



Parliament of Georgia

2026 I Quarter Economic Growth Rate Forecast

Parliamentary Budget Office
of Georgia

2026

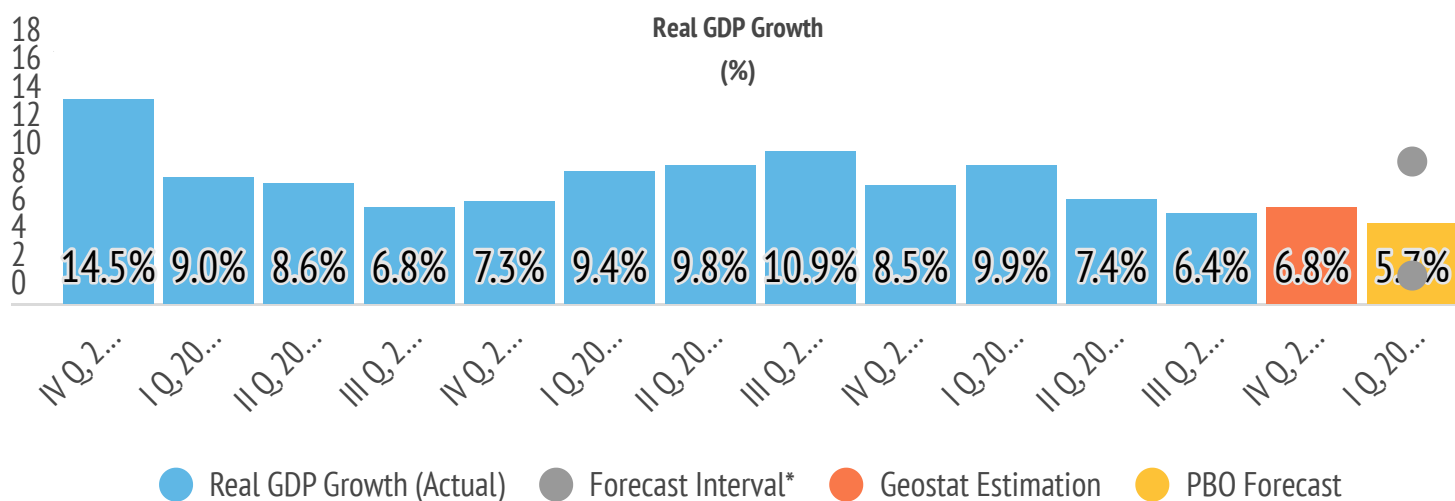
February

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According to the Parliamentary Budget Office estimates, real GDP growth in Q1 2026 will be positive and reach 5.7%. Expected GDP growth is due to the maintenance of the improved economic situation which started in the previous year, since COVID-19 pandemic. Despite the base effect of a high growth experienced in Q1, 2026 (economy increased by 9.9% in Q1, 2025), economy maintains the increasing trend. It should be noted, that the high growth rate of the economy was also maintained in the fourth quarter of 2025. In particular, according to the preliminary data of the National Statistics Office of Georgia, the average real growth in Q4, 2025 was 6.8%. The indicator is more than forecasted 6.6% for Q4, 2025 by parliamentary budget office¹.

The forecast of the economic growth rate of Q1, 2026 by the Budget Office is based on the assumptions that compared to the first quarter of 2025:

- The number of tourists² coming into the country will increase by 1.0 times (1.1 times less than in Q1, 2019 pre-pandemic period), while the number of Georgian tourists abroad will increase.
- Domestic tourism activity will also be kept, along with a significant increase in tourism export.
- The volume of both, private consumption and investment will increase. Overall, total consumption and investment will increase, that will be the main determinant of the mentioned positive economic growth.
- In line with increasing investment activities of the government and increasing private consumption and investment, PBO expects increase in trade turnover of goods.

