



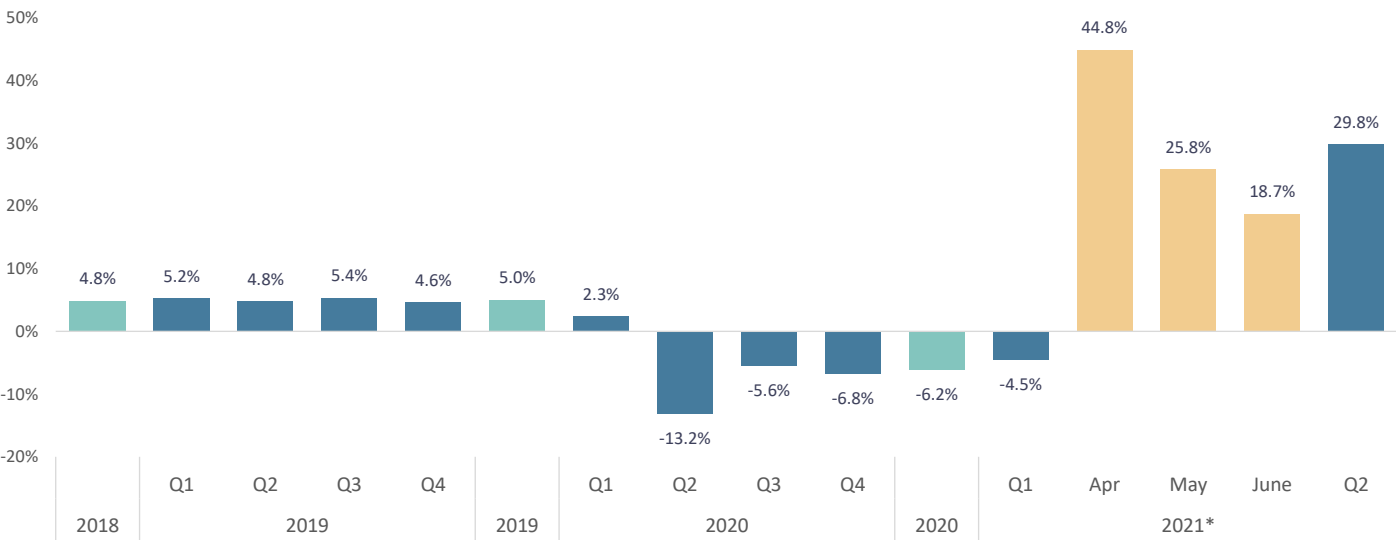
# Current Economic Outlook

July, 2021

- According to the preliminary estimates of the National Statistics Office, in June 2021, the real GDP growth rate was 18.7 percent and average growth rate of first six months was 29.8 percent. At the same time, Seasonally adjusted monthly economic growth compared to the previous month amounted to 0.6 percent
- Annual inflation stood at 11.9 percent in July, while core inflation was 6.3 percent
- In June, exports increased by 30.1 percent year-on-year and imports increased by 37.6 percent year-on-year, increasing the trade deficit by 43.5 percent year-on-year to 487.9 million USD
- The real effective exchange rate for June appreciated by 1.9 percent compared to the same period of the previous year and by 7.4 percent compared to the previous month
- The National Bank of Georgia has increased the monetary policy rate to 10 percent

# Economic Growth in June was equal to 18.7 percent

Economic Growth, % y/y



Economic Growth, % m/m

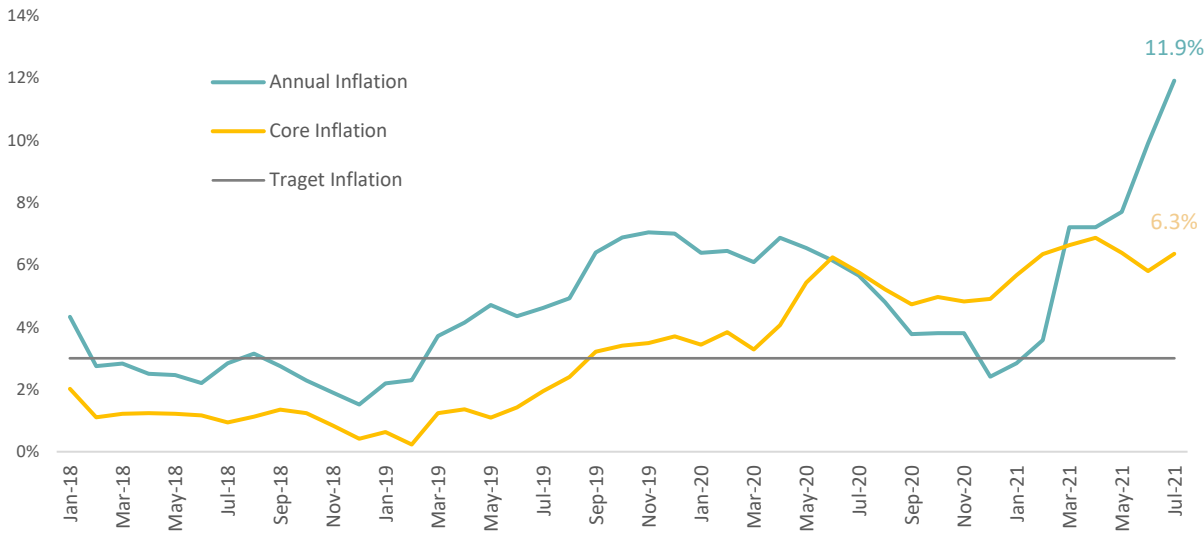


- Estimated real GDP growth rate in June 2021 equaled 18.7 percent YoY and average annual real GDP growth rate for the first 6 months equals to 12.7 percent.
- As of June, seasonally adjusted economic growth was 0.6 percent compared to the previous month.
- In June 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Financial and Insurance activities, Transportation and storage, Trade, Hotels and restaurants, Real estate activities, Construction.
- A decline was registered in Mining and quarrying.

