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Sweet Spot for World Economy Won't Last Beyond 2018, Fitch

See on p. 18

Korea on our mind?

See on p. 10

Georgia's pre-election media environment and its well-established narrative

Cathode rays were discovered in 1869, followed by the invention of the cathode ray tube (CRT). Finally, in 1934 the German technology company Telefunken produced the first commercial TV box, delivering a huge blow to print media as the main source of public information. Today, it is television's influence that has started to wane as the internet has slowly crept into people's homes and become accessible to large swaths of the public. This has left TV's reigning power as the main source for news and information in steep decline.

Nevertheless, television is still the most frequently used source of information in Georgia, and its penetration is almost universal. Based on GORBI's recent survey of Tbilisi residents, four in five (81%) cite television as their main source of news and information, 69% cite the internet, 23% newspapers and magazines and only 12% cite the radio as their chief source of information.

Continued on p. 15

One Notch More Attractive to Investors with Deep Pockets

By OLGA AZHGIBETSEVA
ISET

Just recently, a rare occurrence made the headlines in Georgia: Moody's Investors Service upgraded the government of Georgia's local and foreign currency issuer ratings first time in seven years, to Ba2 from Ba3, with commentary that the outlook remains stable. This news was met with great excitement, but was soon overshadowed by the unfortunate news of Georgia's downgrade on the Global Competitiveness Indicators, without fully appreciating or understanding the significance of the Moody's upgrade.

So What Is It All About?

Moody's Investors Service provides international financial research on bonds issued by commercial and government entities. Moody's, along with Standard & Poor's and the Fitch Group, is considered one of the Big Three credit rating agencies, occupying more than 90% of the market.

Credit ratings express an agency's opinion about the ability and readiness of a bond issuers, such as governments and financial and non-financial institutions, to meet their financial obligations fully and in due time.

Continued on p. 4

Now, you can get your favorite newspaper in Georgia on the date of publication

See on p. 3

Emotional Control – the Main Rule for Succeeding on the Stock Market

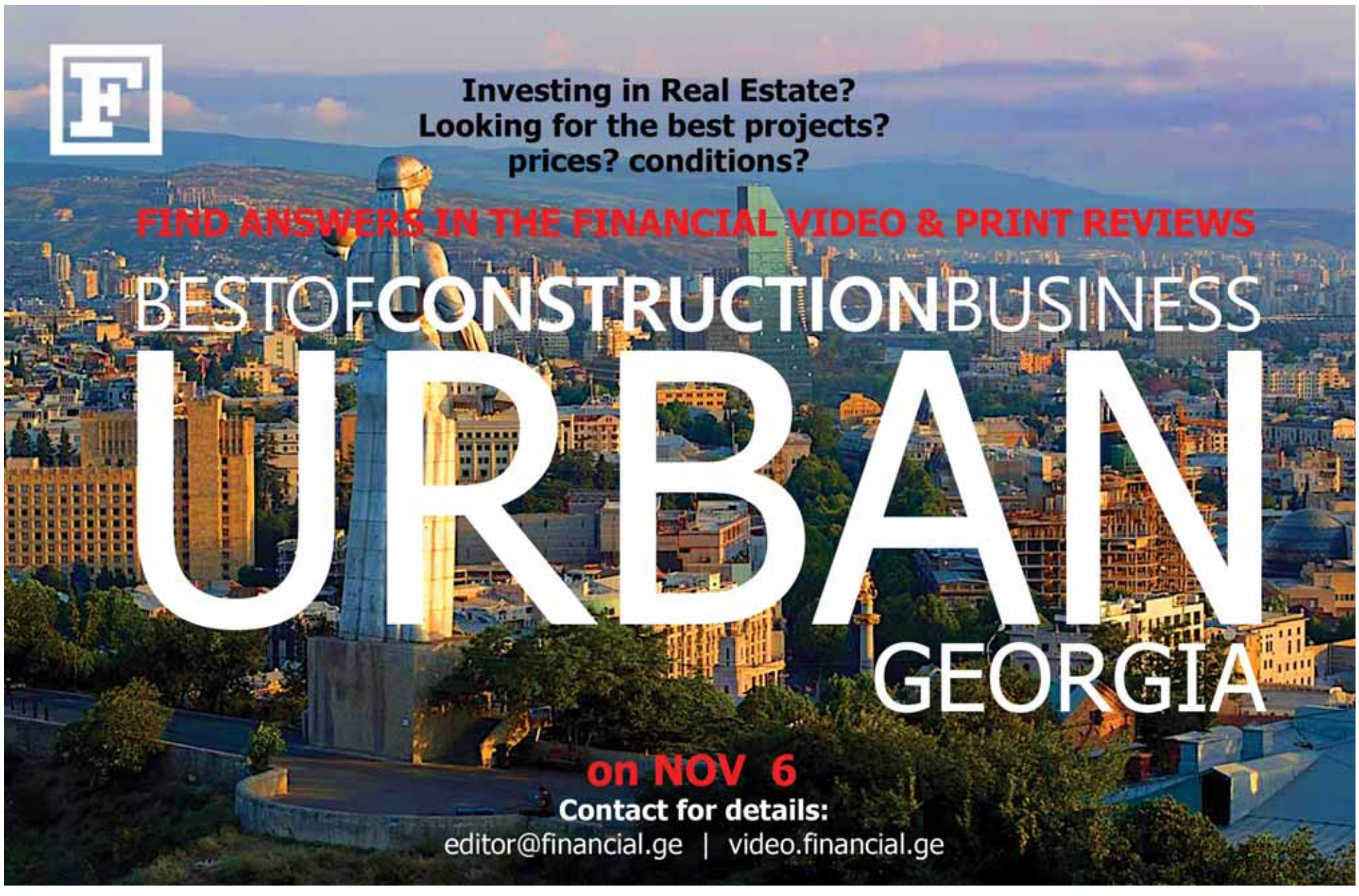
The FINANCIAL

Technology and crypto currencies are among the most popular stocks with Georgian traders. Meanwhile, trendy stocks are riskier for investing in as they commonly end up being overvalued. Emotional control has been named one of the most important features for succeeding on the stock market.

Continued on p. 8

CURRENCIES

	Oct 7	Sep 30
1 USD	2.4790 ▼	2.4767
1 EUR	2.9032 ▲	2.9252
100 RUB	4.2899 ▼	4.2843
1 TRY	0.6847 ▲	0.6961



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"******subscription for 2 daily publications additional daily publication for free

Country	Title	Language	Periodicity		Price 1 copy	Price for 1 month	Price for 3 months	Price for 6 months	Price for 12 months
Australia	Australian	English	Daily	26	**12,90**	335,40	1 006,20	2 012,40	4 024,80
Australia	The Observer	English	Daily	26	**14,70**	382,20	1 146,60	2 293,20	4 586,40
Austria	Der Standard	German	Daily	26	**13,80**	358,80	1 076,40	2 152,80	4 305,60
Austria	Die Presse	German	Daily	26	**13,80**	358,80	1 076,40	2 152,80	4 305,60
Bahrain	Alayam	Arabic	Daily	30	**12,80**	384,00	1 152,00	2 304,00	4 608,00
Belarus	Gazeta Slonimskaya	Belarusian	Weekly	4	**13,20**	52,80	158,40	316,80	633,60
Belgium	De Standaard	Dutch	Daily	26	**17,70**	460,20	1 380,60	2 761,20	5 522,40
Bulgaria	Capital	Bulgarian	Weekly	4	**23,40**	93,60	280,80	561,60	1 123,20
Canada	The Daily Courier	English	Daily	30	**12,90**	387,00	1 161,00	2 322,00	4 644,00
Canada	The Daily Observer	English	Daily	22	**11,00**	242,00	726,00	1 452,00	2 904,00
Canada	Le Droit	French	Daily	30	**15,30**	459,00	1 377,00	2 754,00	5 508,00
Chile	La Tercera	Spanish	Daily	30	**17,60**	528,00	1 584,00	3 168,00	6 336,00
China	China Digest	Chinese	Daily	13	**9,60**	124,80	374,40	748,80	1 497,60
China	Guangming Daily	Chinese	Daily	30	**10,50**	315,00	945,00	1 890,00	3 780,00
China	China Daily Hong Kong	English	Daily	26	**12,00**	312,00	936,00	1 872,00	3 744,00
Czech Republic	Dnes	Czech	Daily	26	**17,90**	465,40	1 396,20	2 792,40	5 584,80
Denmark	Berlingske Tidende	Danish	Daily	30	**21,30**	639,00	1 917,00	3 834,00	7 668,00
Denmark	Politiken	Danish	Daily	30	**17,70**	531,00	1 593,00	3 186,00	6 372,00
Egypt	El Watan	Arabic	Daily	30	**10,80**	324,00	972,00	1 944,00	3 888,00
Estonia	MK Estonia	Estonian	Weekly	4	**18,60**	74,40	223,20	446,40	892,80
France	Le Berry	French	Daily	30	**15,00**	450,00	1 350,00	2 700,00	5 400,00
France	Le Figaro	French	Daily	26	**13,80**	358,80	1 076,40	2 152,80	4 305,60
France	Le Journal du Centre	French	Daily	30	**14,70**	441,00	1 323,00	2 646,00	5 292,00
France	L'Equipe	French	Daily	30	**14,30**	429,00	1 287,00	2 574,00	5 148,00
France	Liberation	French	Daily	26	**13,70**	356,20	1 068,60	2 137,20	4 274,40
Germany	Aller Zeitung	German	Daily	26	**14,70**	382,20	1 146,60	2 293,20	4 586,40
Germany	Der Tagesspiegel	German	Daily	30	**13,10**	393,00	1 179,00	2 358,00	4 716,00
Germany	Frankfurter Allgeme-ine Zeitung	German	Daily	26	**13,70**	356,20	1 068,60	2 137,20	4 274,40
Germany	Neue Presse	German	Daily	26	**13,20**	343,20	1 029,60	2 059,20	4 118,40
Germany	Neues Deutschland	German	Daily	26	**11,90**	309,40	928,20	1 856,40	3 712,80
Greece	Kathimerini	Greek	Daily	30	**13,50**	405,00	1 215,00	2 430,00	4 860,00
Hungary	24 Ora	Hungarian	Daily	30	**10,50**	315,00	945,00	1 890,00	3 780,00
India	Hindustan	Hindi	Daily	30	**11,00**	330,00	990,00	1 980,00	3 960,00
Iran	Khorasan	Persian	Daily	26	**20,30**	527,80	1 583,40	3 166,80	6 333,60
Iran	SMT newspaper	Persian	Daily	26	**10,20**	265,20	795,60	1 591,20	3 182,40
Iran	Tejarat Daily	Persian	Daily	26	**10,20**	265,20	795,60	1 591,20	3 182,40
Israel	Israel News Faxx	English	Weekly	4	**9,90**	39,60	118,80	237,60	475,20
Israel	Jerusalem Post	English	Daily	26	**11,90**	309,40	928,20	1 856,40	3 712,80
Italy	Corriere della Sera	Italian	Daily	30	**16,80**	504,00	1 512,00	3 024,00	6 048,00
Italy	Corriere dello Sport	Italian	Daily	30	**12,30**	369,00	1 107,00	2 214,00	4 428,00
Italy	Il Sole 24 Ore	Italian	Daily	30	**15,50**	465,00	1 395,00	2 790,00	5 580,00
Italy	La Gazzetta dello Sport	Italian	Daily	30	**13,20**	396,00	1 188,00	2 376,00	4 752,00
Italy	La Repubblica	Italian	Daily	30	**14,40**	432,00	1 296,00	2 592,00	5 184,00
Italy	Libero	Italian	Daily	30	**14,10**	423,00	1 269,00	2 538,00	5 076,00
Italy	Tuttosport	Italian	Daily	30	**12,00**	360,00	1 080,00	2 160,00	4 320,00
Japan	Mainichi Shimbun	Japanese	Daily	30	**13,20**	396,00	1 188,00	2 376,00	4 752,00
Japan	Yomiuri Shimbun	Japanese	Daily	30	**12,80**	384,00	1 152,00	2 304,00	4 608,00
Jordan	Al Ghad	Arabic	Daily	30	**13,70**	411,00	1 233,00	2 466,00	4 932,00
Korea, Republic Of	The Korea Times	English	Daily	26	**12,20**	317,20	951,60	1 903,20	3 806,40
Korea, Republic Of	Maeil Business Newspaper	Korean	Daily	26	**13,70**	356,20	1 068,60	2 137,20	4 274,40
Kuwait	Al Qabas	Arabic	Daily	30	**13,80**	414,00	1 242,00	2 484,00	4 968,00
Latvia	Diena	Latvian	Daily	22	**11,10**	244,20	732,60	1 465,20	2 930,40
Netherlands	De Telegraaf	Dutch	Daily	30	**17,30**	519,00	1 557,00	3 114,00	6 228,00
Norway	Varden	Norwegian	Daily	26	**16,40**	426,40	1 279,20	2 558,40	5 116,80
Oman	Al Shabiba	Arabic	Daily	22	**13,10**	288,20	864,60	1 729,20	3 458,40
Oman	Oman Arabic Daily	Arabic	Daily	30	**11,40**	342,00	1 026,00	2 052,00	4 104,00
Pakistan	National Herald Tribune	English	Daily	30	**9,60**	288,00	864,00	1 728,00	3 456,00
Pakistan	Pakistan Observer	English	Daily	30	**11,10**	333,00	999,00	1 998,00	3 996,00
Palestine	Al Quds	Arabic	Daily	30	**12,50**	375,00	1 125,00	2 250,00	4 500,00
Poland	Fakt	Polish	Daily	26	**12,00**	312,00	936,00	1 872,00	3 744,00
Poland	Gazeta Wyborcza	Polish	Daily	26	**12,50**	325,00	975,00	1 950,00	3 900,00
Portugal	O Jogo	Portuguese	Daily	30	**15,50**	465,00	1 395,00	2 790,00	5 580,00
Portugal	Publico Porto Edition	Portuguese	Daily	30	**15,60**	468,00	1 404,00	2 808,00	5 616,00
Qatar	Al-Sharq Economy	Arabic	Daily	30	**10,20**	306,00	918,00	1 836,00	3 672,00
Qatar	Al-Sharq News	Arabic	Daily	30	**14,00**	420,00	1 260,00	2 520,00	5 040,00
Romania	National	Romanian	Daily	22	**10,80**	237,60	712,80	1 425,60	2 851,20
Romania	Ziarul Financiar	Romanian	Daily	22	**10,80**	237,60	712,80	1 425,60	2 851,20
Saudi Arabia	Al Hayat Saudi edition	Arabic	Daily	30	**12,60**	378,00	1 134,00	2 268,00	4 536,00
Saudi Arabia	Asharq Al-Awsat Saudi edition	Arabic	Daily	30	**12,90**	387,00	1 161,00	2 322,00	4 644,00
Serbia	24 Sata (Serbia)	Serbian	Daily	22	**10,20**	224,40	673,20	1 346,40	2 692,80
Spain	Diario AS	Spanish	Daily	30	**15,30**	459,00	1 377,00	2 754,00	5 508,00
Spain	El Pais European Edition	Spanish	Daily	30	**16,80**	504,00	1 512,00	3 024,00	6 048,00
Spain	La Vanguardia	Spanish	Daily	30	**21,20**	636,00	1 908,00	3 816,00	7 632,00
Swaziland	Observer on Saturday	English	Weekly	4	**16,20**	64,80	194,40	388,80	777,60
Swaziland	Sunday Observer	English	Weekly	4	**16,20**	64,80	194,40	388,80	777,60
Swaziland	Swazi Observer	English	Daily	26	**15,50**	403,00	1 209,00	2 418,00	4 836,00
Sweden	Expressen	Swedish	Daily	30	**19,50**	585,00	1 755,00	3 510,00	7 020,00
Sweden	Svenska Dagbladet	Swedish	Daily	30	**23,10**	693,00	2 079,00	4 158,00	8 316,00
Switzerland	24 Heures	French	Daily	26	**12,90**	335,40	1 006,20	2 012,40	4 024,80
Switzerland	Blick	German	Daily	26	**12,20**	317,20	951,60	1 903,20	3 806,40
Switzerland	20 Minuti	Italian	Daily	22	**11,90**	261,80	785,40	1 570,80	3 141,60
Turkey	Haberturk	Turkish	Daily	30	**15,20**	456,00	1 368,00	2 736,00	5 472,00
Turkey	Hurriyet	Turkish	Daily	30	**13,10**	393,00	1 179,00	2 358,00	4 716,00
Turkey	Milliyet	Turkish	Daily	30	**12,30**	369,00	1 107,00	2 214,00	4 428,00
Turkey	Sabah	Turkish	Daily	30	**13,10**	393,00	1 179,00	2 358,00	4 716,00
Turkey	Turkiye	Turkish	Daily	30	**12,00**	360,00	1 080,00	2 160,00	4 320,00
Turkey	Vatan	Turkish	Daily	30	**11,30**	339,00	1 017,00	2 034,00	4 068,00
UK	Al Hayat Interna-tional	Arabic	Daily	30	**11,40**	342,00	1 026,00	2 052,00	4 104,00
UK	Daily Express	English	Daily	26	**17,90**	465,40	1 396,20	2 792,40	5 584,80
UK	Daily Mail	English	Daily	26	**22,10**	574,60	1 723,80	3 447,60	6 895,20
UK	Daily Mirror	English	Daily	26	**18,50**	481,00	1 443,00	2 886,00	5 772,00
UK	Daily Record	English	Daily	26	**17,40**	452,40	1 357,20	2 714,40	5 428,80
UK	Daily Star	English	Daily	26	**17,00**	442,00	1 326,00	2 652,00	5 304,00
UK	Daily Telegraph	English	Daily	22	**17,40**	382,80	1 148,40	2 296,80	4 593,60
UK	Financial News	English	Weekly	4	**12,60**	50,40	151,20	302,40	604,80
UK	First News	English	Weekly	4	**12,60**	50,40	151,20	302,40	604,80
UK	I [from The Indepen-dent]	English	Daily	26	**17,10**	444,60	1 333,80	2 667,60	5 335,20
UK	The Guardian	English	Daily	26	**20,30**	527,80	1 583,40	3 166,80	6 333,60
UK	The Journal	English	Daily	26	**17,40**	452,40	1 357,20	2 714,40	5 428,80
UK	The Observer	English	Weekly	4	**25,70**	102,80	308,40	616,80	1 233,60
UK	The People	English	Weekly	4	**18,90**	75,60	226,80	453,60	907,20
UK	The Sun	English	Daily	30	**17,70**	531,00	1 593,00	3 186,00	6 372,00
UK	The Times	English	Daily	22	**17,90**	393,80	1 181,40	2 362,80	4 725,60
Ukraine	Den	Ukrainian	Daily	18	**11,30**	203,40	610,20	1 220,40	2 440,80
United Arab Emirates	Albayan	Arabic	Daily	30	**17,70**	531,00	1 593,00	3 186,00	6 372,00
United Arab Emirates	Al-Ittihad	Arabic	Daily	30	**14,40**	432,00	1 296,00	2 592,00	5 184,00
USA	American Banker	English	Daily	22	**10,20**	224,40	673,20	1 346,40	2 692,80
USA	Financial Times	English	Daily	22	**12,50**	275,00	825,00	1 650,00	3 300,00
USA	ForbesWeekly	English	Weekly	4	**10,40**	41,60	124,80	249,60	499,20
USA	Global Times	English	Daily	22	**11,90**	261,80	785,40	1 570,80	3 141,60
USA	New York Post	English	Daily	30	**19,10**	573,00	1 719,00	3 438,00	6 876,00
USA	The Day	English	Daily	30	**14,20**	426,00	1 278,00	2 556,00	5 112,00
USA	The New York Times International Edition	English	Daily	26	**12,30**	319,80	959,40	1 918,80	3 837,60
USA	The Wall Street Journal Europe	English	Daily	22	**13,20**	290,40	871,20	1 742,40	3 484,80
USA	USA Today	English	Daily	22	**11,90**	261,80	785,40	1 570,80	3 141,60
USA	Washington Post	English	Daily	26	**17,10**	444,60	1 333,80	2 667,60	5 335,20
USA	Washington Times	English	Daily	22	**13,20**	290,40	871,20	1 742,40	3 484,80

