



May 2021

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in April annual economic growth amounted to 44.8%
- Annual inflation amounted to 7.7% in May
- In May, GEL appreciated against USD (by 1.6%) and depreciated against EUR (by 0.1%) MoM

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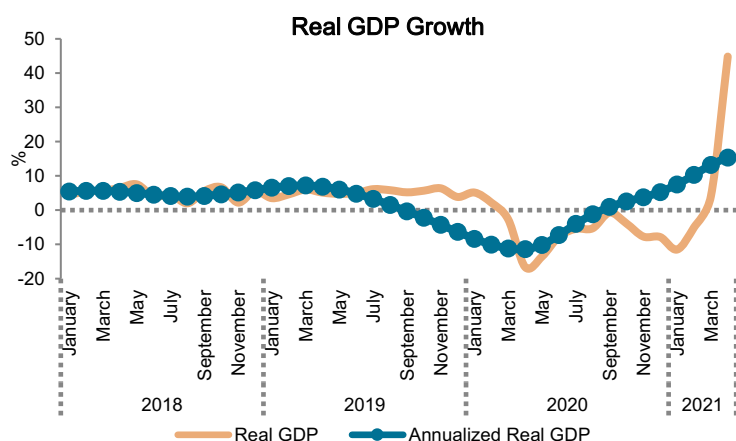
*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



1. Real and Fiscal Sector

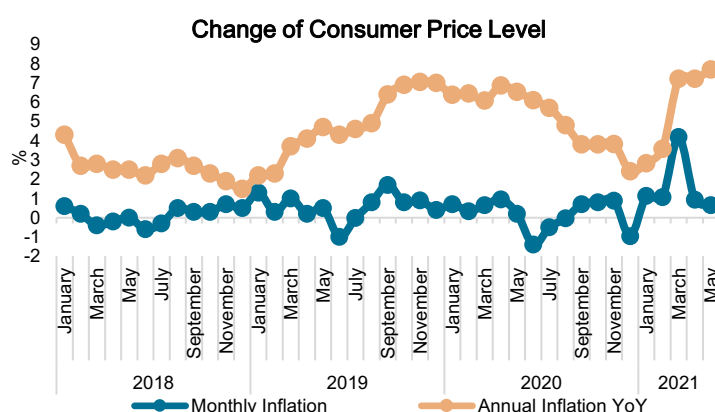
In April, positive annual economic growth was 44.8%.

In accordance with preliminary estimates of GEOSTAT, in April 2021, annual real GDP growth amounted to 44.8%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 16.6% in April.



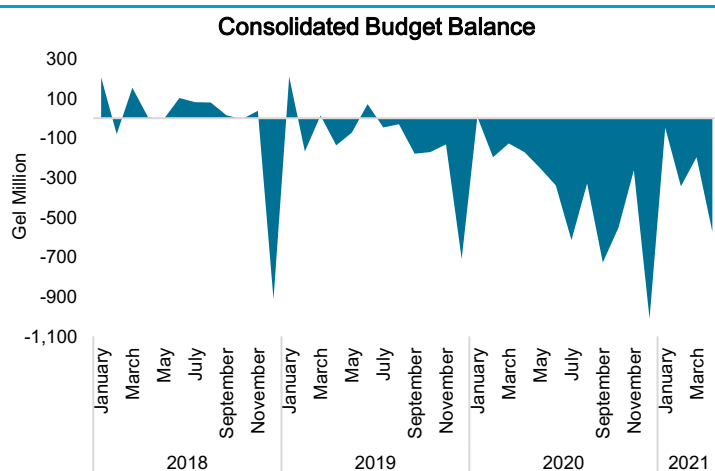
In May, annual CPI inflation amounted to 7.7%

In May 2021, the inflation rate amounted to 7.7%, 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, housing, water, electricity, gas and other fuels. In April 2021, the annual GDP deflator amounted to 8.4%.



