



GALT & TAGGART
CREATING OPPORTUNITIES



NAVIGATING 2026

GEORGIA'S ECONOMIC OUTLOOK AND KEY SECTOR OVERVIEW

DECEMBER 2025



Georgian economy Outlook

Georgia | Economy
December 16, 2025

Georgia continues to register strong growth. With inflation anticipated to ease from 2Q26, a refinancing rate cut is likely during the year. Robust external inflows will support continued reserve accumulation, while the GEL is expected to remain broadly stable. Downside risks to the outlook are primarily related to political and geopolitical uncertainties.

6.0% GDP growth in 2026

In 2025, Georgian economy maintained solid growth, expanding by 7.6% in 10M25, with international reserves hitting a record US\$ 5.8bn. The primary driver of this growth was consumption, with robust FX inflows and a stable GEL also contributing significantly. We expect growth of 6.0% in 2026, underpinned by continued FX inflows - particularly from tourism, projected at US\$ 4.9bn - stable GEL, and decelerating inflation, which should bolster consumer and investor confidence. Additional support is expected from higher public capex (+9.4% y/y) and monetary easing. In the medium term, economic growth is expected to approach its potential of 5.5%.

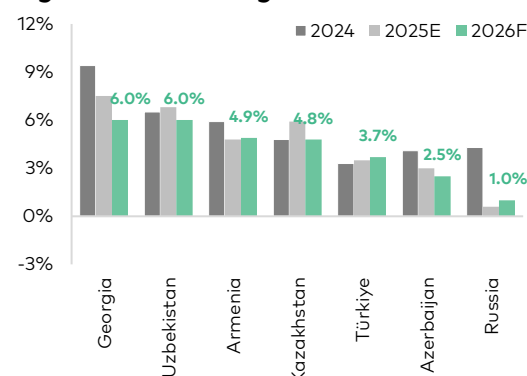
50bps rate cut in 2026

Following two years of low inflation, price pressures began to rise in Mar-25, reaching 4.8% y/y by Nov-25, driven mainly by higher food and healthcare costs. We expect inflation to ease significantly from Mar-26 onward as pressures in these categories recede, creating room for the NBG to begin loosening monetary policy. We forecast average annual inflation at 3.0% in 2026, down from 3.9% in 2025E, enabling a 50bps cut in the refinancing rate to 7.5% by year-end.

Stable GEL in 2026

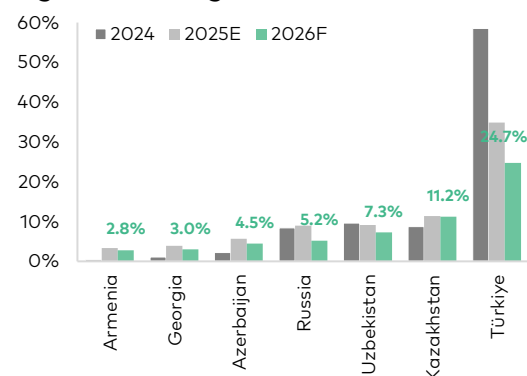
In our baseline scenario, where external inflows remain solid, the current account deficit below 5% of GDP, and global dollar weakness continues, the GEL is expected to remain broadly stable in 2026, averaging around 2.7 per USD and 3.13 per EUR. Meanwhile, a less aggressive FX reserve accumulation by the NBG relative to 2025 could allow for some appreciation of the GEL.

Figure 1: Real GDP growth



Source: IMF, Geostat, Galt & Taggart

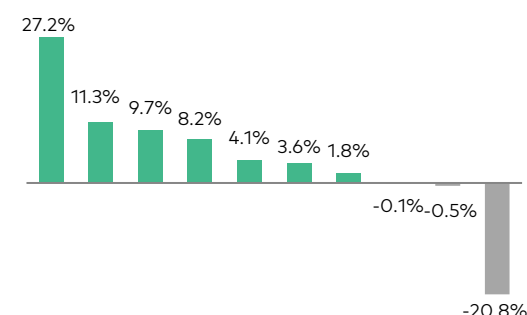
Figure 2: Average annual inflation



Source: IMF, Geostat, Galt & Taggart

Figure 3: Regional currencies vs. dollar

Period: January 1 – December 16, 2025



RUB EUR BYN MDL GEL AMD KZT AZN UAH TRY

Source: Bloomberg

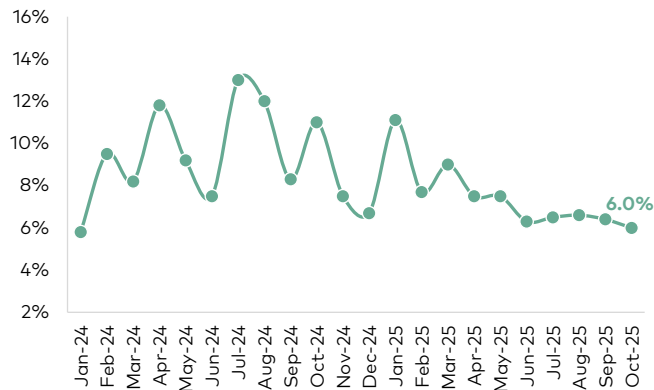
Note: +/- means appreciation/depreciation



Economic developments

Georgia's economy sustained solid growth, reaching 7.6% in 10M25...