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CURRENT PRICES ON GASOLINE AND DIESEL

9 OCTOBER, 2017, GEORGIA

Gulf — Prices in GEL

G-Force Premium	2.24
G-Force Euro Regular	2.11
Euro Regular	2.04
G-Force Euro Diesel	2.14
Euro Diesel	2.04
CNG	1.45

Wissol — Prices in GEL

Eko Super	2.39
Eko Premium	2.27
Eko Diesel	2.19
Euro Diesel	2.14
Euro Regular	2.08
Diesel Energy	2.04

Lukoil — Prices in GEL

Euro Super	2.29
Premium Avangard	2.19
Euro Premium	0.00
Euro Regular	1.99
Euro Deasel	1.99

SOCAR — Prices in GEL

Nano Super	2.38
Nano Premium	2.25
Euro Regular	2.05
Nano Euro Regular	2.05
Nano Diesel	2.02
GNG	1.44

ROMPETROL — Prices in GEL

Euro Super	2.45
Efix Euro Premium	2.32
Euro Regular 93	2.09
Efix Euro Diesel	2.20
Euro Diesel	2.05

One Notch More Attractive to Investors with Deep Pockets

By OLGA AZHGIBETSEVA
ISET

Just recently, a rare occurrence made the headlines in Georgia: Moody's Investors Service upgraded the government of Georgia's local and foreign currency issuer ratings first time in seven years, to Ba2 from Ba3, with commentary that the outlook remains stable. This news was met with great excitement, but was soon overshadowed by the unfortunate news of Georgia's downgrade on the Global Competitiveness Indicators, without fully appreciating or understanding the significance of the Moody's upgrade.

So What Is It All About?

Moody's Investors Service provides international financial research on bonds issued by commercial and government entities. Moody's, along with Standard & Poor's and the Fitch Group, is considered one of the Big Three credit rating agencies, occupying more than 90% of the market.

Credit ratings express an agency's opinion about the ability and readiness of a bond issuers, such as governments and financial and non-financial institutions, to meet their financial obligations fully and in due time. The creditworthiness of borrowers is assessed using an extensive set of indicators, and is expressed using a standardized ratings scale. There are slight differences between the rating scales of the three agencies, but they mostly fall under two broad categories: investment and speculative grades. The investment grades by Moody's range from Aaa, highest quality, to the lowest risk credit; Baa3 is medium quality moderate risk credit (see the table below). There are eight other notches between Aaa and Baa3. The speculative grade ratings, where Georgia currently falls, despite the upgrade, starts with Ba1. Ba1, Ba2 (current ranking), and Ba3 fall under the category of credit judged to have speculative elements and a significant credit risk. There are seven other notches before the lowest category of grade C, for issuers with a very high probability of default. The outlook provides information to lenders on the potential evolution of a rating, and thus increases the precision of the rating. A positive outlook means that a rating may be raised. A negative outlook means that a rating may be lowered, and stable means that a rating is not likely to change. Developing (or evolving) means that a rating may be raised or lowered.

Moody's Credit Rating Key

Qualification	Rating	#of countries with the rating
Highest Grade Credit	Aaa	12
Very High Grade Credit	Aa1, Aa2, Aa3	15
High Grade Credit	A1, A2, A3	18
Good Credit Grade	Baa1, Baa2, Baa3	18
Speculative Credit Grade	Ba1, Ba2, Ba3	21
Very Speculative Credit	B1, B2, B3, Caa1, Caa2, Caa3	48
Default	Ca, C	1

Rationale for grade upgrade to Ba2 and stable outlook.

According to the Moody's Investors Service report, the upgrade in the rating was driven by Georgia's recent economic growth and demonstrated resilience, effective macroeconomic policy management, and strong banking supervision that allowed banks to support an economy facing significant economic, financial and exchange rate shocks.

Moody's report underlines such significant ongoing processes such as diversification of trade, accessing new markets and building new investment relationships and the Association Agreement and Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. In addition, recent and prospective trade agreements, such as those with a number of Commonwealth of Independent States members, Turkey, and the prospect of a free trade agreement with China, were relevant. The report emphasized that these agreements will help to maintain FDI levels at close to 10% of GDP, and will likely increase exports and economic growth in the medium term.

With this recent upgrade, Georgia becomes one of the best performing countries in the region; however, sovereign credit ratings, except the one for Kazakhstan, still fall within the speculative credit grade category, reflecting ongoing economic and political vulnerabilities in the region.

Why Does It Matter?

Credit rating agencies are extremely important for developing countries like Georgia for a number of reasons.

Sovereign credit ratings play an important part in determining countries' access to international capital markets, and the terms of that access, e.g. how much they can borrow and at what interest rate. Country sovereign ratings, which are widely available and comparable across countries, allow for savings on costs of information collecting and analysis. This is especially true for developing countries, and generally in countries with low levels of financial transparency. The sovereign ratings play an important role even if the governments do not issue bonds, as the sovereign rating often provides a ceiling for the private sector, and the absence of a credit rating usually deters its access to international capital markets.

Institutional investors in both the developed and developing world rely heavily on rating agencies in making investment decisions, or in the case of donors, in providing official development aid. A downgrade to speculative grade, or so-called to junk grade, forces some institutional investors, such as pension or insurance funds, to sell bonds or other financial instrument by the downgraded issuer, usually because of regulatory requirements. A recent study by the World Bank on the ratings of 20 developing countries between 1998 and 2015, found that a downgrade to junk raised the interest rates on a country's short-term bonds by an average of 1.38 percentage points, which is considered to be a significant increase in cost of borrowing.

Empirical evidence also establishes a connection between sovereign credit ratings and FDI. Cai et al. (2016) studied the effect of sovereign credit ratings on FDI flows between 31 donor (OECD) and 72 recipient (non-OECD) countries during the period 1985 – 2012. Sovereign ratings were found to be significant drivers of bilateral FDI flow. The study also looked into the regional effect; more specifically, it showed that FDI tends to flow to countries located in high quality credit neighborhoods. Investors prefer to invest in high average credit rating region, compared to low average rating regions.

Second, sovereign ratings serve as an incentive for developing country governments to implement more prudent and sound monetary and fiscal policies, since performance on these policies constitutes a cornerstone of the rating methodologies. Analysis by Hanusch and Vaaler (2013) provides an interesting example as to how credit rating agencies contribute to fiscal discipline. The literature of political budget cycles predicts increases in government spending and fiscal deficit close to elections, allowing governments to appear competent in fiscal and economic affairs by providing additional public goods and services. The opposite is signaled through a public announcement of a credit downgrade, which is accessible to financial markets as well to constituents. According to the authors, this serves as a disciplining device for fiscal policy to not surrender to short-term political pressures, and rather to promote policies supporting long- term development objectives. They show that governments going into an

Continued on p. 13

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financial news

SOLO will host Keiko Matsui on November 8, 2017

David ALEKSIDZE
The FINANCIAL

SOLO and Alex Promotion will host Japanese pianist and a composer- Keiko Matsui, live in Tbilisi Concert Hall, on November 8th, 2017. One of the finest performers of New Age and Jazz will play her most famous hits for Georgian audience. Evgeniy Mikeladze Georgian National Symphonic Orchestra, led by Nickoloz Rachveli, will accompany the musician, along with Uzbek Junior Symphonic Orchestra, conducted by Camolidin Urinbaev.

