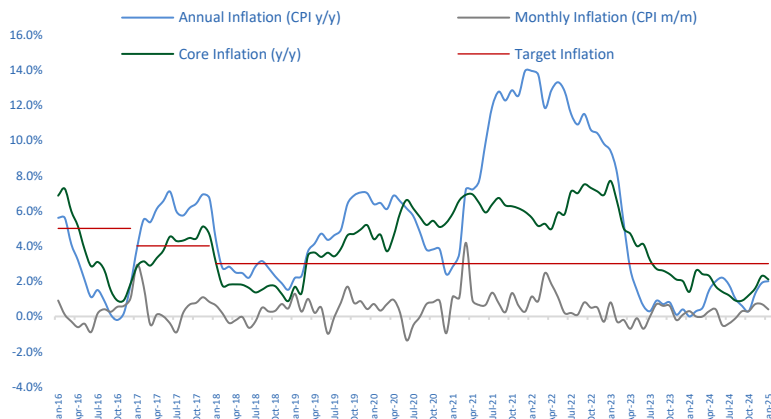


BasisBank Research

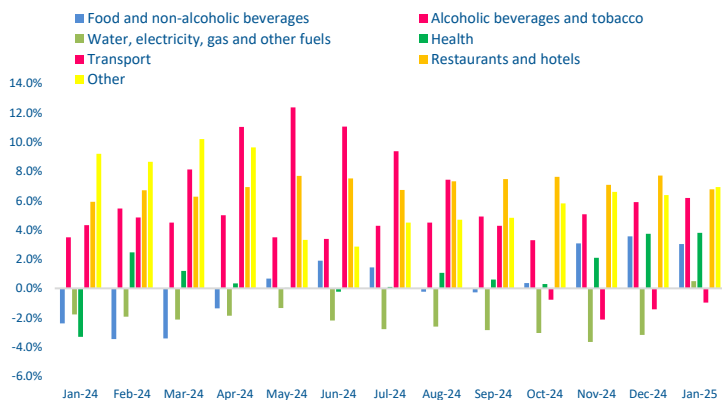
Economic Review

January 2025

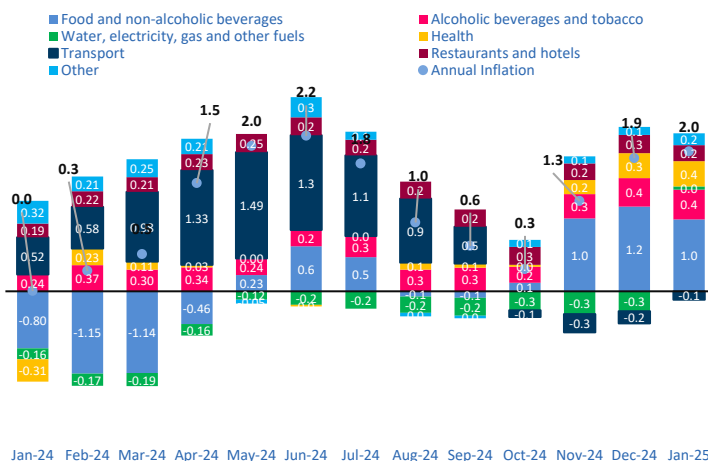
Inflation, Consumer Price Index



Inflation - Y/Y Changes of Groups (%)



Groups Shares in Annual Inflation



Global Economic Outlook

Global risks remain tilted to the downside despite the possibility of some upside surprises. Escalating geopolitical tensions could lead to volatile commodity prices, while further trade fragmentation risks additional disruptions to trade networks. The persistence of inflation could lead to delays in monetary easing.

Cautiousness to ease the monetary policy is driven by global inflationary trends. A higher-for-longer path for interest rates would dampen global activity. Some major economies could grow more slowly than currently anticipated due to a range of domestic challenges. Additional natural disasters related to climate change could also hinder activity. On the upside, global inflation could moderate more quickly than assumed in the baseline, enabling faster monetary policy easing.

