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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

For the latest updates on the key economic responses from governments to address the economic impact of the COVID-19 pandemic, please consult the [IMF's policy tracking platform Policy Responses to COVID-19](#).

Georgia is a transition economy influenced by its past affiliation to the Soviet Union. Economic growth in recent years was boosted by rising domestic and external demand, resulting in higher consumption, exports, tourism and remittances. After contracting following the COVID-19 pandemic, the country's GDP rebounded strongly in 2021 (+10.4%) and continued its positive trend in 2022, when growth - driven by higher export, tourism revenues, and a large inflow of money transfers - was estimated at 9% by the IMF. Strong private consumption was also boosted by the surge in migrants from Ukraine. According to the IMF projections, GDP growth will moderate to 4% in 2023, due to fading support from Russian inflows and weaker external demand, returning to just above the trend rate of 5% in 2024.

General government debt, which had already shown an upward trend in recent years as a result of public infrastructure spending, expanded further in the last couple of years, as the government stepped up social and capital spending as part of a Covid-19 response package. In 2022, the government managed to reduce the deficit to 2.7% of GDP thanks to an increase in revenue prompted by enhanced taxation. For 2023 and 2024, Fitch Ratings sees a deficit below the 3% fiscal rule ceiling, at 2.6% and 2.8%, respectively. After increasing by more than half following the outbreak of the Covid-19 crisis, the debt-to-GDP ratio returned to a downward trend and stood at 39.8% in 2022, of which 75% is foreign-currency denominated, and should remain relatively stable over the forecast horizon (IMF). As in most countries, inflation stood well above the National Bank of Georgia's target of 3%, averaging 11.6% in 2022, pushed by rising energy prices and higher demand due to the immigration influx. The IMF forecasts the inflation to moderate to 6% this year before halving in 2024, although risks remain tilted to the upside. Given Georgia's small and open economy, the lari exchange rate remains very volatile, often eroding household purchasing power.

The Georgian unemployment rate is still high: it was estimated at 18.7% in 2022 and is expected to reach 20.2% by 2024, also due to the increased number of immigrants joining the labour market. According to the latest figures from GeoStat, 17.5% of the population was living below the poverty line in 2021: Inequalities remain high compared to other economies in the region, with low levels of education and a rural population (40% of the total - World Bank). Overall, the average GDP per capita (PPP) was estimated at USD 19,789 in 2022 by the IMF.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP (billions USD)	24.61	30.02	31.42	34.08	36.85
GDP (Constant Prices, Annual % Change)	10.1	6.2	4.8	5.2	5.2
GDP per Capita (USD)	6,671	8,165	8,573	9,331	10,128
General Government Balance (in % of GDP)	-0.3	0.1	0.6	0.9	0.8

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	39.8	39.6	39.3	38.7	38.1
Inflation Rate <i>(%)</i>	n/a	2.4	2.7	3.0	3.0
Unemployment Rate <i>(% of the Labour Force)</i>	17.3	18.4	18.6	18.1	17.5
Current Account <i>(billions USD)</i>	-0.98	-1.82	-1.81	-1.89	-2.04
Current Account <i>(in % of GDP)</i>	-4.0	-6.1	-5.8	-5.6	-5.5

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

More than 1.7 million Georgians, out of a population of 3.7 million, constitute the domestic labour force (World Bank) and the country possesses many natural resources on its territory. The country has forests and woods, rivers and lakes, farmland, marble, minerals, manganese, iron, copper, coal, oil, clays, and sand, as well as wildlife. Georgia has an agricultural tradition, which has helped develop its economy for years. However, the agricultural sector has been in decline since 1995: agriculture now accounts for 6.5% of the GDP and employs 38% of the working population (World Bank, latest data available). 98% of farmers are self-employed, and production is largely for self-consumption. More than 40% of Georgian territory is considered agricultural land, which also includes pastures and grasslands. The main agricultural products are cereals, technical plants, subtropical plants, fruit varieties, melons and gourds, tobacco and wine grapes, as well as rice, tea and cereals, tea and livestock. Georgia is also one of the oldest regions of wine producers and is rich in drinking water resources. The country has signed a Deep and Comprehensive Free Trade Area (CFTA) agreement with the EU, which implies that all Georgian agricultural products can be exported without duty to EU markets. According to the latest available figures by the National Statistics Office, the average annual income stands at GEL 1,508 for small holdings and GEL 13,151 for medium and large holdings.

