

FINANCIAL



4% of EU citizens of working age live in another

See on p. 2

Are Georgians losing faith in democracy? – Nope

See on p. 8



4 June, 2018

News Making Money

<http://www.finchannel.com>

As fatal overdoses rise, many Americans see drug addiction as a major problem in their community

The FINANCIAL

Americans overwhelmingly see drug addiction as a problem in their local community, regardless of whether they live in an urban, suburban or rural area, according to a new Pew Research Center survey. The public's concerns come amid steep increases in the number and rate of fatal drug overdoses across all three community types in recent years.

Nine-in-ten Americans who live in a rural area say drug addiction is either a major or minor problem in their community, as do 87% in urban and 86% in suburban areas, according to the survey of 6,251 adults, conducted Feb. 26-March 11. Substantial shares in each community type say addiction is a major problem, though people in urban and rural areas are more likely to say this than those in a suburban setting (50% and 46%, respectively, compared with 35%).

Continued on p. 6

Less than half of executives believe they have the skills and abilities to lead in the digital economy

The FINANCIAL

Only 16% of executives believe their teams have the capabilities to deliver their digital strategy

41% of organisations have invested in AI, up from 22 per cent in 2017. Half of respondents do not believe their organisation's leadership has a clear understanding of AI.

Despite a significant uptick in investment in emerging technologies in the past 12 months, UK executives lack confidence in their own digital skills.

Continued on p. 12

CURRENCIES

June 1 May 26

1 USD	2.4664	▲ 2.4805
1 EUR	2.8812	▲ 2.9044
100 RUB	3.9731	▲ 4.0050
1 TRY	0.5475	▼ 0.5237

One in ten Europeans in arrears with payments

The FINANCIAL

In 2016, 10.4% of the population in the European Union (EU) were in arrears with their mortgage, rent or other items, such as utility bills or hire purchase

payments, which are typically paid as monthly instalments. In other words, one in ten people in the EU had such outstanding debts and delayed payments in 2016. When focusing on arrears for mortgage or rental payments, the proportion stood

at 3.5% in the EU. People living in households with dependent children (4.8%) were twice as likely to face this situation as those without dependent children (2.3%).

Continued on p. 13

Household energy prices in the EU remain nearly stable compared with 2016

See on p. 4



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The Best of the Best - Teliani Valley "Glekhuri Kisi Qvevri 2015" with Trophy on IWC 2018

Eva BOLKVADZE

The FINANCIAL

Teliani Valley wines presented at international wine competition "International Wine Challenge 2018" received the highest ratings and won Trophy, gold, silver and bronze medals. The culmina-

tion of the competition is the announcement of champions and the best wine-makers of the year, who will be awarded the most important award of the competition – the Trophy.

The competition is annual and only the best of the best become recipients of the Trophy.

Continued on p. 4

How and Where to Advertise?

Eva BOLKVADZE

The FINANCIAL

In this digital age, the significance of, and demand for, communication has changed the rules of what defines an effective advertising vehicle. The challenge for companies today is to present their brand image through content that people

Continued on p. 10

Financial Football Game adapted in Georgian is already available for the Georgian audience

Eva BOLKVADZE

The FINANCIAL

The National Bank of Georgia and Visa launched a localized version of Financial Football - an interactive online game that engages students and adults while teaching them money management skills.

On the event, which was held at the Biltmore Hotel, and which was attended by stakeholders from public, pri-

vate and civil sector, Visa and the National bank of Georgia signed a memorandum of understanding, which provides an important platform to work together to promote financial literacy in the country.

The memorandum was signed between Archil Mestvirishvili, Deputy Governor of The National Bank of Georgia, and Mrs. Joanne Marques, Vice President, Government Relations in CEMEA, Visa.

Continued on p. 10

Special Award for GPI Holding

Eva BOLKVADZE

The FINANCIAL

Insurance company GPI Holding was awarded a special prize by Vienna Insurance Group for a project's implementation last year and was donated EUR 50,000 for the project's development. The prize was awarded by Martin Simhandl, a member of the Supervisory Board of

Vienna Insurance Group, and Barbara Grotschnig, Director of CSR projects.

"What we have seen already is that this is an approach, on the one hand, which involves taking a risk to do something a different way. And this is a way which, at the end of the day, will help everybody on all sides.

Continued on p. 8

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financial news

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THE FINANCIAL
 4 June, 2018

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FINANCIAL

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CURRENT PRICES ON GASOLINE AND DIESEL

4 JUNE, 2018, GEORGIA



Gulf

Prices in GEL

	Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL		Prices in GEL	
G-Force Super	2.55	Eko Super	2.59	Super Ecto 100	2.60	Nano Super	2.58	Efix Euro 98	2.60	
G-Force Premium	2.37	Eko Premium	2.47	Super Ecto	2.50	Nano Premium	2.45	Efix Euro Premium	2.46	
G-Force Euro Regular	2.30	Eko Diesel	2.46	Premium Avangard Ecto	2.30	Nano Euro Regular	2.33	Euro Regular	2.38	
Euro Regular	2.25	Euro Diesel	2.43	Euro Regular	2.20	Nano Diesel	2.33	Efix Euro Diesel	2.45	
G-Force Euro Diesel	2.49	Euro Regular	2.38	Euro Deasel	2.30	Nano Euro Diesel	2.45	Euro Diesel	2.38	
Euro Diesel	2.44	Diesel Energy	2.38			GNG	1.45			
CNG	1.46									

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financial news

The Best of the Best - Teliani Valley “Glekhuri Kisi Qvevri 2015” with Trophy on IWC 2018

Another Victory for Teliani Valley; on international wine competition Georgian wine was awarded with Trophy, Gold, Silver and Bronze Medals

Eva BOLKVADZE
The FINANCIAL

Teliani Valley wines presented at international wine competition “International Wine Challenge 2018” received the highest ratings and won Trophy, gold, silver and bronze medals. The culmination of the competition is the announcement of champions and the best wine-makers of the year, who will be awarded the most important award of the competition – the Trophy.

The competition is annual and only the best of the best become recipients of the Trophy. This year



thousands of wines from 55 countries participated in the International Wine Challenge 2018.

“International Wine Challenge” is one of the most important and influential competitions in the world, which has been in existence for 35

years and is held annually in London. The best wines are announced by world wine experts using the method of blind tasting. The competition aims to reveal the best wines from around the world.

Expect the triumph on Interna-

tional Wine Challenge, Teliani Valley winery has garnered positive acclaim and a number of prestigious gold, silver and bronze medals for

Continued on p. 14

4% of EU citizens of working age live in another

Continued from p. 2

At the opposite end of the scale, the share of Cypriot nationals residing abroad decreased from 7.1% in 2007 to 3.9% in 2017.

Two thirds of the French living in another Member State have tertiary education

For most Member States, a higher share of working age nationals abroad have tertiary education than the home population. This is in particular the case for France (62.5% of the French living in another EU Member State have tertiary education, compared with 34.6% for the resident population of France) and Germany (54.5% and 26.7% respectively) where the difference reaches 28 pp.

In six Member States, however, it is the home population that has a higher share of tertiary education graduates: Bulgaria, Croatia, Portugal and the three Baltic countries Latvia, Estonia and Lithuania.

On the EU level, the share of people with tertiary education for working age citizens living outside their Member State exceeds the tertiary education share of the resident population by 2.3 pp.

8 out of 10 working age Slovanes in other Member States are employed

For most Member States, the employment rates of mobile EU citizens are higher than those of their co-nationals who live in their country of citizenship and higher than the EU average employment rate (72.1%).

The largest differences are in the cases of Greek (77.3% of Greeks in other EU countries are employed, compared with 57.8% of the respective population in Greece; a difference of 19.5 pp.), Croatia (79.8% and 63.6%, 16.2 pp.), Spanish (78.9% and 65.5%, 13.4 pp.), Italian (75.6% and 62.3%, 13.3 pp.) and Polish (81.8% and 70.9%, 10.9 pp.) citizens living abroad in the EU.

On EU level, the employment rate for working age citizens living outside their Member State exceeds the resident population employment rate by 4 pp.

Household energy prices in the EU remain nearly stable compared with 2016

The FINANCIAL

Household electricity prices in the European Union (EU) slightly decreased (-0.2%) on average, between the second half of 2016 and the second half of 2017, to stand at €20.5 per 100 kWh. Across the EU Member States, household electricity prices in the second half of 2017 ranged from below €10 per 100 kWh in Bulgaria to more than €30 per 100 kWh in Denmark and Germany.

Household gas prices fell by 0.5% on average in the EU between the second halves of 2016 and 2017 to stand at €6.3 per 100 kWh. Among Member States, household gas prices in the second half of 2017 ranged from around €3 per 100 kWh in Romania to almost €9 per 100 kWh in Denmark and more than €11 per 100 kWh in Sweden.

Taxes and levies in the EU made up on average over a third (40%) of the electricity price charged to households in the second half of 2017, and about a quarter (27%) of the gas price.

Highest increase in electricity prices in Cyprus, largest fall in Italy

Across the EU Member States, the highest increase in household electricity prices in national currency between the second half of 2016 and the second half of 2017 was registered in Cyprus (+12.6%), followed by Romania (+7.2%), Malta (+7.1%), Estonia (+6.5%), the United Kingdom (+5.3%), Bulgaria and Belgium (both +4.8%)

and Poland (+4.5%). In contrast, the most noticeable decreases were

observed in Italy (-11.1%), Croatia (-7.5%), Slovakia (-6.2%) and Greece (-6.0%).

Expressed in euro, average household electricity prices in the second half of 2017 were lowest in Bulgaria (€9.8 per 100 kWh), Lithuania (€11.1) and Hungary (€11.3) and highest in Germany (€30.5), Denmark (€30.1) and Belgium (€28.8). The average electricity price in the EU was €20.5 per 100 kWh.

When expressed in purchasing power standards (PPS), an artificial common reference currency that eliminates general price level differences between countries, it can be seen that, relative to the cost of other goods and services, the lowest household electricity prices were found in Finland (13.0 PPS per 100 kWh), Luxembourg (13.4) and the Netherlands (14.0), and the highest in Germany (28.8), Portugal (28.0), Belgium (26.4), Romania (26.0) and Poland (25.4).

Half or more of the electricity price is made up of taxes and levies in Denmark, Germany and Portugal.

The share of taxes and levies in total household electricity prices varied significantly between Member States, ranging from two-thirds in Denmark (69% of household electricity price is made up of taxes and levies) and over half in Germany (55%) and Portugal (52%) to 5% in Malta in the second half of 2017. On average in the EU, taxes and levies accounted for more than a third (40%) of household electricity prices

Largest falls in gas prices in Slovenia and Germany, highest increases in Estonia, Bulgaria and Denmark

Between the second half of 2016 and the second half of 2017, household gas prices in national currency decreased in ten Member States. The largest falls were recorded in Slovenia (-5.5%), Germany (-5.1%), and Luxembourg (-4.8%). In contrast, the highest increase was observed in Estonia (+25.9%), followed by Bulgaria (20.6%) and Denmark (+18.1%).

