

National Bank of Georgia

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Governor

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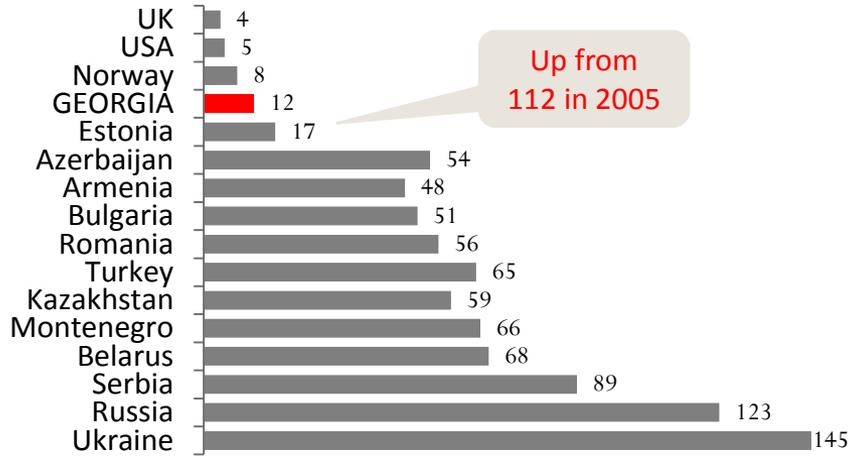
Georgia At Glance

- Area: 69,700 sq km
- Population: 4.4 million (2010)
- GDP 2010E: US\$ 11.6 billion
- GDP per capita 2010E (PPP): US\$ 5,057
- Average GDP real growth (2000-10): 6%
- GDP growth 2010E: 6.5%
- Inflation rate 2010 (average): 7.1%
- External public debt / GDP 2010: 37.2%
- Sovereign ratings:
 - Fitch B+/Stable
 - S&P B+/Stable/B+
 - Moody's Ba3/Stable

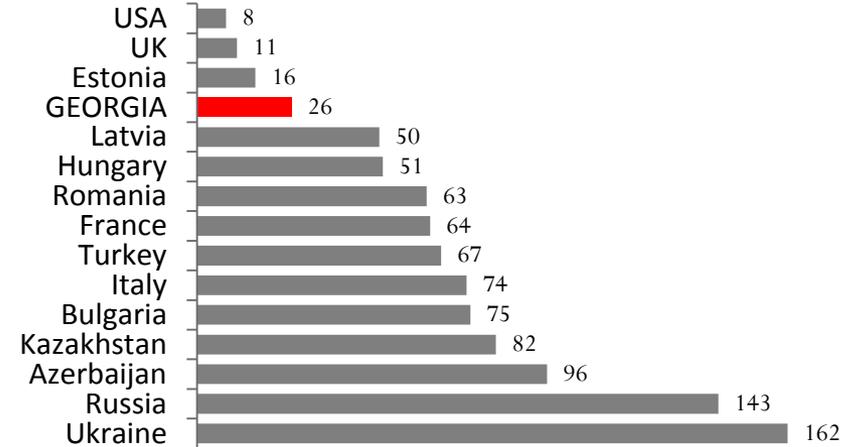


Growth oriented reforms

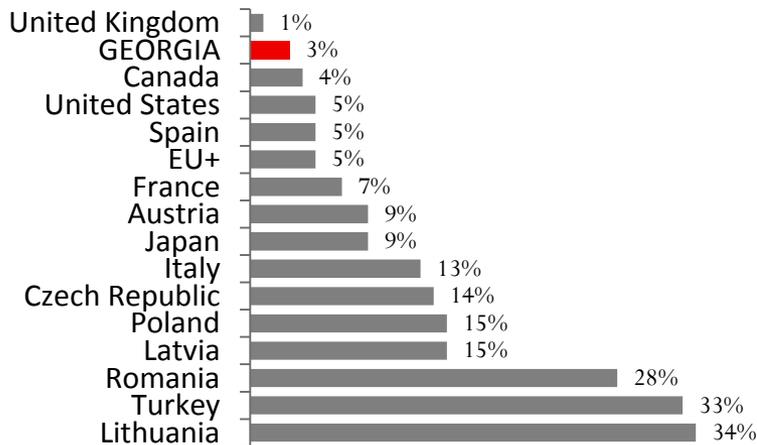
Ease of Doing Business, 2011 (WB-IFC Doing Business Report)



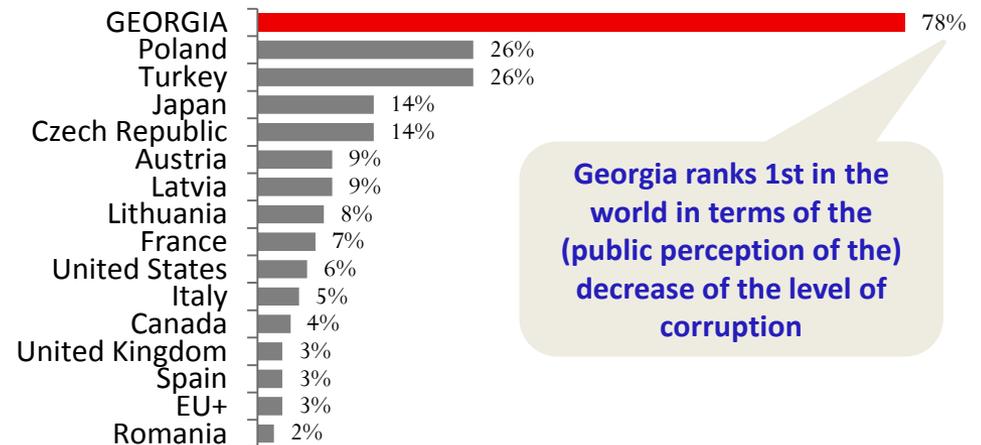
Economic Freedom Index, 2010 (Heritage Foundation)



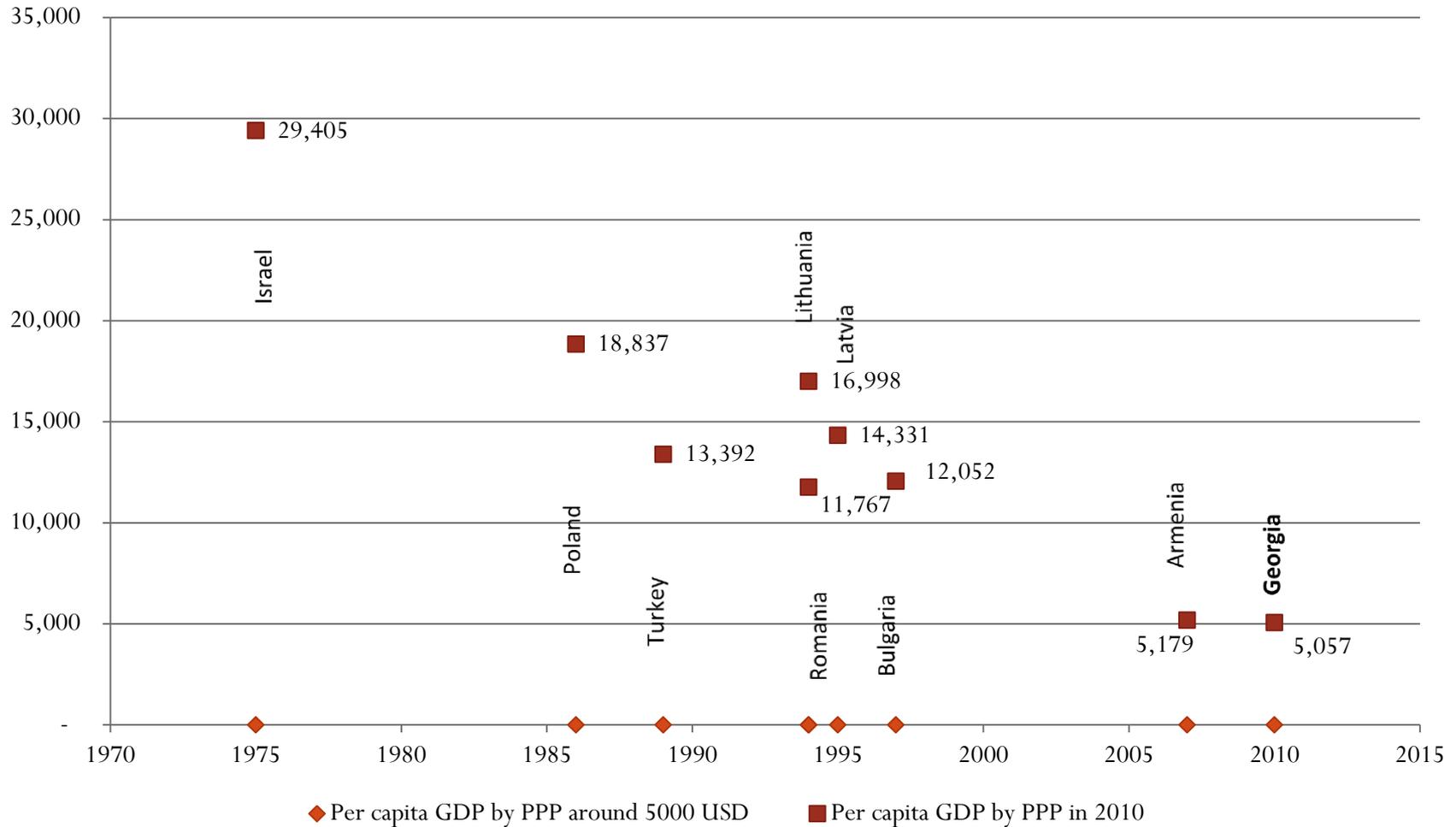
TI 2010 Global Corruption Barometer: % admitting having paid a bribe within the last 12 month



