

# Macroeconomics Review

## August 2025

Monetary Policy	<u>Inflation Rates</u>	Annual inflation was 4.6% in August, up 0.3pp from the previous month.
	<u>Refinance Rates</u>	Markets widely expect the Fed to cut rates at its next meeting.
	<u>International Reserves</u>	International reserves increased by \$183 million in August, reaching \$5.2 billion.
Macroeconomic Outlooks	<u>Real GDP</u>	Real GDP witnessed a 6.5% annual growth in July.
	<u>Labor Market</u>	In the second quarter, the unemployment rate amounted to 14.3%.
	<u>Residential Real Estate</u>	Tbilisi's real estate market size amounted to \$293 mln in July (+22% y/y).
External Trade	<u>Exports Dynamics</u>	Exports experienced a 10.8% decrease from the previous year in July.
	<u>Imports Dynamics</u>	Annually, July Imports have shown a 6.6% decline.
	<u>Other Observations</u>	Precious metal exports increased by 81% compared to the previous year.
Additional Observations	<u>Remittance Inflows</u>	Remittance inflows in July increased by 13.0% y/y, amounting to \$337 mln.
	<u>Exchange Rates</u>	GEL appreciated 0.31% against USD and depreciated 0.99% against EUR.
	<u>Market Watch</u>	Gold, the S&P 500, and Bitcoin all recently reached record highs.

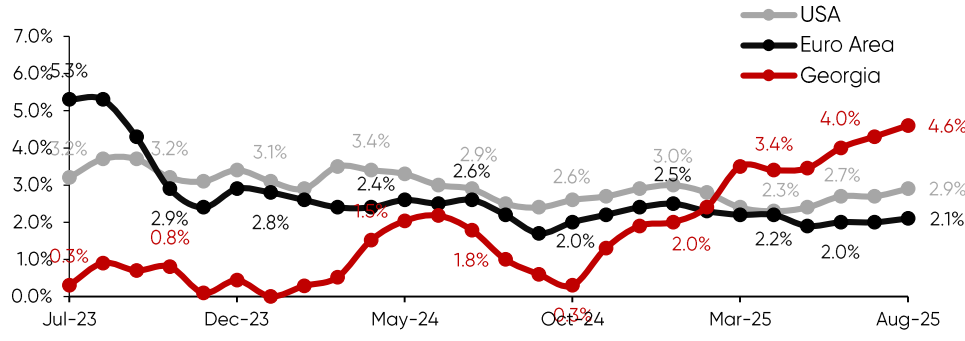
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## Y/Y Inflation Dynamics



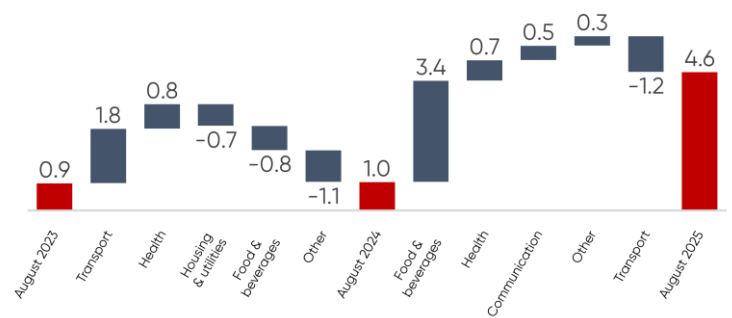
Note: Aug-25 figure of USA & Euro are estimations

- In August, Georgia's annual inflation rose to 4.6%, driven mainly by higher prices in food and non-alcoholic beverages (+3.35pp contribution) and Healthcare (+0.78p).
- Domestic inflation amounted to 6.6% (3.1PP contribution in total) in August, mixed\* 6.3% (1.8PP) and imported -0.8% (-0.2PP).
- Monthly inflation amounted to 0.3%, mainly influenced by price changes in Transportation (+0.14PP).