Real GDP growth, % change y/y



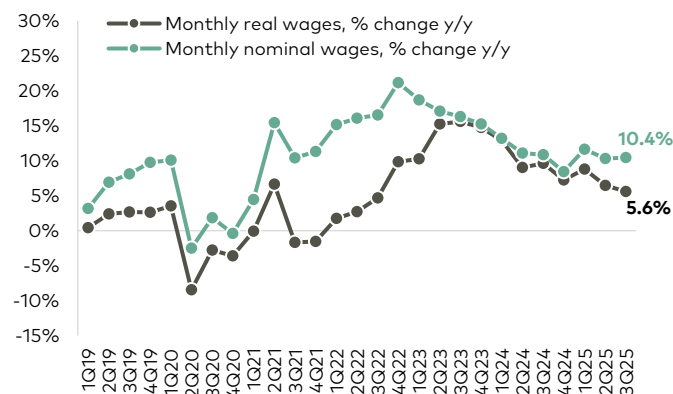
Despite robust activity, unemployment edged up to 14.1% in 9M25

Unemployment rate



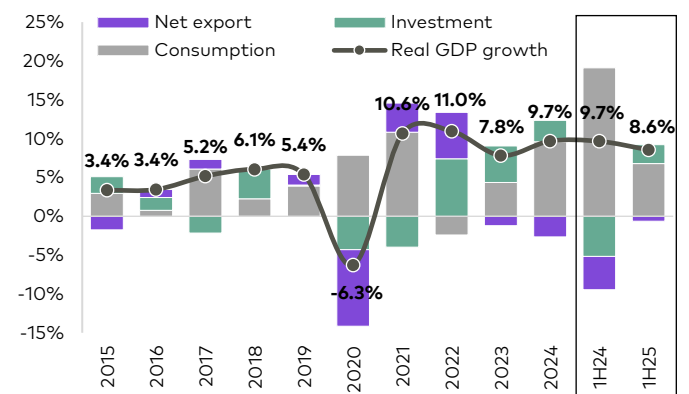
Nominal wages maintained double-digit growth, but real wage growth slowed

Nominal and real wages



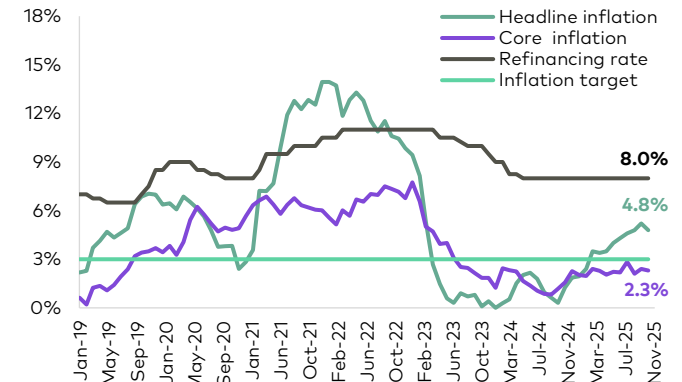
...mainly driven by consumption, while investment contribution weakened for a 2nd consecutive year

Contributions to real GDP growth, pts



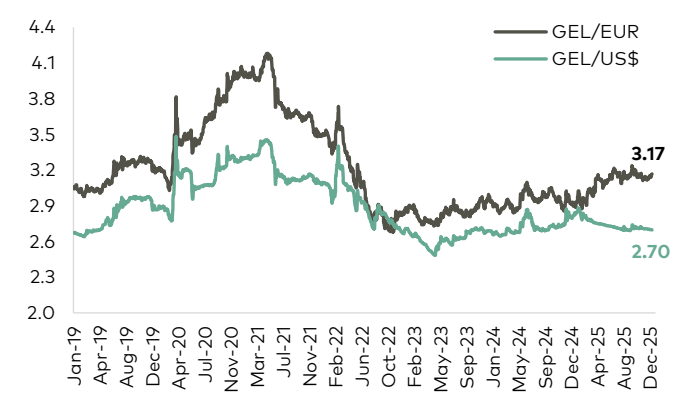
Inflation accelerated from Mar-25, driven by higher food prices and health costs, while core inflation stayed below the NBG's 3.0% target

Inflation, % change y/y



GEL strengthened 4.1% YTD, supported by robust FX inflows, larisation and global dollar weakness

GEL/US\$ and GEL/EUR

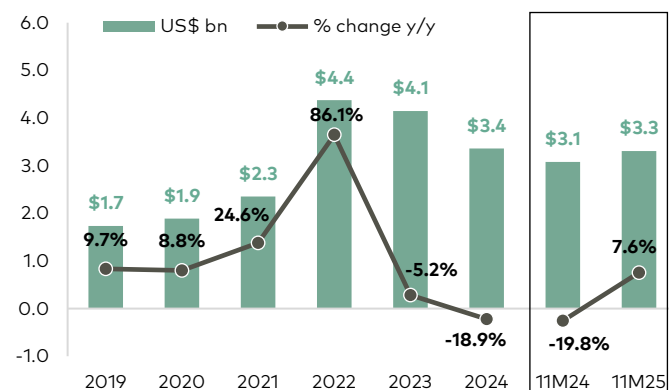




External sector

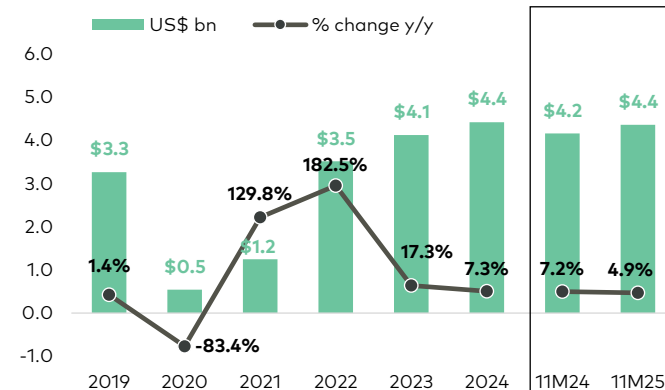
Money transfers rose by 7.6% y/y to US\$ 3.3bn in 11M25, led mainly by the EU, USA, and Israel

Money transfers, US\$ mn



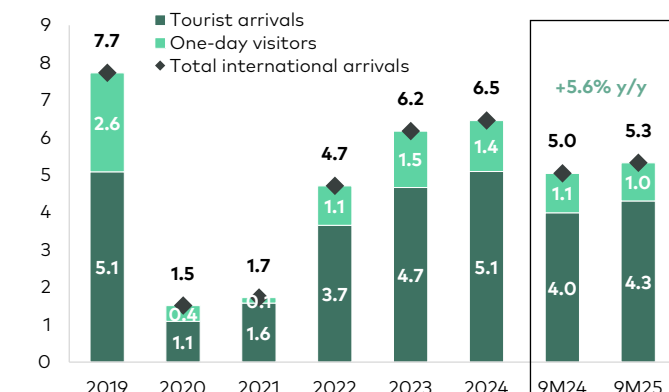
Tourism revenues grew by 4.9% y/y to US\$ 4.4bn in 11M25...