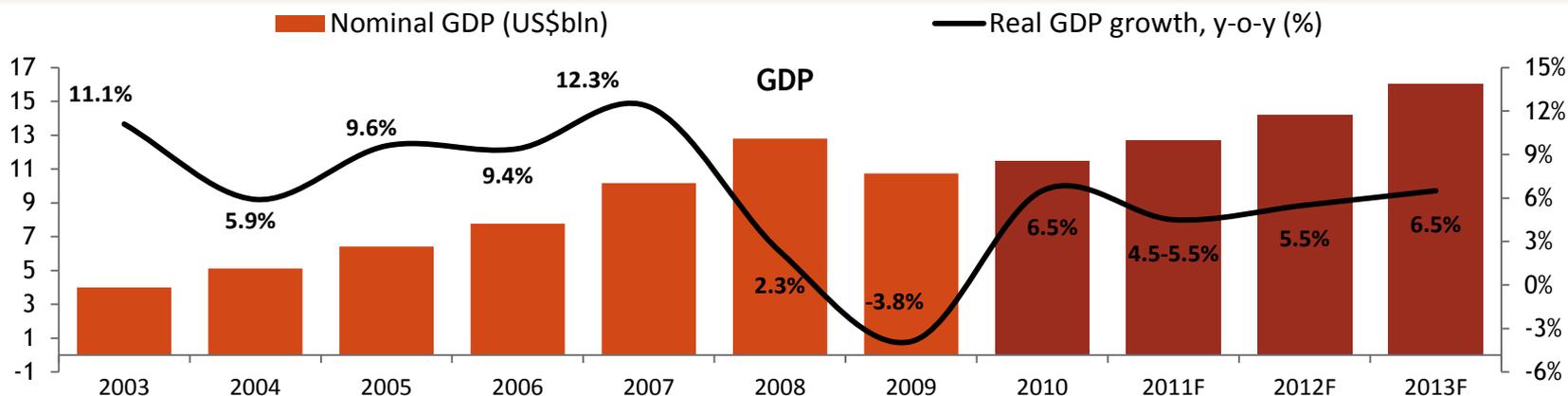
TI 2010 Global Corruption Barometer: % of the surveyed claiming the corruption level has decreased



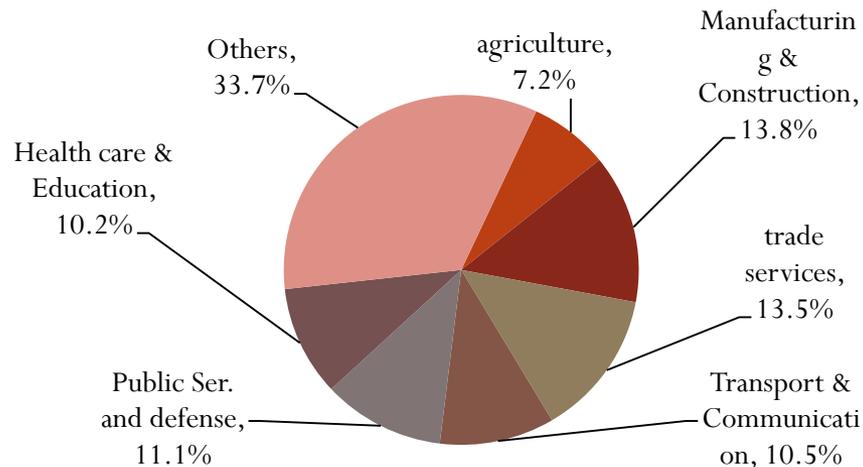
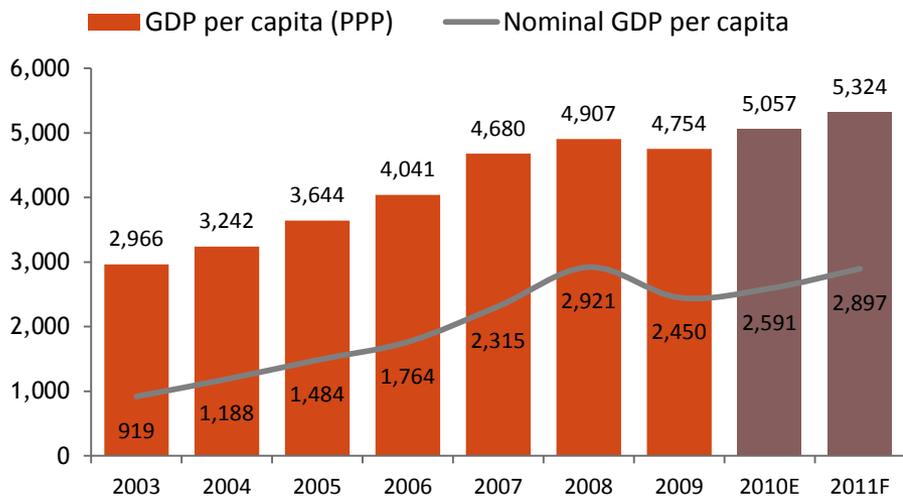
Per capita GDP by PPP



Reform Driven Economic Success



Components of Nominal GDP (9 months 2010)

