



February, 2022

Monthly Macroeconomic Review*

Main indicators of Month

- According to the GEOSTAT preliminary estimate, in January annual economic growth amounted to 18%
- Annual inflation amounted to 13.7% in February
- In February, GEL appreciated against USD (by 2.4%) and against EUR (by 2.3%) MoM

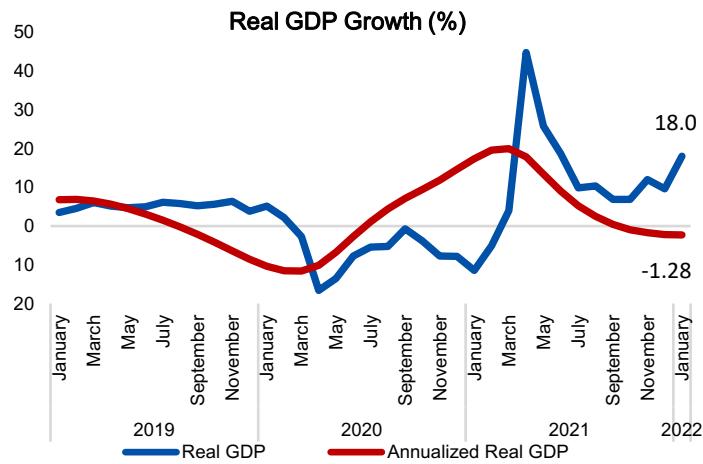
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*According to the release calendar of the statistical data, some indicators represent the variables of the previous month

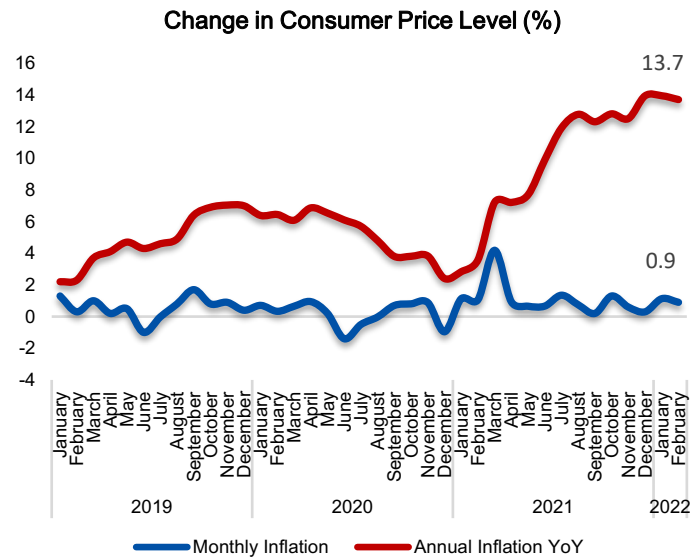
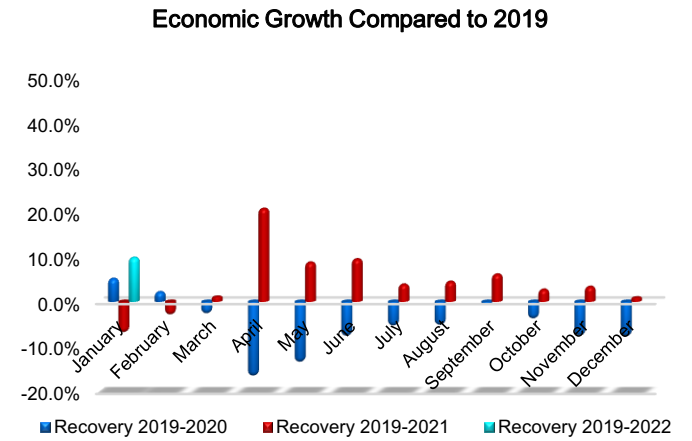


1. Real and Fiscal Sector



In January, positive annual economic growth was 18%.

