

Macroeconomic Review

January 2026

LIBERTY

Main Insights

- In January annual inflation increased to 4.8%. We expect inflation to gradually decline toward the 3% target by late Q2 2026.
- NBG kept its monetary policy rate at 8.0%, and we expect no changes at the next meeting.
- Real GDP grew by 7.2% year on year in December, while full-year growth in 2025 reached 7.5%, exceeding projections of major institutions.
- International reserves rose by \$141 million to a record-high \$6.3 billion in December, with gold holdings surpassing \$1.1 billion.

Report was created by Liberty Economics Team

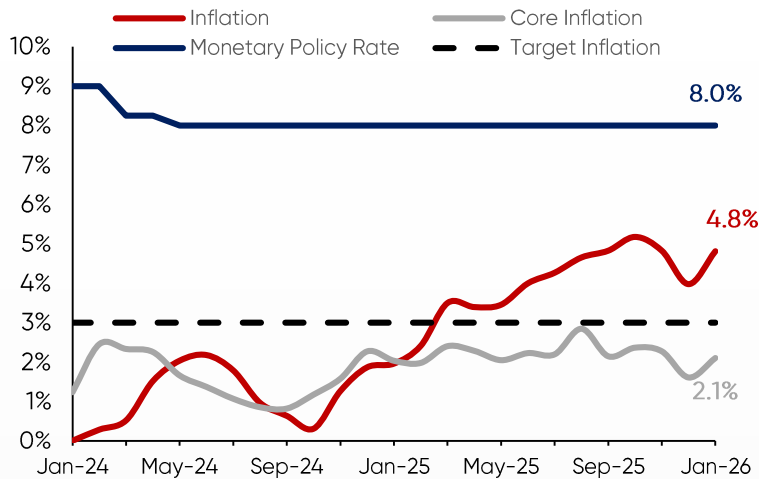
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Inflation Dynamics



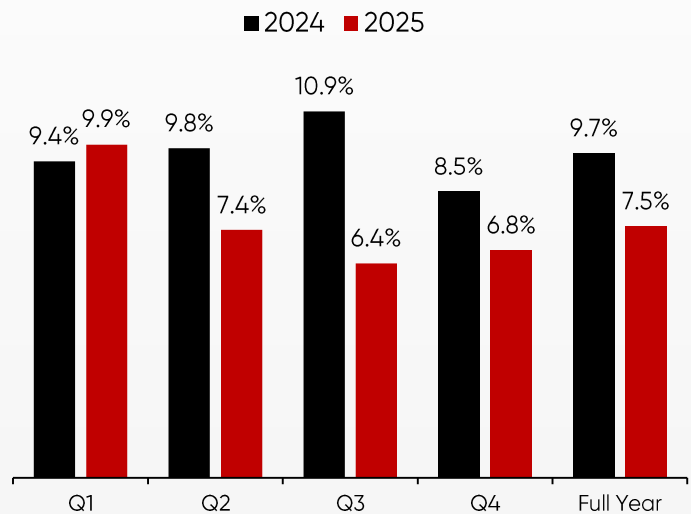
*Including products that are imported as well as those produced domestically.

Sources: Geostat, NBG.

- In January, annual inflation amounted to 4.8%, with the increase mainly driven by higher contributions from grocery prices (3.55pp vs 2.98pp last month) and healthcare costs (0.68pp vs 0.56pp last month).
- Domestic inflation reached 7% (3.4pp contribution), while mixed inflation increased sharply to 5.5% (1.5pp). Imported inflation remained negative, amounting -0.1% (0.0pp).
- We expect inflation to gradually decline toward the 3% target by late Q2 2026. This trajectory should create the room for the NBG to begin easing policy, delivering around 50 bp of rate cuts in the second half of 2026.

