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MFO Crystal Issued GEL 10 mln bonds
See on p. 14

This is how much money it takes for millionaires to be happy
See on p. 18



8 January, 2018

News Making Money

<http://www.finchannel.com>

The Truth About Germany and France

As with any field of human activity, economics is not immune to myths. In Europe, many of the most persistent relate to Germany and France – the two biggest economies of Europe – and their relationship. Allianz Research, in a recent report, busts seven of the biggest myths.

The FINANCIAL

#1 "France's higher birth rate leads to higher potential growth."

Population growth can benefit economic development, but not always.

France's fertility rate in 2015 was 1.96 per woman, higher than the 1.5 recorded for Germany. Yet, in its latest economic forecast, the European Commission puts German potential growth at 1.9 percent for 2017 and 2018, versus 1.2 percent for France.

More human capital benefits the potential growth of an economy only if people can actually work. In Germany, the employment rate for those aged 15-64 reached 74.7 percent in 2016. In France, it stood at just 64.2 percent, show Eurostat figures. This shows that higher birth rate does not neces-

sarily mean higher potential growth.

#2 "French productivity is higher due to higher unemployment."

The average output per worker in France is among the highest in the world and has remained so during the recent crises of 2008 and 2011. In 2016, for example, productivity in France was 5 percent higher than in Germany. Even after adjusting for unemployment rate, labor productivity remains 1.4 percent higher in France.

Continued on p. 17

New estimates show U.S. Muslim population continues to grow

Recent political debates over Muslim immigration and related issues have prompted many people to ask how many Muslims actually live in the United States. But coming up with an answer is not easy, in part because the U.S. Census Bureau does not ask questions about religion, meaning there is no official government count of the U.S. Muslim population.

Still, based on our own survey and demographic research, as well as outside sources, Pew Research Cen-

ter estimates that there were about 3.45 million Muslims of all ages living in the U.S. in 2017, and that Muslims made up about 1.1% of the total U.S. population.

Muslims in the U.S. are not as numerous as the number of Americans who identify as Jewish by religion, according to our estimate. At the same time, our projections suggest that the U.S. Muslim population will grow much faster than the country's Jewish population. By 2040, Muslims will replace Jews as the nation's second-largest religious group after Christians.

And by 2050, the U.S. Muslim population is projected to reach 8.1 million, or 2.1% of the nation's total population – nearly twice the share of today.

The latest estimate combines information from our 2017 survey of U.S. Muslims – which reported on the prevalence of Muslims among immigrants and other demographic groups – with official Census Bureau data on the number of people in these groups.

Continued on p. 17

Trump Suggests Freezing \$1.9B in Aid to Pakistan Just the Start

See on p. 2

CURRENCIES

	Jan 6	Dec 23
1 USD	2.5967	▼2.5342
1 EUR	3.1285	▼3.0030
100 RUB	4.5524	▼4.3486
1 TRY	0.6940	▼0.6632

New Year's Day Sets Record With \$300 Million in Purchases

See on p. 8

Weekly Market Watch

By Galt & Taggart

See on p. 19

Global economic growth in 2018 on track to be fastest since 2011 - PwC

The FINANCIAL

The global economy is set to grow by almost 4% in 2018 in purchasing power parity (PPP) terms, adding an extra \$5 trillion to global output at current values, according to new projections in PwC's Global Economy Watch.

The main engines of the global economy - the US, emerging Asia and the Eurozone - are expected to contribute almost 70% of economic growth in 2018

compared to their post-2000 average of around 60%.

Growth in the Eurozone is predicted to be above 2% in 2018, as PwC expects the peripheral economies to outpace the core for the fifth consecutive year. Of the larger Eurozone economies, the Netherlands is expected to lead the way with economic growth at around 2.5%. By contrast, uncertainty relating to Brexit is expected to drag on UK growth, which is predicted to be 1.4% in 2018.

Continued on p. 10

Release of Georgian Prisoner Sparks Protest in Sokhumi

See on p. 6

Who Pays \$1.3 Million For A Bottle Of Vodka? Nouveau Riche In Former Soviet Republics, That's Who

Ron SYNOVITZ

The theft from a Danish bar of a bottle of vodka said to be worth \$1.3 million has raised eyebrows around the world about the lavish spending habits of the nouveau riche in former Soviet republics.

Danish police say the rare – and uninsured – bottle of Russo-Baltique vodka was stolen in the early morning hours of January 2 from Cafe 33 in Copenhagen, which had a collection of 1,200 vodka bottles on display.

CCTV footage shows the thief using a flashlight in the darkness to single out the bottle and snatch it from the shelves of the collection – the only item that was stolen from the establishment.

Investigators say they are still trying to determine whether the culprit broke into the vodka museum at Cafe 33 or used a key to carry out the theft.

Continued on p. 9



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8 January, 2018

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G-Force Premium	2.39	Eko Premium	2.44	Super Ecto	2.39	Nano Premium	2.40	Efix Euro Premium	2.46
G-Force Euro Regular	2.33	Eko Diesel	2.42	Premium Avangard Ecto	2.29	Nano Euro Regular	2.27	Euro Regular	2.34
Euro Regular	2.27	Euro Diesel	2.37	Euro Regular	2.19	Nano Euro Diesel	2.40	Efix Euro Diesel	2.42
G-Force Euro Diesel	2.39	Euro Regular	2.30	Euro Deasel	2.31	Nano Diesel	2.27	Euro Diesel	2.32
Euro Diesel	2.31	Diesel Energy	2.30			GNG	1.52		
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Trump Suggests Freezing \$1.9B in Aid to Pakistan Just the Start



photo by Japan Times

The FINANCIAL

U.S. President Donald Trump appears to be ratcheting up the pressure on Pakistan, suggesting he would be in favor of cutting all aid to Islamabad over the government's refusal to take more decisive action against terrorism.

The president tweeted late Friday that ending U.S. assistance to Pakistan would be a "Good Idea," in response to a tweet from U.S. Senator Rand Paul.

The suggestion of cutting all funding to Pakistan, a long-time ally with a history of uneasy relations with the U.S., runs counter to the message White House officials were putting out earlier in the day.

"I just want to be clear that it's been suspended. Nothing has been reappropriated," a senior administration official said of the \$1.9 billion in aid. "We're hopeful that we can lift the suspension and the aid will be able to go forward."

'A matter of frustration'

But the official also warned, that the Pakistani government had pushed President Trump's patience past its limits.

"He's monitoring Pakistan and how Pakistan has responded to

our requests," the official said. "It was a matter of frustration. The kinds of information that were coming to him were not satisfying."

"There has been ample time for Pakistan to show that it is taking our requests seriously," the official added, calling the U.S. requests "very clear." "Unfortunately, we have not seen the type of meaningful action we are seeking."

The Trump administration announced its decision to suspend the aid Thursday, saying it would remain frozen until Islamabad takes "decisive action" against the Afghan Taliban and the Haqqani network.

The funding freeze affects \$1 billion for military equipment and another \$900 million in payments to defray the cost of counterterrorism operations, officials said Friday.

"There has been ample time for Pakistan to show that it is taking our requests seriously," a senior U.S. administration official said Friday.

"We have made very clear what our expectations are," the official said. "Unfortunately, we have not seen the type of meaningful action we are seeking."

Pakistan: US move undermines cooperation

But Pakistan's military dismissed the U.S. action as a meaningless deterrent that would serve only to undermine security cooperation and regional peace efforts. "Pakistan never fought for money but for peace," army spokesman Major-General Asif Ghafoor told VOA.

Ghafoor also denied U.S. allegations that Pakistan was giving either the Taliban or the Haqqanis any sort of safe haven from which they can attack U.S. forces in neighboring Afghanistan.

Military-led counterterrorism operations, Ghafoor said, have targeted terrorists "indiscriminately," including the Haqqani network at a "heavy cost of blood and treasure." He insisted there are no more "organized" terrorist sanctuaries inside Pakistan.

"Casting doubts on our will is not good to our common objective of moving toward enduring peace and stability. Pakistan shall continue its sincere efforts in [the] best interest of Pakistan and peace," the army spokesman said.

In a separate statement Friday, Pakistan's foreign ministry criticized the U.S. for "arbitrary deadlines" and "unilateral pronouncements." It asserted that Islamabad has fought the anti-terrorism war "largely" from its own financial resources.

"Emergence of new and more deadly groups such as Daesh in Afghanistan call for enhancing international cooperation," the Pakistani statement said, using an Arabic acronym for Islamic State.

And the ministry called U.S. pressure "counterproductive in addressing common threats."

Trump tweet

The war of words between the two allies was triggered Monday, when U.S. President Donald Trump threatened to slash funding for Pakistan, accusing it on Twitter of providing a haven to terrorists and playing U.S. leaders for "fools."

In his Twitter comments, Trump said Washington has received "nothing but lies and deceptions" in return for giving Pakistan more than \$33 billion in the last 15 years.

Pakistani officials say they have received \$14 billion and that Washington still owes the country \$9 billion.

A leading opposition politician, Imran Khan, on Friday demanded the government categorically refuse to accept any future U.S. assistance in the wake of Trump's remarks.

"Despite Pakistan clearing up North Waziristan, still half of Afghanistan is in Taliban hands. So, who is responsible for this?" Khan asked. "To make Pakistan the scapegoat of a failed strategy in Afghanistan is not just a travesty of justice, it is deeply insulting and humiliating."

Continued on p. 10

TBC BANK - 25 years of development

publicity

BSTDB Increases Financing for Leasing in Georgia

The FINANCIAL



TBC BANK is celebrating its 25 years jubilee. Vakhtang Butskhrikidze, TBC Bank CEO talked to The FINANCIAL about the most significant dates of the bank history. scan QR code to watch interview in your mobile phone.

BSTDB extended its fourth loan in the amount of USD 5 million to TBC Leasing, a leading provider of financial lease services in Georgia. The 3-year facility will be used to finance leases of production equipment and commercial vehicles to small- and medium-sized local enterprises (SMEs). BSTDB's previous facility was used to finance over 130 leasing transactions for Georgian companies through TBC Leasing, and BSTDB expects a similar impact from the new facility.

The previous three successfully utilized facilities were provided in 2007, 2011, and 2014. The cumulative financing provided by BSTDB to TBC Leasing reached USD 15 million.

Since the start of its operations, BSTDB has disbursed over EUR 267 million in Georgia, mainly focused on support for SME and the financial sector development.



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fianancial news

Blockchain Gambling Machine Placed in the Land-Based Casino

The FINANCIAL

In the network appeared news that one of the offline casinos has placed a test model of the world's first slot machine, fully working on blockchain technology. The futuristic style terminal developed by SmartPlay.tech represents the hardware realization of classical European roulette table.

Many online casinos have already switched to cryptocurrencies and invest millions of euros in the rapidly developing bitcoin market. For example, the PlayAmo platform spent \$ 2.5 million to expand its services to include bitcoin payments offering attractive promotions and bonuses to its customers.

According to the international analytical resource TheBitcoinStrip, about 60% of the current transactions in the Bitcoin network are occupied by gambling bets, and the number of transactions made by gamblers per second has exceeded the mark of 337.

Such popularity of the cryptocurrency in gambling is caused by the absence of additional commissions, security of funds and unlimited withdrawals. But can the appearance of bitcoin completely reverse the view of how we used to see the casino?

