



November, 2021

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in October annual economic growth amounted to 6.9%
- Annual inflation amounted to 12.5% in November
- In November, GEL appreciated against USD (by 0.1%) and against EUR (by 1.7%) MoM

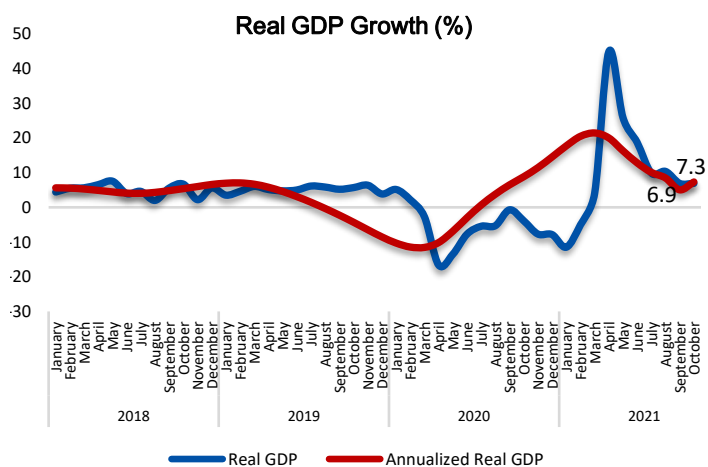
Macroeconomic Analysis and Tax Policy Unit

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



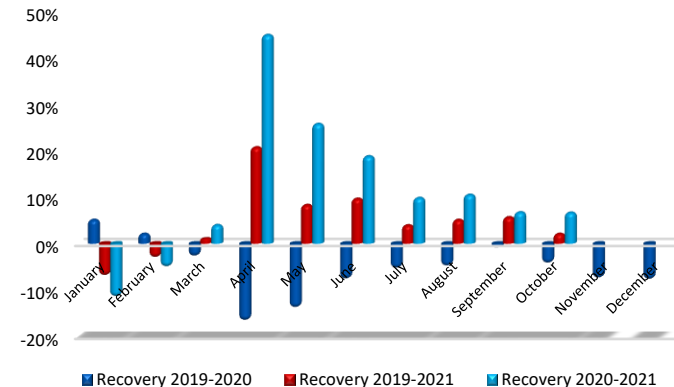
1. Real and Fiscal Sector



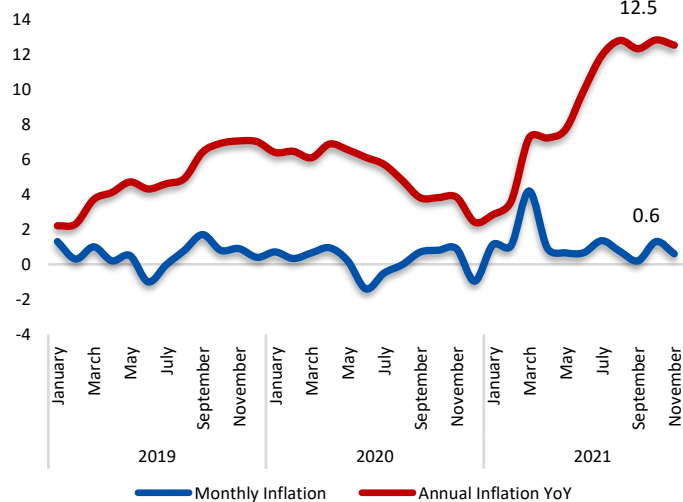
In October, positive annual economic growth was 6.9%.

In accordance with preliminary estimates of GEOSTAT, in October 2021, annual real GDP growth amounted to 6.9%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to 7.3% in September. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

Economic recovery Compared to 2019 and 2020



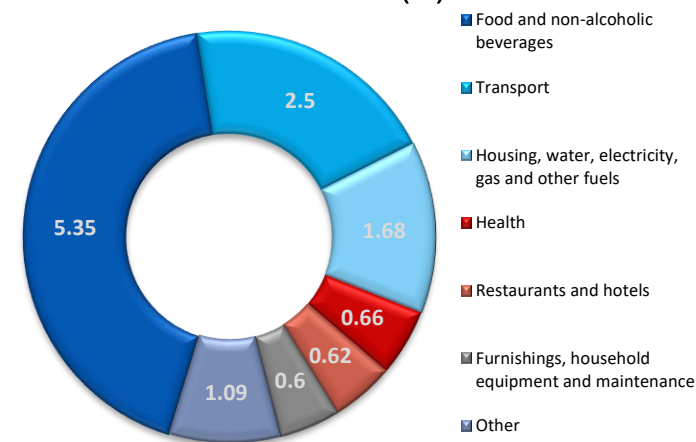
Change in Consumer Price Level (%)



