

# Macroeconomic Review

## September 2026

**LIBERTY**  
BASISBANK GROUP

### Main Insights

- **Inflation remained elevated at 5.6% in September.** Higher oil prices increased transport's contribution, while lower education costs partly offset the impact. Our forecast puts average inflation at 5.4% in 2026.
- **Growth moderated but remains strong and above external forecasts.** Real GDP grew by 6.3% y/y in August, supported by manufacturing, ICT and financial activities, bringing 8M 2026 growth to 7.6%. We expect 2026 growth of 7.5%, above the World Bank, EBRD and ADB forecasts of 7.0%, 6.5% and 6.3%, respectively.
- **The Fed and ECB both raised rates by 25 bp in September.** Following weaker employment growth, markets do not expect another rate hike from the Fed in October. However, both central banks are expected to raise rates again in December.

Report was created by Liberty Economics Team

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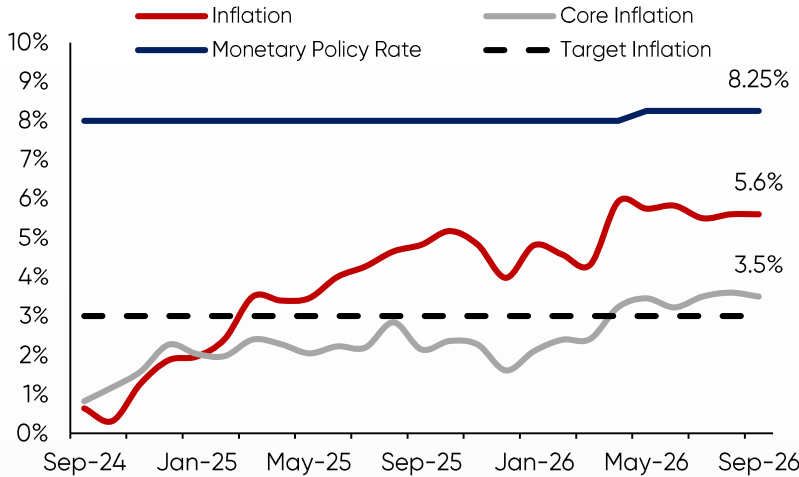
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## Inflation Dynamics

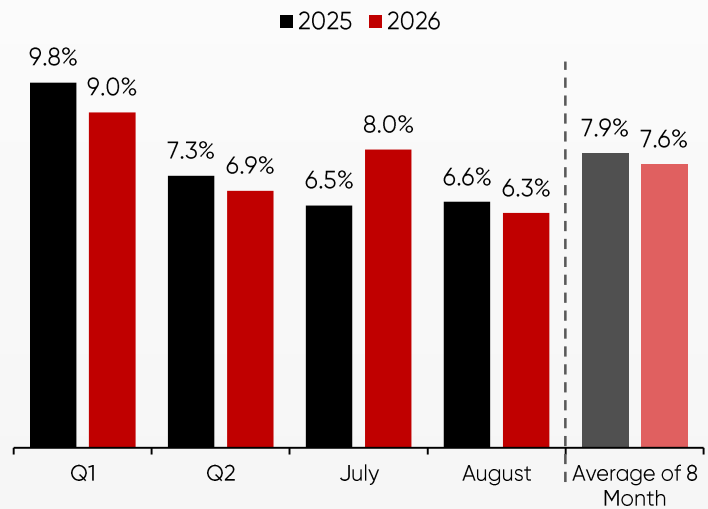


- Annual inflation was 5.6% in September. Compared with the previous month, transport's contribution to inflation rose from 1.81 pp to 2.20 pp, while education's fell from 0.13 pp to -0.55 pp, mainly due to the cancellation of tuition fees at public universities.
- Transport's higher contribution was mainly driven by global oil prices. In September, Brent crude hit a low of \$95 and neared \$108 by mid-month.
- Domestic inflation slowed to 4.9%, contributing 2.4 pp to headline inflation. Mixed inflation increased to 4.8%, with a 1.3 pp contribution, while imported inflation climbed to 7.8%, adding 1.9 pp.

Sources: Geostat, NBG.

