



WEEKLY UPDATE FROM  
THE CHIEF ECONOMIST

# Weekly Update from the Chief Economist

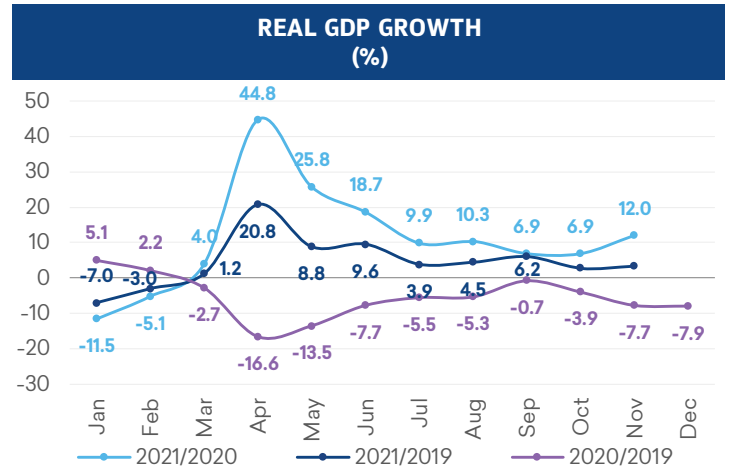
04.01.2022

November GDP growth, [in line with expectations](#), came in at 12.0%, being substantially stronger than in the previous month mainly on the back of lower base effect, though the growth was also higher when compared to 2019. From the sectors' perspective, the rebound was broad-based as all major sectors increased except construction, the latter, similar to previous months, being negatively affected by [ongoing fiscal consolidation](#).

[While exports, tourism, remittances, and imports were strong](#), likewise fiscal stance, November credit also cooled. This was a result of slower growth in business segment, especially in the corporate one after record-high rebound in Q2-Q3 2021.

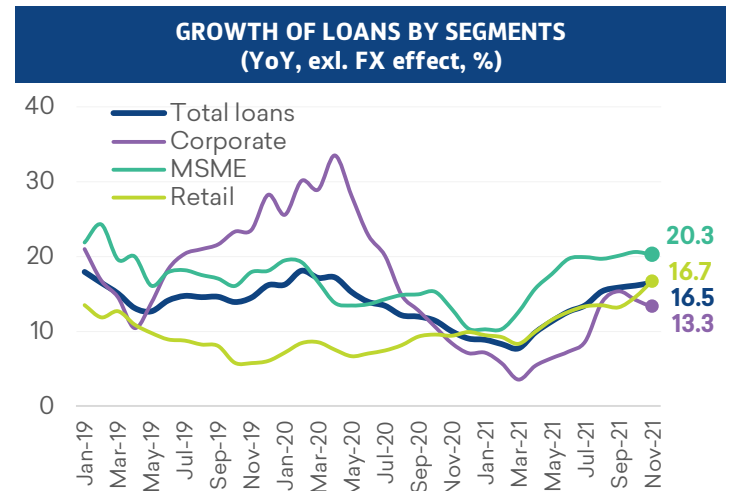
Last week, the NBG released Q3 BoP data. As expected, the balance of trade in goods, tourism, and remittances improved substantially compared to a year ago, as well as overall current account deficit. As from the financing side, only reinvested earnings from

FDI components was sizable, as [equity investments were very low](#). At the same time, non-bank private sector and the central bank were significant source of inflows. As for the banking sector, external borrowings were down, as well as there was USD 71 million increase in banks' FC holdings (see [the shock amplifier](#)), though after a record-high USD 501 million decrease in Q2 2021.