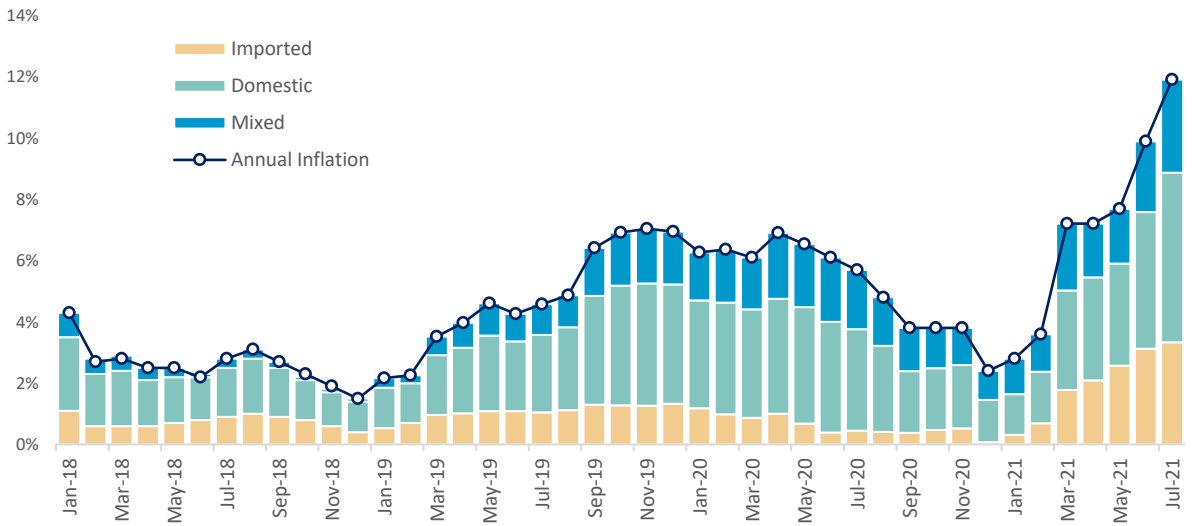
Source: Geostat, author's calculations

# Annual inflation in July has reached 11.9 percent

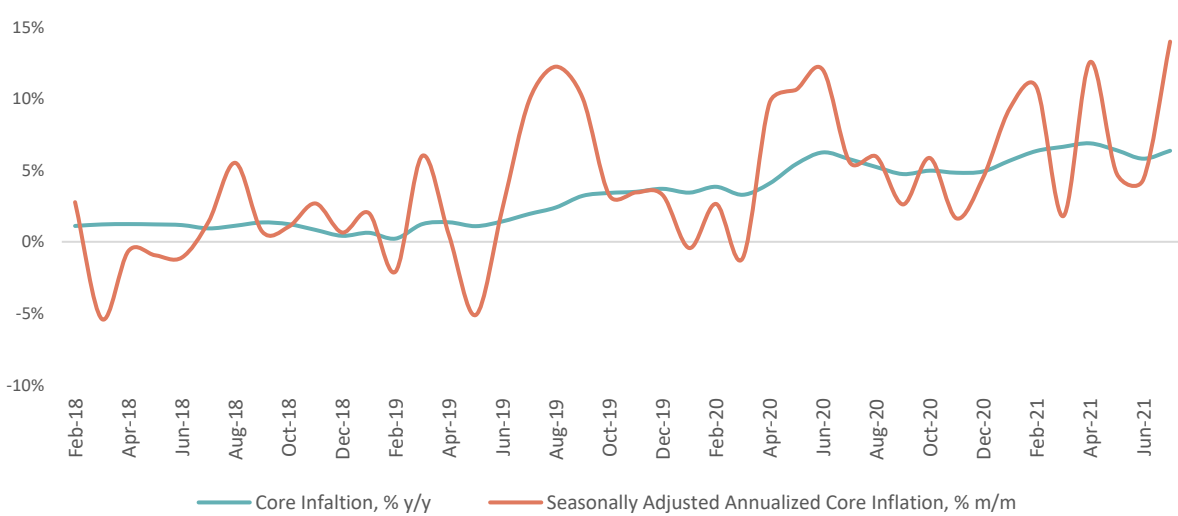
Total and Core Inflation, % y/y



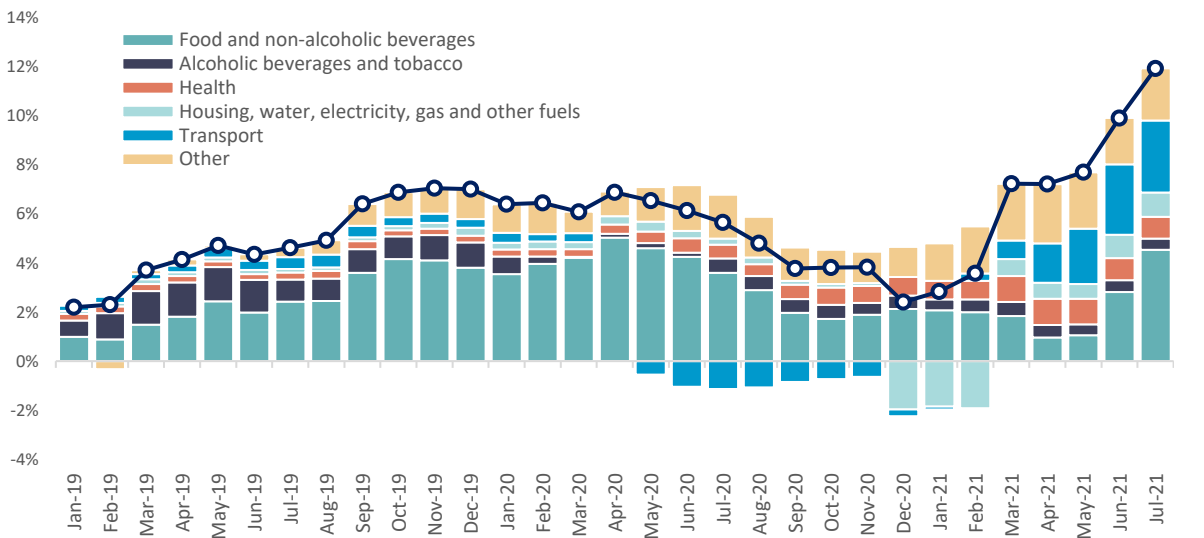
Inflation Decomposition



Core Inflation, % m/m



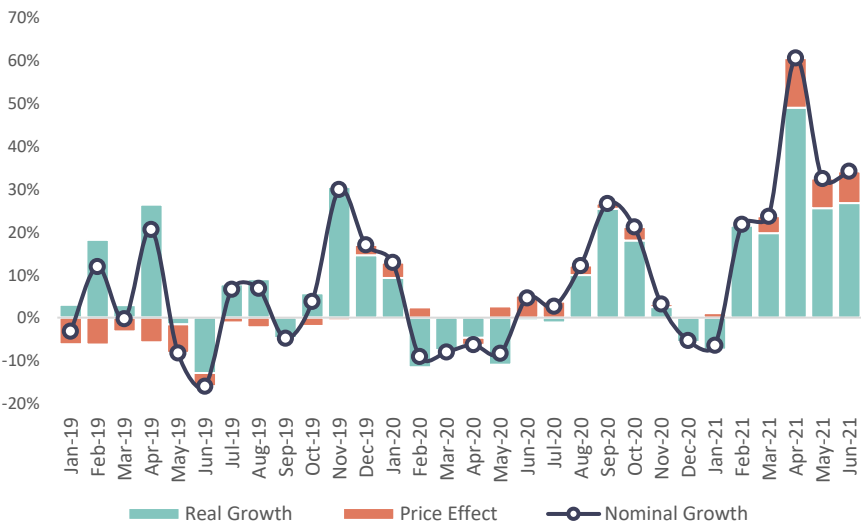
Inflation Decomposition by product group



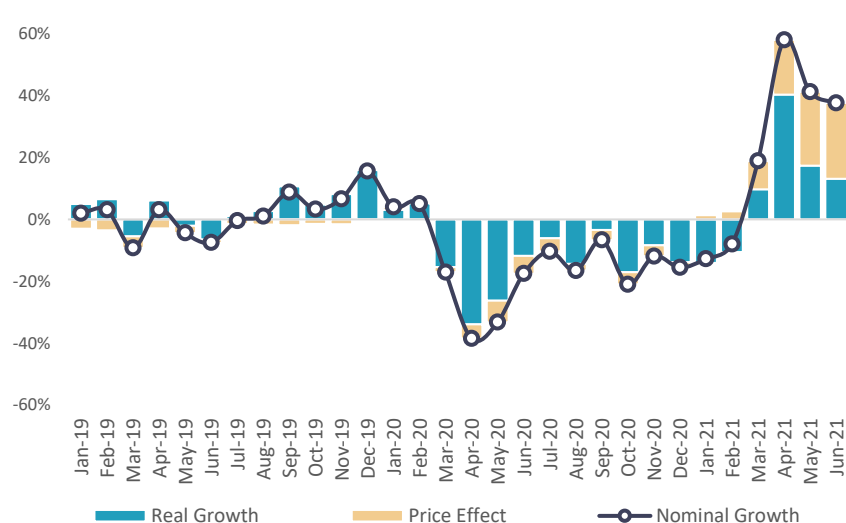
Source: Geostat, NBG, author's calculations

# Trade Deficit increased by 43.5 annually

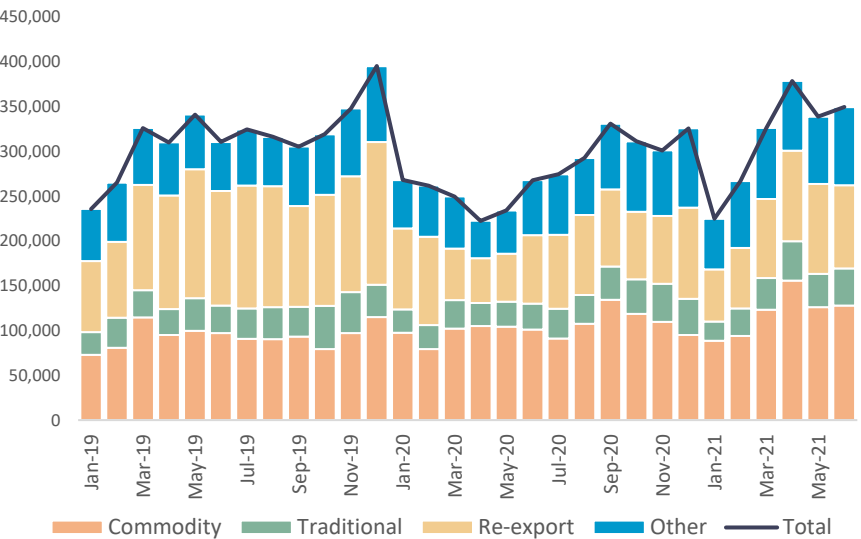
Change of Domestic Export, %/y



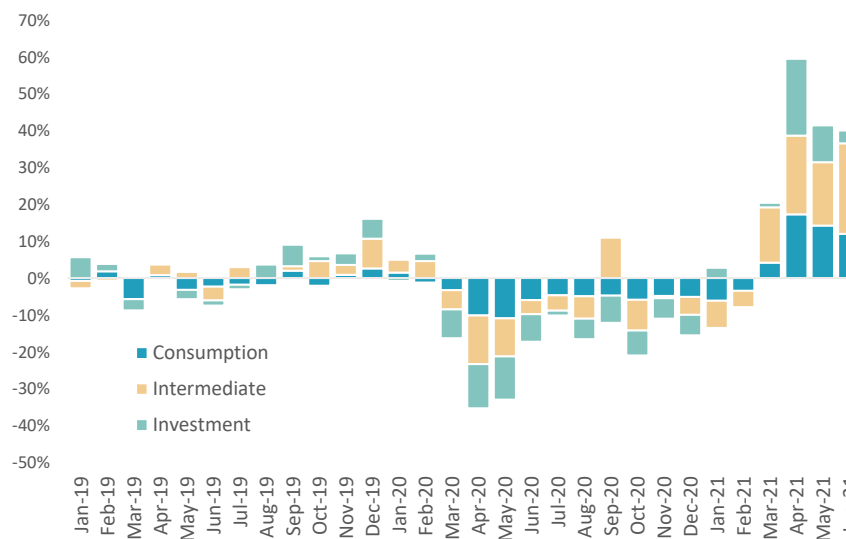
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y

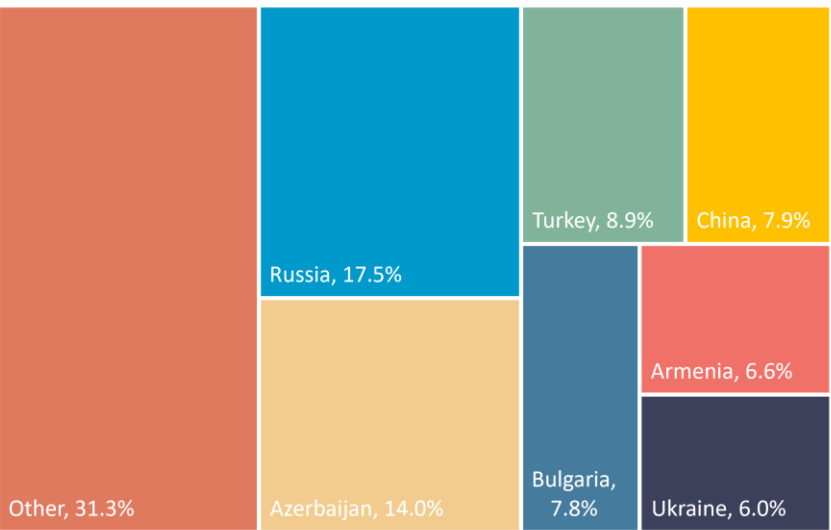


- Export increased annually by 30.1 percent to 349.3 million USD in June.
- Domestic export increased annually by 34.2 percent to 256.7 million USD.
- Import annually increased by 37.6 percent to 837.2 million USD in May.
- Trade deficit annually increased by 43.5 percent to 487.9 million USD in June.
- Share of re-export is equal to 26.5 percent, while share of commodity export equals to 36.6 percent.
- Contribution of import of Investment, Consumption and Intermediate goods to total import was equal to 3.5, 12 and 24.5 percent respectively.

