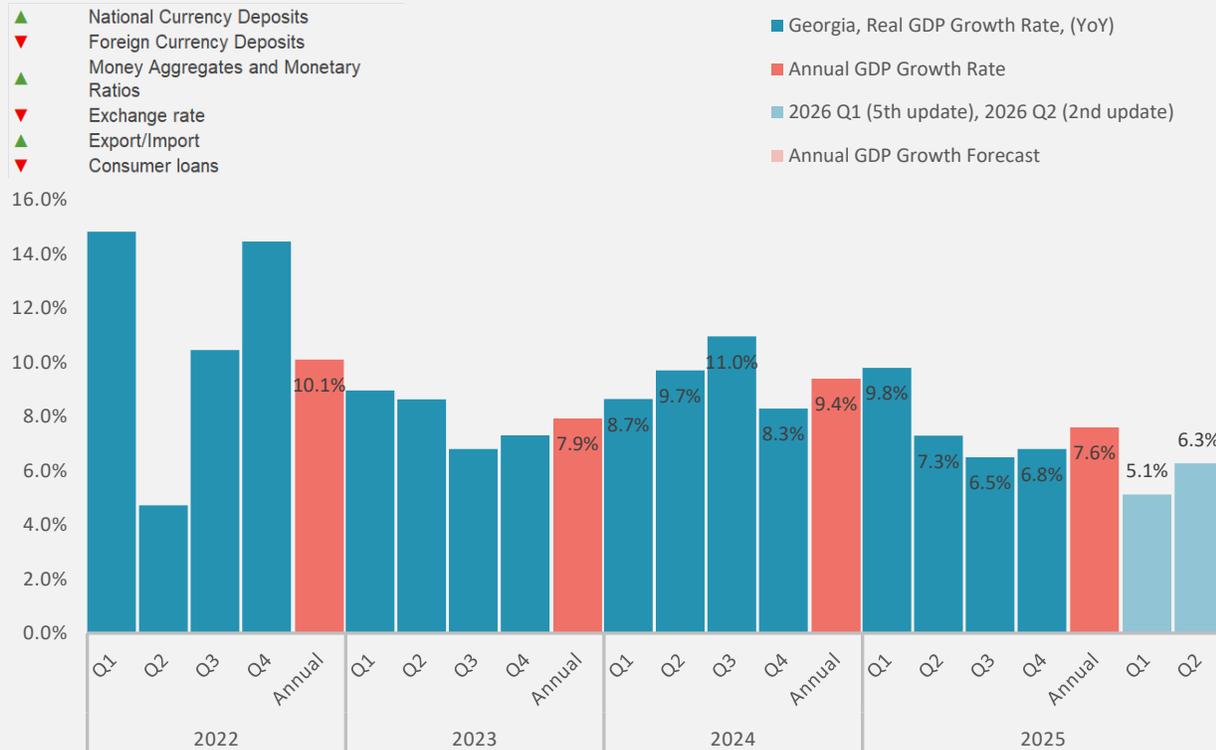


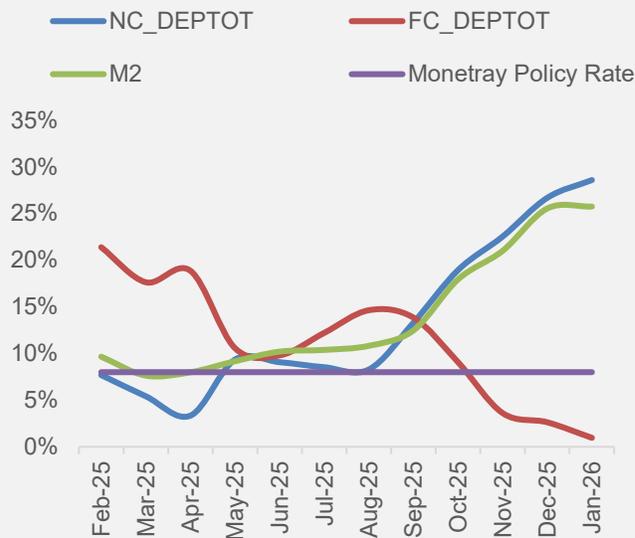
# ROBUST GROWTH PROSPECTS FOR GEORGIA IN 2026: STRONG DOMESTIC DEMAND AND IMPROVED TRADE BALANCE

