

Macroeconomic Review

May 2026

LIBERTY

Main Insights

- In May, annual inflation eased to 5.7%, supported by one-off grocery price easing, mainly driven by potatoes. However, higher oil prices largely offset this, strengthening transportation inflation.
- Real GDP grew by 6.2% on an annual basis in April, bringing average growth in the first four months of 2026 to 8.3%.
- Georgia's international reserves increased by \$531 million during May, reaching a record-high \$7.0 billion.
- Amid sharply rising U.S. inflation and stronger-than-expected labor market data, markets now expect the Fed to keep rates unchanged in June but price in a 25bp hike by year-end.

Report was created by Liberty Economics Team

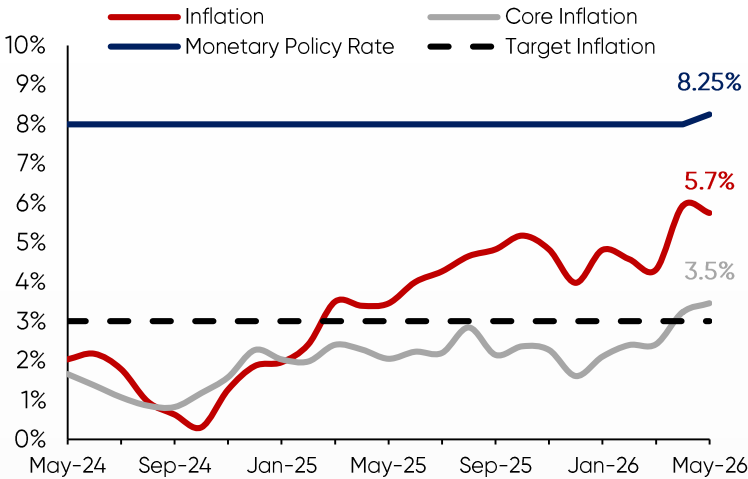
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Inflation Dynamics

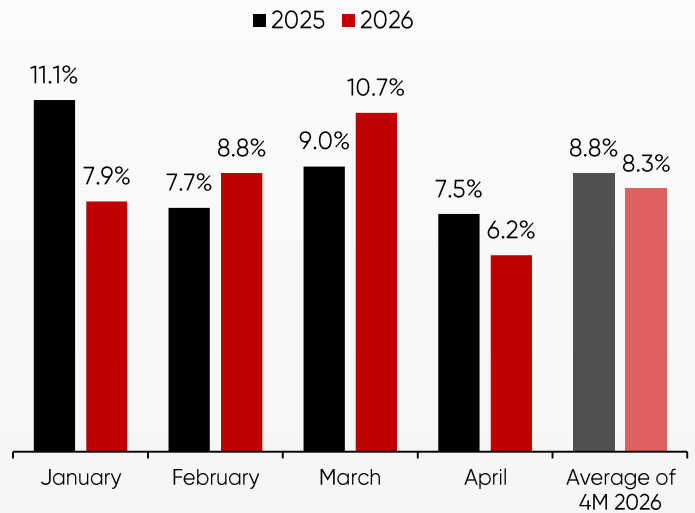


- In May, annual inflation reached 5.7%. The deceleration from April was mainly driven by a lower grocery price contribution (1.8pp vs 2.6pp last month), with potatoes being the key driver of the easing. This was partly offset by transportation costs (1.7pp vs 1.2pp), as globally elevated oil prices became more visible in Georgia. Higher domestic electricity tariffs also add around 0.6pp to inflation, with the effect expected to remain visible until next April.
- Domestic inflation stood at 6.0%, contributing 2.9pp to headline inflation. Mixed inflation declined sharply to 5.6%, with a 1.5pp contribution, while imported inflation increased significantly to 5.8%, contributing 1.4pp, mainly due to higher oil prices.

Sources: Geostat, NBG.

