



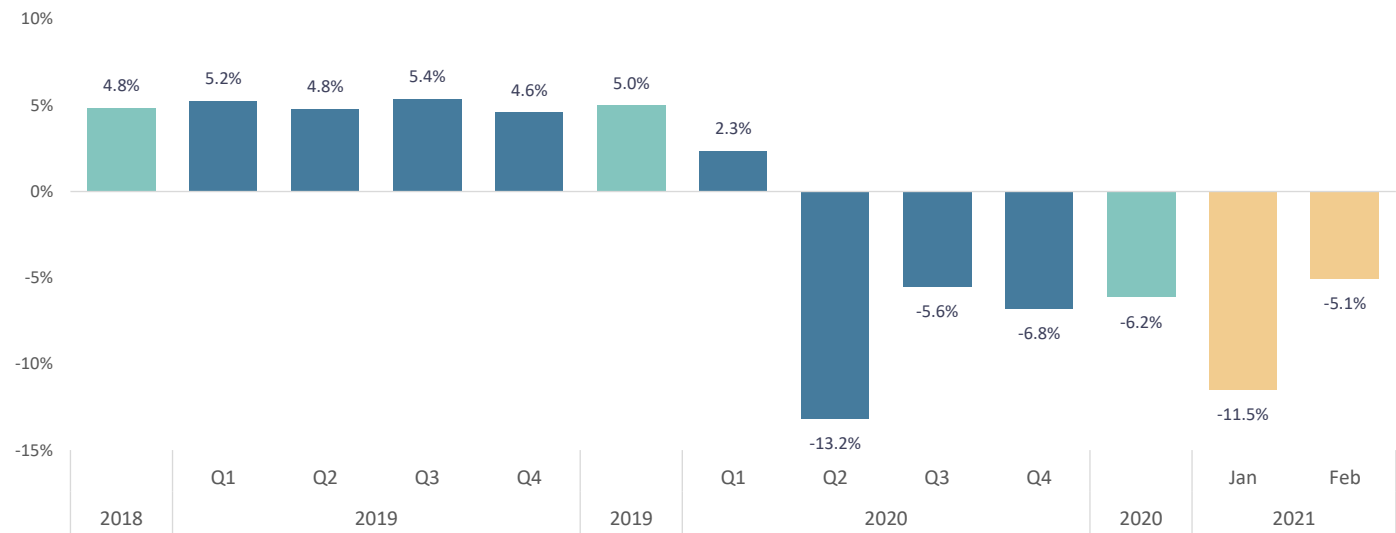
Current Economic Outlook

March, 2021

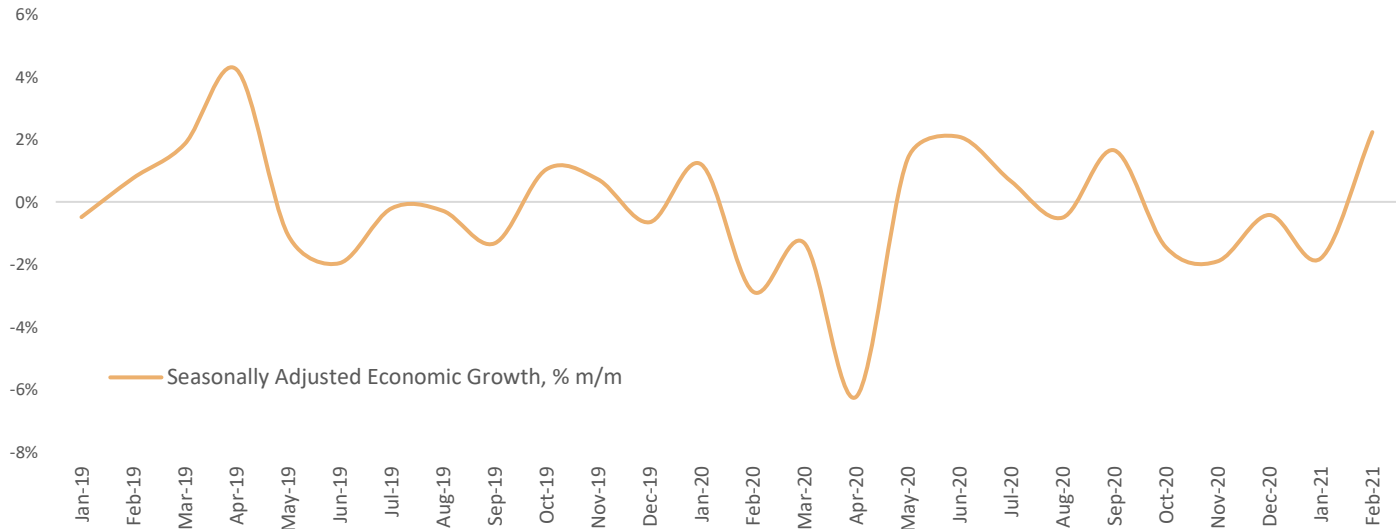
- According to the preliminary estimates of the National Statistics Office, in February 2021, the real GDP growth rate was -5.1 percent. At the same time, economic growth was 7.2 percent compared to the previous month, while seasonally adjusted monthly economic growth was 2.2 percent;
- According to preliminary estimates for 2020, real GDP decreased by 6.2 percent compared to 2019;
- Annual inflation stood at 7.2 percent in March, while seasonally adjusted annualized core inflation was 1.3 percent;
- In February, exports fell 3 percent year-on-year and imports fell 12.2 percent year-on-year, reducing the trade deficit by 21.2 per cent year-on-year to \$ 347.9 million;
- The real effective exchange rate for February depreciated by 12.2 percent compared to the same period of the previous year and by 0.7 percent compared to the previous month;
- The National Bank raised its refinancing rate by 0.5 percentage points to 8.5 percent.

Economic Growth in February was equal to -5.1 percent

Economic Growth, % y/y



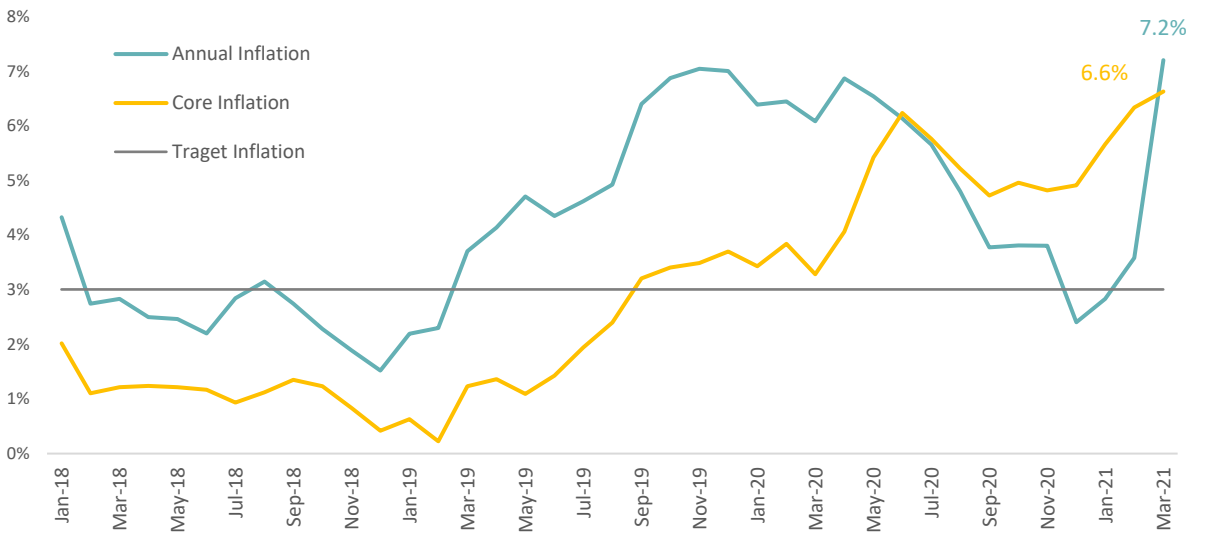
Economic Growth, % m/m



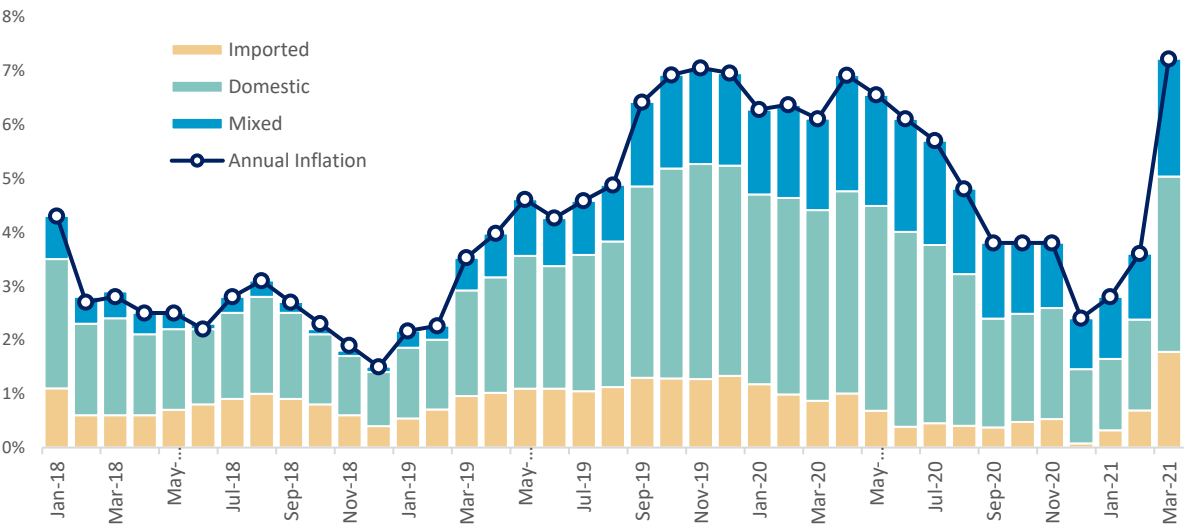
- Estimated real GDP declined annually by 5.1 percent in February 2021 and by 8.3 percent annually in January-February of 2021 YoY.
- Despite the annual decline, monthly economic growth in February was 7.2 percent, while seasonally adjusted economic growth was 2.2 percent.
- In February 2021 the estimated real growth compared to the same period of the previous year was posted negative in the following activities: Construction, Accommodation service activities, Arts, entertainment and recreation, Transportation and storage, Real estate activities, Manufacturing.
- A growth was registered in Financial and Insurance activities, Trade, Water supply; sewerage, waste management activities.
- According to preliminary data for 2020, the decline in real GDP was 6.2 percent compared to the previous year.

