

Republic of Georgia

Rating report

Rating rationale

A moderate and stable government debt trajectory, as well as strong government debt profile.

A modest general government deficit, high nominal growth and a historical commitment to fiscal prudence underpin the projected stabilisation of general government debt at around 34% of GDP by 2030 in the absence of major shocks. Refinancing risks related to domestic and external uncertainties are further mitigated by a favorable debt profile. Strong government debt structure furthermore decreases the public sector balance sheet's vulnerabilities to external-sector crises.

A robust medium-term economic growth potential. After a robust post-pandemic recovery, with above-10% annual growth in both 2021 and 2022, the Georgian economy grew 7.8% in 2023 and 9.4% in 2024, benefitting from continued positive economic spill-over from the Russia-Ukraine war. The economy is furthermore supported by strong medium-term economic-growth potential (estimated at 5%), driven by strong dynamics in private consumption, tourism-sector receipts and investment. Foreign direct investment inflows have weakened and remain under pre-Covid crisis levels as a share of GDP.

Rating challenges: i) domestic institutional risks as October-2024 parliamentary elections have further divided the nation; ii) sustained geopolitical risks after Russia's escalation of war on Ukraine; iii) vulnerability to external shocks due to higher albeit still moderate external-sector buffers, the small size of the economy, alongside high reliance on external financing; and iv) financial-stability risks associated with the significant dollarisation of the economy.

Figure 1: Georgia's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	bbb+	GEL	Georgia	0	BB
Public finance risk		20%	aa			0	
External economic risk		10%	c			- 2/3	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bbb+	[+0]	[-1]	0	
	Social factors	7.5%	bb			0	
	Governance factors	12.5%	a-			- 1/3	
Sovereign Quantitative Model****		bbb				-1	
Additional considerations*****						-2	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer.

****The Rating Committee approved an indicative SQM rating of 'bbb' for Georgia.

*****Additional considerations represent minus one rating notch for extraordinary geopolitical risks and one negative notch for domestic institutional risks including the risk of escalation of sanctions.

For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

BB/Negative

Senior unsecured debt/Outlook

BB/Negative

Short-term issuer rating/Outlook

S-3/Stable

Local currency

Long-term issuer rating/Outlook

BB/Negative

Senior unsecured debt/Outlook

BB/Negative

Short-term issuer rating/Outlook

S-3/Stable

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Credit strengths and challenges

Credit strengths

- Moderate government debt and strong public debt structure
- Solid medium-run economic growth potential
- Strengthened macroeconomic-policy framework

Credit challenges

- Domestic institutional risks, including escalating sanctions
- Heightened geopolitical risks
- Elevated vulnerability to external shocks and a reliance upon external financing
- Lower albeit still high dollarisation

Outlook and rating triggers

The Negative Outlook reflects Scope's view that risks for the ratings are skewed on the downside.

