Macroeconomic Review February 2026

LIBERTY

Main Insights

- In February, annual inflation decreased to 4.6%. If U.S.–Iran tensions persist, higher oil and gas prices could add additional upward pressure on inflation.
- Real GDP grew by 7.9% year on year in January. We expect economic growth to moderate to around 6% in 2026.
- International reserves rose by $359 million to a record-high $6.7 billion in February, with gold holdings reaching $1.2 billion.
- Rising geopolitical tensions and higher energy prices have increased inflation risks, reducing expectations of multiple Fed rate cuts in 2026.

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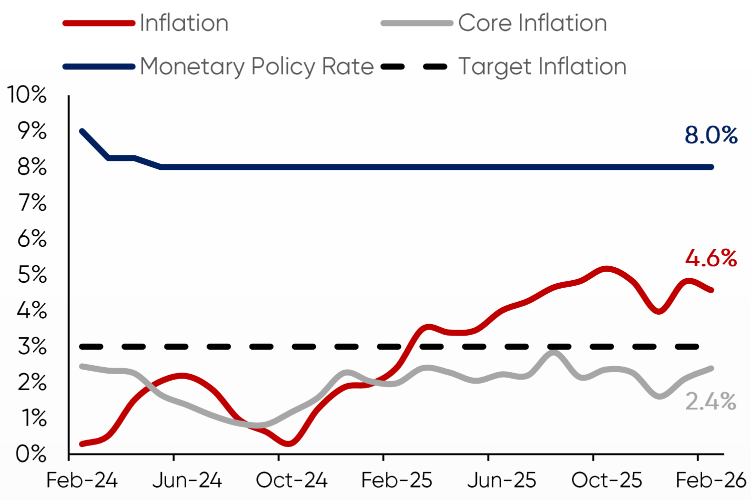
Inflation Dynamics



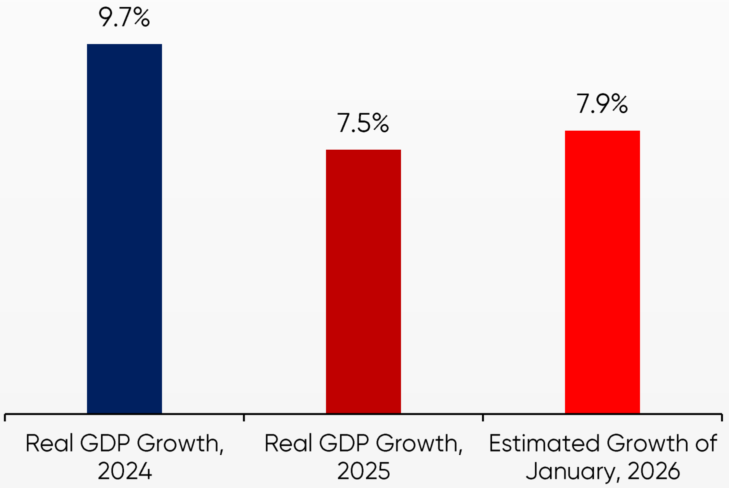
- In February, annual inflation amounted to 4.6%, with the decrease mainly driven by smaller contributions from grocery prices (3.2pp vs 3.6pp last month) and healthcare costs (0.5pp vs 0.7pp last month).
- Domestic inflation decreased to 6.5% (3.1pp contribution), while mixed inflation continued rising sharply to 6.2% (1.7pp). Imported inflation remained negative, amounting -0.7% (0.2pp).
- We previously expected inflation to decline to around the 3% target by late Q2-2026, supporting monetary easing. However, rising U.S.–Iran tensions and higher oil and natural gas prices could add inflationary pressure, making rate cuts more difficult.

*Including products that are imported as well as those produced domestically.

Sources: Geostat, NBG.

