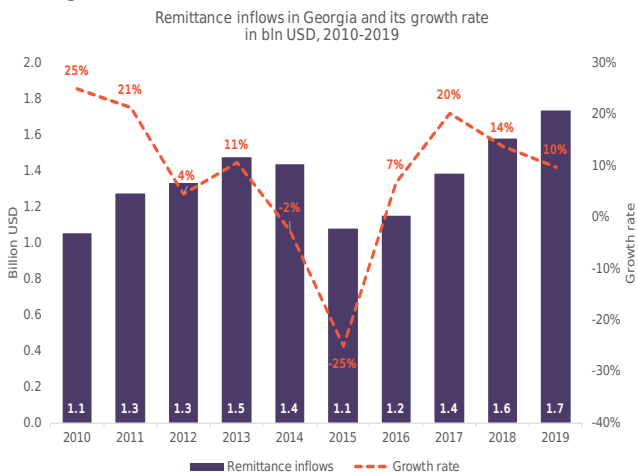


- Due to the COVID-19 pandemic, global remittance flows are expected to fall by 20% in 2020 (World Bank), while the decrease in Georgia is forecast at 15% (IMF).
- In the first half of 2020, remittances have declined by just 4.8% compared to the same period of 2019.
- Remittance inflows have been growing by an average of 8.5% over the past decade.
- The contribution of remittance inflows in GDP has increased significantly over time and amounted 11% on average for the period of 2015-2019.
- In 2020, remittance inflows saw a sharp drop (-42.3%) in April, however, the recovery in June was also strong (17.8%), compared to the same period of 2019.
- Remittances from Russia declined the most in the first half of 2020 compared to the first half of 2019 (-27%), while Italy recorded the strongest growth (14%).

Remittance inflows, in other words, money sent by migrants to their home countries, provide a lifeline for a sizable share of populations in developing countries. Remittances are especially important due to the ability to act as a countercyclical buffer during the periods of crisis, as migrants tend to send more money when the crisis hits their home economy. However, the COVID-19 pandemic, and the subsequent “Great Lockdown” is different, as it stalled economic activity in nearly every country, resulting in drying up of remittance inflows when they were needed the most. The World Bank estimate for the growth of global remittance flows in 2020 is -20%¹, while the IMF forecasts a 15% decline in remittance inflows for Georgia². In the subsequent analysis, the pre-COVID snapshot of remittance inflows in Georgia will be discussed, followed by the developments of remittance inflows during the first half of 2020³.



Remittance inflows in Georgia have been growing steadily over the past decade, with exceptions in 2014 and 2015 due to economic crisis in Russia.

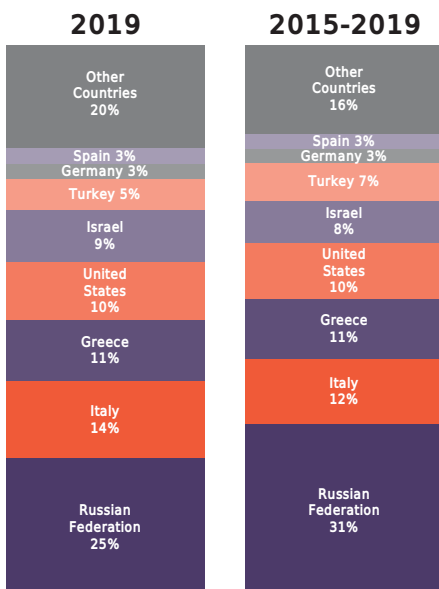
Average annual growth rate of remittance inflows has been strong, amounting 8.5% over the past decade, while it is equal to more impressive figure of 14% when 2014 and 2015 are excluded from the calculations.

The amount of remittance inflows has experienced double digit growth rates in 6 occasions from the past 10 years, with the highest growth rates observed in 2010 (25%), followed by 2011 (21%) and 2017 (20%).

With steady growth of remittance inflows, its role in Georgian economy, demonstrated by its ratio to GDP, has also increased over time. An average figure for remittance inflows as a % of GDP was 6.7% for the 5-year period of 2000-2004, increasing to 8.5% over the next 5-year period, reaching 10.6% in 2010-2014 and 11% in 2015-2019.

The comparison of remittance inflows as a % of GDP between the member countries of Eastern Partnership over the period of 2015-2020 reveal that Georgian figures are similar to those of Armenia and Ukraine, ranging from 9.3% to 13.1%.

