FINANCIAL™

Defining What Makes a City a Destination

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Reporting has increased but domestic violence remains the least reported crime in Georgia

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2 October, 2017 News Making Money http://www.finchannel.com

Is ISET's new BA program winning the fight for best brains in Georgia?

By DAVIT KESHELAVA and GIORGI MZHAVANADZE
ISET

It is no secret that the global competition for best brains is as intense as ever. Having adequate human capital can put a country on the trajectory of perpetual growth, assert economists. The 'brain wars' typically play out in the setting of national and multinational companies competing for talent, but some of the most intense fights happen between universities struggling to recruit and retain the best young minds on the planet.

Continued on p. 2

Rise of Cryptocurrency Encouraging Georgians to Get Involved in the Digital Gold Rush

The FINANCIAL

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Shota believes that devoting himself to the cryptocurrency business has had a positive impact on his life: "I myself am happy with my decision to commit fully to this field.

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Debt is growing faster than the economy, report

See on p. 6

Singapore the top expat destination for third year in a row

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CURRENCIES

	Sep 30	Sep 23
1 USD	2.4767	▲2.4804
1 EUR	2.9252	▲2.9708
100 RUB	4.2843	▲4.3075
1 TRY	0.6961	▲0.7102

ISSN 1512 3642

THE FINANCIAL

2 October, 2017

ISSUE: 38 (572)

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CURRENT PRICES ON GASOLINE AND DIESEL

2 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

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

ლუკოილი

Prices in GEL	
Euro Super	2.29
Premium Avangard	2.19
Euro Premium	0.00
Euro Regular	1.99
Euro Deasel	1.99

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

Is ISET's new BA program winning the fight for best brains in Georgia?

By DAVIT KESHELAVA and GIORGI MZHAVANADZE
ISET

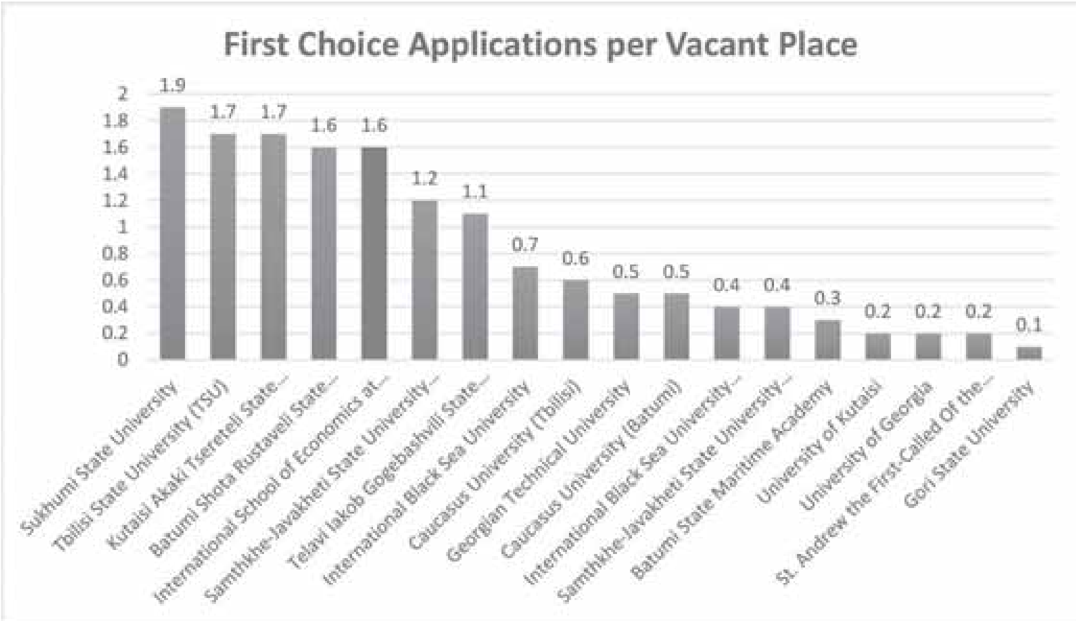
It is no secret that the global competition for best brains is as intense as ever. Having adequate human capital can put a country on the trajectory of perpetual growth, assert economists. The 'brain wars' typically play out in the setting of national and multinational companies competing for talent, but some of the most intense fights happen between universities struggling to recruit and retain the best young minds on the planet. Even the elite institutions such as Harvard, MIT, Stanford, Oxford and Cambridge are only as good as the quality of their last freshmen class. To grow and maintain the existing reputation, these universities need to attract the best students on the international level.

Yet, the brain wars are as intense on the national level, here in Georgia, as they are anywhere in the world.

For over a decade, International School of Economics at Tbilisi State University (ISET) has had a remarkable success attracting the best minds in Georgia who wished to study economics on the Masters level. The program propelled almost 300 Masters graduates on to fascinating careers in academia, the government and the private sector. Thanks to the growing reputation in the Caucasus region[1], ISET was able to expand its student base, as well as launch a new Bachelor program in economics in 2017.

But just as Harvard and Cambridge, ISET's success rests on the quality of its incoming class. This year a total of 53 students have embarked on the four-year journey to earn ISET's first BA degree[2]. So, how do new ISET BA students compare to other economics BA hopefuls in Georgia? How competitive is ISET program? Our team analyzed a trove of unique data from the cohort entering Georgian universities this year.

According to the National Assessment and Examination Center (NAEC), around 39,000 pupils participated in the Unified National Examination (UNE) this year. Furthermore, 28,176 pupils became university students. Only 50 students among this huge number of candidates became ISET's BA students.



Gender and Regional Distribution of Students

If we look at the distribution of the newly enrolled university students and their scaled scores by gender, we will discover that both of these variables are gender-balanced. According to the NAEC data, 51% of the entrants in 2017 were female and the average scaled score for females was only slightly higher than for males. In the case of ISET, the gender distribution was a little bit more skewed towards male students, as 27 students out of 50 (54%) were males. Furthermore, the average scaled score for female participants was a little bit higher than for males.

Despite the more or less equal distribution of students' gender, regional variation is notably skewed towards the capital of the country. As expected, Tbilisi was the most successful region in terms of the scores, followed, unexpectedly, by Gagra[3], Rustavi, Akhalgori, Sukhumi and Kutaisi.

In the case of ISET BA program, Tbilisi dominates as well (accounts for 80% of the incoming students). The remaining students are from Kutaisi (6), Samtredia (3) and Terjola (1).

Comparison of the different economic programs – the Demand side.

In our investigation we compare different educational programs **in economics** based on the number of applicants and average scores in the UNE. There

Continued on p. 17

IN 2005 ACCORDING TO THE RESOLUTION OF GEORGIAN GOVERNMENT THE OLD SOVIET SYSTEM OF ENTRANCE EXAM WAS REPLACED BY NEW UNIFIED NATIONAL EXAMINATION (UNE) SYSTEM. THE NEW SYSTEM IS BASED ON THE STANDARDIZED SELECTION AND TRIES TO ASSESS SKILLS AND KNOWLEDGE OF HIGH SCHOOL GRADUATES.
ALL ENTRANTS HAVE TO TAKE THREE COMPULSORY EXAMS - GEORGIAN LANGUAGE AND LITERATURE, FOREIGN LANGUAGES AND ABILITY TEST. ACCORDING TO THE DEMANDS FROM DIFFERENT UNIVERSITY DEPARTMENTS ENTRANTS HAVE TO TAKE AN EXAM IN THE FOURTH ELECTIVE SUBJECT (MATHEMATICS, BIOLOGY, LITERATURE, GEOGRAPHY, PHYSICS, CHEMISTRY AND ETC.) .
ALLOCATION OF ENTRANTS IN UNIVERSITIES AND PROVISION OF THE GOVERNMENT GRANT ARE DETERMINED BY THE SCALED SCORE THAT IS COMPUTED BASED ON THE INDIVIDUAL SCORES OF THESE FOUR EXAMS.
P.S. THE IMPLEMENTATION OF THE NEW MODEL FOR ENTRANCE EXAMS WAS GOOD WAY TO SOLVE THE CORRUPTION PROBLEM IN THE EDUCATION SYSTEM AND IS STILL CONSIDERED AS ONE OF THE MOST SUCCESSFUL REFORMS IN THE HISTORY OF INDEPENDENT GEORGIA.

financial news

Rise of Cryptocurrency Encouraging Georgians to Get Involved in the Digital Gold Rush

Businesses involved in cryptocurrency choosing to remain silent to the press

Dato ALEXIDZE and Mary BLAGONRAVOVA
The FINANCIAL

Two years have passed since former Prime-Minister of Georgia, billionaire Bidzina Ivanishvili, made the announcement about multi-million investments in BitFury's data centres which now process Bitcoin transactions. Despite doors being closed off to the wider public, many Georgians were encouraged by Ivanishvili's digital business plan and started investment in small cryptocurrency minings. Meanwhile, others have used the opportunity offered by Liberty Bank's operated eMoney company to trade with cryptocurrencies. However, rules not to communicate with the public remain unchanged. Last week The FINANCIAL was asking financial institutions, CEOs and local miners about their plans and investments in cryptocurrencies.

Shota Siradze, 28, has a technical education. He's been involved in cryptocurrency mining since 2010. He has committed himself fully to this field for the last four years. His outlook on the field is overwhelmingly optimistic as he thinks that, sooner or later, official/financial relationships between two persons will no longer require a middle man.

Shota believes that devoting himself to the cryptocurrency business has had a positive impact on his life: "I myself am happy with my decision to commit fully to this field. I have more time to spare than I would if I were working a full-time job. I am fascinated by and believe in the technology it is built on and I've improved my financial standing.

"With an initial 80-100 thousand dollar investment, around 2,500 dollar monthly electricity fee and constant updates to my equipment which cost in the region of USD 8,000-10,000 a year, I can generate 3,5-4 Bitcoins; 35-40 Ethereum; and 8-12 Zcash coins a month," Shota told us.

Temur Kurtskhalia, 21, studies informatics and control systems. Innovative tech is within his field of interest, so he naturally decided to find out what cryptocurrencies were all about. Upon closely examining the opportunities Blockchain technology presents, he was swift to decide he wanted to be knowledgeable in this sphere and be a participant in its meteoric rise.

Temur particularly values the fact that the Blockchain system is decentralized. Anybody can participate in this business, either through purchasing coins directly or by investing in mining equipment.

"I started mining around four months ago, the initial investment figure was around USD 4.000, but the entry fee can be much lower, with a respective outcome, naturally. Due to the specifics of my equipment, I prefer to mine Zcash and I think that it's a promising investment."

Temur, like many other miners, decided to borrow money from a bank to get his equipment. He expects to cover the costs in 7-8 months, however, instead of waiting out the results he decided to upgrade his equipment, for a more far-sighted outlook.

Besides the financial input, Temur has to dedicate around 3-4 hours daily to supervising equipment, keeping updated on the news and trade on the market. He, at the same time, shares his enthusiasm and knowledge with peers who have decided to jump into the cryptocurrency madness pond.

"I invested a symbolic sum in cryptocurrency, as the price of cryptocurrency depends on speculations and there are no mechanisms to determine its cost, at least I have not found any," George Arveladze, Deputy CEO at Georgian Healthcare Group, told The FINANCIAL. George is the former CEO at Liberty Bank; the only bank in Georgia enabling trade with cryptocurrencies through an eMoney system.

A request by The FINANCIAL to provide an evaluation of their cryptocurrencies' turnover and effect on the national currency, also to disclose the volume of transactions at eMoney, was left unanswered.

A bank representative said that some changes related to the trade with cryptocurrencies are being processed, after that the official position of the banks will be announced.

There was no response from Bitfury representatives either.

We asked the National Bank of Georgia about how cryptocurrencies can influence the national currency and how the bank is going to monitor transactions.

"NBG is monitoring developments related to the cryptocurrency business, including those taking place in other countries," The FINANCIAL was told at NBG.

"NBG can't initiate legislation changes, but in certain circumstances it will get involved in discussions and preparing legislation changes."

"Cryptocurrencies have a minor influence on traditional currencies. However, rapid growth of market capitalisation and the popularity of cryptocurrencies may change the situation. That is why we monitor the situation and are ready to intervene.

"Most of the participants will lose money, because all things crypto are very risky and highly volatile," commented Zurab Abuashvili, CEO at Investment Capital. "There are many such things, which can become even more, and it's nearly impossible to forecast who will be the ultimate winners," he said.

"We make investments in U.S. public company stocks. Our business model contradicts general trading strategies, including cryptocurrencies, because we do not understand how to value these things. If we do not understand, can't analyze and value asset, we do not invest," Abuashvili said.

