



March 2021

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in February annual economic growth amounted to -5.1%
- Annual inflation amounted to 7.2% in March
- In March, GEL depreciated against USD (by 0.8%), and appreciated against EUR (by 0.7%) MoM

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

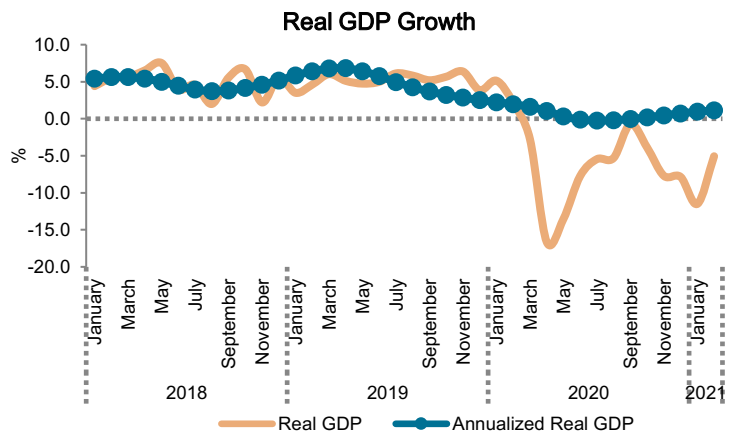


1. Real and Fiscal Sector

In February, negative annual economic growth was 5.1%.

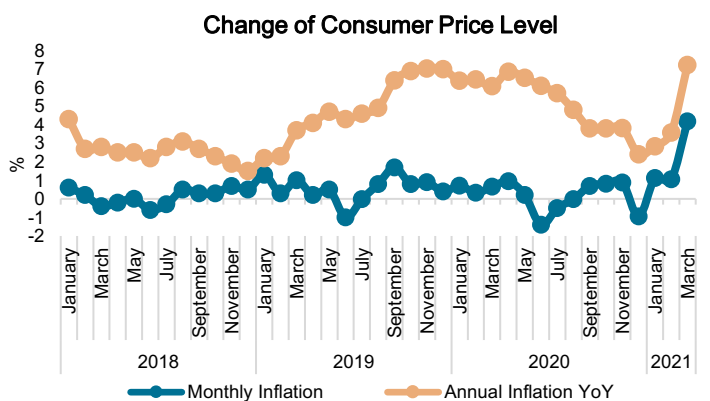
In accordance with preliminary estimates of GEOSTAT, in February 2021, annual real GDP growth amounted to -5.1%.

According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 1.3% in February.



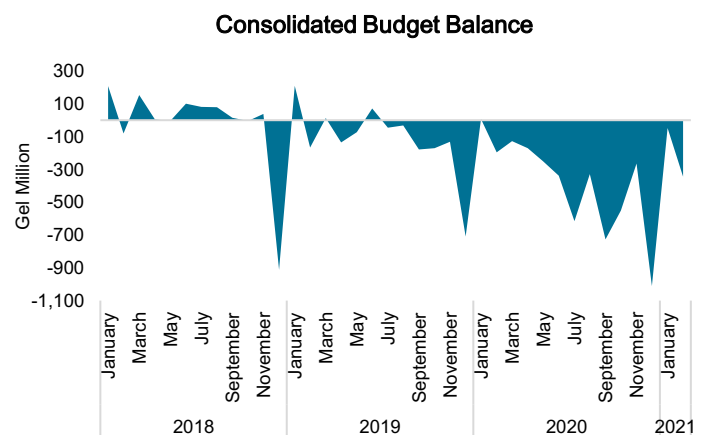
In March, annual CPI inflation amounted to 7.2%

In March 2021, inflation rate amounted to 7.2%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, healthcare, transport, furnishing, household equipment and maintenance, tobacco and alcoholic beverages, housing, water, electricity, gas and other fuels. In February 2021, annual GDP deflator amounted 7.8%.



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

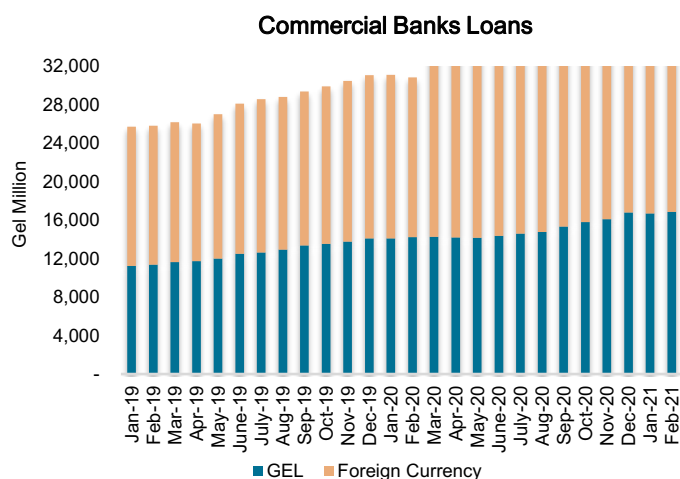
In February 2021, general government revenues increased by 7.6% YoY, while expenses increased by 14.3%. In the analyzing period, the general government negative net operating balance (government savings) amounted 125.1 million GEL, while the negative net lending/borrowing was defined at 343.5 million 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 February, 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.