While Georgia still experiences a growing trend, Armenia has a negative trend, while for Ukraine the indicator has been stable over the period. As for other 3 members, Moldova is the most dependent country on remittance inflows in EaP countries, amounting 19.9% inflows to GDP ratio in 2019.



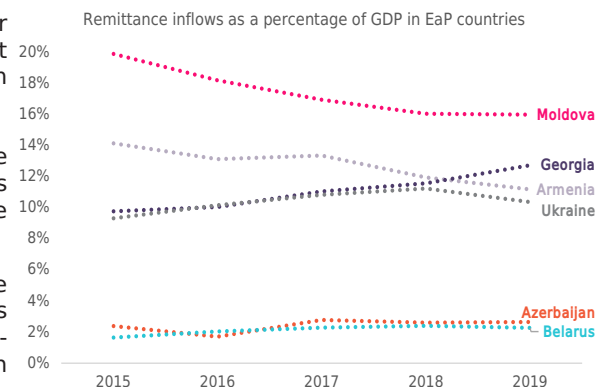
Belarus and Azerbaijan are the least dependent group of countries on remittance inflows, with their inflows to GDP ratio being lower than 3% over the past 5 years.

Based on World Bank Database, Georgia ranks 17th in terms of dependence on remittance inflows in the world in 2019⁴ with 12.7% inflows to GDP ratio. Haiti, with inflows to GDP ratio of 38.5%, is ranked as first in 2019, followed by Tajikistan (28.6%) and Kyrgyz Republic (28.5%).

Decomposition of remittance inflows by countries in 2019 and the period of 2015-2019 shows consistency of sender countries over time. Moreover, not only the group of countries, but also their rankings remain the same.

An important implication from the comparison is the positive tendency of higher diversification in remittance inflows over time: The share of Russia is 25% in 2019 compared to 31% in the period of 2015-2019, while the share of Other countries is 20% in 2019 compared to 16% over the 5-year period.

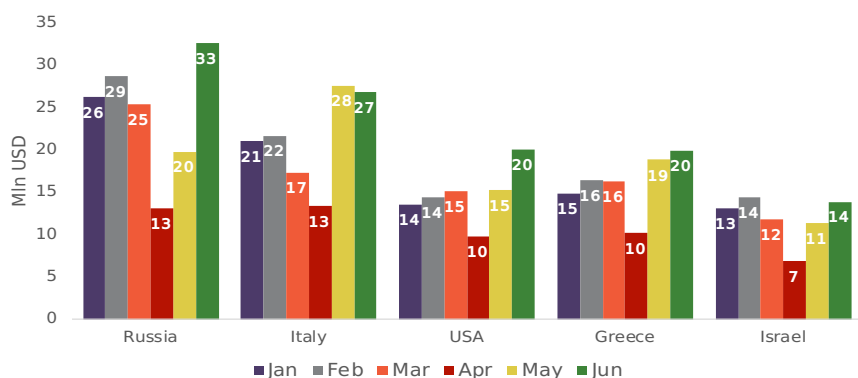
Remittance inflows from Israel, Ukraine and Italy increased significantly in 2019 compared to the average of 2015-2019 period, namely, by 79%, 77% and 69%, respectively.



Source: World Bank Database

The COVID-19 pandemic has impacted remittance flows in the world, with Georgia being no exception. The amount of inflows started declining in March, saw a sharp decline in the month of April, showed the first signs of recovery in May and fully returned to the previous figures in June.

Monthly dynamics of remittance inflows by country in the first half of 2020



The analysis of monthly dynamics by country reveals that remittance inflows from Russia experienced the biggest drop in April: a decline of 48% compared to the previous month. However, Russia also saw the biggest increase in June (65%) compared to the other top sender countries.

Inflows from Italy have started to decline earlier, falling by 20% in March and 23% in April month over month, while it recovered rapidly in May by 106% MoM.

Year on year growth rates of top sender countries are presented in table below for each month of 2020.

