

Macroeconomics Review

January 2025

Monetary Policy

<u>Inflation Rates</u>	Annual inflation amounted to 2.0% in January.
<u>Refinance Rates</u>	The ECB lowered its monetary policy rate by 25 BP in its last meeting.
<u>International Reserves</u>	In January, international reserves decreased by \$18 mln, amounting to \$4.4 bln.

Macroeconomic Outlooks

<u>Real GDP</u>	Real GDP witnessed a 6.7% annual growth in December.
<u>Current Account</u>	Tourism income amounted to \$4.4 bln In 2024, a 7.3% increase from previous year.
<u>Residential Real Estate</u>	Tbilisi's real estate market size amounted to \$292 million in December (+15.1% y/y).

External Trade

<u>Exports Dynamics</u>	Exports experienced a 7.8% increase from the previous year in 2024.
<u>Imports Dynamics</u>	2024 imports have shown an 8.1% increase from the previous year.
<u>Other Observations</u>	Compared to 2023, during 2024, exports of cars rose by 14.1%.

Additional Observations

<u>Earnings Dynamics</u>	Monthly, loan yields and deposit COF in GEL rose by 4 BP and 21 BP, respectively.
<u>Exchange Rates</u>	GEL depreciated by 2.41% against the USD in January.
<u>Market Watch</u>	Gold prices surged by 8% month-over-month to \$2,860 per ounce.

Report was created by Macroeconomics & Research Unit

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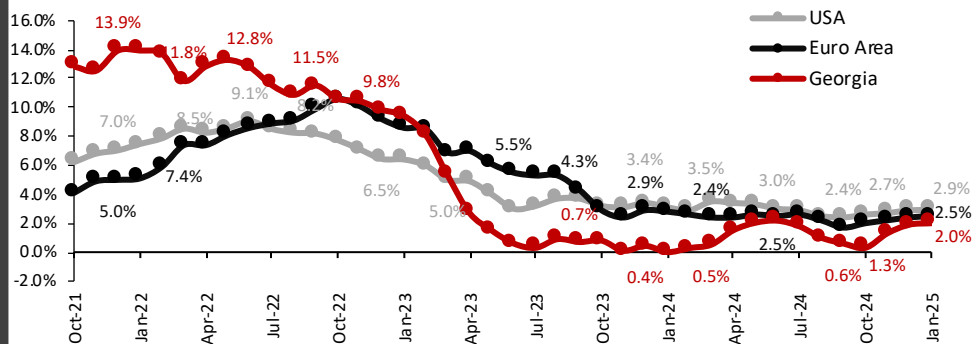
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Y/Y Inflation Dynamics

Inflation



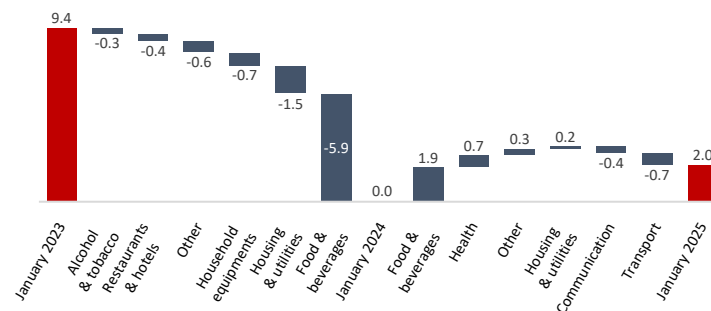
Note: Jan-25 figure of USA & Euro are estimations

- In January, annual inflation in Georgia amounted to 2.0%. A Rise in inflation is mainly caused by the increase in Food and non-alcoholic beverages (1.03PP contribution to total inflation) and Alcoholic beverages and tobacco (0.41PP).
- Domestic inflation amounted to 2.3% (1.1PP contribution in total) in January, mixed 3.5% (1.0PP) and imported -0.4% (-0.1PP).
- Monthly inflation amounted to 0.4%, mainly influenced by price changes for the Food and non-alcoholic beverages (0.4PP).

