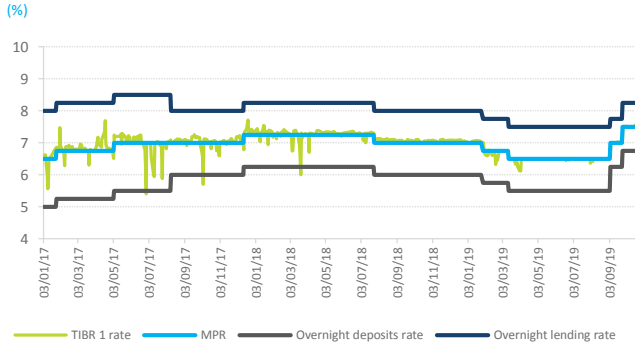
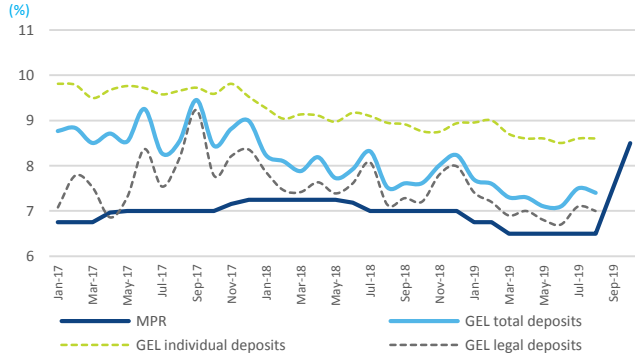


The monetary policy rate and short-term interbank market rates



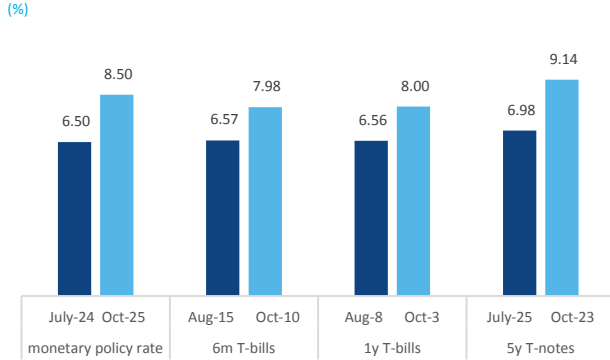
Source: The NBG

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



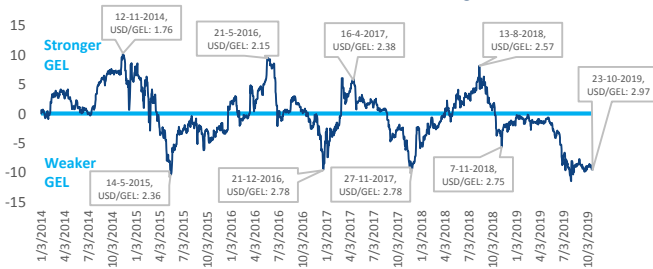
Source: The NBG

Interest rates on treasury securities and the monetary policy rate



Source: The NBG

% Deviation of estimated REER from its medium term average*



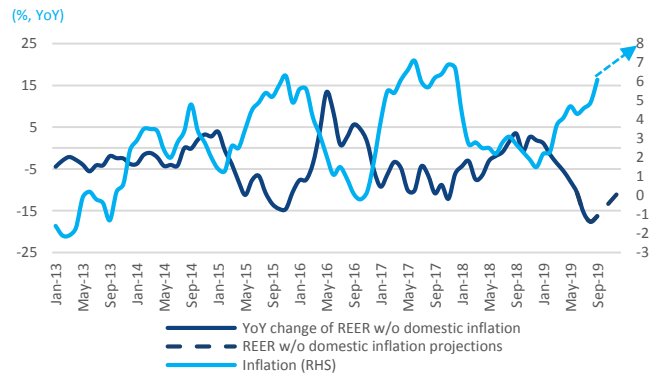
*Real effective exchange rate (REER) represents weighted average exchange rate of GEL against Georgia's major trading partner currencies, adjusted for inflation differential. Daily estimates of REER are calculated by using the nominal effective exchange rate published daily by the National Bank of Georgia 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.

Sources: The NBG, TBC Research Estimates

The NBG has continued its tightening cycle and increased the policy rate by 100 basis points to 8.5% at its today's MPC meeting. The inflation pressures stemming from the undervalued GEL were highlighted once again. Also, the external sector was assessed as supportive. The committee expects the inflation to start to decline from March 2020 and to stay close to the target in the medium term.

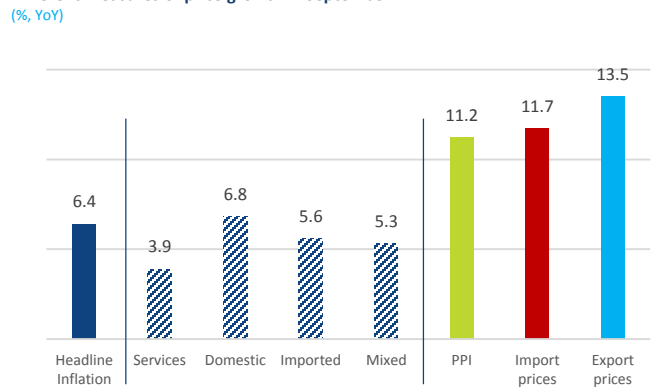
The tightening came in line with the expectations as the GEL effective exchange rate stayed at approximately the same level. Though the rate hike was sharper than projected, no other tools were deployed this time. Per our judgement, the NBG will continue to tighten in GEL and may relax further in FX unless the GEL strengthens. Broadly speaking, we maintain our views on key macro variables expressed in TBC Research October [monthly update](#).

The GEL REER and Inflation



Sources: The NBG, GeoStat, TBC Research estimates

Different measures of price growth in September



Sources: The NBG, GeoStat

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