TBC CAPITAL

MACRO UPDATE – GEORGIA

EU Tops Sources While Net Inflows Up

25 JULY 2025

TBC Group Chief Economist Office

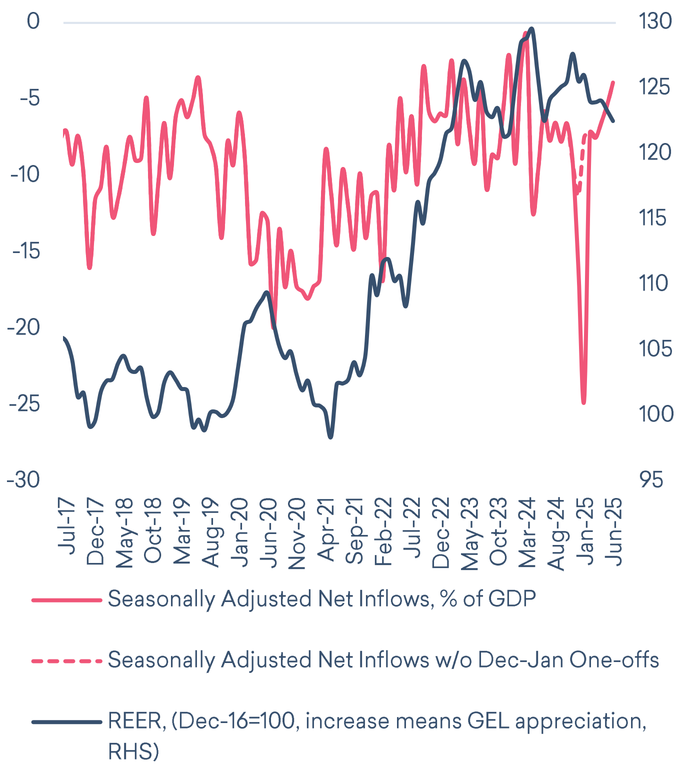
KEY TAKEAWAYS

- Our monthly measure of net foreign currency inflows, combining merchandise trade, tourism revenues and instant money transfers, improved further in June;
- The EU has maintained its position as the top source of inflows, providing 20.3% of the total in 2Q25, with the overall structure diversified;
- The improvement has been a result of both higher inflows, despite the temporary negative spillovers of the Middle East escalation in June, and lower outflows;
- Higher net inflows remain one of the three major GEL-supportive drivers, while the other two – the still weak USD and gradual deposit Larization have also stayed largely on track;
- Consequently, the NBG has continued buying-side interventions in June as well as July;
- As for coincident indicators in July – overall spending flatlined compared to the previous month, alongside migrant expenses, while tourism revenues have been improving;
- Elsewhere, CPI inflation continues increasing, driven by food products, with higher contribution of services in June.

Our monthly measure of **net foreign currency inflows**, combining merchandise trade, tourism revenues and instant money transfers, improved further in June (Figure 1). Our readers recall that we have kept highlighting strong FX inflows as one of the three major GEL-supportive drivers in recent months. As a high-frequency indicator, the improvement in net inflows also implies a lower 2Q25 current account deficit, which had widened to 8.5% of GDP in 1Q25.

The EU has maintained its position as the top source of inflows, providing 20.3% of the total in 2Q25. Following up on 21.7% in 1Q25, the EU share in net inflows in 2025 has been highest since 1Q22 (23.9%), while the overall inflow structure remains diversified.

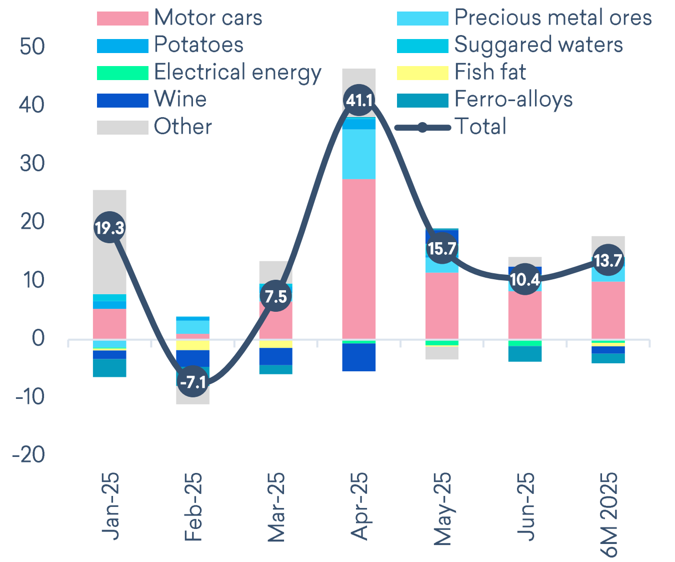
FIGURE 1: NET FOREIGN CURRENCY INFLOWS HAVE BEEN ON THE RISE RECENTLY ON THE BACK OF HIGH INFLOWS AND MODERATE OUTFLOWS