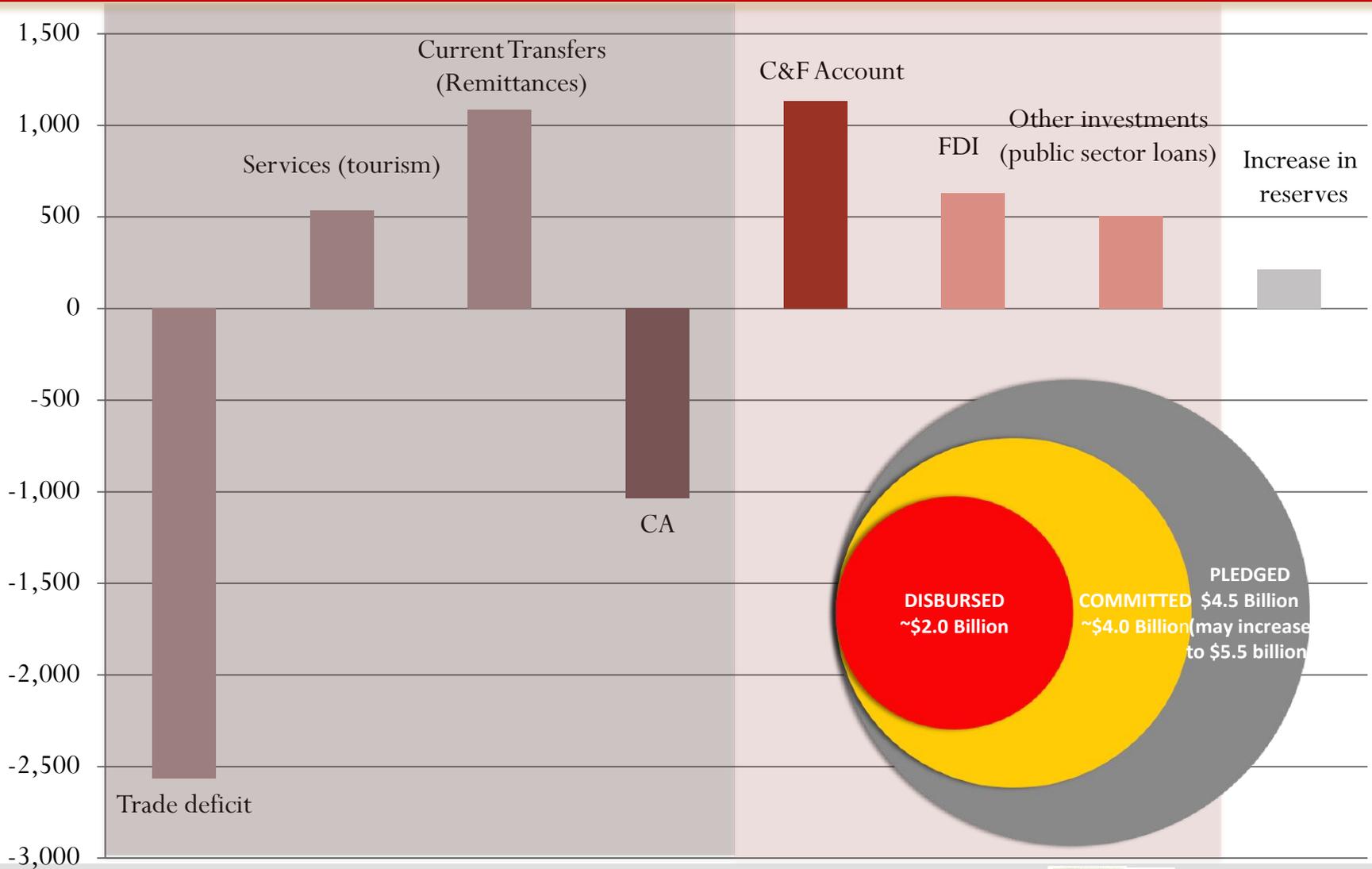


Balance of Payments

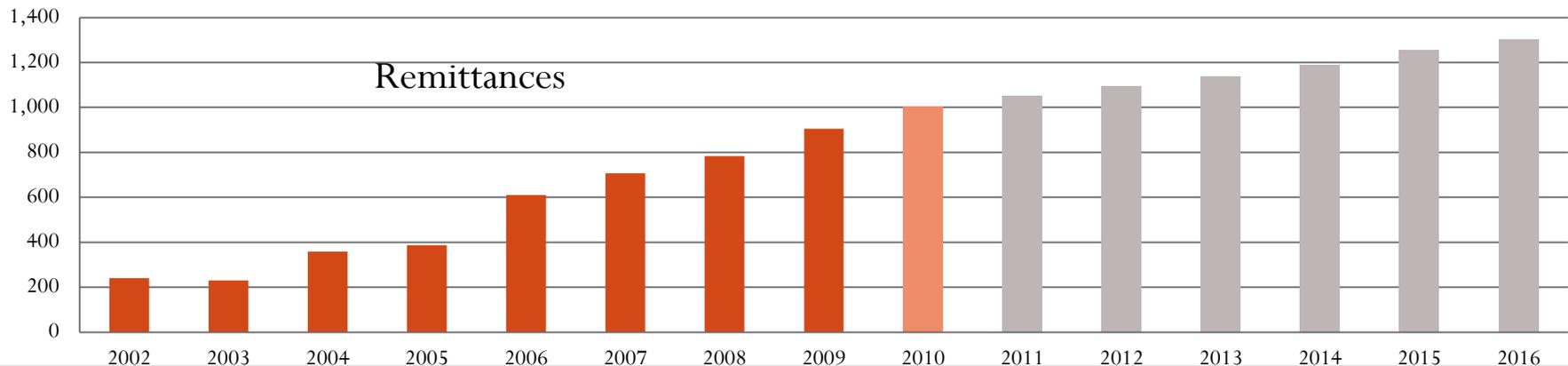
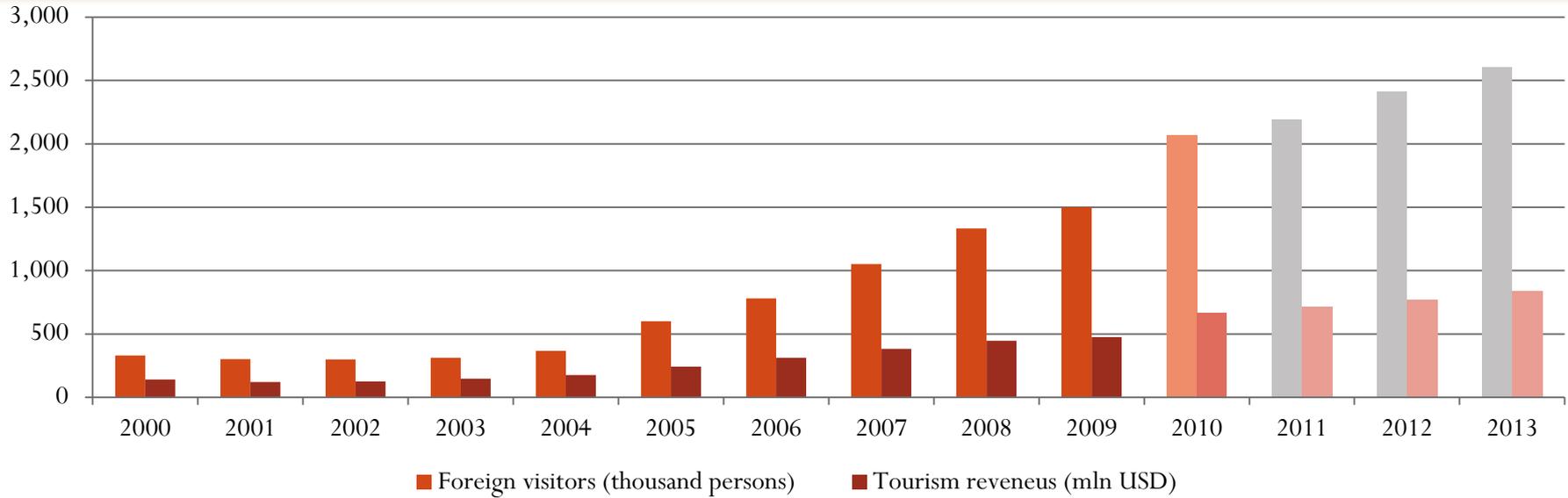
	2006	2007	2008	2009	2010f	2011f	2012f	2013f
Current Account	-1,175	-2,010	-2,912	-1,210	-1,096	-1,349	-1,265	-1,311
Trade Balance	-2,019	-2,896	-3,833	-2,399	-2,565	-2,921	-3,008	-3,280
Export of goods	1,667	2,088	2,428	1,894	2,454	2,687	2,772	2,947
Import of goods	-3,686	-4,984	-6,261	-4,293	-5,019	-5,608	-5,780	-6,227
Services, net	158	161	21	340	535	678	816	977
Tourism, net	146	208	243	294	471	529	617	703
Factor income, net	162	36	-160	-118	-150	-270	-269	-299
Current transfers, net	524	688	1,060	967	1,085	1,165	1,195	1,291
Capital and Financial Account	1,678	2,422	3,079	1,776	1,323	1,532	1,371	1,197
Capital account	171	128	112	183	201	198	218	222
Foreign direct investment	1,186	1,674	1,494	659	618	741	848	956
Other investments	321	620	1,473	934	504	594	304	19
Public sector	-110	-16	890	942	587	282	193	-73
Private sector	432	636	583	-8	-83	312	111	92
Change in Reserves (-decrease)	439	377	131	616	212	184	105	-114
International Reserves	931	1,361	1,480	2,109	2,265	2,449	2,554	2,440
Current Account Deficit (% of GDP)	-15.1%	-19.8%	-22.8%	-11.2%	-9.4%	-10.3%	-8.7%	-8.0%



Balance of Payments



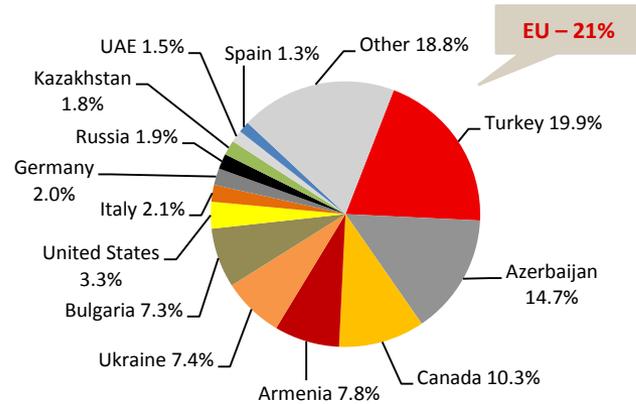
Tourism Revenues and Remittances



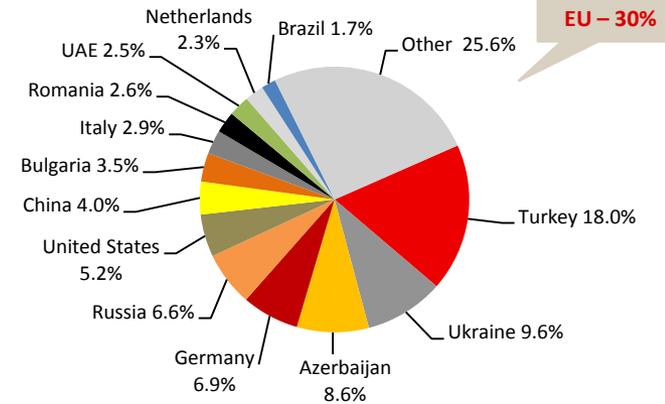
Diversified Trade Structure

- WTO member since 2000
- Simplified customs regime since August 2006
- No quantitative restrictions on trade
- EU GSP+ Scheme 2006, export 7,200 categories of goods duty-free
- Georgia Turkey FTA was signed in 2008
- Promising deep & comprehensive FTA with the EU and USA

