Macroeconomic Review July 2026

LIBERTY

Main Insights

- **Inflation is easing, but external risks are rising**. July inflation fell to 5.5%, although renewed oil-price pressures could slow further disinflation. We expect average inflation of 5.1% in 2026.
- **Growth continues to outperform expectations.** Real GDP grew 8.6% y/y in June, lifting 1H26 growth to 7.9%. We revised our 2026 growth forecast upward to 7.5%, supported by high-productivity sectors and resilient external demand.
- **Reserve accumulation remains a policy priority despite record-high reserves**. Reserves reached $7.5bn, but adequacy remains below the IMF benchmark, suggesting the NBG is likely to continue purchasing FX when market conditions allow.

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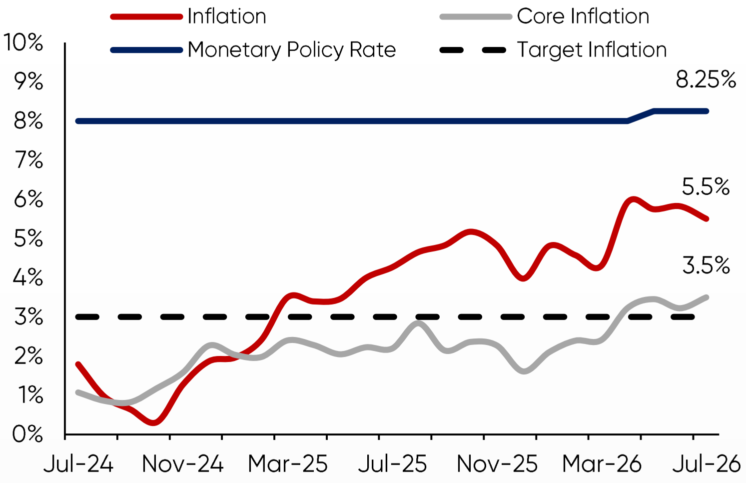
Inflation Dynamics

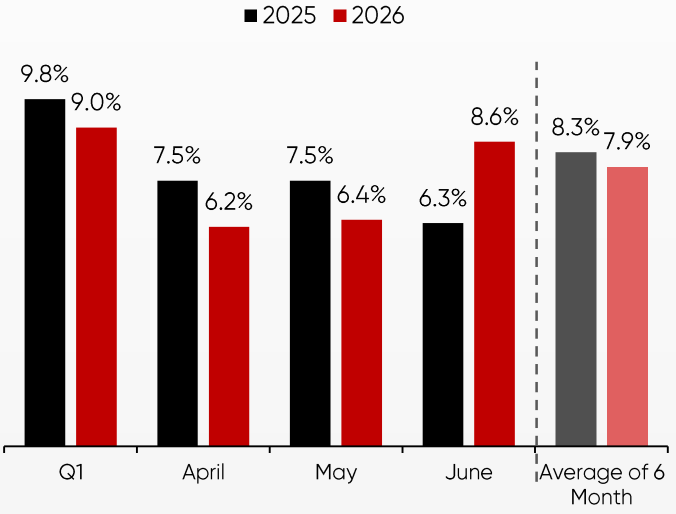


- Annual inflation stood at 5.5% in July. The decline was mainly driven by lower contributions from transportation costs (1.66 pp vs 1.87 pp in the previous month) and grocery prices (1.74 pp vs 1.92 pp).
- In June and July, global oil prices began to decline, gradually feeding through to domestic retail fuel prices. However, escalating US–Iran tensions have since raised local fuel prices and could add further inflationary pressure in the coming months.
- Domestic inflation rose to 6.4%, contributing 3.1 pp to headline inflation. Mixed inflation eased to 4.4%, with a 1.2 pp contribution, while imported inflation fell to 5.3%, contributing 1.3 pp.

Sources: Geostat, NBG.

