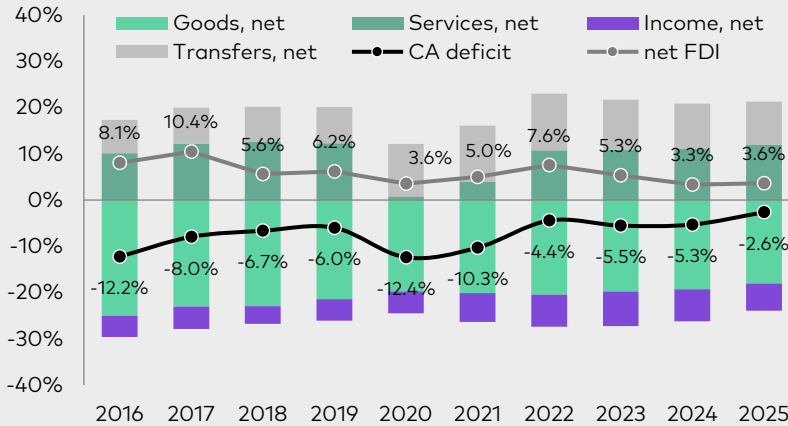




Chart of the month: CA deficit narrowed to a record-low 2.6% of GDP in 2025



Source: NBG, Geostat

CA deficit narrowed to a record-low 2.6% of GDP in 2025, from a 5.3% posted in 2024. This improvement was driven by a strong services surplus (+21.2% y/y), supported by ICT services (+53.4% y/y) and tourism (+6.0% y/y), alongside a 5.6% y/y increase in the transfers balance. Meanwhile, the goods trade deficit widened by 4.4% y/y to US\$ 6.9bn in the same period.

We forecast CA deficit at 3.2% of GDP in 2026.

Economic summary

Growth: Georgia's economy increased by 8.8% y/y in Feb-26, in line with expectations, following 7.9% y/y growth in previous month. Overall, Georgia's economy expanded by 8.4% y/y in 2M26. February's growth was mainly driven by strong activity in ICT, transport & storage, financial & insurance, manufacturing and mining, while construction and energy sectors contracted.

We maintain our 2026 real GDP growth forecast at 6.0%, supported by stronger-than-expected growth in 2M26. While the Iran escalation may create some headwinds in the near term, we expect demand to normalize in 2H26, keeping the full-year figure on track.

Inflation: In Feb-26, Georgia's annual inflation slowed to 4.6% from 4.8% posted in previous month. The moderation was mainly driven by softer domestic inflation at 6.5% y/y (down from 7.0% y/y in Jan-26), and a further decline in imported goods prices to -0.7% y/y (from -0.1% y/y in Jan-26). Meanwhile, mixed-goods inflation accelerated to 6.2% y/y (from 5.5% y/y in Jan-26). Notably, core inflation - excluding food, energy, and tobacco - rose to 2.4% y/y in Feb-26 from 2.1% in previous month.

We have revised our average annual inflation forecast upward to 4.2% for 2026 (from initial 3.0%), reflecting renewed cost pressures from higher global energy prices amid the Iran escalation, alongside increased electricity tariffs in Georgia.

Monetary policy: On 25 March 2026, the NBG kept the monetary policy rate unchanged at 8.0%, as geopolitical tensions in the Middle East and disruptions in the Strait of Hormuz have strained global supply chains, increasing energy and shipping costs.

Given that current inflationary pressures stem from the Middle East escalation, and that the inflation outlook had already been revised upward prior to these developments, we now expect the NBG to keep the monetary policy rate unchanged throughout 2026, versus our earlier expectation of a 0.5ppts cut in the key rate.

FX: The GEL proved resilient during the Iran escalation, dipping just 2.7% before fully recovering to close March at 2.7/1\$ (+0.1% YTD). Record international reserves and steady FX inflows have been the key stabilizers. We forecast average GEL/US\$ at around 2.7 in 2026.

