

9 771512 364003 >



**Half of renters in Europe may never buy a home**  
See on p. 6

**Experto Sheds Light on AI and Digital Signage**  
See on p. 15



13 November, 2017

News Making Money

<http://www.finchannel.com>

## Georgia's 2017-2018 Economic Growth Forecast by EBRD Improved

The FINANCIAL -- According to the Report (November 7, 2017) of the European Bank for Reconstruction and Development, Georgia's economic growth is forecasted to be 4.5% in 2017 and 2018.

The improvement of the EBRD forecasts is linked to the accelerating economic growth of Georgia, which is a result of significant increase in export and tourism, according to Ministry of Economy and Sustainable Development of Georgia.

Continued on p. 13

## CURRENCIES

	Nov 11	Nov 4
1 USD	2.6499	▼ 2.6284
1 EUR	3.0882	▼ 3.0610
100 RUB	4.4699	▲ 4.4819
1 TRY	0.6849	▲ 0.6868

# IMF Predicts Georgian Economic Growth to Continue Improving

The FINANCIAL  
By DAVID ALEKSIDZE

Francis Painchaud, Resident Representative of IMF in Georgia, predicted the Georgian economy to grow by up to 4.2% in 2018, up from the projected 4% this year. Painchaud held a conference at Tbilisi Courtyard Marriot on 7 November, 2017. The focus of his presentation was on economic predictions

for the Caucasus and Central Asian region, otherwise known as CCA.

Painchaud highlighted some of the main trends that the countries representing the region should look to. CCA, comprised of 8 countries, was split into two categories, depending on whether the country in question imports or exports oil. The significance of oil factor was further highlighted after the drastic drop of oil prices in 2014-15.

Painchaud touched upon the sub-

ject of GDP growth in Georgia, projecting the growth rate improvement to be maintained, but also stating that GDP growth rates of 2000-2010 will, most likely, not be achieved.

When it comes to devaluation of national currencies, Painchaud gave disheartening news – the trend can be seen all across the CCA region, with no exceptions.

Continued on p. 10

## Macroeconomic Review Q3 2017: Georgia's exports are on the rise, but the devastation of hazelnut harvest may exacerbate regional inequalities in the country

See on p. 2

## New Georgian Pension System to Slow Net Wage Growth

The FINANCIAL

At just over USD 70, which is more than six times lower than in Turkey, and over 4 times lower than in Russia, Georgian pensioners have the lowest monthly pensions compared to their neighbour countries. With its recently-introduced new pension system Georgian officials assure the country's citizens that their living standards will improve in the future. However, the majority of economists are sceptical about this reform. The main risk and uncertainty related to the pension reform is how reasonably the Government will be investing the population's savings. In addition, it is expected that net wages will be growing more slowly.

Continued on p. 4

**General Sponsor:** SEU DEVELOPMENT

**Sponsors:** Dirsi, m2 REAL ESTATE, Holiday Inn

Investing in Real Estate?

**PARTICIPATE IN THE FINANCIAL FORUM**

# URBAN

## TBILISI

MEET THE BEST OF CONSTRUCTION BUSINESS

**on NOV 20**

Registration page:  
[URBANtbilisi.eventgrid.com](http://URBANtbilisi.eventgrid.com)



# financial news



THE FINANCIAL  
13 November, 2017

ISSUE: 44 (578)  
© 2017 INTELLIGENCE GROUP LTD

### COPYRIGHT AND INTELLECTUAL PROPERTY POLICY

The FINANCIAL respects the intellectual property of others, and we ask our colleagues to do the same. The material published in The FINANCIAL may not be reproduced without the written consent of the publisher. All material in The FINANCIAL is protected by Georgian and international laws. The views expressed in The FINANCIAL are not necessarily the views of the publisher nor does the publisher carry any responsibility for those views.

### PERMISSIONS

If you are seeking permission to use The FINANCIAL trademarks, logos, service marks, trade dress, slogans, screen shots, copyrighted designs, combination of headline fonts, or other brand features, please contact publisher. “&” is the copyrighted symbol used by The FINANCIAL

FINANCIAL (The FINANCIAL) is registered trade mark of Intelligence Group Ltd in Georgia and Ukraine. Trade mark registration by Sakpatenti - Registration date: October 24, 2007; Registration N: 85764; Trade mark registration by Ukrainian State Register body - Registration date: November 14, 2007.

### ADVERTISING

All Advertisements are accepted subject to the publisher's standard conditions of insertion. Copies may be obtained from advertisement and marketing department. Please contact marketing at: marketing@finchannel.com see financial media kit online www.finchannel.com

### Download RATE CARD



### DISTRIBUTION

The FINANCIAL distribution network covers 80 % of key companies operating in Georgia. 90 % is distributed in Tbilisi, Batumi and Poti. Newspaper delivered free of charge to more than 600 companies and their managers.

To be included in the list please contact distribution department at: temuri@financial.ge

### CONTACT US

EDITOR-IN-CHIEF  
**ZVIAD POCHKHUA**  
E-MAIL: editor@financial.ge  
editor@finchannel.com  
Phone: (+995 32) 2 252 275

HEAD OF MARKETING  
**LALI JAVAKHIA**  
E-MAIL: marketing@financial.ge  
marketing@finchannel.com  
Phone: (+995 558) 03 03 03

CONSULTANT  
**MAMUKA POCHKHUA**  
E-MAIL: finance@financial.ge  
Phone: (+995 599) 29 60 40

HEAD OF DISTRIBUTION DEPARTMENT  
**TEMUR TATISHVILI**  
E-MAIL: temuri@financial.ge  
Phone: (+995 599) 64 77 76

COPY EDITOR:  
**IONA MACLAREN**

COMMUNICATION MANAGER:  
**EKA BERIDZE**  
Phone: (+995 577) 57 57 89

PHOTO REPORTER:  
**KHATIA (JUDA) PSUTURI**

MAILING ADDRESS:  
17 mtskheta Str.  
Tbilisi, Georgia  
OFFICE # 4  
PHONE: (+995 32) 2 252 275  
(+995 32) 2 477 549  
FAX: (+95 32) 2 252 276  
E-mail: info@finchannel.com  
on the web: www.financial.ge  
daily news: www.finchannel.com

**FINANCIAL**

Intelligence Group Ltd. 2017

Member of



## CURRENT PRICES ON GASOLINE AND DIESEL

13 NOVEMBER, 2017, GEORGIA

Gulf		WIPAC		LAKOIL		SHELL		ROMPETROL	
Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL	
G-Force Premium	2.29	Eko Super	2.44	Euro Super	2.33	Nano Super	2.43	Efix Euro 98	2.45
G-Force Euro Regular	2.19	Eko Premium	2.32	Premium Avangard	2.23	Nano Premium	2.29	Efix Euro Premium	2.32
Euro Regular	2.14	Eko Diesel	2.20	Euro Regular	2.08	Nano Euro Regular	2.14	Euro Regular	2.17
G-Force Euro Diesel	2.19	Euro Diesel	2.17	Euro Deasel	2.08	Nano Euro Diesel	2.05	Efix Euro Diesel	2.20
Euro Diesel	2.09	Euro Regular	2.17			Nano Diesel	2.05	Euro Diesel	2.09
CNG	1.45	Diesel Energy	2.10			GNG	1.44		



# ISET ECONOMIC INDICATORS

Macroeconomic Review

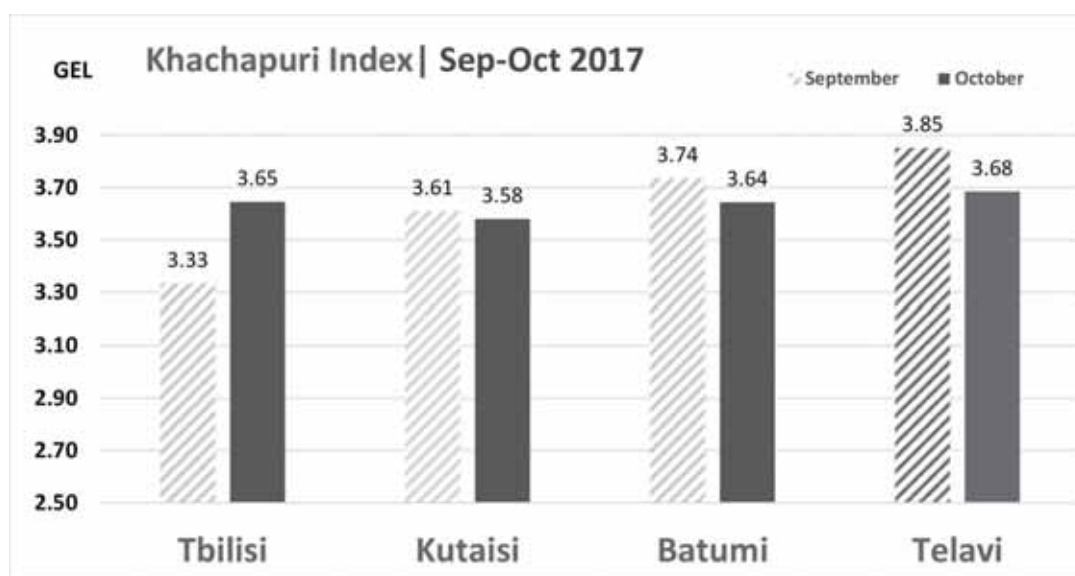
[www.ISET-PI.GE/macro-review](http://www.ISET-PI.GE/macro-review)

## TELAVI IN THE SPOTLIGHT

The cost of cooking one standard Imeretian khachapuri in October 2017 varied from 3.04 GEL to 4.18 GEL. The average price was 3.64 GEL, which is just slightly (0.1 %) lower than the previous month (September 2017). In annual terms (compared to October 2016), the Khachapuri Index showed quite a significant increase of 7.2%.

According to the Khachapuri Index, Telavi was the most expensive city in October 2017, whereas Kutaisi, where Khachapuri cost 3.58 GEL, was the cheapest one. In Tbilisi and Batumi, khachapuri cost 3.65 GEL and 3.64 GEL, respectively.

As is traditional for this time of the year, the price of khachapuri in Telavi is higher than the national average. As shown on the graph, Telavi was the most expensive city not only in October 2017, but in September 2017, as well. This pattern can be easily explained



by the popularity of the city in those months. It is this exact period of the year that is “Rtveli”

time in the Kakheti region, which attracts many international and domestic tourists. Therefore, it is

not surprising that the demand for cheese and khachapuri is the highest in Telavi in autumn.

# Macroeconomic Review Q3 2017: Georgia's exports are on the rise, but the devastation of hazelnut harvest may exacerbate regional inequalities in the country

Yaroslava BABYCH and Giorgi MZHAVANADZE  
ISET

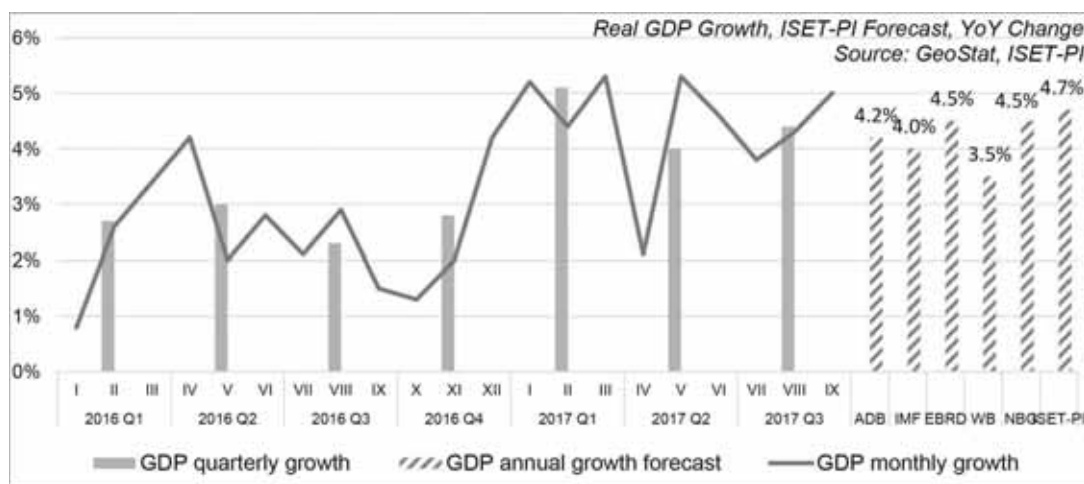
### Highlights of this issue:

Georgia's real GDP growth rate in Q3 reached 4.4% year-on-year, putting the country on the path to achieve 4.7% annual growth in 2017. Export, tourism and money transfer trends were behind the strong showing in Quarter 3. Supply side pressures will keep inflation above the 4% target in 2017.

The Georgian lari (GEL) depreciated against the trade partner currencies both relative to the previous quarter and relative to Q3 of the last year.

Exports rose overall by 25.5% year-on-year in Q3, which was chiefly due to an increase of external demand for traditional Georgian exports, namely ferro-alloys, car re-exports, and wine. The latter increased by 61.2% year-on-year.

Hazelnuts, one of country's top exports, declined by nearly 56% compared to last year due to



harvest damage caused by brown marmorated stink bugs in Western Georgia.

Exports to CIS countries are becoming prominent once again, driven by the increase of exports to Russia, Azerbaijan and Armenia.

Improvement in credit activity was one of the main drivers of economic growth in the third quarter of 2017. Retail loans increased by nearly 25% YoY, while business loans showed a 9.5% increase.

In Q3 2017, the volume of remittances in Georgia grew by

nearly 20% compared to last year's level. All primary source countries (Russia, the U.S., Italy, Greece and Israel) showed a positive annual change. Remittances from abroad constituted 3.2% of total monthly average income in Georgia; however, for recipient families this share accounted for 42%.

Tourism was yet another significant factor accelerating economic growth in Georgia in Q3. In the reported period, Georgia hosted 2.827 million international arrivals, a 26% year-on-year increase.

## Economic Growth

Georgia's real GDP growth was 4.4% year over year (YoY) in Q3 2017, which, according to ISET-PI forecasts, puts the country on track to reach 4.7% annual growth. The forecasts from other international institutions tracking economic growth in Georgia were also inching up

Continued on p. 13



**Sunday Brunch**  
12:30 pm to 4:00 pm every Sunday

- Special Kid Friendly Buffet
- Clown & Table Magician
- Live Music

Kids Area consisting of:  
• Face Painting • Toys and Games

GEL 55 for standard menu or GEL 70 and get unlimited wine and beer  
Children under 12 years free, children over 12 years - 50% discount

**THE BILTMORE**  
TBILISI

The Biltmore Hotel Tbilisi, 29 Rustaveli Ave., "Sonnet" Restaurant & Bar +995 322 72 72 72 / Info.bhtg@biltmorecollection.com / millenniumhotels.com

Advertiser: The Biltmore. Contact FINANCIAL Ad Dep at marketing@finchannel.com

**TERMA**

**MECHANICAL  
ELECTRICAL  
PLUMBING  
SERVICE PROVIDER**

+995 32 2 24 11 00  
f terma.ge  
Panjikidze Str. 10

Advertiser: Terma. Contact FINANCIAL Ad Dep at marketing@finchannel.com



## financial news

# New Georgian Pension System to Slow Net Wage Growth

The FINANCIAL

By TATA LOBZHANIDZE

At just over USD 70, which is more than six times lower than in Turkey, and over 4 times lower than in Russia, Georgian pensioners have the lowest monthly pensions compared to their neighbour countries. With its recently-introduced new pension system Georgian officials assure the country's citizens that their living standards will improve in the future. However, the majority of economists are sceptical about this reform. The main risk and uncertainty related to the pension reform is how reasonably the Government will be investing the population's savings. In addition, it is expected that net wages will be growing more slowly.

