TBC CAPITAL

MACROECONOMICS

Tracking The Recovery

12.02.2021

www.tbccapital.ge

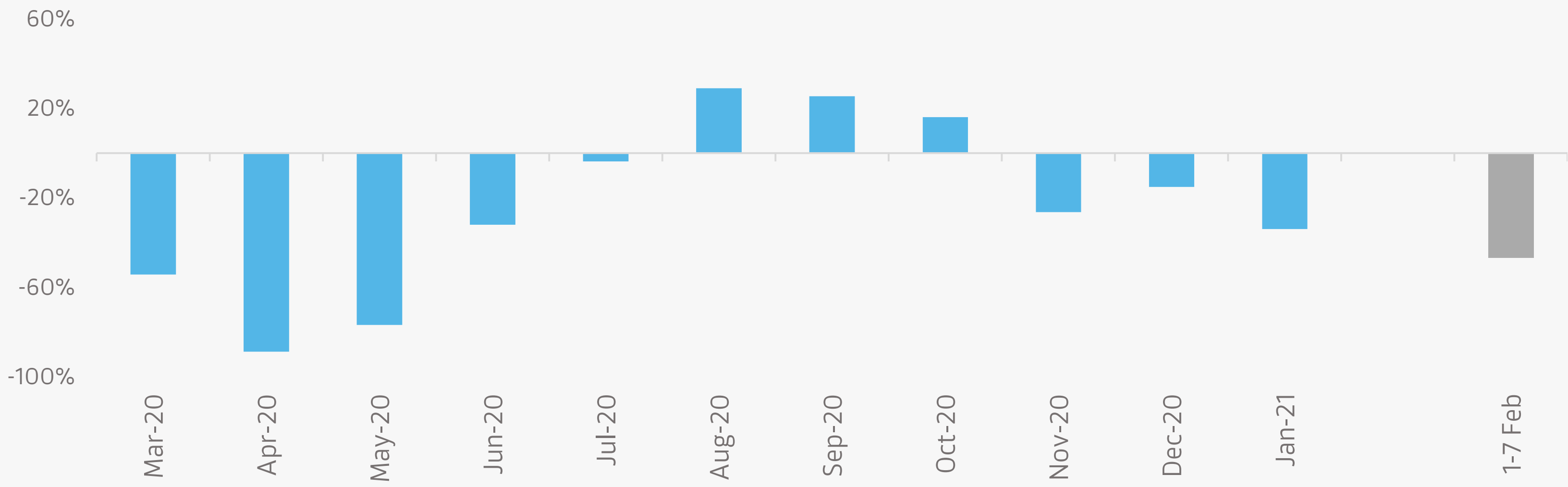
KEY DEVELOPMENTS

- Newly issued mortgages displayed a sharp deterioration in the first week of February
- Growth of real estate transaction registrations in Tbilisi shows a weakening tendency, totaling at -15% YoY in January
- Resident non-cash spending on categories excluding grocery and pharmacy displaying positive annual growth as a result of the eased restrictions starting from February 1st
- Among different categories, non-cash spending on apparel, construction materials, furniture and electronics display the sharpest hikes
- Forward occupancies for February increased in all regions, while the non-cash spending on HORECA remains largely unchanged compared to the previous weeks
- Growth of remittance inflows through TBC channels remains on a double digit level

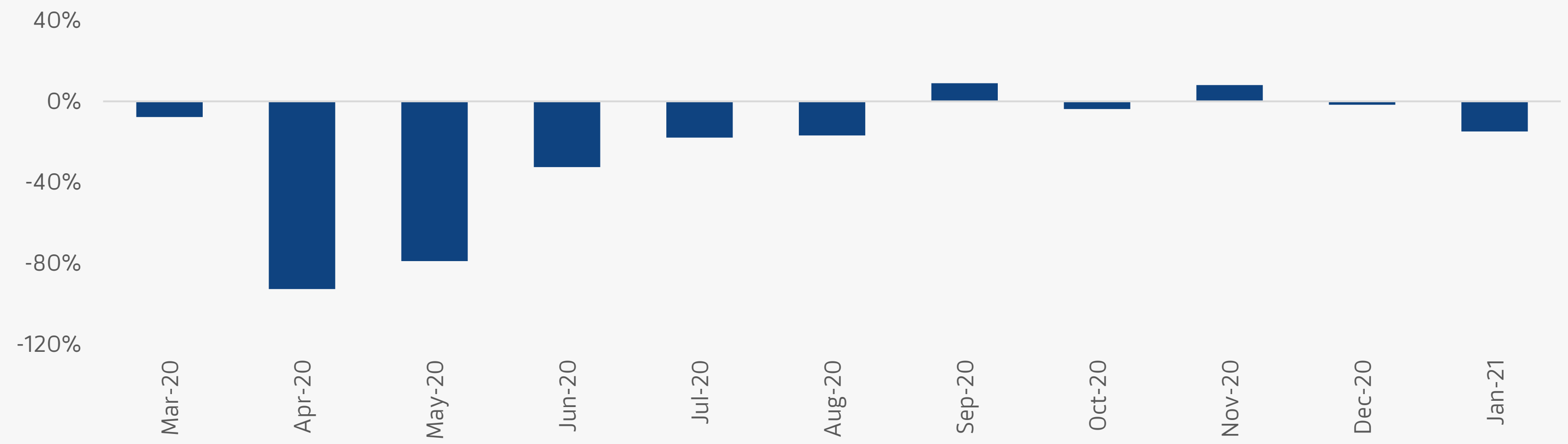
*Sector growth is based on POS and E-commerce payments through TBC channels; Growth rates may differ from total turnover dynamics due to the changing share of non-cash transactions and TBC market share

NEWLY ISSUED MORTGAGES INDICATE SHARP DETERIORATION IN THE FIRST WEEK OF FEBRUARY; REAL ESTATE TRANSACTION REGISTRATIONS IN TBILISI SHOWING A NOTICEABLE DECREASE IN JANUARY

Dynamics of newly mortgages issued by TBC (% change YoY, FX adjusted)



Dynamics of the number of apartments sold in Tbilisi (% Change YoY)