In November, annual CPI inflation amounted to 12.5%

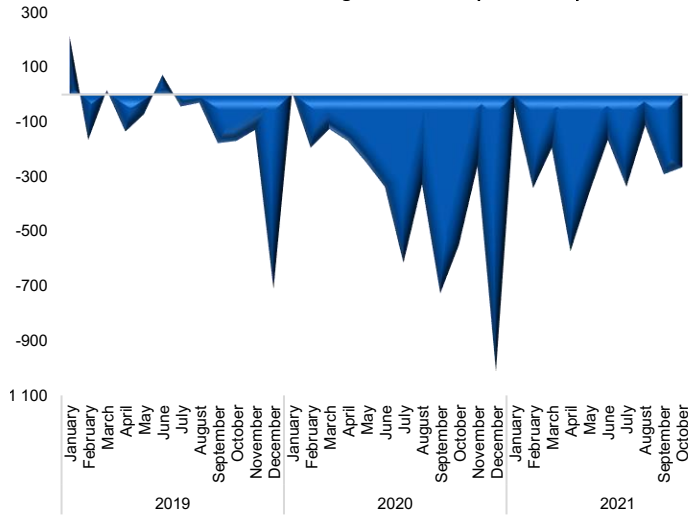
In November 2021, the inflation rate amounted to 12.5%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas, other fuels, health and restaurants and hotels. In October 2021, the annual GDP deflator amounted to 11.5%.

Contributions to the Overall Inflation of November (%)



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

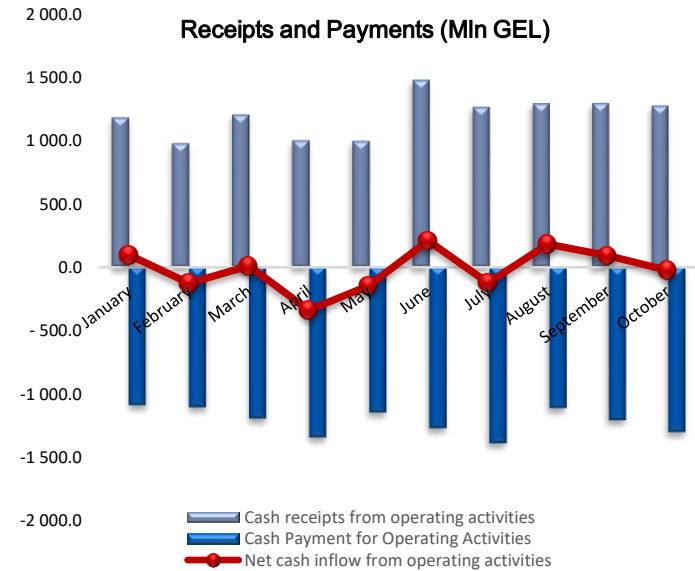
Consolidated Budget Balance (Mln GEL)



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

In October 2021, general government revenues increased by 24% YoY, while expenses increased by 7.5%. In the analyzing period, the general government negative net operating balance amounted to 24.4 million GEL, while negative net lending/borrowing was defined at 267.1 million GEL.

