Economic relations between Georgia-Ukraine and Russia: Impact analysis of Russia's War on Ukraine



Georgia's exposure to Russia and Ukraine 2021 (Share in each category)



The total external flow of money from Russia and Ukraine to Georgia (Remittances, Export, tourism, FDI (3Q)) amounted to around **1.8 bln USD**.

2021, mln, USD	Remittances	Export	Tourism income	FDI (3Q)	Import
Total	2,349	4,242.3	1,245	728.4	10 084
	(100%)	(100%)	(100%)	(100%)	(100%)
Russia (% in total)	411.4	610	151.7	53.2	1 022
	(17.5%)	(14.3%)	(12.1%)	(7.3%)	(10%)
Ukraine (% in total)	112	307	164.2	6.4	452
	(4.7%)	(7.3%)	(13.2%)	(0.9%)	(4.5%)

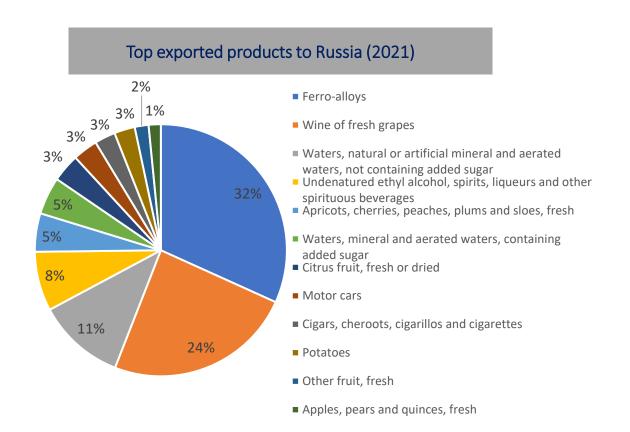


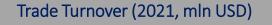
Georgia – Russian trade turnover: 1.6 bln USD (2021)

Export 610 mln USD, 14.3% of total

Export high-dependence on Russian Market: Wine, Citruses, fresh fruits, potatoes.

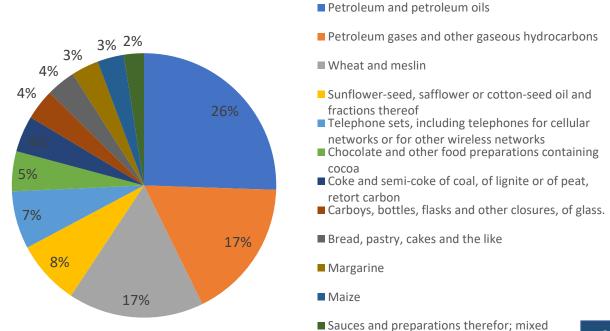
Import 1 bln USD, 10% of total







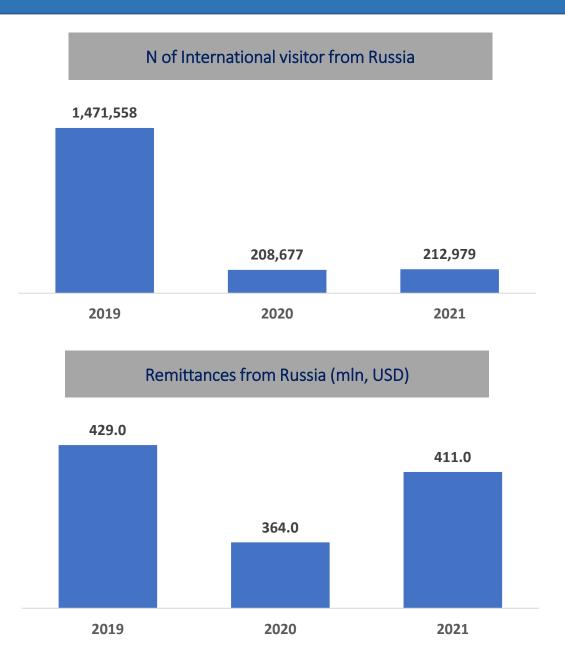
Top importer products from Russia (2021)

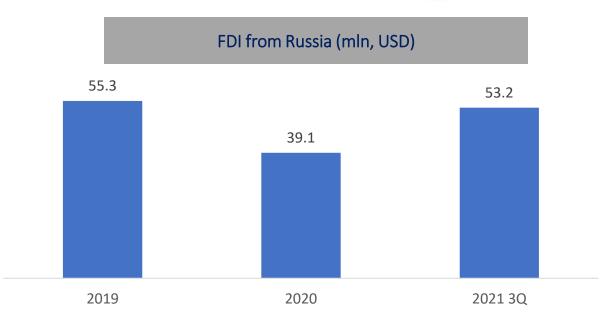


condiments and mixed seasonings

Georgia – Russia (FDI, Tourism, Remittances)







- In 2021 3Q, the biggest share of Russian FDI to Georgia went to the manufacturing, real estate, and finance sectors.
- FDI Reinvestment ratio in total investment:

