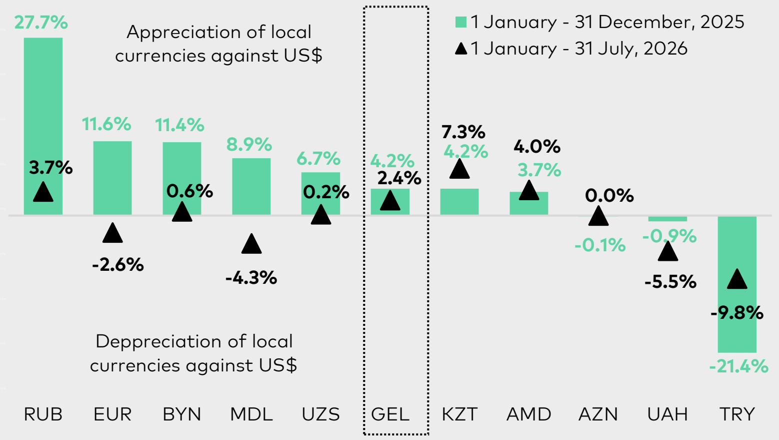
GALT & TAGGART
CREATING OPPORTUNITIES

Monthly Economic Review | Georgia

31 July 2026

Chart of the month: Strong fundamentals underpin GEL strength



Source: NBG

Most regional currencies appreciated against the US dollar, and the GEL was no exception. Following a 4.2% gain in 2025, the GEL has strengthened by a further 2.4% YTD against the greenback. The appreciation has been supported by strong FX inflows, accelerated deposits de-dollarization, monetary policy tightening, and non-resident purchases of local treasuries, with record-high FX reserves of US$ 7.1bn underpinning confidence in the GEL.

We expect the GEL/US$ rate to average 2.66 in both 2026 and 2027.

Economic summary

Growth: Georgia's economic growth accelerated to 8.6% y/y in Jun-26 (in line with our expectation), up from 6.4% in previous month. This brought cumulative real GDP growth to 7.9% y/y in 1H26. June's expansion was driven mainly by the manufacturing, transport, construction, ICT and financial sectors, while energy and mining contracted.
Given the strong 1H performance, we have revised our 2026 real GDP growth forecast upwards to 7.5% from 7.0% previously.

Inflation: Annual inflation edged up to 5.8% y/y in Jun-26 from 5.7% y/y in May, reflecting persistent energy price pressures. Across categories, imported and mixed goods inflation accelerated to 6.1% y/y and 6.2% y/y, respectively (from 5.8% y/y and 5.6% y/y in May-26), while domestic inflation eased to 5.7% y/y from 6.0% y/y. Core inflation fell to 3.2% y/y from 3.5% y/y, suggesting that underlying price pressures continue to moderate.
The surge in global oil prices following the closure of the Strait of Hormuz in July will likely delay the expected slowdown in energy prices over the coming months. We have accordingly raised our full-2026 average inflation forecast to 5.1%, from 4.8% previously.

Monetary policy: On 29 July 2026, the NBG's Monetary Policy Committee kept the policy rate at 8.25%. Although annual inflation rose to 5.8% in June, the increase was driven mainly by energy prices, while underlying pressures remain contained - the measure capturing longer-term price dynamics is close to target, and economic growth continues to be led by high-productivity services sectors, limiting demand-side pressure. The regulator therefore saw no need to act now, but signaled that the tight stance will be maintained for a relatively prolonged period, with readiness to tighten further if second-round effects and expectations strengthen. We expect monetary policy rate to remain unchanged through 2026.

FX: The GEL strengthened 0.7% m/m against the USD in Jul-26, supported by robust FX inflows and accelerating deposits de-dollarization. Reserve accumulation continued in parallel, with the NBG purchasing US$ 612.6mn in the FX market in Jun-26 and taking reserves to a record high of US$ 7.1bn.

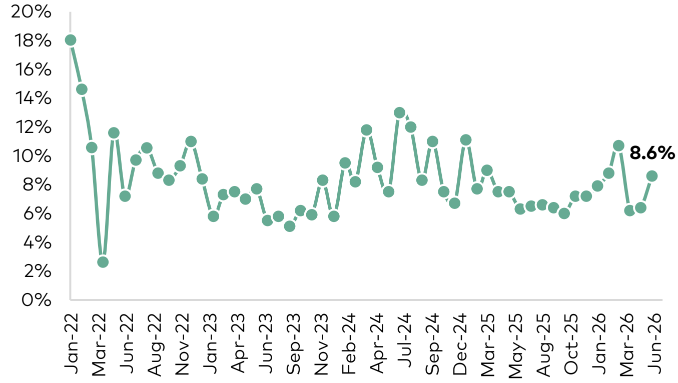
Activity

Trade: Goods exports posted robust 20.4% y/y growth in Jun-26, reaching US$ 770.8mn, an acceleration from the 15.1% y/y increase recorded a month earlier. Import growth was steadier, at 7.5% y/y (US$ 1.6bn) versus 7.4% y/y in May. As a result, the trade deficit contracted by 2.0% y/y to US$ 854.5mn.
Export growth was driven by petroleum, copper, precious metals and waters, partly offset by declines in cars, ferro-alloys and spirits. On the import side, petroleum, crude petroleum, electric generating sets, diodes and pharmaceuticals were the main contributors to growth, while car imports fell markedly.

