

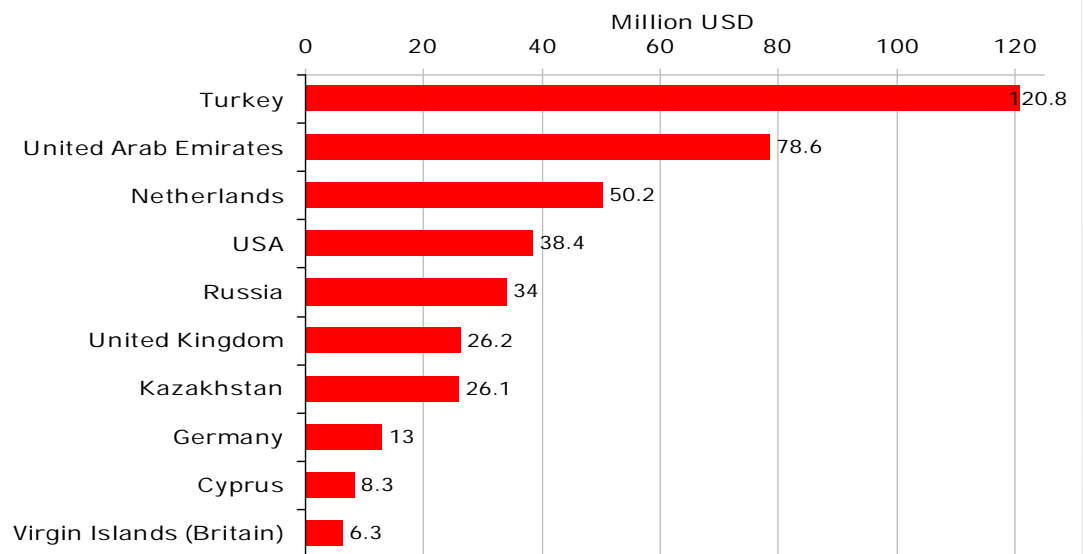
INVEST IN GEORGIA

INSIDE THIS ISSUE:

Georgia signs two new air traffic agreements	2
Georgia's foreign trade statistics for January-May 2008	3
Banking sector recap for January-May 2008	4
NEWS	
Georgia registers strong economic growth in the first quarter of 2008	5
Georgia among the world's top ten reformers	5
Money remittances to Georgia in June, 2008	5

Unprecedented inflow of FDI in the first quarter of 2008

Top Foreign Investors in the first quarter of 2008



Unprecedented inflow of total FDI, which is 315.2% more than in the first quarter of 2007. 87.4 million USD was invested into industrial sector (20.3%), 60.6 million USD into banking sector (14.1%), 430.2 million USD in the first quarter of 2008. The biggest share of investments went into the transportation and communications sector – 100.6 million USD (23.4% of total FDI), 33.6 million USD in energy (7.8%) and 16.1 million USD in construction (3.7%).

OUR PARTNER

Poti Sea Port development potential to be studied by "Alkyon Hydraulic and Research"



The Poti Sea Port and the Dutch company "Alkyon Hydraulic and Research" signed a letter of intent on the basis of which the Dutch firm will investigate the development potential of Poti Sea Port. "Alkyon Hydraulic and Research" intends to examine the technical and economic conditions of the port in order to prepare a design for possible enlargement. The study will commence in August 2008 and end in December of the same year.



Georgia signs two new air traffic agreements

On 22 July 2008, the Government of Georgia and the Federal Council of Switzerland signed an agreement concerning the "regular air communication" in the State Chancellery of Georgia. Georgian side was represented by the Minister of Economic Development Ekaterina Sharashidze and Switzerland by his Excellency Ambassador Lorenzo Amberg.

According to the agreement, the airline companies are allowed to define the rates, frequency of flights and density of passengers independently. They are permitted to conduct flights to and from any existing and future airports of both countries. Furthermore, the agreement provides airline companies with additional commercial rights such as the transportation of passengers and cargos from second to third country – so-called "5th air freedom". This will allow the Georgian airline companies to fly to any European country via Switzerland and vice-versa. It is worth noting that no such kind of agreement concerning the air traffic movement between Georgia and Switzerland existed before.

