



July 2021

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in June annual economic growth amounted to 18.7%
- Annual inflation amounted to 11.9% in July
- In July, GEL appreciated against USD (by 1.0%) and EUR (by 3.0%) MoM

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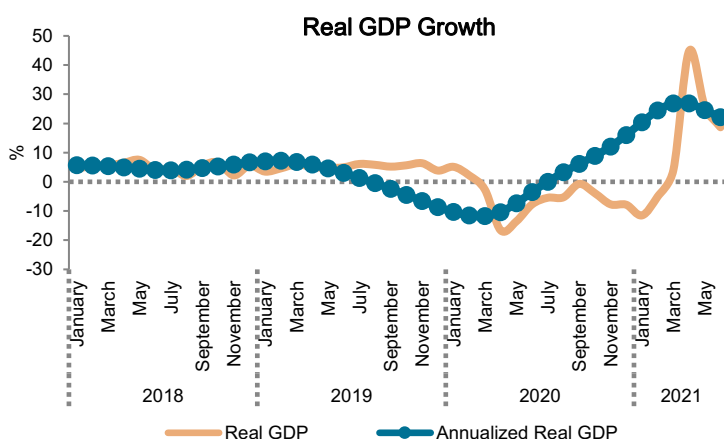
\*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



# 1. Real and Fiscal Sector

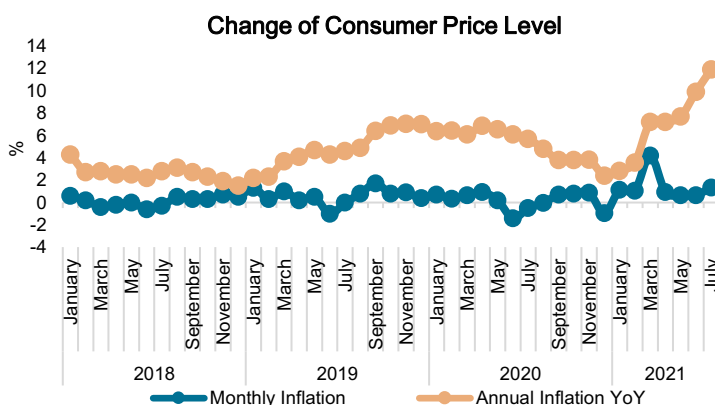
**In June, positive annual economic growth was 18.7%.**

In accordance with preliminary estimates of GEOSTAT, in June 2021, annual real GDP growth amounted to 18.7%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 22.2% in June.



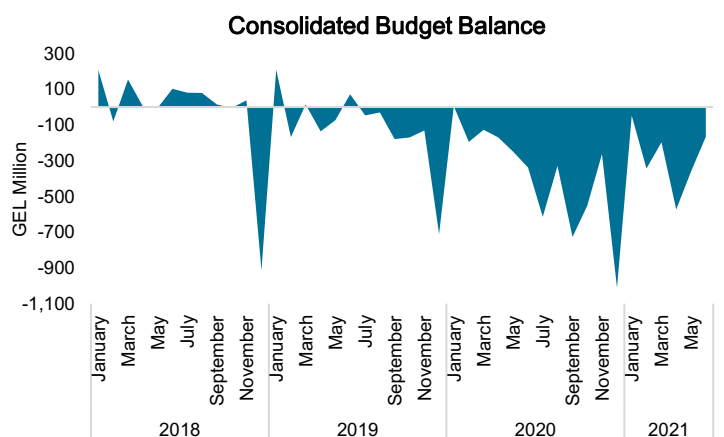
**In July, annual CPI inflation amounted to 11.9%**

In July 2021, the inflation rate amounted to 11.9%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, health, housing, water, electricity, gas and other fuels. In June 2021, the annual GDP deflator amounted to 8.7%.



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

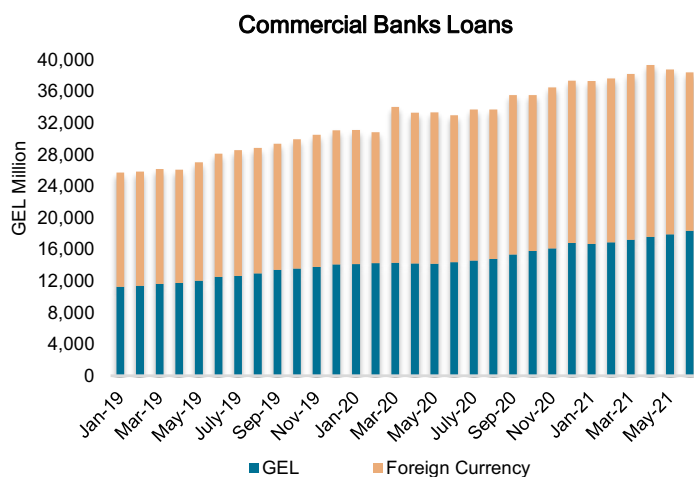
In June 2021, general government revenues increased by 42.7% YoY, while expenses increased by 18.0%. In the analyzing period, the general government positive net operating balance (government savings) amounted to 210 million GEL, while negative net lending/borrowing was defined at 167 million GEL.