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

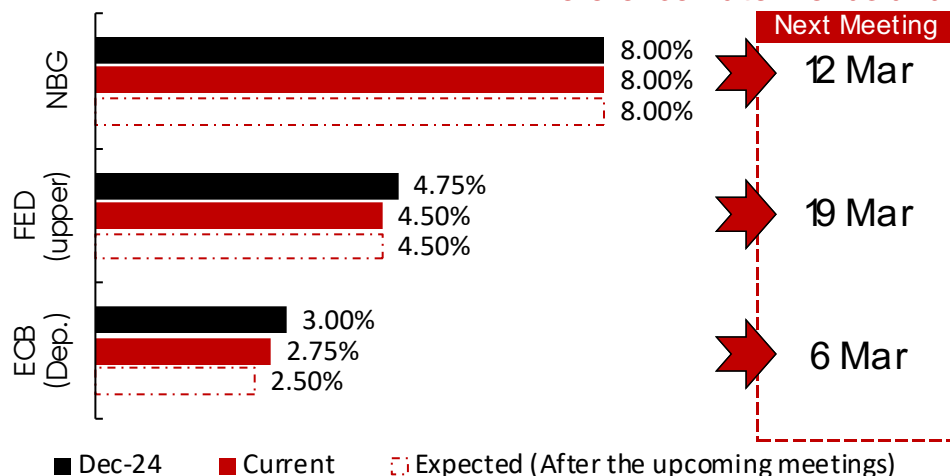
Sources: Geostat, Eurostat, US Bureau of Labor Statistics

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



Reference Rate Trends and Expectations

Refinance Rates



Next Meeting

12 Mar

19 Mar

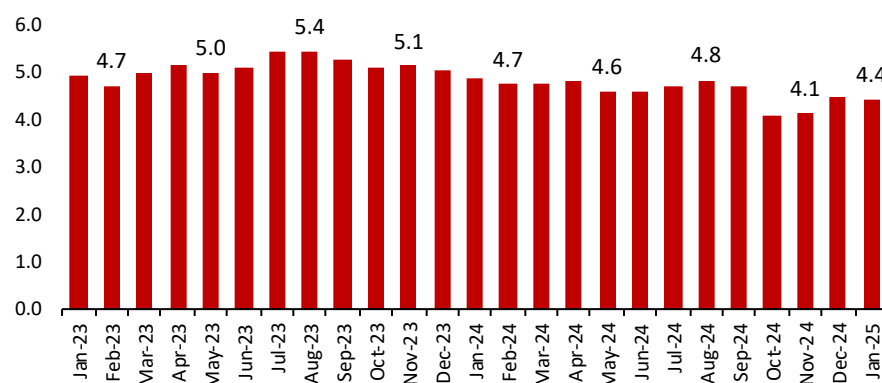
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- Over the past four months, inflation has risen significantly, from 0.3% to 2.0%. While the NBG's long-term plan is to gradually reduce monetary policy rates to a neutral level of 7%, the inflationary pressures make it likely that the NBG will maintain its current policy stance.
- The Federal Reserve is expected to maintain its benchmark rate at 4.50% as stays above target, reaching 2.9% in January. Policymakers remain cautious, seeking further confirmation of sustained disinflation before considering cuts.
- Eurozone inflation edged higher in January but remained near the ECB's 2% target. The ECB is widely expected to cut deposit facility rate by 25 BP in its upcoming meeting as policymakers move to further normalize monetary policy.

Sources: NBG, Bloomberg, ECB

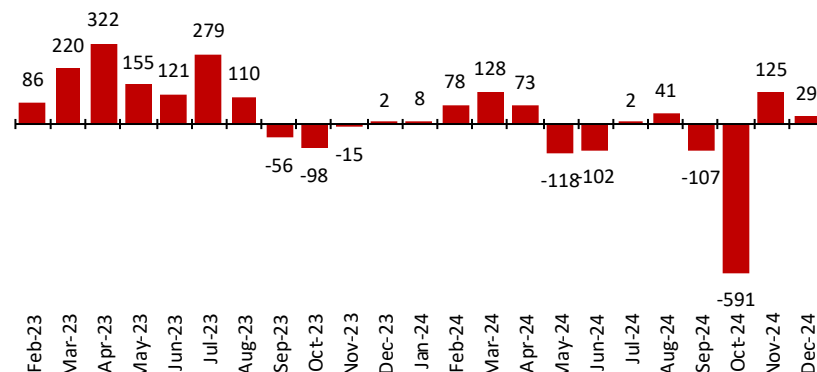
NBG Reserves Dynamics (US\$ bln)

