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Employment up by 0.4% in both the euro area and the EU28

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Most young Georgians believe in hell and heaven

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MERAB PACHULIA, GORBI

The Quest of Finding Blue Money

By SELAM PETERSSON
ISET

Do you happen to have some 1.7 trillion USD to spare? Somewhere between 2 and 10% of the Georgian population suffers from lack of basic access to drinking water (Global High-level Panel on Water and Peace, 2017; The Global Water Partnership and OECD, 2015). Globally, 1 in 4 people will be affected by shortages of fresh water by the year 2050 (United Nations, 2018). It is therefore necessary to look at financial instruments that could help safeguard the supply of fresh water. Here, we will look at examples of such financial instruments, which have, for instance, been reported by OECD (2018) as well as Global High-level Panel on Water and Peace (2017). Both reports highlight financial tools that could help fund major infrastructural projects in water management, something in which both governments and, perhaps even more importantly, the private sector could engage.

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The Age Gap in Religion Around the World

The FINANCIAL – In the United States, religious congregations have been graying for decades, and young adults are now much less religious than their elders. Recent surveys have found that younger adults are far less likely than older generations to identify with a religion, believe in God or engage in a variety of religious practices.

But this is not solely an American phenomenon: Lower religious observance among younger adults is common around the world, according to a new analysis of Pew Research Center surveys conducted in more than 100 countries and territories over the last decade.

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CURRENCIES

	June 16	June 9
1 USD	2.4602	▼2.4538
1 EUR	2.8521	▲2.8815
100 RUB	3.9193	▼3.9029
1 TRY	0.5186	▲0.5426

World Cup elimination will wipe billions from markets

The FINANCIAL

A poor England performance in the FIFA World Cup may not only depress fans, it may also depress the stock market. Alex Edmans, Professor of Finance at London Business School, said a loss by the England national football team in the Russian tournament had the potential to wipe £12 billion off the England stock market.

"Sport is an emotional topic for millions of people, including professional and personal investors. Their trading decisions are affected by mood, so the performance of a national team in an international competition can have major financial repercussions that reach far beyond the playing field," Professor Edmans said.

"A Three Lions elimination from the upcoming World Cup could have a significantly negative effect on financial markets."

Professor Edmans' observations stem from his own research on sport sentiment and stock returns. In a study carried out with Diego García and Øyvind Norli, and published in the prestigious Journal of Finance, the trio found evidence that billions of pounds could disappear from a country's stock market due to the emotional turmoil of a loss by a national team at an international-level sporting tournament.

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Overcrowded and under-occupied dwellings

The FINANCIAL

In the European Union (EU), 16.6% of the population were living in overcrowded households in 2016, meaning they did not have the number of rooms appropriate to the size of the household.

On the other hand, more than one in three persons (34.8%) in the EU were living in under-occupied dwellings, meaning that the dwellings were deemed to be too large, in terms of excess rooms and more specifically bedrooms, for the needs of the occupant household.

Across Member States, almost half the population in Romania (48.4%) were living in overcrowded households in 2016. This was also the case for around two in every five persons in Latvia (43.2%), Bulgaria (42.5%), Croatia (41.1%), Poland (40.7%), Hungary (40.4%) and Slovakia (37.9%), and for around one in four in Greece (28.7%), Italy (27.8%) and Lithuania (23.7%).

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Annual growth in labour costs at 2.0% in euro area

The FINANCIAL – Hourly labour costs rose by 2.0% in the euro area (EA19) and by 2.7% in the EU28 in the first quarter of 2018, compared with the same quarter of the previous year. In the fourth quarter of 2017, hourly labour costs increased by 1.4% and 2.3% respectively. These figures are published by Eurostat, the statistical office of the European Union.

The two main components of labour costs are wages & salaries and non-wage costs. In the euro area, the cost of wages & salaries per hour worked grew by 1.8% and the non-wage component by 2.6%, in the first quarter of 2018 compared with the same quarter of the previous year. In the fourth quarter of 2017, the annual changes were +1.6% and +0.8% respectively. In the EU28, the cost of hourly wages & salaries rose by 2.7% and the non-wage component by 2.9% in the first quarter of 2018. In the fourth quarter of 2017, annual changes were +2.4% and +1.9% respectively.

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financial news

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ISSUE: **24 (608)**

CURRENT PRICES ON GASOLINE AND DIESEL

18 JUNE, 2018, GEORGIA

Gulf	Prices in GEL	Wissol	Prices in GEL	ლუკოილი	Prices in GEL	SOCAR	Prices in GEL	ROMPETROL	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								

THE UNEXPECTED VIRTUES OF A PROLONGED WINTER

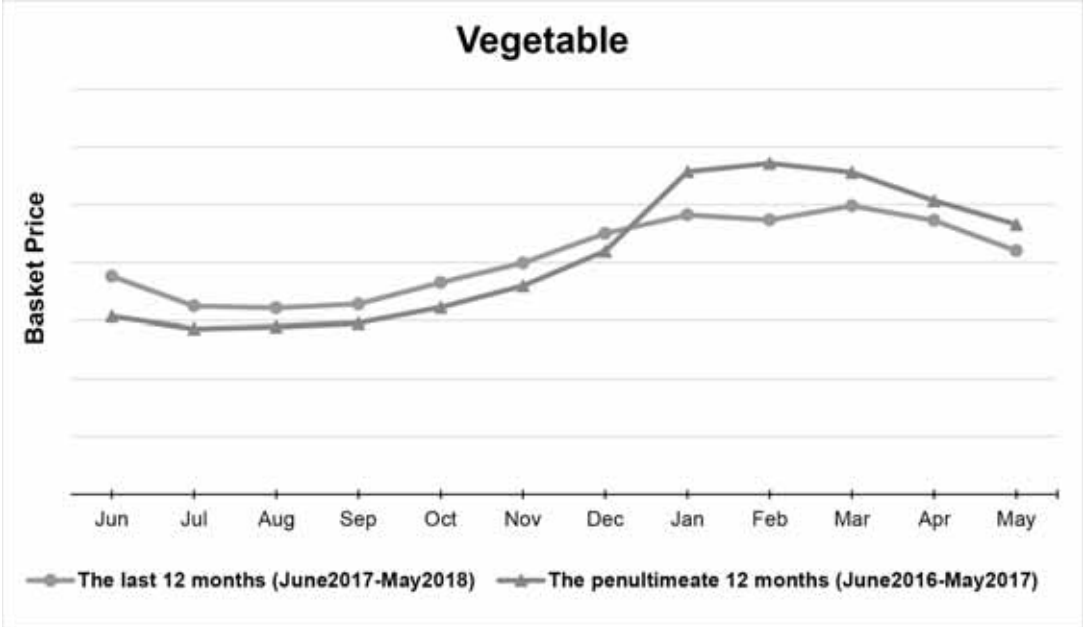
In May 2018, **VEGETABLE** prices decreased for the second consecutive month, and the m/m decline in prices (-11.1%) dropped to their lowest value since last July. As a result, the y/y change in **VEGETABLE** prices, after a small upward change in April, shrank again and was reduced to negative 9.8%. Interestingly, the y/y change was positive until the end of 2017, but remained negative from the beginning of the current year.

On the product level, all of the prices of greens, which the AGRIndex tracks, increased; green haricot beans prices increased the most. This legume vegetable price added almost one-fourth to its May 2017 value in the last 12 months' time, which is consistent with the 35% decline of green haricot bean production in 2017 (2,900 tons, GeoStat), compared to 2016 (4,500 tons, GeoStat). The same logic, but the opposite result, is also true for garlic. The price of garlic dropped by 22%, the largest drop since the last May, while production increased by 20.7% (2,900 tons in 2016, and 3,500 tons in 2017, according to GeoStat).

On the other hand, the overall y/y change are mostly due to the drop in tomato (-19%), eggplant (-14%), and cucumber (-11%) prices. It should be noted that the lower prices of these seasonal vegetables in May 2018, compared to the same month of the last year, are not the result of increased production, but rather of a prolonged winter at the beginning of 2017. The prolonged winter shifted the active harvesting season for seasonal products later, resulting in somewhat higher prices, than usual at the end of spring 2017.

For the details of **VEGETABLE** price dynamics, see the chart below.

Data source: The Ministry of Environment Protection and Agriculture of Georgia



The Quest of Finding Blue Money

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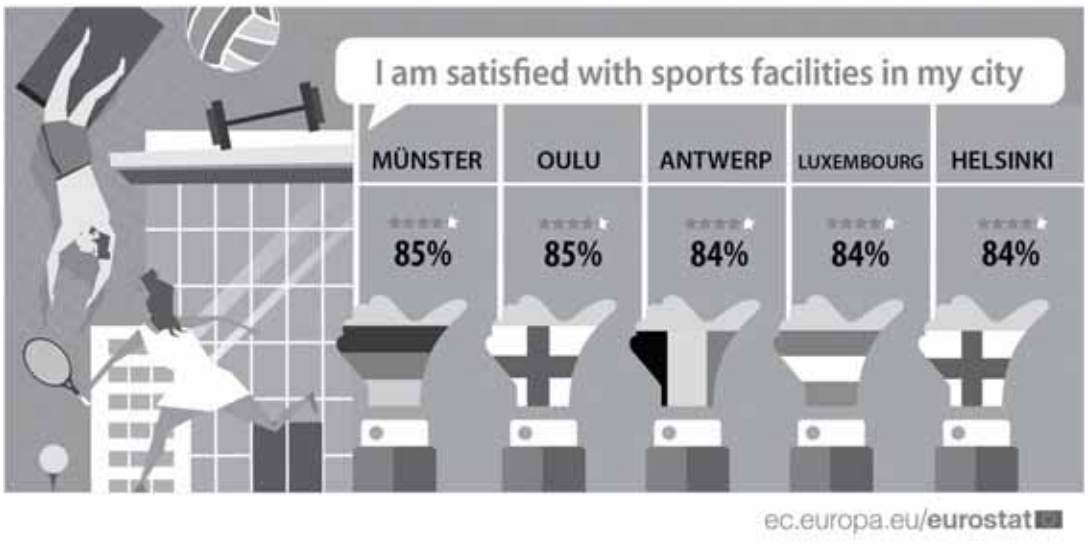
Satisfied with your city's sports facilities?

The FINANCIAL

"Generally speaking, please tell me if you are very satisfied, rather satisfied, rather unsatisfied, or not at all satisfied with the sports facilities in your city, such as sport fields and indoor sport halls?" This was the question asked to the inhabitants of 109 European cities in 2015.

Münster and Oulu head the 109 cities surveyed

Among the cities surveyed, Münster in Germany and Oulu in Finland came on top with 85% of their inhabitants responding that they were very or rather satisfied with their city's sports facilities. They were followed by three other EU cities where the satisfaction rate was 84% – Antwerp (Belgium), Luxembourg (Luxembourg) and Helsinki (Finland). Iceland's capital, Reykjavík, also scored 84%. The information for this news item is based on perception survey indicators produced by the European Commission.



Among EU capitals: inhabitants of Luxembourg and Helsinki most satisfied

The population's satisfaction rate with sports facilities in the EU's capital cities ranges from 38% to 84%.

At least 70% of inhabitants were very or rather satisfied with their city's sports facilities in Luxembourg and Helsinki (both 84%), Amsterdam (76%), Prague and Dublin (both 75%) and Paris (71%).

In contrast, only 38% of inhabitants in Sofia found their city's sports facilities good enough. Less than half of the population of Bratislava (43%), Bucharest, Valletta and Athens (all 44%) and Vilnius (46%) were satisfied with sports facilities of their city.

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THE ISET ECONOMIST

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The Quest of Finding Blue Money

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Figure 1. From this year's Environmental Performance Index - Georgia lost 49 years per 100,000 persons during 2016 caused by lack of access to water. Source: EPI, 2018. Original data from Institute for Health Metrics and Evaluation.

