



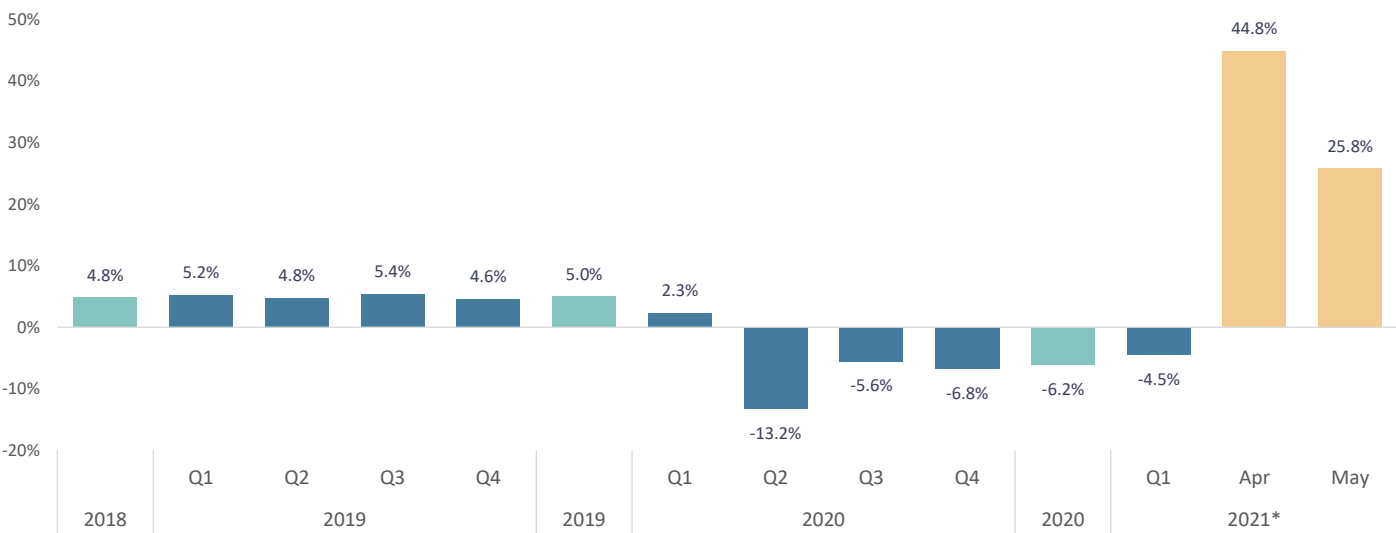
Current Economic Outlook

June, 2021

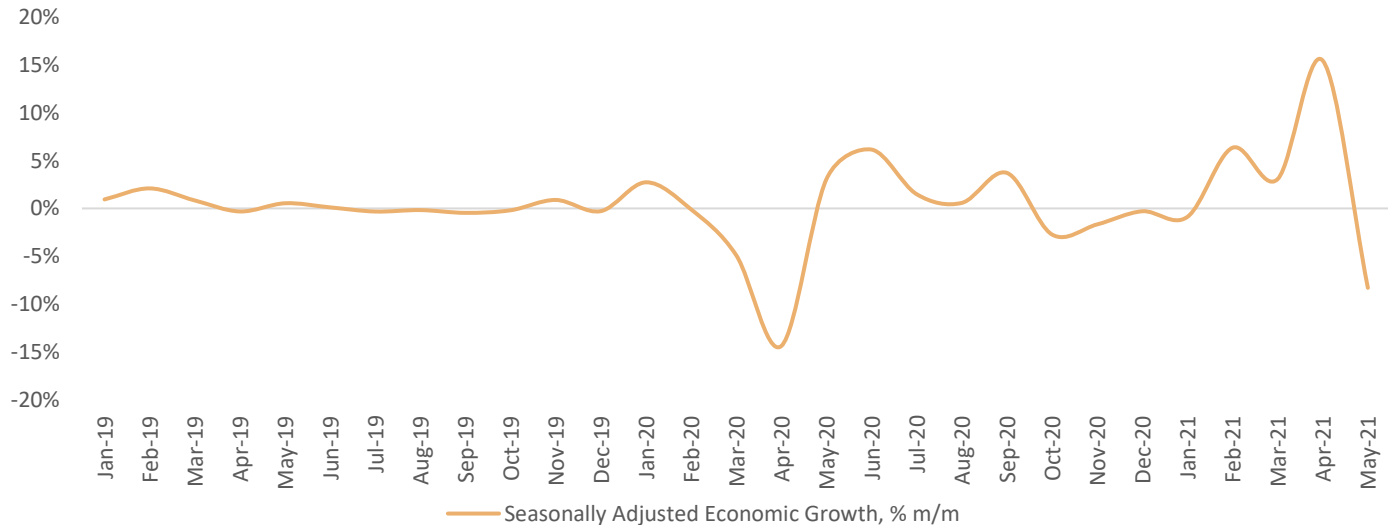
- According to the preliminary estimates of the National Statistics Office, in May 2021, the real GDP growth rate was 25.8 percent and average growth rate of first five months was 11.5 percent. At the same time, Seasonally adjusted monthly economic growth compared to the previous month amounted to -8.3 percent, which is explained by the exhaustion of the one-time effect of opening the economy in April;
- Annual inflation stood at 9.9 percent in June, while seasonally adjusted annualized core monthly inflation was 4 percent;
- In May, exports increased by 45 percent year-on-year and imports increased by 40.3 percent year-on-year, increasing the trade deficit by 36.5 percent year-on-year to 420.9 million USD;
- The real effective exchange rate for May depreciated by 3.8 percent compared to the same period of the previous year and appreciated by 1.1 percent compared to the previous month;
- The National Bank of Georgia left the monetary policy rate unchanged at 9.5 percent;

Economic Growth in May was equal to 25.8 percent

Economic Growth, % y/y



Economic Growth, % m/m



- Estimated real GDP growth rate in May 2021 equaled 25.8 percent YoY and average annual real GDP growth rate for the first 5 months equals to 11.5 percent.
- As of May, seasonally adjusted economic growth was -8.3 percent compared to the previous month.
- In May 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, Trade, Real estate activities, Hotels and restaurants, Construction, Transportation and storage.

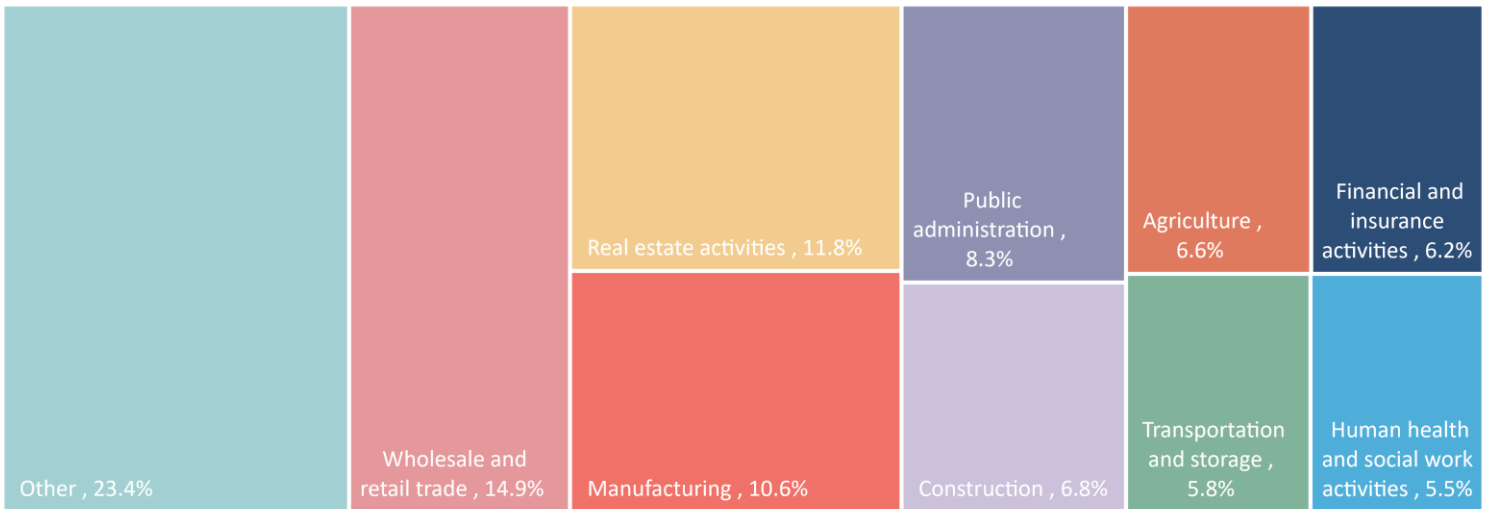
According to preliminary estimates, real GDP fell by 4.5 percent in the first quarter of 2021

Real GDP growth by economic activity, 2021 I Quarter



- According to preliminary estimates, in the first quarter of 2021, compared to the corresponding period of the previous year, real GDP decreased by 4.5 percent.
- The following industries have made a significant contribution to growth:
 - Mining Industry: 50.3% y/y (0.6 pp)
 - Financial and insurance activities: 24% y/y (1.5 pp)
 - Information and communication: 16.8% y/y (0.6 pp)
 - Health and social service activities: 13.3% y/y (0.6 pp)

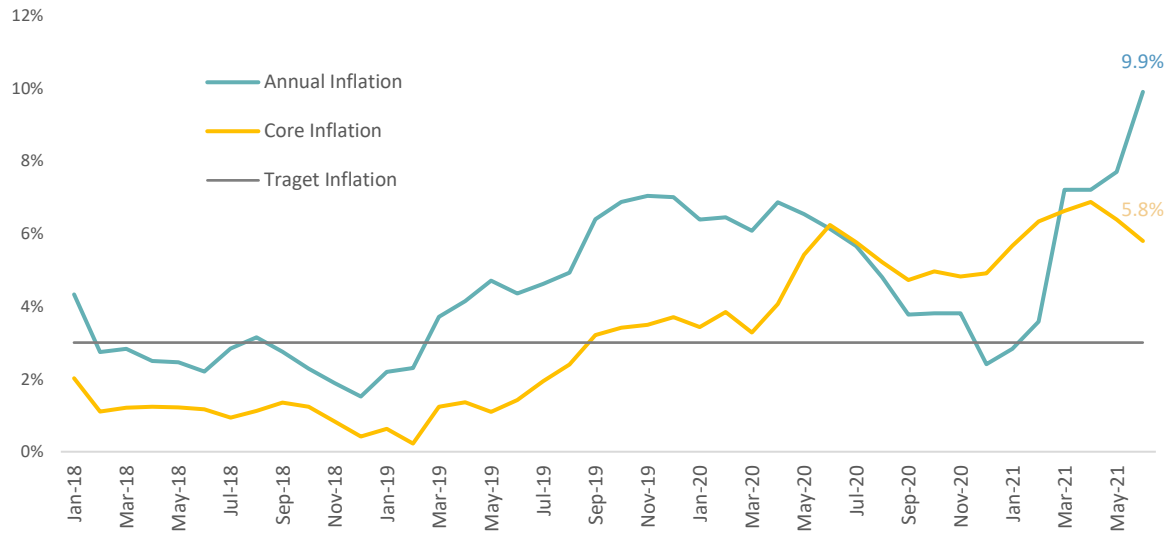
GDP by economic activity, 2021 I Quarter



