



საქართველოს ეროვნული ბანკი  
National Bank of Georgia

# Macroeconomic Forecast Scenarios for IFRS 9

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December

2022

Within the International Financial Reporting Standards (IFRS9) framework, credit risk assessments should incorporate forward-looking analysis. In particular, when assessing expected credit losses, the analysis of macroeconomic and financial factors, expected risks and dynamics should all be taken into account. The National Bank of Georgia (NBG) believes this amendment will facilitate timely recognition of credit risks and will therefore have a positive impact on financial stability.

To ensure transparent, consistent and efficient implementation of IFRS9 by financial institutions, starting from 2018 the NBG regularly publishes macroeconomic and financial forecasts and risk scenarios. The purpose of these scenarios is to provide financial institutions with consistent quantitative estimates of key macroeconomic variables to use them for expected credit loss calculations.

The baseline scenario relies on the NBG's Forecasting and Policy Analysis System (FPAS), while the alternate scenarios are based on a macro-financial model for risk scenario analysis. Additional estimations (satellite models) are used for those variables that are not directly derived from the models. The scenarios also incorporate additional analysis and expert judgement.

The scenarios are based on the data available at the moment of analysis and use the appropriate assumptions on exogenous variables. Forecast scenarios are thus very likely to change when new information becomes available. The dynamics of the variables presented in the forecast scenarios should not be perceived as NBG objectives (e.g., the interest rate, the exchange rate, etc.).

The baseline scenario reflects the most probable state of the economy balanced by risks from both sides, while the alternative scenarios consider different types of shocks (both positive and negative). The shocks are selected based on their relevance to current circumstances and

on expert judgement. It should be noted that although the adverse scenarios reflect negative shocks, these scenarios are less severe than those used in stress testing.

In the current issue of the scenarios, the main drivers of the encompassing macroeconomic variables are the assumptions related to the duration of the Russia-Ukraine war and the possible actions of the world's leading central banks. The baseline scenario considers an increase in consumption due to the growth of lending and migration flows as the leading driver of economic recovery. According to the upside scenario, the recovery of the economy is more sustainable than the baseline scenario, which is related to the expansion of the country's infrastructure, the utilization of the transit potential and the steps taken by the world's leading economies in terms of improving energy independence. The adverse scenario encompasses pressures arising from tightening financial conditions in developed countries due to rising global inflationary expectations and uncertainty related to the prolongation of the Russia-Ukraine war. The current forecast horizon is characterized by higher-than-usual uncertainty and elevated risks.

The forecast horizon is three-four years and the scenarios are updated twice a year. In case of any significant changes in the macroeconomic environment, the scenarios will be updated more frequently. The scenarios describe the macroeconomic situation in the country and cover all of the main macroeconomic variables. However, not all of these variables are required to be included in the credit loss assessment model. The macroeconomic variables in the scenarios are provided at annual frequency. If an expected credit loss assessment model utilized by a financial institution is based on data of a higher frequency, the variables can be converted into the desired frequency by using linear interpolation. This way annual changes in the selected macroeconomic variables will be evenly distributed over the chosen higher frequency.

For credit loss assessment, 50% probability should be assigned to the baseline scenario, while the upside and adverse scenarios should both be given 25%-25% probabilities. It should be noted that as Georgia is a small open economy it is highly vulnerable to shocks. Thus, it is essential to consider the non-linear relation between macroeconomic scenarios and credit risk. Therefore, it is necessary to evaluate the expected credit loss for each of the scenarios, and only then weight them with the corresponding probabilities.

It should also be noted that the macro scenarios published by the NBG should not be perceived as the only correct version. Financial institutions may add an alternative scenario and/or change it. However, in such cases it is necessary for the financial institution to understand the relevance of the corresponding scenario and the linkages between the different macroeconomic variables within each scenario. If necessary, the financial institution should be able to prove the reasonability of any changes made to a scenario and/or justify the introduction of new scenarios.

