



February 2021

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in January annual economic growth amounted to -11.5%
- Annual inflation amounted to 3.6% in February
- In February, GEL depreciated against USD (by 0.4%), and appreciated against EUR (by 0.4%) MoM

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

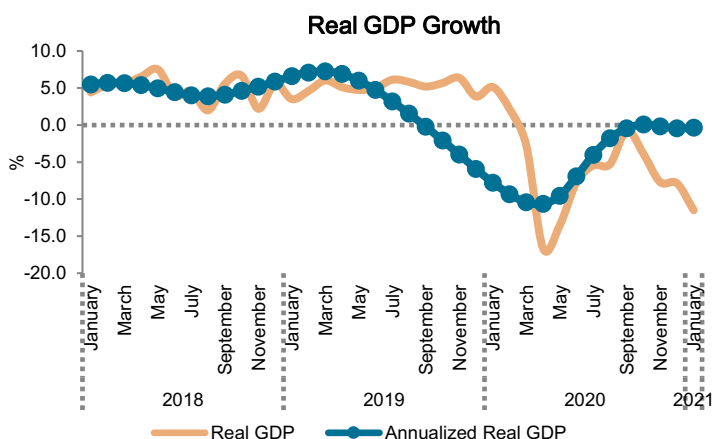


# 1. Real and Fiscal Sector

**In January, negative annual economic growth was 11.5%.**

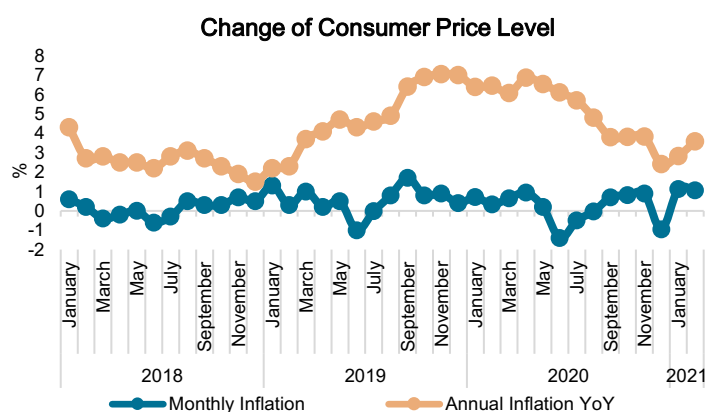
In accordance with preliminary estimates of GEOSTAT, in January 2021, annual real GDP growth amounted to -11.5%.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to -0.1% in January.



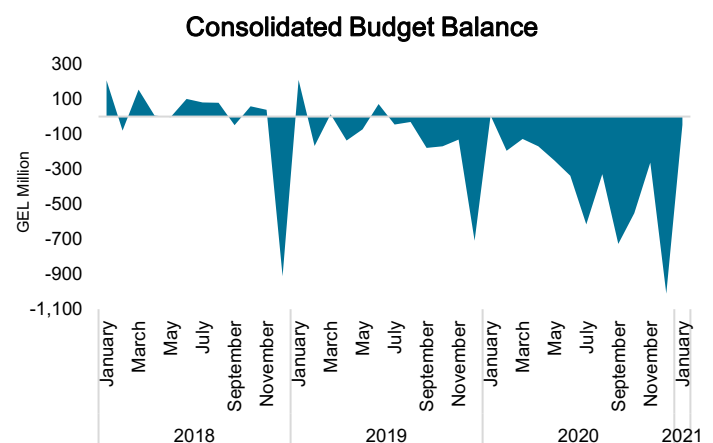
**In February, annual CPI inflation amounted to 3.6%**

In February 2021, inflation rate amounted to 3.6%, higher 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 January 2021, annual GDP deflator amounted 6.9%.



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

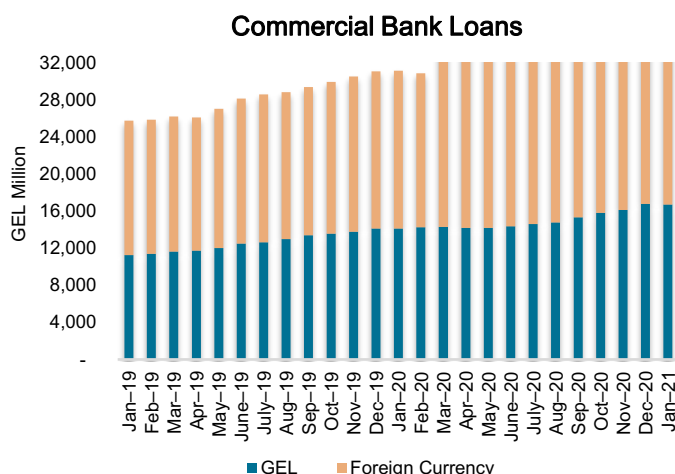
In January 2021, general government revenues increased by 13.1% YoY, while expenses increased by 16.1%. In the analyzing period, the general government positive net operating balance (government savings) amounted 96.1 million GEL, while the negative net lending/borrowing was defined at 47.8 million GEL.