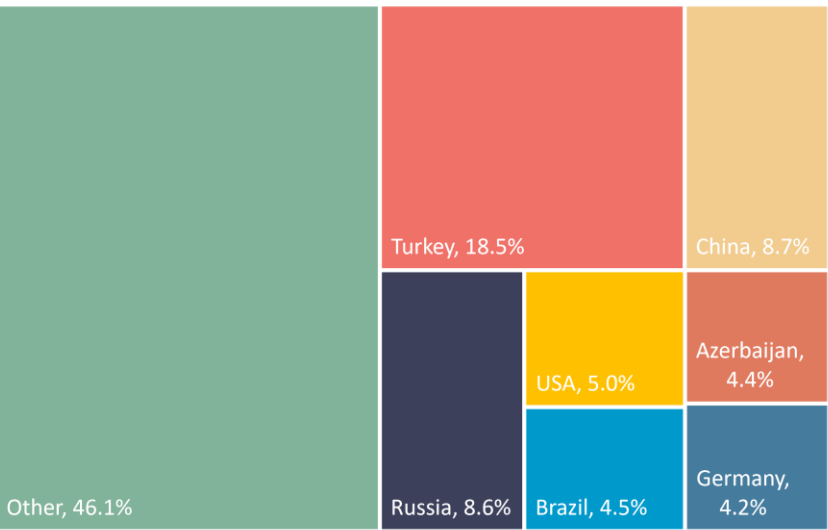
Source: Geostat, author's calculations

# International trade is characterized by stable diversification

Export by country, June 2021

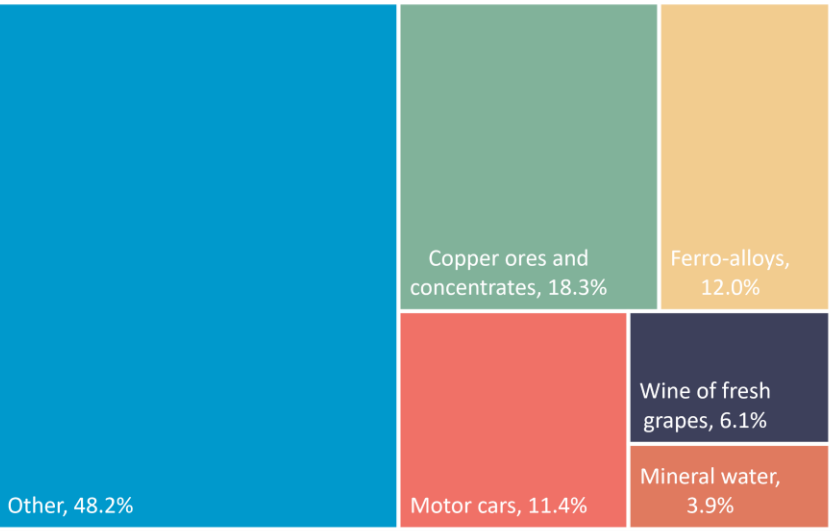


Import by country, June 2021

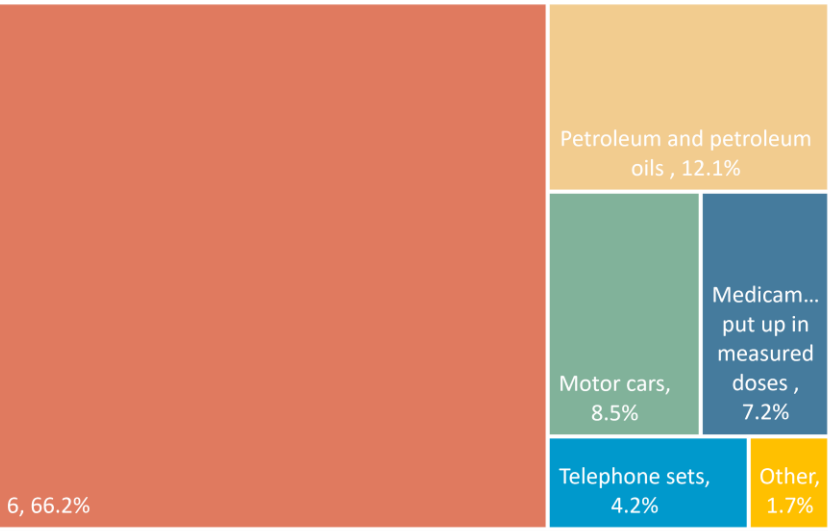


- Top Export Products:
  - Copper ores and concentrates: 64 mln. USD – 18.3 percent of total export.
  - Ferro-alloys: 41.9 mln. USD – 12 percent.
  - Motor cars: 39.8 mln. USD – 11.4 percent.
- Top Import Products :
  - Copper ores and concentrates: 101.6 mln. USD - 8 percent of total import.
  - Petroleum and petroleum oils: 71.3 mln. USD - 8.5 percent.
  - Motor cars: 60 mln. USD – 7.2 percent.

Export by product, June 2021



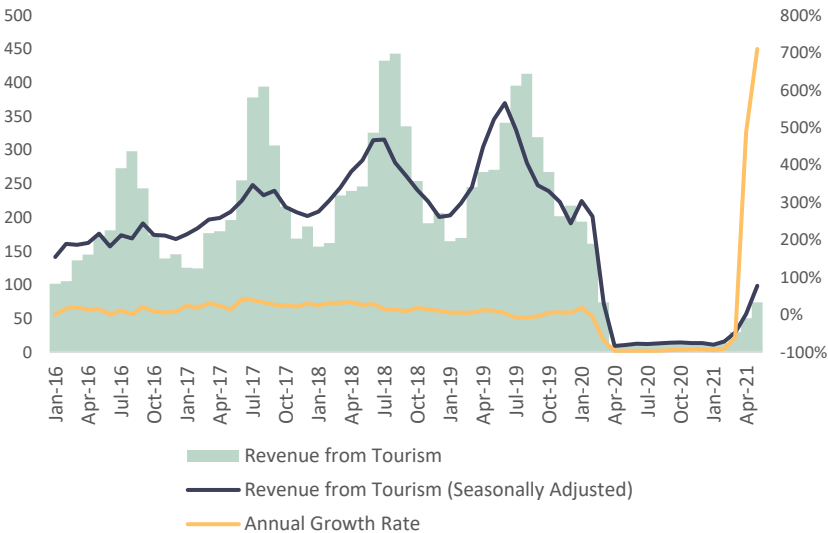
Import by country, June 2021



- Top Export Country:
  - Russia: 61 mln. USD - 17.5 percent.
  - Azerbaijan: 48.8 mln. USD - 14 percent.
  - Turkey: 31.2 mln. USD – 8.9 percent.
- Top Import Country :
  - Turkey: 154.5 mln. USD - 18.5 percent.
  - China: 73.2 mln. USD - 8.7 percent.
  - Russia: 71.9 mln. USD - 8.6 percent.

# Revenues from tourism increased significantly in June due to the base effect

Revenue from Tourism

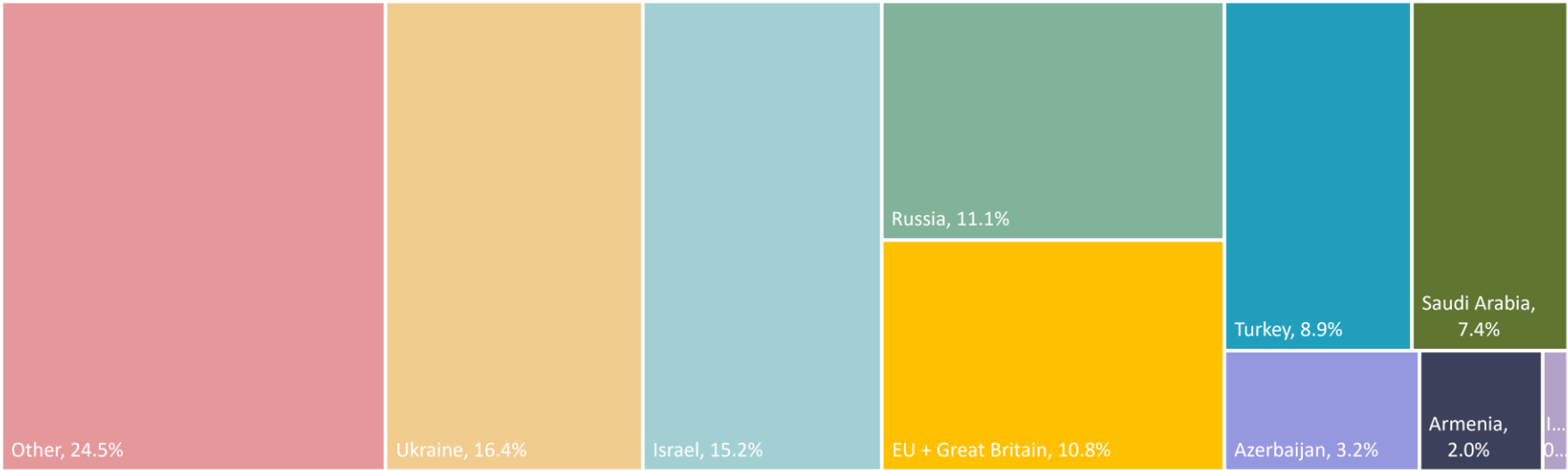


Revenue from Tourism, May 2021

Country	Tourism Revenue	Change, % y/y
Ukraine	20108.13	3385.8%
Israel	18673.76	26175.6%
Russia	13605.31	813.1%
EU + UK	13167.76	1998.1%
Turkey	10902.17	133.9%
Azerbaijan	3915.67	378.1%
Other	42089.94	1308.0%