## **Baseline Scenario**

According to the baseline scenario, which reflects the forecasts published in the October 2022 issue of the Monetary Policy Report and other relevant up-to-date information, high economic activity is maintained in the country this year. Despite a significant slowdown in the COVID-19 pandemic worldwide, certain restrictions still persist in a country with a large influence on global supply stability, such as China. In addition, the protracted hostilities between Russia and Ukraine have prolonged uncertainty regarding the pace of global economic recovery and contributed to an inflationary environment. The disruption of world trade flows as a result of the Russia-Ukraine war and lockdowns related to COVID-19 in China, as well as the economic sanctions imposed on Russia by developed

countries, led to another increase in the prices of energy, food and similar consumption products. Furthermore, supply disruptions of intermediate products will lead to a loss of production efficiency and reduced productivity. However, as a result of certain agreements among countries, the pressure on food prices has decreased. Nevertheless, amid the difficult geopolitical situation, the market sentiment has deteriorated and inflation expectations have increased.

According to the baseline scenario, the prolongation of the Russia-Ukraine war worsened the forecasts for the pace of global economic recovery in 2022-2023. Amid high energy prices, weak consumer confidence, and slowdown in production, caused by constant disruptions in the supply chain and rising costs of intermediate materials, the forecasts had particularly worsened for European countries. World food prices remain high, however, due to the Black Sea grain exports agreement, prices have slightly decreased, with further decreases expected in the future. At the same time, as a result of Russia's significant reduction in natural gas supplies to Europe and OPEC's decision to reduce oil production, energy prices are still elevated, although they have recently started to decline. The current energy crisis, especially in Europe, is no longer considered a transitory shock. After the war launched by Russia against Ukraine, the geopolitical rearrangement of energy supplies took a broad and permanent form. Moreover, the disruption of China's production capacity due to pandemic-related restrictions is delaying the elimination of supply chain problems, which prolongs the pressure on global supply and, consequently, causes inflation to remain at high levels for a relatively long time.

Against the background of growing inflation and deteriorating expectations, including in developed economies, countries began to tighten their monetary policy. The world's leading central banks, such as the US Federal Reserve System (Fed) and the European Central Bank (ECB), continue to tighten monetary policy, which is reflected in sharply increased

interest rates and the termination of asset purchase programs. An additional increase of the mentioned rates is expected over 2023, as well. Developed countries' monetary and fiscal policies, which provided unprecedented support to economies during the pandemic, are now tightening, and thus pushing aggregate demand down. Likewise, globally tighter financial conditions also contribute to reducing demand and, therefore, easing inflationary pressure. These actions are characterized by certain risks, and as a result, the risks of recession started to appear in some countries' growth forecasts for 2023. It is expected that global inflation will remain at a high level for a relatively long time, although it will start to decrease from 2023.

Prolonged and rising inflationary pressures, along with a rapid and synchronized tightening of monetary conditions around the world, led to a strong appreciation of the US dollar against other currencies. The strengthening of the US dollar against most currencies is due to fundamental factors such as the tightening of monetary policy in the US and the energy crisis. With high uncertainty regarding global economic growth forecasts, investors prefer to protect their finances by investing in relatively safe assets such as US Treasuries; this leads to additional strengthening of the US dollar. Considering the dollar's dominant role in international trade settlement, its additional appreciation will further slow the world trade growth. The weakening of the national currency in developing and emerging market economies can lead to balance sheet vulnerabilities, especially in countries characterized by a large dollar-denominated net liabilities. This will create immediate risks to financial stability in such countries and increase their risk premium.

In the baseline scenario, in 2022-2023, the recovery of economic activity in Georgia's trading partner countries is progressing unevenly. A significant decrease in the economic activity is expected in Russia and Ukraine, while a significant increase is observed in Azerbaijan. Moreover, low economic activity is expected in China throughout the first half of 2023 as a result of the COVID-19 related

restrictions. In addition, in the majority of partner countries, inflation is expected to remain at a high level. Despite the recovery of the international tourist flows of Georgia to the pre-pandemic level, taking into account the regional risks and the energy crisis in Europe, the pace of the current account improvement in the country is expected to slow down from next year. However, the increased foreign exchange inflows in the current period support the strengthening of the exchange rate and help improve expectations, offsetting the effect of declining foreign investments as a result of increased regional risk and tighter global financial conditions. With this in mind, no significant changes in the nominal exchange rate of the GEL, both effective and against the US dollar, is likely to be observed in the medium term. (see Figure 3). Due to tightened global financial conditions and more expensive International trade flows amid US dollar appreciation, the economy's vulnerability to external factors has increased, leading to risk reassessments by investors. Consequently, the country's sovereign risk premium will remain at a relatively high level during 2022-2023, although it will return to the pre-pandemic level over the forecast horizon.

