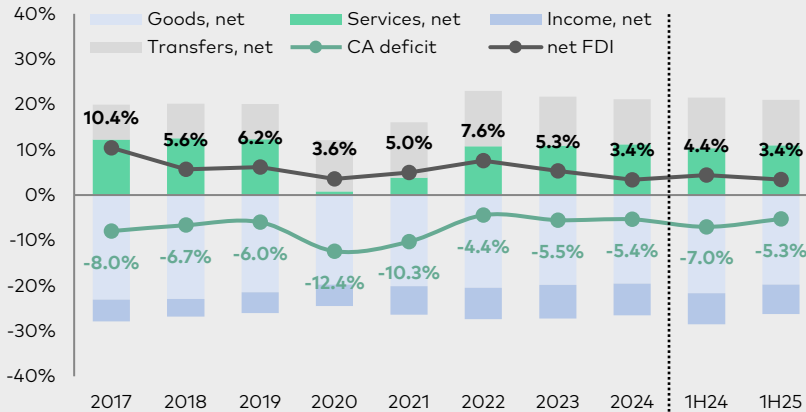




Chart of the month: CA deficit narrowed to 5.3% of GDP in 1H25



Source: NBG, Geostat

The Current Account (CA) deficit narrowed to 5.3% of GDP in 1H25, down from 7.0% in 1H24. This improvement was mainly driven by stronger service inflows: the services surplus increased by 17.1% y/y to US\$ 1.9bn, supported by robust growth in ICT exports (+43.8% y/y to US\$ 560mn) and moderate gains in tourism (+3.8% y/y to US\$ 2.0bn) and transport (+4.6% y/y to US\$ 827mn). On the other hand, the merchandise trade deficit - the largest source of external imbalance - widened slightly by 0.5% y/y to US\$ 3.4bn.

We forecast CA deficit at 5.0% of GDP in 2025, down from 5.4% in 2024.

Economic summary

Growth: Georgia's economy grew by 6.6% y/y in August 2025, following 6.5% y/y growth recorded in July. Cumulatively, real GDP increased by 7.9% y/y in 8M25. August's growth was supported by persistent activity in ICT, as well as financial & insurance, professional & scientific, energy and trade sectors, while construction and manufacturing contracted. We forecast real GDP growth at 7.5% in 2025 and at 6.0% in 2026.

Inflation: In August 2025, Georgia's annual inflation rose to 4.6%, up from 4.3% in July. The inflation was mainly driven by domestic inflation, which accelerated to 6.6% y/y (Jul-25: 5.4%), followed by mixed-goods inflation at 6.3% y/y (Jul-25: 7.5%). In contrast, imported goods prices declined by -0.8% y/y (Jul: -1.6% y/y). Meanwhile, core inflation, excluding food, energy, and tobacco, climbed to 2.8% y/y in Aug-25 from 2.2% posted in previous month. We expect average annual inflation at 3.7% in 2025 and at 2.9% in 2026.

Monetary policy: On 10 September 2025, the NBG kept the monetary policy rate unchanged at 8.0%, reflecting a cautious approach to domestic inflationary pressures and elevated global uncertainty. The NBG projects average annual inflation at 3.8% for 2025, with a gradual decline toward the 3.0% target over the medium term. We expect the refinancing rate to remain at 8.0% through the end of 2025.

FX: In Sep-25, GEL remained broadly stable m/m against the USD. Notably, GEL's appreciation trend allowed the NBG to purchase US\$ 1.5bn over March–August, including US\$ 199.6mn purchase in August alone, to rebuild its FX reserves. We expect average GEL/1\$ at 2.75 and average GEL/1€ at 3.09 in 2025.