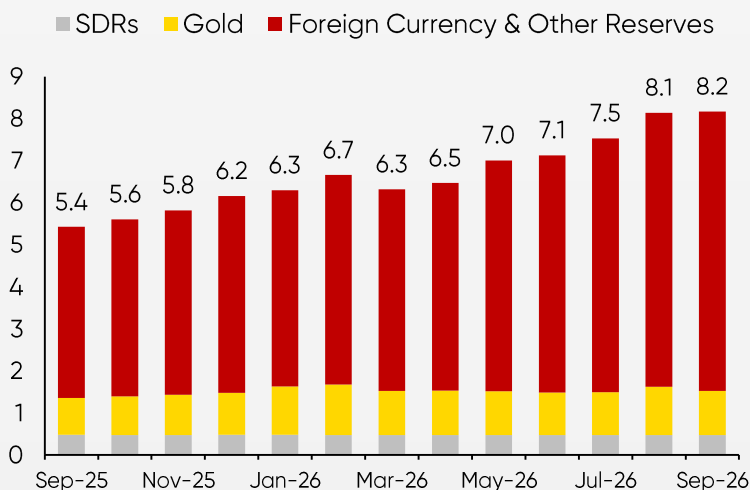
## Real Economic Growth

- Georgia's real GDP growth slowed to 6.3% y/y in August 2026, down from 8.0% in July, bringing average growth in 8M 2026 to 7.6%.
- In August, growth was mainly driven by manufacturing, ICT, financial and insurance activities, real estate, trade, and transportation and storage, while construction declined
- According to updated forecasts from international financial institutions, Georgia's 2026 economic growth outlook has improved. The ADB raised its forecast from 5.5% to 6.3%, the World Bank from 5.0% to 7.0% and the EBRD from 6.0% to 6.5%.



Sources: Geostat, NBG.

## NBG Reserves Dynamics (US\$ bln)

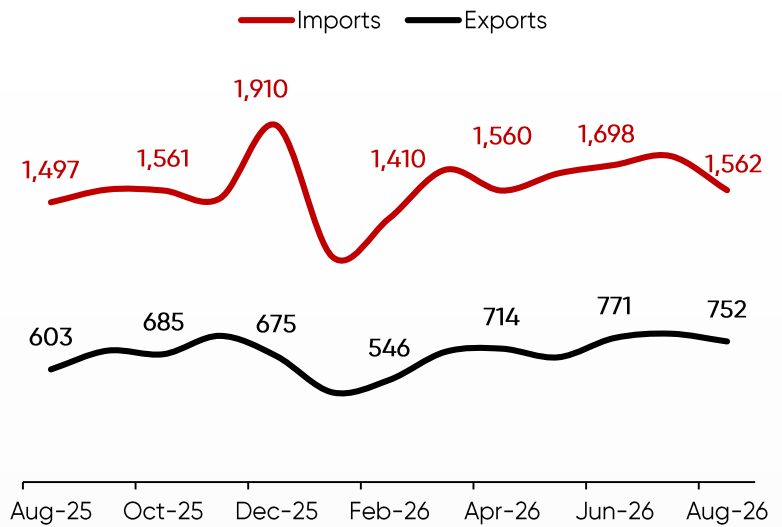


- In September, international reserves increased by \$26 mln m/m to a record \$8.2 bln. The rise was driven by a \$126mln increase in foreign currency reserves, partly offset by a \$97 mln decline in gold reserves due to lower gold prices during the month.
- International reserves increased by \$2.7 bn y/y, marking 50% annual growth. Foreign currency reserves were the main driver, contributing 47 pp, while the increase in gold reserves added a further 3 pp.
- Based on current estimates, Georgia's reserve coverage under the IMF's Assessing Reserve Adequacy (ARA) metric stands at 128.7%.

Source: NBG.

## External Trade Dynamics (US\$ mln)

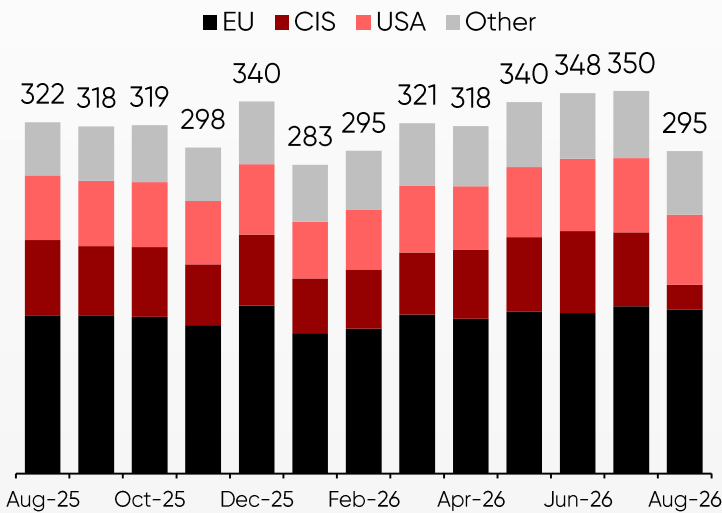
- In August, exports reached \$752 mln, rising 24.7% y/y. Growth was driven by an increase of \$108 mln in petroleum oil exports (share up from 1.6% to 15.6%) and \$46 mln in aircraft parts exports (share up from 0.0% to 6.1%). Meanwhile, motor car exports declined by \$62 mln, cutting their share from 41.3% to 24.9%.
- Over the same period, Georgia's imports reached \$1.6 bln, up 4.3% y/y. Growth came from a \$79 mln increase in petroleum oil imports (share up from 7.9% to 12.6%), \$41 mln in crude oil (0.0% to 2.6%) and \$11 mln in electric generating sets (0.1% to 0.8%). Motor car imports fell by \$129 mln, cutting their share from 24.8% to 15.5%.



