



## NATIONAL BANK OF GEORGIA

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### **The Decision of the Monetary Policy Committee of the National Bank of Georgia on May 14, 2008**

The Monetary Policy Committee (MPC) of the National Bank of Georgia (NBG) met today and decided to leave its main policy rate, the one-week Certificate of Deposit (CD) rate, unchanged at 12 percent.

The capital inflows have slowed down somewhat in the pre-election period, however it is expected that inflows will return to pre-election levels and will likely remain high for the remainder of the year. The growth of reserve money rate has slowed somewhat along with the broad money aggregates as of late; however growth rates these indicators still remain above the comfort levels.

The high rate of growth in lending to the private sector compared to growth in deposits has reduced the existing excess liquidity within the Georgian banking system to a minimum. In response to the abovementioned events, commercial banks increased interest rates. Even though these recent steps by commercial banks occurred with a certain delay, they should help in restoring equilibrium at the money market.

Current expert estimates remain optimistic regarding the prices of main commodities, a notable increase in the price of crude oil is not expected in the short-term and wheat prices are expected to decrease during the course of the year. Moreover, prices of precious metals are expected to decrease.

Existing risks to inflation have not changed since the last Monetary Policy Committee meeting. Assuming that significant increases in administrative prices will not be observed and commodity prices will be in line with the existing forecasts, current interest rates will insure that an inflation rate of 8 percent is achieved by the end of the year.

The NBG will closely monitor the developments in the economy and financial markets with the objective of achieving the forecast inflation rate and will in due course act accordingly.

The 2008 schedule of the MPC meetings is posted on the website of the NBG. The next meeting will take place on June 25, 2008.

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