



October, 2021

# Monthly Macroeconomic Review\*

## Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in September annual economic growth amounted to 6.9%
- Annual inflation amounted to 12.8% in October
- In October, GEL depreciated against USD (by 0.8%) while appreciated against EUR (by 0.8%) MoM

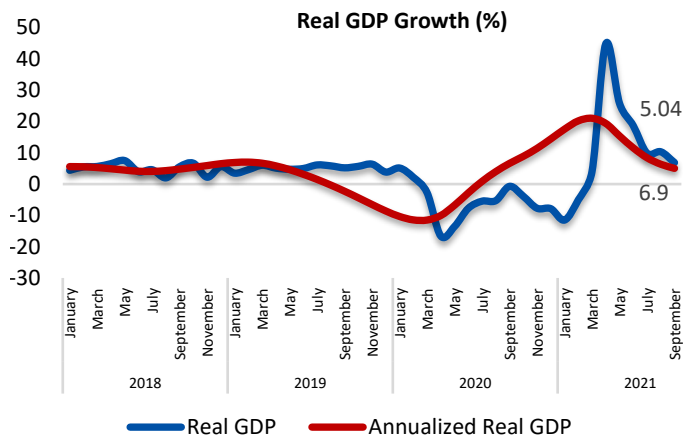
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\*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



# 1. Real and Fiscal Sector

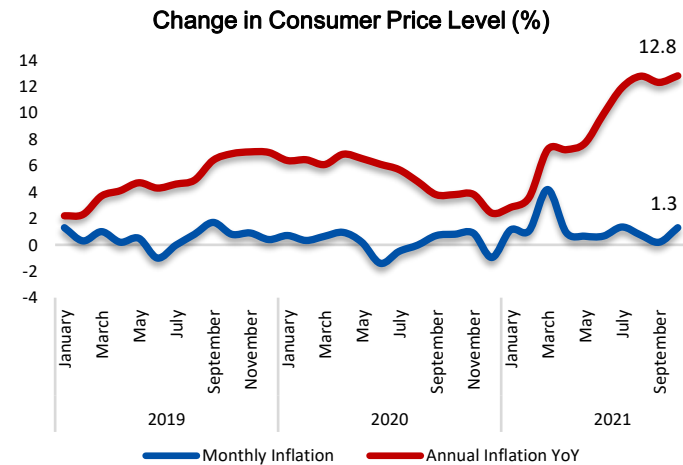
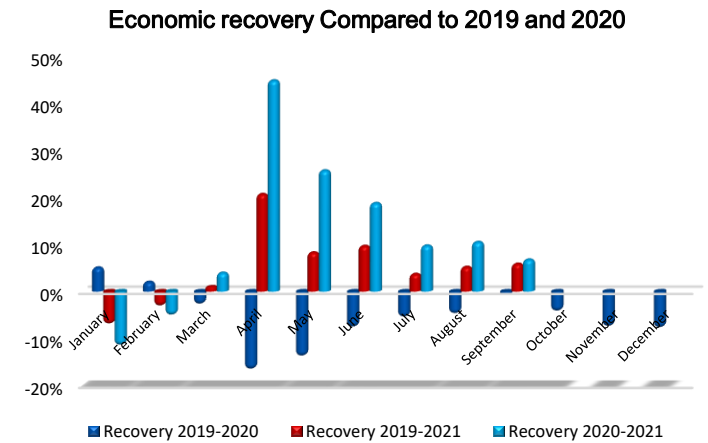


**In September, positive annual economic growth was 6.9%.**

In accordance with preliminary estimates of GEOSTAT, in September 2021, annual real GDP growth amounted to 6.9%.

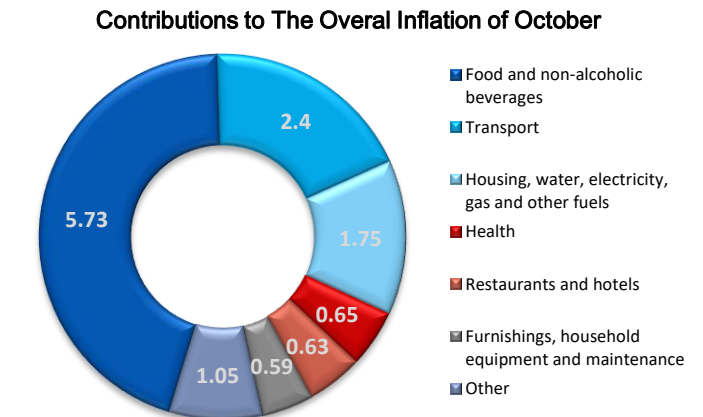
According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 5.04% in September.

Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.

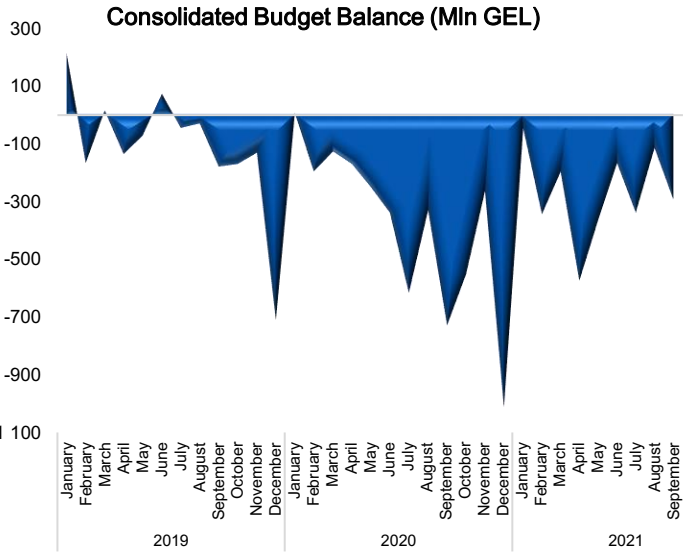


**In October, annual CPI inflation amounted to 12.8%**

In October 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, health and restaurants and hotels. In September 2021, the annual GDP deflator amounted to 11.4%.

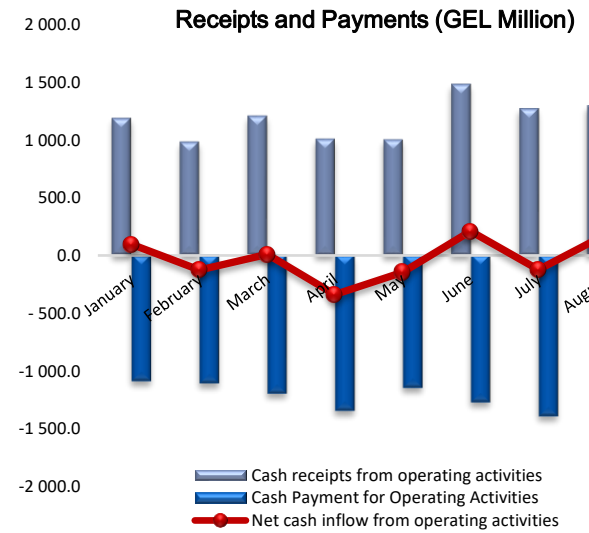


<sup>1</sup> MoM annualized growth rate of real GDP is calculated on the basis of real GDP data by removing seasonality and random shocks, in order to showcase development trends



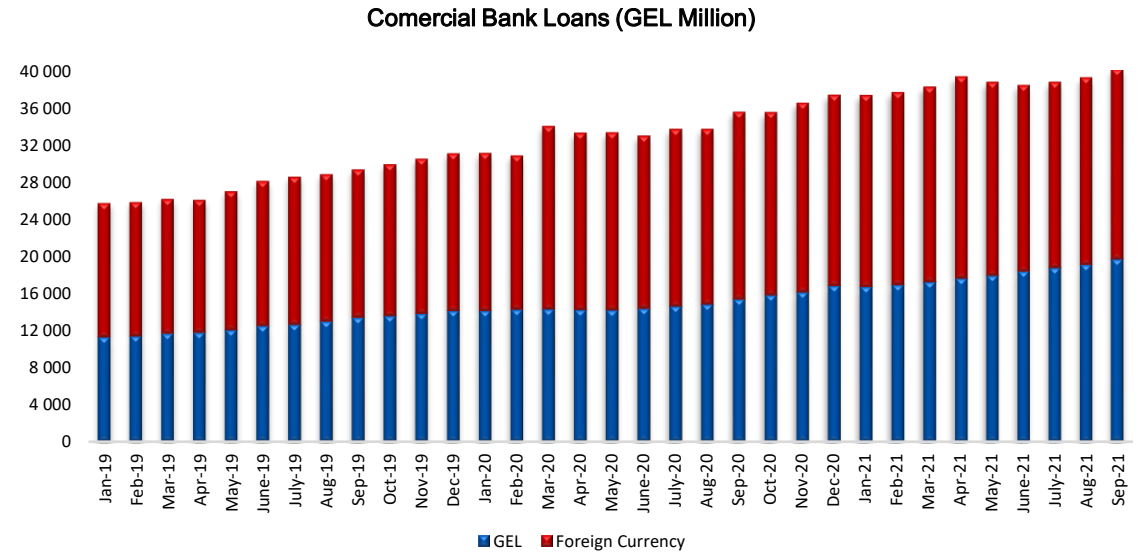
**In September, the general government net lending/borrowing was negative.**