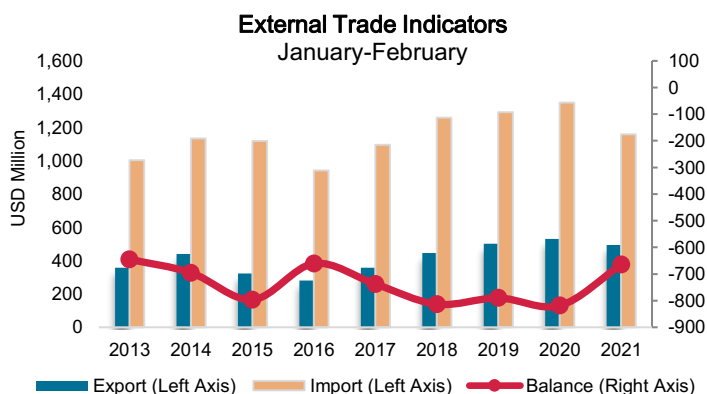
In February 2021, comparing to the February of the previous year, commercial bank loans increased by 22.0% YoY and amounted to 37.6 billion GEL. National currency loans increased by 18.6%, while foreign currency loans increased by 25.0%.



2. External Sector

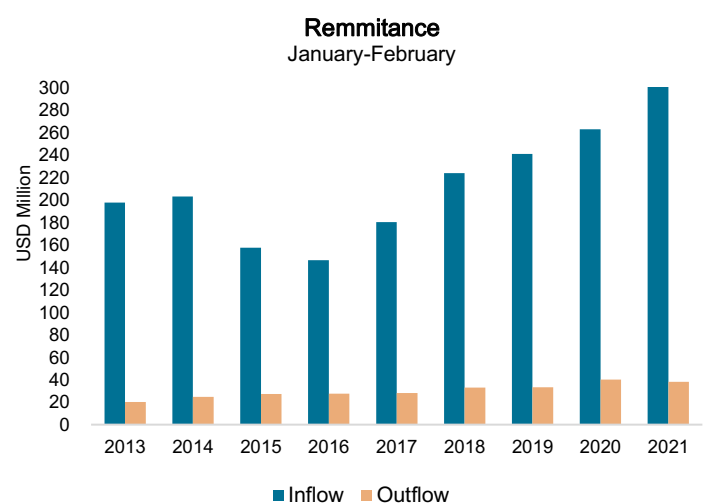
In January-February, export, as well as import of goods had decreased.

In January-February 2021, exports decreased by 6.8%, and import - by 14.1% YoY. This was basically caused by trade reduction. During this period, the share of exports in external trade amounted to 29.9%. Growth in export was substantial in the following countries: Germany (62%), Turkey (25%) and Russia (17%). It needs to be mentioned that during this period export significantly decreased in Azerbaijan (29%), Bulgaria (29%), Armenia (27%), and China (13%).



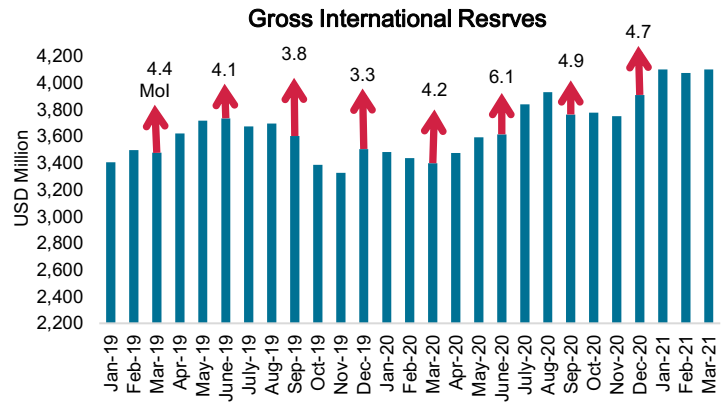
In February remittances increased

In February 2021, remittances increased by 17.5% YoY. The main source of money transfers are EU countries (43.4% of total), Russia (15.6%) and USA (11.9%). In the analyzing period, remittances increased significantly from following countries: Azerbaijan (by 191%), Ukraine (by 78%), Germany (by 51%), USA (by 33%) and Italy (by 32%). Meanwhile remittance decreased from Russia (by 12%).



