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One in four girls is depressed at age 14

See on p. 17

Four out of five workers in Europe happy with working time 'fit'

See on p. 15



25 September, 2017

News Making Money

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Strong Q2 Data Puts Georgia's Annual Growth on Track to Reach Target

Yaroslava BABYCH and Giorgi MZHAVANADZE

ISET

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Top Business Worries in 2017

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The World is Running Out of Antibiotics, WHO Report Confirms

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Georgia - Light Years Away from Full Artificial Intelligence

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ISSN 1512 3642

9 771512 364003

THE FINANCIAL

25 September, 2017

ISSUE: 37 (571)

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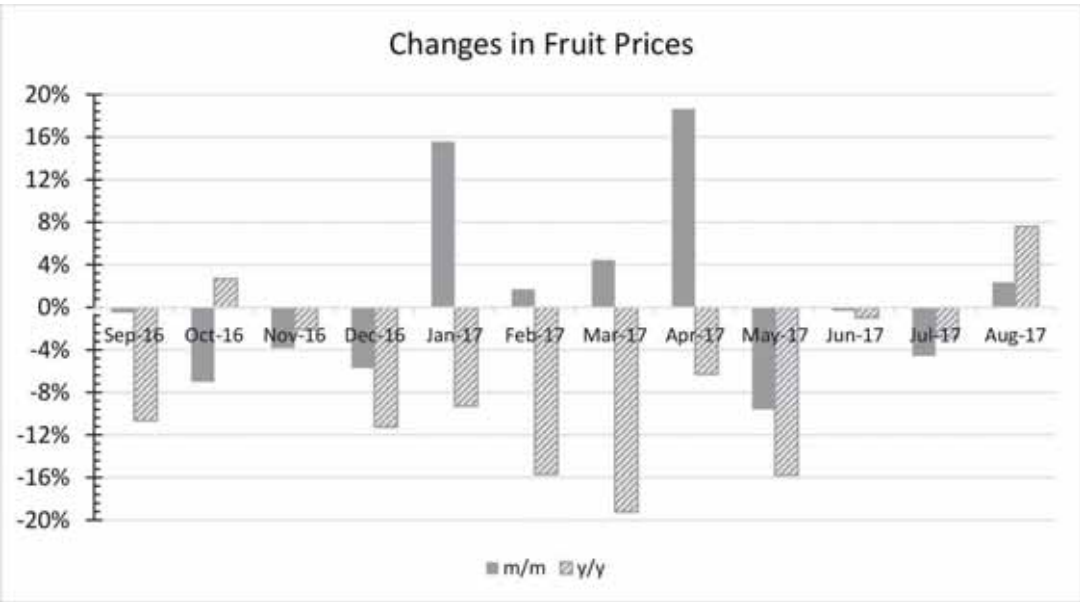
AGRINDEX

AGRINDEX: MAYBE IT IS TIME TO “PLANT THE FUTURE”?¹

In August 2017, **FRUIT** prices were 7.6% higher compared to the same month of 2016, and this was the first case in 2017 when year-to-year changes were positive. In August month-to-month changes became positive too and the **FRUIT** sub-index rose by 2.3%.

The main contributors to m/m increase in **FRUIT** prices were domestically produced peach and nectarine, the price of which increased by almost quarter compared to July 2017. Nevertheless, nearly all the stone fruits (including peach and nectarine) the AGRIndex tracks, were cheaper in August 2017 than in August 2016.

The main determinants of the increase in y/y **FRUIT** prices were Georgian apple and berries that in last 12 months gained, respectively, more than 15% and 30% of their August 2016 values. Although a new campaign to distribute apples in Tbilisi public schools might have had its effects, decreased apple production in current year (due to spring frosts), and international trade figures fairly well explain the general rise in apple prices. The imports of this delicious fruit



Data source: The Ministry of Agriculture of Georgia

dropped by 2.7 million USD in the first eight months of 2017 compared to the same period of the last year, while the exports of Georgian apple more than tripled and nearly reached 1 million USD mark. The later argument applies to berries too — the trade surplus of these fruits increased by 0.26 million USD in January-August 2017 compared to January-August 2016 that left relatively less Georgian berries on the national market.

For the details of **FRUIT** price dynamics, see the chart below.

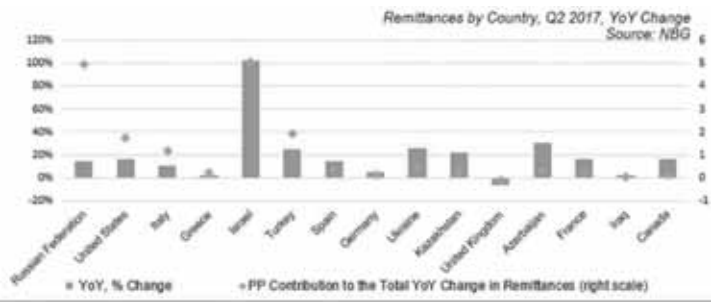
1 Government program supporting the planting of permanent crops

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Data on the second quarter of 2017 suggests that the Georgian economy is continuing to recover from its sluggish growth of previous years. The recovery is due to improvements in both the domestic and external environment. In particular, improvements in consumer and business confidence, the growth of government expenditure, an increase in loans, hikes in exports of goods, rising tourism, and increased money transfers were



the main drivers of economic growth in Q2 2017. On other hand, weaker-than-expected FDI inflow hindered growth in the reported period.

In addition, high economic growth rates in neighboring countries were benefitting the Georgian economy. Both Armenia and Russia showed high annual growth rates of real GDP in Q2 2017, while Turkey is expected to reach 6% growth. Only Azerbaijan exhibited relatively weak economic performance, down by 1.3% in the first half of 2017.

Let us take a look at some of the main drivers of economic growth in Georgia in Q2.

Tourism

The rise of tourism was one of the main factors which accelerated economic growth in Georgia in Q2 2017. During this time, Georgia hosted 1.730 million international arrivals - a 15% year-on-year increase;

Real tourists (visitors who stayed in Georgia for 24 hours or more) constituted 46.0% of total arrivals (796,339 people), a 31.3% increase from the year before.

Of the top five source markets Armenia (+16.9% YoY), Azerbaijan (+10.9% YoY) and Russia (+27.2% YoY) each showed double digit growth.

Iran (+212.9% YoY), Saudi Arabia (+209.8% YoY), Uzbekistan (182.2% YoY) and India (+120.3% YoY) were the source markets that made up the largest increase of international visitors.

Georgian citizens were also actively travelling abroad. In Q2, the number of outgoing citizens in the reported period constituted 968,952 people, which was a 9% YoY increase. There was a 37.2% increase in the number of Georgians who left the country by air, which means that visa liberalization regime with the EU already boosted tourism to Europe.

Consumer and Business Confidence

The Consumer Confidence Index (CCI), a barometer of consumer sentiment and a guide to domestic spending, was slightly higher

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Top Business Worries in 2017

The FINANCIAL

Unemployment, fiscal crises and the failure of a nation's government to provide stability are the top risks facing businesses globally while cyber risks are rising in importance, according to new data from a survey by the World Economic Forum (Forum).

The data published by strategic partners of the Forum's Global Risks Report, Zurich Insurance Group and Marsh & McLennan Companies Executives shows that in most regions highlighted unemployment or 'underemployment' and 'fiscal crises' as the two greatest risks, although those in North America and East Asia and Pacific regions were most concerned by cyber attacks and asset bubbles.

Global risks of highest concern

Executives' responses identified economic, geopolitical, social and technological risks as likely to carry the greatest dangers for their businesses over the next 10 years.

John Scott, Chief Risk Officer, Commercial Insurance, Zurich, said of the findings: "Whilst economic growth and technological developments create new opportunities for business and countries, geopolitical risks and events have led to uncertainties which raise questions about how to manage resilience in uncertain times. It is essential for businesses to have clear risk management strategies in place, developing options for legal structures and operational choices which take account

of uncertain policy outcomes. It's frustrating and resource intensive, but that's the kind of strategic thinking business needs, to deal with the uncertainty and to build resilience to the risks that might emerge in different scenarios. Looking at the survey results, it appears that in the medium-term, business leaders are focusing on social and economic risks, but shouldn't underestimate the potential impact of environmental and technological risks as well."

"While the fragility of the global economic recovery remains the chief business concern, executives are increasingly worried about the potential for cyber and other technology-related risks to threaten their ability to operate", John Drzik, President of Global Risk & Digital, Marsh & McLennan Companies, said. "Business leaders in many of world's largest economies now rank cyber as their top risk. Companies need to rigorously analyze how these threats

could impact their operations and take appropriate risk mitigation and resiliency measures."

Risk perception by regions

Executives in most regions highlighted unemployment or 'underemployment' and 'fiscal crises' as the two greatest risks, although those in North America and East Asia and Pacific regions were most concerned by cyber attacks and asset bubbles.

Following an increase in geopolitical risk, sometimes fueled by protectionist policies, business leaders in Europe, South Asia, Latin America and the Caribbean and Sub-Saharan Africa were worried about the potential failure of na-

tional governance.

In Europe, business leaders added 'failure of financial mechanisms or institutions,' to the list of pressing risks. In South Asia, rapid growth in urban centers led executives in that region to highlight 'failure of urban planning' and 'failure of critical infrastructure' as among the key potential threats to their businesses.

Risks associated with the 'failure of climate change adaptation' elicited very little concern among those deemed likely to pose the gravest threats over the next 10 years - out of the 20 economies we release today, only Canadian executives put climate change in their top risks list, albeit ranking it lower than some other risks.

The threat of potential terrorist attacks worried executives in North America and the Middle East and Northern Africa, but failed to make it to the top five risks ranking among businesses in the other regions.

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Georgia - Light Years Away from Full Artificial Intelligence

The FINANCIAL
By MARIA LIBERALOVA

The prospect of an AI future both excites and concerns consumers around the globe. But fears around the drawbacks of AI are offset by the benefits, so the net result is positive. Many believe that AI will change society for the better. The machines are expected to eventually learn how to outsmart humans and become super intelligent. Meanwhile, adoption of AI in Georgia remains low. Georgian authorities are being advised to focus on the development of AI, which is the future of economic growth.

"AI-related proposals should be included in governmental digital strategy onboarding. Investments and funding in AI and Robotics should be given to researchers and universities, because it will definitely drive enormous growth for the economy, create jobs, foster new skills and positively transform each and every industry," Dachi Choladze, Co-Founder and CEO at Pulsar AI, told The FINANCIAL.