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

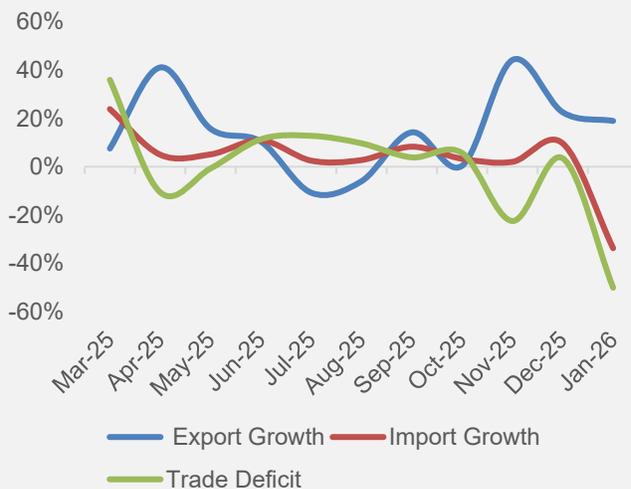


According to the ISET Policy Institute's latest projections, Based on January's data, Georgia's economy is expected to grow by **5.1% in the first quarter of 2026 and 6.3% in the second quarter of 2026**. The annual growth in 2026 is expected to be 4.9% in the worst-case scenario, and 6.3% in the best-case or an average long-term growth scenario. Our middle-of-the-road scenario (based on the average growth in the last four quarters) predicts an 6.1% increase in real GDP.

# ROBUST GROWTH PROSPECTS FOR GEORGIA IN 2026: STRONG DOMESTIC DEMAND AND IMPROVED TRADE BALANCE



Among monetary indicators, in January 2026 foreign currency deposits (FC\_DEPTOT) increased by only 1% year-on-year, signaling a decline in dollarization, with total deposit dollarization falling from 54.1% to 48.1%. At the same time, **national currency deposits increased (NC\_DEPTOT) by 28.6%** ear-on-year, while the **M2 aggregate expanded by 25.7% YoY**, indicating more active monetary conditions and stronger demand-side dynamics. Overall, monetary indicators positively contributed to the forecast.



In January, **exports increased by 19%**, while **imports decreased by 33.7%**, leading to a **50% decrease in the trade deficit<sup>1</sup>**. The relative improvement in net exports had a positive effect on the GDP forecast. The stronger trade dynamics provided a tangible boost to economic activity, although their long term contribution to sustainable growth remains limited due to the composition of exports.

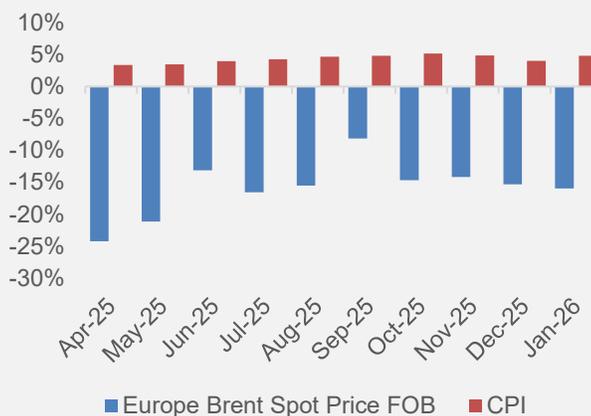
<sup>1</sup> Geostat, 09.03.2026.

# ROBUST GROWTH PROSPECTS FOR GEORGIA IN 2026: STRONG DOMESTIC DEMAND AND IMPROVED TRADE BALANCE

In January, the **USD and TRY depreciated against GEL by 0.2% and 1.4%**, while the **EUR and RUB appreciated by 1.1% and 3.8% monthly**. The overall impact of these exchange rate developments on the GDP growth forecast was negative. Meanwhile, official reserve assets **increased by 2.3%** month-on-month, indicating improved external liquidity conditions.



As of January, **annual inflation stood at 4.8%**, above the **National Bank’s 3% target**. Meanwhile, the **Euro Brent spot price declined by 16%** year-on-year. While oil prices are an important input cost factor, inflation had a positive 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.