SOLO, ever since its inception in 2015, has hosted numerous legendary performers, including Sting, Chris Botti and Eric Benét. Keiko Matsui is next in this spectacular line.

Mr. Nickoloz Rachveli, the conductor of the aforementioned Evgeniy Mikeladze Georgian National Symphonic Orchestra, had a few words to say about the occasion: "Keiko Matsui's performance will be a celebration, a similarly beautiful event for both the fans of the pianist and the musical society of Georgia in general. The collaboration of such caliber will be beneficial for our symphonic orchestra. What is particularly exciting for us is that Uzbek Symphonic Orchestra, which has seen substantial success, will be joining us for the occasion. On 8th of November, they will have an opportunity to present themselves before the Georgian audience. We thought it was the perfect opportunity to invite them over, as the Uzbek Symphonic Orchestra has, multiple times, expressed its enthusiasm over the prospect of visiting Georgia. Together, we will develop the program which will accompany the legendary Keiko Matsui. It will be an exciting melting pot of talented musicians- Japanese piano player, currently a U.S. resident and brilliant Georgian, Uzbek symphonic orchestras. We are so happy to have gathered these people together. Jazz enthusiasts, classical music fans and generally, tasteful music connoisseurs will have a golden opportunity to fill their hearts with joy once more."

Eka Ducidze, representative of SOLO, also commented on the event: "We have great news for music enthusiasts in Georgia, as they will have an opportunity to witness a very intriguing spectacle. Keiko Matsui has released 12 solo albums so far. Her style is cited to be Contemporary Jazz, or Modern Music for Adults, although, over her fruitful career, she has flirted with other directions as well. Calm, beautiful, monolithic and precise notes define her music. She was only 5 years old when she learned to play piano and immediately started improvising melodies. It was Keiko's father's initiative, an artist himself who specialized in Japanese dances, to introduce her to the instrument. She was thrilled with her first lesson and ever since then, music became the companion of her life. Keiko started her solo-career in 1987, with her album A Drop of Water. Before that, she recorded 7 albums with a band Cosmos. Customers of SOLO will have the opportunity to purchase six tickets at once for a discounted price of 50 GEL per person, while the rest will have to settle for 60 GEL a piece."

Initial ticket sale, open just for SOLO customers, will start on 29-30 September, on www.tkt.ge . Regular customers will be able to purchase seats from 1st October, 10:00 AM Tbilisi Time.

Household saving rate nearly stable at 12.1% in the euro area

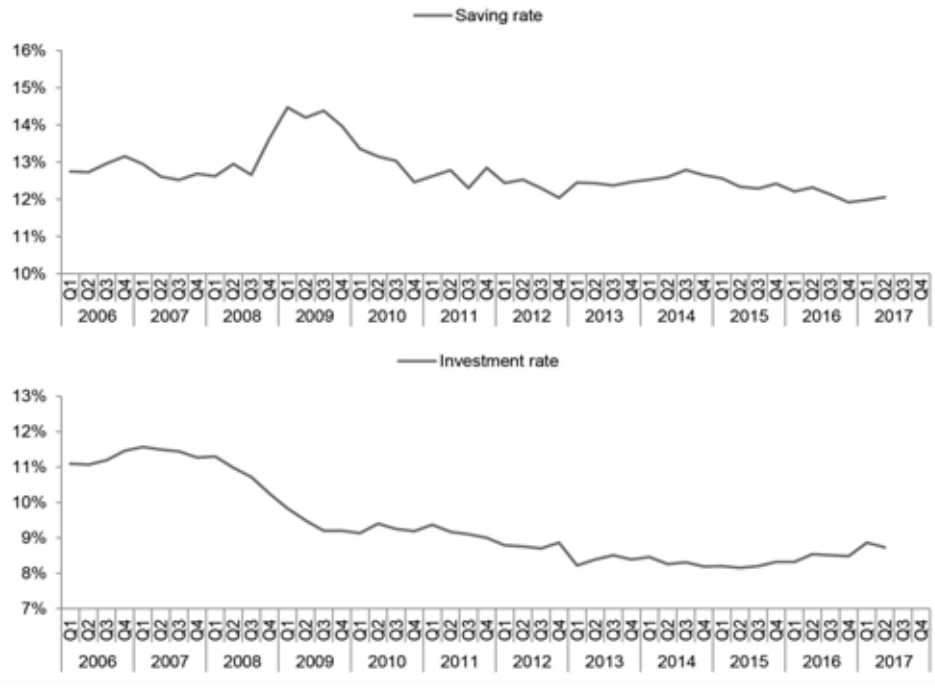
The FINANCIAL -- Household investment rate down to 8.7%

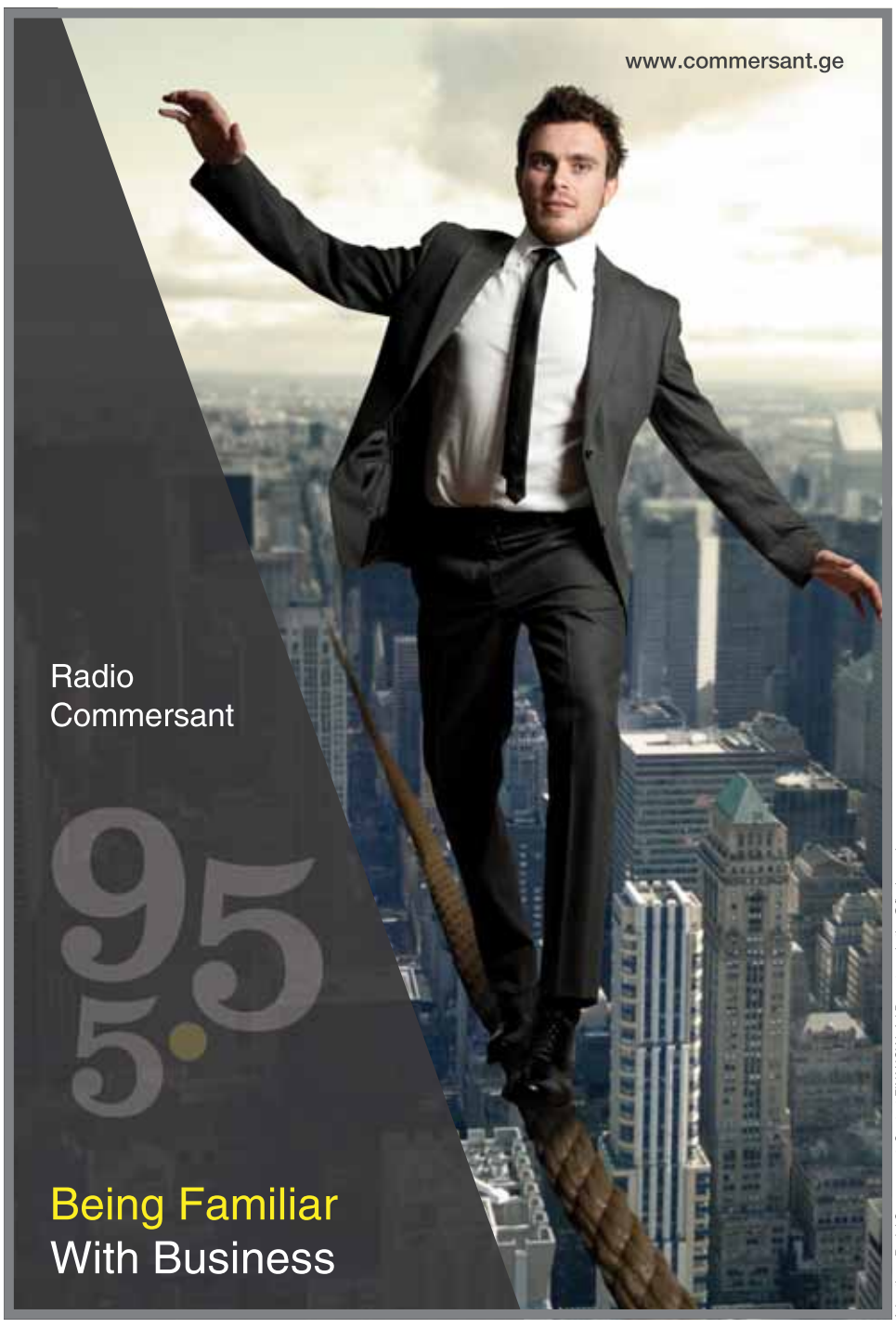
The household saving rate in the euro area was 12.1% in the second quarter of 2017, compared with 12.0% in the first quarter of 2017.

The household investment rate in the euro area was 8.7% in the second quarter of 2017, compared with 8.9% in the previous quarter.

These data come from a first release of seasonally adjusted quarterly European sector accounts from Eurostat, the statistical office of the European Union and the European Central Bank (ECB).

Household saving rate and investment rate in the euro area (seasonally adjusted)





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fianacial news

Emotional Control – the Main Rule for Succeeding on the Stock Market

The FINANCIAL
By MARY LIBERALOVA

Technology and crypto currencies are among the most popular stocks with Georgian traders. Meanwhile, trendy stocks are riskier for investing in as they commonly end up being overvalued. Emotional control has been named one of the most important features for succeeding on the stock market, as it is very important not to sell on fear, because that can be a buying opportunity, not selling. In general, the best opportunities come when investors are fearful and there is panic in the market.

"Stock in every industry requires different analysis and valuation. You cannot value stocks using a single method. Technology companies highly depend on intellectual property; natural resources or railway companies are capital intensive and so on; you cannot value both using the same valuation method," said Zurab Abuashvili, Founder and CEO of Investment Capital, adding that "one has to understand a particular company well, to make a good stock pick. You are required to form your own opinion about that company, understand competitors and management and stock valuation to make sense – if intrinsic value of that stock is higher than market value, we buy. Best opportunities come when investors are fearful and there is a panic in the market. This is the time to find bargains".

"At LLC Investment Capital we are searching for low risk, higher return stocks. We do not do wide diversification; wide diversification is required when you do not know what you are doing. Our performance at LLC Investment Capital will be very successful in the next few years, even based on the tough US standards, we believe we can consistently beat the US market. Anyone who is not investing with us now, is missing a tremendous opportunity," Abuashvili told The FINANCIAL.

ZURAB ABUASHVILI, Founder and CEO of Investment Capital

In his interview with The FINANCIAL Abuashvili gave tips for successful stock trading. As he mentioned, the younger generation of Georgians are more active in stock trade.

Q. Buying the stocks of various companies is one of the most attractive ways to invest in many countries. Meanwhile, Georgians still remain loyal to real estate, in regard to making profitable investments. What are the main reasons for that?

A. You have to have all opportunities possible to allocate capital well. Making proper diversification among asset classes reduces risks. LLC Investment Capital is an investment company, not brokerage. We are open to people who want to become partners/investors at LLC Investment Capital. Currently, we have few partners and are in the process of adding more partners to raise additional capital. We require more capital in order to buy the best, mostly US, company stocks. We have an edge and sophistication for stock picking. This is what we do; we have a great, unmatched financial model to use for stock analysis and valuation. We also have expertise in qualitative analysis. Periodically, we find great stock opportunities, those that will perform well in 3, 5, 10 and more years.

As you know, real estate purchases require quite large capital. It is not like stocks, for instance becoming a partner in LLC Investment Capital requires substantially lower investment than buying real estate. US stocks are generally much more liquid than real estate. According to the LLC Investment Capital business model, we will have much lower risk in investing well-picked US stocks, than that of real estate domestically. As for growth, stocks are a growth machine, since 2009 real estate in Georgia had very low growth, whereas US company stocks had substantially high growth. Real estate is generally quite cyclical. Historically, company stocks had much greater growth than real estate and I do not think this dynamic is going to change in the future. Nothing is better for investment than carefully picked great stocks, and that is what LLC Investment Capital offers.

The best thing for you is to diversify wisely, if you have investments in real estate in Georgia that is fine. You may have some portion invested in other asset classes also, and you can invest in LLC Investment Capital which gives you US and international exposure in stocks.

Q. Please can you give us statistics of the top companies of 2017, the stocks of which were most popular among Georgian buyers?

A. I do not have official statistics. But I have heard that many liked technology stocks and liked crypto currencies. Generally, people love speculating on popular stocks, the stocks everybody is talking about, media also influences purchase decisions. When they hear their friends, neighbours or relatives got lucky and made money on stocks, they get jealous and their first instinct is to follow the same stocks; when everybody follows the same idea, stocks become priced to perfection, thus overvalued. You cannot push stock prices up forever, eventually the price will fall and sometimes substantially. You may be lucky once or twice, but you cannot make money consistently by just following the crowd and not understanding what you are doing. The biggest risk is not knowing what you are doing.

Q. What determines Georgian buyers' choice?

A. Most of the time, what I hear people are looking for is quick profit, speculations on stocks, things everyone is talking about. Generally, if you listen to what everyone is suggesting to buy, you will not succeed. For instance, when corrections occur and stock prices fall in markets, temperament plays a key role, emotional control is very important not to sell on fear, because that can be a buying opportunity, not selling.

You get recessions and you have stock market declines. If you do not understand that is going to happen, then you are not ready, you will not do well in the market. If you have trouble imagining 20% loss in the stock market, you should not be in stocks. Corrections in capital markets do occur periodically, for us it creates a great buying opportunity. At our company we are waiting to get such an opportunity. For us, the falling stock prices of great companies are not a risk, but a great purchasing opportunity. As successful investor Warren Buffet says: "Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be mispriced". At Investment Capital we have just such a mindset. We do not follow the general consensus, we make our own judgements and if we believe there is a great opportunity we buy.

