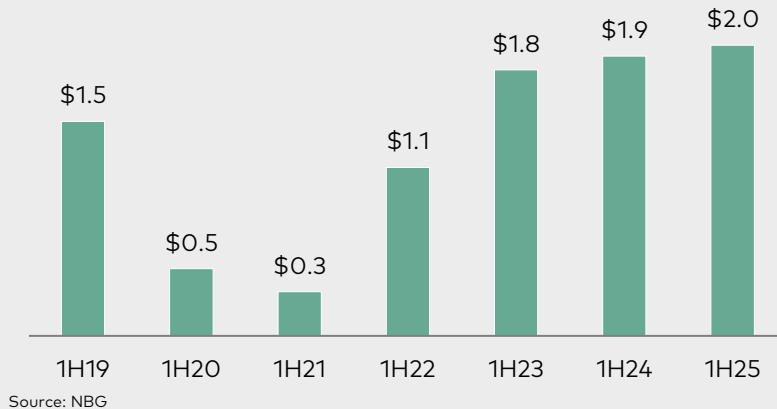




## Chart of the month: Record high tourism revenues in 1H25



In 1H25, international visitors rose by 4.6% y/y to 2.8mn individuals, mainly driven by a 6.9% y/y rise in tourist arrivals, while same-day visits declined by 4.2% y/y to 0.5mn. As a result, tourism revenues grew by 3.8% y/y, reaching a record high of US\$ 2.0bn in 1H25.

We project tourism revenues at US\$ 4.5bn for 2025, up from US\$ 4.4bn in 2024.

### Economic summary

**Growth:** Georgia's economy expanded by 6.3% y/y in June 2025, after a 7.5% y/y growth in previous month. Cumulatively, real GDP growth came in at 8.3% y/y in 1H25. The June expansion was driven by robust activity in the ICT, manufacturing, financial & insurance, transport & storage, and trade sectors, while construction and energy sectors contracted. We forecast real GDP growth at 7.5% in 2025.

**Inflation:** In Jun-25, Georgia's annual inflation accelerate to 4.0%, up from 3.5% posted in previous month. The increase was mainly driven by domestic inflation, which rose to 5.2% y/y (May-25: 4.9%), and by mixed-goods inflation, which surged to 7.2% y/y (May-25: 5.8%). In contrast, imported goods continued to post deflation at -2.0% y/y, which contributed to moderating the overall inflation rate. Core inflation, excluding food, energy and tobacco, edged up slightly to 2.2% y/y from 2.0% y/y in previous month. We expect average annual inflation at 3.7% in 2025.

**Monetary policy:** On 30 July 2025, the NBG kept the monetary policy rate unchanged at 8.0%, reflecting a cautious stance amid strong economic growth and moderate inflation pressures. The central bank raised its 2025 growth forecast from 6.7% to 7.4%. At the same time, persistent global uncertainties pose inflationary risks, prompting the NBG to view the current rate as appropriate to ensure medium-term price stability. We expect the refinancing rate to remain at 8.0% through the end of 2025.

**FX:** In Jul-25, GEL appreciated further by 0.6% m/m vs USD, driven by solid FX inflows and global dollar weakness. Notably, GEL's appreciation trend enabled the NBG to purchase US\$ 879.5mn in March-June (including US\$ 266mn purchased in June) to replenish its FX reserves. We expect average GEL/1\$ at 2.78 and average GEL/1€ at 3.08 in 2025.

