



Macroeconomics Review

March 2025

Monetary Policy	<u>Inflation Rates</u>	Annual inflation amounted to 3.5% in March, Increased by 1.1PP monthly.
	<u>Refinance Rates</u>	The ECB lowered its monetary policy rate by 25 BP in its last meeting.
	<u>International Reserves</u>	In March, international reserves increased by \$77 mln, amounting to \$4.31 bln.
Macroeconomic Outlooks	<u>Real GDP</u>	Real GDP witnessed an 7.7% annual growth in February.
	<u>Earnings Dynamics</u>	In the 4Q-24, the average monthly income amounted to 2,218 GEL.
	<u>Residential Real Estate</u>	Tbilisi's real estate market size amounted to \$236 mln in February (+7.1% y/y).
External Trade	<u>Exports Dynamics</u>	Exports experienced a 7.3% decrease from the previous year in February.
	<u>Imports Dynamics</u>	Annually, February Imports have shown a 6.6% decrease.
	<u>Other Observations</u>	Precious Metals exports increased by 53% compared to the previous year.
Additional Observations	<u>FDI</u>	FDI in 2024 amounted to \$1.3 bln, 30% decrease from 2023 figure.
	<u>Exchange Rates</u>	GEL appreciated by 0.84% against the USD in March.
	<u>Market Watch</u>	S&P 500 fell by 12% month-over-month to \$5,062.

Report was created by Macroeconomics & Research Unit

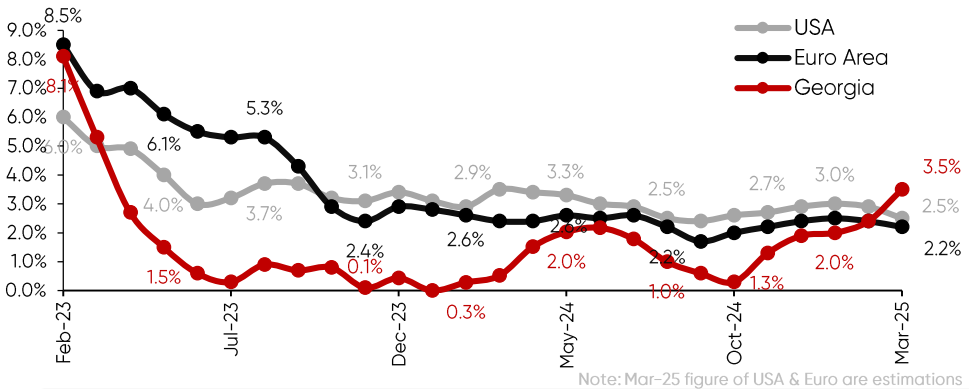
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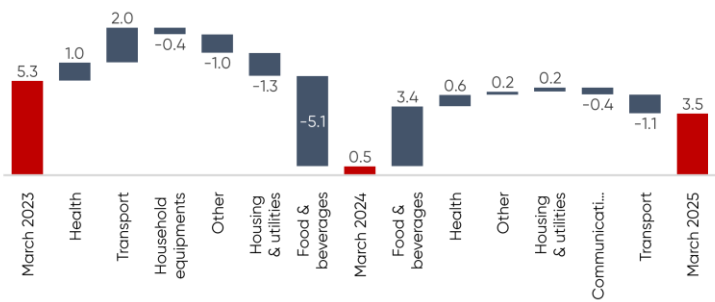
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Y/Y Inflation Dynamics

