

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>Current Account</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>Earnings Dynamics</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

Report owners

Aleksandre Akhaladze | aleksandre.akhaladze@lb.ge | +995 592 37 13 69

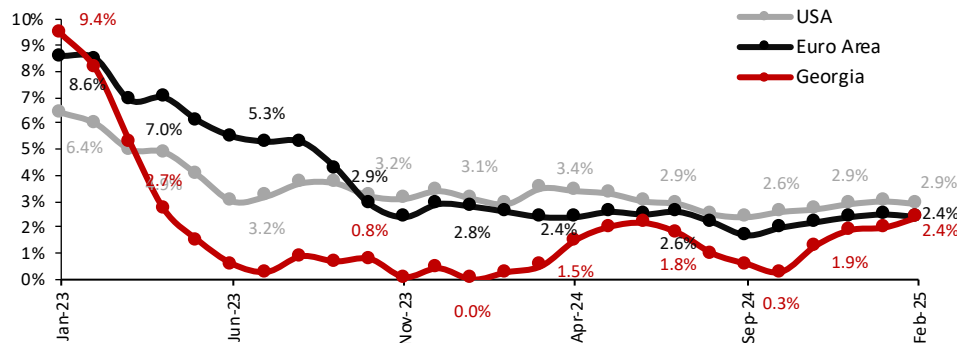
Elene Vashakmadze | elene.vashakmadze@lb.ge | +995 597 74 77 09

Zura Akhvlediani | zura.akhvlediani@lb.ge | +995 514 05 03 01

Address: 74 Chavchavadze Ave.

Email: Macronewsletter@lb.ge

Y/Y Inflation Dynamics



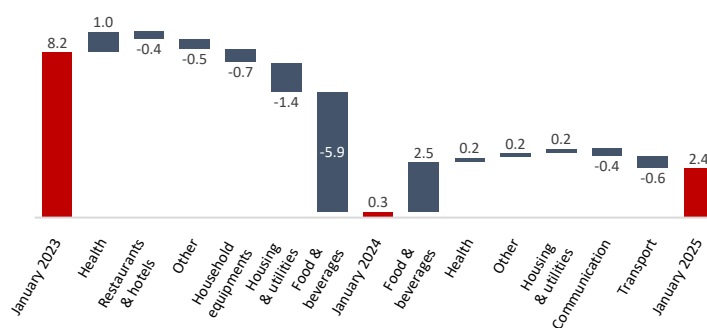
Note: Feb-25 figure of USA & Euro are estimations

- 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).

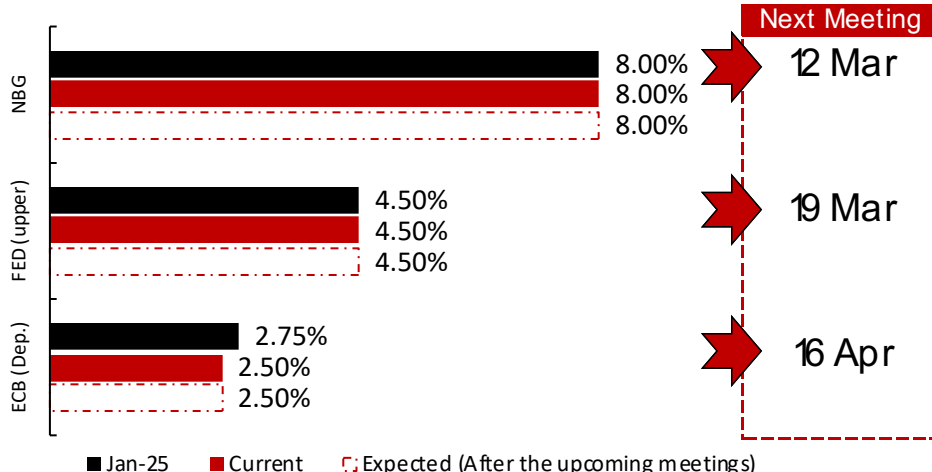
*Including products that are imported as well as those produced domestically.

