



April 2021

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in March annual economic growth amounted to 4.0%
- Annual inflation amounted to 7.2% in April
- In April, GEL depreciated against USD (by 2.9%) and EUR (by 3.1%) MoM

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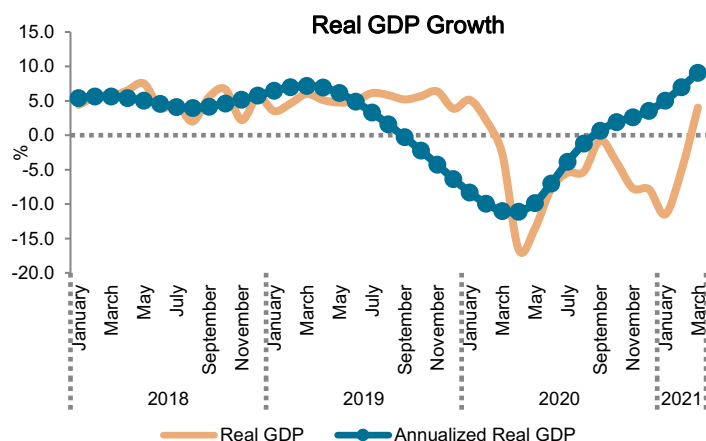
\*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



# 1. Real and Fiscal Sector

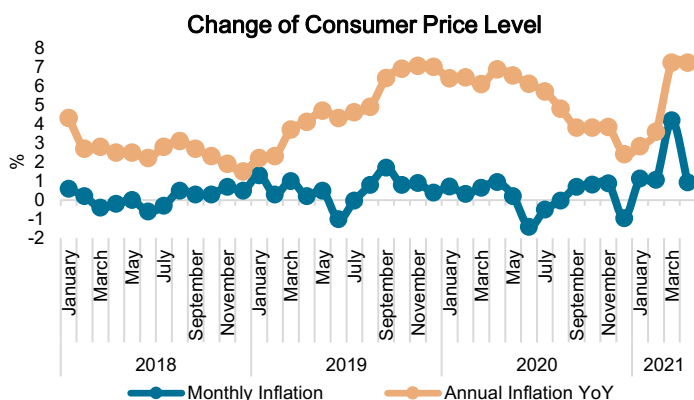
**In March, positive annual economic growth was 4.0%.**

In accordance with preliminary estimates of GEOSTAT, in March 2021, annual real GDP growth amounted to 4.0%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 10.5% in March.



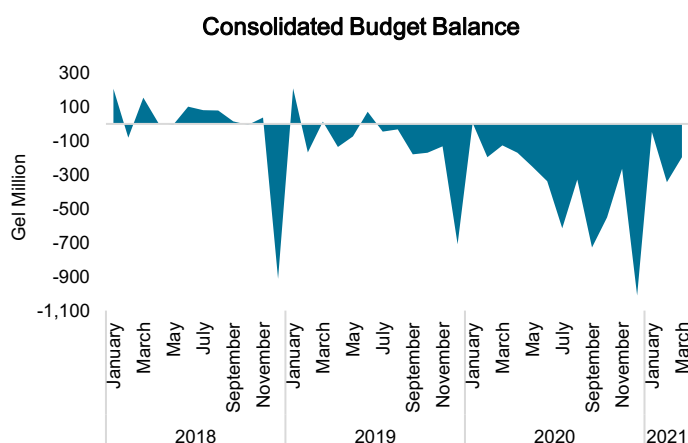
**In April, annual CPI inflation amounted to 7.2%**

In April 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, restaurants and hotels, housing, water, electricity, gas and other fuels. In March 2021, annual GDP deflator amounted 8.0%.



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

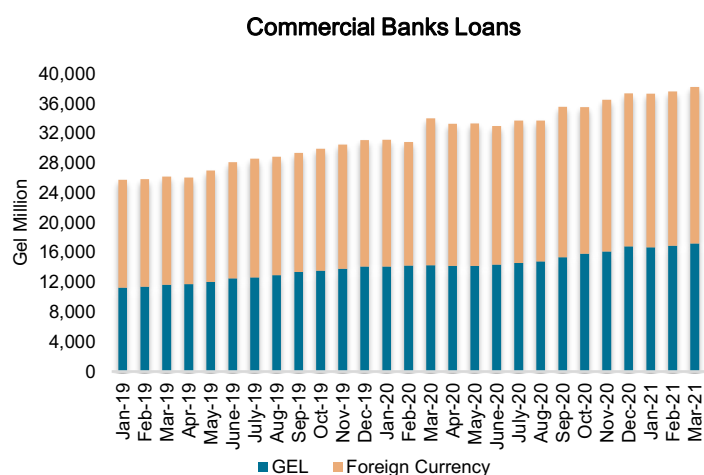
In March 2021, general government revenues decreased by 4.9% YoY, while expenses increased by 5.9%. In the analyzing period, the general government positive net operating balance (government savings) amounted 10.8 million GEL, while negative net lending/borrowing was defined at 197 million GEL.



