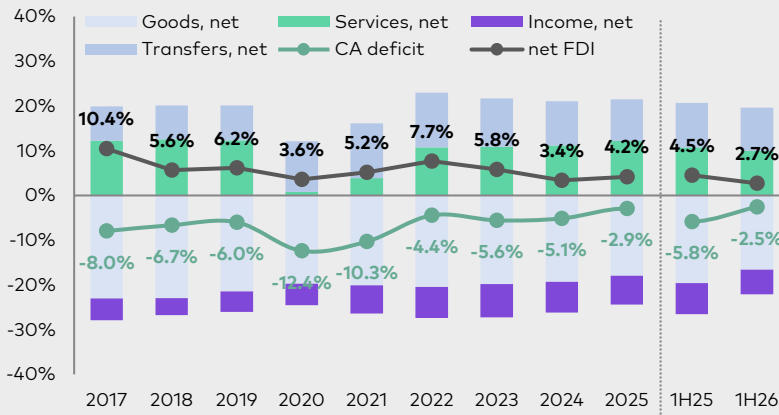




Chart of the month: CA deficit narrowed to 2.5% of GDP in 1H26



Source: NBG, Geostat

Georgia's current account (CA) deficit narrowed significantly to 2.5% of GDP in 1H26, with all major components contributing to the improvement. The largest positive contributions came from higher surpluses on transfers (+11.1% y/y to US\$ 1.9bn) and services (+5.9% y/y to US\$ 2.0bn). A smaller merchandise trade deficit also supported the CA, as it narrowed by 3.2% y/y to US\$ 3.3bn on the back of goods exports growing considerably faster than imports. In addition, the primary income deficit declined by 8.4% y/y to US\$ 1.1bn, further improving the CA balance.

We forecast the CA deficit at 1.9% of GDP in 2026.

Economic summary

Growth: Real GDP growth in Georgia moderated to 6.3% y/y in Aug-26 from 8.0% in July, keeping the 8M26 average at a strong 7.6% y/y. Growth in August was driven mainly by manufacturing, ICT, financial services, real estate, trade and transport, while construction contracted. We maintain our 2026 real GDP growth forecast at 7.5% in 2026.

Inflation: In Aug-26, consumer prices rose by 0.4% m/m, pushing annual inflation up slightly to 5.6% y/y from 5.5% y/y in Jul-26. The pickup in headline inflation mainly reflected higher imported inflation (5.7% y/y, up from 5.3% y/y in July) and mixed goods inflation (5.3% y/y, up from 4.4% y/y). Domestic inflation, by contrast, eased to 5.9% y/y in August from 6.4% y/y a month earlier. Core inflation - excluding food, energy and tobacco - edged up to 3.6% y/y in Aug-26 from 3.5% y/y in July. Given persistently elevated global oil prices, we have revised our 2026 average annual inflation forecast up to 5.3% from 5.1% previously.

Monetary policy: On 9 September 2026, the NBG's Monetary Policy Committee kept the policy rate at 8.25% for the third consecutive meeting. The NBG noted that inflation remains largely supply-driven, reflecting higher energy and international food prices, while underlying pressures stay contained. It signaled a possible moderate hike if the shock lifts inflation expectations, with normalization to begin once the shock fades.

Given the tighter global financial conditions and the need to keep the interest rate differential in check, we do not rule out a 25bps hike through 2026.

FX: The GEL appreciated by 0.3% m/m against the USD in Sep-26, supported by strong FX inflows, ongoing deposit de-dollarization, a tight monetary policy stance and non-resident demand for local treasuries. In parallel, the NBG continued to build reserves, purchasing US\$ 555.6mn in the FX market in Aug-26 and lifting reserves to a record US\$ 8.1bn, or 128.2% of the IMF's reserve adequacy metric (ARA).

We expect the GEL/US\$ rate to remain stable in the coming months, averaging 2.65 in 2026.

Activity

Trade: In Aug-26, goods exports rose by 24.7% y/y to US\$ 752.4mn, following a 30.0% y/y surge in July. Goods imports grew by 4.3% y/y to US\$ 1.6bn, easing from 8.5% y/y growth in the previous month. As a result, the trade deficit narrowed by 9.4% y/y to US\$ 809.9mn.

