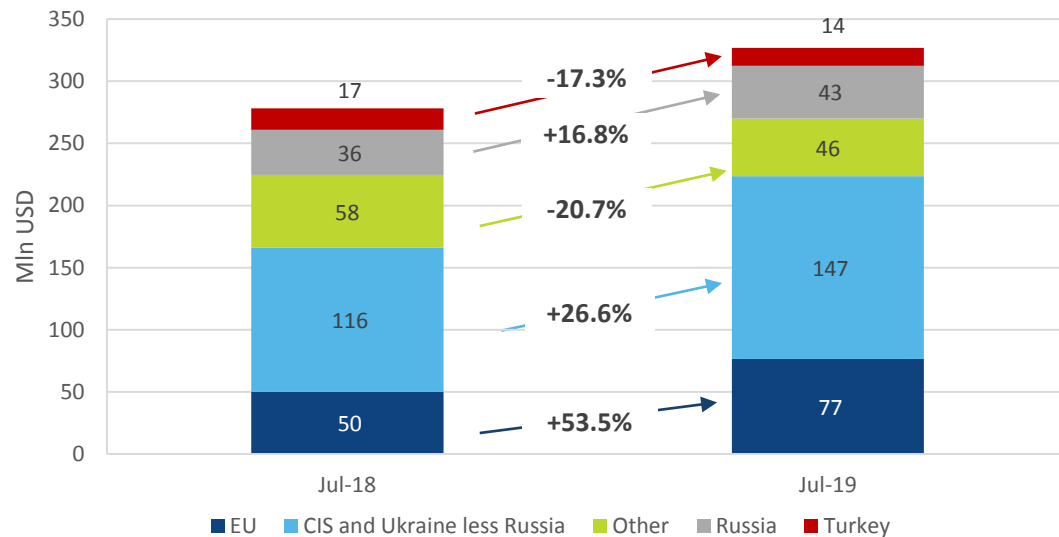


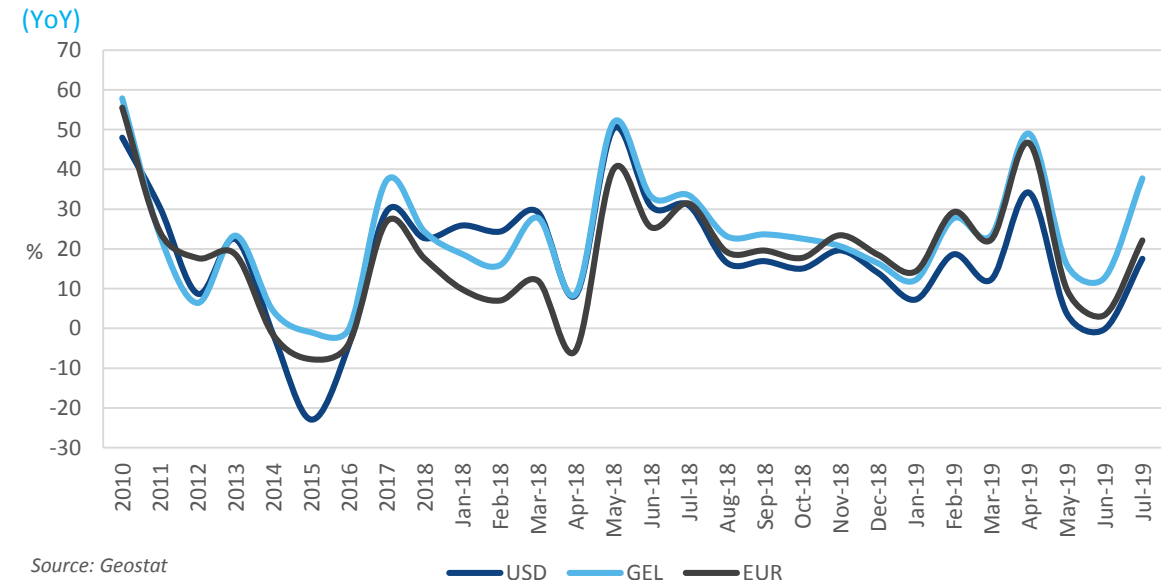
- Exports went up by 17.5% YoY in July when expressed in USD. In EUR and GEL growth stood at 22.1% and 37.8%, respectively.
- Stronger exports primarily reflect the increase of re-exports of some major categories such as copper ores (+58.3% YoY) and cars (+43.5 % YoY). One-off exports of aircrafts also contributed to the growth. Also, exports of goods with relatively higher share of domestic value added like mineral waters (+38.1% YoY) and textile (+76.5% YoY) increased strongly, while other traditional products like ferro-alloys (-17.1% YoY), fertilizers (-37.7% YoY), spirits (-18.7% YoY) were down over the same period. Once the leading export commodity, hazelnuts, continues to decline (-67.3% YoY), however, a very promising expectations on harvest and prices are expected to support the exports in the coming months.
- In terms of regions, the increase of the exports to the CIS and Ukraine excluding Russia contributed most to the growth (+26.6% YoY). At the same time, the increase of exports to the EU was the highest (+53.5% YoY). The exports to Russia increased by 16.8% YoY while the exports to Turkey continued to decline (-17.3% YoY) in July 2019.
- Export prices went up by 16% YoY as the GEL exchange rate depreciated against major trading partner currencies. Even when adjusted for prices, exports growth was solid at around 19% YoY, supporting the GDP growth considerably despite the high contribution of the re-exported items.