The SmartPlay.tech company answered this question, challenging the traditional gambling.

"In order to completely revolutionize the gambling industry, it is necessary to integrate new generation technologies such as Blockchain and Lightning Network, which will make casino activities more profitable for the operator and attractive to the player. We have a technical solution based on the ready-made software, which we can offer to big players in the offline market in the form of full-fledged equipment."

The project team has already announced its intention to launch a full line of new SmartBox machines,



to which other games can be connected, for example, online slots, blackjack, bingo or poker. Now the company is at the stage of negotiations with the game design studios and slot machines developers. For the purpose of expanding the presence in the market is undergoing the process of legal registration of project activities.

The basic configuration of SmartBox machine includes a touch screen gaming table, a terminal for depositing fiat money, and a QR scanner for

connecting cryptocurrency wallets. The gambling software is developed on the technology of blockchain, which has been successfully tested in SmartPlay.tech products. In particular, a model of operational efficiency which ensures that casino profits are always higher than its costs by optimizing transaction commissions to a minimum market price of a few cents was proved in practice.

The first sample of the machine has already been put on closed testing in a land-based casino in order

to measure the performance indicators of blockchain technology in the real economy of a gambling establishment. Within the testing it is planned to obtain actual data, including game time, average spending, turnover, number of players, and also make a portrait of the target consumer. In the case of a successful experiment, mass production of full-fledged SmartBox machine will be launched.

"SmartBox looks pretty reliable and I can see the technology is go-

ing forward, so I give my thumbs up and hope everybody can join as well," says Philippe Comini, CEO of the Gimmer project, an algorithmic trading platform for Bitcoin and other cryptocurrencies, "it's a very revolutionary technology introducing the blockchain on gambling, and I'm really watching for SmartBox."

The preliminary success of the decision is conditioned, among other things, by the doubtless benefits for the casino. After all, the gambling establishment significantly reduces the cost of maintaining staff, automating the processes with the help of smart contracts. SmartBox does not need an accountant, a cashier, or a croupier, which saves large structures at least \$ 200,000 a year. By saving money, the casino will be able to pay higher winnings, attracting a greater flow of visitors.

Now in the course of closed testing, players do not spend real money and do not receive real rewards. However, after the full-scale launch of SmartBox, bets and winnings will be available not only in cryptocurrencies, but also in shares of SmartPlay.tech in the form of RLT tokens.

By the way, RLT is automatically added as a bonus to each bet made regardless of the outcome of the game. Thus, each player becomes a partner and gains profit from the growth of the company's capitalization and the cryptocurrency rate. At the moment, SmartPlay.tech has already paid more than \$ 300,000 to players, and the rate of the RLT token, which is traded on the LiveCoin exchange, just the day after the announcement of the SmartBox launch increased by 7 times.

As for the market share claimed by SmartPlay.tech, the game market volume is 88% in land-based casino versus 12% for online platforms. This means that the launch of the world's first slot cryptomachine and RLT tokens have great prospects compared to analogues on the online casino market.

Second-largest cryptocurrency ripple may have run ahead of itself

"Definitely the ripple ecosystem is definitely going to have to get a lot bigger to justify where XRP is right now," said Michael Graham, an analyst at Canaccord Genuity who has covered internet stocks since the late 1990s.

When asked which firms are using XRP, a Ripple spokesperson pointed only to an October announcement that said a bank called Cuallix is the first financial institution to use XRP, in this case for U.S.-Mexico transactions. No other firms were named.

However, Ripple said in a tweet Thursday that 3 of the top 5 global money transfer companies plan to use XRP in payment flows in 2018.

(CNBC) – Digital currency ripple has blown past its cryptocurrency rivals largely because it is working with large institutions, which give it an aura of legitimacy and practicality.

However, cryptocurrency enthusiasts say that centralization is the exact opposite of what the technology of the digital currencies should



be about.

"The reason ripple is surging so much is it's a bubble," said Erik Voorhees, CEO of digital asset exchange ShapeShift and a vocal advocate for bitcoin as a way to separate money and the state. "Testing crypto with banks doesn't make sense. The

whole idea of crypto is you don't need banks."

It's "not interesting from a financial innovation perspective," Voorhees said.

Ripple is officially the name of a five-year-old start-up based in San Francisco that is developing a pay-

ments network for financial institutions. XRP is the name of the coin participants can use for transactions. The company announced in October that more than 100 financial institutions are using its network in some way. These include Bank of Tokyo-Mitsubishi UFJ, Mizuho, Credit Agricole and Nordic bank SEB.

In November, Ripple said American Express FX International Payments and Santander would use Ripple's network for cross-border payments between the U.S. and the U.K. Several Japanese and South Korean banks are also testing Ripple's systems for cross-border payments. If all goes well, the banks eventually plan to send money using XRP, according to a Nikkei report.

"Definitely the ripple ecosystem is definitely going to have to get a lot bigger to justify where XRP is right now," said Michael Graham, an analyst at Canaccord Genuity who has covered internet stocks since the late 1990s. "But clearly the use case for XRP is quite clear. That sets it apart from other crypto assets."

When asked which firms are using XRP, a Ripple representative pointed to an October announcement that said a bank called Cuallix is the first

financial institution to use XRP, in this case for U.S.-Mexico transactions. No other firms were named. Cuallix has main offices in Mexico, the U.S. and Hong Kong, according to its website.

"While it's not required for banks to use XRP, as the native digital asset to the XRP Ledger it adds further value to customers in sourcing low-cost, on-demand liquidity," a Ripple representative said in a statement to CNBC.

Bitcoin, the largest digital currency by market capitalization, is up more than 25 percent this year to about \$17,000, or 1,500 percent over the last 12 months, according to Coinbase.

In contrast, XRP climbed 35,000 percent to \$2.30 last year and has soared nearly 67 percent since to an all-time high of \$3.84 on Thursday, according to CoinMarketCap. The coin remains the second largest by market cap, but fell to trade near \$3 on Friday after leading U.S. digital currency marketplace Coinbase pushed back against rumors it would launch XRP trading.

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Release of Georgian Prisoner Sparks Protest in Sokhumi

(Civil Georgia) Pardoning and the subsequent release of Giorgi Lukava from Abkhazia's Dranda prison has stirred public protest in the region, with members of the Sokhumi legislature convening an emergency session yesterday amid heavy opposition criticism.

51-year-old Lukava, native of Abkhazia's easternmost Gali district, was arrested by Sokhumi authorities in 2012, and was sentenced to 20 years in prison in 2013 (the penalty was reduced to 16 years in accordance with the region's law on prison terms).

Sokhumi authorities claimed Giorgi Lukava committed a number of offences in 1994, including murder and kidnapping of Abkhaz officials, when he was allegedly a member of the Forest Brothers, an armed group consisting of residents of the predominantly ethnic Georgian-populated Gali district (the group ceased to exist in 2004). Lukava, however, denies the accusations.

That Lukava was freed from custody was first announced by the State Security Service of Georgia, which said in its brief statement on December 25 that the prisoner was released "as a result of months-long negotiations," and that "the decision of the de facto [Abkhaz] authorities" was "a positive step" that would add "positive dynamics" to the Gali Incident Prevention and Response Mechanism meetings.

Lukava's release was, however, strongly condemned by opposition groups in Sokhumi, with Amt-sakhara, Kyarazaa and Ainar parties slamming Raul Khajimba, the Moscow-backed leader of the region, for pardoning "the terrorist," and



calling the decision "a betrayal" and "a blasphemy" over the memory of those "who died for freedom of Abkhazia."

The Abkhaz security service commented on the "discussion" on December 29, saying Lukava's release was part of a tripartite prisoner exchange process, which was initiated "in response to the request of the authorities of the Republic of South Ossetia," and "the active phase of which, took place in March 2016." The security service clarified that Lukava "was in the list" as well, but noted that "his transfer at that time did not happen for a number of

reasons." "Subsequently, when these reasons expired, Lukava was handed over to the Georgian authorities," reads the statement.

The response failed to address the opposition concerns, with the main opposition Amt-sakhara party (a political movement uniting veterans of the 1992-93 war which supported ex-Abkhaz leader Alexander Ankvab) calling a political council meeting on January 2, and also announcing a rally in front of the region's "presidential administration" on January 3.

The announcement prompted the region's leader Raul Khajimba

to issue his clarifications on the matter. The "president's" press office stressed in its late-night statement on January 3 that Lukava was transferred to Tbilisi "as part of the prison exchange process initiated by the authorities of the Republic of South Ossetia," and called on the public to "demonstrate patience and refrain from following provocative appeals."

Khajimba reiterated that Lukava was "in the list of those who were to be exchanged, but his transfer was stopped at that moment." He then noted that Giorgi Lukava and Giorgi Giunashvili (an ethnic Georgian who

was serving a 20-year prison term in Tskhinvali) were released "in exchange for Roland Zhiba, who was hiding in Georgia and who is suspected in the murder of B. Kvitsinia (Sokhumi authorities had previously claimed Zhiba was arrested on May 5, 2017)."

The Amt-sakhara party, which held a political council meeting early on January 3, said in its statement after the meeting that Khajimba's decision was "a betrayal of the country's national interests," and that the political party still had questions over Lukava's release. The party called on the "parliament of Abkhazia" to gather for an emergency session and issue its "political and legal assessment of Khajimba's decision."

Questions over Lukava's release were also voiced at an outdoor rally in front of the "presidential administration," with several hundred protesters accusing the authorities of making a "behind-the-scenes" decision, and demanding official explanations from the authorities.

Later on January 3, the protesters moved to the region's "parliament," which convened for an emergency session, and established a seven-member commission for investigating the details of Lukava's release.

The commission held its first meeting immediately after its establishment, and heard several representatives of the region's "ministries," "the presidential administration," "the pardon commission" and others, but decided that it needed additional time for delivering its final opinion on the legality of Giorgi Lukava's pardoning.

Source: Civil Georgia

real-estate in U.K.

Cheltenham tops the table of 2017 house price winners

13% annual house price growth for spa town is nearly five times UK average

Bournemouth and Brighton complete top three with 11% growth each
Perth replaces Aberdeen as home of largest annual house price fall

The FINANCIAL – The Gloucestershire town of Cheltenham saw the highest percentage rise in house prices of any major UK town or city in 2017, according to new research by Halifax.

The average house price in the town that's located on the edge of the Cotswolds and is famous for its horse racing and cultural festivals, was 13% higher than in the previous year, increasing from £277,118 to £313,150 in 2017; nearly five times the 2.7% increase in the UK as a whole.

The seaside town of Bournemouth on the south coast experienced the second biggest rise, with an increase of 11.7%, while Brighton, on the south east coast completed the top three with an 11.4% rise in the past year.

Fifteen of the 20 top house price performers are in London and southern England – these include Crawley (10.4%), Newham (10.2%), Peterborough (10.1%), Gloucester (9.5%) and Exeter (9.1%).

Huddersfield (9.3%) in Yorkshire and the Humber, Nottingham (8.9%) and Lincoln (8.4%) in the East Midlands along with Stock-



port in the North West (8.2%) and Swansea in Wales (7.7%) are the top performers outside London and the South, making the top 20 this year.

Russell Galley, Managing Director, Halifax commented: "A number of towns and cities have recorded significant rises in house prices over the past year, with all of the top 20 performers recording growth of at least double the national average."

