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German Economic Team

ECONOMIC MONITOR
GEORGIA

Overview

- 2025: Growth remains high at 7.4% yoy, mainly driven by consumption. Services (including tourism) remain strong in sectoral terms
- 2026: Growth expected to normalise towards the long-term trend growth rate of around 5%
- Exchange rate appreciates to 2.70 GEL/USD over the course of the year, partly due to USD weakness
- Reserves reach a new record high (USD 5.8 bn) following strong purchases during the year (USD 1.8 bn) and an increase in the value of gold reserves (USD 363 m)
- However, inflation has been rising gradually since the end of 2024 (Nov-25: 4.8%); the policy rate has remained unchanged at 8% since mid-2024
- Exports and imports of goods continue the trend from 2024 with growth of around 8%
- Exports of services rise slightly, with strong momentum in IT exports
- The budget deficit has been around 2.5% since 2024 and is expected to remain at this level, while public debt is stabilising at around 35% of GDP
- Refinancing of the Eurobond (USD 500 m) in spring 2026, risk premium relative to US: 350-400 bp

Special issue

- **Energy imports from RUS.** RUS continues to play a strong role in oil products, rising in natural gas

Basic indicators

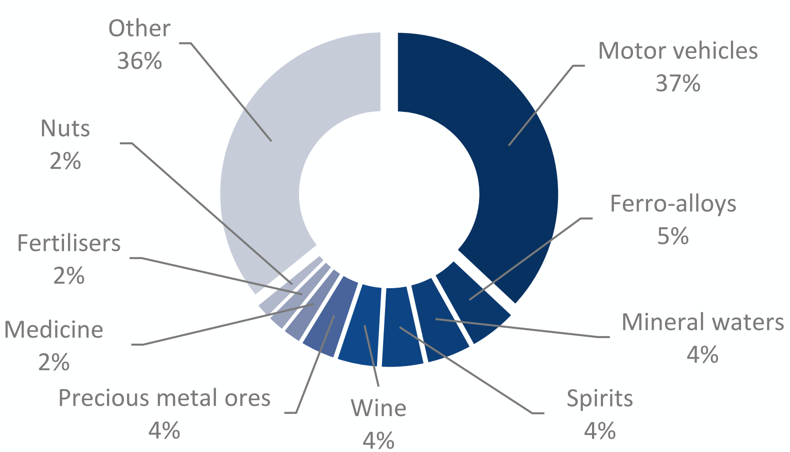
	Georgia	Armenia	Azerbaijan	Ukraine	Russia
GDP, USD bn	37.4	27.9	76.4	209.7	2,540.7
GDP/capita, USD	10,126	8,969	7,365	6,382	17,446
Population, m	3.7	3.1	10.4	32.9	145.6

Source: International Monetary Fund (IMF, World Economic Outlook, October 2025, Link); Note: data for 2025

Trade structure

Exports

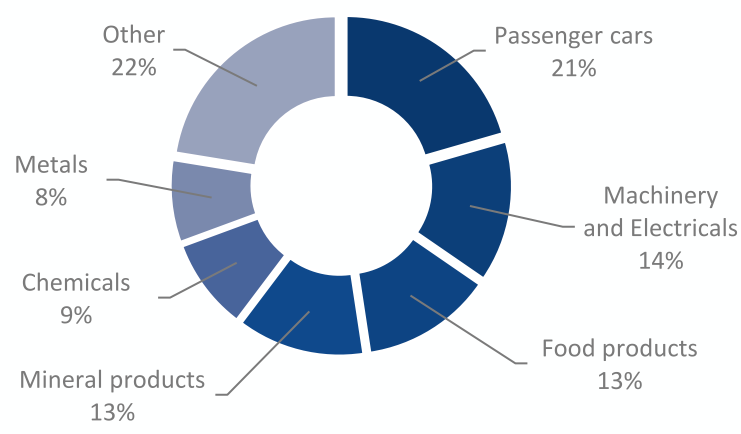
EU 9% | RUS 10% | Other CIS 59% | CHN 5% | Other 18%



Source: Geostat (2025a); Note: trade in goods, 2024

Imports

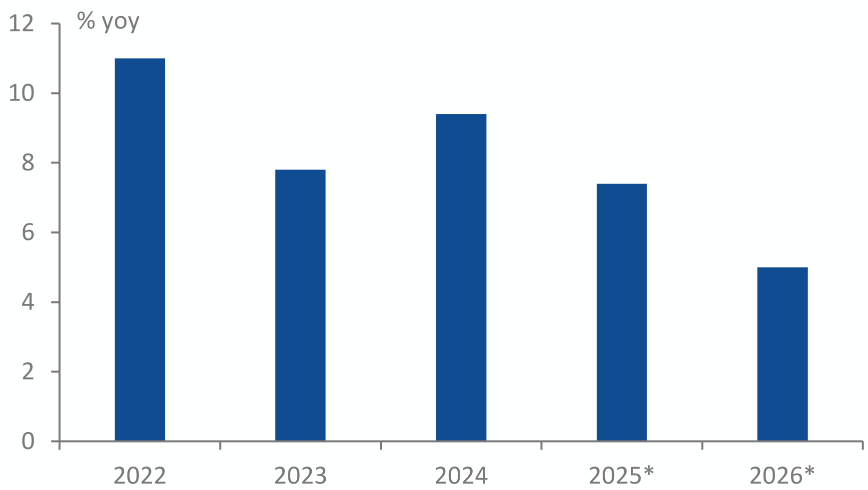
EU 27% | RUS 11% | Other CIS 9% | CHN 10% | Other 44%