According to the Georgian Government's new pension reform model, citizens, employers, and the state will all have to make monthly payments into the new pension fund. For employed people – 2% of their salary will be transferred to the pension fund; employers – 2% of salaries they pay will be transferred to the pension fund; the state – 2% of income tax revenue received from every employed citizen will be transferred to the fund.

In 2017 a Georgian retired man gets about USD 70, which is the lowest amount out of the neighbouring countries of Georgia. In Turkey, the average pension is about USD 460; in Russia – USD 260; Azerbaijan – USD 120; Armenia – USD 85. One of the non-governmental organizations – Society and Banks, provides a calculator for the new pension system. The calculator takes wages as constant over the years with a fixed 3% inflation rate. Thus, although the calculations are not exact, average pension amounts can be roughly estimated.

Let's consider the example of a 30 year-old woman who has a three-time higher net wage than the average gross wage in Georgia, 2016. Such a woman would theoretically have a GEL 2 800 net wage today (GEL 3 500 gross), and would be saving 2% of this wage for the next 30 years, wanting to get a pension till they're 80 years-old. Based on this it is expected that, calculated roughly, the woman will have a GEL 1 153 monthly pension, with GEL 523 purchasing power. This seems optimistic. However, some economists believe that such kinds of employees can invest their savings more wisely on their own and gain more money than just GEL 523 when they retire.

Now, let's consider the example of a woman who is likely to be someone needing relatively higher government support when she retires. The lowest nominal wages in 2016 had people employed in the educa-



tion and agriculture systems, with a gross wage of about GEL 550. Let's assume her net wage will triple on average gradually. During the next 30 years let's say she has on average GEL 1 600 net wage (GEL 2 000 gross), then she will get about GEL 660 monthly, which is GEL 300 in today's money. A person who has GEL 1 000 net wage, will get a pension with purchasing power equal to GEL 220 on average. That is only GEL 40 higher than the pension in 2017.

Based on these models, there exist legitimate questions in society – why should participation in the pension system be semi-compulsory? Why do employees not have free choice? They might not trust the government and prefer to invest their savings on their own. Do current and future governments of Georgia have a consistent enough policy to be trusted? What if the provider of the service was the private sector, not government? What about the risks from the business sector? It is expected that companies will pass the cost on to employees in the long run and gradually decrease net average wages or will decrease demand on the labour market in the long run.

President of the Association of Young Financiers and Businessmen, Shota Gulbani says that the main risk and uncertainty related to the pension reform is how reasonably the Government will invest the population's savings. According to the draft law about accumulative pension, for the first 5 years the pension fund must only be invested

in high liquidity assets. However, everyone is aware that the Georgian stock exchange does not provide high liquidity indicators. Thus, two other sources are left to invest in: government bonds and foreign securities markets, which theoretically are considered reliable sources to invest in. "However, if we talk about the benefits, it should also be mentioned that pension beneficiaries will no longer be dependent on the government budget when they retire. Money accumulated in pension funds should be accessible to ordinary citizens and this can only happen in a well-organized stock exchange, where citizens will be the purchasers of the securities issued by pension funds. If we foresee the current reality of the Georgian stock exchange, it's almost impossible. Hence, this really causes some scepticism about the system," said Gulbani.

Discussing the challenges of the reform, the representative of ISET-PI, Norberto Pignatti emphasizes the risks of low coverage of the population and increased pressure on public finances (especially in the short term), unless basic pensions increase less than they would in an absence of the reform.

Furthermore, Pignatti states that it can be expected that, as time passes, part of the "employers' share" will be shifted on to the workers during the negotiation phase of new contracts. "This does not necessarily mean that average wages will decrease. Actually, they are likely to keep increasing, given past trends. What is most likely is that net wages

will just be growing a bit more slowly," Pignatti told The FINANCIAL.

The second issue is why the Government and not the private sector. Gulbani considers that the only private sector in Georgia capable of providing this kind of service is the banking sector. "However, it can be clearly stated that it would definitely be riskier than in the case of the Government," stated Gulbani. "The banks already own 93% of the whole Georgian financial sector and the major share of financial resources flows through several commercial banks. Lack of competition in the financial sector already damages the economy of Georgia and private sector involved in pension reform would worsen the situation. In developed economies pension funds are quite independent and their capitalization is almost equal to the banking sector. Georgia does not have such kind of strong private pension funds and that's why the Government is forced to carry out this reform itself," Gulbani told The FINANCIAL.

Zurab Japaridze, Head of political party Girchi, completely disagrees with the idea of pension reform. In his public speech he said that, in fact, the reform is an agreement on a financial scheme between the Government of Georgia and the banks, and it has nothing to do with the improvement of pensioners' living standards. "The Government is going to collect millions from people, and the law about pension reform doesn't say anything about the responsibilities of the Government of Georgia," said Japaridze.

In 2019, the collected pension fund will be approximately GEL 900 million. According to the draft law, for the first five years, collected money could only be invested in less risky portfolios and the limit for foreign investments is 20%. So, in the year 2019, money invested in foreign portfolios can only be GEL 180 million. The remaining GEL 720 million will be invested in Georgia. 20% (GEL 144 million for 2019) might be invested in the securities of Georgian companies. Apart from this, according to the law, the Government of Georgia has permission to borrow the whole GEL 720 million (100%) from the pension fund. In addition, about GEL 675 million (75%) can be saved in the deposits of corporate banks. The draft law of the pension reform clearly reveals the interests of the Government of Georgia, banking and business sector. There is no way that the reform will be beneficial for people; no successful foreign experience; no stock exchange market development; no economic growth support; the only thing that the reform supports is Government spending and the business sector and in addition, no one is taking responsibility for giving money back to people if the system fails," said Japaridze.

The majority of economists are sceptical about this reform, and the Government's claims that pensioners' living standards will be improved. However, one benefit that can be unambiguously stated is that the Government will not be able to speculate with GEL 10-20 increased pensions before the elections.

100 % of business audience  
Biggest distribution network





# AXIS TOWERS

FIVE DIRECTIONS OF DEVELOPMENT

5\* HOTEL  
PULLMAN

A CLASS  
OFFICE CENTRE

APARTMENTS  
FROM 44m<sup>2</sup>  
WITHOUT  
DOWN PAYMENT  
FROM ₾3645

## AXIS TOWERS

THE PROJECT  
THAT WILL COMPLETELY CHANGE  
THE STANDARD OF  
COMFORT,  
MULTIFUNCTION AND  
MODERNITY

COMMERCIAL AREAS  
FOR RENT

PEDESTRIAN STREET -  
CAFES AND RESTAURANTS

CHAVCHAVADZE AVENUE

AXISTOWERS.GE  
+995 032 2 24 17 17



financial news

# Half of renters in Europe may never buy a home



The FINANCIAL

**N**early half of renters and non-home owners in Europe believe they will never be able to afford to buy a home, even though buying a house is considered a smart money decision and owning a home is preferred over renting.

The ING International Survey Homes and Mortgages 2017 – Renting versus Owning report surveyed almost 15,000 people in 15 countries, including Australia and the USA.

Seventy-percent of Europeans are still happy with their homes – but renters less so (78% home owners versus 59% non-owners). Three in five would like to own their home, while only one in 10

would prefer to rent.

“Most people want to buy a house. Their reasons for doing this extend well beyond money, such as security and the freedom to decorate it how they like. Yet many now accept that they are unlikely to buy,” said ING senior economist Ian Bright.

## Unfulfilled ambitions

While a home is both a shelter and a financial decision, for many people, buying one is the biggest money decision they will ever make.

However, 48% of renters and non-owners are concerned whether they will ever be able to afford to buy a home. The European high is in the UK, where 56% of

respondents agree they will probably never be able to afford to buy a home. The survey high is 62% in Australia.

Breaking this down by age and gender, more than half of the 35+ non-owners believe they will never afford a home – rising to 68% among the over 65s. Men of all ages are less likely than women to say they will never buy.

## A smart money decision

Home prices continue to rise in many countries, yet nearly 70% of the respondents in Europe, the USA and Australia equate buying a home with a smart money decision.

A large number of people believe that “everyone would buy if they could afford to” – even in Germany (58%), which is often said to be a nation of renters. Renting, however, might be preferred in certain circumstances, such as when greater flexibility is needed or the regulation in the country is favourable.

The results of the survey confirm that home ownership is seen in many cultures as a status symbol, often representing a considerable monetary achievement. Across Europe, 65% of the people equate buying a home with a symbol of success. The number of people who agree with this statement is the largest in Poland, Turkey and Romania, with Italy and the USA following close.

The Dutch are least likely to agree.

# 63% of APEC CEOs expect global footprint to expand in next three years

## Concern rising on potential restrictions on labour mobility and movement of goods

## 58% of CEOs investing in automation

The FINANCIAL

**C**onfidence in revenue growth is at its highest level for three years amongst business leaders in 21 Asia-Pacific Economic Co-operation’s (APEC) economies.

37% of APEC CEOs are very confident of revenue growth during the next 12 months, up from 28% in 2016 despite trade policy uncertainty and related political tensions in many of the economies that make up APEC.

PwC surveyed over 1,400 business leaders with responsibility in each of the 21 APEC economies in the run up to the annual APEC CEO Summit in Vietnam.

In the next year, a net 50% of businesses surveyed by PwC will increase their global investments (including those outside the APEC region), up from 43% last year, as APEC businesses increase their foothold and influence on the global economy.

71% of those surveyed who are raising investment will direct those increases into APEC economies in 2018, and 63% of all APEC CEOs expect their broader global footprint to expand over the next three years.

The biggest domestic investment winners will be Vietnam, Russia, the Philippines, Indonesia and Malaysia. Vietnam, China, Indonesia, the US and Thailand are the top APEC targets for business leaders’ overseas investment. 89% of Malaysian CEOs and 86% of Viet Nam CEOs expect to expand globally.

Bob Moritz, PwC Global Chairman comments, “Business leaders’ confidence suggests they are not waiting for the fog of uncertainty to clear to push ahead with investment plans. In the short term this will drive momentum for APEC, increasing its global influence and supporting deals activity with 71% of CEOs expecting to rely more on business partnerships/joint ventures in the future.”

“CEOs’ concerns about restrictive trade conditions, particularly the movement of labour and goods, has to be a key area of discus-

sion for APEC leaders at the upcoming summit as it directly impacts competition and growth. 30% of business leaders want APEC, as a forum, to take the lead on exploring labour mobility solutions.

“The majority of business leaders are bullish for growth, and see APEC becoming more economically linked over time, with three quarters seeing slow current progress towards deepening economic integration. 31% of CEOs in the US say progress on free trade in Asia Pacific has stalled or reversed, compared to 18% across the region.”

In the survey almost a quarter of APEC CEOs admit they experienced a more restrictive trade environment, particularly focused around employing foreign labour (23%) or in moving goods across borders (19%).

In the near term, 30% expect labour restrictions to increase, and a quarter expect an increase in barriers on moving goods to increase in the next 12 months. Half of CEOs in Singapore, one of the world’s global financial centres, admit they expect an increase in barriers to labour mobility in the next 12 months.

As a result, a majority of CEOs (71%) expect to rely more on business partnerships and joint ventures in response to changing trade environment, and 68% plan to increase business domestically, or in economies with bilateral ties.

The drive to perform on a regional level continues to increase, and transform the competitive landscape for business in the APEC economies. CEOs identified increased competition from leading regional businesses in APEC economies, and emerging economies for the third year in a row. Combined they now overtake competition from traditional developed economy multinationals.

19% believe their biggest competitor in the next three to five years will be a multinational from an emerging economy, or regional leaders in APEC economies (22%). Almost a third (32%) believe developed nation multinationals are their biggest rival, down from 41% in 2014.

With confidence increasing, perceptions of the opportunities for innovation-driven growth have improved, but business leaders’ concern about their ability to secure the right skills to compete globally is increasing.

Automation is a key recurring theme in strategies for building the workforce of the future, with 58% automating certain functions, 40% investing in machine learning and emerging technologies, and 41% identifying workers are skilled at using new automation tools.

For ASEAN businesses, automation is high on the agenda, as the key building block in their strategy to develop a digital workforce.

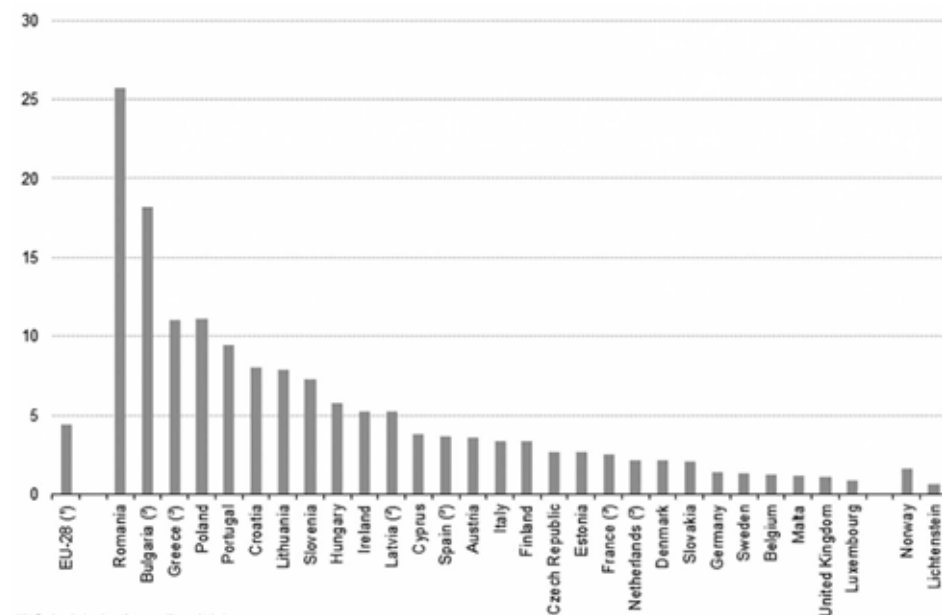
# Largest share of farmers aged over 64 in Portugal and Ireland

The FINANCIAL

**A**round 10 million people worked in agriculture in the EU in 2015. They accounted for 4.4 % of total employment. Among the Member States, the shares ranged from around 1 % in Luxembourg, the United Kingdom, Belgium, Malta, Sweden and Germany to 26 % in Romania and 18 % in Bulgaria.

In 2016, around a third (35 %) of those working in agriculture were women. Austria had the largest share of women in agriculture (45 %), followed by Romania (43 %), Poland, Greece and Slovenia (all 41 %). In contrast, the lowest proportions of women were reported in Ireland (12 %) and Denmark (20 %).

