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‘Pillar of the community’ deported from US after 39 years to a land he barely knows

See on p. 13

Education and retraining critical to help workers adjust to future waves of automation

See on p. 13

12 February, 2018 News Making Money http://www.finchannel.com

Getting Ready to Digitize

A wake-up call for an alternative investment industry facing disruption

The FINANCIAL

Digital technologies are radically reshaping the alternative investment industry. But a large majority of hedge funds and private equity firms appear to be too slow to respond. This is the key finding of a new report, Alternative investments 3.0 - digitize or jeopardize, based on a global survey of 125 hedge funds and private equity firms and conducted by KPMG International and CREATE-Research.

While 98 percent of respondents say `business as usual' is not an option, at least three out of five respondents said they are still at the nascent stage of `awareness raising' with respect to revolutionary technologies that could potentially transform their businesses.

“What the internet did to the music business, digitization will do the alternatives industry -- it’s not a question of if, but when.

Continued on p. 5

Gartner Survey Shows Organizations Are Slow to Advance in Data and Analytics

The FINANCIAL

A worldwide survey of 196 organizations by Gartner, Inc. showed that 91 percent of organizations have not yet reached a “transformational” level of maturity in data and analytics, despite this area being a number one investment priority for CIOs in recent years.

“Most organizations should be doing better with data and analytics, given the potential benefits,” said Nick Heudecker, research vice president at Gartner. “Organizations at transformational levels of maturity enjoy increased agility, better integration with partners and suppliers, and easier use of advanced predictive and prescriptive forms of analytics. This all translates to competitive advantage and differentiation.”

The global survey asked respondents to rate their organizations according to Gartner’s five levels of maturity for data and analytics (see Figure 1).

Continued on p. 17

“Just a Bit High”?

By IRAKLI BARBAKADZE
ISET

Interest in bank profitability is increasing every year. Google search data for Georgia shows that in 2017, there were 4,700 pieces (articles, blogs, comments and other documents) found for “Banks’ Profit” (ბანკების მოგება,) while the same indicator in 2016 amounted to merely 2,990 pieces. In 2015, it was even smaller – 2,160 pieces. This growing interest has its own objective reason, which is simple: In 2017, compared to the previous year, profits for commercial banks increased dramatically by 190 mln. GEL (if you like percentages, it is 28%), and amounted to 869 mln. GEL. This amount of profit is about the same as the budget of the Ministry of Finance (82 mln. GEL1), plus the budget of the Ministry of Justice (63 mln. GEL), plus the budget of the Ministry of Foreign Affairs (120 mln. GEL), plus the budget of the Ministry of Internal Affairs (570 mln. GEL), plus the budget of the Government Administration (16 mln. GEL), plus the budget of the President’s Administration (10 mln. GEL).

Continued on p. 2

CURRENCIES

	Feb 10	Feb 3
1 USD	2.4501	▲2.4638
1 EUR	3.0031	▲3.0763
100 RUB	4.2257	▲4.3768
1 TRY	0.6412	▲0.6561

ICE arrests went up in 2017, with biggest increases in Florida, northern Texas, Oklahoma

See on p. 6

Weekly Market Watch
By Galt & Taggart

See on p. 19

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CURRENT PRICES ON GASOLINE AND DIESEL

12 FEBRUARY, 2018, GEORGIA

Gulf

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

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

ლუკოილი

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

Prices in GEL	
Nano Super	2.45
Nano Premium	2.35
Nano Euro Regular	2.25
Nano Euro Diesel	2.35
Nano Diesel	2.25
GNG	1.52

ROMPETROL

Prices in GEL	
Efix Euro 98	2.54
Efix Euro Premium	2.44
Euro Regular	2.32
Efix Euro Diesel	2.42
Euro Diesel	2.32

ISET ECONOMIC INDICATORS

International School of Economics at TSU
AGRINDEX
For more: WWW.ISET-PI.GE

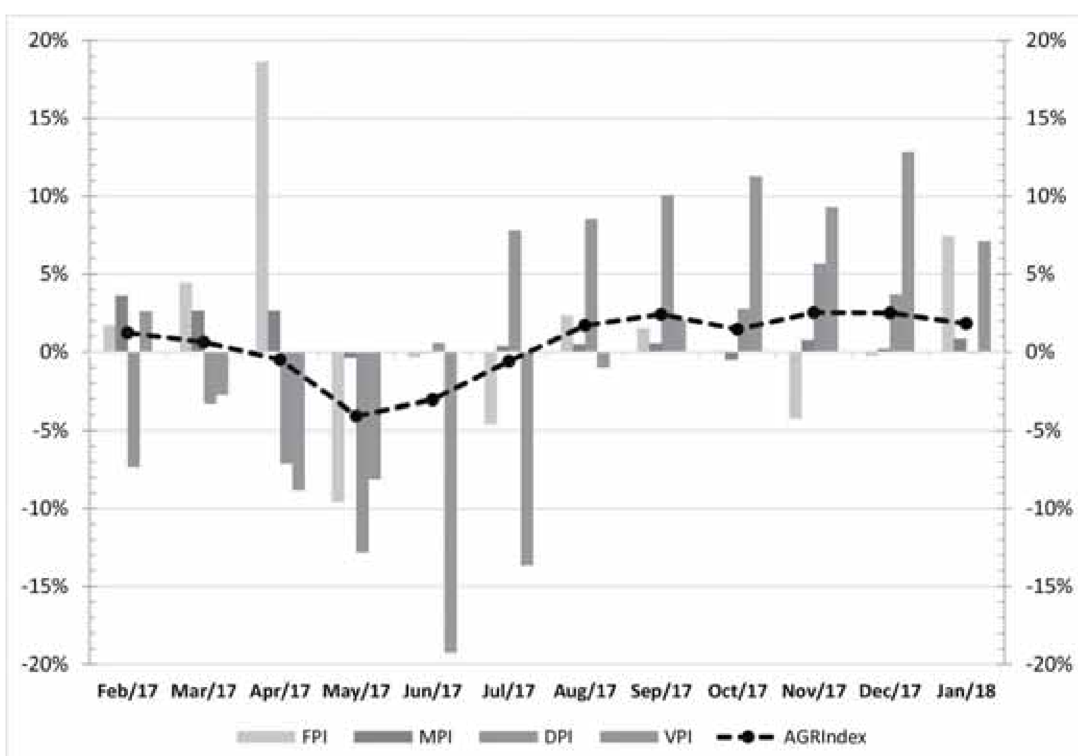
AGRINDEX – JANUARY REVIEW

Georgia started 2018 with increased prices on domestically produced agricultural produce, though the m/m change in prices was just +1.8%. The biggest share of this increase was derived from the gain in **VEGETABLE** (+7.1%) prices, but in month-to-month terms, **FRUIT** (+7.4%) prices increased the most. On the other hand, **DAIRY** (-0.1%), and **MEAT** (+0.8%) prices were practically unchanged.

Interestingly, the year-to-year gain in the price of the **AGRIndex** basket was just +5.9%, which is the smallest figure since the February 2017.

Highest increase: In January 2018, domestically produced table grape prices gained roughly one-eighth of their December value. The probable reason for this change is that domestically produced grapes are already in short supply on the national market. First of all, "Rtveli" started and ended earlier in 2017 than in previous years[1]. Secondly, according to GeoStat, Georgia imported fewer grapes in the last year (worth 2.8 mln USD) than it did in 2016 (worth 3.0 mln USD).

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



Data Source: The Ministry of Agriculture of Georgia

Highest drop: In January 2018, the price of Georgian radish fell by almost 9%, though the prices of other Brassicaceae plants in the AGRIndex were on rise.

1 Daily statistics of "Rtveli 2017

THE ISET ECONOMIST

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

"Just a Bit High"?

By IRAKLI BARBAKADZE
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Interest in bank profitability is increasing every year. Google search data for Georgia shows that in 2017, there were 4,700 pieces (articles, blogs, comments and other documents) found for "Banks' Profit" (ბანკების მოგება,) while the same indicator in 2016 amounted to merely 2,990 pieces. In 2015, it was even smaller – 2,160 pieces. This growing interest has its own objective reason, which is simple: In 2017, compared to the previous year, profits for commercial banks increased dramatically by 190 mln. GEL (if you like percentages, it is 28%), and amounted to 869 mln. GEL. This amount of profit is about the same as the budget of the Ministry of Finance (82

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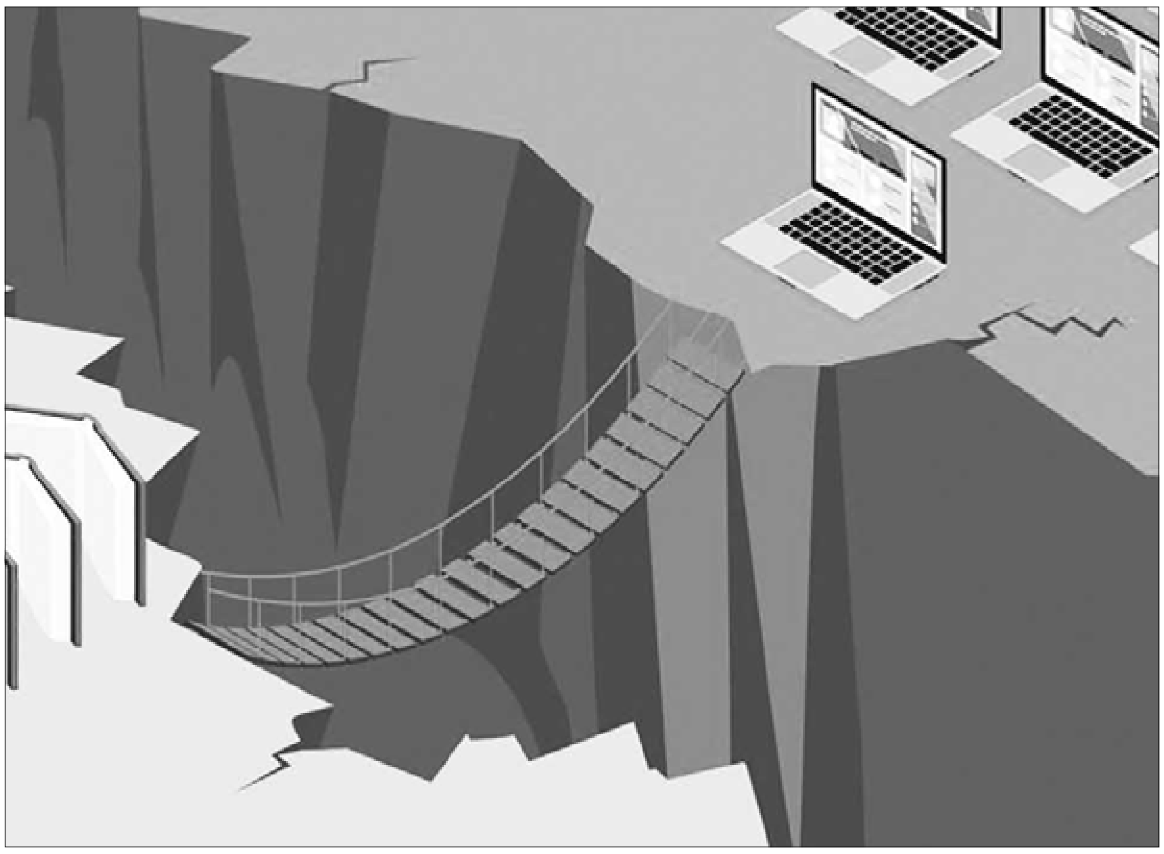
As the digital trust gap continues, executives are unsure about who is responsible when analytics go wrong: KPMG survey

As the digital trust gap continues, there is a lack of clarity among senior execs about who is responsible when analytics go wrong: KPMG survey

The FINANCIAL



The growing interrelationship between human and machine calls for stronger accountability at the C-level rather than with the tech functions, and proactive governance with strategic and operational controls that ensure and maintain trust, according to KPMG International's Guardians of trust report. As companies make the shift to fully digital, analytically-driven enterprises, the management of machines is becoming as important as the management of people, the survey also asserts.

As the trust gap around data and analytics (D&A) and artificial intelligence (AI) continues, just 35 percent of executives say they have a high level of trust in the way their organization uses D&A. Moreover, concerns over the risks of D&A and AI are high: over 65 percent of executives have some reservations or active mistrust in their data and analytics, and 92 percent are concerned about the negative impact of D&A on corporate reputation. That said, a majority of senior executives (62 percent) say that technology functions, not the C-level and functional areas, bear responsibility when a machine or an algorithm goes wrong, according to a new survey from KPMG International.

"Once analytics and AI become ubiquitous, it will be imperative and more difficult to manage trust," said Thomas Erwin, Global Head of KPMG Lighthouse - Center of Excellence for D&A and Intelligent Automation. "With the rapid take-up of predictive analytics, we should prepare now to bring appropriate governance to this Wild West of algorithms. The governance of machines must become a core part of the governance of the whole organization, with the goal being to match the power and risk of D&A with the wisdom to use it well."

The research, which surveyed 2,190 senior executives from nine countries, also found that the US and the UK are least likely to trust their D&A, with the US distrust at 42 percent and the UK at 43 percent. Only small percentages in Brazil and India mistrust their D&A (15 and 8 percent, respectively)

Who's responsible when things go wrong?

Even with the low confidence over the reputational and financial risks of analytics errors or misuse, respondents were not clear about who should be accountable if a poor business decision results in financial loss, or the loss of customers.