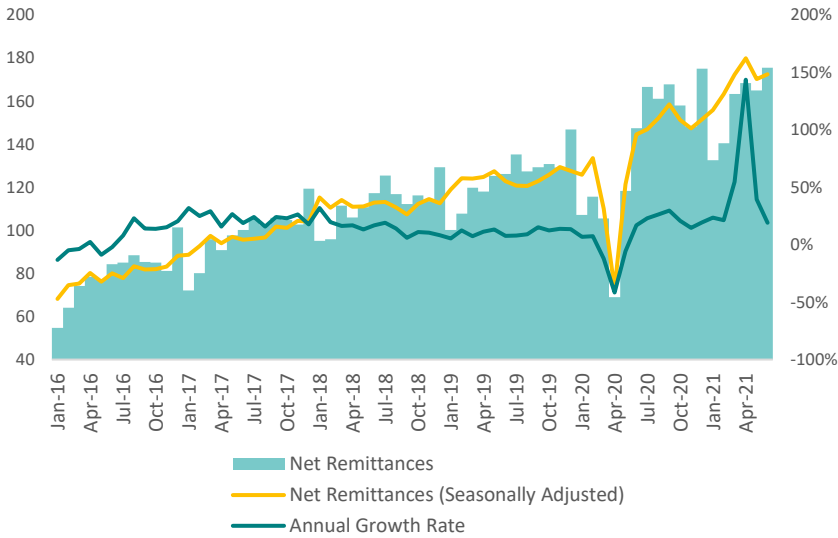
- In June 2021, tourism revenues increased by 990 percent to 122.5 million USD. Such high increase is mainly due to low level of tourism revenue inflow in June 2020 (11.2 million USD).
- At the same time, tourism revenues increased by 1,082.2 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 1,368.9 percent.

Revenue from Tourism by country



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

Net Remittances

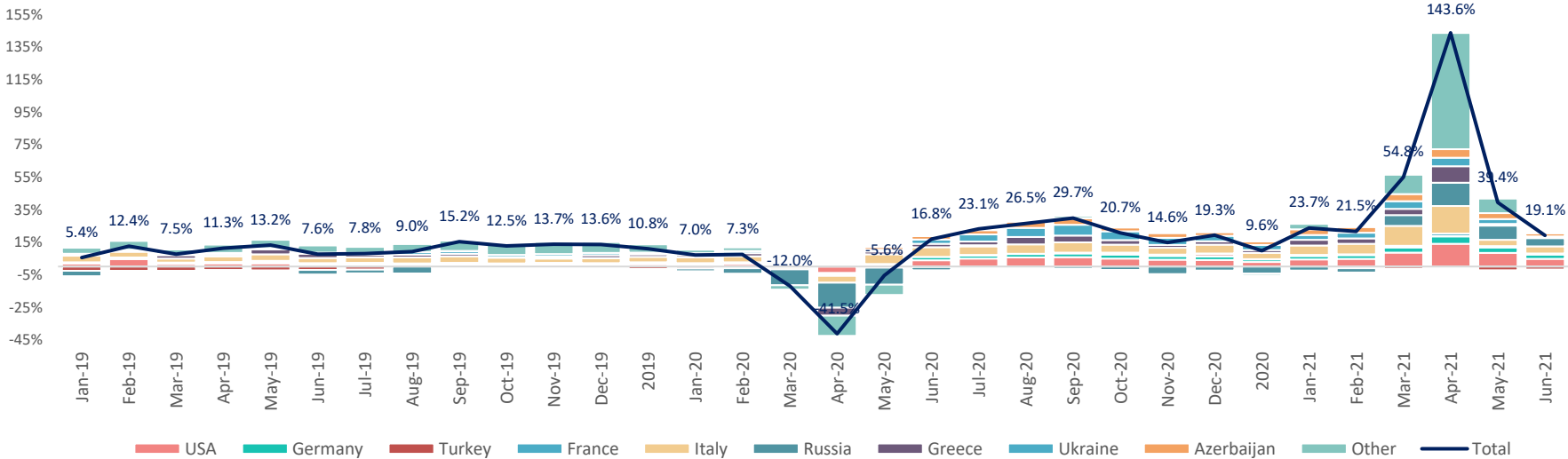


Net Remittances, June 2021

Country	Net Remittances	Change, %y/y	Share, %
Italy	31,364.4	14.7%	3.4%
Russia	24,524.2	63.0%	8.0%
USA	23,912.9	58.9%	7.5%
Greece	19,362.2	6.1%	0.9%
Israel	14,459.0	29.8%	2.8%
Other	51,234.7	62.9%	16.7%

- In June 2021, net remittances were estimated at 175.4 million USD, representing a 19.1 percent annual increase.
- Net Remittances increased from:
  - Russia: 20.4 percent (3.6 p.p. contribution to overall growth).
  - Italy: 18.2 percent (3.3 p.p. contribution to overall growth).
  - USA: 24.8 percent (3.3 p.p. contribution to overall growth).
  - Israel: 13.1 percent (1.2 p.p. contribution to overall growth).
  - Germany: 46.5 percent (2.0 p.p. contribution to overall growth).
- Net Remittances decreased from:
  - Turkey: 43.5 percent (-1.5 p.p. Contribution to overall growth).

Net Remittances by country, %y/y



- Net Remittances decreased from:
  - Turkey: 43.5 percent (-1.5 p.p. Contribution to overall growth).

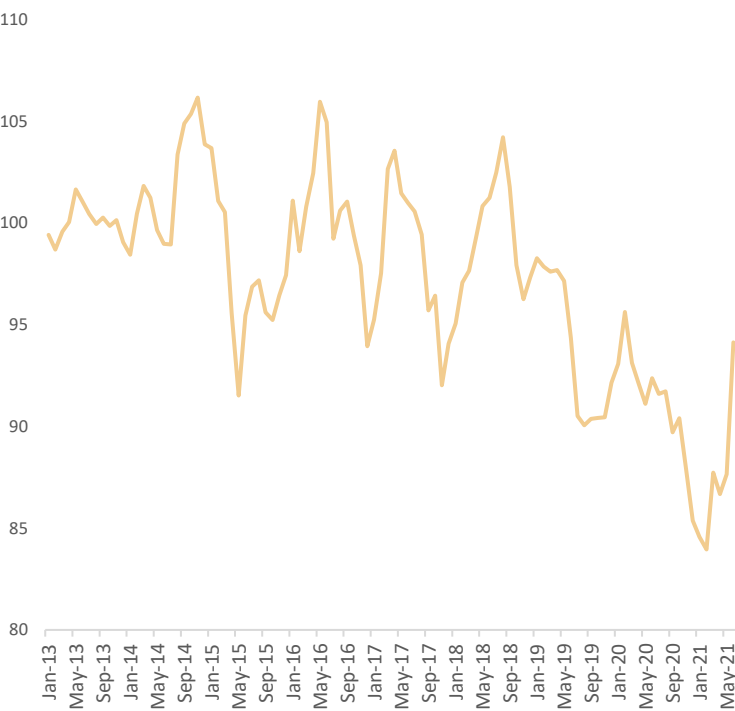


The real effective exchange rate in June appreciated by 7.4 percent compared to the previous month

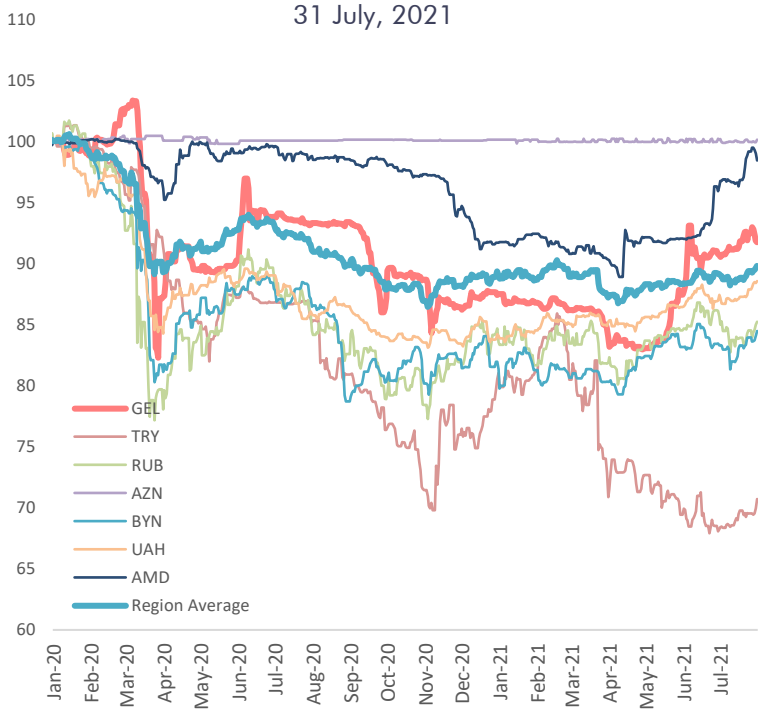
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates



Note: Increase means appreciation

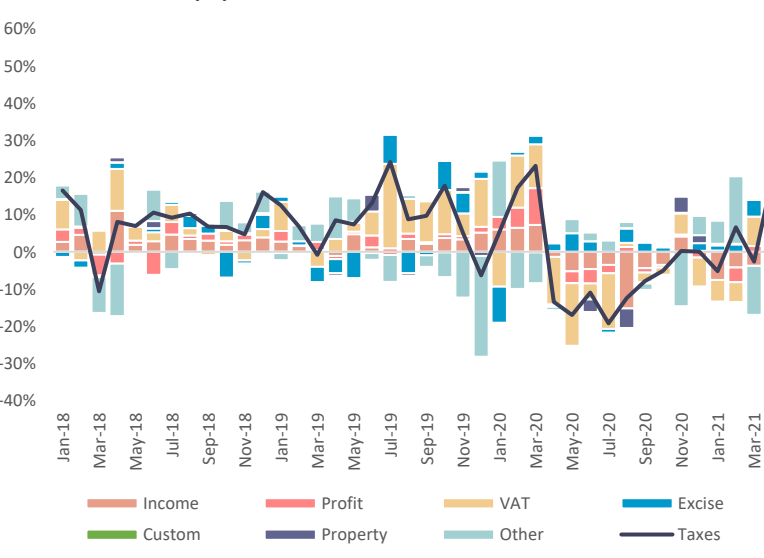
	31 July, 2021	31 July 2021 - 1 January 2021	31 July 2021 - 1 January 2020
Euro	3.7174	-13.5%	-17.7%
US Dollar	3.1244	-8.3%	-14.5%
Turkish Lira	0.3713	29.7%	36.1%
Russian Ruble	0.0428	7.6%	-10.4%
NEER	109.82	-0.7%	-7.9%
REER (June, 2021)	107.75	2.7%	-4.9%

# Tax revenues in the first seven months exceeded the forecast value by 0.2 percent

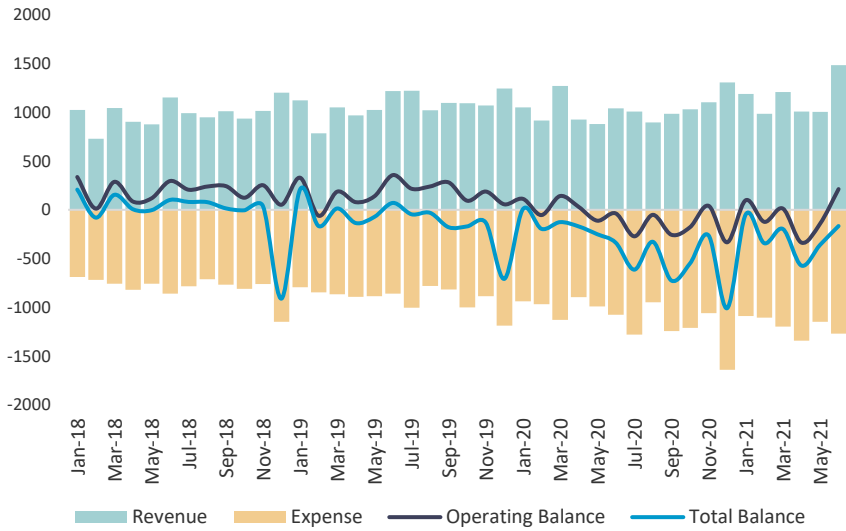
Budget Revenue Performance, July 2021



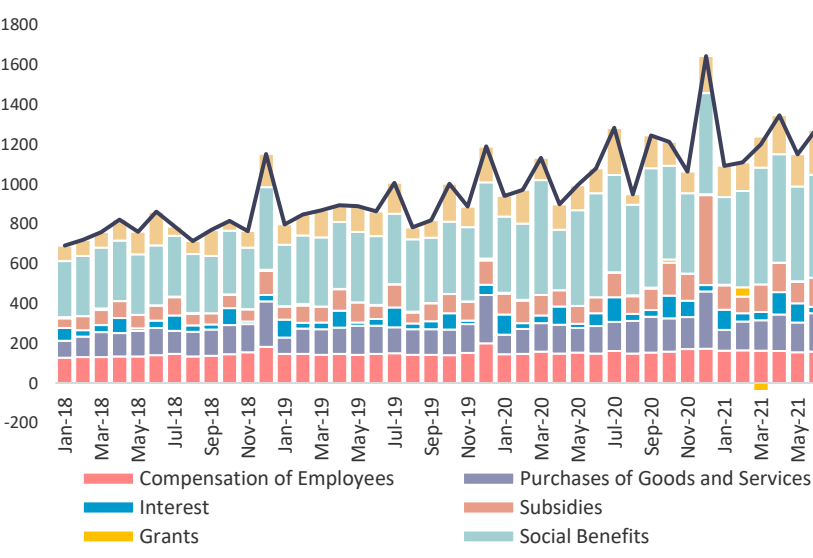
Tax Income, % y/y



Consolidated Budget, mln GEL



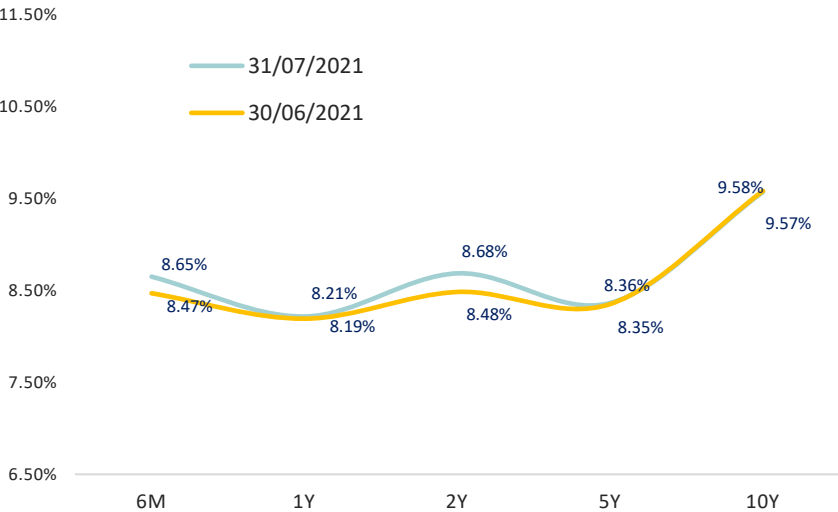
Consolidated Budget Expenditure, mln GEL



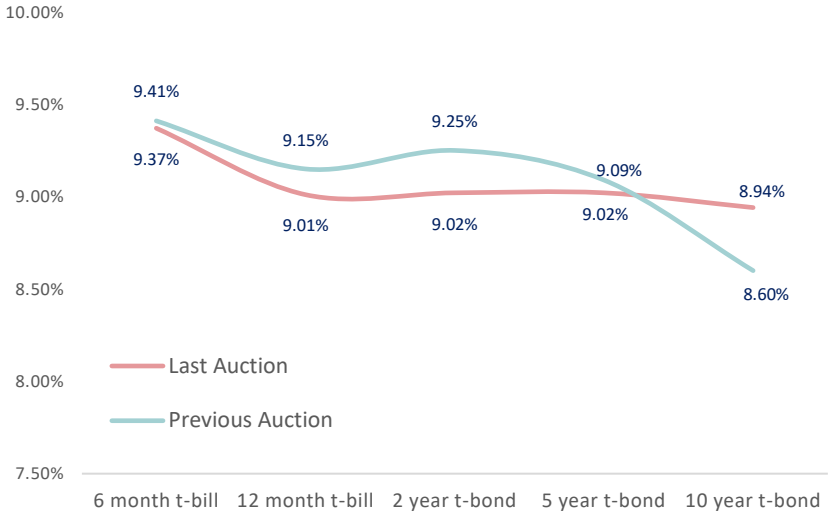
- The forecast of tax income for January-July 2021 is 7,139.9 million GEL, while the actual figure for January-July 2021 is 0.2 percent higher than planned and equals to 7,154.1 mln GEL.
- The actual level of tax income in July was 1,145.7 mln GEL, which is 1.3 percent higher compared to the forecasted value of tax income of 1,131.5 mln GEL.
- Consolidated budget revenues increased by 42.7 percent and expenditures increased by 18 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 210.2 million GEL, while the total balance was set at -167 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 13.6 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

