



MACRO UPDATE – GEORGIA

**Commodities Dominate Growth,
Inflows and Inflation**

8 June 2026

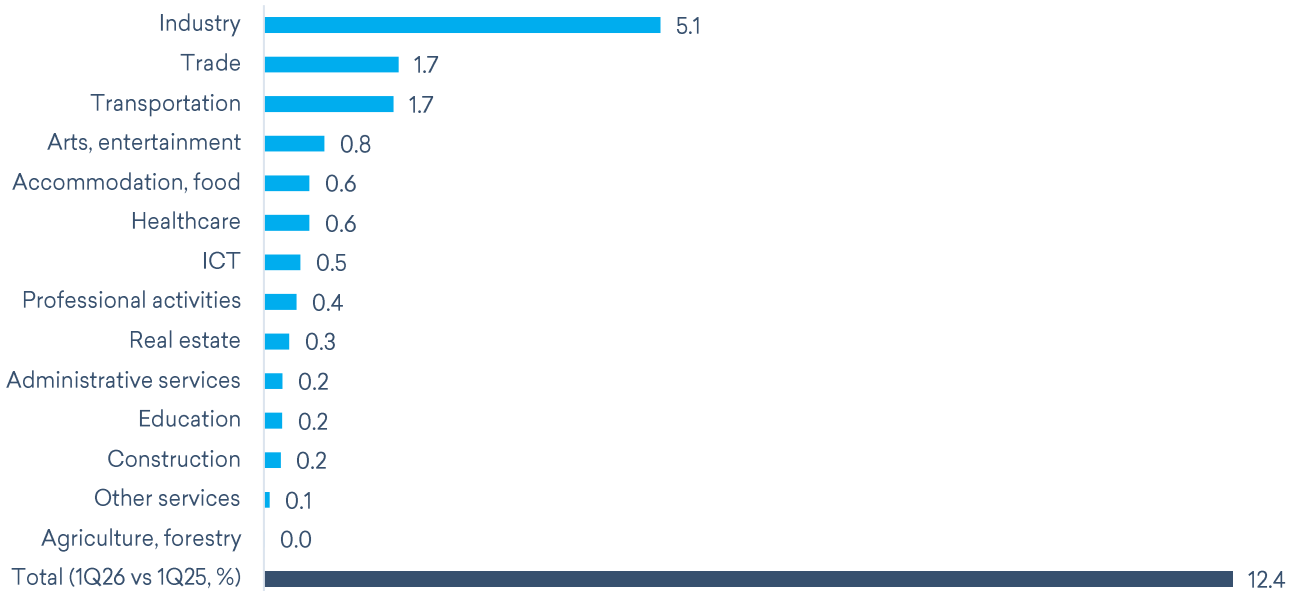
TBC Group Chief Economist Office

KEY TAKEAWAYS

- Business sector growth in 1Q26 was led by industry, itself largely driven by petroleum products, basic metals and mining of metal ores, together accounting for roughly 87% of industrial output growth;
- These dynamics all but confirm our assertion that 1Q26 growth was largely commodity-export driven – at least as far as market GDP is concerned – in contrast with the past two years, when consumption was the dominant factor;
- Economic growth moderated to 6.2% in April from 9.1% in 1Q26, slightly below the pace implied by our full-year 7.4% baseline, though coincident indicators point to a notable acceleration in May;
- The FX market likely registered a sizeable surplus in May, supported by net FX inflows amid relative recovery in tourism, exports buoyed by still-elevated commodity prices, and steady remittances;
- Inflows were further boosted by foreign investors purchasing c. 65% of a GEL 400 million syndicated treasury bond issuance, with the share of non-resident holders of Georgian treasuries rising to 7.1%, the highest since 2022;
- Against this backdrop, gross reserve assets grew by USD 531 mn m/m to reach USD 7.0 bn by month-end, in line with our expectations, with May purchases expected to have reached a monthly record;
- Annual inflation edged down to 5.7% in May from 5.9% in April, in line with our forecast. That said, monthly inflation continued to rise in seasonally adjusted terms, though by a significantly smaller margin as compared to April;
- Inflation remains largely imported and oil-driven, while underlying indicators stayed relatively contained. We maintain our end-year inflation forecast at 6%, with the outlook for commodities central to projections;
- The USD/GEL forecast stands unchanged at 2.65 by the end of the year, though, at this stage, risks to our GEL stance appear skewed to the upside, given no unexpected resolution in the Russia-Ukraine and Middle East conflicts.

Business sector output increased by 12.4% y/y in the first quarter of 2026. [Unlike last year](#), when ICT was by far the largest contributor to output growth, the 1Q26 expansion was led by industry, which accounted for 5.1 percentage points (pp), or 41% of the total, followed by trade and transportation at 1.7 pp each (Figure 1).