"Unlike last year, the top performers are not exclusive to London and the South East, with the top spot

now belonging to Cheltenham in the South West, and towns in East Anglia, East Midlands, North West, Wales and Yorkshire and the Humber also making the list."

House price growth in cash terms over £40,000 in past year. The average house price in the London boroughs of Richmond upon Thames and Barnet have grown in cash terms by over £40,000 since 2016. In Richmond upon Thames, the average house price has risen by £45,463 (or 7.6%) to £646,112 and in Barnet - £41,697 (or 7.7%) to £584,049

autos

Toyota is the number one retail selling brand

The FINANCIAL – Toyota Motor North America (TMNA) on January 3 reported December 2017 sales of 222,985 vehicles, a decrease of 8.3 percent from December 2016 on a volume basis.

With one less selling day in December 2017 compared to December 2016, sales were down 4.8 percent on a daily selling rate (DSR) basis.

For the year, TMNA reported sales of 2,434,515 vehicles, a 0.6 percent decrease.

Toyota division posted December sales of 187,524 units, down 7.2 percent on a volume basis and 3.6 percent on a DSR basis. For the year, Toyota division reported sales of 2,129,383 vehicles, a 0.5 percent increase.

"We finished 2017 on a high note, reflecting the continued strength of our product portfolio and establishing Toyota as the number one retail brand for the sixth year in a row," said Jack Hollis, group vice president and general manager, Toyota division. "We are well positioned to continue our retail leadership in 2018, driven by a growing economy, consumer confidence and segment-leading products like RAV4 and Camry."

Lexus posted December sales of 35,461 vehicles, down 13.9 percent

on a volume basis and down 10.6 percent on a DSR basis. For the year, Lexus sales of 305,132 were down 7.9 percent, according to Toyota.

"With another very successful December to Remember, Lexus closed out 2017 with more than 300,000 vehicle sales," said Lexus General Manager Jeff Bracken. "In 2018, Lexus dealers will have even more options for customers as we bring 15 all-new and special edition models to the market. We're looking forward to an amazing year."

Camry posts best-ever December sales of 43,331 units; best-ever quarterly sales of 104,574 units;

TMNA light trucks down 5.6 percent; up 9 percent for a best-ever year;

Toyota division SUV posts 70,945 units in December; posts a best-ever quarter and year;

RAV4 sales of 32,542 units, a best-ever quarter and year with more than 400,000 units;

4Runner sales were up 4 percent for a best-ever month; up 14.6 percent for the year with best-ever year;

Highlander sales of 21,041 units for December; posts best-ever year up 12.7 percent;

Continued on p. 10



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financial news

New Year's Day Sets Record With \$300 Million in Purchases



The FINANCIAL -- App Store customers around the world made apps and games a bigger part of their holiday season in 2017 than ever before, culminating in \$300 million in purchases made on New Year's Day 2018.

During the week starting on Christmas Eve, a record number of customers made purchases or downloaded apps from the App Store, spending over \$890 million in that seven-day period.

"We are thrilled with the reac-

tion to the new App Store and to see so many customers discovering and enjoying new apps and games," said Phil Schiller, Apple's senior vice president of Worldwide Marketing. "We want to thank all of the creative app developers who have made these great apps and helped to change people's lives. In 2017 alone, iOS developers earned \$26.5 billion -- more than a 30 percent increase over 2016."

Pokémon GO went back to the top of the App Store charts on Decem-

ber 21 with the introduction of new augmented reality features, built on Apple's ARKit framework for more detailed and realistic gameplay. Customers are now enjoying close to 2,000 ARKit-enabled apps spanning every category on the App Store. Among the most popular AR titles are games such as CSR Racing 2, Stack AR and Kings of Pool; shopping apps like Amazon and Wayfair; education apps including Night Sky and Thomas & Friends Minis; and social media apps including Pitu and Snapchat.

Turkey's economy to grow by 4.8 pct in next five years: Fitch

The FINANCIAL -- Turkey's economy is expected to grow by 4.8 percent annually on average in the next five years, state-run Anadolu Agency reported on Jan. 5, citing global ratings agency Fitch Ratings.

In its report titled "Investment and Demographics Key to EM Growth Potential," Fitch provided a list of the 10 largest emerging markets in the world, in which Turkey ranked third in its forecast economic growth rate.

The agency said Turkey is set to see continued robust growth in the working-age population in the next five years, which supports its GDP growth potential.

Fitch said Turkey has seen an impressive rate of capital accumulation per worker, but noted this has been funded externally and is associated with some downside risks.

The country's strong growth rate "hinges crucially on continued high investment rates, which could be vulnerable to a sustained slowdown in capital inflows," the report said.

"Turkey's estimated potential growth is just below 5 percent, but the assumed growth trend in labor productivity is predicated entirely on a high investment rate that could be vulnerable to a withdrawal in foreign funding flows," it added.

India came on top among the 10 emerging markets in the report with



a potential growth rate of 6.7 percent in the next five years.

China and Indonesia jointly ranked second, both with a projected potential growth rate of 5.5 percent.

GDP growth potential is anticipated to be the weakest in South Africa, Brazil and Russia, at 1.9 percent, 1.8 percent and 1.2 percent, respectively.

autos



Record production figures for Volkswagen Commercial Vehicles in 2017

The FINANCIAL -- Volkswagen Commercial Vehicles (VWCV) produced around 495,000 vehicles (exact figure: 494,511) in 2017, thus setting a new record.

Compared to the previous best figure in 2016, the brand succeeded in increasing the number of vehicles made by around another 3.8 percent. A significant increase in production numbers was recorded by the T-series and Caddy and also by the Amarok pick-up.

Dr Josef Baumert, Member of the Board of Management of Volkswagen Commercial Vehicles responsible for Production and Logistics: "The figure of around 495,000 vehicles built and thus the renewed increases in production volumes are indicative of highly efficient sites and motivated employees around the globe. Digital transformation and close integration, further improved working conditions for our workforce and increasing automation are visibly raising production and logistics to a new level." Baumert stressed that the new record was thus also the result of continuously optimised manufacturing processes at all VWCV production sites. The Września plant had also recently been crowned '2017 Factory of the Year' in Poland.

The development of further production sites as part of the internationalisation strategy was progressing well, he emphasised. Following Caddy production in Algeria, manufacture of the Amarok had recently begun with a local partner in Ecuador. Negotiations were on the agenda for 2018 with partners in further countries.

Despite the increased level of production, the impact on the environment from the manufacture of vehicles had been reduced in the period from 2010 to the end of June 2017 by almost 45 per cent in Hannover and at all factories in total by nearly 38 per cent, added Baumert, according to Volkswagen.

MODEL OVERVIEW:
T-series, Caddy,

Amarok and Crafter successful

208,427 T6 vehicles were produced at the sites in Hannover (175,290) and Poznań, Poland (33,137) in 2017 -- in total the highest number produced for 44 years. Compared to the record prior year the new figure means an increase once again of 4.5 per cent.

There was considerable growth in Caddy production as well: in 2017, the Poznań plant turned out 164,668 vehicles -- the highest number since Volkswagen Poznań was set up in 1993. The year-on-year increase in the number of Caddy vehicles produced in 2017 was thus another 3.8 per cent.

Another vehicle to record a clear increase in production numbers in 2017 was the Amarok, with 81,177 vehicles produced (+28.1 per cent). Of these 25,501 vehicles (+52.6 per cent) were made in Hannover, 54,813 (+17.5 per cent) in Pacheco (Argentina) and 863 at the new Quito site in Ecuador (using CKD production methods).

36,348 Crafter vehicles were produced in the first year since the start of production, with 3,891 MAN TGE vehicles also being made.

At the main plant in Hannover 200,826 vehicles were produced in 2017 (up +5.9 per cent year-on-year and the highest figure in 44 years). This included the first e-Crafter vehicles, production of which began at the plant late in the year.

Excellent figures were also achieved at the Polish site in Poznań: in total in 2017, 197,805 vehicles were produced there (up +6.8 per cent on the year before and a new record).

Production at the new Polish site in Września totalled over 40,000 units

The workforce in Pacheco built 54,813 Amarok vehicles, a year-on-year increase of 17.5 per cent, in Quito to 863 Amarok.



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

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

Source: Global Idea

Who Pays \$1.3 Million For A Bottle Of Vodka? Nouveau Riche In Former Soviet Republics, That's Who

Ron SYNOVITZ

The theft from a Danish bar of a bottle of vodka said to be worth \$1.3 million has raised eyebrows around the world about the lavish spending habits of the nouveau riche in former Soviet republics.

Danish police say the rare -- and uninsured -- bottle of Russo-Baltique vodka was stolen in the early morning hours of January 2 from Cafe 33 in Copenhagen, which had a collection of 1,200 vodka bottles on display.

CCTV footage shows the thief using a flashlight in the darkness to single out the bottle and snatch it from the shelves of the collection -- the only item that was stolen from the establishment:

Investigators say they are still trying to determine whether the culprit broke into the vodka museum at Cafe 33 or used a key to carry out the theft.

Nouveau Riche, Big Spending

So why does a bottle of vodka cost \$1.3 million, and who is willing to pay such an exorbitant sum?

Cafe 33 owner Brian Ingberg told Denmark's TV2 that the bottle was on loan from the privately owned Riga-based Dartz Motor Company, which was founded by the Latvian-born businessman Leonard Yankelevich.

Dartz produced a limited number of the pricey bottles in 2008 and continues to build the world's most expensive armored cars, primarily for the ultrawealthy in former Soviet republics, although oil-rich royalty from the Middle East also have bought Dartz vehicles.

Yankelevich told the BBC in 2015 that "luxury is too common a word" to describe Dartz cars or Russo-Baltique vodka because "luxury you can buy in a supermarket."



He said he prefers to use the word "opulence" to describe the company's products, which are designed to stimulate the ostentatious spending habits of the richest of the rich in the former Soviet Union.

In this niche market, Dartz sells custom-built armored SUVs for prices that start at about \$1.5 million.

Several Hollywood filmmakers have featured Dartz vehicles in their movies, including the Sacha Baron Cohen film *The Dictator*.

Ingberg reportedly told TV2 that the stolen bottle was one that replicated the shape of the front grill of a Russo-Balt automobile produced in Riga from 1908 to 1912.

Dartz was selling one of those bottles in 2008 for 1 million euros (\$1.3 million).

It also was selling another bottle designed in 2008, known as a Vodka

Fire Extinguisher, for 500,000 euros (\$650,000).

One of the Fire Extinguisher bottles was featured in an episode of the popular television series *House Of Cards*:

Both bottle designs were created in 2008 to mark the centennial of the Russo-Balt car company's Riga factory -- a facility built when Riga was in the Russian Empire and where Dartz now has its workshops and offices.

A total of 625 Russo-Baltique vodka bottles were made, Dartz says. That's the same number of Russo-Balt automobiles that were built at the Riga factory from 1908 until 1912, when the firm's automobile production was moved elsewhere.

Russo-Baltique vodka bottles were designed to appeal to Russia's nouveau riche -- described in 2009

by Russia's then-Prime Minister Vladimir Putin as people who "all of a sudden got rich very quickly but cannot manage their wealth without showing it off all the time."

Indeed, the bottle stolen from Cafe 33 reportedly was fabricated using 3 kilograms of pure gold melted down from Tsar Nicholas II "chervonets" coins minted from 1908 to 1912 and 3 kilograms of pure silver.