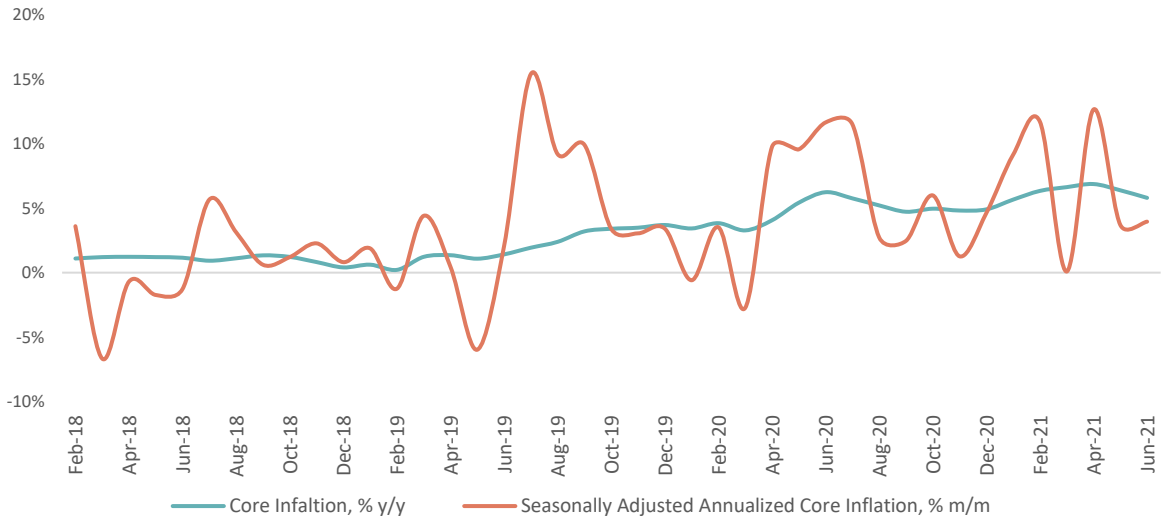
- The following industries have made a significant contribution to the decline:
 - Provision of accommodation: -54% y/y (-2.2 pp)
 - Arts, Fun and Recreation: -25.4% y/y (-1 pp)
 - Construction: -19.4% y/y (-1.1 pp)
 - Transport and warehousing: -9% y/y (-0.5 pp)
 - Real Estate: -6.4% y/y (-0.9 pp)

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

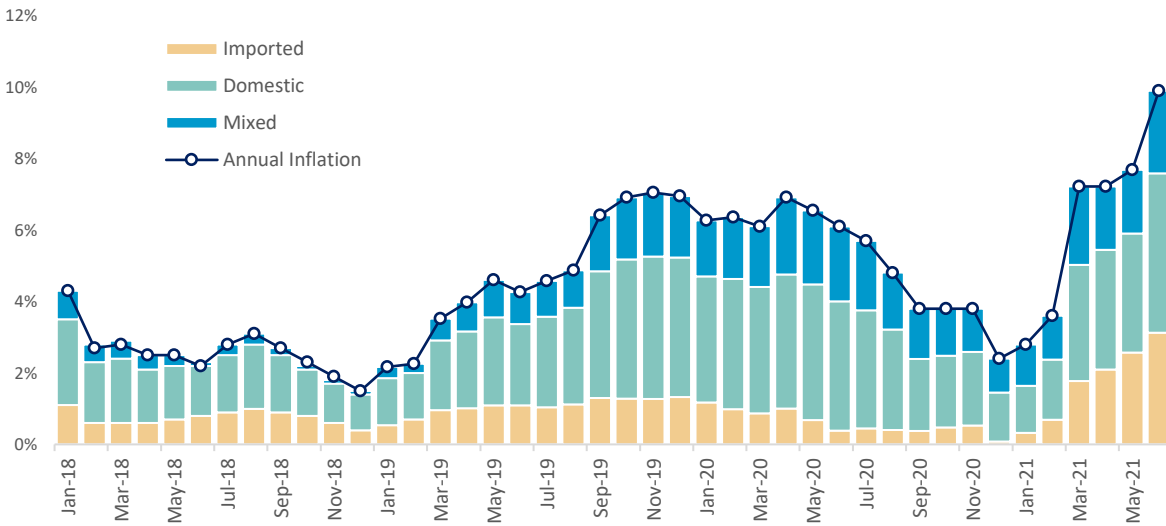
Total and Core Inflation, % y/y



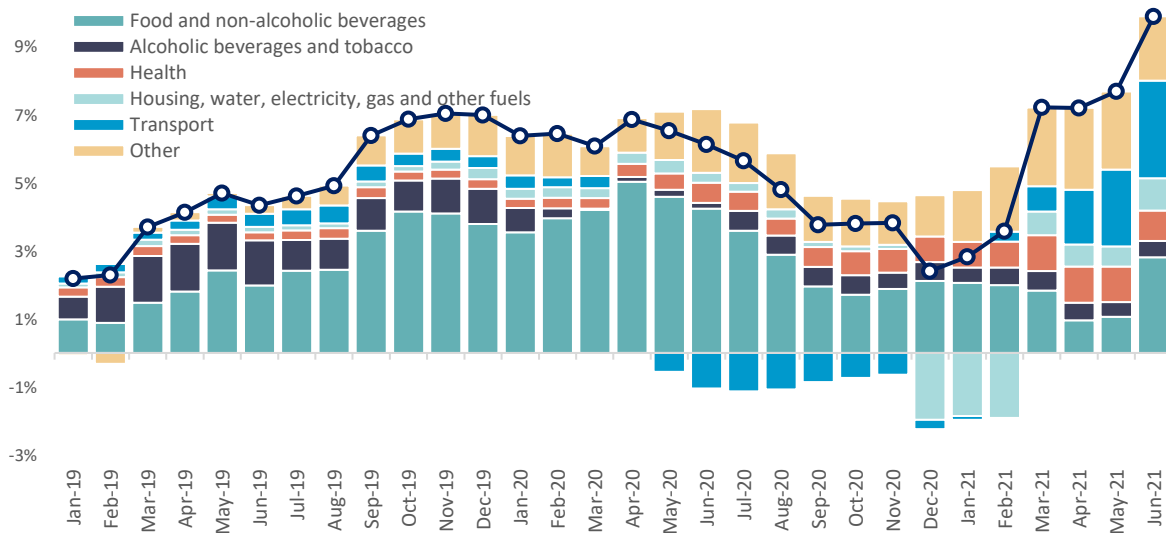
Core Inflation, % m/m



Inflation Decomposition



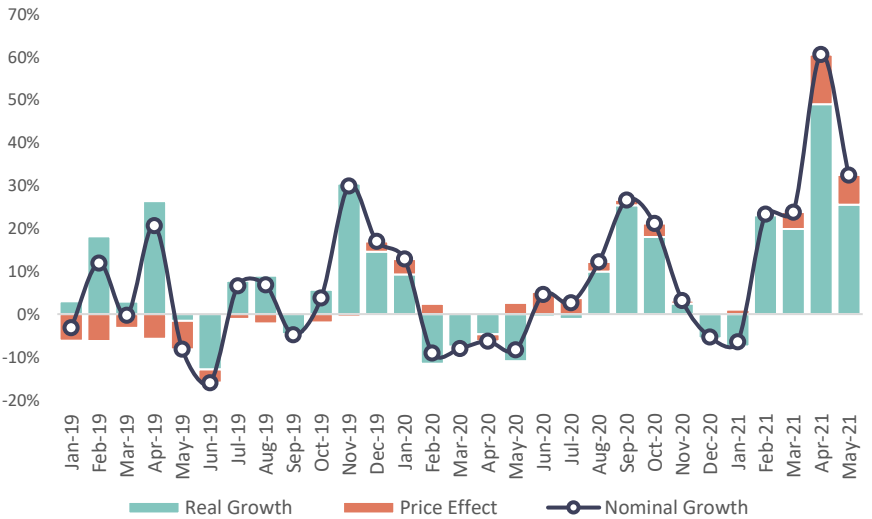
Inflation Decomposition by product group



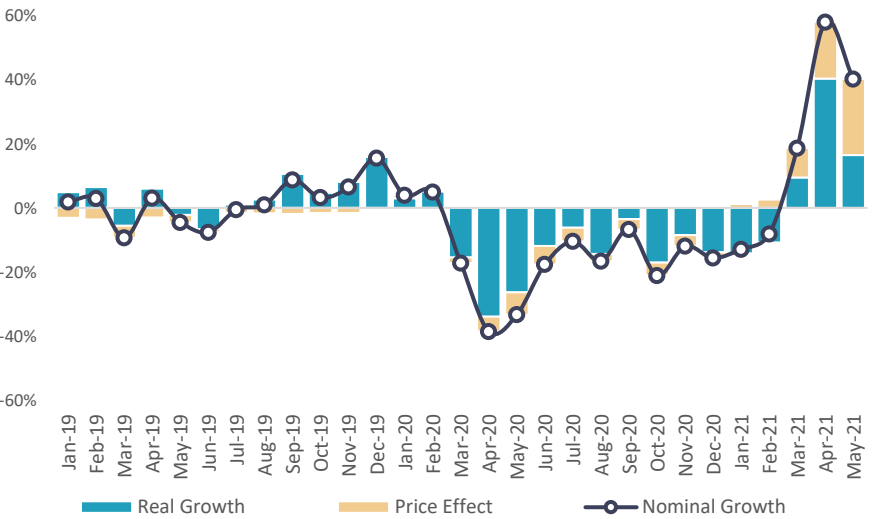
Source: Geostat, NBG, author's calculations