The World Bank expects global growth to hold steady at 2.7% in 2025-2026. Global headline inflation is forecast to decline to an average of 2.7% in 2025-2026, broadly consistent with target levels in many advanced economies and EMDEs.

Inflation

In Georgia, inflation remains below the target of 3%. After hitting 13.9% at the beginning of 2022, the inflation gradually decreased and as of January 2025, the annual inflation amounted to 2%. Domestic inflation amounted to 2.3%. Service inflation, which is the main component of domestic inflation, was also at 2.3%. Meanwhile, imported inflation, primarily due to the impact of fuel prices (-0.3 pp), fell by 0.4% y/y.

There was a gradual exit from tight monetary policy, from 11% to 8% in Georgia. The policy rate is maintained at its current level of 8% since May 2024. If the risks subside, the policy rate will gradually normalize toward a neutral level of 7%, says the NBG. Meanwhile, the bank is indicating that the rate will be adjusted according to the upcoming inflationary or disinflationary realization of risks.

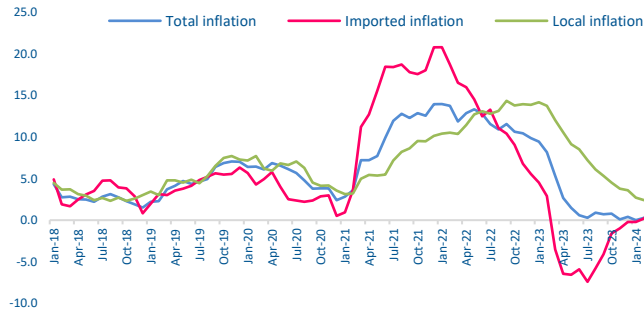
Based on the NBG's baseline forecast, in 2025 the inflation will rise to the target level due to the exhaustion of the disinflationary effect from imported goods. In the second half of the year, it is expected to temporarily exceed the target level, while it is forecast to begin to stabilize around the target level at the end of 2025. According to the NBG's central scenario, the average inflation is forecast to be around 4.2% in 2025.

Economic Growth

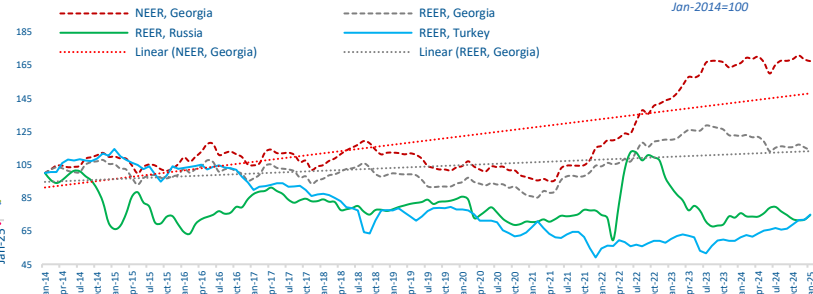
In recent years, high economic growth has been driven, on the one hand, by structural changes in the economy, on the other hand, by strong aggregate demand. Strong services sector performance (notably tourism and information and communications technology), construction as well as strong exports were key drivers of solid economic growth in 2024. Moreover, considering strong credit expansion, economic activity has exceeded expectations, leading to 9.5% economic growth in 2024.

Heightened uncertainty is likely to result in an increased propensity to save in the short term. This will accelerate the normalization of domestic consumption alongside the expected slowdown in real income growth. Consequently, under the NBG's central scenario, excess demand would be fully absorbed within the year, leading to a disinflationary effect. Additionally, uncertainty maintained in the short term would influence investment sentiments. Ultimately, the NBG expects the contribution of both domestic and external demand to growth to decline in 2025, and the economy to return to its long-term growth rate of 5%.

