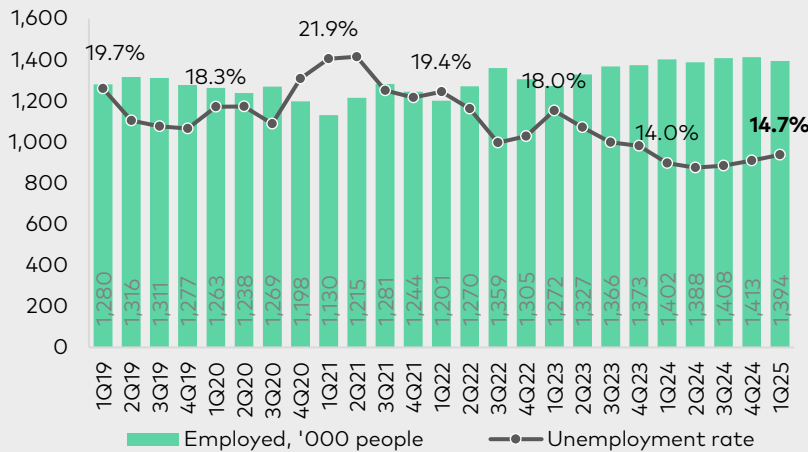




## Chart of the month: Unemployment rate stood at 14.7% in 1Q25



Source: Geostat

The unemployment rate rose by 0.6ppts y/y to 14.7% in 1Q25. During this period, the number of hired employees grew by 0.6% y/y (-2.1% q/q), representing 68.7% of total employment, while self-employed individuals fell by 3.0% y/y (+0.3% q/q). Importantly, labor force participation rate edged down 0.2ppts y/y to 54.8% in 1Q25.

We forecast unemployment rate at 13.5% in 2025.

### Economic summary

**Growth:** Georgia's economic growth was 7.5% y/y in Apr-25, after a 9.0% y/y growth in previous month. Cumulatively, real GDP growth reached 8.8% y/y in 4M25. The growth in April was mainly driven by increased activity in the ICT, financial, mining, real estate and transport sectors, while construction and manufacturing sectors contracted. We forecast Georgia's real GDP growth at 6.8% in 2025.

**Inflation:** In Apr-25, annual inflation in Georgia was 3.4%, down from 3.5% in the previous month. The overall inflation was mainly driven by a continued rise in domestic inflation, reaching 4.7% y/y in Apr-25 (+4.0% y/y in Mar-25), along with a 5.0% y/y increase in mixed goods inflation (+5.7% y/y in Mar-25). Conversely, imported inflation turned deflationary, declining by -1.0% y/y in April, after a 0.2% y/y increase in previous month. Notably, core inflation, excluding volatile food, energy and tobacco prices, slightly reduced to 2.3% y/y in Apr-25, after a 2.4% posted in previous month. We expect average annual inflation at 3.7% in 2025.

**Monetary policy:** On May 7, 2025, the NBG's Monetary Policy Committee kept its key rate at 8.0%, citing concerns about rising inflationary pressures amid global stagflation risks and strong domestic demand. The NBG's updated forecast indicates that inflation will temporarily surpass the target in 2025 but will stabilize around 3% in the medium term. Additionally, the regulator raised its 2025 economic growth forecast to 6.7%, up from 5.0%. We anticipate that the NBG will maintain the refinancing rate at 8.0% throughout 2025.

**FX:** In May-25, the GEL further strengthened by 0.7% m/m against the USD, supported by FX inflows and a global weakening of the dollar. Notably, GEL's appreciation trend enabled the NBG to purchase US\$ 368.1mn in March-April to replenish its FX reverses. We now anticipate average GEL/1\$ at 2.78 in 2025, revised from previous forecast of 2.82.

### Activity

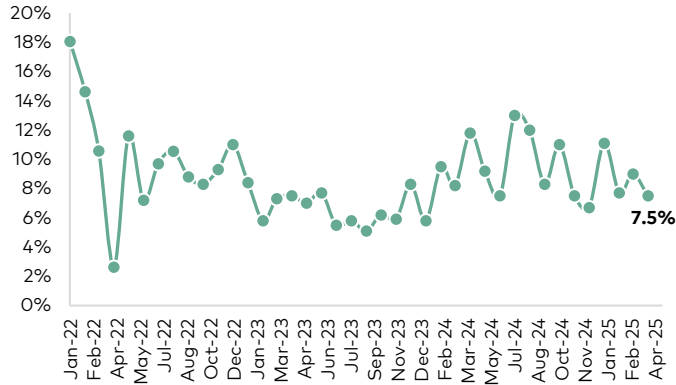
**Trade:** In Apr-25, goods exports surged by 41.1% y/y to US\$ 616.8mn, after a 7.5% y/y growth in previous month. In contrast, goods imports reduced by 3.6% y/y to US\$ 1.4bn, following a 17.3% y/y increase in previous month. As a result, the trade deficit narrowed by 22.9% y/y to US\$ 782.5mn in Apr-25. The growth in exports was mainly fueled by increased exports of cars, precious metals, copper, gold, aerated and mineral waters. In contrast, exports of wine and fertilizers declined markedly. On the import side, the decrease was largely driven by declining imports of automatic data processing machines, petroleum, cars and pharmaceuticals.

