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8 facts about love and marriage in America

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No Tattoos Please, We're Uzbek: Tashkent Issues New Rules For Musicians

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Artificial Intelligence to contribute $320 billion USD to Middle East GDP by 2030

The FINANCIAL

PwC Middle East reports that Artificial Intelligence (AI) will contribute US$320 billion to the Middle East economy by 2030 - the equivalent to 11% of GDP.

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The myth of AI

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The Georgian economy in 2017 – a year in review

Yaroslava BABYCH and Giorgi MZHAVANADZE
ISET

Among the pleasant surprises early this year, were the figures for Georgia's economic growth in 2017. According to GeoStat estimates, **Georgia's real GDP grew by 4.8% year over year (YoY) in 2017**. This result moderately surpassed the ADB, EBRD, IMF and World Bank's last growth projections of 4.2%, 3.9% 4.0%, and 3.5% growth, respectively. The National Bank of Georgia's (NBG) 4.5% growth projection also slightly underestimated Georgia's economic growth in 2017. The real winner in this race was ISET-PI's annual GDP growth forecast. In November 2017, we predicted 4.7% YoY growth, and since then our updated forecasts indicated 4.8% real GDP growth.

Yet, compared to neighboring countries (in particular Armenia and Turkey), Georgia's performance was quite modest.

Continued on p. 2

Germany's highest share of single-person households in Regensburg

The FINANCIAL -- A new GfK study reveals the regional distribution of Germany's demographic traits, such as family type, age ranges and income levels.

The nation's highest share of single-person households is in the urban district of Regensburg, while the highest share of households with children is in the rural district of Cloppenburg.

Germany's share of single-person households is just under 38 percent. The nationwide share of multiple-person households with children is 32.1 percent.

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CURRENCIES

	Feb 17	Feb 10
1 USD	2.4641 ▼	2.4501
1 EUR	3.0782 ▼	3.0031
100 RUB	4.3669 ▼	4.2257
1 TRY	0.6572 ▼	0.6412

Zara Home has Opened its First Store in Georgia

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Weekly Market Watch

By Galt & Taggart

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FINANCIAL

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CURRENT PRICES ON GASOLINE AND DIESEL

19 FEBRUARY, 2018, GEORGIA

Gulf — Prices in GEL

G-Force Super	2.49
G-Force Premium	2.35
G-Force Euro Regular	2.27
Euro Regular	2.24
G-Force Euro Diesel	2.39
Euro Diesel	2.31
CNG	1.55

Prices in GEL

Eko Super	2.52
Eko Premium	2.37
Eko Diesel	2.40
Euro Diesel	2.35
Euro Regular	2.28
Diesel Energy	2.28

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	1.53

ROMPETROL — Prices in GEL

Efix Euro 98	2.52
Efix Euro Premium	2.40
Euro Regular	2.28
Efix Euro Diesel	2.40
Euro Diesel	2.30

ISET ECONOMIC INDICATORS

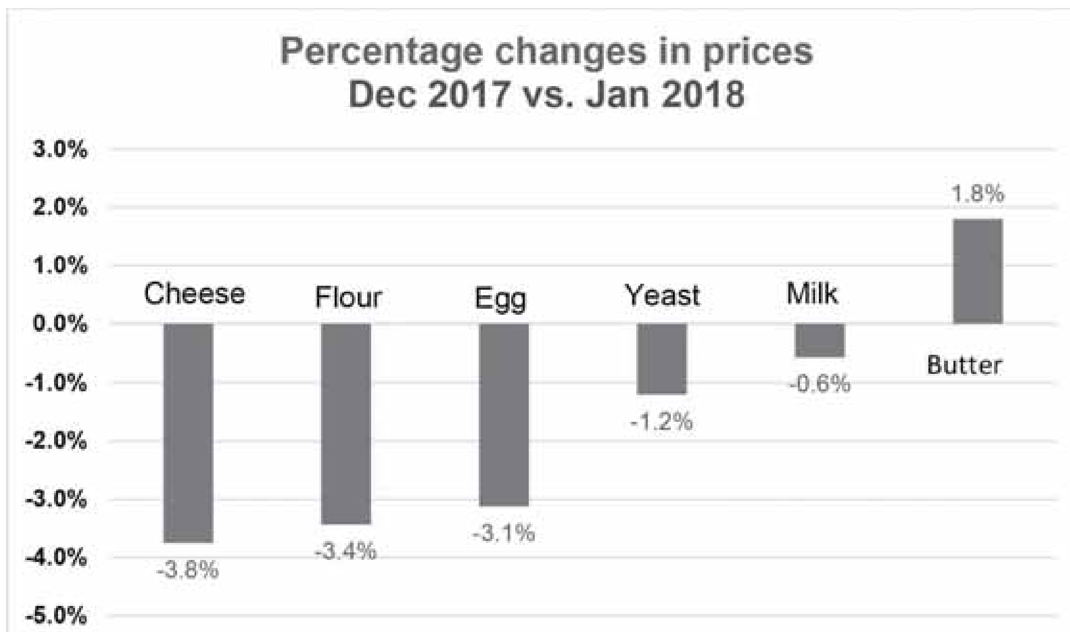
International School of Economics at TSU

KHACHAPURI INDEX

For more: WWW.ISET-PI.GE

WILL THE DOWNWARD PRICE TREND CONTINUE?

In January 2018, the average price of cooking one Imeretian khachapuri stood at 3.71 GEL. Compared to the previous year (January 2017), the Khachapuri Index gained 1.3 %. While going up in yearly terms, the Index actually dropped 2.9% compared to the previous month (December 2017).



As shown in the chart, all khachapuri ingredients except butter contributed to the Khachapuri Index monthly deflation. The price of only one ingredient – butter - increased by 1.8% compared to previous month. All other khachapuri ingredients decreased in price: cheese (3.8%), flour (3.4%), egg (3.1%), yeast (1.2%) and milk (0.6%).

This decreasing price trend may continue for the next several months, because the fasting period is starting and the demand for milk and eggs will be lower. Furthermore, the supply of fresh milk will increase in spring, and this might push prices even further down. Last, GEL is gaining in value against USD, so imported goods (flour, butter, yeast) or imported intermediate inputs in their production (flour and milk) become cheaper when expressed in GEL.

ISET ECONOMIC INDICATORS

International School of Economics at TSU

MACROECONOMIC REVIEW

For more: WWW.ISET-PI.GE

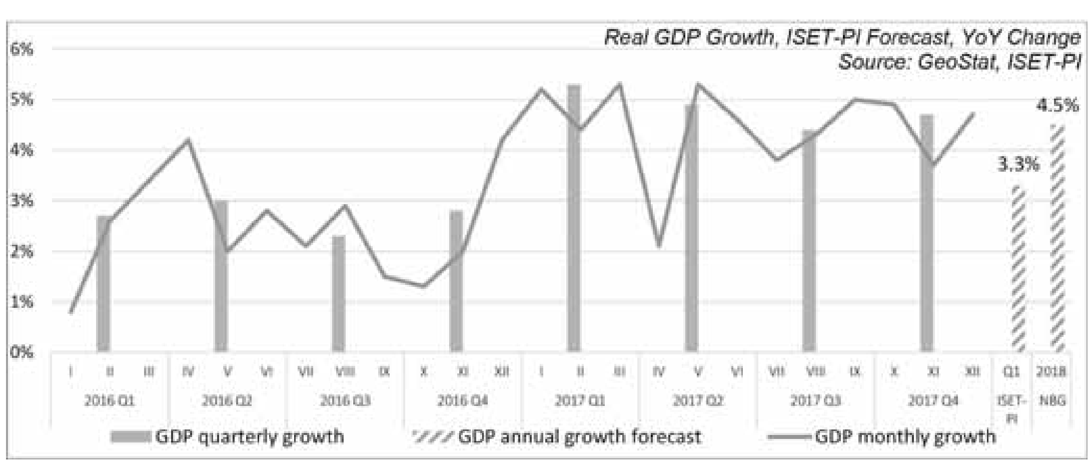
The Georgian economy in 2017 – a year in review

Yaroslava BABYCH and Giorgi MZHAVANADZE

ISET

Georgia's economic growth: beating expectations in 2017

Among the pleasant surprises early this year, were the figures for Georgia's economic growth in 2017. According to GeoStat estimates, **Georgia's real GDP grew by 4.8% year over year (YoY) in 2017**. This result moderately surpassed the ADB, EBRD, IMF and World Bank's last growth projections of 4.2%, 3.9% 4.0%, and 3.5% growth, respectively. The National Bank of Georgia's (NBG) 4.5% growth projection also slightly underestimated Georgia's economic growth in 2017. The real winner in this race was ISET-PI's annual GDP growth forecast.



In November 2017, we predicted 4.7% YoY growth, and since then our updated forecasts indicated 4.8% real GDP growth.

Yet, compared to neighboring countries (in particular Armenia and Turkey), Georgia's performance was quite modest. According to the latest World Bank estimates, Turkey enjoyed 6.7% annual growth – driven by improved external demand from the EU, fiscal expansion and the low GDP base of the previous year. However, due to political instability, massive depreciation of the lira and double-digit inflation, the growth rate of the Turkish economy is expected to slow to 3.5% YoY in 2018. Signs of economic recovery were observed in Russia as well. The country's 1.5% growth in 2017 was driven by a variety of factors: increased oil prices on the world market, an improved trade balance, huge infrastructure projects, a stabilized exchange rate and low inflation. These positive developments in Russia were transmitted to Armenia through remittances and trade channels. Economic growth in Armenia was the highest in

Continued on p. 17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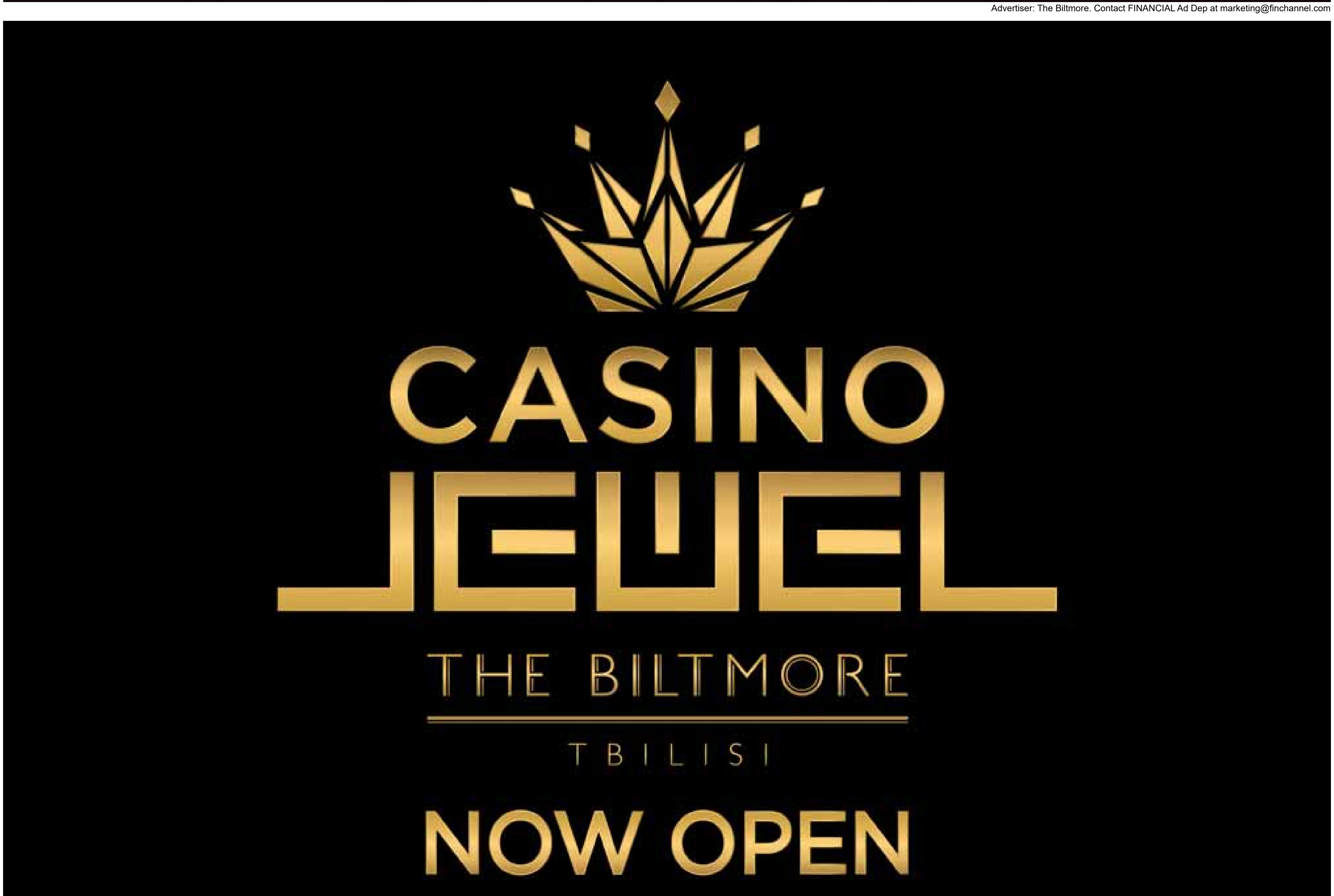
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financial news

Artificial Intelligence to contribute $320 billion USD to Middle East GDP by 2030

The Middle East is expected to account for 2% of the total global benefits from AI in 2030

The FINANCIAL

THE GREATEST GAINS FROM AI ARE LIKELY TO BE IN UAE (CONTRIBUTION OF UP TO 13.6% GDP IN 2030) AND KSA (12.4%); THE BIGGEST SECTOR GAINS COULD BE IN RETAIL, AND THE PUBLIC SECTOR INCLUDING HEALTHCARE AND EDUCATION RELATIVE TO CURRENT SIZE;

AI COULD CONTRIBUTE US$320 BILLION TO THE MIDDLE EAST ECONOMY IN 2030, EQUIVALENT TO 11% OF GDP;

PwC Middle East reports that Artificial Intelligence (AI) will contribute US$320 billion to the Middle East economy by 2030 - the equivalent to 11% of GDP.

