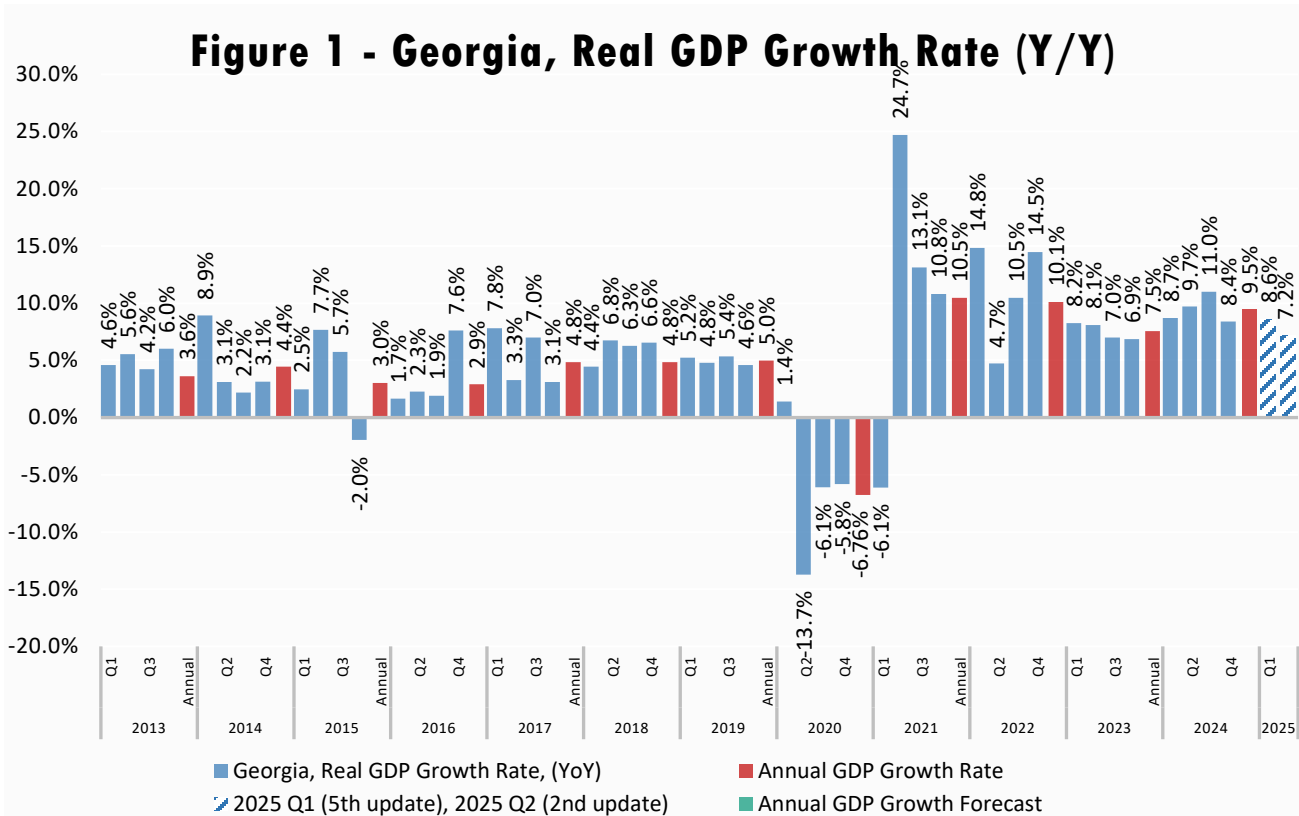


# ISSET-PI FORECASTS 2025 GDP GROWTH BETWEEN 4.1% AND 6.8%; JANUARY GROWTH HITS 11.1% DESPITE RISING POLITICAL TENSIONS



ISSET Policy Institute has updated its real GDP growth forecast for the first and second quarters of 2025. Here are the highlights of this month’s release.

