

- *Economic growth remained strong in February, with GDP expanding 8.8 percent (yoy), bringing average growth to 8.4 percent in January-February.*
- *Inflation eased slightly to 4.3 percent (yoy) in March, driven mainly by food and transport prices, while core inflation remained moderate.*
- *The external position improved, supported by strong exports and remittances, alongside a narrowing current account deficit and declining external debt.*
- *Macro-financial conditions remained solid, with a sound banking sector, a stable exchange rate, adequate reserves, and prudent fiscal performance.*

Economic activity strengthened further at the start of 2026. Real GDP growth was estimated at 8.8 percent (yoy) in February, bringing average growth to 8.4 percent (yoy) in January–February. Growth continued to be driven by strong performance in ICT, transport and storage, financial and insurance activities, manufacturing, and mining, while construction and energy contracted. High-frequency indicators point to robust domestic activity: VAT-payer turnover increased by 10.7 percent (yoy) in February, reaching GEL 13.4 billion, while the number of newly registered enterprises rose sharply by 29.6 percent (yoy).

Inflation moderated slightly in March but remained elevated. Consumer prices increased by 0.8 percent (mom), bringing annual inflation to 4.3 percent (yoy), down from 4.6 percent in February. Monthly inflation was driven primarily by transport (2.9 percent; +0.3 pp) and food (0.9 percent; +0.3 pp), reflecting higher fuel and food prices. On an annual basis, inflation continued to be driven by food prices (7.5 percent; +2.6 pp), with additional contributions from transport (+0.5 pp) and miscellaneous goods and services (+0.5 pp). Core inflation remained contained at 2.8 percent, suggesting that underlying price pressures remained moderate. The policy rate remained unchanged at 8.0 percent.

Georgia's external trade performance improved in February. Exports rose 26.6 percent (yoy) and imports increased 8.4 percent (yoy), narrowing the trade deficit marginally (–1.4 percent yoy). Export growth was driven by a strong performance in mineral-related re-exports (copper ores, ferroalloy and petroleum oil), which more than offset a 25 percent decline in used car re-exports, despite the latter remaining the largest export category. Export destinations were led by China, Turkey, and Russia, while Turkey, China, and Russia remained the main import sources. Remittance inflows remained buoyant, rising 17.1 percent (yoy) in February, with Italy, the United States, and Russia as the leading source countries.

The external position strengthened in 2025. The current account deficit narrowed sharply in Q4 2025 by 31.7 percent (yoy), bringing the full-year 2025 deficit to a record low of 2.6 percent of GDP, down from 4.4 percent in

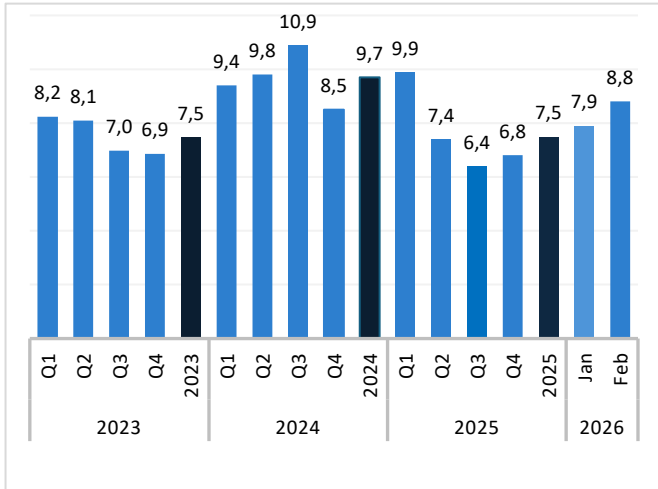
2024. The improvement in 2025 was driven by a strong 19.3 percent expansion of the services surplus, led by ICT exports and travel receipts, while net FDI inflows for the full year reached 3.5 percent of GDP. Gross external debt declined to 70.4 percent of GDP at end-2025.