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

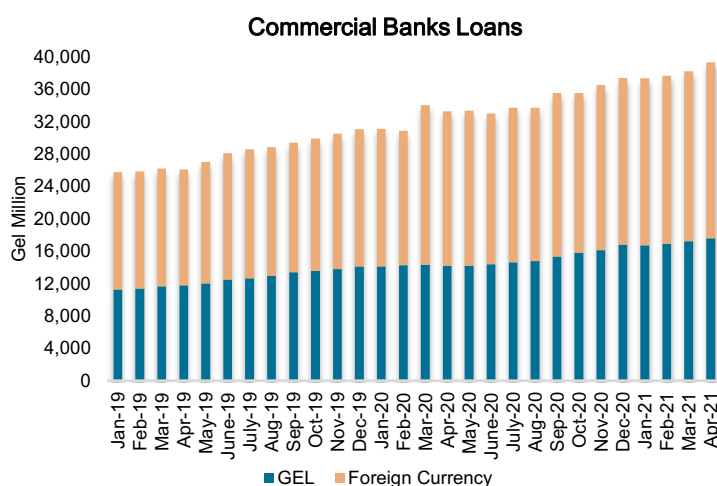
In April 2021, general government revenues increased by 8.8% YoY, while expenses increased by 49.9%. In the analyzing period, the general government negative net operating balance (government savings) amounted to 338.1 million GEL, while negative net lending/borrowing was defined at 573.2 million GEL.



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 April, 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.

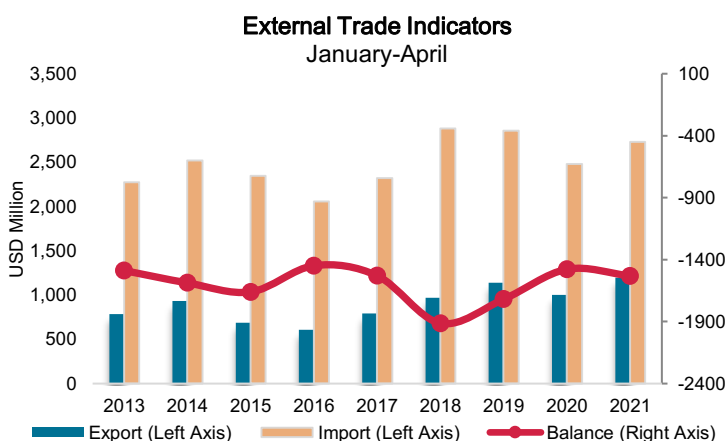
In April 2021, compared to the April of the previous year, commercial bank loans increased by 18.2% YoY and amounted to 39.3 billion GEL. National currency loans increased by 23.8%, while foreign currency loans increased by 13.9%.



2. External Sector

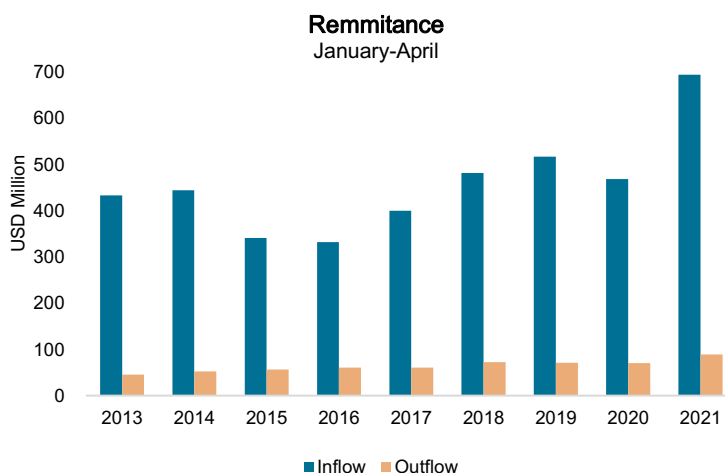
In January-April, both export and import of goods have increased.

In January-April 2021, exports increased by 19.6%, while imports increased by 10.1% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 30.5%. Export growth was substantial in the following countries: Turkey (65%), Ukraine (61%), China (53%), and Russia (27%). It needs to be mentioned that during this period export significantly decreased in the United Arab Emirates (52%), Switzerland (27%), and Bulgaria (23%).