Source: NBG, Geostat, TBC Capital

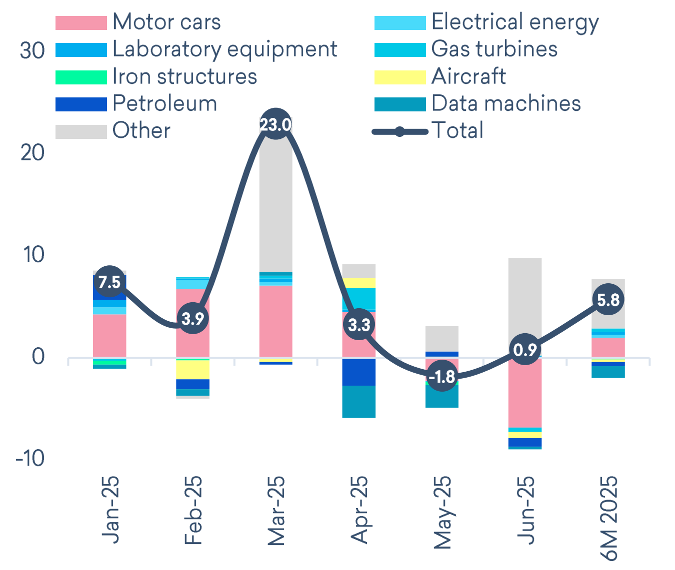
The improvement has been a result of both higher inflows and lower outflows. As of June, **external trade** again maintains the dynamics observed in recent months – strong exports, largely driven by re-export of cars, and muted growth in imports, conversely, with a negative contribution of car imports (Figures 2 and 3). In numbers, USD-denominated total exports have increased by 10.4% YoY in June (up by 13.7% in 6M), while import growth was only 0.9% (5.8% in 6M, after adjusting for a one-off in January).

FIGURE 2: EXPORT GROWTH THIS YEAR IS LARGELY CAR-DRIVEN (YoY, %)



Source: Geostat, TBC Capital

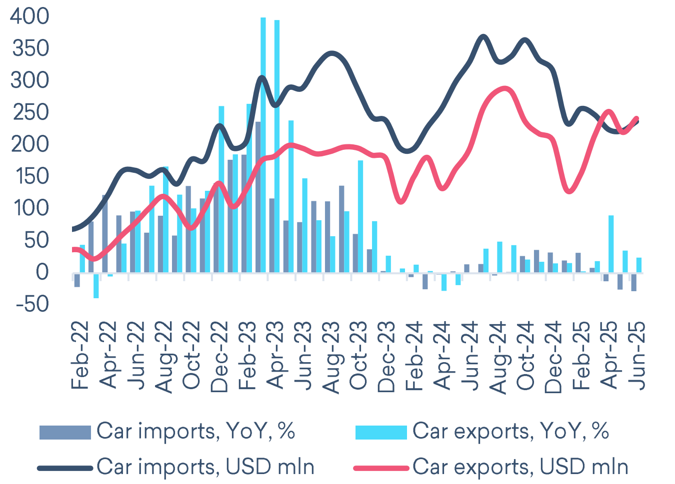
FIGURE 3: IMPORT REMAINS SUBDUED WITH NEGATIVE CONTRIBUTION OF CARS RECENTLY (YoY, %)



