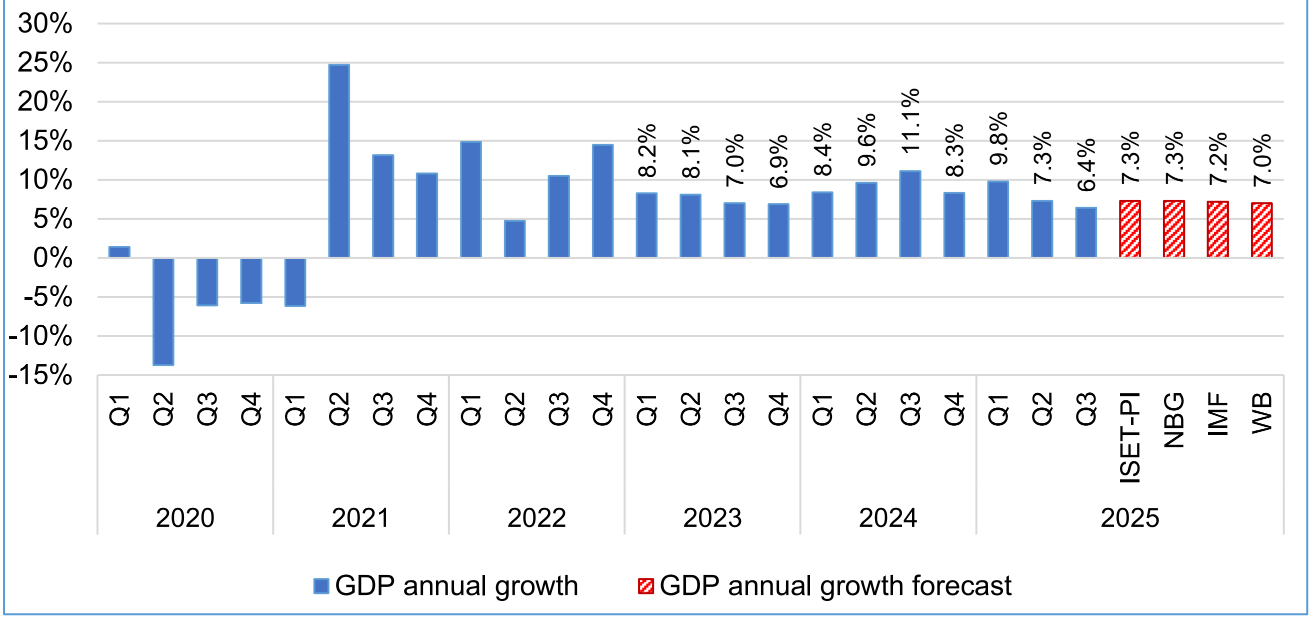
GEORGIA Q3 2025 MACRO REVIEW: SERVICES MOMENTUM, EXTERNAL RESILIENCE

Figure 1 - Real GDP Annual Growth Rate.
Source: GeoStat, ISET-PI



SUMMARY

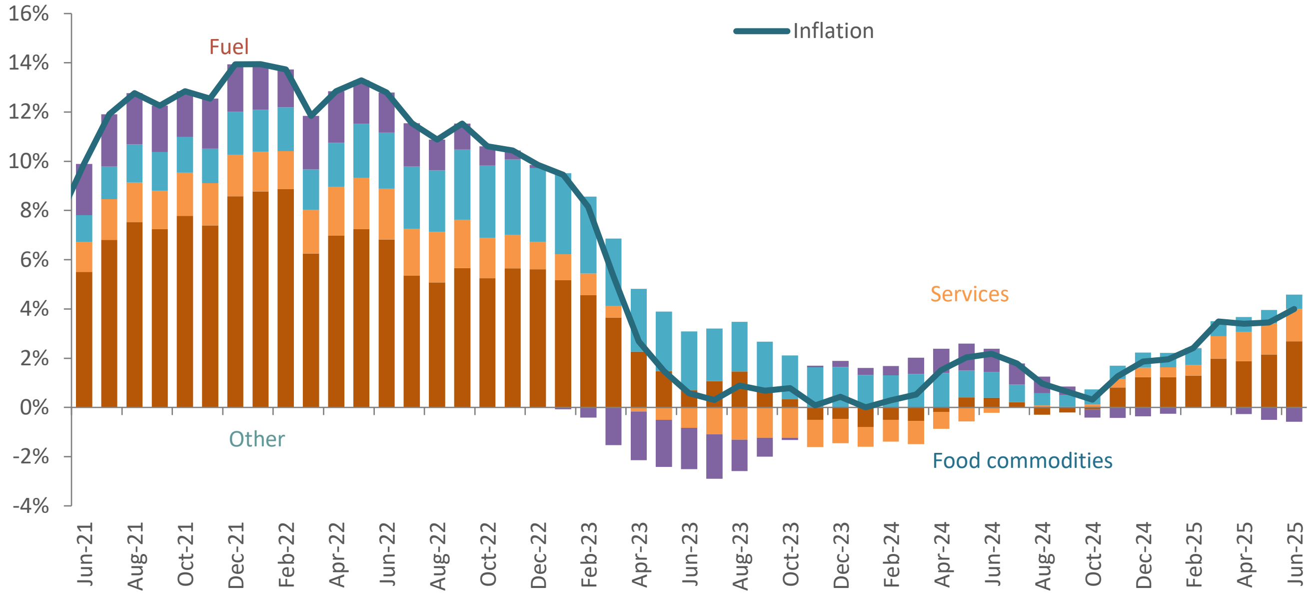
According to preliminary indicators, real GDP grew about 6.5% y/y in Q3 2025 (Figure 1), easing from 7.3% in Q2 but still above the pre-2022 norm. Expansion remained services-led: summer tourism, ICT, and transport did most of the lifting, while manufacturing and construction/utilities were softer as re-exports normalized. On current tracking, the full-year 2025 outturn is still headed for the low-7% range, broadly consistent with the 7.0-7.5% forecast corridor shown in the chart.