Tourism: International visitors fell 2.7% y/y to 2.7mn in 1H26, as a 14.6% y/y drop in same-day visitors, to 0.5mn, outweighed broadly flat tourist arrivals (+0.1% y/y, 2.3mn). Tourism revenues consequently edged down 2.0% y/y to US$ 1.9bn.
We forecast tourism revenues at US$ 4.9bn in 2026, rising to US$ 5.3bn in 2027.

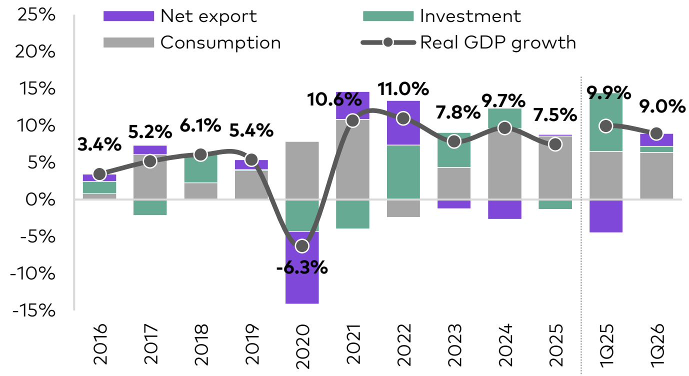
Banking sector: Bank lending expanded by 14.5% y/y in Jun-26 (excluding FX effects) to GEL 75.4bn (US$ 28.5bn), with retail loans rising 16.8% y/y and corporate loans up by 11.9% y/y. On the funding side, deposits grew 22.9% y/y (excluding FX effects) to GEL 73.5bn (US$ 27.5bn), compared with 22.1% y/y in May.
De-dollarization gathered pace. Loan dollarization eased 0.31ppts m/m to 41.6% and deposit dollarization dropped 1.21ppts m/m to 43.8%. Both remain comfortably below year-ago levels, down 1.01ppts y/y and 5.82ppts y/y, respectively.

Real GDP growth, % change y/y



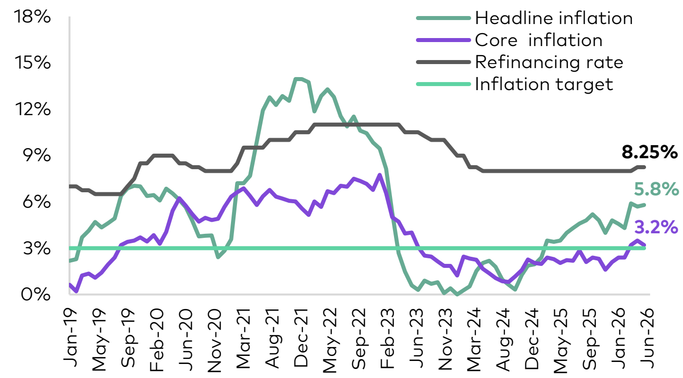
Source: Geostat

Contributions to real GDP growth, ppts



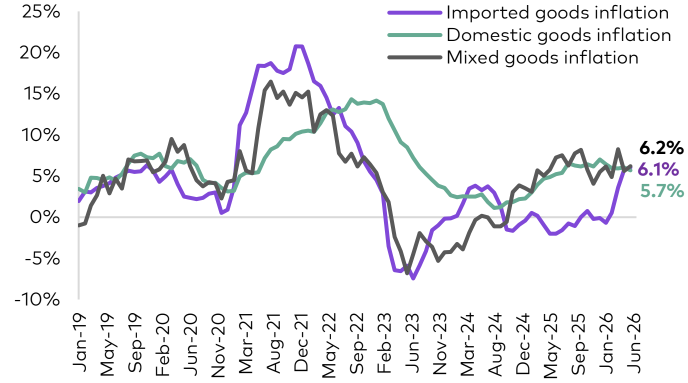
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