According to the baseline scenario, economic activity is expected to grow by 10 percent in 2022 (see Figure 2), which is 5.5 percentage points higher than the previous forecast. This revision of the economic growth forecast is due to the increased economic activity in the country, as well as the improvement of the current account amid increased migration flows and remittances in the country. Overall, an increase in the flow of foreign visitors and their spending, along with a high pace of lending significantly contribute to boosting local demand, which is the main driver of economic growth. In the next year, the foreign demand will be relatively weaker in the light of the expected economic growth slowdown in the trading partners. Apart from that, due to the expectations of additional interest rate hikes by the Fed and the ECB, no increase in international investment flows is expected. Consequently, economic growth in

the country will be around the pre-pandemic level in the coming years. Following the lifting of the pandemic related restrictions and the restoration of tourist flows, the recovery of the service sector will be noteworthy, which will lead to a significant increase in wages and employment in the sector. Subsequently, the level of unemployment in the country will decrease significantly this year.

According to the baseline scenario, in the current year, real estate prices expressed in GEL will increase compared to the 2021 average level. With the strengthening of the national currency, real estate prices expressed in US dollars increase even more. The given dynamics are a result of the increased construction costs and rising foreign demand for real estate this year, which is indicated by the increase in foreign visitors and rental prices. In addition, amid the COVID-19 and the Russia-Ukraine war, the prices of construction materials have increased initially, which was reflected in the increased cost of the buildings this year as well. However, in the recent period, the decreasing price dynamics of the mentioned materials can be observed. As the geopolitical situation stabilizes, the external demand for real estate will be substituted by domestic demand, making the real estate price growth proportionate to the nominal economic growth in the medium term.

In the baseline scenario, inflation will remain above the target in 2022-2023, which is due to the sharp increase in the prices of energy and food on the international market, as well as increased demand this year (see Figure 1). The normalization of the prices of these products is already observed, thus their contribution to inflation is decreasing. Apart from that, as the effects of restrictive lending regulations, that contain demand, are fully reflected on the economy, alongside the tightened monetary policy, inflation gradually decreases and approaches the target from the second half of 2023.

In the baseline scenario, short-term inflation expectations remain at an elevated level due to a relatively long deviation from the inflation

target, high uncertainty and other above-mentioned factors. In response to the risk of an additional increase in inflationary expectations, monetary policy remains relatively tight. As the risks subside, the monetary policy rate will gradually decrease and, in the medium term, will approach the neutral level - currently estimated at 7 percent (see Figure 4).

Uncertainty remains around the baseline scenario. In particular, the pace of economic recovery in the coming years will significantly depend on the duration of the Russia-Ukraine war and the tightened global financial conditions. The risks of the war prolongation and greater than expected tightening of monetary policy in developed countries are high, which will have a significant impact on the sentiment of global financial markets. The following alternative scenarios consider the sources of uncertainty and discuss the possible alternative developments of events.

### **Alternative Scenarios**

In contrast to the baseline scenario, which is balanced by risks from both sides, the alternative scenarios examine various exogenous shocks that are chosen based on their relevance to current circumstances and expert judgement. In particular, the upside scenario discusses the expansion of transit potential by Georgia and the acceleration of technological progress globally, while the adverse scenario emphasizes the prolongation of the Russia-Ukraine war and additional tightening of global financial conditions. It should also be noted that the alternative scenarios do not consider risks associated with fiscal and/or other macroeconomic policies.

#### **Upside Scenario**

According to the upside scenario, the emergence of a large-scale energy crisis threat

due to the Russia-Ukraine war has revealed the importance of energy security. Consequently, the world's leading economies have accelerated the transition to clean and reliable energy sources. Subsequently, they are significantly increasing investments in this area and, thus, accelerating technological progress. Along with the new advancements in technology, the production process's efficiency also improves, creating a sustainable basis for economic recovery. Along with improvements in the production potential of developed countries, foreign direct investments in developing and emerging market economies are gradually increasing, which ensures the availability of financial resources.

According to the upside scenario, the easing of global supply disruptions and the stabilization of commodity prices on international markets happen faster than in the baseline scenario, which, accompanied by a tight monetary policy globally, leads to a low-inflationary environment for the next period. Furthermore, in the period of economic recovery, the above-mentioned technological progress and improvement of production potential will additionally reduce the inflationary pressure. With this in mind, the US Federal Reserve and the European Central Bank exit the tight monetary policy regime relatively quickly. As a result of shorter maintenance of tight financial conditions compared to the baseline scenario, the growth potential of developing and emerging market economies does not deteriorate. Meanwhile, the formation of new trade links and the growth of foreign direct investments from developed countries will accelerate a rapid economic recovery in developing and emerging market economies.

