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Bonjour Monsieur Macron?

MERAB PACHULIA, GORBI
See on p. 13

Canada is the most attractive and trusted country in the G20

See on p. 6



10 December, 2018

News Making Money

<http://www.finchannel.com>

UK: Christmas trading predictions

The FINANCIAL

With Black Friday and Cyber Monday done for another year, both retailers and shoppers have well and truly turned their attention to the festive season. New Christmas trading analysis from PwC shows UK shoppers are preparing to spend an average of £420 on Christmas presents this year. Those in the 35-44 year age bracket are going to shell out the most (£522), and shoppers in Scotland will have the

highest average spend (£454) of all the UK regions.

"2018 has been full of commentary about squeezed consumer spending and its contribution to the obvious distress on the UK high street", Lisa Hooker, Consumer Markets Leader at PwC, said. The first half of the year in particular was very tough, with inflation rising about earnings. But, there should be some Christmas cheer for retailers as we close off 2018 - our research shows that people will be hitting the shops in earnest this Christmas time.

Continued on p. 8

Volume of retail trade up by 0.3% in euro area

The FINANCIAL

In October 2018 compared with September 2018, the seasonally adjusted volume of retail trade increased by 0.3% in the euro area (EA19) and by 0.1% in the EU28, according to estimates from Eurostat, the statistical office of the European Union.

In September, the retail trade volume decreased by 0.5% in the euro area and by 0.3% in the EU28.

In October 2018 compared with October 2017, the calendar adjusted retail sales index increased by 1.7% in the euro area and by 2.1% in the EU28.

Continued on p. 16

Our Misperceptions about Crime and Violence, Sex, Climate Change, the Economy and Other Key Issues

The FINANCIAL -- People in most countries think prisons are even more crowded than they actually are. In each country, men give a lower estimate of sexual harassment than women. On average, people think 39% of women have experienced harassment, but actually on average 60% have. These are some of

the Ipsos' latest Perils of Perception study results.

Crime

In several countries around the world, people are wrong about the scale of knife and gun crime in their country. Although in 13 countries

the majority correctly guess which is the biggest killer out of firearms, sharp objects such as knives or other physical violence, in other countries people's perceptions don't match what the crime statistics say.

Continued on p. 6

November 2018: In Particular, Male Georgian Consumers Over 35 Turned Out to be Pessimistic in November

ISSET

According to a nationally representative sample of 307 Georgians interviewed in early November 2018, the Consumer Confidence Index (CCI) dropped by 4 index points, from -18 in October to -22 in November. A simi-

lar pattern was observed in both sub-indices: the Present Situation Index went down by 4.7 (from -22.6 to -27.3), and the Expectations Index went down by 3.2 index points (from -13.4 to -16.6) compared to October. One might wonder whether the drop in consumer confidence in November is caused by the presidential elections, held in October.

In one of the previous CCI articles we have already discussed the correlation between CCI and elections: "In a 2008 working paper, the Greek economists Gikas A. Hardouvelis and Dimitrios D. Thomakos explore the relationship between consumer confidence and elections.

Continued on p. 2

Households spent over €1 trillion on transport

The FINANCIAL -- In 2017, households in the European Union (EU) spent 13.0% of their total consumption expenditure on transport. This represents a total expenditure of over €1.1 trillion, equivalent to 7.1% of EU GDP or €2 100 per EU inhabitant.

Transport is the EU's second largest household expenditure item after housing (24.2% of total consumption expenditure). Food and non-alcoholic beverages follow in third place (12.2%).

A more complete overview of household final consumption expenditure, broken down by consumption purpose, is available in this interactive infographic.

Continued on p. 8

CURRENCIES

	Dec 8	Dec 1
1 USD	2.6682 ▲	2.6744
1 EUR	3.0324 ▲	3.0400
100 RUB	3.9852 ▲	4.0063
1 TRY	0.4992 ▲	0.5159



THE FINANCIAL
10 December, 2018

ISSUE: 49 (633)
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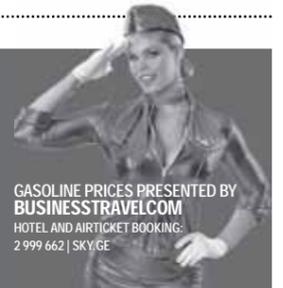
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10 DECEMBER, 2018, GEORGIA

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G-Force Premium	2.54	Eko Premium	2.62	Super Ecto	2.60	Nano Premium	2.58	Efix Euro Premium	2.64
G-Force Euro Regular	2.44	Eko Diesel	2.68	Premium Avangard Ecto	2.50	Nano Euro Regular	2.48	Euro Regular	2.56
Euro Regular	2.38	Euro Diesel	2.64	Euro Regular	2.36	Nano Diesel	2.50	Efix Euro Diesel	2.68
G-Force Euro Diesel	2.67	Euro Regular	2.54	Euro Deasel	2.55	Nano Euro Diesel	2.63	Euro Diesel	2.62
Euro Diesel	2.59	Diesel Energy	2.58			GNG	1.45		
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CONSUMER CONFIDENCE INDEX

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November 2018: In Particular, Male Georgian Consumers Over 35 Turned Out to be Pessimistic in November

ISET

According to a nationally representative sample of 307 Georgians interviewed in early November 2018, the Consumer Confidence Index (CCI) dropped by 4 index points, from -18 in October to -22 in November. A similar pattern was observed in both sub-indices: the Present Situation Index went down by 4.7 (from -22.6 to -27.3), and the Expectations Index went down by 3.2 index points (from -13.4 to -16.6) compared to October. One might wonder whether the drop in consumer confidence in November is caused by the presidential elections, held in October. In one of the previous CCI articles we have already discussed the correlation between CCI and elections: "In a 2008 working paper, the Greek economists Gikas A. Hardouvelis and Dimitrios D. Thomakos explore the relationship between consumer confidence and elections, using data from 15 European countries from 1985-2007. One of their most striking findings is that consumer confidence peaks around the election date". However, the pattern of CCI for the recent months does not follow the one observed in the literature, though that does not necessarily mean

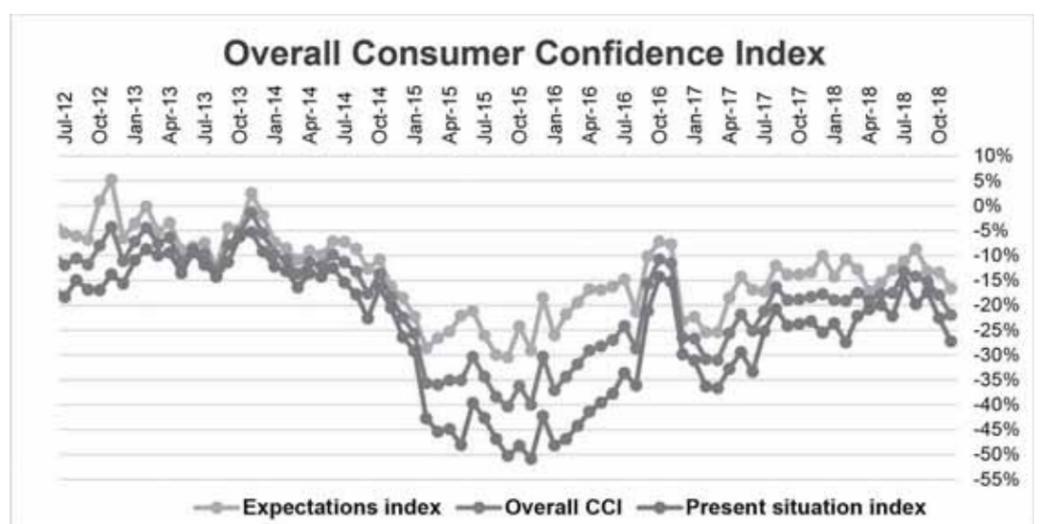


Table 1: Change in Consumer Confidence (in Index Points): November 2018

How did the general economic situation change in Georgia? past 12 months	-14.3%
Expected level of unemployment in Georgia, next 12 months	-9.1%
General economic situation, next 12 months	-6.5%
How much did consumer prices rise? past 12 months	-5.9%
Your current ability to save	-3.9%
Do you expect prices to increase more rapidly? next 12 months	-3.8%
Is now the right time for people to save in Georgia?	-3.2%
Your financial situation, past 12 months	-2.3%
Do you expect to increase spending on major purchases compared to the past? next 12 months	-2.0%
Your ability to save, next 12 months	-0.2%
Is now the right time for people to make major purchases in Georgia?	1.5%
How will your financial situation change? next 12 months	2.1%

Table 2: Change in Consumer Confidence, by groups (in Index Points): November 2018

Tbilisi	-1.7%
Rest of Georgia	-6.1%
Male	-3.8%
Female	-4.3%
Young	-0.2%
Old	-7%
Higher Education	-2.7%
The Rest	-5.1%

that in this case CCI and elections are not correlated.

Table 1 demonstrates which questions are responsible for the decline in Overall CCI for the month of November. The greatest decline is observed in questions concerning the general economic situation (past and future 12 months), expected unemployment and inflation (next 12 months). Furthermore, the largest gap between October and November is translated into the question "How did the general economic situation change in Georgia? past 12 months". Perhaps, this could again be correlated with the presidential elections.

Table 2 demonstrates that all groups were affected negatively in November 2018. What is striking is that the largest negative change is observed in the "Old" (over 35) and "Rest of Georgia" groups. Consumer Confidence for the old dropped by 7 index points, from -22 (in October) to -29

Table 3: Change in Consumer Confidence (in Index Points), in Groups by Questions: November 2018

	Tbilisi	Rest of Georgia	Male	Female	Young	Old	Highly Educated	The Rest
How did the general economic situation change in Georgia? past 12 months	-13.0%	-15.3%	-15.8%	-13.3%	-6.4%	-19.2%	-14.8%	-12.0%
How much did consumer prices rise? past 12 months	-11.4%	2.9%	-10.2%	-2.2%	-5.8%	-6.3%	-15.6%	15.3%
Expected level of unemployment in Georgia, next 12 months	-6.7%	-11.7%	-11.7%	-7.1%	-7.7%	-10.5%	-11.5%	-3.2%
Do you expect prices to increase more rapidly? next 12 months	-5.9%	-1.3%	0.2%	-7.1%	-8.2%	-1.4%	-2.7%	-5.1%
Your current ability to save	-4.3%	-2.1%	-5.2%	-2.8%	-0.1%	-7.3%	-4.2%	-1.4%
General economic situation, next 12 months	-3.1%	-11.3%	-9.1%	-4.6%	-2.1%	-9.6%	-2.6%	-13.4%
Is now the right time for people to save in Georgia?	2.0%	-9.4%	-2.5%	-4.3%	2.9%	-8.0%	4.8%	-19.0%
Your ability to save, next 12 months	2.7%	-2.4%	3.1%	-3.3%	-2.9%	-0.6%	1.2%	-0.9%
Your financial situation, past 12 months	3.5%	-9.3%	-2.7%	-2.1%	8.3%	-9.1%	0.1%	-6.0%
Do you expect to increase spending on major purchases compared to the past? next 12 months	4.4%	-9.4%	0.5%	-4.2%	2.2%	-5.6%	3.0%	-10.2%
Is now the right time for people to make major purchases in Georgia?	5.0%	-0.6%	0.1%	2.1%	8.9%	-4.5%	1.4%	4.6%
How will your financial situation change? next 12 months	5.9%	-3.0%	7.4%	-2.4%	8.3%	-1.8%	8.0%	-9.3%

Continued on p. 12

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Law Report: Barriers in Legal Professions

This report addresses one of the fundamental problems of Georgian justice system. Unfortunately, independence of the Georgian judiciary is questionable and the attorney's role in the judicial system is not as strong as it should be in a democratic society. The Government must reform the justice system to tackle mentioned problems but not in a way, it has been doing until now.

