

Macroeconomics Review

June 2025

Monetary Policy

<u>Inflation Rates</u>	Annual inflation was 4.0% in June, up 0.5pp from the previous month.
<u>Refinance Rates</u>	The ECB lowered its monetary policy rate by 25 BP at its last meeting.
<u>International Reserves</u>	International reserves rose by \$103 million in June, reaching \$4.68 billion.

Macroeconomic Outlooks

<u>Real GDP</u>	Real GDP witnessed a 7.5% annual growth in May.
<u>Current Account</u>	The current account deficit amounted to \$660 mln in the 1Q-25.
<u>Residential Real Estate</u>	Tbilisi's real estate market size amounted to \$261 mln in May (+19.2% y/y).

External Trade

<u>Exports Dynamics</u>	Exports experienced an 15.7% increase from the previous year in May.
<u>Imports Dynamics</u>	Annually, May Imports have shown a 5.1% decrease.
<u>Other Observations</u>	Motor car exports increased by 35% compared to the previous year.

Additional Observations

<u>Earnings Dynamics</u>	In the 1Q-25, the average monthly income amounted to 2,170 GEL.
<u>Exchange Rates</u>	GEL appreciated by 0.34% against the USD in June.
<u>Market Watch</u>	WTI Crude oil rose by 5% to \$68.16, S&P 500 up by 3% to \$6,226.

Report was created by Macroeconomics & Research Unit

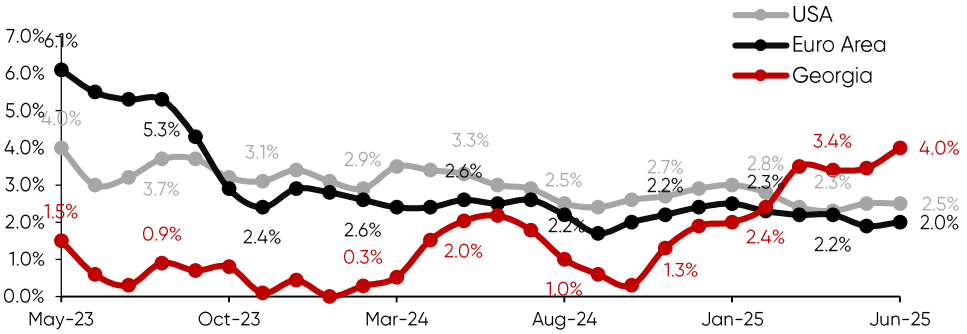
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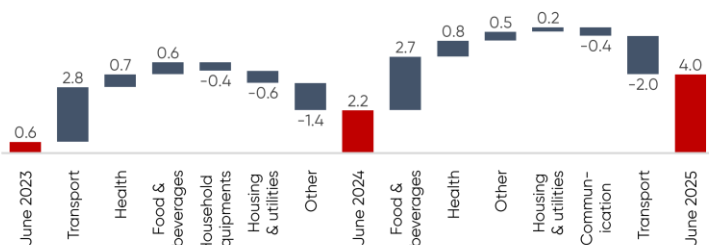
Y/Y Inflation Dynamics

Inflation



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

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



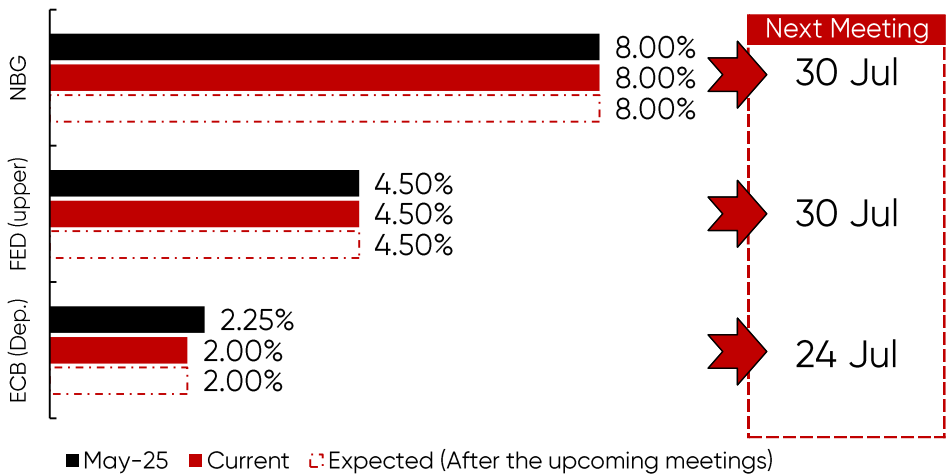
- In June, Georgia's annual inflation rose to 4.0%, driven mainly by higher prices in food and non-alcoholic beverages (+3.34pp contribution) and healthcare (+0.79p).
- Domestic inflation amounted to 5.2% (2.5PP contribution in total) in June, mixed* 7.2% (2.1PP) and imported -2.0% (-0.5PP).
- Monthly inflation amounted to -0.01%, mainly influenced by price changes for the Food and non-alcoholic beverages (-0.15PP).

