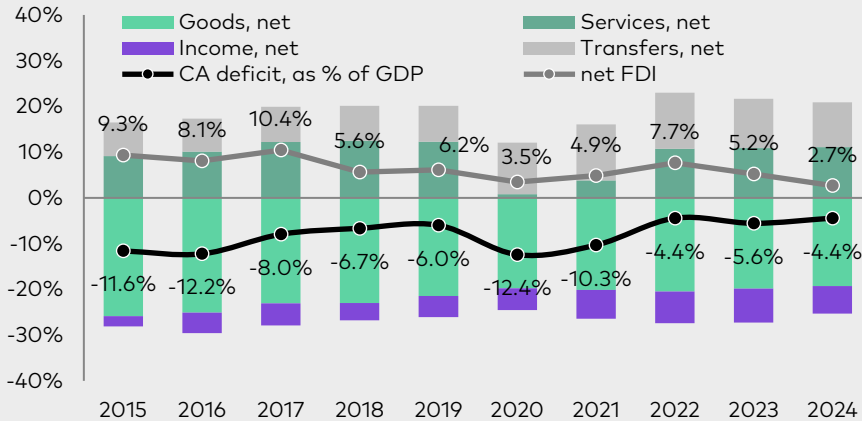




Chart of the month: CA deficit improved y/y in 2024



Source: Geostat, Galt & Taggart

CA deficit was 4.4% of GDP in 2024, down from a 5.6% posted in 2023. This improvement was supported by a strong positive balance in services (+12.3% y/y), particularly driven by tourism (+7.3% y/y) and transport services (+16.1% y/y), along with a 10.1% y/y decrease in the negative income balance. Meanwhile, goods trade deficit increased by 6.6% y/y, reaching US\$ 6.5bn in the same period.

We forecast CA deficit at 5.2% of GDP in 2025.

Economic summary

Growth: Georgia's economic growth was 7.7% y/y in Feb-25, after a 11.1% y/y growth in previous month. Cumulatively, real GDP growth reached 9.4% y/y in 2M25. This growth was mainly driven by increased activity in the professional & scientific, ICT, transport, energy and mining sectors, while the manufacturing and construction sectors contracted. Due to stronger-than-expected growth in 2M25, we raised our baseline real GDP growth forecast to 6.8% from previous projection of 5.0% for 2025.

Inflation: In Feb-25, annual inflation in Georgia rose to 2.4%, up from 2.0% in the previous month. This increase was mainly driven by a rise in domestic inflation to 3.0% y/y in Feb-25 (up from 2.3% y/y in Jan-25), alongside an increase in imported inflation (+0.5% y/y in Feb-25 vs. -0.4% y/y in Jan-25). Meanwhile, inflation for mixed goods slightly slowed to 3.1% y/y in February, down from 3.5% y/y in Jan-25. Notably, core inflation, excluding volatile food, energy and tobacco prices, remained unchanged at 2.0% y/y in Feb-25. We expect average annual inflation at 3.7% in 2025, revised downwards from previous forecast of 3.9%.

Monetary policy: On March 12, 2025, the Monetary Policy Committee of the NBG maintained its key interest rate unchanged at 8.0%. This decision considered January's strong economic growth, rising inflation in February and the increased global uncertainty from tariff policies. The NBG anticipates inflation to converge its target level in 1H25, with a potential temporary increase before stabilizing around 3.0% in the medium term. We anticipate that the NBG will maintain the refinancing rate at 8.0% throughout 2025.

FX: In Mar-25, the GEL further strengthened by 1.8% m/m against the USD, reflecting solid macro fundamentals and some improvement in sentiment. We anticipate average GEL/1\$ at 2.85 in 2025, revised downwards from previous forecast of 2.88.

