



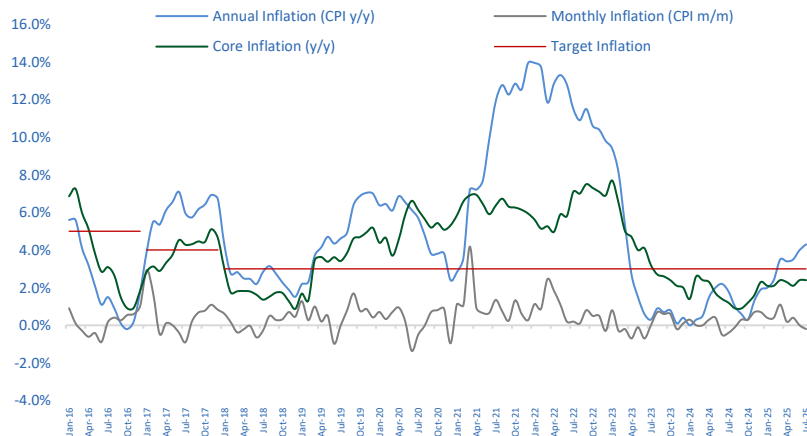
BasisBank Research

Economic Review

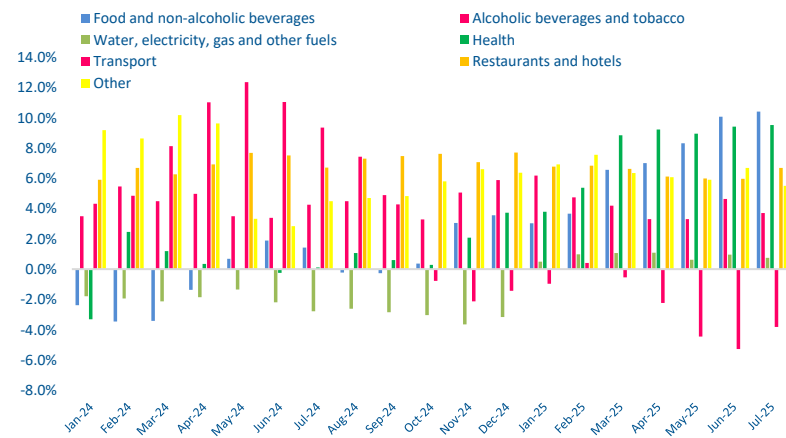
July 2025

August 31, 2025

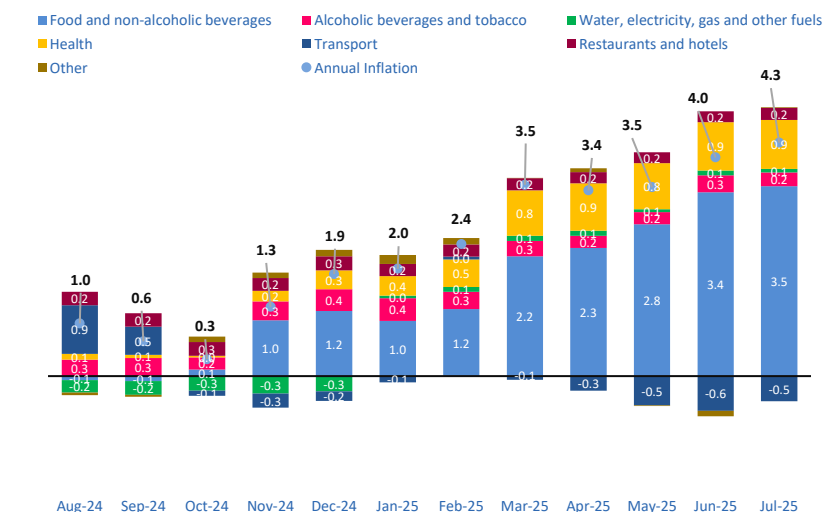
Total, Imported and Local Inflation



Inflation - Y/Y Changes of Groups (%)



Groups Shares in Annual Inflation



Global Economic Outlook

Heightened trade tensions and policy uncertainty are expected to drive global growth down this year to its slowest pace since 2008 outside of outright global recessions, according to the World Bank's latest Global Economic Prospects report. The turmoil has resulted in growth forecasts being cut in nearly 70% of all economies—across all regions and income groups.

