

# Macroeconomics Review

## February 2025

Monetary Policy	<u>Inflation Rates</u>	Annual inflation amounted to 2.4% in February.
	<u>Refinance Rates</u>	The ECB lowered its monetary policy rate by 25 BP in its last meeting.
	<u>International Reserves</u>	In February, international reserves decreased by \$200 mln, amounting to \$4.23 bln.
Macroeconomic Outlooks	<u>Real GDP</u>	Real GDP witnessed an 11.1% annual growth in January.
	<u>Labor Force</u>	In the fourth quarter, the unemployment rate amounted 14.2%.
	<u>Residential Real Estate</u>	Tbilisi's real estate market size amounted to \$210 million in January.(+2.7% y/y).
External Trade	<u>Exports Dynamics</u>	Exports experienced a 19.3% increase from the previous year in January.
	<u>Imports Dynamics</u>	Annually, January Imports have shown a 45.5% increase from the previous year.
	<u>Other Observations</u>	Motor car exports increased by 16% compared to the previous year.
Additional Observations	<u>Deposit &amp; Loan Yields</u>	Monthly, loan yields in GEL increased by 6 BP, while deposit COF declined by 11 BP.
	<u>Exchange Rates</u>	GEL appreciated by 2.1% against the USD in January.
	<u>Market Watch</u>	The S&P 500 dropped by 5% month-over-month to \$5,739.

Report was created by Macroeconomics & Research Unit

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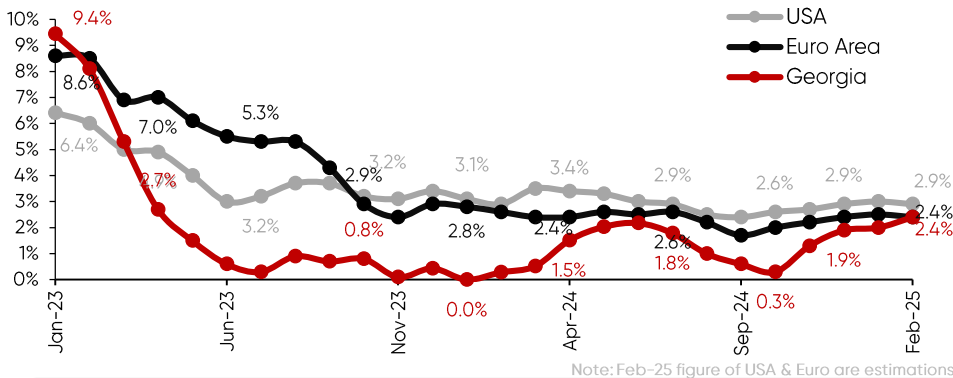
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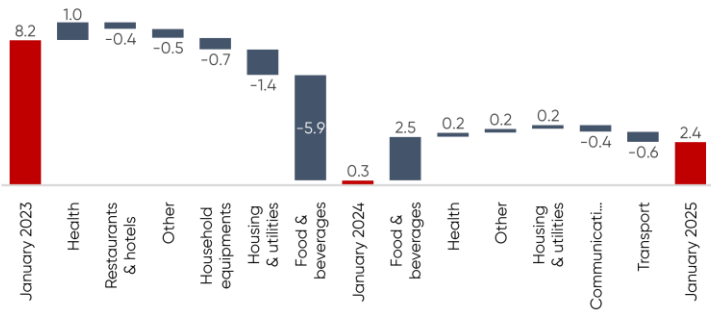
Y/Y Inflation Dynamics

