


**FOREIGN CAPITAL INFLOWS REACHED US\$1.7 BN IN 1H 2008**

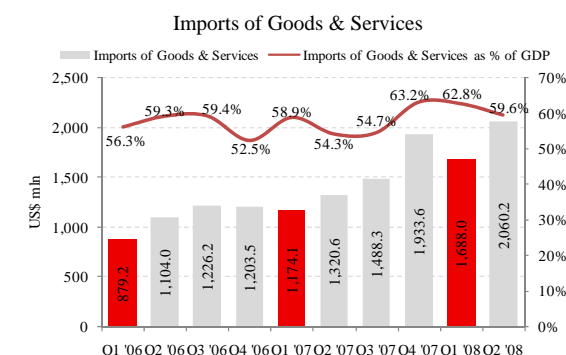
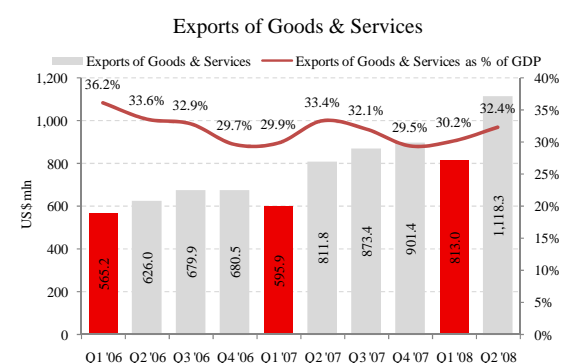
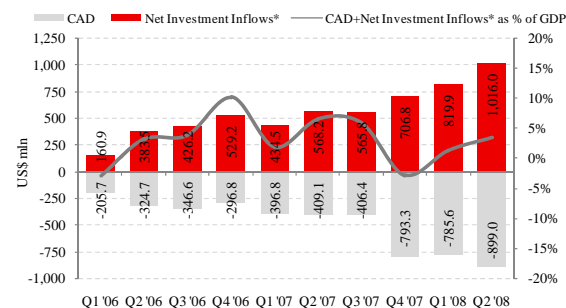
 GEL/US\$: 1.4100 GEL/EUR: 1.9188  
 Galt & Taggart Index: 250

National Bank of Georgia reported that in Q2 2008, current account deficit widened by 14.4% q-o-q to US\$899 mln (up 120% y-o-y). Exports of goods and services grew by 37.6% q-o-q in Q2 2008 to US\$1.1 bn (up 37.8% y-o-y). In 1H 2008, exports of goods and services increased by 37.2% y-o-y to US\$1.9 bn. In Q2 2008, imports of goods and services grew to US\$2.1 bn, up 22% q-o-q and 56% y-o-y. In 1H 2008, imports of goods and services reached US\$3.7 bn, up 50.2% y-o-y. Total foreign capital and financial inflows in Q2 2008 amounted to US\$903.6 mln, up 13.4% q-o-q and 144.7% y-o-y. In 1H 2008 total foreign capital and financial inflows grew by 136.3% y-o-y to US\$1.7 bn. In Q2 2008, net FDI increased by 25.7% y-o-y to US\$522.2 mln, whereas portfolio investment reached US\$473.9 mln, up 209.3% q-o-q (the highest-ever quarterly level), largely on the back of the sovereign Eurobonds issuance in April 2008.

