

WEEKLY UPDATE FROM
THE CHIEF ECONOMIST



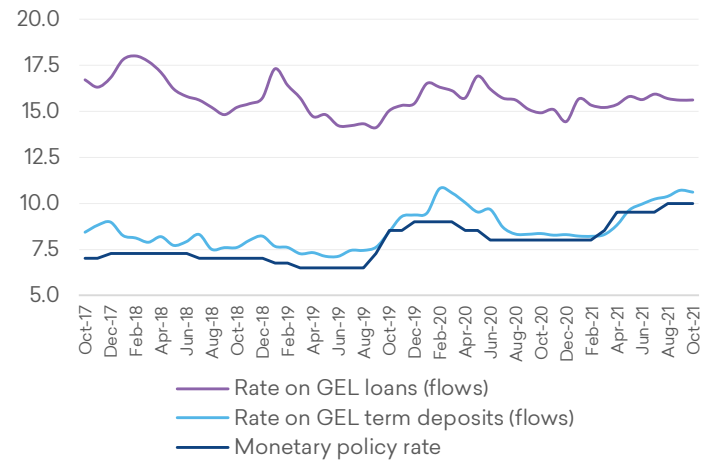
Weekly Update from the Chief Economist

29.11.2021

In October, the GEL rates somewhat normalized after increasing mainly due to [post-election related depreciation expectations](#). November data on the reversal of deposit growth to GEL points out to the likely further decline of GEL rates. The GEL yield curve also indicates to rate cut expectations going forward. While lower oil prices should lead to a lower inflation pressures, as the drop was on the back on new Covid variant related higher uncertainties, in Georgia's context, contrary to the Fed's approach, it is an argument for slower pace of the monetary policy normalization. Per our judgement, it is probably still too early to materially revise our [growth and the GEL rates outlook for 2022](#).

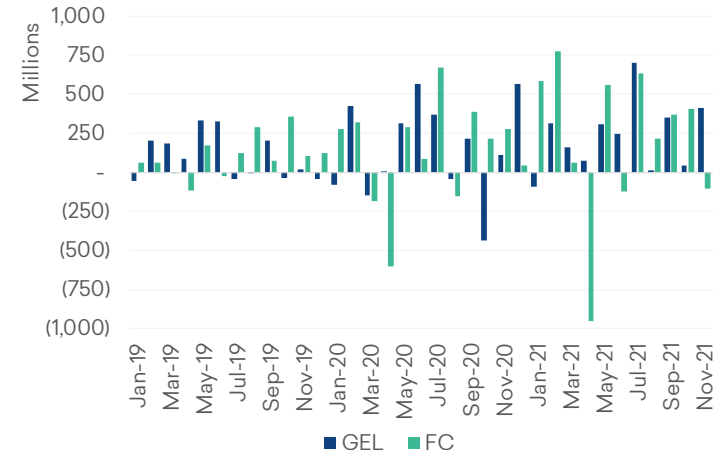
The FC rates also declined, now in parallel with the GEL. Even if we see [the Fed hiking rates as early as June 2022](#), we stick to our view that the low [FC rates in Georgia will stay for a while](#).

INTEREST RATES ON GEL LOANS AND DEPOSITS AND MONETARY POLICY RATE (%)



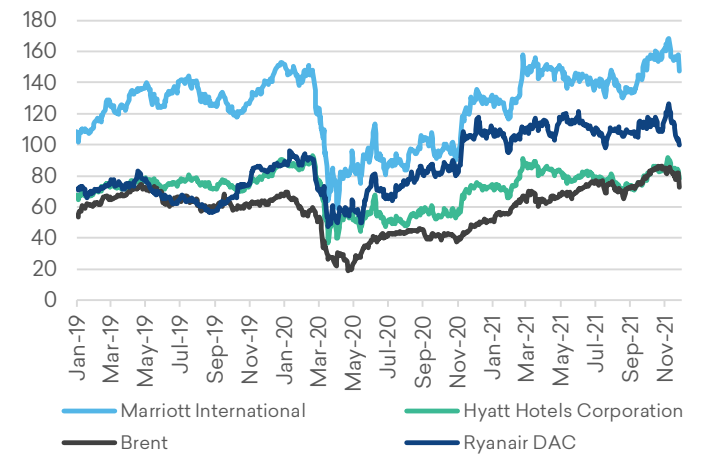
Source: NBG

GROWTH OF DEPOSITS BY CURRENCIES (MoM, SA, FX-adjusted GEL)