Inflation



Note: Feb-25 figure of USA & Euro are estimations

Contributors to Y/Y Change of Annual Inflation Changes in Georgia



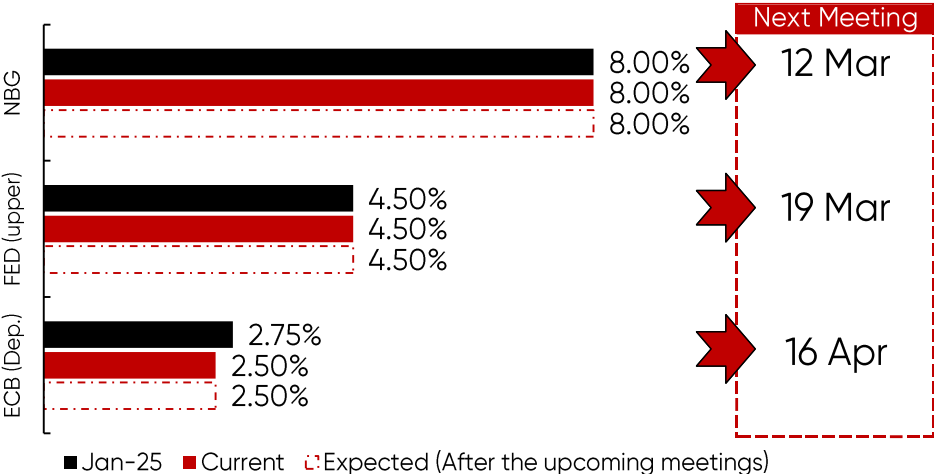
- In February, annual inflation in Georgia amounted to 2.4%. A Rise in inflation is mainly caused by the increase in Food and non-alcoholic beverages (1.25PP contribution to the total inflation) and Health(0.45PP).
- Domestic inflation amounted to 3% (1.4PP contribution in total) in February, mixed\* 3.1% (0.9PP) and imported 0.5% (0.1PP).
- Monthly inflation amounted to 0.4%, mainly influenced by price changes for the Food and non-alcoholic beverages (0.2PP).

\*Including products that are imported as well as those produced domestically.

Sources: Geostat, Eurostat, US Bureau of Labor Statistics

Reference Rate Trends and Expectations

Refinance Rates



Next Meeting

12 Mar

19 Mar

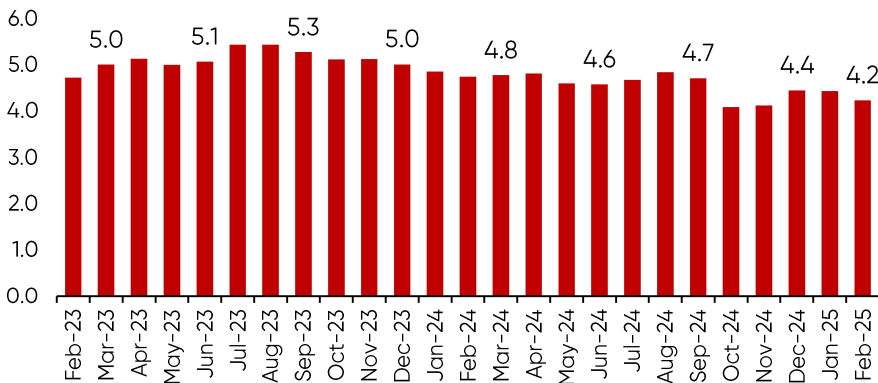
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- Over the past five months, inflation has surged from 0.3% to 2.4%, marking a significant increase. Although the NBG's long-term goal is to gradually lower interest rates to the neutral level of 7%, persistent inflationary pressures suggest that the central bank is likely to hold its current monetary policy stance.
- The Federal Reserve is expected to keep its benchmark rate at 4.50%, as inflation remained above target, reaching 3.0% in January. Policymakers remain cautious, closely monitoring inflationary risks, including the impact of new tariffs and supply chain disruptions, before considering potential rate cuts.
- ECB lowered its deposit facility rate by 25 basis points to 2.5%, taking a step toward further monetary easing. Policymakers remain cautious, signaling that future rate adjustments will depend on inflation trends and external risks.

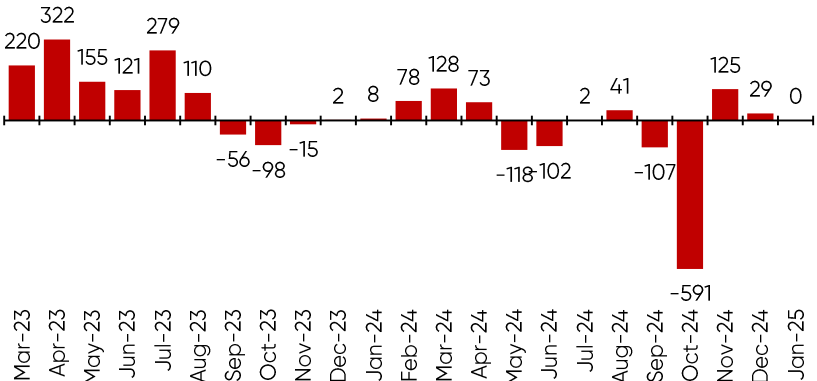
Sources: NBG, Bloomberg, ECB

NBG Reserves Dynamics (US\$ bln)

