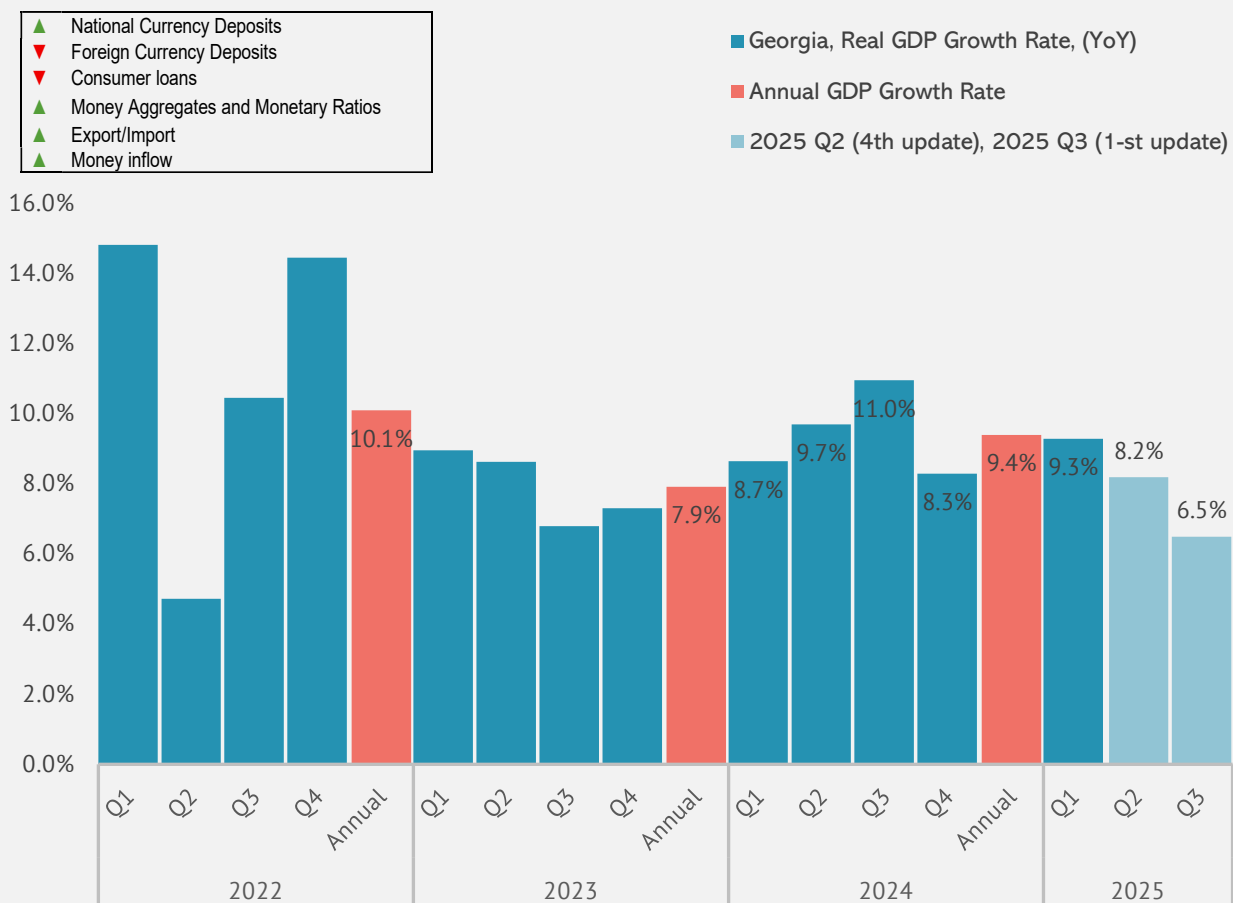


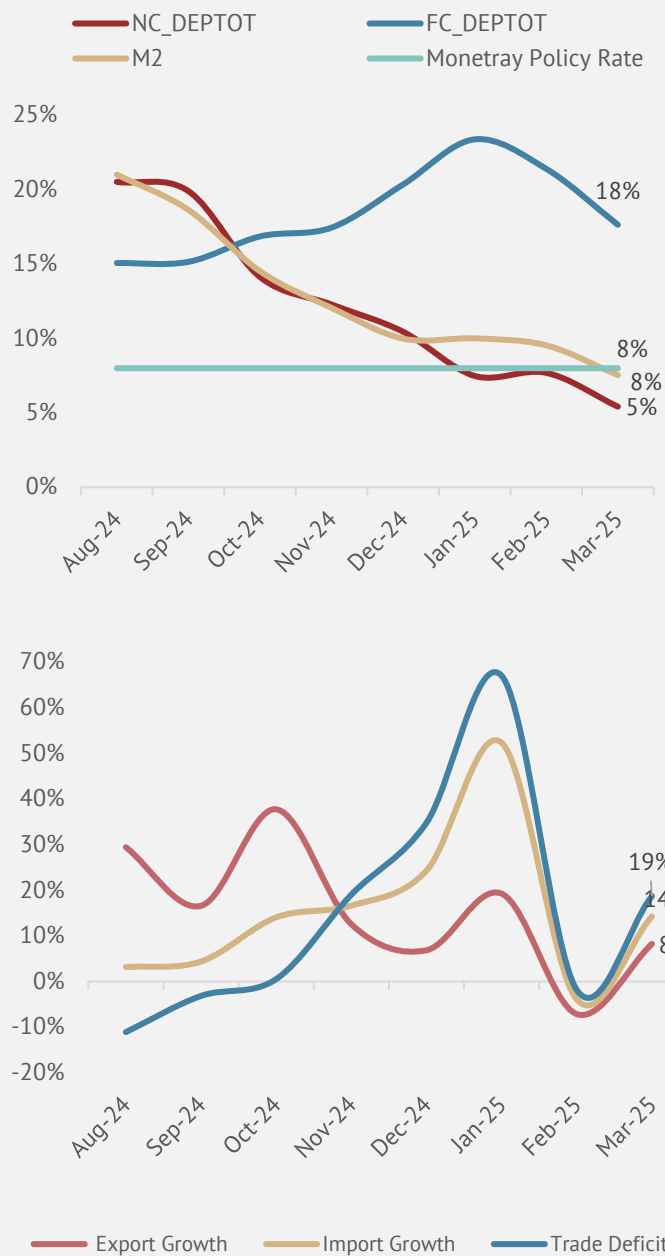
ROBUST GROWTH AMID UNCERTAINTY: GEORGIA'S LEADING GDP FORECAST SIGNALS UP TO 7.1% EXPANSION IN 2025