It is not yet known which airline companies will carry out the flights between Georgia and Switzerland. Although, an interest has been shown by Georgian Airways and Georgian National Airlines as well as by several Swiss companies including Swiss Air, the major Swiss airline.

In June 2008, Georgia

signed a similar type of agreement with Armenia, according to which, restrictions will be removed with respect to tariffs, volume and frequency of flights. In addition, the airline compa-



Minister of Economic Development Ekaterina Sharashidze and Ambassador of Switzerland to Georgia Mr. Lorenzo Amberg

nies will be permitted to carry out the international flights from any airport which is located on the territory of both counties.

"The contract that we signed today seems to be much more liberal than it was before. According to the new agreement all restrictions between Georgia and Armenia with respect to flights will be removed and European standards of security will be introduced. We hope, liberal relations in the sphere of aviation will significantly facilitate the development of economic relations between these two countries" Ekaterina Sharashidze said.

The ratification of the new agreement by the par-

liaments of both countries will annul the previous agreement on "International Air communication between the government of Georgia and the government of the Republic of Armenia",

ing restrictions and make Georgia's international flight regimes utmost liberal. Georgia has signed similar air traffic agreements with almost all European states and the USA.

According to the statistical data, liberalization of the bilateral air service agreements has resulted in significant increase of flights to and from Georgia. For example, previously there was only one single flight to Turkey per week, whereas today we have at least 10 flights conducted every week.

The air navigation systems were modernized and re-equipped and currently are fully compatible with the international requirements. The new Tbilisi International Airport was officially opened on 7 February 2007, followed by the opening of the new International Airport of Batumi in May 2007.

The number of passengers travelling through Tbilisi International Airport has increased dramatically since 2004, rising from 405.010 passengers to 619.465 in 2007.



Georgia's foreign trade statistics for January-May 2008

Georgia's foreign trade turnover in January-May 2008 (excluding unorganized trade) amounted to 3,209.5 million USD, which is 40.5% more than the same time last year. Out of this, export account for 611.4 million USD and import for 2,598.2 million USD.

Georgia's foreign trade turnover with CIS countries amounts to 1,052.2 million USD (22.7% more than in January-May 2007) which is 32.8% of Georgia's total foreign trade turnover (33.6% of export and 32.6% of import).

Georgia's foreign trade turnover with the European Union countries is 884.3 million USD, which is 33.6% more than in January-May 2007. Out of this, export accounts for 147.1 million USD and import accounts for 737.2 million USD.

The top export products are ferroalloys (102 million USD) followed by black scrap metal (56.8 million USD). The top import product group is oil and oil related products (325.5 million USD) followed by light cars (322.1 million USD).

Turkey

According to the data from January-May 2008, Georgia's trade balance development with Turkey is positive with the growth of exports exceeding the growth of imports. In the mentioned period, Turkey ranks first among Georgia's trade partners with the trade turnover amounting to 440.4 million USD (13.7% of Georgia's overall foreign trade turnover) which is 39.4% more than the same time last year.

During the same period, the export to Turkey grew by 41% compared to the same period last year and amounted to 93.2 million USD (15.2% of the total exports). The exported

goods included:

- Black scrap metal – 54.3%
- Aluminium scrap metal – 5.8%
- Nitric fertilizers – 4.9%
- Other products – 35%

Turkey's imports to Georgia during the same period accounted for 347.2 million USD (13.4% of the total imports), which is 39% more than the same time last year. The imported goods included:

- Curative means – 2.9%
- Wood shavings plates – 2.7%
- Black metal constructions – 2.5%
- Paper – 2.4%
- Other products – 89.5%

Azerbaijan

According to the data from January-May 2008, Georgia's trade balance development with Azerbaijan is positive with the growth of exports exceeding the growth of imports. In the mentioned period Azerbaijan ranks fourth among Georgia's trade partners with trade turnover amounting to 327.1 million USD (10.2% of Georgia's overall foreign trade turnover) which is 82.2% more than the same time last year.

