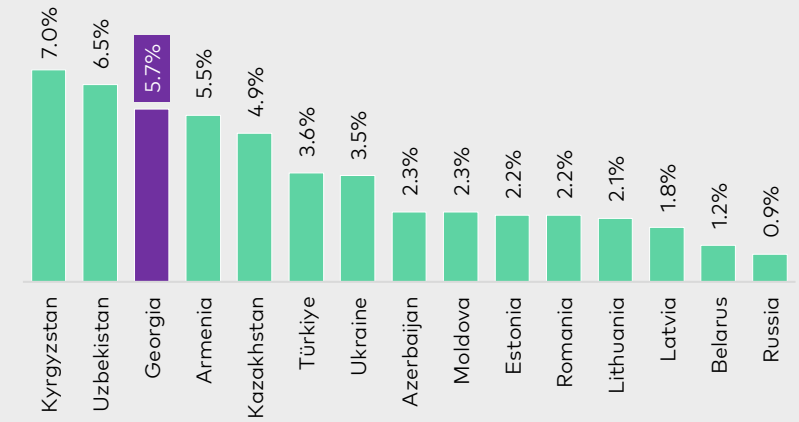
Chart of the month: IMF forecasts 5.7% real GDP growth for Georgia in 2027



Source: IMF

Georgia remains one of the fastest-growing economies in the region. The IMF expects Georgia's economy to grow by 7.2% in 2026 and 5.7% in 2027.

Over 2028-31, the Fund projects Georgia's real GDP growth to average 5.0%, lifting nominal GDP to US$ 70.1bn and GDP per capita to around US$ 17,900 by 2031.

Economic summary

Growth: Real GDP growth in Georgia was 6.0% y/y in Sep-26, following 6.3% in August, bringing the 9M26 average to 7.4% y/y. Growth in September was driven mainly by construction, ICT, mining, trade, and financial services, while manufacturing contracted.
We maintain our 2026 real GDP growth forecast at 7.5% for 2026 and 6.0% for 2027.

Inflation: Annual inflation held steady at 5.6% y/y in Sep-26, unchanged from August, but its composition shifted. Imported inflation accelerated further to 7.8% y/y (from 5.7% in August), driven mainly by higher gasoline and diesel prices, while price growth in domestic and mixed goods eased to 4.9% y/y and 4.8% y/y, respectively (from 5.9% and 5.3%). Importantly, underlying pressures moderated in September: core inflation (excluding food, energy and tobacco) edged down to 3.5% y/y from 3.6% in August, and services inflation slowed to 3.7% y/y from 4.4%.
We forecast average annual inflation at 5.3% in 2026 and 3.2% in 2027.

Monetary policy: On 21 October 2026, the NBG kept the policy rate at 8.25% for a 4th consecutive meeting. Energy prices, pushed up by prolonged Middle East tensions, contributed around 2ppts to September's 5.6% annual inflation, while core and services inflation stood lower at 3.5% and 3.7%, respectively, which, according to the NBG, suggests the impact on inflation expectations has so far been moderate. As inflation is driven mainly by external factors, the regulator aims to contain expectations and second-round effects, signaling further moderate tightening if needed and normalization once the shock fades.
We expect the NBG to maintain a moderately tight stance for longer and do not rule out a 25bps hike at its December meeting this year.

FX: The GEL firmed further in Oct-26, gaining 0.4% m/m against the USD on the back of solid FX inflows, ongoing deposit de-dollarization, a tight monetary policy stance and steady non-resident demand for local-currency treasuries. The NBG used the favorable backdrop to bolster its buffers, buying US$248.5m on the FX market in Sep-26 and lifting gross international reserves to a record US$8.2bn, or 128% of the IMF's reserve adequacy (ARA) metric.
We expect the GEL to remain broadly stable against the US dollar in the coming months and in 2027, averaging around 2.6/1$.