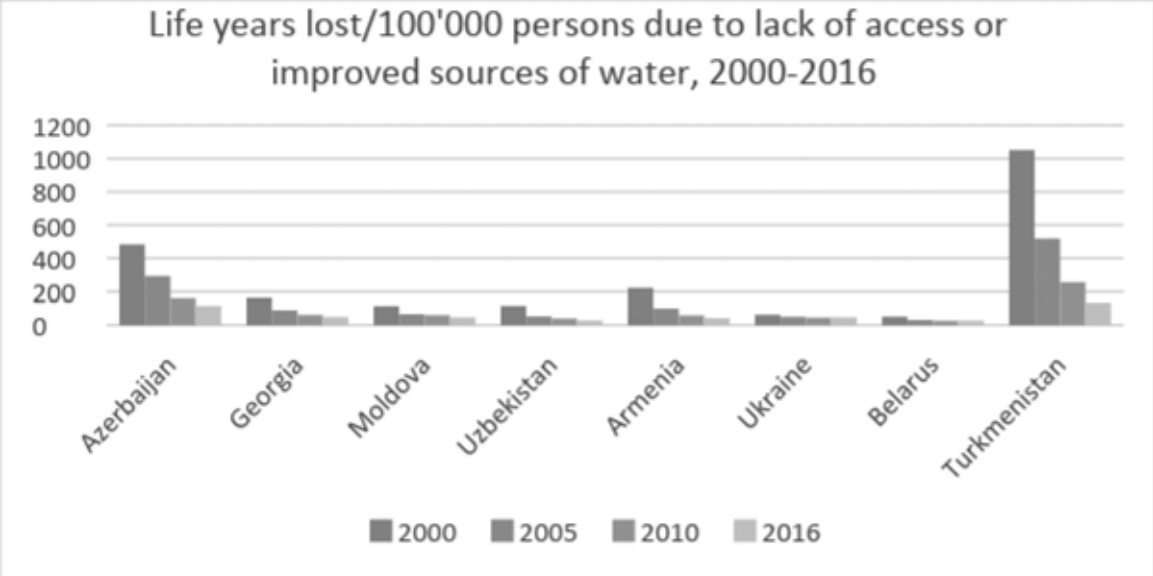
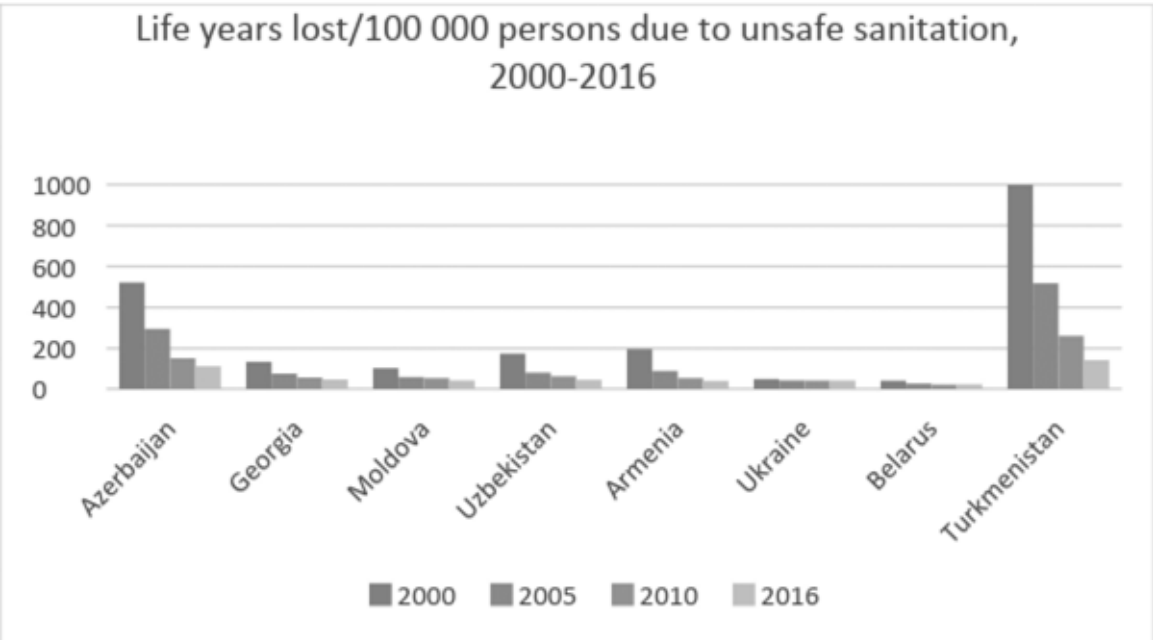


Figure 2. According to this year's Environmental Performance Index, lack of unsafe sanitation caused 46 years lost per 100,000 persons during 2016. Source: EPI, 2018. Original data from Institute for Health Metrics and Evaluation.



What's the Issue...?

Today, 148 countries are share 286 transboundary lakes and river basins and only 84 of them have joint transboundary water cooperation with their riparian neighbors (Global High-level Panel on Water and Peace, 2017). According to the Global Panel, many of them need to be strengthened by, for instance, improving existing institutions that carry out the duties linked to cooperation. Locally, Georgia and Azerbaijan have both committed to align with the principles of the EU Water Framework Directive, 2000/60/EC OECD (2013). Furthermore, joint cooperation between the two countries regarding a transboundary cooperation agreement is expected to further deepen commitments related to the improvement of Kura River conditions. An inventory investigation conducted by OECD shows that transboundary management of the Kura River has faced challenges linked to issues such as water pollution, over-abstraction of groundwater, and an intensified hydropower sector OECD (2013). Recently, the National Environmental Monitoring Department of the Ministry of Ecology and Natural Resources in Azerbaijan monitoring report acknowledged the severe pollution in the Kura River. According to the announcement, pollution from the failing waste water treatment in surrounding industries and homes are many times beyond the norm. The exact financial loss for the Georgian government will lose due to unsafe drinking or inadequate sanitation facilities is perhaps difficult to envisage. What is possible, though, is to have a quick look at estimates of life years lost per 100,000 persons due to lack of access or improved sources of drinking water (Figure 1), as well as the consequences of unsafe sanitation (Figure 2).

The Global Water Partnership and OECD (2015) reports that economic losses linked to insufficient sanitation and water supply could be as high as $260 billion per year. What's more, in both Turkey and Azerbaijan, both of which share rivers with Georgia, an estimated one to two percent share of GDP accounts for economic losses linked to inadequate water supply and sanitation. For Georgia, economic losses per capita are mainly causing impacts for agriculture followed by impacts of flooding and on inadequate water supply and sanitation (The Global Water Partnership and OECD, 2015).

Inevitably, this leads to the question of what relevant financial instruments are available today for Georgia to help address this pressing challenge.

A mix of financial instruments

Most financial support available today derives from public funds, but it does not cover the cost of scaling up the management of transboundary infrastructure and ensuring water for consumption and safe sanitation. What is needed is a sustainable financial system in which there is a thrust for inclusion of social, governance and most importantly - environmental factors. These are the so called ESG principles (Global High-level Panel on Water and Peace, 2017). Major banks, such as the World Bank Group teaming up with other major banks such as HSBC, have devoted specific funds to invest in various climate actions. However, there are other wide-ranging instruments at hands that are applicable on a governmental as well cross-sectorial level. One of these financial instruments is the International Waters Program of the Global Environmental Facility (working specifically with recipient and non-recipient countries where tensions relating to water could arise). Their finances are channeled through international agencies such as the UNFCCC. Other convention funding mechanisms covering institutional capacity building of transboundary organizations, or funding small to medium sized infrastructure projects aimed at developing monitoring facilities, use funds from both multilateral and bilateral organizations. The advantage of these instruments is their intention to build up legal as well as institutional structures, and to also cover necessary trainings and organizational costs. Small to medium sized projects may be more appealing to countries that struggle with large time-and-money intensive infrastructure projects, something that signifies large water infrastructure projects (Global High-level Panel on Water and Peace, 2017; OECD, 2018). Another benefit to these instruments is the inclusion of sectors such as the private sector (this goes specifically for the small to medium sized projects covering costs for the development of monitoring stations, for instance). One disadvantage of these conventional funding instruments, as projected by the Water Panel, is the lack of inclusion of development and infrastructure projects that could help elevate the conditions for millions of people and their surroundings. Funding from major multilateral development Banks (MDBs) is not conditioned on riparian countries to reach out to one another. Yet another disadvantage is the continuing absence of private sector investments.

As mentioned at the start of this article, there is a lack of funding to cover the costs of the future supply of water, especially on a large-scale infrastructure level that requires cross-national cooperation. One example of a sustainable financial instrument, one that the Global High-level Panel on Water and

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EUROPEAN MARKETS DROP ON RENEWED US-CHINA TRADE WAR WORRIES

BRUSSELS/FRANKFURT/PARIS (Alliance News) - The European markets opened slightly higher Friday but ended the session firmly in negative territory.

A day after the European Central Bank announced plans to end its bond purchases, markets tumbled on renewed concerns over a global trade war.

US President Donald Trump has announced plans to impose a 25% tariff on USD50 billion worth of Chinese goods that contain "industrially significant technologies."

Trump attributed the new tariffs to China's theft of intellectual property and technology and its other unfair trade practices.

Trump claimed he would impose additional tariffs on Chinese goods if China retaliates by imposing new tariffs on US goods or services, raising non-tariff barriers, or taking punitive actions against American exporters.

China's Commerce Ministry has accused Trump of launching a trade war and promised to impose tariffs matching the scale and intensity of the US tariffs.

The pan-European Stoxx Europe 600 index weakened by 0.84%. The Euro Stoxx 50 index of eurozone bluechip stocks decreased 0.63%, while the Stoxx Europe 50 index, which includes some major UK companies, lost 0.85%.

The DAX of Germany dropped 0.74% and the CAC of France fell 0.48%. The FTSE 100 of the UK declined 1.70% and the SMI of Switzerland finished lower by 0.55%.

In Frankfurt, Commerzbank fell 3.76% and Deutsche Bank dropped 1.50% as government bond yields extended declines on the back of dovish signals from the ECB.

In Paris, Dassault Systèmes rose 0.61% after the company said it is initiating a 2018-2023 plan to double its non-IFRS earnings per share.

In London, Glencore dropped 4.32% after settling a legal dispute in the Democratic Republic of Congo.

Indivior sank 28.17% after the US FDA approved Dr. Reddy's Laboratories' generic version of Indivior's Suboxone.

Tesco rallied 2%. The retailer delivered positive like-for-like sales growth for a tenth consecutive period in the first quarter.

Rolls Royce Holdings soared 7.61%. The jet-engine manufacturer said that it is well-placed to exceed free cash flow of 1 billion pounds by 2020.

Novartis gained 0.13% in Zurich. Its unit Sandoz has announced the presentation of two long-term, Phase III studies: one each for biosimilar Zessly or infliximab and biosimilar Erelzi or etanercept.

Continued on p. 2

YanAir to launch regular flights between Zhytomyr and Batumi in July

The FINANCIAL -- The Ukrainian airline YanAir will operate new flights on the Zhytomyr-Batumi route from July 30. The official information on the flights between Ukrainian and Georgian cities appeared on the air carrier's website.

The first flight will be carried out on July 30. The plane departs from Zhytomyr at 4:00 and arrives in Batumi at 7:30. In the opposite direction, the departure from Georgia is at 8:30, and the arrival in Ukraine – at 10:10. The ticket costs UAH 4,965.60.

The flight from Zhytomyr to Batumi was announced by YanAir in early 2016.

financial news

Overcrowded and under-occupied dwellings

The FINANCIAL

In the European Union (EU), 16.6% of the population were living in overcrowded households in 2016, meaning they did not have the number of rooms appropriate to the size of the household.

On the other hand, more than one in three persons (34.8%) in the EU were living in under-occupied dwellings, meaning that the dwellings were deemed to be too large, in terms of excess rooms and more specifically bedrooms, for the needs of the occupant household.

Overcrowding rate highest in Romania, lowest in Cyprus

Across Member States, almost half the population in Romania (48.4%) were living in overcrowded households in 2016. This was also the case for around two in every five persons in Latvia (43.2%), Bulgaria (42.5%), Croatia (41.1%), Poland (40.7%), Hungary (40.4%) and Slovakia (37.9%), and for around one in four in Greece (28.7%), Italy (27.8%) and Lithuania (23.7%).

At the opposite end of the scale, the lowest overcrowding rates were recorded in Cyprus (2.4%), Malta (2.9%), Ireland (3.2%), Belgium (3.7%), the Netherlands (4.0%) and Spain (5.4%). Overcrowding was also an issue for fewer than 10% of the population in Finland (6.6%), Germany (7.2%), France (7.7%), the United Kingdom (8.0%), Luxembourg (8.1%) and Denmark (8.2%).

A large majority of under-occupied dwellings in Ireland, Cyprus, Malta and Belgium

In 2016, over two-thirds of the population were living in under-occupied dwellings in Ireland (70.6%), Cyprus (69.6%), Malta (68.4%) and Belgium (67.0%). Under-occupancy was also the case for around half the population in Spain (55.7%), Luxembourg (54.1%), the United Kingdom (51.5%), the Netherlands (51.4%) and Finland (48.0%).

In contrast, fewer than 15% of the population were living in dwellings deemed to be too large in Romania (6.3%), Hungary (8.5%), Latvia (9.6%), Greece (10.2%), Croatia (10.4%), Bulgaria (10.5%), Slovakia (11.4%), Poland (14.2%) and Italy (14.9%).

Annual growth in labour costs at 2.0% in euro area

The FINANCIAL – Hourly labour costs rose by 2.0% in the euro area (EA19) and by 2.7% in the EU28 in the first quarter of 2018, compared with the same quarter of the previous year. In the fourth quarter of 2017, hourly labour costs increased by 1.4% and 2.3% respectively. These figures are published by Eurostat, the statistical office of the European Union.

The two main components of labour costs are wages & salaries and non-wage costs. In the euro area, the cost of wages & salaries per hour worked grew by 1.8% and the non-wage component by 2.6%, in the first quarter of 2018 compared with the same quarter of the previous year. In the fourth quarter of 2017, the annual changes were +1.6% and +0.8% respectively. In the EU28, the cost of hourly wages & salaries rose by 2.7% and the non-wage component by 2.9% in the first quarter of 2018. In the fourth quarter of 2017, annual changes were +2.4% and +1.9% respectively.

Breakdown by economic activity

In the first quarter of 2018 compared with the same quarter of the previous year, hourly labour costs in the euro area rose by 2.0% in industry, by 2.0% in construction, by 2.5% in the services and by 1.2% in the (mainly) nonbusiness economy. In the EU28, labour costs per hour grew by 3.1% in industry, by 3.6% in construction, by 2.9% in services and by 2.1% in the (mainly) non-business economy.