Source: Geostat, TBC Capital

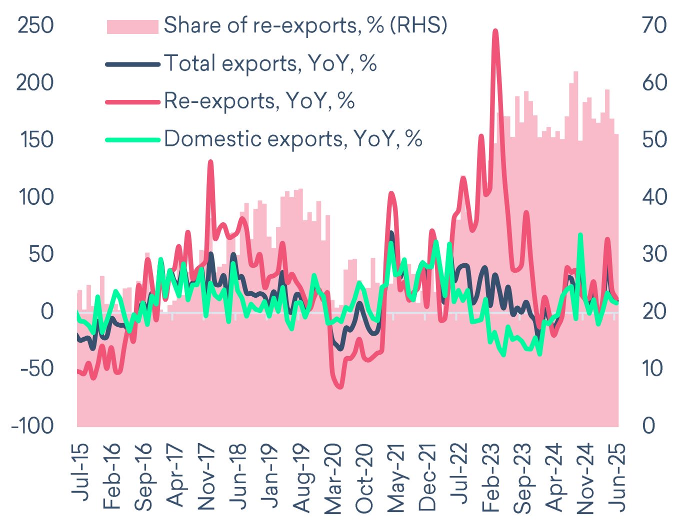
The diverging dynamics between car re-exports and imports (Figure 4) is likely aided by the previously accumulated stock of export-ready cars in Georgia that appears to be at least partially sustaining the demand. Against this backdrop, traditionally significant domestic export goods – wine and ferro-alloys, have suffered from lower export revenues this year (Figure 5). However, domestic exports still went up during the first 6 months of the year by 6.4%, largely driven by increased exports of precious metals, followed by vegetables, fruits, nuts and mineral and sweetened waters.

FIGURE 4: CAR IMPORTS ARE FALLING, WHILE EXPORTS REMAIN STRONG



Source: Geostat, TBC Capital

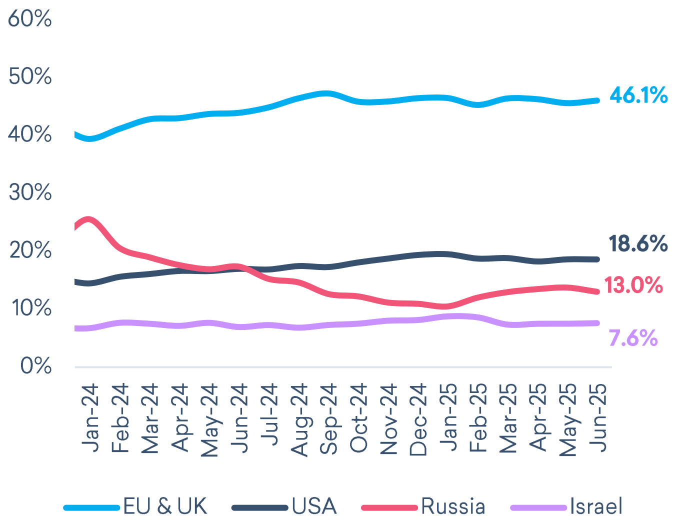
FIGURE 5: RE-EXPORTS HAVE BEEN OUTPACING DOMESTIC EXPORTS, THOUGH THE SHARE HAS BEEN MODERATING LATELY



Source: Geostat, TBC Capital

Total **money transfers** grew by 12.2% in June, the fourth consecutive month of positive overall growth, reversing the decline since April 2023, though taking into account [relevant discrepancies]() between the methodologies of instant money transfers and the balance of payments. The EU accounted for 46% of money transfers in June, with the share hovering around 46% – highest on record – for the past 12 months now (Figure 6). Similarly, the share of the US in money transfers is also at its peak, constituting almost 19% of remittances in recent months. An increasing trend was evident since 2022 in case of Israel as well, though its share slightly moderated from the first quarter and stood stably at 7.6% in the second (down by 1.2 percentage points from March). As for Russia, the northern neighbour's share in money transfers had fallen to an all-time low of 10.5% in Jan-2025 and has recovered slightly to 13.0% as of June.