International Reserves Dynamics



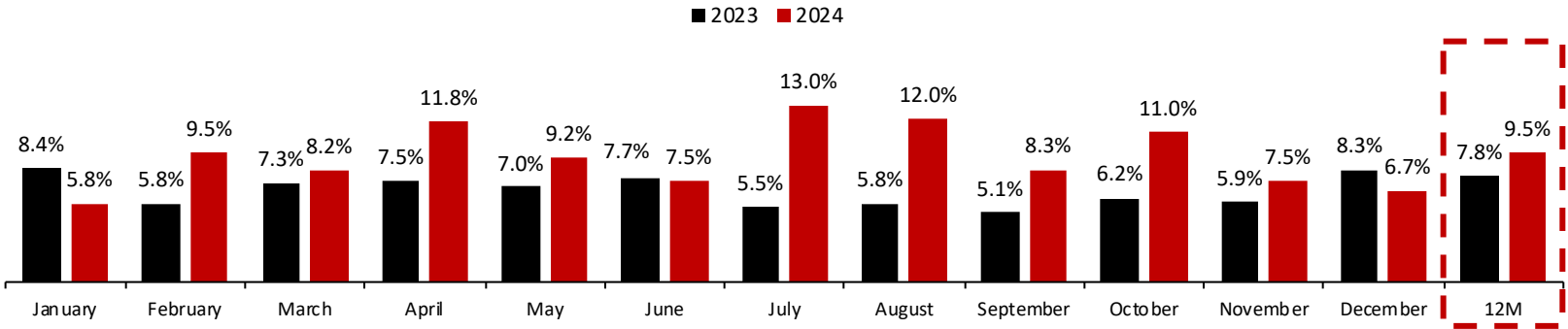
- As of January, national reserves amounted to \$4.44 billion, reflecting a decrease of \$18 million from the previous month.
- In December, NBG purchased \$28.6 mln of reserves through auctions.
- Year-over-Year national reserves decreased by \$423 mln.

NBG Net Purchases (US\$ mln)



Source: NBG

Y/Y Real GDP Estimated Growth

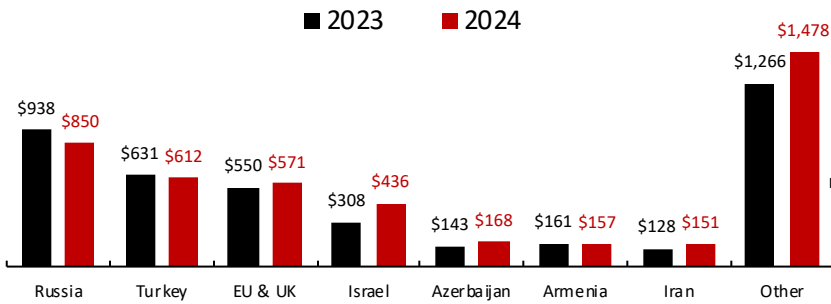


- Yearly real GDP experienced 6.7% growth in December.
- The growth was registered in following sectors: Financial and insurance activities, Professional, scientific and technical activities, Transportation and storage, Trade, Information and communication.
- The average real GDP growth for 2024 equaled 9.5%.

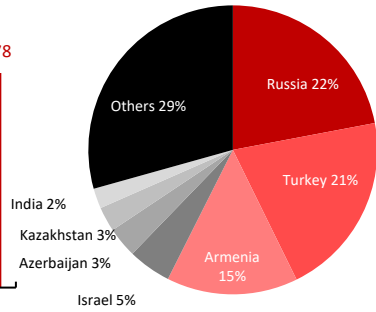
Sources: Geostat

Real GDP Growth Dynamics

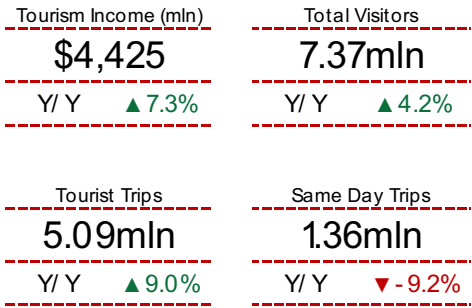
Tourism Income by Countries (US\$ mln)



Tourists by Countries (2024)



Main Figures of Tourism (2024)



- In 2024, tourism income recorded \$4.4 bln increasing by 7.3% from previous year.

