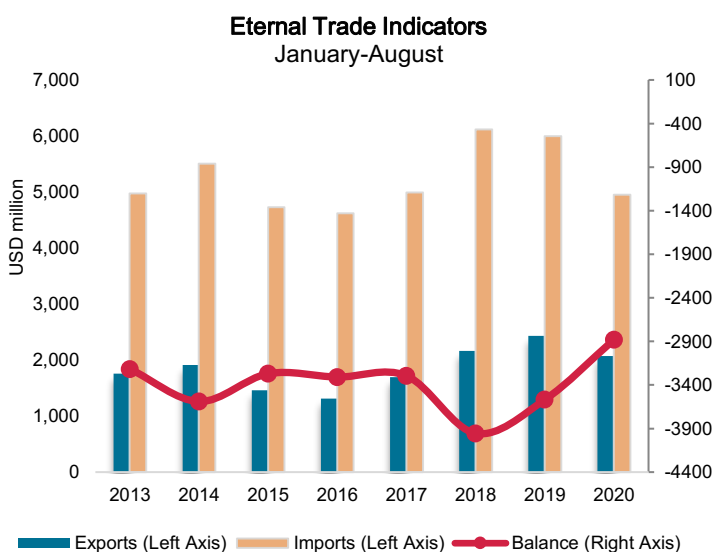
In August 2020, comparing to the August of the previous year, commercial bank loans increased by 16.9% YoY and amounted to 33.7 billion GEL. National currency loans increased by 14.1%, while foreign currency loans increased by 19.2%.



## 2. External Sector

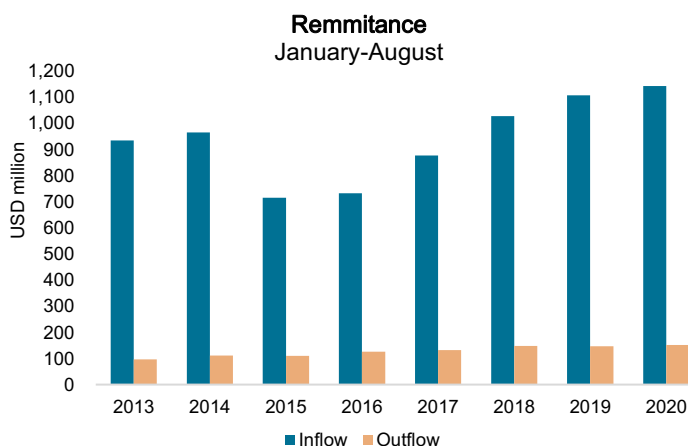
**In January-August, export, as well as import of goods had decreased.**

In January-August 2020, exports decreased by 14.7%, and import - by 17.5% YoY. This was basically caused by trade reduction in March-August. During this period, the share of exports in external trade amounted to 29.5%. Growth in export was substantial in the following countries: China (by 209%), Switzerland (36%) and Spain (24%). It needs to be mentioned that during this period export significantly decreased in Armenia (47%), Ukraine (28%) and Russia (21%).



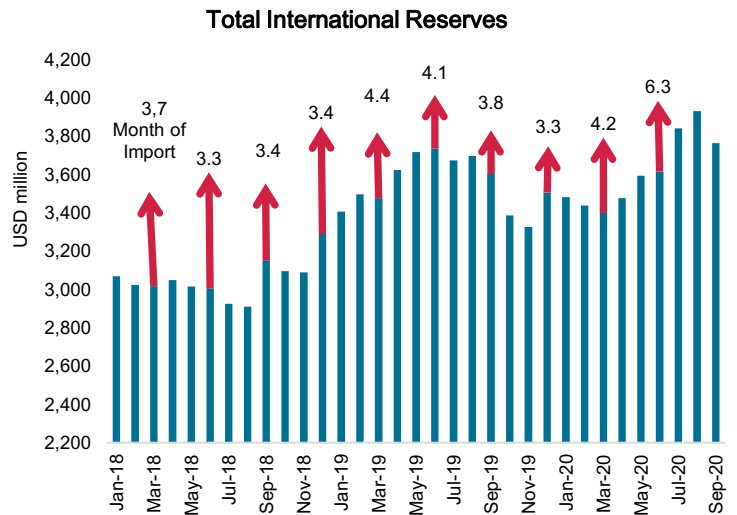
**In August remittance increased**

In August 2020, remittances increased by 25.8% YoY. The main source of money transfers are EU countries (41% of total), Russia (19%) and USA (12%). In the analyzing period, remittances increased significantly from following countries: Azerbaijan (by 270%), Ukraine (by 187%), Germany (by 62%), USA (by 46%) and Greece (by 40%). Meanwhile remittance decreased insignificantly from Russia (by 1.5%).