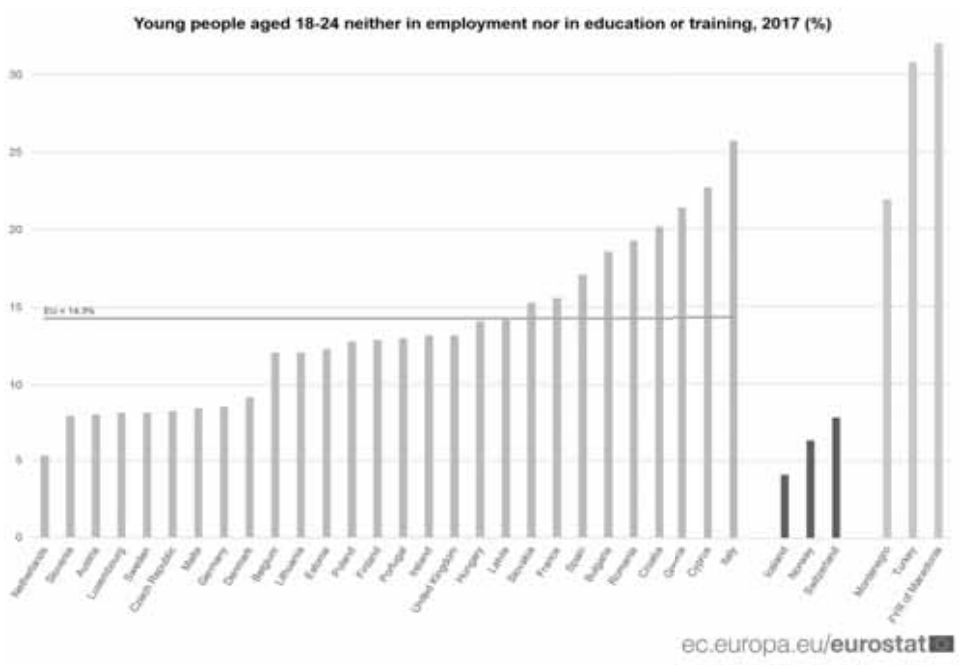
In the first quarter of 2018, the highest annual increases in hourly labour costs for the whole economy were registered in Romania (+12.7%), Latvia (+11.2%) and Hungary (+10.3%), while a decrease was recorded in Portugal (-1.5%).

Young people neither in education nor employment

The FINANCIAL

Over 38 million people aged 18-24 live in the European Union (EU). The vast majority of these young people are in education or training and/or in employment. In 2017, 40.4% of those aged 18-24 responded that they were in education, 27.4% stated they were in employment and a further 17.8% that they were in a mix of education and employment. This means that last year, 14.3% of young people aged 18-24 in the EU were NEET, meaning neither in employment nor in education or training.

Since 2012, in the EU, the proportion of young people aged 18-24 neither in employment nor in education or training has decreased continuously, from a high point of 17.2% to the current 14.3%, which is roughly similar to the pre-crisis levels (up to 2008).



Largest share of NEET aged 18-24 in Italy, lowest in the Netherlands

Last year, one in four young people aged 18-24 was neither in employment nor in education or training in Italy (25.7%) and about 1 in 5 in Cyprus (22.7%), Greece (21.4%), Croatia (20.2%), Romania (19.3%) and Bulgaria (18.6%). A NEET rate above 15% was also registered in Spain (17.1%), followed by France (15.6%) and Slovakia (15.3%).

In contrast, the lowest proportion of NEETs aged 18-24 was recorded in the Netherlands (5.3%), ahead of Slovenia (8.0%), Austria (8.1%), Luxembourg and Sweden (both 8.2%), the Czech Republic (8.3%), Malta (8.5%), Germany (8.6%) and Denmark (9.2%).

At EU level, nearly 5.5 million young persons aged 18-24 (14.3%) were in 2017 neither in employment nor in education or training. This is the equivalent of the total populations of Slovakia or Finland.

Employment up by 0.4% in both the euro area and the EU28

The FINANCIAL – The number of persons employed increased by 0.4% in both the euro area (EA19) and the EU28 in the first quarter of 2018 compared with the previous quarter, according to national accounts estimates published by Eurostat, the statistical office of the European Union. In the fourth quarter of 2017, employment increased by 0.3% in the euro area and by 0.2% in the EU28. These figures are seasonally adjusted.

Compared with the same quarter of the previous year, employment increased by 1.4% in both the euro area and the EU28 in the first quarter of 2018 (after +1.6% and +1.5% respectively in the fourth quarter of 2017). Eurostat estimates that, in the first quarter of 2018, 237.9 million men and women were employed in the EU28, of which 157.2 million were in the euro area. These are the highest levels ever recorded in both areas. These figures are seasonally adjusted.

Employment growth in Member States

Among Member States for which data are available for the first quarter of 2018, Romania (+1.9%), Malta (+1.3%), Portugal, Luxembourg and Croatia (all +1.0%) recorded the highest increases compared with the previous quarter. A decrease was observed in Estonia (-1.4%) and employment remained stable in Bulgaria and Lithuania.

surveys & analysis

MERAB PACHULIA, GORBI

Most young Georgians believe in hell and heaven

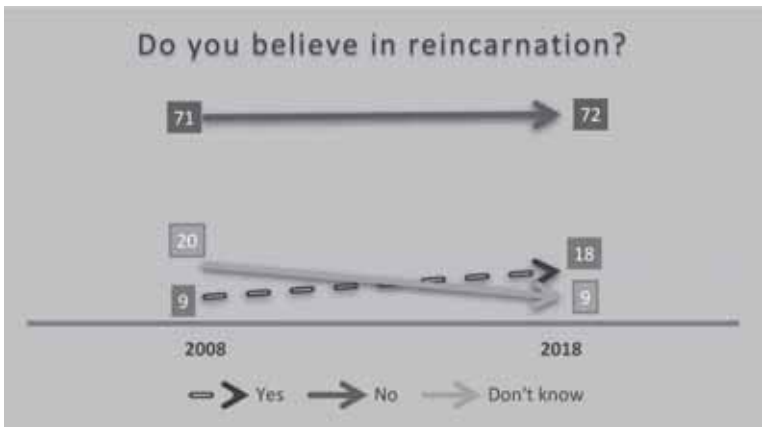
Over the last ten years, the number of those who remain skeptical about a return trip to Earth after death remains the same, roughly seven out of ten. However, if we compare those who do believe in reincarnation, the number has doubled -- from 9% in 2008 to 18% in 2018.

Based on the Drake Equation, our home galaxy The Milky Way hosts more than 20 alien civilizations. Consider that there are well over 100 billion galaxies out there, and there numbers will only increase as technology and telescope science continues to advance.

I am personally not very eager to return to this planet. It's not because reincarnation contradicts the Christian narrative or because I have a cyclical view of life. It's because I am not convinced that things would be better in Georgia during the "next time" around. I doubt I would be able to enjoy watching the Georgian national soccer team, breath clean air or eat domestically grown food. It's unlikely that people will be driving and walking safer, elevators in apartment buildings will operate free or charge, dog owners will pick up their pets' droppings on the streets and some international organizations will have transparent and professional procurement practices.

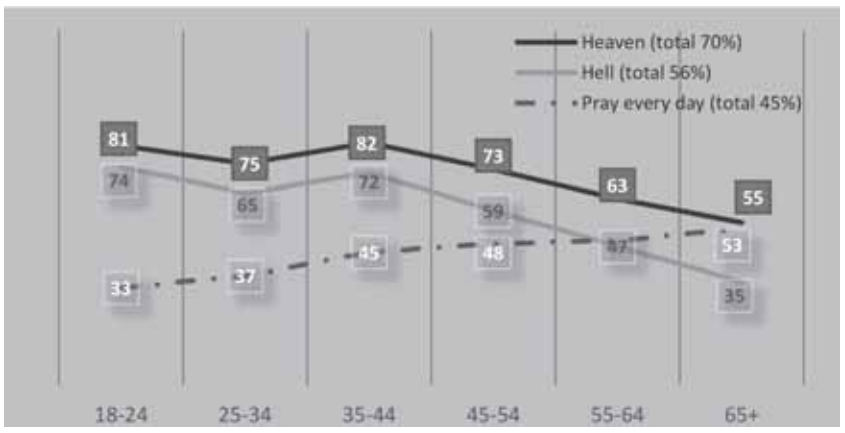
Belief in reincarnation varies country to country and depends on history, religion and cultural settings. For example, in the United States, the number is little bit higher than in Georgia and it is much higher in India and South Korea.

Graph 1. Georgians who believe in reincarnation (0%)



Source: GORBI, EVS Georgia survey, 2018 and 2008

Graph 2. How age affects belief in hell and haven and frequency of praying.



Source: GORBI, EVS Georgia survey, 2018

Based on the same survey, just over half of Georgians (56%) believe in hell. Heaven tops hell, with 70% of respondents stating they believe in heaven. These numbers are not drastically different if we compare the same beliefs among Christian majority countries.

First, it was theorized and later proved by numerous research studies that women tend to be more religious compared with men, especially Christian women. There are several good explanations for this: such women are less socialized and control less money and power; gender roles in society, historic traditions and some also emphasizes possible hormonal and neurological differences. The same differences could be found among beliefs of the younger and older generations, with younger people less religious compared to their elders.

While in Georgia women are also more religious, when it comes to believing in heaven and hell, younger people deviate from the global trend. The younger you are in Georgia, the more you believe in both heaven and hell. However, believing in these two promising afterlife destinations does not necessarily define religiosity of a person. We pollsters use more complex approaches by creating multidimensional questionnaires covering multiple factors of personal behaviors such as frequency of praying, church attendance, belief in hell and heaven, ambiguity, Orthodoxy, knowledge of religious history, doctrines, etc.

So, why are young Georgians different? Is it generational? In developed democracies it is not.

This big gap between young and old is hard to explain without further statistical analysis of data and looking into historic surveys. We also need to compare Georgia with other Christian countries that had been under Soviet control.

However, at this moment I think the "godless" generation of elderly people should have had some role to play in this. By "godless" I mean those who are over 50 years old and experienced a childhood where god was simply prohibited.

Georgians are different compared to their Western peers when it comes to believing in heaven and hell, but they are in step with Westerners in terms of data on frequency of praying. As *Graph 2* shows younger people pray less compared to elderly respondents. I have two explanations for the latter. First, my generation compared to younger ones, does not listen too much to K-Pop, EDM, R&B and Art Punk, so we have better nerves and clean brains to pray. The second is that as you grow you became wiser and realize that you could have made a heaven on this earth, but something went wrong and you missed the train, so you start praying. Joking, joking…. Again, more analysis is needed and preferably a comparative one to at least understand the level of diverse approach young people take to metaphysical matters and how the older generation was damaged by the godless Soviet ideology.

Note: I would like to extend special appreciation to Ani Lortkipanidze who assisted with the analysis and charts featured in this article

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GORBI

The Age Gap in Religion Around the World

By several measures, young adults tend to be less religious than their elders; the opposite is rarely true

The FINANCIAL – In the United States, religious congregations have been graying for decades, and young adults are now much less religious than their elders. Recent surveys have found that younger adults are far less likely than older generations to identify with a religion, believe in God or engage in a variety of religious practices.

But this is not solely an American phenomenon: Lower religious observance among younger adults is common around the world, according to a new analysis of Pew Research Center surveys conducted in more than 100 countries and territories over the last decade.

Although the age gap in religious commitment is larger in some nations than in others, it occurs in many different economic and social contexts – in developing countries as well as advanced industrial economies, in Muslim-majority nations as well as predominantly Christian states, and in societies that are, overall, highly religious as well as those that are comparatively secular.

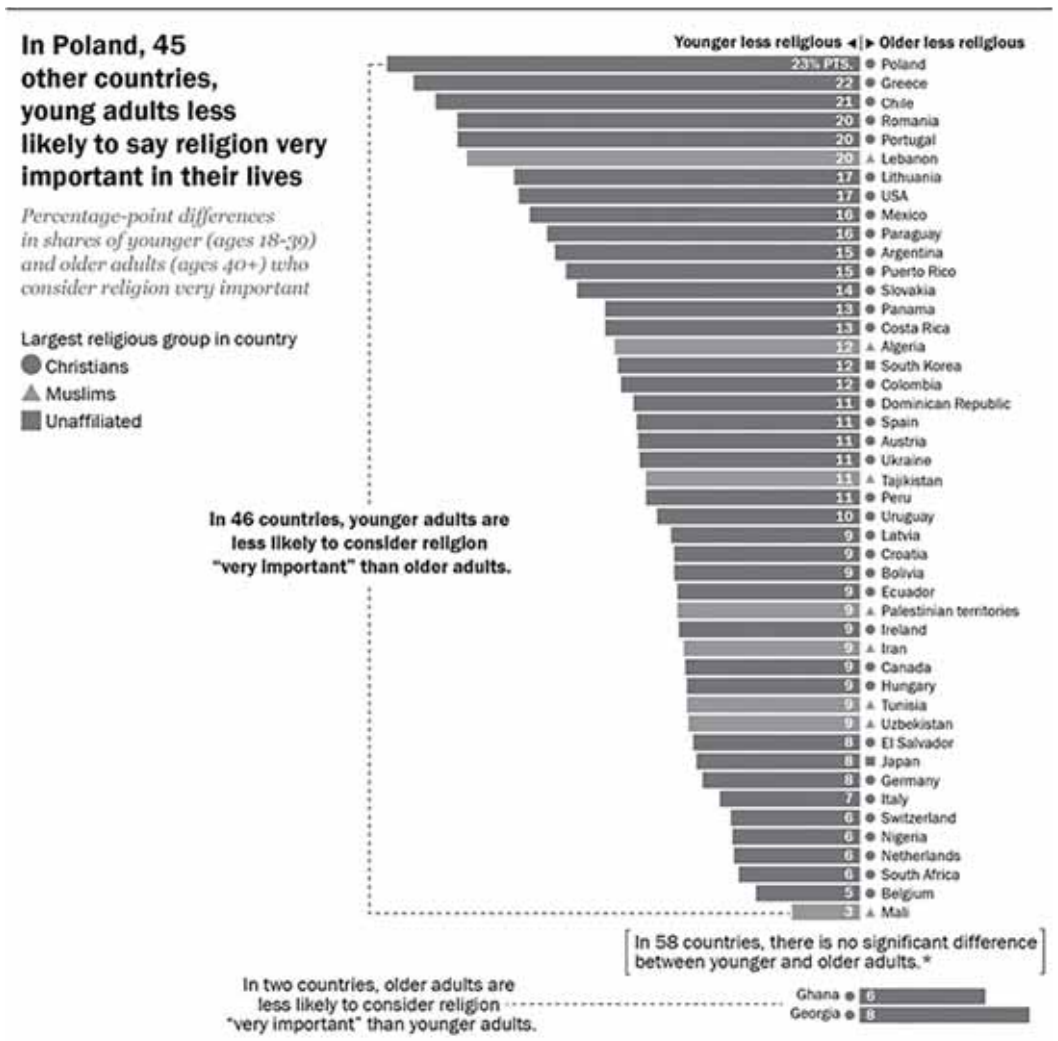
For example, adults younger than 40 are less likely than older adults to say religion is "very important" in their lives not only in wealthy and relatively secular countries such as Canada, Japan and Switzerland, but also in countries that are less affluent and more religious, such as Iran, Poland and Nigeria.

