



The National Bank of Georgia raises the monetary policy rate by 0.25 percentage points to 8.25 percent

On May 6, 2026, the Monetary Policy Committee of the National Bank of Georgia (NBG) decided to increase the monetary policy rate (refinancing rate) by 0.25 percentage point (pp). The monetary policy rate is 8.25 percent.

The escalation of geopolitical situation in the Middle East and the prolonged substantial disruptions to shipping through the Strait of Hormuz have created another supply-side driven inflationary shock to the global economy. The sharp increase in the prices of raw energy resources on international markets has already been reflected in rising global inflation. At the same time, the geopolitical situation is disrupting international transportation and heightening the risks of supply chain disruptions. This, in turn, increases production costs, which could become an additional source of inflation. The direct effect of the aforementioned increase in oil prices has already been reflected in fuel prices in the Georgian market. As a result of the combined direct and indirect effects of these supply shocks, headline inflation deviated from the 3 percent target in April, reaching 5.9 percent. At the same time, relatively sticky prices measures, which better capture long-term inflationary processes and inflation expectations, have recently accelerated, making the risks of a second-round effects more pronounced. However, despite the acceleration, they still remain close to the target. In particular, core inflation (excluding food, energy and tobacco) stood at 3.2 percent in April, while services inflation was 3.7 percent.

Despite severe geopolitical shocks, the Georgian economy remains resilient and economic growth stays high. According to preliminary data, economic activity grew by 10.7 percent in March 2026 and by 9.1 percent in the first quarter. At the same time, high-productive sectors remain a key driver of economic growth, which partially offsets demand-side inflationary pressures.

The NBG's updated central scenario assumes that the ongoing war in the Middle East will end in the second quarter. However, this assumption is conditional and subject to high uncertainty. Even if the geopolitical situation indeed de-escalate during this period, the pace of recovery in global supply capacity is subject to additional uncertainty. Consequently, high inflationary risks are more pronounced. However, there is also a possibility that the geopolitical situation will de-escalate more quickly than in the central scenario. Therefore, the Monetary Policy Committee (MPC), in addition to the central scenario, considered both high and low-inflation risk scenarios.

In the event of the realization of the high-inflation risk scenario, fundamental processes require a higher trajectory of the monetary policy rate than the central scenario. The high-inflation scenario assumes a more prolonged and intensified geopolitical situation. Against this backdrop, commodity

prices in the international market will increase further and the disruption of supply chains will become widespread. As a result, the supply-side inflationary shock would exacerbate in Georgia, amplifying second-round effects, and ultimately inflation would be higher than in the central scenario.

On the other hand, under the low-inflation risk scenario considered by the MPC, the realization of the risks would allow a faster normalization of monetary policy stance compared to the central scenario. A rapid de-escalation of the severe geopolitical tension in the Middle East would ease price pressures in international commodity markets. At the same time, the risks of disruptions to global supply chains would decline significantly, which would be reflected in lower international transportation costs and, ultimately, a moderation of global inflationary pressures.

As a result of the ongoing macroeconomic analysis and consideration of existing risks, the MPC considered it optimal to increase the monetary policy rate by 0.25 pp to 8.25 percent. This decision is aimed at keeping inflation expectations firmly anchored at the target. The moderate tightening of monetary policy, in turn, reduces the risks of second-round effects and aims to ensure that, once the supply-side shock dissipates, inflation converges swiftly to the 3 percent target. The NBG continues to closely monitor ongoing developments and the intensity of their transmission to the domestic market. If inflationary shocks stemming from geopolitical tensions become even more prolonged and/or their magnitude would amplify the risks of second-round effects, the MPC will continue to moderately increase the monetary policy rate. Thereafter, once the inflationary shock dissipates, the NBG will begin a gradual normalization of the policy stance.

The next meeting of the Monetary Policy Committee will be held on June 17, 2026.