In September 2021, general government revenues increased by 32% YoY, while expenses decreased by 2.8%. In the analyzing period, the general government positive net operating balance amounted to 92 million GEL, while negative net lending/borrowing was defined at 292 million GEL.



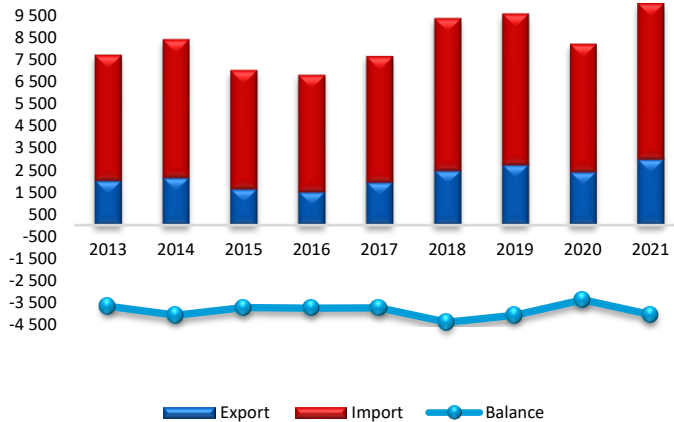
**In September, compared to the same period of the previous year, commercial bank loans to the national economy exhibited an essential growth trend in both national and foreign currencies.**

In September 2021, compared to the September of the previous year, commercial bank loans increased by 12.9% YoY and amounted to 40.1 billion GEL. National currency loans increased by 28.2%, while foreign currency loans increased by 1.4%.



## 2. External Sector

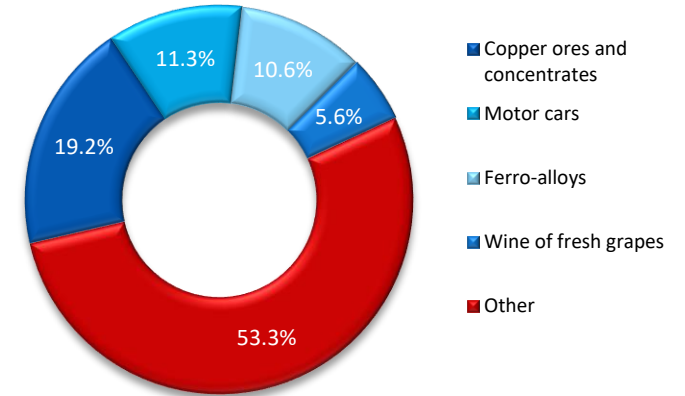
External Trade Indicators (Mln USD)  
January - September



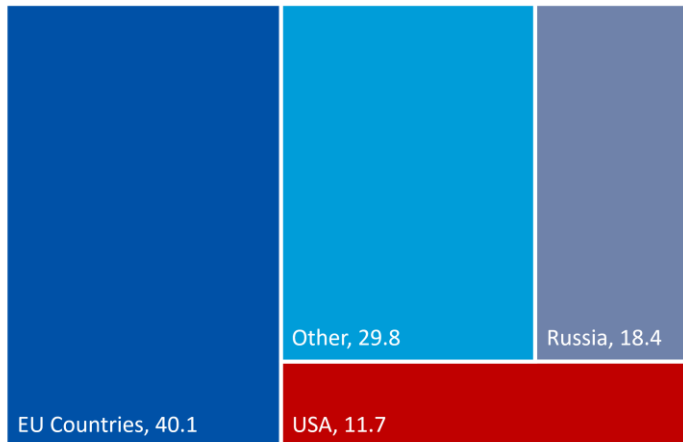
### In January-September, both export and import of goods have increased.