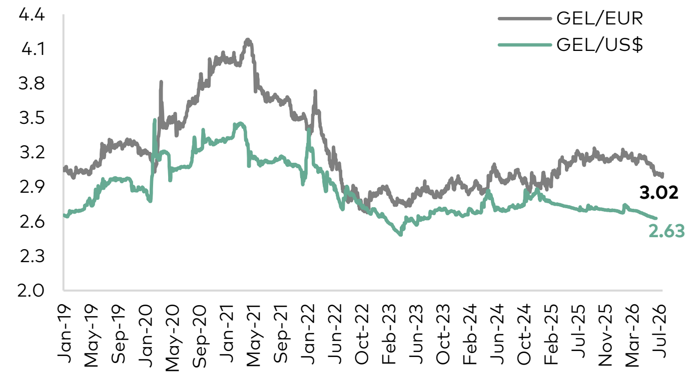
Source: Geostat, NBG

Imported and domestic inflation dynamics



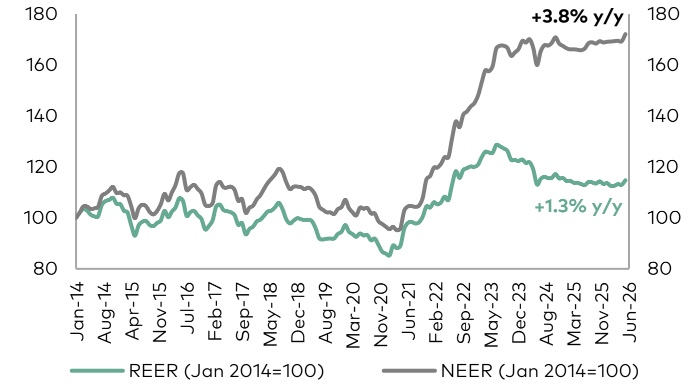
Source: Geostat

GEL/US$ and GEL/EUR



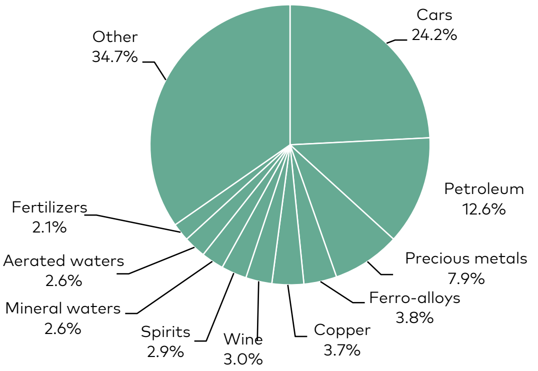
Source: NBG

GEL's nominal and real effective exchange rates



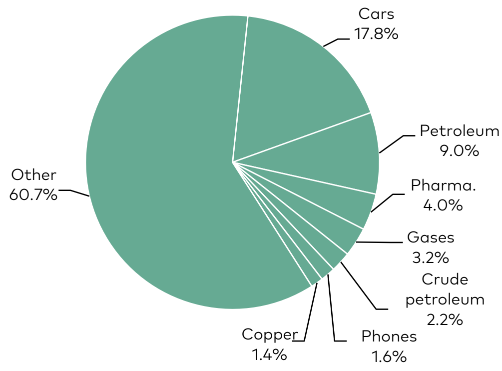
Source: NBG
Note: Index growth/decline means appreciation/depreciation of GEL

