TBC CAPITAL

MACRO UPDATE – GEORGIA

Georgia a Net Creditor in 2025 – As Projected; And Another Real-time Middle East Update

8 April 2026

TBC Group Chief Economist Office

KEY TAKEAWAYS

- In terms of the Middle East conflict spillovers, the picture remains broadly unchanged so far, though, as today's ceasefire enters force, we continue to monitor the impact on the Georgian economy in real time. Forward-looking judgement to follow (see annex for details);

- Separately, Georgia became a net creditor to the rest of the world in 2025, in line with our forecasts, as the underlying current account balance posted a surplus;

- All major outflow categories – imports of goods and services, dividend outflows and interest expenses – declined relative to GDP;

- On the inflow side, ICT exports rose sharply, while the three largest components – exports of goods, tourism revenues and money transfers – remained broadly stable;

- As for financing sources, net FDI, excluding reinvested earnings, provided only 0.8% of GDP in 2025, consistent with the subdued levels seen in recent years;

- The post-2022 accumulation of foreign assets continued in 2025, with holdings of Georgian residents now standing at 12.7% of GDP, though last year saw a shift from debt securities to equities and from commercial banks to the other private sector;

- Furthermore, overall net loans fell in 2025 for only the second year since 2013, likely reflecting the surplus on the FX market, though government borrowing increased slightly;

- Against this backdrop, gross reserves grew by USD 1.7 bn compared to 2024, including USD 500 mn from higher gold prices, adding another USD 500 mn in the first two months of 2026 before shrinking by USD 343 mn in March, partially reflecting now the weaker bullion.

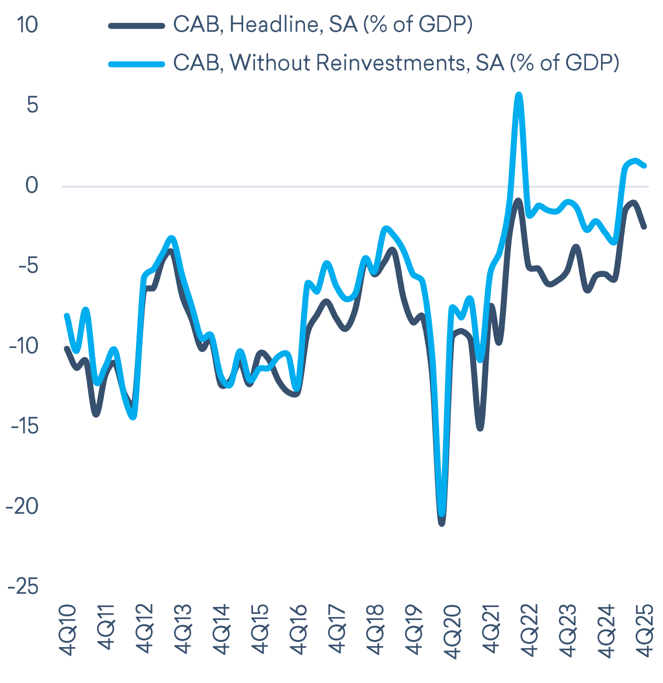
The underlying current account balance, excluding net reinvestments, posted a surplus of USD 82 million, or 0.2% of GDP in 2025, in line with our expectations. While tiny, this marks an important milestone, with surplus economies including the likes of Germany, China, South Korea, Switzerland and Taiwan.

In simple terms, this implies that Georgia became a net creditor to the rest of the world last year, for the first time on record, with foreign currency receipts of residents exceeding their external expenditures. The current account captures this balance – whether a country is a net earner or spender vs the rest of the world through trade and income – while the financial account is the mirror image, showing how any surplus is invested abroad or how any deficit is funded through borrowing or asset sales.

Prior to 2025, there had been only a single quarter with an underlying current account surplus in seasonally adjusted terms – 3Q22, in the immediate aftermath of the Russia-Ukraine war. In 2025, there were three consecutively, starting from 2Q25 (Figure 1). This strengthening of the external position, in turn, has supported the GEL and facilitated reserve accumulation over the past year, as discussed in our previous publications. Furthermore, by providing a favorable starting point, it has aided GEL stability amid hostilities in the Middle East.