Global growth is projected to slow to 2.3% in 2025, nearly half a percentage point lower than the rate that had been expected at the start of the year. A global recession is not expected. Nevertheless, if forecasts for the next two years materialize, average global growth in the first seven years of the 2020s will be the slowest of any decade since the 1960s.

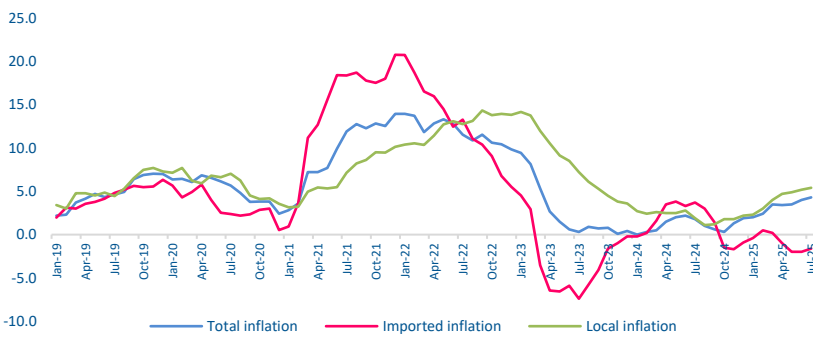
Inflation

Global economic uncertainty remains elevated amid ongoing geopolitical tensions and persistent trade barriers. As a result, inflation is subject to considerable risks on both the upside and downside. On the one hand, recent global developments highlight signs of economic fragmentation, which amplify stagflationary risks. This, in turn, creates risks for increased imported inflation in Georgia. On the other hand, as previously noted, the global weakening of the U.S. dollar index (DXY) has led to an improvement in the lari's position relative to the U.S. dollar. This reduces the debt burden of dollar-denominated loans and, consequently, alleviates inflationary pressures through this channel. Meanwhile, in the context of declining global demand and expectations of increased oil supply, international oil prices are falling. This, along with the lari's stable position against the U.S. dollar, has a disinflationary effect.

In Georgia, annual inflation is kept close to the 3% target level, amounting 4.3% in July 2025. Local inflation amounted to 5.4% y/y. The increase in domestic inflation at the annual level was mainly caused by the increase in the price of bread and cheese. Services inflation, which is the main component of domestic inflation, amounted to 3.0% y/y in July 2025. Deflation of 1.6% y/y was observed in imported products, largely due to the annual decrease in fuel prices.

According to the NBG's central scenario, as previously projected, inflation is expected to temporarily exceed the target in 2025, averaging 3.8%. This is expected to be driven by rising imported inflation and the base effect from the previous year, as well as by the mitigating effects of low commodity prices. Meanwhile, in 2026 the average inflation is expected to stabilize around the 3% target, amounting to 3.1%.

Considering these factors, the NBG remains prudent to maintain a gradual pace of monetary policy normalization. In June 2025, the NBG decided to keep its refinancing rate unchanged at 8%. It keeps the monetary policy rate at 8% since May 2024. Upcoming decisions on the monetary policy rate will depend on updated macroeconomic forecast scenarios and risk assessments.



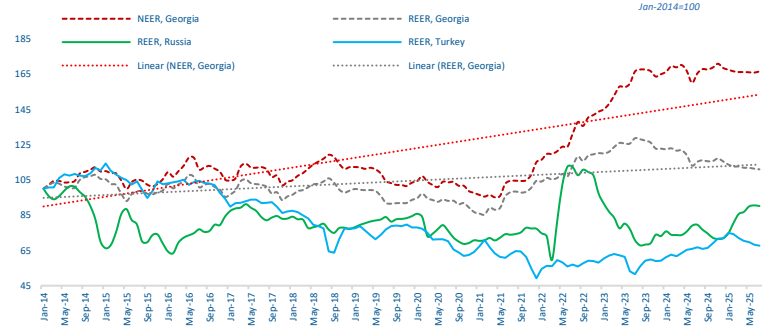
Exchange Rate

In August 2025, lari nominal effective exchange rate appreciated annually by 0.5%, while it appreciated by 0.1% in YTD terms. Appreciation of the nominal effective exchange rate worsens a country's competitiveness in the international markets but at the same time decreases imported inflation. As of August 31, 2025, lari depreciated against Euro by 6.9%, Russian Ruble by 31.5%, and GBP by 2.1% in YTD terms. In the same period, lari appreciated against Turkish lira by 17.7%, Ukrainian hryvnia by 2.4%, the USD by 4%, Chinese Yuan by 2%, Azerbaijani Manat by 4.1%, Armenian Dram by 0.6% in YTD terms.