Trade Deficit increased by 36.5 annually

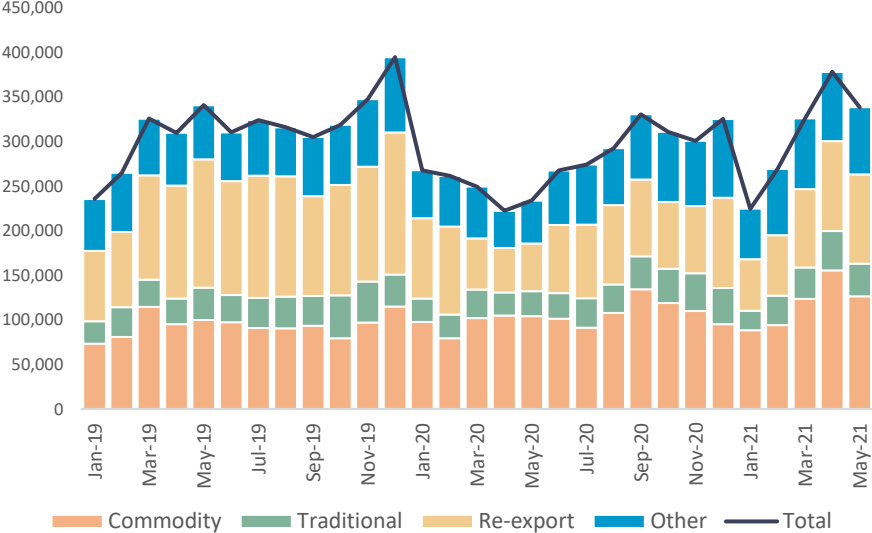
Change of Domestic Export, %/y



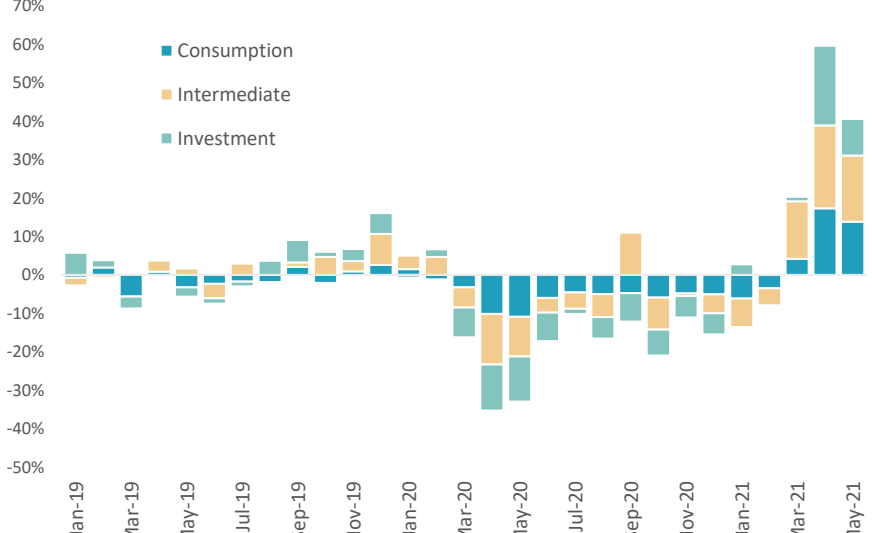
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y

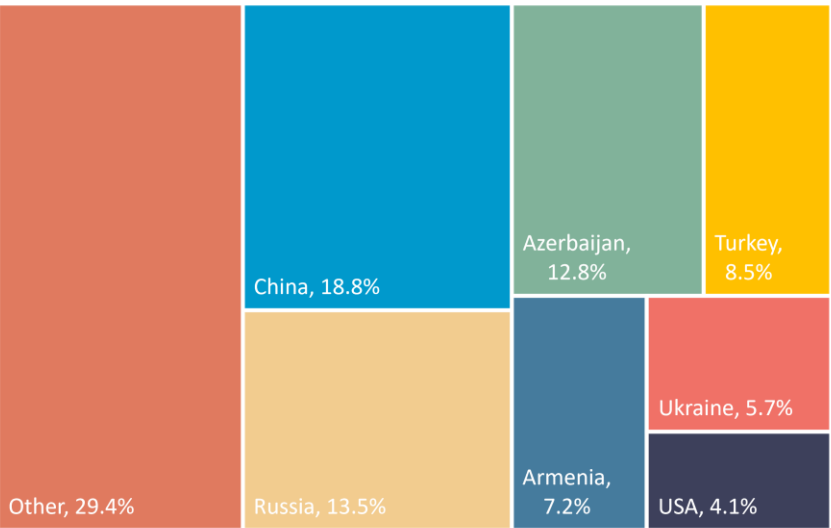


- Export increased annually by 45 percent to 339.4 million USD in May.
- Domestic export increased annually by 32.5 percent to 239.5 million USD.
- Import annually increased by 40.3 percent to 742.3 million USD in May.
- Trade deficit annually increased by 36.5 percent to 402.9 million USD in May.
- Share of re-export is equal to 29.6 percent, while share of commodity export equals to 37.3 percent.
- Contribution of import of Investment, Consumption and Intermediate goods to total import was equal to 9.5, 13.8 and 17.2 percent respectively.

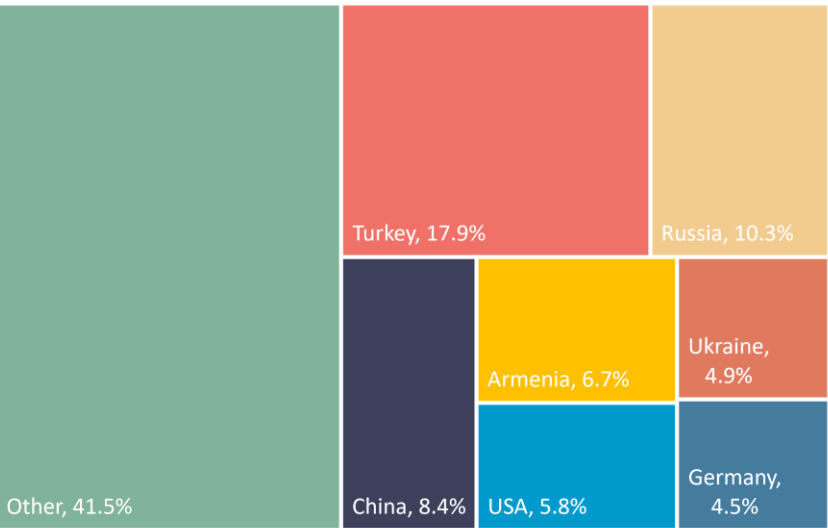
Source: Geostat, author's calculations

International trade is characterized by stable diversification

Export by country, May 2021

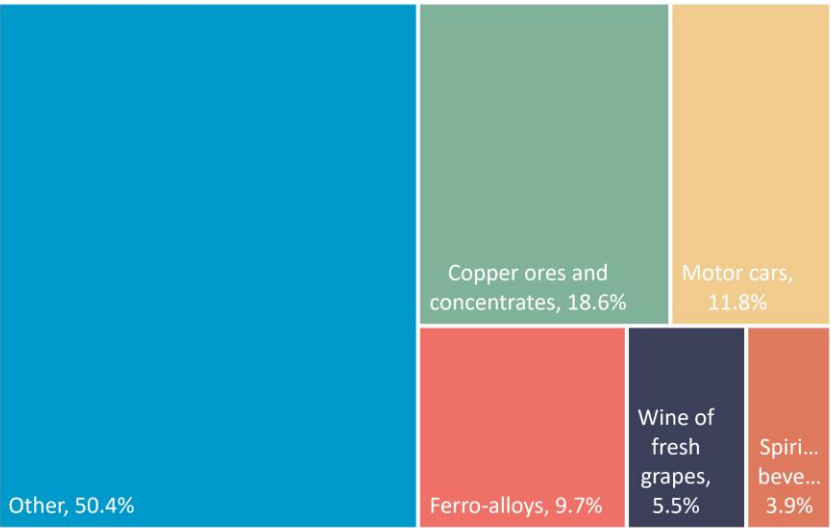


Import by country, May 2021

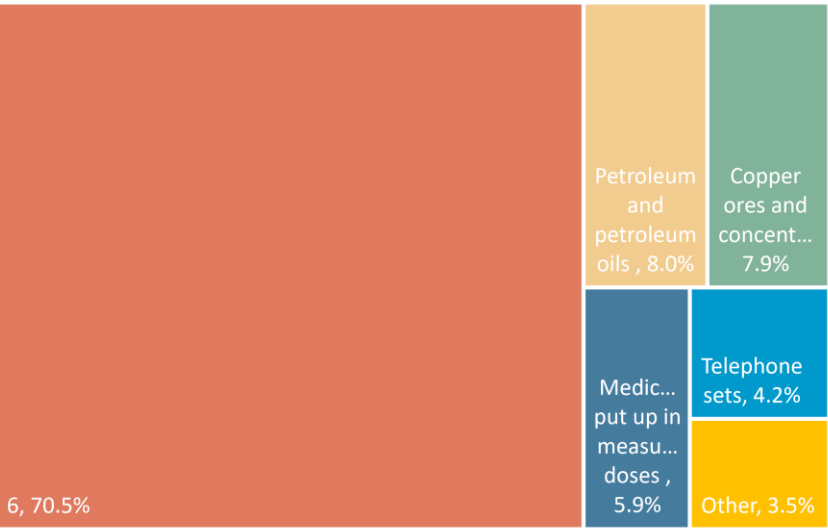


- Top Export Products:
 - Copper ores and concentrates: 63.1 mln. USD – 18.6 percent of total export.
 - Motor cars: 40.2 mln. USD – 11.8 percent.
 - Ferro-alloys: 32.8 mln. USD – 9.7 percent.
- Top Import Products :
 - Motor cars: 59.7 mln. USD - 8 percent of total import.
 - Petroleum and petroleum oils: 58.6 mln. USD - 7.9 percent.
 - Copper ores and concentrates: 43.5 mln. USD – 5.9 percent.

Export by product, May 2021



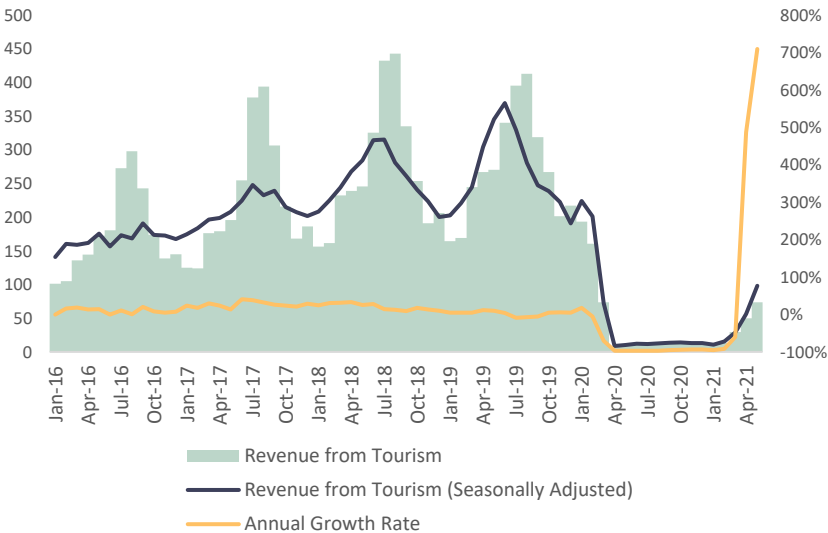
Import by country, May 2021



- Top Export Country:
 - China: 63.8 mln. USD - 18.8 percent.
 - Russia: 45.7 mln. USD - 13.5 percent.
 - Azerbaijan: 43.4 mln. USD - 12.8 percent.
- Top Import Country :
 - Turkey: 132.8 mln. USD - 17.9 percent.
 - Russia: 76.6 mln. USD - 10.3 percent.
 - China: 62.5 mln. USD - 8.4 percent.