Total, Imported and Local Inflation



Effective Exchange Rate



Exchange Rate

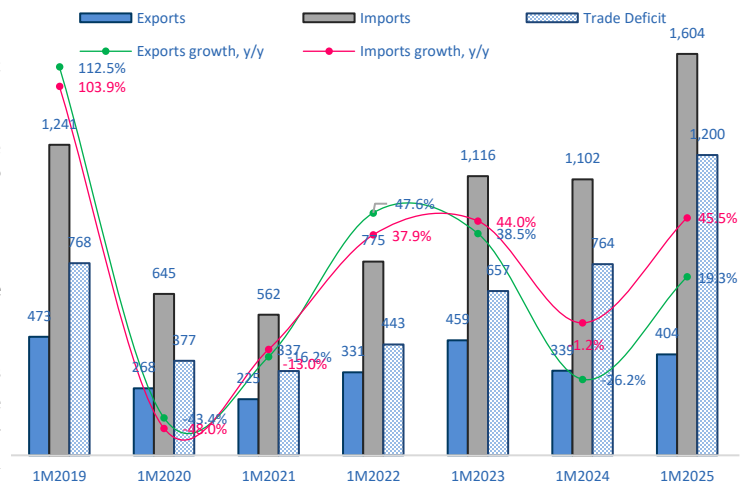
In January 2025, lari nominal effective exchange rate appreciated annually by 0.7%, while it depreciated by 0.6% in YTD terms. Appreciation of the nominal effective exchange rate worsens a country's competitiveness on the international markets but at the same time reduces imported inflation.

In January 2025, lari depreciated against the USD by 7.2% y/y, Euro by 2.9%, Chinese Yuan by 6.2%, Azerbaijanian Manat by 7.2% y/y, Armenian Dram by 8.7% y/y, and GBP by 5.2% y/y. In the same period, lari appreciated against Turkish lira by 9% y/y, Ukrainian hryvnia by 2.8% y/y, and Russian Ruble by 2% y/y.

As for the real effective exchange rate, in January 2025, it depreciated by 7.1% y/y, while it depreciated by 1.6% in YTD terms.

At the end of January 2025, international reserves amounted to \$4.43 billion which was a decrease of \$423.1 million y/y as the NBG was investing in the gold reserves. Since March 2024 (as of January 2025, the NBG purchased gold of \$639.6 million). Net sales by the NBG through domestic government conversions, FX auctions and Bmatch platform amounted to \$776.5 million (In 2024, the NBG sold \$382.1 million through FX auctions).

International Trade, US\$ Mln



International Trade

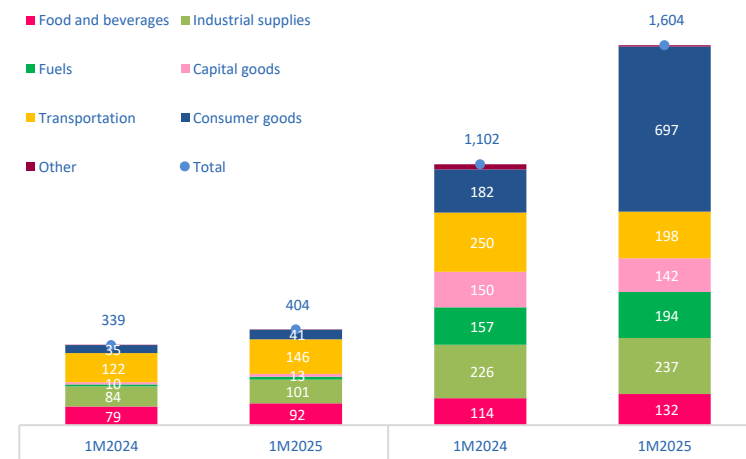
As for the international trade, in January 2025, the external trade turnover of Georgia amounted to \$2 billion, which is 39.3% more compared to the same period of 2024. The exports amounted to \$403.85 million (+19.3% y/y), while the imports stood at \$1.6 billion (+45.5% y/y). The negative trade balance expanded by 57.2% y/y and amounted to \$1.2 billion.

The top partners by exports were Kyrgyzstan (\$74.87 million, +61.9% y/y), Azerbaijan (\$46.24 million, +13% y/y) and Kazakhstan (\$45.18 million, +24.9% y/y).