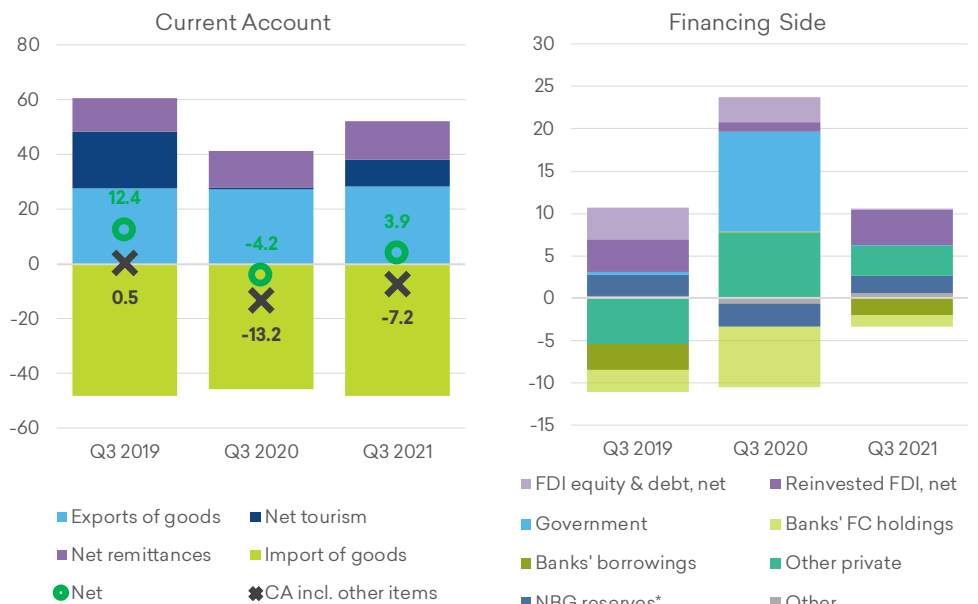
Note: 2021/2019 growth rates are calculated based on corresponding 2021/2020 and 2020/2019 figures. Importantly, GDP growth rapid estimates were revised substantially, though only on a quarterly and not on a monthly basis. Nevertheless, the unadjusted growth figures reflect approximate monthly dynamics.

Source: GeoStat



Source: NBG, TBC Capital

### CA BALANCE AND ITS FINANCING SOURCES (% of GDP)



Note: NBG reserves correspond to gross rather than net reserves; negative values indicate increase in international reserves and bank's FC holdings; \*In Q3 2021, NBG reserves are adjusted by SDR allocations of USD 286 million equivalent

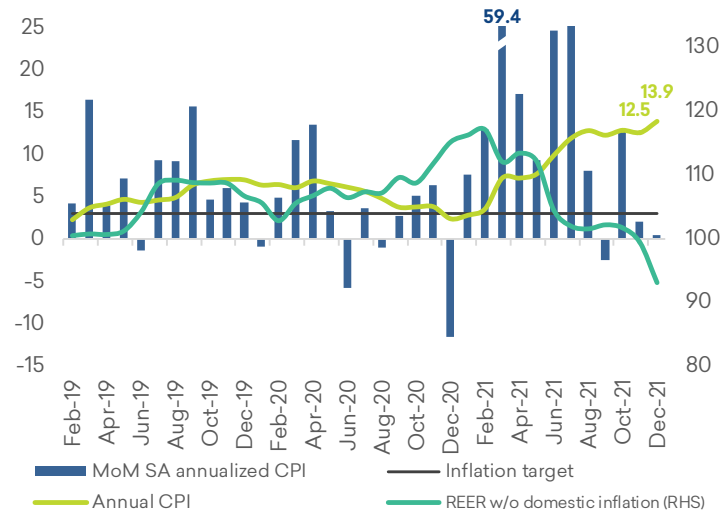
Source: NBG, TBC Capital

This Monday, the Geostat released December CPI inflation data. Broadly [in line with our expectations](#), while annual inflation was up, it was only on the back of the lower base effect, as monthly inflation print was once again below the target.

Unlike Georgia, the December inflation print in Turkey was above expectations. This holds for CPI, but especially for PPI. In particular, D-PPI rose YoY by 79.9% when in the same period USD/TRY was up by 77.3%. While December non-domestic PPI is not yet released, a somewhat similar hike in this measure of prices is most likely fully wiping out the impact of weaker nominal lira in real terms.