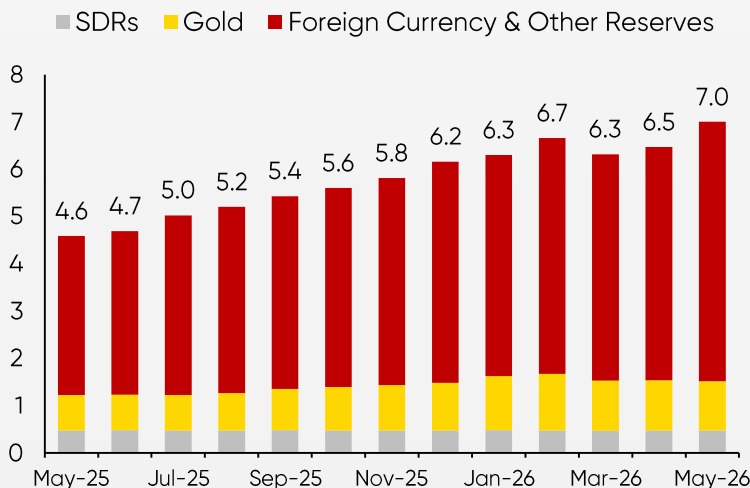
Real Economic Growth

- In April 2026, Georgia's real GDP increased by 6.2% compared to the same period last year, marking the slowest growth since October 2025 and bringing average growth in 4M-26 to 8.3%.
- Growth was mainly driven by strong performance in manufacturing, ICT, and transportation and storage, while declines were recorded in construction and mining.
- Following stronger-than-expected real GDP growth in 4M26, the Ministry of Finance revised its 2026 growth forecast upward from 5.0% to 6.3%. Global financial institutions also raised their expectations, with Fitch increasing its forecast from 5.3% to 6.5% and the EBRD from 5.5% to 6.0%.



Sources: Geostat, NBG.

NBG Reserves Dynamics (US\$ bln)

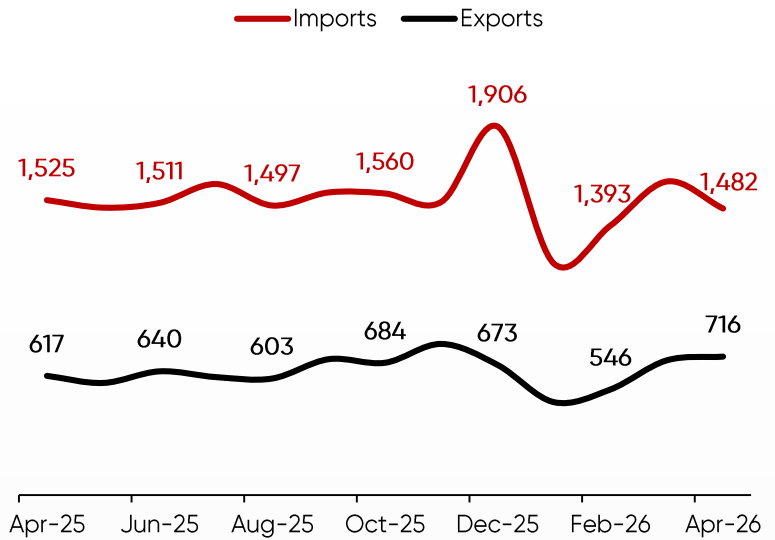


- National reserves reached a record-high \$7.0 billion in May, increasing by \$531 million month-on-month.
- Gross international reserves remain above the IMF's Assessing Reserve Adequacy (ARA) threshold of 100%, standing at 114.8% of the metric as of May.
- After FX market conditions stabilized following the NBG's \$16 million reserve sale in March, the central bank purchased \$333 million in April, bringing total reserve accumulation in the first four months of the year to \$833 million.

Source: NBG.

External Trade Dynamics (US\$ mln)