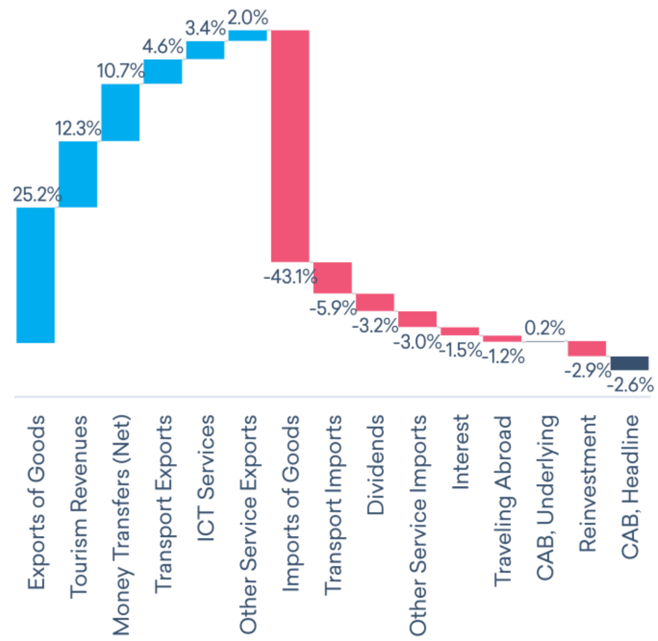
The improvement was broad-based (Figure 2). All major outflow categories – imports of goods and services, dividend outflows and interest expenses – declined relative to GDP (from 50.4% in 2024 to 47.8% of GDP in 2025). On the inflow side, net ICT exports rose sharply (from 1.8% to 2.8% of GDP), while the three largest components – exports of goods, tourism revenues and money transfers – remained broadly stable (from 46.1% to 45.2% of GDP).

FIGURE 1: THE UNDERLYING CURRENT ACCOUNT HAS REMAINED IN SURPLUS SINCE 2Q25 (Seasonally Adjusted, % of GDP)



Source: NBG, TBC Capital

FIGURE 2: MAJOR INFLOW AND OUTFLOW CATEGORIES IN THE CURRENT ACCOUNT (2025, % of GDP)

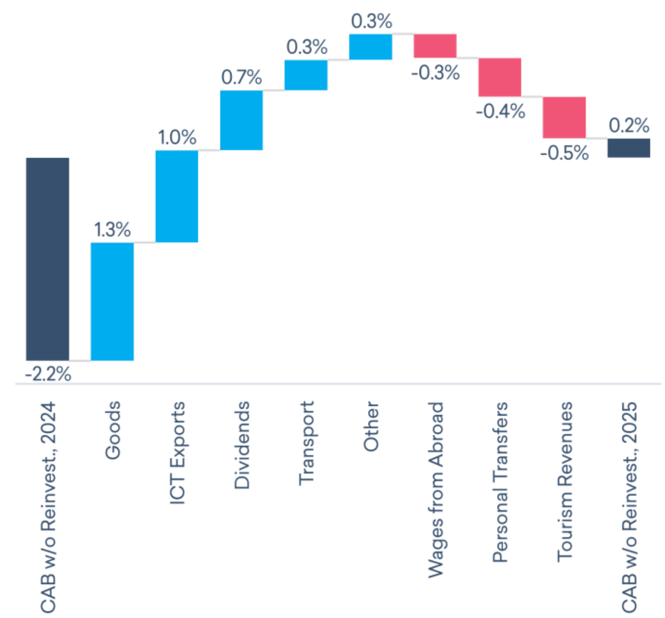


Source: NBG, TBC Capital

In more detail (Figures 3 and 4):

