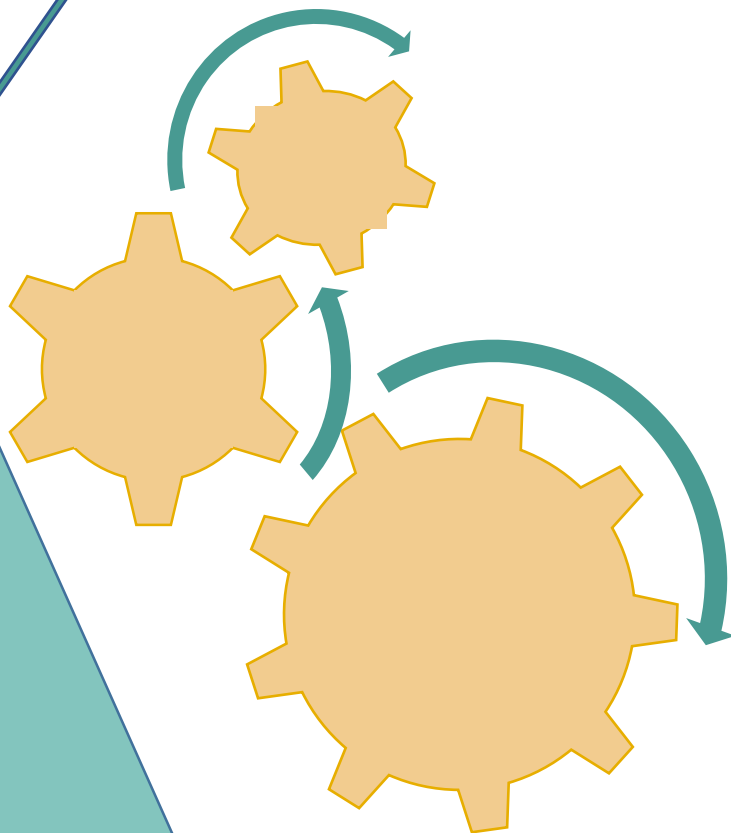


Ministry of Finance of Georgia



Quarterly Economic Outlook

I Quarter, 2025



Brief Summary

- Economic growth for 2024, according to preliminary data, equals to 9.4 percent
- Average economic growth for the first 3 months of 2025 equals to 9.3 percent, while it was 8.4 percent in the fourth quarter of 2024
- Annual inflation in the first quarter equals to 2.6 percent, while core inflation (w/o tobacco) equals to 2.1
- Domestic export decreased slightly by 0.1 percent annually in the first quarter of 2025
- Import increased by 20.1 percent annually in the first quarter of 2025
- Revenues from tourism increased compared to the first quarter of 2024 as well as the 2019 level
- The National Bank of Georgia kept the refinancing rate at 8.0 percent

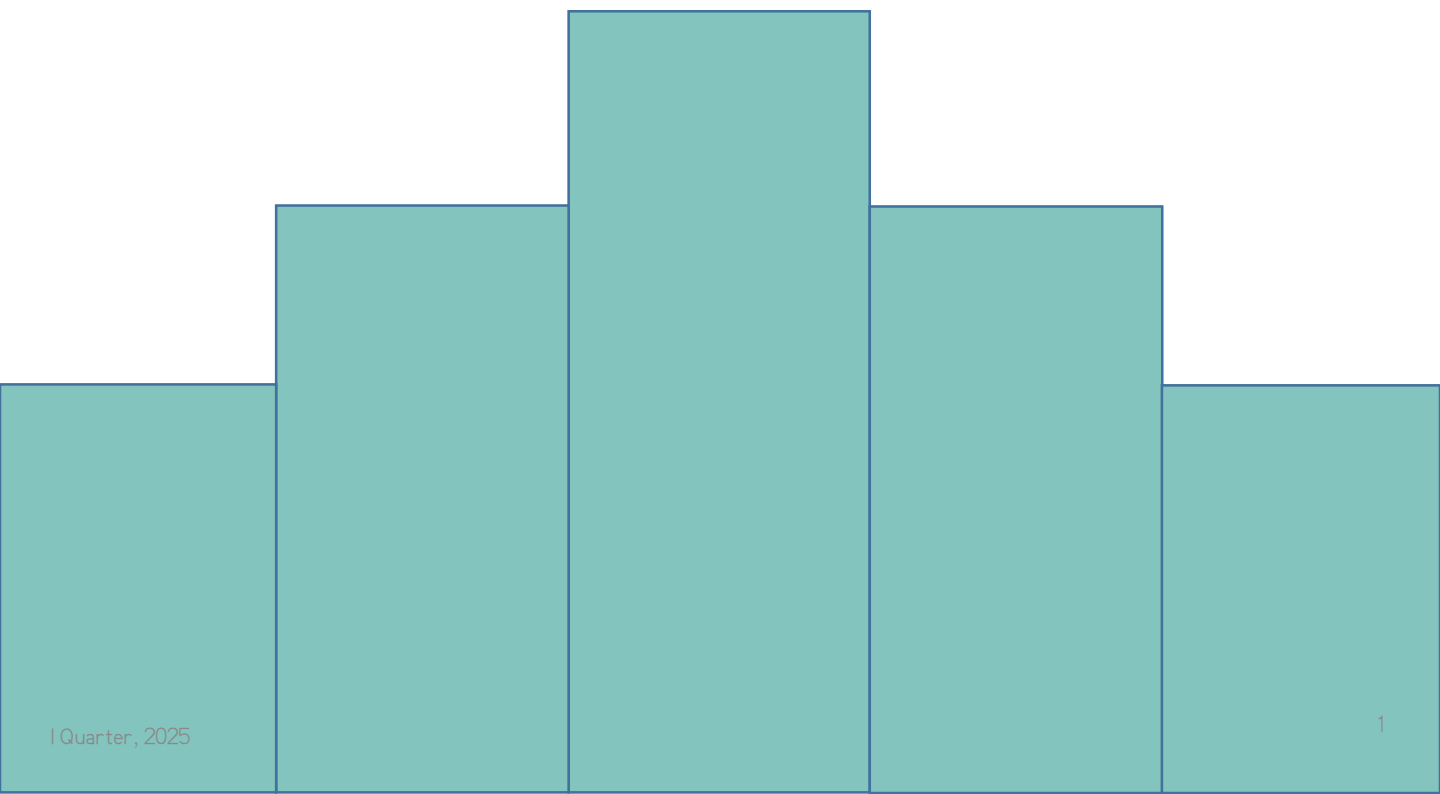


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Real Sector

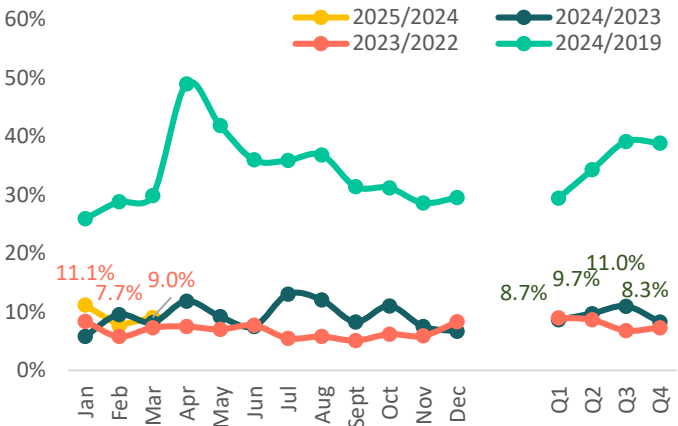
Economic Growth

According to the preliminary data, in the fourth quarter of 2024 real GDP increased by 8.3 percent, relative to same period of the previous year, while growth in previous quarters amounted to 8.7, 9.7 and 11.0 percent, respectively. At the same time, compared to the corresponding period of 2019, economic growth was 38.9 percent in the fourth quarter. In the first quarter of 2025, average economic growth was 9.3 percent: 11.1 in January, 7.7 in February and 9.0 percent in March. Total exports in the first quarter increased annually by 5.7 percent, while imports increased annually by 20.1 percent. At the same time, compared to the first quarter of 2019, exports increased by 69.4 percent and imports increased by 102.9 percent. Considering tourism, compared to the pre-pandemic situation, revenue from international travelers increased by 42.8 percent compared to 2019 in the first quarter, while it increased by 2.3 percent compared to previous year. There was a 4.1 percent decrease in the net remittances compared to the same period in the previous year.

Real GDP grew by 9.4 percent annually in 2024, which means an increase of 35.8 percent compared to the corresponding period of 2019. export increased by 7.8 percent in 2024, while import increased by 8.8 percent. There was 7.3 percent increase in tourism revenues and reduction in remittances by 21.3 percent.

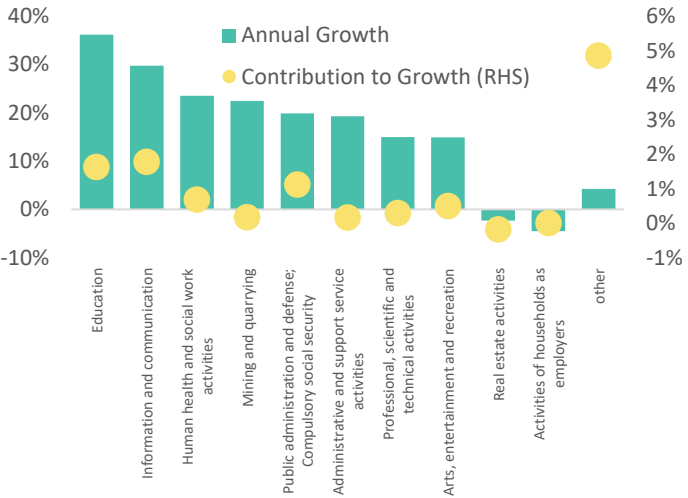
In the fourth quarter of 2024, consumption and export component made a significant contribution to the overall growth in real terms and contributed to the increase by 6.7 and 3.9 pp., the investment component also made a significant contribution, which contributed by 2.5 p.p. At the same time, the contribution of the import component in the real terms decreased and it was negative 4.8 pp.

Figure 1: Economic Growth



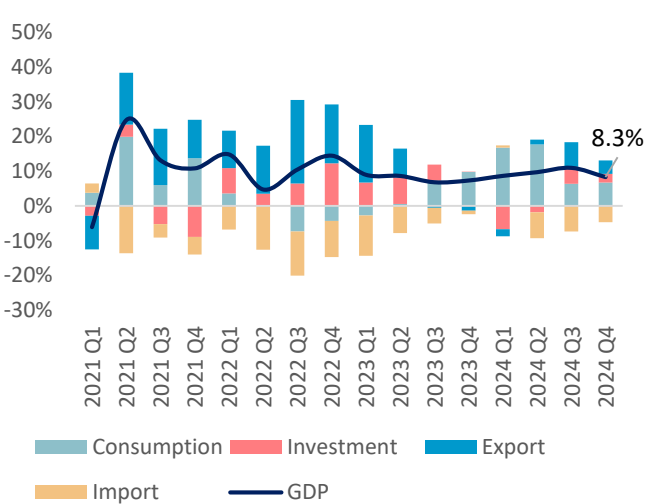
Source: Geostat

Figure 2: Real Sectoral Growth, 2024 Q4



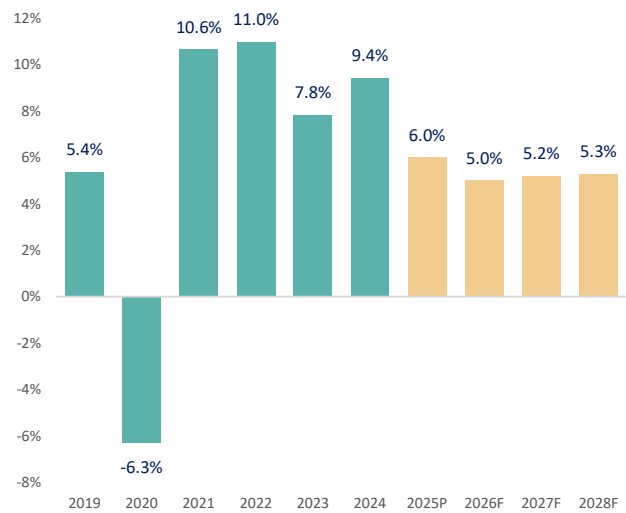
Source: Geostat

Figure 3: Decomposition of Economic Growth



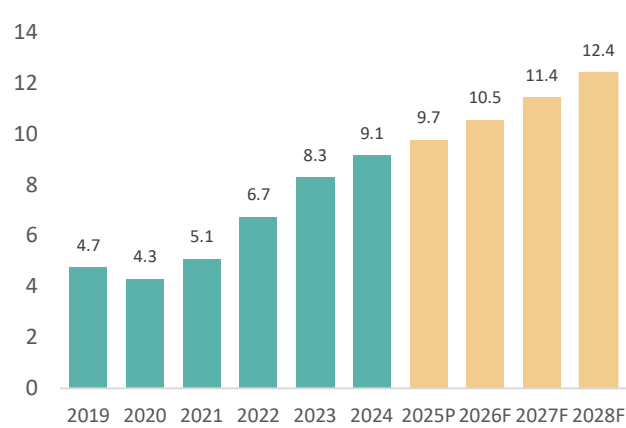
Source: Geostat

Figure 4: Economic Growth Projection



Source: MOF

Figure 5: GDP per capita, ths USD



Source: MOF

In the fourth quarter of 2024, the following sectors made a significant contribution to growth: education – 36.2% y/y (1.6 p.p.), information and communication – 29.7% (1.8 p.p.), human health and social work activities – 23.6% (0.7 p.p.), mining and quarrying – 22.5% (0.2 p.p.), public administration and defense – 19.9% (1.1 p.p.), administrative and support service activities – 19.3% (0.2 p.p.), professional, scientific and technical activities – 15.0% (0.3 p.p.), and arts, entertainment and recreation – 14.9% (0.5 p.p.).