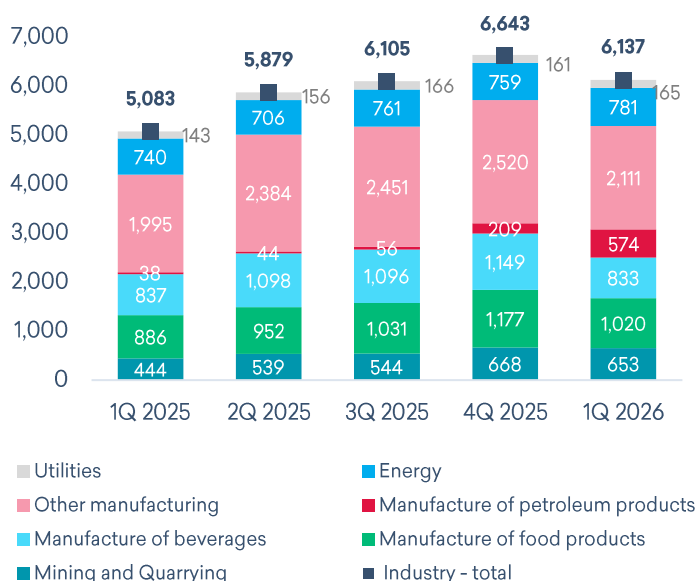
FIGURE 1: BUSINESS SECTOR OUTPUT GROWTH WAS LED BY INDUSTRY IN 1Q26 (Contribution, PP)



Source: Geostat, TBC Capital

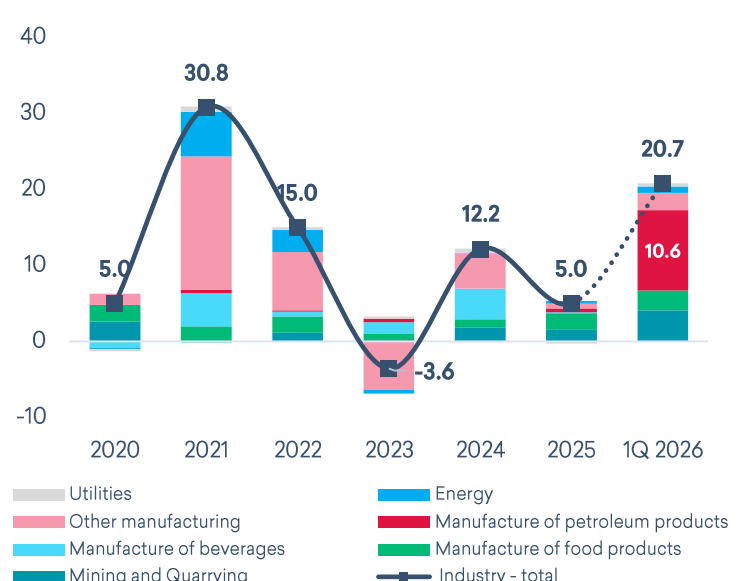
Industrial output itself grew by 20.7% y/y in January-March. Manufacture of petroleum products contributed over half of this (10.6 pp), surging from GEL 37.5 million in 1Q25 to GEL 574.4 million in 1Q26 as a result of [a sharp rise in petroleum exports](#) (Figures 2 and 3). Manufacture of basic metals (most likely ferro-alloys) added another 3 pp, up by 51.1% y/y. Aside from manufacturing, mining of metal ores (most likely gold and possibly copper) also contributed 4.4 pp, with output increasing by 62.6% y/y. Together, these three categories accounted for roughly 87% of industrial output growth.

FIGURE 2: MANUFACTURE OF PETROLEUM PRODUCTS SURGED IN 1Q26... (GEL million)



Source: Geostat

FIGURE 3: ...CONTRIBUTING OVER HALF TO TOTAL ANNUAL GROWTH (Contributions, PP)



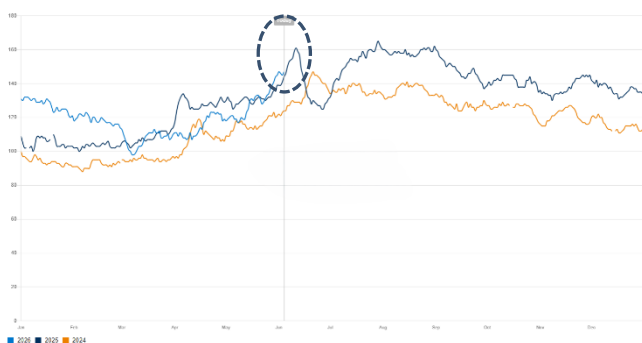
Source: Geostat

These dynamics all but confirm [our earlier assertion](#) that first-quarter economic growth was largely driven by [commodity exports](#) – at least as far as market GDP is concerned – lifted by surging global prices in the wake of the Middle East escalation. This contrasts with the past two years, when GDP growth was [dominated by consumption](#). The official GDP breakdown will be available later this month.

