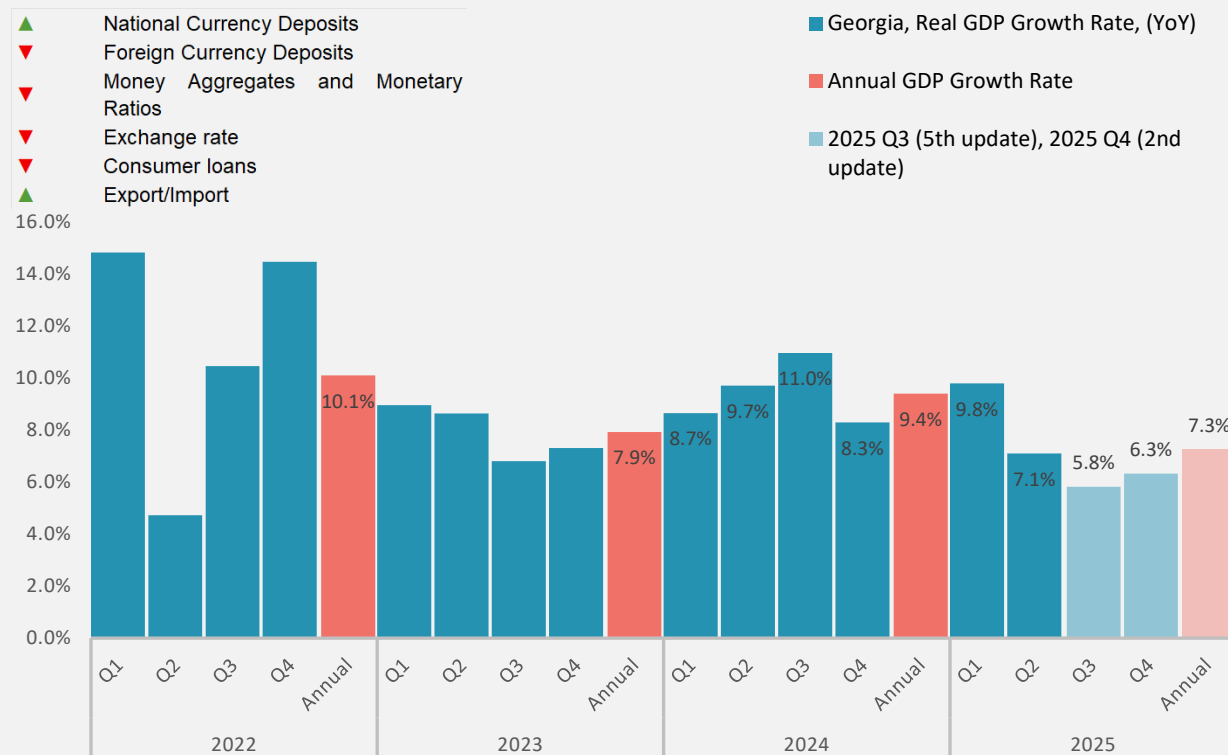


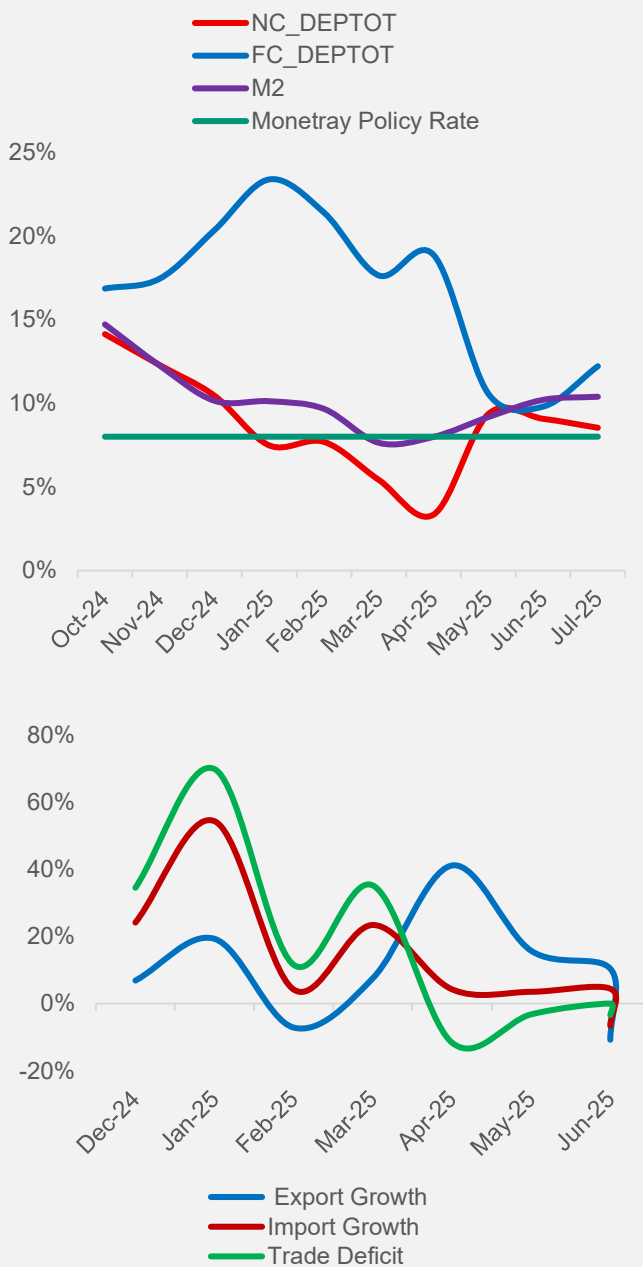
SEPTEMBER 2025 OUTLOOK: GEORGIA'S GDP GROWTH ANCHORED BY DOMESTIC DEMAND AND MONETARY CAUTION