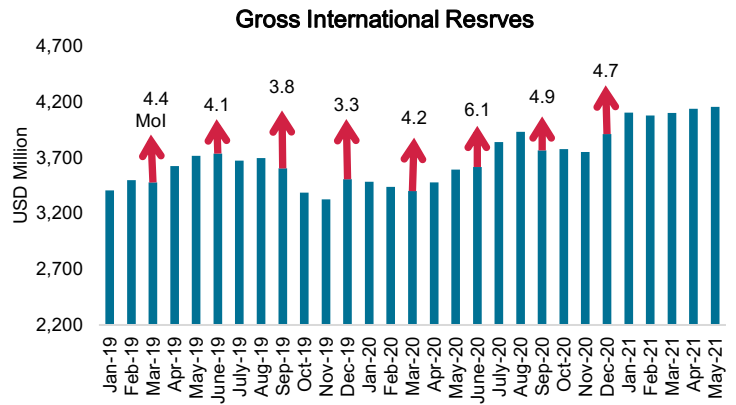
In April remittances increased

In April 2021, remittances increased by 145.4% YoY. The main source of money transfers are EU countries (41% of total), Russia (17.2%), and the USA (12.8%). In the analyzing period, remittances increased significantly from the following countries: Ukraine (by 336%), Azerbaijan (by 272%), Russia (by 154%), USA (by 155%), Italy (137%), and Greece (by 114%).



In May 2021, International Reserves amounted to 4,154 million USD.

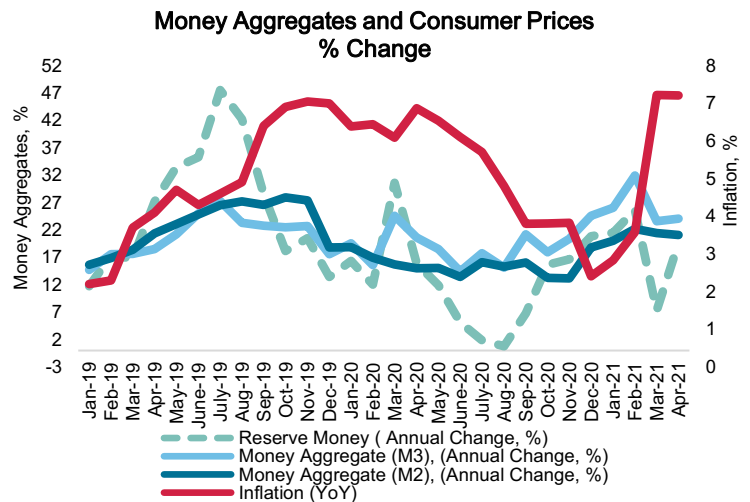
In May 2021, international reserves amounted to 4,154 million USD, which is a 15.6% YoY and 0.4% MoM increasing. In May 2021, the National bank of Georgia did not take part in the foreign exchange interventions.



3. Monetary Sector

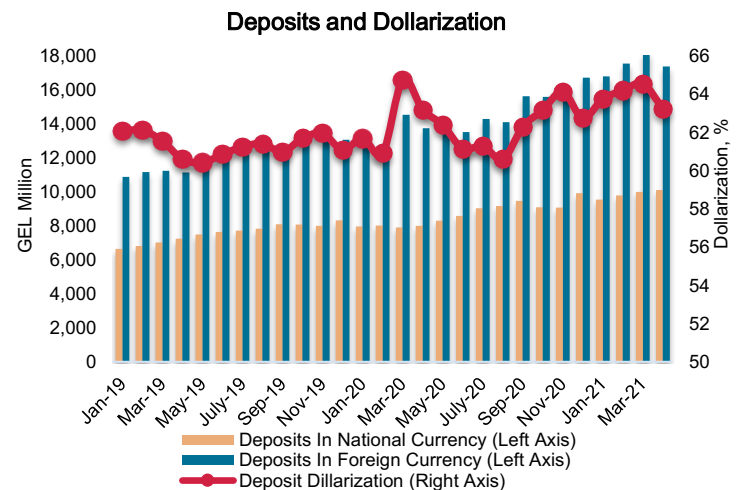
In April, compared to the same period of the previous year, reserve money had a growth tendency.

In April 2021, reserve money increased by 19.6% YoY, money aggregate M2 – by 21.1%, and money aggregate M3 – by 24.1%. In April 2021, consumer price inflation amounted to 7.2% YoY.