International Reserves Dynamics



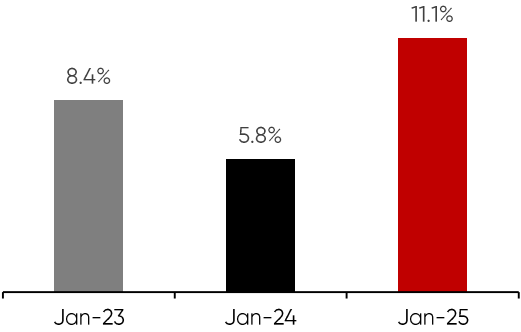
NBG Net Purchases (US\$ mln)



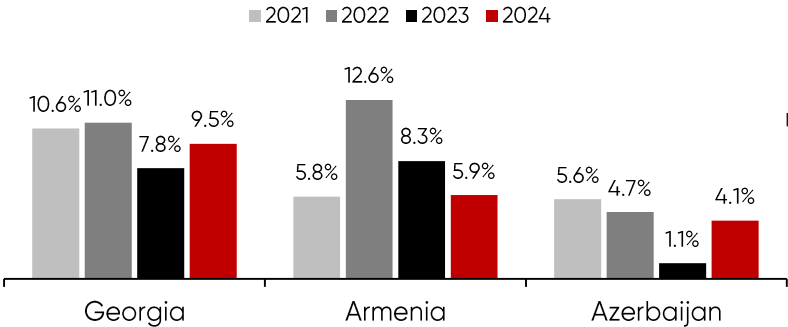
- As of February, national reserves amounted to \$4.23 billion, reflecting a decrease of \$200 million from the previous month.
- In January, NBG has not made any transactions using the Bmatch platform.
- Year-over-Year national reserves decreased by \$512 mln.

Source: NBG

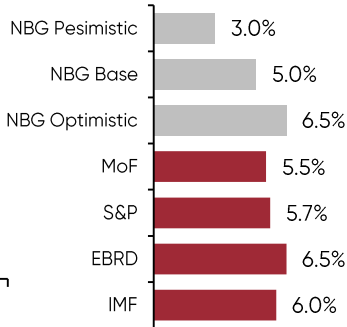
Y/Y Real GDP Estimated Growth



GDP Growth Compared to neighbors



Forecasts for 2025:

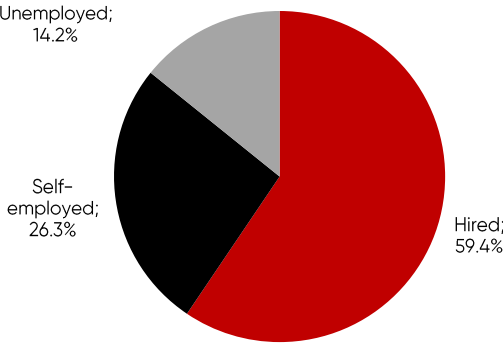


Real GDP Growth Dynamics

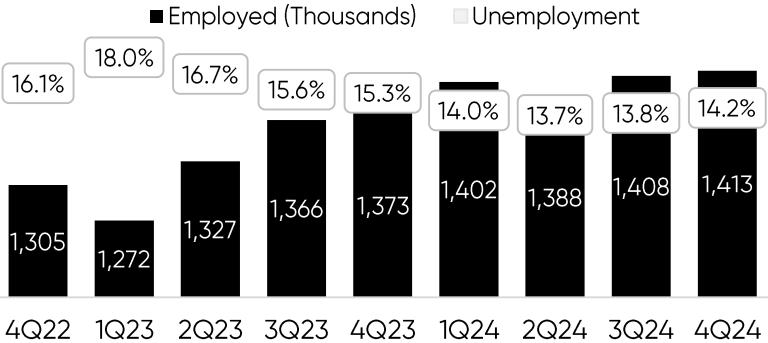
- Yearly real GDP experienced 11.1% growth in January. The growth was registered in following sectors: Professional, scientific and technical activities, Transportation and storage, Construction, Information and communication, Manufacturing and Trade.
- Georgia recorded the highest GDP growth in the region over the past four years, while forecasts suggest a moderate slowdown in 2025 compared to previous years, with estimates ranging between 5.0% and 6.5% for the year.

