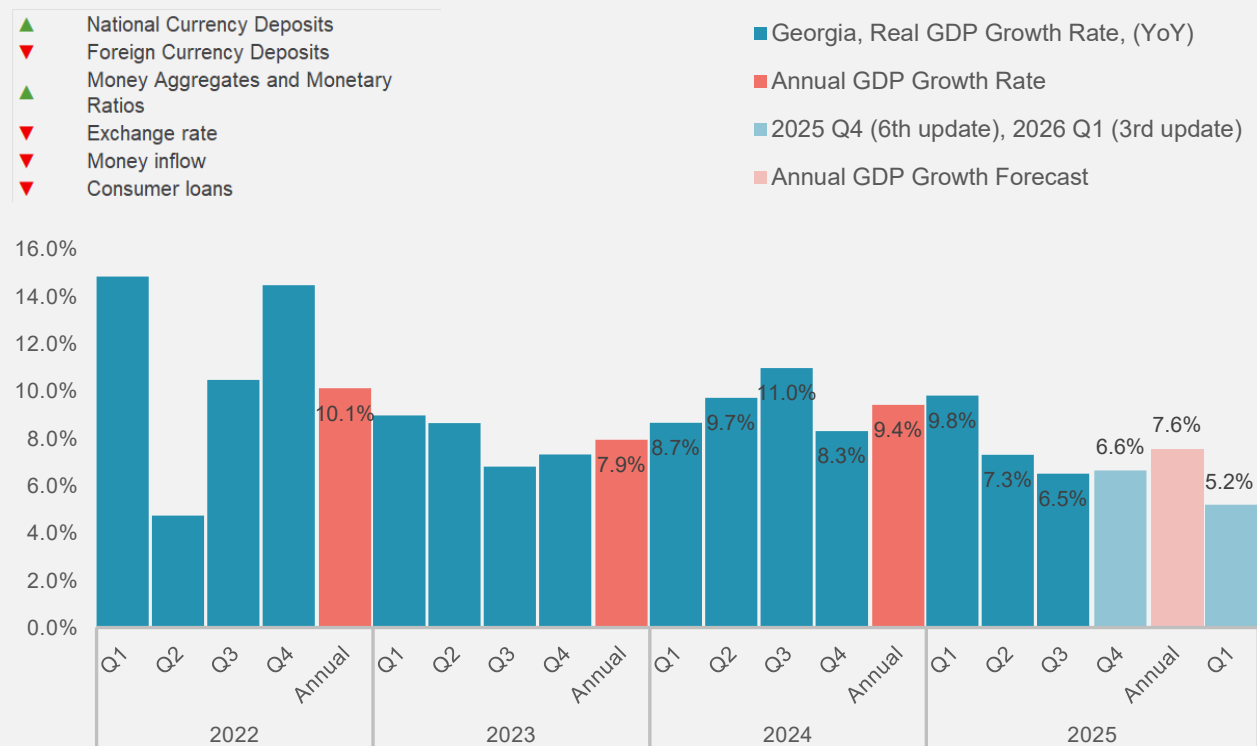


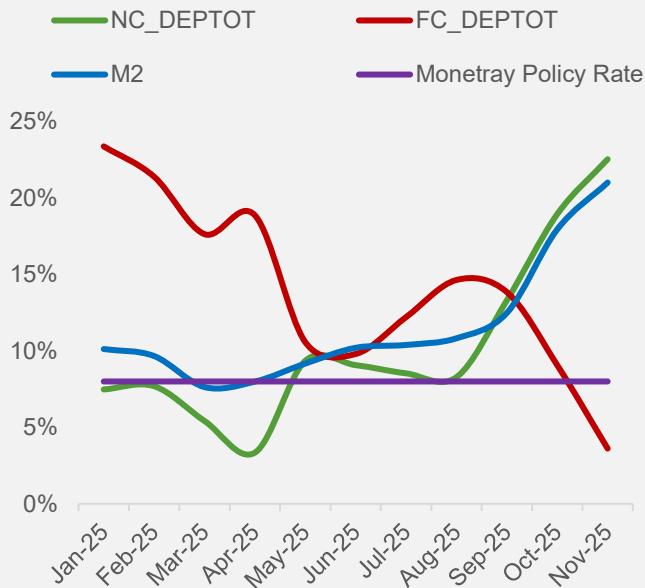
GEORGIA'S GROWTH MOMENTUM UNDER TIGHT MONETARY CONDITIONS: GDP FORECAST UPDATE, JANUARY 2026

Figure 1 – Georgia, Real GDP Growth Rate (Y/Y)

