Macroeconomic Review
October 2026

LIBERTY
BASISBANK GROUP

Main Insights

- **Inflation increased to 5.9% in October.** Rising oil prices increased transport's contribution, while a high base effect reduced food's contribution. We forecast average inflation at 5.5% in 2026.
- **Economic growth moderated, although the 9M average remained strong.** Real GDP rose by 6.0% y/y in September, driven by construction, ICT and mining & quarrying, bringing 9M average growth to 7.4%. We forecast 7.3% growth in 2026, while the NBG and IMF both revised their forecasts upward to 7.2%.
- **Remittance inflows declined for the second consecutive month.** In September, transfers to Georgia fell by 10.1% y/y to $286 mln, mainly driven by lower inflows from Russia following EU sanctions on Zolotaya Korona.

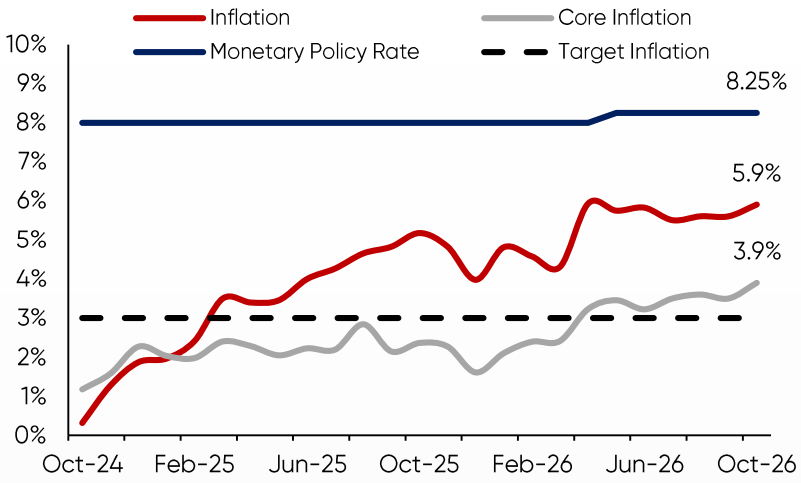
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Georgia's Key Economic Indicators

Inflation Dynamics

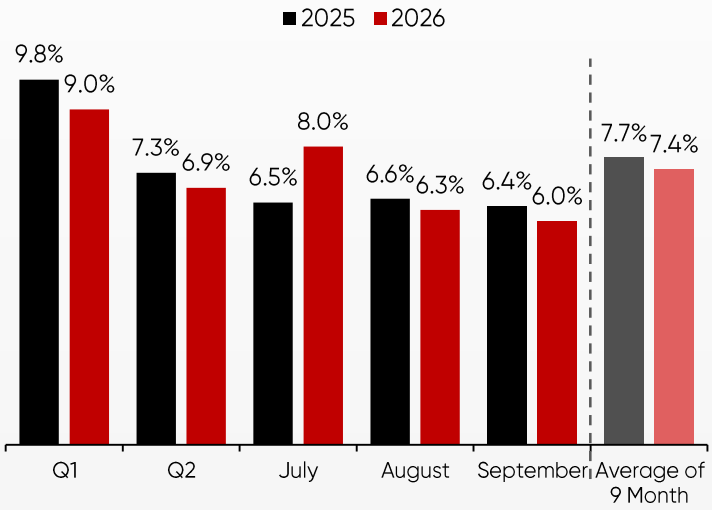


- Annual inflation increased to 5.9% in October. Transport's contribution rose from 2.20 pp to 2.54 pp, while food's contribution fell from 1.24 pp to 1.07 pp, reflecting a high base effect from wheat bread prices in October 2025.
- Transport's higher contribution to inflation reflects the ongoing rise in global oil prices, with Brent crude ranging from $100 to nearly $117 per barrel in October.
- Domestic and mixed inflation both slowed to 4.7%, contributing 2.3 pp and 1.3 pp to headline inflation, respectively. Meanwhile, imported inflation accelerated to 9.4%, adding 2.3 pp.

Sources: Geostat, NBG.