Most of the reforms implemented so far, created or heightened the barriers to entry into a judiciary. A declared goal was to make judges more competent and independent. However, these reforms seem to be counterproductive and constitute a threat to judicial independence.

Under the current "reformed" system, the judiciary is isolated from the private practice. The way system is designed makes it impossible for private practitioners to become a judge. The law students have to pick their career path right after their graduation. The ones, who pick judiciary, start as interns or clerks in the court. If they obey the system and in the words of late Justice Scalia, "keep their nose clean and do not make waves", they get promoted to the position of a judge. Others who pick private practice will likely remain there for the rest of their life.

IT IS HARD TO FIND A SUCCESSFUL PARTNER OR EVEN AN ASSOCIATE OF AN INTERNATIONAL OR SUCCESSFUL LOCAL LAW FIRM, WHO WOULD BE WILLING TO BECOME A JUDGE IN GEORGIA.

The reason why only insiders manage to become a judge is the system that consist of various formal barriers that are inconvenient and troublesome for private practitioners. A candidate has to pass a special qualification exam for judges that requires memorizing some formal, bureaucratic procedures. The next step is completing ten-month intensive course in the High School of Justice. After that, the Council of Justice will interview candidates and assess their competence and good faith based on vague standards. The Council of Justice appoints the judges for three-year probation period. Again, if they "do not make waves" within the probation period they will get lifetime appointment. From the private practitioner's perspective, it is not worth investing so much time and effort to meet with mentioned bureaucratic requirements, especially when the chances of an outsider to succeed

in this system are very low. Due to this system, it is almost impossible for even the most successful, reputable attorneys to get into the judiciary.

The mere fact that the vast majority of the newly appointed judges in Georgia are former clerks, court recorders and other court officials speaks for itself. Virtually none of them has ever worked as private practitioners. Their professional skills have never been challenged on a highly competitive job market. This fact raises serious concerns about independence of judiciary. It is highly likely that judges, who have never worked outside the court system, will be afraid of losing their job. They seem to be vulnerable because they have no other place to go. Due to this systemic error, the independence and impartiality of the judiciary is inherently questionable.

Unfortunately, it is not prestigious to be a judge in Georgia. It

is hard to find a successful partner or even an associate of an international or successful local law firm, who would be willing to become a judge in Georgia. This unfortunate fact adversely effects the independence and impartiality of the judiciary. If the judges were prominent lawyers, with remarkable background and well-developed legal philosophy, their independence would hardly be questioned.

Therefore, due to mentioned artificial and unnecessary barriers the judiciary is becoming isolated and bureaucratic institution.

Unfortunately, Georgian Bar Association is making exactly the same mistake. Instead of advocating for integrity of legal profession and freedom of lawyers to choose their career, GBA initiated new barriers for entry into private practice. In addition to the bar examination, the recent changes in the Law on Attorneys require the candidates to complete the special one-year "adaptation program" otherwise, GBA will not admit them to the bar. Requirements like this prevent former judges from starting private practice and constitute a threat to judicial independence, because again the "disobedient" judges will have no place to go.

In old English legal system, which is predecessor of the US le-

gal system, the term "bar" meant the whole body of lawyers, not merely the association of the private practitioners. The origin of the term "bar" is from the barring furniture in the courtroom that separates the spectators from the participants in a trial as lawyers. The example of arguably the most well-developed Anglo-American judicial system proves that the integrity of the legal profession and less or no barriers within it ensures independence and reputation of the judiciary. Everyone beyond the bar is a member of the legal profession, equally important for the entire justice system.

What shall we do? The government and the Council of Justice should stop implementing more and more formal requirements for judicial appointment and open up the profession instead. The Georgian Bar Association and every single private practitioner should be advocating for freedom and integrity of legal profession. In other words, we must stop building new walls and tear down the existing walls built around the judiciary and bar association.

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Radisson Blu Iveria Tbilisi awarded “Best Business Hotel” by Business Traveller Magazine Readers

Radisson Blu Iveria hotel Tbilisi is proud to be announced as the “Best Business Hotel” in former CIS region and neighbouring countries at the award ceremony held by Business Traveller Magazine on Friday 16th of November in Moscow.

The Business Traveller Award is a valuable tool for the business travel market to determine guest loyalty and satisfaction. The specially developed questionnaire and opinion poll, covering a variety of professional spheres, ensure the awards highlight the needs of both cooperate and individual travellers as well as determine the quality standards of travel services. The winners were announced after a three-month voting process by readers of Business Traveller magazine.

“Being awarded Best Business Hotel, shows recognition for the great teamwork provided by the team which every day deliver Memorable Moments to our guests. At the same time, it is a tribute to true Georgian hospitality and we look forward delivering the same high level of service in the soon to be officially opened Radisson Collection Tsinandali Estate Hotel” - stated General Manager Jordi Kuijt.



Radisson Blu Iveria Tbilisi

Found in the heart of Georgia’s capital city, the hotel is nestled between the beautiful Mtkvari River and nearby mountain ranges. Step outside to find dining, shopping and nightlife on Rustaveli Avenue. Hotel’s guests can visit nearby attractions like Old Town and the Narikala Fortress. Hotel’s 249 rooms and suites provide scenic views of Mtatsminda, the city’s historic hill, or of the river landscape.

Guests are welcome to savour Italian dishes at Filini Restaurant, Asian fusion at Umami, delicious seafood at

stunning restaurant Andopov’s Ears” or pastries coffee at Iveria Café. Also dine outdoors at Iveria Terrace during summer. After dinner, have a drink in the Surface Bar or in the 18th-floor Oxygen Bar. Also shop at Hotel’s Iveria Gallery and then try the luck in our Casino Iveria. The world-class Anne Semonin will pamper guests with premium treatments. For business travellers and event planners, the hotel offers a fully equipped business centre plus 9 meeting rooms, a versatile ballroom and catering service. Separate events venue “Republic” opposite the hotel best place for all kinds of activities including weddings, concerts, shows, exhibitions, conferences etc.



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financial news

Our Misperceptions about Crime and Violence, Sex, Climate Change, the Economy and Other Key Issues

The FINANCIAL -- People in most countries think prisons are even more crowded than they actually are. In each country, men give a lower estimate of sexual harassment than women. On average, people think 39% of women have experienced harassment, but actually on average 60% have. These are some of the Ipsos' latest Perils of Perception study results.

Crime

In several countries around the world, people are wrong about the scale of knife and gun crime in their country. Although in 13 countries the majority correctly guess which is the biggest killer out of firearms, sharp objects such as knives or other physical violence, in other countries people's perceptions don't match what the crime statistics say.

For example, in Great Britain, 71% of people think knives cause the most deaths, when they actually account for just 25% of all deaths by interpersonal violence. The GB guess for knives is the highest across all 37 countries surveyed, but there is a similar pattern of overestimating their impact in other countries, especially other European countries such as Denmark, Germany, Italy, Poland and Hungary, and in Asian countries such as Japan, South Korea, Singapore and China.

Other countries overestimate the proportion of gun deaths, notably South Africa (where knives cause the most deaths), Netherlands and Sweden.

And even some countries where the scale of certain types of violence dwarf others, large minorities do not realise this. For example, in the US -- where firearms account for almost 70% of all deaths through interpersonal violence, only six in ten (59%) correctly identify guns as the biggest killer, and a similar pattern is seen in Columbia.

People in most countries think prisons are even more crowded than they actually are. On average people think prisons are 30% over full capacity (130%) when they are 9% over capacity (109%). Having said that, the countries with the highest levels of overcrowding do tend to be the countries with the highest guesses.

Sexual harassment

In 13 countries for which there is data, all of them substantially underestimate women's experience of sexual harassment in their nation. On average, people think 39% of women have experienced harassment, but

actually on average 60% have. Denmark, the Netherlands, France and the United States are the most likely to underestimate the extent of sexual harassment in their country.

In each country, men give a lower estimate of sexual harassment than women. On average, men guess 36% of women in their country have experienced sexual harassment, but women's guess is 44% (although still an underestimate).

Climate change

17 of the past 18 years have been the hottest since records began. However, every country in the study underestimates the global temperature rise over the past 18 years. The average estimate across the study was 9 years.

The majority of countries overestimate the amount of energy used that comes from renewable sources in their country. The average guess is 26% when it's actually only 19%. Malaysia, Saudi Arabia, China and Singapore were the furthest out; some countries, though, actually underestimate how much progress they have made with renewables, such as Sweden and Montenegro.

Sex

Nineteen countries in the study include estimates for the amount of sex they think 18-29 year olds are having, and most of them get it very wrong.

On average people think young women have sex 20 times every 4 weeks and the guess for men is slightly higher at 22 times. In fact, when asked in the survey, 18-29-year-old women and men report they have had sex 5 and 6 times every 4 weeks respectively.

People in Mexico, India, Brazil, Italy and Colombia are particularly far out in their estimates of how much sex young people are having. Sweden, Britain and Turkey have lower, slightly more realistic guesses.

Across the study, there is little consistent difference in guesses by women and men. And young people themselves are only slightly less likely to overestimate how much sex their peers are having than older people (on average, under 30s guess that other 18-29 year olds are having sex 20 times a month, among over 30s the average guess is 21).

Vaccinations

All countries in the survey underestimate the near universal level of infant vaccinations in their country.

The average guess is 73% when the actual figure is 94% according to World Health Organisation (WHO) figures. Furthest out are India, Mexico and China.

Economy

Every country in the study heavily overestimates the proportion of people unemployed and seeking work in their country. The average guess across the study was 5 times greater than the actual (34% when in reality it is closer to 7%).

People tend to underestimate the size of their country's economy relative to others. The majority of people placed their country's GDP rank lower than the reality. This is particularly the case for emerging economies such as Argentina, South Africa and Romania.

Population facts

Every country massively overestimates the levels of growth of their elderly population. Across the countries on average, people think 54% of the population will be 65+ in 2050 when in reality the projection is less than half that (25%).

The majority of countries hugely overestimate levels of immigration; a pattern we have seen in previous studies. The average guess across 37 countries is that 28% are immigrants when the actual figure is less than half that (12%).

Nearly every country included in the study also over-estimates their Muslim population by a large margin. The average guess was more than double the actual figure (20% vs 8%).

How accurate is the British public...?

Seven in ten Brits (71%) think more people are killed by knives than firearms or other violence when in reality knives only account for 25% of all deaths across the three types of interpersonal violence.