<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 June, 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.

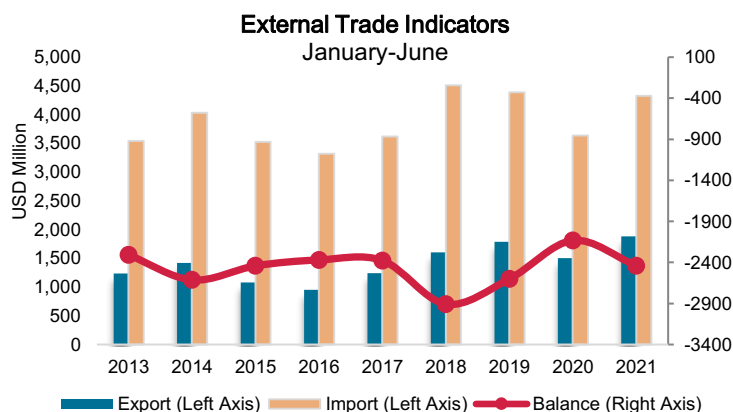
In June 2021, compared to the June of the previous year, commercial bank loans increased by 16.4% YoY and amounted to 38.4 billion GEL. National currency loans increased by 27.8%, while foreign currency loans increased by 7.6%.



## 2. External Sector

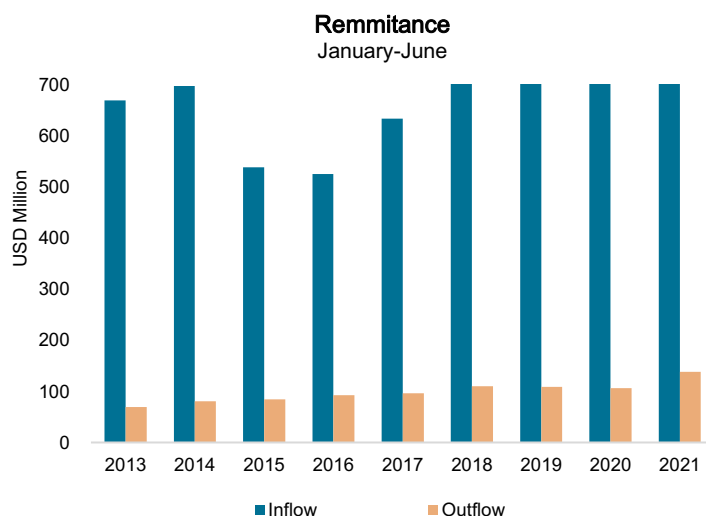
In January-June, both export and import of goods have increased.

In January-June 2021, exports increased by 25.2%, while imports increased by 18.9% 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: USA (79%), Ukraine (65%), Turkey (61%), China (41%), and Russia (40%). It needs to be mentioned that during this period export significantly decreased in Switzerland (26%), Bulgaria (24%) and Spain (18%).



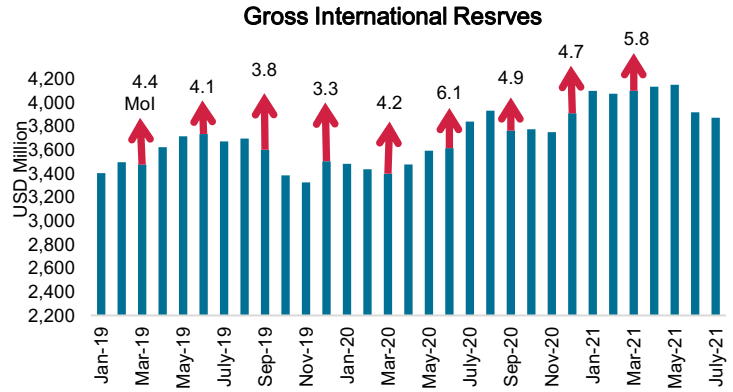
In June, remittances increased

In June 2021, remittances increased by 19.3% YoY. The main source of money transfers are EU countries (40% of total), Russia (19.4%), and the USA (12.4%). In the analyzing period, remittances increased significantly from the following countries: Kazakhstan (by 193%), Azerbaijan (by 50%), Germany (by 48%), USA (by 25%), Ukraine (by 24%), Russia (by 20%) and Italy (by 18%).