In addition to the 62 percent who said the primary responsibility should lie with technology functions within their organizations, 25 percent thought it was on the shoulders of the core business, and 13 percent felt it should be regulatory and control functions.

Taking a closer look at which roles within the C-suite should hold the blame when analytics go wrong, the broad distribution of responses suggest a lack of clarity: only 19 percent said the CIO, 13 percent said the Chief Data Officer, and only seven percent said C-level executive decision makers such as the CEO.

"Our survey of senior executives is telling us that there is a tendency to absolve the core business for decisions made with machines," said Brad Fisher, US Data & Analytics Leader and a partner with KPMG in the US. "This is understandable given technology's legacy as a support service and the so-called 'experts' in all technical matters. However, it's our view that many IT professionals do not have the domain knowledge or the overall capacity required to ensure trust in D&A. We believe the responsibility lies with the C-suite."

What should good governance look like?

Respondents' uncertainty about who is accountable begs the question of what proactive governance should be in place to ensure and protect the use of analytics.

"As organizations begin to think about behavior of machines as parallel to the behavior of people, they should also consider new models of governance to support the leaps in trust that the human-machine workforce requires," Erwin said. "At a fundamental level, accountability of machines must be held firmly by the CEO and functional leaders."

Based on recommendations from respondents, there is a strong indication that any governance framework should include standards and controls beyond the technical, covering strategic, cultural and ethical areas – the domains of the C-suite.

KPMG has provided the five recommendations for building trust within an organization:

1) Develop standards to create effective policies and procedures for all organizations

2) Improve and adapt regulations to build confidence in D&A

3) Increase transparency of algorithms and methodologies

4) Create professional codes for data scientists

5) Strengthen internal and external assurance mechanisms that validate and identify areas of weakness

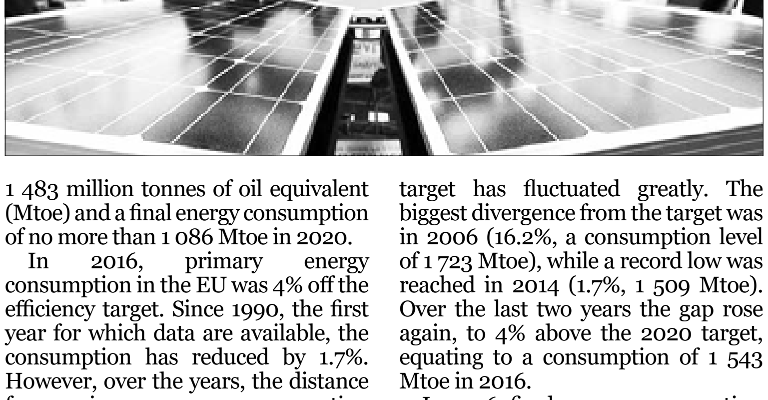
"Building and ensuring trust across the analytics/AI lifecycle requires organized, scalable and distributed approaches," Erwin said. "We are seeing a lot of businesses experimenting in this area which will likely drive future standards and new governance frameworks."

KPMG commissioned Forrester Consulting to survey 2,190 senior executives from Australia, Brazil, China, France, Germany, India, South Africa, UK and the US to take the pulse on the enduring trust gap between businesses and their data and analytics. The survey identified new insights on C-level and responsibility if the organization's data and analytics goes awry or is inaccurate.

Consumption in the EU above the energy efficiency target

4% gap for primary energy consumption and 2% gap for final energy consumption targets

The FINANCIAL



The European Union (EU) has committed itself to reducing energy consumption by 20% by 2020 compared to projections. This objective is also known as the 20% energy efficiency target. In other words, the EU has pledged to attaining a primary energy consumption of no more than 1 483 million tonnes of oil equivalent (Mtoe) and a final energy consumption of no more than 1 086 Mtoe in 2020.

In 2016, primary energy consumption in the EU was 4% off the efficiency target. Since 1990, the first year for which data are available, the consumption has reduced by 1.7%. However, over the years, the distance from primary energy consumption target has fluctuated greatly. The biggest divergence from the target was in 2006 (16.2%, a consumption level of 1 723 Mtoe), while a record low was reached in 2014 (1.7%, 1 509 Mtoe). Over the last two years the gap rose again, to 4% above the 2020 target, equating to a consumption of 1 543 Mtoe in 2016.

In 2016, final energy consumption in the EU was 1 108 Mtoe, 2.0% above the efficiency target. Final energy consumption in the EU increased by 2.1% between 1990 (1 085 Mtoe) and 2016 (1 108 Mtoe). The lowest level of final energy consumption was recorded in 2014 (1 063 Mtoe 2.1% below the target), and highest in 2006 (1 194 Mtoe 10.0% above the target). In 2015 the EU met the efficiency target of 1 086 Mtoe, however in 2016 consumption rose again to 2% beyond the goal.

In 2016, gross inland energy consumption in the European Union, which reflects the energy quantities necessary to satisfy all inland consumption, amounted to 1 641 Mtoe. This was a 10.8% decrease compared with the peak of nearly 1 840 Mtoe in 2006, but a 6.1% increase compared to the decade between 1996 and 2006.

Energy consumption falling mainly in Greece, Malta and Romania over last decade

While 19 Member States increased their energy consumption between 1996 and 2006, growth in energy consumption was recorded in only two Member States between 2006 and 2016: Estonia (13.4% increase to 6.2 Mtoe in 2016) and Poland (3.2% increase to 99.9 Mtoe in 2016). Among the 26 Member States where energy consumption decreased, Greece (-23.6%), Malta (- 22.5%) and Romania (-20.2%) recorded decreases of more than 20%.\

A wake-up call for an alternative investment industry facing disruption

The FINANCIAL

Digital technologies are radically reshaping the alternative investment industry. But a large majority of hedge funds and private equity firms appear to be too slow to respond. This is the key finding of a new report, Alternative investments 3.0 - digitize or jeopardize, based on a global survey of 125 hedge funds and private equity firms and conducted by KPMG International and CREATE-Research.

While 98 percent of respondents say `business as usual' is not an option, at least three out of five respondents said they are still at the nascent stage of `awareness raising' with respect to revolutionary technologies that could potentially transform their businesses.

"What the internet did to the music business, digitization will do the alternatives industry -- it's not a question of if, but when. The big players are well ahead, but the rest face an Everest of a task," says Anthony Cowell, Head of Asset Management, KPMG in the Cayman Islands, and the report's co-author.

Less than a third of respondents said they are at the implementation stage for key innovations, while for both hedge funds and private equity, advanced technologies such as blockchain and robo advisors have been implemented by three percent or fewer.

"Only a minority of firms we surveyed are deploying innovations designed to give them a competitive edge. With growing pressure on costs and the demands of digital-savvy millennials, this will have to change markedly," adds Al Fichera, Global Head of Alternative Investments, KPMG International.

Factors accelerating the pace of innovation

Indeed, when asked which factors will accelerate the pace of digital innovation in their business over the rest of the decade, respondents cited market-driven factors, including growing cost pressures (58 percent), changing investor needs

Continued on p. 16

Education and retraining critical to help workers adjust to future waves of automation

The FINANCIAL

The impacts of three overlapping waves of automation to the 2030s are examined in a new report published today by PwC: the algorithm wave, the augmentation wave and the autonomy wave.

The research analysed the tasks and skills involved in the jobs of over 200,000 workers across 29 countries in order to assess the potential impact of automation on workers in different industry sectors and of different genders, ages and education levels.

On average across the 29 countries covered, the share of jobs at potential high risk of automation is estimated to be only around 3% by the early 2020s, but this rises to almost 20% by the late 2020s, and around 30% by the mid-2030s.

The study suggests that more women could initially be impacted by the rise of automation, whereas men are more likely to feel the effects in the third wave by the mid-2030s (see table below). This is due to the types of tasks that are more susceptible to automation and the current gender profiles of employment by sector.

The Algorithm wave is already well underway and involves automating structured data analysis and simple digital tasks, such as credit scoring. This wave of innovation could come to maturity by the early 2020s.

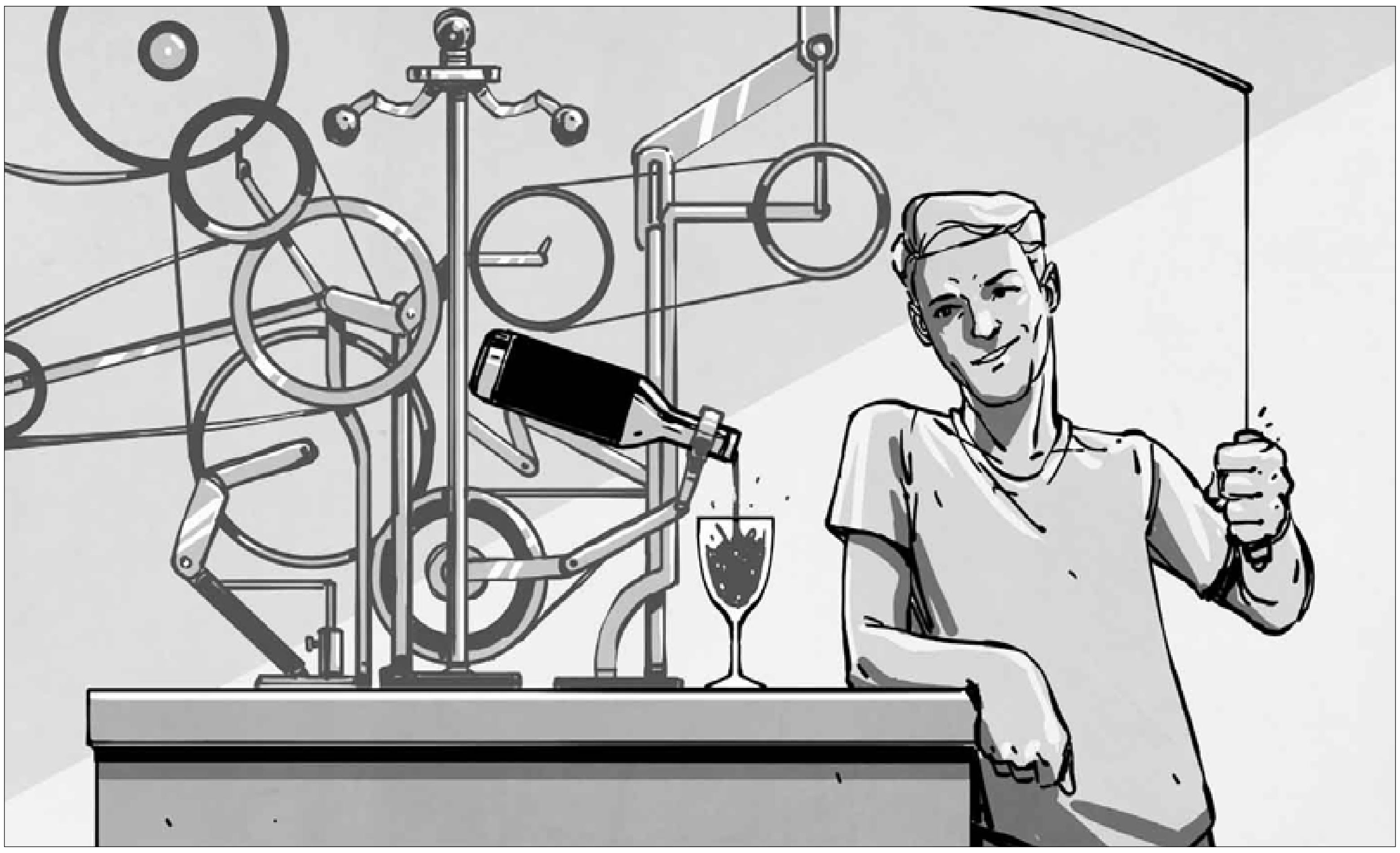
The Augmentation wave is also already underway but likely to come to full maturity later in the 2020s. The augmentation wave is focused on automation of repeatable tasks and exchanging information, as well as further developments of aerial drones, robots in warehouses and semi-autonomous vehicles.

In the third Autonomy wave, which could come to maturity by the mid-2030s, AI will increasingly be able to analyse data from multiple sources, make decisions and take physical actions with little or no human input. Fully autonomous driverless vehicles could roll out at scale across the economy in this phase, for example.

The table below summarises estimates of the proportion of jobs that could be impacted over these three waves and how this might vary for male and female workers.

"Our estimates are based primarily on the technical feasibility of automation, so in practice the actual extent of automation may be less due to a variety of economic, legal, regulatory and organisational constraints. Just because something can be automated in theory does not mean it will be economically or politically viable in practice", John Hawksworth, chief economist at PwC and co-author of the study, commented that.

"Furthermore, other analysis we have done suggests that any job losses from automation are likely to be broadly offset in the long run by new jobs created as a result of the larger and wealthier economy made possible by these new technologies. We do not believe, contrary to some predictions, that automation will lead to mass technological unemployment by the 2030s any more than it has done in the decades since the digital revolution began."



PWC IDENTIFIES THREE WAVES OF AUTOMATION BETWEEN NOW AND THE MID-2030S AND HOW IT WILL IMPACT JOB;

TRANSPORT AND MANUFACTURING SECTORS HAVE RELATIVELY HIGH POTENTIAL FOR JOB AUTOMATION BY THE 2030S, HEALTH AND EDUCATION ARE LESS AUTOMATABLE;

BUT WOMEN COULD BE AT THE HIGHER RISK OVER THE NEXT 5-10 YEARS, FOR EXAMPLE IN CLERICAL ROLES;

THERE SHOULD BE BROADLY OFFSETTING JOB GAINS PROVIDED INCREASED INVESTMENT IS MADE IN RETRAINING;

Potential impacts by country

The estimated proportion of existing jobs with high potential automation rates by the mid-2030s varies significantly by country.

