

# UPDATE FROM THE CHIEF ECONOMIST

**23 MAY 2022**

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TBC Group

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Analyst

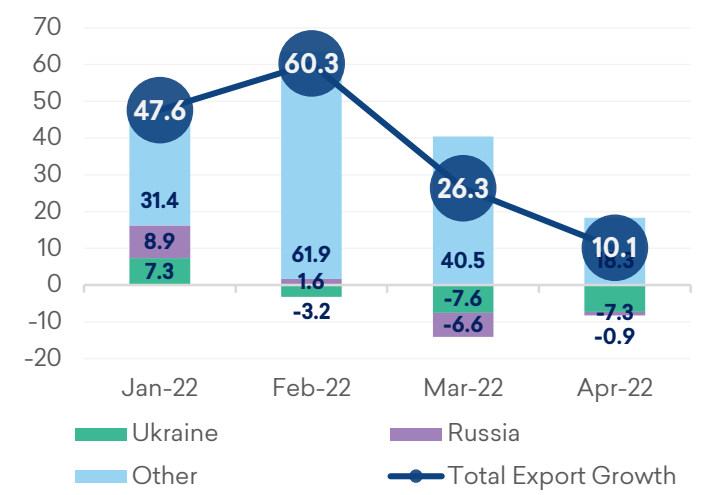
**Mamia Intskirveli**  
Intern

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After publishing [overall trade in goods data a week ago](#), more detailed breakdown became available with no major surprises compared to [our expectations](#). Well, probably real exports declined stronger than anticipated, though investment goods' imports recovered at a higher pace being another indication of a solid economic activity and improved sentiments.

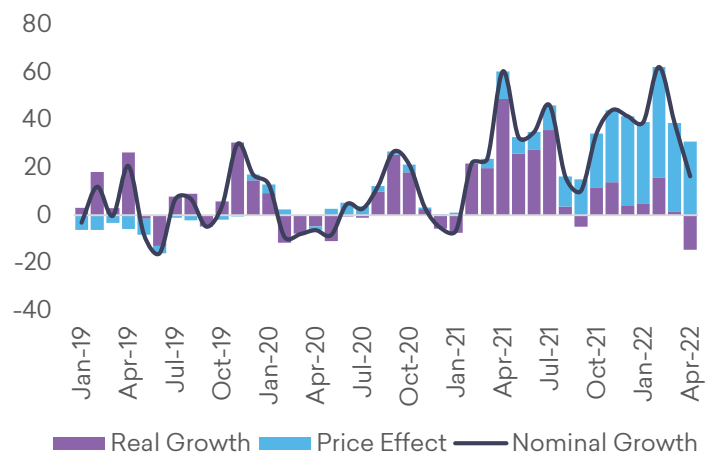
Furthermore, tourism continues to recover notably lately in May not only on the back of the migration effect. Going forward, in the baseline, we expect even stronger rebound compared with 2019 as a) now closer neighborhood should contribute more with Russian land border already being open in May and the one of Azerbaijan likely to reopen soon (see [TBC Capital May 10 Macro Insights, slide 11](#)) and b) low base effect in July-September 2019 due to the Russian flight ban will result in stronger inflows in hot tourism season when compared to the same period.