By Geostat's rapid estimate, economic growth moderated to 6.2% in April from 9.1% in 1Q26 (Figure 4), with manufacturing, ICT, transportation and trade cited as the largest drivers – largely the same as in the first quarter. This runs slightly below the pace implied by our [full-year 7.4% baseline](#).

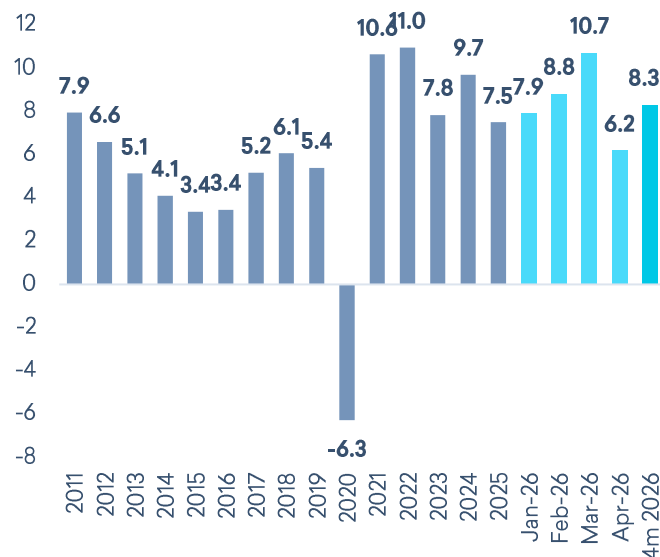
That said, coincident indicators point to a notable acceleration in May. After contracting sharply since the start of the year, non-resident non-cash spending – our proxy for tourism revenues – exceeded February levels in May, according to our estimates (Figure 5). This is in line with real-time airport traffic data, which indicate a significant recovery in flights in both Tbilisi and Batumi (Figures 6 and 7). Real non-cash spending of residents – our proxy for domestic economic activity – also ticked up in May after broadly flatlining over the prior few months (Figure 5). We therefore expect economic growth to come in higher than the April print in May.

FIGURE 6: MAY HAS SEEN A SIGNIFICANT REBOUND IN THE TBILISI AIRPORT (4-Jun-26)



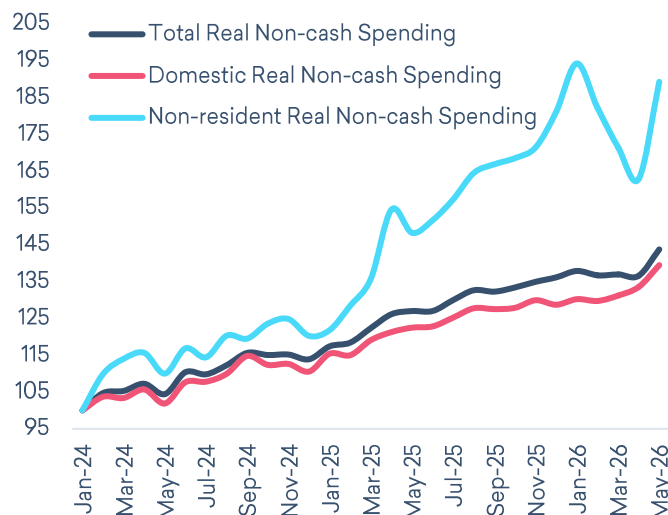
Source: FlightAware

FIGURE 4: ECONOMIC GROWTH MODERATED IN APRIL (YoY, %)



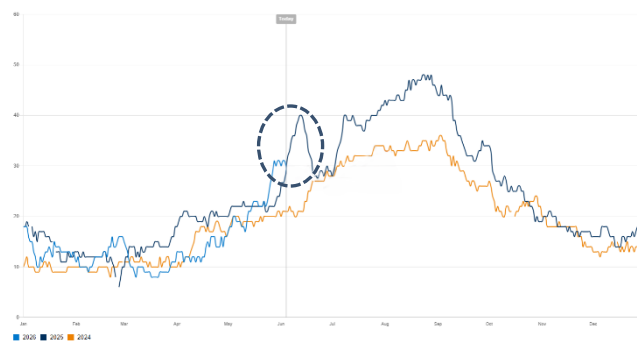
Source: Geostat, TBC Capital

FIGURE 5: NON-RESIDENT REAL NON-CASH SPENDING RECOVERS AFTER A SHARP CONTRACTION (Index in GEL, Jan-2024=100, as of 31-May-2026)



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 non-resident spending growth accumulated to 33.4% in 2025, the NBG tourism revenue estimates have posted only 6.0% annual growth.
Source: TBC Capital

FIGURE 7: SIMILAR DYNAMICS CAN BE OBSERVED IN BATUMI (4-Jun-26)