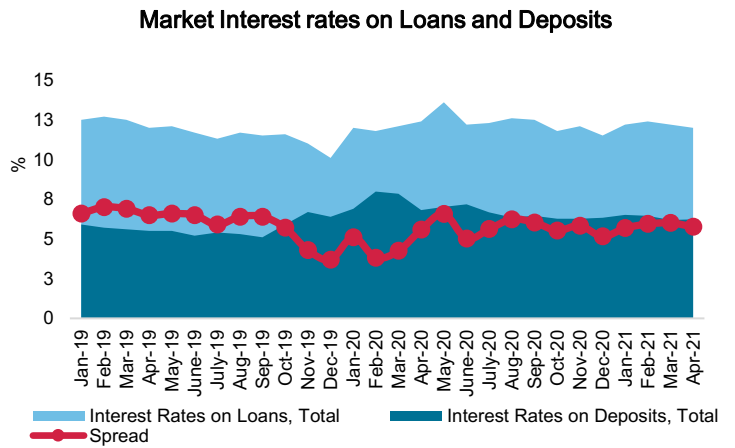
In April, the dollarization decreased on deposits and slightly increased on loans MoM.

In April 2021, the deposit dollarization indicator decreased by 1.31 pp and amounted to 63.24%, also the loan dollarization has increased by 0.31 pp and made up to 55.67%. In April, foreign currency deposits decreased by 4.5% MoM, while national currency deposits increased by 1.1%.



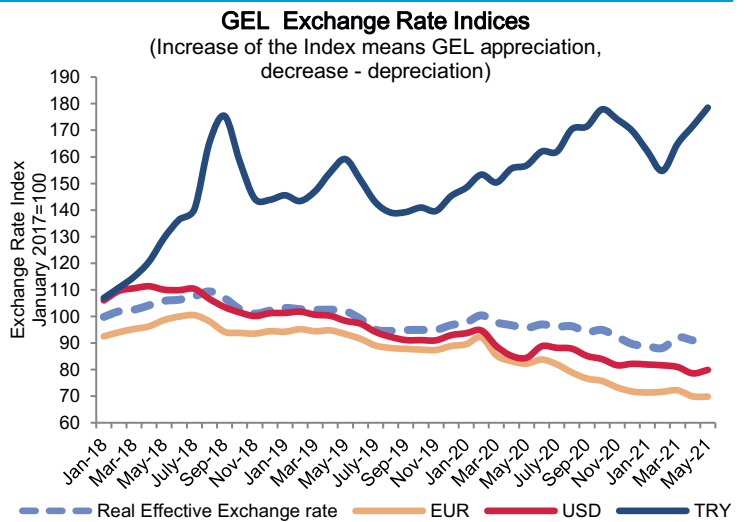
In April, interest rates increased slightly on deposits (by 0.05 pp) and decreased on loans (by 0.2 pp) MoM.

In April 2021, market interest rates on loans amounted to 12.0%, while interest rates on deposits were defined at 6.2%. The interest rate spread (difference between loan and deposit rates) amounted to 5.8% as of April 2021, 0.2 pp higher compared to April 2020.



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

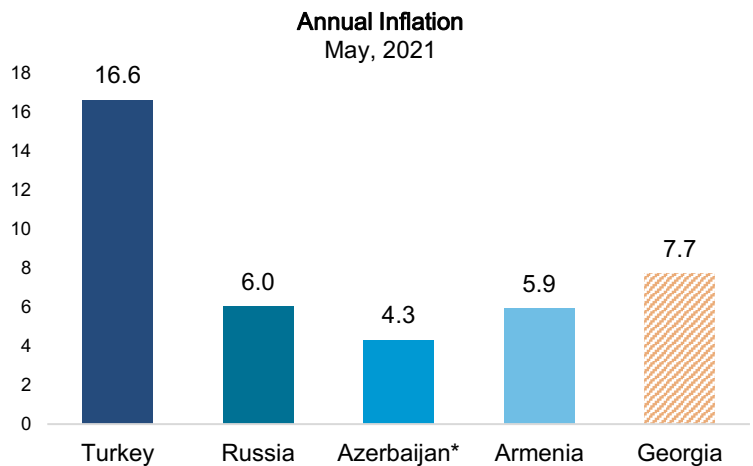
In May 2021, GEL appreciated by 1.6% against USD and depreciated by 0.1% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In May, the GEL exchange rate depreciated by 5.4% towards USD and by 15.1% towards EUR YoY.



