- *Growth in economic activity eased to 6.7 percent (yoy) in December.*
- *Consumer prices rose 0.4 percent (mom) in January 2025 due to higher food prices.*
- *Civil unrest has had an impact on the business confidence index.*
- *Banking sector credit and deposits grew in December 2024, by 17 percent (yoy) and 13.8 percent (yoy), respectively.*
- *In 2024, the cumulative fiscal deficit stood at 3 percent of GDP.*

Georgia's real growth eased to 6.7 percent (yoy) in December, down from 7.5 percent in November. This brought growth to 8.4 percent (yoy) in Q4 and 9.5 percent (yoy) for 2024. December growth was driven by financial services and information and communication services. The decline in manufacturing continued. Total turnover of VAT-registered taxpayers grew 10.1 percent (yoy) in nominal terms in December, maintaining a similar pace as in November. In December, 6,045 new enterprises were registered, a 16.7 percent (yoy) increase compared with the 8.2 percent (yoy) growth recorded in November. Cumulatively, growth for 2024 reached 9.5 percent (yoy). Preliminary estimates from ISET indicate that the impact of the civil unrest that began in October is already being felt: the business confidence index fell 8.8 points in Q4 2024, reaching –5 at the start of Q1 2025. The services sector experienced the sharpest decline.

Consumer prices grew 0.4 percent (mom) in January 2025, lower than the 0.7 percent (mom) recorded in December 2024. Food was the largest contributor, with prices rising 1.1 percent (mom) and contributing 0.4 pp to monthly inflation; fruits and vegetables were the main drivers. Increases (mom) were also recorded in healthcare (1.1 percent) and alcohol and tobacco (1 percent), whereas prices for clothing and footwear fell (-2.6 percent). Annual inflation rose to 2 percent in January 2025, slightly above the 1.9 percent recorded in December 2024, but still below the NBG's 3-percent target. In Q1 2025, the ISET sales price expectations index rose by 6.9 points to 20, compared with Q4 2024, an indication that more businesses are expected to raise their prices in the next quarter.

Labor market indicators improved in Q3 2024. The employment rate grew 1.8 percent (yoy), while the unemployment rate fell 1.8 percent (yoy). The labor force participation rate grew 1.1 percent (yoy). The average nominal monthly salary increased 10.8 percent over the same period.

The GEL continued to depreciate against the USD in January 2025. The GEL weakened to 2.88/USD at end-January from 2.81/USD at end-December, a depreciation of 7.2 percent (yoy) in January, with the GEL at its lowest since September 2022. Gross international reserves were USD 4.43 billion at end-January, equivalent to 3 months of imports, down 0.4 percent (mom) from December.

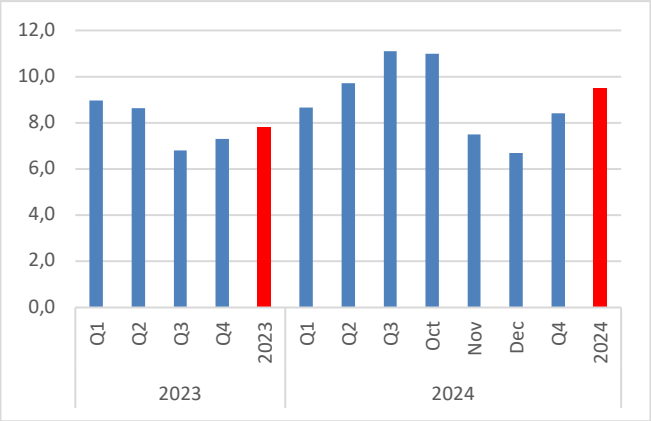
The banking sector maintained strong growth in December 2024. Loans (excluding FX effects) increased 17 percent (yoy) in December, driven by a 22.3 percent (yoy) increase in local currency lending. Deposits rose 13.8 percent (yoy), with national currency deposits growing 10.4 percent (yoy). Deposit dollarization reached 54 percent (mom) in December. The NPL ratio decreased slightly, from 1.55 percent to 1.47 percent. On January 29, 2025, the NBG decided to keep the monetary policy rate (refinancing rate) unchanged at 8 percent.

In Q3 2024, the current account surplus amounted to USD 61.4 million. The goods and income accounts negatively impacted the current account, while the services and current transfers accounts had positive contributions. The current account balance improved by USD 75.1 million (yoy), with the current account-to-GDP ratio rising from –0.2 percent to 0.7 percent. FDI in Q3 2024 fell 55 percent (yoy), with the Netherlands, Malta and the UK, the main countries of origin. In 2024, the number of international visitors increased 5.4 percent (yoy), with Russia and Türkiye as top countries of origin. Tourism revenues from visitors grew 10.3 percent (yoy) in 2024.

Georgia's fiscal deficit was 1.5 percent of GDP in December 2024. Growth in general government revenues increased from 9.4 percent (yoy) in November to 22.4 percent (yoy) in December. Tax revenues were the primary contributor, with growth at 27.1 percent (yoy) driven by profit tax (72 percent, yoy); excise tax (42 percent, yoy); custom duties (24.3 percent, yoy); and personal income tax (19 percent, yoy). Government expenditures were also high, growing 25 percent (yoy). Capital expenditure rose 7.7 percent (yoy) in December, after falling 14.7 percent (yoy) in November. Current expenditure grew 36 percent (yoy). Overall tax collection rose 18 percent (yoy) in 2024. The annual deficit reached 3 percent of GDP and was mainly financed from domestic sources.