<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 January, 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.

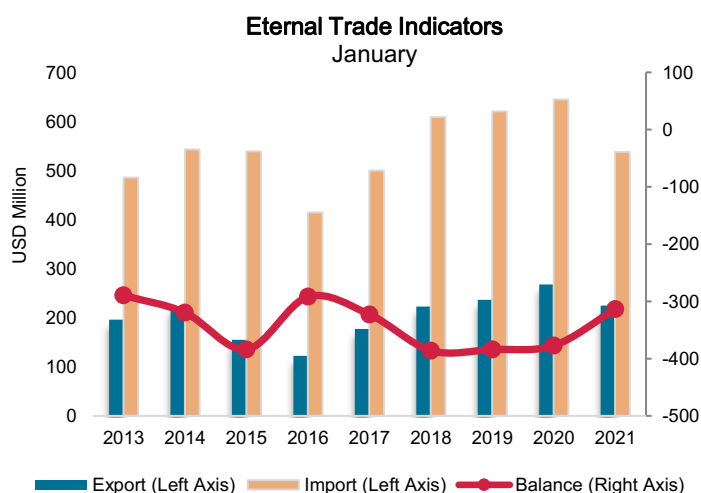
In January 2021, comparing to the January of the previous year, commercial bank loans increased by 20.0% YoY and amounted to 37.3 billion GEL. National currency loans increased by 18.3%, while foreign currency loans increased by 21.3%.



## 2. External Sector

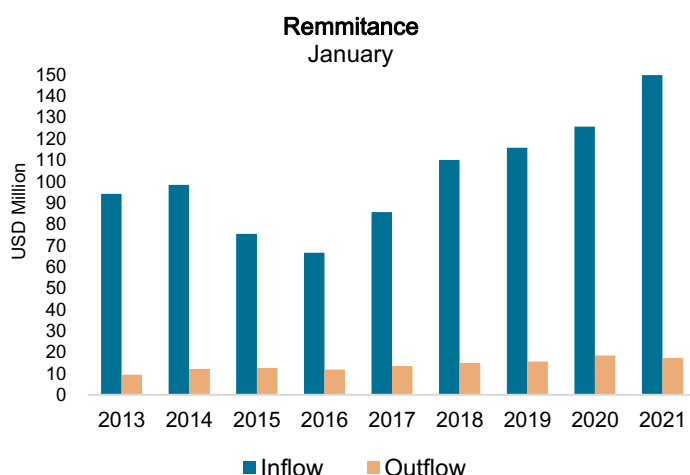
In January, export, as well as import of goods had decreased.

In January 2021, exports decreased by 16.2%, 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 29.4%. Growth in export was substantial in the following countries: USA (by 809%), Germany (126%) and Lithuania (40%). It needs to be mentioned that during this period export significantly decreased in China (40%), Russia (32%), Armenia (25%), and Azerbaijan (24%).



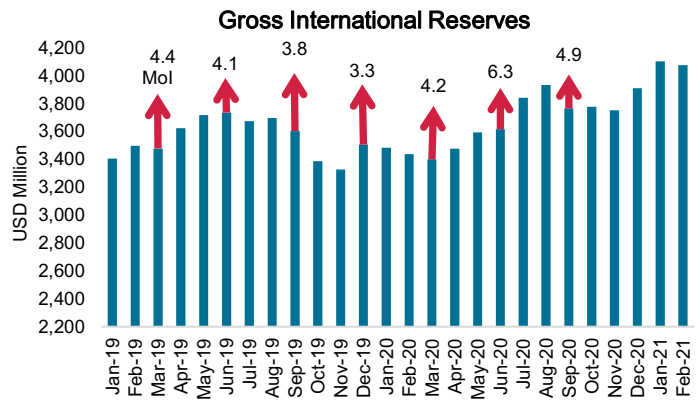
In January remittance increased

In January 2021, remittances increased by 19.2% YoY. The main source of money transfers are EU countries (43.5% of total), Russia (15.5%) and USA (12.1%). In the analyzing period, remittances increased significantly from following countries: Azerbaijan (by 213%), Ukraine (by 81%), Germany (by 57%), USA (by 33%) and Italy (by 30%). Meanwhile remittance decreased from Russia (by 11%).