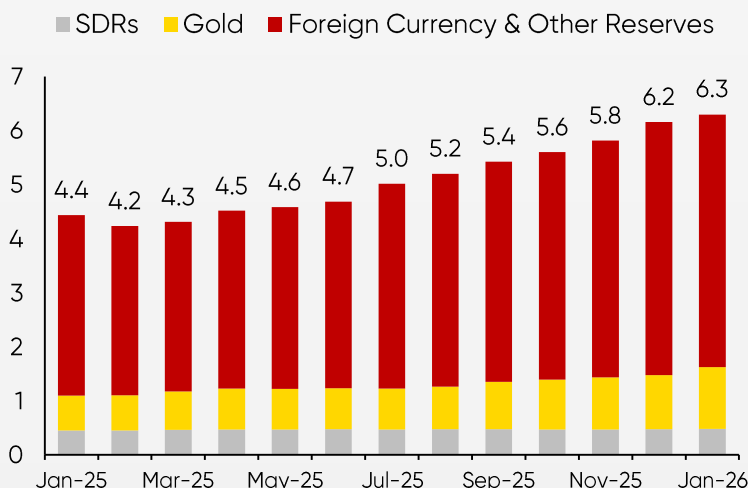
Real Economic Growth

- In December, Georgia's real GDP expanded by 7.2% year-on-year. Growth in the fourth quarter averaged 6.8%, resulting in full-year real GDP growth of 7.5% in 2025. This performance surpassed the projections of most major economic institutions.
- In December, Manufacturing and ICT saw the strongest gains, while construction weakened.
- Looking ahead to 2026, Georgia's economic growth is expected to stabilize. The National Bank of Georgia forecasts real GDP growth of 4.9%, while the Ministry of Finance projects growth of 5.0%. In contrast, international financial institutions anticipate somewhat stronger performance, with the IMF forecasting growth of 5.3% and the World Bank projecting 5.5%.



Sources: Geostat, NBG.

NBG Reserves Dynamics (US\$ bln)

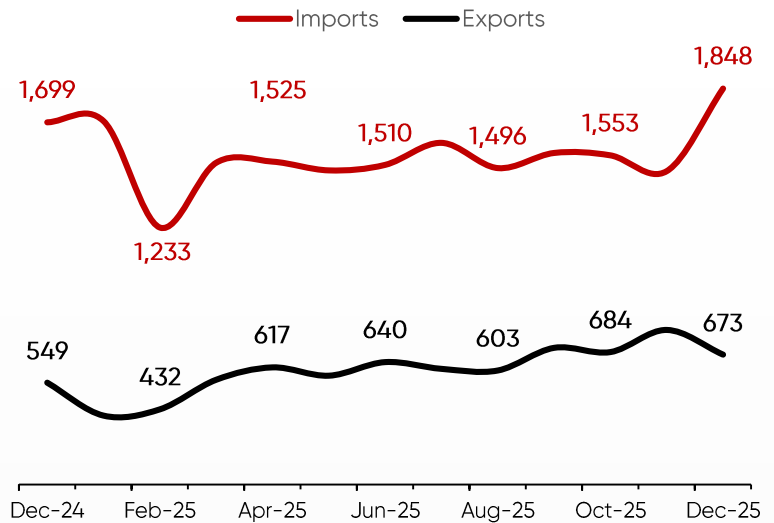


- National reserves reached a historic high of \$6.3 billion in January, reflecting a month-on-month increase of \$141 million.
- The NBG accumulated \$2.4 billion in 2025 through foreign exchange operations, including \$361 million purchased in December.
- Gold holdings now exceed \$1.1 billion of total reserves. Year-on-year, reserves have grown by 42%, driven mainly by higher foreign currency assets (31 percentage points) and additionally supported by rising gold prices (11 percentage points).

Source: NBG.

External Trade Dynamics (US\$ mln)

