



The National Bank of Georgia keeps its Monetary Policy Rate at 8 percent

On June 19, 2024, the Monetary Policy Committee of the National Bank of Georgia (NBG) decided to keep the Monetary Policy Rate (the refinancing rate) unchanged. The policy rate stands at 8.00 percent.

Inflation in Georgia is still low and remains below the target rate. In May 2024, the overall price level increased by 2.0 percent annually, while core inflation stood at 1.7 percent. The moderate increase in the inflation rate compared to the previous month was mainly due to an increase of imported inflation, while the change in the prices of domestically produced products are still close to the 3 percent target. According to the current forecast, other things equal, inflation is expected to be around the target of 3 percent in the second half of 2024.

Recently, heightened uncertainty due to internal and external challenges has increased inflationary risks. Against this backdrop, exchange rate volatility has become noteworthy as it creates inflationary pressures from imported goods. Despite recent declines in international oil prices, global food prices have risen steadily over the past two months. Furthermore, inflation expectations have increased in recent months. Additionally, domestic economic activity has outperformed previous projections, supported by robust credit growth.

Given the current analysis of domestic and external conditions the NBG has decided to maintain the policy rate at 8.00 percent. If no additional risks materialize, the NBG will cautiously continue policy rate reduction towards its neutral level. However, if risks amplifying inflation expectations become more pronounced, the NBG may need to maintain the current tight stance for a longer period or even tighten policy further.

The NBG closely monitors economic and financial market developments and will use all available tools to ensure price stability.

The next meeting of the Monetary Policy Committee will take place on July 31, 2024.