**In February 2021, International Reserves amounted 4,076 million USD.**

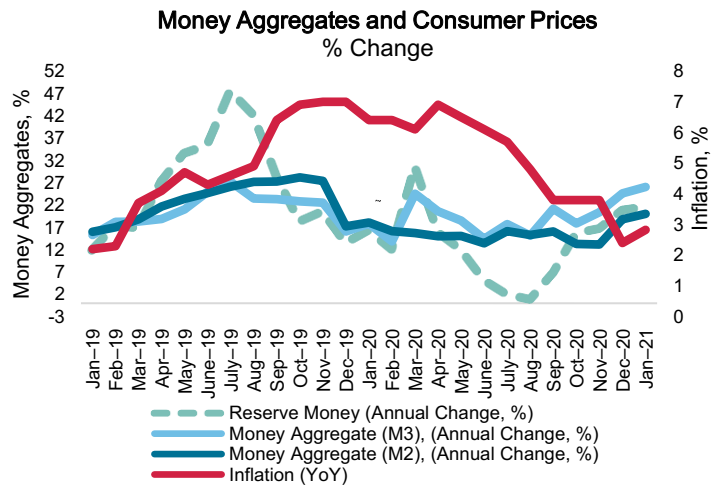
In February 2021, international reserves amounted to 4,076 million USD, which is 18.6% YoY increasing and 0.6% MoM decreasing. In January 2021, in response to the sharp exchange rate depreciation National bank sold 80 million USD and in February 2021 – 40 million USD.



### 3. Monetary Sector

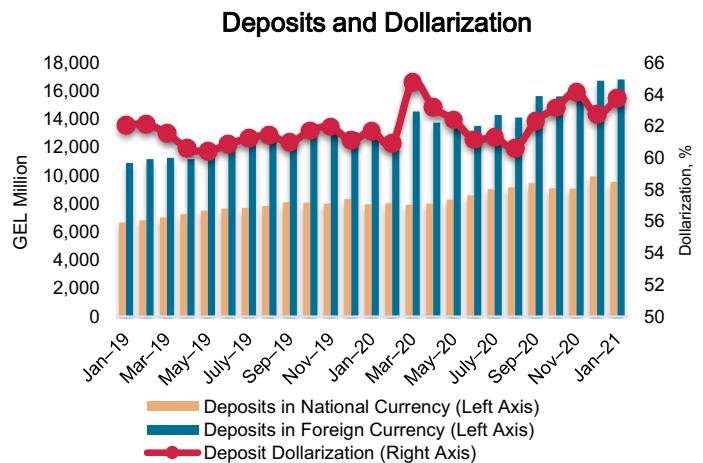
**In January, compared to the same period of the previous years, reserve money had growth tendency.**

In January 2021, reserve money increased by 21.5% YoY, money aggregate M2 – by 20.0%, and money aggregate M3 – by 26.1%. In January 2021, consumer price inflation amounted to 2.8% YoY.



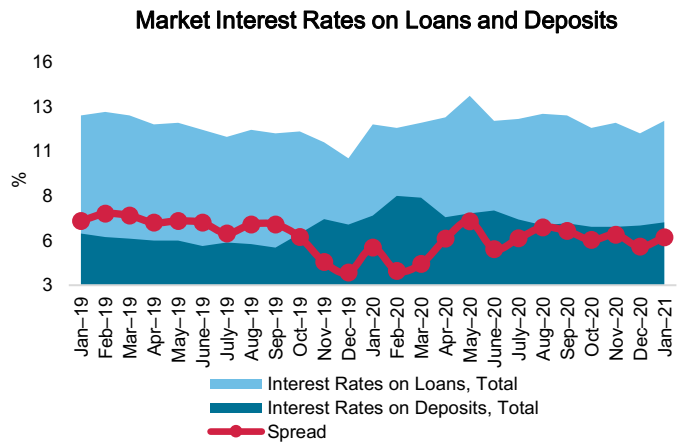
**In January, the dollarization increased on deposits as well as on loans MoM.**

In January 2021, the deposit dollarization indicator increased by 1.0 pp and amounted 63.8%, also the loan dollarization has increased by 0.2 pp and made up to 55.6%. In January, foreign currency deposits increased by 0.5% MoM, while national currency deposits decreased by 3.8%.



