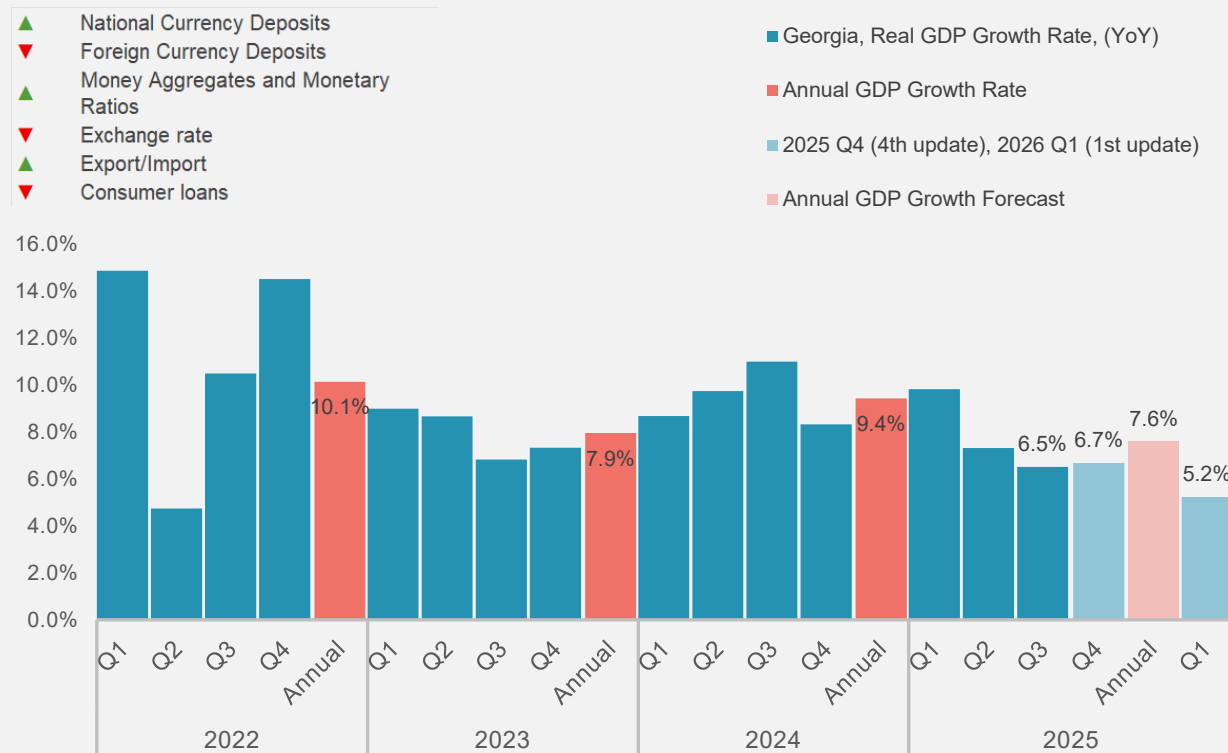


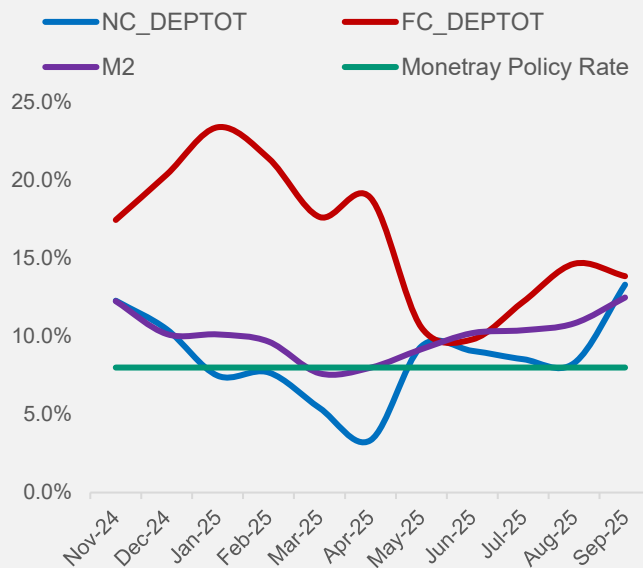
TRADE GAINS, RISING DOLLARIZATION, AND FIRM DOMESTIC DEMAND SHAPE GEORGIA'S NEAR-TERM GROWTH