People overestimate the scale of overcrowding in prisons in Britain. The average guess is that prisons are at 143% of capacity when the actual figure is 108%.

Britons underestimate women's experience of sexual harassment. On average, we think half of British women have experienced sexual harassment since the age of 15, but in fact it is around two in three (68%).

When it comes to sex, Brits think 18-29 year olds have far steamier

lives than they actually do. We think young women are having sex 13 times every 4 weeks when it is actually about once a week on average (4-5 times every 4 weeks). And Brits think 18-29-year-old men are having sex 14 times every 4 weeks, far higher than the actual average of 5.

Brits are too optimistic about the levels of energy consumed that comes from renewable sources. The average guess in Britain is 24% when it is actually just 9%.

Similarly, Brits underestimate the level of temperature change over the past two decades. In Britain, people think 9 of the past 18 years were the hottest on record globally when in reality it is 17.

Brits guess that three quarters of infants (74%) have been vaccinated against Diphtheria, Tetanus, Whooping Cough, Polio and Measles when levels are much higher at 94%.

Levels of unemployment are hugely overestimated in Britain. People think one in five working age Brits are unemployed and looking for work (18%) when the actual figure is less than a quarter of that (4%).

When it comes to gauging our economic place in the world, Brits are slightly too pessimistic, the average guess is that Britain has the 12th largest economy by GDP when in reality it is 5th.

Brits estimate that half their population (50%) will be over 65 years old in 2050 which is double the figure projected by the World Bank (25%).

People hugely overestimate the proportion of immigrants in Britain with an average guess of 24% when the actual figure is around half that (13%).

In line with previous studies, Brits are very wrong about the percentage of Muslims in Britain. The average guess is more than four times the actual figure (17% vs the 4% reality).

But compared to other countries, Brits are more accurate than most -- in fact we are the 5th most accurate country in our "Misperceptions Index" -- above Denmark who have slipped down the rankings since last year.

Looking across seven key questions where we get people to estimate factual realities, there are clear patterns in which countries have a more accurate view of their countries. To capture this, we've calculated the Ipsos "Misperceptions Index", as shown in the table below.

This year Thailand receive the unwelcome prize of 'least accurate' in their perceptions, closely followed by Mexico and Turkey.

Hong Kong are the most accurate, followed by New Zealand, with the ever accurate Swedes in third.

banking news

TBC Bank Deputy Chief Executive Steps Down, Remains Unit Chief

(Alliance News) - TBC Bank Group PLC said Thursday that Paata Gadzadze, first deputy chief ...

Alliance News6 December, 2018 | 2:39PMEmail Form

LONDON (Alliance News) - TBC Bank Group PLC said Thursday that Paata Gadzadze, first deputy chief executive officer of the bank, will step down from the board with effect on January 1, 2019.

Gadzadze, who joined TBC in 1994 and in 1998 was made deputy CEO, will continue to serve as CEO of TBC Insurance, a fully-owned subsidiary of TBC PLC.

"Given the fast growth and ambitious plans of TBC Insurance, Gadzadze's full-time engagement in the business has become essential," the bank added explaining the reason of his retirement.

TBC Bank shares were trading down 3.2% at 1,414.00 pence.

Bank of Georgia launches new payment method for small business

StockMarketWire.com - Bank of Georgia Group said it had introduced a new payment method to the local small business market in Georgia.

The method had been designed as an alternative payment mechanism to the traditional point-of-sale terminal that previously relied on cash transactions.

Customers of the bank would receive the system free of charge, but only for the first year.

Story provided by StockMarketWire.com

Airline Passenger Demand Rebounds in October

The FINANCIAL -- Global passenger traffic results for October showing that demand (measured in revenue passenger kilometers, or RPKs) rose 6.3% compared to the same month last year, according to the International Air Transport Association (IATA). This marked a rebound from 5.5% growth recorded in September, which was an eight-month low.

International Passenger Markets

October international passenger demand rose 6.3% compared to October 2017, up from 5.1% growth in September. Airlines in all regions recorded gains. Total capacity climbed 6.1%, and load factor increased 0.1 percentage point to 79.8%.

Continued from p. 2

Canada is the most attractive and trusted country in the G20

The FINANCIAL -- Ahead of the G20 summit in Argentina this week, the British Council's 'Powers of Attraction' report presents the results from an international survey of young people's perceptions of the soft power of the G20 group of nations.

The British Council has been surveying the views of young people from across the G20 group of nations every two years since 2012. The report sets out how attractive and trustworthy these leading economies are to young people and the impact this has on their decisions to do business with, study and visit these countries.

The UK's position has recovered across a range of metrics in multiple territories following a dip in 2016 after the EU referendum. However, the picture is not wholly positive. The UK's rankings are not altogether back to pre-Referendum levels and there has been a worrying drop in the numbers saying they intend to study or visit the country.

Canada comes first in the rankings



across four key metrics -- overall attractiveness (84%), trust in people (73%), trust in government (64%) and trust in institutions (68%).

Italy and Australia are in joint second place (82%) for overall attractiveness, with the UK in fourth (81%). Australia and the UK are in joint second place for trust in people (67%).

Australia is again second (57%) with the UK in third place (56%) for trust in government

The UK is second (64%) for trust

in institutions ahead of Germany (63%).

Where Canadian officials have reason to cheer, their American counterparts have cause for concern: the US government is more distrusted than any other in the G20 group of nations, according to the survey.

The bottom four scorings for 'not trusted' in the global chart for trust in government are:

China - 41 per cent
Russia - 43 per cent
Saudi Arabia - 44 per cent

and, in last place, the USA - 45 per cent.

31% of respondents say they intended to visit the UK in future, down from 37% in 2016 putting it in sixth place.

In terms of trust, trust in people is back at second place having bounced back to pre-referendum levels (67 per cent of respondents say they trust people from the UK).

Trust in government (56 per cent) is also up; the UK's third place in 2018 is an improvement on the post-referendum survey though still below the results pre-referendum. The UK is in second place for trust in institutions (64 per cent) -- this is the one metric that was seemingly unaffected by the referendum. Having fallen out of the top three in 2016, the UK is steady at fourth place for overall attractiveness (81 per cent). While still second behind the USA, there has been a drop of 1% (to 16%) in the numbers of people saying they intend to study in the UK in future.



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financial news

UK: Christmas trading predictions



The FINANCIAL

With Black Friday and Cyber Monday done for another year, both retailers and shoppers have well and truly turned their attention to the festive season. New Christmas trading analysis from PwC shows UK shoppers are preparing to spend an average of £420 on Christmas presents this year. Those in the 35-44 year age bracket are going to shell out the most (£522), and shoppers in Scotland will have the highest average spend (£454) of all the UK regions.

"2018 has been full of commentary about squeezed consumer spending and its contribution to the obvious distress on the UK high street", Lisa Hooker, Consumer Markets Leader at PwC, said. The first half of the year in particular was very tough, with inflation rising about earnings. But, there should be some Christmas cheer for retailers as we close off 2018 -

our research shows that people will be hitting the shops in earnest this Christmas time. Overall, spending levels will be similar to last year, but what people spend their money on may be different - it looks as though more money is being spent on the essentials - Christmas dinner, food and drink, and children's clothing.

"Alongside one-off Christmas spending, there are a number of promising signs the doom and gloom for consumers is letting up. Absolute pay is growing faster than inflation and our consumer sentiment survey found that marginally more people think they will be better off in the coming year than worse off. It's tentative, but promising."

According to respondents, in five consumers claim to have started their Christmas shopping earlier this year with the figure rising for under 35s in particular (over 30%). Twenty percent of consumers say they did most of their Christmas shopping over the Black Friday/Cyber Monday weekend. Although the most popular time for buying Christmas

presents is early-to-mid December, 6% of respondents, the vast majority of whom were men, say they intend to shop the week before Christmas because they have no time before then.

When asked what they'll be prioritising when it comes to spending money this Christmas, shoppers told us they would be spending more on food and drink, Christmas dinner, and children's clothing. The main categories where shoppers will spend less on presents include adult clothing and electricals and technology, which were the two most popular categories of spending in the Black Friday sales.

"With Christmas Day falling on a Tuesday this year, we believe that retailers may have a bumper shopping weekend as consumers will have a full weekend to make last minute purchases",

Kien Tan, Retail Strategy Director at PwC, said. "We could even see an increase in high street footfall that weekend, which makes a change to the last few Christmases".

"With people saying they would

spend more on electricals and fashion over Black Friday, it's no surprise that those are the two categories cited as the lowest priorities for Christmas itself. Black Friday seems to have become the main period for indulgence, fun and self-gifting, while Christmas has reverted to its more virtuous roots."

A sustainable Christmas

Sustainability has emerged as a key consumer trend of 2018 and set to play a key role this Christmas. The scale of consumer interest in the topic has taken some in the industry by surprise. Already this Christmas, one of the most talked about advertising campaigns has been around the impact of palm oil on rainforests. If current trends are anything to go by, other single issue campaigns are likely to emerge in the coming months, for which retailers need to be prepared.

KfW Business Cycle Compass Euro Area: Headwind hits economy

The FINANCIAL - Euro area economic growth disappointed again in the summer, according to KfW Research. With an increase of just 0.2%, the third quarter was one of the weakest since the start of the recovery in 2013. Just as in the previous quarters, economic performance was significantly burdened by a temporary special effect.

After inclement weather, an influenza wave and strikes in the first half, now it was the automotive industry's problems converting to the new WLTP approval and emissions testing protocol by the beginning of September, which slowed economic activity all across Europe. As a result, nearly 6% fewer vehicles rolled off the assembly lines in the euro area than in the three months before. Automobile production should recover again by spring 2019. On the basis of the weak third quarter, KfW Research has moderately revised its growth forecast downward to 1.9% for 2018 and 1.6% for 2019 (previous forecasts: 2.0% and 1.7%).

"The European economy remains on a growth path. Although the signs are pointing to a cyclical slowdown, I remain optimistic that we will continue to see clearly positive growth rates. Domestic demand must - and can - sustain the growth", said Dr Jörg Zeuner, Chief Economist of KfW.

The fundamental conditions for a solid expansion of private consumption in the euro area remain intact. Unemployment is on a ten-year low, and real wages are growing at a decent rate and should receive a boost from falling energy prices in the short term. High capacity utilisation shows continuing need for investment. And de-

Continued on p. 11

Households spent over €1 trillion on transport

The FINANCIAL --In 2017, households in the European Union (EU) spent 13.0% of their total consumption expenditure on transport. This represents a total expenditure of over €1.1 trillion, equivalent to 7.1% of EU GDP or €2 100 per EU inhabitant.

Transport is the EU's second largest household expenditure item after housing (24.2% of total consumption expenditure). Food and non-alcoholic beverages follow in third place (12.2%).

A more complete overview of household final consumption expenditure, broken down by consumption purpose, is available in this interactive infographic.

Slovenia and Lithuania spend highest



share of household expenditure on transport, Slovakia spends least

In the EU in 2017, the share of household expenditure devoted to transport was largest in Slovenia (16.3%) and Lithuania (16.0%) They were followed by Germany (14.7%), Luxembourg (14.4%) and Bulgaria (13.9%).

