



The National Bank of Georgia Keeps its Monetary Policy Rate at 8.0 Percent

On July 30, 2024, the Monetary Policy Committee of the National Bank of Georgia decided to keep the monetary policy rate (refinancing rate) unchanged. The policy rate stands at 8 percent.

In Georgia, inflation remains below the target of 3 percent. In June, the overall price level increased by 2.2 percent year-on-year, while core inflation stood at 1.4 percent. The maintenance of inflation below the target is supported by the stabilization of inflation for domestically produced goods and services. This, on one hand, reflects the normalization of long-term inflation expectations, which is a reflection of the NBG's timely and consistent monetary policy, both in terms of tightening as well as easing. On the other hand, low inflation is supported by increased competition in the economy. According to the NBG's updated forecast, other things equal, low inflation will be maintained in 2024 and will gradually approach the target by the end of the year. The updated forecast projects an average inflation rate of 1.9 percent for 2024.

However, global economic uncertainties persist and could pose inflationary risks. Recently, volatility in oil and food prices, coupled with rising shipping costs from China, has increased inflationary risks of imported goods. Additionally, global geopolitical tensions continue to be a significant challenge. Besides external factors, domestic economic activity is stronger than expected, driven by increased credit activity largely due to robust domestic demand. Despite this, the overall production capacity of the economy has risen, which mitigates inflationary pressures from the demand side.

Given these risks, the National Bank of Georgia has maintained the monetary policy rate unchanged at 8 percent. Such a cautious approach to the normalization of monetary policy is important to keep inflation close to its target in the medium term. If inflationary risks do not materialize and the severity of inflationary pressures diminishes, the National Bank of Georgia will continue to vigilantly reduce the policy rate to its neutral level. Conversely, if factors driving inflation expectations upward reemerge, it may be necessary to tighten monetary policy stance or maintain current monetary policy stance longer.

The National Bank of Georgia continuously monitors ongoing economic processes 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 September 11, 2024.