Exports of goods by regions



Source: Geostat

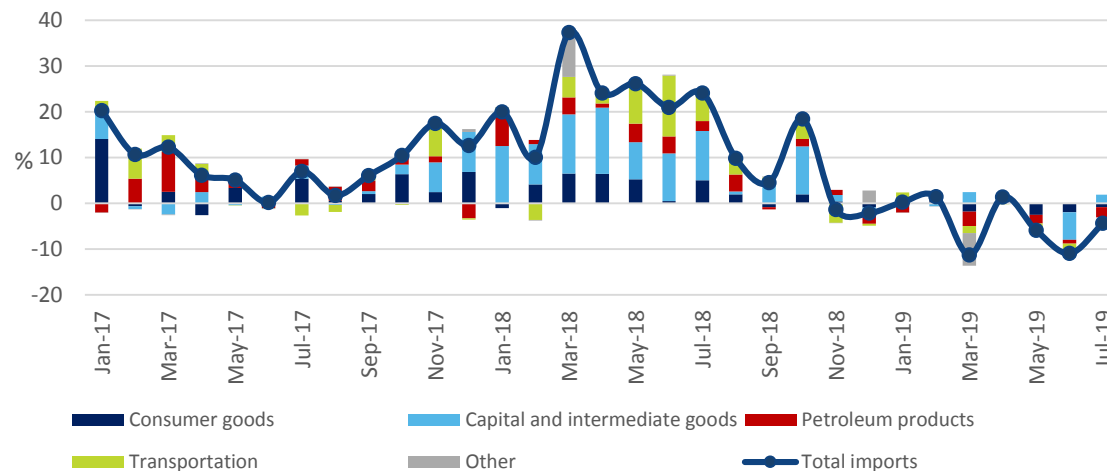
Growth of exports in different currencies



Source: Geostat

- Imports of goods fell by 4.4% YoY in USD terms in June. In EUR imports fell by moderate 0.6% while in GEL it increased by 12.1% YoY. At the same time, import prices went up by 15.5%, indicating still declining imports when measured in real terms.
- The decline of imports of petroleum products (-17.8% YoY) with oil prices down by around 20% YoY in USD terms and lower imports of transportation (-22.5% YoY) due to the fall of passenger car imports (-27.1% YoY) mostly explain the weak imports in July. On the other hand, capital and intermediate goods imports picked-up, mostly owing to the higher imports of copper ores destined for re-exports. Food and beverages (-1.7% YoY) and consumer goods imports (-3.7% YoY) somewhat declined, however, imports of durable goods was stronger.
- In terms of the regions, imports decreased from the EU (-18.3% YoY) and the CIS (-5.3% YoY), while increased from the other countries (+5.9% YoY).