In January-May 2008, the export to Azerbaijan grew by 78.6% compared to the same period last year and amounted to 84.4 million USD. The exported goods included:

- Cement – 39.5%
- Curative means – 4.5%
- Leftovers from Black metal production – 2.2%
- Other products – 53.8%

Azerbaijan's imports to Georgia in the same period accounted for 242.7 million USD (13.4% of the total imports), which is 83.4% more than the same time last year. The imported

goods included:

- Oil and oil products – 53.8%
- Gas – 28.2%
- Oil refinement leftovers – 2.5%
- Sugar – 2%
- Other products – 13.5%

Ukraine

According to the data from January-May 2008, Georgia's trade balance development with Ukraine is positive with the growth of exports far exceeding the growth of imports. In the mentioned period Ukraine ranks third among Georgia's trade partners with trade turnover amounting to 295.1 million USD (9.2% of Georgia's overall foreign trade turnover), which is 34.4% more than the same time last year.

The exports to Ukraine grew by 50.5% in January-May 2008, compared to the same period last year and amounted to 43.3 million USD (7.1% of the total exports). The exported goods included:

- Ethyl spirit – 25.3%
- Wines – 18.1%
- Mineral waters – 15.7%
- Ferroalloys – 14.6%
- Apple – 5.3%
- Other products – 21%

Ukraine's imports to Georgia in the same period accounted for 251.8 million USD (9.7% of the total imports), which is 32% more than the same time last year. The imported goods included:

- Carbon-steel twigs – 14.1%
- Buses – 5.7%
- Flour – 4%
- Coke and semi-coke – 4%
- Other products – 72.2%

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VIENNA INSURANCE GROUP

Banking sector recap for January - June 2008

The volume of deposits placed in the Georgian banking sector by 1 July 2008 amounted to 3 billion GEL, which is 23.5% more than the same time last year.

The volume of deposits made in the Georgian currency has been growing much faster (49.2%) than the volume of deposits made in foreign currencies (10.8%).

In the mentioned period, the average annual interest rate paid on the deposits was 8.9%, including 10.4% on the deposits in Georgian currency and 8.5% on the deposits in foreign currencies. However, the share of deposits made in foreign currencies is still high and accounts for 78.5% of all deposits. Although, it is worth noting that this figure is down by 8.8% compared to last year.

Credit portfolio of Georgian banks

By 1 July 2008, the volume of credits issued by the commercial banks have amounted to 5.4 billion GEL, which is 56.9% more than the same time last year. The amount of loans issued in the Georgian currency exceeded 1.9 billion GEL (35% of total loans issued). The amount of loans issued in

foreign currencies reached 61.8% increase).

3.5 billion GEL (65% of total loans issued) which is 37.3% more than last year.

The long-term loans registered a significant growth and accounted for 69.8% of all loans issued in the above mentioned period, which is 60.6% more than last year. During the same period 957.2 million GEL were issued to small businesses and individuals (57.5 million GEL went to agricultural sector - 80% increase

Assets of Georgian commercial banks

By 1st of July 2008, the total asset of the Georgian commercial banks amounted to 8,605.7 million GEL, which is 19.4% more compared to the beginning of the year.

Georgia's banking sector is represented by 20 commercial banks, two are the

The data from the first six months of 2008 shows that the commercial banks made clear profit of 76.1 million GEL, which is 27.2% more than the same time last year.

Credit Cards Market

The plastic card market in Georgia continues to grow dramatically. By 1st of July 2008, the number of plastic cards issued by the banks amounted to 2.9 million, which is 1.9 times more than in 2007. Out of all banks in Georgia, only 13 issue plastic cards. It is necessary to point out that the debit cards account for 88.6% of all cards issued. Furthermore, 78.2% of all cards issued are VISA cards, 13.9% are EUROCARDS/MASTER CARDS and 7.9% are other cards.

