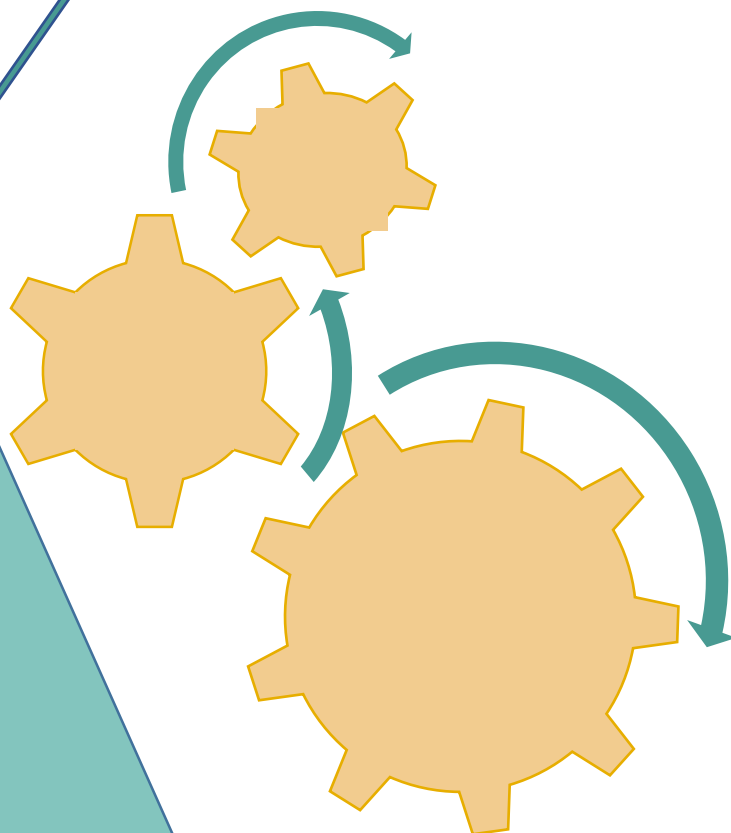


Ministry of Finance of Georgia



Quarterly Economic Outlook

I Quarter, 2026



Brief Summary

- Economic growth for 2025 equals to 7.5 percent
- Average economic growth for the first three months of 2026 equals to 9.1 percent
- Annual inflation in the first quarter of 2026 equals to 4.6 percent, while core inflation (w/o tobacco) equals to 2.3
- Domestic export increased by 75.1 percent annually in the first quarter of 2026
- Import decreased by 7.1 percent annually in the first quarter of 2026
- As of 2025, inflation was set at 3.9 percent, export increased by 11.2 percent and import increased by 10.3 percent
- Revenues from tourism increased compared to the same period of 2025 as well as the 2019 level
- The National Bank of Georgia kept the refinancing rate at 8.0 percent

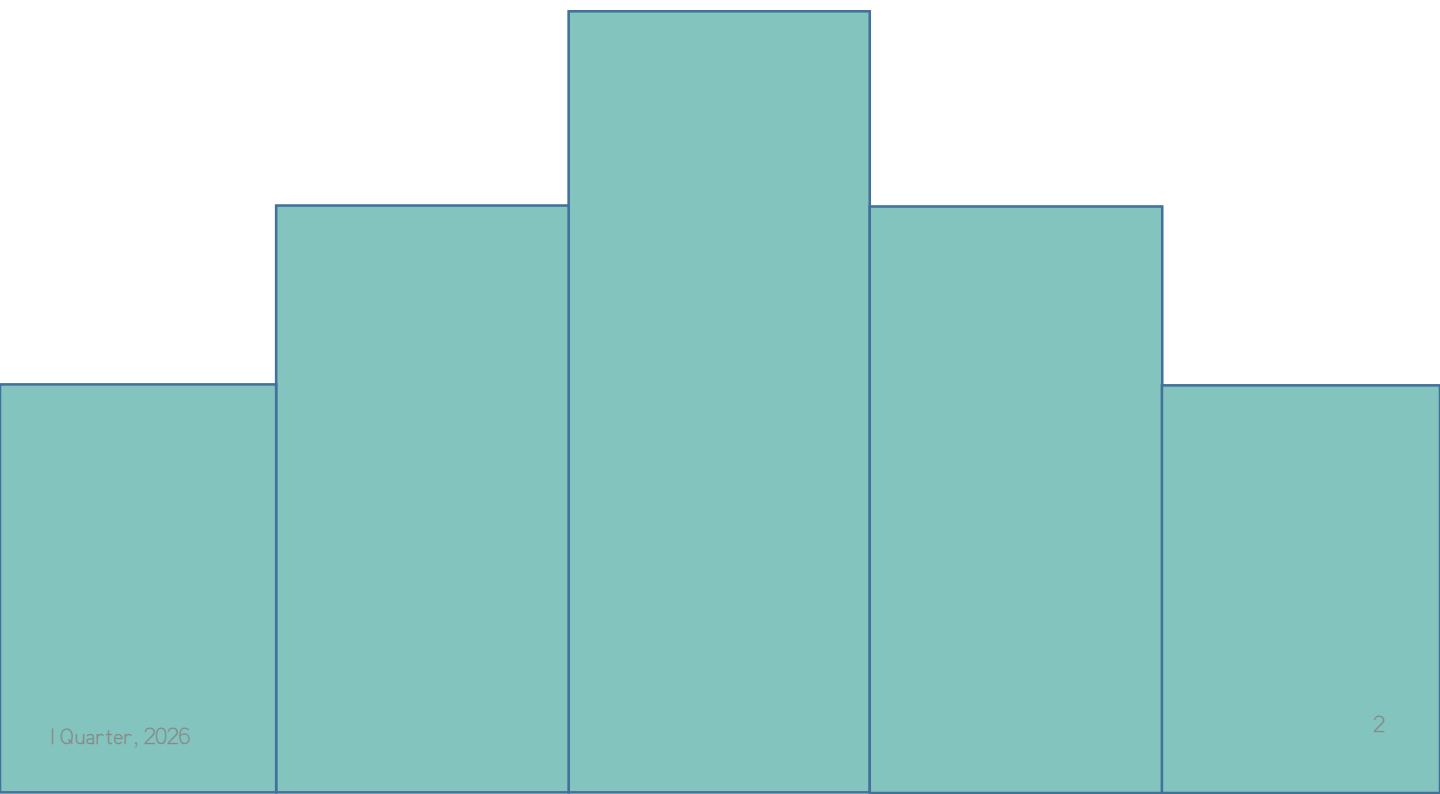




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Real Sector

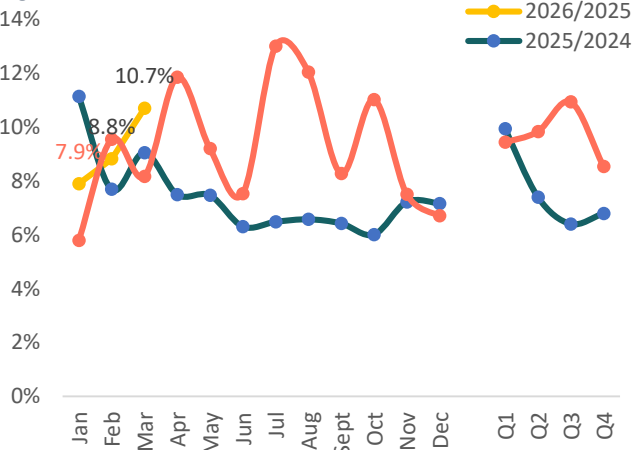
Economic Growth

Average economic growth was set at 7.5 percent in 2025. As of quarters, economic growth was 9.9, 7.4, 6.4 and 6.7 percent. Moreover, growth in January, February and March in 2026 amounted to 7.9, 8.8 and 10.7 percent, respectively, with 9.1 percent growth on average during the first quarter. At the same time, compared to the corresponding period of 2019, economic growth was 48.5 percent in the fourth quarter. Total exports in the first quarter of 2026 increased annually by 23.4 percent, while imports decreased annually by 7.1 percent. At the same time, compared to the first quarter of 2019, exports increased by 108.4 percent and imports increased by 99.4 percent. Considering tourism, compared to the pre-pandemic situation, revenue from international travelers increased by 43.5 percent compared to 2019 in the first quarter, while it increased by 0.5 percent compared to previous year. There was a 14.4 percent increase in the net remittances compared to the same period in the previous year.

Real GDP grew by 7.5 percent annually in 2025, which means an increase of 46.2 percent compared to the corresponding period of 2019. export increased by 11.2 percent in 2025, while import increased by 10.3 percent. There was 6.0 percent increase in tourism revenues and reduction in remittances by 8.1 percent.

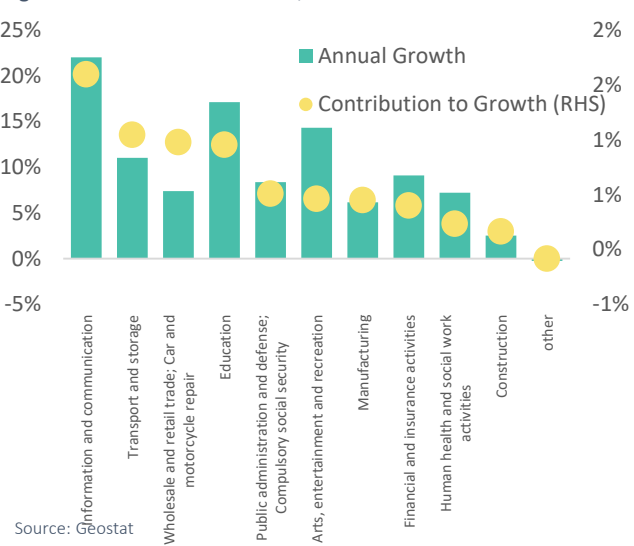
In the fourth quarter of 2024, consumption and export component made a significant contribution to the overall growth in real terms and contributed to the increase by 8.3 and 5.3 pp., the investment component made a negative contribution, which contributed by -1.6 p.p. At the same time, the contribution of the import component in the real terms was also negative 5.2 p.p.

Figure 1: Economic Growth



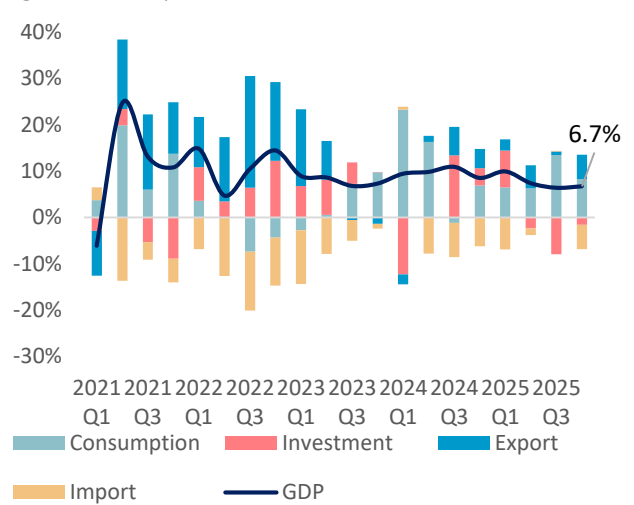
Source: Geostat

Figure 2: Real Sectoral Growth, 2025 Q4



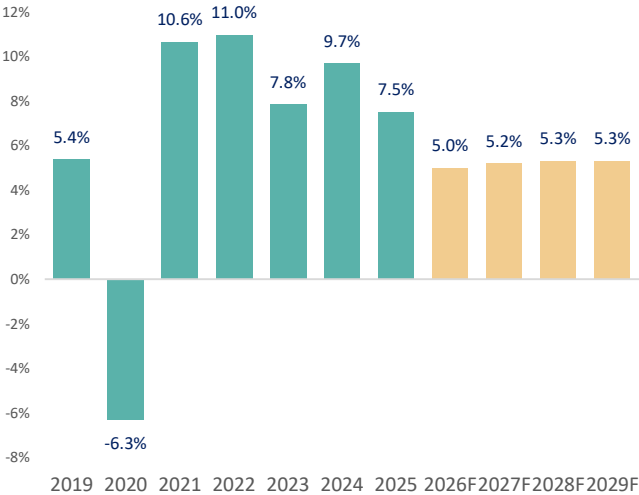
Source: Geostat

Figure 3: Decomposition of Economic Growth



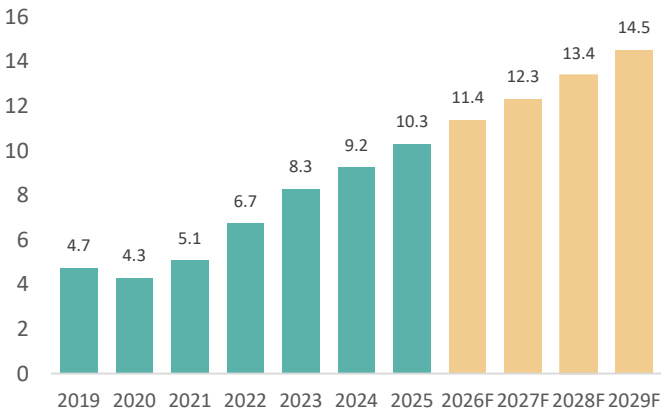
Source: Geostat

Figure 4: Economic Growth Projection



Source: MOF

Figure 5: GDP per capita, ths USD



Source: MOF

In the fourth quarter of 2025, the following sectors made a significant contribution to growth: information and communication – 22.0% (1.6 p.p.), transport and storage – 11.0% y/y (1.0 p.p.), wholesale and retail trade – 7.4% y/y (1.0 p.p.), education – 17.1% y/y (1.0 p.p.), public administration and defense – 8.4% y/y (0.5 p.p.), arts, entertainment and recreation – 14.3% (0.5 p.p.), manufacturing – 6.2% y/y (0.5 p.p.), financial and insurance activities – 9.1% y/y (0.4 p.p.), human health and social work activities – 7.2% y/y (0.2 p.p.), and construction– 2.5% y/y (0.2 p.p.).