Almost 60 % of those working in agriculture in the EU were 40 to 64 years



(\*) Calculated using national data  
(\*) 2014 data  
(\*) Provisional data

old, while 32 % were less than 40, and 9 % were over 64. Among the Member

States, the largest shares of those over 64 working in agriculture were observed

in Portugal (42 %), Ireland (22%) and the United Kingdom (19 %).





### PROJECT ADVANTAGES:

- Convenient and attractive location in the very center of Tbilisi;
- Comfort and Safety;
- Up to 23% of energy efficiency;
- Fire alarm systems in accordance with international standards;
- Fine-tuned infrastructure - Modern Kindergarten, sports ground and playground, Underground parking area.

In addition you get a kitchen with built-in oven and exhaust hood, all manufactured in Italy.

To be completed in **October 2018**

[www.m2.ge](http://www.m2.ge) ☎ 2 444 111

### INVEST IN BETTER LIVING!



### SALES OFFICE ADDRESS IN TBILISI:

- 35 Vazha-Pshavela Ave.
- 19<sup>th</sup> Al. Kazbegi Ave.
- 1 Kavtaradze Str. (m<sup>2</sup> Gallery)



## financial news

# New Elie Saab Scent Captures the Spirit of 'Girl of Now'

## Ici Paris introduces new fragrance by Elie Saab

The FINANCIAL

Elie Saab's newest fragrance Girl of Now, a chic, addictive and sexy scent, is now available throughout the Ici Paris network. A recent mission announced by Elie Saab is to spread awareness about the accomplishments and learnings of ambitious and driven women; empower female youth to go further, reach higher, and perhaps become the leaders of tomorrow.

Elie Saab Girl of Now is available in 30, 50 and 90 ml Eau de Parfum bottles. It was developed by perfumers Dominique Ropion and Sophie Labbé.

The leading perfumery company in Georgia, Ici Paris, continues to offer the latest scents of famous designers to Georgian fans and fashionistas. Club Nine hosted the presentation of Girl of Now last week.

Girl of Now is inspired by Insta girls, said Khatia Shamugia, Head of Marketing and PR at Ici Paris.

"Meet the perfume that goes with 'girls of now' everywhere, turning heads and setting off photographers' flashes. Girl of Now is a fragrance for young, daring and successful contemporary women. Inspired by an evening clutch with an iconic enamel blue petal motif, Girl of Now is styled like a jewel, light catching and ornate with a rounded base that cradles perfectly in the hand," Shamugia said.

"The new fragrance's top notes are mandarin orange, pear and pistachio, with a mixture of patchouli and almond milk, bringing an element of eternity to it," Shamugia said.

According to Shamugia, the Girl of Now bottle features a precious glass made for the most unique creations. Its perfectly round base fits snugly into the palm of the hand.

Around the neck is a flower inspired by Elie Saab's couture minaudiere collection forming a chain of iconic pastel blue petals. The finishing touch is a gem-like golden cap sitting atop the bottle in the perfect balance.

"It's a reverse fairytale that begins at midnight and ends with three friends walking in the early light of dawn. It's about a night of play, paparazzi flashes and a perfume that meets their mood – see the girl of now in her element, on her own terms and with a spontaneous and audacious energy," inspiring Elie Saab's latest scent," said an Elie Saab official.



International models Ulrikke Hoyer, Lineisy Montero and Gabby Westbrook present Elie Saab's new scent in its commercial. From the streets of Paris to an intimate private club, follow them across town on a

night to remember when what rules is now and nothing more.

"Three friends, three distinct personalities and one friendship with one perfume to capture their free spirit and friends-first attitude. They

are out to own the night, their lives, laughter and style—all on their own terms," notes the Elie Saab official website.

Girl of Now is named after the initiative #GIRLOFNOW launched by

the design house, which celebrates and highlights successful women from all over the world. As women around the world put their knowledge, talents and skills to work, Elie Saab's #GIRLOFNOW initiative is on a mission to celebrate those who have built successful stories and careers, inspiring generations of young achievers to follow in their footsteps.

During the presentation, Khatia Shamugia said that Ici Paris remains active in regard to offering the newest trends to perfume lovers in Georgia. Shamugia promised at the Girl of Now presentation that the company will soon be opening its beauty centre in a renewed location in Tbilisi.

Elie Saab is a Lebanese fashion designer. His main workshop is in Lebanon, with additional workshops in Milan and Paris. He started his business in the early 1980s and specialized in bridal couture (expensive fabrics, lace, gemstones, Swarovski crystals, pearls, detailed embroidery, crystals, etc).

Elie Saab appeared as a judge on Project Runway: Middle East in 2016. As of March 2017, his couture collections are available in Paris, London, and Beirut, while his ready-to-wear clothes are in 160 retailers and his own boutiques.

Elie Saab launched his first fragrance 'Le Parfum' in 2011. In its very first year Elie Saab Le Parfum scooped the coveted Fragrance Foundation (FiFi) Award for Best New Fragrance in the UK, the US and France.

The range continues to blossom: Elie Saab Le Parfum, Elie Saab L'Eau Couture, and Rose Couture, introducing flourishes of that most feminine of flowers. There is also, in selected stores, a series of numbered Essences – showcasing single ingredients including rose, gardenia, amber, oud, vetiver, tuberose and neroli, each and every light-filled fragrance created by Francis Kurkdjian.



## Record-breaking results on the industrial market in Poland

The FINANCIAL -- Since the beginning of the year, Central Poland, Warsaw Suburbs and Silesia have dominated Poland's industrial market in terms of lease.

"The Polish industrial market remains highly popular amongst tenants. Since the beginning of the year to the end of September 2017, net demand amounted to 1.79 million sq m. This allows us to draw favorable conclusions since there is less than 400,000 sq m of leased space required to establish a new record. Moreover, after Q3 2017, gross take-up amounted to 2.35 sq m which is just above the total for Q1-Q3 last year", Tomasz Mika, Head of Industrial Poland, JLL.



Gross take-up in Q3 2017 reached approx. 630,000 sq m out of which new agreements/expansions accounted for 478,000 sq m. During the period from July to September, the greatest amount of industrial space was once again leased in Central Poland, followed by Warsaw Suburbs and Poznań. Since the beginning of the year, Central Poland, Warsaw Suburbs and Silesia have dominated Poland's industrial market in terms of lease.

"After two quarters of excellent lease activity from retailers, which was driven by e-commerce deals, Q3 saw logistics operators back in the lead, with more than 222,000 sq m

signed for. Retailers and logistics operators together have accounted for over 60% of net take-up in the first three quarters of this year. The three most active sectors are consistently logistics operators, retailers and light manufacturing", adds Tomasz Mika.

Interestingly, in Q3 there were some noteworthy deals in terms of location. A good example of this were the agreements concluded by automotive companies in Szczecin and Warsaw, which do not constitute the commonly known clusters of this sector, according to JLL.

Continued on p. 10





---

## FLEXIBLE WORKING MAKES FINANCIAL SENSE

---

Use our global network of offices, co-working spaces  
and meeting rooms and pay only for what you need.  
Flexible terms range from an hour to many years, and no set-up  
costs or capital investment are required.

*Some of the many ways we support our customers' success.*

*Call us on 0800 900 999, visit [regus.ge](http://regus.ge)  
or download our app*

---

#### WE ARE EXPANDING OUR NETWORK

If you have space in your property, visit [regus.com/landlord](http://regus.com/landlord)

---

#### IF YOU ARE A BROKER

Call +995 32 2900039 to receive 10% commission

**Regus**<sup>TM</sup>



## financial news

# IMF Predicts Georgian Economic Growth to Continue Improving

The FINANCIAL  
By DAVID ALEKSIDZE

**F**rancois Painchaud, Resident Representative of IMF in Georgia, predicted the Georgian economy to grow by up to 4.2% in 2018, up from the projected 4% this year. Painchaud held a conference at Tbilisi Courtyard Marriot on 7 November, 2017. The focus of his presentation was on economic predictions for the Caucasus and Central Asian region, otherwise known as CCA.

Painchaud highlighted some of the main trends that the countries representing the region should look to. CCA, comprised of 8 countries, was split into two categories, depending on whether the country in question imports or exports oil. The significance of oil factor was further highlighted after the drastic drop of oil prices in 2014-15.

Painchaud touched upon the subject of GDP growth in Georgia, projecting the growth rate improvement to be maintained, but also stating that GDP growth rates of 2000-2010 will, most likely, not be achieved.

When it comes to devaluation of national currencies, Painchaud gave disheartening news – the trend can be seen all across the CCA region, with no exceptions. Certain countries have taken a more relaxed approach to this issue, while others, including Georgia, have pushed for reforms in order to combat the trend.

The Georgian deficit was well below the regional average – standing at 3% in 2017, down from 3.6% last year, which means that the budget allowed both the needed fiscal consolidation and increased public spending. When it comes to the issue of budget, Painchaud also pointed out the direction in which the Government should work more actively, which is to put more effort and research in to finding the best projects to allocate resources to.

Unemployment could be a rising



concern for Georgia in the future, as the labour force is expected to continue growing. For this reason, nurturing jobs should be of high priority for the country, especially considering the fact that unemployment has a tendency to manifest itself through other misfortunes, like increased crime rates and civil unrest.

Trade openness has been degrading globally. The reduction is even more significant for CCA countries, Painchaud stated. Georgia, however, is an exception to this rule, as its economic openness has increased substantially over the past decade – the country signed a DCFTA agreement with the EU, a free trade agreement with China and is currently holding

talks with India, which is expected to be a superpower by 2022.

Painchaud addressed the Georgian banking sector and outlined some of the directions both the private sector and the Government should work in. Lawmakers should focus on enhancing prudential regulation and supervision, while the banks should strengthen corporate governance- the executive board should try to get more control over the business, he stated.

The country's "portfolio" should not hold all its eggs in the same basket, as this makes the economy more vulnerable to shocks, said Painchaud, commenting on the importance of diversified and improved

export. At the same time, he projected that successful work in this direction, which implies more openness and diversified export, could increase income of the country by 5-10% over the next 10 years.

On a final note, Painchaud touched upon the topic of financial inclusion. The percentage of 15+ years old Georgians who have a bank account is around 40%, which is miles above the rest of non-oil-importing CCA countries, but still a low-enough measure to call it problematic. Increasing financial inclusion would be one of the ways a country could boost its economic status, although the process has its own downsides as well.

## Record-breaking results on the industrial market in Poland

Continued from p. 8

The largest amounts of new space were located in Szczecin, Warsaw Suburbs, Upper Silesia and Poznań. Szczecin saw the completion of two e-commerce BTS projects: a warehouse of 161,000 sq m for Amazon and 130,000 sq m for Zalando.

"The amount of industrial space in the pipeline stands at an impressive 1.16 million sq m, mainly due to the fact that construction of warehouses totaling 370,000 sq m began in Q3. It is worth underlining that the majority of this space has already been leased – only 23% is developed on a speculative basis", adds Jan Jakub Zombirt.

This new space is mostly being built by Panattoni, whose projects account for 51% of the current pipeline. The markets with the highest levels of development activity, where under-construction space exceeds 150,000 sq m are Central Poland, Upper Silesia and Warsaw Suburbs.

Compared to Q2 2017, the average vacancy rate in Q3 nudged up slightly to 6.1%. In most markets, the differences did not exceed 1 p.p.; however, Upper Silesia and Podkarpackie saw rises of 2 p.p. The sharpest decrease was seen in Szczecin (from 9.1% to 0.7%) as a result of the completion of the BTS warehouses for Amazon and Zalando.

The industrial market in Poland did not see any major changes in the level of rents in Q3. As in the first half of 2017 the highest prices for warehouse space were seen in Warsaw Inner City and Kraków, with headline rents ranging from €4.1 to €5.1 / sq m / month and €3.8 to €4.5 / sq m / month, respectively. The most attractive rents for big box units were once again in Central Poland (€2.6 to €3.2 / sq m / month), Upper Silesia (€2.8 to €3.6 / sq m / month) and Poznań (€2.8 to €3.5 / sq m / month).

## sky news

### Qatar Airways Reduces Prices And Doubles Weight Allowance For Transporting Domestic Pets As Baggage

The FINANCIAL -- Qatar Airways has responded to demand from passengers seeking to transport their pets around the world by reducing the price to the lowest rates ever into and out of Doha.

As the only airline that will carry pets as excess baggage to and from Qatar, the airline has gone beyond expectations and reduced the cost of travelling with a pet.

While it used to cost pet owners and animal refuges approximately USD400 to transport a large dog to Europe or the Americas on

another carrier, the same journey will now cost just USD300 on Qatar Airways out of Doha. This significant cost reduction means that it will now be easier than ever for passengers to travel with their beloved pets.

The airline has also more than doubled the weight allowance for domestic pets to travel on the same flight as their owners as checked-in baggage, by increasing the weight limit for pets and their containers from 32kgs to a generous 75kgs, according to Qatar Airways.

### AEGEAN: 10.2 million Passengers and 40% net earnings growth

The FINANCIAL -- AEGEAN announces 9-month 2017 results with consolidated revenue at €896.3m, 9% higher compared to the respective period in 2016 while EBITDA increased to €128m. Pre-tax earnings rose to €101.9m while net earnings grew by 40% to €71.7m.

During the third and strongest quarter of the year, revenue increased to €445.6m, 7% up compared to the respective quarter in 2016. Pre-tax earnings increased to €128.6m while net earnings grew 23% compared to last year at €91.7m. Load factors im-

proved to 87.6% from 83.7%. Efficient network adjustments and successful commercial policies combined with previous years' investment on international network boosted load factors and revenue per flight, contributing to a significant improvement on operating results with EBITDA rising 22% to €138.5m in the quarter, according to AEGEAN.

Operating cash flow increased to €156.9m from €92.3m in the 9-month period, resulting to cash and financial investments rising to €371m as of 30.09.2017.

### With 111 million passengers Lufthansa Group exceeded last year's total number already in October

The FINANCIAL -- The airlines of the Lufthansa Group have so far welcomed around 111 million passengers on board their aircraft in 2017, which is more than in the whole year of 2016.

The seat load factor on the almost one million flights this year remains on a record course of 81.4 percent.

In October 2017, the airlines of the Lufthansa Group welcomed around 12.2 million passengers. This shows an increase of 16.7% compared to the previous year's month. The available seat kilometers were up 11.6% over the pre-

vious year, at the same time, sales increased by 12.1%. The seat load factor improved accordingly, rising 0.4 percentage points compared to October 2016 to 81.4%, according to the Lufthansa Group.

The currency adjusted pricing environment developed positively in October the sixth consecutive month.

Cargo capacity increased 1% year-on-year, while cargo sales were up 2.4% in revenue tonne-kilometer terms. As a result, the Cargo load factor showed a corresponding improvement, rising 0.9 percentage points in the month.



