



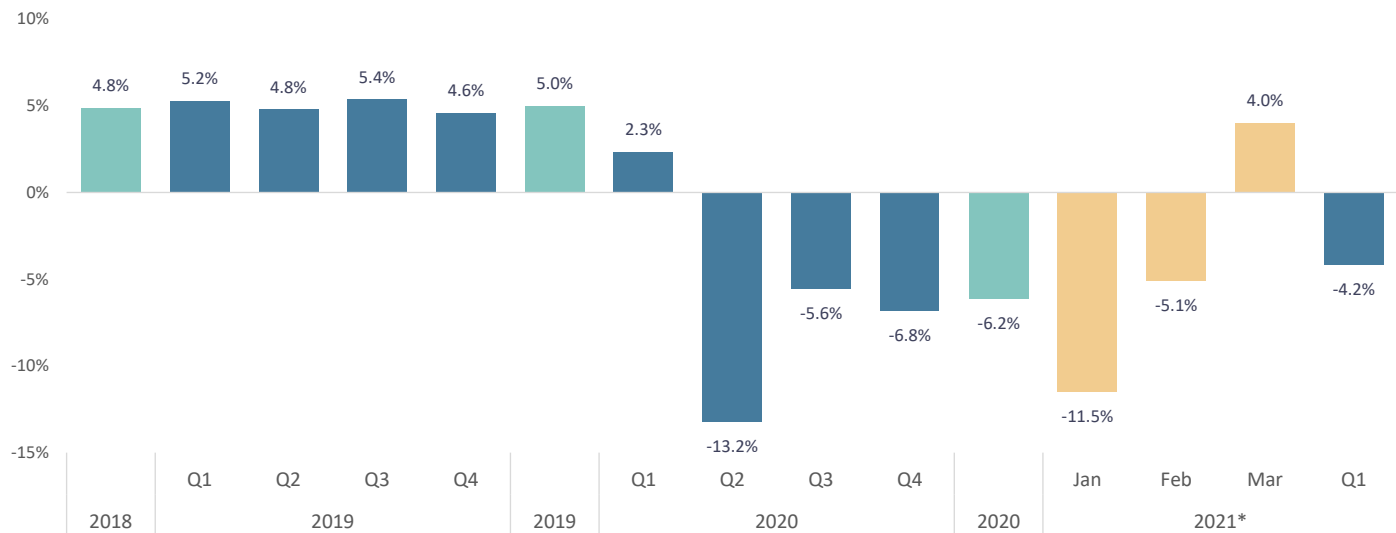
Current Economic Outlook

April, 2021

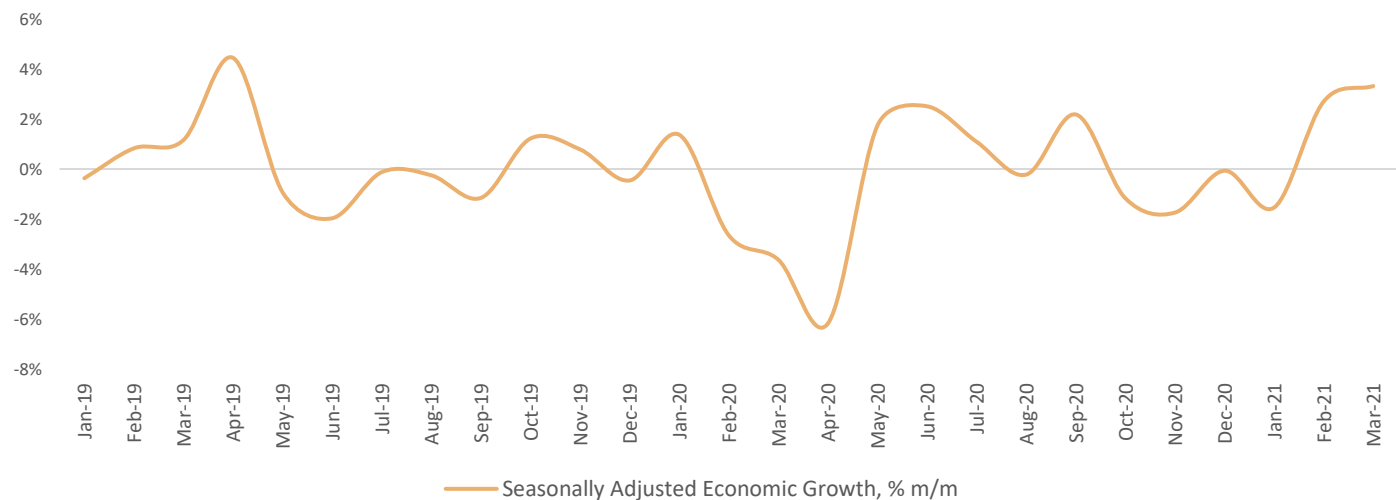
- According to the preliminary estimates of the National Statistics Office, in March 2021, the real GDP growth rate was 4 percent and average growth rate of first three months was -4.2 percent. At the same time, economic growth was 5.1 percent compared to the previous month, while seasonally adjusted monthly economic growth was 3.3 percent;
- Annual inflation stood at 7.2 percent in April, while seasonally adjusted annualized core inflation was 13.2 percent;
- In March, exports increased by 30.6 percent year-on-year and imports increased by 17.9 percent year-on-year, increasing the trade deficit by 9.9 percent year-on-year to \$ 442.4 million;
- The real effective exchange rate for March depreciated by 5.8 percent compared to the same period of the previous year and appreciated by 4.5 percent compared to the previous month;
- The National Bank raised its refinancing rate by 1.0 percentage points to 9.5 percent.

Economic Growth in March was equal to 4 percent

Economic Growth, % y/y



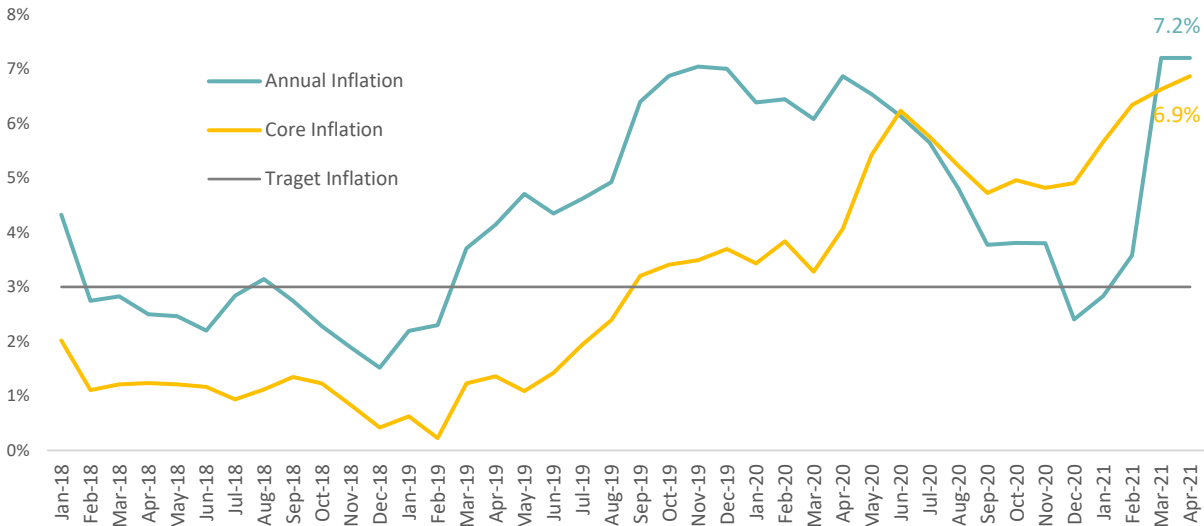
Economic Growth, % m/m



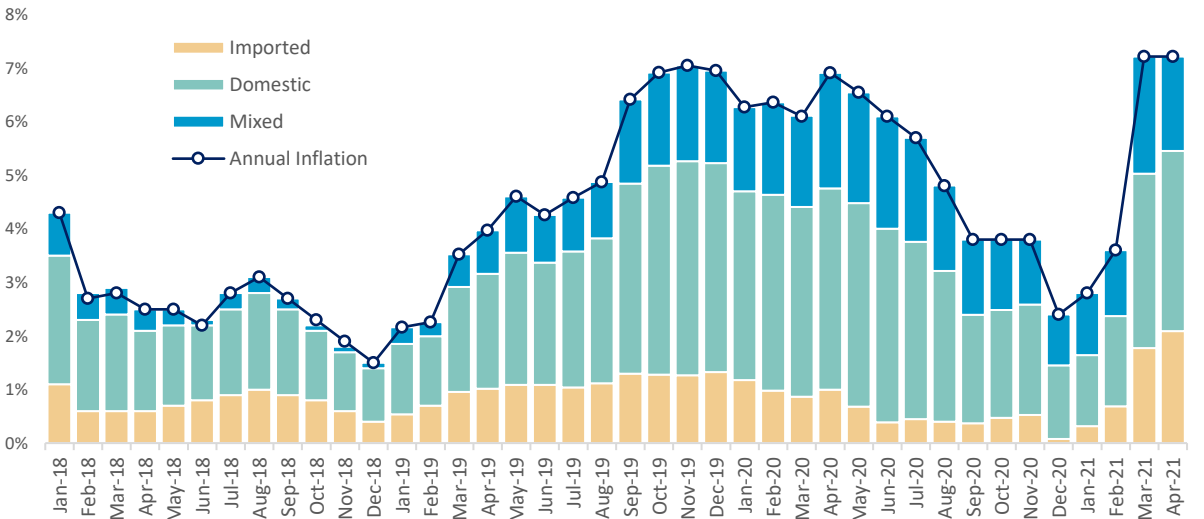
- Estimated real GDP growth rate in March 2021 equaled 4.0 percent YoY and average real GDP declined by 4.2 percent in first quarter of 2021 YoY.
- As of March, seasonally adjusted economic growth was 3.5 percent.
- In March 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Financial and Insurance activities, Trade, Manufacturing, Real estate activities, Electricity, gas, steam and air conditioning supply, Transportation and storage, Information and communication.
- A decline was registered in Construction, Mining and quarrying and Arts, entertainment and recreation.