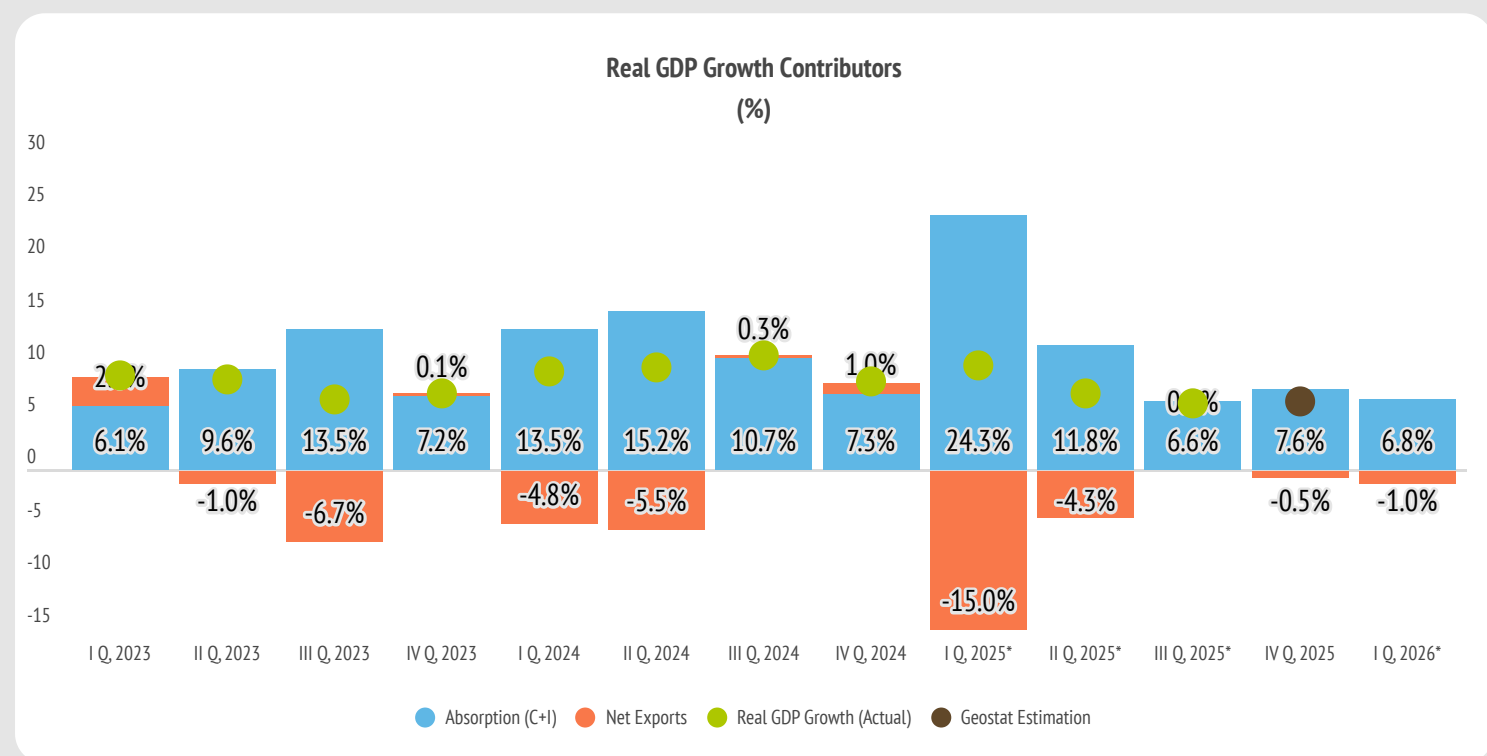


*The forecast interval indicates the range in which the real GDP growth rate will fall. The interval estimation is defined as the sum of the central forecast and ± 0.5 standard deviation from the previous quarters' economic growth.