Part of the ProCredit Group



# OUR MORTGAGE OFFER IS YOUR BEST CHOICE

## Downpayment 20%



Just **6%** USD EUR

Effective **6.5%** USD EUR



# FactCheck



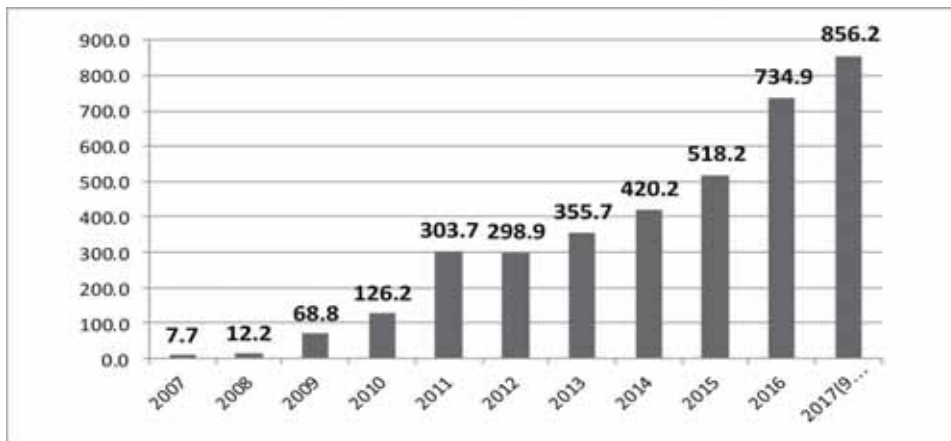
**Giorgi Kvirikashvili:**

PRIME MINISTER OF GEORGIA



**“The number of visitors to Georgia’s protected areas has increased by 33% and reached 860,000.”**

Graph 1: The Amount of Visitors to Protected Areas by Years (thousand persons)



**Ani NADIRASHVILI**  
FactCheck

The Prime Minister of Georgia, Giorgi Kvirikashvili, has spoken about the increased number of visitors to Georgia’s protected areas and stated: “The number of visitors to Georgia’s protect-

ed territories has shown an unprecedented growth – the number of visitors has been increased by 33% as compared to the previous year and reached 860,000. Of that number half are Georgian citizens and half foreign visitors.”

FactCheck took interest in the accuracy of the statement.

According to the information of the Agency of Protected Ar-

reas of Georgia, according to the figures of the first nine months of 2017, the number of visitors has reached 856,186, which is 33% more as compared to the same period of the previous year. Of note is that 43% of the visitors are foreign nationals. Of importance is that together with growth of foreign visitors, the domestic tourism figures are also on the rise. According to the nine month figures of 2017, domestic tourism has been increased by 37% at protected areas alone. This is a rather high figure.

Since 2007, up until the present day, the number of visitors to the protected areas has increased from 7,700 to 856,186.

According to the figures of the first nine months of 2017, of protected areas, the highest number of visitors were registered in Prometheus Cave (147,982 visitors), Martvili Canyon (141,513 visitors) and Kazbegi National Park (132,392 visitors). The only place, where the number of visitors was decreased is Chachuna protected areas, where the number of visitors in the first nine months of 2017 was 2,326, which is 10% less as compared to the same period of the previous year.

Table 1: Visitors Statistics According to Protected Areas.

	9 Months of 2017	9 Months of 2016	Difference
1 Chachuna Protected Areas	2,326	2,554	-10%
2 Machakhela National Park	4,325	1,836	136.6%
3 Kintrishi Protected Areas	4,935	4,768	3.5%
4 Javakheti Protected Areas	6,571	6,264	4.9%
5 Kobuleti Protected Areas	9,950	7,835	27%
6 Vashlovani Protected Areas	10,164	9,853	3%
7 Tusheti Protected Areas	14,306	13,558	6%
8 Algeti National Park	24,064	13,905	73%
9 Kolkheti National Park	26,452	23,606	12%
10 Mtskheta National Park	42,085	30,779	37%
11 Lagodekhi Protected Area	44,371	41,228	8%
12 Tbilisi National Park	45,125	29,554	53%
13 Borjomi-Kharagauli National Park	51,687	48,480	7%
14 Okatse Canyon	67,954	46,853	45%
15 Sataplia	79,984	70,209	14%
16 Kazbegi National Park	132,392	116,371	14%
17 Martvili Canyon	141,513	55,320	156%
18 Prometheus Cave	147,982	122,220	21%

Source: Agency of Protected Areas of Georgia

## CONCLUSION

ACCORDING TO THE INFORMATION OF THE AGENCY OF PROTECTED AREAS OF GEORGIA, IN THE FIRST NINE MONTHS OF 2017, THE NUMBER OF VISITORS TO GEORGIA’S PROTECTED AREAS WAS 856,186, WHICH IS 33% MORE AS COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR. OF IMPORTANCE IS THAT 43% OF VISITORS ARE FOREIGN NATIONALS.

FACTCHECK CONCLUDES THAT GIORGI KVIRIKASHVILI’S STATEMENT IS TRUE.

TRUE



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



Kingdom of the Netherlands

The views expressed in this website are those of FactCheck.ge and do not reflect the views of The FINANCIAL or the supporting organisations

# The EU is forging closer links with Ukraine, Georgia and Moldova



The FINANCIAL -- The European Parliament proposes new ways to intensify EU relations with Ukraine, Georgia and Moldova ahead of the Eastern Partnership Summit on 24 November. Ukraine, Georgia and Moldova are working hard to forge closer links with the EU, in spite of strong resistance from Russia. They already benefit from visa-free travel to the EU as well as increased commercial opportunities thanks to free-trade agreements.

A new Parliament report is now calling to deepen this collaboration further and find new ways to support the countries on the EU’s eastern borders. The own-initiative report has already been adopted by the foreign affairs committee and will be voted on by all MEPs during the November plenary session in Strasbourg. The main focus is on Ukraine, Georgia and Moldova, three countries which have recently achieved major progress in the cooperation with the EU.

## Increasing support for Eastern neighbours

Topping the list of recommendations is the establishment of a trust fund for Ukraine, Georgia and Moldova. The trust fund is a development tool for quick and flexible EU response to crisis and post-crisis situations. It would pool resources from public and private donors for investment in projects aiming to improve socioeconomic structures.

The committee also rec-

ommends increased support for economic reforms and upgrading the current partnership as a way of rewarding progress on EU-related reforms by partner countries. This upgrade could provide access to the EU’s customs or energy union, for example.

Lithuanian EPP member Laima Andrikiene, one of the authors of the Parliament report, said: “The creation of an Eastern Partnership Plus model for associated countries with the possibility of a future membership in the customs, energy and digital union is crucial.”

These measures add to the structures and projects for cooperation and development in the region already in place by the EU. The proposal emphasises the need to maintain pressure on Russia to resolve the territorial conflicts involving these countries. This is particularly relevant at the moment as the EU sanction towards Russia will be reevaluated in January 2018.

## Existing ties to the EU

The Eastern Partnership is a framework for collaboration between the EU and eastern neighbours Ukraine, Georgia, Moldova, Armenia, Azerbaijan and Belarus. Since the launch in 2009, the political context has changed dramatically, according to Andrikiene.

“The changes are due to the military aggression of Russia against Ukraine in 2014, the annexation of Crimea and continuing occupation of Eastern Ukraine by Russian proxies, as well as Kremlin-steered frozen conflicts which remain unresolved in Mol-

dova and Georgia,” the MEP said.

She added that despite “Russian meddling” Ukraine, Georgia and Moldova, three of the partner countries, now have association agreements with the EU and free trade agreements through the Deep and Comprehensive Free Trade Area.

German S&D member Knut Fleckenstein, one of the other authors of the report, said the partnership was about much more than just signing agreements: “The objective is to build trust and promote cooperation between all partners in order to achieve concrete benefits for the people, such as respect for fundamental freedoms, better living standards and prospects for the future, facilitation of people-to-people contacts.”

## The upcoming Eastern Partnership summit

To boost the progress of these countries, the proposal by the foreign affairs committee will be put forward to the Council, the Commission and the European External Action Services for consideration at the upcoming Eastern Partnership summit on 24 November.

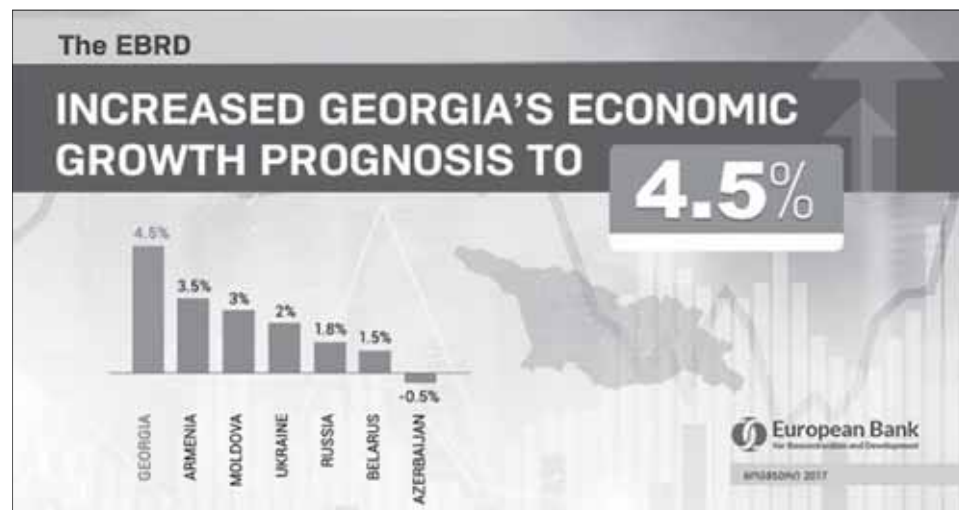
“We have to ensure that the outcomes of the summit are concrete and dedicated to the long-term investments and well-being of people in the countries concerned. EU support for economic reforms are of very high importance to the citizens,” said Andrikiene.



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



# Georgia's 2017-2018 Economic Growth Forecast by EBRD Improved



The FINANCIAL -- According to the Report (November 7, 2017) of the European Bank for Reconstruction and Development, Georgia's economic growth is forecasted to be 4.5% in 2017 and 2018. Economic growth forecast is increased by 0.6 percentage point for 2017 and by 0.3 percentage points for 2018. The improvement of the EBRD forecasts is linked to the accelerating economic growth of Georgia, which is a result of significant increase in export and tourism, according to Ministry of Economy and Sustainable

Development of Georgia. It should be noted that in the nine months of 2017, Georgia's economy grew by 4.7%, while the increase in revenues from exports amounts to 28.3% and by 28.5% is increased the revenues from tourism. According to the EBRD Report, recovery of consumption, investments in the infrastructure and further development of the tourism sector will be the very factors promoting economic growth in the coming years. Georgia's economic growth forecast is improved not only by the EBRD, but

also by the International Monetary Fund (IMF) as well as the Asian Development Bank (ADB). According to the international financial institutions, Georgia will have one of the highest economic growth rates among the countries of Eastern and Central Europe and Central Asia. It should be noted that the positive trends in the economy have already reflected in the improvement of the sovereign rating of the country - in September, the Moody's has improved Georgia's sovereign credit rating from Ba3 to Ba2.



**Dimitri Kumsishvili:**

MINISTER OF FINANCE



**Since 2012, the rate of poverty has been dropped from 29% to 21%. Approximately 500,000 individuals have moved out of poverty."**

**Teona ABSANDZE**  
FactCheck

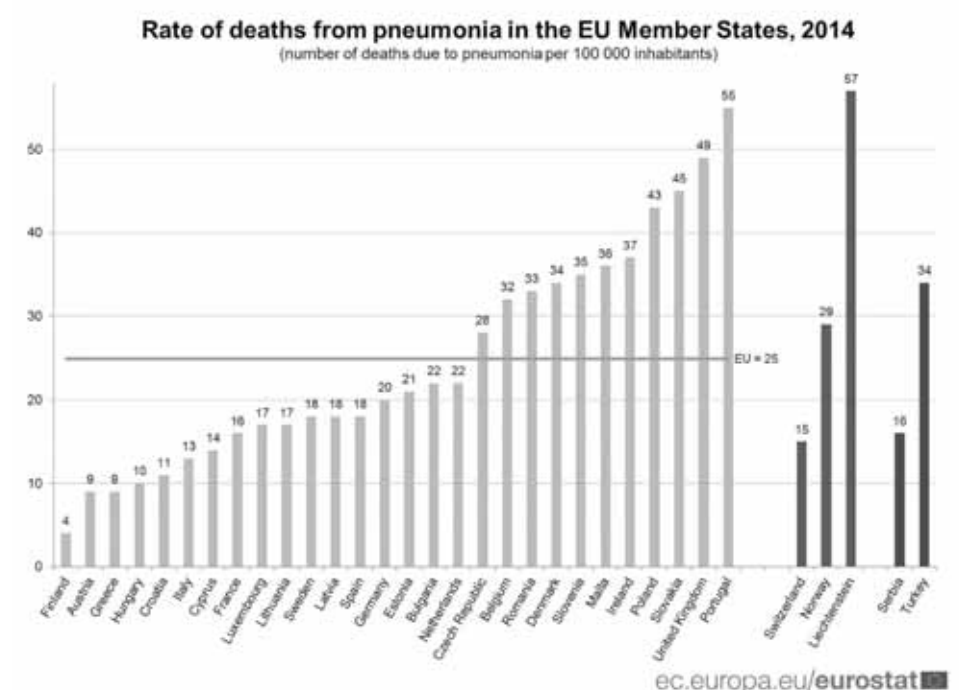
**O**n 3 November 2011, the Minister of Finance, Dimitri Kumsishvili, in his talk about the country's economic indicators, emphasized the situation in regard to poverty. Mr Kumsishvili stated: "In 2012, the poverty rate was nearly 29%, whilst we reduced it to 21%. Even though 500,000 individuals have moved out of poverty, 700,000 people still lie below the poverty line. This, of course, remains as our country's biggest challenge."

FactCheck verified the accuracy of the Minister of Finance's statement. According to absolute poverty figures, in 2012, 28.9% of Georgia's population was below the poverty line. In the period of 2011-2015, absolute poverty figure has been

declining annually. However, in 2016, the amount of people who live below the absolute poverty line, has increased by 0.5 percentage points (see graph 1). Of note is that the rate of poverty is especially high in rural areas. As of 2016, 25.5% of rural population lives in poverty, whilst in urban areas that figure constitutes 16.9%. The National Statistics Office of Georgia published the preliminary figures of absolute poverty in 2017. The methodology of absolute poverty is based on World Bank's basic needs method. The poverty line is defined by taking into consideration population's incomes and expenses, corresponding to minimum subsistence level. The National Statistics Office of Georgia does not publish the amount of poor people in the country. Therefore, it is impossible to say precisely how many people live in poverty today. If we compare

the percentage of poverty with total amount of population, we will see that in as of 2016, approximately 790,000 individuals were living in poverty. The National Statistics Office of Georgia clarified that for calculation of absolute poverty figures the results of 2014 universal public census were used. In calculation of every year's figures, the amount of population was indicated to be nearly 3.7 million. If we take the 2014 universal public census results into account for calculation the 2012 poverty figures, we will see that approximately 1,070,000 individuals were living in poverty. Therefore, the number of people living in poverty has been dropped by approximately 280,000. If do not take into account the results of universal public census, the aforementioned number will be 500,000. However, not taking the results of the universal public census into account, is inappropriate.