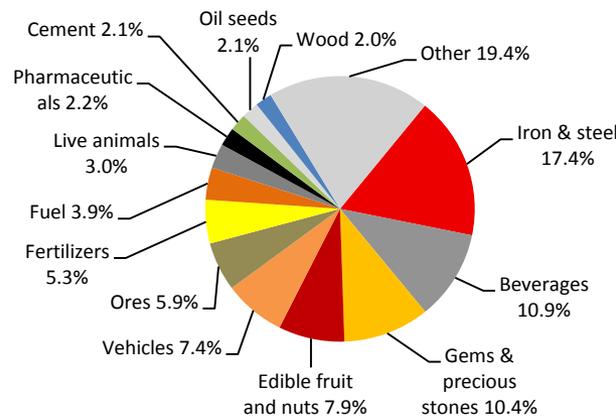
Export Structure* by Country, 2009



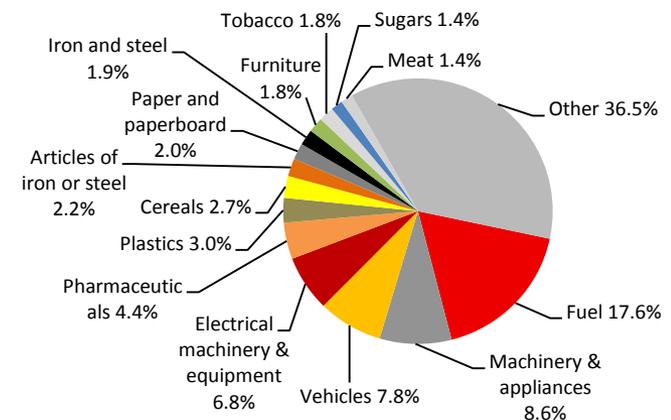
Import Structure* by Country, 2009



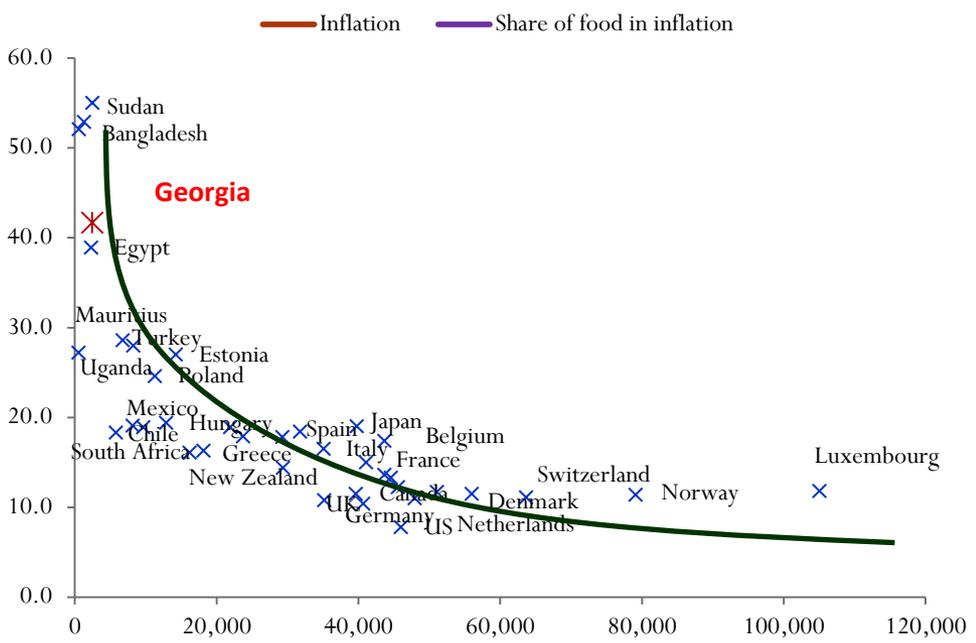
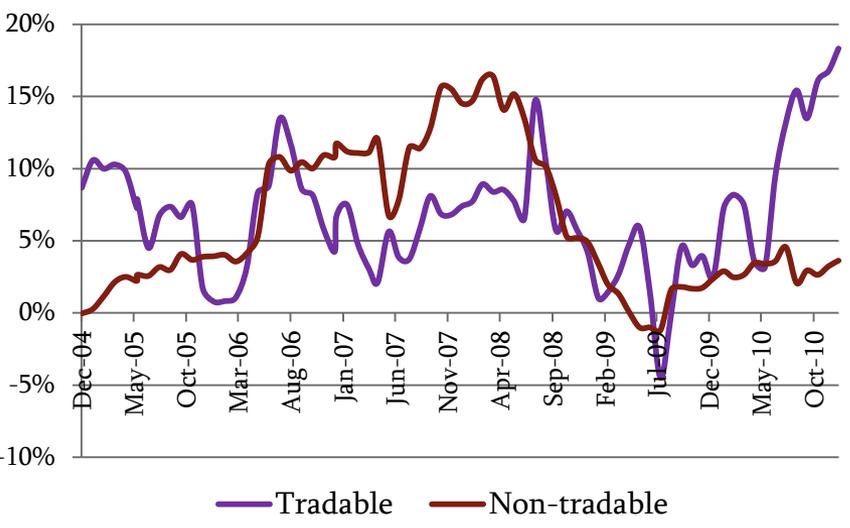
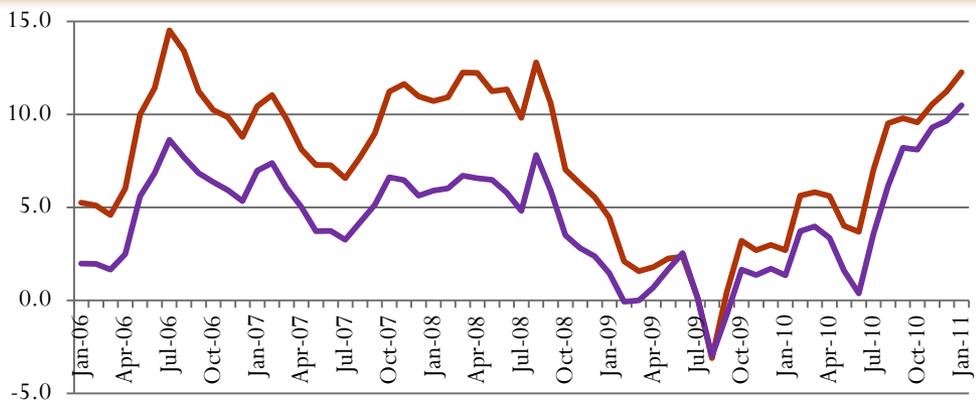
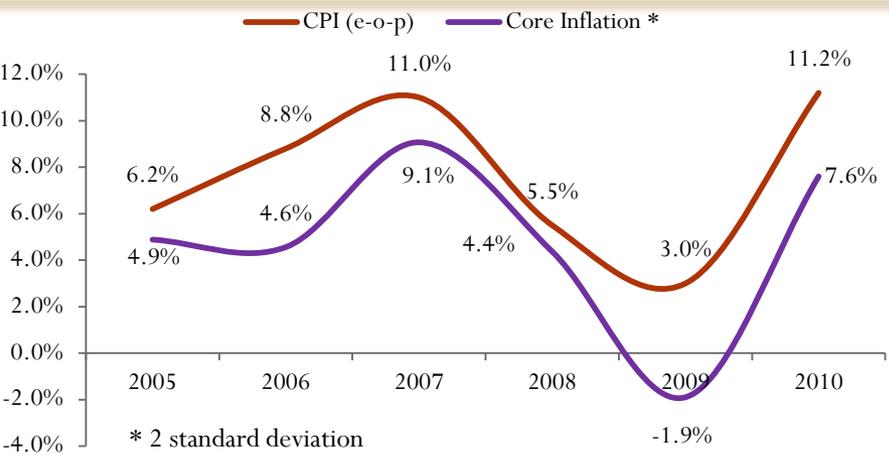
Export Structure* by Product, 2009



