



Poland's GDP Growth to Reach 4% in 2017, Before Slowing Down in 2018

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Alcohol Improves Foreign Language Skills

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23 October, 2017

News Making Money

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Larization in Action: the Good, the Bad and the Ugly

The FINANCIAL

Three months have passed since the introduction of the new law forbidding entrepreneurs and companies from making service offers in currencies other than Lari (GEL). The business sector have already had the opportunity to deal with this new regulation so we asked them about the good and bad sides of the new law.

Exempt from the new limits are advertisements aimed exclusively at foreign customers; international transport; roaming services; certain insurance cases; intellectual property ser-

vices; energy import/export; services provided by non-residents; residents dealing with non-residents; energy service provisions on occupied territories and fulfilling international duties. Exceptions are also allowed for banks and travel companies.

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“When it comes to the law, I do not think that Georgia has to reinvent the wheel in its quest for economic

growth. There are enough examples of countries achieving the said objective without interference of this kind, be it in Europe or Asia.

“In my opinion, it is definitely not the case of positive government interference. Instead of regulating the economy, this law undermines certain companies. Not only that, it makes the playing-field uneven for different entities, as there are sectors which are exempt from this rule. Individual entities kept their right to tag a price in foreign currencies, while companies and entrepreneurs are forbidden to do it.”

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Many Sandros can stop out-migration from the regions

Tamta MARIDASHVILI
ISET

If you are big city dweller but have sometimes caught yourself day-dreaming about living in a peaceful and picturesque town or village, you're not alone. Recent studies suggest that more millennials than ever from the developed world are saying good-

bye to their beloved urban centers and moving outside their cities. This trend is a reversal of the rural-to-urban trend of in-migration that has characterized the world since the Industrial Revolution (Ritzer, 2000).

It is interesting to ask who those people are, and why they prefer to move away from cities. In Israel (research by Arnon & Shamai, 2011), these are the people

with high human capital who are educated and employed, and who are driven by “post-materialistic” values and motivated by fulfillment and self-expression, subjective welfare, and the quality of life in a green environment and a meaningful community.

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Renewed optimism for UK investors but bad news for UK assets

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with overall sentiment - across 11 asset classes - rising over the last month (up 0.49% to 4.27%).

Cash saw the biggest increase in popularity this month (up 10.81%), dwarfing the second biggest increase that was returned by emerging market shares (up 2.80%). The move into cash suggests

investors are looking for more ‘safe havens’ in the face of perceived geopolitical uncertainty both at home, and abroad. This would be backed-up by the score for gold, which continues to attract the highest overall sentiment, (44.39%).

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CURRENCIES

	Oct 21	Oct 14
1 USD	2.4864	▼ 2.4808
1 EUR	2.9344	▼ 2.9326
100 RUB	4.3213	▼ 4.3011
1 TRY	0.6784	▲ 0.6787

Georgia's Foreign Trade in January-September 2017

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23 October, 2017

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CURRENT PRICES ON GASOLINE AND DIESEL

23 OCTOBER, 2017, GEORGIA

Gulf		WIPAC		LAKOIL		SIBUR		ROMPETROL	
Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL	
G-Force Premium	2.24	Eko Super	2.27	Euro Super	2.39	Nano Super	2.29	Euro Super	2.38
G-Force Euro Regular	2.11	Eko Premium	2.27	Premium Avangard	2.19	Nano Premium	2.19	Efix Euro Premium	2.32
Euro Regular	2.04	Eko Diesel	2.19	Euro Premium	0.00	Euro Regular	2.05	Euro Regular 93	2.09
G-Force Euro Diesel	2.14	Euro Diesel	2.14	Euro Regular	2.14	Nano Euro Regular	1.99	Efix Euro Diesel	2.20
Euro Diesel	2.04	Euro Regular	2.08	Euro Deasel	2.08	Nano Diesel	1.99	Euro Diesel	2.05
CNG	1.45	Diesel Energy	2.04			GNG			



ISET MA Program in Economics Policy Institute

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AGRINDEX

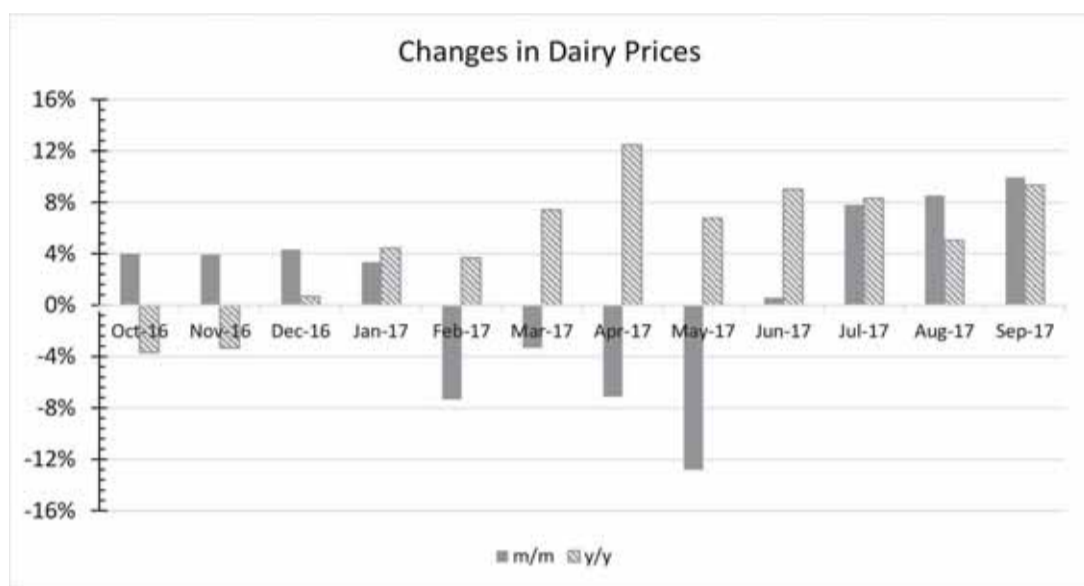


FOR CURRENT DAIRY PRICES, EACH MILKING COW CAN BE A "MILKING COW"

In September 2017 **DAIRY** prices increased by 9.9% compared to August 2017 and this was the biggest month-to-month increase in the last 12 months, while compared to September 2016 the price increase was 9.3%.

More than 10% increase in cheese prices, which was itself driven by almost 15% gain in milk prices, pushed the m/m **DAIRY** prices up significantly in September 2017. The main determinants of such changes were the end of active lactation season (declined supply of domestically produced milk), and yet high number of tourists (high demand on dairy products) in the country. According to the Georgian National Tourism Administration, in September 2017 approximately 381 thousand international tourists visited Georgia and this amount exceeds the corresponding figure of September 2016 by almost quarter.

On the other hand, prolonged winter and extremely hot summer reduced milk production in Georgia in 2017 and kept y/y changes in **DAIRY** prices positive for each month of the current year so far. Milk production statistics for the third quarter of 2017 is not available yet, but the GeoStat's data for the first two quarters of 2017 supports the idea – in the first half of 2017 in Georgia was produced 13 million litres less milk than in the corresponding period of 2016.



For the details of **DAIRY** dynamics, see the chart below. Data source: The Ministry of Agriculture of Georgia

able yet, but the GeoStat's data for the first two quarters of 2017 supports the idea – in the first half of 2017 in Georgia was produced 13 million litres less milk than in the

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It is interesting to ask who those people are, and why they prefer to move away from cities. In Israel (research by Arnon & Shamai, 2011), these are the people with high human capital who are educated and employed, and who are driven by "post-materialistic" values and motivated by fulfillment and self-expression, subjective welfare, and the quality of life in a green environment and a meaningful community.

Not unexpectedly, the wind of post-materialism has not blown through Georgia yet. Quite the opposite; according to census data (2014), more than 340 000 inhabitants have migrated to Tbilisi, while only 94 000 have left Tbilisi to move to the regions. Of course, Tbilisi, despite being crowded and polluted, has a lot to offer that pulls people to move there, including employment opportunities, education and healthcare services, entertainment, etc.



The story of a 27-year-old Telavi boy

Sandro Tchuadze, a native of Telavi, also went to Tbilisi to pursue his bachelor's degree. However, after graduating, he went

back to his hometown and instead of sitting there idly waiting for something to happen, he created opportunities himself.

This is how it all started. One day Sandro got a message from the bank that he had been issued a credit card with a limit of 3,000 GEL. At the time, he was doing logistics and marketing for his family business, which is beer

distribution in the Kakheti region. But the business was developing slowly, and there was not enough work for him to do.

"Why not open my own shop?" This question popped into Sandro's mind. As there was not much to lose (just 3,000 GEL), he searched

Continued on p. 10

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New Hermès Perfume 'Twilly' at Ici Paris

The scent of Hermès girls lands in Tbilisi

The FINANCIAL

Perfume company Ici Paris is welcoming the latest perfume launched by luxury brand Hermès – Twilly d'Hermès. The company presented its chic and trendy fragrance to the media in an intimate atmosphere where one could easily smell the scent's main notes of ginger, tuberose and sandalwood. In Guramishvili Marani, located in Saguramo, a few kilometres from Tbilisi, Hermès' colourful and autumn-bright colours created the perfect atmosphere for the event.

The floral, spicy and exotic Eau de Parfum amazed all the guests.

"Twilly d'Hermès is aimed at young, free and daring women. It's the latest fragrance launched by Hermès. The perfume Twilly d'Hermès is the newest era in Hermès perfumery. It is a new direction for the company. Twilly was developed by perfumer Christine Nagel, who joined the Hermès family in 2014. The perfumer was inspired by the free, bold and unpredictable spirit of young girls," Khatia Shamugia, Head of the Marketing and PR department of Ici Paris, said in her brief and interesting presentation about the brand Hermès and its perfumes.

Perfume has been an integral part of Hermès' history since the 1930s.



