



## Chart of the month: Productivity growth outpaced wage growth in 1Q25



Source: Geostat

In 1Q25, nominal monthly wages rose by 11.7% y/y, while real wages (adjusted for inflation) increased by 8.8% y/y, up from 7.2% y/y in 4Q24. Labor productivity also accelerated, growing by 9.9% y/y in 1Q25 - marking the first time since 1Q21 that productivity growth outpaced real wage growth. This indicates a healthier labor market dynamic, where wage growth is underpinned by stronger productivity performance.

### Economic summary

**Growth:** Georgia's economy grew by 7.5% y/y in May 2025, matching the pace of growth in the previous month. Cumulatively, real GDP growth reached 8.8% y/y in 5M25. The May expansion was driven by robust activity in the ICT, manufacturing, trade, transport and storage, and construction sectors, while the energy sector posted a decline. In light of the upward revision to 1Q25 GDP data, we have raised our full-year 2025 real GDP growth forecast to 7.5%, up from the previous forecast of 6.8%.

**Inflation:** In May-25, Georgia's annual inflation edged up to 3.5% from 3.4% in previous month. Price growth was mainly driven by domestic inflation, which climbed to 4.9% y/y (Apr-25: 4.7%), and by mixed-goods inflation, which rose to 5.8% y/y (Apr-25: 5.0%). In contrast, imported inflation stayed in deflation, slipping to -2.0% y/y (Apr-25: -1.0%), thereby lessening overall price pressures. Core inflation, excluding food, energy and tobacco, eased further to 2.0% y/y from 2.3% y/y in the previous month. We expect average annual inflation at 3.7% in 2025.

**Monetary policy:** On June 18, 2025, the NBG kept the key rate unchanged at 8.0%, reflecting caution amid mixed inflation trends. While headline inflation is near target and core inflation remains below 3.0%, food prices continue to pose upward pressure according to regulator. We anticipate that the NBG will maintain the refinancing rate at 8.0% throughout 2025.

**FX:** In Jun-25, GEL appreciated by 0.4% m/m vs USD, driven by FX inflows and global dollar weakness. Notably, GEL's appreciation trend enabled the NBG to purchase US\$ 613.5mn in March-May to replenish its FX reverses. We expect average GEL/1\$ at 2.78 in 2025.

### Activity

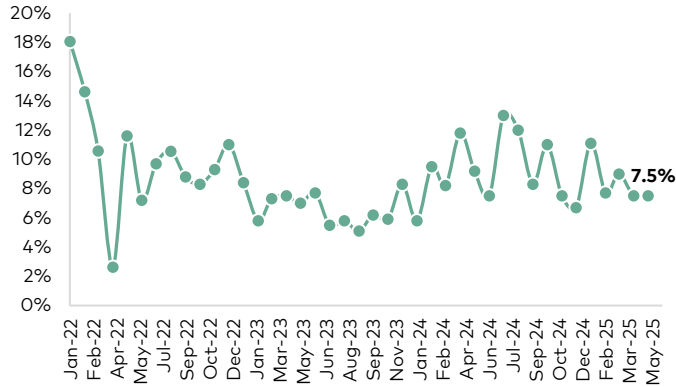
**Trade:** In May-25, goods exports increased by 15.7% y/y to US\$ 580.1mn, following a 41.1% y/y surge in previous month. In contrast, goods imports continued to decline, falling by 5.1% y/y to US\$ 1.3bn, after a 0.9% y/y decrease in previous month. As a result, the trade deficit narrowed by 16.6% y/y to US\$ 760.8mn in May-25. The growth in exports was mainly driven by increased exports of cars, precious metals, wine, aerated waters, pharmaceuticals and nuts. In contrast, exports of spirits and electricity declined in May. On the import side, the contraction was mainly due to reduced imports of cars, automatic data processing machines, and iron bars and rods.

**Tourism:** Tourism revenues increased by 4.7% y/y to US\$ 370mn in May-25, according to our estimates. Overall, in 5M25, tourism revenues came in at US\$ 1.5bn (+1.2% y/y), by our estimates. We forecast tourism revenues to reach US\$ 4.5bn in 2025.

**Banking sector:** In May-25, the bank loan portfolio grew by 15.1% y/y (excl. FX effect) to GEL 64.7bn (US\$ 23.7bn), following a 15.5% y/y growth in previous month. This growth was mainly driven by legal entity loans, which increased by 15.7% y/y, along with a 14.5% y/y increase in retail loans. On deposit side growth was 11.9% y/y (excl. FX effect) to GEL 58.9bn in May-25, compared to a 10.2% y/y growth in Apr-25. Additionally, in May-25, the deposit dollarization rate reduced sizably to 50.8% (-1.40ppts m/m) and loan dollarization reduced to 42.9% (-0.39ppts m/m).