Annual inflation has risen significantly since the cessation of subsidies on products

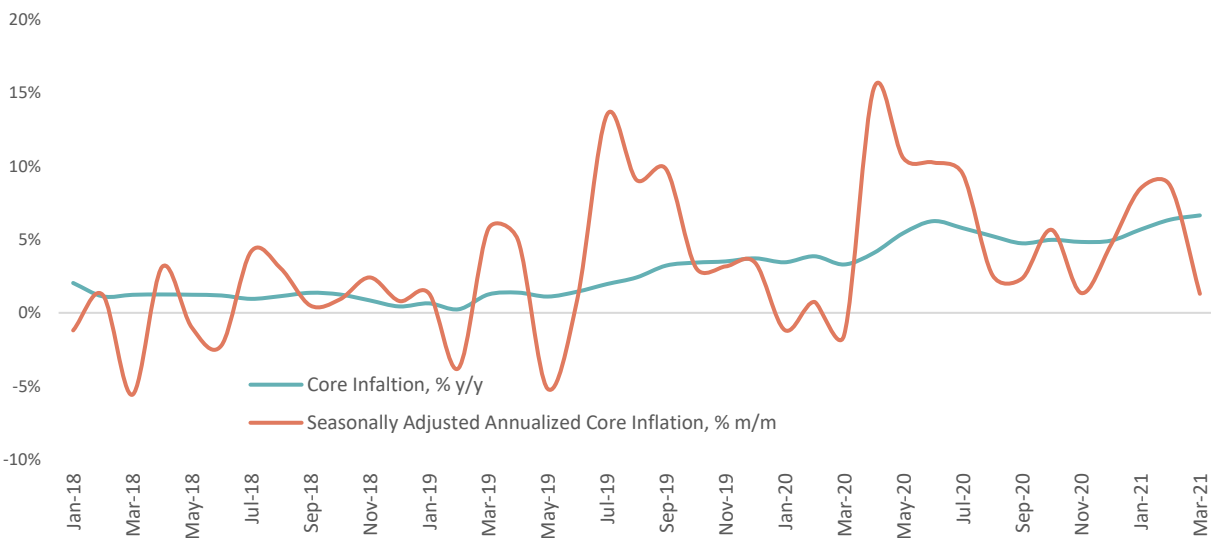
Total and Core Inflation, % y/y



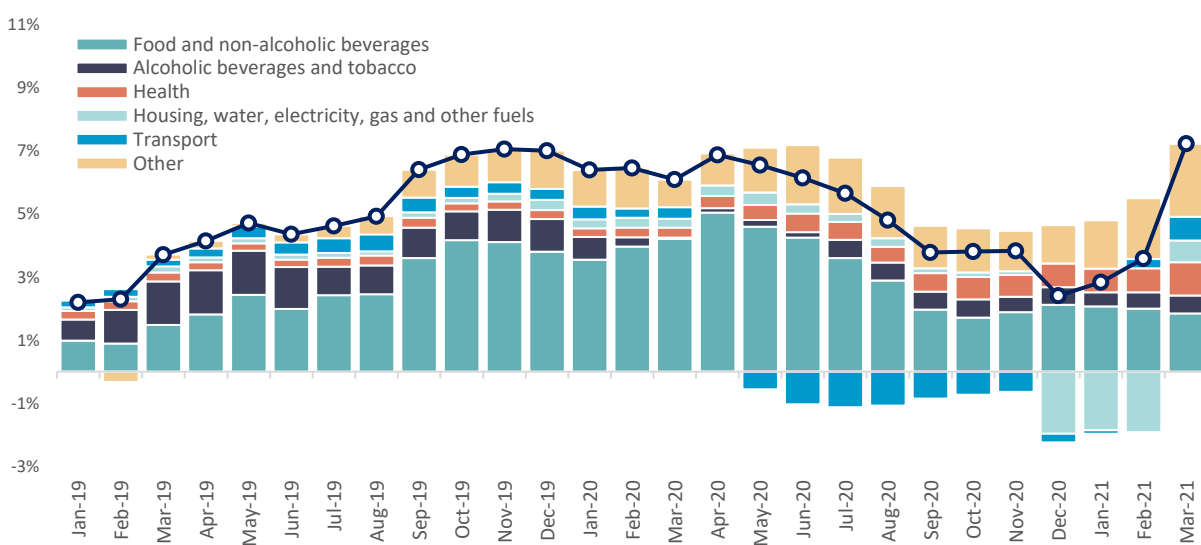
Inflation Decomposition



Core Inflation, % m/m



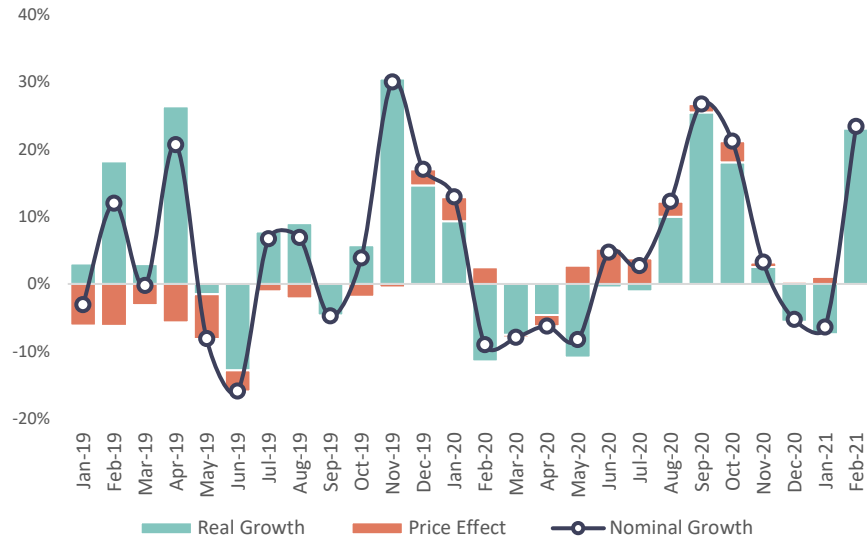
Inflation Decomposition by product group



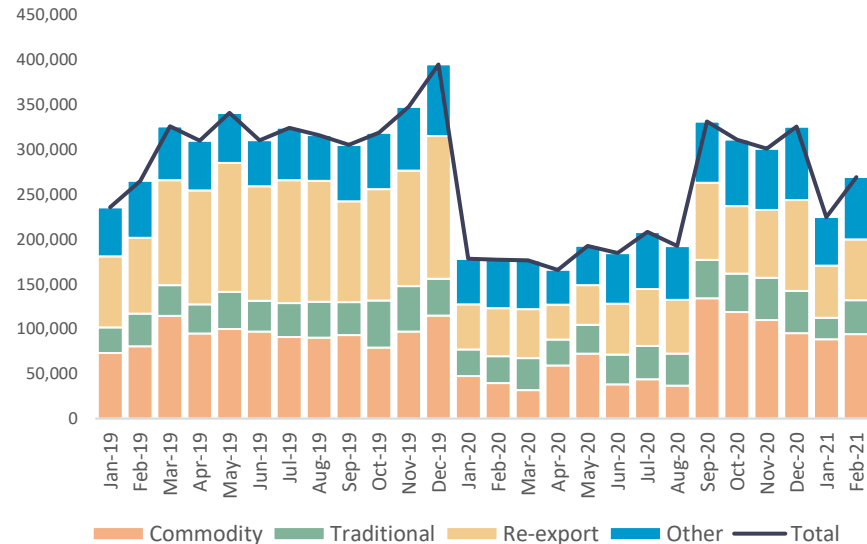
Source: Geostat, NBG, author's calculations