**EXPORT GROWTH (in USD, %) AND CONTRIBUTION OF COUNTRIES (PP)**



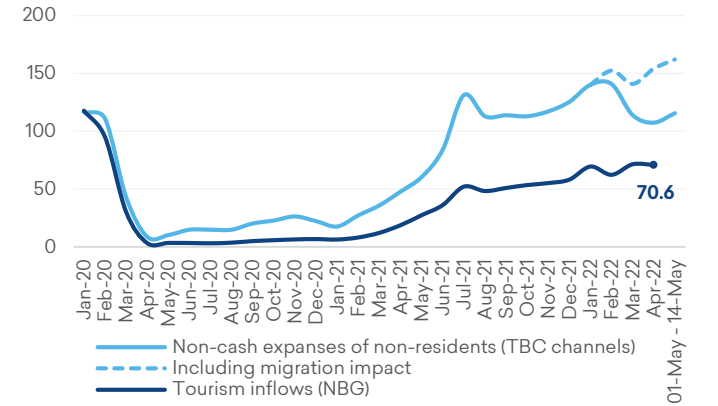
Source: GeoStat

**DECOMPOSITION OF ANNUAL CHANGE (in USD, %) OF DOMESTIC EXPORTS**



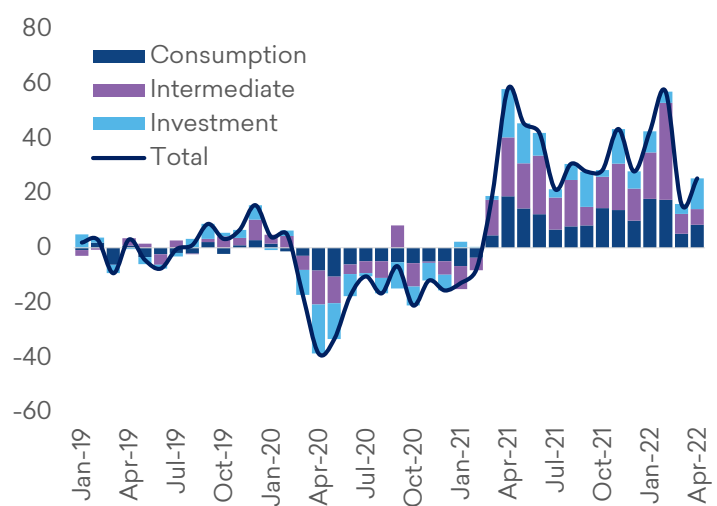
Source: GeoStat

**TOURISM INFLOWS (in USD, same month of 2019=100)**



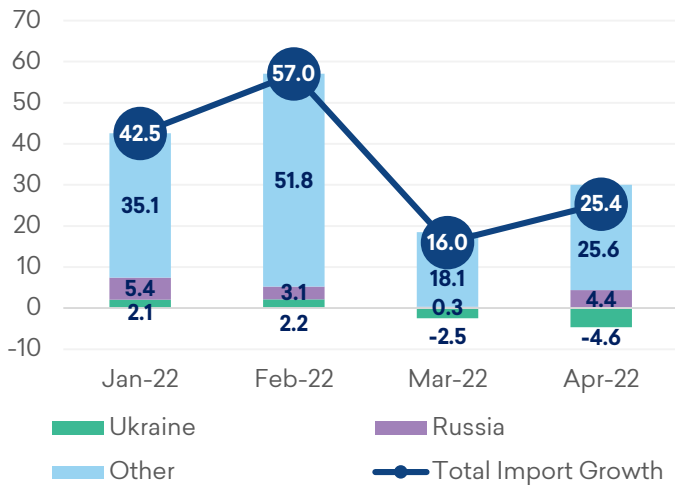
Note: Dynamics of TBC and NBG data may differ due to the changing share of non-cash transactions in tourism expenditure as well as TBC market share. Migration impact was assessed based on our analysis of various card transactions through TBC channels. Mar-Apr tourism inflows data released by the NBG is adjusted to the migration impact.  
Source: NBG, TBC Bank, TBC Capital

