

Georgian Economy Overview

I Quarter, 2010

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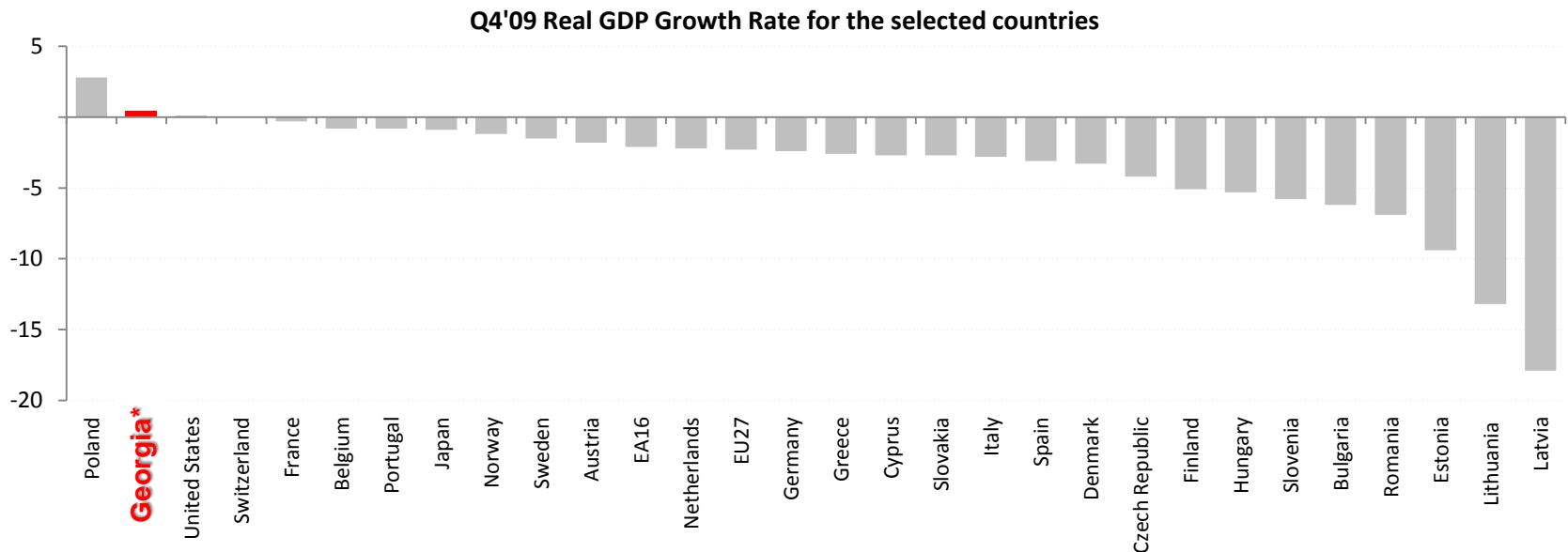
Economy is Coming out of Recession

The available data of 2010 provide for a good ground for economic optimism and enable to state that the economy is overcoming recession and is on the way to the growth trajectory

The data of Q1'10 are considerably improved as compared to that of 2009 and are quite comparable with Q1'08 when the economic activity was very high

Dynamics of the GDP

- In Q4'2009 the growth of the GDP was 0.4%. This rate, though low from absolute point of view, is relatively good on an international scale
- Prognosis of the GDP growth in 2010 was determined to be 2%, though actually, it may be higher
- In 2009 the GDP amounted to 17.9 bln GEL



Source: Eurostat,

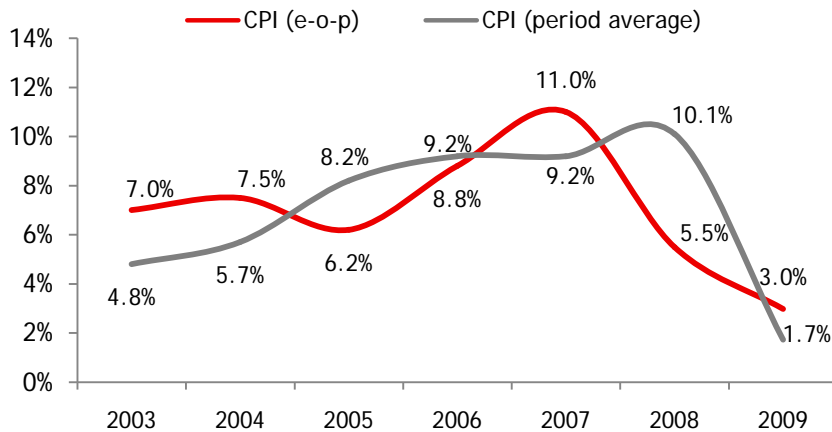
*National Statistics Office of Georgia-GeoStat