These estimates range from only around 20-25% in some East Asian and Nordic economies with relatively high average education levels, to over 40% in Eastern European economies where industrial production, which tends to be easier to automate, still accounts for a relatively high share of total employment.

Countries like the UK and the US, with services-dominated economies but also relatively long 'tails' of lower skilled workers, tend to have intermediate potential automation rates.

Potential impacts by industry sector

The estimated share of existing jobs with potential high rates of automation by the mid-2030s varies widely across industry sectors, from a median across countries of 52% for transportation and storage to just 8% for the education sector.

Transport stands out as a sector with particularly high longer term potential automation rates as driverless vehicles roll out at scale across economies, but this will be most evident in the third wave of autonomous automation. In the shorter term, sectors such as financial services could be more exposed as algorithms outperform humans in an ever wider range of tasks involving pure data analysis.

Potential impacts by gender, age, education

Our analysis also highlights significant differences across types of workers and these will also vary across our three waves of automation (see chart below). The starkest results are those by education level, with much lower exposures on average for highly educated workers with graduate degrees or above, than for those with low to medium education levels.

In the long run, less well educated workers could be particularly exposed to automation, emphasising the importance of increased investment in lifelong learning and retraining

More highly educated workers will typically have greater potential for adaptability to technological changes, for example in senior managerial roles that will still be needed to apply human judgement, as well as to design and supervise AI-based systems. Such workers should see their wages increase due to the productivity gains that these new technologies should bring.

Differences are less marked by age group, although some older workers could find it relatively harder to adapt and retrain than younger cohorts. This may apply particularly to less well-educated men as we move into our third wave of autonomous automation in areas like driverless cars and other manual labour that has a relatively high proportion of male workers at present. But female workers could be relatively harder hit in early waves of automation that apply, for example, to clerical roles.

Implications for public policy

Automation rates also differ across countries because ways of working differ. In particular, workers in countries such as Singapore and South Korea with more stringent educational requirements could have greater protection against automation in the long run. This is also true (particularly in Europe) for countries with higher levels of education spending as a percentage of GDP.

UK consumers defy income pressures to spend on leisure

Deloitte's Leisure Consumer Q4 2017 report reveals leisure spending optimism; Eating and drinking out, in-home leisure and culture and entertainment see quarterly rise in spending; Consumers to prioritise discretionary leisure spending for the next three months;

The FINANCIAL

Millennial consumers drive the resurgence in spending in pubs and bars as well as in-home leisure.

The UK's consumers were less constrained in their leisure spending in the fourth quarter of 2017 compared to the previous year, according to the latest findings from the Leisure Consumer Q4 2017 report by Deloitte.

The quarterly survey of more than 3,000 UK adults found that 2017 ended positively for the leisure sector, with consumer spending increasing in seven out of 11 leisure categories compared to the previous year. In an indication that consumers are continuing to spend on experience-led activities, short break holidays have seen a two percentage point rise in spending compared to Q4 2016. In addition, going to the gym, drinking in pubs and bars and attending live sporting events also saw spending rise year-on-year, each by one percentage point.

Only three sub-sectors have seen a year-on-year decline in spending, including drinking in coffee shops (down three percentage points) and eating out (down two percentage points), which may have been due to inflationary pressures.

The quarterly view was also positive, with spending increasing in the majority of leisure categories compared to Q3 2017, in line with seasonal expectations. In-home leisure, including takeaways, video gaming and media subscriptions, increased by eight percentage points from the previous quarter as consumers chose to spend more time at home in the run up to Christmas. Spending on culture and entertainment, which includes museums, theatre and cinema trips, as well as drinking in pubs and bars, have also seen quarterly increases in spending, up by seven and six percentage points respectively.

"These findings paint a positive picture for the leisure sector, which ended 2017 on a high as consumers continued to seek out experience-based activities. The increase in leisure spending comes against a backdrop of various income pressures that have been squeezing consumer pockets in the last year, including rising inflation and slow wage growth," Simon Oaten, partner for hospitality and leisure at Deloitte, comments.

"In the year ahead, consumers expect their spending on many habitual leisure activities, such as drinking in pubs and eating out, to remain unchanged. In a sign of improved confidence, big-ticket leisure items, such as holidays and theatre trips, are likely to see an increase in spending compared to this time last year."

Consumers to spend more on discretionary leisure in 2018

When asked about their spending intentions for the first three months of 2018, respondents were broadly optimistic, with six out of 11 sub-categories seeing a positive movement compared to the previous quarter.

Consumers are expecting to spend considerably more on big-ticket leisure activities, including holidays, in the next three months. Spending on long stay holidays is expected to increase by four percentage points compared to last year, with short stay breaks also rising by one point. Spending intentions for the next three months are up year-on-year for culture and entertainment, for doing exercise or attending live sports events as well as betting and gaming.

Oaten adds: "Despite the well-publicised cost pressures facing them, consumers are making considered decisions about their discretionary spending, saving their income with the intention to spend on holidays and other experience-led activities rather than on discretionary retail purchases.

"By contrast, meals out, drinking in pubs and bars or coffee shops as well as leisure at home appear to be so habitual to consumers that they have less intention to scale back on them in the next three months."

Millennials drive resurgence in leisure spending

According to the survey, consumers aged 18-34 years-old appear to be the most optimistic about leisure spending in the next three months, intending to spend more on leisure in eight out of 11 categories. Consumers in the millennial age group are continuing to spend on habitual activities such as gym and exercise; they are also planning to spend more on expensive experiences, such as holidays or culture and entertainment.

Oaten adds: "Significantly, 18-34-year-old consumers appear to be driving the resurgence in spending in pubs and bars as well as in-home leisure. As the same time, millennials are limiting their spending on eating out and drinking in coffee shops, and as a consequence these categories have seen spending drop-off compared to a year ago."

18 million Apple Watches ship in 2017, up 54% on 2016

The FINANCIAL -- Apple Watch shipments beat expectations, topping 18 million in 2017, up by more than 54% on 2016.

The Series 3 was the key growth driver, as total shipments of the latest version of Apple's Watch were just under 9 million, making up nearly half of all shipments in 2017. Apple's Q4 performance was impressive in itself, as shipments grew by more than 32% over Q4 2016 to 8 million, the highest ever number of shipments in a single quarter, not just for Apple, but for any wearable vendor, according to Canalys.

"The cellular version of the Apple Watch was in strong demand in the US, Japan and Australia, where all major operators stocked it in time for the holiday season," said Vincent Thielke, Research Analyst at Canalys. The Apple Watch Series 3 is the fastest-selling LTE wearable on the market, with shipments doubling quarter on quarter to reach 1.6 million. "But limited operator selection in the UK, Germany and France influenced consumer purchase decisions, and stifled the growth potential of the connected Apple Watch. Moving into new markets, such as Singapore and Hong Kong in Q1 2018, just in time for Chinese New Year, is a good move," added Thielke.

"Apple has won the wearables game," said Jason Low, Senior Analyst at Canalys. "Despite innovative designs, such as the rotating bezels and circular screens employed by other vendors, Apple has pulled far ahead as it continues to focus on its core iPhone user base. Its recent updates to the Series 3, such as GymKit and Apple Heart Study, are proving to offer compelling use cases, encouraging users to spend more on accessories."

Industrial manufacturing industry leaking €177 billion through poor working capital management

Average returns on capital employed (ROCE) has fallen by 5% between 2012 and 2016

The FINANCIAL

Valuable cash resources that could support growth and innovation are continuing to slip through the fingers of industrial manufacturing firms as poor working capital management practices prevail according to the latest PwC report.

PwC's Pressure on the Production Line reveals that by simply improving working capital, global firms could have freed up as much as €177 billion (bn) of cash during 2017. The EU findings from PwC's global survey of the sector suggest that better working capital management (WCM) could have created a cash opportunity of €26.5 bn across Europe.

The analysis also reveals a number of worrying trends for the industry and its investors, such as its ongoing struggle to improve its average returns on capital employed (ROCE), which has fallen by 5%, from 8% in 2012 to 7.6% in 2016.

And at a time when manufacturers across the world are benefiting from rising global trade, the industry's level of investment - measured in terms of capital expenditure (CAPEX) - has also continued to decline over the past five years, putting its future success at risk.

Competitiveness, cash and culture

Compared to other industries, the link between working capital, returns and investment is usually particularly strong among industrial manufacturers. But it is not always the case as Pressure on the Production Line shows.

It shows that the widespread assumption that any lack of improvement in WCM is simply due to 'inventory issues' is a fallacy. Instead, it highlights a continuing slowdown in the collection of customer payments with receivable days - or 'days sales outstanding' - now at their highest level for five years. This could due to firms granting customers more generous terms or being less stringent than other sectors when it comes to collecting cash owed - an issue that can be easily remedied.

And with the industry recognising the need to do more to embrace the opportunities offered by Industry 4.0 to sustain competitiveness and long-term stability, the lack of readily available cash resources can pose a significant hurdle.

But as Daniel Windaus, PwC working capital partner and report author, explains, focusing on WCM can enable them to make those smart, strategic investments in digital connectivity and capabilities such as artificial intelligence (AI), which can help boost their competitiveness on a global scale and secure their future relevance and success.

"As our report shows, greater management focus and discipline around collecting receivables would provide some immediate - and very welcome - relief as well as much needed cash for investment..

"But to truly lock in any gains and make them permanent, what's really needed in the longer term is the creation of a pervasive cash culture that spreads beyond the finance function and shapes behaviour across the business.

"In our view, seizing this opportunity to transform working capital management and the future success of the industrial manufacturing industry isn't an option - it's an imperative."

Green Bond Issuance Is Expected To Shoot Up Further

The FINANCIAL

S&P Global Ratings expects strengthening green bond market fundamentals to fuel about a 30% increase in self-labeled instruments globally in 2018, pushing issuance to around $200 billion for the year. Issuance skyrocketed last year to $155 billion, up from a mere $13 billion in 2013, according to the Climate Bonds Initiative.

The green bond market has grown by 80% a year over the past five years, demonstrating rapid development of new green markets, combined with the continuous and global political push to address climate change. S&P Global Ratings believes solid market fundamentals may drive the expansion of the green bond market to new types of issuers, geographies, and financing types.

The Green Bond Market Continues Expanding Its Frontiers

"We expect to see new issuers getting involved with new forms of financing vehicles such as green loans, green funds, and green structured products. We also anticipate new issuances of green Islamic bonds (so-called green sukuks) following the first $58 million issuance by the Malaysian company Tadau-Energy in September 2017", agency said. "Low-carbon technologies in the energy, transport, and buildings sectors are likely to remain the main beneficiaries of green investments, reflecting the importance of emissions reductions in these sectors in the fight against climate change. That said, we do see some growth potential for projects in the water, waste, and air pollution sectors. The $13 billion green bond program issued to finance the U.K. Thames Tideway Tunnel is one of the recent examples of green proceeds allocated to the water and wastewater sectors".

"We also expect the green finance market to broaden to new geographies. While Europe remained the primary region for green bond issuance in 2017, North America is rapidly bridging the gap. In the U.S., the self-labeled green bond market more than doubled in 2017, driven largely by states, municipalities, and corporates, despite volatile federal climate policies (see "Green America: The Prospects For The Development Of The Green Bond Market In The U.S.," published on Sept. 5, 2017). While the recently revised U.S. tax code and the expected tightening of monetary policy could reduce this growth to some extent, particularly from public issuers, we expect the U.S. to remain one of the leading countries for green bond issuance in 2018. Emerging markets are also likely to maintain their involvement in the market, led by China, India, and Mexico. The contribution of those three countries to global labeled green bond issuance rose significantly over the last two years, to 20% in 2017 from 7% in 2015. Last year's largest issuers included the Bank of Beijing ($5 billion), the Indian energy company Greenko ($1 billion), and Mexico City Airport ($4 billion)".

Green Bonds: A Bellwether For Private Green Finance

While development banks played a key role in the initial take-off of the green bond market, they now appear to be on the decline, representing 11% of labeled green bond issuance in 2017 compared with 60% in 2013, according to S&P Global Ratings .

"In contrast, we saw a surge in the involvement of private issuers, corporates, banks and more recently, originators of structured finance products. Together, these private entities represented two-thirds of green bond issuance in 2017. We expect these private entities to remain at the forefront of green investments in 2018".

Efforts to combat climate change have become an increasingly noteworthy political and economic trend, at the federal or regional level, or both. This, in turn, has channeled public and private investment, and accelerated the development of new environmentally friendly and cost-competitive technologies. Among them, renewable energy has emerged as the main established green market industry with $263 billion invested in 2016, including about 90% coming from private sources, according to "Global Landscape of Renewable Energy Finance 2018," by the Renewable Energy Policy Network for the 21st century. "We expect it will remain the leading sector financed by green bonds in 2018, though we also see some potential for the financing of new technologies such as battery storage, as costs continue to decline (see "Going With The Flow: How Battery Storage Economics Are Changing Power Consumption," published on Jan. 11, 2018).

Political And Regulatory Support Widens

"We expect political support for green bond issuance to further ramp up in 2018, through new sovereign and subsovereign issuance as well as via increasing regulatory support for private issuance.