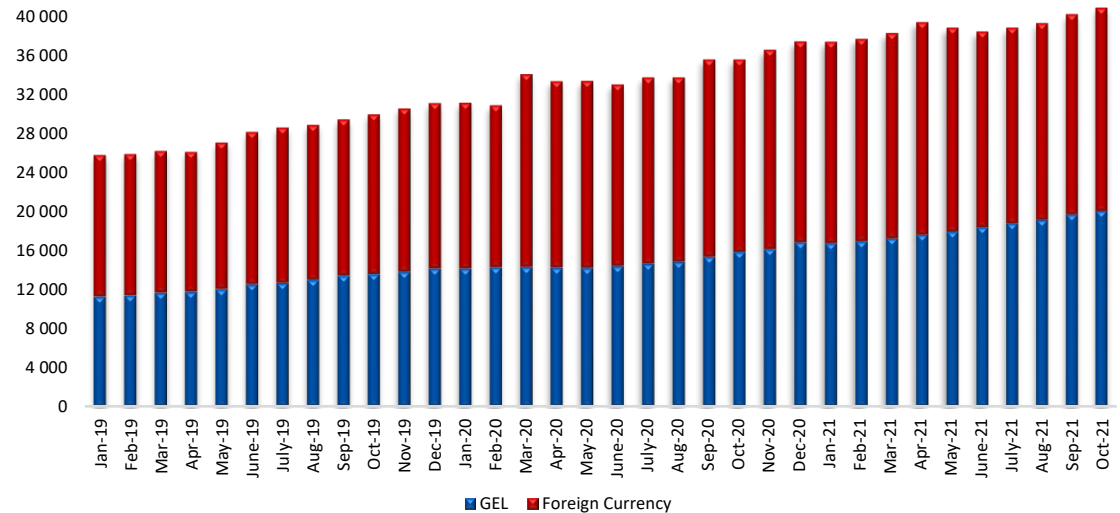
Receipts and Payments (Mln GEL)



In October, 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.

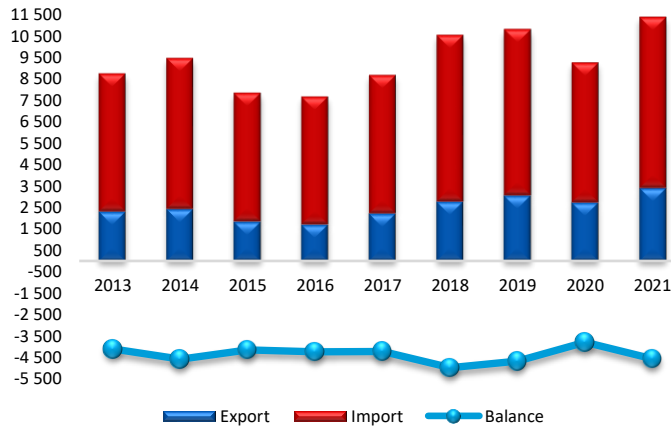
In October 2021, compared to the October of the previous year, commercial bank loans increased by 14.9% YoY and amounted to 40.8 billion GEL. National currency loans increased by 26.7%, while foreign currency loans increased by 5.5%.

Comercial Bank Loans (GEL Million)



2. External Sector

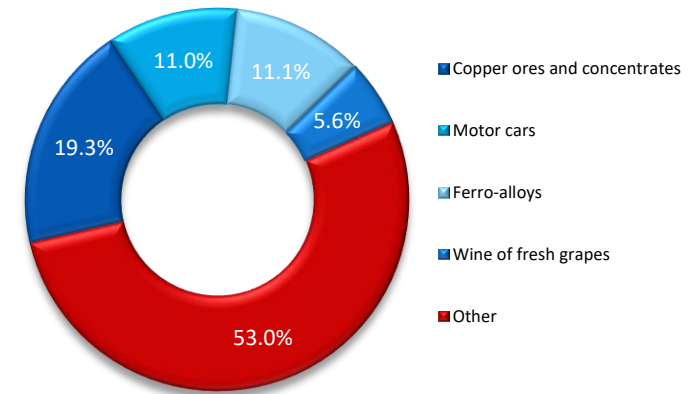
External Trade Indicators (Mln USD)
January - October



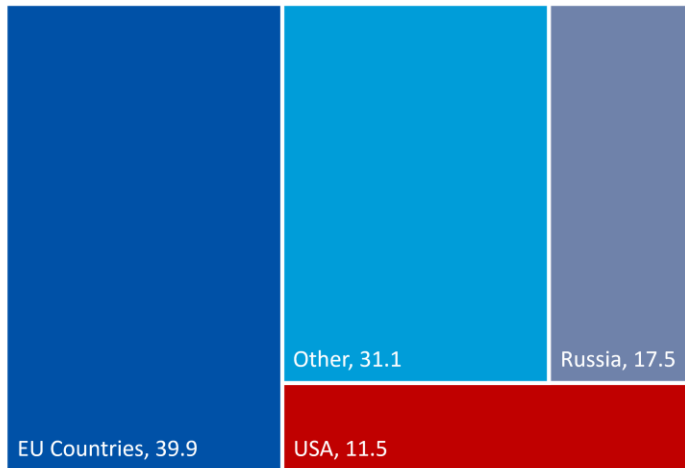
In January-October, both export and import of goods have increased.