*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

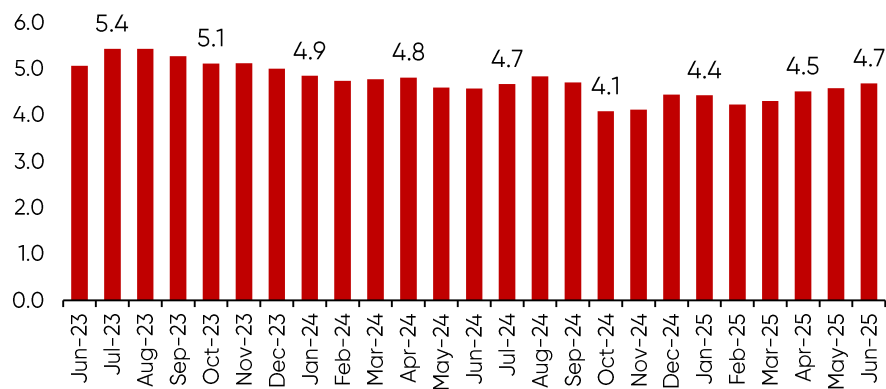


- This month, inflation rose to 4.0%, up from 3.5% last month. With inflation still above the NBS's target rate of 3%, there is currently no expectation of a rate cut. Moreover, if inflation continues to accelerate rapidly, there could be a possibility of a rate hike.
- Inflation remains above the Fed's 2% target, with the May reading at 2.4% and June inflation expected to come in between 2.4% and 2.5%. The labor market remains stable, with the unemployment rate falling to 4.1%. Given these conditions, the Fed is not expected to cut rates at its upcoming July meeting.
- At its last meeting, the ECB cut the deposit facility rate by 25 basis points to 2.0%, continuing its monetary easing cycle. However, in the upcoming meeting, the ECB is expected to hold rates, as inflation has started to rise slightly and there is no urgency to accelerate rate cuts.

Sources: NBS, Bloomberg, ECB

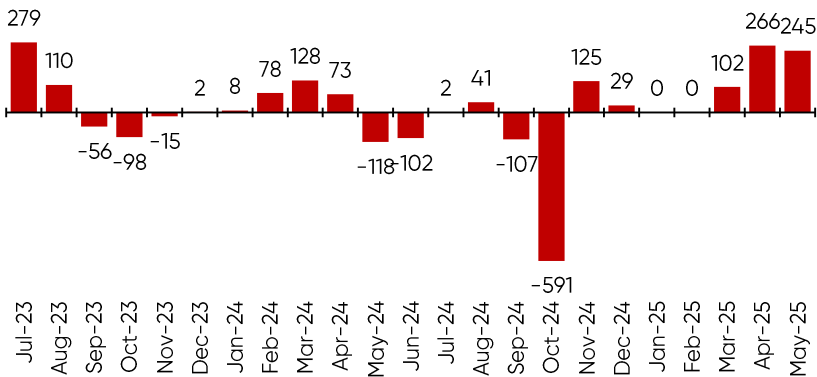
NBS Reserves Dynamics (US\$ bln)