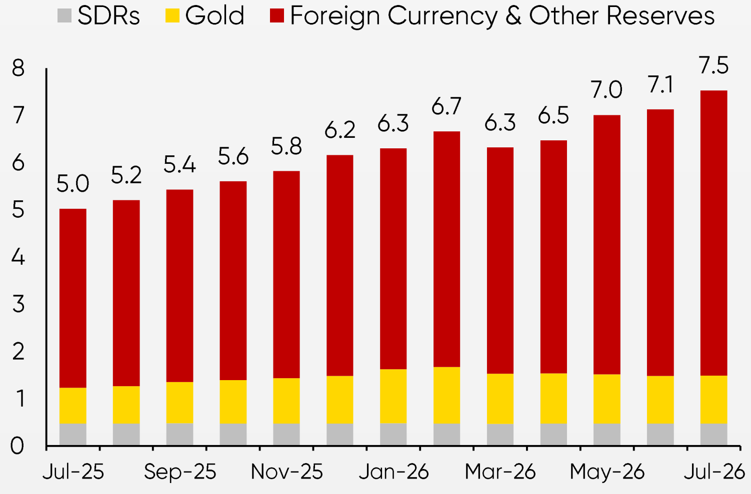
Real Economic Growth

- In June 2026, Georgia's real GDP grew by 8.6% y/y, marking a notable acceleration from the previous month, while average growth in 1H 2026 reached 7.9%.
- Growth was primarily driven by manufacturing, transportation and storage, construction, ICT and financial and insurance activities, while declines were recorded in mining and quarrying, as well as in the energy sector.
- According to the National Bank of Georgia, the US–Iran conflict has only a limited impact on external demand and Georgia's economic growth outlook. Under their updated central scenario, the 2026 growth forecast remains unchanged at 6.5%.



Sources: Geostat, NBG.

NBG Reserves Dynamics (US$ bln)

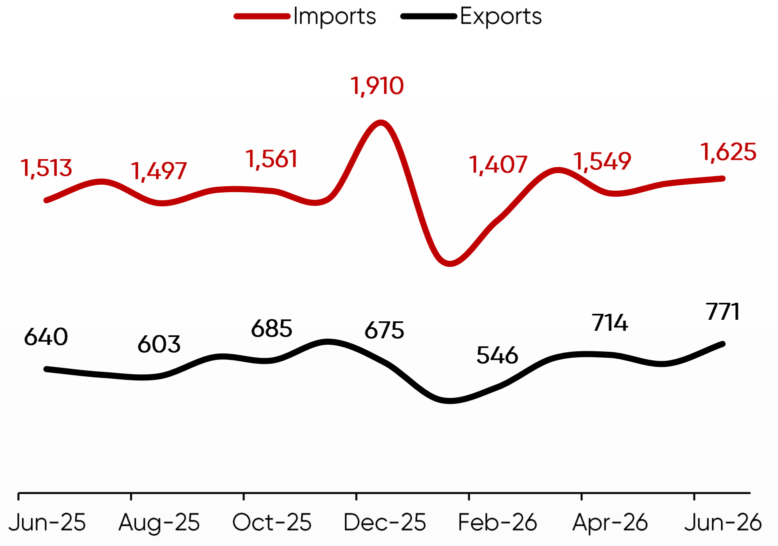


- In July, international reserves increased by $405mln m/m, reaching a new record high of $7.5bln. The increase in international reserves this month was mainly driven by a $401mln rise in foreign currency reserves.
- International reserves increased by $2.5bln y/y, corresponding to 50% annual growth. The rise was mainly driven by foreign currency reserves, which contributed 45pp, while higher gold prices added a further 5pp.
- According to current estimates, the International Monetary Fund's Assessing Reserve Adequacy (ARA) metric stands at 118.7 percent.

Source: NBG.

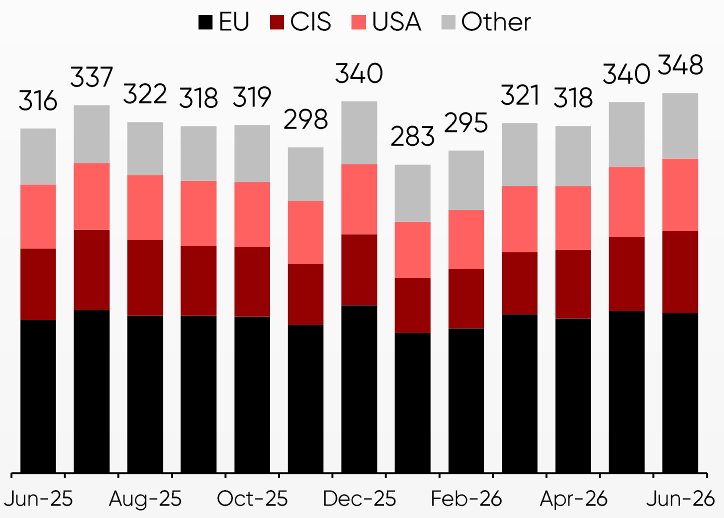
External Trade Dynamics (US$ mln)

