

- Growth remained strong, with GDP up 7.2 percent (yoy) in December, bringing annual growth to 7.5 percent.
- Inflation accelerated in January, with headline annual inflation at 4.8 percent (yoy).
- External performance improved in December, however the trade deficit widened in 2025.
- The banking sector remained sound in December, supported by strong credit growth, low NPLs, and high profitability.
- Fiscal performance remained strong in December, and the fiscal deficit narrowed to 1.7 percent for the year.

Economic activity remained strong at the end of 2025, with real GDP growing 7.2 percent (yoy) in December, bringing annual growth to 7.5 percent (yoy). Growth in December was supported by broad-based contributions from manufacturing, information and communication, transport and storage, and accommodation and food services, while construction continued to contract. Cumulatively, growth for 2025 reached 7.5 percent (yoy), down from the 9.4 percent recorded in 2024. VAT-payer turnover rose by 11.0 percent (yoy) in December, and the number of newly registered enterprises stabilized.

Inflation picked up in January 2026. Consumer prices increased 1.2 percent (mom), reflecting broad price adjustments across food, services, and core goods and services. On an annual basis, headline inflation rose to 4.8 percent (yoy), up from 4.0 percent in December. Price increases were most pronounced in food and non-alcoholic beverages, alcohol and tobacco, and housing utilities, while declines continued in transport and communication categories. Core inflation also increased to 2.4 percent (yoy). The National Bank of Georgia kept the policy rate unchanged at 8 percent at its February 11th meeting.

Georgia’s external performance strengthened at end-2025 supported by strong export growth and resilient remittances. In December, exports increased by 22.5 percent (yoy), driven mainly by motor-vehicle re-exports (+53 percent, yoy), precious metals (+31 percent, yoy), and fuel-related trade (multiple-fold increase). Imports rose by 8.5 percent (yoy) and remained concentrated in energy products, with weaker inflows of machinery, equipment, and vehicles. Over January–December 2025, strong export momentum (up 11.2 percent) was more than offset by robust import growth (up 9.7 percent), leading to a widening of the trade deficit by 8.8 percent. In December, remittance inflows rose 18.4 percent (yoy), driven primarily by higher transfers from Russia (+39 percent) and the United States (+15 percent).

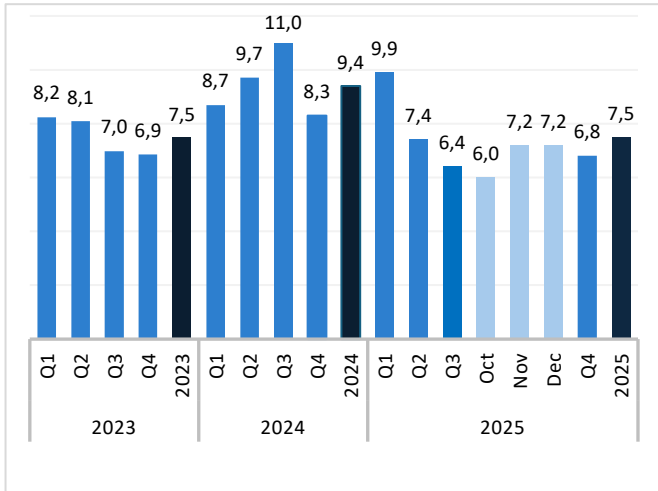
Cumulatively, inflows increased by 8.5 percent (yoy) in 2025, driven by inflows from the US and the EU, while Russia contributed negatively. In 2025, tourism strengthened, with international arrivals rising by 7 percent and proceeding up by 6 percent. Growth was driven by higher spending from Israel, Azerbaijan, and the EU, while Russia and Türkiye—despite remaining the largest source markets—contributed negatively to proceeds growth.

The banking sector remained sound at end-2025, supported by broad-based credit and deposit growth and solid asset quality. Total loans grew 13.8 percent (yoy, excluding exchange-rate effects), driven by continued GEL lending to households and businesses. Deposit growth remained robust at about 13.9 percent (yoy, excluding exchange-rate effects), with both local-currency and FX deposits rising. As a result, deposit dollarization declined to 49 percent, reflecting a preference for lari-denominated savings. Asset quality remained strong, with the non-performing loan ratio at 2.5 percent, while profitability indicators such as return on assets and return on equity remained stable on a yoy basis at 3.9 and 23 percent, respectively.

The exchange rate remained broadly stable at the start of 2026, with adequate reserve buffers. Based on average monthly exchange rates, the GEL appreciated slightly against the USD in January (up 0.1 percent, mom) while depreciating against the EUR (down 1.2 percent, mom). In annual terms, the GEL remained stronger against the USD (up 5.2 percent, yoy) and weaker against the euro (down 7.3 percent), leaving the nominal effective exchange rate broadly stable. In December, the REER declined by 0.9 percent (mom) and 3.5 percent (yoy) indicating a continued easing of external price competitiveness. International reserves increased by USD140.9 million in January compared to the previous month, reaching a record USD 6.3 billion, equivalent to around four months of imports.