The top partners by imports were USA (\$357.32 million, +22.3% y/y), the UK (\$266.92 million, +2,365.8% y/y) and Turkey (\$172.92 million, -15.3% y/y).

The exports in the EU increased by 45.9% y/y in January 2025, while the share of the EU in the total exports amounted to 13.2%. Imports from the EU decreased by 9% y/y and the share amounted to 16.3%. As for the CIS countries, the exports increased by 15.8% y/y and the share amounted to 64.2% of the total exports. Imports from the CIS countries increased by 13.9% y/y and the share amounted to 17.6%.

Exports/Imports (Broad Economic Categories), US\$ Mln



Top countries and Top commodities in Export and Import, 1M 2025, US\$ Mln

Countries	Exports	Share	Change, y/y	Products	Exports	Share	Change, y/y
Total Exports	404		-26.2%	Total Exports	404		-26.2%
Kyrgyzstan	75	18.5%	61.9%	Cars	130	32.2%	16.0%
Azerbaijan	46	11.4%	13.0%	Spirituous beverages	14	3.5%	10.2%
Kazakhstan	45	11.2%	24.9%	Copper	14	3.4%	100.0%
Armenia	36	9.0%	0.3%	Mineral waters	13	3.3%	46.6%
Russia	34	8.4%	-18.2%	Wine	13	3.2%	-28.0%
Turkey	23	5.8%	-20.4%	Fertilizers	13	3.2%	54.5%
China	18	4.5%	-9.6%	Petroleum and petroleum	12	2.9%	52.3%
Bulgaria	11	2.8%	1210.5%	Gold	10	2.6%	46.5%
Uzbekistan	11	2.6%	42.5%	Medicaments	10	2.5%	39.8%
Switzerland	9	2.3%	44.2%	Precious metals	10	2.4%	-32.4%
Netherlands	9	2.1%	226.8%	Ferro-alloys	9	2.2%	-53.3%
Other	86	21.2%	134.3%	Other	156	38.6%	16.0%

Countries	Imports	Share	Change, y/y	Products	Imports	Share	Change, y/y
Total Imports	1,604		-1.2%	Total Imports	1,604		-1.2%
United States	357	22.3%	196.5%	Paintings, drawings and pa	481	30.0%	2004057.9%
United Kingdom	267	16.6%	2365.8%	Cars	151	9.4%	-23.1%
Turkey	173	10.8%	-15.3%	Oils	107	6.7%	32.9%
Russia	169	10.5%	14.0%	Gases	74	4.6%	8.7%
China	116	7.2%	50.7%	Medicaments	48	3.0%	-20.2%
Azerbaijan	63	3.9%	14.9%	Original sculptures and sta	33	2.1%	75387.8%
Germany	63	3.9%	-24.2%	Telephones	20	1.3%	-40.3%
Bulgaria	23	1.4%	52.9%	Motor vehicles	14	0.9%	-11.3%
Japan	23	1.4%	-9.8%	Other bars and rods of iron	11	0.7%	-54.6%
Italy	22	1.4%	-26.4%	Self-propelled bulldozers, etc	10	0.6%	13.7%
United Arab Emirates	22	1.4%	-19.6%	Machinery, plant or labora	10	0.6%	455.3%
Other	307	19.1%	0.0%	Other	645	40.2%	6.5%

In January 2025, the Georgian trade was mostly dependent on the market of the Organization of Economic Cooperation and Development countries (OECD) with 57% share in total trade turnover, followed by the market of the Black Sea Economic Cooperation organization countries (BSEC) with 32.2% share in total trade turnover.

In the reported period, top import commodities were paintings (+2 million % y/y, 30% share of the total imports), cars (-23% y/y, 9.4% share), petroleum and petroleum oils (+33% y/y, 6.7% share).

Furthermore, in January 2025, motor cars reclaimed the first place in the list of top export items (+16% y/y, 32.2% share) followed by spirituous beverages (+10.2% y/y, 3.5% share) and copper (- y/y, 3.4% share).