Q. Can you give a description of the typical Georgian who decides to invest in stocks: their average age; education/career background; gender; income?

A. There is no official statistic of that kind, however the younger generation seem much more interested in stocks in Georgia.

Q. What is the minimum literacy level required of a person before investing in a company?

A. My advice for individual investors is to act consistently as an investor and not as a speculator. If you want to pick stocks, choose ones you understand, you have to have good knowledge to pick stocks. I have seen some investors who work in one industry, have knowledge in that particular field, but pick stocks in a different industry, where they don't have any knowledge, which is a mistake. Obtain all the information possible about that particular company, learn as much as possible. Pick up a pen and write "I am buying this stock because", and write all of the pros and cons about that particular company. Understand the competitive structure, understand who runs it and finally, it doesn't matter how great the company is if the price is not attractive, make a valuation and define the intrinsic value. Intrinsic value is not a particular number, it is within the frame.

But instead, if you choose to speculate on stocks, there is a high probability you will end up losing money, because statistically, as research suggests, most speculators lose money. You need a strong temperament and emotional control in investing. You have to form your own opinion and not listen to what others are saying. If you want to be successful, you have to be right more often than the consensus of opinion.

Q. What is the approximate profit when investing in stocks?

A. US stocks' average price performance, without dividends, during the last year was about 18%. During the last 5 years, annual price performance was 12%, and since 2009 stock market bottom grew about 17% annually. We are very confident and expect LLC Investment Capital performance to outperform general US stock market/averages in the future; we will beat the market.

EU28 current account surplus €41.9 bn

The FINANCIAL — The EU28 seasonally adjusted current account of the balance of payments recorded a surplus of €41.9 billion (1.1% of GDP) in the second quarter of 2017, down from a surplus of €49.4 billion (1.3% of GDP) in the first quarter of 2017 and from a surplus of €58.6 billion (1.6% of GDP) in the second quarter of 2016, according to estimates released by Eurostat, the statistical office of the European Union.

In the second quarter of 2017 compared with the first quarter of 2017, based on seasonally adjusted data, the surplus of the goods account fell slightly (+€34.3 bn compared to +€34.5 bn) as did the surplus of the services account (+€39.5 bn compared to +€40.3 bn). The deficit of the primary income account increased (-€7.8 bn compared to -€2.2 bn), as did the deficit of the secondary income account (-€24.1 bn compared to -€23.2 bn). The deficit of the capital account decreased (-€13.4 bn compared to -€13.9 bn).

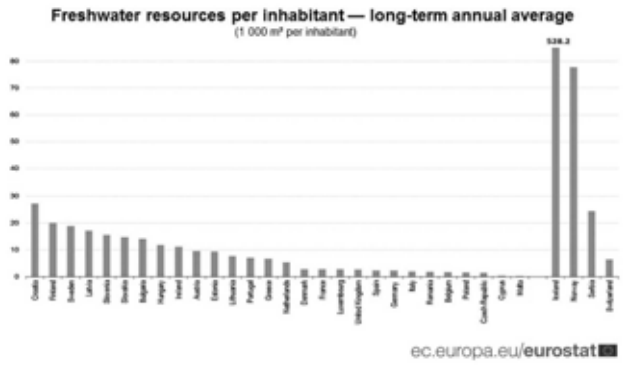
Main partners

In the second quarter of 2017, based on non-seasonally adjusted data, the EU28 recorded external current account surpluses with the USA (+€30.2 bn), Switzerland (+€22.0 bn), Hong Kong (+€6.9 bn), Brazil (+€5.9 bn) and Canada (+€5.3 bn). Deficits were registered with China (-€22.0 bn), Russia (-€6.6 bn), Japan (-€5.9 bn), offshore financial centres (-€3.0 bn) and India (-€0.5 bn).

Financial account

Based on non-seasonally adjusted data, direct investment assets of the EU28 increased in the second quarter of 2017 by €42.2 bn, while direct investment liabilities grew by €221.0 bn. As a result, the EU28 was a net recipient of direct investment in the second quarter of 2017 by €178.9 bn. Portfolio investment recorded a net outflow of €35.1 bn, while for other investment there was a net inflow of €7.2 bn.

Croatia leads on freshwater resources per inhabitant



The FINANCIAL — The volume of freshwater resources per inhabitant is considered to be an important indicator for measuring the sustainability of water resources. According to the 'World water development report' of the United Nations, a country experiences 'water stress' when its annual water resources drop below 1 700 m³ per inhabitant.

Among the EU Member States, Poland, the Czech Republic, Cyprus and Malta fell beneath this threshold. Malta recorded the lowest volume of water resources with 220 m³ per person.

In the EU, Croatia recorded the highest volume of freshwater resources (with a long-term average of 27 330 m³ per inhabitant). Finland and Sweden had the next highest volumes at around 20 000 m³.

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MERAB PACHULIA, GORBI

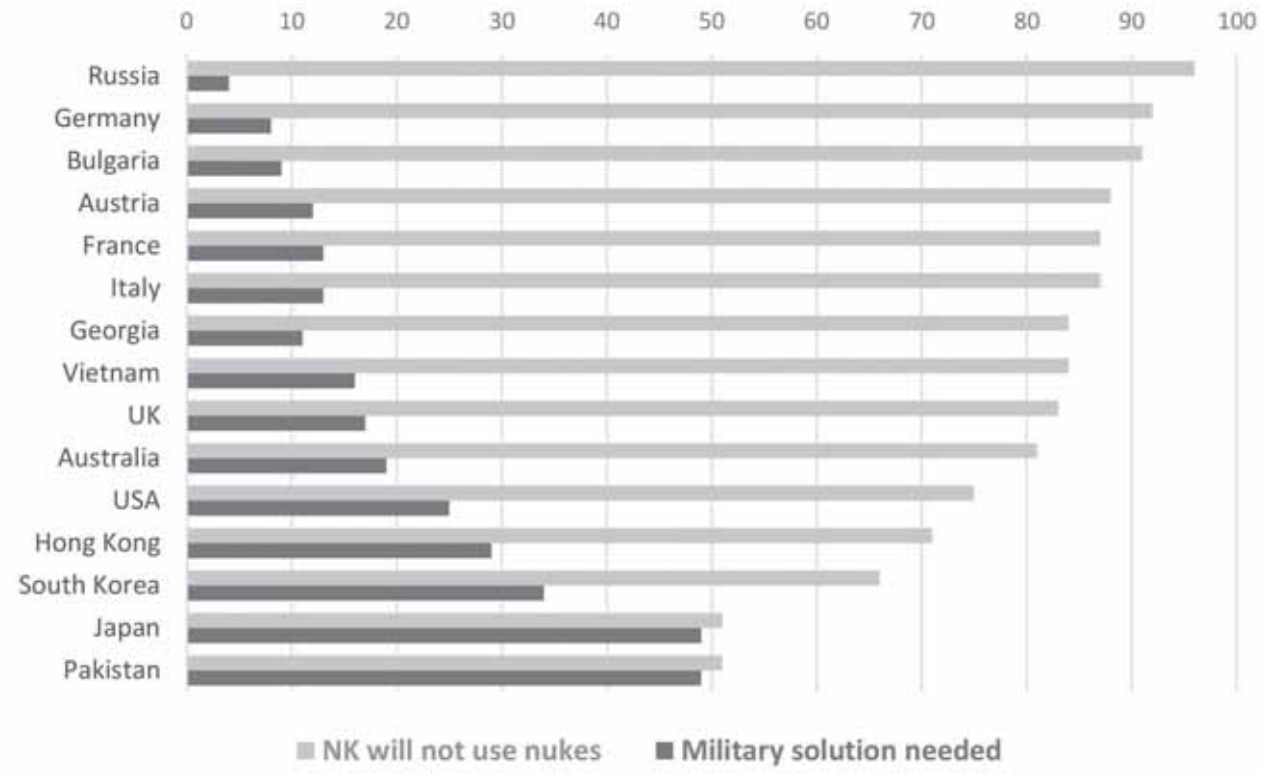
Korea on our mind?

North Korea, a country whose people naively believe that their space rockets can land on the sun, is led by a dangerous, nuclear-possessing dictator. Kim Jong-un, who will hopefully be the last dictator of divided Korea, is threatening the world with the nuclear Armageddon and no one seems to know what the best response should be. There are two ways to solve this problem – with diplomatic means and with military means. This article will present world attitudes towards each of these possibilities.

Gallup International Association conducted surveys across 15 countries interviewing over 18,000 individuals. In each country a representative sample of adult men and women was interviewed either via telephone (4 countries; n=3,988), online (8 countries; n=9,822), via sms survey (1 country, n=1,797) and face-to-face (2 countries, n=2,500). Two questions relevant to North Korea were asked each of these populations: "*In your opinion how likely is it that North Korea will use a nuclear weapon?*" and "*Which of these two options would you support with regards to North Korea and their ongoing nuclear and missile tests: continue to try to reach a peaceful diplomatic or a peaceful diplomatic solution is not working; a military one is needed?*"

The recently released results, which represent the opinions of more than one-billion of the world's population (Australia, Austria, Bulgaria, France, Germany, Georgia, Hong Kong, Italy, Japan, Pakistan, Russia, South Korea, UK, USA and Vietnam), show that 43% of respondents believe that it is *likely* that North Korea will move forward and use a nuclear weapon, while 46% believe that they will not. On average that one in ten think it *very likely*.

Chart 1: Diplomatic or Military solution vs likelihood of NK to use nuclear weapon (%)



Source: Gallup International Poll

Countries where concern is the greatest include Pakistan (51%), Germany (48%), Australia (49%), Austria (48%) and the UK and US (both 46%). Interestingly, Japan (45%) is significantly more worried than Pyongyang's neighbor South Korea (35%). In fact, in South Korea, the country that is under the greatest direct risk, the overall ratio between the number of respondents reporting *likely* and *unlikely* is 1:2 in favor of *unlikely*.

Despite the fact that Russia currently is occupying parts of Georgia, Ukraine, Moldova and is heavily involved in Syria for the "restoration of the democratic rule of law", the Russian public is the least worried (23%) of all surveyed nations.

In general, the surveys reveal that despite some tense rhetoric in recent weeks a peaceful diplomatic solution of the North Korea crisis is overwhelmingly preferred over a military solution - on average over three-quarters of those polled favored giving diplomacy more time.

A diplomatic solution is the nearly unanimous preference for Russians (96%), while Pakistan and Japan both reveal an even split – 51% favoring diplomacy, 49% military. In South Korea one in three (34%) prefer the military option, while 66% prefer increased diplomacy.

Kancho Stoychev, President of the Gallup International Association said: "This snap poll done across the world in only 10 days reflects the opinion of over one billion people and covers the two US and Russia, the two potentially the most affected countries - South Korea and Japan as well as the two EU heavy weights Germany and France. It's shows the extent to which people are worried about the nuclear activities of North Korea. Despite these fears, a clear majority prefer a diplomatic and peaceful resolution of the crisis. In Japan public opinion is split between peaceful and non-peaceful approaches which is fully understandable because, together with South Korea, Japan carries the highest risk; the logic being that it is better to solve the problem once and forever."

Johnny Heald, Research Director at Gallup International Association, has added that "Despite significant proportions in a majority of those countries surveyed believing that Kim Jong-Un will actually use a nuclear weapon, the majority of people still want to see a diplomatic rather than military response. A military response to a leader with nuclear warheads who has previously launched intercontinental ballistic missiles is possibly considered to be too risky for many of those surveyed. Yet despite having had rockets flown over their territory it is the Japanese that appear to want a tougher response with 49% favoring a military response".

No one knows when or if a military solution would be employed (or if it would be successful if it were). However, one thing is certain, Korea should be united into a single, democratic country. The sooner this happens the better it will be for the Korean people and for world peace.

GORBI is a regional hub for partner organizations and international clients. Since 2003, GORBI remains an exclusive member of Gallup International research network for its two decades of experience in survey research in post-Soviet Union countries, as well as Mongolia and Iraq. This data was provided exclusively to the Financial.

GORBI

Number of Tourists in Georgia Increased by 24.8% in September, 2017

The FINANCIAL -- According to the data of September 2017, 763 729 international visitors visited Georgia, which competes the same period of the previous year with the increase of 20.9%. In September, the number of tourists (24 hours and more) equaled to 380 895 and recorded 24.8% increase in comparison with the same period of 2016.

The number of international travelers in the 9 months of 2017 reached 5 822 835, which is 19.2% more compared to the same period of the previous year. Thereafter, the number of tourists has increased by 28.8% in 9 months, according to Economy and Sustainable Development of Georgia.

In terms of growth of tourism flows, revenues from international tourism increases significantly as in the 8 months of 2017, tourism revenues increased by 29.1% and amounted to 1 859.6 million USD, according to Ministry of Economy and Sustainable Development of Georgia.

In addition to neighboring countries in the 9 months of 2017, the number of visitors from Iran, Saudi Arabia, Ukraine, Israel, Germany and Belarus significantly contributed to the increase in the number of international travelers.

"In the summer of 2017, the number of visitors to all the resorts (Gudauri, Bakuriani, Svaneti, Goderdzi) have increased by 17% compared to the previous year. From this, there was a significant increase in Gudauri, where the number of visitors increased by 300%. As for Bakuriani, by 2017, the number of visitors has increased by 46% compared to 2016 and amounted to 40 265 visitors,"Aleksandre Onoprishvili, Head of Mountain Resorts Development Company, said.

Construction of the Mestia-Hatsvali chairlift, which started in the summer of 2017, will be completed by the end of the year, he said. The open-top 6 seated chairlift, which will be stretched along 1 200 meters, is designed by the world's leading manufacturer of ropeways, cable cars and ski lifts – Doppelmayr.