International Reserves Dynamics



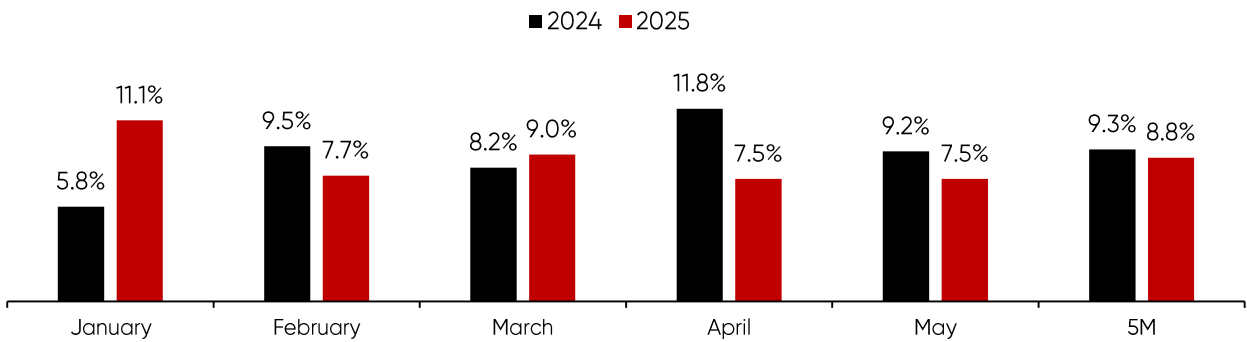
- As of June, national reserves amounted to \$4.68 billion, reflecting an increase of \$103 million from the previous month.
- In May, the NBS purchased \$245 million via the Bmatch platform.
- Year-over-Year national reserves increased by \$107 mln.

NBS Net Purchases (US\$ mln)

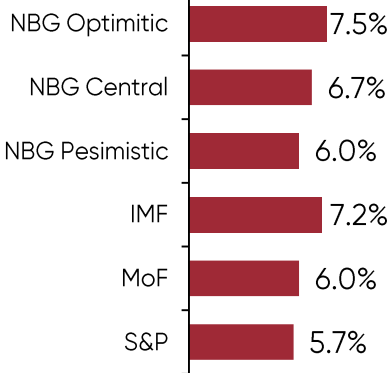


Source: NBS

Y/Y Real GDP Estimated Growth



Forecasts for 2025:

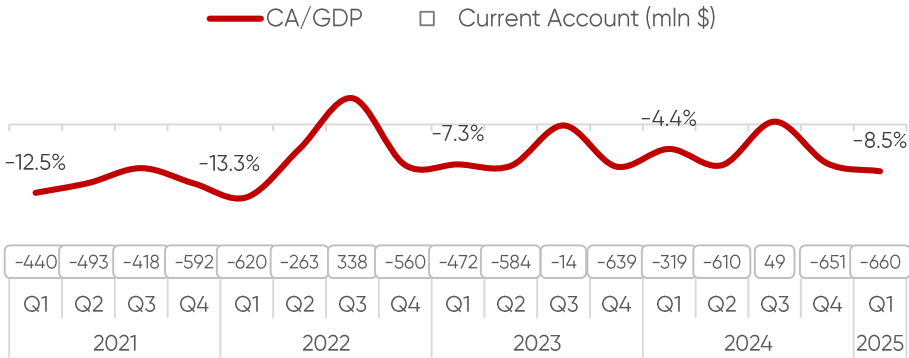


- Yearly real GDP experienced 7.5% growth in May. The highest growth was registered in following: ICT and Manufacturing.
- In the first quarter, Georgia's GDP reached \$7.75 billion, while GDP per capita stood at \$2,091, reflecting annual increases of 7.8% and 7.5%, respectively, compared to the same period last year.

Sources: Geostat , NBG, IMF, MoF, S&P

Real GDP Growth Dynamics

Current Account Dynamics

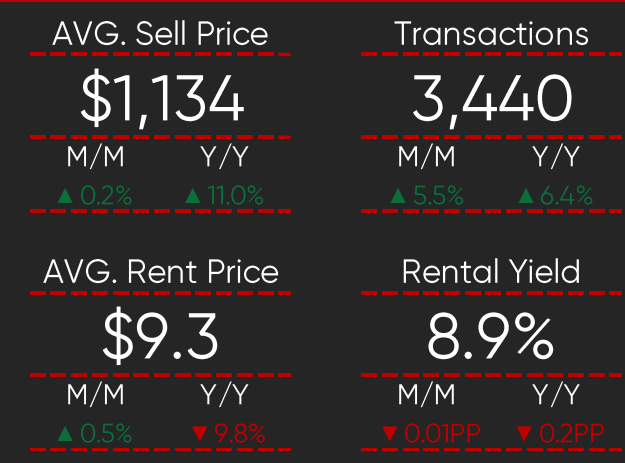


- The current account balance reached -\$660 million in the first quarter, amounting to -8.5% of GDP.
- The goods trade deficit widened by 15.1% year-over-year, reaching \$1.7 billion.
- Income from the export of services, rose by 10.2%. The travel export reached \$826.0 million in the first quarter of 2025, up by 2.3% annually.
- The current transfers decreased by 5.3% annually, totaling \$876.0 million..

