



January 2021

## Monthly Macroeconomic Review\*

### Main indicators of Month

---

- According to the GEOSTAT preliminary estimate, in December annual economic growth amounted to -7.9%
- Annual inflation amounted to 2.8% in January
- In January, GEL depreciated against USD (by 0.3%), and EUR (by 0.5%) 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

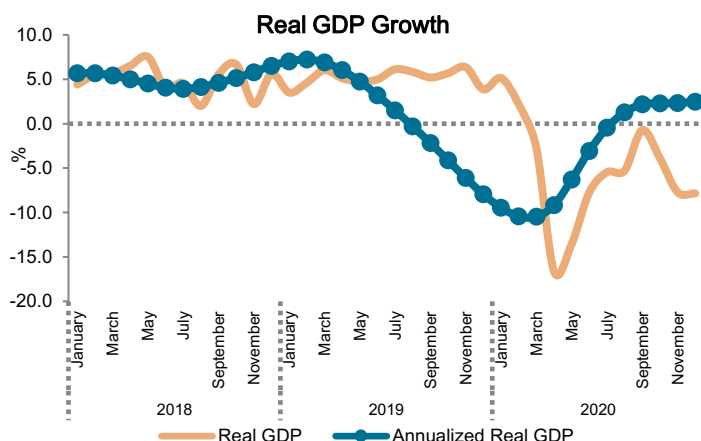


# 1. Real and Fiscal Sector

## In December, negative annual economic growth was 7.9%.

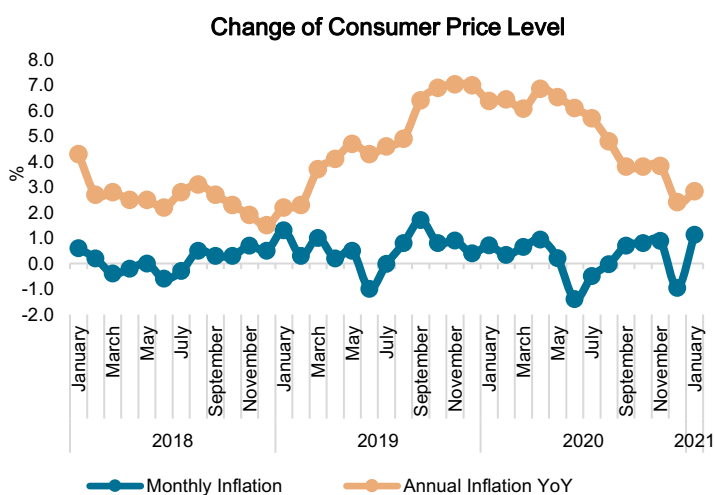
In accordance with preliminary estimates of GEOSTAT, in December 2020, annual real GDP growth amounted to -7.9%.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 2.5% in December.



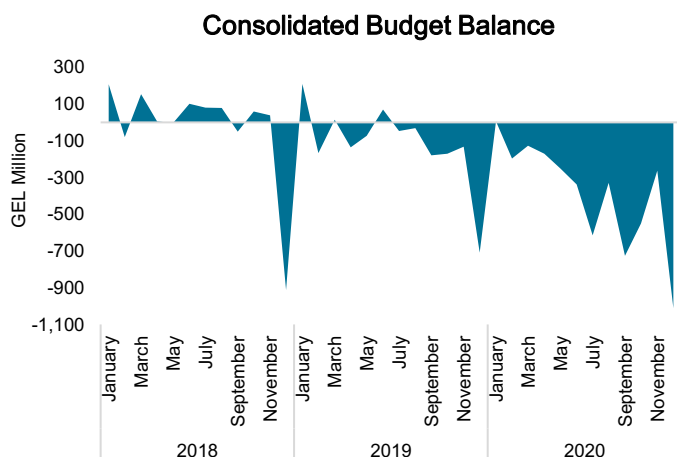
## In January, annual CPI inflation amounted to 2.8%

In January 2021, inflation rate amounted to 2.8%, 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 December 2020, annual GDP deflator amounted 6.1%.