In the library of Hermès perfumes, each perfume is a story and opens up an imaginary world. Each scent bears testimony to Hermès' style:

and free. It's the scent that you will never forget and you will never confuse with any other," Shamugia said. "The very bottle of Twilly is excit-

"...FREE, BOLD, IRREVERENT, THEY SWIM AGAINST THE TIDE, IMPOSE THEIR OWN RHYTHM, INVENT A NEW TEMPO,"
CHRISTINE NAGEL, HERMÈS PERFUMER

daring and harmonious; timeless and elegant.

"As is the case with me, perfume fans are not only young girls, but also those women who want to always be reminded of being young

ing. It is meant to resemble a carriage lantern and the lid is meant to resemble a black hat. The neck of the bottle is wrapped with a strand of patterned silk, the same one which is used to create those amazing Her-

mès scarves, available in beautiful colourful prints," Shamugia told The FINANCIAL.

According to Shamugia, Hermès perfumes are among the most popular fragrances with Ici Paris customers and Twilly is expected to be another bestseller.

Hermès, the French luxury brand, is a group of international standing that remains committed to the ongoing renewal and application of savoir-faire, while pursuing its quest for fresh avenues of creativity. Established in 1837 by Thierry Hermès, today, the company employs more than 8,050 people worldwide. Starting as a fine harness-making business, Hermès has grown into a world-renowned brand for the handcrafted, exquisite leather goods, and has also become a major player in ready-to-wear fashion.

Today, the Hermès name ap-

pears on 16 product families: bags and luggage, diaries and small leather goods, saddles, silk, women's ready-to-wear, men's ready-to-wear, jewellery, watches, belts, gloves, footwear, hats, enamel and fantasy jewellery, art of living, tableware, and perfume - and the recently developed Hermès Interior & Design activity: Hermès Intérieur & Design.

In 1949, Hermès debuted their first perfume: Eau d'Hermès. Hermès perfumes became a subsidiary in 1961, the same year they introduced their fragrance Calèche, a masterpiece that instantly transformed Hermès fragrances into one of the main players on the stage of modern perfumery. Other great Hermès perfumes followed, such as Concentre d'Orange Verte for both men and women and Elixir des Merveilles, a popular Hermès perfume for women.

New IDC Spending Guide Forecasts Nearly \$120 Billion in Worldwide Spending on Security Products and Services in 2021

The FINANCIAL

Worldwide spending on security-related hardware, software, and services is forecast to reach \$119.9 billion in 2021, according to a recent update to the Worldwide Semiannual Security Spending Guide from International Data Corporation (IDC).

With nearly every industry investing in security solutions to meet a wide range of threats and requirements, spending is expected to achieve a compound annual growth rate (CAGR) of 9.6% over the 2016-2021 forecast period. Worldwide spending on security products and services will total \$83.5 billion in 2017, an increase of 10.3% over 2016.

IDC expects security spending to be somewhat evenly spread across four

industry sectors in 2017: distribution and services (\$19.7 billion), public sector (\$18.6 billion), manufacturing and resources (\$16.4 billion), and financial (\$16.3 billion). By 2021, however, the financial sector is forecast to move ahead of manufacturing and resources due to a 2016-2021 CAGR of 10.2%. Similarly, public sector security spending will nearly pull even with distribution and services by 2021 with a CAGR of 10.3%. The fastest growing sector over the five-year forecast period will be infrastructure with a CAGR of 11.8%.

"Ever-changing security threats, fear of data breaches, and regulatory compliance will continue to drive security investments across all industries," said Eileen Smith, program director, Customer Insights and Analysis. "On a global basis, banks, discrete manufacturers, and federal/central government agencies will spend the most on security products and services throughout

the forecast. Combined, these three industries will contribute to 30% of the worldwide total spending in 2017."

In addition to being among the industries spending the most on security solutions in 2017, federal/central government and banking will be two of the industries that will see the fastest growth in security spending over the five-year forecast, with CAGRs of 10.9% and 10.7%, respectively. The industry that will see the fastest growth is telecommunications, with a CAGR of 12.6%. This growth will enable telecommunications to become the fourth largest industry in terms of total security spend in 2021, moving ahead of the process manufacturing and professional services industries.

More than 80% of security spending in 2017 will go to services and software. Services spending will be led by two of the largest technology categories – managed security services (\$15.25 bil-

lion) and integration services (\$12.5 billion). Software spending will be focused on three categories – endpoint security, identity and access management, and security and vulnerability management – that will make up more than 75% of the software total this year. Hardware spending will be significantly smaller throughout the forecast, dominated by network security solutions (\$13.7 billion in 2017). In addition to being the two largest technology categories, managed security services and network security will also be the fastest growing categories during the 2016-2021 forecast with CAGRs of 14.3% and 11.4%, respectively.

The largest market for security products and services on a geographic basis will be North America with total spending of \$37.8 billion this year. The second largest geographic market will be Europe, the Middle East and Africa (EMEA) at \$26.2 billion followed by

Asia/Pacific (excluding Japan)(APeJ) at \$11.5 billion. APeJ will see the fastest growth in security spending over the forecast period with a five-year CAGR of 19.9%. Within the region, China and Malaysia will see particularly strong growth with five-year CAGRs of 25.3% and 20.1%, respectively. Latin America is also expected to outperform the overall market with a CAGR of 10.4%.

From a company size perspective, large and very large businesses (those with more than 500 employees) will be responsible for roughly two thirds of all security-related spending throughout the forecast. IDC also expects very large businesses (more than 1,000 employees) to pass the \$50 billion spending level in 2019. Small and medium businesses (SMBs) will also be a significant contributor to BDA spending with the remaining one third of worldwide revenues coming from companies with fewer than 500 employees.

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David ALEKSIDZE
The FINANCIAL

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“In my opinion, it is definitely not the case of positive government interference. Instead of regulating the economy, this law undermines certain companies. Not only that, it makes the playing-field uneven for different entities, as there are sectors which are exempt from this rule. Individual entities kept their right to tag a price in foreign currencies, while companies and entrepreneurs are forbidden to do it.”

“When it comes to my personal experience, it is an overwhelmingly negative one – over 50% of our customers are foreigners, with the bulk made up of people from Azerbaijan, Ukraine, Armenia, Turkey, Iran etc. They often wonder why the price is indicated in Lari: it is confusing to them, as, unlike the Euro or Dollar, which are global currencies and their value is more or less well known, the Lari is not on the same pedestal,” said Ustinov.

“The adaptation process was associated with some expenses, as our IT team had to switch over to the new task of creating a handy system through which customers can convert currency, which was, by extension, associated with some costs. Our communication centre expenses have gone up as well, as the traffic



has increased around 5 times, mainly due to confused foreign customers.”

“I can only speculate, as there are infinite variables when it comes to sales, however, my supposition is that the new law had a pretty severe effect on our sales all throughout this period. When people see the price tag, they are quick to assume that it is indicated in Dollars or Euros, which both cost a couple of times higher than Lari a piece. A foreigner might revisit the website, might see a certain car tagged at 10,000, assume the price is in dollars and never visit the country, thinking that prices have gone up and there is no bargain to be had locally any more, which not only takes a customer away from us, but also prevents them from spending money on local commodities while visiting, for example on a hotel stay.”

Nana Gabunia, owner of Print Georgia, says their website has not been available to the public for the last 3 months because of the new law. “Every day, the Lari exchange rate is changing dramatically, therefore, we have to change the price tags on a daily basis. The materials we buy for our production are all valued in Euros or Dollars, which is why we value our products and services in the aforementioned currencies,” Gabunia said.

“Evaluation of our products happens in foreign currencies, as the materials we buy are almost always imported. For example, German

company Kohler’s expensive paper is sold in Euros, some other ingredients are priced in Dollars. Therefore, the price of a product, too, depends on these two currencies.

“Today, we have to spend more. One of our workers has to manually update prices every day, which is a new function he acquired within the company, so, naturally, we have to pay extra. We lose a lot of time daily. If before we could consistently display the price tag of an item, now we have to calculate our price every time a new order comes. We’ve been in this business for 14 years and we’ve had a lot of customers, but the problems presented by the new regulation did take a toll on our business. For example, in the past, when one Google-searched ‘Glass’ in Georgian, our website would be the first result that would come up. After the problems presented by the regulation wreaked havoc on our web platform, the website moved down to last place on the front page. Our customers are mainly Georgian, and are usually wine or dairy product-related business entities,” said Gabunia.

“Thankfully, our main line of work was not affected. New customers are not coming, as the prices are not indicated. It should be noted that in the past, we were the only printing company which consistently had pricing indicated on its products.”

Ketevan Pachulia, Public Relations Manager of AS Georgia, had a more forgiving view of the legislature, although, even in this case, she

mentioned a very important detail – that of the inflated costs of apartments offered by her company.

“AS Georgia has conducted a sizable project on the Georgian market – Dirsi. The company also produces high quality building materials, provides industrial infrastructure construction services, etc. AS Georgia’s outlook on the Larization process is positive, as stabilization of the Lari will help create an improved business environment in Georgia. We also think that the 1st July regulation makes the customer safer when purchasing,” said Pachulia.

She believes that price setting has not become more difficult: “On the contrary, it has become more dynamic and flexible. It helps the company be more effective and is a right step towards development,” said Pachulia.

“We’ve had a 150% increase in sales this year. Around 70% of flats are already sold. At the same time, though, it should be mentioned that due to currency risks, the prices have spiked by 5-7%,” she added.

“The effect of Larization is largely psychological, the population starts thinking in terms of the national currency,” commented Lasha Labadze, Executive Director of ISET Policy Institute.

“The most important part of the Larization project is banking transaction changes, people now have to deal more in Lari when borrowing or saving. This substantially reduces risks for the financial sector and in-

creases demand on the currency.”

“Prices are more stable in the long run. Instead of changing them daily, which is costly, a company will take currency fluctuation risks into account and act accordingly. In the short term, this might slightly inflate the prices.