**IMPORT GROWTH (in USD, %) AND CONTRIBUTION OF CATEGORIES (PP)**



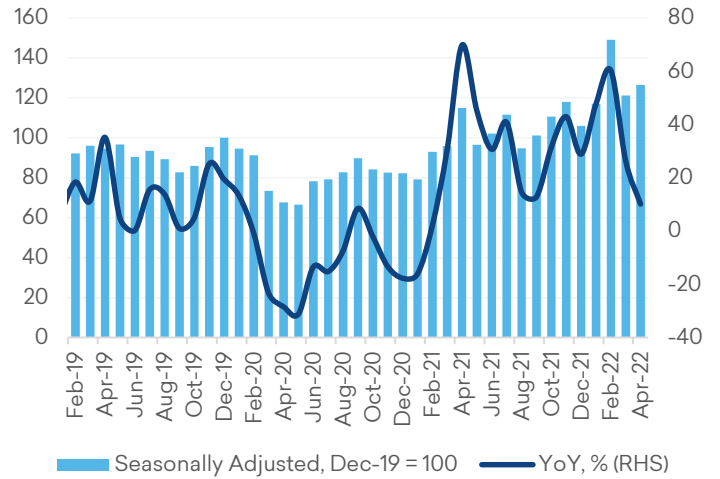
Source: Geostat, TBC Capital

**IMPORT GROWTH (in USD, YoY, %) AND CONTRIBUTION OF COUNTRIES (PP)**



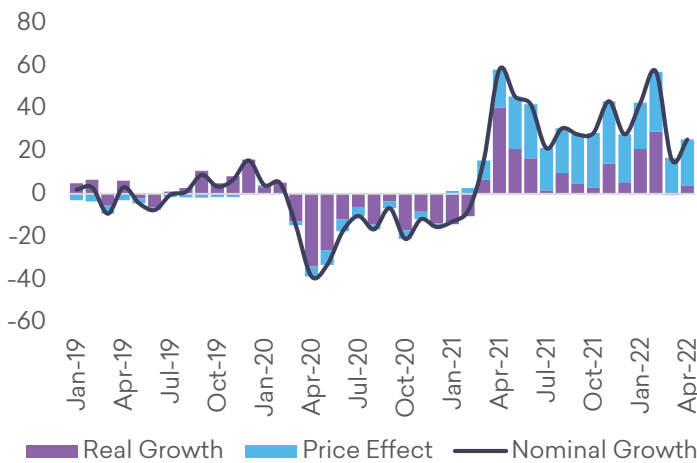
Source: GeoStat

**EXPORTS OF GOODS (in USD)**



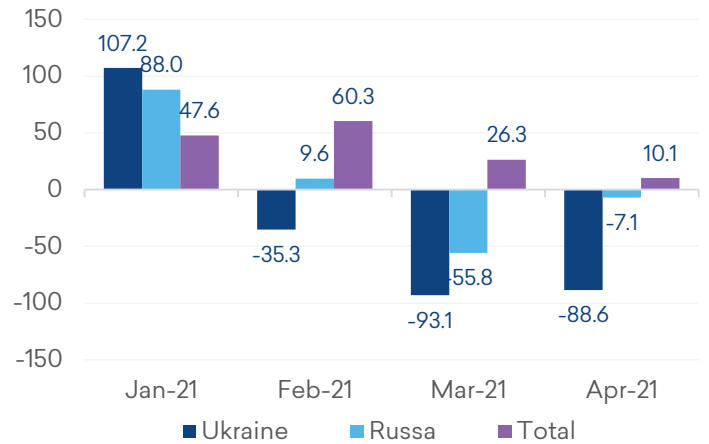
Source: GeoStat, TBC Capital

**DECOMPOSITION OF ANNUAL CHANGE (in USD, %) OF IMPORTS**



Source: GeoStat

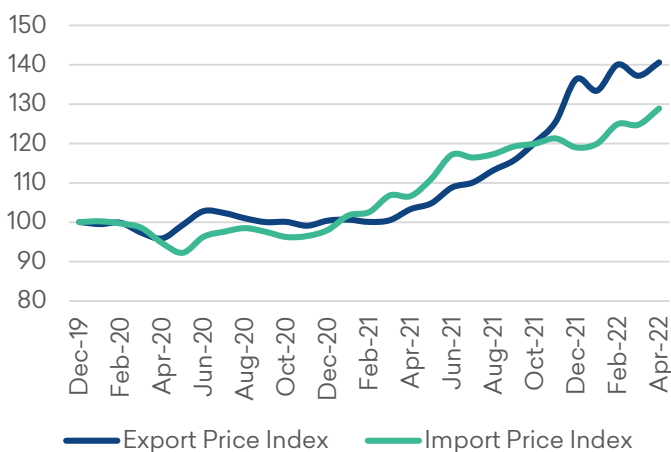
**EXPORT GROWTH (in USD, YoY, %)**



Note: The top contributors to April export growth to Russia was ferroalloys and fruits.

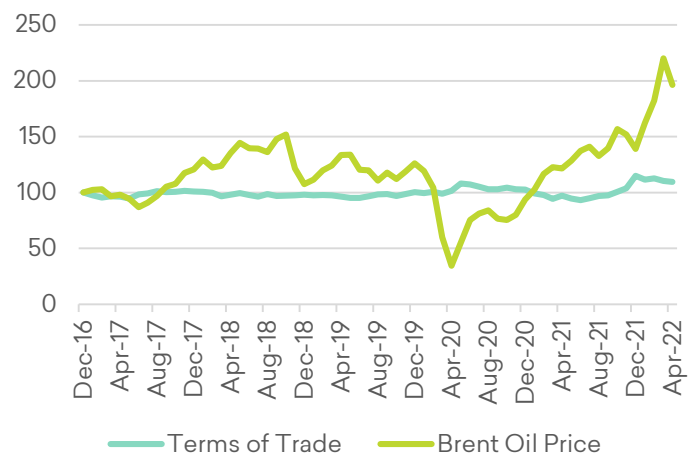
Source: Geostat

**EXPORT AND IMPORT PRICE INDICES (Index in USD, Dec-19 = 100)**



Source: GeoStat, TBC Capital

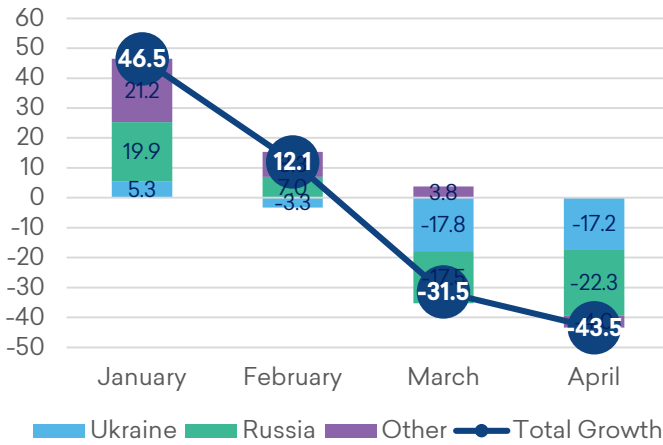
**TERMS OF TRADE AND BRENT OIL PRICE (Dec-16 = 100)**



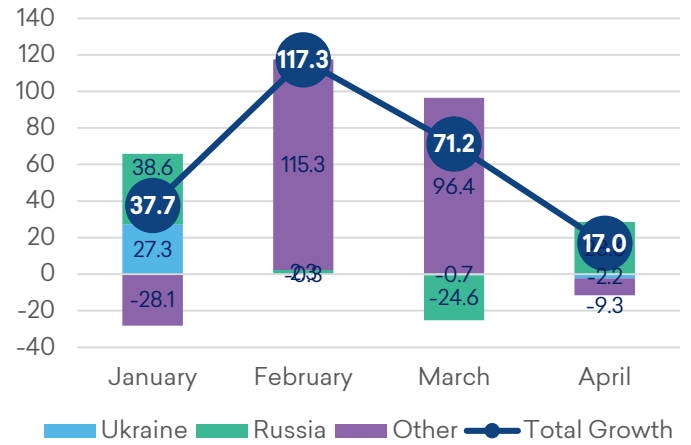
Source: GeoStat, Bloomberg, TBC Capital

**2022 OVERALL ANNUAL GROWTH (in USD, %) OF TOP EXPORT GOODS TO RUSSIA & UKRAINE AND CONTRIBUTIONS TO GROWTH BY COUNTRIES (PP)**