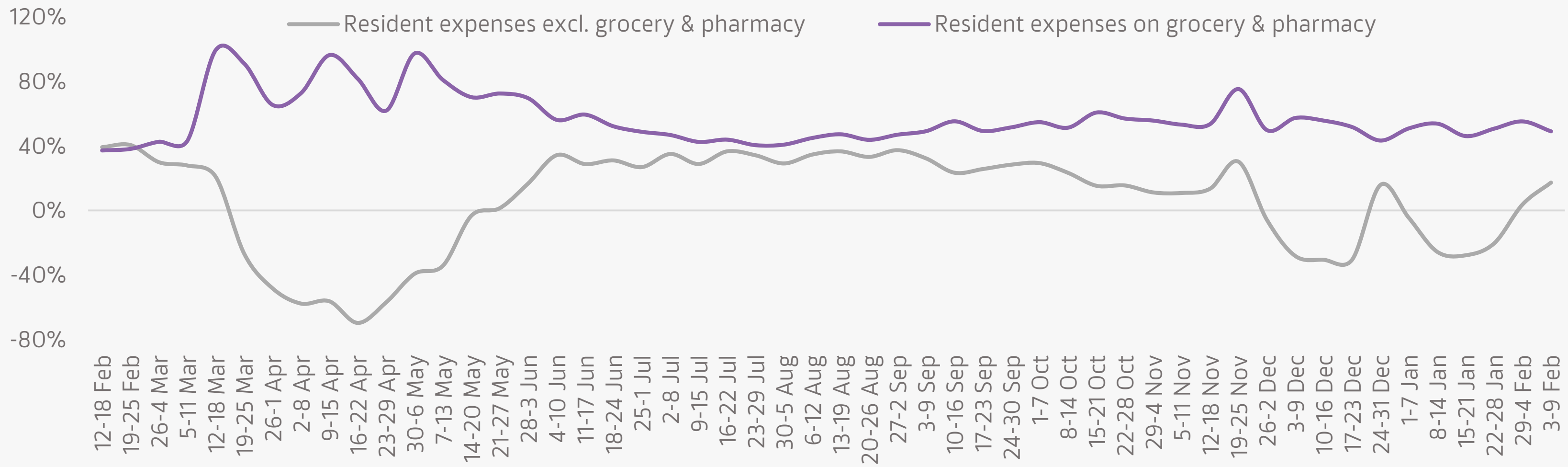


- The newly issued mortgages plummeted by 47% YoY (FX adjusted) in the first week of February
- The YoY growth rate of the transaction registrations in Tbilisi decreased by 15% in January

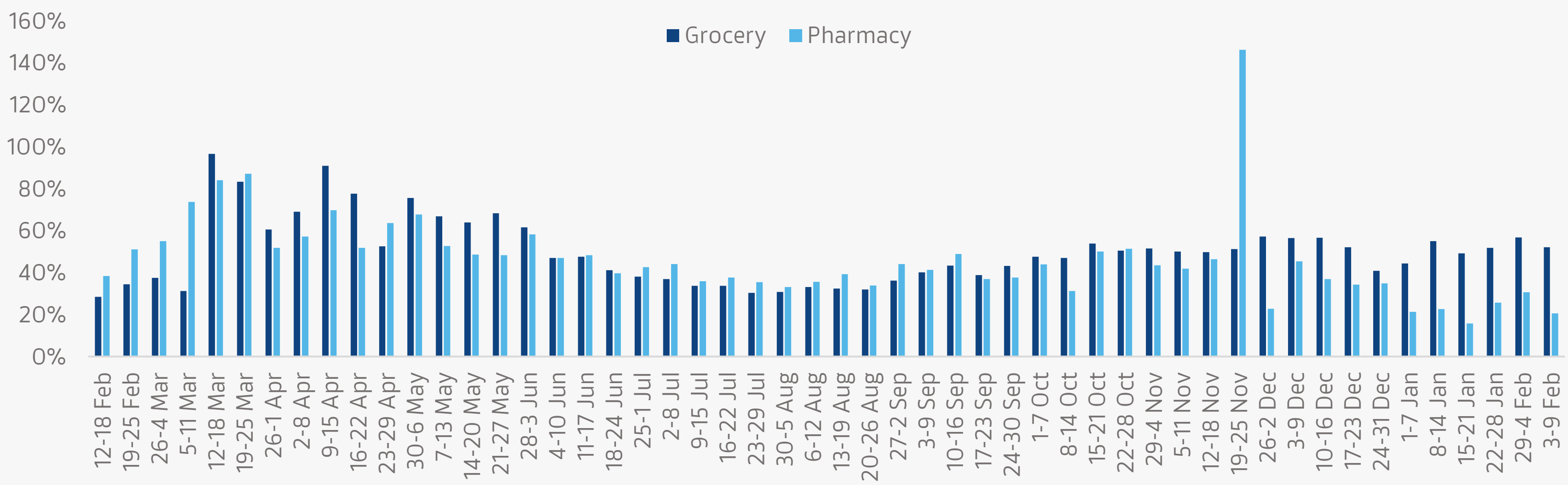
Source: TBC Bank

SPENDING ON CATEGORIES EXCLUDING GROCERY AND PHARMACY DEMONSTRATES ANNUAL GROWTH IN LINE WITH THE EASED RESTRICTIONS

Resident non-cash spending (YoY change)



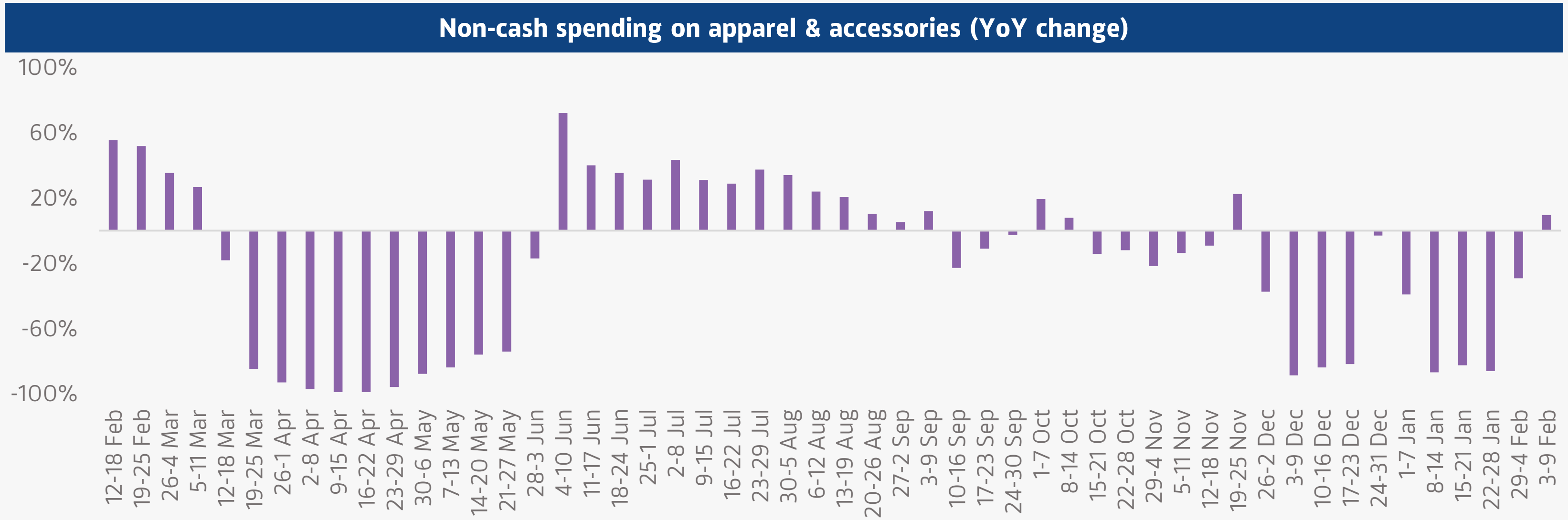
Total non-cash spending on grocery shopping and pharmacy (YoY change)