Levan Khutsishvili, CEO and Founder of Winery Khutsuri, told The FINANCIAL that some of his colleagues, but not him, had got involved in the trade of cryptocurrencies.

"I do not think that we should legally accept cryptocurrency payments in Georgia. It is too early to talk about its legalization, as the market of cryptocurrencies is new and we are not aware of any risks related to this asset," said Givi Adeishvili, Economic Analyst at Society and Banks.

"The national currency of any country is strengthened by certain factors, and under conditions where up to 1,000 different cryptocurrencies are issued with 'unknown guarantees', their asset value is still unstable and is not a saving opportunity. We can consider investors who are looking for high income and high risk as their customer. In the case of legalization, the state may increase its relevance and encourage the growth of demand. In the case of a small shock, it is uncertain what kind of loss we will get under a legalization policy."

"If the Lari remains the only payment option in the territory of Georgia, which it is still up to this date, the impact of cryptocurrency on the monetary policy of Georgia will not be substantial. With its functionality, cryptocurrency will be limited to consumers only by collecting / saving and payment function in countries where it will be legalized."

"The development of cryptocurrencies will be inconceivable without the involvement of central banks, since monetary policy implementing institutions should have control over the money supply process," Adeishvili noted.

"Predicting what policies the Central Bank of any country chooses is difficult, but in the event of their involvement it is expected to increase the value of cryptocurrencies. If central banks do not legalize, cryptocurrency will remain part of the shadow economy. Cryptocurrency is a volatile asset for a banking sector prone to stability."

South Korea Joins Cryptocurrency Crackdown

The FINANCIAL — South Korea will step up inspections of virtual-currency exchanges and has banned so-called initial coin offerings, joining in a widespread cryptocurrency crackdown, according to Wall Street Journal report.

Initial coin offerings—the sale of bitcoin-like "tokens" to fund new businesses—have come under intense scrutiny this year from regulators world-wide who see cybersecurity and fraud risks in the red-hot market. Korea's Financial Services Commission cited a rise in criminal cases involving cryptocurrencies. In addition to ICOs, the regulator said it would ban coin margin transactions—buying virtual currencies with borrowed money.

The penalties for illegal acts will be "stern," it added.

"South Korea is following China, the U.S. and Singapore to tighten regulations on ICOs and shares the view of other countries about the risks associated with trading virtual currencies," the regulator said. "The FSC is concerned that ICOs would lead to fraudulent transactions and is concerned about the market becoming overheated."

The U.S. Securities and Exchange Commission said this week it had established a cyber unit to target internet-related misconduct, including violations of market rules involving ICOs and distributed-ledger technology, also known as a blockchain, which underpins cryptocurrencies, according to Wall Street Journal report.

China banned fundraising through ICOs this month as part of a wider crackdown on bitcoin trading. Financial regulators in Hong Kong and Singapore have said in recent months that they would regulate ICOs like any other fundraising, citing fraud concerns as well as the risk of money laundering and terrorist financing.

One-Fifth of the World's Internet Users Are in China, and They Are Spending Close to $1 Trillion Online

One-Fifth of the World's Internet Users Are in China, and They Are Spending Close to $1 Trillion Online

The FINANCIAL

The Chinese online market has joined that of the US as one of the two engines driving the global internet economy. The number of Chinese internet users has grown at 25% per year over the past 15 years, to reach 710 million in 2016—20% of the world total. Online spending in the country has increased by 32% per year in the last five years, reaching $967 billion in 2016. Still, only 52% of China's population uses the internet, leaving significant room for growth.

Over the last three years, Alibaba has become the world's largest retailer, and mobile payments in China have reached $8.5 trillion—70 times more than in the US. In April 2017, Ant Financial's Yu'ebao became the world's biggest money market fund, with $165.6 billion in assets under management. And three technologies developed by Baidu, including autonomous driving, were selected by MIT Tech Review among "the 10 Breakthrough Technologies in 2017."

Although China lags the US in terms of total connectivity, more Chinese go online using mobile phones (90% versus 78%). Mobile internet users in China love to try new apps, but lose interest quickly: the typical user has 38 apps, 43% of which are used only once.

Overnight success is more likely in China than in the US. On average, it takes only four years for a Chinese startup to become a unicorn (valued at over $1 billion), compared with seven years for a new company in the US.

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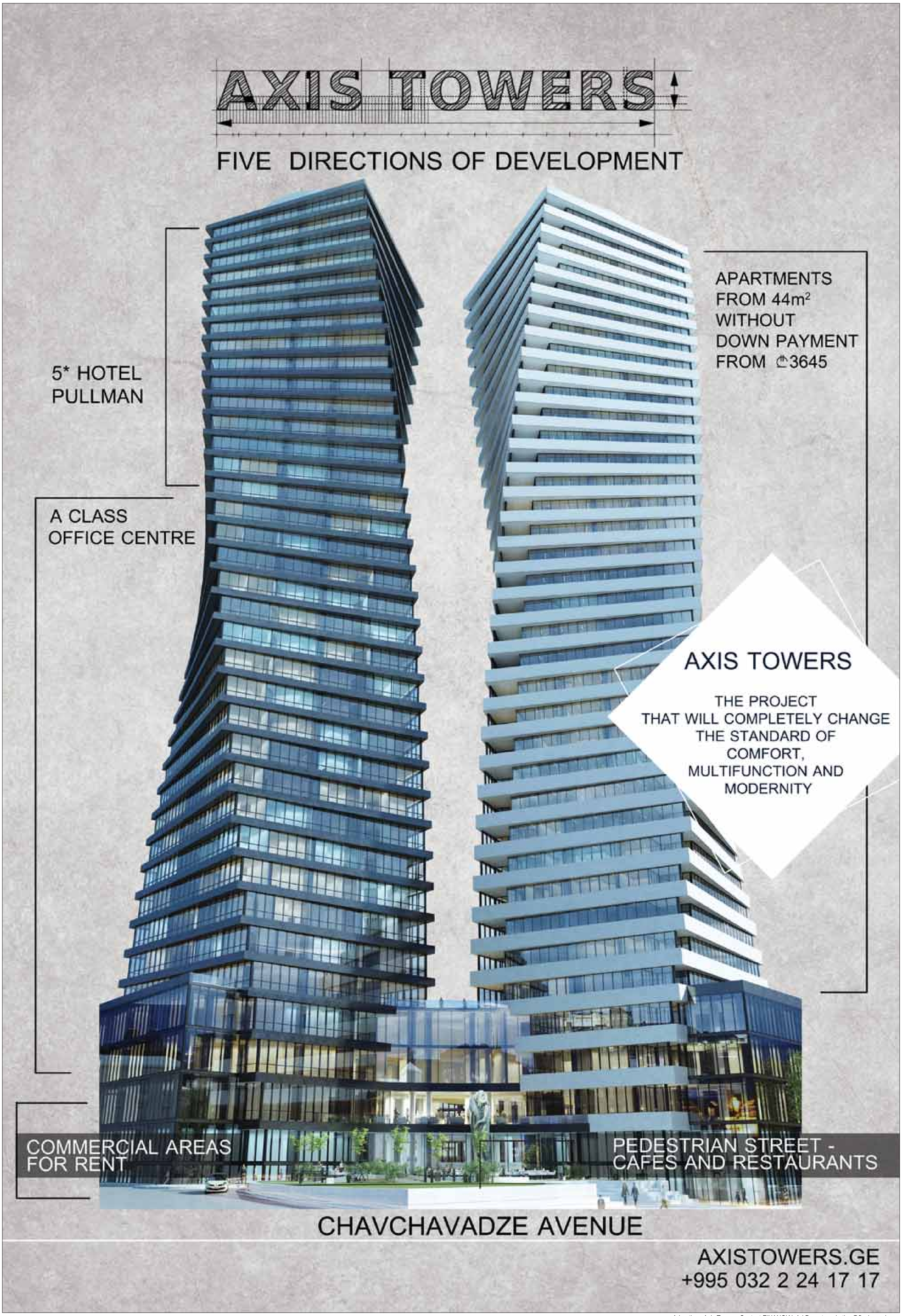
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Debt is growing faster than the economy, report

U.S. is at the top of The 20 Richest Countries for the first time

The FINANCIAL

2016 was politically a very turbulent year, but private wealth shrugged it off: After a weaker 2015 (+4.7 percent), financial assets grew again by 7.1 percent last year, more or less matching the post-crisis average. Worldwide, financial assets climbed to a new record high of almost 170 trillion euros. Almost 70 percent of asset growth last year was attributable to changes in the value of portfolios, only 30 percent was due to original savings; the year before, it was the other way round, according to Allianz's latest report.

The composition of fresh savings is quite surprising. Private savers sold more securities than they bought but poured as much as two-thirds of fresh funds into banks – a new record high. "The saving behavior of private investors is still decidedly risk-averse", said Michael Heise, chief economist of Allianz. "While financial assets grew over the last few years mainly thanks to the good performance on securities markets, new money is mostly put into bank accounts, not least in industrialized countries. But here, they not only generate no returns but actually suffer real losses: In 2016 alone, savers are thought to have lost around 300 billion euros owing to inflation; this year, with rising inflation, the figure might be twice as high. For decision makers in the financial industry, the economy and politics, solving this paradox is one of the biggest challenges in the coming years: How can we create the backdrop that households not only save, but invest, with a long-term horizon and decent returns? Against the backdrop of the necessary build-up of old-age provisions on the one hand and the need to increase real investments in our economy on the other, we are not making the most of the chances global financial wealth offers."

Asset growth accelerates in industrialized countries

Last year's acceleration in growth came mostly from industrialized countries, where asset growth doubled to 5.2 percent. However, Asia (excluding Japan) was once again the uncontested leader in 2016, with growth of 15 percent. In a long-term comparison, too, Asia (excluding Japan) is the dominant region, particularly when inflation is also taken into account. Gross per capita financial assets in Asia (excluding Japan) grew by almost 11 percent per year in real terms in the last decade.

The other two emerging regions, Latin America and Eastern Europe, achieved growth of only about 5 percent, which was still more than twice as fast as the growth rates in North America (+2.1 percent real growth since 2006) and Western Europe (+1.4 percent).

As a consequence, the three regions of Latin America, Eastern Europe and Asia (excluding Japan) accounted for just under 23 percent of global gross financial assets in 2016. This share has more than doubled over the last ten years. Emerging markets have an even bigger weighting when it comes to asset growth, with 42 percent of the last decade's growth attributable to this group of countries. However, this is largely due to the development in China, which alone accounted for roughly 30 percent of global growth since 2006.

Debt is growing faster than the economy

Global household liabilities increased by 5.5 percent in 2016, the highest rate of growth since 2007. That means that debt also rose faster than nominal economic output for the first time since 2009, and the global debt ratio increased by almost 1 percentage point to 64.6 percent. The picture varied widely between individual regions.

Growth accelerated slightly – starting from a moderate level – in Western and Eastern Europe and in North America. Latin America experienced a further decline in growth. In Asia (excluding Japan), on the other hand, debt growth rose sharply by a further four percentage points to just under 17 percent; at the top were Chinese households which ratcheted up their liabilities by a whopping 23 percent. That means that this region accounts for almost 20 percent of global private liabilities of just under 41 trillion euros, compared with less than 7 percent ten years ago.

Despite the steep rise in debt, net financial assets – gross financial assets minus debt – reached a new global record high of 128.5 trillion euros at the close of 2016. That represents an increase of 7.6 percent year-on-year. Although this is slightly below average for the years since the crisis, it is well above the previous year's growth of 4.8 percent.

U.S. at the top for the first time

At the top of the list of the 20 richest countries (net financial assets per capita, see table), a changing of the guard occurred in 2016, with the United States capturing the top spot from Switzerland. However, its lead is razor-thin and some of the credit goes to a stronger dollar.

Japan managed to retain the third position – thanks to a statistical revision which reduced household debt by almost a fifth.Otherwise, the list gives the now usual picture, with Scandinavian and Asian countries dominating. There is in fact only one country from the eurozone still included in the Top 10 in both lists (net and gross): the Netherlands.

Global wealth distribution slowly evening out

Development of global wealth distribution since the turn of the millennium has been defined by one phenomenon in particular: rampant growth in the global wealth middle class. The number of people belonging to this category has more than doubled during this period, from around 450 million in 2000 to over 1 billion today. The vast majority of those joining the middle class have come from the wealth lower class, with almost 600 million people making the leap since 2000.

Despite the emergence of a new global wealth middle class, the world as a whole is still a long way from a "fair" distribution of wealth. If we divide the population of the countries we have analyzed into global population deciles based on net per capita financial assets, it becomes clear that the richest 10 percent of the world together own 79 percent of net financial assets. Nevertheless, the concentration of wealth was still as high as 91 percent in 2000.