Growth in 2025 partly depended on the current situation within the region and its impact on the Georgian economy. According to the forecast of the Ministry of Finance of Georgia, economic growth was expected to be 7.2 percent in 2025, ensured by the growth of domestic demand and fiscal stimulus measures provided in the budget. Actual growth in 2025 was 7.5 percent. The economic growth for 2026-2029 is set an average growth of 5.2 percent.

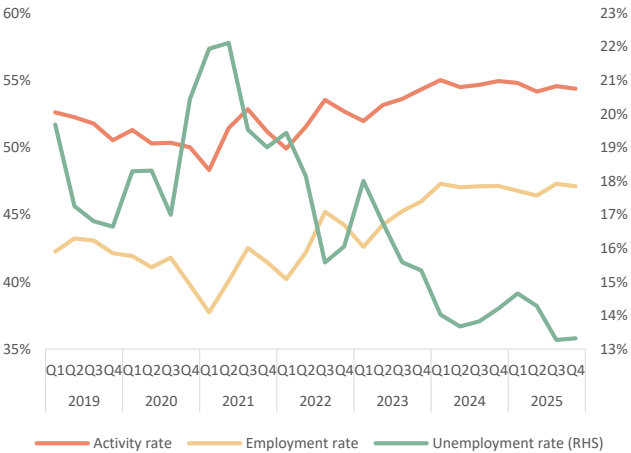
Employment and Unemployment

In the fourth quarter of 2025, the unemployment rate was 13.3 percent, which is the same as the value of the previous quarter and 0.9 p.p. lower compared to the corresponding period of the previous year. Among them, unemployment in urban areas was 15.6 percent (0.8 p.p. y/y), and in rural areas – 10.0 percent (-3.3 p.p. y/y). In the fourth quarter of 2025, the economically active population made up 54.4 percent of the working-age population (population aged 15 and older). In the fourth quarter of 2025, the unemployment rate for women was 10.3 percent, and for men it was 15.6 percent.

In the fourth quarter of 2025, compared to the corresponding period of the previous year, the number of employees decreased by 0.7 percent, while the employment level is at the same level. In the same period, the number of unemployed decreased by 7.9 percent annually. At the same time, the average nominal salary of employees increased by 11.2 percent, which amounts to 2,466.2 GEL as of the fourth quarter of 2025.

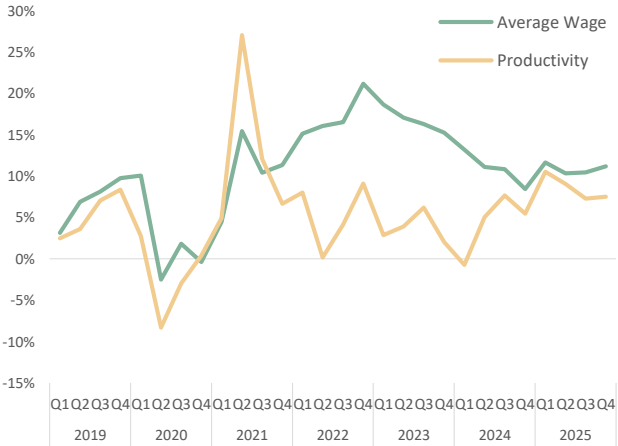
In the fourth quarter of 2025, there was an 7.5 percent increase in productivity compared to the corresponding period of the previous year. Productivity is calculated as the growth rate of the ratio of real GDP to the number of employees.

Figure 6: Indicators of Labor Market



Source: Geostat

Figure 7: Productivity and Average Wage of employees (annual change, %)



Source: Geostat

Price Level

Inflation was below the target level during 2023-2024 in Georgia and amounted to 2.5% in 2023, while the average inflation was 1.1% in 2024. the main reasons for low inflation in 2023 was the high base effect and the tightened monetary policy. As for 2024, this was influenced by the decrease in the commodity prices on global market, as well as the prices of food products and oil, which also caused the low inflation of domestically produced products. The downward impact on annual inflation also depends on the appreciation of the exchange rate, which reduces the impact of imported goods and food prices on the inflation rate.

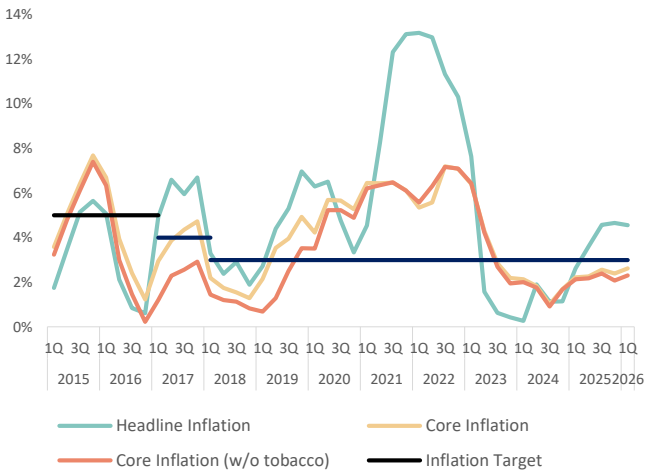
As of 2025, due to the base effects and higher demand, inflation increased gradually and headline inflation equaled to 3.9 percent, while the core inflation was 2.4 percent.

In the first quarter of 2026, headline inflation amounted to 4.6 percent, while core inflation was 2.6 percent. The contribution domestic inflation was 1.5 percent, while imported inflation had 1.6 percent contribution to the headline inflation.

According to the latest forecast of the International Monetary Fund (April, 2026), world inflation decreased to 4.1 percent in 2025 from 6.7 percent in 2024, and it is expected to reach 4.4 percent in 2026 before falling back to 3.7 percent in 2027. It means higher than targeted inflation for advanced and emerging economies. It is expected that the inflation will be higher than 5 percent for developed countries in 2026, which was 5.2 percent in 2025. The International Monetary Fund cites the reasons of the change in Inflation, on the one hand, energy price shock, largely due to the Middle East conflict and on the second hand, also trade tariffs as supply shock, which increases the unit costs.

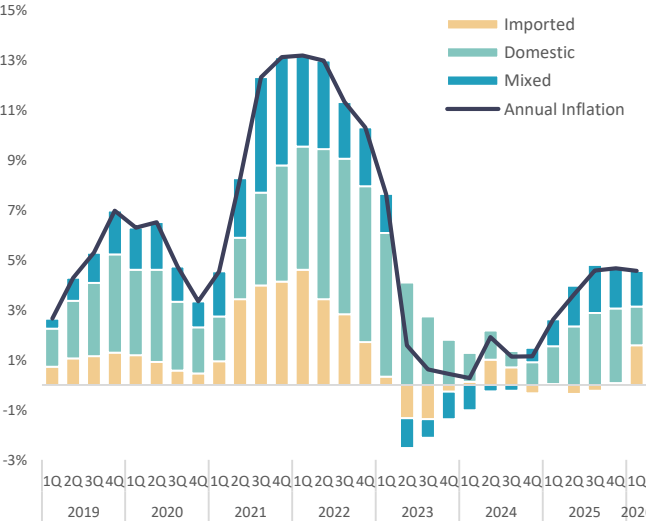
On March 25, 2026, the Monetary Policy Committee of the National Bank made a decision to keep again the

Figure 8: Annual Inflation



Source: NBG

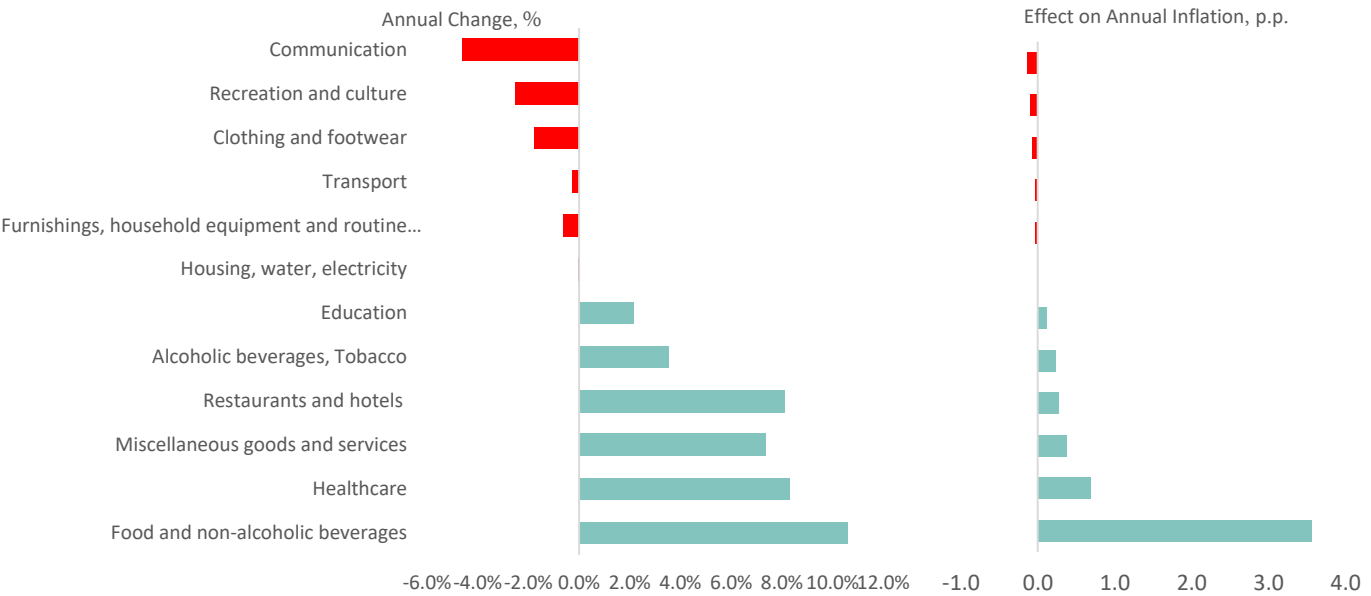
Figure 9: Decomposition of Inflation



Source: NBG, Geostat

monetary policy rate at 8.0 percent level, after keeping it from May 2024, due to the upside and downside inflation risks in Georgia. One of the main risks of inflation is high oil prices due to the high geopolitical strain, and also due to the risks related to the prices from global uncertainty and increased food prices continue to persist in the economy, NBG does not change the policy rate.

