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CEO optimism booms despite increasing anxiety over threats to growth

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Key facts about black immigrants in the U.S.

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29 January, 2018 News Making Money http://www.finchannel.com

Economics of Georgia's Drug Policy Reform

By MAKA CHITANAVA
ISET

Drug policy reform is now at the center of a heated debate in Georgia. Despite the importance of the subject, however, most of the discussions I have heard so far are based on phobias and myths, rather than on evidence. This is a pity, as society will ultimately have to decide on the subject by voting **YES** or **NO** on this reform, thereby choosing between very different potential outcomes. Having an informed opinion on the issue is, therefore, extremely important.

Let's start from the beginning - what are Georgia's major drug-related problems?

Georgia **ranks third** (out of 101 countries) in the world with respect to the prevalence (share of people) who inject drugs, after Seychelles and Russian Federation.[1] The estimated figure for injection drug use is 2.02% among individuals aged 18-64 [2] (see figure below).

The number of people who regularly inject drugs has been **increasing over time**: 40,000 in 2009, 45,000 in 2012, and 49,700 in 2014.[3]

Continued on p. 2

Are you an employer in which 50% of your organization's workforce may quit?

The FINANCIAL

Being a recruiting services firm, Argosight wondered at the end of 2017 how many people would be looking for a new job in the new year. It took this question to various LinkedIn communities and got their feedback through our survey: New Year, New Job?, which it ran from the end of 2017 to the beginning of 2018 – a typically reflective time of year. Approximately 430 participants completed the survey, and the answer it got to this question was quite concerning: 52% of the respondents said they will actively be looking for another job in 2018!

Imagine if your company consisted of these people as employees; that means there's a possibility of half of them leaving. As an organization, are you prepared to lose half your workforce? I know the reality of recruitment and life makes it unlikely that 50% of an organization's workforce will quit simultaneously for another job. However, that's not to say that it hasn't happened. Being prepared for this exact event and understanding what it means when half your employees want to leave are two separate things. The latter is more productive.

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Top 10 Travelers' Choice Hotels in the World by TripAdvisor

The FINANCIAL -- TripAdvisor on January 23 announced the winners of its Travelers' Choice awards for Hotels. The United States featured the most unique hotel winners with 191, Spain had 176 properties recognized and France featured 170 award winners. The average nightly rate of Travelers' Choice award-winning Top Hotels on TripAdvisor is $349; Value for Money is $160; Luxury is $483; Bargain is $76; Small Hotels is $330; Best Service is $313; B&Bs and Inns is $124; Romance is $325; Family is $252 and All-Inclusive is $427, according to TripAdvisor.

Travelers' Choice award winners were determined based on the millions of reviews and opinions collected in a single year from TripAdvisor travelers worldwide. In the 16th year of the awards, TripAdvisor has recognized 8,095 properties in 94 countries and eight regions worldwide.

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CURRENCIES

	Jan 27	Jan 20
1 USD	2.4578 ▲	2.5429
1 EUR	3.0636 ▲	3.1082
100 RUB	4.4037 ▲	4.4825
1 TRY	0.6566 ▲	0.6693

How many hours do Europeans work per week?

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Weekly Market Watch

By Galt & Taggart

See on p. 19

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FINANCIAL

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CURRENT PRICES ON GASOLINE AND DIESEL

29 JANUARY, 2018, GEORGIA

Gulf — Prices in GEL

G-Force Super	2.52
G-Force Premium	2.37
G-Force Euro Regular	2.29
Euro Regular	2.25
G-Force Euro Diesel	2.39
Euro Diesel	2.31
CNG	1.55

Wissol — Prices in GEL

Eko Super	2.54
Eko Premium	2.44
Eko Diesel	2.42
Euro Diesel	2.37
Euro Regular	2.30
Diesel Energy	2.30

Lukoil — Prices in GEL

Super Ecto 100	2.55
Super Ecto	2.39
Premium Avangard Ecto	2.29
Euro Regular	2.19
Euro Deasel	2.29

SOCAR — Prices in GEL

Nano Super	2.45
Nano Premium	2.35
Nano Euro Regular	2.25
Nano Euro Diesel	2.35
Nano Diesel	2.25
GNG	1.52

ROMPETROL — Prices in GEL

Efix Euro 98	2.54
Efix Euro Premium	2.44
Euro Regular	2.32
Efix Euro Diesel	2.42
Euro Diesel	2.32

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International School of Economics at TSU

AGRINDEX

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AGRINDEX – DECEMBER REVIEW

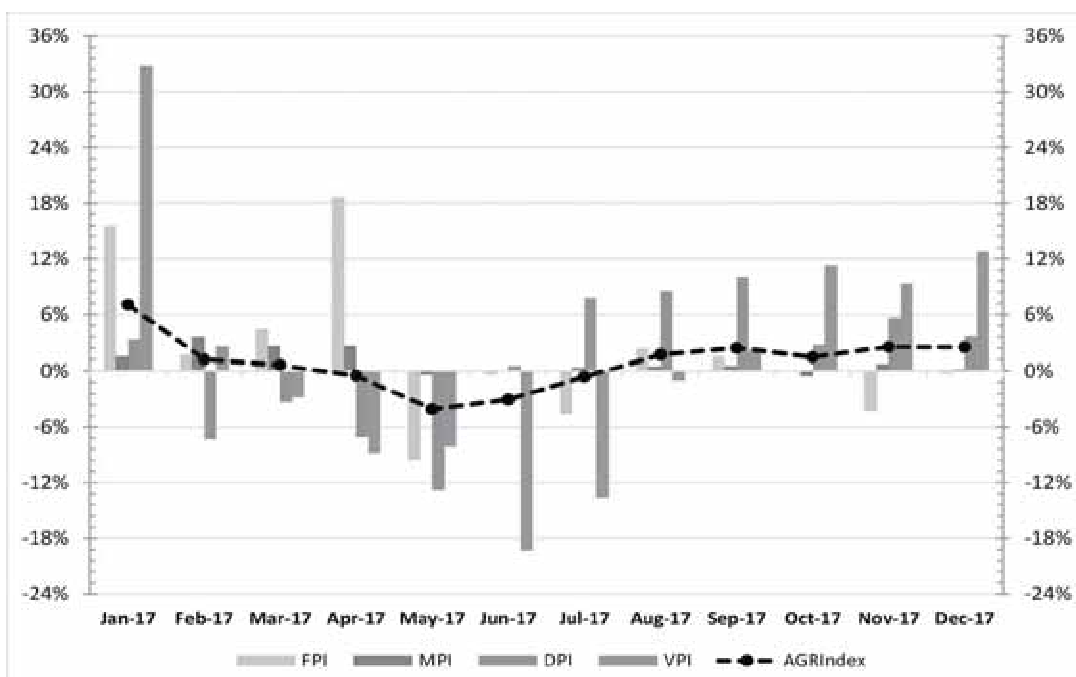
In December 2017, the **AGRIndex** sub-indices shifted in the same directions as in November 2017, but the amplitudes of these shifts was reduced. The exception was the price of **VEGETABLES,** which increased by 12.8% (the highest m/m change since January 2017). On the other hand, **FRUIT** prices lost just 0.2% of their November value, while **MEAT** prices gained only 0.2%, and **DAIRY** prices increased by 3.7% in month-to-month terms.

As far as the y/y change in prices are concerned, the basket of domestically produced agricultural products tracked by the **AGRIndex** was +11.4% more expensive in December 2017 than in December 2016.

Highest increase: In December 2017, domestically produced eggplant gained approximately 2/3 of its November prices. This change was in line with the last years' dynamics — eggplant prices increase sharply in December, when the supply is low, but Georgian demand for a famous dish, "eggplant with walnut," is high because of New Year's Eve feasts.

Highest drop: In December 2017, Georgian citrus fruits lost on average a tenth of their November 2017 values, as these fruits were in active harvesting season, are perishable, and storage facilities in the Georgian countryside are not well-developed, "encouraging" farmers to sell a big part of their harvest once the fruits are picked. The biggest decline was observed in orange prices (-18%).

Graph #1. m/m changes in AGRIndex and its sub-indices: FRUIT, MEAT, DAIRY, and VEGETABLE



Data Source: The Ministry of Agriculture of Georgia

THE ISET ECONOMIST

A BLOG ABOUT ECONOMICS AND THE SOUTH CAUCASUS www.iset-pi.ge/blog

Economics of Georgia's Drug Policy Reform

By MAKA CHITANAVA

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Drug policy reform is now at the center of a heated debate in Georgia. Despite the importance of the subject, however, most of the discussions I have heard so far are based on phobias and myths, rather than on evidence. This is a pity, as society will ultimately have to decide on the subject by voting **YES** or **NO** on this reform, thereby choosing between very different potential outcomes. Having an informed opinion on the issue is, therefore, extremely important.

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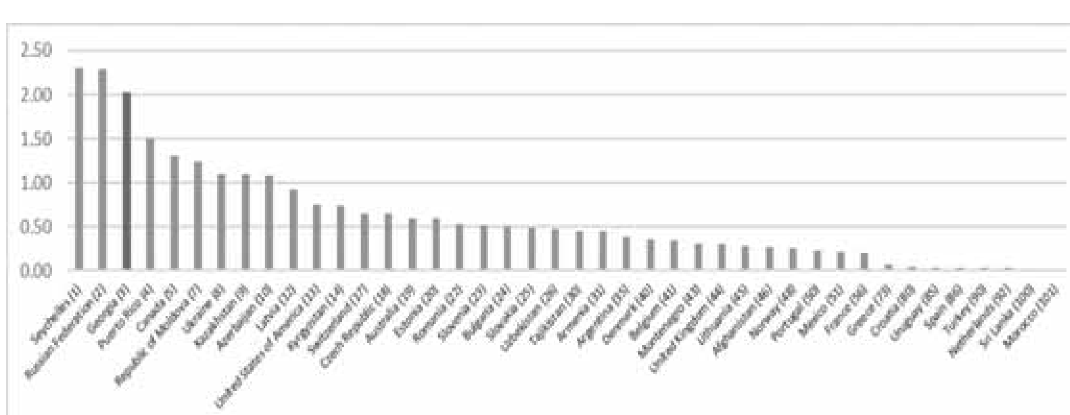
Figure 1. Ranking of selected countries by prevalence of people who inject drugs



Source: World Drug Report 2017; Note: Rank is given in brackets.

The number of people who regularly inject drugs has been **increasing over time:** 40,000 in 2009, 45,000

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Are you an employer in which 50% of your organization's workforce may quit?

The FINANCIAL

Being a recruiting services firm, Argosight wondered at the end of 2017 how many people would be looking for a new job in the new year. It took this question to various LinkedIn communities and got their feedback through our survey: New Year, New Job?, which it ran from the end of 2017 to the beginning of 2018 – a typically reflective time of year. Approximately 430 participants completed the survey, and the answer it got to this question was quite concerning: 52% of the respondents said they will actively be looking for another job in 2018!

Imagine if your company consisted of these people as employees; that means there's a possibility of half of them leaving. As an organization, are you prepared to lose half your workforce? I know the reality of recruitment and life makes it unlikely that 50% of an organization's workforce will quit simultaneously for another job. However, that's not to say that it hasn't happened. Being prepared for this exact event and understanding what it means when half your employees want to leave are two separate things. The latter is more productive.

Why are so many people looking to change employment in the new year? Based on survey responses, 75% report that they are not satisfied with their current job; that's three out of every four people who took the survey! Although this statistic may seem shocking, it is in line with industry research (which should be even more concerning). According to a Gallup study released in September 2017, about 70% of American workers and 85% of workers worldwide report feeling disengaged at work.

What are the reasons that cause workers to feel disengaged, or in this case, dissatisfied? The chart below indicates various reasons for job dissatisfaction.

According to about half of survey respondents, company culture, management, and salary are the top reasons why employees are not satisfied with their job. This highlights another area of concern since company culture, management, and salary are basic company offerings for every job. This makes me wonder if it's a lack of company culture and/or management that leads to dissatisfaction (which is a big issue for the overall company), or do individuals not fit in with the company culture and management approach (which points to an issue with hiring). Regardless of the issue, the fact that company culture, management, and salary are on the top of the job dissatisfaction list indicates to me that companies are not putting enough effort toward making employees feel comfortable in the workplace, supported in their path to success, valued for their contributions, and/or that they are not bringing the right people into their organization.

When framed in such a way, it becomes either a hiring or retention issue. Since the people who took the survey were asked about their current employment (assuming they are currently employed), their responses speak more to keeping an employee than hiring a new one.

So how can companies improve the level of job dissatisfaction? Let's look at what the 25% who are satisfied with their job said.

As seen from the chart, the reasons for job satisfaction are more spread out than the reasons for job dissatisfaction. About half of the group point to a handful of reasons as to why they are happy, with the majority citing job role followed closely by flexibility and responsibilities as the main reasons. Unlike reasons for dissatisfaction, reasons for job satisfaction are more focused on the individual – the employee's responsibilities and how he or she accomplishes them. It is no surprise that these reasons are at the top of the list; people see what they do as an extension of their identity and therefore, their happiness. This also confirms what many believe –that if you are happy with the work that you do, you will be more satisfied with your job.