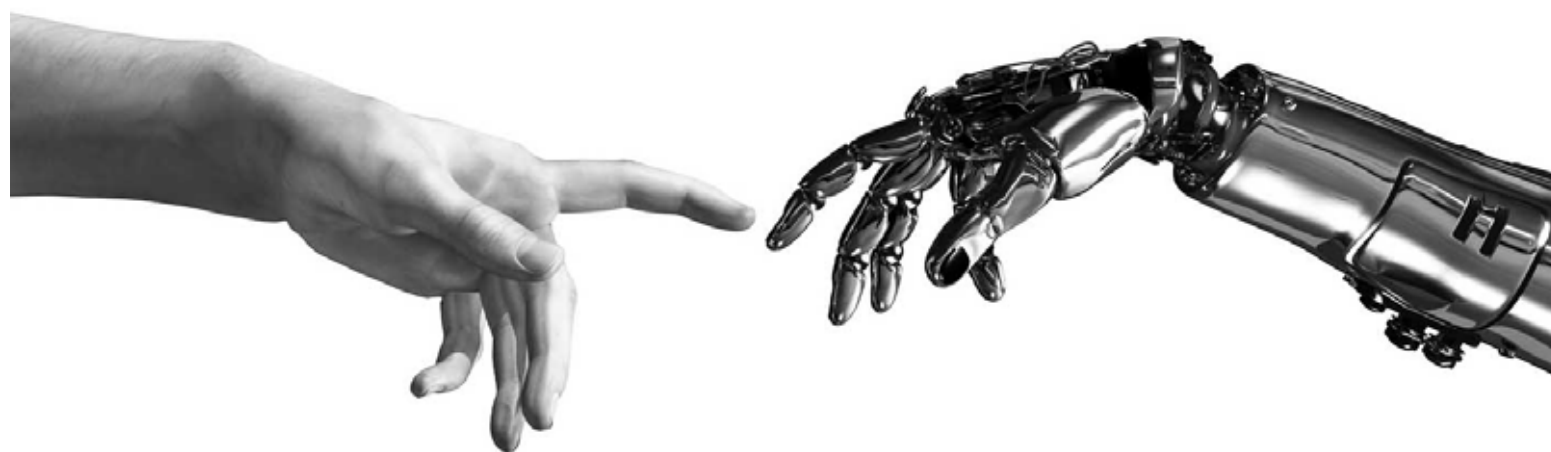
According to Choladze, government support in commercializing AI breakthroughs in Georgia is crucial for the further development and advancement of AI.

Based in Georgia, Pulsar AI is a tech company that makes it easy for businesses to use artificial intelligence in their everyday operations. The company solves machine data challenges that its team has encountered in their past work environments. Based on a growing digital network, the team of Pulsar AI studies digital ecosystems and provides personalized products and services for a better and smarter future.

Q. According to Elon Musk, Artificial Intelligence will cause World War III. What are your thoughts on this statement?

A. We are hearing strong opinions about Artificial Intelligence among CEOs in the tech world; machines will eventually learn how to outsmart humans and become super intelligent. But the timescale varies. There are ongoing efforts to ensure that AI remains safe. Tech giants are collaborating to programme AI with a code of ethics and prevent AI from being exploited by terrorist groups.

Q. Many believe that whoever



er becomes the leader in AI will become the ruler of the world. Which countries are advancing in terms of this, and where is Georgia situated in this regard?

A. China has been writing and publishing many papers and articles regarding AI. We expect to see better understanding of, and a boom in, AI in China. 2016 was a significant year for artificial intelligence: China, the United States, Japan, Russia, and the UK led the way. These are the countries with strong computer science knowledge. Georgia's presence among those giants is barely visible, but we are doing our best to move forward and reach new competitive levels.

Q. Do you see tech-literate people among the Georgian authorities?

A. We have seen a number of plans on the extension of undergraduate Computer Science, Engineering and Robotics studies. Georgian authorities should acknowledge that AI in developing countries is likely to have a more significant impact than industrialized ones. It is vital that infrastructure for tech enthusiasts

should be in place in order to take advantage of advancement in the technology. Georgia is definitely trying to adopt technology and embrace the digital era.

Q. Opportunities for AI are essentially limitless. It is believed that AI will empower and improve every business, every government organization and every philanthropy. Which fields would you highlight as more open to AI?

A. Software Companies pushed the boundaries and led the era of automation. We are already seeing significant advancements in many fields: Virtual assistants or Chatbots are offering expert assistance (Customer Service); Robot advisors in the fields of finance, insurance, legal, media and journalism provide instantaneous findings and sentiment analysis; and within the healthcare field, AI software assists patients with medical diagnosis and assistance. We are glad that we are contributing to AI advancement in Georgia. Since our launch we have helped multiple industries solve their daily challenges that they have been facing.

Q. Any field requires qualified staff. What is your estimation of the Georgian education system in this regard?

A. We all know how the Georgian education system has undergone modernizing and drastic reforms since 2004. Many schools and universities now have access to information and digital resources. The exchange programmes and diverse atmosphere helps students acquire global, relevant and up-to-date knowledge. Having a more creative and innovative mindset will definitely help youngsters to become competitive in any field, not only in Georgia but worldwide.

However, in this particular case, there are almost no experienced professionals in this field, but there are people with strong mathematical backgrounds, together with some other crucial skills needed in the hi-tech sector. As our technologies are based on those concepts that these people have mastered during their careers, they are the ones whom we recruit; and then teach them all the rest here in the company.

Q. As a start-up, what is your main suggestion for those who

are just entering the market?

A. It is an exciting time for this technology as we see consumer and B2B acceptance and interest growing quite rapidly. Even though big tech firms like Google and Facebook get a lot of the attention, we believe it is the startups that matter the most in driving AI in everyday operations.

Q. 'Brain drain' is one of the main challenges for many countries. Are you witnessing this trend in Georgia?

A. Brain drain is indeed a global trend that is also problematic for Georgia as well, while faster and cheaper mobility is considered a positive phenomenon, on the national level migration of skilled workers, especially in the tech industry, is an obstacle, because it leads to scarce human resources. We have invested a huge amount of time in finding and recruiting top talent. It is definitely a struggle that we have encountered when entering the market, but we believe that a brain drain can be avoided when we introduce better education, access to research and information facilities and provide career opportunities.

Apologising can do untold damage to a business

Saying sorry may actually make things worse if people question your sincerity, believes researcher at London Business School

The FINANCIAL

Apologising can do a scandal-hit company or under-fire leader more harm than good when it is delivered poorly or deemed inauthentic.

Ryanair has been heavily criticised for cancelling 40-50 flights a

day from 16-20 September, after it "messed up" the planning of pilot holidays. The Irish airline blamed a backlog of staff leave, with many employees booking holidays near the end of 2017, when apologising for the error.

But passengers have reacted angrily on social media, calling for a full list of affected flights to be released. The airline's shares fell by up to 3% on Monday 18 September.

London Business School research shows that companies such as Ryanair have to do three things when apologising, according to Dr Gabe Adams. "First, choose a senior spokesperson with the ability to apologise sincerely," she said.

"Second, acknowledge the wrong-

doing and accept responsibility for it. Saying 'I'm sorry' and accepting responsibility may lead to smaller losses than the absence of this expression.

"Third, communicate your sympathy for those who have been harmed or who have suffered, and do what you can to make it right."

Dr Adams' comments are timely following recent corporate misdemeanours, including the Boots morning-after pill controversy. The British pharmacy chain apologised for its response to calls to cut the cost of its emergency contraceptive.

Boots faced criticism in July after telling the British Pregnancy Advisory Service that the cost of its pill

would stay at £28.25 to avoid "incentivising inappropriate use". It then apologised for its "poor choice of words" over the pricing. Other British shops sell the same branded drug for £13.50.

Oscar Munoz, the CEO of United Airlines, issued a second apology in April 2017 about a man who was forcibly removed from one of the carrier's flights. The executive called the incident "truly horrific".

Munoz's first attempt at showing remorse was lambasted by critics. In a statement on 10 April, the CEO referred to the incident as an effort to "re-accommodate" passengers. He also described the man who was removed as "disruptive and belliger-

ent".

Nearly US\$1 billion (£767 million) of the company's value was wiped out the day after Munoz's first apology. He issued the second apology on 12 April.

"Delivering a poor apology can damage the company's reputation and prompt investors to question their association with the business," Dr Adams said. "If company representatives get the apology wrong, it is an error subject to scrutiny by investors."

Gabe Adams, formerly Assistant Professor of Organisational Behaviour at London Business School, now works at University of Virginia





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Duration of Working Life

How Many Years Can People in the EU Expect to Work?

The FINANCIAL

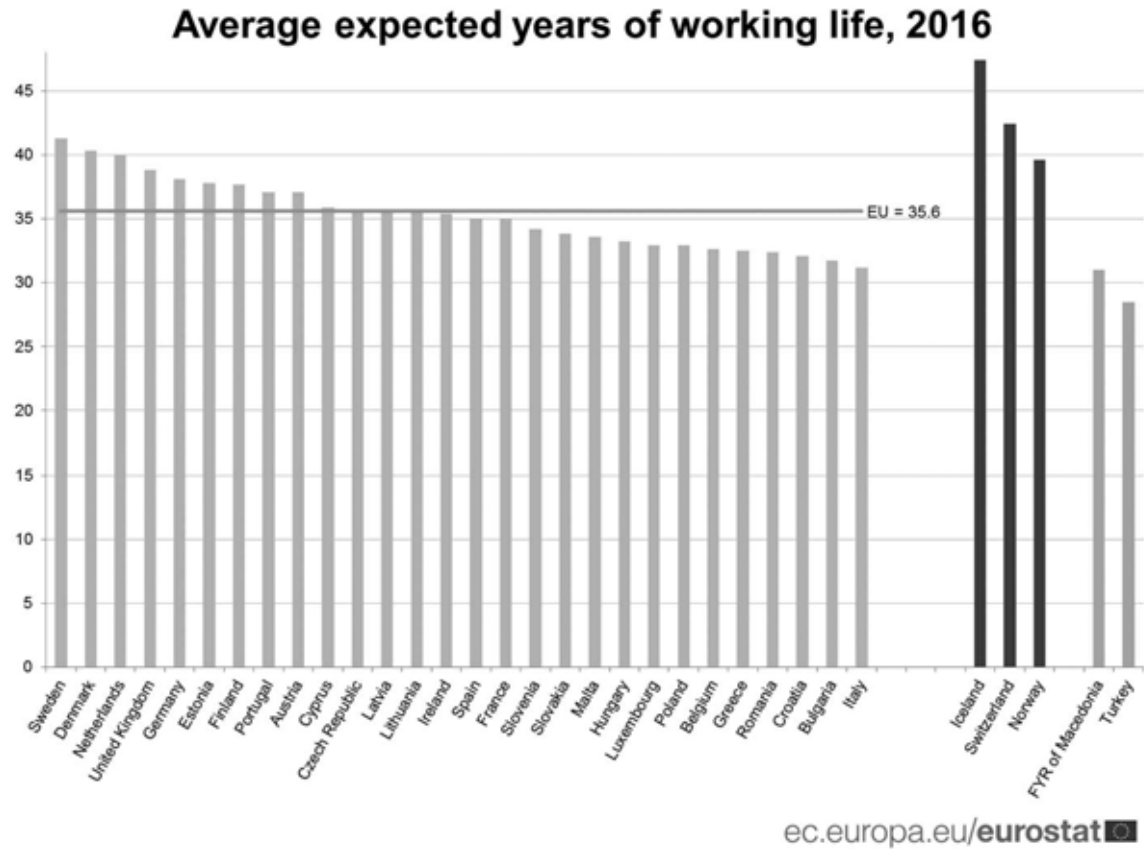
In 2016, people in European Union (EU) could be expected to work for an average of 35.6 years, up by 1.8 years compared with 2006. Over this 10-year period, the ‘duration of working life’ increased more rapidly for women (33.1 years in 2016 compared with 30.6 years in 2006, or +2.5 years) than for men (38.0 years in 2016 contrasting with 36.9 years in 2006, or +1.1 year).

