



January, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in December annual economic growth amounted to 9.6%
- Annual inflation amounted to 13.9% in January
- In January, GEL appreciated against USD (by 0.6%) and against EUR (by 0.4%) MoM

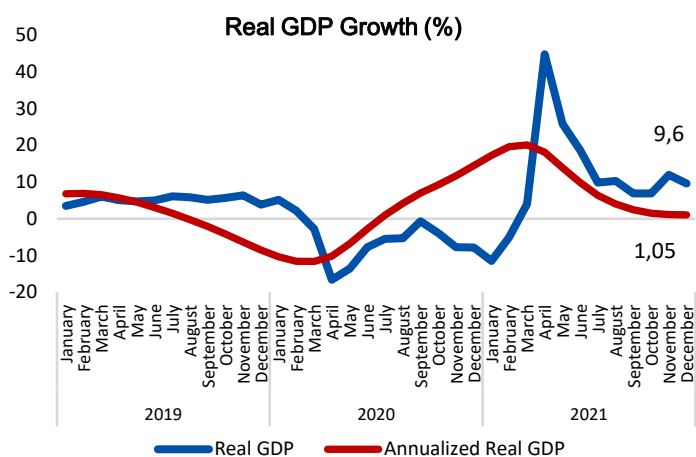
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*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



1. Real and Fiscal Sector

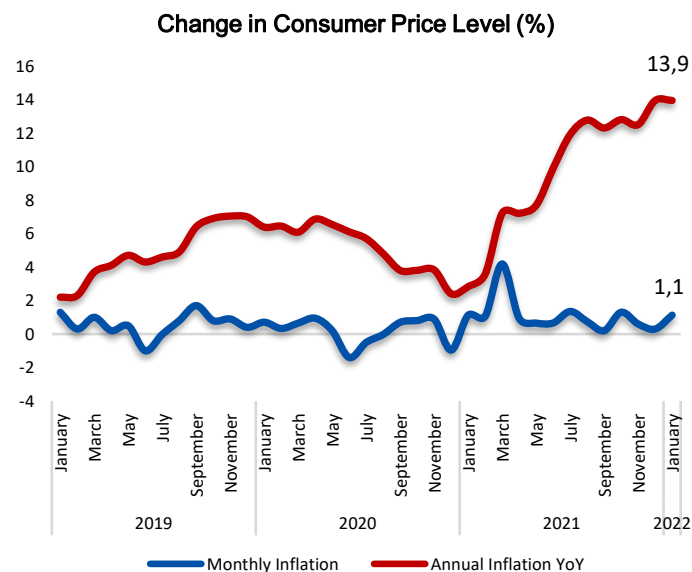
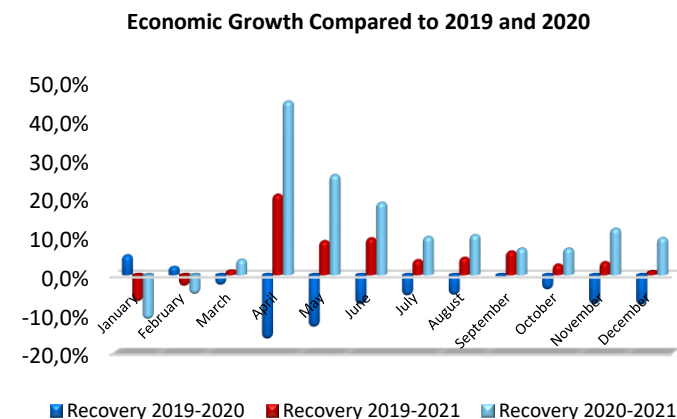


In December, positive annual economic growth was **9.6%**.

In accordance with preliminary estimates of GEOSTAT, in December 2021, annual real GDP growth amounted to 9.6%.

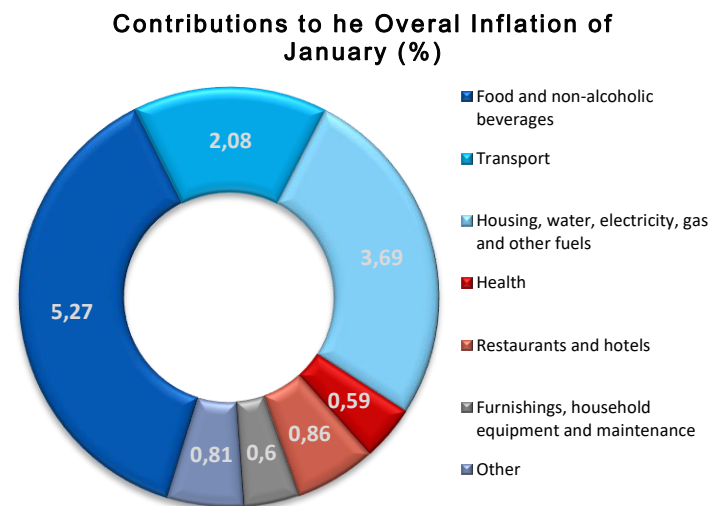
According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 1.1% in December.

Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.



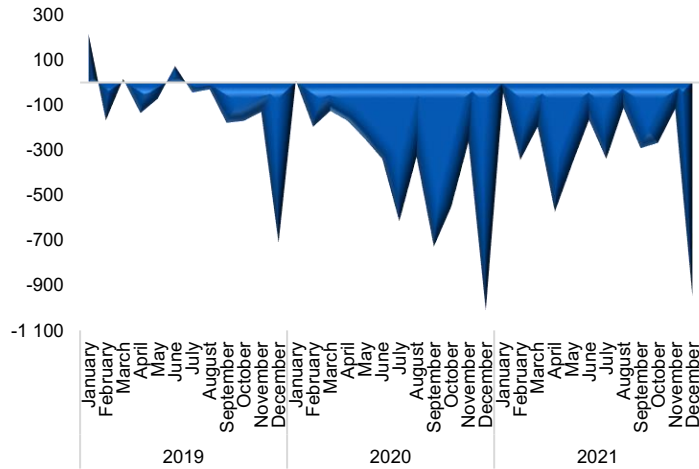
In January, annual CPI inflation amounted to **13.9%**

In January 2022, the inflation rate amounted to 13.9%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, other fuels, transport, restaurants and hotels and health. In December 2021, the annual GDP deflator amounted to 11.5%.



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

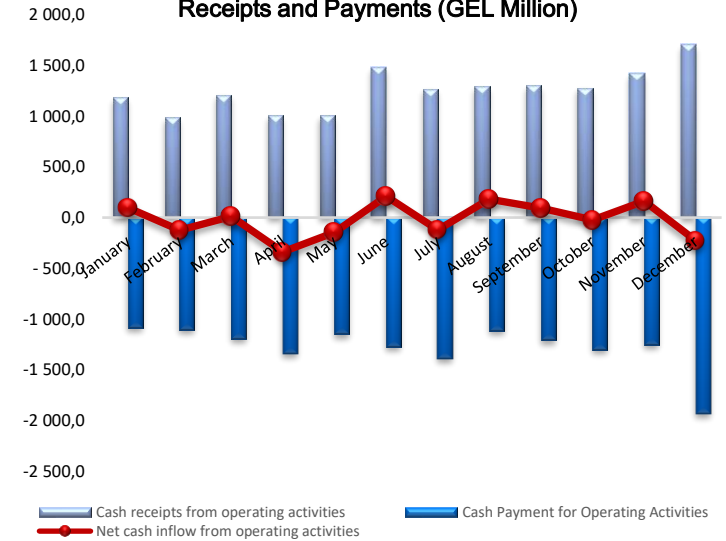
Consolidated Budget Balance (GEL Million)



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

In December 2021, general government revenues increased by 30.6% YoY, while expenses increased by 17.8%. In the analyzing period, the general government negative net operating balance amounted to 227 million GEL, while negative net lending/borrowing was defined at 947.2 million GEL.