Figure 10: Decomposition of Inflation, 2026 Q1



Source: Geostat

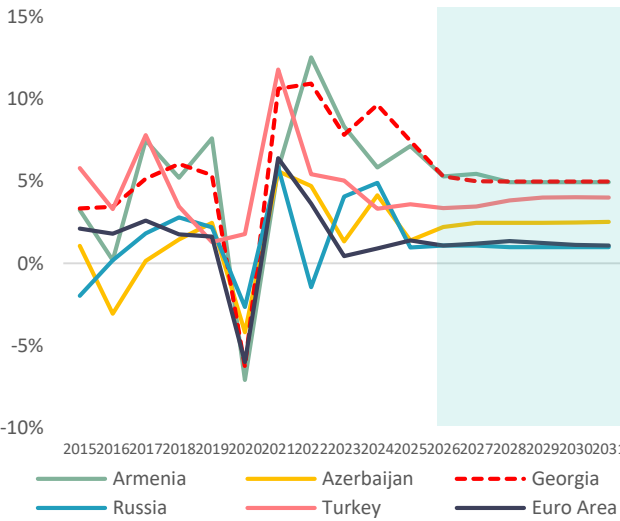
Economic Outlook of the Region

In April, 2026 the IMF revised forecasts for major economies. According to the latest WEO, the global economic growth for 2024-2025 years stood at 3.4 percent level. As for the 2026 estimates, a stronger economic data revealed for the global growth at 3.1 percent for the whole world. According to the previous IMF WEO (published in October, 2025), the world economy in 2026 was expected to grow by 3.1%. It is important to note that the major threat for the world economy remains the political conflict in the middle-east region started in February this this year in which significant global energy supplier are involved such as the USA, Saudi Arabia and Iran. Consequently, the prospects for 2026 is less optimistic than it was expected in the previous year.

Per the IMF April, 2026 report, for 2026 and 2027 periods the WEO projections for Turkiye’s economic growth are 3.4 and 3.5 percent respectively (after 3.6 percent growth in 2025). The projections for 2026 are fell from 3.7 percent to 3.4 percent comparted to April WEO (2026). The main challenges for Turkiye remain exchange rate depreciation and high inflation. It is also relevant to mention that the tight monetary policy is close to end and the consumption starts recovering. In 2025 the actual inflation was 34.9%. The inflation is expected to fall to 28.6 percent level in 2026. Turkiye has undergone changes into its sovereign credit ratings within the first quarter of 2026. Moody’s determined Turkiye’s credit rating at Ba3 stable level. Fitch assesses it at BB- (stable) and S&P evaluates it at BB- (stable).

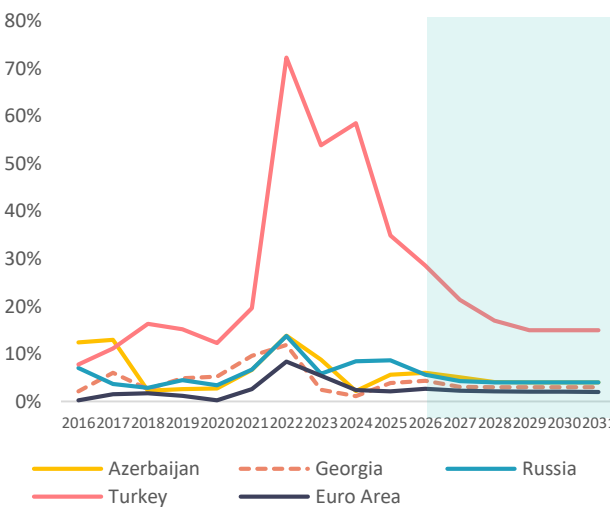
The Russian Federation economy, under the ongoing sanctions, performed better than it was expected in 2023 and 2024. However, the economic growth in Russia dropped significantly in 2025. The above-mentioned imposed sanctions will affect its medium-term capabilities, since the large consumers, as well as the sovereign countries, wean themselves off Russia’s energy and other sectors. Per the IMF’s April, 2026 forecasts, the Russia’s real economic growth is 1.0% in 2025. As for the period of 2026-2027, it is expected to stand at 1.1% level. In 2022 the credit rating agencies (CRA), after sharp downgrading of Russia’s sovereign credit ratings, stopped assigning any ratings.

Figure 11: Economic Growth in the Region



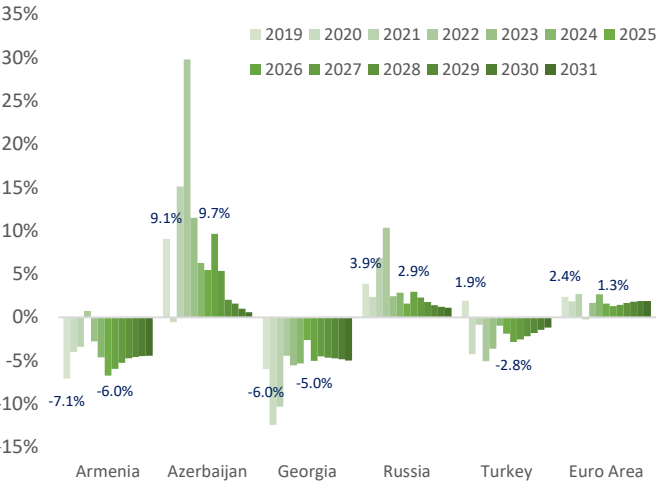
Source: IMF

Figure 12: Inflation in the Region



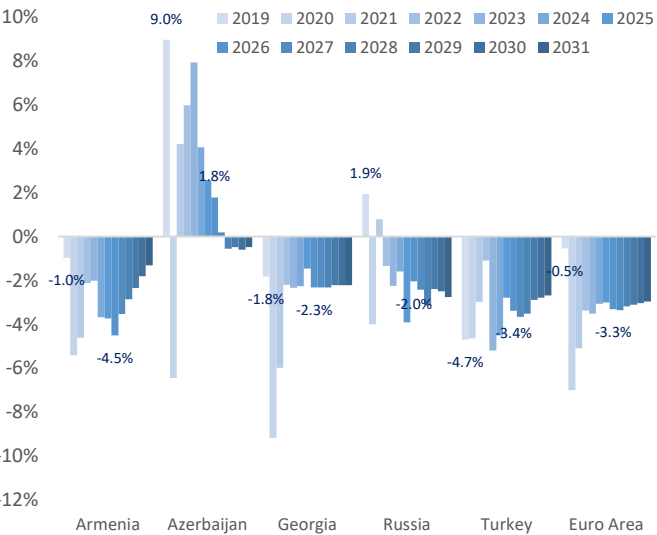
Source: IMF

Figure 13: Current Account to GDP, %



Source: IMF

Figure 14: Budget Balance to GDP, %



Source: IMF

A rising in oil prices, due to the Russia-Ukraine war, is expected to benefit Azerbaijan. As for 2026 April WEO, the economic growth has been revised downwards. After a medium economic growth in 2024 (4.2%), the country experienced lower real growth in 2025 (1.4%). Azerbaijan's real economy is expected to grow by 2.2% and 2.4% in 2026 and 2027 respectively. The country was characterized by a high inflation within past years. However, the inflation rate has a downward trend (disinflation). In 2025, the inflation was 5.6 percent and it is expected the inflation to decrease and stand at 6.0 and 5.1 per cents in 2026 and 2027, respectively. Within the first quarter of 2026, Azerbaijan's sovereign credit ratings have not been changed and were BBB- (stable) according to Fitch, BB+ (positive) for S&P and Baa3 (positive) for Moody's.

Per the IMF projections, Armenia was expected to be hit hardest in our region, except the participants of war. This was predictable, since Armenia has the tightest ties to the Russian economy. But those risks have not been materialized. The economy of Armenia grew by 7.2% in 2025. As for 2026 April WEO, in 2026 and 2027, Armenian economy will grow by 5.3% and 5.5% (according to April, 2025 forecast for this indicator was 4.9 percent for 2026). Inflation was low in 2025 (3.3 percent) and it is expected to stand at 3.6% and 3.4% in 2026 and 2027 respectively. In the first quarter of 2026 the credit ratings of Armenia have changed and are as follows: BB- (positive) according to Fitch and S&P, and Ba3 (stable) according to Moody's.

The situation around the Ukraine remains uncertain. The IMF restored the projections of the Ukrainian economy. According to the IMF latest data and projections, in 2025 the Ukrainian economy grew by 1.8 percent indicating a slowdown of economic growth. As for the short-term projections on Ukraine, the real GDP is expected to rise by 2.0% and 3.5% in 2026 and 2027 respectively. In 2025, the inflation in Ukraine was 12.7 percent and it is predictable that it will be reduced in the medium-term periods.

External Sector

Current Account Balance

The highest current account deficit during the last years was accounted in 2020 at 12.4 percent, and after that current account balance started to improve and deficit was set at record low, 4.4 percent in 2022. current account deficit was 5.5 and 5.3 percent in 2023-2024, respectively. As of 2025, current account balance improved and deficit amounted to 2.6 percent.

The current account deficit of Georgia is financed by the FDI and debt. Financing the deficit by debt, means borrowing new debt and, consequently, spending more on debt service. In this regard, it is important that the current account deficit is financed by increasing foreign direct investment. The structure of financing the current account deficit has been improving recently in Georgia. The deficit was entirely financed by the foreign direct investment in 2017. After that, during the post pandemic period, the foreign debt contributes quite a lot to finance the deficit. Especially noteworthy is 2020 when the debt financing contributed sizably, 8.8 p.p out of 12.4% deficit financing. The financing structure has still improved in 2022-2023 and current account was financed fully by the FDI. As of 2024, 3.3 out of 5.3 percent deficit was financed by the FDI.

As for 2025, there was a 2.6% deficit, mainly due to the reduction in debt (-1.0 p.p), while 3.6 p.p was due to the increase in FDI. Moreover, in the third quarter there was a 3.3 percent current account profitit, which was mainly due to the debt reduction (3.3 p.p).

Figure 15: Current Account, % of GDP

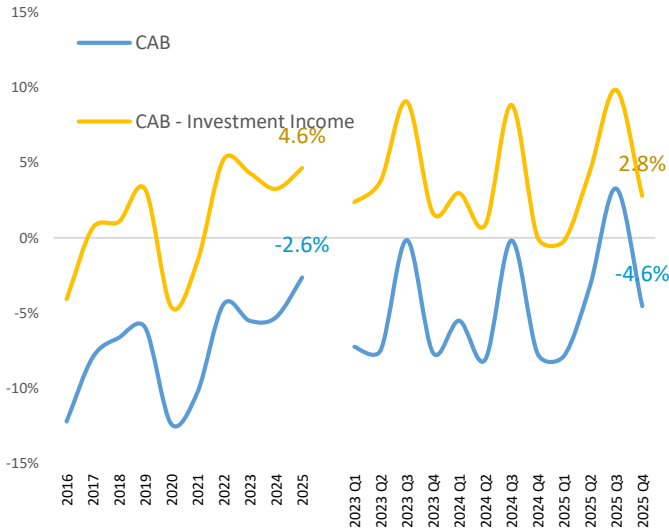
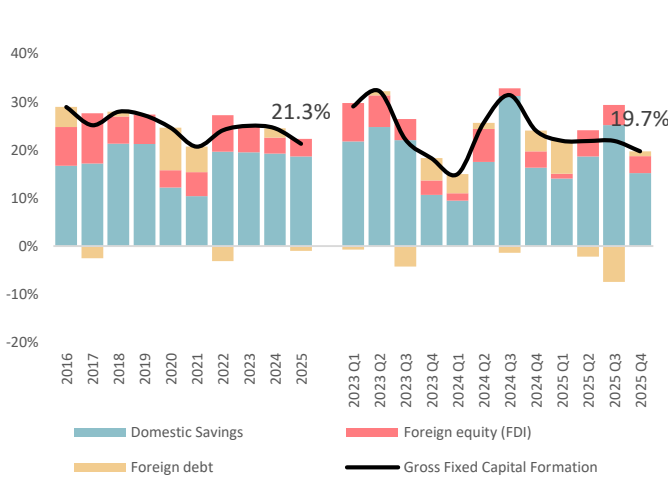
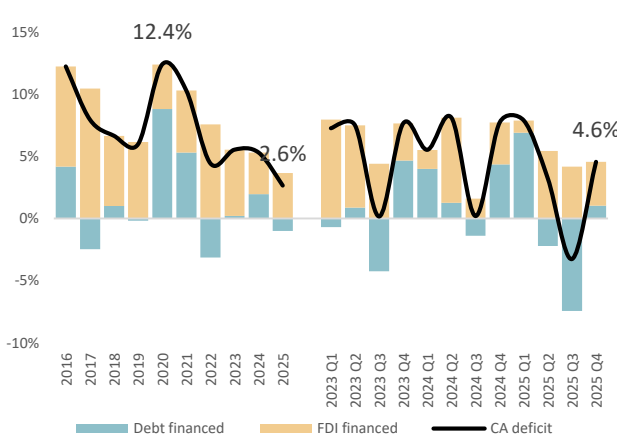