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That first wave consists of largely known technological innovations that are either adoption-ready or that are currently being fine-tuned or scaled for broader implementation.

Beyond 2030, the scope of AI impacts on both the economy and society will almost certainly increase, so it is important for the Middle East to be strategically placed in order to provide a springboard for the future.

The most significant relative gains in the region are expected in the UAE where AI is expected to contribute almost 14% of GDP in 2030. This is followed by KSA (12.4%), the GCC4 (Bahrain, Kuwait, Oman and Qatar (8.2%)) and then Egypt (7.7%). The contribution of AI estimated for Saudi Arabia and the UAE is similar to the contributions estimated for economies in Southern Europe and Developed Asia in our global analysis.

In the UAE, AI is at the forefront of the government's strategic plans, the initiatives to support the development of AI places it in a strong position as one of the leaders for AI in the region, and quite possibly the world. For example, Dubai's strategies include, amongst others: a smart Dubai Strategy, a Dubai 3D Printing Strategy and a Dubai Autonomous Transportation Strategy.

At the sectoral level, the most significant gains in absolute terms are expected in the construction and manufacturing sector. The sector is expected to a account for almost a third of the entire benefits to the region, equivalent to almost USD-100bn in 2030.

Relative to their size, the retail and wholesale trade sector and the public sector (including health and education) stand to experience the most significant contribution from AI.

"In the wake of the fourth industrial revolution, governments and businesses across the Middle East are beginning to realise the shift globally towards AI and advanced technologies. They are faced with a choice between being a part of the technological disruption, or being left behind,"Richard Boxshall, Senior Economist at PwC Middle East, says.

"The potential for AI adoption varies by industry, the difference is driven by factors such as infrastructure and access to skilled labour, which are considered key enabling factors for AI development. The impact on productivity alone will be transformational and disruptive for a region like the Middle East which faces weak productivity levels. Investment in AI technologies could strategically position the region for the years to come and help it move away from its reliance on oil."

Globally, PwC analysis has shown that AI could contribute up to $15.7 trillion to the global economy in 2030, more than the current output of China and India combined. Of this, labour productivity improvements are expected to account for half of all economic gains to 2030, while increased consumer demand resulting from AI-enabled product enhancements will account for the rest.

The myth of AI

The FINANCIAL

Artificial intelligence (AI) could significantly transform the way we work, but new research from the London School of Economics and Political Science finds AI is a hijacked term, and notably absent from real workplaces.

Instead, businesses are adopting more modest automation technologies, which are apparent across multiple industries, applications and shared services, according to London School of Economy.

The findings are published in a new book, co-authored by Professor Leslie Willcocks of LSE's Department of Management and Professor Mary Lacity of the University of Missouri-St Louis, and provide a more nuanced picture of automation in the workplace.

"Our research for this book reveals the incoherence and exaggeration surrounding the application of AI and cognitive automation to work," explains Professor Willcocks. "AI is notably absent from the major organisations we studied across Europe, USA and Asia Pacific, but has almost become an umbrella market term for the whole area of robotic process and cognitive automation."

Building on two previous studies, the new book entitled Robotic Process and Cognitive Automation: The Next Phase presents findings from 85 case studies from a range of organisations which are using automation. Over 600 automation providers, clients and analysts were also surveyed as part of the study.

Robotic process automation adoptions – the automation of tasks previously performed by humans using rules to process structured data – are found to be accelerating, maturing, and scaling in global enterprises. Although an immature market, more advanced cognitive automation – based on machine learning, data visualisation technologies, natural language processing and fast powerful computing – is experiencing exponential growth which the researchers anticipate will continue for the next five years.

But the authors question whether AI applications that get computers to replicate how the mind works are anywhere near ready for major workplace deployment, and suggest they are unlikely to be so for decades.

Contradicting the picture of perfectible technologies and fast seamless deployments to scale, Professors Lacity and Willcocks provide insights into the challenges businesses face, and use case studies to establish action principles that mitigate automation risks. The book outlines 32 emerging management practices which organisations can adopt in order to gain significant business value from investments in service automation technologies.

The researchers also tackle popular misconceptions regarding the threat of automation to the job market. "Future net job loss as a result of automation is much overstated", says Professor Willcocks. "The deployment of these technologies will take a lot longer than many assume. Meanwhile shortfalls in productivity, dramatic increases in the amount of work we have to do, and skills shortages – amongst other factors, for example job creation – are being seriously underestimated".

TURKEY: Nationalism on Upsurge Again

Voice OF AMERICA

Turkey is undergoing a new nationalist wave led by President Recep Tayyip Erdogan, a study by the Center for American Progress (CAP) concludes. The report and the findings of polls and focus groups conducted in Turkey late last year conclude that Erdogan is trying to craft a new nationalism.

"He is doing this with his political rhetoric, but he is also drawing on a genuine upswelling of nationalism from the Turkish populists" Max Hoffman, one of the report's authors, told VOA.

Hoffman said this new nationalism includes "real hostility towards the West, particularly the U.S., but also Germany and Europe. Correlated to that, there is widespread hostility towards Syrian refugees and to some extent, other immigrants to Turkey."

Ali Cinar, president of the Turkish Heritage Organization, said the main reason for the anti-U.S. attitude in Turkey is the anger against Washington for not extraditing U.S.-based Muslim cleric Fethullah Gulen and for supporting the Syrian Kurdish militia group YPG in the war against Islamic State.

"Everybody in Turkey, both government and opposition, are sensitive about these two issues and they are in consensus. So it's wrong to see this as AK Party's [the ruling party in Turkey] cause and this is the biggest mistake some other countries are making," Cinar said.

"I don't think the main reason for the increase in nationalist rhetoric in Turkey is clearly reflected in the report," he added. "Also, it's not clear to me how realistically the report has reached to a conclusion that there were sharp divides about the overall direction of the country."

Since the 1920s, the Turkish republic has set its course toward more secular nationalism. But the report says the new nationalism brought by Erdogan is "assertively Muslim, fiercely independent; distrusting of outsiders; and skeptical of other nations and global elites, which it perceives to hold Turkey back."

Although a considerable number of Turks believe Islam has a central role in their national identity, there's also wide support for Turkey to remain secular.

"There is a component within the ruling party AKP, of about 35 percent, who put Islamic messages at the core," said Hoffman, adding that the rest of the party "OK with this religious rhetoric, but they also believe that Turkey is a secular state."

"They feel Erdogan is fulfilling Ataturk's legacy by being more independent and stronger vis-a-vis the West, and by charting [the country's] own course and being a strong leader just looking after Turkey's interests," he said. "And you could call them the 'Turkey Firsters'" — a reference to U.S. President Donald Trump's campaign slogan.

With nationalism rising, anti-Westernism is also finding deeper roots in Turkey. The CAP poll found only 10 percent of Turks have a favorable view of the United States, and 83 percent have a negative view. The total favorability rate for Europe is 21 percent.

Hoffman said "neither the West nor even Erdogan really want a clear break, but what this public opinion and this anger does is it narrows the options that leaders on both sides have."`

He said U.S.-Turkish relations are close to the breaking point, but "whether or not that break really happens is primarily in Erdogan's hands."

Syria

Elaborating further, the author said if Turkey's military operation against the YPG in Syria's northwest Afrin region is expanded into Manbij, where U.S. forces are deployed, then Washington may be forced to make "difficult choices."

Describing the Afrin operation as "the common action by the Turkish people against terror and the PKK that has killed 40,000 people in Turkey", Cinar said it was wrong to read the nationalism in Turkey as "extreme", since nationalism is on the rise in Europe as well and the fact that President Trump also used nationalist rhetoric in his election campaign.

Hoffman also played down the possibility of another right-wing challenger taking Erdogan's place because Erdogan himself garnered most of the support of the right-wing electorate.

"So all of the issues that a right-wing challenger might use to sort of run to the right of Erdogan and appeal to nationalist voters Erdogan himself has now done to head off that challenge," he said.

According to the Center for American Progress report, if Turks were to vote this Sunday, 49 percent of them would choose the governing AKP while the closest contender would only get half of that percentage.

Global fintech funding tops US$31B for 2017 -- fueled by US$8.7B in Q4: KPMG's Pulse of Fintech report

The FINANCIAL

Strong investment of US$8.7B in Q4'17 propelled global fintech funding over the US$31B mark for 2017, sustaining the high level of investment seen in 2016, according to the KPMG Pulse of Fintech report. This brings the total global investment in the fintech sector over the past three years to US$122B. While global fintech deal volume declined in Q4, the number of venture capital (VC) transactions exceeded 1,000 for the fourth consecutive year in 2017, with private equity (PE) deals reaching a new high of 139. Fintech M&A also ticked up for the year with 336 transactions in 2017.

Among fintech sub-sectors, both insurtech and blockchain saw record levels of VC investment and deal volume in 2017, with insurtech accounting for US$2.1B across 247 deals and blockchain generating $512M of investment across 92 deals.

Geographically, the US accounted for almost two-thirds of global fintech investment in Q4'17, with $5.8B in funding raised, and almost half of the full-year 2017 global total, with US$15.2B raised for the year. M&A accounted for the majority of this funding, with US$8.7B in deals in 2017. US PE funding in Q4'17 achieved its second highest quarter ever at US$3.4B.

Fintech investment in Europe reached over US$2B in Q4'17, with VC investment achieving a new record of US$960M - while total investment for 2017 reached US$7.44B. In Asia, fintech investment moderated to US$748M for Q4'17, to reach only US$3.85B for all of 2017, after more than US$10B in funding in 2016.

"The global fintech market has advanced considerably over the past few years," says Ian Pollari, Global Co-Lead, KPMG Fintech. "As the sector matures, investors have shifted from experimenting with fintech to seeking out value-driven opportunities. This is particularly true for corporates who continue to invest and see fintech as a strategic play that will help accelerate their

digital transformation agendas."

Key 2017 annual highlights

Total global fintech investment was US$31B, the same level of investment as 2016.

The number of PE deals reached a record high of 139 in 2017, providing US$17B in investment.

2017 saw the third-highest annual total for VC fintech investment of the decade.

The median deal size for angel/seed-stage deals was up to US$1.5M, compared to US$1M in 2016, while the median deal size for early-stage rounds was also up to US$5.5M from US$5.1M in 2016. The median deal size of late-stage deals decreased year-over-year, from US$19.1M to US$16M.

Corporate participation in VC deals reached a record high of 19 percent in 2017, although corporate VC investment globally was down significantly year over year, with just US$5.4B invested in 2017 compared to US$9.6B invested in 2016.

Key Q4'17 highlights

Global fintech investment rose marginally from US$8.5B in Q3'17 to US$8.7B in Q4'17.

Global fintech deal activity dropped to 307 deals in Q4'17, from 327 in Q3'17, with VC deals dropping from to 227 from 250. While noticeable, the decline in fintech deal activity has been far more moderate compared to declining deal activity in other technology sectors.

Global VC funding dipped slightly from US$3.7B to US$3.2B quarter over quarter.

Fintech exit activity achieved a new high of US$2.4B in Q4'17, highlighting the growing maturation of some fintech subsectors.

US dominates global fintech investment; Brazil starts to make waves

Fintech funding in the Americas rose slightly quarter over quarter, with US$5.9B invested across 168 deals. In total for 2017, the Americas saw US$19.8B invested across 711 deals.

While the US accounted for the lion's share of fintech investment, with US$5.8B invested across 149 deals during Q4'17, Brazil had an excellent showing, with a US$50M raise by Creditas breaking into the top 10 fintech deals in the region.

Europe VC fintech investment reaches new high for third straight quarter

Europe saw over US$2B in total fintech funding across 94 deals in Q4'17, while total European fintech funding for all of 2017 was US$7.44B across 446 deals.

For the third straight quarter, Europe reached a new high for VC investment in fintech, with US$960M across 68 deals. Despite ongoing economic uncertainty related to Brexit, the UK continued to see resilience in its fintech market - accounting for US$1.6B of Europe's total investment.

Asia fintech funding declines, with less than $750 million raised in the region.

After a solid US$1B+ quarter in Q3'17, total fintech funding in Asia declined to US$748M across 38 deals in Q4'17. VC funding faltered considerably in the region, dropping almost 50 percent quarter over quarter to US$550M. Decreased fintech investment in China accounted for much of the decrease in investment in Asia. China saw just US$45.8M in investment in Q4'17, while total investment in 2017 was US$1.33B.

On an annual basis, total fintech funding in Asia was US$3.85 billion in 2017 - a massive drop-off from the more than US$10B invested in 2016. On the positive side, corporate participation in fintech deals skyrocketed in Asia during Q4'17, rising from a twelve-quarter low of 11 percent in Q3'17 to reach a new high of over 31 percent.