While this pattern is widespread, it is not universal. In many countries, there is no statistically significant difference in levels of religious observance between younger and older adults. In the places where there is a difference, however, it is almost always in the direction of younger adults being less religious than their elders.

Same pattern seen over multiple measures of religious commitment

Overall, adults ages 18 to 39 are less likely than those ages 40 and older to say religion is very important to them in 46 out of 106 countries surveyed by Pew Research Center over the last decade. In 58 countries, there are no significant differences between younger and older adults on this question. And just two countries – the former Soviet republic of Georgia and the West African country of Ghana – have younger adults who are, on average, more religious than their elders similar patterns also are found using three other standard measures of religious identification and commitment: affiliation with a religious group, daily prayer and weekly worship attendance.

Continued on p. 15



*These include the following countries. **Christians are largest religious group:** Armenia, Australia, Belarus, Bosnia-Herzegovina, Botswana, Brazil, Bulgaria, Cameroon, Democratic Republic of the Congo, Denmark, Ethiopia, Finland, France, Guatemala, Honduras, Kenya, Liberia, Moldova, Mozambique, Nicaragua, Norway, the Philippines, Russia, Rwanda, Serbia, Sweden, Tanzania, Uganda, United Kingdom, Venezuela and Zambia; **Muslims are largest religious group:** Afghanistan, Albania, Azerbaijan, Bangladesh, Burkina Faso, Chad, Djibouti, Egypt, Guinea-Bissau, Indonesia, Iraq, Jordan, Kazakhstan, Kosovo, Kyrgyzstan, Malaysia, Morocco, Niger, Pakistan, Senegal and Turkey; **Unaffiliated are largest religious group:** China, Czech Republic and Estonia; **Folk religions are largest religious group:** Vietnam.

Source: Pew Research Center surveys, 2008-2017.

"The Age Gap in Religion Around the World"

PEW RESEARCH CENTER

financial news

World Cup elimination will wipe billions from markets

Detailed research across 39 countries reveals impact of match loss for investors

The FINANCIAL

A poor England performance in the FIFA World Cup may not only depress fans, it may also depress the stock market. Alex Edmans, Professor of Finance at London Business School, said a loss by the England national football team in the Russian tournament had the potential to wipe £12 billion off the England stock market.

"Sport is an emotional topic for millions of people, including professional and personal investors. Their trading decisions are affected by mood, so the performance of a national team in an international competition can have major financial repercussions that reach far beyond the playing field," Professor Edmans said.

"A Three Lions elimination from the upcoming World Cup could have a significantly negative effect on financial markets."

Professor Edmans' observations stem from his own research on sport sentiment and stock returns. In a study carried out with Diego García and Øyvind Norli, and published in the prestigious Journal of Finance, the trio found evidence that billions of pounds could disappear from a country's stock market due to the emotional turmoil of a loss by a national team at an international-level sporting tournament.

To measure this effect, the researchers analysed 1100 football matches and stock returns in 39 countries.

"We found that a loss in an elimination match of the football World Cup triggered a 0.5% fall in the country's national market the next day – even after controlling for movements in the world markets," Professor Edmans said.

"Applied to the England stock market, that's £12 Billion.

"This year's market volatility tells us that investors are particularly jumpy at the moment and it's a trend that will most likely continue as teams fail to progress through the World Cup elimination rounds."

The researchers also discovered that a loss by a national sporting team had a greater impact on financial markets when the prestige of the competition was greater (FIFA World Cup versus the UEFA European Championship). Similarly, the effect on markets was more pronounced when a loss led to the side's immediate elimination from a competition. The loss of a match also had a greater impact on financial markets in footballing nations like England, Germany, France and Spain where the sport was particularly popular, according to the study.

The researchers were able to rule out related economic factors like loss of future merchandise sales as causing the measured market downturn.

Does a sporting win positively impact financial markets?

"Our analysis also found that a win by a national team did not result in an improvement in the country's financial market performance. This might be because fans overestimate their team's ability and so a win comes as less of a surprise than a loss," Professor Edmans said.

"In many cases, the emotional consequences of a loss are also greater. A win simply sends a side through to the next round, but a loss can mean the end of the team's competition."

The study's findings, published prior to the previous World Cup, were confirmed by the results of that 2014 tournament. Two thirds of the losses by a country with an active stock market were followed by the national market underperforming against the world market. For example, when England lost 1-0 to Italy, the FTSE fell by 0.4% while the world market was flat. When France lost to Germany in the "clash of the titans" quarterfinal, the French market crashed 1.4%. Spain's shock 5-1 defeat to the Netherlands led to its market declining by 1%.

"The main anomaly was that after host-nation Brazil's humiliating 7-1 defeat against Germany in the semi-finals the stock market rose 1.8%," Professor Edmans recalled.

"The defeat was so bad that investors thought it increased hopes that socialist President Dilma Rousseff would be ousted in October's elections and be replaced by the more business-friendly Aecio Neves.

"The economy had been mired in stagflation under Rousseff's presidency. Her popularity was particularly tied to the football team because she spent billions on stadiums for the World Cup instead of keeping her pre-election promises to spend on schools, hospitals and general infrastructure.

"So, for this game also, sports results affected the stock market, but for very different reasons."

EU Considers Banning Kaspersky Software 'Confirmed as Malicious'

The FINANCIAL – Kaspersky Labs isn't having a particularly good time of it. The company's attempts to defeat the US ban on its products have been unsuccessful, the UK has banned all Russian software from government networks that carry traffic rated Secret or higher, and Kaspersky's decision to move some of its infrastructure to Switzerland from Russia hasn't prevented the Netherlands from planning to phase out its use of Kaspersky products, either.

Now, on top of these moves, the EU could adopt a resolution of its own to block the use of Kaspersky software. While the motion, which was voted on today, is non-binding, it follows a series of actions by various EU member and non-member states to restrict (or at least recommend restricting) the ways that the company's software is deployed.

The text of the resolution name-checks Kaspersky specifically according to The Register, stating:

Calls on the EU to perform a comprehensive review of software, IT and communications equipment and infrastructure used in the institutions in order to exclude potentially dangerous programmes and devices, and to ban the ones that have been confirmed as malicious, such as Kaspersky Lab.

Kaspersky Lab would undoubtedly argue with the characterization of its own software as malicious, but it's not clear how seriously those protests should be taken. Last year, evidence surfaced of a connection between Kaspersky and Russian intelligence, after Israel revealed it had been the one to detect Russian agents searching US computers and assets for keywords and code names in real time. Those searches were possible because of Kaspersky products installed on the machines in question. Kaspersky counter-attacked the allegations, but has offered no concrete refutation of them.

OP-ED

Digital Silk Road - Belt and Road on Blockchain

Jaba TARIMANASHVILI

The Belt and Road Initiative, is a significant development strategy launched by the Chinese government with the intention of promoting economic co-operation among countries along the proposed Belt and Road routes.

The 'Belt and Road' initiative promises more than US$1 trillion of Chinese investment in some 60 countries. The main aim is socio-economic development through improving the routes for land and sea trade. The initiative will also boost science and technology across the region, for example through research into artificial intelligence, nanotechnology, quantum computing and smart cities. In addition to Chinese investment, there are increased interest from trading and logistics companies to develop its present along the corridors. Consequently, it is important for participant countries to be actively promoting its potential, in order to attract foreign investments and facilitate development.

The fastest way to success is to highlight bottlenecks, challenges, weaknesses and problems along the routes, and convert them through business solutions into opportunities and efficiency.

One of the weaknesses of Trans-Caspian International Transport Route (TITR) that passes through China-Kazakhstan-Caspian sea-Azerbaijan-Georgia-Turkey-EU is that there is no common platform for transportation business arrangement, and no single responsible operator. Bottleneck could be change of gauge or means of transport, printed documents arrangement, and no regular shore to sea freight connection from Georgia to Romania. The main challenges are transparency, online tracking, predictability, online accessibility and booking within transport routes. Congestion and delays at border stations, particularly at stations with a change of gauge. Lengthy procedures for crossing borders. Lack of harmonization in the documents that are required by different countries.

Domestic railway legislation determines the liability of railways, but there is a lack of international components in terms of this liability. At the international level, two legal regimes are in force between Europe and Asia. The regime defined by the Intergovernmental Organization for International Carriage by Rail (OTIF), using the CIM consignment note in Western European countries, and the regime defined by the Organization for Cooperation between Railways (OSJD) in East European countries, the Caucasus and some Asian countries, using the SMGS consignment note, which is not accepted in Western Europe.

The existence of two different legal regimes causes substantial delays in the movement of trains across borders. Although apparent success was achieved with the adaptation and introduction of the common CIM/SMGS consignment note, more work is still needed to make OTIF and OSJD railway zones more coherent, convergent and interoperable.

The CIM/SMGS consignment note frees the parties involved in transport operations from rewriting carriage documents when crossing the border between states of two different legal frameworks.

Decentralized transport platform based on Blockchain - Distributed Ledger technology, is a solution to present weakness and inefficiencies for no common platform and no single responsible operator availability for transport business in TITR corridor.

Smart contracts integration into the system, for switching agreements between jurisdiction CIM/SMGS, and enable issuance of paperless electronic international transport documents, could be another potential for efficient commercial operations facilitation.

Algorithms integration is vital for system automation, for increasing transparency, and decreasing artificial barriers. Advance system notification for quick customs clearance and border crossing. It is essential to be able to make online tracking, make transport timing predictable and precise, and provide online accessibility with ability to make bookings. Visibility of congestions could enable efficient and fast routing planning.

Latest main messages from UIC Eurasian rail corridor forum: Digitalization and making uniform legal environment for rail transport and transits is highly important. There is no global regulation for railway transport, similar to maritime field covered by IMO (international maritime organization). Single contract is required on Euro-Asian connection. There is CIM/SMGS consignment notes harmonization, despite that, two legal contract for carriage of goods within geographies of SMGS and CIM. While OTIF is developing interoperability concept, new appendix, which is promising.

Under development "New Rail Silk Road Economic Belt'", railway expert's estimate, that all the way standard gauge rail line through China-Afghanistan-Iran-Turkey–EU (~9000 km, 10 days) can be most efficient and shortest route, if such is developed.

Cyber attack in 2017 on Maersk caused IT breakdown. In cooperation with IBM it was decided to apply Blockchain, improve global trade and digitize supply chains. Novotrans (railway operator) and Universa Blockchain sign memorandum for digitization of the train cars, transferring their statutes (loading, unloading, location) to blockchain and to include all details and specifics of the train maintenance to the digital history of railway carriages. If all rolling stock processes are transferred to blockchain, it is impossible to fake or change any information about the railway carriage and the goods carried inside. This information can also be accessed by each participant of the network or transaction at any moment.

Georgian startup MARINE APPLICATIONS LTD. focuses on creating web-based, mobile friendly applications for companies acting in marine industry. Company has already developed solutions for online D/A (disbursement account), SoF (statement of facts), Port lineups, Price-list and Catalogue for suppliers, and has great potential to be present as global marine applications solutions provider.

Chinese Proverb says that when the winds of change blow, some people build walls and others build windmills. Present transport systems and information technologies are still in 20th century, and require shifting to Data Technologies, to be prepared and respond to future requirements. It could be breakthrough if consortium countries for the corridor passing through Georgia, will make difference, create new technological standards ahead of time, and provide success story to the world, for multimodal transport business arrangement.

Author: Jaba Tarimanashvili, Business Analyst, Maritime services and Freight forwarding professional in Georgia, Director of Trans Logistic LLC.

FactCheck

GRASS FACTCHECK

Dimitri Kumsishvili:

"Georgia's credit rating improved"

Valeri KVARATSKHELIA
FactChek

VERDICT:

Dimitri Kumsishvili's statement is **TRUE**.

RESUME:

On 16 March 2018 the Fitch credit rating agency published Georgia's latest credit rating assessment. Fitch kept Georgia's BB- credit rating unchanged although rating outlook did improve and the BB- stable was changed to a BB- positive which is the best result Georgia has achieved thus far. The BB- positive assessment was first granted to Georgia in October 2014 although Fitch did lower the positive level back to a stable level in April 2015. Therefore, Georgia returned to its historical credit ranking peak at the beginning of 2018. Of note is that BB- is an average assessment. Georgia still has 12 more steps to pass before reaching the highest rating (AAA).

ANALYSIS

The Deputy Prime Minister and Minister of Economy and Sustainable Development of Georgia, Dimitri Kumsishvili, whilst speaking about the country's economic situation, stated that the Fitch credit rating agency improved Georgia's credit rating outlook which indicates the economy's resilience and buoyancy against shocks.