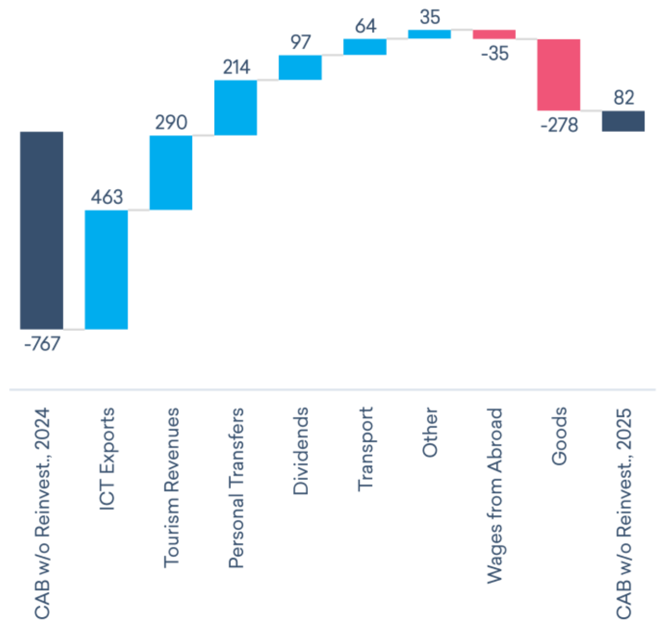
- The **trade balance (goods and services)** deficit (USD 2.2 bn) declined by 17.6% y/y, reaching a record-low 5.8% of GDP.
    - The **goods deficit** totaled USD 6.8 bn (+4.2% y/y). Exports grew by 11.6%, while imports were up by 8.4%. Importantly, even though the deficit increased in nominal terms, it shrank from 19.2% of GDP in 2024 to 17.9% in 2025. Likewise, the imports-to-GDP ratio declined by 1.4 percentage points (pp) to 43.1%, fully accounting for the deficit improvement in relative terms.
    - The **services surplus** reached USD 4.6 bn (+19.3% y/y). Net tourism revenues (USD 4.2 bn, +7.4% y/y) and ICT exports (USD 1.1 bn, +75.1%) alone more than account for the full surplus. In relative terms, the services balance rose by 0.8 pp to 12.1% of GDP, almost fully driven by ICT exports, now at 2.8% of GDP. ICT and financial services now make up a record-high 25.9% of service exports, up sharply since 2022.
- The **primary income deficit** narrowed to USD 2.4 bn (-5.6% y/y), from 7.4% to 6.2% of GDP (from 3.8% to 3.4% of GDP without reinvestments). Net dividend outflows made up USD 1.2 bn (-7.3% y/y), while net reinvestment outflows – which, as opposed to dividends, are only recorded as outflows for accounting purposes – reached USD 1.1 bn (+4.5% y/y). Net interest expenses were USD 577 mn (-17.8% y/y).
- The **secondary income surplus** totaled USD 3.6 bn (+5.6% y/y), with personal transfers (remittances) accounting for over 95% of the total at USD 3.4 bn (+6.7% y/y). Despite growing in nominal terms, the surplus shrank from 9.9% to 9.3% of GDP as the latter grew faster. Note that the balance of payments (BoP) methodology for recording money transfers slightly differs from instant remittance statistics.

FIGURE 3: UNLDERYING CURRENT ACCOUNT CHANGE BY COMPONENTS (2025 vs 2024, % of GDP)



Source: NBG, TBC Capital

FIGURE 4: UNLDERYING CURRENT ACCOUNT CHANGE BY COMPONENTS (2025 vs 2024, USD mn)

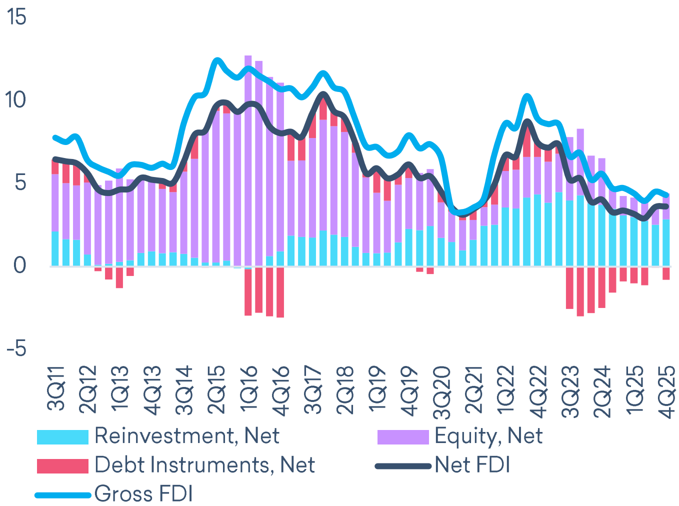


Source: NBG, TBC Capital

As for financing sources – the financial account – **net foreign direct investments (FDI)**, excluding reinvested earnings, provided only 0.8% of GDP in 2025, or USD 297 mn, consistent with [the subdued levels seen in recent years]() (Figure 5). The EU was the largest source with 31% of gross inflows (including reinvestments), followed by the UK with 20% and Turkey with 11%. Sector-wise, finance and insurance accounted for 36% of the total, with real estate activities (11%) and transport and storage (10%) next.

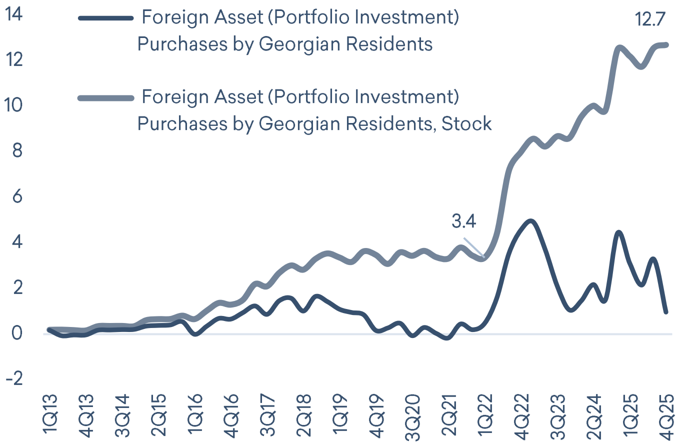
Net portfolio investments were even more muted at 0.1% of GDP, or USD 54 mn. However, much of this can be attributed to purchases of foreign securities by Georgian residents, which totaled USD 369 mn in 2025, continuing the [post-2022 trend of foreign asset accumulation](). Georgian residents now hold USD 4.8 bn worth of foreign assets, equivalent to 12.7% of GDP (Figure 6). Importantly, however, last year saw a shift in the purchase structure (Figure 7). In 2024, debt securities made up 89% of overall purchases, of which commercial banks were responsible for 82%, largely in the form of short-term securities. In 2025, purchases shifted to equities, worth USD 481 mn, while debt securities recorded a negative USD 111 mn, as banks offloaded short-term bonds. At the same time, it was the private sector – excluding banks and other financial corporations – where over two thirds of these equity purchases were concentrated, with 2025 turning out a record year for buying both listed equity (USD 288 mn) and investment fund shares (USD 194 mn).