Inflation



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



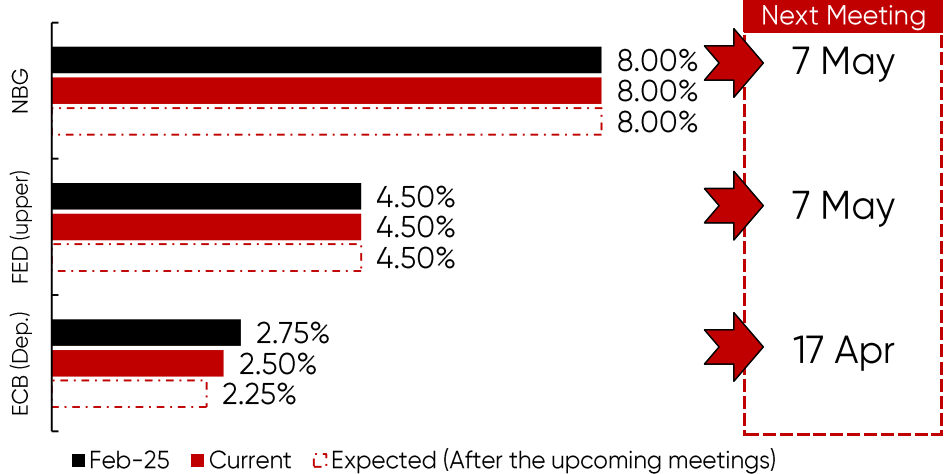
- In March, Georgia's annual inflation rose to 3.5%, the highest since March 2023, driven mainly by higher prices in food and non-alcoholic beverages (+2.2pp contribution) and healthcare (+0.74pp).
- Domestic inflation amounted to 4% (1.9PP contribution in total) in March, mixed* 5.7% (1.6PP) and imported 0.2% (0.0PP).
- Monthly inflation amounted to 1.1%, mainly influenced by price changes for the Food and non-alcoholic beverages (0.93PP).

*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

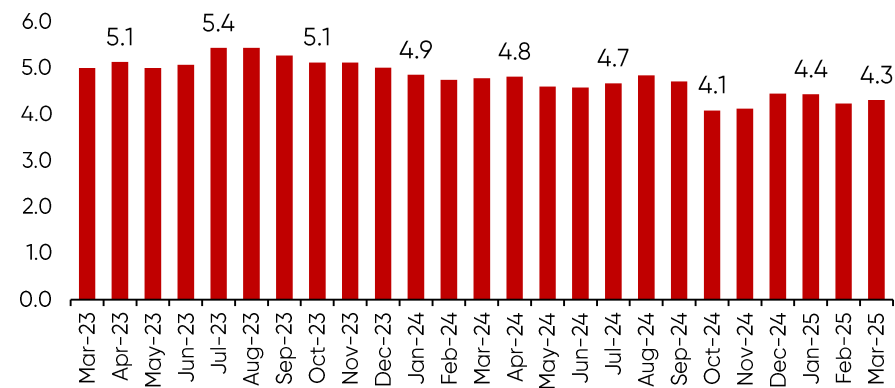


- Over the past six months, inflation has surged from 0.3% to 3.5%. March's inflation has now exceeded the NBG's target level of 3%, making a rate cut highly unlikely. If inflation fails to stabilize in the coming months, the possibility of a rate hike could come back into focus.
- The Fed is expected to keep its benchmark rate at 4.50%, as inflation remained above target, reaching 2.8% in February. The inflationary impact of new tariffs is becoming increasingly relevant, likely delaying any near-term 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.

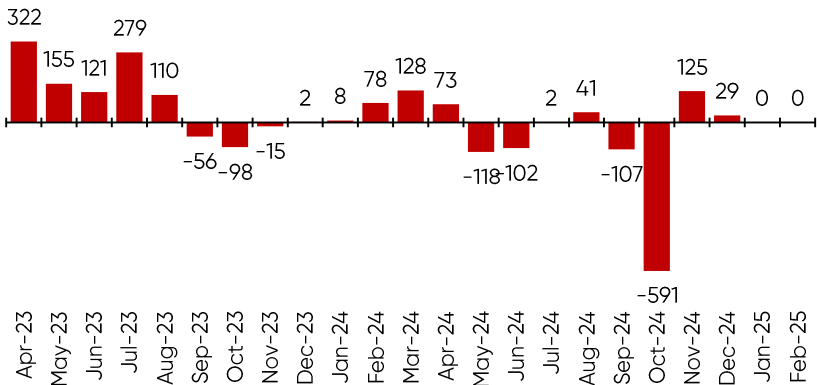
Sources: NBG, Bloomberg, ECB

NBG Reserves Dynamics (US\$ bln)

International Reserves Dynamics



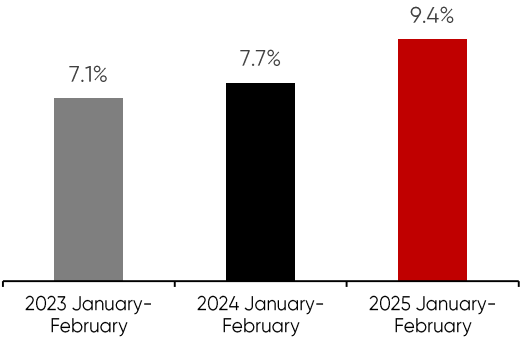
NBG Net Purchases (US\$ mln)



