



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

On December 17, 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 expected, in line with the NBG's central scenario, inflation has begun to normalize, standing at 4.8 percent in November. Meanwhile, long-term inflation expectations remain firmly anchored within the target, as reflected in relatively sticky price indicators. In particular, core inflation, which excludes the most volatile components of the consumer basket, such as food, energy, and tobacco, stood at 2.3 percent in November. Service sector inflation also remains near the target, at 2.6 percent. Inflation, which currently remains above the 3 percent target, continues to be driven by food prices, partly reflecting a low base effect from the previous year as well as exogenous factors. According to the central scenario, other things equal, the increase in food prices is expected to have only a temporary impact on inflation, with its effects gradually dissipating. At the same time, overall demand is gradually converging toward its long-term potential, as anticipated, thereby moderating demand-side pressures on prices. In light of the above, under the central scenario, inflation is projected to average 4 percent in 2025, and from the second quarter of 2026 it is expected to converge toward the target, averaging 3.5 percent on an annual basis.

Given the high uncertainty, upside risks to inflation are more pronounced, while downside risks continue to remain. Accordingly, the Monetary Policy Committee (MPC) 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 considered by the MPC envisages, on the one hand, that flexible price inflation (particularly food inflation) will remain elevated for a prolonged period. In turn, a sustained deviation of headline inflation from the target could put upward pressure on inflation expectations. Furthermore, under this scenario, against the backdrop of ongoing global developments, changes in international commodity prices also remain a notable factor. In particular, amid a deteriorating geopolitical situation, oil prices are expected to rise above the levels assumed in the central scenario, with corresponding spillovers to the domestic market. A stronger-than-expected intensification of economic fragmentation also poses an inflation risk, as it could disrupt supply chains and contribute to higher global inflation. The realization of these risks requires a tightening of monetary policy.

On the other hand, the MPC 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, at this stage, current conditions in the domestic labor market are putting downward pressure on prices, which strengthens the

possibilities of developing a low-inflation scenario. At the same time, a prolonged period of a weak position of the U.S. dollar, together with declining food prices in international markets, would put downward pressure on headline inflation through lower imported goods prices.

As a result of macroeconomic analysis and the assessment of the aforementioned scenarios, the MPC 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. According to the central scenario, the NBG will continue the normalization of monetary policy only after the current one-off factors have been fully dissipated and inflation converges the target level. However, should inflation persist above the target for an extended period due to various one-off factors, the MPC 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 February 11, 2026.