



**TBC CAPITAL**



# **Revisited: Is the Georgian Economy Largely Delta-Neutral?**

**A Rare Feature Well-Known for Uzbekistan**

**5 May 2026**

**TBC Group Chief Economist Office**

# KEY TAKEAWAYS

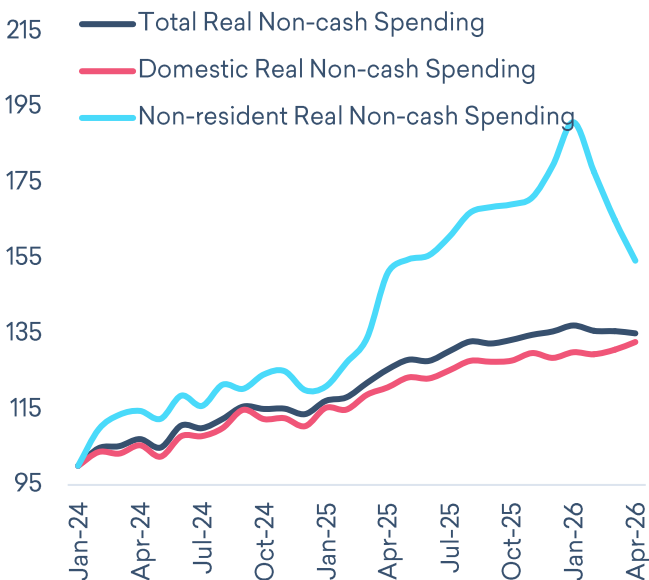
- Two weeks ago, we raised our growth forecast. With data continuing to come in above expectations, we are raising it again – to 7.4% for the full year;
- Similar to Uzbekistan, we have long highlighted features of structural stability in the Georgian economy, which we refer to as “delta-neutral”, reflecting the presence of offsetting channels across many, though not all, scenarios;
- Downside spillovers from the Middle East conflict have been relatively contained, concentrated in the hospitality sector, while upsides have grown more pronounced – chief among them, commodity exports lifted by surging global prices;
- Though Georgia is a net oil importer, the country receives substantial inflows from commodity exporters, often broadly offsetting net oil exposure, with oil re-exports also emerging since late 2025;
- Exports have likely been the single largest driver of growth, unlike in 2025, since coincident indicators point to no significant acceleration in spending as of April;
- Rising exports have more than offset the decline in tourism revenues in March-April, by our estimates, supporting the GEL and potentially allowing the NBG to resume FX purchases;
- All in all, the three core drivers behind the upward revision – delayed war resolution in Ukraine, Middle East spillovers, and stronger-than-expected Geostat prints – remain unchanged, though larger in magnitude;
- We also revise the end-year inflation forecast from 5.6% to 6%, following an April print of 5.9% that came in slightly above our forecast, and given that oil prices have risen again after moderating in mid-April.

Two weeks ago, [we raised our growth forecast](#). With data continuing to come in above expectations, we are raising it again.

According to Geostat, economic growth came in at 9.1% in 1Q26, with March alone at 10.7% y/y. By our estimates, this implies 4% seasonally adjusted q/q growth – the second-highest since 2021, related to COVID recovery, and just below 4.2% in 3Q24 (Figure 1). We therefore upgrade the full-year projection from 6.1% to 7.4%.

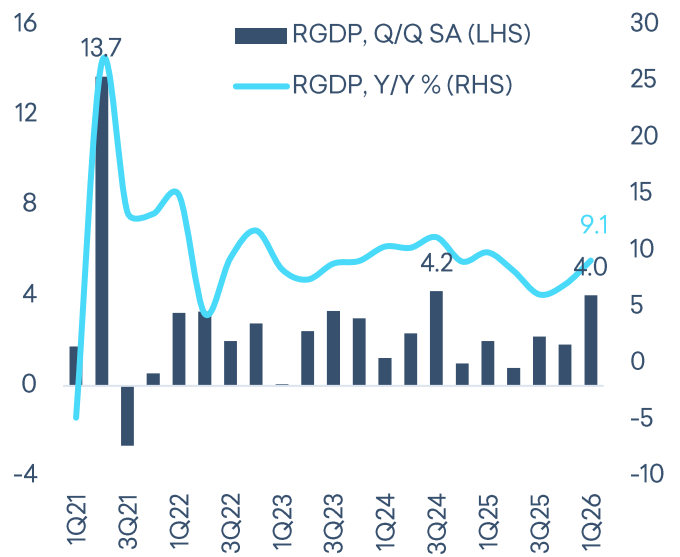
More than two months on from the Middle East escalation, it has become increasingly apparent that downside spillovers have been relatively contained, concentrated in the hospitality sector, while upsides have grown more pronounced – chief among them, commodity exports lifted by surging global prices.

