



August 2021

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in July annual economic growth amounted to 9.9%
- Annual inflation amounted to 12.8% in August
- In August, GEL appreciated against USD (by 0.4%) and EUR (by 0.8%) MoM

Macroeconomic Analysis and Tax Policy Unit

E-Mail: pbo@parliament.ge

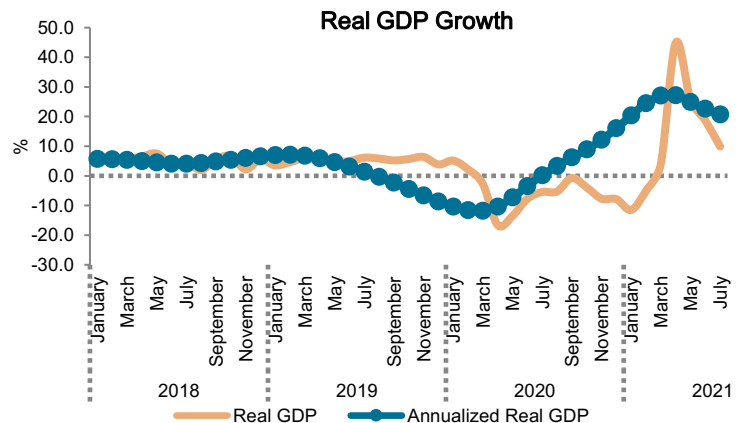
*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



1. Real and Fiscal Sector

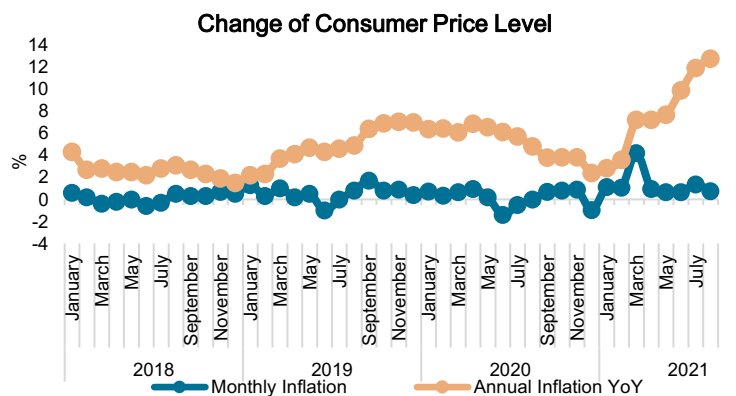
In July, positive annual economic growth was 9.9%.

In accordance with preliminary estimates of GEOSTAT, in July 2021, annual real GDP growth amounted to 9.9%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 20.7% in June.



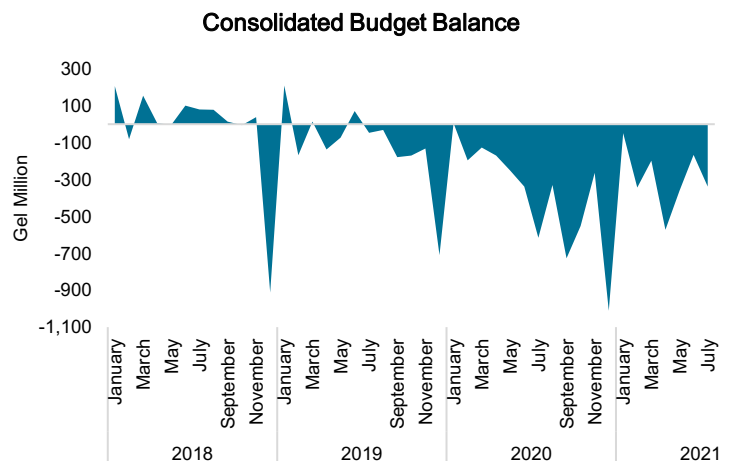
In August, annual CPI inflation amounted to 12.8%

In August 2021, the inflation rate amounted to 12.8%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, other fuels, restaurants and hotels and health. In July 2021, the annual GDP deflator amounted to 10.3%.



