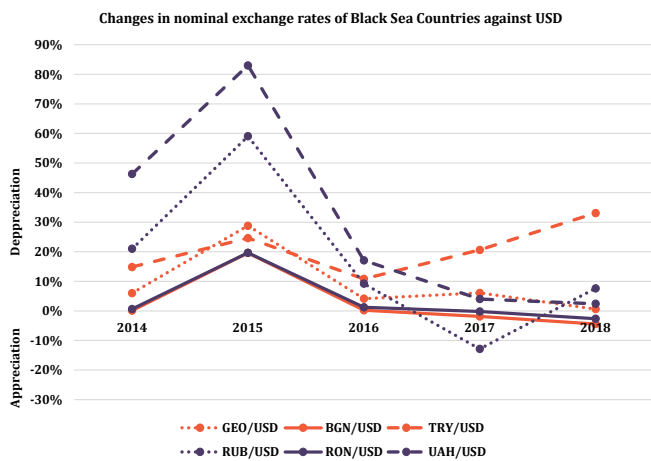


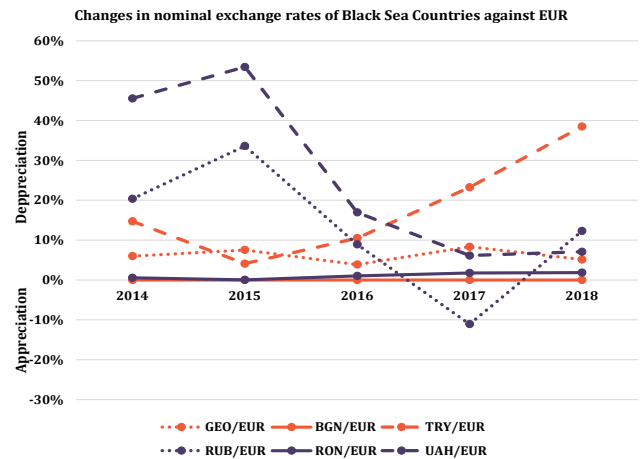
In this bulletin, we discuss exchange rate dynamics in the countries of the Black Sea region¹ during the period of 2014-2018. In particular, the exchange rates of these countries' currencies against the USD and EUR and the nominal exchange rates of the Georgian Lari against currencies of other countries on the Black Sea are reviewed. Moreover, the real effective exchange rates of the Georgian Lari against the currencies of Black Sea countries are calculated and the economic indicators, highly correlated with currency changes, like external trade and international travelers visits, are discussed.

Exchange Rates of Currencies of Black Sea Countries against USD and EUR

In 2018, compared to 2014, among Black Sea countries, the Ukrainian Hryvnia was the currency which depreciated the most both against the USD and EUR, by 128% and 104% respectively, followed by the Turkish Lira which depreciated against the USD and EUR by 122% and 96% respectively. Among the currencies of Black Sea countries, the Bulgarian Lev depreciated the least against the USD (by 12%) and did not change against the EUR, as the Lev is pegged to this currency (EUR 1 = BGN 1.9558)². Meanwhile, the Georgian Lari depreciated against the USD and EUR by 43% and 27% respectively.



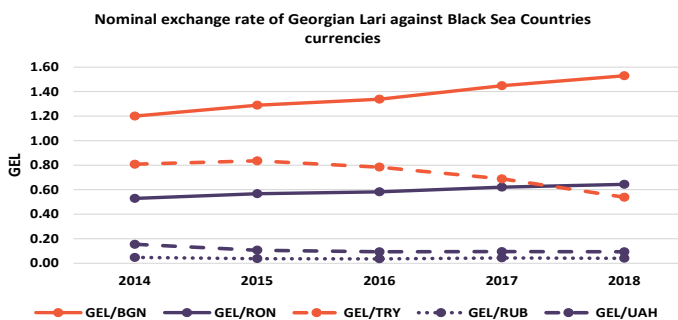
Source: Fxtop³



Source: Fxtop

In 2018, compared to 2017, the currencies of all Black Sea countries, except the Bulgarian Lev depreciated against the EUR. The Turkish Lira depreciated the most (by 39%), while the Romanian Leu depreciated the least (by 2%). In 2018, compared to 2017, the currencies of four Black Sea countries (Turkey (by 33%), Russia (by 8%), Ukraine (by 2%), and Georgia (by 1%)) depreciated against the USD, while the Bulgarian Lev and Romanian Leu appreciated against the USD by 4% and 3% respectively.