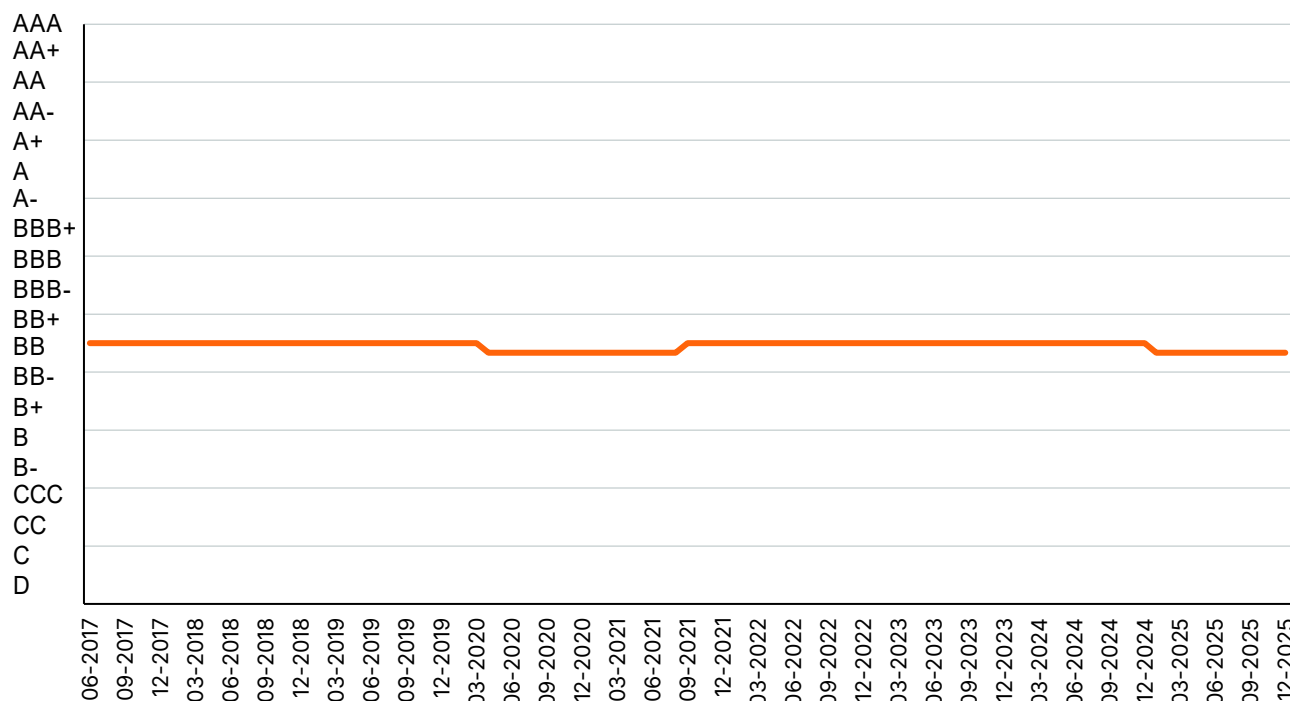
Positive rating-change drivers

- Institutional risks are addressed and sanctions risks reduced
- Significant reduction of security risks
- Reduction in external-sector risks

Negative rating-change drivers

- Further weakening of institutions and/or additional sanctions
- Escalation of geopolitical risks
- Increases in external-sector vulnerabilities
- Rise of medium-run government debt trajectory

Figure 2: Rating history



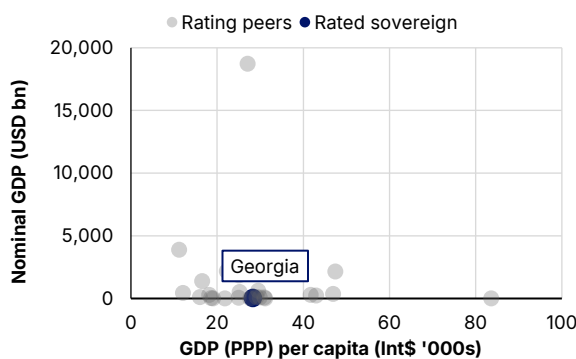
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Georgia's Domestic Economic Risk

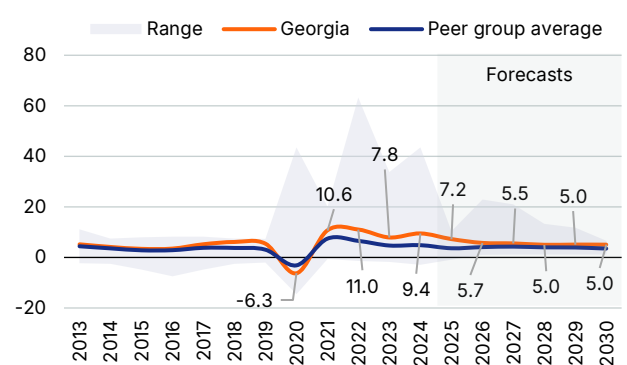
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Growth potential and outlook	Strong	1/3	Strong growth momentum relative to credit peers; strong medium-term growth potential
	Monetary policy framework	Neutral	0	A track record of prudent management of inflation, but policy flexibility is constrained by dollarisation and concerns about central-bank independence
	Macroeconomic stability and sustainability	Weak	- 1/3	Robust FDI and domestic investment, but limited economic diversification, a small, open economy, low domestic savings, elevated unemployment, and labour-force concentration in low-productivity sectors