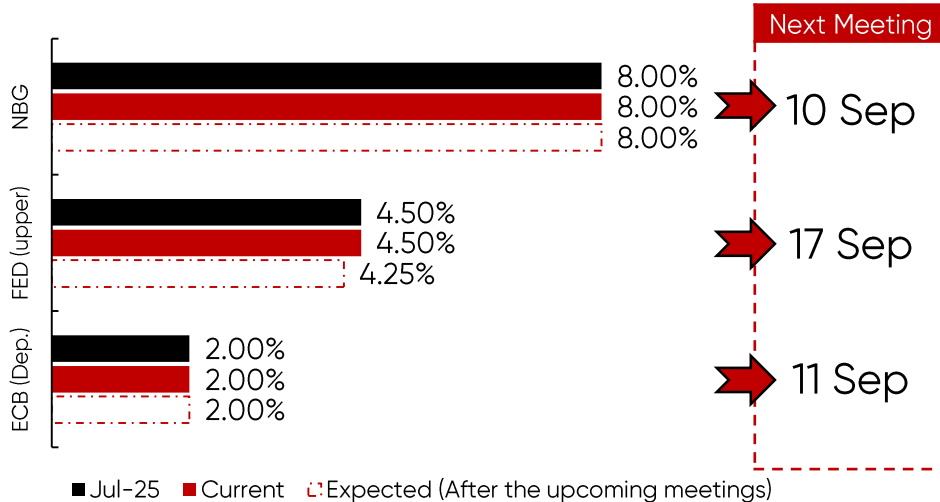
\*Including products that are imported as well as those produced domestically.

Sources: Geostat, Eurostat, US Bureau of Labor Statistics

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



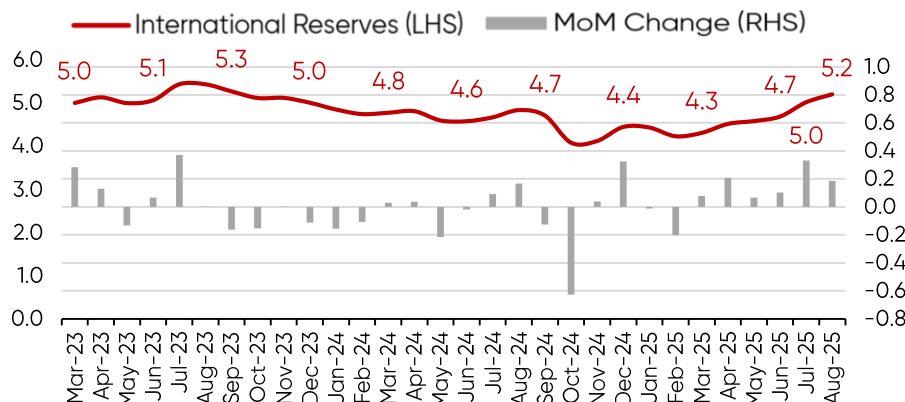
## Reference Rate Trends and Expectations



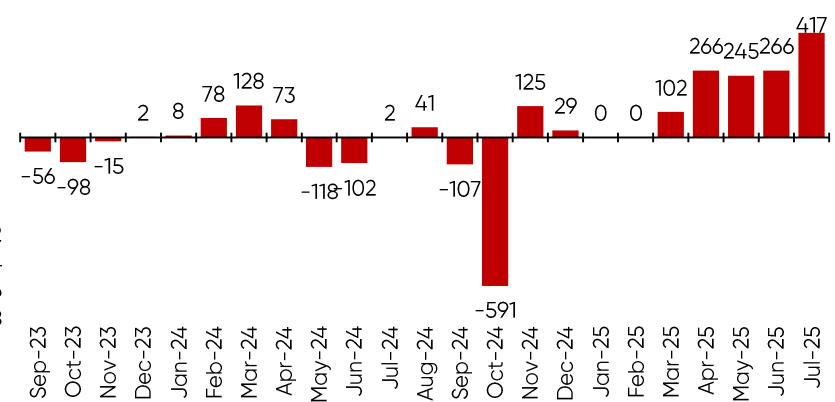
- In Georgia, inflation rose to 4.6%, up from 4.3% last month. With inflation still above the NBG's target rate of 3%, there is currently no expectation of a rate cut. Moreover, the 4.6% inflation figure is close to the NBG's high-inflation scenario, and if prices continue to rise, expectations for a policy rate hike could increase significantly.
- Inflation remains above the Fed's 2% target, with July at 2.7% and expectations for August rising to 2.9%. Labor market conditions continue to weaken: August payrolls came in at just 22k versus expectations of 75k, while June and July were revised down by a combined 21k. The past four months mark the weakest stretch since the pandemic. Therefore, markets now widely expect the Fed to cut rates at its next meeting.
- At its last meeting, the ECB held the deposit facility rate at 2.0%, pausing its monetary easing cycle. However, with inflation ticking up by 0.1pp to 2.1%, markets no longer expect a rate cut at the September meeting.

