



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

On March 25, 2026, 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.

Heightened geopolitical tensions in the Middle East and substantial disruptions to transit through the Strait of Hormuz, have temporarily disrupted traditional supply chains. On the one hand, these developments have already led to a marked increase in energy and shipping costs across international markets. On the other hand, if these dynamics persist, they could increase the risk of inflationary processes becoming more broad-based globally. Notably, prior to the escalation of geopolitical tensions, inflation dynamics were broadly in line with the NBG's central scenario, under which inflation was expected to converge to the 3 percent target from the second quarter of 2026 as temporary factors faded. As expected, headline inflation in February 2026 stood at 4.6 percent. Importantly, the contribution of food prices to inflation has begun to moderate, while measures of sticky prices and inflation expectations have remained broadly anchored around the target. However, amid ongoing geopolitical developments, the recent rise in oil prices has already been partially transmitted to the Georgian market and is expected to put upward pressure on headline inflation in March. Accordingly, under the NBG's updated assessment, inflation is expected to be higher than in the central scenario in the short term. However, over the medium term, the projected path of inflation largely depends on the intensity and persistence of global inflationary pressures, which remain subject to considerable uncertainty.

According to the Monetary Policy Committee's assessment, the situation has shifted from the latest published central scenario to a high-inflation risk scenario, one of the key risks of which envisaged higher oil prices amid escalating geopolitical tensions. Notably, the severity and duration of inflationary pressures on the Georgian economy stemming from the geopolitical situation will largely depend on how these processes evolve going forward. It is also important to note that, despite recent developments, the sovereign risk premium indicator for Georgia has remained broadly stable at low levels, which, in turn, helps mitigate the impact of the external shock.

At this meeting, the Monetary Policy Committee also discussed high- and low-inflation risks relevant to the current situation.

Specifically, sustained high levels of energy prices would raise shipping and production costs globally, generating additional supply-side shocks. Under conditions of successive shocks, the risk of second-round inflationary effects also increases. In response to these developments, central banks in advanced economies may adjust monetary policy toward a tighter stance, which, in turn, could trigger capital

outflows from emerging economies. Taking these factors into account, the risks of imported inflation in Georgia are expected to rise. Should these risks materialize, fundamental processes would necessitate a higher trajectory for the monetary policy rate.

On the other hand, there are also signs of the realization of low-inflation risks. In particular, inflationary pressures arising from geopolitical factors could be temporary. If disruptions in the Strait of Hormuz are resolved relatively quickly and supply from other oil-producing countries increases, energy prices may decline sharply from their peaks. Moreover, if Georgia's sovereign risk premium remains low for an extended period, the external balance could further improve, exerting downward pressure on inflation. The realization of low inflation risks would imply the possibility of easing the monetary policy stance.

As a result of the ongoing macroeconomic analysis and consideration of existing risks, the MPC considered it optimal to leave the monetary policy rate unchanged at 8 percent. Amid heightened uncertainty, the NBG will continue to actively monitor ongoing developments and the intensity of their transmission to the domestic market. If inflationary shocks stemming from the geopolitical situation persist and/or their scale amplify the risks of second-round effects, the MPC stands ready to maintain the current tight stance for longer than expected and, if necessary, to tighten it further.

The next meeting of the Monetary Policy Committee will be held on May 6, 2026.