According to the upside scenario, the geopolitical situation will stabilize and regional risks will decrease faster, which will increase economic activity, as well as trade and investment flows in most of Georgia's trading partner countries from the second half of 2023. As a result of the current geopolitical situation, along with the geographical location of Georgia, the country's potential and role in the region

are increasing. Thus, Georgia is able to expand its transit potential and significantly increase trade flows in the country. The growing role of Georgia in the region becomes a pretext for attracting new foreign investments in the country, which will support the strengthening of the nominal exchange rate, both effective and against the US dollar. Overall, the growing demand for GEL assets reduces macroeconomic risks, which, along with the growth of Georgia's role as a transit country, is reflected in a more accelerated reduction of the sovereign risk premium compared to the baseline scenario.

Given the circumstances described above and an increase in external demand due to the recovery of economic activity in trading partner countries, Georgia's economy is growing at a higher rate compared to the baseline scenario. In line with the economic growth, the unemployment level in the country is decreasing and returning to the pre-pandemic level in the forecast horizon. A reduction in unemployment will increase spending of both companies and households, and generate inflationary pressures, which will be largely balanced by improvements in economic growth potential. Apart from that, the inflationary pressure resulting from the growth of foreign demand will be neutralized by the significant strengthening of the exchange rate recorded in the current year and by the small appreciation expected in the following periods. Therefore, inflation is declining faster and monetary policy is exiting the tightened state sooner than in the baseline scenario. As a result of the sustainable recovery of the economy and the improved expectations, the growth of real estate prices expressed in GEL is slightly higher than in the baseline scenario over the forecast horizon.

### **Adverse Scenario**

According to the adverse scenario, the Russia-Ukraine war continues longer compared to the baseline scenario. The prolongation of the war will extend the disruptions in trade and financial flows observed this year into

the next year, which will significantly hinder the recovery of global economic activity in the medium term. The prolongation of the war will lead to the introduction of additional sanctions on Russia, whereas Russia will react with a complete cut of gas supplies to Europe and the cancellation of the Black Sea grain deal. As a result, the prices of energy resources will increase even more in the short term, which will put additional pressure on households and companies. The persistence of high energy prices and the expected depreciation of national currencies against the US dollar will also affect core inflation, creating the need for a sharper monetary policy response. This will hamper economic growth due to higher borrowing costs and reduced disposable incomes. Apart from that, the emergence of obstacles to the Black Sea grain deal could lead to a food security crisis, which would be particularly harmful to low-income countries.

According to the adverse scenario, disruptions in global trade flows and uncertainty related to the possible effects of war lead to high inflation expectations in the coming years. High inflation and rising inflationary expectations in developed countries put the credibility of central banks at risk, causing the world's leading central banks to act more rigidly and tighten monetary policy faster than in the baseline scenario. This will further tighten global financial conditions and in light of increasing global uncertainty and deteriorating expectations, will lead to capital outflows and reassessment of risks by investors for developing and emerging market economies. The additional financial pressure resulting from the prolongation of the Russia-Ukraine war will be on a larger scale and will cause an increase in external debt burden and a deterioration of the current account, amid increased regional risks and tightened financial conditions. Consequently, in contrast to the baseline scenario, the sovereign risk premium of Georgia will remain at a higher level in 2023 and will start to decrease only from 2024.

In the adverse scenario, the prolongation of the

Russia-Ukraine war will significantly hinder economic recovery in Georgia's trading partner countries. Due to the massive outflow of capital resulting from the reassessments of risks, as well as tighter monetary policy in response to the increased inflationary expectations, these countries are facing the risk of stagflation. As a result, their sovereign risk premium rises and local currencies depreciate. The risks arising from the foreign sector for Georgia are further aggravated by the trade relations with Russia, which will significantly hinder the trade flow in Georgia in case of additional tightening of sanctions. At the same time, the positive dynamics observed in international migration flows and inflows of remittances in 2022, are fading out. All in all, this has a negative effect on the economic growth rate, and, along with the uncertainty related to the geopolitical situation, will have a negative effect on market sentiment. Consequently, the worsened external balance and increased risks create exchange rate depreciation pressure. In particular, the nominal exchange rate of GEL against the US dollar will depreciate by 15% in 2023. Upon economic recovery in 2024 the nominal exchange rate will strengthen by 5% against the US dollar. At the same time, the nominal effective exchange rate is characterized by lower fluctuations, as global trends also affect the currencies of Georgia's trading partners.