Export growth was driven by petroleum, aircraft, precious metals, gold, aerated waters, spirits and ferro-alloys, while car re-exports declined. On the import side, petroleum, crude petroleum, meat, gases and wheat accounted for most of the increase, while imports of cars and pharmaceuticals fell sharply.

Overall, in 8M26 the trade deficit decreased by 7.4% y/y to US\$ 7.1bn, as exports grew by 22.1% y/y to US\$ 5.4bn and imports were up by 3.4% y/y to US\$ 12.5bn.

Tourism: Tourism revenues increased by 8.8% y/y to US\$ 695mn in Aug-26, based on our estimates. Cumulatively, 8M26 tourism revenues stood at US\$ 3.2bn (+1.6% y/y).

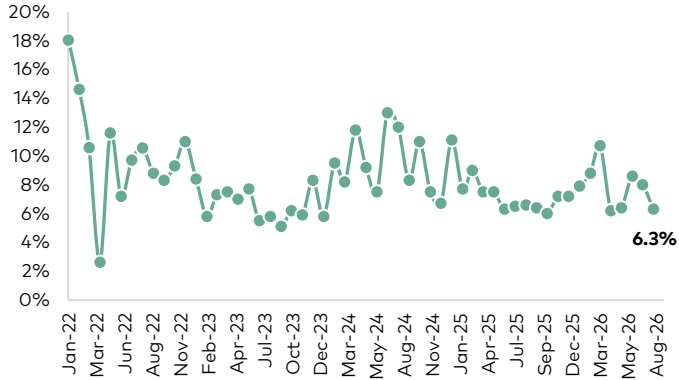
We forecast tourism revenues at US\$ 4.9bn in 2026.

Banking sector: Bank lending grew by 14.8% y/y (excluding FX effects) to GEL 76.5bn (US\$ 29.3bn) in Aug-26, broadly in line with the 14.7% y/y recorded in July. Retail lending remained the main growth driver, expanding by 17.5% y/y, while corporate lending rose by 11.7% y/y. On the funding side, deposit growth edged up to 21.7% y/y (excluding FX effects) from 20.9% y/y in the previous month, bringing total deposits to GEL 75.6bn (US\$ 28.9bn).

De-dollarization progressed further. Loan dollarization edged down 0.10ppts m/m to 41.2% in August, while deposit dollarization held steady at 43.2%. Both ratios stand below their year-ago levels, lower by 0.77ppts and 6.53ppts y/y, respectively.