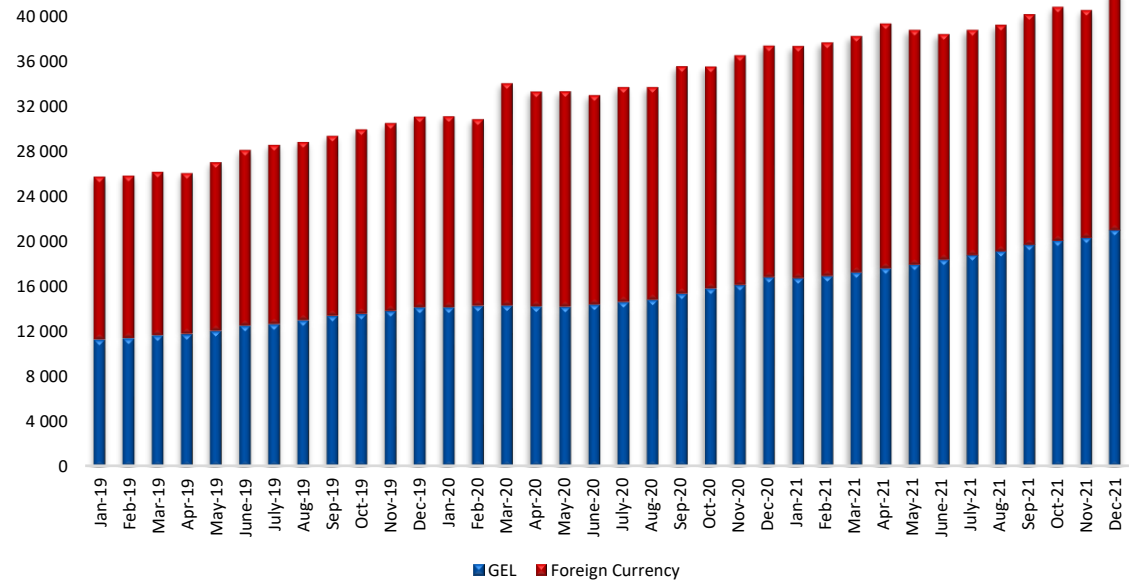
Receipts and Payments (GEL Million)



In December, compared to the same period of the previous year, commercial bank loans to the national economy exhibited growth trend in both national and foreign currency.

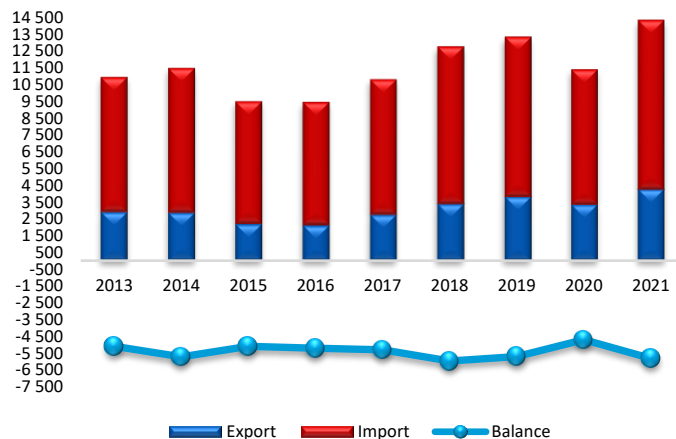
In December 2021, compared to the December of the previous year, commercial bank loans increased by 12.7% YoY and amounted to 42.1 billion GEL. National currency loans increased by 24.9%, while foreign currency loans increased by 2.9%.

Comercial Bank Loans (GEL Million)



2. External Sector

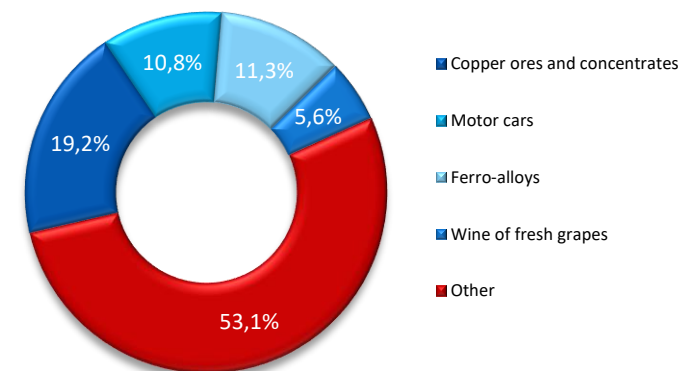
External Trade Indicators (MIn USD)
January - December



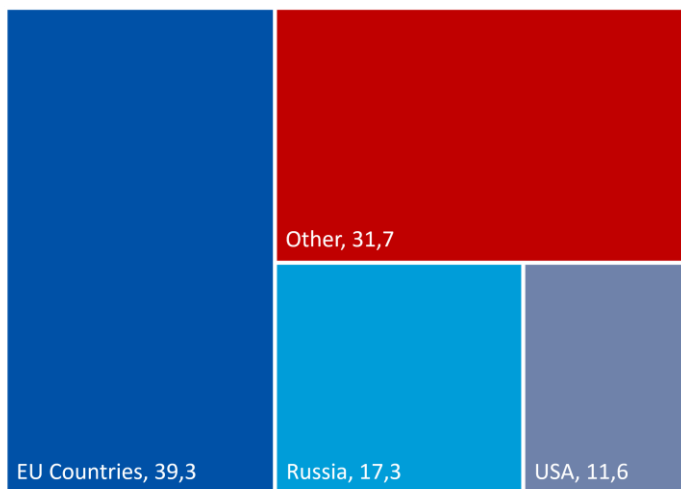
In January-December, both export and import of goods have increased.