<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 March, 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.

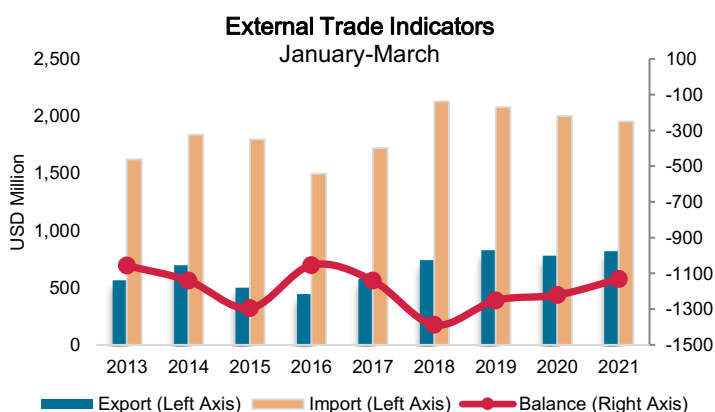
In March 2021, comparing to the March of the previous year, commercial bank loans increased by 12.3% YoY and amounted to 38.2 billion GEL. National currency loans increased by 20.4%, while foreign currency loans increased by 6.5%.



## 2. External Sector

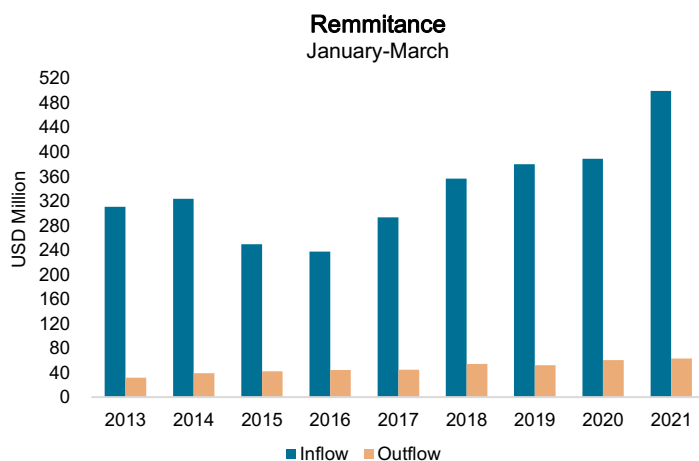
**In January-March, export of goods has increased while import of goods decreased.**

In January-March 2021, exports increased by 5.2%, while import decreased by 2.4% YoY. This was basically caused by trade reduction. During this period, the share of exports in external trade amounted to 29.6%. Growth in export was substantial in the following countries: USA (62%), Turkey (40%) and Russia (20%). It needs to be mentioned that during this period export significantly decreased in Bulgaria (29%), Armenia (19%), Azerbaijan (16%) and China (16%).



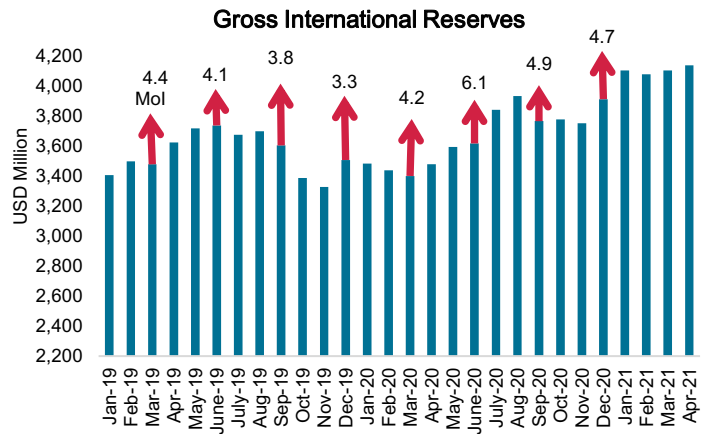
**In March remittances increased**

In March 2021, remittances increased by 49.5% YoY. The main source of money transfers are EU countries (44.9% of total), Russia (17.1%) and USA (12.8%). In the analyzing period, remittances increased significantly from following countries: Russia (by 28%), USA (by 26%), Azerbaijan (by 23%), Germany (by 20%) and Ukraine (by 19%).