According to the adverse scenario, there is high uncertainty regarding the growth rate of the Georgian economy, amid the reduction of foreign inflows and the increased risk in the region. Due to the emerging signs of stagflation in some of the main trading partner countries, foreign demand has been sharply reduced. Apart from that, because of still high dollarization of loans, the depreciation of the GEL results into increased debt burden and consequently a weaker domestic demand that delays the economic recovery. Increased foreign debt reduces the possibility of fiscal support to the economy. As a result of increased risk in the region, limited investment activity significantly

harms the production potential of the economy. Therefore, a low economic growth is expected in 2023, and recovery will be observed only from 2024.

Under the adverse scenario, given the deteriorating expectations and weak demand, real estate activity slows down, putting downward pressure on real estate prices from next year. However, due to depreciated national currency and increased prices of construction materials, real estate prices expressed in GEL are increasing. In the coming years, the growth of real estate prices will be driven mainly by the improvement of expectations and the stabilization of prices for intermediate products.

In the adverse scenario, an increase in interest rates in developed countries will lead to a decrease in aggregate demand, which, other things being equal, will push prices down on international markets. In the case of Georgia, the tightening of financial conditions and the depreciation of the GEL exchange rate will create inflationary pressure. The disinflationary effect of weak demand will soften the mentioned pressure to some extent, however, due to the fact that inflation has deviated from the target level for a long time, expectations of a high-inflationary environment in the next period are still present. Taking this into account, inflation will be at a higher level in 2023 compared to the baseline scenario, and it will approach the target rate only in 2025. The National Bank is less tolerant towards such a scenario, and as a result the monetary policy is further tightened compared

to the baseline scenario and will remain in the tightened state for a longer period compared to the baseline scenario. As the inflationary expectations subside over the forecast horizon, the monetary policy will approach the neutral level.

Delayed recovery in economic activity may cause some businesses to close due to reduced demand and increased operating costs. Firms that largely depend on the markets of Russia and Ukraine are especially vulnerable. In order to reduce the risks of companies' solvency, it may be necessary to introduce unanticipated fiscal support from the state, which will be reflected in the increase of the public debt and fiscal consolidation in subsequent periods. As a result, this will negatively contribute to the domestic demand and economic growth rate. The expected depreciation of the national currency and the high dollarization of loans will aggravate this situation. In the wake of government spending cuts, deteriorating financial conditions and, in some cases, closures of businesses, unemployment is rising in the country. Against the background of reduced incomes and increased uncertainty, the financial situation of households is also deteriorating. All of the above will make it harder for households and companies to service their debt, which may result in an increase in credit risk. This will have a negative impact on the local financial system. If the impact on the balance sheets of financial institutions turns out to be substantial, then the economy's recovery will be hindered even more.