Growth in 2025 will still partly depend on the current situation within the region and its impact on the Georgian economy. According to the forecast of the Ministry of Finance of Georgia, economic growth is expected to be 6.0 percent in 2025, which will be ensured by the growth of domestic demand and fiscal stimulus measures provided in the budget. The economic growth for 2025-2028 will see an average growth of 5.4 percent.

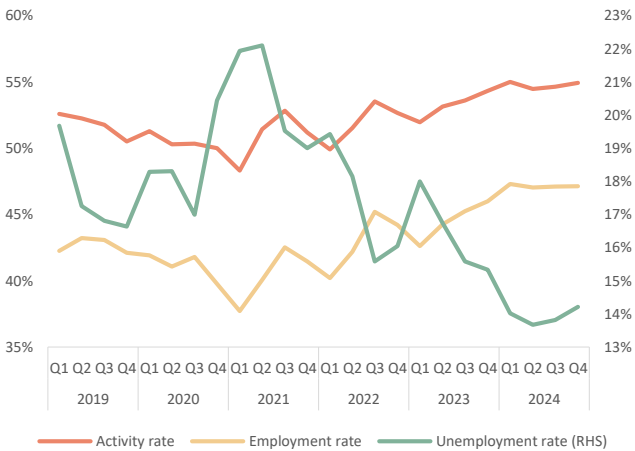
Employment and Unemployment

In the fourth quarter of 2024, the unemployment rate was 14.2 percent, which is 0.4 p.p. higher than the value of the previous quarter and 1.1 p.p. lower compared to the corresponding period of the previous year. Among them, unemployment in urban areas was 14.8 percent (-1.4 p.p. y/y), and in rural areas – 13.4 percent (-0.6 p.p. y/y). In the fourth quarter of 2024, the economically active population made up 54.9 percent of the working-age population (population aged 15 and older). In the fourth quarter of 2024, the unemployment rate for women was 11.1 percent, and for men it was 16.7 percent.

In the fourth quarter of 2024, compared to the corresponding period of the previous year, the number of employees increased by 2.9 percent and the employment level increased by 1.1 percentage points. In the same period, the number of unemployed decreased by 5.9 percent annually. At the same time, the average nominal salary of employees increased by 8.5 percent, which amounts to 2217.5 GEL as of the fourth quarter of 2024.

In the fourth quarter of 2024, there was an 5.2 percent increase in productivity compared to the corresponding period of the previous year. Productivity is calculated as the growth rate of the ratio of real GDP to the number of employees.

Figure 6: Indicators of Labor Market



Source: Geostat

Figure 7: Productivity and Average Wage of employees (annual change, %)



Source: Geostat

Price Level

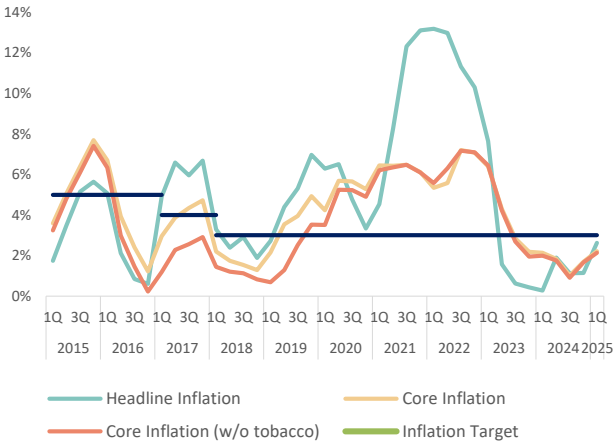
After double-digit inflation was recorded at 11.9% in 2022 and peaked at 13.3% in May, it began to decline and this trend continues in current period as well. Due to the high base effect on the one hand, and the tightened monetary policy on the other hand, the inflation level decreased in 2023 and the same trend continued in 2024. This was influenced by the decrease in the commodity prices on global market, as well as the prices of food products and oil. The downward impact on annual inflation also depends on the appreciation of the exchange rate, which reduces the impact of imported goods and food prices on the inflation rate.

According to the latest forecast of the International Monetary Fund (April, 2025), world inflation decreased to 5.7 percent in 2024 from 6.6 percent in 2023, and it is also expected to decrease to 4.3 percent in 2025, which means higher than targeted inflation for advanced and emerging economies. It is expected that the inflation will be higher than 5 percent for developed countries in 2025, which was 7.7 percent in 2024. The International Monetary Fund cites the reasons of the Inflation uncertainty caused due to the trade tariffs as supply shock, on the one hand, which increases the unit costs, and the negative demand shock, on the other hand, which reduces the inflation pressure.

Inflation was recorded below the target of 3% in 2023 in Georgia and amounted to 2.5%, while the average inflation was 1.1 percent in 2024, lower than the target inflation. The source of low inflation is the tight monetary policy and reduced inflation expectations, low inflation of domestically produced products and lower fuel prices. Due to the base effects and higher demand, inflation increased gradually and equaled 2.6 percent in the first quarter of 2025, while core inflation was 2.1 percent.

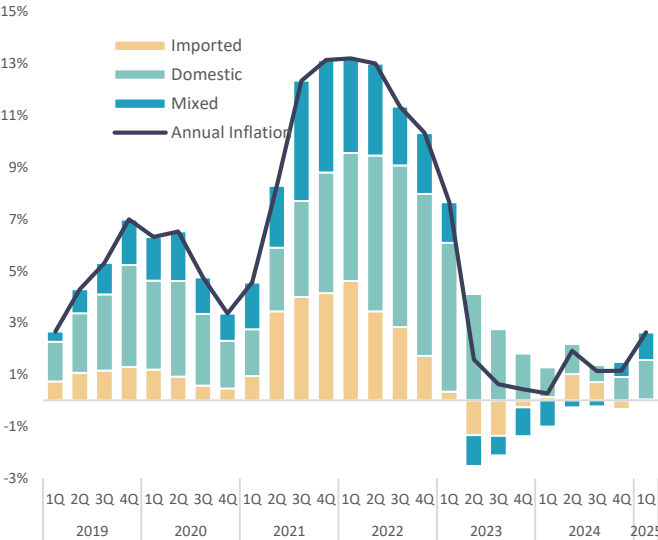
On March 12, 2025, the Monetary Policy Committee of the National Bank made a decision to keep the monetary policy rate at 8.0 percent level, after keeping it from May

Figure 8: Annual Inflation



Source: NBG

Figure 9: Decomposition of Inflation

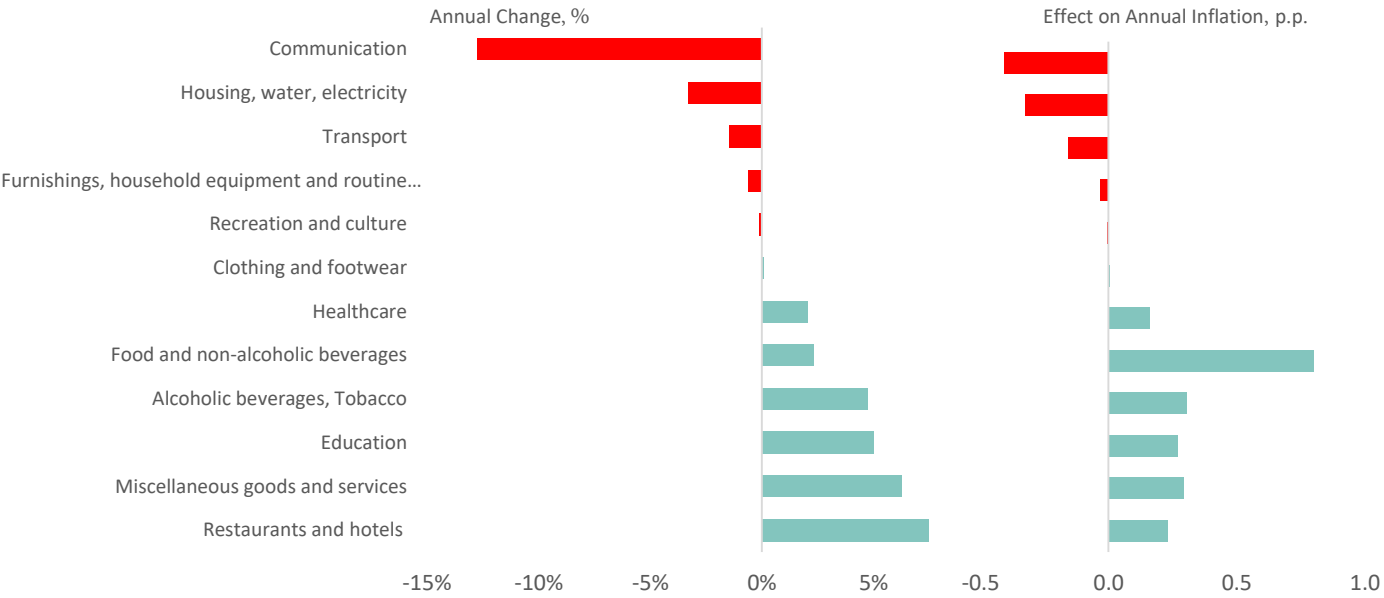


Source: NBG, Geostat

2024, due to the low-inflationary environment maintained in Georgia. One of the main risks of inflation is exchange rate volatility, which has become noteworthy as it creates inflationary pressures from imported goods. Also despite recent declines in international oil prices, global food prices have risen steadily from Q4 2024, so NBG continues to reduce the policy rate only at a slow pace.

In the first quarter of 2024, the contribution of domestic inflation was 1.5 percent, while imported inflation had 0 percent contribution.

Figure 10: Decomposition of Inflation, 2025 Q1



Source: Geostat

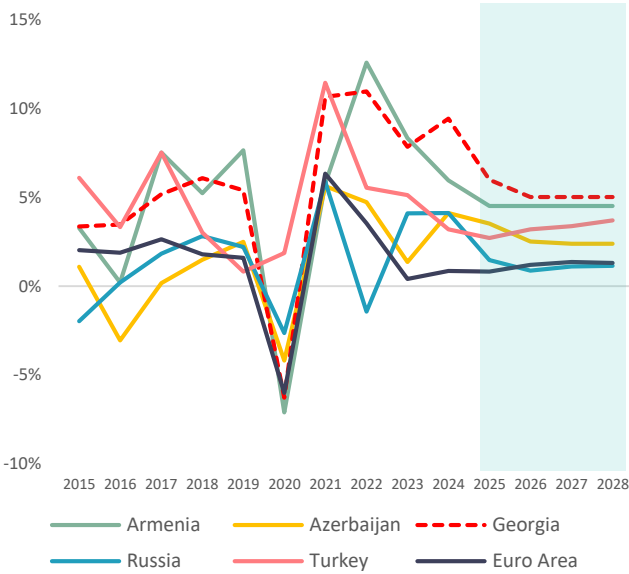
Economic Outlook of the Region

In April, 2025 the IMF revised forecasts for major economies. According to the latest WEO, the global economic growth for 2023-2024 years stood at 3.3 percent level. As for the 2025 estimates, the weaker economic data revealed for global growth at 2.8 percent for the whole world. According to the previous IMF WEO (published in October, 2024), the world economy in 2025 was expected to grow by 3.2%. The reduction in expected growth for 2025 is driven by advanced economies, especially by the USA's, Chinese, Russia's and Indian weaker recoveries. It is also important to note that the prospects for 2025 is less optimistic than it was expected in the previous year.