Tourism revenues, US\$ bn



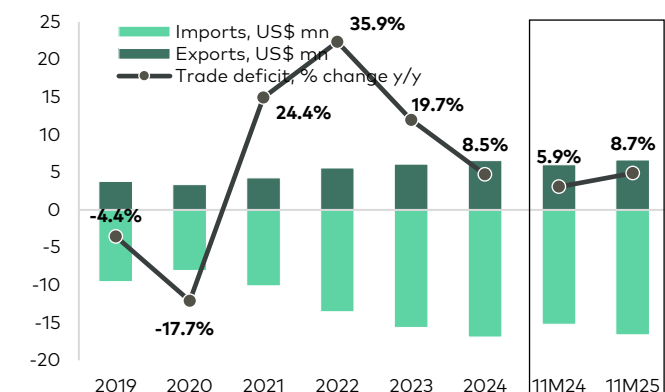
...driven by tourist arrivals, while one-day visitors declined and remained below 2019 levels

International visitors, mn persons



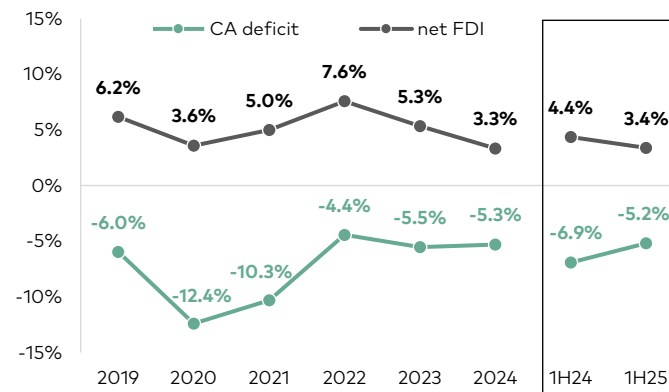
Goods trade balance deteriorated due to solid imports...

Exports, imports, and trade deficit



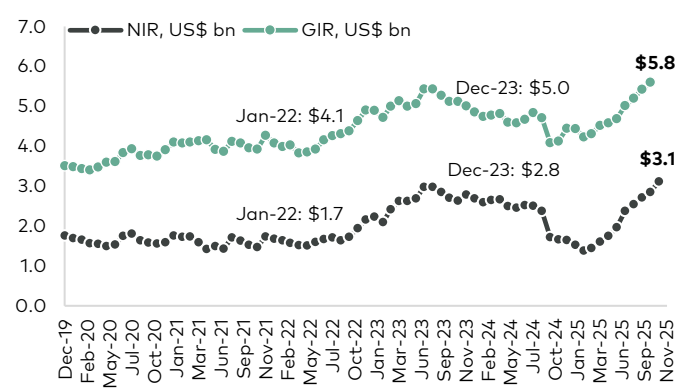
...however total FX balance improved, supported by strong services exports, with the CA deficit narrowing to 5.2% of GDP in 1H25

Current account deficit and net FDI, as % of GDP



...Supporting accumulating reserves, with both gross and net FX reserves reaching record levels in Nov-25

NBG's gross international reserves, US\$ bn

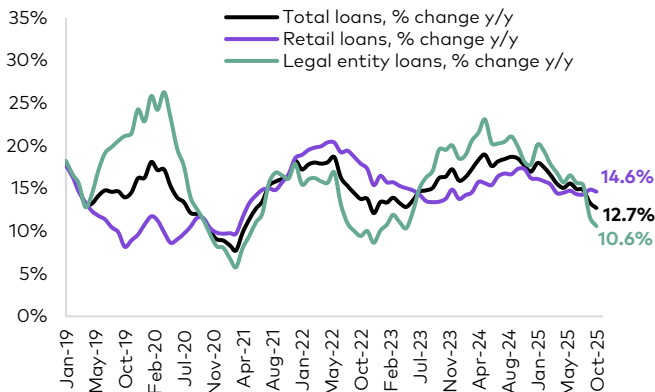




Banking and fiscal sector

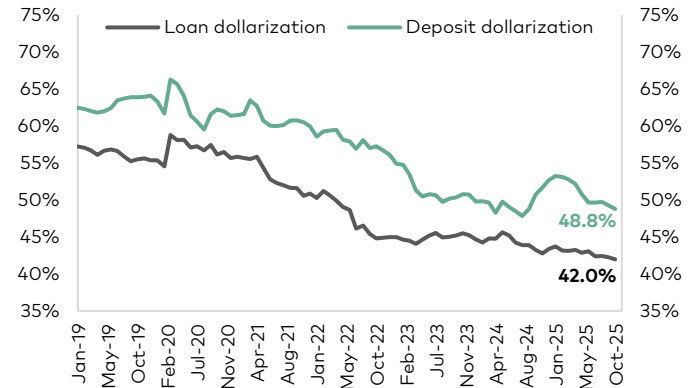
Credit growth remained robust despite tight financial conditions ...