Following a decline during the break-up of the Soviet bloc, and again between 2004 and 2008, the industrial sector in Georgia has seen signs of modest recovery. The industry contributes 21.4% of the GDP and employs 14% of the working population, while the manufacturing sector accounts for 9.3% of the GDP (World Bank). The industrial sector includes mainly food processing and the manufacture of transportation equipment, electric motors, iron, steel, aircraft, chemicals and textiles. Mineral extraction concerns manganese (mainly in the Chiatura and Imeritia regions), copper, tungsten, marble and oil. Although Georgia has significant hydroelectric power generation capacity, it is heavily reliant on oil and gas imports. In the first nine months of 2022 total industry turnover stood at GEL 13.6 billion, 35.3% more than in the same period one year earlier.

Services is the most dynamic subsector of the economy, accounting for 59.5% of Georgia's GDP and employing around 48% of the workforce (World Bank). The sector is boosted by the hotel, restaurant, transport and telecommunications industries. The tourism sector grew rapidly until Covid-19 (9.4 million visitors in 2019, 1.7 million in 2020 according to Georgian National Tourism Administration), and has become one of the government's priorities with the development of coastal infrastructures in the Adjara region and Svaneti ski resorts. Nevertheless, in 2022 the tourism sector showed signs of recovery, with 5.4 million foreign tourists (188.5% y-o-y). The National Administration of Tourism declared that Georgia received USD 3.5 billion from international tourist visits in 2022, 7.6% more than the pre-COVID level recorded in 2019.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	40.4	13.8	45.8
Value Added <i>(in % of GDP)</i>	6.1	21.5	59.9
Value Added <i>(Annual % Change)</i>	2.9	15.2	9.4

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Georgian Lari (GEL) - Average Annual Exchange Rate For 1 USD	2.37	2.51	2.53	2.80	3.11

Source: World Bank - Latest available data.

FOREIGN TRADE

Georgia is very open to international trade as it accounts for around 93.3% of its GDP (World Bank – latest data available). The country has no foreign exchange controls, allows foreign investment in almost all sectors, and has an impressive privatization program, particularly in terms of land allocation. The main products exported in 2022 were copper ores and concentrates (18.3%), motor cars (16.2%), ferroalloys (8.2%), mineral or chemical fertilizers, nitrogenous (2%), and wine of fresh grapes (4.5%); whereas the main imports were motor cars (12.5%), petroleum and petroleum oils (9.9%), copper ores and concentrates (5.7%), petroleum gases and other gaseous hydrocarbons (3.4%), and medicaments (3% - data Statistics Georgia).

In 2022, Georgia's main customers were China (13.2% of total exports), Azerbaijan (12%), Russia (11.7%), Armenia (10.5%), and Turkey (7.8%). Its main suppliers were Turkey (17.6% of total imports), Russia (13.6%), China (8.3%), the U.S. (7.2%), and Germany (4.9%). Overall, the EU accounted for 15.4% of total exports and 22.6% of imports (data Statistics Georgia). Georgia was the second former member of the Soviet Union to join the WTO and free trade agreements with Europe and China help attract foreign investors. In 2014, Georgia signed an Association Agreement (AA) and a Comprehensive Free Trade Agreement (ALECA) with the European Union, which has strengthened its exports. The Georgian government is seeking to improve its ports on the Black Sea to boost East-West trade.