Sources: Geostat, Eurostat, US Bureau of Labor Statistics

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



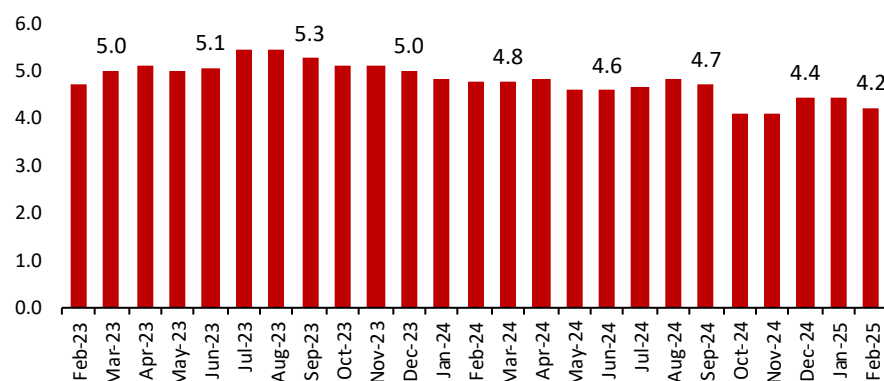
Reference Rate Trends and Expectations



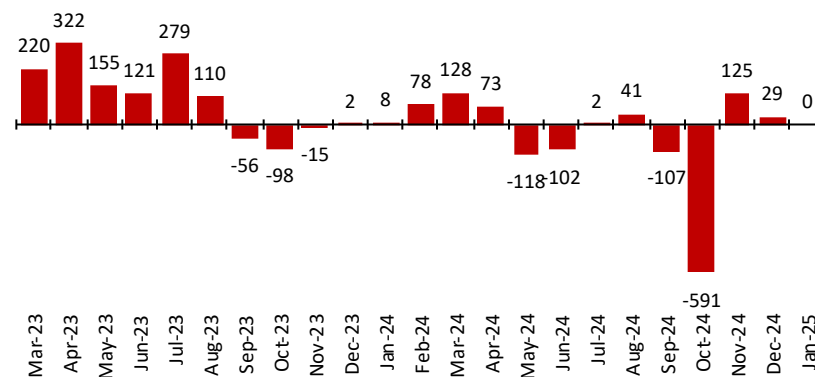
- Over the past five months, inflation has surged from 0.3% to 2.4%, marking a significant increase. Although the NBG's long-term goal is to gradually lower interest rates to the neutral level of 7%, persistent inflationary pressures suggest that the central bank is likely to hold its current monetary 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)



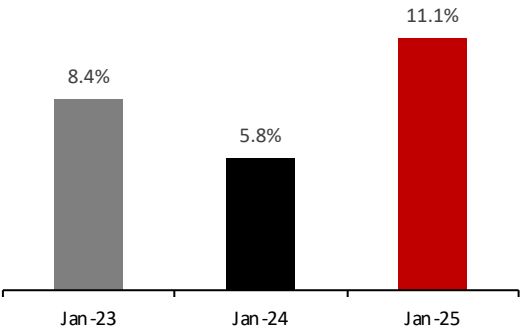
NBG Net Purchases (US\$ mln)



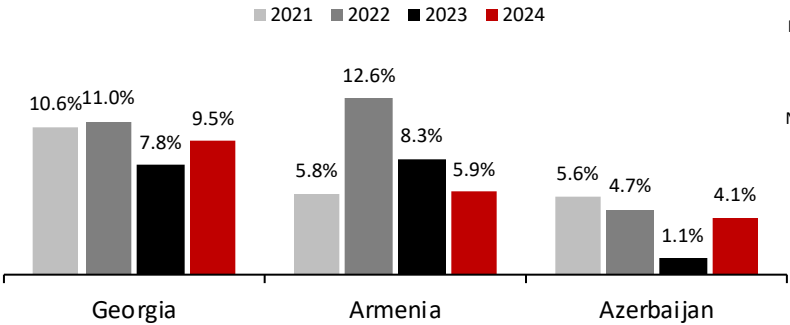
- As of February, national reserves amounted to \$4.23 billion, reflecting a decrease of \$200 million from the previous month.
- In January, NBG has not made any transactions using the Bmatch platform.
- Year-over-Year national reserves decreased by \$512 mln.