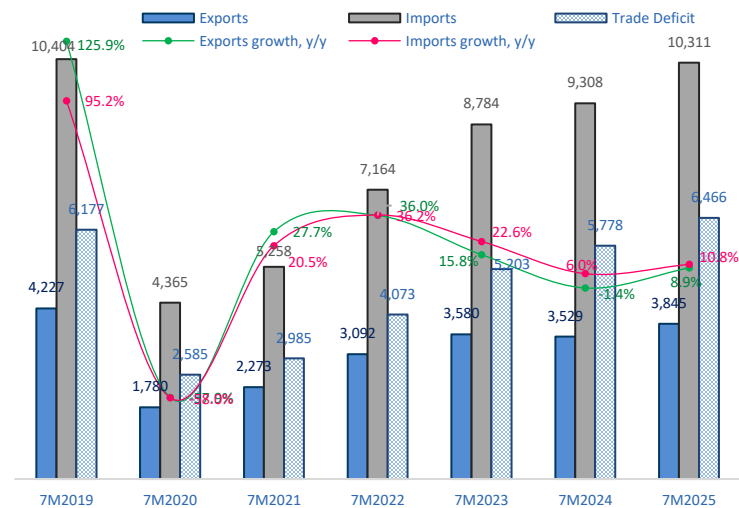
As for the real effective exchange rate, in July 2025, it depreciated by 3.7% y/y, while it depreciated by 3.9% in YTD terms.

As of July 2025, the foreign currency reserves stand at \$3.79 billion (increased by \$396.6 million YTD, while \$158.3 million invested in gold YTD). In 2025 interventions at the foreign exchange auction have not been carried out, but the NBG still purchased \$1.3 billion from the commercial banks.

Effective Exchange Rate



International Trade, US\$ Mln



Economic Growth

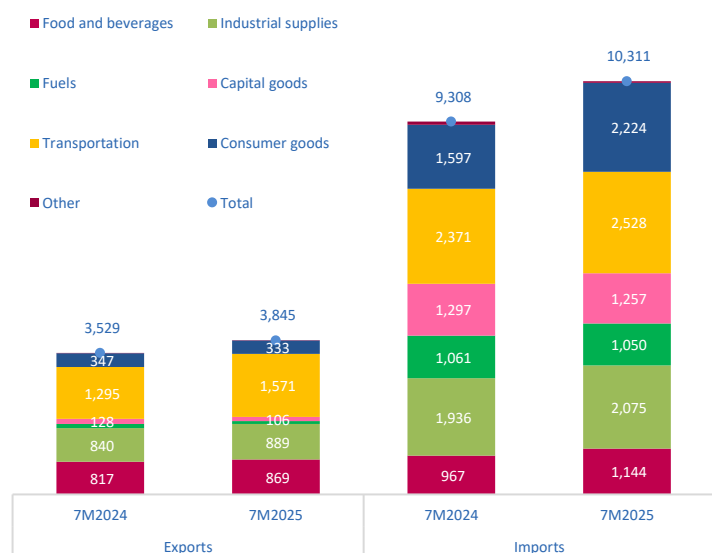
The currently elevated level of economic growth bears inflationary risks, which are compounded by various supply-side factors and heightened uncertainty at the domestic, regional and global levels.

In the first six months of 2025, economic activity in Georgia remains robust with maintained price stability. In January-June 2025, real GDP growth averaged 8.3% y/y. This is largely driven by structural changes in the economy, as reflected in the sustained strong contribution of productive sectors to GDP growth. At the same time, strong domestic demand also plays a key role in supporting high economic growth. This leaves demand-side price pressure as a noteworthy factor to consider. Georgian nominal Gross Domestic Product (GDP) amounted to 21.79 billion GEL in Q1 2025. Trade was the largest part of the GDP structure (13.1% share, +6.1% y/y) in Q1 2025, followed by real estate activities (10.6% share, +12.9% y/y), information and communication (9.5% share, +28.6% y/y) and manufacturing (8.3% share, +0.8% y/y).