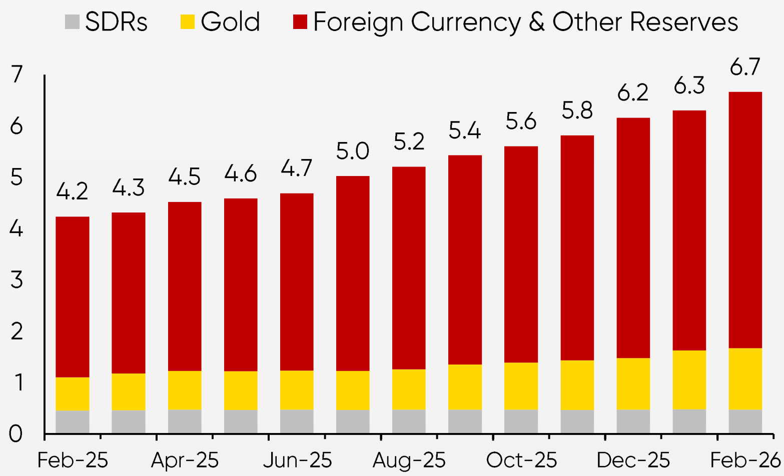
Real Economic Growth

- In January 2026, Georgia's real GDP increased by 7.9% year-over-year.
- The growth was primarily driven by strong performance in ICT, financial and insurance activities and mining and quarrying. Decline were registered in Construction and trade activities.
- The National Bank of Georgia forecasts real GDP growth of 4.9% for 2026, while the Ministry of Finance projects growth of 5.0%. In contrast, international financial institutions anticipate somewhat stronger performance, with the IMF forecasting 5.3% and the World Bank projecting 5.5%, while the EBRD recently revised its forecast upward from 5.0% to 5.5%.



Sources: Geostat, NBG.

NBG Reserves Dynamics (US$ bln)

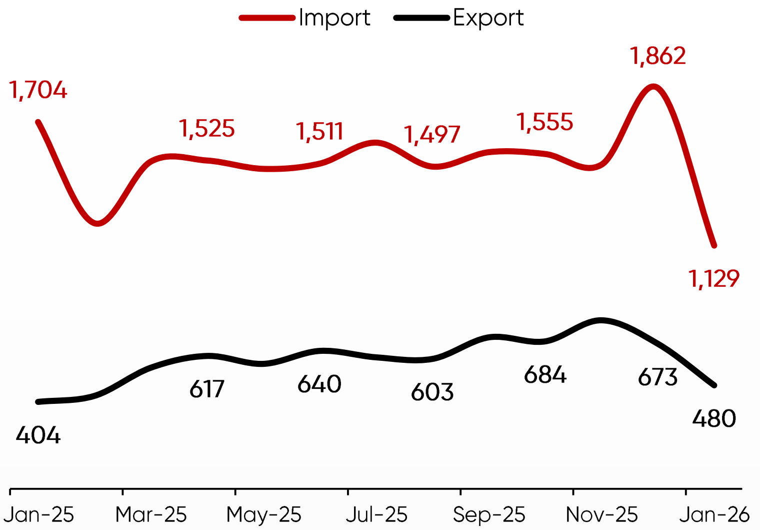


- National reserves reached another historic high of $6.7 billion in February, increasing by $359 million month-over -month.
- Reserves grew by 57% year-over-year, mainly driven by higher foreign currency assets (+44pp) and rising gold prices (+13pp).
- January saw slower NBG interventions, with $87 million in FX purchases, below the 2025 monthly average of $203 million.
- NBG gained access to China's interbank bond market, which will help further diversify foreign currency reserves in the future.

Source: NBG.

External Trade Dynamics (US$ mln)

