



The National Bank of Georgia decided to keep the monetary policy rate unchanged at 8.25 percent

On October 21, 2026, the Monetary Policy Committee (MPC) of the National Bank of Georgia (NBG) decided to keep the monetary policy rate unchanged. The monetary policy rate stands at 8.25 percent.

Geopolitical tensions in the Middle East have persisted longer than anticipated, prolonging the supply-side shock and, consequently, increasing inflationary pressures. As a result, the deviation of inflation from its 3 percent target in Georgia continues to be driven largely by exogenous factors. In September 2026, annual inflation stood at 5.6 percent, of which approximately 2 percentage points were attributable to energy prices. Moreover, disruptions to international transportation and shipping, coupled with higher energy prices, are increasing production and transportation costs, creating additional inflationary pressures through indirect effects on the prices of other goods and services. Against this backdrop, particular attention should be paid to developments in the stickier components of inflation, which provide a better gauge of the anchoring of longer-term inflation expectations. In this regard, core and services inflation remain below headline inflation, standing at 3.5 percent and 3.7 percent, respectively. Accordingly, the impact of the supply-side shock on inflation expectations remains moderate at this stage. However, given the prolonged nature of the shock, this remains an important risk to monitor.

Amid more persistent inflationary pressures than previously anticipated and taking into account global developments, the NBG has revised its central inflation forecast for 2026 upward by 0.2 percentage points to 5.4 percent. All else equal, inflation is expected to gradually converge toward its 3 percent target from the second half of 2027, averaging 3.5 percent for the year.

Economic activity has remained stronger than expected. According to preliminary data, economic growth stood at 6.3 percent in August 2026, averaging 7.6 percent over the first eight months of the year. Notably, growth continues to be driven largely by high-productivity sectors, which offset demand-side inflationary pressures. According to the NBG's updated central forecast, the economic growth projection for 2026 has been revised upward from 6.5 percent to 7.2 percent, while, all else equal, growth in 2027 is expected to be around 5.5 percent.

Uncertainty surrounding the further evolution of geopolitical developments and the magnitude of their impact on the economy remains elevated. Accordingly, alongside the central scenario, the Monetary Policy Committee (MPC) considered both high-inflation and low-inflation risk scenarios.

In the event of the realization of the high-inflation risk scenario, fundamental processes require a higher trajectory of the monetary policy rate than the central scenario. The key risk underlying the

high-inflation scenario is a further escalation and prolongation of the conflict in the Middle East, which, amid additional disruptions to oil supply and refining, would push energy prices even higher. Moreover, disruptions to supply chains and the shift to alternative transportation routes would increase production and transportation costs. As a result, heightened global inflationary pressures would spill over to the domestic economy through imported inflation and tighter global financial conditions, requiring further monetary policy tightening and the maintenance of a restrictive stance for a longer period.

On the other hand, under the low-inflation risk scenario considered by the MPC, the realization of the risks would allow a faster normalization of monetary policy stance compared to the central scenario.

Specifically, under this scenario, strong economic growth, driven largely by high-productivity sectors, would prove more persistent than previously projected. This, in turn, would lead to a sustained improvement in the external position and an upward revision to the assessment of long-term growth potential. These developments would support a fundamental appreciation of the exchange rate and limit inflationary pressures stemming from aggregate demand. In addition, the scenario envisages a de-escalation of the conflict in the Middle East, resulting in lower energy prices compared to the central scenario. Consequently, inflation would converge toward its target more rapidly.

Taking into account the current macroeconomic environment and prevailing risks, the Monetary Policy Committee decided to keep the monetary policy rate unchanged. The moderately tight monetary policy stance aims to minimize the risks of rising inflation expectations and second-round effects, ensuring that inflation returns swiftly to its 3 percent target once the supply shock dissipates. Should the prolonged supply shock lead to an upward trend in inflation expectations, which would amplify second-round effects, the MPC will continue to increase the monetary policy rate moderately. Once the inflationary shock dissipates, the NBG will gradually begin to normalize its monetary policy stance.

The next meeting of the Monetary Policy Committee will be held on December 16, 2026.