



### **The National Bank of Georgia decided to keep the monetary policy rate unchanged at 8.0 percent**

On November 5, 2025, the Monetary Policy Committee of the National Bank of Georgia (NBG) decided to keep the monetary policy rate (refinancing rate) unchanged. The monetary policy rate stands at 8 percent.

As of October 2025, the overall price level in Georgia increased by 5.2 percent year-on-year. The increase in inflation relative to the 3 percent target was mainly driven by food price inflation, which partly reflected the low base effect from the previous year and the impact of exogenous factors. However, inflation excluding food prices, as well as other measures of relatively sticky prices that better reflect long-term inflation expectations, have remained close to the target level. In particular, core inflation, which excludes from the consumer basket the most volatile components, such as food, energy, and tobacco, remained below the 3 percent target, standing at 2.4 percent in October. At the same time, service sector inflation remained near the target, at 2.5 percent. Meanwhile, prices of imported goods remain low (0 percent), largely reflecting the year-on-year decline in fuel prices. Despite these developments, the prolonged high level of inflation in relatively flexible prices (mainly food) warrants attention regarding potential risks to inflation expectations.

According to the NBG's updated central scenario, the inflation forecast for 2025-2026 has been revised slightly upwards, largely due to high food inflation. According to the current central forecast, inflation will average around 4 percent in 2025, and decrease to 3.5 percent in 2026. Other things being equal, elevated food prices are expected to have only a temporary impact on inflation, with their effects gradually fading. The central scenario precisely envisages such a development. In particular, the abovementioned dynamics are temporary in nature and are not expected to create second-round effects, which means that the associated price pressures do not to spill over to the prices of other goods and services.

At the same time, economic activity is gradually converging toward its long-term potential, thereby moderating demand-side pressures on prices. According to preliminary data, in January-September 2025 economic growth amounted to 7.7 percent. The normalization of aggregate demand toward its long-run trend is further supported by the maintenance of tight financial conditions, as reflected in prevailing market interest rates.

Given the high uncertainty, upside risks to inflation are more pronounced, while downside risks continue to remain. Accordingly, the Monetary Policy Committee considered both high-inflation and low-inflation risk scenarios, along with the central scenario, and the risks operating in different directions were taken into account in the decision-making process.

The high-inflation risk scenario that the MPC considered, on the one hand, assumes the realization of global inflationary risks. In particular, the re-escalation of US tariff policies will exacerbate global fragmentation more than expected and may have a negative impact on supply chains. This amplifies the risk of additional price increase for certain types of commodities in international markets. In this scenario, beyond tariff policy, the risk of re-escalation of the geopolitical tensions remains noteworthy as it has a significant impact

on international commodity prices. The high-inflation scenario, along with exogenous factors, also takes into account the realization of domestic economic risks. In particular, if inflation remains above the target for a prolonged period, this could exacerbate inflationary expectations. At the same time, if aggregate demand remains above its potential level, demand-side pressures on prices are likely to intensify. The materialization of these risks would necessitate a tightening of the policy rate.

On the other hand, the Monetary Policy Committee considered a low-inflation risk scenario, where the realization of the risks would shape the development of fundamental factors in a way that requires a lower trajectory of the monetary policy rate compared to the central scenario. In particular, this scenario, in line with forecasts by international organizations, anticipates a marked decline in oil prices in international commodity markets, reflecting both an increase in supply and a slowdown in global demand. At the same time, the U.S. dollar index (DXY) will remain relatively weak globally for longer than anticipated, contributing to a reduction in headline inflation through lower imported inflation. Additionally, domestic labor market developments are placing downward pressure on prices, which strengthens the possibilities of developing a low-inflation scenario.

As a result of macroeconomic analysis and the assessment of the aforementioned scenarios, the Monetary Policy Committee has considered it optimal to maintain a moderately tight monetary policy stance and kept the policy rate unchanged at 8 percent. Upcoming decisions on the monetary policy rate will depend on updated data and the realization of risks. If the impact of one-off factors on inflation is prolonged, the Monetary Policy Committee stands ready to maintain the current tight stance for longer than expected and, if necessary, to tighten it further.

The NBG will use all available instruments to maintain price stability. This means keeping the overall price level increase close to the 3 percent target over the medium term.

The next meeting of the Monetary Policy Committee will be held on December 17, 2025.