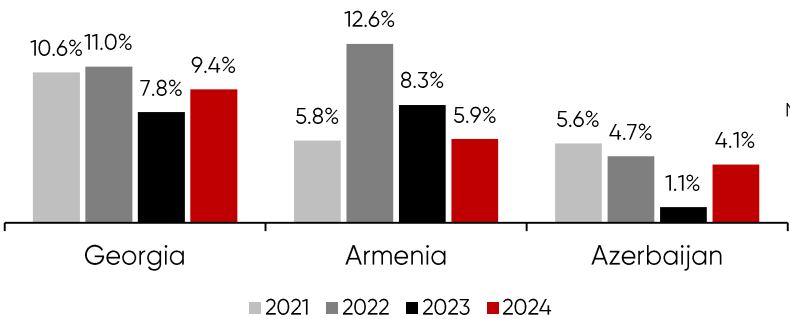
- As of March, national reserves amounted to \$4.31 billion, reflecting an increase of \$77 million from the previous month.
- In February, NBG has not made any transactions. This was the second consecutive month with no transactions.
- Year-over-Year national reserves decreased by \$466 mln.

Source: NBG

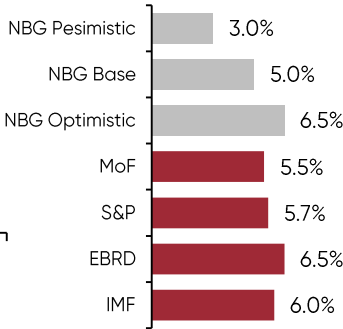
Y/Y Real GDP Estimated Growth



GDP Growth Compared to neighbors



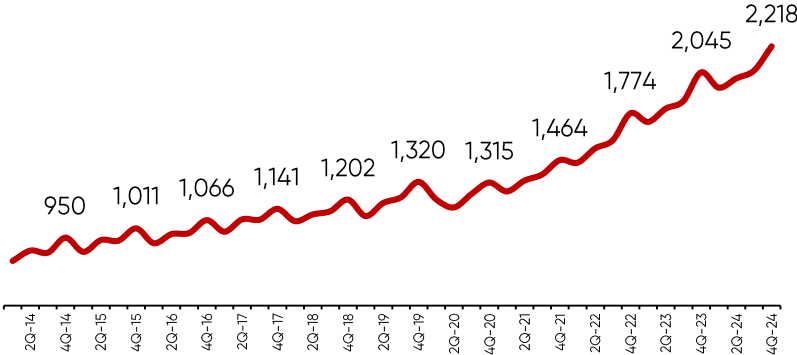
Forecasts for 2025:



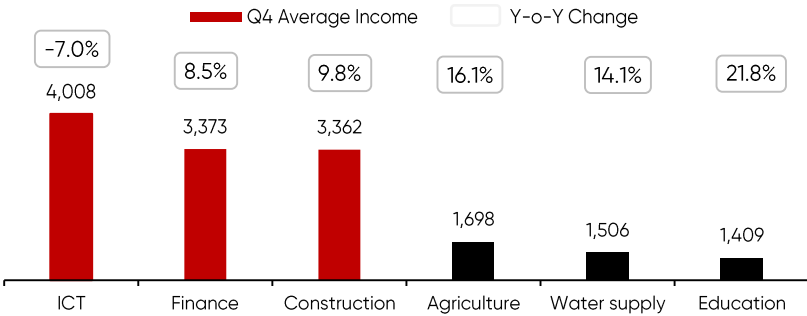
- Yearly real GDP experienced 7.7% growth in February. The highest growth was registered in following sectors: Professional, scientific and technical activities, ICT, Transportation and storage.
- Georgia recorded the highest GDP growth in the region over the past four years, while forecasts suggest a moderate slowdown in 2025 compared to previous years, with estimates ranging between 5.0% and 6.5% for the year.

Sources: Geostat, Armstat, CBAR, MoF, S&P, EBRD, IMF.