**Tourism:** Tourism revenues stood at US\$ 1.1bn (flat y/y) in 4M25. We forecast tourism revenues to reach US\$ 4.5bn in 2025.

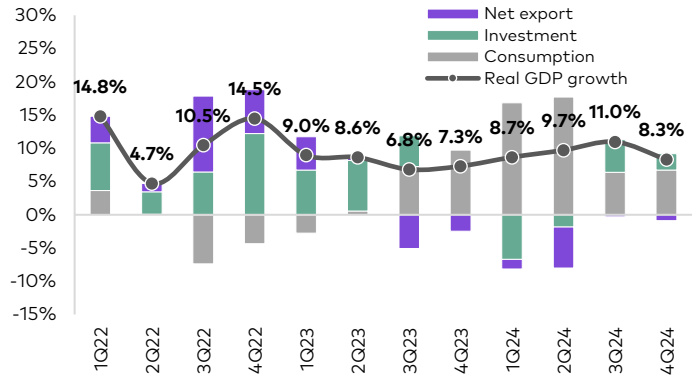
**Banking sector:** In Apr-25, the bank loan portfolio grew by 15.5% y/y (excl. FX effect) to GEL 64.2bn (US\$ 23.3bn), following a 16.6% y/y growth in previous month. This growth was mainly driven by legal entity loans, which increased by 16.8% y/y, along with a 15.2% y/y increase in retail loans. On deposit side growth was 10.2% y/y (excl. FX effect) to GEL 58.8bn in Apr-25, compared to a 11.3% y/y growth in Mar-25. Additionally, in Apr-25, the deposit dollarization rate reduced further to 52.2% (-0.60ppts m/m) and loan dollarization increased to 43.3% (+0.14ppts m/m) in April.



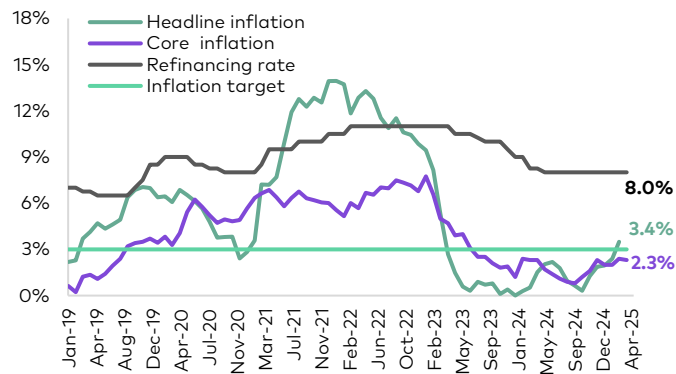
### Real GDP growth, % change y/y



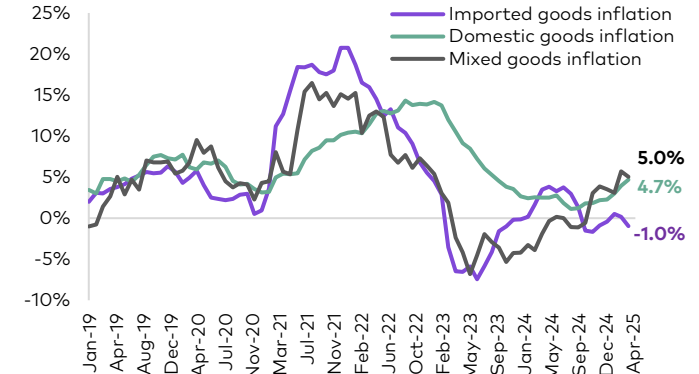
### Contributions to real GDP growth, ppts



### Annual inflation and monetary policy rate



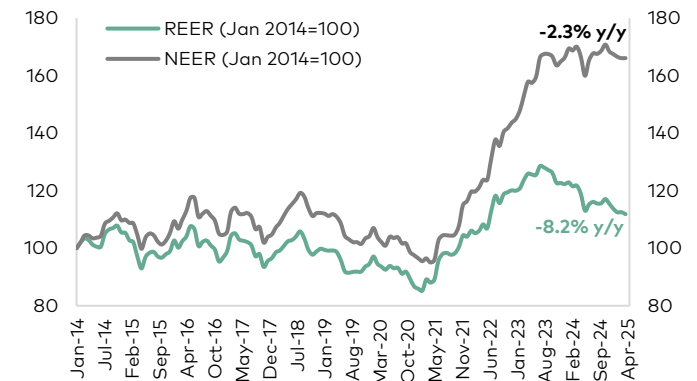
### Imported and domestic inflation dynamics