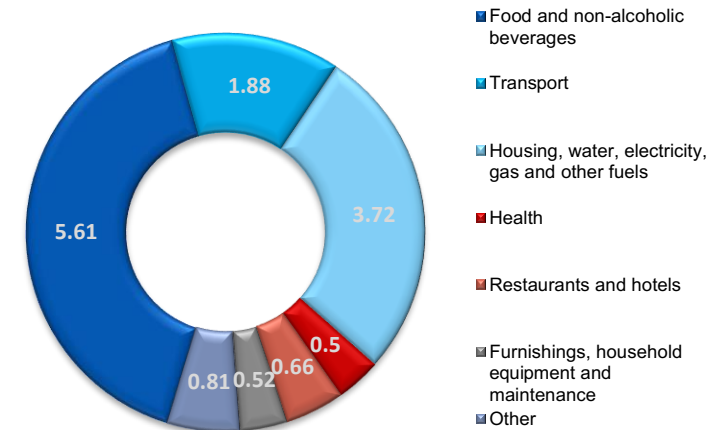
In accordance with preliminary estimates of GEOSTAT, in January 2022, annual real GDP growth amounted to 18%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate¹ of the real GDP amounted to -2.3% in January. Should be marked high economic growth rates in recent months and fast recovery process compared to 2019, pre pandemic period.



In February, annual CPI inflation amounted to 13.7%

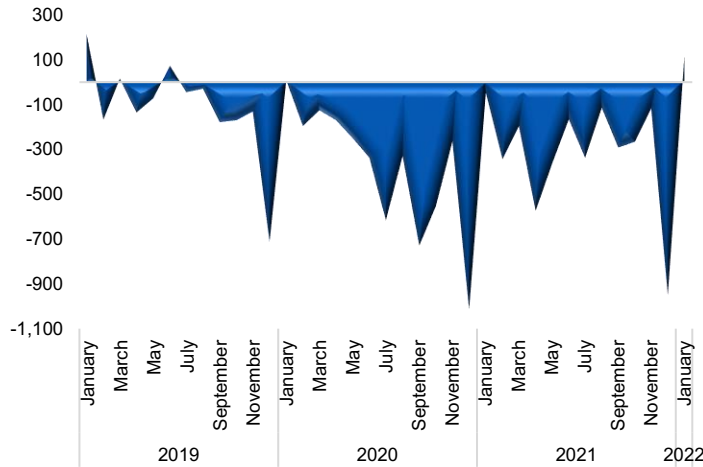
In February 2022, the inflation rate amounted to 13.7%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, housing, water, electricity, gas, other fuels, transport, restaurants and hotels and health. In January 2022, the annual GDP deflator amounted to 9%.

Contributions to the Overall Inflation of February



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

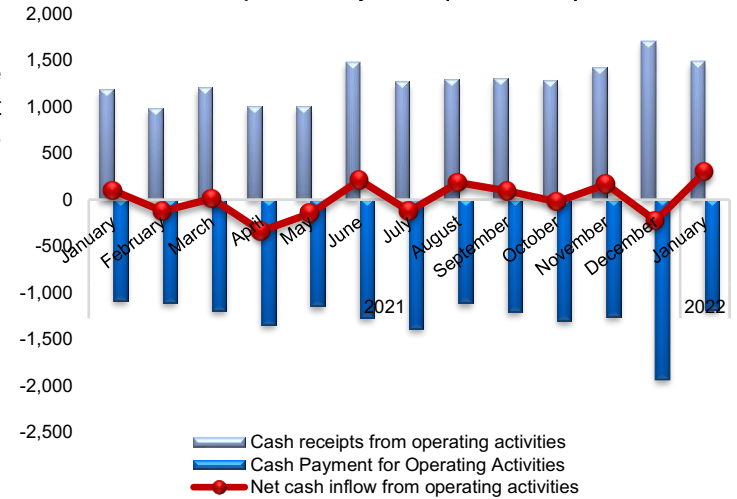
Consolidated Budget Balance (Min GEL)



In January, the general government net lending/borrowing was positive.

In January 2022, general government revenues increased by 25.1% YoY, while expenses increased by 8.7%. In the analyzing period, the general government positive net operating balance amounted to 299.3 million GEL, while positive net lending/borrowing was defined at 111.7 million GEL.