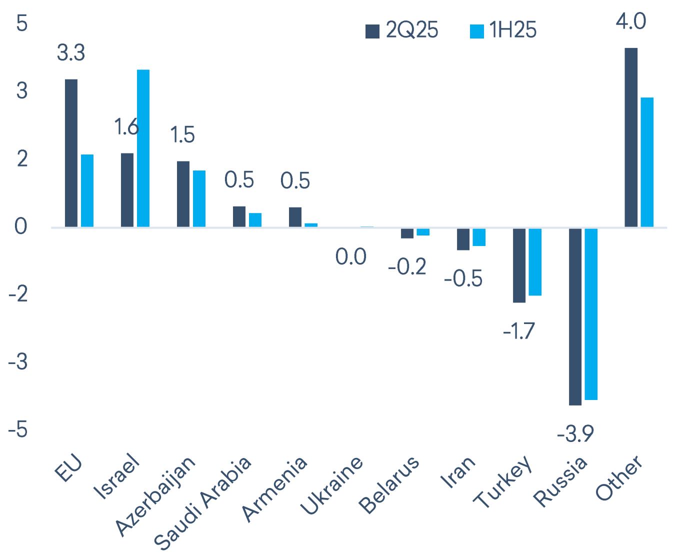
FIGURE 6: EU AND US SHARES IN INSTANT MONEY TRANSFERS AT HISTORIC HIGHS



Source: NBG, TBC Capital

Meanwhile, **tourism revenues** grew by 5% in 2Q25, slightly higher than in 1Q25 (2.3%) despite temporary negative spillovers from the Middle East conflict. Receipts from the EU contributed 3.3 percentage points – or 80% – to annual growth (Figure 7). Furthermore, tourism revenues from the EU reached 15.2% of the total in 2Q25, the highest share since 3Q21. Receipts from Israel were the second largest contributor to growth, with 1.6 percentage points, albeit lower than in 1Q25 (6 percentage points) and down by 7.6% QoQ in seasonally adjusted terms (up by 11.8% unadjusted). Revenues from Iran fell by 15.5% compared to 2Q24, contributing -0.5 percentage points to annual growth (-0.3 in 1Q25).

FIGURE 7: THE EU CONTRIBUTED THE MOST TO TOURISM REVENUE GROWTH IN 2Q25, THOUGH THE EMERGENCE OF "OTHER COUNTRIES" IS ALSO NOTABLE

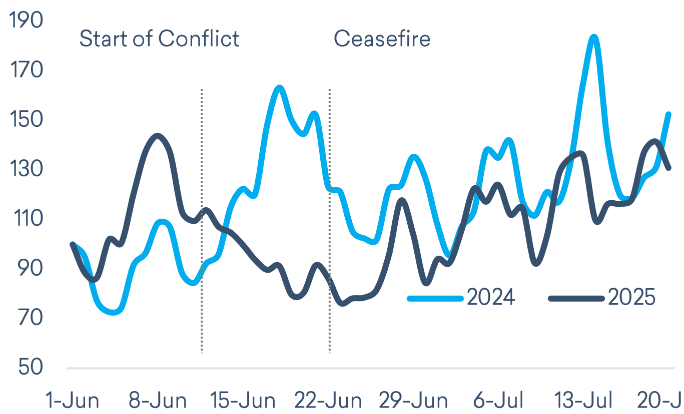


Source: NBG, Geostat, TBC Capital

Following up on our real-time evaluation of the Israel-Iran conflict spillovers, where we assessed the Middle East impact as largely moderate and temporary, daily non-resident expenses in tourism categories have indeed rebounded following the ceasefire (Figure 8), while Georgia-related Google searches in Israel have now reached the highest level in the past 4 months as of July (Figure 9).

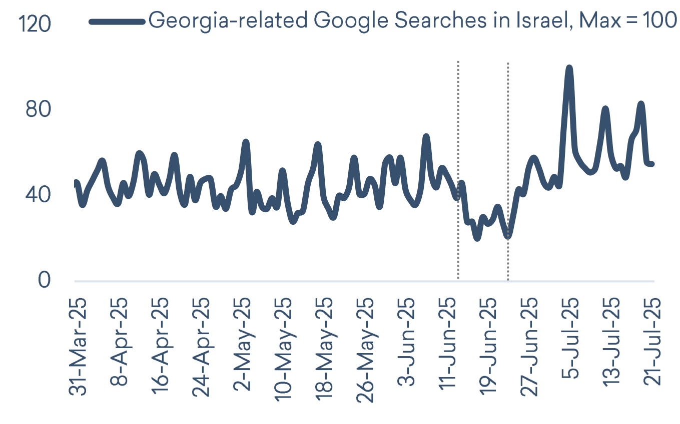
While official data is only available in quarterly frequency, based on our nowcasting model, utilizing data on non-resident non-cash expenses and Google trends, we estimate that overall tourism revenues in June were almost unchanged compared to the previous month in seasonally adjusted terms. We also note the significant contribution of receipts from Azerbaijan to tourism revenue growth, 1.5 percentage points in 2Q25 following up on 1.0 percentage point in 1Q25, as well as the growing importance of "other countries", which have contributed 2.9 percentage points to 3.8% total growth in tourism revenues in 1H25. Conversely, receipts from Russia and Turkey declined the most in 2Q25, largely similar to dynamics in 1Q25 (Figure 7).

