



Chart of the month: International reserves at a record \$6.2bn in 2025



Source: NBG

Gross international reserves increased by 38.4% y/y to a record US\$ 6.2bn in 2025. Reserve accumulation was mainly supported by strong FX inflows, enabling the regulator to conduct sizeable FX purchases of US\$ 2.4bn during Mar-Dec 2025. Additionally, reserves were boosted by significant valuation gains from higher gold prices (+US\$ 403.6mn since Dec-24).

We expect reserves to continue strengthening and reach around US\$ 7.0bn by end-2026.

Economic summary

Growth: Georgia's economy expanded by 7.2% y/y in December 2025, the same rate as in November. Cumulatively, real GDP increased by 7.5% y/y in 2025, fully in line with our projection. December's growth was mainly driven by strong activity in manufacturing, ICT, transport & storage and hotels & restaurants, while construction sector contracted. We forecast real GDP growth at 6.0% in 2026.

Inflation: In December 2025, Georgia's annual inflation retreated to 4.0%, down from 4.8% in previous month. The moderation was mainly driven by a slowdown in mixed-goods inflation to 4.1% y/y in Dec-25 from 5.8% y/y posted a month earlier, along with a decline in imported goods prices by -0.2% y/y (vs. 0.8% y/y in Nov-25) and a modest easing in domestic inflation to 6.2% y/y (vs. 6.4% y/y in Nov-25). Notably, core inflation - excluding food, energy, and tobacco - also retreated to 1.6% y/y in Dec-25 from 2.3% in previous month.

We forecast average annual inflation at 3.0% in 2026.

Monetary policy: On 17 December 2025, the NBG kept the monetary policy rate unchanged at 8.0%, maintaining a cautious stance amid elevated uncertainty. The NBG noted that it would proceed with monetary policy normalization only after current one-off factors dissipate and inflation converges to the target level. We expect that a slowdown in inflation from 2Q26 will give the regulator room to start easing, potentially cutting the rate by 50 basis points to 7.5% in 2026.

FX: In Jan-26, GEL appreciated by 0.3% m/m against the USD, trading at 2.69/1\$. We expect a stable GEL against the US dollar in 2026, with the NBG continuing its FX purchases.

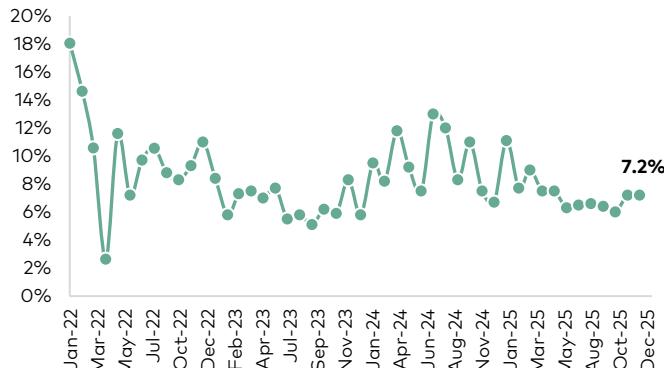
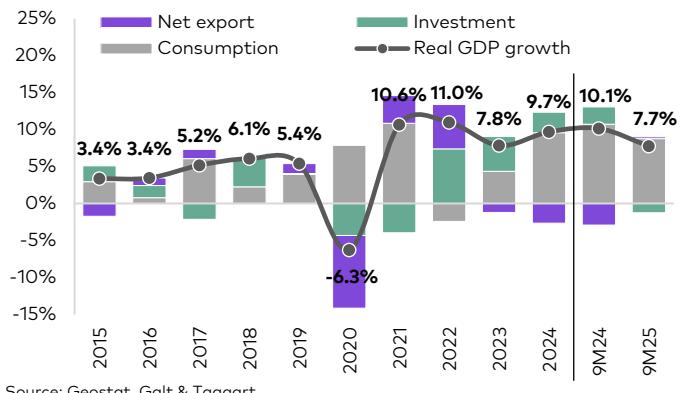
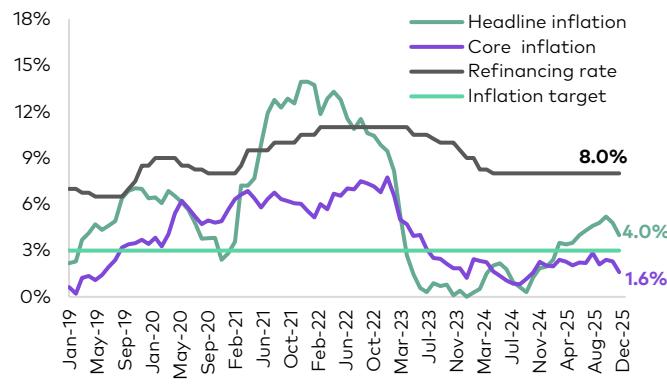
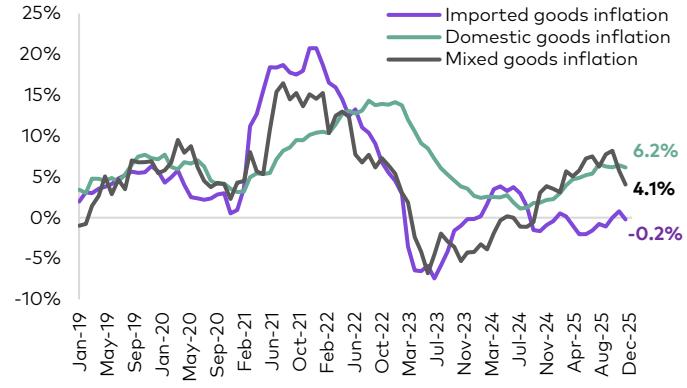
Activity