Since Poland's inaugural sovereign green bond in 2016, sovereign and subsovereign issuance has increased substantially, to $11 billion in 2017 from $0.8 million in 2016. France, Fiji, and Nigeria joined the group of sovereign green bond issuers last year, while countries such as Belgium, Morocco, and possibly Sweden are likely to follow this year."

Climate Finance Is Heating Up

Green capital market instruments, especially green bonds, have been an efficient tool to channel investments into climate finance so far. "We expect the market to maintain steady growth in 2018, supported by further technological, financial, and regulatory intervention. We also expect the increasing focus on climate change impacts to further drive political and business mobilization and stimulate additional investment in mitigation and adaptation financing. With 2017 being the hottest year on record globally, green finance is unlikely to cool down".

financial news

Why do some firms survive a crisis and others don't?

The FINANCIAL

An international study of small and medium-sized firms has been launched to find out why some are more resilient than others when a crisis hits, at both the level of the firm and in the wider economy.

Small and medium-sized businesses make up 99 per cent of all firms across Europe and provide around 70 per cent of employment.

During the financial crisis of 2007-08 the Federation of Small Business (FSB) estimated that up to 50 companies were closing every day in the UK, and yet many survived and there are now more SMEs than ever with the FSB calculating there were 5.7 million in the UK in 2017.

The two-year study, supported by the JPMorgan Chase Foundation, will involve surveying 3,000 SMEs – defined as firms with less than 250 employees – in London, Paris, Frankfurt, Milan and Madrid.

Researchers from Warwick Business School and Aston University at the Enterprise Research Centre (ERC) will lead the UK study, with academics at the University of Nice in France; the Institut für Mittelstandsforschung (IfM) Bonn in Germany; University of Padova in Italy; IE University in Spain.

Professor Stephen Roper, of Warwick Business School and Director of the ERC, said: "The resilience of SMEs to adverse events, such as problems with finances and funding, skills and staffing, and is critical to sustaining European economic growth and competitiveness.

"Despite this, there is a lack of previous research on resilience in small firms, leaving substantial knowledge gaps.

"In particular, very little is known about how the challenges faced by business owners vary depending on their social group and background.

"It is reasonable to assume that building a resilient business may be especially challenging for those from disadvantaged backgrounds, such as unemployed people in deprived areas or from ethnic minority groups.

"Challenges for disadvantaged entrepreneurs are likely to include lack of capital and established networks, which can all increase the risk of business failure.

"However, it is also possible that business leaders facing disadvantage may have developed novel, innovative solutions to dealing with challenges, which could in fact benefit and strengthen their businesses, and if this is the case, these need to be understood."

This landmark new study aims to develop practical tools and strategies to help SMEs strengthen their resilience in challenging times.

Hang Ho, Head of Europe, Middle East, Africa and Latin America, JPMorgan Chase Foundation, said: "JPMorgan Chase works with partners around the world to provide support services for entrepreneurs from a range of backgrounds."

"Despite systemic and personal challenges, many of these entrepreneurs respond with resilience and ingenuity to a wide range of shocks to their business—from a negative financial climate and natural disaster, to unexpected staffing changes and theft."

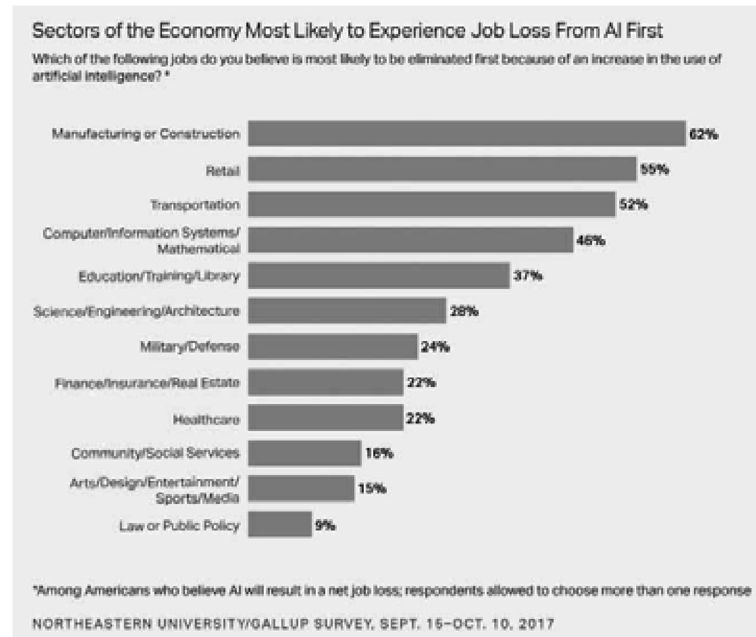
"We hope that this research can learn from their successes, and create tools to help more small businesses to respond resiliently in difficult circumstances."

As well as an in-depth telephone survey of 3,000 European firms, the research will involve consultations with city-level service providers from government and civil society through focus groups, and in-depth case studies.

Professor Mark Hart, of Aston University and Deputy Director of the ERC said: "The project will be of interest to individual business owners through to business support providers and policymakers at local and national levels.

"Each country will also have its own Advisory Group to guide the research and maximise impact, including individuals directly involved in business support and development."

Most U.S. Workers Unafraid of Losing Their Jobs to Robots



The FINANCIAL -- Nearly three in four working Americans (73%) say the rising use of artificial intelligence (AI) will eliminate more jobs than it creates across the country. However, a far smaller percentage of these workers (23%) say they are "very" or "somewhat" worried that they will lose their own jobs to this new technology.

These data come from a Northeastern University/Gallup survey of Americans' attitudes toward AI and its effect on their lives and work. The mail survey of 3,297 U.S. adults, including 2,871 who are employed, was conducted Sept. 15-Oct. 10, 2017.

Employed Americans with less than a bachelor's degree are almost twice as likely to feel their jobs are at risk as are those with a four-year degree or more, 28% vs. 15%. Americans with less than a bachelor's degree are also less optimistic about the impact of AI in general and may feel that their own lower education levels leave them vulnerable to job loss attributable to the new technology, according to Gallup.

There is a smaller gap in fear of job loss between employed Americans with blue-collar jobs (those working in industries largely composed of hourly wage earners) and those with white-collar positions (those working in largely salaried industries), 26% vs. 19%, respectively. Similar to the gap in overall optimism seen in educational attainment, white-collar workers also tend to be more positive than blue-collar workers about the overall impact of AI.

Among American workers in their prime years of work -- those aged 18 to 65 -- worry varies modestly, ranging from 21% among those aged 36 to 50, to 27% among workers 51 to 65 years of age.

Construction and Manufacturing Seen as Most Vulnerable to AI

Americans who say AI will result in a net loss of jobs were asked to indicate which of a series of 12 economic sectors they believe would see jobs eliminated first by the new technology. More than six in 10 Americans (62%) who believe AI will result in a net job loss say the construction or manufacturing industries are the most likely to be eliminated by AI first. More than half also say the retail (55%) and transportation (52%) sectors are particularly vulnerable to replacement of jobs by new technology.

Americans who see AI adoption resulting in net job loss say the legal and public policy sector is the least vulnerable to replacement from this new technology, with 9% saying cuts in jobs related to AI will occur first in these fields. Additionally, jobs in the fields of arts, entertainment and sports, as well as those in community and social services, are seen as safe from AI -- with 15% and 16%, respectively, saying these positions will be eliminated first.

Implications

Although many Americans believe AI adoption will result in a net loss of jobs, about three in four are not worried about losing their own positions. This is reaffirmed in separate Gallup research on the issue, which found that a similar level of Americans (72%) thought it was "not too likely" or "not likely at all" that they would lose their jobs to new technology in the next 20 years. However, anxiety about job loss to new technology is substantially higher than the 8% of employed Americans who say they are "very" or "fairly" likely to be laid off in the next year.

Americans who expect AI to lead to job losses in the U.S. identify the construction and manufacturing sectors as particularly vulnerable to new technology. This may be because of the long association of the introduction of robotics with job loss in the manufacturing sector. Additionally, retail may be seen as vulnerable because of the increasing popularity of online retail and changes such as self-checkout lines, which many Americans already use. Finally, transportation may stick out in Americans' minds because of extensive media coverage about self-driving vehicles.

factcheck

GRASS FACTCHECK

Giorgi Kvirikashvili:

PRIME MINISTER OF GEORGIA

"In the last two years, the number of students enrolled in professional education establishments increased by 20%."

Veriko SUKHIASHVILI
FactChek

The Prime Minister of Georgia, Giorgi Kvirikashvili, spoke about professional education during his visit to the Parliament of Georgia. The Prime Minister stated: "In the last two years, important steps have been taken to reduce the unhealthy proportion between the number of students enrolled in higher education establishments and those in professional education establishments. This led to the number of students enrolled in professional education having increased by 20%."

FactCheck took interest in the accuracy of the statement.

Reform in public education has been ongoing since 2007. At the initial phase of the reform, the Parliament of Georgia adopted a Law on Professional Education.

The Professional Education Development Strategy for 2013-2016 was drafted in 2013 within the activities of technical assistance provided to Georgia by the European Union. The specific aim of this strategy is to elaborate a flexible professional education network adequate to labour market demands which will ensure the development of high-level competencies for economically active members of the population as well as provide training to develop competitive employees for both the local and international labour markets.

At the present moment there are 68 professional education establishments in Georgia. Of these, 17 are authorised state public/professional colleges, six are colleges founded with state participation and 45 are authorised private/public colleges.

The number of students enrolled in professional educational establishments in the last years is as follows:

As illustrated by the table, the highest number of students enrolled in professional education establishments was in 2013. In the following years, this number has been more or less stable. There is, however, a trend of decline in enrolment in private professional education establishments which is probably owing to the legislation mandating that a student can use a tuition voucher only when enrolling in a state professional education establishment.

Table 2: Number of Students Enrolled in Higher Education Establishments in 2013-2017

Year	Private	State	Total
2013	8,699	20,169	28,868
2014	8,096	19,044	27,140
2015	9,798	18,649	28,447
2016	9,738	18,252	27,990
2017	9,786	18,420	28,206

Source: National Centre for Educational Quality Enhancement

The number of students enrolled in professional educational establishments showed a slight increase in 2016 by 43 students which constitutes 0.3%. In 2017, the number of students enrolled in these establishments decreased by 764 students or 4.9%.

As the Prime Minister emphasised the misbalance between professional and higher education establishments, **FactCheck** took interest in the number of students enrolled in higher education establishments during the last years.

In terms of the misbalance between the number of students enrolled in professional education establishments and those in higher education establishments in 2013, there was 18% more students enrolled in higher education establishments (59% as compared to 41% in professional education establishments). In 2016, the misbalance was at 28% (64% - 36%) and in 2017 it was at 32% (66% - 34%).

Despite the ongoing reform in the field of professional education, the unequal division of students between professional education establishments and higher education establishments highlights the fact that this kind of education remains less attractive and interesting for prospective students.

Of further note is that the funding allocated for professional education has been growing in the last years:

As illustrated by the table, the professional education budget (planned amount) increased by GEL 11.2 million as compared to the previous year.

Table 1: Number of Students Enrolled in Professional Education Establishments in 2013-2017

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

Source: Ministry of Education and Science

Table 3: Funding for Professional Education in 2013-2018 (GEL million)

Year	2013	2014	2015	2016	2017	2018
Budget	9.5	15	22	26.5	29.6	40.8

CONCLUSION

THE HIGHEST NUMBER OF STUDENTS ENROLLED IN PROFESSIONAL EDUCATION ESTABLISHMENTS (19,849) WAS REGISTERED IN 2013. IN 2016, THE NUMBER OF STUDENTS ENROLLED IN PROFESSIONAL EDUCATION ESTABLISHMENTS INCREASED MARGINALLY BY 43 STUDENTS AS COMPARED TO THE PREVIOUS YEAR. IN 2017, THE NUMBER OF STUDENTS ENROLLED IN PROFESSIONAL EDUCATION ESTABLISHMENTS DECREASED BY 764 OR 4.9%.

IN TERMS OF THE MISBALANCE BETWEEN THE NUMBERS OF STUDENTS ENROLLED IN PROFESSIONAL EDUCATION ESTABLISHMENTS AND HIGHER EDUCATION ESTABLISHMENTS, THE SMALLEST DIFFERENCE AT 18% WAS REGISTERED IN 2013. IN THE LAST TWO YEARS, THE MISBALANCE BETWEEN THE NUMBERS OF STUDENTS ENROLLED IN PROFESSIONAL EDUCATION ESTABLISHMENTS AND HIGHER EDUCATION ESTABLISHMENTS INCREASED FROM 28% TO 32%.

IN SPITE OF ONGOING REFORMS AND THE GROWING AMOUNT OF FUNDS FOR PROFESSIONAL EDUCATION, IT IS STILL LESS ATTRACTIVE FOR PROSPECTIVE STUDENTS.

FACTCHECK CONCLUDES THAT GIORGI KVIRIKASHVILI'S STATEMENT IS A **LIE**.

LIE

Industrial producer prices up by 0.2% in euro area

The FINANCIAL

In December 2017, compared with November 2017, industrial producer prices rose by 0.2% in the euro area (EA19) and by 0.1% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In November 2017, prices increased by 0.6% in the euro area and by 0.7% in the EU28.

In December 2017, compared with December 2016, industrial producer prices rose by 2.2% in the euro area and by 2.4% in the EU28.

The average industrial producer prices for the year 2017, compared with 2016, increased by 3.1% in the euro area and by 3.4% in the EU28.