Expressed in euro, average household gas prices in the second half of

and Denmark

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Adjusted for purchasing power, it can be seen that, relative to the cost of other goods and services, the lowest household gas price was recorded in Luxembourg (3.3 PPS per 100 kWh), ahead of the United Kingdom (4.5) and Belgium (5.1). In contrast, the highest were observed in Portugal (10.0), Spain (9.6), Italy (8.9), Sweden (8.8) and the Czech Republic (8.3).

Largest falls in gas prices in Slovenia and Germany, highest increases in Estonia, Bulgaria and Denmark

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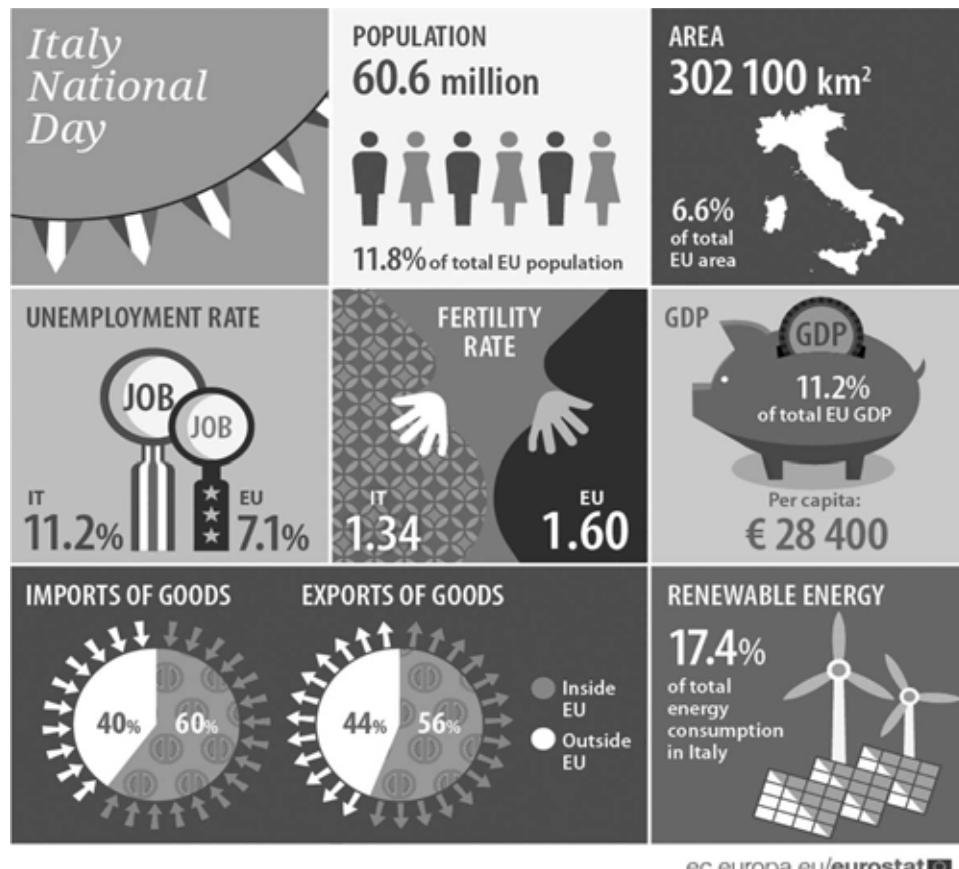
Expressed in euro, average household gas prices in the second half of

2017 were lowest in Romania (€3.1 per 100 kWh), Croatia and Hungary (both €3.7), Bulgaria (€3.8), Latvia (€3.9), Lithuania and Luxembourg (both €4.0) and highest in Sweden (€11.3), followed by Denmark (€8.8), Spain and Italy (both €8.7), the Netherlands (€8.2) and Portugal (€8.0). The average gas price in the EU was €6.3 per 100 kWh.

Adjusted for purchasing power, it can be seen that, relative to the cost of other goods and services, the lowest household gas price was recorded in Luxembourg (3.3 PPS per 100 kWh), ahead of the United Kingdom (4.5) and Belgium (5.1). In contrast, the highest were observed in Portugal (10.0), Spain (9.6), Italy (8.9), Sweden (8.8) and the Czech Republic (8.3).

Highest share of taxes and levies in gas price in Denmark and the Netherlands, lowest in the United Kingdom and Luxembourg

In the second half of 2017, taxes and levies made up the largest contribution to the price of gas for households in Denmark (56% of household gas price) and the Netherlands (51%). They were followed by Sweden (45%) and Romania (43%). At the opposite end of the scale, the smallest contributions were registered in the United Kingdom (9%) and Luxembourg (10%), ahead of Bulgaria, the Czech Republic and Slovakia (all 17%). At EU level, taxes and levies accounted on average for about a quarter (27%) of household gas prices in the second half of 2017.



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financial news

As fatal overdoses rise, many Americans see drug addiction as a major problem in their community

The FINANCIAL

Americans overwhelmingly see drug addiction as a problem in their local community, regardless of whether they live in an urban, suburban or rural area, according to a new Pew Research Center survey. The public's concerns come amid steep increases in the number and rate of fatal drug overdoses across all three community types in recent years.

Nine-in-ten Americans who live in a rural area say drug addiction is either a major or minor problem in their community, as do 87% in urban and 86% in suburban areas, according to the survey of 6,251 adults, conducted Feb. 26-March 11. Substantial shares in each community type say addiction is a major problem, though people in urban and rural areas are more likely to say this than those in a suburban setting (50% and 46%, respectively, compared with 35%).

The problem of drug addiction has drawn widespread attention as the United States confronts an opioid epidemic. President Donald Trump last year declared the epidemic a national public health emergency, and statistics from the Centers for Disease Control and Prevention underscore the deadly toll that opioids and other drugs have taken.

Nationally, more than 63,600 people died of a drug overdose in 2016, the most recent year for which full data are available. (Preliminary data suggest the 2017 number will be even higher.) That's an increase of 21% from the prior year and nearly double the 34,425 drug overdose deaths that occurred a decade earlier. Opioids — ranging from illegal street drugs like heroin to prescription painkillers — have played an especially lethal role: About two-thirds (66%) of the fatal overdoses in 2016 involved an opioid.



Urban, suburban and rural counties all have experienced significant growth in deadly drug overdoses, according to the CDC. There were 19,172 fatal overdoses in urban counties in 2016, up 25% from the year before. Suburban counties experienced 36,424 such deaths, up 22%, while rural counties saw 8,036 deaths, up 9%. (This analysis uses the National Center for Health Statistics county classification scheme to assign each county to a community type. Pew Research Center used the same approach in its analysis of demographic and economic trends in the new study about American community types. Also, it's important to point out that not all fatal overdoses are the result of drug addiction. The CDC notes that overdose deaths can have other causes, such as inadvertently taking the wrong drug.)

Suburban counties not only had the most overall drug overdose

deaths in 2016, they also had the highest age-adjusted rate of deadly overdoses — a metric that controls for differences in population size and average age across the three community types. The age-adjusted rate of drug overdose deaths in suburban counties was 21.1 per 100,000 people in 2016, compared with 18.7 per 100,000 in rural counties and 18.5 per 100,000 in urban counties.

Overdose deaths rise sharply among black urban men

Whites, blacks and Hispanics all have experienced substantial increases in fatal drug overdose deaths in recent years, but there has

been an especially large rise among blacks. The overdose death rate for black Americans rose 40% between 2015 and 2016, from 12.2 deaths per 100,000 people to 17.1 per 100,000. Among black men in urban counties, specifically, the fatality rate rose 50% — from 22.6 deaths per 100,000 people in 2015 to 34.0 per 100,000 a year later.

Despite the sharp year-over-year increase among blacks, whites continue to have a substantially higher overall drug overdose death rate (25.3 per 100,000) than both blacks (17.1 per 100,000) and Hispanics (9.5 per 100,000).

In the Center's new survey, about half of blacks (49%) say drug addiction is a major problem where they live, as do 45% of Hispanics and 40% of whites. Majorities of eight-in-ten or more across the three groups say this is at least a minor problem in their community.

Euro area unemployment at 8.5%



The FINANCIAL

The euro area (EA19) seasonally-adjusted unemployment rate was 8.5% in April 2018, down from 8.6% in March 2018 and from 9.2% in April 2017. This is the lowest rate recorded in the euro area since December 2008. The EU28 unemployment rate was 7.1% in April 2018, stable compared with March 2018 and down from 7.8% in April 2017. This remains the lowest rate recorded in the EU28 since September 2008. These figures are published by Eurostat, the statistical office of the European Union.

Eurostat estimates that 17.462 million men and women in the EU28, of whom 13.880 million in the euro area, were unemployed in April 2018. Compared with March 2018, the number of persons unemployed decreased by 53 000 in the EU28 and by 56 000 in the euro area. Compared with April 2017, unemployment fell by 1.633 million in the EU28 and by 1.088 million in the euro area.

Member States

Among the Member States, the lowest unemployment rates in April

Continued on p. 8

New Funding Models Needed for Better and Faster ICT Infrastructure, Says Report by World Economic Forum and BCG



For developed and developing economies alike, inclusive growth depends not simply on providing connectivity, but on providing "forward-looking access"—that is, providing internet via networks with sufficient capacity, quality, and speed to support more advanced usage. The report identifies four maturity levels of internet usage

through which individuals, businesses, and societies progress, providing a standardized framework to view the degree to which the internet is currently incorporated into daily life.

Given the pace of internet-based technological innovation and the growth in intensity of data use, however, additional maturity levels are

expected to emerge, underscoring the need for better and faster infrastructure.

"Investments in internet infrastructure will help create more equal societies in the future. It is important that decision makers become aware of the new models of financing portrayed in the report," said Eric White, Project Lead Internet for All, World Economic Forum.

Current disparities in ICT infrastructure, which tend to correspond with broader economic inequalities, hinder or even prevent users in many markets from climbing the maturity ladder. Disparities in network coverage also support the divide in internet use, and the compounding impact on GDP growth further exacerbates existing economic inequalities between developed and developing nations.

A Total Societal View of ICT Infrastructure Funding

Despite rising demand for data traffic, the business case for network operators to invest in upgrading mobile networks is relatively weak because operators have only a small share in the value of the projected traffic growth. But a broader view of the return on investment, which considers the associated socioeconomic benefits that are derived from increased high-quality internet access, shows that economic growth resulting from forward-looking infrastructure improvement exceeds the required investment in a surprisingly short period. The report's analysis of the 28 countries currently in the EU shows that the returns to society in the form of GDP growth exceed any infrastructure-related capital expense in a period of five to fourteen months, as long as the full economic benefits to society are considered.