Figure 3: Nominal GDP and GDP per capita (2024)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



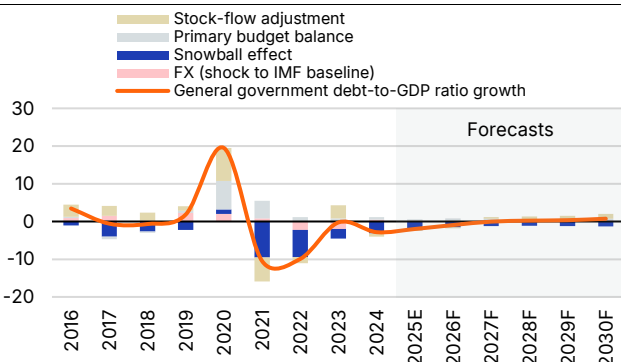
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Georgia's Public Finance Risk

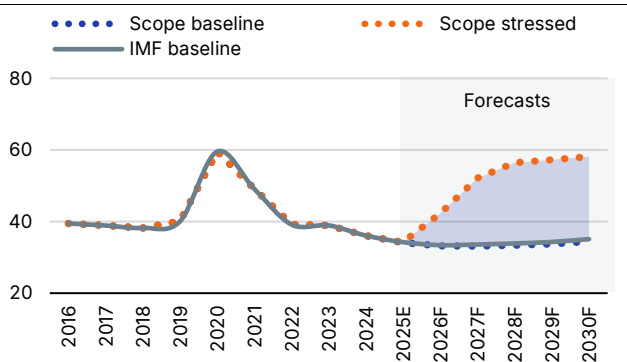
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Fiscal policy framework	Neutral	0	A track record of moderate fiscal deficits; reduced cooperation with the IMF may affect fiscal prudence
	Long-term debt trajectory	Neutral	0	Expected stabilisation in sovereign debt ratios, but debt trajectory is exposed to significant exchange-rate risks
	Debt profile and market access	Neutral	0	More than half of general government debt owed to official-sector lenders on concessional terms; a track record of sound access to concessional loan financing that is increasingly uncertain

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

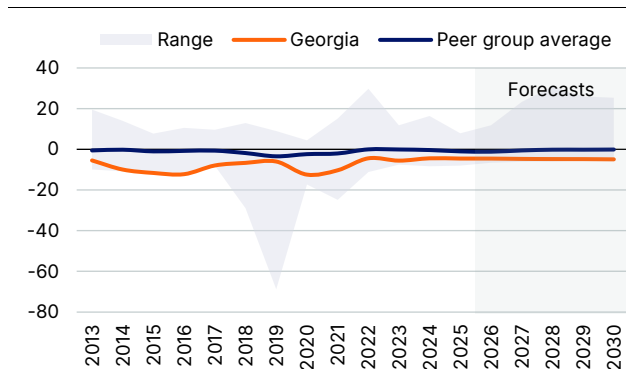
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Georgia's External Economic Risk