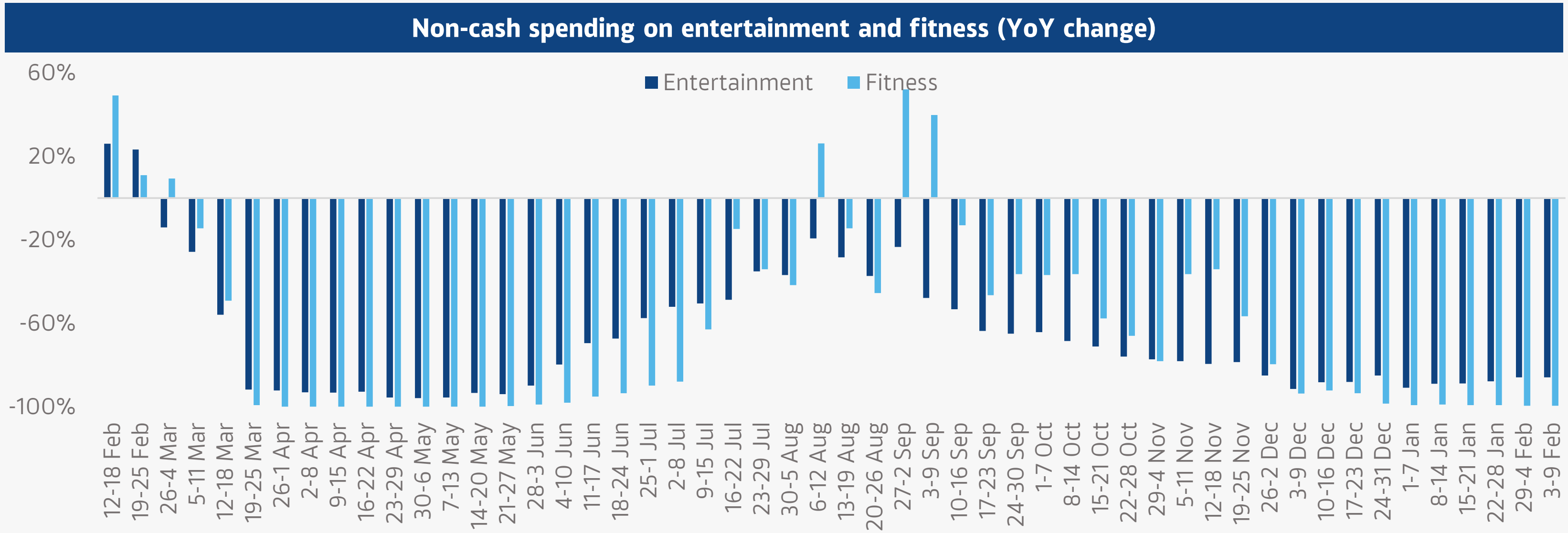


Source: TBC Bank

- At 49% YoY in the 3-9 February period, growth remained sizable in resident non-cash spending on grocery & pharmacy, demonstrating a marginal decline compared to the previous week
- Mirroring the easing restrictions, growth of non-cash spending on categories excluding grocery and pharmacy returned to the positive growth territory at 17% YoY in the 3-9 February period

GROWTH OF SPENDING ON APPAREL BACK ON THE POSITIVE GROWTH TERRITORY

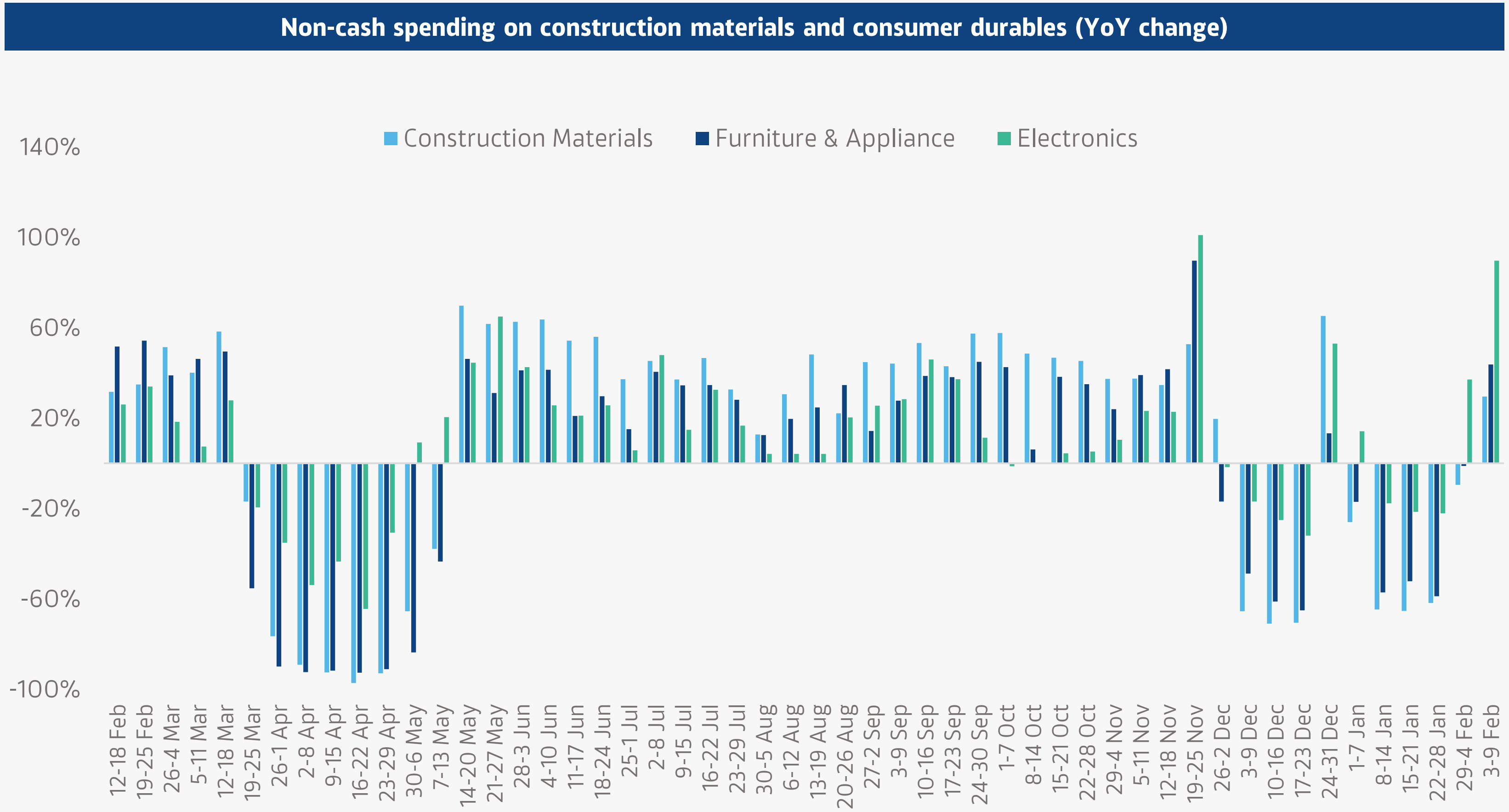




Source: TBC Bank

- Non-cash transactions on apparel displaying positive YoY growth at 9% in the 3-9 February period
- Spending on entertainment and fitness remains sharply down at -86% YoY and at -99% YoY in 3-9 February period, respectively