Trade Deficit decreased by 21.2 annually

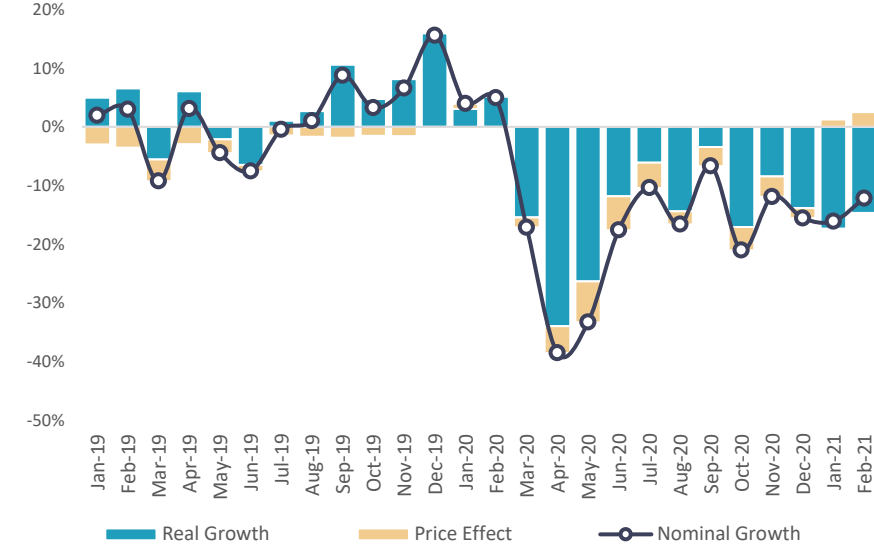
Change of Domestic Export, %y/y



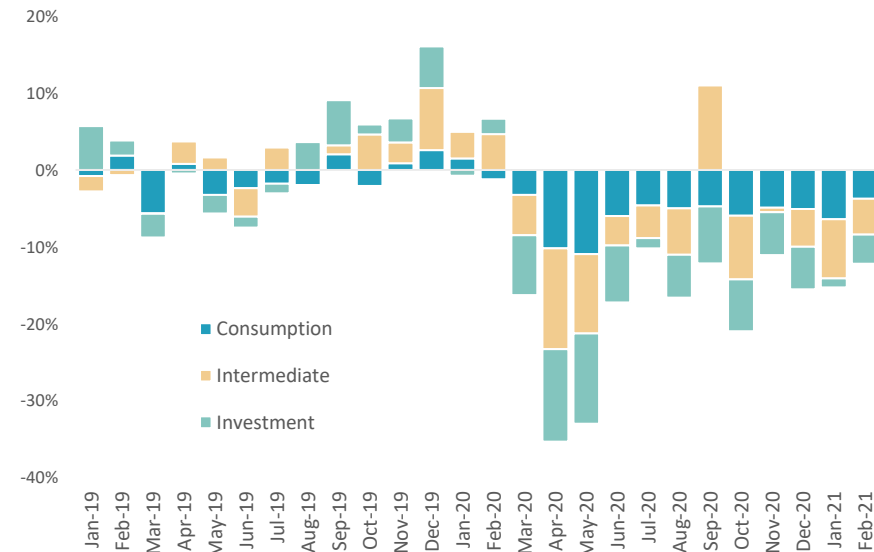
Decomposition of Export



Change of Import, %y/y



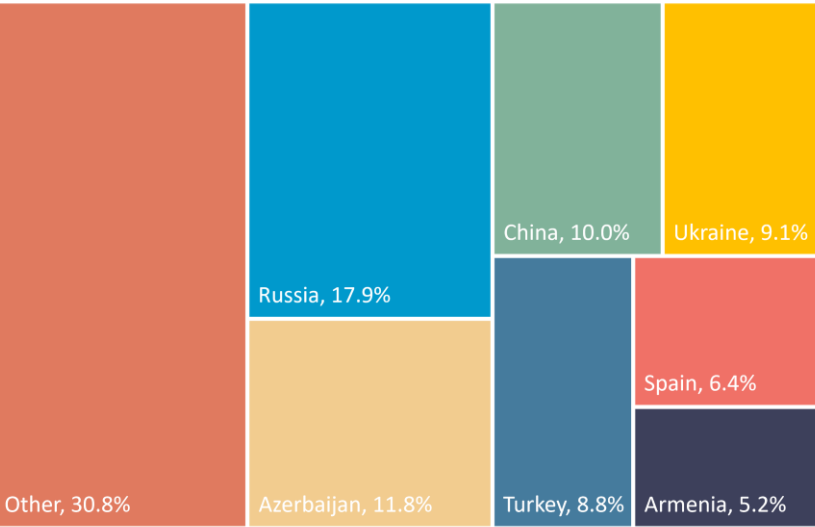
Decomposition of Change of Import, %y/y



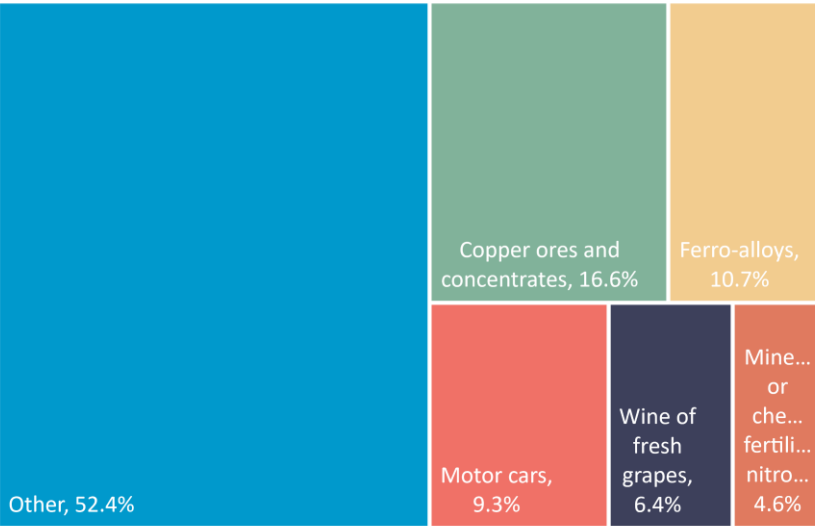
- Export decreased annually by 3 percent to 270.3 million USD in February.
- Domestic export increased annually by 23.4 percent to 202.6 million USD.
- Import annually decreased by 12.2 percent to 618.2 million USD in February.
- Trade deficit annually decreased by 21.2 percent to 347.9 million USD in February.
- Share of re-export is equal to 25.2 percent, while share of commodity export equals to 35 percent.
- Import of Investment, Consumption and Intermediate goods annually decreased by 3.8, 3.8 and 4.7 percent respectively (p.p. to overall growth).

International trade is characterized by stable diversification

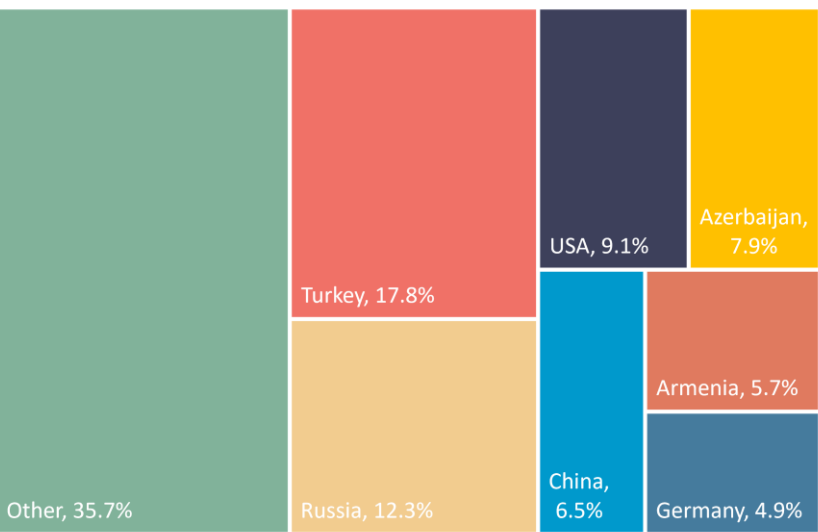
Export by country, February 2021



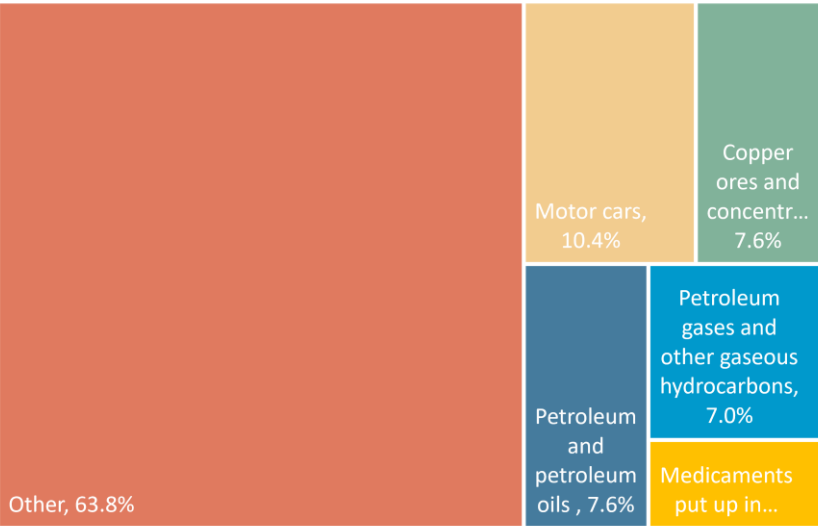
Export by product, February 2021



Import by country, February 2021



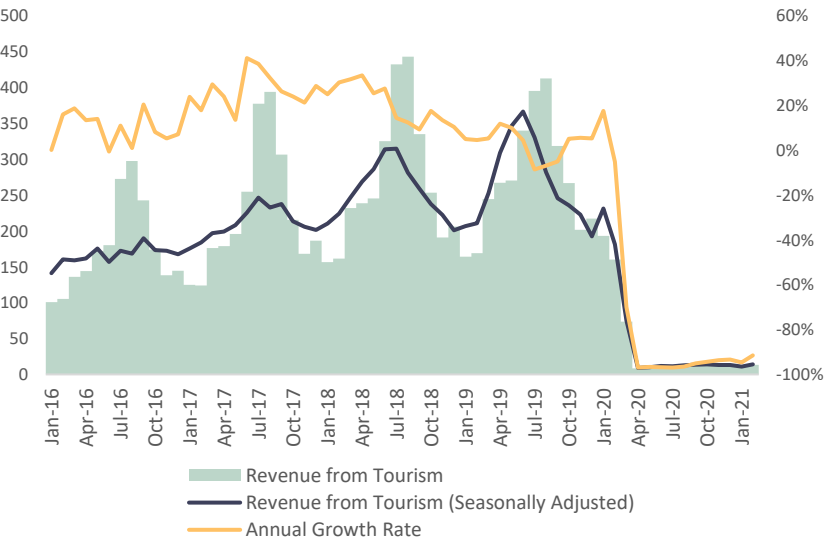
Import by product, February 2021



- Top Export Products:
 - Copper ores and concentrates: 44.8 mln. USD - 16.6 percent of total export.
 - Ferro-alloys: 28.8 mln. USD - 10.7 percent.
 - Motor cars: 25.1 mln. USD - 9.3 percent.
- Top Import Products :
 - Motor cars: 64.3 mln. USD - 10.4 percent of total import.
 - Copper ores and concentrates: 44.2 mln. USD - 7.6 percent.
 - Petroleum and petroleum oils : 36.6 mln. USD - 7.6 percent.
- Top Export Country:
 - Russia: 48.4 mln. USD - 17.9 percent.
 - Azerbaijan: 32 mln. USD – 11.8 percent.
 - China: 26.9 mln. USD - 10 percent.
- Top Import Country :
 - Turkey: 110 mln. USD - 17.8 percent.
 - Russia: 76.1 mln. USD - 12.3 percent.
 - USA: 56.3 mln. USD - 9.1 percent.