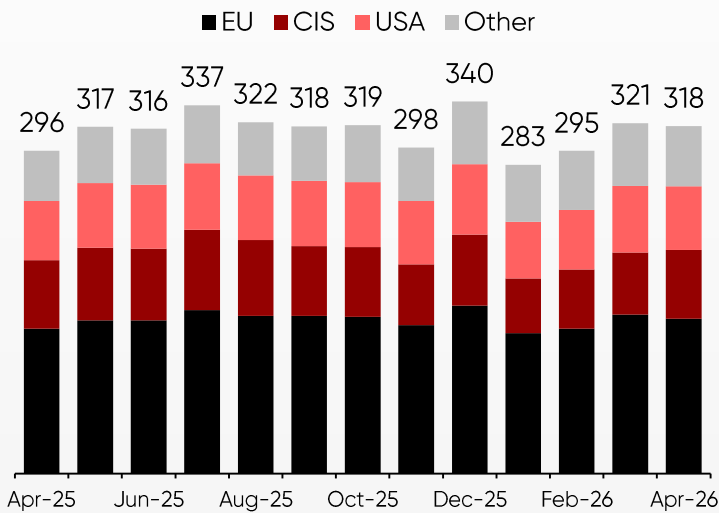
- In April, exports totaled \$716 million, marking a 16% increase compared to the same period last year. Growth was primarily driven by a \$110 million rise in petroleum oil exports, alongside increases of \$14 million in fertilizers and \$12 million in precious metals. These gains were partially offset by an \$80 million decline in motor car exports.
- Over the same period, Georgia's imports reached \$1.5 billion, down 2.9% compared to the same period last year. The decline was mainly driven by a \$118 million decrease in motor car imports, while imports of petroleum oils and petroleum gas increased by \$38 million and \$25 million, respectively.



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

Source: Geostat.

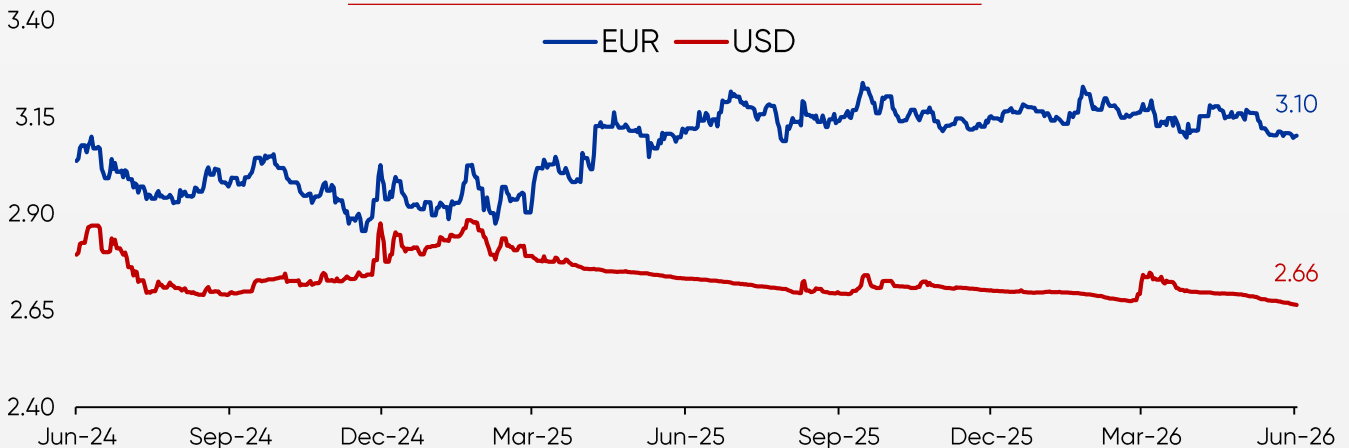
Money Transfers (US\$ mln)



- In April, remittance inflows to Georgia reached \$318 million, up 7.6% compared to the same period last year.
- The largest annual increases came from Israel and the United States, where inflows rose by \$5.0mln and \$4.3mln, respectively. Inflows from Israel have increased sharply over the past two months, likely reflecting the impact of the U.S.-Iran conflict.
- In the first four months of 2026, cumulative money transfers reached \$1.2bn, increasing by 12.4% compared to the same period in 2025.

Source: NBG.

Exchange Rate Dynamics



- As of June 5, USD/GEL stood at 2.66 (-0.9% MoM), while EUR/GEL declined to 3.10 (-2.0% MoM). The higher monetary policy rate directly affected exchange rate dynamics.

Source: NBG.