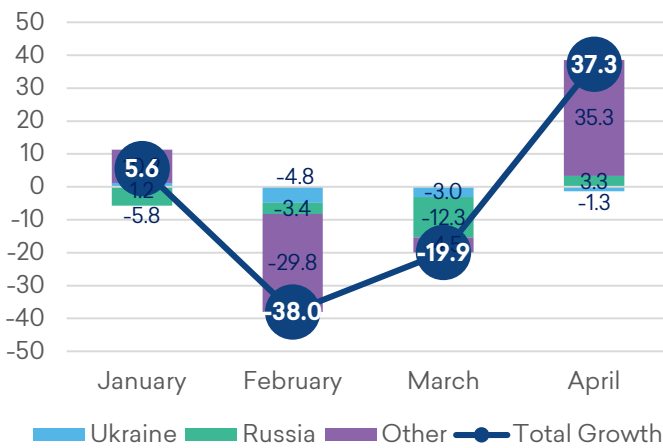
**BEVERAGES**



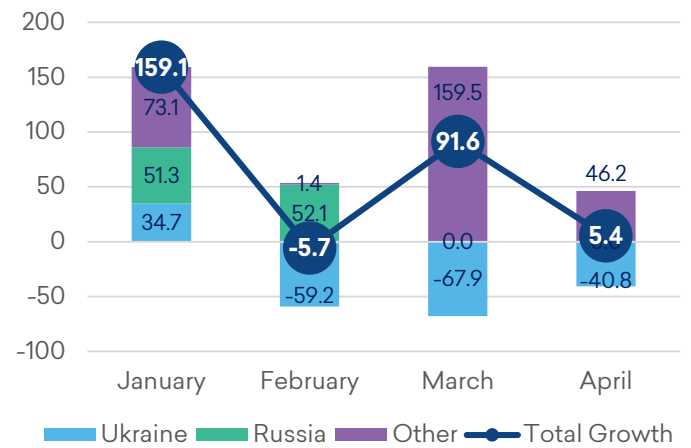
**IRON AND STEEL**



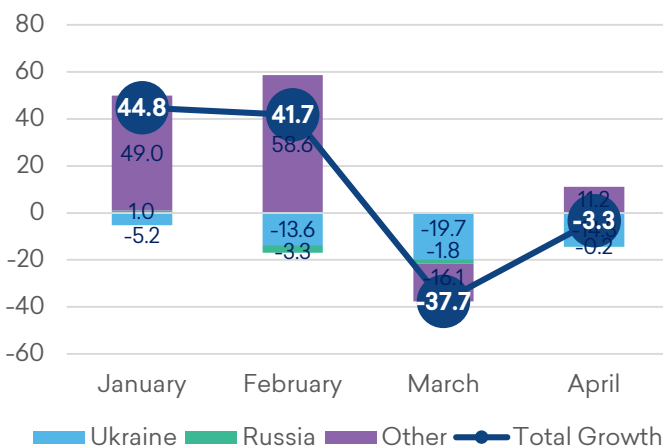
**NUTS**



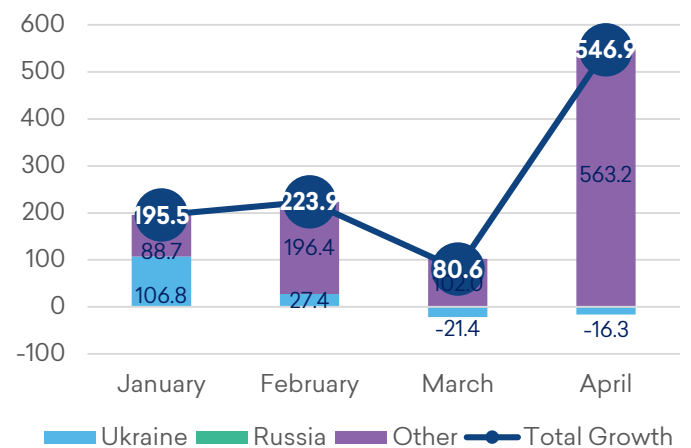
**COPPER**



**MOTOR CARS**

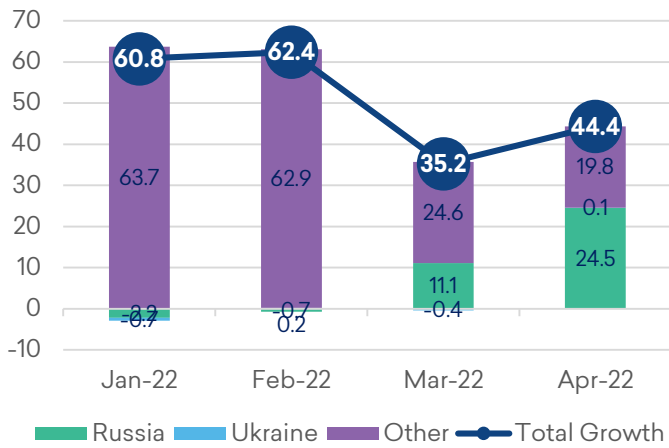


**FERTILIZERS**

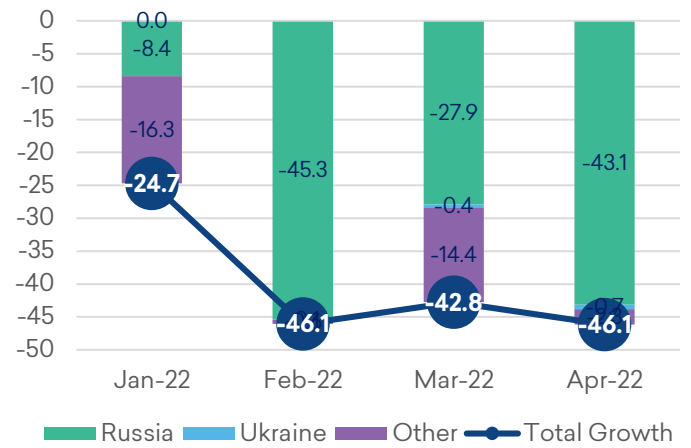


**2022 OVERALL ANNUAL GROWTH (in USD, %) OF TOP IMPORT GOODS FROM RUSSIA & UKRAINE AND CONTRIBUTIONS BY COUNTRIES (PP)**

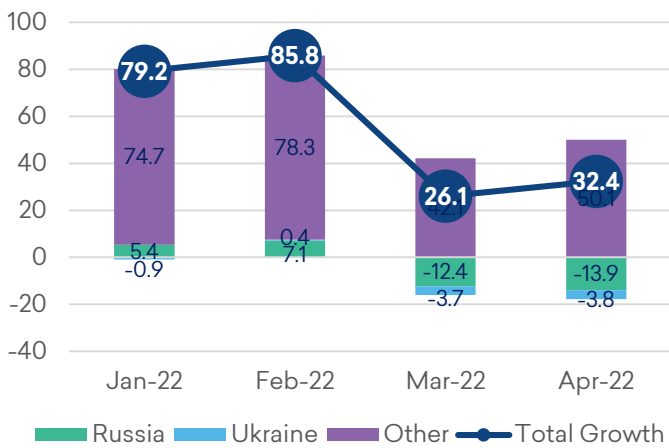
**ENERGY PRODUCTS**



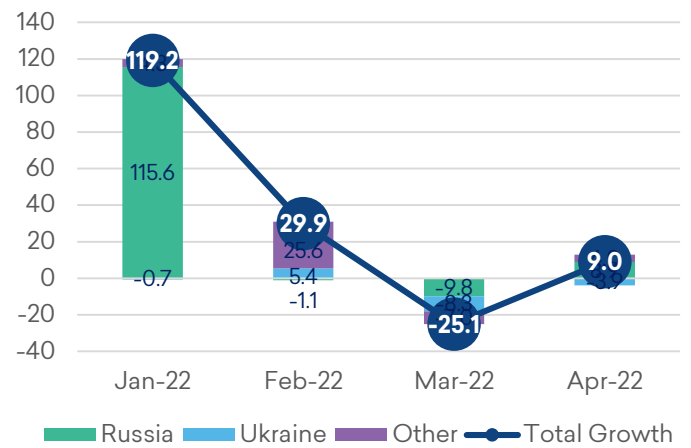
**CEREALS**



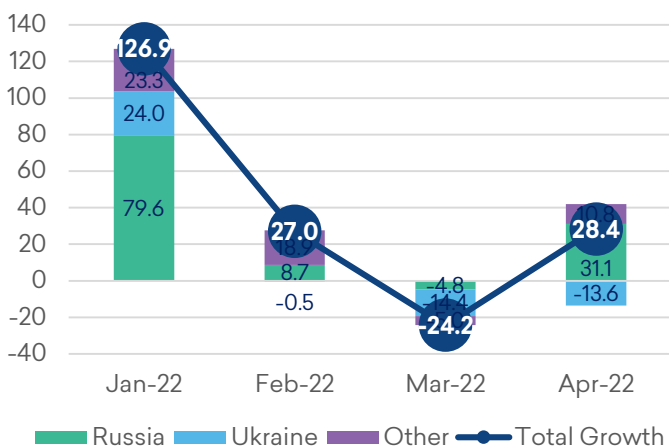