"The fintech market is continuing to expand and evolve," says Murray Raisbeck, Global Co-Lead, KPMG Fintech. "So much is happening - from the increasing focus on insurtech and blockchain, to the ramifications of maturing companies, such as challenger banks, looking to expand and grow. With regulations changing, particularly in Europe, 2018 will likely be an exciting year."

#MeToo continues in Norway with reports of council, Progress Party cases

The FINANCIAL

The news from Hordaland comes as a result of a survey sent out by the regional authority in January, in which 3,482 of the approximately 4,500 employees in the county council (fylkeskommune) answered questions relating to workplace sexual harassment.

27 employees said they had experienced unwanted sexual attention during the last month, and 24 responded that they had been sexually harassed within the last year, reports broadcaster NRK.

The council has employees working in sectors including secondary education, dental services and public transport.

Hordaland County Council administrative director (fylkesrådmann) Rune Haugsdal said the results of the survey must be taken seriously.

"We want our employees to have a good and safe working situation. That 27 people have experienced something unpleasant in this regard, I see as 27 too many," Haugsdal told NRK.

Meanwhile, the Progress Party, the populist party that is the third-largest in Norway's parliament, has confirmed that four complaints have been made against a former representative with its youth branch, the Progress Party's Youth.

The individual subject to the complaints has confirmed that he sent inappropriate messages to a 14-year-old girl when he was 18 years old, reports NRK.

In the messages, the then-18-year-old asked the girl for sex, according to the report.

He told NRK on Friday that the messages "were not intended as an approach to have sex with [the girl]," but were "meant as a joke".

"That said, I should never have sent messages of this kind. I showed poor judgement," he told the broadcaster.

He currently holds positions with both the youth and senior branches of the party, NRK reports.

Helge André Njåstad, head of the Progress Party's organisational committee, told newspaper VG that the reports would be investigated by the committee.

The two separate stories are the latest in a series of reports related to sexual harassment in Norway after the emergence of the global #MeToo movement in autumn 2017, in the wake of the Harvey Weinstein scandal in the United States.

On Thursday, over 100 cases of sexual harassment were reported to have been registered by Norwegian colleges and universities.

In January, Labour deputy leader Trond Giske left his position with the party after a series of accusations of inappropriate conduct towards female colleagues were levelled at him.

Also last month, Kristian Tonning Rise, the leader of the Conservative party's youth wing, announced that he would be leaving that post, citing that he had not acted in a manner befitting his position in social situations.

In November 2017, a thousand artists denounced rape, assault and harassment in manifestos published by the Norwegian media.

No Tattoos Please, We're Uzbek: Tashkent Issues New Rules For Musicians

Farangis NAJIBULLAH

Uzbek singers can no longer sport a tattoo, show off expensive cars, or sing in a bedroom in music videos -- all part of new rules unveiled by government officials this week.

Male singers shouldn't dress like women or wear garish jewelry, according to a directive published on the website of Uzbekkonsert, a state body that regulates the Central Asian country's music industry.

Uzbekkonsert says music videos should adhere to Uzbekistan's culture and traditions, promote patriotism and benevolence, and should not insult viewers' feelings.

Those who disobey the regulations will face losing their mandatory license needed to perform.

Under a subheading "Inappropriate Movements," the document introduces 13 points outlining thing that should not be seen in music clips.

"Showing off" expensive cars and extravagant mansions are now banned in music videos as "unsuitable" dance moves and "revealing" outfits.

The world's most-watched music video, Despacito by Luis Fonsi and Daddy Yankee, has attracted nearly 5 billion views thus far but wouldn't have a chance of gaining a license in Uzbekistan under the new rules.

The Puerto Rican performers in Despacito display "tattoos and other body decorations" that are now banned for music groups in Uzbekistan along with "skimpy clothes" worn by the back-up dancers in the popular video.

Pop singer Bruno Mars took home six prestigious Grammys in 2017, including the awards for best song and album of the year.

The U.S. artist's videos, however, wouldn't see the light of day in Uzbekistan if he was based there and applied for a license to produce and release his works.

Fortunately for him and other Western artists, the new Uzbek regulations only apply to native singers and bands.

With his leopard-print shirt, massive gold necklaces, and tattoos, Mars breaks more than one rule in the new book of Uzbek music-video regulations.

'No Drugs, Alcohol, Or Laziness'

The rule book specifically prohibits artists resting on a bed in a "yonbosh" style, an Uzbek word for a half-sitting, half-resting position that men mainly use relaxing at home or in parks while chatting with family and friends, watching TV, or just being lazy.

It is against Uzbek ethical norms, Uzbekkonsert says.

Music clips should not encourage a "lazy lifestyle, shamelessness, and lust," it warns.

Uzbekkonsert also warns artists to make sure their videos do not promote terrorism, illegal drug use, or alcohol abuse.

The agency now bans anything that might incite religious or ethnic animosity, insult holy places, or advertise products.

The "inappropriate and misplaced" use of state symbols -- the national flag, coat of arms, or a photo of the president -- is also banned, although the document does not elaborate on those restrictions.

Uzbekkonsert has in the past warned artists against singing the praises of a sitting president.

In June 2017, the agency announced that dedicating clips to "heads of state...is unethical" and could cost offending artists their license.

Uzbek singer Dilfuza Ismoilova (file photo)

That move came after artist Dilfuza Saidova released a music video, May The Sultan Of This Beautiful Land Prosper, dedicated to President Shavkat Mirziyoev.

The video, which has since been removed from YouTube, describes Mirziyoev as "the shadow of God on Earth," among other sycophantic praises.

An official at the Culture Ministry told RFE/RL's Uzbek Service that Uzbekkonsert has set up a 15-member commission on February 12 to vet music videos in Uzbekistan.

Speaking on condition of anonymity, the official said the new rules are aimed at promoting Uzbek culture and preventing the influence of Western pop styles.

Uzbek musicians and art critics expressed mixed reactions to the new regulations for the music industry.

"Introducing so many restrictions...doesn't lead to anything good," said prominent performer Javohir Zokirov, who belongs to Uzbekistan's well-known music dynasty, the Zokirovs.

The Zokirov clan includes the founder of Uzbek pop music, Botir Zokirov, and the leader of the Yalla folk rock band, Farrukh Zokirov.

Javohir Zokirov points out that his cousin, U.S.-based singer Nargiz Zokirova, "doesn't want to return to Uzbekistan" after Uzbeks attacked her on social-media for having large tattoos.

"Rejecting Nargiz's singing talent because of her tattoos is absurd," Javohir Zokirov says.

Singer Aziza Niyazmetova has run afoul of the Uzbek authorities in the past. (file photo)

Uzbek art critic Akmal Rizaev says the new rules have some important aspects.

"It prevents the glamorization of drugs and alcohol in music videos," Rizaev says. "I also support the ban on the misplaced use of state symbols."

"Dilfuza Ismoilova's video was an example of sycophancy," he adds. "Such paeans should indeed be banned by law."

In any event, Uzbek singers have been used to draconian restrictions for many years.

In 2016, pop singer Aziza Niyazmetova was issued an official warning over a "shameless" choice of wardrobe after she posted a photo showing her in a sleeveless dress.

Farangis Najibullah is a senior correspondent for RFE/RL who focuses on Central Asia.

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

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."


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financial news

Germany's highest share of single-person households in Regensburg

The FINANCIAL -- A new GfK study reveals the regional distribution of Germany's demographic traits, such as family type, age ranges and income levels.

The nation's highest share of single-person households is in the urban district of Regensburg, while the highest share of households with children is in the rural district of Cloppenburg.

Germany's share of single-person households is just under 38 percent. The nationwide share of multiple-person households with children is 32.1 percent. This percentage again surpasses that of multiple-person households without children, which comes in at 30.1 percent.

With a 56.4 percent share of single-person households, Regensburg urban district significantly outpaces Germany's other districts in this category. This percentage equates to 1.5 times the national average. At 53.5 percent, the urban district of Würzburg comes in at second place, followed by the urban districts of Leipzig (52.6 percent), Passau (52.3 percent) and Flensburg (51.8 percent). With a 49 percent share of single-person households, Germany's capital Berlin holds the twentieth spot in the current study, coming in behind other large cities such as Munich (50.1 percent) and Cologne (49.6 percent).

The share of households with children is often especially high in rural regions. At 49.6 percent, the rural district of Cloppenburg has the highest share, followed by the rural districts of Vechta and Eichstätt. Of the ten districts with the highest share of this household type, six are in Bavaria, three in Lower Saxony and one in Baden-Württemberg. At the other end of the spectrum is the urban district of Würzburg: Its high share of single-person households correlates with its low share of multiple-person households with children (17.9 percent).

With 2.12 people per household, the highest average household size in the nation is in Baden-Württemberg, closely followed by Rhineland-Palatinate at 2.11 people per household. With just 1.75 people per household, Berlin has the smallest average household size among Germany's federal states. The national average is 2.02 people per household.

Euro area international trade in goods surplus €25.4 bn

The FINANCIAL

The first estimate for euro area (EA19) exports of goods to the rest of the world in December 2017 was €180.7 billion, an increase of 1.0% compared with December 2016 (€179.0 bn). Imports from the rest of the world stood at €155.3 bn, a rise of 2.5% compared with December 2016 (€151.4 bn). As a result, the euro area recorded a €25.4 bn surplus in trade in goods with the rest of the world in December 2017, compared with +€27.6 bn in December 2016. Intra-euro area trade rose to €142.4 bn in December 2017, up by 2.8% compared with December 2016.

In January to December 2017, euro area exports of goods to the rest of the world rose to €2 192.9 bn (an increase of 7.1% compared with January-December 2016), while imports rose to €1 954.8 bn (an increase of 9.7% compared with January-December 2016). As a result the euro area recorded a surplus of €238.1 bn, compared with +€265.2 bn in January-December 2016. Intra-euro area trade rose to €1 841.2 bn in January-December 2017, up by 7.4% compared with January-December 2016.

European Union

The first estimate for extra-EU28 exports of goods in December 2017 was €160.6 billion, down by 2.7% compared with December 2016 (€165.0 bn). Imports from the rest of the world stood at €146.4 bn, up by 1.4% compared with December 2016 (€144.3 bn). As a result, the EU28 recorded a €14.3 bn surplus in trade in goods with the rest of the world in December 2017, compared with +€20.7 bn in December 2016. Intra-EU28 trade rose to €256.2 bn in December 2017, +2.9% compared with December 2016.

In January to December 2017, extra-EU28 exports of goods rose to €1 878.5 bn (an increase of 7.7% compared with January-December 2016), while imports rose to €1 853.5 bn (an increase of 8.2% compared with January- December 2016). As a result, the EU28 recorded a surplus of €25.0 bn, compared with +€32 bn in January- December 2016. Intra-EU28 trade rose to €3 343.4 bn in January-December 2017, +7.3% compared with January- December 2016.

EU Extends Belarus Arms Ban, With An Exception

The FINANCIAL -- European Union diplomats have decided to extend the EU arms embargo on Belarus by another year but to make an exception for small-caliber sport guns.

Following the February 14 decision, EU diplomats will prepare legal documents on the matter ahead of the February 28 deadline for renewal of the embargo, according to RFE/RL.

Speaking on condition of anonymity because they were not authorized to speak publicly on the matter, diplomats told RFE/RL that Hungary and Slovakia had been eager to establish an exemption for small-caliber sport guns, which will complement the exemption of biathlon rifles that was added last year.

The new exemption will be applied on a case-by-case basis, however, and national authorities have the right to limit the numbers, diplomats said.

They said that in the earlier stages of debate on the embargo, Hungary also wanted to add spare parts for helicopters to the exemption list, but later backed down.

The EU first introduced the arms embargo, along with visa bans and asset freezes on four Belarusian companies and 174 individuals including President Alyaksandr Lukashenka, after a violent crackdown on demonstrators that followed the December 2010 presidential election.

The EU removed the companies and 170 individuals, including Lukashenka, from the sanctions list in February 2016, citing what it said were improvements in the human rights situation in the ex-Soviet republic.

The asset freezes and visa bans against the four individuals who are still on the sanctions list will also be renewed by the end of the month. The EU says the four played key roles in the unresolved disappearances of four high-profile Belarusians in 1999-2000, including an opposition politician.

Government Unveils New Tax Initiative for Small Businesses

The Georgian Finance Ministry has unveiled a new initiative envisaging tax breaks for small businesses. According to the new tax reform unveiled by Finance Minister Mamuka Bakhtadze on February 16, those natural persons whose turnover from economic activities does not exceed GEL 500 000 per year will be eligible to register as small businesses. According to current legislation, only those natural persons can qualify as small businesses whose turnover does not exceed GEL 100 000. Moreover, small businesses will enjoy "unprecedented tax breaks" with the rates decreasing fivefold – from current 5% to 1%, according to the Finance Minister.

Mamuka Bakhtadze also explained that small businesses will no longer have to pay taxes in advance; instead, they will have to pay a 1% tax by the end of each month.

The Finance Minister said that the preferential treatment will apply to 120 000 individuals and it will enter into force from July 1, after the Parliament approves relevant legislative amendments.

"It is our government's priority to significantly increase the share of small and medium-sized businesses in economy and to make benefits of economic growth tangible for the entire population," Mamuka Bakhtadze said.

Speaking about the new tax initiative, Georgian Prime Minister Giorgi Kvirikashvili said at the government's session on February 15 that "this initiative will be a significant relief for those engaged in small businesses."

"I am sure that our entrepreneurs will seize upon this opportunity and it will become a breath of fresh air for small business owners, for the development of their enterprises," PM Kvirikashvili added.