Exports by product, 1H26



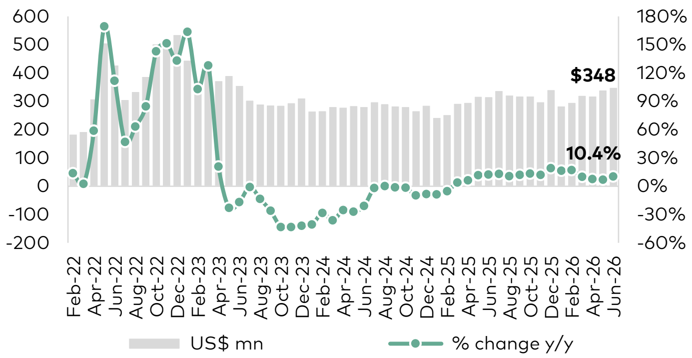
Source: Geostat

Imports by product, 1H26



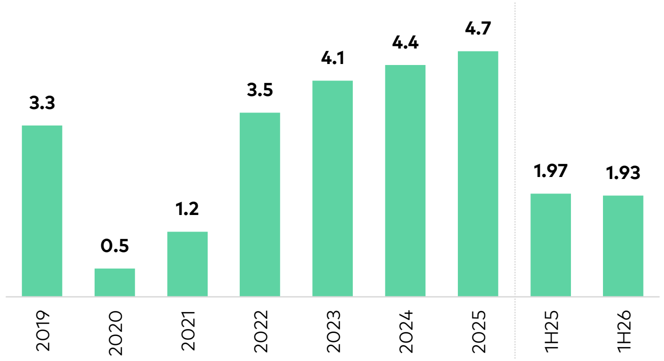
Source: Geostat

Money transfers



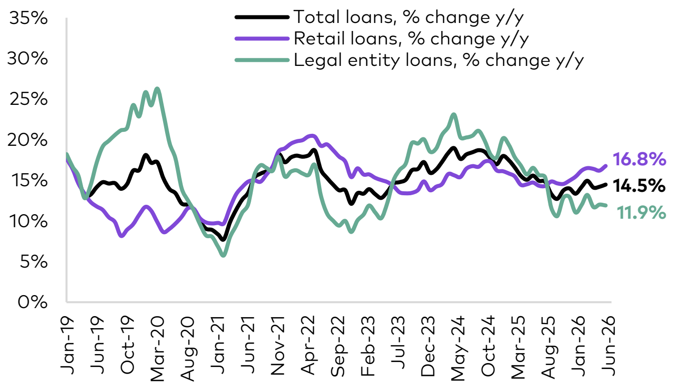
Source: NBG

Tourism revenues, US$ bn



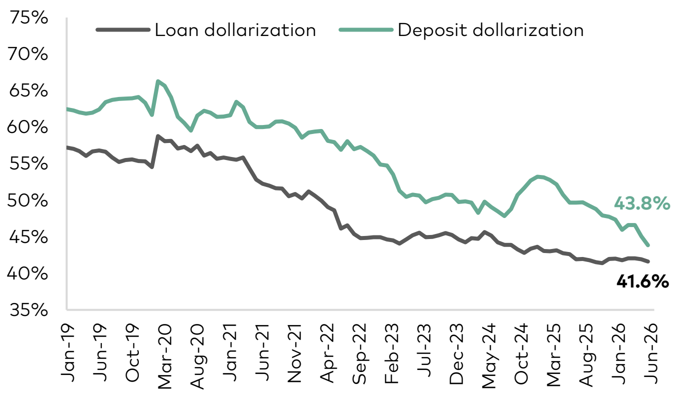
Source: NBG

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
GDP and Prices												
Nominal GDP, GEL bn	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	93.0	104.6	116.8	126.9
Nominal GDP, US$ bn	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	34.2	38.1	43.9	47.7
Nominal GDP per capita, US$	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	8,699	9,678	11,146	12,096
Real GDP, % change y/y	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.7%	7.5%	7.5%	6.0%
CPI Inflation, ave	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%	3.9%	5.1%	2.3%
CPI Inflation, eop	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	4.0%	4.8%	1.5%
GEL per US$, ave	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.74	2.66	2.66
GEL per US$, eop	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.70	2.64	2.69
GEL per EUR, ave	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.10	3.08	3.09
GEL per EUR, eop	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.17	3.06	3.11
GEL per GBP, ave	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.61	3.59	3.61
GEL per GBP, eop	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53	3.64	3.61	3.66
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.9	3.9	3.9	3.9
Government Finances												
Budget revenues, % of GDP	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.3%	27.8%	26.4%	26.2%
Budget expenses, % of GDP	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	30.5%	29.0%	28.5%	28.5%
Fiscal deficit, % of GDP	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.3%	-1.4%	-2.0%	-2.4%
Government debt, % of GDP	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	35.7%	34.4%	33.0%	32.4%
External Sector												
Current account balance, US$ bn	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.8	-1.0	-1.0	-1.1
Current account balance, % of GDP	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.5%	-5.3%	-2.6%	-2.3%	-2.2%
Exports of goods and services, US$ bn	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	18.0	19.4	21.2
Imports of goods and services, US$ bn	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	19.0	20.3	22.0	23.8
Net current transfers, US$ bn	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.4	3.6	3.6	3.7
Net FDI, US$ bn	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	1.1	1.4	1.6	1.7
Net FDI, % of GDP	8.1%	10.4%	5.6%	6.2%	3.6%	5.0%	7.6%	5.3%	3.3%	3.6%	3.5%	3.6%
Gross international reserves, US$ bn	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.4	6.2	7.7	8.5
Financial sector												
Bank loan portfolio, US$ bn	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	22.2	26.3	30.6	33.7
Bank loan portfolio, % of GDP	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.2%	67.0%	67.8%	69.3%	71.4%
Monetary policy rate, %	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.00%	8.25%	7.50%

Source: NBG, MOF, Geostat, Galt & Taggart

Note 1: Fiscal balance according to IMF Program Definition

Note 2: The 2024 population census may lead to revisions of historical population data by Geostat. GDP per capita in this table reflects updated population estimates only for 2024–2025, while prior years remain based on unrevised data.

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

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