## Summary of Macroeconomic Forecast Scenarios

Scenario	Baseline	Upside (Improved International Environment)	Adverse (Prolongation of the Russia- Ukraine War)
FED Funds Rate	2022*: +0.0 pp (compared to the current level) 2023: +0.75 pp 2024: -1.0 pp 2025: -1.0 pp	2022*: +0.0 pp (compared to the current level) 2023: +0.0 pp 2024: -0.5 pp 2025: -1.0 pp	2022*: +0.0 pp (compared to the current level) 2023: +1.5 pp 2024: -1.0 pp 2025: -1.5 pp
ECB Policy Rate	2022*: +0.0 pp (compared to the current level) 2023: +1.0 pp 2024: -0.75 pp 2025: -0.75 pp	2022*: +0.0 pp (compared to the current level) 2023: +0.25 pp 2024: -0.5 pp 2025: -0.75 pp	2022*: +0.0 pp (compared to the current level) 2023: +1.5 pp 2024: -0.5 pp 2025: -1.0 pp
Change in Country Sovereign Risk Premium**	2022: +1.4 pp (compared to 2021) 2023: -0.25 pp 2024: -0.5 pp 2025: -0.5 pp	2022: +1.4 pp (compared to 2021) 2023: -0.5 pp 2024: -0.5 pp 2025: -0.5 pp	2022: +1.4 pp (compared to 2021) 2023: +1.0 pp 2024: -0.5 pp 2025: -1.5 pp
GEL/USD Nominal Exchange Rate	2022*†: Unchanged 2023: Unchanged 2024: Unchanged 2025: Unchanged	2022*†: Unchanged 2023: Appreciation 2% 2024: Unchanged 2025: Unchanged	2022*†: Unchanged 2023: Depreciation 15% 2024: Appreciation 5% 2025: Appreciation 5%
Nominal Effective Exchange Rate (NEER)	2022*†: Unchanged 2023: Unchanged 2024: Unchanged 2025: Unchanged	2022*†: Unchanged 2023: Appreciation 1.5% 2024: Unchanged 2025: Unchanged	2022*†: Unchanged 2023: Depreciation 10% 2024: Appreciation 3% 2025: Appreciation 3%
Real GDP Growth (YoY)	2022: 10.0% 2023: 4.0% 2024: 5.5% 2025: 5.0%	2022: 10.0% 2023: 6.0% 2024: 5.0% 2025: 5.0%	2022: 10.0% 2023: 2.0% 2024: 4.0% 2025: 5.0%
Change in Unemployment Rate	2022: -3.6 pp 2023: -1.0 pp 2024: -0.25 pp 2025: +0.0 pp	2022: -3.6 pp 2023: -2.0 pp 2024: +0.0 pp 2025: +0.0 pp	2022: -3.6 pp 2023: +0.0 pp 2024: +0.25 pp 2025: -0.25 pp
CPI Inflation (YoY)	2022: 11.9% 2023: 5.3% 2024: 3.1% 2025: 3.0%	2022: 11.9% 2023: 5.0% 2024: 3.0% 2025: 3.0%	2022: 11.9% 2023: 9.0% 2024: 6.0% 2025: 3.0%
Change in Real Estate Prices (expressed in GEL, YoY)	2022: 7.5% 2023: 7.0% 2024: 5.5% 2025: 5.5%	2022: 7.5% 2023: 8.0% 2024: 5.5% 2025: 5.5%	2022: 7.5% 2023: 10.0% 2024: 8.0% 2025: 5.5%
Monetary Policy Rate (%)††	2022*: +0.0 pp (compared to the current level) 2023: -1.4 pp 2024: -1.6 pp 2025: -0.8 pp	2022*: +0.0 pp (compared to the current level) 2023: -2.5 pp 2024: -1.5 pp 2025: +0.0 pp	2022*: +0.0 pp (compared to the current level) 2023: +2.5 pp 2024: -3.0 pp 2025: -3.0 pp

Note: Current levels correspond to the publication date of these scenarios. The numbers represent annual average changes, unless otherwise specified.

\* The assumption is made for the remaining period of the year.

\*\* JPMorgan EMBI Global Georgia Sovereign Spread; Source: Bloomberg.

† Average levels prevailing in the two-week period ending on the cut-off date of 15 December 2022.

†† The assumption shows the change over the course of the year.

# Appendix

## Forecast Dynamics for Main Domestic Variables

Figure 1. CPI Inflation (YoY, %)

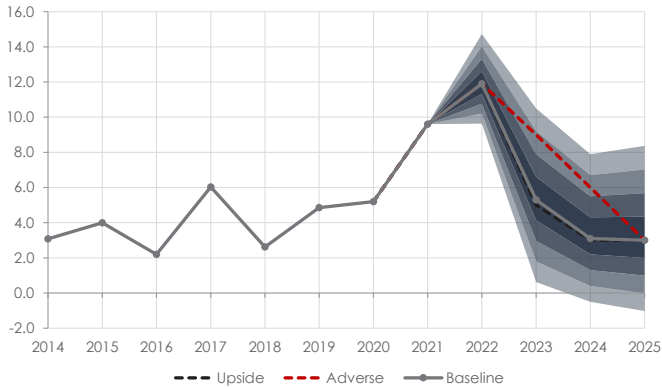


Figure 2. Real GDP Growth (YoY, %)