Civil.ge

Georgia's Foreign Trade in January 2018

External merchandise trade tendencies of Georgia in January 2013-2018. Source: Geostat

Georgia's foreign trade turnover in the first month of 2018 increased by 20.1%, compared to the same period of last year, reaching USD 0.81 billion, according to the preliminary figures released by the State Statistics Office on February 13.

Exports from Georgia increased by 25.7% year-on-year to USD 0.22 billion and imports were up by 18.1% y/y to USD 0.59 billion in January, with trade gap standing at USD 0.37 billion.

Geostat will release detailed figures of foreign trade for the reporting period next week.

Civil.ge

We Are Ready!

Arbeiter-Samariter-Bund's (ASB) history and role to develop a Culture of Safety in Georgia

Improved preparedness of individuals, families and communities to better equip themselves to respond to natural disasters is one of ASBs key priorities in region

Georgia is part of a highly hazard-prone region with earthquakes, frequent floods, landslides, avalanches and droughts affecting the lives and livelihoods of high-at-risk communities. This is, in part, due to global climate change, which increases the regularity, scale and impact of hazards around the world. Nevertheless, hazards only become disasters when a society's ability to cope within existing resources is overwhelmed. When this occurs, the poor and vulnerable – especially children, older persons, people living in poverty and persons with disabilities – are most at risk as they often lack the knowledge, life-skills and resources that would enable them to better prepare for disasters. According to reliable statistics the number and scale of natural disasters increased dramatically over the recent years. The damage caused to Georgia by natural disasters during the last 10 years exceeds the relevant indices of neighboring countries by three or more times.

Based on situation analyses, international practice and national guidelines and standards, country preparedness to disasters was defined as one of the top of priorities in Georgia. In response to this policy priority, ASB in the framework of IV phase of DIPECHO program is currently implementing a Disaster Risk Reduction (DRR) project with the slogan

"We are ready!"

DIPECHO stands for Directorate-General for European Civil Protection and Humanitarian Aid Operation, which is financing this project on Disability **Inclusive** Disaster Risk Reduction Education for the Culture of Safety"

Starting in 2010, ASB works in Georgia in partnership with government on a wide variety of DRR and resilience building activities. These include: policy and planning, community-based and pre-school based initiatives, endorsement of a Disability **Inclusive** DRR approach in the education sector, capacity building and media outreach projects.

At the core of ASB's philosophy towards Disaster Risk Reduction is the creation of an enabling environment particularly for socially high-at-risk people, such as Internally Displaced Persons, children or persons with disabilities to protect themselves during natural disasters by teaching them how to react during and after disasters and how to be better prepared.

The first "**Inclusive** Disaster Risk Reduction training for Internally Displaced Persons (IDPs) in West Georgia" was financed by the German Federal Foreign Office. It focused on delivering DRR as well as first aid trainings to IDPs residing in newly rehabilitated IDP settlements. Particular attention was paid to involve host communities in these trainings. This approach served the purposes of not only spreading the knowledge about DRR and first aid in the immediate vicinity, but also to facilitate integration between IDPs and their local neighbors.

In 2015 ASB started to implement two projects under the Disabilty inclusive DRR programme (DiDRR) with the slogan "We Are Ready", which promoted the DiDRR concept in Kindergartens. In Tbilisi and throughout Georgia, caregivers and children participated in trainings and received child-friendly educational materials developed by ASB, which aimed to equip children with knowledge and skills necessary before, during and after disasters.

To make all the previous work in DRR more sustainable, ASB continued its project

- We Are Ready! – in a new phase that started in 2016 and will end in 2018. The main goal of this project is to add practical relevance by institutionalizing the disaster risk reduction program in the education and other sectors. Besides working directly with schools, teachers training courses at selected state universities were conducted and the capacity of active participation in disaster risk reduction issues of DPOs (Disabled People's Organizations) and other NGOs working on the problems of persons with disabilities was increased. This modified and integrated new approach to better contribute towards building **inclusive** culture of safety and resilience is aligned to the new global framework for DRR (Sendai Framework for DRR 2015-2030). In this endeavor ASB is working closely with the Ministry of Education and Science (MoES), the Emergency Management Service, the Georgian and Danish Red Cross Societies in Georgia and Bridge Innovation.

As one of the most recent new approaches with regards to DiDRR, ASB started in 2017 to cooperate with the private sector. Based on a memorandum between m² Real Estate and ASB, the first precedent of a DiDRR project was set within the housing development sector. This cooperation between m² and ASB was oriented towards implementing a pilot project in a particular Tamarashvili complex of the company, which included a variety of activities defined by the Disaster Risk Management Program such as: Conducting trainings, dissemination of educational materials for residents, practical activities of disaster risk management in the form of simulation, retraining of m² personnel and establishing special security headquarters.

It is important to note that this Disaster Risk Management pilot program also provided an **inclusive** approach. Such kind of training was conducted for the first time in the residential business sector in Georgia. It aimed at preventing risks of disaster and introducing the residents to the appropriate behavior during disasters.

„No One Left Behind, is the motto of this pilot project in the framework of the DiDRR programme, that's why it has an inclusive approach. This is just one more example that ASB is contributing to the country's preparedness by reaching different target groups and cooperation partners.

For us, it's equally as important to cooperate with the private sector. For example, we trained the m² Real Estate company staff and their residents in DRR

As an international experience, ASB together with the UNICEF office in Turkemistan, has replicated pre-school Disaster Risk Reduction program and delivered trainings for Day Care Center, and preschool education sector representatives in Turkmenistan as well as shared ASB's developed DiDRR education material, to use in region and support them in implementing the program in country.

To sum it all up, the - We Are Ready! - campaign slogan is a direct and simple message for everyone to think about, how important it is to know what to do and how to act during disaster, as disaster may happen anywhere and anytime" – says Karl Koester – Country Director of Arbeiter-Samariter-Bund – ASB.

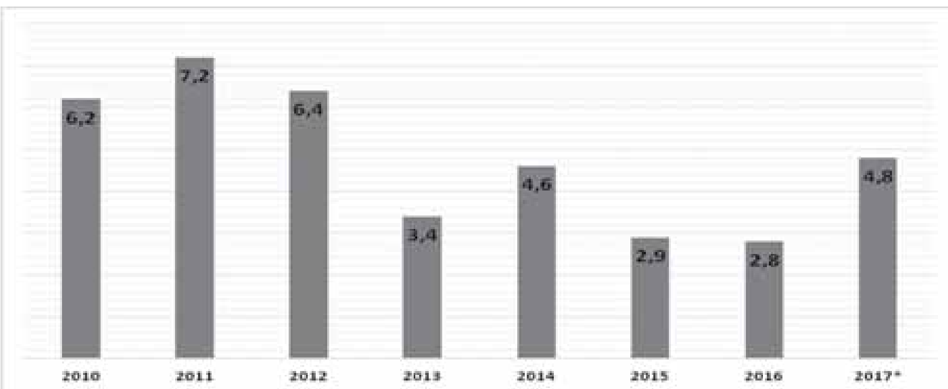
GRASS FACTCHECK

Mamuka Bakhtadze:

THE MINISTER OF FINANCE OF GEORGIA

"In the previous year, Georgia's economic growth rate was 5%. This is twice as high as compared to [countries in] our neighbourhood."

Graph 1: Georgia's Economic Growth Rate, %



Note: *Preliminary data for 2017

Egnate SHAMUGIA
FactChek

The Minister of Finance of Georgia, Mamuka Bakhtadze, stated that Georgia's economic growth rate was 5% in 2017 which is twice as high as compared to Georgia's neighbour countries. International Monetary Fund estimates put Georgia as the leader for the entire region (31 nations) for the next three years.

FactCheck took interest in the accuracy of Mamuka Bakhtadze's statement.

Preliminary data indicate that Georgia's economic growth rate was 4.8% in 2017. The economic growth rate in 2016 was 2.8%.

The growth of exports (including tourism) and state investment expenses in 2017 positively affected the economic growth rate. Georgia's export increased by 29% in 2017 as compared to the previous year following improved economic situations throughout the rest of the region. State investments increased by 20% in 2017 as compared to the previous year.

A look at the economic growth rates for the countries in our neighbourhood illustrates the following:

Russia – Preliminary data for 2017 put Russia's real GDP growth rate at 1.6%. Russia's economy had been slowed in the previous years. Russia's GDP contracted by 0.2% in 2016 and by 2.8% in 2015.

Turkey – Turkey's economic growth rate was 3.3% in 2016 with preliminary data for 2017 showing an increase in its GDP by 6.6%.

Armenia – Preliminary data for 2017 show that Armenia's GDP growth rate is 3.5% whilst it was 0.2% in 2016.

Azerbaijan – Preliminary data show that Azerbaijan's GDP contracted by 0.1% in 2017 and by 3.1% in 2016.

Evidently, similar to Georgia, our neighbour countries have also improved their economic performance as compared to the previous year. In spite of Georgia's economic growth rate being 4.8%, this figure is twice as high as compared to Russia and Azerbaijan's economic growth rate although we lag behind Turkey's economic growth rate by 1.8 percentage points. Of note is that the economic recession in Russia and Azerbaijan is largely stipulated by a sharp drop in oil prices starting in 2014. Oil prices had a tendency of growth beginning in 2017 which facilitated the improvement in Russia and Azerbaijan's economic performance.

The second part of Mamuka Bakhtadze's statement concerns estimates for economic growth for the next three years. The International Monetary Fund predicts that Georgia's real GDP growth rate will be 4.2% in 2018, 4.5% in 2019 and 5% in 2020.

Mamuka Bakhtadze's statement referred to 31 countries; **FactCheck**; however, uses the World Bank's country grouping which incorporates 24 nations of Europe and Central Asia, including Georgia. The number of countries in this region is close to the figure given by the Minister. In order to verify the second part of the statement, it is necessary to compare the economic growth prognosis in these countries to that of Georgia.

The International Monetary Fund ranks Georgia fourth (4.2%) in the region's 24 countries in terms of economic growth for this year. Georgia is outperformed by Turkmenistan (6.3%), Uzbekistan (6%) and Romania (4.4%). However, of note is that the GDP growth rates in Turkmenistan and Romania will decline in the next two years, as opposed to that of Georgia, whilst Uzbekistan's will remain the same. Estimated figures for 2019 show Georgia to continue to be in the fourth position (4.5%) in the region, outperformed by Uzbekistan (6%), Kyrgyzstan (5.2%) and Turkmenistan (5.1%). The prognosis for 2020 sees a further improved position for Georgia among the region's countries.

CONCLUSION

PRELIMINARY DATA INDICATE THAT GEORGIA'S ECONOMIC GROWTH RATE FOR 2017 WAS 4.8%. THIS FIGURE LAGS BEHIND TURKEY'S ECONOMIC GROWTH RATE BY 1.8 PERCENTAGE POINTS AND EXCEEDS ARMENIA'S ECONOMIC GROWTH RATE BY 1.3 PERCENTAGE POINTS. GEORGIA'S ECONOMIC GROWTH RATE IS TWICE AS MUCH AS COMPARED TO AZERBAIJAN AND RUSSIA'S ECONOMIC GROWTH RATE. THE SLUGGISH ECONOMIC GROWTH IN THESE COUNTRIES IS STIPULATED BY A DROP IN OIL PRICES AND SANCTIONS IMPOSED AGAINST RUSSIA.

OF THE WORLD BANK'S COUNTRY GROUPS, GEORGIA IS LOCATED AMONG THE 24 NATIONS OF EUROPE AND CENTRAL ASIA. THE INTERNATIONAL MONETARY FUND'S THREE-YEAR ECONOMIC GROWTH PROGNOSIS PLACES GEORGIA IN THE FOURTH PLACE AMONG THIS GROUPING'S 24 COUNTRIES. BASED ON AVERAGE ECONOMIC GROWTH RATE FIGURES FOR THE LAST THREE YEARS, GEORGIA IS OUTPERFORMED BY UZBEKISTAN, TURKMENISTAN AND KYRGYZSTAN. IN ADDITION, IT IS ESTIMATED THAT GEORGIA'S ECONOMIC GROWTH RATE WILL INCREASE IN THE FOLLOWING YEARS.

FACTCHECK CONCLUDES THAT MAMUKA BAKHTADZE'S STATEMENT IS **MOSTLY FALSE**.

MOSTLY FALSE

NED National Endowment for Democracy
EUROPEAN ENDOWMENT FOR DEMOCRACY
G|M|F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION
Kingdom of the Netherlands

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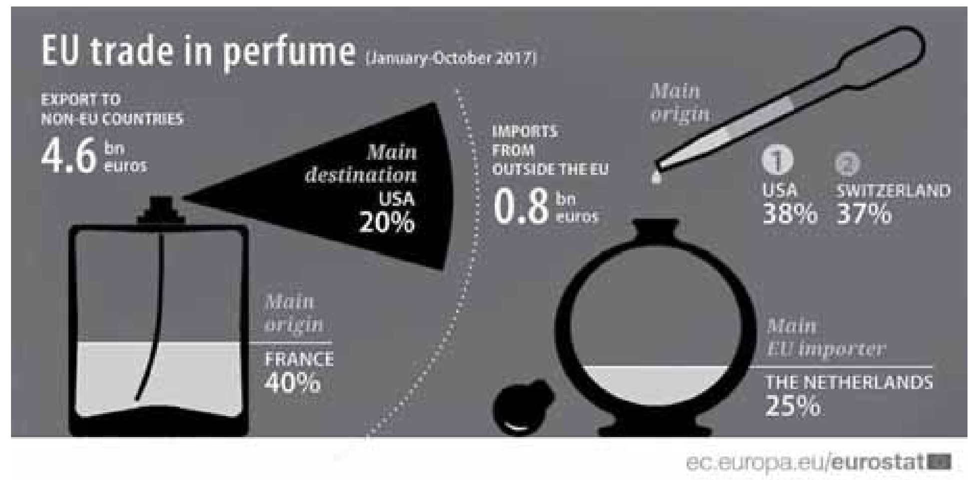
Roses travel the world for St Valentine's day



Print Roses travel the world for St Valentine's day

The FINANCIAL

The EU is a net importer of one of Valentine's day symbols – fresh cut roses. In the first 10 months of 2017, the EU exported roses worth €62 million to non-EU countries, and imported ten times more — 624 million — from outside the EU.