Defining What Makes a City a Destination

The FINANCIAL -- Around the world, tourism is driving the economic engines of growth and development. Since 2009, international travel and spending by overnight visitors to cities have grown faster than real GDP.

To help cities understand key drivers and unlock the value of tourism, Mastercard on September 26 released its annual Mastercard Destination Cities Index.

The Index is more than just a ranking of the 132 top destination cities of today and tomorrow. Based on visitor volume and spend for the 2016 calendar year, the in-depth analysis also provides a forecast for growth in 2017, insight on the fastest growing destination cities, and a deeper understanding of why people travel and how they spend around the world.

The Global Top 10 Destination Cities

International overnight visitors to the Top 10 destination cities were up in 2016 overall. Forecasts for continued growth in 2017, with Tokyo expecting the largest growth in visitors among the Top 10.

Spending Power: Destination Cities as Engines of Economic Growth

Since 2009, more than half of the top destination cities reported an increase in spend by overnight visitors consistent with or greater than GDP growth. These cities benefit greatly from tourism and are primed to be engines of broad economic growth for countries.

Destination Cities of Tomorrow

Globally, international overnight visitor arrivals across all 132 destinations have grown by 55.2 percent since 2009, significantly outpacing real GDP growth during the same period. The fastest growing destinations continue to demonstrate the importance of watching Asia/Pacific and the Middle East for future destination leaders.

Insights into Purpose of Travel and Local Spend

Across the Top 20 destination cities, the majority of travel is conducted for leisure purposes, except in Shanghai where nearly half (48.4 percent) of visitors are travelling on business. Conversely, Kuala Lumpur has the greatest percentage of visitors, 92.2 percent, there on vacation.

The Index has identified expenditure categories that illustrate how people are spending when they visit the Top 20 destination cities:

Dining consumes the greatest percentage of visitor spend in Istanbul (33.6 percent), & Prague (29.3 percent)

People spend more on shopping while in Seoul (56.5 percent), London (46.7 percent), Osaka (43.4 percent) & Tokyo (43.1 percent)

Lodging can be the most expensive part of the trip when visiting Paris (44.8 percent), Milan (40.4 percent) & Rome (40.4 percent)

With efficient transport systems in place, less budget is spent on transit in London (4.3 percent), Singapore (4.6 percent), & Hong Kong (4.6 percent)

"We are seeing more people than ever visiting cities for business or leisure. At the same time, we know that people expect their experiences when traveling to be both seamless and personal," said Carlos Menendez, president of enterprise partnerships at Mastercard. "The call to action is clear. Cities that apply technology to simplify services and connect people with their passion points can become true destination cities and realize the benefits of increased visitors and greater spending."

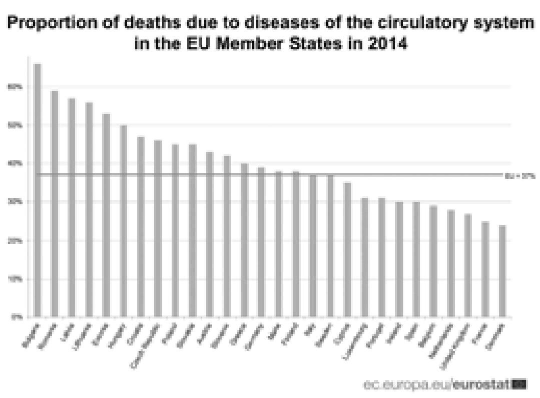
	Growth in visitors from 2009-2016
Osaka	24.0 percent
Chengdu	22.7 percent
Colombo	20.3 percent
Abu Dhabi	18.9 percent
Jakarta	18.2 percent
Tokyo	17.7 percent
Hanoi	16.4 percent
Riyadh	15.9 percent
Lima	15.2 percent
Taipei	14.5 percent

	2016 International Overnight Visitor Spend	Growth Forecast for 2017
Dubai	$28.50 billion USD	10.2 percent
New York	$17.02 billion USD	1.5 percent
London	$16.09 billion USD	(-4.6 percent)
Singapore	$15.69 billion USD	0.3 percent
Bangkok	$14.08 billion USD	10.9 percent
Paris	$12.03 billion USD	4.9 percent
Tokyo	$11.28 billion USD	3.7 percent
Taipei	$9.91 billion USD	6.9 percent
Seoul	$9.38 billion USD	1.8 percent
Barcelona	$8.90 billion USD	6.9 percent

	2016 International Overnight Visitors	Growth Forecast for 2017
Bangkok	19.41 million visitors	4.0 percent
London	19.06 million visitors	5.0 percent
Paris	15.45 million visitors	4.4 percent
Dubai	14.87 million visitors	7.7 percent
Singapore	13.11 million visitors	2.6 percent
New York	12.70 million visitors	(-2.4 percent)
Seoul	12.39 million visitors	0.4 percent
Kuala Lumpur	11.28 million visitors	7.2 percent
Tokyo	11.15 million visitors	12.2 percent
Istanbul	9.16 million visitors	0.9 percent

Heart diseases and strokes cause over 1.8 million deaths in the EU

The FINANCIAL



Diseases of the circulatory system were the cause of death for 1.833 million people in the European Union (EU) in 2014. This constituted over a third (37%) of all deaths in the EU. Women (994 600 deaths) were slightly more affected than men (838 100). In addition, fatal heart diseases and strokes were responsible for 40% of all deaths of the EU population aged 65 and over, and for below a quarter (22%) for the younger population (those aged less than 65).

Heart attacks remained the main type of fatal heart diseases in the EU and led to the death of almost 623 100 people (equal to 34% of all deaths caused by diseases of the circulatory system), while strokes killed nearly 422 000 people (23%).

Highest share of deaths due to heart diseases and strokes in Bulgaria, lowest in Denmark and France

Heart diseases and strokes were the cause of two-thirds of all deaths in Bulgaria (66%) and of more than 1 in 2 of all deaths in Romania (59%), Latvia (57%), Lithuania (56%), Estonia (53%) and Hungary (50%).

In contrast, diseases of the circulatory system accounted for a quarter or less of all causes of death in Denmark (24%) and France (25%), and for less than a third in the United Kingdom (27%), the Netherlands (28%), Belgium (29%), Ireland and Spain (both 30%) as well as Luxembourg and Portugal (both 31%).

In nearly every EU Member State, diseases of the circulatory system killed more women than men. Slovenia (60%), Estonia (59%), Latvia, Lithuania, Austria (all 58%) and (57%) were the EU Member States which recorded the largest percentages of women among all fatal heart diseases and strokes in 2014.

Asian Development Bank Increased Georgia's Forecasted Economic Growth Index

The FINANCIA

Asian Development Bank has increased the forecasted economic growth index for Georgia from 3.8% to 4.2%. In 2018, the ADB is expecting 4.5% economic growth in Georgia.

Georgia is ahead of such regional countries as Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan and others, according to the ADB report.

The increased forecasted growth indicator by the ADB is conditioned upon the increased funding of infrastructural projects in Georgia as well as the increased tourist flows, money transfers and improved export indicators.

The Deputy Minister of Economy and Sustainable Development, Nino Javakhadze, states that the ADB report positively evaluated the ongoing economic processes in Georgia.

"Georgia, compared to other countries of the region, has better handled the foreign shocks of the previous years and it is due to the right policy and the fluctuating exchange rate. The document also deals with the ongoing reforms in Georgia aimed at improving of transport and logistical competitiveness, which will ultimately increase the export growth and reduce the current deficit," – Nino Javakhadze stated.

The revised forecast also covered the Georgia's neighboring countries and a decrease of 1.3% is determined for Azerbaijan while Armenia's economic growth is estimated to be of 3.8%, according to Ministry of Economy and Sustainable Development of Georgia.

surveys & analysis

MERAB PACHULIA, GORBI

August 2017: Georgian Consumer Confidence Continues to Recover on Strong Tourism Performance

Georgian Consumer Confidence (CCI) continued to improve in August 2017, gaining almost 5 index points over the previous month (July 2017) and more than 12 points over August 2016. Ignoring the rather wild pre- and post-election swings in the index, the **CCI appears to be on a steady upward trend** since bottoming out in fall 2015. In August, the CCI climbed to -16.5 points, which is almost 25 index points above its value in September 2015. This increase was driven by roughly equal improvements in both consumers' *expectations* and their assessment of the *present situation*. Still, the CCI remains well below the peak achieved in fall 2013.

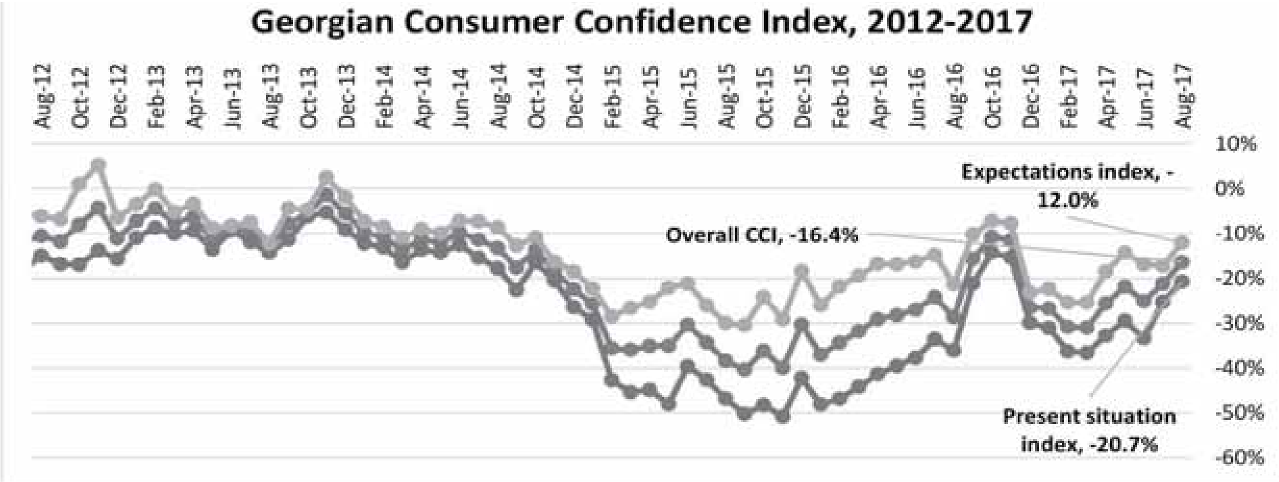
It's all about tourism, stupid!

The recent surge in consumer optimism appears to be reflecting very strong growth in Georgia's **tourism and hospitality** sector. According to the Georgian National Tourism Administration (GNTA), 5.06mln international travelers visited Georgia in Jan-Aug 2017, an increase of **19%** over the same period of 2016.

Even more impressive is the **29.4% (!) increase in the number of tourists** (visitors staying longer than 24h), who currently account for almost a half of all international arrivals (2.4 out of 5.06mln). These numbers are certainly a boon for the Georgian economy, immediately translating into many (seasonal) jobs, higher wages, profits, foreign currency earning and tax revenues. In the medium term, the tourism sector attracts a lot of investment in real estate, hotels, hospitality businesses and their supply chains.

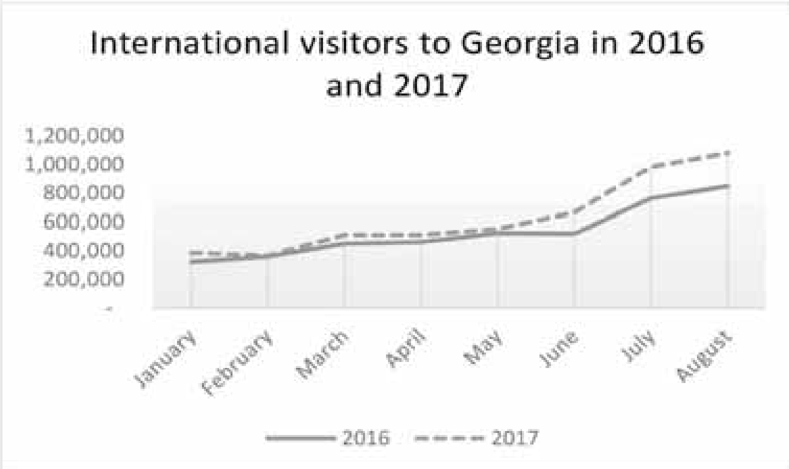
One source of concern for the future of Georgia's tourism industry is the very strong **seasonal variation** in the number of international arrivals and, particularly, tourists. Arrivals are extremely concentrated in the three summer months: 50% and 54% of the total in 2016 and 2017. The gains in arrivals (and tourism) that we observe in 2017 are also very concentrated in the summer. The negative implications of summer over-tourism are obvious: congested transport and hospitality infrastructure, over-pricing and under-delivery of services, and mounting pressures on the environment. The flip side is also quite negative: a lot of under-utilized capacities and under-employed labor during the long low season.