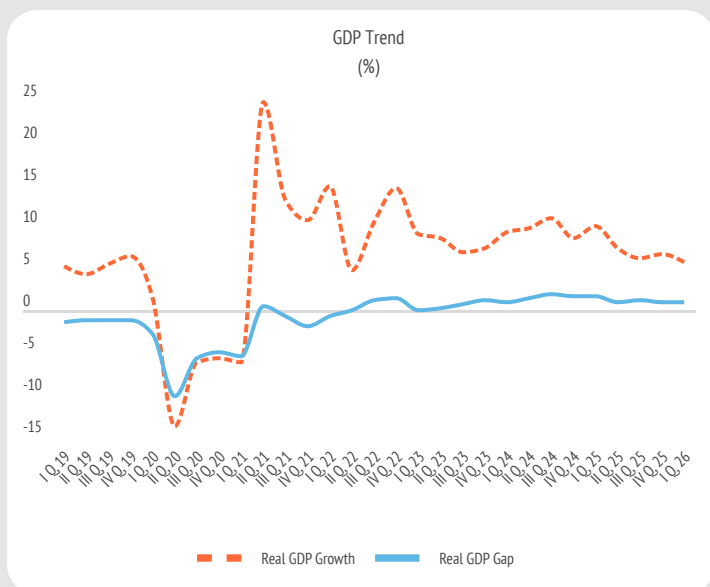
1. www.pbo.parliament.ge

2. Evaluation of the number of international traveler trips considers the growth trend from previous years

As a result of quantifying these assumptions, it is expected, that import will increase in Q1, 2026 and net export's contribution in economic activity will be -1.0 percentage point, while absorption (sum of consumption and investment) will significantly increase and determine GDP growth rate by 6.8 pp*. According to the PBO estimates, the contribution of net export in economic growth of the 4th quarter of 2025, was defined at -0.8 pp, while the absorption component contributed 7.6 pp.



*Real GDP growth decomposition in Q1, 2026. PBO estimation.



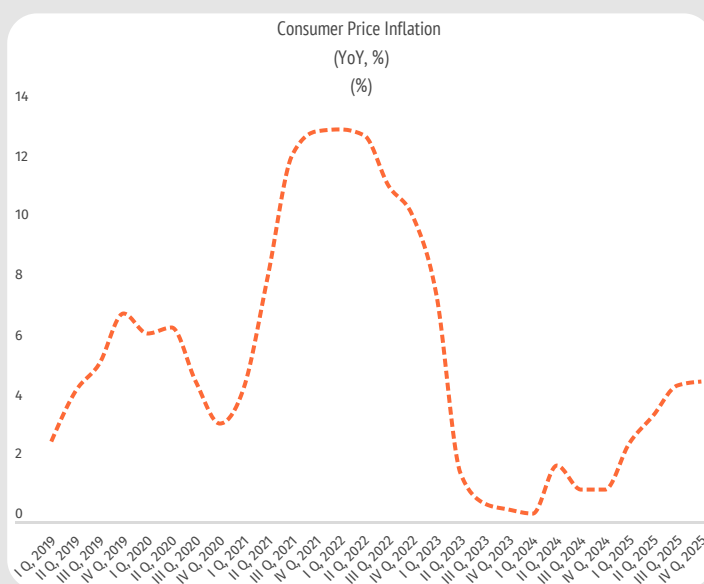
In parallel with the sharp economic decrease in 2020, country's economy was lower than its potential level and real GDP gap was negative. However, high economic growth rate observed in the 2nd quarter of 2021, economic growth exceeded the potential GDP and real GDP gap became positive. The given positive trend was maintained in recent years as well as in I,II, III and IV quarters of 2025.

According to PBO forecasts, high economic growth rates are expected to maintain in I quarter of 2026. The real GDP will exceed the potential GDP, and real GDP gap will be positive.

In Q4 2025, average annual inflation rate amounted to 4.7%, upper than the inflation target of 3.0%.

It should be noted, that after the high growth in average consumer price inflation (11.9%) which was observed in 2022, the given indicator is characterized by a decreasing trend in 2023. The CPI inflation has significantly decreased from the second quarter of 2023 (1.6%), mainly due to continuously declined prices on energy and food products in the world market. In parallel with decreasing consumer price inflation, the National Bank of Georgia has been gradually decreasing monetary policy rate.

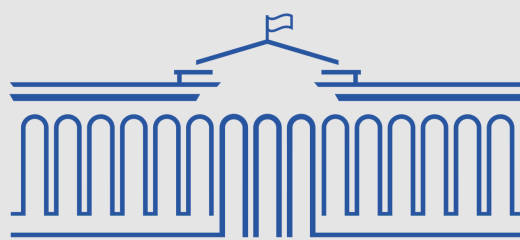
On January 31, 2024 the Monetary Policy Committee of the National Bank of Georgia decided to decrease the monetary policy rate by 0.5 pp, on March 13 decreased by 0.75 pp and on May 22 decreased by 0.25 pp. As a result, the monetary policy rate amounted to 8.0%. According to the PBO estimates, the decrease of monetary policy rate will stimulate economic growth and consumer price inflation will increase.



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