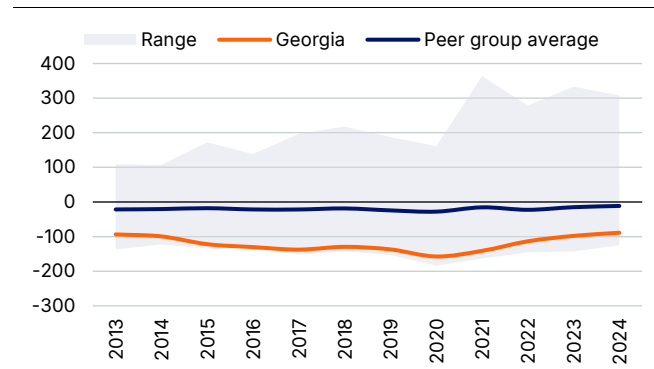
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
C	Current account resilience	Weak	- 1/3	Structural current-account deficits, significant reliance on tourism-sector revenues and remittances, slowdown of FDI inflows, risks from a potential escalation of sanctions
	External debt structure	Neutral	0	Significant net international liability position; historical record of concessional donor financing; declining levels of gross external debt
	Resilience to short-term external shocks	Weak	- 1/3	Dollarisation, significant external financing requirements and moderate levels of reserves relative to historical trends weigh on resilience to external shocks

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



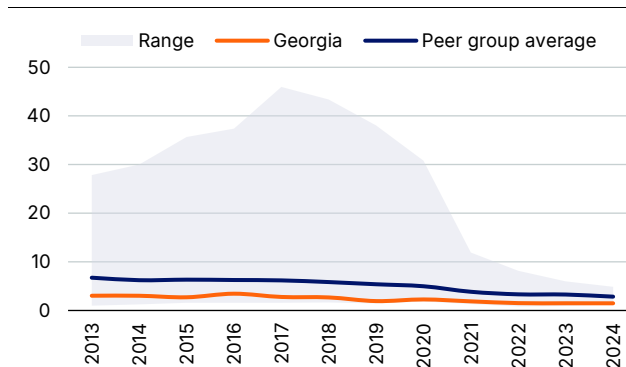
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Georgia's Financial Stability Risk

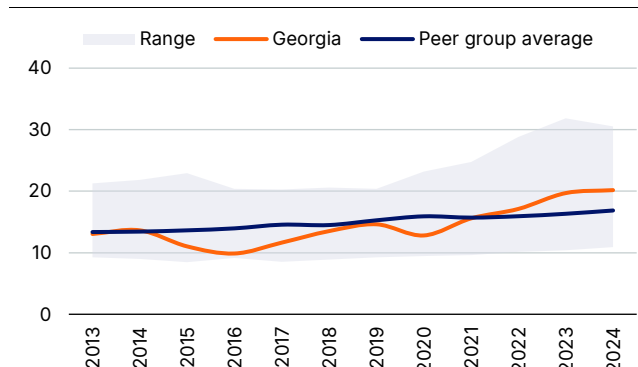
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Reduced non-performing loans and strengthened capitalisation of the banking system with higher profitability
	Financial sector oversight and governance	Neutral	0	Past strengthening of financial-system supervision and the regulatory framework; but recent doubts around central-bank independence and suspension of the IMF programme
	Financial imbalances	Neutral	0	Lower albeit still high dollarisation of banking-system loans and deposits; low private-sector debt; rising real estate prices related to increased migration inflows

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



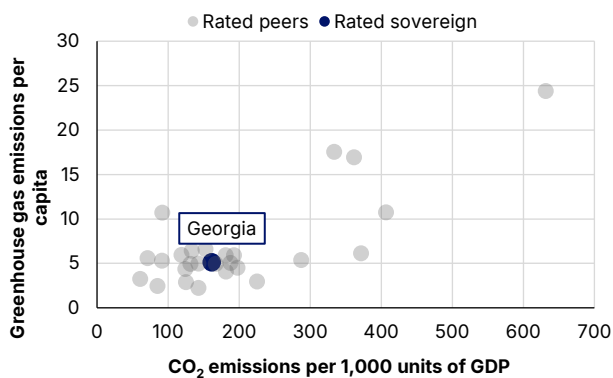
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Georgia's ESG Risk