SPENDING ON CONSTRUCTION MATERIALS, FURNITURE AND ELECTRONICS DISPLAYING SIGNIFICANT ANNUAL GROWTH

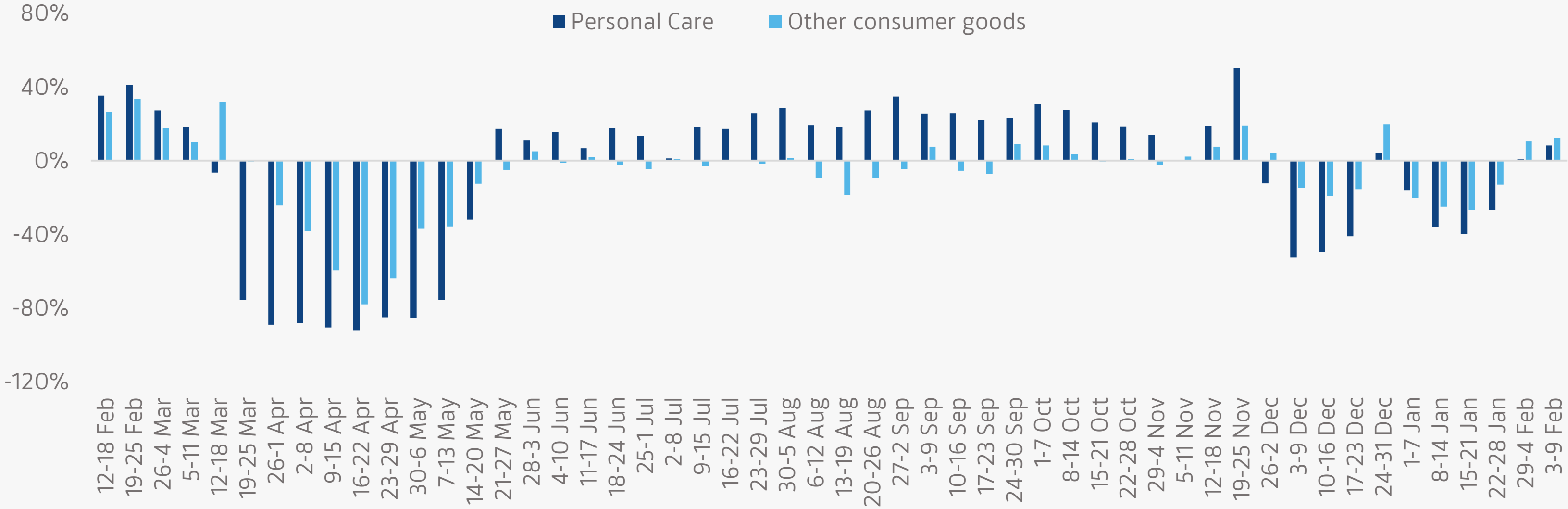


- Growth of non-cash spending on electronics skyrocketed at 90% YoY in the 3-9 February period
- A significant hike is also observed in non-cash spending on construction materials at 30% YoY
- Non-cash spending on furniture and appliances also significantly up, at 44% YoY in the 3-9 February period

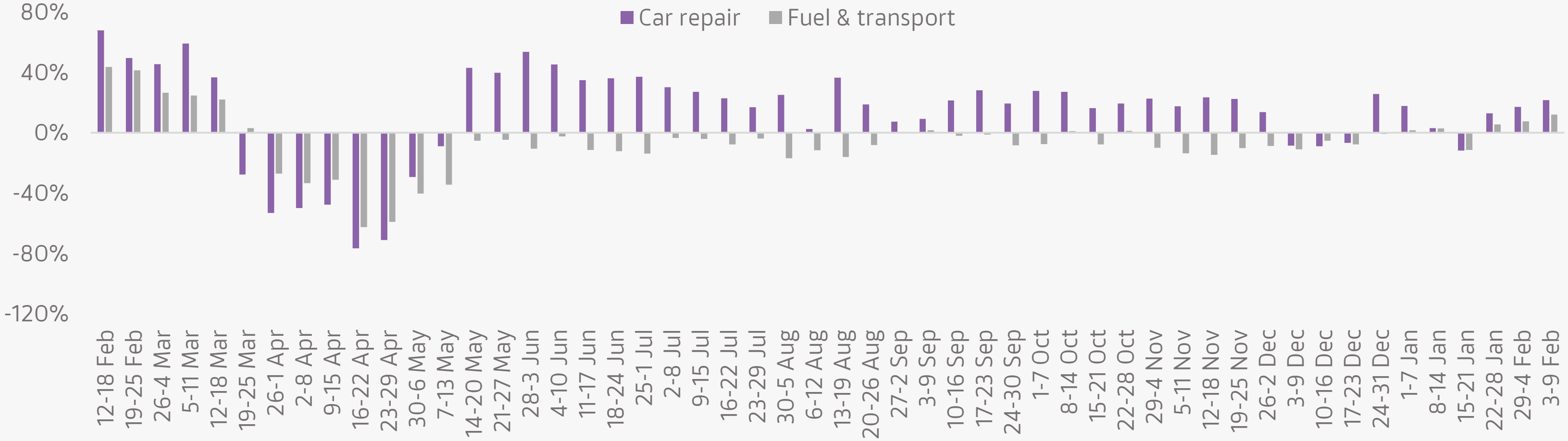
Source: TBC Bank

SPENDING ON PERSONAL CARE DISPLAYS POSITIVE YOY GROWTH; SPENDING ON CAR REPAIR AND FUEL MAINTAINS AN INCREASING TENDENCY

Non-cash spending on personal care and other consumer goods (YoY change)



Non-cash spending on car repair and fuel & transport (YoY change)