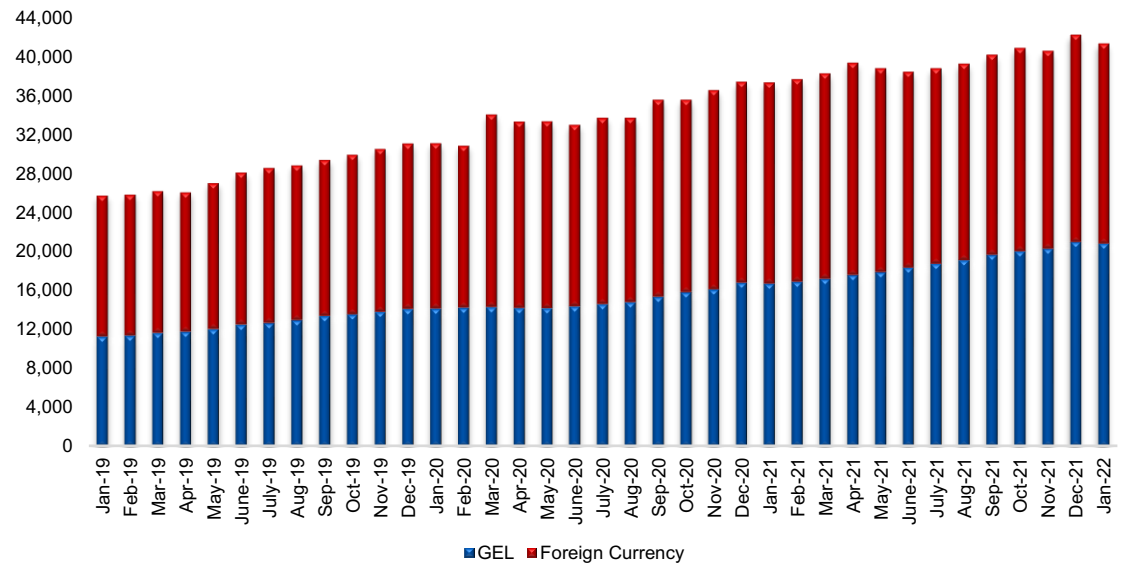
Receipts and Payments (GEL Million)



In January, compared to the same period of the previous year, commercial bank loans to the national economy exhibited growth trend in national currency while loans in foreign currency were decreasing.

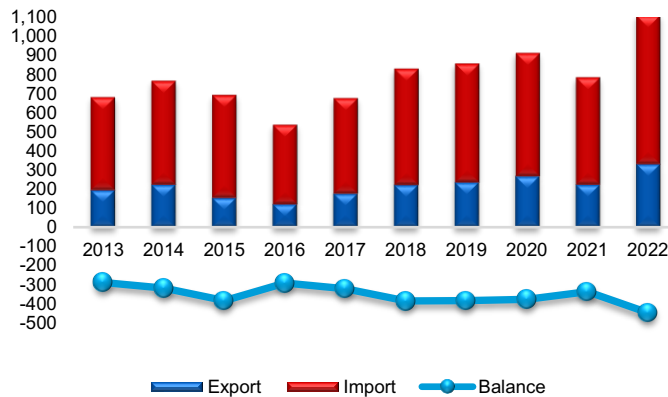
In January 2022, compared to the January of the previous year, commercial bank loans increased by 10.6% YoY and amounted to 41.3 billion GEL. National currency loans increased by 24.5%, while foreign currency loans decreased by 0.6%.

Commercial Bank Loans (GEL Million)



2. External Sector

External Trade Indicators (Mln USD)
January

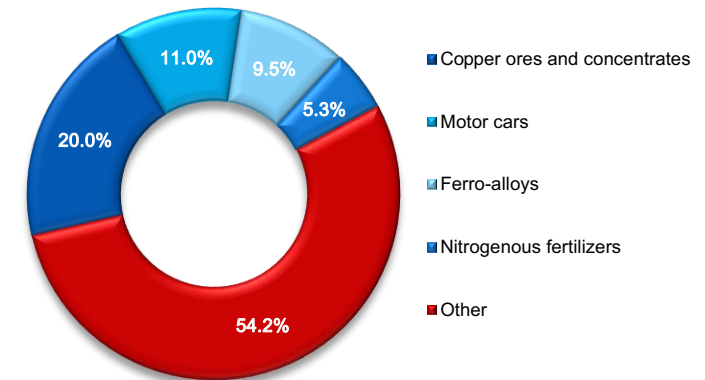


In January, both export and import of goods have increased.