The ‘duration of working life’ indicator measures the number of years a person, aged 15, can expect to be active in the labour market, either employed or unemployed, throughout his/her life.

Working life ten years longer in Sweden than in Italy

Across the EU Member States, in 2016 Sweden had the longest expected average working life (41.3 years). Denmark and the Netherlands followed with 40.3 years and 40.0 years respectively, ahead of the United Kingdom (38.8 years), Germany (38.1 years), Estonia (37.8 years) and Finland (37.7 years). At the opposite end of the scale, working life was expected to last less than 33 years in Italy (31.2 years), Bulgaria (31.7 years), Croatia (32.1 years), Romania (32.4 years), Greece (32.5 years), Belgium (32.6 years) as well as in Luxembourg and Poland (both 32.9 years).

In all Member States except in Latvia and Lithuania, the ‘duration



of working life’ was expected to be longer for men than for women in 2016.

Largest increase in the duration of working life in Malta, Hungary and Lithuania

Between 2006 and 2016, the expected length of working life increased in nearly all EU Member States, albeit to different extents.

Malta saw the highest increase (+5.1 years), followed by Hungary (+4.5 years) and Lithuania (+4.2 years), Poland (+2.7 years), Estonia (+2.6 years) and Austria (+2.4 years). In Cyprus (-0.1 year), Ireland and Portugal (both +0.3 year), it remained nearly the same.

Increase mainly driven by women expected to work longer

The overall increase in the ‘dura-

tion of working life’ across Member States has generally been driven by the change in the duration of a woman’s working life. The length of time a woman could be expected to work rose between 2006 and 2016 in all EU Member States (except in Romania), notably in Malta (+9.0 years), Lithuania (+4.6 years), Spain (+4.4 years), Hungary (+4.2 years), Luxembourg (+3.6 years) and Austria (+3.2 years).

In contrast, the ‘duration of working life’ for men dropped in five Member States: Cyprus (-2.4 years), Greece (-1.4 years), Ireland (-1.1 year), Spain (-0.8 year), and Portugal (-0.5 year).

China to Produce Oil Supplies to North Korea and Halt Clothing Imports

BELJING (Alliance News) - China announced plans Saturday to reduce oil exports to North Korea.

China intends to reduce its exports of refined petroleum products to North Korea from October 1, the commerce ministry in Beijing said in a statement.

An import ban on clothing produced in North Korea is also planned.

With these measures, Beijing is implementing sanctions agreed to recently by the United Nations Security Council.

The international community has been increasing pressure on North Korea over a series of recent missile and nuclear tests, and the issue has been a major point of discussion at the UN General Assembly.

A German nuclear expert has warned of the destructive force that a putative North Korean nuclear bomb could unleash if Pyongyang were to go ahead and test one in the Pacific as the regime has threatened.

“Modern hydrogen bombs are easily 100 times more destructive than the Hiroshima bomb was,” Axel Pichlmaier, a nuclear physicist at the Technical University in Munich, told dpa. “Their destructive force is naturally that much larger as well.”

Following nuclear tests in remote regions of the Pacific in the 1950s and 1960s, some islands disappeared because the blast undermined their foundations, Pichlmaier said.

He said it could be expected that much maritime life would be lost in the wake of a potential new test due to the intense blast waves that would follow any detonation.

North Korean foreign minister Ri Yong Ho said Friday that North Korea may test a hydrogen bomb in the Pacific.

The appetite for taking an MBA in London remains strong, despite Brexit

The FINANCIAL

The World is Running Out of Antibiotics, WHO Report Confirms

The FINANCIAL

A report, Antibacterial agents in clinical development – an analysis of the antibacterial clinical development pipeline, including tuberculosis, by WHO shows a serious lack of new antibiotics under development to combat the growing threat of antimicrobial resistance. “Antimicrobial resistance is a global health emergency that will seriously jeopardize progress in modern medicine,” says Dr Tedros Adhanom Ghebreyesus, Director-General of WHO.

Most of the drugs currently in the clinical pipeline are modifications of existing classes of antibiotics and are only short-term solutions. The report found very few potential treatment options for those antibiotic-resistant infections identified by WHO as posing the greatest threat to health, including drug-resistant tuberculosis which kills around 250 000 people each year.

“Antimicrobial resistance is a global health emergency that will seriously jeopardize progress in modern medicine,” says Dr Tedros Adhanom Ghebreyesus, Director-General of WHO. “There is an urgent need for more investment in research and development for antibiotic-resistant infections including TB, otherwise we will be forced back to a time when people feared



common infections and risked their lives from minor surgery.”

In addition to multidrug-resistant tuberculosis, WHO has identified 12 classes of priority pathogens – some of them causing common infections such as pneumonia or urinary tract infections – that are increasingly resistant to existing antibiotics and urgently in need of new treatments.

The report identifies 51 new antibiotics and biologicals in clinical

development to treat priority antibiotic-resistant pathogens, as well as tuberculosis and the sometimes deadly diarrhoeal infection Clostridium difficile.

Among all these candidate medicines, however, only 8 are classed by WHO as innovative treatments that will add value to the current antibiotic treatment arsenal.

There is a serious lack of treatment options for multidrug- and ex-

tensively drug-resistant M. tuberculosis and gram-negative pathogens, including Acinetobacter and Enterobacteriaceae (such as Klebsiella and E.coli) which can cause severe and often deadly infections that pose a particular threat in hospitals and nursing homes.

There are also very few oral antibiotics in the pipeline, yet these are essential formulations for treating infections outside hospitals or in resource-limited settings.

“Pharmaceutical companies and researchers must urgently focus on new antibiotics against certain types of extremely serious infections that can kill patients in a matter of days because we have no line of defence,” says Dr Suzanne Hill, Director of the Department of Essential Medicines at WHO.

On 4 September 2017, Germany, Luxembourg, the Netherlands, South Africa, Switzerland and the United Kingdom of Great Britain and Northern Ireland and the Wellcome Trust pledged more than €56 million for this work.

“Research for tuberculosis is seriously underfunded, with only two new antibiotics for treatment of drug-resistant tuberculosis having reached the market in over 70 years,” says Dr Mario Raviglione, Director of the WHO Global Tuberculosis Programme. “If we are to end tuberculosis, more than US\$ 800 million per year is urgently needed to fund research for new antituberculosis medicines”.

International students make up 91% of London Business School’s (LBS) 2019 MBA class intake, showing a strong appetite for higher education in post-Brexit Britain.

The latest MBA cohort has 432 students representing 62 nationalities and with an average age of 29. Women account for 39% of the intake, some of whom feature in Poets & Quants’ Meet London Business School’s Class of 2019.

Sir Andrew Likierman, Professor of Management Practice in Accounting at LBS, said that the short-term effects of Brexit had largely been positive for the School.

“Students coming here have seen increased purchasing power (due to the fall in the pound), while LBS has succeeded in hiring excellent faculty for the 2017–18 school year,” he said in a video on the Brexit effect.

He added that 94% of the 2016 full-time MBA class had accepted jobs within three months of graduation.

Sherry Stolar joined the 2019 MBA class to draw on her classmates’ life and career experiences. “I’ve lived in London twice before and there’s no other place in the world with such diversity,” she said. “LBS’s class reflects that, with students from 70 countries and from diverse backgrounds.

“It’s important that I feel part of a community of people from different industries and countries and with varying experiences. I want to build a diverse global network and have a truly international business school experience, which LBS offers in the truest sense.”

Mercedes-Benz to Invest \$1 Billion in US Electric Car Plant



German carmaker Mercedes-Benz has announced plans to invest \$1 billion to start making electric vehicles at its manufacturing plant in the southern U.S. state of Alabama, according to VOA News.

The luxury automaker said it

will manufacture electric SUVs under Mercedes' EQ subbrand at the plant in Tuscaloosa, Alabama in just more than three years. The expansion is expected to create 600 jobs.

Daimler-Benz, which has more than 30 plants worldwide, said the Tuscaloosa plant will become the first in the U.S. to produce electric

vehicles, and only the sixth in the world to do so.

Construction is to begin next year on the 92,900-square-meter facility. Daimler also said it will build a new global logistics center and aftersales North American hub in Bibb County, Alabama, about 8 kilometers from the Tuscaloosa plant.

