Iran escalation - Minimal impact on Georgian economy

Iran escalation - Minimal impact on Georgian economy

Georgia | Economy
March 4, 2026

The escalation centered on Iran since 28 February 2026 has increased volatility in global energy markets and caused temporary disruptions to regional airspace and maritime transport. This note evaluates the potential implications for Georgia, focusing on FX inflow channels - specifically tourism revenues, money transfers, goods exports, and FDI. Under our baseline scenario, the overall impact on the Georgian economy will be minimal.

Limited direct exposure

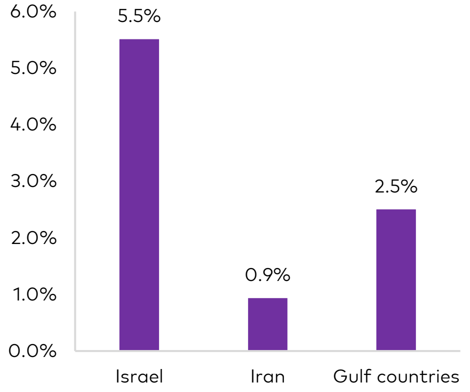
Georgia's direct economic linkages with Iran are small. In 2025, Iran accounted for 0.9% of Georgia's total FX inflows (exports, tourism, FDI, and money transfers). Experience from the 12-day Israel-Iran conflict in 2025 showed no measurable macroeconomic impact on Georgia, indicating that short-duration and geographically contained escalations tend to generate limited spillovers.

While the situation remains fluid, the economic impact will depend mainly on how long tensions persist, rather than the initial escalation itself.

Baseline view: short-lived disruption

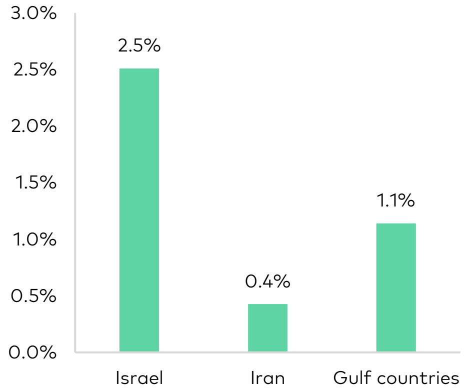
If tensions ease and disruptions remain limited - as we currently expect - macroeconomic effects in Georgia should be contained and temporary. Under a scenario where the conflict lasts around one month, 2026 GDP growth would be reduced by only 0.2ppts from our 6.0% baseline growth forecast. Inflationary effects would remain modest and largely transitory.

Figure 1: Total FX inflows (tourism, money transfers, exports, FDI), as % of total in 2025



Source: NBG, Geostat, Galt & Taggart
Note: Gulf countries include Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman.

Figure 2: Total FX inflows (tourism, money transfers, exports, FDI), as % of GDP in 2025



Source: NBG, Geostat, Galt & Taggart
Note: Gulf countries include Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman.

Georgia's Exposure to Iran, Israel, and Gulf Countries

Georgia's economic exposure to Iran, Israel, and Gulf countries is moderate and concentrated in specific channels, primarily tourism.

Georgia's direct linkages with **Iran** are very limited. In 2025, Iran accounted for only 0.9% of total FX inflows, with tourism revenues from Iran accounting for 2.6% of total, goods exports for 0.5% of total, and virtually no inflows from money transfers or FDI. This indicates that short-term disruptions related to Iran alone are unlikely to have a significant macroeconomic impact.

Israel is a more important partner for Georgia, especially through tourism and money transfers. In 2025, tourism revenues from Israel represented 12.5% of total tourism revenues, and money transfers accounted for 7.6% of total, together forming the bulk of Georgia's FX exposure to Israel. Goods exports and FDI from Israel are small, accounting for equivalent of 0.1% of GDP each. Overall, Israel's share in total FX inflows was 2.5% of GDP, highlighting a moderate exposure.

Georgia's linkages with **Gulf countries** are also limited but diversified across tourism and FDI. In 2025, tourism revenues from the Gulf countries accounted for 4.5% of total and FDI accounted for 4.2% of total. These flows are small relative to the overall economy (1.1% of GDP), but tourism remains the most sensitive channel in the short term.

Table 1: FX inflows, as % total, 2025

	Tourism	Money transfers	Goods export	FDI	Total FX inflows
Iran	2.6%	0.0%	0.5%	0.0%	0.9%
Israel	12.5%	7.6%	0.7%	2.5%	5.5%
Gulf countries	4.5%	1.4%	1.4%	4.2%	2.5%
Other countries	80.3%	90.9%	97.4%	93.3%	91.0%

Source: NBG, Geostat, Galt & Taggart
Note: Gulf countries include Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman

Imports exposure: Combined imports from Iran, Israel, and Gulf countries represented around 4.1% of total imports in 2025, mainly phones, construction materials and other diversified imports. These products can be easily substituted from other suppliers, such as Türkiye and China, suggesting that disruptions in imports from these countries are unlikely to materially affect economic activity.

This structure suggests that the direct impact from short-term developments in the Middle East on the Georgian economy will be limited.

Table 2: FX inflows, as % of GDP, 2025

	Tourism	Money transfers	Goods export	FDI	Total FX inflows
Iran	0.3%	0.0%	0.1%	0.0%	0.4%
Israel	1.5%	0.7%	0.1%	0.1%	2.5%
Gulf countries	0.6%	0.1%	0.3%	0.2%	1.1%
Other countries	9.9%	8.7%	18.7%	4.2%	41.5%

Source: NBG, Geostat, Galt & Taggart
Note: Gulf countries include Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, and Oman

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Lion Finance Group PLC ('Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisors or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Head of Research
Eva Bochorishvili | evabochorishvili@gt.ge

Chief Economist
Lasha Kavtaradze | lashakavtaradze@gt.ge

Address: 3 A. Pushkin Street, Tbilisi 0108, Georgia
Tel: + (995) 32 2401 111
Email: research@gt.ge