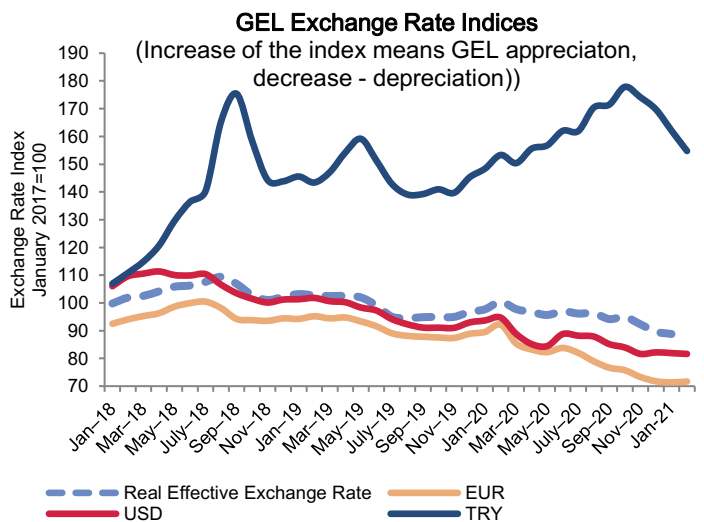
**In January, interest rates increased on deposits (by 0.2 pp) and also on loans (by 0.7 pp) MoM.**

In January 2021, market interest rates on loans amounted to 12.2%, while interest rates on deposits was defined at 6.5%. The interest rate spread (difference between loan and deposit rates) amounted to 5.7% as of January 2021, 0.6 pp higher compared to January 2020.



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

In February 2021, GEL depreciated by 0.4% against USD and appreciated by 0.4% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In February, GEL exchange rate depreciated by 13.8% towards USD and by 22.2% towards EUR YoY.



## 4. Regional Review

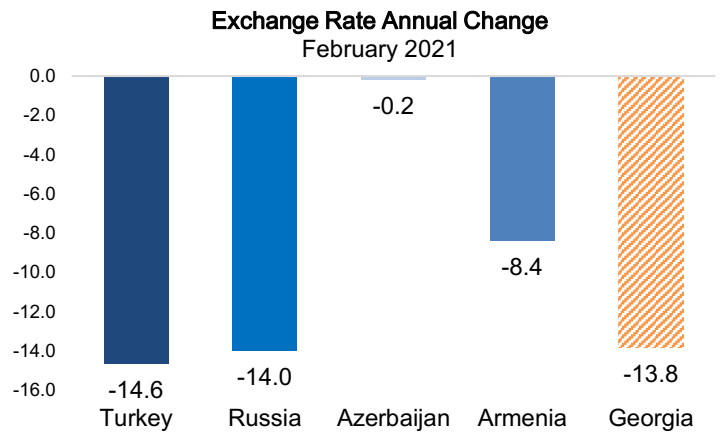
**In February, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in February 2021, annual inflation amounted to 15.6% in Turkey. Inflation was lower in Russia (5.7%) and Armenia (5.3%). As for Azerbaijan\*, in January 2021, consumer prices have increased by 3.3% YoY.



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

Particularly, in February 2021, TRY depreciated by 14.6% YoY towards USD, RUB by 14.0%, AMD by 8.4%. In the analyzing period AZN insignificantly depreciated towards USD (by 0.2%).



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



Increase



Decrease



Change < 1%

		01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021
<b>Real Sector</b>	GDP Growth Rate	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	
	VAT Turnover Growth Rate	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	
<b>Monetary Sector</b>	Inflation	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Monetary Policy Rate	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Deposit Dolarization	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Decrease	Increase	Increase	Increase	Increase	Increase	Increase
	Loan Dolarization	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
<b>External Sector</b>	Exchange Rate	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Remittances	Increase	Increase	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Export	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease
	Import	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Trade Balance	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	International Rerves	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
<b>Fiscal Sector</b>	Revenues	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase
	Recurent Expenditure	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Capital Expenditure	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease

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

		01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021
<b>Real Sector</b>	GDP Growth Rate	Increase	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	
	VAT Turnover Growth Rate	Increase	Decrease	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	
<b>Monetary Sector</b>	Inflation	Decrease	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Change < 1%	Change < 1%	Decrease	Increase	Increase
	Monetary Policy Rate	Change < 1%	Change < 1%	Change < 1%	Decrease	Change < 1%	Decrease	Change < 1%	Decrease	Change < 1%	Change < 1%	Change < 1%	Change < 1%	Change < 1%	Change < 1%
	Deposit Dolarization	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Increase	Increase	Increase	Decrease	Increase	Increase
	Loan Dolarization	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Increase	Increase
<b>External Sector</b>	Exchange Rate	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Increase	Increase	Increase	Increase	Decrease	Increase	Increase
	Remittances	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Export	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Import	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Decrease
	Trade Balance	Increase	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase
	International Rerves	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
<b>Fiscal Sector</b>	Revenues	Decrease	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Recurent Expenditure	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease
	Capital Expenditure	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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

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