Remittances

In January 2025, the total amount of money transfers amounted to \$242.4 million which is 8.5% less compared to the same period of the previous year.

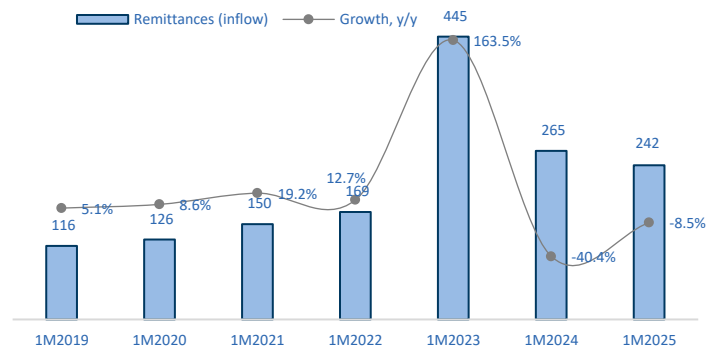
The largest share of remittances came from the USA (19.5% share, +23.2% y/y), Italy (19% share, +3.5% y/y) and Russian Federation (10.5% share, -62.4% y/y).

State Budget

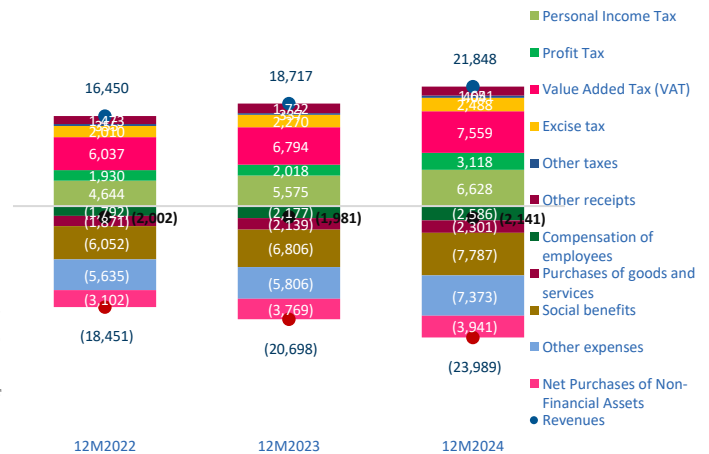
In 2024, the state budget revenues increased by 16.7% y/y to 21.85 bln GEL, while the total expenses increased by 15.9% y/y to 23.99 bln GEL.

In 2024, the revenues from value added tax increased by 11.3% y/y to 34.6% of budget revenues, while revenues from excise and income taxes increased by 9.6% y/y to 11.4% of the total revenues and by 18.9% y/y to 30.3% of the total revenues, respectively. Meanwhile, revenues from profit tax increased by 54.5% y/y and amounted to 14.3% of the total revenues.

Remittance Statistics, US\$ Mln



Budget Statistics, Mln GEL



On the spending side, social benefits increased by 14.4% y/y to 32.5% of the total budget expenses in 2024, while compensation of employees increased by 18.8% y/y to 10.8% of the total expenses and purchases of goods and services increased by 7.6% y/y to 9.6% of the total expenses.

As a result, a budget deficit amounted to 2.14 billion GEL in 2024 which is an 8.1% y/y increase (+160.1 million GEL y/y).

Tourism

Tourism revenues amounted to \$4.43 billion in 2024, which is a 7.3% annual increase, and a 35.4% increase compared to the pre-pandemic 2019 level. As for the international visits, in 2024, the number amounted to 6.45 million which is 4.6% more compared to last year and still 16.4% less compared to the pre-pandemic 2019 level. Most of the tourism income came to Georgia from Russia (\$850 million, 19.2% share), Turkey (\$612.3 million, 13.8% share) and the EU (\$571.2 million, 12.9% share).