**FIGURE 2: NON-RESIDENT EXPENSES HAVE DECLINED, WHILE RESIDENT SPENDING HAVE BEEN BROADLY FLAT** (Index, SA, Jan-24 = 100)



**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  
**Source:** TBC Capital

**FIGURE 1: THE ECONOMIC GROWTH PRINT IMPLIES A SIZEABLE ACCELERATION IN QUARTERLY TERMS** (Seasonally Adjusted, %)



**Source:** Geostat, TBC Capital

In fact, this has likely been the single largest driver of growth, [unlike in 2025](#), since coincident indicators point to little meaningful recovery in non-resident spending, our real-time proxy for tourism revenues, while resident spending has been broadly flat over the past few months (Figure 2). [We had flagged exports](#), together with other potential upside channels, back in March. In this sense, while our judgement has not changed, the magnitude has been larger than expected.

TBC Capital readers will recall that we have long highlighted [features of the Georgian economy's inherent stability](#) when analyzing risks to the macro environment. We refer to this trait as “delta-neutral”\*, borrowing from the investment universe.

\*Delta neutral is a portfolio strategy utilizing multiple positions with balancing positive and negative deltas so that the overall delta of the assets in question totals zero.

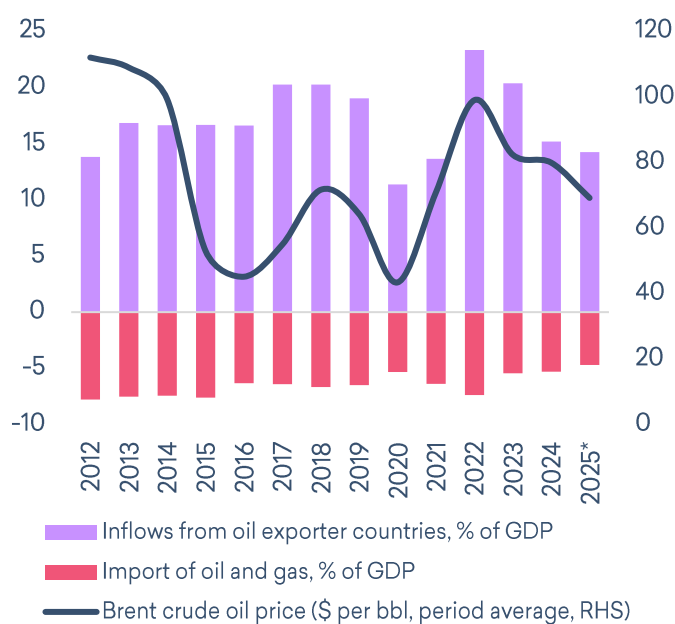
This does not imply immunity to external shocks. Rather, it reflects the presence of offsetting channels [across a range of many – though, of course, not all – scenarios](#) whereby adverse spillovers are at least partly counterbalanced by positive ones. Readers will also draw parallels to Uzbekistan, where an [inverse relationship between the main sources of FX inflows](#) smooths the impact of cycles, underpinning [our bullish outlook](#) on growth and the UZS.

One such feature for Georgia has been historically stable terms of trade (ToT, export prices over import prices), a rather rare attribute – [definitely not as favorable as in Uzbekistan, but still at the higher end of commodity importers](#).

This applies, among others, to oil prices – though Georgia is a net oil importer, the country receives substantial inflows from commodity exporters, often broadly offsetting net oil exposure (Figure 3). On top of this, since November 2025, refined petroleum re-exports from Georgia have risen sharply, reaching 16.5% of total March exports, further mitigating – albeit, likely temporarily – the negative impact of oil prices on ToT.