Sources: Geostat

Labor Force Distribution (Q4-24)



Population Distribution by Employment Type

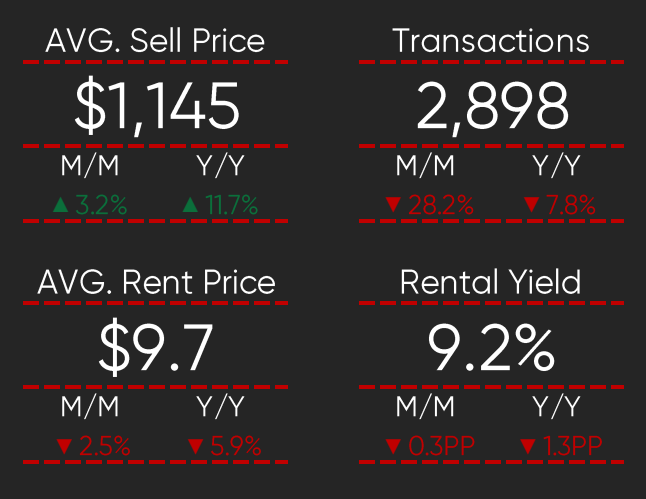


- In the fourth quarter, the unemployment rate amounted 14.2% and the number of employed people increased by 40K Y/Y.

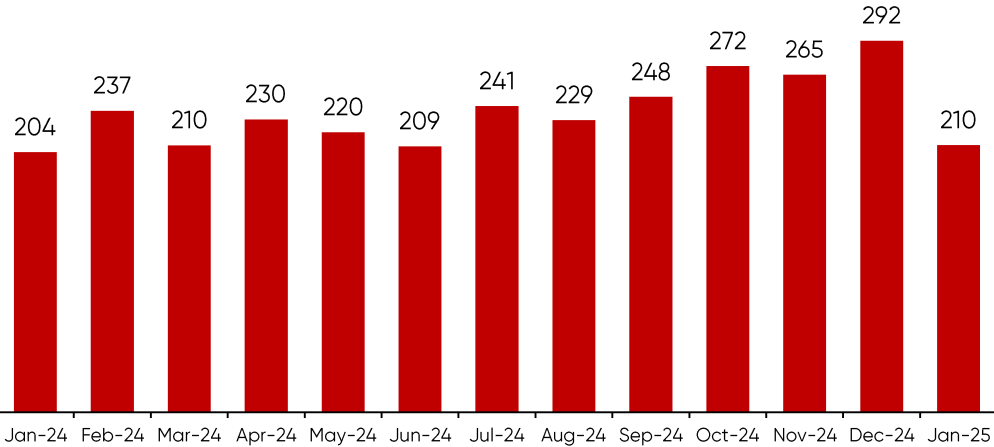
Sources: NBG, Geostat

Labor Force

Tbilisi Residential Estate Market (Jan-25)



Dynamics of Tbilisi's Housing Market Size (US\$ mln)



- In Jan-25, the market size in Tbilisi amounted to 210 mln and saw -28.1% m/m and 2.7% y/y increase.
- In Tbilisi, during the fourth quarter of 2024, the number of residential building permits issued declined by 2% to 1,168, while the permitted area, in terms of square meters, increased by 11.5% to 1,568 thousand.

Note: Changes in rent prices are derived from NBG data, while absolute values are sourced from SS.ge.

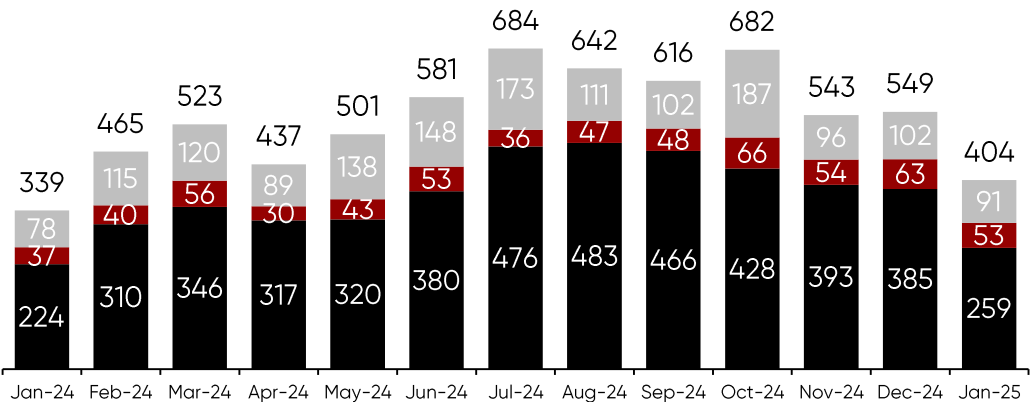
Sources: NBG, Recov, SS.ge, Geostat

Tbilisi Residential Real Estate Market

Export Dynamics

Export Dynamics (US\$ mln)

