09.09.2026

The National Bank of Georgia decided to keep the monetary policy rate unchanged at 8.25 percent

On September 9, 2026, the Monetary Policy Committee (MPC) of the National Bank of Georgia (NBG) decided to keep the monetary policy rate unchanged. The monetary policy rate stands at 8.25 percent.

In August 2026, headline inflation in Georgia stood at 5.6 percent. The deviation of inflation from the target continues to be driven largely by supply-side shocks, with rising energy prices making a significant contribution. Renewed geopolitical tensions in the Middle East have increased uncertainty surrounding energy supplies and heightened volatility in international prices. At the same time, inflationary pressures stemming from international food markets have intensified. In addition to their direct impact on consumer prices, higher energy prices increase production and transportation costs and, through this channel, affect the prices of other goods and services. Accordingly, assessing inflation dynamics requires consideration of both the persistence of the supply shock and the extent to which it is transmitted to other components of inflation and becomes embedded in inflation expectations. In this regard, developments in the relatively sticky components of inflation warrant particular attention. Relatively sticky inflation indicators remain below headline inflation. In August, core inflation stood at 3.6 percent, while services inflation was 4.4 percent. These developments suggest that, despite the supply shock, its impact on inflation expectations remains moderate. However, a prolonged shock increases the risk of its transmission to inflation expectations, making second-round effects an important factor to monitor. According to the NBG's assessment, recent inflation dynamics remain broadly in line with the central forecast. Under the central scenario, other things being equal, average annual inflation is projected at around 5.2 percent in 2026, before gradually converging to the 3 percent target over the medium term.

Economic activity remains strong. According to preliminary data, economic growth stood at 8.0 percent in July 2026 and averaged 7.9 percent over the first seven months of the year. High-productivity sectors continue to make a significant contribution to economic growth, partly offsetting inflationary pressures stemming from strong aggregate demand.

Uncertainty surrounding the evolution of geopolitical tensions and the extent of their impact on the economy remains high. Accordingly, alongside the central scenario, the MPC 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. This scenario assumes that a prolonged period of heightened geopolitical tensions than in the central scenario, coupled with an increase in international food prices due to adverse climate conditions, would affect inflation expectations and amplify second-round effects. As a result, inflation would be higher and more broad-based than under the central scenario, requiring a tighter monetary policy stance.

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 rate compared to the central scenario. Structural changes in the economy in recent years have increased the contribution of relatively high-productivity and less import-intensive sectors, which, on the one hand, enhances the economy's productive capacity and, on the other, improves the country's external position. If these structural shifts persist over the medium term, stronger productive capacity would moderate demand-driven inflationary pressures. At the same time, the improved external position, together with a lower sovereign risk premium, would support a stronger fundamental exchange rate, providing an additional disinflationary effects. As a result, headline inflation would converge to the target faster than under the central scenario.

Taking into account the current macroeconomic environment and prevailing risks, the MPC decided to keep the monetary policy rate unchanged. The moderately tight monetary policy stance aims to minimize risks related to inflation expectations and second-round effects, ensuring that inflation returns rapidly to the 3% target once the supply shock dissipates. The NBG continues to closely monitor the current developments and the intensity of their transmission to the domestic economy. Should prolonged supply-side shocks lead to an upward trend in inflation expectations, which would amplify second-round effects, the MPC will continue to increase the monetary policy rate moderately. Once the inflationary shock dissipates, the NBG will gradually begin to normalize its monetary policy stance.

The next meeting of the Monetary Policy Committee will be held on October 21, 2026.