In January-October 2021, exports increased by 24.9%, while imports increased by 22.3% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 29.9%. Export growth was substantial in the following countries: USA (147.6%), Kazakhstan (71.3%), Turkey (66.4%), Ukraine (49%) and Russia (37.2%). It needs to be mentioned that during this period export significantly decreased in United Arab Emirates (37.2%), Bulgaria (27.9%) and Switzerland (23%). High growth was recorded in several export commodity groups: Ferro-alloys (90.6%), t-shirts knitted (70%) and hazelnuts and other nuts (32.1%).

Major Commodity Groups by Exports
(January - October)



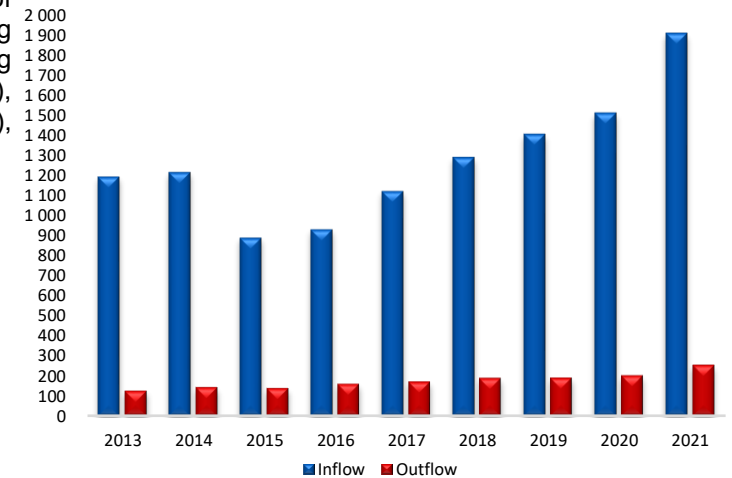
Remittance
October



In October, remittances increased

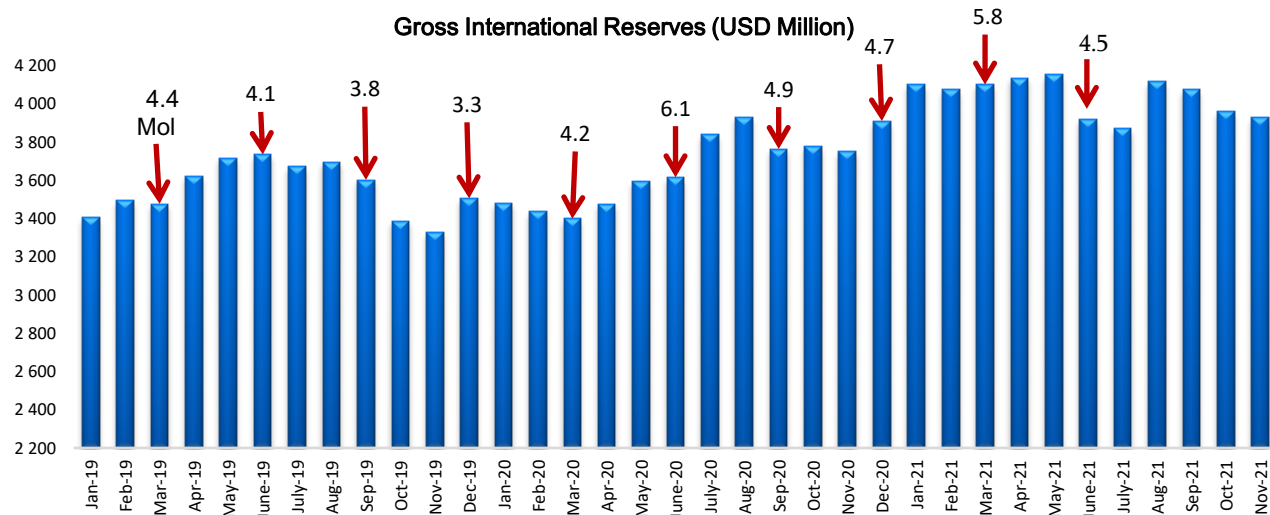
In October 2021, remittances increased by 13.7% YoY. The main source of money transfers are EU countries (39.9% of total), Russia (17.5%), and the USA (11.5%). In the analyzing period, remittances increased significantly from the following countries: Kyrgyzstan (by 1038%), Kazakhstan (by 306%), Germany (by 38%), Azerbaijan (by 33%), Poland (by 31%), Italy (by 20%), USA (by 12%) and Israel (by 11%).