Activity

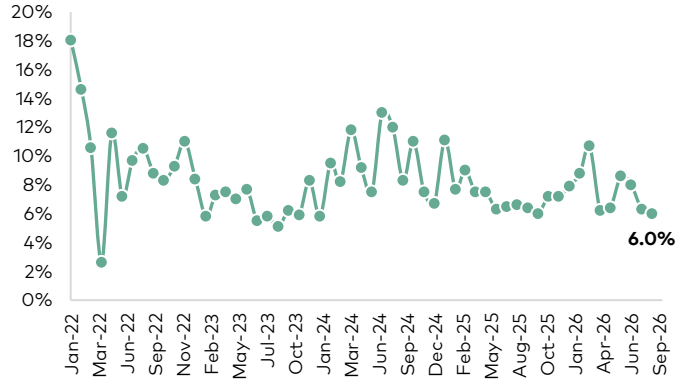
Trade: In Sep-26, goods exports increased by 4.0% y/y to US$ 731.5m, slowing from 24.6% y/y growth in August, mainly reflecting last year's high base effect. Import growth, by contrast, accelerated to 15.3% y/y, reaching US$ 1.8bn, up from 6.4% y/y in previous month. As a result, the trade deficit widened by 24.6% y/y to US$ 1.1bn.
Export growth was led by petroleum products, precious metals, fertilizers and ferro-alloys, partly offset by lower exports of cars, nuts, spirits and aerated waters. On the import side, crude and refined petroleum, diodes and transistors, electric generating sets and computers drove most of the increase, while car imports fell sharply.
Overall, in 9M26 the trade deficit decreased by 3.3% y/y to US$ 8.2bn, as exports grew by 19.6% y/y to US$ 6.2bn and imports were up by 5.3% y/y to US$ 14.4bn.

Tourism: International arrivals were broadly flat at 5.3mn in 9M26 (+0.1% y/y), as growth in tourists (+2.3% y/y to 4.4mn) was offset by a decline in same-day visitors (-9.0% y/y to 0.9mn). Revenues performed markedly better, rising 4.4% y/y to US$ 3.8bn and pointing to higher spending per visitor.
We forecast tourism revenues at US$ 4.9bn in 2026, rising to US$ 5.3bn in 2027.

Banking sector: Bank credit growth accelerated to 16.9% y/y (excluding FX effects) in Sep-26, from 14.8% in August, lifting the loan book to GEL 78.1bn (US$ 30.0bn). The pickup was driven by corporate lending, which strengthened markedly to 15.3% y/y from 11.7% y/y in prior month, while retail lending continued to outpace at 18.3% y/y (17.5% in August). On the funding side, deposit growth remained robust at 20.5% y/y (excluding FX effects), following a 21.7% y/y rise in the previous month, bringing total deposits to GEL 77.4bn (US$ 29.7bn).
De-dollarization stays on track. Loan dollarization edged up 0.25ppts m/m to 41.5% in September, while deposit dollarization declined by 0.23ppts m/m to 43.0%. Both ratios remain below year-ago levels, down 0.34ppts and 6.28ppts y/y, respectively.

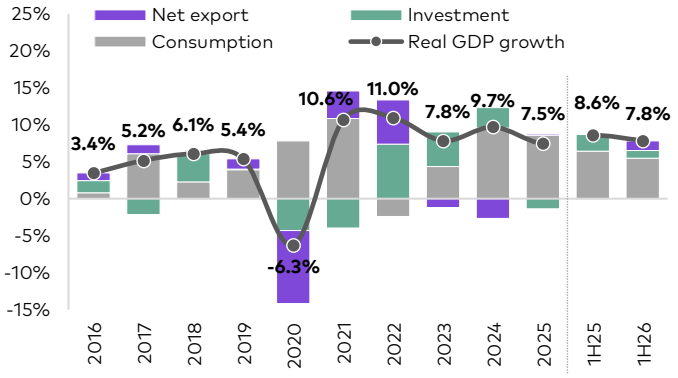
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Real GDP growth, % change y/y