Countries compete in the world economy to attract foreign capital. Developing or less developed nations, which have their own limited resources, are particularly dependent upon foreign capital. In turn, creditors and investors make their choices by taking into account the rate of return and stability. In other words, they make calculations vis-à-vis possible profits and risks. The lower the risks (higher reliability), the lower the rate of return for the creditor or investor of the capital. Together with decreased risks, interest rates on credit resources also decline.

A country's credit rating gives investors information about risk factors associated with investments in certain countries as well as the reliability of these countries. Dozens of agencies publish credit ratings although Standard & Poor's (S&P), Moody's and Fitch are the most influential and famous among them. Each credit rating agency employs its own methodology although basic indicators are the same and include economic indicators as well as a country's domestic and foreign policies, regional processes and the environment. Political and economic stability is a necessary precondition for achieving a positive credit rating.

The Fitch credit rating agency divides credit rating levels using letters of the Latin alphabet where D is the lowest and AAA is the highest.[1] Apart from the rating itself, rating outlooks are also important. A rating outlook can be negative, stable or positive and indicates the expected direction of change in the rating in the nearest future.

The Fitch credit rating agency made its first assessment of Georgia's credit rating in July 2007. As a result, Georgia was given a BB- rating with a stable outlook. BB- is an average assessment. There are 12 more steps between the BB- and the highest level of AAA.

As a result of the 2008 Russia-Georgia war, Georgia's credit rating naturally worsened and declined to B+ (negative). Georgia returned to its pre-crisis position in December 2011 when Fitch again granted Georgia a BB- rating with a stable outlook. In October 2014, Georgia's credit rating outlook improved and changed to positive although lowered to stable in April 2015. As of the March 2018 assessment, Georgia's credit rating again returned to its best result of 2014 and the country was again granted a BB- rating with a positive outlook. To summarise, it can be said that Georgia has not advanced in the ratings since July 2017 but the rating outlook was improved from stable to positive.

In regard to the assessment of other credit rating agencies from the "big three" group, Standard & Poor's gave Georgia a B+ rating with a positive outlook in December 2005 whilst in the latest assessment (November 2011), Georgia's credit rating was given a BB- with a stable outlook. Since then, Standard & Poor's has not updated Georgia's credit rating. Moody's credit rating agency published its first assessment of Georgia's credit rating in October 2010 and gave the country a Ba3 rating with a stable outlook whilst in the latest assessment (September 2017), Georgia's credit rating was improved to the Ba2 level with a stable outlook. This position corresponds to Fitch's latest assessment and constitutes an average indicator.

Table 1: Georgia's Credit Rating – Fitch Credit Rating Agency

Date	Rating	Prospect
18.07.2007	BB-	Stable
08.08.2008	B+	Negative
07.04.2009	B+	Negative Watch
26.08.2009	B+	Stable
03.03.2011	B+	Positive
15.12.2011	BB-	Stable
17.10.2014	BB-	Positive
20.04.2015	BB-	Stable
16.03.2018	BB-	Positive

Source: https://tradingeconomics.com/georgia/rating

1 The rating hierarchy is defined in the following way: 1. Alphabetical sequence of letters – A is a higher level than B or any combination of B (B-, B, B+, BB-, BB, BB+, BBB-, BBB, BBB+). The same applies to other letters. 2. Number of letters – more letters indicate a higher rating. For instance, BBB is a higher level as compared to any combination with one or two Bs (B-, B, B+, BB-, BB, BB+) and the same applies to other letters. 3. "+" is a higher level than "-." For instance, B is a lower level as compared to B+ and a higher level as compared to B-. The same applies to another letters.

Higher income families benefit from more free pre-school education

The FINANCIAL

Free pre-school education is disproportionately benefitting children from higher income families who least need a head start, according to new LSE research funded by the Nuffield Foundation.

Researchers found that almost one in five children delays taking up a free place in pre-school education – most of them from low-income families. Around one third of persistently poor children delayed, compared to one sixth of their higher-income peers.

Funding for a free, part-time early education place for every four-year-old in England was established in 1998. A key aim was to close developmental gaps between higher-income and low-income children. It was rolled out to cover all three-year-olds by 2004. In 2008 the entitlement rose from 33 to 38 weeks a year, and in 2010 from 12.5 to 15 hours a week. In 2013, free places were extended to two-year-olds with documented disabilities and/or from low-income families. In 2017, there was an additional expansion to 30 funded hours a week for three and four-year-olds with working parents. The government currently spends £6 billion a year in total on early education and childcare.

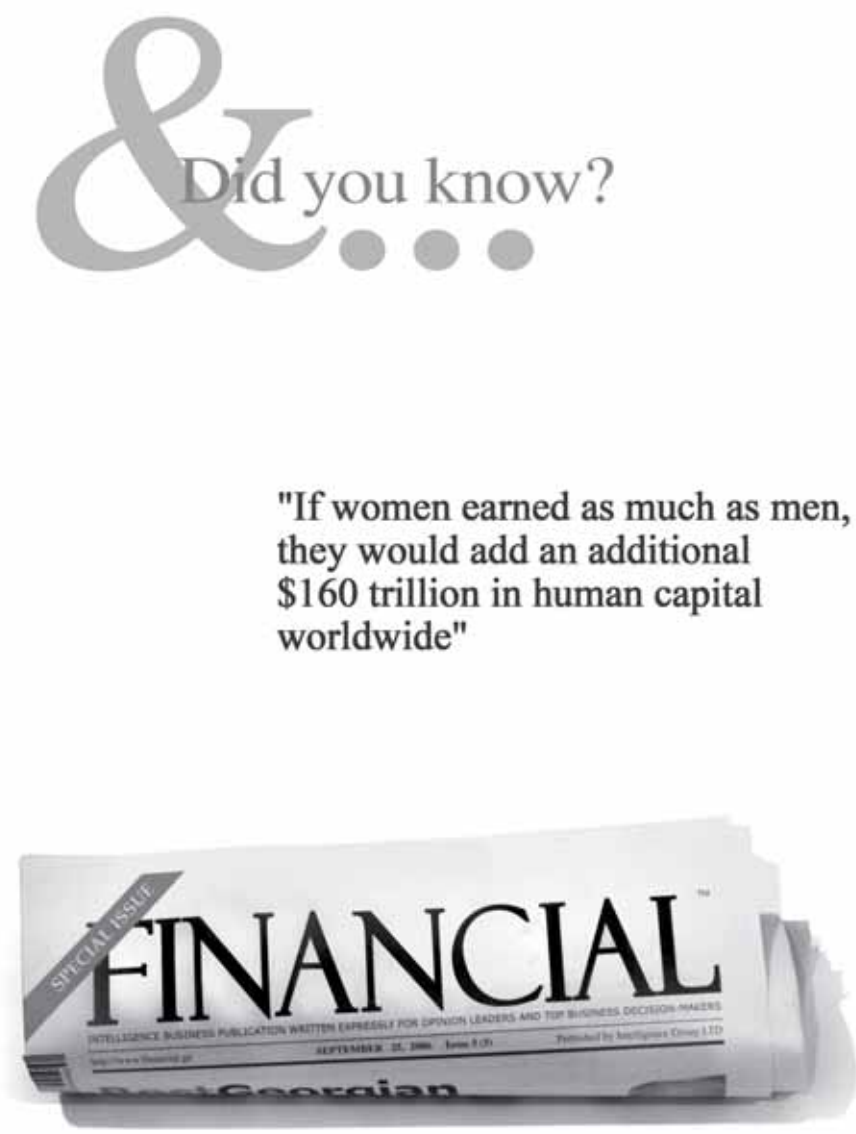
Using the National Pupil Database, Tammy Campbell, Ludovica Gambaro and Kitty Stewart from LSE's Centre for Analysis of Social Exclusion (CASE), examined all autumn-born four-year-olds attending in January 2011 and asked whether they started attending when first eligible, in January 2010. A significant proportion, 18.4 per cent, had not done so.

"With over £2,000 now allocated annually to each eligible child, these places have become the central initiative aimed at creating a more equitable start for children in England", the paper says . This is especially true given the squeeze since 2010 on funding for other early childhood initiatives, including Sure Start children's centres, as well as reductions in cash benefits for families with young children."

Researchers found that persistently poor children who claim free school meals (FSM) for all three years of early primary school are 13 percentage points less likely to attend for the full five terms of free pre-school education than children from higher-income families who never claim FSM. Children who speak English as an additional language are nearly three times more likely not to take up their full five terms as children who speak English at home. There are also large variations in take-up according to children's ethnic backgrounds. However, language and ethnicity account for very little of the FSM gap. Children from persistently poor White British households are at least as likely to be non-attenders as non-poor children who speak English as an additional language, while within most ethnic groups, children who will go on to claim FSM are less likely to use their full entitlement than children not eligible for FSM.

The researchers also examined whether the type of pre-school provision available locally makes a difference to take-up. They found that in areas where more children take their places in Sure Start centres, take-up was highest among all children – and the gap between low- and higher-income children much smaller. In areas with most provision in school nurseries, children tend to take up a shorter duration of free pre-school – but the gap in access between low and higher-income families is small. In contrast, areas with most pre-school places provided through the private sector have the largest gap in take-up between low- and higher-income families.

The paper concludes by saying that recent policy shifts are "increasing the extent to which subsidies for early education are concentrated disproportionately on children who least need a head start. The new extension of the free entitlement to 30 hours applies to children of working parents only, while age eligibility will follow the same rules as the 15 hours. Thus an autumn-born child in a higher income working family will benefit from five terms at 30 hours compared to three terms at 15 hours for a summer-born children in a family whose parents are unemployed. Without serious attention to this issue, the universal free places, while hailed as a great success in the prevalent policy discourse, look set to play a part in embedding or widening inequalities, in direct contrast to stated policy aims."



EUROPEAN MARKETS DROP ON RENEWED US-CHINA TRADE WAR WORRIES

Continued from p. 4

Clothing group H&M Group sank 4.31% in Stockholm after posting muted growth in Q2 sales.

Eurozone consumer prices increased as estimated in May, final data from Eurostat revealed Friday. Inflation rose to 1.9% in May from revised 1.3% in April. A similar high rate was last seen in April 2017. The latest rate matched the initial estimate released on May 31.

The euro area trade surplus declined to a six-month low in April on higher imports, figures from Eurostat revealed Friday. The trade surplus fell to a seasonally adjusted EUR 18.1 billion in April from EUR 19.8 billion in March. This was the lowest since October, when the surplus totaled EUR 17.7 billion.

Germany's wholesale prices increased at the fastest pace in six months in May, Destatis showed Friday. Wholesale prices advanced 2.9% year-on-year in May, faster than the 1.4% increase seen in April. This was the fastest growth since November, when prices gained 3.3%.

Growth in New York manufacturing activity unexpectedly accelerated in the month of June, according to a report released by the Federal Reserve Bank of New York on Friday. The New York Fed said its general business conditions index climbed to 25.0 in June from 20.1 in May, with a positive reading indicating growth in regional manufacturing activity.

The increase by the headline index came as a surprise to economists, who had expected the index to edge down to 19.0.

With a drop in manufacturing output more than offsetting jumps in mining and utilities output, the Federal Reserve released a report on Friday unexpectedly showing a modest decrease in US industrial production in the month of May.

The Fed said industrial production edged down by 0.1% in May after climbing by an upwardly revised 0.9% in April. The dip came as a surprise to economists, had expected production to rise by 0.2% compared to the 0.7% increase originally reported for the previous month.

A report released by the University of Michigan on Friday showed a much bigger than expected improvement in US consumer sentiment in the month of June. The report said the preliminary reading on the consumer sentiment index for June came in at 99.3 compared to the final May reading of 98.0. Economists had expected the index to inch up to 98.5.

THE ISET ECONOMIST

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

The Quest of Finding Blue Money

Continued from p. 4

Peace (2017) discusses quite extensively, is the Blue Fund.[1] The idea of the Blue Fund is to enable nations to cooperate regarding their shared waters. The fund alleviates the burden of growing interest rates with increased availability of loans from MDGs and donor agencies. The strength of the Blue Fund is that it can be flexible towards the current needs of the cooperating countries, and it is revised annually to match developing needs. The Fund also sponsors costs associated with insurance and expenses linked to preparatory work. What it does not fund is the infrastructure project itself, which has to be budgeted at $100 million or more to meet the Fund's requirements. Consequently, transboundary projects need to have a so-called investment promise from third-parties - MDBs or donors - that can take the lion's share of the cost (piloted studies as well environmental impact assessment reports are needed initially). Types of financial institutions that have the financial means to alleviate interest rates on major loans can be found in the private sector. There is some growing interest, albeit slow, within the financial sector to gravitate towards the ESG-principles. This is expressed by actors such as rating agencies that have integrated the principles leading to the invention of green funds (with an estimated $100 billion raised in recent years). There are several signposts that demonstrate an increased investment rate in Blue Funds during the past couple of years with the initiative of The Congo Basin Blue Fund[2] as an example. The major advantage of the Blue Fund is that it does not require a whole new setting for cooperating countries to look for funding, as it is a financial instrument that could be added to the conventional tools already in existence (e.g., loans from MDGs or major donor organizations). There is, of course, no fast track to boost the private sector's willingness to invest, as investments are based on risk perception (major infrastructural projects tend to be investment intensive in combination with an extended repayment term) (OECD, 2018). But what could perhaps eliminate the sector's hesitancies could be if investment were paired with multilateral institutions by co-investing in projects. Currently, it seems that Georgia would not be eligible for the Blue Fund, as it is limited to developing countries (Global High-level Panel on Water and Peace, 2017). Still, highlighting this type of fund in a transitional country could perhaps lead to an expansion of eligible countries, or even better, a similar fund could be established that aims at elevating efforts in major infrastructural projects specifically for transitional countries.

