



## THE NATIONAL BANK OF GEORGIA KEEPS ITS MONETARY POLICY RATE UNCHANGED AT 10 PERCENT

On October 25, 2023, the Monetary Policy Committee of the National Bank of Georgia (NBG) decided to keep the monetary policy rate (the refinancing rate) unchanged. The monetary policy rate stands at 10 percent.

Inflation in Georgia is still low and remains below the target rate of 3 percent. In September of the current year headline inflation stood at 0.7 percent, while core inflation was 2.5 percent. Low inflation, on the one hand, is caused by the weakening of the price pressures stemming from the pandemic and the Russia-Ukraine war. On the other hand, tight monetary policy also helps to reduce inflation as it led to a decrease in domestic goods inflation, which equaled 5.3 percent in September. According to the current forecast, other things being equal, inflation will remain below 3 percent target throughout the rest of 2023, and in 2024 it will stabilize around it.

In the background of the above forecast, the acute geopolitical situation creates an unstable environment globally and creates additional uncertainty around the inflation forecast. A new factor of geopolitical instability was added to the existing shocks in the form of the conflict in the Middle East. Recently, trends on the fuel market have also partially worsened, both in terms of price and supply volatility. In addition to these risks, domestic economic activity is also still noteworthy. In particular, demand is still strong and 6 percent economic growth is expected this year. In recent months, credit growth has somewhat accelerated as well, the main source of which is increased business loans, mostly in foreign currency. It is noteworthy that the strong aggregate demand caused by the acceleration of credit activity usually carries additional inflationary risks.

Given the high uncertainty and the above mentioned risks, the NBG remains focused on keeping inflation low, maintaining tight monetary policy. Taking inflation trends and forecasts into account, other things being equal, the NBG will continue to normalize the policy rate only at a moderate pace. The combination of a still tight monetary policy stance and recent macroprudential measures on the foreign exchange side helps in maintaining moderate credit growth, which significantly reduces the abovementioned inflationary risks.

The NBG continuously monitors the developments in the economy and financial markets and will use all available tools to ensure price stability.

The next meeting of the Monetary Policy Committee will be held on December 20, 2023.