Activity

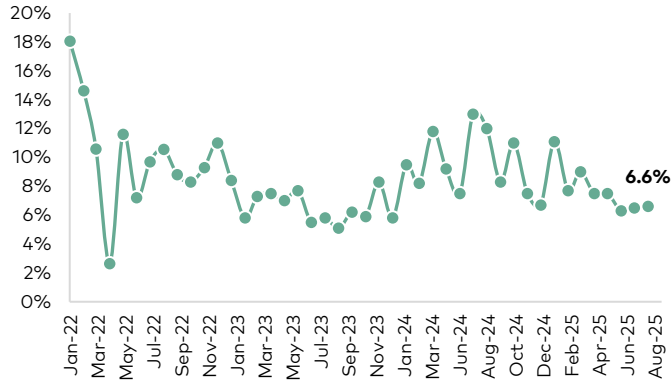
Trade: In Aug-25, goods exports decreased by 5.9% y/y to US\$ 603.0mn, after a 10.8% y/y drop in previous month. Goods imports also declined by 6.9% y/y to US\$ 1.4bn, after a 3.6% y/y reduction in previous month. Consequently, the trade deficit narrowed by 7.7% y/y to US\$ 752.4mn in Aug-25. The drop in exports was mainly driven by weaker exports of cars, wine, spirits, and mineral and aerated waters, while stronger exports of ferro-alloys, copper, precious metals, and live bovine animals helped soften the decline. On the import side, declines in imports of cars and phones were partially balanced by higher imports of petroleum products, pharmaceuticals and nuts.

Tourism: In Aug-25, tourism revenues increased by 2.1% y/y to US\$ 600mn, according to our estimates. Overall, in 8M25, tourism revenues came in at US\$ 3.1bn (+3.3% y/y), by our estimates. We forecast tourism revenues at US\$ 4.5bn in 2025 and US\$ 4.8bn in 2026.

Banking sector: In Aug-25, the bank loan portfolio grew by 14.8% y/y (excl. FX effect) to GEL 66.8bn (US\$ 24.8bn), after a 14.9% y/y growth in previous month. This growth was mainly driven by legal entity loans, which rose by 15.4% y/y, alongside a 14.3% y/y increase in retail loans. On the funding side, deposits advanced by 11.6% y/y (excluding FX effect) to GEL 63.0bn (US\$ 23.1bn) in Aug-25, compared with 10.9% y/y growth in the previous month. Additionally, deposit and loan dollarization rates remained unchanged in Aug-25, compared to previous month at 49.7% and 42.4%, respectively.