Revenues from tourism increased significantly in May due to the base effect

Revenue from Tourism

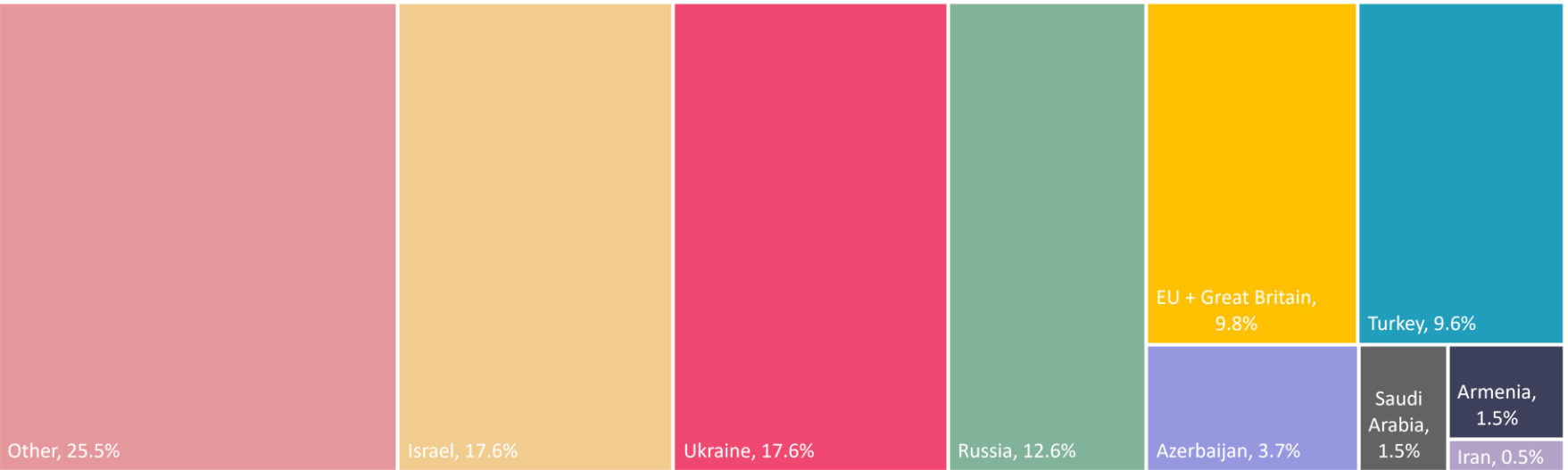


Revenue from Tourism, May 2021

Country	Tourism Revenue	Change, % y/y
Israel	12970.62	27330.9%
Ukraine	12958.33	2305.7%
Russia	9330.482	495.4%
EU + UK	7258.276	1544.4%
Turkey	7107.436	116.8%
Azerbaijan	2711.754	387.9%
Other	21463.17	698.8%

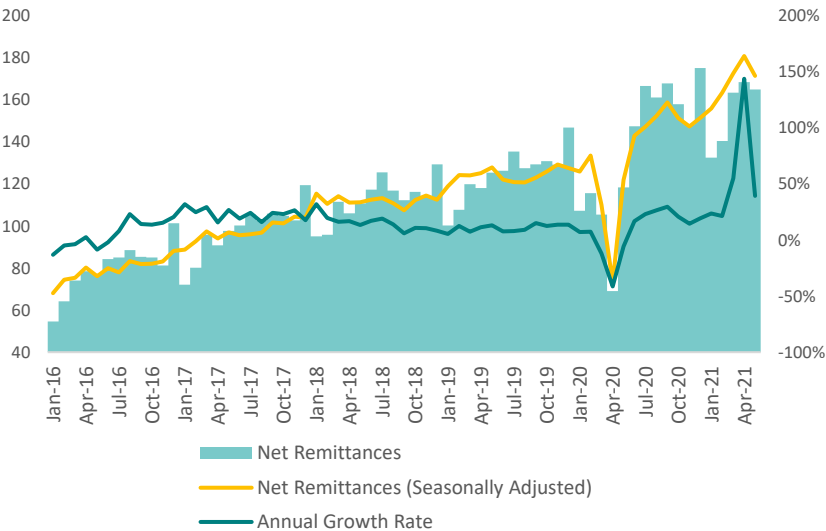
- In May 2021, tourism revenues increased by 709.6 percent to 73.8 million USD. Such high increase is mainly due to low level of tourism revenue inflow in May 2020 (9.1 million USD).
- At the same time, tourism revenues increased by 612.4 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 74.3 percent.

Revenue from Tourism by country



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

Net Remittances

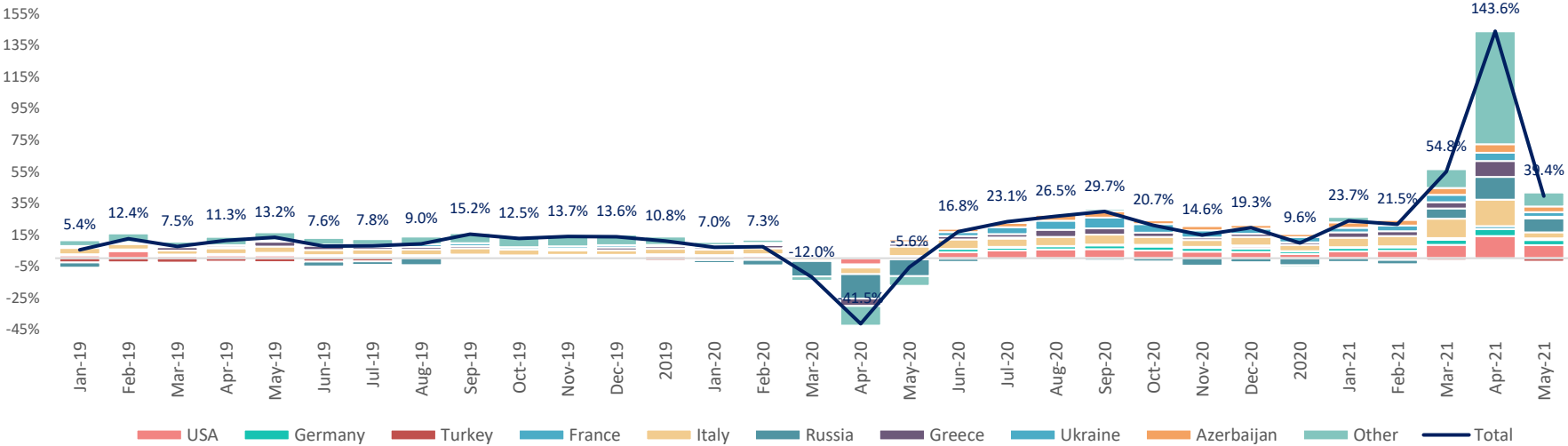


Net Remittances, April 2021

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%

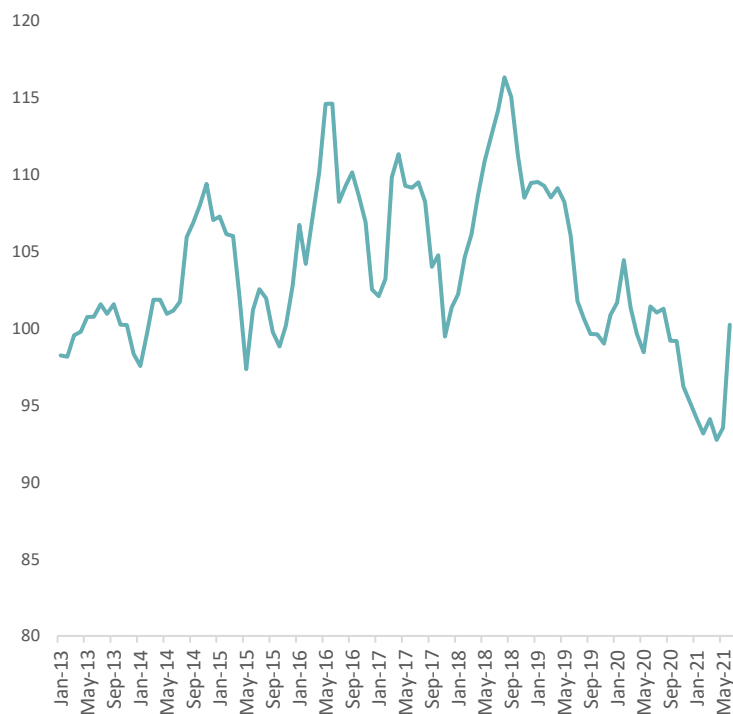
- In May 2021, net remittances were estimated at 164.9 million USD, representing a 39.4 percent annual increase.
- Net Remittances increased from:
 - Russia: 63 percent (8 p.p. contribution to overall growth).
 - Italy: 14.7 percent (3.4 p.p. contribution to overall growth).
 - USA: 58.9 percent (7.5 p.p. contribution to overall growth).
 - Greece: 6.1 percent (0.9 p.p. contribution to overall growth).
 - Israel: 29.8 percent (2.8 p.p. contribution to overall growth).
 - Remittances from Ukraine and Azerbaijan also increased significantly.