Monthly comparison by main industrial grouping and by Member State

The 0.2% increase in industrial producer prices in total industry in the euro area in December 2017, compared with November 2017, is due to rises of 0.2% for intermediate goods and of 0.1% in the energy sector, for capital goods and for durable consumer goods, while prices remained stable for non-durable consumer goods. Prices in total industry excluding energy rose by 0.1%.

In the EU28, the 0.1% increase is due to rises of 0.2% for both intermediate goods and durable consumer goods and of 0.1% in the energy sector, while prices remained stable for both capital goods and non-durable consumer goods. Prices in total industry excluding energy also rose by 0.1%.

The highest increases in industrial producer prices were observed in Sweden (+1.2%), Ireland (+0.7%), Slovakia (+0.6%) and Finland (+0.5%), and the largest decreases in Denmark (-1.0%), Lithuania (-0.6%), as well as Estonia and Romania (both -0.3%).

Annual comparison by main industrial grouping and by Member State

The 2.2% increase in industrial producer prices in total industry in the euro area in December 2017, compared with December 2016, is due to rises of 3.0% for intermediate goods, of 2.9% in the energy sector, of 1.5% for non- durable consumer goods, of 1.0% for capital goods and of 0.7% for durable consumer goods. Prices in total industry excluding energy rose by 1.9%.

In the EU28, the 2.4% price increase is due to rises of 3.2% in the energy sector, of 3.1% for intermediate goods, of 1.8% for non-durable consumer goods, of 1.1% for durable consumer goods and of 0.9% for capital goods. Prices in total industry excluding energy rose by 2.1%.

Industrial producer prices rose in all Member States. The largest increases were recorded in Belgium (+5.3%), Bulgaria (+5.1%), the United Kingdom (+4.2%), Lithuania (+3.8%) and Ireland (+3.6%).

'Pillar of the community' deported from US after 39 years to a land he barely knows

Amman, Jordan (CNN) With nothing but the clothes on his back and less than $300 in his pocket, Amer Adi was put on a plane and deported to Jordan, the country he left 39 years ago to pursue his American dream.

His 94-year-old mother sat in a wheelchair at the arrivals gate, overcome with emotion as she waited for Adi. She hadn't seen him in 20 years.

As he walked out, his siblings, nephews and nieces broke out in cheers. But they were soon in tears.

Adi fell to his knees, a broken man in his mother's arms.

"I have mixed feelings, very mixed feelings. I'm so happy, so glad to be here, my home, to see my mother, my brother, my family, my friends, that makes me proud and happy," Adi told CNN at the airport.

Amer Adi falls to his knees as he reunites with his mother for the first time in 20 years.

Amer Adi falls to his knees as he reunites with his mother for the first time in 20 years.

"At the same time, I feel so sad of what happened to me. I'm so sorry to tell you what happened is unjust, not right, and everyone back there knows that. What the Trump administration is doing is -- you can't even explain it," said Adi.

Adi lived in America for nearly 40 years. He has a wife who is a US citizen, and four daughters who are also US citizens. He owns several businesses in his adopted hometown of Youngstown, Ohio. A week ago, he was deported.

For more than 20 years, his life has been a legal battle. But with the help of an Ohio congressman, he was able to remain in the US. That all changed when US President Donald Trump took office last year and doubled down on immigration.

Since he entered office, Trump has called for a sweeping overhaul of the immigration system, and has empowered federal authorities to ramp up arrests and deportations of undocumented immigrants

Immigration arrests have increased by 42% since Trump took office, according to the Department of Homeland Security's Immigration and Customs Enforcement (ICE).

The legal battle

In the 1980s, Adi held a green card. But he lost his permanent resident status in the early 1990s, after moving to Brazil for three years with his wife. When he returned, Adi tried to apply for a new card, but was rejected.

Immigration officials accused him of having a sham marriage with his American ex-wife.

His ex-wife had signed a statement alleging marriage fraud. According to Adi, his lawyer and multiple media interviews with Adi's ex-wife, she was coerced into making the statement after immigration officials showed up at her door.

In 2007, she signed an affidavit retracting her statement and denying the marriage was fraudulent.

Despite the affidavit, he was unable to gain legal status. In 2009, he was issued with a deportation order.

A 'pillar' of the community

Ohio Congressman Tim Ryan describes Adi as a "pillar" of their community, who creates jobs with his multiple businesses and distributes hundreds of turkeys to

Continued on p. 18

ICE arrests went up in 2017, with biggest increases in Florida, northern Texas, Oklahoma

The FINANCIAL

After years of decline, the number of arrests made by U.S. Immigration and Customs Enforcement (ICE) climbed to a three-year high in fiscal 2017, Pew Research based on data from the agency reported. The biggest percentage increases were in Florida, northern Texas and Oklahoma.

ICE made a total of 143,470 arrests in fiscal 2017, a 30% rise from fiscal 2016, according to Pew Research. The surge began after President Donald Trump took office in late January: From his Jan. 20 inauguration to the end of the fiscal year on Sept. 30, ICE made 110,568 arrests, 42% more than in the same time period in 2016.

Trump signed an executive order on Jan. 25 that expanded ICE's enforcement focus to most immigrants in the U.S. without authorization, regardless of whether they have a criminal record. Under President Barack Obama, by contrast, ICE focused its enforcement efforts more narrowly, such as by prioritizing the arrests of those convicted of serious crimes.

Despite the overall rise in arrests in 2017, ICE made about twice as many arrests in fiscal 2009, the year Obama came into office (297,898). This total generally declined in subsequent years.

ICE reports arrests geographically by "areas of responsibility." Although they are named for field offices in major cities, these areas can encompass large regions of the U.S., with some covering four or more states. The Miami area of responsibility, which covers all of Florida, saw the largest percentage increase in ICE arrests between 2016 and 2017 (76%). Next were the Dallas and St. Paul regions (up 71% and 67%, respectively). Arrests increased by more than 50% in the New Orleans, Atlanta, Boston and Detroit regions as well.

Other ICE regions, including those on the U.S.-Mexico border, saw relatively little change in arrests compared with the 30% increase nationally. The Phoenix and El Paso areas, for example, rose around 20% each. The San Antonio and Houston areas in particular saw almost no growth from 2016 to 2017 (up 1% and 5%, respectively). No region reported a decrease in arrests.

The overall number of immigration arrests made by ICE in 2017 varied around the U.S., and the most arrests did not always occur in areas close to the U.S.-Mexico border or in places with the largest unauthorized immigrant populations (such as the New York and Los Angeles metro areas).

ICE arrests were highest in the agency's Dallas area (16,520), which also saw the largest increase in absolute numbers between 2016 and 2017 (up 6,886). The Houston and Atlanta areas had the second- and third-highest totals in 2017 (each around 13,500), followed by the Chicago, San Antonio and Los Angeles areas (each with roughly 8,500 arrests).

The Dallas area led the nation in ICE arrests last year for the first time during the period analyzed (fiscal 2009-2017). In more recent years, areas closer to the Texas-Mexico border (including Houston and San Antonio) topped the list for arrests. However, the El Paso area, which is also located on the country's southern border, had among the fewest ICE arrests in the nation in 2017, with fewer than 2,000 – just slightly more than in the Baltimore and Buffalo areas.

Despite a 39% increase in arrests, the New York area of responsibility had among the fewest total ICE arrests in 2017 (roughly 2,600), even though it includes the New York City metro area – home to one of the nation's largest unauthorized immigrant populations, according to Pew Research Center estimates. The city itself has recently gained attention for its limited cooperation with federal immigration procedures and attempts to boost its "sanctuary city" status by expanding protections for unauthorized immigrants. New York was among several jurisdictions cited by ICE as having policies that restrict cooperation with federal immigration authorities. Jurisdictions within the Baltimore, Buffalo and El Paso areas also made the list. (Many of these policies were enacted long before Trump took office.)

Recent immigration arrest patterns demonstrate a growing emphasis by federal authorities on interior enforcement efforts. While ICE arrests went up significantly between 2016 and 2017, arrests made by U.S. Customs and Border Protection (CBP) – the federal agency responsible for enforcing U.S. immigration laws on the border – have declined. CBP agents made 310,531 apprehensions in 2017, down 25% from 2016 and the lowest total in over 45 years. Despite this decrease, CBP apprehensions still far outnumber arrests by ICE.

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"Just a Bit High"?

Continued from p. 2

mln. GEL1), plus the budget of the Ministry of Justice (63 mln. GEL), plus the budget of the Ministry of Foreign Affairs (120 mln. GEL), plus the budget of the Ministry of Internal Affairs (570 mln. GEL), plus the budget of the Government Administration (16 mln. GEL), plus the budget of the President's Administration (10 mln. GEL). If you are more familiar with sports, in particular football transfers, Georgian bank profit is a bit lower than the transfer price of Neymar (670 mln. GEL) and the transfer price of Coutinho (330 mln. GEL) combined.

The volume of Georgian banks' profit looks really impressive, but to evaluate how big or small it is, some benchmark indicators are needed. One of the most used indicators is Return on Equity (ROE). By definition, ROE is a measure of companies' profitability which demonstrates how much profit a company generates for each GEL of shareholders' equity.

But why does ROE matter? In principle, ROE measures not only profitability, but also reflects the efficiency of the company. Higher ROE indicates how efficiently the company management uses shareholders' capital. At the same time, ROE is a key indicator to assess company attractiveness to investors.

After getting familiar with the ROE, let's do what all Georgians and at the same time all economists love – a comparison with other countries.

Can you notice any association with the European Union? Congratulations! Georgia takes the first position in comparison with EU countries. In 2016, ROE was the highest in Georgia (18.6%), followed by Latvia (14.3%) and Hungary (12.1%). The least profitable banks are in Portugal, Greece and Italy. In 2017, ROE in Georgia was even higher, and amounted to 24.6% on average. This is a historical maximum for the Georgian banking industry.

If we compare Georgia to our "model country," Estonia, the difference is noticeable as well. For Estonian banks, ROE amounts to 11.1%. Because of low interest rates (business loans – 2.2%, household loans – 4.7%[2]), profitability becomes a key challenge faced by Estonian banks. (The profitability of the Georgian banking sector gives us the idea of sharing our success story with our Estonian friends.)

In general, high profitability of one of the economic sectors of a country seems to be positive for the whole economy, but when we are talking about the banking industry, the topic is much more sensitive and complicated, and raises many questions.

The possible links between bank profitability and economic growth makes this topic more important not only for academics, but for central banks as well. There are two contradictory arguments as to how bank profits affect economic growth. One is that high profitability is associated with low competition/high concentration, which leads to constrained access to credit and therefore hampers overall economic growth (Beck et al. (2004), Catorelli and Gambera (2004)). On the other hand, bank profitability can foster financial stability and positively influence economic growth. Furthermore, high bank profitability might reduce the probability of bank failure (Claeys and Schoors (2007)).

Now, let's go back to the Georgian case. To shed some light how banks generate profit, investigation into banks income and expense structure is needed. In general, profit is just net income, calculated using the following formula

Profit= Income (Interest + Non-interest) – Expenses (Interest + Non-interest)

Taking into account the fact that the banking industry mostly deals with lending and borrowing, interest income (77% of total income) and interest expenses (48% of total expenses) contribute the most in total profit generation.

Graph #2 above shows how the gap between interest income and interest expenses has been increasing over time, meaning that interest income increases faster than interest expenses. For instance, in 2010, interest income exceeded interest expenses by only 0.58 bln. GEL, while the latest data in 2017 shows that this gap reached 1.51 bln. GEL.

The reasons for the difference between interest income and interest expenses should be explored through interest rates themselves, particularly the gap between loans and deposit interest rates, known as the interest rate spread (IRS). The difference between these two interest rates is like "mark-up" which reflects the market structure (concentration), riskiness and efficiency of the banking sector. A high IRS is sign of an unhealthy environment in financial intermediation, which hampers access to finance and a country's economic development.

Not surprisingly, the interest rate spreads are positive (interest rate on loans > interest rate on deposits). Fortunately, they are characterized by a decreasing trend, except for the household market (in GEL) over the last two years (Graph #3). The story below provides some insights into the causes of this phenomenon:

First, keep it in mind that 2016 was the year after the largest depreciation of Georgian currency GEL (-28.5%) since 2015;

Compared to GEL-denominated loans, USD-denominated loans became more expensive;

The demand on GEL-denominated loans increased by 13.2% in 2016, which led to an increase in the interest rates on GEL-denominated loans;

The demand on GEL-denominated loans increased even more, by 90% in 2017, thanks to the new policy which requires that all household loans up to 100,000 GEL must be denominated in GEL.

Let's not forget that in 2017, the monetary policy rate increased three times, by +0.25 (in total +0.75), and amounted to 7.25%.

Thus, in 2017, the interest rate on GEL-denominated loans increased once again;

Higher demand on GEL-denominated loans increased demand on GEL-dominated deposits, but the interest rates on deposits increased only at the beginning of the year, and quickly stabilized. Therefore, the average interest rate on deposits, compared to the previous year, did not change much. This might be explained by a new initiative of Ministry of Finance mandating that starting in July 2017, money held by the treasury is to be saved as short-terms deposits. This helps commercial banks to maintain liquidity and have relatively cheap resources denominated in GEL.

To summarize, higher volume of loans denominated in GEL, and at the same time, higher interest rates stimulated higher profits for commercial banks. However, the impact of GEL depreciation on banks profit generation should be taken into account as well.