At the opposite end of the scale, Slovakia (7.9%), Czechia (10.1%), Belgium (11.1%), Romania (11.2%), Estonia and Spain (both 11.6%) spent the lowest share of their household expenditure on transport.

Share of expenditure on transport decreased mainly in Romania, Cyprus and Luxembourg

Between 2007 and 2017, the share of transport expenditure in total household expenditure decreased or remained stable in most Member States.

The largest decreases over this 10-year period were recorded Romania (from 15.9% in 2007 to 11.2% in 2017, or a decrease of 4.7 pp), Cyprus (- 4.2 pp, from 17.2% to 13.0%), Luxembourg (- 3.8 pp, from 18.2% to 14.4%) and Bulgaria (- 3.1 pp, from 17.0% to 13.9%).

However, between 2007 and 2017, in five EU Member States, the share of a households spending on transport expenditure increased. These countries were Poland (from 10.8% in 2007 to 12.3% in 2017, or an increase of 1.5 pp), Slovenia (+ 0.8 pp, from 15.5% to 16.3%), Germany (+ 0.5 pp, from 14.2% to 14.7%), Slovakia (+ 0.5 pp, from 7.4% to 7.9%), and Ireland (+ 0.2 pp, from 12.8% to 13.0%).

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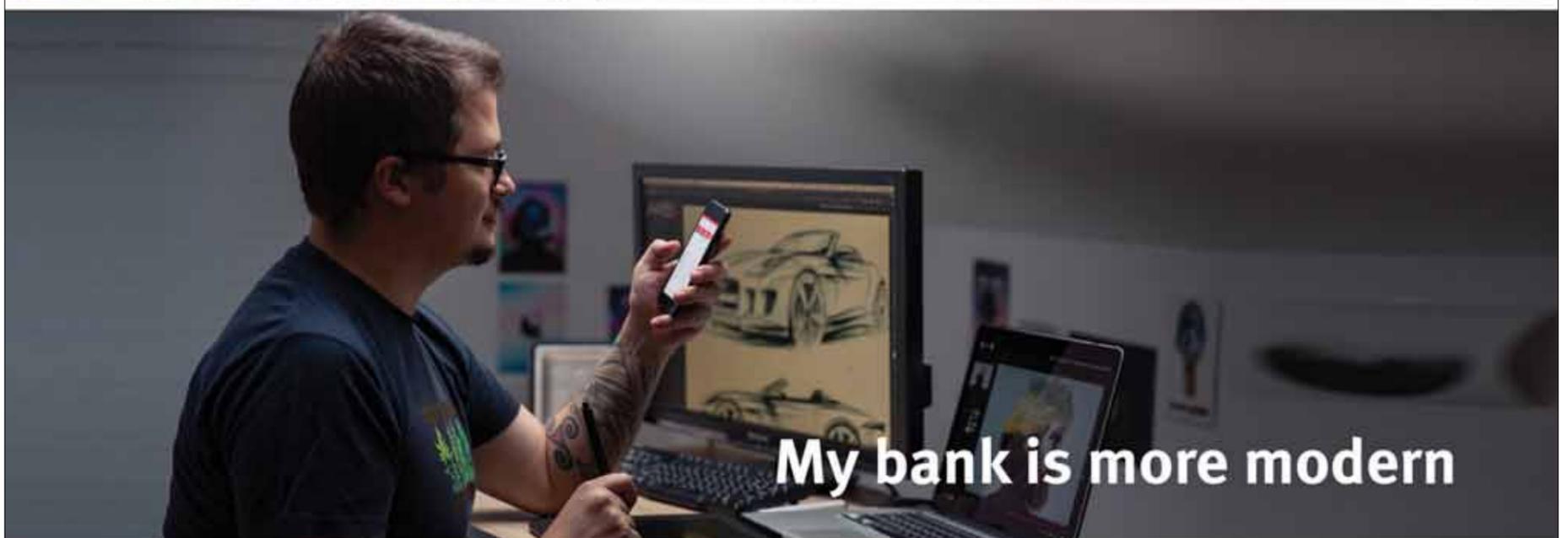


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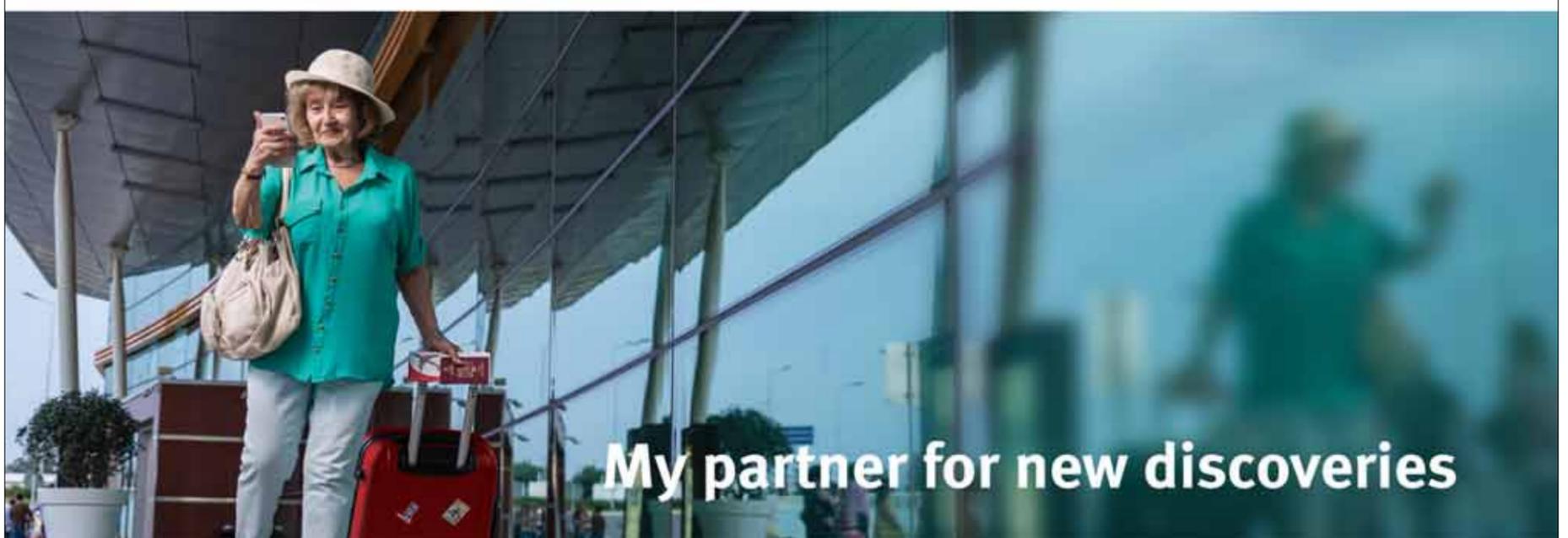
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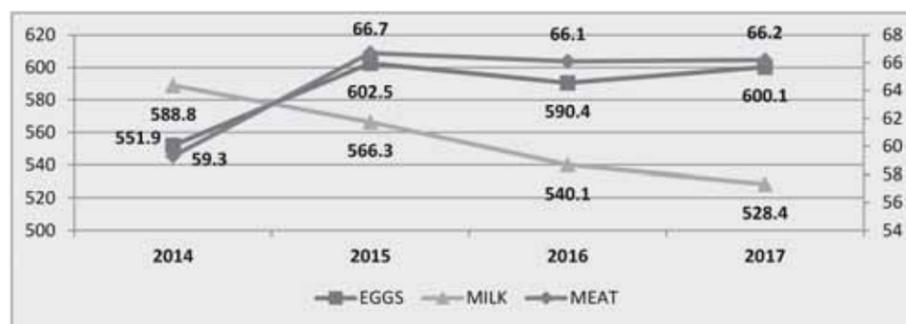
Giorgi Kandelaki:

MEMBER OF PARLIAMENT



In 2017, agriculture decreased by every parameter

Graph 1: Production of Meat (Thousand Tons), Milk (Mln Litres) and Eggs (Million Pcs) in 2014-2017



Source: National Statistics Office of Georgia

Veriko SUKHIASHVILI
FactCheck

VERDICT:

FactCheck concludes that Giorgi Kandelaki's statement is **MOSTLY TRUE**.

RESUME:

Despite the Government of Georgia's significant interventions in the agriculture sector (funding for agriculture nearly doubled as compared to the past years), the real agriculture growth rate has still been declining since 2013 with agriculture having decreased (in value) in 2017. Furthermore, the agriculture to GDP ratio has also been declining since 2013. The lowest figure after 2008 was registered in 2017 when agriculture constituted 8.2% of Georgia's economy.

In addition, despite the Small Farmers Spring Work Assistance Programme with quite a large budget of GEL 354 million, the area of cultivated land has been declining as well. The area of cultivated land in 2017 shrank by 8.4% as compared to the previous year.

The production of fruits and vegetables also dropped in 2017 (only grape production increased) by 39% and 11.4%, respectively. Milk production also experiences a decline (dropped by 2.2%) whilst there is only a marginal increase in meat and egg production by 0.15% and 1.6%, respectively.

Giorgi Kandelaki has named incorrectly some figures although the overarching context of the statement does indeed correspond to the truth.

ANALYSIS

European Georgia – Movement for Freedom MP, Giorgi Kandelaki, at the session of the Parliament of Georgia spoke about agriculture and stated: "In 2017, agriculture

decreased by every parameter. It applies to the size of agriculture and the area of cultivated land as well. For instance, the area of cultivated land shrank by 17%, fruit production decreased by 38%, vegetable production decreased by 19%, milk production decreased by 11% and meat production decreased by 10%. And this decrease happened in spite of tens and hundreds of millions of GEL that the Government of Georgia had spent; for instance, in the land cultivation programme."

In 2017, the total agriculture output in Georgia reached GEL 3,921.6 million (in current prices) which is 1.8% more as compared to the previous year's figure (GEL 3,854 million). However, these figures are not relevant for measuring the real agriculture growth because production output is calculated in current prices and, therefore, does not exclude the increase of value because of increased prices (inflation).

In order to measure progress in the agriculture sector, it is necessary to compare agriculture's added value to the same figure of the previous year. Using this method for comparison does not take into account (excludes) the value increase which was caused because of increased prices (inflation). The real growth of agriculture illustrates how agriculture output changes without being affected by price changes. The real agriculture growth rate in 2017 is negative as compared to the previous year with agriculture output having decreased by 2.7%. In 2016, the real agriculture growth was only 0.3%. Furthermore, the agriculture to GDP ratio has also been declining since 2013. The lowest figure after 2008 was registered in 2017 when agriculture constituted 8.2% of Georgia's economy.

In order to have a detailed analysis of the current pro-

cesses in agriculture, it is important to take into account the statistics in regard to cultivated land areas. In accordance with the data of the National Statistics Office of Georgia, the area of cultivated land plots has been shrinking since 2013 (in spite of the state-sponsored Small Farmers Spring Work Support Programme with quite a lucrative GEL 354 million budget). The cultivated area for both autumn and spring crops has been shrinking as well. In 2017, the total area of cultivated land shrank by 8.4% as compared to the previous year.