Remittance (USD Million)
January - October



In November 2021, International Reserves amounted to 3,928 million USD.

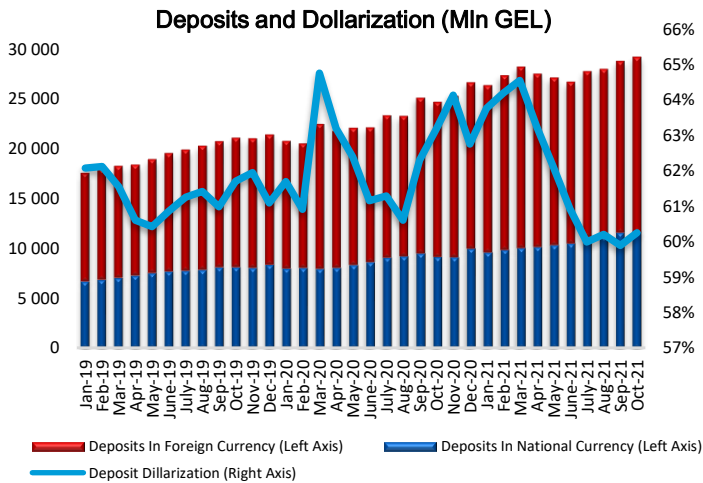
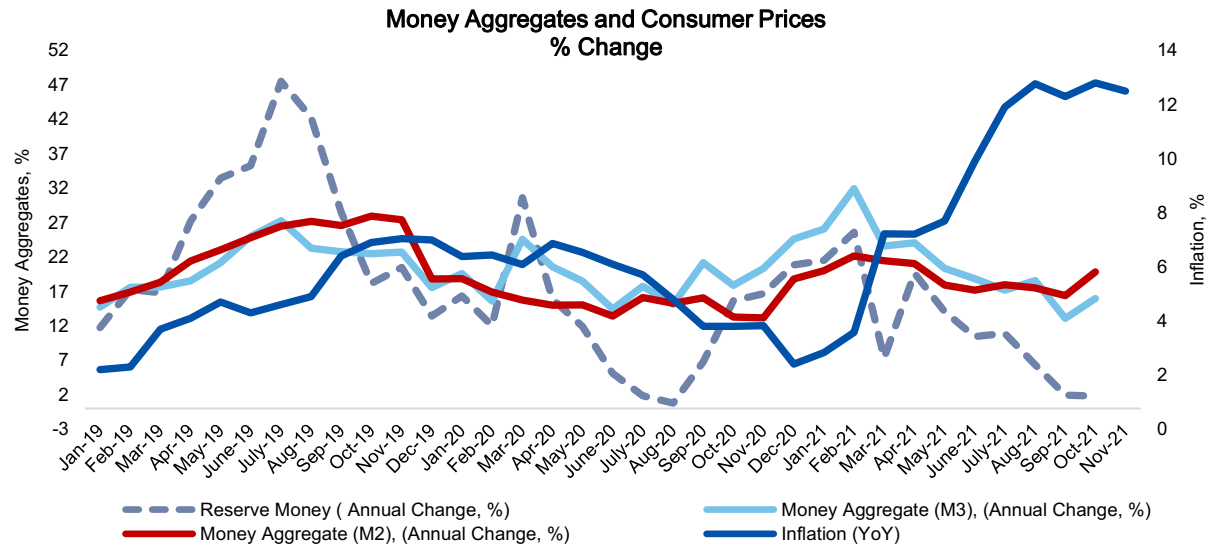
In November 2021, international reserves amounted to 3,928 million USD, which is a 4.7% YoY increase and 0.8% MoM decrease. In November 2021, the National bank of Georgia did not take part in foreign exchange interventions.