Georgia has a structural trade deficit due to the low diversity and value of exports. According to WTO, in 2021 merchandise exports amounted to USD 4.2 billion (+26.9% y-o-y), whereas imports reached USD 10.1 billion (+25.4% y-o-y). At the same time, exports of commercial services increased by almost 70% to USD 2.5 billion, while imports of services amounted to USD 1.8 billion (+30.1%). Preliminary figures from Statistics Georgia show that in 2022 the country's exports reached almost USD 6 billion, 31.8% higher vis-à-vis 2021; whereas imports reached USD 13.5 billion (+33.8%).

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	9,362	9,518	8,049	10,099	13,548
Exports of Goods <i>(million USD)</i>	3,380	3,798	3,341	4,243	5,583
Imports of Services <i>(million USD)</i>	2,246	2,425	1,456	1,822	2,972
Exports of Services <i>(million USD)</i>	4,490	4,600	1,580	2,547	5,654

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	111.8	118.6	93.9	102.8	115.9
Trade Balance <i>(million USD)</i>	-4,116	-3,792	-3,165	-3,790	-5,100

Foreign Trade Indicators	2018	2019	2020	2021	2022
Trade Balance (Including Service) <i>(million USD)</i>	-1,872	-1,616	-3,041	-3,065	-2,426
Imports of Goods and Services <i>(Annual % Change)</i>	10.3	6.6	-16.6	11.0	14.4
Exports of Goods and Services <i>(Annual % Change)</i>	10.1	9.8	-37.6	24.4	38.2
Imports of Goods and Services <i>(in % of GDP)</i>	61.2	63.8	56.6	59.6	63.0
Exports of Goods and Services <i>(in % of GDP)</i>	50.6	54.8	37.3	43.2	52.9

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	14.2	2.3	6.0	6.6	3.5
Volume of imports of goods and services (Annual % change)	13.8	1.9	2.9	3.3	1.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
China	13.2%
Armenia	10.5%
Türkiye	7.8%
Bulgaria	7.6%
United States	4.7%
See More Countries	56.2%

Main Suppliers <i>(% of Imports)</i>	2022
Türkiye	17.5%
China	8.3%
United States	7.5%
Germany	4.9%
Armenia	4.5%
See More Countries	57.3%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Salome ZOURABICHVILI (since 16 December 2018)

Prime Minister: Irakli GARIBASHVILI (since 22 February 2021)

Next Election Dates

Presidential: 2024

Parliamentary: October 2024

Main Political Parties

Georgia has a multi-party system. The major political parties are:

- **Georgian Dream** (coalition comprising of Democratic Georgia; Conservative Party; Industry Will Save Georgia; Republican Party of Georgia; National Forum): nationalist, pro-market, pro-west, diverse
- People's Power: populist
- **United National Movement (UNM)**: centre-right, largest opposition force, favors radical reforms and close ties with NATO and the European Union
- Free Democrats: liberal, centre, pro-European

Other parties include:

- **Alliance of Patriots**
- European Georgia
- Lelo
- Strategy
- Girchi
- Citizens
- Georgian Labour Party

Executive Power

The head of the state is the President who is elected by a popular vote for a five-year term. The President is the commander-in-chief of the armed forces and holds executive powers. The President is also the head of the Ministries of Energy and State Security; while the Prime Minister is the head of the remaining ministries. The President appoints the Cabinet of Ministers. The Georgian state is highly centralized, except for the two autonomous regions of Abkhazia and Ajara which have had special autonomous powers since Soviet rule.

Legislative Power

The legislature in Georgia is unicameral: the **Parliament** has 150 members, of which 120 are directly elected in a single nationwide constituency by closed, party-list proportional representation vote, while 30 are directly elected in single-seat constituencies by at least 50% majority vote, with a runoff if needed. The members of the Parliament serve a four-year term. The government is directly or indirectly dependent on the support of the parliament, often expressed through a vote of confidence. The president cannot directly dissolve the parliament or veto its enactments without taking parliament into his confidence.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Georgia, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).