FIGURE 8: NON-RESIDENT TOURISM EXPENSES THROUGH TBC CHANNELS HAVE SLIGHTLY TICKED UP SINCE THE CEASEFIRE



Note: Non-resident non-cash expenses in the following categories: airlines, hotels, eating out.
Source: TBC Capital

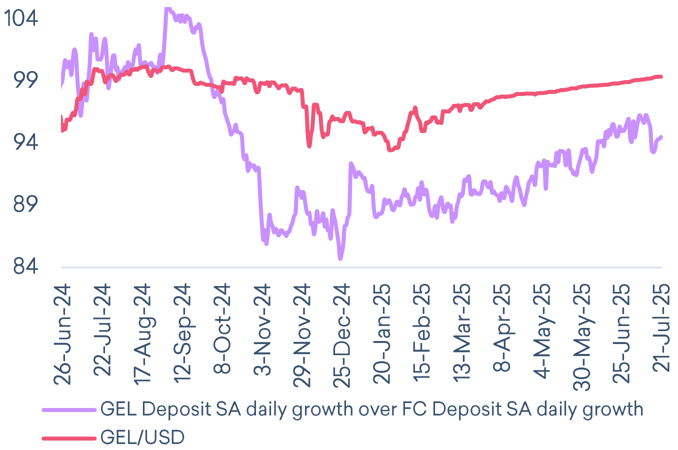
FIGURE 9: GEORGIA-RELATED GOOGLE SEARCHES IN ISRAEL HAVE SPIKED AGAIN



Note: Google searches from the territory of Israel related to the search topic Georgia.
Source: Google

Apart from net FX inflows, **other GEL-supportive drivers** have largely also stayed on track, with the USD remaining weak and the gradual reversal in deposit conversions demonstrating a more mixed picture in July (Figure 10). Balancing appreciation pressures, based on our estimates, the NBG has also kept up USD-buying interventions both in June, for which data will be released at the end of this week, and July, with gross reserves increasing QoQ for the first time in six quarters, notwithstanding price changes and exchange rate adjustments.

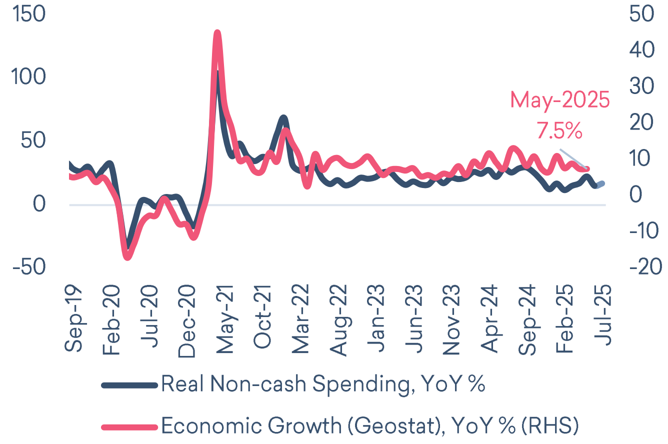
FIGURE 10: DAILY ESTIMATES OF DEPOSIT CONVERSIONS INDICATE A MORE MIXED PICTURE IN JULY (31-Mar = 100, seasonally & fc-adjusted, as of 21-Jul-25)



Source: NBG, TBC Capital

As for **coincident indicators**, they point to sort of mixed dynamics. Namely, overall non-cash spending has somewhat flatlined in June and July in seasonally adjusted terms, with the annual growth rate also decelerating after three consecutive months of improvement (Figure 11). Data print is almost the same in case of migrants – non-cash expenses of Russians, Belarussians and Ukrainians were flat in June and have slightly declined in July thus far (Figure 12), in contrast with a continued improvement in non-resident expenses, our proxy for tourism revenues (Figure 13).