The bottle cap was made from white and yellow gold and emblazoned on top with a diamond-encrusted Russian imperial eagle.

The centennial vodka project was financed by Regina Abdurazakova, who was described in Dartz's promotional materials as "the extravagant daughter of an oil tycoon from Kazakhstan who decided to find a use for her father's money."

"We can tell stories about special

diamond filters or exotic products like whale spermaceti used in production of vodkas, but all this is beyond our understanding and so vague," Dartz says.

"This vodka brand is not for drinking because it is the brand of vodka to be received by succession," promotional materials say. "It is vodka that will be part of the family artwork collections. Why should we drink vodka that is regarded as an artwork?"

UPDATE: Danish police said the bottle was found intact, but empty, on January 5 at a villa that was undergoing renovation on the north side of the Danish capital.

About author: Ron Synovitz is a senior correspondent for RFE/RL. Reprinted with the permission of RFE/RE.

Trump Suggests Freezing \$1.9B in Aid to Pakistan Just the Start

Continued from p. 2

Wavering ties?

Despite the tough talk, some U.S. officials are hopeful Washington and Islamabad can resolve their differences.

"We are still working with Pakistan and we will restore the aid if we see decisive movements against the terrorists, who are as much of a threat against Pakistan as they are against us," U.S. Defense Secretary Jim Mattis told reporters Friday.

Senior U.S. officials also said some of the suspended funding could be made available on a case-by-case basis in order to protect U.S. national security interests.

A senior U.S. official warned, however, that the government in Islamabad had pushed President Trump's patience past its limits.

"He's monitoring Pakistan and how Pakistan has responded to our requests," the official said. "It was a

matter of frustration. The kinds of information that were coming to him were not satisfying."

Pakistan's reluctance to undertake counterterrorism operations, specifically in the Waziristan region, has been a major irritant in relations with the U.S., which sees the area as a training ground for Taliban and Haqqani militants.

U.S. officials say such safe havens remain intact, allowing the Taliban and Haqqani to conduct attacks in Afghanistan, such as a May 31, 2017 bombing that ripped through Kabul's diplomatic quarter, killing more than 150 people.

Still, the Trump administration's hard line with Pakistan is not without risk.

"For all the talk of how the U.S. may finally be taking its pressure to a new level to get the results it wants, pushing harder could backfire in a big way," cautioned Michael Kugelman, deputy director of the Asia Program at the Wilson Center, a Washington-based foreign policy think tank.

"If Pakistan feels sufficiently provoked by tough U.S. measures, it could retaliate in ways that damage U.S. interests in South Asia," Kugelman said. "The most likely scenario is that Pakistan could shut down NATO supply routes on its soil, which would make America's difficult war effort in Afghanistan all the more challenging."

Risk acknowledged

The Pentagon sought Friday to downplay such concerns, but Trump administration officials admit that is

a risk, and say there have been some preliminary talks with other allies in the region about providing lethal aid to coalition forces.

"I'm not saying it would be impossible, but it would not be easy," the senior administration official said.

The U.S. has been forced to find alternate supply routes before.

In 2011, Pakistan shut down U.S. supply routes through its territory and airspace for months after U.S. airstrikes that mistakenly hit and killed 24 Pakistani border forces.

"We haven't exactly entered uncharted territory in U.S.-Pakistan relations," Kugelman said, noting both countries have found ways to forge ahead in the past. "There's a good chance that if the screws start

to tighten on Pakistan, then Pakistan may be compelled to take some modest measures to appease the U.S. in the short term."

For now, though, it's the frustration that has come to the fore.

Pakistani Foreign Minister Khawaja Asif, in an interview with the local Geo News television, said the U.S. was "now neither a friend nor ally but a friend who always betrays." He went on to say that Islamabad will have to review its ties to Washington and to strengthen relations with key regional partners, including China, Iran and Russia.

VOA's Pentagon correspondent Carla Babb contributed to this report.

financial news

Did you also have problems with noisy neighbours?



The FINANCIAL

17.9% of the population of the European Union (EU) reported suffering from noise from neighbours or the street in 2016. Unsurprisingly, this proportion is more than twice as high for people living in cities (23.3%) than for those in rural areas (10.4%).

Moreover, the proportion of people that reported having expe-

perienced problems with noise from their neighbours or the street tends to decrease with the number of persons in the household. While almost 20.8% of single persons claimed to have been disturbed by neighbourhood noise, this affected 17.8% of two-adult households and 16.6% of those made up of three or more adults. Similarly, the share is higher for households without dependent children (18.4%) than for those with dependent children (17.5%).

1 in 4 persons suffer from neighbourhood noise in Malta, Germany and the Netherlands

Across the EU Member States in 2016, about a quarter of the population reported experiencing

problems with noise from their neighbours or the street in Malta (26.2%), Germany (25.1%) and the Netherlands (24.9%). They were followed by those living in Portugal (23.1%), Romania (20.3%), Greece (19.9%) and Luxembourg (19.7%).

At the opposite end of the scale, the lowest proportion was recorded in Ireland (7.9%), ahead of Croatia (8.5%), Bulgaria (10.0%) and Estonia (10.4%).

Second-largest cryptocurrency ripple may have run ahead of itself

Continued from p. 4

"I think a lot of retail investors think that by investing in XRP they'll be able to own a part [of the business], but they're not a stock," said Dan Ciotoli, software engineer and blockchain analyst at Bespoke Invest.

"I'm kind of on the side that XRP itself is not going to be used by banks," Ciotoli said.

However, Ripple said in a tweet Thursday that 3 of the top 5 global money transfer companies plan to use XRP in payment flows in 2018.

Like many of the alternatives to bitcoin that have emerged, XRP offers far faster speeds than bitcoin, which was the first application of blockchain technology when it launched nine years ago. Bitcoin transactions takes at least an hour to settle, ethereum more than 2 minutes and XRP about 4 seconds, according to Ripple's website.

All that is faster than traditional systems, which can take days. But there are fintech start-ups such as TransferWise that already allow consumers to send money overseas more quickly and cheaply than most traditional means. In a November report, Bernstein Senior Research Analyst Lisa D. Ellis said a test found using bitcoin to send money overseas was nearly 10 times more expensive than using TransferWise and also slightly slower.

CNBC reported, however, that bitcoin did prove useful for big-ticket items such as school tuition when both the buyer and seller held the digital currency.

"One of the things we all have to remember is the value of a token over the long term is really going to be driven by its utility," Ripple CEO Brad Garlinghouse said on Dec. 27 on CNBC's "Squawk Alley." "There's no question there's a lot of hype in this system."

XRP isn't quite there yet in terms of actual usage, but then again, neither is bitcoin.

Global economic growth in 2018 on track to be fastest since 2011 - PwC

The FINANCIAL

The global economy is set to grow by almost 4% in 2018 in purchasing power parity (PPP) terms, adding an extra \$5 trillion to global output at current values, according to new projections in PwC's Global Economy Watch.

The main engines of the global economy - the US, emerging Asia and the Eurozone - are expected to contribute almost 70% of economic growth in 2018 compared to their post-2000 average of around 60%.

Growth in the Eurozone is predicted to be above 2% in 2018, as PwC expects the peripheral economies to outpace the core for the fifth consecutive year. Of the larger Eurozone economies, the Netherlands is expected to lead the way with economic growth at around 2.5%. By contrast, uncertainty relating to Brexit is expected to drag on UK growth, which is predicted to be 1.4% in 2018.

"In 2018, we expect global economic activity to grow at its fastest rate since at least 2011, with the three main engines of the global economy—the US, Eurozone and Asia—growing in tandem. However, there are some downside risks businesses should monitor including the progress of the Brexit negotiations, key elections in large economies and protectionist tendencies in some nice sectors of the economy", Barret Kupelian, senior economist at PwC, commented.

China, the world's largest economy in PPP terms, could grow by 6-7% in 2018, slower than previ-



ously, but in line with expectation. Amongst the 17 economies that will grow faster than China are India, Ghana, Ethiopia and the Philippines, pointing to broader based growth in Africa and Asian economies. Eight of the ten fastest growing countries in 2018 could be in Africa according to PwC's analysis.

With the fastest level of growth for several years, 2018 is predicted by PwC to be the most energy hungry on record too.

Almost 600 quadrillion British Thermal Units of energy could be consumed by the global economy in

2018, the highest level on record and double that of 1980. India and China alone are expected to consume 30% of global energy.

Despite this, PwC's outlook predicts oil prices are set to remain broadly stable in real terms, with OPEC and its allies extending its 1.8 million barrels per day supply cut until the end of next year.

Other influences and factors to watch in 2018 include PwC's Global Economy Watch include:

The European Central Bank could reduce its monthly asset purchases in 2018, but a dramatic shift in mon-

etary policy in Japan is unlikely.

Across the G7, the unemployment rate is predicted to hit a 40 year low, at around 5% or 19 million workers.

Wage growth will post a modest uptick in some advanced economies where spare capacity is limited but remain below pre-crisis levels.

An extra 80 million people are likely to be added to the world's population in 2018, but as a percentage increase this would be the slowest since 1950. For every 10 people added to the world's population, PwC predicts nine will be located in either Africa or Asia.

Toyota is the number one retail selling brand

Continued from p. 6

Toyota division pickups up 1.8 percent in December;

Tacoma up 6.8 percent for a best-ever December and year since introduction; up 3.4 percent for year;

Tundra posted sales of 10,886 units in December;

Lexus division LUVs down 4.3 percent for December; up 2.9 percent for a best-ever year;

NX up 0.5 percent in December; a best-ever month, quarter and year;

RX posts monthly sales of 13,951 units;

GX posts monthly sales of 3,325 units; up 8.1 percent for the year;



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Giorgi Kvirikashvili:

PRIME MINISTER OF GEORGIA



“We have significant progress in agriculture today.”

Veriko SUKHIASHVILI
FactCheck

The Prime Minister of Georgia, Giorgi Kvirikashvili, attended the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)'s final conference of its first phase (2014-2017) together with the Minister of Agriculture of Georgia, Levan Davitashvili, and the Ambassador of the European Union (EU) to Georgia, Janos Herman. In his speech, the Prime Minister emphasised the development of agriculture and noted: “We have proclaimed that the development of agriculture and villages are one of our priorities. Today, we indeed have significant progress in this field.”

FactCheck verified the accuracy of the statement.

A country's economic growth is measured by changes in its real added value. In order to see progress in the agricultural sector, we have to compare the real added value produced in that field to the same figure of the previous year. This method helps to avoid the growth of value as a result of price increase (inflation). Agriculture's growth rate was 0.3% in 2016 and 1.5% in 2015. Real production in agriculture this year (in the first three quarters) decreased by

2.7%.

In order to obtain a detailed analysis of processes in agriculture, it is important to overview the production dynamics of animal products as well. Production of milk has been characterised by a tendency of decline in the last few years. In the same period, the production of meat and eggs either grew or dropped. The production of animal products decreased in 2016 as compared to the previous year. The production of meat, milk and eggs also decreased in the third quarter of 2017 as compared to the same period of the previous year. Specifically, meat production dropped by 18%, milk production by 12% and egg production by 7%.

In order to assess progress in the field of agriculture, a look at the area of cultivated land is also important.

According to the data of the National Statistics Office of Georgia, the area of cultivation of spring and autumn crops has been declining since 2013. The area of agriculture land was 22.8% less in 2016 as compared to 2013. The largest decrease (by 30.5%) is seen in the area of spring crops.

It is also important to highlight those projects which have been carried out for agricultural development with the support of the state.

As illustrated by Graph 1, the highest real growth rate (11.3%)

in agriculture was registered in 2013. It was also in March 2013 that the Preferential Agro-Credit Programme was launched in order to provide affordable long-term loans for farmers. A total of 154 new enterprises were established and 700 others were enlarged between 2013 and 2016 as a part of the programme. Preferential loans amounting to USD 197,874,322 and GEL 690,662,461 were also issued in the same period of the programme.

The volume of co-funding within a co-funding project for processing and storage enterprises amounted to USD 6,710,445 by 2017.

An agricultural insurance project was launched in September 2014. A total of 29,719 insurance policies were opened with the total amount of premiums paid by the insurance agencies reaching GEL 14,658,868.

The Small Farmer Spring Work Assistance Programme took place between 2013 and 2016. A total of 827,332 hectares of land was cultivated in this period with the total amount of beneficiary benefit having reached GEL 340,265,800. In spite of subsidies (vouchers, diesel and mineral fertilisers) issued for the cultivation of agricultural land the area of cultivated land has been declining annually since 2013. The programme ended in 2017.

Table 1: Area of Cultivated Land in 2013-2017 (thousand hectares)

Year	2013	2014	2015	2016	2017
Total Area of Cultivated Land	310.7	274.9	263.7	240.0	215.1
Autumn Crops (wheat, barley)	52.5	58.4	56.2	60.5	51.1
Spring Crops	258.2	216.5	207.5	179.5	164.0
Legumes and Cereals	183.8	154.6	142.7	119.5	111.3
Corn	150.4	129.1	114.1	95.5	84.9
Potatoes and Vegetable-Melon Crops	48.6	41.2	43.8	38.9	36.2
Other Crops	25.8	20.8	21.0	21.1	16.6

Source: National Statistics Office of Georgia

CONCLUSION

IN SPITE OF CERTAIN INTERVENTIONS OF THE GOVERNMENT OF GEORGIA IN THE FIELD OF AGRICULTURE, THE REAL GROWTH RATE OF AGRICULTURE HAS BEEN DECREASING SINCE 2013. IN 2017, THE VOLUME OF AGRICULTURE (IN REAL VALUE FORM) FURTHER DECREASED.

IN THE THIRD QUARTER OF 2017, THE PRODUCTION OF ANIMAL PRODUCTS ALSO DECREASED AS COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR. SPECIFICALLY, MEAT PRODUCTION DROPPED BY 18%, MILK PRODUCTION BY 12% AND EGG PRODUCTION BY 7%. IN ADDITION, THE AREA OF CULTIVATED LAND ALSO HAS A TENDENCY OF DECREASE.

EVEN THOUGH THE GOVERNMENT OF GEORGIA HAS CARRIED OUT SEVERAL PROGRAMMES TO SUPPORT AGRICULTURE, THE FIELD HAS FAILED TO BECOME A DRIVING FORCE BEHIND THE COUNTRY'S ECONOMIC GROWTH AND REMAINS DEPENDENT ON SUBSIDIES.

FACTCHECK CONCLUDES THAT GIORGI KVIRIKASHVILI'S STATEMENT IS FALSE.



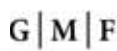
FALSE



National Endowment for Democracy



The German Marshall Fund of the United States



STRENGTHENING TRANSATLANTIC COOPERATION



Kingdom of the Netherlands

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Auto Executives, Consumers Skeptical of the Viability of Pure Battery Electric Vehicles: KPMG Survey



The FINANCIAL

Despite the hype and massive automotive OEM investment in battery electric vehicles (BEVs), more than half (54%) of global auto executives say they believe these vehicles will fail commercially due to infrastructure challenges while 60 percent say excessive recharging times will do them in, according to the 2018 KPMG Global Automotive Executive Survey.

U.S. auto execs are far more skeptical than their global counterparts, with two-thirds saying BEVs will fail commercially as a result of these charging challenges. Consumers are equally skeptical of pure electric, indicating that they prefer hybrid technology or a traditional internal combustion engine.

For all their skepticism, however, OEMs have announced multi-billion dollar investments in battery electric technology. The KPMG research, which polled nearly 1,000 executives (including 90 in the United States) from leading automotive companies, found that automakers are bullish on investing across the electric powertrain spectrum. When asked where they would invest beyond the internal combustion engine (ICE) over the next five years, execs most frequently cited hybrids and plug-in hybrids (72%), followed by pure battery electric (69%) and fuel-

cell (67%).

More than three-quarters of executives (77% global; 85% U.S.) say they believe fuel-cell electric mobility will be the real break-through for electric mobility.

“There is no question that automakers are adapting to stricter vehicle efficiency standards around the world, and electrification is a big part of that equation even as manufacturers continue to squeeze MPG out of internal combustion engines,” said Gary Silberg, Automotive Sector leader at KPMG LLP. “What’s unclear is the value proposition for consumers, especially on vehicles outside of the high-end, premium market. Given the multi-billion dollar investments (especially in China), the complex global regulatory environment and rapid technological disruption, there will be clear winners and losers in this EV game.”

When asked which OEMs they think will lead the field of electric vehicles in 2025, executives outside the United States most frequently cited BMW (21%) and Tesla (14%). U.S. respondents see things a bit differently, rating Tesla No.1 at 20% and BMW second at 15%. Ford was third at 8%, and GM and Toyota were tied in 4th at 7%.

Consumers Also Skeptical of BEVs

In conjunction with the executive survey, KPMG also surveyed 2,100 consumers from 42 countries (182 from the United States) to compare their perspectives. Only 13% of consumer respondents outside the United States and 5% in the U.S., said they would buy a pure battery electric vehicle over the next five years.

Instead, 50% of consumers outside of the United States indicate they would opt for a hybrid -- hybrid electric (33%) or plug-in hybrid electric (17%) vehicles -- over the next five years, or internal combustion engine (18%). U.S. consumers, on the other hand, say they'll stick with ICE vehicles (54%), followed by hybrid electric (24%).

“The internal combustion engine is not perfect, but U.S. consumers will continue to stick with what they know and have come to rely on,” says Silberg. “Until the value propositions for alternative powertrains become crystal clear to them, consumers will make decisions based on convenience and the overall economics of owning a car -- and right now a traditional vehicle still comes out on top for the vast majority of people.”

Meanwhile, 67 percent of all consumers surveyed say they don't care about drive-train technology, they just want the most durable, cost-competitive solution that gets them from point A to point B.

& Did you know?

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

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

Source: Global Idea

KfW-ifo SME Barometer: business climate in Germany down slightly after record year

The FINANCIAL

After shattering one record after another throughout 2017, small and medium-sized enterprises' confidence dipped slightly towards the end of the year. The key indicator of the KfW-ifo SME Barometer dropped by 0.7 points in December to now 30.6 balance points. This was due to minor decreases in situation assessments (down 0.4 points to 43.9 balance points) and expectations. SMEs' expectations remain very optimistic despite the minor decline by one point to 17.6 balance points.



The business situation of large enterprises is the best it has been since surveys were first conducted for unified Germany in January 1991 (+3.0 points to 46.4 balance points), according to KfW. Business expectations for the coming six months dropped slightly (-3.0 points to 16.5 balance points), but that is not surprising given what is currently a very good business cycle. Overall, the business climate in the large enterprise sector remains extremely good (down 0.1 points to 31.2 balance points).

Towards the end of the year, only little has changed across individual sectors. Confidence rose above average levels in large construction firms

(+3.9 points to 45.8 balance points). Over the year 2017, manufacturing saw a particularly steep rise in confidence compared with December 2016 (industrial SMEs: +16.3 points; large-scale industry: +13.9 points).

SMEs' sales price expectations increased noticeably in December (+2.7 points), confirming the upward trend seen in the course of the year (+10.9 points). The current level of 15.6 balance points signals that a much higher number of enterprises expect an increase than a decrease in sales prices in the period ahead – a reflection of the strong demand from consumers.

"The mood in the German economy is on an uninter-

rupted upward trend, the cyclical outlook for the new year is good", said Dr Jörg Zeuner, Chief Economist of KfW Group. "For 2018 we expect continuing high real growth of 2.5%. For all the optimism in the business sector, however, we must also keep an eye on the downward risks. These include US foreign and trade policy and the situation in China, where private-sector debt has seen huge increases. We expect the Trump administration's tax cuts to have hardly any effect on demand. They will primarily benefit enterprises and wealthy households, which are likely to save most of their additionally disposable income instead of spending it", said Zeuner



Irakli Abesadze:
PARLIAMENTARY MINORITY SESSION, MP



"Unemployment increased and jobs decreased in 2016 as compared to 2015."

Egnate SHAMUGIA
FactCheck

At a Parliamentary Minority session, MP Irakli Abesadze spoke about joblessness and noted that unemployment increased in 2016 because the number of those employed decreased. He also stated that the unemployment percentage figure published by the National Statistics Office of Georgia does not give a precise picture because a person is considered employed if he has worked at least one hour during the last seven days.

FactCheck took interest in the accuracy of Irakli Abesadze's statement.

The National Statistics Office of Georgia (NSOG) determines the unemployment rate in accordance with the International Labour Organization's (ILO) methodology which stipulates that a person who has worked at least one hour during the last seven days is considered to be employed. In addition, persons

working on household farms (self-employed) are also categorised as being employed.

The unemployment rate is defined as the share of unemployed persons in the total workforce. The workforce is comprised of both employed and unemployed individuals. A person is considered as unemployed if he has not worked during a week (even for an hour) prior to the National Statistics Office of Georgia survey, has been looking for a job during the last four weeks and was ready to start working in the next two weeks. Therefore, all other individuals (including persons under the age of 15 years, conscripts, prisoners and everyone else not looking for a job) do not belong to the workforce and changes in their numbers are not reflected in the statistical data produced by the National Statistics Office of Georgia.

According to the data of the National Statistics Office of Georgia, the country's unemployment rate decreased by 0.2 of a percentage point in 2016 as compared to 2015 and constitutes 11.8%. However,

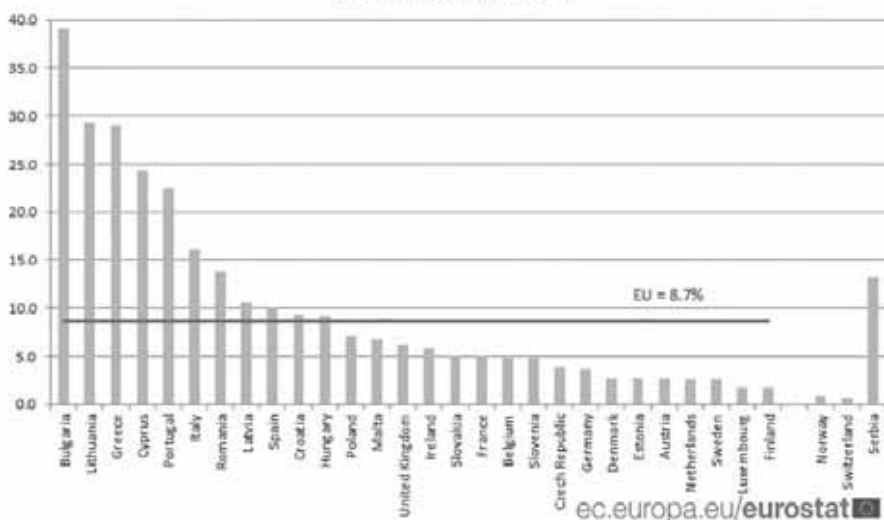
the number of employed persons did not increase but, on the contrary, dropped from 1,779,900 to 1,763,300.