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



According to the ISET Policy Institute's latest projections, based on July's data, Georgia's economy is expected to grow by **5.8% in the third quarter** and **6.3% in the fourth quarter of 2025**. The annual growth in 2025 is expected to be **7.3%**.

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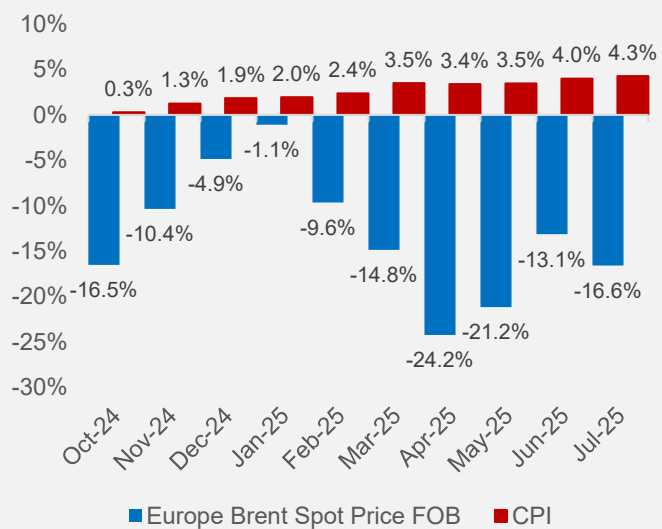
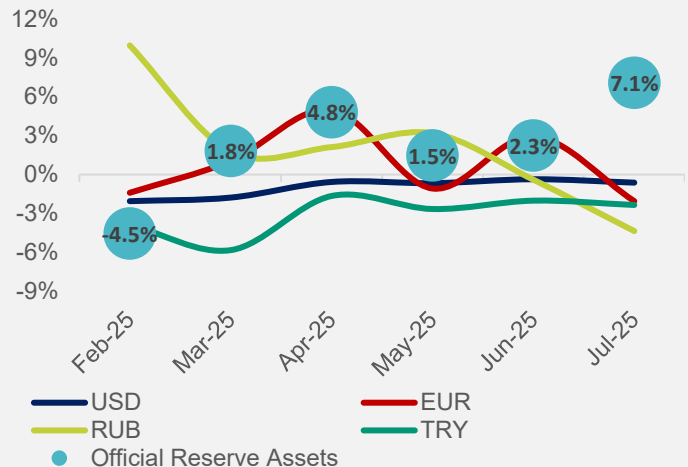
Among monetary indicators, July 2025 saw a **12.2% annual increase in foreign currency deposits** and an **8.5% rise in domestic currency deposits**, pointing to a growing trend of deposit dollarization and a less favourable outlook. The dollarization ratio of deposits included in broad money climbed from 46.3% to 47.1% year-on-year, although it edged down slightly on a monthly basis, from 47.3% in June to 47.1% in July. In contrast, the **M2 aggregate** grew by **10.4% YoY**, contributing **positively** to the forecast by indicating more active monetary conditions and stronger demand-side dynamics.

In July, **export declined by 10.8%**, while **imports decreased by 6.6%**, leading to a **3.4% reduction in the trade deficit**. This improvement in net exports had a positive influence on the GDP forecast.

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In July, on a monthly basis, the **USD, EUR, RUB, and TRY** depreciated against the lari by **0.6%, 2%, 4.4%, and 2.3%**, respectively. These exchange rate developments had a negative effect on the GDP growth forecast, as the stronger lari reduces export competitiveness. **Meanwhile, official reserve assets increased by 331 million USD (7.1%) MoM**, indicating improved external liquidity conditions.

As of July 2025, **annual inflation stood at 4.3%**, slightly above the **National Bank's 3% target**, but still reflecting a relatively stable price environment. Meanwhile, the **Euro Brent spot price declined by 16.6%** year-on-year, easing global cost pressures. While oil prices are an important input cost factor, inflation had a positive effect on the 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.