Banking sector loan portfolio growth, (excl. FX effect)



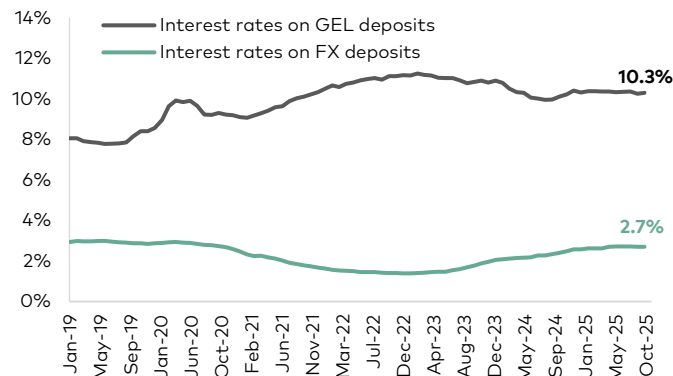
... and dollarization ratios improved significantly

Banking sector loan and deposit dollarization



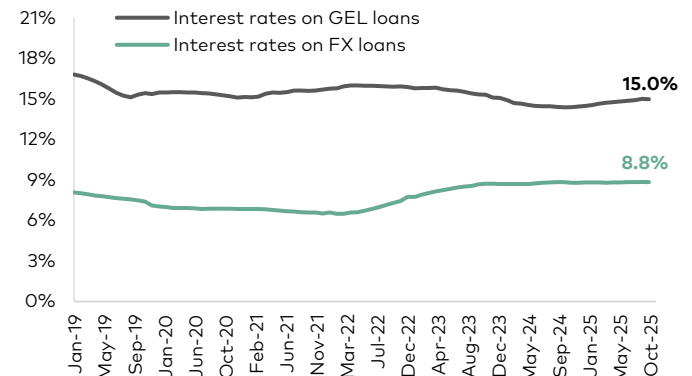
GEL deposit interest rates remained appealing...

Interest rates on bank deposits



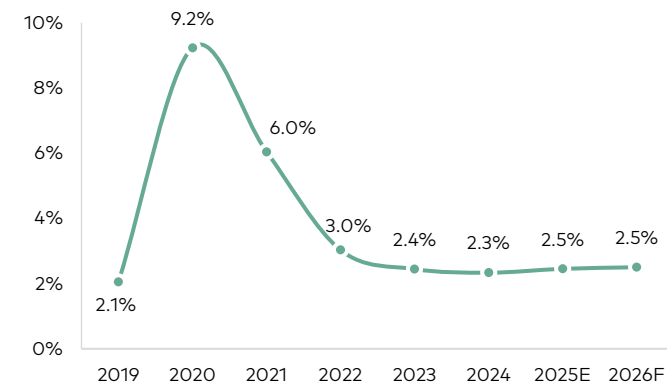
...and GEL loan interest rates slightly increased, amid liquidity shortage in the beginning of year

Interest rates on bank loans



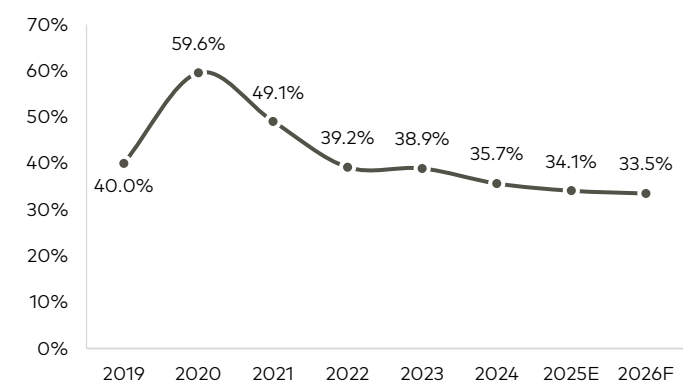
Fiscal deficit remained at low levels since 2023

Fiscal deficit, % of GDP



Government debt-to-GDP ratio improved further, supported by a stable GEL and strong GDP growth

Government debt, as % of GDP





Tourism & Hospitality

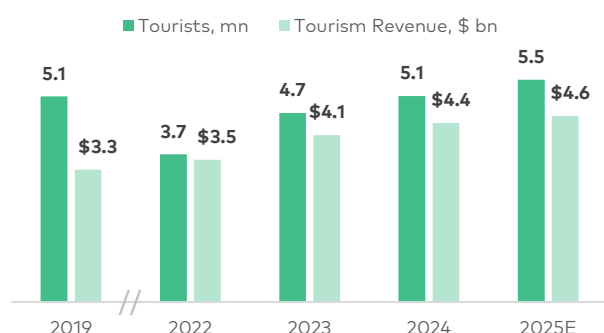
2025 in review – Tourist growth from neighbors and the EU support Tbilisi

International tourist trends and revenues

In 9M25, international tourist arrivals were up 7.9% y/y to 4.3mn, driven by strong performance in 2Q and 3Q. Based on this momentum, we estimate 5.5mn international tourist arrivals to Georgia in 2025, with tourism revenues¹ projected to reach US\$4.6 bn, up 3.9% y/y.

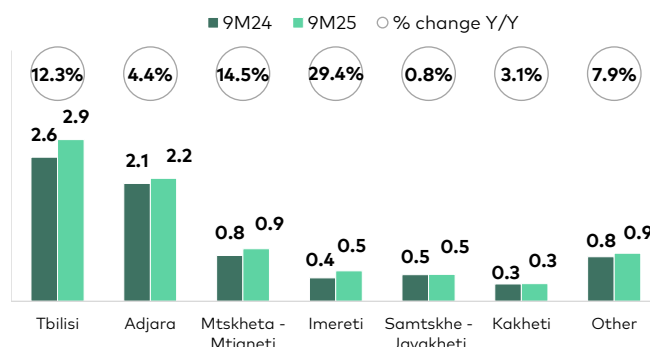
Tourist growth in 9M25 was driven primarily by traditional source markets, particularly Russia, Azerbaijan and the EU, and was complemented by continued growth from Asian and Middle Eastern countries, notably Israel, Saudi Arabia, China, and India. These trends supported broad-based tourism growth across Georgian regions, with particularly strong performance in Tbilisi, Mtskheta-Mtianeti and Imereti, while other regions also recorded growth in tourist visits.