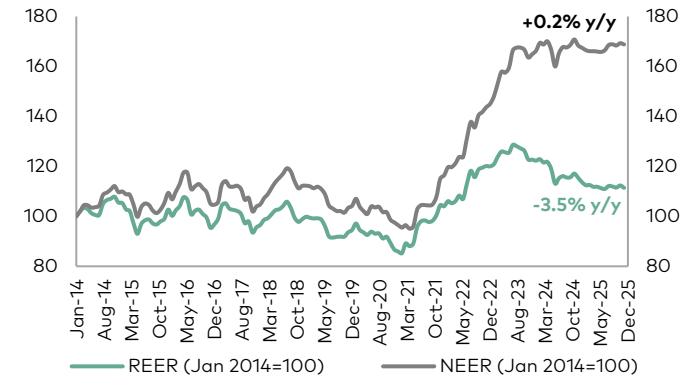
Trade: In Dec-25, goods exports increased markedly by 22.5% y/y to US\$ 673.2mn, after a 44.2% y/y surge in previous month. Goods imports also rose by 8.5% y/y to a record monthly high of US\$ 1.8bn, after a modest 0.5% y/y increase in previous month. Consequently, the trade deficit widened by 1.9% y/y to US\$ 1.2bn in Dec-25. The exports growth was mainly driven by a rise in exports of precious metals, petroleum, ferro-alloys, diodes & transistors, nuts, wine and spirits, while exports of cars and pharmaceuticals declined. On the import side, the rise was mainly due to higher imports of mixed goods, crude petroleum, electric generating sets, pharmaceuticals, vaccines & blood, phones, copper and gases. In contrast, imports of cars decreased in December.

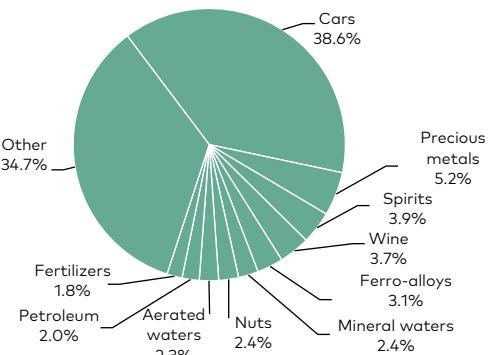
Tourism: Tourism revenues increased by 9.2% y/y to US\$ 1.1bn in 4Q25, according to the NBG. Overall, in 2025, tourism revenues reached US\$ 4.7bn (+6.0% y/y), slightly above our preliminary estimate.

For 2026, we forecast tourism revenues at US\$ 5.0bn, revised upwards from previous estimate of US\$ 4.9bn.

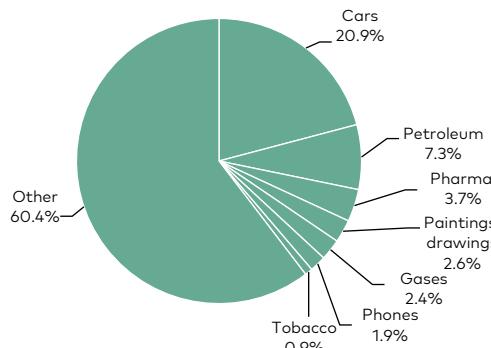
Banking sector: In Dec-25, the bank loan portfolio grew by 14.0% y/y (excl. FX effect) to GEL 70.9bn (US\$ 26.3bn), following a 13.8% y/y in previous month. This growth was mainly driven by retail loans, which rose by 15.0% y/y, alongside a 12.9% y/y increase in legal entity loans. On the funding side, deposits growth accelerated, up by 15.8% y/y (excluding FX effect) to GEL 66.9bn (US\$ 24.8bn) in Dec-25, after a 13.9% y/y growth in previous month. Additionally, loan dollarization increased to 42.4% in Dec-25 (+0.58pppts m/m and -0.95pppts y/y), while deposit dollarization reduced to 47.7% (-0.18pppts m/m and -4.95pppts y/y).