The Netherlands: main exporter

The Netherlands (roses worth €43 million exported to non-EU countries in the first 10 months of 2017, or 70% of the total extra-EU exports of roses) was the top EU exporter of roses. It was followed at a distance by Lithuania (€7 million, 11%), Germany (over €5 million, 8%) and Latvia (below €5 million, 7%).

EU's roses sent mainly to Russia and Switzerland

When exporting to non-EU countries (€62 million in the period January-October 2017), EU roses were sent primarily to Russia (€28 million, or 45% of the total extra-EU exports of roses) and Switzerland (€20 million, 31%), ahead of Norway (€4 million, 6%) and Belarus (€3 million, 5%).

The Netherlands: main importer

The Netherlands (roses worth €478 million imported from non-EU countries in January-October 2017, or 77% of the total EU imports of roses) was also the top importer of fresh cut roses from outside the EU. Other major importers were the United Kingdom (€60 million, 10%), Germany (€35 million, 6%) and Spain (€30 million, 5%).

Half of EU's imports of roses come from Kenya

In the first 10 months of 2017, Member States imported roses worth €624 million from non-EU countries. Half of these imports originated from Kenya (€317 million, 51%). The next largest shares of imports from non-EU countries were from Ethiopia (€126 million, 20%) and Ecuador (€108 million, 17%), followed by Colombia (€30 million, 5%) and Uganda (€23 million, 4%).

Ethnic diversity low on the agenda for businesses globally

Ethnic diversity within senior management low on the agenda for businesses globally

The FINANCIAL

Only 11% of businesses have plans in place to improve the ethnic diversity of their senior management team, according to Grant Thornton International's Diversity Snapshot. The number of businesses that consider ethnic diversity to be important to their future business success rests at less than a third (31%).

The findings show senior management teams are ethnically diverse in only six out of 35 countries. Businesses in Africa have the highest number of ethnic groups, while those in the European Union have the lowest.

The snapshot tracks diversity across ethnicity, gender and age. It also investigates businesses' attitudes and commitment towards these three key aspects.

The gulf between the number of businesses that say diversity is important to their business success, and those that have plans in place to address it, is disappointing given progress on diversity in senior leader-

Continued on p. 15

Despite bad press, Japanese still snapping up cryptocurrencies

Consumers, retailers and the Japanese government are all committed to the widespread adoption of virtual currencies – although concerns linger that the craze for virtual cash may pass. Julian Ryall reports from Tokyo.

Hundreds of Japanese investors have seen their virtual currency savings wiped out by hackers. Experts warn that more cryptocurrency heists are "inevitable" in the future, prices have fluctuated wildly and change in the sector is happening at an ever-increasing pace - yet the nation's taste for digital money remains undiminished.

On Tuesday, Tokyo-based Coincheck Inc. allowed users of the digital currency exchange to start making withdrawals once again, more than two weeks after the exchange was shut down after suffering the largest theft of digital currency in history. The thieves – who some experts have claimed are hackers working for the North Korean government – got away with 58 billion yen (€436.54 million) in NEM currency.

Japan's Financial Services Agency has ordered the company to carry out a thorough investigation to determine the weaknesses in its system that the hackers were able to exploit, while an on-site inspection conducted on February 2 examined whether the exchange had a functioning risk management system in place.

Second major theft

The scale of the theft shocked Japan's cryptocurrency industry, but suggests that operators have not learned previous lessons. In February 2014, for example, the Mt. Gox bitcoin exchange suffered a similar hacking attack that netted the criminals 850,000 bitcoins, valued at €380.48 million.

Yet more exchanges and virtual currencies are still emerging in a country that has long been considered on the cutting edge of new technologies.

"There is still a lot of confidence and a lot of energy in the development of cryptocurrencies and blockchain technologies here," said Scott Gentry, founder of Free-Abound, a cryptocurrency development consultancy in Tokyo.

"This currency theft gives people an opportunity to dig deeper into just what the exchanges they are dealing with have in terms of security and I do not think it will change things over the longer term," he told DW.

"It has been reported that the founder of Coincheck had been told to install multi-signature security protocols, but he told the authorities that he 'never got around to it' – and that is simply a dereliction of duty to his clients," Gentry said.

"Yes, there will always be some cowboys in any business, but there are also a lot of very good people in this sector, so it will definitely grow."

There are, at present, 16 digital currency exchanges in Japan and a further 16 awaiting approval to begin operations by the FSA. Those approvals have slowed down after the Coincheck robbery, but Gentry estimates that as many as 100 more companies are preparing to leap into Japan's cryptocurrency business.

Companies sign up to virtual cash

Japanese companies are also making it easier for consumers to use their virtual cash, with upwards of 10,000 firms accepting bitcoin. Those companies include high-street electronics retailer Bic Camera and Peach, Japan's largest low-cost airline. In addition, Mitsubishi UFJ Financial Group, the eighth largest bank in the world, is reportedly developing its own cryptocurrency.

And all this is going on with the blessing – and even the encouragement – of the Japanese government.

In contrast to China, where the government has outlawed cryptocurrency exchanges, and South Korea, which has banned anonymous transactions, Japan has embraced the opportunity to take the lead in the Asia-Pacific cryptocurrency race.

Tokyo believes virtual currencies will drive economic growth and create a new source of tax revenue. One suggestion has been that the evolving industry could earn the Japanese government an additional 1 trillion yen (€7.41 billion) a year.

"There are plenty of foreign investors who want to come to Japan to operate and I have two contacts – an American from Silicon Valley and an investor from Dubai – who have teamed up and are looking to put $100 million into their own exchange in Japan," said Gentry.

"They believe it has huge potential, but also the computing technology here is second-to-none, and that is what they need."

At the moment, the majority of Japanese who are buying cryptocurrencies are investors who see their virtual savings as a nest-egg for the future.

"I got my first Bitcoin Cash in January after a Japanese friend showed me just how easy it is to use the system, to transfer money around and, potentially, how easy it is to make a lot of money," said Chris Dunn, an Australian businessman who lives in Japan.

Investment declines

Dunn's investment has coincided with the value of Bitcoin and other currencies declining – he estimates that his holdings are now worth around half of their peak value – and he admits to being concerned about what is essentially a new and poorly regulated system of payments.

"I can see there are some huge advantages – it is quick, it cuts out banks and their charges and it can increase in value a lot – but the volatility of these new currencies is a big concern," he said.

"And yes, Japan is a society that always gets excited about new technologies and the 'next big trend,' but I have my doubts about cryptocurrencies catching on over the longer terms in what is essentially a cash-based society and a nation with a growing number of old people who are often averse to change," he added.

Yet others disagree and see Japan as the perfect place for modern society to go completely cashless.

"I believe Japan has the potential to become a cashless society," said Hikaru Kusaka, joint founder of Blockhive OU, an Estonia-based blockchain developer, pointing out that it makes ""no sense" to produce coins with a face value of 500 yen (€3.77) when it costs more than that to manufacture them.

Reprinted from Deutsche Welle, German public broadcaster

GRASS FACTCHECK

Dimitri Kumsishvili:

MINISTER OF ECONOMY AND SUSTAINABLE DEVELOPMENT OF GEORGIA

"Foreign direct investments from the European Union reached USD 411 million."

Levan TEVDORADZE
FactChek

On 5 February 2018, the Minister of Economy and Sustainable Development of Georgia, Dimitri Kumsishvili, stated: "As of the first nine months of 2017, foreign direct investments from the European Union amounted to USD 411 million."

FactCheck took interest in the accuracy of the statement.

The National Statistics Office of Georgia publishes quarterly data on foreign direct investments to Georgia. At this moment, the Office has already published foreign direct investment data for the first three quarters of 2017. In accordance with the Office's calendar, investment figures for the fourth quarter will be available on 12 March 2018.

Before we move to an analysis of Dimitri Kumsishvili's statement, it is important to examine the change which the National Statistics Office of Georgia implemented vis-à-vis foreign direct investments following a recommendation from the International Monetary Fund (IMF). This recommendation concerned the congruency of the statistical data of the National Bank and the National Statistics Office. The rule for calculating foreign direct investments to Georgia was revised following the implementation of the IMF's recommendation which in turn resulted in altering existing foreign direct investment statistics. Specifically, some years saw increases in foreign direct investments whilst other years saw decreases. Consequently, the amount of foreign direct investments in the first three quarters of 2017 ended up being the highest ever as compared to the figures of the same periods of the previous years.

The National Statistics Office of Georgia's data show the amount of foreign direct investments to Georgia in the first nine months of 2017 was USD 1.35 billion. In terms of the figure for the first three quarters, the top investor country to Georgia is Azerbaijan which is followed by Turkey, the United Kingdom, the Netherlands and the United States.

The amount of foreign direct investments received from the European Union reached USD 442 million which is 6% more as compared to the same figure of the previous year. The record amount of foreign direct investments received from the EU in the first three quarters was registered in 2015 at USD 590 million. Of importance is that the share of investments from the EU constitutes 33% of Georgia's total foreign direct investments whilst the share of CIS countries is 31%.

Analysing the foreign direct investment to GDP ratio is necessary in order to properly assess the real changes in foreign direct investments. In spite of the foreign direct investments of the first three quarters of 2017 being the highest thus far, its ratio vis-à-vis the GDP is marginally lower as compared to the previous year's figure and constitutes 12.1%. In regard to foreign direct investments from the EU vis-à-vis the GDP ratio, this figure was 4% in 2017 which is higher as compared to the previous year.

CONCLUSION

THE AMOUNT OF FOREIGN DIRECT INVESTMENTS MADE TO GEORGIA IN THE FIRST NINE MONTHS OF 2017 WAS USD 1.35 BILLION WHICH IS THE HIGHEST FIGURE FOR THE SAME PERIODS OF THE PREVIOUS YEARS.

OF THE TOTAL AMOUNT OF FOREIGN DIRECT INVESTMENTS RECEIVED IN THE FIRST NINE MONTHS OF 2017, 33% WAS INVESTED FROM THE EU. THIS AMOUNTS TO USD 442 MILLION WHICH IS 6% MORE AS COMPARED TO THE PREVIOUS YEAR'S FIGURE AND EQUALS 4% OF GEORGIA'S GDP.

FACTCHECK CONCLUDES THAT DIMITRI KUMSISHVILI'S STATEMENT IS **TRUE**.

TRUE

Continued on p. 18


MULTIFUNCTIONAL COMPLEX
KING DAVID
#UNORDINARYHOME
#UNORDINARY2018
EUROPEAN PROPERTY AWARDS DEVELOPMENT
in association with
The Telegraph
★★★★★
BEST MIXED-USE DEVELOPMENT GEORGIA
King David by Rasol Holding GmbH
2016-2017
EUROPEAN PROPERTY AWARDS DEVELOPMENT
Award Winner
RESIDENTIAL HIGH-RISE DEVELOPMENT GEORGIA
KING DAVID by Rasol Holding GmbH
2017-2018
EUROPEAN PROPERTY AWARD WINNER
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8 facts about love and marriage in America

The FINANCIAL

The landscape of relationships in America has shifted dramatically in recent decades. From cohabitation to same-sex marriage to interracial and interethnic marriage, here are eight facts from Pew Research about love and marriage in the United States.

1 - Love tops the list of Americans' reasons to marry. About nine-in-ten Americans (88%) cited love as a very important reason to get married, ahead of making a lifelong commitment (81%) and companionship (76%), according to a 2013 Pew Research Center survey. Fewer said having their relationship recognized in a religious ceremony (30%), financial stability (28%) or legal rights and benefits (23%) were very important reasons to marry.

However, being a good financial provider was seen as particularly important for men to be a good husband or partner, according to a 2017 survey by the Center. About seven-in-ten adults (71%) said it was very important for a man to be able to support a family financially to be a good husband or partner, while just 32% said the same for a woman to be a good wife or partner.

As far as what helps people stay married, married adults said in a 2015 survey that having shared interests (64%) and a satisfying sexual relationship (61%) were very important to a successful marriage. More than half (56%) also named sharing household chores.

2 - Half of Americans ages 18 and older were married in 2016, a share that has remained relatively stable in recent years but is down 9 percentage points over the past quarter-century. One factor driving this change is that Americans – particularly men – are staying single longer. According to the U.S. Census Bureau, in 2017, the median age at first marriage had reached its highest point on record: 29.5 years for men and 27.4 years for women.

Marriage declined most among those with a high school diploma or less education. In 1990, 63% of this group were married; by 2015, that had dropped to 50%. In contrast, 65% of those ages 25 and older with at least a four-year college degree were married in 2015.