Nevertheless, judging by the CCI, the Georgians appear to be busy celebrating all the way to the bank, and are not particularly concerned about the low season ahead.

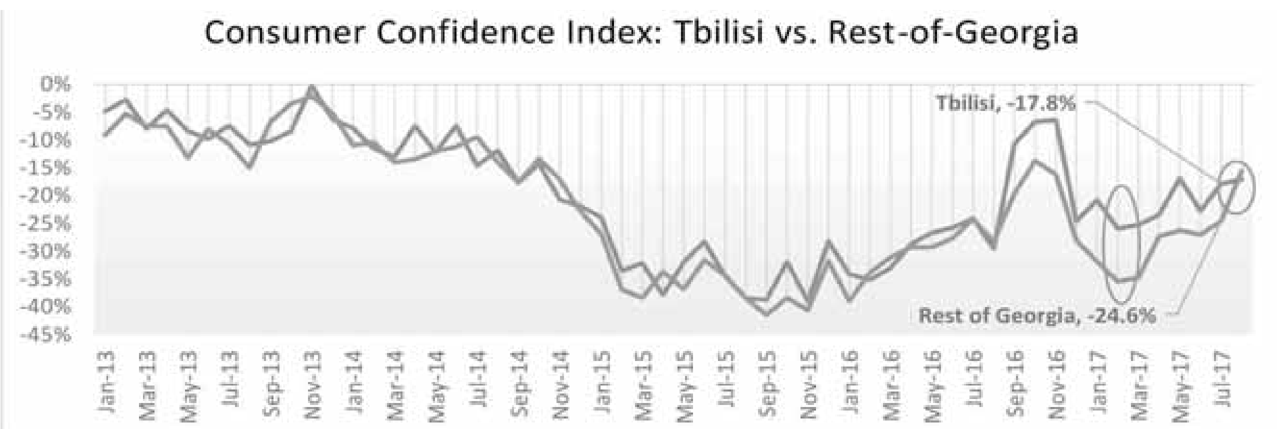


International visitors to Georgia in 2016 and 2017

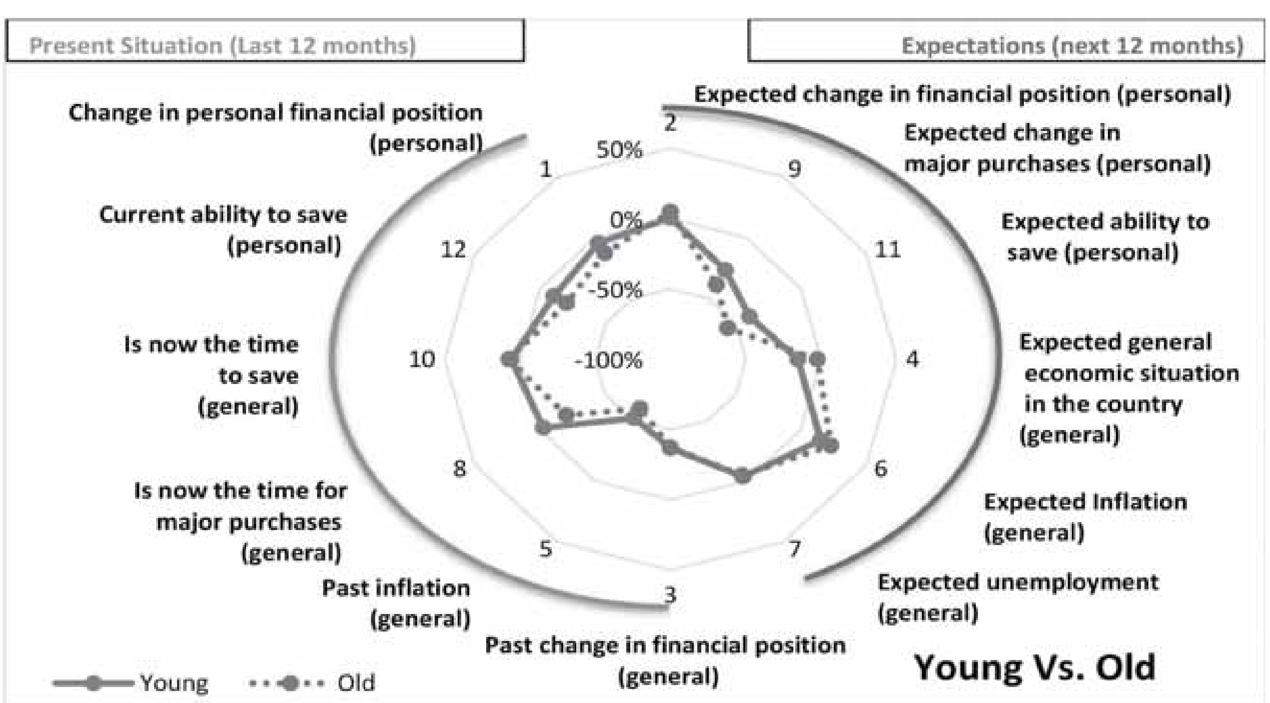
	2016	2017
January	323,781	387,070
February	361,188	368,010
March	451,737	511,045
April	463,144	510,594
May	523,091	552,958
June	518,758	666,493
July	764,763	982,487
August	848,381	1,080,449
Total	*4,254,843*	*5,059,106*



Source: GNTA



Consumer Confidence: Young vs. Old



Tbilisi vs. Rest-of-Georgia

Late summer and early fall is the best time for Georgia's rural population, for which agriculture and tourism are key sources of income. In August, rest-of-Georgia edged ahead of Tbilisi by 1.6 CCI index points; its relative gains are particularly impressive when compared with the cold winter months. In February 2017, the gap between rest-of-Georgia and Tbilisi's CCI reached a historical maximum of almost 10 index point (-25.9 for Tbilisi compared to -35.4 for rest-of-Georgia).

Consumer Confidence: Young vs. Old

When splitting the sample into "young" and "old" (above 35) categories, we notice a strong increase in both, however, most of the gains for the young have been observed already in July, whereas it took until August for the older Georgians to grow in optimism. Since June, the young and old groups gained 9.8 and 7.7 index points, respectively. Breaking down the August date, we can see some additional nuances. Perhaps not surprisingly, younger Georgians are more optimistic when it comes to their *personal* ability to save and make major purchases. Older Georgian, however, are more positive in their assessment of Georgia's economic future as a *country*.

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

FactCheck

GRASS FACTCHECK

Giorgi Kvirikashvili:

PRIME MINISTER OF GEORGIA

"According to the macroeconomic environment indicator, we were 137th five years ago, whilst today we occupy the 40th place."

Valeri KVARATSKHELIA
FactChek

The Prime Minister of Georgia, Giorgi Kvirikashvili stated at an international conference organised by the McCain Institute and EPRC International: "According to the World Economic Forum's macroeconomic environment indicators, we were in the 137th place five years ago. Today, we are in the 40th place, meaning that we have improved our position by 97 places."

The World Economic Forum publishes country rankings according to the macroeconomic environment. This assessment of country macroeconomic environments is part of the Global Competitiveness Index. The latest Global Competitiveness Index Report was published on 27 September 2017. At the time of the Prime Minister's statement, the latest available resource was the 2016-2017 report published in September 2016. According to this report, Georgia was indeed in the 40th place in the world based on macroeconomic environment indicators. Five years ago, according to the 2011-2012 report, Georgia was in the 137th place in terms of the macroeconomic environment.

One important factor has to be taken into account. The 2011-2012 report reflected the macroeconomic environment of 2010 whilst the 2016-2017 report reflected the macroeconomic environment of 2015. According to the 2011-2012 report, Georgia was 137th among the world's 142 countries in terms of macroeconomic environment as a result of its high budget deficit (4.8% of the GDP) and the high level of inflation (7.1%) whilst the total national savings was low (5.2% of the GDP). Of note is that the impact of the 2009 world financial crisis was strong in 2010. According to the 2013-2014 report (reflecting 2012), Georgia moved upwards to the 61st place in terms of its macroeconomic environment because the budget deficit was cut to 1% with, instead of inflation, Georgia having a 1% deflation rate. The total national savings also grew to 14.9% of the GDP.

According to the 2016-2017 report, the budget deficit was 1.2% of the country's GDP, the inflation rate was 4% and the total national savings amounted to 21.7% of the GDP. Several methodological changes have also taken place. For instance, in the 2011-2012 report, a measurement of interest rates (Georgia was 129th according this indicator) was used to evaluate the macroeconomic environment which is absent in the previous reports.

According to the 2017-2018 Global Competitiveness Index Report which reflects situation in 2016, the absolute mark given to Georgia's competitiveness – 4.3 points has not changed. However, as a result of the improved performance of other countries, Georgia's position worsened for the first time in the last few years and dropped to the 67th place. In regard to the macroeconomic environment as discussed in this article, Georgia stepped backwards by eight places and at this time holdsthe 48th position. This decline by eight places came as a result of the budget deficit (1.6% of the GDP) growth, a decrease in national savings (to 19.4% of the GDP) and a growth in the state debt (up to 44.9% of the GDP).

Table 1: Global Competitiveness Index

Period		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Global Competitiveness Report	Points	4.0	4.1	4.2	4.2	4.2	4.3	4.3
	Ranking Place	88	77	72	69	66	59	67
Macroeconomic Environment	Points	3.7	4.4	4.9	5.1	5	5.2	5.1
	Ranking Place	137	88	61	48	51	40	48

Source: World Economic Forum

CONCLUSION

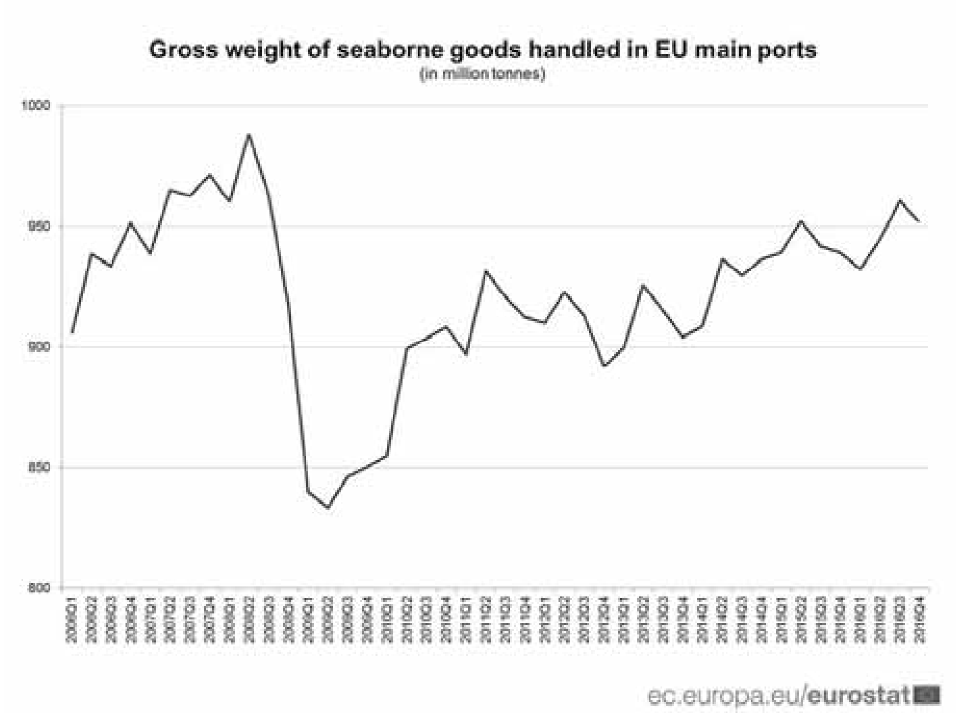
ACCORDING TO THE WORLD ECONOMIC FORUM'S 2016-2017 GLOBAL COMPETITIVENESS INDEX REPORT (REFLECTING THE SITUATION IN 2015) GEORGIA OCCUPIES THE 40TH PLACE WITH 5.24 POINTS IN TERMS OF ITS MACROECONOMIC ENVIRONMENT. ACCORDING TO THE 2011-2012 REPORT (REFLECTING THE SITUATION IN 2010), IT WAS 137TH WITH 3.7 POINTS. THEREFORE, GEORGIA'S POSITION IMPROVED BY 97 PLACES. CHANGES IN METHODOLOGY HAVE ALSO POSITIVELY CONTRIBUTED TO THE IMPROVEMENT OF GEORGIA'S POSITION.

