



THE HOLIDAY BUSTLE AND THE JANUARY SLOWDOWN

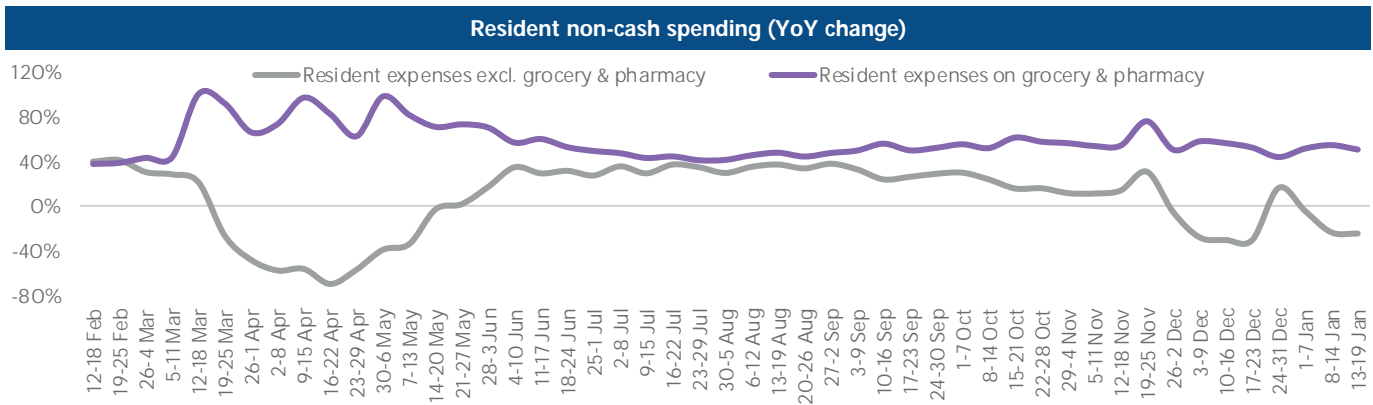
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Economic activity is returning to pre-holiday lows as the effects of the New Year and Christmas' holidays recede, TBC Capital's Tracking the Recovery report from January 22 shows.

Non-cash spending of residents on categories excluding grocery and pharmacy have continued to decline after a brief uptick in recovery over the New Year period as the restrictions were eased temporarily to allow people to do their holiday shopping.

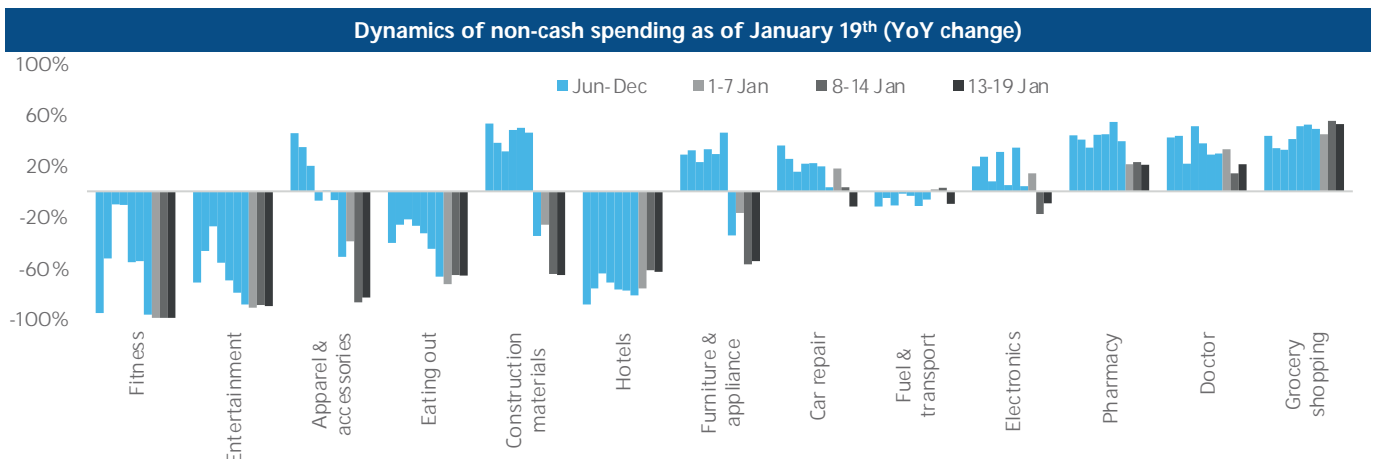
Growth of non-cash spending on categories excluding grocery and pharmacy declined -25% YoY in the week of January 13-19, similar to the previous week's performance.



Apparel has been hit very hard in recent weeks, with the growth of non-cash transactions on apparel items down -83% in the reporting period. Fitness and entertainment have fared even worse, down -90% and -99% respectively YoY. The charts below demonstrate just how difficult the situation has been for the two sectors in over past year.