Nominal Exchange Rate of the Georgian Lari against the Currencies of Black Sea Countries



Source: National Bank of Georgia

In 2018, compared to 2014, the Georgian Lari depreciated against the Bulgarian Lev and the Romanian Leu by 27.5% and 21.7% respectively. Meanwhile, the Georgian Lari appreciated against the Ukrainian Hryvnia, Turkish Lira, and Russian Ruble, by 39.5%, 33.4%, and 13.5% respectively.

In 2018, compared to 2017, the Georgian Lari appreciated the most against the Turkish Lira (by 21.8%), while it depreciated the most against the Bulgarian Lev (by 5.6%).

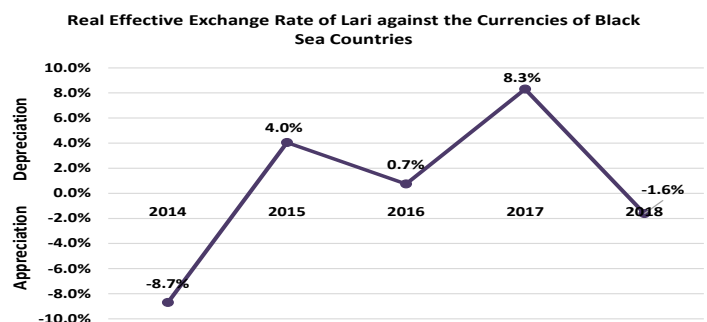
Moreover, in 2018, the Georgian Lari appreciated against the Russian Ruble (5.8%) and the Ukrainian Hryvnia (1.1%), while it depreciated against the Romanian Leu (by 3.7%).

Real Effective Exchange Rate (REER) of the Georgian Lari against the Currencies of Black Sea Countries

The real effective exchange rate (REER)⁴ of the Georgian Lari against the currencies of Black Sea countries depreciated during the period of 2015-2017, making Georgian goods and services relatively cheap for these countries, thereby increasing Georgia's competitiveness.

However, in 2018, compared to 2017, the Georgian Lari appreciated against the currencies of Black Sea countries by 1.6%.

In 2018, compared to 2017, the real exchange rate of the Georgian Lari appreciated against the Turkish Lira (by 10%) and the Russian Ruble (by 3.2%). Meanwhile, it depreciated against the currencies of three Black Sea countries: the Ukrainian Hryvnia (by 8.8%); the Bulgarian Lev (by 7.9%); and the Romanian Leu (by 7.9%).



Source: Author's Calculations

¹ Six Countries in total border the Black Sea: Bulgaria, Georgia, Romania, Russian Federation, Turkey and Ukraine

² https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-bgn-en.html

³ BGN-Bulgarian Lev, TRY-Turkish Lira, RUB-Russian Ruble, RON-Romanian Leu, UAH-Ukrainian Hryvnia

⁴ Real Effective Exchange Rate is computed as a weighted geometric average of the real exchange rates to the Black Sea Countries' currencies

External Trade between Georgia and Black Sea Countries

Georgia's external trade is dependent on the countries of the Black Sea region. During the 2014-2018 period, the share of these countries in Georgia's total external trade turnover averaged 36.5%. Among Black Sea countries, Turkey's share in Georgia's external trade turnover was the highest (2014-2018 average - 42.7%), followed by Russia (2014-2018 average - 25.9%) and Ukraine (2014-2018 average - 15.1%), while Romania and Bulgaria amounted to 6.7% and 9.5% respectively.

In 2014, REER of the Georgian Lari against the currencies of Black Sea countries appreciated significantly (by 8.7%), this had negative effect on Georgia's export volume in the following years, as during 2015-2016, export from Georgia to Black Sea countries decreased. Specifically, the decrease in exports was significant in 2015 (falling by 21.2%), mostly due to a decrease in exports from Georgia to Russia (by USD 111 mln). In 2015, the latter development could be partially explained by the real exchange rate appreciation of the Georgian Lari against the Russian Ruble during 2014-2015, respectively by 3.5% and 8.2%.

During the 2015-2017 period, the REER of the Georgian Lari depreciated against the currencies of Black Sea countries and even though, in 2018, compared to 2017, the Georgian Lari appreciated against the currencies of Black Sea countries by 1.6%, exports from Georgia to Black Sea countries increased by 16.2%. This was mainly due to increases in exports from Georgia to Bulgaria (by USD 72 mln) and Ukraine (by USD 50 mln). It has to be noted that, in 2018, compared to 2017, the real exchange rate of the Georgian Lari against the Bulgarian Lev and the Ukrainian Hryvnia depreciated by 7.9% and 8.8% respectively.