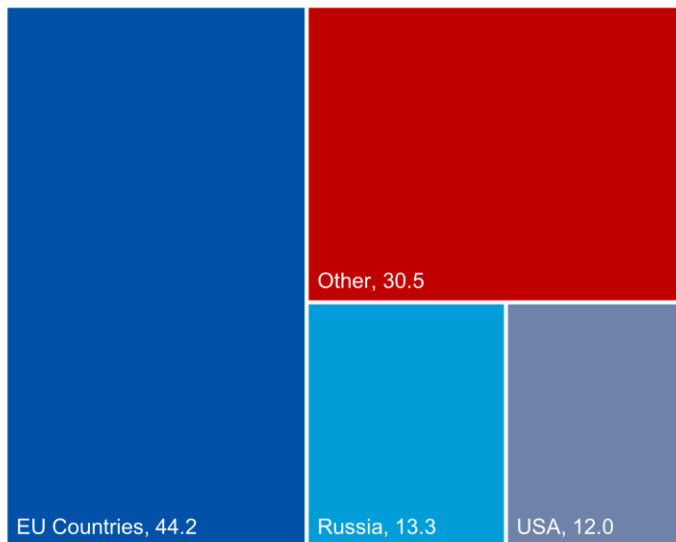
In January 2022, exports increased by 47.6%, while imports increased by 38.7% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 29.8%. Export growth was substantial in the following countries: Romania (5,526.7%), Kazakhstan (340.8%), Italy (193.1%), Armenia (129.2%) and Ukraine (107.2%). It needs to be mentioned that during this period export significantly decreased in Morocco (97.3%), Korea (83.4%) and USA (71.4%).

High growth was recorded in several export commodity groups: medicaments put up in measured doses (274.8%), nitrogenous fertilizers (195%) and gold (153.1%).

Major Commodity Groups by Exports
January



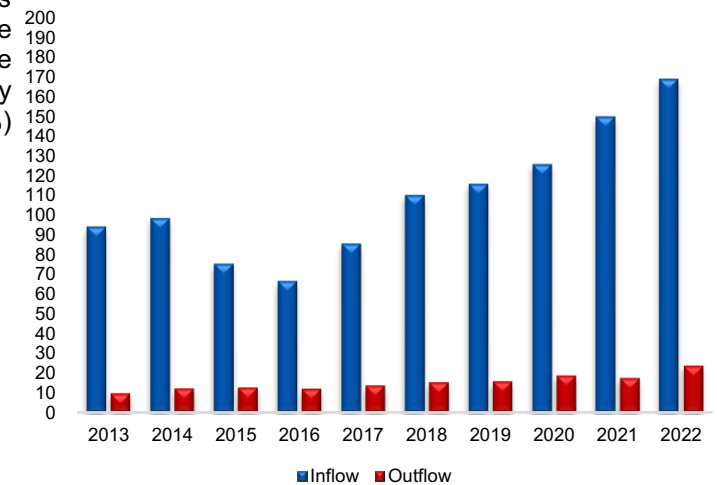
Remittance (%)
January



In January, remittances increased

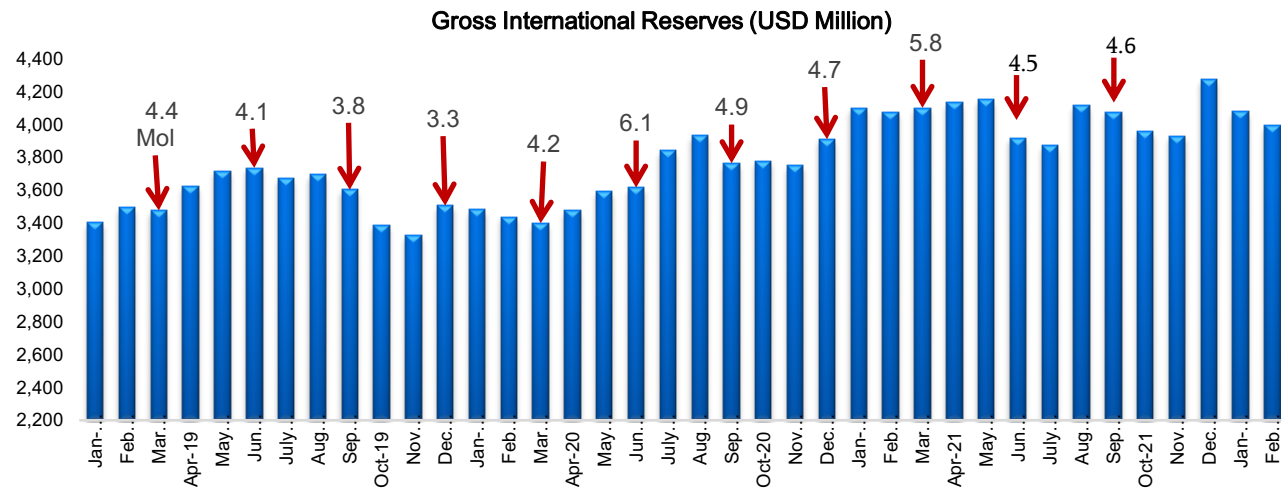
In January 2022, remittances increased by 12.7% YoY. In January the main source of money transfers are EU countries (44.2% of total), Russia (13.3%), and the USA (12%). In the analyzing period, remittances increased significantly from the following countries: Kyrgyzstan (by 310%), Kazakhstan (by 200.6%), United Kingdom (by 54.4%), Germany (by 45.5%) and Italy (by 22%).