Figure 16: Financing of Investment



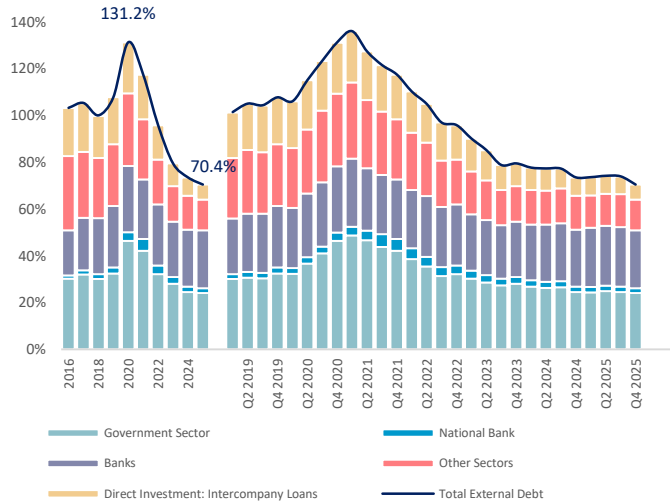
Source: NBG, Geostat

Figure 17: Financing of Current Account



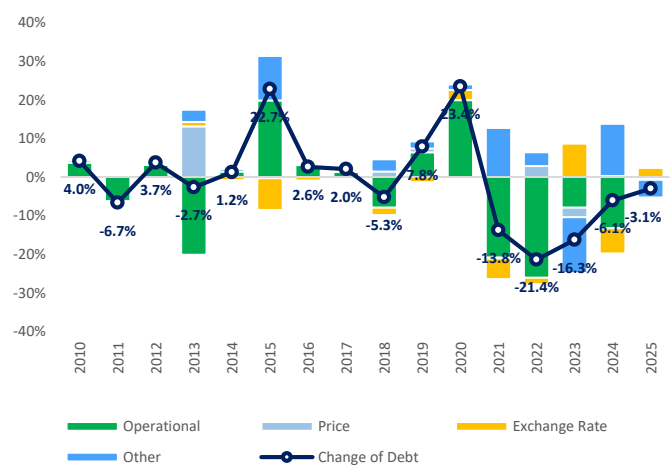
Source: NBG, Geostat

Figure 18: External Debt to GDP. %



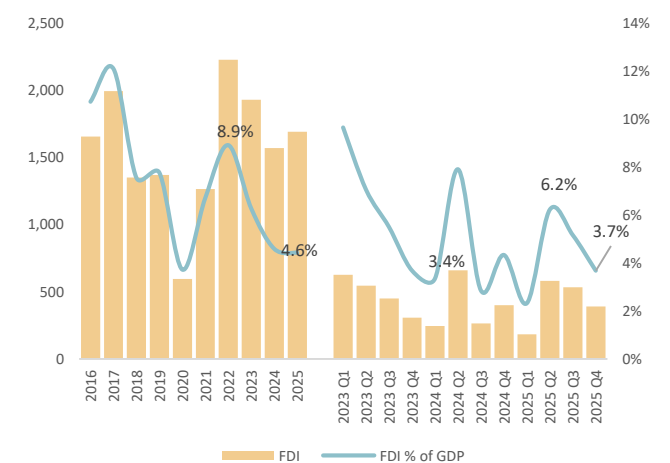
Source: NBG, Geostat

Figure 19: Change of Debt to GDP



Source: NBG, Geostat

Figure 20: Foreign Direct Investment



Source: Geostat

External Debt

Along with the current account deficit, the additional weakness of the Georgian economy is considered to be external debt which remains a main source of vulnerability. External debt consists of government sector debt, as well as foreign debts of commercial and National Banks and intercompany loans.

The total external debt increased during the pandemic and amounted to 131.2 percent in 2020. Debt increased by 23.4 p.p compared to the previous year. The main reason was increased debt taken by the government sector, due to the financing during the pandemic. External debt started to decline from 2021 and amounted to 117.4 percent of GDP, which is 13.8 p.p. less than in the previous year. The reason for the decline was the sharpening of economic activity and the corresponding growth of nominal GDP by more than expected. External debt continued to decline during next years and by the end of 2025 it amounted to 70.4 percent of GDP, which is 3.1 p.p lower than in 2024.

The decomposition of the change in external debt is presented in terms of operating or borrowing, as well as in terms of price effect, changes in exchange rate and in nominal GDP. The largest contribution to the growth of external debt in some quarters of 2015-2016 was due to the exchange rate depreciation, but operational change has more impact annually. Also, GDP mostly contributed to the reduction of external debt. After the pandemic, debt to GDP in USD terms decreased by 13.8 p.p and 21.4 p.p. Deficit did not require to use debt for financing for 2021-2022, due to improved current account, which helped debt to decrease. This continued in the following years and debt decreased by 16.3 p.p in 2023, 6.1 p.p in 2024, and p.p in 2025, where operational and other factors helped to decrease.

Foreign Direct Investments

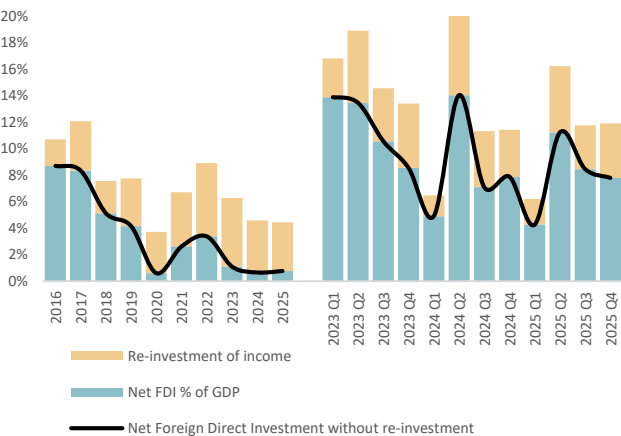
As for the fourth quarter of 2025, the foreign direct investments (FDI) amounted to 392 mln USD (3.7 percent of GDP), that was 2.3 percent lower than in 2024 Q4.

As of the fourth quarter of 2025, UK is the top investor in terms of FDI with a 51.6 percent share in totals. As for the 2nd and 3rd places, Malta and Azerbaijan had 19.6 percent and 9.9 percent shares, respectively.

In 2025 Q4, the direct foreign investments were mainly allocated in the Financial and insurance activities, amounted to 289.8 mln USD (74.0 percent of total FDI). The relatively larger share has also Construction, where the investments amounted 76.8 mln USD (8.5 percent).

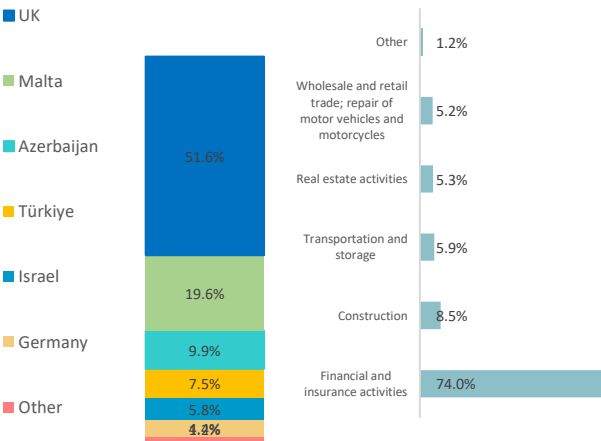
As for the components of the FDI, in the fourth quarter of 2025, reinvestment stood at 4.1 percent of GDP with the volume of 437 mln USD.

Figure 21: FDI, % of GDP



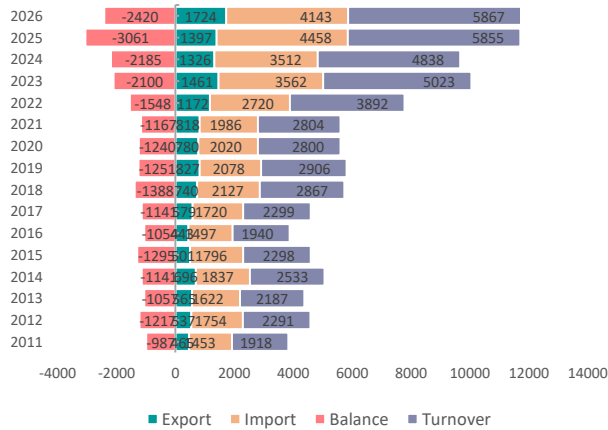
Source : Geostat

Figure 22: Composition of FDI, 2025 Q4



Source : Geostat

Figure 23: International Trade, January - March



Source: Geostat

Figure 24: Annual Change of Domestic Export

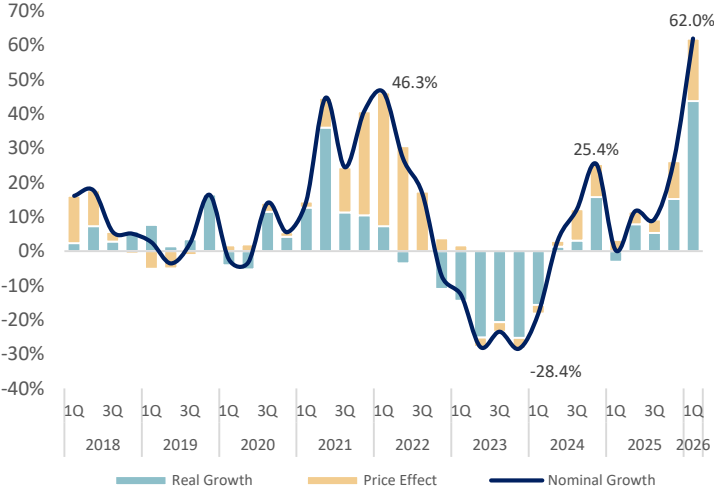


Figure 25: Annual Change of Import

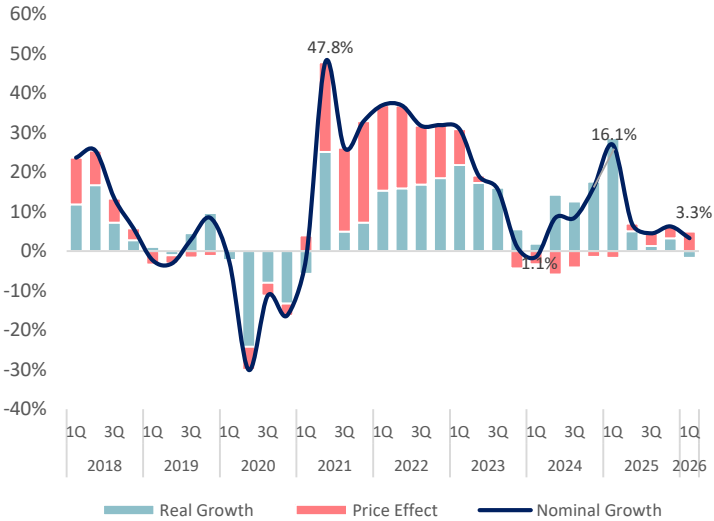
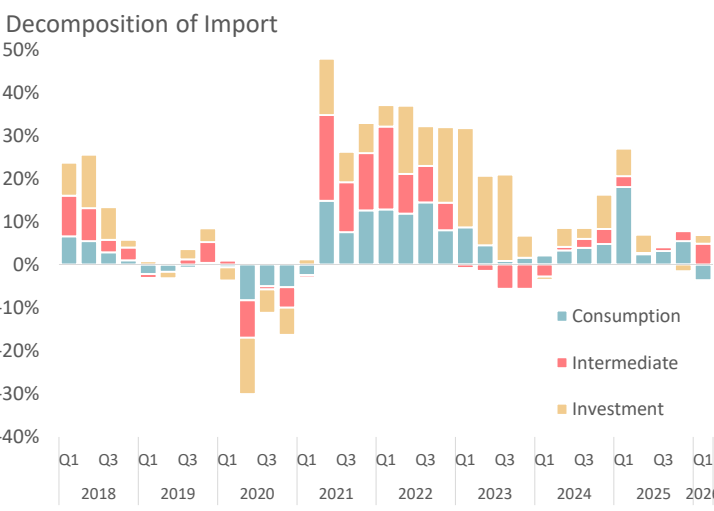


Figure 26: Decomposition of Change of Import



Source: Geostat; Author's calculation

International Trade

Due to the epidemic around the world and restrictions imposed by most countries, foreign demand declined globally in 2020. All this had an impact on Georgia's economy. Due to reduced economic activity, import decreased as well, along with deteriorating exports in the first half of 2020.