Revenue from Tourism is still decreasing annually due to pandemic related restrictions

Revenue from Tourism

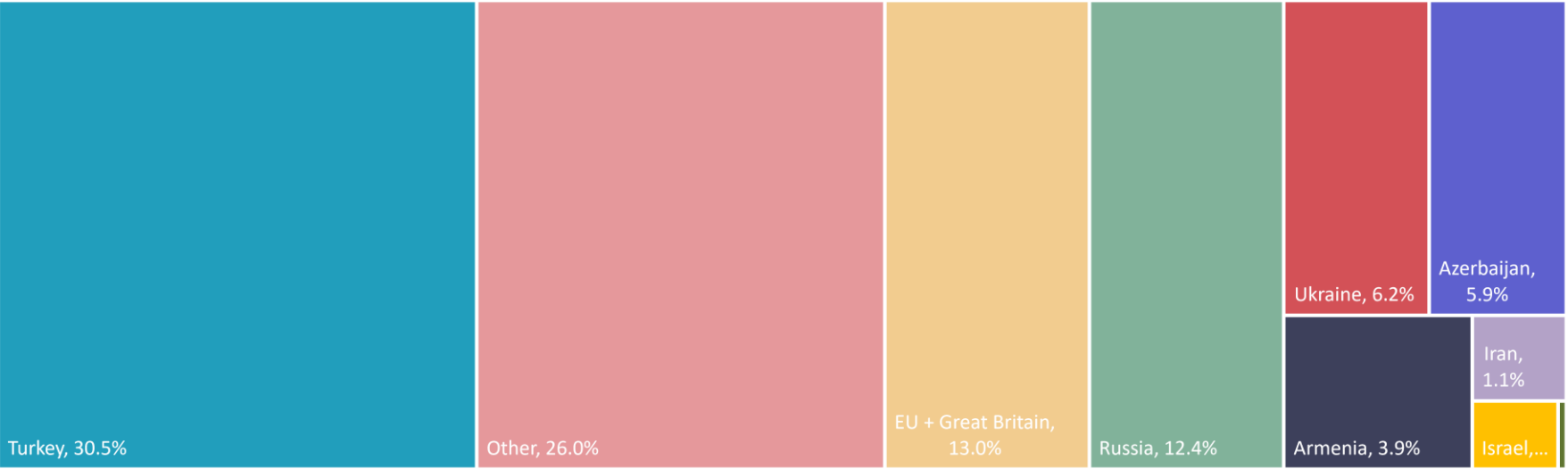


Revenue from Tourism, February 2021

Country	Tourism Revenue	Change, % y/y
Turkey	4167.6	-83.2%
EU + UK	1780.0	-93.8%
Russia	1691.2	-93.2%
Ukraine	851.4	-92.0%
Azerbaijan	802.1	-94.8%
Armenia	538.0	-94.0%
Other	3819.7	-91.9%

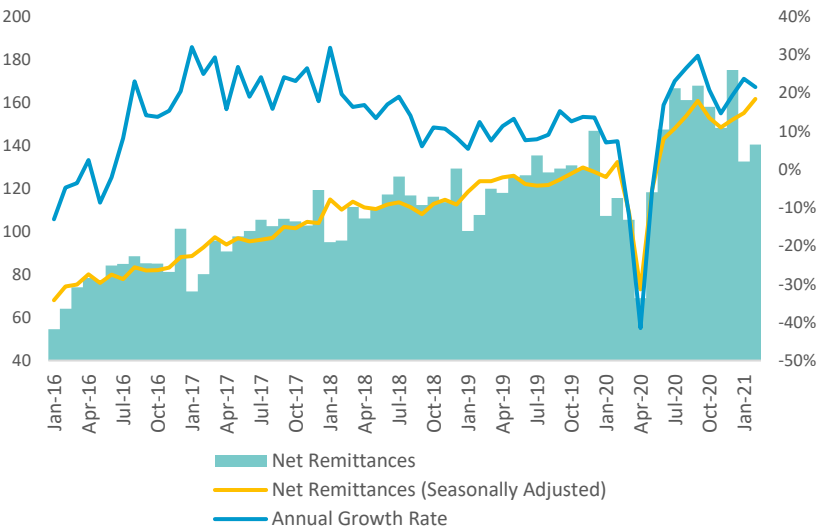
- In February 2021, tourism revenues fell 91.5 percent to 13.6 million USD.
- At the same time, tourism revenues increased by 31.8 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 27.6 percent.

Revenue from Tourism by country



Remittances are increasing as a result of economic activity in the region

Net Remittances

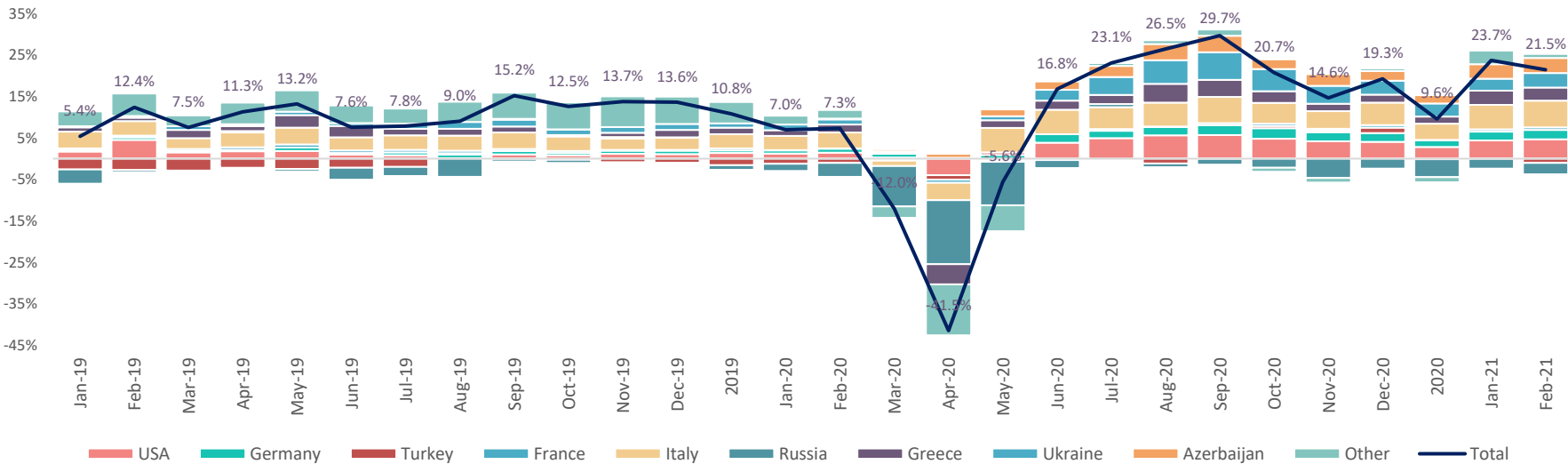


Net Remittances, February 2021

Country	Net Remittances	Change, %y/y	Share, %
Italy	28,209.7	32.6%	20.1%
USA	18,932.8	36.1%	13.5%
Greece	18,810.3	22.0%	13.4%
Russia	18,752.2	-13.5%	13.4%
Israel	13,656.4	-3.2%	9.7%
Other	42,052.8	44.0%	29.9%

- In February 2021, net remittances were estimated at 140.4 million USD, representing a 21.5 percent annual increase.
- Net Remittances increased from:
 - Italy: 32.6 percent (6 p.p. contribution to overall growth).
 - USA: 36.1 percent (4.3 p.p. contribution to overall growth).
 - Greece: 22 percent (2.9 p.p. contribution to overall growth).
 - Remittances from Ukraine and Azerbaijan also increased significantly.

Net Remittances by country, %y/y



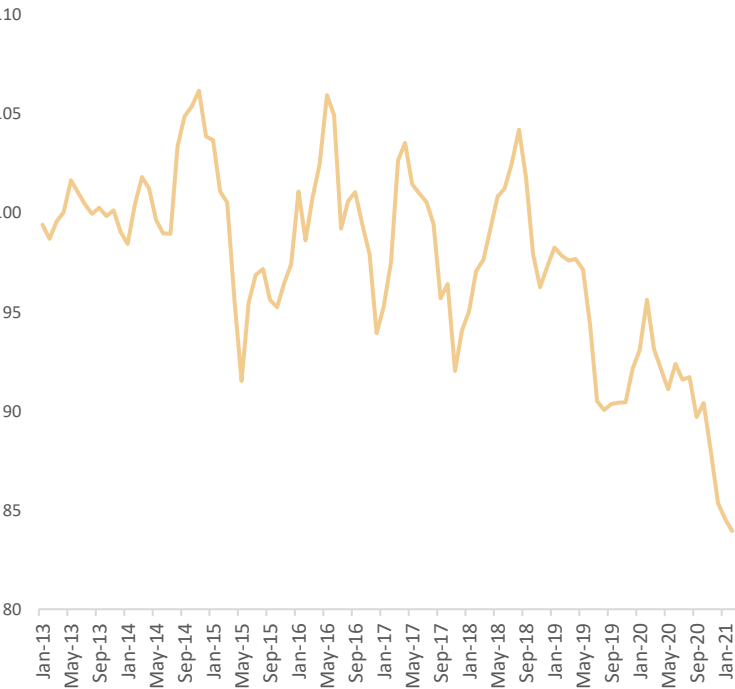
- Net Remittances decreased from:
 - Russia: -13.5 percent (-2.5 p.p. contribution to overall growth).
 - Turkey: -23.8 percent (-1 p.p. contribution to overall growth).

The real effective exchange rate in February depreciated by 0.7 percent compared to the previous month

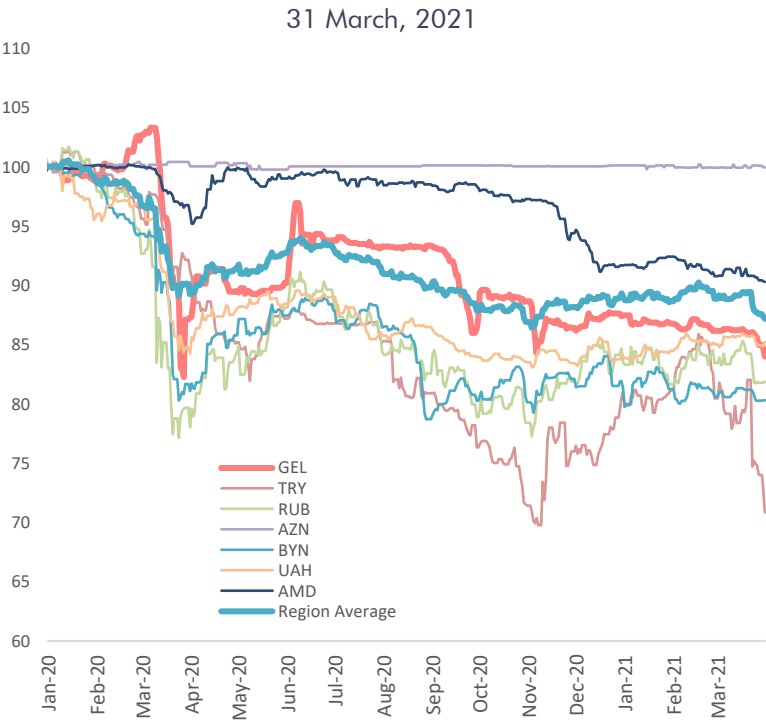
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