The dynamics of imports from Black Sea countries to Georgia was in line with currency changes during the 2015-2016 period (in 2015, imports from Black Sea countries to Georgia decreased by 15%; in 2016, they fell by 0.1%). However, in 2017, imports from Black Sea countries to Georgia increased by 8.8%, mostly due to an increase in imports from Russia (by USD 121 mln).

In 2018, compared to 2017, imports from Black Sea countries to Georgia increased by 12%, mainly due to an increase of imports from Russia to Georgia (by USD 139 mln). In 2018, compared to 2017, the Georgian Lari appreciated against the Russian Ruble by 3.2%, making Russian products relatively cheap for Georgians.

Black Sea Countries (2017-2018)										
	2017					2018				
	Nominal Exchange rate of Gel against Black Sea Countries (% change)	Real exchange rate of Gel against Black Sea Countries (% change)	International travellers (% change)	Export (% change)	Import (% change)	Nominal Exchange rate of Gel against Black Sea Countries (% change)	Real exchange rate of Gel against Black Sea Countries (% change)	International travellers (% change)	Export (% change)	Import (% change)
Bulgaria	8.2%	3.9%	-0.4%	16.2%	3.4%	5.6%	7.9%	-7.4%	38.5%	16.7%
Romania	6.3%	1.5%	16.1%	104.9%	0.4%	3.7%	7.9%	58.5%	-23.2%	9.5%
Russian Federation	21.2%	15.7%	33.7%	10.2%	17.9%	-5.8	-3.2%	23.8%	10.2%	17.5%
Ukraine	1.7%	8.8%	12.0%	40.6%	6.7%	-1.1	8.8%	4.2%	40.6%	15.6%
Turkey	-12.3%	-8.7%	1.9%	7.4%	1.5%	-21.8	-10%	9.1%	7.4%	7.0%

Source: National Bank of Georgia, Georgian National Statistics Office, Georgian National Tourism Administration

Note: - appreciation, +depreciation

International Travel between Georgia and Black Sea Countries

The number of international travelers visiting Georgia from Black Sea countries has been increasing since 2015. During the 2015-2018 period, the number of international travelers from Black Sea countries to Georgia increased the most in 2017 (by 16.1%). In the same year, the number of international travelers visiting Georgia increased from all Black Sea countries, except Bulgaria. Of Black Sea countries, Russia was responsible for the biggest increase in international travelers visiting Georgia (by 33.7%) and the expenditure of international travelers from Russia increased by 43.2% (amounting to GEL 1.2 bln). The increase in visitors from Russia could be somewhat explained by exchange rate depreciation of the Georgian Lari against the Russian Ruble. In 2017, among currencies of the Black Sea countries, the Georgian Lari depreciated the most against the Russian Ruble (by 15.7%). In 2017, while the number of international travelers from Turkey and Ukraine increased, the expenditures of these countries to Georgia decreased by 5% and 0.4% respectively.

During 2016-2018, the expenditures of international travelers visiting Georgia from Russia and Ukraine were increasing year-by-year, the highest increase was recorded in 2018 for Russia (71.3%, in total bln 1.9 GEL) and in 2015 for Ukraine (53.5%, in total bln 0.2 GEL). For Turkey, the expenditures of international travelers visiting to Georgia during 2016-2017 decreased, while in 2018 this increased by 8.3% and amounted GEL 1.1 bln.

Basic Economic Indicators, 2017					
	Nominal GDP (USD bln)	GDP Per capita (USD)	GDP Real Growth (%)	CPI (%)	Unemployment (%)
Bulgaria	49.2	8,520.0	3.6	2.1	6.2
Georgia	15.2	4,078.5	5.0	6.0	11.8
Romania	211.8	11,520.0	6.9	1.3	4.9
Russian Federation	1,584.2	10,791.7	1.5	1.1	5.2
Turkey	852.5	10,597.0	7.4	10.9	10.9
Ukraine	111.7	2,634.8	2.2	14.4	9.5

- National Statistical Institute of Bulgaria
- National Statistics Office of Georgia
- National Institute of Statistics of Romania
- Russian Federal State Statistics Service
- Turkish Statistical Institute
- State Statistics Service of Ukraine

- Bulgarian National Bank
- National Bank of Georgia
- National Bank of Romania
- The Central Bank of the Russian Federation
- National Bank of Turkey
- National Bank of Ukraine

- Russian Federal Customs Service
- UN Comtrade Database
- World Bank Open Data
- Eurostat Database