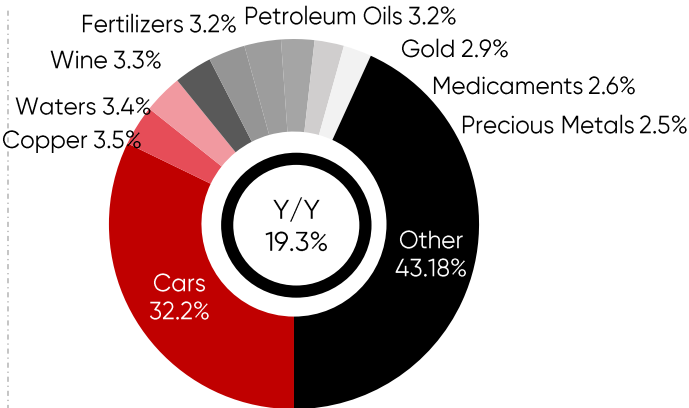
■ CIS ■ EU ■ Other



- Exports amounted to \$404 mln In January which increased by 19.3% compared to the previous year. Exports to EU and CIS increased by 46% and 16% respectively.
- Key contributors to this growth were Motor cars (5.3 PP effect in total) amounting to \$130 mln and Copper (4.1PP) amounting to \$14 mln.

Sources: Geostat

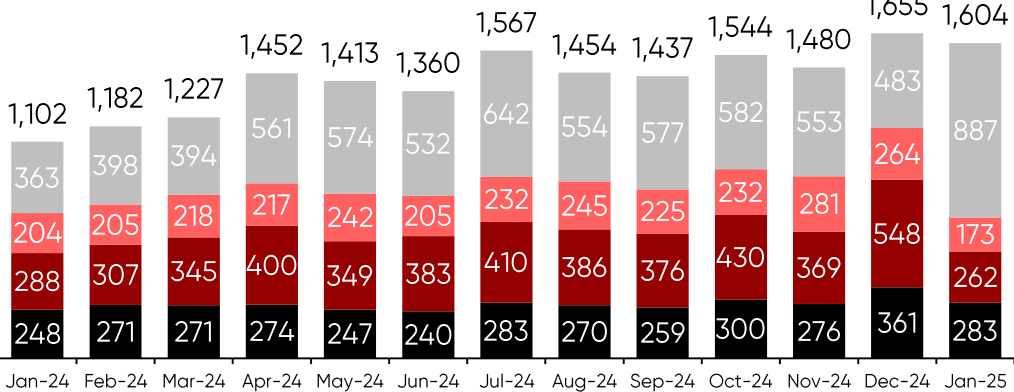
Exports by Products



Import Dynamics

Import Dynamics (US\$ mln)

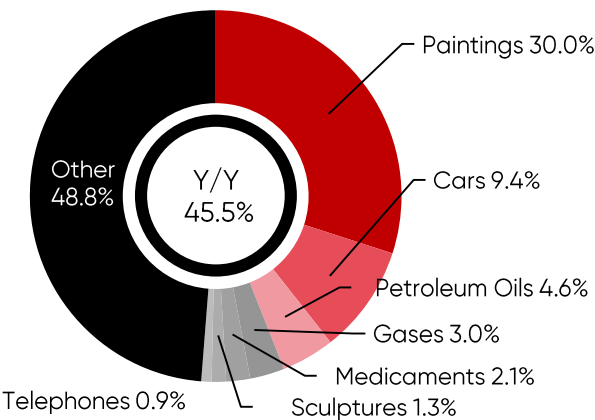
■ CIS ■ EU ■ Turkey ■ Other



- Imports to Georgia amounted to \$1.6bln In January illustrating a 45.5% increase from January 2024.
- Key contributors to this increase were Paintings (43.6PP effect in total growth) and Sculptures (3.0PP) while Motor Cars (-4.1PP), had the biggest negative impact.