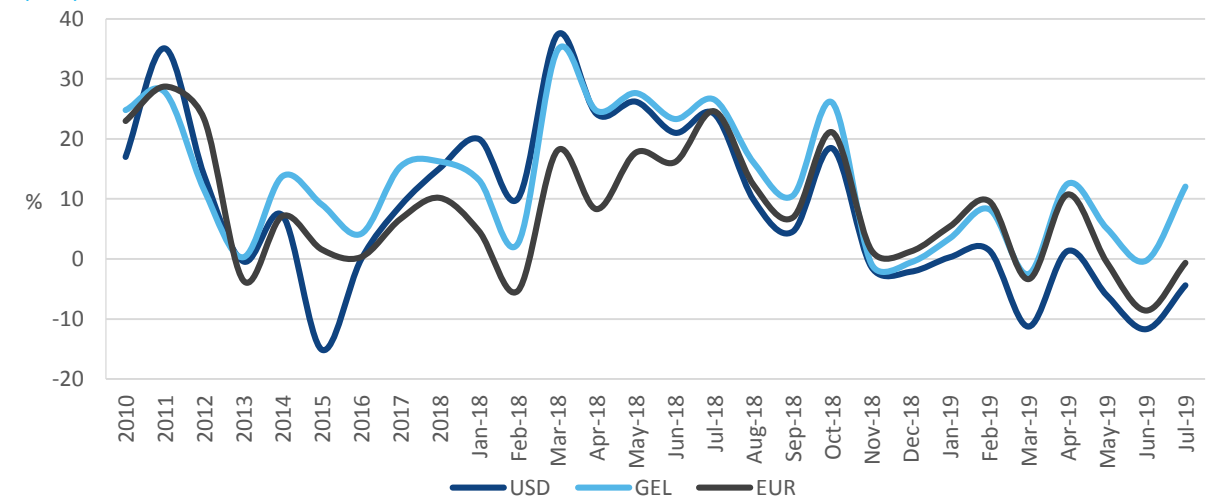
Growth of imports in USD and contribution (in PP) of product groups (YoY)



Source: Geostat

\* Durable goods exclude cars due to the difficulty to estimate the share of re-exports on a monthly basis

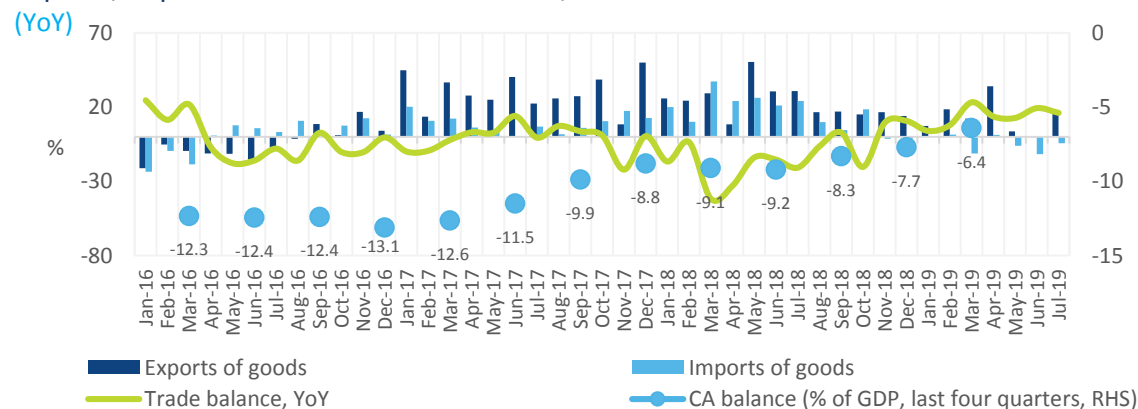
Growth of imports in different currencies (YoY)