As the U.S. marriage rate has declined, divorce rates have increased among older Americans. In 2015, for every 1,000 married adults ages 50 and older, 10 had divorced – up from five in 1990. Among those ages 65 and older, the divorce rate roughly tripled since 1990.

3 - The number of U.S. adults cohabiting with a partner is on the rise. In addition to the half of U.S. adults who are married, 7% were cohabiting in 2016. The number of Americans living with an unmarried partner reached about 18 million in 2016, up 29% since 2007. Roughly half of cohabiters are younger than 35 – but cohabitation is rising most quickly among Americans ages 50 and older.

4 -Remarriage is on the rise. In 2013, 23% of married people had been married before, compared with just 13% in 1960. Four-in-ten new marriages in 2013 included a spouse who had said "I do" (at least) once before, and in 20% of new marriages both spouses had been married at least once before.

Remarriage is more common among men than women. Among previously married men (those who were ever divorced or widowed), 64% took a second walk down the aisle, compared with 52% of previously married women, according to a Pew Research Center analysis of 2013 Census Bureau data. One possible reason for this disparity is that women are less interested than men in remarrying. Among previously married women, 54% said in a 2014 Pew Research Center survey that they did not want to marry again, compared with 30% of men.

5 - One-in-six newlyweds (17%) were married to someone of a different race or ethnicity in 2015. This reflects a steady increase in intermarriage since 1967, when just 3% of newlyweds were intermarried, according to a 2017 Pew Research Center analysis.

While Asian (29%) and Hispanic (27%) newlyweds are most likely to intermarry in the U.S., the most dramatic increases in intermarriage have occurred among black newlyweds, 18% of whom married someone of a different race or ethnicity, up from 5% in 1980. About one-in-ten white newlyweds (11%) are married to someone of a different race or ethnicity.

Intermarriage is more common in certain metropolitan areas, as well as in urban rather than rural areas. For example, 42% of newlyweds in Honolulu were intermarried – by far the largest share of the 126 metropolitan areas analyzed. By contrast, about 3% of newlyweds in Jackson, Mississippi, and Asheville, North Carolina, married someone of a different race or ethnicity.

6 - Public support for same-sex marriage has grown in the past 10 years. In 2007, Americans opposed legalizing same-sex marriage by a margin of 54% to 37%. In 2017, more favored (62%) than opposed (32%) allowing gays and lesbians to marry legally.

Surveys conducted by Gallup found that about one-in-ten LGBT Americans (10%) were married to a same-sex spouse in 2017. Now, a majority (61%) of all same-sex couples who live together are married.

7- Sizable minorities of married people are members of a different religious group than their significant other or identify with a different political party. About four-in-ten Americans (39%) who have married since 2010 have a spouse who is in a different religious group, compared with only 19% of those who wed before 1960, according to a 2014 Pew Research Center survey. Many of these interfaith marriages are between Christians and those who are religiously unaffiliated.

Meanwhile, marriages and partnerships across political party lines are relatively rare in the U.S. Large majorities of members of both political parties say their spouse or partner belongs to the same party. In 2016, 77% of both Republicans and Democrats who were married or living with a partner said their spouse or partner was in the same party.

8 - Americans are increasingly looking for love online. A total of 15% of American adults have used online dating sites and/or mobile dating apps, according to a 2015 Pew Research Center survey, up from 11% who reported doing so in 2013. Roughly four-in-ten Americans (41%) know someone who uses online dating, and 29% know someone who has entered a long-term relationship via online dating.

The growth in online dating can be seen particularly among young adults. The share of 18- to 24-year-olds who use online dating has almost tripled in recent years, from 10% in 2013 to 27% in 2015. Mobile dating apps are partly responsible of this increase: 22% of 18- to 24-year-olds now report using mobile dating apps, up from just 5% in 2013.

For the most part, people today view online dating positively. About six-in-ten (59%) say it is a good way to meet people, and 47% agree that it is easier and more efficient than other ways of meeting people.

Ethnic diversity low on the agenda for businesses globally

Continued from p.12

ship is slow. In total, 40% of businesses consider diversity to be important, but only 14% have specific plans in place to improve the diversity of their senior leadership teams.

The figures are better for gender and age than they are for ethnicity. Overall, 38% of businesses see gender diversity as important to their business success, with 14% putting plans in place to address it. A greater number of businesses (51%) consider age diversity to be important, but only 16% have plans in place to tackle it.

"Senior teams that continue to lack diversity are missing out on opportunities to improve their decision-making and performance", Kim Schmidt, Global leader, leadership, people and culture, at Grant Thornton International, comments. "At a time when digitalisation is disrupting traditional business models, inclusive leadership teams that are willing to have their thinking and way of working challenged by a range of opinions from diverse backgrounds will be better equipped for success."

"This is our first piece of research designed to better understand ethnic and age diversity in senior teams around the world. Levels of ethnic diversity appear to be particularly low, and more so in regions such as Europe. With only a few putting plans in place to address this situation, they are not reflecting their consumer base or the broader markets in which they operate."

A gender diversity milestone was reached in 2017: one in four senior roles are now held by women. However, the past decade has seen only a 1% improvement. Grant Thornton will be investigating policies introduced by governments and businesses, and if and how these interact to create change, in its forthcoming Women in Business research.

A quarter (26%) of senior teams, globally, include an individual who is older than 64 years old, and a similar number (24%) of businesses have a senior member who is aged 35 or younger. Those in large, well-established economies – like the G7 – appear to prioritise experience over fresh talent, with fewer younger and more older members within their senior team. The opposite is true for emerging markets in Africa and Latin America.

"We believe it is our collective responsibility to understand what needs to change, and how", Kim Schmidt added. "Having spoken to diversity experts and business leaders around the world, this snapshot puts forward a series of steps for businesses to consider. Some are specific measures – such as diversity benchmarking and linking diversity and inclusion goals to key performance indicators. Others address obstacles that are in many ways intangible – like unconscious bias and some of the sensitivity surrounding how to discuss ethnicity and race. Every business operates in a slightly different context, with different levels of resource, so it's important for business leaders to consider a range of options in partnership with their team."

publicity

Zara Home has Opened its First Store in Georgia

Zara Home has opened its first store in Tbilisi with more than 450 sqm. The new store is located on Tbilisi Mall first floor, 16km Aghmashenebeli Alley All the collections of the home wear brand are sold in the new store

February, 2018 –The home wear brand of the Inditex Group has opened its first store in Georgia. The store measuring more than 450 sqm represents all the collections of the home wear brand, including Zara Home Kids.

The store is also featuring an innovative design, true to the current image of Zara Home around the world. The store inside is presenting an avant-garde and elegant concept in harmony with the simplicity and respect for nature upheld in the materials used within the store. The use of neutral colours, chestnut wood and marble floors are just some of the features of this Zara Home new store.

"By opening Zara Home on Tbilisi Mall we are bringing the top in home fashion and decoration brand into the city's favourite shopping destination, making shopping at the new brand store an enjoyable experience for our dear customers. We are expecting a huge presence of our customers in Tbilisi Mall store to take profit and shop many exclusive collections"-States Dr. Yassine Sibari, the CEO of Zara and Inditex Group of Saudi Arabia, Central Asia and Caucasus Region, Alhokair Fashion Retail.

As with all Zara Home stores throughout the world, the Tbilisi new store will present two collections each year, inspiring the design team to present ideas each season that are always on trend. The store will then be refreshed with the delivery of new items twice a week.

About Zara Home

Zara Home is the home wear brand of the Inditex Group. Its collections are based on the latest fashion trends and include: bedding, table and bath linens; furniture; tablewear; cutlery; and other decorative items for your home, as well as a loungewear and a bath & body line. Since its launch in 2003, Zara Home has expanded rapidly and it now operates in the five continents, more than 70 markets with more than 500 stores. With a team of more than 5,000 professionals, the brand offers the latest fashion and décor trends for every season, with stores constantly refreshed with the delivery of new items weekly. Thanks to a diverse group of designers from across the globe developing unique products, Zara Home brings trends from the international runways into the home, helping customers to create a warm and fashionable environment.

About Inditex Group

Zara Home is owned by the Inditex Group, 1st worldwide Fashion Retail Group. Inditex has 9 brands: in addition to Zara Home, there are also Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Lefties and Uterqüe.

Zara Home's Story

2003 - In August, Zara Home was launched as a new business format from the Inditex Group. By the end of the year the brand had 26 shops: 22 in Spain, two in Portugal, one in the United Kingdom and one in Greece.

2004 - In only its second year of operation, Zara Home expanded by opening 36 new shops, including stores in Mexico and in the Netherlands.

2005 - The brand continued its expansion with 48 new shops, and ended the year with a presence in eight new markets: Italy, Belgium, Cyprus, Turkey, Saudi Arabia, United Arab Emirates, Kuwait and Andorra.

2006 - Zara Home arrived in France with the opening of its first shop in Paris. By October, the Inditex Group had 3,000 stores, with a new Zara Home in Valencia, Spain. The brand concluded the year with 152 shops around the world.

2007 - Zara Home opened in four new markets: Qatar, Jordan, Oman and Lebanon. This same year, the chain launched its online store in 14 European countries. In 2007, Zara Home continued to expand with a total of 52 new stores.

2008 - The brand begun operations in four new countries: Romania, Malta, Bahrain and Morocco. One of the largest stores was opened in Saint Petersburg, Russia in a historical Neoclassical building on Nevsky Street, bringing the total number of new stores to 35 in 2008.

2009 - Zara Home opened its first "Eco-efficient" shop, on Calle Portal del L'Àngel in Barcelona. This is the first textile distribution shop in Europe with LEED certification, which ensures the strictest sustainable architecture parameters in the world. Operations begun in Poland and 22 new stores were opened over the course of the year.

2010 - Zara Home opened its flagship shop in Milan, at Plaza San Babila 5. This same year, 27 more stores were opened around the world.

2011 - The brand opened its first shop in Asia, in Beijing, China. In November of this year, Zara Home officially had 300 stores, and opened one of its most emblematic shops in the heart of A Coruña, Spain.

2012 - Zara Home opened its first shop in Brazil in the city of Sao Paulo, and in 4 other new countries: Colombia, Peru, Guatemala and the Dominican Republic. This same year, the chain launched its online store in the United States.

2013 – Zara Home celebrated its 10th Anniversary and opened new stores in eleven new countries: Canada, Honduras, Hong Kong, Indonesia, Japan, Kazakhstan, Panama, Thailand, Taiwan, Sweden and Uruguay. It also opened two emblematic flagships: Champs Elysees in Paris and Paseo de Gracia in Barcelona.

2014 – Zara Home launched online in Mexico and Russia and opened its first stores in South Korea and Algeria.

2015 – Firsts stores in Australia, Chile, Austria and Switzerland. Zara Home celebrated its presence on the 5 continents and its 500th store in Sydney.

2016 - Zara Home opened its first stores in Denmark.

2017 - Zara Home opened its first stores in Israel, Belarus, Czech Republic, Tunisia and Armenia. Now Zara Home is present in 74 countries.

About Retail Group Georgia – Alhokair Fashion Retail

Zara Home is operated by Retail Group Georgia, a subsidiary of Alhokair Fashion Retail representing more than 35 Fashion brands in Georgia and operating up to 50 stores on the market since 2012.

Zara Home
TBILISI MALL
16km Aghmashenebeli Alley

For more information about Zara Home and high resolution images, please contact:

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The Georgian economy in 2017 – a year in review

Continued from p. 2

the region (an impressive 7.7% in 2017, up from 0.2% in the previous year). The country benefitted in particular from higher metal prices, which drove up industrial output and exports. In Azerbaijan, real GDP growth was flat at 0.1%, but was recovering from the 3.8% contraction of 2016. A tightened monetary and fiscal policy in the country failed to curb pressure on prices, and inflation reached 13.4% YoY. However, on a positive note for Azerbaijan, the non-oil sector grew by 2.7% YoY. Another important economy is China, as Chinese ambitions to expand its economic influence can have a powerful impact on the entire region. In 2017, China became the third largest trade partner of Georgia. Therefore, China's 6.9% growth rate for the year comes as good news for our country.

How much do we depend on our neighbors?

How much does the economy of Georgia depend on other countries? The table below gives an idea about linkages with partner countries with respect to trade, foreign direct investment, remittances and number of international arrivals in 2017. Darker colors correspond to stronger linkages and, consequently, stronger spillover effects from other countries. For example, we can see that the EU and Russia each absorbed high shares of Georgian exports, at 24% and 14% respectively. These countries are also the main sources for Georgian remittances (31% and 33% respectively). Thus, positive economic developments in the EU and Russia have strong positive effects on the Georgian economy.

The data also show that the spillover effects from large and fast-growing economies like China are still limited. However, China's increasing importance as a trade partner (a FTA between Georgia and China came into force on 1 January 2018) and a source of foreign investments will amplify its positive (and negative) influence on the Georgian economy in the future.

Overall, the economies of Georgia and the whole region are continuing to recover from the sluggish growth of previous years. For Georgia, the recovery is due to improvements in both the external and domestic environment. Accelerated economic growth in trade partner countries and rising metal prices caused a spike in exports, increased money transfers and boosted tourism. On the domestic front, improvements in consumer and business confidence, the growth of government expenditure and private lending, and the corporate income tax reform, all stimulated domestic investment and consumption. Downside pressure on Georgia's growth came from the hike in excise taxes on fuel and increasing oil prices on international markets. These factors led to higher inflationary expectations and induced monetary tightening, which further hurt growth.