The banking sector remained sound in February. Total loans grew 14.2 percent (yoy), excluding exchange rate effects, driven by household lending —consumer and mortgage loans increased by 21.4 and 12.3 percent (yoy) respectively — while corporate credit rose 12.0 percent yoy, led by construction. Total deposits accelerated by 18.5 percent (yoy), supported by strong growth in both household and corporate deposits, with lari-denominated deposits rising rapidly, consistent with the continued de-dollarization. Financial soundness indicators remained strong, with NPLs at 2.8 percent of total gross loans, return on assets at 3.5 percent, and return on equity at 19.7 percent.

The lari remained broadly stable in March 2026. Against the USD, the GEL softened modestly (–2.2 percent yoy, +1.4 percent mom in average terms), while depreciating against the EUR (+5.0 percent yoy, –0.8 percent mom). The NEER appreciated 1.9 percent (yoy) and 0.1 percent (mom), while the REER through February remained 1.7 percent below its level from a year before, indicating a modest improvement in price competitiveness. International reserves declined to USD 6.3 billion at end-March (–5.2 percent mom), from a record USD 6.7 billion at end-February, reflecting a valuation loss on monetary gold following the global gold price correction and some foreign currency outflows related to external debt service. Notwithstanding the monthly decline, reserves stood at 46.5 percent above their end-March 2025 level and continue to provide a buffer of over 4 months of imports.

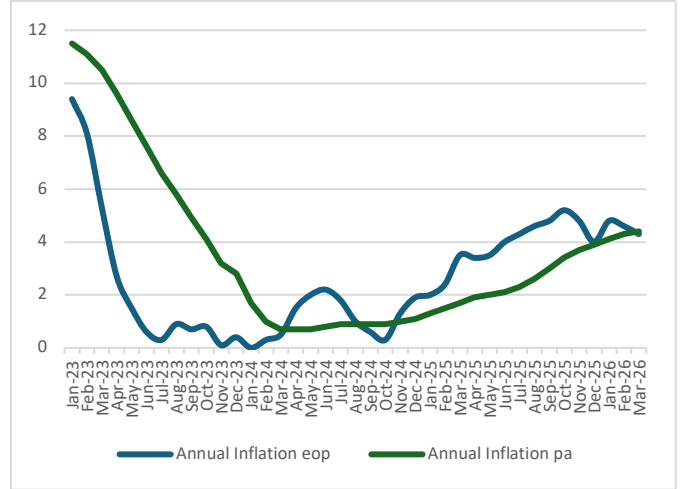
Georgia's fiscal position remained solid. In February, revenue growth of 3.9 percent (yoy) was supported by tax revenues rising 1.8 percent and a pickup in non-tax revenues. On the expenditure side, total spending declined 5.2 percent (yoy) in February, as a sharp contraction in capital expenditure (–47.8 percent yoy) reflecting slow project implementation, more than offset moderate growth in current spending (+3.3 percent yoy). Compensation of employees and social protection were the main drivers of current spending growth, while interest payments fell, reflecting the timing of coupon payments following the January Eurobond refinancing. The overall fiscal balance remained slightly positive in February. Over January–February, total revenues rose 4 percent (yoy) while total expenditures declined by 4 percent, yielding a broadly balanced cumulative position compared with a deficit in the same period of 2025. Government debt as a share of GDP continued to decline reaching 32 percent at end-February.

Figure 1. Economic activity remained strong, with GDP growth at 8.8 percent (yoy) in February
(%, yoy)



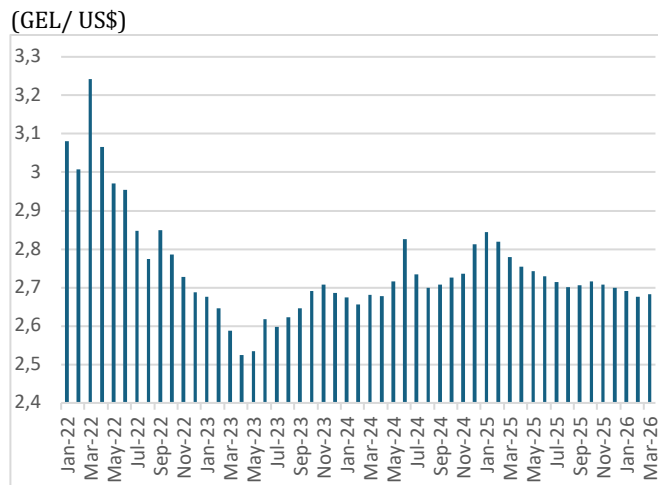
Source: Geostat

Figure 2. Inflation slightly moderated to 4.3 percent (yoy) in March
(%, yoy)