“The regulation does not eliminate the currency risks, however, it transfers them from customers to dealers, who, most likely, know better how to evaluate and manage them,” Labadze said.

“This law is absurd and substantially reduces the freedom of Georgian citizens,” believes Alexander Rakviashvili, Dean of the School of Business Administration at Free University of Tbilisi.

“Instead of having the flexibility to choose among many currencies, the Government forces us into settling for Lari, the authority and reputation of which, to be honest, is not that high.

With this legislature, the Government expands its influence and reduces its own responsibility, which is neither good, nor efficient. Discussions about modifying the law are out of the question, I’d say the legislature just has to go.

A Georgian citizen should have the right to choose which currency to use, when and for what purpose. In actuality, this is what will push Georgia towards development, not any legislature pushed by the Government,” commented Rakviashvili, Free University.

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Renewed optimism for UK investors but bad news for UK assets

The FINANCIAL

October sees a recovery for investor sentiment despite prominent geopolitical distractions, according to the latest investor sentiment index (ISI) from Lloyds Bank, with overall sentiment - across 11 asset classes - rising over the last month (up 0.49% to 4.27%).

Cash saw the biggest increase in popularity this month (up 10.81%), dwarfing the second biggest increase that was returned by emerging market shares (up 2.80%). The move into cash suggests investors are looking for more 'safe havens' in the face of perceived geopolitical uncertainty both at home, and abroad. This would be backed-up by the score for gold, which continues to attract the highest overall sentiment, (44.39%).

"Despite Eurozone equities



returning a lower sentiment score versus September, it is not enough to detract from some stellar returns over 12 months, both in sentiment (up 33.75%) and performance (up 26.9%). The

various elections held across Europe recently have seemingly done little to dampen investor appetite", Lloyds bank said.

"Turning attention closer to home, it was a month to forget

for all four UK asset classes surveyed, with UK Property (down 2.33%), UK corporate bonds (down 1.92%), UK government bonds (down 1.13%), and UK shares (down 1.04%) all taking a hit.

"There was a similar story across four of the five equity territories, with only emerging market shares (up 2.80%) recording an increase in sentiment since September. Conversely, US shares saw the biggest drop in sentiment in October (a 2.45% dip, from -2.17% to -4.62%) and are now at their lowest ebb since February this year.

There is a largely positive picture when it comes to actual asset class performance compared with the previous year, with Eurozone equities (up 26.9%), Japanese equities (up 22.5%) and emerging market equities (up 20.7%) all improving. On the flip side, two of the four UK asset classes are in negative territory since this time last year, with UK government bonds (down 5.0%), UK corporate bonds (down 4.9%) and gold (down 4.0%).

Markus Stadlmann, Chief Investment Officer at Lloyds Private Banking, said:

"It might be the month for Halloween but our October sentiment reading suggests that investors are hard to spook!

"The 'yo-yo' nature of our tracker this year may well be eye-catching but the bigger story is that despite all the mounting geopolitical 'noise' out there, sentiment is actually higher now than at this time last year.

"Whilst it's still too early to call, it is looking increasingly likely that the ISI 'success story' for 2017 will be Eurozone equities. Despite a small drop in popularity this month, the overall sentiment recovery (versus 2016) and the performance returns of Eurozone equities (in 2017), has been incredible to watch. The opposite is true for UK assets, which collectively leave room for improvement.

"The core message for this month? Short term tricks shouldn't distract you from aiming for longer term treats."

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fianacial news

Poland's GDP Growth to Reach 4% in 2017, Before Slowing Down in 2018

The FINANCIAL

Poland's economic growth is projected to reach 4.0% in 2017, up from 2.7% in 2016, on the back of robust consumption, a strong labor market, and the child benefit program "Family 500+", according to the World Bank's latest Regional Economic Update, Migration and Mobility in Europe and Central Asia.

In 2018, the Polish economy is expected to slow down, however, due to lower economic activity in Europe and labor shortages in the domestic market.

In May, the World Bank expected Polish gross domestic product (GDP) to reach 3.3 percent in 2017 and 3.2 percent in 2018.

"Economic growth at 4%, fiscal deficit below 3%, and inflation under control – all of this means that the Polish economy is in good shape," says Carlos Piñerúa, World Bank Country Manager for Poland and the Baltic States. "In the medium-term, however, the economy faces certain challenges. For instance, entrepreneurs are already struggling to find workers – an issue that could become exacerbated by the lower retirement age that was put in place in October this year. Poland's policymakers need to focus, therefore, on increasing productivity, investing in human capital, and implementing policies that support the integration of workers from abroad."

The World Bank's forecast for Central Europe for 2017 and 2018 is 3.7% and 3.4%, respectively. The GDP growth estimate for the Europe and



Central Asia region overall has been revised up from 1.9% to 2.2% in 2017, representing the strongest growth in the region since 2011.

Despite these important gains, however, the region still faces challenges that are testing political and economic cohesion. According to the report, new technologies are impacting the distribution of income and wealth, with many workers struggling to adjust to the new skills demand of the digital economy. In addition, the number of full-time, permanent jobs as a share of total employment

has declined, as flexible contracts become the dominant employment arrangement for younger workers. This rise in the share of flexible contracts is increasing the efficiency of firms and individuals, but also creating new forms of inequality and insecurity.

"Growth is returning to the region, which is certainly good news," says Hans Timmer, World Bank Chief Economist for Europe and Central Asia. "At the same time, however, new technologies that provide new growth opportunities are bringing about more flexible labor contracts

and more uncertainty. This has increased anxiety among people. And recent concerns over the influx of refugees can be seen as a manifestation of that heightened anxiety."

The Europe and Central Asia region has experienced a sharp increase in the numbers of refugees and asylum seekers in recent years, from 3.7 million in 2014 to 6.4 million in 2016. This large influx has created new challenges and heightened public concern over migration. The report finds, however, that refugees and asylum seekers account for only a small share of total

migrants in countries across the region – with the exception of Turkey, which was host to 3.1 million refugees in 2016.

Migration has played an important role in meeting demands for labor, supporting trade, and encouraging foreign direct investment in countries across Europe and Central Asia, says the report. Migration also promotes the transfer of knowledge between host countries and countries of origin – increasing exposure to flows of information that can create economic benefits.

The report recommends that countries in the region pursue policies that ensure the successful integration of migrants into society, in order to fully exploit the benefits of migration. But policies should not focus on migration challenges in isolation. Rather, reforms should help both migrants and non-migrants alike cope with rapid technological development and increased flexibility in labor markets, thereby reducing insecurity and sharing the benefits of economic growth more broadly across society.

Many Sandros can stop out-migration from the regions

Continued from p. 2

for a suitable location in Telavi that he could rent. Luckily, he found a small space (16 sq. meters) for only 150 GEL rent per month.

The location was not well-suited for a shop, nor was the building's external interior appealing for attracting customers. To compensate for these disadvantages, he created a personal Facebook account for Ludis Sakhli (not a business page, which is costly) and added as many people from Telavi as possible. For several days, he was identifying people living in Telavi, friends of friends, friends of friends of friends, all of whom he invited to follow his shop. Within two weeks, he managed to reach 4,000 people.

In addition, he needed something spectacular and unusual that would make people visit his shop. He had the idea of selling live crabs, which was something new for Telavians, many of whom had never seen them before. He took a photo of live crabs in his aquarium and posted it on Facebook. Many people got excited and wanted to come over to see or even buy a crab.

"Ludis Sakhli" became famous in Telavi. Now it was necessary to sustain his customer base. To

this end, Sandro frequently rearranged the interior of his shop, e.g. changed the places of fish and beer. He believed this would create the feeling that his business was working well. Imagine as a customer you go into a shop and you see a shelf with fish which several days ago was occupied by beer. What will spring to your mind? "Wow, beer has been sold out so quickly, it is a good beer indeed!!!"

Another strategy was to extend the assortment of beer and add different types of fish. In the first month alone, he offered six different brands of beer. Beer is a low-alcohol drink and if one wants to get drunk, a high quantity is required. Therefore, Sandro decided to have a low markup but sell higher volumes of beer. This strategy was successful, as he was selling even more than he had expected. His profit was increasing, but he reinvested every single tetri he made.

After a successful year, Sandro was confident enough to open a new beer shop. This time, however, it was designed to serve a different segment of customers, particularly those many young Telavians who would go to the central square to hang out with friends in the evenings. Consequently, the location had to be close to the square. Sandro found a suitable place, which was much

larger and nicer than the previous one. He renovated it to make it more appealing, and he added wine to his assortment, as tourists frequently stumbled into his shop and asked for Georgian wine. Currently, Sandro employs seven locals and offers 16 varieties of beers, both Georgian and foreign, 30 types of fish, and a variety of wines. He achieved all this by starting with only 3000 GEL.

But Sandro's business is not just about doing business

Telavi, the former capital of the Kingdom of Kakheti, is a beautiful town with spectacu-

lar views of the Alazani Valley and Caucasian mountains. In the 18th century, King Erekle II reigned from Telavi. The palace can still be seen, and the statue of King Erekle stands proudly in the middle of the city in the town square. On summer evenings, many Telavians gather there, having relaxed walks or hanging out with friends. However, aside from the picturesque town square, Telavi, which is Georgia's 8th largest town in terms of population, does not have much to offer to its youth: there are no cinemas, no football fan clubs, and no music clubs where young people can go and enjoy their evenings.

In October 2017, Sandro organized a Telavian version of the German Oktoberfest. The festival lasted for two days. Everything was planned meticulously, e.g., the female waitresses were dressed in traditional Bavarian outfits, various entertaining activities were planned, and live

music was played. Hundreds of Telavians gathered and enjoyed their time. Telavian motorcycle riders also joined the festival and advertised it by rallying in the streets of the town.