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

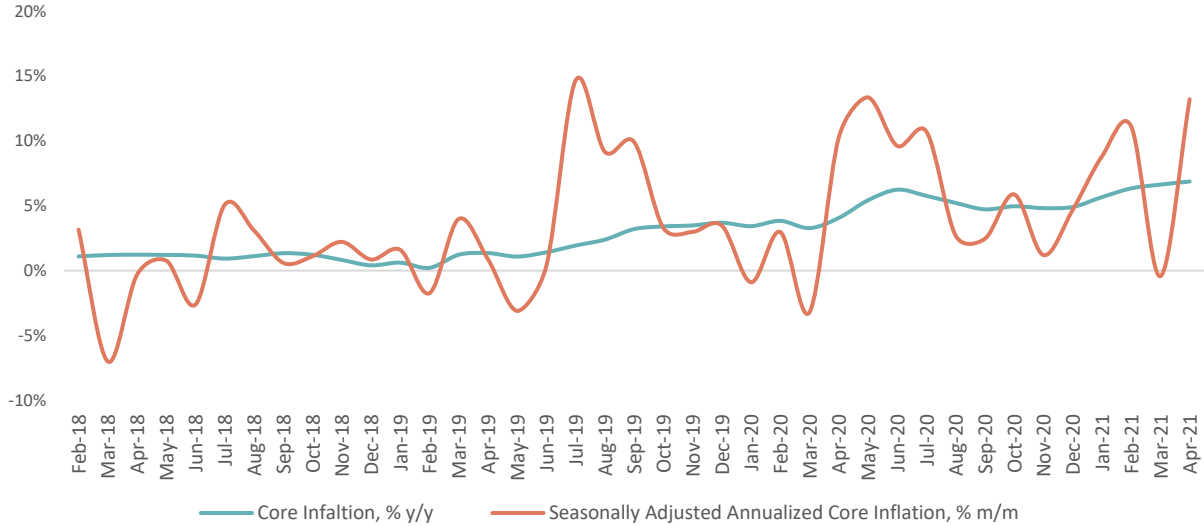
Total and Core Inflation, % y/y



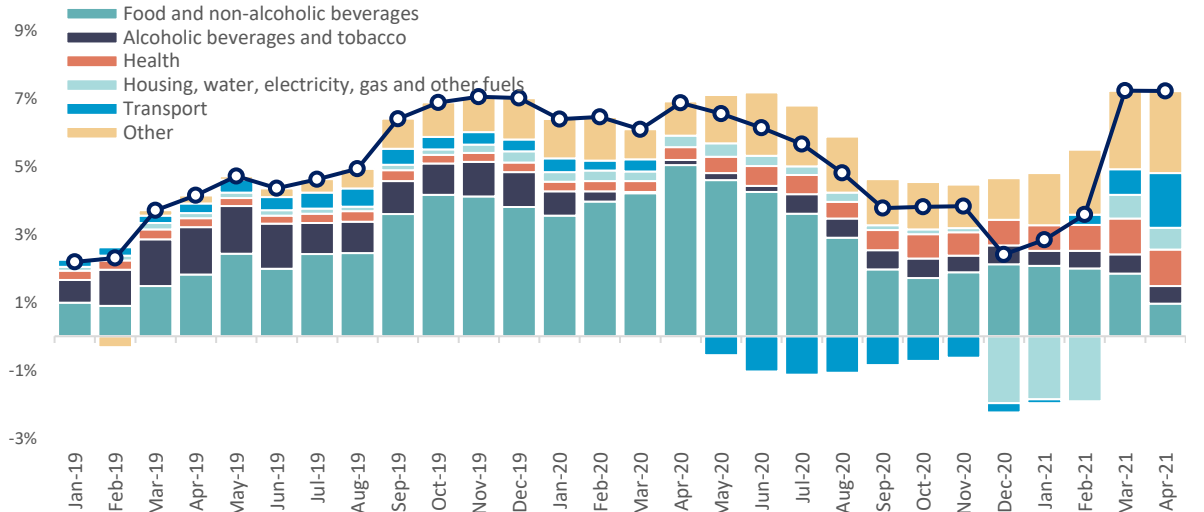
Inflation Decomposition



Core Inflation, % m/m



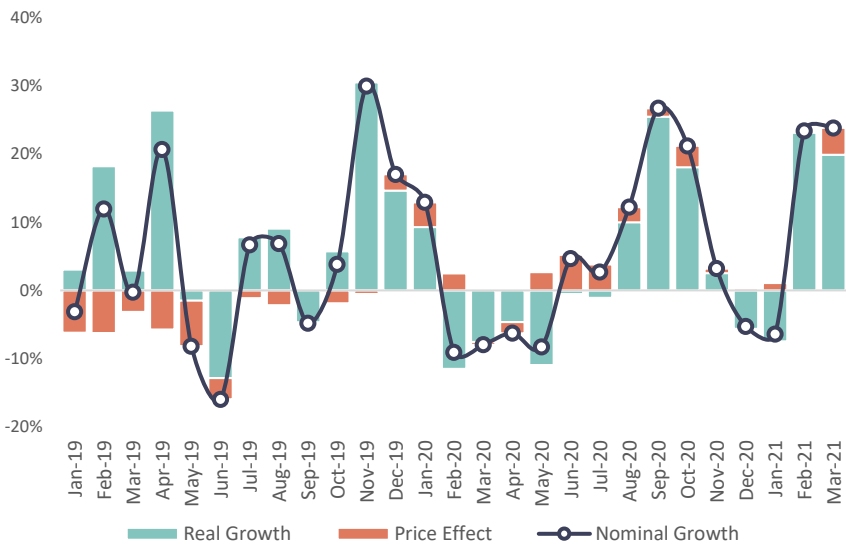
Inflation Decomposition by product group



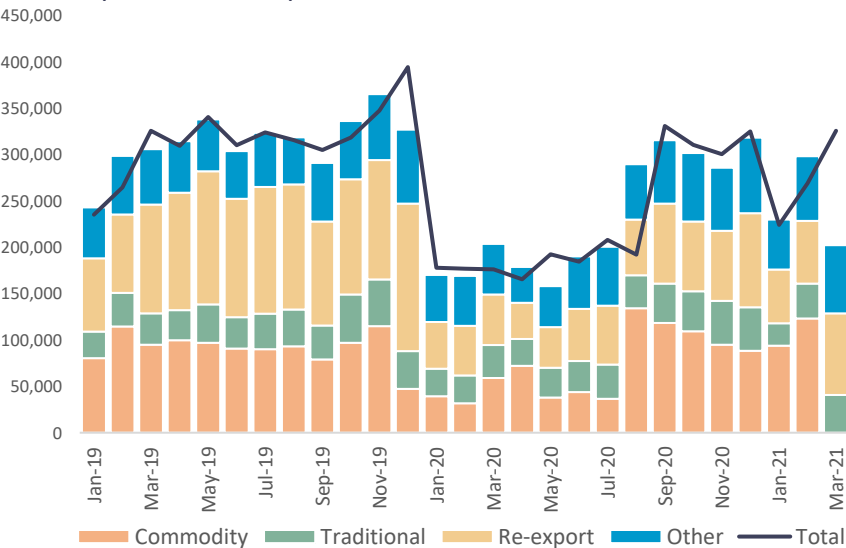
Source: Geostat, NBG, author's calculations