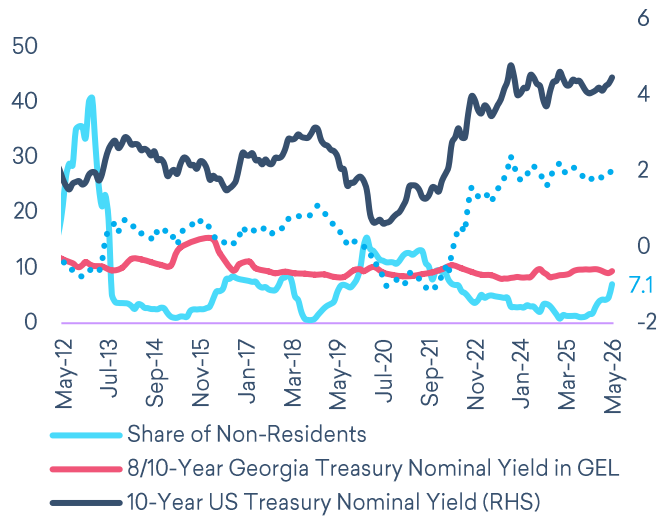


Source: FlightAware

With the recovery in tourism revenues adding to FX inflows from exports – buoyed by still-elevated commodity prices – and steady remittances, the FX market [likely registered a sizeable surplus in May](#). Inflows were further boosted by foreign investors purchasing c. 65% of a GEL 400 million syndicated treasury bond issuance. As a result, the share of non-resident holders of Georgian treasuries rose to 7.1%, the highest since 2022, despite elevated US rates (Figure 8).

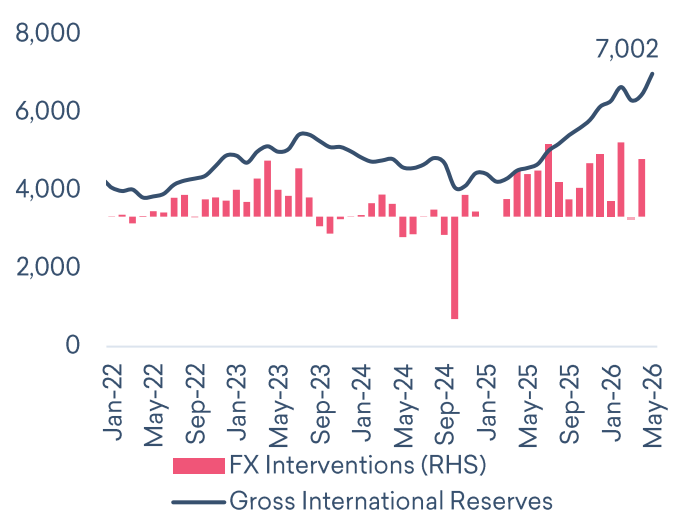
Against this backdrop, gross reserve assets grew by USD 531 mn m/m to reach USD 7.0 bn by month-end, [in line with our expectations](#) (Figure 9). While official intervention data will be released later, we expect NBG purchases to have reached a monthly record in May.

FIGURE 8: SHARE OF TREASURY SECURITIES HELD BY NON-RESIDENTS ROSE TO A 4-YEAR HIGH IN MAY (%)



Source:NBG, FRED

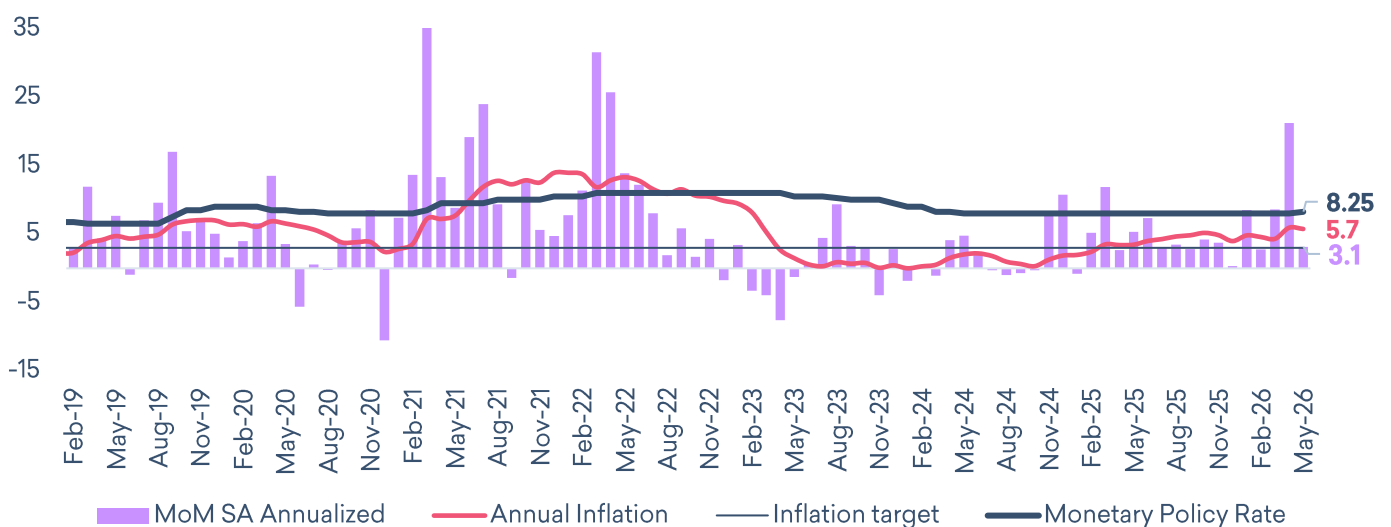
FIGURE 9: GROSS RESERVE ASSETS REACHED USD 7.0 BN BY THE END OF MAY