**Current Account Deficit**

Balance of Payment (US\$ mln)	Q2 '08	Q1 '08	Growth q-o-q	1H '08	1H '07	Growth y-o-y
<b>Current account</b>	<b>-899.0</b>	<b>-785.6</b>	14.4%	<b>-1,684.6</b>	<b>-805.9</b>	109.0%
<b>Goods</b>	<b>-965.8</b>	<b>-899.3</b>	7.4%	<b>-1,865.0</b>	<b>-1,167.7</b>	59.7%
Credit	758.0	531.2	42.7%	1,289.3	934.6	37.9%
Debit	-1,723.8	-1,430.5	20.5%	-3,154.3	-2,102.3	50.0%
<b>Services</b>	<b>23.9</b>	<b>24.3</b>	-1.5%	<b>48.2</b>	<b>80.7</b>	-40.3%
Credit	360.3	281.8	27.9%	642.1	473.0	35.7%
Debit	-336.4	-257.5	30.6%	-593.9	-392.3	51.4%
<b>Income</b>	<b>-127.7</b>	<b>-81.1</b>	57.5%	<b>-208.8</b>	<b>-1.5</b>	13820.0%
Credit	122.4	111.0	10.3%	233.4	213.1	9.5%
Debit	-249.5	-192.1	21.9%	-426.2	-214.6	98.6%
<b>Current transfers</b>	<b>170.0</b>	<b>170.5</b>	-0.3%	<b>340.5</b>	<b>282.7</b>	20.5%
Credit	189.5	190.6	-0.5%	380.1	323.4	17.5%
Debit	-19.5	-20.0	-2.5%	-39.6	-40.8	-3.0%
<b>Capital and financial account</b>	<b>921.6</b>	<b>814.5</b>	13.1%	<b>1,736.1</b>	<b>772.7</b>	124.7%
<b>Capital account</b>	17.9	17.3	3.8%	35.2	52.8	-33.4%
Credit	17.9	17.3	3.8%	35.2	53.0	-33.5%
Debit	0.0	0.0	8.0%	-0.1	-0.2	-67.0%
<b>Financial account</b>	<b>903.7</b>	<b>797.2</b>	13.4%	<b>1,700.9</b>	<b>719.9</b>	136.3%
<b>Direct investment</b>	<b>522.2</b>	<b>415.4</b>	25.7%	<b>937.6</b>	<b>696.2</b>	34.7%
To abroad	0.0	-6.7	nmf	-6.7	1.3	nmf
From abroad	522.2	422.1	23.7%	944.3	695.0	35.9%
<b>Portfolio investment</b>	<b>473.9</b>	<b>153.2</b>	209.3%	<b>627.2</b>	<b>-14.1</b>	nmf
Assets	-46.7	1.7	nmf	-45.0	-16.8	167.6%
Liabilities	520.6	151.5	243.6%	672.2	2.7	24669.2%
<b>Financial derivatives, net</b>	<b>0.5</b>	<b>1.1</b>	-55.8%	<b>1.6</b>	<b>0.0</b>	nmf
Assets	2.0	0.6	213.3%	2.7	0.0	586963.7%
Liabilities	-1.5	0.5	nmf	-1.1	0.0	nmf
<b>Other investment</b>	<b>19.9</b>	<b>251.2</b>	-92.1%	<b>271.1</b>	<b>320.5</b>	-15.4%
Assets	-414.6	52.6	nmf	-362.0	-61.2	491.2%
Liabilities	434.4	199.5	117.7%	633.9	381.8	66.0%
<b>Reserve assets</b>	<b>-112.8</b>	<b>-24.6</b>	358.3%	<b>-137.4</b>	<b>-282.8</b>	-51.4%
<b>Net errors and omissions</b>	<b>-22.6</b>	<b>-28.9</b>	21.8%	<b>-51.5</b>	<b>33.2</b>	nmf
<b>Total exceptional financing</b>	<b>541.1</b>	<b>20.7</b>	2508.5%	<b>561.8</b>	<b>46.6</b>	1105.5%

Source: National Bank of Georgia


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 \*Direct, Portfolio and Other investment

Georgia: Key Economic Data	2004A	2005A	2006A	2007A
Nominal GDP (GEL mln)	9,824.3	11,621.0	13,783.9	16,998.6
Real GDP Growth (y-o-y; %)	5.9%	9.6%	9.4%	12.4%
GDP per Capita (US\$)	1,187.2	1,478.4	1,758.7	2,315.2
CPI (e-o-p; %)	7.5%	6.2%	8.8%	11.0%
Net FDI (US\$ mln)	483	542	1,076	2,014.8
Current Account Deficit as % of GDP	-6.6%	-10.7%	-14.9%	-18.9%
GEL/US\$ (e-o-p)	1.83	1.79	1.71	1.59
GEL/EUR (e-o-p)	2.49	2.12	2.26	2.33
Galt & Taggart Index (e-o-p)	194	320	790	1,041

Source: Department of Statistics, Ministry of Economic Development, Ministry of Finance, National Bank of Georgia

**Georgia has, as of the date hereof, the following sovereign credit ratings:**

Standard & Poor's	Sovereign Credit Rating	'B+/Stable/B'
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'BB-/B/BB-'

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