In 2021, after governments started to lift up restrictions, international trade started the fast recovery. Together with increased exports, imports also started fast recovery. Moreover, higher prices caused increased price effect in the export and import growth. However, together with the reduction of the price effect, domestic export started to increase slowly in 2022 and there was a reduction in nominal growth of domestic exports driven by real reduction. As for 2023, a reduction of the domestic export was higher basically due to real decline. The domestic exports started to recover from 2024 and its year-on-year growth was 4.6%. In 2025, the growth in exports continued and its grew by 12.5 percent. During the first quarter of 2026 the exports went up by 62.0 percent, with the real effect of 43.8 percent and with 18.2 percentage price effect.

As of the first quarter of 2026, imports of consumption goods decreased by 8.5 percent annually (-3.6 p.p. share in total imports). A raise of imports of investment goods was observed at 5.9 percent annually (2.0 p.p. share). As for the imports of intermediate goods, it increased significantly by 20.2 percent annually (3.3 p.p. share). In Q1 2026, the imports of goods increased by 3.3 percent, where the price contribution was 4.9 p.p share.

In Q1 2026, the exports increased by 62.0 percent annually. The main drivers are still motor cars (21.3 percent of total exports), oil and oil products (16.5 percent) and precious metal ores concentrates (6.4 percent). As for the imports, motor cars and petroleum and petroleum oils are the main imported goods, with 15.1 and 8.1 percent shares, respectively.

Tourism

In 2023-2024, income from international travel in all four quarters fully recovered from and significantly exceeded 2019 levels. In 2024, the revenues from tourism increased by 7.3 percent compared to 2023 and by 35.4 percent compared to 2019. As in 2025, the income from tourism amounted to 4,690.2 million USD, which is 6.0 percent more comparing to the previous year and it is 143.5 percent of the 2019 level. In Q1, 2026, the tourism revenues accounted to 829.8 mln USD. The EU, Russia and Turkey have the largest shares in it with 17.0 percent, 15.0 percent, and 14.5 percent shares respectively.

Remittances

In 2025, the net remittances reached 3,228.5 million USD. It increased by 8.2 percent compared to the previous year. This rise was caused by the significant growth in net remittances from the USA (3.7 pp contribution), from Italy (1.8 pp), and from Germany (1.7 pp). The main contributors in the reduction direction were from Russia (-2.6 pp) and from Kazakhstan (-1.2 pp). It should be noted that 13% of the net remittances in 2025 were transferred from Russia (it was around 39% in 2023).

As for 2026, the net remittances accounted 797.7 mln USD, which is 14.4 percent higher compared to the last year. It is worth noting that the USA (20.6 percent) and Italy (19.7 percent) have the largest shares in it. Russia's share is 11.9 percent in totals.

It should be noted that a large amount of remittances were recorded from Russia until 2023 Q2, and afterwards the net remittances from this country had been decreasing and it had a significant negative contribution to the growth. Despite of this fact, an increase in remittances has already been observed. In Q1, 2026, Italy (2.8 pp) and the USA (2.6 pp) made the largest contributions for the growth in net remittances. The reductions were recorded in them from Kazakhstan (-0.9 pp) and Kyrgyzstan (-0.6 pp). The net remittance from Russia went up by 11.9 with the contribution to growth 1.7 pp.

Figure 27: Income from Tourism

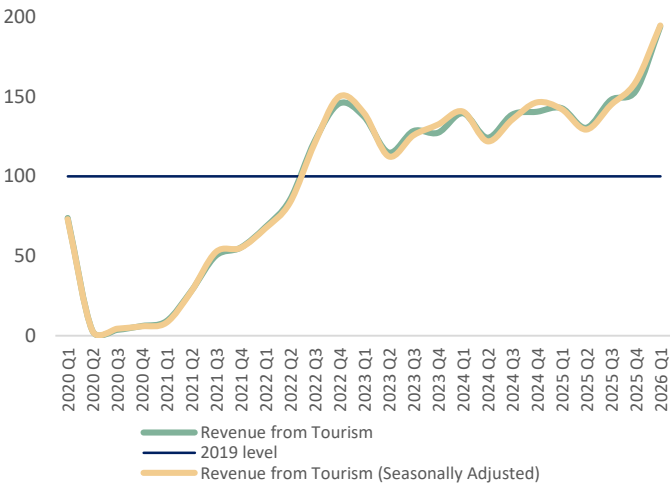
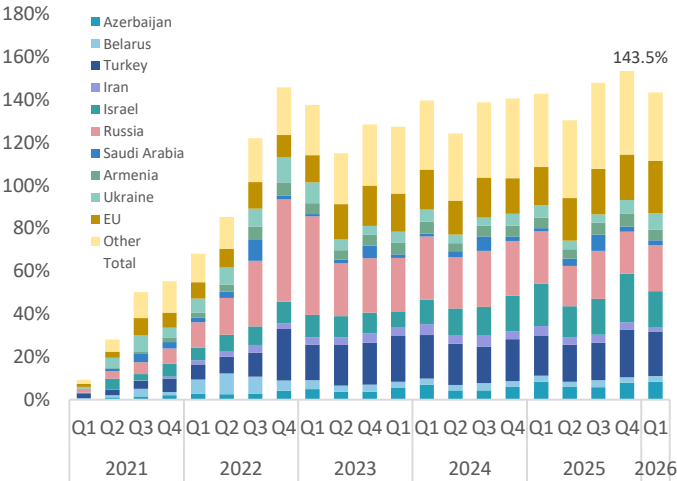
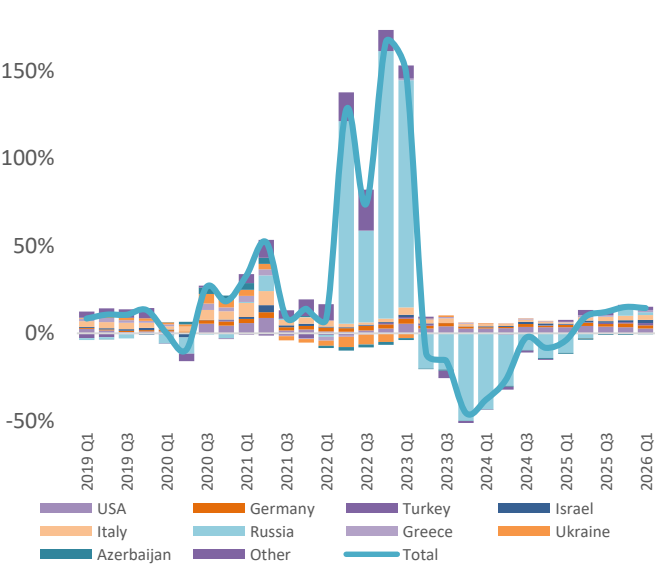


Figure 28: Income from tourism, mln USD



Source: NBG

Figure 29: Net Remittances

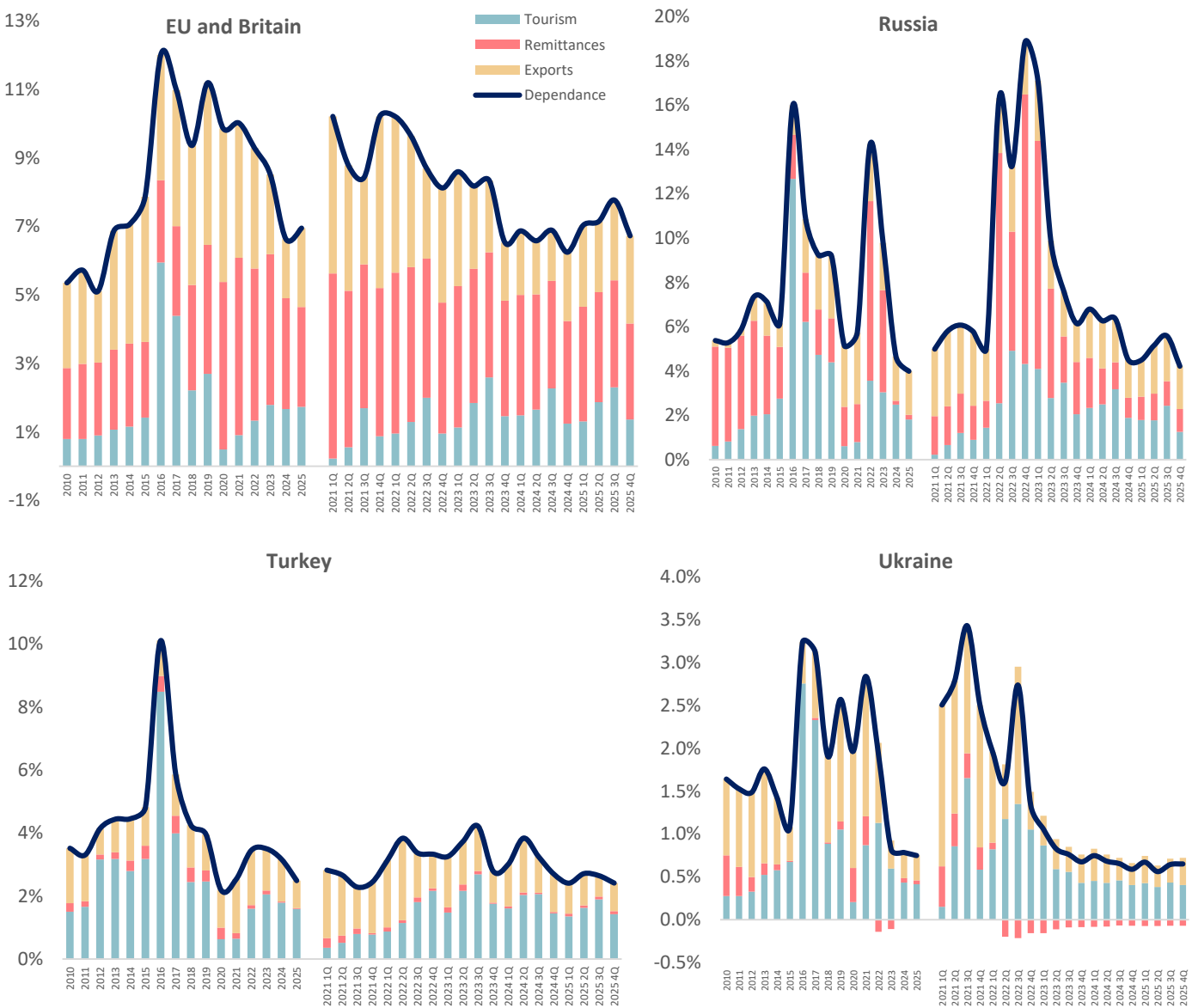


Source: NBG

Dependence on Other Countries

The Georgian economy is diversified in terms of dependency on other countries. Based on the shares of exports, tourism, and transfers in the GDP, it can be concluded that Georgia has tight economic relationships with Russia, Turkiye, and the European Union. According to the Q4, 2025 data, the dependency on Russia is still high and it has a decreasing trend basically due to a reduction in tourism. The dependency on Russia is still high mainly driven by tourism and exports. The dependency on Turkiye has increased after the pandemic, during 2022-2023, mainly due to the revenues from tourism, while in 2024 and 2025 there were insignificant reductions in it. Within the last 3 years a fall was observed in the dependency on Ukraine, which was due to a decrease in exports of goods, tourism, and remittances. The dependency on the EU is maintained at a high level. Due to a fall in remittances and tourism in the forth quarter of 2025, the dependency on the EU went down compared to the previous quarter. The fall in dependency of major trading partner countries (such as the Russian Federation, Ukraine and Turkiye) in 2023-2025 period indicates to more diversified structure of the FX inflows of Georgia.