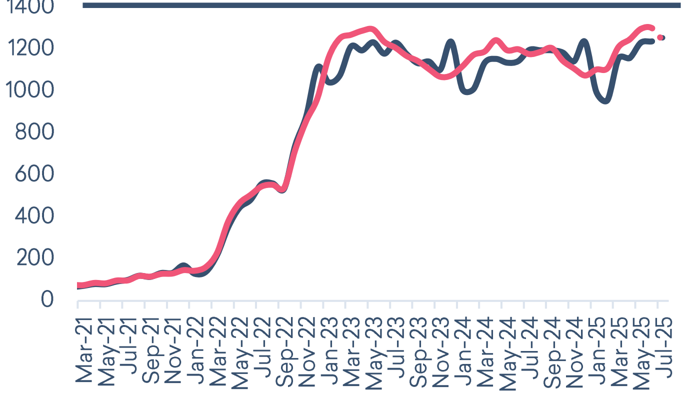
FIGURE 11: NON-CASH SPENDING HAS SOMEWHAT FLATLINED IN JUNE & JULY



Source: TBC Capital

FIGURE 12: MIGRANT* NON-CASH EXPENSES THROUGH TBC CHANNELS REMAINS BROADLY FLAT (As of 20-Jul, Index in USD, 2021 Daily Average = 100)

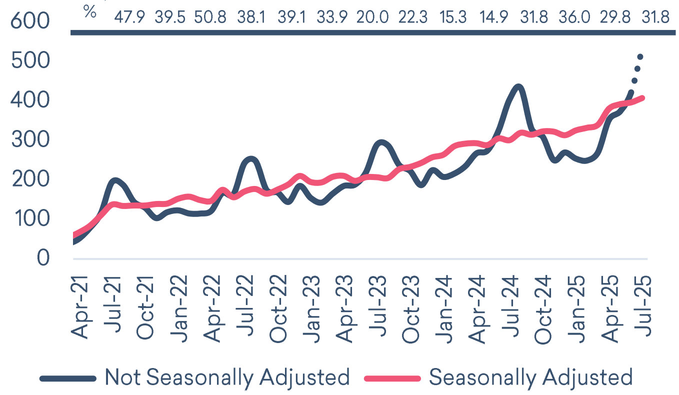
	2024								2025						
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*
YoY, %	-7.9	-3.0	-2.8	1.6	5.4	3.8	3.7	-0.1	-1.2	-5.3	1.8	0.4	8.4	8.2	4.9



Source: TBC Capital
Note: The Data includes Local POS and E-Com Payments, Payments outside Georgia are excluded. Migrants include Russians, Belarussians and Ukrainians.

FIGURE 13: NON-CASH EXPENSES OF NON-RESIDENTS THROUGH TBC CHANNELS CONTINUE IMPROVING (Index in USD, 2021 = 100, As of 20-Jul)

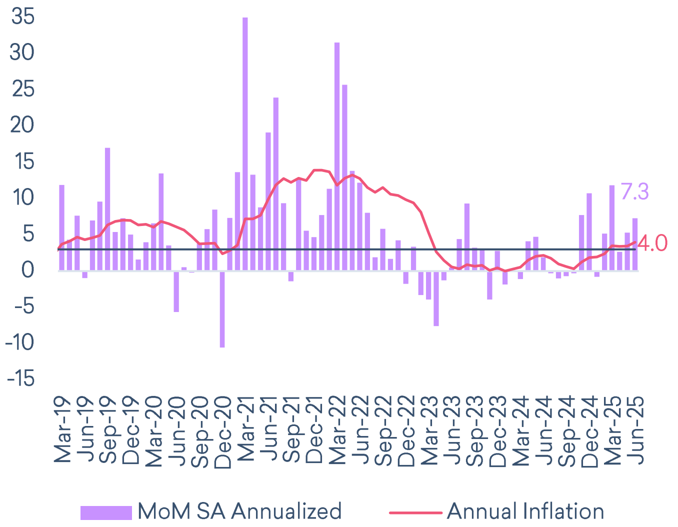
	2024							2025						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*
YoY, %	47.9	39.5	50.8	38.1	39.1	33.9	20.0	22.3	15.3	14.9	31.8	36.0	29.8	31.8



Note: The Data includes spending through Local POS and E-Com Payments with foreign cards; Estimates of tourism might be different from the NBG tourism data growth due to differences in methodology. Namely, while TBC growth averaged to 17.3% in the first quarter, the NBG tourism revenue estimates have posted only 2.3% annual growth
Source: TBC Capital