When asked why he organized this event, Sandro said that besides campaigning on behalf of his business, he wanted to make a change and bring joy to his community, as well as to the tourists who would visit the Kakheti Region during that period for Rtvli (grape harvesting).

Fortunately, Sandro is not alone in aspiring to create a difference in his community. Quite recently, in the summer of 2017, two friends named Eduard and Nana opened a social bar named "Mego-Bari" in Zugdidi in Samegerlo. In another example, a young woman named Ketli and her friends established a literary café "Tsodnis Café" in Tsnori, a small town in Kakheti. In these open spaces, various activities such as concerts, pub-

lic seminars, etc. are held on a daily basis.

So, after reading this blog-post, if you are still daydreaming about a green peaceful countryside and what is stopping you from making your dream come true is the lack of opportunities there, follow Sandro, Ketli, Eduard, and Nana, take the lead and create opportunities by yourself.

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Giorgi Kakauridze:

DEPUTY MINISTER OF FINANCE OF GEORGIA



“We are taking debts only for funding infrastructural projects.”

Valeri KVARATSKHELIA
FactCheck

The Deputy Minister of Finance of Georgia, Giorgi Kakauridze, commenting upon Georgia's draft state budget for 2018, stated: “If we compare the 2017 and 2018 figures, we will see that the volume of borrowing has increased slightly. However, at the same, debt repayment increased significantly. In 2018, the total amount of debt service will be GEL 760 million which is unprecedented... In regard to debt, we take debts only for funding infrastructural projects which are very important for enhancing tourist as well as transit potential.”

FactCheck took interest in the accuracy of the statement.

According to Georgia's draft state budget for 2018, the Government of Georgia will take GEL 2.04 billion in debt in 2018 which is GEL 245 million more as compared to the planned amount of debt for 2017 (see Table 1).

As illustrated by the table, the domestic debt figure will be kept at the level of this year's planned amount and equal GEL 400 million whilst the growth of the total debt is because of the growth of foreign debt. At the

same time, the volume of budget support loans decreased by GEL 120 million in terms of foreign obligations whilst the amount of long-term preferential loans is on the rise.

The debt service figure increases simultaneously with the growth of foreign obligations. In 2018, GEL 790 million in debt will be repaid which is GEL 264 million more as compared to this year's plan and constitutes the largest amount of money which has been spent for debt service in the last years. Therefore, debt changing (the difference between debt growth and debt decrease) amounts to GEL 1,248 million according to the draft state budget for 2018 and is GEL 18.6 million less as compared to the similar figure for 2017.

Information on whether or not the state takes debts to fund only infrastructural projects is given in chapter six of the draft budget. The chapter reads that 86% of the new debt (more than GEL 1 billion) is designated for Georgia's Ministry of Infrastructure and Regional Development which will be fully spent on infrastructural projects. Of the total amount of debt, GEL 22 million will go to the Ministry of Defence for arms purchase and GEL 30.3 million will go to the Ministry of Education and Science for the rehabilitation

of public schools. Further, the Ministry of Energy will receive GEL 62.8 million for improving energy infrastructure and a loan of GEL 55 million will be given to the Ministry of Agriculture. Of that GEL 55 million, GEL 20 million will be spent on the agro-credit programme (which is not infrastructure expenditure) and GEL 35 million will be spent on the modernization of irrigation systems. In sum, approximately 95% of the newly taken debt will be allocated for infrastructural expenditures.

Georgia's draft budget for 2018 shows that the current income is GEL 615.5 million more (operational balance) as compared to current expenses. This means that the state will save money in the current expenditure component and use this money to create non-financial and financial assets. In total, Georgia will spend GEL 1,863 million on the creation of assets (net profit). This GEL 1,863 million will be comprised of GEL 615.5 million from the budget operational balance and GEL 1,248 million from borrowing. Therefore, if the Government of Georgia manages to cut its current expenses, the budget's operation balance will increase and funding the same amount of infrastructure work will require a lesser amount of debt taking.

Table 1: Debt Changing Trend, 2012-2018

	2012	2013	2014	2015	2016	2017 Plan	2018 Draft
Taking New Debts	748.2	737.9	1,569.7	1,361.4	1,459.0	1,792.7	2,038.0
Foreign Debt	689.9	588.4	996.9	1,046.7	1,080.6	1,392.7	1,638.0
Long-term, investment loans	591.2	471.7	481.7	576.1	822.5	922.7	1,288.0
Budget support loans, etc.	98.7	116.6	515.1	470.6	258.2	470.0	350.0
Domestic Debt	58.3	149.5	572.8	314.7	378.4	400.0	400.0
Debt Service	139.4	513.9	559.7	420.2	392.4	526.2	790.1
Foreign	96.1	454.2	503.4	370.4	332.5	431.0	725.0
Domestic	43.3	59.6	56.3	49.8	59.9	95.2	65.1
Debt Growth	608.8	224.0	1,009.9	941.2	1,066.6	1,266.5	1,247.9

Source: Ministry of Finance of Georgia

CONCLUSION

ACCORDING TO THE DRAFT BUDGET FOR 2018, THE GROWTH OF OBLIGATIONS FIGURE INCREASED BY GEL 245 MILLION AND CONSTITUTES GEL 2.04 BILLION. THE GROWTH OF OBLIGATIONS IS STIPULATED BY AN INCREASE IN INVESTMENT LOANS. THE CLASSIFICATION OF BUDGET AND APPROPRIATIONS (EXPENSES) DEMONSTRATES THAT THE STATE ALMOST NEVER TAKES DEBT TO FUND CURRENT EXPENSES. HOWEVER, IF THE BUDGET'S CURRENT EXPENSES HAD BEEN PLANNED MORE ECONOMICALLY, THE GOVERNMENT'S SAVINGS WOULD HAVE INCREASED AND THE COUNTRY WOULD HAVE REQUIRED A LESSER AMOUNT OF STATE DEBT TO FUND THE SAME AMOUNT OF INFRASTRUCTURAL PROJECTS. BUDGET CLASSIFICATION IS STILL A CONDITIONAL DIVISION AND DOES NOT IMPLY THAT THE GOVERNMENT OF GEORGIA WOULD STILL HAVE SPENT THE SAME AMOUNT OF MONEY AS PLANNED IF DONORS HAD NOT LENT MONEY FOR INFRASTRUCTURE PROJECTS. IN THIS CASE, IT WOULD BE NECESSARY TO CUT CURRENT EXPENSES. THE BUDGET IS TECHNICALLY ORGANISED AS IF TAKING DEBTS DOES NOT AFFECT THE VOLUME OF CURRENT EXPENSES WHICH IS SUBSTANTIALLY INCORRECT. THEREFORE, FACTCHECK CONCLUDES THAT GIORGI KAKAURIDZE'S STATEMENT IS MOSTLY TRUE.

MOSTLY TRUE



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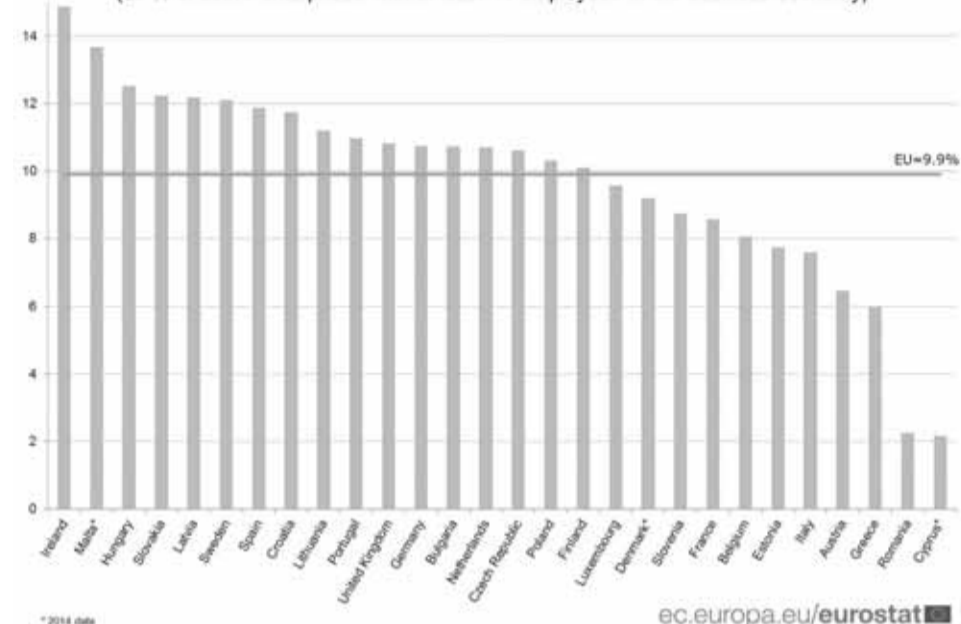


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1 in 10 enterprises in the EU recognised as high-growth companies

High-growth enterprises in the EU Member States, 2015
(as % of active enterprises with at least 10 employees in the business economy)



The FINANCIAL

In 2015, close to 158 000 companies were recognised as high-growth enterprises. They account for one tenth (9.9%) of all active enterprises with at least ten employees in the business economy in the European Union (EU), and provide work for over 13.5 million employees. High-growth companies were identified using the criteria of average annualised growth in employee numbers of more than 10% per year over a three-year period and at least 10 employees when this growth began. High-growth enterprises play an important role in contributing to economic growth and job creation.

Looking at a breakdown by economic activity, high-growth enterprises in the EU were more predominant in the service sectors than in the rest of the business economy in 2015. The highest proportion of high-growth enterprises was in the “Information and communication” sector (15.3% of active enterprises in this sector), fol-

lowed by “Administrative and support service activities” (14.0%), “Transportation and storage” (12.0%) and “Professional, scientific and technical activities” (11.3%).