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

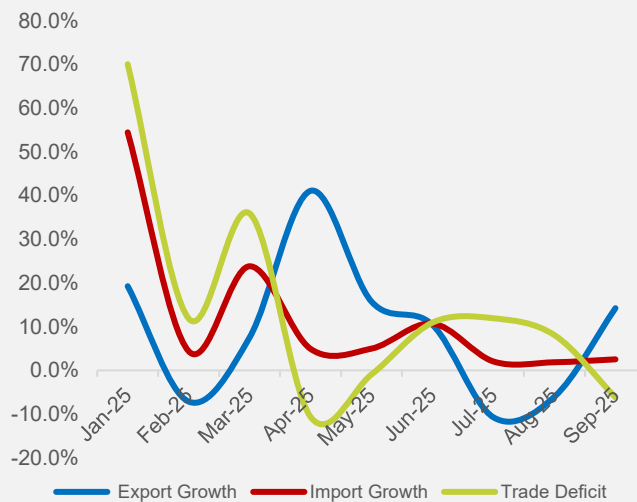


According to the ISET Policy Institute's latest projections, based on September's data, Georgia's economy is expected to grow by **6.7% in the fourth quarter of 2025** and **5.2% in the first quarter of 2026**. The annual growth in 2025 is expected to be **7.6%**.

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Among monetary indicators, in September 2025, the annual **13.8% rise in foreign currency deposits (FC_DEPTOT)** signaled growing dollarization. At the same time, **national currency deposits increased (NC_DEPTOT) by 13.3%** year-on-year, while the **M2 aggregate expanded by 12.5% YoY**, indicating more active monetary conditions and stronger demand-side dynamics. Overall, despite the rise in dollarization, monetary indicators positively contributed to the forecast.



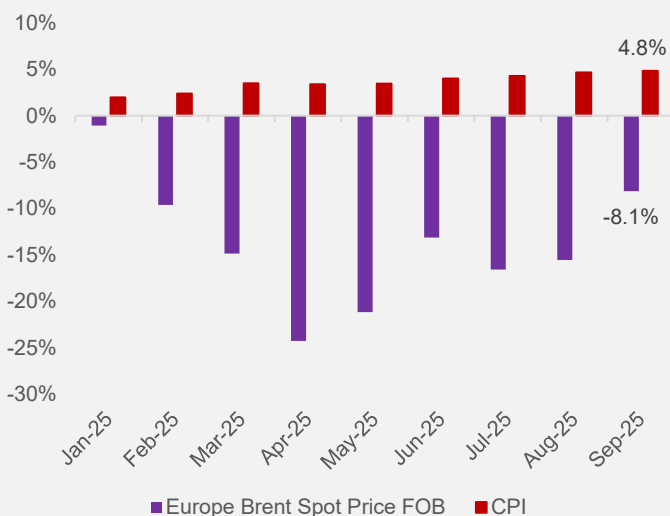
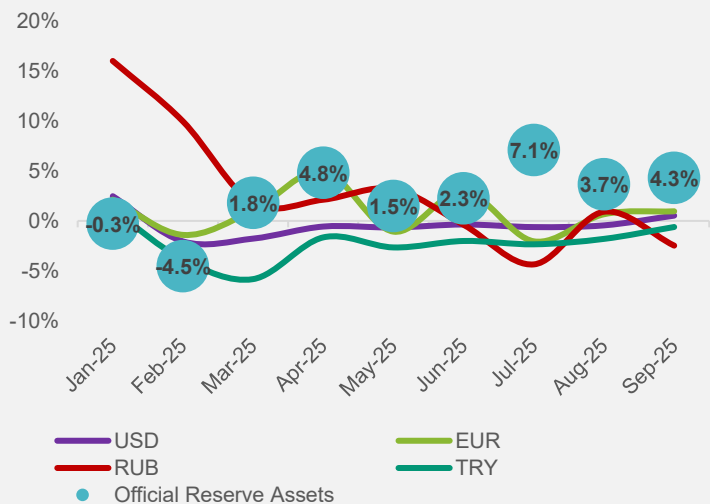
In September, **exports increased by 14.2%**, while **imports increased by 2.5%**, leading to a **6.2% reduction in the trade deficit¹**. This improvement in net exports had a positive influence on the GDP forecast. The stronger trade balance provided a tangible short-term boost to economic activity, even though its long-term contribution to sustainable growth remains modest due to the composition of exports.

¹ Geostat, 21.11.2025

TRADE GAINS, RISING DOLLARIZATION, AND FIRM DOMESTIC DEMAND SHAPE GEORGIA'S NEAR-TERM GROWTH

In September, the **RUB** and **TRY** depreciated against **lari** by **2.5%** and **0.6%**, respectively, while the **USD** and **EUR** appreciated by **0.5%** and **1%**. The overall impact of these exchange rate developments on the GDP growth forecast was small and negative. Meanwhile, official reserve assets increased by **4.3%** month-on-month, indicating improved external liquidity conditions.

As of September 2025, **annual inflation stood at 4.8%**, above the **National Bank's 3% target**. Inflation has been on a gradual upward trajectory since early 2025, reaching its current level in September. Meanwhile, the **Euro Brent spot price declined by 8.1%** 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.