Are people who are satisfied with their current job looking to leave? Based on survey respondents who are satisfied, less than 10% reported they will actively look for another job. Over 60% said they will not be looking, or are not interested in other opportunities. In a talent market where everyone is open to the next opportunity, having more than half of the people who are satisfied with their job report that they are not interested or will not be looking for a new role is a big deal. This indicates to me that there are companies out there who not only are hiring the right people to fill their positions, but are also giving their employees the support and recognition they need to want to stay in their current roles.

Which reasons, if any, on the list of job satisfaction play a bigger role in attracting employees to stay? According to this group of respondents, job role, flexibility, and company culture are reasons why more decide to stay with their current employer. Based on this, I would say that if employees enjoy the work that they do, have the flexibility to balance their work with their personal life, and have an organization that supports them for who they are and what they do, they will not be looking for new employment. In fact, they will most likely become loyal employees who will strengthen the culture of the company and will lead the retention efforts from within.

In a highly competitive talent market, wouldn't you like to have more of those employees in your organization?

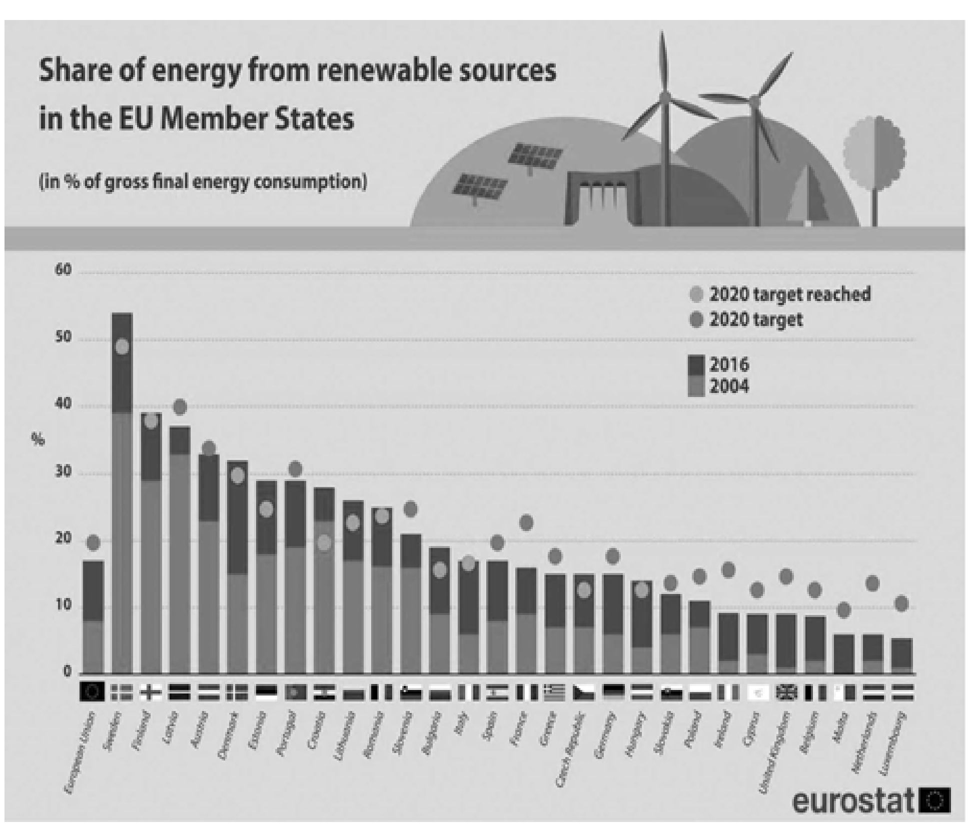
Share of renewables in energy consumption in the EU reached 17% in 2016

Eleven Member States already achieved their 2020 targets

The FINANCIAL

In 2016, the share of energy from renewable sources in gross final consumption of energy reached 17% in the European Union (EU), double the share in 2004 (8.5%), the first year for which the data are available.

The share of renewables in gross final consumption of energy is one of the headline indicators of the Europe 2020 strategy. The EU's target is to obtain 20% of energy in gross final consumption of energy from renewable sources by 2020 and at least 27% by 2030.



Highest share of renewables in Sweden, lowest in Luxembourg, Malta and the Netherlands

Since 2004, the share of renewable sources in gross final consumption of energy grew significantly in all Member States. Compared with 2015, it has increased in 15 of the 28 Member States.

With more than half (53.8%) of its energy coming from renewable sources in its gross final consumption of energy, Sweden had by far the highest share in 2016, ahead of Finland (38.7%), Latvia (37.2%), Austria (33.5%) and Denmark (32.2%). At the opposite end of the scale, the lowest proportions of renewables were registered in Luxembourg (5.4%), Malta and the Netherlands (both 6.0%).

The Netherlands and France: furthest away from their goals

Each EU Member State has its own Europe 2020 target. The national targets take into account the Member States' different starting points, renewable energy potential and economic performance. Among the 28 EU Member States, 11 have already reached the level required to meet their national 2020 targets: Bulgaria, the Czech Republic, Denmark, Estonia, Croatia, Italy, Lithuania, Hungary, Romania, Finland and Sweden. Moreover, Austria is less than 1 percentage point (pp) away from its 2020 target. At the opposite end of the scale, the Netherlands (8.0 pp from its national 2020 objective), France (7.0 pp), Ireland (6.5 pp), the United Kingdom (5.7 pp) and Luxembourg (5.6 pp) are the furthest away from their targets.

EU trade in furniture around the globe

The FINANCIAL

In 2015 and 2016, the EU Member States' trade in furniture with non-EU countries was balanced: the value of the EU's exports was similar to its imports.

In 2016, the EU imported furniture worth €15.3 billion from outside the EU, and exported slightly less —15.1 bn — to non-EU countries.

The value of trade in furniture between the EU and non-EU countries grew by around 50 % over the last ten years.

Italy and Germany: main exporters

Italy (furniture worth €4.2 bn exported to non-EU countries in 2016, or 28% of the total EU Member States exports) and Germany (€3.0 bn, 20%) were the top EU exporters of furniture. They were followed at a distance by the United Kingdom (€1.3 bn, 8%), Poland (€1.1 bn, 8%) and France (€1.0 bn, 7%).

EU's furniture sent mainly to the United States and Switzerland

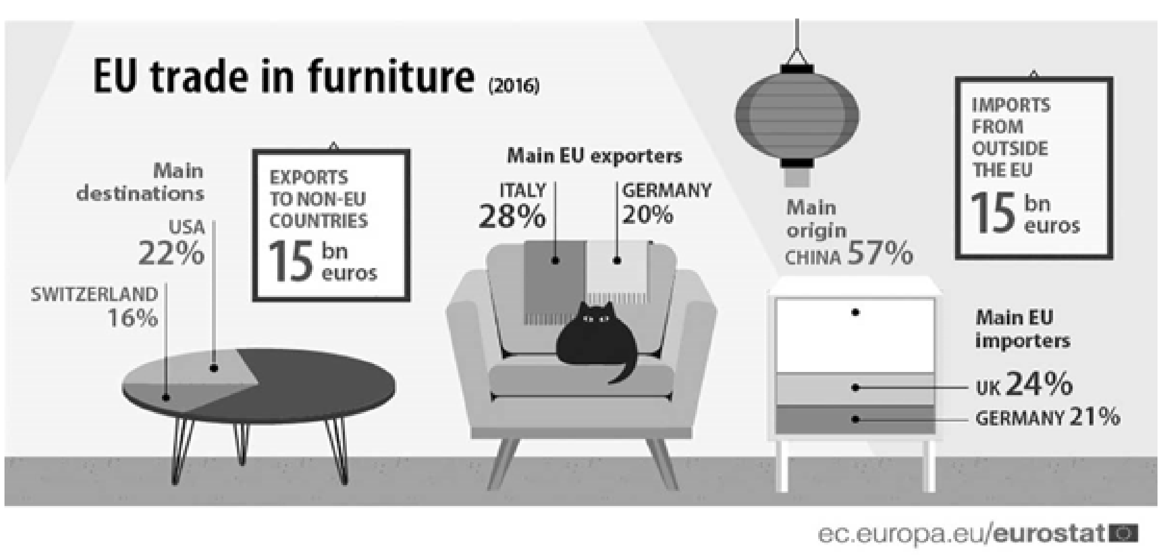
When exporting to non-EU countries (€15.1 bn in 2016), EU furniture was sent primarily to the United States (€3.3 bn, or 22% of the total extra-EU exports of furniture) and Switzerland (€2.3 bn, 16%), ahead of Norway (€1.3 bn, 8%), China (€1.1 bn, 7%), and Russia (€0.9 bn, 6%).

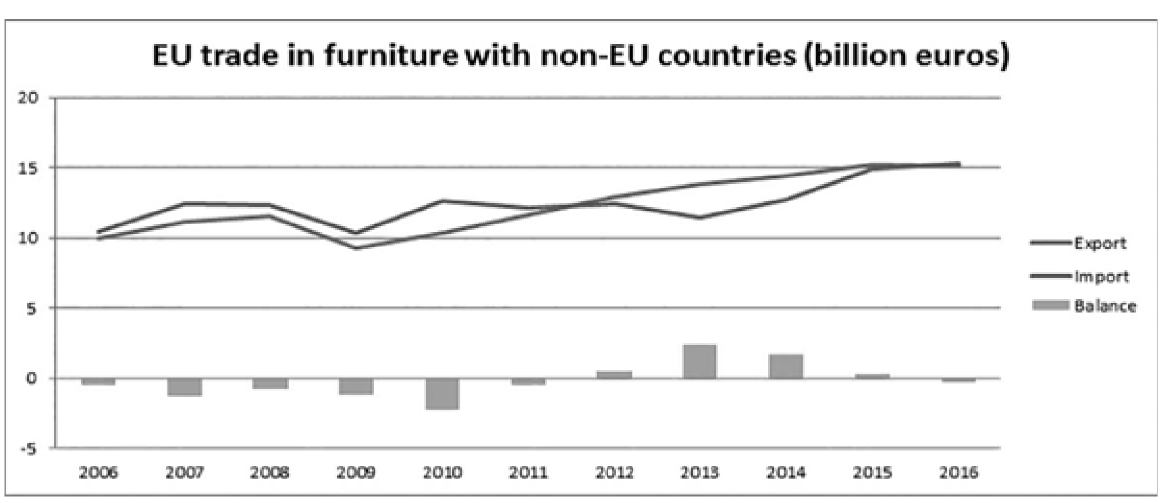
United Kingdom and Germany: main importers

The United Kingdom (furniture worth €3.7 bn imported from non-EU countries in 2016, or 24% of the total EU Member States' imports) and Germany (€3.2 bn, 21%) were the top importers of furniture from outside the EU. They were followed by France (€1.8 bn, 12%), the Netherlands (€1.2 bn, 8%) and Spain (€0.8 bn, 5%).

EU's imports of furniture comes primarily from China

In 2016, Member States imported furniture worth €15.3 bn from non-EU countries. More than half of these imports originated from China (€8.7 bn, 57%). The next largest shares of imports from non-EU countries were from Vietnam (€1.0 bn, 6%), Turkey (€0.9 bn, 6%), the United States (€0.6 bn, 4%) followed by Bosnia and Herzegovina (€0.4 bn, 3%).





How many hours do Europeans work per week?

The FINANCIAL

On average, a full-time employee in the EU works 40.3 hours per week in a usual working week. Men have a longer working week than women, working on average 41.0 hours compared with 39.3 hours for women.

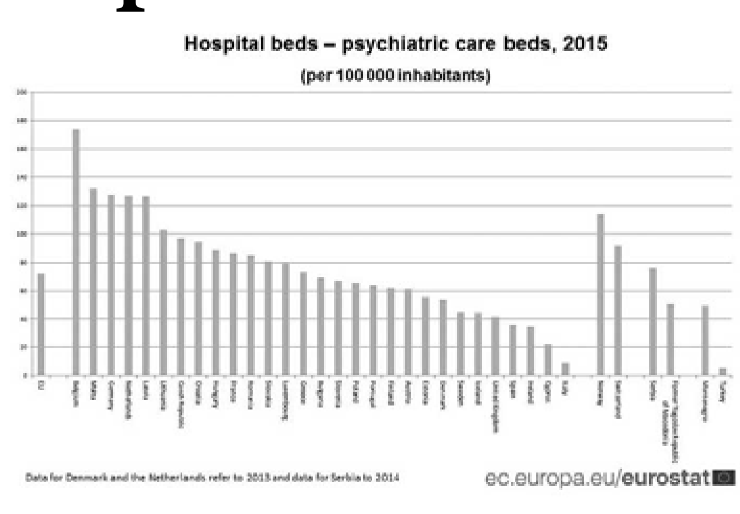
Those in the mining and quarrying industry work the longest hours (42.0), while the shortest working week is to be found in the education sector (38.1).

Working week is longest in the UK, shortest in Denmark

On average, full-time employees in the UK spend the highest number of hours per week at their main job (42.3 hours). They are followed by those working in Cyprus (41.7), Austria (41.4), Greece (41.2), Poland and Portugal (both 41.1).

Denmark, with a working week of 37.8 hours, is the only country in which the normal number of working hours is less than 38. The next shortest week is in Italy (38.8), followed by the Netherlands and France (both 39.0), Finland and Ireland (39.1).