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

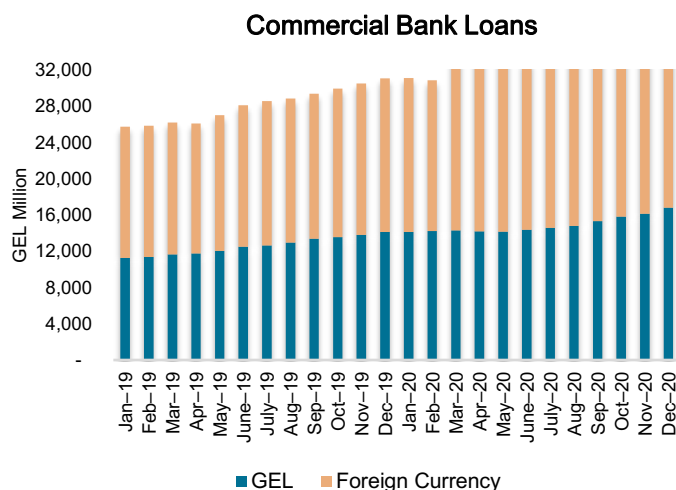
In December 2020, general government revenues increased by 5.2% YoY, while expenses increased by 38.3%. In the analyzing period, the general government negative net operating balance (government savings) amounted 335.1 million GEL, while the negative net lending/borrowing was defined at 1,011.3 million 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 December, 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.

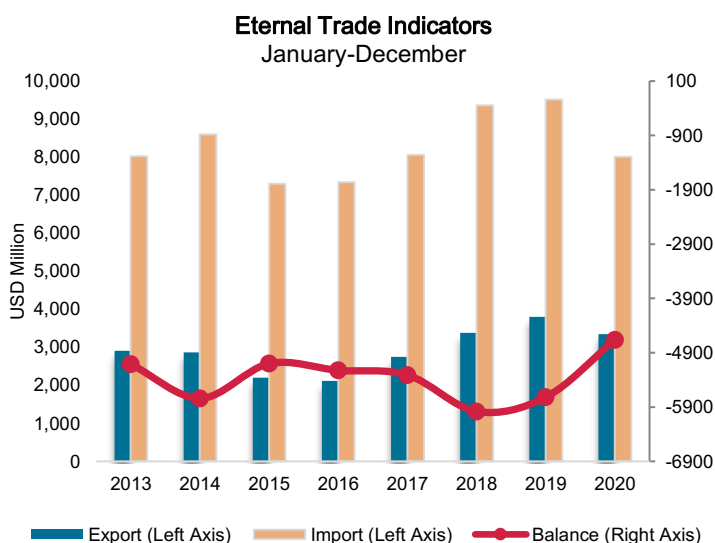
In December 2020, comparing to the December of the previous year, commercial bank loans increased by 20.3% YoY and amounted to 37.4 billion GEL. National currency loans increased by 19.0%, while foreign currency loans increased by 21.3%.



## 2. External Sector

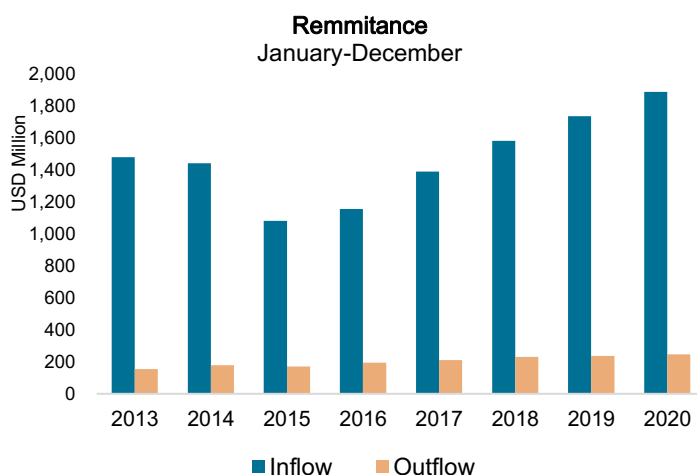
In January-December, export, as well as import of goods had decreased.

In January-December 2020, exports decreased by 12.0%, 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 29.5%. Growth in export was substantial in the following countries: China (by 113%), Spain (82%) and Switzerland (29%). It needs to be mentioned that during this period export significantly decreased in Armenia (57%), USA (40%), Azerbaijan (13%) and Russia (11%).



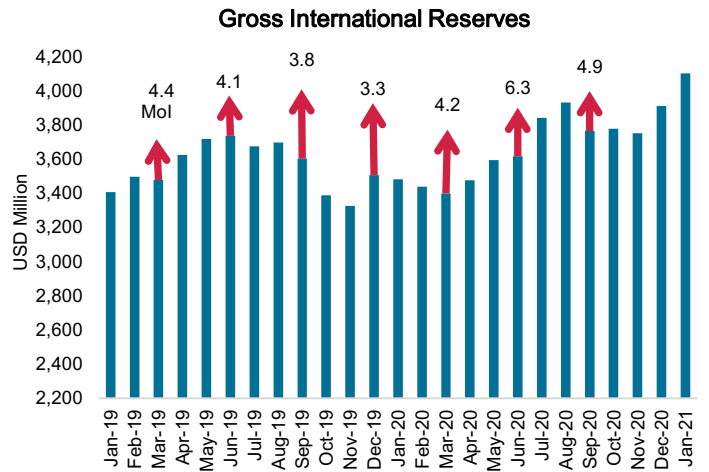
**In December remittances increased**

In December 2020, remittances increased by 15.9% YoY. The main source of money transfers are EU countries (42.5% of total), Russia (20.4%) and USA (11.2%). In the analyzing period, remittances increased significantly from following countries: Azerbaijan (by 160%), Ukraine (by 195%), Germany (by 61%), USA (by 35%) and Italy (by 33%). Meanwhile remittance decreased from Russia (by 7%).