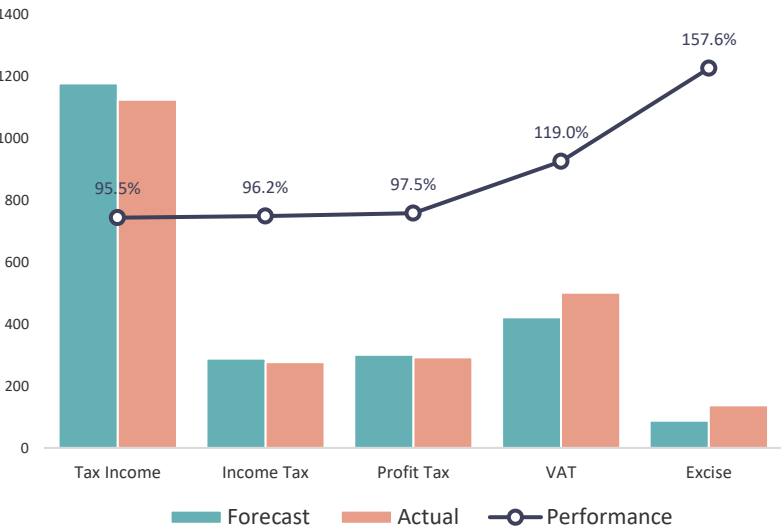


Note: Increase means appreciation

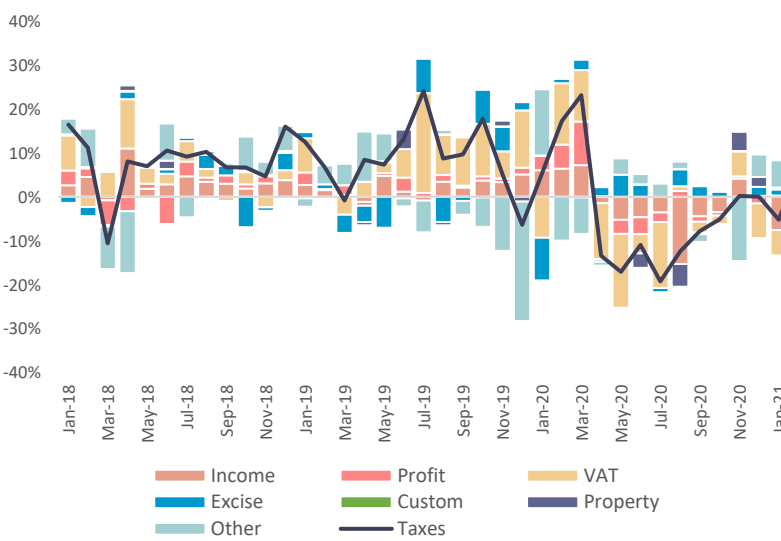
	31 March, 2021	31 March 2021 - 1 January 2021	31 March 2021 - 1 January 2020
Euro	4.0044	-19.7%	-23.6%
US Dollar	3.4118	-16.0%	-21.7%
Turkish Lira	0.4064	18.5%	24.4%
Russian Ruble	0.0449	2.6%	-14.5%
NEER	109.82	-0.7%	-7.9%
REER (February 2021)	103.18	-1.7%	-8.9%

Tax revenues in the first quarter exceeded the forecast value by 0.3 percent

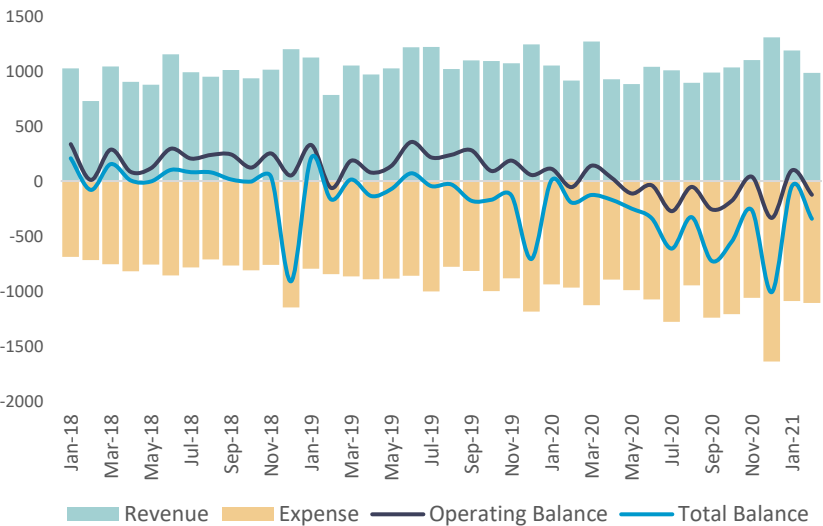
Budget Revenue Performance, February 2021



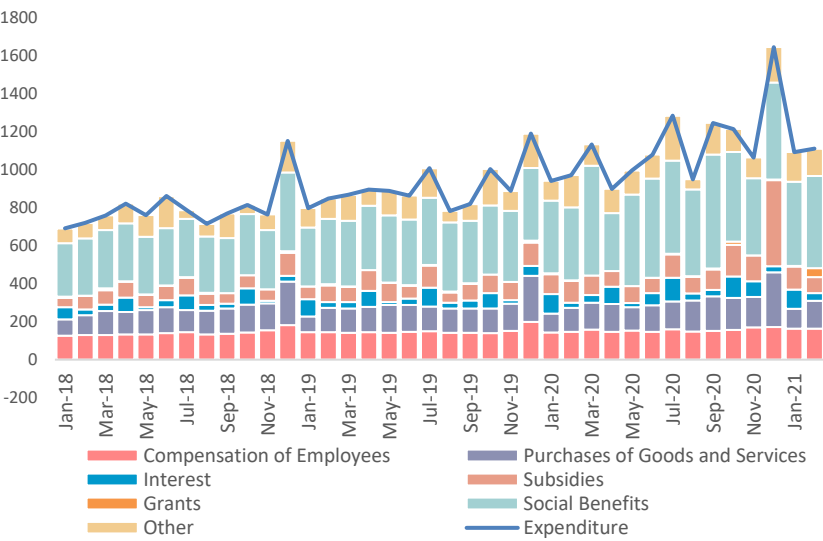
Tax Income, % y/y



Consolidated Budget, mln GEL



Consolidated Budget Expenditure, mln GEL



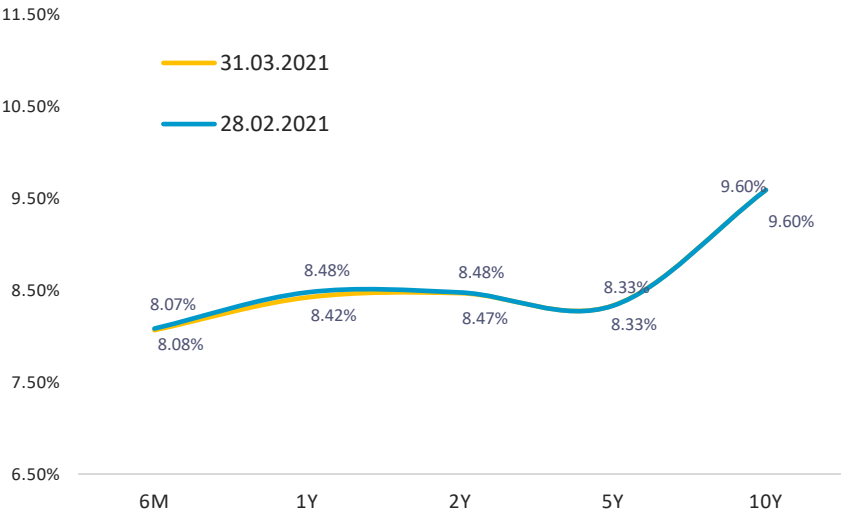
- The forecast of tax income for January-March 2021 is 2,947 million GEL, while the actual figure for January-March 2021 is 0.3 percent higher than planned and equals to 2,957.1 mln GEL.
- The actual level of tax income in March was 1,176.8 mln GEL, which is 4.5 percent less compared to the forecasted value of tax income of 1,124.1 mln GEL.
- Consolidated budget revenues increased by 7.6 percent and expenditures increased by 14.3 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -125.1 million GEL, while the total balance was set at -343.5 million GEL.
- Revenue from taxes had a significant impact on revenue from other taxes, accounting for 18.1 percent of total growth.

		2021		
		January	February	March
Revenue		1186.8	964.4	1226.8
Taxes		931.8	901.2	1124.1
Income		343.4	214.0	277.0
Profit		96.2	41.3	292.5
VAT		362.7	341.5	501.2
Customs		81.9	87.7	137.1
Excise		4.4	5.1	7.5
Property		4.1	3.3	4.4
Other		39.2	208.2	-95.6
Grants		168.7	8.4	24.4
Other Revenue		86.3	54.9	78.3
Expenditure		1049.4	1051.4	1169.4
Compensation of Employees		162.5	163.6	161.8
Goods and Service		104.5	145.2	153.4
Percent		100.6	40.0	41.6
Subsidies		103.4	101.8	113.1
Grants		21.4	8.1	6.6
Social Benefits		441.8	484.6	586.6
Other		115.1	108.2	106.4
Operating Balance		137.4	-87.0	57.4
Net Acquisition of Non-Financial Assets		185.2	256.7	252.2
Increase		192.5	260.9	290.3
Decrease		-7.3	-4.2	-38.1
Overall Balance		-47.8	-343.7	-194.9
Net Acquisition of Financial Assets		-2.3	3.4	16.3
Increase		7.4	3.5	16.6
Decrease		-9.7	-0.1	-0.3
Net Incurrence of Liabilities		-22.6	772.3	238.3
Domestic		301.3	751.6	228.6
External		-323.9	20.7	9.6
Consolidated Budget Balance		-47.8	-343.7	-194.9
Tax Refunds		127.1	191.3	148.3