Sources: NBG, Geostat

Tourism Sector

Tbilisi Residential Estate Market (Dec-24)

AVG. Sell Price

\$1,110

M/M

Y/Y

▼ 0.4%

▲ 9.0%

Transactions

4,037

M/M

Y/Y

▲ 8.2%

▲ 5.7%

AVG. Rent Price

\$9.9

M/M

Y/Y

▼ 0.5%

▼ 5.8%

Rental Yield

9.6%

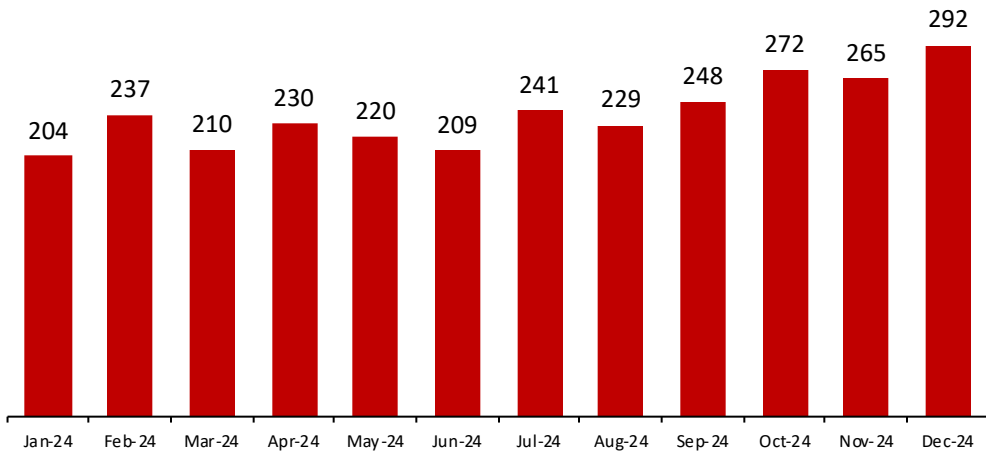
M/M

Y/Y

▼ 0.1PP

▼ 12PP

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



- In Dec-24, the market size in Tbilisi amounted to 292 mln and saw 10.1% m/m and 15.1% 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.

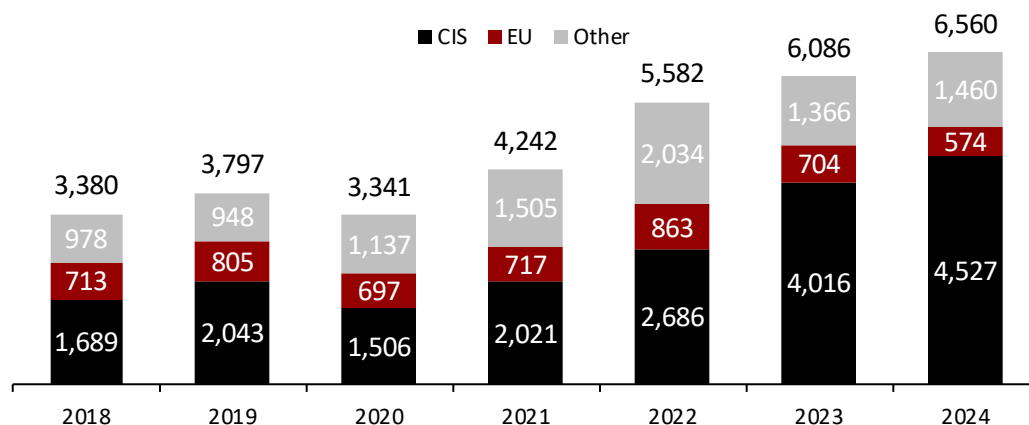
Note: Changes in rent prices are derived from NBG data, while absolute values are sourced from SS.ge.