Source: Geostat (2025a); Note: trade in goods, 2024

Economic growth

Real GDP growth



*Sources: Geostat, (2025a), National Bank of Georgia (NBG, 2025a); * estimates/forecasts*

Regional comparison of real GDP growth (% yoy)

	2024	2025*	2026*
Georgia	**9.4**	**7.4**	**5.0**
Armenia	5.9	4.8	4.9
Iran	3.7	0.6	1.1
Azerbaijan	4.1	3	2.5
Turkey	3.3	3.5	3.7
Russia	4.3	0.6	1.1
Germany	-0.5	0.2	0.9
EU-27	1.1	1.4	1.4

*Sources: Geostat (2025a), NBG (2025a), IMF (2025a); *estimates/forecasts*

Domestic perspective

2025

- » Estimate: GDP growth of around 7.4% yoy
- » Drivers: strong consumption and service sectors
- » Growth therefore remains high

2026

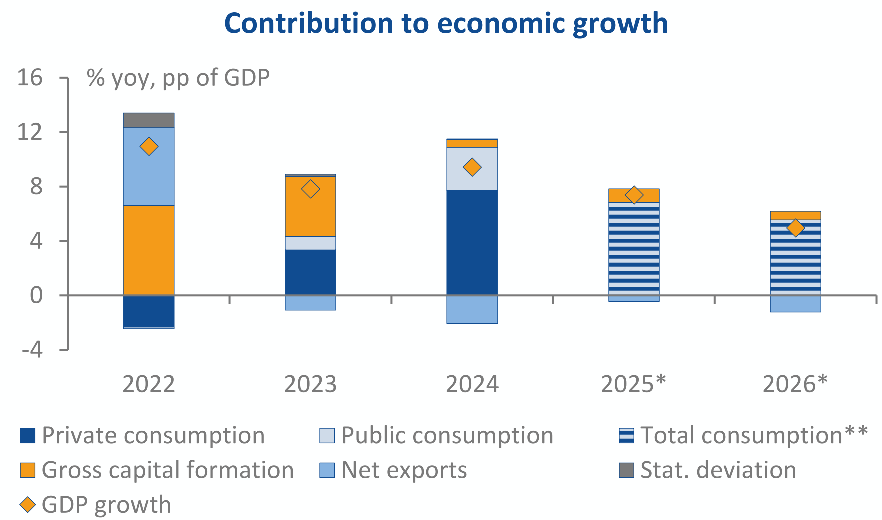
- » Forecast: growth of 5.0%, in line with potential growth

GEO in a regional perspective

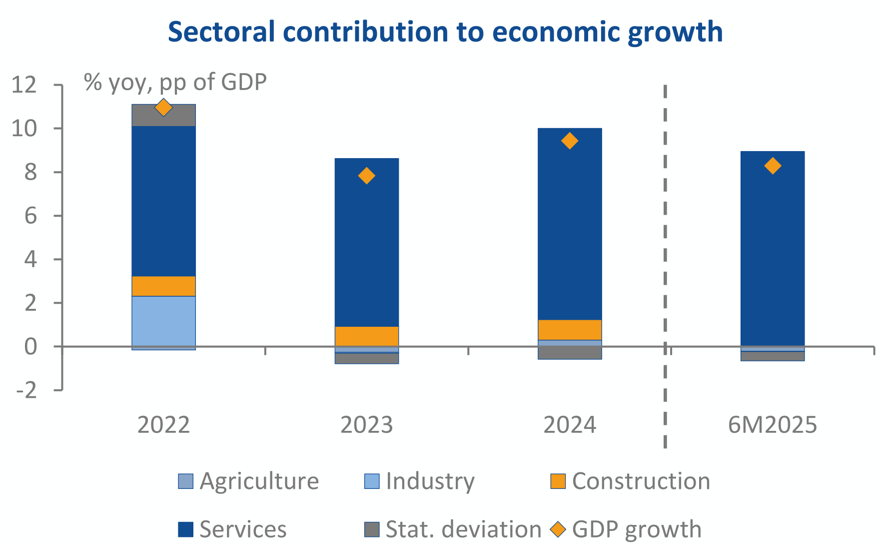
- » Very strong GDP growth in 2024/2025 relative to the comparison group
- » 2026: still the frontrunner