There are other instruments that are filling the existing gap of bankable projects. An example is the World Bank, which with funding partner countries has launched the Global Infrastructure Facility (GIF), offering a common ground for the private sector and institutional agencies to form partnerships within their financial capabilities. It is a platform for governments (such as emerging economies) to seek support in making infrastructural projects more bankable and available for interested funding partners such as the private sector. Georgia's project, The East West Highway Corridor (2018), is an example of an actual project supported by GIF attracting public-private partnership.

Finding the blue money

A final point is that the above-mentioned financial instruments all aim to finance capacity and major cross-national infrastructure projects in water management. The notable aspect of instruments such as GIF and the Blue Fund is to increase the involvement of the private sector, which is much needed in order to achieve access to drinking water and safe sanitation for all by 2030. In the quest to find "blue money" the way forward could be to screen the inflow of finances within water management in Georgia and to detect where the capital could best match existing needs. Mapping the financial flow could lead to elevated efforts to improve the situation of the heavily polluted Kura River, for instance. The OECD and the European Commission has already initiated the work of assessing the financial capacities within EU-member states with financial needs (OECD, 2018). Similar work has also been undertaken by the Roundtable on Financing Water, which is looking at pairing investment needs on water security with available finances.

1. The Blue Fund is part of the Water Panel's Blue Peace Framework, aimed at using water as a means to bring about peace.
2. A pilot project was defined at the African Summit in 2016, where a 3-million-euro fund was established for the Congo, directed at transboundary cooperation, including 10 riparian countries. Further information can be found here: Global High-level Panel on Water and Peace (2017, p. 65) and here: Congo Basin Blue Fund.

GRASS FACTCHECK

Kakha Okriashvili:

"Income received from bank fines now equals the income received from bank interest rates. The total volume of negative, inactive and overdue loans is GEL 1.3 billion"

Levan TEVDORADZE
FactChek

VERDICT:

Kakha Okriashvili's statement is **FALSE**.

RESUME:

Kakha Okriashvili tries to use the comparison in his statement to illustrate the burden of people's obligation toward banks. However, Mr Okriashvili's fact is inaccurate. As of 2017, the total interest rate income of commercial banks reached GEL 2.8 billion whilst their income received from fines and commissions was GEL 446 million which is seven times less as compared to the income received from interest rates.

Another part of Kakha Okriashvili's statement where he makes emphasis on the total volume of negative, inactive and overdue loans is also incorrect. Grouping together or adding up negative, inactive and overdue loans is not a proper approach to use. The category of negative loans encompasses inactive loans. In regard to overdue loans, this category, as opposed to negative and inactive loans, is not categorised on the basis of loan risks. Therefore, it is inappropriate to bring them into the discussion together with the volume of negative and inactive loans.

If we analyse the volumes of the aforementioned loans separately in order to see whether or not their burden upon the population has indeed increased, we will see that the share of overdue as well as negative and inactive loans as a part of the total amount of loans decreased in 2017.

ANALYSIS

Georgian Dream member, Kakha Okriashvili, MP, in his speech before the Parliament of Georgia spoke about the excessive debt owed by the population to commercial banks and stated that bank income received from fines and commissions was almost equal to bank income from interest rates whilst the total volume of inactive, overdue and negative loans constitutes GEL 1.3 billion.

In his statement Mr Okriashvili refers to commercial bank income. This income is comprised of interest rate and non-interest rate income. Funds generated from fines, penalty interests and service commissions are incorporated into the category of non-interest rate income.

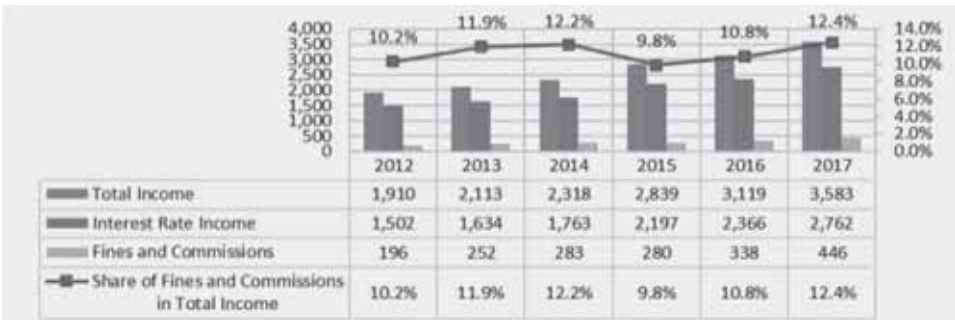
In the period of 2012-2017, in light of increasing total income, the absolute amount of income received from service commissions and fines as well as from interest rates also increased. By the end of 2017, commercial bank interest rate income reached GEL 2.8 billion whilst funds generated from fines and commissions amounted to GEL 446 million which is seven times less as compared to the interest rate income. For each year of the accounting period, the amount of funds received from fines and commissions was at least six times less as compared to the income from interest rates.

Loan portfolios issued by commercial banks are divided between standard and negative risk categories. In turn, loans with a negative status include inactive loans as one of their components. The volume of loans issued by banks reached GEL 22.3 billion in 2017 which is 2.5 times more as compared to 2012. The share of loans with a negative status in the total loan portfolio was at its lowest in 2017 and equalled 11%. The absolute amount of negative loans in 2017 constituted GEL 2.45 billion. Of this amount, the share of inactive loans equals GEL 1.3 billion.

In his statement, apart from negative and inactive loans, Kakha Okriashvili also speaks about overdue loans. Of consideration is that this type of grouping is not appropriate because loan categorisation in terms of having a negative or inactive status is a part of their classification based on risks and reflects the assessment/expectation of a borrower's ability to serve his debts. At the same time, the amount of overdue loans reflects the situation on the ground.

As of April 2018, the total amount of overdue loans in Georgia equals GEL 378 million and constitutes 1.65% of the total amount of loans. As illustrated in the graph, in light of the absolute growth in the amount of overdue loans (which is natural if we take the growth in the total amount of loans into account) the share of overdue loans as a part of the total amount of loans has a clear tendency of decrease.]

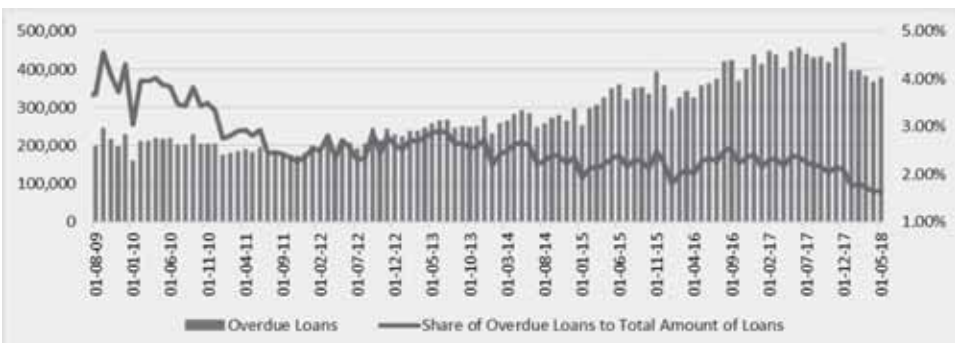
Graph 1: Commercial Bank Income in 2012-2017 (GEL million, %)



	2012	2013	2014	2015	2016	2017
Total Income	1,910	2,113	2,318	2,839	3,119	3,583
Interest Rate Income	1,502	1,634	1,763	2,197	2,366	2,762
Fines and Commissions	196	252	283	280	338	446
Share of Fines and Commissions in Total Income	10.2%	11.9%	12.2%	9.8%	10.8%	12.4%

Source: National Bank of Georgia

Graph 2: Trend of Changes in Overdue Loans



Source: National Bank of Georgia

financial news

7 facts about American dads

By KIM PARKER & GRETCHEN LIVINSTON

Pew RESEARCH CENTER.

Fatherhood in America is changing. Today, fathers who live with their children are taking a more active role in caring for them and helping out around the house. And the ranks of stay-at-home and single fathers have grown significantly in recent decades. At the same time, more and more children are growing up without a father in the home.

The changing role of fathers has introduced new challenges, as dads juggle the competing demands of family and work. Here are some key findings about fathers from Pew Research Center.

1 - Dads see parenting as central to their identity.

Dads are just as likely as moms to say that parenting is extremely important to their identity. Some 57% of fathers said this in a 2015 survey by the Center, compared with 58% of mothers. Like moms, many dads also seem to appreciate the benefits of parenthood: 54% reported that parenting is rewarding all of the time, as did 52% of moms. Meanwhile, 46% of fathers and 41% of mothers said they find parenting enjoyable all of the time.

A sizable minority of childless men (44% of those 18 to 49) hope to become fathers at some point, and another 35% are unsure if they want to become parents, according to a 2017 Pew Research Center survey. Among childless women in the same age group, 50% want to become mothers, while 22% are unsure if they want to.

2 - Dads are much more involved in child care than they were 50 years ago.

In 2016, fathers reported spending, on average, eight hours a week on child care – about triple the time they provided back in 1965. And fathers put in about 10 hours a week on household chores in 2016, up from four hours in 1965. By comparison, mothers spent an average of about 14 hours a week on child care and 18 hours a week on housework in 2016.

While fathers are spending more time with their children, many feel they're still not doing enough. Most (63%) say they spend too little time with their kids, compared with 35% of mothers who say the same. (For both dads and moms who say they spend too little time with their kids, work obligations are cited most often as the main reason.)

Dads are also less positive about their own parenting abilities than are moms. Just 39% of fathers said in 2015 that they are doing a "very good job" raising their children, compared with 51% of mothers.

3 - Work-family balance is a challenge for many working fathers.

Just like mothers, many of today's fathers find it challenging to balance work and family life. About half of working dads (52%) said in 2015 that it is very or somewhat difficult to do so, a slightly smaller share than the 60% of working mothers who said the same. And about three-in-ten working dads (29%) said they "always feel rushed," as did 37% of working mothers.

Working fathers were also about as likely as working mothers to say they would prefer to be home with their children, but that they need to work because they need the income (48% of dads and 52% of moms said this, the Center found in 2012). Working dads and moms were also equally likely to say that even though it takes them away from their families, they want to keep working (49% vs. 42%).

4 - It's become less common for dads to be their family's sole breadwinner.

About a quarter of couples (27%) who live with children younger than 18 are in families where only the father works. This marks a dramatic change from 1970, when almost half of these couples (47%) were in families where only the dad worked. The share of couples living in dual-earner families has risen significantly and now comprises the majority of two-parent families with children.

The public has mixed views about these changes. Breadwinning is still more often seen as a father's role than a mother's: About four-in-ten Americans (41%) said in 2013 that it is extremely important for a father to provide income for his children, and just 25% said the same of mothers. At the same time, a majority of the public (67%) said having more women in the workplace has made it easier for families to live comfortably, while about three-quarters said this has made it harder for parents to raise children.

5 - Despite changing gender roles, many still perceive mothers as better equipped than fa-

Continued on p. 16

European football market worth a record €25.5 billion (£21.9bn) as Premier League leads the way in new era of financial stability

The FINANCIAL

The financial results of the 2016/17 football season are the most impressive ever and reflect a new era of improved profitability and financial stability for football clubs; The 'big five' European leagues generated a record €14.7bn (£12.6bn) in revenue in 2016/17, a 9% increase from the previous year;

The European football market is now estimated to be worth €25.5bn (£21.9bn). In revenue terms, the Premier League is 86% larger than its nearest competitor, Spain's La Liga; The German Bundesliga remains the best attended European league, with average crowds of over 44,000; The top 92 Premier League and Football League clubs generated a record £5.5bn in revenue in 2016/17;

Premier League clubs' revenues increased to £4.5bn, an increase of 25% as the first year of a new broadcast rights cycle saw clubs paid between c.£95m and c.£150m in central distributions. No clubs reported an operating loss;

Championship clubs generated record combined revenues of £720m in 2016/17, a 30% increase from the 2015/16. The three newly relegated clubs generated almost one-third of this total revenue;

Premier League clubs spent a record £395m on capital projects, an increase of £160m (68%) compared with 2015/16;

The 92 Premier League and Football League clubs contributed £1.9bn to Government in taxes in 2016/17 (2015/16: £1.6bn).

Euro stars: European football sees record financial growth

The European football market is now worth a record €25.5 billion (£21.9bn), according to the 27th Annual Review of Football Finance from the Sports Business Group at Deloitte. The growth was primarily driven by the 'big five' European leagues who saw combined revenues increase by 9% in 2016/17, with new broadcasting arrangements in England, Spain and France having a considerable impact. Growth was not restricted to those biggest leagues, however, with non-big five leagues also seeing revenue growth.

Tim Bridge, a Director in the Sports Business Group at Deloitte, explained: "The financial position of European football appears healthier than it has been for a long time, reflecting the global popularity of the game, the professionalism of leading clubs and the strength of the regulatory environment in which they operate. Whilst the Premier League is the clear market leader, we expect to see continued growth and interest across Europe's leagues in the years to come."

Premier League clubs: in a league of their own

The 92 Premier League and Football League clubs recorded combined revenues in excess of £5.5bn for the 2016/17 season. With a new broadcast cycle commencing in 2016/17 for Premier League clubs, the 20 clubs generated record revenues of £4.5bn, 25% higher than in the previous season and the benefit was felt further down the football pyramid, with record revenue for the 72 Football League clubs of almost £1bn.