Mental health care – share of psychiatric hospital beds



The FINANCIAL

Logo Statistics ExplainedIn 2015, there were 72 hospital beds for psychiatric care per 100 000 inhabitants in the EU, equivalent to 14 % of all hospital beds.

This varied between EU Member States: Belgium with 174 hospital beds for psychiatric care per 100 000 inhabitants had the largest share, followed by Malta (132) and Germany (127). At the other end of the scale was Italy (9 psychiatric care beds per 100 000 inhabitants), Cyprus (22) and Ireland (35).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CEO optimism booms despite increasing anxiety over threats to growth

The FINANCIAL

A record-breaking share of CEOs are optimistic about the economic environment worldwide, at least in the short term. That's one of the key findings of PwC's 21st survey of almost 1,300 CEOs around the world, launched on January 22 at the World Economic Forum Annual Meeting in Davos.

Fifty seven percent of business leaders say they believe global economic growth will improve in the next 12 months. It's almost twice the level of last year (29%) and the largest ever increase since PwC began asking about global growth in 2012.

Optimism in global growth has more than doubled in the US (59%) after a period of uncertainty surrounding the election (2017: 24%). Brazil also saw a large increase in the share of CEOs who are optimistic global growth will improve (+38% to 80%). And even among the less optimistic countries such as Japan (2018: 38% vs. 2017: 11%) and the UK (2018: 36% vs. 2017: 17%), optimism in global growth has more than doubled since last year.

Confidence in short-term revenue growth on the rise

This optimism in the economy is feeding into CEOs' confidence about their own companies' outlook, even if the uptick is not so large. 42% percent of CEOs said they are "very confident" in their own organisation's growth prospects over the next 12 months, up from 38% last year.

Looking at the results by country, it's a mixed bag. CEOs' outlook improved in several key markets including in Australia (up 4% to 46%) and China (up 4% to 40%), where the share of CEOs saying they are "very confident" in their own organisation's 12-month growth prospects rose.

In the US, CEOs' confidence has recovered. After election nerves last year, the early focus on regulation and tax reform by the new administration has seen confidence in business growth prospects for the year ahead rising significantly – from 39% in 2017 to 52% in 2018. And North America is the only region where a majority of CEOs are "very confident" about their own 12-month prospects.

In the UK, with Brexit negotiations only recently reaching a significant milestone, business leaders' drop in short-term confidence is unsurprising (2018: 34% vs. 2017: 41%).

The top three most confident sectors for their own 12-month prospects this year are Technology (48% "very confident"), Business Services (46%) and Pharmaceutical and Life Sciences (46%) – all exceeding the global "very confident" level of 42%.

Strategies for growth remain largely unchanged on last year's survey – CEOs will rely on organic growth (79%), cost reduction (62%), strategic alliances (49%) and M&As (42%). There was a small increase in interest in partnering with entrepreneurs and start-ups (33% vs 28% last year).

Top countries for growth: Confidence in US continues, reinforcing lead on China

CEO confidence in the US market extends overseas, with non-US based CEOs once again voting it the top market for growth in the next 12 months. This year, the US reinforces its lead on China (46% US vs 33% China, with the US lead over China up 2% compared with 2017).

Germany (20%) remains in third place, followed by the UK (15%) in fourth place, while India bumps Japan as the fifth most attractive market in 2018.

"Even with high levels of global growth confidence, business leaders want and need safe harbours for investment to secure short-term growth," comments Bob Moritz, Global Chairman, PwC. "Access to consumers, skills, finance and a supportive regulatory environment are reinforcing leading markets' positions, for business leaders to achieve their short-term growth targets."

Jobs and digital skills: headcounts to increase; leaders concerned about availability of digital talent

Confidence in short-term revenue growth is feeding into jobs growth, with 54% of CEOs planning to increase their headcount in 2018 (2017: 52%). Only 18% of CEOs expect to reduce their headcount.

Healthcare (71%), Technology (70%), Business Services (67%) Communications (60%) and Hospitality and Leisure (59%) are amongst the sectors with the highest demand for new recruits.

On digital skills specifically, over a quarter (28%) of CEOs are extremely concerned about their availability within the country they are based, rising to 49% extremely concerned in South Africa, 51% in China and 59% in Brazil.

Overall, 22% of CEOs are extremely concerned about the availability of key digital skills in the workforce, 27% in their industry and 23% at the leadership level.

Investments in modern working environments, learning and development programmes and partnering with other providers are the top strategies to help them attract and develop the digital talent they need.

Impact of technology on employment and skills

While recent research by PwC showed that workers were optimistic about technology improving their job prospects, CEOs admit that helping employees retrain, and increasing transparency on how automation and AI could impact jobs is becoming a more important issue for them.

Two thirds of CEOs believe they have a responsibility to retrain employees whose roles are replaced by technology, chiefly amongst the Engineering & Construction (73%), Technology (71%) and Communications (77%) sectors. 61% of CEOs build trust with their workforce by creating transparency, at least to some extent, on how automation and AI impact their employees.

The digital and automation transition is particularly acute in the Financial Services sector. Almost a quarter (24%) of Banking & Capital Markets and Insurance CEOs plan workforce reductions, with 28% of Banking & Capital Markets jobs likely to be lost to a large extent due to technology and automation.

Threats to growth: CEOs fear wider societal threats they can't control

Despite the optimism in the global economy, anxiety is rising on a much broader range of business, social and economic threats. CEOs are 'extremely concerned' about geopolitical uncertainty (40%), cyber threats (40%), terrorism (41%), availability of key skills (38%) and populism (35%). These threats outpace familiar concerns about business growth prospects such as exchange rate volatility (29%) and changing consumer behaviour (26%).

Underlining the shift, extreme concern about terrorism doubled (2018: 41% vs 2017: 20%) and terrorism enters the top 10 threats to growth. The threat of over-regulation remains the top concern for CEOs (42% extremely concerned), and over a third (36%) remain concerned about an increasing tax burden.

Key skills availability is the top concern for CEOs in China (2018: 64% extremely concerned vs. 2017: 52%). In the US (63%) and the UK (39%), cyber has become the top threat for CEOs displacing over-regulation. And in Germany, cyber jumped from being the fifth threat in 2017 to third place (28%) this year.

A year after the Paris Agreement was signed by over 190 nations, which saw countries commit to voluntary action on climate change and low carbon investment, CEOs' concern about the threat of climate change and environmental damage to growth prospects has now doubled to 31% of CEOs (2017: 15%).

High-profile extreme weather events and the US withdrawal from the Paris Agreement have significantly raised the profile of business action on climate risk, regulation and resilience. In China, over half (54%) of business leaders are extremely concerned about climate change and environmental damage as a threat to business growth, equal with their levels of concern about geopolitical uncertainty and protectionism.

Trust and leadership: CEOs divided over whether future economic growth will benefit the many or the few

Echoing the theme of the World Economic Forum this year, CEOs acknowledge that we live in a fractured world. They are divided over whether future economic growth will benefit the many or the few. They see the world moving towards new, multifaceted metrics to measure future prosperity.

Examining the key challenges to trust for businesses, CEOs admit that delivering results in shorter periods of time (60%) is the main challenge. However, following this, there is a significant shift with the majority reporting higher levels of pressure to hold individual leaders to account (59%), including for misconduct. Over a third report more pressure from employees and customers to take political and social stances (38%) in public.

In the Banking and Capital Market (65%), Healthcare (65%) and Technology sectors (59%), the profile of leadership accountability was higher than average. So too were expectations in the US (70%), Brazil (67%), and the UK (63%). High-profile debates on diversity, immigration, social inclusion and pay equity have raised employees' expectations of leadership to engage in political and social issues, particularly in the US (51%), China (41%) and the UK (38%).

Key facts about black immigrants in the U.S.

MONICA ANDERSON AND GUSTAVO LÓPEZ
Pew RESEARCH CENTER

The FINANCIAL -- The United States has long had a sizable black population because of the transatlantic slave trade beginning in the 16th century. But significant voluntary black migration is a relatively new development – and one that has increased rapidly over the past two decades. Here's a closer look at the small, yet growing, black immigrant population in the U.S.:

1. The black immigrant population has increased fivefold since 1980. There were 4.2 million black immigrants living in the U.S. in 2016, up from just 816,000 in 1980, according to a Pew Research Center analysis of U.S. Census Bureau data. Since 2000 alone, the number of black immigrants living in the country has risen 71%. Now, roughly one-in-ten blacks (9%) living in the U.S. are foreign born, according to 2016 American Community Survey data, up from 3% in 1980. (Immigrants make up 10% of the black population in the March 2016 Current Population Survey.)

2. Much of the recent growth in the foreign-born black population has been fueled by African migration. Between 2000 and 2016, the black African immigrant population more than doubled, from 574,000 to 1.6 million. Africans now make up 39% of the overall foreign-born black population, up from 24% in 2000. Still, roughly half of all foreign-born blacks living in the U.S. in 2016 (49%) were from the Caribbean, with Jamaica and Haiti being the largest source countries.

3. When compared with other immigrant groups, blacks are more likely to be U.S. citizens or to be proficient English speakers. Roughly six-in-ten foreign-born blacks (58%) are U.S. citizens, compared with 49% of immigrants overall. And given that many black immigrants are from English-speaking nations, black immigrants ages 5 and older are also more likely than the overall immigrant population to be proficient English speakers (74% vs. 51%).

4. There were 619,000 unauthorized black immigrants living in the U.S. in 2015, accounting for 15% of foreign-born blacks, according to Pew Research Center estimates. By comparison, 24% of the overall immigrant population is unauthorized.

5. Overall, black immigrants (28%) are somewhat less likely than the overall U.S. population (31%) to have a college degree or more, but black immigrants from Africa are more likely than Americans overall to have a college degree or higher. But educational attainment varies widely by country of origin. For example, 59% of foreign-born blacks from Nigeria have a bachelor's or advanced degree – a share that is roughly double that of the overall population. By comparison, just 10% of black immigrants from Somalia have earned at least a bachelor's degree.

6. In 2016, 8% of blacks were second-generation Americans – meaning they were born in the U.S. but have at least one foreign-born parent, according to the Center's analysis of the Census Bureau's 2016 Current Population Survey. In total, black immigrants and their children make up roughly one-fifth (18%) of the overall black population in the U.S.

Americans see both good and bad in trends that are changing the workplace

The FINANCIAL

Among the trends reshaping the U.S. workplace, more Americans see outsourcing of jobs, more immigrant workers and imports as negative rather than positive forces when it comes to their livelihoods, according to a Pew Research Center survey conducted in August and September 2017.

But U.S. workers also see a bright side in some trends, with more Americans citing the growing emphasis on diversity, the increase of women in the workforce and more U.S.-made products being sold abroad as positive rather than negative. Views on the automation of jobs through new technology are divided.

Among Americans who are employed or have been looking for work, increased outsourcing of jobs to other countries tops the list of trends they say have hurt their job or career. Three-in-ten say this is the case, compared with roughly one-in-five (22%) who say the same about the growing number of immigrants working in the U.S. and 20% who blame a rise in imports. Overall, however, majorities say these factors haven't made much difference in their job or career.

The extent to which these trends are seen as positive or negative varies by gender, race and ethnicity.

Men are more likely than women to say these three trends have hurt them personally. Some 36% of men point to outsourcing as having a detrimental effect on their job or career, compared with 24% of women. Men also are more likely than women to say the growing number of immigrant workers has harmed their careers (26% vs. 17%) and that having more foreign-made products sold in the U.S. has been a negative (24% vs. 15%).

Racial and ethnic differences emerge as well. For example, a quarter of whites and 21% of blacks say the growing number of immigrants has hurt their job or career, compared with just 11% of Hispanics.

Among whites, those without a college degree are far more likely than those with more education to say that increased outsourcing of jobs to other countries (39% vs. 24%) and a rise in imports (30% vs. 13%) have hurt their job or career. When it comes to the impact of immigration, 42% of whites with no college experience say it has hurt them personally; 26% of those with some college and an even smaller share of white college graduates (12%) say the growing number of immigrants has hurt their job or career. (Educational differences among blacks and Hispanics cannot be analyzed due to small sample sizes.)

The views of those who see certain trends as harmful to them comes at a time when some workers – particularly those with less education – are struggling. The earnings disparity between those with and without a college degree has grown, and less-educated workers are more likely to see job prospects as bleak: 68% of adults with a high school diploma or less education say good jobs are difficult to find where they live, compared with 61% of those with some college experience and 53% of those with at least a bachelor's degree. (For more on the changing landscape of the American workplace, see Pew Research Center's 2016 report "The State of American Jobs.")

The public has mixed views when it comes to the impact the automation of jobs has had on their own career. Some 23% of adults who are employed or have been looking for work say this trend has been helpful to them, while a similar share (19%) say it has hurt them. About six-in-ten (57%) say it hasn't made any difference. These views are fairly consistent across gender lines, but differ somewhat by education: Those without a college degree view automation more negatively than their college-educated counterparts.

Three workplace trends tested in the survey are viewed more positively than negatively by the public. Three-in-ten say that a growing emphasis on workplace diversity and women's increased labor force participation have helped them personally in their job or career. Only 11% say that increased attention to diversity has hurt their job or career, and 5% say the same about having more women in the workforce. Likewise, more Americans say that growth in exports has helped their job or career (23%) than say this trend has hurt (5%).