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

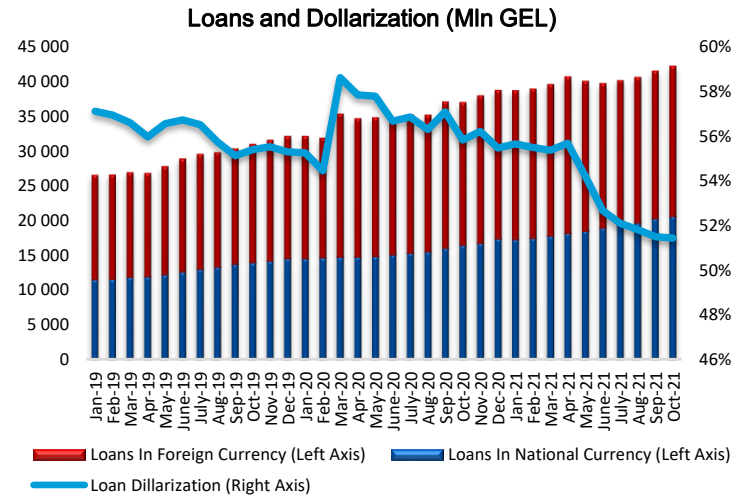
3. Monetary Sector

In October, compared to the same period of the previous year, reserve money had a growth tendency. In October 2021, reserve money increased by 1.8% YoY, money aggregate M2 – by 19.8%, and money aggregate M3 – by 16%. In November 2021, consumer price inflation amounted to 12.5% YoY.

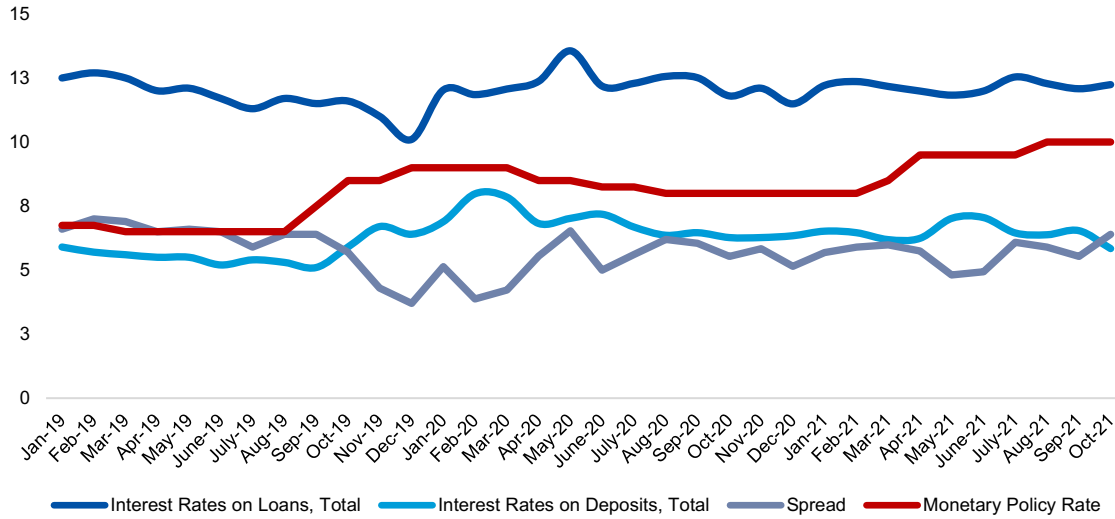


In October, the dollarization increased on deposits and slightly decreased on loans MoM.

In October 2021, the deposit dollarization indicator increased by 0.36 pp and amounted to 60.2%, while loan dollarization has decreased by 0.06 pp and made up to 51.4%. In October, foreign currency deposits increased by 2% MoM, while national currency deposits increased by 0.5%.



Market Interest Rates on Loans and Deposits (%)