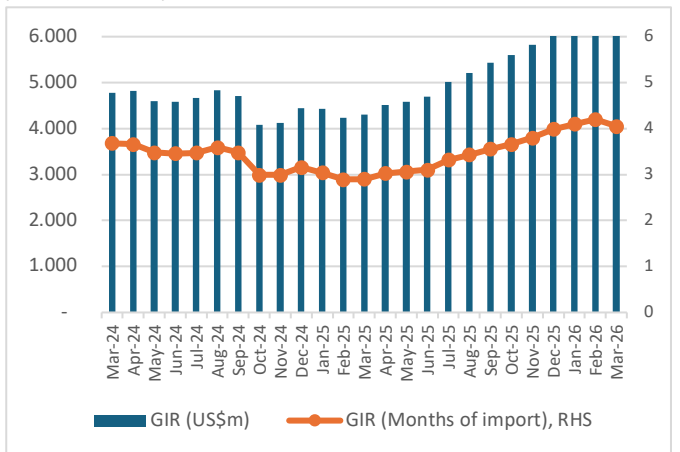
Source: Geostat

Figure 3. GEL remained broadly stable in March



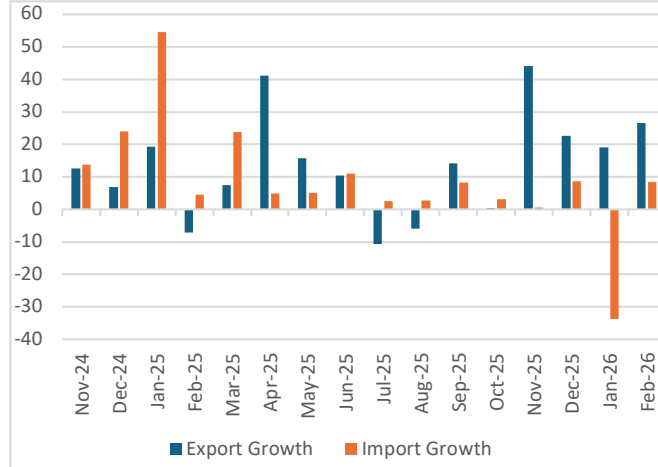
Source: Geostat

Figure 4. Gross international reserves moderated slightly in March
(US\$ m, months)



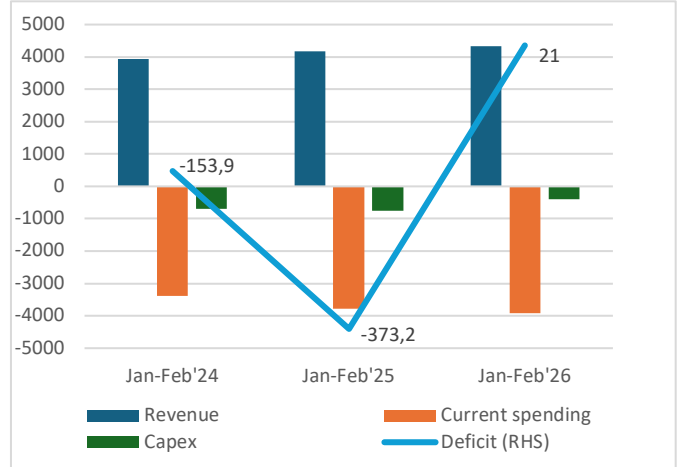
Source: NBG, Geostat

Figure 5. The trade balance improved in February due to a strong export growth
(growth, %, yoy)



Source: Geostat

Figure 6. A small overall budget surplus was recorded in early 2026
(GEL million)



Source: Ministry of Finance