Figure 30: Dependence on Trading Partners (% of GDP)



Source: NBG, Geostat

Figure 31: Nominal Effective Exchange Rate
220
April 1, 2026

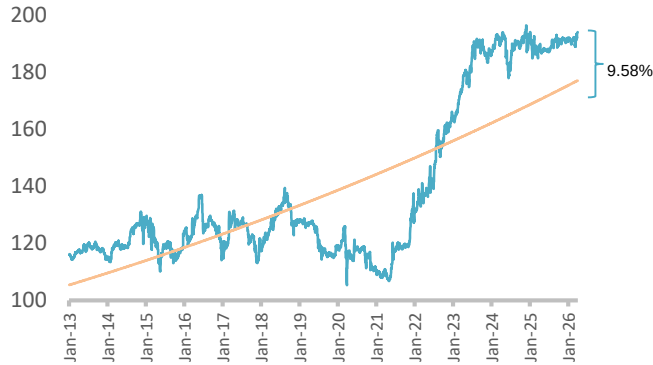


Figure 32: Real Effective Exchange Rate
160
March 31, 2026

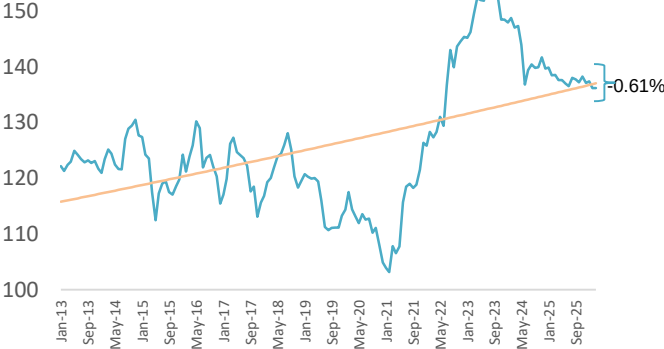
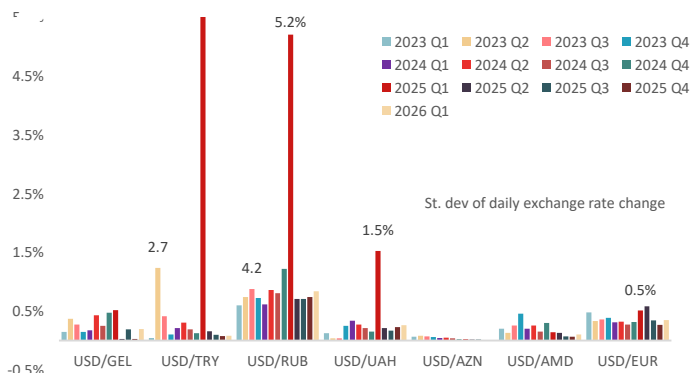


Figure 33: Volatility of Exchange Rates



Source: NBG, MOF

Table 1: Change of Nominal and Real Effective Exchange Rates

	April 1, 2026		1 Apr 2026 - 1 Jan 2026		1 Apr 2026 - 1 Apr 2025
Euro	3.0967	▲	2.2%	▼	-4.2%
US Dollar	2.7015	▼	-0.2%	▲	5.7%
Turkish Lira	0.0607	▲	3.5%	▲	31.3%
Russian Ruble	0.0332	▼	-0.3%	▼	-13.0%
NEER	194.18	▲	1.0%	▲	2.5%
REER (March 2026)	136.20	▼	-2.5%	▼	-1.7%

Source: NBG

Exchange Rate

From the start of 2022 GEL started gradual appreciation against USD as well as to other trading partners, but after Russia invaded Ukraine and full scale war started, GEL sharply depreciated, than throughout next periods it stabilized. All mentioned above caused a sharp increase in GEL volatility. A high volatility of the national currency was in line with the behavior of the main trading countries' currencies. But at the end of the 2022 GEL and other currencies of our trading partners stabilized. As of 2026 Q1, the GEL's exchange rates were moving to different directions, but basically it was appreciated. Within the underlined period the main factors affecting the GEL's exchange rates were: capital inflows, economic activities, the FDI, tourism and external and internal political turbulence. Within the same period, the Georgian Lari appreciated against USD and Euro by 0.2 and 0.5 percent respectively compared to the previous quarter. Within the 1st quarter of the current year, the GEL also appreciated against Turkish Lira significantly by 5.1 percent. It is also worth noting that within the abovementioned period the nominal exchange rate of GEL depreciated by 8.5 percent with respect to RUB. In the 1st quarter of 2026, the nominal effective exchange rate (NEER) of GEL was increased by 1.9 percent (appreciation, y-o-y basis). As for the real effective exchange rate (REER) of the national currency, it was fell by 1.7 percent that means a depreciation of the national currency. It is also important to note that the NEER was above its medium-term trend by 9.58 percent. As for the REER, it was below its medium-term trends by 0.61 percent.

Fiscal Sector

Budget Performance

The consolidated budget tax revenue forecast for the first quarter of 2026 was set at 6,270 mln GEL, while 6,329 mln GEL was mobilized during the reporting period, which is 100.9 percent of the forecast.

- 2,328 million GEL is mobilized as income tax, which is 105.0 percent of the forecast figure (2,217 million GEL).
- 1,007 million GEL is mobilized as profit tax, which 106.6 percent of the forecast indicator (945 million GEL).
- 2,577 million GEL was mobilized as VAT, which is 102.0 percent of the forecast (GEL 2,525 million).
- 560 million GEL is mobilized as excise, which is 92.6 percent of the forecast indicator (605 million GEL).
- 38 million GEL is mobilized in the form of import tax, which is 117.9 percent of the forecast (32 million GEL).
- 10 million GEL is mobilized in the form of property tax, which is 100.0 percent of the forecast (10 million GEL).

In the first quarter of 2026, compared to the same period last year, the consolidated budget revenues increased by 6.1 percent and the expenditures increased by 5.0 percent. In the same period, the operating budget of the consolidated budget, which represents the savings of the government, amounted to 917.1 million GEL, while the total balance was set at positive as well at the 273.9 million GEL level.

Figure 34: Budget Revenue Performance

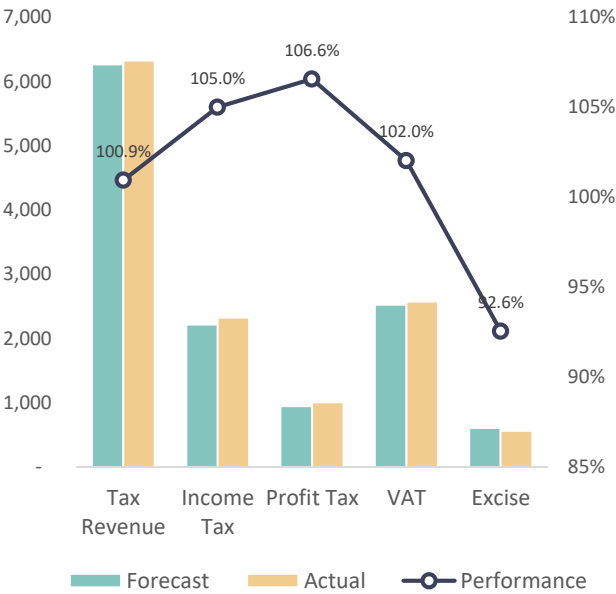
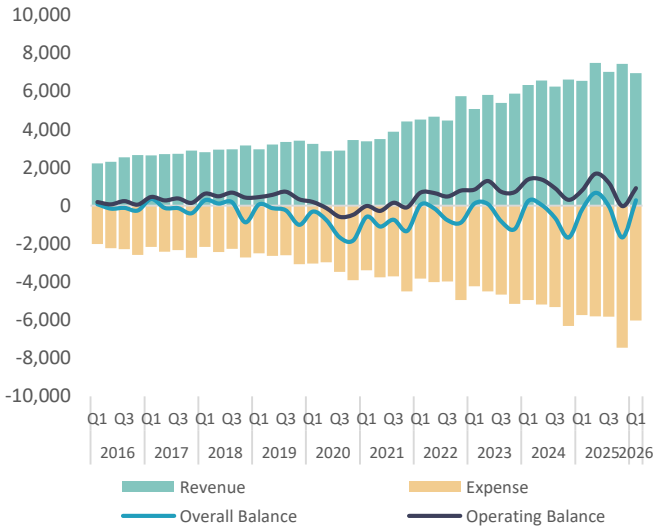
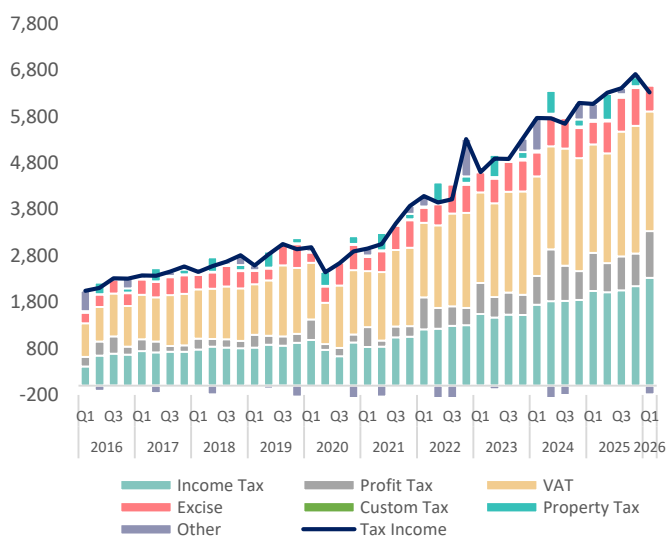


Figure 35: Budget Balance



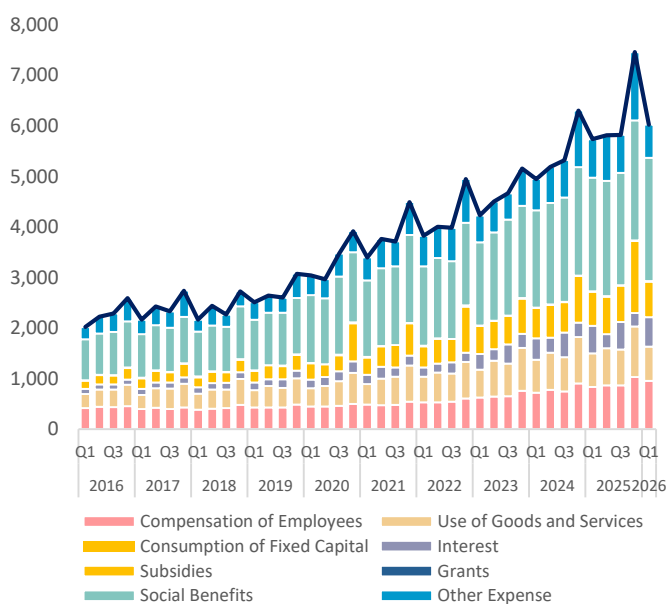
Source: MOF

Figure 36: Tax Income



A significant share of budget revenues is accounted by the tax revenues, accounting for around 91 percent in the first quarter of 2026. The consolidated budget received GEL 6,329 million by taxes, which is 4.1 percent more than the same period of the previous year. The revenues from income tax increased by 13.9 percent year-on-year basis to GEL 2,328.2 millions. The revenues from the corporate profits increased annually by 22.7 percent compared to the first quarter of 2025, amounted to 1,007.1 millions and is 15.9 percent of the total tax revenues. Within the abovementioned period, a significant increase in tax revenues is observed from the excise and value added tax (VAT). In particular, the revenues from the excise tax increased by 14.2 percent, accounting 8.8 percent of the total tax revenues, while the revenues from the VAT increased by 10.1 percent, and contributing by 40.7 percent to total taxes.

Figure 37: Budget Expenses



Source: MOF

The public expenditures in the first quarter of 2026 increased by 5.0 percent year-on-year basis to GEL 6,025.1 millions. The social security has the largest share in total budget expenditures, which accounts for 40.4 percent of the totals, while the annual growth rate of it equals to 8.5 percent. The expenditures in the forms of wages increased, with an annual growth rate of 14.0 percent reaching the amount of GEL 953.7 millions, accounting for 15.8 percent of the total expenditures. As for other items of expenditures such as goods and services (11.3 percent of total costs), subsidies (11.7 percent of totals), and debt services (9.7 percent of totals) increased by 2.5 percent, 3.7 percent and 7.4 percent compared to the corresponding period of 2025, respectively.