In previous years, any increase in revenue would have been expected to lead to a proportional increase in wages but in an era of regulatory controls, clear market leadership and stronger financial self-discipline, wage costs rose only 9% to £2.5bn. Whilst this is still a record high, the Premier League's wages/revenue ratio fell to just 55%, its lowest level since 1997/98 (52%). Most notably, no Premier League club reported an operating loss, the first time that this has ever happened. Following their title-winning season, Leicester City's Champions League campaign helped them deliver the highest-ever pre-tax profit for a Premier League club of £92m.

"The financial results of the class of 2016/17 are the most impressive we have ever seen. Just a decade ago, 60% of Premier League clubs were making an operating loss whereas in the 2016/17 season, all clubs were profitable. In addition, and for the first time ever, Premier League clubs' revenues have grown at a faster rate than wages over a ten-year period", Dan Jones, partner in the Sports Business Group at Deloitte, explains.

"The recent announcement that the Premier League's domestic rights selling process for 2019/20 – 2021/22 did not deliver the uplift that followers have become accustomed to over recent years should not be a cause for concern. The fact that the Premier League has once again shown its resilience and strength by retaining the vast majority of its audience and value has provided market leading financial security to clubs for at least the next four years, providing they are not relegated. Indeed, once the sales process for the remaining international rights is completed, we expect the league will have delivered overall increases in television revenue."

Championship sees revenue records tumble

In the Championship, revenues grew 30% to a record £720m in 2016/17. However, the trend for almost all of any revenue growth to be spent on wages has continued, with the Championship's wages/revenue ratio of 99%, albeit down from 100% last year. There is a greater revenue disparity than ever between clubs that are receiving parachute payments and those that do not. Those clubs relegated from the Premier League in 2015/16 – Newcastle United, Aston Villa and Norwich - received £41m each, which in itself was more than the total revenue of all bar one of their competitor clubs in the Championship.

League 1 clubs increased revenue by 7% to 146m, while League 2 clubs' revenue increase by 6% to £91m.

The Age Gap in Religion Around the World

Continued from p. 8

In 41 countries, adults under 40 are significantly less likely than their elders to have a religious affiliation, while in only two countries (Chad and Ghana) are younger adults more likely to identify with a religious group. In 63 countries, there is no statistically significant difference in affiliation rates.

Younger adults are less likely to say they pray daily in 71 of 105 countries and territories for which Pew Research Center survey data are available, while they are more likely to pray daily in two countries (Chad and Liberia). And adults under 40 are less likely to attend religious services on a weekly basis in 53 of 102 countries; the opposite is true in just three countries (Armenia, Liberia and Rwanda).

While the number of countries with a significant age gap shows how widespread this pattern is, it does not give a sense of the magnitude of the differences between older and younger adults on these measures.

In many countries, the gaps are relatively small. Indeed, the average gap between younger adults and older adults across all the countries surveyed is 5 percentage points for affiliation, 6 points for importance of religion, 6 points for worship attendance and 9 points for prayer.

But a substantial number of countries have much bigger differences. There are gulfs of at least 10 percentage points between the shares of older and younger adults who identify with a religious group in more than two dozen countries – mostly with predominantly Christian populations in Europe and the Americas. For example, the share of U.S. adults under age 40 who identify with a religious group is 17 percentage points lower than the share of older adults who are religiously affiliated. The gap is even larger in neighboring Canada (28 points). And there are double-digit age gaps in affiliation in countries as far flung as South Korea (24 points), Uruguay (18 points) and Finland (17 points).

How the importance of religion varies geographically among Christians and Muslims

Christians and Muslims – the two largest religious groups in the world – have substantial populations in several regions, and Pew Research Center data permit analysis of how religious commitment varies among members of these two groups in different parts of the world.

Christians in sub-Saharan Africa are most likely to say religion is very important in their lives, while those in Russia and Western Europe are least likely to say this. Muslims, meanwhile, widely rate religion as very important in their lives in Africa, the Middle East and South and Southeast Asia; religion is less important to Muslims in Europe and the post-Soviet republics of Central Asia. U.S. Muslims fall somewhere in between.

Worship attendance low in Europe

About four-in-ten adults in the average country surveyed say they attend religious services at least weekly. But this figure varies widely in different parts of the world, in part due to geographic differences in religious commitment and in part due to religious norms. For example, unlike those who practice Abrahamic faiths, Buddhists and Hindus do not observe weekly holy days, and weekly communal worship services are not necessarily a part of their religious traditions.

Countries in sub-Saharan Africa with predominantly Christian or Muslim populations tend to have the world's highest levels of regular worship attendance; in the average country in that region, 79% of adults say they attend services weekly. In 12 sub-Saharan African countries surveyed, eight-in-ten or more adults are weekly attenders; no country surveyed in any other region reaches this level.

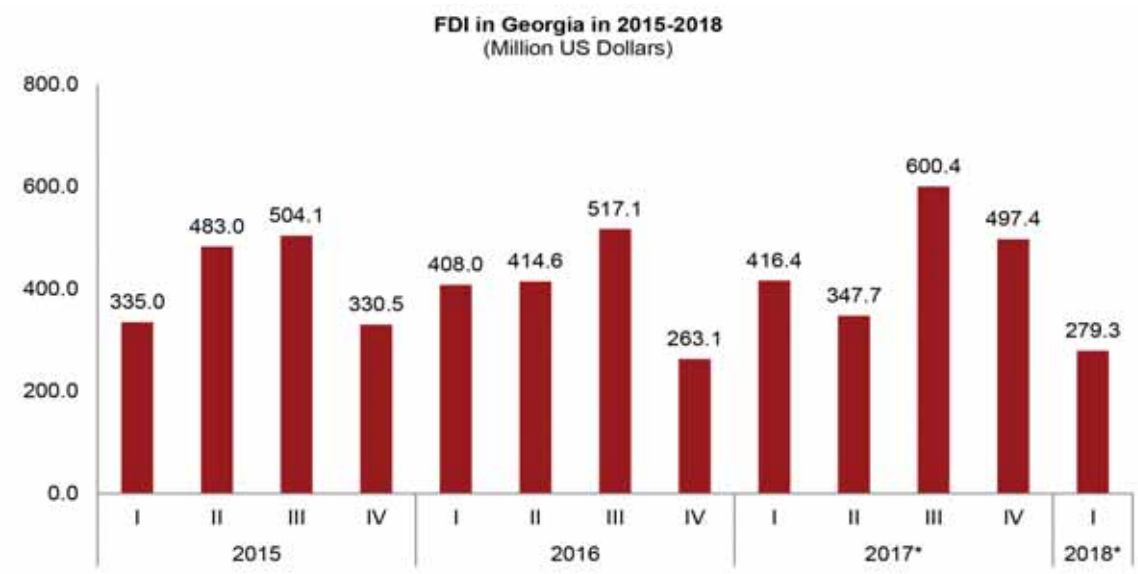
Attendance across Europe is at the other end of the spectrum. Aside from Poland, where 42% of respondents attend weekly, every other European country in this analysis has rates of attendance at or below 25%. Several countries in Scandinavia and Western Europe are in the single digits.

The other major regions fall somewhere in between these two extremes, with wide variation within each region. In the Americas, weekly attendance ranges from 75% in Guatemala to 14% in Uruguay. Slightly more than one-third of U.S. adults report attending weekly, compared with 20% of Canadians.

In Asia and the Pacific, weekly attendance is highest in Indonesia (72%) and lowest in Uzbekistan, Azerbaijan and China, all of which have rates of weekly attendance in the single digits. (In China, just 1% of adults report attending religious services weekly.) And in the Middle East-North Africa region, most Jordanians (64%) and Egyptians (62%) attend services weekly, while only 30% of Israelis do.

financial news

Foreign Direct Investments

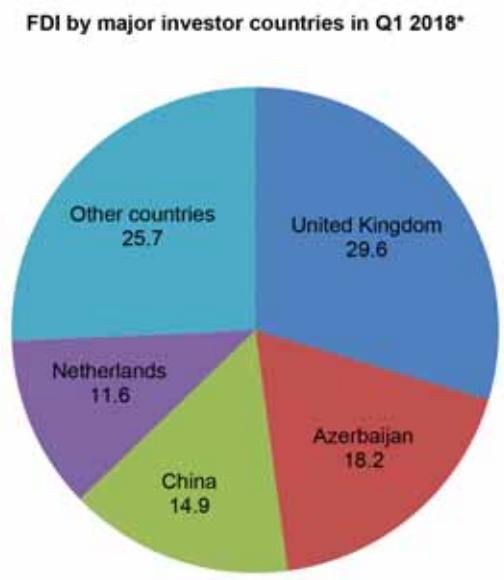


Q1 2018

The FINANCIAL

Foreign direct investments (FDI) in Georgia amounted to USD 279.3 million in Q1 2018 (preliminary data) down 32.9 percent from the preliminary data of Q1 2017. The main reasons for decreasing the FDI are transferring of ownership in some companies from non-resident to a resident units and reduction of debt liabilities to non-resident direct investors (mostly payment of loans).

The chart below shows dynamics of FDI during 2015-2018.



7 facts about American dads

Continued from p. 14

thers to care for children.

When it comes to caring for a new baby, 53% of Americans said that, breast-feeding aside, mothers do a better job than fathers; only 1% of Americans said fathers do a better job than mothers. Another 45% said mothers and fathers do about equally well, a 2016 survey found.

Among the plurality of adults (44%) who said the ideal situation for a young child with two parents is for one parent to stay home, 39% said it's better if that parent is the mother, while just 5% said a child is better off if the father stays home. More than half (56%) said it doesn't matter which parent stays home.

6 - Most Americans (64%) say men and women have different approaches to parenting, but fathers and mothers don't agree about the source of those differences.

Roughly two-thirds of fathers (68%) who see gender differences in parenting styles say these differences are mostly based on biology, while 31% say they are based on societal expectation. For their part, most mothers (66%) who see differences attribute them to society rather than biology (34%). Overall, more than half (56%) of those who say there is a gender difference in parenting say this difference is a good thing.

When it comes to what's best for children's playtime, fathers and mothers have somewhat different views. While at least half of both dads and moms say it's a good thing for parents to encourage their kids to play with toys and participate in activities typically associated with the other gender, dads are less likely than moms to say so: 69% of dads say encouraging young girls to participate in activities typically associated with boys is a good thing, compared with 83% of moms. About half of dads (53%) say it's a good thing for parents to encourage young boys to participate in activities typically associated with girls, compared with 72% of moms. The differences in views between fathers and mothers on this question are similar to what the survey found among men and women more broadly.

7- Seven-in-ten adults say it's equally important for new babies to bond with their mother and their father.

In 2016, about a quarter (27%) said it's more important for new babies to bond with their moms, and 2% said it's more important for new babies to bond with their fathers. Women were slightly more likely to say it's important for new babies to bond with both parents (74% vs. 68% of men).

Among those who took time off to care for a new baby in the past two years, fathers took a median of one week off from work for this reason, compared with a median of 11 weeks for mothers. One factor that might contribute to this gender difference: About half of adults (49%) said employers put more pressure on fathers to return to work quickly after the birth or adoption of a new child, while 18% said employers put more pressure on mothers. A third said employers pressure mothers and fathers about equally.

How CEOs Can Improve the Odds of a Successful Tenure

For Most CEOs, the Algorithm for Real Success in a Rapidly Changing World Remains Elusive. But a BCG Research Project Has Now Identified Five Empirical Success Factors Critical to CEO Leadership Outcomes

The FINANCIAL

CEOs in the 21st century operate in an unprecedentedly dynamic context and find it more challenging than ever to succeed in their role. Some help might be at hand at last, thanks to research from The Boston Consulting Group (BCG). A new report from BCG identifies five components that consistently characterize successful CEO tenures. By cultivating these success factors and combining them flexibly into a strategic "algorithm," CEOs can now shift the odds in their favor.

The BCG study set out to evaluate CEO success along multiple dimensions. It assessed the tenures of more than 450 CEOs in the US and Canada from the "starting classes" of 2009 through 2011. It involved the use of AI and included in-depth interviews with 14 prominent CEOs and board directors. Of the CEOs who were fully assessed, just 18% eventually ranked in the top tier, as "more successful." The research team then proceeded to isolate and analyze the distinctive characteristics of that select group and eventually identified a set of five success factors.

The Components of Success

"Success" is a matter of definition, of course. Gerry Hansell, a BCG senior partner and a coauthor of the report, explains, "In our study, the criteria for success were grouped under three broad headings: Great Company, Great Stock, and Great Legacy. Great Company relates to improved competitive position and business economics. And Great Stock relates to delivering strong total shareholder return. Great Legacy is more subjective and relates to the company's future prospects. To meet all of these criteria is no easy task, but CEOs who draw on our five success factors consistently and harmoniously will certainly improve their chances."

The five success factors are:

A grounded and compelling strategic narrative—fact-based, clearly defined and communicated, and fervently pursued

A selection of competitively advantaged strategic moves—enough to challenge but not overwhelm the workforce

Skillful interactions with stakeholders—respecting but reshaping their expectations

Incessant mobilizing of the organization—connecting directly with the extended leadership team to help reinforce company values and increase cooperation

Leaving a long-lasting positive imprint—enabling the company to adapt and rejuvenate in future years

These five components gain extra potency when closely integrated with one another. Once refined and combined, they can serve CEOs as a kind of algorithm for setting direction and making strategic decisions, and they could make a successful tenure easier to achieve.

Themes and Variations

The report discusses each of the five success factors in detail. Various common threads emerge: the way that CEOs balance tenacity and flexibility, for instance, and their prowess at sensing and responding to signals—detecting megatrends, engaging with activist stakeholders, keeping the organization focused and motivated, and choosing the right pace and sequence when making strategic moves.

Scattered throughout the report is an array of quotations, providing firsthand perspectives on all aspects of the five success factors. The quotations record the experiences or reflections of the various veteran CEOs and board directors who were interviewed for the research project.