The production of wheat, corn and potatoes has decreased. Of the crops, the production of vegetables, in particular, decreased by 11.4% as compared to the previous year. Of the multi-year crops, only grape production increased. In 2017, fruit production dropped by 39% as compared to the previous year.

It is important to analyse the dynamics of farming production as well. As illustrated by the graph, the production of milk has been experiencing a decline in the past years. In 2017, milk production decreased by 2.2% as compared to the previous year. In regard to meat and egg production, there is no explicit trend here and production volumes fluctuate over time. In 2017, the production of eggs and meat increased marginally as compared to the previous year; by 1.6% and 0.15%, respectively.

The Ministry of Agriculture of Georgia spent GEL 1.437 million in 2013-2017. The funding allocated for agriculture started to increase in 2012 and the share of funding for the Ministry of Agriculture in 2013-2017 was 3.64% on average in Georgia's state budget (in 2004-2012, the share of agriculture funding in the budget was 1.59% on average).

GDP and employment both up by 0.2% in the euro area

The FINANCIAL – Seasonally adjusted GDP rose by 0.2% in the euro area (EA19) and by 0.3% in the EU28 during the third quarter of 2018, compared with the previous quarter, according to an estimate published by Eurostat, the statistical office of the European Union. In the second quarter of 2018, GDP had grown by 0.4% in the euro area and by 0.5% in the EU28.

Compared with the same quarter of the previous year, seasonally adjusted GDP rose by 1.6% in the euro area and by 1.8% in the EU28 in the third quarter of 2018, after +2.2% and +2.1% respectively in the previous quarter.

During the third quarter of 2018, GDP in the United States increased by 0.9% compared with the previous quarter (after +1.0% in the second quarter of 2018). Compared with the same quarter of the previous year, GDP grew by 3.0% (after +2.9% in the previous quarter).

GDP growth by Member State

Among Member States for which data are available for the third quarter of 2018, Malta (+3.6%) recorded the highest growth compared with the previous quarter, followed by Romania (+1.9%), Latvia and Poland (both +1.7%). Negative growth was observed in Lithuania (-0.3%), Germany and Sweden (both -0.2%) and Italy (-0.1%).

GDP components and

contributions to growth

During the third quarter of 2018, household final consumption expenditure rose by 0.1% in the euro area and by 0.3% in the EU28 (after +0.2% and +0.3% respectively in the previous quarter). Gross fixed capital formation increased by 0.2% in both the euro area and the EU28 (after +1.5% and +1.2%). Exports fell by 0.1% in the euro area and increased by 0.3% in the EU28 (after +1.0% and +0.7%). Imports increased by 0.5% in the euro area and 0.3% in the EU28 (after +1.1% and +1.0%).

Household final consumption expenditure had a positive contribution to GDP growth in both the euro area and the EU28 (both +0.1 percentage points – pp) and the contribution from gross fixed capital formation was slightly positive in both zones. The contribution of the external balance to GDP growth was negative for the euro area (-0.3 pp) and neutral (0.0 pp) for the EU28, while the contribution of changes in inventories was positive for both the euro area (+0.3 pp) and the EU28 (+0.1 pp).

Employment growth in the euro area and EU28

The number of persons employed increased by 0.2% in both the euro area and the EU28 in the third quarter of 2018 compared with the previous quarter. In the second quarter of 2018, employment increased by 0.4% in both zones.

Compared with the same quarter of the previous year, employment increased by 1.3% in the euro area and by 1.2% in the EU28 in the third quarter of 2018 (after +1.5% and +1.3% respectively in the second quarter of 2018).

Employment growth in Member States

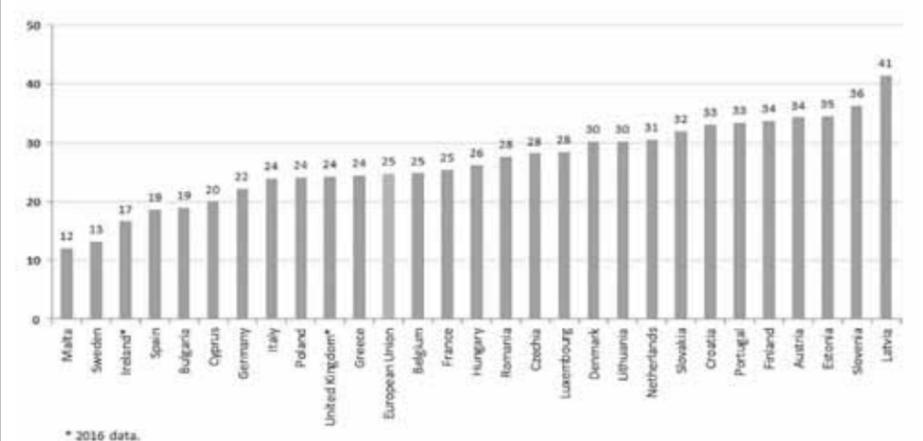
Among Member States for which data are available for the third quarter of 2018, Malta (+0.9%), Cyprus and Lithuania (both +0.8%), Latvia, Luxembourg and Slovenia (all +0.7%) recorded the highest growth compared with the previous quarter. Decreases were observed in Estonia (-0.8%), Bulgaria and Italy (both -0.3%), Croatia and Poland (both -0.2%) and Romania (-0.1%).

Employment levels in the euro area and EU28

Based on seasonally adjusted figures, Eurostat estimates that in the third quarter of 2018, 239.3 million people were employed in the EU28, of which 158.3 million were in the euro area. These are the highest levels of employment ever recorded in both areas. More specifically, the number of persons employed has increased by 9.6 million in the euro area and 15.2 million in the EU28 since the lowest level of employment after the financial crisis (2013 Q2 for euro area, 2013 Q1 for EU28).

1 in 4 people in the EU have a long-term disability

Population reporting long-standing disabilities, 2017
(% of population aged 16 or over)



ec.europa.eu/eurostat

The FINANCIAL -- A quarter of the European Union (EU) population aged 16 or over reported long-standing disabilities in 2017. This means that they felt some, or severe limitations in performing everyday activities such as studying at school, work, housekeeping or in

participating in leisure activities, for a period of six months or longer.

Across the EU Member States in 2017, the lowest proportions of self-perceived long-standing disabilities were reported in Malta (12%) and Sweden (13%), and the highest in

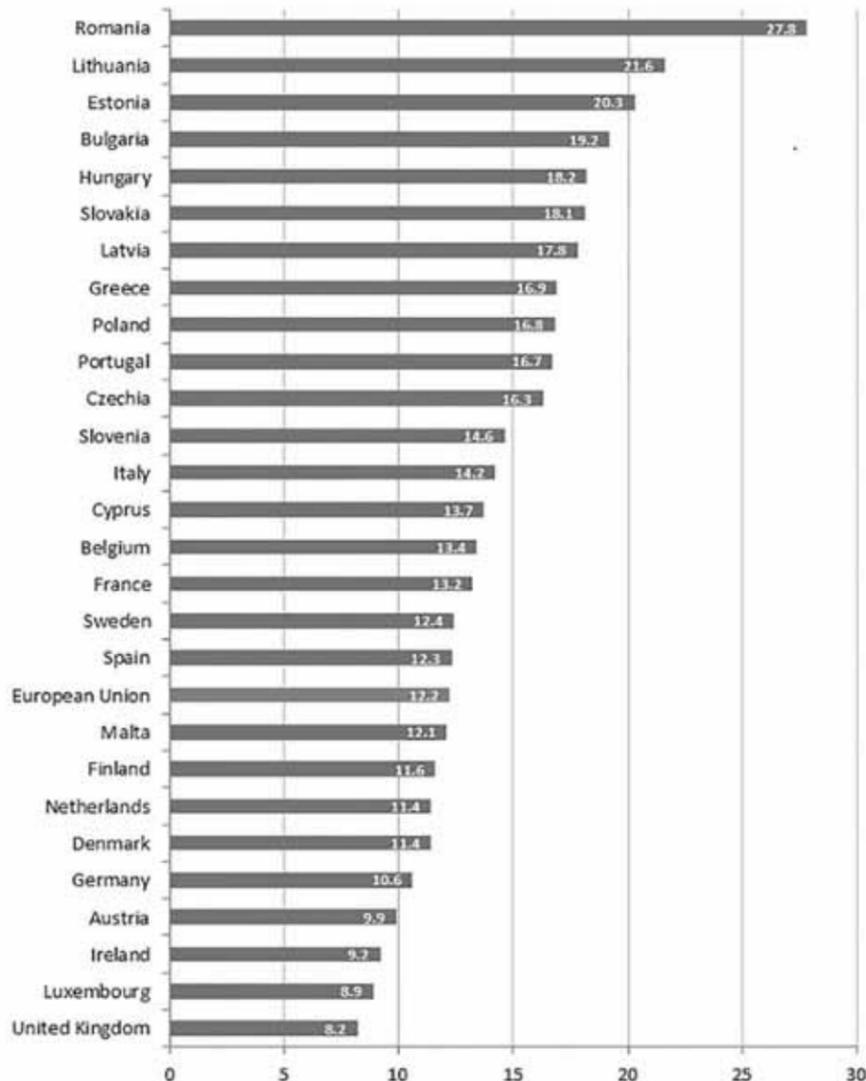
Latvia (41%), Slovenia (36%) and Estonia (35%).

Women were more likely to report long-standing disabilities than men (27% compared to 22%) in 2017.

This information is published today to mark the International Day of Persons with Disabilities.

How much are households spending on food?

Share of total household expenditure spent on food and non-alcoholic beverages, 2017 (%)



Note: data for Croatia are not available

ec.europa.eu/eurostat

The FINANCIAL -- In 2017, households in the European Union (EU) spent 12.2 % of their total consumption expenditure on 'food and non-alcoholic beverages'.

This is the third most important category of household expenditure after 'housing, water, electricity,

gas and other fuels', which accounted for 24.2 % of household expenditure, and 'transport', which accounted for 13.0 %.

The Member States with more than 20 % of their total household consumption expenditure attributed to food and non-alcoholic bev-

erages were Romania (27.8 %), Lithuania (21.6 %) and Estonia (20.3 %). In contrast, there were four Member States where the shares were less than 10 %, namely Austria (9.9 %), Ireland (9.2 %), Luxembourg (8.9 %) and the United Kingdom (8.2 %).

KfW Business Cycle Compass Euro Area: Headwind hits economy

Continued from p. 8

spite the slow reduction in monetary policy support, financing conditions for enterprises should remain favourable. Furthermore, fiscal policy in 2019 will add impetus of just under 0.5 per cent of gross domestic product to

bolster the business cycle.

"Still, the list of economic risks remains long, and the three main downward risks for the European economy are unchanged. First, the trade conflicts can escalate at any time. Second, a disorderly Brexit cannot be ruled out until the British Parliament has given

its approval to the withdrawal agreement, which is anything but certain. Third, Italy is threatening to slip into a downward spiral fuelled by rising risk premiums, shaky banks and declining growth as a result of the new government's plan to loosen fiscal policy", said report by KfW Research.



Ivane Machavariani:
MINISTER OF FINANCE



"In 2017-2022, the capital expenditures to GDP ratio will be 8% on average which is more than the GEL 25 billion value project."