In January-December 2021, exports increased by 26.9%, while imports increased by 25.1% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 29.6%. Export growth was substantial in the following countries: USA (143.2%), Kazakhstan (102%), Kyrgyzstan (68.5%), Italy (68.4%) and Romania (64.1%). It needs to be mentioned that during this period export significantly decreased in Chad (99.9), United Arab Emirates (32.2%) and Switzerland (24.7%). High growth was recorded in several export commodity groups: Ferro-alloys (93%), nitrogenous fertilizers (65.4%) and hazelnuts and other nuts (25.8%).

Major Commodity Groups by Exports
(January - December)



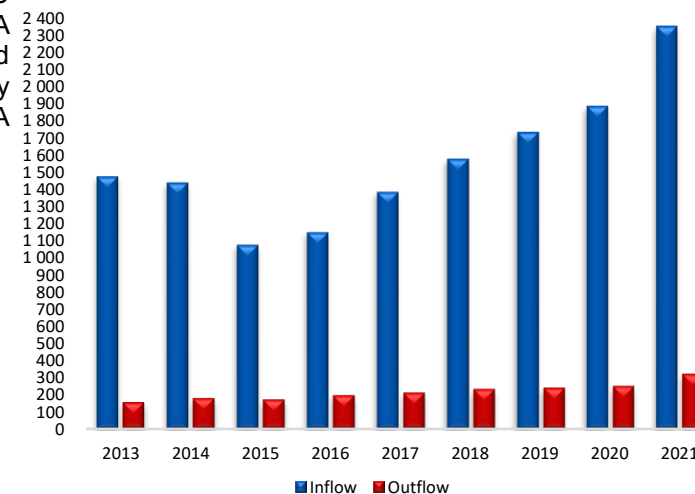
Remittance (%)
December



In December, remittances increased

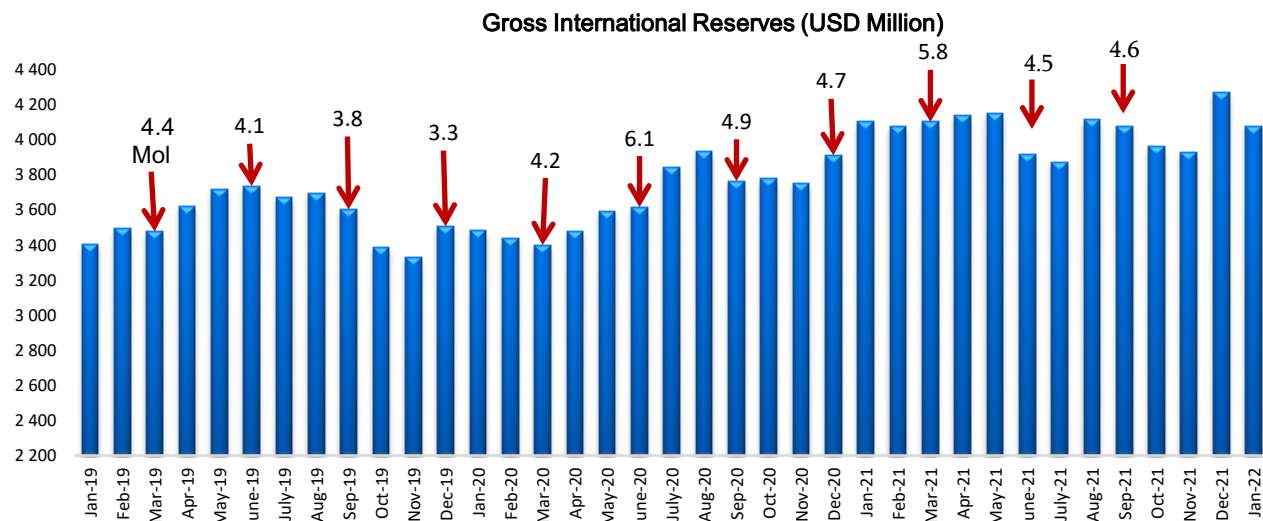
In January-December 2021, remittances increased by 24.6% YoY. In December the main source of money transfers are EU countries (39.3% of total), Russia (17.3%), and the USA (11.6%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 368.4%), Kyrgyzstan (by 296.6%), Germany (by 39.1%), USA (by 19.5%) and Italy (by 19.1%).