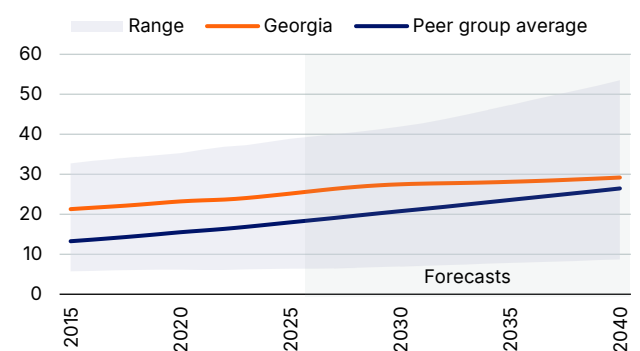
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Environmental factors	Neutral	0	Substantive risks related to the transition from fossil-fuel dependency, although mitigated by coordinated policy counter-measures
	Social factors	Neutral	0	High, although rapidly declining, rates of poverty, adverse demographics but significant immigration, elevated although declining unemployment
	Governance factors	Weak	- 1/3	High domestic political risks and polarisation; elevated geopolitical tensions, and risk of escalating international sanctions

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

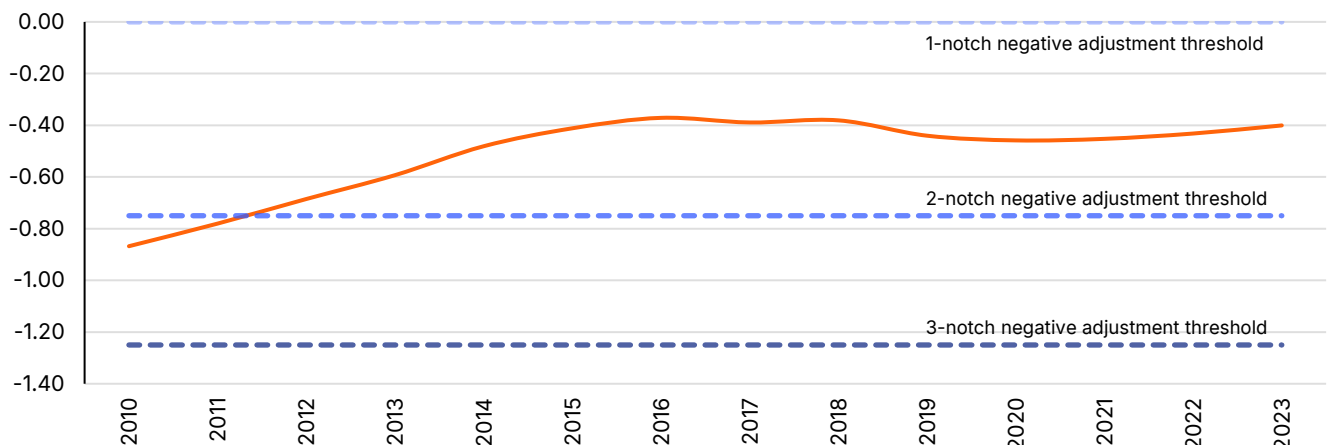
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Georgia, 3-year moving average