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financial news

EU: Over half applied for asylum either in Germany or in Italy

The FINANCIAL

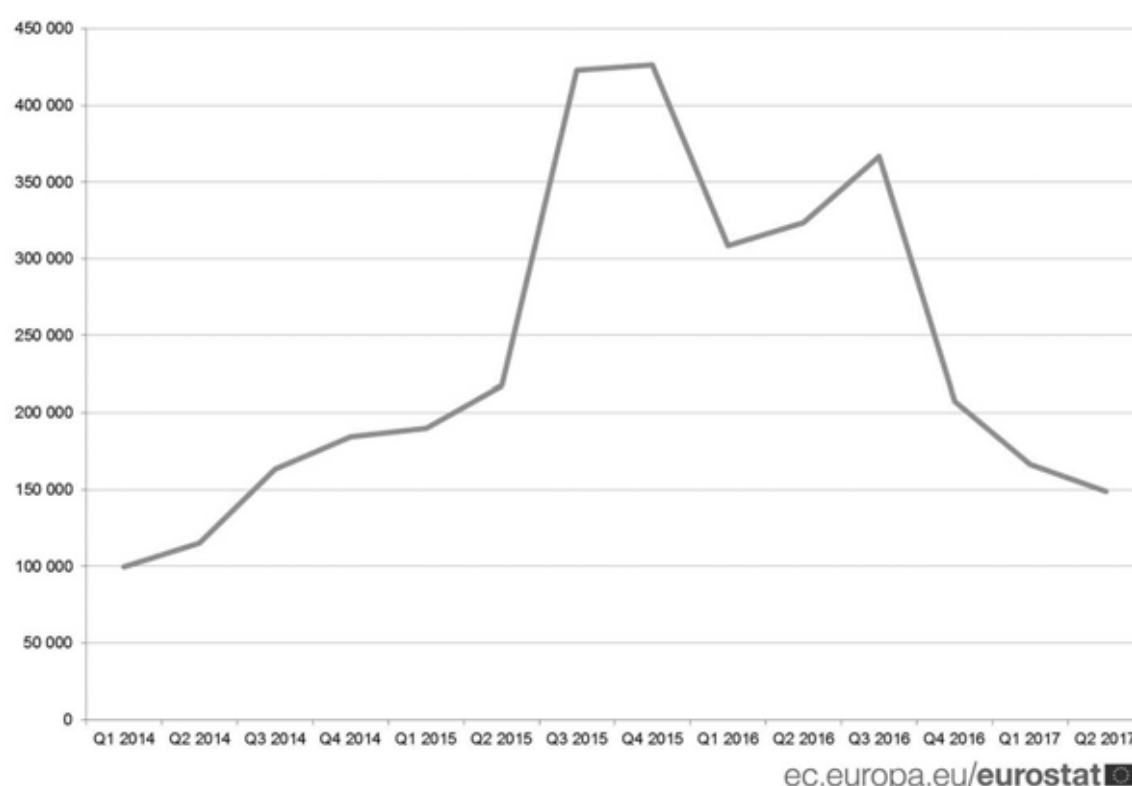
During the second quarter of 2017, 149 000 first time asylum seekers applied for international protection in the Member States of the European Union (EU), down by 11% compared with the first quarter of 2017 (when 166 500 first time applicants were registered). This is the third consecutive quarter of decrease in the number of first time asylum seekers in the EU.

Syrians, Nigerians, Afghans and Iraqis were the most numerous

With 21 100 first time applicants between April and June 2017, Syrians remained the main citizenship of people seeking international protection in the EU Member States, ahead of Nigerians (9 800 first time applicants), Afghans (9 700), Iraqis (9 300), Pakistanis (7 300), Albanians (6 000), Eritreans (5 700) and Bangladeshis (5 500). These eight citizenships accounted together for half of all first time applicants in the EU Member States over the second quarter 2017.

Over half applied for asylum either in Germany or in Italy

First time asylum applicants registered in the EU Member States



During the second quarter of 2017, the highest number of first time applicants was registered in Germany (with 42 100 first time applicants, or 28% of total first time applicants in the EU Member States) and Italy (34 200, or 23%), followed by France (21 200, or 14%) and Greece (10 600, or 7%). Among Member States with more than 2 000 first time asylum seekers in the second quarter 2017, numbers

of first time applicants decreased most compared with the previous quarter in Greece (-36%) and Germany (-14%), ahead of the United Kingdom (-8%), Belgium and Italy (both -7%), the Netherlands and Austria (both -6%).

Highest number of

first time applicants relative to the population in Greece

Compared with the total population of each Member State, the

highest rate of registered first time applicants during the second quarter 2017 was recorded in Greece (981 first time applicants per million inhabitants), followed by Malta (933), Luxembourg (887) and Cyprus (855). In contrast, the lowest rates were observed in Slovakia (5 applicants per million inhabitants), Poland (19), Portugal (25) and the Czech Republic (26). In the second quarter 2017, there were in total 291 first time asylum applicants per million inhabitants in the EU as a whole.

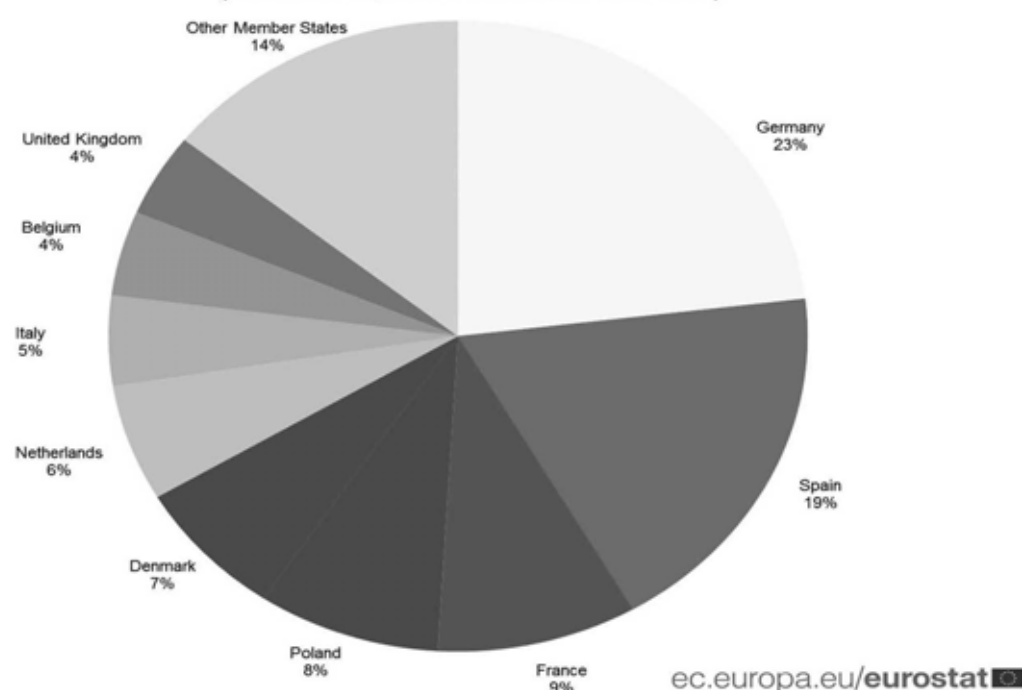
Decreasing number of asylum applications still pending

Pending applications for international protection are those that have been made at any time and are still under consideration by the responsible national authorities at the end of the reference period. In other words, they refer to the "stock" of applications for which decisions are still pending. This statistic is meant to measure the workload of the national authorities.

At the end of June 2017, 958 300 applications for asylum protection in the EU Member States were under consideration by the responsible national authorities, down by 13% compared with June 2016. With nearly 474 500 pending applications at the end of June 2017 (or half the EU total), Germany had the largest share in the EU, ahead of Italy (134 300), Sweden (67 000) and Austria (65 500).

Germany and Spain, Leading Producers of Pork in the EU

Pigmeat: slaughterings in the EU Member States, 2016 (% of EU total, based on number of animals)



The FINANCIAL

Last year, over 257 million pigs were slaughtered in the European Union (EU). This was 2 million more than in 2015 and 5.2 million more than 10 years ago.

In 2016, the production of pork in the EU amounted to 23.4 million tonnes. This translated to 45.9 kg per each EU inhabitant and was one and a

half kilogramme per person more than in 2006.

However, in recent months a downward trend in pork production has been recorded. During the first half of 2017, 2.7 million fewer pigs were slaughtered in the EU than during the first half of 2016 (-2.1%). Half of this decrease was driven by reductions registered in Germany (-700 000), France (-426 000) and the United Kingdom (-296 000).

With respectively 59.4 million and 47.7 million pigs slaughtered in 2016, Germany (or 23% of the EU total) and Spain (19%) were by far the two largest pork meat producers in the EU. They were followed by France (23.8 million, 9%), Poland (21.8 million, 8%), Denmark (18.2 million, 7%), the Netherlands (15.4 million, 6%), Italy (11.8 million, 5%), Belgium (11.2 million, 4%) and the United Kingdom (11.0 million, 4%).

Production in construction up by 0.2% in euro area

The FINANCIAL

In July 2017 compared with June 2017, seasonally adjusted production in the construction sector increased by 0.2% in the euro area (EA19) and by 0.5% in the EU28, according to first estimates from Eurostat, the statistical office of the European Union.

In June 2017, production in construction grew by 0.2% in the euro area and by 0.3% in the EU28.

In July 2017 compared with July 2016, production in construction increased by 3.4% in the euro area and by 3.6% in the EU28.

Monthly comparison by construction sector and by Member State

The increase of 0.2% in production in construction in the euro area in July 2017, compared with June 2017, is due to building construction rising by 0.3%, while civil engineering fell by 0.4%.

In the EU28, the increase of 0.5% is due to building construction rising

by 0.8%, while civil engineering fell by 0.8%.

Among Member States for which data are available, the highest increases in production in construction were recorded in Sweden (+7.9%), Poland (+4.3%) and Slovakia (+2.8%), and the largest decreases in Slovenia (-8.6%), the Czech Republic (-2.5%) and Hungary (-2.1%).

Annual comparison by construction sector and by Member State

The increase of 3.4% in production in construction in the euro area in July 2017, compared with July 2016, is due to building construction rising by 4.0% and civil engineering by 0.9%.

In the EU28, the increase of 3.6% is due to building construction rising by 4.0% and civil engineering by 2.3%.

Among Member States for which data are available, the highest increases in production in construction were recorded in Hungary (+22.6%), Sweden (+21.2%), Poland (+19.8%) and Slovakia (+14.7%).

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Elene Khoshtaria:

EUROPEAN GEORGIA –
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MAYORAL CANDIDATE FOR TBILISI



“Fuel expenses at Tbilisi City Hall have increased eightfold whilst furniture expenses doubled and reach hundreds of thousands.”

Veriko SUKHIASHVILI
FactCheck

European Georgia – Movement for Freedom mayoral candidate for Tbilisi, Elene Khoshtaria, has spoken about the possibilities of increasing pensions in Tbilisi (at the expense of cutting bureaucratic expenditures at Tbilisi City Hall) on air on TV Pirveli and underscored specific money saving activities. Ms Khoshtaria stated: “For instance [at Tbilisi City Hall,] fuel expenses have increased eightfold whilst furniture expenses have doubled.”