Average Monthly Earnings (GEL)



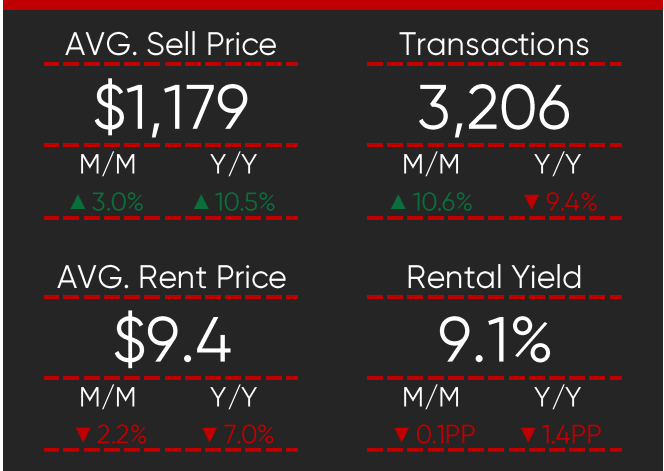
Top & Bottom Earners by Sector (GEL)



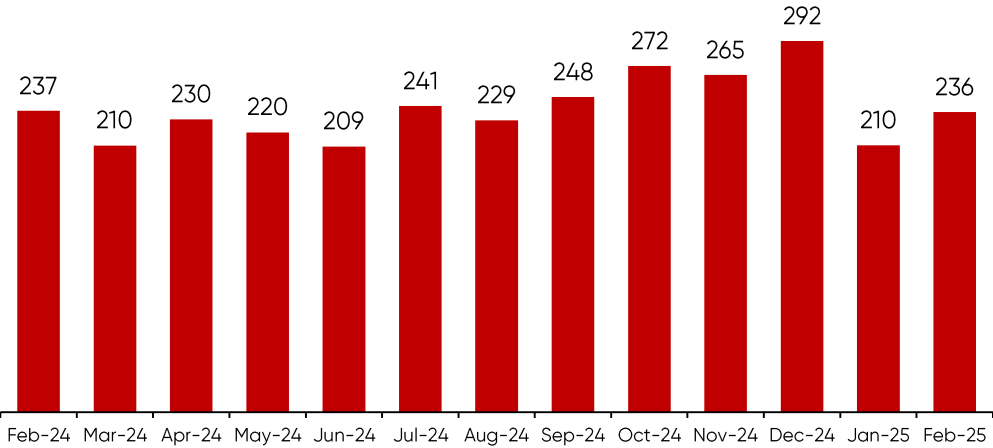
- In the IV quarter of 2024, the average monthly nominal earnings increased by 8.5% y/y and amounted to 2,217.5 GEL.

Source: Geostat

Tbilisi Residential Estate Market (Feb-25)



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



- In Feb-25, the market size in Tbilisi amounted to 236 mln and saw 12.4% m/m and -7.1% 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.

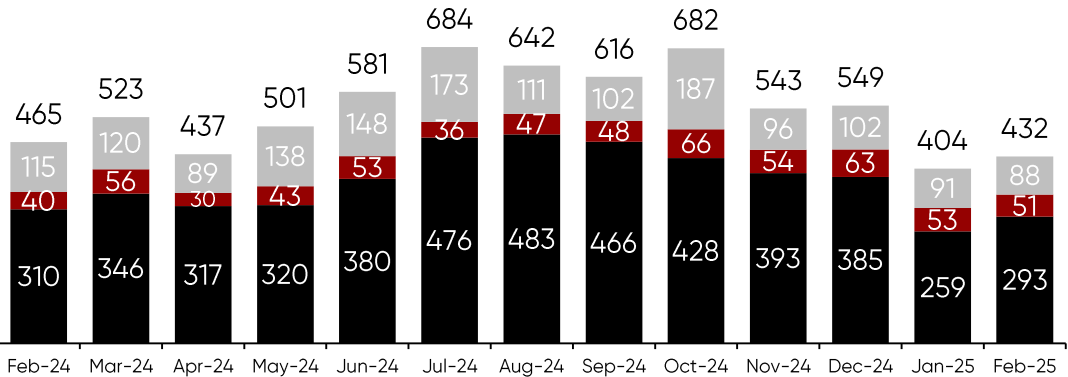
Note: Changes in rent prices are derived from NBG data, while absolute values are sourced from SS.ge.