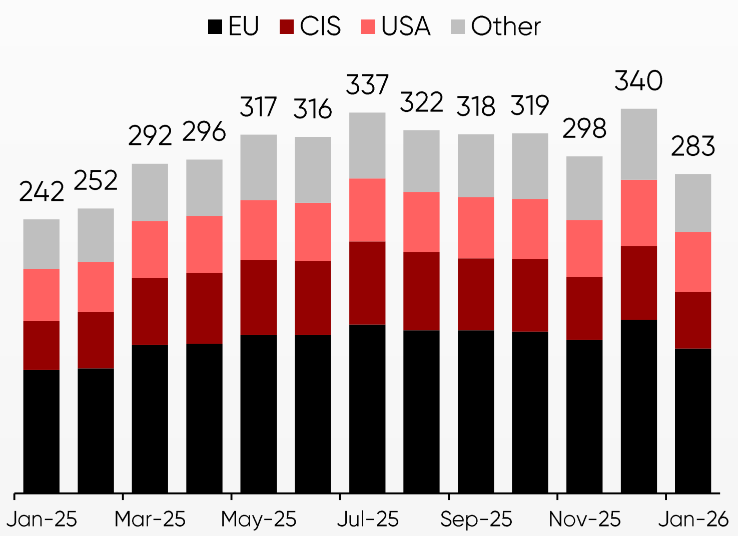
- In January, exports totaled $480 million, increasing 19% y/y, primarily driven by a $47 million rise in petroleum oil exports and a $41 million increase in precious metal shipments, partially offset by a $29 million decline in motor car exports.
- Over the same period, Georgia's imports reached $1.13 billion, declining by 34% y/y. This sharp drop largely reflects one-off imports of paintings and sculptures worth around $500 million in January 2025. Excluding this effect, imports in January 2026 would have decreased by about 5% y/y.



Note: Import statistics are subject to revision, and figures will likely be updated upward.

Source: Geostat.

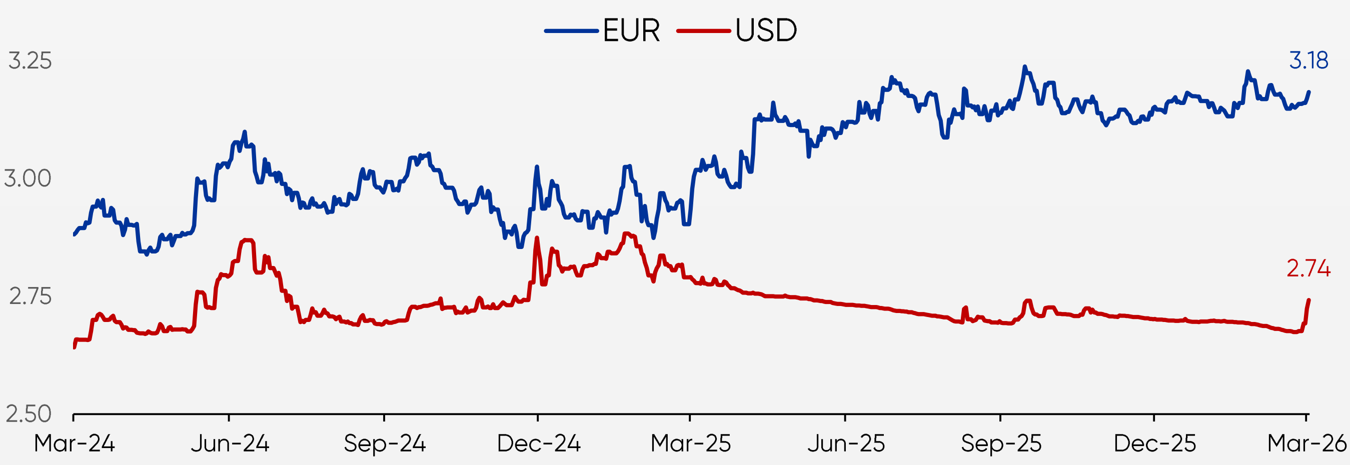
Money Transfers (US$ mln)



- In January, remittance inflows to Georgia amounted to $283 million, marking a 17% year-over-year increase.
- During the month, the largest annual increases originated from Russia, rising by $8 million, and Italy, which increased by $7 million.
- The largest decline was recorded from Kyrgyzstan, which decreased by $2.1 million.

Source: NBG.

Exchange Rate Dynamics



- As of March 5, the USD/GEL rate stood at 2.74 (up 2% MoM), while EUR/GEL was 3.18 (up 0.3% MoM).

Source: NBG.