Sources: NBG, Recov, SS.ge, Geostat

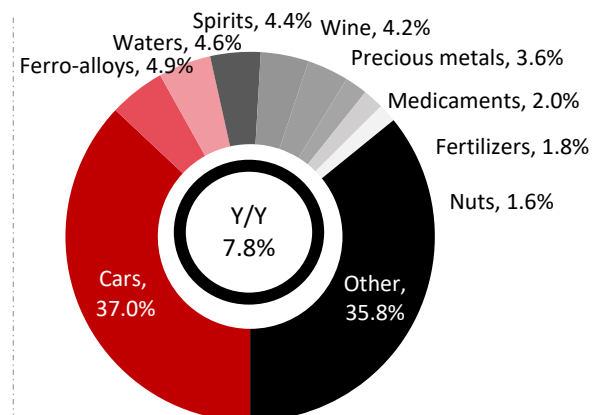
Tbilisi Residential Real Estate Market

Export Dynamics

Export Dynamics (US\$ mln)



Exports by Products 2024

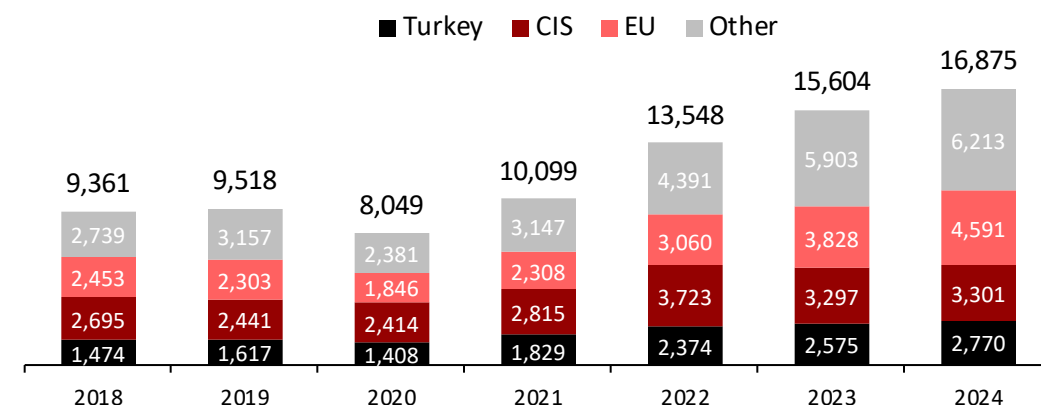


- In 2024, exports amounted to \$6,560 mln which increased by 7.8% compared to the previous year. Exports to CIS increased by 13% while to EU decreased by 19%.
- Key contributors to this growth were Vehicles (4.5 PP effect in total) amounting to \$2,534 mln and Precious Metals (2.8 PP) amounting to \$876 mln.

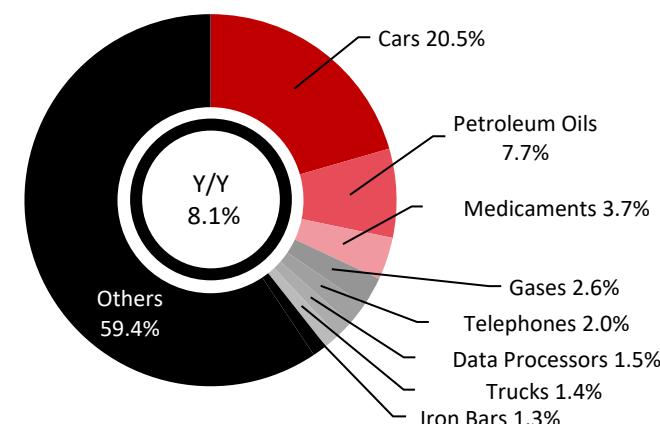
Sources: Geostat

Import Dynamics

Import Dynamics (US\$ mln)