The majority of ICT infrastructure funding has traditionally come from private sector companies, namely network operators, ISPs, and tower builders. Governments and multi-

Continued on p. 12



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MAJOR ADVANTAGES:

- Convenient location – Between two central avenues
- Up to 23% energy efficiency
- Comfort and Safety – 24-hour security, cleaning of common areas, maintenance of the green area
- Fire alarm systems in accordance with international standards

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

WELL-EQUIPPED INFRASTRUCTURE:

- Multi-sport facilities and children's playground
- Kindergarten
- 3-level parking garage
- Office and commercial spaces

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SALES OFFICE ADDRESSES IN TBILISI:

- 35 Vazha-Pshavela Ave.
- 19^a Al. Kazbegi Ave.
- 1 P. Kavtaradze Str. (m² Gallery)

www.m2.ge 2 444 111

surveys & analysis



MERAB PACHULIA, GORBI

Are Georgians losing faith in democracy? – Nope

When the Soviet Union started flirting with political openness 30 years ago and lost its grip, democratic governance became the only alternative for much of Eastern Europe, whether the people were prepared for it or not. With the geopolitical chess match of the Cold War over, many dictators lost their legitimacy and were removed from power by force or the ballot.

Georgia had a rocky start as an independent state but overall has benefited enormously from democracy, experiencing several peaceful and successful transitions of power via elections over the last decade. While there is currently no appetite for other forms of governance, there is always the risk of returning to authoritarianism if those in power and civil society fail to consolidate democracy.

Conducting popular elections do not always translate

to a strong or healthy democratic governance, at least in the Western liberal sense. Leaders in the region these days are elected to office, but some “secured” themselves permanent support from the electorate after making the necessary adjustments to their constitutions.

We all are democracies in this region but what makes us different is the level of civic engagement that holds elected officials accountable. In this regard Georgia is truly exceptional. Thanks to mass protests, the country's leadership was forced to make drastic changes and improvements on several occasions. As a result, there is broad support for representative democracy.

2500 years ago, Plato, the Greek philosopher or perhaps, the smartest man that this planet has ever hosted, believed that “The best king is the one who is the best of philosophers and the best at war.” He described five forms of governance and how they

Table 1: Approval of various types of governance (%)

	1995	2009	2014	2018	Global Average (2017)
Strong leader	61	44	54	74	26
Experts	51	40	33	60	49
Military rule	11	5	10	26	24
Democracy	85	82	79	86	66

Source: The European Values Survey and the World Values Surveys; Pew Research, 2017, Global Attitudes Survey

were replacing each other when one was eventually failing.

Over the past three decades now, social scientists have been measuring preferred forms of governance by asking respondents in surveys to assess various types of political systems and what they think about each for governing their respective countries. In Georgia, GORBI was a pioneer in measuring public attitudes towards different styles of governance, including democratic political systems,

strong leader, military rule or by a system where experts rule.

Since 1995, the majority of the public has welcomed strong leader rule the most. The exception was in 2009, when “only” 44% of the public thought that a strong leader would be fitting for their country's needs. However, and alarmingly, a sizeable majority of the adult population (74%) today supports this form of political management which is nearly three times the global average (26%).

In addition, 60% of surveyed respondents in 2018 supported rule by experts over elected representatives, an option that has had its ups and downs over the last twenty years. Four years ago, only a third of respondents backed this option. Worldwide, this nonrepresentative and technocratic system is today favored by half of all respondents (49%).

Though Georgia did experience a short-lived coup d'état that installed a council of thugs dressed in army fatigues in the early 90s, the country has never experienced military rule. With no human or historical memory of such form of rule, it is not surprising that it is liked the least. In 2018, only a quarter of respondents supported military rule. Interestingly, this number has increased more than twofold since 1995, but it is still close to the world average of 24% (if that is any comfort).

Table 1 also clearly demonstrates that in Georgia, and

overall, people have always had faith and trust in democratic governance, preferring it over nondemocratic systems. However, in recent years the latter has been gaining significant support.

Bottom line is that, based on international survey findings, poor democracies are vulnerable to the regime change. But as soon as they become consolidated and the country succeeds in addressing poverty and generates wealth, the democracy becomes safe. Thus, strengthening democracy and tackling poverty should be the ultimate motto.

GORBI is an exclusive member of the Gallup International research network and has more than two decades of experience in survey research (gorbi.com)



Special Award for GPI Holding

Vienna Insurance Group awards insurance company for CSR Project for Women's Empowerment

Eva BOLKVADZE
The FINANCIAL

Insurance company GPI Holding was awarded a special prize by Vienna Insurance Group for a project's implementation last year and was donated EUR 50,000 for the project's development. The prize was awarded by Martin Simhandl, a member of the Supervisory Board of Vienna Insurance Group, and Barbara Groshnig, Director of CSR projects.

“What we have seen already is that this is an approach, on the one hand, which involves taking a risk to do something a different way. And this is a way which, at the end of the day, will help everybody on all sides. It is an approach that improves diversity, and diversity in my opinion for an insurance company and insurance group is something very important. If you do that in a way that has a social aspect to it, consequently for GPI Holding, if you for example employ those who do not find jobs so readily, then this is a really good idea and at the end of the day will work out as a winning situation. I think you always have to work towards such things, and if you do that in a socially responsible way, even better,” said Martin Simhandl, member of the Supervisory Board of Vienna Insurance Group.



Vienna Insurance Group has been a member of the Global FTSE4GOOD Index since 2007. It means that the Group belongs to the world's leading companies whose activities are accompanied by continuous work on human rights and environmental protection. The Group has been awarding special projects through its Special Awards CSR activities since 2012.

“Vienna Insurance Group consists of 50 insurance companies and 25 countries in Central and Eastern Europe. We are the largest insurance group which really makes people and our employees aware of the fact that there are less fortunate individuals in life than we. And that it is important to

see what's going on around us and to help, of course only on a voluntary basis. This is an initiative of social activities within the Group. Every employee can choose what social activity to implement and which social institution to help,” Barbara Groshnig mentioned.

“The award given to GPI Holding today is the award for social commitment and we give this award to those companies in the Group that show the most innovative and creative social engagement. EUR 50,000 is given to GPIH and the company can decide what to do with this money.”

GPI Holding has received an honorary award for the first time in the field of women's empowerment. As

a result of the project 600 people were employed in the company. 80% of them are women over 25 years old.

This year, GPI became winner of the Millennium Development Fund Competition and owner of the annual award “Business for Gender Equality” with this project.

“We wanted to expand our sales department and find people who are more likely to fit in with our tasks. With a fairly detailed analysis we realized that we should have been able to give people the opportunity to further their career and give them a chance to get a new position and field of expertise to achieve great success with us. Of course, we have invested in giving them appropriate knowledge through

trainings,” said Paata Lomadze, General Director of GPI Holding.

“As you know, the insurance direction in Georgia is very poor and it has a very small history. Our biggest challenge is to explain the importance of insurance services to people in all directions. Today, we and all insurance companies are actually creating a new market, which is the most difficult task, and we need a lot of qualified staff for this.”

“I would like to thank our founders, Vienna Insurance Group, which gave us such a pleasant surprise when we were chosen from other companies in this group and gave us the first prize due to the project implemented in 2017,” Lomadze stated.

Euro area unemployment at 8.5%

Continued from p. 6

2018 were recorded in the Czech Republic (2.2%), Malta (3.0%) and Germany (3.4%). The highest unemployment rates were observed in Greece (20.8% in February 2018) and Spain (15.9%).

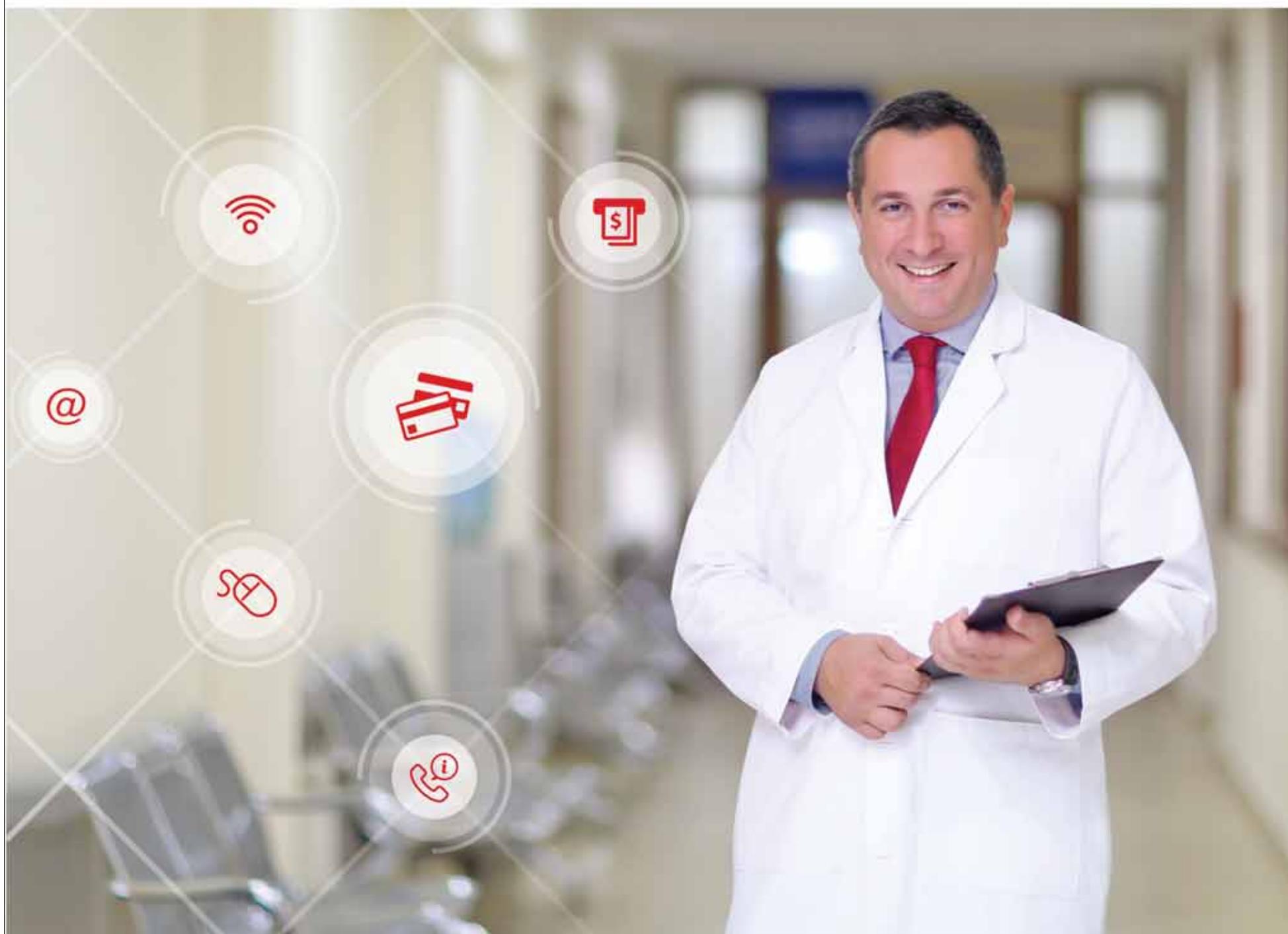
Compared with a year ago, the unemployment rate fell in all Member States except Italy where it remained stable and Estonia where it increased (from 5.3% to 5.6% between March 2017 and March 2018). The largest decreases were registered in Cyprus (from 11.7% to 8.6%), Croatia (from 11.5% to 9.1%) and Portugal (from 9.5% to 7.4%). In April 2018, the unemployment rate in the United States was 3.9%, down from 4.1% in March 2018 and from 4.4% in April 2017.