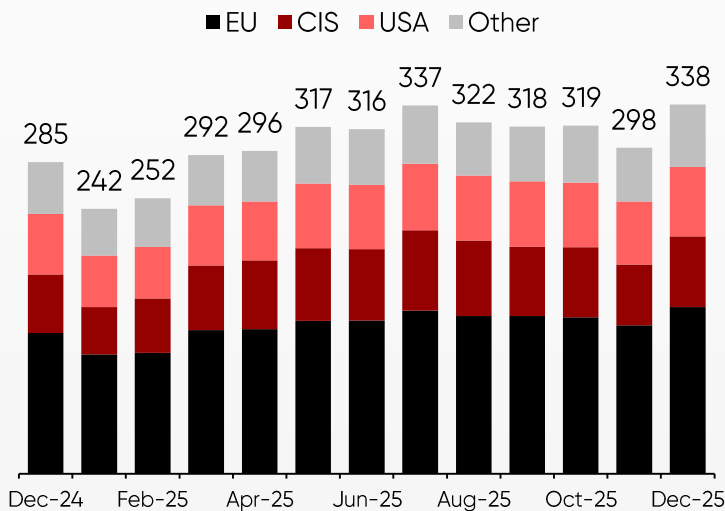
- In December, exports amounted to \$673 million, up 23% y/y, largely driven by a \$17 million rise in semiconductor shipments and a \$16 million rise in petroleum oils exports.
- Over the same period, Georgia's imports reached a record high of \$1.85 billion, rising 8.8% annually, primarily driven by a \$32 million rise in petroleum oils imports and a \$23 million increase in electric generators.
- In 2025, Georgia's goods exports totaled \$7.3 billion, up 11.2% y/y, while imports reached \$18.5 billion, increasing 9.7%. Consequently, the trade deficit widened by approximately \$900 million from the previous year.



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

Source: Geostat.

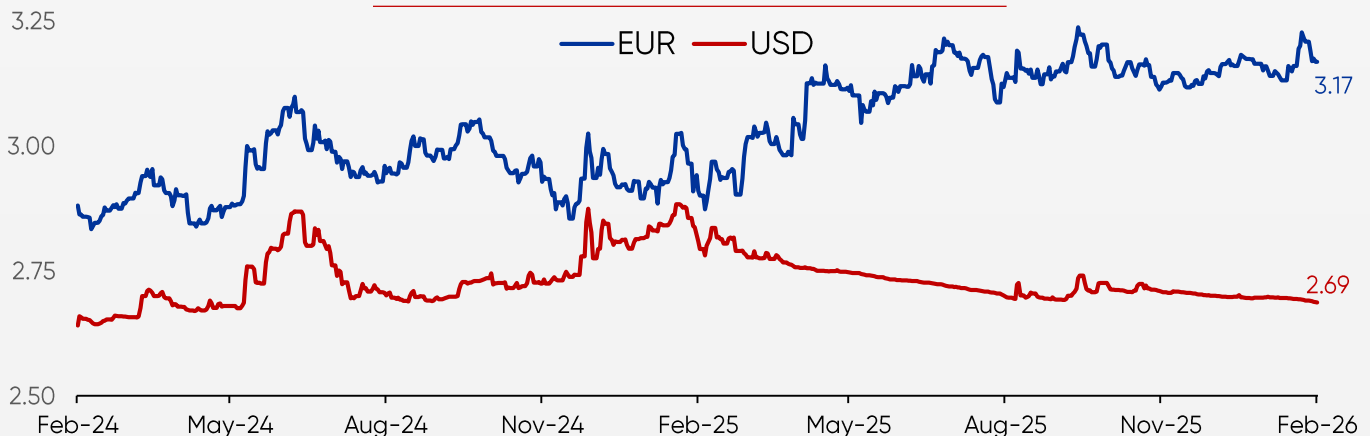
Money Transfers (US\$ mln)



- In December, remittance inflows to Georgia amounted to \$338 million, marking a 18% year-over-year increase.
- During the month, the largest annual increases originated from Russia, rising by \$12.2 million, and the United States, which increased by \$8.4 million.
- Money transfers reached \$3.6 billion in 2025, representing a 8.5% annual increase, or \$285 million more than the corresponding period in 2024.

Source: NBG.

Exchange Rate Dynamics



- As of February 8, the USD/GEL rate stood at 2.69 (down 0.4% MoM), while EUR/GEL was 3.17 (up 0.6% MoM).

Source: NBG.