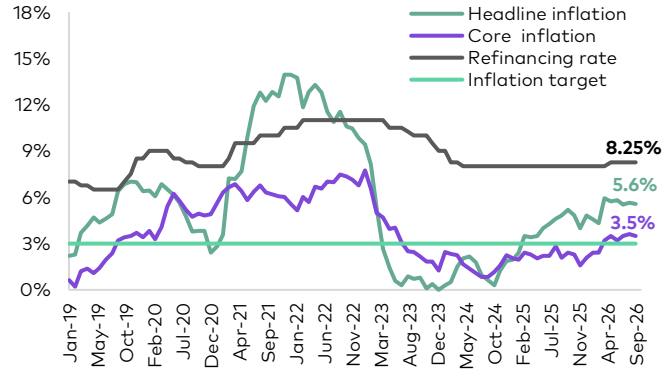
Source: Geostat

Contributions to real GDP growth, ppts



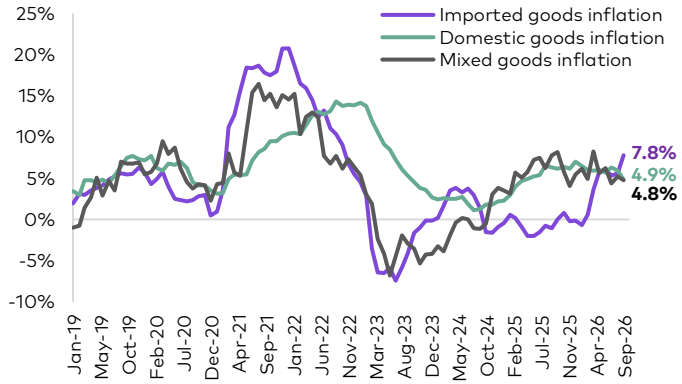
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



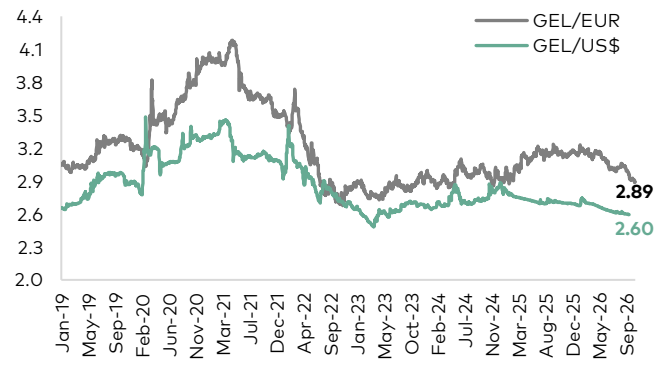
Source: Geostat, NBG

Imported and domestic inflation dynamics



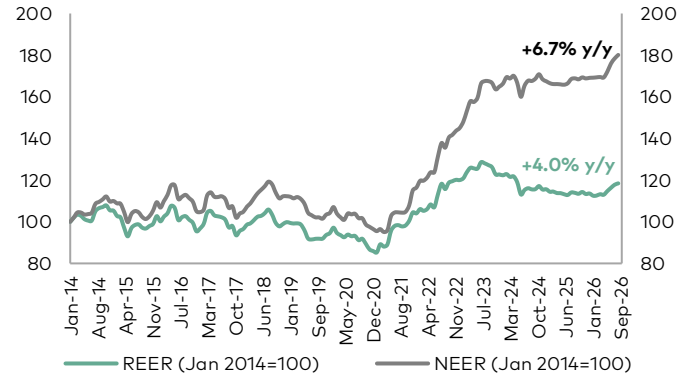
Source: Geostat

GEL/US$ and GEL/EUR



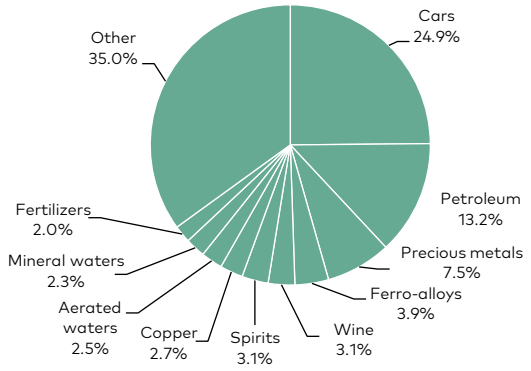
Source: NBG

GEL's nominal and real effective exchange rates



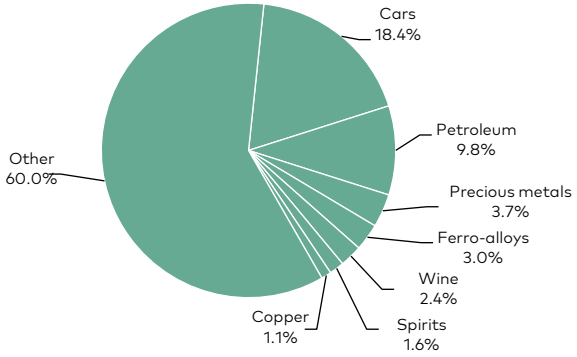
Source: NBG
Note: Index growth/decline means appreciation/depreciation of GEL