FactCheck tried to verify the accuracy of the aforementioned statement.

After interviewing the politician to ascertain details of her statement, **FactCheck** learned that Elene Khoshtaria compared the expenditures of the Tbilisi City Hall budgets for 2015 and 2016.

Fuel and furniture expenses appear under the Goods and Services budget

line. According to the Tbilisi budget fulfilment report for 2015, GEL 114,269,500 was spent for purchasing goods and services whilst this figure rose to GEL 126,130,200 in 2016. According to the Tbilisi budget fulfilment report for 2015, GEL 221,600 was spent to purchase furniture, uniforms and items of personal hygiene. In 2016, these expenses amounted to GEL 565,300. Therefore, the aforementioned expenses have increased 2.5 times as compared to the previous year.

In regard to fuel expenses, the budget fulfilment report does not include separate expenses associated with fuel but groups it with costs of transport, equipment and tools. In 2015, Tbilisi City Hall's transport expenses reached GEL 2,370,500, whilst this figure increased 2.3 times in 2016 to constitute GEL 5,593,200.

As the budget fulfilment report does not include separate expenses for fuel and furniture, **FactCheck** requested this information from Tbilisi

City Hall. Tbilisi City Hall provided **FactCheck** with information about expenses for furniture which was purchased in 2013 and 2015. According to this information, Tbilisi City Hall spent GEL 27,086 to purchase furniture in 2013 and GEL 8,118 to purchase furniture in 2015. As we have already mentioned, according to the Tbilisi budget fulfilment report for 2015, the total expenses for the budget line for furniture constituted GEL 221,600. As we have seen from the information we received, furniture expenses accounted for only GEL 8,118 which means that GEL 213,482 comprised expenses associated with uniforms and items of personal hygiene in 2015.

According to Tbilisi City Hall's information, fuel expenses in 2013-2016 are as follows:

As illustrated by the table, fuel expenses in GEL have decreased since 2015. However, the amount of fuel consumed in 2016 increased slightly as compared to the previous year.

Table 1: Tbilisi City Hall's Fuel Expenses in 2013-2016 (GEL)

	2013	2014	2015	2016
Litre	759,359	854,128	699,313	739,700
Litre	1,443,623	1,600,424	1,169,317	1,036,404

CONCLUSION

ACCORDING TO THE TBILISI BUDGET REPORT FOR 2016, EXPENSES TO PURCHASE FURNITURE, UNIFORMS AND ITEMS OF PERSONAL HYGIENE IN 2016 INCREASED 2.5 TIMES WHILST EXPENSES FOR TRANSPORT, HARDWARE AND TOOLS (THIS INCLUDES FUEL EXPENSES) HAS INCREASED 2.3 TIMES.

ACCORDING TO INFORMATION PROVIDED BY TBILISI CITY HALL ITSELF, FURNITURE EXPENSES WERE INCURRED ONLY IN 2013 AND 2015 WITH EXPENDITURES FOR FURNITURE DROPPING ALMOST THREEFOLD. FUEL EXPENSES ALSO DECREASED IN 2015-2016.

FACTCHECK CONCLUDES THAT ELENE KHOSHTARIA'S STATEMENT IS MOSTLY FALSE.



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Pre-Election, Germans Satisfied With Their Political System



Ken KLUCH and LINDA LYONS
Gallup

While most observers consider the rise of populism among some Western nations a poke in the eye to party establishments, ahead of their general election on Sunday, Germans are largely satisfied with their elected officials and with their political system as a whole.

At the time of the surveys in May and June, with the current election cycle in full swing, Germans were most likely to be satisfied with their local officials (73%), followed by their nationally elected officials (67%). Roughly six in 10 reported being satisfied with their political party (62%) and the fairness of political coverage in the media (60%). Currently, the Bundestag is made up of four political parties with the potential to add two more after the election, if the FDP or AfD parties achieve the 5% threshold in the second vote. Germany's two mainstream political parties are broadly popular. In a spring 2017 study, Pew Research Center finds 58% of Germans have a favorable view of Merkel's center-right Christian Democratic Union (CDU), while the center-left Social Democratic Party (SPD) enjoys even higher favorability ratings, 68%.

A smaller majority of Germans in Gallup's survey, 57%, were satisfied with politicians in general -- although barely half of Germans (53%) are satisfied with how these poli-

ticians represent the opinions of their constituents, which could be a concern on Election Day.

While polarization dominates U.S. political discourse -- in fact, the widening gap between views of Republicans and Democrats is one of the most significant trends to emerge in American society in the past two decades -- overall there are few differences among Germans in regard to their satisfaction with their country's politics. German women are more likely than German men to be satisfied with their political party and the fairness of political coverage in the media.

Already an area with room for improvement, Germans' satisfaction with how their opinions are represented drops to less than half among those in the 45 to 59 age group (48%).

A Strong German Economy Likely Boosts Political Satisfaction

Economic well-being can contribute to political satisfaction and, on this score, Germany is well-placed. Employment is at a record high and heading into the election, the majority of Germans (59%) think it is a good time to find a job. With a strong manufacturing base accounting for nearly one-third of its GDP (30.3%), Germany can sustain an industrial

workforce far into the future. Moreover, according to the German BDI industry association, the economy is expected to grow by more than 2% this year -- the strongest growth rate in six years.

Lending additional support to the satisfaction Germans express about their political system overall, in June of 2017 more than two-thirds of the population (68%) approve of both their national leadership and the job Chancellor Angela Merkel is doing. While Merkel's approval has shifted over the years, it has never dipped below 51% since Gallup began tracking in 2008. Similarly, Germans' approval of the job performance of the national leadership has seen some changes over time, but ratings have been significantly higher since 2013.

Implications

In the fluid global political climate, nothing is a “sure thing.” However, a recent Bertelsmann Foundation study found that 80% of Germans consider themselves “centrist” -- and, given the high rate of satisfaction with their elected officials and other aspects of political life, it appears unlikely that Germans will take this opportunity to upend its well-regarded, established political system. Of importance in the election is not only a potential fourth term for Merkel, but also the battle between the smaller parties for third place in the Bundestag -- the leaders of this party can have considerable influence in the German political arena.

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Next generation of family business leaders embracing digital change, but facing hurdles



The FINANCIAL

75% of next gens believe it's very important or essential to have a strategy fit for a digital age—but only 7% believe their firm is currently doing this well. 36% of next gens are often frustrated because the current generation does not fully understand the potential for digital and the risks it could pose. 75% of next gens have big plans about taking the business forward, but 26% of them find it difficult to get the current generation to give serious attention to those ideas.

Among the next generation of family business leaders, three in four have big plans to take their business forward. However, generational challenges persist, largely in the areas of digital and innovation.

PwC conducted in-depth conversations with 35 next gens from 21 countries and polled more than 100 additional next gens for its new report, Same passion, different paths: How the next generation of family business leaders are making their mark. The results showed an incoming generation of family business leaders confronting generational gaps and culture change.

In today's business landscape, all firms—family businesses or otherwise—need to address the digital challenge, and next gens seem to grasp this. Three quarters of those polled believe it's very important or essential to have a strategy fit for a digital age. As digital natives, they feel much more comfortable with digital technology and see its potential for change. That said, only 7% of respondents

believe their firm is currently doing this well.

Partly due to a greater degree of transformation and investment needed to effect digital change, many current generation leaders may be cautious about committing to it. About a third of next gens polled (36%) expressed frustration that the current generation does not fully understand the potential for digital and the risks it could pose.

Likewise, the vast majority of next gens see innovation as a core component, with 82% responding that innovation is very important or essential to business success. However a mere 15% of those polled see innovation being implemented well at their firms.

Going their own way: Four paths forward

In the study, PwC identified four main approaches next gens are taking to build their own paths to success: stewards, transformers, intrapreneurs, and entrepreneurs. Some next gens straddle more than one of these continually evolving paths, but they can provide a helpful way to separate the different challenges, risks and opportunities that the next generation faces, and how success can look and feel different depending on the route they choose to take.

Stewards – Individuals focused on ensuring the long-term sustainability of the family firm and protecting its profitability by staying true to the established core business.

Transformers – Next gens who take on the task of driving significant change in the family firm, with the scope and support to do so.

Intrapreneurs – Those whose families carve out a

specific venture for next gens within the family firm, effectively the opportunity to be an entrepreneur within the firm itself.

Entrepreneurs – Next gens who pursue their own ventures outside the family firm, often in completely unrelated sectors.

Achieving success through the 'five Cs'

While next gens will take their family firms down different paths, a set of common success factors emerged from the research. Regardless of the chosen path, these "five Cs" comprise guiding principles for all family businesses.

Culture – The family firm should foster a "safe place" for the next gen to explore and grow.

Communication – Genuine two-way engagement between the current and next generation, based on mutual respect and trust, ensures that experience is properly valued and new ideas are appreciated.

Clarity – It is vital to have a clear strategy and agreed demarcation of roles and responsibilities—particularly where colleagues are also relations and emotions are always in play.

Credibility – As the "boss's child" a next gen needs to earn the respect of co-workers, possibly gaining experience outside the family firm first.

Commitment – The business needs to make a long-term commitment to the development of the next generation, but the next gen should also reciprocate with a willingness to invest time in the business and give it a chance to work

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Dimitri Kumsishvili:

MINISTER OF FINANCE OF GEORGIA



"The GEL depreciation is a seasonal event which has already passed."

Mariam CHACHUA
FactCheck

After the eight-month long trend of GEL appreciation, Georgians national currency depreciated again vis-à-vis USD in September 2017. The Minister of Finance of Georgia, Dimitri Kumsishvili, assessed the GEL depreciation as a temporary, seasonal event.

FactCheck verified the accuracy of the statement.

Georgia has a floating currency exchange rate. Therefore, the GEL to USD exchange rate is determined by the supply-demand ratio on the currency market. All things being equal, the GEL exchange depreciation is caused by either increasing the money supply or by decreased incomes in foreign currency.

Georgia started 2017 with improved economic performance. The economic growth rate increased from 3% to 4.5%. There are positive changes in regard to export, remittances and tourism. These changes have impacted the GEL exchange rate since January and by July-August 2017, the rate has appreciated by GEL 0.4 (as compared to January 2017).

What has been happening since September and why did the GEL depreciate?