In March 2021, International Reserves amounted 4,101 million USD.

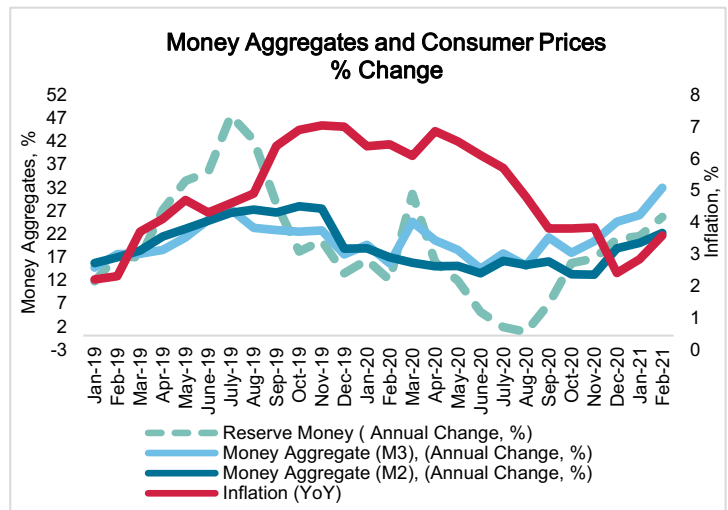
In March 2021, international reserves amounted to 4,101 million USD, which is 20.6% YoY and 0.6% MoM increasing. In March 2021, in response to the sharp exchange rate depreciation National bank sold 40 million USD.



3. Monetary Sector

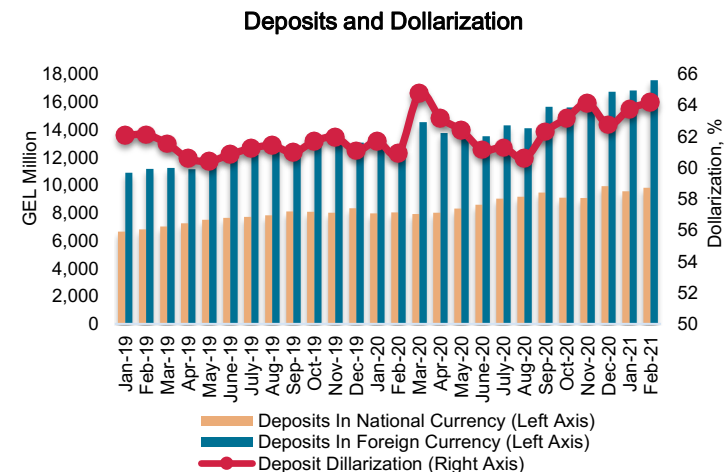
In February, compared to the same period of the previous years, reserve money had growth tendency.

In February 2021, reserve money increased by 25.6% YoY, money aggregate M2 – by 22.2%, and money aggregate M3 – by 31.9%. In February 2021, consumer price inflation amounted to 3.6% YoY.



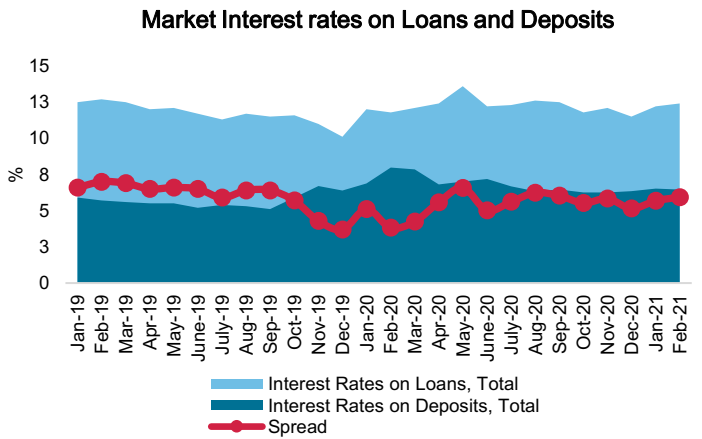
In February, the dollarization increased on deposits and decreased on loans MoM.

In February 2021, the deposit dollarization indicator increased by 0.4 pp and amounted 64.2%, also the loan dollarization has decreased by 0.2 pp and made up to 55.5%. In February, foreign currency deposits increased by 4.5% MoM, while national currency deposits increased by 2.5%.