Budget Performance

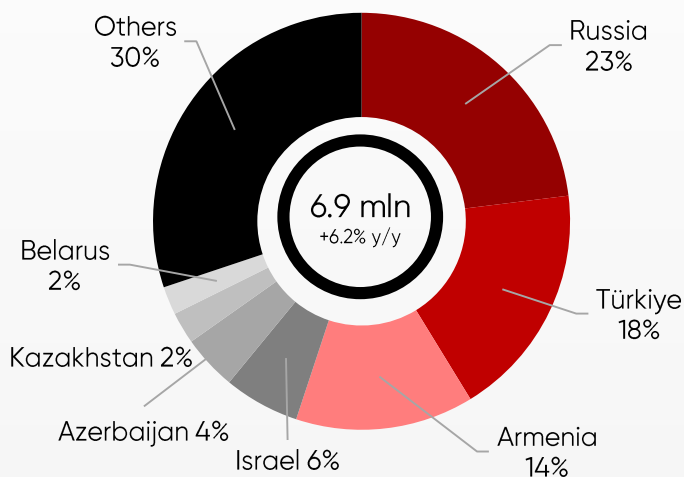
mIn GEL	Budget	Fact	Performance
Personal Income Tax	7,549	7,515	99.6%
Profit Tax	2,880	2,881	100.0%
Value Added Tax (VAT)	8,136	8,126	99.9%
Excise Tax	2,650	2,729	103.0%
Import Tax	145	147	101.1%
Other Taxes	580	559	96.4%
Total Taxes	21,940	21,957	100.1%

- In 2025, Georgia's central government collected 22 billion GEL in tax revenues, achieving 100.1% of the budgeted target. Compared with 2024, tax revenues increased by 8.7%.
- In 2026, the Ministry of Finance expects tax revenues to reach 23.2 billion, implying a 5.7% increase compared with the 2025 outcome.
- Profit tax was the only category to decline relative to 2024. The Ministry of Finance noted that advance profit tax payments from banks in 2024 were elevated due to overly optimistic profitability assumptions. They also indicated that revenues from other tax categories will be reclassified, which is expected to alter the overall composition.

Source: MoF.

International Visitors (2025)

- In 2025, the number of international visitors reached 6.9 million, representing a year-on-year increase of 6.2% (approximately 400k). Russia accounting to biggest increase (around 160k).
- Current level remains 11% (around 870k) below the 2019 benchmark. This shortfall reflects Azerbaijan's closed border, which reduced same-day trips from 2.7 million in 2019 to 1.3 million in 2025. On the other hand, tourist trips reached a historical high of 5.5 million in 2025.
- Over the same period, foreign travel inflows to Georgia reached a record \$4.7 billion, reflecting y/y growth of 6%. The largest increase, amounting to \$150 million, originated from Israel, while Russia continued to account for the largest inflows, totaling \$694 million.



Source: GNTA,NBG.

Tbilisi Residential Real Estate

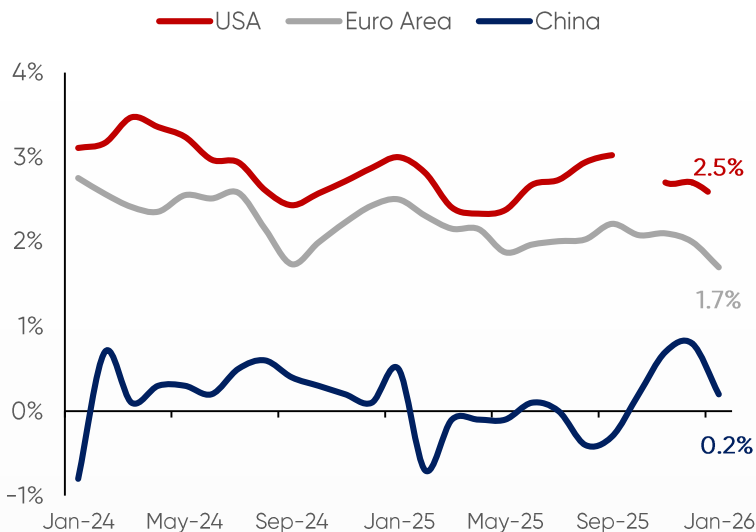
Tbilisi Residential Estate Market (Dec-25)			
AVG. Sell Price		Transactions	
\$1,194		4,495	
M/M	Y/Y	M/M	Y/Y
▼ 0.3%	▲ 10.9%	▲ 18.9%	▲ 12.7%
AVG. Rent Price		Rental Yield	
\$8.6		8.2%	
M/M	Y/Y	M/M	Y/Y
▼ 0.3%	▼ 12.8%	▼ 0.0PP	▼ 0.0PP

- In December, Tbilisi's market size reached a record high of \$350 million, reflecting a 17% month-on-month increase and a 22% rise compared with the same period last year.
- In 2025, residential real estate transactions in Tbilisi totaled 42.3 thousand, reflecting a 3.4% increase compared with 2024. Over the same period, total market value reached \$3.3 billion, up 6.8% year-on-year.

