


**M-O-M CPI IN AUGUST 2008 ROSE BY 3.4%, RESULTING IN Y-O-Y PERIOD AVERAGE CPI CHANGE OF 10.9%**

 GEL/US\$: 1.4010    GEL/EUR: 2.0560  
 Galt & Taggart Index: 352

CPI	August 2008	July 2008	August 2007	2007	2006
Month-on-month	3.4%	-1.2%	0.6%	-	-
Year-on-year (e-o-p)	12.8%	9.8%	7.7%	11.0%	8.8%
Year-on-year (period average)	10.9%	10.4%	9.7%	9.2%	9.2%

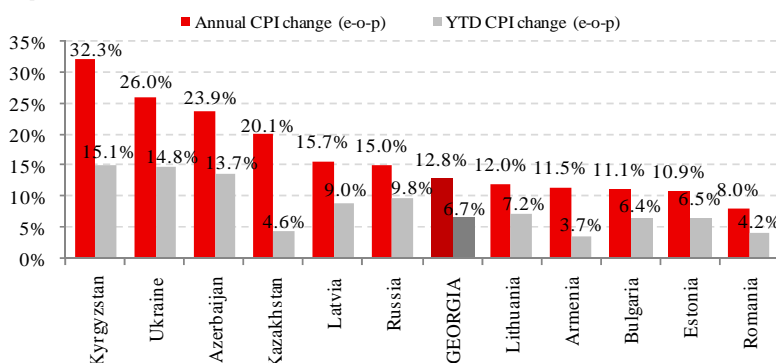
The Department of Statistics of the Ministry of Economic Development of Georgia reported that the consumer price index (CPI) rose by 3.4% m-o-m in August 2008, up from a 1.2% m-o-m decrease in July 2008. The end-of-period CPI change for the twelve months ended 31 August 2008 increased to 12.8% from 9.8% at the end of the previous month. The annual period-average CPI change in August 2008 rose by 10.9% from 10.4% in July 2008.

The e-o-p CPI change by 12.8% in Georgia compares favorably to 32.3% in Kyrgyzstan, 26% in Ukraine, 23.9% in Azerbaijan, 20.1% in Kazakhstan, 15.7% in Latvia and 15% in Russia.

The reason for the increase in CPI was mainly due to the growth in the prices of several agricultural products from August 10 to August 20, largely caused by temporary supply bottlenecks. Observations indicate that these prices of those goods have returned to their pre-conflict levels.

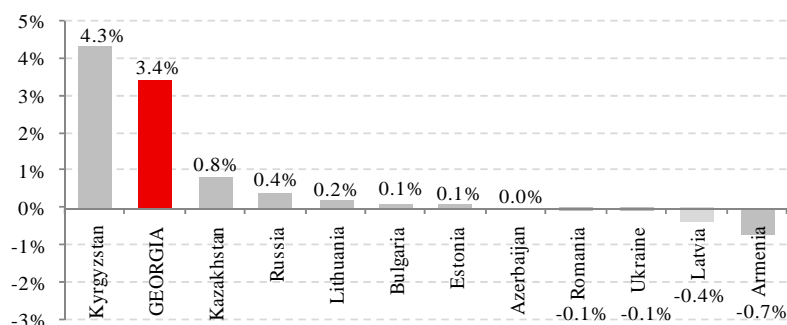
In August 2008, annual growth rate of Broad Money (M3) fell to 7.8% from 28.2% annual growth in July and 27.3% in June.

"The inflationary spike in August was unfortunate but fully understandable. The challenge in the coming months is to keep containing inflation while easing off the monetary policy to a degree, dictated by the need to overcome the post conflict economic slowdown.", commented **Nika Gilauri**, Minister of Finance.

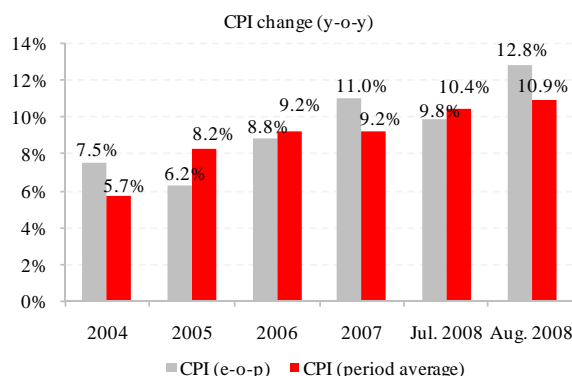


Source: National Bank of Georgia

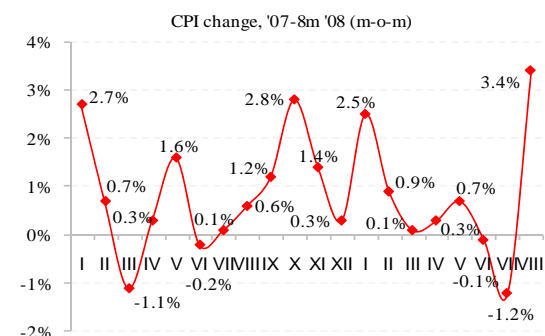
CPI change m-o-m, August '08



Source: National Bank of Georgia



Source: Department of Statistics of Georgia



Source: Department of Statistics of Georgia

Sectors and Commodity Groups	Y-o-y CPI change (e-o-p) Aug. '08
Fruits	136.1%
Cooking oil	44.2%
Bread products	34.2%
Transportation	29.3%
Housing, water, electricity and gas	28.7%
Fast food products	23.1%
Food and non-alcoholic beverages	22.6%
Healthcare	22.4%
Furnishings and household equipment	18.2%
Meat and meat products	13.5%
Other foodstuffs	12.2%
Recreation and entertainment	8.0%
Miscellaneous goods and services	7.7%
Hotels, cafes and restaurants	7.6%
Other non-alcoholic beverages	6.1%
Communications	5.2%
Vegetables	2.7%
Fish products	1.8%
Alcoholic beverages and tobacco	1.5%
Education	0.7%
Confectionery	-2.8%
Dairy products	-4.0%
Clothing and footwear	-11.4%

Source: Department of Statistics of Georgia

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/ Watch Negative /B'
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'B+/ Negative /B/B+'

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