Graph 1: Planned Dynamic of Capital Expenditures



Source: Ministry of Finance of Georgia

Vakhtang DEMURIA
FactCheck

VERDICT:

FactCheck concludes that Ivane Machavariani's statement is **TRUE**.

RESUME:

Capital expenditures include all budget expenses which are allocated for funding of investment and innovation programmes as well as all other expenses aimed to increase capital. For instance, capital expenditures include: the purchase of goods to create state reserves, the purchase of fixed capital, the purchase of machinery, equipment, transport and other means; the purchase of buildings and premises, etc.

The planned data of Georgia's budget is given in the Country Basic Data and Directions for 2019-2022 document.

In accordance with the data given in the document, there are plans to increase non-financial assets (capital expenditures) by nearly GEL 24.9 billion in total. The net growth of capital expenditures¹ constitutes approxi-

mately GEL 23.1 billion. The capital assets to GDP average ratio in 2019-2022 will be nearly 8%. Therefore, the statement of the Minister of Finance is true.

ANALYSIS

On 13 November 2018, at the plenary session of the Parliament of Georgia, the Minister of Finance of Georgia, Ivane Machavariani, stated: "In 2017-2022, the capital expenditures to GDP ratio will be 8% on average which is more than the GEL 25 billion value project."

Whilst discussing the draft budget, the issue of the allocation of budget funds between current expenses and capital expenditures is important.

Current expenses comprise an account of the planned operations of government organisations and include: expenses to purchase goods and services, payment of interest rates, subsidies, subventions² and current transfers.

Capital expenditures include all budget expenses allocated for the funding of investment and innovation programmes as well as any other expenses aimed to increase capital. For instance, capital expenditures include

the purchase of goods to create state reserves, the purchase of fixed capital, the purchase of machinery, equipment, transport and other basic means; the purchase of buildings and premises, construction and re-construction, capital maintenance of machinery, transport and buildings.

The planned data of Georgia's budget is given in the Country Basic Data and Directions for 2019-2022 document.

In accordance with the data given in the document, there are plans to increase non-financial assets (capital expenditures) by nearly GEL 24.9 billion in total. The net growth of capital expenditures constitutes approximately GEL 23.1 billion. The capital assets to GDP average ratio in 2019-2022 will be nearly 8%. Therefore, the statement of the Minister of Finance is true.

¹ Net growth – the difference between the increase in non-financial assets and the decrease in non-financial assets.

² Monetary aid allocated for certain events which is subject to return in the case of the violation of subvention purpose or respective dates.

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November 2018: In Particular, Male Georgian Consumers Over 35 Turned Out to be Pessimistic in November

How did the general economic situation change in Georgia? past 12 months	Old male highly educated Georgians from the Rest of Georgia
How much did consumer prices rise? past 12 months	Old male highly educated Georgians from Tbilisi
Expected level of unemployment in Georgia, next 12 months	Old male highly educated Georgians from the Rest of Georgia
General economic situation, next 12 months	Old male not highly educated Georgians from the Rest of Georgia

Continued from p. 2

(in November). The decrease in confidence for this group was once again driven by the lower scores in the present situation index, down by 9.1 index points. Correspondingly, the pessimism in Georgian consumers from the rest of Georgia is reflected in the downward average CCI performance by 6.1 index points, from -26 (in

October) to -32.1 (in November).

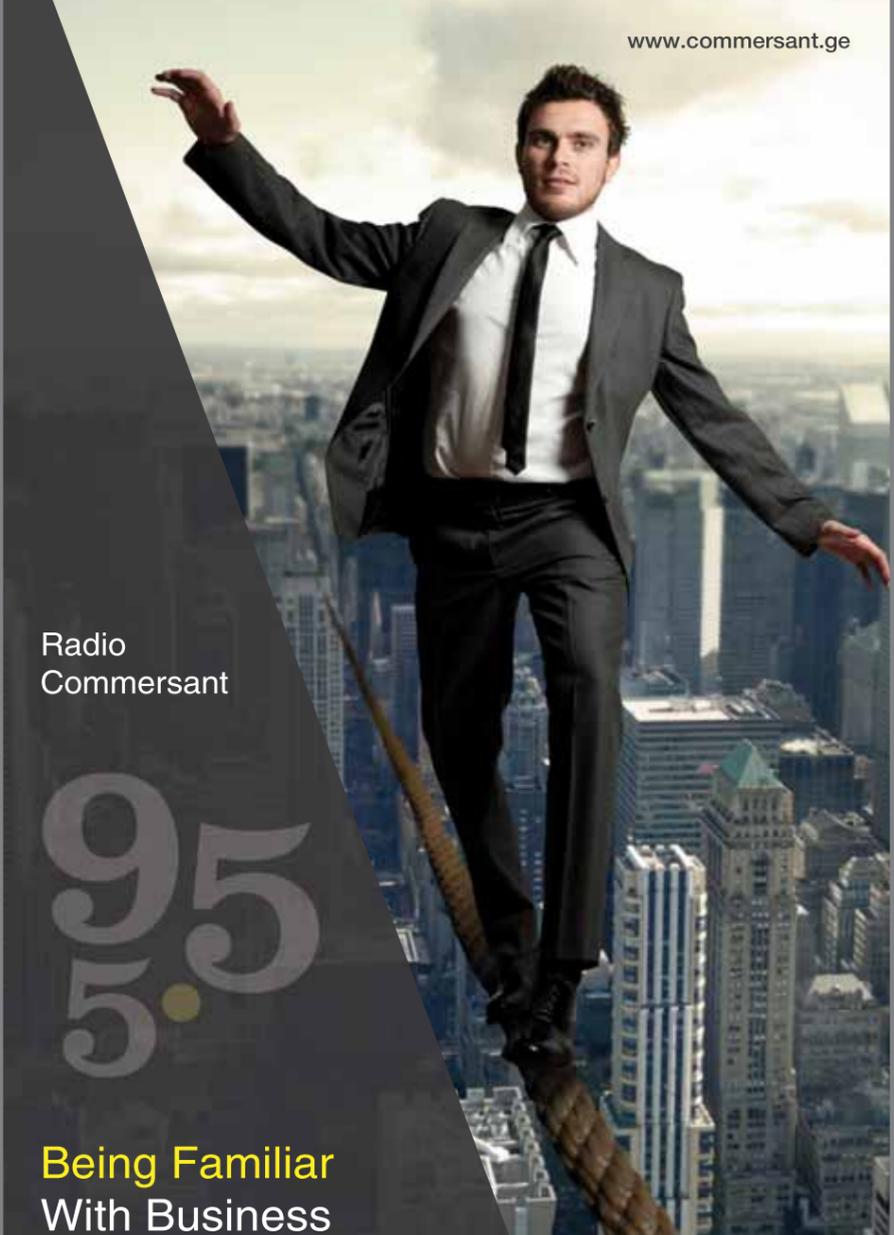
Table 3 shows the changes that happened in the perceptions of **each group of the population by each question** for the month of November. All the groups showed negative patterns in the questions concerning **expected unemployment, and the general economic situation**, whether related to **the past or**

the future. Note which groups were affected more negatively, question by question. The table below summarizes results by question of interest.

In contrast to October, when young men contributed to the decline in CCI, in November, old men are to blame!

1 Hardouvelis, G., & Thomakos, D. (2008). Consumer confidence and elections

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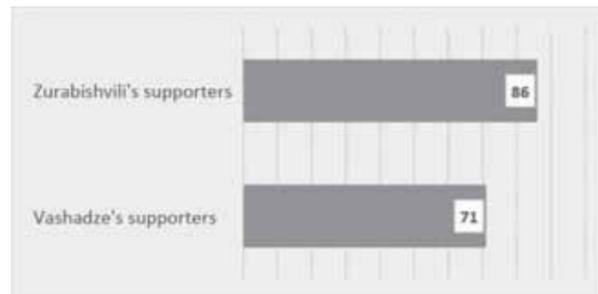
Bonjour Monsieur Macron?

The vast majority of Georgians (over 80%) have favorable attitudes towards the President of France, Emmanuel Macron. According to unofficial information, Monsieur President will be attending the inauguration of President-elect Salome Zurbishvili. Therefore, and regardless if he arrives or not, I decided to write in this column small analysis of Georgian citizens' attitudes towards him.

I also want to kindly thank the Gallup International Association (GIA) for their generous decision to allow us to publish this data before it is officially released as a part of their global End of Year poll.

Favorable attitude towards Emmanuel Macron have quite a lot to do with history of French and Georgian relations. The famous French writer Alexandre Dumas, who traveled to Georgia in 1858, wrote about Georgian people: "They are so wonderful, noble, honest, brave, and generous, that a separate research should be made of them.... Europeans cannot even imagine the beauty of the Colchian people. Men especially have particularly beautiful bodies and walking manner. Even an ordinary servant looks like a

Graph 1. Favorable attitudes towards Mr. Macron by supporters of the Georgian presidential candidates (%)



Source: End of Year Poll, Gallup International Association/GORB. November, nationwide omnibus survey of 1,000 adult citizens.

nobleman"

This favorable attitude towards Georgians is also demonstrated in 1921, when after the Russian Army put an end to Georgia's independence, much of Georgia's elite had to find another temporary home, who France gave to them. France sheltered not only the Georgian intellectual elite, but also the Georgian treasury which belonged to Georgian government in exile, and was supervised under the Georgian historian and public benefactor Professor Ekvtime Takaishvili. France not only sheltered the treasury, but returned it to Georgia in the early 1940s, and based on var-

ious sources, General Charles de Gaulle played a vital role in this return.

It is interesting to note that the President-elect, French born Salome Zurbishvili, is also a descendant of that Georgian elite that found refuge in France in 1920s. Opinion research conducted by GORBI in 2018 for GIA's End of Year Survey, demonstrated that Salome's Supporters were more likely to have favorable attitudes towards current president of France, than for example supporters of her opponent Grigol Vashadze.

If 71% of Vashadze's supporters declared a favorable attitude towards Emmanuel

Macron, 86% of Salome Zurbishvili's supporters demonstrated favorable attitude towards Monsieur President. It is also interesting to note that when looking at the favorability ratings of Emmanuel Macron by Party support, we do not see such big differences. Both supporters of Georgian Dream and the United National Movement show similarly favorable attitudes. Therefore, the real difference is seen when Salome Zurbishvili, former Ambassador of France and current president elect of Georgia enters the picture. The fact that Salome's supporters have considerably more favorable attitudes towards Emmanuel Macron insinuates that Madame President may be perceived as a some kind of a bridge between Georgia and France. Salome is associated with France, she speaks French, she understands and is part of the culture, and this may give hope to many Georgians that France, and President Macron in particular, will be even more involved in building a better future for Georgia in the European family.

Based on the same survey, Mr. Macron is equally liked among all generations of Georgian voters, but females tend to have more favorable atti-

tudes towards him than males. 76% of males report favorable attitude towards Mr. Macron, when 85% of women state that they have favorable attitude towards French President. In addition, the more affluent an individual is, the more favorable attitudes he/she has towards President of France. And Lastly, ethnic Georgians are more likely to have favorable attitudes towards President Macron (81%) than ethnic Azeris and Armenians, 65% and 70% respectively.