FIGURE 5: REINVESTED EARNINGS HAVE BEEN DRIVING FDI OVER THE PAST FEW YEARS (% of GDP, 4Q Moving Sum)



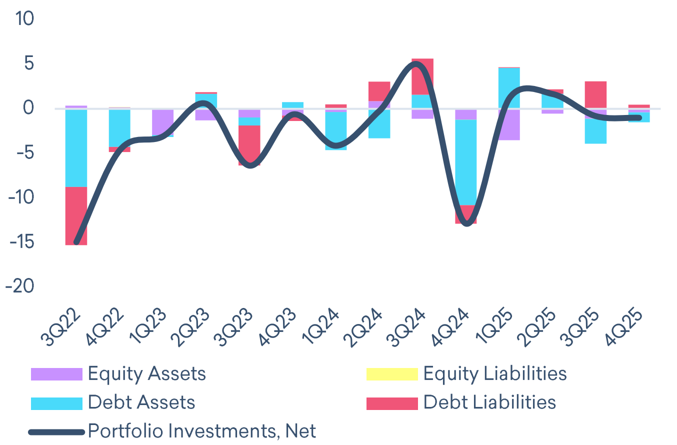
Source: NBG, TBC Capital

FIGURE 6: FOREIGN ASSET HOLDINGS OF GEORGIAN RESIDENTS HAVE SURGED SINCE 2022 (% of GDP)



Source: NBG, TBC Capital

FIGURE 7: ASSET PURCHASES BY GEORGIAN RESIDENTS SHIFTED FROM DEBT SECURITIES TO EQUITIES in 2025 (% of GDP)



Note: A negative sign in assets means purchase of assets. A negative sign in liabilities means a reduction of liabilities.
Source: NBG, TBC Capital

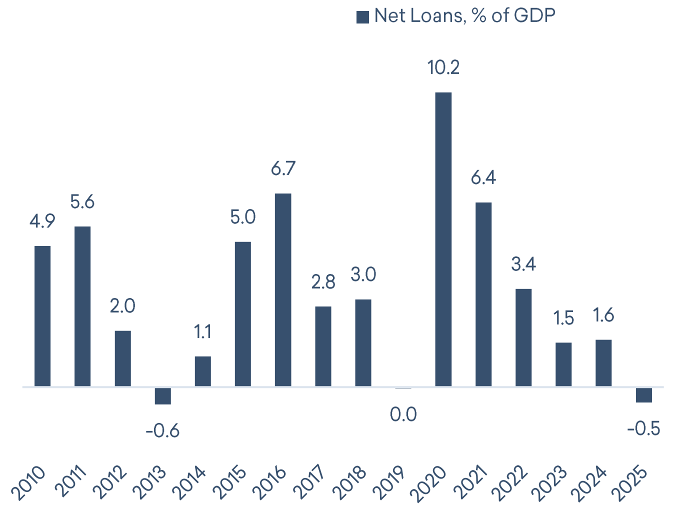
Furthermore, **net loans** fell in 2025, down by USD 201 mn, or 0.5% of GDP (Figure 8). This is only the second year with loans shrinking – the other one in 2013 – likely reflecting the surplus on the FX market. Net liabilities of commercial banks (USD 84 mn), the private sector (USD 78 mn) and the NBG (USD 68 mn, IMF repayments) all declined. Meanwhile, the government took up USD 525 mn in new loans and repaid USD 496 mn.

Against this backdrop, **gross reserve assets** grew by USD 1.2 bn in 2025 (Figure 9). Gains from exchange rate movements and price changes (mostly NBG gold holdings) added another USD 500 mn, with gross reserves up by USD 1.7 bn compared to December 2024. Reserves had been used to partially finance the current account deficit for six consecutive quarters, with an overall drawdown of USD 1.3 bn in the period of 4Q23-1Q25, though increased by USD 1.5 bn over the past three quarters.

