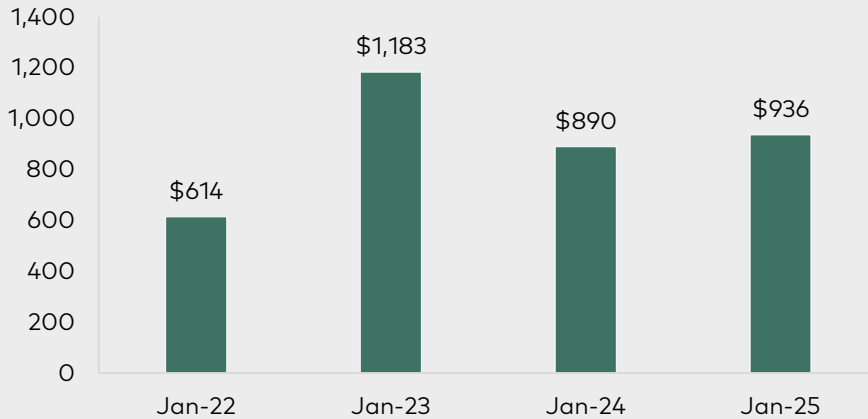




### Chart of the month: External inflows increased y/y in Jan-25



Source: Geostat, Galt & Taggart

In Jan-25, external inflows (including goods exports, money transfers and tourism revenues) rose by 5.2% y/y, reaching US\$ 936mn. specifically:

- Goods exports increased by 19.3% y/y to US\$ 404mn.
- Tourism revenues grew by 1.4% to US\$ 290mn.
- Money transfers decreased by 8.5% to US\$ 242mn.

#### Economic summary

**Growth:** Georgia's economic growth accelerated, up by 11.1% y/y in Jan-25, after a 6.7% y/y growth in previous month. This growth was mainly driven by increased activity in the professional & scientific, transport, construction, ICT, manufacturing and trade sectors, while the mining sector contracted. Given January's strong growth, we will consider an upward revision to our baseline growth projection of 5% for the full year 2025 after February's preliminary data becomes available.

**Inflation:** In Jan-25, annual inflation was 2.0%, up from 1.9% posted in Dec-24. The annual inflation was primarily driven by a 2.3% y/y rise in domestic inflation (+2.2% y/y in Dec-24), followed by a 3.5% y/y increase in mixed goods inflation (+3.9% y/y in Dec-24). Meanwhile, imported inflation declined by -0.4% y/y (-0.9% y/y in the previous month). Notably, core inflation, excluding volatile food, energy and tobacco prices, slowed to 2.0% y/y in Jan-25 from 2.3% y/y in December. We expect average annual inflation at 3.9% in 2025.

**Monetary policy:** On January 29, 2025, the Monetary Policy Committee of the NBG decided to maintain its key interest rate at 8.0%. While 2024 experienced robust economic growth and inflation remained below the 3.0% target, the NBG cited significant uncertainty as the main reason for keeping the rate unchanged. This uncertainty arises from both domestic economic conditions and ongoing geopolitical instability. We anticipate that the NBG will maintain the refinancing rate at 8.0% throughout 2025.

**FX:** In Feb-25, the GEL strengthened by 2.0% m/m against the USD, reflecting solid macro fundamentals. We anticipate average GEL rate at 2.88 vs dollar in 2025.