Through Q3, the lari was broadly stable against the U.S. dollar, keeping imported-inflation pressures and FX balance-sheet risks contained. Against the euro and several other partner currencies that strengthened more versus the dollar, the lari was somewhat softer. On an effective basis, the nominal exchange rate changed little, while the real effective rate continued drifting toward equilibrium as Georgia's inflation ran lower than partners. That mix preserved external competitiveness; deposit dollarization hovered around the 50% mark.

INFLATION

Inflation nudged above target mid-year: headline CPI measured 4.0% y/y in June. The uptick is mostly food-driven and partly a base effect after last year's unusually low prints. Underlying pressures remain contained: services inflation sits at 2.3% and core has run below target for nearly two years, consistent with anchored expectations. Imported goods are still disinflationary on the back of lower fuel prices. In the central path, inflation stays temporarily above 3% in 2025 (around 3.8% on average) before easing back toward target in 2026 (~3.1%). What's pushing and pulling: international food prices and a one-off bread price adjustment lifted the mixed/domestic components, while a stable lari and cheaper fuel kept the imported component negative. Real-effective appreciation pressure from Georgia's lower inflation vs partners is offset by broadly stable nominal effective FX, so competitiveness is preserved even as partner-side prices remain a pass-through risk. Note the mechanical bump ahead: the telecom fee cut from last year fully drops out from August, adding at least ~0.4 pp to headline over the following 12 months, other things equal([NBG, Nobember 2025]).

Figure 2 – Inflation by Components



Risk balance and path: three scenarios frame the outlook. High-inflation risks come from renewed Middle East tensions, faster trade-policy fragmentation, and demand staying too hot; low-inflation risks come from persistently high productivity, a weaker dollar, and faster normalization in food prices. Policy normalization therefore stays cautious in the near term, with the profile conditional on which scenario bites.

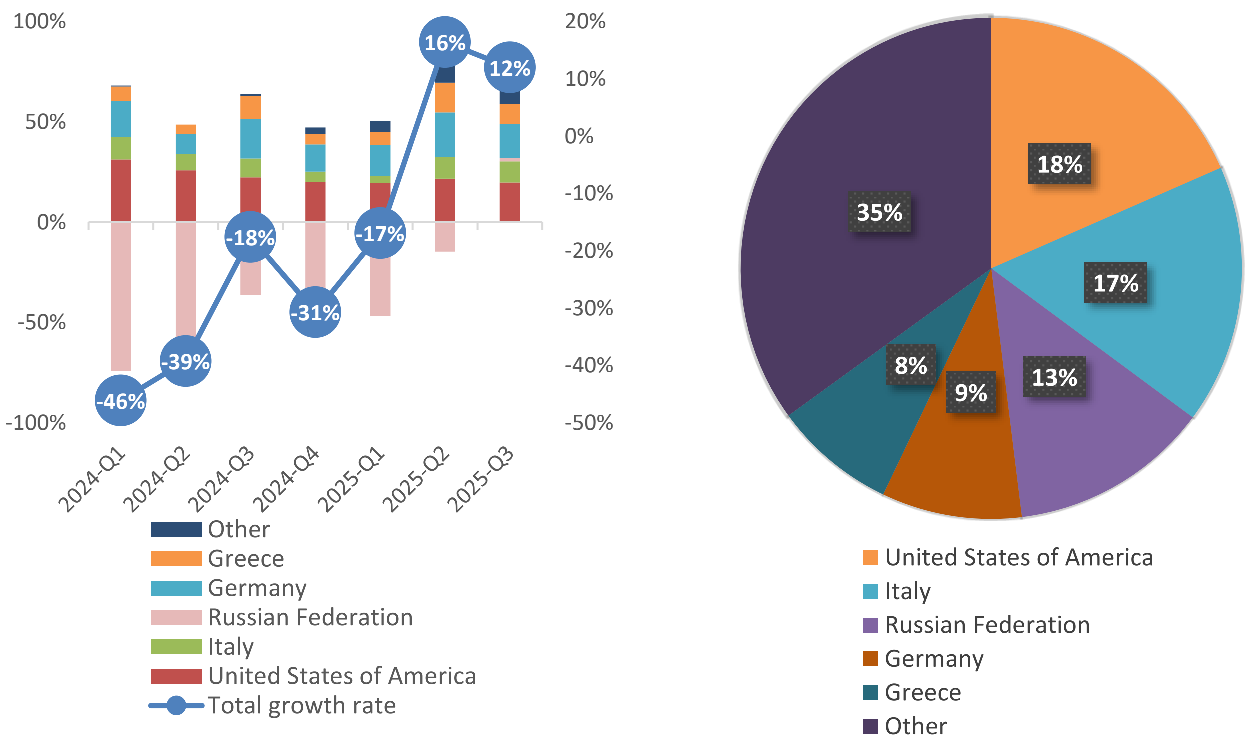
EXTERNAL SECTOR: TRADE, TOURISM, REMITTANCES, FDI