If we take a look at the statistics of the past years, we will see that depreciation of the national currency usually happened at the end of the year. Therefore, the Minister's statement, that GEL depreciation could be caused by seasonal factors, is not a groundless claim. Tradition-

ally, the biggest amount of tourists visits Georgia in August (576,000 tourists this year) whilst this figure decreases by 40% in September and goes further downward in October and November. This means that from the beginning of autumn, we get USD 100 million less income per month as compared to July and August. This is a significant loss for Georgia's currency market and all things being equal inevitably results in a correction of the GEL exchange rate.

At this moment we know that in January-August, Georgia's trade balance improved by USD 28 million, the volume of remittances increased by USD 134 million and the number of visitors is up by 29% (which stipulates increased income from tourism). These are the positive trends which contribute to the appreciation of GEL. However, we know nothing about investment and credit capital flow which is equally important and failure there might overshadow the aforementioned positive trends. Currently, we know the statistics for only two quarters vis-à-vis foreign direct investments made in 2017 according to which these investments are down by 5.5% (USD 43 million). The complete information (balance of payments) in regard to the inflow of investments and the credit capital of the third quarter will be published at the end of December as a quarterly figure (figures for three months taken together) and so we would be unable to specify the exact situation for the month of September.

The amount of GEL in circulation is an important factor which impacts the GEL exchange rate. The supply of

the national currency is controlled by the National Bank of Georgia through monetary policy instruments. Under the strict monetary policy, the National Bank limits the supply of money in the economy to contain inflationary processes.

The National Bank's monetary policy rate initially increased to 6.75% in January 2017 and reached 7% later in May. The reason behind switching to a stricter monetary policy was to contain those inflationary processes which were unleashed as a result of increased excise tax and rising international prices on food commodities.

If we take a look at the money supply (M2) dynamic, we will see that the money supply in the economy increased considerably (GEL 657 million) in June and July. Since September, the money supply has not increased and, on the contrary, experienced a slight decline.

The volume of the monetary base (excluding foreign currency) increased by 22.3% in August 2017 as compared to August 2016. In the last months, the Government of Georgia's operations significantly contributed to increasing the volume of the monetary base. Increasing the money supply at such a pace, in light of decreased (or even not growing) USD inflows, will play a part in the GEL depreciation. However, the GEL depreciation is not a reason for the National Bank of Georgia to change its policy because the Bank's main priority is the level of inflation which has been on the decline for the last few months. If there is no danger of a rising level of inflation, economic growth is stimulated by increasing the money supply.

CONCLUSION

THE EXPERIENCE OF THE LAST YEARS CLEARLY SHOWS THAT THE GEL EXCHANGE RATE DOES DEPRECIATE FROM THE BEGINNING OF AUTUMN. MOSTLY, THIS IS THE RESULT OF THE END OF THE TOURIST SEASON. IF THE SEASONAL EFFECT OF TOURISM IS NOT REPLACED BY SOME OTHER POSITIVE TRENDS, THE GEL EXCHANGE RATE WILL CONTINUE ITS DOWNWARD MOVE. PROCLAIMING THIS LATEST GEL DEPRECIATION AS A SEASONAL EVENT DEPENDS ON MANY FACTORS WHICH ARE VERY HARD TO PREDICT. IF THE CURRENT MONEY SUPPLY OF GEL REMAINS (OR INCREASES) IN THE ECONOMY, IF INVESTMENTS DECLINE AND IF THE DECREASED CURRENCY INFLOWS AFTER THE END OF THE TOURIST SEASON ARE NOT COMPENSATED BY SOME OTHER SOURCES, THEN THE GEL TO USD EXCHANGE RATE WILL NOT COME BACK TO 2.39 AND MIGHT DEPRECIATE EVEN FURTHER.

AT THIS TIME, **FACTCHECK** LEAVES DIMITRI KUMSISHVILI'S STATEMENT **WITHOUT A VERDICT**.

WITHOUT A VERDICT



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financial news

Strong Q2 Data Puts Georgia's Annual Growth on Track to Reach Target

Continued from p. 2

in Q2 than in the same period last year – an increase of 1.9 index points. The present situation index was also affected positively in that period, up by 3.3 index points; while expectations fell by 0.6 index points.

The Georgian Business Confidence Index (BCI) also showed positive changes in Q2 2017, reaching 29.0 index points, which is a 2.6-point improvement YoY. The second quarter increase in the BCI was mostly driven by strong performance in the last quarter and a quite significant improvement in expectations. The expectations index gained 13.2 index points, rising to 63.1, which is the highest value in Georgia's BCI history (see the full BCI report here).

External Trade

The second quarter of 2017 continued to show positive dynamics in external merchandise trade. Trade turnover increased by 9.4% year over year. This rise was mostly driven by a notable increase in exports (+30% YoY), while imports were almost flat (a 3.8% YoY increase to 1,875 million USD). As a result, the trade balance of the country has improved, with the deficit shrinking by 6.4% YoY.

The boost in export volume was driven by improved external demand conditions and a surge in metal prices.

Export of copper ores and ferro-alloys increased by 84.9% and 52.6% YoY respectively, contributing 15.7 pp to the total.

Wine (+46% YoY), cars, (+32.5% YoY) and petroleum (+505.8% YoY) were the other main drivers of the export surge in Q2.

Exports to CIS countries increased by 62.8%. Exports to EU countries increased by 17.6% and those to other countries rose by 12.5% YoY in Q2. The main contributors to export growth were Russia (+114.2% YoY) and China (+77.5% YoY), which became the largest destination countries for Georgian products. Together with Azerbaijan (+ 5.4% YoY), those countries contributed 21.4 pp to total export growth in second quarter of 2017.

Foreign Direct Investment

According to Geostat's preliminary estimates, FDI in Georgia amounted to 346.3 million USD in Q2 2017, a 14.8% YoY decrease. The top five source countries by share of total FDI were Azerbaijan (36.6%), the Netherlands (12.4%), Turkey (11.3%), the UK (9.1%), and the Czech Republic (6%).

In Q2 2016, transport and communications was the largest FDI recipient sector, receiving 130.4 million USD (37.6% of total FDI), while the construction sector followed with 70 million USD (20.2%).

Financial Sector

Credit activity improved in the second quarter of 2017.

Looking at the flow of loans, during Q2 2017, commercial banks granted 36.7% more loans than in the same period a year ago. Of that amount, only 34.6% (32.6% excluding the exchange rate effect) were granted in foreign currency – a huge drop from the 48.9% recorded in 2016.

The flow of deposits during Q2 2017 increased by 55% YoY. Traditionally, depositors prefer to save money in foreign currency and the dollarization of deposits stood at 74.7% (73% excluding the exchange rate effect), which was a significant reduction compared to the 82.3% figure from Q2 last year.

This indicates that the de-dollarization policy implemented earlier in year has started to work. It is, however, impossible to assess the results of this initiative over such a short period of time. Despite the willingness of banks to obtain funds in the national currency, there are high risks of a currency mismatch in balance sheets due to the increasing difference between the dollarization rates of loans and deposits.

Remittances

According to the NBG, the volume of total remittances to Georgia amounted to 338.9 million USD in Q2 2017 – a 17.6% YoY increase that served as a good indicator of improved external conditions. All primary source countries of money inflows to Georgia showed a positive annual change: Russia (+14.5% YoY), the United States (+16.6% YoY), Greece (+1.9% YoY), Italy (+11.1% YoY) and Israel (+102.2% YoY). The latter continued to show unprec-

edented growth as a result of the waves of Georgians who stayed in Israel illegally after finding it to be a very good country to live and work in, and who then send money to their homeland.

While money inflows have not yet recovered to 2014 levels, the lari YoY depreciation boosted the purchasing power of remittances. In Q2 2017, Georgian receivers of remittances got 20.6% more of CPI adjusted GEL than in the same period last year, and 10.5% more than in Q2 2014. The biggest portion of remittances most likely goes into consumption, which has a positive influence on internal demand.

Inflation

Inflation was the underlying economic indicator that consumers and producers alike were worried about in the second quarter of the year. According to Geostat, producer and consumer prices increased on average by 10.7% and 6.6% respectively in Q2. The annual hike in prices was mainly caused by one-time factors, specifically the significant increase of excise tax on fuel and tobacco products. However, in Q2 2017 two additional factors put pressure on transportation prices in Georgia:

a) The price increase of oil products on the world market. On average, fuel prices (IMF fuel index) increased by 12.7% YoY.

b) Nominal depreciation in annual terms. Despite the trend of monthly appreciation against the US dollar since January 2017, the Georgian lari lost on average 6.1% against the USD year on year.

As a result, prices on transport

and tobacco increased by 16.8% and 15.9% respectively. Taken together, these products contributed 3 percentage points (pp) to annual inflation in Q2.

The biggest driver of annual inflation in this period was the price change on food products, which rose by 8.5% YoY (2.6 pp) and was also affected by higher fuel prices. Supply side pressures will keep annual inflation above its target level (of 4%) during 2017 and, holding other things constant, inflation should return to the 3% target in 2018.

Exchange rate

In Q2, the lari nominal exchange rate appreciated on average against both the US dollar (7.3%) and the euro (4.4%) compared to the first quarter of 2017. The quarterly appreciation was caused by positive dynamics in exports, money inflows and tourism. However, in annual terms the lari was down against these currencies, by 6.1% and 3.6% respectively.

The real and nominal effective exchange rates followed the same pattern, seeing a 3.6% and 4.6% quarter-on-quarter increase respectively, while they depreciated in annual terms.

During this period, the National Bank of Georgia bought 70 million US dollars in seven auctions. The same pattern, albeit at a greater scale, was observed in the same period last year, when the NBG bought 203.35 million USD to smooth the national currency appreciation.



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Four out of five workers in Europe happy with working time 'fit'

The FINANCIAL

81% of workers say their working hours fit well, or very well, with their private life obligations.

However men continue to have longer working hours (on average 6.5 hours per week more than women) and report more difficulties adapting working time to family life or other commitments. This is according to Eurofound's new report on Working time patterns for sustainable work.

Sustainable work requires jobs of good quality which fit the circumstances and characteristics of those working in them at the different stages of their life-course. In this context, working-time is an important factor, relating as it does to work-life balance, to health and well-being and to the preferences of workers.

The report, which looks at data from the sixth European Working Conditions Survey (EWCS), shows the gender gap in paid working time is even greater in the UK and Ireland, as well as in western Continental Europe; reflecting prevailing gender labour market segregation and the gender division of unpaid work, with far-reaching implications for the labour market, work-life balance and family structures.

