



nominal earnings amounted 2212 GEL.

INFLATION

Inflation hovered close to target through Q2. As of April 2025, annual CPI measured 3.4% y/y and core inflation 2.3%, with near-term dynamics shaped by rising international food prices and a one-off bread price adjustment from March, partly offset by a relatively stable GEL against the USD amid global dollar weakness. Domestic fundamentals – especially improved production capacity – continue to temper demand-side pressures, while services (sticky) inflation and domestic inflation excluding the bread effect remain around the 3% target, signaling anchored long-term expectations. A month later, May CPI printed 3.5%, with core at 2.0% and services inflation at 2.2%, again consistent with contained underlying pressures. [\(NBG, May 2025\)](#)

The external price environment is providing a disinflationary cushion through energy. Weaker global demand alongside higher-than-expected oil supply pulls the 2025 oil price projection toward ~USD 68/pbl, implying a pass-through to lower domestic fuel prices in coming months (other things equal). A stable/appreciated GEL vs USD further amplifies this effect by reducing import costs and easing the debt burden on USD-denominated loans, while any renewed global fragmentation/tariff shocks would work in the opposite direction by lifting imported inflation. Overall, the oil and exchange-rate channels currently lean disinflationary, helping offset food-related pressures. [\(NBG, May 2025\)](#)

On May 7, 2025, the MPC kept the policy rate at 8.0% and formalized a scenario-based communication framework. In the central scenario, inflation temporarily exceeds the 3% target in 2025 before returning to target over the medium term; policy normalization therefore proceeds cautiously, with the path conditional on realized risks. In the same central scenario, the 2025 real GDP growth forecast was revised up to 6.7% (from 5%), reflecting robust activity and a slower normalization in fundamentals. [\(NBG, May 2025\)](#)

The risk balance is explicitly framed by alternative scenarios. In a higher-inflation case, tariff policy shifts and faster global fragmentation disrupt supply chains and push up imported inflation, calling for a higher policy-rate path than in the central case. In a lower-inflation case, continued USD weakness, regional supply-chain reallocation that strengthens Georgia's Middle Corridor role, and softer global demand produce stronger disinflation via imports, permitting a lower rate trajectory than in the baseline. [\(NBG, May 2025\)](#)

What to watch into Q3: (i) persistence of international food pressures versus normalization; (ii) the timing/magnitude of fuel price pass-through from lower oil; (iii) GEL/USD dynamics as a key imported-inflation channel; (iv) behavior of services (sticky) inflation, a proxy for expectations; and (v) any acceleration in global fragmentation/tariff actions that could tilt the balance of risks. [\(NBG, May 2025\)](#)
[\(NBG, July 2025\)](#)

EXTERNAL SECTOR: TRADE, TOURISM, REMITTANCES, FDI

External demand remained only moderately supportive in Q2 2025 as key trading partners' growth and disinflation slowed, weighing on Georgia's export markets. Even so, the composition of inflows improved: ICT service exports reached their highest share in eight quarters (3.4% of GDP) and transportation services held near 5% of GDP, signaling that high-productivity, less-import-intensive sectors continued to underpin external earnings. Remittance inflows also strengthened, rising by about 10% year-on-year in Q2, further supporting the external balance and the currency. [\(NBG, July 2025\)](#)

Goods trade dynamics were comparatively favorable. The NBG notes that the goods trade balance –



especially in Q2 – made a positive contribution to the current account. Across the first half of the year, goods exports rose 13.7% year-on-year, while the domestic demand for foreign goods (imports for local use) increased by a modest 2.1%, reflecting both softer import-intensive growth and ongoing structural shifts toward services. By June, total goods imports were up just 0.9% year-on-year (nominal USD), bringing H1 import growth to 6.2%. Together, these trends kept the current account close to its estimated equilibrium (around 5% of GDP). ([NBG, July 2025](#))

The exchange-rate backdrop also helped. With the U.S. dollar weak globally, the lari remained broadly stable against the USD through the quarter; the NBG highlights that this stability eased balance-sheet pressures from dollar-denominated liabilities (a disinflationary channel) and was aided by strong export and remittance inflows. In effective-exchange-rate terms, the NEER was broadly stable, while the REER kept converging toward equilibrium on the back of Georgia's lower inflation relative to partners – supporting competitiveness even as partners' currencies were firm. Deposit dollarization resumed a downward trend alongside GEL's stable performance. ([NBG, July 2025](#))

In the second quarter of 2025, Georgia's tourism sector continued to support the external balance, with momentum firming relative to the start of the year. Travel (tourism) revenues increased by 5.0% year-on-year to a second-quarter record of USD 1,145.0 million, indicating that services exports remained a key pillar even as goods-side dynamics were uneven. The composition of inflows improved across several source markets: receipts from the European Union rose by 26% (up USD 35.9 million to USD 173.9 million), Israel by 16.4% (up USD 18.0 million to USD 127.7 million), Azerbaijan by 42.3% (up USD 16.0 million to USD 54.0 million), Saudi Arabia by 20.9% (up USD 5.2 million to USD 30.1 million), and Armenia by 15.1% (up USD 5.0 million to USD 37.8 million). These gains helped offset softness elsewhere and provided a stable foreign-exchange inflow that underpinned the current account. ([GNTA, 2025](#))