Consumer Price Index and Exchange Rate

Inflation in 2009 was limited to 3% (eop)

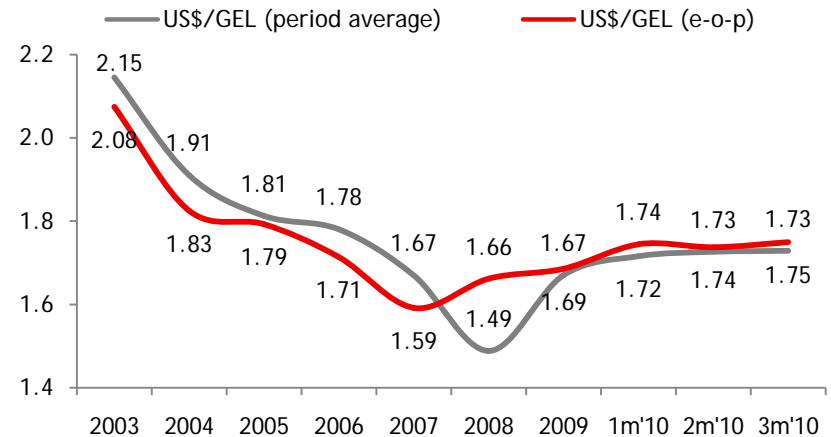
According to the National Bank of Georgia, inflation by the end of 2010 will total 6%