Figure 4: Number of Int'l tourists and revenue



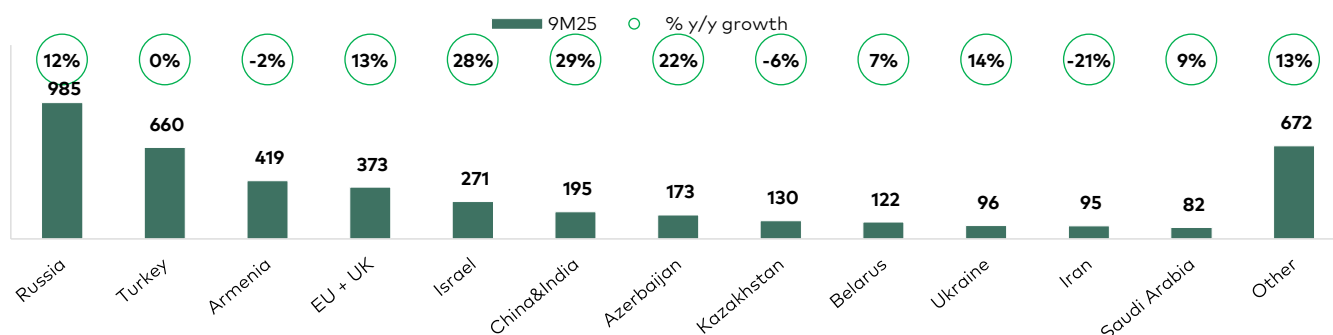
Source: GNTA, NBG, Galt and Taggart

Figure 5: Int'l tourist visits by region, mn



Source: GNTA, Galt and Taggart

Figure 6: Number of Int'l tourists by country, 9M25



Source: Geostat, Galt and Taggart

¹ Tourism revenues include spending from overnight visitors (representing the largest category) and same-day arrivals.



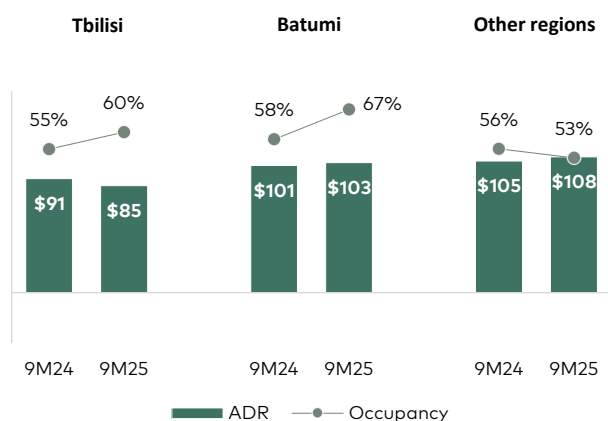
Accommodation trends and KPIs

Accommodation supply in Georgia expanded by 1.5x over 2019-25, reaching an estimated 52.5K rooms in 2025. Adjara and Tbilisi remained the primary hotspots for investor activity, while interest in other regions also increased. Among the regions, Kakheti recorded the fastest growth in supply, with room capacity rising at a 12.7% CAGR over 2019-25. This growth was driven by the opening of both large and multiple small boutique and non-branded properties.

These supply and demand trends translated into the mixed hotel performance in 9M25:

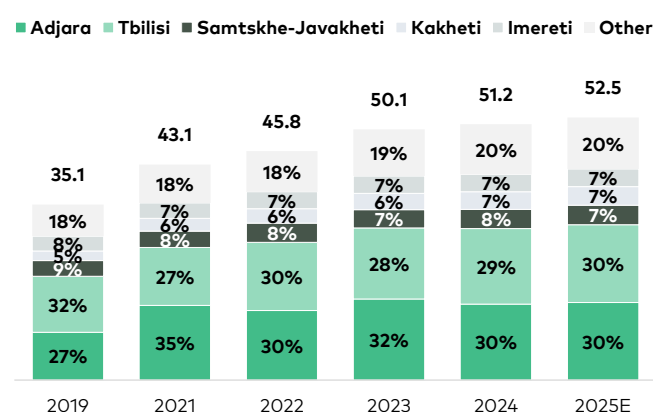
- **Tbilisi:** Hotels benefited from a growing number of high-spending tourists from Russia and the EU, lifting branded hotel occupancy to 60% in 9M25 from 55% in 9M24. However, increased supply continued to weigh on average room rates, which declined by 6.0% y/y to US\$ 85 in 9M25.
- **Batumi:** Hotel KPIs remained strong, supported by a surge in Israeli tourists, largely linked to casino tourism. Middle Eastern visitors account for more than half of hotel demand in Batumi, with Israeli tourists representing the largest share. As a result, branded hotel occupancy was up to 67% in 9M25 from 58% in 9M24, while ADR increased modestly by 2.4% y/y to US\$ 103.
- **Other regions:** Performance in other regions (primarily Kakheti and mountain resorts within the sample) was largely unchanged. While average occupancy declined to 53% in 9M25 from 56% in 9M24, this was offset by a 3.3% y/y increase in ADR to US\$108, leaving RevPAR broadly stable in 9M25.

Figure 7: Selected hotel KPIs



Source: Galt and Taggart

Figure 8: Accommodation supply (all types) in Georgia, rooms '000



Source: Geostat, Galt and Taggart



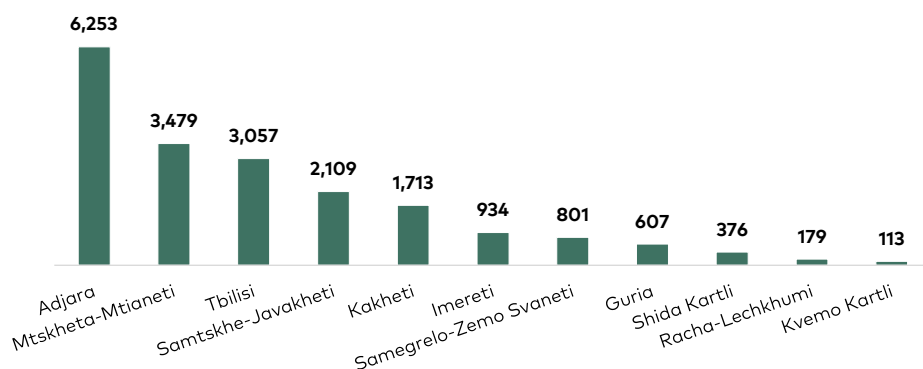
Outlook for 2026 – Focus shifts to the regions

We expect 6.1mn tourists to visit Georgia in 2026, up from an estimated 5.5mn in 2025, supported by steady inflows from Asian, Middle Eastern and traditional markets, including the EU. We forecast tourism revenues at \$4.9bn in 2026, up from \$4.6bn in 2025E.