Sources: NBG, Bloomberg, ECB, CME Group

## NBG Reserves Dynamics (US\$ bln)



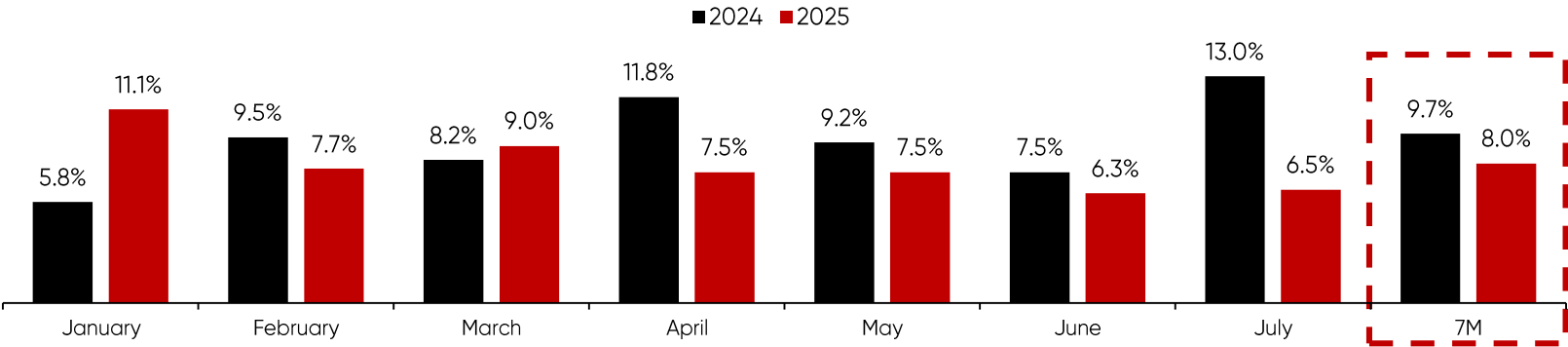
## NBG Net Purchases (US\$ mln)



- As of August, national reserves amounted to \$5.2 billion, reflecting an increase of \$183 million from the previous month.
- In July, the NBG purchased \$417 million via the Bmatch platform — the highest ever.
- Year-over-Year national reserves increased by \$365 mln.

Source: NBG

Y/Y Real GDP Estimate Growth

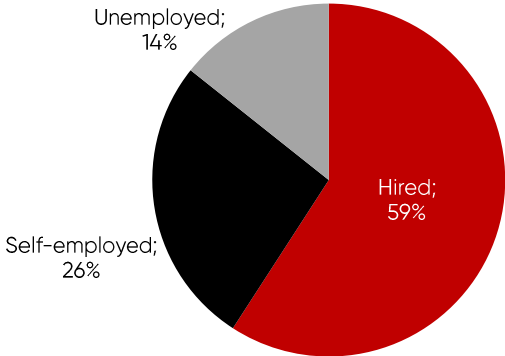


- Yearly real GDP experienced a 6.5% growth in July. The highest growth was registered in Transportation and ICT sectors.
- Decline was registered in Manufacturing and Construction sectors.
- The average real GDP growth for the first seven months of the year stood at 8.0%.

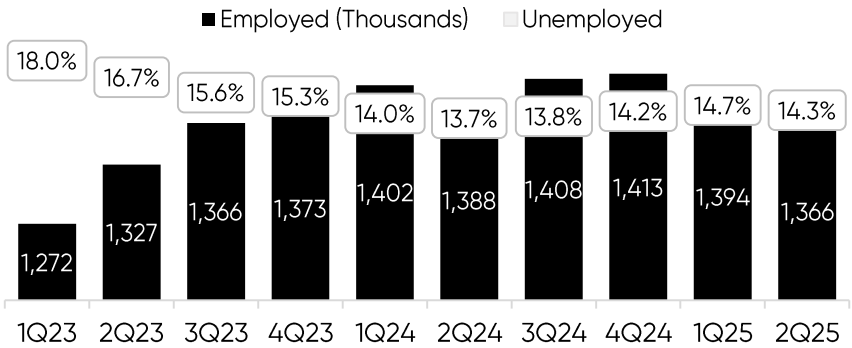
Sources: Geostat, NBG

Real GDP Growth Dynamics

Labor Force Distribution (Q2-25)