Inflation



Source: National Statistics Office of Georgia-GeoStat

USD/GEL exchange rate index

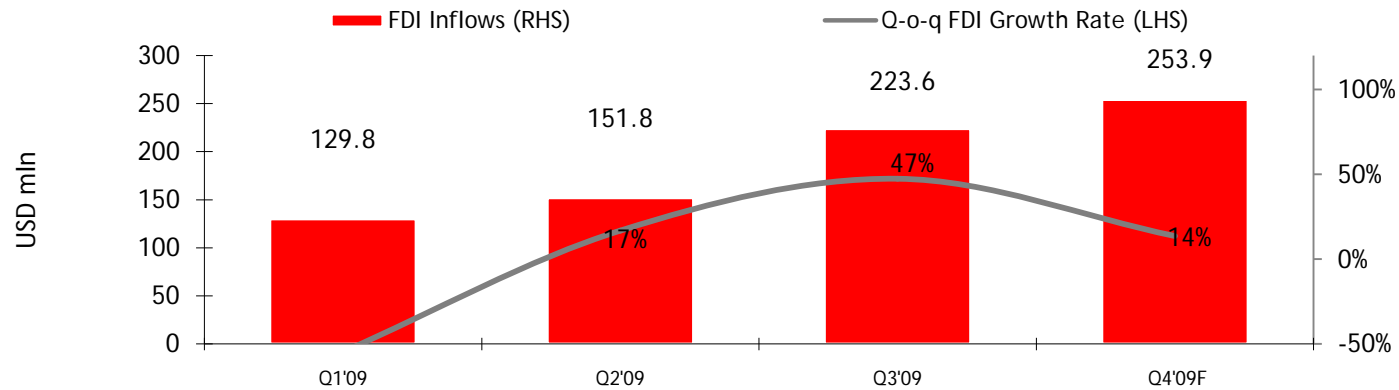


Source: National Statistics Office of Georgia-GeoStat

Foreign Direct Investments of 2009

In Q4'2009 the FDI reached 254 mln USD

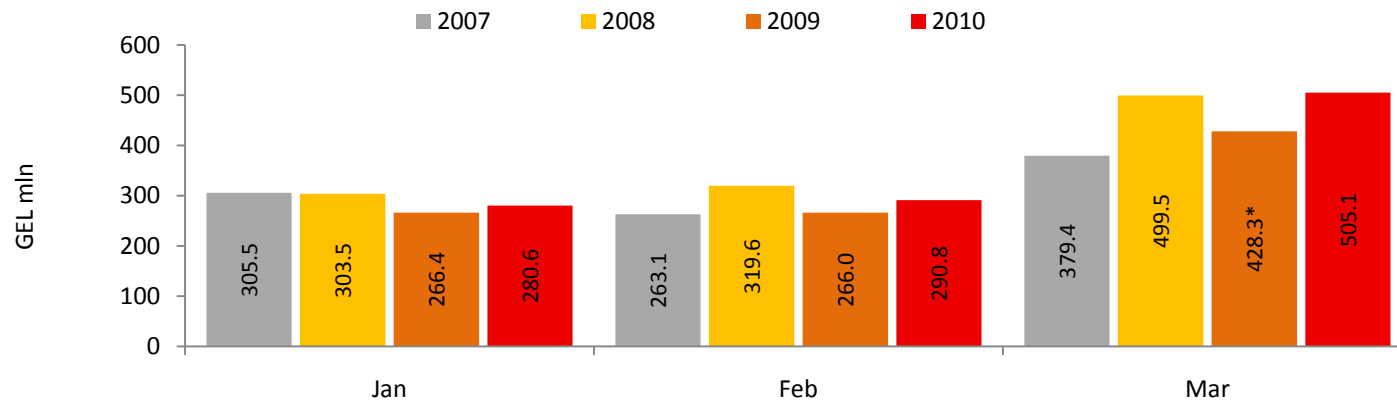
During 2009 the amount of the FDI increased gradually and totaled 760 mln USD



Source: National Statistics Office of Georgia-GeoStat

Tax Revenues of Q1'10

In Q1'10 tax revenues of the state budget increased by 12.1% as compared to Q1'09



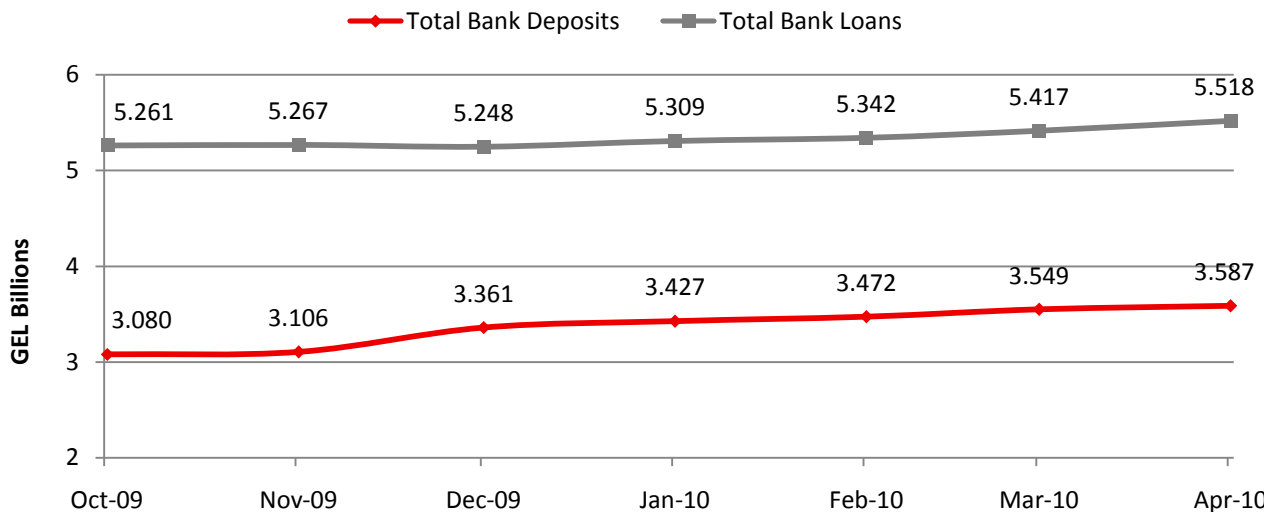
* With the exception of the unique customs transfer