- ➢ 2025: continued very high growth
- ➢ 2026: return to medium-term growth path

GDP: demand and supply



*Sources: Geostat (2025a), NBG (2025b); *estimate/forecast; **Note: Data for 2024 only available for total, i.e. the sum of private and public consumption*



Source: Geostat (2025a)

Demand-side dynamics

2025

» Growth clearly driven by consumption, some normalisation after strong 2024

» Slightly positive contribution from gross fixed capital formation

2026

» Consumption remains the main driver, with only a slight decline in momentum

» Investment expected to remain stable

Supply-side dynamics

» 6M2025: Service sector remains the dominant growth driver

» Particularly strong growth in the IT sector (33% yoy)

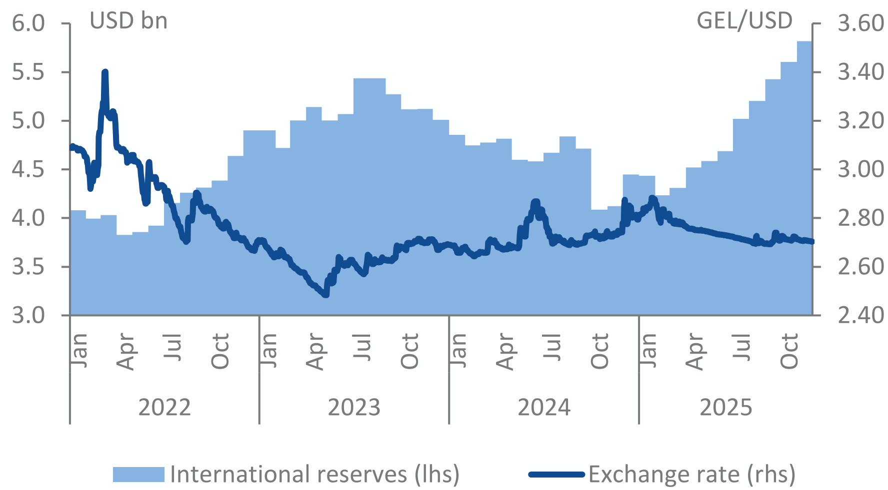
» Less momentum in the construction industry than in previous years

➢ Consumption is the main driver of growth

➢ Services remain the most important sectoral growth engine

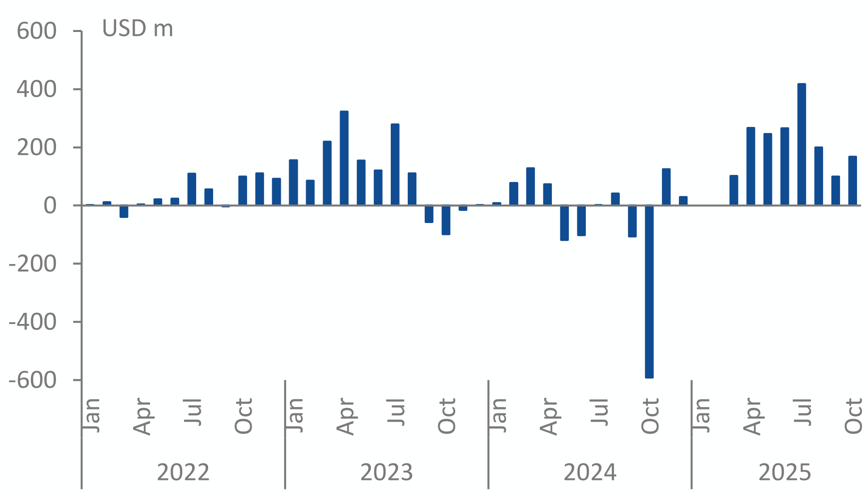
Exchange rate and current account

Exchange rate and international reserves



Source: NBG (2025c, 2025d); Note: increase indicates appreciation of GEL

NBG FX purchases by month



Source: NBG (2025c); Note: positive values indicate purchases, negative numbers indicate sales

Exchange rate

» Turn of the year 2024/2025: Depreciation pressure to just under 2.90 GEL/USD

» 2025: Appreciation to approx. 2.70 GEL/USD

» Weaker US dollar supports appreciation of the lari

FX reserves

» 2024: NBG does not think lari fluctuations are macroeconomically justified, high sales

» 10M2025: Net purchases of to USD 1.8 bn

» Additionally: increase in value of gold reserves (USD 363 m)