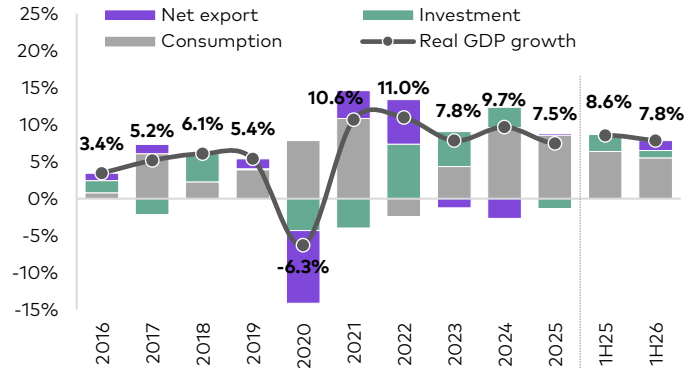


Real GDP growth, % change y/y



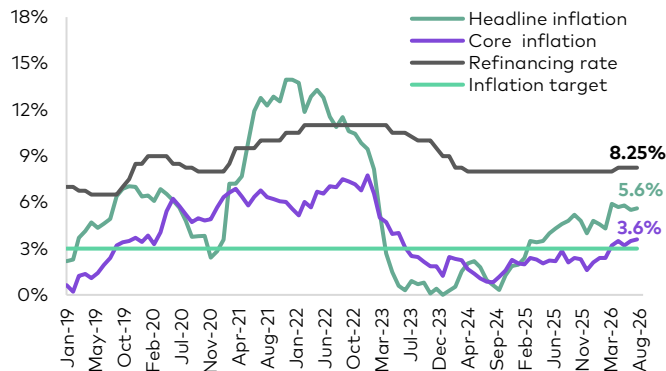
Source: Geostat

Contributions to real GDP growth, ppts



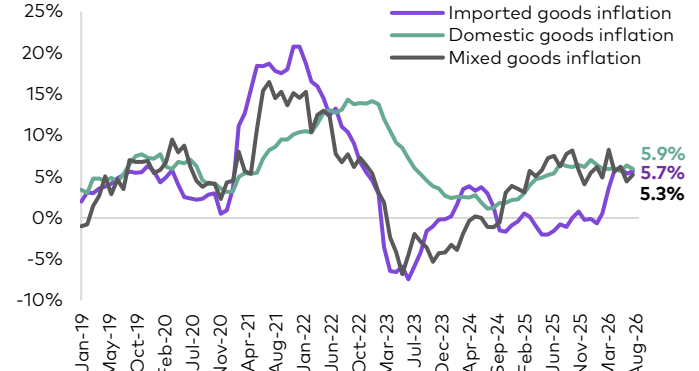
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