Table 1: Linkages with Partners, 2017

Partner	Export	Import	FDI*	Remittances	Int. Arrivals
Armenia	8%	4%	0%	1%	23%
Azerbaijan	10%	8%	28%	1%	22%
China	8%	9%	3%	0%	0%
EU	24%	28%	33%	31%	4%
Russia	14%	10%	1%	33%	18%
Turkey	8%	17%	19%	8%	17%
Ukraine	5%	6%	1%	2%	3%
USA	4%	3%	4%	10%	1%
Total**	**2,727,971**	**7,979,435**	**1,346,482**	**1,379,463**	**7,554,936**

*FDI data is calculated for the first three quarters of 2017
** In million USD, International arrivals in million people

Source: GeoStat, NBG, GNTA

Inflation

Both producer and consumer prices in Georgia showed high growth in 2017. CPI annual inflation was 6%, while producer prices increased by 10.2%. The year-on-year hike in prices was mainly caused by the following factors:

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

Sharp fuel price increases (23.7% YoY) on the international market. For Georgia, this meant an increase in transportation prices and, indirectly, an increase of domestic production costs.

Nominal depreciation of the Georgian lari in annual terms with respect to partner countries, which contributed to the rise of import prices.

The product categories that exhibited the highest price growth in annual terms were alcoholic beverages & tobacco, as well as transport. Prices for these product categories increased by 17.1% and 15.1% YoY respectively in 2017. Food prices were indirectly affected by higher fuel prices. Moreover, the rise of meat and dairy prices was driven by the increase in exports of live bovine animals and sheep (especially to Iraq and Iran), reducing the supply of meat and dairy on the local market. These upward pressures on the CPI and PPI led to higher inflationary expectations and provided justification for a tighter monetary policy stance by the National Bank of Georgia.

Credit, household debt and financial sector stability

The indebtedness of the population continued to grow in 2017. Household debt as a share of GDP has been growing in recent years, reaching 31.9% in Q3 2017 (4 percentage points (pp) higher than in the same period of 2016). The household debt to disposable income ratio constituted 49.4% in Q3 2017 (7.7 pp higher than in the same quarter of 2016).

Yet, despite the increase in household debt indicators, the share of non-performing loans (NPL) to total loans declined. This could in part be explained by the strict lending standards of commercial banks, as well as by the fact that de-dollarization policies may have eased currency mismatch problems among Georgian households and led to fewer defaults.

The profitability of the Georgian banking sector increased significantly in 2017. The profit of the banking sector reached 869 million GEL (a 13% YoY increase). Total loans (stocks) granted by commercial banks to businesses and households increased by 15.5% YoY. This increase was driven mainly by retail credits, which surged by 20.3% YoY. Business loans rose by 10.2% YoY in 2017.

Dollarization rates of non-bank deposits and loans decreased in 2017: the dollarization of deposits fell by 5.8 pp, while loans were less dollarized by 7.5 pp. The fact that dollarization declined during the year despite fluctuations with the lari's nominal exchange rate, indicates that the macro-prudential mechanisms implemented by the NBG earlier in 2017 had the desired effect.

At the same time, the de-dollarization policy affected lending rates: the artificially-induced surge in demand for retail loans in national currency among physical persons led to an increase in retail borrowing rates for individuals and households, while for legal entities loans in national and foreign currencies became cheaper.

Trade

Trade conditions were good for Georgia in 2017. After two consecutive years of export contraction, Georgia showed positive dynamics in external merchandise trade. Trade turnover increased by 13.8% YoY. Exports rose by 29.1% and imports by 9.4% YoY. The overall trade deficit widened by 1.4% YoY.

The boost in exports was primarily driven by improved external demand conditions and a surge in metal prices. Ferro-alloys and copper ores prices spiked by 81.3% and 34.4% YoY respectively. Car re-exports (+41% YoY), wine (+50.6% YoY), medicaments (+30.9% YoY), and spirituous beverages (+37.8% YoY) were the other main drivers of the export hike in the reported period. The bad news is that the structure of Georgian exports is still characterized by low diversification – the top ten export commodities accounted for 63.3% of total exports.

The structure of imports was more diversified – the top ten import commodities accounted for 34.8% of total imports. Import of copper ores (36.1% YoY), which are used for re-export, was the main driver of the imports increase. It seems that excise tax had a significant impact on imports of fuel. Despite a 12.3% YoY increase in import values, the fact that oil prices on international markets went up by an average 23.3% YoY (IMF crude oil prices) suggests that the quantity of imported petroleum decreased by roughly 8.9% (authors' calculations). It turns out that the price elasticity of demand on fuel is higher in Georgia than is assumed by general economy theory.

The geographic composition of trade also changed in 2017. Exports to CIS countries increased by 59.9% YoY and constituted 43.3% of total exports. This increase was mainly driven by export growth to Russia (+91.3% YoY) and Azerbaijan (78.1% YoY). Exports to EU countries increased by 13.2% and those to other countries rose by 12% YoY in 2017. The increased importance of the Russian market for Georgian exporters contains political risks for producers in light of previous embargos. While Georgia still needs time to finish the process of harmonization to take full advantage of the Association Agreement and DCFTA with the European Union, the recently-signed FTA with China, which came into force in January 2018, is expected to boost exports to China quite rapidly.

Remittances

According to GeoStat, the volume of total remittances to Georgia amounted to 1,379 million USD in 2017, a 19.8% YoY increase. The recovery of remittances is a clear sign that the economies of Georgia's partner countries continue to improve. All top source countries of money inflows to Georgia showed a notable increase: Russia (+15.4% YoY), Italy (+17.9% YoY), the United States (+11.2% YoY) and Greece (+13.4% YoY).

Money inflows from Israel showed unprecedented annual growth of 96.1%. This stemmed from the wave of Georgian emigration that started in 2014 when the countries ratified a visa-free regime. Following this, many Georgians stayed in Israel illegally or sought asylum there after finding it to be an outstanding country in which to work and send money back to their homeland. Israel overtook Turkey (+25.6% YoY) to become the fifth biggest source of money inflows from Georgia in 2017.

Despite the positive dynamics in 2017, money inflows were still 4.3% behind 2014 levels. However, the exchange rate depreciation and moderate levels of inflation have boosted the purchasing power of remittances. Remittances in CPI adjusted lari terms, which measures the purchasing power of money inflows to Georgia, showed a 19.5% and 20.6% YoY increase compared to 2016 and 2014 respectively. Thus, remittances were an additional external factor that stimulated economic growth in 2017. Moreover, remittances are a source of foreign currency inflows into the country and are important for lari exchange rate stability.

International Arrivals

In 2017, there were 7,554,936 international arrivals to Georgia, which was **a 18.8% YoY increase**. Of these, 77.8% arrived by land, 20.7% by air, 1% by rail and 0.5% by sea.

As usual, the highest share of total visitors to Georgia were from neighboring countries – Armenia, Azerbaijan, Russia and Turkey. Taken together, visitors from neighboring countries constituted 80.1% of the total visitor flow. However, dramatic growth was seen in visitors from Iran (+118.3% YoY) and Saudi Arabia (+164.6% YoY) in 2017. The high growth in those numbers emphasize the huge potential of Asia in terms of tourism development for Georgia.

The year 2017 was very successful for Georgia in terms of **international tourism**. The number of tourists (visitors who stayed in Georgia for 24 hours or more) constituted 3,478,932 people, a **27.9% YoY increase**. These tourists brought 2.2 billion USD to Georgia in the first three quarters of 2017, which was 29% more than in the same period of the previous year. Tourism was one of the main drivers of economic growth in 2017 and one of the main sources of foreign currency inflow. It is expected that the **total export of tourism services in 2017 will be higher than the total export of goods**, which constituted 2.7 billion USD.

Overall, 2017 was quite a good year for Georgia: it was marked by faster growth, a recovery of exports, effective reform efforts (e.g. the larization and CIT reforms) and a significant boost in the tourism sector. On the negative side, Georgia's existing external weaknesses were still apparent in the 2017 data: low diversification of the export sector, reliance on primary commodities and re-exports – all significantly increase the future vulnerability of the economy. The increase in household indebtedness is also a cause for concern, despite the fact that banking sector stability appears intact. Tackling these issues with relevant policies should be at the top of the agenda for policy makers in the coming year.

UK Public believes rules governing advertising by social media influencers confusing and unclear

UK Public believes rules governing advertising by social media influencers confusing and unclear

The FINANCIAL

Regulations governing how social media influencers advertise products online are confusing and unclear with the UK public overwhelmingly believing the system should be more transparent, new research reveals. The comprehensive survey into influencer marketing, published today, was carried out on behalf of Prizeology, a prize promotions agency specialising in promotional regulation and compliance and looked at how the public perceive rules and regulations around influencer marketing.

The research, carried out on 2015 members of the general public, looked at influencer marketing on social media platforms covering Instagram, Facebook, Twitter, YouTube and Pinterest. It overwhelmingly showed that there is a worrying lack of knowledge around the rules governing advertising by influencers. An overwhelming majority – 71% of people – wrongly believe that there are no regulations surrounding influencer marketing. 61% believe that influencers do not have to state that they have been paid to talk about a product. This is incorrect, because under consumer protection legislation, influencers must state if they are being paid to promote a brand's products.

More surprisingly, the confusion cuts across generations. 33% of the 49% of the UK public who were unaware of the relevant language or tags like #ad, that show that there is product promotion, were young people aged between 18-24.

The research clearly showed that the general public believe that they should be informed if people are being paid to promote products – a staggering 88% of the general public agreed with this statement with 60% agreeing that their perception of a brand is improved when they are transparent about product promotion.

"The results are extremely interesting and overwhelmingly show a shocking lack of knowledge and confusion amongst all age groups – including teenagers – about the way that brands use social media influencers to advertise their products",

Sarah Burns, Managing Director of Prizeology and a leading expert in compliance and regulation in the promotional marketing sector said. "The Advertising Standards Authority (ASA) has a tough job on its hands, but more must be done to enforce the rules and educate the public and influencers themselves as to what is acceptable and what is not. In fact, our survey revealed that 71% of those we questioned feel that the ASA should be doing more to force disclosure.

"Interestingly, almost half of the people we questioned (44%) felt that influencer marketing is damaging with 66% of people agreeing that their perception of a brand improved when they were transparent about product placement. This should be wake up call to brands to make sure that they are acting within the rules when working with influencers. The public do not want to be duped and brands could suffer as a result.

"It is clear that this is an area of promotion that is growing rapidly, and the regulations need to be enforced more rigorously to keep pace with its growth. Now is the time to take action. I know the ASA has committed to comprehensive education and enforcement this year, and our research shows that this would be welcomed by consumers."

BGEO board approves demerger, to up stake in Bank of Georgia

BGEO board approves demerger, to up stake in Bank of Georgia

(ShareCast News) - BGEO Group said on Monday that its board has approved the demerger announced last July and that its investment business, Georgia Capital, plans to increase its stake in Bank of Georgia to 19.9%, from the previously announced 9.9%.

The board has approved the demerger that will separate the group into twoLondon-listed businesses, with Bank of Georgia being the banking arm and Georgia Capital the investment business.

"We expect the demerger to benefit both businesses in several ways: providing greater flexibility for each business to pursue value creation opportunities appropriate to its focused strategies, harnessing different capital structures, and allowing tailored and effective management and human resource approaches.

"The board believes that the demerger is the best way to enable the individual businesses to grow faster and develop independently over the next few years."

The demerger will be subject to shareholder approval at a general meeting which is expected to be held in April.

As far as the increase in the Bank of Georgia stake is concerned, BGEO said: "In seeking to achieve the best outcome in terms of combined valuation for current BGEO shareholders, it is important that the demerger creates two entities that are well-capitalised, have enough liquidity to be attractive to a broad investor base, and are sizeable enough for both Bank of Georgia and Georgia Capital to achieve FTSE 250 index inclusion following the demerger."

Weekly Market Watch

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ECONOMY

Exports up 25.7% y/y in January 2018

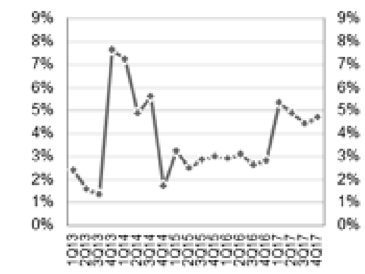
In January 2018, exports increased 25.7% y/y to US$ 222.2mn, imports were up 18.1% y/y to US$ 593.6mn and the trade deficit widened 14.0% y/y to US$ 371.4mn according to GeoStat's preliminary figures. Detailed foreign trade statistics will be available on February 19, 2018.