Budget Performance

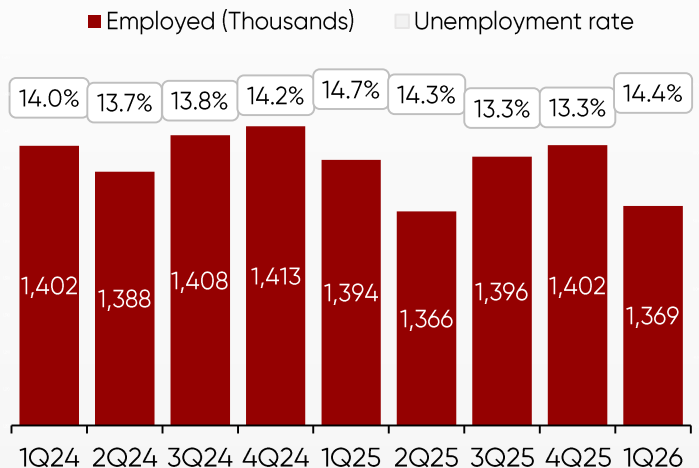
mIn GEL	4M-25	4M-26	Y/Y Growth
Personal Income Tax	2,496	2,819	12.9%
Profit Tax	975	1,211	24.2%
Value Added Tax	2,496	2,720	9.0%
Excise Tax	699	745	6.4%
Import Tax	45	51	14.2%
Other Taxes	379	-56	NMF
Total Taxes	7,091	7,490	5.6%

- In the first four months of 2026, Georgia's central budget tax revenues reached GEL 7.49bn, up 5.6% compared to the same period last year.
- The increase was mainly driven by personal income tax, which rose by GEL 323mIn. Profit tax and VAT also increased, by GEL 236mIn and GEL 224mIn, respectively. However, these gains were partly offset by a GEL 435mIn decline in the other taxes category.
- This category includes revenues that have not yet been fully classified. According to the MoF, these revenues should already have been reclassified. Therefore, the large increases in major tax categories mainly reflect the classification of revenues that were still recorded under other taxes in 2025.

Source: MoF.

Labor Market

- In Q1-26, the unemployment rate declined by 0.3 pp compared to the same period last year, reaching 14.4%.
- The number of unemployed declined by 9.4K, while employment fell by 25K compared to the same period last year. The drop in employment was primarily driven by a 36.7K decline in hired workers, partially offset by an 11.8K increase in other categories.
- The decline in unemployment did not reflect stronger hiring or improved labor demand. Instead, it was mainly driven by a 34.4K contraction in the labor force, pointing to lower participation as the key factor behind the decrease.



Source: Geostat.

Tbilisi Residential Real Estate

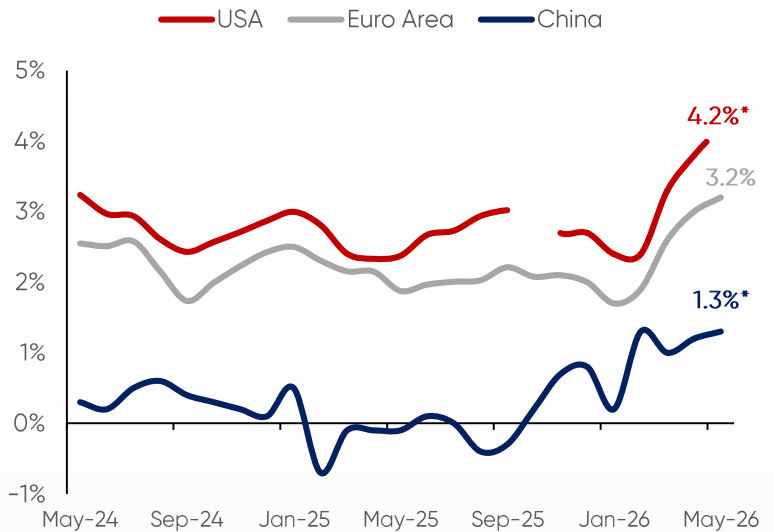
Tbilisi Residential Estate Market (Apr-25)			
AVG. Sell Price		Transactions	
\$1,275		3,603	
M/M	Y/Y	M/M	Y/Y
▲ 2.6%	▲ 12.1%	▼ 7.9%	▲ 12.7%
AVG. Rent Price		Rental Yield	
\$8.5		8.2%	
M/M	Y/Y	M/M	Y/Y
▼ 0.0%	▼ 8.1%	▲ 0.1PP	▼ 0.8PP

- In April 2026, Tbilisi's real estate market size reached \$310 million, declining by 3.2% month-over-month but increasing by a strong 28.2% year-over-year.
- Year-over-year growth was driven by a 12.7% increase in transaction volumes, while average selling prices rose by 12.1% y/y.
- According to local developers, interest from Middle Eastern buyers has increased amid ongoing U.S.-Iran tensions. Market size has posted strong year-over-year growth over the past two months, while the 2.6% m/m increase in average selling prices in April points to strengthening demand and greater pricing power.