Net Remittances by country, %y/y

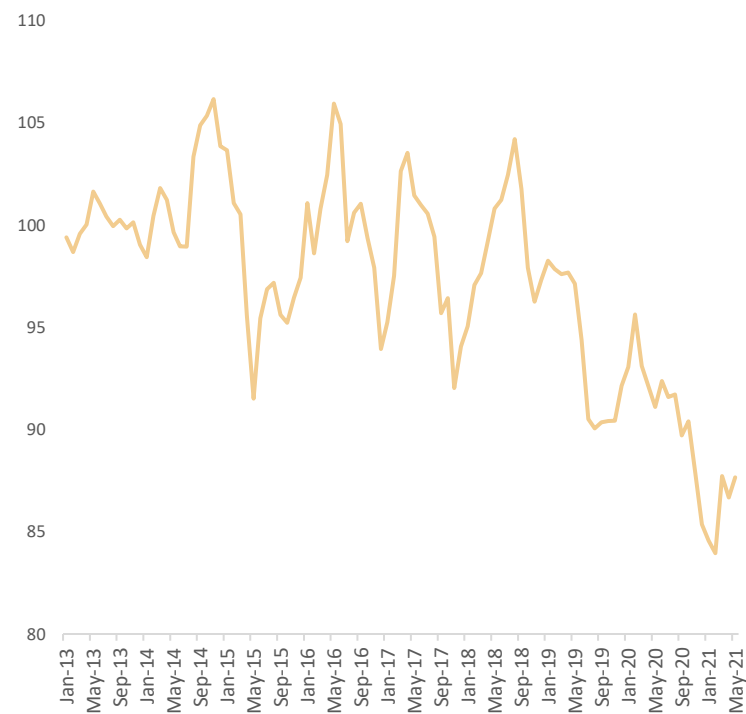


The real effective exchange rate in May appreciated by 1.1 percent compared to the previous month

NEER: 2013 = 100

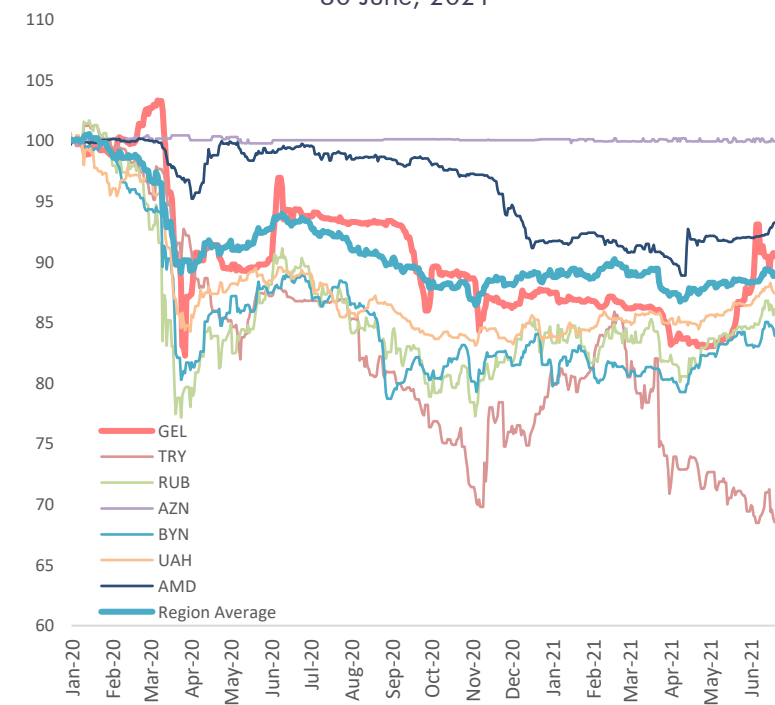


REER: 2013 = 100



USD Exchange Rates

30 June, 2021

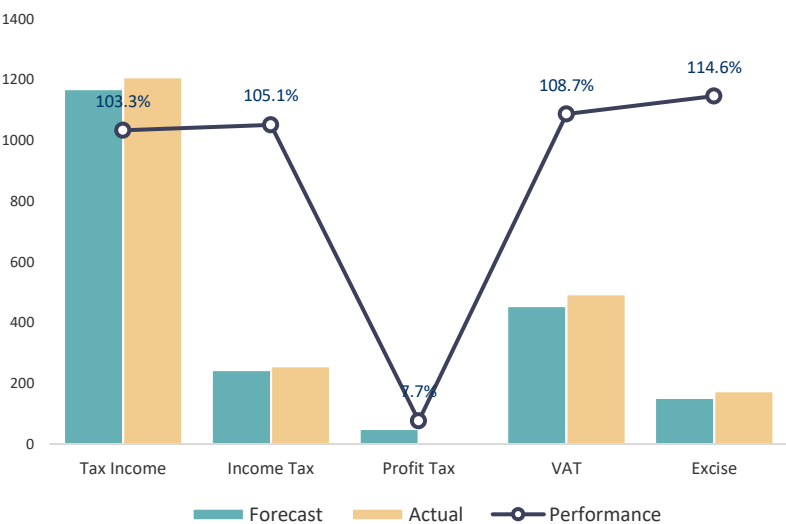


Note: Increase means appreciation

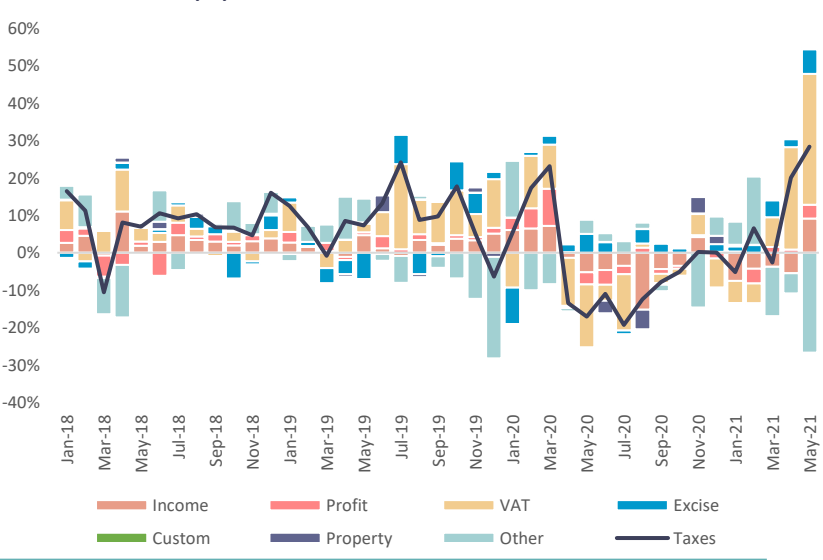
	30 June, 2021	30 June 2021 - 1 January 2021	30 June 2021 - 1 January 2020
Euro	3.7608	-14.5%	-18.6%
US Dollar	3.1603	-9.3%	-15.4%
Turkish Lira	0.3625	32.9%	39.4%
Russian Ruble	0.0435	5.9%	-11.8%
NEER	109.82	-0.7%	-7.9%
REER (May, 2021)	107.75	2.7%	-4.9%

Tax revenues in the first five months exceeded the forecast value by 1.9 percent

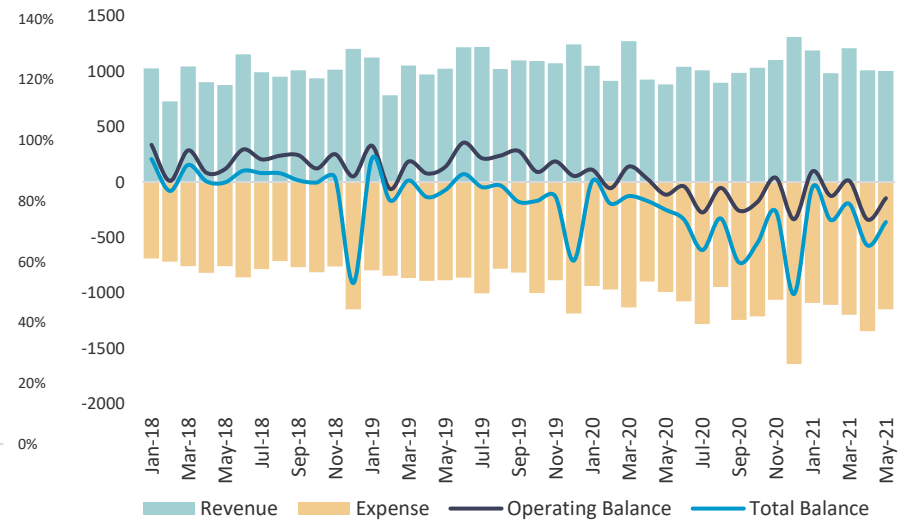
Budget Revenue Performance, June 2021



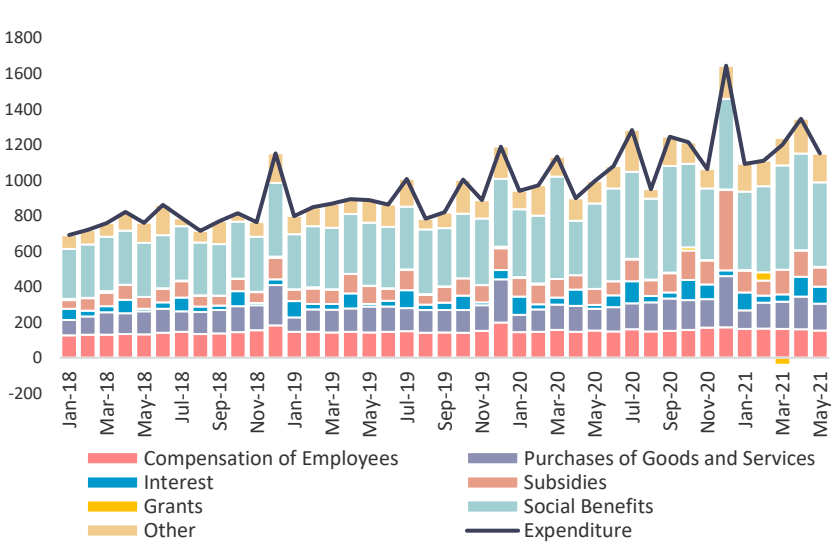
Tax Income, % y/y



Consolidated Budget, mln GEL



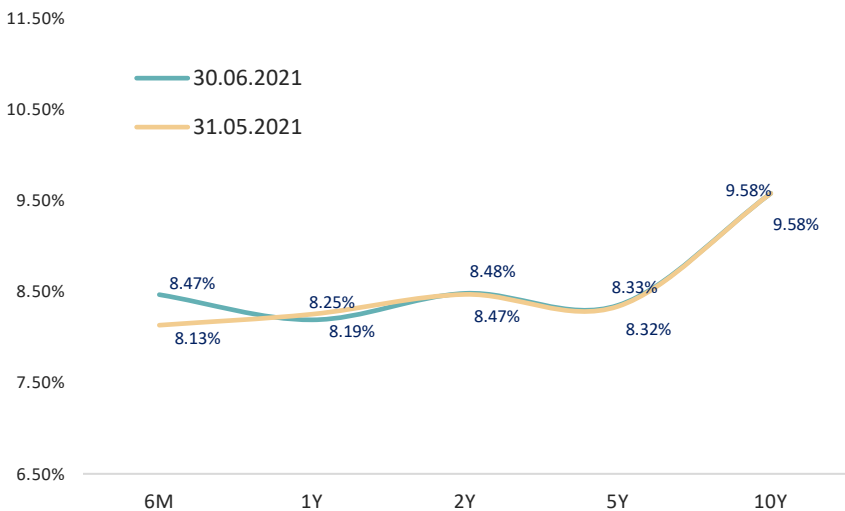
Consolidated Budget Expenditure, mln GEL



