


**M-O-M CPI IN OCTOBER 2008 FELL BY 0.5%, RESULTING IN Y-O-Y PERIOD-END CPI CHANGE OF 7%, ITS LOWEST LEVEL SINCE JULY 2007**

 GEL/US\$: 1.6500 GEL/EUR: 2.0810  
 Galt & Taggart Index: 246

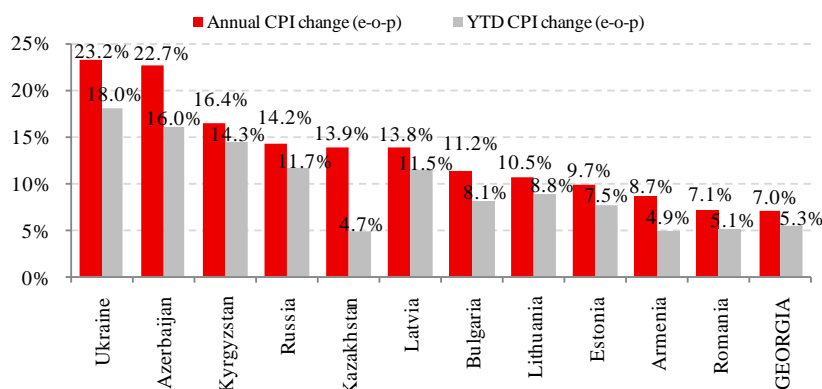
| CPI                           | October 2008 | September 2008 | October 2007 | 2007  | 2006 |
|-------------------------------|--------------|----------------|--------------|-------|------|
| Month-on-month                | -0.5%        | -0.8%          | 2.8%         | -     | -    |
| Year-on-year (e-o-p)          | 7.0%         | 10.6%          | 11.2%        | 11.0% | 8.8% |
| Year-on-year (period average) | 11.0%        | 11.1%          | 8.9%         | 9.2%  | 9.2% |

The Department of Statistics of the Ministry of Economic Development of Georgia reported that the consumer price index (CPI) fell by 0.5% m-o-m in October 2008, down from a 0.8% m-o-m decrease in September 2008. The end-of-period CPI change for the twelve months ended 31 October 2008 decreased to 7% from 10.6% at the end of the previous month. The annual period-average CPI change in October 2008 rose by 11% from 11.1% in August 2008.

The e-o-p annual CPI change by 7% in Georgia compares favorably to 23.2% in Ukraine, 22.7% in Azerbaijan, 16.4% in Kyrgyzstan, 14.2% in Russia, 13.9% in Kazakhstan, 13.8% in Latvia, 11.2% in Bulgaria, 10.5% in Lithuania, 9.7% in Estonia and is broadly in line with Georgia's other regional peers.

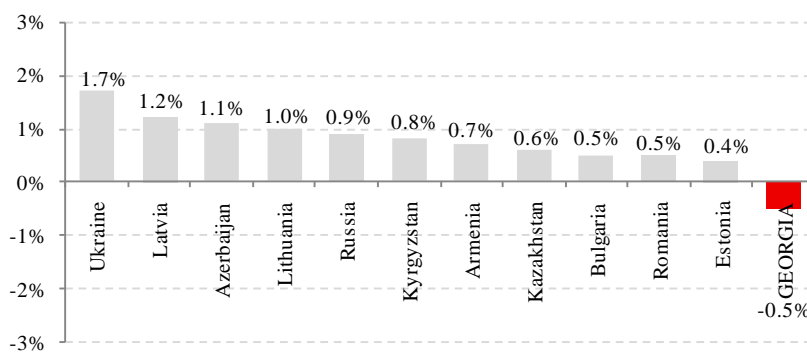
In October 2008, annual growth rate of Broad Money (M3) fell to 2% from 6.3% annual growth in September, 7.8% in August and 28.2% in July.

"I am delighted that we have succeeded in our efforts to suppress inflation. In my view, we have every reason to be confident about the medium-term inflationary outlook, despite the counter-cyclical elements in our fiscal policy in 2009", commented **Nika Gilauri**, Minister of Finance.

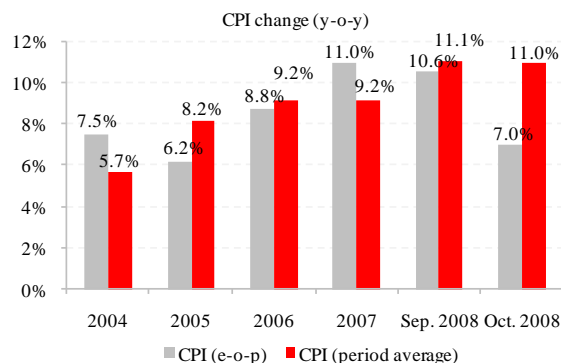


Source: National Bank of Georgia

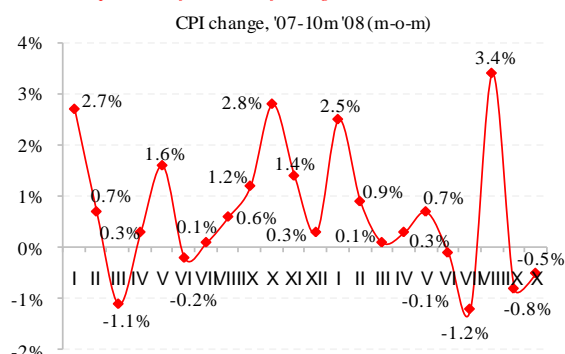
CPI change m-o-m, October '08



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) Sep. '08 |
|-------------------------------------|-----------------------------------|
| Fruits                              | 30.2%                             |
| Transportation                      | 14.6%                             |
| Healthcare                          | 14.3%                             |
| Meat and meat products              | 11.4%                             |
| Bread products                      | 11.3%                             |
| Hotels, cafes and restaurants       | 10.1%                             |
| Fast food products                  | 8.0%                              |
| Food and non-alcoholic beverages    | 7.9%                              |
| Dairy products                      | 5.0%                              |
| Housing, water, electricity and gas | 4.8%                              |
| Furnishings and household equipment | 4.5%                              |
| Communications                      | 4.4%                              |
| Miscellaneous goods and services    | 3.8%                              |
| Vegetables                          | 3.7%                              |
| Cooking oil                         | 2.9%                              |
| Other non-alcoholic beverages       | 2.7%                              |
| Recreation and entertainment        | 2.7%                              |
| Fish products                       | 0.7%                              |
| Education                           | -3.5%                             |
| Clothing and footwear               | -4.1%                             |
| Alcoholic beverages and tobacco     | -10.0%                            |
| Confectionery                       | -10.2%                            |
| Other foodstuffs                    | -20.30%                           |

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

**Contacts:**
**Goga Melikidze**  
 Advisor to Minister of Finance  
 +995 32 444 383  
 g.melikidze@mof.ge

**David Amaglobeli**  
 Acting President of the National Bank of Georgia  
 +995 32 442 403  
 damaglobeli@nbg.gov.ge

**Kakha Baidurashvili**  
 First Deputy Minister of Finance  
 +995 32 446 447  
 k.baidurashvili@mof.ge