Youth unemployment

In April 2018, 3,426 million young persons (under 25) were unemployed in the EU28, of whom 2,433 million were in the euro area. Compared with April 2017, youth unemployment decreased by 464 000 in the EU28 and by 306 000 in the euro area. In April 2018, the youth unemployment rate was 15.3% in the EU28 and 17.2% in the euro area, compared with 17.2% and 19.3% respectively in April 2017. In April 2018, the lowest rates were observed in Germany (6.0%), Malta (6.8%) and the Netherlands (6.9%), while the highest were recorded in Greece (45.4% in February 2018), Spain (34.4%) and Italy (33.1%).

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Interview

How and Where to Advertise?

**Giorgi Trapaidze,
General Director
of Advertising
Company Alma,
speaks about the
Ad business**

In this digital age, the significance of, and demand for, communication has changed the rules of what defines an effective advertising vehicle. The challenge for companies today is to present their brand image through content that people actively want to pay attention to, watch and share. Giorgi Trapaidze, General Director of the leading advertising company in the outdoor market, shared his experience and thoughts about the effectiveness of the outdoor advertising system with THE FINANCIAL.

Q. Can you tell us about your range of products? We know that you offer a lot of interesting communication opportunities to your customers besides standard banners, what are these?

A. It's true that Alma has a long history as a company. It has more than 20 years of experience of the Georgian market.

Our service portfolio is quite wide-ranging and varied, with something to interest any kind of industry: billboards; monitors; ads at bus stations; printed ads in Tbilisi, Batumi and Kutaisi international airports; 3D images, etc.

Our company's many years of experience, its professional team, and the existence of our enterprise base, are what allow us to carry out any volume and complexity of project.

Q. Which direction was the most popular last year, billboards or monitors, and why? What has changed?

A. Monitors are still a relatively new product and the Georgian mar-



GIORGİ TRAPAIĐZE, General Director of Advertising Company Alma

ket needs time to adjust to innovation. Accordingly, the demand for billboards in the first half of last year was comparatively high. However, in the second half of 2017, a growth of advertisements on monitors was highlighted by various industries, and this trend has continued this year.

The reason, of course, was the increased number of sales after advertisements placed on monitors. The dynamism and constantly changing content is quite interesting, efficient and focused, so passersby are in a constant state of experiencing novelty.

The novelty factor is the interactivity of the monitors. You can control ads according to weather

and temperature, by day and night. Therefore you can arrange the right tailoring for a specific audience for a specific brand.

Q. What are the main mistakes made by companies while carrying out OOH or DOOH advertising? What should effective video or static external advertising look like?

A. Advertisers often forget that DOOH is not a printed media, television or internet, where they are trying to provide overloaded and overcrowded information. OOH and DOOH should be minimalistic, with as little text as possible, and with less of an overload of colours. Customers register advertisements on a billboard or monitor for 3-4 seconds

only, the rest does not remain in their memory, therefore communicating via billboard or monitor can occasionally be ineffective unfortunately. When this happens it is the fault of the content. In contrast, minimal text and simple visuals, sharp colours, and optimal fonts that are easy to understand and distinguishable – prove effective and are gradually encouraging a minimalist visualization trend.

We are more flexible when it comes to bus covers and street light boxes. The reason why we have more of a possibility for text is that these constructions are at eye level, as well as users having more time (on average 10-15 minutes) to read and absorb the message. As for colours, sharp red, black, white, blue and green are most effective.

Q. Is the effectiveness of graphic and video banners in line with the prices offered by Alma?

A. One for one. Each Lari spent generates appropriate returns. I won't name specific brands, but I can list the industries whose sales have increased after some of our products. For example: sales of a wine company in Tbilisi airport increased fourfold in a month; a developer company which used our monitors campaign had to expand its sales team because of increased calls in just 2 weeks; a car manufacturer company increased more than 3 times the sales of a particular car model advertised on one of our banners. I could go on, but the list would be endless.

Q. What kind of control and monitoring mechanism do you offer clients?

A. After the installation of any banner and nonstandard material, we have a photo-report from our side and the client also evaluates our work. We are also actively taking care of the construction process and correct any shortcomings with our monitoring team in the shortest time possible.

As for the monitors, we cooperate with an American company to deal with the Dactronics and when it comes to error, their system is in-

formed about it before us and all the issues are solved from America. And if any problem cannot be resolved remotely, then an experienced team of theirs arrives in Georgia to rectify the errors operatively.

Q. How are locations selected for advertising? What are your recommendations?

A. Locations must be selected according to the industry and desired communication audiences. Our experienced sales team shares our partner companies' recommendations, and such planned communication is always effective.

Q. Do you think that companies are spending a good share of their profit on advertising?

A. Each company identifies its advertising budget itself. The fact is that they generally spend as much as they think they can, in most cases, but of course depending on the industry, the company's development stage, and their short- or long-term goals.

Q. According to the statistics, what kind of companies use outdoor advertising the most?

A. Given today's trends, the main consumers of outdoor advertising in the Georgian market are the banking and finance industries; real estate developer companies; representatives of the gambling industry; non-alcoholic and low-alcohol content beverages; restaurants; fast food restaurants; hotels; hypermarkets and supermarkets; and shopping centres. Overall there is increased retail trade products communication on the market. Representatives of these industries include both local and international brands.

Q. How affordable are Alma services for small companies that don't have a large budget?

A. Today we have a lot of small business representatives on our advertising sites with opportunities to do OOH advertising. Outdoor advertising used to be associated with expensive media, but with the diversity of our products, we have given all brands in Georgia the ability to run any outdoor advertising according to their advertising budget.

Financial Football Game adapted in Georgian is already available for the Georgian audience

The National Bank of Georgia and Visa launched a localized version of Financial Football - an interactive online game that engages students and adults while teaching them money management skills.

On the event, which was held at the Biltmore Hotel, and which was attended by stakeholders from public, private and civil sector, Visa and the National bank of Georgia signed a memorandum of understanding, which provides an important platform to work together to promote financial literacy in the country.

The memorandum was signed between Archil Mestvirishvili, Deputy Governor of The National Bank of Georgia, and Mrs. Joanne Marques, Vice President, Government Relations in CEMEA, Visa.

The Financial Football, FIFA world Cup TM - branded video game is a part of Visa's global innovative approach for helping children and adults learn about personal finance. The game combines the world's most popular sport with an award-winning financial literacy curriculum.

"Financial literacy is an essential part of a comprehensive consumer protection framework and one of the priority areas for the National Bank of Georgia. Financial literacy is one of the most important life skills of the 21st century. For the purpose of raising awareness of the benefits of



financial literacy and enhancing the availability of educational resources for all segments of the population the year of 2018 has been announced as the year of Financial Literacy". "Digital games are one of the most

innovative channels for spreading financial literacy, especially among the youth; therefore, developing Financial Football Game for the Georgian market in cooperation with VSA is one more important step towards

improving the awareness of the Georgian population", said Archil Mestvirishvili, Deputy Governor of The National Bank of Georgia.

Financial Football challenged players to answer fast-paced, multiple-

choice money management questions correctly to advance down the field for a chance to score a goal. Features of the game include two options: single player and head-to-head options. The game has three difficulty levels - geared to children, teens and adults. Players learn key concepts about saving, responsible spending, budgeting, and the wise use of credits.

"For 20 years, VISA has been a private sector leader in developing innovative, free programs that help people effectively learn the fundamentals of personal finance, including budgeting, saving, responsible spending and the wise use of credit. Financial literacy programs will benefit every member of society by helping them gain the knowledge, skills and confidence to make informed financial choices. We hope that financial football will become a valuable resource for local schools and non-governmental organizations to work with youngsters in the field of financial literacy", Dmytro Krepak, Acting Group Country Manager in CIS&CEE.

In addition to the game modules, the program offers tutorials for teachers, enabling them to use the content in the classroom as well. Each module contains tests and exercises to check players' knowledge.

Georgian Version of the Financial Football can be played free at ge.financialfootball.com

Paris, 1929

History is printed

FINANCIAL
INTELLIGENCE BUSINESS PUBLICATION WRITTEN EXPRESSLY FOR LEADERSHIP LEADERS AND TOP-INFLUENTIAL DECISION-MAKERS
SEPTEMBER 25, 2006 Issue 3 (4) Business Intelligence Driving E-FIN

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FactCheck



Dimitri Kumsishvili:



“The turnover of enterprises increased by 12.1% in March 2018 whilst the number of newly registered enterprises reached 4,786.”

Egnate SHAMUGIA
FactCheck

VERDICT:

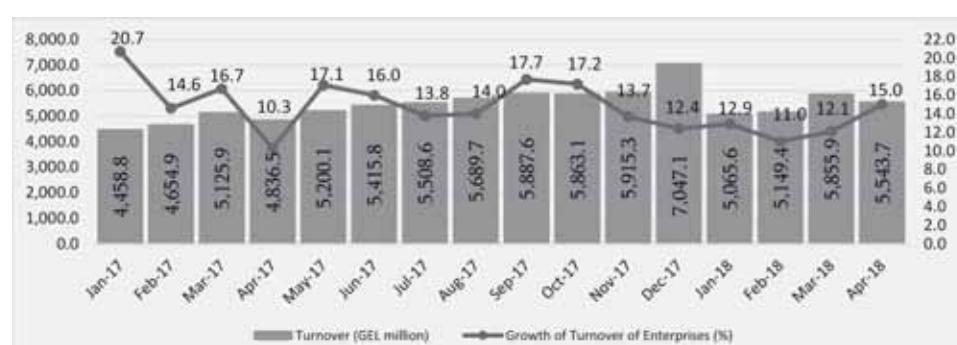
FactCheck concludes that Dimitri Kumsishvili's statement is **TRUE**.

RESUME:

The turnover of VAT paying enterprises amounted to GEL 5,855.9 million in March 2018 which is 12.1% more as compared to the same month of the previous year. In March 2017, the growth rate was even higher by 4.6 percentage points, reaching 16.7%. In terms of the average trade turnover of the first four months (12.8%), this amount is less as compared to the average figure for the same period (15.6%) of 2017.

