


**M-O-M CPI IN DECEMBER 2007 0.3%, E-O-P CPI FOR 2007 DECLINES TO 11%**

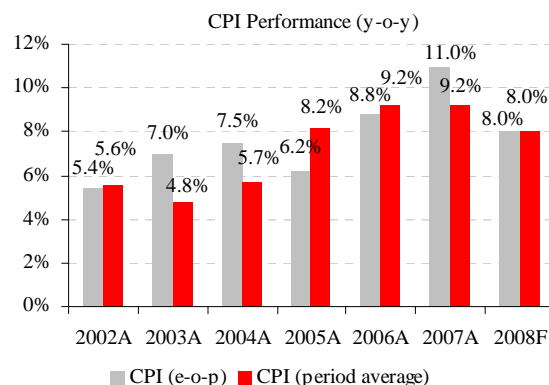
 GEL/US\$: 1.5935 GEL/EUR: 2.3385  
 Galt & Taggart Index: 1,041

CPI	November 2007	December 2007	2006	2007
Month-on-month	1.4%	0.3%		
End-of-period	11.6%	11.0%	8.8%	11.0%
Period average	9.1	9.2%	9.2%	9.2%

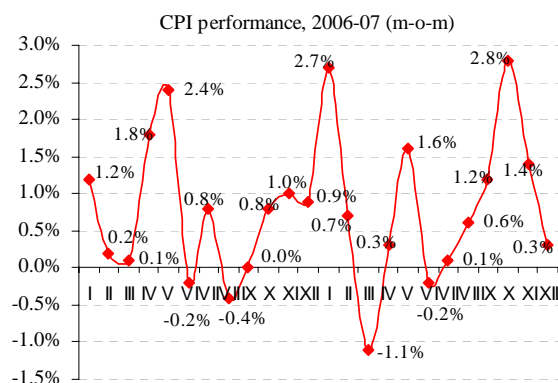
The Department of Statistics of the Ministry of Economic Development of Georgia reported today that the consumer price index (CPI) for December 2007 declined to 0.3% from 1.4% in November 2007. As a result, the end-of-period CPI for the twelve months ended 31 December 2007 declined to 11.0% from 11.6% at the end of the previous month. The annual end-of-period CPI in 2007 increased from 8.8% in 2006. However, the annual period-average CPI in 2007 remained unchanged from the previous year at 9.2%.

"I am very pleased with our the decline of the monthly CPI in December 2007, the seasonal factors and presidential elections campaign notwithstanding. The tightening announced at the end of November 2007, when the National Bank of Georgia increased the rates on its certificates of deposits by 200 basis points, is beginning to work. However, the end-of-period CPI of 11.0% for 2007 is far higher than we would be comfortable with. We forecast the end-of-period and period-average CPI of 8.0% in 2008, as the National Bank of Georgia moves toward inflation targeting and the 2008 budget has a symbolic fiscal surplus. We will carefully evaluate in January the delicate balance between the seasonal inflationary pressures and investor sentiment, which seems to be on the upswing following the apparent victory of Mr. Saakashvili in the snap presidential elections held last week, and, if warranted, will not hesitate to tighten monetary policy further in the coming months if this is deemed necessary to achieve our objective of single-digit inflation in 2008", commented **David Amaglobeli**, Acting President of the National Bank of Georgia.

"The very high degree of cooperation between the National Bank of Georgia and Ministry of Finance is a reason to be optimistic with regard to the 2008 outlook. A paradigm shift in respect of fiscal policy is evidently occurring, with consensus around the inadmissibility of fiscal deficit firming up. I look forward to Parliament adopting the legislative change the government has initiated, mandating fiscal surplus. If this becomes law, we will be able to maintain a single-digit inflation environment in the coming years without the need to rely solely on the tight monetary policy of the National Bank of Georgia", stated **Nika Gilauri**, Minister of Finance.



Source: Department of Statistics



Source: Department of Statistics

Sectors and Commodity Groups	2007 e-o-p CPI
Food and non-alcoholic beverages	12.9%
Alcoholic beverages and tobacco	1.3%
Clothing and footwear	-6.8%
Housing, water, electricity, gas and other fuels	23.9%
Furnishings, household equipment and routine	10.7%
Health	8.9%
Transportation	15.6%
Communication	1.3%
Recreation and culture	7.7%
Education	3.8%
Hotels, cafes and restaurants	2.8%
Miscellaneous goods and services	4.5%
<b>Total</b>	<b>11.0%</b>

Source: Department of Statistics

Georgia: Key Economic Data	2004A	2005A	2006A	2007E
Nominal GDP (GEL mln)	9,824.3	11,621.0	13,783.9	16,924.8
Real GDP Growth (y-o-y; %)	5.9%	9.6%	9.4%	12.0%
GDP per Capita (US\$)	1,187.2	1,478.4	1,758.7	2,297.3
CPI (e-o-p; %)	7.5%	6.2%	8.8%	11.0%
Net FDI (US\$ mln)	483	542	1,076	1,400
Current Account Deficit as % of GDP	-6.6%	-10.8%	-15.3%	-20.2%
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	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+/B'	Positive
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'BB-/BB-'	Stable

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