Despite a strong accommodation pipeline in Tbilisi and Adjara, investor focus is shifting to the regions, according to GNTA data:

- **Tbilisi:** Accommodation room growth is expected to slow to a 4.6% CAGR over 2026-29, down from 6.2% CAGR in 2019-25. As ADRs and occupancy remain under pressure due to years of rapid supply expansion, future hotel performance will depend more on improving the visitor mix - especially by attracting higher-budget tourists from the EU, neighboring countries, the Middle East, India, and China.
- **Adjara:** Accommodation supply growth is expected to slow to an 8.4% CAGR over 2026-29, down from 9.7% CAGR in 2019-25, with a projected surge in short-term rental apartments. Meeting this supply will require either a rapid increase in tourist flows or strategies to encourage longer stays, such as attracting digital nomads and medical tourists (for more details see our report [here](#)).
- **Other regions:** Accommodation supply is expected to intensify, particularly in Samtskhe-Javakheti, Kakheti, and Imereti. In Imereti, the Kutaisi airport supports growth prospects. Kakheti remains below 2019 tourist boom levels, so the planned pipeline should be approached cautiously. In Samtskhe-Javakheti, hotels have benefited from limited supply in recent years, but the ambitious pipeline will require stronger tourist inflows, particularly from the Middle East, CIS, India and the EU.

Figure 9: Accommodation pipeline (all types) for 2026-29, rooms



Source: GNTA



Tbilisi residential real estate

2025 was a transition year for Tbilisi's residential market. After a slow start due to weaker sentiment, demand began to recover from mid-year and stabilized at solid levels. On the supply side, permit issuance remained well above its long-term average, keeping oversupply risks in focus and moderating price growth.

Demand in 2026 is expected to remain broadly similar to 2025, supported by stable long-term fundamentals - urbanization growth, declining household size, and improving living standards supported by rising incomes. The main uncertainty lies on the supply side. Several large-scale projects are planned for 2026, and continued high permit issuance could add significant new supply to the market. In this scenario, the addition of substantial new stock could result in downward pressure on prices.

Real estate demand

In 2025, demand in Tbilisi's residential market remained solid despite a weak start. Early-year domestic political instability and weaker expectations weighed on activity, prompting some buyers to postpone purchases. From May 2025, demand recovered, supported by accumulated unmet needs and the launch of several large-scale projects. Overall, sales in 2025 exceeded 2023-24 levels but remained below the 2022 peak.

According to NAPR data, Tbilisi's residential market started 2025 slowly. Secondary market sales fell 3.5% y/y in 4M25. From May, demand began to recover, with sales over May-October up 9.1% y/y. As a result, secondary market sales reached 17,445 units in 10M25, up 1.6% y/y.

Our real-time survey of developers shows a similar pattern in the primary market. Sales were down 5.1% y/y in 4M25 but picked up from May, rising 36.0% y/y over May-October. Overall, primary market sales in 10M25 increased 19.6% y/y, according to Galt & Taggart's survey of systematic developers.

Market activity remained concentrated in three key districts - Didi Dighomi, Samgori, and Saburtalo - which together accounted for 53% of total residential sales in 10M25, driven by the high number of ongoing projects.



Figure 10: Apartment sales in Tbilisi, '000 units

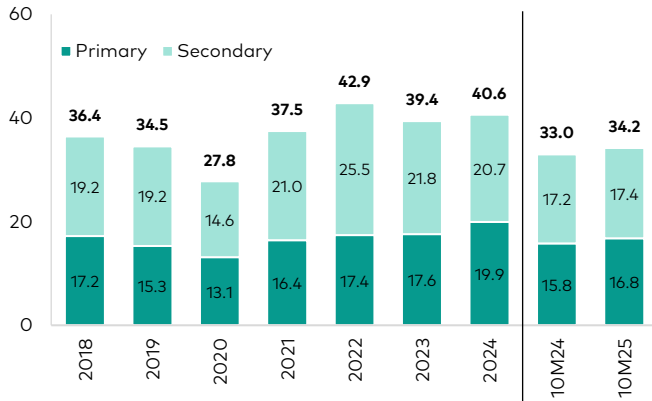
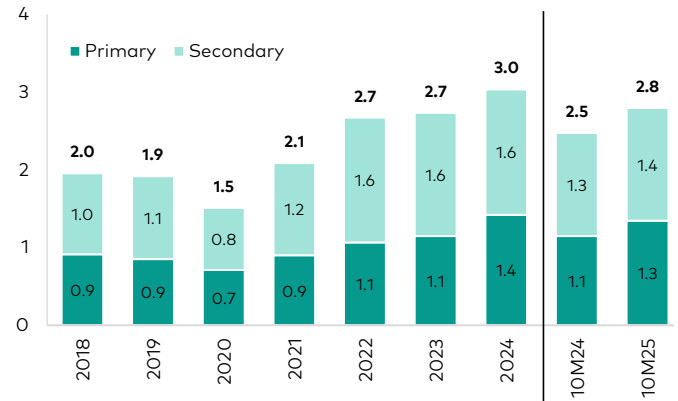


Figure 11: Apartment sales in Tbilisi, US\$ bn



Source: NAPR, Galt & Taggart

Note 1: Primary market shows real estate sales made directly between buyers and developers, while secondary market shows real estate sales made between individuals. NAPR primary market transactions are a lagging indicator; real time data are reflected in our developers' survey (see Figures 12 and 13 for details below)

Note 2: Due to issue of lagged transactions on the primary market in NAPR data, primary market size is calculated taking into account real-time trends

Figure 12: Number of sold apartments in projects of selected developers by months