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

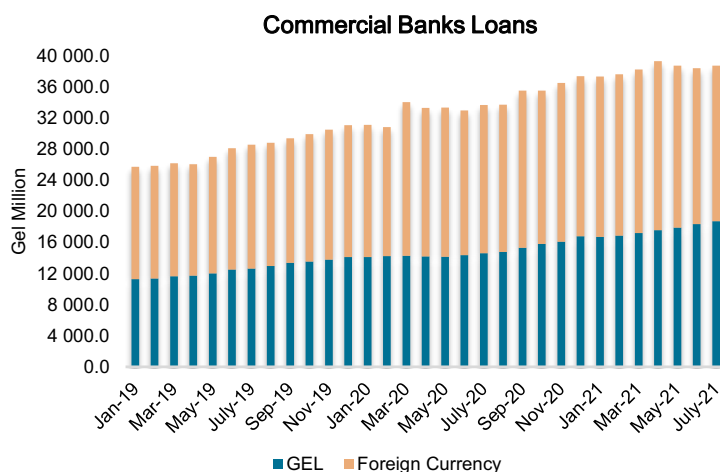
In July 2021, general government revenues increased by 26% YoY, while expenses increased by 8.6%. In the analyzing period, the general government negative net operating balance amounted to 122 million GEL, while negative net lending/borrowing was defined at 339 million GEL.



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 July, 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.

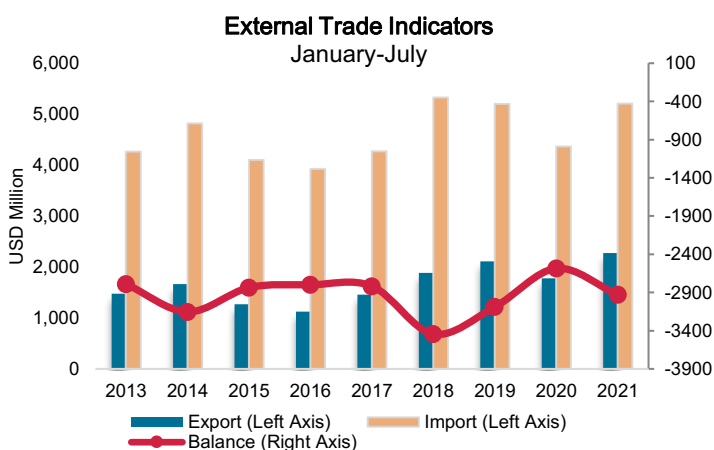
In July 2021, compared to the July of the previous year, commercial bank loans increased by 15% YoY and amounted to 38.8 billion GEL. National currency loans increased by 28.4%, while foreign currency loans increased by 4.8%.



2. External Sector

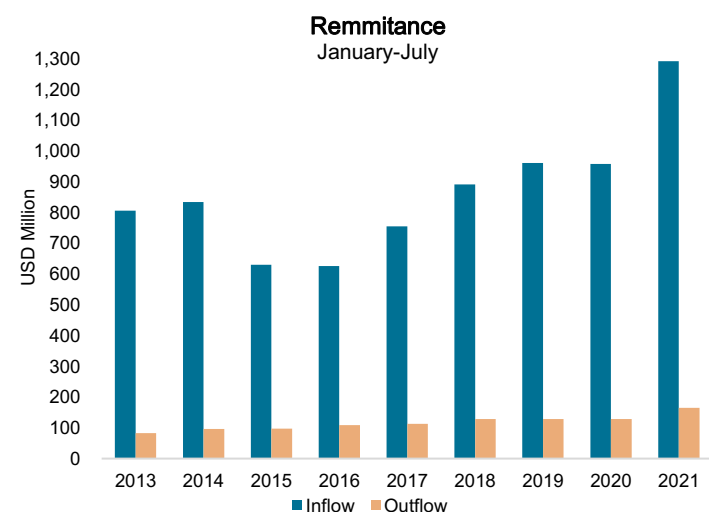
In January-July, both export and import of goods have increased.

In January-July 2021, exports increased by 27.8%, while imports increased by 19.3% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 30.4%. Export growth was substantial in the following countries: Turkey (65%), Ukraine (60%), China (49%), Russia (40%), and Azerbaijan (23%). It needs to be mentioned that during this period export significantly decreased in Bulgaria (33%) Switzerland (20%), and Spain (16%).