THE 2017-2018 GLOBAL COMPETITIVENESS INDEX REPORT (REFLECTING THE SITUATION IN 2016) WAS PUBLISHED AFTER THE PRIME MINISTER MADE HIS STATEMENT. ACCORDING TO THIS REPORT, GEORGIA DECLINED BY EIGHT PLACES IN THE RANKING IN TERMS OF ITS MACROECONOMIC ENVIRONMENT. GEORGIA'S BACKSLIDING WAS STIPULATED BY A GROWTH IN THE BUDGET DEFICIT AND THE STATE DEBT AS WELL AS A DECREASE IN THE NATIONAL SAVINGS. ALL OF THESE ARE A DIRECT RESULT OF THE GOVERNMENT OF GEORGIA'S PERFORMANCE AND HIGHLIGHT THE NECESSITY TO CUT THE BUDGET DEFICIT AND DECREASE THE STATE DEBT.

AS A RESULT OF THE CHANGE OF CIRCUMSTANCES AFTER GIORGI KVIRIKASHVILI'S STATEMENT, **FACTCHECK** LEAVES THE PRIME MINISTER'S STATEMENT **WITHOUT A VERDICT**.

WITHOUT A VERDICT

Maritime freight transport in the EU



The FINANCIAL

In the fourth quarter of 2016, the gross weight of goods handled in the main ports of the European Union (EU) stood at over 950 million tonnes. This was an increase of 1.4 % compared with the same quarter of 2015 (close to 940 million tonnes).

Despite continued growth since the second quarter of 2013, the weight of goods passing through the ports in the fourth quarter of 2016 was still lower than the volumes seen before the start of the economic downturn in Europe.

The Netherlands leads maritime freight transport, with Rotterdam top EU port

In the fourth quarter of 2016, four Member States handled more than 100 million tonnes of goods in their main ports. These were the Netherlands (150 million tonnes), the United Kingdom (117 million tonnes), Spain (116 million tonnes) and Italy (110 million tonnes).

Compared with the same quarter of the previous year, the Netherlands (+2%), Spain (+1%), and Italy (+3%) recorded an increase in main port activity in the fourth quarter of 2016. On the other hand, the volume of goods handled in the main ports of the United Kingdom decreased by 4%.

With the exception of 'Roll on - Roll off' mobile units, Rotterdam was the largest European port for all other types of cargo, handling 109 million tonnes of goods. It was followed by Antwerp, Belgium (49 million tonnes), Hamburg, Germany (29 million tonnes), Amsterdam, the Netherlands (25 million tonnes) and Algeciras, Spain (21 million tonnes).

Russia, first maritime partner

In the fourth quarter of 2016, Russia was the EU's largest maritime transport partner in terms of the total gross weight of goods (74 million tonnes). Russia was followed by the United States (41 million tonnes), China and Norway (both around 30 million tonnes), Turkey (29 million tonnes) and Brazil (25 million tonnes).

Where does your coffee come from?

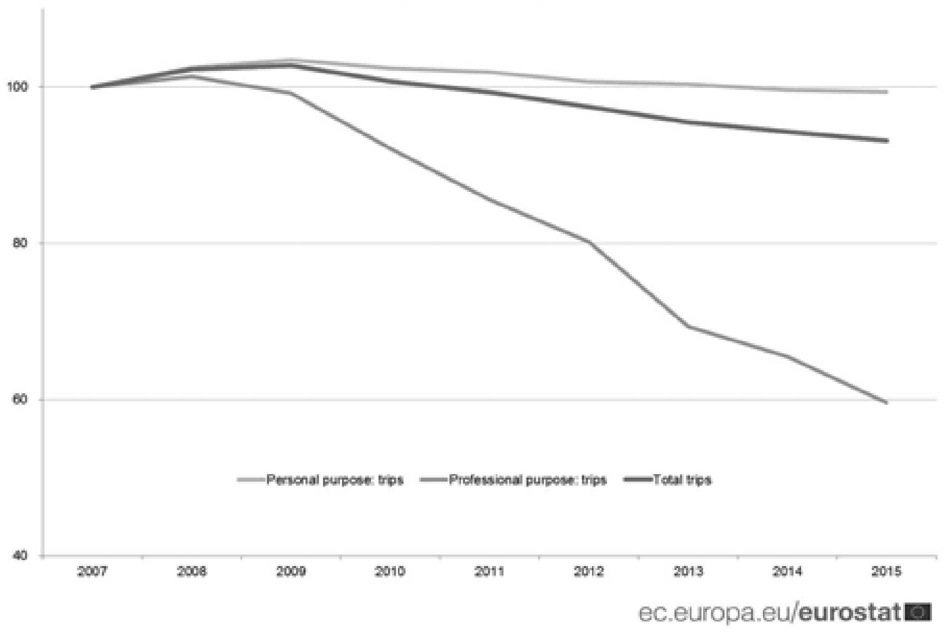
The FINANCIAL -- In 2016, the European Union (EU) imported almost 3 million tonnes of coffee from abroad, 10% more than 10 years ago. The imports were worth €6.9 billion.

Most of the coffee imported in 2016 from non-EU countries came from two countries: Brazil (915 000 tonnes exported to the EU, or 31%) and Vietnam (728 000 tonnes, 25%). They were followed by Colombia (193 000 tonnes, 7%), Honduras (192 000 tonnes, 6%), India (141 000 tonnes, 5%), Indonesia, Uganda and Peru (each of which exported around 120 000 tonnes, 4%) as well as Ethiopia (80 000 tonnes, 3%).

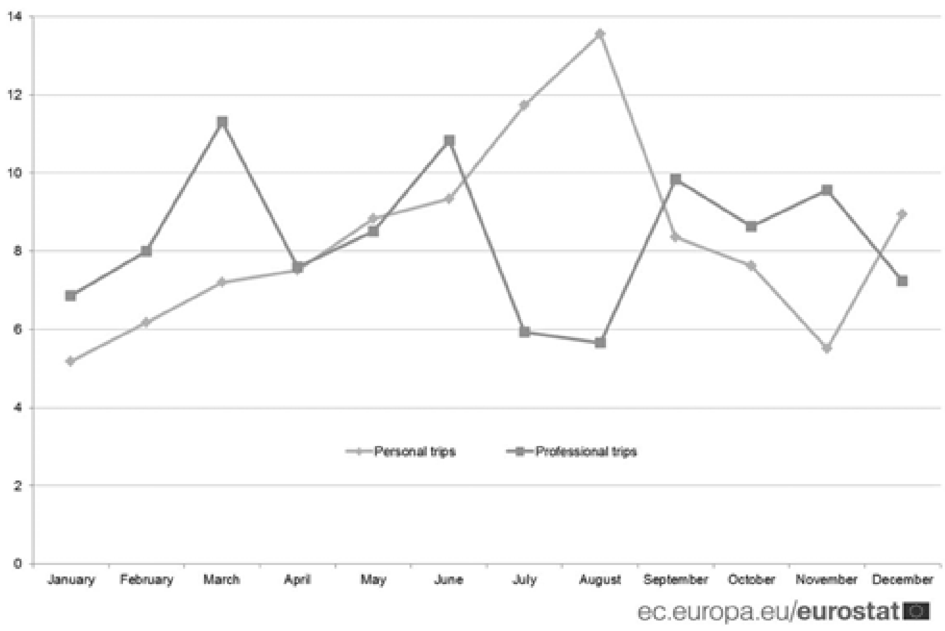
These imports were mainly destined for Germany (with 1.1 million tonnes imported, or 37% of the EU imports) and Italy (560 000 tonnes, 19%), ahead of Belgium (269 000 tonnes, 9%), Spain (229 000 tonnes, 8%), France (183 000 tonnes, 6%) and the United Kingdom (173 000 tonnes, 6%).

How did the economic crisis hit tourism?

Evolution in the number of trips of EU residents by purpose, 2007-2015
(index 2007=100)



Share of trips of EU residents by month, by purpose, 2015 (%)



The FINANCIAL

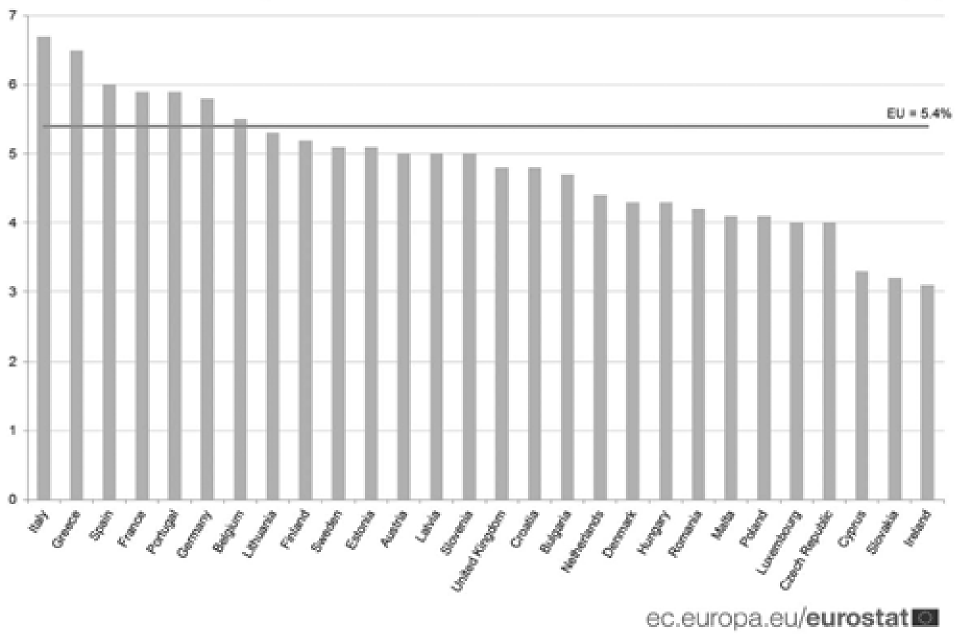
Between 2007 and 2015, the number of trips made by EU tourists for personal purposes (leisure, holidays or visiting friends and relatives) remained roughly stable at around 1 billion trips per year. On the other hand, the number of business trips declined, possibly because of a reduction in travel budgets and because more sustainable, time and cost efficient means of communicating are now widespread. Between 2007 and 2015, the number of business trips dropped by 40% (or -6.3% on average per year), from 206 million in 2007 to 123 million in 2015.

EU residents travel as tourists mainly in July and August

The travel seasons differ according to the reason for travelling. EU residents travel as tourists mainly in July and August, with a quarter of all annual trips made for personal purposes carried out in these two months. The popularity for taking holidays in July and August is highest for Greek tourists (accounting for over half of their annual trips) and lowest for Germans (19.9%). From the 28 EU Member States, only Croatian residents prefer to travel for personal purpose in June.

On the other hand, business trips take place mainly in March and June, closely followed by September and November.

Share of people aged 80 or over in the EU Member States, 2016 (%)



People aged 80 can expect to live longest in France, Spain and Luxembourg

Life expectancy for 80 year-olds rose from 8.4 years in 2005 to 9.2 years in 2015

The FINANCIAL

27.3 million people aged 80 and over ("elderly people") were living in the European Union (EU) in 2016, 7 million more than ten years ago. The growing share of elderly people in the EU (from 4.1% in 2006 to 5.4% in 2016) means that, in 2016, one in every 20 persons living in the EU was aged 80 and over. The ageing of the population structure is, at least partly, the result of an increasing life expectancy. This increase has meant that life expectancy for 80 year-olds rose from 8.4 years in 2005 to 9.2 years in 2015.

One in Every 20 Persons Living in the EU is Aged 80 and Over

Although the proportion of women in the population aged 80 and over shrank between 2006 and 2016, they still accounted for around two-thirds (64%) of elderly people in the EU. All Member States have an over-representation of women among people aged 80 and over.

Highest proportion of elderly people in Italy and Greece

The share of elderly people tended to be higher in the southern Member States, with the highest percentages registered in 2016 in Italy (6.7%), Greece (6.5%), Spain (6.0%) and Portugal (5.9%). Germany followed with 5.8% of its population aged 80 and over. In contrast, Ireland (3.1%), Slovakia (3.2%) and Cyprus (3.3%) registered the lowest proportions of elderly people in their population.