The volume of transactions made by the plastic cards is also growing. In the period of January-June 2008, it reached 373.5 million GEL, which is 73.2% more than the same time last year. Out of all transactions, only 5.1% are international, the rest 94.9% are domestic transactions (including the ones conducted through internet).



compared to last year, 9.4 million GEL to educational sector - 60% increase, 1.5 billion GEL to commercial trade sector -37.5% increase, 635.3 million GEL to industrial sector - 30.6% increase, 430.5 million GEL to construction sector -

branches of foreign banks and 14 have been created by the shares of foreign capital.

From 1st of January to 1st of July 2008, the total assets of five largest banks was reduced from 80.4% to 79.6%.

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Looking to Invest?

The winner is : Georgia

Money remittances to Georgia in June, 2008

News

By June 2008, the flow of remittances to Georgia has been estimated at 84.4 million USD, which is 32.9% more than the same time last year.

The biggest share of remittances came from Russia 53.5 million USD (63.4% of total amount) followed by Ukraine with 6.8

million USD (8.1%), Greece with 3.8 million USD (4.5%), Italy with 3.7 million USD (4.4%) and the USA with 3.5 million USD (4.1%).

The most used money transfer system to send remittances to Georgia is Anelik, covering 18.4% of all transactions, followed by Contact (18%), Western Un-

ion (17.5%), Unistream (17.5%), Leader (5.5%) and Money Gram (2.5%).

By June 2008, the volume of money transfers from Georgia abroad amounted to 7.6 million USD, which is 22.6% less than in June 2007. The money transfers from Georgia to Russia was reduced by

31.5% and made up 3.5 million USD.

The Western Union is the most frequently used company to send money from Georgia, covering 47.3% of all transfers, followed by Anelik (20.3%), Unistream (5.7%) and Leader (5%).

Georgia among the world's top ten reformers

Minister of Economic Development of Georgia Ekaterina Sharashidze has been granted a reward on the ceremony held in the building of New York Stock Exchange.

The World Bank along with the International Finan-

cial Corporation annually reveals the best reformer countries worldwide. The reforms should be carried out in ten different spheres, including start up business, property registration, investor protection, tax system, international trade,

etc. Special inquiries conducted by the World Bank and the International Financial Corporation included 5,000 participants comprising of lawyers, accountants and economists.

Based on this research Georgia is among the lead-

ers for the past three years. With respect to the reforms performed for business simplification Georgia ranks 18th and outruns such countries as Holland and France.

Georgia registers strong economic growth in the first quarter of 2008

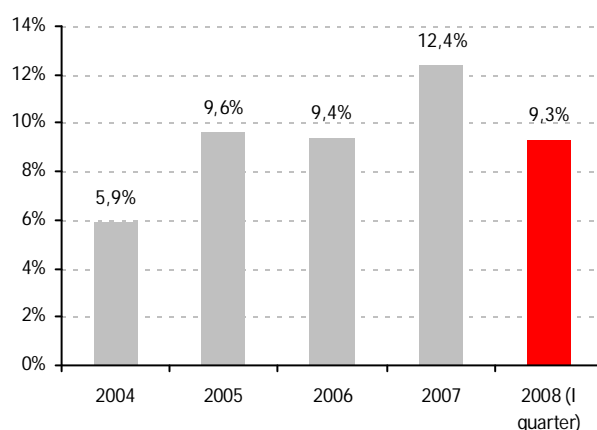
Georgian economy keeps stable growth rate. Gross Domestic Product (GDP) for the first quarter of 2008 amounted to 4,182.5 million GEL. Real growth rate for GDP is 9.3%. GDP per capita equals 954.5 GEL.

The biggest share of the Georgian GDP comes from trade, repairs of cars and from use of everyday needed items (13.5% of GDP), followed by agriculture, hunting, forestry and fishery (9.6%), transportation and other activities related to

transportation(8.3%), processing industry (7.6%), construction (5%).

In the first quarter of 2008, among the fastest growing industries of the Georgian economy are mining with real growth rate of 28.5%, electricity, natural gas and clean water production with 24.8%, trade, repairs of cars and everyday usage items with 16.9%, finance with 15.8%, hotels and restaurants with 15.3%, communications with 15%.

Real GDP Growth



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