Reserves continued to climb in 2026, adding another USD 500 mn in the first two months of the year, though shrank by USD 343 mn in March, partially reflecting lower gold prices amid Middle East spillovers, as, per our estimates, FX interventions were not material. At the same time, net international reserves, without IMF Special Drawing Rights (SDR) of USD 475 mn, reached USD 3.5 bn as of Mar-26, up 204% y/y.

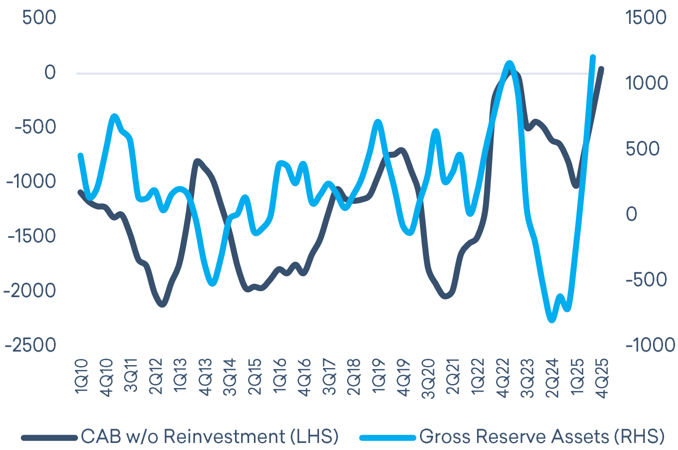
With 2025 data fully in line with our forecasts, we would, under normal circumstances, have left the outlook unchanged. However, the Middle East conflict – even if the ceasefire evolves into a lasting peace agreement – has triggered shifts in global markets that are unlikely to dissipate overnight. We will follow up with updated projections next week.

FIGURE 8: NET LOANS TAKEN UP BY GEORGIAN RESIDENTS FELL IN 2025 FOR THE FIRST TIME SINCE 2013 (% of GDP)



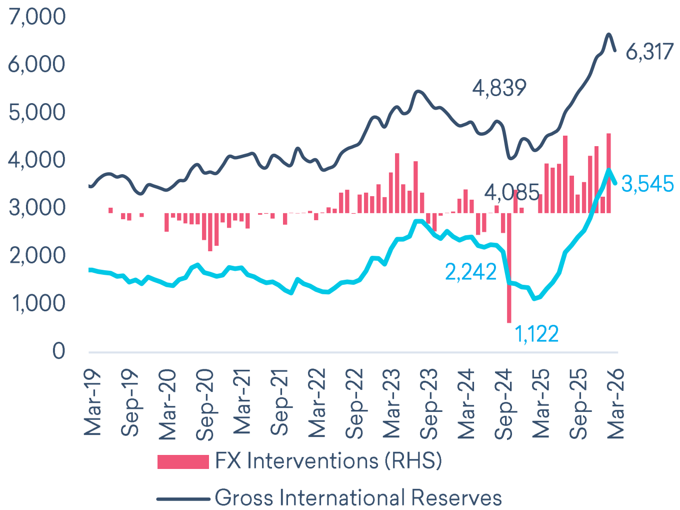
Source: NBG, TBC Capital

FIGURE 9: RESERVE ACCUMULATION WAS AIDED BY THE UNDERLYING CAB SURPLUS IN 2025 (USD mn, 4Q Moving Sum)



Source: NBG, TBC Capital

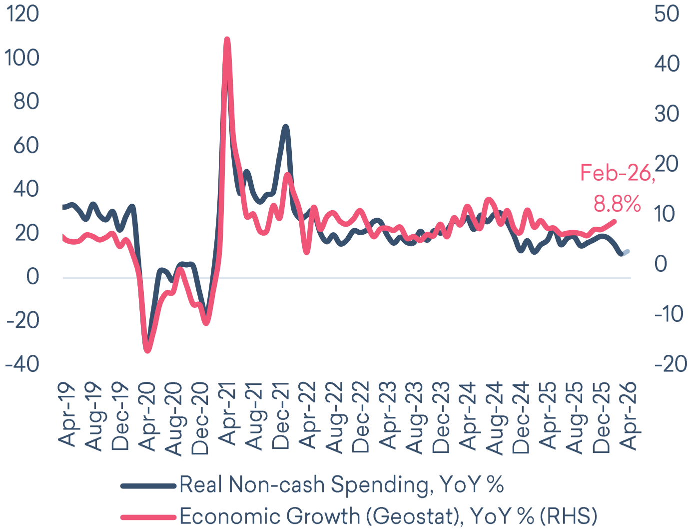
FIGURE 10: RESERVE ASSETS MODERATED IN MARCH, PARTIALLY REFLECTING LOWER GOLD PRICES (USD mn)