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

Source: Geostat.

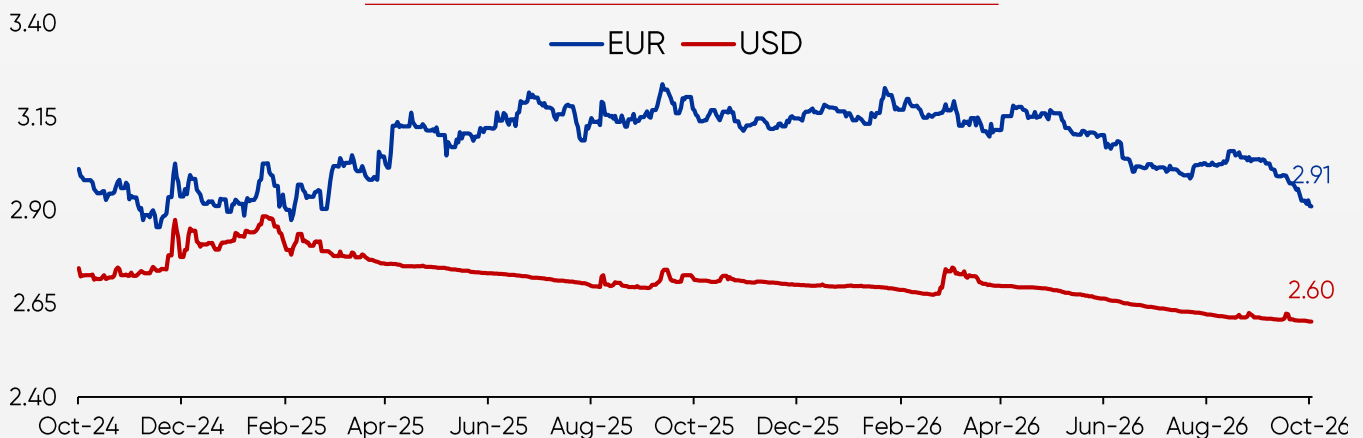
## Money Transfers (US\$ mln)



- In August, remittance inflows to Georgia reached \$295 million, decreasing by 8.2% compared with the same period of the previous year.
- The largest declines came from Russia and Kyrgyzstan, where inflows fell by \$36.3 million and \$9.0 million, respectively. The decrease reflected EU sanctions on the Russian money transfer system Zolotaya Korona.
- Higher inflows from Israel and the US partly offset the decline, increasing by \$5.6mln and \$4.8mln, respectively.
- In 8M 2026, cumulative money transfers reached \$2.5 bn, up 7.4% y/y.

Source: NBG.

## Exchange Rate Dynamics



- As of October 8, USD/GEL stood at 2.60, down 0.4% m/m, with no significant change in the exchange rate. EUR/GEL declined to 2.91 (-4.0% m/m), amid concerns over France's fiscal outlook. We expect USD/GEL around 2.62 by end-2026.

Source: NBG.

## Budget Performance

| mIn GEL             | 8M-25  | 8M-26  | Y/Y Growth |
|---------------------|--------|--------|------------|
| Personal Income Tax | 4,963  | 5,554  | 11.9%      |
| Profit Tax          | 1,873  | 2,382  | 27.2%      |
| Value Added Tax     | 5,153  | 5,749  | 11.6%      |
| Excise Tax          | 1,649  | 1,766  | 7.1%       |
| Import Tax          | 95     | 109    | 14.4%      |
| Other Taxes         | 443    | -112   | NMF        |
| Total Taxes         | 14,176 | 15,448 | 9.0%       |