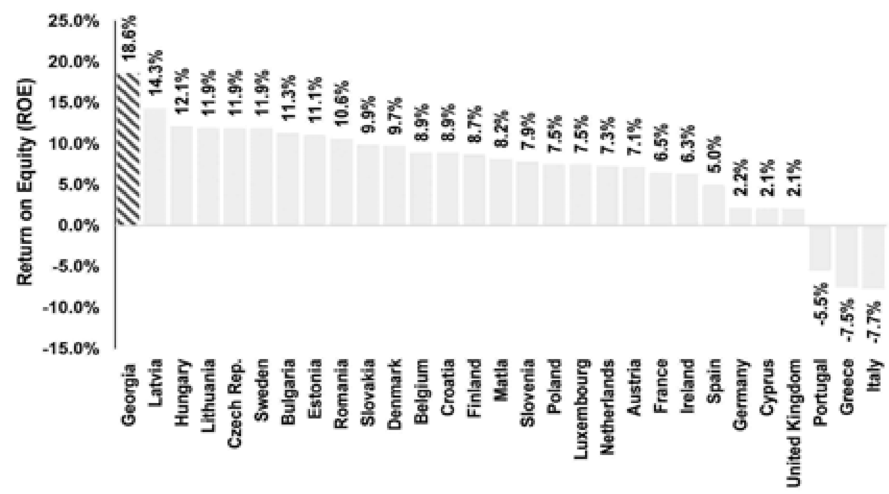
Investigation of interest income and interest expenses is just one part of the story. Another challenge for banks is to deal with is non-interest income and non-interest expenses. It is always ambiguous what non-interest income and expenses really mean, thus we shall begin with the definitions.

Non-interest income includes fees and commissions, income on fines/penalties, net gains/losses from currency conversion operations, net gains/losses from securities trading, and other non-interest income. Even more interesting are non-interest expenses, which covers personnel expenses, fixed assets and inventory expenses, and other miscellaneous expenses. Non-interest expenses can be viewed as a reflection of the quality of bank management (Athanasoglou et al. (2005), Curak (2011)). The ratio of non-interest expenses to total income shows how effectively banks use labor and physical capital. In 2010, the share of Georgian banks' non-interest expenses relative to total income was around 40%, while in 2017, this indicator amounted to only 30.4%. The decreasing trend of non-interest expenses/total income reflects the productivity/efficiency growth of the commercial banks, and therefore contributes to overall profitability of the banking sector.

In conclusion, the banking sector's 869 mln. GEL profit may need further detailed analysis, but we hope this article provided some insights into bank profit generation otherwise google search statistics for "Banks' Profit" in 2018 will have to increase further.

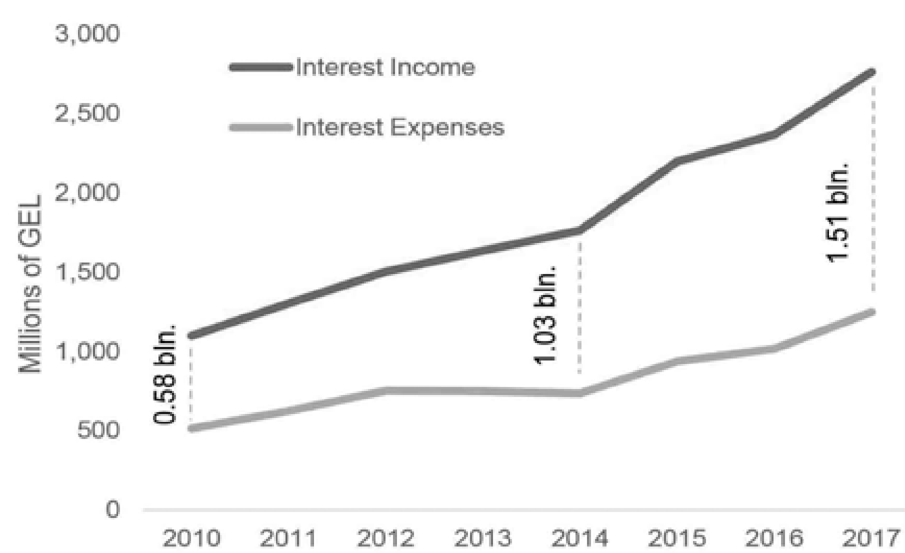
1 State Budget of Georgia in 2018.
2 National Bank of Estonia, 2017

Graph #1. Return on Equity (ROE) of Commercial Banks, 2016



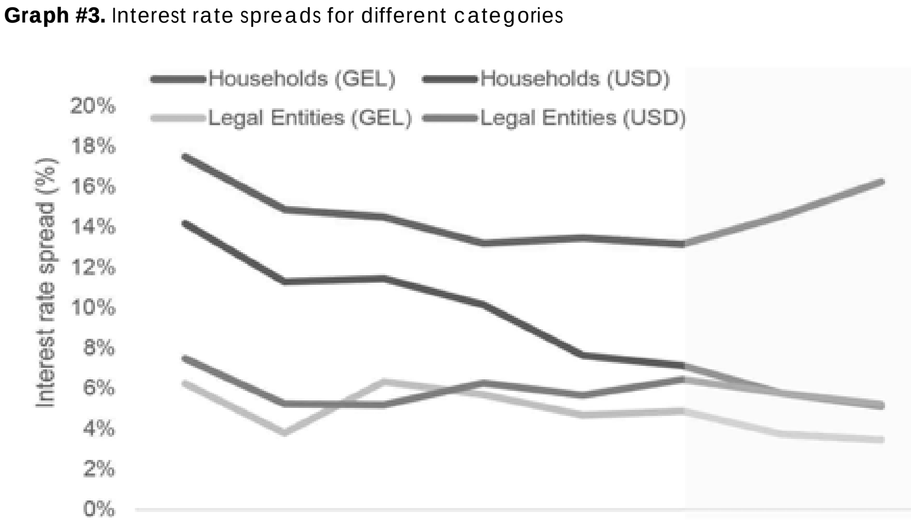
Source: National Bank of Georgia, European Banking Federation

Graph #2. Interest Income vs. Interest Expenses



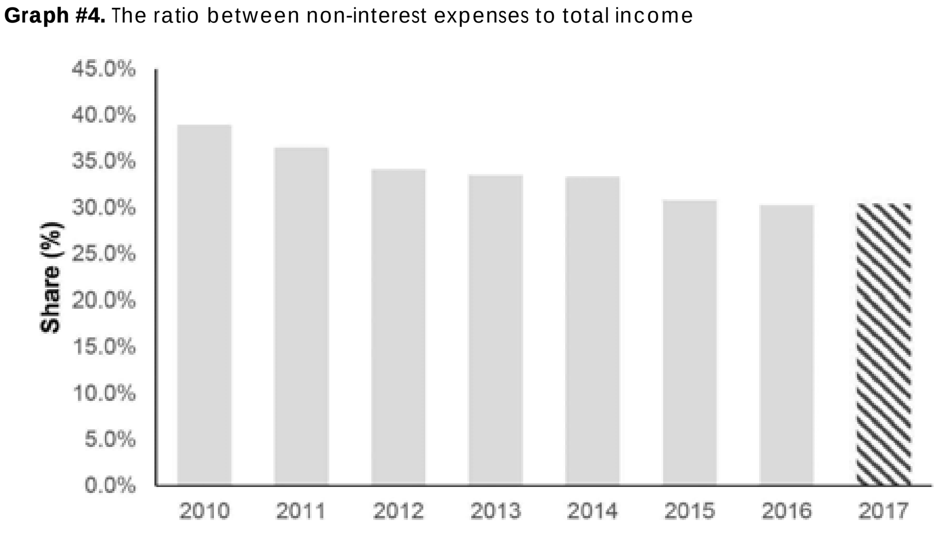
Source: National Bank of Georgia

Graph #3. Interest rate spreads for different categories



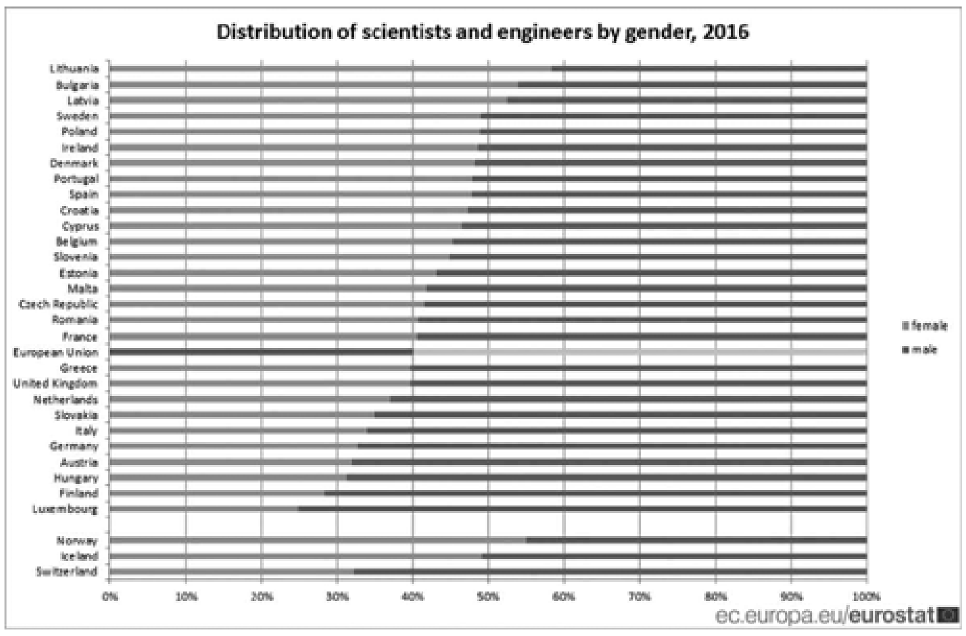
Source: National Bank of Georgia

Graph #4. The ratio between non-interest expenses to total income



Source: National Bank of Georgia

Women in science and technology



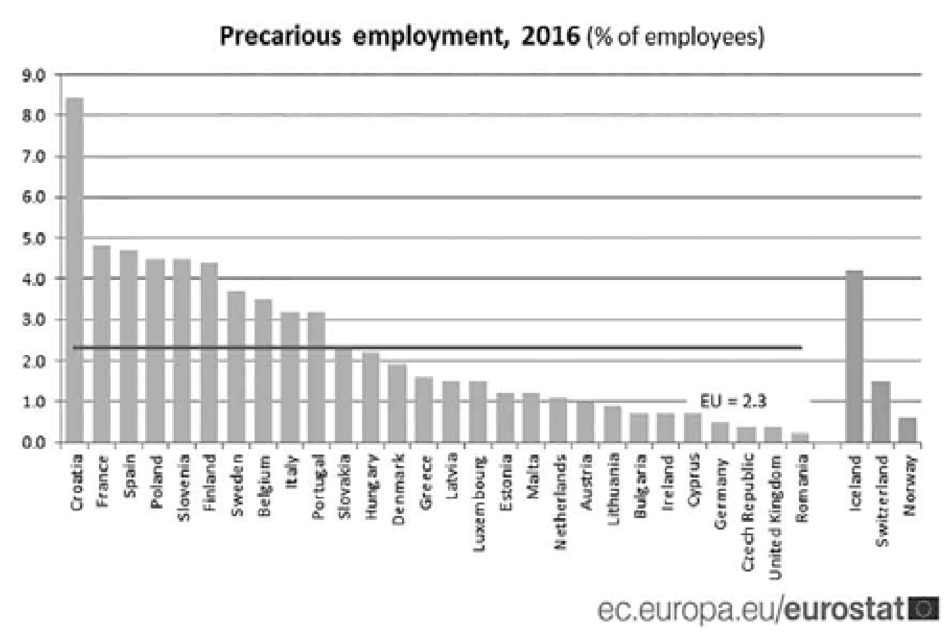
Teh FINANCIAL

In 2016, from the 1.7 million scientists and engineers in the EU, 60% were men and 40% women. Men were particularly overrepresented in manufacturing (83% of scientists and engineers in manufacturing were male), while the services sector was more balanced (55% male and 45% female).

However, in three EU Member States, the majority of scientists and engineers were women: Lithuania (58% female), Bulgaria (54%) and Latvia (52%).

Less than one third of scientists and engineers were women in Luxembourg (25%), Finland (28%), Hungary (31%), Austria (32%) and Germany (33%).

2.3% of EU employees have a precarious job



The FINANCIAL

2.3% of the employees in the EU had a precarious job in 2016, meaning that the work contract did not exceed three months duration.

The share of precarious employment has remained relatively stable over the last 10 years, varying between 2.0% (in 2009) and 2.3%. Precarious work contracts are most common in agriculture, forestry and fisheries affecting 8.1% of the employees in the sector.

Share of precarious employment highest in Croatia

Among the EU Member States, the share of precarious employment was highest in Croatia (8.4%), followed at a distance by France (4.8%), Spain (4.7%), Poland and Slovenia (both 4.5%).

Short work contracts were less common in Romania (0.2%), the United Kingdom and the Czech Republic (both 0.4%), as well as Germany (0.5%).

A wake-up call for an alternative investment industry facing disruption

Continued from p. 5

(51 percent) and fees and charges, becoming a major differentiator (30 percent). They also cited client-driven factors such as growing social acceptance of digitization, and end-investors becoming more demanding (37 percent) and more financially and digitally savvy (36 percent).