» Result: increase in reserves; new all-time high of USD 5.8 bn in Nov-25

Current account balance

» 2025: -4.5% of GDP, relatively low

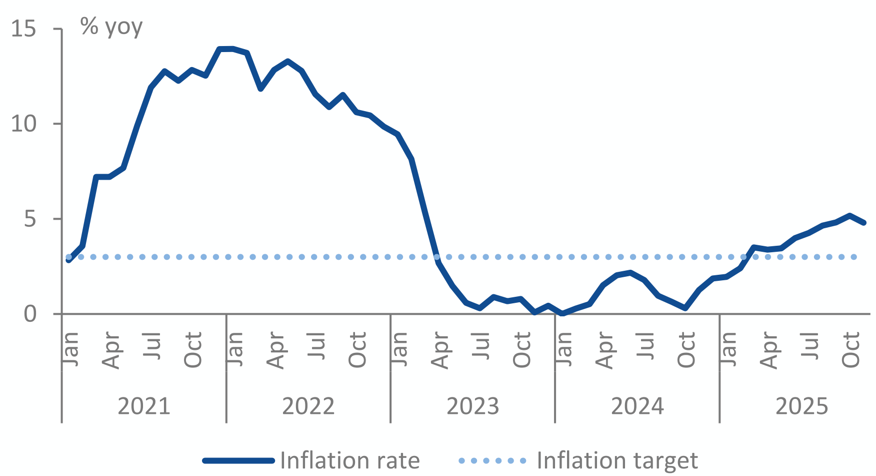
» Estimate for 2026: -4.6% of GDP, stable

➢ Appreciation of lari over course of the year

➢ High currency purchases

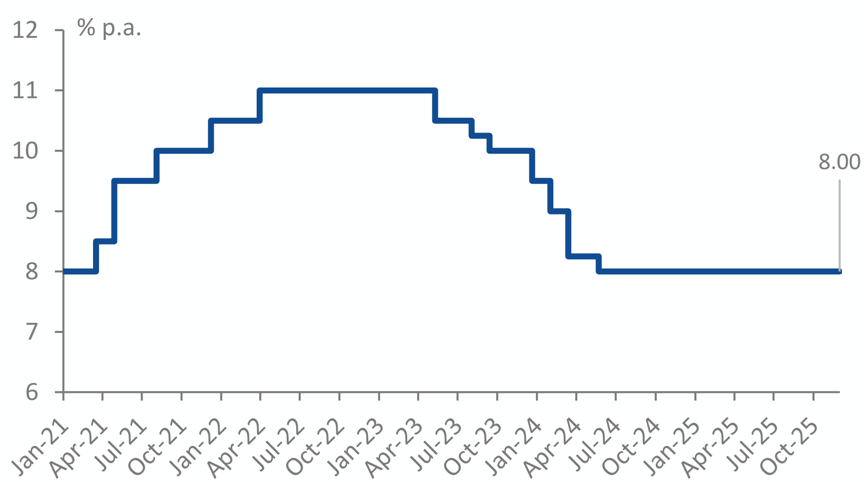
Inflation and monetary policy

Inflation rate and target



Sources: Geostat (2025c), NBG (2025a)

NBG policy rate



Source: NBG (2025e)

Inflation rate

- » 2H2023 to 2024: below 3% target
- » Gradual increase since the end of 2024, above target since Mar-25
  - » Nov-25: 4.8% yoy
  - » Driver: higher food prices
  - » Core inflation (i.e. excluding food and energy) only at 2.3%
- » NBG expects inflation to be above target for now

Monetary policy

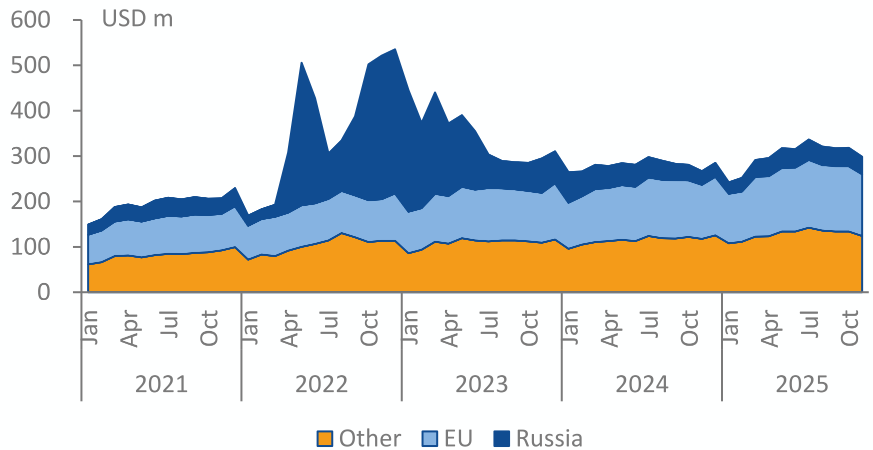
- » Since May-24, the policy rate has been kept constant at 8%
- » Further developments depend primarily on whether inflation risks persist