Trade Deficit increased by 9.9 annually

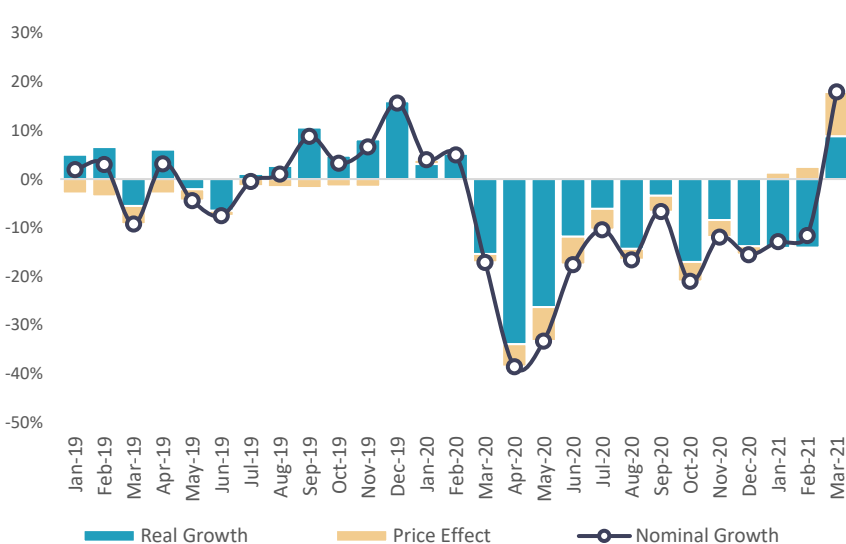
Change of Domestic Export, %/y



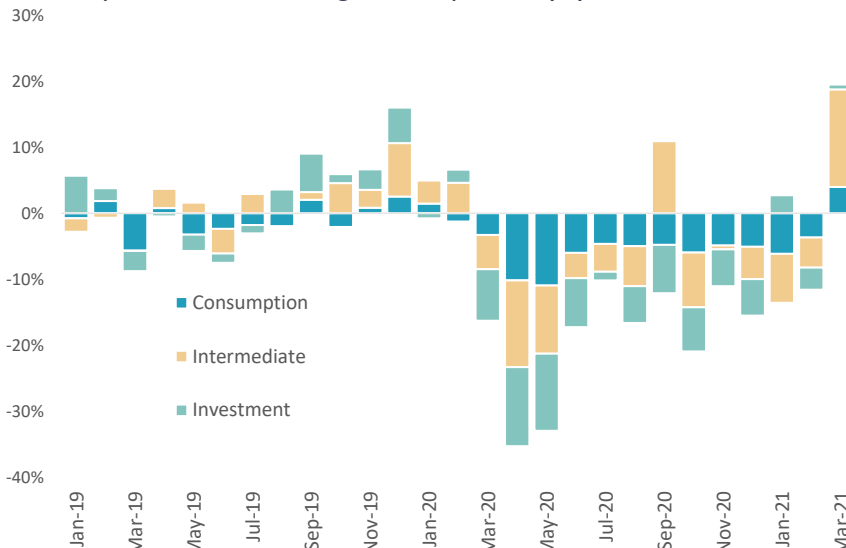
Decomposition of Export



Change of Import, %/y



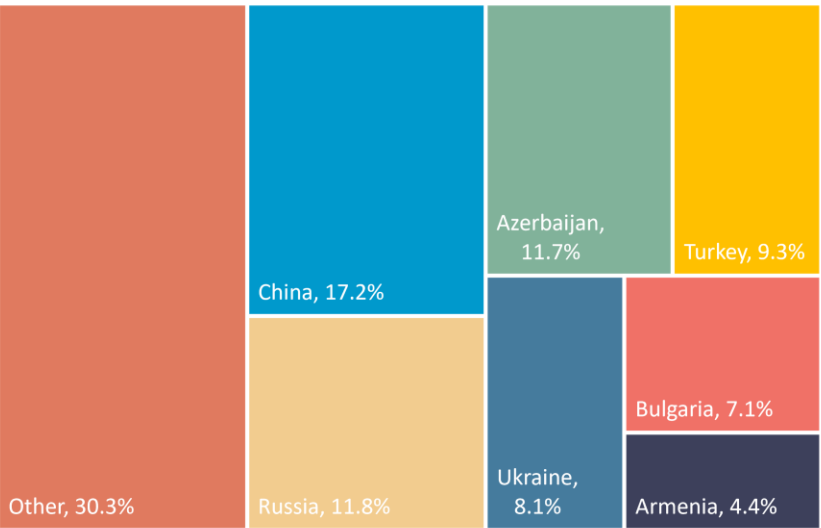
Decomposition of Change of Import, %/y



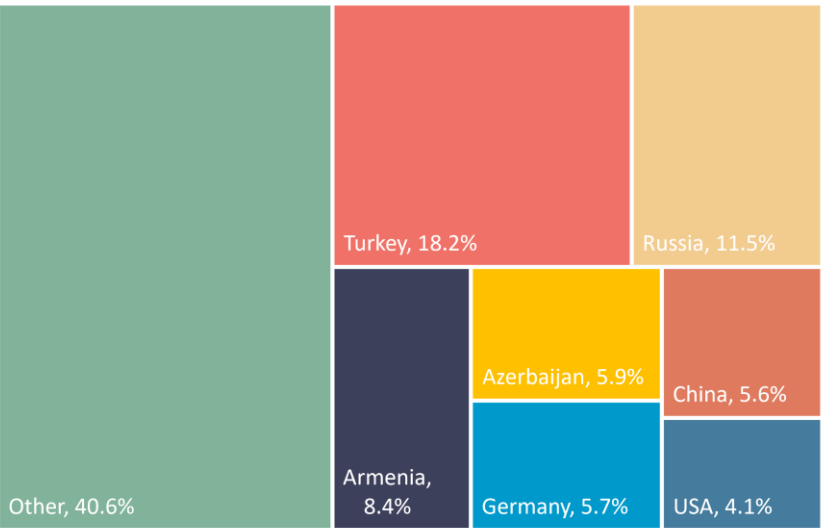
- Export increased annually by 30.6 percent to 325.9 million USD in March.
- Domestic export increased annually by 23.8 percent to 237.9 million USD.
- Import annually increased by 17.9 percent to 768.4 million USD in March.
- Trade deficit annually increased by 9.9 percent to 442.4 million USD in March.
- Share of re-export is equal to 27 percent, while share of commodity export equals to 37.8 percent.
- Import of Investment, Consumption and Intermediate goods annually increased by 0.7, 4 and 14.8 percent respectively (p.p. to overall growth).

International trade is characterized by stable diversification

Export by country, March 2021

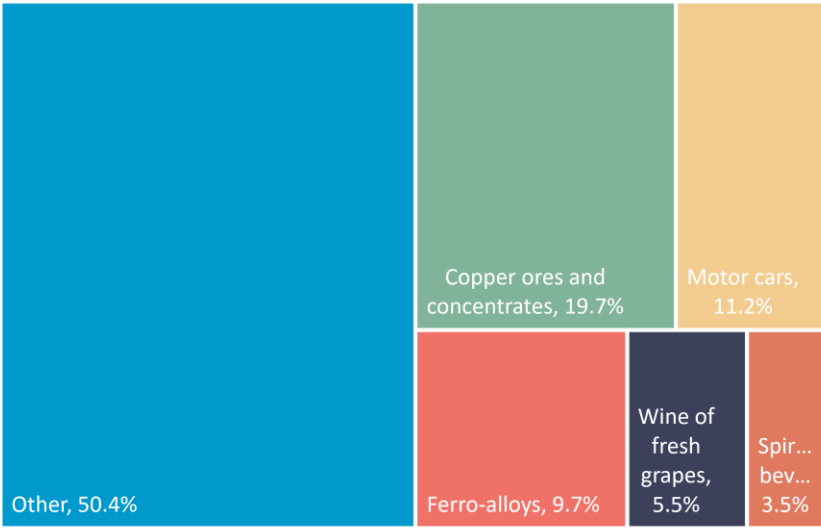


Import by country, March 2021

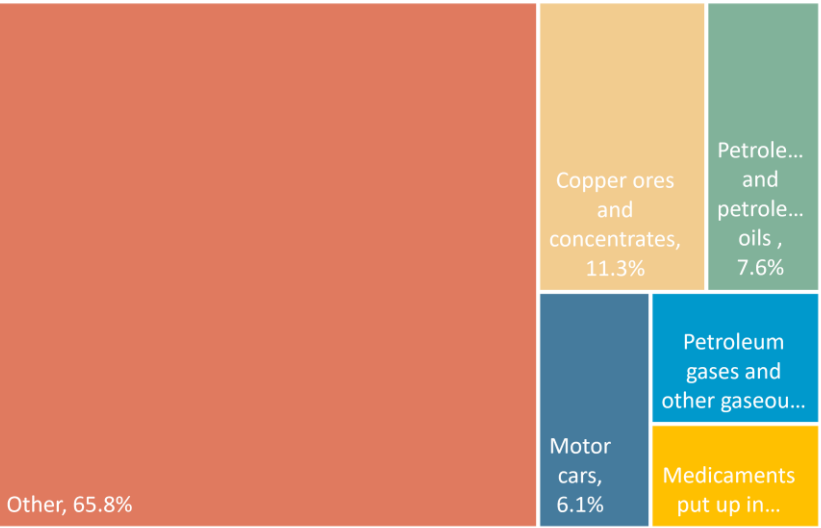


- Top Export Products:
 - Copper ores and concentrates: 64.3 mln. USD - 19.7 percent of total export.
 - Motor cars: 36.6 mln. USD - 11.2 percent.
 - Ferro-alloys: 31.6 mln. USD - 9.7 percent.
- Top Import Products :
 - Copper ores and concentrates: 86.4 mln. USD - 11.3 percent of total import.
 - Petroleum and petroleum oils: 54.5 mln. USD - 7.6 percent.
 - Motor cars: 47 mln. USD - 6.1 percent.

Export by product, March 2021



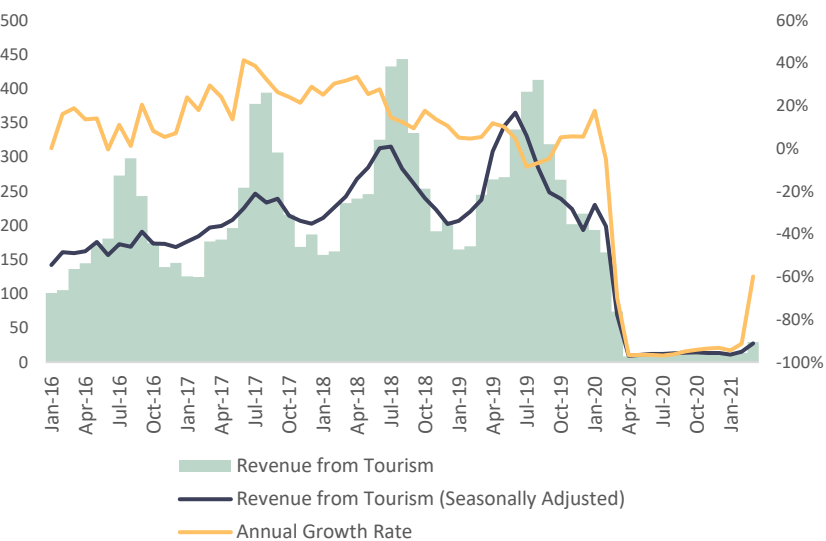
Import by product, March 2021



- Top Export Country:
 - China: 55.9 mln. USD - 17.2 percent.
 - Russia: 38.4 mln. USD - 11.8 percent.
 - Azerbaijan: 38.2 mln. USD - 11.7 percent.
- Top Import Country :
 - Turkey: 139.5 mln. USD - 18.2 percent.
 - Russia: 88.7 mln. USD - 11.5 percent.
 - Armenia: 64.5 mln. USD - 8.4 percent.