The number of employed individuals did not increase in 2015-2016 in spite of the decrease in the unemployment rate. This means that the number of people who do not belong to the workforce and are economically inactive, have not worked during the seven days prior to the National Statistics Office of Georgia's survey and were not looking for job during the last four weeks is on the rise. This is the very factor behind the decrease in the unemployment rate and in fact this does not indicate a growth in the number of employed individuals.

In accordance with the data of the National Statistics Office of Georgia, the country's population decreased by 2,200 and the workforce dropped by 23,200 during the period verified by FactCheck. This factor indicates that the decrease in Georgia's workforce is not correlated to the amount of its population.

Can you afford to heat your home?

People who cannot afford to keep their home adequately warm, 2016 (share of total population)



The FINANCIAL -- 9% of the EU population said in a 2016 survey that they could not afford to heat their home sufficiently.

After peaking in 2012 (11%), this share has fallen continuously.

People who cannot afford to heat their home

The situation in the Member States varies. The largest share of people who claim to be unable to heat their home was recorded in Bulgaria (39%), followed by Lithuania and Greece (both 29%), Cyprus (24%) and Portugal (22%).

At the other end of the scale, less than 2% of the population face this problem in Luxembourg and Finland.

CONCLUSION

IN SPITE OF THE FACT THAT THE UNEMPLOYMENT RATE DECREASED FROM 12% TO 11.8% IN 2016, THE NUMBER OF EMPLOYED PERSONS DROPPED BY 16,600 IN THE SAME PERIOD. IN FACT, THE DECREASE IN THE UNEMPLOYMENT RATE IS CAUSED BY A DECLINING NUMBER OF ECONOMICALLY ACTIVE PERSONS IN THE COUNTRY AS 23,200 PERSONS LEFT THE WORKFORCE.

FACTCHECK CONCLUDES THAT IRAKLI ABESADZE'S STATEMENT IS MOSTLY TRUE.

MOSTLY TRUE



National Endowment for Democracy



The German Marshall Fund of the United States



Kingdom of the Netherlands

STRENGTHENING TRANSATLANTIC COOPERATION

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financial news

Household spending on clothing and footwear close to €400 billion

The FINANCIAL

In 2016, households in the European Union (EU) spent 4.9% of their total consumption expenditure on clothing and footwear. This represents a total expenditure of €395.4 billion, equivalent to 2.7% of EU GDP or €800 per EU inhabitant. Households' annual expenditure on clothing and footwear is therefore slightly higher than the amount they spent on their health.

Weight of household expenditure for clothing and footwear highest in Estonia, lowest in Bulgaria

In 2016, households in Estonia (6.8%) devoted the largest share of their total expenditure to clothing and footwear, followed by those in Portugal (6.3%), Italy (6.2%), Austria (6.1%), Lithuania (5.9%) and Latvia (5.8%).



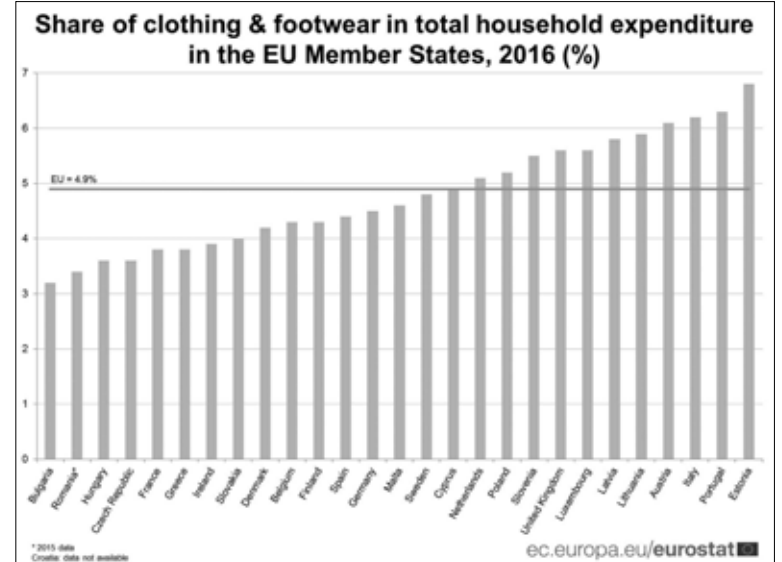
At the opposite end of the scale, the lowest proportions were recorded in Bulgaria (3.2%), Romania (3.4% in 2015), the Czech Republic and Hungary (both 3.6%), Greece and France (both 3.8%), Ireland (3.9%) and Slovakia (4.0%).

Share of expenditure on clothing and footwear decreased

the most in Lithuania, Greece and Spain

Between 2006 and 2016, the share of clothing and footwear in total household expenditure decreased in the vast majority of Member States.

The largest fall over this 10-year period was recorded in Lithuania (from 7.8% of total household



expenditure in 2006 to 5.9% in 2016, or a decrease of 1.9 percentage points – pp), ahead of Greece (-1.3 pp), Spain (-1.1 pp), Ireland, France, Cyprus and Malta (all -0.8 pp).

In contrast, the share of clothing and footwear in total household ex-

penditure increased between 2006 and 2016 in seven Member States, and most strongly in Poland (from 4.6% in 2006 to 5.2% in 2016, or an increase of 0.6 pp), Latvia and the United Kingdom (both +0.5 pp), Hungary and Luxembourg (both +0.4 pp).

JSC MFO Crystal has successfully issued GEL 10mn unsubordinated unsecured bonds

The FINANCIAL – JSC MFO Crystal, rated B by Fitch Ratings, successfully completed an inaugural GEL 10 million offering of notes due December 2019 (the Notes). The annual coupon rate was set at 4.5% over the National Bank of Georgia's refinancing rate. Senior unsecured Notes were issued and sold at an issue price of 100.00%. Galt & Taggart acted as the lead manager for the issuance. The Notes are expected to be listed on the Georgian Stock Exchange.

The issuance is the first local currency bond offering in the microfinance sector in the country. This issuance represents a landmark transaction for Georgia and was very well received by local and foreign investors. The issuance was oversubscribed by more than 2 times.

This transaction enables Crystal to establish an alternative source of GEL funding. The funds raised will allow the Company to further enhance its leading position on the Georgian market through portfolio growth.

"We are pleased with Crystal's successful debut on the corporate bond market. This Lari-denominated bond is an important step toward the diversification of the company's funding sources and contrib-



utes to the de-dollarization of Georgia's financial sector. The proceeds will be utilized for on-lending to Crystal's micro-entrepreneurs and farmers across Georgia," commented Archil Bakuradze, Chairman of Supervisory Board of Crystal.

"I am pleased to highlight the role of Galt & Taggart in the successful issuance of JSC MFO Crystal's bonds. This is the first public placement of a fixed income instrument in the Georgian microfinance sector. The placement was very well received by our investor community. I would like to congratulate Crystal

on this landmark transaction. I believe this transaction underpins Crystal's leading position on the market and further strengthens the Company's ability to attract funding in local currency. I would also like to congratulate the Galt & Taggart team on another successful transaction. Galt & Taggart has become the leading provider of investment banking services in the country to private and public companies, as well as international financial institutions," commented Otari Sharikadze, Managing Director of Galt & Taggart.

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Smart speakers are the fastest-growing consumer tech

The FINANCIAL -- The global smart speaker market is poised to grow to 56.3 million shipments in 2018, as the technology prepares itself for accelerated adoption in the consumer market.

Amazon and Google are expected to remain in the lead with their Echo and Home products respectively, but will face increased competition as new vendors enter the race. The US will remain the single most important market for smart speakers in 2018, as shipments are expected to reach 38.4 million units, with China a distant second at 4.4 million units, according to Canalys.

"2018 will be the defining year for smart speaker adoption," said Canalys Research Analyst Lucio Chen. "Smart speaker uptake has grown faster than any other consumer technology we've recently encountered, such as AR, VR or even wearables. While 2017 has been a banner year for smart speakers in terms of hardware sales, especially for Google and Amazon, smart speakers in 2018 will move beyond hardware, with strategic attempts to monetize the growing installed base in the US and beyond. The possibilities to do this are endless, be it discreet advertising, content subscription bundles, premium services or enterprise solutions. The technology is still in transition, and increased investments from multiple players of the ecosystem will fuel growth."

The US takes the majority share of the worldwide smart speaker market and will remain the largest market through 2020, based on Canalys forecasts. High broadband penetration, a keen proclivity to adopt new technologies and the lowering price barriers of smart speakers has accelerated adoption in the US market. "Consumer acceptance of the smart speaker has been positive overall, despite a few shortcomings," said Canalys Analyst Vincent Thielke. "Vendors have begun offering successful upgrades to their latest models, and a key element driving this stickiness are the smart home partnerships. Alexa's multiple smart home integrations, Google's partnership with Nest and Apple's HomeKit initiatives will continue to excite



consumers of the smart speaker and fuel sales in 2018."

Despite tasting success in the US and Western Europe, China will continue to elude the two smart speaker giants, Amazon and Google. The restrictions on their services will cata-

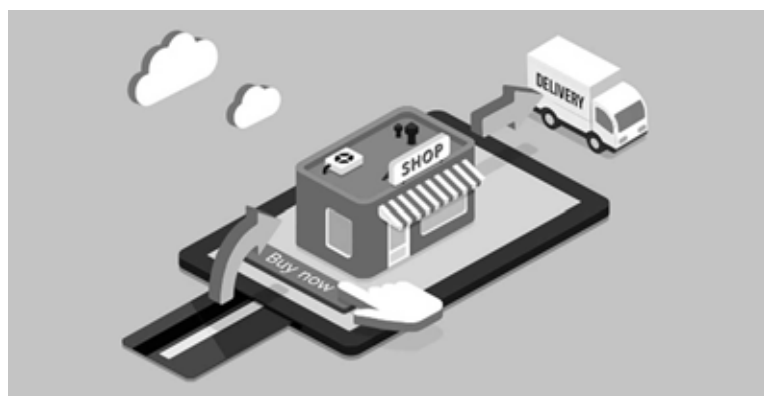
lyze a healthy local market where vendors, such as Alibaba, JD.com and Xiaomi, have already launched smart speakers to test the waters. The market will see a huge boost in 2018 as hardware vendors, software developers, voice recognition pro-

viders and operators join the game just in time to capitalize on the growing consumer awareness of smart home and artificial intelligence.

"Market dynamics in China can change very quickly," said Lucio Chen. "Traditional hardware ven-

dors have been cautious at the beginning, but with deep-pocketed Alibaba ramping up investment in the category, and Xiaomi launching lower priced skews of its XiaoAI smart speaker, the market will be ignited in no time."