**ELECTRICAL MACHINERY**



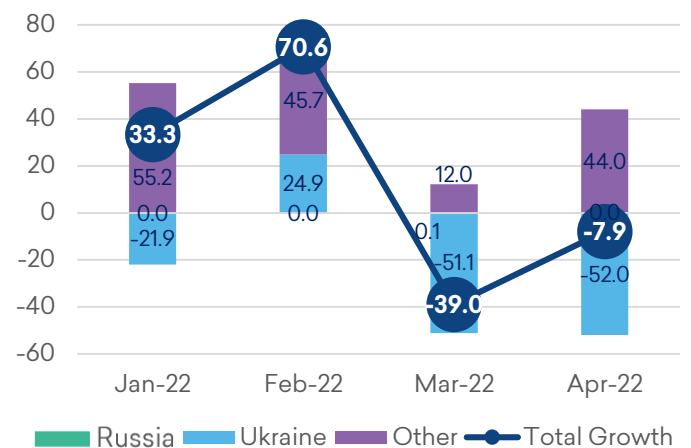
**EDIBLE FAT/OIL**



**FLOUR PRODUCTS**

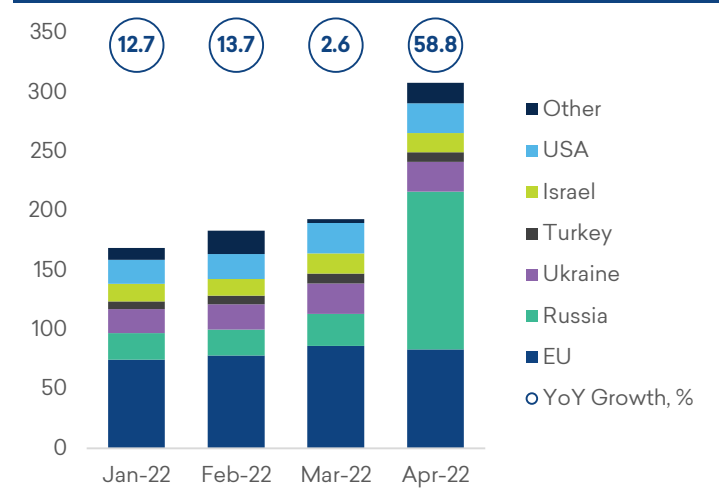


**TOBACCO**



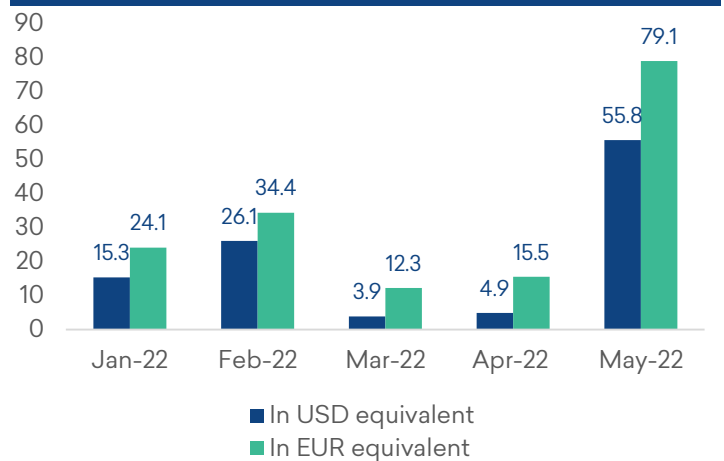
While trade in goods and tourism data was broadly in line with expectations, remittance inflows were much higher mainly on the back of the transfers from Russia. However, at least some part should be linked to the migration of Russian citizens and therefore those inflows likely are also counted as tourism inflows. Although we need to have a more detailed look at