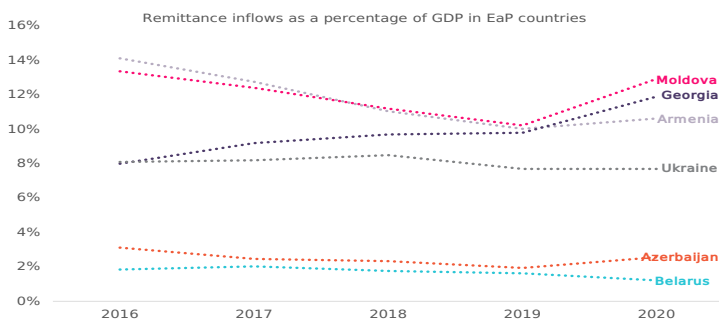


The following bulletin focuses on remittance inflows into Georgia in 2020 and its development in 2021.

The social and economic stability of Georgia strongly relies on the money sent from emigrants to their families. Based on World Bank Data<sup>1</sup>, in 2019, in terms of dependence on remittance inflows, Georgia ranked 21st in the world, with remittance inflows to GDP ratio. Moreover, the study conducted by the State Commission on Migration Issues revealed that in 2016 money sent by every second emigrant to their families accumulated half or 3/4 of family budget, and for the 15% of families remittance was the only source of income in Georgia<sup>2</sup>.

The COVID-19 pandemic and imposed restrictions hindered economic activity in nearly every country, resulting in a negative effect on wages and employment for migrant workers and consequently, drying up of remittance inflows. In 2020 due to the emerged crises and uncertain situation, the World Bank projected shrinking remittance flows for low and middle-income countries by 7.2%<sup>3</sup>, while the IMF forecasted a 15%<sup>4</sup> decline for Georgia. However, despite the crisis and pessimistic predictions in Georgia, the volume of remittance inflows in 2020 compared to 2019 has increased by 8.8% and reached the highest figure in the past decade - 1.9 BLN USD, amounting to 11.9%, expressed as a percentage to GDP.



To compare remittance inflows as a % of GDP of Eastern Partnership member countries in 2020, Georgia and Moldova recorded the highest growth of remittance inflows and remained as a top dependent country on remittances inflows with the comparison to other EaP countries.

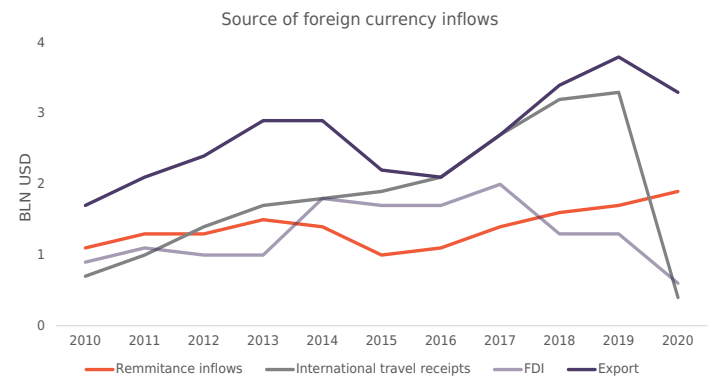
To observe the main sources of foreign currency flows, it is noticeable that the role of the remittance inflows in Georgia's economy has increased during the crisis, as the pandemic situation put the FDI and tourism sector in a hard tight spot.

Source: National Bank of each EaP country; IMF PMC RC's calculations

In 2020 revenues from international travel and FDI declined by 88% and 53% respectively, together totalling 1 billion USD, while remittances increased by 8.8% and reached 1.9 billion USD and have become the second source of foreign currency flow after export.

Over the last 5 years, remittance inflow was a valuable source for foreign currency inflows for the country. The average annual growth during this period amounted to 7%.

It is worth noting that one of the reasons that contributed positively to the resilience of remittances during the pandemic is the digitalization of inflows. Before the COVID-19 crisis, a significant share of inflows was given physically and was not reflected in statistics. However, due to travel restrictions, emigrants switched to digital channels therefore impacting statistics of remittance inflows.