Sources: Colliers, NBG.

Global Inflation Dynamics

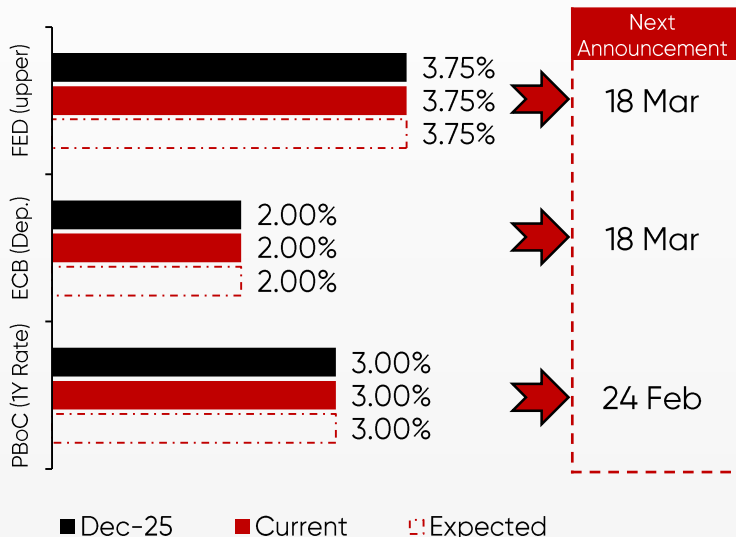
- U.S. inflation remained unchanged at 2.7% in December, in line with market consensus. This outcome points to continued inflation stabilization. Looking ahead, markets expect inflation to ease further to 2.5% in January; sustained disinflation could support earlier or more rapid policy rate cuts.
- Euro area inflation eased to 1.7% in January, falling below the ECB's target and reaching its lowest level since September 2024.
- China's inflation fell to 0.2% in January after reaching a three-year high of 0.8% in December. Additionally, producer price index remained negative for a 28th consecutive month, underscoring ongoing deflationary pressures in the economy.



Note: Jan-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



- Fed held its policy rate at 3.75% at its January meeting, with officials signaling no expectation of rate cuts in the near term.
- ECB kept its deposit rate unchanged at 2% at its February meeting. With major economic conditions consistent with neutral level, policymakers see no need for a near-term change in rates.
- The PBoC kept its key lending rates at record lows for the eighth consecutive month in January, in line with market expectations. The central bank announced 25 bps cuts to select sector-specific rates, effective January 19, to support economic activity.

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

Market Watch

- Bitcoin fell by around 25% month on month, declining to roughly \$70K. During January, a sharp sell-off—driven in part by heightened concerns over an AI-related market bubble—pushed prices down to nearly \$61K, the lowest level since 2024. Following this shock, prices partially recovered and stabilized around the \$70K mark.
- Gold rose 10% month-on-month to nearly \$5,000, with prices reaching an all-time high of \$5,500 during January. This peak was followed by a substantial sell-off, driving prices down toward \$4,500 before stabilizing around \$5,000 after the short-term shock.

Market Watch (Closing Prices as of February 6, 2026)							
S&P 500		Gold		WTI Crude Oil		Bitcoin	
\$6,932		\$4,961		\$63.7		\$70,556	
M/M	MA100	M/M	MA100	M/M	MA100	M/M	MA100
▼0%	\$6,914	▲10%	\$4,931	▲12%	\$63.5	▼25%	\$68,915
TBC		BOG		G Capital			
£42.7		£100.0		£32.6			
M/M	MA100	M/M	MA100	M/M	MA100	M/M	MA100
▲9%	\$42.5	▲9%	\$99.7	▲5%	\$33.1		

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

Source: Bloomberg.

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