**In September 2020, International Reserves amounted 3,764 million USD.**

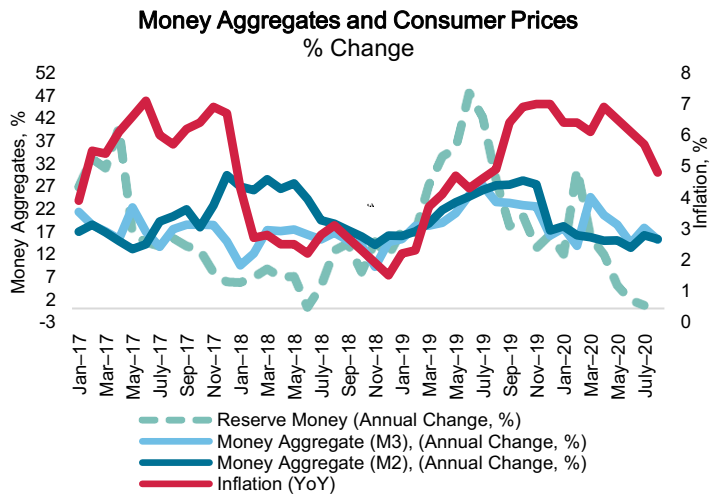
In September 2020, international reserves amounted to 3,764 million USD, which is 4.5% YoY increasing and 4.3% MoM decreasing. In September 2020, in response to the sharp exchange rate depreciation National bank sold 120 million USD, while in March 2020 - 100 million USD. In January-June 2019, the National 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

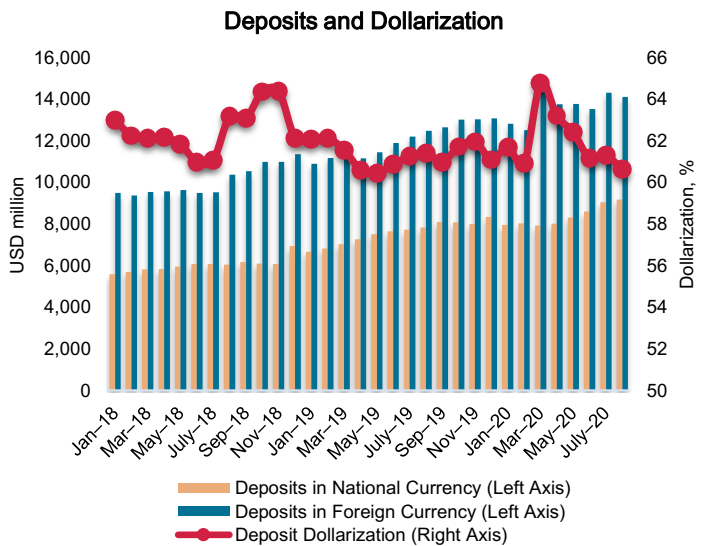
**In August, compared to the same period of the previous years, reserve money had growth tendency.**

In August 2020, reserve money increased by 0.8% YoY, money aggregate M2 – by 15.3%, and money aggregate M3 – by 15.1%. In August 2020, consumer price inflation amounted to 4.8% YoY.



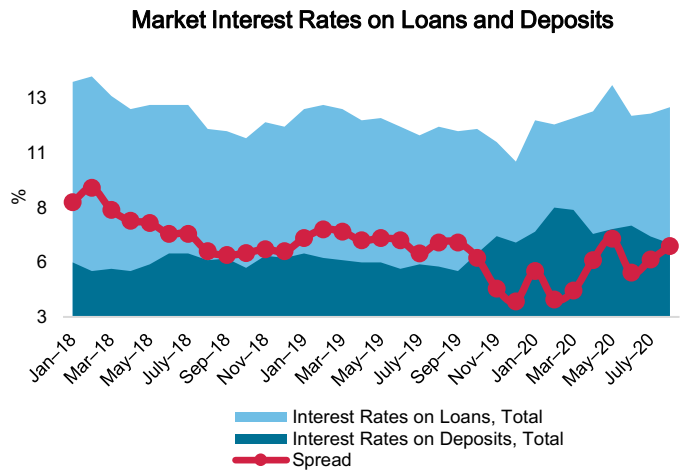
**In August, the dollarization decreased on both deposits and loans MoM.**

In August 2020, the deposit dollarization indicator decreased by 0.69 pp and amounted 60.6%, also the loan dollarization has decreased by 0.57 pp and made up to 56.28%. In August, foreign currency deposits increased by 1.4% MoM, while national currency deposits increased by 1.5%.