**In January 2021, International Reserves amounted 4,102 million USD.**

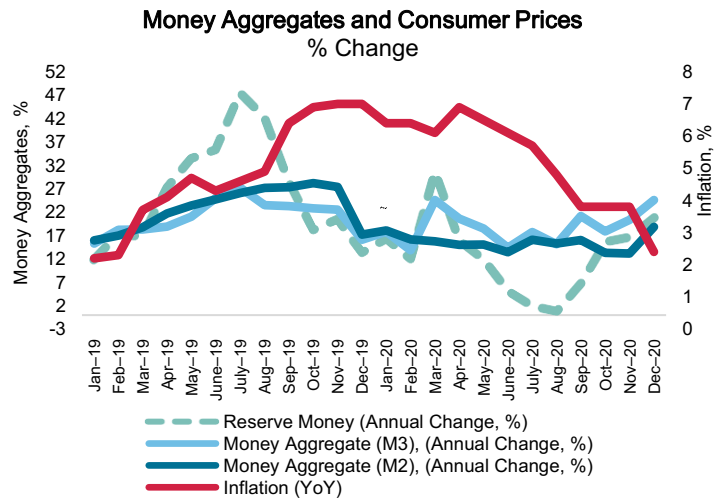
In January 2020, international reserves amounted to 4,102 million USD, which is 17.8% YoY increasing and 4.9% MoM decreasing. In December 2020, in response to the sharp exchange rate depreciation National bank sold 49.8 million USD and in January 2021 – 80 million.



### 3. Monetary Sector

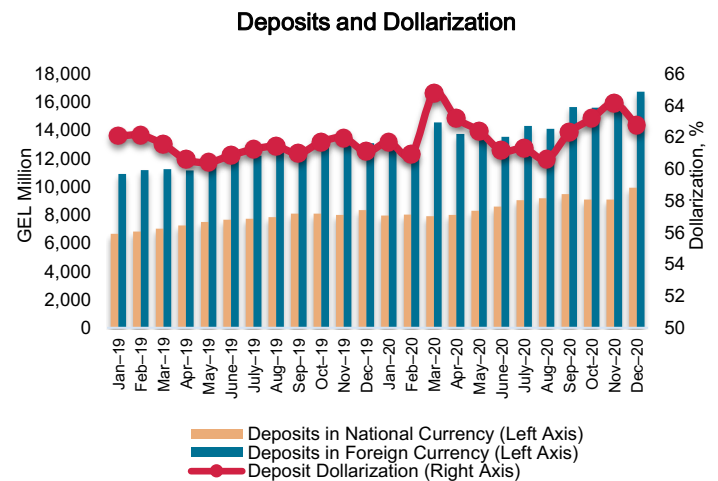
**In December, compared to the same period of the previous years, reserve money had growth tendency.**

In December 2021, reserve money increased by 20.8% YoY, money aggregate M2 – by 18.8%, and money aggregate M3 – by 24.6%. In December 2020, consumer price inflation amounted to 2.4% YoY.



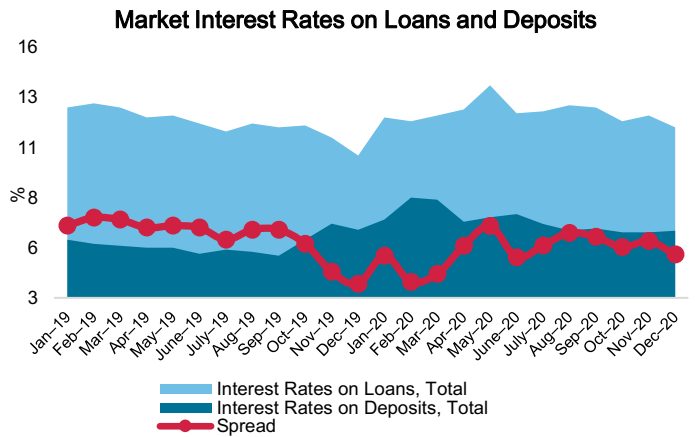
**In December, the dollarization decreased on deposits as well as on loans MoM.**

In December 2020, the deposit dollarization indicator decreased by 1.4 pp and amounted 62.8%, also the loan dollarization has decreased by 0.7 pp and made up to 55.5%. In December, foreign currency deposits increased by 3.1% MoM, while national currency deposits increased by 9.4%.