4. Regional Review

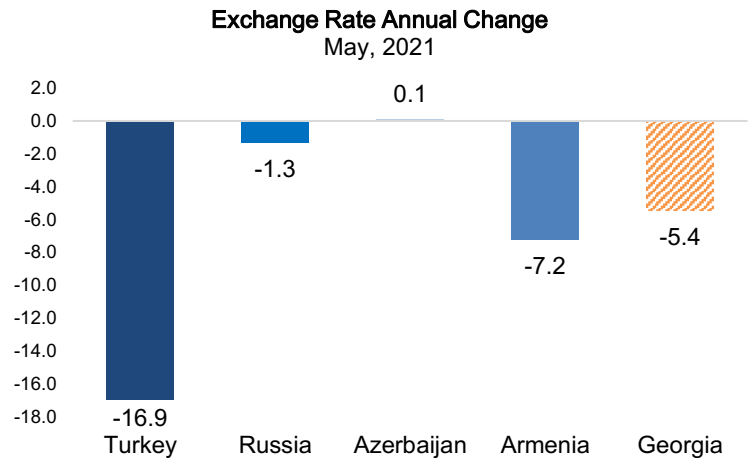
In May, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.

Namely, in May 2021, annual inflation amounted to 16.6% in Turkey. Inflation was lower in Russia (6.0%) and Armenia (5.9%). As for Azerbaijan, in April 2021, consumer prices have increased by 4.3% YoY.



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

Particularly, in May 2021, TRY depreciated by 16.9% YoY towards USD, RUB by 1.3%, AMD by 7.2%. In the analyzing period, AZN insignificantly appreciated towards USD (by 0.1%).



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	04.2021	05.2021	
Real Sector	GDP Growth Rate	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green		
	VAT Turnover Growth Rate	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	
Monetary Sector	Inflation	Green	Green	Green	Green	Green	Green	Green	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green	
	Monetary Policy Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green
	Deposit Dolarization	Red	Red	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green
	Loan Dolarization	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Green
External Sector	Exchange Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
	Remittances	Green	Green	Red	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
	Export	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green	Green
	Import	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green
	Trade Balance	Red	Red	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Green
	International Rservices	Green	Red	Red	Red	Red	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Fiscal Sector	Revenues	Red	Green	Green	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green	Green	Green	Red	Green	Green
	Recurent Expenditure	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
	Capital Expenditure	Red	Green	Green	Red	Red	Green	Green	Red	Green	Green	Red	Red	Green	Green	Red	Green	Green	Green

* 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	04.2021	05.2021	
Real Sector	GDP Growth Rate	Green	Red	Red	Red	Green	Green	Green	Green	Green	Red	Red	Red	Red	Green	Green	Green	Green	
	VAT Turnover Growth Rate	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green	Green
Monetary Sector	Inflation	Red	Green	Green	Green	Red	Red	Red	Red	Red	Orange	Orange	Red	Green	Green	Green	Red	Green	
	Monetary Policy Rate	Orange	Orange	Orange	Orange	Orange	Red	Orange	Red	Orange	Orange	Orange	Orange	Orange	Orange	Green	Green	Orange	
	Deposit Dolarization	Green	Red	Green	Green	Green	Red	Green	Green	Green	Green	Green	Red	Green	Green	Green	Red	Green	
	Loan Dolarization	Green	Red	Green	Green	Green	Red	Green	Green	Green	Green	Red	Green	Red	Red	Red	Green	Green	
External Sector	Exchange Rate	Red	Red	Green	Green	Green	Red	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Red	
	Remittances	Red	Green	Red	Red	Green	Green	Red	Red	Red	Red	Red	Green	Red	Green	Green	Green	Green	
	Export	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green	Green	
	Import	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Red	Green	
	Trade Balance	Green	Red	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Red	Red	Green	Green
	International Rservices	Red	Red	Red	Green	Green	Green	Green	Green	Green	Red	Red	Red	Green	Red	Green	Green	Green	Green
Fiscal Sector	Revenues	Red	Red	Green	Red	Red	Green	Red	Red	Green	Green	Green	Green	Red	Red	Green	Red	Green	
	Recurent Expenditure	Red	Green	Green	Green	Green	Green	Red	Red	Green	Red	Red	Green	Red	Green	Green	Green	Green	
	Capital Expenditure	Red	Green	Green	Red	Red	Green	Green	Red	Green	Red	Red	Green	Red	Green	Green	Green	Green	

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

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