Remittance (USD Million)
January



In February 2022, International Reserves amounted to 3,993 million USD.

In February 2022, international reserves amounted to 3,993 million USD, which is a 2% YoY and 2.1% MoM decrease.

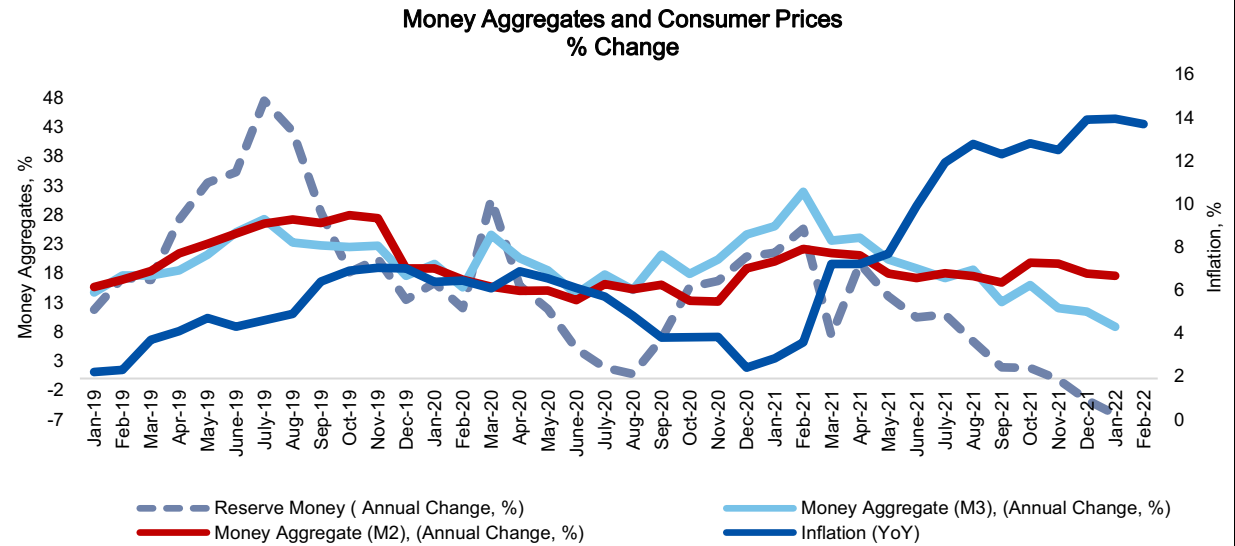


² Coefficients for gross international reserves are calculated in accordance to import

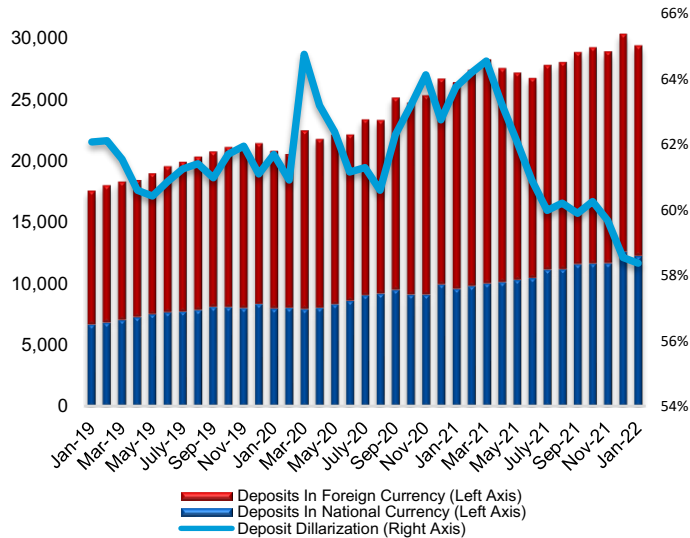
3. Monetary Sector

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

In January 2022, reserve money decreased by 6.1% YoY, money aggregate M2 increased by 17.6%, and money aggregate M3 – by 8.8%. In February 2022, consumer price inflation amounted to 13.7% YoY.