# Almost 120 000 deaths from pneumonia in the EU



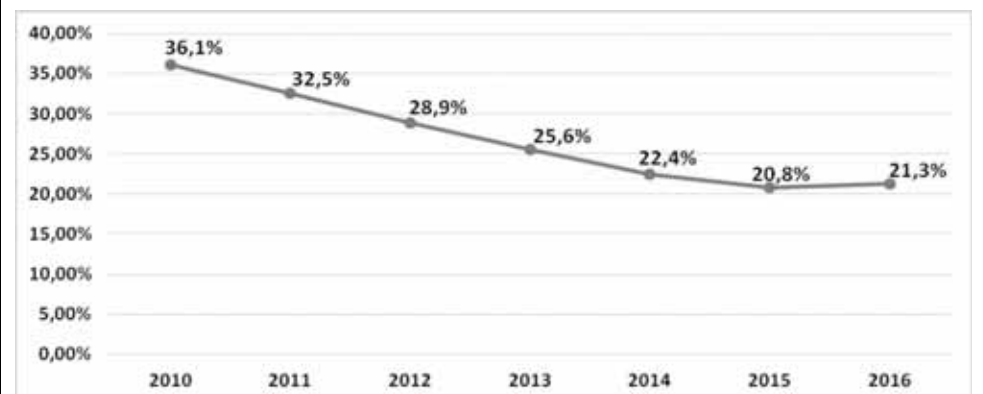
The FINANCIAL

## Death rate from pneumonia highest in Portugal and the United Kingdom, lowest in Finland

From the 4.9 million deaths reported in the European Union (EU) in 2014, 118 300 were due to pneumonia. Women (59 900 deaths) and men (58 400 deaths) were almost equally affected. 90% of these deaths concerned people aged over 65. In absolute terms, the United Kingdom (28 200 deaths, or 24% of the EU total) was the Member State that recorded the most deaths from pneumonia in 2014, followed by Germany (16 700, 14%), Poland (12 300, 10%), France (11 100, 9%), Italy (9 100, 8%) and Spain (8 400, 7%). However, for a relevant country comparison, these absolute numbers need to be adjusted to the size and structure of the population.

With nearly 55 deaths from pneumonia per 100 000 inhabitants, Portugal registered the highest rate among the EU Member States. It was followed by the United Kingdom (49), Slovakia (45) and Poland (43). At the opposite of the scale, the lowest rate of deaths due to pneumonia was recorded in Finland (with 4 deaths per 100 000 inhabitants), ahead of Greece and Austria (both 9), Hungary (10) and Croatia (11). At EU level, the rate stood on average at 25 deaths from pneumonia per 100 000 inhabitants in 2014.

Graph 1: The Share of Population Below the Absolute Poverty Line



Source: National Statistics Office of Georgia

## CONCLUSION

IN 2012, 28.9% OF GEORGIA'S POPULATION WAS LIVING IN POVERTY, WHILST IN 2016 THAT FIGURE DROPPED TO 21.3%. THE TREND OF DECREASING POVERTY STARTED IN 2011 AND POVERTY RATE HAS BEEN REDUCED ANNUALLY IN THE PERIOD OF 2011-2015. IN 2016 POVERTY RATE INCREASED BY 0.5 PERCENTAGE POINTS. EVEN THOUGH DIMITRI KUMSISHVILI HAS CORRECTLY NAMED THE POVERTY FIGURES AND UNDERLINED THE FACT THAT POVERTY REMAINS THE MOST IMPORTANT CHALLENGE FOR GEORGIA, HE HAS IGNORED THE FACT THAT POVERTY RATE DID INCREASE IN 2016. ADDITIONALLY, WHEN THE MINISTER SAYS THAT 500,000 PEOPLE HAVE MOVED OUT OF POVERTY, HE DOES NOT TAKE THE RESULTS OF THE UNIVERSAL PUBLIC CENSUS INTO ACCOUNT, WHILST THE CENSUS NUMBERS ARE USED FOR CALCULATION OF ABSOLUTE POVERTY NUMBERS (INCLUDING THE FIGURES OF THE PREVIOUS YEARS). IN REALITY, THAT NUMBER IS APPROXIMATELY 280,000. FACTCHECK CONCLUDES THAT DIMITRI KUMSISHVILI'S STATEMENT IS HALF TRUE.

**HALF TRUE**

EUROPEAN ENDOWMENT OF DEMOCRACY

G | M | F The German Marshall Fund of the United States

Kingdom of the Netherlands

The views expressed in this website are those of FactCheck.ge and do not reflect the views of The FINANCIAL or the supporting organisations



OP-ED

# Sink or Swim: Submergence of the Georgian Maritime and Shipping Industry



The FINANCIAL  
OP-ED BY JABA  
TARIMANASHVILI



Despite Georgia being No. 9 in the world according to the World Bank ranking in ease of doing business, international shipping companies, amongst others, simply do not exist in Georgia. The reason is simple: other countries offer business-oriented tax legislation to international business, especially to the shipping industry.

Ship owners “face trade-offs” to register their company and manage their vessel in a specific country. The shipping company has options, whether to register the company in advanced European maritime countries; the United Arab Emirates; offshore jurisdictions; or in Georgia. From the above-listed alternatives, almost each country has certain tax benefits, or fully relieves international shipping

companies from taxes. Regrettably, it is the opposite in Georgia.

According to the Tax Code, the ship owner is obliged to pay: a) Property tax that is unacceptable for the capital-intensive maritime business sector; b) Non-resident tax applies if the service is received from a company registered in a country Georgia has not signed a double taxation avoidance agreement with; c) Income tax for sailors for a Georgian company, which should also be exempted for international sailing; D) Tax on profit, regardless of the Estonian tax model if the dividends are taken by

shareholders of the company. Non-availability of appropriate taxation considerations in Georgia for an international shipping business, leads the country to reap the following: there is no ship owner in Georgia who owns large international sailing ships. At the same time, the Georgian flag is a non-listed flag, because flags whose total number of inspections over a 3-years rolling period do not meet the minimum of 30 are not included in the Paris MoU White, Grey and Black lists. To meet the criteria of Low Risk Ships, flags should be on the Paris MoU White List. It would be the highest rating

of the flag administration and position Georgia in the global maritime industry. In June 2014, the EU and Georgia signed an Association Agreement which entered into force on 1 July, 2016. Accordingly, let's review successful examples on how leading European maritime states promote international shipping business in their countries.

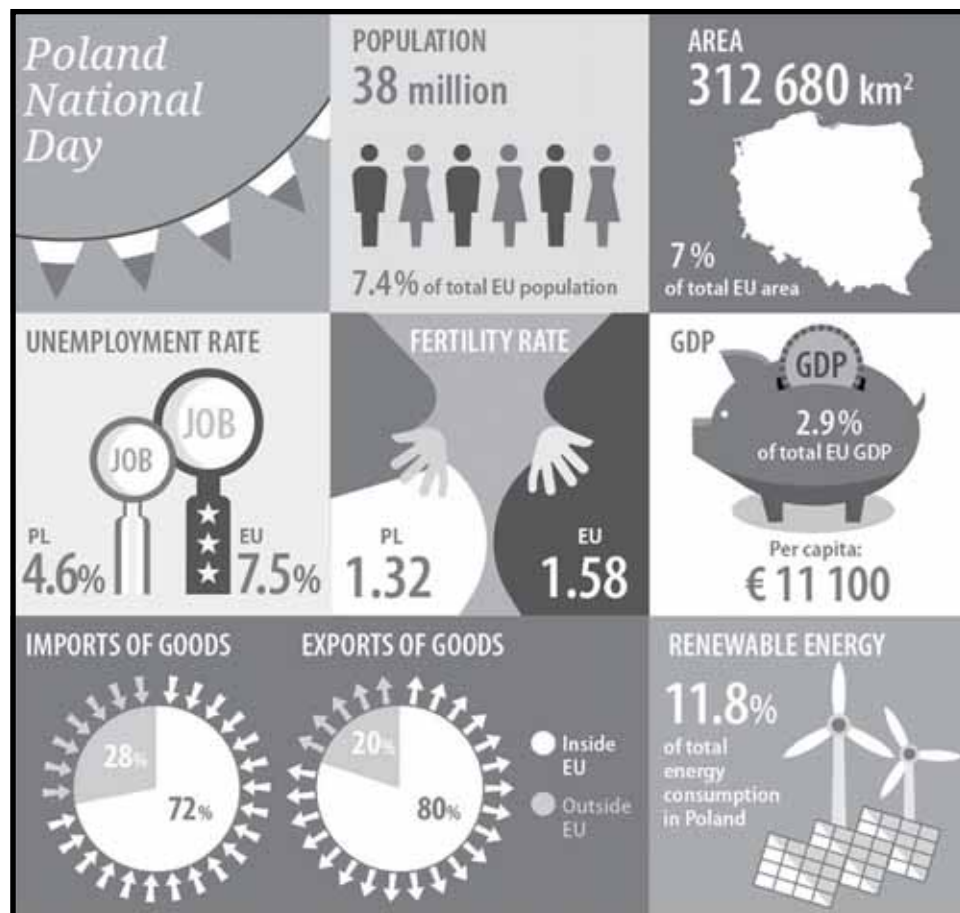
Based on the Deloitte Malta factsheet on tax, Malta offers a regime with complete tax exemption for ship owners, charterers and financiers of Maltese ships over 1,000 net tons. These ships qualify as ‘exempted ships’. Consequently, Malta is in the top

six ship registers globally. As per Malta tax treatment, a shipping organization is exempt from tax on any income derived from shipping activities and any income or gains derived from the sale or other transfer of a tonnage tax ship or from disposal of any rights to acquire a ship which, when delivered or completed, would qualify as a tonnage tax ship. No Malta tax is charged upon any payments of interest or other income in relation to the financing of operations of shipping organizations or the financing of any tonnage tax ship and no Malta tax is chargeable upon dividends distributed by a shipping organization to its shareholders, out of profits derived from shipping activities. Furthermore, the concept of a tonnage tax ship has been extended to cover foreign-flagged vessels; in particular, those registered in EU/EEA states, in respect of which Maltese tonnage tax has been paid. Despite tax benefits, the maritime and shipping sector accounted for more than USD 1 billion of Malta's GDP.

Based on KPMG tax services information, the Cyprus Shipping Regime is a well-established international business and maritime centre within the European Union. Cyprus enjoys a favourable tax system in line with EU requirements and OECD principles. Many of the ship management companies operating in Cyprus rank among

the largest of their kind in the world and it is estimated that they manage over 20% of the world's third party management fleet. The new tonnage tax law is fully compatible with the requirements of the EU acquis on State Aid to Maritime Transport. The tonnage tax system (TTS) is based on the payment by beneficiaries of tonnage on the basis of the net tonnage of ships and provides full exemption from all income taxes that would normally be imposed according to the Cyprus income and defence tax laws. TTS is available to ship owners, charterers, ship managers, who respectively own, charter or manage a qualifying ship, engaged in a qualifying shipping activity. The benefit also applies to mixed fleets, i.e. fleets comprising of EU/EEA and non-EU/EEA flag ships, making Cyprus an EU-approved Open Registry. A qualifying ship is any seagoing vessel certified under applicable international or national rules and regulations and registered in the ship register of any member of the International Maritime Organization. Any activity that constitutes maritime transport, or crew and/or technical management of a qualifying ship is a Qualifying Shipping Activity. TTS benefits tax exemption on the following sources of income: profits from shipping operations; disposal of ship or

Continued on p. 17



DID YOU KNOW?

DID YOU KNOW THAT POLAND IS THE CHEAPEST COUNTRY IN THE EU FOR FOOD AND NON-ALCOHOLIC BEVERAGES AS WELL AS FOR CONSUMER ELECTRONICS? POLAND IS ALSO THE MEMBER STATE THAT ISSUES THE MOST RESIDENCE PERMITS FOR EMPLOYMENT REASONS.

www.commercant.ge

Radio Commercant

95.5

Being Familiar With Business

Advertiser: Radaii Commercant. Contact: FINANCIAL Ad Dep at marketing@finchannel.com



industry insights by experto consulting

# Experto Sheds Light on AI and Digital Signage



Keti SIDAMONIDZE  
and Ludovic GIROD

Engaged personalization matters! Tailoring the shopping experience to meet customers' expectations and deliver what they need before they even know they need, is the key to success in a competitive retail environment. This notion is no longer disputed. The big question, however, remains "how to pioneer in an everchanging technological era" instead of just barely keeping up with the competition.

Let us take a step back and look at a bigger picture from a perspective of mind-blowing innovation. How many of you have heard about Sophia? It, or should I say she, is a humanoid robot developed by Hong Kong-based company Hanson Robotics. Sophia has been designed to learn and adapt to human behavior and work with humans. According to the manufacturer, Mr. David Hanson, "Sophia has artificial intelligence (AI), visual data processing and facial recognition". Sophia also imitates human gestures and facial expressions and she is capable of answering certain set of questions: "Each time her answers become more and more sophisticated as she is built to learn from past interactions" explained Mr. Hanson. In October 2017, she became a Saudi Arabian citizen, the first robot to receive citizenship of a country. This is an extraordinary step into the "future" we are all used to seeing in "futuristic movies" only. That future is materializing into now faster than most of us could imagine possible.

With this in mind, it no longer should be that hard for the retailers to process big data and personalize the offer to customers in real time, should it?

This week, Georgian IT Innovations Conference and Awards will be celebrating 10th Anniversary. Mr. Giga Shubitidze, the organizer of the GITI event and the President of the ICT Business Council of Georgia told Experto that "for the past decade, our conference has successfully provided a high-powered environment in which experts, information security professionals, government officials, businessmen and other "bright minds", who strive to make life more challenging through the extensive use of ICTs are able to network, establish essential cooperation mechanisms and exchange views on best practices".



Mr. Irakli Gvenetadze, one of the founders of GITI expressed appreciation to Experto: "our distinguished panel of keynote speakers yet again will bring a diverse set of insights on different advancements on IT initiatives around the world. This year, with the help of Experto we will be hosting the Founder and CEO of Beabloo, a leader in developing omnichannel digital marketing solutions and Big Data analytics for on-line and offline marketing".

Beabloo is a Spanish technology company serving the international market needs based out of Barcelona. Mr. Jaume Portell, CEO of Beabloo has given Experto a sneak preview of what his speech at the upcoming GITI will focus on: "Digital Signage technology has been developing powerful capabilities to amaze customers in the retail space, visuals, formats, and resolutions. Sensing technologies have added eyes and ears to retail spaces and can now understand who, where and when in real time, with high precision. When those two technologies meet in the retail space, a new discipline arises with a strong voice: Active Retail Intelligence".

With that level of sensing and having a powerful and efficient Proximity Digital Marketing solution in hand, the translation of all those learning points to action becomes a must. Mr. Portell further elaborated that: "Machine learning algorithms propose which content is most relevant for a certain audience, at any given point of time, and activating those content changes in real time converts an attractive Digital Signage system into an Artificial Intelligence system that creates value for retailers 24 x 7".