Budget Performance

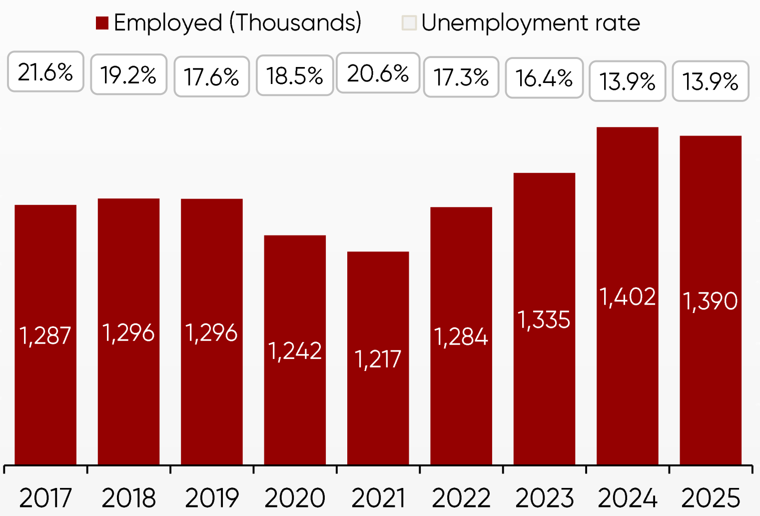
mln GEL	Jan-25	Jan-26	Growth
Personal Income Tax	762	887	16.5%
Profit Tax	274	285	4.2%
Value Added Tax (VAT)	644	667	3.5%
Excise Tax	110	124	12.7%
Import Tax	9	9	8.8%
Other Taxes	23	-92	-
Total Taxes	1,821	1,880	3.2%

- In January 2026, Georgia's central budget recorded 1.88 billion GEL in tax revenues, up 3.2% year-over-year.
- The 59 million GEL increase was mainly driven by a 126 million GEL rise in personal income tax, while value added tax also increased by 22 million GEL.
- The only declining category was Other taxes. This component increased abnormally in 2025, and the Ministry of Finance noted that these revenues will be reclassified. A clearer picture will emerge once the MoF publishes the finalized 2025 budget performance.

Source: MoF.

Labor Market

- In 2025, the unemployment rate remained at a record low of 13.9%.
- The number of unemployed decreased by 3K, while employment fell by 12.8K y/y, driven by a 15.2K drop in self-employment, partly offset by a 2.4K increase in other groups.
- Low unemployment rate did not reflect stronger hiring, as the labor force contracted by 15.8K, suggesting the slight improvement was largely driven by lower labor force participation rather than stronger labor demand.



Source: Geostat.

Tbilisi Residential Real Estate

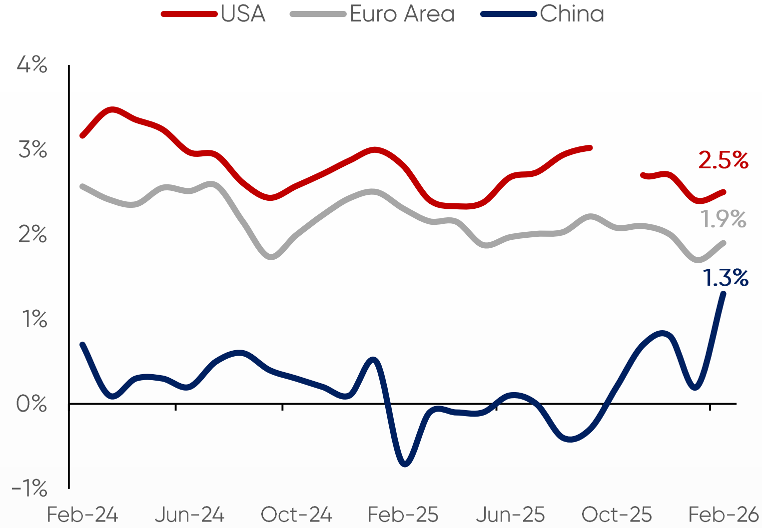
Tbilisi Residential Estate Market (Jan-26)			
AVG. Sell Price		Transactions	
$1,193		2,923	
M/M	Y/Y	M/M	Y/Y
▼0.1%	▲10.5%	▼31.0%	▲14.0%
AVG. Rent Price		Rental Yield	
$8.5		8.2%	
M/M	Y/Y	M/M	Y/Y
▼1.3%	▼11.6%	▼0.1PP	▼1.1PP

- In January, Tbilisi's market size reached $232 million, reflecting a 31% month-over-month decrease and a 25% rise compared with the same period last year.
- Year-over-year growth in market size was driven by increases in both average selling prices and the number of transactions, which rose by 10.5% and 14.0%, respectively.