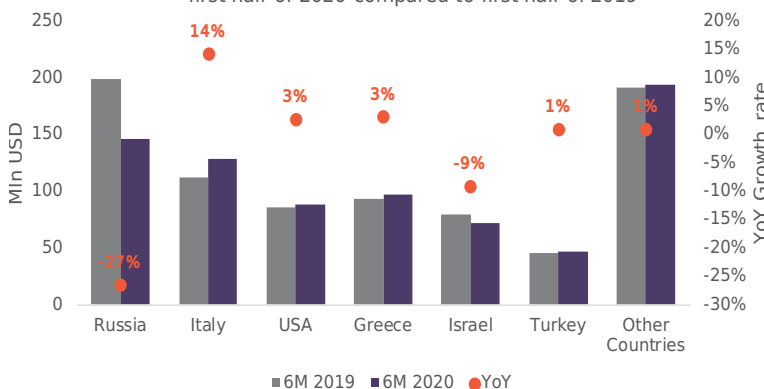
As demonstrated by monthly dynamics, Russia is the country with the sharpest fall in April (-61.8%), continuing the decline on a yearly basis in May and June as well. Conversely, inflows from Italy decreased the least in April and showed a strong year over year growth in May (35.8%) and June (38.8%). The total amount of remittance inflows increased by 17.8% in June 2020, compared to June 2019.

Country	Jan 20/Jan 19	Feb 20/Feb 19	Mar 20/Mar 19	Apr 20/Apr 19	May 20/May 19	Jun 20/Jun 19
Russia	-5.2%	-9.3%	-28.3%	-61.8%	-43.2%	-6.4%
Italy	20.1%	24.2%	-8.7%	-27.5%	35.8%	38.8%
USA	10.2%	13.0%	2.3%	-33.6%	-4.8%	31.1%
Greece	11.2%	16.0%	1.8%	-37.9%	13.1%	16.5%
Israel	6.1%	12.6%	-10.2%	-48.4%	-17.2%	3.6%
Turkey	-3.7%	0.9%	-0.1%	-31.4%	-4.3%	43.9%
Other Countries	17.9%	17.1%	-0.4%	-36.4%	-13.4%	24.7%
Total	8.6%	9.5%	-9.0%	-42.3%	-9.6%	17.8%

In the graph below, a comparison of the amount of remittance inflows for the first half of 2020 compared to first half of 2019 are presented, disaggregated in terms of top sender countries. Out of 6 top sender countries, only inflows from Russia and Israel declined, by 27% and 9% respectively. The increases for USA, Greece, Turkey and the group of other countries were all modest, while inflows from Italy increased by 14%.

Despite growth dynamics of most countries, the overall remittance inflows have declined by 4.8%, mainly due to the large fall of inflows from Russia.

Remittances in Georgia by country and its year over year growth; first half of 2020 compared to first half of 2019



As demonstrated, Georgia has recovered from the sharp drop in April relatively quickly, and the overall dynamics for 2020 are much stronger than predicted by the IMF for Georgia and even stronger compared to the global estimates of the World Bank.

However, the high growth figures in June could be explained by the higher demand for money due to the crisis. If this is the case, it is unlikely that the strong growth will continue.

Moreover, the second wave of the pandemic and further disruptions in the host countries of the migrants, could result in another sharp fall. Overall, uncertainty is still prevalent, however, so far, the remittance inflows in Georgia have performed better than anticipated before, which translates to the hopes of quicker and stronger recovery.

¹<https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history#:~:text=The%20large%20decline%20in%20remittances,record%20%24554%20billion%20in%202019.&text=In%202021%2C%20the%20World%20Bank,5.6%20percent%20to%20%24470%20billion.>
²https://static1.squarespace.com/static/5548d1b5e4b0680763eeeb53/t/5ec04bd29db2e1e76cf1635/1590428863594/GEO_AGBC+Annual+Conference_May+2020.pdf
³The data source on which the subsequent analysis and graphs are based on is National Bank of Georgia, unless stated otherwise.
⁴The rank is obtained from the analysis of all countries for which the inflows to GDP ratio in 2019 is available in World Bank Database

Basic Economic Indicators	2016	2017	2018	2019	2020 Q1
Nominal GDP (mIn USD)	15 141.7	16 248.5	17 596.6	17 736.6*	3 780.3*
GDP per Capita (USD)	4 062.1	4 358.5	4 722.0	4 763.5*	1 017.1*
GDP Real Growth (%)	2.9%	4.8%	4.8%	5.1%*	2.2%*
Inflation	2.1%	6.0%	2.6%	4.9%	-
FDI (mIn USD)	1 650.3	1 962.6	1 265.2	1 267.7*	165.4*
Unemployment Rate (%)	14.0%	13.9%	12.7%	11.6%	11.9%
External Debt (mIn USD)	4 516	5 177	5 434	5 741	5 689
Poverty Rate (relative)	21.0%	22.3%	20.5%	20.1%	-

*preliminary data