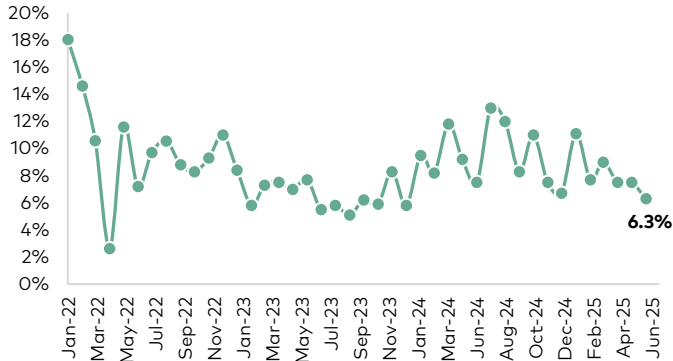
### Activity

**Trade:** In Jun-25, goods exports increased by 10.4% y/y, reaching US\$ 640.2mn, following a 15.7% y/y growth in previous month. Meanwhile, goods imports rose slightly by 0.9% y/y to US\$ 1.4bn, after a 1.8% y/y decline in previous month. Consequently, the trade deficit narrowed by 6.2% y/y to US\$ 732.8mn in Jun-25. The growth in exports was mainly driven by increased exports of cars, precious metals, wine, fertilizers, fresh fruit, aerated waters and pharmaceuticals, while ferro-alloys and spirits saw a decline. On the import side, the increase was mainly due to pharmaceuticals, vaccines, and phones, whereas imports of cars, petroleum, tobacco, and automatic data processing machines declined significantly in June.

**Banking sector:** In Jun-25, the bank loan portfolio grew by 15.6% y/y (excl. FX effect) to GEL 66.2bn (US\$ 24.3bn), following a 15.1% y/y growth in previous month. This growth was mainly driven by legal entity loans, which increased by 16.5% y/y, along with a 14.7% y/y increase in retail loans. On deposit side growth was 11.6% y/y (excl. FX effect) to GEL 60.8bn in Jun-25, compared to a 11.9% y/y growth in May-25. Additionally, in Jun-25, the deposit dollarization rate reduced further to 49.7% (-1.10ppts m/m), while loan dollarization increased slightly to 43.1% (+0.21ppts m/m).