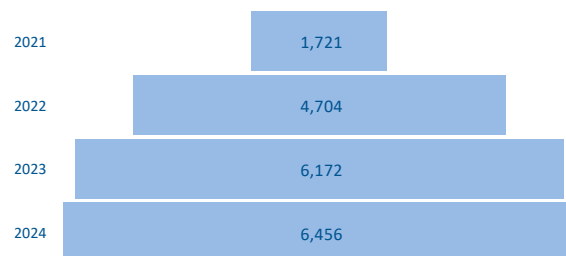
FDI

Foreign Direct Investments (FDI) in Georgia decreased by 39.8% annually and amounted to \$0.97 billion (in which the share of reinvestment amounted to 91%) in 9M 2024. Most of the FDI came to Georgia from the United Kingdom (23.3% share), Netherlands (11.9% share), Malta (11.2% share), Japan (10.6% share), Turkey (9.3% share), Czech Republic (9.2% share), United States (7.7% share), Azerbaijan (5.0% share), Marshall Islands (3.5% share), Kazakhstan (3.0% share).

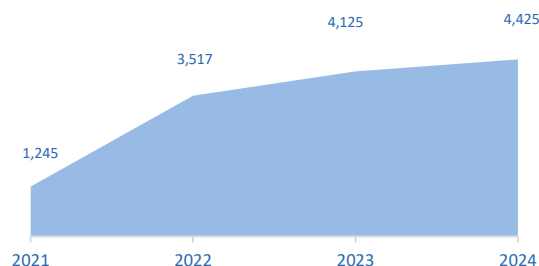
Current Account

In 9M 2024, the current account deficit amounted to \$866.1 million. The trade of goods and income account make negative contribution to current account, while services account and current transfers - positive. In 9M 2024 current account balance improved by \$204.2 million annually and the current account to GDP changed from -4.8 percent to -3.5 percent. According to the latest estimates, the current account deficit as a percentage of GDP in 2024 remains close to its sustainable level (current estimate: 5-5.5%).

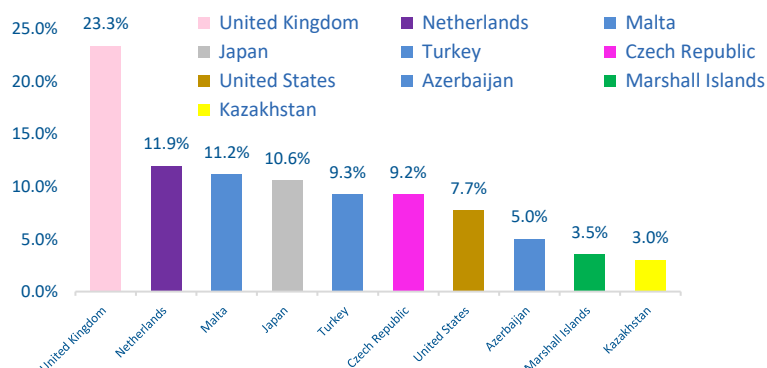
International Visitor Trips, Thousand



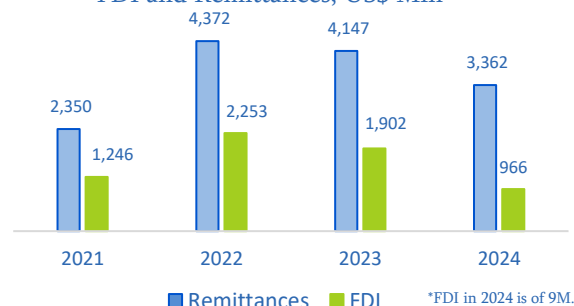
Tourism Revenues, US\$ Mln



Shares of top countries in total FDI in 9M 2024



FDI and Remittances, US\$ Mln



Current transfers

9M 2024, million USD

2,517

Services

9M 2024, million USD

2,983

Income

9M 2024, million USD

-1,531

Goods

9M 2024, million USD

-4,836

Current Account

9M 2024, million USD

-866



BASISBANK
Hualing Group Member

1, Ketevan Tsamebuli Ave., Tbilisi, Georgia

Tel.: +995 322 922 922

www.basisbank.ge