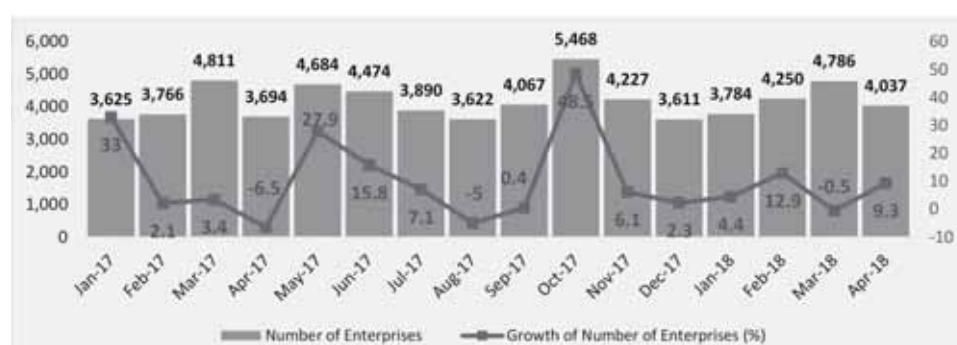
In regard to the number of newly registered enterprises, 4,786 enterprises were registered in March 2018 which is 0.5% less as compared to the same month of the previous year. Of note is that the Minister of Economy and Sustainable Development does not provide a figure for the changes in the amount of registered enterprises.

Graph 1: Trend of Changes in Turnover of Enterprises



Source: National Statistics Office of Georgia

Graph 2. Tendency of Change in Number of Newly Registered Enterprises



Source: National Statistics Office of Georgia

Less than half of executives believe they have the skills and abilities to lead in the digital economy

The FINANCIAL

Only 16% of executives believe their teams have the capabilities to deliver their digital strategy

41% of organisations have invested in AI, up from 22 per cent in 2017. Half of respondents do not believe their organisation's leadership has a clear understanding of AI.

Despite a significant up-tick in investment in emerging technologies in the past 12 months, UK executives lack confidence in their own digital skills. According to a Deloitte survey published last week, less than half (45 per cent) of executives are confident in their own digital skills and ability to lead their organisation in the digital economy, while just 16 per cent believe their talent pool has enough knowledge and expertise to deliver their digital strategy.

The lack of confidence comes as 40 per cent of executives say they do not receive the support they need to develop their own digital skills and 54 per cent do not believe their learning and development curriculum supports their digital strategy. The findings come from the second edition of Deloitte's Digital Disruption Index, surveying digital leaders from 106 organisations, with a combined market value of £707.8 billion, which equates to 27% of the UK quoted equity market.

Confidence in digital skills is currently low, almost half (49 per cent) of executives plan to invest more than £10 million in digital technologies and ways of working by 2020. 35 per cent plan to invest more than £10 million in the 2018 alone. 38 per cent of executives who say their organisation will invest in three or more emerging technologies over the next two years say that they do not have a coherent strategy in place.

Oliver Vernon-Harcourt, partner at Deloitte and author of this year's Digital Disruption Index, explains: "The pace of technological change is accelerating, however in the rush to keep up many organisations are yet to develop a coherent strategy for



investing in digital technologies. More efforts need to be made to align learning and development alongside strategy and investment. End-to-end digital transformation is not just about advances in technology, but about changing the ways of doing business."

Leap of faith in AI

The lack of confidence in digital leadership has not stopped organisations from embracing new technologies. Two in five (41 per cent) businesses have invested in AI technology, up from one in five (22 per cent) who said they had in 2017. Overall, 10 per cent have already invested more than £5 million in AI technology, with 15 per cent planning to invest more than £5 million in the coming year.

Despite significant investments having already been made in AI, less than one in four (23 per cent) say that their leadership team has a clear understanding of the technology and how it will impact their business.

Overall by 2020, 82 per cent of executives plan to invest in AI, while 70 per cent plan to invest in robotic and cognitive automation and 57 per cent in blockchain.

Vernon-Harcourt adds: "Investment into AI has seen significant growth since 2017, with some organisations now moving into large-scale adoption. However, many leadership teams currently lack awareness of the technology

Only 12 per cent of leaders believe UK school leavers and graduates have the right digital skills, down from 20 per cent who said the same in 2017. Over three-quarters are experiencing challenges in recruiting employees with the relevant digital skills. Data scientists and analysts remain the most difficult roles to recruit and retain.

While executives continue to worry that not enough school-leavers and graduates have the right mix of digital skills, only 17 per cent believe that UK companies lead the way with digital.

Vernon-Harcourt concludes: "There is a digital skills gap that needs to be addressed urgently. Digital is not just about technology. It is about what technology enables. It can fundamentally change how work gets done, how organisations interact with their customers and how decisions are made. To realise the potential of digital technologies and benefit from these, it is vital for businesses to join together in addressing the digital skills gap."

End

New Funding Models Needed for Better and Faster ICT Infrastructure, Says Report by World Economic Forum and BCG

Continued from p. 6

lateral players, such as development banks, have played a relatively minor role, especially in comparison with the scale of their investment in other infrastructure sectors.

Meeting the global need for advanced network infrastructure requires collaboration among the various funding sources and the development of

new funding models that take into account returns on investment beyond simple business cases. In most developed and emerging markets, the public sector needs to improve the attractiveness of ICT investments.

The public and private sectors also can work together to increase the use of blended financing and attract additional types of investors. Potential vehicles discussed in the report include blended financing,

project bundling, securitization mechanisms, multistakeholder funds, coinvestment vehicles, risk guarantees, and infrastructure marketplaces.

"This report provides a clear and important message to leaders across the public, private, and civic sectors: more collaboration is required to finance a truly forward-looking internet for all," said Wolfgang Bock, a senior partner at BCG.

One in ten Europeans in arrears with payments



The FINANCIAL

In 2016, 10.4% of the population in the European Union (EU) were in arrears with their mortgage, rent or other items, such as utility bills or hire purchase payments, which are typically paid as monthly instalments. In other words, one in ten people in the EU had such outstanding debts and delayed payments in 2016.

When focusing on arrears for mortgage or rental payments, the proportion stood at 3.5% in the EU. People living in households with dependent children (4.8%) were twice as likely to face this situation as those without dependent children (2.3%).

Arrears relating to mortgage, rent and other payments

Almost half (47.9%) the population in Greece were in arrears with mortgage, rent, utility bills or hire purchase

payments, in 2016. Around one third of the population in Bulgaria (34.2%), and over a quarter in Cyprus (26.6%) and Croatia (26.4%) were also in arrears of this type.

At the opposite end of the scale, half (14 out of 28) of the Member States recorded that less than 10% of their population were in arrears with mortgage or rent, utility bills or hire purchase payments. The smallest proportions were 5.0% in the Netherlands, 4.4% in the Czech Republic and 4.2% in Germany.

Highest share of mortgage or rent arrears in Greece

When looking at the share of the population who were in arrears with mortgages or rental payments, so excluding utility bills or hire purchase payments, the highest percentage in the EU was also recorded in Greece, where 15.3% of the total population had outstanding debts of this kind in 2016.

This was considerably higher than in any of the other EU Member States. The next highest proportion was recorded in Cyprus (8.6%), followed by Spain and France (both 5.2%), Hungary (5.1%), Finland (4.9%) and Italy (4.2%).

In contrast, the percentage of the population in arrears was below 2% in seven EU Member States: Estonia (1.8%), Germany (1.6%), Ireland and Lithuania (both 1.4%), Croatia and Poland (both 1.3%) and Romania (0.9%). However, these low levels may be partially related to the small percentage of the population who had a mortgage or were renting at market prices, indicating that they had either already paid their mortgage or were not paying rent at market prices.

Compared with 2008, the percentage of the population that were behind with their mortgage or rent payments in 2016 almost tripled in Greece, from 5.5% to 15.3%, while it more than doubled in Cyprus (from 3.4% in 2008 to 8.6% in 2016) as well as in Luxembourg (from 1.1% to 2.7%) and Poland (from 0.6% to 1.3%). However, for Luxembourg and Poland the overall share of those in arrears remains low compared with other EU Member States.

Drones could add £42bn to UK GDP by 2030 - PwC research

The FINANCIAL

The research estimates there will be more than 76,000 drones in use across UK skies by 2030. More than a third of these (36%) could be utilised by the public sector (including in areas such as defence, health and education).

There are significant opportunities for economic gains across all sectors, but the GDP uplift generated by drones is forecast to have the largest impact on the wholesale and retail trade sector with an increase of 2.5%, amounting to around £7.7bn.

The report finds that drone technology could help the UK achieve up to £16bn in net cost savings by 2030 through increased produc-



tivity. The technology, media and telecoms (TMT) sector stands to save the most by using drones, with a potential net saving of £4.8bn by 2030.

Across the UK PwC estimates there will be 628,000

people working in the drone economy by 2030. New types of jobs to develop, build, operate and regulate drones will be needed, as changes in productivity and consumer demand resulting from drone usage create jobs.

GRASS FACTCHECK

Archil Talakvadze:



“Employment in the public sector is not increasing. Administrative and government expenses have been cut whilst the employment figure in the private sector is on the rise.”

Egnate SHAMUGIA

FactCheck

VERDICT:
Archil Talakvadze's statement is **MOSTLY FALSE**.

RESUME:

As of 2017, the number of those employed in the private sector decreased by 22.6 thousand (-1.6%) whilst the number of those employed in the public sector increased by 11.9 thousand (4.4%) as compared to 2016. Of note is that employment in this sector experienced a sharp decrease in 2013 when the figure was at its lowest – 252.1 thousand. In the following years, employment in the public sector increased again. In 2009–2012, employment in the public service had a tendency of growth in 2013–2017 whilst the amount of growth in private service employment is lower as compared to the 2008–2012 figures. Therefore, Archil Talakvadze is wrong in this part of his statement.

In 2013–2017, the consolidated budget expenses to GDP ratio did not decrease and fluctuated within the margins of 25%–26% without a clear trend of either decrease or increase. Administrative expenses have a tendency to drop. The only exception was 2016 when the administrative expenses to GDP ratio did increase. In accordance with 2017's data, this figure is 1.2 percentage points lower as compared to 2012.

ANALYSIS:

Parliamentary Majority leader, Archil Talakvadze, spoke about employment and administrative expenses. As stated by Mr Talakvadze, the number of those employed in the public sector is not increasing but, on the contrary, employment is on the rise in the private sector. In addition, the MP brought up

the issue of administrative and current expenses, claiming that these expenses in the public sector have been cut.

The National Statistics Office of Georgia publishes statistical data about employment both in the state and non-state sectors. Private and state sector employment figures are given in Graph 1. The number of those employed in the state sector was 283.8 thousand in 2017. This constitutes an increase of 11.9 thousand (4.4%) as compared to 2016. Of note is that employment in this sector experienced a sharp decrease in 2013 when the figure was at its lowest – 252.1 thousand. In the following years, employment in the public sector increased again. In 2009–2012, employment in the public service had a tendency of growth in 2013–2017 whilst the amount of growth in private service employment is lower as compared to the 2008–2012 figures. Therefore, Archil Talakvadze is wrong in this part of his statement.

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When speaking about the public sector's administrative expenses, we need to calculate the sum of the funds allocated for labour remuneration as well as for goods and services in the consolidated budget. Whilst calculating current expenses, focus should be made on the total expenses budget line which includes not only labour remuneration and goods and services but subsidies, interest rates, grants, social security and other expenses as well.