Compared with 2006, the share of people aged 80 or over rose by 2016 in all Member States, except Sweden. The largest increase was registered in Greece (from 4.1% in 2006 to 6.5% in 2016, or +2.4 percentage points - pp), ahead of Lithuania (+2.1 pp), Portugal (+1.9 pp), Estonia, Latvia and Slovenia (all +1.8 pp), Spain, Croatia and Romania (all +1.7 pp) as well as Italy (+1.6 pp).

People aged 80 can expect to live longest in France, Spain and Luxembourg

At EU level, the average life expectancy at the age of 80 stood at 9.2 years in 2015. People aged 80 in 2015 could expect to live ten and a half years more in France, and about ten years more in Spain (9.9 years), Luxembourg (9.8 years), Italy and Finland (both 9.5 years).

At the opposite end of the scale, the lowest life expectancy at the age of 80 was recorded in Bulgaria (6.9 years), followed by Croatia and Romania (both 7.4 years), Hungary (7.6 years) and Slovakia (7.7 years). In every EU Member State, life expectancy at the age of 80 was higher for women than for men.

One-Fifth of the World's Internet Users Are in China, and They Are Spending Close to $1 Trillion Online

Continued from p. 4

Key Success Factors for Foreign Players

Why have so many global giants failed to crack China's internet market? The report identifies four critical success factors that point to why some companies thrive and others fade:

Localization Capability. Chinese consumers have unique needs and demand patterns that reflect their economic, social, and cultural environment.

Quick Market Response. The rapid change and volatility of China's internet landscape demand the ability to respond and innovate quickly.

Online/Offline integration. Companies must be able to capitalize on the relative strengths of online and offline channels and use them to complement each other.

A Strong Ecosystem. The existing ecosystems of China's online leaders are a formidable barrier to outsiders hoping to break in. Ecosystems built elsewhere in the world may not work in China.

Looking Forward: Can China maintain its online growth and momentum? All signs point to yes. The country has a massive supply of available capital, 850 million people under the age of 40 (internet users skew young here), a low-cost talent pool of science and engineering grads, and ongoing investments by the Chinese government in infrastructure—in areas such as broadband, mobile internet, and cloud computing—with the goal of providing ubiquitous internet access.

financial news

Fitch Affirms Georgia at ‘BB-’; Outlook Stable

The FINANCIAL -- Fitch Ratings has affirmed Georgia’s Long-Term Foreign Currency Issuer Default Rating at ‘BB-’ with a Stable Outlook.

“Georgia’s ratings balance favourable governance and business environment indicators compared with rated peers and resilience to recent macroeconomic shocks with weak external finances, including large current account deficits, high net external debt and low external liquidity”, agency said.

In April the Georgian government and the IMF agreed a three-year arrangement under the extended fund facility (EFF) for an amount of around USD285.3 million to support the Georgian authorities’ reform agenda. The overall objectives of the programme are to ensure fiscal consolidation over the medium-term; implementing structural reforms aimed at improving domestic savings, investment and competitiveness; and unlocking bilateral and multilateral support to finance infrastructure investment and build foreign exchange reserves.

In Fitch’s view, the new IMF programme will provide an anchor to macroeconomic policy, potentially increasing confidence in the authorities’ reform effort. At the same time, the difficulties faced by the previous IMF programme (linked to a stand-by agreement) are a reminder of the potential challenges posed by multi-year programmes.

“Georgia’s recent macroeconomic performance has been resilient to the shocks affecting the region. Over five years, GDP growth has averaged 4% (BB median of 3.6%). GDP growth accelerated in 1H17 to 4.9% year-on-year, due to both an improvement in economic conditions among Georgia’s main trading partners (eurozone countries, Turkey and Russia) and domestic demand. We expect real GDP growth to average around 4.5% this year, and similar growth over the next two years.

Inflation has risen this year due to increased excise duties and higher international prices for food. Inflation rose to 7.1% in June from 1.8% in December 2016, before falling back. We expect inflation to average 5.6% this year, before falling towards the policy target, averaging 3.5% in 2018 and 3% in 2019.

External finances remain a key rating weakness. The current account deficit (CAD) was 13.5% of GDP in 2016, up from 12% in 2015, driven by a worsening of the primary income deficit. We expect this to unwind to some extent, so that the CAD falls to 11.3% this year. Over the next two years, we expect improvements in remittances to further shrink the CAD, to 10.2% by 2019. Foreign direct investment (FDI) flows remain a crucial source of funding for the CAD. In 2016, inward equity FDI (according to IMF data) was around USD1.4 billion (around 9.6% of GDP),” Fitch Ratings reported.

Net external debt was estimated at 66% of GDP at end-2016, more than four times the ‘BB’ median. Despite a favourable composition of the debt stock, with a share of both concessional debt and intercompany loans, estimated external debt service is substantially higher than peers. Georgia’s external liquidity position is also weak, with FX reserves at around three months of import cover, and a liquidity ratio below 100% (vs. BB median of over 150%).

“The budgetary process for 2018 is in its early stages. We do not currently expect significant deviations from the tax and spending changes introduced in 2017 and the medium-term fiscal framework underpinned by the IMF programme. We expect the deficit to narrow this year to 3.9% of GDP, from 4.1% in 2016 (against the original budgeted 3%). Current expenditure restraint, in the context of higher public investment, is expected to result in a fall in the spending-to-GDP ratio, and thus a smaller deficit of 3.5% in 2018 and 3.4% in 2019,” Fitch Ratings said.

General government debt was 44.6% at end-2016, somewhat below the ‘BB’ median of 51%. Our public finance projections envisage the public debt ratio remaining at around 45% through 2019. Georgia has a very high share of foreign currency-denominated debt (around four-fifths) and its public finances are therefore vulnerable to exchange rate shocks. However, most of the foreign-currency debt is on concessional terms, implying moderate debt maturities and low interest rates (the weighted average interest on external debt is 2%).”

Singapore the top expat destination for third year in a row

The FINANCIAL

Singapore has again been rated by expats as the best country in the world to live and work, in the new HSBC Expat Explorer survey.

Singapore saw off competition from Norway, which rose four places to come second. Culturally very different yet both highly-regarded, Singapore and Norway offer expats a stable economic and political environment while giving them a fulfilling experience and an improved family life.

Now in its tenth year, the HSBC Expat Explorer survey is the world's largest and longest running study of expat life, asking more than 27,500 expats about their experience abroad. As well as unveiling the best places in the world to live as an expat, the survey also found that life abroad typically increases expats' income by 25%, with the average expat earning just under USD100,000 a year. Far from compromising their wellbeing, expats seem to find the right balance. Four in ten (41%) expats adopt a more positive outlook on life after moving abroad, with 44% becoming more physically active.

Expat Explorer league table

The Expat Explorer overall league table ranks each country or territory using a score that summarises expats' views on economics, experience and family life aspects in their host country.

Singapore, balancing all aspects of expat life

Confidence in the political stability (83%) and local economy (73%), a great quality of life (64% say it is better than at home) and a positive experience for families are among the reasons why Singapore has topped the Expat Explorer league table again.

Indeed, 73% say the country offers better earning prospects than their home country and two-thirds (65%) enjoy more disposable income. Expats moving to Singapore report an average 42% increase in their annual income compared to home, to almost USD118,000.

Not only is Singapore a land of economic opportunity, it is also a top destination to raise a family. Four in five expats (82%) feel safer there than at home and 72% of expat parents rate the quality of education and the health and well-being of their children better than in their home country. This compares with 49%, 44% and 50% globally.

But expat life in Singapore can come at a price. Expats are less likely to see an improvement in their work/life balance than those in other destinations (47% compared to 53% globally). More than four in five expat parents (84%) find that the cost of raising children in Singapore is more expensive than at home.

Norway, meanwhile, is up four places in the league table and narrowly misses out on the top spot. The majority (90%) of expats in Norway say that their work/life balance has improved and 78% that the job security is better than at home (compared with 53% and 41% globally). Furthermore, 82% of expat parents say that their children's overall quality of life is better than at home, compared with 59% globally. These much appreciated upsides are typical of the Nordic model, characterised by a flexible yet secure employment market as well as free education and universal healthcare.

Top expat destinations for Economics, Experience and Family

In addition to the overall country league table, the Expat Explorer report ranks countries in three sub league tables - Economics looks at the impact moving abroad has on expats' wealth, Experience focuses on health and quality of life, and Family looks at the best places in the world to bring up a child.

Expat Economics: European countries lead the way

European countries head this year's Economics league table, with Switzerland coming top for the third year in a row. The strong Swiss economy and stable political environment are appreciated by expats. The vast majority (89%) of expats feel confident about the economy, while 78% say their earning prospects are better than at home.

Switzerland is not the only Economics hot spot, however. Germany performs well for career development, with 62% of expats in the country saying it is a good place to progress their career, compared with 54% globally.

Expat Experience: New Zealand and Spain praised for the quality of life

New Zealand comes top in the Experience league table. Almost three in five expats (58%) moved to the 'land of the long white cloud' to improve their quality of life, compared to just a third (34%) of expats globally. Almost three-quarters (72%) are integrating well with the local people and culture.

New Zealand is followed by Spain (2nd) and Portugal (3rd), with Singapore and Australia completing the top 5. Spain and Portugal are lauded by expats for their healthy lifestyles. Almost three-fifths of expats in Spain (58%) and in Portugal (57%) say their physical health is better as a result of the move, compared to a global average of 36%. Mexico has moved up seven places from 20th to 13th, with 81% of expats there enjoying immersing themselves in the local culture, compared with 62% globally.

Expat Family: The Netherlands is the new hotspot

The Netherlands has overtaken Sweden as the best place to raise a family, rising nine places in one year. More than three-quarters (76%) of expat parents in the Netherlands say the health and wellbeing of their children is better than it was at home. Expat parents also praise the quality of education and childcare, with 72% and 65% respectively saying it is better than at home.

Last year's winner, Sweden, ranks as the second best country to raise a family. Nearly three-quarters (72%) of expat parents rate the quality of childcare as better than at home and 71% said the process of arranging a school for their children was straightforward.

Other country moves in the Expat Explorer league table: #10 UAE: Back for good

A renowned destination for expats, the UAE is back in the top 10 and is living up to its promise. More than half (56 %) say they moved there to improve their earnings, compared with 22% of expats globally. The benefits of expat life in the UAE are not limited to finances. More than half (55 %) say their work/life balance is better than at home and more than three in five (62 %) say their overall quality of life has improved. The same goes for families, with 66% of expat parents saying their children's quality of life is better since the move.

#14 India: Best ever ranking

Driven by strong ratings across a range of economic, experience and family measures, India shines in this year's league table, moving up 12 places. Expats rated India as an improved destination for being a good place to progress your career (up 12 percentage points to 63%), having the ability to save more (up 11 percentage points to 64%), having a better overall quality of life (up 12 percentage points to 43%) and integrating well with local people and culture (up 9 percentage point to 67%).

#35 UK: Mixed sentiments with positive experiences

Down 13 places to 35th, the UK's ranking has been affected by a 20 percentage point drop in confidence in the economy (43%) and a 22 percentage point fall in confidence in the country's political stability (31%). However, expats still believe the UK offers a positive experience. Almost seven in ten (68%) say the UK is a good place for expats who want to progress their career compared with a global average of 54%, and 56% say that earning prospects are better than at home compared with 50% globally. Almost seven in ten expats are integrating well with the British people (69%) and enjoy immersing themselves in the local culture (68%).

publicity

Fast and Furious: Global mobility services set to top EUR 2 trillion by 2030

Electric vehicles cheaper than combustion models from 2025

Electric and hybrid vehicles are likely to account for 58% of all new car sales in Europe, the USA and China by 2025, according to the latest Digital Auto Report 2017 from Strategy& - PwC's strategic consulting team.