Remittance (USD Million)
January - December



In January 2022, International Reserves amounted to 4,078 million USD.

In January 2022, international reserves amounted to 4,078 million USD, which is a 0.6% YoY and 4.5% MoM decrease. In January 2022, the National bank of Georgia did not take part in foreign exchange interventions.

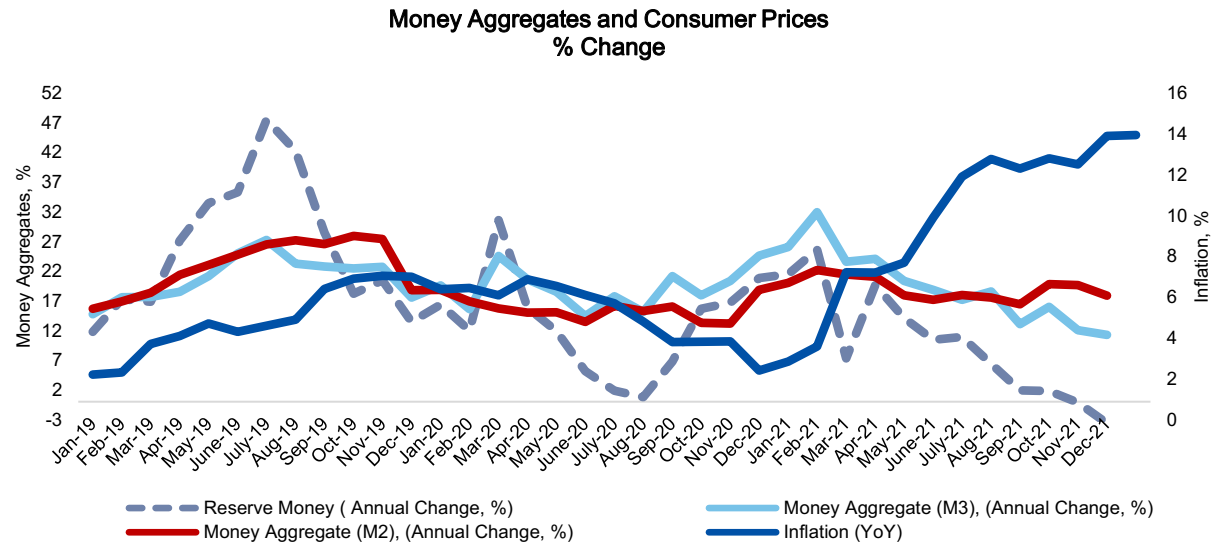


² Coefficients for gross international reserves are calculated in accordance to import

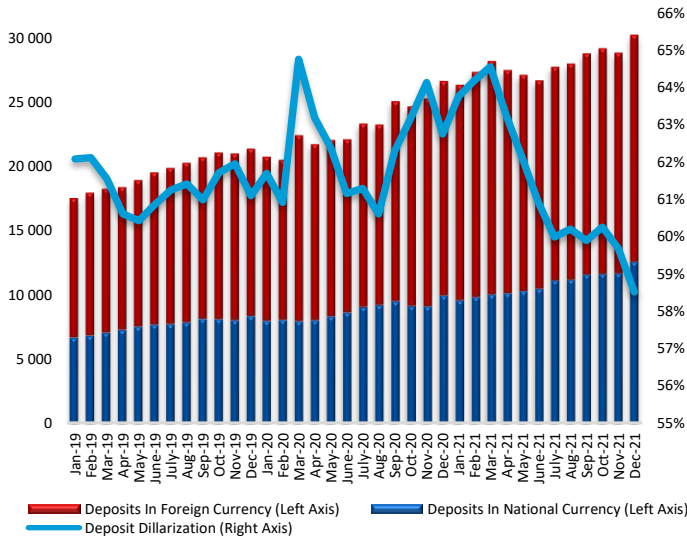
3. Monetary Sector

In December, compared to the same period of the previous year, reserve money had a decrease tendency.

In December 2021, reserve money decreased by 3.6% YoY, money aggregate M2 increased by 17.8%, and money aggregate M3 – by 11.3%. In January 2022, consumer price inflation amounted to 13.9% YoY.