Source:NBG, TBC Capital

Inflation dynamics, meanwhile, continued to be shaped by the Middle East conflict-induced increase in oil prices, while food price growth moderated somewhat. Annual inflation edged down to 5.7% in May from 5.9% in April. In seasonally adjusted monthly terms, however, inflation continued to rise, suggesting the headline decline owes to base effects. That said, monthly inflation made up only 0.3% (3.1% annualized), close to the target and significantly lower as compared to the previous month (Figure 10).

FIGURE 10: MONTHLY INFLATION UP BY 0.3% IN SEASONALLY ADJUSTED MONTHLY TERMS

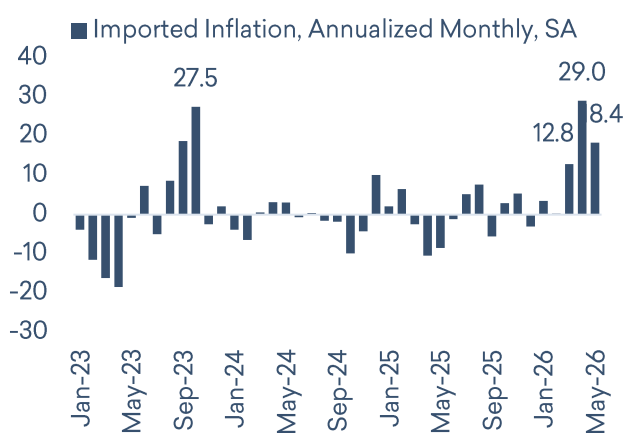


Source:Geostat, TBC Capital

Petrol and diesel were again the primary contributors to rising prices, in both monthly (adding 0.2 and 0.1 pp respectively) and annual (0.9 and 0.4 pp respectively) terms. As a result, imported inflation continued to increase sharply (Figures 11 and 12). [As we have consistently argued](#), higher inflation – and higher imported inflation in particular – makes GEL appreciation relatively more attractive for the NBG, thereby supporting the GEL outlook. [Our USD/GEL forecast](#) stands unchanged at 2.65 by the end of the year.

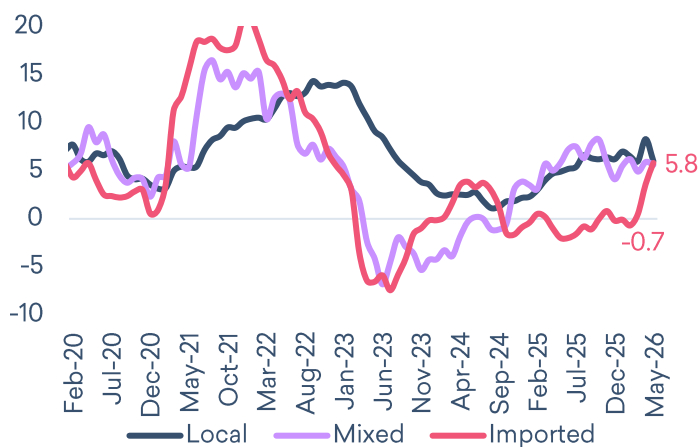
We also note that, at this stage, risks to our GEL stance appear skewed to the upside. For one, [the Lari remains undervalued](#). Second, the likely delay in resolving the Russia-Ukraine war implies a postponement of [some anticipated FX outflows](#). As for the Middle East conflict, while we assess its net impact on the GEL as [broadly neutral](#), should commodity prices prove relatively stickier, the boost to exports might persist longer than currently assumed.

FIGURE 11: IMPORTED INFLATION HAS SURGED OVER THE PAST THREE MONTHS...