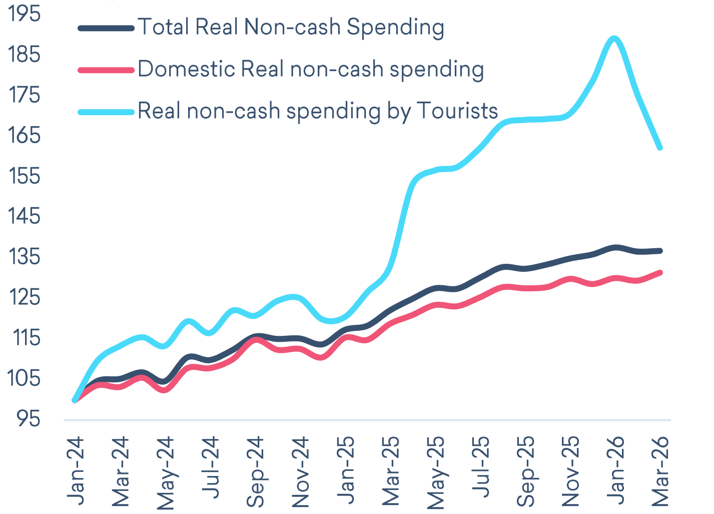
Source: NBG, TBC Capital

ANNEX: MIDDLE EAST IMPACT – REAL-TIME INDICATORS

REAL NON-CASH SPENDING GROWTH DECELERATED IN FEBRUARY AND MARCH, APRIL LOOKS SLIGHTLY BETTER SO FAR (As of 4-Apr-2026, YoY, %)

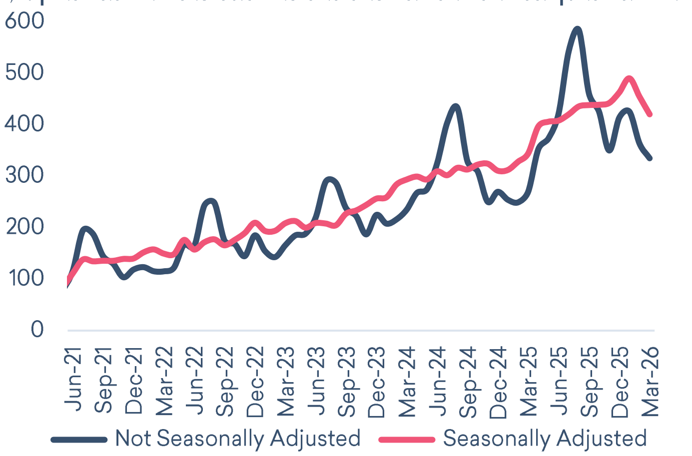


MODERATION IN REAL NON-CASH SPENDING IS ESPECIALLY EVIDENT IN NON-RESIDENTS (Index, Jan-2024=100, as of 31-Mar-2026)



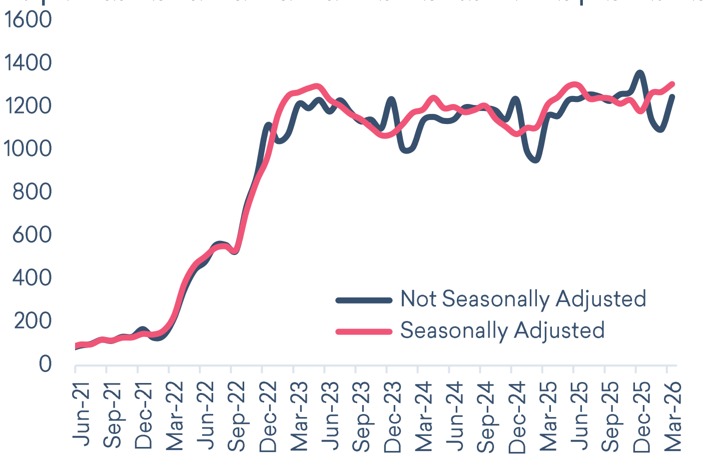
NON-CASH EXPENSES OF NON-RESIDENTS HAVE MODERATED NOTICEABLY RECENTLY (Index in USD, 2021 = 100, As of 31-Mar-2026)

	2025												2026		
YoY, %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	22.3	15.3	14.9	31.8	36.0	29.8	34.3	34.8	40.2	37.4	39.9	53.4	67.5	45.9	24.1



MIGRANT* EXPENSES APPEAR RELATIVELY ROBUST IN MARCH (Index, Jan-2024=100, as of 31-Mar-2026)

	2025												2026		
YoY %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	-1.2	-5.3	1.8	0.4	8.4	8.2	5.1	4.5	2.8	6.3	11.2	9.8	14.8	14.6	7.8