Government Debt

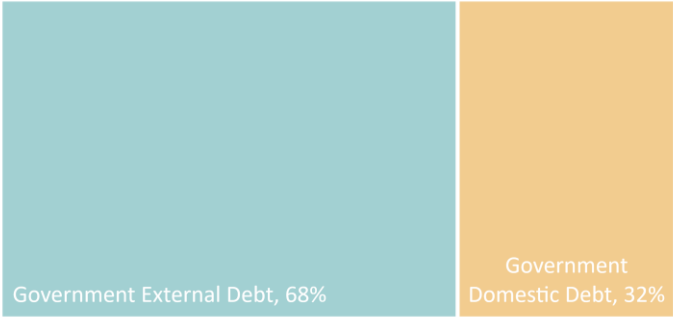
As of March 31, 2026, the stock of public debt of Georgia amounted to GEL 36,788.7 million, including:

❑ Government domestic debt stock is GEL 11,874.0 million, including:

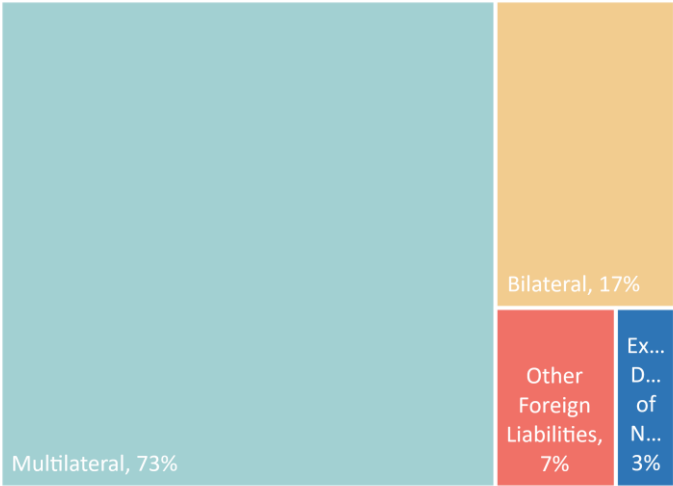
- Government bonds with different maturities for open market operations ("Bonds for open market") – 143.4 million GEL;
- Treasury liabilities of the Ministry of Finance – GEL 445.0 million;
- Treasury bonds of the Ministry of Finance - GEL 11,285.5 million;

❑ Government external debt stock is 24,914.7 million GEL.

Figure 38: Government Debt

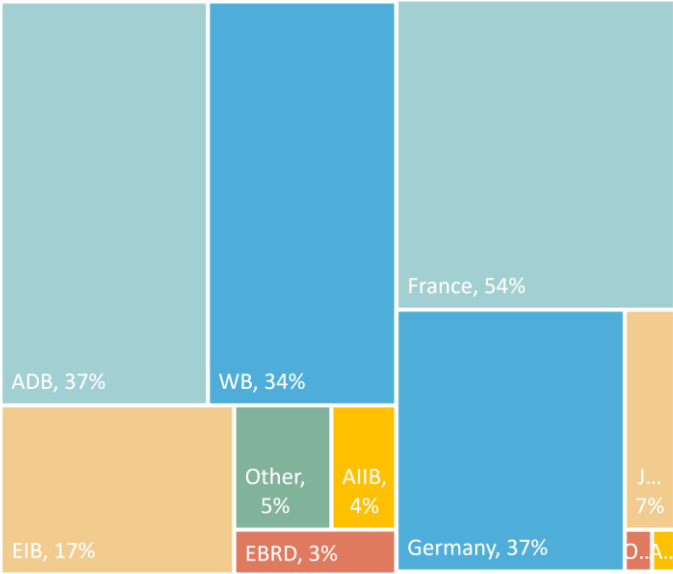


Government External Debt



Multilateral

Bilateral



Source: MOF

Monetary Sector

Private Sector Larization

The larization of loans has an increasing trend and by 31st of March, 2026 it has reached 57.9 percent level. It should be noted that the main determinant of the total loan larization is the loans larization granted to individuals. By 31st of March, 2026, the larization of the loans of individuals was 77.8 percent. In the same period, the larization of loans granted to legal entities amounted to 34.7 percent.

As for the larization of loans according to collaterals, the larization of the consumer loans significantly exceeds the larization of real estate loans. The larization of the consumer loans evolved around at 92 percent during the 1st quarter of 2026. By the 31st of March, 2026 it amounted to 91.7 percent. As for the larization of the mortgage loans, it amounted to 49.8 percent.

The larization of deposits remain lower than the larizarion of loans. As of the 31st of March, 2026, the larization of the total deposits reached 53.0 percent. The larization of the deposits is mainly conditioned by the larization of deposits of legal entities. By the 31 of March, 2026, the larization of the deposits of the legal entities reached 67.0 percent and the larization of deposits of individuals in the same period was 39.5 percent.

It should be noted that the main contributor in the deposits larization is still the time deposits larization. By the 31st of March, 2026, it reached 61.9 percent. In the same period, the current accounts larization amounted to 46.6 percent, while the larization of the demand deposits stands at 43.1 percent level.

Figure 39: Loan Larization

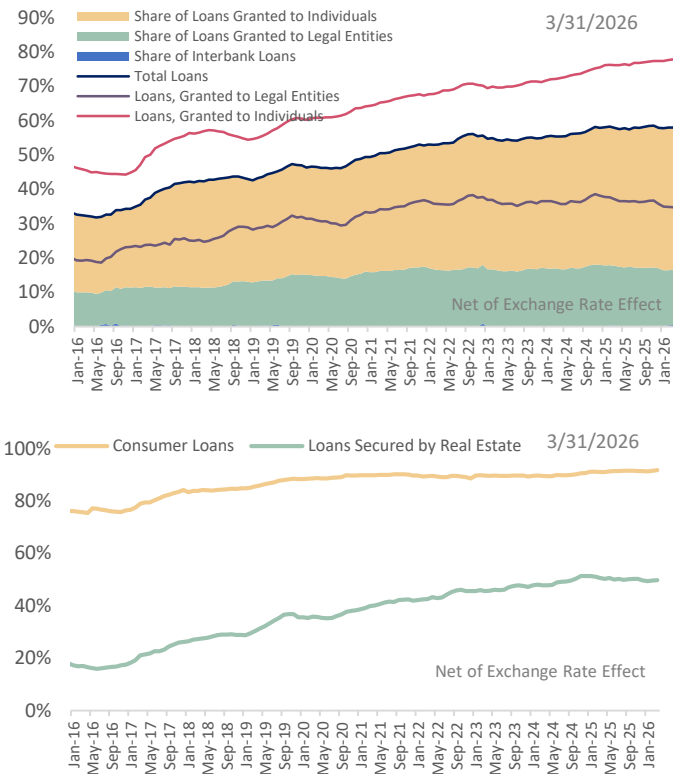
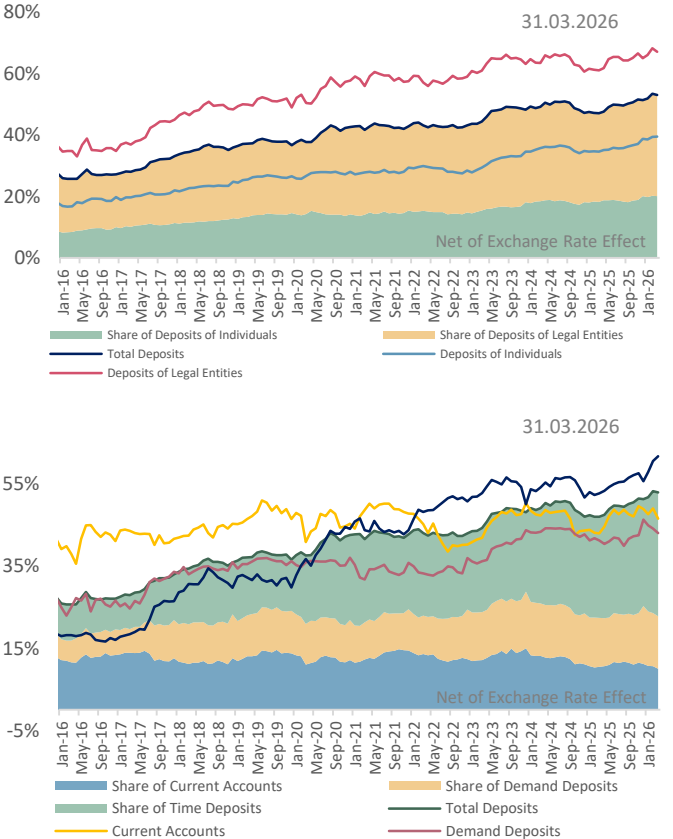
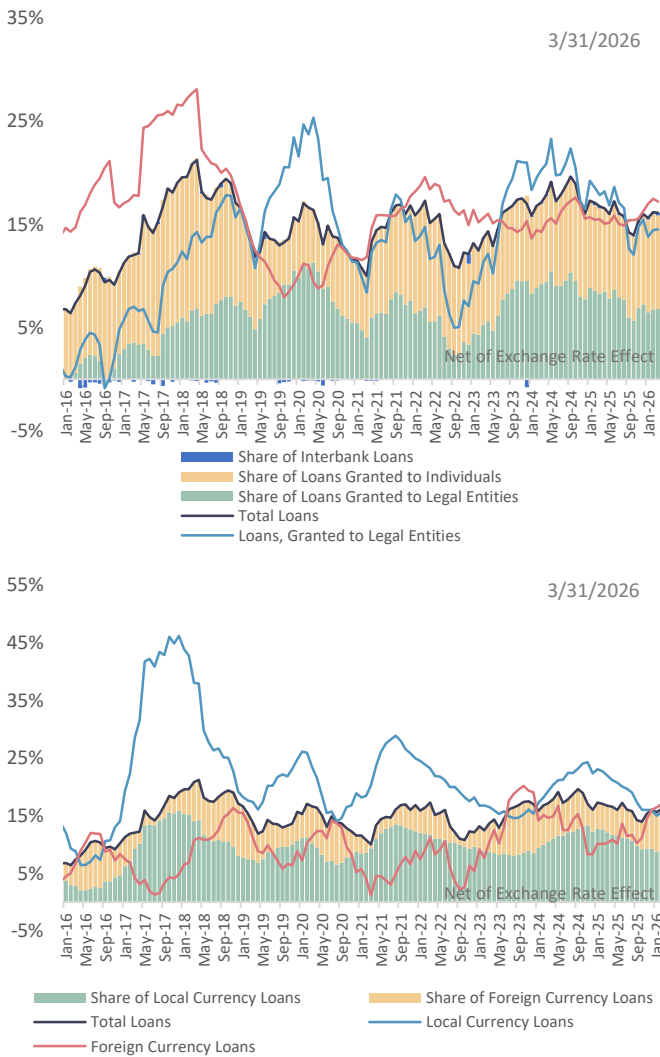


Figure 40: Deposit Larization



Source: NBG

Figure 41: Annual Growth of Loans



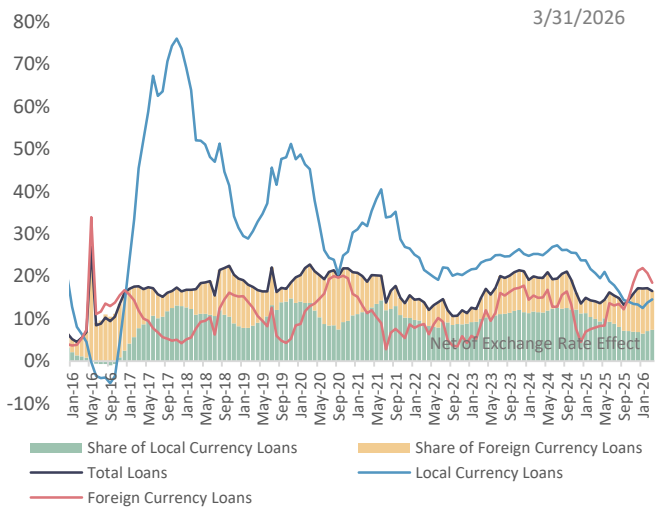
Review of Loans

As of 31 March, 2026 the overall loans increased by 16.1 percent compared to the corresponding period of 2025, which was 0.1 percentage points higher than the previous quarter growth rate (net of exchange rate effect). A significant increase was observed also in the annual growth of the loans granted to legal entities within the 1st quarter of the current year. Its growth was amounted to 14.5 percent. During the same period, the loans to individuals increased by 17.2 percent.

It is important to note that there is an increasing trend in the growth of the loans denominated in the local currency as of 31st of March, 2026, it amounted to 16.3 percent that is 5.7 pp lower that the level of the same indicator in the corresponding period of 2025. During the same period, the growth of the loans in foreign currency was 15.9 percent, which is 0.1 percentage points lower than in the previous quarter (excluding exchange rate effect).

By 31 of March, 2026, the mortgage loans had increased by 16.5 percent compared to the corresponding period of the previous period. Moreover, the mortgage loans that are denominated in national currency increased by 14.6 percent that is 1.3 percentage points higher than in the previous quarter, while the foreign currency denominated mortgage loans increased by 18.5 percent, that was 2.7 percentage points lower than previous quarter's one.