**In July 2021, International Reserves amounted to 3,873 million USD.**

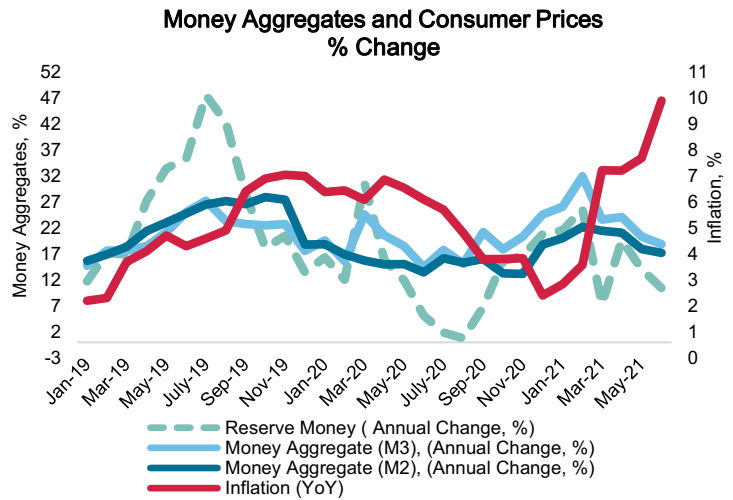
In July 2021, international reserves amounted to 3,873 million USD, which is a 0.8% YoY increase and 1.2% MoM decrease. In July 2021, the National bank of Georgia did not take part in the foreign exchange interventions.



### 3. Monetary Sector

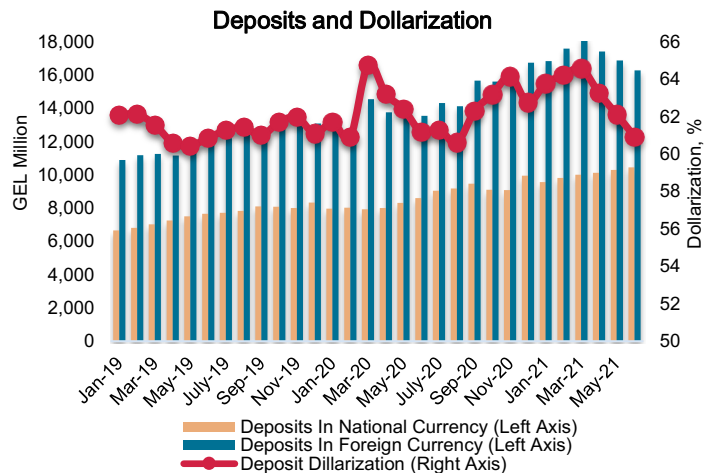
**In June, compared to the same period of the previous year, reserve money had a growth tendency.**

In June 2021, reserve money increased by 10.4% YoY, money aggregate M2 – by 17.2%, and money aggregate M3 – by 18.8%. In June 2021, consumer price inflation amounted to 9.9% YoY.



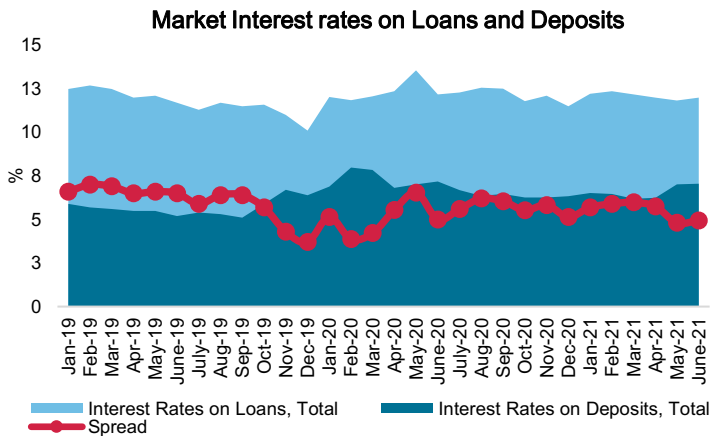
**In June, the dollarization decreased on deposits and on loans MoM.**

In June 2021, the deposit dollarization indicator decreased by 1.19 pp and amounted to 60.9%, also the loan dollarization has decreased by 1.55 pp and made up to 52.6%. In June, foreign currency deposits decreased by 3.5% MoM, while national currency deposits increased by 1.5%.