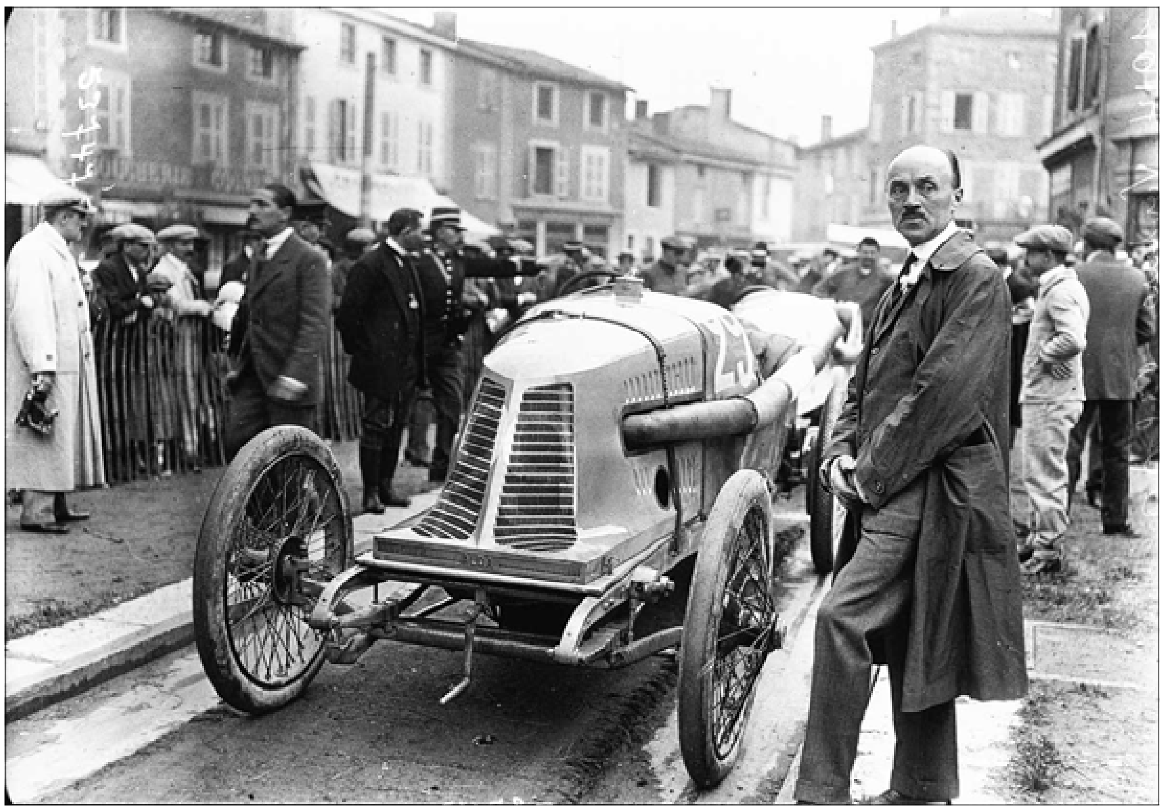
The FINANCIAL

This forecast comes on the back of a policy push by both the French and UK Governments to ban petrol and diesel new car sales by 2040, with the Scottish Government aiming for 2032.

Customer spend on what is being termed as the 'roboconomy' - connected and self-driving cars through to associated digital services - is also forecast to reach EUR €2.2 trillion annually by 2030.

And as the Fourth Industrial Revolution (4IR) continues apace across the auto industry, it's expected that Europe, USA and China will collectively be home to over 470 million connected cars by 2025,a ccording to PwC data.

"Our analysis shows that with a definitive breakthrough on electric vehicles only a few years away, sometime between 2025 and 2030, electric cars will become cheaper to run than petrol or diesel models, when you factor in traditional costs such as depreciation, fuel, servicing, taxes and insurance", Cara Haffey, PwC UK automotive leader said.



The Alda was a French automobile created by Fernand Charron of Charron, Girardot et Voigt (CGV). It was manufactured between 1912 and 1922. Cars were available with the Henriod rotary valve system; another version featuring six cylinders was also offered. Post-World War I, the four was the only model offered, though it was rebored to 3,563 cc (217.4 cu in).

"Alongside developments in the vehicle powertrain we are also seeing substantial increases in the level of vehicle connectivity. According to the report, over 85% of all new cars can already be classed as connected. As our recent study with SMMT shows, this can have a significant impact on the social, educational, health and employability opportunities for young, old and disabled people.

Mobility as a service (MaaS)

By 2030, just over 20% of the profit potential in the mobility market will be occupied by "mobility as a service", further increasing the pressure on margins in the conventional car production segment. In future, barely 50% of sectoral value-added will be contributed from car production or car sales – today, the figure is still around 85%. The remaining part will be played out in the fleet management and digital services areas.

36% of all mileage in Europe will be in shared-use vehicles with 42% in self-driving vehicles.

Europeans are expected to show the greatest interest in privately owned self-driving cars (16%) compared to 11% in the USA and 10% in China.

as road-based mobility improves, Europe, USA and China could see a 23% increase in the number of miles driven (compared to 2017), with average household spending on mobility around 10% less.

rapid build-up of self-driving vehicle fleets will result in a 28% increase in new car sales. In the long term, however, shared use will mean 25% fewer cars travelling on the roads in Europe and the USA and in other mature markets, compared to today.

market volume in shared mobility will rise annually by 24% in Europe, the USA and China alone over the period to EUR 1.3 billion, with around 33% of all new vehicles used for shared mobility.

The 'roboconomy'

The first "robot cars" (series-ready, self-driving vehicles) are anticipated from 2023 (Level 4) or 2028 (Level 5), and by 2030 there are set to be around 80 million such cars in circulation in these regions.

As this "roboconomy" develops, automotive manufacturers need to decide whether they want to be infrastructure operators with their own end-customer service, to adopt a role as intermediary between the mobility providers and end-customers, or to retreat to today's core competencies of vehicle development and of their integration capacity as a parts supplier network.

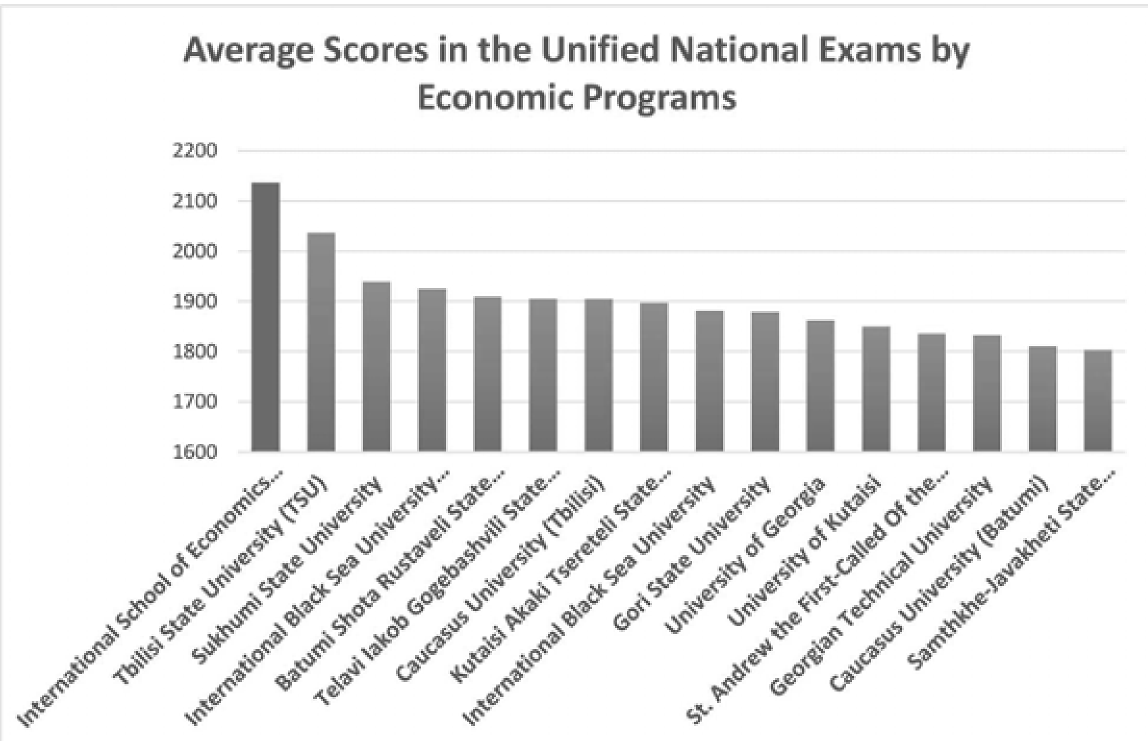
Is ISET's new BA program winning the fight for best brains in Georgia?

Continued from p. 2

were more than 10 universities offering a variety of economics programs. For better comparison, we focused only on those programs that required mathematics as the fourth elective subject on the Unified National Exams.

The demand for different economic programs, can be measured by the ratio of the number of applicants that made a particular economics program the first choice and the number of vacant places. As we can see, the leader in this regard is the Sukhumi State University with 1.9 first choice applications per vacant place. ISET's BA program is among the leaders, occupying the fifth position with 1.6 first choice applications per vacant place. Notably, there were only 7 educational programs in economics that had more first choice applications than places. Furthermore, if we observe the total number of applicants per vacant places, we will find that the competition increases drastically. For instance, in case of ISET, this measure reaches to the 7 applicants per vacant place.

The number of applicants per place is one of the most popular measures of programs' competitiveness. Yet, this measure tells nothing about the talent and/or the quality of enrolled students. For this purpose, it is important to compare programs based on the average scores of the Unified National Exam. The graph below shows the UNE scores for all of the educational programs in economics. It is not hard to notice that ISET's BA program is a clear leader in this regard, followed by Tbilisi State University, Sukhumi State University, International Black Sea University and etc.



If we enlarge the sample by adding the most successful educational programs in business administration (a field neighboring economics), we will find that there is only one program (the Free University of Tbilisi) that outperforms ISET in terms of students' average grades. It is worth mentioning that the average scaled score of the business administration programs is in general significantly higher than that of economics programs.

Distribution of the state study grants

The last, but not the least important observation that we can make based on the NAEC's data, is related to the allocation of the state study grants among newly enrolled students. In 2017 the structure of the grant distribution did not change much compared to the previous year. The number of students whose study was fully financed was reduced to the 1009 students (1112 students in 2016), and stayed nearly the same for students with 70% and 50% state grants (1457 and 4081 students respectively in 2017). In addition, this year 4051 students were enrolled in the free faculties[4], while the same measure was around 3800 in 2016. Furthermore, there are two lead universities – Georgian Technical University and Tbilisi State University taking the vast majority of the students fully financed by the free faculty system.

In terms of the state grant distribution, ISET's BA program is one of the most successful, pointing to the high quality of the incoming class. Every single student of the first intake received a government grant. Among them, 16 students managed to get a 100% grant from the state, while the number of students with 70% and 50% government grants amounted to the 30 and 4 respectively.

Thus, the ISET community can confidently claim that the battle for best brains in Georgia wishing to study economics has been won this year. We wish our incoming class the best of luck. We are also very confident that the new BA program will earn the same reputation and recognition as the long-running Masters in Economics program.

1 ISET MA program has also attracted students from all over the world – notably from Ukraine, Belarus, and as far away as Nigeria, India, and even Japan.

2 Of these, the majority (50 students) were enrolled through the Unified National Examination (UNE), while the others through internal mobility from different programs of the Tbilisi State University.

3 Gagra and Sukhumi are town/city in Abkhazia, while Akhalgori is a town in the occupied part of South Ossetia. Majority of the students from these districts are refugees, living in the different parts of Georgia.

4 In 2013, Georgian government introduced new system of providing full state grants for the students enrolled in a certain educational programs (mainly related to the professions that were characterized by shortage of the qualified workers). In the first year of introduction, only 2450 students were enrolled in these programs, while this number nearly doubled by 2017. It worth mentioning that not only educational experts, but even current minister of educational and science of Georgia are skeptical about this system.

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Weekly Market Watch

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

ECONOMY

Real GDP grew 4.3% y/y in August 2017

Georgia's economy expanded 4.3% y/y in August 2017, after growing 3.8% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 8M17 GDP growth was 4.7% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 3.3% in August 2017

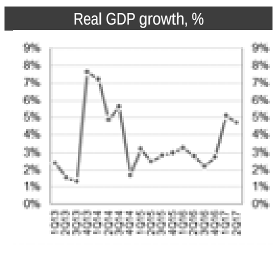
In August 2017, the banking sector loan portfolio increased 13.6% y/y after growing 13.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.8% y/y and 0.9% m/m to GEL 19.7bn (US$ 8.1bn). Deposits were up 18.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.2% y/y and up 5.0% m/m to GEL 17.8bn (US$ 7.3bn). Deposit dollarization reached 65.5% (-3.5ppts y/y and flat m/m). NPLs stood at 3.3% in August 2017(-0.7% y/y and -0.1% m/m).

