FactCheck

GRASS FACTCHECK

Gigla Agulashvili:

"A 62% growth of the export production [of wine] has already been recorded this year. If last year 47 million bottles of wine were exported, this year the export amounts to 43 million in just nine months."

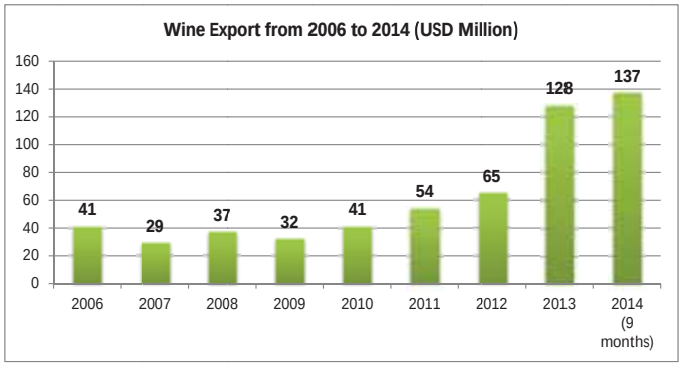
Vasil MAMULASHVILI
FactCheck

On 15 October 2014, during his speech at the plenary session of the Parliament of Georgia, the Head of the Agrarian Issues Committee, Gigla Agulashvili, stated: "If we look at the dynamics of 2012 and 2013 and compare it to that of the current year, there is already a 62% growth in wine export. If last year 47 million bottles of wine were exported, this year the export amounts to 43 million in just nine months."

FactCheck took interest in this statement and verified its accuracy.

According to the data published on the National Agency of Wine website, the overall export of wine in 39 countries of the world amounted to 42.8 million bottles (1 bottle = 0.75 litre) in the first nine months (January to September) of 2014 which is 62% higher than in the same period of the previous year. The overall value of wine export amounted to USD 137.1 million which is 64% more than in the first nine months of 2013. In total, 65% of exported wine goes to Russia. The wine export to Russia amounted to 27.9 million bottles in the first nine months of 2014. The top ten export markets for Georgian wine are as follows: Russia, Ukraine, Kazakhstan, Poland, Belarus, China, Latvia, Lithuania, Estonia and Azerbaijan.

FactCheck wrote about the growth of wine export earlier in the year as well. The overall amount of exported wine equalled 35.9 million litres or 47.9 million bottles (0.75 litres) in 2013. The income from the exported wine amounted to USD 129.5 million which is 195.2% higher than it was in 2012.



CONCLUSION

According to the National Agency of Wine, the overall export of wine amounted to 42.8 million bottles (1 bottle = 0.75 litre) in the first nine months (January to September) of 2014 which is 62% higher than in the same period of the previous year.The overall value of wine export amounted to USD 137.1 million which is 64% more than in the first nine months of 2013.

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Hence, Gigla Gogashvili's statement: "A 62% growth of the export production [of wine] has already been recorded this year. If last year 47 million bottles of wine were exported, this year the export amounts to 43 million in just nine months," is **TRUE.**

TRUE

EUROPEAN ENDOWMENT FOR DEMOCRACY

G|M|F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

Kingdom of the Netherlands

CURRENCY OUTLOOK

EUR: Euro Zone

Will November's US Mid-term elections and the fall of Berlin Wall's 25th anniversary be enough to distract markets from growth and inflation data?

Tiffany BURK
Senior EUROPEAN MARKET ANALYST, WESTERN UNION

In October, the euro touched a fresh 2-year low against the US dollar, stayed near 2-year lows against sterling and reached a 1-year low against the yen. The surprise action taken by the European Central Bank at its September policy meeting precipitated the fall for the single currency throughout the month.

Unfortunately, for the single currency there remains no fundamental reason to see its recent decline reverse. The outlook for an economic recovery across the euro zone remains in question, the geopolitical climate and growing Ebola fears are not helping confidence.

Confidence is seen as a leading economic indicator. When investors, consumers and businesses are happy they tend to spend and drive growth. Sentiment in Germany has soured, however and is seen as Europe's growth engine. An investor sentiment survey was released recently at 2-year lows, while business confidence has fallen for 5 consecutive months to 1½ year lows. Consumers made an about face in September after being extremely confident in August. Confidence for consumers dropped for the first time in 1½ years.

Weak sentiment has started to show up in economic data as well as growth forecasts. The German central bank or Bundesbank and Germany's government have slashed the growth outlook for the country. The government recently revised its outlook for growth from 1.8% to 1.2% in 2014.

The growth and inflation outlooks are important because the weaker forecasts will keep open the expectation of additional policy measures at the European Central Bank. With more policy measures potentially in the pipeline, the outlook for the euro is not likely to be bright. Indeed, towards the end of October reports were heard that the ECB was mulling the purchase of corporate bonds to add to its growing profile of assets in an attempt to maintain price stability.

In addition to the monetary policy outlook at the ECB, other factors could help to limit the euro's ability to sustain any gains seen during the month of November. On November 9, Catalonia will hold a non-binding referendum on independence from Spain. The Spanish constitutional court has ruled against a real referendum, so a mock ballot is expected to be held. This could create a degree of political uncertainty, which could also damage the euro's outlook.