Activity

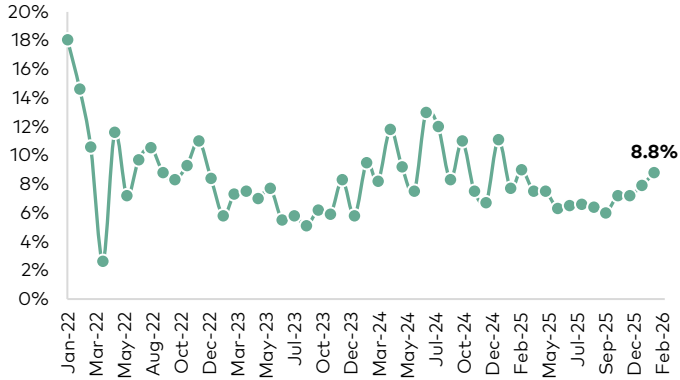
Trade: In Feb-26, goods exports growth accelerated, rising by 26.6% y/y to US\$ 546.3mn, following a 19.0% y/y increase in previous month. Goods imports rose by 8.4% y/y to US\$ 1.3bn, after falling by 32.6% y/y in Jan-26. Consequently, the trade deficit narrowed by 1.4% y/y to US\$ 790.6mn. The exports growth was mainly driven by a rise in exports of precious metals, petroleum, ferro-alloys, nuts, waters, fertilizers, wine and spirits, while exports of cars declined. On the import side, the rise was mainly due to higher imports of crude petroleum, pharmaceuticals, copper, semiconductor devices, petroleum and vaccines. In contrast, imports of cars and gases decreased sizably in February.

Tourism: Tourism revenues increased by 25.7% y/y to US\$ 315mn in Feb-26, partly reflecting last year's low base effect, according to our estimates. Overall, tourism revenues reached US\$ 640mn in 2M26, based on our estimate. We forecast tourism revenues at US\$ 4.9bn in 2026, revised downwards from the previous estimate of US\$ 5.0bn, assuming that the Iran escalation proves short-lived.

Banking sector: In Feb-26, the bank loan portfolio growth accelerated to 14.2% y/y (excl. FX effect), reaching GEL 71.1bn (US\$ 26.6bn), following a 13.3% y/y rise in previous month. This growth was mainly driven by retail loans, up by 15.5% y/y, alongside a 12.0% y/y increase in legal entity loans. On the funding side, deposits growth also accelerated, rising by 18.5% y/y (excluding FX effect) to GEL 67.9bn (US\$ 25.4bn) in Feb-26. Additionally, dollarization trends improved in Feb-26, as loan dollarization declined to 42.2% (-0.22ppts m/m and -0.91ppts y/y), and deposit dollarization falling more sharply to 46.0% (-1.41ppts m/m and -7.15ppts y/y).