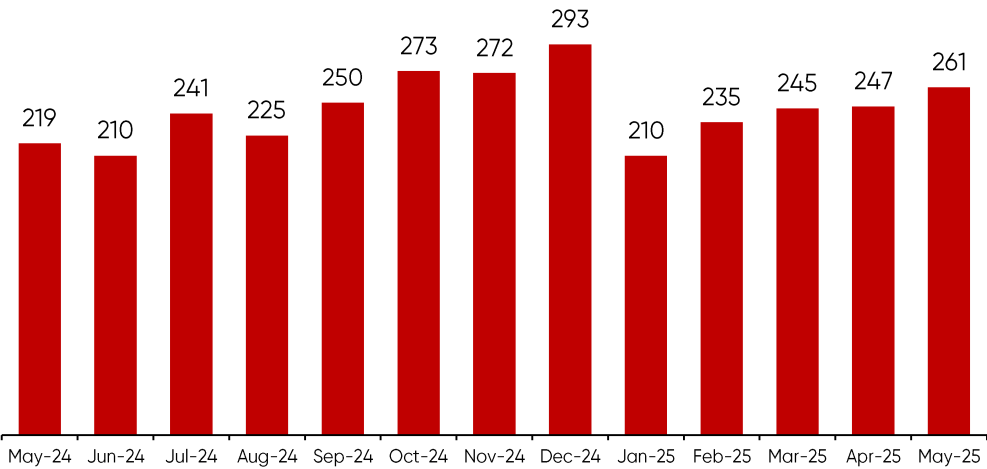
Source: NBG

Current Account

Tbilisi Residential Estate Market (May-25)



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



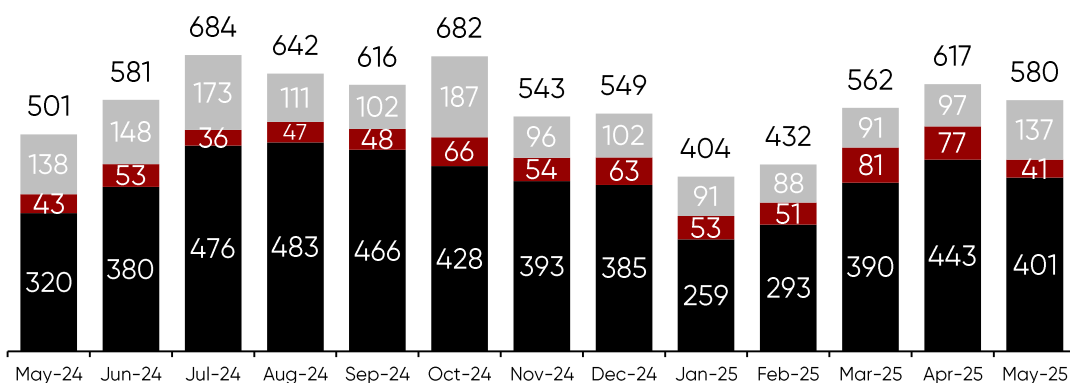
- In May-25, the market size in Tbilisi amounted to 261 mln and saw 5.8% m/m and 19.2% y/y increase.
- In May-25, the number of transactions in new projects in Tbilisi increased by 12.2%, driven by growth in the secondary market. The declining trend in old projects has persisted - the figure for old flats features a 7% decrease compared to May 2024.

Source: Colliers, Geostat.