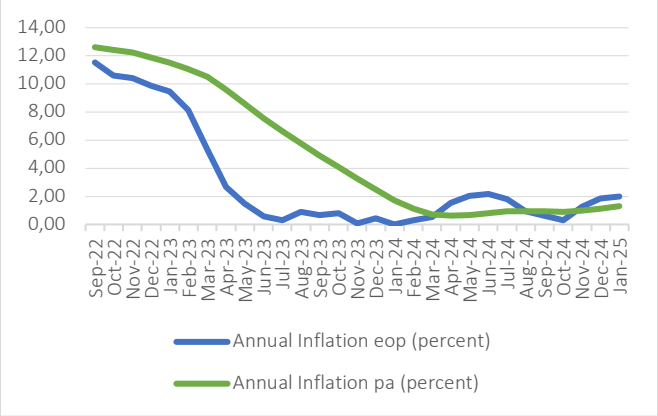
Prepared by: Mariam Dolidze, Sr. Economist: mdolidze@worldbank.org; and Vicky Chemutai, Economist: vchemutai@worldbank.org

Figure 1. Economic activity in Q4 moderated to 8.4 percent
(%, yoy)



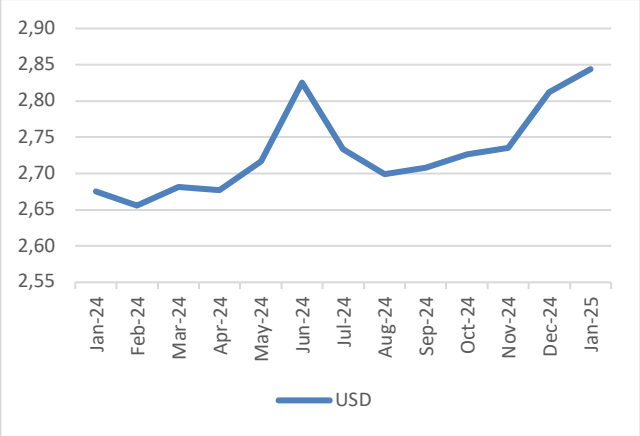
Source: Geostat

Figure 2. Annual inflation rose to 2 percent (yoy) in January 2025
(%, yoy)



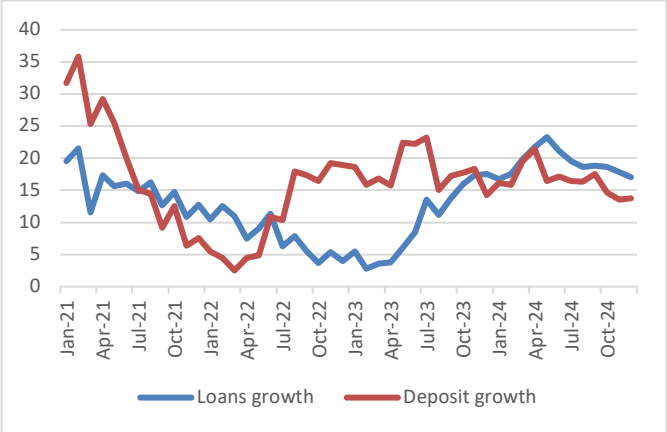
Source: Geostat

Figure 3. The GEL continued to depreciate against the USD in January
(GEL/US$)



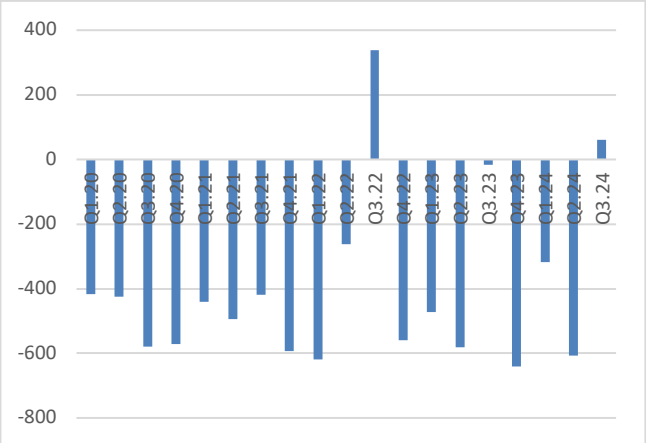
Source: NBG

Figure 4. Credit and deposits continued double-digit growth in December 2024
(growth, %, yoy)



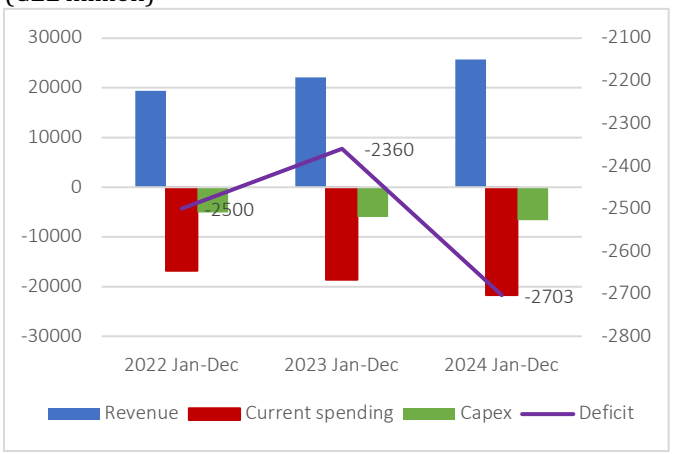
Source: NBG

Figure 5. The current account was in surplus in Q3 2024
(GEL million)



Source: NBG

Figure 6. The cumulative deficit increased in absolute terms (yoy) in 2024
(GEL million)



Source: Ministry of Finance

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