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FactCheck

GRASS FACTCHECK

Irakli Abesadze:

“The state foreign and domestic debt have doubled.”

Valeri KVARATSKHELIA
FactChek

At a session of the Parliamentary Minority factions, European Georgia – Movement for Freedom member, Irakli Abesadze, stated: “You have doubled the domestic debt. The Georgian Dream government added approximately GEL 1.5 billion to the domestic debt. This year, for the first six months, you took GEL 12 million more in debt than was officially planned. On the other hand, you failed to take approximately USD 200 million of the foreign debt which normally is supposed to be spent on infrastructure... I’m talking about foreign debt, which was doubled in total, whilst the foreign debt to GDP ratio increased by 10% and the total debt now constitutes 45% of our economy.”

FactCheck took interest in the accuracy of the statement.

Georgia’s domestic debt was GEL 1.89 billion (7.2% of the country’s GDP) by the end of 2012 whilst it increased to GEL 3.47 billion by the end of August 2017. Therefore, the state domestic debt increased by approximately GEL 1.58 billion (by 83.6%). Together with absolute numbers, the domestic debt to nominal GDP ratio increased from 7.2% to 9.4%.

According to the 2017 State Budget Six Month Fulfilment Report, the growth figure of domestic financial obligations this year constitutes GEL 264.6 million which is GEL 11.9 million more as compared to the planned amount. At the same time, the growth figure of foreign financial obligations lags behind the planned amount by GEL 210.4 million. Of this amount, which Georgia failed to take, only 28.3% comprises funds of long-term preferential loans whilst the remaining 71.7% comprises budget support loans. Of important note is that for the first six months of 2017, the budget balance increased by GEL 291.6 million (the amount of incomes to budget exceeded the amount of expenses). Therefore, there was no need to take budget support loans.

In 2012, the state foreign debt was GEL 7.22 billion whilst the total state debt constituted GEL 9.11 billion. As of 2017, these figures increased to GEL 12 billion (by 66.3%) and GEL 15.5 billion (69.9%). However, the widely used method to analyse the amount of debt is the debt to nominal GDP ratio. As of 2016, the state foreign debt and the total state debt to nominal GDP ratio increased by 7.6 and 9.7 percentage points respectively as compared to 2012 and now constitute 35.2% and 44.64%, respectively.

At the same time, in the process of analysing the foreign debt volume, we have to take into account that obligations are denominated in foreign currency. Therefore, the national currency exchange rate affects both the changes in the foreign debt figure denominated in GEL and the foreign debt to GDP ratio. The tendency of growth for the GEL denominated foreign debt is largely stipulated by the depreciation of the GEL exchange rate. The USD denominated foreign debt increased by only USD 54 million in the period of 2012-2016 whilst the GEL denominated foreign debt increased by GEL 589 million. Georgia’s nominal GDP increased by 29.63% in 2012-2016. Therefore, if the GEL exchange rate had remained constant, theoretically, the foreign debt to GDP ratio would have decreased.

CONCLUSION

IN THE PERIOD BETWEEN 2012 TO AUGUST 2017, GEORGIA’S DOMESTIC AND FOREIGN DEBTS IN ABSOLUTE NUMBERS INCREASED BY 83.6% AND 66.3%, RESPECTIVELY. THE DOMESTIC DEBT TO GDP RATIO INCREASED FROM 7.2% TO 9.4% IN 2012-2016 WHILST THE STATE FOREIGN DEBT TO NOMINAL GDP RATIO INCREASED FROM 27.6% TO 35.2%. HOWEVER, CHANGES IN THE NATIONAL CURRENCY EXCHANGE RATE SIGNIFICANTLY AFFECT BOTH THE FOREIGN DEBT AND THE FOREIGN DEBT TO GDP RATIO FIGURES. HAD THIS FACTOR BEEN EXCLUDED, THE GROWTH OF FOREIGN DEBT IN ABSOLUTE NUMBERS WOULD HAVE BEEN NEGLIGIBLE WHILST THE FOREIGN DEBT TO NOMINAL GDP RATIO WOULD HAVE REDUCED, TAKING INTO ACCOUNT THE ECONOMIC GROWTH RATE.

IN REGARD TO 2017 STATE BUDGET FULFILMENT FIGURES, ACCORDING TO THE JANUARY-JUNE BUDGET FULFILMENT REPORT, THE GROWTH OF DOMESTIC OBLIGATIONS EXCEEDS THE PLANNED AMOUNT BY GEL 11.9 MILLION WITH THE GAP BETWEEN WHAT WAS BORROWED AND WHAT WAS SUPPOSED TO BE BORROWED CONSTITUTING GEL 210 MILLION. HOWEVER, OF THIS GEL 210 MILLION WHICH GEORGIA HAS NOT YET TAKEN, ONLY 28.3% COMPRISES LONG-TERM INVESTMENT LOAN FUNDS WHILST THE REMAINING 71.7% CONSTITUTES BUDGET SUPPORT LOANS.

FACTCHECK CONCLUDES THAT IRAKLI ABESADZE’S STATEMENT IS **MOSTLY TRUE**.

MOSTLY TRUE

EUROPEAN ENDOWMENT FOR DEMOCRACY
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EU Foreign Direct Investment (FDI) in India increased in 2015 to €6.2 bn

The FINANCIAL -- India is the EU’s ninth biggest trading partner after South Korea and ahead of Canada, accounting for 2.2% of total extra-EU trade in goods in 2016 (compared with 1.8% in 2006). Over this 10-year period, the value of EU imports from India almost doubled (from €22.6 bn in 2006 to €39.3 bn in 2016). The value of EU exports to India also substantially increased, albeit more moderately than imports (+56%), from €24.2 bn to €37.8 bn.

As a result, the EU trade balance with India, which had always been in surplus from 2006 to 2012, has since turned into a deficit reaching -€1.6 bn last year.

EU balance for services turned into deficit last year

In 2016, India was the seventh biggest EU trading partner in services, after Canada and ahead of Hong Kong and Brazil. It accounted for 2% of total extra-EU trade in services.

EU exports of services to India increased by 11% between 2014 and 2016, from €12.5 bn to €13.8 bn. In the meantime, imports increased more rapidly, from €11.7 bn in 2014 to €14.7 bn in 2016 (+25%). As a result, the EU surplus in trade in services with India recorded in both 2014 and 2015 turned into a deficit (-€0.8 bn) in 2016.

EU net investor in India

EU Foreign Direct Investment (FDI) in India increased in 2015 to €6.2 bn (compared with €4.8 bn in 2014 and €4.7 bn in 2013), while Indian investment flows into the EU stood at €1.1 bn in 2015. This means that the EU is a net direct investor in India.

Over this period, the total FDI positions of the EU in India, which reached €62.8 bn by the end of 2015, remained significantly higher than those of India in the EU (€14.7 bn).

2017 University Graduates Cling to Human Elements Despite Digital Fluency

The FINANCIAL

A new study by Accenture shows that three in four new university graduates believe their education prepared them for today’s digital workforce. Despite their digital native prowess, only 19 percent of these new graduates prefer web communications tools, while nearly four in ten (39 percent) favor face-to-face interactions with colleagues.

Across all countries surveyed, most new graduates—those graduating in 2017—have already taken digital or computer science related courses when they begin their first job—ranging from 66 percent in the United Kingdom to 76 percent in Germany—bringing a highly marketable digital mindset with them. Having this experience, a majority of new graduates welcome artificial intelligence (AI) and other advanced technologies, ranging from 56 percent in Spain to 70 percent in Italy, believing these new technologies will enhance their work experience. Yet, new graduates rated communication as well as problem solving skills (both 38 percent) as skills that would make them most attractive to potential employers.

“It is not surprising that these digital natives are less worried about their competency with emerging technologies,” said Mary Lyons, Managing Director, Accenture Strategy, Talent & Organization, Global Lead. “For them, working alongside technology is less daunting than mastering the softer skills of communication, problem solving and management. They have grown up in a connected world where humans and machines have coexisted for as long as they can remember.”

Recent Graduates Are Rethinking Their First Job Choice

In addition to being prepared for a more digital workforce, the study also found that as university graduates gain “real-world” experience, their desire to work for large companies grows. For instance, among recent graduates—those who graduated in 2015 or 2016—nearly one in three want to work for a large company. In addition, the majority of recent grads (from 54 percent in the U.S. to 72 percent in France) feel underemployed and are in a job they feel doesn’t require their degree. These same graduates are nearly three times more likely to stay with employers if their skills are fully utilized.

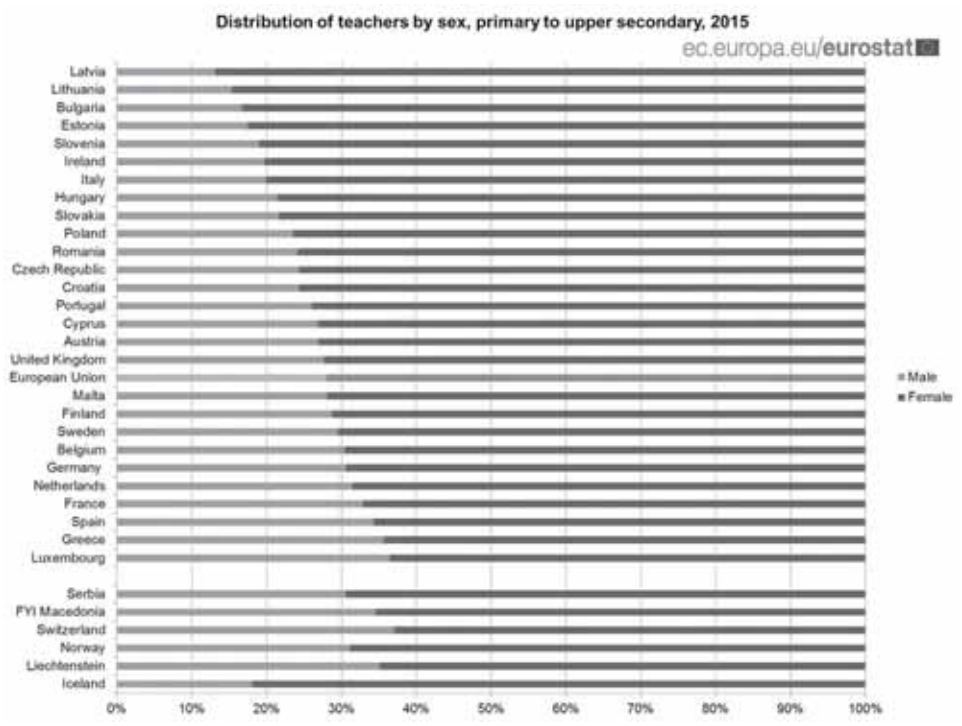
“Large companies need to show new graduates that they are a valuable first choice as a place to start their careers,” continued Lyons. “Large companies are often better positioned to provide the job security, learning opportunities and career paths that new graduates desire.”

New Entrants to the Workplace Take on a Future Forward Mentality

New graduates are well prepared to enter the workforce. 82 percent of 2017 graduates will have completed an internship or apprenticeship—in Germany, 93 percent—showing an appreciation for the need to bring practical skills to the table from Day One as they embark on their careers.

The future workforce is also flexible, as the vast majority of new graduates are willing to relocate to another city or region for the right job offer, ranging from 75 percent in the U.S. to 89 percent in Spain. Nearly half of new graduates (49 percent) consider it acceptable to work on weekends or evenings, while 84 percent of new graduates would consider taking an internship after graduation if it would help them land a job.

Teachers in the EU



The FINANCIAL – In 2015, 5.7 million people worked as school teachers in the European Union (EU). These are teachers who work at primary through to upper secondary level.

Women were largely predominant, accounting for 72% (4.1 million teachers).

Of the teachers working in the EU, 0.5 million (9% of the total) were under 30 years old, while 2 million (around 36%) were aged 50 or older.

More than 85% of teachers are women in Latvia and Lithuania

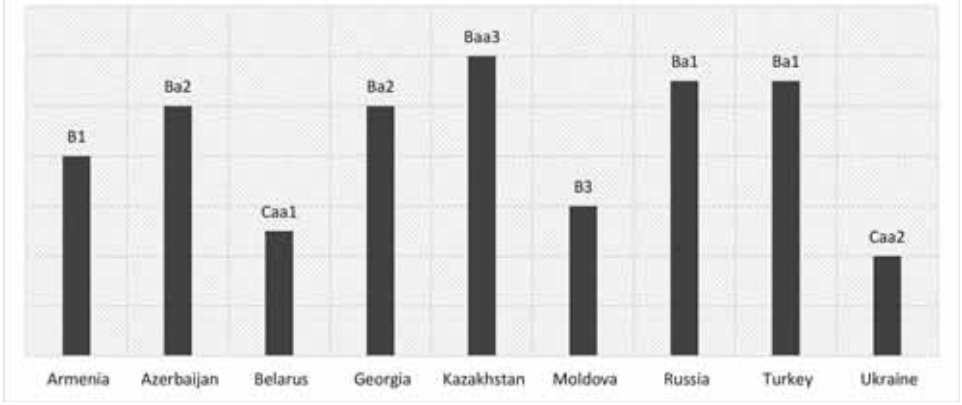
In all EU Member States, school teachers in 2015 were predominantly female. The share of female teachers was the highest in Latvia (87%), Lithuania (85%), Bulgaria and Estonia (both 83%), Slovenia (81%), Ireland and Italy (both 80%).

More than half of teachers have reached the age of 50 in Italy

36% teachers in the EU primary and secondary schools were 50 or more years old in 2015. In Italy, more than half of teachers fell in this age group (57%). High shares were also registered in Bulgaria (48%), Estonia and Lithuania (both 47%), Latvia and Germany (both 45%).