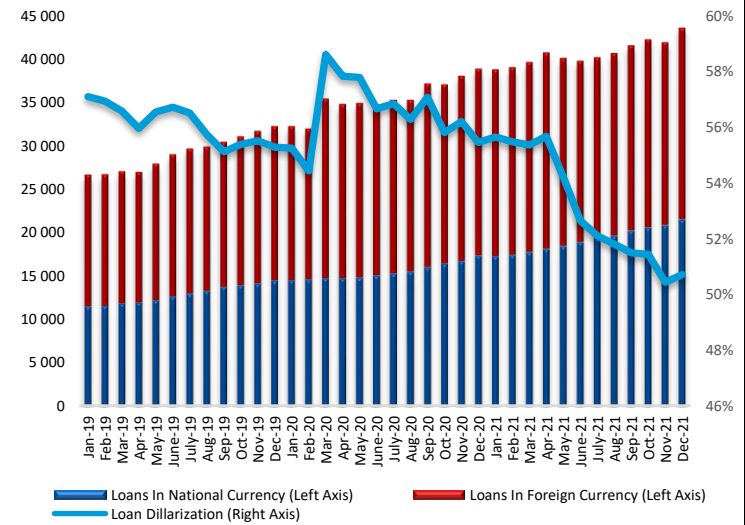
Deposits and Dollarization (GEL Million)



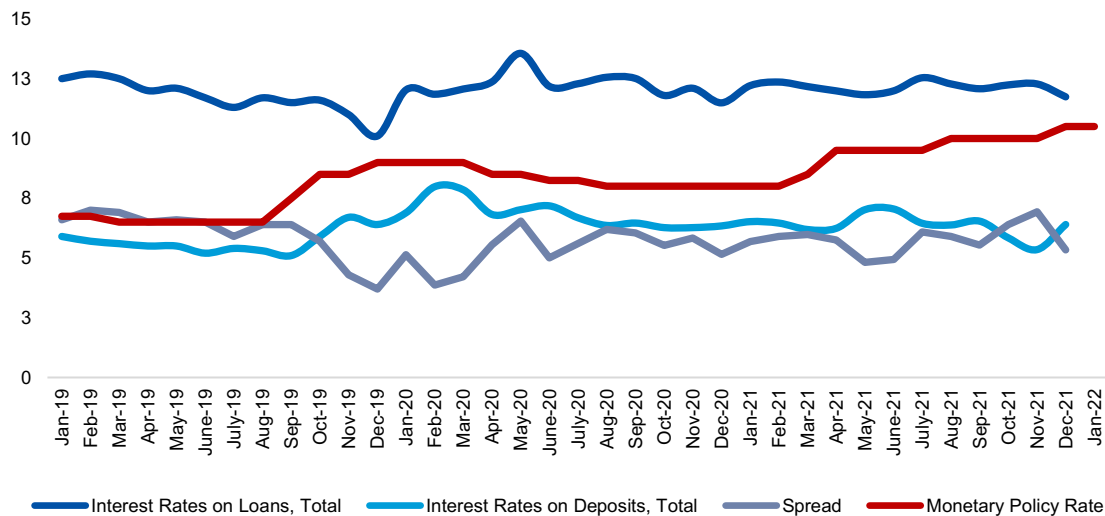
In December, the dollarization decreased on deposits and slightly increased on loans MoM.

In December 2021, the deposit dollarization indicator decreased by 1.17 pp and amounted to 58.5%, while loan dollarization has increased by 0.27 pp and made up to 50.7%. In December, foreign currency deposits increased by 2.8% MoM, while national currency deposits increased by 7.9%.

Loans and Dollarization (Mln GEL)



Market Interest Rates on Loans and Deposits (%)