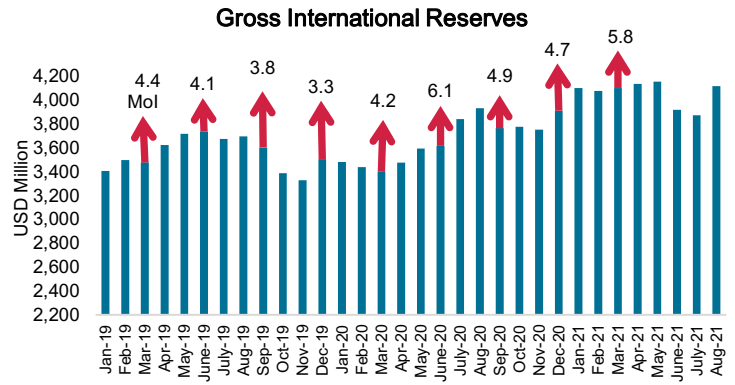
In July, remittances increased

In July 2021, remittances increased by 10.4% YoY. The main source of money transfers are EU countries (40.3% of total), Russia (19.2%), and the USA (12.2%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 251%), Kyrgyzstan (by 188%), Germany (by 43%), Italy (by 19%), France (by 19%), Poland (by 15%), USA (by 14%) and Azerbaijan (by 12%).



In August 2021, International Reserves amounted to 4,117 million USD.

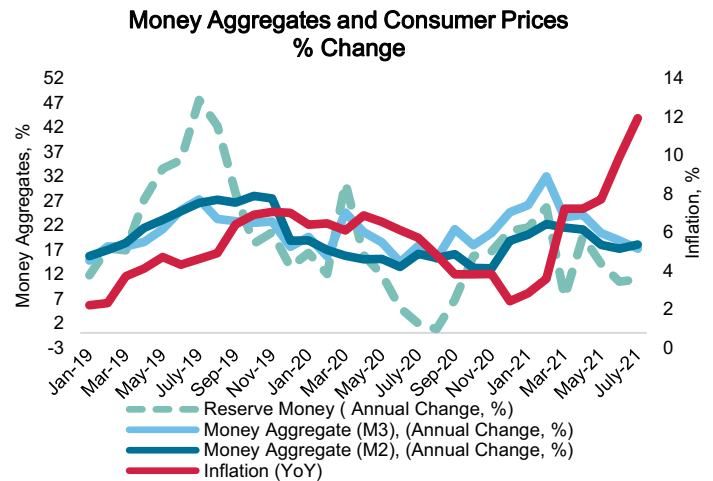
In August 2021, international reserves amounted to 4,117 million USD, which is a 4.7% YoY and 6.3% MoM increase. In August 2021, the National bank of Georgia sold 30 million USD.



3. Monetary Sector

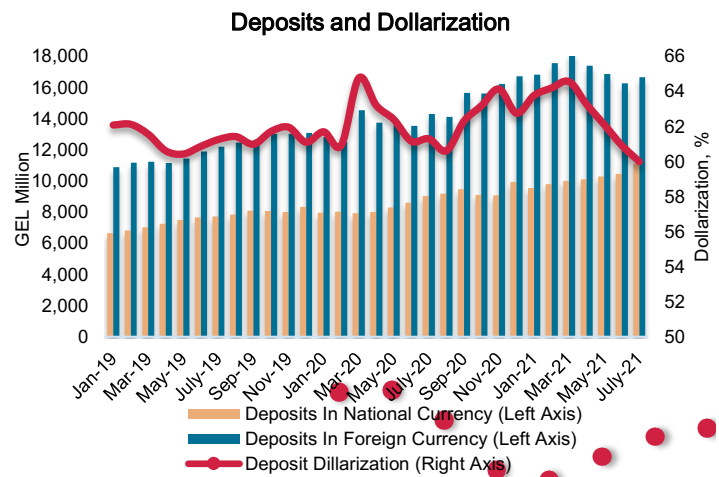
In July, compared to the same period of the previous year, reserve money had a growth tendency.

In July 2021, reserve money increased by 10.9% YoY, money aggregate M2 – by 18%, and money aggregate M3 – by 17.2%. In August 2021, consumer price inflation amounted to 12.8% YoY.



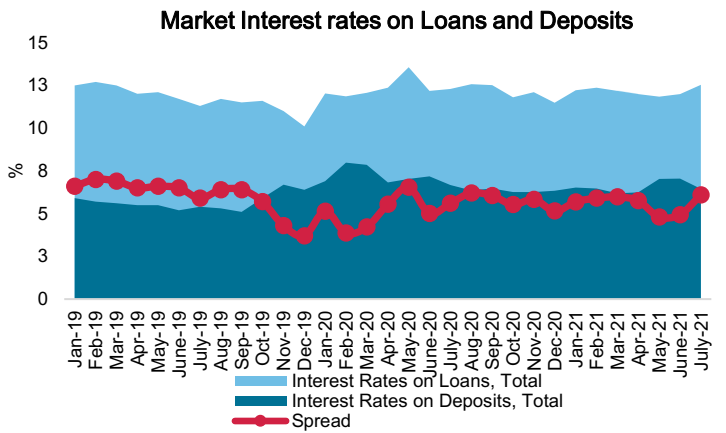
In July, the dollarization decreased on deposits and on loans MoM.