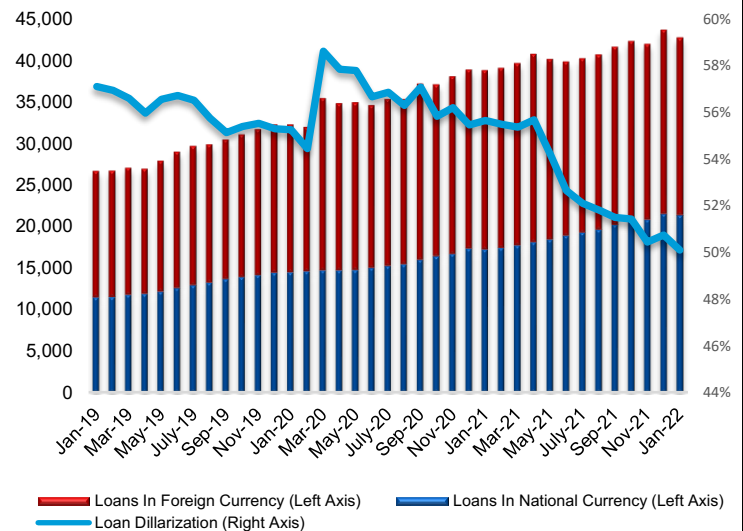
Deposits and Dollarization (GEL Million)



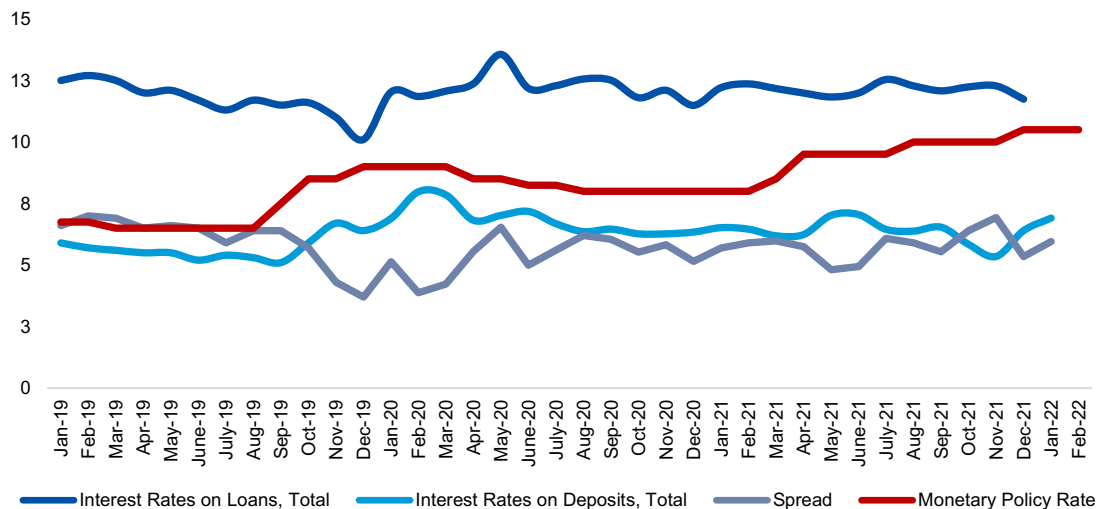
In January, the dollarization both on deposits and on loans decreased MoM.

In January 2022, the deposit dollarization indicator decreased by 0.17 pp and amounted to 58.4%, while loan dollarization has decreased by 0.64 pp and made up to 50.1%. In January, foreign currency deposits decreased by 3.4% MoM, while national currency deposits decreased by 2.7%.

Loans and Dollarization (Mln GEL)