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

Real GDP growth, %



Source: GeoStat

Georgia sovereign credit ratings

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

Source: Rating agencies

International ranking, 2016-17

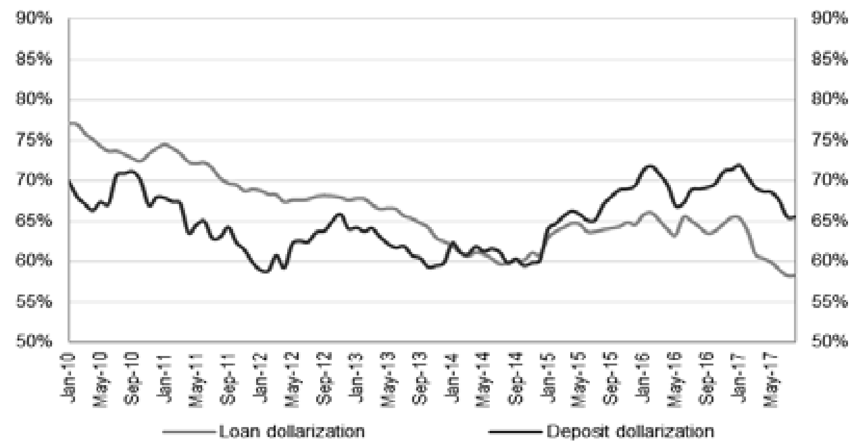
Ease of Doing Business
16 (regional leader)

Economic Freedom Index
13 (mostly free)

Global Competitiveness Index
59 (improving trend)

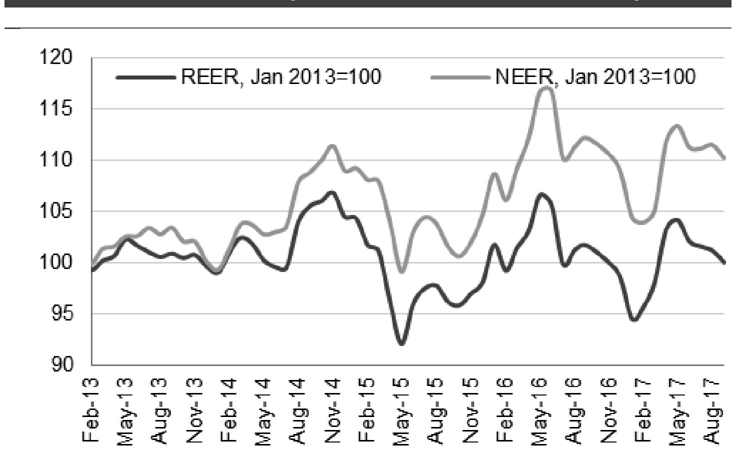
Source: World Bank, Heritage Foundaition and World Economic Forum

Loan and deposit dollarization



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



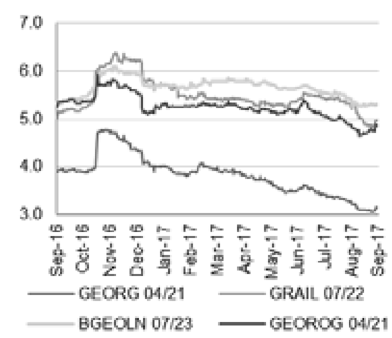
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.4 (+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 106.1 (-0.9% w/w), yielding 4.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.5 (-0.9% w/w), yielding 5.0%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.4 (-0.3% 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	106.1	103.4	112.4	111.5
Mid yield, %	n/a	6.75%	8.5%	9.0%	11.0	4.9	5.3	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	299.6	125.7	304.5	328.1

**GWP 12/21 bonds are in Georgian lari*

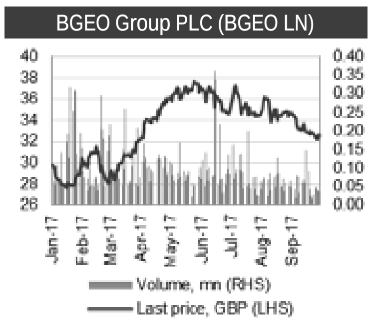
Eastern European sovereign 10-year bond performance

Issuer	Amount, US$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.2
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)



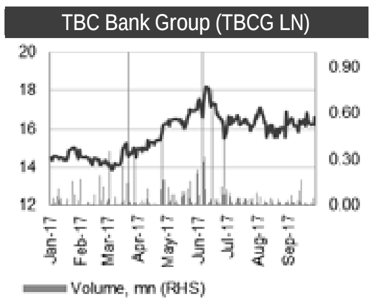
Source: Bloomberg

BGEO Group (BGEO LN) shares closed at GBP 32.60/share (-0.91% w/w and -5.29% m/m). More than 216k shares traded in the range of GBP 32.02 – 32.97/share. Average daily traded volume was 54k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.77% w/w and gained 1.71% m/m. The volume of BGEO shares traded was at 0.55% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.60 (+1.28% w/w and +5.13% m/m). More than 126k shares changed hands in the range of GBP 16.00 – 16.98/share. Averaged daily traded volume was 33k in the last 4 weeks.

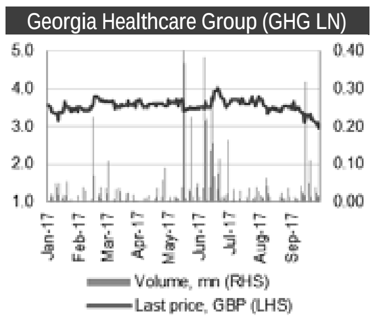
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.95/share (-7.81% w/w and -15.81% m/m). More than 155k shares were traded in the range of GBP 2.95 – 3.20/share. Average daily traded volume was 41k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



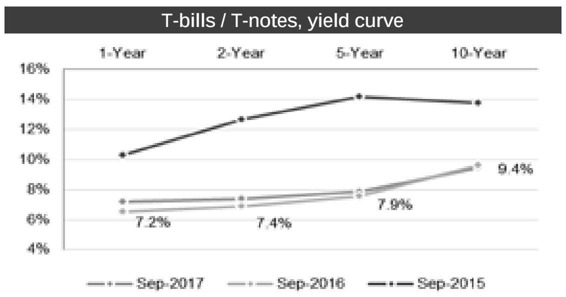
Source: Bloomberg

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,000mn (US$ 412.0mn).

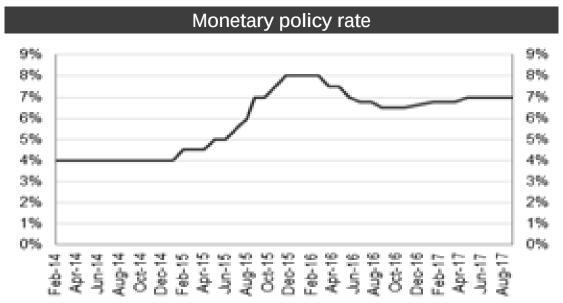
Ministry of Finance Treasury Bills: 5-year GEL 20.0mn (US$ 8.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on September 27, 2017. The weighted average yield was fixed at 7.871%. The nearest treasury security auction is scheduled for October 4, 2017, where GEL 30.0mn nominal value 1-year 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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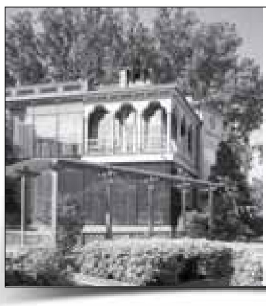

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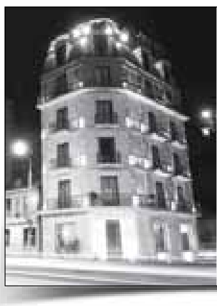

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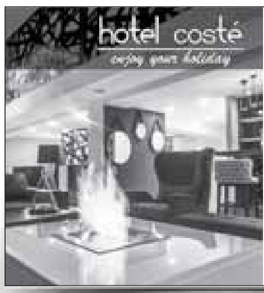

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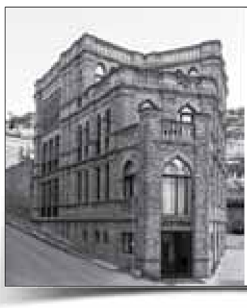

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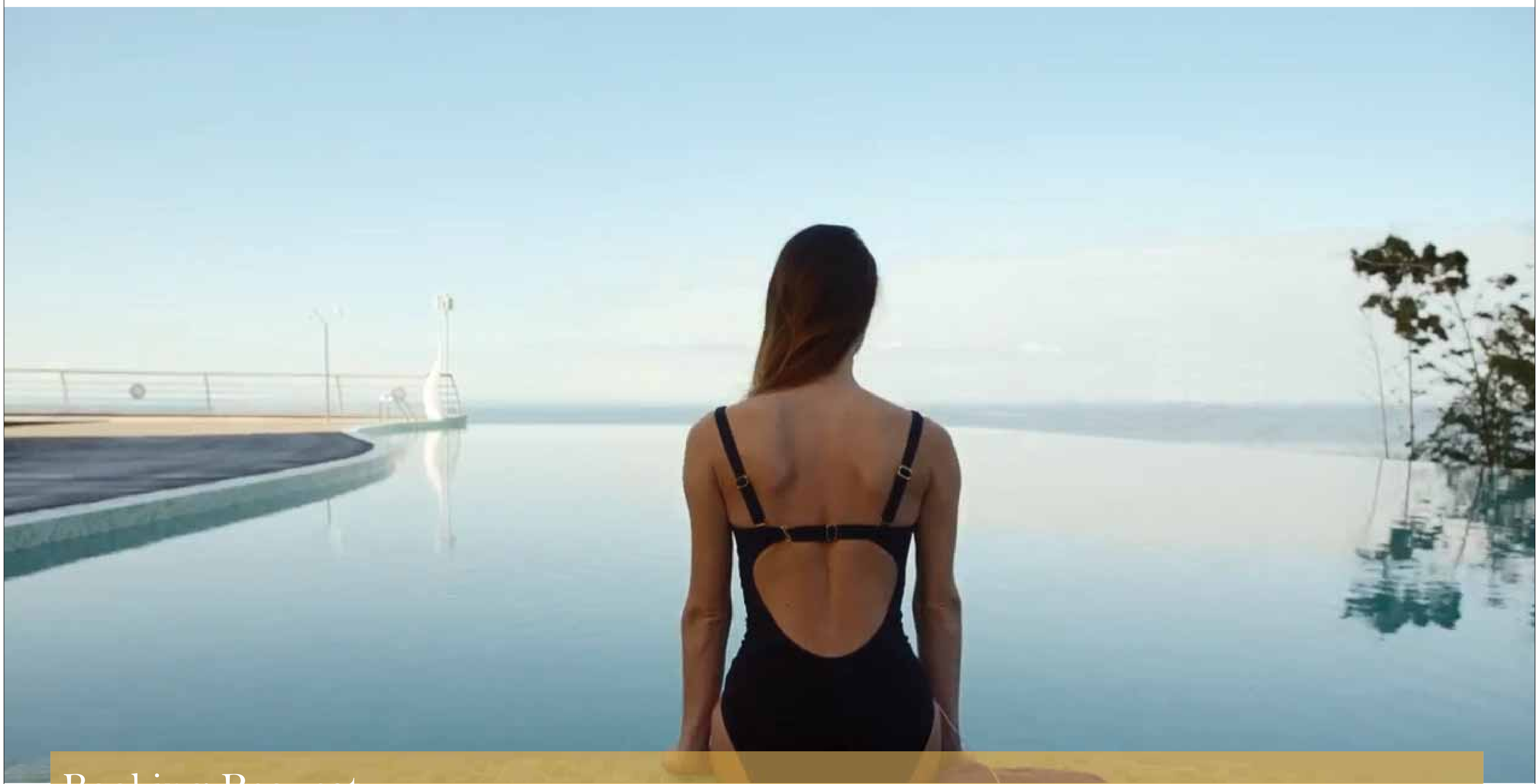

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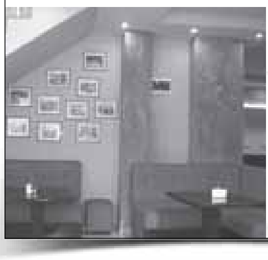
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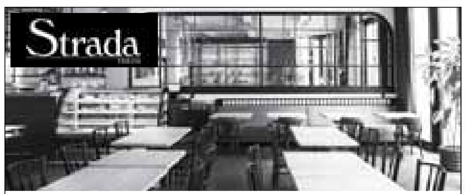
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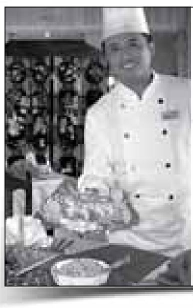
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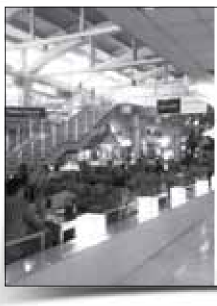
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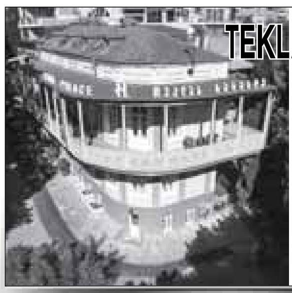
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