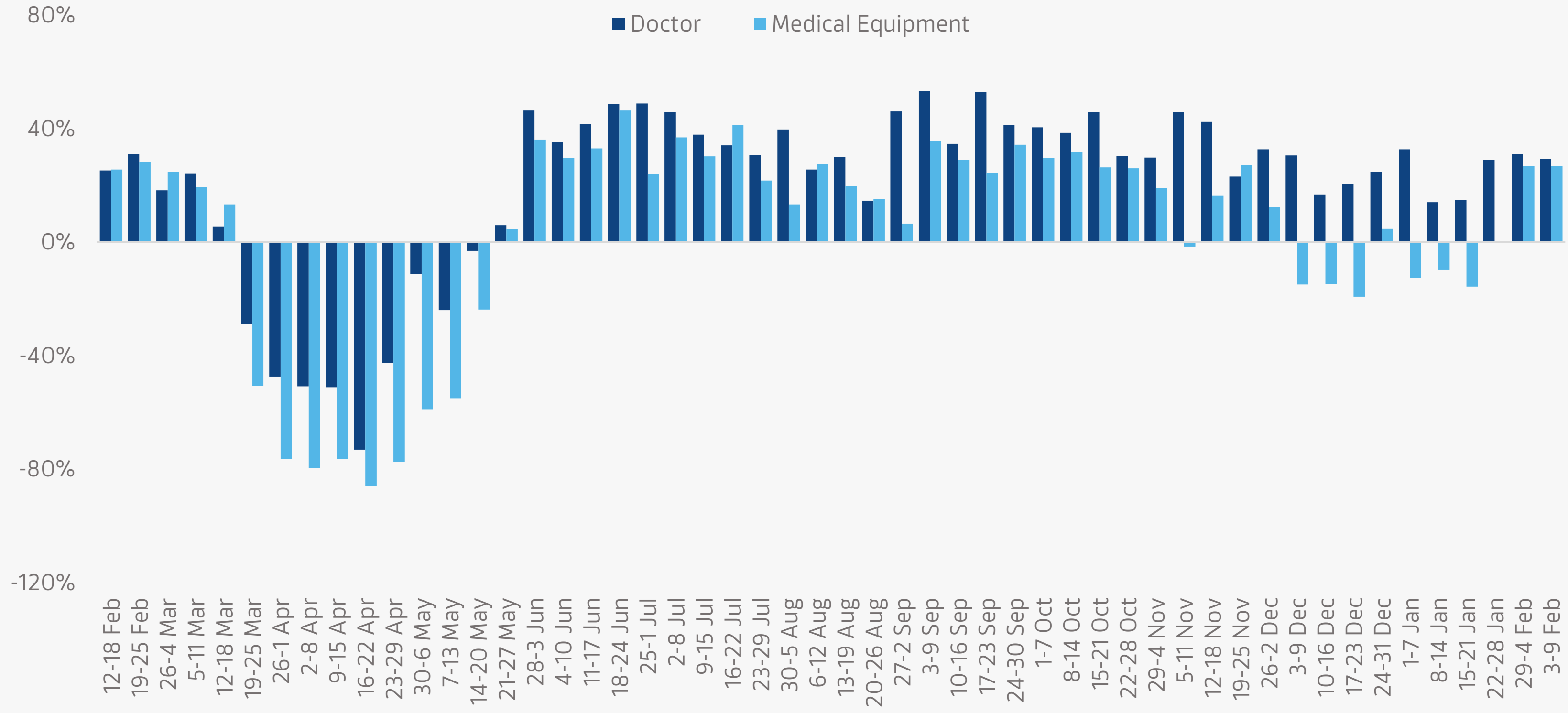


Source: TBC Bank

- Growth of non-cash spending on personal care stands at 12% YoY. Growth of spending on other consumer goods is also on the positive growth territory at 12% YoY in the 3-9 February period
- Growth of spending on car repair services remains on the positive growth territory at 22% YoY
- Non-cash spending on fuel displays a growing tendency throughout past several weeks, currently standing at 12% YoY

NON-CASH SPENDING ON DOCTOR VISITS AND MEDICAL EQUIPMENT DISPLAYS A STABLE GROWTH FOR THE PAST TWO WEEK

Non-cash spending on doctor visits and medical equipment (YoY change)

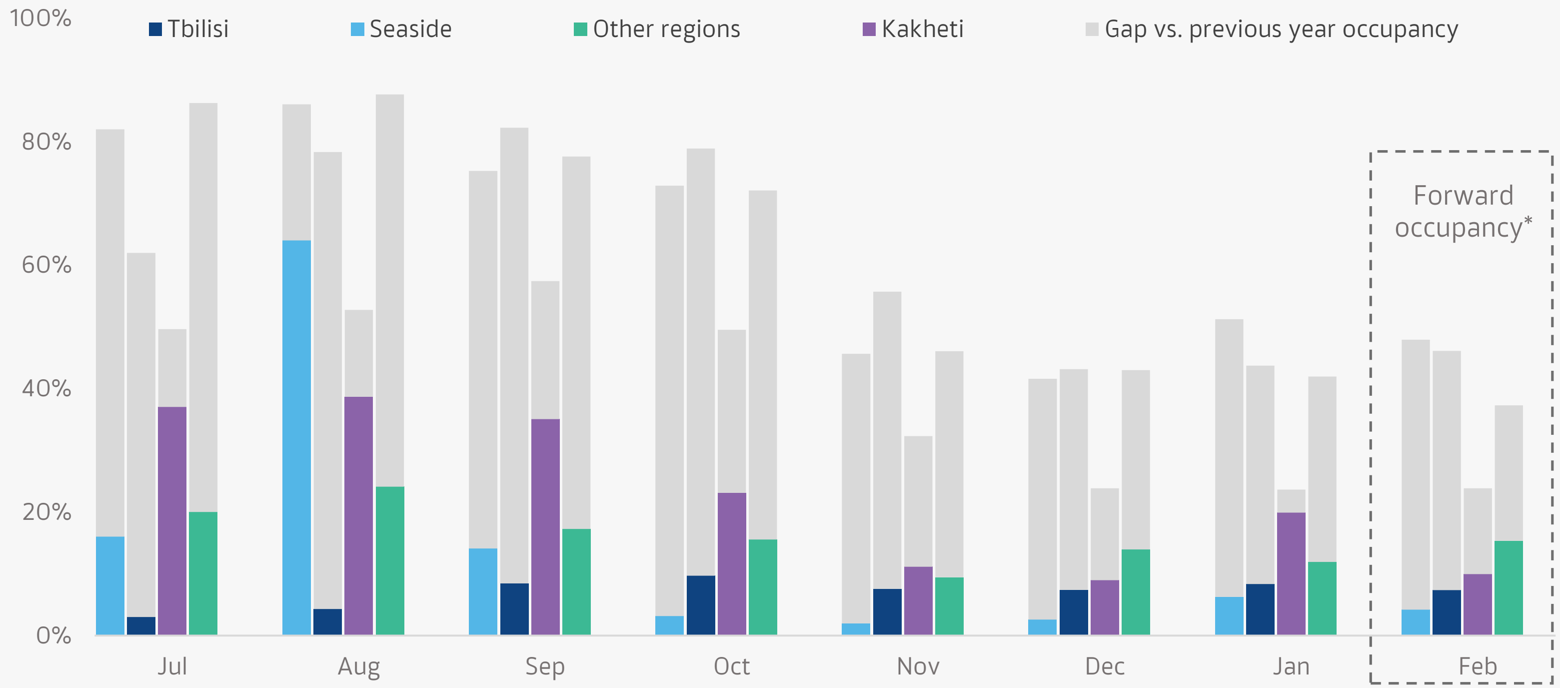


- Growth of non-cash spending on doctor visits showed steady, standing at 29% YoY in the 3-9 February period
- Growth of non-cash spending on medical equipment unchanged, standing at 27% YoY