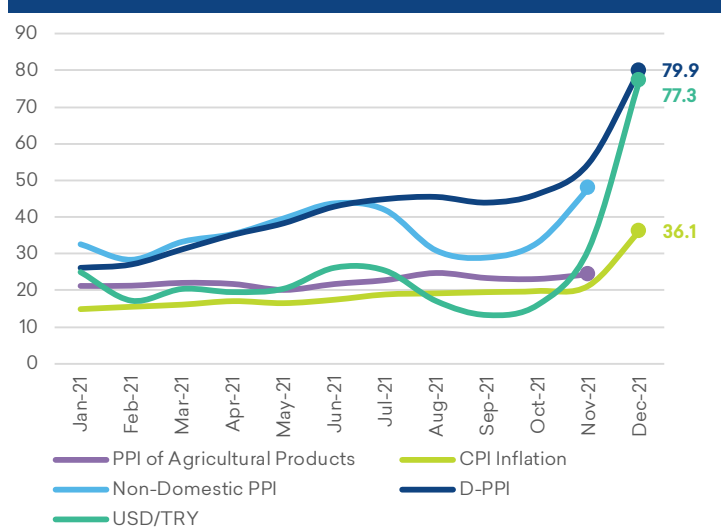
This is important as [our previous analysis](#) was mostly based on CPI-based real exchange rates and certainly for the competitiveness assessment, PPI-based estimates, especially non-domestic PPI for Turkey is more relevant, which also indicates that there is no evidence of material depreciation of lira against the GEL in real terms. Therefore, this additional argument suggests that there can be even no impact at all arising from weaker lira on the Georgian economy and the GEL. The only question probably is related to agricultural products where so far the price increase in Turkey has been rather moderate. However, it should be noted that the share of agricultural products in Turkish imports to Georgia is only around 5%. [As for tourism, exports and remittances the negative impact of a weaker lira is even more debatable.](#)

**ANNUAL AND SEASONALLY ADJUSTED MONTHLY ANNUALIZED INFLATION (%); GEL REER (Jan-19=100)**



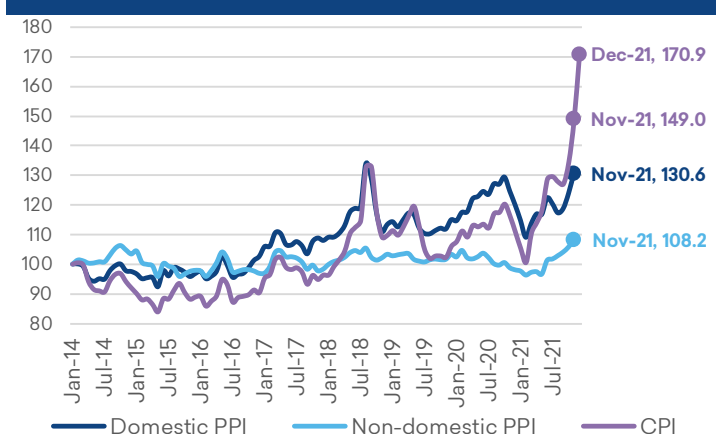
Note: REER increase means depreciation, as of 2-Jan  
Sources: GeoStat, NBG, TBC Capital

**DIFFERENT PRICE INDICES IN TURKEY AND USD/TRY (YoY, %)**



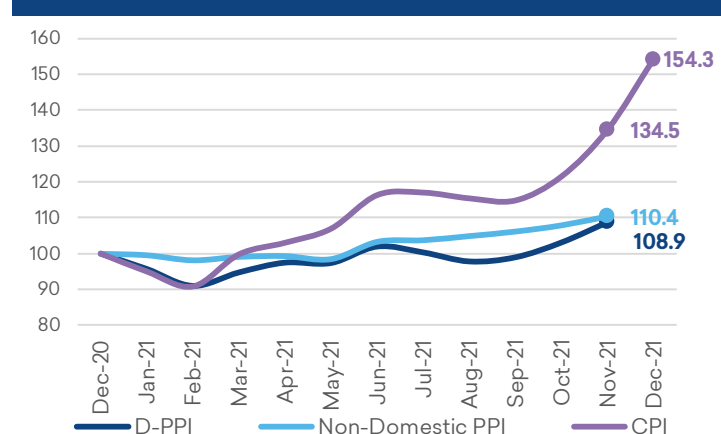
Note: Domestic Producer Price Index (D-PPI) and non-domestic PPI are measures of the change in the prices of goods and services sold as output by domestic producers in a given reference period within and outside the country, respectively.  
Source: Geostat, Turkstat, TBC Capital

**GEL/TRY RER BASED ON DIFFERENT MEASURES (JAN-14=100)**



Note: Dec-21 is calculated at USD/TRY: 13.38. For Georgia overall PPI is used.  
Source: Geostat, Turkstat, TBC Capital

**GEL/TRY RER BASED ON DIFFERENT MEASURES (DEC-20=100)**



Note: Dec-21 is calculated at USD/TRY: 13.38. For Georgia overall PPI is used.  
Source: Geostat, Turkstat, TBC Capital

**Data releases to watch this week:**

- Jan 5 – Treasury Securities by Holders, December 2021;
- Jan 6 – International Reserves, December 2021.

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