Sources: Colliers, NBG.

Global Inflation Dynamics

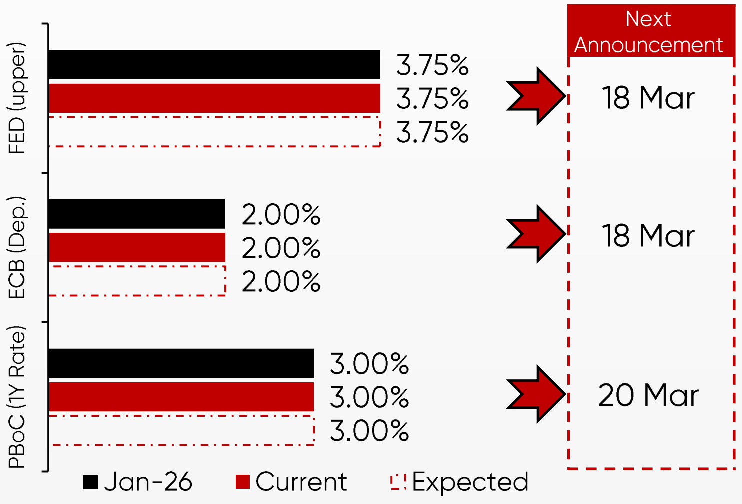
- U.S. inflation declined to 2.4% in January, the lowest level since May 2025. While February inflation is expected to remain around the same level, rising oil prices amid the U.S.–Iran conflict could add inflationary pressure in the coming months.
- Euro area inflation increased to 1.9% in February from a 16-month low, remaining broadly stable and expected to stay around the ECB's 2% target throughout the year.
- China's inflation rose to 1.3% in February from 0.2% in January, the highest since January 2023, largely reflecting Lunar New Year effects and higher food prices. Higher oil prices could add further price pressures, though this would mainly reflect external factors rather than stronger domestic demand.



Note: Feb-26 figure of USA is Consensus forecasts.

Sources:, Eurostat, US Bureau of Labor Statistics, National Bureau of Statistics of China.

Monetary Policy Rate Trends and Expectations



- Heightened geopolitical tensions and rising energy prices following the U.S.–Iran conflict have increased inflation expectations, leading markets to price in a maximum of two Fed rate cuts in 2026, with expectations for only one cut gradually gaining traction.
- Major economic indicators remain broadly at neutral levels, and heightened political uncertainty means there are no expectations of near-term ECB rate changes.
- The PBoC kept its one-year lending rate at 3%, after cutting select sector-specific rates earlier to support economic activity, while signaling potential reserve requirement ratio cuts later this year.

Sources: Fed, ECB, PBoC, Bloomberg, CME.

Market Watch

- WTI crude oil rose by around 27% m/m to $81 per barrel. The sharp increase followed the U.S. military operation in Iran, after which Iran closed the Strait of Hormuz, a key chokepoint through which about 20% of global oil supply passes. This disruption could create a significant supply shock, pushing global oil prices higher.
- Gold rose by around 2% m/m, reaching roughly $5,077 per ounce. Amid heightened geopolitical uncertainty, prices briefly surged above $5,400 as investors sought safe-haven assets, before profit-taking on March 3 triggered a sell-off, pulling prices lower.

Market Watch (Closing Prices as of March 5, 2026)

	S&P 500	Gold	WTI Crude Oil	Bitcoin
Price	$6,831	$5,077	$81.0	$70.9K
M/M	▼1%	▲2%	▲27%	▲0%
MA100	$6,863	$5,203	$75.6	$69.9K

	TBC	BOG	G Capital
Price	£44.2	£108.0	£36.8
M/M	▲4%	▲8%	▲13%
MA100	$46.2	$108.9	$35.8

MA100 refers to the moving average price over the last 100 days

Source: Bloomberg.

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