Per the IMF April, 2025 report, for 2025 and 2026 periods the WEO projections for Turkiye's economic growth are 2.7 and 3.2 percent respectively (after 3.2 percent growth in 2024). The projections for 2025 are unchanged at 2.7 percent compared to April WEO (2024). The main challenges for Turkiye remain exchange rate depreciation and high inflation. It is also relevant to mention that the tight monetary policy is close to end and the consumption starts recovering. In 2024 the actual inflation was 58.5%. The inflation is expected to fall to 35.9 percent level in 2025. Turkiye undergone changes into sovereign credit ratings in the first quarter of 2025. Fitch upgraded it to BB-, S&P to BB- (stable), and Moody's to B1.

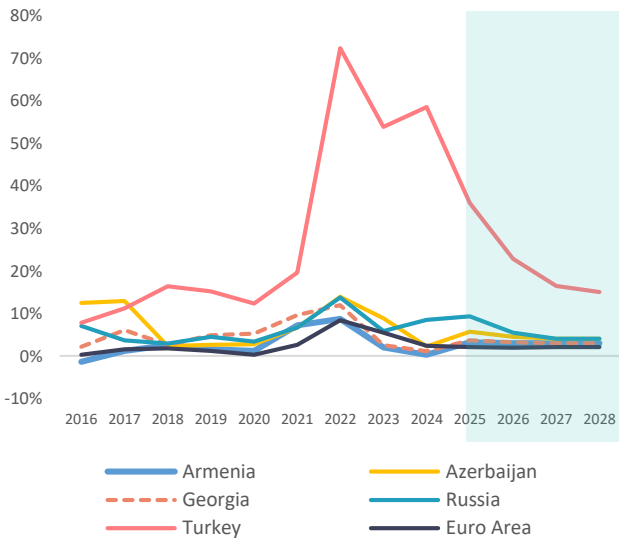
The Russian Federation economy, under the ongoing sanctions, performed better than it was expected in 2023 and 2024. However, underlined sanctions will affect its medium-term capabilities, since the large consumers, as well as the sovereign countries, wean themselves off Russia's energy and other sectors. Per the IMF's April, 2025 forecasts, the Russia's real economic growth was 4.1% in 2024. As for the period of 2025-2026, it is expected to stand at 1.5 and 0.9, respectively. In 2022 the credit rating agencies (CRA), after sharp downgrading of Russia's sovereign credit ratings, stopped assigning any ratings.

Figure 11: Economic Growth in the Region



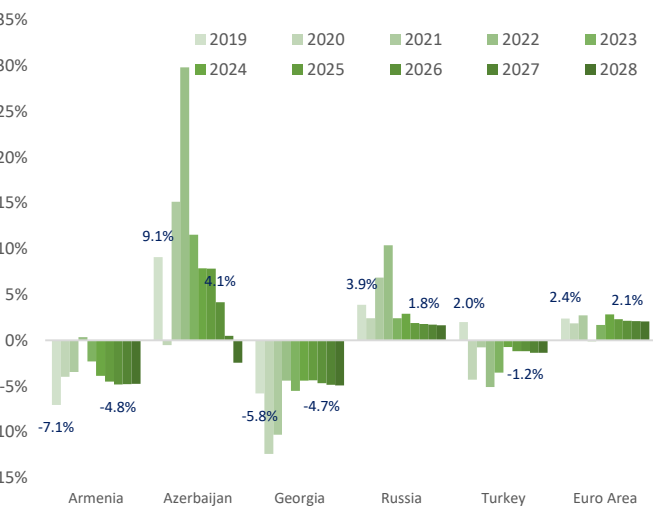
Source: IMF

Figure 12: Inflation in the Region



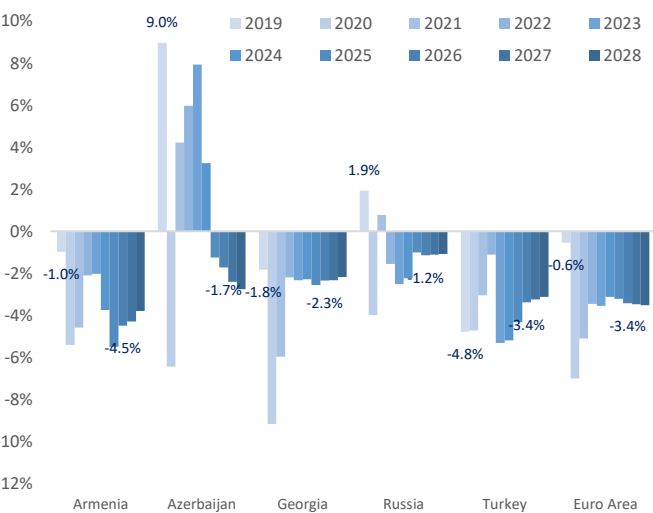
Source: IMF

Figure 13: Current Account to GDP, %



Source: IMF

Figure 14: Budget Balance to GDP, %



Source: IMF

A rising in oil prices, due to the Russia-Ukraine war, is expected to benefit Azerbaijan. As for 2025 April WEO, the economic growth has been revised upwards. After a low economic growth in 2023 (1.4%), the country experienced 4.1% real growth in 2024. Azerbaijan's real economy is expected to grow by 3.5% and 2.5% in 2025 and 2026 respectively. The country was characterized by a high inflation within past years. However, the inflation rate has a downward trend (disinflation). In 2024, the inflation was 2.2 percent and it is expected the inflation to decrease and stand at 5.7 and 4.5 per cents in 2025 and 2026, respectively. In 2024, Azerbaijan's sovereign credit ratings were BBB- (stable) according to Fitch, BB+ (stable) for S&P and Ba1 (positive) for Moody's.

Per the IMF projections, Armenia was expected to be hit hardest in our region, except the participants of war. This was predictable, since Armenia has the tightest ties to the Russian economy. But those risks did not materialize. The economy of Armenia grew by 5.9% in 2024. As for 2025 April WEO, in 2025 and 2026, Armenian economy will grow by 4.5% (in October 2024 the forecast for this indicator was 4.9 percent for 2025). Inflation was very low in 2024 (0.3 percent) and it is expected to stand at 3.2% and 3.0% in 2025 and 2026 respectively. In the first quarter of 2025 the credit ratings of Armenia are as follows: BB- (stable) according to Fitch and S&P, and Ba3 (stable) according to Moody's.

The situation around the Ukraine remains uncertain. The IMF restored the projections of the Ukrainian economy. However, the situation may change in any given time. According to the IMF latest data and projections, in 2024 the Ukrainian economy grew by 3.5 percent and taking into account a significant fall in the previous year this can be considered as a recovery. As for the short-term projections, the real GDP of Ukraine is expected to rise by 2.0% and 4.5% in 2025 and 2026 respectively. In 2024, the inflation in Ukraine was 12.9 percent and it is predictable that it will be reduced in the coming periods.

External Sector

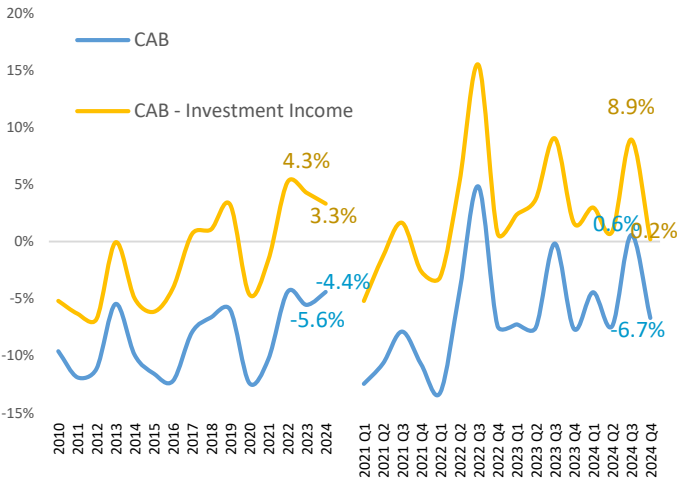
Current Account Balance

The highest current account deficit during the last years was accounted in 2020 at 12.4 percent, and after that current account balance started to improve and deficit was set at 4.4 percent in 2022. current account deficit was 5.6 percent in 2023 and again 4.4 percent in 2024. As of the third quarter, there was an improvement and current account profit was 0.6 percent, while deficit in the fourth quarter amounted to 6.7 percent.

The current account deficit of Georgia is financed by the FDI and debt. Financing the deficit by debt, means borrowing new debt and, consequently, spending more on debt service. In this regard, it is important that the current account deficit is financed by increasing foreign direct investment. The structure of financing the current account deficit has been improving recently in Georgia. The deficit was entirely financed by the foreign direct investment in 2017. After that, during the post pandemic period, the foreign debt contributes quite a lot to finance the deficit. Especially noteworthy is 2020 when the debt financing contributed sizably, 8.9 p.p out of 12.4% deficit financing. The financing structure has still improved in 2022-2023 and current account was financed fully by the FDI. As of 2024, 2.8 out of 4.4 percent deficit was financed by the FDI.

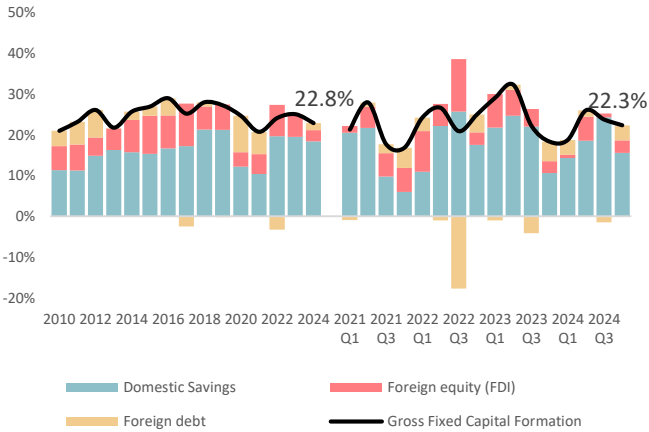
As for the fourth quarter of 2024, out of 6.7% deficit, 3.7 p.p share was due to the increase in debt, while FDI had 3.0 p.p contribution in financing. Debt contribution was negative -1.5 p.p during the third quarter of 2024 in the current account deficit, which shows the reduction in debt.