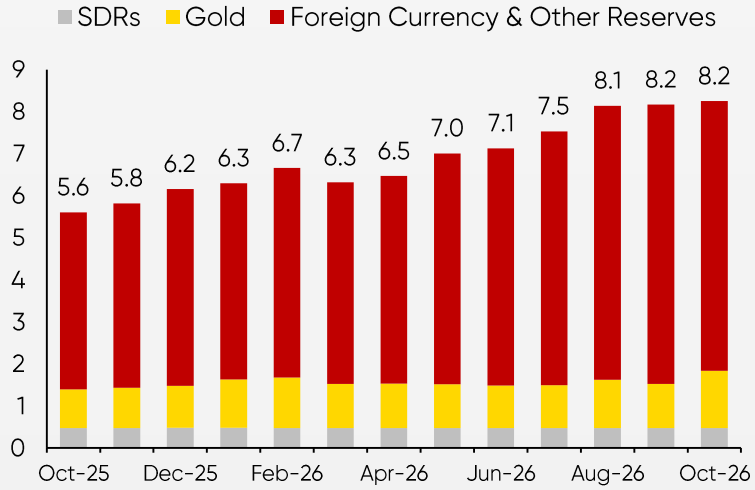
Real Economic Growth

- Georgia's real GDP growth slowed to 6.0% y/y in September 2026, declining for the second straight month, while average growth for 9M 2026 stands at 7.4%.
- In September, growth was mainly driven by construction, ICT, mining and quarrying, trade and financial and insurance activities, while manufacturing and administrative service activities recorded declines.
- The IMF and NBG revised upward their forecasts for Georgia's 2026 economic growth from 6.5% to 7.2%, while the World Bank raised its projection from 5.0% to 7.0%. Meanwhile, our own growth forecast for 2026 stands slightly higher at 7.3%.



Sources: Geostat, NBG.

NBG Reserves Dynamics (US$ bln)

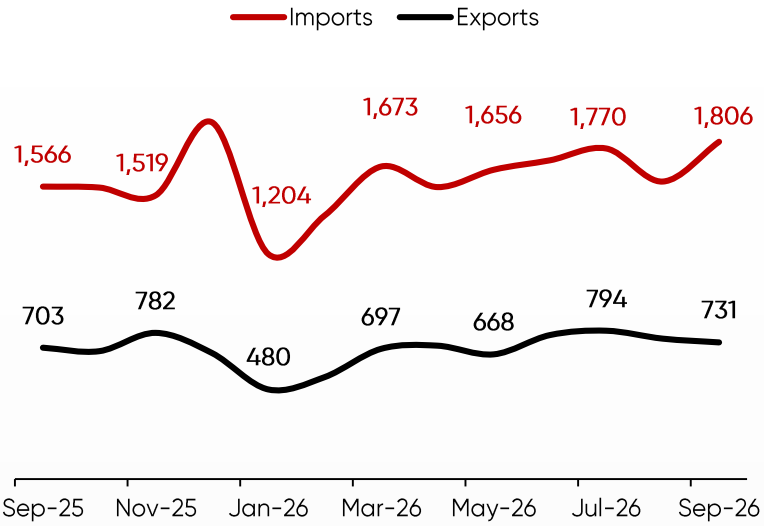


- In October, international reserves rose by $83 mln m/m to a record $8.25 bln, driven by $400 mln in gold purchases, which increased gold reserves by $314 mln to $1.4 bln. Meanwhile, foreign currency reserves declined by $231 mln to $6.4 bln.
- International reserves grew by $2.6 bln y/y, representing a 47% annual increase. Most of the growth came from foreign currency reserves, which contributed 39 pp, while gold reserves accounted for the remaining 8 pp.
- As of October, Georgia's reserve coverage under the IMF's Assessing Reserve Adequacy (ARA) metric is estimated at 130.0%.

Source: NBG.

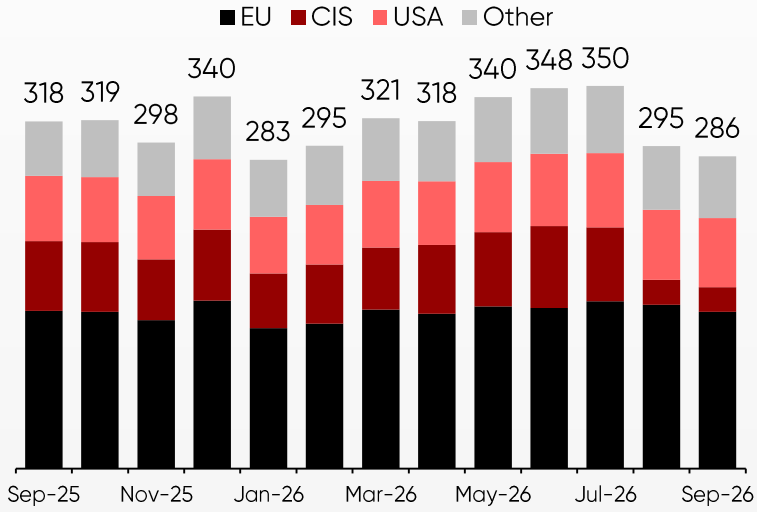
External Trade Dynamics (US$ mln)