Figure 42: Annual Growth of Loans secured by Real Estate



Source : NBG

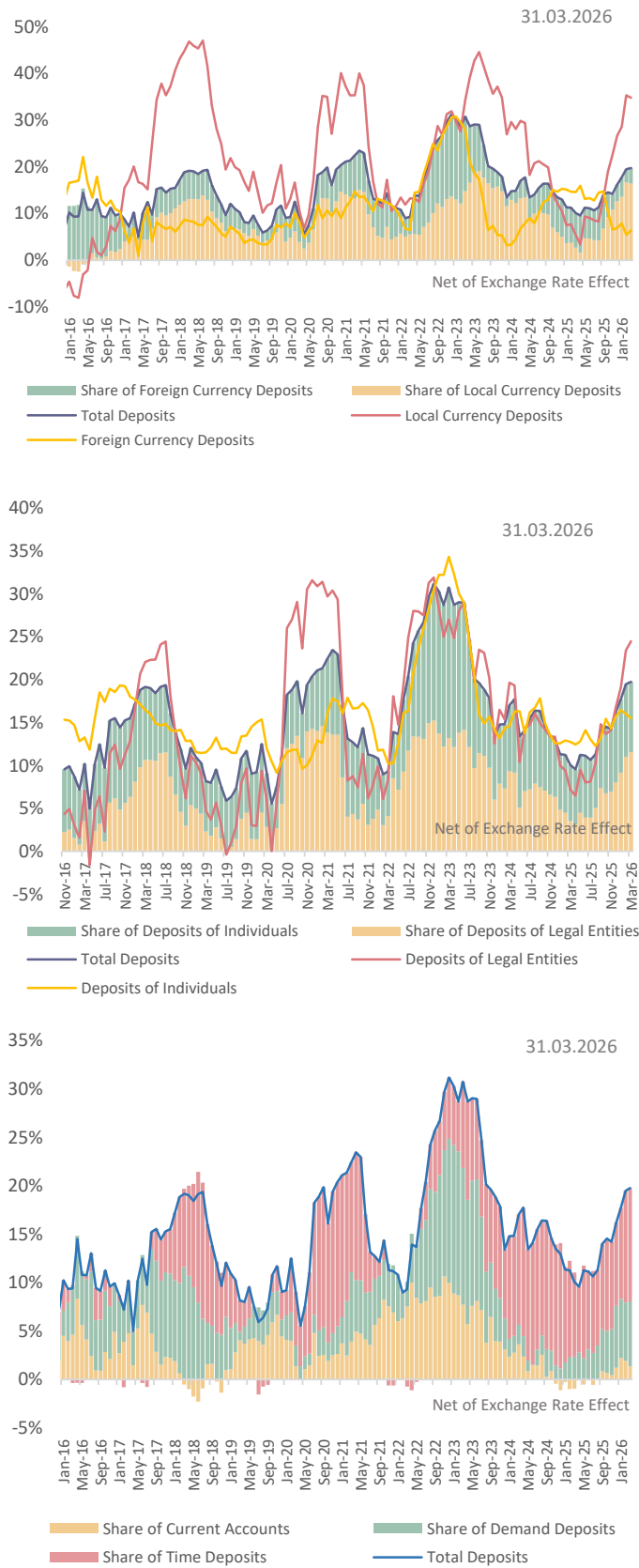
Review of Deposits

The annual growth of the total deposits on was 19.8 percent on March 31st, 2026. Compared to the previous quarter, it is 3.5 percentage points higher. A medium growth rate of the deposits is on the back of relatively slower growth rate of the national currency denominated deposits. The deposits denominated in the national currency increased by 34.8 percent, while the annual growth of the deposits denominated in foreign currency amounted 6.4 percent in the same period.

By the 31st of March, 2026, the annual growth of the deposits of individuals reached 15.5 percent, while the annual growth of the deposits of legal entities also experienced growth and amounted to 24.5 percent.

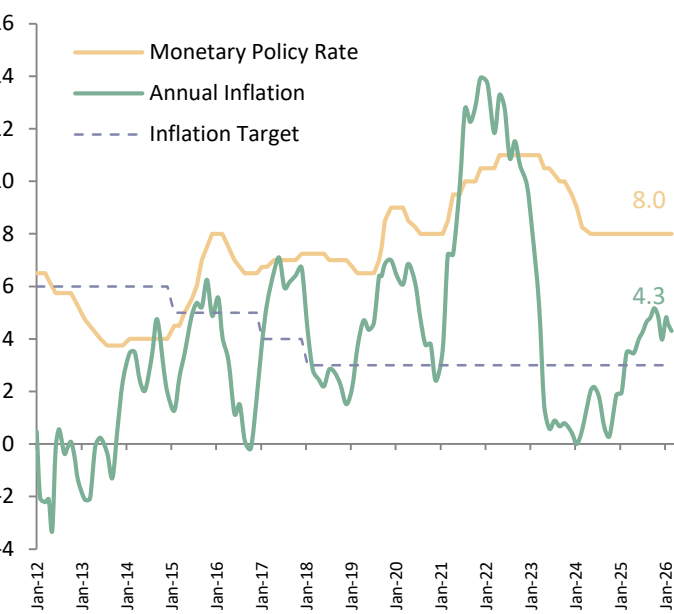
As for the growth of the deposits by types, the larger deposits growth was reflected in the growth rate of the time and current deposits. By the 31st of March, 2026, the time deposits grew by 25.0 percent. As for the current and demand deposits, their growth rates equaled to 5.6 and 23.2 percent, respectively.

Figure 43: Annual Growth of Deposits



Source : NBS

Figure 44: Inflation and Monetary Policy Rate



Monetary Policy Rate

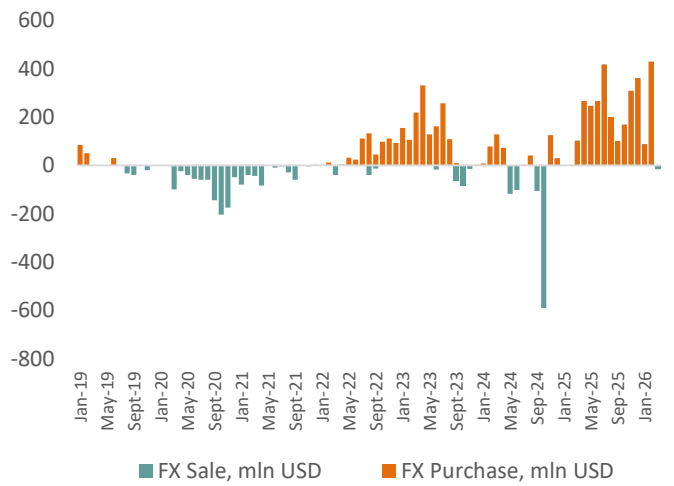
The Monetary Policy Committee of the National Bank of Georgia (NBG) held 2 sessions in the first quarter of 2026. On February 11 and March 25, the monetary policy authorities did not change the monetary policy rate and determined it at 8 percent level.

According to the NBG, the actual inflation is above the target level (3 percent). In Georgia both external and internal factors influence on the price level. Among the domestic factors the following ones are worth noting: high inflation on food, strong internal aggregate demand, accelerated economic activities and negative inflationary expectations. All above-mentioned internal factors intensify the inflationary pressure and the risks related to inflation. Regarding the external influence, the relevant factors are as follows: raised geopolitical strain and high global economic uncertainty. The latter is basically driven the severe political and military conflicts in middle-east and eastern Europe and by the intensified trade wars among countries at the global level. It is particularly important to mention the Hormuz strait crises which can cause supply chain disruptions and high price volatility in a certain industries such as energy, chemical sector and agriculture if it will be prolonged. According to the NBG’s assessment, within the second half of the current year the inflation is expected to remain above the target one and then will stabilize around 3% in the medium term.

The inflation in Georgia has a upward trend within last few months and it exceeds the monetary policy target rate (3%). In March, 2026, the inflation amounted to 4.3 percent. It should also be emphasized that the actual average inflation rate in the first quarter of 2026 is 4.6 percent.

The NBG made the foreign exchange interventions during the first quarter of 2026 and purchased USD 499.7 mln (net).

Figure 45: Trade of USD by NBG, mln



Source: National Bank of Georgia

Interest Rates

As of the 31st of March, 2026, the interest rate on foreign currency deposits was 2.5 percent, while on the national currency deposits it amounted to 10.0 percent.

As of April 1, 2026, the weighted average interest rate on the deposits of legal entities in national currency was 10.1 percent and in foreign currency – 2.6 percent. In the same period, the average annual interest rate was 2.5 percent on deposits of individuals in foreign currency and 10.0 percent in national currency.

By March 31, 2026, the weighted average annual interest rate on short-term consumer loans was 12.3 percent (15.2 percent in national currency and 6.0 percent in foreign currency). The weighted average interest rates on long-term consumer loans are largely determined by the loans denominated in the national currency. The magnitude of it was 16.1 percent in the above-mentioned period.

At the end of March, 2026, the interest rate on mortgage loans issued to legal entities in the national currency was 13.2 percent, and in foreign currency – 9.3 percent. The interest rate on loans to individuals in the national currency was 16.8 percent, and in the foreign currency it was 7.7 percent.

Figure 46: Interest rates on Deposits (stock)

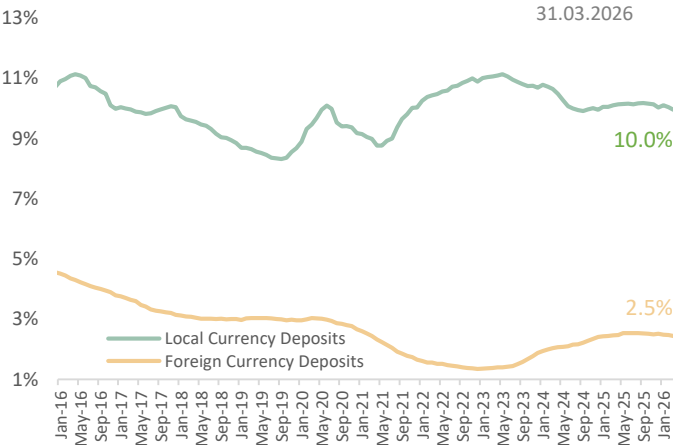
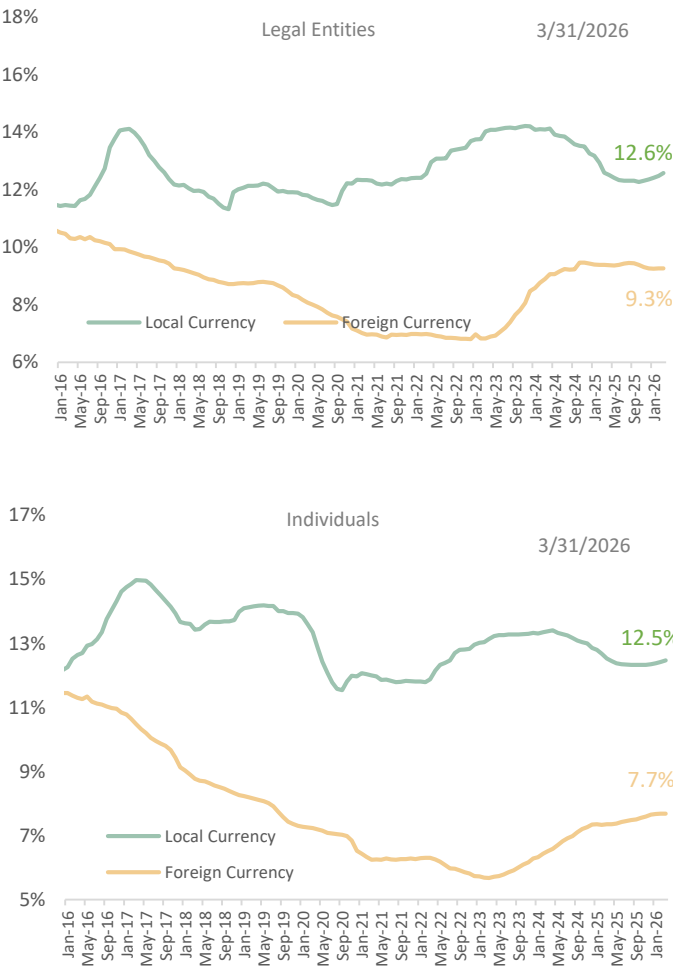


Figure 47: Interest rates on Loans secured by Real Estate



Source: NBG

Disclaimer

The publication was prepared by the Macroeconomic Analysis and Fiscal Policy Planning Department of the Ministry of Finance of Georgia. The information and opinions contained in this publication represent the views of the authors - the economic team of the Macroeconomic Analysis and Fiscal Policy Planning Department and do not represent the official position of the Ministry of Finance of Georgia. The analytical information provided in the publication serves informational purposes and is obtained from public sources. The forecasts and calculations given in the report should not be taken as a promise, reference or guarantee.