Figure 15: Current Account, % of GDP



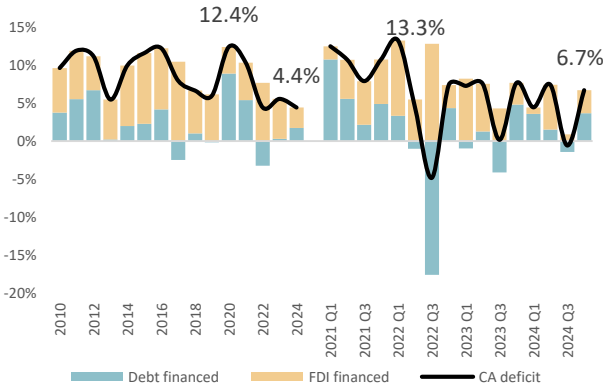
Source: NBG, Geostat

Figure 16: Financing of Investment



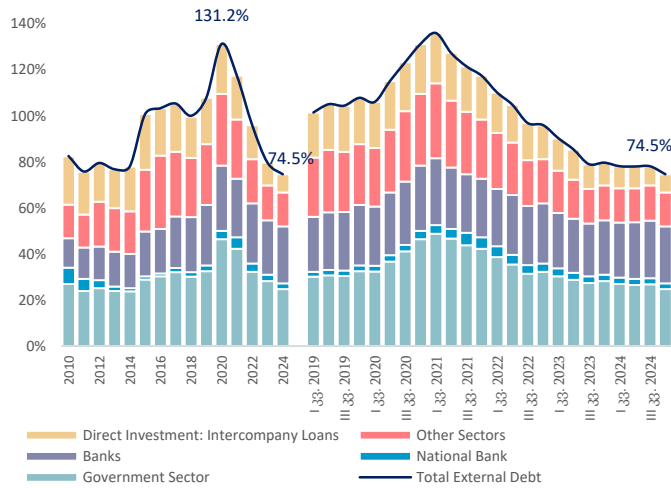
Source: NBG, Geostat

Figure 17: Financing of Current Account



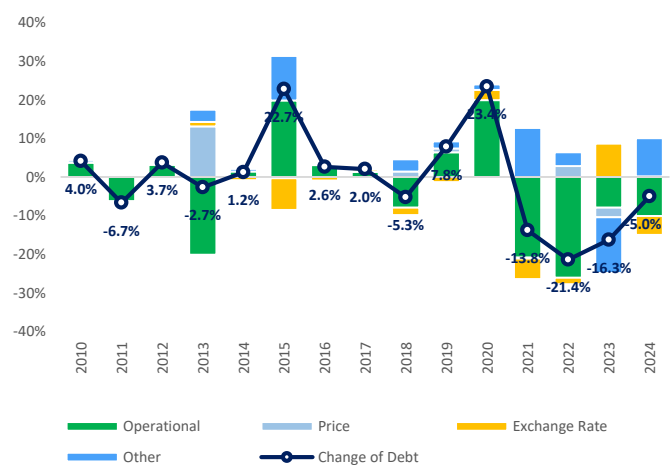
Source: NBG, Geostat

Figure 18: External Debt to GDP, %



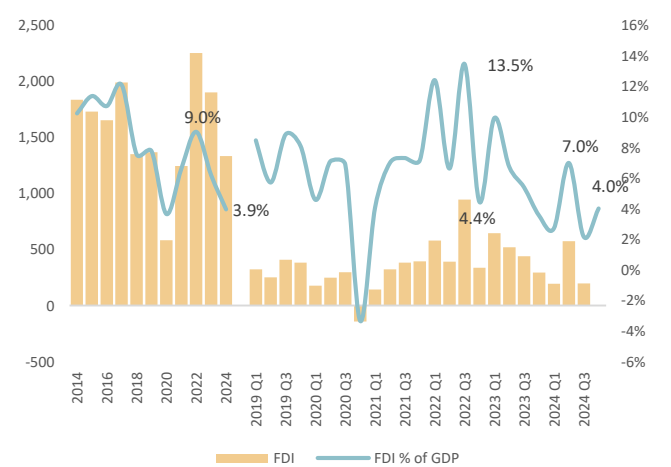
Source: NBG, Geostat

Figure 19: Change of Debt to GDP



Source: NBG, Geostat

Figure 20: Foreign Direct Investment



Source: Geostat

External Debt

Along with the current account deficit, the additional weakness of the Georgian economy is considered to be external debt which remains a main source of vulnerability. External debt consists of government sector debt, as well as foreign debts of commercial and National Banks and intercompany loans.

The total external debt increased during the pandemic and amounted to 131.2 percent in 2020. Debt increased by 23.4 p.p compared to the previous year. The main reason was increased debt taken by the government sector, due to the financing during the pandemic. External debt started to decline from 2021 and amounted to 117.3 percent of GDP, which is 13.8 p.p. less than in the previous year. The reason for the decline was the sharpening of economic activity and the corresponding growth of nominal GDP by more than expected. External debt continued to decline during 2022-2023 years and by the end of 2023 it amounted to 79.6 percent of GDP, while it decreased even further in 2024 and amounted to 74.5 percent, which is the lowest after the pandemic.

The decomposition of the change in external debt is presented in terms of operating or borrowing, as well as in terms of price effect, changes in exchange rate and in nominal GDP. The largest contribution to the growth of external debt in some quarters of 2015-2016 was due to the exchange rate depreciation, but operational change has more impact annually. Also, GDP mostly contributed to the reduction of external debt. After the pandemic, debt to GDP in USD terms decreased by 13.8 p.p and 21.4 p.p. Deficit did not require to use debt for financing for 2021-2022, due to improved current account, which helped debt to decrease. This continued in the following years and debt decreased by 16.3 p.p in 2023 and 5.0 p.p in 2024, where operational and exchange rate helped to decrease.

Foreign Direct Investments

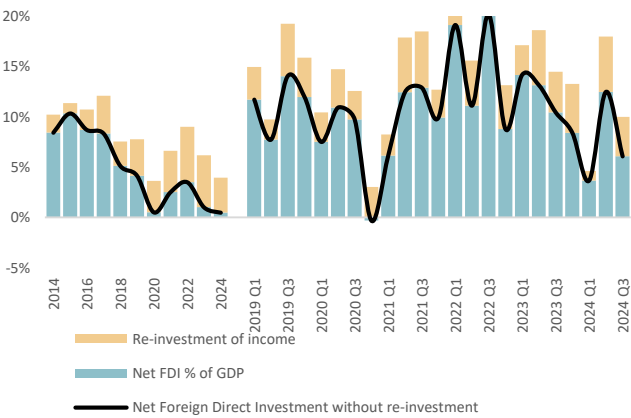
As for the fourth quarter of 2024, the foreign direct investments (FDI) amounted to 368 mln USD (4.0 percent of GDP), that was 24.4 percent higher than in 2023 Q4.

As of the fourth quarter of 2024, UK is the top investor in terms of FDI with a 60.6 percent share in totals. As for the 2nd and 3rd places, Malta and the Netherlands had 18.5 percent and 9.9 percent shares, respectively.

In 2024 Q4, the direct foreign investments were mainly allocated in the financial and insurance activities, amounted to 315 mln USD (85.7 percent of total FDI). The relatively larger share has also real estate activities, where the investments amounted 65.8 mln USD (17.9 percent).

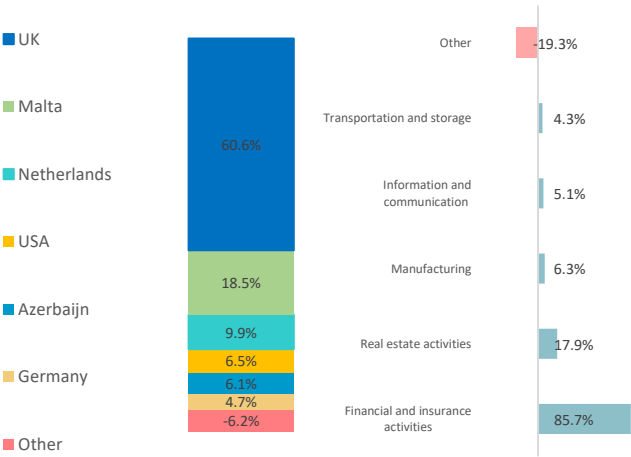
As for the components of the FDI, in the fourth quarter of 2024, reinvestment stood at 3.2 percent of GDP with the volume of 292 mln USD.

Figure 21: FDI, % of GDP



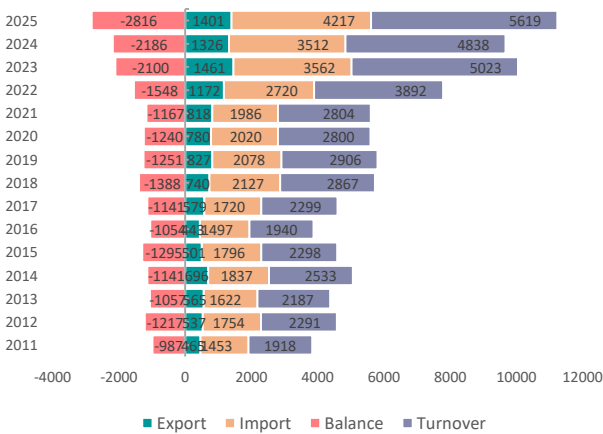
Source : Geostat

Figure 22: Composition of FDI, 2024 Q4



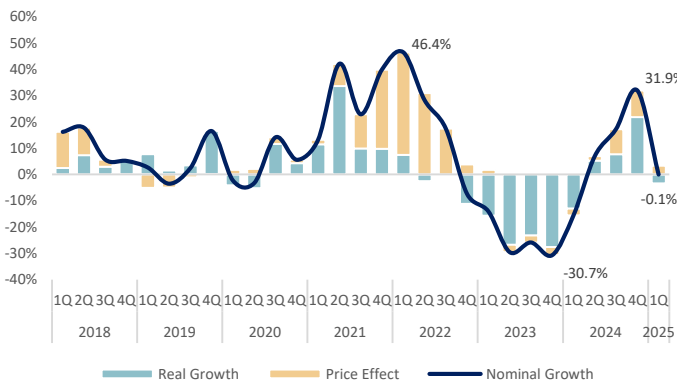
Source : Geostat

Figure 23: International Trade, January - March



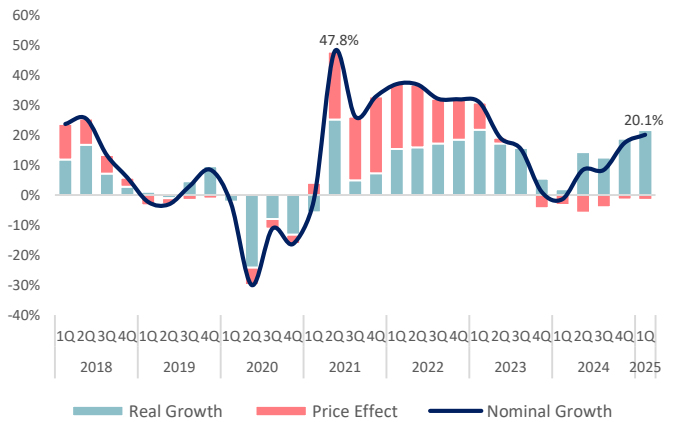
Source: Geostat

Figure 24: Annual Change of Domestic Export



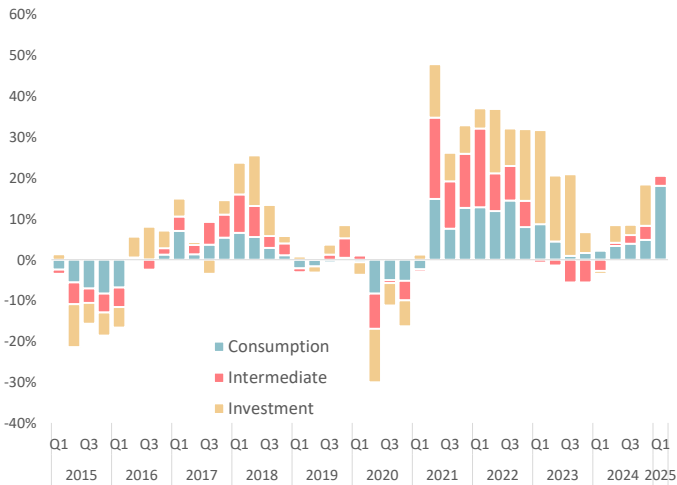
Source: Geostat

Figure 25: Annual Change of Import



Source: Geostat

Figure 26: Decomposition of Change of Import



Source: Geostat; Author's calculation

International Trade

Due to the epidemic around the world and restrictions imposed by most countries, foreign demand declined globally in 2020. All this had an impact on Georgia's economy. Due to reduced economic activity, import decreased as well, along with deteriorating exports in the first half of 2020.

In 2021, after governments started to lift up restrictions, international trade started the fast recovery. Together with increased exports, imports also started fast recovery. Moreover, higher prices caused increased price effect in the export and import growth. However, together with the reduction of the price effect, domestic export started to increase slowly in 2022 and there was a reduction in nominal growth of domestic exports driven by real reduction. As for 2023, reduction of domestic export was higher, while domestic export started to recover from 2024 after reduction by 15.6 in Q1, due to real and price effect. The growth in domestic export was 31.9 percent in the Q4 of 2024, with the 21.8 p.p contribution of real growth. Export declined by 0.1 percent in the first quarter of 2025 with the real effect of -3.4 percent and 3.3 percent price effect.