With these solutions in hand, sensing systems observe customers, their age, gender, mood, where they are,

what they touch, they listen to their voices and learn by understanding how they interact with content delivered in a retail space. In retail, digital signage has taken a leap forward with the help of innovative technologies and anonymous data analytics. Innovative shopping malls and stores have already started creating value with these new tools.

Logical question follows: where do Georgian players stand? Do retailers use video analytics to decide which ad to show to a person standing in front of a sign in real time, for instance? Closer examination showed that not yet. But there is a clear sign of willingness from the key players to jump onto this trending breakthrough. Experto spoke with Mr. Zurab Magradze, Business Development Director at UGT to better understand the local trends. UGT has been operating on the Georgian market for the past two decades. From the market leader's perspective, the company has secured partnerships with world-class entities, such as Microsoft, HP, Cisco, Dell EMC, Oracle, Lenovo, Acer, Symantec and others with ease: "UGT is known as an implementer of complex integrative decisions and is trusted by a wide range of large-scale clients in both public and private sectors.", explained Mr. Magradze.

UGT tries to always keep up with the latest trends: "right now we are actively working on the implementation of cloud technologies in Georgia". The Business Development Director revealed to Experto that: "UGT plans to offer Cloud Services relying on its own infrastructure base. We attribute significant importance to the introduction of hybrid cloud solutions". The company also takes an active part in many eGovernance projects. For instance, in collaboration with the Ministry

of Education, they are currently working on a project to service resource centers of public schools to ensure their streamlined IT infrastructure operation.

"The foremost challenge that exists in the Georgian IT space is the lack of competence and proper staff in the field of data processing and modern analytical means" candidly said Mr. Magradze. He went on that "there is a vivid need for specialized personnel with specific knowledge, i.e. Data Scientists, for instance, whose main task is to create complex correlations between massive data and generate relevant conclusions".

UGT senses that large commercial banks and telecommunication companies are slowly beginning to show signs of curiosity towards the issue of processing big data efficiently. Zurab also recalled a project the State Services Development Agency of the Ministry of Justice has recently implemented. "The Agency is carrying out information support for operating Georgia's migration profile with the help of Big Data Analytic. It is therefore obvious

that the trend of using this type of technology will be constantly growing in Georgia in the coming years", concluded the UGT representative.

It did not escape Experto's attention that Clean House retail chain has recently installed displays in their stores. We have spoken to their Head of Marketing Department, Ms. Kato Petriashvili. She frankly spoke to us regarding their data analytics strategy: "We have our own centrally managed digital network that currently unites 85 screens and 25 taxi monitors." The idea of creating and operating this network belongs to PixelArt: "together with this company we are actively working on developing digital channels, said Ms. Petriashvili. She expressed concern that "unfortunately, there is practically no infrastructure in place for swift digital development; inexperienced staff, low quality infrastructure and expensive internet are the main hindering factors. Nonetheless, digital development is considered as a vital component for our retail network and PixelArt specialists are actively working with us

on new initiatives".

The Founder / Director of PixelArt, Mr. Zurab Kakabadze also chimed in on the topic: "Clean House wants to implement novel initiatives in digital direction. They would like to be able to give tailored offers to customers and meet their needs in real time already. We are working on developing efficient processing of data on ERP systems, but unfortunately, the process is significantly affected by the lack of Georgia's inexperience in this regard. Existing ERP systems do not support certain features."

Despite several attempts with one of the startup companies in Georgia, Clean House had to postpone the implementation of IOT 1000 device system: "but we are not discouraged – our technical team will continue to work with PixelArt to find, for instance, ways of how to count the viewers intelligently".

Digital signage with AI technology provides a platform for retailers to take shopping experiences to a new level, wowing customers with unique interactions and exceptional service. In conclusion, if retailers continue to take advantage of data and AI, their digital signage could play a key role in driving sales. In other words, as Mr. Jaume Portell stated, "from Voice enabled Digital Signage Bots, to Digital Signage systems that leverage machine learning technologies to choose what to show and improve automatically conversion ratio". Welcome to the future, which is being implemented right now!

Article is exclusively published in The FINANCIAL

About authors:  
KETI SIDAMONIDZE, is the Managing Partner at EXPERTO Consulting;  
LUDOVIC GIROD, is the Director and Partner at EXPERTO Consulting

A French-Georgian consulting company EXPERTO provides Market Entry Services for foreign companies interested in the Caucasus markets. Visit company website [www.experto.ge](http://www.experto.ge)



&...  
Did you know?

The FINANCIAL is read by nearly 75 % of Top Financial Decision-makers in Georgia.

It reaches more CEO's than all Georgian newspapers combined.

Source: Global Idea



# publicity



MULTIFUNCTIONAL COMPLEX  
**KING DAVID**

#UNORDINARYHOME

  
**EUROPEAN PROPERTY AWARDS**  
 DEVELOPMENT  
 In association with  
**The Telegraph**  
 ★★★★★  
 BEST MIXED-USE DEVELOPMENT GEORGIA  
 King David  
 by Rezid Holding GmbH  
 2016-2017

  
**EUROPEAN PROPERTY AWARDS**  
 DEVELOPMENT  
 Award Winner  
 RESIDENTIAL HIGH-RISE DEVELOPMENT GEORGIA  
 KING DAVID  
 by Rezid Holding GmbH  
 2017-2018

**EUROPEAN PROPERTY AWARD WINNER**  
 "BEST MIXED-USE DEVELOPMENT IN GEORGIA"  
 &  
 "RESIDENTIAL HIGH-RISE DEVELOPMENT GEORGIA"

**SPECIAL OFFER**

INTEREST-FREE INSTALMENT PERIOD FOR

**20 MONTH**



**KING DAVID**  
RESIDENCES

12 MERAB ALEKSIDZE STR.  
0160 TBILISI, GEORGIA

SALES@KDR.GE 200 18 18 WWW.KDR.GE



# Macroeconomic Review Q3 2017: Georgia's exports are on the rise, but the devastation of hazelnut harvest may exacerbate regional inequalities in the country

Continued from p. 2

ward. The National Bank of Georgia increased its forecast of annual growth by a 0.5 percentage point (pp) to 4.5%. The EBRD, IMF World Bank and ADB also revised their previous forecasts upward.

The Georgian economy continues to recover from its sluggish growth of previous years. The recovery is due to improvements in both the domestic and the external environment.

Among the domestic factors one can name stronger **consumer and business confidence**, increase in **government expenditure and private credit activity**, all of which boosted both domestic investment and consumption. In the same time, the **hike in exports of goods, rising tourism, and increased money transfers** were the main external drivers of economic growth in Q3 2017.

High economic growth rates in neighboring countries benefited the Georgian economy through trade and remittances flow. After two consecutive years of economic recession, Russia is expected to show 1.8% YoY growth of real GDP in 2017, while Armenia and Turkey are expected to reach 3.5% and 5.1% respectively (by IMF forecast). Only Azerbaijan is exhibiting a weaker economic performance this year, continuing to struggle with high inflation and, consequently, fiscal and monetary tightening. The country's economic growth is expected to turn positive only in 2018.

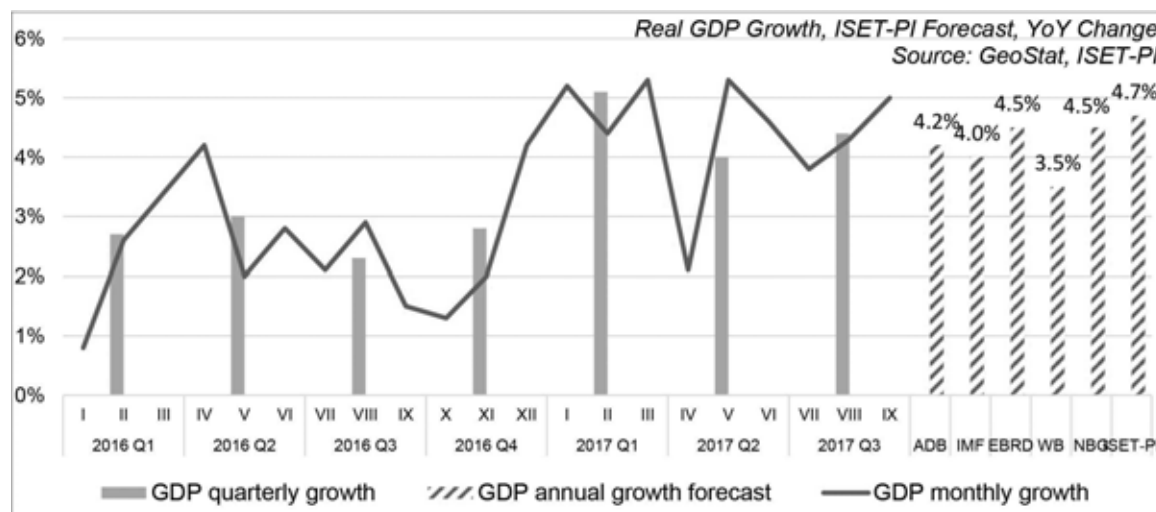
## Consumer and Business Confidence

The Consumer Confidence Index (CCI), was **significantly higher in Q3** than in the same period last year – an **increase of 4 index points**. The present situation and expectation indices were up by 6.9 and 1 index points respectively.

The Georgian Business Confidence Index (BCI), a barometer of business sentiment and a guide to domestic investment and business environment also showed positive annual changes, reaching 27.0 index points (a **2-point improvement year-on-year**). The third quarter increase in the BCI was mostly driven by strong performance in the last quarter and a **significant improvement in expectations**.

## Inflation

According to Geostat, producer and consumer prices increased on average by 11.9% and 5.6% respectively in Q3.



The following external and domestic factors contributed to the annual price hike:

The **price increase of oil products on the world market**. On average, the fuel price index (Indexmundi) increased by 13.6% YoY.

The **price increase of food commodities on the world market**. FAO Food Price Index increased by 7% YoY.

**Nominal depreciation of GEL against USD**. Despite the fact that GEL stabilized against the USD in Q3 2017, on average Lari lost 4.3% of its value against the US dollar year on year.

Supply side pressure due to the **hike in excise taxes on fuel, tobacco products, and car imports**.

The **biggest driver of annual CPI inflation was the price change on food products, which rose by 6.6% YoY** (2 pp).

Supply side pressures will keep annual inflation above its target level (of 4%) during 2017. Next year, however, inflation is expected to return to the 3% target. The NBG continues to hold monetary policy rate constant at 7% level, trying to control inflationary expectations towards the end of 2017.

## Exchange rate

The Lari nominal exchange rate depreciated only slightly against both the US dollar (-0.1%) and the euro (-7%) compared to the second quarter of 2017. In annual terms the Lari was down against these currencies, by 4.3% and 9.7% respectively.

Real and nominal effective exchange rates of GEL against trading partner currencies followed the same pattern. In annual terms, both **real and nominal rates depreciated by 1.7% and 1.8% respectively, making Georgian goods cheaper for foreigners**.

## External Trade

In Q3 trade turnover **increased significantly, by 9.4%** year over year. This rise was mostly driven by a notable increase in exports (+25.2% YoY), while imports were showed only a slight increase (a 4.8% YoY increase). As a result, the trade balance of the country has improved, with the deficit shrinking by 3.6% YoY.

The boost in export value was driven by improved external demand conditions. **Ferro-alloys (+82.1% YoY), petroleum (1781.4% YoY), cars re-exports (+40.6% YoY), and wine (+61.2%)** were the **main drivers of export growth** in Q3 2017, contributing 17.3 percentage points to the total.

On the other hand, **export of hazelnuts was devastated** due to the invasion of brown marmorated stink bugs in West Georgia. Hazelnut exports **went down by 55.9% YoY**. If left untreated, the infestation can cause long-term damage to the regional economy.

Moreover, since most wine is harvested in the east of Georgia, while hazelnuts come from the west, the change in harvest fortunes can potentially exacerbate regional income inequalities. The government should, therefore consider support programs which could help farmers battle the infestation.

In Q3 2017, Georgia witnessed the rise of two unusual exports – meat of sheep/goats and tobacco products. The export of sheep meat is mainly due to Iran opening up its market to imports of lamb and sheep from Georgia. The reasons behind an increase in tobacco exports to Kazakhstan and Singapore are not so clear. Both products showed unprecedented year-on-year growth rates – 2,245% and 607% respectively.

**Exports to CIS countries are making a come-back:** in Q3 they increased by 45.1% YoY.

Exports to EU countries decreased by 13.5% YoY in the reporting quarter. **The main contributors to export growth were Russia (+81.5% YoY), Azerbaijan (+62.8% YoY) and United States (+135.4% YoY)**. Together with **Armenia (+41.8% YoY)**, those countries contributed 17.7 pp to total export growth in third quarter of 2017.

## Financial Sector

**Improved credit activity was one of the main driver of economic growth in the third quarter of 2017**. Total loans (stocks) granted by commercial banks amounted to 18.8 billion GEL, a 17.4% YoY increase.

**Retail loans increased by 24.8% YoY, while business loans showed a 9.5% growth**.

Dollarization rates of both loans and deposits fell. **Loan dollarization decreased by 6.1 pp YoY** (to 58.2%). The **dollarization rate of deposits decreased by 3.6 pp to 66.2% YoY**.

This indicates that the **de-dollarization policy implemented earlier in year has started to work**. It is, however, impossible to assess the results of this initiative over such a short period of time.

Secondly, the difference between deposit and loan dollarization rates can create **currency mismatch risks for banks**. The **difference between deposits and loans dollarization rates was 5.5 percentage points in Q3 last year**. In 2017, the gap widened to 8 pp.

## Remittances

In Q3 2017, the volume of remittances in Georgia grew by one fifth compared to last year's level (+19.7%), reaching 367 million USD. **The recovery of remittances is**

a clear sign that the economy of the region continues to improve. All primary source countries of money inflows to Georgia showed a positive annual change: Russia (+13.3% YoY), the United States (+9.1% YoY), Italy (+23.8% YoY), Greece (+9.5% YoY), and Israel (+102.2% YoY).

The growth of money inflows from Russia reflected the dynamics of oil prices on the world market, which positively affected economic growth and therefore the ruble exchange rate against the US dollar. Remittances from Israel have continued to show unprecedented growth, which stems from the wave of Georgian emigration that started in 2014, when the countries ratified a visa-free regime

Taken together, these two countries contributed 11.2 percentage points to the total YoY growth of remittance transfers in Q3 2017.

According to data from Geostat's Integrated Households Survey 2016, remittances from abroad constituted 3.2% of total monthly average income in Georgia; however, for recipient families this share accounted for 42%.

**While money inflows have not yet recovered to 2014 levels**, the Lari depreciation and moderate levels of inflation **boosted the purchasing power of remittances**. In Q3 2017, Georgian receivers of remittances got 17.8% more in CPI-adjusted GEL than they did in the same period last year, and 13.6% more than in Q3 2014.

## Tourism

Tourism was a significant factor that accelerated economic growth in Georgia in Q3 2017. The international arrivals, were up 25.9% year on year.