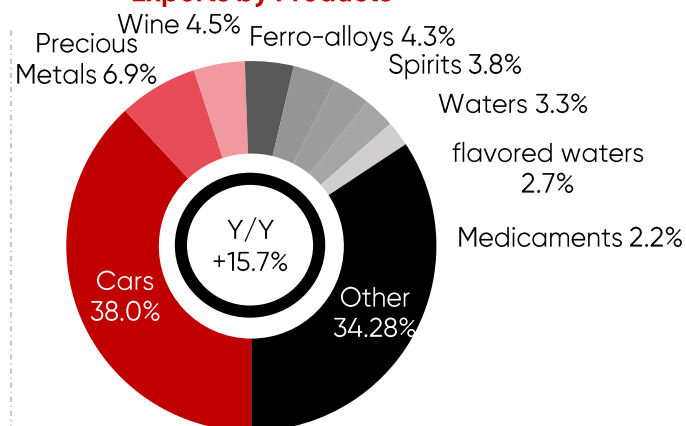
Tbilisi Residential Real Estate Market

Export Dynamics (US\$ mln)

■ CIS ■ EU ■ Other



Exports by Products

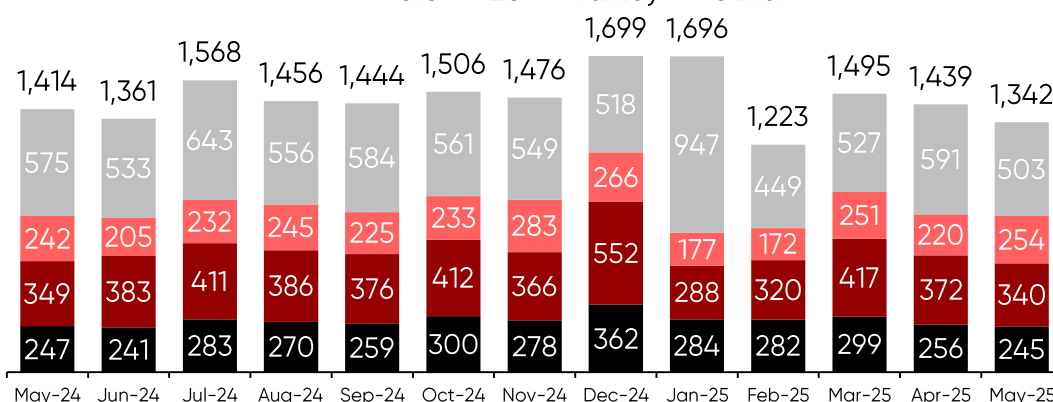


- In May, exports totaled \$580 million, marking a 15.7% increase compared to the same period last year. Exports to the CIS rose by 25.6%, while exports to EU countries decreased by 4.5%.
- Key contributors to this increase were Motor Cars (+11.5 PP effect in total) and Precious metals (+2.6PP), while Copper (-1.9PP), had the biggest negative impact.

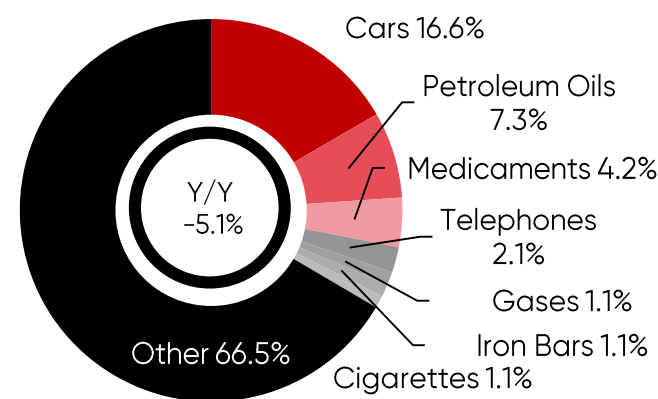
Source: Geostat

Import Dynamics (US\$ mln)