Key macro indicators

	1M18	2017	2016
GDP (% change)	...	4.8%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US$)	...	...	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	4.3%	6.7%	1.8%
Gross reserves (US$ 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
Note: Rapid estimate for 4Q17

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, 2017

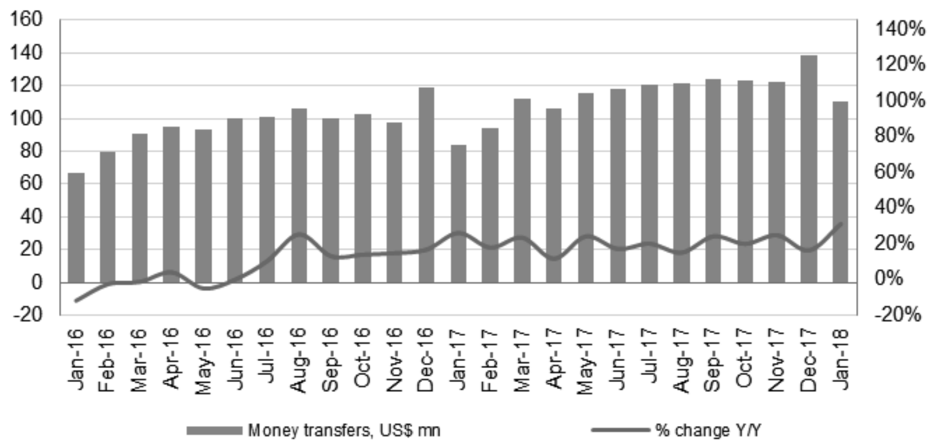
Ease of Doing Business s# 9(Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 59 (improving trend)

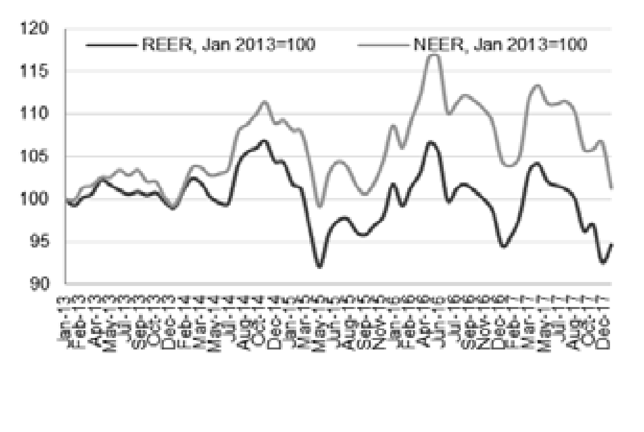
Source: World Bank, Heritage Foundaition and World Economic Forum

Money transfers



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.

Money transfers up 31.1% y/y in January 2018

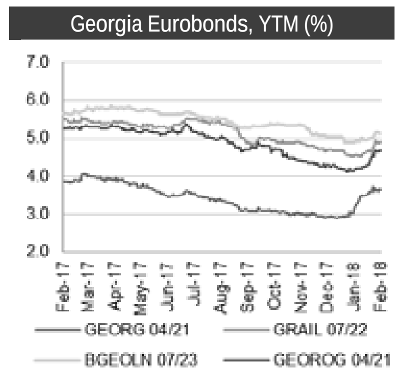
In January 2018, money transfers increased 31.1% y/y to US$ 110.0mn after growing 16.3% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+17.0% y/y, 28.1% of total), Italy (+43.1% y/y, 12.5% of total), Greece (+33.4% y/y, 11.3% of total), Israel (+84.3% y/y, 10.7% of total), USA (+13.3% y/y, 9.7% of total) and Turkey (+41.3% y/y, 8.0% of total).

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.1% yield, trading at 104.2 (+0.2% 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 106.1 (+0.1% w/w), yielding 4.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.1 (-0.1% w/w), yielding 4.9%.

Georgian Sovereign Eurobonds (GEORG) closed at 109.5 (-0.1% 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	101.16	100.5	106.1	104.2	109.5	111.1
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	206.4	239.4	105.5	222.8

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

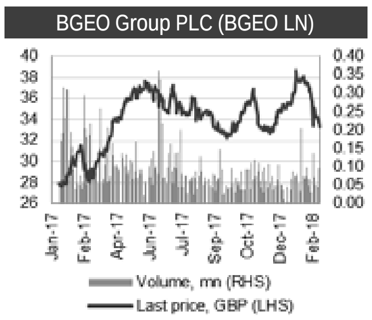
Eastern European sovereign 10-year bond performance

Issuer	Amount, US$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	3.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	3.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	3.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	3.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	4.1

Source: Bloomberg

EQUITIES

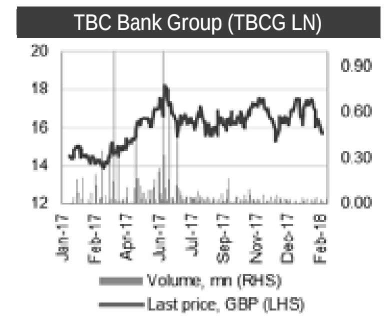
BGEO Group PLC (BGEO LN)



Source: Bloomberg

BGEO Group (BGEO LN) shares closed at GBP 33.26/share (-2.81% w/w and -11.45% m/m). More than 352k shares traded in the range of GBP 32.72 – 35.06/share. Average daily traded volume was 67k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 2.64% w/w and lost 5.52% m/m. The volume of BGEO shares traded was at 0.90% of its capitalization.

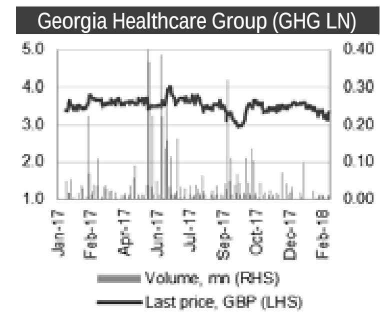
TBC Bank Group (TBCG LN)



Source: Bloomberg

TBC Bank Group (TBCG LN) closed the week at GBP 16.60 (+5.20% w/w and -4.82% m/m). More than 55k shares changed hands in the range of GBP 15.72 – 16.86 share. Averaged daily traded volume was 14k in the last 4 weeks.

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.35/share (+3.08% w/w and -2.90% m/m). More than 33k shares were traded in the range of GBP 3.11 – 3.40/share. Average daily traded volume was 7k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

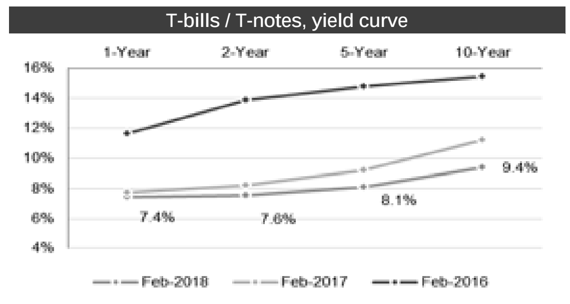
MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 960.0mn (US$ 392.2mn).

Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US$ 16.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on February 14, 2018. The weighted average yield was fixed at 7.573%. The nearest treasury security auction is scheduled for February 21, 2018, where GEL 30.0mn nominal value 5-year T-Notes will be sold.

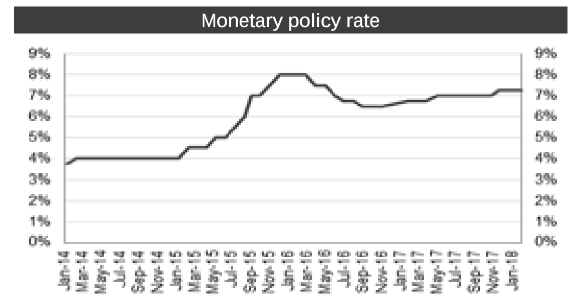
Ministry of Finance Treasury Bills: 182-days GEL 20.0mn (US$ 8.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 14, 2018. The weighted average yield was fixed at 7.319%.

T-bills / T-notes, yield curve



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

Monetary policy rate



Source: NBG

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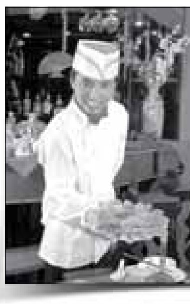
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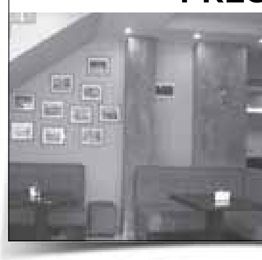
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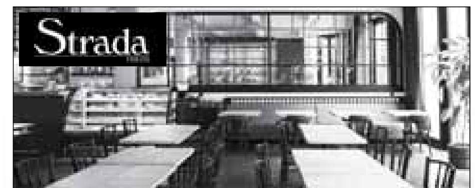

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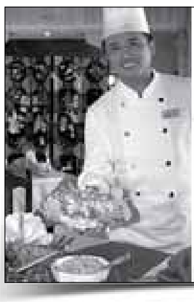
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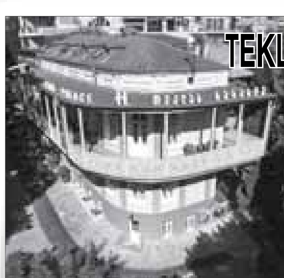
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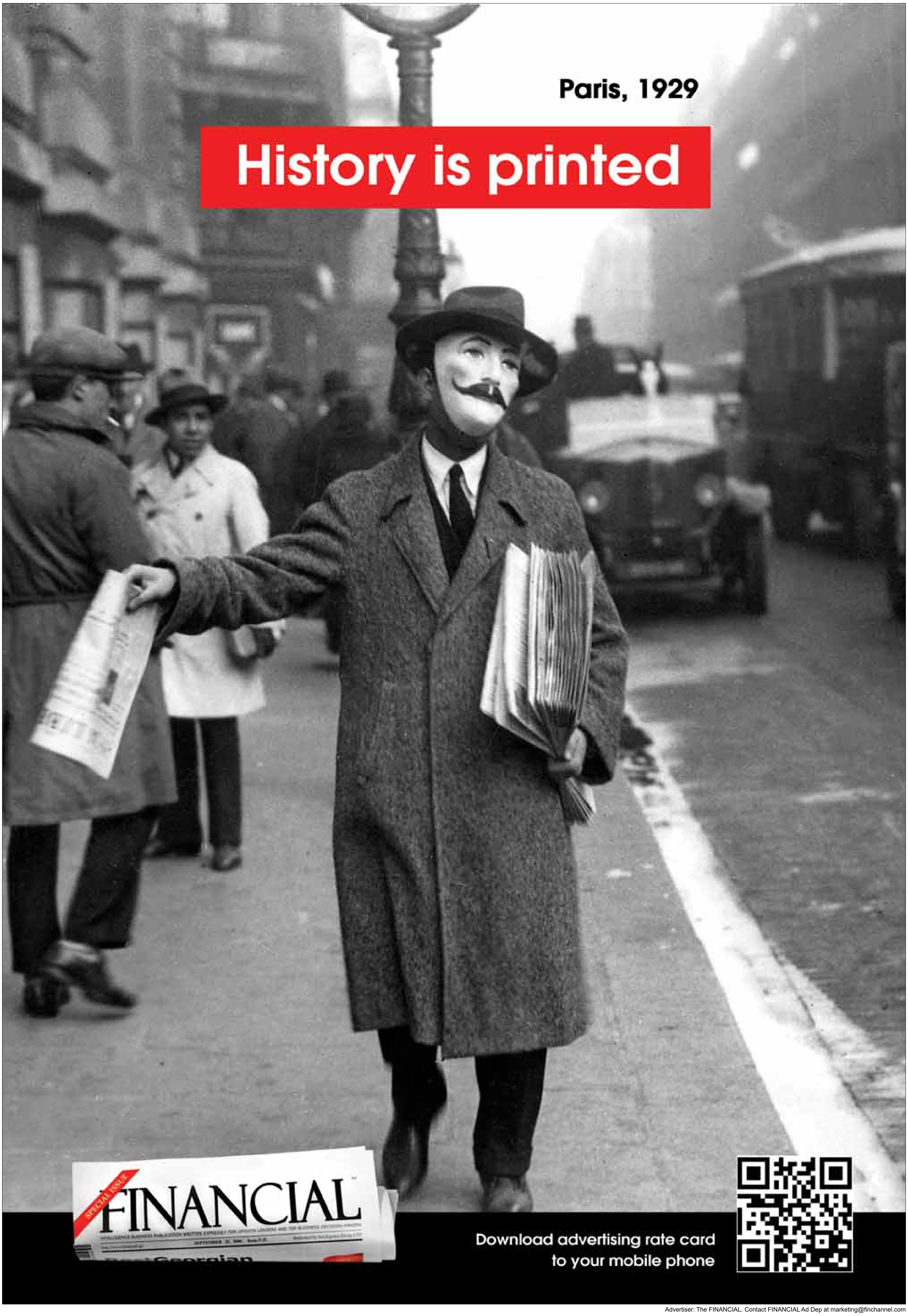
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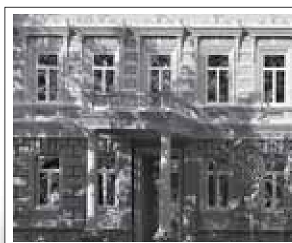
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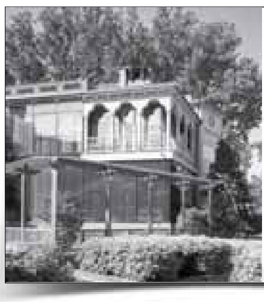
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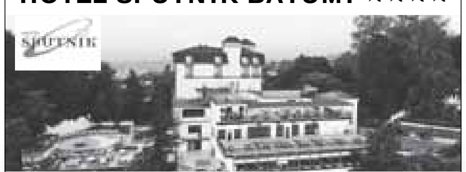
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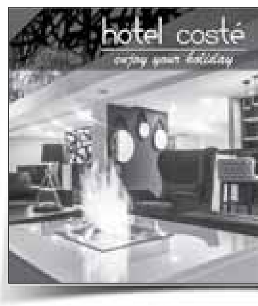
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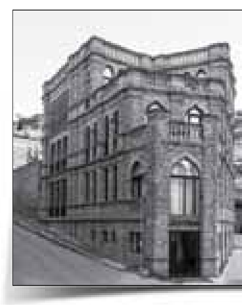
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