Holding back the pace of digitization are a number of technology and business-related factors. On the technology side, they include cyber security (58 percent), legacy IT systems (43 percent), and the high cost of digital innovations (42 percent). On the business side, they include senior executives being too focused on day-to-day matters (40 percent), regulatory issues (39 percent) and low risk appetite in the corporate culture (31 percent).

The survey identified activities that are especially ripe for disruption in the front, middle and back offices. They include portfolio risk management, research and securities selection, alpha generation, deal flows, risk & compliance and fund accounting.

DIGITAL TECHNOLOGIES ARE RADICALLY RESHAPING THE ALTERNATIVE INVESTMENT INDUSTRY.

3.3 million find work – 3rd quarter 2017

The FINANCIAL

Urther 3.6 million (21.2%) became economically inactive. For the first time data for Belgium are included. Data for Germany are not available.

Of all those initially in employment in the second quarter of 2017, 2.5 million (1.3%) became unemployed in the third quarter of 2017, and 4.0 million (2.2%) transitioned into economic inactivity.

From those initially counted as economically inactive in the second quarter of 2017, 4.0 million (3.5%) moved into employment in the third quarter 2017, and 3.9 million (3.5%) transitioned into unemployment.

The graphic and table below give an overview of all possible transitions and show the changes in labour market status. In the graph, the figures for employment, unemployment and inactivity refer to the number of people remaining in each status between the two quarters. The grey arrows indicate the direction of net flows.

Gartner Survey Shows Organizations Are Slow to Advance in Data and Analytics

The FINANCIAL

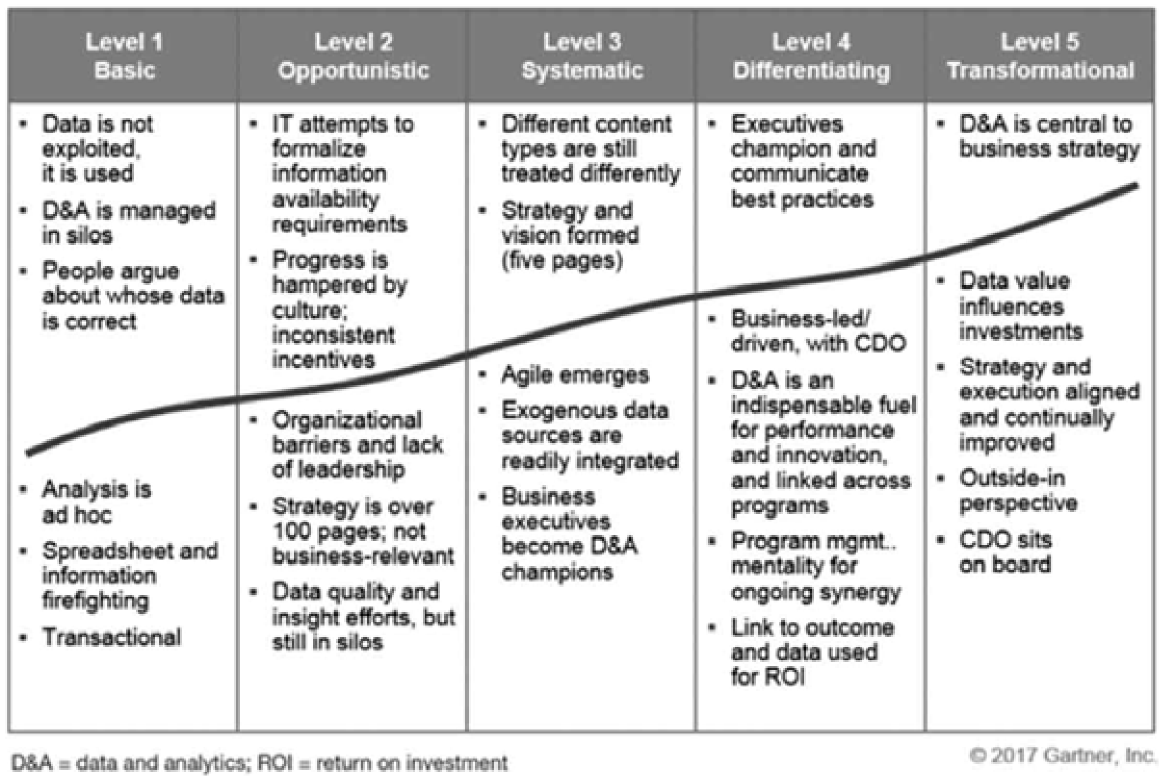
A worldwide survey of 196 organizations by Gartner, Inc. showed that 91 percent of organizations have not yet reached a "transformational" level of maturity in data and analytics, despite this area being a number one investment priority for CIOs in recent years.

"Most organizations should be doing better with data and analytics, given the potential benefits," said Nick Heudecker, research vice president at Gartner. "Organizations at transformational levels of maturity enjoy increased agility, better integration with partners and suppliers, and easier use of advanced predictive and prescriptive forms of analytics. This all translates to competitive advantage and differentiation."

The global survey asked respondents to rate their organizations according to Gartner's five levels of maturity for data and analytics (see Figure 1). It found that 60 percent of respondents worldwide rated themselves in the lowest three levels.

The survey revealed that 48 percent of organizations in Asia Pacific (APAC) reported their data and analytics maturity to be in the top two levels. This compares to 44 percent in North America and just 30 percent in Europe, the Middle East, and Africa (EMEA).

The majority of respondents worldwide assessed themselves at level three (34 percent) or level four (31 percent). Twenty-one percent of respondents were at level two, and 5 percent at the basic level, level one. Only 9 percent of organizations surveyed reported themselves at the highest level, level five, where the biggest transformational benefits lie.



"Don't assume that acquiring new technology is essential to reach transformational levels of maturity in data and analytics," said Mr. Heudecker. "First, focus on improving how people and processes are coordinated inside the organization, and then look at how you enhance your practices with external partners."

Improving process efficiency was by far the most common business problem that organizations sought to address with data and analytics, with 54 percent of respondents worldwide marking it in their top three problems. Enhancing customer experience and development of new products were the joint second most common uses, with 31 percent of respondents listing each issue.

The survey also revealed that, despite a lot of attention around advanced forms of analytics, 64 percent of organizations still consider enterprise reporting and dashboards their most business-critical applications for data and analytics. In the same manner, traditional data sources such as transactional data and logs also continue to dominate, although 46 percent of organizations now report using external data.

"It's easy to get carried away with new technologies such as machine learning and artificial intelligence," added Mr. Heudecker. "But traditional forms of analytics and business intelligence remain a crucial part of how organizations are run today, and this is unlikely to change in the near future."

Organizations reported a broad range of barriers that prevent them from increasing their use of data and analytics. There isn't one clear reason; organizations tend to experience a different set of issues depending on their geography and current level of maturity. However, the survey identified the three most common barriers as: defining data and analytics strategy; determining how to get value from projects; and solving risk and governance issues.

"These barriers are consistent with what Gartner hears from client organizations who are at maturity levels two and three," said Jim Hare, research vice president at Gartner. "As organizational maturity improves to enterprise level and beyond, organizational and funding issues tend to rise."

In terms of infrastructure, on-premises deployments still dominate globally, ranging from 43 to 51 percent of deployments depending on use case. Pure public cloud deployments range from 21 to 25 percent of deployments, while hybrid environments make up between 26 and 32 percent.

"Where the analytics workloads run is based a lot on where the data is generated and stored. Today, most public cloud workloads are new and we won't see the percentage of cloud use rise until legacy workloads migrate en masse," said Mr. Hare. "This scenario will happen eventually, but given the extent to which modern data and analytics efforts overwhelmingly use traditional data types stored on-premise, this shift will likely take several years to complete."

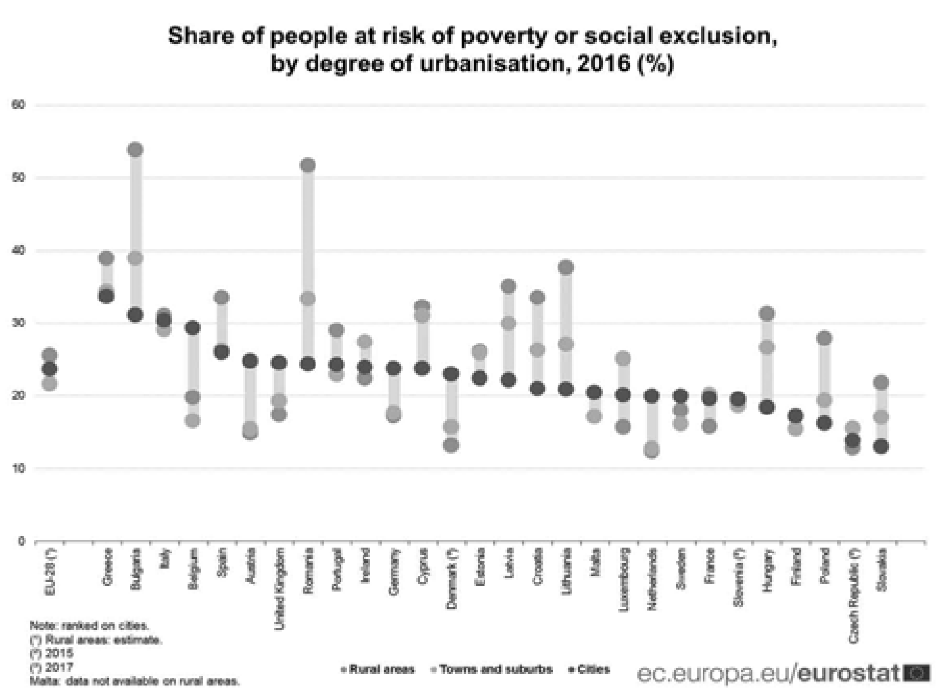
Our lives in the city

The FINANCIAL

In 2016, 41.2% of the population lived in the cities, 30.6% lived in towns and suburbs, and 28.2% lived in rural areas. A closer look at people at risk of poverty or social exclusion

In 2016, almost one in four city dwellers (23.6%) in the EU was at risk of poverty or social exclusion. However, this rate was lower than the 25.5% of the population at risk of poverty or social exclusion who lived in rural areas, but higher than 21.6% of population in towns and suburbs. To be 'at risk of poverty or social exclusion', one of the following three situations must apply: the person must be at risk of (monetary) poverty; severely materially deprived; living in a household with very low work intensity.

The total share of the population who were at risk of poverty or social exclusion in the EU has slightly increased over the years. In cities the share has risen from 22.7% in 2010 to 23.6% in 2016, while in towns and suburbs it has increased from 20.3% in 2010 to 21.6% in 2016. In contrast, the share has decreased in rural areas from 29.0% in 2010 to 25.5% in 2016. However, the trends varied across the EU Member States.



Share of city dwellers at risk of poverty or social exclusion highest in Greece, lowest in Slovakia

The lowest share of city dwellers at risk of poverty or social exclusion was recorded in Slovakia (13.0%), closely followed by Czech Republic (13.8%), ahead of Poland (16.2%) and Finland (17.2%). On the other hand, the highest share was observed in the cities of Greece (33.6%), followed by Bulgaria (31.1%), Italy (30.3%) and Belgium (29.3%).

In 12 EU Member States, cities recorded the lowest proportion of people at risk of poverty or social exclusion, whilst in ten Member States, the lowest proportions were recorded in rural areas. In six Member States, the lowest proportions were recorded in town and suburbs.

City dwellers in Austria, Belgium, Denmark, the Netherlands, and the United Kingdom were more likely to be at risk of poverty or social exclusion than those living in rural areas, towns and suburbs. In contrast, city dwellers in Romania were half as likely as those living in rural areas to face the risk of poverty or social exclusion, followed by Bulgaria, Croatia, Hungary, Latvia and Lithuania.

The statistics show a marked geographical split: on the one hand, the highest risk of poverty or social exclusion in most of the western and northern Member States was usually recorded for people living in cities. However, the highest risk of poverty or social exclusion for many of the eastern, southern and Baltic Member States was usually recorded in rural populations.

world

'Pillar of the community' deported from US after 39 years to a land he barely knows

Continued from p. 6

the poor on Thanksgiving.

For years, the House Democrat has been fighting for Adi to remain in America and it was his efforts that secured consecutive stays of the deportation order.

"If you would see the breadth of support that this gentleman has, from whether it's his Italian-Irish Catholic congressman or an African-American Pentecostal Republican woman who is supporting him or the working-class people I saw in his shop the day they thought he was going to get deported ... to show support for him," Ryan told CNN in an interview.

Among Adi's businesses are a hooka bar, a convenience store and a deli.

"He has a Jewish attorney whose father survived the Holocaust ... this person has brought this community together in Youngstown, Ohio," Ryan added.

While Adi's deportation order was issued in 2009, ICE did not proceed with the deportation. He was, instead, required to routinely check in with the agency, which he was diligent about, according to his lawyer David Leopold. In 2013, Ryan presented a private bill -- legislation specific to a person and not

affecting overall policy -- to Congress, which would get him a more thorough review of his case. He has presented the bill several times since then.

Having the private bill in motion meant Adi was granted a two-year stay. Under Trump, though, ICE reduced the deportation stay to six months, according to Ryan.

Last September, an ICE field office put an ankle bracelet with a GPS monitor on Adi. He was then told to make arrangements to leave the US, according to his lawyer.

In a statement to CNN, ICE said that he would be allowed to return only if the bill is finally passed.

"While ICE acknowledges Congress's authority to pass legislation providing immigration benefits to non-citizens, alien beneficiaries need not be present in the United States for a private immigration relief bill to be introduced, considered and/or enacted. An alien who is granted relief through the enactment of a private immigration bill can lawfully travel back to the United States," the statement read.