9% of teachers in the EU were over 60 years old, with the highest shares in this age group found again in Italy (18%) and Estonia (17%).

One Notch More Attractive to Investors with Deep Pockets



Continued from p. 4

election year immediately after a rating downgrade are 27% more likely to lose at the polls. Governments going into an election year with a negative rating outlook run smaller budget deficits compared to those with positive or stable outlooks.

Immediate Consequences

Driven by Moody's upgrade of Georgia's government bond ratings, which indicates the government's improved capacity to provide needed support to commercial banks, Moody's has upgraded JSC Bank of Georgia's (BoG) and JSC TBC Bank's local-currency deposit ratings to Ba2 from Ba3, and their foreign-currency deposit ratings to Ba3 from B1. BoG's senior unsecured foreign-currency debt rating was also upgraded to Ba2 from Ba3. The ratings continue to carry a stable outlook. In other words, most immediately, two major financial institutions will be able to access international capital markets at a lower cost, albeit slightly, which could lead to positive developments for these institutions and subsequently for the whole Georgian economy.

Given the very strong similarity in credit rating methodologies of the three major agencies, it is very likely that the two other agencies, Standard & Poor's and Fitch Group, will also upgrade Georgia's ranking, which will reinforce Georgia's image as a one notch more secure place for lending and investment. However, one has to keep in mind that the market is more sensitive to negative news, compared to positive, and therefore this upgrade comes with increased responsibility for fiscal discipline and sound monetary policy.

FactCheck

GRASS FACTCHECK

Roman Gotsiridze:

THE PARLIAMENT OF GEORGIA

"In a period of two months, the Ministry of Finance of Georgia has lent GEL 500 million to banks. The GEL depreciation started from that period."

Mariam CHACHUA
FactChek

On 20 September 2017, at a session of the Parliament of Georgia, Roman Gotsiridze stated: "Since 5 July 2017, the Ministry of Finance of Georgia has lent GEL 0.5 billion to commercial banks as three-month long deposits. From the period when that money appeared in circulation, GEL started to depreciate." According to the statement, Mr Gotsiridze believes that this latest depreciation of GEL was caused by the aforementioned decision of the Ministry of Finance.

FactCheck verified the accuracy of the statement.

With the aim of the efficient management of state funds and receiving additional revenues, the State Treasury started to deposit free funds in commercial banks beginning in July. The first auction was held on 4 July 2017 and GEL 50 million was deposited from the state budget to commercial banks for a duration of three months. Since July 2017, the GEL 50 million deposits have been transferred from the State Treasury to commercial banks on a weekly basis. The last auction was held on 5 September 2017 and a total of GEL 500 million was deposited from the State Treasury in commercial banks between July and September.

By depositing the government's funds in commercial banks, the ability of banks to issue loans increased which was reflected in the money supply. If we take a look at the money supply dynamics, we will see that in the period of June-August the monetary base (without foreign currency) increased by GEL 325 million whilst it increased by GEL 685 million (22%) as compared to August 2016. In regard to broad money (money supply plus deposits in the national currency), the amount of broad money has increased significantly since June with the money supply having increased by GEL 888 million (13.5%) between June and September.

Under the floating currency exchange regime, the GEL exchange rate is determined by the ratio of GEL and USD on the currency market. All other things being equal, the reduction of USD inflows and/or an increase in the amount of GEL in circulation causes the depreciation of the GEL exchange rate.

GEL started to depreciate in the second half of August. In that period, the amount of money deposited by the Government of Georgia in commercial banks was GEL 400 million. Since the start of the GEL depreciation process, the government deposited an additional GEL 100 million in commercial banks. Since 5 September 2017, however, no further auctions vis-à-vis depositing money have been held. From August to September, the GEL to USD exchange rate depreciated by GEL 0.09.

Several factors such as economic growth, the dynamics of the balance of payments and the population's expectations affect the determination of the currency exchange rate. At this moment, the balance of payments figures have not yet been published and so it is diffcult to assess the extent to which the decreased USD inflow has affected the exchange rate. However, according to the National Bank's reports, revenues from abroad have a tendency of growth. Specifically, in the period of January-July 2017, tourism incomes increased by 28.5% whilst the volume of remittances grew by 20% (USD 134 million). The information in regard to foreign trade statistics is also promising. At this moment, we are informed that Georgia's trade balance from January to August improved by USD 28 million as compared to the same period of the previous year.

Even though we do not have the full figures for the balance of payments, we have to take into account the fact that the number of tourists as well as tourism incomes decrease in September and October. If the decrease in tourism incomes is not compensated by another operation from the balance of payments, the amount of USD in the country will reduce and this in turn results in the depreciation of GEL. In light of decreasing incomes in USD, increasing the amount of GEL in the economy provides additional pressure on the national currency exchange rate.

The reason for the depreciation of GEL in September, together with increased M2, could have been the decreased USD inflow to the country. However, in order to assess the full picture, it is necessary to have the loan capital dynamics as well as the current balance of payments figures which will not be published until the end of this year.

CONCLUSION

DEPOSITING THE GOVERNMENT OF GEORGIA'S FUNDS IN COMMERCIAL BANKS HAS INCREASED THE BANKS' LOAN RESOURCES AS REFLECTED IN THE MONEY SUPPLY IN THE ECONOMY. IN FACT, IN JUNE-AUGUST, MONEY SUPPLY INCREASED SIGNIFICANTLY WHICH WOULD CAUSE A DEPRECIATION OF GEL UNDER REDUCED USD INFLOWS. THE FULL INFORMATION ABOUT USD INFLOWS IS GIVEN IN THE BALANCE OF PAYMENTS. AS THE BALANCE OF PAYMENTS FIGURES ARE NOT YET AVAILABLE, IT IS DIFFICULT TO ASSESS WHAT HAS AFFECTED THE GEL EXCHANGE RATE. THEREFORE, AT THIS MOMENT, **FACTCHECK** LEAVES ROMAN GOTSIRIDZE'S STATEMENT **WITHOUT A VERDICT**.

WITHOUT A VERDICT

EUROPEAN ENDOWMENT FOR DEMOCRACY
G|M|F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION
Kingdom of the Netherlands

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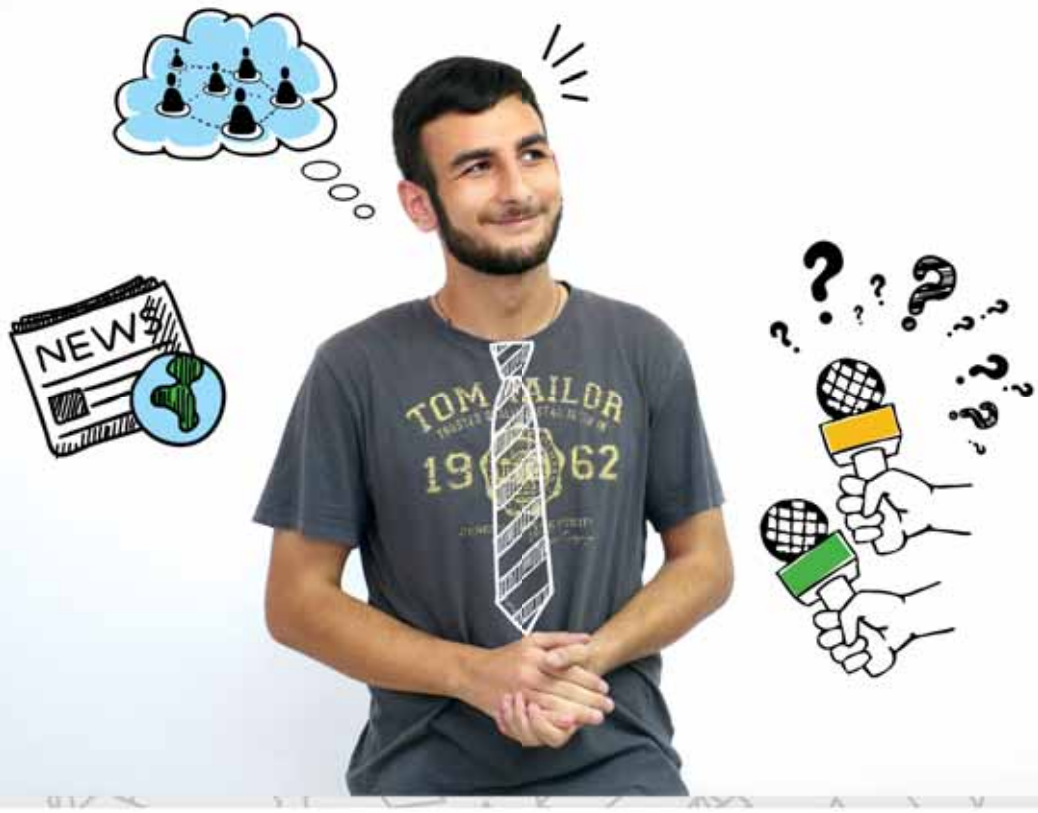

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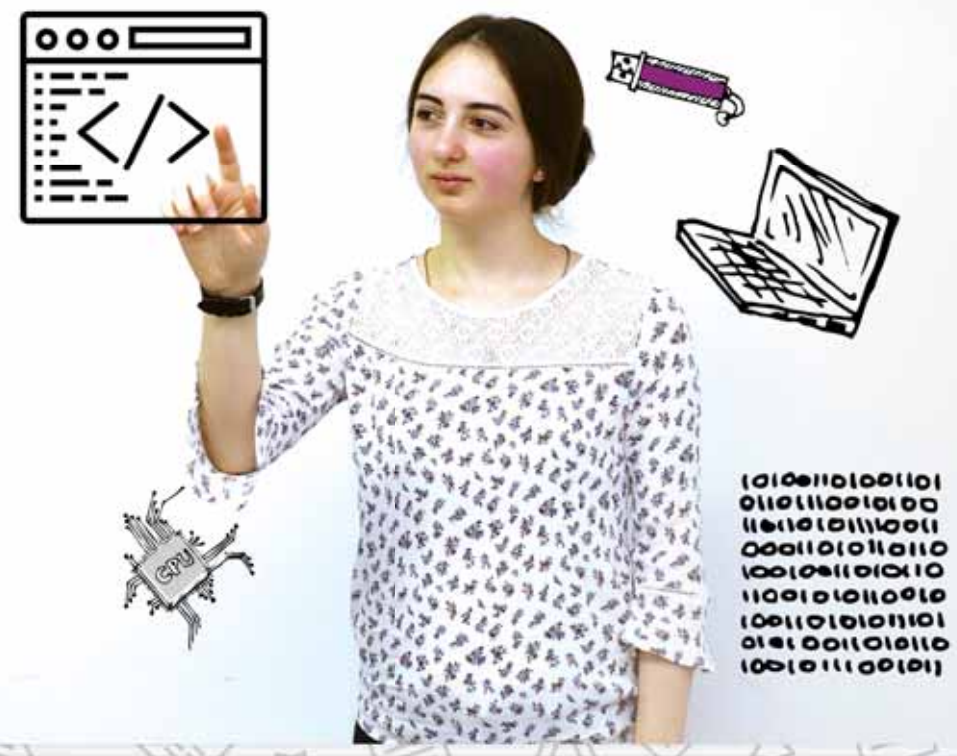

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MERAB PACHULIA, GORBI

Georgia's pre-election media environment and its well-established narrative

Cathode rays were discovered in 1869, followed by the invention of the cathode ray tube (CRT). Finally, in 1934 the German technology company Telefunken produced the first commercial TV box, delivering a huge blow to print media as the main source of public information. Today, it is television's influence that has started to wane as the internet has slowly crept into people's homes and become accessible to large swaths of the public. This has left TV's reigning power as the main source for news and information in steep decline.

Nevertheless, television is still the most frequently used source of information in Georgia, and its penetration is almost universal. Based on GORBI's recent survey of Tbilisi residents, four in five (81%) cite television as their main source of news and information, 69% cite the internet, 23% newspapers and magazines and only 12% cite the radio as their chief source of information. As far as social media is concerned, Facebook is the clear champion with 80% of respondents using it at least once a week) social media compared to others platforms like Odnoklasniki and Vkontakte at 12% and 7% respectively.

In the previous column, we discussed a new tool called TVGraph, which is a hybrid of the traditional media monitoring and TV viewership data. TVGraph is unique because it can detect how many people watched biased news (commonly referred to as fake news) and who the "affected" people are in terms of demographic characteristics.

It is commonly agreed that journalists are obliged to present stories in a balanced manner in which all sides are given equal representation and facts are provided without a subjective flavor. In addition, they are not supposed to attribute epithets to any object and the tone in which it is mentioned (except in rare cases and you can read online about this in the previous column) should be neutral – neither positive nor negative.

The TVGraph project monitors several objects, three of which I will call your attention to. The data presented below is based on the previous four weeks of monitoring. Let's start with the Central Election Commission (CEC) and its mentions in the top news programs.

According to Table 1, the CEC seems to be the most active topic for Rustavi 2, as it has attributed half of the negative tones from all (24 out of 48). It is interesting to see that the number of TV viewers column does not depend only on the number of times something was mentioned during the TV broadcast, but also on the distribution of those mentions among the channels. The CEC was mentioned 37 times on Adjara TV reaching 18,000 viewers in total. Conversely, IMEDI TV mentioned the CEC just 13 times but reached a total of 309,000 viewers. Therefore with twice as few mentions than Adjara TV, IMEDI TV's mentions of the CEC were watched by 17 times more people.

Another example from the project is how Georgian news programs are treating the two key political parties – Georgian Dream (GD) and the United National Movement (UNM).