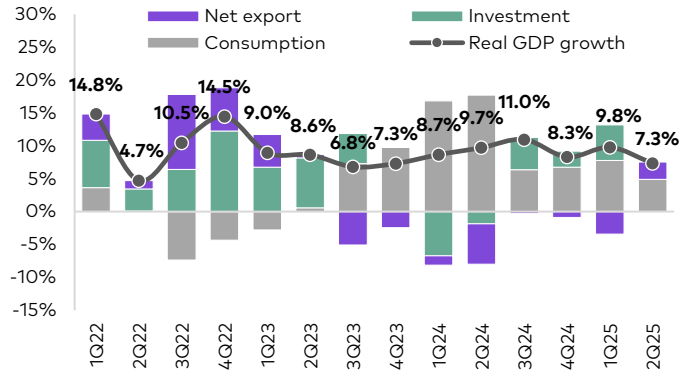


Real GDP growth, % change y/y



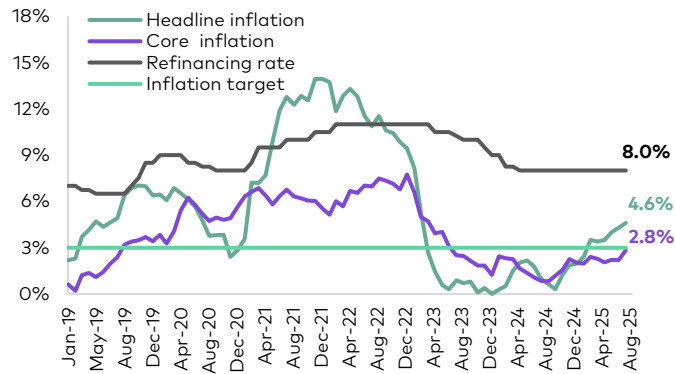
Source: Geostat

Contributions to real GDP growth, ppts



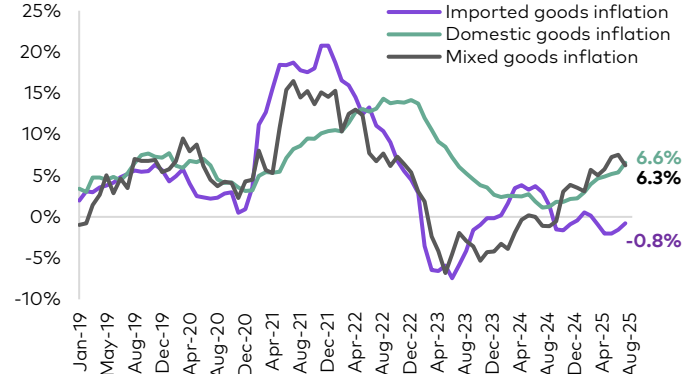
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics



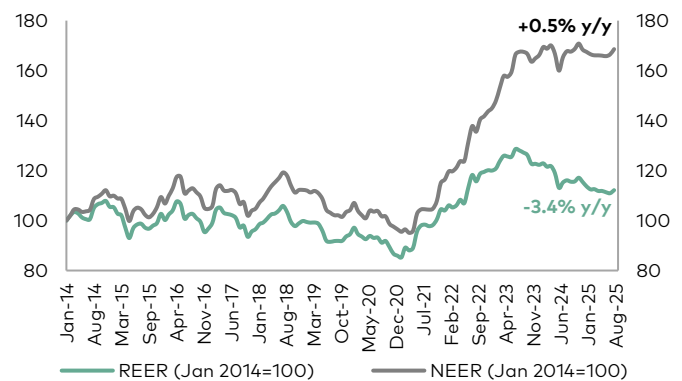
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