Note: Non-cash spending dynamics partially reflect the expenditure switching trend to digital channels as well as the growing number of available digital payment platforms. At the same time, TBC dynamics is partially distorted due to the bank's higher market share recently. Namely, while TBC growth accumulated to 33.4% in 2025, the NBG tourism revenue estimates have posted only 6.0% annual growth

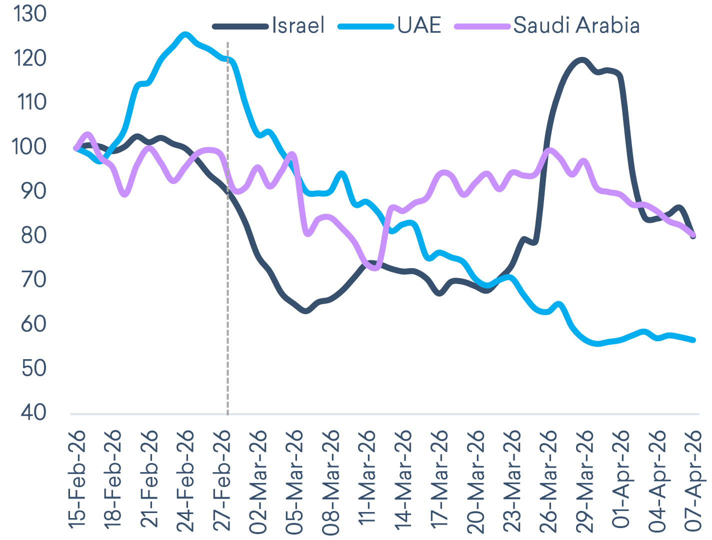
AIRPORT ARRIVALS AND DEPARTURES SLOWED DOWN SINCE CONFLICT ESCALATION AND REMAIN SUBDUED

TBILISI AIRPORT, As of 7-Apr

BATUMI AIRPORT, As of 7-Apr

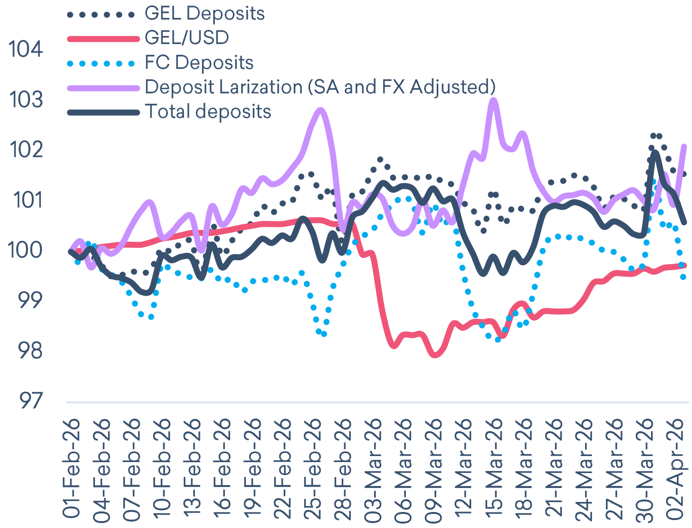
Source: TBC Capital, FlightAware

GEORGIA-RELATED SEARCHES IN THE MIDDLE EAST HAVE DECLINED (Index, 15-Feb-26 = 100, 7-day moving average, as of 7-Apr-2026)



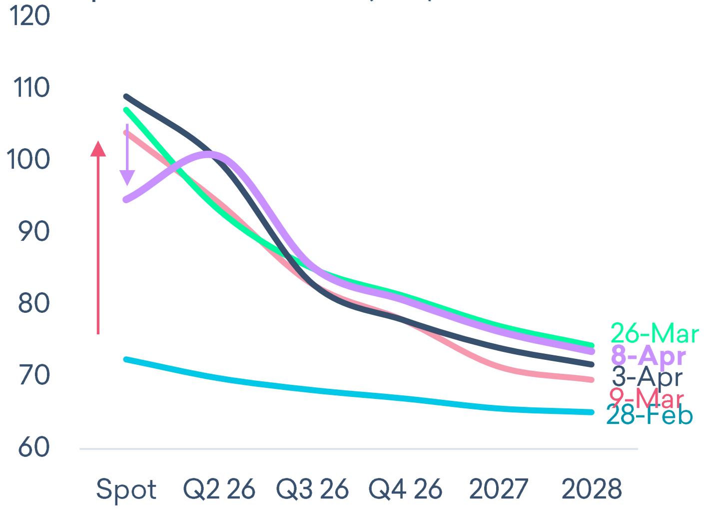
Source: Google, TBC Capital

INITIAL GEL DEPRECIATION AND SUBSEQUENT STABILIZATION ARE FULLY IN LINE WITH DEPOSIT CONVERSION DYNAMICS (Index, 1-Feb-26 = 100, seasonally & fc-adjusted, as of 3-Apr-26)