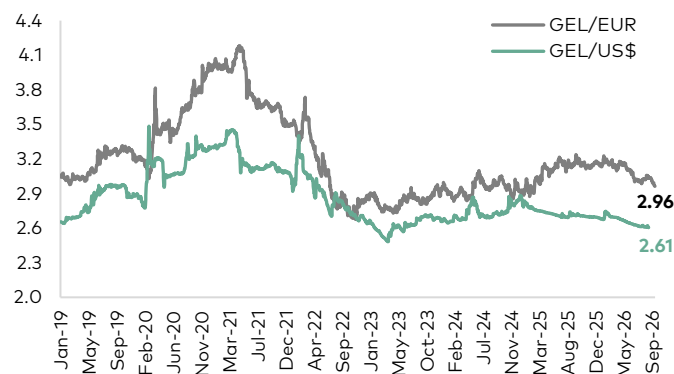
Source: Geostat, NBG

Imported and domestic inflation dynamics



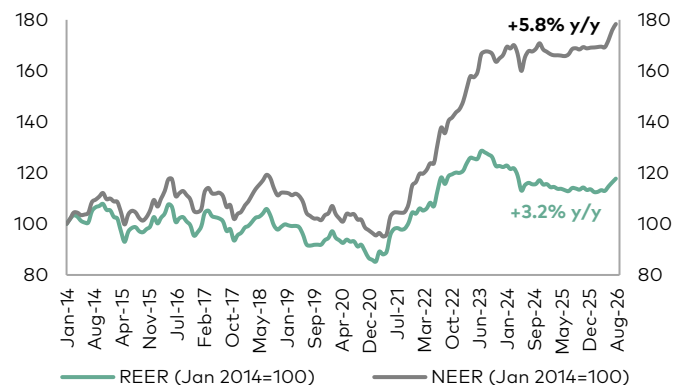
Source: Geostat

GEL/US\$ and GEL/EUR



Source: NBG

GEL's nominal and real effective exchange rates

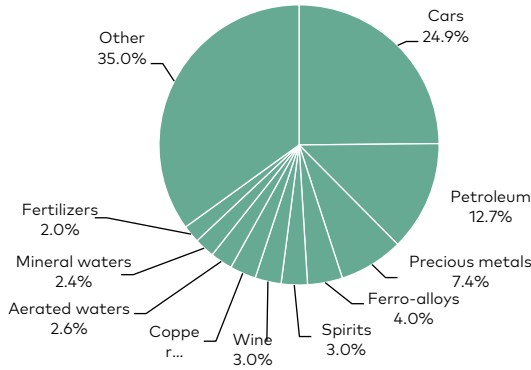


Source: NBG

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

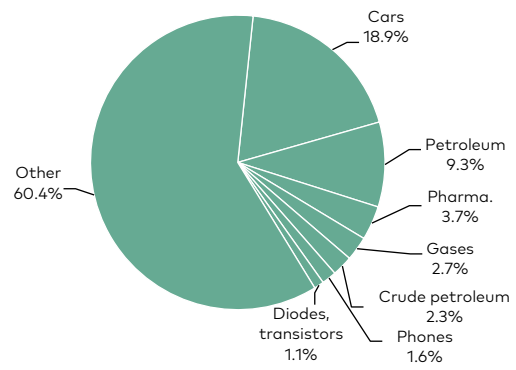


Exports by product, 8M26



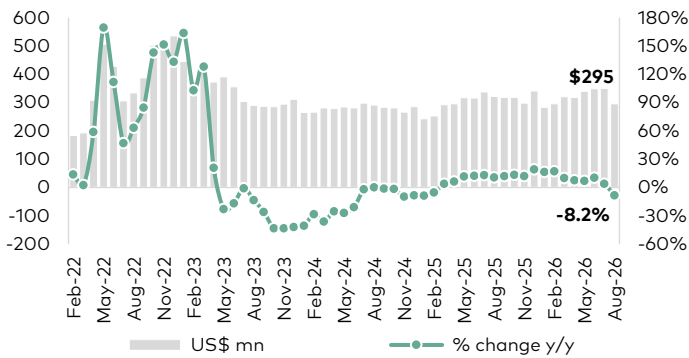
Source: Geostat

Imports by product, 8M26



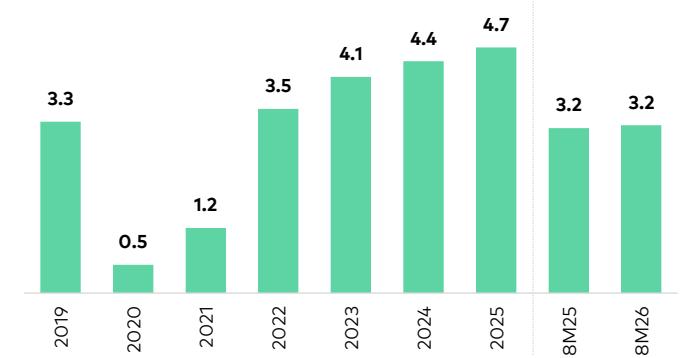
Source: Geostat

Money transfers



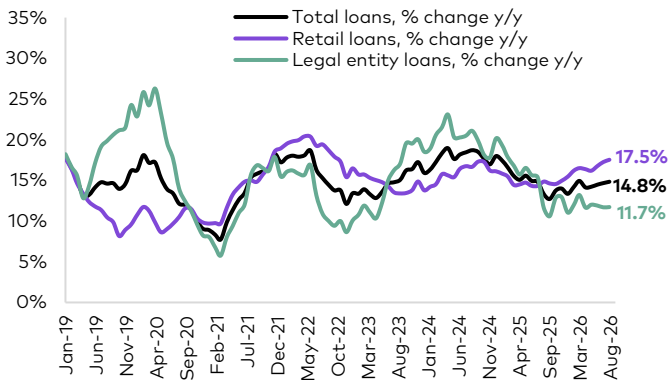
Source: NBG

Tourism revenues, US\$ bn



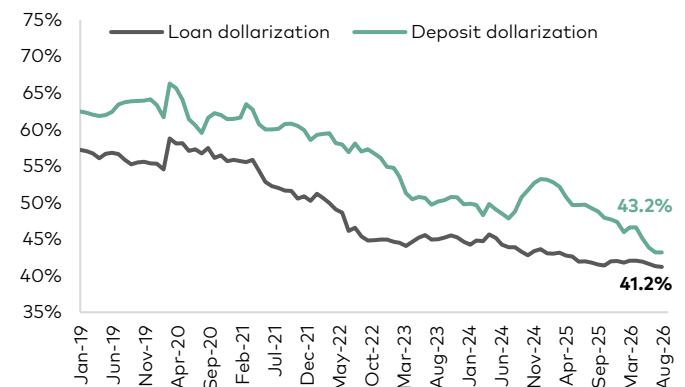
Source: NBG

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	127.8
Nominal GDP, US\$ bn	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	34.2	38.1	44.1	48.6
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	11,187	12,337
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%	2.8%
CPI Inflation, eop	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	4.0%	5.3%	1.8%
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	2.63
GEL per US\$, eop	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.70	2.61	2.64
GEL per EUR, ave	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.10	3.07	3.06
GEL per EUR, eop	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.17	3.02	3.07
GEL per GBP, ave	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.61	3.57	3.59
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	3.60
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%	28.2%	28.8%
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%	33.0%	32.0%
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	30.9	34.4
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%	69.1%	70.9%
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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