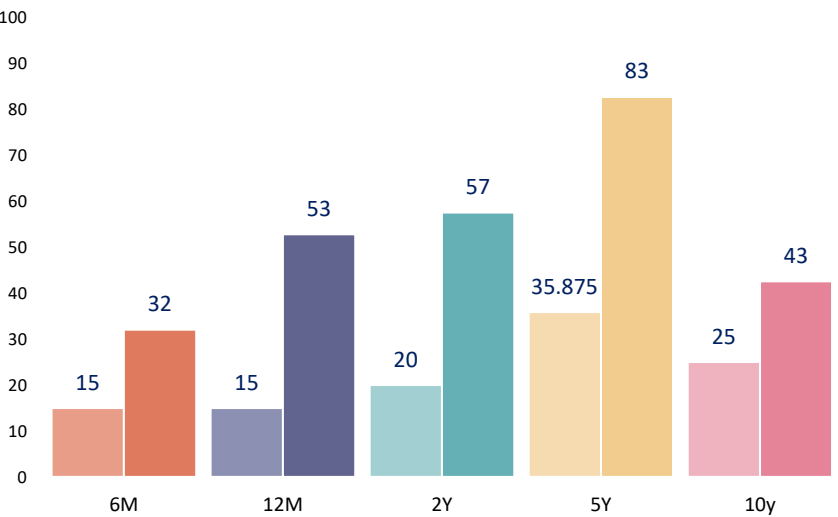
Portfolio Yield Curve



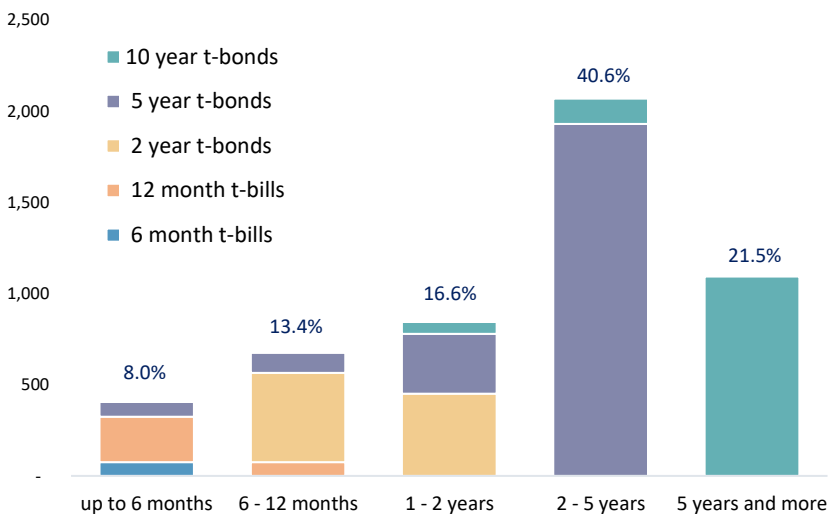
Weighted average interest rates



Issuance and Demand, mln GEL



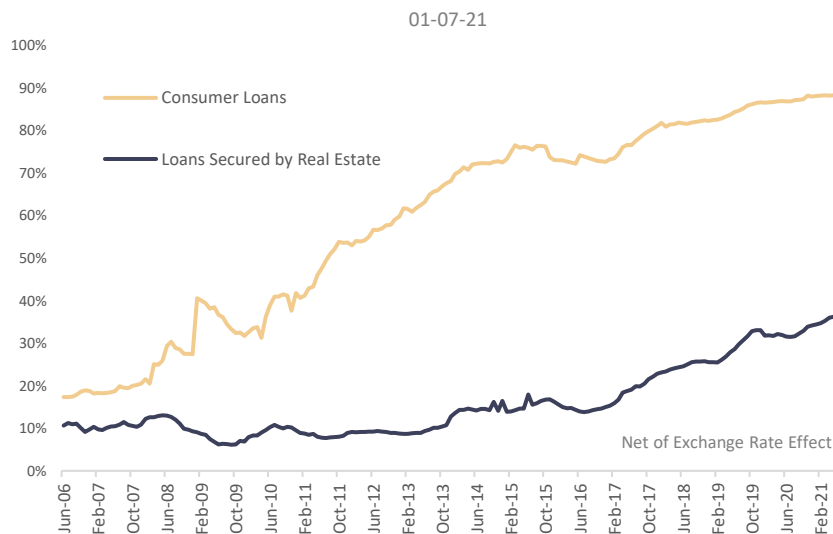
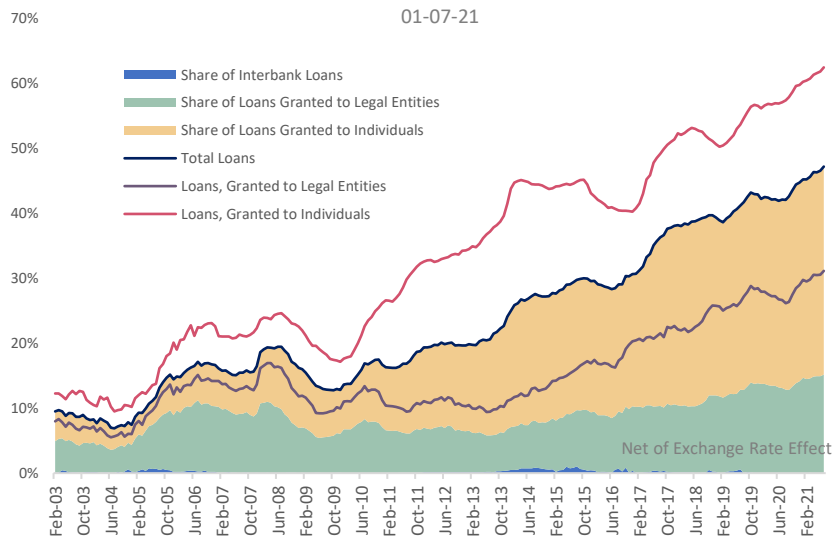
Portfolio Forming Securities Composed by Time to Maturity



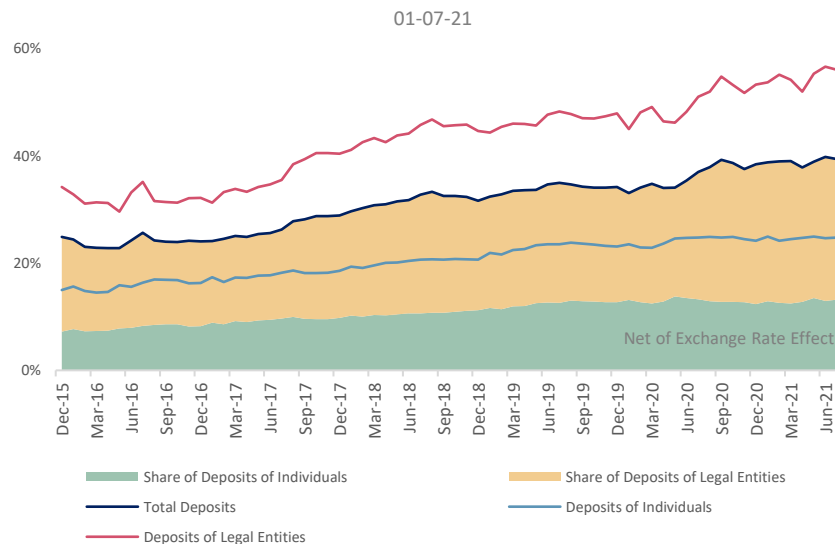
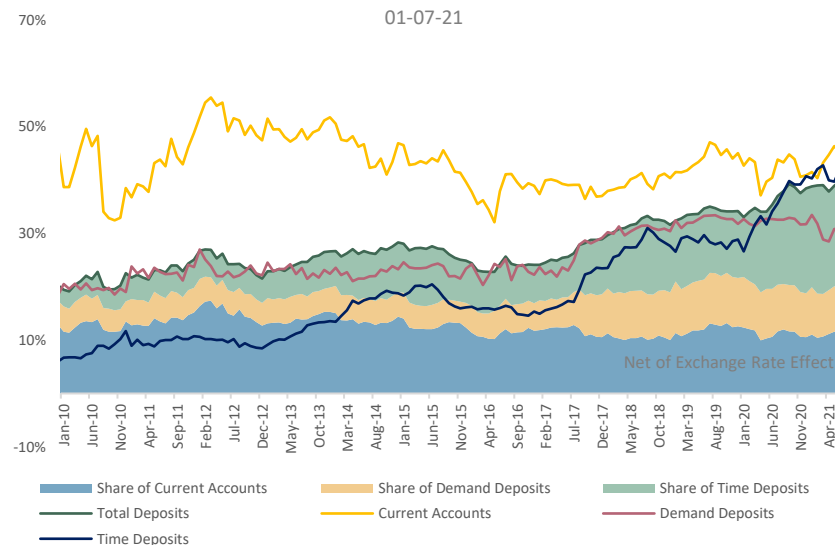
- In July 2021, 5 auctions were held with total issuance volume of 110.875 million GEL.
- The weighted average interest rate amounted to 9.046 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2,5 and 10. Treasury securities with total amount of 440 million GEL were redeemed.
- As of July 31, 2021 21.4 percent 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 (June 3.00) and is 2.41.