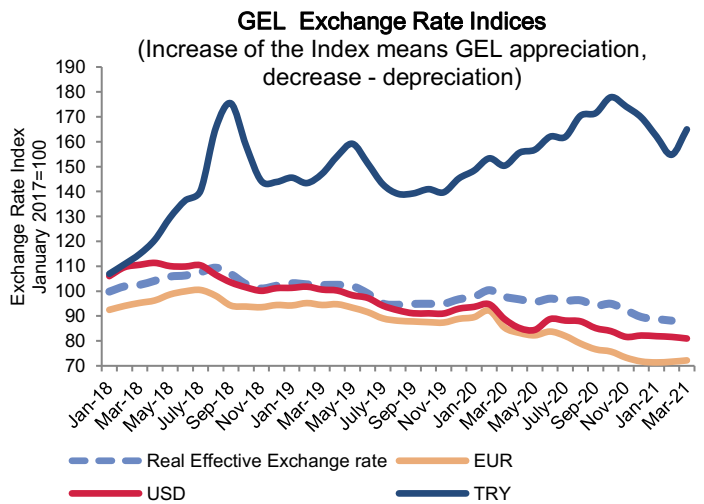
In February, interest rates decreased on deposits (by 0.1 pp) and increased on loans (by 0.2 pp) MoM.

In February 2021, market interest rates on loans amounted to 12.4%, while interest rates on deposits was defined at 6.5%. The interest rate spread (difference between loan and deposit rates) amounted to 5.9% as of February 2021, 2.1 pp higher compared to February 2020.



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

In March 2021, GEL depreciated by 0.8% against USD and appreciated by 0.7% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In March, GEL exchange rate depreciated by 8.8% towards USD and by 15.4% towards EUR YoY.



4. Regional Review

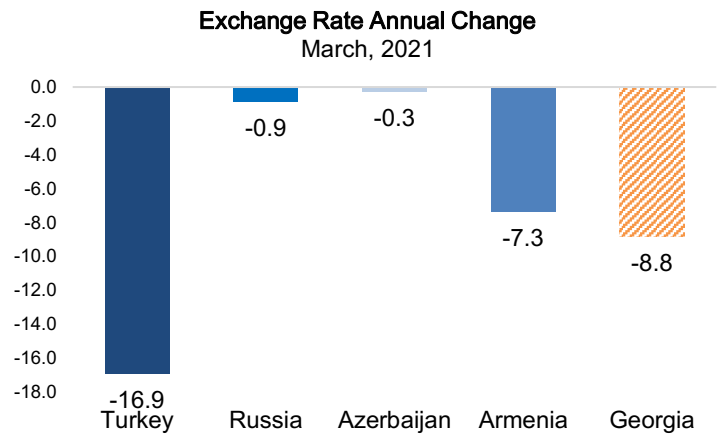
In March, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in March 2021, annual inflation amounted to 16.2% in Turkey. Inflation was lower in Russia (5.8%) and Armenia (5.8%). As for Azerbaijan, in February 2021, consumer prices have increased by 4.2% YoY.



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

Particularly, in March 2021, TRY depreciated by 16.9% YoY towards USD, RUB by 0.9%, AMD by 7.3%. In the analyzing period AZN insignificantly depreciated towards USD (by 0.3%).



Summary Table²



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	03.2021
Real Sector	GDP Growth Rate	Increase	Decrease	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	Decrease	
Monetary Sector	Inflation	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase
	Monetary Policy Rate	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Deposit Dolarization	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Loan Dolarization	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
External Sector	Exchange Rate	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Remittances	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Export	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Import	Increase	Increase	Decrease	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	Increase
International Rerves	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase
Fiscal Sector	Revenues	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Recurent Expenditure	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Capital Expenditure	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	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	03.2021
Real Sector	GDP Growth Rate	Increase	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Increase	
	VAT Turnover Growth Rate	Increase	Decrease	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Increase	
Monetary Sector	Inflation	Decrease	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Change < 1%	Change < 1%	Decrease	Increase	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%	Increase
	Deposit Dolarization	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Decrease	Increase	Increase	Increase
	Loan Dolarization	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Decrease	Decrease
External Sector	Exchange Rate	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Increase	Increase
	Remittances	Decrease	Increase	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Increase	Increase
	Export	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Increase	Increase
	Import	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
	Trade Balance	Increase	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
International Rerves	Decrease	Decrease	Decrease	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	Decrease	Increase
Fiscal Sector	Revenues	Decrease	Decrease	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Increase	Increase	Increase	Decrease	Decrease	Increase
	Recurent Expenditure	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Capital Expenditure	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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

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