EU: e-commerce marketplaces most popular in Italy, Germany, Austria

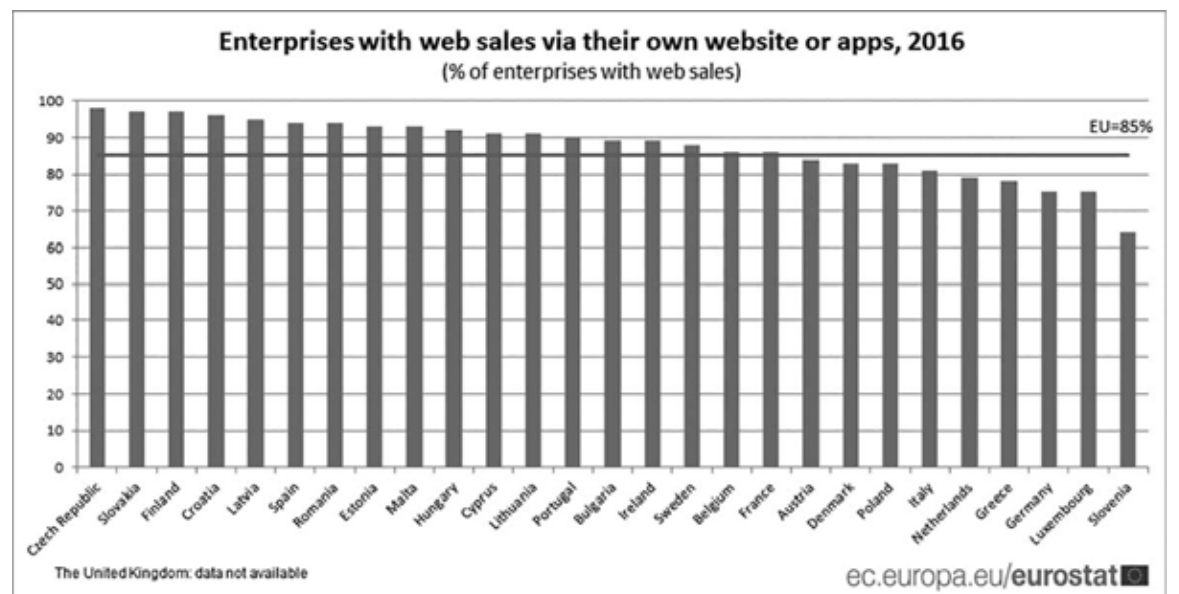


The FINANCIAL

16% of all enterprises located in the EU and employing at least 10 people received orders via a website or apps (web sales) in 2016. Using their own website or apps largely prevailed among these EU businesses. More than 8 in 10 enterprises with web sales (85%) sold through their own website or app and almost 4 in 10 enterprises (39%) sold via an e-commerce marketplace. Web sales include both sales to individual consumers and to other enterprises.

Highest share of web sales through their own website or apps in the Czech Republic, Slovakia and Finland

Among the EU Member States, the highest shares of enterprises with web sales that used their own website or apps were reported in the Czech Republic (98%), Slovakia and Finland (both 97%). The low-



est shares were observed in Slovenia (64%), Germany and Luxembourg (both 75%).

Enterprises selling through their own website or apps

Use of e-commerce marketplaces for web sales most popular in Italy, Germany, Austria and Poland.

Regarding the number of enterprises that sold their goods or services through an e-commerce marketplace, the highest shares were recorded in Italy (54%)

and Germany (52%), followed by Austria and Poland (both 47%). Only 14% of enterprises with web sales used e-commerce marketplaces in the Czech Republic, Croatia and Finland. On average in the EU, the share was 39%.

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New estimates show U.S. Muslim population continues to grow

Recent political debates over Muslim immigration and related issues have prompted many people to ask how many Muslims actually live in the United States. But coming up with an answer is not easy, in part because the U.S. Census Bureau does not ask questions about religion, meaning there is no official government count of the U.S. Muslim population.

Still, based on our own survey and demographic research, as well as outside sources, Pew Research Center estimates that there were about 3.45 million Muslims of all ages living in the U.S. in 2017, and that Muslims made up about 1.1% of the total U.S. population.

Muslims in the U.S. are not as numerous as the number of Americans who identify as Jewish by religion, according to our estimate. At the same time, our projections suggest that the U.S. Muslim population will grow much faster than the country's Jewish population. By 2040, Muslims will replace Jews as the nation's second-largest religious group after Christians. And by 2050, the U.S. Muslim population is projected to reach 8.1 million, or 2.1% of the nation's total population — nearly twice the share of today.

The latest estimate combines information from our 2017 survey of U.S. Muslims — which reported on the prevalence of Muslims among immigrants and other demographic groups — with official Census Bureau data on the number of people in



these groups.

Muslims are not evenly distributed around the country. Some metro areas, such as Washington, D.C., have sizable Muslim communities. Likewise, certain states, such as New Jersey, are home to two or three times as many Muslim adults per capita as the national average. But there are also states and counties with far fewer Muslims.

Since our first estimate of the size of the Muslim American population, the number of U.S. Muslims has been growing rapidly, albeit from a relatively low base. When we first conducted a study of Muslim Americans in 2007, we estimated that there were 2.35 million Muslims of all ages (including 1.5 million adults) in the U.S. By 2011, the number of Muslims had grown to 2.75 million (including 1.8 mil-

lion adults). Since then, the Muslim population has continued to grow at a rate of roughly 100,000 per year, driven both by higher fertility rates among Muslim Americans as well as the continued migration of Muslims to the U.S.

Religious conversions haven't had a large impact on the size of the U.S. Muslim population, largely because about as many Americans convert to Islam as leave the faith. Indeed,

while about one-in-five American Muslim adults were raised in a different faith tradition and converted to Islam, a similar share of Americans who were raised Muslim now no longer identify with the faith.

About author: Besheer Mohamed is a senior researcher focusing on religion at Pew Research Center.

The Truth About Germany and France

As with any field of human activity, economics is not immune to myths. In Europe, many of the most persistent relate to Germany and France — the two biggest economies of Europe — and their relationship. Allianz Research, in a recent report, busts seven of the biggest myths.

The FINANCIAL

#1 "France's higher birth rate leads to higher potential growth."

Population growth can benefit economic development, but not always. France's fertility rate in 2015 was 1.96 per woman, higher than the 1.5 recorded for Germany. Yet, in its latest economic forecast, the European Commission puts German potential growth at 1.9 percent for 2017 and 2018, versus 1.2 percent for France.

More human capital benefits the potential growth of an economy only if people can actually work. In Germany, the employment rate for those aged 15-64 reached 74.7 percent in 2016. In France, it stood at just 64.2 percent, show Eurostat figures. This shows that higher birth rate does not necessarily mean higher potential growth.

#2 "French productivity is higher due to higher unemployment."

The average output per worker in

France is among the highest in the world and has remained so during the recent crises of 2008 and 2011. In 2016, for example, productivity in France was 5 percent higher than in Germany. Even after adjusting for unemployment rate, labor productivity remains 1.4 percent higher in France.

This debunks the myth that unemployment is driving the productivity of French workers versus their German counterparts.

#3 "Fiscal austerity is stronger in Germany than in France."

The world tends to see the German government as thrifty, or at least not as profligate as the French. Yet, since 2013, German public spending has increased at a pace more than twice that of France (cumulative 13.6 percent versus 6 percent). In 2016, the German government's expenditure rose 4 percent, partly due to the refugee influx, compared with just 1.1 percent in France.

Germany, far from being close-fisted, seems to be switching to an expansionary fiscal course and France is not quite the spendthrift it is made out to be. France seems to be comfortably meeting EU benchmarks that require government spending growth to be at or below a country's potential economic growth rate.

#4 "France lost the com-

petitiveness race to Germany."

The basis of this belief is that higher labor costs in France make the country less competitive than Germany. But measured in terms of unit labor cost (ULC), the gap has been clearly narrowing in recent years.

A significant ULC gap did emerge between the two countries after 2000, when the Hartz reforms, tough labor market changes, moderated German labor costs. From 2002 to 2012, labor costs rose 9 percent in Germany versus 21 percent in France. However, between 2012 and 2017, after France decided to tackle its lagging competitiveness, the increase in German labor costs was nearly three times as large (9 percent) as that of France (3.4 percent). This is narrowing the competitiveness gap.

Whether the two continue to converge will depend on policies adopted by the respective governments concerning labor law reforms, tax credits and minimum wage requirements.

#5 "German SMEs perform better than French ones."

Germany's famous Mittelstand (small to mid-sized companies) are praised for providing the backbone for the world's fourth largest economy. They certainly create an impressive export engine. There are 300,000 exporters in Germany, and

only 125,000 in France.

Yet, in terms of profit margins, France's small and medium enterprises (SMEs) outperform those in Germany. In France, the profit margin is 3.1 percent; in Germany, it is only 2 percent. French SMEs come out better on other counts too. For example: in France, the return on capital employed is 22.4 percent and in Germany, it is only 15.3 percent, while the cash position is 4.9 percent versus 4.1 percent.

To be fair, the differences could be because of the definition of SMEs in the two countries and because of data availability. Financial information is available for 100 percent of German SMEs but only 47 percent of French SMEs. This can lead to data distortion.

#6 "France is Germany's main trading partner."

Germany is France's leading bilateral trade partner, accounting for 16.5 percent of all import and export. But France is not Germany's top bilateral trade partner. It's China at 7.9 percent; France comes in second at 7.7 percent.

France is the second destination for German exports (8.4 percent) after the U.S. (8.9 percent) and only the third supplier for imports after China (9.8 percent) and the Netherlands (8.8 percent). In comparison, Germany clearly remains France's most important source of imports (16.9 percent) and destination for

exports (16.1 percent).

France has been losing importance as a trade destination for Germany, but it is far from alone. In 2000, about 46 percent of German exports went to the eurozone, by 2016 this had declined to 37 percent.

#7 "Because it is growing faster, Germany must be investing more than France."

You would think so, but the opposite is true. Since 2002, the total investment-to-GDP ratio in France has been consistently above that of Germany.

The investment-to-GDP ratio indicates how much a country is investing in new equipment, technology and research. A high figure can indicate a country is trying to catch up to other nations, or that it is trying to increase its international competitiveness.

In 2016, the ratio stood at 22 percent for France and at 20 percent for Germany. Both the French public and corporate sectors have higher investment ratios than their German counterparts. This suggests Germany faces a significant investment backlog.

About Allianz: The Allianz Group is one of the world's leading insurers and asset managers with more than 86 million retail and corporate customers

publicity

This is how much money it takes for millionaires to be happy

The FINANCIAL

In the pursuit of happiness, being a millionaire won't necessarily serve as a shortcut.

A recent study from Harvard Business School asked more than 4,000 millionaires of varying degrees of wealth to rank their life satisfaction and happiness levels, as well as the source of that wealth.

The findings reveal that making it as a millionaire doesn't necessarily buy you happiness, and even the super-rich aren't always satisfied.

Even millionaires aren't totally happy

Harvard's new research reveals that the price of happiness is pretty steep: It seems to be around \$8 million to \$10 million. Only at these levels "are wealthier millionaires happier than millionaires with lower levels of wealth," says the study, revealing that in one group, millionaires who hit the \$8 million mark reported higher life satisfaction than those with \$7.9 million or less, and in another, those with a net worth of over \$10 million were significantly happier than those with lower levels of wealth. But even then, it is only associated with "modestly greater well-being."