As mentioned above, we may host the President of France, and this will be not the first time in our recent history. Georgians clearly remember the unprecedented support of France and in particular then, its president Mr. Sarkozy, during and after the war with Russia in 2008, who worked on a peace settlement with Kremlin and helped save my country from more violence and killings. And, truth be told, President Sarkozy has also saved President Saakashvili from being hanged on a tree with his balls as was Putin's promise.

Fortunately, we are not again in a war situation with the Russian Federation, but it would still be most welcome if Mr. Macron arrives and supports to his and our country-

woman, President Zurbishvili, in her most important initiative: a peace settlement between divided Georgians.

If due to the current yellow vest protests in France, Mr. Macron could not find time to arrive to Georgia. And naturally, Georgian people will not be upset, regardless the fact that he has recently visited Armenia.

The print version of this column will be published a week before the scheduled presidential inauguration, and unlike making numerous correct predictions on electoral outcomes, this is the moment when I am helpless to predict the odds of Mr. Macron's visit to Georgia. But hope dies last ☺

Note: I would like to extend special appreciation to Ani Lortkipanidze who assisted with the analysis and charts featured in this article. GORBI is an exclusive member of the Gallup International research network and has more than two decades of experience in survey research (gorbi.com)

GORBI

Record number of air passengers carried at more than 1 billion in 2017

The FINANCIAL

In 2017, 1.043 billion passengers travelled by air in the European Union (EU), up by 7% compared with 2016 and by 39% compared with 2009. Over this period, air passenger transport has steadily risen in the EU. In 2017, intra-EU transport represented almost half (47%) of total air passenger transport in the EU and extra-EU transport over a third (36%), while national transport accounted for fewer than 1 in every 5 passengers (17%).

Largest increase in air passenger transport in Slovenia, Luxembourg, Estonia, Bulgaria and Czechia

In 2017, the largest number of air passengers was recorded in the United Kingdom (265 million passengers), followed by Germany (212 million), Spain (210 million), France (154 million) and Italy (144 million). The number of air passengers carried in 2017 rose in all EU Member States compared with 2016. The highest increases were registered in Slovenia (+20%), Luxembourg, Estonia, Bulgaria and Czechia (all +19%), Romania, Croatia and Malta (all +18%), ahead of Poland and Portugal (both +17%). Among the top 5 Member States in terms of air passengers transported in 2017, the highest increases were registered in



Spain (+8%) and the United Kingdom (+6%). Overall in the EU, the number of air passengers rose by 70.5 million (+7%) between 2016 and 2017, driven by the rise in extra-EU (+9%) and intra-EU transport (+7%).

London/Heathrow, Paris/Charles de Gaulle and

Amsterdam/Schiphol: top 3 passenger airports

London/Heathrow remained the EU's busiest passenger airport in 2017, with 78 million passengers handled, slightly up (+3%) compared with 2016. Paris/Charles de Gaulle (69 million, +5%), Amsterdam/Schiphol (68

million, +8%), Frankfurt/Main (64 million, +6%) and Madrid/Barajas (52 million, +6%) completed the top 5 of the busiest airports in the EU. They were followed by Barcelona/El Prat (47 million, +7%), London/Gatwick (46 million, +6%), München (45 million, +6%) and Roma/Fiumicino (41 million, -2%). Each of the top 30 EU airports registered an increase in the number of passengers handled in 2017, except Berlin/Tegel (-4%) and Roma/Fiumicino (-2%). The highest rises among the top 30 EU airports

were registered in (Warszawa/Chopin (+23%), ahead of Lisboa and Praha/Ruzyně (both +19%), Milano/Malpensa and Brussels/National (both +14%), Malaga/Costa del Sol (+12%), Alicante and Helsinki/Vantaa (both +11%).

In 2017, London/Heathrow (46 million) handled the most passengers on extra-EU transport and Amsterdam/Schiphol (41 million) the most on intra-EU transport, while Madrid/Barajas (15 million) led for national transport.

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Weekly Market Watch



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

ECONOMY

Inflation was 1.9% y/y and 0.7% m/m in November 2018

Annual CPI inflation was 1.9% in November 2018 down from 2.3% in previous month, according to Geostat. Core inflation was 1.3% in November 2018 down from 1.7% recorded in previous month. Annual price changes were driven by price increases in transport (+3.8% y/y,

+0.49ppts), healthcare (+5.5% y/y, +0.46ppts), alcoholic beverages and tobacco (+4.6% y/y, +0.31ppts) categories. On a monthly basis, there was 0.7% inflation in November 2018 mostly affected by price increase in food and non-alcoholic beverages (+1.4% m/m, +0.41ppts).

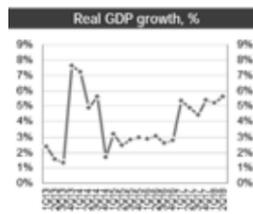
Tourist arrivals up 14.0% y/y in November 2018

Total international visits to

Key macro indicators			
	11M18	2017	2016
GDP (% change)	5.1%	4.8%	2.8%
GDP per capita (ppp)	10,742	10,065	
GDP per capita (USD)	4,047	3,857	
Population (mn)	3.7	3.7	3.7
Inflation (base)	1.9%	6.7%	1.8%
Gross reserves (USD bn)	3.1	3.0	2.8
CAD (% of GDP)	10.3%	8.8%	13.1%
Fiscal deficit (% of GDP)	2.9%	3.0%	
Total public debt (% of GDP)	44.8%	44.4%	

Source: Official data, IMF
1) As of 10M18
2) As of 1H18

Georgia increased 5.8% y/y to 0.49mn in November 2018, according to the Ministry of Internal Affairs. A 14.0% y/y increase in tourist arrivals (0.38mn trips, 63.3% of total) drove the growth. Out of top



Source: GeoStat
Note: Rapid estimate for 4Q17

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2017	FitchRatings BB- Positive Affirmed Mar-2018
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Source: Rating agencies

International ranking, 2017-2018

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

Source: World Bank, Heritage Foundation and World Economic Forum

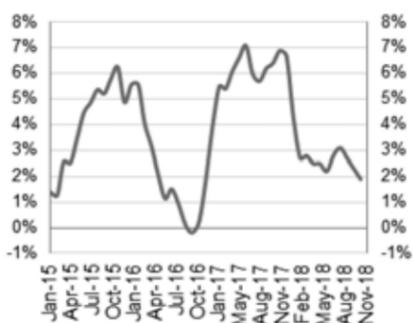
reserves stood at US\$ 3.1bn in November 2018

Gross international reserves were up 3.0% y/y to US\$ 3.1bn and were flat m/m in November 2018 according to NBG. Change in reserves was attributed to FX auctions (total purchase of US\$ 20.0mn in November), government FX operations and/or asset revaluation.

NBG purchased US\$ 5.0mn

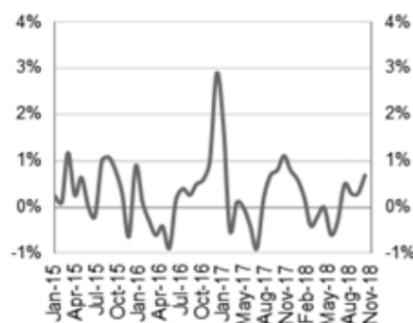
On 6 December 2018, the NBG intervened on the FX market and purchased US\$ 5.0mn to curb GEL's appreciation. Overall, during Apr-Dec 2018, the NBG purchased US\$ 137.5mn on its 13 FX auctions.

Annual CPI inflation (% change, y/y)

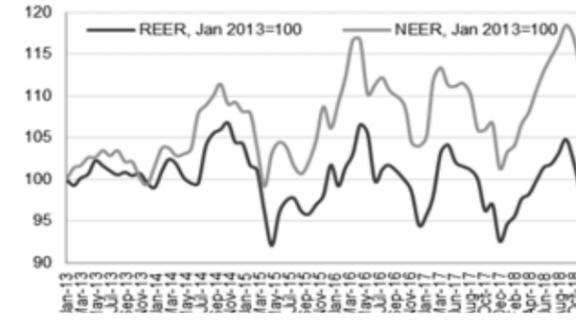


Source: GeoStat

Monthly CPI inflation (% change, m/m)



Nominal Effective Exchange Rate and Real Effective Exchange Rate



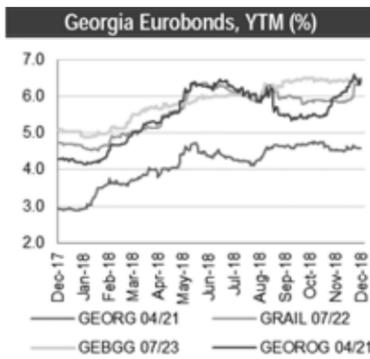
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 98.1 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.8 (-0.2% w/w), yielding 8.1%.

GOCG Eurobonds (GEOG) were trading at 100.6 (-0.2% w/w), yielding 6.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.2 (-0.5% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEOG) closed at 105.3 (+0.2% w/w) at 4.5% yield to maturity.



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 08/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOG 04/21	GEBGG 07/23	GEOG 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-/A-	A-	A-	n/a	B+/B2	BB-/Ba2	BB-/B+	BB-/B2	BB-/B+	B+/B+
Mid price, US\$	n/a	102.29	101.3	99.38	91.8	100.5	100.6	98.1	105.3	104.2
Mid yield, %	n/a	5.25%	3.8%	6.75%	8.1	10.7	6.5	6.5	4.5	6.4
Z-spread, bps	n/a	n/a	n/a	n/a	522.1	346.1	358.4	362.0	158.4	356.2

* 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	4.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	4.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	0.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	3.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	4.3
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	3.8
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba2	6.5

Source: Bloomberg

EQUITIES



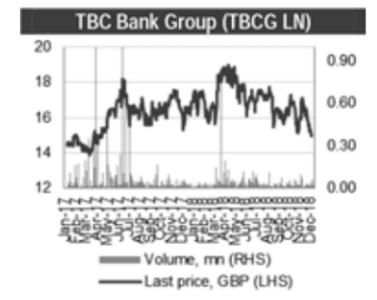
Source: Bloomberg

Bank of Georgia Group (BGE LN) shares closed at GBP 13.53/share (-1.24% w/w and -20.12% m/m). More than 363k shares traded in the range of GBP 13.03 – 14.00/share. Average daily traded volume was 68k in the last 4 weeks. FTSE 250 Index, of which BGE is a constituent, lost 3.45% w/w and lost 6.81% m/m. The volume of BGE shares traded was at 0.74% of



Source: Bloomberg

its capitalization. **Georgia Capital (CGEO LN)** shares closed at GBP 10.75/share (-0.92% w/w and -13.65% m/m). More than 127k shares traded in the range of GBP 10.52 – 11.00/share. Average daily traded volume was 46 in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization. **TBC Bank Group (TBCG LN)** closed the week at GBP 14.68 (-1.87% w/w and -11.88% m/m). More than 70k shares changed hands in the range

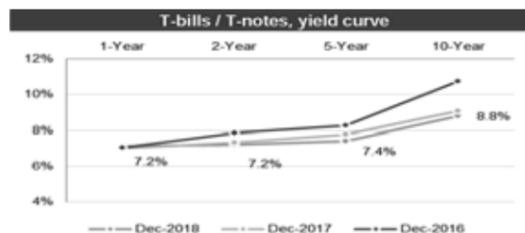


Source: Bloomberg

of GBP 13.88 – 15.32/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.13% of its capitalization. **Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.20/share (-4.56% w/w and -8.33% m/m). More than 155k shares were traded in the range of GBP 2.20 – 2.34/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

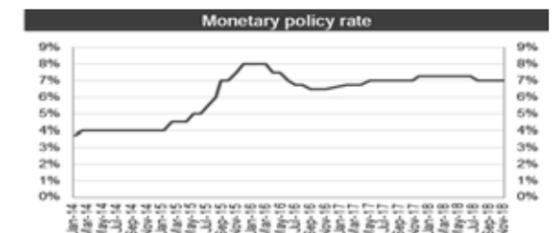
MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,360mn (US\$ 508.7mn). **Ministry of Finance T-Bills:** 1-year GEL 40.0mn



Source: NBG
*Note: As of latest auction.