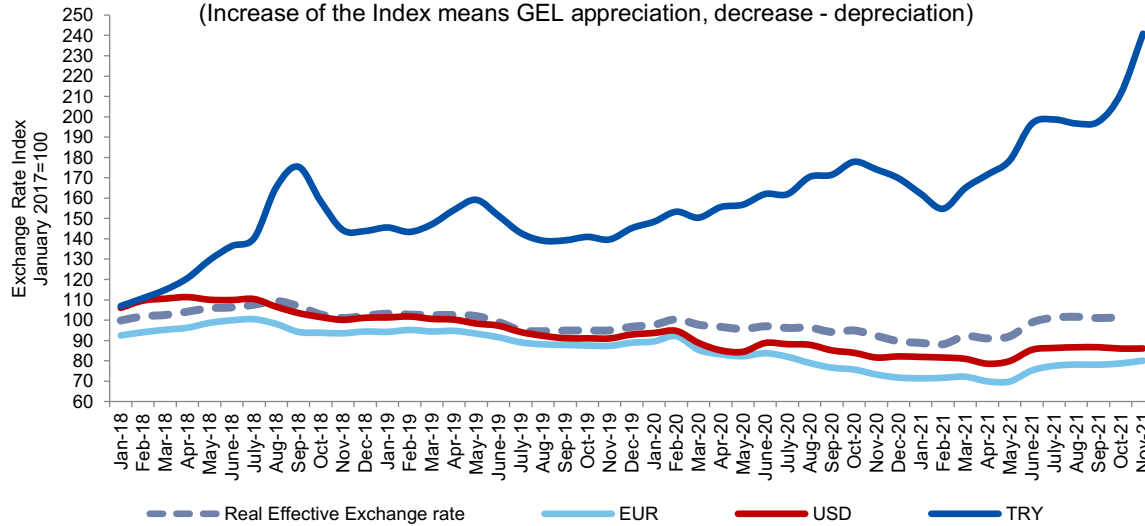


In October, interest rates decreased on deposits (by 0.7 pp) and increased on loans (by 0.2 pp) MoM.

In October 2021, market interest rates on loans amounted to 12.2%, while interest rates on deposits were defined at 5.8%. The interest rate spread (difference between loan and deposit rates) amounted to 6.4% as of October 2021, 0.9 pp higher compared to October 2020.

GEL Exchange Rate Indices

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



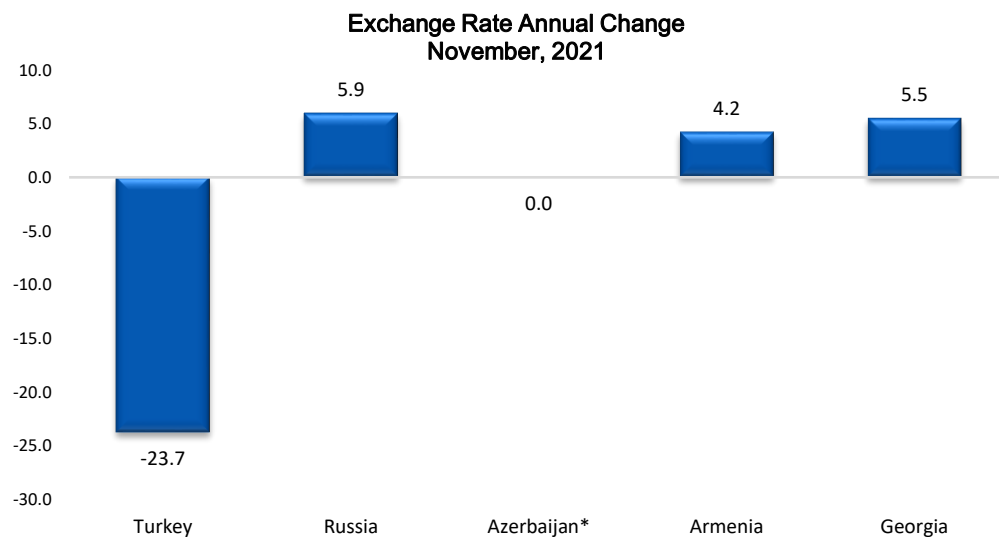
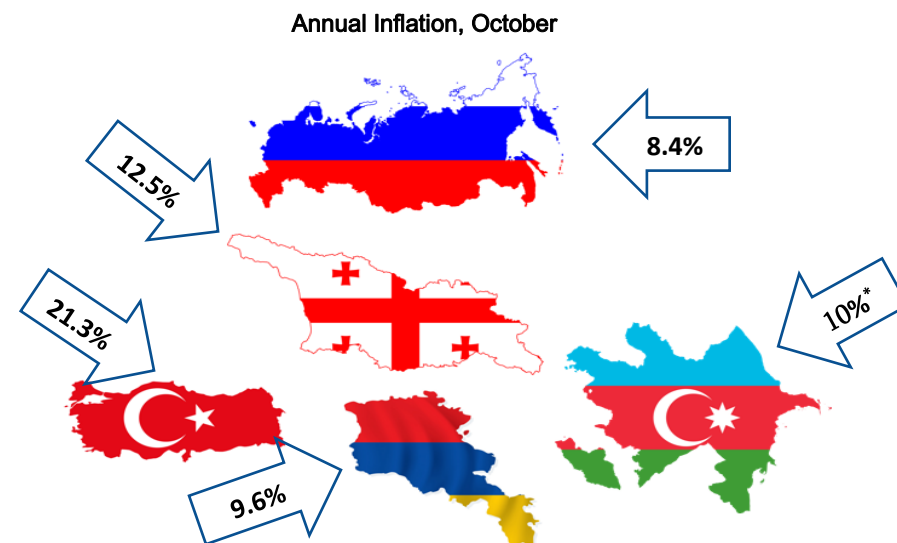
In November, compared to the previous month, the GEL shows appreciation toward USD and towards EUR.