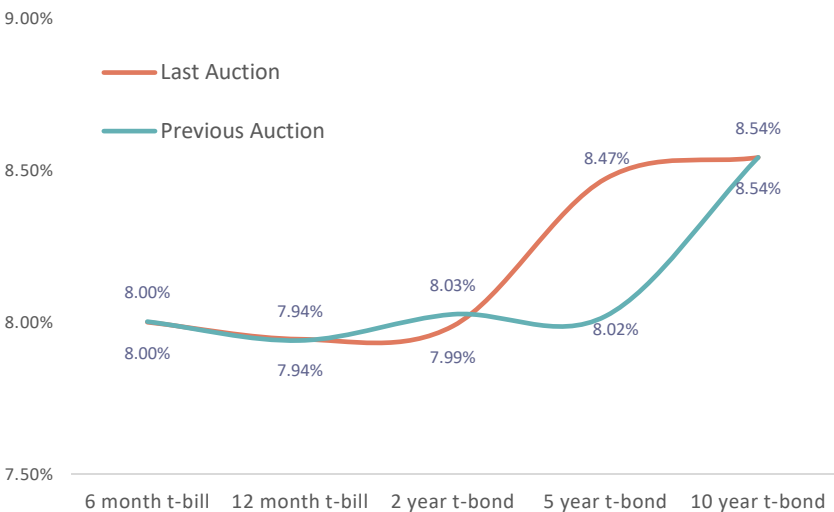
Source: Ministry of Finance of Georgia

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

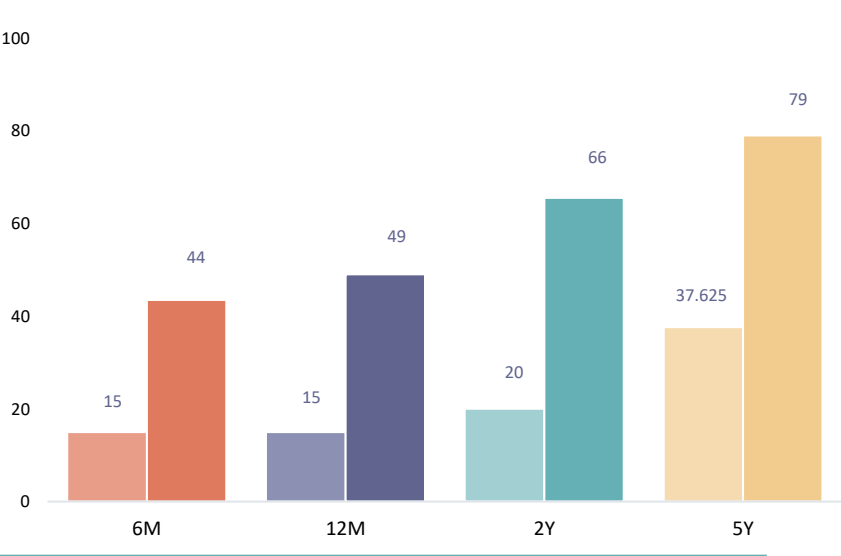


Weighted average interest rates

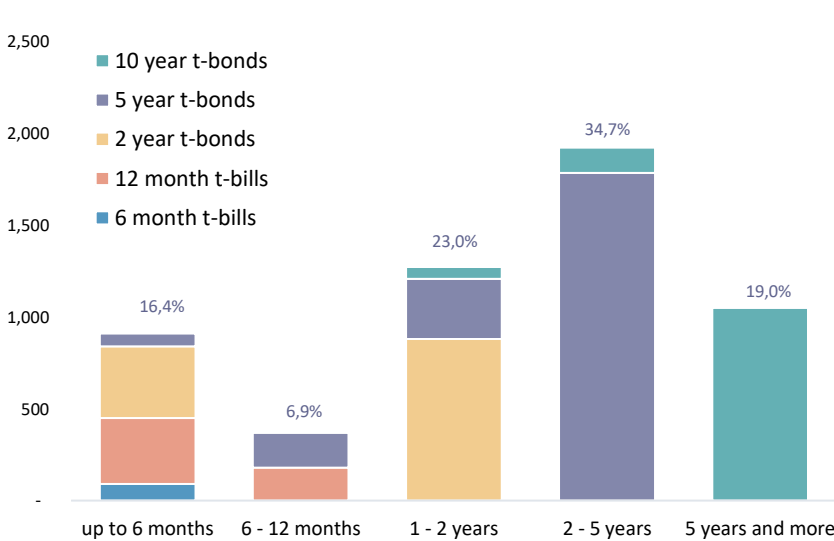


- In March 2021, 4 auctions were held with total issuance volume of 87.625 million GEL.
- The weighted average interest rate amounted to 8.19 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5.
- Treasury securities with total amount of 70 million GEL were redeemed.

Issuance and Demand, mln GEL



Portfolio Forming Securities Composed by Time to Maturity

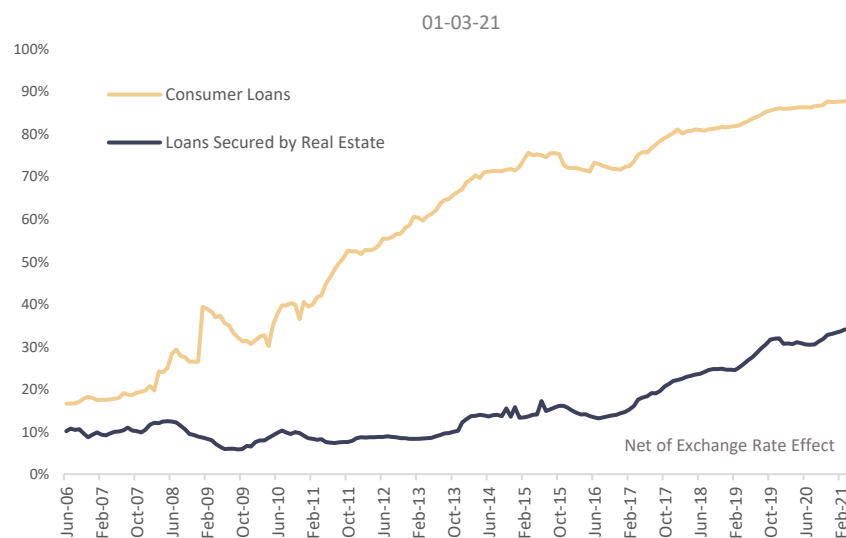
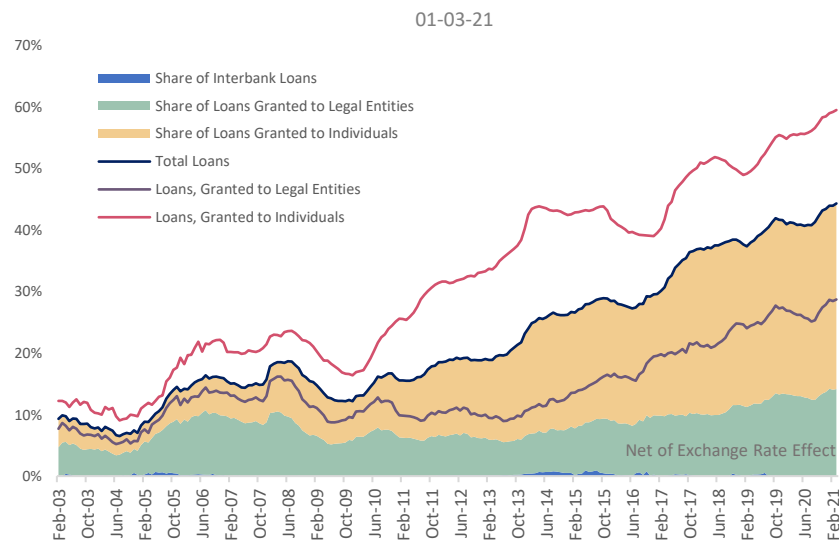


- As of March 31, 2021 23.3% of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio decreased compared to the previous month's value (February 2.99) and is 2.71.

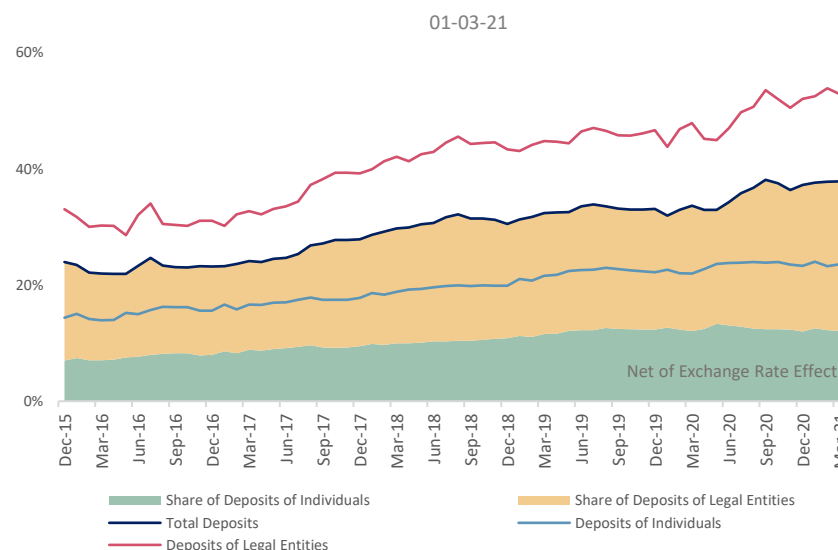
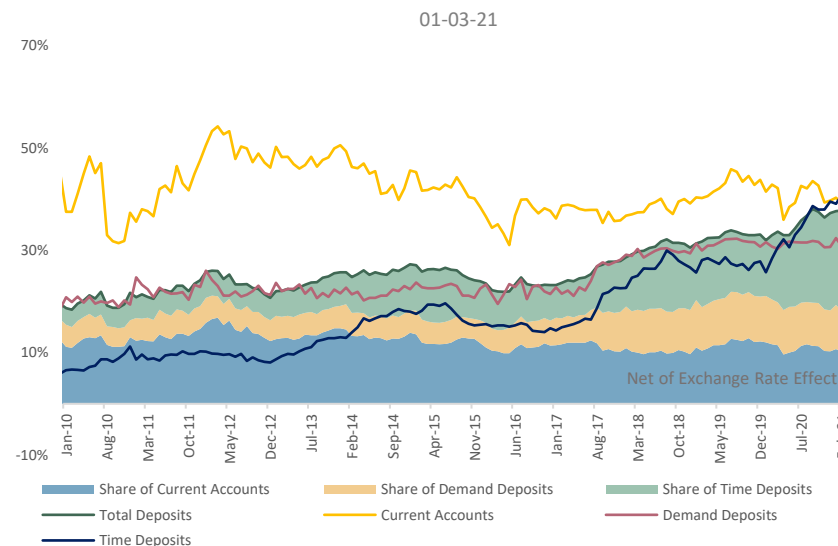
Source: Ministry of Finance of Georgia