- September exports totaled $731 mln, increased by 4.0% y/y, supported by higher petroleum oil exports of $119 mln (share from 0.5% to 16.8%) and precious metal ores by $24 mln (5.3% to 8.3%). In contrast, motor car exports fell by $94 mln, reducing their share from 39.2% to 24.8%.
- Over the same period, Georgia's imports totaled $1.8 bln, up 15.3% y/y. Growth was driven by higher imports of crude petroleum by $143 mln (share from 0.1% to 8.0%) and petroleum oil by $116 mln (8.1% to 13.4%). Motor car imports fell by $134 mln, reducing their share from 22.7% to 12.2%.



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

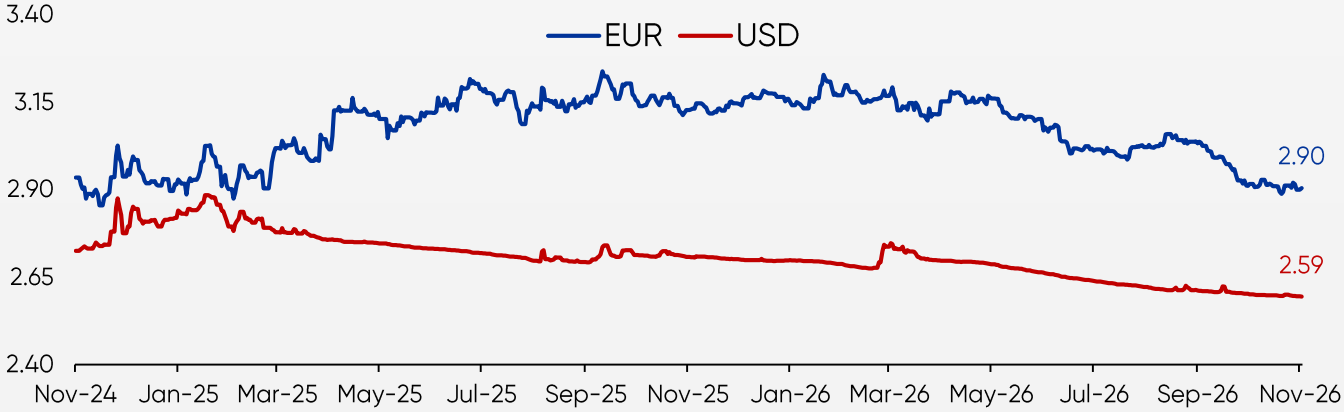
Money Transfers (US$ mln)



- Remittance inflows to Georgia totaled $286 mln in September, marking a 10.1% decline compared with the same period of the previous year.
- The largest declines came from Russia and Kyrgyzstan, down $31.6 mln and $6.2 mln, respectively, reflecting EU sanctions on the Russian money transfer system Zolotaya Korona for the second consecutive month.
- On the positive side, inflows from the US and Israel increased by $3.7 mln and $3.1 mln, respectively.
- Cumulative money transfers in 9M 2026 totaled $2.8 bln, representing a 5.4% y/y increase.

Source: NBG.

Exchange Rate Dynamics



- As of November 9, GEL strengthened against USD by 0.2% m/m to 2.59, maintaining a gradual downward trend despite the Fed's September rate hike and the strengthening of the U.S. dollar index. EUR/GEL also trended downward throughout the month, falling by 0.1% m/m to 2.90, partly reflecting geopolitical instability in Europe. We expect USD/GEL to remain broadly stable at around 2.60 through end-2026.

Source: NBG.