Overall working time preferences are strongly related to employees working time. Short part-timers have a significant higher likelihood of preferring an increase in working time, whereas employees with long working hours have a strong preference for working shorter hours. Working time preferences can also vary across the life course stages; cohabiting mothers of pre-school or pre-adolescent children are more inclined to want to reduce their working time, while for fathers it is across the whole parenting phase.

The report also looked at the implications of working time and work-



life balance on health and wellbeing. When EWCS respondents reported work-life balance difficulties, they also tended to report health and sleep problems as well as health and safety risks at work. Working nights or shifts, or being exposed to high work intensity also resulted in the same issues.

Fixed and regular working hours, job autonomy and good work-life balance have an important positive influence over workers' subjective wellbeing no matter what phase of life the individuals are in. At the same time, results indicate some tension between working time autonomy and constraint: autonomy enhances

wellbeing, but the predictability and regularity of working hours have a positive effect on wellbeing, even when determined by employers.

In order to make work more sustainable, and reach the objectives to further raise employment rates in Europe, working time policies must adopt a life course perspective, tak-

ing into account workers' needs and preferences in terms of working time throughout their working lives. Policies should also continue to promote a more equal distribution of paid and unpaid work between men and women and encourage a stronger involvement of men, and fathers in particular.

Abu Dhabi Airports Achieves 65% Increase in Profit

The FINANCIAL

Abu Dhabi Airports achieved 65% increase in earnings during the January-August period this year compared to the same period in 2016. This announcement comes after the company's executive team weekly meeting that took place at Al Ain International Airport last week, led by Abdul Majeed Al Khoori, Acting CEO of Abu Dhabi Airports.

The company grew its operating revenue by 26%, which impacted the 65% EBIDA increase for 2017. One of the key contributors to this increase is the passenger facilitation charge introduced in July 2016. Previously,



UAE airports were some of the few around the world that didn't implement transfer passenger fees. In response to market change, the government approved the charges and hence these were implemented across all airports in the second half of 2016, according to Abu Dhabi Airports.

Abu Dhabi Duty Free and Abu Dhabi Airports Free Zone were other key contributors to the revenue increase through the growth trend registered in passenger spend, and the addition of new retailers and concessionaires, as well as the increase in property and space rentals across Abu Dhabi Airports.

2017 has proven to be yet another challenging year for the Middle East aviation industry, with the ripple effect of the Chinese austerity drive,

the global political climate, and their influence on commodity and foreign exchange markets. Abu Dhabi International Airport has been affected by these external factors, which have impacted passenger traffic and aircraft movements.

2017 has also seen an 11% increase in the operating expenditure compared to the same period in 2016. These increases are a result of both planned operational requirements as well as a rise in the cost of third party services. Such requirements included the expansion of air navigation outsourcing to ensure the airport has adequate resources to handle the dynamic change in traffic movement. Facility management and utility costs have also increased due to service provider fees.

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One in four girls is depressed at age 14

The FINANCIAL -- New research shows a quarter of girls (24%) and one in 10 boys (9%) are depressed at age 14. Researchers from the University of Liverpool and University College London analysed information on more than 10,000 children born in 2000-01 who are taking part in the Millennium Cohort Study.

At ages 3, 5, 7, 11 and 14, parents reported on their children's mental health. Then, when they reached 14, the children were themselves asked questions about their depressive symptoms.

Based on the 14-year-olds reporting of their emotional problems, 24 per cent of girls and 9 per cent of boys suffer from depression.

Family income

The research, published with the National Children's Bureau, also investigated links between depressive symptoms and family income. Generally, 14-year-olds from better-off families were less likely to have high levels of depressive symptoms compared to their peers from poorer homes.

Parents' reports of emotional problems were roughly the same for boys and girls throughout childhood, increasing from 7 per cent of children at age 7 to 12 per cent at age 11. However, by the time they reached early adolescence at age 14, emotional problems became more prevalent in girls, with 18 per cent having symptoms of depression and anxiety, compared to 12 per cent of boys.

Behaviour problems, such as acting out, fighting and being rebellious decreased from infancy to age 5, but then increased to age 14. Boys were more likely than girls to have behaviour problems throughout childhood and early adolescence.

As 14-year-olds' own reports of their emotional problems were different to their parents', this research highlights the importance of considering young people's views on their own mental health.



'Worryingly high'

The lead author, Dr Praveetha Patalay from the University of Liverpool's Institute of Psychology, Health and Society, said: "In recent years, there has been a growing policy focus on children's mental health. However, there has been a lack of nationally representative estimates of mental health problems for this generation.

"In other research, we've highlighted the increasing mental

health difficulties faced by girls today compared to previous generations and this study further highlights the worryingly high rates of depression."

Professor Emla Fitzsimons, Director of the Millennium Cohort Study, said: "These stark findings provide evidence that mental health problems among girls rise sharply as they enter adolescence; and, while further research using this rich data is needed to understand the causes and consequences of this, this study highlights the extent of mental health problems among young adolescents in the UK today."

'Crisis point'

Anna Feuchtwang, Chief Executive of the National Children's Bureau, said: "This study of thousands of children gives us the most compelling evidence available about the extent of mental ill-health among children in the UK. With a quarter of 14-year-old girls showing signs of depression, it's now beyond doubt that this problem is reaching crisis point.

"Worryingly there is evidence that parents may be underestimating their

daughters' mental health needs. Conversely, parents may be picking up on symptoms in their sons, which boys don't report themselves. It's vital that both children and their parents can make their voices heard to maximise the chances of early identification and access to specialist support.

"The new research also suggests that signs of depression are generally more common among children from poorer families. We know that mental health doesn't exist in a vacuum and as the government prepares to publish its plans to improve children's wellbeing, it must address the overlap with other aspects of disadvantage."

airBaltic Performed 14 324 Flights This Summer

The FINANCIAL -- In August 2017, the Latvian airline airBaltic carried 386 597 passengers or 21% more than in the same period of 2016. For already the third month in a row it has been the biggest number of transported passengers in the airline's history. During the first eight months of 2017, airBaltic has transported a total of 2 345 371 passengers to its network spanning Europe, Scandinavia, Russia, CIS and the Middle East.

"We have seen three very strong and successful summer months", Martin Gauss, Chief Executive Officer of airBaltic. "With a bigger fleet, we have performed 16% more flights. Usually, when the number of flights increases, load factor becomes smaller. We have managed to increase both. Our load factor in July and August hit the highest mark in company's history."

"This summer has been exciting not only to the company, but our passengers as well. With



more state-of-the-art Bombardier CS300 aircraft joining our fleet, now already every fourth passenger has the benefit of

travelling with increased comfort of bigger seats, windows and much quieter aircraft," Gauss noted.

In August, the airline performed 4 799 flights, or 15% more than in the same period of 2016. During the first eight

months of the 2017 airBaltic has operated 33 059 flights, according to airBaltic.

The airline's load factor, which represents the number of passengers as a proportion of the number of available seats, was at a level of 85.8% in August 2017. During the first eight months of 2017, airBaltic's load factor was at a level of 77.7% and it is the highest in the history of the airline.

The 15-minute flight punctuality indicator for airBaltic reached a level of 85.1% in August 2017. This means that more than 85 of every 100 airBaltic flights departed at the planned time or with a delay of no more than 15 minutes. The flight punctuality indicator during the first eight months of 2017 reached a level of 87.4%.

For the summer season of 2018 airBaltic has added Malaga (Spain), Lisbon (Portugal), Split (Croatia), Bordeaux (France) and Gdansk (Poland).

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Weekly Market Watch

WEEKLY MARKET WATCH EXCLUSIVELY PROVIDED TO
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ECONOMY

Real GDP grew
4.7% y/y in 2Q17

Georgia's 2Q17 GDP growth was revised upward to 4.7% y/y from 4.0% y/y rapid estimate figure by GeoStat. As a result, 1H17 growth came in at 4.9% y/y compared to 3.0% y/y growth in 1H16. Construction was the fastest growing sector in 2Q17 expanding by 16.4% y/y, followed by hotels and restaurants (+12.9% y/y) and mining (+7.4% y/y). Declines were only posted in agriculture (-2.4% y/y) and electricity, gas

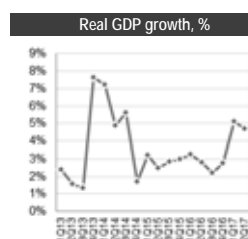
and water production (-0.9% y/y) sectors.

Exports up
25.6% y/y in August 2017

In August 2017, exports increased 25.6% y/y to US\$ 236.1mn, imports were up 1.2% y/y to US\$ 699.7mn and the trade deficit narrowed 8.0% y/y to US\$ 463.6mn, according to GeoStat. Overall in 8M17, the trade deficit was down 0.9% y/y at US\$ 3.3bn as exports were up 28.5% to US\$1.7bn, while imports increased 7.5% to US\$ 4.9bn.

Key macro indicators			
	8M17	2016	2015
GDP (% change)	4.7% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (cop)	5.7%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	...	13.5%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF
(1) As of 7M17



Source: GeoStat

Georgia sovereign credit ratings

Standard & Poor's	Moody's	Fitch Ratings
BB- Stable Affirmed Nov-2016	Ba2 Stable Affirmed Sep-2017	BB- Stable Affirmed Mar-2017

Source: Rating agencies

International ranking, 2016-17

Ease of Doing Business
16 (regional leader)

Economic Freedom Index
13 (mostly free)

Global Competitiveness Index
59 (improving trend)

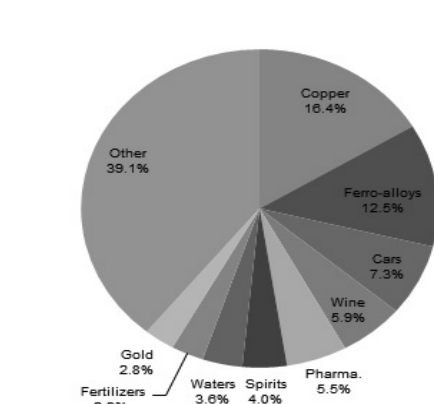
Source: World Bank, Heritage
Foundation and World Economic Forum

Producer price
index up 0.8%
m/m and up
11.5% y/y in August 2017

PPI for industrial goods was up 0.8% m/m in August 2017, according to GeoStat. A 0.6% price increase for manufacturing contributed the most to the overall index change as prices were up for manufacture of basic metals and fabricated metal products (+5.2% m/m) and chemicals and chemical products (+4.0% y/y), while prices were down for food, beverages and tobacco (-1.0% m/m).