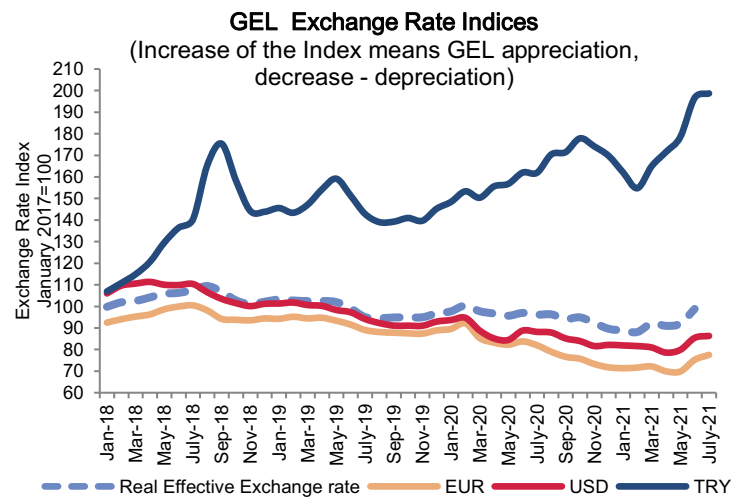
**In June, interest rates increased on deposits (by 0.03 pp) and on loans (by 0.2 pp) MoM.**

In June 2021, market interest rates on loans amounted to 12.0%, while interest rates on deposits were defined at 7.1%. The interest rate spread (difference between loan and deposit rates) amounted to 4.9% as of June 2021, 0.1 pp lower compared to June 2020.



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

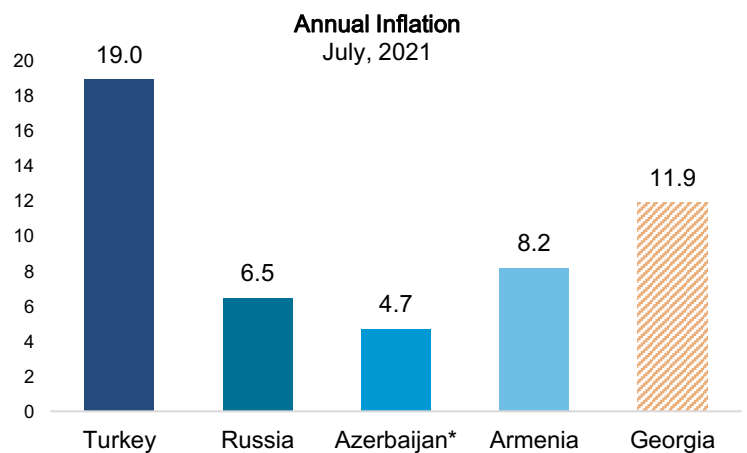
In July 2021, GEL appreciated by 1.0% against USD and by 3.0% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In July, the GEL exchange rate depreciated by 2.1% towards USD and by 5.4% towards EUR YoY.



## 4. Regional Review

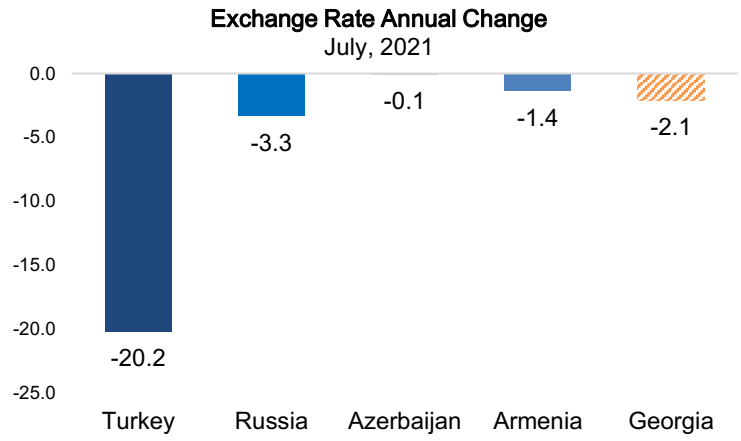
**In July, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in July 2021, annual inflation amounted to 19.0% in Turkey. Inflation was lower in Russia (6.5%) and Armenia (8.2%). As for Azerbaijan, in June 2021, consumer prices have increased by 4.7% YoY.



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

Particularly, in July 2021, TRY depreciated by 20.2% YoY towards USD, RUB by 3.3%, AMD by 1.4%. In the analyzing period, AZN insignificantly depreciated towards USD (by 0.1%).



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



Increase



Decrease



Change < 1%

		07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021
<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 Rserve													
<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.

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<sup>2</sup> Increase of exchange rate means depreciation, decrease – appreciation.