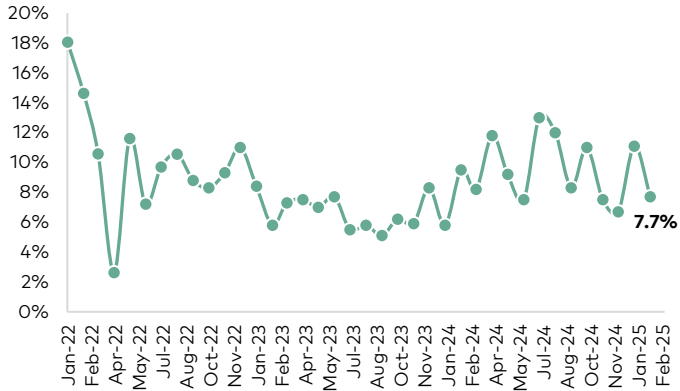
Activity

Trade: In Feb-25, goods exports declined by 7.1% y/y to US\$ 431.5mn, following a robust 19.3% y/y growth in previous month. Similarly, goods imports fell by 6.6% y/y to US\$ 1.1bn, after a notable increase of 47.8% y/y in previous month. As a result, the trade deficit decreased by 6.3% y/y to US\$ 671.9mn in Feb-25. The decline in exports was mainly due to the reduced exports of wine, spirits, fertilizers, and mineral waters. In contrast, exports of precious metals, cars, nuts and gold increased markedly. On the import side, the decrease was largely driven by a drop in imports of cars, petroleum, and telephones. However, imports of gases, electricity and heavy vehicles increased significantly in February.

Tourism: Tourism revenues amounted to US\$ 246mn (flat y/y) in Feb-25, according to our estimates. Overall, in 2M25, tourism revenues increased by 0.7% y/y to US\$ 536mn, by our estimates. We forecast tourism revenues to reach US\$ 4.5bn in 2025.

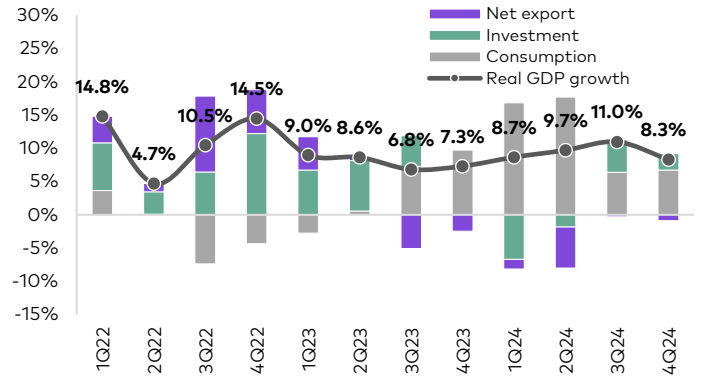
Banking sector: In Feb-25, the bank loan portfolio grew by 17.4% y/y (excl. FX effect) to GEL 62.6bn (US\$ 22.2bn), following a 17.9% y/y growth in previous month. This growth was mainly driven by legal entity loans, which increased by 19.3% y/y, along with a 15.8% y/y increase in retail loans. In contrast, bank deposits growth was 11.8% y/y (excl. FX effect) to GEL 58.0bn in Feb-25, compared to a 12.6% y/y growth in Jan-25. Additionally, in Feb-25, the deposit dollarization rate reduced to 53.1% (-0.27ppts m/m). Loan dollarization also decreased to 43.1% (-0.54ppts m/m) in February.