➢ **Inflation rises over course of the year**

➢ **Monetary policy remains unchanged**

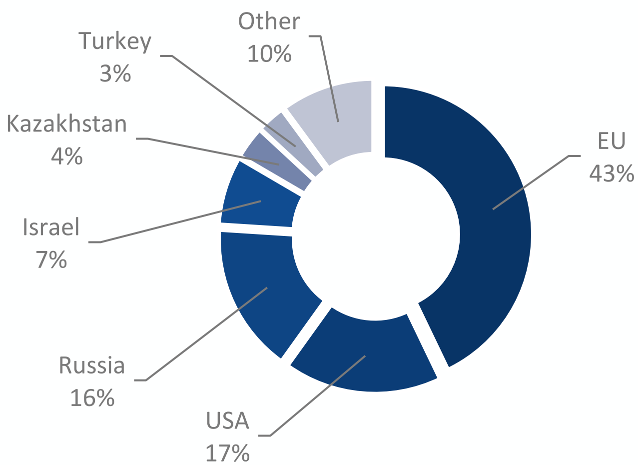
Remittances and money transfers

Monthly money transfers



Source: NBG (2025f); Note: based on USD

Money transfers by country



Source: NBG (2025f); Note: data for 2024

Background

» RUS share 2021: 18% of total remittances, declining in the long term

» 2022: Relocation drives remittances to USD 4.4 bn, RUS share: 47%

» 2023: Normalisation begins, RUS remittances decline, share falls to 37%

Development since 2024

» 2024/25: Decline in remittances from RUS continues

» 11M2025: Remittances reach a total value of USD 2.7 bn (+6% yoy)

» RUS: USD 424 m (-17%)

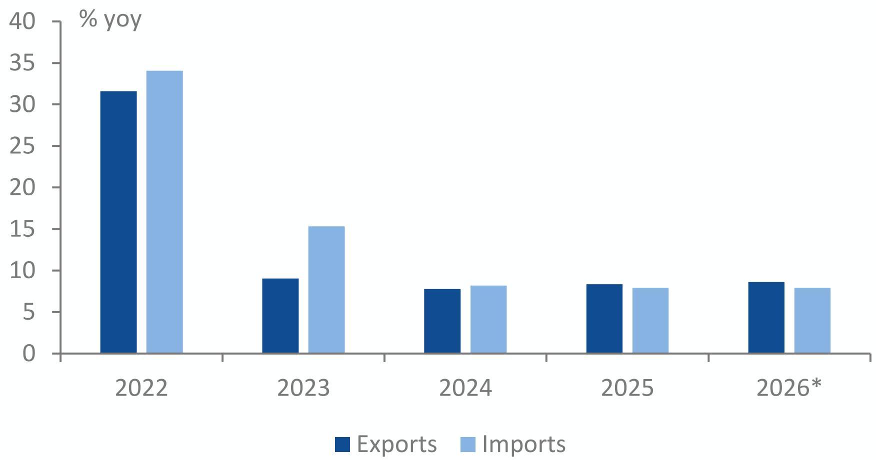
» RUS share: 12.8%, well below pre-relocation levels

➢ **Positive Dynamik setzt sich fort**

➢ **Anteil russischer Zuflüsse weiter fallend**

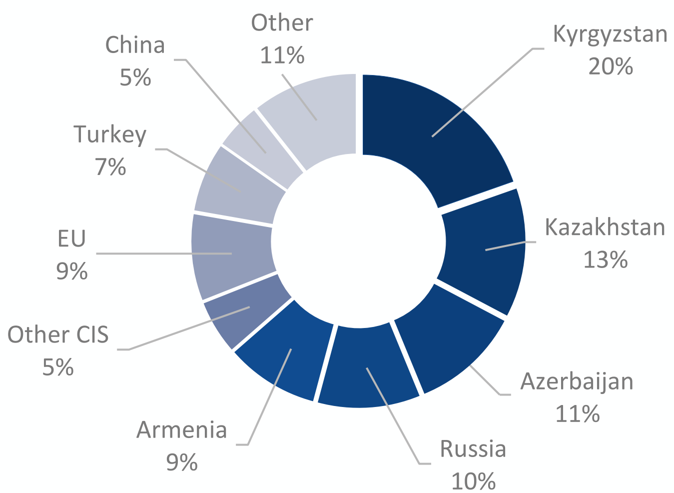
Foreign trade in goods

Foreign trade in goods



*Sources: Geostat (2025b), Ministry of Finance of Georgia (2025); *estimate, Note: trade in goods*

Exports by countries of destination



Source: Geostat (2025c); Note: trade in goods, 2024

Exports

- 2024: USD 7.6 bn, +7.8% yoy
- Forecast for 2025: +8.4% yoy
- Main driver: continued high re-exports of cars
- Wine and spirits slightly down
- Forecast for 2026: continuation of current trend (+8.6%)