data, it is clear that Georgia's external balance is improving, possibly at even stronger path than our latest [BoP assessment](#).

**MONEY TRANSFERS BY COUNTRIES**  
(in million USD)



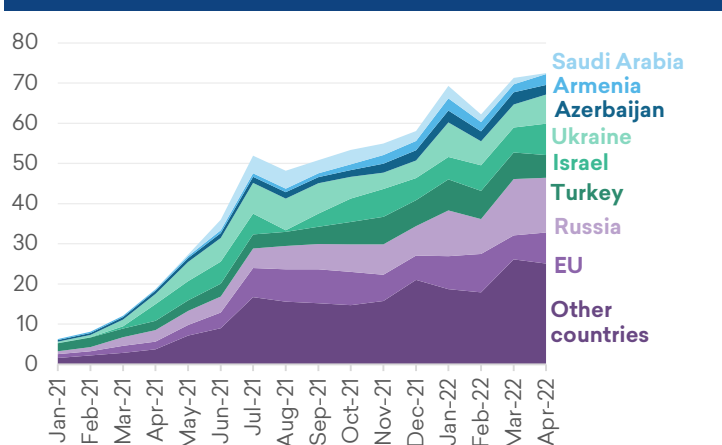
Source: NBG

**GROWTH OF TOTAL MONEY TRANSFERS THROUGH TBC CHANNELS (YoY, %)**



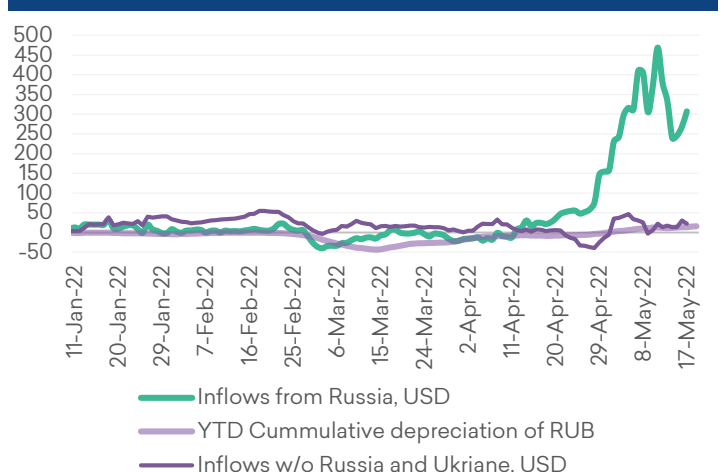
Source: TBC Bank, TBC Capital

**TOURISM INFLOWS: RECOVERY BY COUNTRIES**  
(in USD, same month 2019=100, %)



Source: NBG

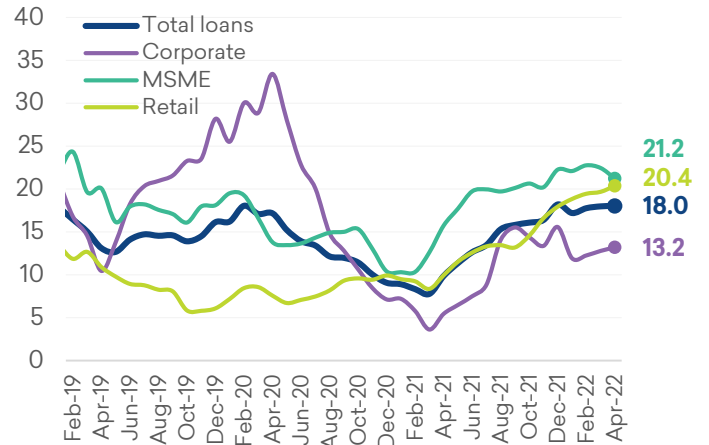
**MONEY TRANSFERS THROUGH TBC CHANNELS**  
(7-day moving average, YoY, %, as of 17-May)