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

Revenue from Tourism

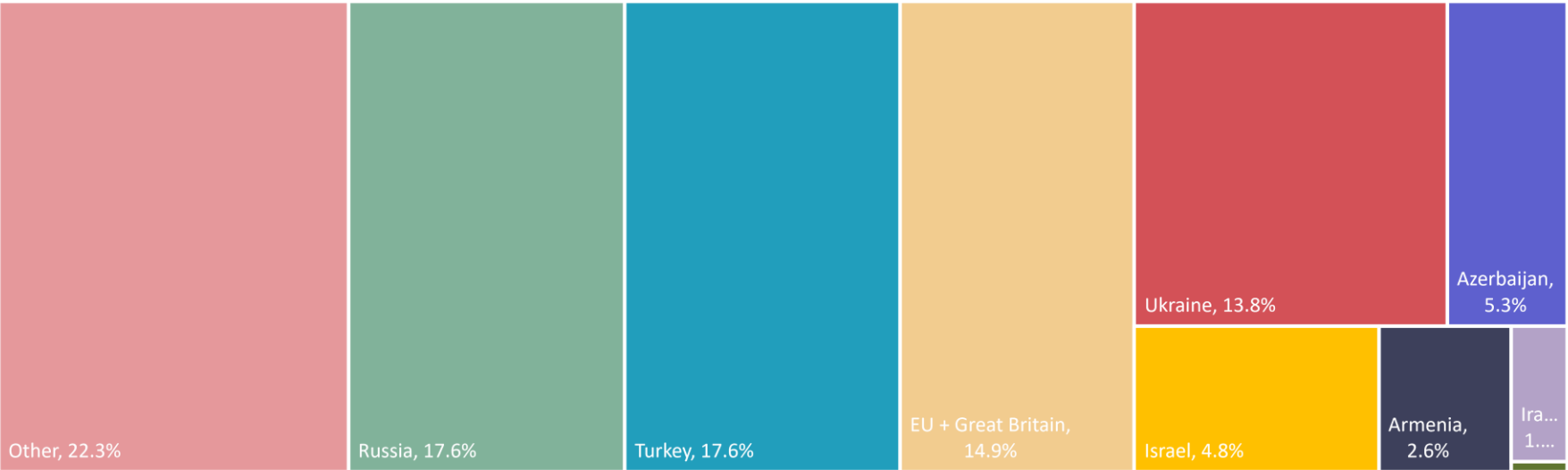


Revenue from Tourism, March 2021

Country	Tourism Revenue	Change, % y/y
Turkey	5189.6	-60.0%
EU + UK	4406.7	-65.0%
Russia	5198.8	-65.4%
Ukraine	4071.4	-31.8%
Azerbaijan	1559.9	-77.6%
Armenia	770.0	-82.6%
Other	8345.8	-47.5%

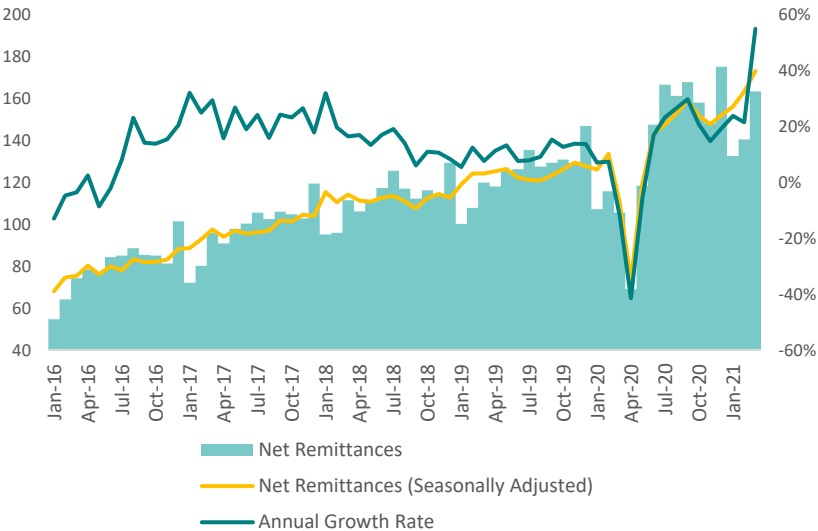
- In March 2021, tourism revenues fell 60 percent to 29.5 million USD.
- At the same time, tourism revenues increased by 185.2 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 81.5 percent.

Revenue from Tourism by country



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

Net Remittances

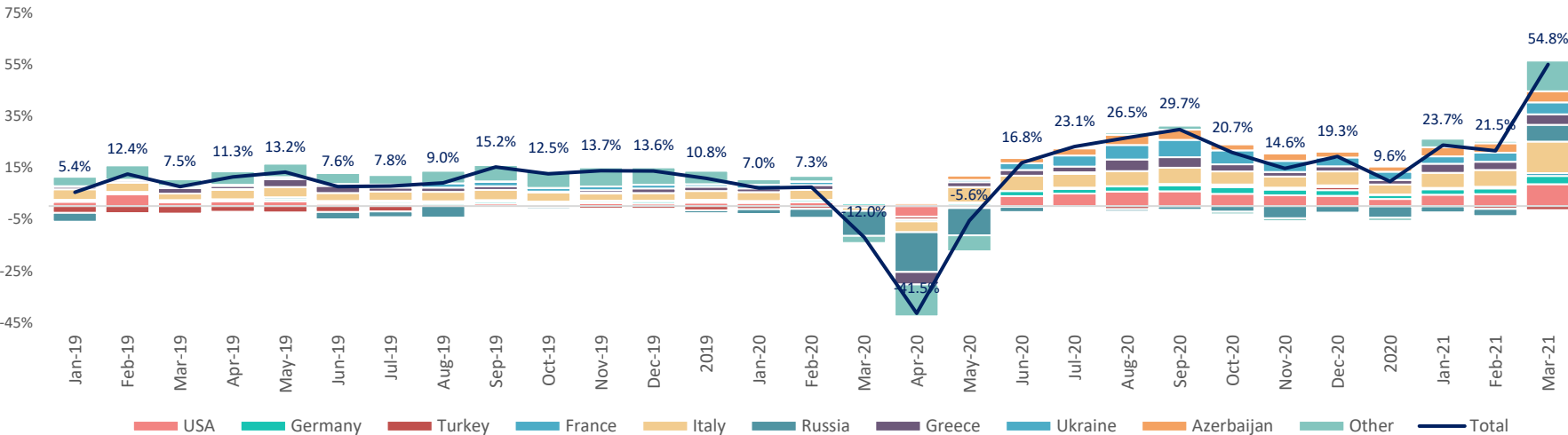


Net Remittances, February 2021

Country	Net Remittances	Change, %y/y	Share, %
Italy	30,088.6	76.6%	18.4%
USA	23,824.4	61.9%	14.6%
Greece	19,713.2	27.6%	12.1%
Russia	24,694.4	39.6%	15.1%
Israel	15,318.9	33.8%	9.4%
Other	49,650.5	70.4%	30.4%

- In March 2021, net remittances were estimated at 163.3 million USD, representing a 54.8 percent annual increase.
- Net Remittances increased from:
 - Russia: 39.6 percent (6.7 p.p. contribution to overall growth).
 - Italy: 76.8 percent (12.4 p.p. contribution to overall growth).
 - USA: 61.9 percent (8.6 p.p. contribution to overall growth).
 - Greece: 27.6 percent (4.1 p.p. contribution to overall growth).
 - Remittances from Ukraine and Azerbaijan also increased significantly.

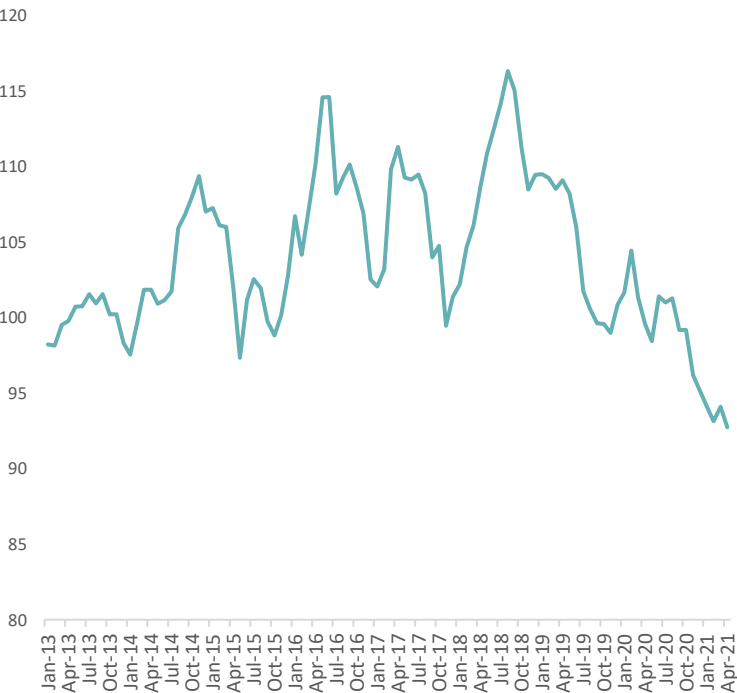
Net Remittances by country, %y/y



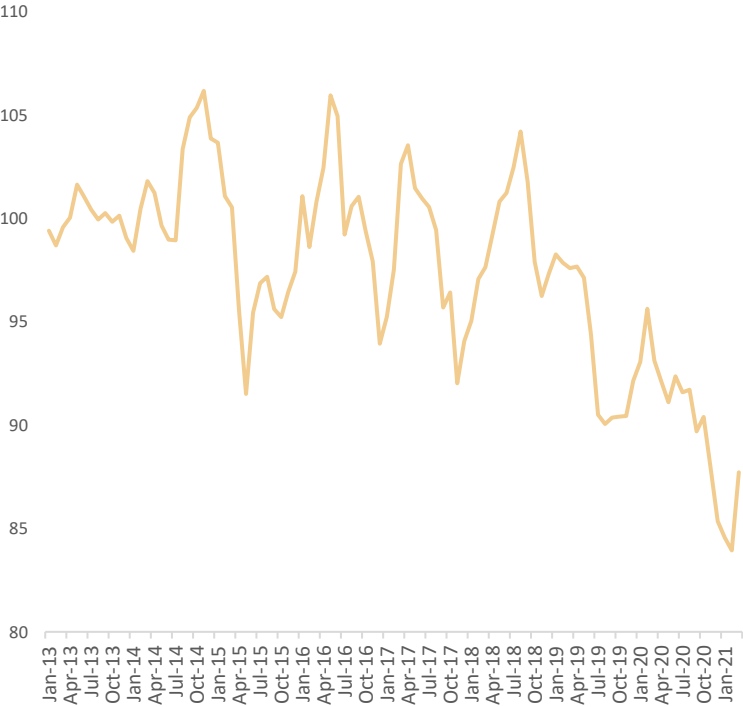
- Net Remittances decreased from:
 - Turkey: -29.5 percent (-1.5 p.p. contribution to overall growth).