**In April 2021, International Reserves amounted 4,136 million USD.**

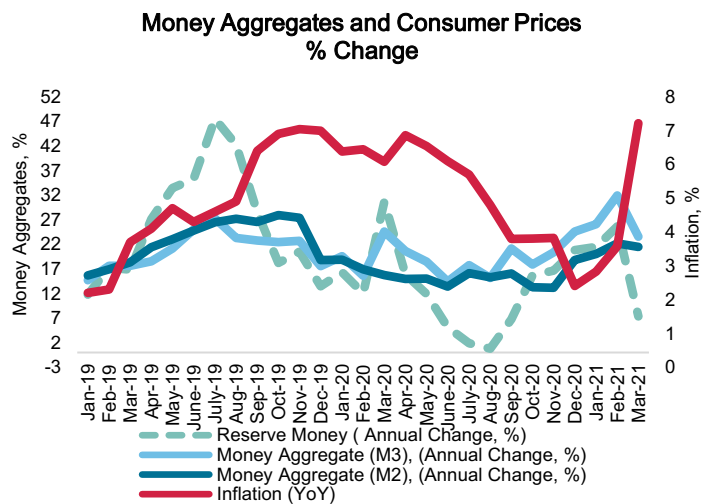
In April 2021, international reserves amounted to 4,136 million USD, which is 19% YoY and 0.9% MoM increasing. In April 2021, in response to the sharp exchange rate depreciation National bank sold 82.9 million USD.



### 3. Monetary Sector

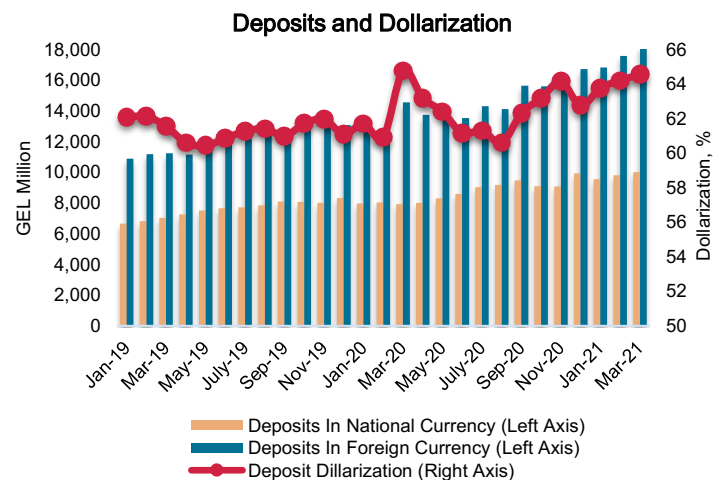
**In March, compared to the same period of the previous years, reserve money had growth tendency.**

In March 2021, reserve money increased by 7.3% YoY, money aggregate M2 – by 21.4%, and money aggregate M3 – by 23.6%. In March 2021, consumer price inflation amounted to 7.2% YoY.



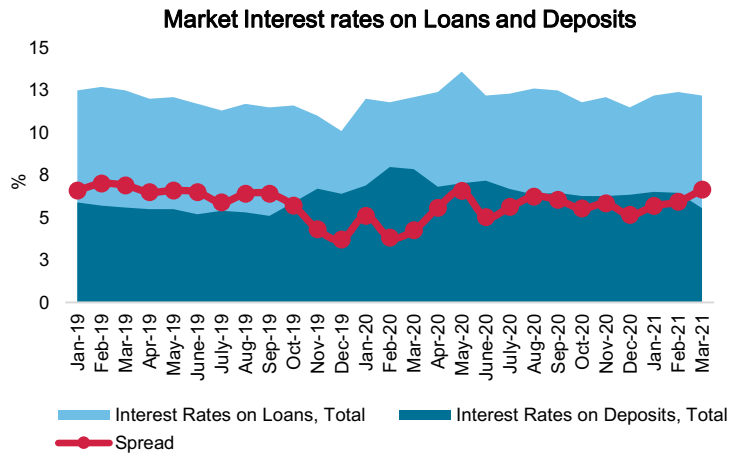
**In March, the dollarization increased on deposits and slightly decreased on loans MoM.**

In March 2021, the deposit dollarization indicator increased by 0.36 pp and amounted 64.55%, also the loan dollarization has decreased by 0.12 pp and made up to 55.36%. In March, foreign currency deposits increased by 3.7% MoM, while national currency deposits increased by 2.1%.