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

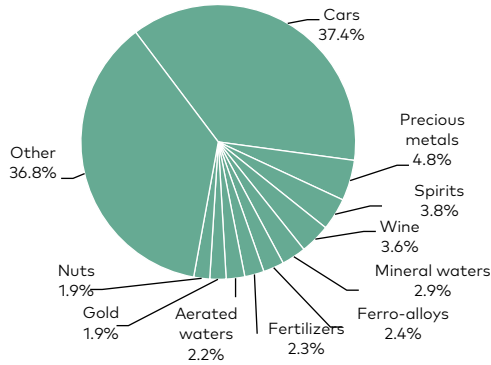


### GEL's nominal and real effective exchange rates



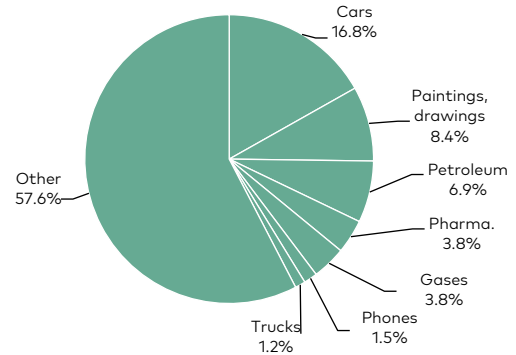


### Exports by product, 4M25



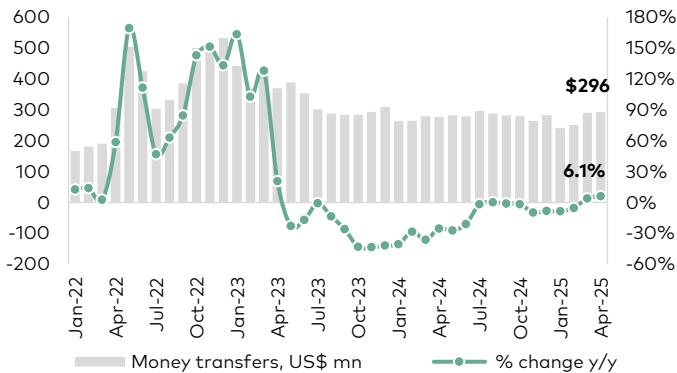
Source: Geostat

### Imports by product, 4M25



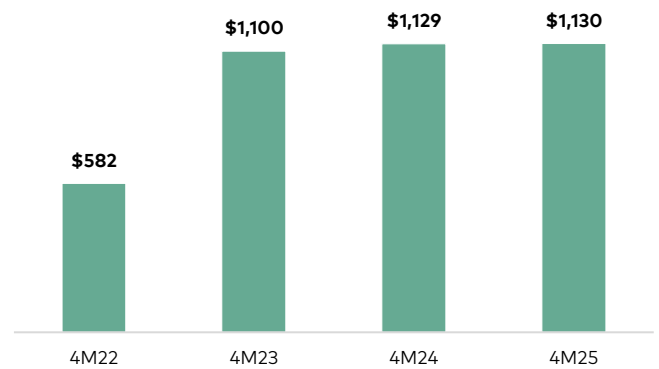
Source: Geostat

### Money transfers to Georgia



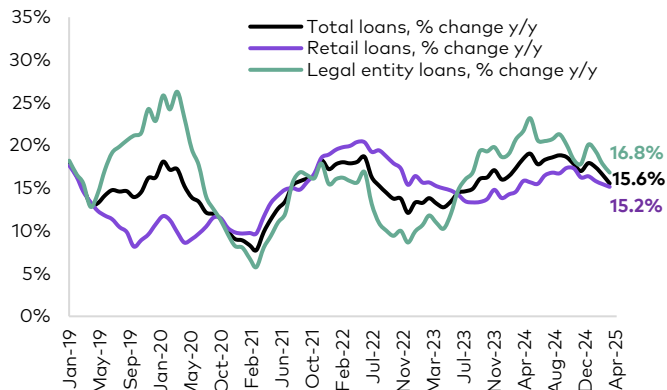
Source: NBG

### Tourism revenues, US\$ bn



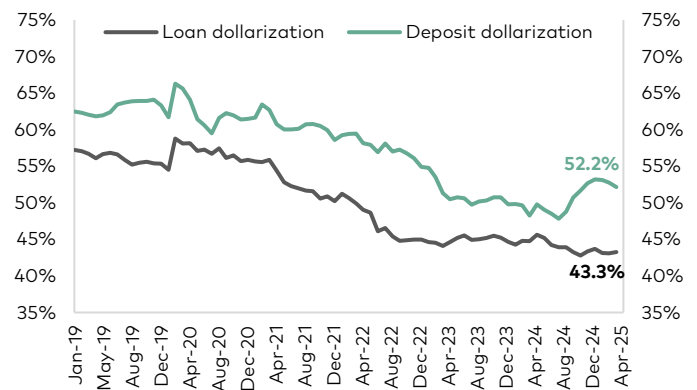
Source: Galt & Taggart

### 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	101.4
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.8	36.4
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	9,836
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%	6.8%
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%	3.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.78
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%	-5.1%
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%	2.5%
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	25.2
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%	70.0%
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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