The real effective exchange rate in March appreciated by 4.5 percent compared to the previous month

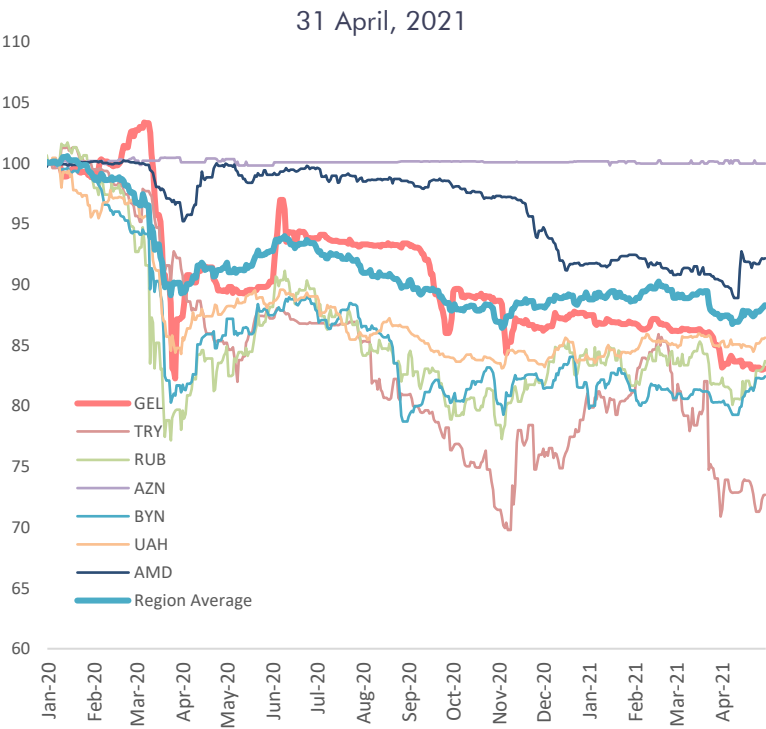
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

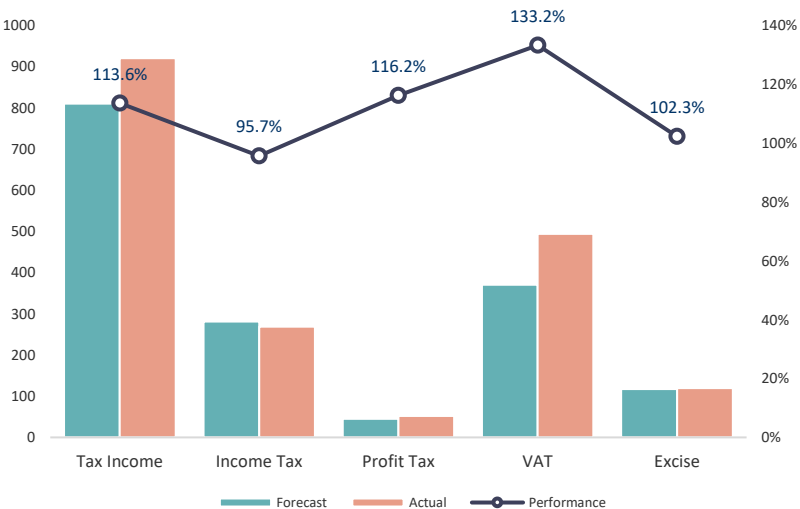


Note: Increase means appreciation

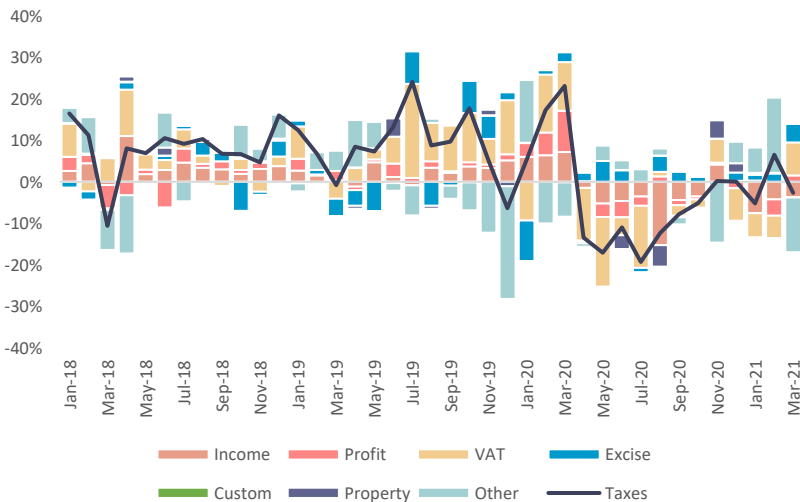
	31 April, 2021	31 April 2021 - 1 January 2021	31 April 2021 - 1 January 2020
Euro	4.1818	-23.1%	-26.8%
US Dollar	3.4503	-16.9%	-22.5%
Turkish Lira	0.4214	14.3%	19.9%
Russian Ruble	0.0464	-0.7%	-17.3%
NEER	109.82	-0.7%	-7.9%
REER (March 2021)	107.84	2.8%	-4.8%

Tax revenues in the first four months exceeded the forecast value by 3.2 percent

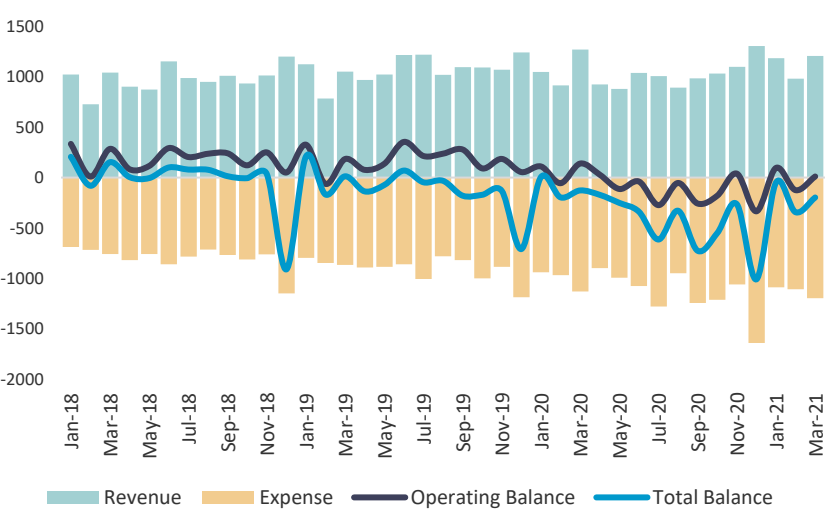
Budget Revenue Performance, March 2021



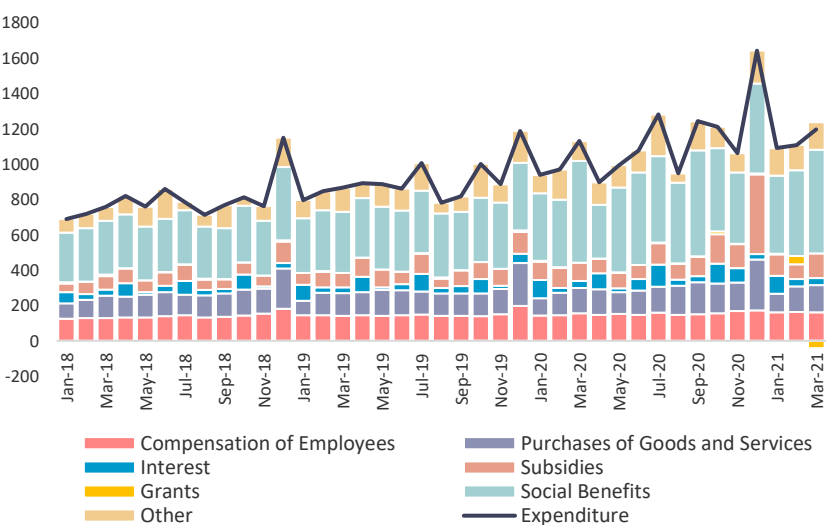
Tax Income, % y/y



Consolidated Budget, mln GEL



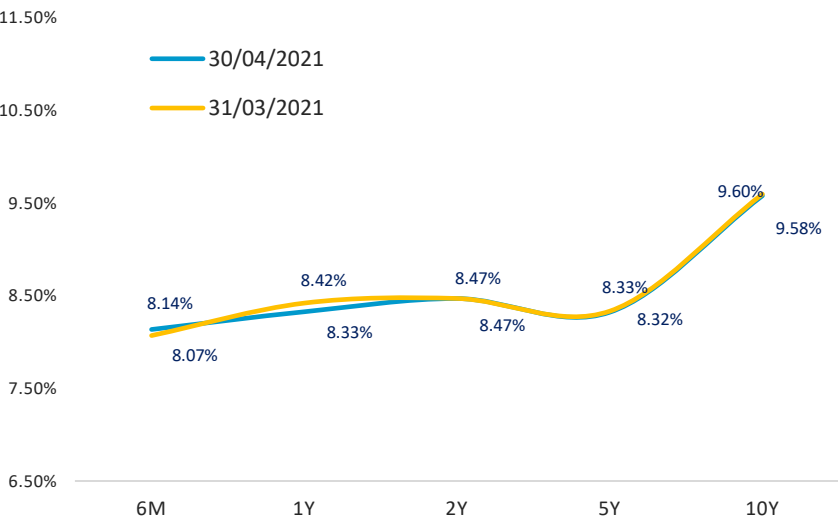
Consolidated Budget Expenditure, mln GEL