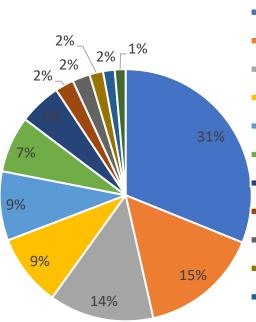
2021 3Q: 8% 2020: 57%



Georgia - Ukraine trade turnover: **759 mln USD (2021)**

- Export 307.3 mln USD, 7.3% of total
- Import 451.8 mln USD, 4.5% of total

Top exported products to Ukraine (2021)



- Motor cars
- Undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages

4%

5%

7%

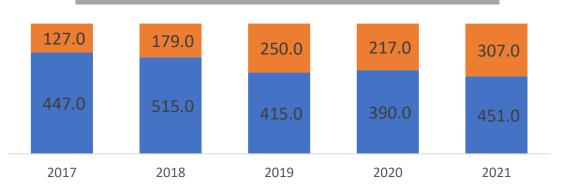
9%

10%

11%

- Mineral or chemical fertilizers, nitrogenous
- Waters, natural or artificial mineral and aerated waters, not containing added sugar
- Wine of fresh grapes
- Copper waste and scrap
- Automatic data processing machines and units thereof
- Telephone sets, including telephones for cellular networks or for other wireless networks
- Polymers of ethylene, in primary forms
- Ferro-alloys
- Polymers of propylene or of other olefins, in primary forms
- Waters, mineral and aerated waters, containing added sugar

Trade Turnover (2021, mln USD)

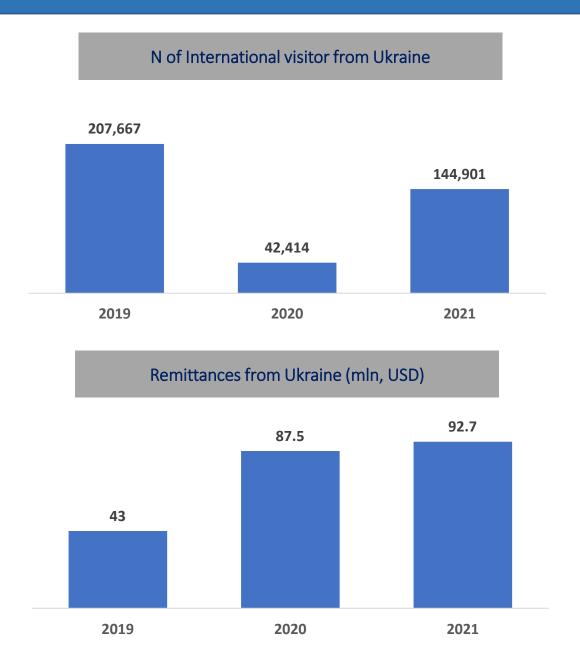


Top importer products from Ukraine (2021)

- Cigars, cheroots, cigarillos and cigarettes
- Flat-rolled products of iron or non-alloy steel, of a width more than 600mm, hot-rolled
- Medicaments put up in measured doses
- Other bars and rods of iron or non-alloy steel
- Oil-cake and other solid residues, resulting from the extraction of sova-bean oil
- Chocolate and other food preparations containing
- Bread, pastry, cakes and the like
- Other manufactured tobacco and tobacco substitutes; tobacco extracts and essences
- Waters, mineral and aerated waters, containing added sugar
- Meat of bovine animals, frozen
- Wadding of textile materials and articles thereof; textile dust and mill neps
- Stoppers, caps and lids and other packing accessories, of base metal

Georgia – Ukraine (FDI, Tourism, Remittances)







- FDI from Ukraine was accommodated to the following sectors: transport, real estate, and construction, manufacturing, etc.
- FDI Reinvestment ratio in total investment: 2021 3Q: 86%

2020: 64%





Scenario 1 assumes conflict resolution in the short term1-2 months and tourism recovery up to 75% of 2019. The forecast of the economic growth in scenario I is 3.0% in 2022, 1 GEL/USD at 3.25, and inflation at 7.0%.

Scenario 2 is a pessimistic forecast where conflict is protracted, additional sanctions are imposed on Russia, and tourism will recover at 60% of 2019. In the case of Scenario II, the economy will decrease by 1% in 2022, 1 GEL/USD at 3.4, and inflation at 9.0%.

2022 forecast				
	Scenario 1	Scenario 2		
Real GDP growth, %	3.00%	-1.00%		
Inflation, average	7.00%	9.00%		
GEL/US\$, average	3.25	3.4		
Monetary policy rate, eop	10.50%	11.00%		
Current account deficit, % of GDP	9.50%	10.90%		
Fiscal deficit, % of GDP	5.00%	5.70%		

Release date: 01/03/2022



The growth outlook for Georgia in 2022 is closer to rapid resolution 3.5%-4.0% scenario, than to delayed resolution one with the range from negative 1.5% to positive 0.5%

2022 Forecast					
	Rapid Resolution	Delayed Resolution			
Exports	0.5	-10.7			
Tourism	-32.2% vs 2019	-44% vs 2019			
Remittances	+2.3	-10.2			
FDI	+10	0			
Import of Goods and Services	+9.7	-4.8-1.1			
Fiscal Deficit	5.5	7			
Bank Real Credit	+6.5	+3.5			
GDP Growth	3.50%	-1.5% - +0.5%			

Release date: 28/02/2022



Thank You!