

- *Economic activity grew 6.6 percent (yoy) in August, led by ICT, finance, and trade.*
- *Consumer prices rose 0.5 percent (mom) in September, with annual inflation increasing to 4.8 percent, driven mainly by food prices.*
- *The trade deficit narrowed in August, as imports dropped faster than exports.*
- *Credit and deposits grew in double-digits in August, and bank profitability remained healthy.*
- *The fiscal deficit remained contained in the first eight months of the year, at 0.1 percent of GDP.*

Economic activity remained robust in August. Real GDP increased 6.6 percent (yoy) in August, with the January-August average reaching 7.9 percent. Growth was driven by ICT, finance, professional services, energy, and trade, whereas manufacturing and construction continued to decline. The turnover of VAT-paying firms rose approximately 9 percent (yoy); however, registrations of new businesses fell 18.5 percent (yoy).

In September, headline inflation increased. Prices increased by 0.5 percent in September (mom), following a 0.3 percent rise in August. In annual terms, the consumer price index (CPI) rose to 4.8 percent in September, up from 4.6 percent in August. Food prices, up almost 12 percent (yoy), remained the main driver of annual inflation, while falling transport costs helped to offset overall price pressures. Core inflation eased to 2.4 percent, reflecting a moderation in demand. Georgia's National Bank (NBG) has kept its policy rate at 8 percent since May 2024.

In August, the trade deficit narrowed (yoy). Exports fell 5.9 percent (yoy), as a decline in passenger car re-exports (down 12.6 percent) outweighed strong growth in ferro-alloys (up 63 percent) and copper ores (up 235 percent). Exports to Kyrgyzstan contracted (down 19 percent); exports to Russia (up 13.2 percent) and to Bulgaria (up 201 percent) expanded. Imports fell 6.9 percent (yoy), driven by lower car imports, but petroleum products and pharmaceuticals remained resilient. With imports contracting faster than exports, the goods trade deficit narrowed 7.7 percent (yoy). Remittance inflows increased 10.7 percent (yoy), with a 2.9 percent decline in transfers from Russia more than offset by a rise in remittances of 11.7 percent from the European Union and of 16.8 percent from the United States. Alongside robust tourism receipts, these flows helped contain external pressures, with the current account deficit at 3 percent of GDP in Q2 2025;

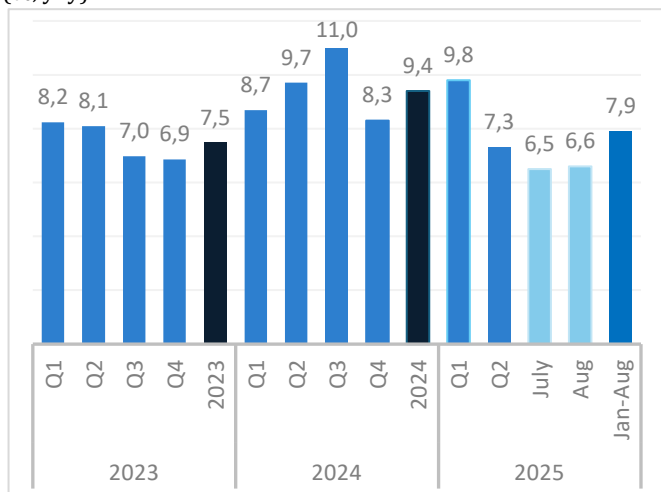
net foreign direct investment (FDI) inflows down 1.5pp (yoy) to 5.5 percent of GDP; external debt stable at 95 percent of GDP; and international reserves covering 4.2 months of imports.

In August, the banking sector remained sound, with strong capital buffers and profitability. Credit growth reached almost 15 percent (yoy, excluding FX effects), while deposit growth was slightly slower at 11 percent, maintaining stable funding conditions. Profitability indicators remained robust: return on equity was 22.6 percent, up slightly from 22.1 percent in July; and return on assets remained broadly unchanged, at 3.8 percent since July. Asset quality remained healthy, with the non-performing loans (NPL) ratio at 2.6 percent.

In September, the GEL remained broadly stable. The GEL recorded minor fluctuations against the USD in September, depreciating slightly in the first days of October. The GEL depreciated 5.5 percent (yoy) against the EUR, reflecting global currency trends. The nominal effective exchange rate (NEER) appreciated 0.5 percent (yoy) in August and 0.7 percent (yoy) in September; domestic inflation differentials led to a 3.4 percent depreciation (yoy) of the real effective exchange rate (REER) in August, pointing to an improvement in competitiveness. The broadly stable exchange rate, along with adequate reserve buffers, continued to anchor expectations and limit volatility.

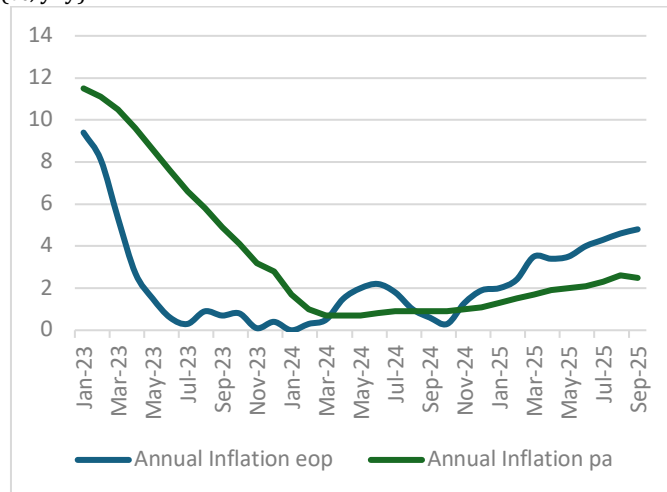
In August, Georgia's fiscal performance strengthened compared with 2024. Revenue increased 8.6 percent (yoy), driven by broad-based tax gains: personal income tax (PIT) and VAT collection both increased 10 percent; and excises surged 54 percent as VAT refunds normalized. Expenditure grew 1.1 percent, with a 13 percent increase in current expenditure driven by higher employee compensation (up 16 percent) and interest payments (up 23 percent). This was offset by a sharp decline (down 30 percent) in capital outlays, due to weaker project execution. Over the January–August period, revenue rose 10 percent and expenditure increased 5.5 percent, keeping the fiscal deficit at 0.1 percent of GDP, well below the government's annual target of 3 percent. Public debt fell to 34 percent of GDP, 2.2 percentage points (pp) lower than in 2024, with approximately a third of the debt stock held domestically and two thirds in external debt. Fiscal buffers remain robust, with public sector deposits at almost 6 percent of GDP at end-August, close to 2024's 6.4 percent level.