- In June, exports reached $771mln, up 20.4% y/y. Growth was mainly driven by increases of $112mln in petroleum oil exports (share increased from 1.3% to 15.6%), $30mln in copper (0% to 3.8%) and $10mln in precious metal ores (5.9% to 6.3%). Meanwhile, motor car exports declined by $39mln, with their share falling from 37.9% to 26.4%.
- Over the same period, Georgia's imports reached $1.6bln, up 7.5% y/y. Growth was mainly driven by increases of $68mln in petroleum imports (share increased from 7.1% to 10.8%), $41mln in crude petroleum (0% to 2.5%), and $23mln in electric generating sets (0% to 1.5%). Meanwhile, vehicle imports declined by $94mln (24.6% to 17.1%).



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

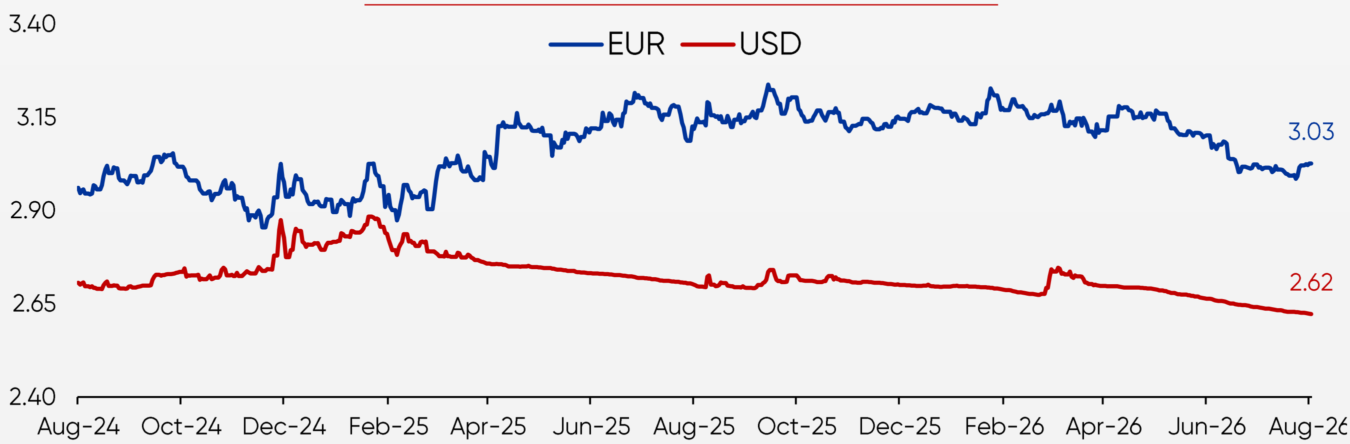
Money Transfers (US$ mln)



- Remittance inflows to Georgia totaled $348 million in June, marking a 10.4% increase compared with the same month a year earlier.
- The increase was primarily driven by higher inflows from Russia and the US, which rose by $10.3 million and $7.4 million, respectively.
- The largest decrease was recorded in inflows from Kyrgyzstan, which fell by $2.1 million.
- In 1H 2026, cumulative money transfers reached $1.9 billion, representing an 11.1% increase compared with the same period in 2025.

Source: NBG.

Exchange Rate Dynamics



- As of August 6, USD/GEL declined to 2.62 (-0.7% m/m), supported by dollar weakness and higher foreign currency inflows. At the same time, broad USD depreciation strengthened the euro against major currencies, pushing EUR/GEL to 3.03 (+0.4% m/m).

Source: NBG.

Budget Performance

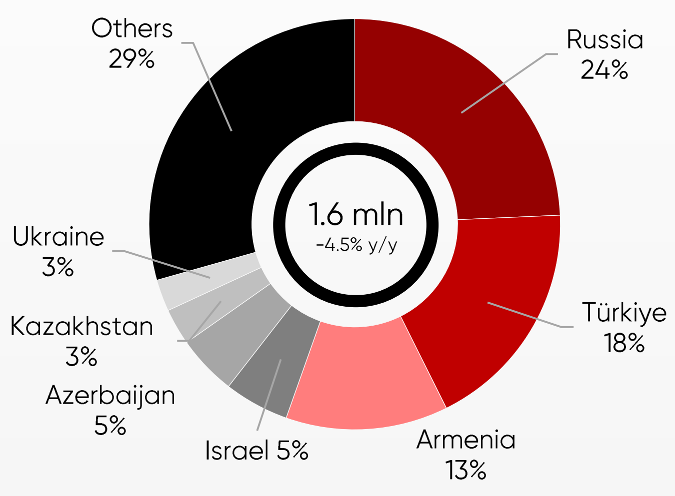
mln GEL	Budget	Fact	Performance
Personal Income Tax	4,050	4,148	102.4%
Profit Tax	1,645	1,792	108.9%
Value Added Tax	4,060	4,125	101.6%
Excise Tax	1,210	1,215	100.4%
Import Tax	72	80	110.8%
Other Taxes	30	-143	NMF
Total Taxes	11,067	11,216	101.3%