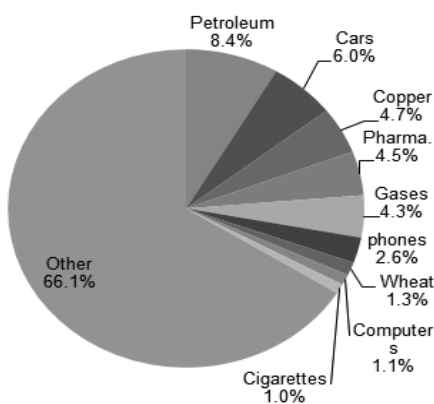
Annual PPI was up 11.5% in August 2017. Rising prices in manufacturing (+11.4% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+10.1% y/y) and for mining and quarrying (+18.0% y/y).

Exports by commodities, 8M17

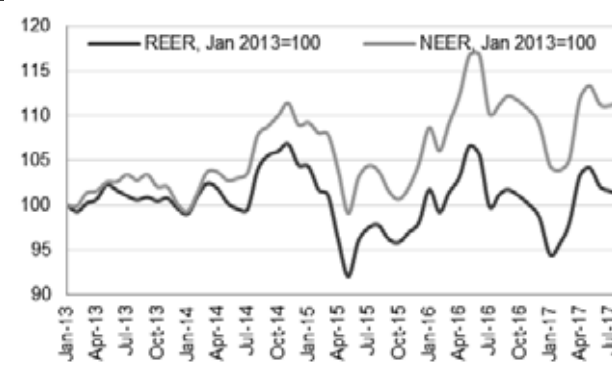


Source: NBG

Imports by commodities, 8M17



Nominal Effective Exchange Rate and Real Effective Exchange Rate



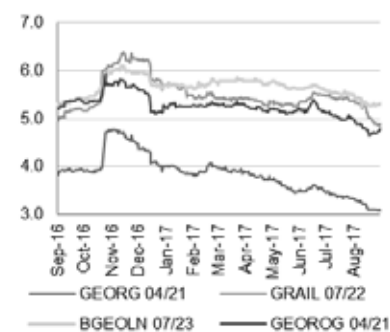
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED
INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEO LN) closed at 5.3% yield, trading at 103.3 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEORG) were trading at 107.0 (+0.3% w/w), yielding 4.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.4 (+0.4% w/w), yielding 4.8%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.7 (+0.1% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GEBGG 06/20	GEORG 04/21	BGEO LN 07/23	GEORG 04/21	GRAIL 07/22	
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500	
Issue date	12/16	10/16	03/16	08/17	06-17	04/16	07/16	04/11	07/12	
Maturity date	12/21	10/19	03/18	06/19	06-20	04/21	07/23	04/21	07/22	
Coupon, %	10.50**	7.5	11.0	9.0	11.0	6.750	6.000	6.875	7.750	
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	BB-/Ba2	BB-/B+	BB-/B1	BB-/B-	B+/B+	
Mid price, US\$	n/a	101.4	101.2	100.0	99.8	107.0	103.3	112.7	112.4	
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.1	4.6	5.3	3.1	4.8	
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	277.4	122.3	290.3	333.6	

*GWP 12/21 bonds are in Georgian lari

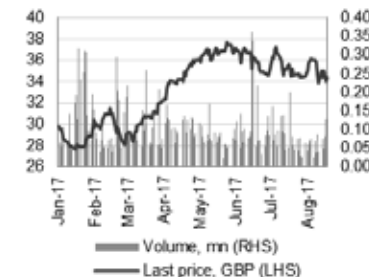
Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	1.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	2.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	2.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	2.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	3.6

Source: Bloomberg

EQUITIES

BGEO Group PLC (BGEO LN)



Source: Bloomberg

BGEO Group (BGEO LN) shares closed at GBP 32.90/share (-0.21% w/w and -4.89% m/m). More than 205k shares traded in the range of GBP 32.47 – 33.24/share. Average daily traded volume was 56k in the last 4 weeks. FTSE 250 Index, of which

TBC Bank Group (TBCG LN)

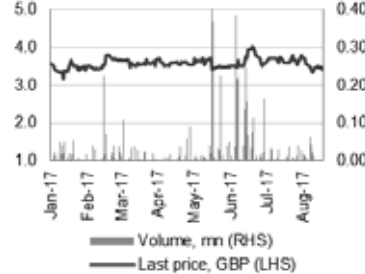


Source: Bloomberg

BGEO is a constituent, gained 0.72% w/w and lost 1.18% m/m. The volume of BGEO shares traded was at 0.52% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.39 (+0.43% w/w and +5.20% m/m). More than 311k shares changed hands in the range of GBP 16.00 – 17.01/share. Averaged daily traded volume was 32k in

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

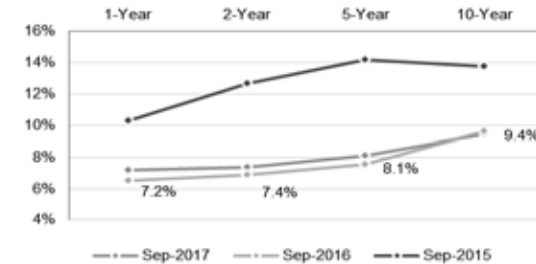
the last 4 weeks. **Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.20/share (-4.48% w/w and -5.88% m/m). More than 209k shares were traded in the range of GBP 3.15 – 3.40/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.16% of its capitalization.

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,050mn (US\$ 423.8mn).

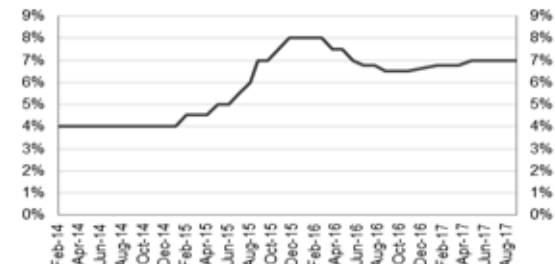
Ministry of Finance Treasury Bills: 182-

T-bills / T-notes, yield curve



Source: NBG
*Note: As of latest auction.

Monetary policy rate



Source: NBG

WEEKLY MARKET WATCH EXCLUSIVELY PROVIDED TO THE FINANCIAL BY GALT & TAGGART

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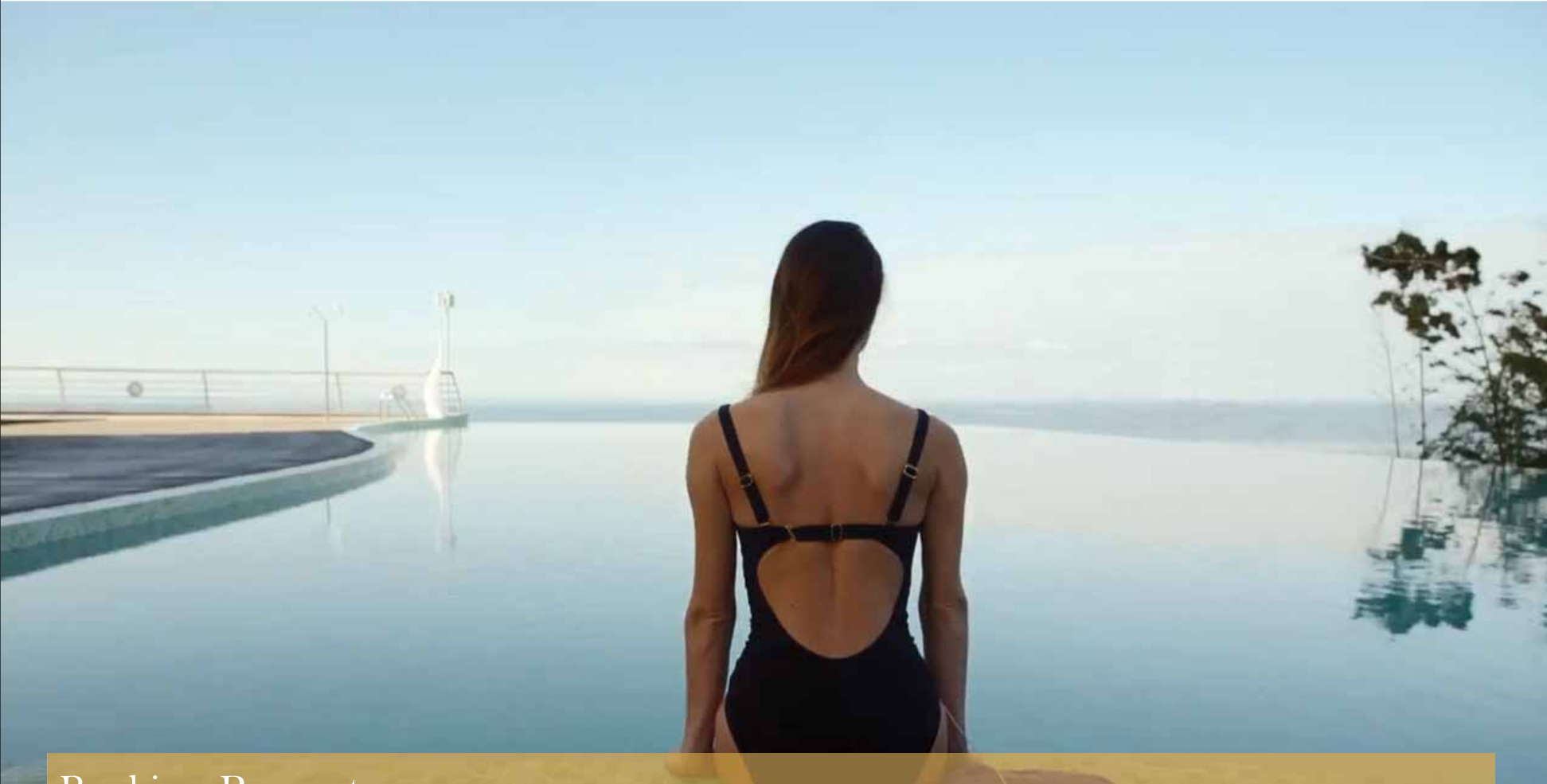
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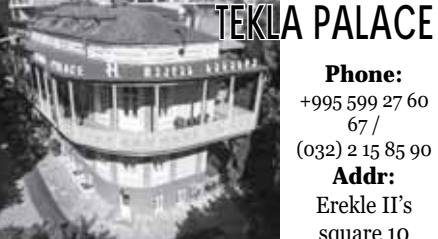
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