In the first seven months of 2025, economic activity in Georgia remains robust with maintained price stability. In July 2025, the economy grew by 6.5%, so in January-July 2025, real GDP growth averaged 8% y/y.

The NBG expects Georgian economy to increase by 7.4% in 2025.

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



Top countries and Top commodities in Export and Import, 7M 2025, US\$ Mln

Countries	Exports	Share	Change, y/y	Products	Exports	Share	Change, y/y
Total Exports	3,845		-1.4%	Total Exports	3,845		-1.4%
Kyrgyzstan	816	21.2%	38.8%	Cars	1,479	38.5%	24.0%
Kazakhstan	495	12.9%	10.8%	Precious metals	203	5.3%	73.1%
Russia	412	10.7%	1.2%	Spirituous beverages	148	3.9%	-8.7%
Azerbaijan	400	10.4%	-0.1%	Wine	145	3.8%	-16.6%
Armenia	291	7.6%	-16.1%	Ferro-alloys	107	2.8%	-46.7%
Turkey	196	5.1%	-31.6%	Mineral waters	100	2.6%	3.5%
China	185	4.8%	5.3%	Waters, mineral and aerated w:	98	2.6%	30.6%
Bulgaria	109	2.8%	166.6%	Fertilizers	82	2.1%	11.6%
Uzbekistan	104	2.7%	56.5%	Medicaments	71	1.8%	12.5%
Switzerland	66	1.7%	7.8%	Gold	68	1.8%	17.3%
Ukraine	60	1.6%	-6.0%	Nuts	56	1.5%	56.8%
Other	711	18.5%	232.2%	Other	1,286	33.5%	2.1%

Countries	Imports	Share	Change, y/y	Products	Imports	Share	Change, y/y
Total Imports	10,311		6.0%	Total Imports	10,311		6.0%
Turkey	1,556	15.1%	2.2%	Cars	2,058	20.0%	9.5%
United States	1,553	15.1%	39.5%	Oils	728	7.1%	-5.5%
Russia	1,088	10.5%	6.5%	Paintings, drawings and pastels	481	4.7%	244469.0%
China	1,061	10.3%	20.5%	Medicaments	399	3.9%	7.7%
Germany	683	6.6%	-4.7%	Gases	258	2.5%	8.3%
United Kingdom	449	4.4%	425.3%	Telephones	176	1.7%	2.0%
Azerbaijan	332	3.2%	2.2%	Motor vehicles	100	1.0%	-17.8%
Italy	248	2.4%	5.1%	Tobacco	93	0.9%	3.0%
Japan	226	2.2%	-27.0%	Other bars and rods of iron or n	91	0.9%	5.7%
France	188	1.8%	6.9%	Computers	90	0.9%	-53.8%
Bulgaria	177	1.7%	11.3%	Human or animal blood, prepar	78	0.8%	33.9%
Other	2,750	26.7%	0.0%	Other	5,759	55.9%	0.0%

International Trade

In 7M 2025, the external trade turnover of Georgia amounted to \$14.16 billion, which is 10.3% more compared to the same period of 2024. The exports amounted to \$3.85 billion (+8.9% y/y), while the imports stood at \$10.31 billion (+10.8% y/y). The negative trade balance expanded by 11.9% y/y and amounted to \$6.47 billion.

The top partners by exports were Kyrgyzstan (\$815.5 million, +38.8% y/y), Kazakhstan (\$494.8 million, +10.8% y/y) and Russia (\$412 million, +1.2% y/y).

The top partners by imports were Turkey (\$1.56 billion, +2.2% y/y), USA (\$1.55 billion, +39.5% y/y) and Russia (\$1.09 billion, +6.5% y/y).

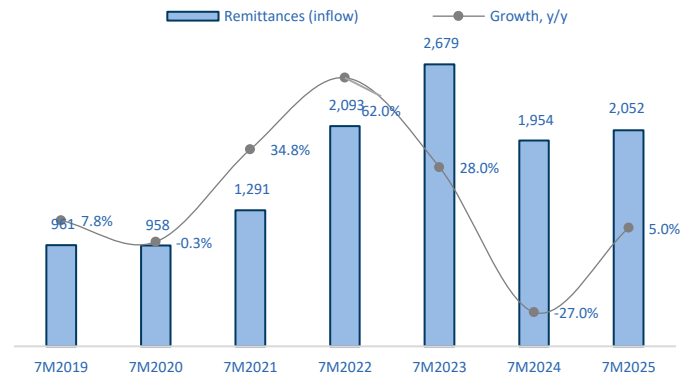
The exports in the EU increased by 45.9% y/y in January-July 2025, while the share of the EU in the total exports amounted to 11.2%. Imports from the EU increased by 2.9% y/y and the share amounted to 24.8%.