Import Structure* by Product, 2009

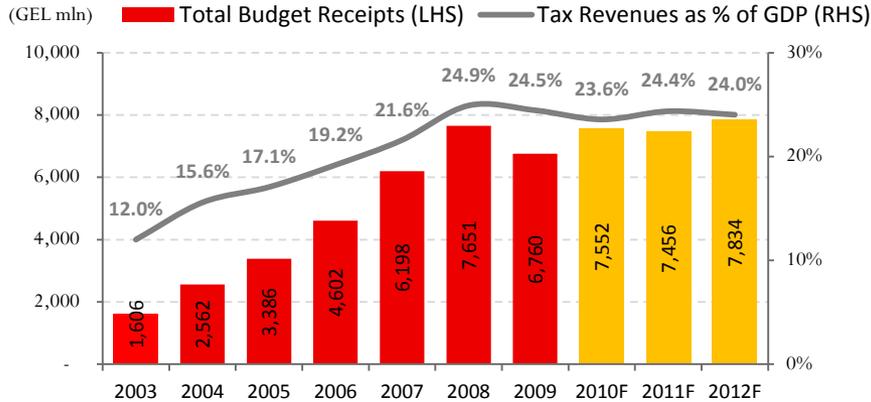


Inflation

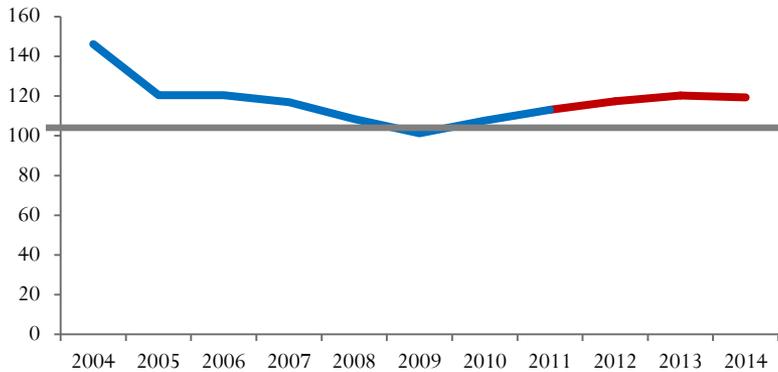


Fiscal Performance

Budget Revenue Performance*

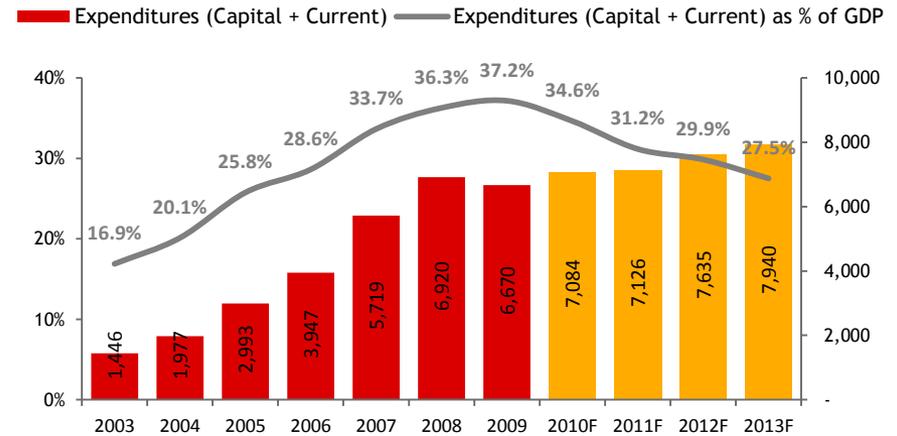


Current Revenues/Current Expenditures*

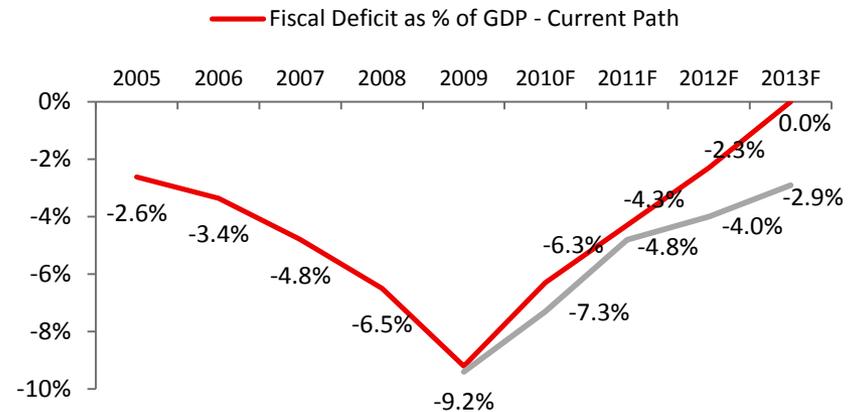


*Consolidated Budget ** GFS86 Classification

General Government Expenditures

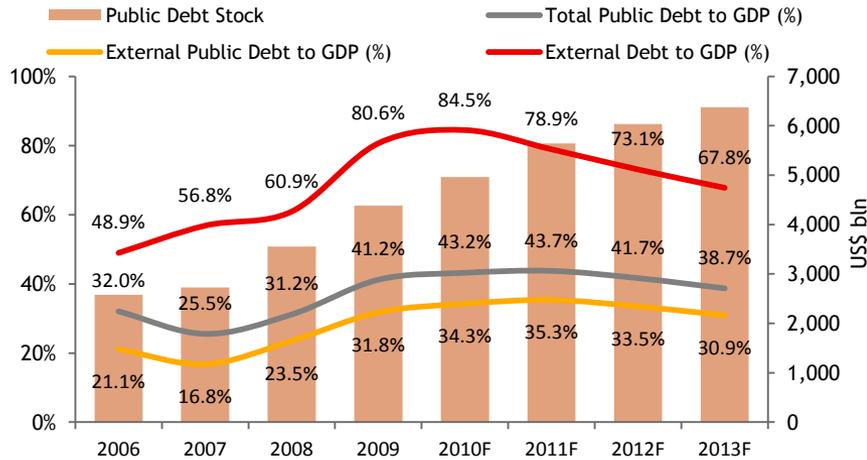


Conventional Fiscal Deficit (Cash Basis)**

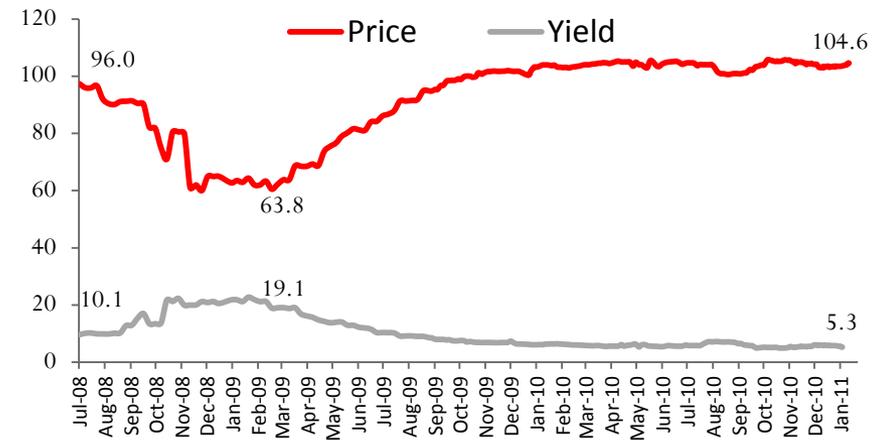


Favorable Public Debt Situation

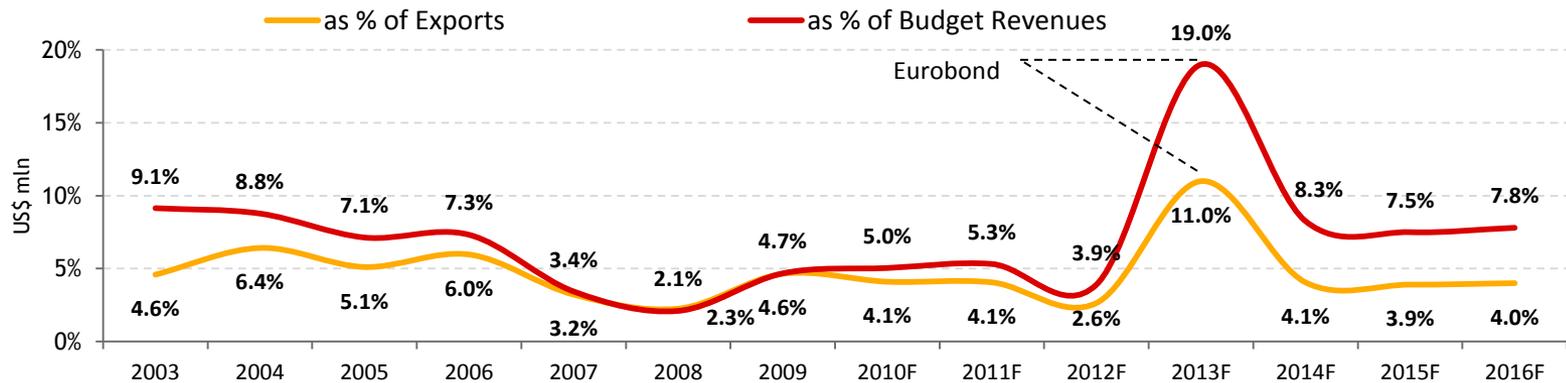
Debt Indicators: Below the Prudential Thresholds



Eurobond Performance: Incremental and Sustained Improvement

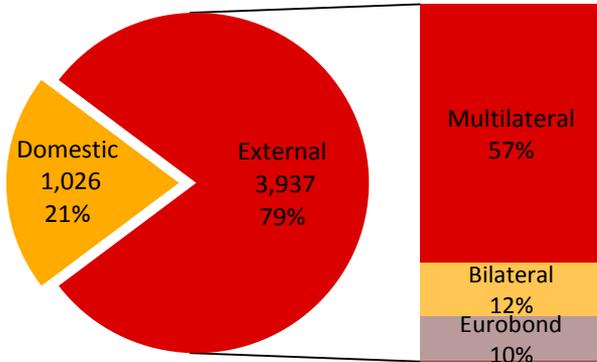


Flat Repayment Profile: Government External Debt Service



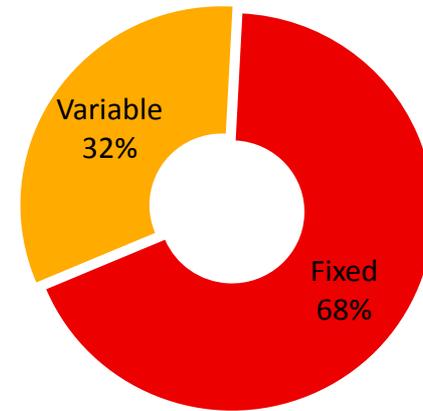
Favorable Public Debt Situation

Affordable Public Debt Stock and Very Low Interest Rate on External Public Debt (in million USD)

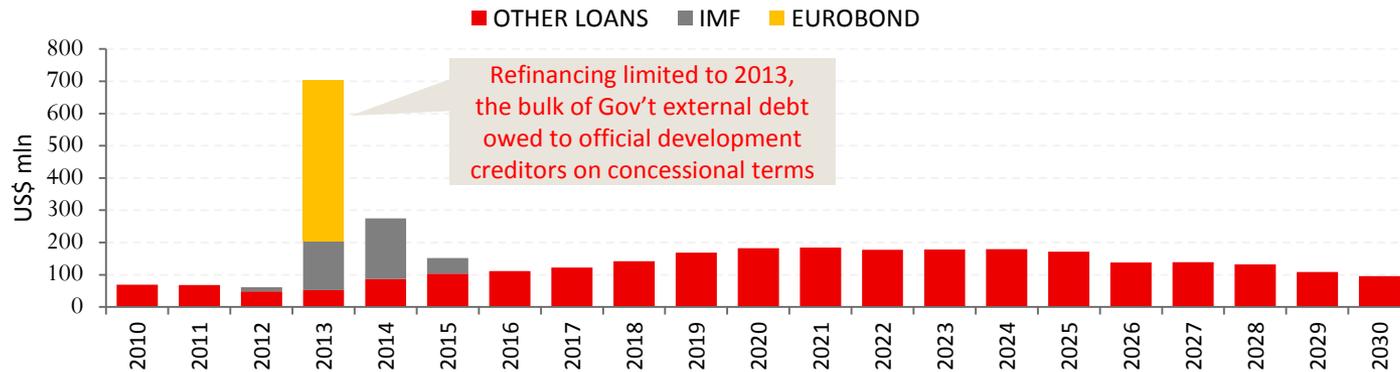


Portfolio Average Weighted Interest Rate as of end-December 2010
2.04%

External Public Debt by Interest Type: Interest Rate Risk Brought to a Minimum

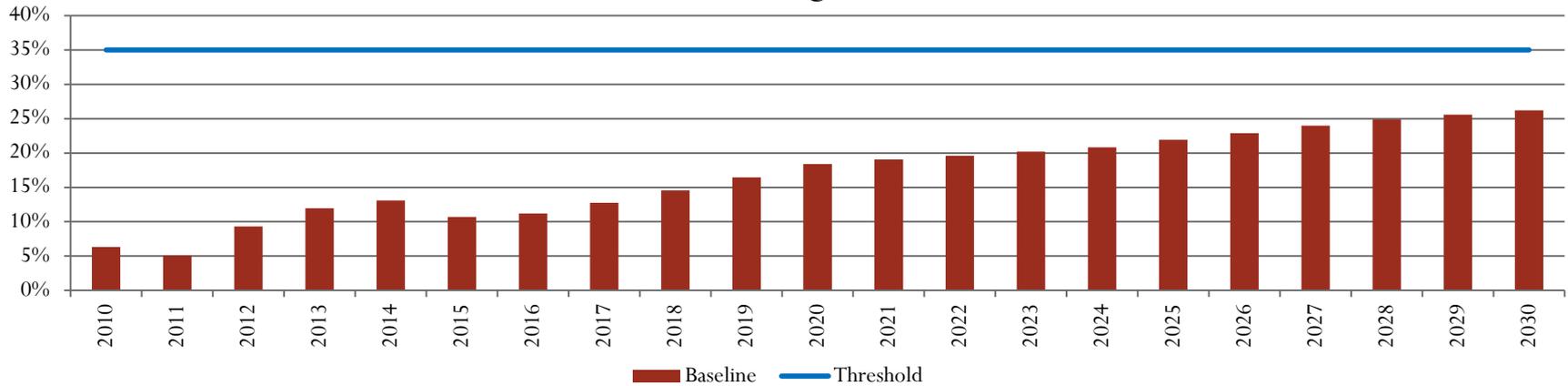


Government External Debt Amortization Profile: Flat Trajectory, Easily Affordable Annual Repayment Volumes