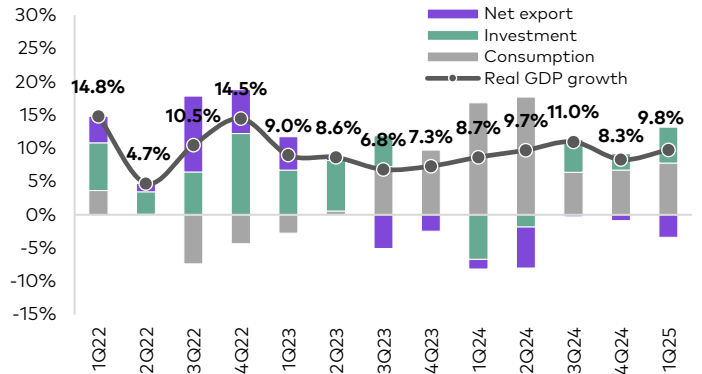


### Real GDP growth, % change y/y



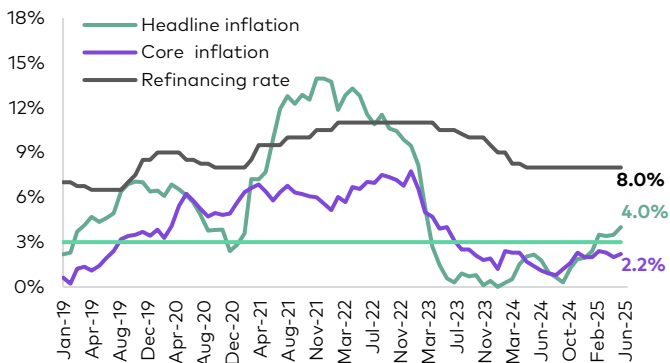
Source: Geostat

### Contributions to real GDP growth, ppts



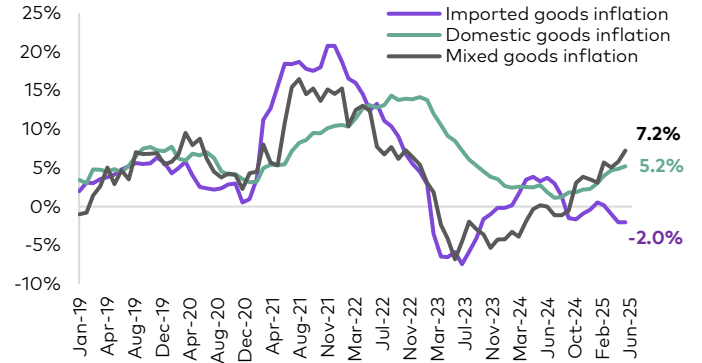
Source: Geostat, Galt & Taggart

### Annual inflation and monetary policy rate



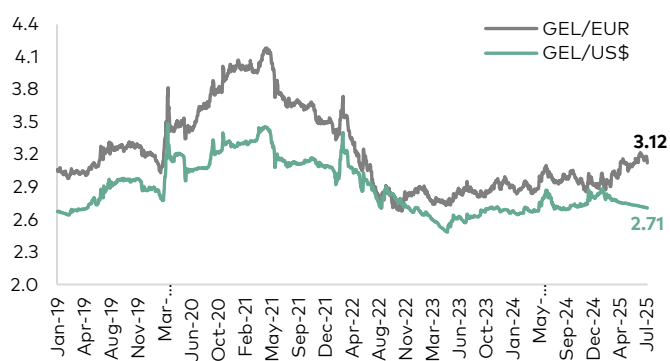
Source: Geostat, NBG

### Imported and domestic inflation dynamics



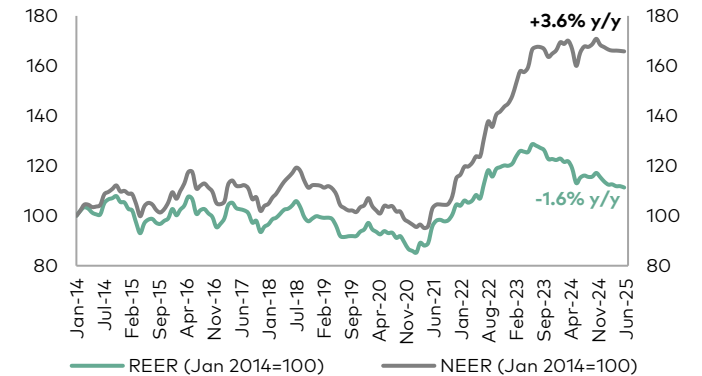
Source: Geostat

### GEL/US\$ and GEL/EUR



Source: NBG

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

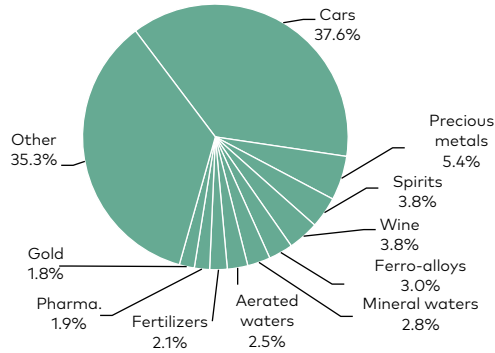


Source: NBG

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

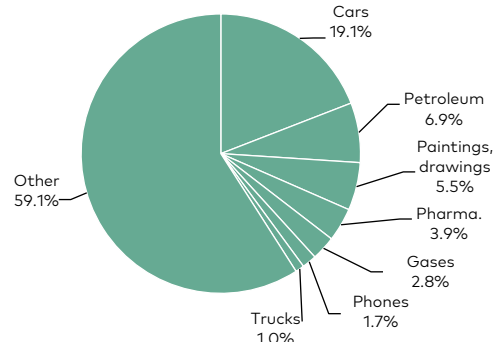


### Exports by product, 1H25



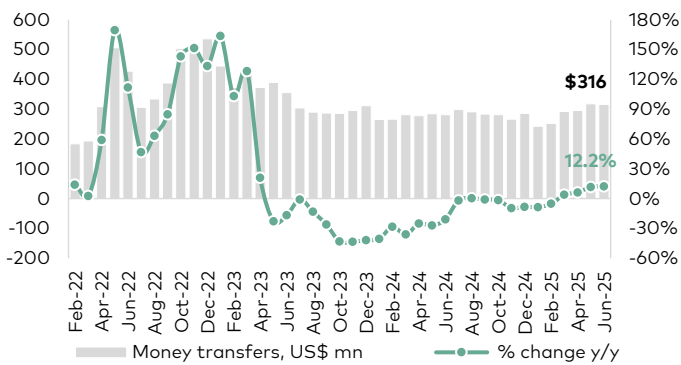
Source: Geostat

### Imports by product, 1H25



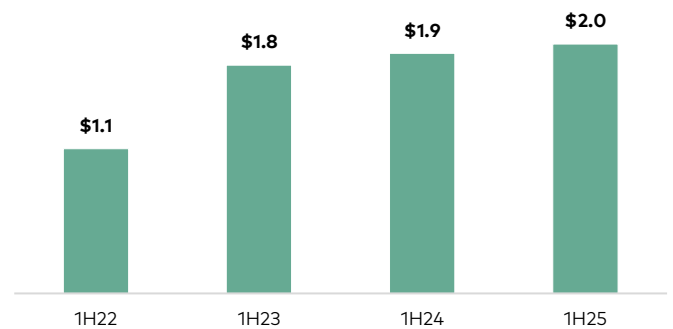
Source: Geostat

### Money transfers to Georgia



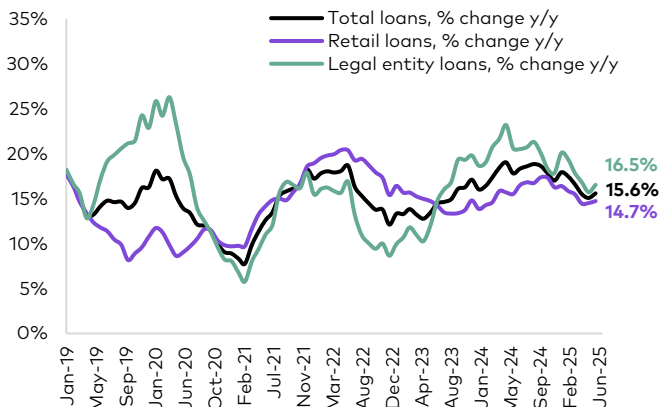
Source: NBG

### Tourism revenues, US\$ bn



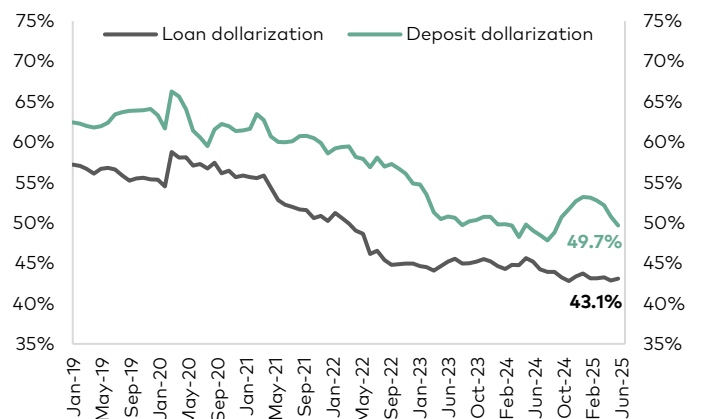
Source: NBG

### 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  | 2024  | 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  | 91.9  | 102.4 |
| Nominal GDP, US\$ bn                  | 15.2   | 15.4   | 16.5  | 17.9  | 17.6  | 16.0   | 18.9   | 25.0  | 30.8  | 33.8  | 36.8  |
| Nominal GDP per capita, US\$          | 4,085  | 4,143  | 4,420 | 4,804 | 4,741 | 4,301  | 5,084  | 6,731 | 8,284 | 9,141 | 9,939 |