Source: NBG

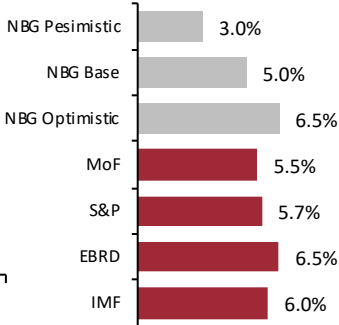
Y/Y Real GDP Estimated Growth



GDP Growth Compared to neighbors



Forecasts for 2025:

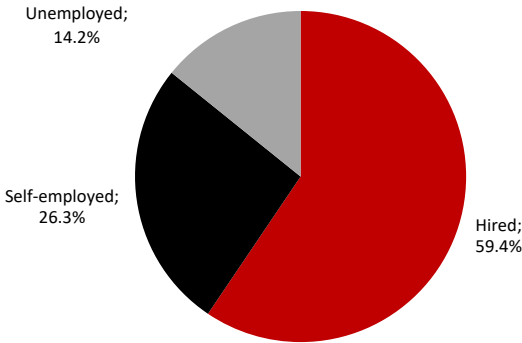


- Yearly real GDP experienced 11.1% growth in January. The growth was registered in following sectors: Professional, scientific and technical activities, Transportation and storage, Construction, Information and communication, Manufacturing and Trade.
- Georgia recorded the highest GDP growth in the 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.

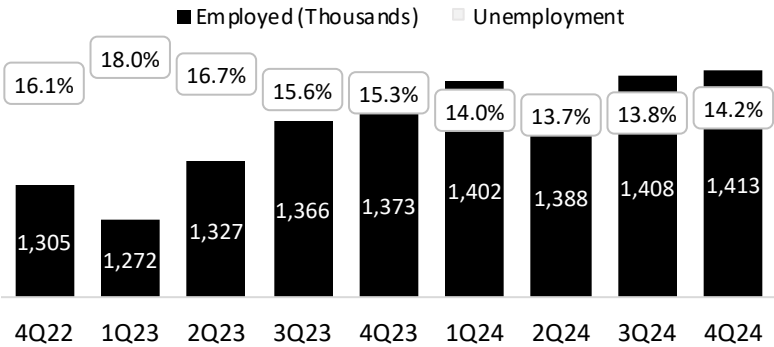
Sources: Geostat

Real GDP Growth Dynamics

Labor Force Distribution (Q4-24)



Population Distribution by Employment Type

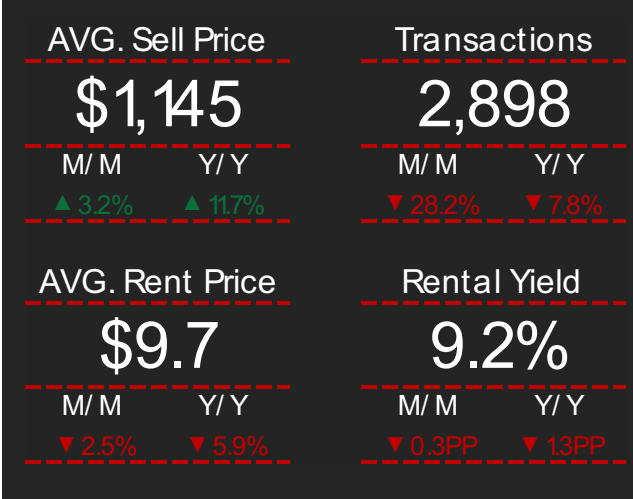


- In the fourth quarter, the unemployment rate amounted 14.2% and the number of employed people increased by 40K Y/Y.