After conducting a comprehensive review of Adi's case, ICE said in the statement that it has chosen not to grant a stay of removal.

Over the past decade, Adi's immigration case has "undergone exhaustive judicial review at multiple levels of the nation's courts, including before the immigration courts, federal appeals courts and U.S. district court. In each review, the courts have held that Adi does not have a legal basis to remain in the US," ICE said in the statement.

Adi's last few months were a rollercoaster of emotions, expecting deportation amid the ramped-up crackdown on illegal immigration across the US as part of the Trump administration's stance on the issue.

Adi and his second wife Fidaa, a US citizen, arranged to leave the United States at their own expense in early January. They sold the family home and prepared to say goodbye to everyone.

"ICE agents were to meet them at the airport and remove his ankle bracelet before he boarded the flight," Adi's attorney told CNN. "On January 4th, ICE called to say that they canceled the departure date -- that he should not depart as scheduled and that no new date was set."

But according to Leopold, Adi was asked instead to report to ICE local headquarters on January 15 for a routine check-in to discuss the case. Adi was escorted by several supporters including Ryan, but he was taken into custody without being given a reason.

Adi was not able to see his family before being put on a plane to Amman on January 30.

A 40% rise in arrests

Over the past year tens of thousands have been arrested by ICE, according to Human Rights Watch. Many, like Adi, are deeply rooted in their communities and have no criminal convictions.

More undocumented immigrants have been arrested under the Trump administration, while deportations have lagged behind the rates of the Obama administration.

Last year, ICE's deputy Director Thomas D. Homan said that under Trump's administration, undocumented immigrants "should be afraid," explaining that anyone who has violated the law should be looking over their shoulder. ICE has made clear that while they still prioritize criminals, they also prioritize undocumented immigrants with final deportation orders and do not consider anyone exempt from being arrested or put into deportation proceedings.

"I don't think there is any question that this is the new normal ... To watch these families get ripped apart is the most heart-breaking thing any American citizen could ever see ... Because you are for these families, it doesn't mean you are not for a secure border," said Ryan.

"I am for a humane pathway for good people who want to participate in the American dream and who have contributed to this country for 40 years and are an American in every sense of the word," he said.

A day after arriving in Amman, a city he barely recognizes now, Adi was still in shock and disbelief.

"The American dream started 40 years ago for me ... I built this whole thing scratch from nothing. Even if anybody wants to stop that American dream, I won't let them. I'm going to keep the fight going," an emotional Adi told CNN.

The hardest thing, he said, is being away from his family.

"I miss my wife, the kids," he said, choking back tears. "I miss Youngstown. I miss everybody."

Reprinted from CNN

Weekly Market Watch

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ECONOMY

Tourist arrivals up 23.0% y/y in January 2018

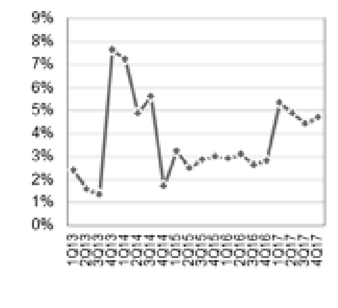
Total international arrivals to Georgia increased 14.8% y/y to 0.44mn visitors in January 2018, according to the Ministry of Internal Affairs. A 23.0% y/y growth in tourist arrivals (0.19mn persons, 42.7% of total) drove arrival growth. Out of top countries by arrivals, in January 2018, visitors continued to increase from Armenia (+20.9% y/y), Russia (+14.6% y/y), Azerbaijan (+0.8% y/y), Turkey (+20.1% y/y) and Iran (+92.4% y/y). Arrivals from EU were up 13.8% y/y to over 12,100 visitors.

Key macro indicators

	1M18	2017	2016
GDP (% change)	...	4.8%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US$)	...	4,123	3,872
Population (mn)	3.7	3.7	3.7
Inflation (eop)	4.3%	6.7%	1.8%
Gross reserves (US$ bn)	3.1	3.0	2.8
CAD (% of GDP)	...	7.1%(1)	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.6%

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

Real GDP growth, %



Source: GeoStat

Georgia sovereign credit ratings

STANDARD & POOR'S	MOODY'S INVESTORS SERVICE	FitchRatings
BB- Stable Affirmed Nov-2016	Ba2 Stable Affirmed Sep-2017	BB- Stable Affirmed Mar-2017

Source: Rating agencies

International ranking, 2016-17

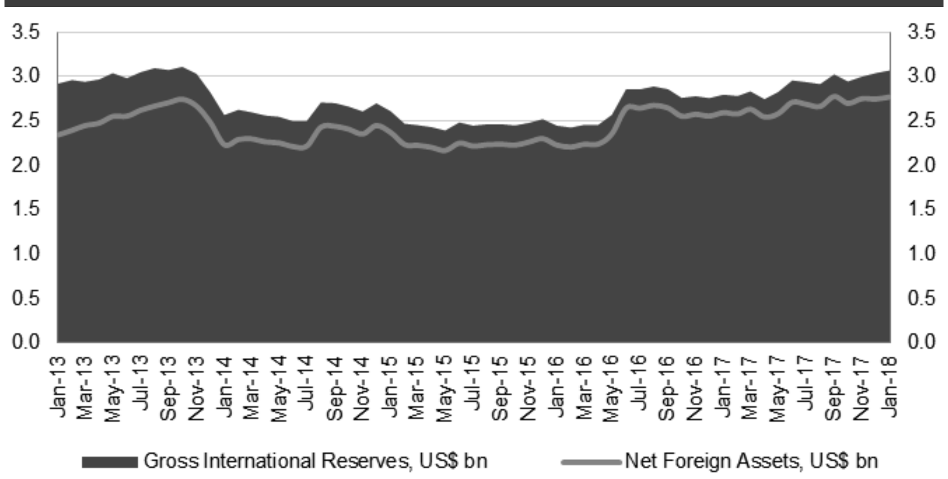
Ease of Doing Business
9 (Top 10)

Economic Freedom Index
13 (mostly free)

Global Competitiveness Index
59 (improving trend)

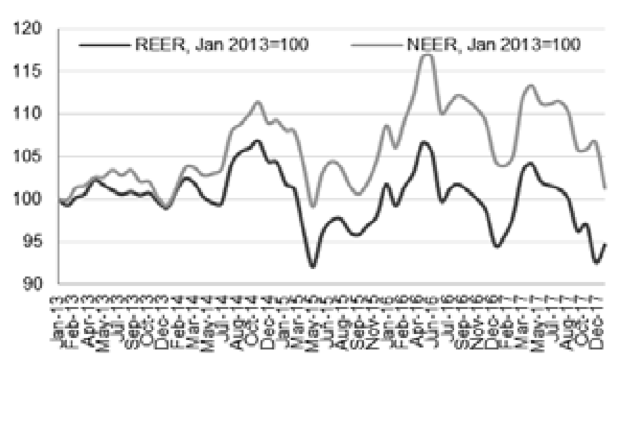
Source: World Bank, Heritage Foundaition and World Economic Forum

International reserves



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



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

International reserves up 9.7% y/y in January 2018

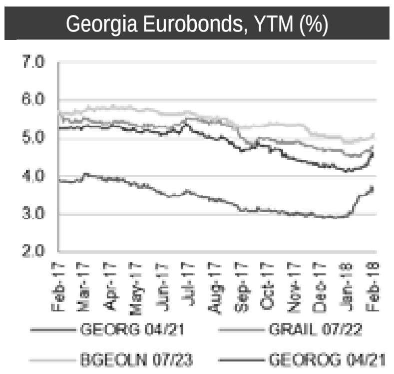
Gross international reserves were up 9.7% y/y to US$ 3.1bn in January 2018, while reserves were up 1.0% m/m, according to NBG. There were no FX interventions by central bank in January. Change in reserves was attributed to government FX operations and/or asset revaluation.

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.0% yield, trading at 104.9 (unchanged 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 107.2 (-0.4% w/w), yielding 4.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.1 (-0.4% w/w), yielding 4.7%.

Georgian Sovereign Eurobonds (GEORG) closed at 109.7 (-0.4% w/w) at 3.6% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/ Moody's	BB-/-/-	-/-/-	-/-/-	-/-/-	n/a	BB-/-/Ba2	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba2	B+/B+/-
Mid price, US$	n/a	103.1	101.3	101.3	101.19	100.5	106.0	104.0	109.6	111.2
Mid yield, %	n/a	5.5%	8.5%	3.8%	6.50%	10.7	4.7	5.1	3.6	4.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	220.4	248.6	113.6	231.5

** 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*

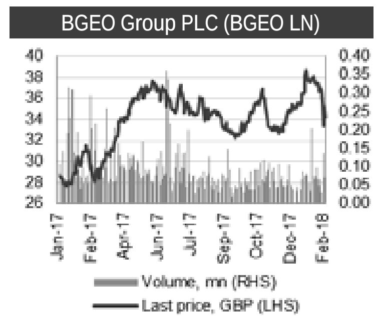
Eastern European sovereign 10-year bond performance

Issuer	Amount, US$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	3.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	3.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	3.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	4.2

Source: Bloomberg

EQUITIES

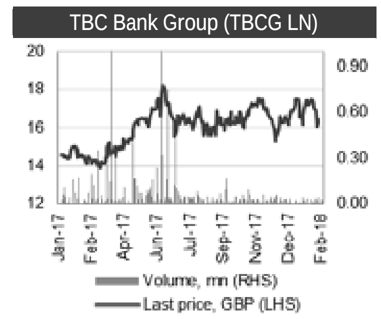
BGEO Group PLC (BGEO LN)



Source: Bloomberg

BGEO Group (BGEO LN) shares closed at GBP 33.42/share (-9.63% w/w and -8.29% m/m). More than 379k shares traded in the range of GBP 33.42 – 36.86/share. Average daily traded volume was 73k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 5.44% w/w and lost 7.98% m/m. The volume of BGEO shares traded was at 0.96% of its capitalization.

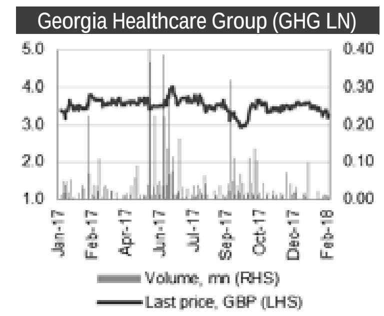
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 15.80 (-1.37% w/w and -4.59% m/m). More than 69k shares changed hands in the range of GBP 15.30 – 16.50 share. Averaged daily traded volume was 15k in the last 4 weeks.

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

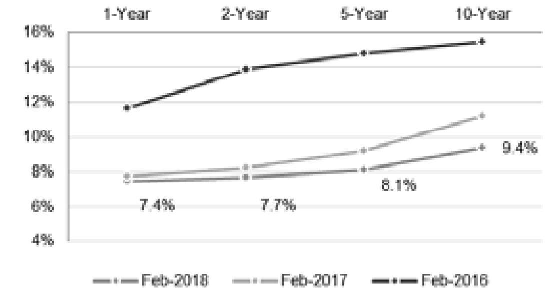
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.20/share (-0.62% w/w and -9.86% m/m). More than 31k shares were traded in the range of GBP 3.20 – 3.45/share. Average daily traded volume was 6k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 950.0mn (US$ 384.9mn).

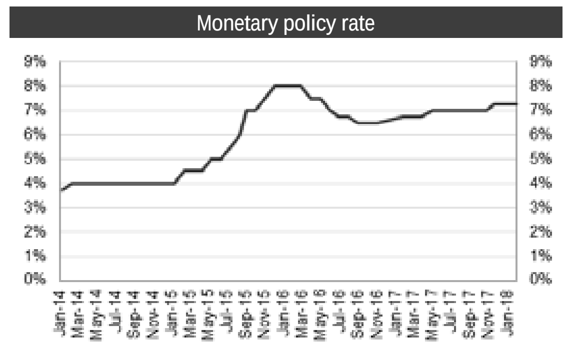
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US$ 16.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 7, 2018. The weighted average yield was fixed at 7.429%. The nearest treasury security auction is scheduled for February 14, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

T-bills / T-notes, yield curve



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

Monetary policy rate



Source: NBG

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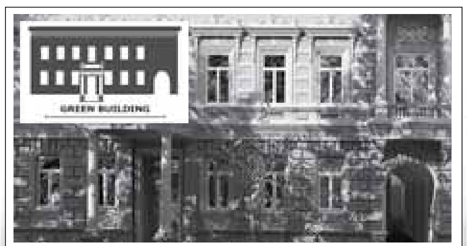

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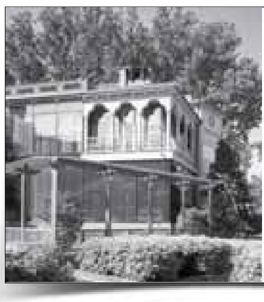

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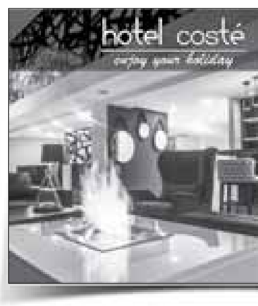

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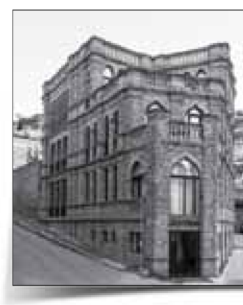

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