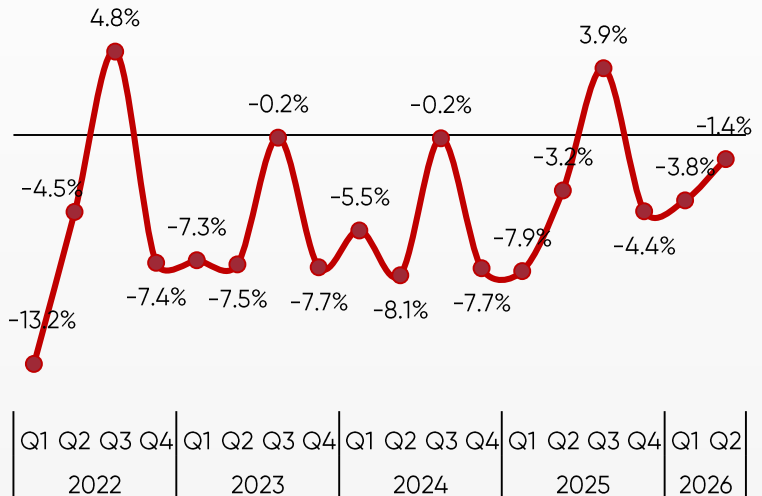
- In 8M 2026, Georgia's central budget collected GEL 15.4 bn in tax revenues, up 9.0% compared with the same period last year.
- The increase was mainly driven by VAT and personal income tax revenues, which rose by GEL 596 mln and GEL 591 mln, respectively. Profit tax also increased by GEL 509 mln, while a GEL 555 mln decline in other taxes partly offset the growth.
- Parliament approved an increase in the annual family-income threshold for property-tax exemption from GEL 40,000 to GEL 100,000, effective from October 1, 2026. The change will exempt around 81,000 families and is expected to reduce personal property tax revenues. The measure applies to property tax declarations due in 2026.

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

Source: MoF.

## Current Account

- In Q2 2026, the current account deficit stood at \$145.2 mln (GEL 388.8 mln). On an annual basis, the deficit narrowed by \$184.1 mln, reaching 1.4% of GDP.
- The goods trade deficit narrowed by 4.7% and amounted to \$1.6 bn.
- In Q2 2026, total service exports rose by 7.8% y/y to \$2.1 bn. Travel exports amounted to \$1.1 bn, down 3.8% year-over-year. Meanwhile, IT services exports increased sharply by 79.8% to \$400.2 mln, equivalent to 3.8% of GDP.
- In Q2 2026, current transfers reached \$1.0 bn, increasing by 13.4% y/y.



Source: NBG.

## Tbilisi Residential Real Estate

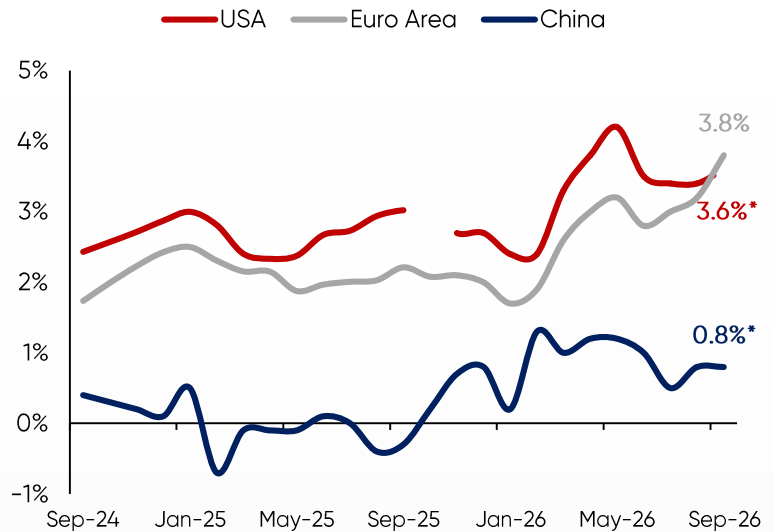
| Tbilisi Residential Estate Market (August-26) |        |              |        |
|-----------------------------------------------|--------|--------------|--------|
| AVG. Sell Price                               |        | Transactions |        |
| \$1,347                                       |        | 3,388        |        |
| M/M                                           | Y/Y    | M/M          | Y/Y    |
| ▲2.9%                                         | ▲11.9% | ▼24.5%       | ▲18.9% |
| AVG. Rent Price                               |        | Rental Yield |        |
| \$8.6                                         |        | 8.3%         |        |
| M/M                                           | Y/Y    | M/M          | Y/Y    |
| ▼0.6%                                         | ▼1.6%  | ▼0.1PP       | ▼0.1PP |

- In August 2026, Tbilisi's real estate market reached \$297 million, down 24.5% m/m while up 35.3% y/y.
- Annual growth was mainly driven by an 18.9% rise in transaction volumes, contributing 19 pp, and an 11.9% increase in average selling prices, adding 14 pp to total growth. A further 2 pp came from a rise in average flat sizes.
- In August 2026, transactions in Tbilisi's new projects rose 23.7% y/y, with primary and secondary sales up 22.9% and 24.5%, respectively. Old-project transactions increased by 3.8%. Georgian citizens remained the main buyers, while foreigners made up 14% of total transactions.