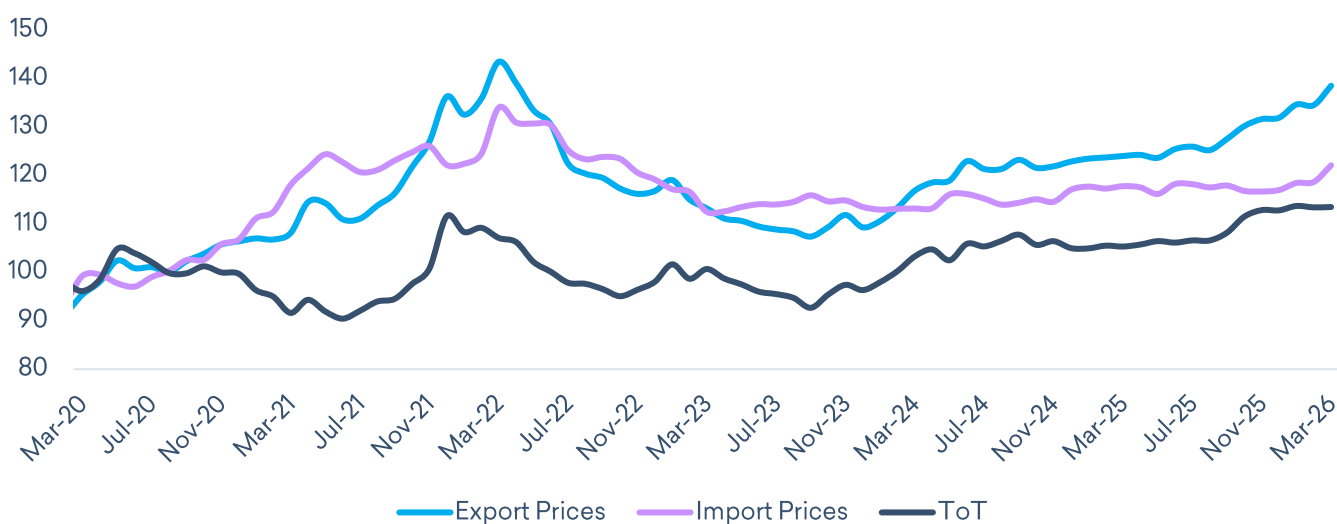
It is not just oil exports, however, that have been supported by rising prices, but also a range of other commodities, including gold, copper, ferro-alloys and fertilizers. Accordingly, export prices grew by 3% m/m overall in March, fully offsetting the 2.9% m/m rise in import prices and keeping the ToT stable (Figure 4).

**FIGURE 3: ALTHOUGH GEORGIA IS A NET OIL IMPORTER, THE COUNTRY RECEIVES SIGNIFICANT INFLOWS FROM OIL EXPORTERS**



**Note:** Inflows from oil exporter countries include exports of goods, tourism revenues, remittances and FDIs. Taking into account the different elasticities of currency inflows and imports of petroleum products against oil prices, the country's overall net exposure to oil prices appears to be reasonably balanced. For example, a possible drop in oil prices should have a greater proportional impact on petroleum imports than on tourism or export inflows. The impact also depends on the prices of oil, which is assumed in the state budgets of relevant countries.  
**Source:** Geostat, NBG, Bloomberg, TBC Capital

**FIGURE 4: TERMS OF TRADE REMAINED STABLE IN MARCH (Index, 2020 = 100)**



Source: Geostat, TBC Capital

All else equal, broadly unchanged ToT still imply a higher deficit in USD terms, as an equal rise in export and import prices would result in a deterioration of the trade balance simply because imports are larger than exports. However, commodity exports grew in volume as well as in price, with the total merchandise trade deficit shrinking to 28.4% of GDP in the first three months of the year, significantly lower compared to previous years (Figure 5).