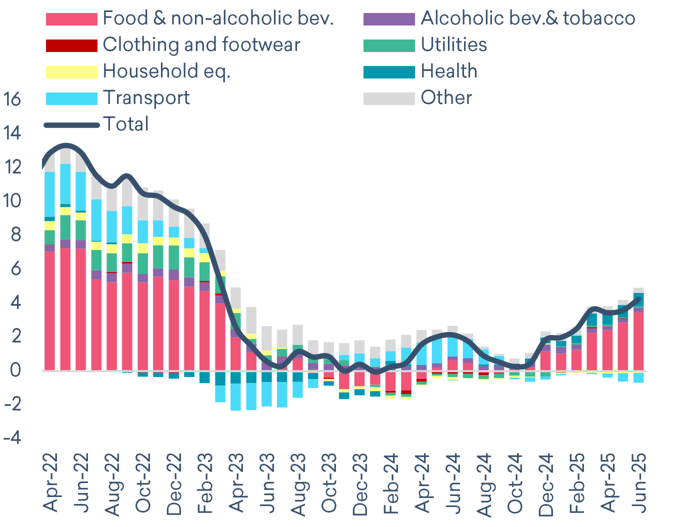
Elsewhere, **CPI inflation** has maintained its increasing trend, standing at 4.0% YoY in June (Figure 14). Elevation is also evident in MoM terms; however, dynamics are closely in line with our expectations. No surprises are revealed when looking more in depth as well: growth in consumer prices remains largely driven by food inflation (Figure 15), along with slightly, though still elevating contribution of services, while the impact of various one-offs lowering the headline measure is gradually fading off. July and August will see the impact of the internet fee die out, which has been lowering inflation by 0.4 percentage points.

FIGURE 14: MONTHLY INFLATION ACCELERATED AGAIN, THOUGH IN LINE WITH OUR EXEPCTATIONS (%)



Source: Geostat, TBC Capital

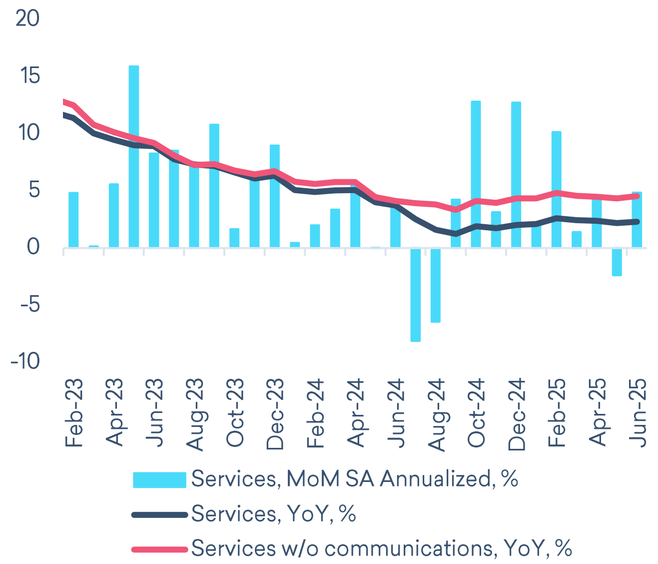
FIGURE 15: FOOD PRICES HAVE BEEN BY FAR THE LARGEST SINGLE DRIVER OF INFLATION



Source: Geostat

Elevation in prices also remains widespread as revealed by trimmed measures. Trimmed monthly inflation accelerated to 0.3% again following a brief reprieve in April-May. At the same time, annual inflation on mixed products reached 7.2% in June, while prices on locally produced goods and services grew by 5.2%, both significantly above the target. It is imported prices, posting a 2% deflation, that has been keeping inflation from rising even further, itself significantly aided by lower oil prices internationally. Therefore, the consumer basket inflation has become increasingly domestically-driven. Domestic pressures are illustrated through higher service inflation in June as well (Figure 16), which we consider the most accurate measure of underlying inflation dynamics due to its historically high correlation with broader economic activity. However, we also note that this measure has been characterized with some volatility recently, with a slight, though still visible, monthly drop in service prices in seasonally adjusted terms in May.

FIGURE 16: SERVICE INFLATION INCREASED AGAIN IN JUNE (%)



Source: Geostat, TBC Capital

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7 Marjanishvili Str., Tbilisi 0102, Georgia
Tel: +995 32 2 272727 | +995 32 2 272733
Email: research@tbccapital.ge
Email: macro@tbcgroup.com

TBC Group Chief Economist Office

Otar Nadaraia
Chief Economist

Tsotne Marghia
Head of Macro-Financial Analysis Division

Nikoloz Zurabishvili
Senior Macroeconomist

Mamia Intskirveli
Business Economist

Darejan Kavelashvili
Intern

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