Sources: Colliers, NBG.

## Global Inflation Dynamics

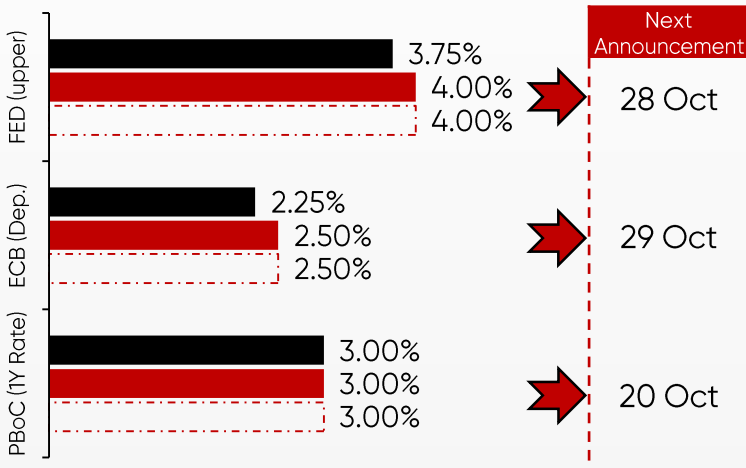
- US inflation held at 3.4% in August 2026, in line with expectations. Higher gasoline and fuel oil prices were partly offset by softer shelter and food inflation. Core PCE stood at 3.0% y/y, below the 3.3% market forecast. Amid higher oil prices in September, markets expect inflation to rise to 3.6%.
- Eurozone inflation rose to 3.8% in September from 3.2% in August, above the 3.6% market forecast. Inflation reached its highest level since September 2023, mainly due to higher energy prices amid ongoing Middle East tensions.
- China's inflation rose to 0.8% in August from 0.5% in July, driven by higher transport costs and is predicted to remain at 0.8% in September. PPI reached 3.8% y/y in August and is expected to remain same.



\*Sep-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



- At its September 16 meeting, the Fed raised rates by 25 bp amid higher inflationary pressures in the US economy. Market expect another 25bp rate hike by the end of the year
- The ECB raised rates by 25 bp at its September 10 meeting, the second increase this year following a 25 bp hike in June. Market expect one more 25 bp rate increase by year-end.
- At its September 20 meeting, the People's Bank of China (PBOC) kept prime rate unchanged for the 16th consecutive month to support economic growth and domestic demand.

■ Aug-26 ■ Current □ Expected After the Next Meeting

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

## Market Watch

- Gold prices have continued to decline since reaching a mid-August peak of \$4,600, as rising global bond yields have reduced investor demand for precious metals.
- Brent oil prices remained on an upward trend over the month, hovering around \$100 amid rising geopolitical tensions in the Middle East and growing concerns over global supply risks.
- The S&P 500 reached a new record high of 7,842 on October 6, primarily driven by optimism over AI-related corporate earnings, alongside reduced expectations of further Fed rate hikes and declining US Treasury yields.

| Market Watch (Last Closing Prices as of Oct 8, 2026) |         |         |         |           |        |          |          |
|------------------------------------------------------|---------|---------|---------|-----------|--------|----------|----------|
| S&P 500                                              |         | Gold    |         | Brent Oil |        | Bitcoin  |          |
| \$7,765                                              |         | \$4,145 |         | \$102.6   |        | \$81,742 |          |
| M/M                                                  | MA100   | M/M     | MA100   | M/M       | MA100  | M/M      | MA100    |
| ▲1%                                                  | \$7,579 | ▼5%     | \$4,260 | ▲5%       | \$88.7 | ▲4%      | \$72,531 |
| TBC                                                  |         | BOG     |         | G Capital |        |          |          |
| £48.2                                                |         | £123.7  |         | £43.2     |        |          |          |
| M/M                                                  | MA100   | M/M     | MA100   | M/M       | MA100  | M/M      | MA100    |
| ▼6%                                                  | £48.0   | ▼10%    | £122.4  | ▼3%       | £42.9  |          |          |

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

Source: Bloomberg.

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