In January-September 2021, exports increased by 24%, while imports increased by 21.6% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 29.8%. Export growth was substantial in the following countries: USA (103.8%), Turkey (63.4%), Ukraine (48.8%), Russia (38.1%) and China (34.2%). It needs to be mentioned that during this period export significantly decreased in Bulgaria (35.8%), Spain (31.6%) and Switzerland (22.1%). High growth was recorded in several export commodity groups: Ferro-alloys (75.5%), t-shirts knitted (70%) and hazelnuts and other nuts (41.9%).

Major Commodity Groups by Exports  
(January - September)



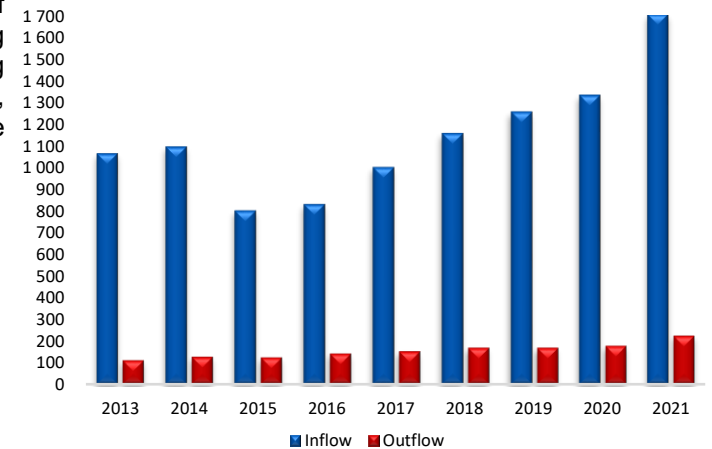
Remittances (%)  
September



### In September, remittances increased

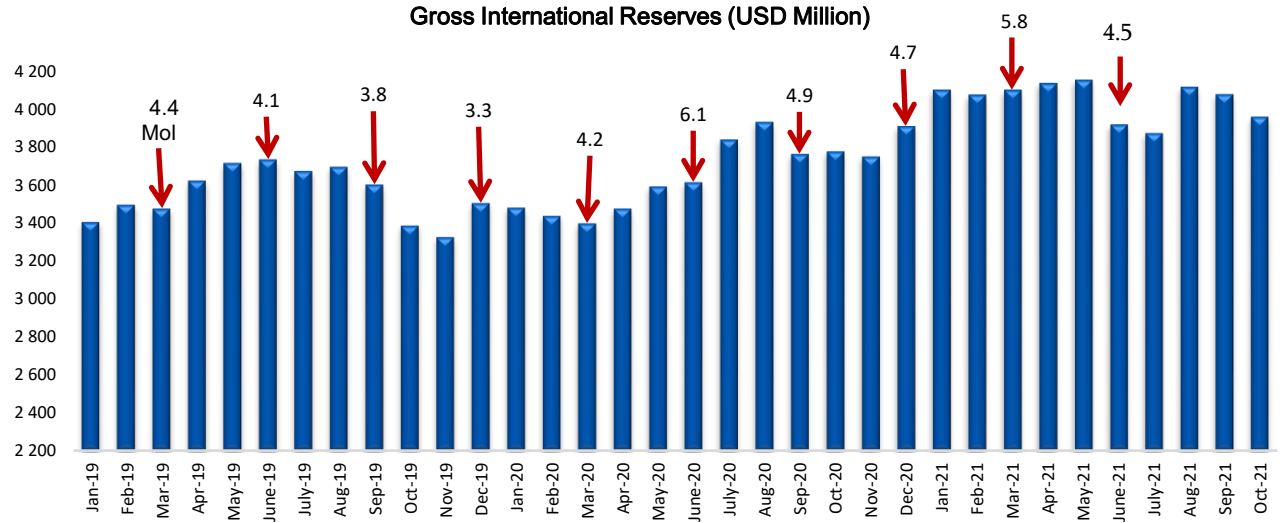
In September 2021, remittances increased by 8.8% YoY. The main source of money transfers are EU countries (40.1% of total), Russia (18.4%), and the USA (11.7%). In the analyzing period, remittances increased significantly from the following countries: Kyrgyzstan (by 238%), Kazakhstan (by 205%), Germany (by 44%), Poland (by 21%), Italy (by 17%), France (by 15%), Russia (by 10%) and Israel (by 10%).