Sources: NBG, Recov, SS.ge, Geostat

Export Dynamics

Export Dynamics (US\$ mln)

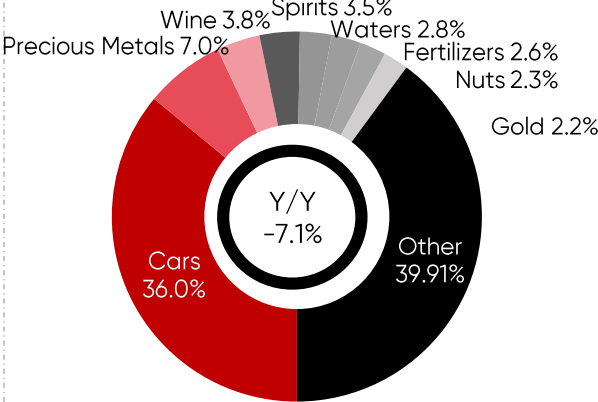
■ CIS ■ EU ■ Other



- In February, exports totaled \$432 million, marking a 7.1% decline compared to the same period last year. Exports to the EU rose by 25%, while exports to CIS countries fell by 5%.
- Key contributors to this decline were Ferro-alloys (-3.3 PP effect in total) and Wine (-2.8PP), while Precious metals (2.2PP), had the biggest positive impact.

Source: Geostat

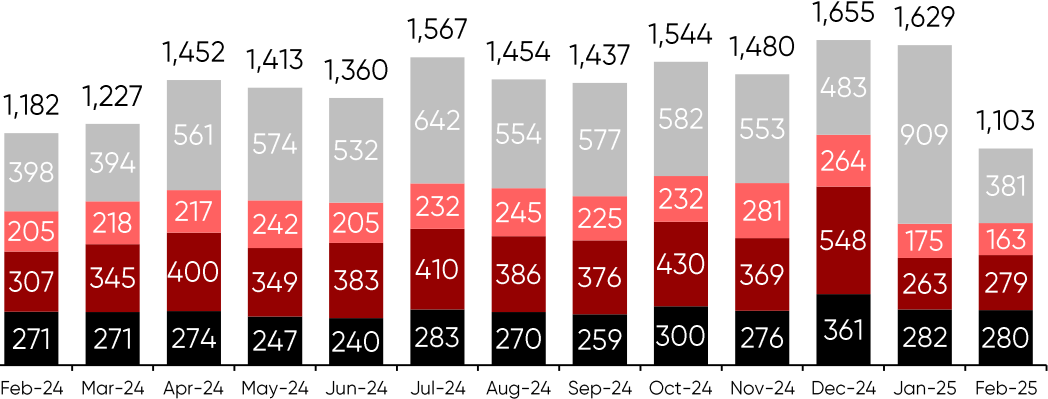
Exports by Products



Import Dynamics

Import Dynamics (US\$ mln)

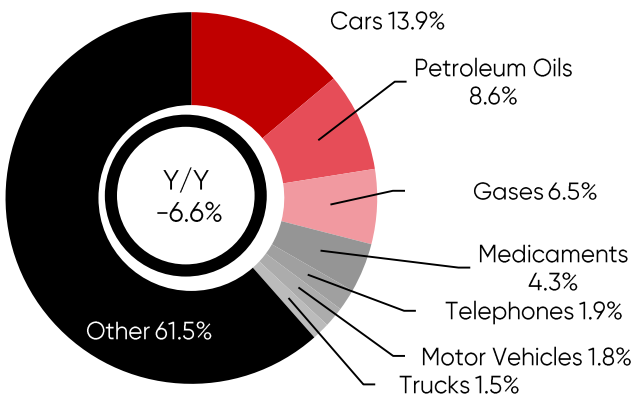
■ CIS ■ EU ■ Turkey ■ Other



- Imports to Georgia amounted to \$1.1bln In February illustrating a 6.6% decrease from February 2024.
- Key contributors to this decrease were Motor Cars (-3.5PP effect in total growth) amounting to \$153 mln and aircraft (-1.9PP).