Source: National Statistics Office of Georgia-GeoStat

Banking Sector

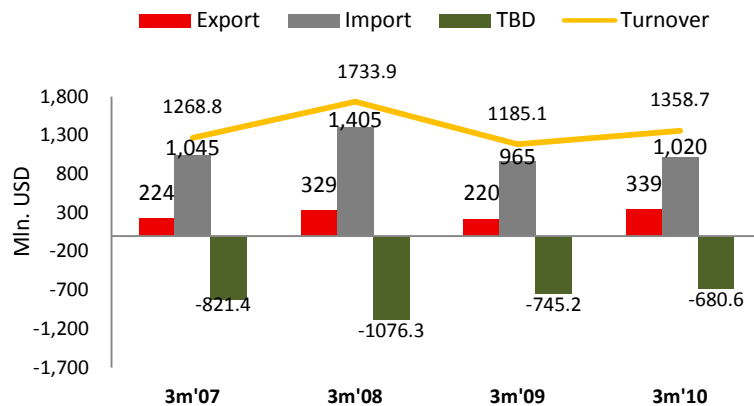
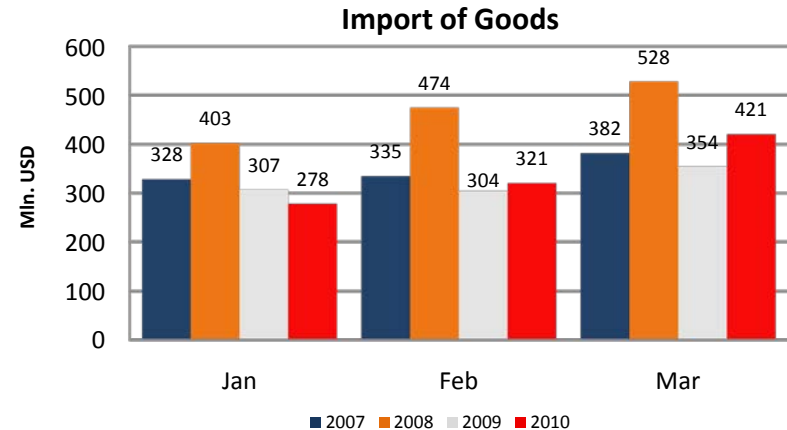
According to the data of 4m'10 the deposits amount has increased by 44.5% as compared to 4m'09 and totaled 3 587 mln GEL

From October 2009 till April 2010 the loans amount grew by approximately 257 mln GEL and totaled 5 518 mln GEL



Source: National Statistics Office of Georgia-GeoStat

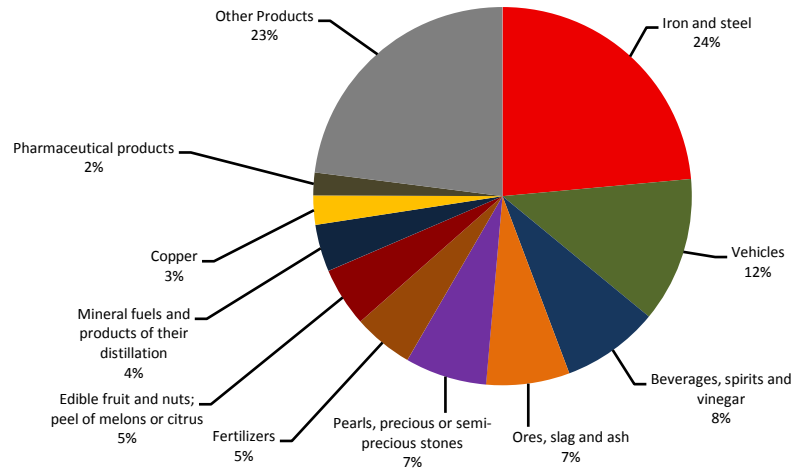
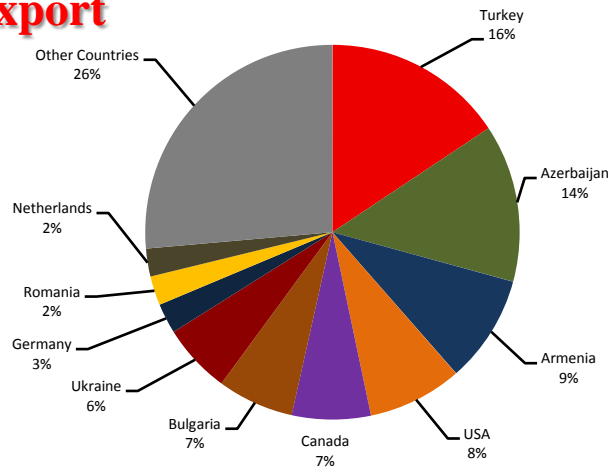
Foreign Trade of Q1'10