Real GDP growth, % change y/y



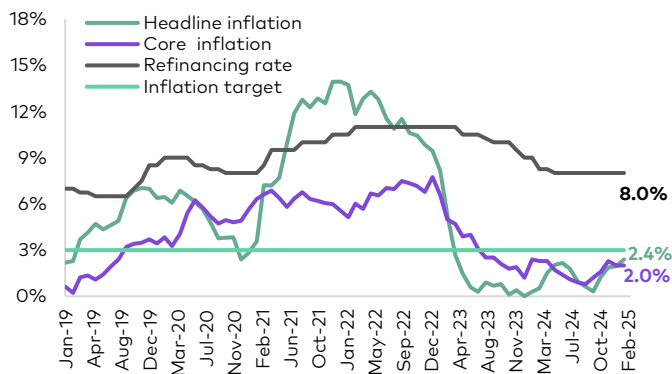
Source: Geostat

Contributions to real GDP growth, ppts



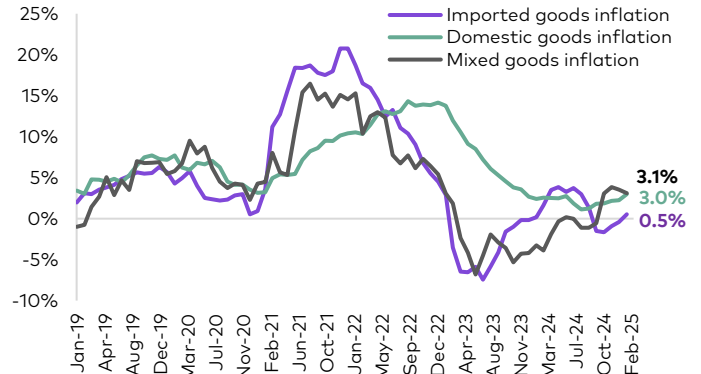
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics



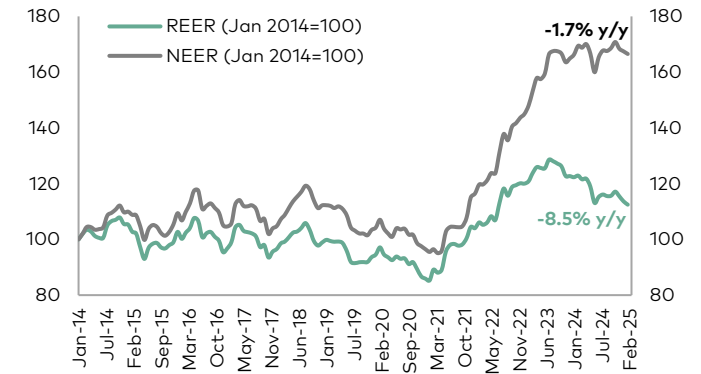
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

