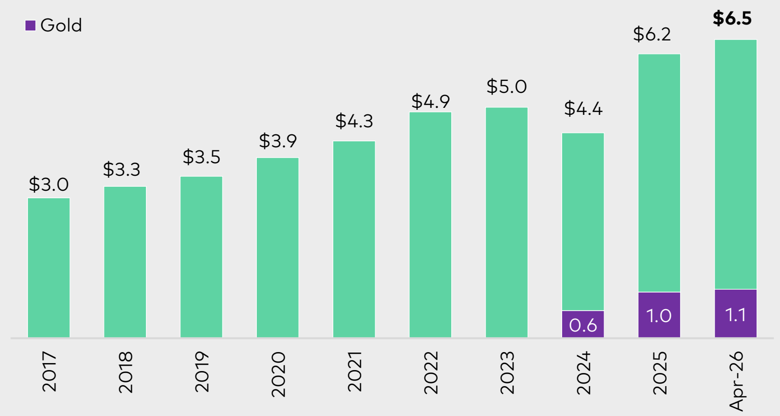
GALT & TAGGART
CREATING OPPORTUNITIES

Monthly Economic Review | Georgia

29 May 2026

Chart of the month: International reserves reached $6.5bn in Apr-26



Source: NBG

Gross international reserves rose strongly by 43.2% y/y to US$ 6.5bn in Apr-26. The accumulation was mainly driven by robust FX inflows, enabling the NBG to conduct sizeable FX purchases of US$ 3.2bn since April 2025. In addition, reserves were boosted by significant valuation gains from higher gold prices (+US$ 300.5mn y/y).

We expect this positive momentum to continue, with reserves anticipated to rise further to around US$ 7.2bn by end-2026, revised upward from our previous estimate of US$ 7.0bn.

Economic summary

Growth: Georgia's economy expanded by 6.2% y/y in Apr-26, bringing average real GDP growth to a robust 8.3% y/y in 4M26. April growth continued to be broad-based, led by manufacturing, ICT, transport & storage, trade, and financial services. Temporary weakness in construction and mining partly weighed on headline growth but is expected to reverse as investment activity strengthens. We maintain our 2026 real GDP growth forecast at 7.0%.

Inflation: Annual inflation rose to 5.9% in Apr-26, up from 4.3% in previous month. The acceleration was mainly driven by higher fuel prices and an increase in electricity tariff, which together added an estimated 2.3 percentage points to headline inflation. Core inflation, which excludes food, energy, and tobacco prices, stood at 3.2% in Apr-26, up from 2.4% in the preceding month. We forecast average inflation at 4.8% in 2026, assuming a gradual stabilization of global oil prices in 2H26.

Monetary policy: On 6 May 2026, the NBG's Monetary Policy Committee raised the policy rate by 25bps to 8.25% to anchor inflation expectations amid elevated global energy risks. On the same day, the Joint Committee on Financial Stability and Monetary Policy reduced the upper bound of the reserve requirement on FX liabilities by 5ppts, reverting it to the previous level in response to tighter global financial conditions linked to the Middle East conflict. Overall, the policy mix remains balanced, with a continued focus on price stability and financial sector resilience. We expect monetary policy to remain moderately tight throughout 2026.

FX: The GEL continued to strengthen in May-26, appreciating by 0.8% m/m to 2.67/1$. We expect underlying appreciation pressures to persist, alongside continued FX reserves accumulation by the NBG. Notably, in Apr-26, the NBG purchased US$ 333.3mn in the FX market, bringing total net FX purchases to US$ 833.0mn in 4M26. For 2026, we project the average GEL/US$ exchange rate at 2.68.

Activity

Trade: Goods exports rose by 16.1% y/y to US$ 716.3mn in Apr-26, following a 24.0% y/y increase in previous month. In contrast, imports declined by 2.9% y/y to US$ 1.5bn, leading to a sizeable 15.7% y/y narrowing of the trade deficit to US$ 765.5mn.

Export growth was broad-based, supported by petroleum, fertilizers, precious metals, ferro-alloys, water, and gold, while exports of cars, spirits, and wine declined. On the import side, the contraction was mainly driven by lower imports of cars and trucks, while imports of petroleum products, natural gas, copper, and pharmaceuticals increased notably.

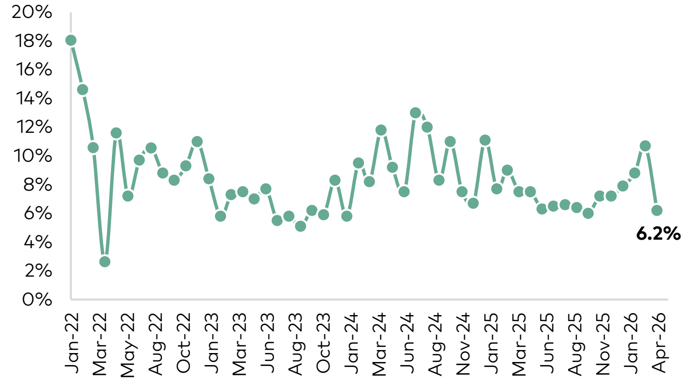
Tourism: In 4M26, tourism revenues declined by 4.0% y/y to US$ 1.1bn, according to our estimates, mainly due to weaker inflows from the Middle East. However, recent developments point to improved connectivity and recovery momentum, including the resumption of daily passenger rail services on the Baku-Tbilisi route from 26 May 2026. This is expected to support inflows going forward and fully offset recent losses, and we therefore maintain our 2026 tourism revenue forecast at US$ 4.9bn.

Banking sector: Georgia's banking sector continued to demonstrate solid growth dynamics in Apr-26. The total loan portfolio expanded by 14.1% y/y (excluding FX effects), reaching GEL 72.9bn (US$ 27.1bn), slightly moderating from 14.9% y/y growth in March. Retail lending remained the key growth driver, expanding by 16.4% y/y, while corporate loans grew by 11.7% y/y.

On the funding side, deposits recorded robust growth of 20.0% y/y (excluding FX effects), totaling GEL 70.0bn (US$ 26.0bn), compared to 19.4% y/y growth in the previous month.

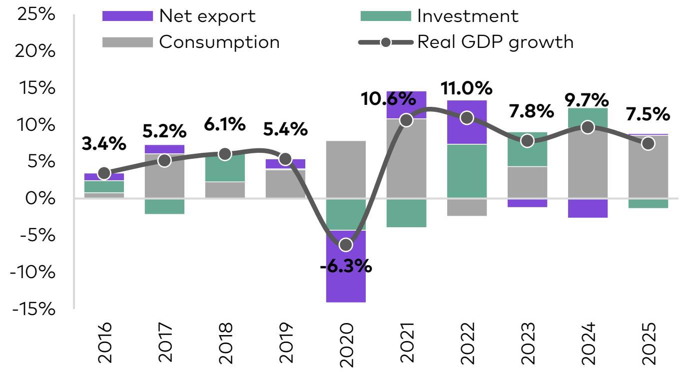
Dollarization trends also improved in April. Loan dollarization remained broadly stable m/m at 42.5%, while deposit dollarization declined by 0.17ppts m/m to 46.4%. Both indicators remain significantly below year-ago levels, with loan dollarization down by 0.77ppts y/y and deposit dollarization lower by 5.74ppts y/y.

Real GDP growth, % change y/y



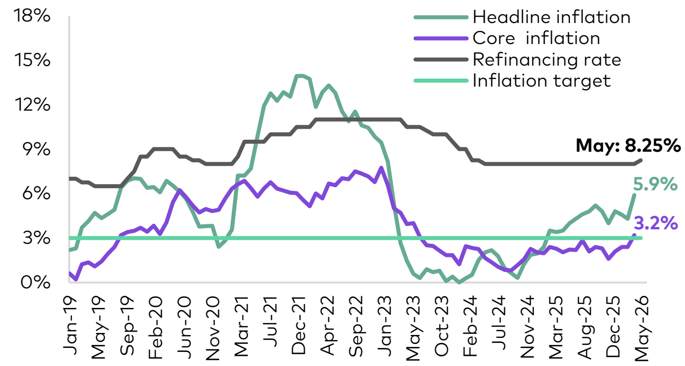
Source: Geostat

Contributions to real GDP growth, ppts



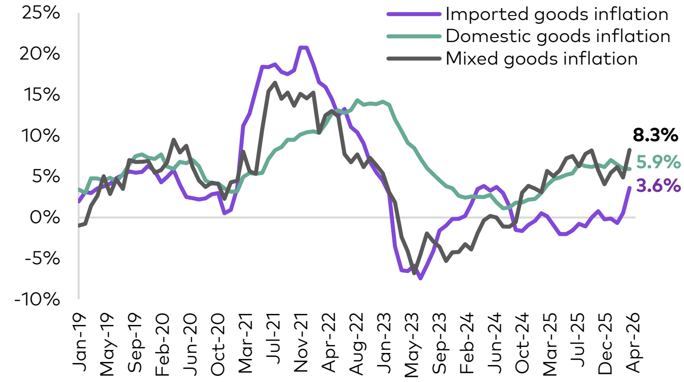
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



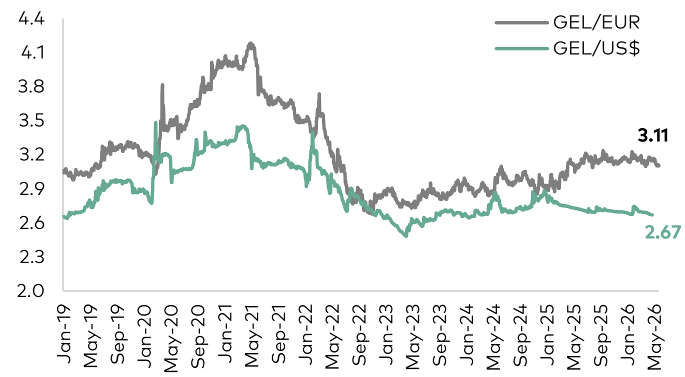
Source: Geostat, NBG

Imported and domestic inflation dynamics



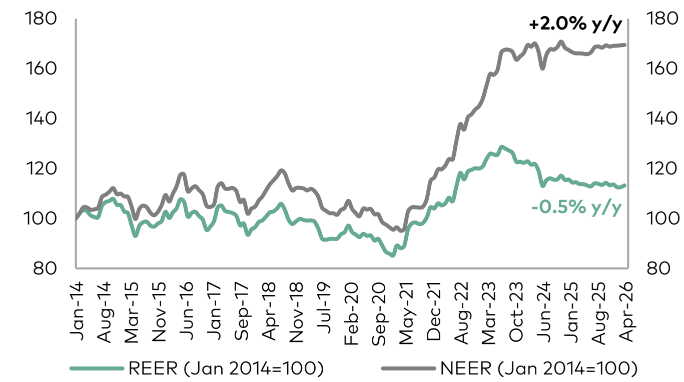
Source: Geostat

GEL/US$ and GEL/EUR



Source: NBG

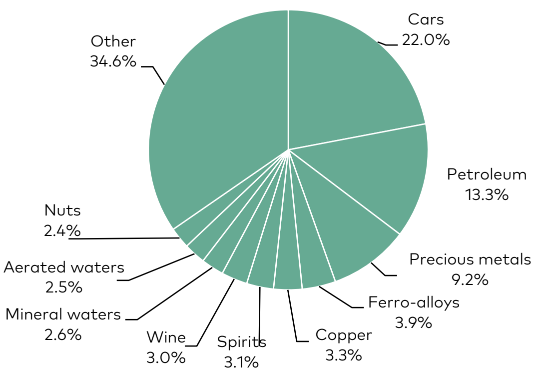
GEL's nominal and real effective exchange rates



Source: NBG

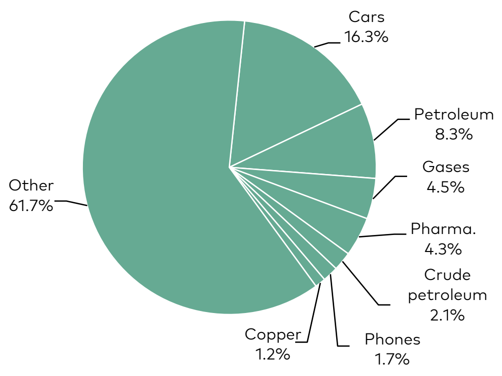
Note: Index growth/decline means appreciation/depreciation of GEL

Exports by product, 4M26



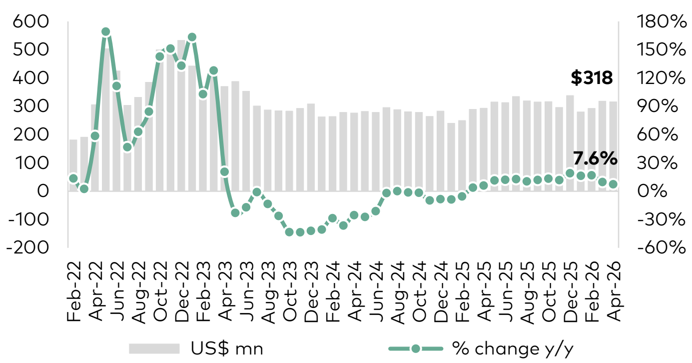
Source: Geostat

Imports by product, 4M26



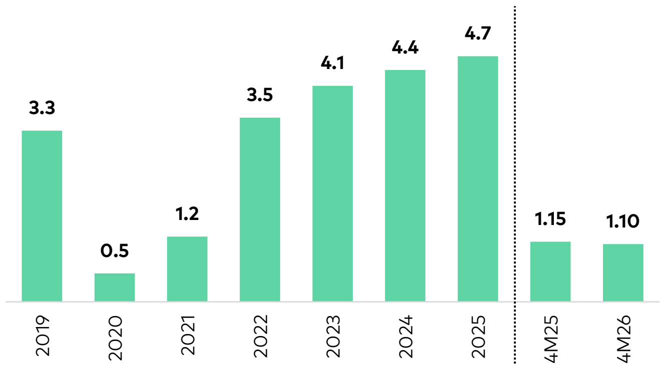
Source: Geostat

Money transfers



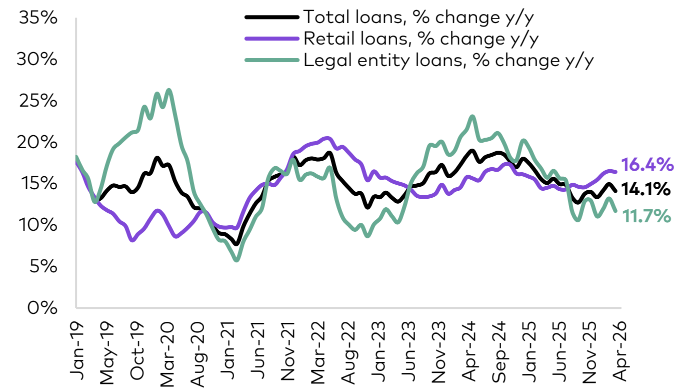
Source: NBG

Tourism revenues, US$ bn



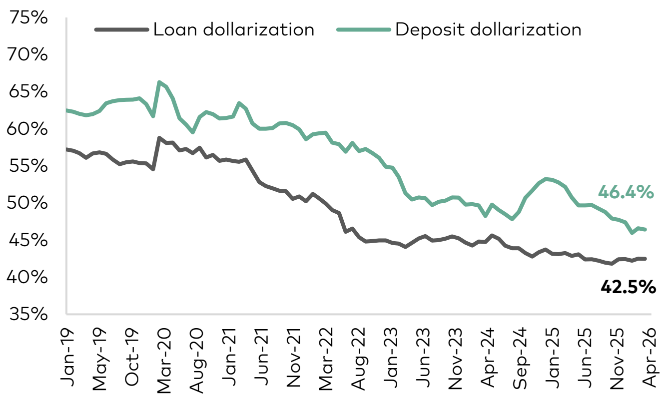
Source: NBG, Galt & Taggart

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	93.0	104.6	116.4
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	43.4
Nominal GDP per capita, US$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	8,699	9,678	11,017
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%	7.0%
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%	4.8%
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%	4.5%
GEL per US$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.74	2.68
GEL per US$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.70	2.69
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	3.16
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	3.65
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	3.69
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.9	3.9	3.9
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%	-2.2%
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	-1.4
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 of goods and services, US$ bn	6.2	6.2	7.6	8.9	9.6	6.0	8.1	13.2	15.1	16.2	18.0	19.2
Imports of goods and services, 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%	3.4%
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	7.2
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	30.1
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%	69.5%
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%	8.25%

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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