Source: TBC Bank, TBC Capital

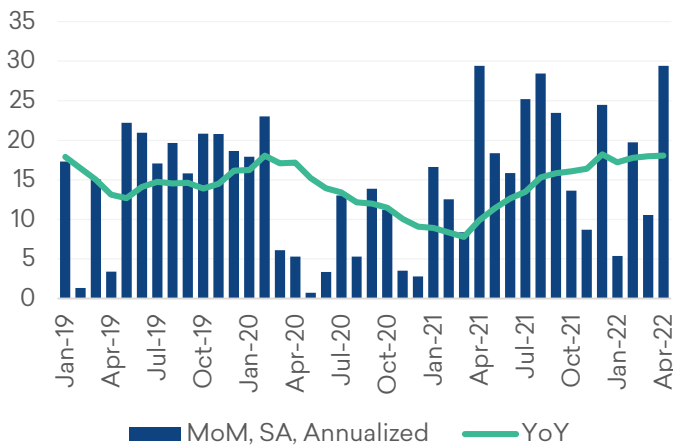
April strong data release holds also on the credit side. In particular, after some moderation in March, the credit growth has rebounded, mostly led by the FC part. We stick to [our view](#), that without larization on the liabilities side, the credit larization should be only gradual, however, lower increase in LC credit is certainly not our baseline.