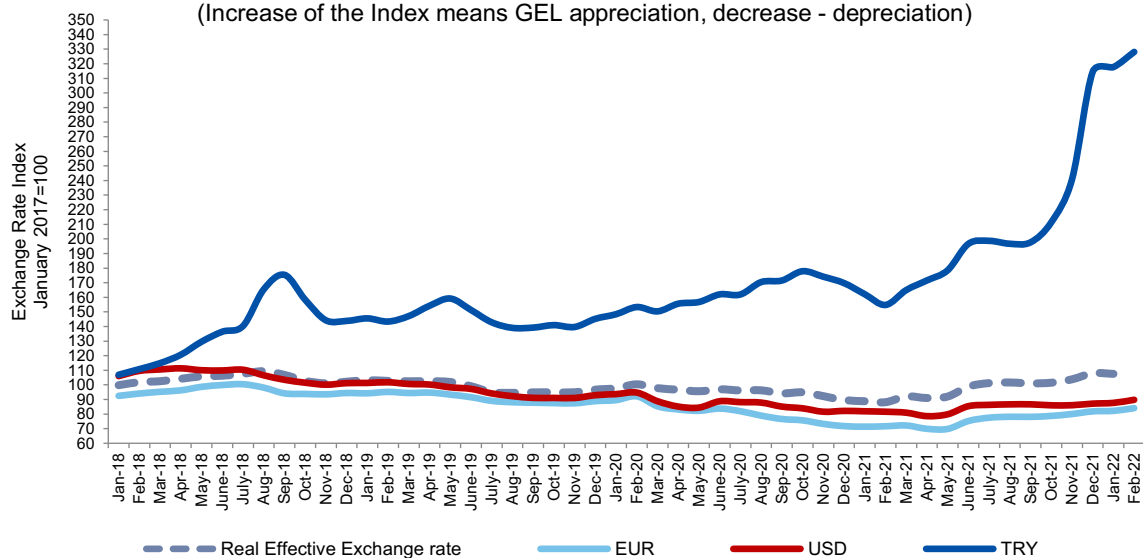
Market Interest Rates on Loans and Deposits (%)



In January, interest rates increased on deposits (by 0.5 pp) and on loans (by 1.1 pp) MoM.

In January 2022, market interest rates on loans amounted to 12.9%, while interest rates on deposits were defined at 6.9%. The interest rate spread (difference between loan and deposit rates) amounted to 6% as of January 2022, 0.3 pp higher compared to January 2021.

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



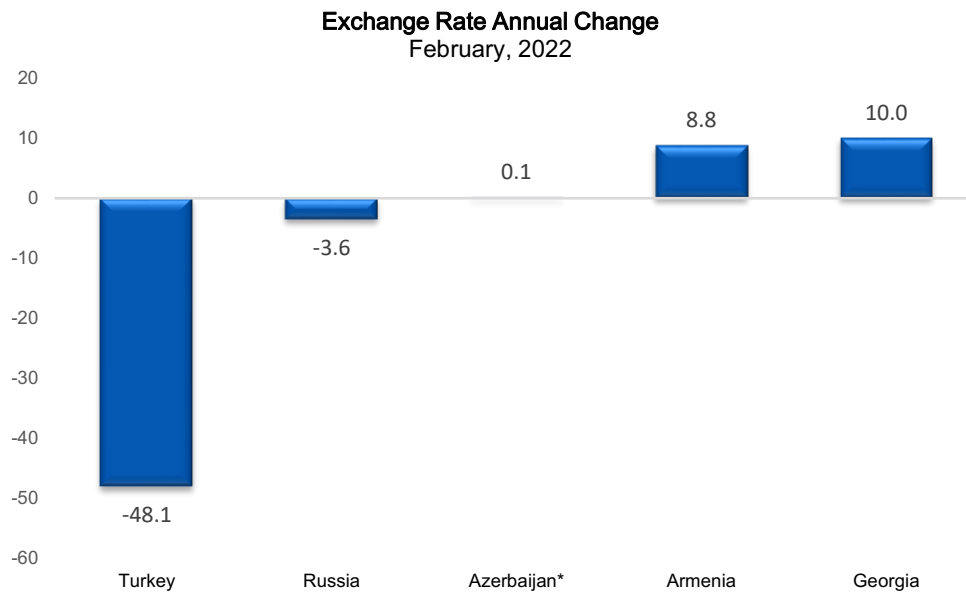
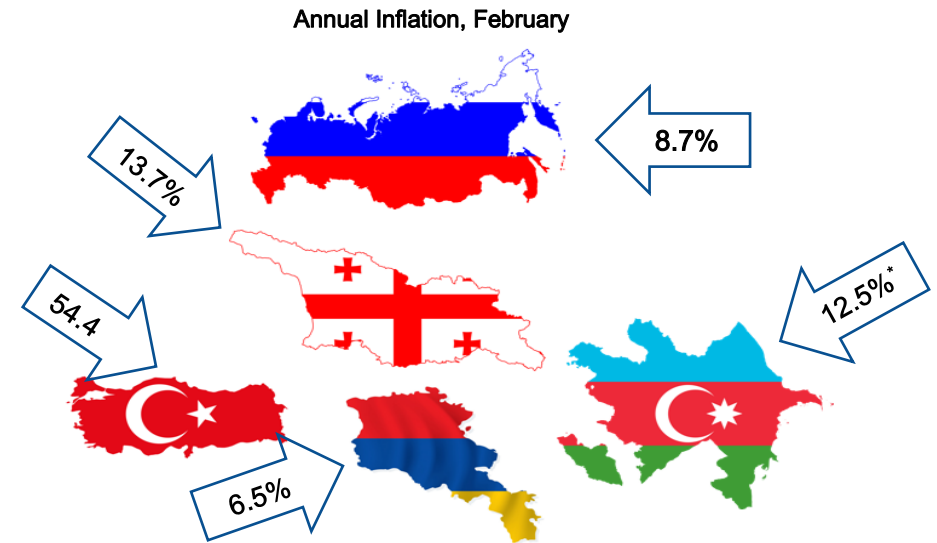
In February, compared to the previous month, the GEL shows appreciation toward USD and towards EUR.