The study also found that across all wealth levels, millionaires said that to be 100 percent happy they would need to grow their fortune by leaps and bounds — just a bit more wealth wouldn't be enough. Respondents most frequently said that they would need to increase their wealth by a whopping 1,000 percent, followed by 500 percent for total happiness.

"What seems to be happening is even

a marginal increase in wealth can increase happiness. But they predict they would need so much more," lead researcher Grant Donnelly tells Money.

But it wasn't just the amount of wealth millionaires had that impacted their happiness, it was also the source of that wealth. Researchers found that people who earned their wealth were happier than those who inherited it.

Maximize the money you do have to achieve happiness

Even if you don't have \$8 million, you can be strategic about the way

you spend the money you do have that can make you happier.

For example, according to two of the researchers on the Harvard happiness study, Donnelly and Michael Norton, "giving to others leads to greater happiness than spending on oneself," they write in an article for The Wall Street Journal.

You can also use some of your cash to purchase your way out of an unpleasant task. That way, you spend more time doing things you enjoy, ultimately leading to happiness.

"Spending money on time saving purchases — like housecleaning, lawn-mowing and task outsourcing — promotes happiness by protecting people from the time-famine of modern life," Ashley Whillans, a professor at Harvard Business School and author of a study on money and happiness, tells CNBC Make It.

"Both the most and least wealthy individuals we studied derived benefits from spending money to buy time," meaning it has "broad benefits for well-being," she says.

After all, "What matters for your well-being is what you're doing with the minutes and days of your life," University of British Columbia psychology professor Elizabeth Dunn tells CNBC Make It. "If you have a lot of money and a lot of nice stuff, but you're spending your time doing things that you dislike, then your minute-to-minute happiness and overall happiness is likely to be pretty low."



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ECONOMY

Real GDP growth was 3.7% y/y in November 2017

Georgia's economy expanded 3.7% y/y in November 2017, according to GeoStat's rapid estimates. Overall, in 11M17 real GDP growth was 4.8% y/y (growth was 2.4% y/y in 11M16). In November 2017, the growth was recorded in hotels and restaurants, real estate operations, trade and transport sectors, while growth was down in construction and manufacture of food products and basic metals. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit stood at 2.9% of GDP in 3Q17

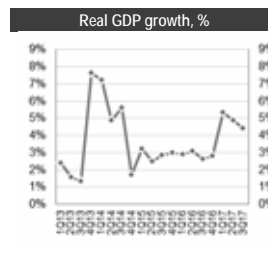
Current account deficit narrowed to 2.9% of GDP in 3Q17 from 8.6% of GDP in 3Q16, decreasing 63.6% y/y in nominal terms to US\$ 120.4mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, decreased 1.4% y/y to US\$ 984.2mn, as exports increased 19.4% y/y, while imports were up 7.7% y/y. Positive balance in services was up 27.7% y/y to US\$ 857.9mn. Among services, tourism had the largest positive balance, increasing 31.0% y/y to US\$ 929.0mn (11.0% of GDP). Net current transfers, the second largest positive item of the current account, were up

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 (cop)	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 10M17
(2) As of 1H17

9.2% y/y to US\$ 281.0mn. Net FDI, significant item for financing the current account deficit, amounted to US\$ 525.6mn (6.2% of GDP, up 75.4% y/y).

Inflation was 6.7% y/y and 0.8% m/m in December 2017



Source: GeoStat

Georgia sovereign credit ratings

<p>STANDARD & POORS</p> <p>BB- Stable Affirmed Nov-2016</p>	<p>Moores INVESTORS SERVICE</p> <p>Ba2 Stable Affirmed Sep-2017</p>	<p>FitchRatings</p> <p>BB- Stable Affirmed Mar-2017</p>
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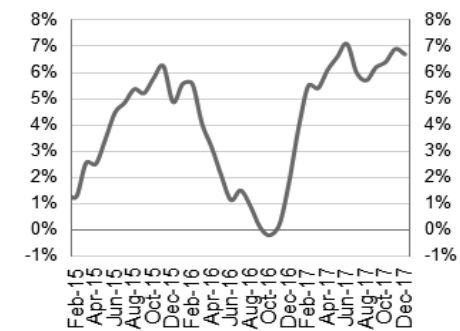
Source: Rating agencies

International ranking, 2016-17

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

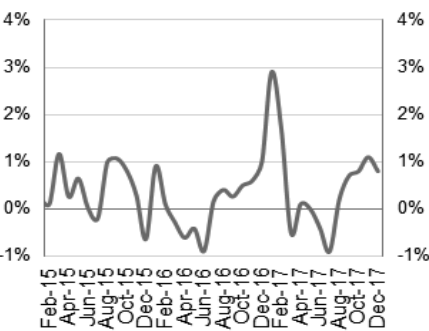
Source: World Bank, Heritage Foundation and World Economic Forum

Exports by commodities, 11M17

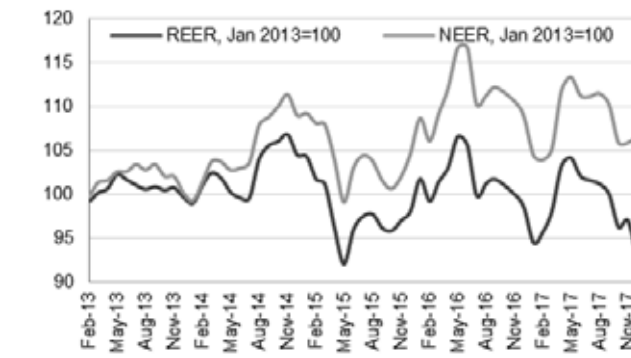


Source: GeoStat

Imports by commodities, 11M17



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.

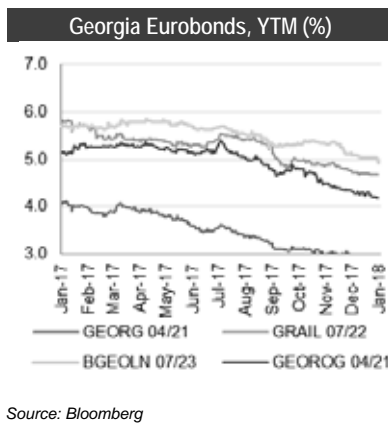
NPLs at 3.4% in November 2017

In November 2017, the banking sector loan portfolio increased 16.2% y/y after growing 16.6% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 24.1% y/y and 5.0% m/m to GEL 22.1bn (US\$ 8.1bn). Deposits were up 17.6% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 23.4% y/y and up 4.9% m/m to GEL 19.9bn (US\$ 7.3bn). Deposit dollarization reached 67.5% (-3.7ppts y/y and +1.1ppts m/m). NPLs stood at 3.4% in November 2017 (-0.5ppts y/y and +0.1ppts m/m).

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEO LN) closed at 4.9% yield, trading at 105.2 (+0.8% 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 107.9 (+0.3% w/w), yielding 4.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.7 (+0.3% w/w), yielding 4.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.1 (-0.2% w/w) at 3.0% yield to maturity.



Source: Bloomberg

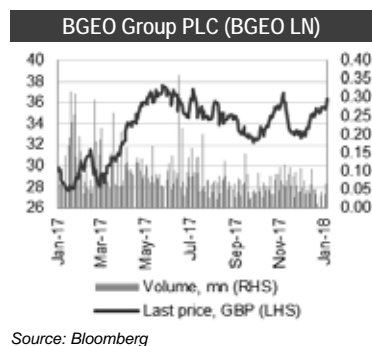
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEO LN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	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-/A-	-/-	-/-	-/-	n/a	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.1	101.1	101.72	100.5	107.9	105.2	112.1	112.7
Mid yield, %	n/a	7.00%	8.5%	8.5%	6.50%	10.7	4.2	4.9	3.0	4.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	191.7	72.0	231.0	259.0

* 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	3.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	3.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	2.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	2.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	2.6
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	3.7

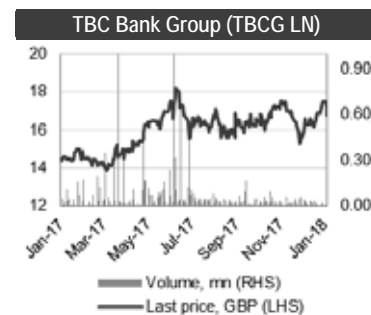
Source: Bloomberg

EQUITIES



Source: Bloomberg

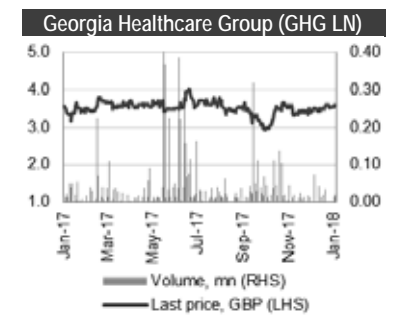
BGEO Group (BGEO LN) shares closed at GBP 36.32/share (+2.11% w/w and +9.33% m/m). More than 194k shares traded in the range of GBP 34.72 – 36.50/share. Average daily traded volume was 42k in the last 4 weeks. FTSE 250 Index, of



Source: Bloomberg

which BGEO is a constituent, gained 0.84% w/w and gained 5.18 m/m. The volume of BGEO shares traded was at 0.49% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.74 (-4.34% w/w and +0.72% m/m). More than 37k shares changed hands in the range of GBP 16.20 – 17.66 share. Averaged daily traded volume was



Source: Bloomberg

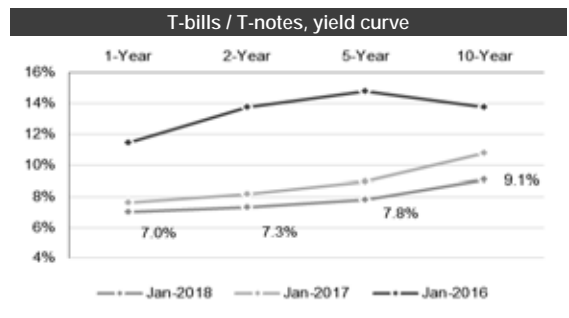
13k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.58/share (+0.85% w/w and +2.03% m/m). More than 39k shares were traded in the range of GBP 3.45 – 3.60/share. Average daily traded volume was 10k 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 1,190mn (US\$ 459.4mn).

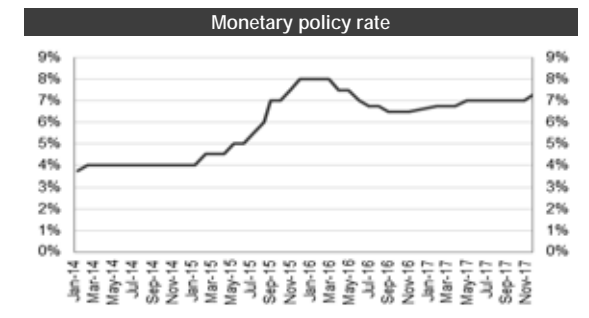
Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 7.8mn) certificates of deposit, with an average yield of



Source: NBG
*Note: As of latest auction.

7.33% (up 0.24ppts from previous issue).

Ministry of Finance Treasury Bills: 91-days GEL 40.0mn (US\$ 15.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 3, 2018. The weighted average yield was fixed at 7.443%. The nearest treasury security auction is scheduled for January 10, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.



Source: NBG

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

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