Towards the middle of November third quarter growth figures will be released and markets will see whether or not Germany has avoided slipping back into a technical recession, or two consecutive quarters of negative growth.

Flash HICP or inflation data at the end of the month could trigger another bout of euro weakness. The rather monstrous decline in oil prices seen over the third quarter could weigh heavily on price pressures. The price of oil dropped to lows not seen since 2010 in October. That decline could feed through to producer and consumer prices and increase speculation of more monetary policy action by the central bank.

While there are plenty of reasons to be gloomy over the euro's outlook in the month of November, there are also some distractions that could limit the currency's downside. November marks the 25th anniversary of the Berlin Wall falling. Further, US mid-term elections will take place and could create some downside risk for the dollar, if political stability is questioned.

GBP: United Kingdom

Nawaz ALI
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The pound endured one of its biggest daily falls against the US dollar this year after the Bank of England's previous Quarterly Inflation Report back in August in which Governor Mark Carney delivered the banks latest forward guidance on interest rates. Now investors and corporates with interest in GBP will look ahead to the Bank of England's (BOE) next Inflation Report on November 12. This is the type of announcement that could potentially make or break the pound's outlook for the coming months.

In August's report, the BOE raised UK economic growth prospects but slightly lowered inflation forecasts. More importantly though it cut forecasts for wage growth and stressed that a pick-up in pay would help shape the timing and pace of interest rate increases. In previous versions of forward guidance, the BOE had focused on unemployment levels and economic slack in the economy.

In October Andy Haldane, the BOE's chief economist, warned that weakness in the global economy, low wage growth and geopolitical tensions meant that he now had a "gloomier" view on the UK. In October, a number of UK economic reports also come in on the weaker side suggesting Britain's economy is cooling. UK third quarter GDP slowed to 0.7% from 0.9%. Inflation fell from 1.5% to new 5-year lows of 1.2%. Wages in the three months to August increased by just 0.1% to 0.7% meaning that real wage growth is still falling. Also, British retail sales in September fell 0.3%.

The US Federal Reserve's monetary policy announcement last week on October 29 will play a big hand in determining the US dollar's outlook through November ahead of the BOE's big news in November.

The question for GBP watchers is whether Carney will bring forward UK rate hike expectations on November 12 or will recent economic data, particularly the drop in inflation levels, force Carney and the BOE to push back those expectations. A push back could lead to another big drop for sterling. A push forward on the other hand could revive demand for GBP against the US dollar, and potentially send the UK currency to new multi-year highs against the euro.

The European Central bank continues to suggest more euro-negative measures are imminent although Germany disagrees.

USD: United States

Joe MANIMBO
Senior MARKET ANALYST, WESTERN UNION, WASHINGTON, D.C.

At the Thanksgiving dinner table this year, will it be the greenback bulls or bears with the most to be grateful for? The answer may prove a closer call despite the remarkable strength the dollar has enjoyed in recent months.

America's currency continued to enjoy general elevation but it descended into a slightly lower orbit after the Federal Reserve reminded markets of its still dovish disposition.

Upward traction for the dollar has been in somewhat less abundant supply since markets got wind of the minutes from the Fed's September meeting in early October. The minutes affirmed the economy's modest recovery and steady job growth. But the central bank minutes also noted downside risks to U.S. growth stemming from a fragile world economy and the strong dollar.

The Fed minutes saw risks to the U.S. economy in persistent state of economic malaise in the euro zone and Japan which augured an outlook of waning demand for U.S. exports. Moreover, dollar strength is considered tantamount to tighter Fed policy as it can reduce the cost of imports, thereby further tamping down on already subdued inflation.

The Fed had seemed on course to raise rates around mid-2015 but the cautionary tone of the Fed minutes caused some to push out forecasts until deeper into 2015, checking the dollar's longest stretch of appreciation since the early 1970s – a streak of 12 consecutive weeks in the green versus a trade-weighted index. The month's long rally had taken the dollar to two-year highs against the euro around $1.25, and four-year peaks overall.

Circling back to the question of whether dollar bulls or bears will be the most grateful at Thanksgiving dinner on November 27, look to the usual chief drivers of the U.S. currency. They include critical data on U.S. jobs, growth and inflation. Don't forget to mix in wild card catalysts in the relative pace of recovery in the euro zone and elsewhere, and whether the ECB comes to the rescue to stronger policies in its ongoing battle against harmfully low inflation and high unemployment.

More evidence of divergence in growth and central bank policy to the left of the Atlantic compared to the right would see more dollar bulls seated at the table come the last Thursday in November.

Eurozone Businesses Unprepared for Economic or Political Challenges

The FINANCIAL

Businesses in the eurozone are failing to use the rumbling debt crisis and resulting structural and financial challenges as an opportunity to drive real economic growth for their stakeholders, shareholders and society. These are some of the findings of a PwC survey of almost 400 business leaders in non-financial services organisations across the eurozone.