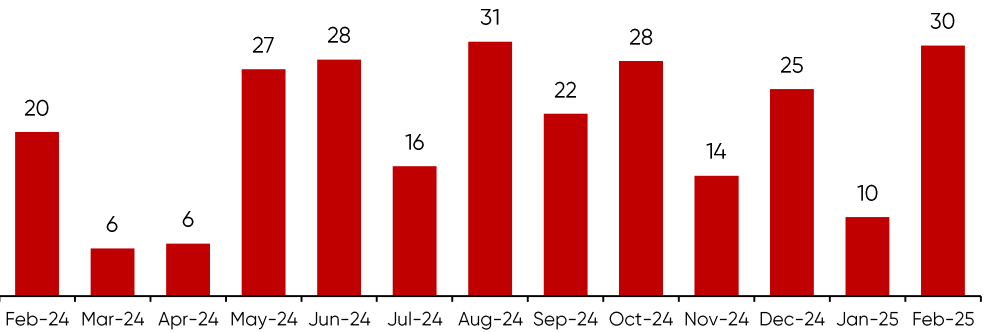
Source: Geostat

Imports by Products



Other Observations

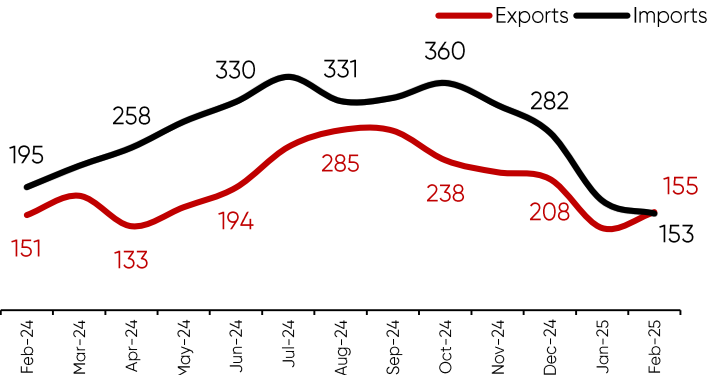
Precious Metals Export Over the Last Months (US\$ mln)



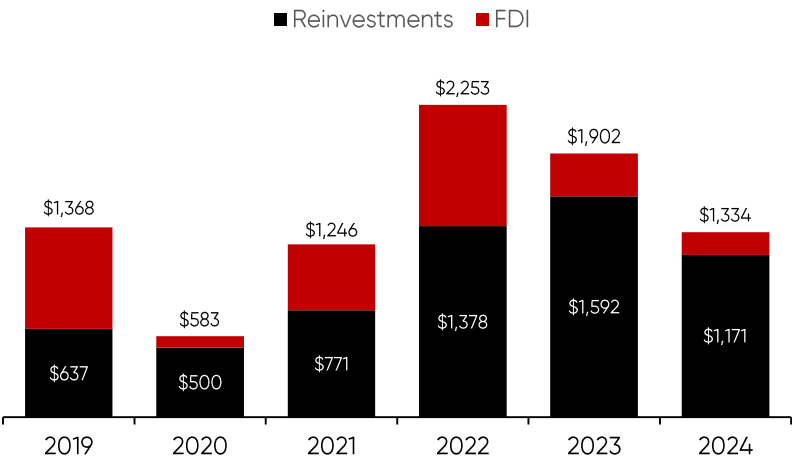
- Compared to February 2024, exports of Precious Metals Increased by 53%.
- Motor car exports increased by 3% compared to the previous year, while imports decreased by 22%.

Source: Geostat

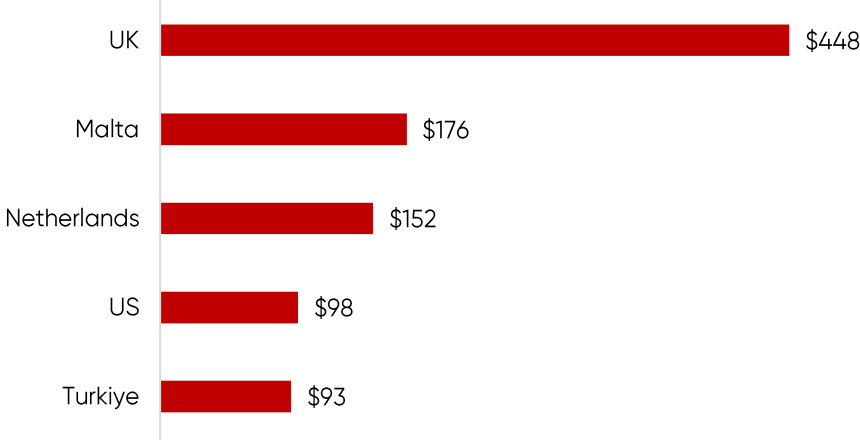
Car Trade Dynamics Over the Last Months (US\$ mln)