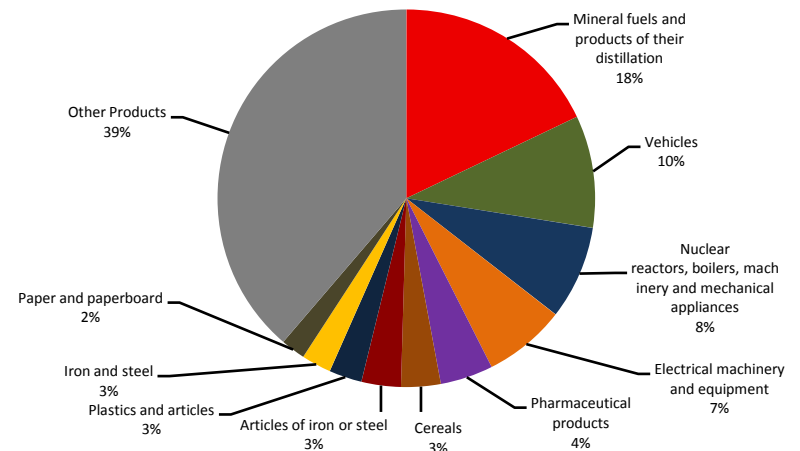
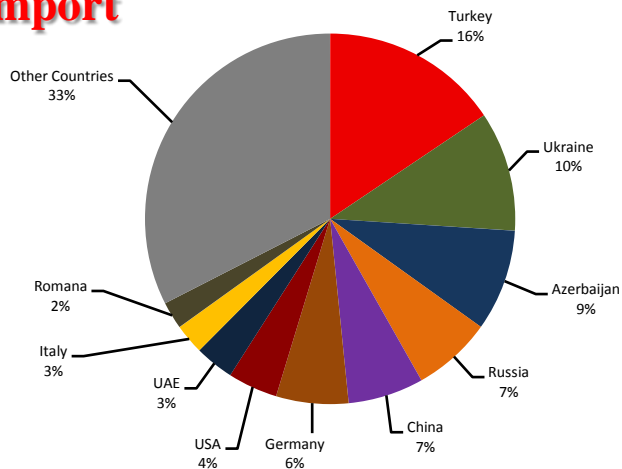
- In Q1'10 the exports increased by 54% as compared to Q1'09, and by 3% as compared to Q1'08 data
- Q1'10 imports exceeded Q1'09 data by 6%, and is less than 27% as compared to Q1'08
- In Q1'10 the trade balance deficit decreased by 8.7% as compared to Q1'09, and by 37% as compared to Q1'08 data

Diversified Foreign Trade Q1'10

Export

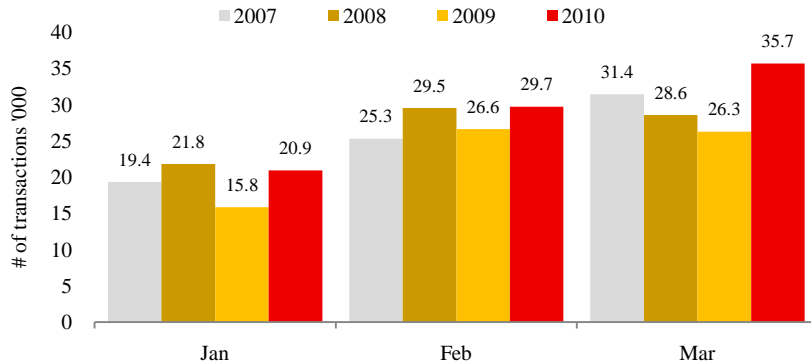


Import



Registration of Real Estate and Motor Vehicles Q1'10

Registration of real estate (Q1)