# The larization rates continue to rise

## Loan Larization



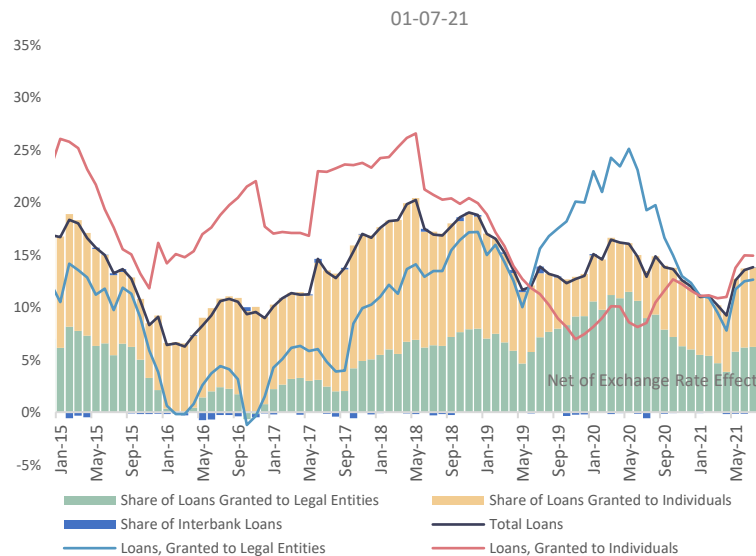
## Deposit Larization



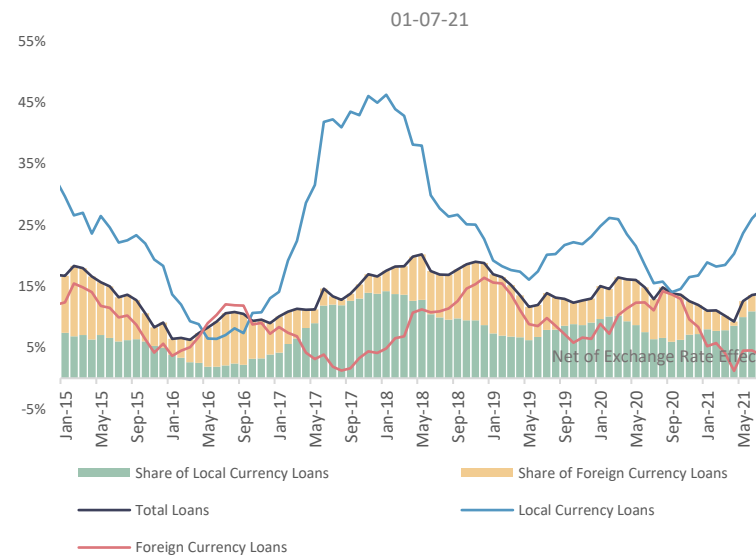
- As of July 1, 2021, the larization of total loans is 47.2 percent.
- The larization of loans to individuals is 62.5 percent.
- The larization of loans to legal entities amounted to 31.1 percent.
- The larization of total deposits equals to 39.4 percent.
- The larization on deposits of legal entities amounted to 56 percent.
- The larization of deposits of individuals is 24.8 percent.
- The larization of time deposits is 40.4 percent.
- The larization of current accounts equals to 46.1 percent.
- The larization of demand deposits is 31.4 percent.

# The annual growth trend of loans is revealed

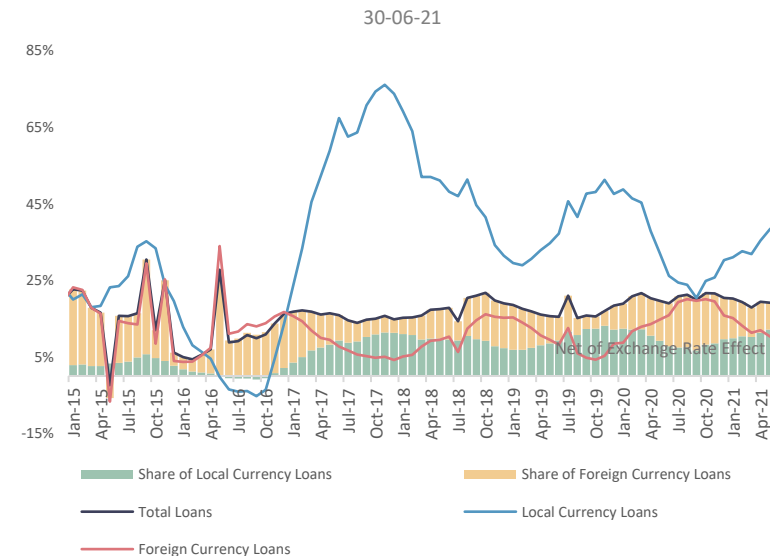
Loans, % y/y



Loans by Currency, % y/y



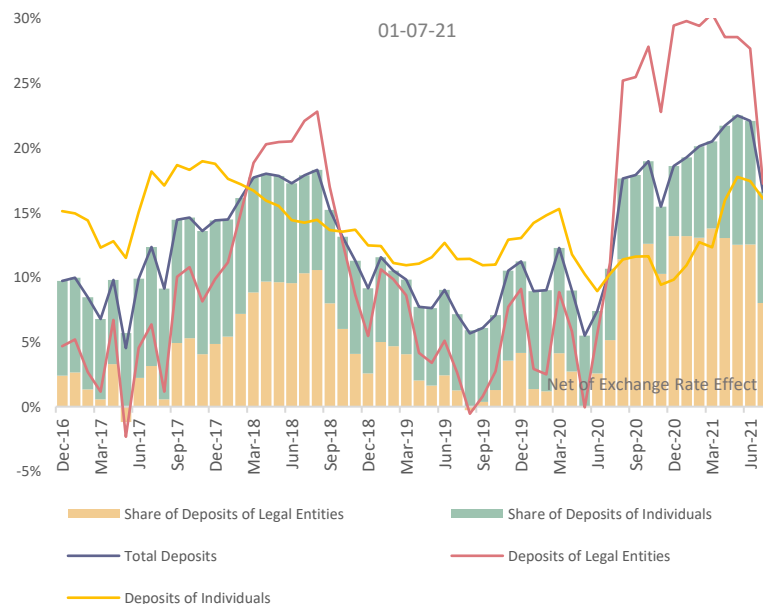
Mortgage Loans, % y/y



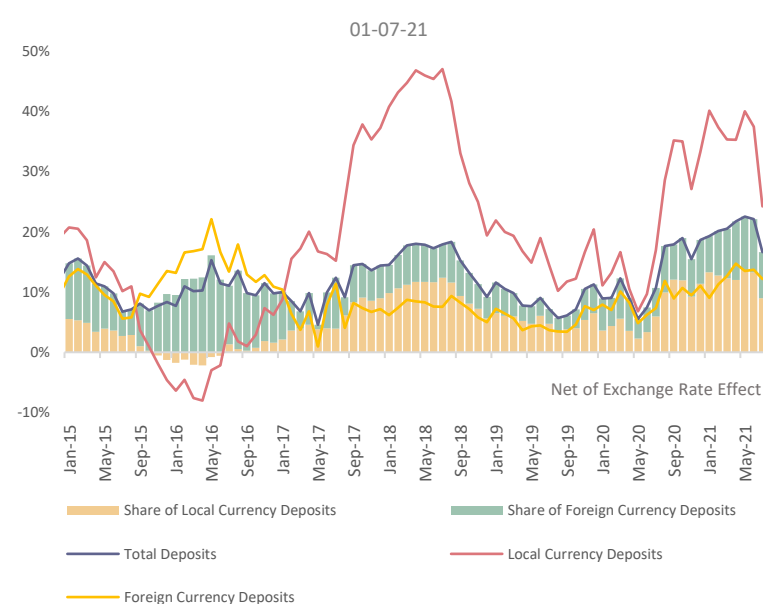
- As of July 1, 2021, total loans increased by 13.8 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- The annual growth of loans to legal entities is 12.6 percent.
- The annual growth of loans to individuals is 14.9 percent.
- As of July 1, 2021, the growth rate of loans denominated in the national currency amounted to 27.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 3.8 percent.
- As of June 30, 2021, the annual growth of loans secured by real estate amounted to 18.9 percent. At the same time, mortgage loans denominated in national currency increased by 40.5 percent, while mortgage loans denominated in foreign currency increased by 9 percent.