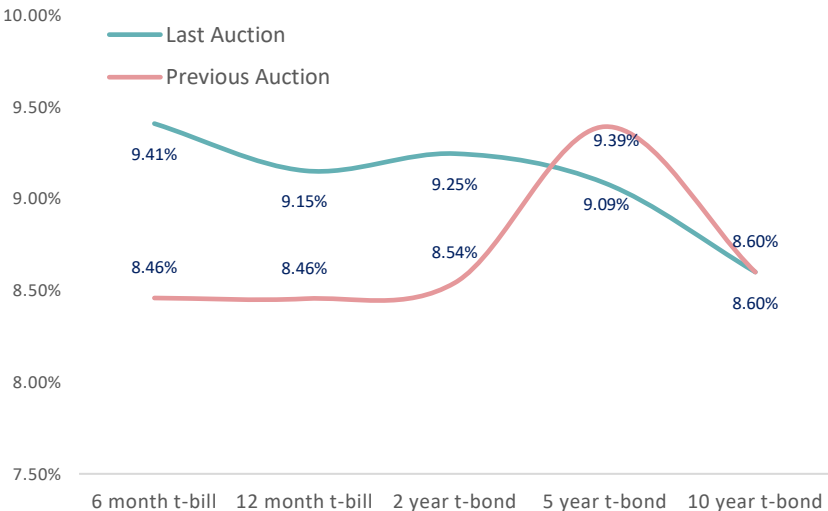
- The forecast of tax income for January-June 2021 is 5,898.1 million GEL, while the actual figure for January-June 2021 is 1.9 percent higher than planned and equals to 6,008.4 mln GEL.
- The actual level of tax income in June was 1,207.6 mln GEL, which is 3.3 percent higher compared to the forecasted value of tax income of 1,168.7 mln GEL.
- Consolidated budget revenues increased by 13.9 percent and expenditures increased by 15.6 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -146 million GEL, while the total balance was set at -361.6 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 34.9 percent of total growth.

The structure of the securities portfolio has undergone minor changes

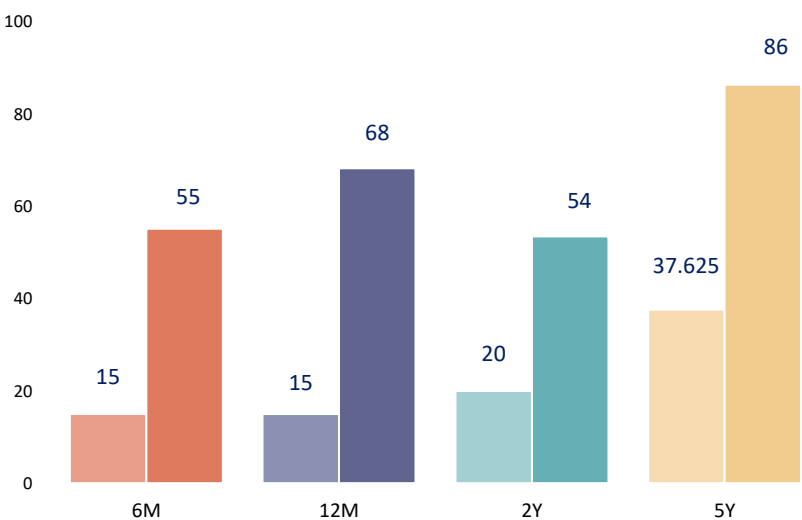
Portfolio Yield Curve



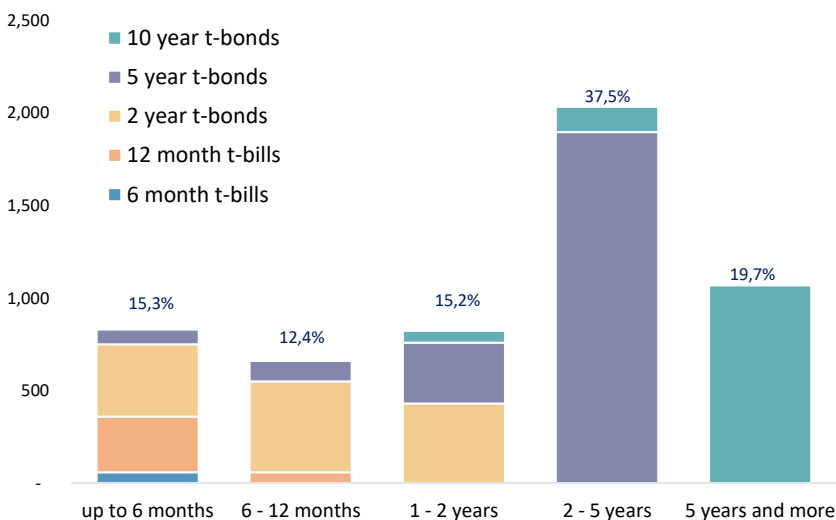
Weighted average interest rates



Issuance and Demand, mln GEL



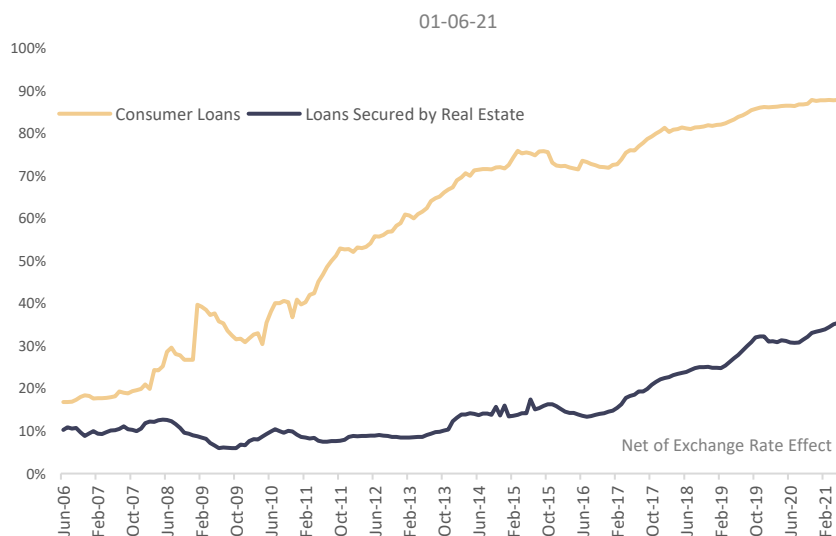
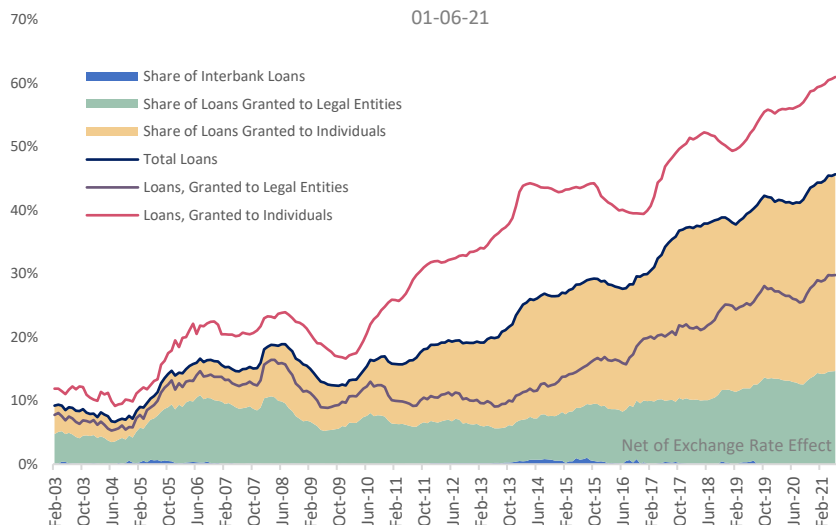
Portfolio Forming Securities Composed by Time to Maturity



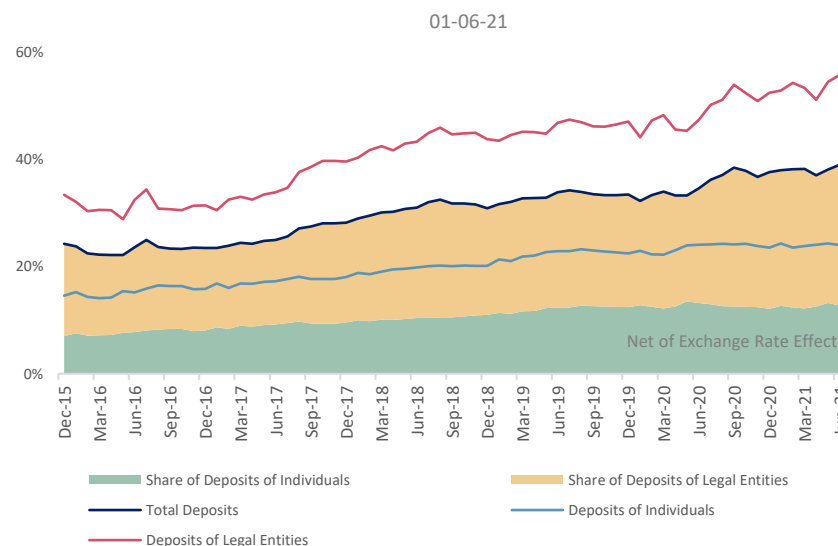
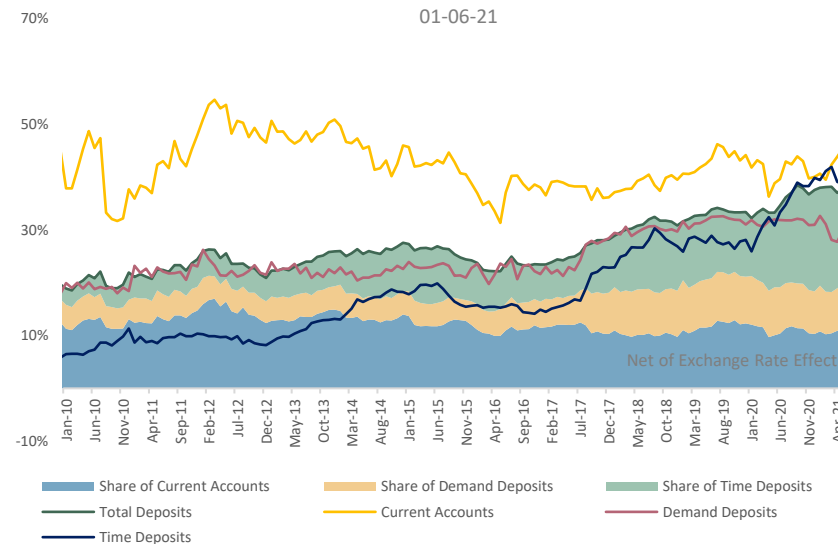
- In June 2021, 4 auctions were held with total issuance volume of 87.625 million GEL.
- The weighted average interest rate amounted to 9.189 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2 and 5. Treasury securities with total amount of 100 million GEL were redeemed.
- As of June 30, 2021 27.7 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio increased compared to the previous month's value (May 2.51) and is 3.0.