- In 1H 2026, Georgia's central budget tax revenues reached GEL 11.2bn, rising by 6.5% y/y and reaching 101.3% of the planned target.
- Total revenues exceeded the budget target by GEL 149mln. Profit tax was the main driver, surpassing the plan by GEL 147mln. Personal income tax, VAT, and import tax revenues also exceeded the budget by GEL 98mln, GEL 65mln and GEL 8mln, respectively.
- Other taxes was the only category to fall short of the budget target. It includes revenues that have not yet been allocated to specific tax types, while a detailed breakdown is not currently available.

Source: MoF.

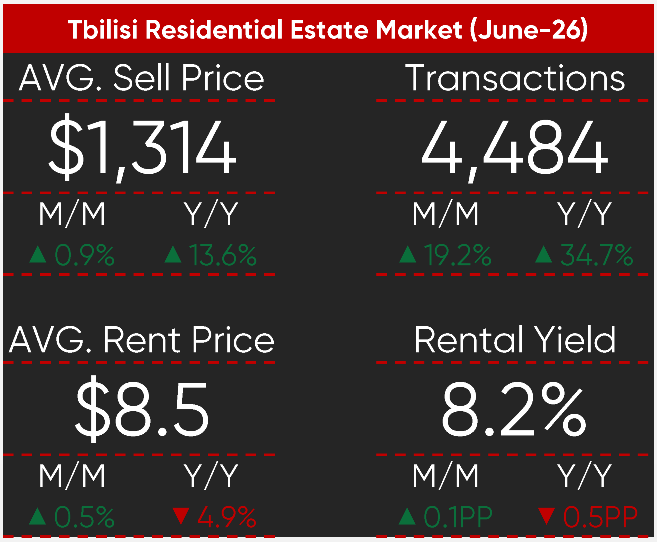
International Visitors (2Q-26)

- In 2Q26, international visitor arrivals totaled 1.6 million, down 4.5% y/y. The decrease was mainly driven by an 11.6% y/y drop in same-day visits, while tourist trips fell by 2.7% y/y to 1.3mln.
- The sharpest declines in visitor numbers came from India (-38K y/y) and Turkey (-21K y/y), while Russia and Ukraine recorded the largest gains, adding 18K and 7K visitors, respectively.
- Over the same period, tourism revenues reached $1.1bn, decreasing by 3.8% y/y. The decline was mainly driven by lower inflows from Iran and Saudi Arabia, each down by USD 19mln amid the US–Iran conflict, as well as a USD 16mln decrease from Turkey. In contrast, revenues rose from the EU (+USD 21mln), Ukraine (+USD 18mln), and Russia (+USD 17mln).



Source: GNTA,NBG.