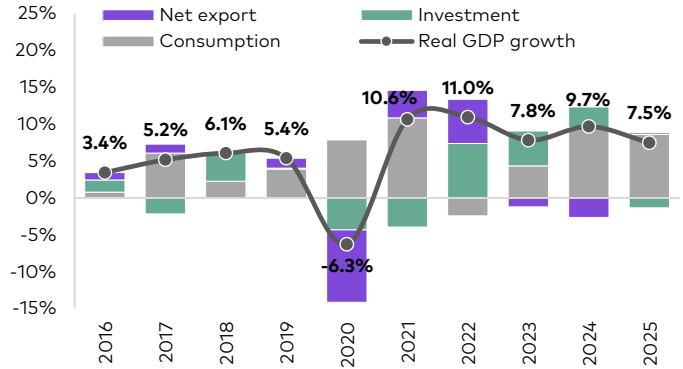


Real GDP growth, % change y/y



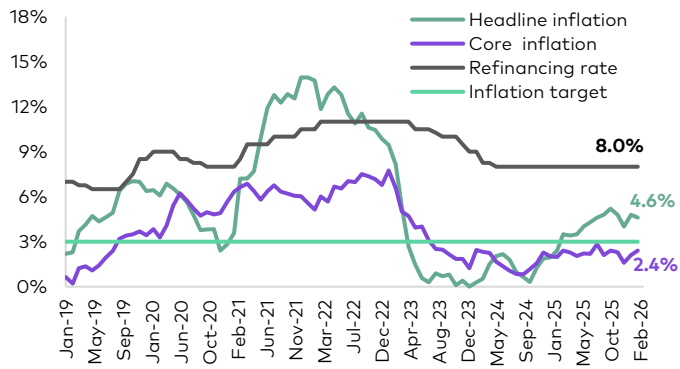
Source: Geostat

Contributions to real GDP growth, ppts



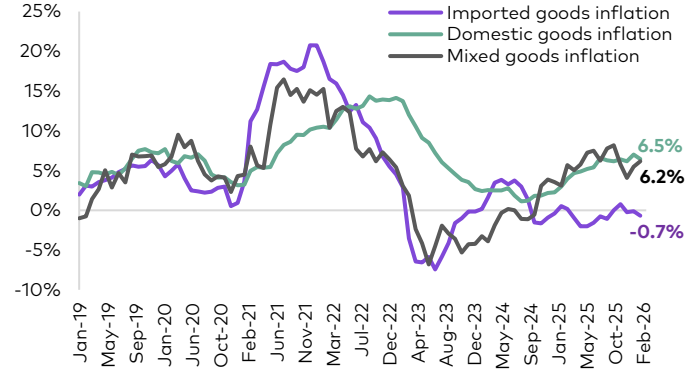
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



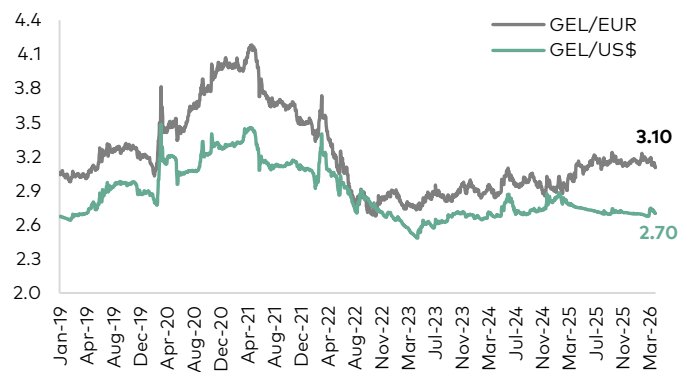
Source: Geostat, NBG

Imported and domestic inflation dynamics



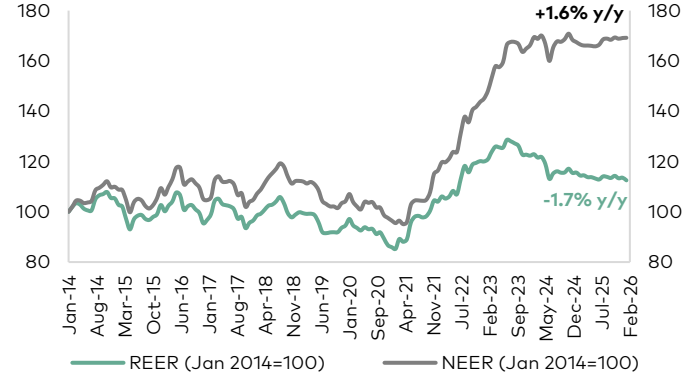
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