The estimated current expenses of the 2018 consolidated budget are GEL 9,555 million

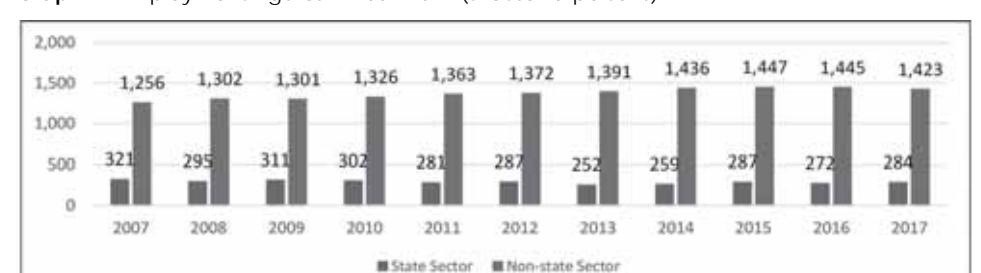
which is 23% of 2018's estimated GDP. This figure decreased by 1.9 percentage points as compared to 2017. The current expenses to GDP ratio increased from 23.8% to 26.5% in 2011–2014, whilst it decreased by 0.7% in 2015. It increased again in 2016 to 26.8% but then the following years witnessed a decline. There is no consistent decrease for the entire period and the figure fluctuates within the margins of 25%–26% without any clear tendency.

In the 2018 consolidated budget, similar to the current expenses, the estimated administrative expenses also decreased and constitute 7.9% of Georgia's GDP. It has kept an annual tendency of decrease over the past years. The only exception is 2016 when the administrative expenses to GDP ratio increased from 8.8% to 9.2%. In accordance with 2017–2018's preliminary and estimated figures, the aforementioned ratio will decrease from 8.4% to 7.9%.

In addition to the aforementioned analysis, it is important to show what part of the current expenses are administrative expenses (the total sum of expenses associated with labour remuneration as well as the purchase of goods and services). In accordance with 2018's estimated figures, the public sector's administrative expenses constitute 33.6% of the current expenses whilst this amount was 33% in 2017. The figure has been declining since 2010 although it has not significantly decreased since 2013.

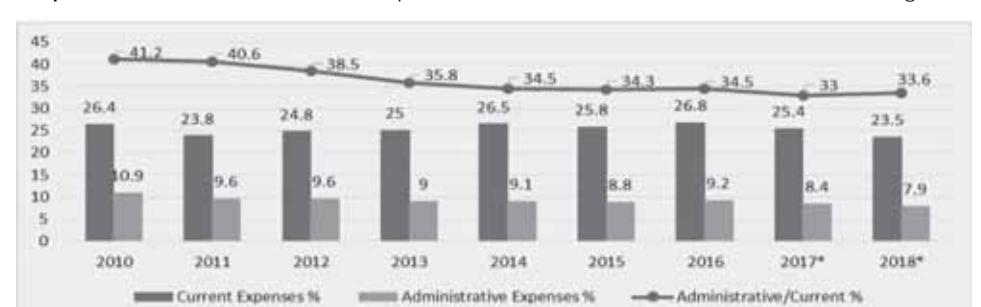
The existing practice shows that the budgets of self-governing entities are amended significantly after approval and are usually increased. As a result, the current and administrative expenses of self-governing bodies also increase. Therefore, the estimated expenses figures for the 2018 consolidated budget are likely to increase by the end of the year.

Graph 1: Employment Figures in 2007–2017 (thousand persons)



Source: National Statistics Office of Georgia

Graph 2: Current and Administrative Expenses to GDP Ratio in 2010–2018¹ Consolidated Budgets



source: Ministry of Finance, National Statistics Office of Georgia

¹ Estimated figures for 2018 and preliminary figures for 2017.

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The Best of the Best - Teliani Valley “Glekhuri Kisi Qvevri 2015” with Trophy on IWC 2018

Continued from p. 4

the excellence of its fine wine in different international competitions: International Wine & Spirits Competition (IWSC); Decanter; Concours Mondial de Bruxelles; and International Qvevri Wine competition.

Temur Dakishvili, the main wine-maker at Teliani Valley, shared the company's main achievements and success with The FINANCIAL.

Competitions

Participation in such competitions is quite important because of the international scope, especially with such high results as there were in 2017. We have to introduce to the world our wines, our traditions and receive various international awards which are guarantee of our quality.

We have been participating in various contests over the years and are seeing different successes by winning different awards. This year was particularly notable as within the space of 2 weeks, we were able to reveal the full results of 4 competitions in which we achieved multiple high scores.

We are happy because of Trophy, which is highest award on IWC. Trophy In that particular contest the white wine category was given to 13 wines worldwide and one of them was Teliani Valley. Georgian wine Teliani Valley's "Glekhuri Kisi Qvevri 2015" was awarded a Trophy and gold medal with high scores. Of



course, this is a success for both the company and for Georgia itself.

The most popular wine

Within the category of semi sweet red wines,

our customers generally prefer Teliani Valley's Kindzmarauli. In terms of dry red wine, Mukuzani and Saperavi are both very popular.

In regard to white wines, the most popular ones are dry wines: Manavi Green; Kisi Green; and Tsinandali. Then Teliani Valley's white and red wines Glekhuri produced by the traditional Qvevri method are quite popular both in Georgia and abroad. Those who properly value wine respect and understand the superiority of Teliani's Glekhuri series.

Differences in taste

Georgian tastes differ radically from Europeans. Georgians show a love for low sourness, and body and tannin wine, whereas European consumers have a high interest in high-acid, low alcohol content and soft wines. This difference was the precise reason for dividing our brands, so we created light wines in the Teliani Valley series that satisfy all tastes and categories of customers. And another category which has more body is made from a traditional method and produces more tannin wines, which is the Glekhuri series.

Wine technologies

We have several wine-making technologies. For example, 'European', which is when alcoholic fermentation happens with and without cha-

cha under careful temperature control in special cisterns. We have a special preparation method for Rosé when red grapes are processed in the direction of European white wine. We have a traditional method, which results in the Qvevri wine. This is the best quality grape with chacha.

Popularization of Georgian wine

International competitions and exhibitions are the best way to popularize Georgian wine. Many Georgian companies are participating every year in different contests, as Teliani Valley itself. All the people are allowed to talk with wine-makers and brand ambassadors, to taste and get acquainted with Teliani Valley products. That's why, participating in different contests is really important, it promotes popularization of Georgian wine abroad.

The interest towards Georgian wine increases day by day in Europe, Asia or USA. Accordingly, Teliani Valley is proud because of fact that it is actively presented on about 25 international markets.

Teliani Valley is also actively involved in development of wine tourism. Tourists have opportunity to visit our vineyards, our factory, taste wine and get acquainted with Georgian wine culture. Demand and interest on Georgian wine is increasing and this is confirmed by the rapid growth of foreign guests from year to year.

Decrease in EU cigarette production

The FINANCIAL

In the European Union, over 527 billion cigarettes were produced in 2016. This was 36 billion items fewer than in 2015 and about a third less (almost 300 billion fewer cigarettes) compared with the production recorded ten years ago.

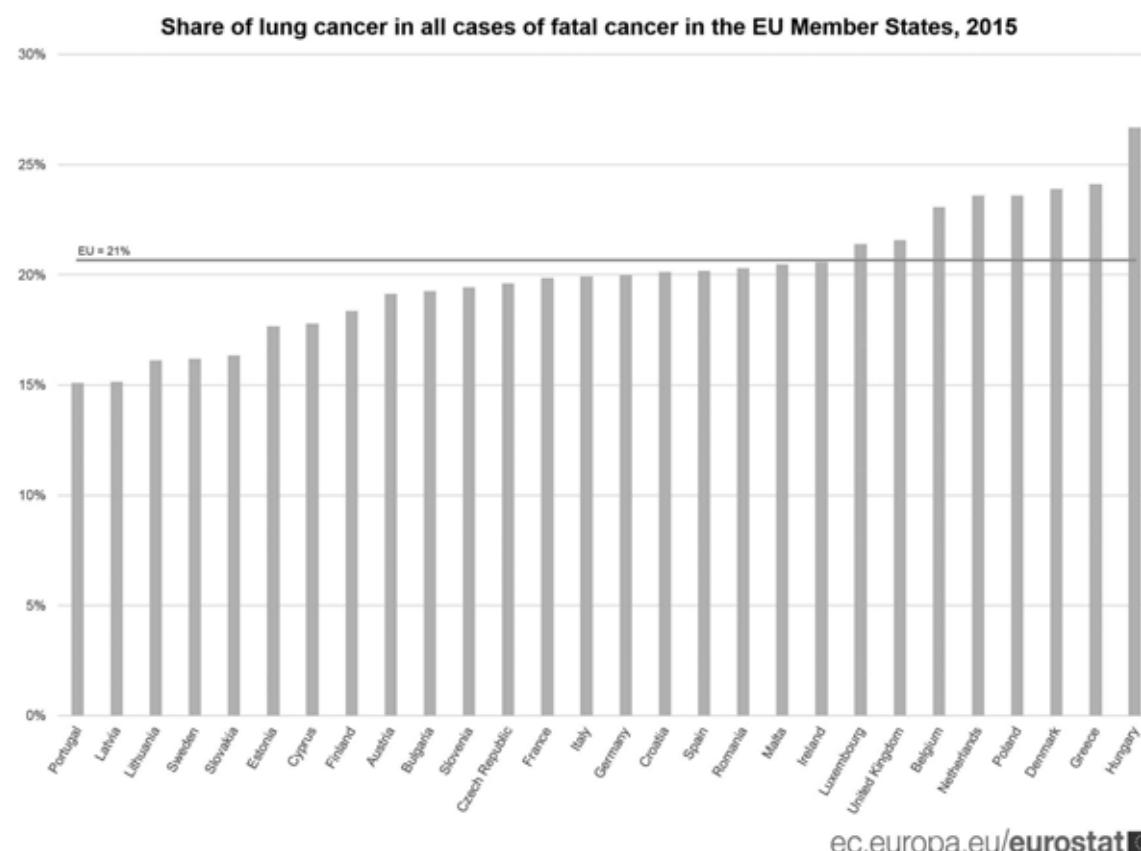
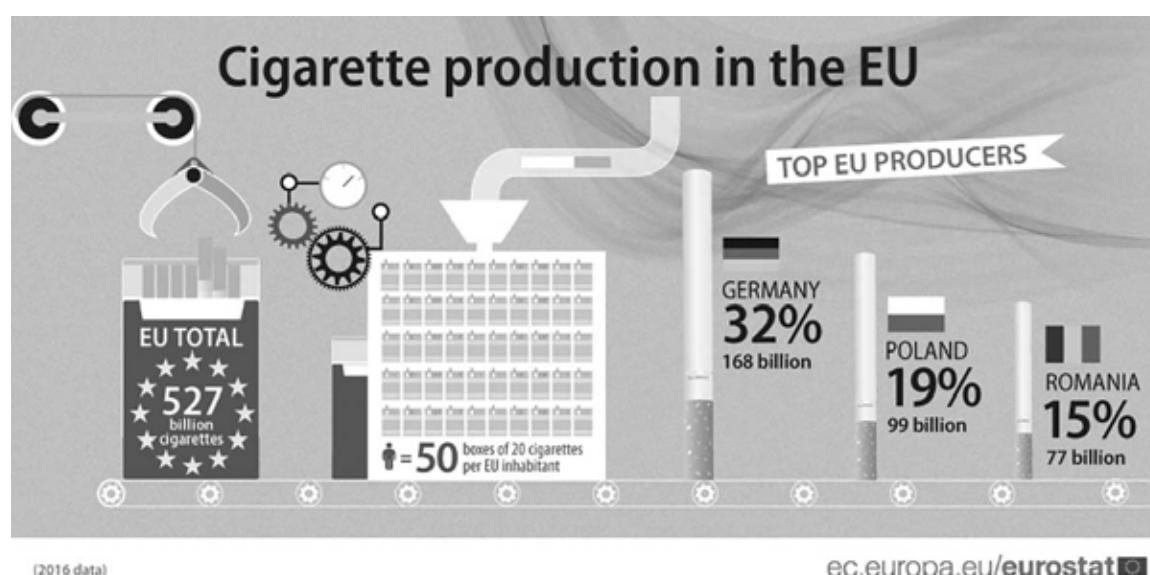
In 2016, the EU's production was equivalent to more than 1000 cigarettes, or roughly 50 packets of 20 cigarettes, per inhabitant. The production value was around €6.2 billion.