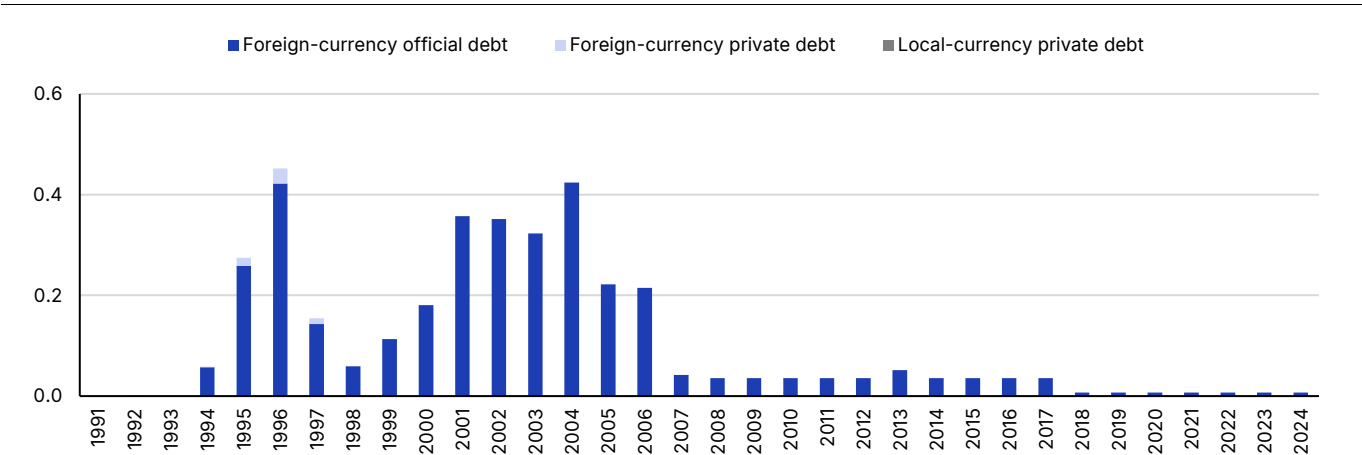
Source: WB, Scope Ratings

Additional considerations

A two-notch extraordinary downside adjustment is applied to the long-term issuer ratings, reflecting one notch for: i) elevated geopolitical risks faced by the nation given the geographical proximity to and a history of aggression from the Russian Federation alongside unsettled disputes over the separatist regions of South Ossetia and Abkhazia; and one notch for: ii) heightened domestic institutional risks and the associated risks of escalation of sanctions from Western partners, following disputed elections and high risk of social tensions.

Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
China
Greece
Romania
Serbia
Türkiye

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bps)	n/a

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	16.8	16.8	18.8	22.6	25.0	28.3
	Nominal GDP, USD bn	IMF	18	16	19	25	31	34
	Real growth, %	IMF	5.4	-6.3	10.6	11.0	7.8	9.4
	CPI inflation, %	IMF	4.9	5.2	9.6	11.9	2.5	1.1
	Unemployment rate, %	WB	11.6	11.7	-	-	-	-
Public Finance	Public debt, % of GDP	IMF	40.0	59.6	49.1	39.2	38.9	36.1
	Net interest payment, % of government revenue	IMF	4.6	6.2	5.2	4.0	5.4	5.8
	Primary balance, % of GDP	IMF	-0.6	-7.6	-4.7	-1.2	-0.9	-0.7
External Economic	Current-account balance, % of GDP	IMF	-6.0	-12.4	-10.3	-4.4	-5.6	-4.4
	Total reserves, months of imports	WB	3.2	4.4	3.8	3.1	2.7	2.3
	NIIP, % of GDP	IMF	-137.0	-157.5	-141.3	-113.6	-97.9	-88.9
Financial Stability	NPL ratio, % of total loans	IMF	1.9	2.3	1.9	1.5	1.5	1.5
	Tier 1 ratio, % of risk-weighted assets	IMF	14.1	11.8	13.4	16.2	17.5	19.1
	Credit to the private sector, % of GDP	WB	65.0	79.1	72.9	63.1	66.4	69.1
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	176.2	182.0	176.0	173.0	161.5	146.6
	Income share of bottom 50%, %	WID	14.4	14.4	15.2	15.2	15.2	-
	Labour-force participation rate, %	WB	68.6	68.8	66.2	68.8	68.9	68.8
	Old-age dependency ratio, %	UN	22.8	23.2	23.5	23.7	24.1	24.6
	Composite governance indicators*	WB	0.6	0.5	0.5	0.5	0.5	-
	Political stability, index	WB	-0.4	-0.5	-0.5	-0.4	-0.4	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

[Sovereign Rating Methodology](#), January 2025

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