Real GDP growth, % change y/y

Contributions to real GDP growth, ppts

Annual inflation and monetary policy rate

Imported and domestic inflation dynamics

GEL/US\$ and GEL/EUR

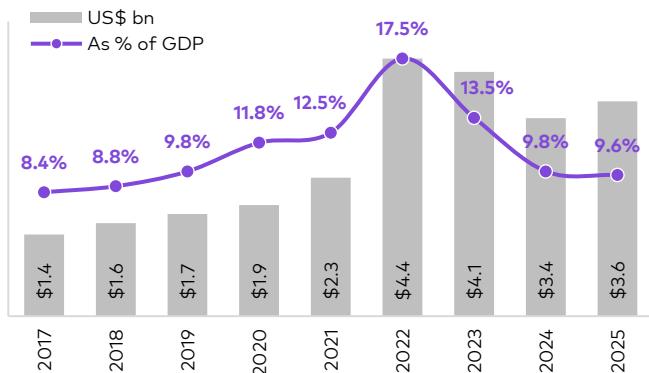
GEL's nominal and real effective exchange rates


Exports by product, 2025


Source: Geostat

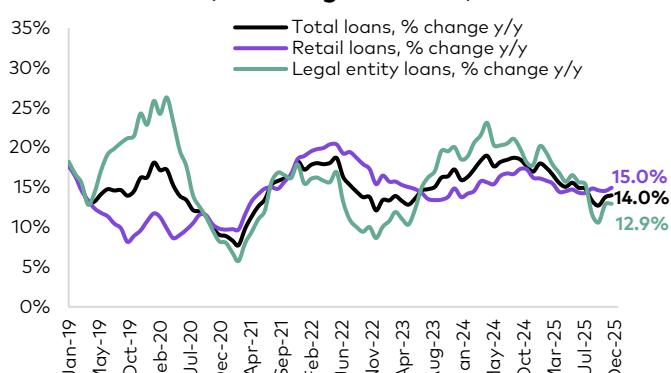
Imports by product, 2025


Source: Geostat

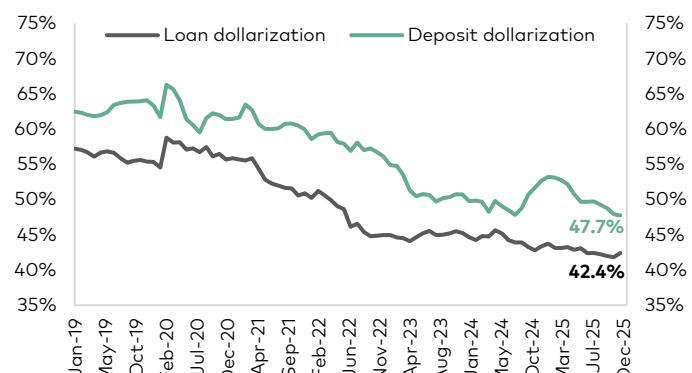
Money transfers


Source: NBG, Geostat, Galt & Taggart

Tourism revenues

Banking sector loan portfolio growth by segment, (excluding FX effect)


Source: NBG

Banking sector loan and deposit dollarization


Source: NBG

Macro data and baseline forecasts

Georgia	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026F
GDP and Prices												
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.9	104.4	114.1
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.8	38.1	42.4
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,141	10,272	11,443
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.4%	7.5%	6.0%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%	3.9%	3.0%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	4.4%	2.3%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.74	2.69
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.70	2.70
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.10	3.13
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.17	3.16
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.61	3.63
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53	3.64	3.70
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Government Finances												
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.3%	27.6%	26.4%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	30.5%	29.7%	28.9%
Fiscal balance (-deficit), % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.3%	-2.5%	-2.5%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	35.7%	34.3%	33.5%
External Sector												
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.8	-1.2	-1.4
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.5%	-5.3%	-3.2%	-3.3%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	17.7	18.8
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	20.1	21.7
Net current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.4	3.5	3.6
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	1.1	1.3	1.5
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.2%	3.6%	5.0%	7.6%	5.3%	3.3%	3.5%	3.5%
Gross international reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.4	6.2	7.0
Financial sector												
Bank loan portfolio, US\$ bn	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	22.2	26.3	29.4
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.2%	67.0%	68.0%	69.6%
Monetary policy rate, %	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.00%	7.50%

Source: NBG, MOF, Geostat, Galt & Taggart

Note 1: Fiscal balance according to IMF Program Definition

Note 2: Exports and imports include both – goods and services

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