Germany, Poland and Romania lead the production market

With almost 168 billion cigarettes produced, Germany was the top producer in 2016. Its cigarette production accounted for 32% of the EU total. In other words, one in every three cigarettes produced in the EU originated in Germany.

Poland ranked second (99 billion cigarettes produced in 2016, or 19% of the EU total) and Romania third (77 billion, 15%). Greece (31 billion), Portugal (27 billion) and Bulgaria (21 billion) each had a share of around 5% of the EU's total production.

Tobacco and health: over 273 000 EU lung cancer deaths in 2015



Tobacco consumption is one of the greatest avoidable health risks in the European Union (EU). Many forms of cancer and cardiovascular and respiratory disease are linked to tobacco use.

Of the 5.2 million deaths reported in the EU in 2015, a quarter (1.3 million) were due to cancer. Of those deaths, 273 400 were caused by lung cancer, including cancer of the trachea and bronchi. In other words, lung cancer was the main type of fatal cancer in the EU, accounting for over a fifth (21%) of all cancer-related deaths. Men were twice as affected as women: 184 600 men died of lung cancer, compared with 88 800 women.

Share of lung cancer in all cases of fatal cancer

Across the EU Member States, the share of lung cancer among all fatal cancers was highest in Hungary (27%), followed by Greece, Denmark, Poland and the Netherlands (all 24%), Belgium (23%) and the United Kingdom (22%).

At the opposite end of the scale, the lowest shares were recorded in Portugal and Latvia (both 15%), Lithuania, Sweden and Slovakia (all 16%).

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Serbian Kusturica Stumps For Putin Ahead Of World Cup

Gordana KNEZEVIC
RFE/RL

Soccer's World Cup kicks off in Russia in less than two weeks, and one of the warmup acts is the Art-Football festival from May 25 to June 3.

That latter Moscow event -- staged to raise funds for seriously ill children -- is in its eighth year. Artists and performers slated to appear include award-winning director Emir Kusturica, in his roles as both a humanitarian and an unapologetic supporter of Russian President Vladimir Putin.

He featured on a Serbian soccer team that defeated its German counterpart on May 27, having already taken the stage with his band, No Smoking, and attended a special event in his honor at the Moscow Conservatory titled Vivat Kusturica.

The Serbian director has twice been awarded the main prize at Cannes, the Palm d'Or (in 1985 for the film When Father Was Away on Business, and in 1995 for Underground).

However, before Kusturica was a Serbian director and a champion of Serbian and Russian brotherhood based on shared culture and history, he was much more closely associated with his native Bosnia-Herzegovina.

Born into a Bosnian Muslim family in Sarajevo, Kusturica chose to be baptized Orthodox Christian in 2005. He attended Putin's third presidential inauguration in 2012 and attributed his lack of success at Cannes in more recent years to his support for Putin.

It seems that he reached a crossroads in 1992 with the breakup of Yugoslavia. Kusturica almost instantly went from hero to zero in his hometown when he gave his backing to the Serbian-led Yugoslav Army, which was then besieging Sarajevo and waging a campaign of ethnic cleansing in the rest of Bosnia.

He was a vocal supporter of Serbian strongman Slobodan Milosevic and reinvented himself as a Serbian director in subsequent years, endearing himself to nationalists



in Belgrade. His endorsement of Putin's Russia appears to be an extension of this adopted world-view and identity, as Kusturica considers the Russian president as not only the champion of Pan-Slavic Orthodox Christian culture but a bulwark against the West.

But for a brief moment in the midst of the Bosnian War, Kusturica seemed to waver between his commitment to the Serbian cause and the suffering of his Bosnian compatriots.

Kusturica was still revered in his native city when the war began -- he was in Paris at the time -- and so the disappointment was profound when, in a telephone interview with Sarajevo TV, he urged people to support the Yugoslav Army. This was the same army that -- as everyone could see -- was killing civilians and keeping Sarajevo under siege. Later, in an interview with the French newspaper Le Monde, Kusturica claimed that the European Union was responsible for the shelling of

Sarajevo and he blamed Bosnian President Alija Izetbegovic for starting the war.

It was beyond comprehension to many that Kusturica, who was worshiped by most people in Sarajevo before the war, had turned his back on his city. Many held out hope that it wasn't true -- that it couldn't be true. Perhaps, being so far away, he was simply unaware of what was happening on the ground.

And then, suddenly, confirmation arrived that the hope may have been justified.

It was March 1993, and Sarajevo had been under siege for almost a year. My newspaper, Oslobojenje, was continuing to publish under the barrage of Serbian artillery, but paper supplies were running low and we were continually being forced to reduce the page count of our daily edition. We reported on the war and the events in the city, but all news from abroad was brought to us by foreign journalists. One day, the Oslobojenje news desk received a

fax from Paris: Kusturica had sent a story that he wanted to be published in our newspaper.

It was a cold March day, and every member of our wartime editorial board was bundled up to stay warm, as there was no heating. Kusturica's piece was on the table in front of us. The title of the article was Rasim's Horseshoe. It was about his random encounter with a Bosnian refugee, a miner from the village of Lopare, who had been tortured by Serb forces. They had nailed a horseshoe onto his foot. Kusturica had written a passionate account of his meeting with Rasim at the airport in Amsterdam. Rasim was on his way to some European hospital for surgery to repair his foot.

Around half of my colleagues were against publishing Kusturica's piece, citing his earlier statements about the war and his public support for Milosevic. I was with the other half, as I believed -- or wanted to believe -- that after meeting Rasim, Kusturica perhaps finally under-

stood that Muslims in Bosnia were seemingly being targeted -- killed, tortured, expelled from their homes -- simply because they were Muslims. I defended his right to have a late change of heart, faced with such compelling evidence. We prevailed, and Kusturica was published in Oslobojenje. Here's an excerpt from Kusturica's story:

"I had to see the sufferer Rasim from the [concentration] camp to reach that emotional tipping point, and to forget in an instant all the politics and history of the world.... I had to look into those gentle eyes that were asking me, 'Why, Emir?' to understand that there is no historical or other justification for nailing a horseshoe onto a man's feet."

However, although we were under siege, the story eventually made it to the outside world, and provoked immediate reaction from Belgrade. Kusturica, as a film director acclaimed throughout Europe, was a useful propaganda tool for a regime that was widely condemned for its actions and atrocities in Bosnia. The horseshoe story thus upset Milosevic's backers in Serbia; Kusturica furiously backtracked, even denying that he had written the story in the first place.

That story is still invoked in regional media as a turning point in Kusturica's affiliations. Since then, that narrative goes, the director has only redoubled his political commitments to Serbian nationalism and, by extension, Putin's Russia.

In 2016, Putin presented Kusturica with the Order Of Friendship for his contributions to strengthening the friendship between the peoples and for the promotion of Russian language and culture abroad. Kusturica thanked Putin in Russian, recalling that at their first meeting he did not speak Russian:

"Dear Mr. Putin, when we met for the first time, I did not speak Russian; the second time, very little; and now I would like to thank you [in Russian] for this award."

As Kusturica sings and plays in Moscow this month in the name of charity and humanitarian causes, and to lend his fame to Russia and its president, will he also recall the story of Rasim's horseshoed foot?

Households with children in the EU

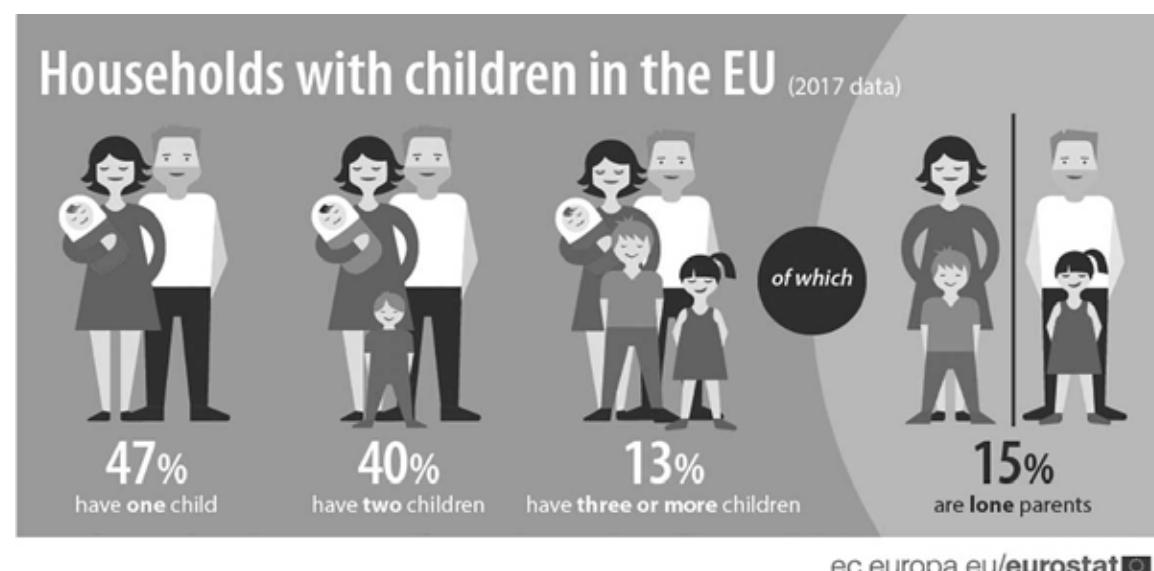
The FINANCIAL

On the occasion of the Global Parents Day, celebrated on 1 June, Eurostat publishes a selection of indicators on households with children in the EU.

In 2017, the European Union (EU) counted 220 million households, almost a third of which (65.4 million) had children.

Among the EU Member States, Ireland recorded the highest proportion of households with children (40%), ahead of Cyprus and Poland (both 37%), Slovakia (36%), Portugal and Romania (both 35%). In contrast, the lowest shares were registered in Germany and Finland (both 22%), followed by Bulgaria (25%), Austria (26%) and Sweden (27%).