The larization rates continue to rise

Loan Larization



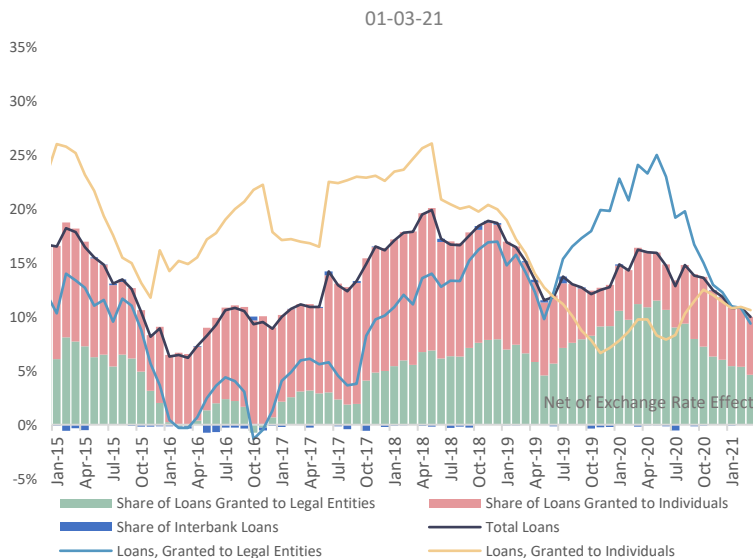
Deposit Larization



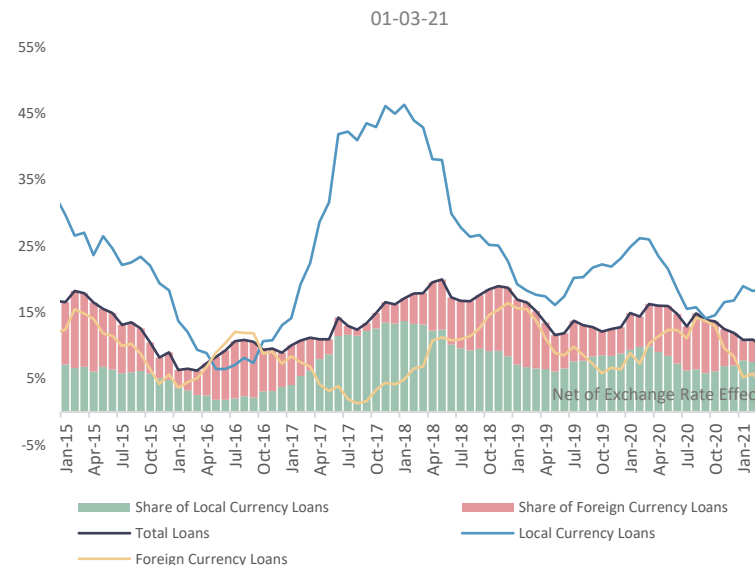
- As of March 1, 2021, the larization of total loans is 44.3 percent.
- The larization of loans to individuals is 59.5 percent.
- The larization of loans to legal entities amounted to 28.7 percent.
- The larization of total deposits equals to 37.8 percent.
- The larization on deposits of legal entities amounted to 52.9 percent.
- The larization of deposits of individuals is 23.6 percent.
- The larization of time deposits is 41.5 percent.
- The larization of current accounts equals to 42 percent.
- The larization of demand deposits is 27.8 percent.

The annual growth trend of loans is revealed

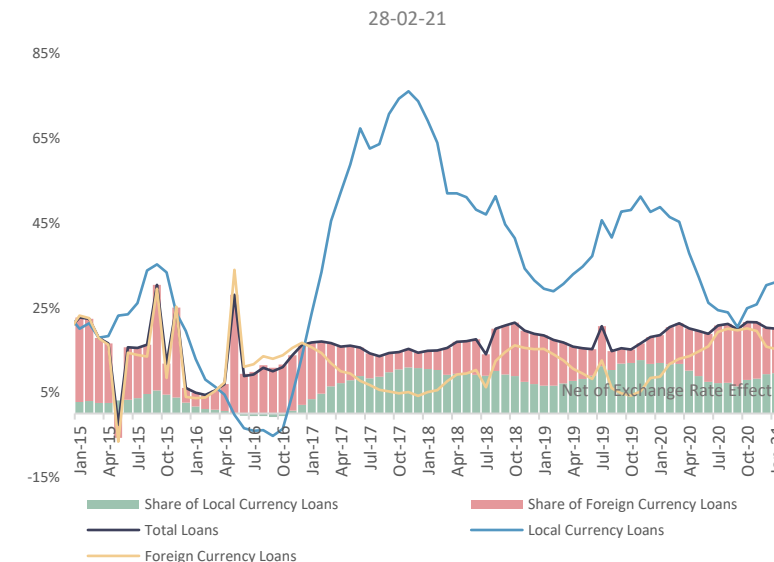
Loans, % y/y



Loans by Currency, % y/y



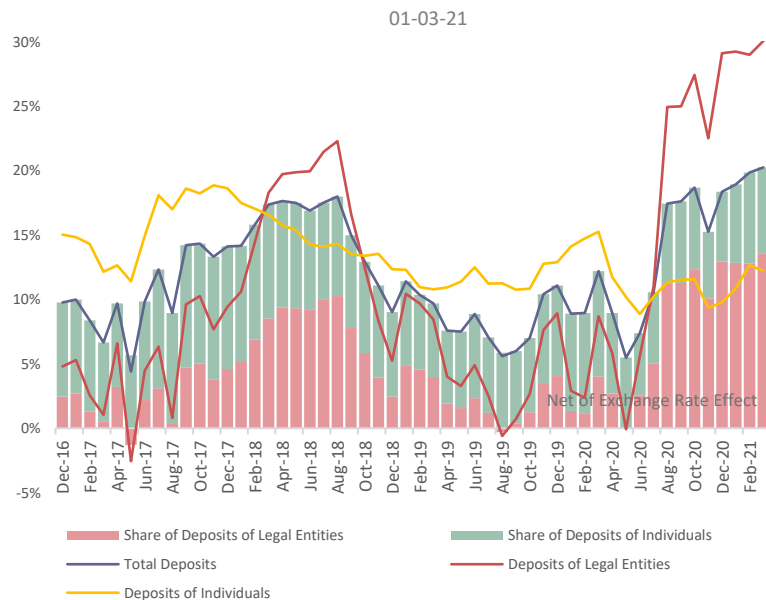
Mortgage Loans, % y/y



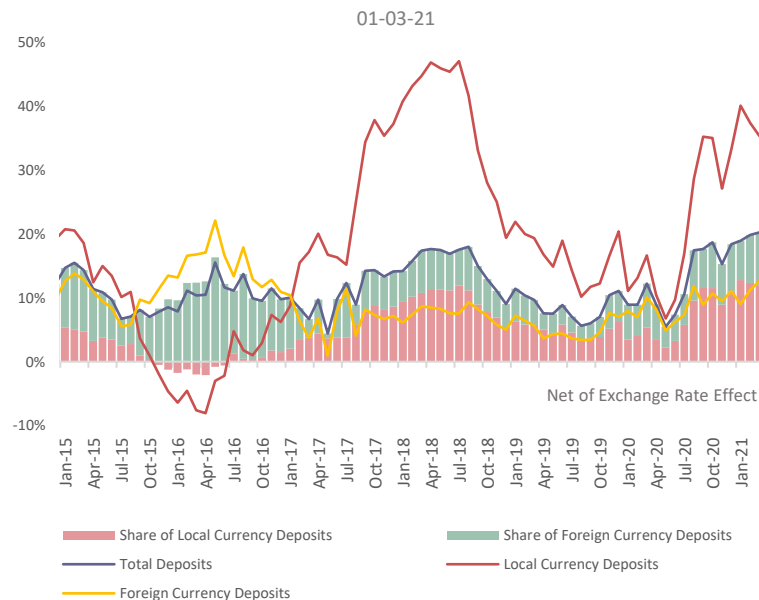
- As of March 1, 2021, total loans increased by 10 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- A significant decrease is observed in the annual growth of loans to legal entities, which led to a decrease in its value to 9.4 percent by 2021.
- The annual growth of loans to individuals is 10.6 percent.
- As of March 1, 2021, the growth rate of loans denominated in the national currency amounted to 18.5 percent.
- The annual growth of loans denominated in foreign currency amounted to 4.1 percent.
- As of February 28, 2021, the annual growth of loans secured by real estate amounted to 19.1 percent. At the same time, mortgage loans denominated in national currency increased by 32.6 percent, while mortgage loans denominated in foreign currency increased by 13.1 percent.

The growth of deposits denominated in national currency exceeds that of foreign currency