Population Distribution by Employment Type (%)

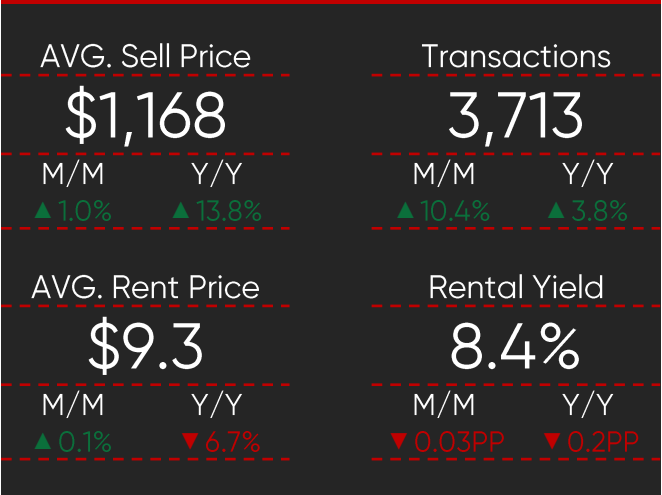


- In Q2-25, the unemployment rate was 14.3%. Employment fell by 21.5K y/y due to a 29.3K drop in self-employed, partly offset by a 4.7K rise in hired.

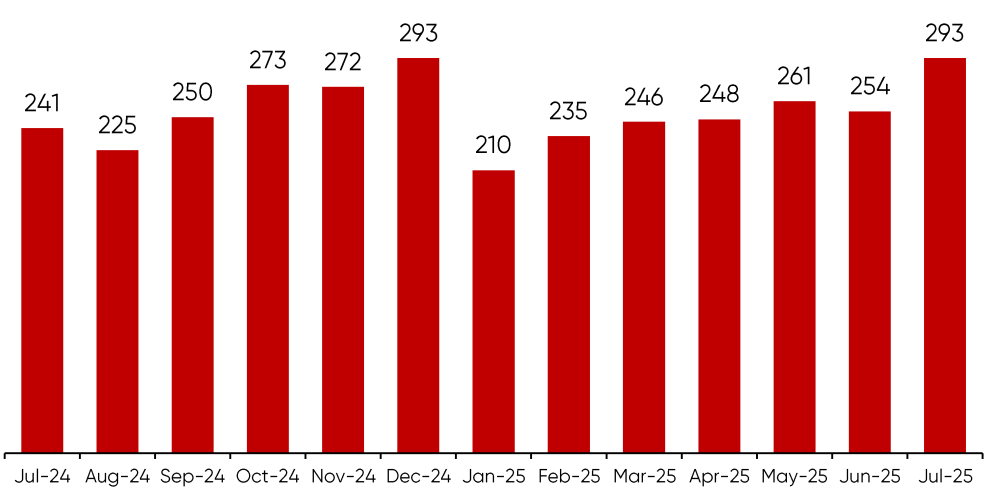
Source: Geostat.

Labor Market

Tbilisi Residential Estate Market (July-25)



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



- In Jul-25, the market size in Tbilisi amounted to \$293 mln and saw 15.6% m/m and 21.6% y/y increase.
- The number of transactions in new projects in Tbilisi increased by only 1.5% compared to July of the previous year. The number of transactions on the primary market of newly built flats decreased by 11.8%, while the secondary market recorded a 24.1% increase. In contrast, the growth rate in older projects is relatively higher — 11.7%.

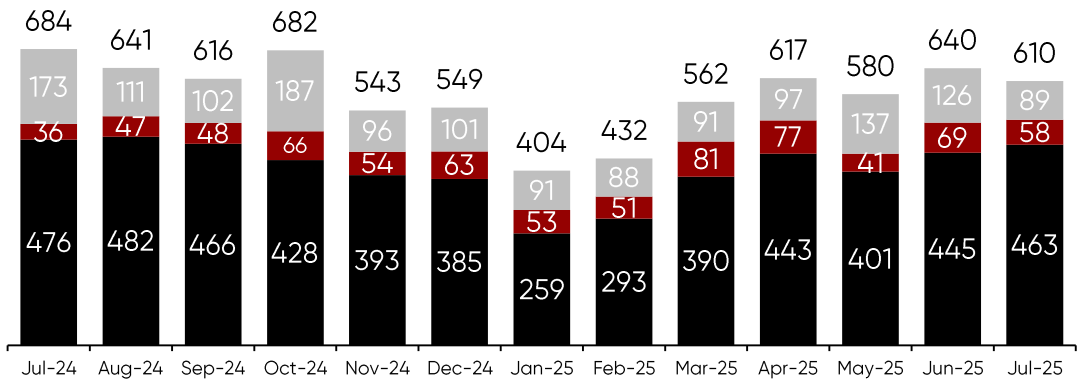
Source: Colliers, Geostat.