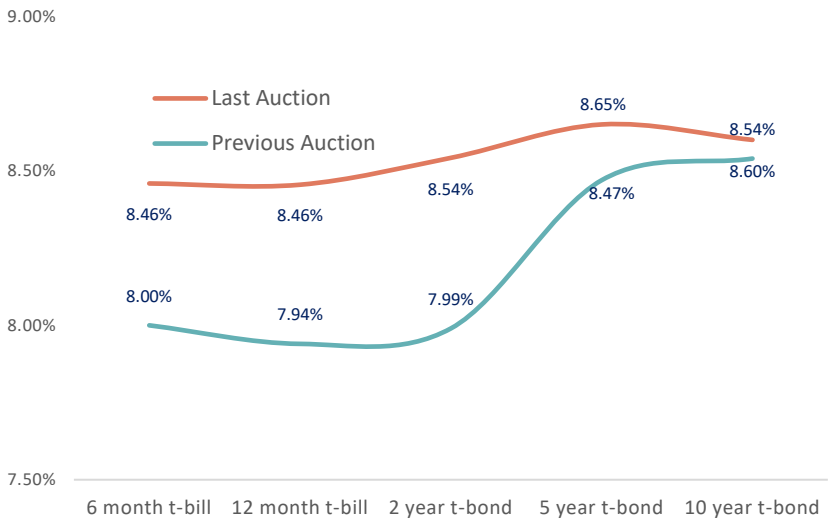
- The forecast of tax income for January-April 2021 is 3,757.9 million GEL, while the actual figure for January-April 2021 is 3.2 percent higher than planned and equals to 3,877.6 mln GEL.
- The actual level of tax income in April was 920.5 mln GEL, which is 13.6 percent higher compared to the forecasted value of tax income of 810.1 mln GEL.
- Consolidated budget revenues decreased by 4.6 percent and expenditures increased by 5.9 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to 10.8 million GEL, while the total balance was set at -197 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 7.9 percent of total growth.

The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

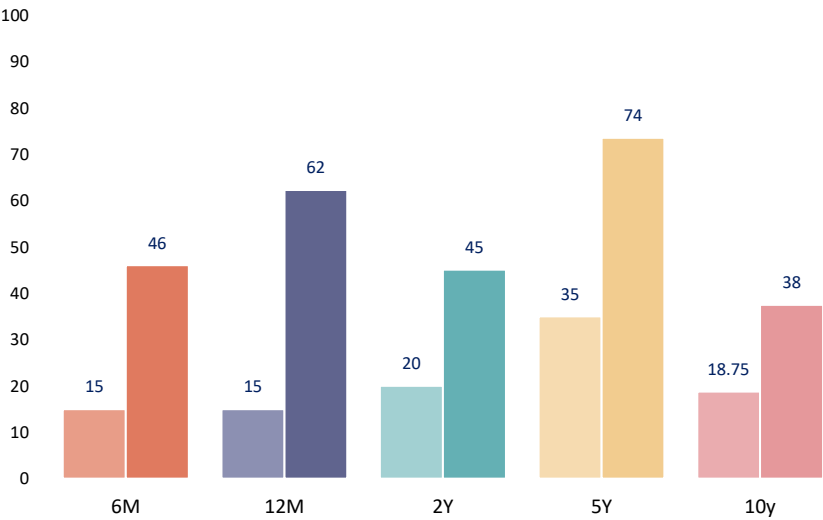


Weighted average interest rates

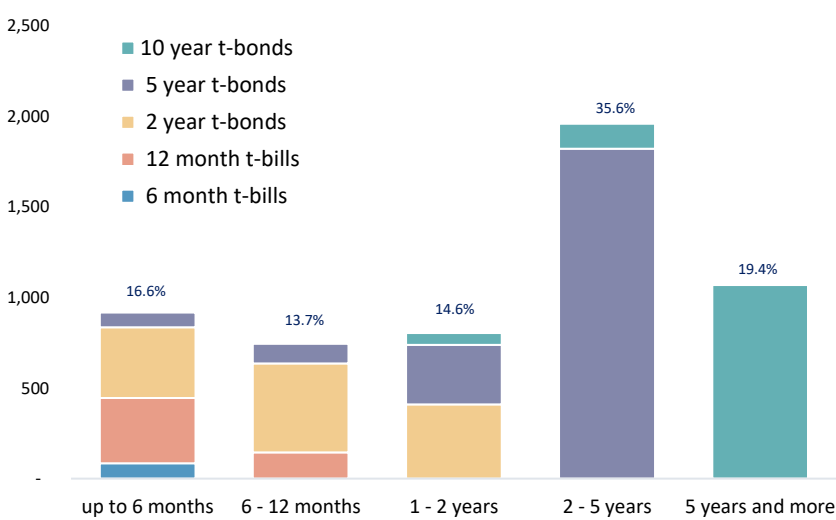


- In April 2021, 5 auctions were held with total issuance volume of 103.750 million GEL.
- The weighted average interest rate amounted to 8.564 percent.
- There were issued treasury bills with maturities of 6 months and 12 months; Treasury bonds with maturities of 2, 5 and 10 years.
- Treasury securities with total amount of 140 million GEL were redeemed.

Issuance and Demand, mln GEL



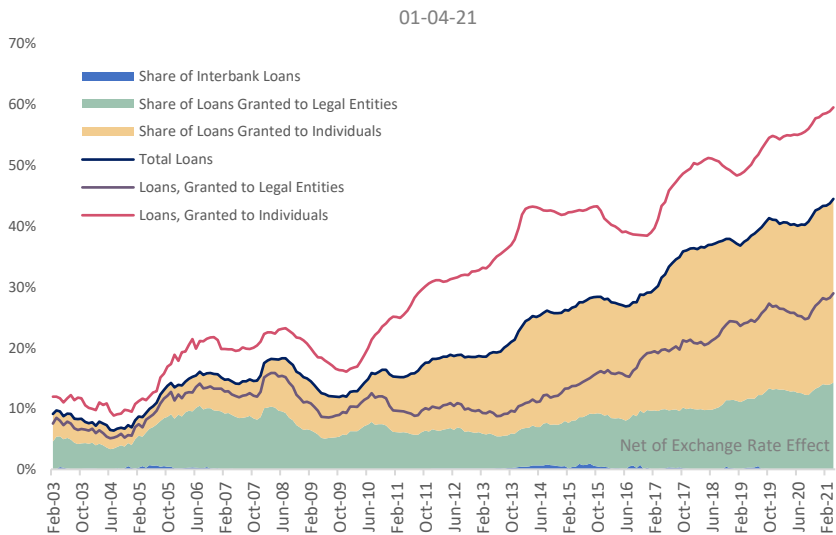
Portfolio Forming Securities Composed by Time to Maturity



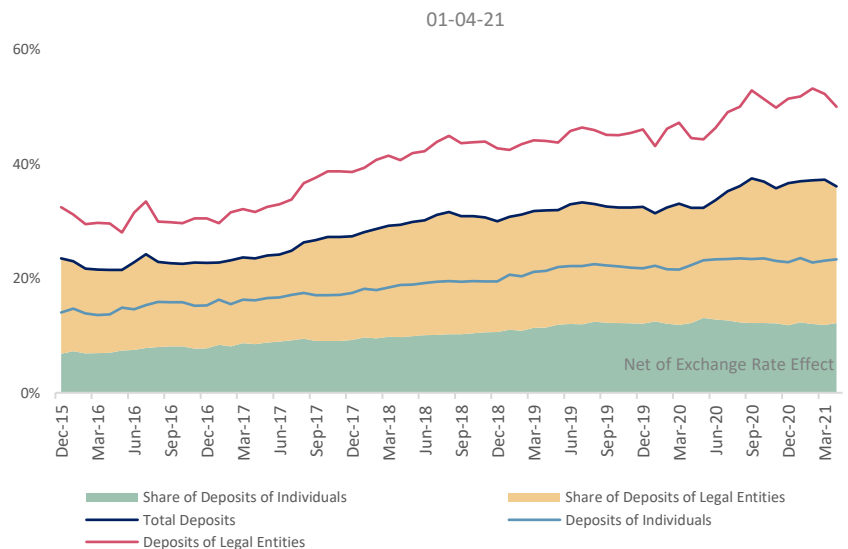
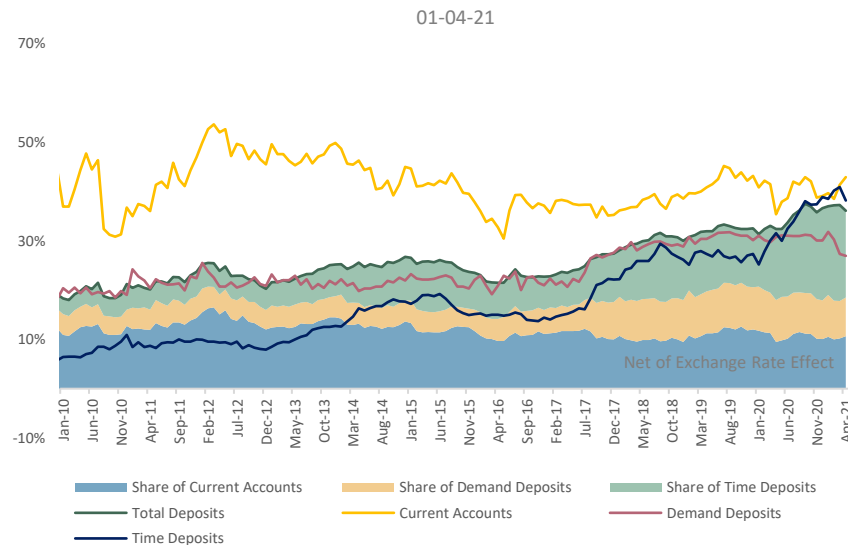
- As of April 31, 2021, 30.3 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- Bid-to-cover ratio decreased compared to the previous month's value (March 2.71) and is 2.55.