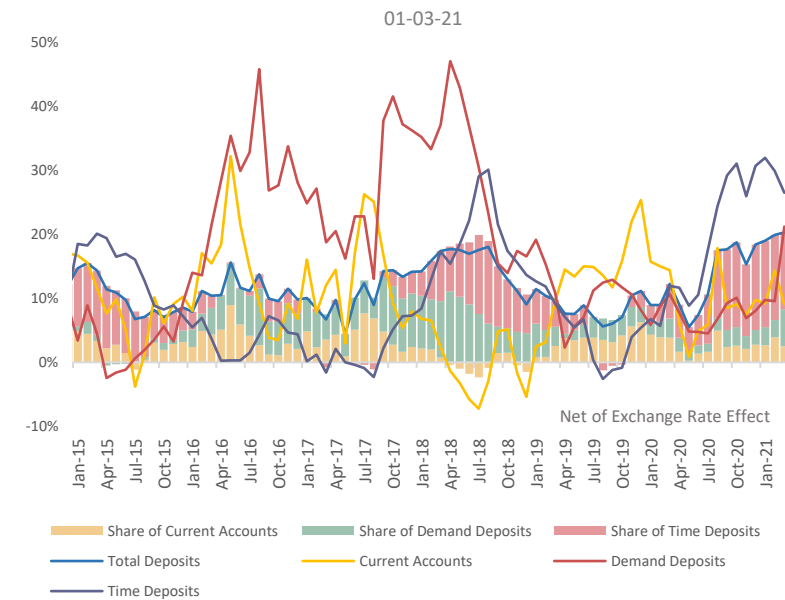
Deposits, % y/y



Deposits by Currency, % y/y



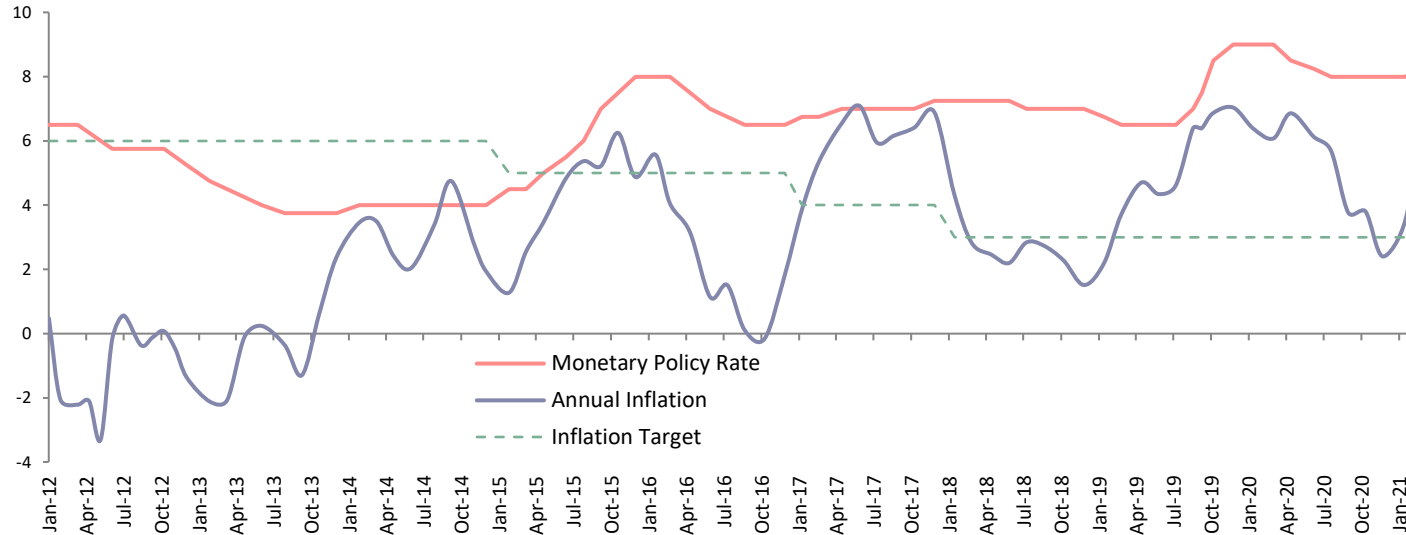
Deposits by type, % y/y



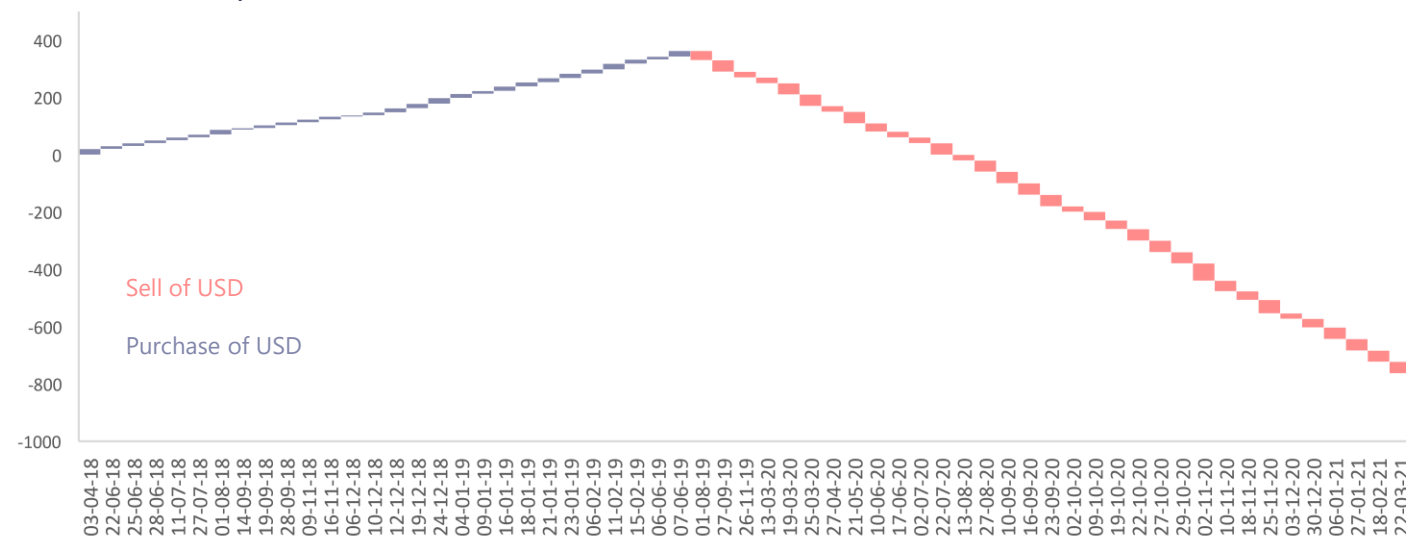
- As of March 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 20 percent.
- The annual growth of deposits denominated in the national currency amounted to 35 percent. The annual growth of deposits denominated of foreign currency is relatively stable at 13 percent over the same period.
- The growth of deposits of individuals amounted to 12 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 30 percent.
- The annual growth of current accounts decreased by 5.3 percentage points compared to February. At the beginning of March 2021, the growth rate was equal to 9 percent.
- The annual growth of time deposits was 26.5 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits significantly exceeded the annual growth of February by 11.6 pp and amounted to 21.1 percent.

The refinancing rate increased by 0.5 percentage points to 8.5 percent

Inflation and Monetary Policy Rate



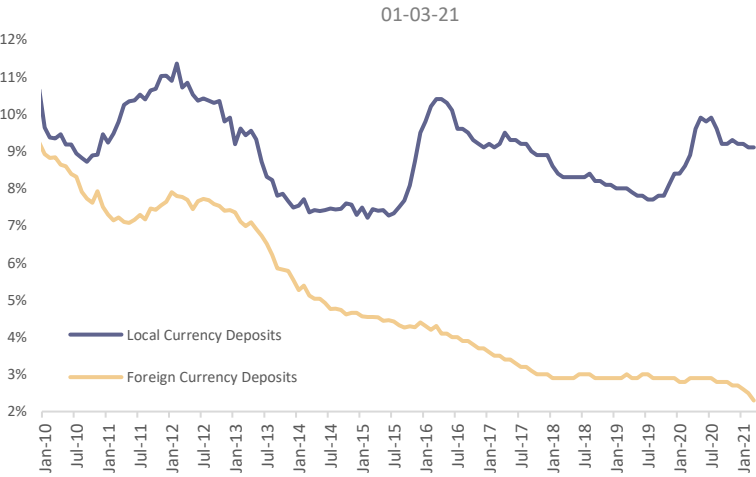
Trade of USD by NBG, mln USD



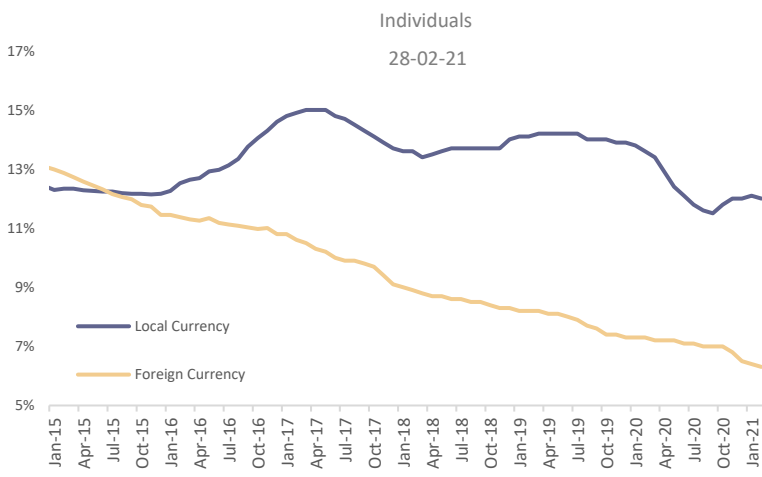
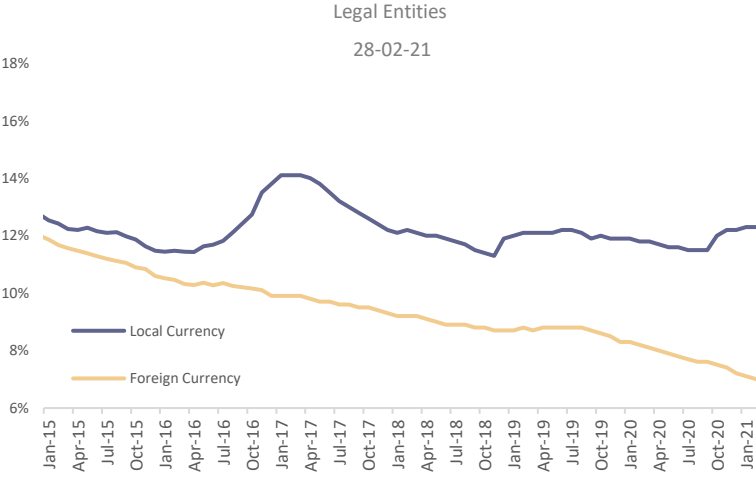
- On March 17, 2020, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 50 basis points.
- The monetary policy rate was set at 8.50 percent.
- According to the National Bank, all other things equal, in 2021 inflation will be in the range of 4-4.5 percent on average and then gradually approach the target.
- According to the NBG, the upward pressure on inflation depends on the upward trend in prices in international commodity markets, the increase in average product costs due to the reduction of output caused by the pandemic, and at the same time the long-term maintenance of the depreciated GEL exchange rate puts additional pressure on price growth.
- The next meeting of the Monetary Policy Committee will be held on April 28, 2021.
- In March 2021, the National Bank sold \$ 40 million.

Market interest rates increased in national currency and decreased in foreign currency

Interest Rates on Deposits



Interest rates on Loans secured by Real Estate



- As of March 1, 2021, the interest rate on foreign currency deposits was 2.3 percent, and in national currency - 9.1 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 9.1 percent, and in foreign currency - 1.8 percent.
- The average annual interest rate on deposits by individuals is 2.5 percent for foreign currency deposits and 9.1 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 22.3 percent (26 percent in national currency and 6.1 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.1 percent (18.4 percent in national currency and 7.8 percent in foreign currency).
- At the end of February 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 12.4 percent, and in foreign currency - 7 percent. The interest rate on loans to individuals in the national currency was 11.8 percent, and in foreign currency - 6.3 percent.

Disclaimer

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