On all 13 television channels listed in Chart 1, the number of negative tones towards the Georgian Dream is considerably higher compared to the number its political rival the UNM received. Proportionally, from all television stations, Trialeti TV has the worst ratio for the tone of mentioning (23:1), but it terms of how many television viewers saw biased reporting, Rustavi 2 and Imedi TV combined have attracted 77% of them, thanks largely to their high ratings. In addition, on all television stations, the Georgian Dream has been mentioned sevenfold more in a negative tone than the UNM.

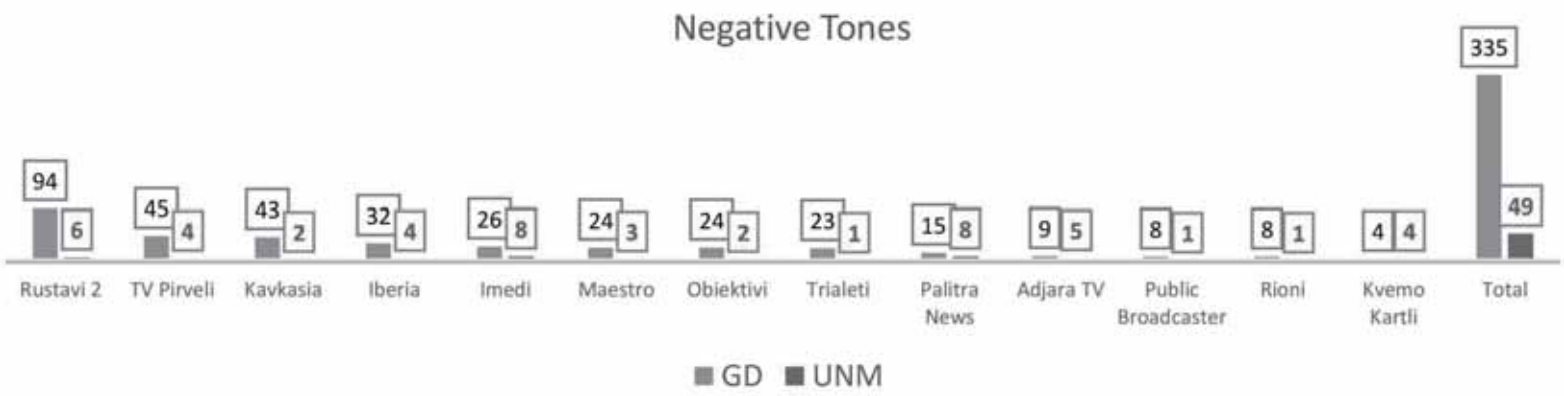
NB:The situation is much worse if one compares negative tones attributed to the Tbilisi mayoral candidates, as Khaki Kaladze of the Georgian Dream featured 47 times negatively, while the second highest (3 cases) mentioning was Elene Khoshtaria of the party Liberty - European Georgia.

Political parties should be heavily monitored in order to best serve the people. Nonpartisan and professional journalism is one of among very few instruments that democratic society can employ. The media environment in Georgia leading up to elections seems to have a well-established narrative to attribute negative tones to the Georgian Dream and its mayoral candidate and to the strongest opposition party – the UNM.

Note: I would like to extend a special thank you to Ani Lortkipanidze from TMI who assisted with analysis and charts featured in this article. GORBI is the exclusive member of Gallup International research network and has more than its two decades of experience in survey research in the region. gorbi.com

GORBI is a regional hub for partner organizations and international clients. Since 2003, GORBI remains an exclusive member of Gallup International research network for its two decades of experience in survey research in post-Soviet Union countries, as well as Mongolia and Iraq. This data was provided exclusively to the Financial.

Chart 1: Georgian Dream (GD) vs United National Movement (UNM)(%)



Source: GORBI/TMI pilot project TVGraph. 15 TV stations' main news programs were monitored and data was unified (fused) with TV viewership information

Table 1: Central Election Commission (percentage of negative tones; time devoted and viewers attracted)

		Negative Tone		Neutral Tone	
Television	Duration	# of mentioning	# of viewers (000)	# of mentioning	# of viewers (000)
Total:	**0:53:06**	**48**	**378**	**204**	**565**
Rustavi 2	0:11:35	24	279	21	**305**
Kavkasia	0:04:28	9	7	14	15
Adjara TV	0:06:25	6	6	31	18
DIA	0:03:19	2	0	11	0
TV Pirveli	0:04:04	1	15	17	38
Imedi	0:02:35	1	120	12	309
Maestro	0:02:11	1	3	10	8
Trialeti	0:00:52	1	0	6	1
Rioni	0:03:16	1	1	12	3
Obiektivi	0:04:52	1	0	16	8
TV Palitra	0:00:53	1	2	3	4
Public Broadcaster	0:01:57	.	.	13	74
Iberia	0:01:40	.	.	13	13
Kvemo Kartli	0:04:36	.	.	23	4
Odishi	0:00:23	.	.	2	0

Source: GORBI/TMI pilot project TVGraph. 15 TV stations' main news programs were monitored and data was unified (fused) with TV viewership information

GORBI

CORRECTION:

A picture of Merab Pachulia, GORBI in print edition of The FINANCIAL with ISET article last week was published in error.

Article - Georgia's Pre-election Media Environment and its Well-established Narrative by Merab Pachulia, GORBI was intended to be published last week. The FINANCIAL sincerely apologises to the individual for embarrassment and distress the mistake has caused.

The FINANCIAL welcomes complaints about errors that warrant correction. Messages can be e-mailed to editor@financial.ge | Comments on editorials may be e-mailed to editor@financial.ge

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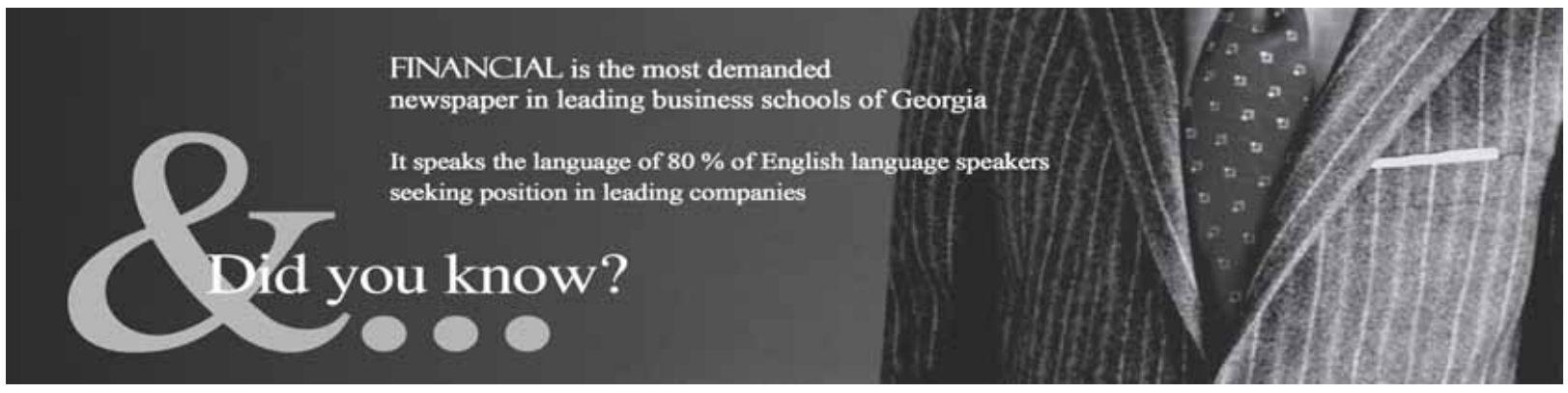

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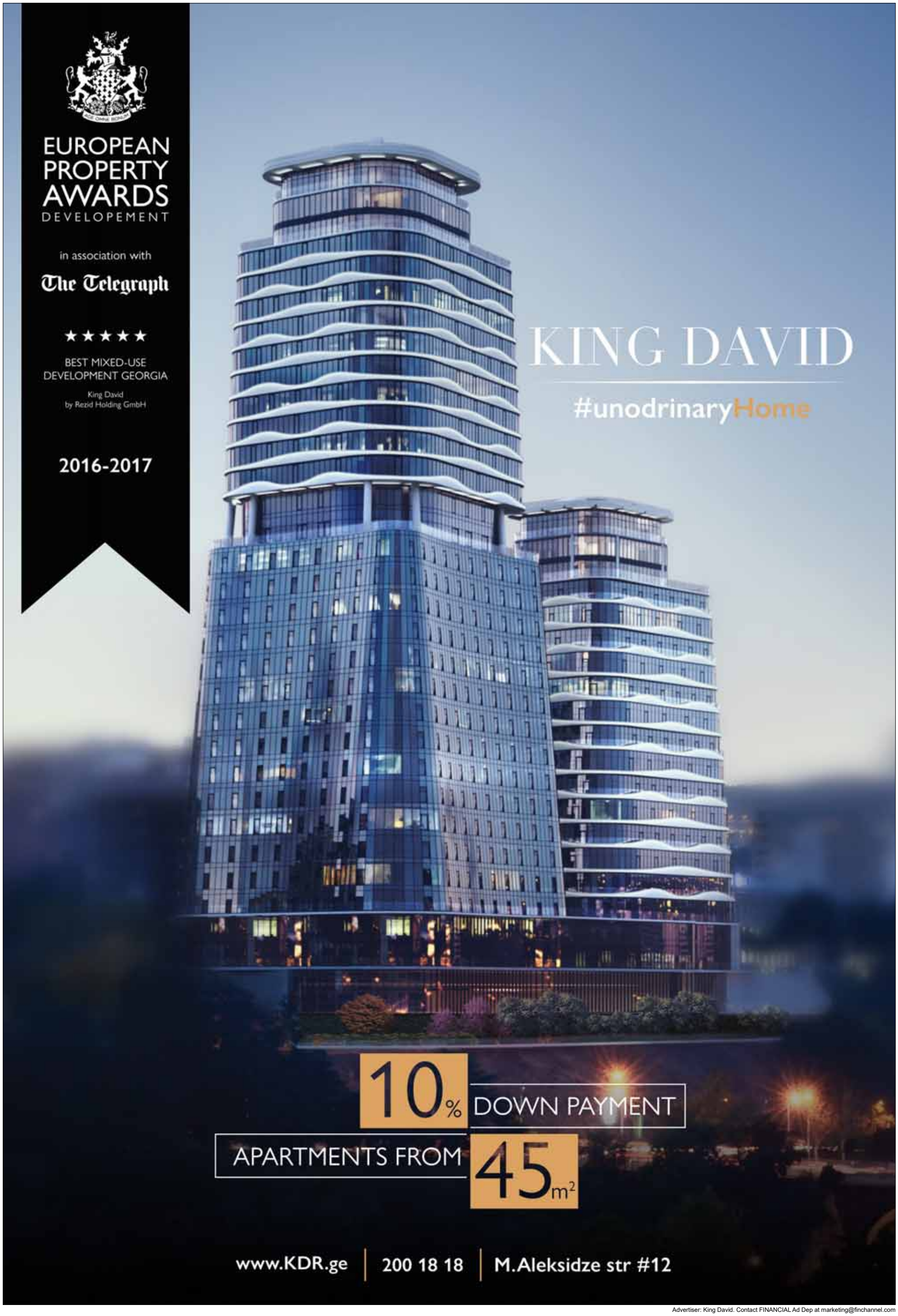

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ECONOMY

Tourist arrivals up 24.8% y/y in September 2017

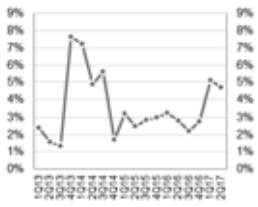
Total international arrivals to Georgia increased 20.9% y/y to 0.76mn visitors in September 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 24.8% y/y to 0.38mn persons (49.9% of total) in September after posting a 27.2% y/y growth in August 2017. Out of top countries by arrivals, in September 2017, visitors continued to increase from Armenia (+11.8% y/y), Russia (+32.0% y/y), Iran (+80.0% y/y), Azerbaijan (+15.6% y/y), and Ukraine (+0.2% y/y). Arrivals from EU were up 28.0% y/y to over 42,200 visitors. In 9M17 international arrivals increased 19.2% y/y to 5.8mn visitors, while tourist arrivals increased 28.8% y/y to 2.8mn.