The views of men and women diverge when it comes to the impact of women's rising labor force participation and the growth in exports. Women are more likely than men to see their rising presence in the workforce as helpful to them personally, while they are less likely to say having more U.S. products sold abroad has benefited them.

Among whites there is also a gender gap on views of workplace diversity: While 27% of white women say a growing emphasis on diversity has helped them in their job or career, only 19% of white men say the same. Similarly, 37% of white women, compared with 20% of white men, say women's increased labor force participation has been beneficial for their own job or career. White women who are college graduates are particularly likely to see more women in the workforce as helpful: Half say this has had a positive impact on their job or career, while 27% of those without a college degree say the same.

When it comes to the growing emphasis on workplace diversity, blacks and Hispanics are about twice as likely as whites to say this has helped their job or career (45% and 43% respectively vs. 23%). Among whites, these views vary by education: 31% of white college graduates say this has helped them personally, compared with 17% of non-college whites.

Millennials Are Getting Their Financial Houses in Order, Despite What They and Others May Think

The FINANCIAL -- Millennials are proving that they are just as good as or better than older generations when it comes to money management habits like saving and budgeting, according to the Better Money Habits Millennial Report released last week.

Millennials (ages 23 to 37) are saving (63 percent), and they are more likely to say they have a savings goal (57 percent) than members of Gen X (42 percent) and baby boomers (42 percent). It's not all talk, either: the majority of millennials who have a savings goal meet it (67 percent).

Despite that, saving enough remains a top source of financial stress for young adults, and 73 percent say they worry about money often/sometimes. They're just as worried about finances as they were when surveyed in 2014, when three-quarters said they worried similarly about money.

This stress is compounded by a misperception that millennials aren't savvy money managers. Roughly three quarters of Americans surveyed (age 18 to 71) say that millennials overspend on indulgences and will have trouble meeting long-term goals. Even millennials themselves think so: the majority (73 percent) agree with this characterization.

"Young adults deserve more credit – from others and themselves – for the way they are handling their finances," said Andrew Plepler, global head of Environmental, Social and Governance at Bank of America. "They're on par with or even better than older generations, which defies common stereotypes. As they continue to take on more financial responsibility and set new goals, Better Money Habits offers them resources and tools, like our Spending and Budgeting tool, to achieve them."

The data additionally shows that young adults' attention to savings and budgeting is growing:

Forty-seven percent of millennials have $15,000 or more in savings, and 16 percent have $100,000 or more in savings. This is an improvement over just a few years ago: when surveyed in 2015, only 33 percent had $15,000 or more saved, and

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financial news

Top 10 Travelers' Choice Hotels in the World by TripAdvisor

The FINANCIAL -- TripAdvisor on January 23 announced the winners of its Travelers' Choice awards for Hotels. The United States featured the most unique hotel winners with 191, Spain had 176 properties recognized and France featured 170 award winners. The average nightly rate of Travelers' Choice award-winning Top Hotels on TripAdvisor is $349; Value for Money is $160; Luxury is $483; Bargain is $76; Small Hotels is $330; Best Service is $313; B&Bs and Inns is $124; Romance is $325; Family is $252 and All-Inclusive is $427, according to TripAdvisor.

Travelers' Choice award winners were determined based on the millions of reviews and opinions collected in a single year from TripAdvisor travelers worldwide. In the 16th year of the awards, TripAdvisor has recognized 8,095 properties in 94 countries and eight regions worldwide. The hallmarks of Travelers' Choice hotels winners are remarkable quality, service and value.

Top 10 Travelers' Choice Hotels in the World:

1. Viroth's Hotel – Siem Reap, Cambodia
TripAdvisor average annual price of $128 per night
Most affordable month to visit: September ($108 per night)

2. Tulemar Bungalows & Villas – Manuel Antonio, Costa Rica
TripAdvisor average annual price of $414 per night
Most affordable month to visit: September ($241 per night)

3. Umaid Bhawan Palace Jodhpur – Jodhpur, India
TripAdvisor average annual price of $852 per night
Most affordable month to visit: May ($432 per night)

4. Hanoi La Siesta Hotel & Spa – Hanoi, Vietnam
TripAdvisor average annual price of $133 per night
Most affordable month to visit: May ($106 per night)

5. Gili Lankanfushi – Lankanfushi, Maldives
TripAdvisor average annual price of $2,004 per night
Most affordable month to visit: September ($1,526 per night)

6. Hotel Belvedere – Riccione, Italy
TripAdvisor average annual price of $220 per night
Most affordable months to visit: March, April, October ($171 per night)

7. The Nantucket Hotel & Resort – Nantucket, Massachusetts
TripAdvisor average annual price of $530 per night
Most affordable months to visit: March and April ($195 per night)

8. La Reserve Paris - Hotel and Spa – Paris, France
TripAdvisor average annual price of $1,333 per night
Most affordable month to visit: February ($1,136 per night)

9. Nayara Springs – La Fortuna de San Carlos, Costa Rica
TripAdvisor average annual price of $752 per night
Most affordable month to visit: October ($632 per night)

10. Hanoi La Siesta Hotel Trendy – Hanoi, Vietnam
TripAdvisor average annual price of $101 per night
Most affordable month to visit: May ($81 per night)

Top 10 Travelers' Choice Value for Money Hotels in the U.S.:

1. La Maison Hotel – Palm Springs, California
TripAdvisor average annual price of $214 per night
Most affordable month to visit: August ($183 per night)

2. Hotel Granduca Austin – Austin, Texas
TripAdvisor average annual price of $250 per night
Most affordable month to visit: August ($201 per night)

3. Hotel Valley Ho – Scottsdale, Arizona
TripAdvisor average annual price of $270 per night
Most affordable month to visit: July ($168 per night)

4. Silver Cloud Hotel - Seattle Broadway – Seattle, Washington
TripAdvisor average annual price of $255 per night
Most affordable month to visit: February ($190 per night)

5. The Hotel of South Beach – Miami, Florida
TripAdvisor average annual price of $260 per night
Most affordable month to visit: September ($210 per night)

6. Platinum Hotel and Spa – Las Vegas, Nevada
TripAdvisor average annual price of $210 per night
Most affordable month to visit: February ($192 per night)

7. Quarter House Resort – New Orleans, Louisiana
TripAdvisor average annual price of $178 per night
Most affordable month to visit: August ($177 per night)

8. Club Quarters Hotel in San Francisco – San Francisco, California
TripAdvisor average annual price of $247 per night
Most affordable month to visit: December ($196 per night)

9. Hilton Orlando Bonnet Creek – Orlando, Florida
TripAdvisor average annual price of $266 per night
Most affordable month to visit: August ($218 per night)

10. Kimpton Donovan Hotel – Washington, D.C.
TripAdvisor average annual price of $278 per night
Most affordable month to visit: December ($189 per night)

Results of the January 2018 euro area bank lending survey

The FINANCIAL -- According to the January 2018 bank lending survey (BLS), credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises were unchanged in the fourth quarter of 2017 (net percentage of reporting banks at 0%, after -1% in the previous quarter), in line with expectations in the previous survey round.

By contrast, credit standards on loans to households for house purchase continued to ease (net percentage of reporting banks at -6%, after -11% in the previous quarter), at a pace which was stronger than expected in the previous survey round. Credit standards on consumer credit and other lending to households were broadly unchanged (-1%, after -4%), despite easing expectations in the previous round. Across the three segments, competitive pressure and banks' risk perceptions had an easing impact on credit standards, while the effects of banks' risk tolerance and cost of funds and balance sheet constraints were broadly neutral. For the first quarter of 2018, banks expect a net easing of credit standards in all three segments (loans to enterprises: -4%; housing loans: -10%; consumer credit: -7%).

Banks' overall terms and conditions (i.e. banks' actual terms and conditions agreed in the loan contract) on new loans continued to ease for loans to enterprises and loans to households for house purchase, and continued to be driven by a narrowing of margins on average loans. Overall terms and conditions were broadly unchanged in consumer credit and other lending to households. In this segment, margins on average loans continued to narrow, while margins on riskier loans widened slightly.

Net demand continued to increase across all loan categories in the fourth quarter of 2017. The increase in demand for loans to enterprises was driven mainly by fixed investment, the general level of interest rates, inventories and working capital, and M&A activity. Net demand for housing loans continued to be driven mainly by the low general level of interest rates and favourable housing market prospects, as well as consumer confidence. Spending on durable goods, the low general level of interest rates and consumer confidence continued to contribute positively to net demand for consumer credit.

Euro area banks continued to adjust to regulatory and supervisory actions in the second half of 2017 by further strengthening their capital positions. At the euro area level, banks reported a broadly neutral impact on credit standards from regulatory and supervisory actions across all loan categories,

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GRASS FACTCHECK

Mamuka Bakhtadze:

MINISTER OF FINANCE OF GEORGIA

"Budget was fulfilled in surplus."

Engate SHAMUGIA

FactChek

The Minister of Finance of Georgia, Mamuka Bakhtadze, has spoken about 2017 state budget fulfilment figures. As stated by Mr Bakhtadze, budget revenues were fulfilled by GEL 120 million in surplus as compared to the planned amount and the situation is good in terms of spending as well.

FactCheck verified the accuracy of Mamuka Bakhtadze's statement.

On 1 December 2017, as a result of amendment enacted, the state budget of Georgia was increased. **FactCheck** will verify the statement of the Minister of Finance vis-à-vis the amended budget and will not take its initial version into account.

State budget revenues include incomes, decrease of non-financial (privatization) and non-financial actives and growth of obligations. In accordance with the data of the State Treasury, 2017 state budget revenues constituted GEL 11,619 million, thus exceeding the planned amount by GEL 131.5 million. The revenue part of the budget was fulfilled by 101.1%.

Of total revenues, 84% are incomes, which were planned in the amount of GEL 9,696 million, although fulfilment exceeded the planned amount by GEL 54 million and reached GEL 9,750 million. In 2017, state budget tax incomes were fulfilled by 100.1%. Revenues from tax incomes reached GEL 8,991,3 million. Of this amount, the largest component, GEL 4,123 million is revenue received from VAT, which exceeded the planned amount by GEL 102.6 million.

2017 state budget figures were planned on 8.2% growth rate of nominal gross domestic product (GDP). In accordance with the preliminary data, nominal GDP increased by at least 11% in the previous year. This is the principal reason behind budget's fulfilment in surplus. The higher than planned nominal GDP growth was stipulated by the economic growth rate and rising levels of inflation. Real economic growth was estimated to be 4%, although that figure was 4.8% according to January-November data, which is definitely a positive fact. GDP deflator (inflation) level was forecasted to be 4%, although prices have been increased by nearly 7%. Inflation increases budget revenues but at the same time negatively affects population's wellbeing.

State budget expenditures include expenses, growth of financial and non-financial actives and decrease of obligations. The expenditure fulfilment of 2017 state budget was GEL 11,765 million, which is GEL 44 million more as compared to planned amount.

State budget expenditures were planned on GEL 9,333 million, whilst fulfilment was GEL 9,372 million which constitutes 100.4% fulfilment rate. State budget capital expenses component (growth of non-financial actives) was fulfilled by 101.6% and in total GEL 971.7 million was spent. The administrative expenses (labour remuneration and purchase of goods and services) of 2017 state budget were planned on GEL 2,608 million which was fulfilled by 101% and constituted GEL 2,634 million. Of this amount, GEL 1,385,3 million (GEL 0.9 million more as compared to planned figure) was spent on labour remuneration. However, total expenses were GEL 8 million as compared to planned amount.

Fulfilment of the budget's expenditure part was stipulated by higher spending in December. The Government of Georgia was spending GEL 910 million on average per months in accordance with 11 months (January-November) data, whilst in December GEL 1,754,7 million was spent which is GEL 844.7 million more as compared to planned amount. Of GEL 1,754,7 million more than GEL 1 billion was spent in the second half of December. Significant hike in spending at the end of the year for budget fulfilment is a malpractice introduced by the Government of Georgia, which causes fluctuation of GEL exchange rate and indicates inefficient spending. Georgia has programme budget which envisions that goal is not to spend allocated funds by 100% but to achieve the declared aims efficiently.

Table 1: State Budget Revenue Figures (GEL million)

	2016			2017		
	Plan	Fact	%	Plan	Fact	%
Revenues	**10317,9**	**10374**	**100.5**	**11487,1**	**11618,6**	**101.1**
Incomes	8546,8	8580	100.4	9696,1	9750,3	100.1
Decrease of non-financial actives	225	246,2	109.5	90	97,6	108.5
Decrease of financial actives	90	88,7	98.6	85	119,1	140.1
Increase of obligations	1456,1	1458,9	100.2	1616	1651,6	102.2

Source: State Treasury

Table 3: State Budget Expenditure Figures (GEL million)

	2016			2017		
	Plan	Fact	%	Plan	Fact	%
Total Expenditures	**10298**	**10292**	**99.9**	**11720**	**11765**	**100.4**
Expenses	8721,8	8741,8	100.2	9333,3	9372	100.4
Increase of non-financial actives	666,5	662,4	99.4	956,5	971,7	101.6
Increase of financial actives	512	495,5	96.8	908,8	905,6	99.6
Decrease of obligations	397,4	392,4	98.7	521,6	515,3	98.8

Source: State Treasury

CONCLUSION

EVEN THOUGH STATE BUDGET WAS INCREASED AS A RESULT OF AMENDMENT ENACTED ON 1 DECEMBER 2017, IT WAS STILL FULFILLED IN SURPLUS. REVENUE PART OF 2017 STATE BUDGET WAS FULFILLED BY 101.1% AND EXCEEDED THE PLANNED AMOUNT BY GEL 131.5 MILLION. BUDGET FULFILMENT IN SURPLUS WAS ALSO STIPULATED BY THE ECONOMIC GROWTH RATE AND RISING LEVELS OF INFLATION. IN SPITE OF INFLATION'S POSITIVE ROLE TO FULFIL THE BUDGET, IT HARMS THE POPULATION OF GEORGIA.