In November 2021, GEL appreciated against USD by 0.1%, while appreciated by 1.7 against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In November, the GEL exchange rate appreciated by 5.5% towards USD and by 9.2% towards EUR YoY.

4. Regional Review

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

Namely, in November 2021, annual inflation amounted to 21.3% in Turkey. Inflation was lower in Armenia (9.6%) and Russia (8.4%). As for Azerbaijan, in October 2021, consumer prices have increased by 10% YoY.



In November, most of the currencies of the region countries, stand out with a tendency of appreciation towards USD, but with different sizes.

Particularly, in November 2021, RUB appreciated by 5.9% YoY towards USD, AMD by 4.2%, AZN remained almost unchanged. In the analyzing period TRY depreciated by 23.7%.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21
Real Sector	GDP Growth Rate (%)	-7.7	-7.9	-11.5	-5.1	4.0	44.8	25.8	18.7	9.9	10.3	6.9	6.9	
	VAT Turnover Growth Rate (%)	-4.2	-5.1	-8.1	7.6	21.5	93.4	50.3	37.5	26.5	31.2	24.0	25.6	
Monetary Sector	Inflation (%)	3.8	2.4	2.8	3.6	7.2	7.2	7.7	9.9	11.9	12.8	12.3	12.8	12.5
	Monetary Policy Rate (%)	8.00	8.00	8.00	8.00	8.50	9.50	9.50	9.50	9.50	10.0	10.0	10.0	10.0
	Deposit Dollarization (%)	64.13	62.75	63.76	0.64	64.55	0.63	0.62	0.61	0.60	0.60	0.60	0.60	
	Loan Dollarization (%)	56.2	55.5	55.6	0.55	55.36	0.56	0.54	0.53	0.52	0.52	0.51	0.51	
External Sector	Exchange Rate (GEL)	3.31	3.29	3.30	3.31	3.34	3.44	3.38	3.16	3.13	3.12	3.12	3.14	3.14
	Remittances (Thousand USD)	169 936.5	199 678.9	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	
	Export (USD Million)	301.1	325.7	224.5	267.7	325.7	377.7	340.0	350.7	386.3	335.1	373.6	411.2	
	Import (USD Million)	720.6	821.5	561.7	648.3	775.0	756.2	769.8	863.6	882.0	866.2	933.1	904.0	
	Trade Balance (USD Million)	(419.5)	(495.8)	(337.2)	(380.6)	(449.3)	(378.5)	(429.8)	(513.0)	(495.6)	(531.0)	(559.5)	(492.8)	
	International Reserves (USD Million)	3 751.1	3 910.6	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	3928.5
Fiscal Sector	Revenues (GEL Million)	1100.8	1307.1	1186.77	983.23	1208.2	1006.6	1002.9	1482.2	1269.4	1296.6	1300.5	1278.7	
	Recurrent Expenditure (GEL Million)	1061.8	1642.2	1090.7	1108.3	1197.4	1344.7	1148.9	1271.98	1391.22	1113.9	1208.4	1303.1	
	Capital Expenditure (GEL Million)	312.2	730.2	151.1	222.7	245.8	250.2	222.8	496.1	243.1	308.1	479.9	248.2	

Increase
 Decrease
 Change < 1%

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

		11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021
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													

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

		11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021
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													

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