Highest share of high-growth enterprises in Ireland

In 2015, EU Member States showed considerable variation in the distribution of high-growth enterprises. The highest proportion of high-growth enterprises among all active enterprises with at least 10 employees was recorded in Ireland (14.9%), ahead of Malta (13.7% in 2014), Hungary (12.5%), Slovakia and Latvia (both 12.2%) as well as Sweden (12.1%). At the opposite end of the scale, the lowest shares were registered in Cyprus (2.2% in 2014) and Romania (2.3%), followed by Greece (6.0%), Austria (6.5%), Italy (7.6%), Estonia (7.7%) and Belgium (8.1%).

High-growth enterprises contribute the most to employment in Ireland, Hungary and Portugal

High-growth enterprises have a significant impact on employment. In 2015, about 1 in 5 employees was employed in high-growth enterprises in Ireland (21.7%), Hungary (20.7%) and Portugal (19.7%). High-growth enterprises had also a significant impact on employment in the United Kingdom (19.0%), Bulgaria (18.6%), Malta (17.5% in 2014), Latvia and the Netherlands (both 17.4%). In contrast, the lowest shares were registered in Cyprus (3.6% in 2014) and Romania (5.9%), followed by Austria (7.8%), Finland and France (both 9.5%).

BP chairman announces intention to retire and board launches search for successor

The FINANCIAL -- BP on October 19 announces that Carl-Henric Svanberg has informed the company's board of directors of his intention to retire as chairman.

Mr Svanberg will chair the annual general meeting to be held in May 2018 and will remain in position until a successor is in post, according to BP.

Ian Davis, the BP board's senior independent director, will now lead the process to identify and appoint BP's next chairman.

Mr Svanberg joined the BP board on 1 September 2009 and became chairman on 1 January 2010.

“It has been a tremendous privilege to lead the



CARL-HENRIC SVANBERG

BP board over the past eight years. I am proud of the achievements of the manage-

ment and the company in that time”, Svanberg said. “The first couple of years were incredibly challenging for us all as we navigated an unusually complex corporate crisis. Through that turbulent period we stayed focused on saving and restoring the company. Today I can say with confidence that BP is back and ready for the future. Our chief executive, Bob Dudley, is the one who, with his team, deserves credit and I am pleased that whoever is fortunate enough to succeed me as chairman will have the opportunity to work with him and his impressive management group. Until then, I look forward to continuing to serve BP and our shareholders.”



Organisations are failing to prepare effectively for cyberattacks, says PwC

The FINANCIAL

Massive cybersecurity breaches have become almost commonplace, regularly grabbing headlines that alarm consumers and leaders. But for all of the attention such incidents have attracted in recent years, many organisations worldwide still struggle to comprehend and manage emerging cyber risks in an increasingly complex digital society.

Executives worldwide acknowledge the increasingly high stakes of cyber insecurity. Forty percent of survey respondents cite the disruption of operations as the biggest consequence of a cyberattack, 39% cite the compromise of sensitive data, 32% cite harm to product quality, and 22% cite harm to human life.

Yet despite this awareness, many companies at risk of cyberattacks remain unprepared to deal with them. Forty-four percent say they do not have an overall information security strategy. Forty-eight percent say they do not have an employee security awareness training programme, and 54% say they do not have an incident-response process.

How cyber interdependence drives global risk

Case studies of non-cyber disasters have shown that cascading events often begin with the loss of power—and many systems are impacted instantaneously or within one day, meaning there is generally precious little time to address the initial problem before it cascades. Interdependencies between critical and non-critical networks often go unnoticed until trouble strikes. Many people worldwide—particularly in Japan, the United States, Germany, the United Kingdom and South Korea—are concerned about cyberattacks from other countries. Tools for conducting cyberattacks are proliferating worldwide. Smaller nations are aiming to develop capabilities like those used by larger countries. And the leaking of US National Security Agency (NSA) hacking tools has made highly sophisticated capabilities available to malicious hackers.

When cyberattacks occur, most victimized

companies say they cannot clearly identify the culprits. Only 39% of survey respondents say they are very confident in their attribution capabilities.

The soaring production of insecure internet-of-things (IoT) devices is creating widespread cybersecurity vulnerabilities. Rising threats to data integrity could undermine trusted systems and cause physical harm by damaging critical infrastructure.

Meanwhile, there is a wide disparity in cybersecurity preparedness among countries around the world. In our 2018 GSISS, the frequency of organisations possessing an overall cybersecurity strategy is particularly high in Japan (72%), where cyberattacks are seen as the leading national security threat, and Malaysia (74%).

In May 2017, G-7 leaders pledged to work together and with other partners to tackle cyberattacks and mitigate their impact on critical infrastructure and society. Two months later, G-20 leaders reiterated the need for cybersecurity and trust in digital technologies. The task ahead is huge.

Next steps for business leaders

So what can business leaders do to prepare effectively for cyberattacks? PwC recommends three key areas of focus:

C-suites must lead the charge and boards must be engaged: Senior leaders driving the business must take ownership of building cyber resilience. Setting a top-down strategy to manage cyber and privacy risks across the enterprise is essential.

Pursue resilience as a path to rewards—not merely to avoid risk: Achieving greater risk resilience is a pathway to stronger, long-term economic performance.

Purposefully collaborate and leverage lessons learned: Industry and government leaders must work across organisational, sectoral and national borders to identify, map, and test cyber-dependency and interconnectivity risks as well as surge resilience and risk-management.

“Few business issues permeate almost every aspect of business and commerce like cybersecurity does today,” said David Burg, Global Cybersecurity Leader at PwC. “Public-private coordination is critical to effectively addressing cybersecurity.”

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Source- NRS PADD October 2014 - September 2015 + comScore September 2015



Dimitri Kumsishvili:
MINISTER OF FINANCE OF GEORGIA



“The balance of payments has been improved by USD 700 million.”

Valeri KVARATSKHELIA
FactChek

The Minister of Finance of Georgia, Dimitri Kumsishvili, commenting upon the depreciation of GEL, stated: “The balance of payments has been improved by USD 700 million. This means that monetary inflows to the country have increased. There are more earnings from export as well as from tourism. In total, this is USD 700 million.”

FactCheck took interest in the accuracy of the statement.

A country’s balance of payments includes comprehensive data about money inflows and outflows. It also illustrates the movement of money between the economy of a specific country and the rest of the world. A country’s balance of payments consists of its current account, capital account and financial account.

A current account includes the component of trading with goods and services as well as incomes and transfers. The income component shows inflows of income from

abroad (specifically, labour remuneration and investment income) and incomes transferred from abroad. Transfers include current transfers between the residents and non-residents of a country (for instance grants, financial assistance).

A financial account includes direct investments, portfolio investments, financial derivatives, other investments and reserve assets.

If a country’s current account is deficit; that is, if more money leaves the country as compared to what comes in, the gap is covered by the financial account (by investments, taking debt and a decrease in monetary reserves).

Presumably, Dimitri Kumsishvili is referring to Georgia’s current account whilst saying that the balance of payments improved by USD 700 million. This idea is further corroborated by the context of his statement where the current account’s components (exports, tourism incomes) are named as elements behind the USD 700 million in the improvement of the balance of payments. Table 1 depicts the current account

and changes within its components.

As illustrated by the table, net changes in the current account (difference between the volumes of inflow and outflow) in the first two quarters of 2017 amounted to USD 201 million as compared to the same period of the previous year. Of note at the same time is that inflows (transfers) taken separately increased by USD 708.1 million (this is the figure named by Dimitri Kumsishvili). Of that amount, the growth in export constitutes USD 334 million whilst the growth in tourism incomes constitutes USD 232 million.

We have to take into account that the currency exchange rate is largely affected by the current monetary inflows/outflows instead of the total figures for a given period (for instance, last month’s inflows/outflows have a greater impact as compared to the total figures for half of the year). GEL started to depreciate once again from the end of August. Therefore, the important figures stipulating the depreciation will be given in the balance of payments of the third quarter.

Table 1: Trend of Changes in Georgia’s Current Account

Period	Monetary Flow	Current Account (USD Million)				
		Goods	Services	Incomes	Current Transfers	Total
2016 2 Q	Inflow	1,348.01	1,425.61	425.98	612.02	3,811.6
	Outflow	-3,118.38	-803.23	-686.93	-56.09	-4,665
	Net	-1,770.37	622.37	-260.94	555.93	-853
2017 2 Q	Inflow	1,683.65	1,675.26	485.66	675.16	4,519.7
	Outflow	-3,358.53	-835.59	-920.12	-56.72	-5,171
	Net	-1,674.88	839.67	-434.46	618.45	-651.2
Change	Inflow	335.64	249.65	59.68	63.14	708
	Outflow	-240.15	-32.36	-233.19	-0.63	-506.3
	Net	95.49	217.30	-173.52	62.51	201.8

Source: National Bank of Georgia

CONCLUSION

DIMITRI KUMISHVILIS STATEMENT VIS-À-VIS THE GROWTH IN TRANSFERS BY USD 700 MILLION IS TRUE. HOWEVER, TO SAY THAT THE AFOREMENTIONED DIFFERENCE IS AN IMPROVEMENT IN THE BALANCE OF PAYMENTS BY USD 700 MILLION IS AN INCORRECT APPROACH. IN THE FIRST HALF OF THE YEAR, THE GEL EXCHANGE RATE WAS POSITIVELY AFFECTED BY THE IMPROVEMENT OF THE CURRENT ACCOUNT BALANCE WITH A USD 201.8 MILLION AND NOT A USD 700 MILLION INCREASE IN TRANSFERS. HOWEVER, THESE FIGURES INCLUDE ONLY TWO QUARTERS; THEREFORE, THEY WOULD HAVE A LESSER IMPACT UPON THE GEL DEPRECIATION TREND WHICH STARTED AT THE END OF AUGUST. THEREFORE, DIMITRI KUMISHVILI’S STATEMENT IS MOSTLY FALSE.