Tbilisi Residential Real Estate Market

Export Dynamics

Export Dynamics (US\$ mln)

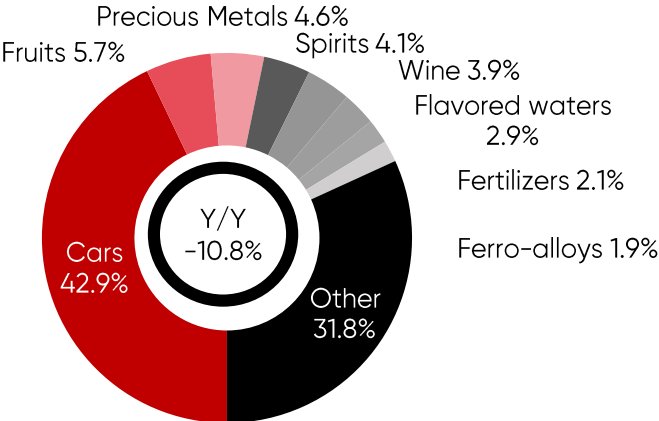
■ CIS ■ EU ■ Other



- In July, exports totaled \$610 million, marking a 10.8% decrease compared to the same period last year. Exports to CIS countries declined by 2.5% while exports to the European Union rose by 61.8%.
- Key contributors to this decrease were Ferro-alloys (-6.9 PP effect in total) and Electrical energy (-1.2PP), while Precious metals (+1.9PP), had the biggest positive impact.

Source: Geostat

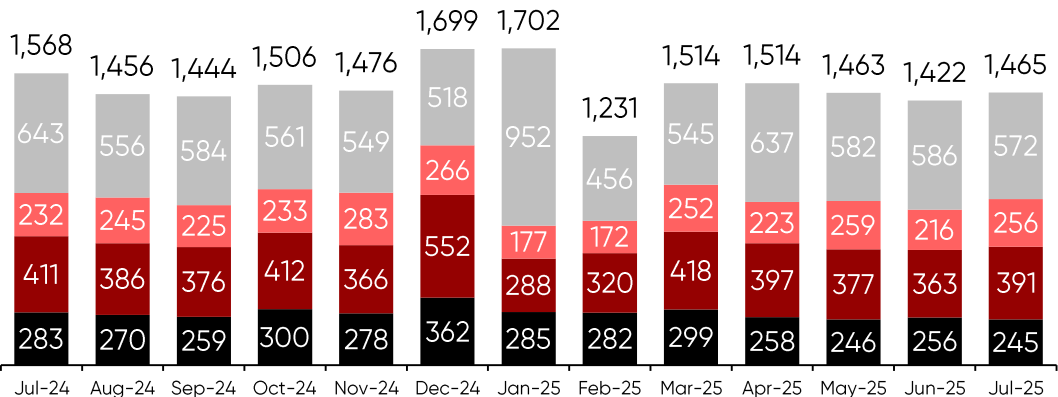
Exports by Products



Import Dynamics

Import Dynamics (US\$ mln)