Source: NBG, TBC Capital

FIGURE 12: ...ACCELERATING TO AN ANNUAL 5.8% FROM -0.7% IN FEBRUARY



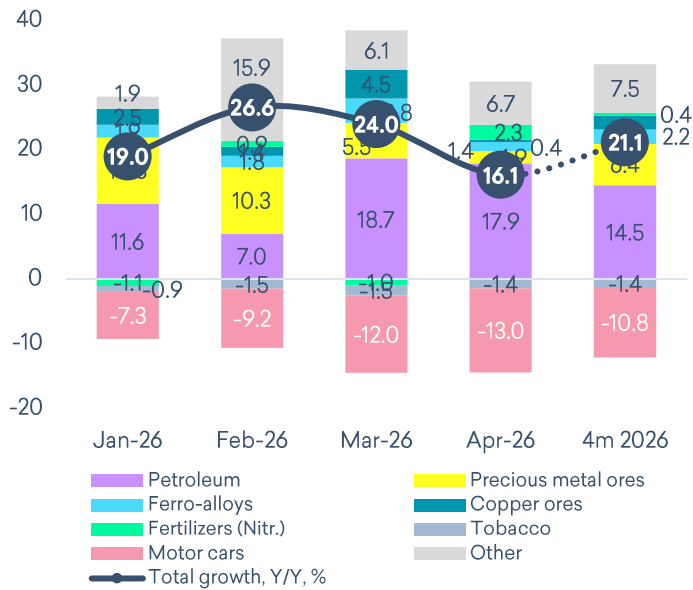
Source: NBG, TBC Capital

At the same time, several components continued to offset part of the inflationary pressure. The internet fee, which has been pulling inflation down since 2024 after a series of cuts, declined again in May, reducing monthly inflation by 0.1 pp. Annual food inflation also eased to 5.4%, the lowest since February 2025. While a significant part of this reflects base effects from lower potato prices, which lowered annual inflation by 0.4 pp, food prices also decelerated by 0.5% in seasonally adjusted monthly terms, by our estimates.

Underlying inflation indicators remained relatively contained. Median annual inflation stood at 1.9% in May, core inflation (excluding energy, groceries and tobacco) reached 3.5%, while service inflation – best-suited to assess underlying trends – made up 3.8%.

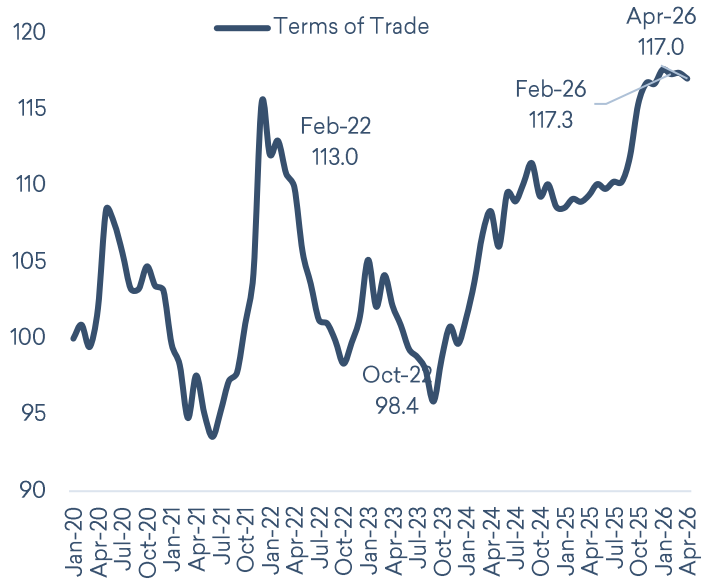
The May print came in almost exactly in line with our forecast, and we maintain our end-of-year forecast at 6%, with annual inflation expected to decelerate slightly before rising in December on base effects. Naturally, the outlook remains highly dependent on the timing and terms of any resolution to the Middle East conflict. Oil prices have jumped again almost 5% in today's early hours of trading, following the resumption of strikes between Israel and Iran. That said, our baseline currently still assumes no material escalation of hostilities. At the same time, while we continue to expect commodity prices – including oil, fertilizers, metals, food, etc. – to decline over the course of the year, they are likely to remain above pre-escalation levels due to [supply-chain disruptions and lagged pass-through effects](#).

EXPORT SURGE DRIVEN BY PETROLEUM AND METALS AS CAR TRADE DROPS (Contribution to annual growth)



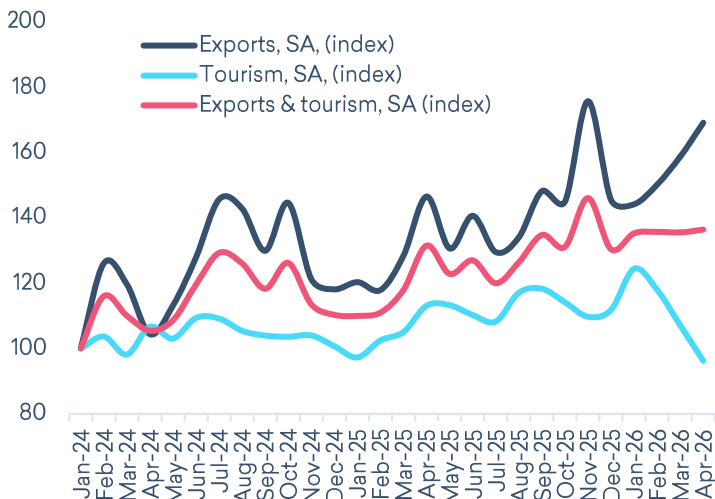
Source: Geostat, TBC Capital

TERMS OF TRADE HAVE BARELY MOVED SINCE THE CONFLICT ESCALATION (Index, Jan-20 = 100)