Source: TBC Bank

HOTEL SURVEY 08.02.2021: SOME INCREASE HAS BEEN OBSERVED IN FEBRUARY FORWARD OCCUPANCIES

Occupancy rates (%) – actual and by current bookings

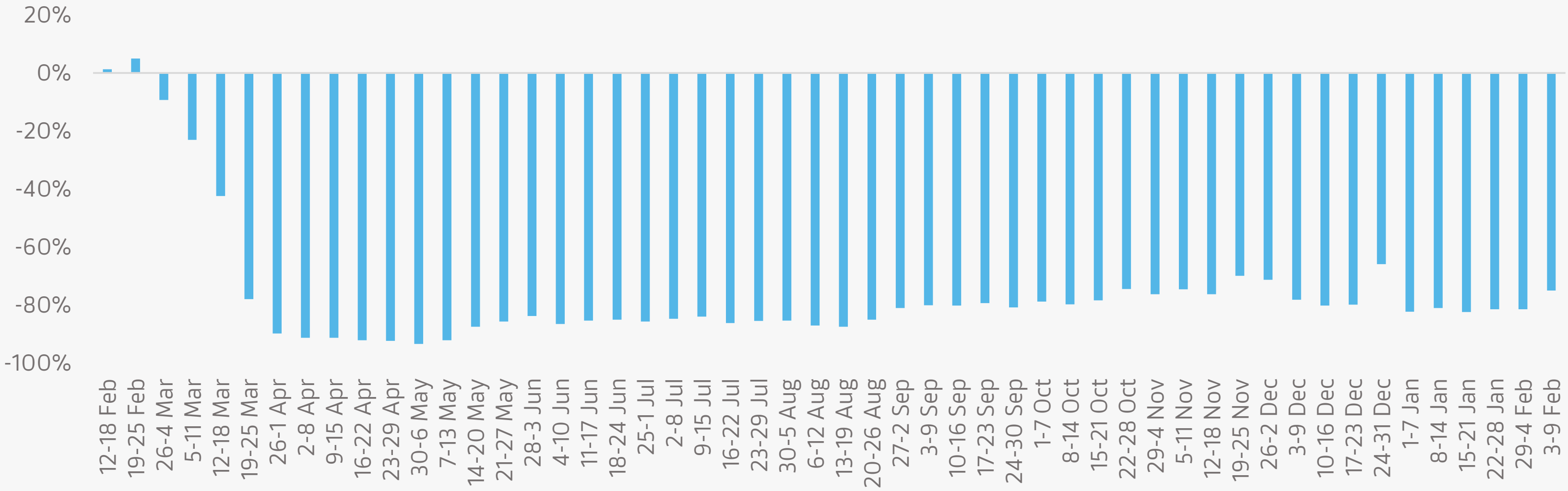


- **Forward occupancy rates for February** amount to 4% for Seaside, 7% for Tbilisi, 10% for Kakheti and 15% for other regions
- **Weekend occupancy:** compared to the previous weekend, occupancies increased in all regions of the country
- **Price discounts:** the largest ADR discounts in February are observed in other regions, followed by Tbilisi and seaside hotels. Hotels in Kakheti offer relatively smaller discounts

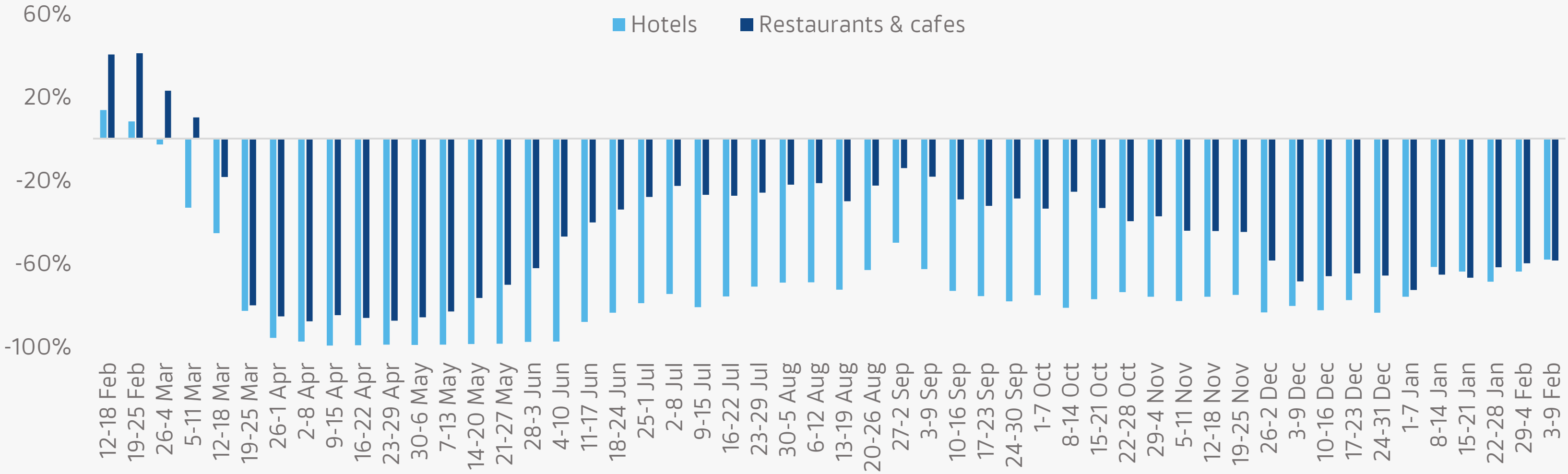
Source: Survey of 26 corporate hotels; *Since domestic tourists do not tend to book hotels in advance, actual occupancies tend to be higher than forward occupancies

GROWTH OF NONCASH SPENDING ON HORECA LARGELY UNCHANGED FROM THE PREVIOUS WEEK

Total non-cash non-resident expenses (YoY change)



Non-cash spending on accommodation and eating out (YoY change)