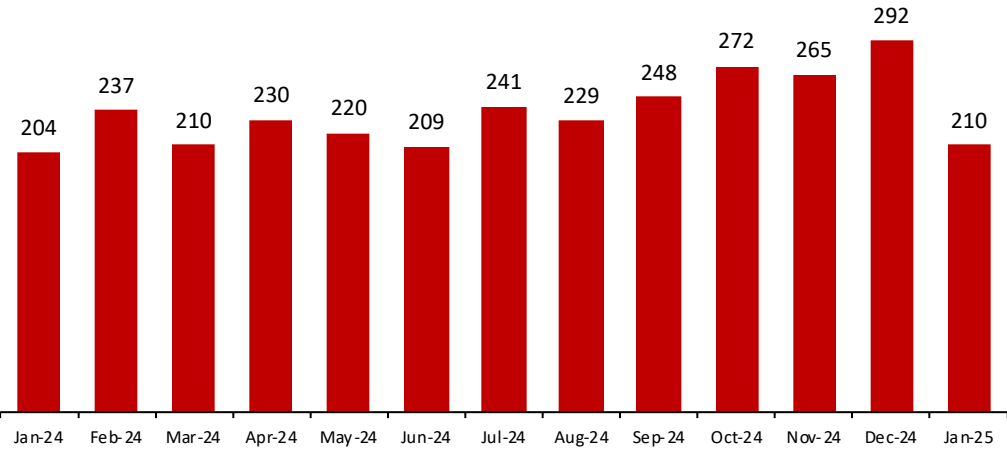
Sources: NBG, Geostat

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.

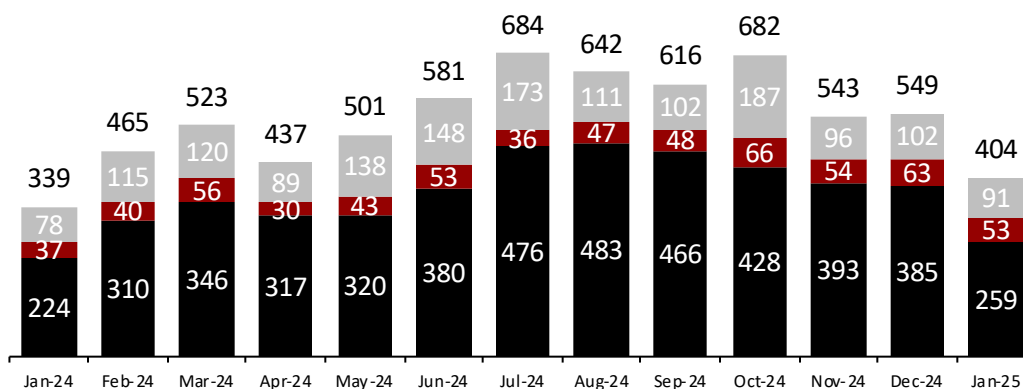
Sources: NBG, Recov, SS.ge, Geostat

Tbilisi Residential Real Estate Market

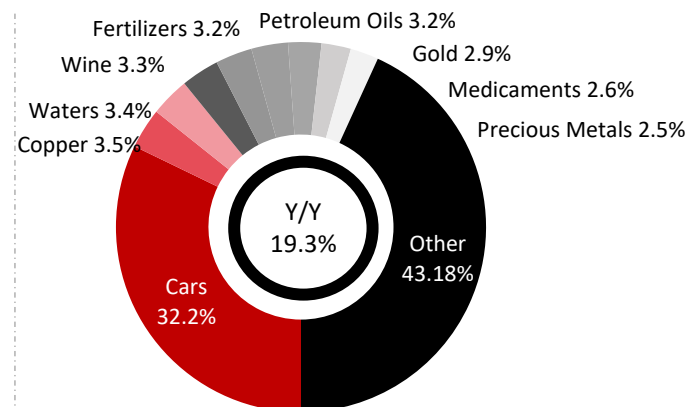
Export Dynamics

Export Dynamics (US\$ mln)