## HIGHLIGHTS:

- Geostat has published its preliminary estimate of real GDP growth for January 2025, which stands at 11.1%.
- ISET-PI forecasts Georgia's economy to grow by 8.6% in Q1 and 7.2% in Q2 of 2025. However, this forecast might be slightly overestimating growth, as the ongoing political tensions and turmoil have not yet been reflected in the data. The model relies on data up to December 2025, capturing only the first three months of the political crisis.
- Based on January data, the annual growth in 2025 is expected to be 4.1% in the worst-case scenario, and 6.8% in the best-case or an average long-term growth scenario. Our middle-of-the-road scenario (based on the average growth in the last four quarters) predicts an 5.9% increase in real GDP.



## Variables influencing the GDP growth forecast based on the [January data](#):

**National and Foreign Currency Deposits.** The first set of variables with a moderate impact on our forecast pertains to national and foreign currency deposits in commercial banks. Almost all major categories of national currency deposits showed annual growth. Specifically, national currency demand deposits increased by 1% year-over-year, while time deposits rose by 21.3% annually. As a result, total national currency deposits grew by 7.5% on an annual basis. However, the current account decreased by 10.1% year-over-year. *Taken together, these factors had a positive effect on the GDP forecast.*

**Total foreign currency deposits increased by 24.1% compared to the same month of the previous year.** In the same period, foreign currency current accounts and demand deposits increased by 16.5% and 17.2%, respectively, in annual terms. Furthermore, foreign currency time deposits saw a significant annual increase of 35.6%. *However, according to our model, variables related to the foreign currency deposits still had a negative contribution to the real GDP growth forecast.*

**Merchandise Trade.** In January, Georgia's exports experienced a 19.3% annual increase. This upsurge was primarily driven by an increase in the export/re-export of motor cars (increased by 16% YoY), undenatured ethyl alcohol, spirits, liqueurs and other spirituous beverages (increased by 10.2% YoY), and waters, natural or artificial mineral and aerated waters, not containing added sugar (increased by 46.6% YoY). During this period, the import of goods increased by 47.8% year-over-year. Consequently, the trade deficit increased by 60.4% year-over-year, amounting to 1,2 billion USD<sup>1</sup> (the increase in the trade deficit is primarily driven by the one-time import of paintings, drawings, and pastels, (increased by 2004058% YoY) an effect that is not expected to persist).

**Official Reserve Assets:** In January, the Official Reserve Assets decreased by 8.6% relative to the same month in the previous year. Reserve assets serve as a critical buffer for external shocks and play an important role in ensuring macroeconomic stability. Their contraction not only reflects reduced capacity to address external vulnerabilities but may also signal weakened investor confidence or challenges in managing balance-of-payments dynamics, *contributing to the downward pressure on the GDP growth outlook.*

**Consumer Credit.** In January, the total volume of commercial banks' consumer credit increased by 24.6% year-over-year, reflecting robust credit activity. Short-term consumer credit rose sharply by 42.9% annually, driven by significant increases in both domestic and foreign currency loans, which grew by 34.6% and 62.6%, respectively. In addition, the volume of long-term consumer credits provided by commercial banks increased by 24% annually. *This surge in consumer credit activity suggests higher borrowing and spending capacity, which supported domestic demand and partially offset some of the negative factors impacting the GDP growth forecast.*

**Inflation.** In January, the annual inflation rate for consumer prices was 2.1%, which is significantly lower than the targeted 3%. Stable international commodity prices have played a key role in

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<sup>1</sup> Geostat, March 21, 2025



mitigating inflationary pressures. It is expected that inflation will gradually realign with the medium-term target. It is also worth noting, that oil prices on the global market (Euro Brent Spot Price) decreased by 1.1% year-over-year. *Overall, CPI-related variables have had a positive impact on the GDP forecast.*

Our forecasting model is based on the Leading Economic Indicator (LEI) methodology developed by the [New Economic School](#), Moscow, Russia. We have constructed a dynamic model of the Georgian economy, which assumes that all economic variables, including GDP itself, are driven by a small number of factors that can be extracted from the data well before the GDP growth estimates are published. For each quarter, ISET-PI produces five consecutive monthly forecasts (or “vintages”), which increase in precision as time passes. Our first forecast (the 1st vintage) is available around five months before the end of the quarter in question. The last forecast (the 5th vintage) is published in the first month of the next quarter.