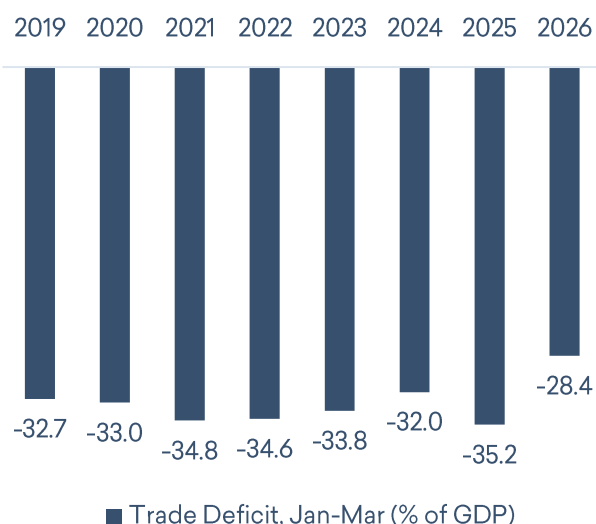
One parallel stands out: post-2022 FX inflows. [Among other channels of impact](#), commodity prices surged in the immediate aftermath of the Russia-Ukraine war, boosting exports. Back then, the rise was more sustained, with oil prices peaking in June. Currently, though uncertainty remains exceptionally high, the baseline scenario is still price normalization, even if to higher than pre-escalation levels.

What is clear is that the March tourism shortfall – around USD 75 mn relative to a no-conflict scenario, by our estimates – has been offset by a c. USD 90 mn acceleration in commodity export growth (USD 95 mn y/y in February vs USD 186 mn y/y in March). We expect a similar dynamic in April, possibly stronger, given the still-appreciating GEL and the likelihood that the NBG has returned to net purchases (Figure 6).

All in all, the three core drivers behind the upward revision remain unchanged, though their magnitude has increased:

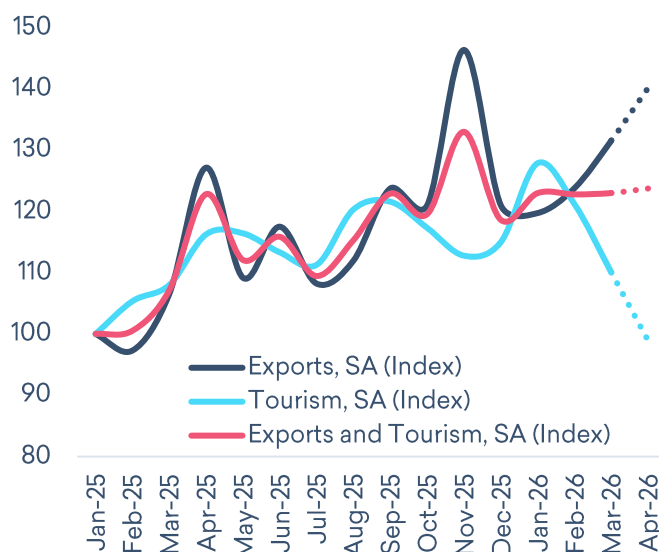
- a) most importantly, and [in our view contrary to market consensus](#), the likely delayed resolution of the war in Ukraine, which postpones the gradual unwinding of post-2022 war-related inflows [assumed in our previous baseline](#),
- b) on a net basis, positive – rather than [broadly balanced as previously judged](#) – spillovers from the Middle East conflict, though still assumed to be temporary,
- c) Geostat growth print again exceeding our expectations in March. We also note the acceleration in credit growth, both in seasonally adjusted monthly (2%) and annual (14.8%) terms. Loans increased in the retail (16.5%) as well as business (13.0%) sectors.

**FIGURE 5: THE GOODS TRADE DEFICIT HAS SHRUNK IN 1Q26 (% of GDP)**



Note: 2025 adjusted for the January one-off.  
Source: Geostat, TBC Capital

**FIGURE 6: RISING EXPORTS HAVE OFFSET THE DECLINE IN TOURISM REVENUES IN MARCH AND APRIL, PER OUR ESTIMATES (Index, SA, Jan-25 = 100)**