| Real GDP, % change y/y                | 3.4%   | 3.4%   | 5.2%  | 6.1%  | 5.4%  | -6.3%  | 10.6%  | 11.0% | 7.8%  | 9.4%  | 7.5%  |
| CPI Inflation, ave                    | 4.0%   | 2.1%   | 6.0%  | 2.6%  | 4.9%  | 5.2%   | 9.6%   | 11.9% | 2.5%  | 1.1%  | 3.7%  |
| CPI Inflation, eop                    | 4.9%   | 1.8%   | 6.7%  | 1.5%  | 7.0%  | 2.4%   | 13.9%  | 9.8%  | 0.4%  | 1.9%  | 3.9%  |
| GEL per US\$, ave                     | 2.27   | 2.37   | 2.51  | 2.53  | 2.82  | 3.11   | 3.22   | 2.92  | 2.63  | 2.72  | 2.78  |
| GEL per US\$, eop                     | 2.39   | 2.65   | 2.59  | 2.68  | 2.87  | 3.28   | 3.10   | 2.70  | 2.69  | 2.81  | 2.82  |
| 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  | 3.16  |
| GEL per GBP, ave                      | 3.47   | 3.21   | 3.23  | 3.38  | 3.60  | 3.99   | 4.43   | 3.62  | 3.27  | 3.48  | 3.65  |
| GEL per GBP, eop                      | 3.55   | 3.26   | 3.50  | 3.40  | 3.76  | 4.45   | 4.17   | 3.26  | 3.42  | 3.53  | 3.72  |
| 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% | 28.6% | 28.1% |
| Budget expenses, % of GDP             | 28.1%  | 28.9%  | 27.8% | 27.2% | 29.1% | 34.5%  | 31.9%  | 29.6% | 30.2% | 30.9% | 30.6% |
| Fiscal balance (-deficit), % of GDP   | -2.4%  | -2.7%  | -2.7% | -2.2% | -2.1% | -9.2%  | -6.0%  | -3.0% | -2.4% | -2.4% | -2.5% |
| Public debt, % of GDP                 | 36.0%  | 39.5%  | 38.9% | 38.2% | 40.0% | 59.6%  | 49.1%  | 39.2% | 38.9% | 36.1% | 34.7% |