The true measure of success for CEOs is not just a set of short-term results: it is about keeping up the momentum throughout their tenure, and even about what happens to the company after their departure. "The improvements that a CEO makes have to be sustainable," says BCG's own CEO, Rich Lesser, another of the report's coauthors. "The complacency trap is real, and CEOs need to sustain a reinvention mindset throughout their tenures and build a diverse, high-aspiration, and adaptive leadership team. We've found that the more successful CEOs are very concerned about their legacy—but not out of vanity. The legacy they want is a thriving and self-revitalizing company long after their time as CEO is done."

A Leadership Algorithm for Improving the Outlook

Don't expect a magic formula. That's not how an algorithm works. Algorithms involve constant monitoring, iterative learning, and the adjusting of priorities to match changing conditions. In BCG's study sample, the more successful CEOs were able to accurately read signals from the evolving context and to course-correct promptly and flexibly. By cultivating and constantly fine-tuning the algorithm's five components, CEOs can at least increase the likelihood of a truly successful tenure.

Most Americans express positive views of country's growing racial and ethnic diversity

The FINANCIAL

A majority of Americans continue to say the United States is a better place to live as a result of its growing racial and ethnic diversity.

About six-in-ten U.S. adults (58%) say that having an increasing number of people of different races, ethnic groups and nationalities in the U.S. makes the country a better place to live; just 9% say it makes the country a worse place to live, while about three-in-ten (31%) say it doesn't make much difference either way, according to a Pew Research Center survey conducted in April and May. These attitudes are only modestly changed from last year.

There remain wide differences in these views by party and ideology. Seven-in-ten Democrats and Democratic-leaning independents say growing diversity in the U.S. makes it a better place to live, including 78% of Democrats who describe themselves as liberal. A smaller majority of conservative and moderate Democrats (66%) say the same.

By comparison, about half of Republicans and Republican leaners (47%) see a positive impact of growing diversity in the U.S.; 37% say it doesn't make much difference, and another 14% say it makes the country a worse place to live. While positive views among Republicans vary little by ideology, negative views are somewhat more widespread among conservative Republicans than moderate and liberal Republicans. About one-in-six conservative Republicans (17%) say growing racial and ethnic diversity makes the country worse, while just 7% of moderate and liberal Republicans agree.

Partisans also differ in the importance they give to living in a racially and ethnically diverse community: Democrats are about twice as likely as Republicans (75% to 38%) to say this is very or somewhat important to them, according to a Pew Research Center survey conducted earlier this year.

Across all age groups, about half or more say increasing diversity makes the country a better place to live. However, 15% of those 65 and older say growing ethnic diversity makes the U.S. a worse place to live, the highest among age groups.

Views vary significantly by educational attainment, with more highly educated adults more likely to embrace growing racial and ethnic diversity.

About eight-in-ten adults with postgraduate degrees (81%) say growing diversity makes the country a better place to live. Smaller, though sizable, majorities of college graduates (70%) and those with some college experience (61%) say the same. Among those with a high school degree or less education, attitudes are divided: While 45% say growing diversity makes the country a better place, 42% say it doesn't make much difference and 11% say it makes the country worse.

publicity

Weekly Market Watch

GALT & TAGGART
CREATING OPPORTUNITIES

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

ECONOMY

FDI down 32.9% y/y

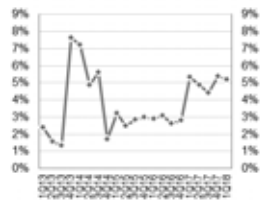
FDI was down 32.9% y/y to US$ 279mn (7.6% of GDP) in 1Q18, according to GeoStat's preliminary figures. The major reason behind this decrease was ownership transfer from non-resident to resident companies (e.g. acquisition of Geocell by Silknet) and reduction of debt liabilities to non-resident direct investors. The financial sector was the largest FDI recipient at US$ 110.6mn (+41.6% y/y, 39.6% of total), followed by construction sector at US$ 69.1mn (+26.9% y/y, 24.7% of total), transport at US$ 56.1mn (-55.0% y/y, 20.1% of total) and manufacturing at US$ 40.2mn (6.3x higher y/y, 14.4% of total). United Kingdom topped the list of investors with US$ 82.7mn (+2.8% y/y), followed by Azerbaijan at US$ 51.0mn (-47.3% y/y), and China at US$ 41.6mn (5.7x higher y/y).

Key macro indicators

	5M18	2017	2016
GDP (% change)	5.5%(1)	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
1) As of 4M18

Real GDP growth, %



Source: GeoStat
Note: Rapid estimate for 4Q17

Georgia sovereign credit ratings

Standard & Poor's	Moody's Investors Service	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 Foundaition and World Economic Forum

Exports up 50.2% y/y in May 2018

In May 2018, exports growth surged 50.2% y/y to record high US$ 323.3mn, imports were up 25.1% y/y to US$ 802.6mn and the trade deficit widened 12.4% y/y to US$ 479.3mn, according to GeoStat's preliminary figures. In 5M18, trade deficit was up 20.9% to US$ 2.3bn as exports increased 28.0% y/y to US$ 1.3bn and imports were up 23.3% y/y to US$ 3.6bn. Detailed foreign trade statistics will be available on June 19, 2018.

Money transfers up 13.0% y/y in May 2018

In May 2018, money transfers increased 13.0% y/y to US$ 130.4mn, after growing 16.9% y/y in previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+33.9% y/y, 12.0% of total), USA (+15.7% y/y, 10.7% of total), Greece (+13.6% y/y, 10.2% of total) and Israel (+34.5% y/y, 9.7% of total), while remittances were down from Russia (-1.7% y/y, 28.5% of total) and Turkey (-3.2% y/y, 7.4% of total). Overall, in 5M18 money transfers were up 19.2% y/y to US$ 609.3mn.

NBG keeps monetary policy rate unchanged at 7.25%

At its meeting on 13 June 2018, NBG's monetary policy committee decided to keep its key rate unchanged at 7.25%. Inflation was 2.5% in May, below the 3.0% target, but the decision takes into account increased risks of transmission of inflationary pressures from the main trading partner countries due to higher volatility in financial markets. The committee also decided to reduce the minimum reserve requirements on local currency funding from 7.0% to 5.0%. The next committee meeting is scheduled for 25 July 2018.

FDI by sectors, 1Q18

FDI by countries, 1Q18

Source: GeoStat

Nominal Effective Exchange Rate and Real Effective Exchange Rate

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

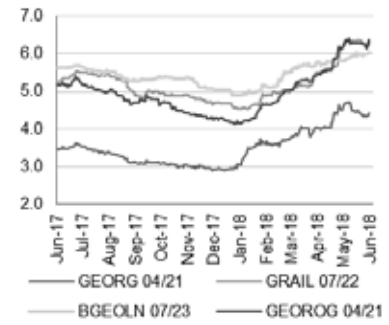
FIXED INCOME

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 100.0 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEB-GG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.8 (unchanged w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.0 (-0.2% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.4 (+0.2% w/w), yielding 6.2%.

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

Georgia Eurobonds, YTM (%)



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/ Moody's	BB-/-/-	-/-/-	-/-/-	n/a	-/B+/B2	BB-/-/Ba2	BB-/B+/-	BB-/-/B2	BB-/BB-/Ba2	B+/B+/-
Mid price, US$	n/a	102.5	101.3	102.05	94.8	100.5	101.0	100.0	106.4	105.4
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.2	10.7	6.4	6.0	4.4	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	430.2	346.1	346.9	307.5	155.2	329.2

** 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*

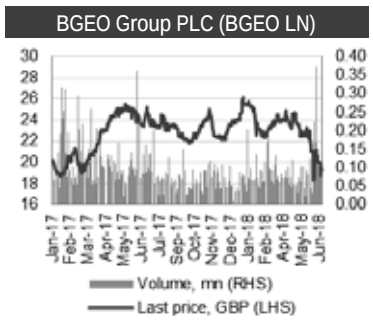
Eastern European sovereign 10-year bond performance

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	5.0
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	3.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	4.1
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	3.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	5.9

Source: Bloomberg

EQUITIES

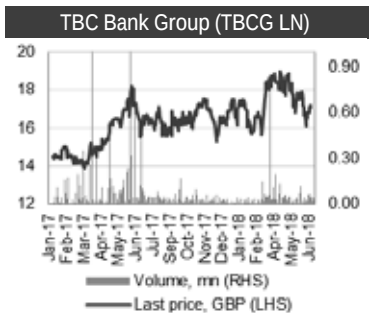
BGEO Group PLC (BGEO LN)



Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.28/share (-3.14% w/w and -14.08% m/m). More than 702k shares traded in the range of GBP 18.17 – 23.49/share. Average daily traded volume was 115k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.50% w/w and gained 1.29% m/m. The volume of BGEO shares traded was at 1.43% of its capitalization.

TBC Bank Group (TBCG LN)

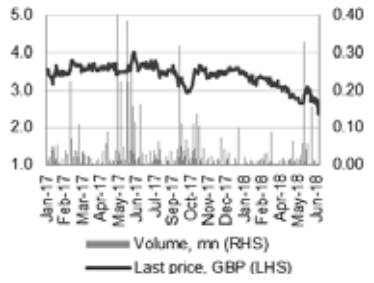


Source: Bloomberg

Georgia Capital (CGEO LN) shares closed at GBP 12.22/share (+9.9% w/w). More than 4,673k shares traded in the range of GBP 9.23 – 12.50/share. The volume of CGEO shares traded was at 11.88% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.18 (+0.82% w/w and -1.72% m/m). More than 134k shares changed hands in the range of GBP 15.76 – 17.24 share. Averaged daily traded volume was 134k in the last 4 weeks.

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.70/share (-3.57% w/w and +2.27% m/m). More than 192k shares were traded in the range of GBP 2.70 – 3.02/share. Average daily traded volume was 25k in the last 4 weeks. The volume of GHG shares traded was at 0.15% of its capitalization.

MONEY MARKET

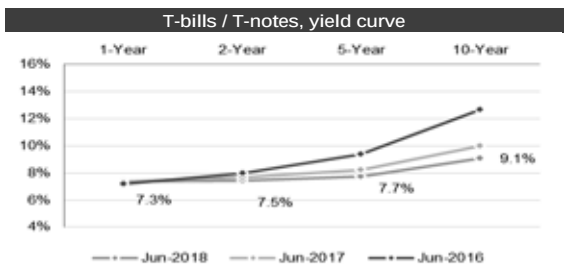
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,130mn (US$ 458.9mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US$ 8.1mn) certificates of deposit, with an average yield of 7.29% (unchanged from previous issue).

Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US$ 16.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 13, 2018. The weighted average yield was fixed at 7.451%. The nearest treasury security auction is scheduled for June 27, 2018, where GEL 30.0mn nominal value 5-year Benchmark bonds will be sold.

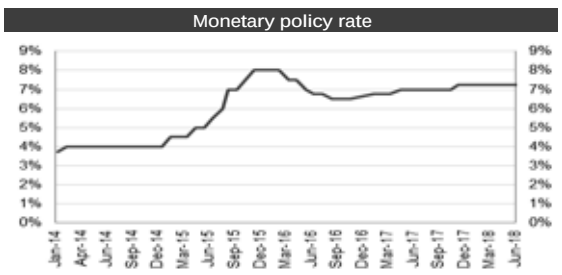
Ministry of Finance Treasury Bills: 182-days GEL 20.0mn (US$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 13, 2018. The weighted average yield was fixed at 7.329%.

T-bills / T-notes, yield curve



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

Monetary policy rate



Source: NBG

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This property is 1 minute walk from the beach. The magic of Tsikhisdziri, where Castello Mare Hotel and Wellness Resort is located, is nothing else but captivating. Batumi, the summer capital of Georgia, the place to party and stay sleepless, is only 17 kilometres away, but the resort is embraced by serenity and peace. It was a place for summer escapes already 100 years ago, and in the Soviet period a popular sanatorium was operating on that very spot.

Since 2016, Castello Mare welcomes everyone who is in need of relaxation and switching off from routine. Isolated from the rush of life, overlooking the Black Sea, buried in verdure, it feels like an official representation of heaven on earth. Three impressive buildings and a little pearl of the resort, Villa Aphrodite, can accommodate up to 250 guests.

A lovely garden, private pebble beach, fantastic spa facilities, infinity pool, conference halls and meeting rooms, as well as various entertainment facilities are there to make your vacation or business trip extremely pleasant.

Castello Mare consists of three campuses (Victoria, Diana and Alba), and a lovely Villa Aphrodite. In total, the hotel offers more than 100 rooms of 17 categories, and you can be sure that each of them is highly comfortable and has mesmerizing window or balcony view. In our hotel, you treat not just your body, but the deepest corners of your soul by observing pristine nature and endless sea.

Business travelers and organizers of corporative events are going to enjoy the stay in Castello Mare too. It has great facilities for meetings and conferences, and of course, for leisure and after-conference gala events!

Also, it is a popular destination for weddings and photo shootings.

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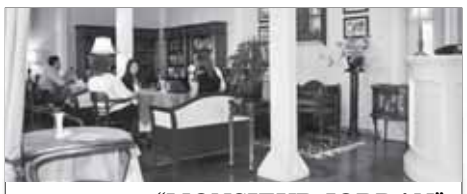
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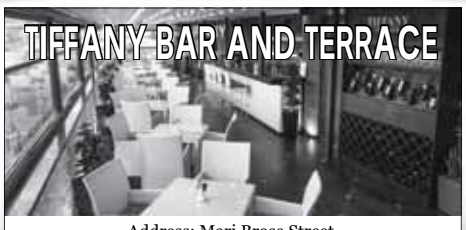

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