(US\$ 14.9mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 5, 2018. The weighted average yield was fixed at 7.160%. The nearest treasury security auction is scheduled for December 12, 2018, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 182-days T-Bills will be sold.



Source: NBG

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

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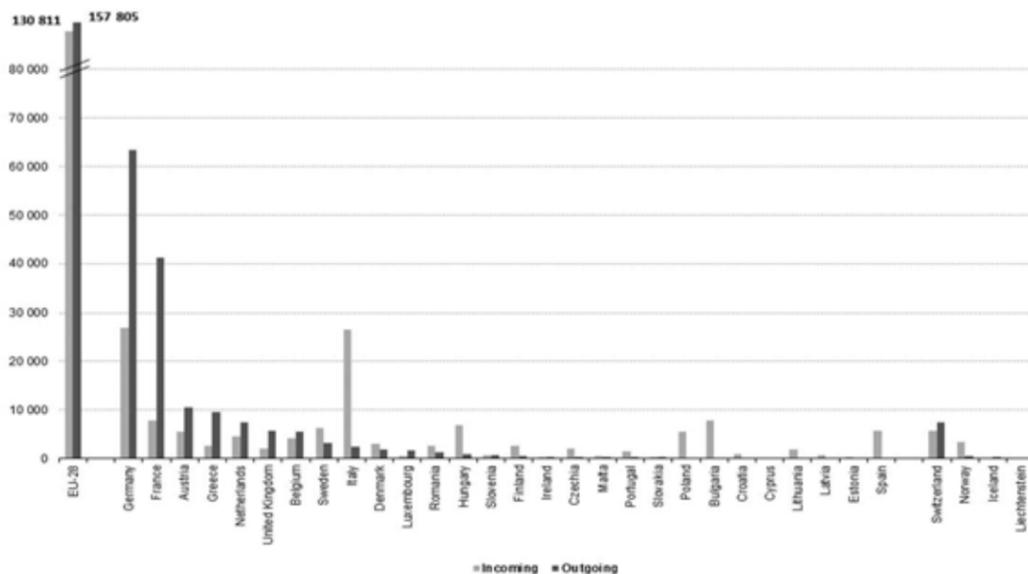
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financial news

Statistics on requests to transfer asylum processing in EU

Number of outgoing and incoming requests, 2017



The FINANCIAL

In 2017, the European Union (EU) Member States reported 157 805 outgoing and 130 811 incoming requests to transfer the responsibility to examine an asylum application. The largest numbers of outgoing requests sent to other Member States were reported by France (41 253), Germany (63 326), Austria (10 482) and Greece (9 559). The two countries receiving the largest number of incoming requests from other Member States were Germany (26 627) and Italy (26 627).

Acceptance rates of requests

In 2017, at the EU level in total, the rate of acceptance - the share of decisions on requests for transfer that were accepted - was 74.1 % for decisions on outgoing requests and 69.0 % for decisions on incoming requests.

The majority of EU Member States reported that in 2017 more than half of the decisions on their outgoing requests sent to other Member States were accepted, the only exceptions being Slovenia (45.5 %), Hungary

(41.4 %) and Croatia (35.1 %). The highest acceptance rates - above 90 % - were observed for outgoing requests sent to other Member States by Latvia and Italy.

The highest proportions of acceptances among decisions taken in 2017 on incoming requests - above 90 % - were reported by Finland, Malta, Estonia, Italy and Portugal. In contrast, in seven EU Member States less than half of the decisions in 2017 on incoming requests were accepted, with this share around one third in Luxembourg (37 %) and Austria (35 %), closer to one quarter in Hungary (27 %) and as low as 4 % in Greece.

ec.europa.eu/eurostat

Number of psychiatrists in EU: how do countries compare?

The FINANCIAL

It is estimated that in 2016 there were around 90,000 psychiatrists in the European Union (EU), excluding Czechia, Hungary and Slovakia, for which recent figures are not available. This represents an increase of around 4,000 psychiatrists since 2011.

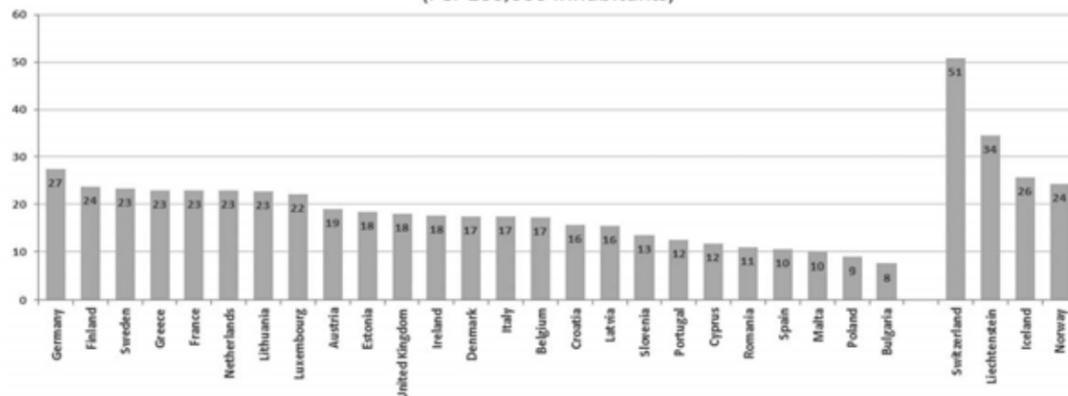
The EU countries with the highest number of psychiatrists per 100,000 inhabitants were Germany (27 per 100,000 inhabitants), followed by Finland (24) and then Sweden, Greece, France, the Netherlands and Lithuania (all close to 23 per 100,000 inhabitants).

In contrast, the Member States with the lowest number of psychiatrists relative to the size of the popu-

lation were Bulgaria (8 per 100,000 inhabitants), Poland (9), Malta and Spain (both close to 10).

Between 2011 and 2016, the number of psychiatrists per 100,000 increased most in Greece (from 17 to 23) and decreased most in Ireland (from 24 to 18).

Number of Psychiatrists, 2016
(Per 100,000 inhabitants)



Note:
Czechia, Hungary and Slovakia: data are not available.
Finland: professionally active, estimates.
Denmark, Poland, Finland and Sweden: 2015 data.
Spain: only includes physicians working in hospitals; excludes child psychiatrists.
Switzerland: excludes interns and residents (physicians in training).

ec.europa.eu/eurostat

Volume of retail trade up by 0.3% in euro area



The FINANCIAL

In October 2018 compared with September 2018, the seasonally adjusted volume of retail trade increased by 0.3% in the euro area (EA19) and by 0.1% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In September, the retail trade volume decreased by 0.5% in the euro area and by 0.3% in the EU28.

In October 2018 compared with October 2017, the calendar adjusted retail sales index increased by 1.7% in the euro area and by 2.1% in the EU28.

In the euro area in October 2018, compared with September 2018, the volume of retail trade increased by 1.0% for automotive fuel and by 0.6% for food, drinks and tobacco, while non-food products decreased by 0.1%. In the EU28, the retail trade volume increased by 0.8% for automotive fuel and by 0.5% for foods,

drinks and tobacco, while non-food products fell by 0.3%.

Among Member States for which data are available, the largest increases in the total retail trade volume were registered in Slovenia (+7.9%), Portugal (+2.3%) and Austria (+1.6%). The highest decreases were observed in Finland (-2.0%), Denmark and Sweden (both -1.2%).

In the euro area in October 2018, compared with October 2017, the volume of retail trade increased by 2.3% for food, drinks and tobacco, by 1.7% for non-food products, and by 1.5% for automotive fuels. In the EU28, the retail trade volume increased by 2.4% for non-food products, by 2.3% for automotive fuel and by 1.9% for food, drinks and tobacco.

Among Member States for which data are available, the highest yearly increases in the total retail trade volume were registered in Slovenia (+13.3%), Ireland (+8.4%) and Lithuania (+7.3%). Decreases were observed in Malta (-2.3%), Finland (-1.0%) and Luxembourg (-0.3%).

Airline Passenger Demand Rebounds in October

Continued from p. 6

European carriers' October demand climbed 7.5% over October 2017, which was the strongest growth among regions and well up on the 5.3% increase for September. Capacity rose 7.0% and load factor edged up 0.4 percentage point to 85.2%, highest among regions. Given mixed signals on the economic situation for the region, it's unclear if the rebound is sustainable.

Asia-Pacific airlines' traffic rose 5.8% compared to the year-ago period, up from 5.4% year-over-year growth in September. Capacity climbed 5.4% and load factor rose 0.3 percentage points to 78.9%. Underlying passenger demand is continuing to be supported by structural changes, including rising living standards in the region, as well as network changes that stimulate demand.

Middle East carriers experienced a 4.4% rise in demand in October compared to last year, slowest among the regions for the

seventh time in 12 months. It was, however, an increase over the 3.3% increase in September. Capacity increased 6.4%, and load factor slid 1.3 percentage points to 69.8%, lowest among regions. Carriers have been buffeted by policy measures and geopolitical tensions in recent years, including the ban on portable electronic devices and travel restrictions. However, while volatile, passenger volumes are trending up solidly in seasonally-adjusted terms.

North American airlines' traffic climbed 5.6% in October compared to the year-ago period, up from 4.9% growth in September. Strong momentum in the US economy is helping to drive robust international demand. Capacity rose 3.7% and load factor surged 1.4 percentage points to 80.4%.

Latin American airlines were the only carriers to experience a slowdown in growth as demand rose 5.9% versus 6.3% in September. Capacity climbed 9.1%, and load factor dropped 2.4 percentage points to 80.4%.



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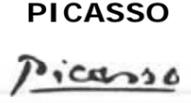
37 Chavchavadze Ave.
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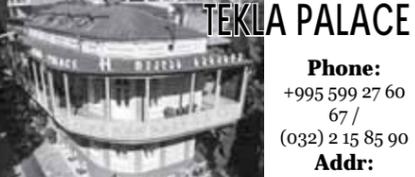
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