Proportion of households with three or more highest in



Ireland, lowest in Bulgaria

At EU level, almost half of all households with children (47%, or

31 million households) had only one child, while 40% (26 million) had two children, and 13% (8.5 million) three children or more.

The highest share of households with three or more children was registered in Ireland (26%), followed

Highest proportion of single parent households in Denmark, lowest in Croatia

At EU level, 15% of households with children were made up of single parents with children.

With about 1 in every 3 households being a single parent household, Denmark (30%) recorded the highest proportion of single adult households with children, ahead of Lithuania (26%), Sweden (24%), the United Kingdom (22%), Estonia (21%) and Latvia (20%). In contrast, the lowest proportions of single adults with children were found in Croatia (6% of all households with dependent children), Romania (7%), Greece, Finland and Slovakia (all 8%).

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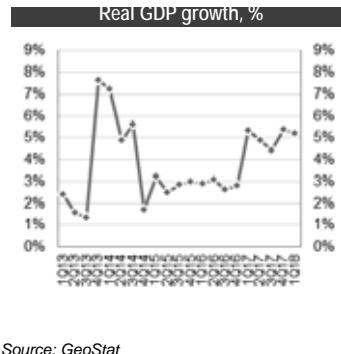
ECONOMY

BGEO demerger finalized

On 29 May 2018, Bank of Georgia Group PLC (new parent company of BGEO Group PLC) demerged into two separate companies – 1) Bank of Georgia Group PLC and 2) Georgia Capital PLC. Both companies are admitted to the premium listing segment of the Official list and to trading on the London Stock Exchange's main market for listed securities. Bank of

Key macro indicators			
	4M18	2017	2016
GDP (% change)	5.5%	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF



Source: GeoStat
Note: Rapid estimate for 4Q17

Georgia sovereign credit ratings

Standard & Poor's	Moor's	Fitch Ratings
BB- Stable Affirmed May-2017	Ba2 Stable Affirmed Sep-2017	BB- Positive Affirmed Mar-2018

Source: Rating agencies

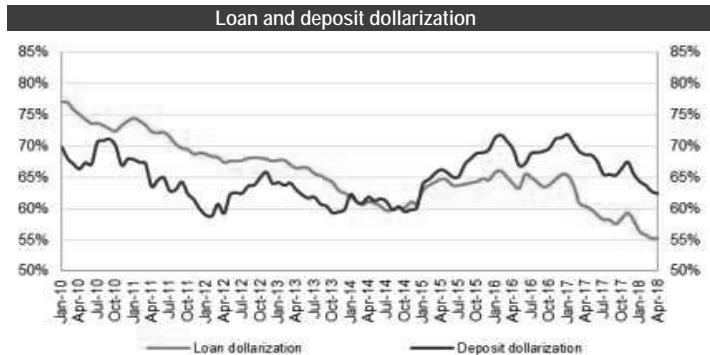
International ranking, 2017

- Ease of Doing Business s# 9 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 59 (improving trend)

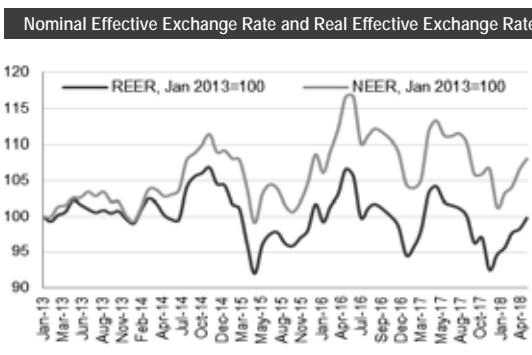
Source: World Bank, Heritage Foundation and World Economic Forum

y/y in April 2018

Real GDP growth was 6.5%



Source: NBG



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

NPLs at 2.6% in April 2018

Georgia's economy grew by 6.5% y/y in April 2018 (highest since July 2014) after growing 5.6% y/y in previous month, according to GeoStat's rapid estimates. In April 2018, the growth was posted in social and personal service activities, transport, manufacturing, financial intermediation, trade, manufacturing and real estate sectors. Overall, real GDP growth was 5.5% y/y in 4M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

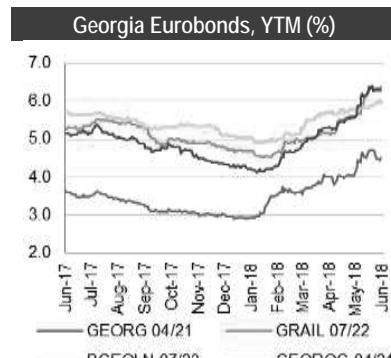
In April 2018, the banking sector loan portfolio increased 22.1% y/y after growing 21.6% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.8% y/y and up 2.2% m/m to GEL 22.7bn (US\$ 9.2bn). Deposits were up 21.8% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 22.7% y/y and up 1.3% m/m to GEL 19.9bn (US\$ 8.1bn). Deposit dollarization declined to 62.4% (-6.2ppcts y/y and -0.4ppcts m/m). NPLs stood at 2.6% in April 2018 (-1.2ppcts y/y and -0.2ppcts m/m).

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 99.9 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.7 (unchanged w/w), yielding 7.3%.

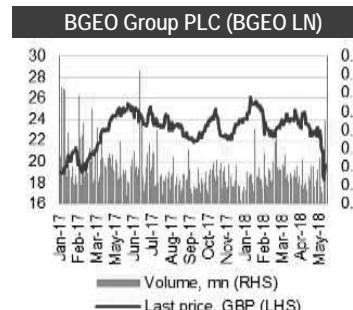
GOOG Eurobonds: (GEORG) were trading at 101.2 (+0.1% w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.6 (-0.4% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds: (GEORG) closed at 106.4 (+0.2% w/w) at 4.4% yield to maturity.

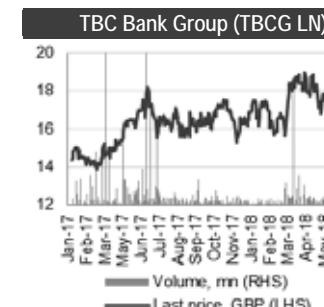


Source: Bloomberg

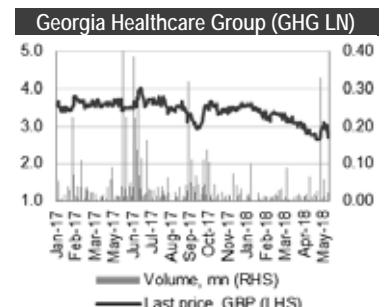
EQUITIES



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Local bonds				Eurobonds					
GWP	M2RE	Nikora	GLC	GEOCAP	GEBGG	GEOROG	BGEOLN	GEORG	GRAIL
12/21	10/19	06/19	08/20	03/24	06/20	04/21	07/23	04/21	07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875
Fitch/S&P/ Moody's	BB-/I-	-/-	-/-	n/a	-/B2e	BB-/Ba2	BB-/B+/-	BB-/B1	BB-/BB- /Ba2
Mid price, US\$	n/a	102.6	101.3	102.07	94.7	100.5	101.2	99.9	106.4
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.3	10.7	6.3	6.0	4.4
Z-spread, bps	n/a	n/a	n/a	n/a	438.7	346.1	349.6	314.9	165.9

* Source: Bloomberg

** GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

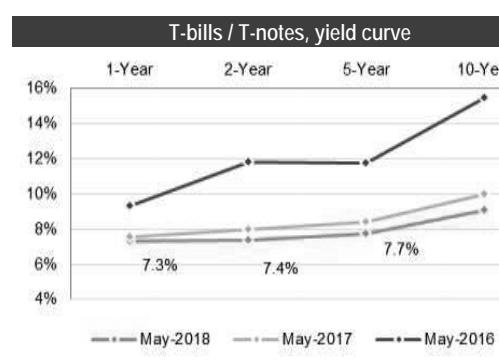
** Coupon rate 3.5% over the NBG's refinancing rate

Eastern European sovereign 10-year bond performance									
Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %				
Georgia	500	6.875%	12/04/2021	BB+/BB-/Ba2	4.4				
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	4.9				
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.0				
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.1				
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	3.6				
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	4.0				
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	3.7				
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	5.7				

Source: Bloomberg

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,010mn



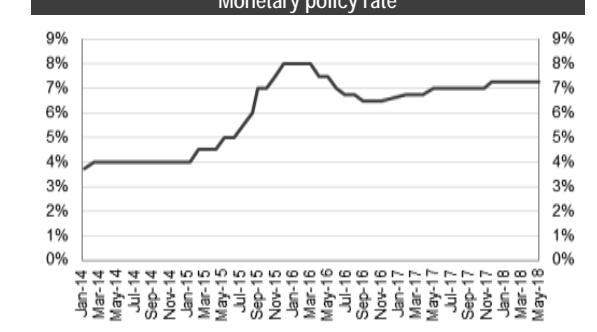
Source: NBG

* Note: As of latest auction.

(US\$ 408.6mn).

Ministry of Finance Treasury Notes: The nearest treasury security auction is scheduled for June 6, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.

Monetary policy rate



Source: NBG

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

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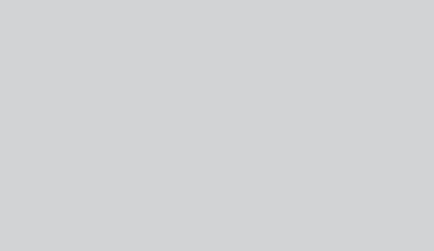
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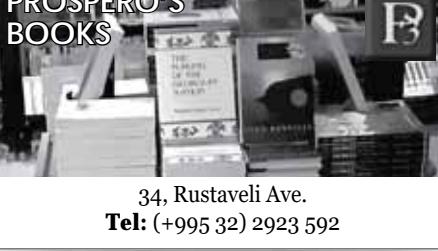
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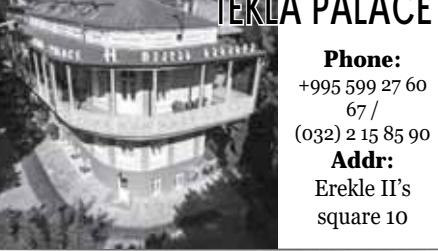
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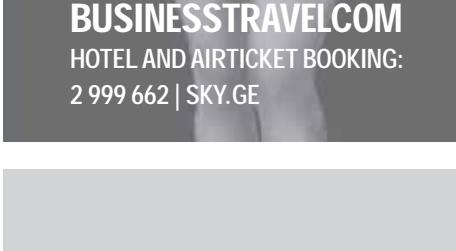
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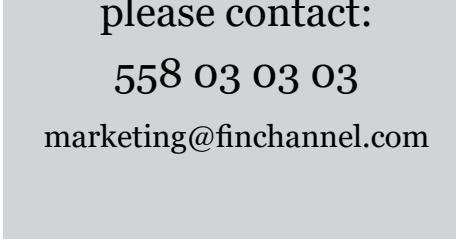
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