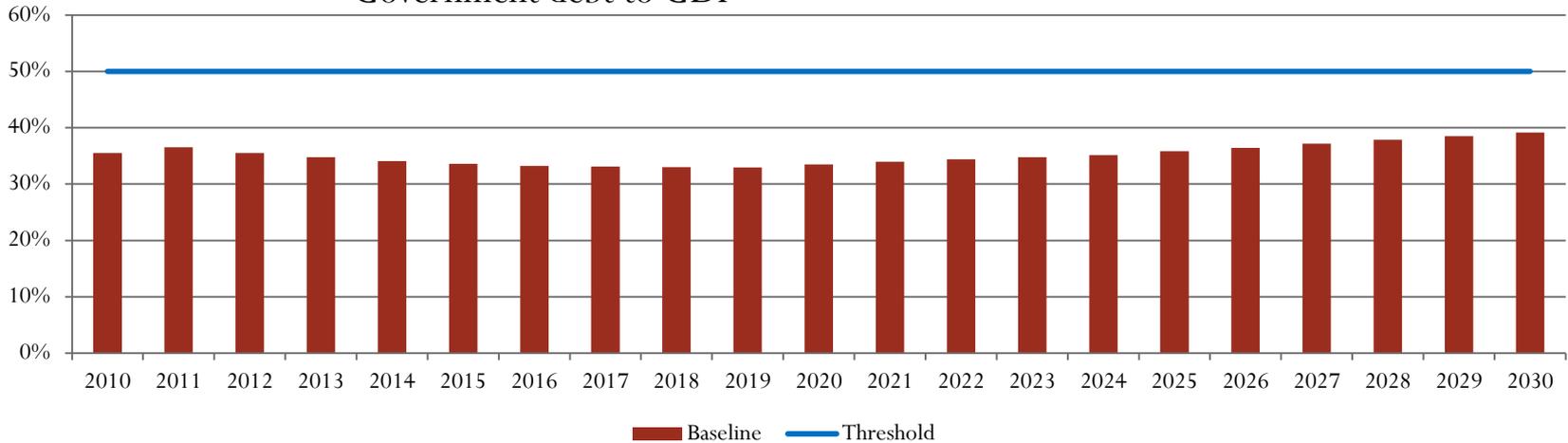


Debt Sustainability

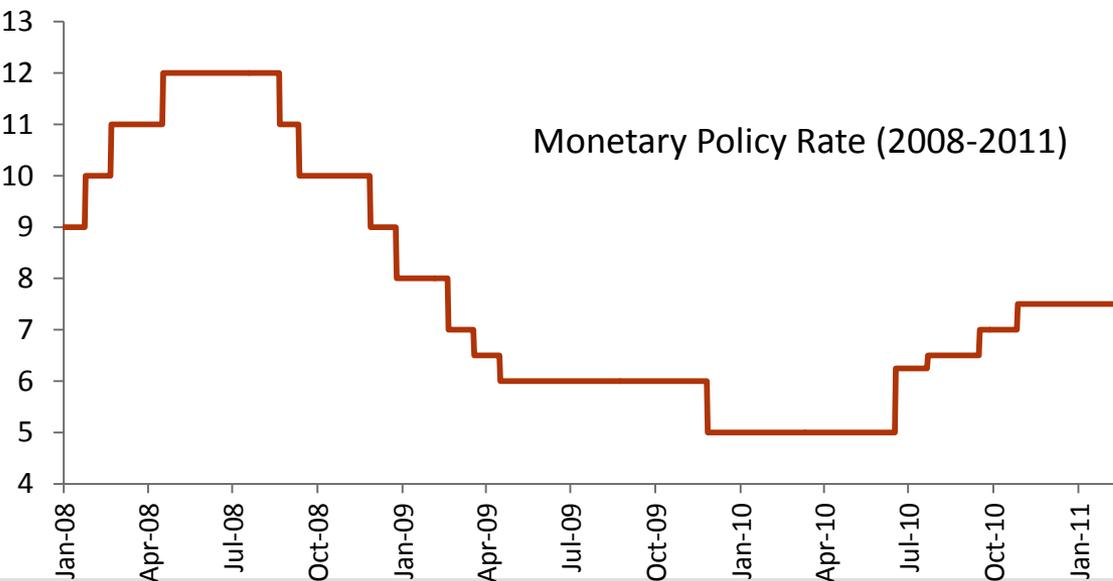
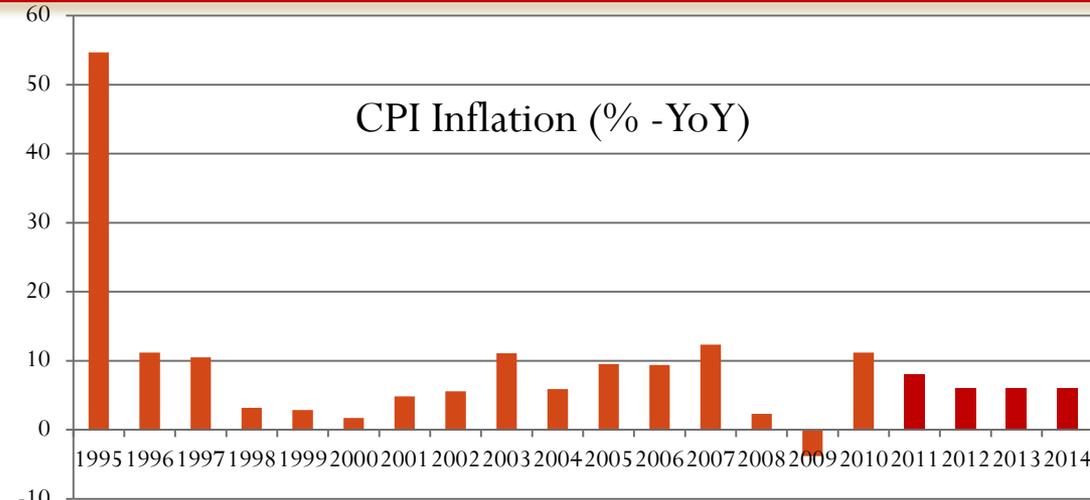
Government debt service to revenues and grants



Government debt to GDP



Monetary policy

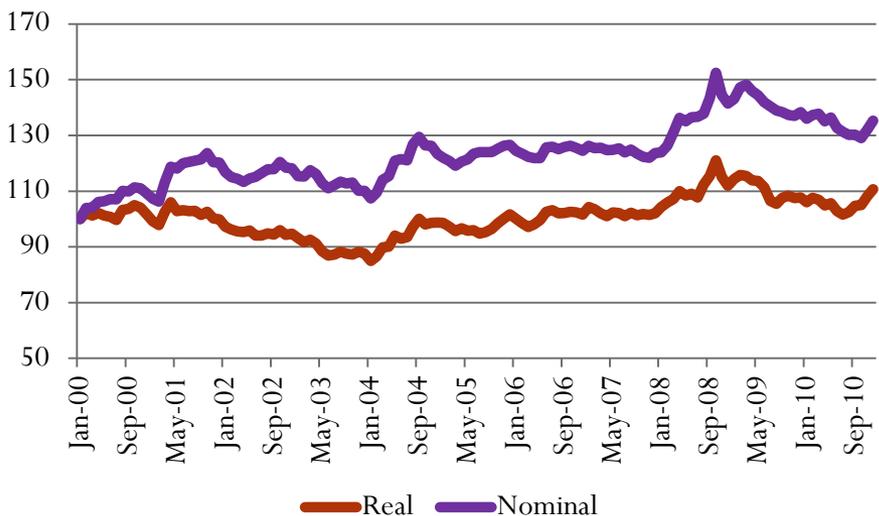


- Price stability is a main goal of the NBG
- NBG started soft inflation targeting from 2009
- Inflation target – 6% annual
- Last three year cumulative inflation, lowest in region.