Source: National Statistics Office of Georgia

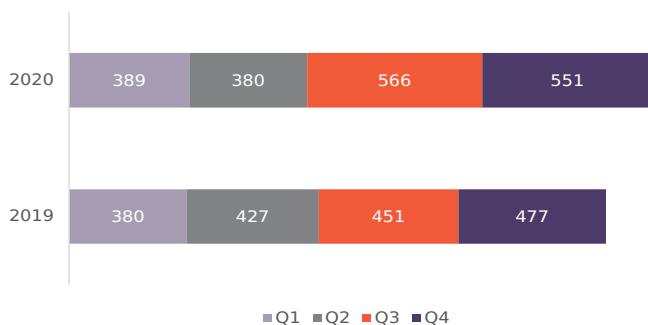
The positive dynamics of remittance inflows in 2020 was strongly determined by the increased amount of money sent in the second half of the year. For instance, in the second half of 2020, inflows increased by 45% compared to the first half.

In comparison with the corresponding period of 2019, in the first half of 2020, remittance inflows dropped by 4.6%, however, in the second half of 2020, it increased by 20.5%.

In the first and second quarters of 2020 total amount of inflows was 769 million USD. The highest inflow was recorded in the third quarter, reaching 566 million USD.

In the third and fourth quarters of 2020, 60% of annual inflows were accumulated totalling 1.1 billion.

Quarterly remittances inflows in 2019 and 2020 (MLN USD)



Source: National Bank of Georgia

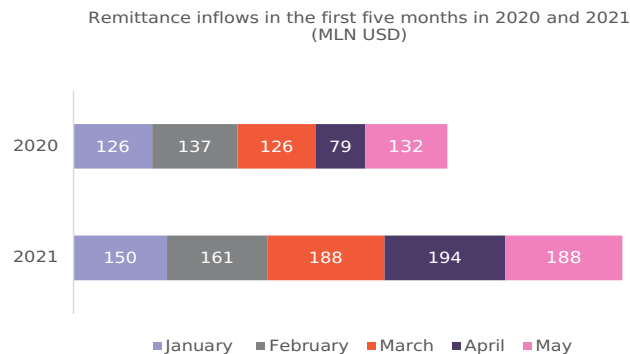
In 2020 Russia remained as the main contributor in remittance inflows in Georgia with a share in a total of 19%, followed by Italy, the USA, Greece and Israel with shares at 16%, 12%, 12%, and 8% respectively. In comparison with 2019, in 2020 the highest growth among top sender countries was recorded by Italy (24%), the USA (22%), Greece 14%). Inflows from Russia and Israel witnessed a drop of 15% and 4% respectively. Also, the total amount of money sent from other countries has increased by 16%.

Even though remittance inflows from Russia have the highest contribution, the rate has been declining in Georgia. For instance, in comparison to 2019 year in 2020 share in total remittances inflows from Russia have declined by 6% and overall from 2018 to 2020 by 10%. On the contrary, remittances from Italy, the USA and Greece have an uprising trend.

In 2021 Georgia maintained the uprising trend of remittance inflows recorded in the second half of 2020, receiving 881 million USD in the first five months of 2021, 46.9% higher than in the same period of the previous year.

Moreover, in 2021 in the same period of time, the figures are higher than the pre-pandemic period. For instance, compared to the first five months of 2019, the volume has increased by 33%.

Year over year the growth in the first two months of 2021 was only 18%, however, in following three months in comparison with the previous year the growth rate reached 69%. The change was the highest in April, when remittances rose by 145% YoY. This was partly caused by a sharp decrease in remittances from Russia (61%) in the April of 2020.

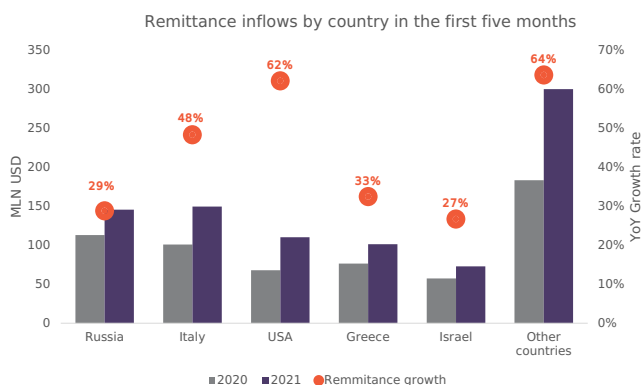


Source: National Bank of Georgia

The list of top sender countries has not been changed in the first five months of 2021. However, in this five-month period, Italy has become the main contributor with a share of 17% in total inflows of the remittances.

