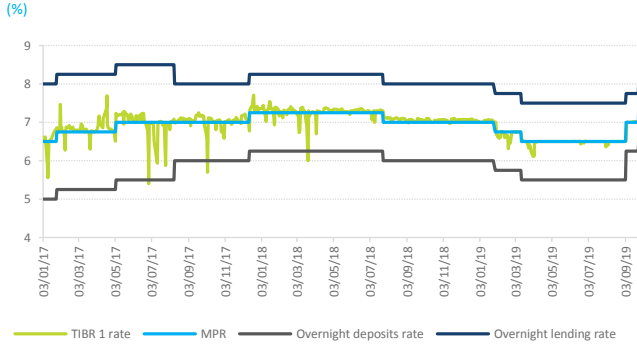
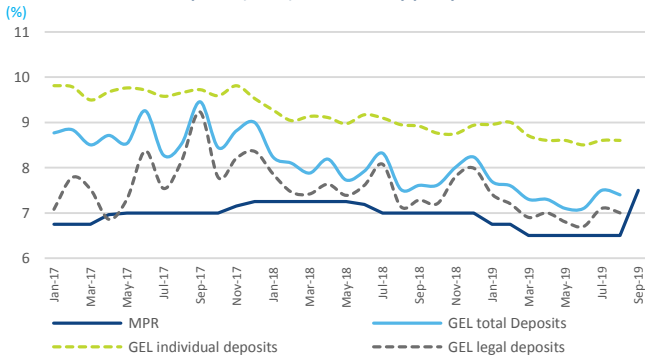


Monetary policy rate and short-term interbank market rates



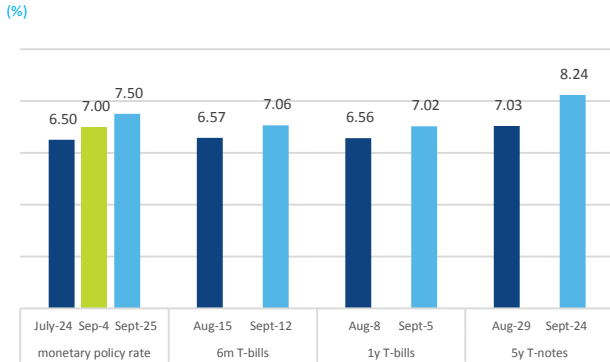
Source: The NBG

Interest rates on GEL deposits (flows) and monetary policy rate



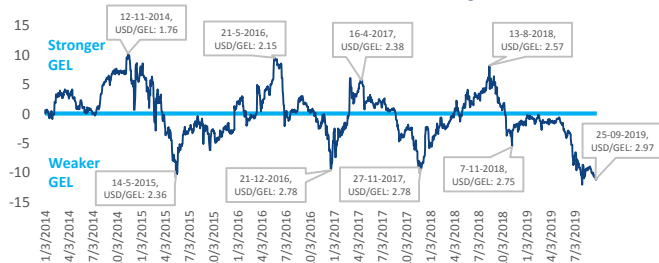
Source: The NBG

Interest rates on treasury securities and monetary policy rate



Source: The NBG

% Deviation of estimated REER from its medium term average*



*Real effective exchange rate (REER) represents weighted average exchange rate of GEL against Georgia's major trading partner currencies, adjusted for inflation differential. Daily estimates of REER are calculated by using the nominal effective exchange rate published daily by the National Bank of Georgia and monthly inflation differential between Georgia and its main trading partners. As inflation data for major trading partners and Georgia is published with lag, latest inflation differential represents TBC Research estimates. Latest day exchange rate represents the results of the same day FX trading.

Source: The NBG, TBC Research Estimates

The NBG, during today's extraordinary Monetary Policy Committee meeting raised the policy rate by 50 basis points to 7.5%. The move was well expected as the GEL remains strongly undervalued with high pass-through on the inflation (see TBC Research earlier note on the [scheduled MPC meeting](#)).

According to the NBG, all means and instruments will be used to ensure the price stability. Also, the assessment of the external sector dynamics is positive, what together with the tighter monetary stance, contributes to the GEL appreciation through the expectations channel.

Unless the GEL strengthens, we expect another, probably 50 basis points rate hike during October 23 MPC meeting as well as the usage of other tools.

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