#### Activity

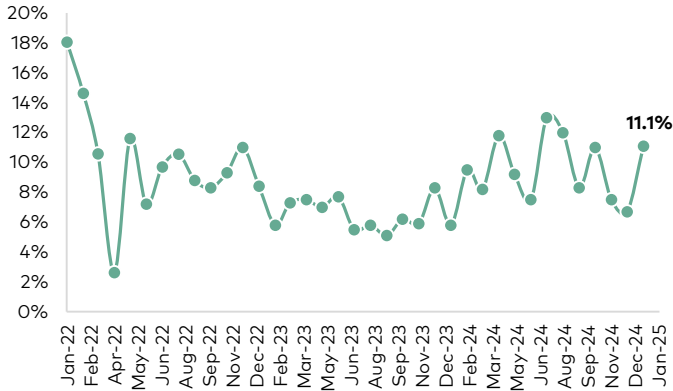
**Trade:** In Jan-25, goods exports rose by 19.3% y/y to US\$ 403.9mn, after a 6.8% y/y growth in previous month. Goods imports surged by 45.5% y/y to US\$ 1.6bn, up from a 22.2% y/y growth in previous month. As a result, the trade deficit widened by 57.2% y/y to US\$ 1.2bn in Jan-25. Export growth was fueled by higher demand for cars, copper, mineral waters, fertilizers, petroleum, gold, and pharmaceuticals, compensating a decline in wine exports. On the import side, the rise was primarily driven by an increase in imports of paintings, drawings, original sculptures, petroleum, and gases. Conversely, imports of telephones, iron bars and rods, and pharmaceuticals saw significant decreases in January.

**Tourism:** In Jan-25, tourism revenues increased by 1.4% y/y to US\$ 290mn, according to our estimate. We forecast tourism revenues at US\$ 4.5bn for 2025.

**Banking sector:** In Jan-25, the bank loan portfolio grew by 17.9% y/y (excl. FX effect) to GEL 62.7bn, following a 17.0% y/y growth in previous month. This growth was mainly driven by corporate loans, which increased by 20.1% y/y, along with a 16.4% y/y increase in retail loans. In contrast, bank deposits growth slowed to 12.6% y/y (excl. FX effect) to GEL 59.0bn in Jan-25, compared to a 13.4% y/y growth in Dec-24. Additionally, in Jan-25, the deposit dollarization rate climbed to 53.6% (+0.6ppts m/m). Loan dollarization also increased, reaching 43.7% (+0.36ppts m/m) in January.