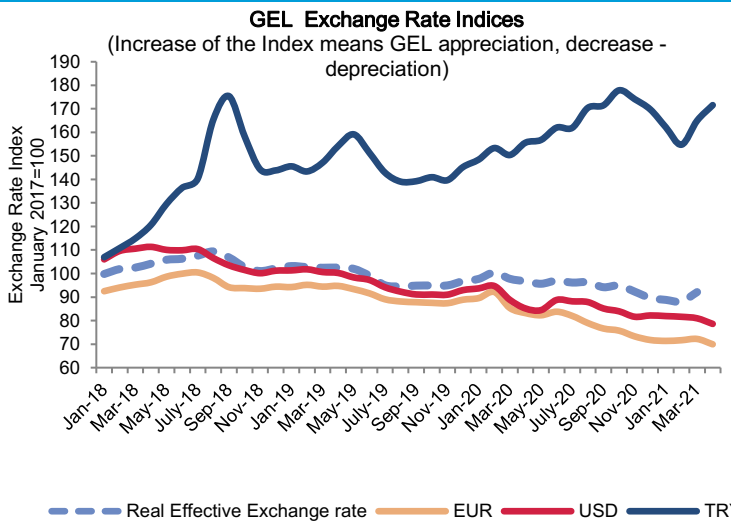
**In March, interest rates decreased on deposits (by 0.9 pp) as well as on loans (by 0.2 pp) MoM.**

In March 2021, market interest rates on loans amounted to 12.2%, while interest rates on deposits was defined at 5.6%. The interest rate spread (difference between loan and deposit rates) amounted to 6.6% as of March 2021, 2.4 pp higher compared to March 2020.



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

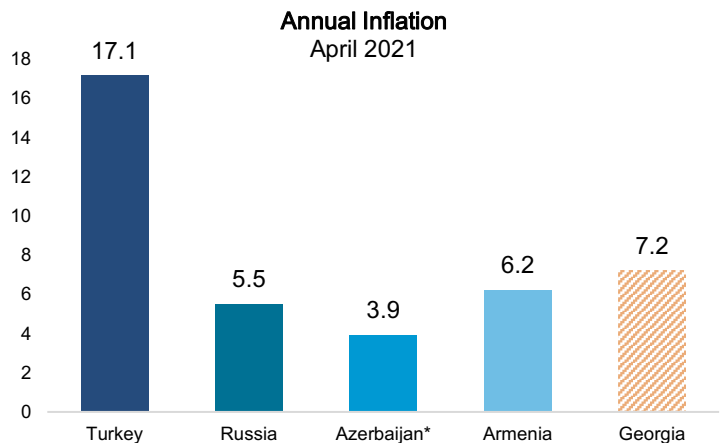
In April 2021, GEL depreciated by 2.9% against USD and by 3.1% against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In April, GEL exchange rate depreciated by 7.7% towards USD and by 15.9% towards EUR YoY.



## 4. Regional Review

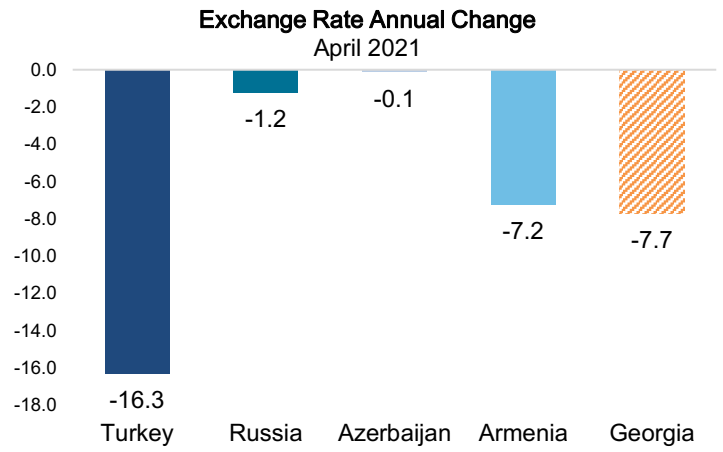
**In April, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in April 2021, annual inflation amounted to 17.1% in Turkey. Inflation was lower in Russia (5.5%) and Armenia (6.2%). As for Azerbaijan, in March 2021, consumer prices have increased by 3.9% YoY.



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

Particularly, in April 2021, TRY depreciated by 16.3% YoY towards USD, RUB by 1.2%, AMD by 7.2%. In the analyzing period AZN insignificantly depreciated towards USD (by 0.1%).



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



Increase



Decrease



Change < 1%

		05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021
<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.

		05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021
<b>Real Sector</b>	GDP Growth Rate												
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<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.