Tbilisi Residential Real Estate

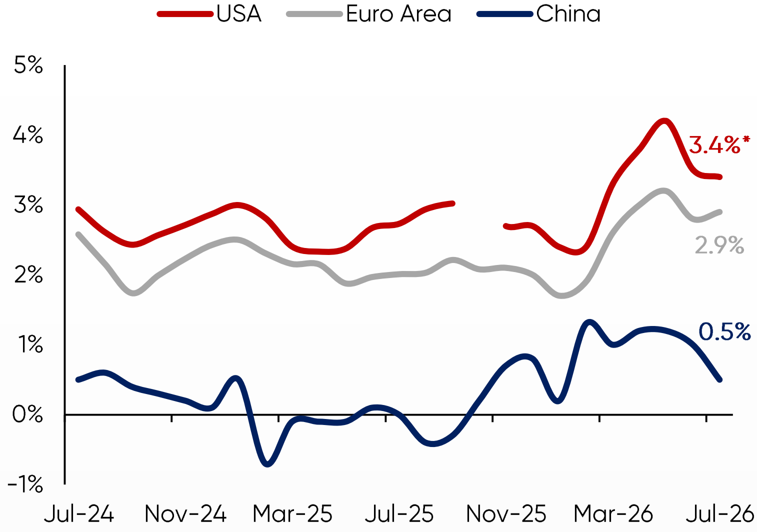


- In June 2026, the value of Tbilisi's real estate market reached $387 million, rising by 17.0% m/m and 53.9% y/y.
- The year-over-year increase was driven by a 34.7% expansion in transaction volumes and a 13.6% rise in average selling prices.
- In June 2026, the number of transactions in Tbilisi's new projects rose by 46.6% y/y, driven by higher activity in both the primary and secondary markets for newly built apartments. Transactions in old projects also increased by 2.3%. Georgian citizens remained the dominant buyers, while foreign citizens accounted for only 10% of total transactions.

Sources: Colliers, NBG.

Global Inflation Dynamics

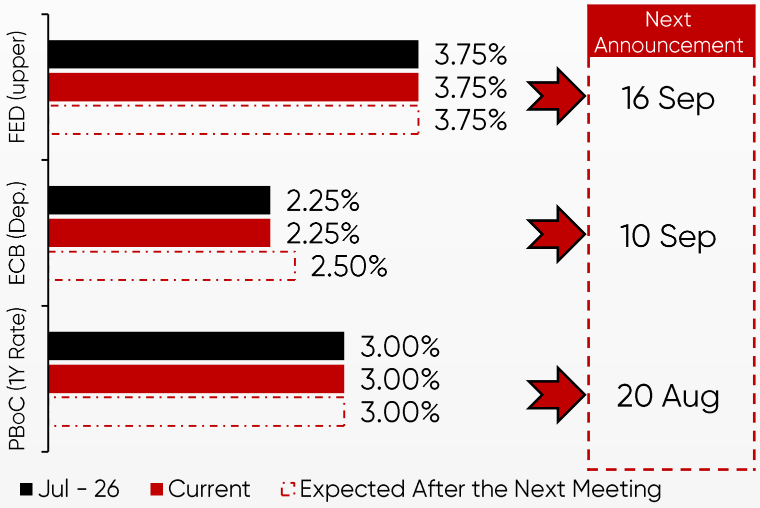
- US annual inflation eased to 3.5% in June 2026, down from 4.2% in May and below the 3.8% forecast, mainly due to lower energy prices. PCE inflation declined to 3.7% but has remained above the Fed's 2% target since February 2021. Markets expect inflation to ease to 3.4% in July.
- Eurozone inflation rose to 2.9% in July, mainly driven by a renewed increase in energy prices. Inflation was in line with market expectations but remained above the ECB's 2% target.
- China's inflation eased to 0.5% in July from 1.0%, below market expectations, mainly due to weaker non-food inflation and lower food prices. Producer price inflation also slowed to 3.5% y/y from 4.1% in the previous month.



*Jul-26 figure of USA are Consensus forecast.

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

Monetary Policy Rate Trends and Expectations



- The Fed kept rates unchanged in a 9–3 vote. Chair Kevin Warsh emphasized inflation risks and left the door open to a September hike if price pressures persist. However, markets expect rates to remain unchanged at the next meeting.
- The ECB kept interest rates unchanged at its latest meeting, following a 25bp increase in June. Markets expect another 25bp rate hike at the next meeting.
- In June, the PBoC kept its key lending rates unchanged and maintained its commitment to a relatively loose monetary policy while ensuring sufficient liquidity.

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

Market Watch

- Gold prices recovered in recent days after trending lower earlier in the month, supported by expectations of the Strait of Hormuz reopening and easing inflation pressures. The price reached $4,252 per ounce, around 2% above the previous month's level.
- WTI crude oil peaked at around $92 per barrel in mid-July amid increased Middle East tensions, before falling to $78 as expectations of an agreement increased and supply-related risks eased.
- The S&P 500 surpassed 7,700, reaching a record high, supported by stronger than expected corporate earnings.

Market Watch (Closing Prices as of Aug 6, 2026)

	S&P 500	Gold	WTI Crude Oil	Bitcoin
Price	$7,710	$4,252	$78.0	$64,331
M/M	▲ 2%	▲ 2%	▲ 14%	▲ 0%
MA100	$7,248	$4,392	$88.5	$68,176

	TBC	BOG	G Capital
Price	₾48.9	₾121.7	₾43.0
M/M	▲ 5%	▲ 4%	▼ 4%
MA100	$45.8	$109.6	$40.3

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

Source: Bloomberg.

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