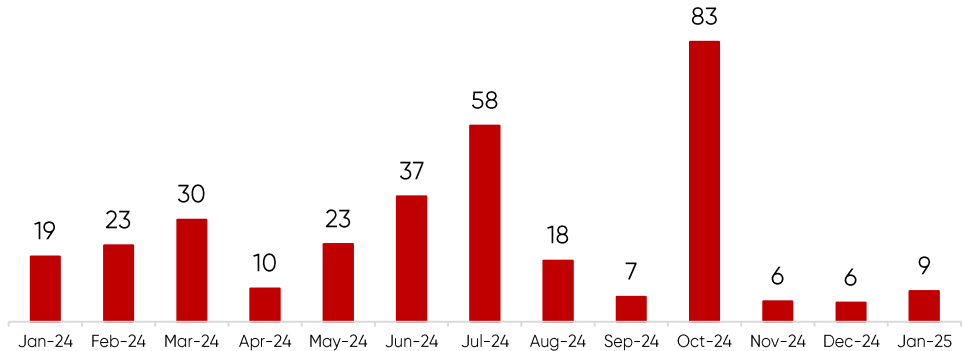
Sources: Geostat

Imports by Products



Other Observations

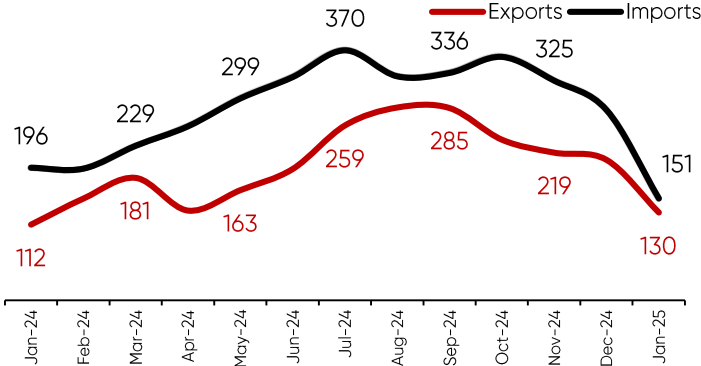
Ferro-Alloys Export Over the Last Months (US\$ mln)



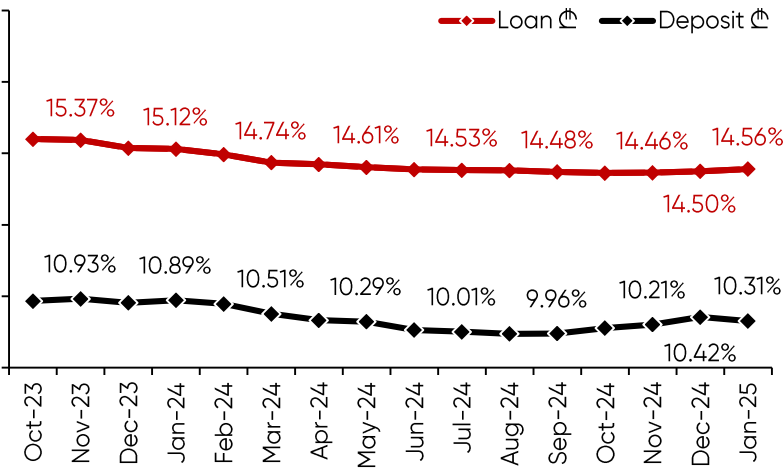
- Compared to January 2024, exports of Ferro-Alloys decreased by 114%.
- Motor car exports increased by 16% compared to the previous year, while imports decreased by 23%.

Sources: Geostat

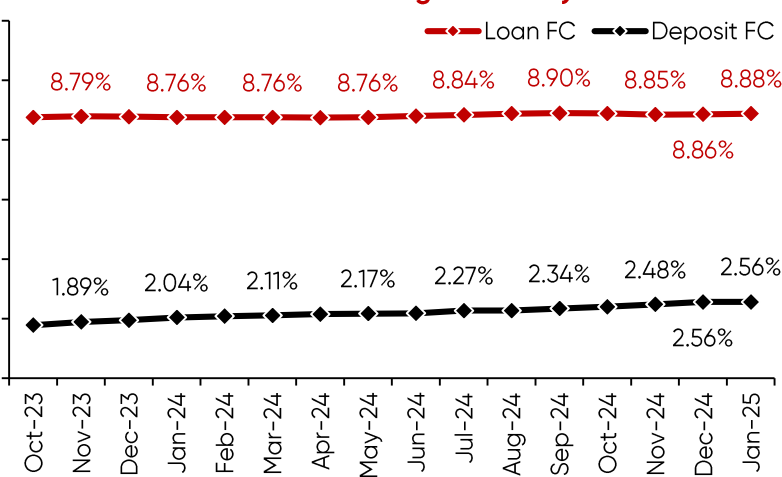
Car Trade Dynamics Over the Last Months (US\$ mln)