Budget Performance

mln GEL	Budget	Fact	Performance
Personal Income Tax	6,090	6,206	101.9%
Profit Tax	2,435	2,700	110.9%
Value Added Tax	6,380	6,528	102.3%
Excise Tax	1,960	2,018	103.0%
Import Tax	112	122	108.5%
Other Taxes	100	0	NMF
Total Taxes	17,077	17,574	102.9%

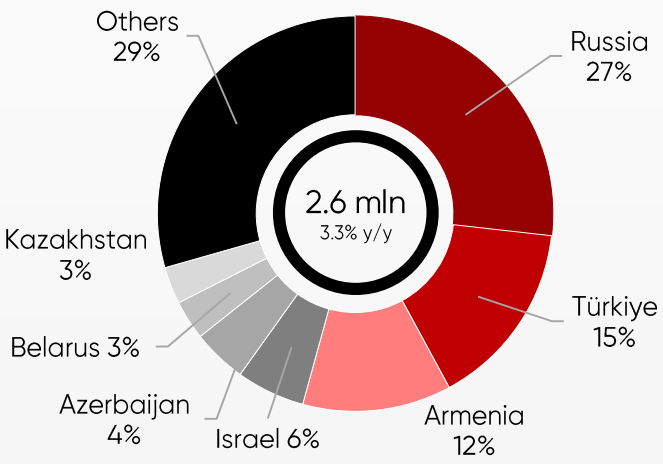
Note: "Other taxes" mainly includes revenues pending allocation to specific tax types.

- Tax revenues of Georgia's central budget totaled GEL 17.6bn in 9M 2026, marking an 8.6% y/y increase and achieving 102.9% of the planned target.
- Total tax revenues exceeded the planned budget target by GEL 497 mln, primarily driven by profit tax collections, which surpassed the target by GEL 265 mln. VAT, personal income tax and import tax revenues also exceeded their respective targets by GEL 148 mln, GEL 116 mln and GEL 10 mln, respectively.
- Georgia's total planned tax revenues for 2026 amount to GEL 23.2bn, with the largest contributions expected from VAT and personal income tax, which are projected to generate GEL 8.8bn and GEL 8.2bn, respectively.

Source: MoF.

International Visitors (3Q-26)

- In 3Q26, international visitor arrivals reached 2.6 mln, up 3.3% y/y, mainly supported by a 4.7% y/y increase in tourist visits to 2.1 mln, while same-day visits declined by 2.8% y/y to 466 K.
- The largest increases came from Russia and Azerbaijan, up 31.2k (+4.7%) and 30.7k (+36.2%) y/y, respectively, while Türkey and Saudi Arabia recorded the sharpest declines of 31.9k (-7.4%) and 18.9k (-32.8%), respectively.
- Over the same period, tourism revenues reached $1.9bn, up 11.9% y/y. The largest inflows came from Russia ($334 mln; +32%), the EU ($310 mln; +30%) and Israel ($235 mln; +25%). Meanwhile, Iran ($34 mln; -21%) and Belarus ($44 mln; -20%) recorded lower revenues.



Source: GNTA, NBG.

Tbilisi Residential Real Estate

Tbilisi Residential Estate Market (September-26)

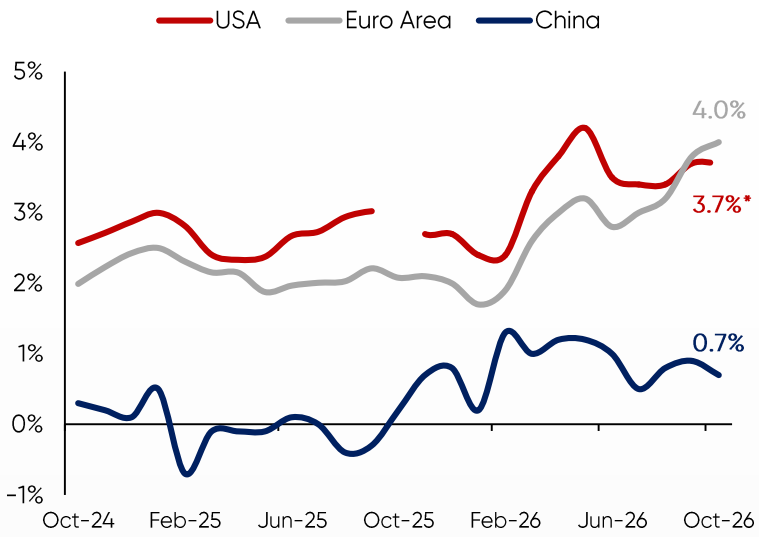
AVG. Sell Price		Transactions	
$1,323		4,245	
M/M	Y/Y	M/M	Y/Y
▼2.1%	▲11.6%	▲25.2%	▲6.4%
AVG. Rent Price		**Rental Yield**	
$8.5		8.2%	
M/M	Y/Y	M/M	Y/Y
▼0.1%	▼2.6%	▼0.0PP	▼0.2PP

- Tbilisi's real estate market totaled $376 million in September 2026, rising 26.5% m/m and 24.1% y/y.
- Annual market growth was mainly driven by a 6.4% rise in transaction volumes, adding 6 pp and an 11.6% increase in average selling prices, contributing 12 pp. Larger average flat sizes added 5 pp.
- In September, Tbilisi's real estate market recorded a 9.8% y/y increase in new-project transactions, driven by 6.3% growth in primary sales and 14.6% in secondary sales. Sales in old projects expanded by 3.8%, while foreign buyers accounted for 12% of total transactions, up slightly from the previous period.