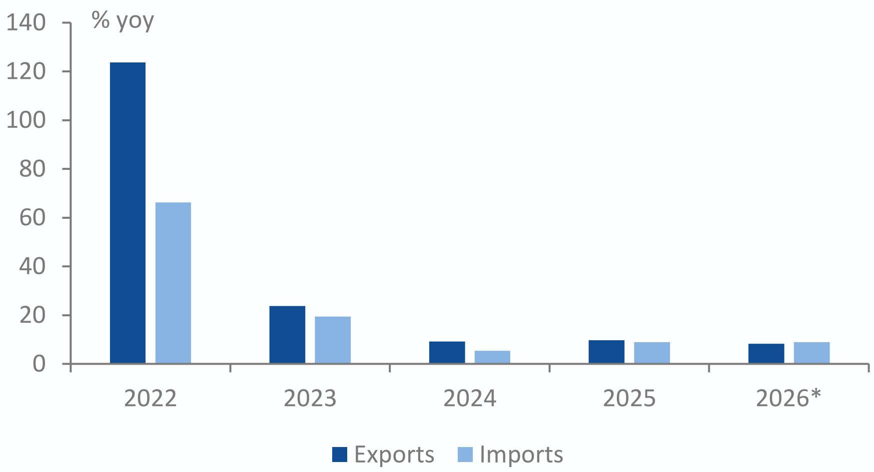
Imports

- 2024: USD 16.9 bn, +8.2% yoy
- Forecast for 2025: +7.9% yoy
- Main driver: Cars (for re-export)
- Forecast for 2026: continuation of current momentum (7.9%)

- **Reexporte bleiben von hoher Bedeutung für den Außenhandel**

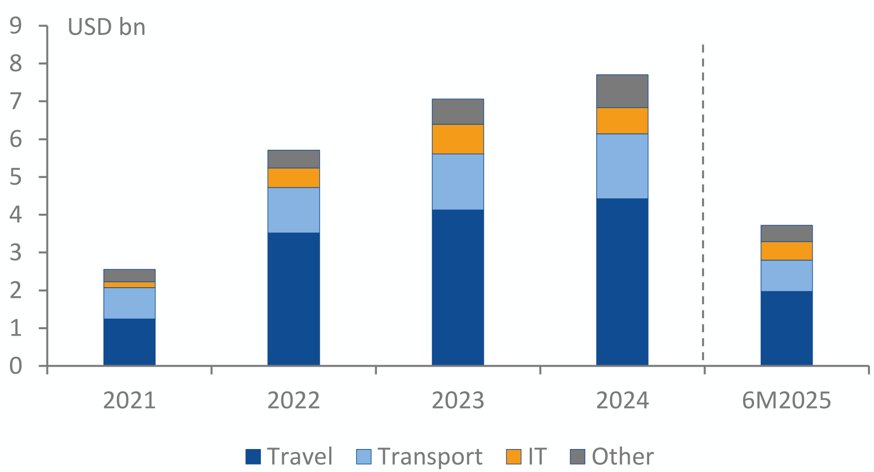
Foreign trade in services

Foreign trade in services



*Sources: NBG (2025g), Ministry of Finance (2025); *estimate*

Revenue from services exports



Source: NBG (2025g)

Services exports: overview

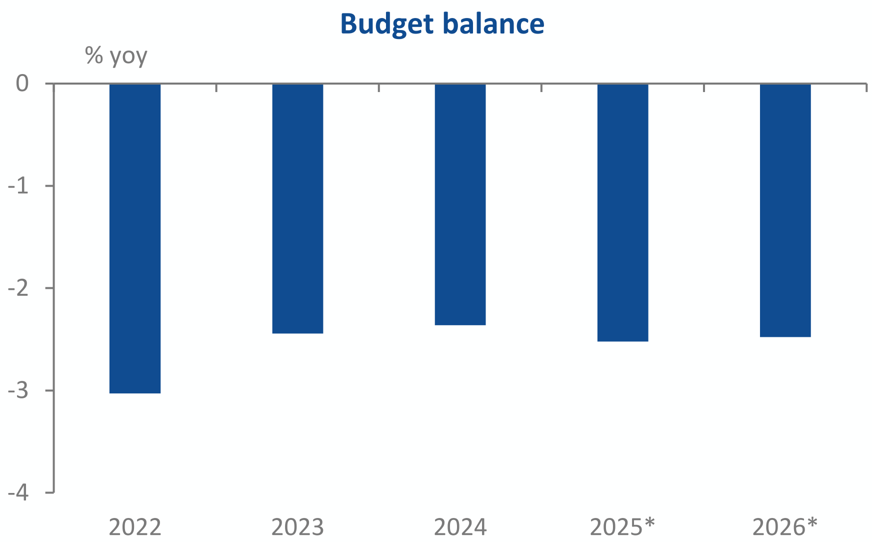
- » Service exports at a similar level to goods exports
- » 2024: USD 7.7 bn, dominated mainly by tourism (around 60% of total)
- » 2025: increase of 9.6% yoy expected, continuation of positive momentum in IT sector and tourism

