



Georgian Economy Growth Spike

Georgia | Economy
May 31, 2021

Reopening of the economy and continued robust growth of exports and remittances fueled strong growth in Georgia. In April 2021, real GDP growth was 44.8% y/y based on Geostat's flash estimates, beating market expectations (monthly growth estimates are subject to revisions and quarterly growth figures are more precise). Notably, the part of this growth is explained by last year's low base (economy contracted by 16.6% y/y in April 2020), though growth is higher by 20.8% compared to April 2019 level. Overall, in 4M21, real GDP growth was 8.1% y/y after a 4.2% y/y contraction in 1Q21 (with January-February in red and positive growth in March). Growth rebound is in line with ongoing economic recovery in Georgia's trading partners, which we expected to continue and we now project growth at 7.0% in 2021, up from our previous forecast of 5.0% (which was our baseline forecast and in pessimistic scenario we expected growth at 3.6%).

Sectors contributing to growth

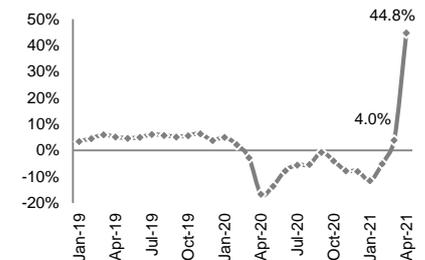
In April 2021, real growth was recorded in all sectors of the economy except mining. Notably, reopening of economy along with return of tourists (tourism revenues up 487.1% y/y in April from very low base), bullish commodity prices, and strong rebound in car re-exports supported largest sectors of the economy to bounce back strongly - manufacturing, construction, trade, transportation and storage, and hospitality.

Expectations on growth

In coming months, growth outlook expected to be strengthened by different factors:

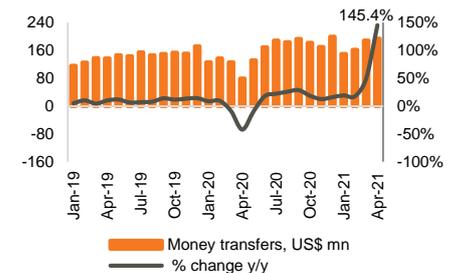
- Improved market sentiments amid stabilization in political stance (all elected parties entered the parliament) and declining COVID cases (daily new cases dropped to 360 persons as of May 31, down from an average 1,110 cases in last 30 days);
- Reopening of land borders from 1 June 2021 expected to support gradual recovery in tourism (visitors entering the country by land border accounted for 70% of total pre-pandemic); We expect tourism revenues at US\$ 1.2bn, which is 36% of 2019 level;
- Continued growth in remittances and strong export growth potential (bullish global commodity prices supporting copper and agricultural exports, also rebound in car re-exports);
- Solid fiscal stimulus and anticipated pre-election spending considering 2021 local elections in October;
- The vaccination process is expected to accelerate from June and July as the country secured half a million doses of Sinopharm for June and 900,000 doses of two other vaccines (Novavax and Johnson & Johnson) and about a million doses of Pfizer will be available in July. Notably, vaccination started in mid-March and as of 31 May 138,914 persons are vaccinated.

Figure 1: Real GDP growth



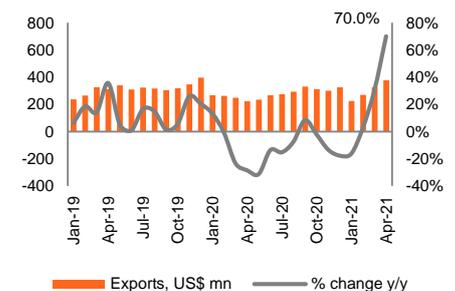
Source: Geostat

Figure 2: Remittances



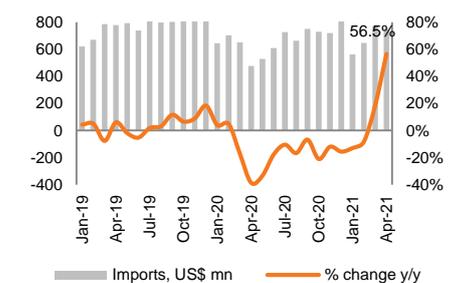
Source: NBG

Figure 3: Goods exports



Source: Geostat

Figure 4: Goods imports



Source: Geostat

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