Real tourists (visitors who stayed in Georgia for 24 hours or more) constituted 52.1% of total arrivals – a 28.5% YoY increase. Transit visitors showed 34.2% YoY growth, while the number of same day visits fell by 13.5% YoY.

**International tourism receipts surged by 31.2% YoY** and reached unprecedented level of 1.072 billion USD in Q3 – **higher than for whole volume of tourist receipts in 2011**.

**Georgian citizens were also actively travelling abroad**. In Q3, the number of outgoing citizens showed a 20% YoY increase. It appears that visa liberalization with the EU has already boosted tourism to Europe; according to the Ministry for European and Euro-Atlantic Integration, **161,885 Georgian citizens traveled to the Schengen Zone in the period of March 28 – October 20**. Of these, only 6.1% violated the visa-free rules.

# Sink or Swim: Submergence of the Georgian Maritime and Shipping Industry

Continued from p. 14

interest therein; disposal of shares in the ship owning entity; dividends paid, directly or indirectly, out of the above profits; bank interest earned on funds used as working capital and/or on income from shipping operations provided these funds are used for the financing and/or operation and/or maintenance of the ship. A qualifying Ship manager is a Cyprus tax resident, legal person providing crew and/or technical ship management services to qualifying ships. In addition, the ship manager must satisfy the following conditions: must have a fully-fledged office in Cyprus and employ personnel sufficient in number and qualifications within specific requirements. Despite tax benefits, the maritime and shipping sector accounted for more than USD 1.5 billion of Cyprus's GDP.

Georgia enjoys the possibility of registering an unlimited number of companies in its legal entities registry. Despite Georgia being No. 9 in the world by World Bank ranking in ease of doing business, international shipping companies, amongst others, simply do not exist in Georgia. The reason is simple: other countries offer business-oriented tax legislation to international business, especially to the shipping industry. The Government of Georgia has two types of choices: to not carry out any tax reform, and continue receiving zero income

from specific international business sectors, or to take into account the potential interests of the companies, to pay more than zero in the form of fixed amounts, so that the Georgian state budget would benefit, and decrease unemployment in the country.

Just like individuals and firms, the Government can also opt for optimal decisions, if they act as rational people, which think in the margins, and systematically and purposefully do the best they can to

achieve their objectives. Given the opportunities Georgia has, a rational decision-maker would take action immediately, because the marginal benefit of such action exceeds the marginal cost, and would benefit overall economic development.

Jaba Tarimanashvili, Business Analyst and Director of Maritime services and Transportation company Trans Logistic, Business Administration Doctoral Student, of Batumi Shota Rustaveli State University.



*Each of YOU  
Is UNIQUE  
For US*



+995 322 922 922  
[www.basisbank.ge](http://www.basisbank.ge)





# Weekly Market Watch

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

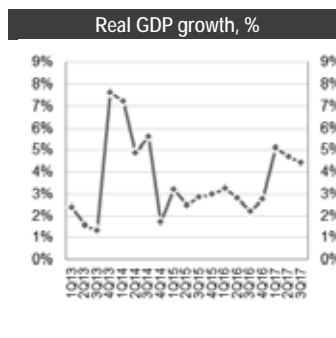
## ECONOMY

### International reserves up 5.8% y/y in October 2017

Gross international reserves were up 6.7% y/y to US\$ 2.9bn in October 2017, while reserves were down 2.6% m/m, according to NBG. There were no FX interventions by central bank in October. Change in reserves was attributed to government FX operations and/or asset revaluation.

Key macro indicators			
	10M17	2016	2015
GDP (% change)	4.7% <sup>(1)</sup>	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)	6.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	9.4% <sup>(2)</sup>	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 9M17  
(2) As of 1H17



Source: GeoStat

### Georgia sovereign credit ratings

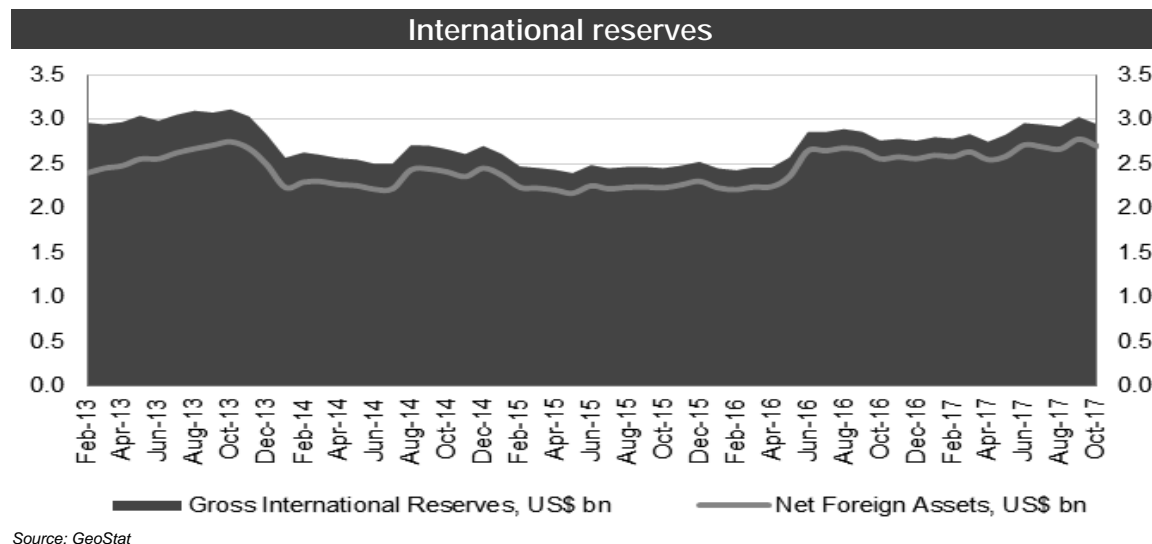
<b>STANDARD &amp; POORS</b> BB- Stable Affirmed Nov-2016	<b>MOODY'S INVESTORS SERVICE</b> Ba2 Stable Affirmed Sep-2017	<b>FitchRatings</b> BB- Stable Affirmed Mar-2017
--	---	--

Source: Rating agencies

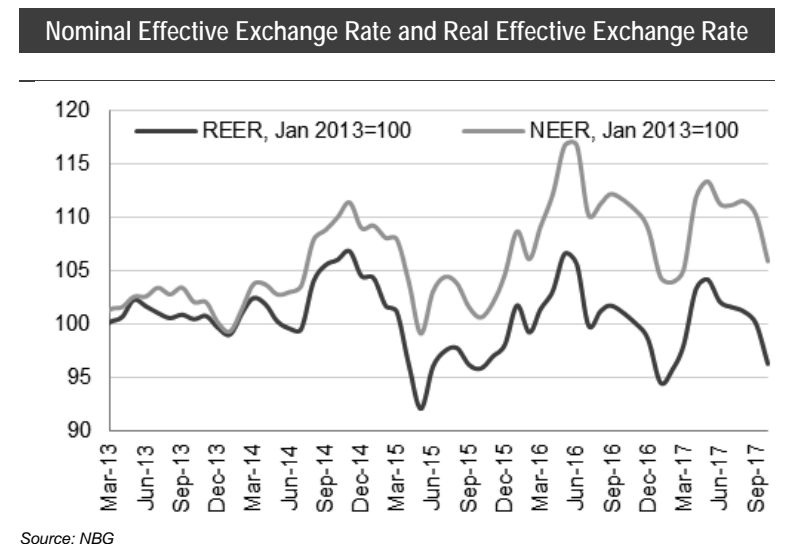
### International ranking, 2016-17

- Ease of Doing Business # 9 (Top 10)
- Economic Freedom Index # 13 (mostly free)
- Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum



Source: GeoStat



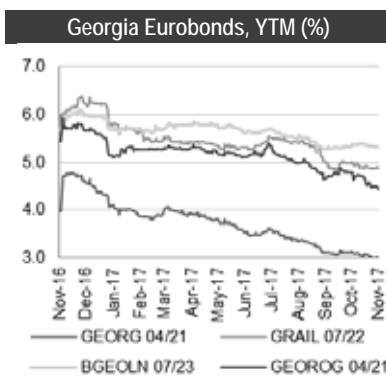
Source: NBG

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

## FIXED INCOME

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.2 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (+0.5% w/w), yielding 11.0%. GORG Eurobonds (GORG) were trading at 107.3 (+0.1% w/w), yielding 4.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.7 (-0.1% w/w), yielding 4.9%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 112.4 (-0.0% w/w) at 3.0% yield to maturity.

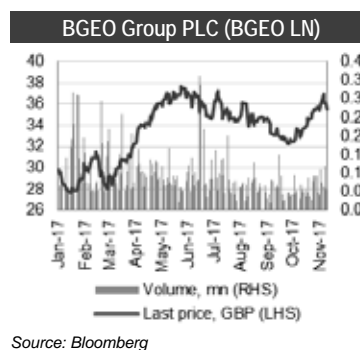


Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GORG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	n/a	BB-/Baa2	BB-/B+	BB-/B1	BB-/Baa2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.5	107.3	103.2	112.4	111.7
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	10.8	4.4	5.3	3.0	4.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	245.5	103.4	282.1	319.8

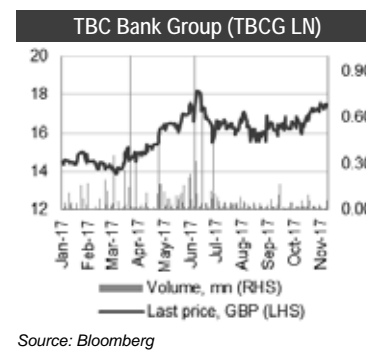
\* Source: Bloomberg  
\*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari  
\*\*Coupon rate 3.5% over the NBG's refinancing rate

## EQUITIES



Source: Bloomberg

**BGEO Group (BGEO LN)** shares closed at GBP 35.57/share (-0.95% w/w and +8.12% m/m). More than 372k shares traded in the range of GBP 35.42 – 37.05/share. Average daily traded volume was 66k in the last 4 weeks. FTSE 250 Index, of which



Source: Bloomberg

**TBC Bank Group (TBCG LN)** closed the week at GBP 17.00 (-2.35% w/w and +6.18% m/m). More than 96k shares changed hands in the range of GBP 17.00 – 17.63 share. Averaged daily traded volume was 25k in



Source: Bloomberg

the last 4 weeks. **Georgia Healthcare Group (GHG LN)** shares closed at GBP 3.37/share (-4.03% w/w and +9.51% m/m). More than 18k shares were traded in the range of GBP 3.29 – 3.60/share. Average daily traded volume was 40k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.

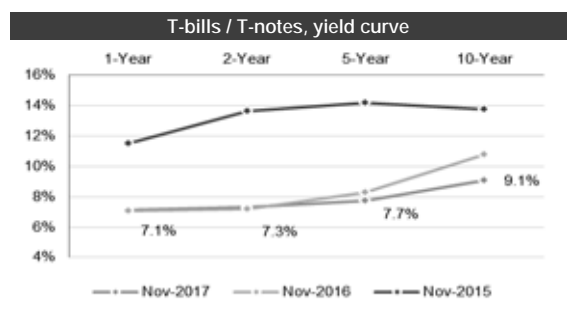
## MONEY MARKET

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,020mn (US\$ 388.0mn).

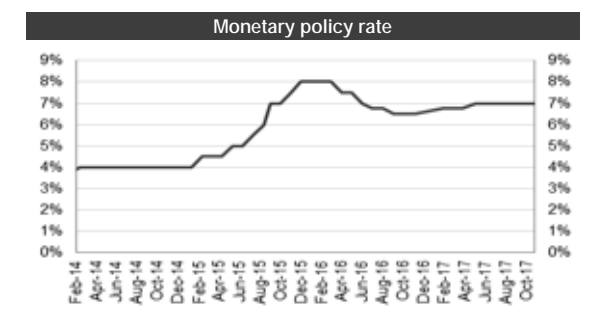
**Ministry of Finance Treasury Notes:** 2-year GEL 20.0mn (US\$ 7.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on Novem-

ber 8, 2017. The weighted average yield was fixed at 7.327%.

**Ministry of Finance Treasury Notes:** 182-days GEL 20.0mn (US\$ 7.7mn) T-bills of Ministry of Finance were sold at the auction held at NBG on November 8, 2017. The weighted average yield was fixed at 7.096%. The nearest treasury security auction is scheduled for November 29, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.



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



Source: NBG

### 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-/Baa3	3.0
Azerbaijan	1,250	4.750%	18/03/2024	BB-/BB+/Baa1	4.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	1.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	2.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	2.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	2.6
Turkey	2,000	5.625%	30/03/2021	BB-/BB/Baa1	4.2

Source: Bloomberg

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.

## GALT & TAGGART

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia  
Tel: + (995) 32 2401 111  
Email: gt@gt.ge



# publicity

**GR** Georgian Railway  
EST.1872



# STADLER

TWO MORE HIGH QUALITY NEW TRAINS  
OF SWISS COMPANY **STADLER** HAS  
ARRIVED TO GEORGIA

**STADLER**  
Cleverer Lösungen auf der Schiene

**GR** Georgian Railway  
EST.1872

 **1331**





15 Lubiana Str.  
**Tel: 251 00 01**  
**Fax: 253 00 44**  
**info@zarapxana.ge**  
**www.zarapxana.ge**




**CITY AVENUE Hotel**  
 Agmashenebeli Ave.140B; 0112, Tbilisi,  
 Georgia; Phone: +995 32 2244 144  
 Email: info@cityavenue.ge; Web: www.cityavenue.ge



Georgian Real Estate  
 Management  
 The Green Building,  
 6 Marjanishvili Street,  
 0102 Tbilisi  
**Tel: 243 30 77, Fax: 243 30 79**  
**www.firstbrokerage.ge**  
**E-mail: info@firstbrokerage.ge**



**Hotel River Side**  
 +(995 32) 224 22 44;  
 Right bank of Mtkvari, Brosse Street Turn  
 info@riverside.ge



**VINOTEL**  
**P: (+995) 322 555 888**  
**M: (+995) 596 555 885**  
**E: info@vinotel.ge,**  
**reservation@vinotel.ge**  
**W: www.vinotel.ge**



**HOTEL SPUTNIK BATUMI** ☆☆☆  
 28, Shervashidze Ascent; Batumi/Georgia  
**Tel: +995 (422) 27 60 66; +995 577 65 08 08**  
 E mail: sales@hotel-sputnik.com; www.hotel-sputnik.com



**HOTEL PUSHKIN**  
 Bochorma street N 3  
**Tel: (+995 32) 2 19 23 53**  
 E mail: info@hotelpushkin.ge



**LAERTON HOTEL**  
 Addr: # 14/14  
 I.Kurkhuli Str.  
**Tel : 55 66 55**  
**http://www.laerton-hotel.com/**



13, Rustaveli Avenue.;  
**Tel.: 2 779 200**  
**www.TbilisiMarriott.com**  
**tbilisi.marriott@marriotthotels.com**



4, Freedom Square,  
**Tel: 2 779 100**  
**www.CourtyardTbilisi.com**  
**courtyard.tbilisi@marriotthotels.com**



4 Freedom Square,  
**Tel: +995 32 254 70 30**  
**Fax: +995 32 254 70 40**  
**tbilisi@citadines.com**



13 Shavteli Str.  
**Tel: 2439494**  
**info@ambasadori.ge**  
**www.ambasadori.ge**



16 Meskheti str. Borjomi  
 Tel: (+995 32) 2 292292  
**E-mail: borjomi@rixos.com**  
**www.Borjomi.rixos.com**



**Sheraton Batumi HOTEL**  
**Tel: +995 422 229000**  
**E-mail: info.batumi@sheraton.com**  
**www.sheraton.com/batumi**



45a M. Kostava St.,  
 0179 Tbilisi,  
 Georgia;  
**Tel.: (+995 32) 219 11 11**  
**www.hotelcoste.ge**



**Hotel "O. Galogre"**  
 8, Vakhtang Gorgasali Str. Batumi, Georgia  
**Tel: +995 422 27 48 45**  
**info@hotelgalogre.com**  
**www.hotelgalogre.com**



**Radisson Blu Iveria Hotel**  
 Rose Revolution Square 1  
**Tel.: 240 22 00; Fax: 240 22 01**  
**info.tbilisi@radissonblu.com**  
**radissonblu.com/hotel-tbilisi**



**Radisson Blu Hotel Batumi**  
 1, Ninoshvili str., Batumi  
**Tel/Fax: 422255555**  
**info.batumi@radissonblu.com**  
**radissonblu.com/hotel-batumi**




26 May Square  
**Tel: 2300099**  
**E-mail: info@hi-tbilisi.com**  
**www.hi-tbilisi.com**



**OLD TIFLIS**  
**Tel: 31 99 99**  
**hotel@tiflis.ge**  
**addr: #9 Grishashvili Str.**



**Betsy's Hotel**  
 32-34 Makashvili Street,  
 0108, Tbilisi, Georgia  
**Tel.: 293 14 04, Fax: 299 93 11**  
**info@betsyshotel.com**  
**www.betsyshotel.com**



**Divan Suites Batumi**  
 Address:  
 Jordania/Z.  
 Gamsakhurdia  
 Str. 8/15  
**(422)255 522**  
**info.batumi@divan.com**



**CRON PALACE HOTEL**  
 № 1 Kheivani street 12/13; Tbilisi, Georgia  
**Phone: (+995 32) 2 24 23 21;**  
**Phone: (+995 32) 2 24 23 22**  
**E-mail: reservation@cronpalace.ge**



**Best Western Tbilisi**  
 Addr: 11, Apakidze str.  
**Tel.: 2 300 777**




275 Agmashenebeli  
 Ave.,  
 Kobuleti, Georgia  
**Tel: 2242400**  
**Fax: 2242403**  
**E-mail: info@gph.ge, www.gph.ge**



6 Kavsadze Str.  
**Tel: 2 25 15 45**  
**2 55 44 55**  
**www.lottravel.ge**



4 Freedom Square  
**Tel: 2988 988, Fax: 2988 910**  
**E-mail: gmt@gmt.ge, www.gmt.ge**



The tickets are available at tbilisi  
 international airport freedom square 4  
 courtyard marriott hotel, 1st floor  
**Tel: 2400 400; 2400 040**



**HOTELS & PREFERENCE HUALING TBILISI**  
**Tel: 2 50 50 25; 2 97 32 97**  
**Fax: 2 50 50 26**  
**Email: info@hotelspreference.ge**  
**Addr: Hualing, Tbilisi Sea New City**




5 Chavchavadze Ave.  
**Tel.: 222 44 17**  
**577 22 99 22**  
**plasticsurgerygeo.com**



Address: 1/3 Melashvili Street 6000  
 Batumi, Georgia | +995 422 225790  
**www.batumiworldpalace.com**  
**info@batumiworldpalace.com**



**Tbilisi Inn**  
 Tel: 277 00  
 40/50  
 Addr: 20  
 Metekhi str.  
**http://www.tbilisiinn.com/**  
**info@tbilisiinn.com**



**LEOGRAND HOTEL & CASINO**  
 Tel: 0422 24 20 20; info@leograndhotel.com  
 Addr: Gogebashvili Str. 60; Batumi

For advertising  
 please contact:  
**558 03 03 03**  
 marketing@finchannel.com



# publicity

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

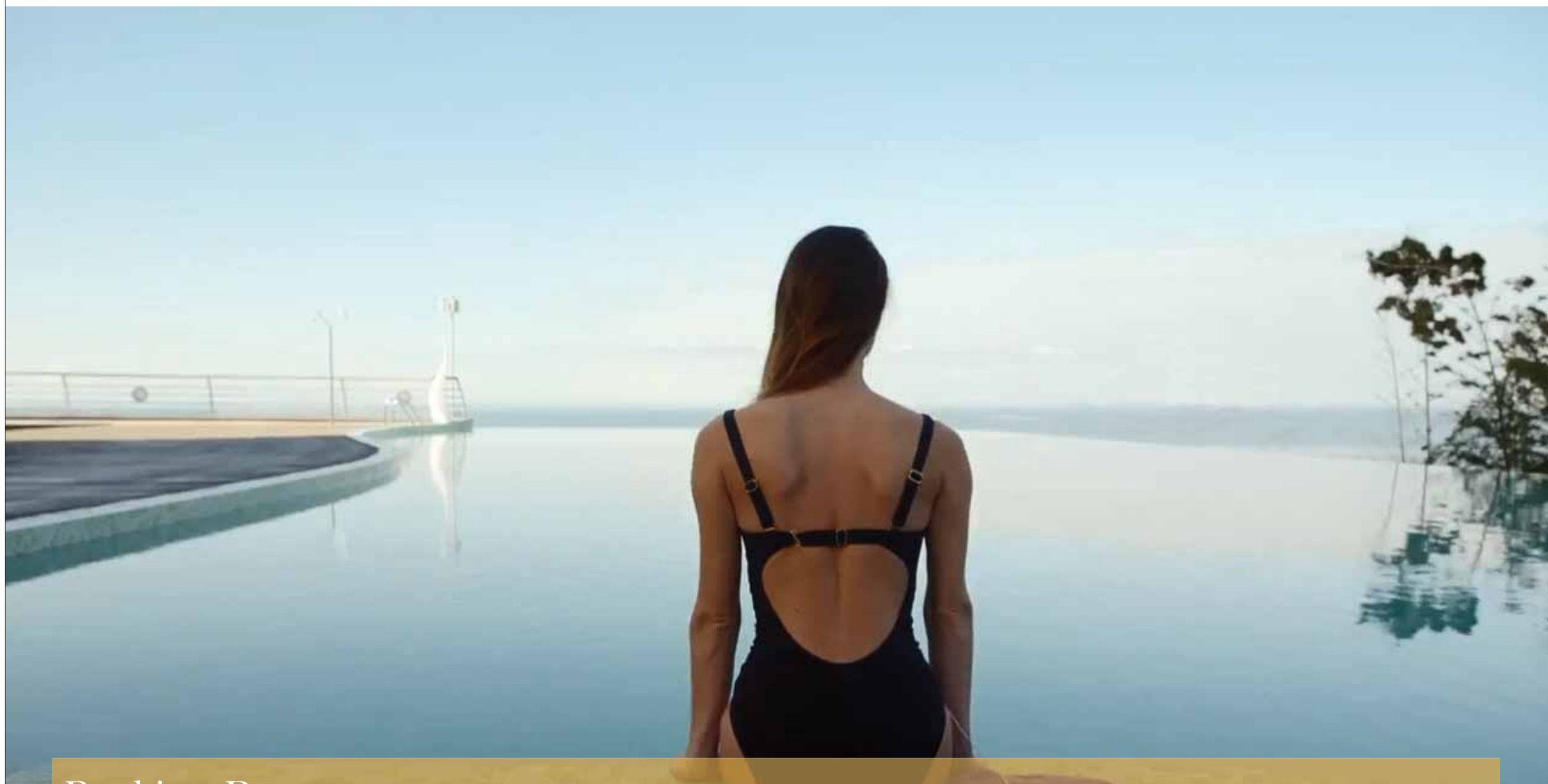
The place is very popular among many people as Tsikhisdziri resort of Black Sea coast.

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.

Infinity pool, vast sea, day and night views of Batumi and Kobuleti, unique fauna and breathtaking views are the inseparable part of Castello Mare all year round.



კასტელო მარე  
სასტუმრო & გამაჯანსაღებელი კომპლექსი



## Booking Request

ARRIVE	DEPARTURE	ROOM CATEGORY	ADULTS (CHILDREN 10+)	NUMBER OF ROOMS
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

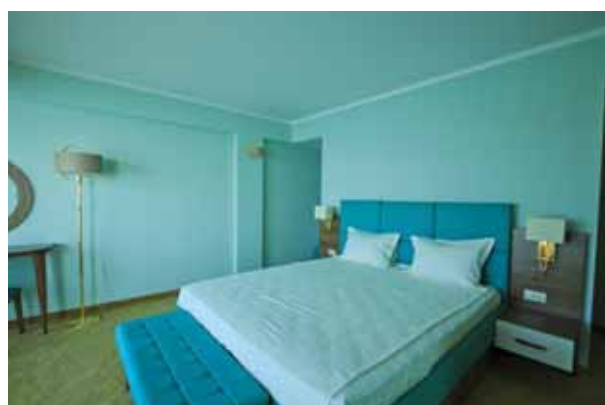
BOOK NOW

### BOOK NOW ONLINE

[www.castellomare.com](http://www.castellomare.com)

### OR CALL US

+995 422 22 28 28







4, Besiki Str.  
Tel: 2 519 966



Literary cafe "MONSIEUR JORDAN"  
V. Gorgasali st.,17  
Tel.: 275-02-07




37 Chavchavadze Ave.  
Tel.: 291 30 26; 291 30 76



Red Café - Bistro & Cafe  
# 71 Vazha-phavela Ave.  
Tel: 2201 211  
info@redcafe.ge



19 Pavle Ingorokva str. Tbilisi  
+995 555 004151  
https://www.facebook.com/RespublikaGrillBar/



PICASSO  
4, Vashlovani Str.  
Tel: 298 90 86



PREGO  
84, Barnovi Str.  
Tel: 225 22 58  
15, Erekle II.  
Tel: 293 14 11  
2, MarjaniSvili Str.  
Tel: 2 999 723



Strada  
1. 7 Sandro Euli St. Tel.595 99 22 77  
hello@stradacafe.ge Each Day 10:00 – 01:00  
2.#5 Marjanishvili Str. 595 99 22 88



SIANG-GAN  
41, Gamsakhurdia Str.  
Tel: 237 96 88



BUREGERCLASICO  
24/24  
40, Chavchavadze Ave. Tel: 229 42 30



Book Corner  
13<sup>b</sup>, Tarkhnishvili Str.  
Tel: 223 24 30  
contact@bookcorner.ge



Entree  
Tbilisi  
13 Taktakishvili Street, Tel.: (+995 595) 90 71 80  
19 Petriashvili Street, Tel.: (+995 595) 33 82 10  
7 Pekini Street, Tel.: (+995 591) 13 39 68  
78 Chavchavadze Avenue (Bagebi), Tel.: (+995 599) 09 56 70 47  
Kote Akhazi Str (Leselidze), Tel.: (+995 599) 08 34 53  
1 Alani Street, Tel.: (+995 591) 70 90 22  
25 Gagarini street, Tel.: (+995 591) 13 39 68  
24A Pekini street, Tel.: (+995 591) 96 19 90  
7 Mtskheta Str.  
Tel.: 599 21 53 83



ENGLISH TEE HOUSE  
WHITTARD OF CHELSEA  
5, Marjanishvili Str.  
Tel: 294 16 20



CAFE CINEMA  
Addr: 3 Vekua Street. (Trade Center GTC)  
Tel.: 2 93 61 38



Luca Polare  
FINEST ICECREAM & MORE  
Mrgvali Baghi Square; 7a Pekini Ave.34 Kote Afkhazi Str;125 David Aghmashenebeli Ave  
Tel: +995 322 380802; info@luicapolare.com  
www.luicapolare.com; LucaPolareOriginal



1 Brother Kakabadze Str.  
Tel: 292 29 45;  
Fax: 292 29 46;  
tk@mcDonalds.ge



MEPETUBANI  
Addr: 3 Erekle II square  
Tel: +995 598 77 09 68



LE MARAIS  
32 Abashidze Str. Tel: 222 40 83



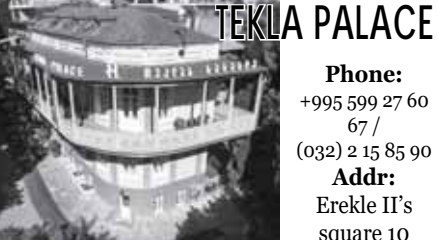
Wendy's  
QUALITY IS OUR RECIPE  
WWW.WENDYS.GE 995 322 557 557  
WENDY'S GEORGIA  
37 CHAVCHAVADZE AVE. 31 RUSTAVELI AVE.  
37 TSINTSADZE STR. 26 MAY SQUARE  
AGMASHENEBELI ALLEY 13TH KM GORI HIGHWAY  
TBILISI MALL EAST POINT 22 ABUSERIDZE STR. BATUMI



PROSPERO'S BOOKS  
34, Rustaveli Ave.  
Tel: (+995 32) 2923 592



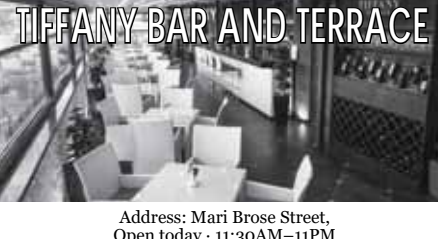
TWINS - gift store.  
Exclusive decor, designer items from U.S.  
25 Akhvlediani str. Tbilisi



TEKLA PALACE  
Phone: +995 599 27 60 67 / (032) 2 15 85 90  
Addr: Erekle II's square 10



La Brioche  
Addr: Batumi, Georgia, Parnavaz Mepe №25  
Tel.: 260 15 36  
info@piazza.ge, www.piazza.ge



TIFFANY BAR AND TERRACE  
Address: Mari Brose Street,  
Open today · 11:30AM–11PM  
Phone: 0322 24 22 44

For advertising please contact:  
558 03 03 03  
marketing@finchannel.com



BUSINESS TRAVEL COM  
HOTEL AND AIR TICKET BOOKING:  
2 999 662 | SKY.GE

For advertising please contact:  
558 03 03 03  
marketing@finchannel.com



GOODWILL  
Celebrations & Catering  
2 18 12 12 / CATERING@GOODWILL.GE / WWW.GOODWILL.GE





# US BUSINESS IN GEORGIA

**MEET THE COMPANIES INVESTING IN GEORGIA**

## HAVE YOUR SAY

ON DECEMBER 11  
LIVE, VIDEO & PRINT



SUPPORTED BY



PHONE: (995 32) 2 252 275, EXT: 1/2 477 549; DIRECT CALL: (995 558) 03 03 03; E-MAIL: [MARKETING@FINCHANNEL.COM](mailto:MARKETING@FINCHANNEL.COM)