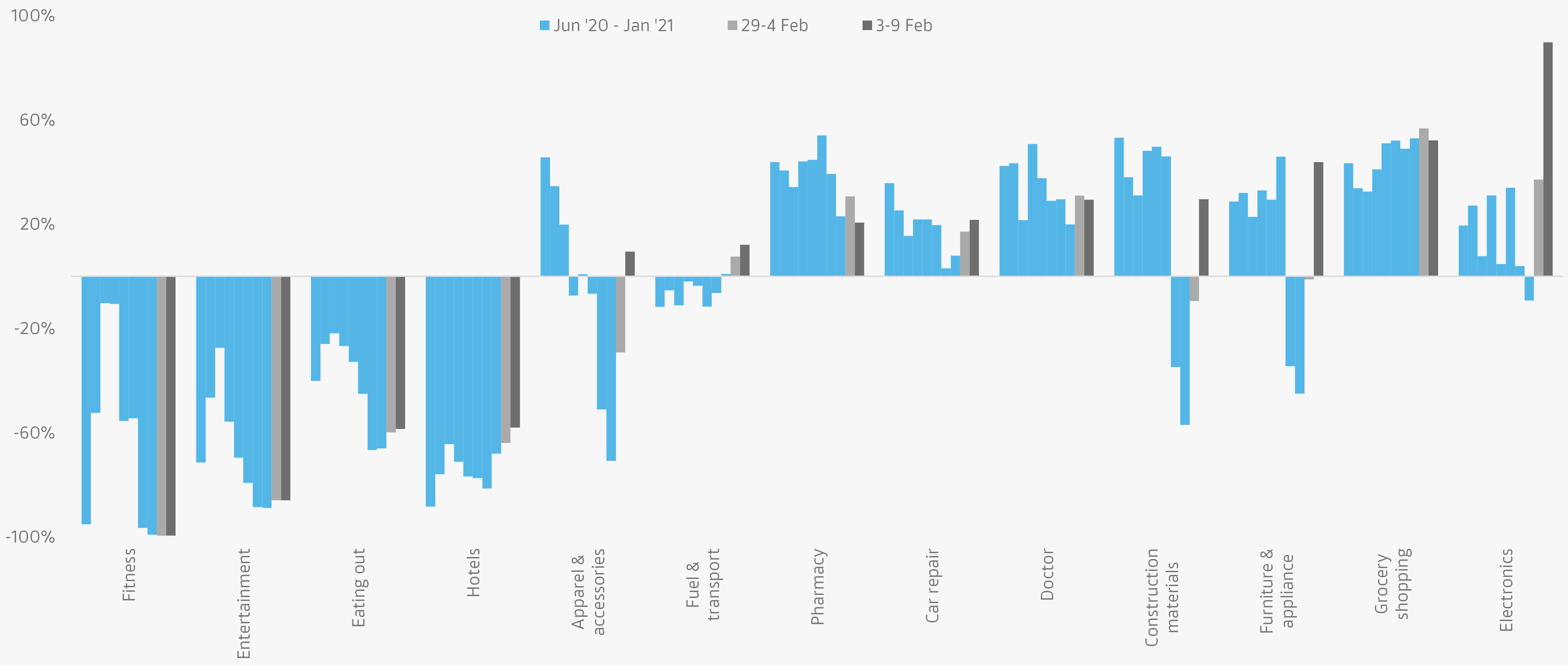


Source: TBC Bank

- The growth in non-cash spending in hotels stands at -58% YoY this week, marginally up compared to the previous week
- Non-cash spending in restaurants remains down at 59% YoY in the 3-9 February period

SUMMARY OF NON-CASH SPENDING DYNAMICS BY SECTORS

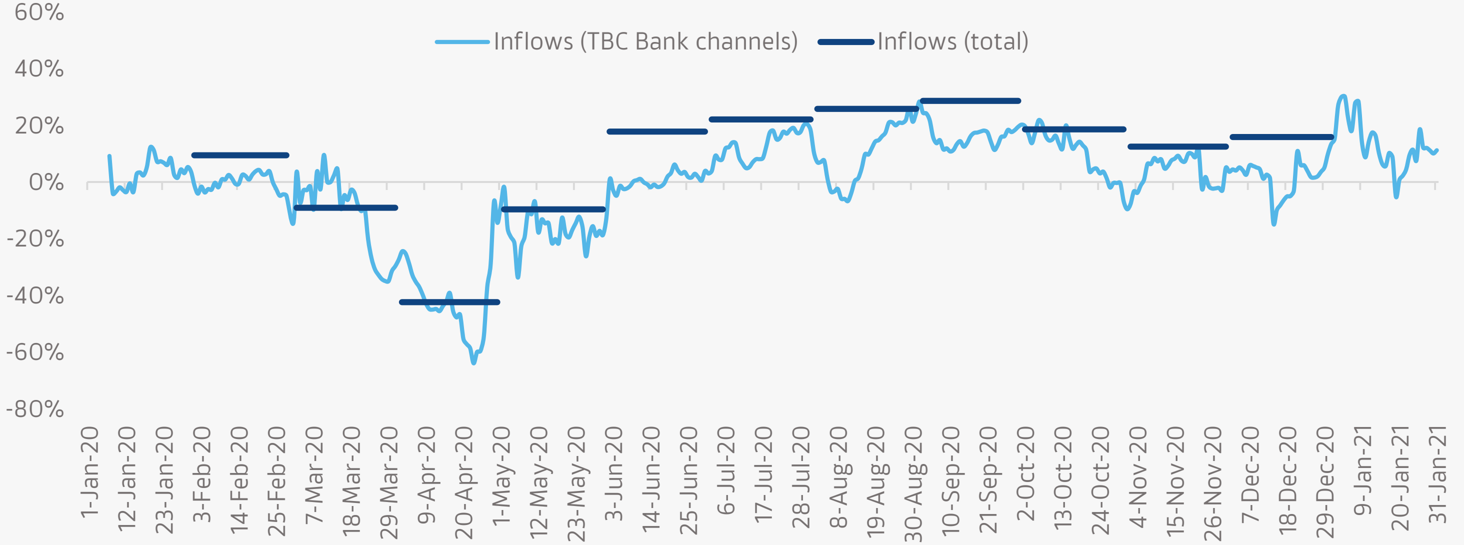
Dynamics of non-cash spending as of February 9th (YoY change)



Source: TBC Bank

SLIGHT SLOWDOWN OBSERVED IN YOY GROWTH OF REMITTANCE INFLOWS OVER THE LAST WEEK OF JANUARY

Dynamics of remittances – USD volumes (7 day MA, YoY %)



Dynamics of remittances by countries/regions (YoY %)

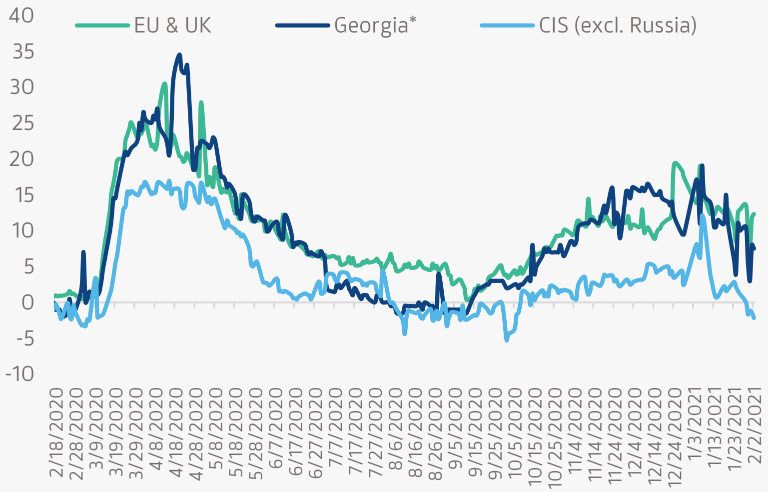
Country/Region	18-25 Jan	25-31 Jan
EU & UK	21%	10%
Middle East	12%	6%
North America	30%	25%
Russia	-34%	-24%
Ukraine	93%	17%
Armenia	8%	18%
Azerbaijan	169%	122%
TOTAL	21%	11%

- The growth in total inflows through TBC channels decreased compared to the previous week, standing at 11% YoY during the 25-31 January period
- The largest YoY growths were observed in inflows from Azerbaijan. Inflows from Russia remain on the negative growth territory
- Growth of inflows from EU & UK remains positive over the last three weeks