Sectoral perspective 6M2025

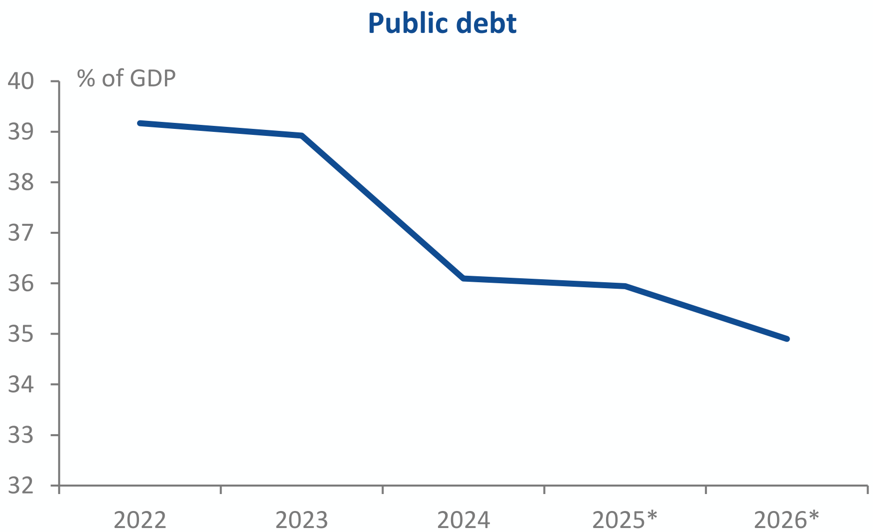
- » IT exports: very strong growth of 55% yoy
- » Transport (4.5%) and tourism (3.8%) are growing more slowly due to a high base

➢ **Strong export momentum in the service sector**

Public finances



*Source: Ministry of Finance (2025a), *estimate/forecast*



*Source: Ministry of Finance (2025a), * estimate/forecast*

Budget balance

- Deficit in 2025: 2.5% of GDP, boosted by positive economic development
- Fourth consecutive year with a deficit at/below the 3% fiscal rule limit
- 2026: Deficit expected to remain stable

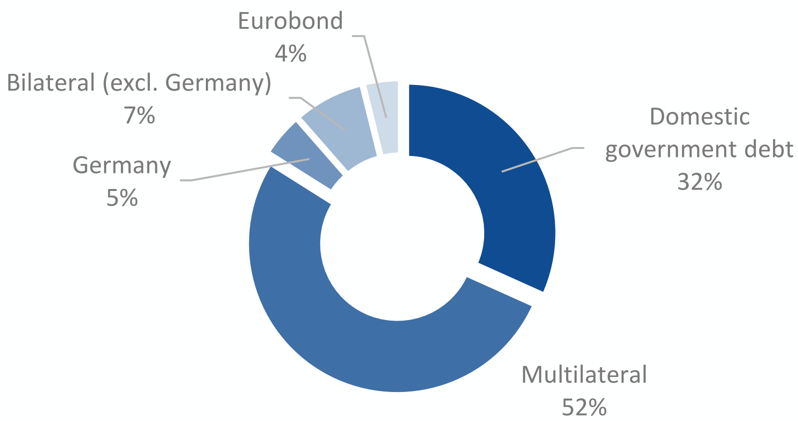
Public debt

- Significant improvement in debt ratio thanks to high growth rates and appreciation of the lari
- 2025: 35.9% of GDP
- 2026: expected decline in debt ratio to 34.9%

- **Deficit expected to remain stable**
- **GDP growth and lari appreciation improve public debt ratio**

Public debt and Eurobond risk premium

Composition of public debt



Source: own display based on data by Ministry of Finance (2025b und 2025c); October 2025

Eurobond risk premium to US Treasury Note

Source: own calculations based on Börse Frankfurt (2025a und 2025b)

Overview

» Public debt mostly financed by multilateral and bilateral loans

» Long-term trend: increase in domestic government debt (GEL denominated)

» Eurobond
  - Value: USD 500 m, maturity: Apr-26
  - At issue (Apr-21): yield approx. 200 bps higher than US Treasury Note with same maturity (risk premium)
  - Development of risk premium indicates market perception of GEO as a lender

Development since 2024

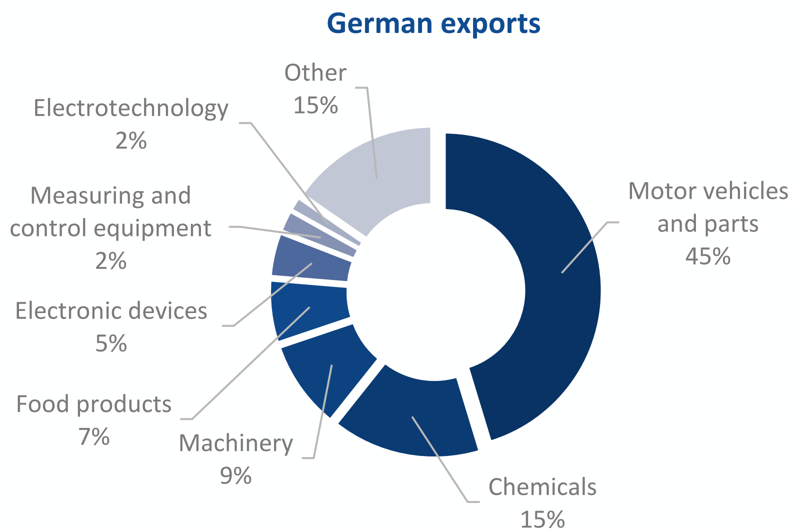
» Risk premium significantly increased relative to the end of 2023 (granting of EU candidate status), currently around 350-400 bp