■ CIS ■ EU ■ Turkey ■ Other

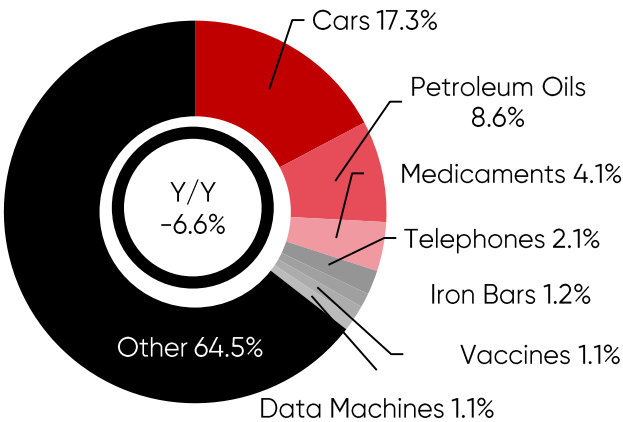


- In July, imports to Georgia amounted to \$1.47 billion, reflecting a 6.6% decrease compared to July 2024. Imports from Turkey rose by 10.7%, while imports from the European Union and CIS countries declined by 4.7% and 13.2%, respectively.
- The main contributors to the decrease were Motor cars (-7.5pp impact on overall growth) and Data machines (-1.0pp), while Medicaments (+0.6pp) accounted for the largest increase.

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

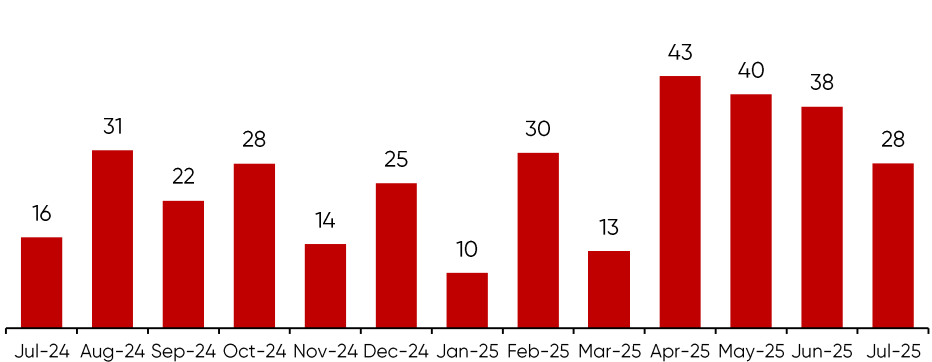
Source: Geostat

Imports by Products



Other Observations

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

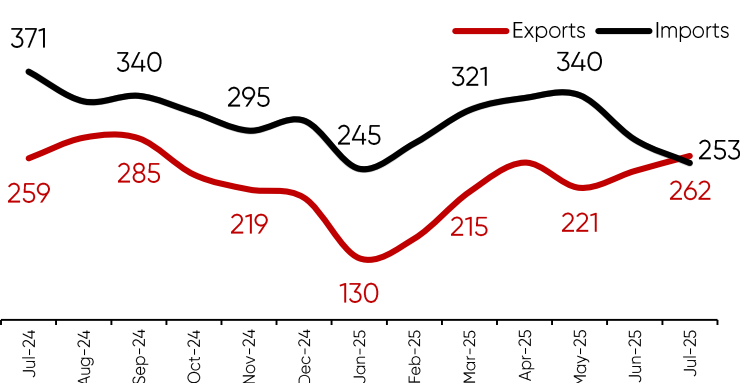


- Exports of Precious Metals rose 81% compared to July 2024, while the cumulative seven-month figure is up by 73%.
- Motor car exports increased by 1.2% compared to the previous year, while imports decreased by 31.8%.

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

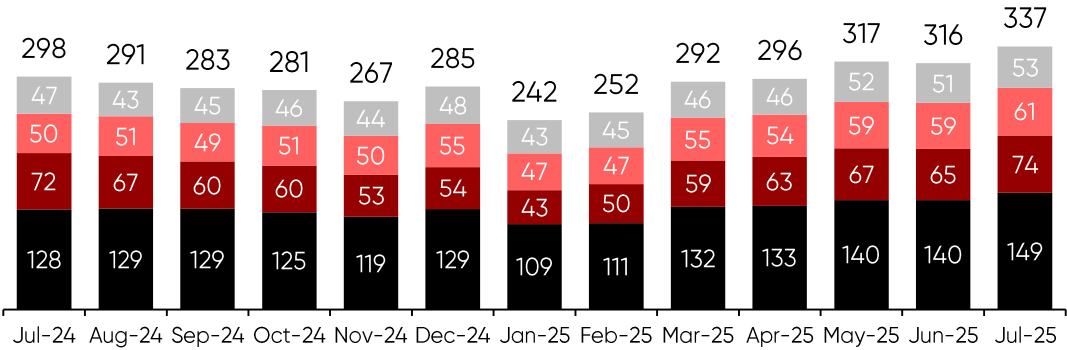
Source: Geostat

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



Remittances Inflow Dynamics (US\$ mln)