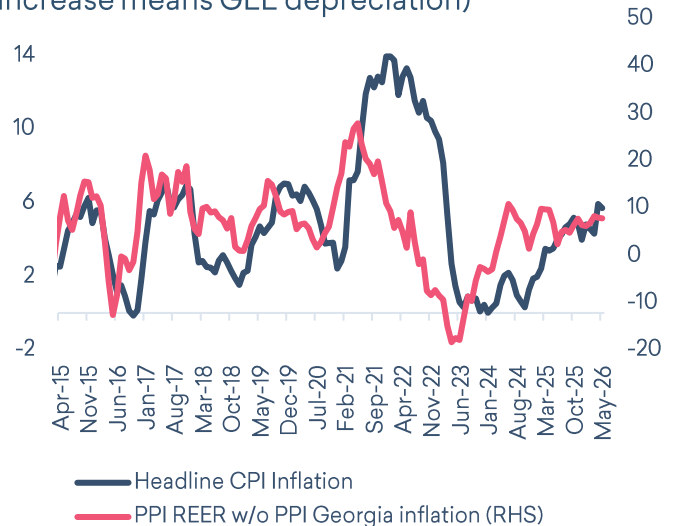
Source: Geostat, TBC Capital

EXPORTS OF GOODS OFFSET THE DECLINE IN TOURISM (Seasonally adjusted, index in USD, Jan-2024 = 100)



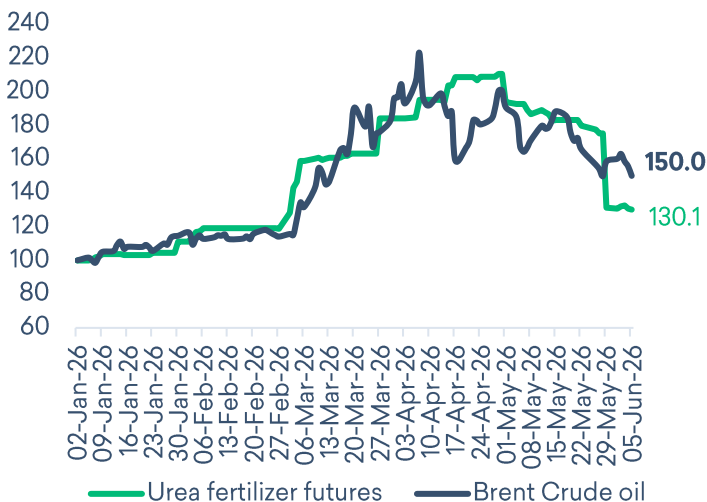
Source: Geostat, NBG, TBC Capital

INFLATION (YoY, %) AND PPI REER EXCLUDING DOMESTIC INFLATION (YoY, %, increase means GEL depreciation)



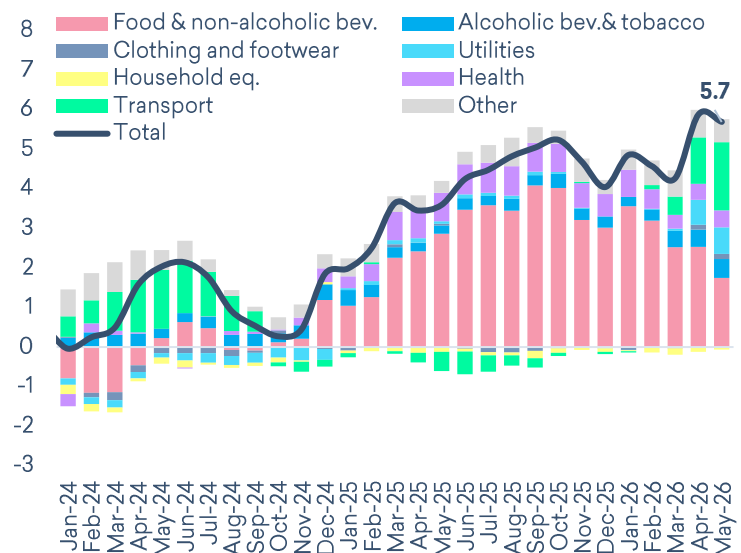
Source: Geostat, NBG, TBC Capital

OIL AND FERTILIZER PRICES STILL REMAIN ELEVATED (Index, 2-Jan-26 = 100)