Source: Geostat, NBG, TBC Capital

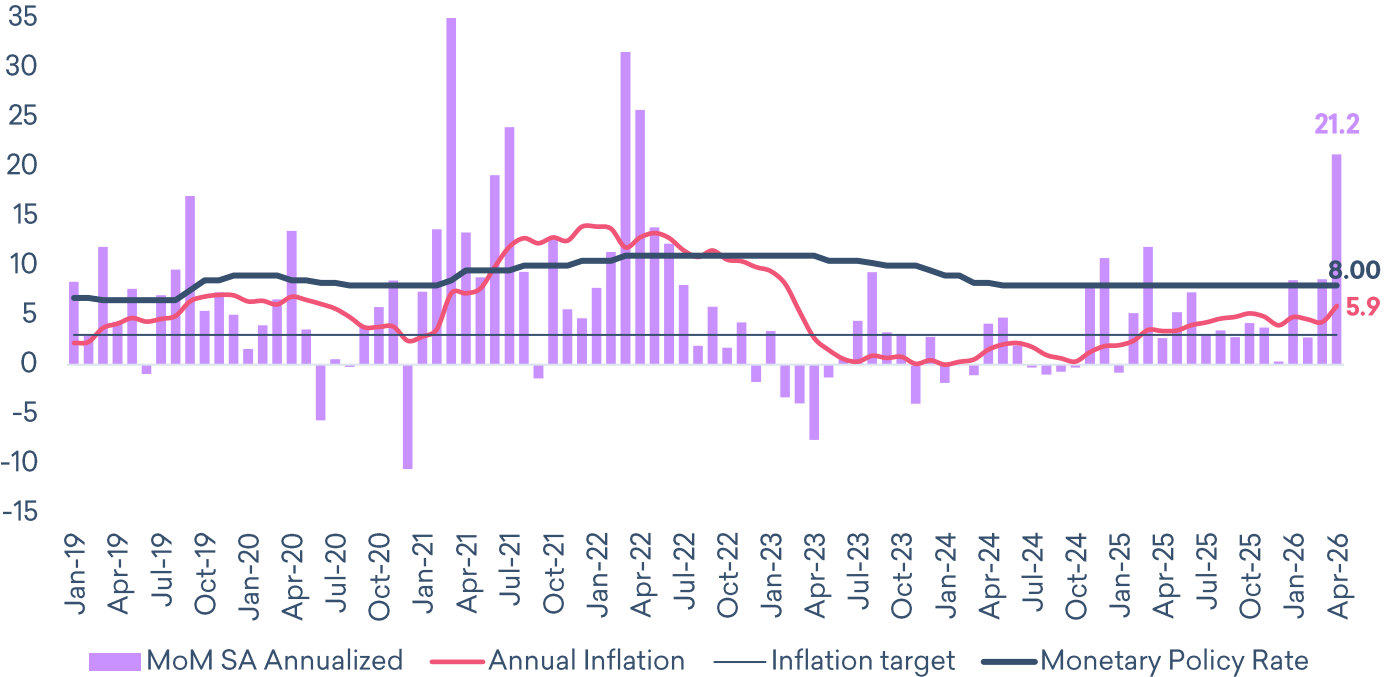
At the same time, we revise the end-year inflation forecast from 5.6% to 6%, following an April print of 5.9% that came in slightly above our forecast, and given that oil prices have risen again after moderating in mid-April. In seasonally adjusted terms, annualized monthly inflation exceeded 21%, highest since April 2022 (Figure 7). We expect annual inflation to slightly ease over the next few months before rising again towards the end of the year.

The electricity tariff, hiked by 25% since April, contributed 0.5 percentage points (pp) to annual inflation, and will continue to do so until the level shift effect expires next year. Petrol (0.6 pp) and diesel (0.3 pp) added another 0.9 pp. Petrol prices are now up 15% and diesel prices up 30% versus February, as the passthrough from global prices continued in April, [in line with expectations](#). Beyond the direct impact, higher costs will feed into prices through indirect channels. Meanwhile, the contribution of bread prices declined from +0.9 pp in February to +0.5 pp in April, reflecting fading base effects.

As for monthly inflation, standing at 1.7% in April, the electricity tariff (+0.5 pp), petrol (+0.4 pp) and diesel (+0.2 pp) contributed 1.1 pp to the total.

We anticipate the NBS keeping the policy rate at 8% in 2026. However, as inflationary pressures are projected to mount over the course of the year, the policy mix is likely to place a greater emphasis on a stronger GEL going forward. As [argued in February](#), higher-than-expected inflation tends to be GEL-supportive; since then, pressures have intensified further. Set against an [expected normalization in the current account](#), we maintain a broadly neutral stance on the GEL, as opposed to slightly bearish previously.

**FIGURE 7: MONTHLY INFLATION SURGED IN APRIL ON THE BACK OF RISING OIL PRICES AND THE HIGHER ELECTRICITY TARIFF (%)**



Source: NBS, TBC Capital

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