■ EU ■ CIS ■ USA ■ Other



Top 5 Countries and Y/Y Change (July 25)

#	Country	Amount	Y/Y Gr.
1	USA	\$61 mln	21.1%
2	Italy	\$56 mln	14.0%
3	Russia	\$45 mln	-0.5%
4	Germany	\$29 mln	18.4%
5	Greece	\$26 mln	12.4%
Total		\$337 mln	13.0%

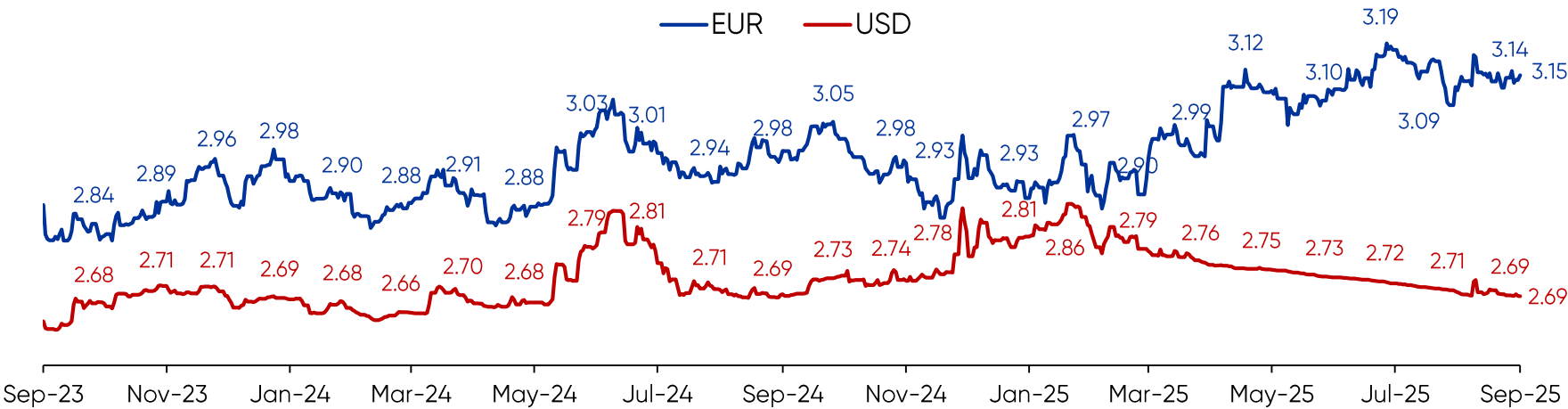
- In July, remittance inflows to Georgia amounted to \$337 million, marking a 13.0% year-over-year increase.
- The largest increases came from the US (+\$10.6 mln) and Italy (+\$6.8 mln), while Kazakhstan recorded the biggest decline (-\$1.9 mln).

Source: NBG

Remittance Inflows

GEL Exchange Rate Dynamics

— EUR — USD



- As of September 8, the USD/GEL rate stood at 2.69 (down 0.31% MoM), while USD/EUR was 3.15 (up 0.99% MoM).

Source: NBG

Exchange Rates

Market Watch (Closing Prices as of September 5, 2025)

S&P 500	Gold	WTI Crude Oil	Bitcoin
\$6,482	\$3,597	\$62.74	\$111,113
M/M MA100	M/M MA100	M/M MA100	M/M MA100
▲2% \$6,442	▲6% \$3,544	▼1% \$63.68	▼5% \$110,920
TBC	BOG	G Capital	
£43.0	£71.5	£23.5	
M/M MA100	M/M MA100	M/M MA100	
▼12% \$44.3	▼8% \$72.9	▲6% \$23.0	

MA100 is the moving average price over the last 100 days

- S&P 500 advanced 2% m/m to \$6,482, extending its rally after surpassing 6,500 in August to set fresh all-time highs. Crucially, the index remains above its 100-day moving average, confirming steady bullish momentum.
- Gold climbed 6% m/m to \$3,597, also reaching a record high figure. Its position above the 100-day average highlights sustained investor demand and its role as a safe-haven asset.
- Bitcoin declined 5% m/m to \$111,113, easing from its record high of \$124,000 in August. The pullback reflects profit-taking and volatility, yet the cryptocurrency continues to trade just above its 100-day average, underscoring resilient support.

Sources: Bloomberg, LSE.

Market Watch

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