Figure 1. Economic activity grew by 6.6 percent (yoy) in August 2025
(%, yoy)



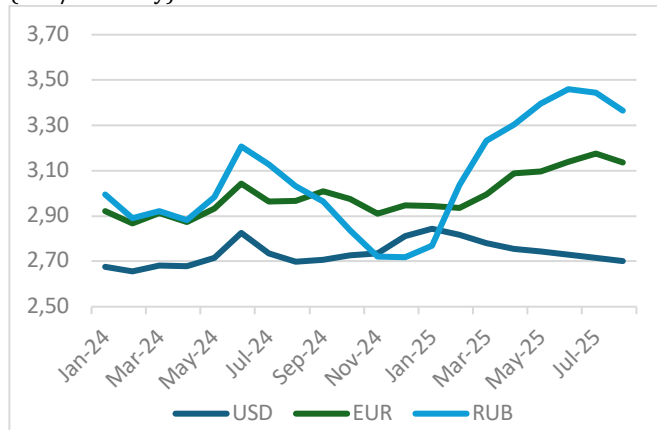
Source: Geostat

Figure 2. Annual inflation increased to 4.8 percent (yoy) in August 2025
(%, yoy)



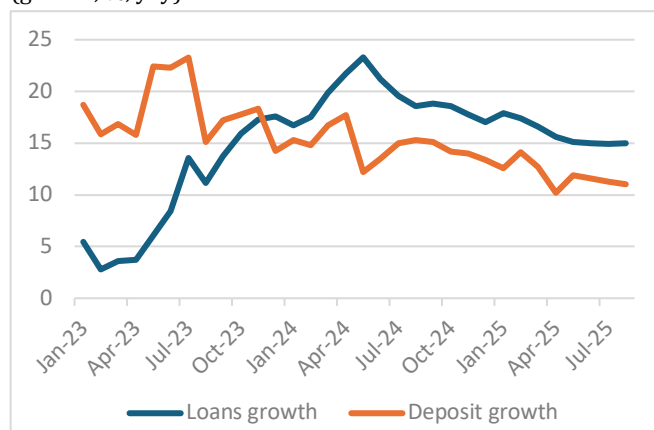
Source: Geostat

Figure 3. The GEL/USD exchange rate remained stable in August and September 2025
(GEL/Currency)



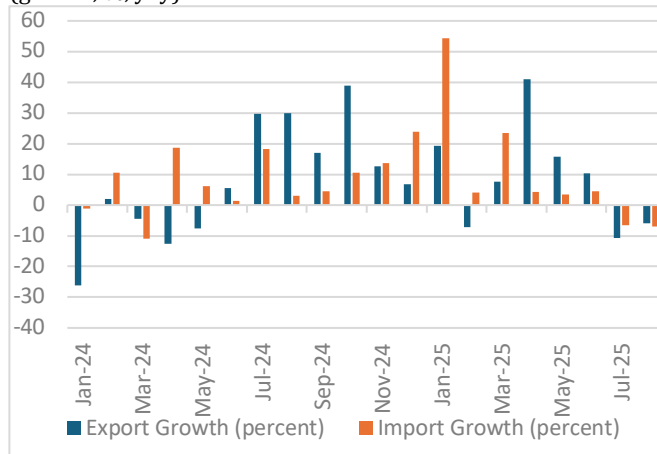
Source: NBG

Figure 4. Credit and deposit growth remained in double digits in August 2025
(growth, %, yoy)



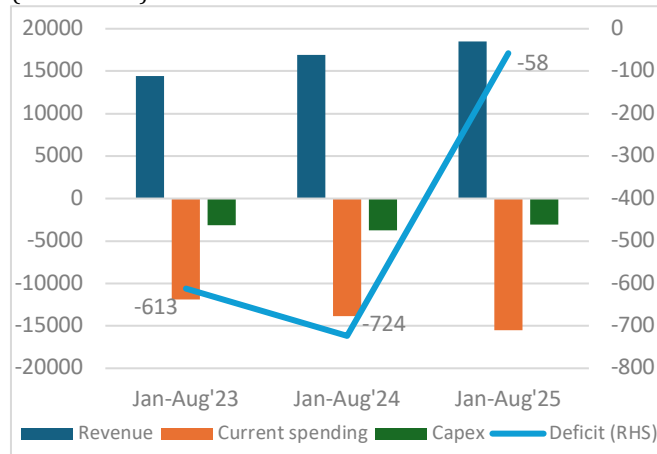
Source: NBG

Figure 5. Import contraction outpaced exports in August 2025
(growth, %, yoy)



Source: Geostat

Figure 6. A lower deficit (yoy) was recorded over the January-August 2025 period
(GEL million)



Source: Ministry of Finance