As of the first quarter of 2025, import of consumption goods increased by 51.2 percent annually (18.1 p.p. share in total imports). Reduction of imports of investment goods was observed at 1.1 percent annually (-0.4 p.p. share in total imports). As for the imports of intermediate goods, it increased by 8.6 percent annually (2.4 p.p. share in total imports). In Q1 2025, export of goods increased by 5.7 percent annually. The main driver of this growth are still motor cars (35.7 percent of total exports), ethyl alcohol (3.9 percent of total exports) and precious metal ores and concentrates (3.8 percent of total exports) have also high shares. As for the imports, motor cars, paintings, and petroleum and petroleum oils are the main imported goods, with 14.8, 11.4 and 7.1 percent shares, respectively.

Tourism

In 2023-2024, income from international travel in all four quarters fully recovered from and significantly exceeded 2019 levels. . In 2024, revenue from tourism increased by 7.3 percent compared to 2023 and by 35.4 percent compared to 2019. As in the fifth quarter of 2025, the income from tourism amounted to 826.0 million USD, which is 2.3 percent more comparing to the same period of the previous year and it is 142.8 percent of the 2019 level. In the first quarter of 2025, Russia is the largest contributor to tourism revenues, accounting for 17.2 percent of total revenues. The next contributor is Israel with 13.8 percent, and Turkey with 13.0 percent.

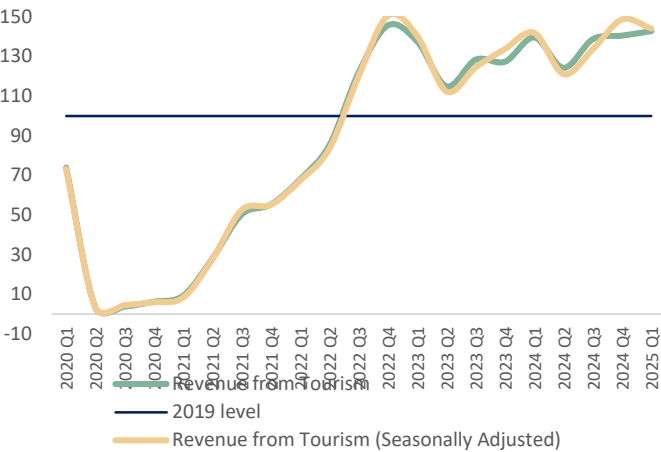
Remittances

In 2024, the net remittances reached 2,983,542 million USD. It decreased by 21.3 percent compared to the previous year. This decrease is caused by a high base effect and a significant decrease in net remittances from Russia (-66.6 percent y/y). The main contributors of the reduction were Russia (-26.1 pp) and Kazakstan (-2.3 pp). It should be noted that around 17% of net remittances in 2024 came from Russia (it was 39% in 2023).

As for the first quarter of 2025, the net remittances accounted 697.5 mln USD, which is 4.1 percent less compared to the same period of the last year. Russia made the main negative contribution to the decrease by -11.3 pp and Kazakhstan by -2.0 pp. Growth was recorded in the net remittances from the USA of 20.7 percent, which contributed positively to overall growth by 3.5 pp, while Kyrgyzstan contributed 1.5 pp (157.3 percent growth).

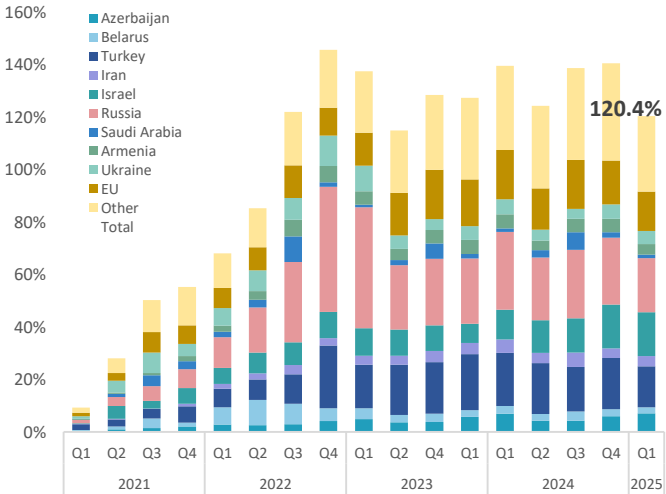
It should be noted that remittances from Russia was decreased recently and had a significant negative contribution to the growth of the net remittances. The abovementioned dynamics changed in the second quarter of 2023 when a large amount of remittances were recorded.

Figure 27: Income from Tourism



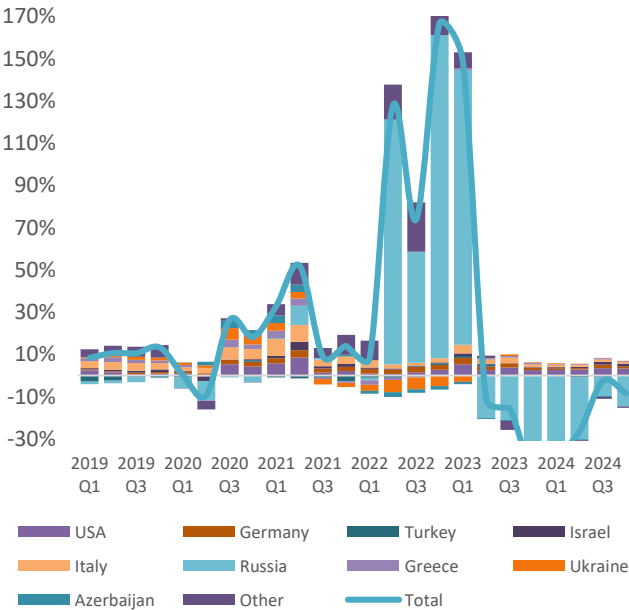
Source: NBG

Figure 28: Income from tourism, mln USD



Source: NBG

Figure 29: Net Remittances

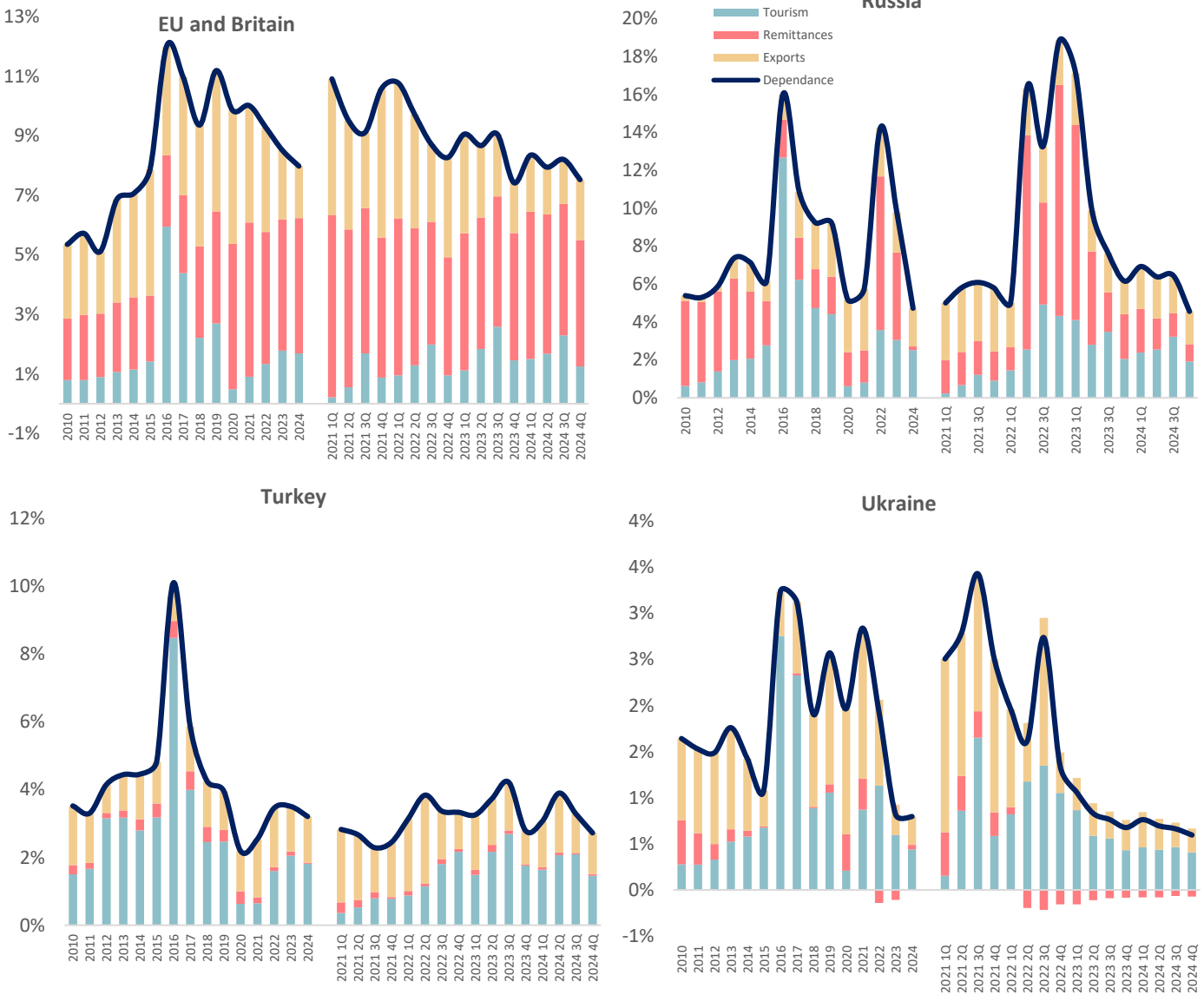


Source: NBG

Dependence on Other Countries

The Georgian economy is diversified in terms of dependency on other countries. Based on the shares of exports, tourism, and transfers in the GDP, it can be concluded that Georgia has tight economic relationships with Russia, Turkey, and the European Union. According to the Q4, 2024 data, the dependency on Russia is still high, but the reduction trend still continues, mainly due to the reduction in remittances, while tourism has also declined. The dependency on Russia is still mainly driven by the tourism, the remittances, and the exports. The dependency on Turkey has increased after the pandemic, during 2022-2023, mainly due to the revenues from tourism, while in 2024 there is a slight reduction. Within the last 3 years a fall was observed in the dependency on Ukraine, which was due to a decrease in exports of goods and remittances. The dependency on the EU maintains at a high level, but has been decreasing mainly due to the reduction in exports. The fall in dependency of main trading partner countries (such as the EU and the Great Britain, the Russian Federation, Ukraine, and Turkey) in 2023-2024 indicates to more diversified structure of the FX inflows of Georgia.