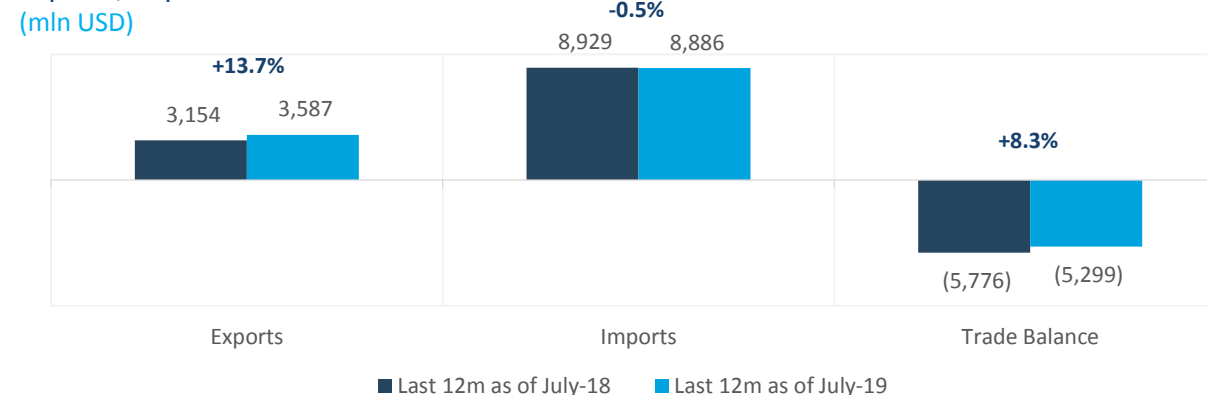
Source: Geostat

- ❑ The trade balance improvement continued over the last 9 months as a result of continued growth of exports and weak imports.
- ❑ Over the trailing 12 months ending in July 2019, export growth stood at 13.7% YoY, imports of goods went down by 0.5% YoY (both in USD terms) and the trade deficit narrowed by 8.3% (477 mln USD). Only in July the trade balance improved by 16.0% YoY or by 83 mln USD in absolute terms, offsetting the 13.3% decline\* (-58 mln USD) of tourism inflows as a result of the Russia's flight ban and a sharp fall of visitors from Iran (see NBG's [monthly economic review](#), pp. 9).
- ❑ Different factors impact the dynamics of the trade balance. As the base effect, related predominantly to lower oil prices and one-off decline of BP related imports dissipates, the trade balance is going to worsen. Higher fiscal spending in 2019 also supports the stronger domestic demand, including imports. On the contrary, weak retail, especially non-mortgage lending has negative impact on the domestic demand, with higher impact on imports (see [TBC Economic Review](#), insight #6 and [note](#) on GDP growth by expenditures). At the same time, a weaker GEL exchange rate improves the trade balance reflecting the both balance sheet (income effect) as well as some expenditure switching (substitution) effects with time lag assuming the trade in goods is elastic. Lower GDP growth as a result of lower tourism inflows will also have negative impact on imports of goods. As for the prices, in July as well as in previous periods, it appears that the prices of exports and imports are increasing at a similar rate, with no indication of overall relative gain in price competitiveness other than possible positive impact on exporters' profit margins due to lower price increase on domestic inputs. This is probably related to some price stickiness in USD as well as to the pricing-to-market effect.

Exports, imports and trade balance in USD, CA deficit to GDP



Exports, imports and trade balance



Source: Geostat, NBG

\*Together with publishing preliminary estimates for July, the NBG also re-estimated Q2 2019 tourism inflows, substantially reducing the growth rates predominantly explained by the fact that the per visit spending declined in USD terms due to the GEL depreciation.

Source: Geostat

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