| <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  | -1.5  | -1.9  |
| Current account, % of GDP             | -11.6% | -12.2% | -8.0% | -6.7% | -6.0% | -12.4% | -10.3% | -4.4% | -5.6% | -4.5% | -5.0% |
| Exports, US\$ bn                      | 6.2    | 6.2    | 7.6   | 8.9   | 9.6   | 5.9    | 8.1    | 13.2  | 15.0  | 16.2  | 17.3  |
| Imports, US\$ bn                      | 8.7    | 8.5    | 9.4   | 10.8  | 11.2  | 9.0    | 11.2   | 15.6  | 17.8  | 19.0  | 20.6  |
| Net current transfers, US\$ bn        | 1.1    | 1.1    | 1.3   | 1.4   | 1.4   | 1.8    | 2.3    | 3.1   | 3.3   | 3.4   | 3.3   |
| Net FDI, US\$ bn                      | 1.4    | 1.2    | 1.7   | 1.0   | 1.1   | 0.6    | 0.9    | 1.9   | 1.6   | 0.9   | 0.9   |
| Net FDI, % of GDP                     | 9.3%   | 8.1%   | 10.4% | 5.6%  | 6.2%  | 3.5%   | 4.9%   | 7.7%  | 5.2%  | 2.7%  | 2.4%  |
| 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   | 4.9   |
| <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  | 24.9  |
| Bank loan portfolio, % of GDP         | 46.4%  | 51.7%  | 53.9% | 58.6% | 64.2% | 76.8%  | 71.0%  | 61.5% | 65.1% | 67.7% | 68.6% |
| 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: NBG, MOF, Geostat, Galt & Taggart

Note 1: Fiscal balance according to IMF Program Definition

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

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