In the first five months of 2021 compared to the corresponding period of 2020, inflows from top sender countries increased relatively strongly. The USA (62%) and Italy (48%) experienced the highest growth rates, followed by Greece (33%) and Russia (29%). Israel recorded the lowest growth with 27%. Inflows from other countries also increased significantly (64%).

It is noteworthy that share in total remittance inflows from Russia is still witnessing a downfall trend. For instance, compared to the first five months of 2020, its share in total remittance inflows has dropped by 3.5 percentage points amounting to 16.5% of total inflows.



Source: National Bank of Georgia

The analysis of monthly dynamics by top sender countries reveals that inflows have increased in each consecutive month of 2021, except May, when compared to April -3.2% growth rate was indicated.

The USA and Russia recorded significant growth in March by 28% and 26%, respectively. Other countries have not witnessed such noticeable increase.

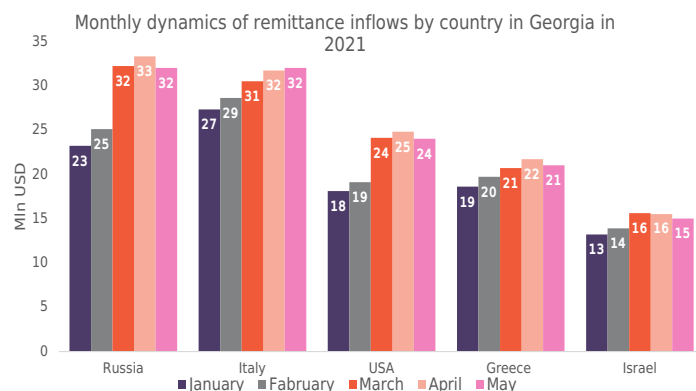
Compared to April in May, inflows only increased from Italy (0.7%), while other countries witnessed a slight drop in the growth rate. For instance, inflows from Greece, Russia, Israel, and the USA shrank by 5.2%, 4.8%, 4.7%, and 2.9% respectively.

As demonstrated, Georgia has recovered from a drop in the first two quarters of 2020 and overall dynamics drastically changed in the second half of 2020.

In the first five months of 2021, the positive tendency of the second half of 2020 was retained, moreover, the numbers indicate higher growth compared to the pre-pandemic period. Despite the crises all over the globe, it seems that Georgian emigrants intensified their economic activities to support their families in their homeland. Better-than-expected economic conditions in host countries and shift inflows from cash to digital channels also contributed to generally positive dynamics.

While the situation remains uncertain, it is hard to predict how remittance flows in Georgia will change over the year, however, the latest tendency illustrated the strong resilience toward crises and with a pick-up of global recovery, it is more likely that positive trend will continue.

1 The rank is obtained from the analysis of all countries for which the inflows to GDP ratio in 2019 is available in World Bank Database  
 2 <https://migration.commission.ge/files/eng.pdf>  
 3 <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>  
 4 [https://static1.squarespace.com/static/5548d1b5e4b0680763eeeb53/t/5ecc04bd29db2e1e76cf1635/1590428863594/GEO\\_AGBC+Annual+Conference\\_May+2020.pdf](https://static1.squarespace.com/static/5548d1b5e4b0680763eeeb53/t/5ecc04bd29db2e1e76cf1635/1590428863594/GEO_AGBC+Annual+Conference_May+2020.pdf)



Source: National Bank of Georgia

| Basic Economic Indicators | 2016     | 2017     | 2018     | 2019     | 2020              |
|---------------------------|----------|----------|----------|----------|-------------------|
| Nominal GDP (mln USD)     | 15 141.7 | 16 248.5 | 17 596.6 | 17 470.7 | 15 888.1*         |
| GDP per Capita (USD)      | 4 062.1  | 4 358.5  | 4 722.0  | 4 696.2  | 4 274.6*          |
| GDP Real Growth (%)       | 2.9%     | 4.8%     | 4.8%     | 5.0%     | -6.2%*            |
| Inflation                 | 2.1%     | 6.0%     | 2.6%     | 4.9%     | 5.2%              |
| FDI (mln USD)             | 1 652.6  | 1 978.3  | 1 306.3  | 1 310.8* | 616.9*            |
| Unemployment Rate (%)     | 21.7%    | 21.6%    | 19.2%    | 17.6%    | 18.5%             |
| External Debt (mln USD)   | 4 516    | 5 177    | 5 434    | 5 741    | 7 535             |
| Poverty Rate (relative)   | 21.0%    | 22.3%    | 20.5%    | 20.1%    | *preliminary data |