

Russia Crisis Forces Georgian Central Bank to Raise Key Interest Rate

By [The Moscow Times](#)

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TBILISI — Georgia's central bank raised its main interest rate and sold \$40 million at a foreign currency auction on Wednesday, part of efforts to preserve financial stability, control inflation and support the lari currency.

The change in the refinancing rate to 4.5 percent from 4 percent came two days after central bank governor Georgy Kadagidze said the bank was poised to hike due to higher inflationary expectations. The rate had been steady since last February, when it was lifted from 3.75 percent.

Wednesday's intervention in the foreign exchange market was the first since Dec. 2, when the central bank sold \$40 million after selling another \$40 million on Nov. 25.

Afterwards, the lari was trading at 2.0248 per dollar, stronger from 2.0421 on Tuesday but still much weaker than its rate of 1.7542 at the start of November.

The former Soviet republic's economy has been battered by the plunge in Russia's ruble currency and the conflict in Ukraine, along with declining exports, remittances and foreign investment and a rising current account deficit.

Consumer prices rose 1.4 percent year-on-year in January after increasing an annual 2.0 percent in December. On the month, consumer prices were 0.2 percent higher in January, down from 0.7 percent in December.

Price pressures have increased as the lari has weakened. The government targets an inflation range of 5-6 percent for 2015.

The central bank's next rate-setting meeting will be on March 25.

It said currency reserves were \$2.610 billion on Jan. 31, lower from \$2.699 billion at the end of 2014, with January's \$89 million decline due to loan payments and currency revaluation.

In the whole of 2014, the central bank's total net foreign currency interventions amounted to \$100 million.

Georgia's move follows Tuesday's decision by Armenia's central bank to raise its key refinancing rate to 10.5 percent from 9.5 percent. Armenia, also small former Soviet republic, is closely tied to Russia through trade and remittances.

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