Exports by product, 9M26



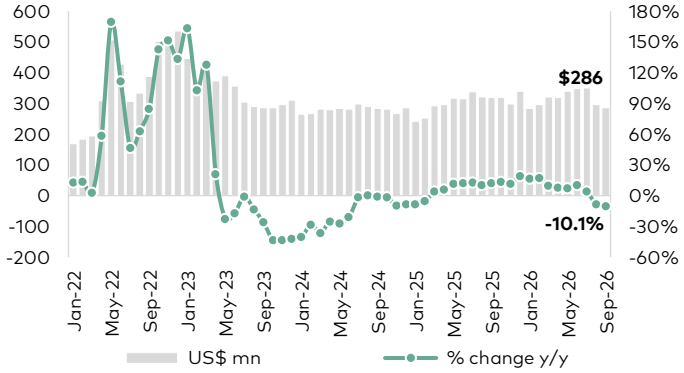
Source: Geostat

Imports by product, 9M26



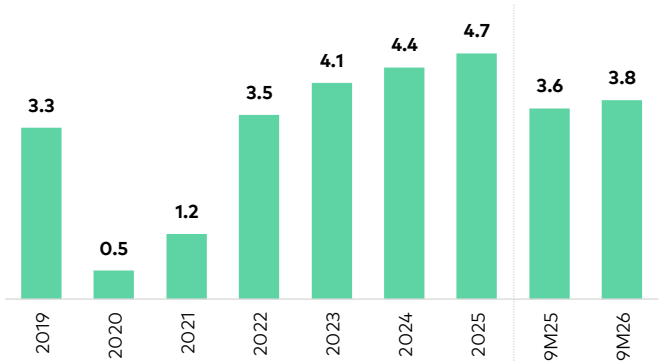
Source: Geostat

Money transfers



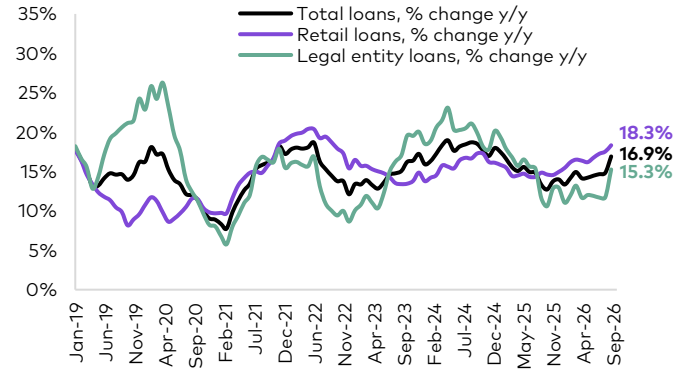
Source: NBG

Tourism revenues, US$ bn



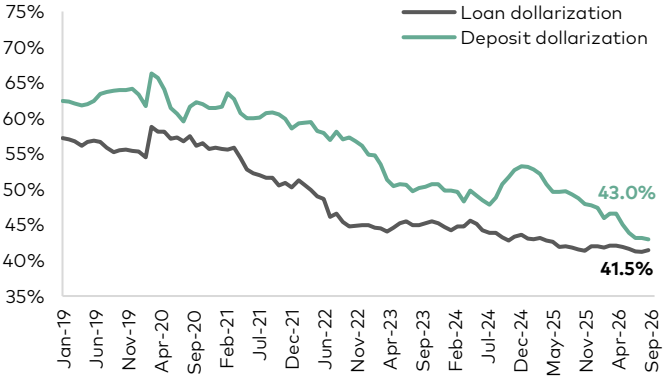
Source: NBG

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	117.0	128.4
Nominal GDP, US$ bn	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	34.2	38.1	44.2	49.4
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	11,213	12,541
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%	5.3%	3.2%
CPI Inflation, eop	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	4.0%	5.4%	2.5%
GEL per US$, ave	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.74	2.65	2.60
GEL per US$, eop	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.70	2.59	2.60
GEL per EUR, ave	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.10	3.05	3.00
GEL per EUR, eop	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.17	2.99	3.01
GEL per GBP, ave	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.61	3.56	3.55
GEL per GBP, eop	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53	3.64	3.52	3.56
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%	26.5%	25.7%
Budget expenses, % of GDP	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	30.5%	29.0%	27.7%	28.1%
Fiscal deficit, % of GDP	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.3%	-1.4%	-1.4%	-2.5%
Government debt, % of GDP	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	35.7%	34.4%	31.9%	31.6%
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	-0.8	-1.2
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%	-1.9%	-2.5%
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	20.3	22.0
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	22.6	24.8
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	3.8	3.9
Net FDI, US$ bn	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	1.1	1.4	1.5	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%	3.5%
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	9.0	10.0
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	31.5	35.2
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%	69.7%	71.2%
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%	7.75%

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.

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