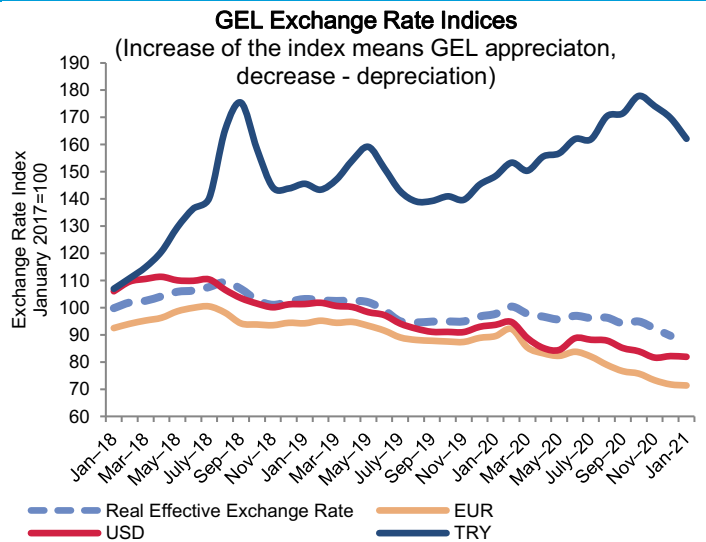
**In December, interest rates on deposits did not change while on loans has increased (by 0.6 pp) MoM.**

In December 2020, market interest rates on loans amounted to 11.5%, while interest rates on deposits was defined at 6.3%. The interest rate spread (difference between loan and deposit rates) amounted to 5.2% as of December 2020, 1.5 pp higher compared to December 2019.



**In January, compared to the previous month, GEL rate shows depreciation towards USD as well as towards EUR.**

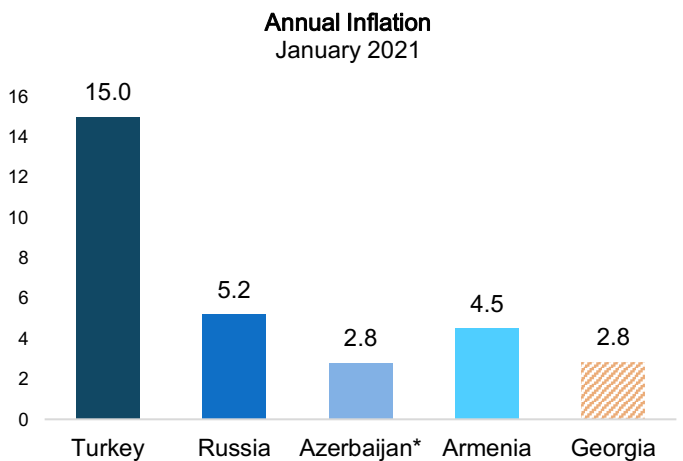
In January 2021, GEL depreciated by 0.3% against USD and by 0.5% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In January, GEL exchange rate depreciated by 12.6% towards USD and by 20.3% towards EUR YoY.



## 4. Regional Review

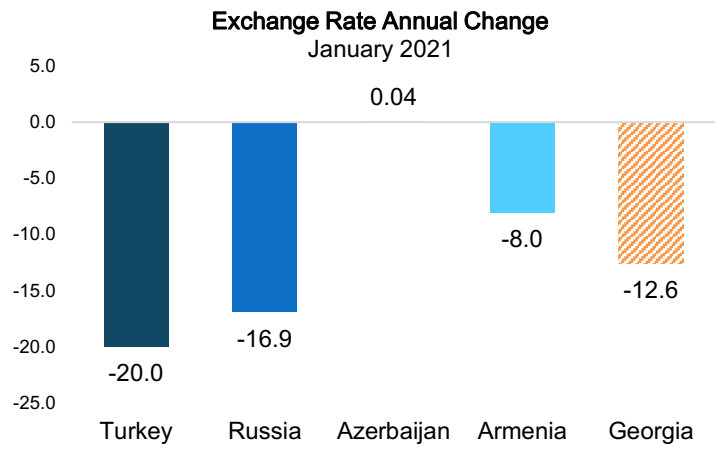
**In January, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in January 2021, annual inflation amounted to 15.0% in Turkey. Inflation was lower in Russia (5.2%) and Armenia (4.5%). As for Azerbaijan, in December 2020, consumer prices have increased by 2.8% YoY.



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

Particularly, in January 2021, TRY depreciated by 20.0% YoY towards USD, RUB by 16.9%, AMD by 8.0%. In the analyzing period AZN insignificantly appreciated towards USD (by 0.04%).



## 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
<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.

		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
<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.