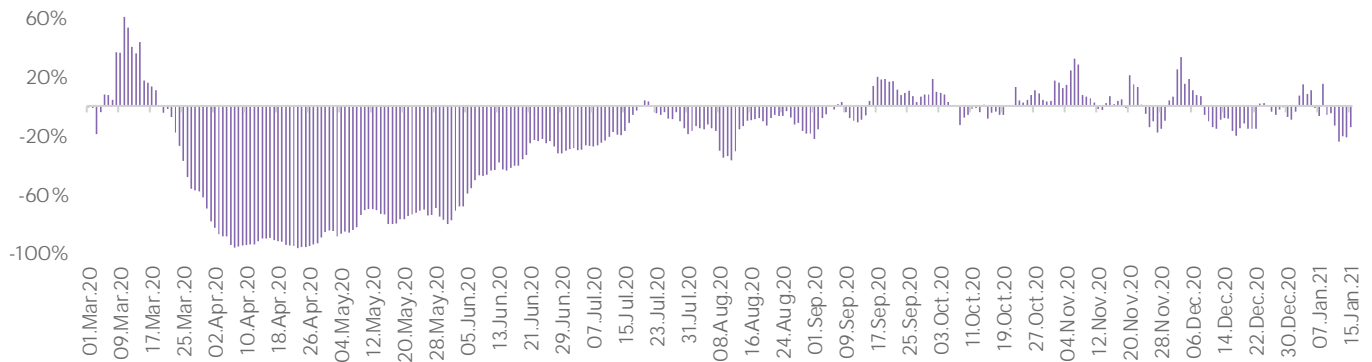
Throughout the pandemic electronics have fared slightly better than a number of other consumer segments, but has not been immune to the effects of the January, post-holiday slowdown and was reporting -9% growth in January 13-19. Furniture and appliances and construction materials are getting walloped, down -66% and -55% respectively.

YoY growth in non-cash grocery and pharmacy spending remained fairly stable, as it has been since June at around 50%.



Newly issued mortgages as well as residential real estate transactions have somewhat weakened since the beginning of 2021, with newly issued mortgages dropping 26.7% YoY in the period spanning January 1-18. However, the sector on the whole appears to be steadily on the mend, with growth postings of not worse than -30% since late August, with mid-size blips of positive growth in November and December.

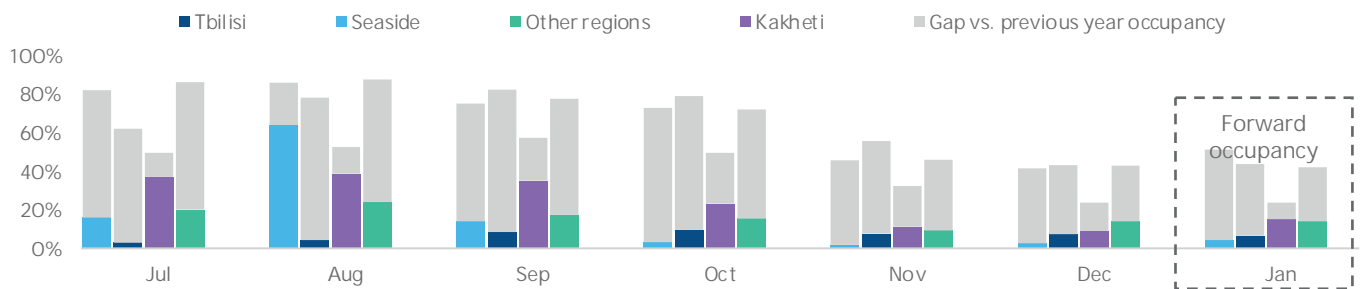
Dynamics of the number of apartments sold in Tbilisi (% Change YoY)



The effect of the New Year holidays have continued somewhat into mid-January for the HORECA sector, with hotel occupancy and POS payments in hotels somewhat improved compared to November and marginally over December.

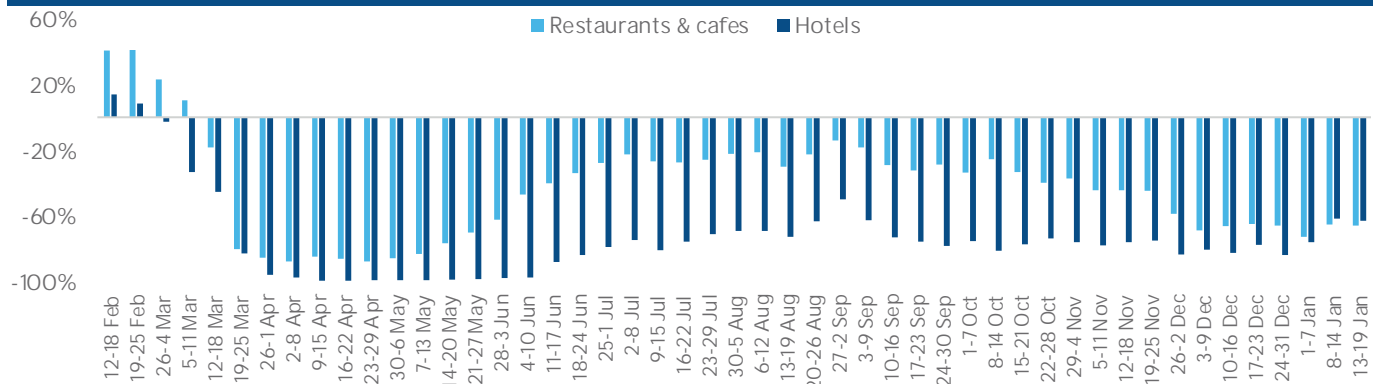
Occupancy rates in January amount to 4% for the seaside regions, 6% for Tbilisi, 14% in other regions and 15% for Kakheti, the traditional weekend getaway destination for Tbilisians.

Occupancy rates (%) – actual and by current bookings



Non-cash spending on accommodation and eating out inched upwards during the holiday season and has retained some of that momentum, with growth in non-cash spending in hotels at -63% and non-cash spending at restaurants at -66% YoY in the January 13-19 period.

Non-cash spending on accommodation and eating out (YoY change)



Remittance flows remain positive in low double digits, with growth in total inflows through TBC channels remaining unchanged at 10% YoY between January 11-17. The largest YoY growth was observed in inflows from Azerbaijan (95%), Ukraine (46%) and the EU and the UK (18%), followed by North America (9%) while YoY growth from Russia remains in the negative at -36%.

Dynamics of remittances – USD volumes (7 day MA, YoY %)