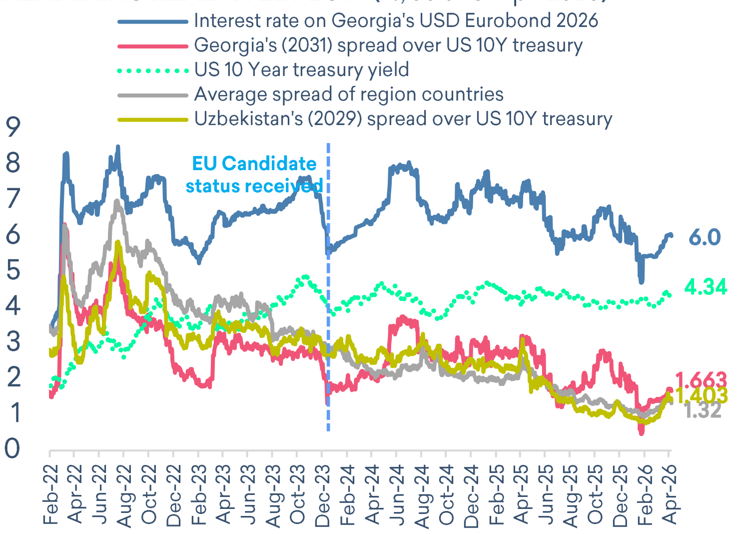
Source: NBG, TBC Capital

OIL SPOT PRICE DROPS, BRENT OIL PRICE CURVE AS IMPLIED BY FUTURES NOW POINT TO PRICE RETURNING TO 80$ THIS YEAR ALREADY (USD)



Source: Bloomberg

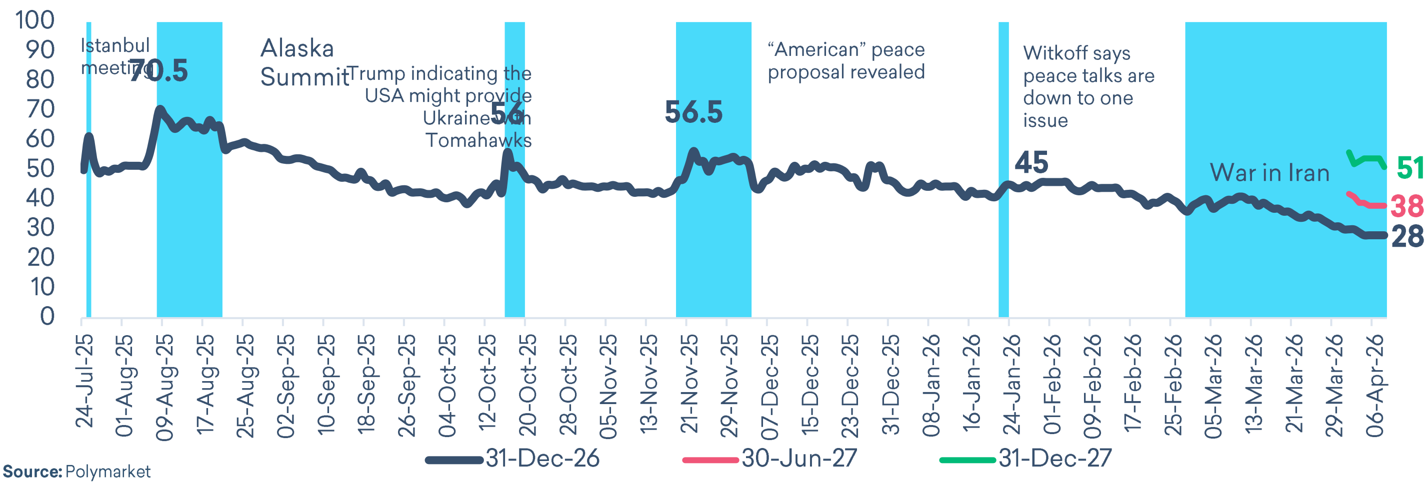
GEORGIA'S ESTIMATED RISK PREMIUM SLIGHTLY INCREASES AND STABILIZES IN RECENT DAYS, REMAINING REALTIVELY LOW (%, as of 8-Apr-2026)



Note: Region countries include Türkiye, Armenia, Azerbaijan, Uzbekistan, Kazakhstan and Tajikistan

Source: FRED, Bloomberg, TBC Capital

POLYMARKET (CRYPTO BETTING) **NET PROBABILITY OF RUSSIA-UKRAINE CEASEFIRE BY DATE** (%, as of 8-Apr-2026)



Source: Polymarket

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