The larization rates continue to rise

Loan Larization



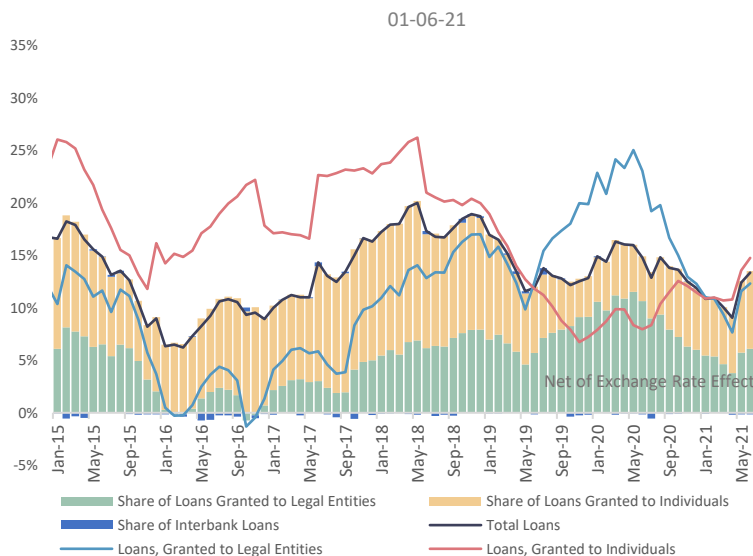
Deposit Larization



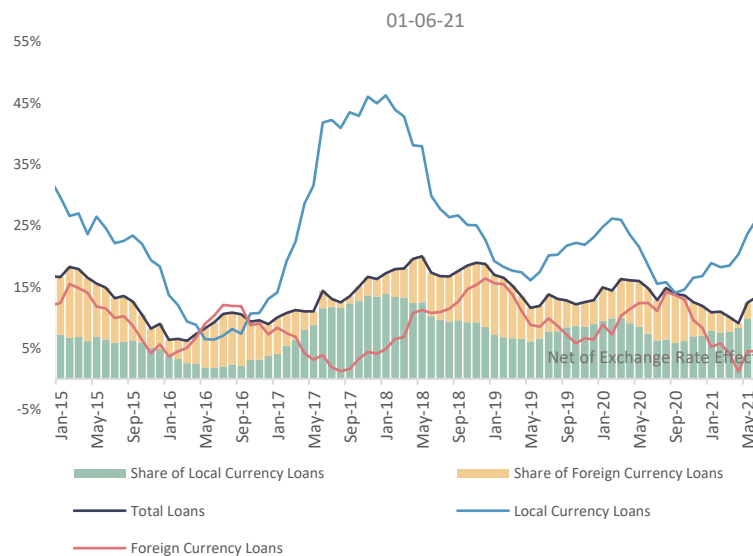
- As of June 1, 2021, the larization of total loans is 45.6 percent.
- The larization of loans to individuals is 61 percent.
- The larization of loans to legal entities amounted to 30 percent.
- The larization of total deposits equals to 39 percent.
- The larization on deposits of legal entities amounted to 55.7 percent.
- The larization of deposits of individuals is 24 percent.
- The larization of time deposits is 41.3 percent.
- The larization of current accounts equals to 44.2 percent.
- The larization of demand deposits is 30.1 percent.

The annual growth trend of loans is revealed

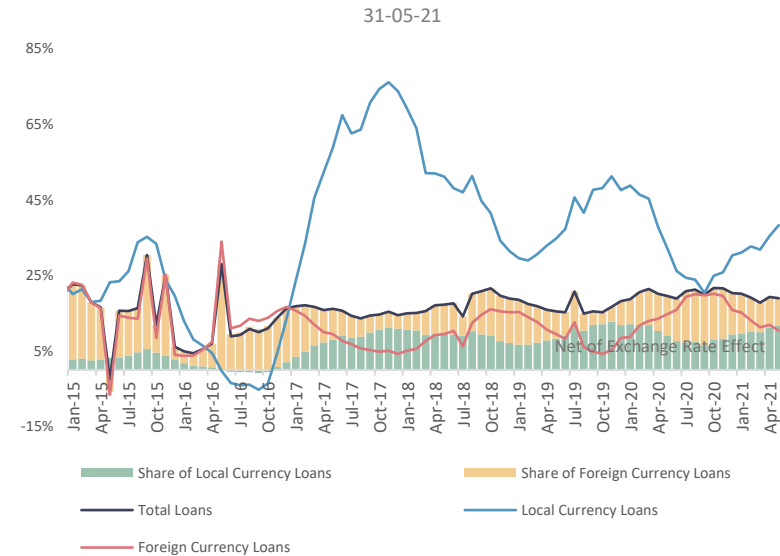
Loans, % y/y



Loans by Currency, % y/y



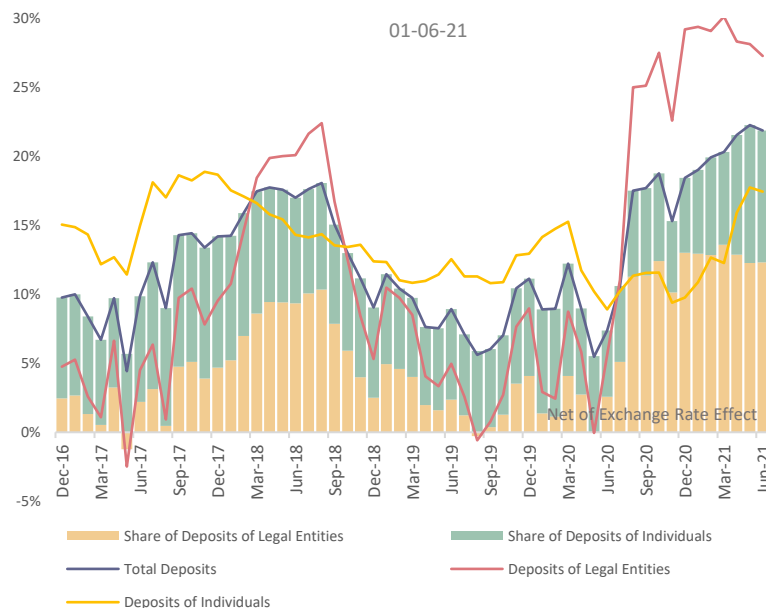
Mortgage Loans, % y/y



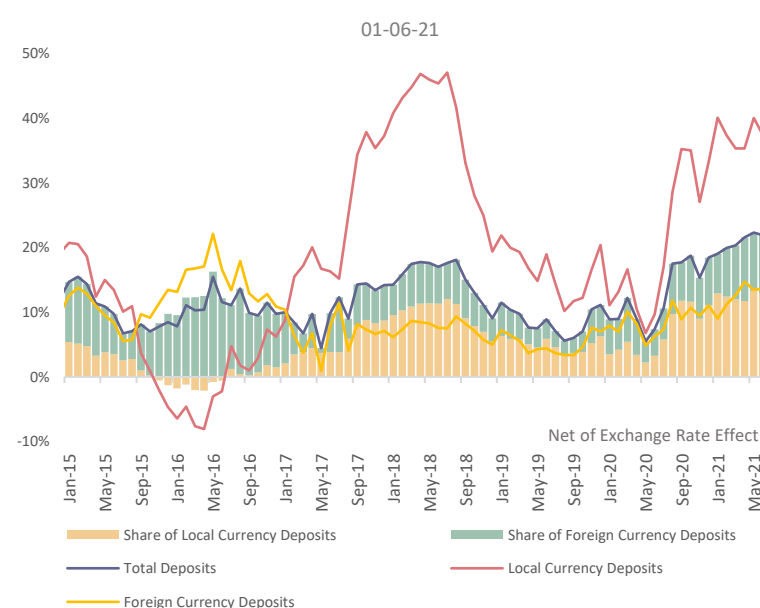
- As of June 1, 2021, total loans increased by 13.4 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- Following the downward trend, the annual growth of loans to legal entities increased to 12.3 percent.
- The annual growth of loans to individuals is 14.7 percent.
- As of June 1, 2021, the growth rate of loans denominated in the national currency amounted to 26.1 percent.
- The annual growth of loans denominated in foreign currency amounted to 4.5 percent.
- As of May 31, 2021, the annual growth of loans secured by real estate amounted to 19 percent. At the same time, mortgage loans denominated in national currency increased by 38.3 percent, while mortgage loans denominated in foreign currency increased by 10.4 percent.