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publicity

Work is what matters and not 12 hours! (Steve Jobs)

The XXI century – an epoch of new, advanced technologies

More and more clicks and buttons and less and less interaction. The more that man, the only Homo Sapiens, keeps going forward into the technological desert, the more his nervous system is wearing out. Unfortunately no one has invented a universal method for refreshment, so mankind keeps searching for a way to survive. First of all, it is love, family, friends, a cosy environment and finally, sometimes even a psychologist and personal coach that help us survive. Not everyone has the skill of efficient time management, only a few people have that talent!

Georgia, a country situated between two seas; with its stunning highlands and centuries of history; a country where one can relax and have fun, is gradually attracting people from all over the world and is becoming interesting to the rest of the globe.

6 million tourists – quite a figure

Kutaisi is a city of students; in the future, the number of students



studying in Kutaisi is expected to reach 60 000.

Georgia, a country of the best hospitality traditions, history and great future perspective, has a unique and winning geo-political location.

The country is developing and not only the capital is becoming successful, but also its towns, villages and regional centres. In this respect, the country is following the right path of development.

In 2012, in addition to Tbilisi International Airport, a new international airport started flights from Kutaisi airport (Kopitnari Airport). It is low-budget airline with flights to more than 35 countries. The Airport is equipped with high quality navigation and meteorological systems.

In 2012, the Parliament of Georgia was moved to Kutaisi.

The number of tourists in Kutaisi has significantly increased in 2017, similar to other cities of Georgia. Kutaisi is famous for its historical churches: Bagrati Cathedral; Gelati Cathedral; Motsameta Church; and also its caves, like Sataphlya, where you can even find traces of dinosaurs. In just an hour's drive, one can visit the Black Sea coastline, the famous canyons in Samegrelo, or drive to Svaneti on its newly-resurfaced highway.

There are many new family guest-houses and deluxe-type hotels in Kutaisi.

And finally, the city has a new Georgian-French events venue offered by the business group 'Le Ga-

rage'.

Le Garage combines a classical restaurant with an exhibition hall that will periodically display the works of different talented modern artists. It also has a space for meetings; an ice bar; cabaret and nightclub.

Lali Moroshkina, Director of Le Garage:

"Our company is committed to adding to the cultural sites in the city and the overall region, where people can relax and enjoy their free time. The complex is located in a historical building in the centre of Kutaisi, which allows us to work on several different segments.

Kopitnari Airport, a high-class banking system, and investments, have combined to give Le Garage a new lease of life. Today our company is the entertainment hub in the region of West Georgia. We have a multi-segment profile. People of any taste and age, no matter whether they are a businessman, politician, tourist or simply a local youth, can find something to entertain them at our venue.

The management team of Le Garage is Georgian-French; the wine company Shumi provides trainings for Georgian bar and waiting staff; and 1% of the company's profits are transferred to Kutaisi Orphanage."

Many of the Largest U.S. Companies Do Not Recognize Climate Change as a Financial Risk

The FINANCIAL

Despite guidance from regulators and increasing pressure from investors on companies to disclose climate-related risks in financial filings, 51 percent of the 75 U.S. companies in the largest 250 global companies by revenue (G250) do not acknowledge the financial risks of climate change in their annual reports, according to KPMG International's Survey of Corporate Responsibility Reporting 2017.

The number is similar for the largest 100 U.S. companies by revenue (N100) at about 47 percent. None of the U.S. G250 or N100 companies that do recognize these risks, quantify them in financial terms or model the potential financial impact on their business using scenario analysis.

The Financial Stability Board (FSB) Task Force on Climate Related Financial Disclosures (TCFD), which was formed in 2015, submitted recommendations in July 2017 to the G20 focusing on the disclosure of physical risks from extreme weather, and commercial resilience risks related to a global transition to a lower carbon economy. And, in the U.S., the Securities and Exchange Commission (SEC) since 2010 has required disclosure related to climate change in SEC filings. As a result, pressure is growing on companies to improve their



disclosure of climate-related financial risk. While the U.S. N100 companies rank fourth (behind Taiwan, France and South Africa) regarding the percentage of those that mention climate-related risks in their financial reports, there is room for growth.

Additional Key Findings

Weak Ties to Sustainable Development Goals - Only 25 percent of the U.S. N100 and 31 percent of the U.S. G250 that report on corporate responsibility link business activities to sustainable development goals (SDGs). The global N100 average of SDG reporting is 39 percent. In 2015, countries adopted a set of sustainable development goals to end poverty, protect the planet, and ensure prosperity for all as part of a

new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.

Taking Aim At Carbon Targets - Sixty-seven percent of the G250 reporting companies disclose targets to cut carbon emissions, up from 58 percent in 2015. U.S. companies in the G250 have seemingly stepped up efforts to reduce carbon emissions with 85 percent of reporting companies setting such targets.

Corporate Responsibility Reporting Becoming the Norm - Ninety-two percent of the U.S. N100 reported on their corporate responsibility/sustainability performance in 2017, up from 87 percent in 2015. And, 81 percent of the U.S. N100 include mention of corporate responsibility/sustainability information in annual reports, eclipsing the global N100 average of 57 percent.

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Alcohol Improves Foreign Language Skills

The FINANCIAL

Bilingual speakers' ability to speak a second language is improved after they have consumed a low dose of alcohol, according to new study published in the *Journal of Psychopharmacology*, conducted by researchers from the University of Liverpool, Maastricht University and King's College London.

It is well-established that alcohol impairs cognitive and motor functions. 'Executive functions', which include the ability to remember, pay attention, and inhibit inappropriate behaviours, are particularly sensitive to the acute effects of alcohol.

Given that executive functions are important when speaking a second (non-native) language, one might expect that alcohol would impair the ability to speak a second language. On the other hand, alcohol increases self-confidence and reduces social anxiety, both of which might be expected to improve language ability when interacting with another person.

Furthermore, many bilingual speakers believe that it can improve their ability to speak a second language. The aim of this experimental study was to test these competing predictions for the first time, according to the University of Liverpool.



Language performance

The researchers tested the effects of a low dose of alcohol on participants' self-rated and observer-rated ability to converse in Dutch. Participants were 50 native German speakers who were studying at a Dutch University (Maastricht) and had recently

learned to speak, read and write in Dutch.

Participants were randomized to consume either a low dose of alcohol or a control beverage that contained no alcohol, before they chatted with an experimenter in Dutch for a few minutes. The exact dose of alcohol varied depending on participants' body weight, but it was equivalent to just under a pint (460ml) of 5% beer, for a 70kg male.

The chat was audio-recorded and participants' foreign language skills were subsequently rated by two native Dutch speakers who did not know if the participant had consumed alcohol or not (observer-ratings). Participants also rated their own Dutch language skills during the conversation (self-ratings).

The researchers found that participants who had consumed alcohol had significantly

better observer-ratings for their Dutch language, specifically better pronunciation, compared to those who had not consumed alcohol. However, alcohol had no effect on self-ratings of Dutch language skills.

Implications and Limitations

Dr Inge Kersbergen, from the University of Liverpool's Institute of Psychology, Health and Society, who was involved in the study, said: "Our study shows that acute alcohol consumption may have beneficial effects on the pronunciation of a foreign language in people who recently learned that language. This provides some support for the lay belief (among bilingual speakers) that a low dose of alcohol can improve their ability to speak a second language."

Dr Fritz Renner who was one of the researchers who conducted the study at Maastricht University, said: "It is important to point out that participants in this study consumed a low dose of alcohol. Higher levels of alcohol consumption might not have beneficial effects on the pronunciation of a foreign language."

Dr Jessica Werthmann who was one of the researchers who conducted the study at Maastricht University, said "We need to be cautious about the implications of these results until we know more about what causes the observed results. One possible mechanism could be the anxiety-reducing effect of alcohol. But more research is needed to test this."

The study was funded by Maastricht University, the Netherlands.

Georgia's Foreign Trade in January-September 2017

The FINANCIAL

Georgia's foreign trade turnover in the first nine months of 2017 increased by 12.1%, compared to the same period of last year, reaching USD 7.56 billion, according to the preliminary figures released by the state statistics office, Geostat, on October 19.

Exports from Georgia increased by 28.3% year-on-year to USD 1.94 billion and imports were up by 7.4% y/y to USD 5.62 billion in January-September, with trade gap standing at USD 3.68 billion.

Trade turnover with the EU-member states stood at about USD 2.06 billion in the first nine months of this year, 5.6% increase compared to the same period of last year.

Exports from Georgia to the EU-member states increased by 18.9% y/y to USD 462 million, while imports constituted USD 1.6 billion in the first nine months of 2017, which is 2.3% higher y/y.

Trade turnover with the Commonwealth of Independent States (CIS) increased by 31.2% y/y in January-September to USD 2.42 billion. Georgian exports to CIS countries were up by 59%



y/y to USD 784.4 million and imports increased by 21% to USD 1.64 billion in the first nine months of this year.

The share of the EU countries in the foreign trade turnover of Georgia stood at 27.3%; 23.8% in exports and 28.5% in imports (last year the corresponding figures stood at 29%, 25.7% and 29.9%).

The share of the CIS countries constituted 32.1%, 40.5% in exports and 29.2% in imports (27.4%, 32.7%

and 25.9% last year, respectively).

Turkey remains Georgia's largest trading partner with USD 1.11 billion in the first nine months of 2017, followed by Russia, China and Azerbaijan with USD 806 million, USD 640 million and USD 567 million, respectively, according to Civil.Ge.

They are followed by Ukraine with total trade turnover of USD 387 million; Armenia – USD 361 million;

Germany – USD 346 million; the United States – USD 294 million; Bulgaria – USD 248

million; Italy – USD 204 million.

Russia tops the list of largest trading partners by exports with USD 273 million, followed by Azerbaijan, Turkey and China with USD 167 million, USD 165 million and USD 160 million, respectively. Turkey, Russia, China and Azerbaijan are the top trading partners of Georgia in terms of imports with USD 952 million, USD 532 million, USD 480 million and USD 399 million, respectively.