STATE BUDGET EXPENDITURES WERE FULFILLED BY 100.4%. SPENDING MORE THAN GEL 1 BILLION IN THE SECOND PART OF DECEMBER, WHICH IS A MALPRACTICE, PLAYED A HUGE ROLE IN FULFILLING THE EXPENDITURES COMPONENT.

THEREFORE, **FACTCHECK** CONCLUDES THAT MAMUKA BAKHTADZE'S STATEMENT IS **MOSTLY TRUE**.

MOSTLY TRUE

Millennials Are Getting Their Financial Houses in Order, Despite What They and Others May Think

Continued from p.9

only 8 percent had $100,000 or more.

Millennials are just as likely to budget as older generations. Fifty-four percent of all millennials plan and manage a budget, compared to 54 percent of Gen Xers and 57 percent of baby boomers. Roughly three-quarters of millennials who budget stick to it.

Firmly part of a gig economy, millennials more likely to ask for raises – and get them

As they build their careers, approximately one in four millennials consider themselves to be part of the gig economy (taking on short-term contracts or freelance work) and expect to have eight or more jobs in their lifetime. While they are known as job-hoppers, that's not necessarily by choice. Twenty-six percent of millennials report they have been laid off.

Perhaps as a result, more so than older generations, young adults advocate for themselves at work. Forty-six percent have asked for a raise in the past two years. Just 36 percent of Gen X and 39 percent of baby boomers have done the same. They're largely successful, too. Eighty percent of millennials who asked for a raise in the past two years got one.

At home, shared finances less common among millennial couples

While millennials are likely to bring up the topic of salary at work, that's not always the case at home. Nearly one in five millennials don't know how much their spouse/partner makes. Millennial couples are more likely than older generations to keep their finances separate – 28 percent of millennial couples keep their finances separate compared to 11 percent of Gen Xers and 13 percent of baby boomers.

As parents, millennials are more likely to consider finances an important factor when thinking about having children. Thirty percent of millennial parents say financial considerations played a major role in their decision to start a family, versus 22 percent of Gen Xers and 9 percent of baby boomers. More than a quarter of older millennials are already saving for their children's education.

While millennials are mindful of their finances both in their home and work lives, there is always room for improvement. And, importantly, millennials have time to make changes that can better their financial futures. That's why Bank of America created Better Money Habits, a free financial education platform with easy-to-understand information and tools to navigate personal finances, including:

Savings and Budgeting resources, which offer strategies and tips to better manage your money for yourself or your family.

The Spending and Budgeting tool, which helps people track spending, set up budgets and identify ways to save money.

The Goal-Setting Tool, which began rolling out in September, will enable people to create personalized savings goals with names, pictures and target amounts so they can watch their progress along the way and prioritize funds accordingly.

In addition to these personal finance resources, BetterMoneyHabits.com features a Careers and Personal Finance video series from partner and education leader Khan Academy. The videos feature young adults discussing how they are navigating their working world and the financial considerations that come with it. This content is designed to empower young adults – through the voices of their peers – to make informed decisions about the interplay between their income and their life priorities.

Combined, these resources help people understand their money and take action to change their financial lives for the better.

Results of the January 2018 euro area bank lending survey

Continued from p.10

with the exception of consumer credit and other lending to households, where they had a slightly tightening effect. Supervisory actions narrowed credit margins in loans to firms, had a broadly neutral impact on housing loans and widened margins in consumer credit.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to improve the understanding of banks' lending behaviour in the euro area. With 143 banks participating in the survey, the response rate was 100%.

Government debt fell to 88.1% of GDP in euro area

The FINANCIAL

At the end of the third quarter of 2017, the government debt to GDP ratio in the euro area (EA19) stood at 88.1%, compared with 89.0% at the end of the second quarter of 2017. In the EU28, the ratio also decreased from 83.3% to 82.5%. Compared with the third quarter of 2016, the government debt to GDP ratio fell in both the euro area (from 89.7% to 88.1%) and the EU28 (from 82.9% to 82.5%).

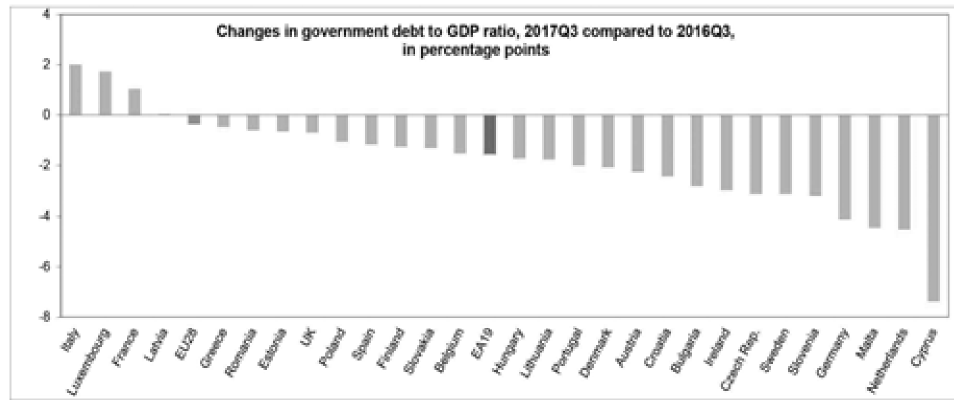
At the end of the third quarter of 2017, debt securities accounted for 80.3% of euro area and for 81.4% of EU28 general government debt. Loans made up 16.5% and 14.5% respectively and currency and deposits represented 3.1% of euro area and 4.2% of EU28 government debt. Due to the involvement of EU governments in financial assistance to certain Member States, quarterly data on intergovernmental lending (IGL) is also published. The share of IGL in GDP at the end of the third quarter of 2017 amounted to 2.1% in the euro area and to 1.6% in the EU28.

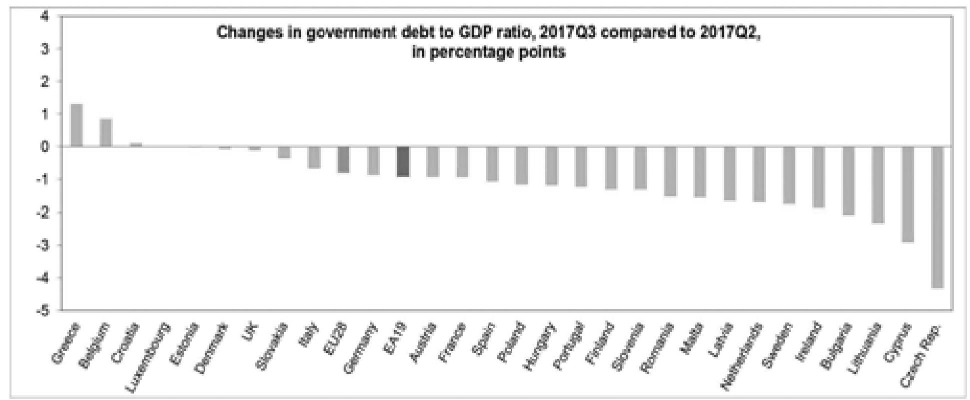
Government debt at the end of the third quarter 2017 by Member State

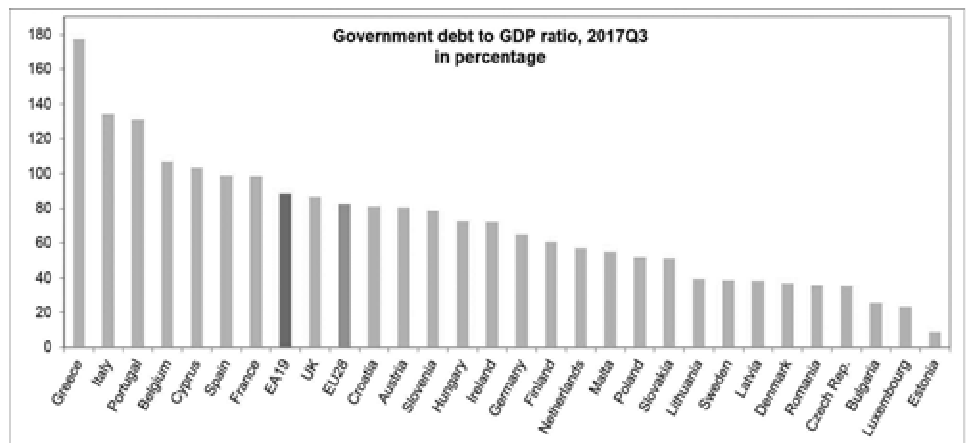
The highest ratios of government debt to GDP at the end of the third quarter of 2017 were recorded in Greece (177.4%), Italy (134.1%) and Portugal (130.8%), and the lowest in Estonia (8.9%), Luxembourg (23.4%) and Bulgaria (25.6%).

Compared with the second quarter of 2017, three Member States registered an increase in their debt to GDP ratio at the end of the third quarter of 2017, twenty three a decrease and the debt-to-GDP ratio for Estonia and Luxembourg remained unchanged. The highest increases in the ratio were recorded in Greece (+1.3 percentage points – pp) and Belgium (+0.9 pp). The largest decreases were recorded in the Czech Republic (-4.3 pp), Cyprus (-2.9 pp), Lithuania (-2.3 pp) and Bulgaria (-2.1 pp).

Compared with the third quarter of 2016, three Member States registered an increase in their debt to GDP ratio at the end of the third quarter of 2017, twenty four a decrease and Latvia remained stable. Increases in the ratio were recorded in Italy (+2.0 pp), Luxembourg (+1.7 pp) and France (+1.0 pp), while the largest decreases were recorded in Cyprus (-7.4 pp), the Netherlands (-4.5 pp), Malta (-4.4 pp) and Germany (-4.1 pp).







Economics of Georgia's Drug Policy Reform

Continued from p. 2

in 2012, and 49,700 in 2014.[3]

The country has a **high incidence of drug-related infectious diseases** (hepatitis B and C, HIV/AIDS, etc.). Bio-Behavioral Surveillance Survey among People Who Inject Drugs in Georgia (2015) revealed alarmingly high Hepatitis C Virus prevalence among injection drug users - 66.2%, as for HIV prevalence, it was 2.2%, with no change since 2012 when HIV prevalence was 3.0%.

The **age of first drug use in Georgia is very low** (in 2015, first drug use was estimated to be at age 13). The country has high consumption rates of psychoactive substances among youth (defined as under 18 years). The share of Georgian 16-year-olds who have consumed new psychoactive substances (commonly referred in Georgia as "bio") is almost twice the EU average[4].

What is Georgia's policy response to this challenge?

The country's response is a very strict drug policy. Drug use is criminalized. The state strictly prohibits and penalizes drug usage. **Murder, intentional severe health injury, rape, and other criminal offences are punished less harshly than drug use,** if the drug user is caught possessing drugs above a certain amount (see figure below).

Figure 2. Comparison of sentence duration for drug-related and other types of crime based on Georgian legislation

Drug Related Crimes	Other Types of Crimes
Possessing heroin above 1 gram for personal usage - 8 to 20 years or life sentence	murder - 7 to 15 years in prison
Possessing Buprenorphine (a.k.a. subutex) above 0.12 grams 8 to 20 years or life sentence	Intentional severe health injury - 3 to 6 years in prison
Possessing Methadone above 1 gram - 8 to 20 years or life sentence	Rape - 6 to 8 years in prison
	Trafficking - 7 to 12 years in prison
	Taking hostage, also torturing - 7 to 10 years in prison
	Aggravated robbery - 5 to 7 years in prison
	Membership of a terrorist organization - 10 to 12 years in prison

This comparison raises a question: what is the rationale of punishing people who are mainly harming themselves more than people who do harm to others?

The answer is that Georgian policy makers count on very harsh laws and fear of jail as the main motivation to decrease the demand on drugs. Yes, harsh laws (once properly enforced) have the potential to decrease the supply of drugs, but they do not seem to work when it comes to demand, as addicted drug users are not able to make rational decisions. According to the National Institute on Drug Abuse, "Although the initial decision to take drugs is voluntary for most people, the **brain changes** that occur over time challenge an addicted person's self-control and hamper his or her ability to resist intense impulses to take drugs." It is worth mentioning that the appearance of new psychoactive substances in the drug market is hardly predictable in nature, which will make it more and more difficult for Georgian police to deal only with supply. Measures have to be taken to decrease demand, too. The increased number of problematic drug users in Georgia, despite a very repressive drug policy, seems to support the National Institute's position.