Source: National Statistics Office of Georgia-GeoStat, Public Registry

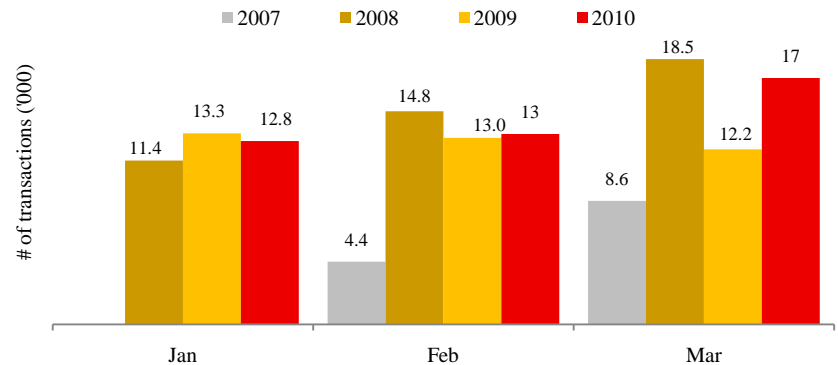
In Q1'10 the total amount of registrations increased by 25.6% as compared to Q1'09, and by 8% - as compared to Q1'08 data

Registration of mortgage in Q1'10 increased by 70% as compared to the similar indices of Q1'09, and by 6.7% as compared to Q1'08

In Q1'10 680 building permits were issued in Tbilisi, 83.6% more than in Q1'09

Registration of motor vehicles in Q1'10 increased by 12.2% as compared to Q1'09

Registration of motor vehicles (Q1)