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

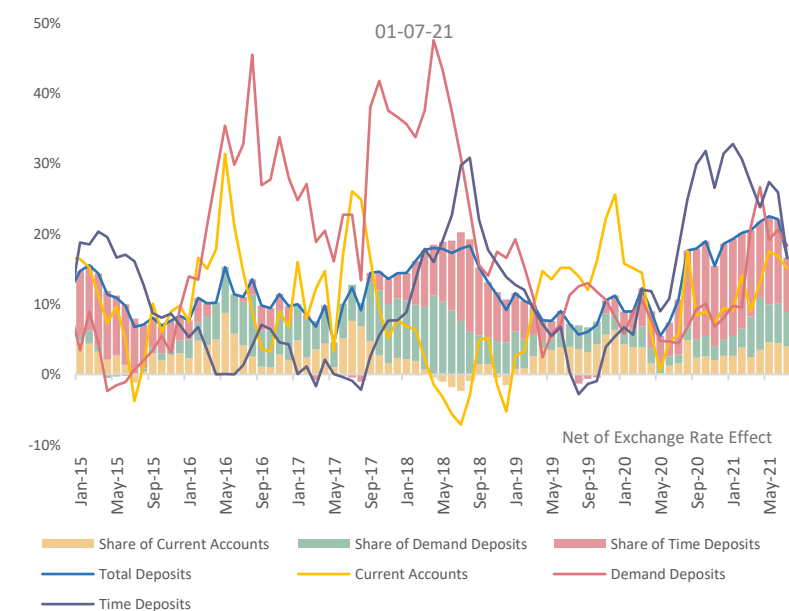
Deposits, % y/y



Deposits by Currency, % y/y



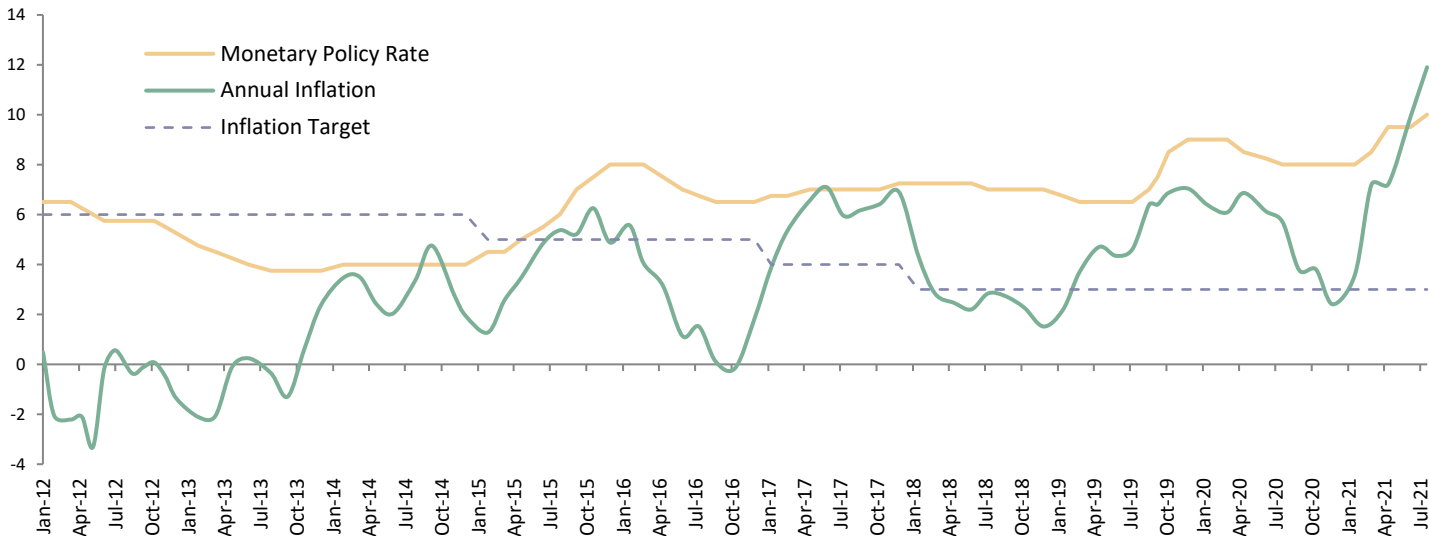
Deposits by type, % y/y



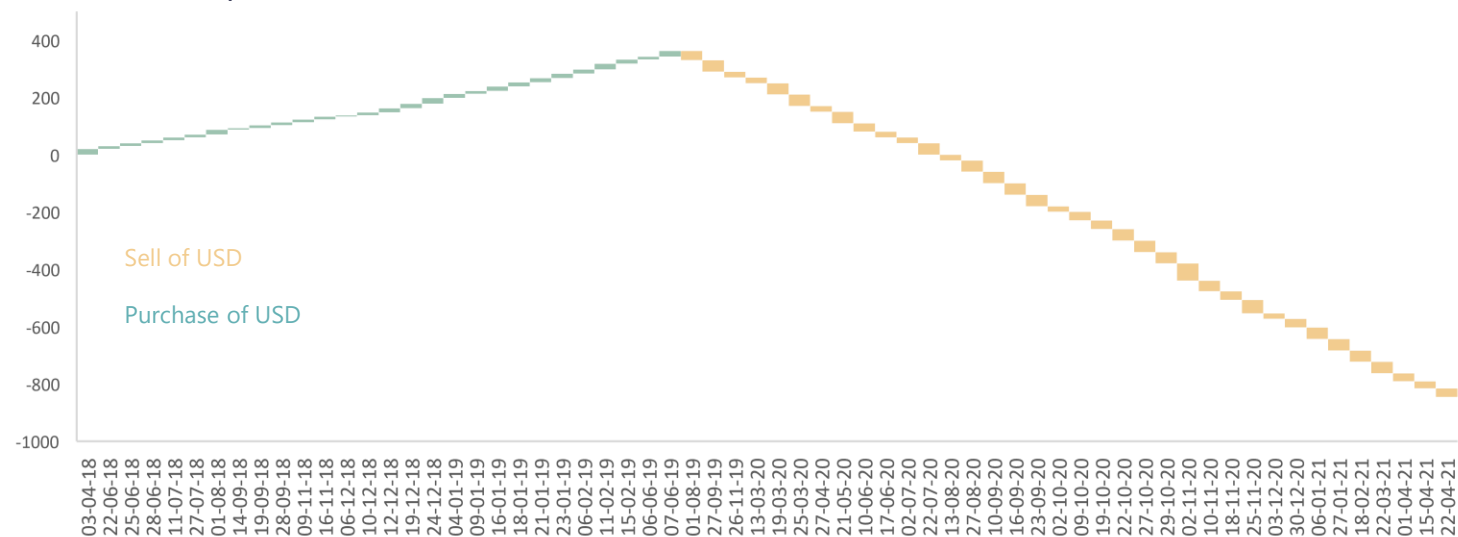
- As of July 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 17 percent.
- The annual growth of deposits denominated in the national currency amounted to 24 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 12 percent over the same period.
- The growth of deposits of individuals amounted to 16 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 17 percent.
- The annual growth of current accounts at the beginning of May 2021 was equal to 15 percent.
- The annual growth of time deposits was 16.6 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 18.3 percent.

# The National Bank of Georgia has increased the monetary policy rate to 10 percent

Inflation and Monetary Policy Rate



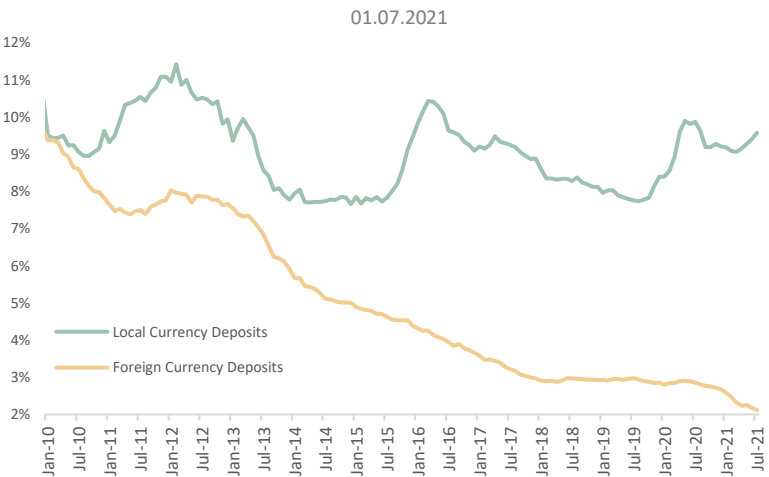
Trade of USD by NBG, mln USD



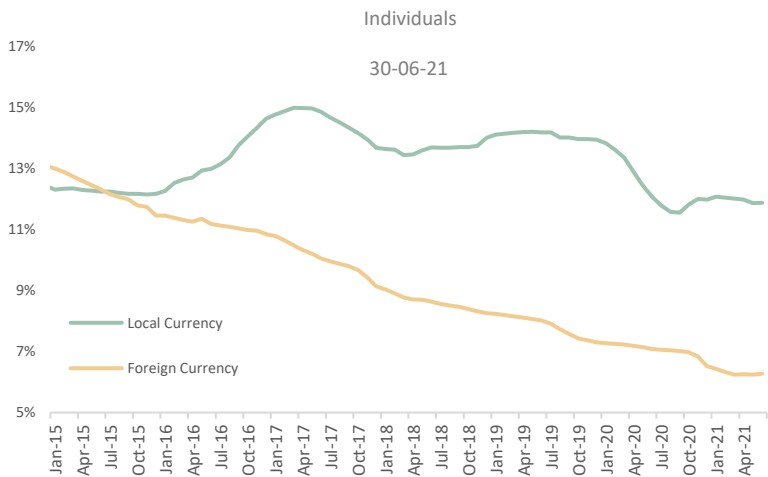
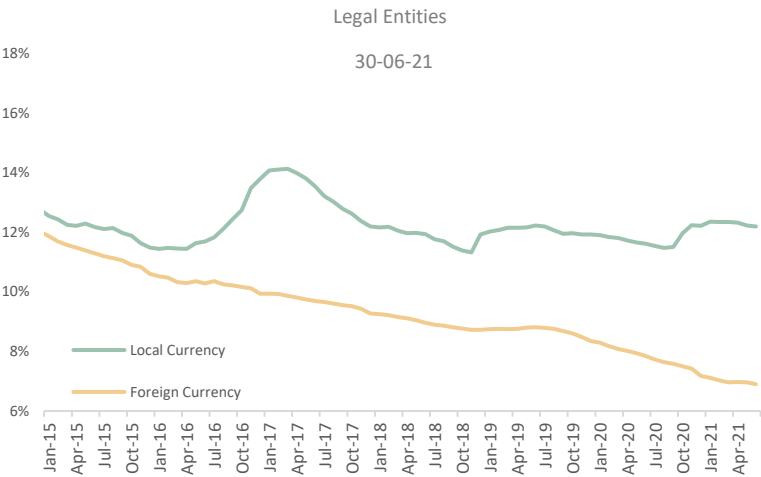
- On August 4, 2021, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 0.5 percentage points.
- The monetary policy rate is 10 percent.
- According to the National Bank, all other things equal, inflation will be above 9 percent on average in 2021, and in 2022 inflation will begin to decline, gradually approaching its medium-term target.
- According to the NBG, the upward pressure on inflation depends on sharply increased prices for food and oil in world markets. International transportation costs have also increased significantly, affecting the prices of imported products.
- The next meeting of the Monetary Policy Committee will be held on September 15, 2021.

# 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 July 1, 2021, the interest rate on foreign currency deposits was 2.1 percent, and in national currency - 9.6 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 9.9 percent, and in foreign currency - 2 percent.
- The average annual interest rate on deposits by individuals is 2.2 percent for foreign currency deposits and 8.9 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 17.7 percent (22.2 percent in national currency and 6 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.3 percent (18.5 percent in national currency and 7.4 percent in foreign currency).
- At the end of June 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13.1 percent, and in foreign currency – 6.9 percent. The interest rate on loans to individuals in the national currency was 12.4 percent, and in foreign currency - 6.1 percent.



## Disclaimer

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