Imports by Products 2024

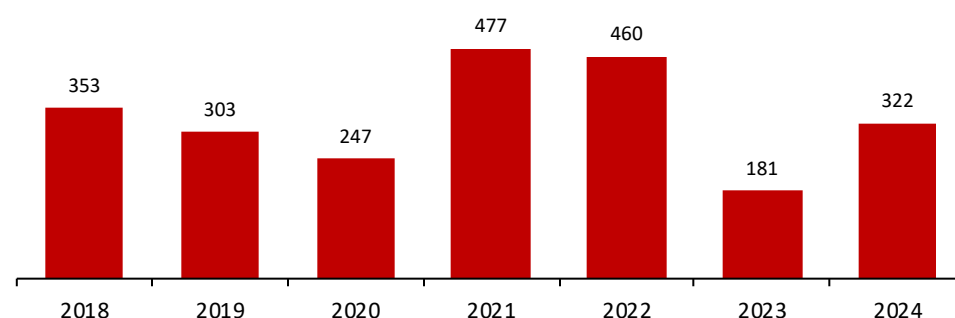


- In 2024 imports to Georgia amounted to \$16.8 bln illustrating a 8.1% increase from 2023.
- Key contributors to this increase were Vehicles (1.5 PP effect in total growth) and Machinery (1.3 PP) while Ores (-1.1 PP), had the biggest negative impact.

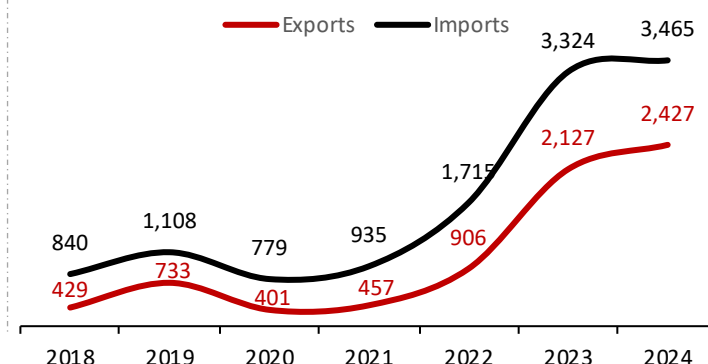
Sources: Geostat

Other Observations

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



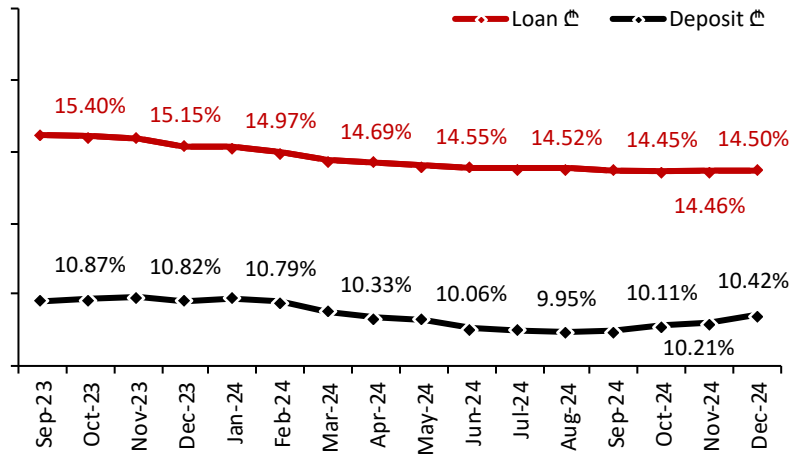
Car Trade Dynamics Over the Years (US\$ mln)



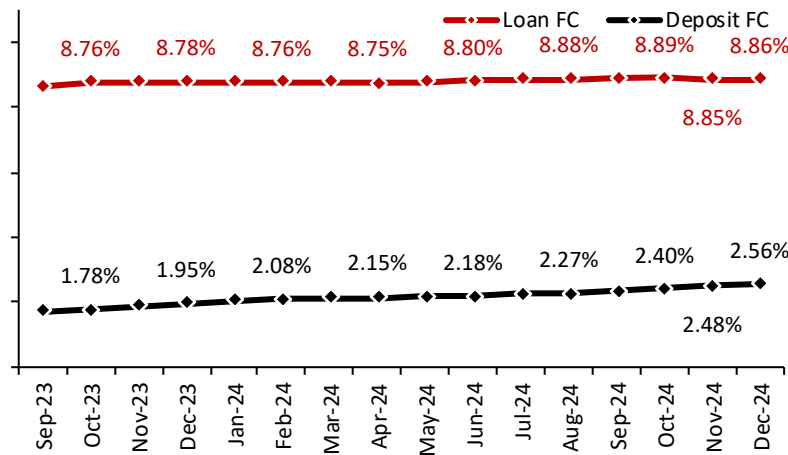
- Compared to 2023, exports of Ferro-Alloys increased by 78%. The main contributor to this growth was a 278% increase in exports to Turkey.
- In 2024 motor car exports increased by 14% compared to the previous year, while imports increased by 4.2%.