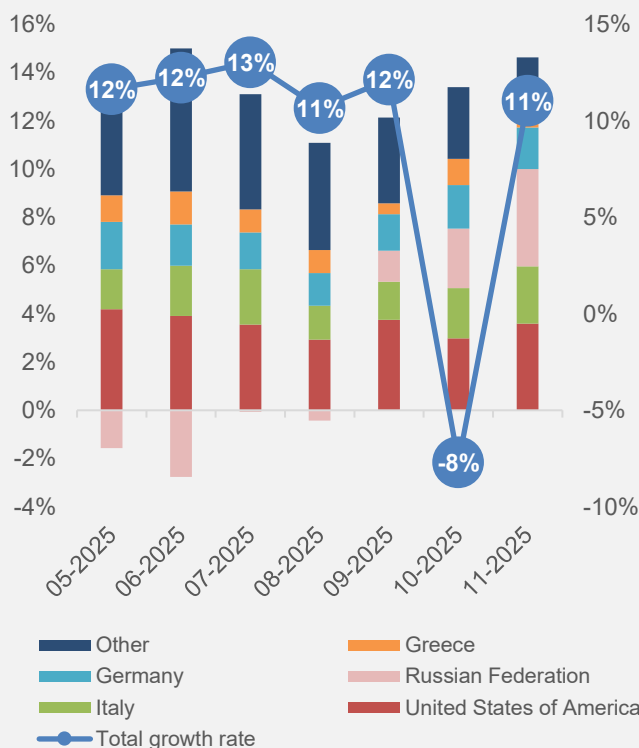


According to the ISET Policy Institute's latest projections, based on September's data, Georgia's economy is expected to grow by **6.6% in the fourth quarter of 2025** and **5.2% in the first quarter of 2026**. The annual growth in 2025 is expected to be **7.6%**.

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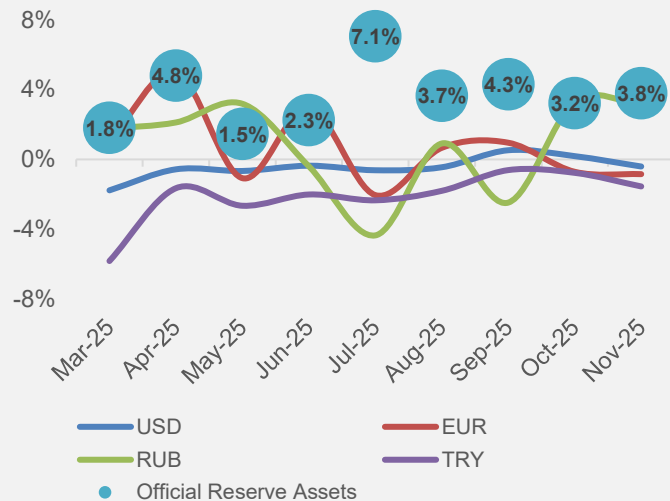
Among monetary indicators, in November 2025, the annual **3.6% rise in foreign currency deposits (FC_DEPTOT)**. At the same time, **national-currency deposits (NC_DEPTOT)** increased by 22.5% year on year, implying a modest decline in dollarization. Meanwhile, the **M2 monetary aggregate** expanded by 21% YoY, pointing to more accommodative monetary conditions and stronger demand-side dynamics. Overall, monetary indicators positively contributed to the forecast.



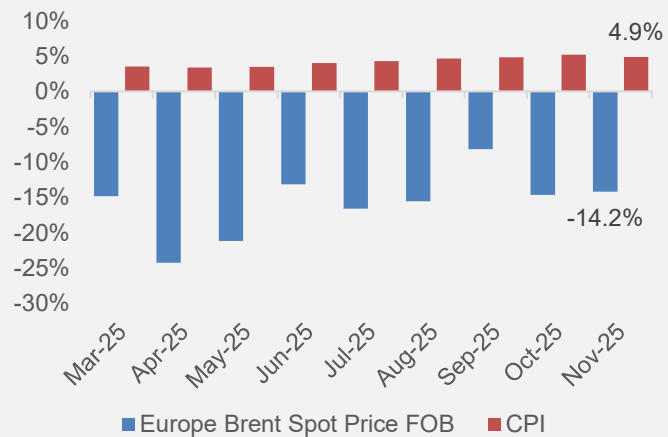
In November 2025, total **money inflows** increased by **11% year-on-year**. The largest positive contributions came from the **United States (+2.5 ppts)**, **Italy (+1.6 ppts)**, **Russian Federation (+2.8 ppts)**, **Germany (+1.2 ppts)**, **Greece (+1 ppts)**, and **Other countries (+1 ppts)**. However, despite this annual increase, money inflows exerted a negative contribution to GDP growth on a monthly basis, as the growth rate of transfers decelerated compared to the previous month. This slowdown reduced the incremental boost to household consumption and domestic demand, thereby constraining short term GDP dynamics.

GEORGIA'S GROWTH MOMENTUM UNDER TIGHT MONETARY CONDITIONS: GDP FORECAST UPDATE, JANUARY 2026

In November, the **GEL depreciated by 3.2% against the RUB**, while **appreciating by 0.4%, 0.8%, and 1.5% against the USD, EUR, and TRY**, respectively, on a monthly basis. The overall impact of these exchange rate developments on the GDP growth forecast was negative. Meanwhile, official reserve assets increased by 3.8% month-on-month, indicating improved external liquidity conditions.



As of November 2025, **annual inflation stood at 4.9%, above the National Bank's 3% target**. Meanwhile, the **Euro Brent spot price declined by 14.2% year-on-year**, easing global cost pressures. While oil prices are an important input cost factor, inflation had a negligible effect on the GDP forecast.



GDP FORECAST METHODOLOGY

Our forecasting model is based on the Leading Economic Indicator (LEI) methodology developed by the *New Economic School*, Moscow, Russia. We have constructed a dynamic model of the Georgian economy, which assumes that all economic variables, including GDP itself, are driven by a small number of factors that can be extracted from the data well before the GDP growth estimates are published. For each quarter, ISET-PI produces five consecutive monthly forecasts (or "vintages"), which increase in precision as time passes. Our first forecast (the 1st vintage) is available around five months before the end of the quarter in question. The last forecast (the 5th vintage) is published in the first month of the next quarter.