



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

On June 17, 2026, the Monetary Policy Committee (MPC) of the National Bank of Georgia (NBG) decided to keep the monetary policy rate (refinancing rate) unchanged. The monetary policy rate stands at 8.25 percent.

In May, annual inflation stood at 5.7 percent. The increase in inflation relative to the 3 percent target was mainly driven by a significant increase in energy resources prices. These inflationary pressures mainly reflect external factors, including elevated volatility in international energy prices and supply-side disruptions. At the same time, measures of relatively sticky prices, which better reflect long-term inflation expectations, have shown a slight acceleration in the recent period. In particular, core inflation (excluding food, energy and tobacco) stood at 3.5 percent in May, while services inflation was 3.8 percent. Although these indicators remain significantly below headline inflation, their recent dynamics continue to point to risks of strengthening second-round effects. On the other hand, international commodity markets have recently experienced a notable correction in energy prices. Amid growing optimism regarding the prospect of a peace agreement between the US and Iran, international oil prices have declined significantly from their peak levels. This is consistent with the NBG's central scenario. In particular, the central scenario assumed that strong pressure on inflation caused by the external shock would occur in the second quarter of this year, after which its impact would gradually ease. Therefore, according to the central scenario, inflation will continue its downward tendency from the second quarter of 2026 and will average 4.9 percent in 2026, and will gradually return to the target in the medium term.

Economic activity remains strong. The economy grew by 6.2 percent in April 2026, while average growth in the first four months of the year reached 8.3 percent. Notably, high-productive sectors remain a key driver of economic growth, partially offsetting demand-side inflationary pressures.

Global uncertainty remains elevated. The main sources of this uncertainty remain the further evolution of the ongoing conflict in the Middle East, developments in international energy prices, and the timeline for the restoration of damaged infrastructure. Therefore, the 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 further escalation of geopolitical tension over a prolonged period, which would result in additional damage to infrastructure and a delay in the recovery process. 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 amplify in Georgia, strengthening 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 rate compared to the central scenario. The low-inflation risk scenario assumes that a peace agreement in the Middle East would lead to an immediate stabilization of prices at international commodity markets. In such a case, pressures on energy prices would ease rapidly, which would be reflected in lower domestic inflation. At the same time, Georgia's external position remains robust. Despite the significant external shock, FX inflows continue to be strong, while the country's sovereign risk premium remains low, supporting the stability of the real effective exchange rate. Moreover, the continued relative weakness of the U.S. dollar in global markets serves as an additional supportive factor. If these conditions persist, imported goods inflation is likely to be lower than expected, and, as a result, headline inflation will converge to the target more rapidly than in the central scenario.

As a result of the ongoing macroeconomic analysis and consideration of existing risks, the MPC considered it appropriate to keep the monetary policy rate unchanged at 8.25 percent. 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 July 29, 2026.