Key macro indicators

	8M17	2016	2015
GDP (% change)	4.3%	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.7%	1.8%	4.9%
Gross reserves (US$ 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 8M17

Real GDP growth, %



Source: GeoStat

Georgia sovereign credit ratings

S&P	Moody's	Fitch
BB-	Ba2	BB-
Stable	Stable	Stable
Affirmed	Affirmed	Affirmed
Nov-2016	Sep-2017	Mar-2017

Source: Rating agencies

International ranking, 2016-17

Ease of Doing Business
16 (regional leader)

Economic Freedom Index
13 (mostly free)

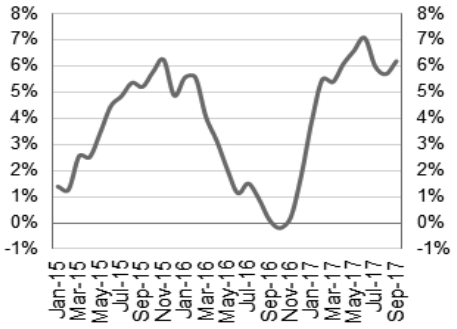
Global Competitiveness Index
59 (improving trend)

Source: World Bank, Heritage Foundaition and World Economic Forum

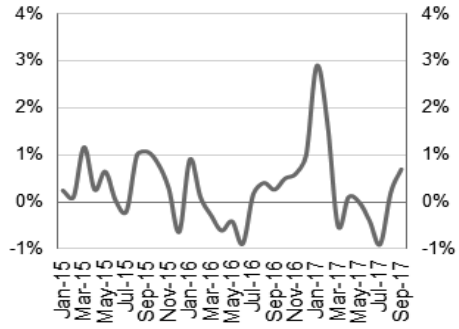
Inflation was up 6.2% y/y and up 0.7% m/m in September 2017

The annual CPI inflation retreated to 6.2% in September 2017 from 5.7% inflation in previous month, according to GeoStat. Core inflation was 4.5% in September, up from 4.3% in previous month. Overall price changes were driven by price increases in food and non-alcoholic beverages (+6.5% y/y, +1.96ppts), transport (+14.7% y/y, +1.84ppts), and alcoholic beverages and tobacco (+17.4% y/y, +1.13ppts) categories. On a monthly basis, there was 0.7% inflation in September 2017. Price increase in food and non-alcoholic beverages (+1.2% m/m, +0.36ppts) and transport (+1.8% m/m, +0.25ppts) categories were the major drivers of monthly Inflation dynamics.\

Annual CPI inflation (% change, y/y)

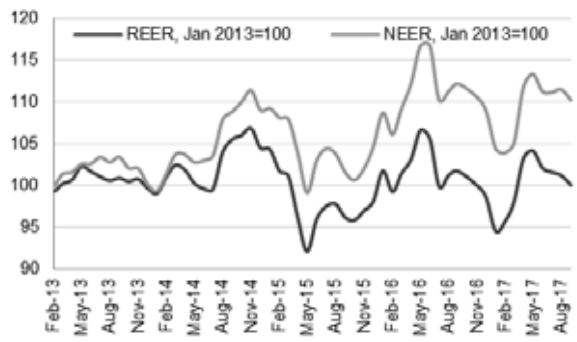


Monthly CPI inflation (% change, m/m)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



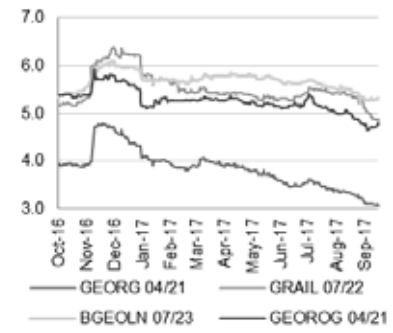
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.3 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 106.3 (+0.2% w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.5 (unchanged w/w), yielding 5.0%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.4 (unchanged 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	GEOROG 04/21	BGEOLN 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-/-/-	-/-/-	-/-/-	-/-/-	BB-/-/Ba2	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US$	n/a	101.4	101.2	100.0	100.0	106.3	103.3	112.4	111.5
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.0	4.8	5.3	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	286.1	119.6	298.0	324.8

** Source: Bloomberg*
**GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari*
***Coupon rate 3.5% over the NBG's refinancing rate*
****Coupon rate 4.0% over the NBG's refinancing rate*

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	4.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	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	2.8
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 33.71/share (+3.40% w/w and +1.32% m/m). More than 286k shares traded in the range of GBP 32.18 – 33.84/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.44% w/w and gained 2.59% m/m. The volume of BGEO shares traded was at 0.73% of its capitalization.

TBC Bank Group (TBCG LN)

Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 16.79 (+1.14% w/w and +1.76% m/m). More than 85k shares changed hands in the range of GBP 16.17 – 17.17 share. Averaged daily traded volume was 31k in the last 4 weeks.

Georgia Healthcare Group (GHG LN)

Source: Bloomberg

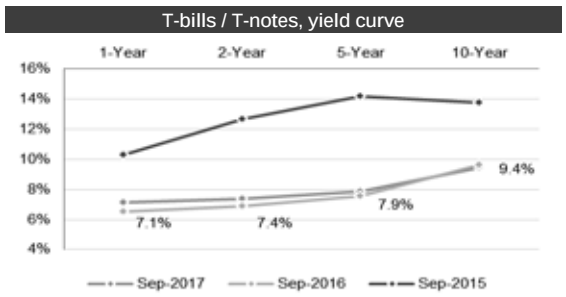
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.95/share (unchanged w/w and -15.23% m/m). More than 155k shares were traded in the range of GBP 2.90 – 3.08/share. Average daily traded volume was 44k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 970mn (US$ 392.9mn).

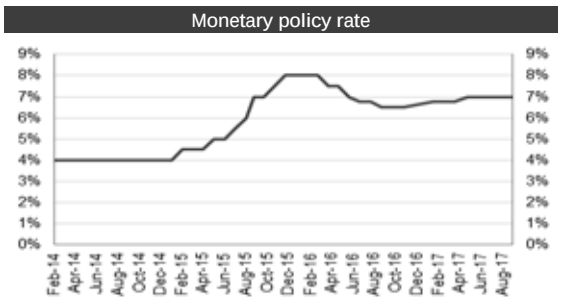
Ministry of Finance Treasury Bills: 1-year GEL 30.0mn (US$ 12.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 4, 2017. The weighted average yield was fixed at 7.129%. The nearest treasury security auction is scheduled for October 11, 2017, where GEL 20.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

T-bills / T-notes, yield curve



Source: NBG
**Note: As of latest auction.*

Monetary policy rate



Source: NBG

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Sweet Spot for World Economy Won't Last Beyond 2018, Fitch

The FINANCIAL

The global economy has improved markedly this year and is on course to record its fastest expansion since 2010, but the current favourable mix of strong growth and highly-accommodative macro policies could be as good as it gets, says Fitch Ratings in its latest Global Economic Outlook (GEO).

"Our forecasts imply something of a 'sweet spot' for the global economy in 2017 and 2018 with above-trend growth and still highly accommodative global monetary policies. However, this is not a pattern we expect to persist into 2019 and beyond as output gaps close in advanced economies and monetary policy support is withdrawn," said Brian Coulton, Fitch's Chief Economist.

Fifteen of the 20 countries covered in our GEO saw better-than-expected GDP outturns in 2Q17 and in several cases - including Canada, Russia, Turkey and Poland - the positive surprises were large at over 0.5% (not annualised). Forecasts for 2017 growth have been upgraded for 13 countries and seven countries have seen an increase in 2018 growth forecasts. Global growth has been upgraded to 3.1% in 2017 from 2.9% in June, and 2018 growth has been upgraded to 3.2% from 3.1%.

"Following another forecast upgrade in this GEO we now see the eurozone growing at its strongest rate for a decade in 2017, " added Coulton.

The advanced economies are benefitting from improving labour markets and supportive macroeconomic policies, while growth in emerging markets (EM) is returning to a four-year high following a pick-up in China and demand recovery in many large commodity-producing countries. Simultaneous improvements across most of the major economic regions are being amplified by positive spill-overs from trade linkages. The upturn in Chinese import growth from mid-2016 has been an important factor behind the rise in world trade growth to a six-year high of 5%.

This buoyant picture should be maintained through 2018. The US private investment cycle looks set to improve further and while prospects for tax reform are uncertain, a modest fiscal boost to US growth in 2018 still looks likely. The slowdown we are expecting in China in the near term is relatively modest and all the while China's weight in global GDP is rising - adding to its global growth contribution. Barring a renewed commodity price slump there is space for demand to recover further in EM commodity producers.

However, caution is still warranted on the medium-term growth outlook. Supply-side growth potential in the advanced economies will be dampened by deteriorating demographics and sluggish productivity growth. Current rates of GDP growth are well above Fitch estimates of potential across most major advanced economies. This implies that spare capacity is diminishing and has implications for policy support as current expansionary settings will become harder and harder to justify. And while credit growth in China has recently slowed, it continues to outpace nominal GDP. The process of stabilising debt in China is likely to take a toll on growth in the medium term.

"With the Fed having now announced the start of the process of unwinding quantitative easing and the ECB likely to phase out asset purchases by the middle of next year, central banks in other advanced countries are also now contributing to a shift in the mood music surrounding global monetary policy," said Coulton.

The Bank of Canada has recently raised interest rates twice in rapid succession despite inflation remaining quite low, while the Bank of England has signalled that last years' rate cut could be reversed in coming months if the economy evolves as expected. Even the Bank of Japan looks in practice to be scaling down its rate of purchases somewhat from the official target of JPY80 trillion of government bonds per year.

Geopolitics has re-emerged as a noteworthy risk. The implications of North Korea tensions will be important to monitor, including for US-China relations in the context of the US administration's concerns about the US-China bilateral trade deficit. Eurozone fragmentation risks have fallen since the beginning of the year but forthcoming Italian elections could see eurosceptic arguments regaining prominence and a further sustained escalation in tensions between the Catalonian and Spanish government could imply some downside risks for Spain's recent impressive growth performance. A strong recovery in the dollar could also adversely affect EM capital flows.

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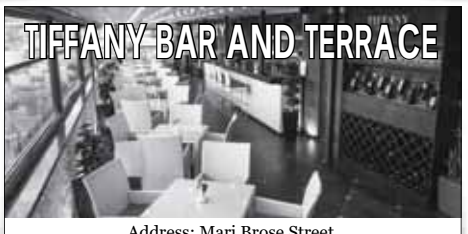
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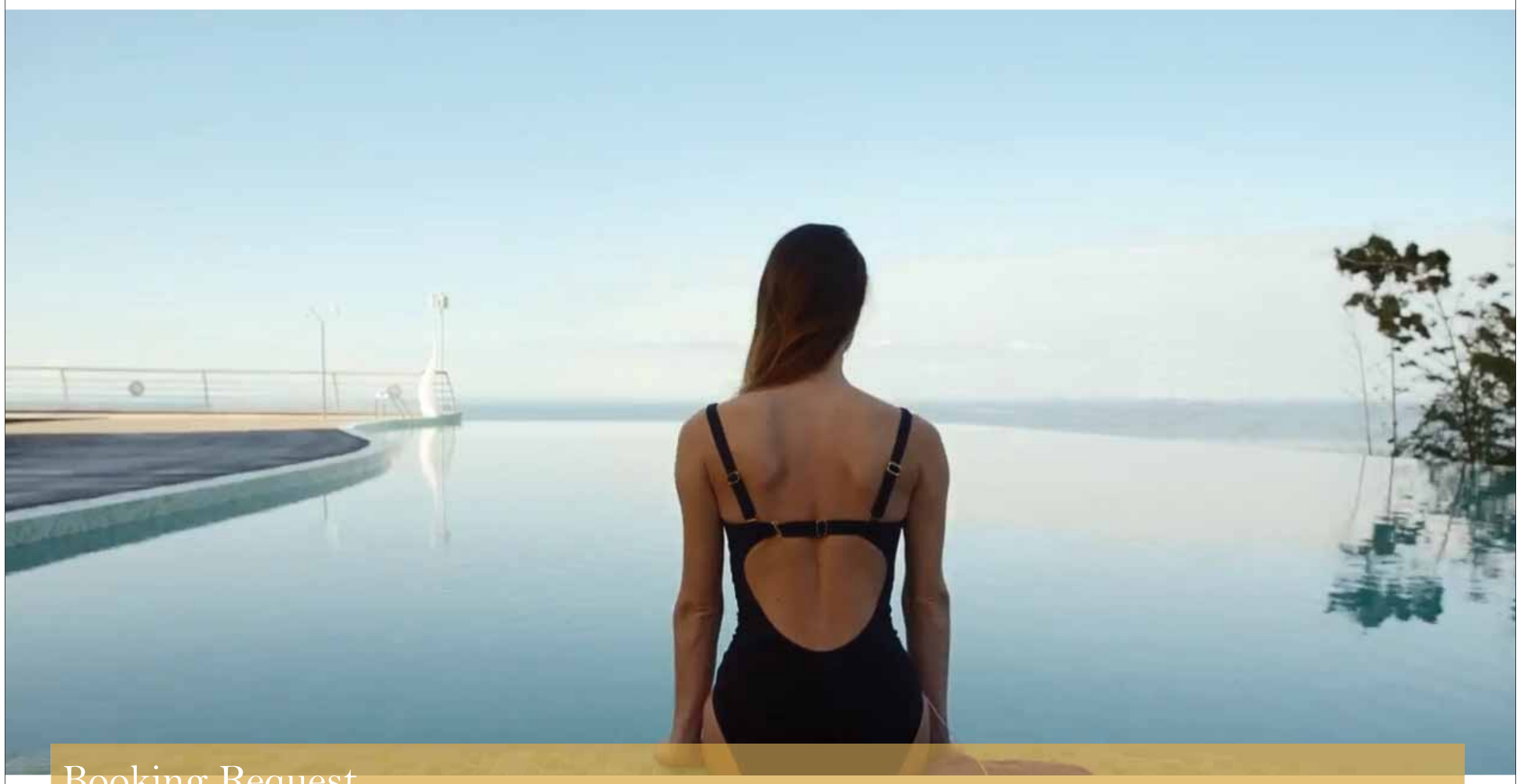

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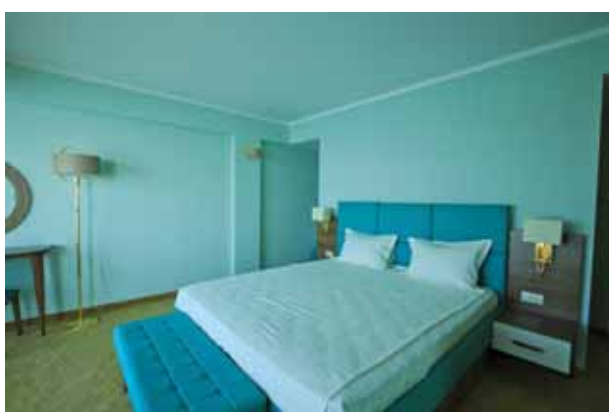

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