Copper ores and concentrates were on top of the list of exports in the first nine months of 2017 with USD 309 million (16% of total exports), followed by ferroalloys – USD 237 million (12.2% of total exports); re-export of motor cars – USD 149 million (7.7% of total exports); wine – USD 116 million (6% of total exports); medicines – USD 99 million (5.1% of total exports); non-

denatured ethyl alcohol and spirits – USD 80 million (4.2% of total exports); mineral waters – USD 67.7 million (3.5% of total exports); chemical fertilizers – USD 55 million (2.9% of total exports); raw or semi-processed gold – USD 53 million (2.8% of total exports); hazelnuts – USD 50 million (2.6% of total exports); other commodities – USD 720 million (37.1% of total exports).

Oil and oil products remain on top of the list of imports with USD 487 million, followed by cars – USD 338 million; copper ores and concentrates – USD 258 million; medicines – USD 246 million; petroleum gases – USD 227 million; mobile and other wireless phones – USD 145 million; wheat – USD 74 million; automatic data processing machines – USD 61 million; cigarettes – USD 59 million; trucks – USD 53 million; other commodities – USD 3.6 billion.

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LIFE N STYLE 2017



Photos by Mari Ataneli

David ALEKSIDZE The FINANCIAL

On the 24th and 25th of October, TBC Gallery and Wine Karkhana #1 will present handmade printing works by international artists.

International Print Festival LIFE N STYLE 2017, presented by Art Caucasus Association, and supported by general media partner The FINANCIAL, will hold its closing events this week. On 24th October, TBC Gallery will host the works of artists from Georgia, Germany and Azerbaijan. The day after, on 25th October, Art Caucasus Association, in cooperation with Wine Karkhana

#1, will host the closing event.

The annual event was first held last year and this is the second time we have held this festival, said Nana Kirmelashvili, festival director and the person who started the movement to revitalize silk screen in Georgia. It has had a large resonance among the community. Handmade printing is an old technique which has largely been abandoned in Georgia, in spite of the fact that there are many, both young and older generation artists, who are proficient in this field. It is still a relevant line of work all around the world, as the advantages that handmade printing offers are tangible. It allows artists to create multiple copies of their work, which reduces the price and

is profitable for both the artists and collectors.

At the same time, it is highly versatile and can be used on objects such as furniture, vessels, plates and dishes, clothes etc. The high range of its uses will be demonstrated in both of our exhibitions. I think that this field, besides being charming on its own, opens up the opportunity for collectors to buy a lot more works made by their favorite artists at an affordable price.

Print Week enables collectors, artists, scholars, educators, and the public to connect with Art Caucasus Association and Print Festival guests to discover new projects, enrich their knowledge of fine prints, and expand or begin their own collections.

Visitors have an unrivaled opportunity to view and acquire outstanding works across the diverse range of periods and specialties represented by the Art Caucasus Association. Excellent works can be found in all price ranges, including exciting new projects from today's leading and emerging artists.

The 24th October TBC Gallery event will showcase the silk screen workshop of artists such as Alex Berdysheff, Gia Gugushvili, Guram Tsibakhashvili and others. It will also exhibit the works of Inna Kostina from Azerbaijan and Kristine Tusiashvili, who resides in Germany. The workshop will be curated by Nana Zaalishvili. An etching workshop will also be showcased,

which will be overseen by the duo of Otar Karalashvili and Bianka Tschakner.

Wine Karkhana #1 will feature artists from Georgia, Austria, Russia, Spain, Turkey and the USA, on 25th October. Mari Ataneli will exhibit her photos related to handmade printing technique. At the same time, Ria Keburia, Uta Bekaia and Mariam Shakarashvili will demonstrate the versatility and the range of silk screen technique through their performances. The exhibition will also feature furniture by designer Guga Koteishvili, decorated with silk screen technique, costumes by a number of designers and ceramics by Print Festival & White Studio Joint Project collaboration.



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Weekly Market Watch



ECONOMY

Exports up 27.3% y/y in September 2017

In September 2017, exports increased 27.3% y/y to US\$ 257.5mn, imports were up 5.5% y/y to US\$ 684.8mn and the trade deficit narrowed 4.3% y/y to US\$ 427.3mn, according to GeoStat. Overall in 9M17, the trade deficit was down 1.1% y/y at US\$ 3.7bn as exports were up 28.3% to US\$1.9bn, while imports increased 7.4% to US\$ 5.6bn.

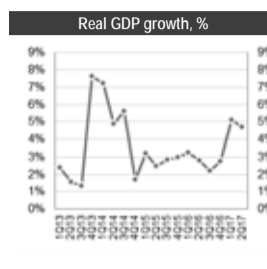
alloys (+206.8% y/y), cars (+52.8% y/y), wine (+89.7% y/y) and Petroleum (25.6x higher y/y) were the major commodities driving export growth in September 2017. In contrast copper (-9.1% y/y) and nuts (-45.9% y/y) exports were down.

Petroleum (+25.3% y/y), cars (+2.9% y/y), copper (+7.7% y/y), pharmaceuticals (-36.0% y/y) and phones (+15.9% y/y) represented the top 5 imported commodities in September 2017.

Producer price index up 2.0% m/m and up 13.4% y/y in September 2017

Key macro indicators			
	9M17	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)	6.2%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	...	12.8%	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



Source: GeoStat



Source: Rating agencies



Source: World Bank, Heritage Foundation and World Economic Forum

September 2017

PPI for industrial goods was up 2.0% m/m in September

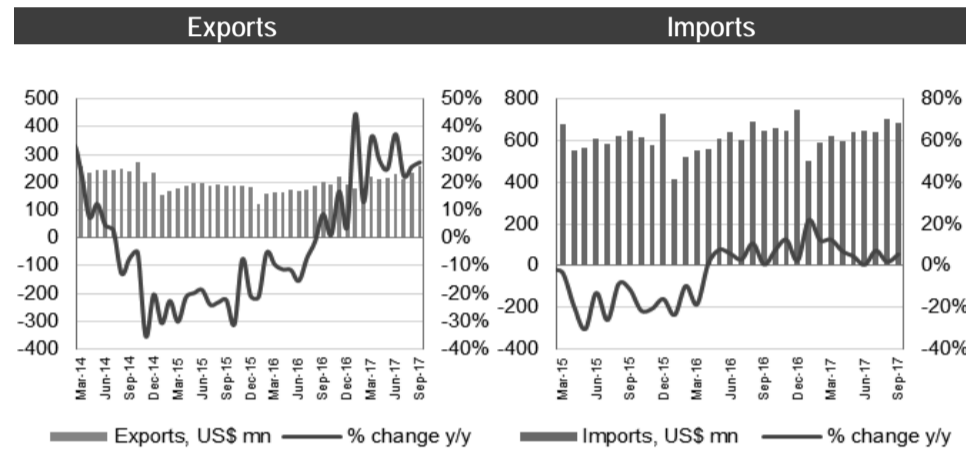
2017, according to GeoStat. A 2.2% price increase for manufacturing contributed the most to the overall index change as prices were up for manufacturing of basic metals and fabricated metal products (+5.1%

m/m) and food, beverages and tobacco (+2.4% m/m). Prices were also up for mining and quarrying (+2.9% m/m). Annual PPI was up 13.4% in September 2017. Rising prices in manufacturing (+13.7%

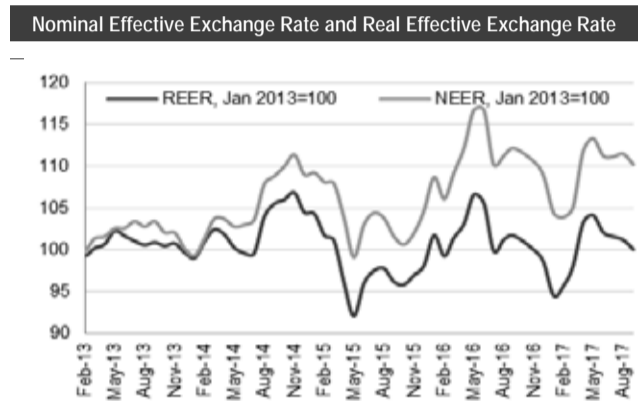
y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.2% y/y) and for mining and quarrying (+22.4% y/y).

Money transfers up 24.2% y/y in September 2017

In September 2017, money transfers increased 24.2% y/y to US\$ 124.4mn after growing 15.1% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+16.6% y/y, 32.8% of total), Italy (+30.2% y/y, 10.5% of total), Greece (+21.0% y/y, 10.5% of total), USA (+3.2% y/y, 10.1% of total), Israel (+99.6% y/y, 9.3% of total) and Turkey (+28.6% y/y, 7.7% of total). In 9M17 money transfers were up 19.7% y/y to US\$ 996.0mn.



Source: GeoStat

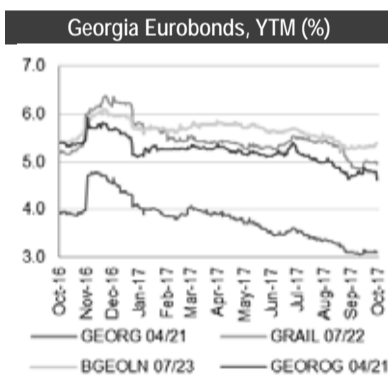


Source: NBG. Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

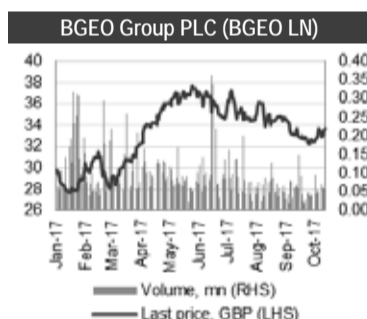
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.4% yield, trading at 102.9 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEORG) were trading at 106.5 (-0.2% w/w), yielding 4.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.8 (+0.1% w/w), yielding 4.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.5 (+0.1% w/w) at 3.1% yield to maturity.