Figure 30: Dependence on Trading Partners (% of GDP)



Source: NBG, Geostat

Figure 31: Nominal Effective Exchange Rate

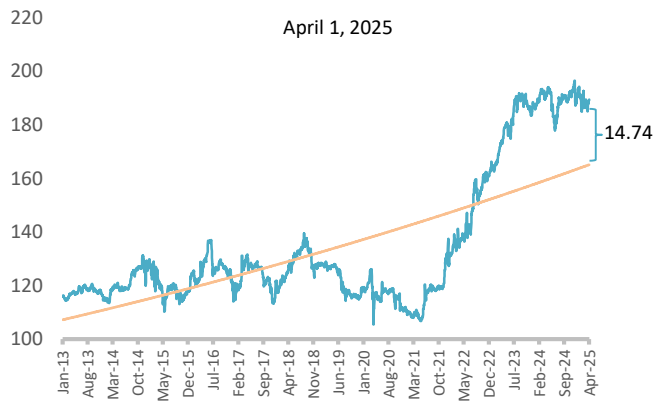


Figure 32: Real Effective Exchange Rate

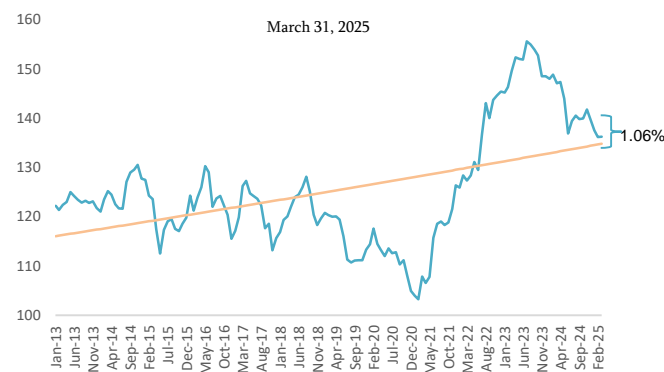


Figure 33: Volatility of Exchange Rates

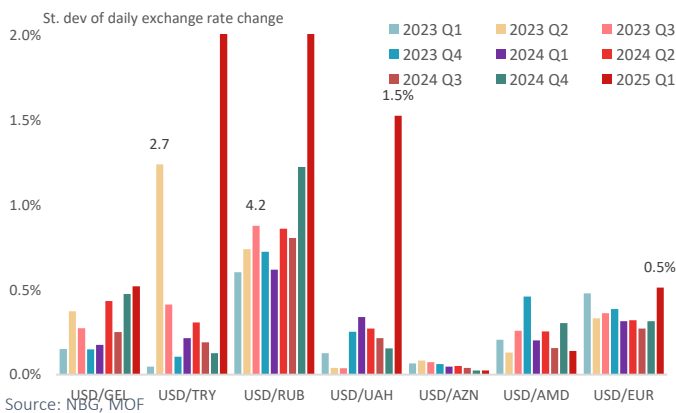


Table 1: Change of Nominal and Real Effective Exchange Rates

	April 1, 2025	April 1, 2025 - Jan 1, 2025	April 1, 2025 - Jan 1, 2024
Euro	2.9890	▼ -2.0%	▼ -0.5%
US Dollar	2.7648	▲ 1.8%	▼ -2.7%
Turkish Lira	0.0729	▲ 9.2%	▲ 24.8%
Russian Ruble	0.0325	▼ -20.4%	▼ -7.8%
NEER	189.48	▼ -1.8%	▲ 1.7%
REER (March 2025)	136.20	▼ -2.5%	▼ -8.3%

Source: NBG

Exchange Rate

From the start of 2022 GEL started gradual appreciation against USD as well as to other trading partners, but after Russia invaded Ukraine and full scale war started, GEL sharply depreciated, than throughout first quarter stabilized, all this caused sharp increase in GEL volatility, this increase in volatility was in line with behavior of the main trading countries' currencies. But at the end of the 2022 GEL and other currencies of our trading partners stabilized. As of 2025 Q1, the GEL's exchange rates were moving to different directions, but mainly has depreciated. Within the underlined period the main factors affecting the GEL's exchange rates were: capital inflows, economic activities, the FDI, and political turbulence. Within the same period, the Georgian Lari appreciated against USD by 1.7 percent. However, it depreciated against EUR by 2.0 percentage compared to the previous quarter. Within the 4th quarter of the current year, the GEL also appreciated against Turkish Lira significantly by 8.4 percent. It is also worth noting that within the abovementioned period the nominal exchange rate of GEL appreciated by 1.6 percent with respect to RUB. In the 4th quarter of 2025, the nominal effective exchange rate (NEER) of GEL was decreased by 1.8 percent (depreciation). As for the real effective exchange rate (REER) of the national currency, it was reduced by 2.5 percent that means a depreciation of the national currency. Both the NEER and the REER were above their medium-term trends by 14.7 and 1.1 percent respectively.

Fiscal Sector

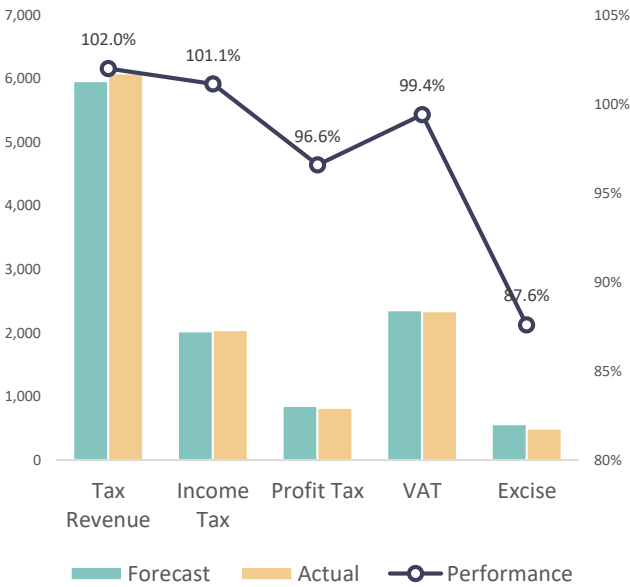
Budget Performance

The consolidated budget tax revenue forecast for the first quarter of 2025 was set at 5,959 mln GEL, while 6,077 mln GEL was mobilized during the reporting period, which is 102.0 percent of the forecast.

- 2,044 million GEL is mobilized as income tax, which is 101.1 percent of the forecast figure (2,021 million GEL).
- 821 million GEL is mobilized as profit tax, which 96.6 percent of the forecast indicator (850 million GEL).
- 2,341 million GEL was mobilized as VAT, which is 99.4 percent of the forecast (GEL 2,355 million).
- 490 million GEL is mobilized as excise, which is 87.6 percent of the forecast indicator (560 million GEL).
- 31 million GEL is mobilized in the form of import tax, which is 89.5 percent of the forecast (35 million GEL).
- 11 million GEL is mobilized in the form of property tax, which is 131.3 percent of the forecast (8 million GEL).

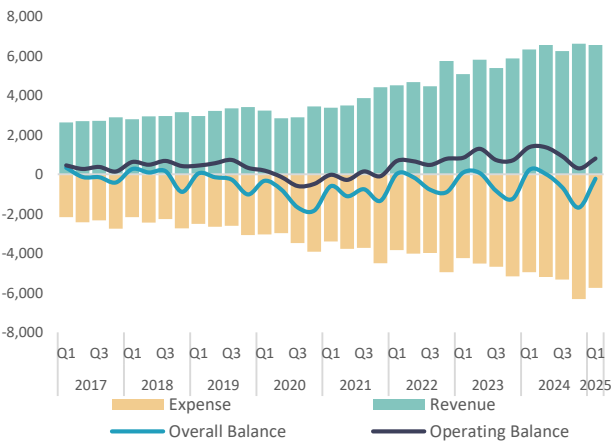
In the first quarter of 2025, compared to the same period last year, consolidated budget revenues increased by 3.4 percent and expenditures increased by 16.0 percent. At the same time, the operating budget of the consolidated budget, which represents the savings of the government, amounted to 803 million GEL, while the total balance was set at -214 million GEL.

Figure 34: Budget Revenue Performance



Source: MOF

Figure 35: Budget Balance



Source: MOF

Figure 36: Tax Income

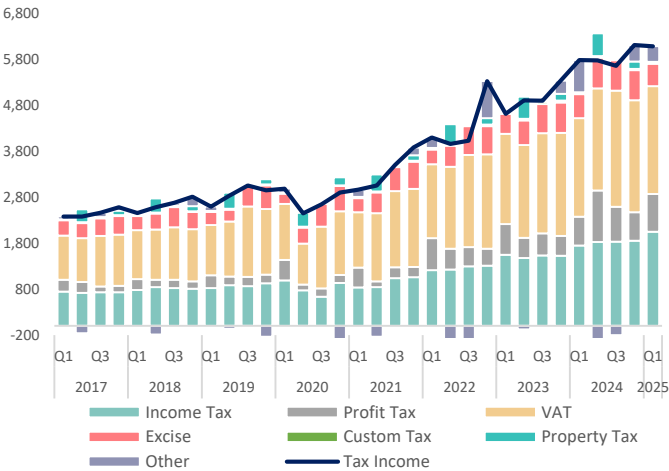
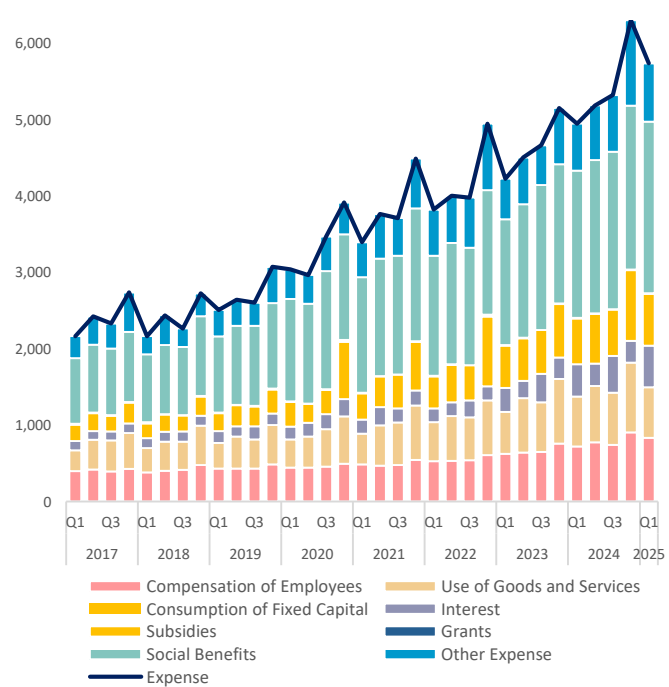


Figure 37: Budget Expenses



A significant share of budget revenues is accounted by tax revenues, accounting for 93 percent in the first quarter of 2025. The consolidated budget received GEL 6,077 million in taxes, which is 5.3 percent more than the same period of previous year. Revenue from income tax increased by 16.9 percent year on year to GEL 2,044 million. Revenue from profit increased annually by 32.2 percent compared to the first quarter of 2024, amounted to 821 million and is 13.5 percent of total revenue from tax. At the same time, a significant increase in tax revenues is observed from VAT and income taxes. In particular, revenue from VAT increased by 9.0 percent, accounting 38.5 percent of total tax revenue, while revenue from income tax increased by 33.6 percent, and contributing by 16.9 percent. Revenue from property tax increased by 2.2 percent.

Expenditures in the first quarter of 2025 increased by 16.0 percent year on year to GEL 5,738 million. The largest share of budget expenditures is in social security expenditures, which account for 39.1 percent of total expenditures, while the annual growth rate is equal to 16.7 percent. Expenditures in the form of wages increased, with an annual growth rate of 16.0 percent to GEL 836 million, accounting for 14.6 percent of total expenditures. As for other items of expenditure, goods and services (11.5 percent of total costs), subsidies (11.8 percent of total costs), interest (9.5percent of total costs) and other costs (13.3 percent of total costs) increased by 1.0 percent, 13.1 percent, 29.0 percent and 23.8 percent compared to the corresponding period of 2024, respectively.