External demand remained moderate as partner-country growth and disinflation slowed, keeping a soft tone under Georgia's export markets. Even so, the goods side was supportive moving into the quarter: on a half-year basis, goods exports were up 13.7% y/y, while domestic demand for foreign goods rose only 2.1% y/y (total goods imports up 5.8% y/y). With import growth contained by a services-heavy, less-import-intensive expansion, the goods trade balance – especially in Q2 – made a positive contribution to the current account and this support carried into Q3 (NBG, Nobember 2025).

Services exports continued to anchor inflows. ICT export revenues reached an eight-quarter high at 3.4% of GDP, and transport services hovered around 5% of GDP, helping to offset softer goods-side momentum. Transfers added an extra cushion: remittances accelerated in Q2 and remained supportive at the start of Q3, reinforcing the external position alongside stable exchange-rate conditions.

Remittance inflows grew 12% year-on-year in Q3 2025 (FIGURE 3), reinforcing household spending and FX liquidity. Based on your Q3 pie, the corridor mix was led by the United States (18% of total), Italy (17%), Russia (13%), Germany (9%), and Greece (8%), with other sources at 35%. Together with resilient services, these transfers helped keep the current account close to its medium-term equilibrium of about 5% of GDP([NBG, Nobember 2025]()).

Figure 3 – Georgia, Remittances Growth Rate (Y/Y)



Through the summer peak, tourism continued to buttress the external balance. Travel revenues increased further in the third quarter, setting a new seasonal high and keeping services the main engine of foreign-currency inflows even as goods-side momentum softened. The composition stayed favorable: receipts from the EU and Israel strengthened, South Caucasus and Gulf routes added incremental gains, while Russia's contribution remained comparatively weaker. On a year-to-date basis, travel income stayed above pre-pandemic benchmarks, and together with transport and ICT services it helped keep the current account close to its medium-term equilibrium. Looking ahead, sustained regional mobility, improved air links, and Georgia's Middle Corridor role support the baseline; the main risks are softer partner-country demand and geopolitics.

FDI snapped back hard in Q3: USD 533.2m, roughly double Q3-2024. The surge was carried by reinvested earnings (USD 340.7m; 63.9% of total), with equity at USD 101.9m (19.1%) and a return to positive debt instruments (USD 90.6m; 17%). The source mix was broad: United States USD 93.5m (17.5% of total), Spain USD 72.1m (13.5%), Türkiye USD 70.0m (13.1%), Azerbaijan USD 56.7m (10.6%), Malta USD 50.4m (9.5%), followed by the Netherlands, Germany, Denmark, Japan, and Russia in smaller shares. By sector, inflows were led by real estate (USD 91.7m), transport (USD 79.8m), and water supply & waste management (about USD 71.5m), with finance/insurance modest (≈USD 16m). The composition is service-heavy and capital-formation friendly, so it comfortably finances a current-account gap near its equilibrium level ([Geostat]()).

PUBLIC FINANCES

According to consolidated public-finance data, recurrent (current) expenditures amounted to 5,822.5 million GEL in Q3 2025, up 9.4% y/y. The increase was led by compensation of employees (+16.1% y/y to 864.9 m GEL) and social benefits (+8.0% y/y to 2,226.7 m GEL); spending on goods and services rose 4.4% to 709.0 m GEL. By contrast, capital outlays (acquisition of non-financial assets) fell 21.5% y/y to 1,349.5 m GEL. Overall, the consolidated budget posted a small overall deficit of 54.4 m GEL in the quarter, with the operating balance improving to 1,181.9 m GEL.

Total consolidated revenues reached 7,004.4 million GEL, a 12.4% y/y increase. Tax revenues rose 13.5% to 6,416.5 m GEL, driven by stronger direct taxes (+21.4% y/y to 2,948.5 m GEL) alongside more moderate gains in indirect taxes (+7.6% y/y to 3,467.9 m GEL). Grants edged down 0.6% to 32.3 m GEL, while other revenues increased 1.2% to 555.6 m GEL (Ministry of Finance of Georgia, 2025).

Public debt continued to trend up with a gradual shift toward lari-denominated liabilities. As of 30 September 2025, the stock of public debt stood at 36,224 million GEL (up 6.0% y/y). The external share declined to 69.3% (from 72.1% a year earlier), while the domestic share rose to 30.7%, modestly reducing exchange-rate exposure.