In July 2021, the deposit dollarization indicator decreased by 0.93 pp and amounted to 60%, also the loan dollarization has decreased by 0.55 pp and made up to 52.1%. In July, foreign currency deposits increased by 2.3% MoM, while national currency deposits increased by 6.4%.



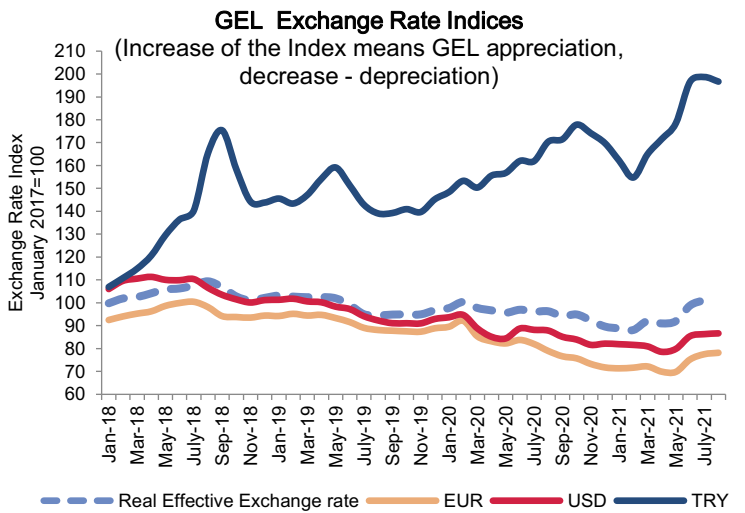
In July, interest rates decreased on deposits (by 0.6 pp) and increased on loans (by 0.5 pp) MoM.

In July 2021, market interest rates on loans amounted to 12.5%, while interest rates on deposits were defined at 6.5%. The interest rate spread (difference between loan and deposit rates) amounted to 6.1% as of July 2021, 0.5 pp higher compared to July 2020.



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

In July 2021, GEL appreciated by 0.4% against USD and by 0.8% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In July, the GEL exchange rate depreciated by 1.4% towards USD and by 1% towards EUR YoY.



4. Regional Review

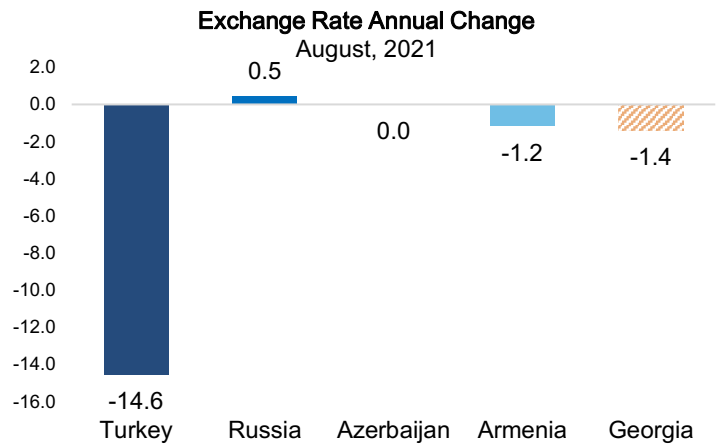
In August, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in August 2021, annual inflation amounted to 19.3% in Turkey. Inflation was lower in Russia (6.7%) and Armenia (8.8%). As for Azerbaijan, in July 2021, consumer prices have increased by 6% YoY.



In August, currencies of the region countries, stand out with a tendency of depreciation towards USD, but with different sizes.

Particularly, in August 2021, TRY depreciated by 14.6% YoY towards USD, AMD by 1.2%. In the analyzing period, AZN remains almost unchanged towards USD and RUB appreciated by 0.5%.



Summary Table²



Increase



Decrease



Change < 1%

		08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

		08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021
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 Rerves													
Fiscal Sector	Revenues													
	Recurent Expenditure													
	Capital Expenditure													

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

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