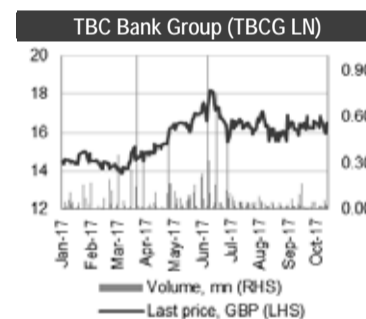


Source: Bloomberg

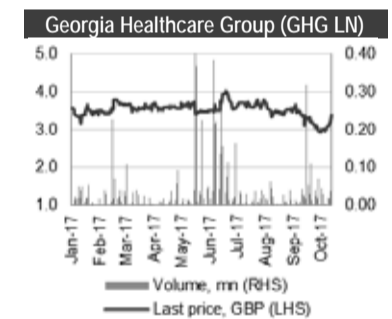
EQUITIES



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

BGEOLN PLC (BGEOLN) shares closed at GBP 34.46/share (+2.41% w/w and +5.45% m/m). More than 267k shares traded in the range of GBP 33.37 – 34.82/share. Average daily traded volume was 51k in the last 4 weeks. FTSE 250 Index, of

which BGEOLN is a constituent, lost 0.60% w/w and gained 3.06% m/m. The volume of BGEOLN shares traded was at 0.68% of its capitalization. **TBC Bank Group (TBCG LN)** closed the week at GBP 17.02 (+4.10% w/w and +5.39% m/m). More than 214k shares changed hands in the range of GBP 16.47 – 17.62 share. Averaged daily traded

volume was 30k in the last 4 weeks. **Georgia Healthcare Group (GHG LN)** shares closed at GBP 3.50/share (+3.02% w/w and +5.26% m/m). More than 214k shares were traded in the range of GBP 3.35 – 3.57/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.16% of its capitalization.

	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GEBGG 06/20	GEORG 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-/A-	-/-	-/-	-/-	BB-/Ba2	BB-/B+	BB-/B1	BB-/B-	B+/B-
Mid price, US\$	n/a	101.4	101.2	100.0	100.0	106.7	103.1	112.5	111.7
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.0	4.7	5.4	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	279.3	119.1	299.6	335.2

* 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

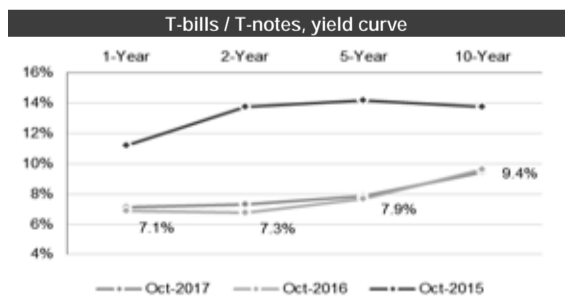
Eastern European sovereign 10-year bond performance					
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Ba2	0.1
Croatia	1,250	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

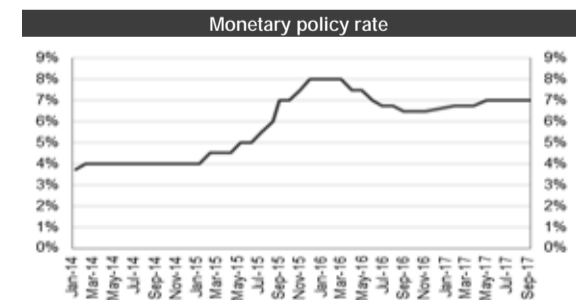
MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 442.8mn).

Ministry of Finance Treasury Notes: 10-



Source: NBG. Note: As of latest auction.



Source: NBG

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

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The readers of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

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publicity

"Castello Mare" Hotel and wellness resort is beautifully located on the tropical part of Ajara, 17 kilometers away from Batumi.

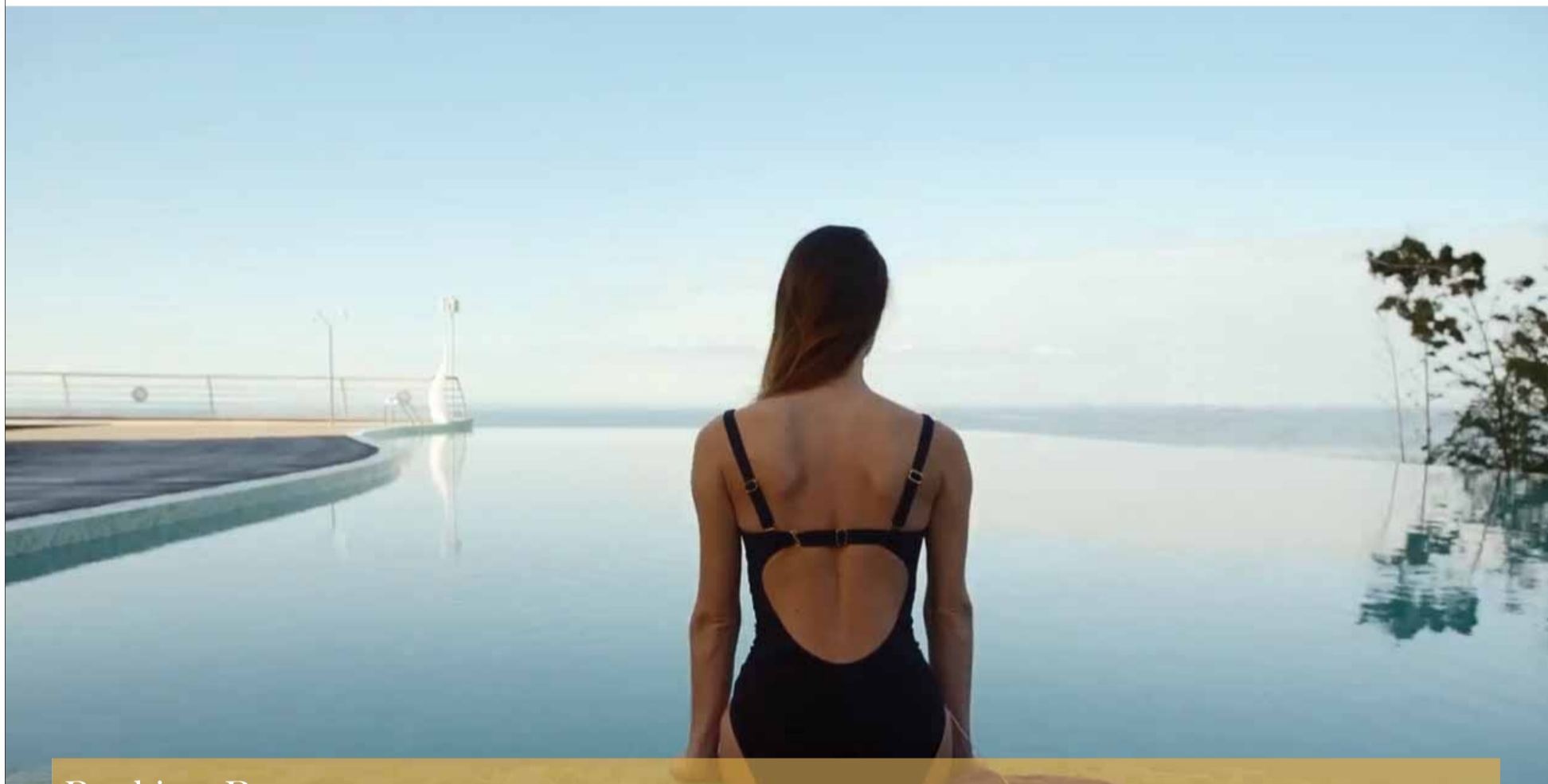
The place is very popular among many people as Tsikhisdziri resort of Black Sea coast.

5-star complex is beautifully located on the Black Sea rocky coast and adding breathtaking view over Ajarian panorama. The complex consists of 3 residential buildings offering multiple accommodation, relaxation, health and entertainment services.

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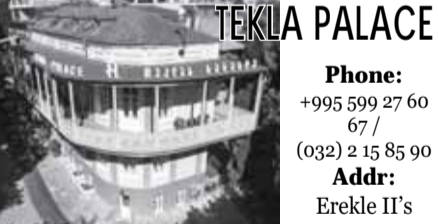
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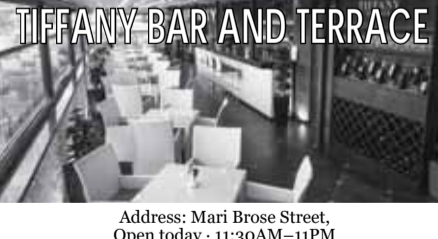
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PUBLIC DISCUSSIONS WITH CONSTRUCTION INDUSTRY REPRESENTATIVES ABOUT URBAN PLANNING OF THE CITY IS PARTICULARLY IMPORTANT, AND HAS BEEN SERIOUSLY LACKING IN TBILISI. POPULATION SHOULD KNOW THE PROJECTS THAT WILL BECOME PART OF TBILISI IN THE NEAR FUTURE. IT IS IMPORTANT TO KNOW WHAT ROLE COMPANIES WILL TAKE IN DEVELOPING GREEN SPACES AND RECREATIONAL ZONES AND WHAT KIND OF ENVIRONMENT THEY ARE GOING TO OFFER TO TBILISIANS.

I AM PLEASED TO WELCOME THE CONSTRUCTION FORUM THAT IS PLANNED IN NOVEMBER, AND I AM CALLING ON ALL INTERESTED PEOPLE TO JOIN URBAN GEORGIA – FORUM TO PROVIDE INPUT IN MAKING TBILISI A CITY FULL OF LIFE. (MORE INFO TO BE FOUND AT: [HTTPS://URBANTBILISI.EVENTGRID.COM/](https://urbantbilisi.eventgrid.com/))

KAKHA KALADZE,
MAYOR OF TBILISI