■ CIS ■ EU ■ Turkey ■ Other



Imports by Products

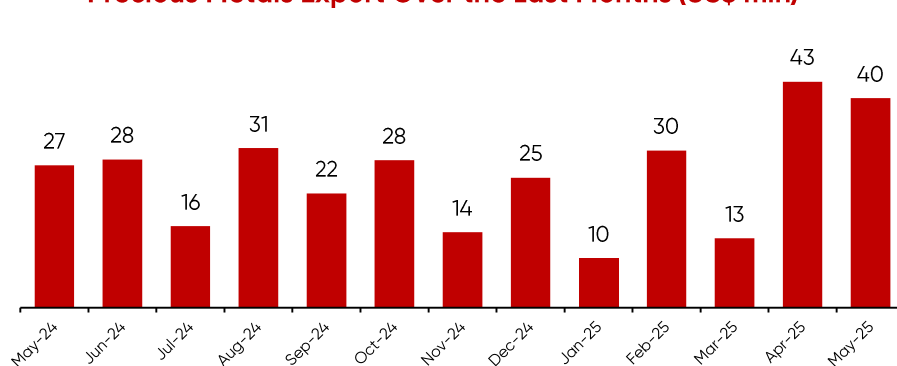


- Imports to Georgia amounted to \$1.34 bln in May illustrating a 5.1% decrease from May 2024. Imports from Turkey increased by 4.9%, while imports from EU decreased by 2.7%.
- Key contributors to this decrease were Motor Cars (-5.4PP effect in total growth) and Data Machines (-2.2PP).

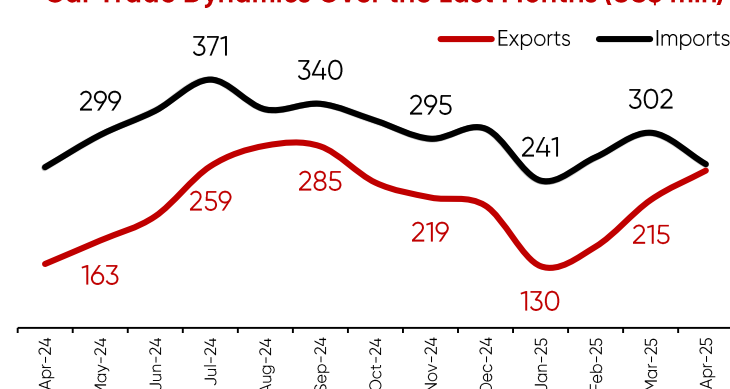
Note: Import statistics are subject to revision, and figures will likely be updated upward.

Source: Geostat

Precious Metals Export Over the Last Months (US\$ mln)



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

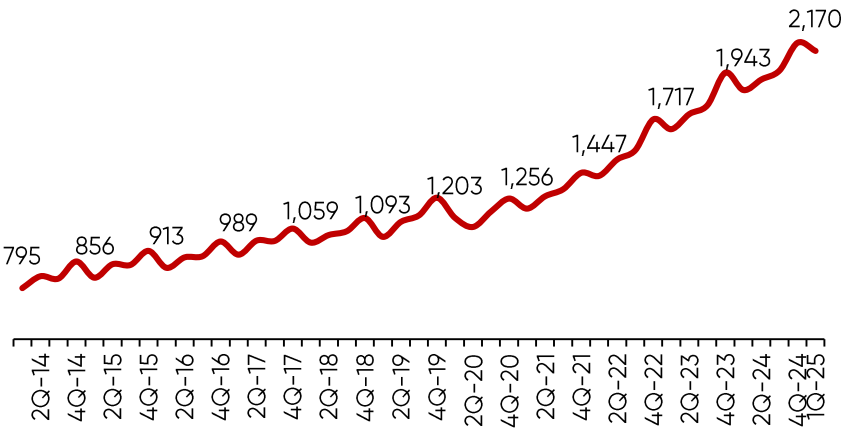


- Compared to May 2024, exports of Precious Metals Increased by 47%.
- Motor car exports increased by 35.4% compared to the previous year, while imports decreased by 25.4%.

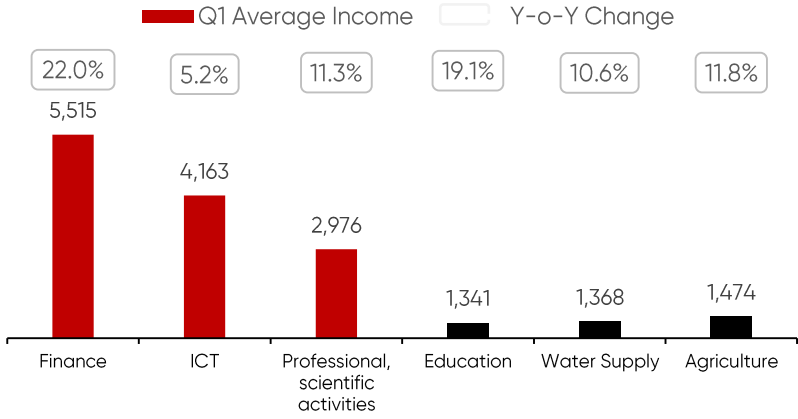
Note: Import statistics are subject to revision, and figures will likely be updated upward.