Remittance (USD Million)  
January - September



**In October 2021, International Reserves amounted to 3,959 million USD.**

In October 2021, international reserves amounted to 3,959 million USD, which is a 4.8% YoY increase and 2.9% MoM decrease. In October 2021, the National bank of Georgia did not take part in foreign exchange interventions.

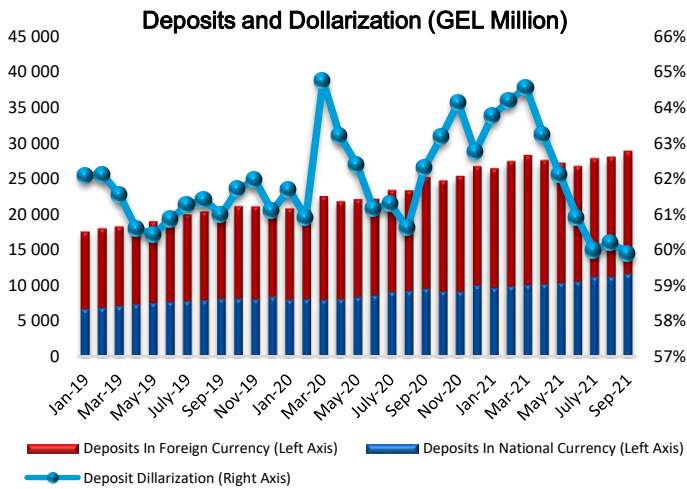
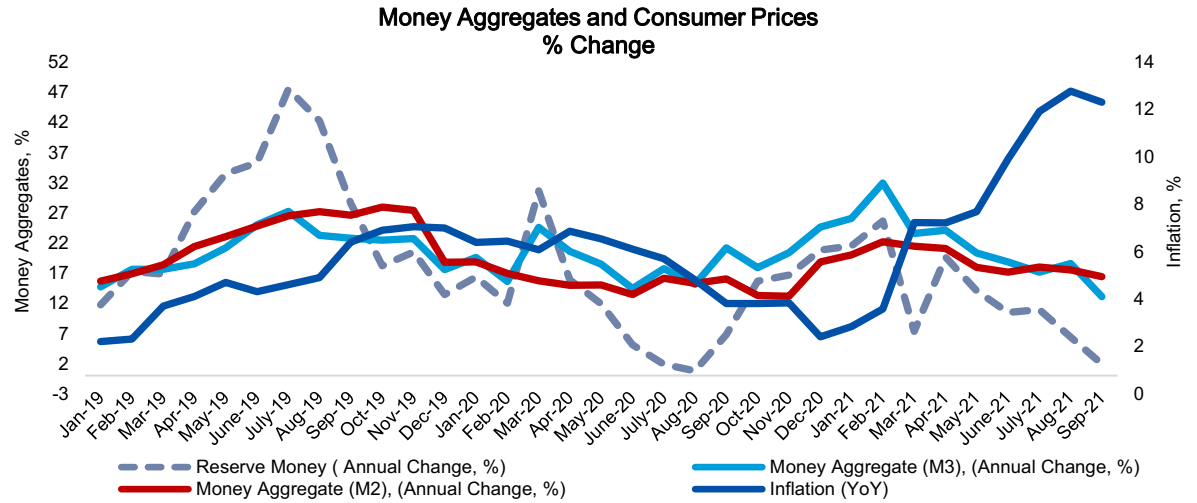


<sup>2</sup> Coefficients for gross international reserves are calculated in accordance to import