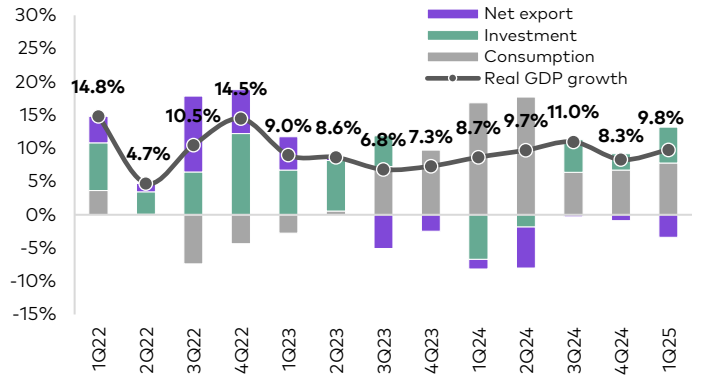


### Real GDP growth, % change y/y



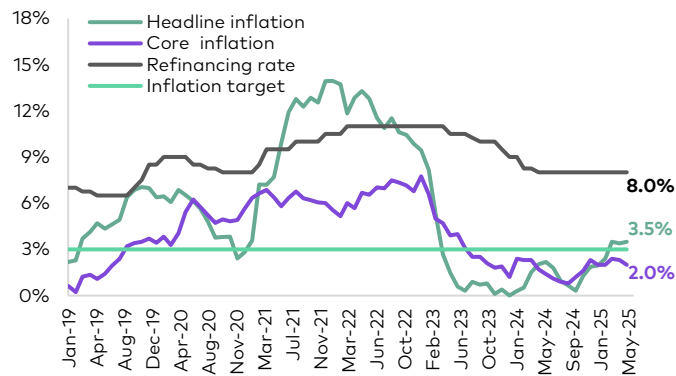
Source: Geostat

### Contributions to real GDP growth, ppts



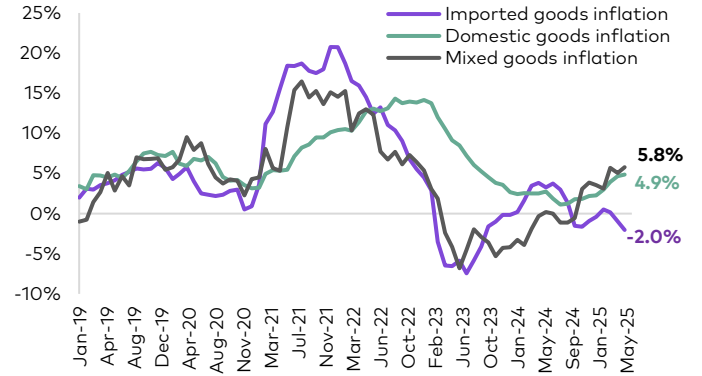
Source: Geostat, Galt & Taggart

### Annual inflation and monetary policy rate



Source: Geostat, NBG

### Imported and domestic inflation dynamics



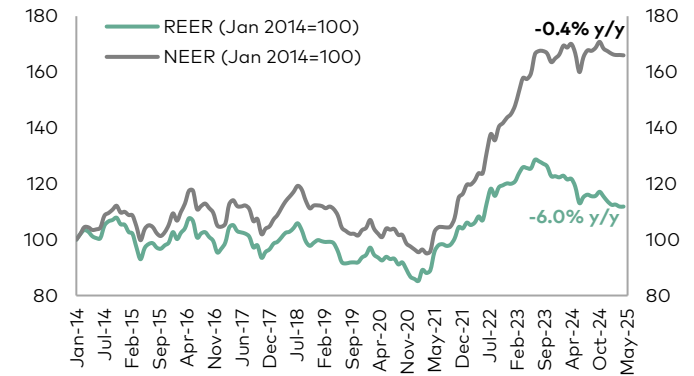
Source: Geostat

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



Source: NBG

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

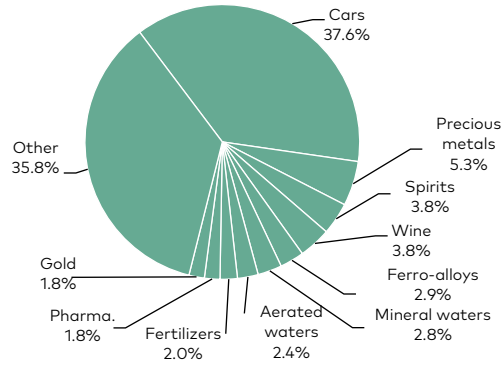


Source: NBG

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

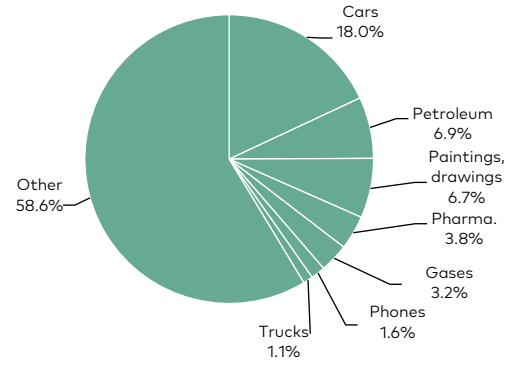


### Exports by product, 5M25



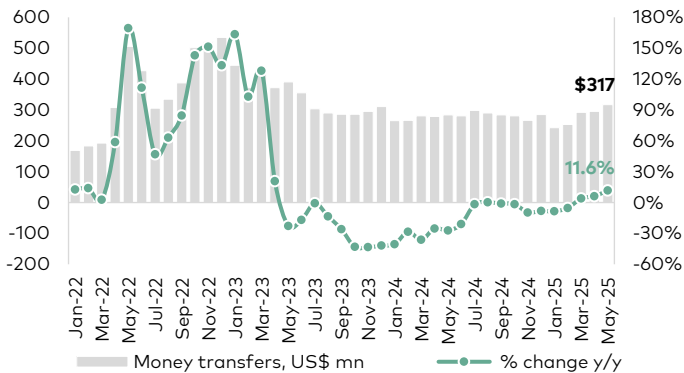