International evidence shows that there is no correlation between the harshness of national drug policies and the number of drug users. For example, looking at Figure 1, we can see that countries with liberal and harsh drug policies can be found in all segments of the distribution (from top to bottom). If we look at countries with the most liberal drug policies, we find: Czech Republic -#18, Australia - #19, Argentina -#35, Portugal - #50, Mexico - #51, Croatia - #80, Uruguay - #85, and Netherlands - #92. On the other hand, countries with the harshest drug policy do not show a significantly different pattern. Among them: Malaysia -#11, Iran - #37, Thailand - #61, Costa-Rica - #68, Columbia - #70.

Thus, criminalization does not ensure a lower number of drug users. Even worse, it creates additional barriers to the treatment process. The fear of being caught increases cases of comorbidity of substance use and other related diseases (as drug users in such environment share needles), and it even increases fatal cases, as drug users are reluctant to apply for treatment and prefer to stay in the shadows.

In addition, the system can be quite costly. For example, the so called „street test" procedures (designed to identify drug users) cost approximately 18 mln GEL per year to the public budget.[5] In 2013, the number of individuals subjected to this test reached its peak, almost 60,000 individuals. Only one-third of them showed positive results, i.e. prohibited substances where found.

What about alternative treatment and prevention?

In contrast to strict drug-use laws, in Georgia the availability of treatment centers is very limited. Clinical drug addiction services are currently provided by only seven institutions (6 in Tbilisi, 1 in Batumi). In 2015, these institutions treated only 5,392 patients,[6] a negligible share of the country's drug users.

Georgia has no institutionalized primary prevention mechanism for psychoactive drug use. Almost nothing is done to decrease the demand for psychoactive drug use among youth, who represent the most vulnerable group. There is vast international experience that shows that teenage boys and girls start to take drugs for many different reasons (experimentation, peer pressure, to escape or to relax, relieve stress, etc.) and timely intervention can prevent them from future drug abuse.[7]

Would a greater focus on the determinants of demand, studying the reasons for drug abuse (especially at a young age), and treatment of the addicted help improve the picture? Definitely.

The proposed drug reform. On the right path?

The drug policy reform concept currently being discussed is based on an analysis of the above-mentioned weaknesses of the country, and aims at changing the systemic approach toward drug users. Instead of strict and punishment-oriented measures, the emphasis is put on treatment/rehabilitation and on the introduction of primary prevention. The reform package has the following components: drug use decriminalization; softening of sanctions for drug-related offence; fair fixing of the amounts of narcotic substances; conduct of compulsory drug testing procedures; improvement of the legal status of convicted drug offenders; creation of new treatment centers, where persons with drug-related problems will receive aid; improvement of the prevention/rehabilitation system; and, setting up persuasion commissions, responsible for adjudicating administrative drug offenses, imposing administrative sanctions, providing psychological help or directing drug users to treatment centers.

While almost everyone agrees on the need for more treatment centers and establishment of a prevention system, there is a lot of disagreement about decriminalization. As we have seen, criminalization does not necessarily help to decrease the demand for drugs (neither in Georgia, nor around the world). Jails are not substitutes for treatment centers or places where patients with drug-related problems can get aid. Drug abuse is a severe problem which needs to be addressed properly, with the contribution of psychologists, medical personnel, edu-

Continued on p. 18

financial news

London tops global real estate investment despite Brexit uncertainty

The FINANCIAL\

London ranked as the top city for global real estate investment in 2017 according to research published on January 24 by JLL, indicating Brexit uncertainty didn't hamstring real estate investment as had been feared.

The figures highlight investment in London increased by 35% from 2016 to US$33 billion in 2017, while Los Angeles shifted up to second place in the Top 30 with US$23 billion invested and New York moved into third place with US$21 billion.

The latest JLL data shows resilience in the global real estate market, despite geopolitical uncertainty. Transaction volumes reached close to US$700 billion for the full-year 2017, exceeding the robust levels of 2016.

Investment activity is poised to continue its strong performance, with the weight of capital seeking to access the sector still significant and investors actively looking for new ways to deploy funds.

"It may come as a surprise that the London commercial real estate market has stood firm in the first full year after the UK's decision to leave the European Union. 2018 will see a number of key decisions during the negotiations and will give us a much clearer picture of what the post-Brexit future will look like," Richard Bloxam, Global Head of Capital Markets at JLL said.

Expectations for 2018

Even with an expanding amount of capital targeting real estate, JLL projects that real estate investment volumes will be 5-10% lower in 2018 as the challenges of finding available assets to purchase, combined with continuing investor discipline, are likely to constrain growth in volumes. This evolution in capital markets will accelerate the drive for investors to consider new strategies with a greater focus on entity-level deals, recapitalisations, refinancing and broader debt strategies, as well as a wider investment universe of real estate sectors and cities.

The gap will continue to close between the leading cities (the Big Seven) attracting around a quarter of the world's investment flows over the past three years, led by London and New York, and the next tier (the Contenders), such as Amsterdam, Los Angeles, San Francisco, Shanghai, Sydney and Toronto which are rising to compete with elite cities for capital and businesses.

Established locations which are hubs for science and technology industries (Innovators), like Berlin, Boston and Seattle, will continue to strengthen their status as investment destinations.

With value increasingly difficult to find at this stage in the extended investment cycle, we could see more 'Lifestyle' cities enter the Top 30 such as Vancouver, Brisbane and Oslo.

Despite a widening investment universe and strong growth prospects, many 'Emerging' cities like Mexico City, Moscow, Manila and Mumbai need to further improve their real estate transparency to increase their attractiveness to investors, who will otherwise continue to gravitate towards cities in more mature and transparent markets.

Big Seven Cities Dominate

The global investment landscape continues to be dominated by the Big Seven[1] cities – an elite group of the world's most globalised and competitive cities – which include London, New York, Tokyo, Paris, Singapore, Hong Kong and Seoul; all seven were featured among the Global Top 10 in 2017.

The data reveals a power shift between two of the Big Seven – London and New York – and Contender Los Angeles. London took the top position as the world's most traded city with investment volumes rebounding by 35% from 2016 lows, supported by significant activity by cross-border purchasers, in particular from Hong Kong, the U.S. and Germany. The Asian members of the BigSeven also saw investment activity increase in 2017, with major transactions by offshore investors contributing to double-digit growth in Hong Kong, Singapore and Tokyo.

Contenders Closing the Gap

Despite dominance at the top of the rankings, the overall share of global investment accounted for by the Big Seven fell to 19% in 2017, its lowest level since 2006. A lack of product and high pricing for prime assets in this group has contributed to strong investor demand in a second tier of Contenders – cities with many of the gateway functions, scale and assets of the top group, pushing to join the established elite.

In true Contender style, Los Angeles has displaced New York in the 2017 global rankings, climbing into second place, and Amsterdam saw investment volumes nearly double in 2017. Other Contenders such as Sydney, Shanghai and Toronto also saw higher levels of activity, with Shanghai registering its strongest year on record.

United States Condemns Russia's Military Agreement with Tskhinvali

"The United States condemns the Russian Federation's ratification of an agreement with the de facto leaders in Georgia's breakaway region of South Ossetia regarding a joint military force," State Department's Spokesperson Heather Nauert said in a press statement on January 26.

"We do not recognize the legitimacy of this so-called "treaty," which does not constitute a valid international agreement," she noted, adding that the United States has an "unwavering" position on Abkhazia and South Ossetia: "the United States fully supports Georgia's territorial integrity within its internationally recognized borders."

The State Department Spokesperson added that the United States viewed "ratification of this agreement as inconsistent with the principles underlying the Geneva International Discussions," and urged the Russian authorities "to withdraw its forces to prewar positions per the 2008 ceasefire agreement and reverse its recognition of the Georgian regions of Abkhazia and South Ossetia."

The military agreement, signed on March 31, 2017 and ratified by the State Duma three days ago, regulates service of the residents of the Russian-occupied Tskhinvali Region/South Ossetia in the Russian military, in particular Moscow's military base stationed in the region, effectively formalizing the merger of the region's military units into the Russian armed forces.

The Georgian Ministry of Foreign Affairs said the ratification "represents another unlawful step by the Russian Federation towards factual annexation of Abkhazia and Tskhinvali regions of Georgia, in full disregard for the fundamental norms and principles of international law."

Source: civil.ge

Silknet has acquired Geocell

The FINANCIAL -- Silknet announced on January 26 the successful acquisition of Geocell, the second-largest mobile operator in the Republic of Georgia, after reaching an agreement with Geocell's shareholders, Telia Company and Turkcell.

The acquisition, which values Geocell at USD 153 million, will be financed through a combination of debt – a syndicated loan arranged by TBC Bank with other Georgian and regional banks – and equity. The transaction creates a major convergent telecom operator in the Republic of Georgia, combining the assets of the country's largest fixed-line company, Silknet, with the mobile telecommunication activities of Geocell.

Georgian consumers can expect significant benefits from the combination, thanks to new planned convergent broadband, pay TV, mobile and fixed telephony offerings, including enhanced mobile access to Silknet's exclusive content such as global sport competitions. Silknet is a member of Orange Alliance. This program from Orange, a global telecom company, contributes to independent operators' growth and operational efficiency by leveraging on the experience and know-how of a major world class operator.

"This transaction allows us to create an integrated telecommunications operator, combining fixed line and mobile technologies. The larger scale will provide the company with superior access to international capital markets, further ensuring continuous investment in new technologies. Our subscribers will greatly benefit from these endeavors, as we strive to provide Georgian consumers with even better products, services and content." said George Ramishvili, the Chairman of Silknet and of its parent company, Silk Road Group. "We are delighted to welcome to the Silknet team Geocell's first-class employees and its corporate culture of excellence. This transaction furthers our long tradition of integrating Georgia with the wider world, and we expect that it will strengthen the development of Georgia's digital infrastructure."

Subject to approval of the local regulatory authorities in Georgia, the acquisition is expected to be completed in the second quarter 2018, according to Silknet.

Houlihan Lokey and Erneholm Haskel served as the financial advisers on the transaction, and Dentons served as the legal adviser.

Global smartphone average sales price sees record year-on-year growth in 4Q17

The FINANCIAL -- Global smartphone sales reached 397 million units in the fourth quarter of 2017 (4Q17), a one percent increase year-on-year.

Demand was primarily driven by Middle East and Africa, which experienced eight percent growth, and Central & Eastern Europe, where demand grew seven percent. Global smartphone average sales price (ASP) increased by 10 percent year-on-year to USD 363, its fastest quarterly growth rate to date, according to GfK.

"Smartphone year-on-year demand growth moderated for the fourth consecutive quarter, rising only one percent to 397 million units in 4Q17", Arndt Polifke, Global Director of PoS telecom research at GfK, comments. "However, sales value increased by 11 percent year-on-year in the quarter, which is exceptional growth for such a mature technology category. This came as the proliferation of smartphones with larger and bezel-less displays incentivized consumers to purchase more expensive devices."

Western Europe: Strong revenue development combined with a positive demand outlook

Smartphone demand in Western Europe totaled 37.0 million units in 4Q17, down three percent year-on-year. Despite this unit decline, sales value increased by 17 percent, driven particularly by 24 percent value growth in Great Britain and 19 percent value growth in France. In 2017, smartphone sales value in Western Europe totaled USD 56 billion, up five percent compared to 2016. However, in unit terms the market declined by four percent to 125.6 million. The outlook for the region in 2018 is positive, with demand expected to rise by one percent to total 126.4 million units.

Central and Eastern Europe: Strong recovery and highest value increase among all regions

Demand continued to recover in Central and Eastern Europe, with smartphone sales totaling 25.2 million units in 4Q17, a rise of seven percent year-on-year. Further, similar to trends in Western Europe, sales value increased by a massive 28 percent year-on-year. For 2017, the region saw sales of 85.2 million smartphones, a rise of nine percent compared to 2016. And it is expected to grow in 2018, with GfK forecasting a six percent increase in demand driven by Russia and Ukraine.

North America: Strongest demand growth in over two years

The North America smartphone market saw demand grow six percent year-on-year in 4Q17, its highest growth in over two years. Sales value increased by four percent to USD 28.5 billion. As a result, sales in 2017 rose two percent compared to 2016, totaling 201.3 million units. However, this recent upturn is not expected to last, and GfK forecasts demand to be flat in 2018 compared to 2017.

Latin America: Strong recovery but outlook remains moderate

Fueled by a strong recovery in Brazil, smartphone demand in Latin America continued to grow in 4Q17, with sales rising six percent year-on-year to 35.0 million units. This caused 2017 sales to rise nine percent compared to 2016. However, GfK forecasts growth in the region to moderate to two percent in 2018 compared to 2017, dragged by a slowdown in Brazil.

Middle East and Africa: Egypt and Saudi Arabia drive strong growth in smartphone demand

In Middle East and Africa, smartphone sales totaled 46.2 million units in 4Q17, a rise of eight percent year-on-year, with growth driven primarily by Egypt and Saudi Arabia. In Egypt, demand grew by an impressive 28 percent in the quarter, while in Saudi Arabia it rose 24 percent. In 2017, smartphone sales in the region totaled 176.5 million units, a rise of four percent compared to 2016. GfK forecasts demand to rise by five percent in 2018, as relatively low levels of smartphone penetration in this region leaves plenty of room for first-time buyers to enter the market.