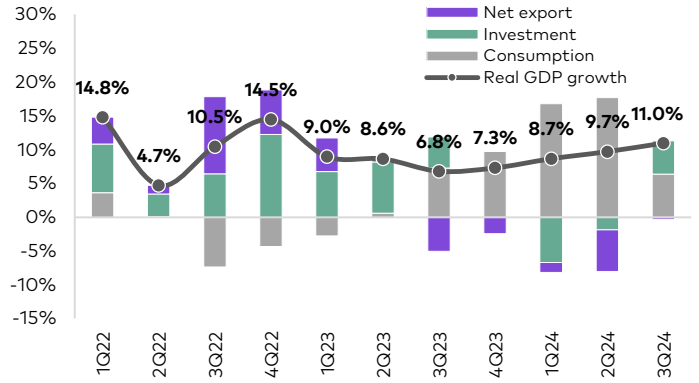


**Real GDP growth, % change y/y**



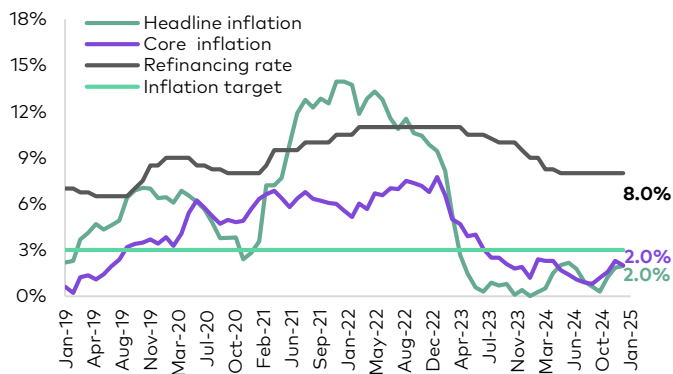
Source: Geostat

**Contributions to real GDP growth, ppts**



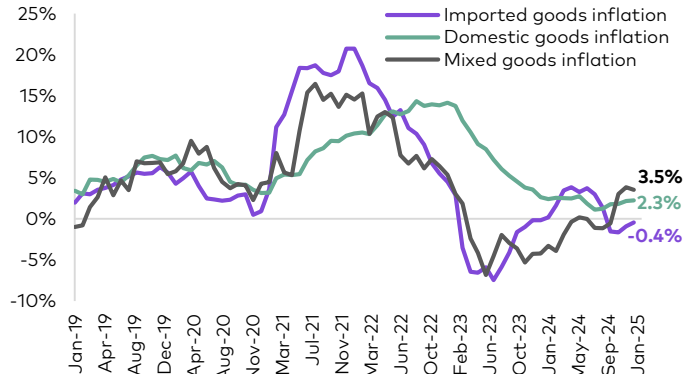
Source: Geostat, Galt & Taggart

**Annual inflation and monetary policy rate**



Source: Geostat, NBG

**Imported and domestic inflation dynamics**



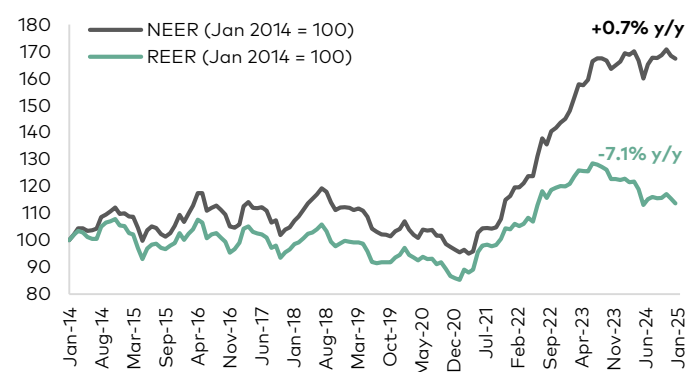
Source: Geostat

**GEL/US\$ and GEL/EUR**



Source: NBG

**GEL's nominal and real effective exchange rates**

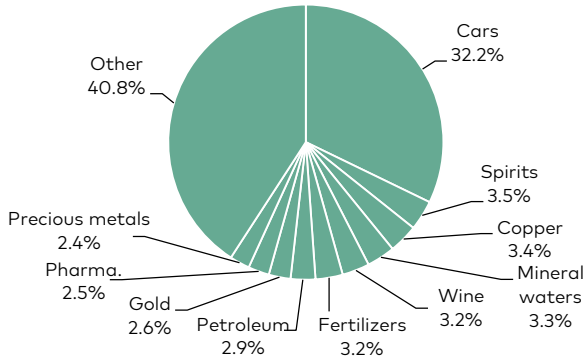


Source: NBG

Note: Index growth/decline means appreciation/depreciation of GEL

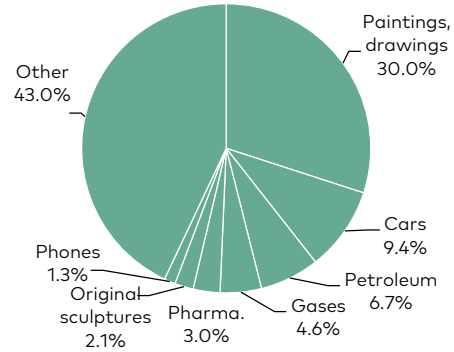


**Exports by product, Jan-25**



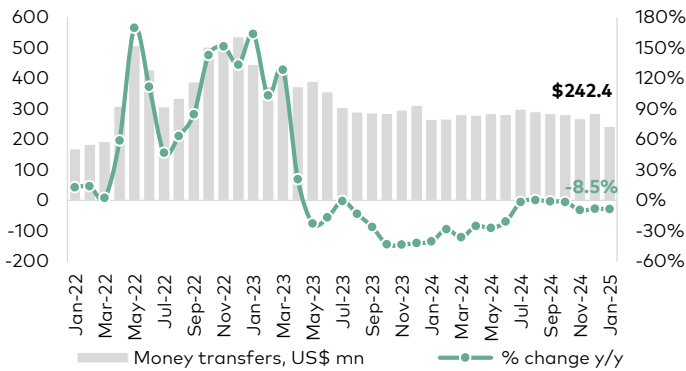
Source: Geostat

**Imports by product, Jan-25**



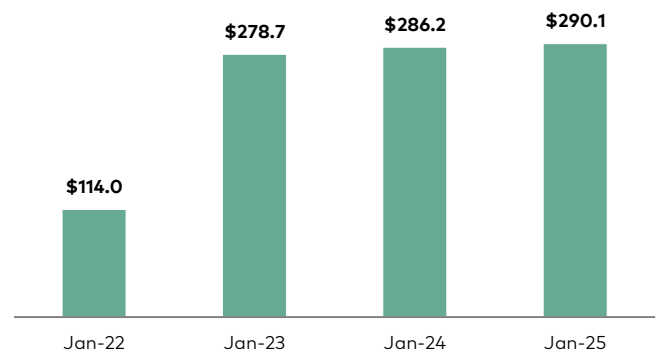
Source: Geostat

**Money transfers to Georgia**



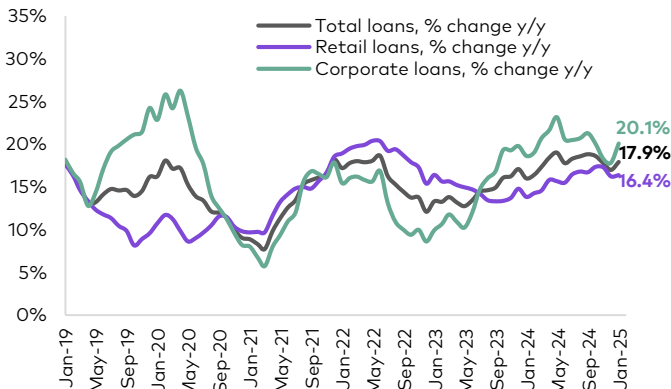
Source: NBG

**Tourism revenues, US\$ bn**



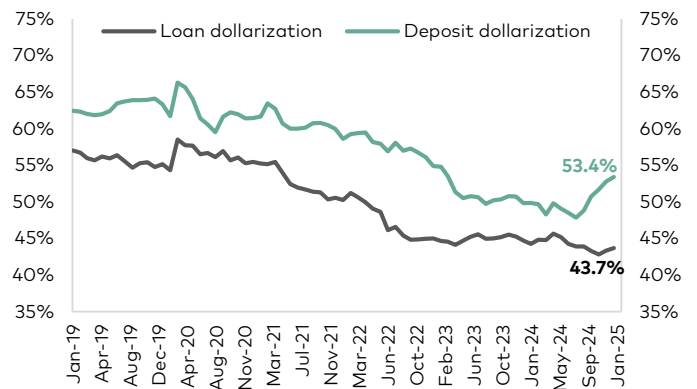
Source: NBG, Galt & Taggart

**Banking sector loan portfolio growth by sector, (excluding FX effect)**



Source: NBG

**Banking sector loan and deposit dollarization**



Source: NBG

**Macro data and baseline forecasts**

Georgia	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025F
<b>GDP and Prices</b>											
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.8	100.7
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.7	35.0
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,124	9,466
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.5%	5.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%	3.9%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	3.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.88
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.90
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.08
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.10
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.63
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53	3.68
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
<b>Government Finances</b>											
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.7%	28.4%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	31.3%	30.9%
Fiscal balance (-deficit), % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.5%	-2.5%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	36.2%	37.0%
<b>External Sector</b>											
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.6	-1.9
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.6%	-4.9%	-5.5%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	16.1	16.6
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	19.7
Net current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.3	3.3
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	0.7	0.7
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.2%	3.5%	4.9%	7.7%	5.2%	2.1%	2.0%
Gross international reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.4	4.2
<b>Financial sector</b>											
Bank loan portfolio, US\$ bn	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	22.2	24.5
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.1%	67.8%	70.4%
Monetary policy rate, %	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.00%

Source: NBS, MOF, Geostat, Galt &amp; Taggart

Note 1: Fiscal balance according to IMF Program Definition

Note 2: Exports and imports include both – goods and services

## Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisors or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

### Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

### Chief Economist

Lasha Kavtaradze | lashakavtaradze@gt.ge

### Galt & Taggart

Address: 3 A. Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge