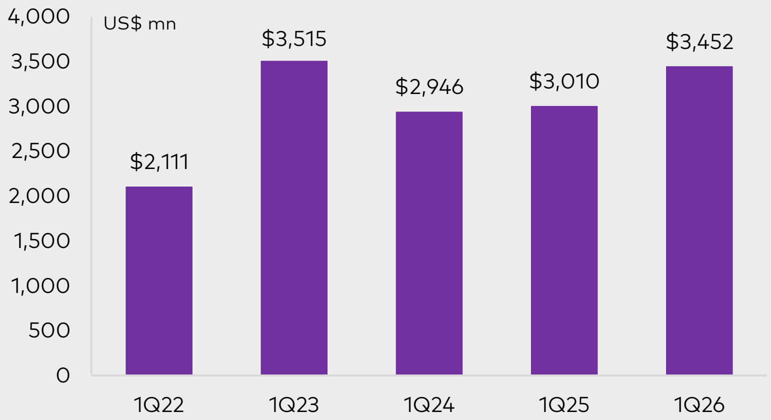
Chart of the month: FX inflows increased by 14.7% y/y to US$ 3.5bn in 1Q26



Source: NBG, Geostat

In 1Q26, FX inflows - goods exports, money transfers, and tourism - increased by 14.7% y/y to US$ 3.5bn.

- Goods exports rose by a strong 23.4% y/y to US$ 1.7bn, the main driver of inflow growth.
- Tourism revenues edged up by just 0.5% y/y to US$ 829.8mn, reflecting weaker performance amid heightened regional tensions related to Iran.
- Money transfers increased by 14.2% y/y to US$ 898.6mn.

Overall, robust FX inflows - driven mainly by exports and transfers - continue to underpin GEL stability, despite subdued tourism.

Economic summary

Growth: Georgia's economy grew 10.7% y/y in Mar-26 - significantly above expectations and accelerating from 8.8% y/y in February. 1Q26 GDP growth came in at 9.1% y/y. In March activity was driven by manufacturing, ICT, professional & scientific services, mining, construction, and transport & storage. Hotels and restaurants sector contracted, reflecting reduced Middle Eastern tourism.

The drag from the conflict has been narrower than feared - concentrated in hospitality rather than spreading to the wider economy - while export-oriented and domestic-demand sectors have accelerated, supported by strong commodity prices and continued remittance growth. Given the stronger-than-expected 1Q performance, we are raising our full-year 2026 GDP growth forecast to 7.0% from 6.0%.

Inflation: Annual inflation eased to 4.3% in Mar-26 from 4.6% in Feb-26, largely on base effects. The moderation was driven by a slowdown in domestic goods inflation (to 6.0% y/y from 6.5%) and mixed goods (to 4.9% from 6.2%). Imported goods prices, however, turned positive at 0.5% y/y after declining -0.7% y/y in February - an early sign of oil-driven pass-through. Core inflation, excluding food, energy, and tobacco, held steady at 2.4% y/y, suggesting that underlying price pressures remained contained in March.

We are revising our 2026 average inflation forecast to 4.8% from 4.2%, as global oil prices are taking longer to normalize than we previously assumed.

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

With inflation pressures driven by these factors, we anticipate the policy rate to remain unchanged throughout 2026, instead of our earlier expectation of a 0.5ppts cut. If second-round effects broaden and inflation expectations become unanchored, a rate hike in 2H26 cannot be ruled out.

FX: The GEL strengthened further in Apr-26, gaining 0.3% m/m to 2.69/1$. NBG intervention during the Mar-16 stress was minimal - net FX sales of just US$ 16.2mn. We expect the GEL to remain broadly stable under our baseline.

Activity

Trade: Goods exports rose 24.0% y/y to US$ 697.0mn in Mar-26, following a 26.6% y/y increase in previous month. Imports grew a more modest 4.7% y/y to US$ 1.6bn, narrowing the trade deficit by 6.5% y/y to US$ 895.3mn. Export growth was broad-based, led by petroleum, precious metals, copper, ferro-alloys, gold, and mineral waters, though car and spirits exports declined. On the import side, higher crude petroleum, gas, copper, and truck imports were partly offset by sizable declines in car and tobacco imports.

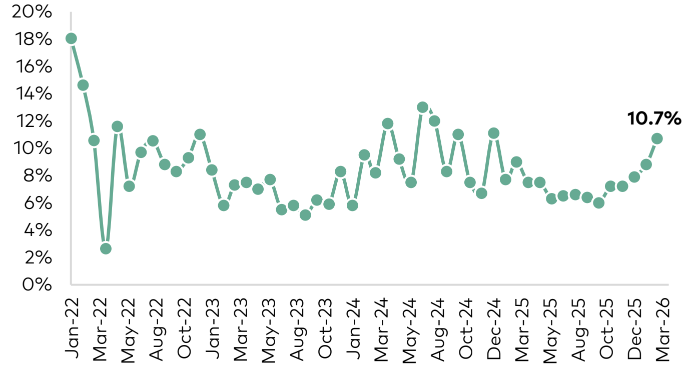
Tourism: 1Q26 tourism revenues rose 0.5% y/y to US$ 829.8mn, as strong January–February performance offset a sharp March decline. By our estimates, March revenues fell 32.0% y/y to US$ 197mn due to Iran escalation. We forecast full-year 2026 tourism revenues at US$ 4.9bn (revised down from US$ 5.0bn), assuming the escalation ends in early May.

Banking sector: Loan growth accelerated to 14.9% y/y (excluding FX effect) in Mar-26, reaching GEL 72.7bn (US$ 26.9bn), up from 14.2% y/y in the previous month. Retail loans led at 16.5% y/y, followed by corporate loans at 13.2% y/y.

Deposits grew 19.4% y/y (excluding FX effect) to GEL 69.5bn (US$ 25.7bn), up from 18.5% y/y in February.

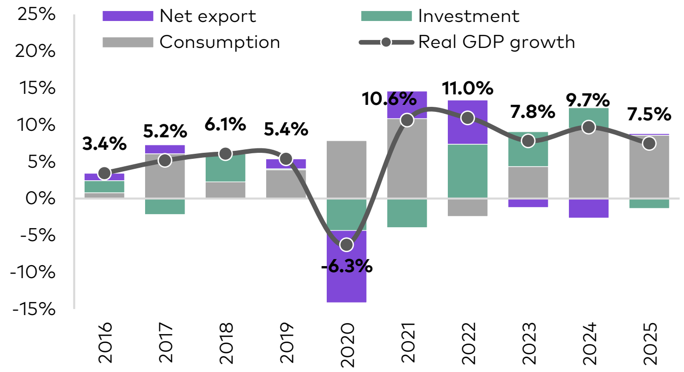
Dollarization ticked up modestly in March - loan dollarization rose 0.27ppts m/m to 42.5%, and deposit dollarization increased 0.63ppts m/m to 46.6% - though both remain well below year-ago levels (-0.61ppts y/y and -6.17ppts y/y, respectively).

Real GDP growth, % change y/y



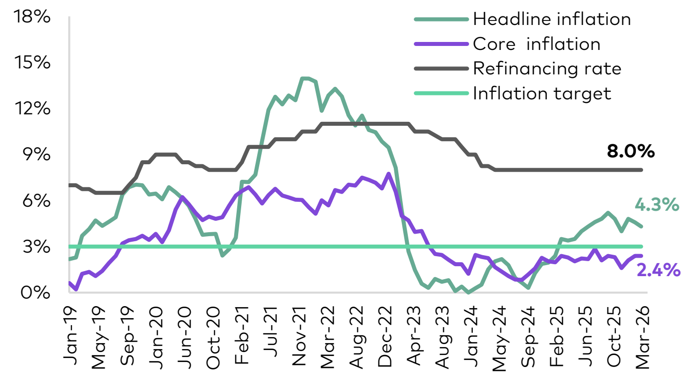
Source: Geostat

Contributions to real GDP growth, ppts



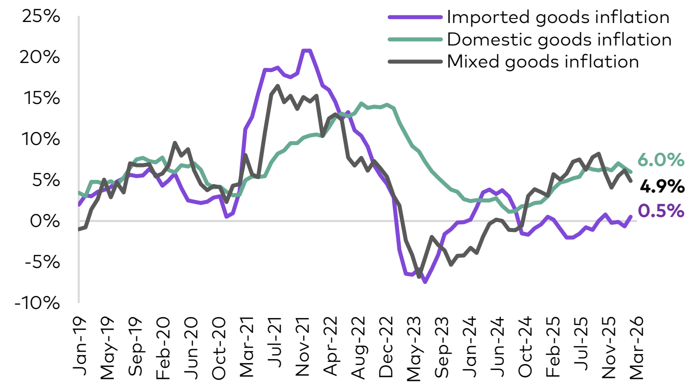
Source: Geostat, Galt & Taggart

Annual inflation and monetary policy rate



Source: Geostat, NBG

Imported and domestic inflation dynamics

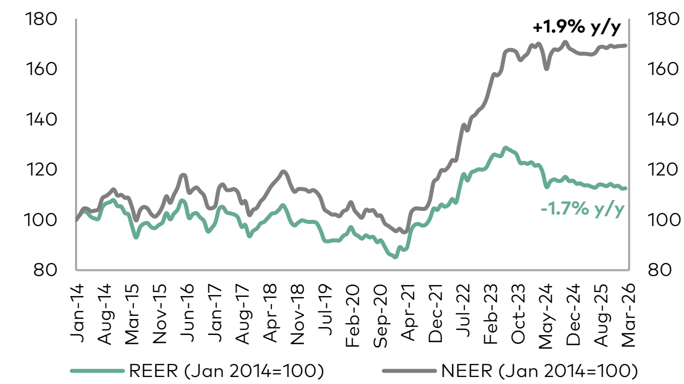


Source: Geostat

GEL/US$ and GEL/EUR

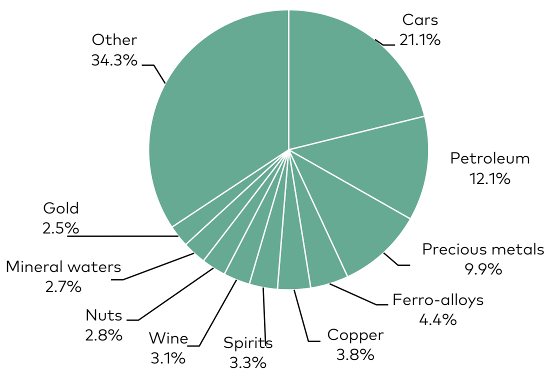
Source: NBG

GEL's nominal and real effective exchange rates



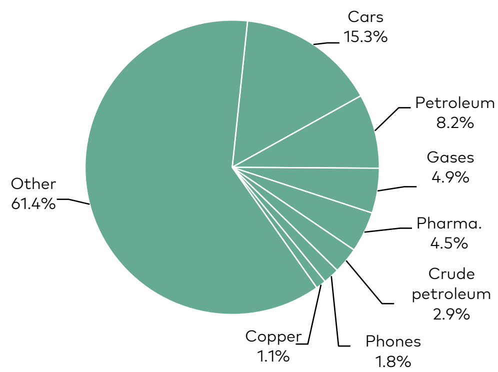
Source: NBG
Note: Index growth/decline means appreciation/depreciation of GEL

Exports by product, 1Q26



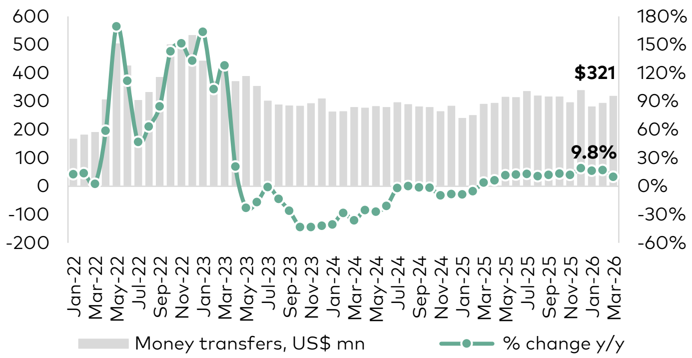
Source: Geostat

Imports by product, 1Q26



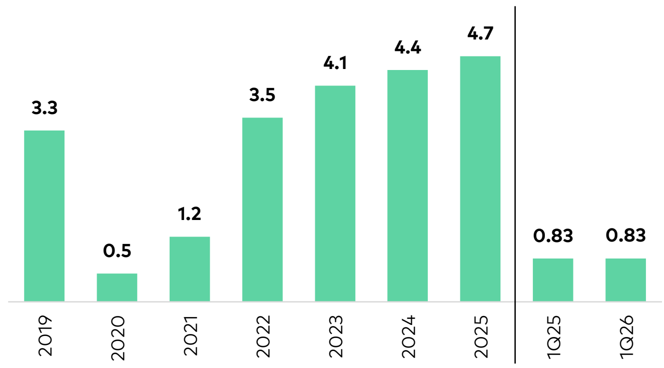
Source: Geostat

Money transfers



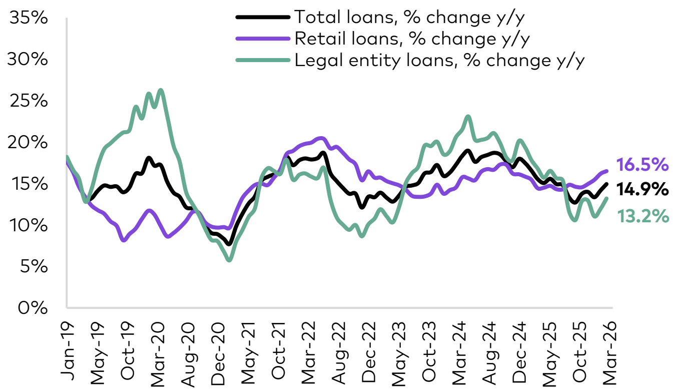
Source: NBG

Tourism revenues, US$ bn



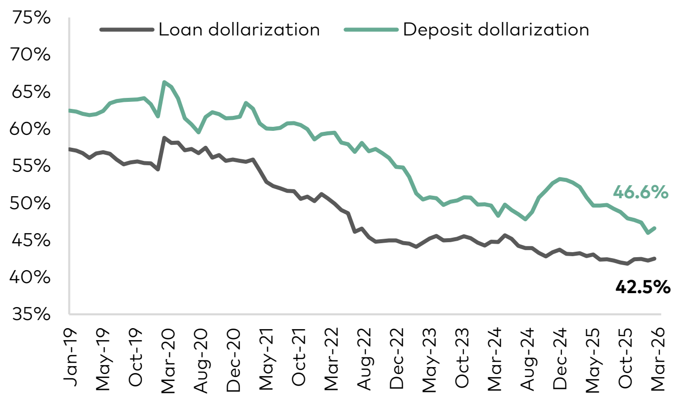
Source: NBG

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	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	43.3
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	10,985
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$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.74	2.69
GEL per US$, 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	3.15
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	3.18
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	3.72
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	7.0
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%	68.2%
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: 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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