China: Despite demand decline, value growth was stellar

Quarterly smartphone demand in China was sluggish, with 4Q17 sales declining three percent year-on-year to 114.7 million units. This was the first year-on-year decline for the country in two and half years. However, sales value increased by 17 percent year-on-year, as consumers continue to shift towards mid-range and high-end devices. In 2017, demand rose one percent to 454.4 million units, though in value terms, again growth was much higher, up 14 percent compared to 2016.

Developed Asia: Demand weighed on by South Korea

Sales in Developed Asia totaled 18.5 million units in 4Q17, a fall of nine percent year-on-year, dragged by a 21 percent decline in South Korea. Smartphone sales in the region totaled 68.5 million units in 2017, a fall of six percent compared to 2016. However, GfK forecasts a return to growth of two percent in 2018, driven primarily by improving fortunes in Japan.

Emerging Asia: Suffers its first ever year-on-year decline in 4Q17

Emerging Asia saw smartphone sales of 58.6 million units in 4Q17, down one percent year-on-year. This was dragged by a three percent decline in India, where a proliferation of low-priced 4G feature phones likely cannibalized smartphone sales. In 2017, 232.7 million smartphones were sold in the region, an increase of eight percent compared to 2016. GfK forecasts regional demand growth to improve to nine percent in 2018.

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Digital Skills "fueling" the transformation of digital economy in EaP countries

by DAVID TSISKARIDZE, MAKSIM BELITSKI

The digitization of the economy is one of the most important drivers behind the profound transformation of the labor market and the way people work, which is thought likely to become even more significant in the years to come. This new paradigm represents a major challenge for employers, workers and public authorities, and the challenges needs to be fully understood in order to identify the most appropriate policy options to transform them into opportunities for all.

Digitization transforms the economy and the workforce: job profiles are changing, some jobs are becoming obsolete, and skills mismatch becomes more visible.Relative to earlier industrial revolutions, the digital revolution is unfolding over a shorter time period and the adjustment process needs to be faster.

As digitization speeds up, the demand for digital skills is growing in Eastern Partnership countries. Citizens need adequate and appropriate digital skills to be empowered in a digital economy and society.

Digital skills is a key framework condition for the development of the digital economy and society in the Eastern Partnership. A digital talent pool is crucial for European competitiveness and for Europe's digital society to remain inclusive. Harmonized digital skills strategies in the EaP should bring together national authorities, companies, social partners, non-profit organizations and

education providers in joint action to address the growing need for digital skills.

There are lack as many as 756 000 ICT professionals by 2020 in EU. Yet youth unemployment is at almost 20%. More than a third of the labor force and, more broadly, around 45% of EU citizens are in effect digitally illiterate.

Markets offer may new opportunities for employment and growth. However to reap these rewards it is necessary to also address it changes.

The Digital Skills for Digital citizens on building a digitally inclusive society. What does this mean? This means that each of us should reflect on how we use and interact with technology and this may make us more digitally literate. This is our response to the rapid digitalization of services in public and private sector – libraries, finance and banking, e-services – hazardous online activities and online propaganda (fake news).

The principal objective which policy makers and employers should now address are to deliver and communicate current and future requirements to digitalization and digital skills, practices, and policies; equip employees with necessary skills which are compatible with those adopted in Western economies.

These tasks for policy-makers is to identify technology trends that affect the strategic role of leadership in the digital economy and turn it into a digital leadership strategy. This could be done to share the latest results adopted by the European commission on the demand and supply of digital skills; support research at universities and design sectorial and regional policies for entrepreneurs and businesses to facilitate training in digital skills.

Employers require first to join Digital skills and digital jobs coalition to be able to exchange the needs of it and what can they offer to their partners overseas, in particular through the developing of knowledge networks.

Second, engage in knowledge transfer with local and international businesses through, for example: training, coaching, co-design and consultancy where these skills could be imitated, learned and further adopted as a results of learning from each other and open innovation.

Third, design and provide educational offerings in the field of digital leadership to employees both in-house and via massive online open courses such as Coursera, Canvas, Futurelern.

Taken together, this set of policies and actions may impact on academia, business, society and the economy.

What are the new opportunities for business in EAP which could be further applied at the workplace?

In Europe around 37% of labor force participants do not have even basic digital skills and companies lack the more advanced specialized skills need for successful adoption of digital technologies. The situation in EaP is even worse, and the problem about it that no one has ever measured those lack of skills.

To follow, in Europe 99% of all businesses are small and medium-sized enterprises, accounting for 67% of employment and 57% of value added. In fact most, 93%, are micro enterprises, employing less than 10 people. These firms rely a lot on skills. IN the EaP large firms still employ massive number of people, but digitalization does not become different or not needed if EaP has different economy structure - quite opposite.

The rapid technological improvements in the last decades have helped develop web technologies, brought various new online services and unlocked many new job possibilities. More than ever digital skills are essential for young people in order to take advantage of these opportunities and play a key role in the evolution of the digital economy. Like reading and writing, digital skills are becoming a necessity in everyday life.

Furthermore, there is a need for working on improved anticipation of skills needs and on the impact of digitization on jobs. The solutions to our digital skills challenges cannot be implemented by any single Country, or by any single group of actors in isolation, – these require strong cross-European and national partnerships, adequate policies and appropriate funding. They also require strong and sustained commitment to reverse trends and ensure our citizens and workers are prepared for the digital revolution. In particular, we need national digital skills strategies for all EaP – also addressing the modernization of education – and implementing them with the support of national coalitions. We need to join forces in a cross-European coalition to spread the best solutions to the common challenges we face, to achieve scale and in doing so have a real impact. These coalitions should connect and improve dialogue among all relevant stakeholders – industry, education and training, government, social partners, making use of the best practices to support adequate training programmes.

The following recommendations could be followed:

Raise awareness on digital technologies and what digital technologies are capable of doing, how they can support each business operation and what IT infrastructure is required to sustain this operations. Special attention to be given to type of digital technology and to understand whether the technology adopted is likely to fit the business and IT strategy of the enterprise.

Campaigns, should be implemented to raise awareness both of the importance of the use of digital technologies to support and improve business performance, productivity and internal organization. Most importantly the major focus is on strategic alignment of operations and IT infrastructure as well as IT and business priorities of the firm , which should be strategically linked.

Expand the availability of digital skills through the education and training system, but also prepare experts who can and willing to teach it. Many of those experts are country expats which want to give back to their communities and will be able to engage with IT and educational communities to visit places and teach digital skills.

- The education and training sector should be supported to develop and adapt its offer to meet the changing needs of the digital economy. Training aimed at fostering digital competence and digital skills is commonly believed to be the most appropriate tool to tackle the digital challenge.

a) Educate and train more young people for digital professions so that we can create a large pool of talented young digital professionals, with increased female participation, who are work ready and can take up the growing number of unfilled vacancies for ICT professionals in EaP.

B) Up-skill and re-skill the EaP countries labor force with the digital skills they need to remain productive in the jobs they have and to become employable for new ones.

c) Modernize our education and training systems for the digital age, bringing digital skills and competences to all levels of education and training.

d) Improve the digital skills of all citizens so that they can play an active role in modern society, strengthening social inclusion.

Build multi-stakeholder partnerships based also on effective social dialogue to increase the availability of digital skills- Policymakers should support digital skills development within multi-stakeholder partnerships. Partnerships are proven to generate a more inclusive and targeted approach to skills development and training provision that is more responsive to labor market needs, in line with vocational programmes and qualifications. A digital skills strategy should therefore be the result of a discussion based on effective social dialogue.

Include digital skills in a wider skills strategy-Although it remains crucial to develop a range of specific digital skills which respond to the needs of the digital economy, wider digital skills for the whole population should be embedded in a broader and comprehensive skills strategy in which other transversal skills relevant to employers such as soft skills and communication skills are also included. Evidence shows that the most effective means of improving employability and closing skills gaps are more generic measures aimed at improving the capacity of workers to acquire new skills and learn in an evolving economy.Consider diversity and avoid the 'one-size fits all' approach-Employers require different types and levels of digital skills according to the sector in which they operate, their size, their market, and the country in which they are based. In designing a digital skills strategy or any other type of initiative to help employers to access the required digital skills, diversity needs to be clearly addressed through a tailored approach.

Note: OP-ED is published with NO editorial change or correction

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financial news

Louis Dreyfus Company, ING, Societe Generale and ABN Amro complete the first agricultural commodity trade through blockchain

The FINANCIAL -- Louis Dreyfus Company (LDC), Shandong Bohi Industry Co., Ltd (Bohi), ING, Societe Generale and ABN Amro have successfully completed the first full agricultural commodity transaction using a blockchain platform.

For the first time ever in the agricultural commodities sector, this trade included a full set of digitalised documents (sales contract, letter of credit, certificates) and automatic data-matching, thus avoiding task duplication and manual checks. The transaction, which mirrored the paper-based process, demonstrated significant efficiency improvements for all participants in the chain. Time spent on processing documents and data has been reduced fivefold. Other benefits include the ability to monitor the operation's progress in real time, data verification, reduced risk of fraud, and a shorter cash cycle. The platform's success demonstrates the immense potential of distributed ledger technologies to advance commodity trading and financing, according to ING.

The Easy Trading Connect (ETC) platform was designed to digitalise and standardise commodity transactions. It was first validated with an oil cargo transaction in February 2017, with the subsequent launch in November 2017 of an energy consortium aiming to offer 'blockchain-based' services to the energy sector. The same principle was then applied to develop a blockchain-based platform tailored to agricultural commodities trading, in collaboration with the various participants in such transactions. This new, adapted ETC platform accommodates the agricultural sector's complex and rigorous documentation chain flows, covering not only the financing aspects, but also the full set of relevant documents pertaining to a transaction, such as the signing and processing of the sales contract at the start.

In this test, the enhanced platform was used to execute a soybean shipment transaction from the United States to China and covered the full complexity of the operation, including a larger number of participants and a broader scope. The transaction involved user participation on the blockchain-based platform by teams from Louis Dreyfus Company as the seller and Bohi as the buyer, with banks issuing and confirming the letter of credit. Russell Marine Group and Blue Water Shipping also participated in the process, issuing all required certificates. The U.S. Department of Agriculture (USDA) provided valuable insights on how to include phyto-sanitary certificates in the process.

ING, Societe Generale, ABN Amro and other major industry players such as LDC have a long-term ambition to improve security and operational efficiency in the commodity trading and finance sector through digitalisation and standardisation.

Tokyo-based Cryptocurrency Exchange Hacked, $530 Million Lost

Reuters

Coincheck, a major cryptocurrency trading exchange in Tokyo, has been hacked into and has lost about $534 million worth of virtual money, national broadcaster NHK reported on Friday.

Coincheck posted on its website on Friday afternoon that it had suspended withdrawals of almost all cryptocurrencies.

The exchange has already reported the incident to the police and to Japan's Financial Services Agency, NHK said.

In 2014, Tokyo-based Mt. Gox, which once handled 80 percent of the world's bitcoin trades, filed for bankruptcy after losing some 850,000 bitcoins — then worth around half a billion U.S. dollars — and $28 million in cash from its bank accounts.

Economics of Georgia's Drug Policy Reform

Continued from p. 13

cational specialists and other professional figures, and the solution to this problem cannot (and should not) be entrusted solely to the police.

If this reform is approved, specialists could finally take on the responsibility of dealing with the treatment and prevention of drug use, while the police could direct their resources to fighting drug suppliers, instead of chasing potential drug users in the streets. This would very likely be a much better use of public money and lead to much better outcomes for the society as a whole.

1. World Drug Report (2017). United Nations Office on Drugs and Crime. 2017.
2. Population Size Estimation of People who Inject Drugs in Georgia 2014. Study Report, Bemoni Public Union, Curatio International Foundation, July 2015.
3. Population Size Estimation of People who Inject Drugs in Georgia 2014. Study Report, Bemoni Public Union, Curatio International Foundation, July 2015.
4. Source: NCDC 2016
5. საქართველოს ნარკოპოლიტიკის რეფორმის შეფასება. საქართველოს პარლამენტი. 2017 წელი.
6. source: NCDC
7. International Narcotics Control Board. Annual Report. 2016

Weekly Market Watch

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

ECONOMY

Exports up 50.0% y/y in December 2017

In December 2017, exports increased 50.0% y/y to US$ 288.2mn, imports were up 13.5% y/y to US$ 845.3mn and the trade deficit widened 0.8% y/y to US$ 557.1mn, according to GeoStat. Overall in 2017, the trade deficit was up 1.3% y/y at US$ 5.3bn as exports were up 29.1% y/y to US$ 2.7bn, while imports increased 9.4% y/y to US$ 8.0bn.

In December 2017, copper (+49.9% y/y), cars (+153.2% y/y), ferro-alloys (+38.7% y/y), spirits (+86.7% y/y) and wine (+51.2% y/y) were the top 5 exported commodities; A 23.1% of exports were directed to the EU (+14.7% y/y), 52.1% were directed to the CIS (+89.0% y/y) and 24.8% to other countries (+30.8% y/y).

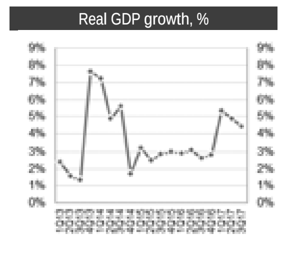
Petroleum (-11.3% y/y), gases (-15.6% y/y), cars (-8.4% y/y), pharmaceuticals (+4.2% y/y) and copper (+13.9% y/y) represented the top 5 imported commodities in December 2017.