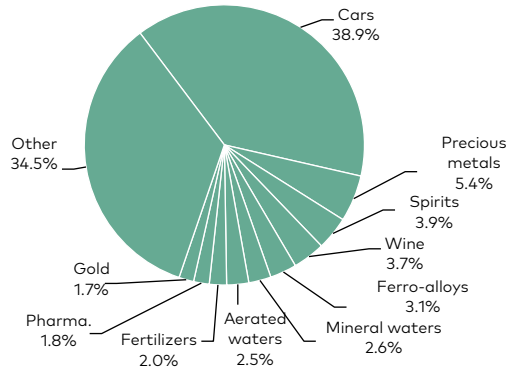


Source: NBG

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

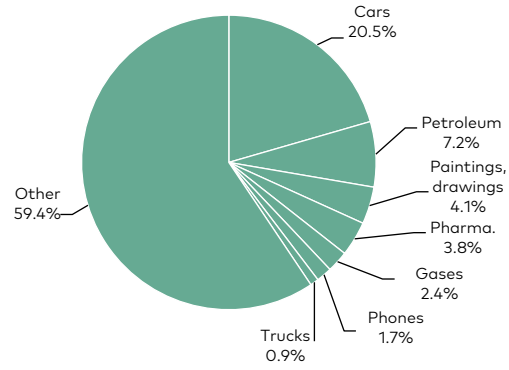


Exports by product, 8M25



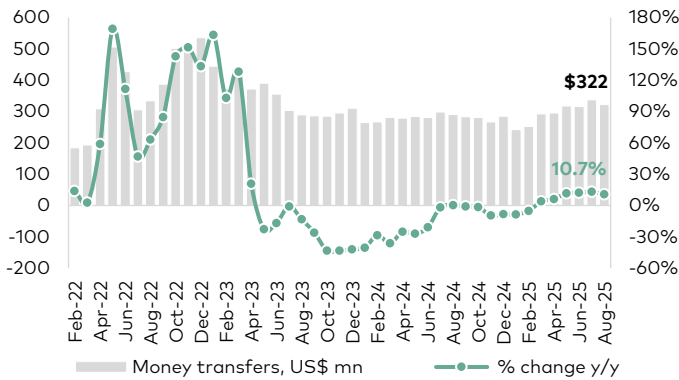
Source: Geostat

Imports by product, 8M25



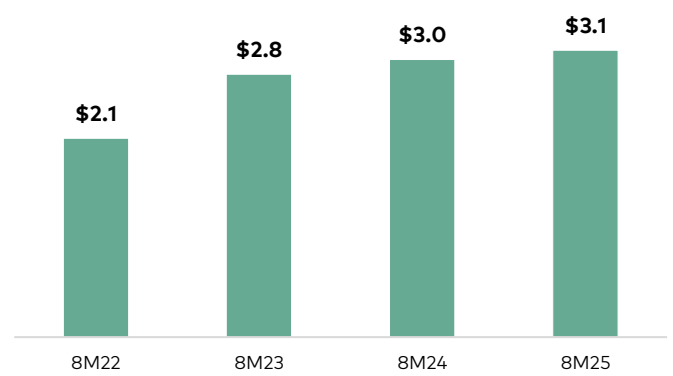
Source: Geostat

Money transfers to Georgia



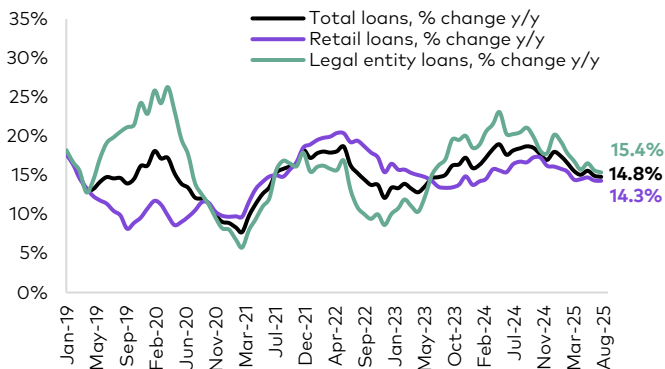
Source: NBG

Tourism revenues, US\$ bn



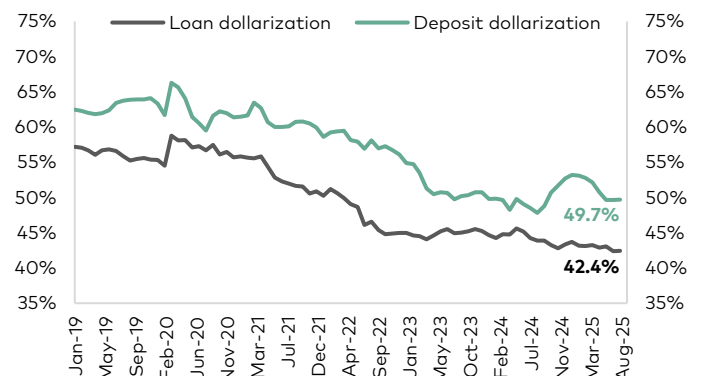
Source: NBG, Galt & Taggart

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	2024	2025F	2026F
GDP and Prices												
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.9	102.8	112.2
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.8	37.3	40.8
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	10,074	11,015
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%	6.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%	3.7%	2.9%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	3.9%	2.7%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.75	2.75
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.75	2.75
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.09	3.17
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	3.19
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	3.68
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	3.71
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Government Finances												
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.6%	27.8%	26.8%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	30.9%	30.4%	29.1%
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%	-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%	35.9%	34.9%
External Sector												
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.8	-1.9	-1.9
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.5%	-5.4%	-5.0%	-4.8%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	17.3	18.3
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	20.4	21.9
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	3.5	3.6
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	1.1	1.0	1.0
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.2%	3.6%	5.0%	7.6%	5.3%	3.4%	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	5.0	5.3
Financial sector												
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	25.8	29.1
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%	69.0%	71.1%
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%	7.50%

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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