Figure 1 – Georgia, Real GDP Growth Rate (Y/Y)



According to the ISET Policy Institute's latest projections, Based on March data, Georgia's economy is expected to grow by **8.2% in the second quarter** and **6.5% in the third quarter of 2025**. The annual growth in 2025 is expected to be **6% in the worst-case scenario** and **7.6% 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 a **7.1% increase in real GDP**.

ROBUST GROWTH AMID UNCERTAINTY: GEORGIA'S LEADING GDP FORECAST SIGNALS UP TO 7.1% EXPANSION IN 2025



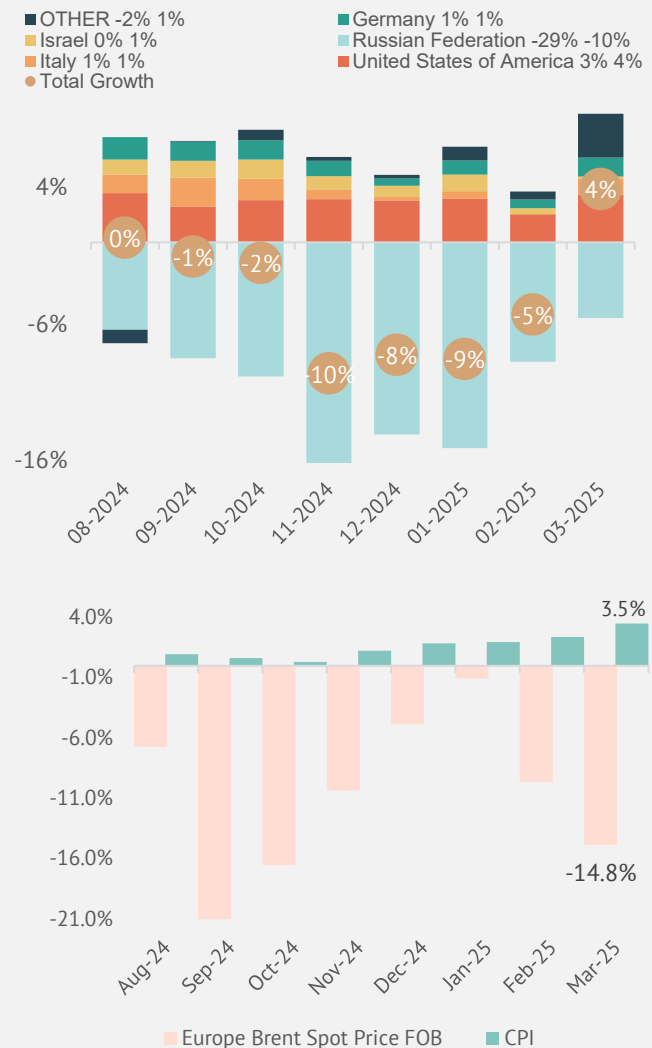
Among monetary indicators, in March, **national currency deposits (NC_DEPTOT)** increased by **5.4% YoY**, supporting the forecast through improved liquidity in the domestic financial sector. In contrast, the **17.6% rise in foreign currency deposits (FC_DEPTOT)** had a negative effect, pointing to rising dollarization and a potential weakening of confidence in the national currency. The **M2 aggregate** grew by **7.5% YoY**, contributing positively to the forecast by reflecting more active monetary conditions and stronger demand-side dynamics. On **May 7, 2025**, the **NBG** maintained the monetary policy rate at **8%**, signaling a cautious stance despite rising inflationary pressures and heightened macroeconomic uncertainty.

In March, **exports grew by 8.2%**, while **imports increased by 14.3%**, leading to an **18.7% expansion of the trade deficit**. Although both export and import growth had a **positive but small impact** on the GDP forecast, the widening deficit highlights ongoing structural challenges in Georgia's external trade dynamics.

ROBUST GROWTH AMID UNCERTAINTY: GEORGIA'S LEADING GDP FORECAST SIGNALS UP TO 7.1% EXPANSION IN 2025

In March 2025, total **money inflows** increased by **3.9% year-on-year**, positively affecting the GDP forecast by supporting household consumption and easing liquidity constraints in the economy. The largest positive contributions came from the **United States (+3.5 pts)**, **Germany (+1.4 pts)**, **Italy (+1.2 pts)**, and **Other countries (+3.2 pts)**, while inflows from the Russian Federation declined, contributing **-5.5 pts** to the overall growth rate.

As of **March 2025**, annual **inflation stood at 3.5%**, remaining close to the National Bank's 3% target and reflecting a relatively stable price environment. Meanwhile, the **Euro Brent spot price** declined by **14.8% year-on-year**, easing global cost pressures. While oil prices are an important input cost factor, **inflation had no direct effect on the current GDP forecast**.



GDP FORECAST METHODOLOGY

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.