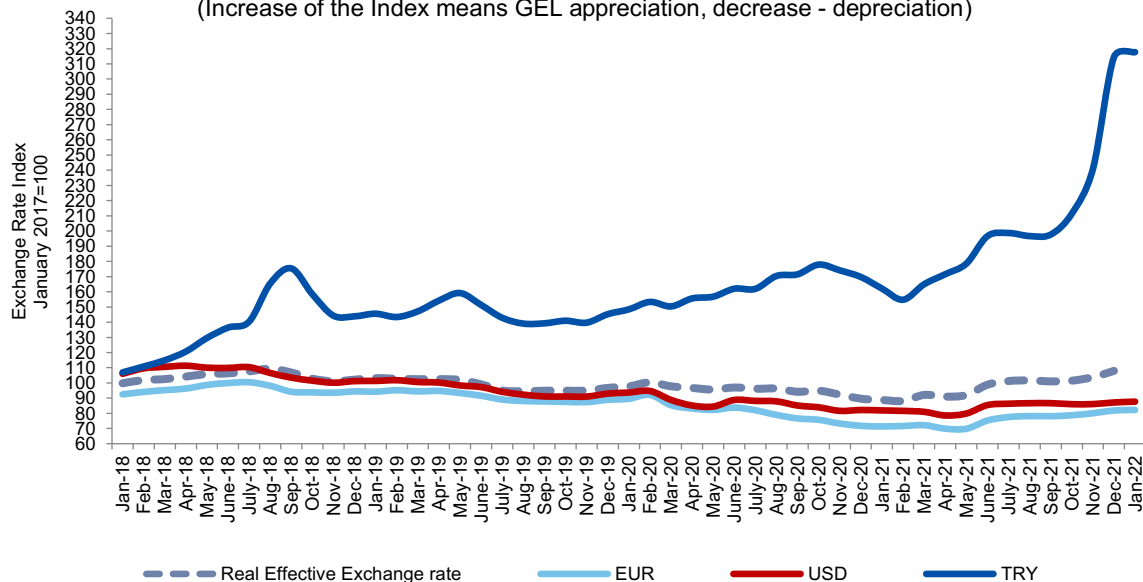


In December, interest rates increased on deposits (by 1.1 pp) and decreased on loans (by 0.5 pp) MoM.

In December 2021, market interest rates on loans amounted to 11.7%, while interest rates on deposits were defined at 6.4%. The interest rate spread (difference between loan and deposit rates) amounted to 5.3% as of December 2021, 0.2 pp higher compared to December 2020.

GEL Exchange Rate Indices

(Increase of the Index means GEL appreciation, decrease - depreciation)



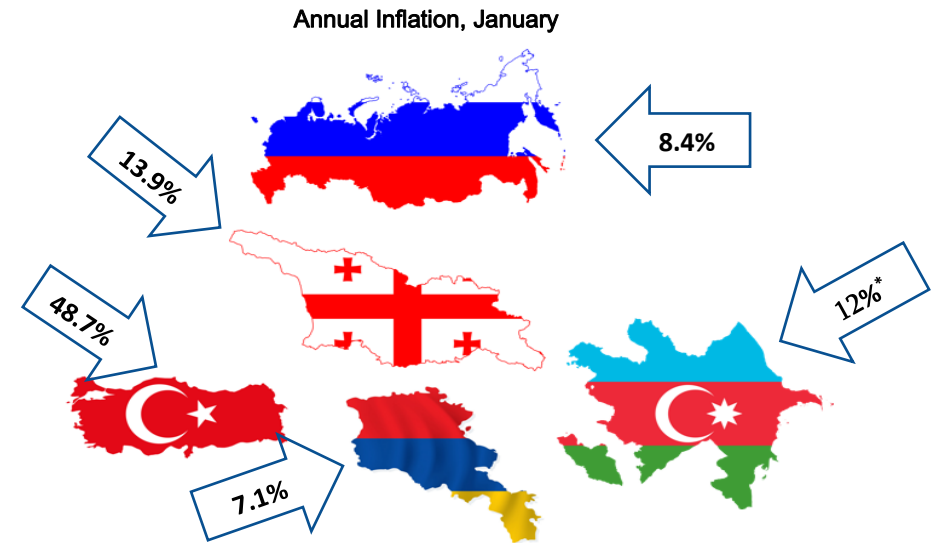
In January, compared to the previous month, the GEL shows appreciation toward USD and towards EUR.

In January 2022, GEL appreciated against USD by 0.6%, while appreciated by 0.4% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In January, the GEL exchange rate appreciated by 7% towards USD and by 15.2% towards EUR YoY.