# 3. Monetary Sector

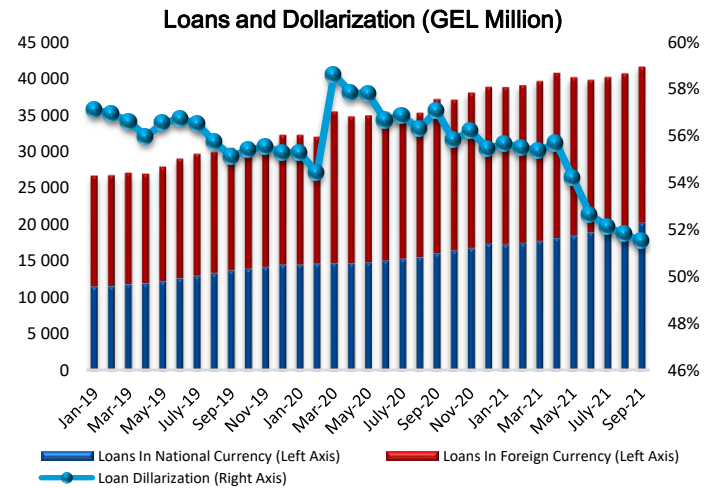
In September, compared to the same period of the previous year, reserve money had a growth tendency.

In September 2021, reserve money increased by 1.9% YoY, money aggregate M2 – by 16.4%, and money aggregate M3 – by 13.1%. In October 2021, consumer price inflation amounted to 12.8% YoY.

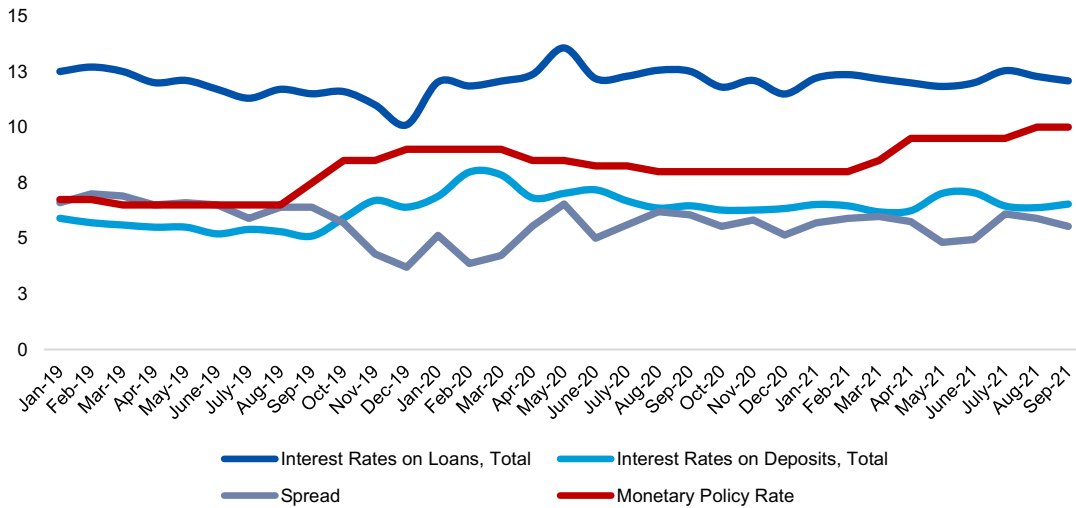


In September, the dollarization slightly decreased on deposits and on loans MoM.

In September 2021, the deposit dollarization indicator decreased by 0.31 pp and amounted to 59.9%, while loan dollarization has decreased by 0.31 pp and made up to 51.5%. In September, foreign currency deposits increased by 2.3% MoM, while national currency deposits increased by 3.7%.