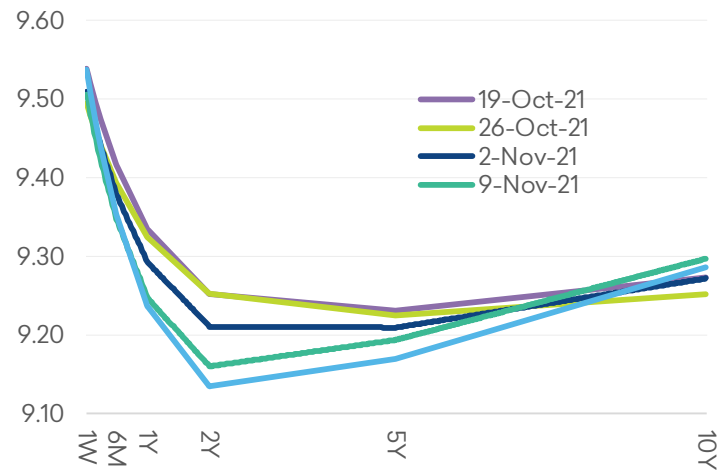
Note: Excluding government deposits; November estimate is based on M2 and M3 daily dynamics; as of 26-Nov-2021
Source: NBG, TBC Capital

SELECTED COMPANY SHARE AND BRENT OIL PRICES (in USD)



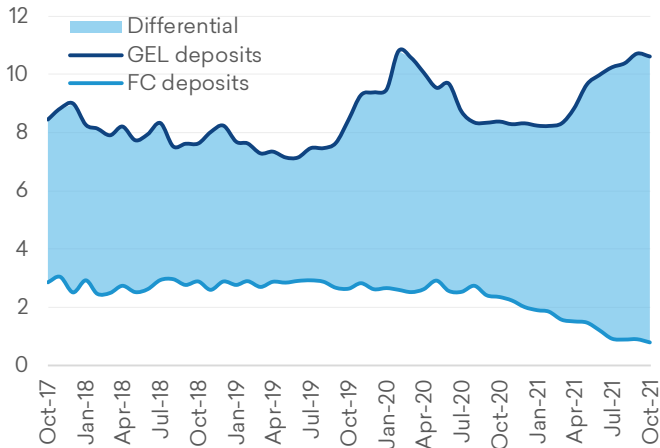
Source: Bloomberg

GEORGIAN LARI YIELD CURVE (%)



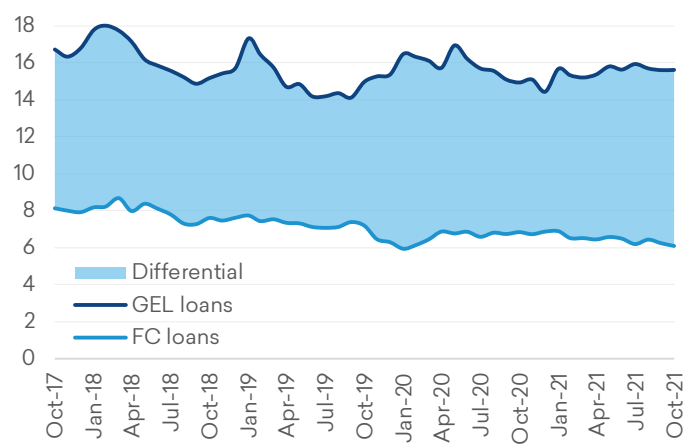
Source: NBG

INTEREST RATES ON TERM DEPOSITS (FLOWS, %)