» Effect: probably higher interest costs when refinancing the Eurobond in Apr-26

➢ **Erhöhte Risikowahrnehmung und Zinskosten, sobald Eurobond refinanziert wird**

Bilateral trade between Germany and Georgia

Source: Statistisches Bundesamt (Destatis, 2025); Note: trade in goods



Source: Destatis (2025); Note: trade in goods 2024

Trade balance in 8M2026

- German exports: EUR 621 m
- German imports: EUR 77 m
- Balance: EUR 544 Mio. m

German exports to Georgia

- 8M2025: -8.9% yoy, slight decline in exports, from a high base in 2024
- Vehicles (especially motor cars) and chemical products remain the main export goods

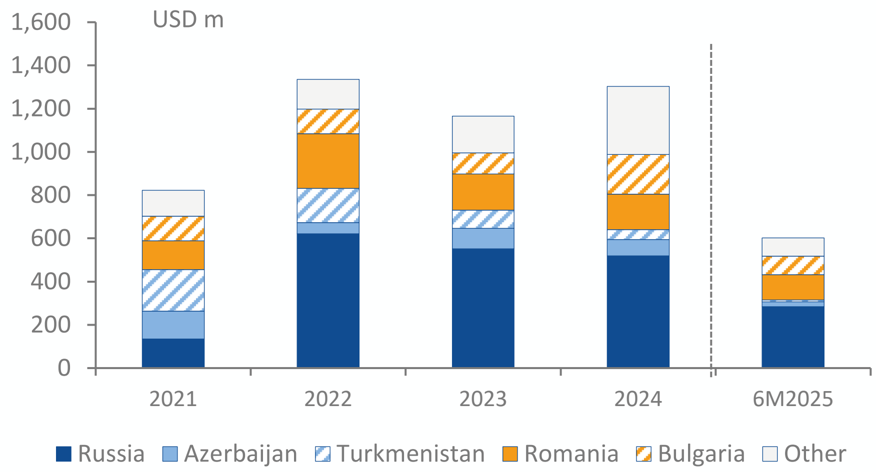
German imports from Georgia

- 8M2025: +31% yoy, imports recover after decline in 2024

- German export dynamics remain strong thanks to robust car exports
- Imports rise from a low base

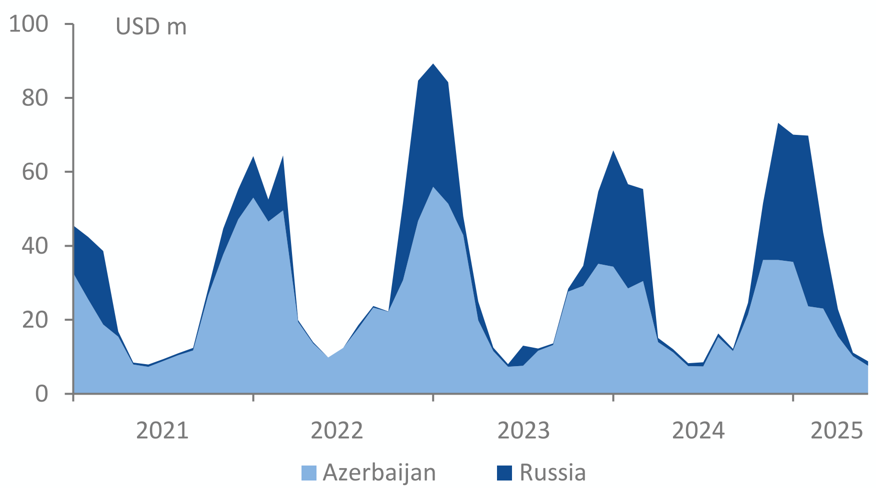
Energy imports from Russia

Imports of oil products



Source: Geostat (2025d)

Monthly natural gas imports



Source: Geostat (2025d)

Oil products

- » Shift in import structure since the start of the war in UKR
- » RUS Urals oil became (relatively) cheaper
- » Result: RUS share increased significantly
  - 2021: diversified, approx. 16%
  - 2022/2023: up to 70% at times
  - 2024: stable at approx. 40%
  - 6M2025: 47%, due to high imports at the beginning of the year

Natural gas

- » Seasonal pattern for imports
  - Summer: almost exclusively AZE (hydropower covers electricity demand)
  - Winter: additional supplies from RUS (heating demand plus low hydropower)
- » RUS share rises over the years, from 21% (2021) to 39% (2024)

➢ RUS role in energy imports remains high

Sources (1/2)

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About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia* and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Within the framework of project activities in Georgia, we are in contact solely with reform-oriented partners for the time being; in Belarus advisory activities are suspended.*

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