Government Debt

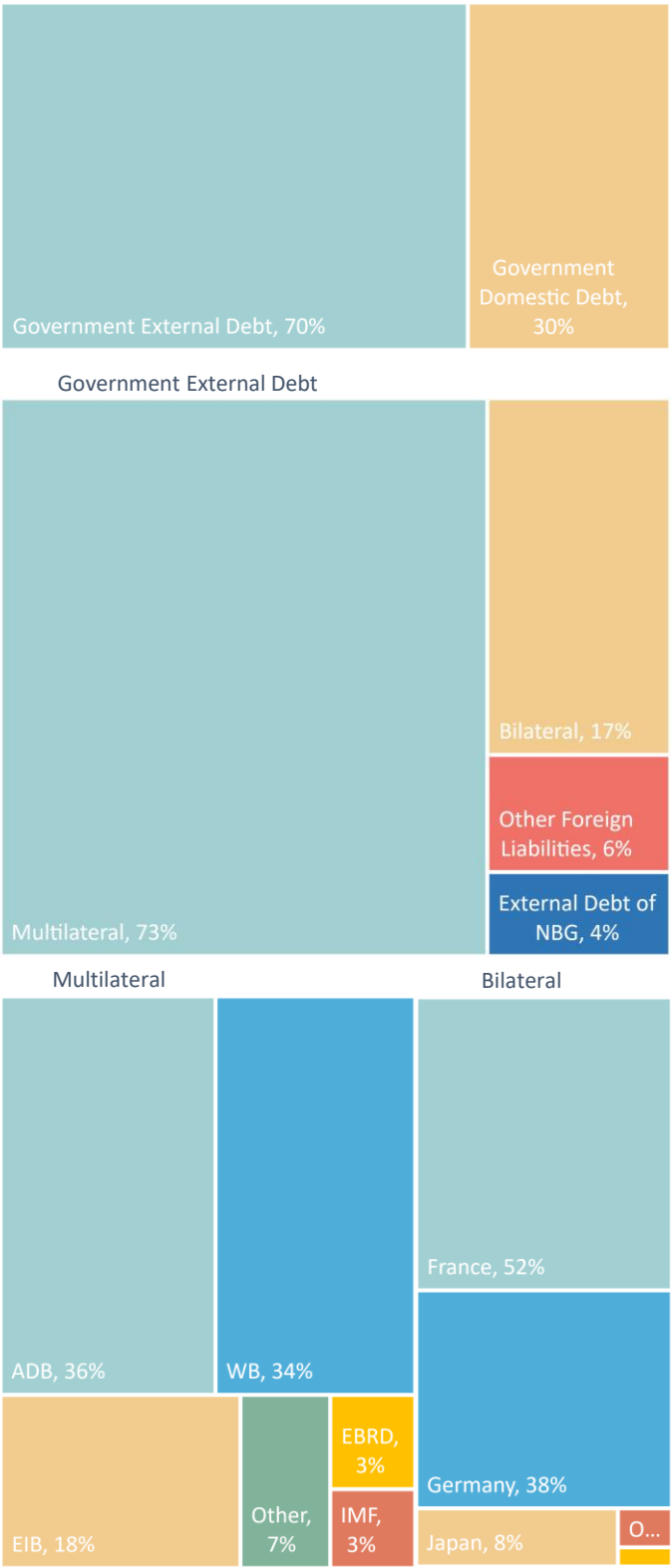
As of March 31, 2025, the stock of public debt of Georgia amounted to GEL 34,578 million, including:

❑ Government domestic debt stock is GEL 10,457.9 million, including:

- Government bonds with different maturities for open market operations ("Bonds for open market") – 182.8 million GEL;
- Treasury liabilities of the Ministry of Finance – GEL 450 million;
- Treasury bonds of the Ministry of Finance - GEL 9,818.4 million;

❑ Government external debt stock is 24,119.8 million GEL.

Figure 38: Government Debt



Source: MOF

Monetary Sector

Private Sector Larization

The larization of loans has an increasing trend and by 31st of March, 2025 it has reached 56.6 percent. It should be noted that the main determinant of the total loan larization is the loans larization granted to individuals. By 31st of March, 2025, the larization of the loans of individuals was 75.2 percent. In the same period, the larization of loans granted to legal entities amounted to 35.9 percent.

As for the larization of loans according to collaterals, the larization of the consumer loans significantly exceeds the larization of real estate loans. The larization of the consumer loans evolved around at 91 percent during the first quarter of 2025. By the 31st of March, 2025 it amounted to 90.7 percent. As for the larization of the mortgage loans, it amounted to 49.3 percent.

The larization of deposits remain lower than the larizarion of loans. As of the 31st of March, 2025, the larization of the total deposits reached 46.5 percent. The larization of the deposits is mainly conditioned by the larization of deposits of legal entities. By the 31 of March, 2025, the larization of the deposits of the legal entities reached 60.4 percent and the larization of deposits of individuals in the same period was 34.0 percent.

It should be noted that the main contributor in the deposits larization is still time deposits larization. By the 31st of March, 2025, it reached 52.2 percent. In the same period, the current accounts larization amounted to 42.4 percent, while the larization of the demand deposits stands at 40.7 percent level.

Figure 39: Loan Larization

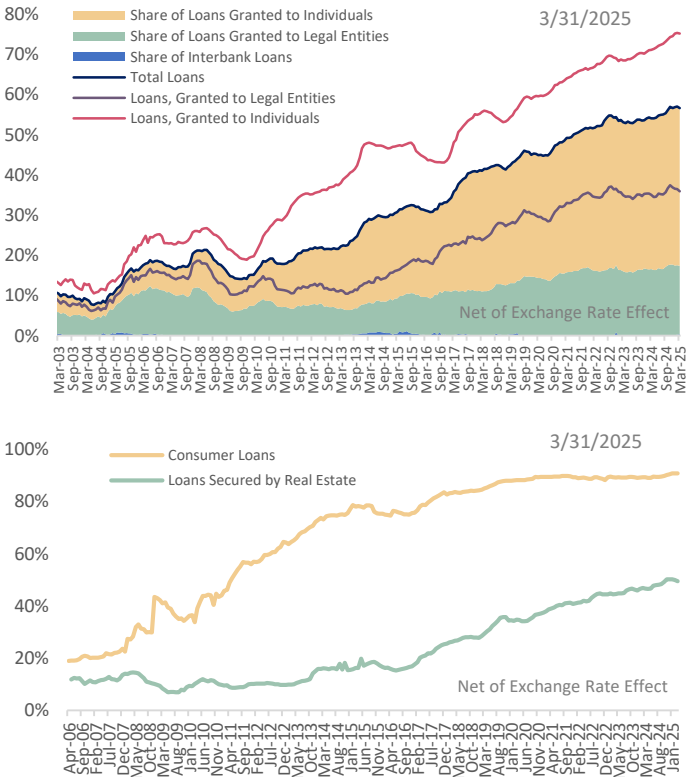
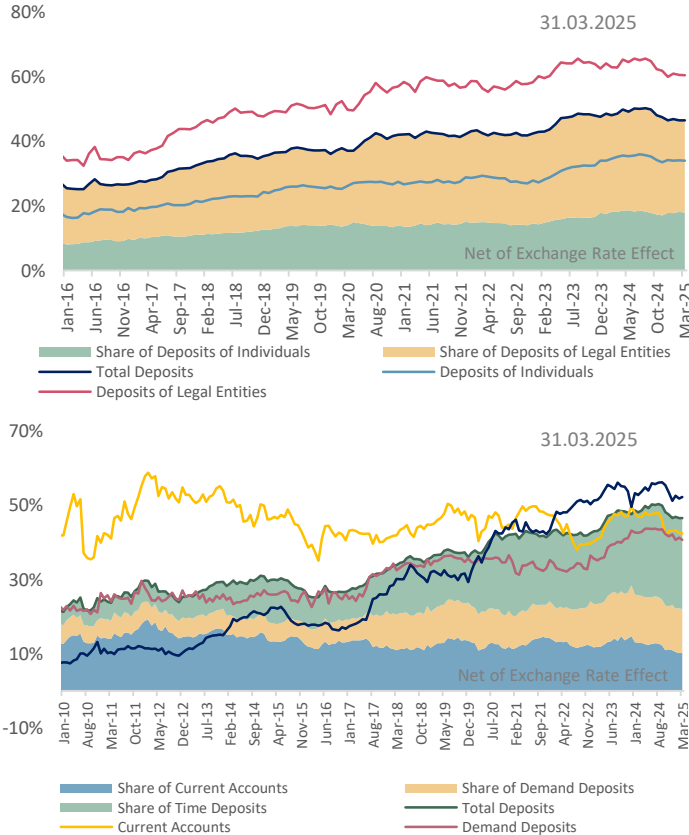
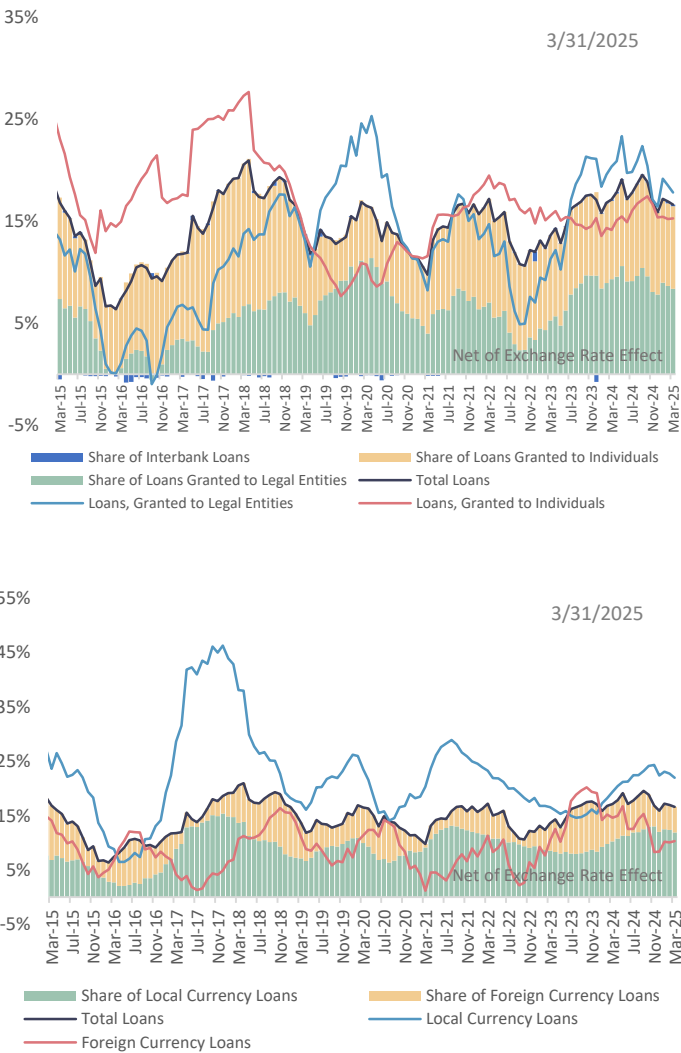


Figure 40: Deposit Larization



Source: NBG

Figure 41: Annual Growth of Loans



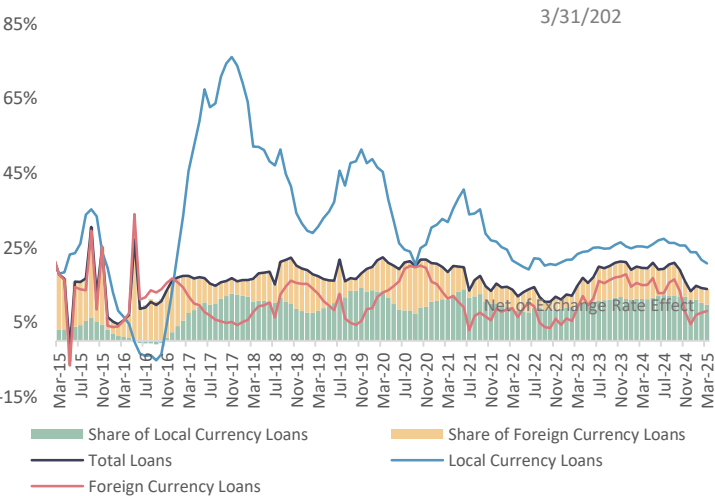
Review of Loans

As of 31 March, 2025 the overall loans increased by 16.6 percent compared to the corresponding period of 2024, which was 0.7 percentage points lower than the previous quarter growth rate (net of exchange rate effect). A significant increase was observed also in the annual growth of the loans granted to legal entities. Its growth was amounted to 17.8 percent. During the same period, the loans to individuals increased by 15.3 percent.

It is important to note that there is an increasing trend in the growth of the loans denominated in the local currency as of 31st of March, 2025, it amounted to 22.0 percent that is 2.6 pp greater that the level of the same indicator in the corresponding period of 2024. During the same period, the growth of the loans in foreign currency was 10.3 percent, which is 2.0 percentage points higher than in the previous quarter (excluding exchange rate effect).

By 31 of March, 2025, the mortgage loans had increased by 13.9 percent compared to the corresponding period of the previous period. Moreover, the mortgage loans that are denominated in national currency increased by 20.7 percent that is 3.0 percentage points lower than in the previous quarter, while the foreign currency denominated mortgage loans increased by 7.9 percent, that was 3.4 percentage points higher than previous quarter's one.