Sources: Geostat

Yields in ₾



Yields in Foreign Currency

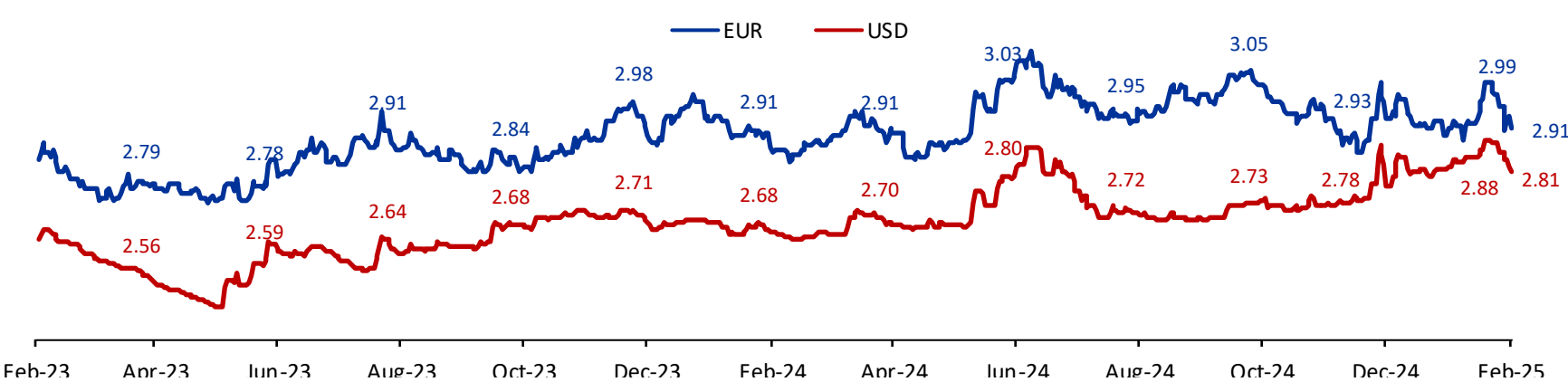


- Monthly, loan yields and deposit COF in GEL rose by 4 BP and 21 BP, respectively.
- Year over year, loan yield in GEL decreased by 0.65 PP, whereas it has increased by 0.08 PP in foreign currency.
- Deposit yield in GEL dropped by 0.40 PP compared to December 2023, while FC experienced a 0.61 PP rise.

Sources: NBG

Deposit & Loan Yields

GEL Exchange Rate Dynamics



- In January, GEL depreciated by 2.41% against the USD and appreciated by 2.13% against the Euro.

Sources: NBG

Exchange Rates

Market Watch (Latest Prices as of February 10, 2025)

S&P 500		Gold (LBMA)		WTI Crude Oil		Bitcoin	
\$6,026		\$2,882		\$71.46		\$96,910	
M/M	Y/Y	M/M	Y/Y	M/M	Y/Y	M/M	Y/Y
▲ 2%	▲ 20%	▲ 8%	▲ 41%	▼ 3%	▼ 7%	▲ 4%	▲ 103%
TBC		BOG		G Capital			
£35.4		£48.2		£12.0			
MoM	YOY	MoM	YOY	MoM	YOY		
▲ 14%	▲ 24%	▲ 2%	▲ 29%	▼ 2%	▲ 8%		

- Gold prices surged by 8% month-over-month to \$2,860 per ounce, representing a 40% increase year-over-year. The precious metal's ascent to record highs is attributed to heightened demand from central banks and investors seeking safe-haven assets amid ongoing geopolitical uncertainties and trade tensions.
- Bitcoin appreciated by 4% month-over-month, reaching \$96,818, and has more than doubled with a 103% increase year-over-year. The cryptocurrency's impressive growth is driven by increasing institutional adoption and retail demand. However, its inherent volatility continues to raise questions about long-term sustainability.

Sources: NBG, Bloomberg

Market Watch

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