### Market Interest Rates on Loans and Deposits (%)

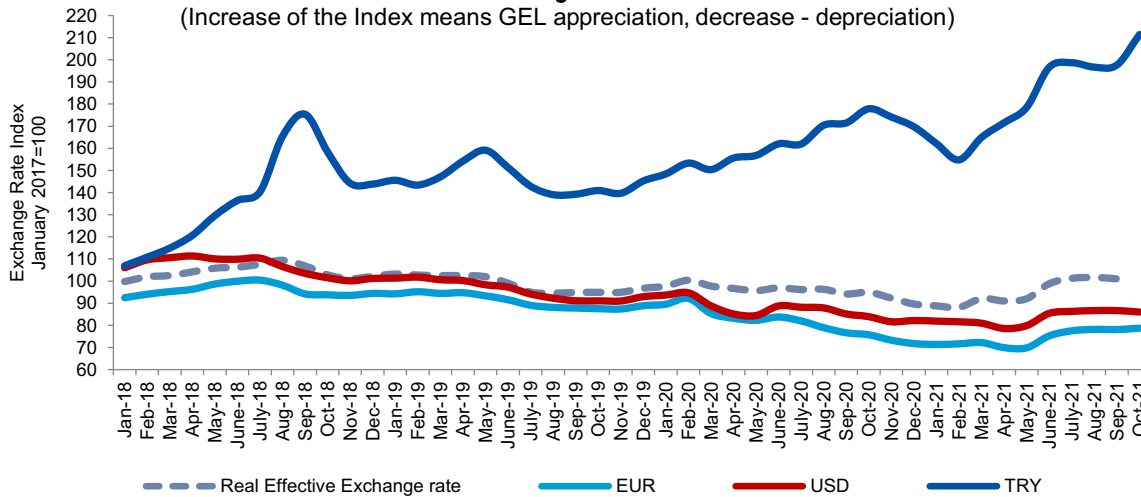


**In September, interest rates increased on deposits (by 0.2 pp) and decreased on loans (by 0.2 pp) MoM.**

In September 2021, market interest rates on loans amounted to 12.1%, while interest rates on deposits were defined at 6.5%. The interest rate spread (difference between loan and deposit rates) amounted to 5.5% as of September 2021, 0.5 pp lower compared to September 2020.

### GEL Exchange Rate Indices

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



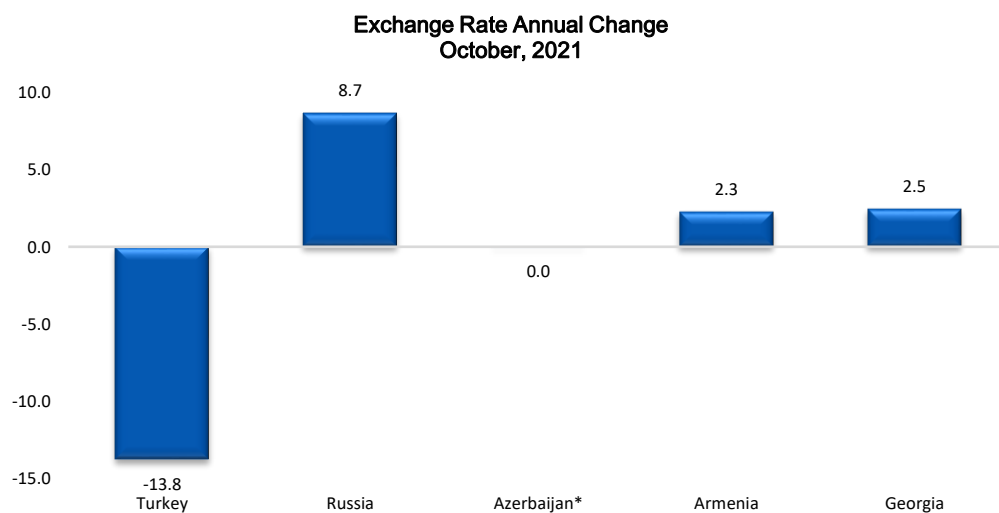
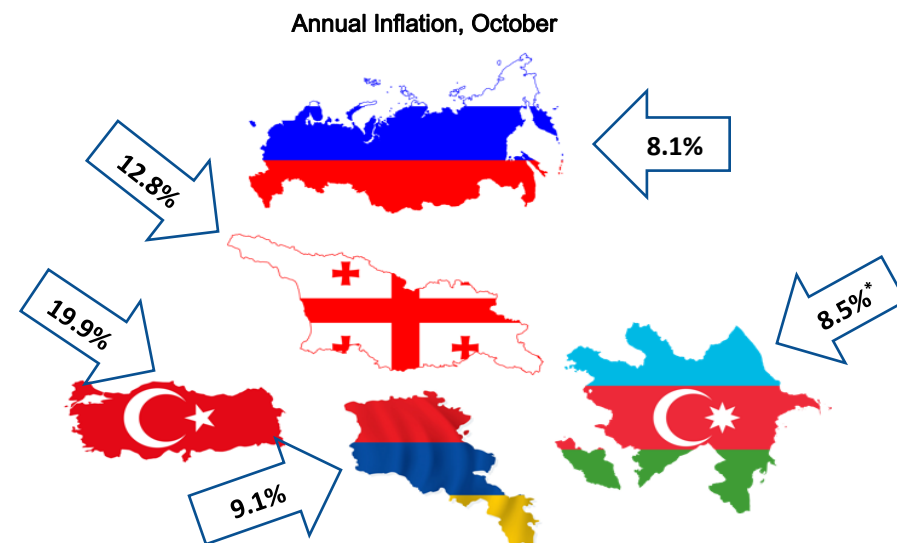
**In October, compared to the previous month, the GEL shows depreciation toward USD while shows appreciation towards EUR.**