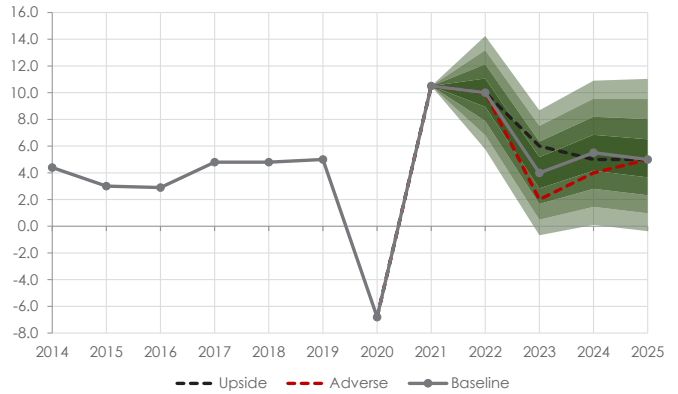
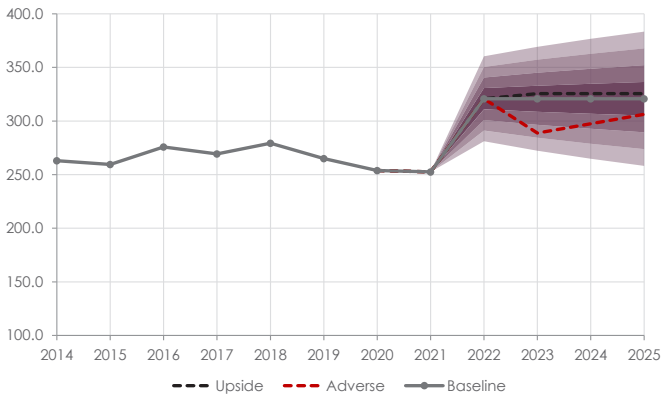
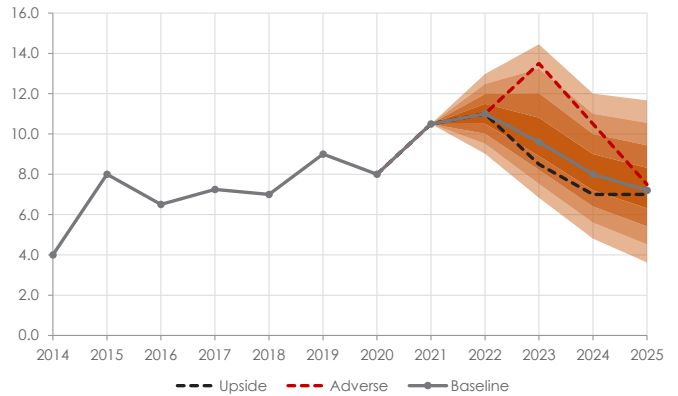


Figure 3. Nominal Effective Exchange Rate, NEER\*\*



\*\* 1995=100; Increase means appreciation

Figure 4. Monetary Policy Rate\* (%)



	History											Forecast Scenario											
												Baseline				Upside				Adverse			
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
CPI Inflation (YoY, %)	8.7	-0.9	-0.5	3.1	4.0	2.2	6.0	2.6	4.9	5.2	9.6	11.9	5.3	3.1	3.0	11.9	5.0	3.0	3.0	11.9	9.0	6.0	3.0
Monetary Policy Rate (%) *	6.75	5.25	3.75	4.0	8.0	6.5	7.25	7.0	9.0	8.0	10.5	11.0	9.6	8.0	7.2	11.0	8.5	7.0	7.0	11.0	13.5	10.5	7.5
Real GDP Growth (YoY, %)	7.4	6.4	3.6	4.4	3.0	2.9	4.8	4.8	5.0	-6.8	10.5	10.0	4.0	5.5	5.0	10.0	6.0	5.0	5.0	10.0	2.0	4.0	5.0
Nominal Effective Exchange Rate, NEER (1995=100)	238.4	254.1	254.0	262.9	259.5	275.9	269.3	279.4	265.0	253.8	252.6	320.8	320.8	320.8	320.8	320.8	325.6	325.6	325.6	320.8	288.7	297.4	306.3

Note: Data is annual average unless otherwise indicated.

The scenarios are based on the latest available data and the corresponding assumptions on exogenous variables. Thus, during each update, as new information becomes available scenarios are expected to change. The dynamics of the variables presented in the forecast scenarios should not be perceived as the target of the National Bank of Georgia (e.g., the interest rate, the exchange rate, etc.).

\* The numbers show the end-of-year values.