Yields in ₾



Yields in Foreign Currency

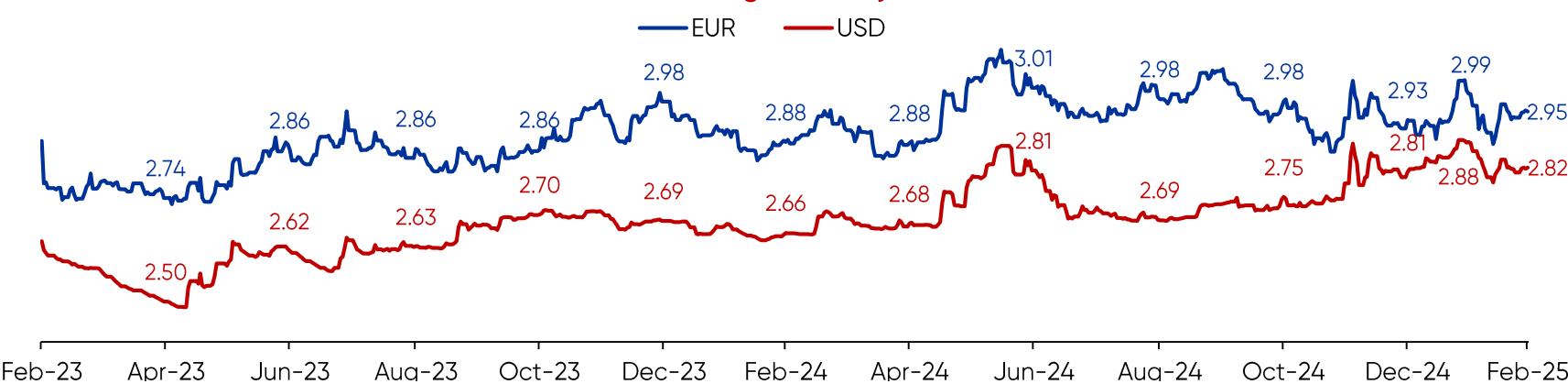


- Monthly, loan yields in GEL increased by 6BP, while deposit COF declined by 11BP.
- Year over year, loan yield in GEL decreased by 0.56PP, whereas it has increased by 0.12PP in foreign currency.
- Deposit yield in GEL dropped by 0.58PP compared to January 2024, while FC experienced a 0.52PP rise.

Sources: NBG

Deposit & Loan Yields

GEL Exchange Rate Dynamics



- In February, GEL appreciated by 2.09% against the USD and by 1.42% against the Euro.

Sources: NBG

Exchange Rates

Market Watch (Close Prices as of March 06, 2025)

S&P 500		Gold (LBMA)		WTI Crude Oil		Bitcoin	
\$5,739		\$2,910		\$66.39		\$88,210	
M/M	Y/Y	M/M	Y/Y	M/M	Y/Y	M/M	Y/Y
▼ 5%	▲ 12%	▲ 1%	▲ 35%	▼ 7%	▼ 16%	▼ 9%	▲ 32%
TBC		BOG		G Capital			
£43.7		£54.7		£15.0			
MoM	YOY	MoM	YOY	MoM	YOY		
▲ 23%	▲ 33%	▲ 14%	▲ 6%	▲ 25%	▲ 19%		

- WTI Crude Oil declined by 7% month-over-month to \$66.39 per barrel, extending its 16% year-over-year drop. Weakening global demand and rising U.S. stockpiles have pressured prices, while uncertainty around OPEC+ cuts adds further volatility.
- The S&P 500 fell by 5% month-over-month to 5,739, though it remains up 12% year-over-year. Investor sentiment weakened amid economic uncertainty and shifting rate expectations, driving a pullback from recent highs.
- Bitcoin fell by 9% month-over-month to \$88,210, though it remains up 32% year-over-year. The drop follows profit-taking after recent highs, while market volatility and regulatory uncertainty continue to shape investor sentiment.

Sources: Bloomberg

Market Watch

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