In October 2021, GEL depreciated against USD by 0.8%, while appreciated by 0.8 against EUR MoM. In the analyzing period, the nominal effective exchange rate depreciated as well. In October, the GEL exchange rate appreciated by 2.5% towards USD and by 4% towards EUR YoY.

## 4. Regional Review

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

Namely, in October 2021, annual inflation amounted to 19.9% in Turkey. Inflation was lower in Russia (8.1%) and Armenia (9.1%). As for Azerbaijan, in September 2021, consumer prices have increased by 8.5% YoY.



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

Particularly, in October 2021, RUB appreciated by 8.7% YoY towards USD, AMD by 2.3%, AZN remained almost unchanged. In the analyzing period TRY depreciated by 13.8%.

## Summary Tables of Main Economic Indicators

**Table N1. Main Economic Indicators**

		Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
<b>Real Sector</b>	GDP Growth Rate (%)	-3.9	-7.7	-7.9	-11.5	-5.1	4.0	44.8	25.8	18.7	9.9	10.3	6.9	
	VAT Turnover Growth Rate (%)	-2.3	-4.2	-5.1	-8.1	7.6	21.5	93.4	50.3	37.5	26.5	31.2	27.1	
<b>Monetary Sector</b>	Inflation (%)	3.8	3.8	2.4	2.8	3.6	7.2	7.2	7.7	9.9	11.9	12.8	12.3	12.8
	Monetary Policy Rate (%)	8.00	8.00	8.00	8.00	8.00	8.50	9.50	9.50	9.50	9.5	10.0	10.0	10.0
	Deposit Dollarization (%)	63.17	64.13	62.80	63.76	0.64	64.55	0.63	0.62	0.61	0.6	0.6	0.6	
	Loan Dollarization (%)	55.82	56.2	55.5	55.6	0.55	55.36	0.56	0.54	0.53	0.5	0.5	0.5	
<b>External Sector</b>	Exchange Rate (GEL)	3.22	3.31	3.29	3.30	3.31	3.34	3.44	3.38	3.16	3.13	3.12	3.12	3.14
	Remittances (Thousand USD)	181 729.2	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	
	Export (USD Million)	312.6	301.1	325.7	224.5	267.7	325.7	377.7	340.0	350.7	386.3	335.1	373.6	
	Import (USD Million)	729.0	720.6	821.5	562.1	648.2	775.0	756.2	769.7	863.6	881.9	845.9	925.8	
	Trade Balance (USD Million)	(416.3)	(419.5)	(495.8)	(337.6)	(380.5)	(449.3)	(378.5)	(429.7)	(513.0)	-495.6	-510.8	-552.2	
	International Reserves (USD Million)	3 777.0	3 751.1	3 910.6	4 101.6	4 076.1	4 101.3	4 136.3	4 153.5	3 918.4	3872.7	4116.7	4076.6	3 959.0
<b>Fiscal Sector</b>	Revenues (GEL Million)	1031.4	1100.8	1307.1	1186.77	983.23	1208.2	1006.6	1002.9	1482.2	1269.4	1296.6	1300.5	
	Recurrent Expenditure (GEL Million)	1211.7	1061.8	1642.2	1090.7	1108.3	1197.4	1344.7	1148.9	1271.98	1391.2	1113.9	1208.4	
	Capital Expenditure (GEL Million)	377	312.2	730.2	151.1	222.7	245.8	250.2	222.8	496.1	243.1	308.1	479.9	

Increase
  Decrease
  Change < 1%

**Table N2<sup>3</sup>.** Comparison of key economic indicators with similar data for the corresponding month of last year.

		10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021
<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													

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

		10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021
<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													

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