Source: Investing.com

INFLATION ACCELERATION IS DRIVEN BY PETROELUM AND ELECTRICITY FEE (PP)



Source: Geostat

LEGAL NOTICE

This publication (the “Publication”) has been prepared and distributed by TBC Capital LLC (“TBC Capital”) member of TBC Bank Group PLC (“Group”) for informational purposes only and independently of the respective companies mentioned herein. Nothing in this Document shall constitute an offer or invitation to treat to solicit buying or selling any assets and/or securities and/or offering the approval/disbursement of loan facilities and nothing herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions. Since distribution of this Publication may be restricted by law in certain jurisdictions, persons into whose possession this Publication comes are required by TBC Capital to inform themselves about and to observe any and all restrictions applicable to them. As this Publication is not directed to or intended for distribution, directly or indirectly, to or use by any person or entity in any jurisdiction where such distribution, publication, availability or use would be contrary to the applicable law or which would require any registration or licensing within such jurisdiction, neither TBC Capital nor any member of the Group nor any of their respective director(s), partner(s), employee(s), affiliates, adviser(s) or agent(s) (“Representatives”) accept any direct or indirect liability to any person in relation to the publication, distribution, possession or usage of this Publication in or from any jurisdiction. This Document is neither intended to provide any investment, business, tax and/or legal advice, nor financial, tax, legal and/or any other type of due diligence. Each recipient of the document should be aware that in the event this research is used, TBC Capital is not responsible for the results associated with the use of the research, and it is recommended that each recipient conduct independent research and a detailed assessment regarding the issues discussed in the document. Any decision should be made under consideration and sole discretion of the recipient of this Document. Any and all data and/or information contained in this Document is obtained from the third party sources and TBC Capital disclaims any direct or indirect liability arising in connection with accuracy and/or completeness of information/data therein. Specifically, any financial data, projections, or models included in this Document are based on information provided by third parties. TBC Capital makes no representation or warranty, express or implied, as to their accuracy, completeness, or reasonableness. Therefore, this information should not be considered a definitive analysis or the basis for any decision. Such information may be subject to change independently from and without notice of TBC Capital, and neither TBC Capital nor any member of the Group nor any of their Representatives are under any obligation to update or keep information contained in this Document. Distribution of this Publication, at any time, does not imply that information herein is correct, accurate and/or complete as of any time after its preparation date or that there has been no change in business, financial condition, prospects, credit worthiness, status or affairs of the respective companies or anyone else since that date. Accordingly, this Publication should not be considered as a complete description of the markets, industries and/or companies referred to herein and no reliance should be placed on it. TBC Capital does not undertake to update this Publication or to correct any inaccuracies therein which may become apparent. The Publication may include forward-looking statements, but not limited to, statements as to future operating results. Any “forward-looking statements”, which include all statements other than statements of historical facts, involve known and unknown risks, uncertainties and other important factors beyond TBC Capital’s control that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment operating in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. No assurances can be given that the forward-looking statements in this document will be realized. TBC Capital does not intend to update such forward-looking statements. Opinions, forecasts, estimates and/or statements relating to expectations regarding future events or the possible future performance of investments represent TBC Capital’s own assessment and interpretation of information available to it currently from third party sources. Information obtained from the third party sources believed to be reliable, but that there is no guarantee of the accuracy and/or completeness of such information. TBC Capital or any member of the Group may have a business relationship with, or seek to establish a business relationship with, the companies discussed in this publication. Consequently, there may be a potential conflict of interest that could affect the objectivity of the information contained herein; however, in compliance with best standards, TBC Capital has established appropriate practices and procedures that effectively ensure the independence and impartiality of the information provided. This Document is strictly confidential, may not be reproduced, redistributed or published, in whole or in part, in any form for any purpose, without the written permission of TBC Capital, and neither TBC Capital nor any member of the Group nor any of their Representatives accept any liability whatsoever for the actions of third parties in this respect. TBC Capital makes no expressed or implied representation or warranty of usefulness in predicting the future performance or in estimating the current or future value of any security or asset, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this Publication. Without limiting any of the foregoing and to the extent permitted by law, TBC Capital or any member of the Group or any of their Representatives expressly disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this Publication or its contents (including without limitation to the accuracy and/or completeness of information therein) or otherwise arising in connection with this Publication or for any act or failure to act by any party on the basis of this Publication.

TBC Group Chief Economist Office

Otar Nadaraia

Chief Economist

Tsotne Marghia

Head of Macro-Financial Analysis Division

Nikoloz Zurabishvili

Senior Macroeconomist

Mamia Intskirveli

Economist

Darejan Kavelashvili

Junior Economist



TBC CAPITAL

www.tbccapital.ge