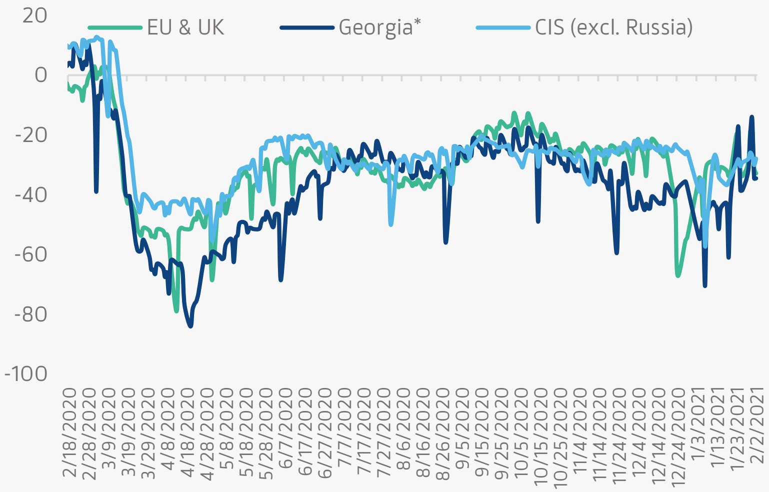
Source: TBC Bank, NBG

THE EFFECT OF THE EASED RESTRICTIONS IN GEORGIA VISIBLE IN GOOGLE MOBILITY DYNAMICS

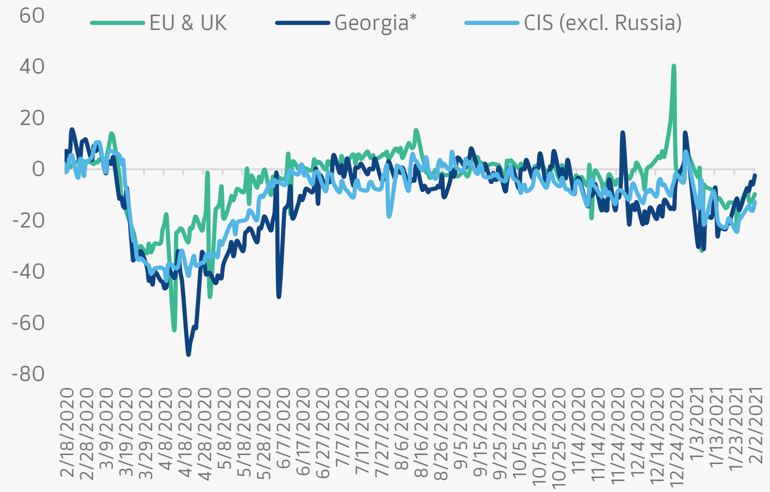
Mobility in residential area (Change %)



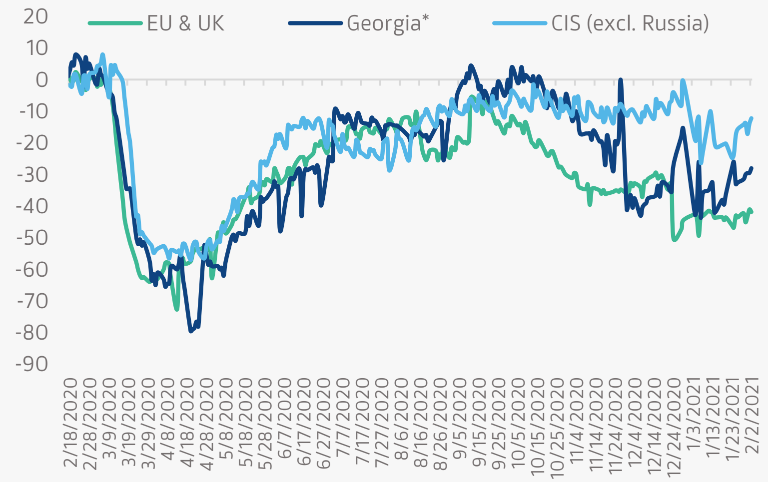
Mobility in working places (Change %)



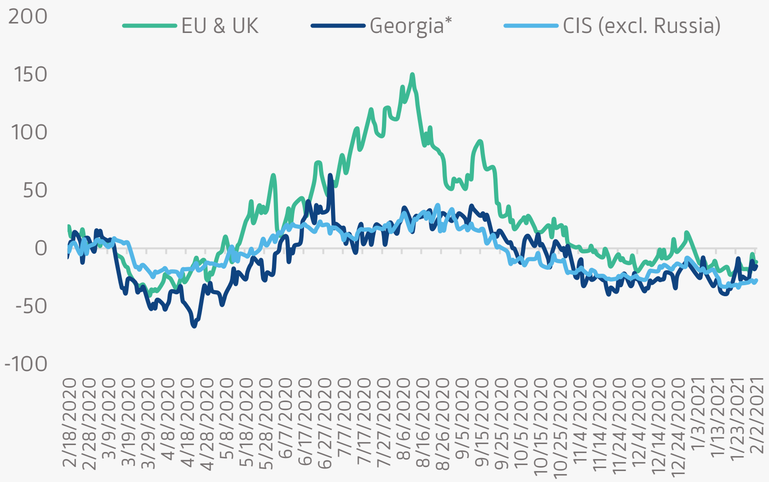
Mobility in grocery and pharmacy (Change %)



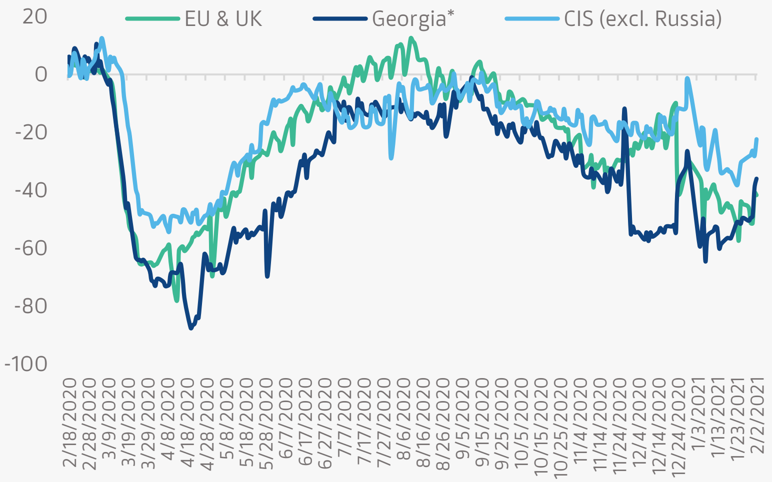
Mobility in transit stations (Change %)



Mobility in parks and recreational area (Change %)



Mobility in retail & recreation (Change %)



Source: Google; Note: Change compared to first 5 weeks of 2020; *Data for Georgia is unavailable from 5/19/2020 to 7/2/2020

LEGAL NOTICE

Mary Chachanidze, CFA
Managing Director

Aleqsandre Bluashvili
Head of Research

Tamar Zakaidze
Senior Research Associate

Andro Tvaliashvili
Senior Research Associate

Luka Chigilashvili
Research Associate

Vladimer Choghoshvili
Intern

Otar Nadaraia
Chief Economist, TBC Group

Ana Mjavanadze
Acting Head of Macro-Financial Analysis Division, TBC Bank

Juli Avlokhashvili
Analyst

Tel: +995 32 2 272727
Email: research@tbccapital.ge
Web-page: www.tbccapital.ge; www.tbcresearch.ge

TBC CAPITAL