Sources: Colliers, NBG.

Global Inflation Dynamics

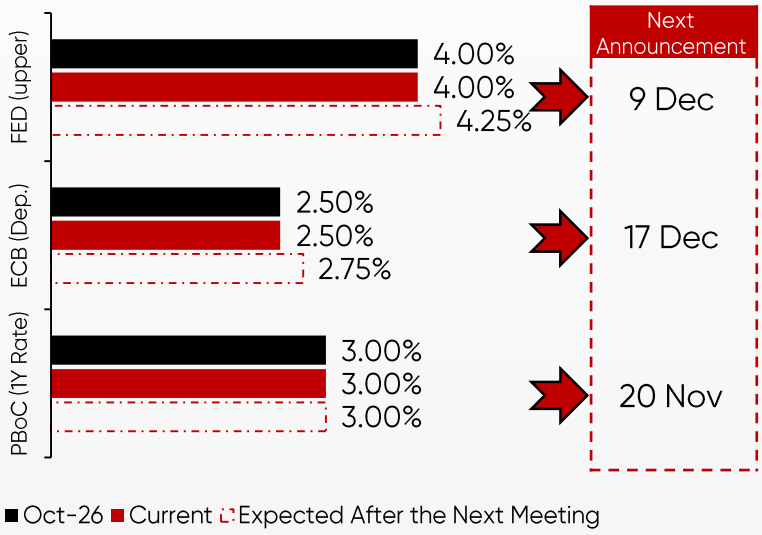
- US inflation rose to 3.7% in September 2026, exceeding market expectations, mainly due to higher energy prices. Core PCE inflation reached 3.1% y/y, in line with forecasts. Markets anticipate inflation to remain at 3.7% in October.
- Eurozone inflation rose to 4.0% in October from 3.8%, above the 3.9% forecast, mainly due to higher energy prices. Inflation hit its highest level since September 2023, remaining above the ECB's 2% target, while core inflation held steady at 2.5%.
- In October, China's annual inflation eased to 0.7%, below market expectations of 0.9%. A lower contribution from food prices helped ease inflationary pressures. PPI increased by 5.7% y/y, reaching its highest level since June 2022.



*Oct-26 figure of USA is consensus forecast.

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

Monetary Policy Rate Trends and Expectations



- At its October 28 meeting, the Fed kept its policy rate unchanged following a 25 bp hike at the previous meeting. Markets expect another 25 bp increase at the December meeting.
- The ECB left interest rates unchanged on October 29, following a 25 bp increase at its prior meeting. This marked the second rate hike of the year. Markets anticipate a further 25 bp increase by year-end.
- The People's Bank of China (PBoC) left its loan prime rates unchanged for the 17th consecutive month on October 20, aiming to support economic growth and consumer spending.

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

Market Watch

After a brief one-day bump following the Democrats' election victory, US stocks fell sharply. By Nov 9:

- The S&P 500 fell 3% to 7,550, while the Nasdaq dropped 9.6% amid concerns over tighter AI and data center regulations.
- Gold rose 5% over the week after a month-long decline, as investors sought safe-haven assets amid falling oil prices, easing inflation, hopes of an end to the Iran conflict and fewer Fed rate hikes.
- Brent oil fell to $91 per barrel after reaching nearly $117 earlier in the month, amid growing expectations of a quicker resolution to the Middle East conflict.

Market Watch (Last Closing Prices as of Nov 9, 2026)

S&P 500	Gold	Brent Oil	Bitcoin
$7,550	$4,140	$91.3	$75,330
M/M ▼3%	M/M ▼1%	M/M ▼11%	M/M ▼9%
MA100 $7,620	MA100 $4,202	MA100 $95.7	MA100 $77,598

TBC	BOG	G Capital
£52.7	£132.8	£47.9
M/M ▲8%	M/M ▲7%	M/M ▲10%
MA100 £48.9	MA100 £125.7	MA100 £43.5

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

Source: Bloomberg.

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