Figure 42: Annual Growth of Loans secured by Real Estate



Source : NBG

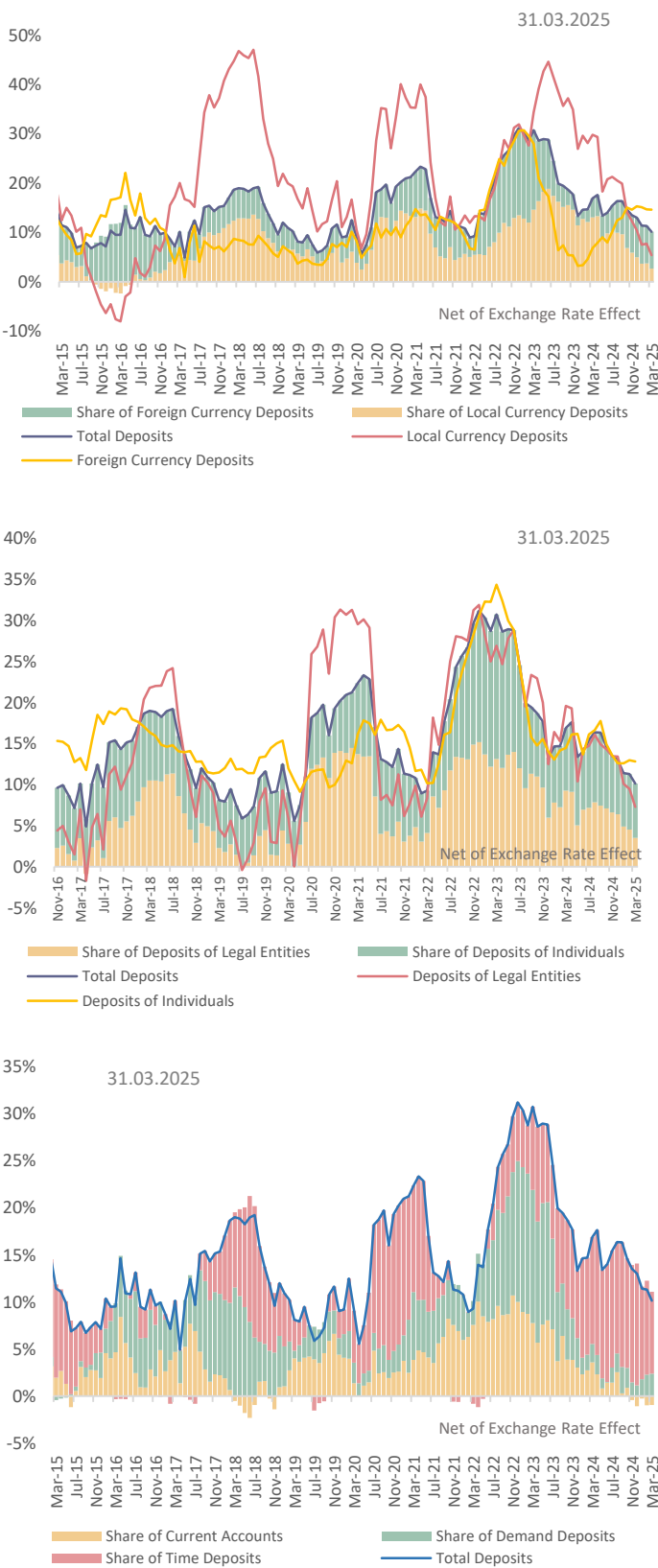
Review of Deposits

The growth of the total deposits on was 10.1 percent on March 31st, 2025. Compared to the corresponding period of 2024, it is 2.9 percentage points lower. A medium growth rate of the deposits is on the back of relatively slower growth rate of the national currency denominated deposits. The deposits denominated in the national currency increased by 5.4 percent, while the annual growth of the deposits denominated in foreign currency amounted 14.6 percent in the same period.

By the 31st of March, 2025, the annual growth of the deposits of individuals reached 12.8 percent, while the annual growth of the deposits of legal entities also experienced growth and amounted to 7.3 percent.

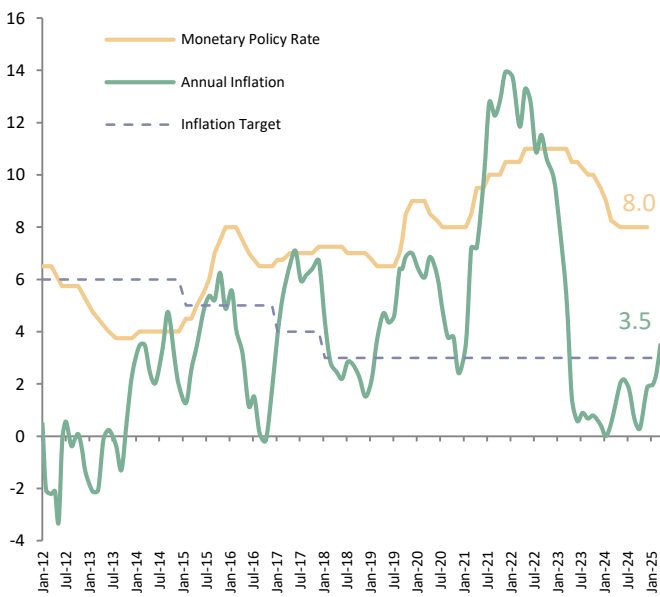
As for the growth of deposits by types, the larger deposits growth was reflected in the growth rate of the time and current deposits. By the 31st of March, 2025, the time deposits grew by 20.3 percent. As for the current and demand deposits, their growth rates equaled to -3.4 (reduction) and 8.1 percent, respectively.

Figure 43: Annual Growth of Deposits



Source : NBG

Figure 44: Inflation and Monetary Policy Rate



Monetary Policy Rate

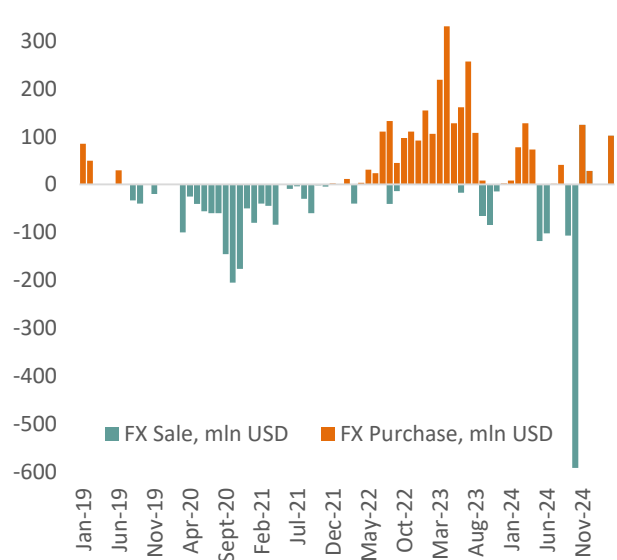
The Monetary Policy Committee of the National Bank of Georgia (NBG) held two sessions in the first quarter of 2025. On January 29 and March 12, the monetary policy authorities did not change the monetary policy rate and determined it at 8 percent level.

According to the NBG, the actual inflation remain below the target level (3 percent). Inflation for domestically produced goods and services, which better reflects long-term inflation expectations, remains aligned with the target level. The moderate increase in inflation can be attributed to the partial pass-through of increasing in international food commodity prices to the domestic market, as well as the fading base effect of the reduction in electricity tariffs. According to the NBG’s central scenario, inflation is expected to remain close to the target in the first half of 2025 and it may temporarily exceed the target and stabilize around 3% in the medium term.

The inflation in Georgia has already passed its peak period, decreased and even fell below the monetary policy target rate (3%). In March 2025, the inflation amounted to 3.5 percent. It should also be emphasized that the actual average inflation rate in the first quarter of 2025 is 2.6 percent. It is expected that the National Bank of Georgia will ease the monetary policy at a slow pace, taking into account the inflationary risks.

The NBG made an foreign exchange interventions through the currency auctions during the first quarter of 2025 and purchased USD 102 mln in March.

Figure 45: Trade of USD by NBG, mln



Source: National Bank of Georgia

Interest Rates

As of the 31st of March, 2025, the interest rate on foreign currency deposits was 2.5 percent, while on the national currency deposits it amounted to 10.1 percent.

As of March 31, 2024, the weighted average interest rate on deposits of legal entities in national currency was 10.5 percent and in foreign currency – 3.2 percent. In the same period, the average annual interest rate was 2.5 percent on deposits of individuals in foreign currency and 10.1 percent in national currency.

By March 31, 2025, the weighted average annual interest rate on short-term consumer loans was 12.3 percent (15.5 percent in national currency and 6.5 percent in foreign currency). The weighted average interest rates on long-term consumer loans are largely determined by the loans denominated in the national currency. The magnitude of it was 16.0 percent in the above-mentioned period.

At the end of March, 2025, the interest rate on mortgage loans issued to legal entities in the national currency was 12.6 percent, and in foreign currency – 9.3 percent. The interest rate on loans to individuals in the national currency was 12.5 percent, and in the foreign currency it was 7.7 percent.

Figure 46: Interest rates on Deposits (stock)

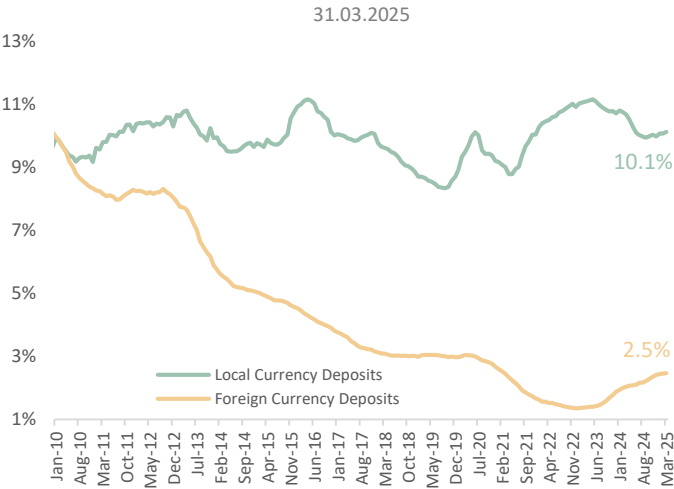
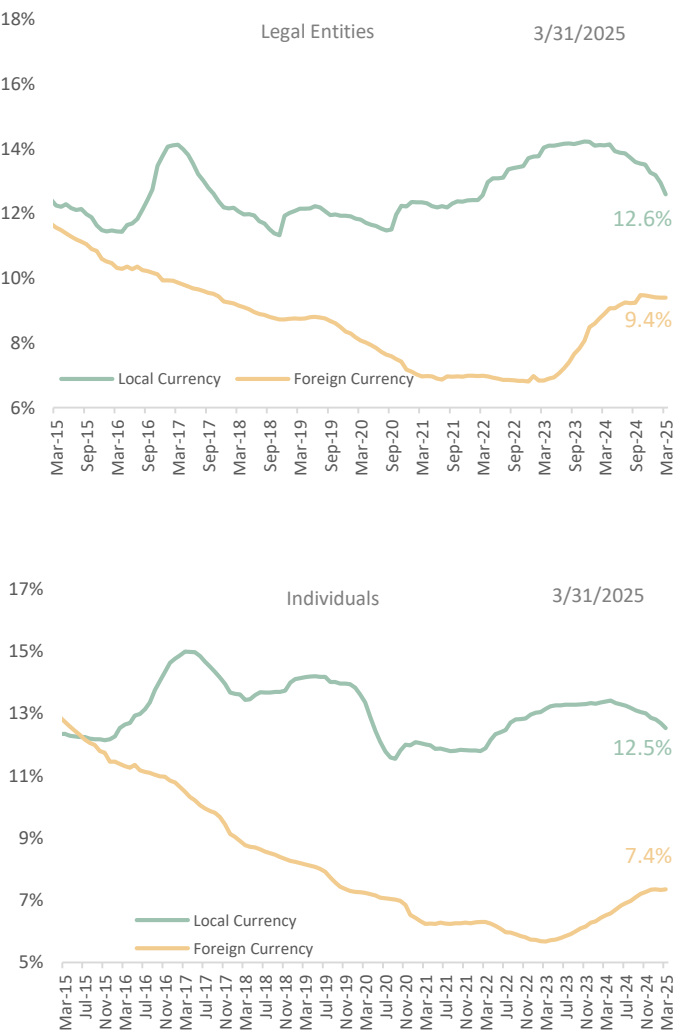


Figure 47: Interest rates on Loans secured by Real Estate



Source: NBG

Disclaimer

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