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

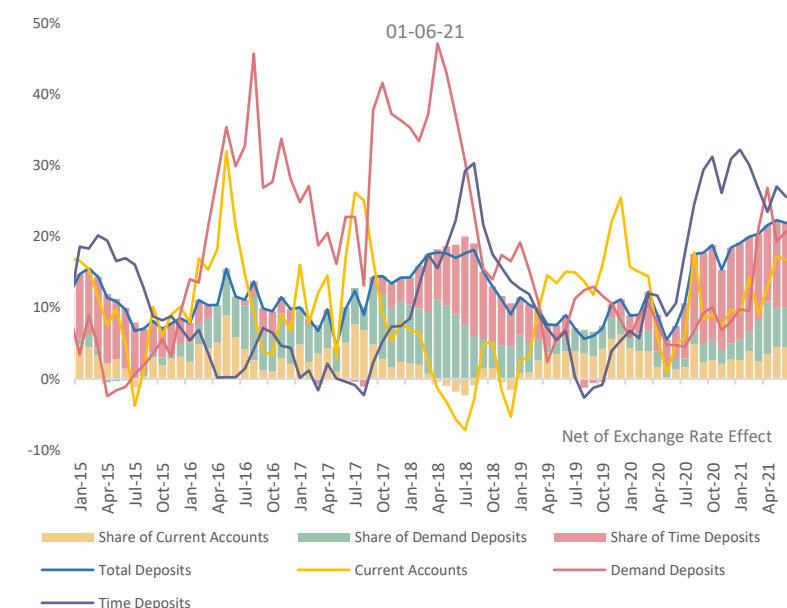
Deposits, % y/y



Deposits by Currency, % y/y



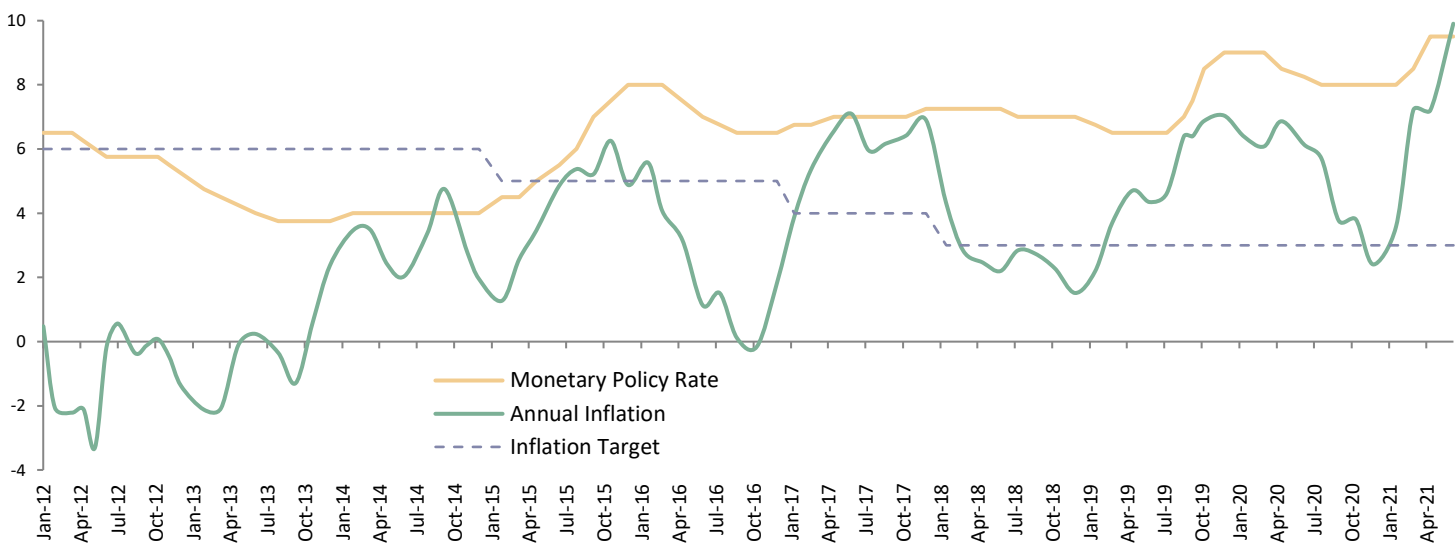
Deposits by type, % y/y



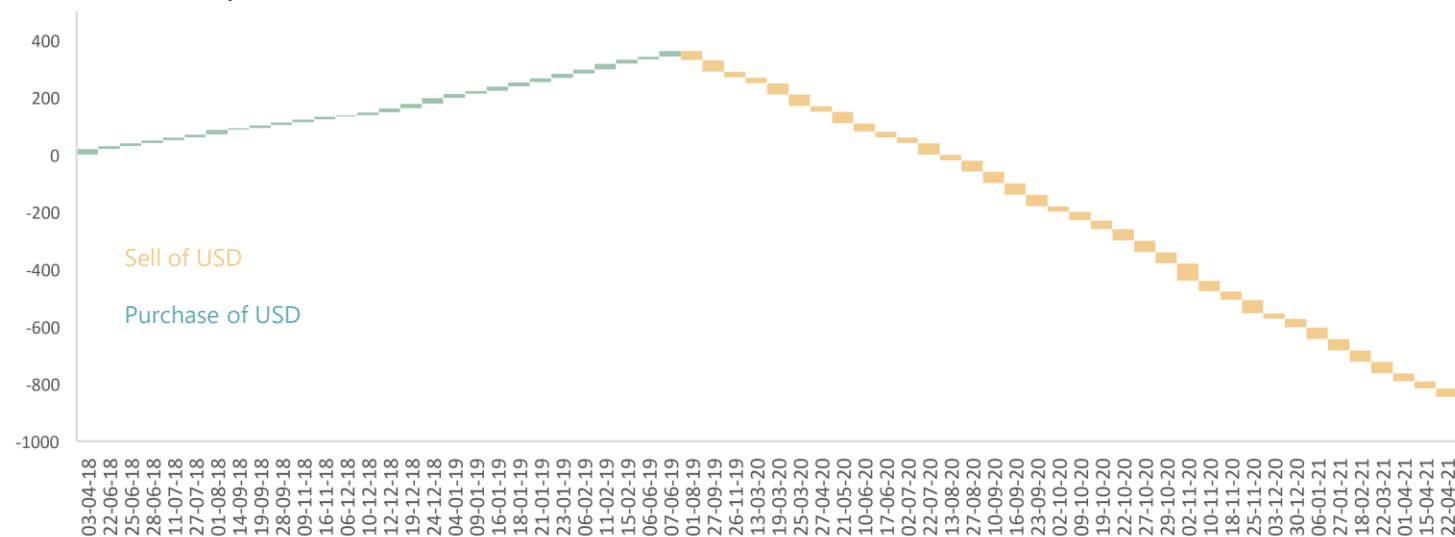
- As of June 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 22 percent.
- The annual growth of deposits denominated in the national currency amounted to 37 percent. The annual growth of deposits denominated in foreign currency is relatively stable at 14 percent over the same period.
- The growth of deposits of individuals amounted to 17 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 27 percent.
- The annual growth of current accounts at the beginning of May 2021 was equal to 16.7 percent.
- The annual growth of time deposits was 25.6 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits amounted to 20.7 percent.

The National Bank of Georgia leaves the monetary policy rate unchanged at 9.5 percent

Inflation and Monetary Policy Rate



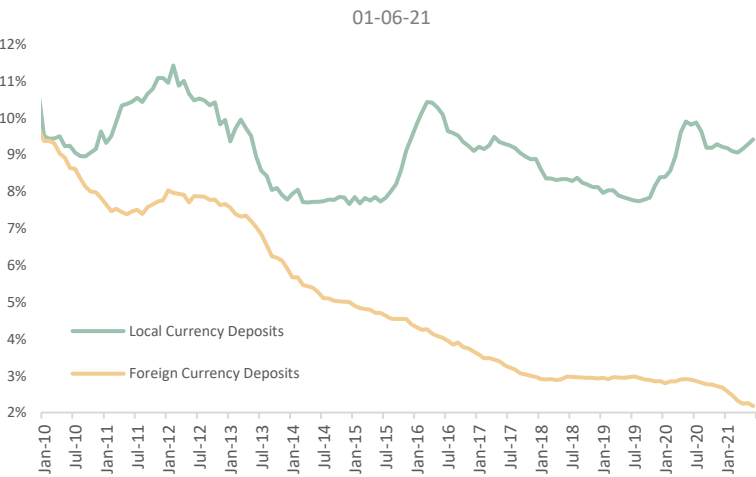
Trade of USD by NBG, mln USD



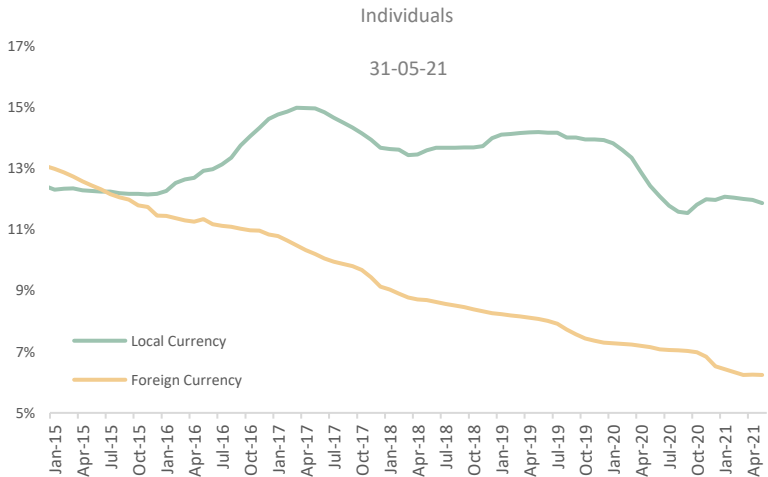
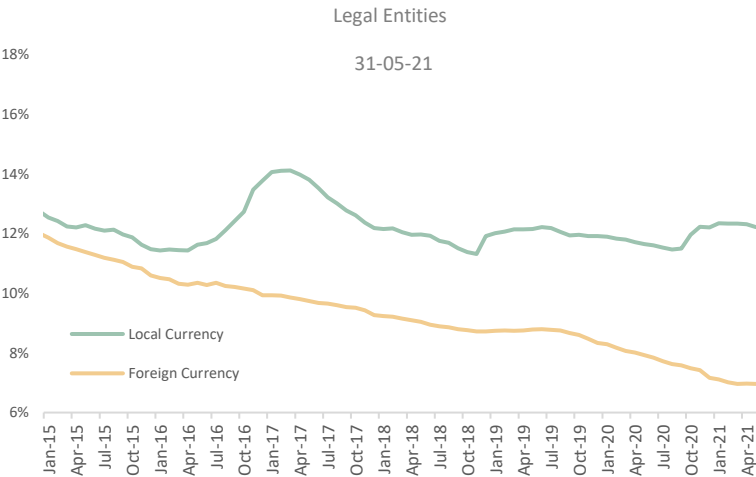
- On June 23, 2020, the Monetary Policy Committee of the National Bank of Georgia decided to leave the refinancing rate unchanged.
- The monetary policy rate was set at 9.50 percent.
- According to the National Bank, all other things equal, inflation will average around 7 percent in 2021 and then gradually approach the target.
- According to the NBG, the upward pressure on inflation is due to rising prices in world agricultural markets (including oil prices) and devaluation in previous periods, which increases the impact of imported goods and food prices on inflation. At the same time, it should be noted that the base effect of the utility subsidy will temporarily increase the annual inflation rate in December 2021 and January-February 2022.
- The next meeting of the Monetary Policy Committee will be held on August 4, 2021.
- In April 2021, the National Bank sold \$ 82.9 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 June 1, 2021, the interest rate on foreign currency deposits was 2.2 percent, and in national currency - 9.4 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 9.7 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 8.8 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 18.3 percent (22.7 percent in national currency and 6.3 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.3 percent (18.6 percent in national currency and 7.6 percent in foreign currency).
- At the end of May 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 12.3 percent, and in foreign currency - 6.2 percent.

Disclaimer

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