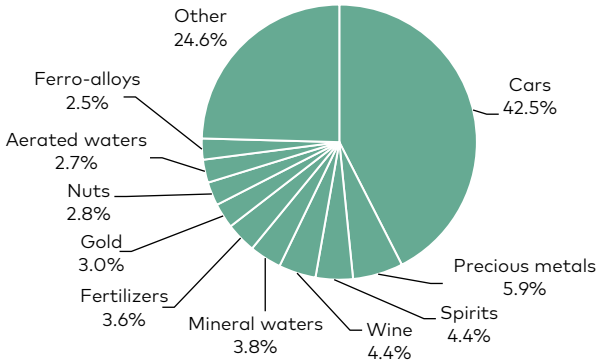


Source: NBG

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

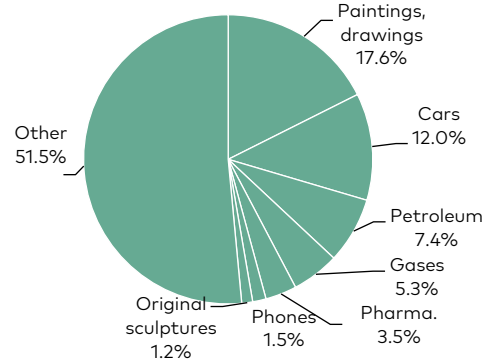


Exports by product, 2M25



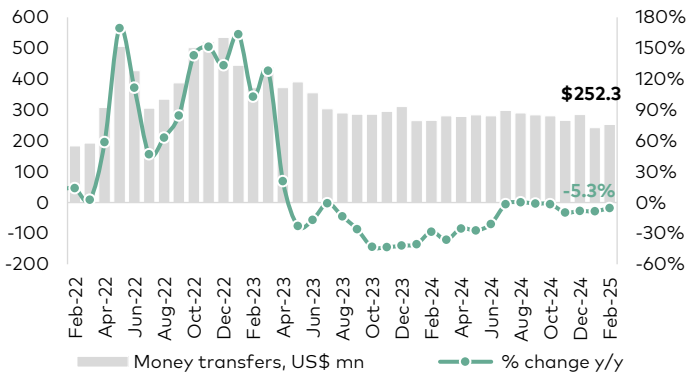
Source: Geostat

Imports by product, 2M25



Source: Geostat

Money transfers to Georgia



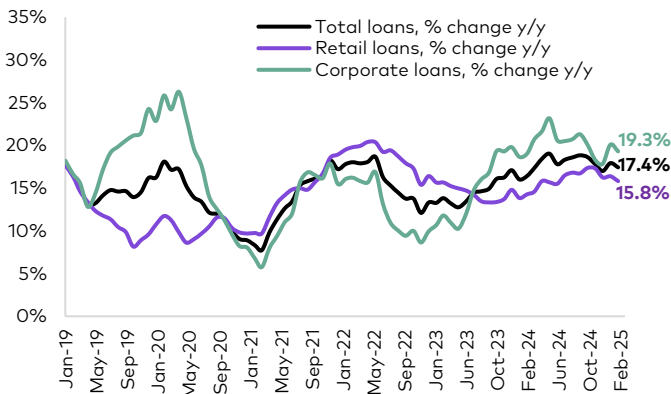
Source: NBG

Tourism revenues, US\$ bn



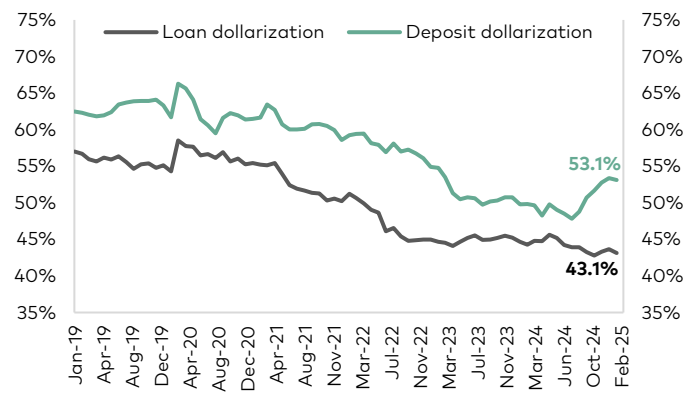
Source: NBG, Galt & Taggart

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 |
|---------------------------------------|--------|--------|-------|-------|-------|--------|--------|-------|-------|-------|-------|
| 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 | 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 | 35.6 |
| 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 | 9,628 |
| 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 | 2.85 |
| GEL per US\$, eop | 2.39 | 2.65 | 2.59 | 2.68 | 2.87 | 3.28 | 3.10 | 2.70 | 2.69 | 2.81 | 2.88 |
| GEL per EUR, ave | 2.52 | 2.62 | 2.83 | 2.99 | 3.15 | 3.55 | 3.82 | 3.08 | 2.84 | 2.94 | 3.05 |
| GEL per EUR, eop | 2.62 | 2.79 | 3.10 | 3.07 | 3.21 | 4.02 | 3.50 | 2.88 | 2.98 | 2.93 | 3.13 |
| 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 |
| Government Finances | | | | | | | | | | | |
| Budget revenues, % of GDP | 27.0% | 27.5% | 27.0% | 26.5% | 26.4% | 25.3% | 25.6% | 27.2% | 27.9% | 28.7% | 28.4% |
| Budget expenses, % of GDP | 28.1% | 28.9% | 27.8% | 27.2% | 29.1% | 34.5% | 31.9% | 29.6% | 30.2% | 31.3% | 30.9% |
| 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% | 35.9% |
| External Sector | | | | | | | | | | | |
| Current account, US\$ bn | -1.8 | -1.9 | -1.3 | -1.2 | -1.1 | -2.0 | -1.9 | -1.1 | -1.7 | -1.5 | -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% | -5.2% |
| 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 | 4.2 |
| 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 | 24.8 |
| 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% | 70.4% |
| 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: NBS, 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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