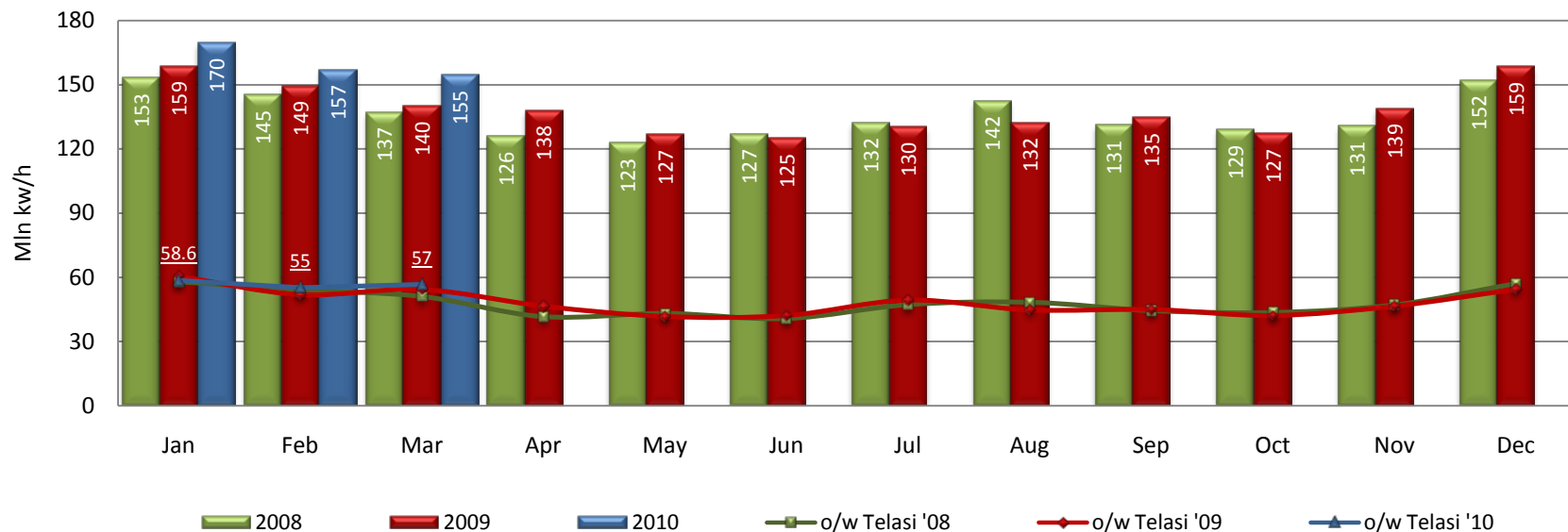


Source: National Statistics Office of Georgia-GeoStat

Consumption of Electric Power for Production Purposes

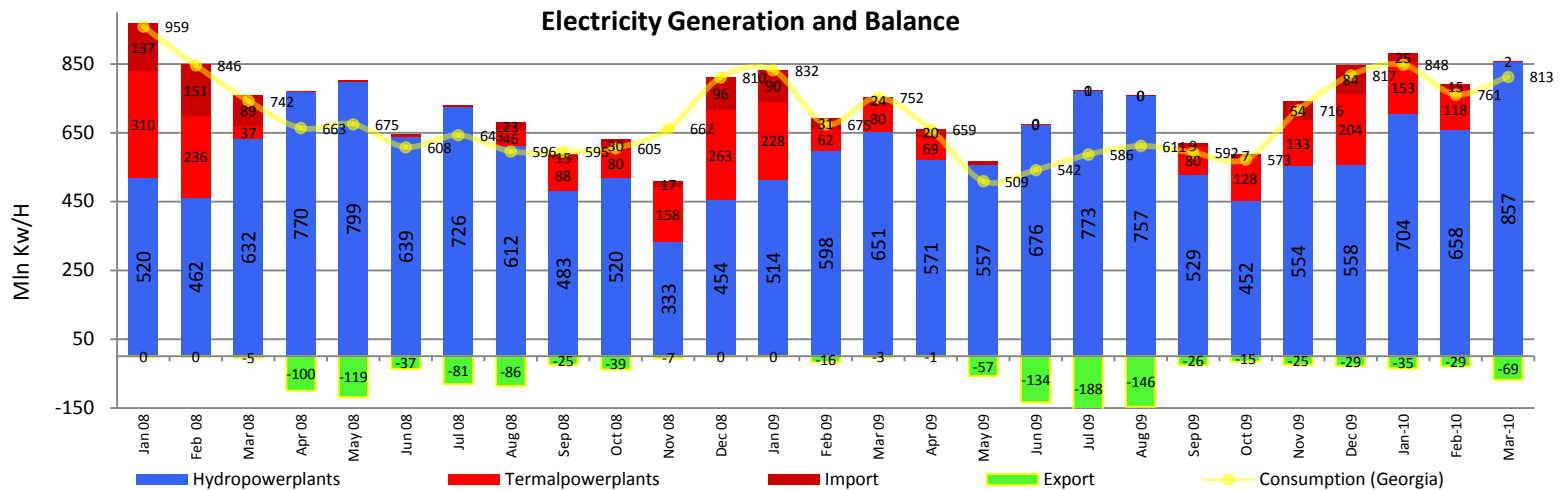
- In Q1'10 the electric power consumed by the Georgian commercial users increased by 7.3% as compared to Q1'09, and by 10.4% as compared to Q1'08
- In March 2010 consumption of the electric power increased by 22.7% as compared to the March 2009, and by 14.9% as compared with the March 2008

Non-Residential (Commercial) Energy Consumption
Energo Pro and Telasi



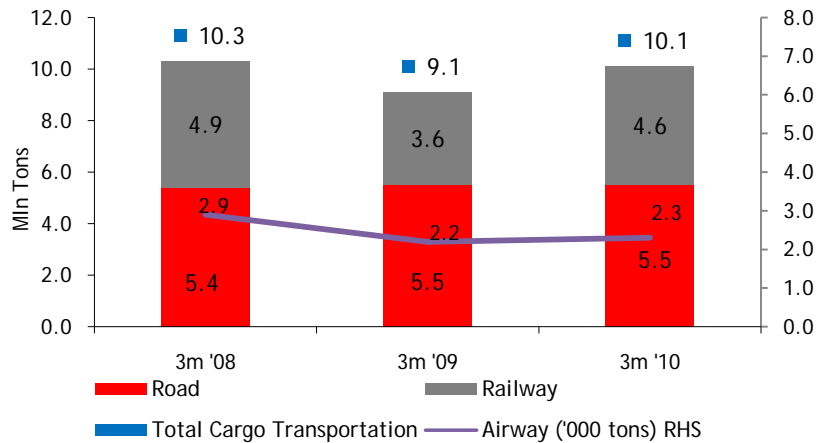
Generation of Electric Power

- Hydropower generation in March amounted to 857 mln KW/H. This amount is all-time high and exceeds the highest level by 7.3% (May 2008 – 799 KW/H)
- Export rate of the electric power in March reached the record figure for this month