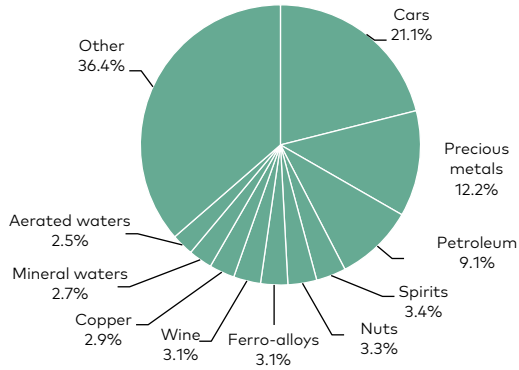


Source: NBG

Note: Index growth/decline means appreciation/depreciation of GEL

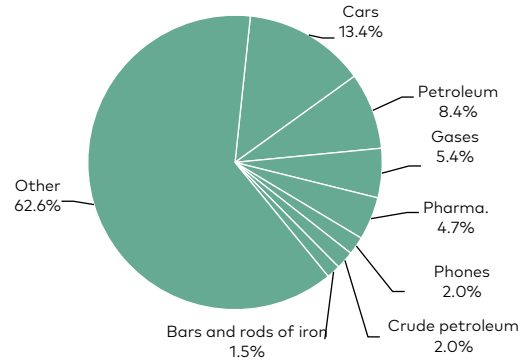


Exports by product, 2M26



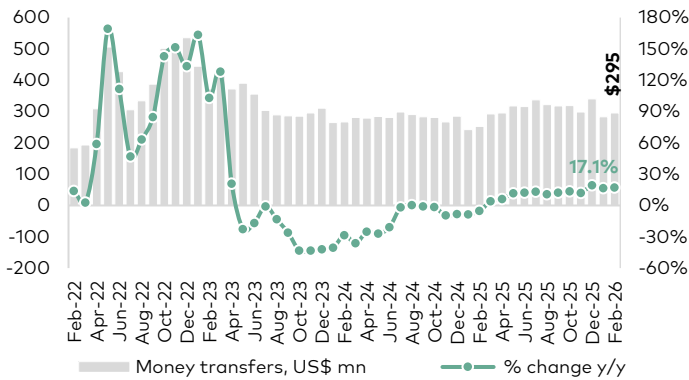
Source: Geostat

Imports by product, 2M26



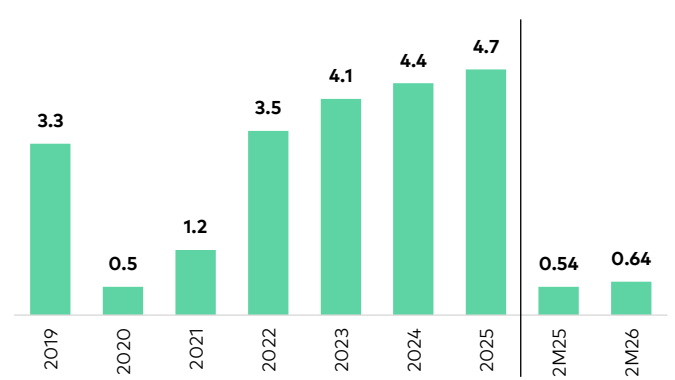
Source: Geostat

Money transfers



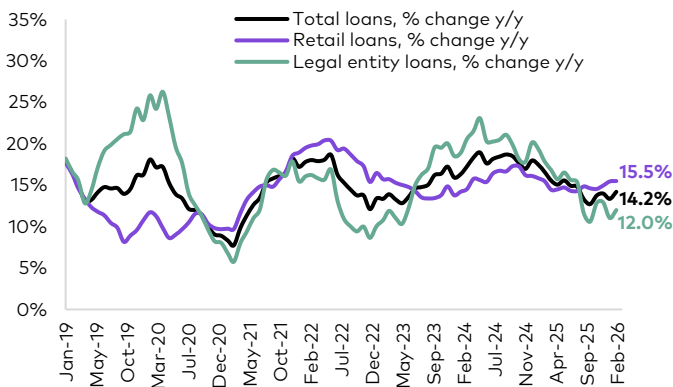
Source: NBG

Tourism revenues, US\$ bn



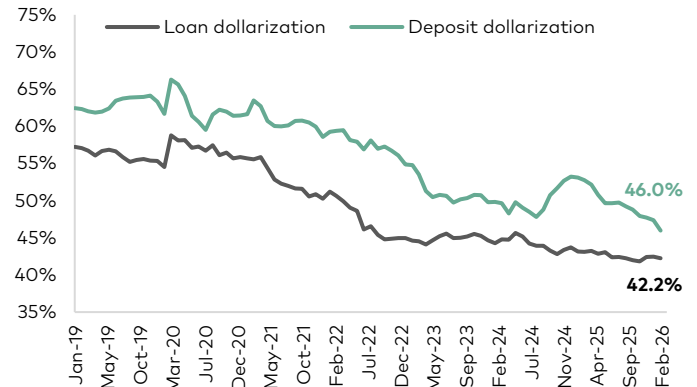
Source: NBG, Galt & Taggart

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	2025	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	93.02	104.6	115.3
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	34.2	38.1	42.6
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,241	10,297	11,507
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.7%	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%	4.2%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	4.0%	3.6%
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	2.70
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	3.14
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	3.17
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	3.66
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%	27.8%	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%	29.0%	28.9%
Fiscal deficit, % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.3%	-1.4%	-2.5%
Ggovernment debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	35.7%	34.2%	33.5%
External Sector												
Current account balance, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.8	-1.0	-1.3
Current account balance, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.5%	-5.3%	-2.6%	-3.2%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	18.0	19.3
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	20.3	21.8
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	3.6	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	1.4	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%	3.6%	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	29.5
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%	67.8%	68.9%
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%	8.00%

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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