Source: Geostat

Average Monthly Earnings (GEL)



Top & Bottom Earners by Sector (GEL)

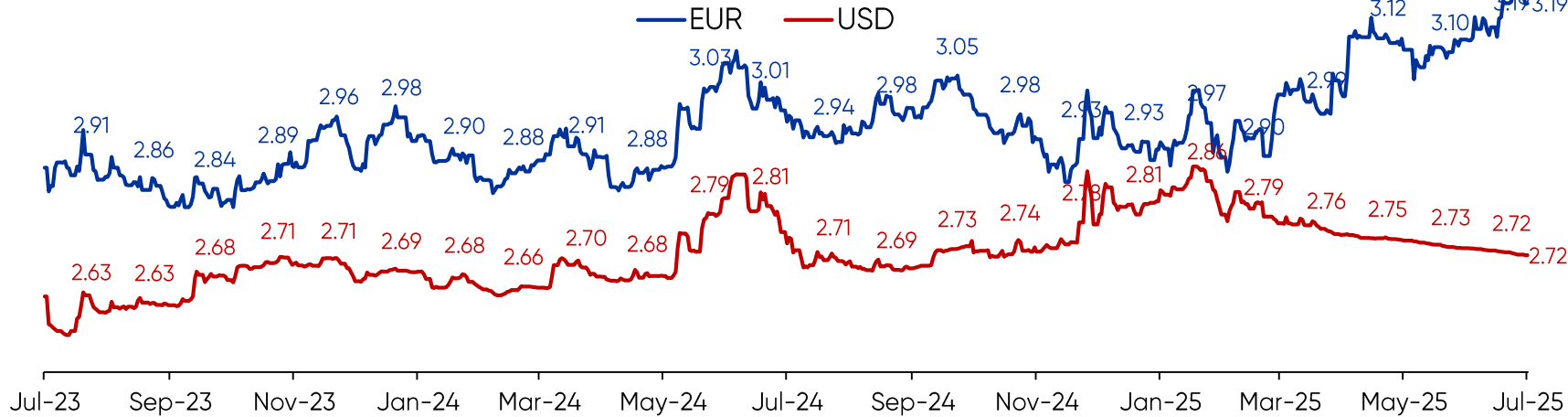


- In the I quarter of 2025, the average monthly nominal earnings increased by 11.7% y/y and amounted to 2,170 GEL
- Finance became the highest-paying sector with an average income of 5,515 GEL, while education, water supply, and agriculture were the lowest, all under 1,500 GEL.

Source: Geostat

Earnings Dynamics

GEL Exchange Rate Dynamics



- As of July 8, the USD/GEL exchange rate stood at 2.72 (down 0.48% MoM), while the USD/EUR rate reached 3.19 (up 2.21% MoM).

Sources: NBG

Exchange Rates

Market Watch (Closing Prices as of July 8, 2025)

S&P 500		Gold		WTI Crude Oil		Bitcoin	
\$6,226		\$3,311		\$68.18		\$108,459	
M/M	MA100	M/M	MA100	M/M	MA100	M/M	MA100
▲3%	\$6,121	▼1%	\$3,335	▲5%	\$67.25	▲0%	\$108,440
TBC		BOG		G Capital			
£48.1		£71.0		£20.2			
MoM	MA100	MoM	MA100	MoM	MA100		
▲7%	\$46.1	▲2%	\$69.4	▲7%	\$19.41		

MA100 is the moving average price over the last 100 days

- The S&P 500 rose by 3% m/m to \$6,226, supported by steady economic indicators, resilient earnings across key sectors. The index remains above its 100-day moving average, indicating continued bullish momentum.
- WTI Crude Oil rose 5% m/m to \$68.18 but retreated from highs seen in mid-June. The brief Israeli-Iran conflict had initially triggered a price surge. However, as tensions de-escalated, prices normalized. The decline was further supported by OPEC's recent decision to increase oil output.

Sources: Bloomberg, LSE.

Market Watch

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