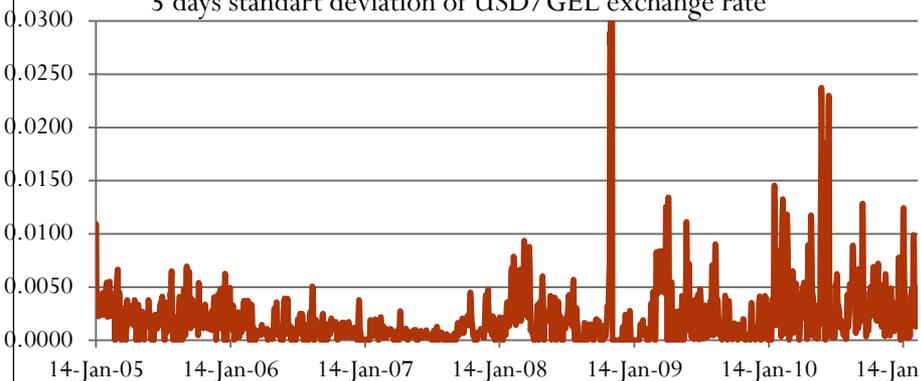


FX Market

Dynamics of Effective Exchange Rate

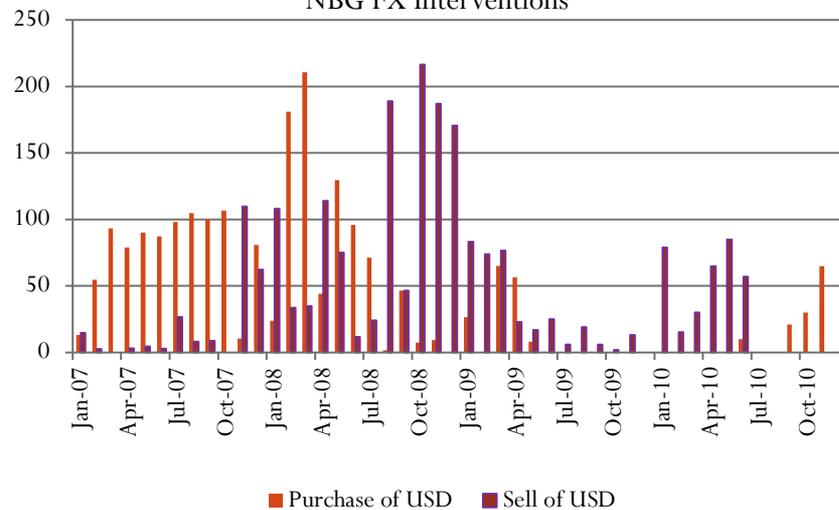


5 days standart deviation of USD/GEL exchange rate



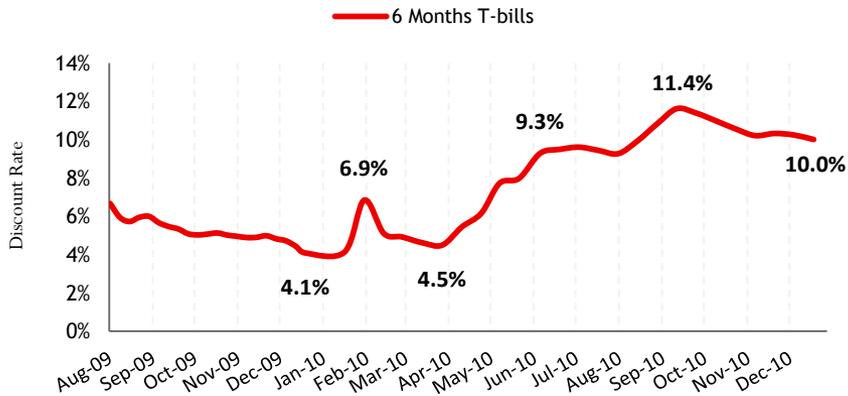
- Introduction of FX auctions in 2009
- Flexible exchange rate regime
- Less need for interventions

NBG FX Interventions

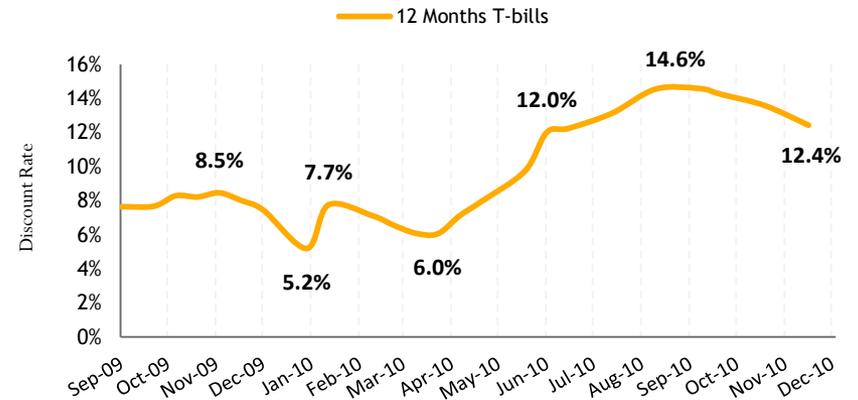


Domestic Debt Market

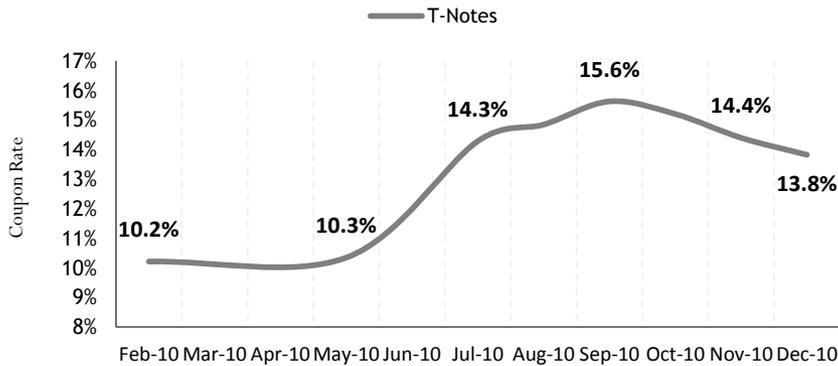
6 Months T-Bills Discount Rates



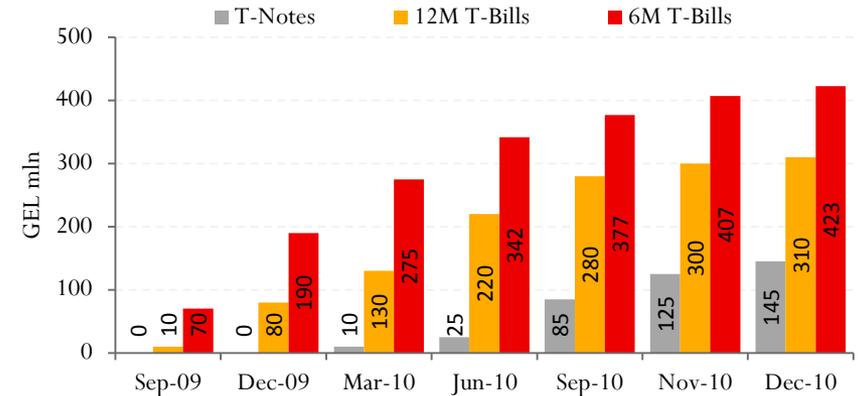
12 Months T-Bills Discount Rates



T-Notes Coupon Rates

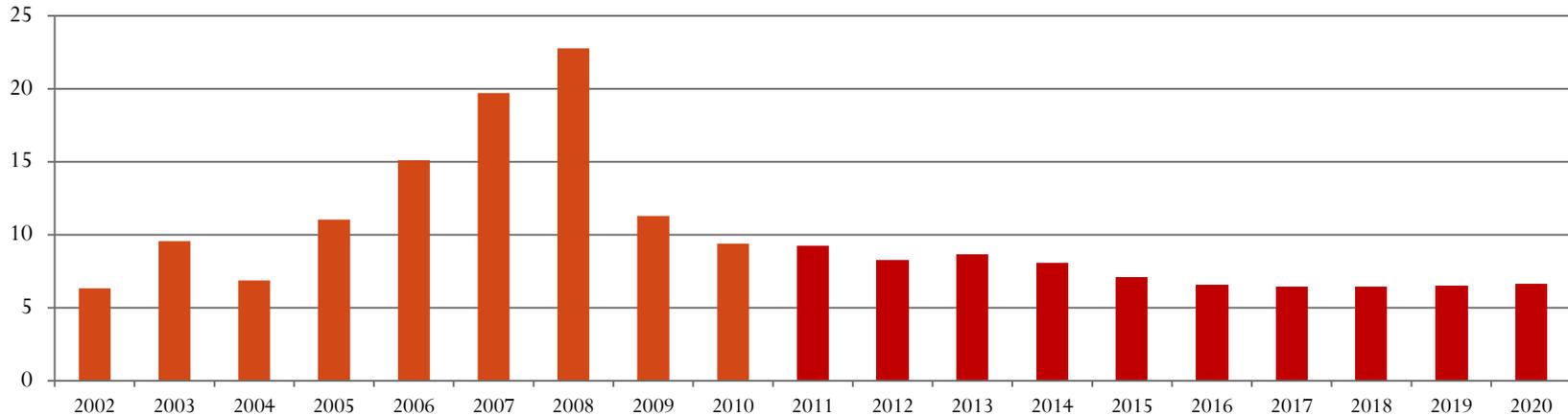


Cumulative Issuance by Instrument



Gross International Reserves

Forecast of Current Account Deficit



Georgia: Medium-Term Reserve Adequacy

	2010	2011	2012	2013	2014	2015	2016
GIR in percent of							
Wijnholds and Kapteyn threshold	129	126	94	120	122	140	127
Lipschitz, Messmacher, and Mourmouras threshold	63	67	54	61	60	67	63
IMF composite indicator	239	251	207	215	209	231	219
Jeanne and Rancierre model	119	117	89	112	116	135	126
Obstfeld, Shambaugh, and Taylor model	98	105	92	85	81	85	85
Memorandum items (in \$ million):							
Gross international reserves	2,263	2,780	2,590	2,488	2,462	2,730	2,902

Sources: Georgian authorities; and staff estimates.