The larization rates continue to rise

Loan Larization



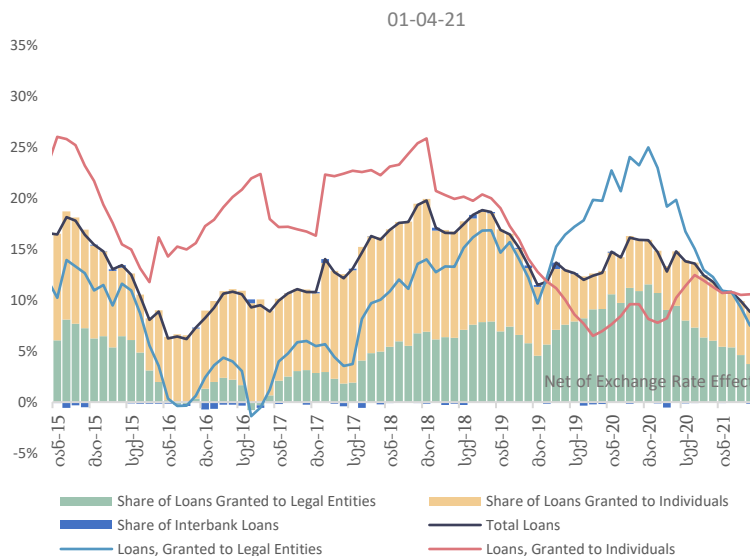
Deposit Larization



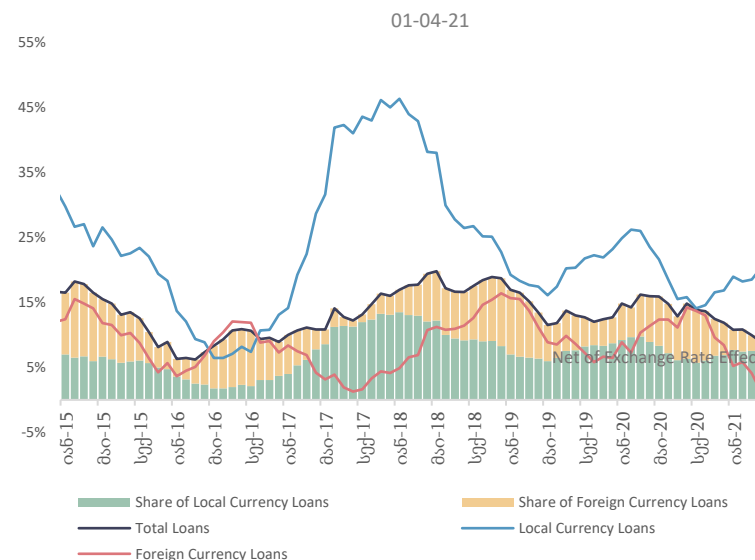
- As of April 1, 2021, the larization of total loans is 44.4 percent.
- The larization of loans to individuals is 59.5 percent.
- The larization of loans to legal entities amounted to 28.9 percent.
- The larization of total deposits equals to 36.1 percent.
- The larization on deposits of legal entities amounted to 50 percent.
- The larization of deposits of individuals is 23.3 percent.
- The larization of time deposits is 38.1 percent.
- The larization of current accounts equals to 42.9 percent.
- The larization of demand deposits is 27 percent.

The annual growth trend of loans is revealed

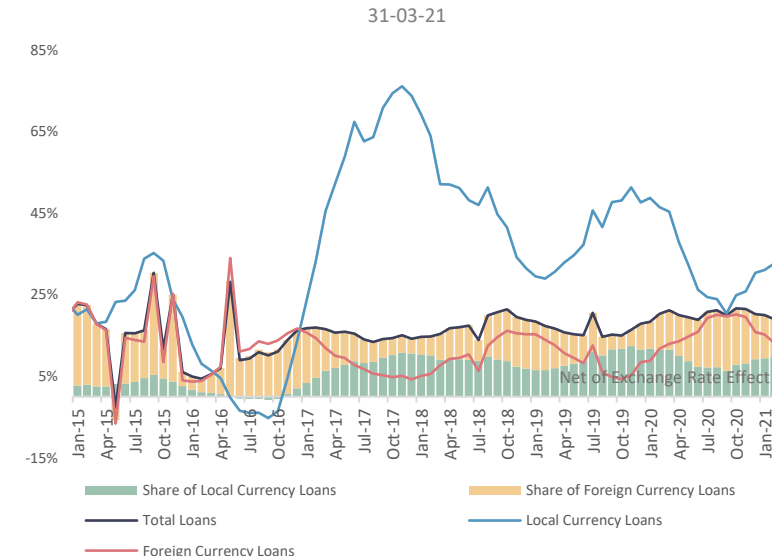
Loans, % y/y



Loans by Currency, % y/y



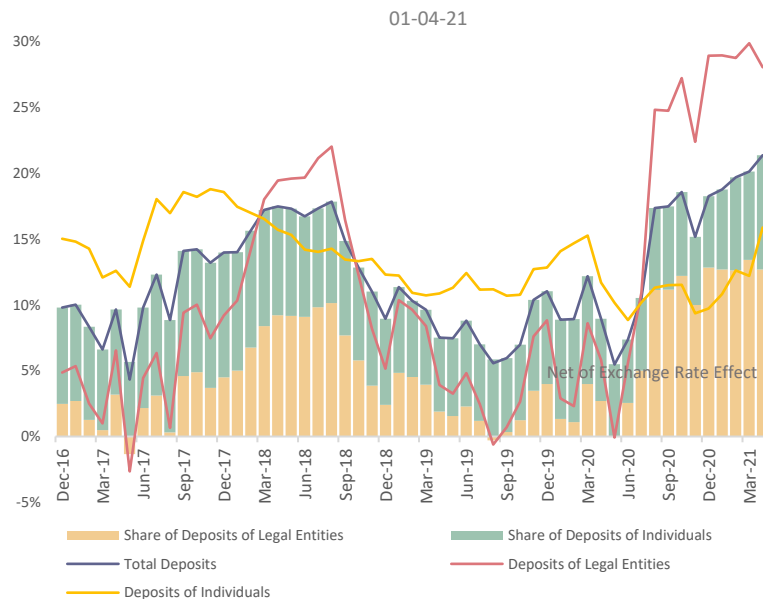
Mortgage Loans, % y/y



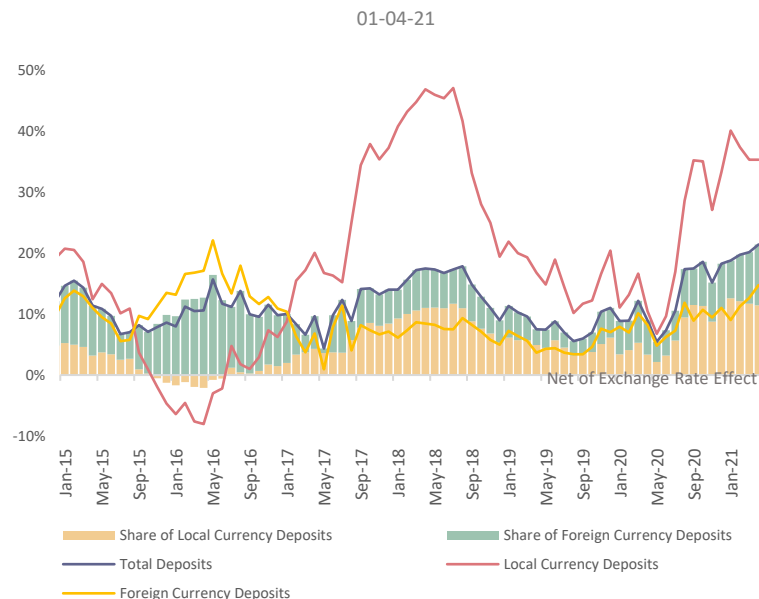
- As of April 1, 2021, total loans increased by 8.9 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- A significant decrease is observed in the annual growth of loans to legal entities, which led to a decrease in its value to 7.5 percent by 2021.
- The annual growth of loans to individuals is 10.8 percent.
- As of April 1, 2021, the growth rate of loans denominated in the national currency amounted to 20.3 percent.
- The annual growth of loans denominated in foreign currency amounted to 1.2 percent.
- As of March 31, 2021, the annual growth of loans secured by real estate amounted to 17.5 percent. At the same time, mortgage loans denominated in national currency increased by 31.8 percent, while mortgage loans denominated in foreign currency increased by 11.3 percent.