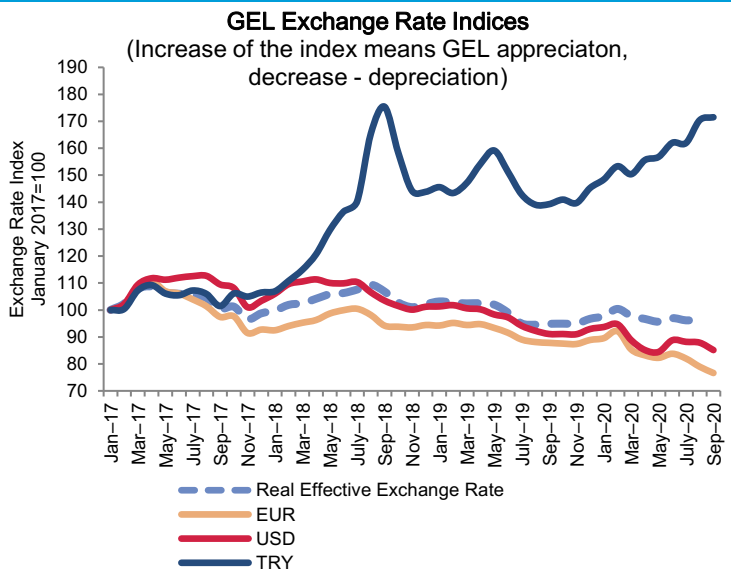
**In August, interest rates decreased on deposits (by 0.32 pp) while increased on loans (by 0.3 pp) MoM.**

In August 2020, market interest rates on loans amounted to 12.6%, while interest rates on deposits was defined at 6.36%. The interest rate spread (difference between loan and deposit rates) amounted to 6.2% as of August 2020, 0.2 pp lower compared to August 2019.



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

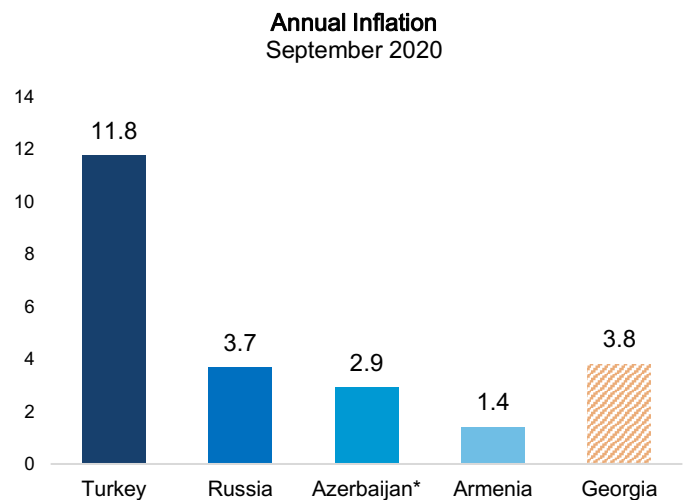
In September 2020, GEL depreciated by 3.1% against USD, and by 2.9% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In September, GEL exchange rate depreciated by 6.5% towards USD and by 12.7% towards EUR YoY.



## 4. Regional Review

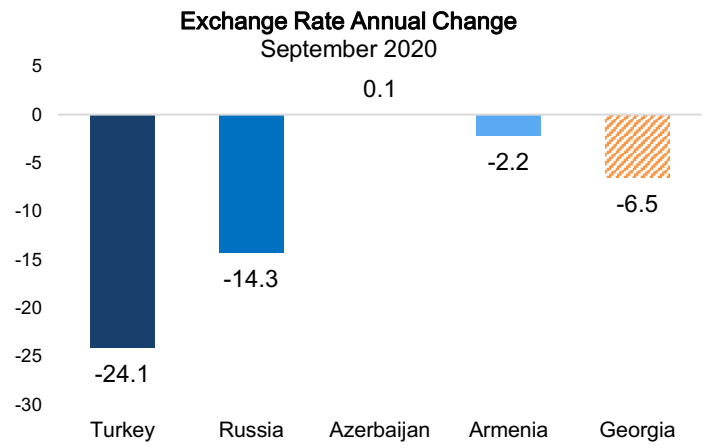
**In September, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in September 2020, annual inflation amounted to 11.8% in Turkey. Inflation was lower in Russia (3.7%) and in Armenia (1.4%). As for Azerbaijan, in August 2020, consumer prices have increased by 2.9% YoY.



**In September, currencies of the region countries, except for AZN, stand out with tendency of depreciation towards USD, but with different size.**

Particularly, in September 2020, TRY depreciated by 24.1% YoY towards USD, RUB by 14.3% and AMD by 2.2%. Appreciation was insignificant for AZN (by 0.1%).



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



Increase



Decrease



Change < 1%

		09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020
<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.

		09.2019	10.2019	11.2019	12.2019	01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020
<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 previous month.

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