Potential for Regional Logistics center



Regional Energy Hub

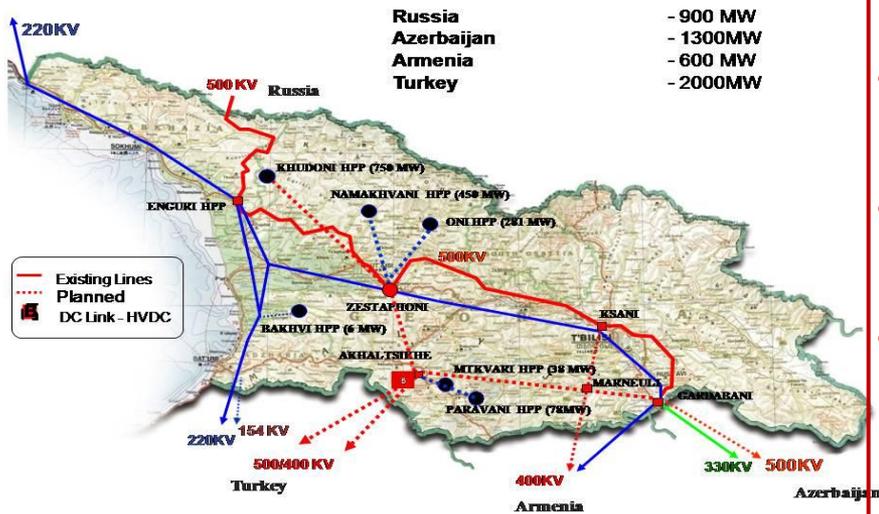
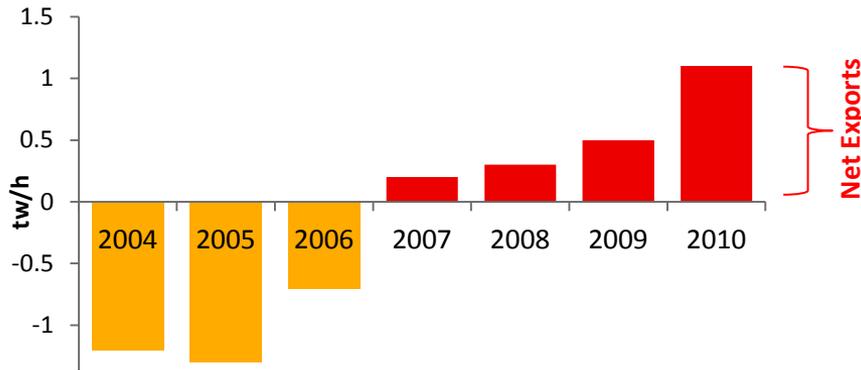


- **Reliable transit country and regional energy hub**
 - Baku-Tbilisi-Ceyhan (BTC) oil pipeline
 - Baku-Supsa oil pipeline
 - South-Caucasus gas pipeline (SCP) from Shah-Deniz
 - North-South Gas pipeline
 - Georgia-Azerbaijan Southern Gas (GASP)
- **Gas supply contracts with Azerbaijan for 10 years and with Shah Deniz for 20 years**
- **Transit role for oil & gas – pipelines and railway**
 - Circa 1.6% of world oil production

- LNG across Black Sea – Azerbaijan-Georgia-Romania Interconnection (AGRI) project initiated by three states together with NABUCCO/White Stream – huge potential to transport gas from the Caspian to Europe
- The only country in the region (which doesn't have its own gas resource) that was not effected by gas crises in January 2009
- Georgia/Romania MoU for transportation of carbon resources from Caspian via Black Sea



Electricity Export Capacity

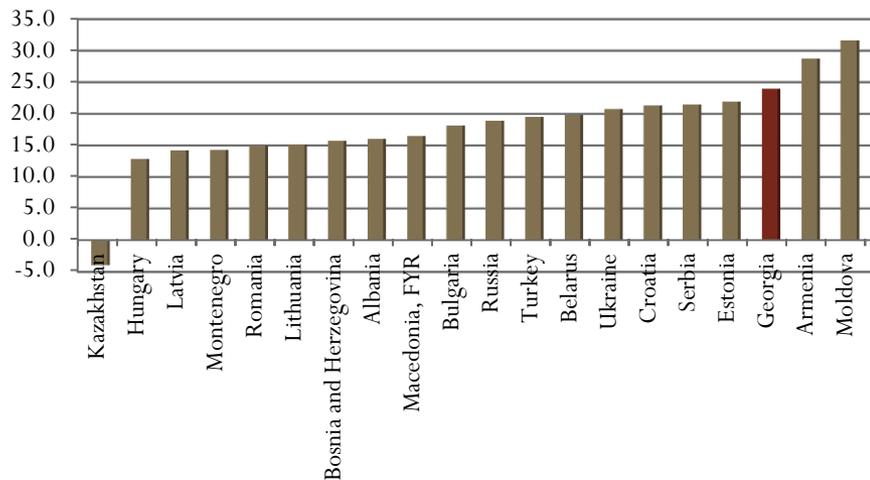


- Growing consumption on the Turkish electricity market expandable to Iraq, Syria and EU countries
- Net electricity exporter since 2007
- Net exports for 2010 (1 TWH), double by 2013 (2 TWH)
- New hydro projects, potential export cap. 6 TWH, \$300 million by 2018.
- Construction of 500 and 154 KV power transmission line to Turkey
- Additional new 500 KV interconnection to Turkey is under negotiation
- Huge untapped hydro resources, only 18% of hydro potential utilized so far
- Once all three electricity lines are operational, total transmission capacity to Turkey will reach more than 2000 MW - 15 times more than current capacity

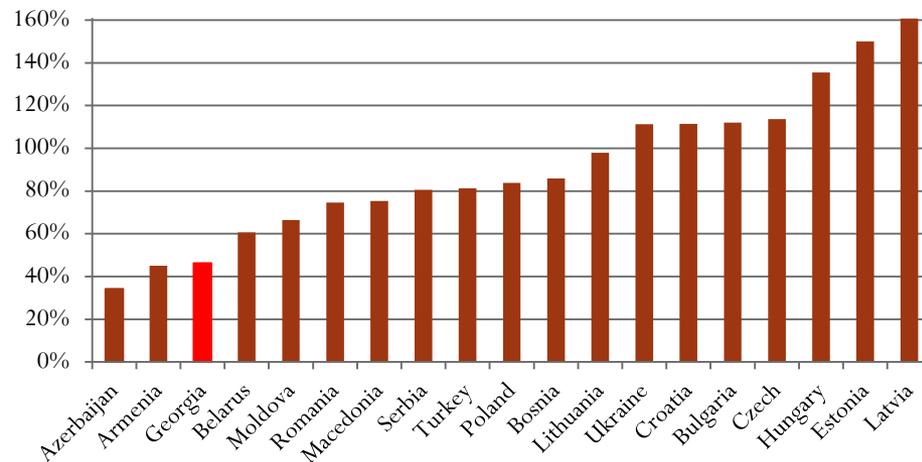


Comparison with Other Countries

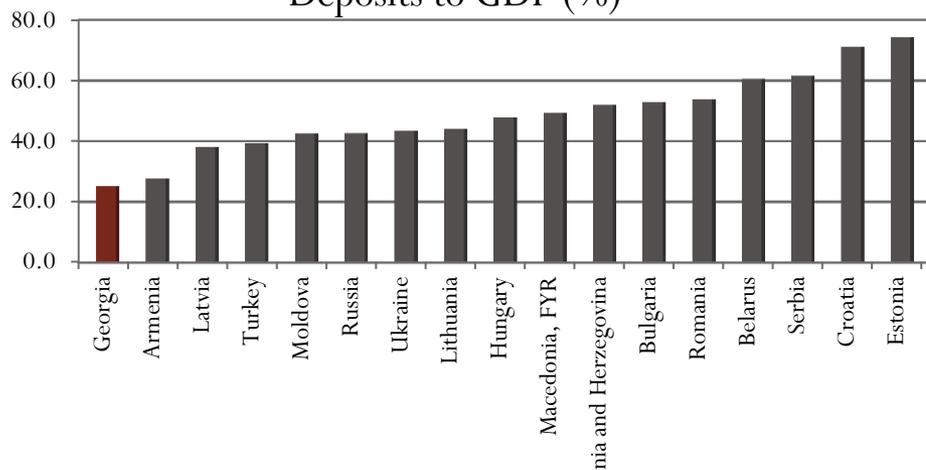
Capital Adequacy (%)



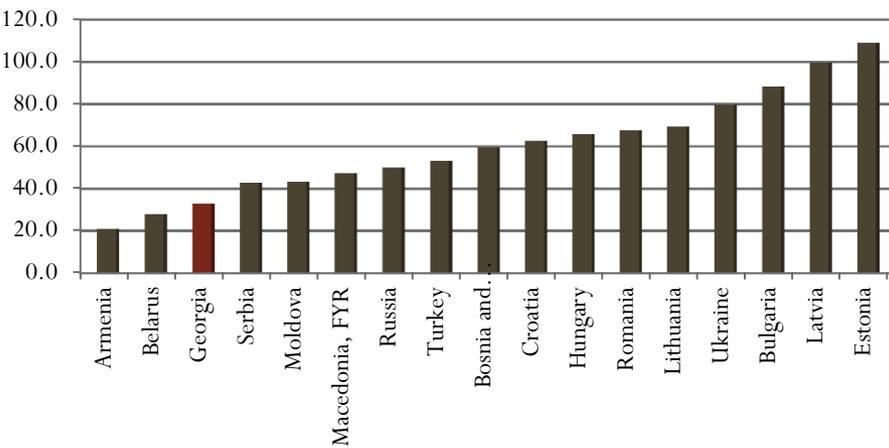
Bank Assets to GDP (%)



Deposits to GDP (%)



Loans to GDP (%)



Source: International Monetary Fund, 2010



Ensuring No Policy Drift

- Fiscal responsibility

- Government expenditure capped at 30% of GDP
- Budget deficit capped at 3% of GDP
- Government debt capped at 60% of GDP
- No budget earmarks

Deviation from these thresholds would be possible under the negative GDP growth conditions, but the Government would be required to develop a plan aimed at reverting these ratios within three years from the breach

- Since 1995, no restrictions on currency convertibility or repatriation of capital & profit
- Ban on state ownership of banks and on the imposition of price controls
 - No state-owned banks since 1995 and no price controls since the early 1990s
- Ban on an increase in the number of licenses and permits
- Ban on an increase in the number of state or independent regulators
 - Currently, independent regulators exist only in financial services, communications and utilities
- Means-tested assistance rendered through vouchers and other ways that empower citizens and give them choice (in healthcare, education, etc), rather than by funding directly state-owned service providers



Thank you for your Attention!

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