■ CIS ■ EU ■ Other



Exports by Products



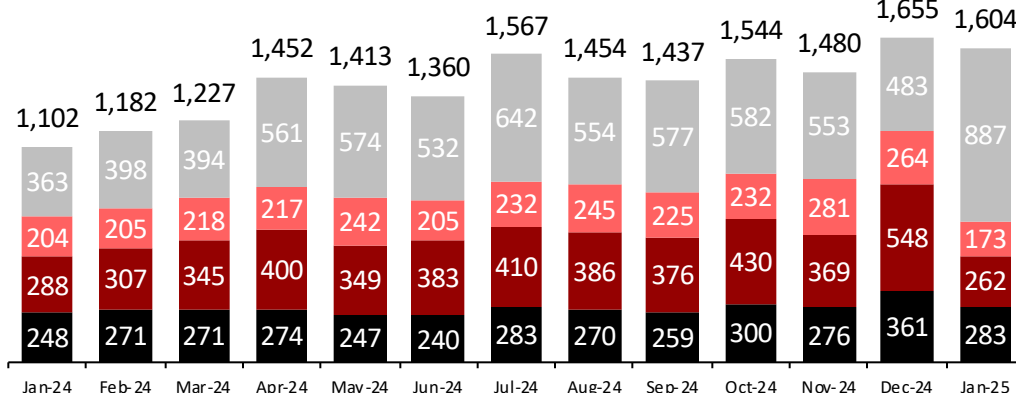
- Exports amounted to \$404 mln in January which increased by 19.3% compared to the previous year. Exports to EU and CIS increased by 46% and 16% respectively.
- Key contributors to this growth were Motor cars (5.3 PP effect in total) amounting to \$130 mln and Copper (4.1PP) amounting to \$14 mln.

Sources: Geostat

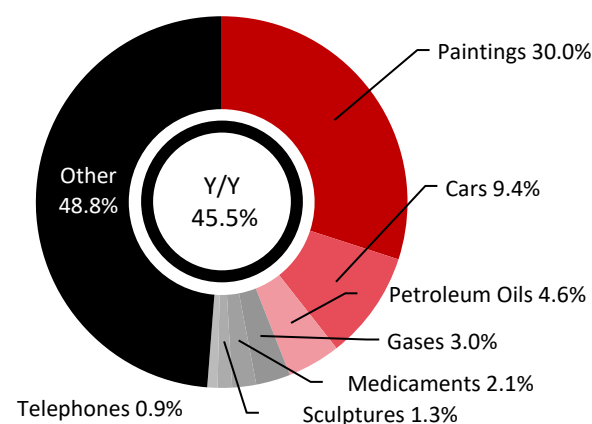
Import Dynamics

Import Dynamics (US\$ mln)

■ CIS ■ EU ■ Turkey ■ Other



Imports by Products

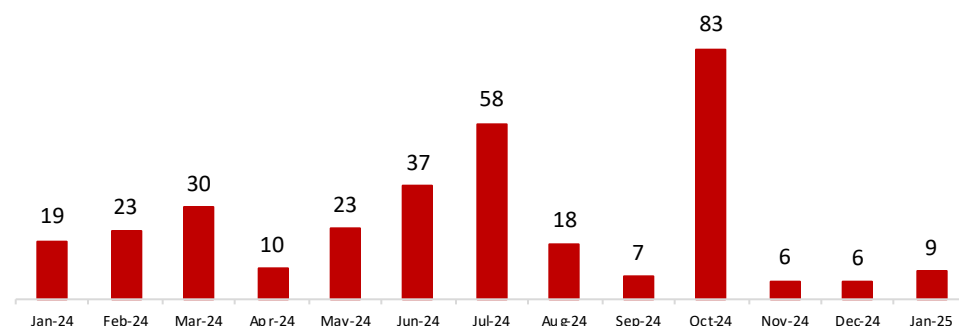


- Imports to Georgia amounted to \$1.6bln in January illustrating a 45.5% increase from January 2024.
- Key contributors to this increase were Paintings (43.6PP effect in total growth) and Sculptures (3.0PP) while Motor Cars (-4.1PP), had the biggest negative impact.