Sources: Colliers, NBG.

Global Inflation Dynamics

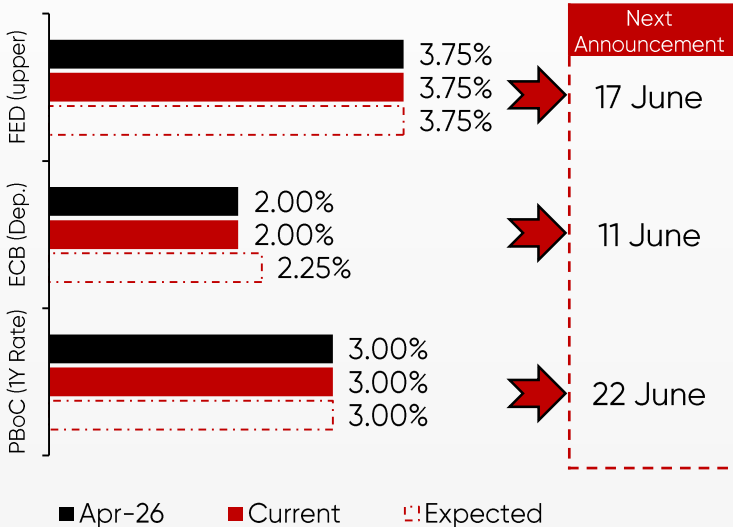
- U.S. inflation accelerated to 3.8% in April, the highest since May 2023, mainly driven by higher energy prices amid the Iran conflict. Markets expect inflation to rise further to 4.2% in May. It is also worth noting that the Fed's preferred Core PCE inflation measure stood at 3.3% in April and has remained above the 2% target since February 2021.
- Euro area inflation accelerated to 3.2% in May, slightly above expectations and the highest level since September 2023.
- China's inflation accelerated to 1.2% in April, driven by higher transport and energy costs. Producer prices rose by 2.8% year-over-year, marking the fastest increase since July 2022. Markets expect both CPI and PPI inflation to continue rising in May.



*May-26 figures of USA and China are Consensus forecasts.

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

Monetary Policy Rate Trends and Expectations



- Markets expect newly appointed Fed Chair Kevin Warsh and the committee to keep rates unchanged in June. However, stronger-than-expected labor market data, with the U.S. adding 536K jobs over the last three months, alongside rising inflation, has pushed markets to price in a 25bp rate hike by year-end.
- Markets are now almost fully pricing in a 25bps ECB rate hike in June, with one additional hike expected by year-end.
- The PBoC kept key lending rates unchanged at record lows in May, maintaining a supportive policy stance amid weaker growth momentum, rising inflationary pressures, and external uncertainty.

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

Market Watch

- The S&P 500 reached record highs in May, surpassing 7,600, but declined sharply toward 7,300 after markets increased expectations of a Fed rate hike.
- Gold remained broadly stable around \$4,500 during the month, before falling to nearly \$4,300 following the Fed-related repricing.
- WTI was highly volatile in May, moving from above \$100 to below \$90 as ceasefire hopes eased supply fears, while renewed U.S.-Iran uncertainty kept daily price swings elevated.
- Bitcoin traded around \$80K during most of May, but declined sharply after Fed news and briefly fell below \$60K.

Market Watch (Closing Prices as of June 5, 2026)							
S&P 500		Gold		WTI Crude Oil		Bitcoin	
\$7,384		\$4,329		\$90.5		\$61.0K	
M/M	MA100	M/M	MA100	M/M	MA100	M/M	MA100
▲2%	\$6,996	▼5%	\$4,786	▼11%	\$85.7	▼25%	\$73.0K
TBC		BOG		GCAP			
£43.8		£105.5		£39.7			
M/M	MA100	M/M	MA100	M/M	MA100		
▼7%	\$44.4	▼3%	\$104.1	▲4%	\$37.0		

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

Source: Bloomberg.

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