In February 2022, GEL appreciated against USD by 2.4%, while appreciated by 2.3% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In February, the GEL exchange rate appreciated by 10% towards USD and by 17.3% towards EUR YoY.

4. Regional Review

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

Namely, in February 2022, annual inflation amounted to 54.4% in Turkey. Inflation was lower in Armenia (6.5%). As for Azerbaijan* and Russia*, in January 2022, consumer prices have increased by 12.5% YoY and 8.7% YoY respectively.



In February, part of the currencies of the region countries stand out with a tendency of appreciation towards USD, while others depreciated.

Particularly, in February 2022, AMD appreciated by 8.8% and AZN by 0.1% YoY towards USD. In the analyzing period TRY depreciated by 48.1% and RUB by 3.6%.

Summary Tables of Main Economic Indicators

Table N1. Main Economic Indicators

		Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22
Real Sector	GDP Growth Rate (%)	-5.1	4.0	44.8	25.8	18.7	9.9	10.3	6.9	6.9	12.0	9.6	18.0	
	VAT Turnover Growth Rate (%)	7.6	21.5	93.4	50.3	37.5	26.5	31.2	24.0	25.6	32.6	31.2	39.8	
Monetary Sector	Inflation (%)	3.6	7.2	7.2	7.7	9.9	11.9	12.8	12.3	12.8	12.5	13.9	13.9	13.7
	Monetary Policy Rate (%)	8.0	8.5	9.5	9.5	9.5	9.5	10.0	10.0	10.0	10.0	10.5	10.5	10.5
	Deposit Dollarization (%)	0.64	64.55	0.63	0.62	0.61	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
	Loan Dollarization (%)	0.55	55.36	0.56	0.54	0.53	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
External Sector	Exchange Rate (GEL)	3.31	3.34	3.44	3.38	3.16	3.13	3.12	3.12	3.14	3.14	3.10	3.08	3.01
	Remittances (Thousand USD)	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	207 337.5	229 487.0	168 840.5	
	Export (USD Million)	267.7	325.7	377.7	340.0	350.7	386.3	335.1	373.6	411.2	430.4	419.5	331.3	
	Import (USD Million)	648.4	775.0	756.2	770.0	863.7	882.5	867.2	957.8	935.7	1 017.0	1 038.0	779.1	
	Trade Balance (USD Million)	(380.7)	(449.3)	(378.5)	(430.0)	(513.0)	-496.2	-532.1	-584.2	-524.4	-586.6	-618.5	-447.8	
	International Reserves (USD Million)	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	3 928.5	4 272.1	4 078.1	3 992.9
Fiscal Sector	Revenues (GEL Million)	983.23	1 208.2	1 006.6	1 002.9	1 482.2	1 269.4	1 296.6	1 300.5	1 278.7	1 420.0	1 707.4	1 485.1	
	Recurrent Expenditure (GEL Million)	1 108.3	1 197.4	1 344.7	1 148.9	1 272	1 391.2	1 113.9	1 208.4	1 303.1	1 256.0	1 934.4	1 185.8	
	Capital Expenditure (GEL Million)	222.7	245.8	250.2	222.8	496.1	243.1	308.1	479.9	248.2	296.6	798.8	193.9	

Increase
 Decrease
 Change < 1%

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

		02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022
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.

		02.2021	03.2021	04.2021	05.2021	06.2021	07.2021	08.2021	09.2021	10.2021	11.2021	12.2021	01.2022	02.2022
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.