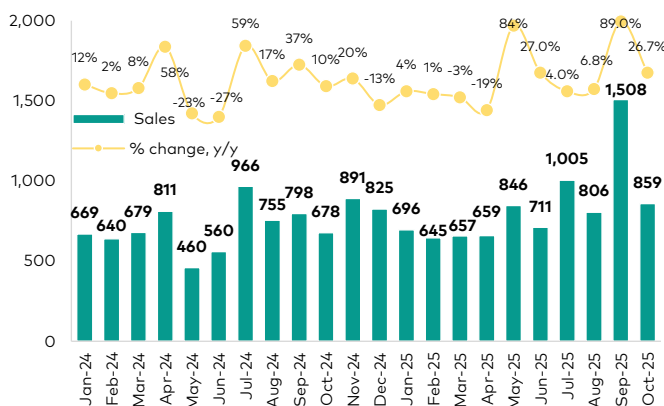
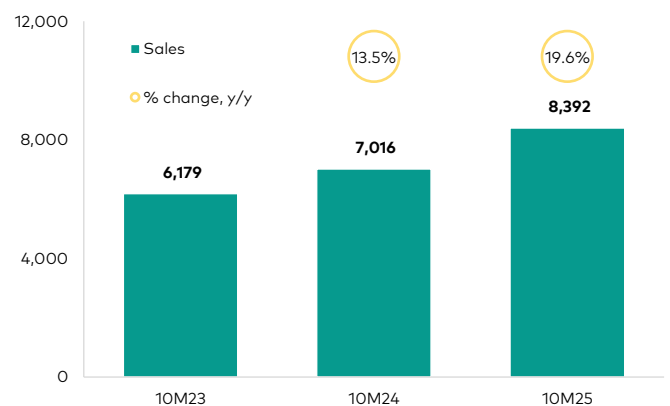


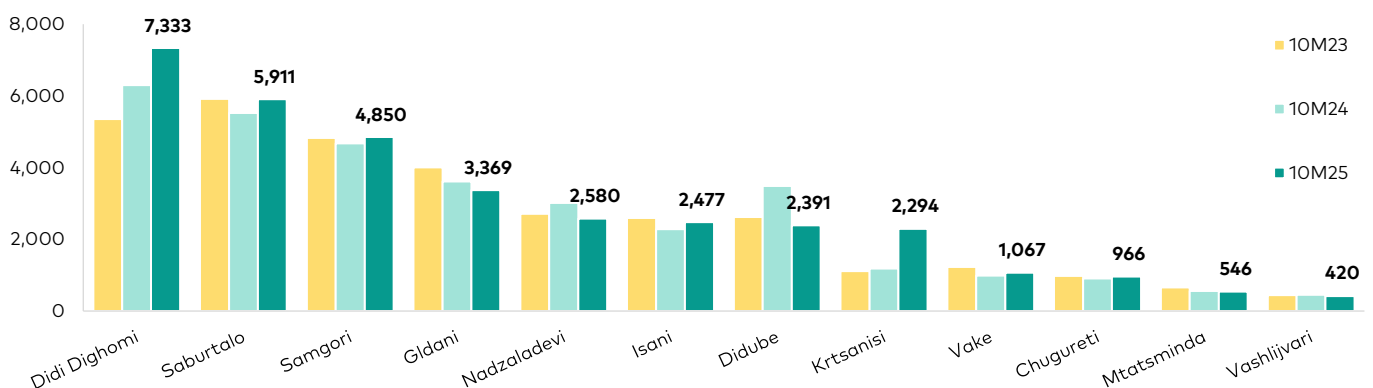
Figure 13: Number of sold apartments in projects of selected developers by years



Source: Galt & Taggart survey of selected developers

Note: Galt & Taggart survey of selected developers covers c.50% of developers of total primary market

Figure 14: Number of sold apartments by districts (primary and secondary markets combined)



Source: NAPR, Galt & Taggart



Real estate supply

In 10M25, the living area of permits issued in Tbilisi remained broadly flat (-0.6% y/y), maintaining the high levels seen in 2024. Elevated permit issuance in 2023-25 originally reflected the exceptional demand of 2022, but has not yet adjusted to lower post-peak demand. Over 2015-21, the average annual living area of permits was 1,298,388 sq.m, well below the 2023-25 average of 1,838,664 sq.m, keeping oversupply risks in focus.

Figure 15: Living area of construction permits issued for residential real estate in Tbilisi, '000 sq.m

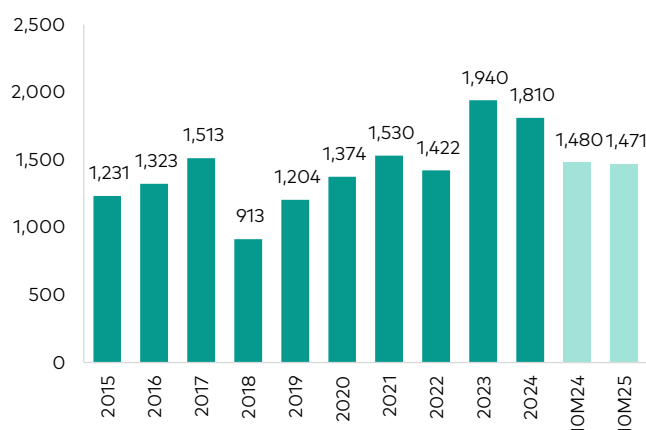
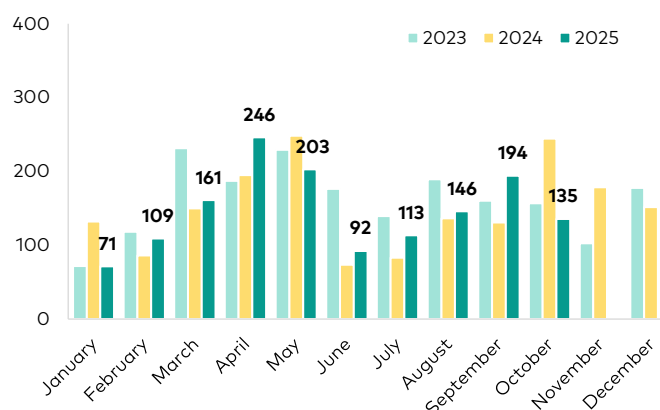