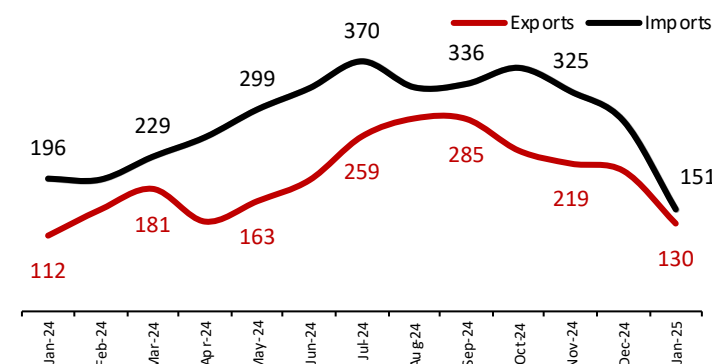
Sources: Geostat

Other Observations

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

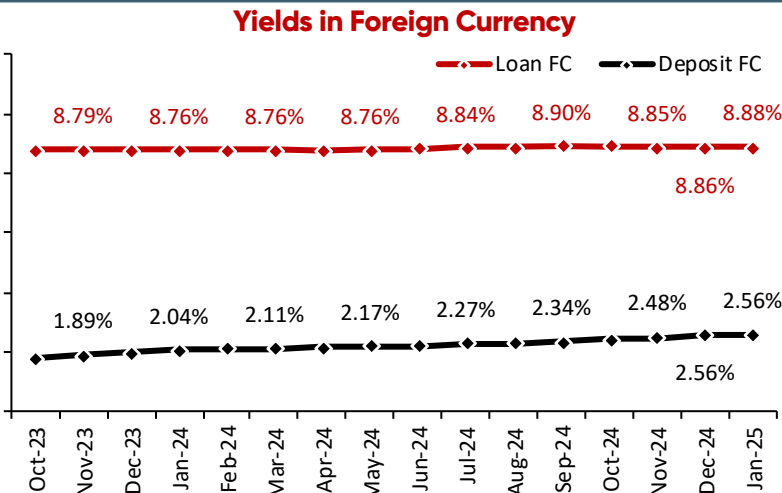
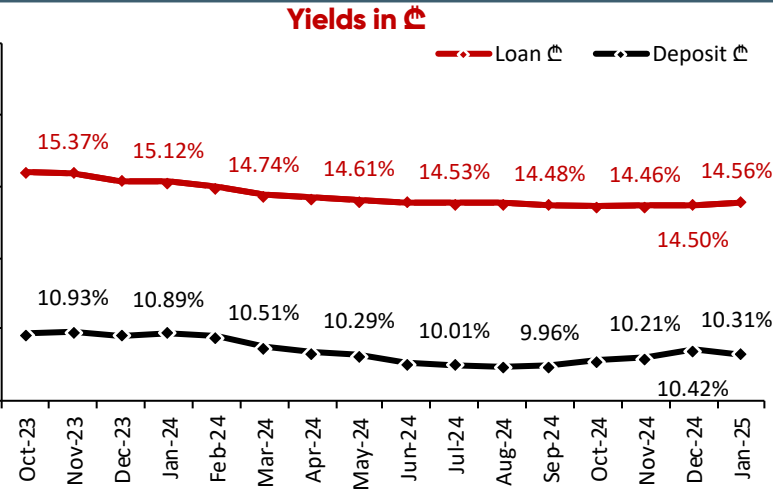


Car Trade Dynamics Over the Last Months (US\$ mln)



- 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%.