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

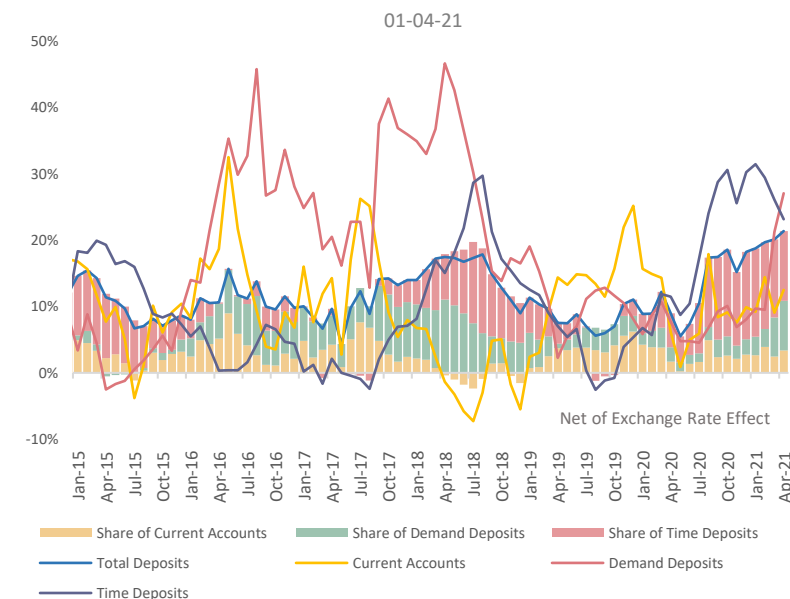
Deposits, % y/y



Deposits by Currency, % y/y



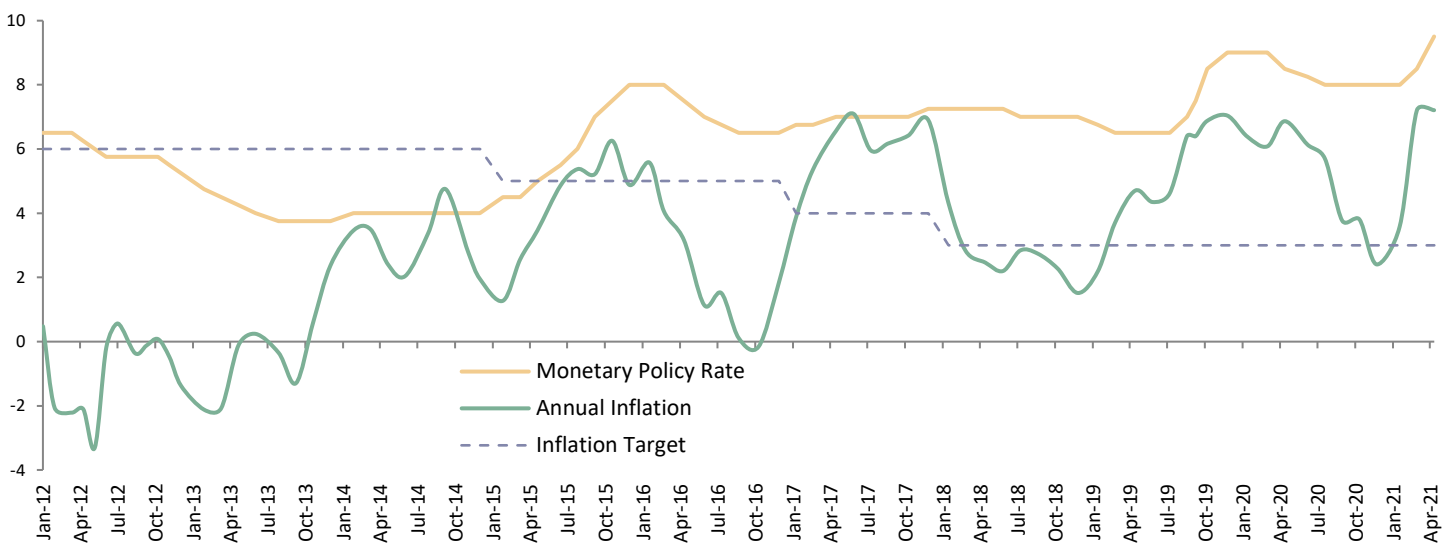
Deposits by type, % y/y



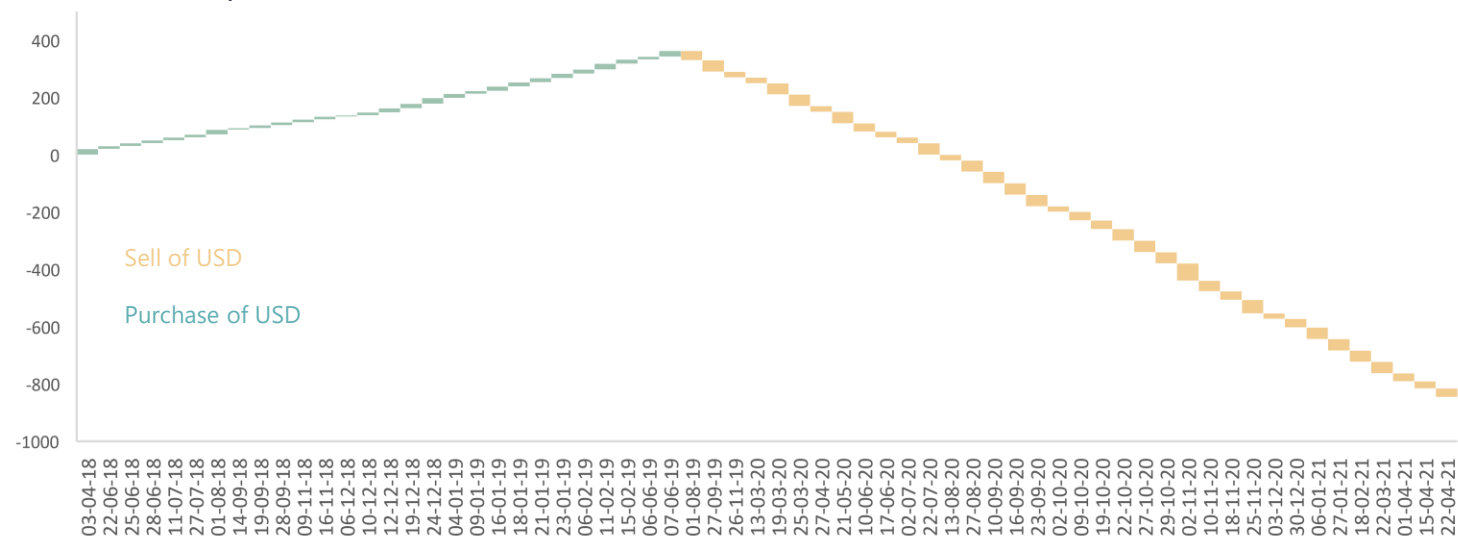
- As of April 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 21 percent.
- The annual growth of deposits denominated in the national currency amounted to 35 percent. The annual growth of deposits denominated of foreign currency is relatively stable at 15 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 28 percent.
- The annual growth of current accounts increased by 3.5 percentage points compared to March. At the beginning of April 2021, the growth rate was equal to 12.5 percent.
- The annual growth of time deposits was 23.1 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits significantly exceeded the annual growth of March by 5.8 pp and amounted to 27 percent.

The refinancing rate increased by 1.0 percentage points to 9.5 percent

Inflation and Monetary Policy Rate



Trade of USD by NBG, mln USD

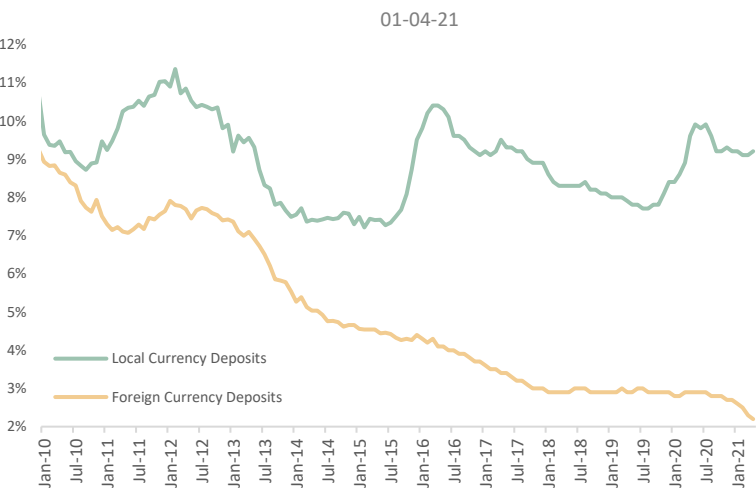


Source: NBG

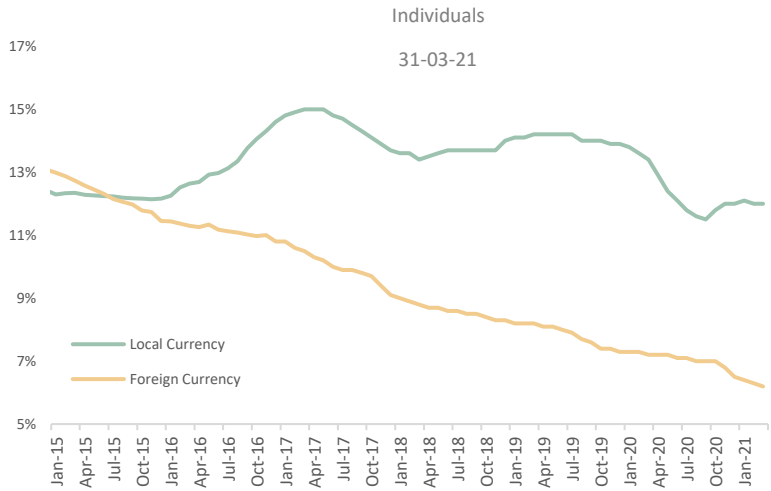
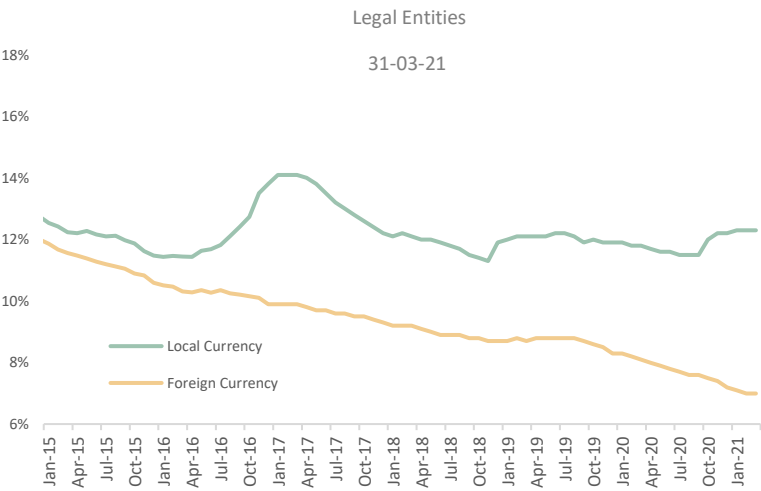
- On April 28, 2020, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 1 percentage points.
- The monetary policy rate was set at 9.50 percent.
- According to the National Bank, all other things equal, , inflation will average around 6.5 percent in 2021 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 June 23, 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 April 1, 2021, the interest rate on foreign currency deposits was 2.2 percent, and in national currency - 9.2 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 9.2 percent, and in foreign currency - 1.7 percent.
- The average annual interest rate on deposits by individuals is 2.4 percent for foreign currency deposits and 9 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 18.2 percent (23.5 percent in national currency and 6.4 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 7.8 percent in foreign currency).
- At the end of March 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 12.6 percent, and in foreign currency - 7 percent. The interest rate on loans to individuals in the national currency was 11.9 percent, and in foreign currency - 6.3 percent.

Disclaimer

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