Source: Geostat

### Imports by product, 5M25



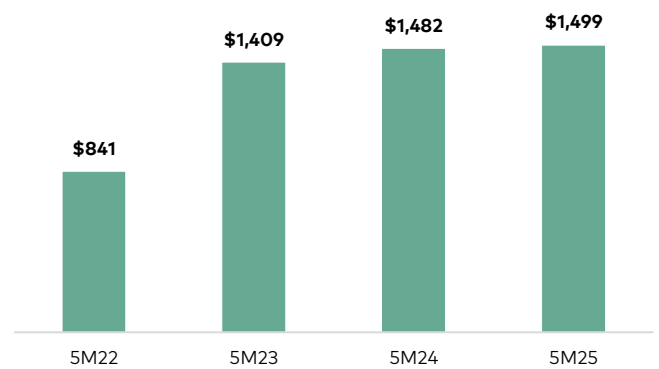
Source: Geostat

### Money transfers to Georgia



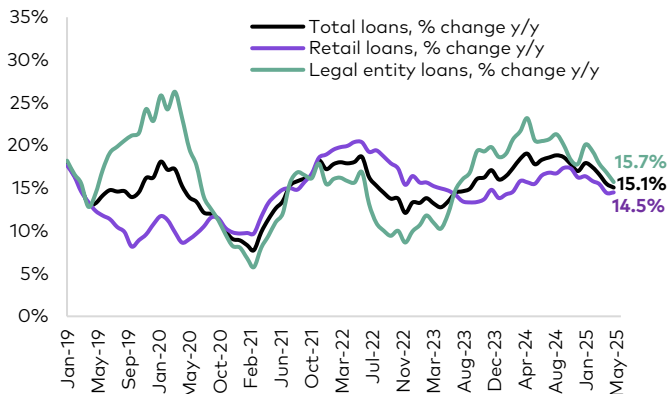
Source: NBG

### Tourism revenues, US\$ bn



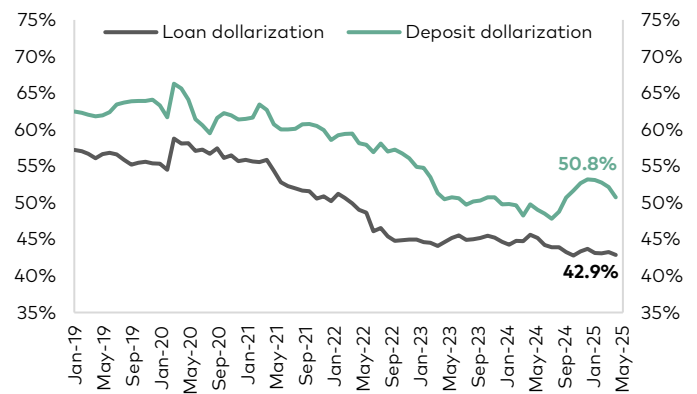
Source: Galt & Taggart

### 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	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%	-4.4%	-5.0%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	16.1	17.3
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	18.9	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	3.3	3.3
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	0.9	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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