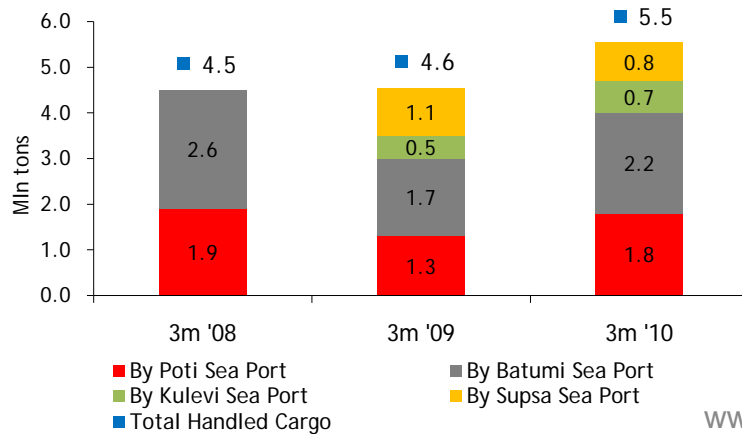
Transportation in Q1'10

Total Cargo Transportation & Mode

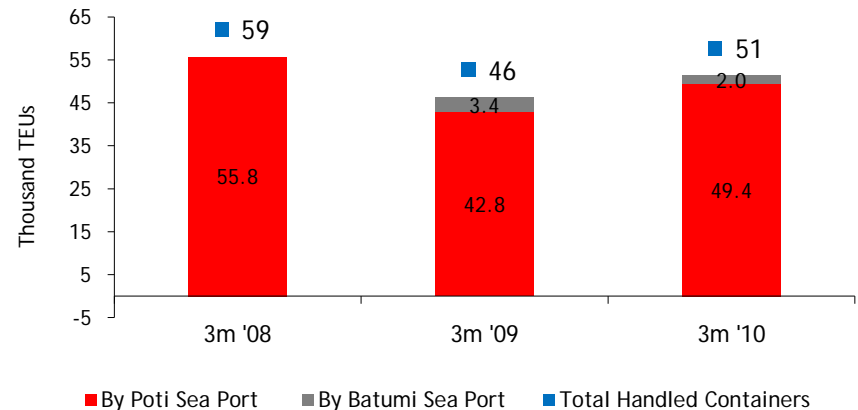


- Total cargo transportation in Q1'10 amounted to 10.1 mln tons which exceeds the rate of Q1'09 by 11%
- The amount of handled cargo by ports in Q1'10 exceeds the level of Q1'09 by 22%, and the data of Q1'08 by 23%
- Q1'10 handled containers by ports exceeds the rate of Q1'09 by 11%

Handled Cargo by Ports



Handled Containers by Ports



S&P Rating

According to the Standard & Poor's Ratings of April 12, 2010, the long-term credit rating was improved from 'B' to 'B+'.

“The upgrade reflects our view of Georgia's relative strength compared to its 'B' rated peers in terms of economic structure and growth prospects. In our opinion, the government's focus on market-oriented reforms is likely to improve economic and fiscal indicators over the medium term. The stable outlook reflects our expectation that the economy will expand over the medium term, further supporting Georgia's relative position in comparison with the 'B' rated peer group”

Georgian Government Policy

- Georgia has not deviated from the policies of liberal economy
- Georgia did not increase taxes to stimulate economy as opposed to many other countries
- As of end 2009, Georgia entered into contractual commitments for and/or received circa USD 3 billion for public and private sector operations (up to 65% of the total Brussels pledge, circa 28% of 2009 GDP)
- Economic stimulus package provided by the Georgian Government in the infrastructure sector turned out to be very effective
- Monetary and fiscal policies appeared to be effective which enabled commercial banks to finance business more actively