



THE NATIONAL BANK OF GEORGIA REDUCES MONETARY POLICY RATE BY 0.25 PERCENTAGE POINTS TO 8.00 PERCENT

On May 22, 2024, the Monetary Policy Committee of the National Bank of Georgia decided to reduce the Monetary Policy Rate (refinancing rate) by 0.25 percentage points. The policy rate now stands at 8.00 percent.

Georgia has maintained a low inflation environment, with headline inflation remaining below the target. In April 2024, the overall price level increased by 1.5 percent annually, while core inflation stood at 2.3 percent. A slight increase in the inflation rate compared to the previous month was due to globally increased oil prices caused by acute geopolitical tensions. Timely and sufficiently tight monetary policy stance has successfully normalized the inflation of domestically produced goods around the target. According to the latest forecast, other thing equal, inflation is expected to remain below the target of 3 percent in the first half of 2024, while stabilizing close to it in the medium term.

Despite positive trends, overall uncertainty has increased. Inflationary pressures have risen due to both domestic and geopolitical developments. Meanwhile, inflation expectation measures have seen a slight increase. Additionally, the NBG estimates that the gap between economic activity and its pre-pandemic trend has fully closed. As a result, higher-than-expected demand can also trigger inflationary risks. This strong demand is partly driven by increased credit activity. However, according to the baseline scenario, economic activity would stabilize around its potential level, with real growth reaching 5.6%. In this case, demand-side inflationary risks would not materialize.

In light of these factors and analysis of current domestic and external challenges, the National Bank of Georgia has decided to reduce monetary policy rate by 0.25 percentage points to 8.00 percent. The NBG will continue to normalize the monetary policy rate only gradually and cautiously. If factors amplifying inflation expectation risks 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 June 19, 2024.