Key macro indicators

	2017	2016	2015
GDP (% change)	4.8%(1)	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.8%	4.9%
Gross reserves (US$ bn)	3.0	2.8	2.5
CAD (% of GDP)	7.1%(2)	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

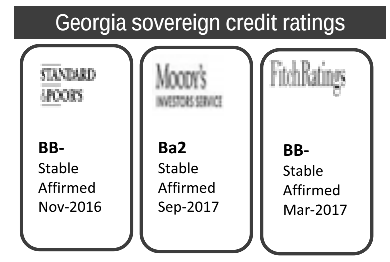
Source: Official data, IMF
(1) As of 11M17
(2) As of 9M17

Real GDP growth, %



Source: GeoStat

Georgia sovereign credit ratings



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)

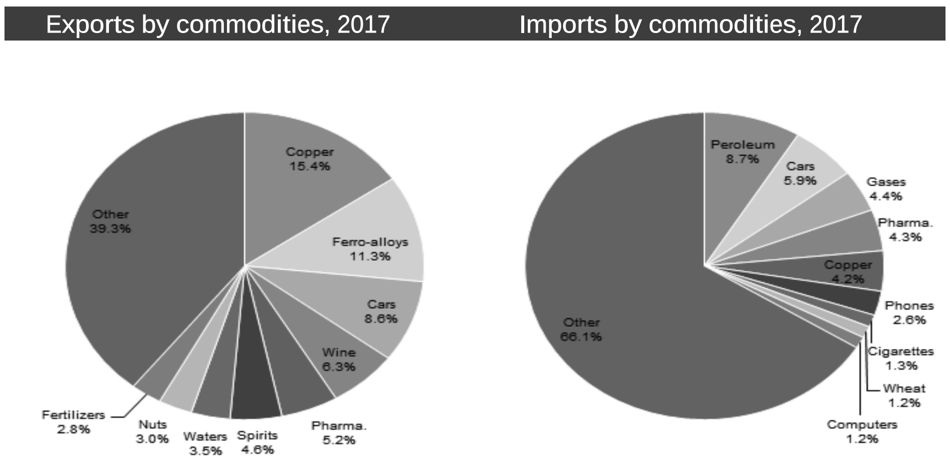
Source: World Bank, Heritage Foundaition and World Economic Forum

Producer price index down 0.8% m/m and up 8.7% y/y in December 2017

PPI for industrial goods was down 0.8% m/m in December 2017, according to GeoStat. A 0.6% price decrease for manufacturing contributed the most to the overall index change as prices were down for food, beverages and tobacco (-1.4% m/m) and basic and fabricated metals (-0.8% m/m).

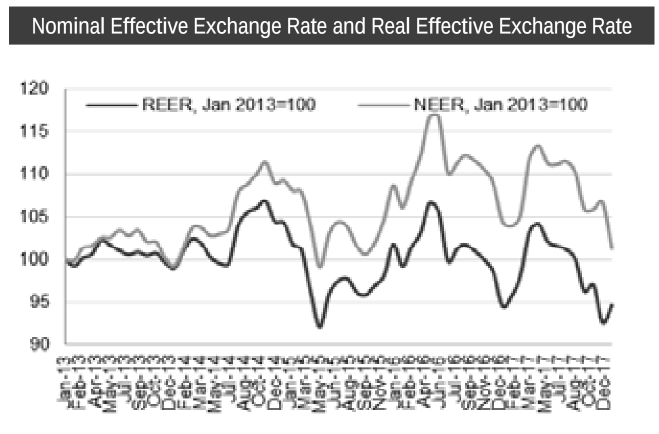
Annual PPI was up 8.7% in December 2017. Rising prices in manufacturing (+8.5% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.2% y/y) and for mining and quarrying (+11.0% y/y).

Exports by commodities, 2017 | Imports by commodities, 2017



Source: GeoStat

Nominal Effective Exchange Rate and Real Effective Exchange Rate



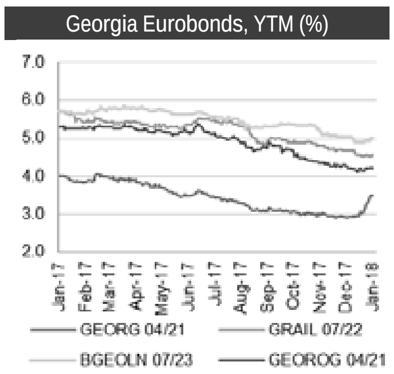
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.0% yield, trading at 104.9 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. GOGC Eurobonds (GEOROG) were trading at 107.6 (unchanged w/w), yielding 4.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.5 (-0.1% w/w), yielding 4.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.1 (-0.4% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US$ mn	30*	25.0	5.0	10.0	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-/-/-	-/-/-	-/-/-	-/-/-	n/a	BB-/-/Ba2	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US$	n/a	102.8	101.3	101.3	101.19	100.5	107.6	104.9	110.2	112.5
Mid yield, %	n/a	5.75%	8.5%	3.8%	6.50%	10.7	4.2	5.0	3.5	4.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	180.2	244.4	107.9	211.9

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

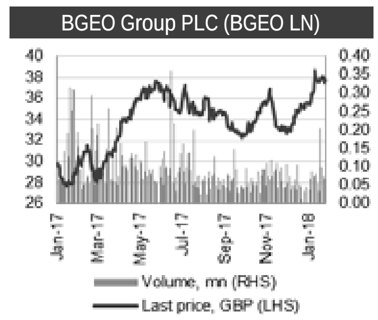
Eastern European sovereign 10-year bond performance

Issuer	Amount, US$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	3.9
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	2.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	3.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	2.9
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	3.9

Source: Bloomberg

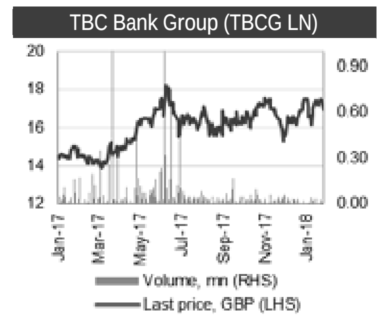
EQUITIES

BGEO Group PLC (BGEO LN)



Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)

Source: Bloomberg

BGEO Group (BGEO LN) shares closed at GBP 37.94/share (+1.01% w/w and +7.88% m/m). More than 328k shares traded in the range of GBP 37.32 – 38.52/share. Average daily traded volume was 64k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.99% w/w and gained 0.93% m/m. The volume of BGEO shares traded was at 0.83% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.46 (+0.11% w/w and +3.31% m/m). More than 61k shares changed hands in the range of GBP 16.80 – 17.50 share. Averaged daily traded volume was 13k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.45/share (+0.01% w/w and -3.90% m/m). More than 38k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

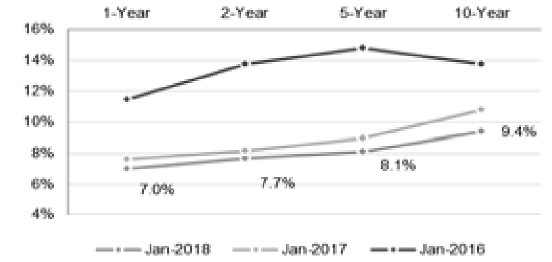
MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,060mn (US$ 422.3mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US$ 8.0mn) certificates of deposit, with an average yield of 7.38% (up 0.05ppts from previous issue).

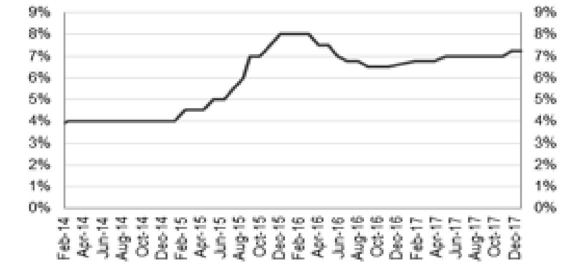
Ministry of Finance Treasury Notes: 5-year GEL 30.0mn (US$ 11.9mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on January 24, 2018. The weighted average yield was fixed at 8.119%. The nearest treasury security auction is scheduled for February 07, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



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

Monetary policy rate



Source: NBG

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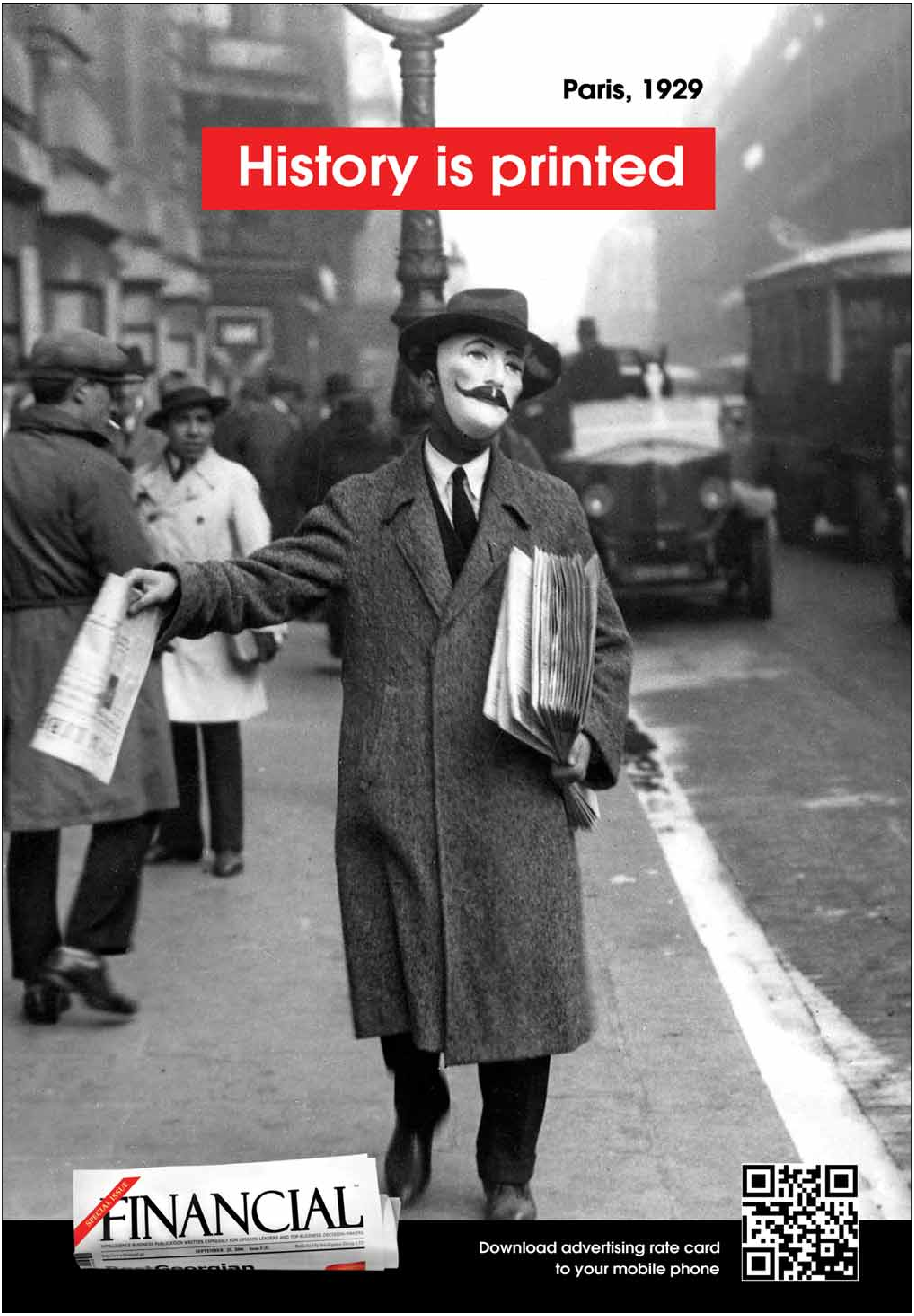
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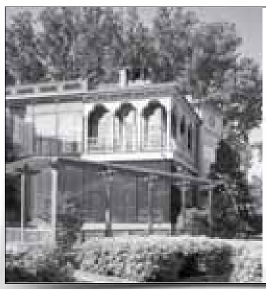
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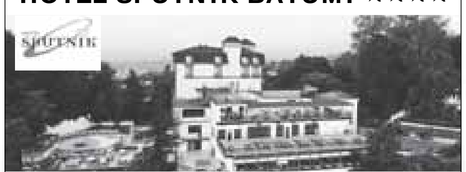
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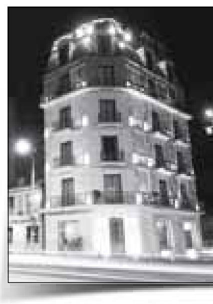
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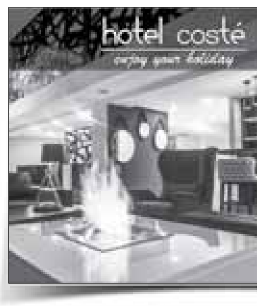
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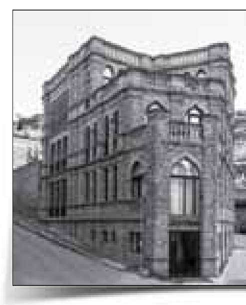
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