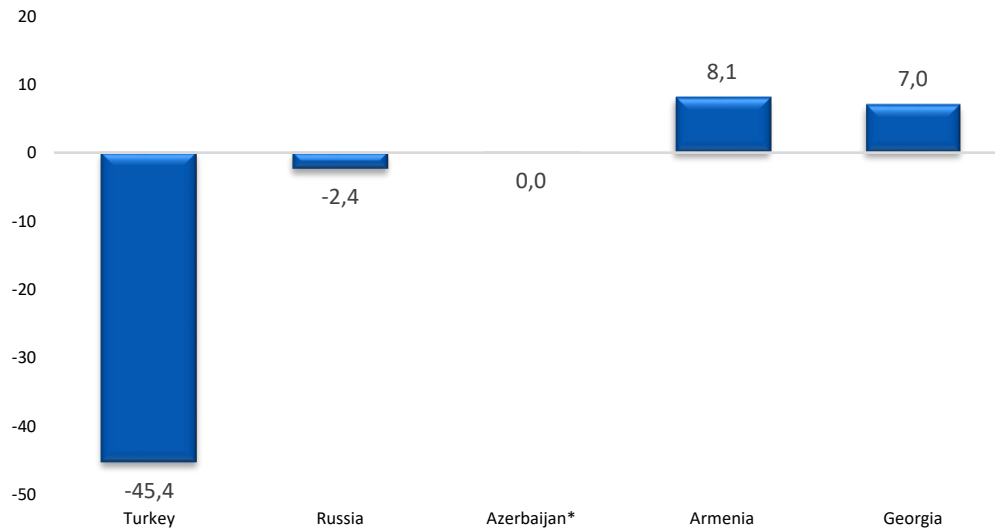
4. Regional Review

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

Namely, in January 2022, annual inflation amounted to 48.7% in Turkey. Inflation was lower in Armenia (7.1%). As for Russia* and Azerbaijan*, in December 2021, consumer prices have increased by 8.4% and 12% YoY respectively.



Exchange Rate Annual Change
January, 2022



In January, part of the currencies of the region countries stand out with a tendency of appreciation towards USD, while others depreciated.

Particularly, in January 2022, AMD appreciated by 8.1% YoY towards USD. AZN remained almost unchanged. In the analyzing period TRY depreciated by 45.4% and RUB by 2.4%.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22
Real Sector	GDP Growth Rate (%)	-11.5	-5.1	4.0	44.8	25.8	18.7	9.9	10.3	6.9	6.9	12.0	9.6	
	VAT Turnover Growth Rate (%)	-8.1	7.6	21.5	93.4	50.3	37.5	26.5	31.2	24.0	25.6	32.6	31.2	
Monetary Sector	Inflation (%)	2.8	3.6	7.2	7.2	7.7	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9
	Monetary Policy Rate (%)	8.00	8.00	8.50	9.50	9.50	9.50	9.50	10.0	10.0	10.0	10.0	10.5	10.5
	Deposit Dollarization (%)	63.76	0.64	64.55	0.63	0.62	0.61	0.60	0.60	0.60	0.60	0.60	0.59	
	Loan Dollarization (%)	55.6	0.55	55.36	0.56	0.54	0.53	0.52	0.52	0.51	0.51	0.51	0.50	0.51
External Sector	Exchange Rate (GEL)	3.30	3.31	3.34	3.44	3.38	3.16	3.13	3.12	3.12	3.14	3.14	3.10	3.08
	Remittances (Thousand USD)	149 753.8	161 382.3	188 171.1	194 056.8	187 714.4	201 898.4	208 428.2	204 893.0	209 749.8	206 691.2	207 337.5	229 487.0	
	Export (USD Million)	224.5	267.7	325.7	377.7	340.0	350.7	386.3	335.1	373.6	411.2	430.4	419.5	
	Import (USD Million)	561.7	648.4	775.0	756.2	770.0	863.7	882.5	867.2	957.8	935.7	1 017.0	1 038.0	
	Trade Balance (USD Million)	(337.2)	(380.7)	(449.3)	(378.5)	(430.0)	(513.0)	(496.2)	(532.1)	(584.2)	(524.4)	(586.6)	(618.5)	
	International Reserves (USD Million)	4 101.6	4 076.1	4 101.3	4 136.3	4 153.5	3 918.4	3 872.7	4 116.7	4 076.6	3 959.0	3 928.5	4 272.1	4 078.1
Fiscal Sector	Revenues (GEL Million)	1 186.8	983.2	1 208.2	1 006.6	1 002.9	1 482.2	1 269.4	1 296.6	1 300.5	1 278.7	1 420	1 707.4	
	Recurrent Expenditure (GEL Million)	1 090.7	1 108.3	1 197.4	1 344.7	1 148.9	1 272	1 391.2	1 113.9	1 208.4	1 303.1	1256	1 934.4	
	Capital Expenditure (GEL Million)	151.1	222.7	245.8	250.2	222.8	496.1	243.1	308.1	479.9	248.2	296.6	798.8	

Increase
 Decrease
 Change < 1%

Table N2³. Comparison of key economic indicators with similar data for the corresponding month of last year.

		01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022
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 Rservices													
Fiscal Sector	Revenues													
	Recurrent Expenditure													
	Capital Expenditure													

Table N3. Comparison of key economic indicators with similar data of the previous month.

		01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022
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 Rservices													
Fiscal Sector	Revenues													
	Recurrent Expenditure													
	Capital Expenditure													

³ Indicators of table N2 and N3 are based on the data in Table N1.