FDI and Reinvestments in Georgia (mln \$)



Major Investor Countries by 2024 (mln \$)

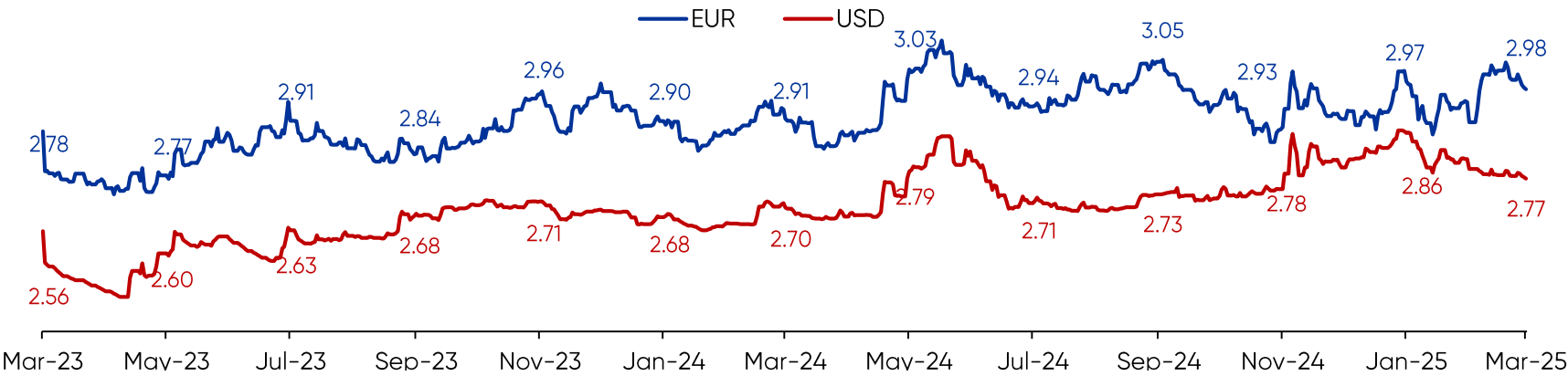


- In 2024, FDI amounted to \$1.3 bln and experienced 30% decrease from the previous year.
- The UK reaching \$448 mln in 2024 (33.6% in total) was the major foreign direct investor country. Malta was the second with \$176 mln (13.2% in total), followed by Netherlands with \$152 mln (11.4% in total).

Source: Geostat

FDI

GEL Exchange Rate Dynamics



- In March, GEL appreciated by 0.84% against the USD and depreciated by 1.57% against the Euro.

Sources: NBS

Exchange Rates

Market Watch (Close Prices as of April 07, 2025)

S&P 500		Gold		WTI Crude Oil		Bitcoin	
\$5,062		\$3,013		\$61.20		\$79,381	
M/M	Y/Y	M/M	Y/Y	M/M	Y/Y	M/M	Y/Y
▼12%	▼1%	▲3%	▲26%	▼7%	▼28%	▼8%	▲24%
TBC		BOG		G Capital			
£35.7		£47.4		£12.9			
MoM	YOY	MoM	YOY	MoM	YOY		
▼18%	▲12%	▼12%	▼7%	▼13%	▼4%		

- S&P 500 fell by 12% month-over-month to \$5,062. The sharp drop reflects investor caution amid economic slowdown concerns and a shift in rate cut expectations, weighing heavily on equities.
- WTI Crude Oil declined by 7% month-over-month to \$61.20, deepening its 28% year-over-year decline. Weak demand, rising U.S. inventories, and uncertainty around OPEC+ production cuts continue to pressure prices.
- Gold rose by 3% month-over-month to \$3,013, extending its year-over-year rally to 26%. Safe-haven demand remains strong as investors react to heightened market volatility, geopolitical risks, and central bank gold accumulation.

Sources: Bloomberg, LSE

Market Watch

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