**GROWTH OF CREDIT BY SEGMENTS (YoY, excl. FX effect, %)**



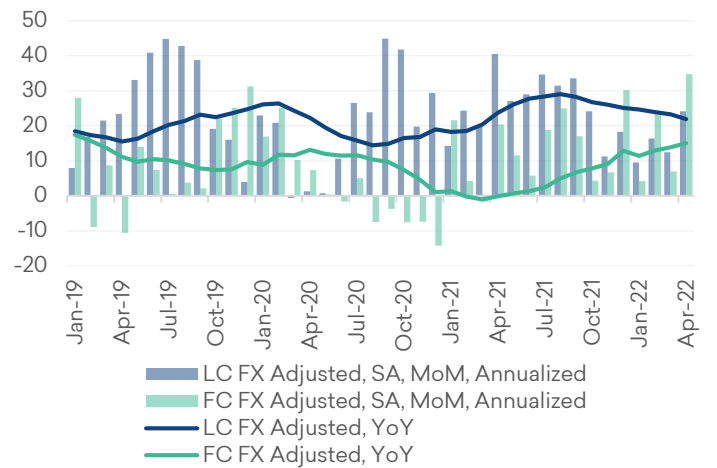
Source: NBG, TBC Capital

**GROWTH OF CREDIT (excl. FX effect, %)**



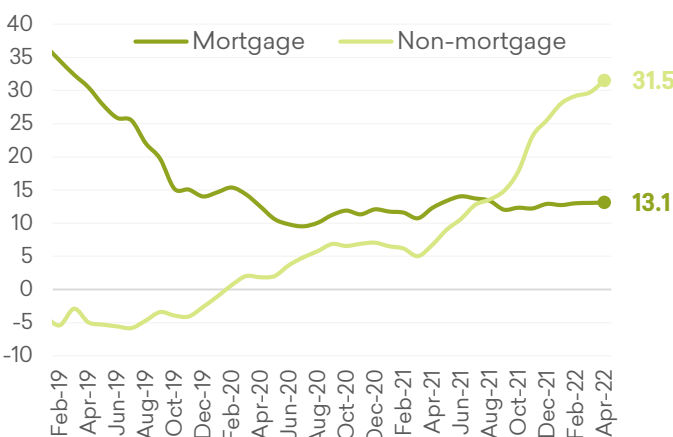
Source: NBG, TBC Capital

**GROWTH RATES OF CREDIT (%)**



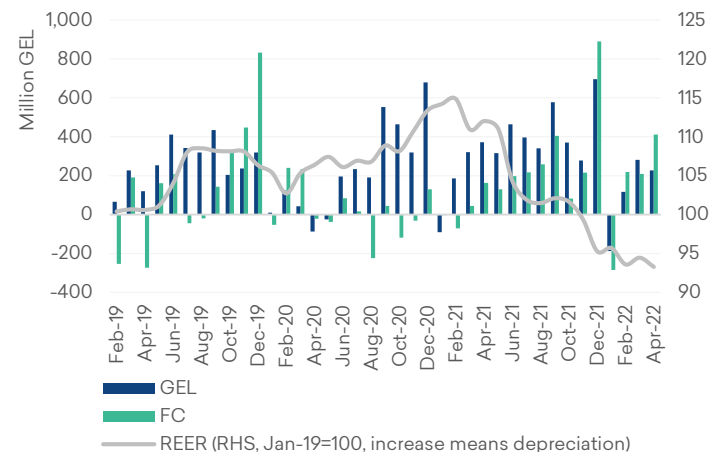
Source: NBG, TBC Capital

**GROWTH OF RETAIL CREDIT BY SEGMENTS (YoY, excl. FX effect, %)**



Source: NBG, TBC Capital

**CREDIT GROWTH BY CURRENCIES (MoM, excl. FX effect) and the GEL REER**



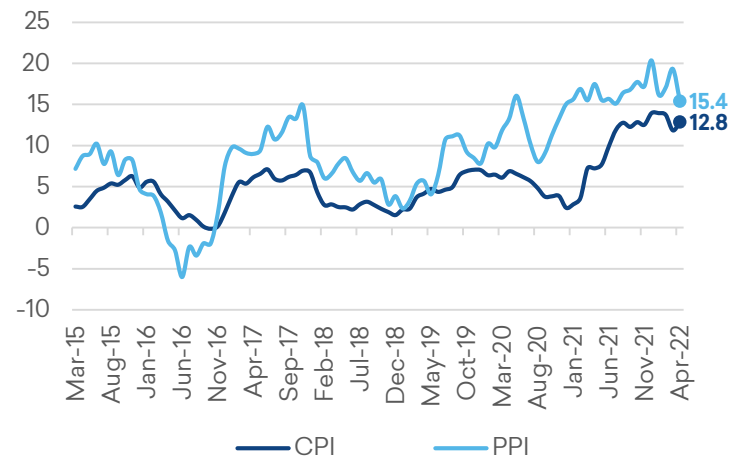
Source: NBG



The latest labor market indicators are promising as well with lower YoY unemployment rate in the first quarter despite the higher labor force print. More jobs were created in both hired and self-employed segments.

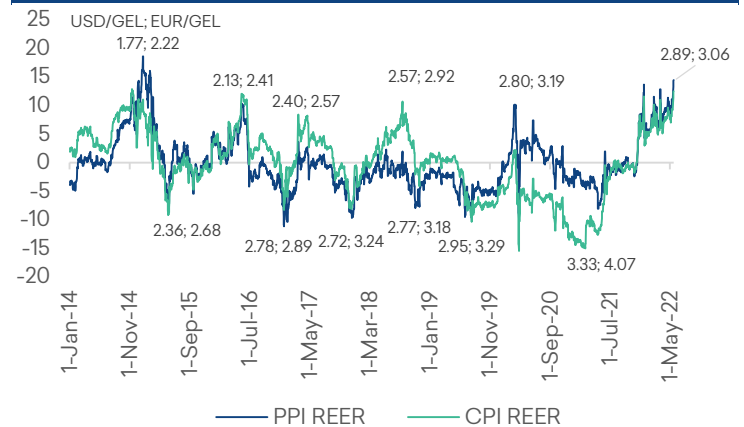
Last week, April PPI also became available with significant moderation in this measure of inflation. This is important also for the CPI inflation as often PPI is a leading indicator for the consumer prices. It may be the case, that [we have increased our CPI inflation outlook](#) prematurely, though much depends on commodities, including oil price dynamics which remain elevated and, unlike our baseline, may even go higher if later this year EU energy sanctions are introduced. At the same time, as always, recently stronger GEL is an argument for the lower inflation. Again, net inflows are improving and the monetary policy is tight, though the GEL REER seems to point to some overvaluation, but not from the long term perspective.

**CPI AND PPI (YoY, %)**



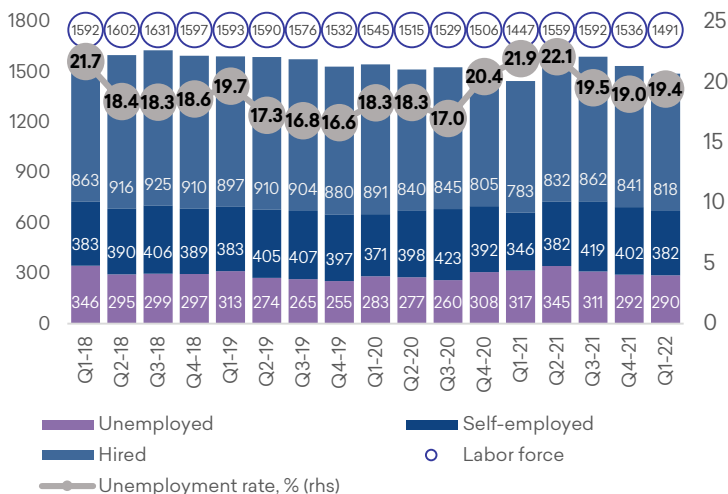
Source: Geostat

**GEL REER, DAILY ESTIMATES (% deviation from period average, as of 20-May-22, increase means GEL appreciation)**



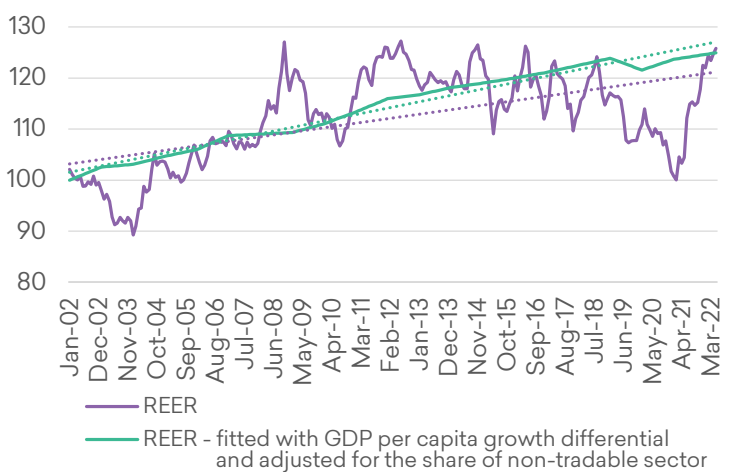
Source: Geostat, NBG, TBC Capital

**INDICATORS OF THE LABOUR MARKET**



Source: Geostat, NBG, TBC Capital

**GEL CPI-BASED ACTUAL AND FITTED REER (as of 20-May-22, increase means GEL appreciation)**



Source: Geostat, NBG, TBC Capital



## Data releases to watch this week:

- May 25 – Loans and Deposits Detailed Statistics, April, 2022.

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