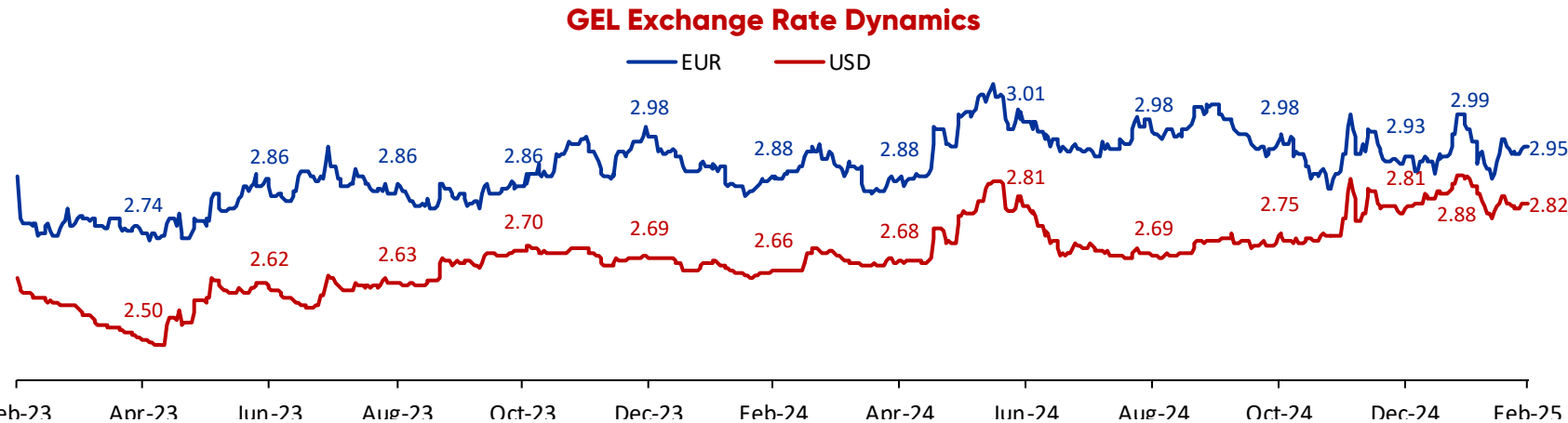
Sources: Geostat



- 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



- 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	
\$5,739		\$2,910		\$66.39	
M/M	Y/Y	M/M	Y/Y	M/M	Y/Y
▼ 5%	▲ 12%	▲ 1%	▲ 35%	▼ 7%	▼ 13%
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

JSC Liberty Bank has created this document for informational purposes only, and it was developed independently from the companies mentioned. The content of this document should not be regarded as an offer or invitation to buy, sell, or subscribe to any securities or assets. It does not create a contractual obligation or recommendation to take any actions.

The information and opinions presented are based on sources believed to be reliable and in good faith, but they may change without notice. The accuracy and completeness of the information cannot be guaranteed, and therefore, no reliance should be placed on it. JSC Liberty Bank, any other member of the group, or their respective directors, employees, affiliates, advisors, or agents do not provide any express or implied warranty or guarantee regarding the usefulness of this document for predicting the future performance or value of any security or asset. Third-party publications, studies, and surveys included in this document are also subject to the same disclaimer.

The information contained herein is not guaranteed to be fair, accurate, complete, or correct, and should not be relied upon for legal, investment, business, or tax advice. Recipients of this document should conduct their own independent investigation and evaluation of the matters discussed. Any investment decisions made based on this document are solely the responsibility of the investor. JSC Liberty Bank, along with any other member of the group and their respective directors, employees, affiliates, advisers, and agents do not act as an investment, finance, tax and/or legal advisor and shall not be liable for any loss or damages arising from the use of this document or its contents or any act or failure to act based on this document, regardless of whether the loss or damages were caused by negligence or otherwise.

Report was created by Macroeconomics & Research Department

Report owners

Aleksandre Akhaladze | aleksandre.akhaladze@lb.ge | +995 592 37 13 69

Elene Vashakmadze | elene.vashakmadze@lb.ge | +995 597 74 77 09

Zura Akhvlediani | zura.akhvlediani@lb.ge | +995 514 05 03 01

Address: 74 Chavchavadze Ave.

Email: macronewsletter@lb.ge