Figure 16: Area of construction permits issued for residential real estate by months in Tbilisi, '000 sq.m



Source: TAS, Galt & Taggart

Note: 1) Includes residential and balcony areas 2) Only III and IV class multiapartment/multifunctional buildings

Real estate prices and rents

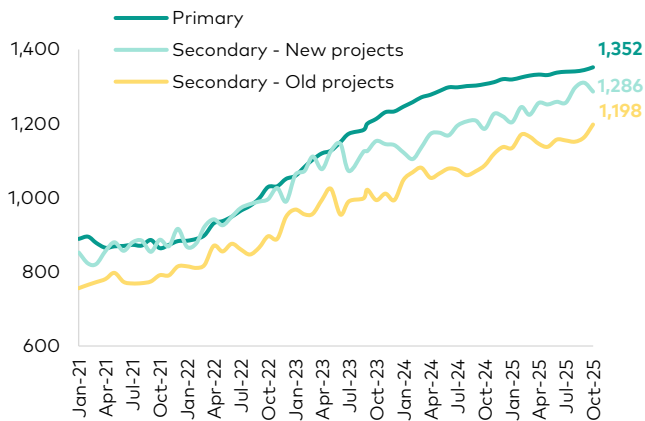
Prices increased across both primary and secondary markets in 10M25, although the pace of growth moderated compared with the previous year. On the primary market, average annual price growth slowed to 3.9% y/y, down from 11.7% growth in 2024. The slower growth reflects continued high permit issuance and increased competition, which have weighed on price growth momentum.

Despite the correction since the 2023 peak, Tbilisi's rental market remains attractive. Average rents, which reached \$11.8 per sq.m in Mar-23, adjusted to a more sustainable range of \$9-10 per sq.m in 2024 and stayed within this range throughout 2025. Rental yields



continue to compare favorably with alternative investments and remain among the highest relative to peer cities.

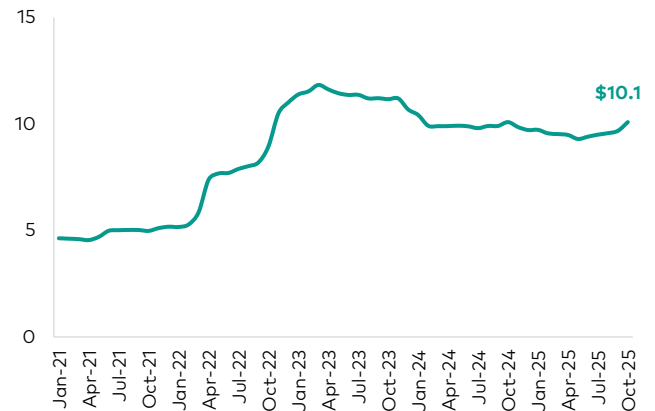
Figure 17: Real estate weighted average prices by type, US\$/sq.m



Source: NAPR, Galt & Taggart

Note: 1) Secondary new projects include buildings built with construction permits issued after 2013;
2) Secondary old projects include buildings built with construction permits issued before 2013.

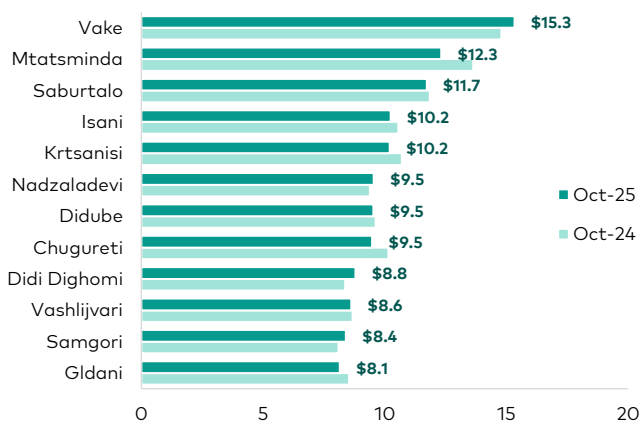
Figure 18: Real estate weighted average rent price in Tbilisi, US\$/sq.m



Source: NBG, Galt & Taggart

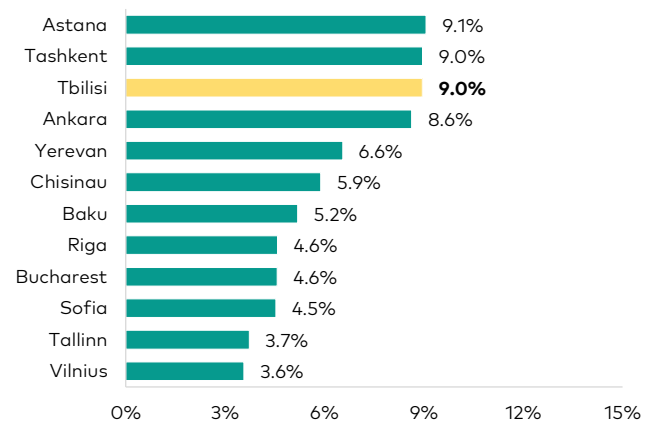
Note: Rents displayed are for 50-60 sq.m new apartments in Tbilisi

Figure 19: Real estate weighted average rent prices by districts, US\$/sq.m



Source: NBG, Numbeo, Galt & Taggart

Figure 20: Rental yield by cities, Oct-25





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	104.3	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	38.0	42.1
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	10,265	11,378
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	2.71
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	3.09	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	3.15	3.17
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	3.58	3.69
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%	34.1%	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	-1.9	-2.0
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.5%	-5.3%	-5.0%	-4.8%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	17.3	18.3
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	20.5	21.9
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	1.1	1.2
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.2%	3.6%	5.0%	7.6%	5.3%	3.3%	2.9%	2.9%
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	6.0	6.5
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	26.1	29.3
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.1%	66.9%	67.7%	69.4%
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: Exports and imports include both – goods and services



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