As for the CIS countries, the exports increased by 13.6% y/y and the share amounted to 70.1% of the total exports. Imports from the CIS countries increased by 2% y/y and the share amounted to 18.2%.

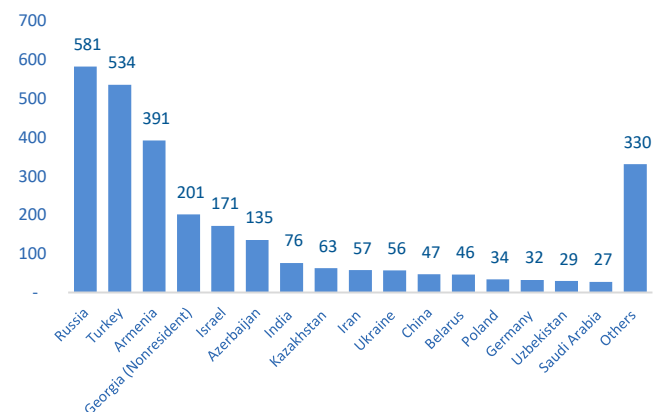
In 7M 2025, the Georgian trade was mostly dependent on the market of the Organization of Economic Cooperation and Development countries (OECD) with 48.5% share in total trade turnover, followed by the market of the Black Sea Economic Cooperation organization countries (BSEC) with 36.4% share in total trade turnover.

In the reported period, top import commodities were cars (+10% y/y, 20% share), petroleum and petroleum oils (-5% y/y, 7.1% share) and paintings (+244.5 thousand % y/y, 4.7% share of the total imports). Furthermore, in January-July 2025, motor cars reclaimed the first place in the list of top export items (+24% y/y, 38.5% share) followed by precious metals (+73.1% y/y, 5.3% share) and spirituous beverages (-8.7% y/y, 3.9% share).

Remittance Statistics, US\$ Mln



Int'l visits by top visitor countries ('000), 1H2025





Remittances

In 7M 2025, the total amount of money transfers amounted to \$2.05 billion which is a 5% increase compared to the same period of the previous year.

The largest share of remittances came from the USA (18.6% share, +20.7% y/y), Italy (17.1% share, +8.2% y/y) and the Russian Federation (12.8% share, -28.3% y/y).

Remittance share from Russia has stabilized in 2024, amounting 13.4% in July 2025 (in May 2022 it was at its peak, at 62.1%).

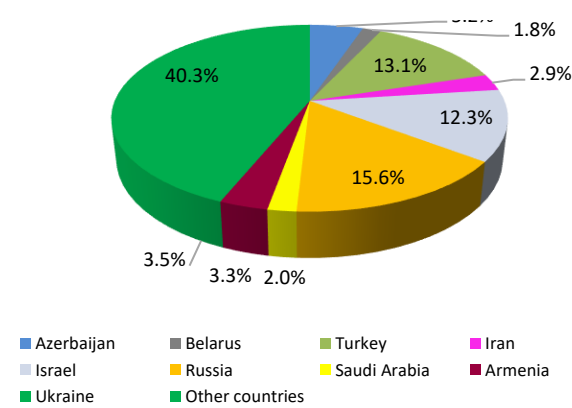
Tourism

In 6M 2025, international visits to Georgia amounted to 2.81 million which is 4.6% more compared to last year and an 87% recovery compared to 6M 2019. Meanwhile, tourism type visits amounted to 2.27 million (+6.9% y/y, 106.7% recovery of 2019).

In this period, international travelers spent \$1.97 billion, which is a 3.8% annual increase, and a 35.5% increase compared to the pre-pandemic 2019 level. As for

Most of the tourism income came to Georgia from Russia (\$307.8 million, -19% y/y), Turkey (\$258.5 million, -10% y/y), Israel (\$241.9 million, +37.9% y/y), Azerbaijan (\$102.6 million, +30.7% y/y) and Ukraine (\$69.5 million, +0.7% y/y).

Int'l Country shares by tourism income (%), 1H2025



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