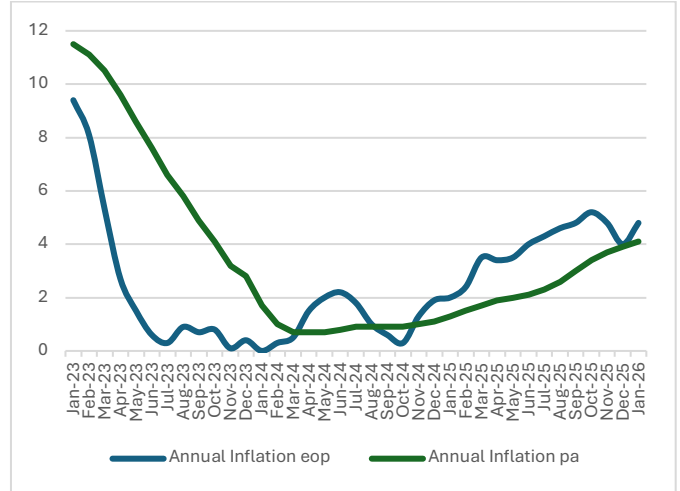
Georgia’s fiscal performance remained strong at end-2025, supported by robust tax collection. In December, total revenues increased by 10.7 percent (yoy), driven mainly by higher VAT (+24.5 percent (yoy)), personal income tax (+17.1 percent (yoy)), and excise revenues (+15.2 percent (yoy)), partly offset by a modest decline in profit tax (–3.7 percent (yoy)). Current expenditure remained elevated, while capital spending continued to contract, reflecting persistent implementation delays. In 2025, revenues grew by about 10.7 percent and broadly outpaced expenditure growth (+6.5 percent), resulting in an overall fiscal deficit of 1.7 percent of estimated GDP in 2025 (down from 2.9 percent in 2024). General government debt remained stable at 34.3 percent of GDP.

Figure 1. Economic activity remained strong, with GDP growth at 7.2 percent (yoy) in December 2025
(%, yoy)



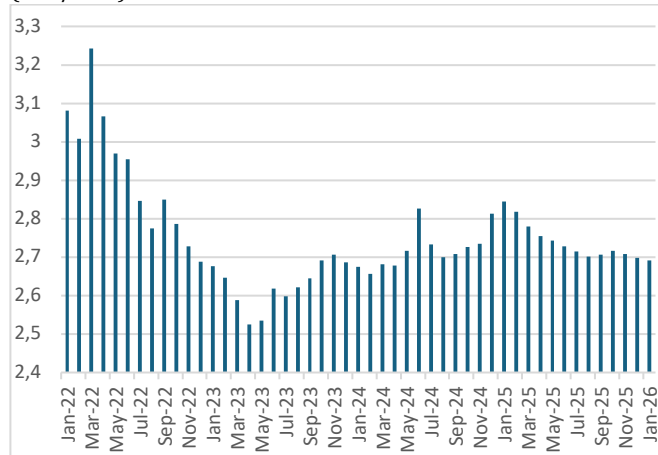
Source: Geostat

Figure 2. Inflation increased to 4.8 percent (yoy) in January 2026
(%, yoy)



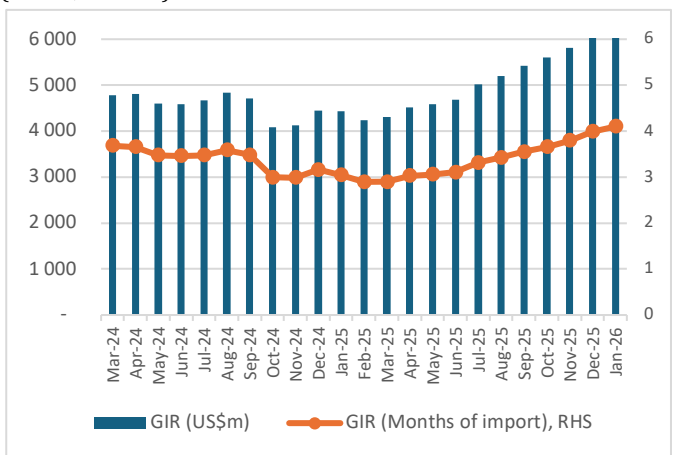
Source: Geostat

Figure 3. GEL remained broadly stable in January 2026
(GEL/ US\$)



Source: Geostat

Figure 4. Gross international reserves continued to accumulate through January 2026
(US\$ m, months)



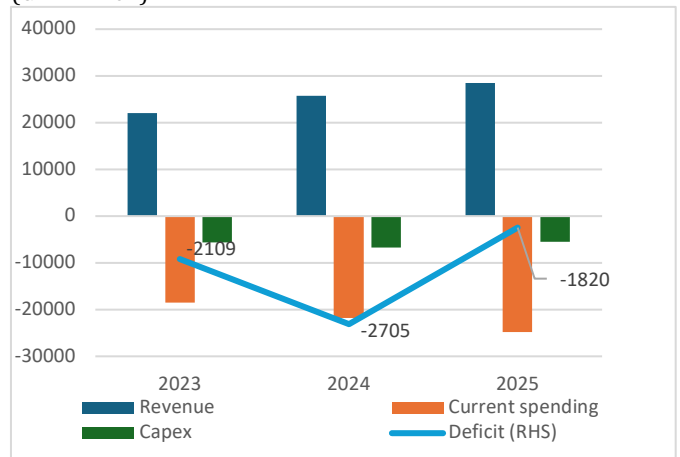
Source: NBG, Geostat

Figure 5. The trade balance deteriorated in December 2025 despite strong exports growth
(growth, %, yoy)



Source: Geostat

Figure 6. A fiscal deficit of 1.7 percent of GDP was recorded in 2025
(GEL million)



Source: Ministry of Finance