Source: NBG

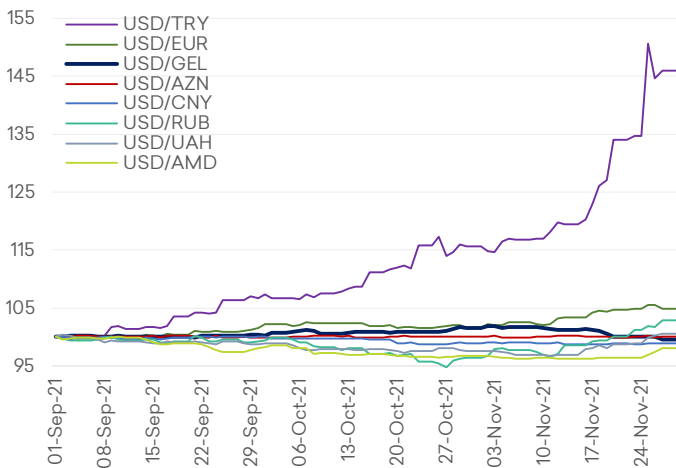
INTEREST RATES ON LOANS (FLOWS, %)



Source: NBG

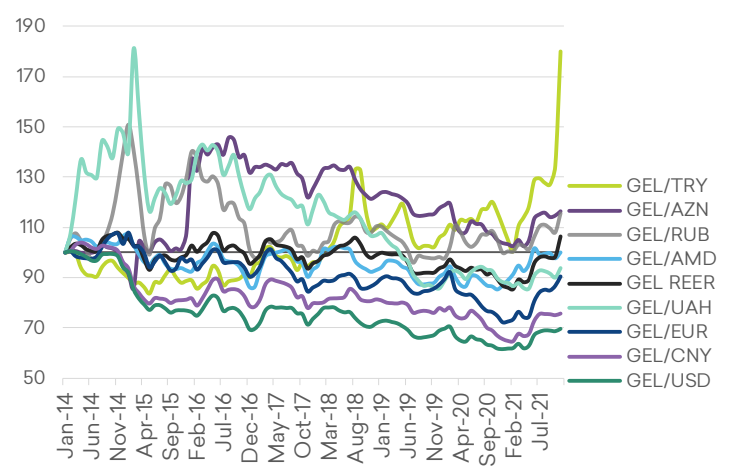
As for the GEL, last week the GEL REER strengthened further, enabling to argue that now there could be even more room for the correction. However, it also should be noted that from the long-term trend perspective, the GEL remains slightly undervalued.

GEORGIA'S MAJOR TRADE PARTNERS' CURRENCIES TO USD (1-Sep-2021 = 100)



Note: As of 26-Nov-2021
Source: NBG

RER INDICES OF GEL (JAN-14 = 100)



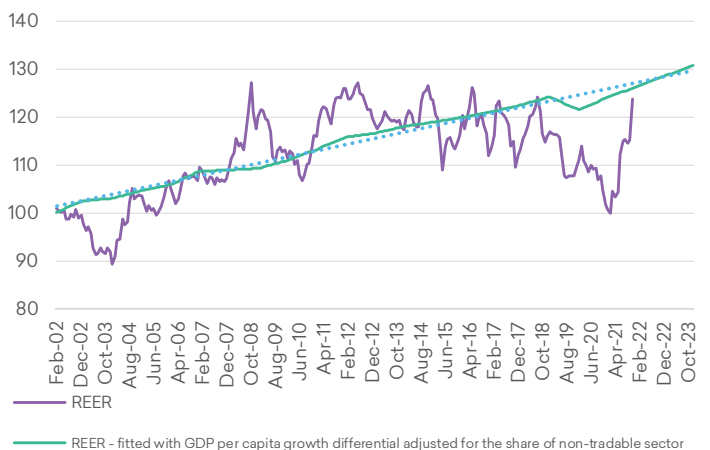
Note: As of 26 Nov, increase means GEL appreciation
Source: NBG, corresponding statistical entities, TBC Capital

THE GEL REER, DAILY ESTIMATES (% DEVIATION FROM PERIOD AVERAGE)



Note: As of 26 Nov, increase means GEL appreciation
Source: NBG, corresponding statistical entities, TBC Capital

GEL ACTUAL AND FITTED REER



Note: as of 26 Nov
Source: NBG, World Bank

Data releases to watch this week:

- Nov 30 – Rapid Estimate of Economic Growth, October 2021.
- Dec 3 – Consumer Price Index, November 2021.

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