In Q2 2025, remittance inflows to Georgia reached USD 928.5 million (+10.0% y/y) ([NBG](#)). The United States, Italy, and Russia remained the top three corridors: U.S. transfers rose 21.7% y/y to USD 171.9m, Italy +10.7% to USD 154.7m, while Russia fell 14.7% to USD 124.6m. Strong gains were recorded from Germany (+21.8% to USD 79.0m), Greece (+14.7% to USD 75.4m), Spain (+40.2% to USD 24.2m), Kyrgyzstan (+22.4% to USD 25.1m), Kazakhstan (+12.9% to USD 20.7m), Ireland (+16.4% to USD 18.5m), France (+14.0% to USD 17.4m), the UK (+28.5% to USD 14.2m), the Netherlands (+26.7% to USD 5.7m), Turkey (+9.3% to USD 27.2m), Canada (+5.5% to USD 7.0m), Poland (+1.1% to USD 8.9m), UAE (+1.8% to USD 5.3m), Cyprus (+3.9% to USD 5.7m), and Belgium (+21.6% to USD 4.3m). Offsetting declines were concentrated in a few corridors – most notably Russia (-14.7%), Israel (-15.1% to USD 27.9m), and Azerbaijan (-6.4% to USD 10.2m). Overall, the broad-based increase across U.S. and EU routes more than compensated for the contraction from Russia, providing a firmer cushion for household consumption and FX inflows in Q2.

In the second quarter of 2025, Georgia's current account position remained close to its estimated equilibrium (around 5% of GDP). The goods side was supportive: the goods trade balance – especially in Q2 – contributed positively as goods exports accelerated on a half-year basis (+13.7% y/y in H1), while domestic demand for foreign goods rose only modestly (+2.1% y/y in H1; total goods imports +5.8% y/y). Inflows from personal transfers strengthened by about 10% y/y in Q2, further cushioning the impact of still-moderate external demand. ([NBG, July 2025](#))

From a compositional perspective, services exports continued to anchor the external balance and reflected an ongoing shift toward less import-intensive, higher-productivity activities. Information and communication services reached their highest share in eight quarters (about 3.4% of GDP), while transport services held near 5% of GDP. Together with stronger transfers, this services momentum



offset softer performance in more import-intensive segments and helped keep the current account deficit contained. [\(NBG, July 2025\)](#)

On the exchange-rate side, the lari remained broadly stable against the U.S. dollar through the quarter. The nominal effective exchange rate was broadly unchanged, and the real effective exchange rate eased toward equilibrium on the back of lower domestic inflation relative to trading partners. This mix limited imported-inflation pressures and reduced balance-sheet risks; notably, deposit dollarization declined to about 49.7% in June. With imported goods inflation negative – largely due to lower fuel prices – external price pressures were further dampened. [\(NBG, July 2025\)](#)

The current account deficit is expected to hover near 5% of GDP over the remainder of the year, supported by resilient services, sustained transfers, and a less import-intensive growth mix. Key risks stem from weaker partner-country growth and swings in global commodity prices and geopolitics, while continued productivity gains and stable FX conditions would reinforce external sustainability.

In the second quarter of 2025, Foreign direct investment remained the primary source of external financing and continued to comfortably cover a current-account gap hovering near its estimated equilibrium. After a year in which the deficit narrowed to 4.4% of GDP and was largely financed by FDI (about 3.9% of GDP), inflows through the first half of 2025 stayed broadly in line with that trend. The composition was favorable: reinvested earnings and equity inflows were concentrated in higher-productivity, tradables-adjacent services – most notably transport and logistics linked to the Middle Corridor – as well as energy, construction-related infrastructure, and ICT. This pattern supported capital formation while remaining less import-intensive, helping to keep the current account contained and underpinning exchange-rate stability. Looking ahead, the existing pipeline in logistics, energy and digital infrastructure suggests FDI should remain adequate to finance a current-account deficit around 5% of GDP, barring a sharper-than-expected slowdown among trading partners or a tightening of global financial conditions. [\(GeoStat\)](#) [\(NBG, July 2025\)](#)

PUBLIC FINANCES

According to the Ministry of Finance, current governmental expenditures amounted to 5,253.7 million GEL in the second quarter of 2025, showing a 9.6% y/y increase compared with the same period of previous year. This growth was mainly driven by higher spending on social benefits (+12.8% y/y) and compensation of employees (10.0%), also moderately was subsidies growth (+6.2% y/y), however grants declined by 6.7% y/y.

At the same time, total revenues to the general budget amounted to 6,080.6 million GEL, a 14.5% y/y increase. total taxes and social contributions amounted to 5,106.0 million GEL in Q2 2025, an 8.6% y/y increase. The expansion was supported by stronger collections in Personal Income Tax (+9.8% y/y to 1,837.8 m GEL), Value Added Tax (+5.3% y/y to 1,895.1 m GEL), Excise (+3.2% y/y to 686.5 m GEL), and Customs Duties (+4.1% y/y to 37.5 m GEL). These gains were partly offset by a pronounced decline in Profit Tax (–43.8% y/y to 627.3 m GEL). Overall, the y/y growth in aggregate collections was driven mainly by labor- and consumption-based taxes, while Profit Tax acted as the primary drag. [\(Ministry of Finance of Georgia, 2025\)](#)

Central Government debt liabilities (which includes both domestic and foreign debt) increased by 4.2% y/y and amounted to 35,496.3 million GEL in Q2, 2025. Furthermore, the share of foreign debt in total debt stood at 70.2%, slightly maintaining the country's exposure to exchange rate risk.