Over half of the survey respondents don't have, or are not aware of, a plan to cope with a continuation of the crisis in the eurozone. Over half of respondents don't have any specific plans for eurozone related crises and contagion from other industry sectors included in their approach to risk management. These statistics make it easy to see why organisations are not driving organisational or economic change, but are adopting a wait and see approach.

Worryingly, the survey also found that 70% expect the eurozone to change in a major way with only 30% expecting it to remain unchanged. Expected changes range from a total collapse of the eurozone (19%), evolution into a two tier eurozone with fewer countries (25%), or exit of one or more countries (14%). Only 11% expect the eurozone to undergo completion of fiscal and political union.

"The companies best placed to capitalise on eurozone opportunities are those that manage to position themselves ahead of the curve and are proactively monitoring markets and industries, as well as leading and driving the planning and delivery of the changes required throughout their business,"Colin Brereton, Economic Crisis Response lead partner at PwC, said.

"Worryingly, over 36% either do not know about their contingency plans or say they do not have any. To be fit for business in the future, companies need to be there in the future. It seems that many companies are not even taking steps to ensure this is the case."

Almost half of interviewees are optimistic about the future, believing the eurozone economy will improve over the next 18 months.

Almost a third expects it to stay the same while only a fifth expects it to worsen.

Over 60% expect the Euro currency to be weaker than it is today, although over half expect a weaker Euro to provide opportunities for their business, including cheaper exports, acquisition or disposal opportunities, or mobility of people and/or production.

Over 90% of business leaders expect austerity measures to remain in place for at least a further year, with over half suggesting that they will remain for at least two years.

"All businesses need robust and up-to-date contingency plans to cope with the increasing number of potential scenarios. In this context, our findings reveal a real and pressing need for structured planning processes to be put in place and tested against the possible eventualities", Colin Brereton, Economic Crisis Response lead partner at PwC, added.

"Depending on which scenario arises, it is clear that the current state of flux in the eurozone is simply not sustainable. Some 70% of our respondents agree that major changes are on the horizon – and all companies need to be prepared if they are to both maximise the resulting opportunities and limit their exposures."

GRASS FACTCHECK

Zurab Japaridze: "The number of visitors [to Georgia] decreased for the first time this year."

Ani NADIRASHVILI
FactCheck

On 30 September 2014, as a guest of Rustavi 2's *Choice* programme, Zurab Japaridze stated: "The number of visitors [to Georgia] decreased for the first time this year."

FactCheck took interest in this statement and verified its accuracy.

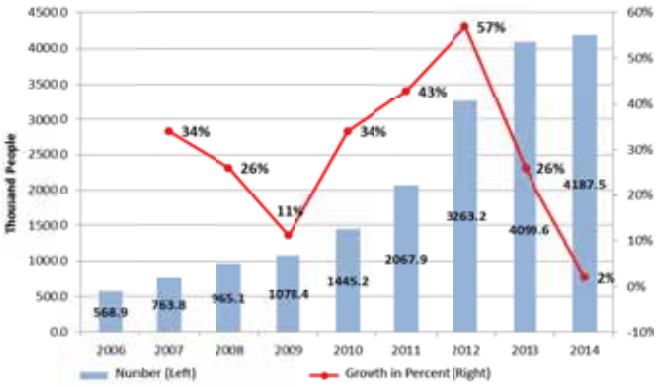
According to the data of the Ministry of Internal Affairs of Georgia, a total of 4,187,595 people visited Georgia from January to September 2014 which is 2% more than in 2013.

In his conversation with **FactCheck**, Mr Japaridze stated that what he had in mind in his statement were the specific months of 2014 in which a decrease in the number of visitors was recorded. We analysed the data of each month separately together with the annual statistics.

If we compare the data of separate months of 2014 with those of the months of the previous year, it is clear that there is a trend of decrease in some of them. Specifically, there has been a decrease in the number of visitors in May, June, August and September 2014 as compared to the same months of the previous year. **FactCheck** looked into the data of each month from 2006 to date. There was a decrease in August and September 2008 and also in three months of 2009 as compared to the same months of the previous years. It should be noted that in 2008 and 2009, which is the immediate aftermath of the war, the number of visitors decreased only in five months whilst we have a decrease in four of the nine months so far this year.

As we only possess the data of the first three quarters of 2014, we compared these to the data of the same periods of the year from 2006 to 2014. As is clear from the chart, the number of visitors has been growing each year from 2007 to 2014 in the first three quarters of the year. The lowest levels of growth were recorded in 2008, 2009 and 2013, both during the first nine months and during the whole year. However, it should also be noted that the minimum level of growth in the first three quarters from 2007 to 2013 was 11%. The 2% growth of 2014 is significantly lower than those of the previous years.

Chart 1: Growth of the Number of Visitors Crossing the Georgian State Border (January to September 2006-2014)



CONCLUSION

Despite the fact that the growth of the number of visitors to Georgia has not been as high as in the previous years, there still was a 2% growth in the first three quarters of 2014.

As for the specific months of 2014, there has indeed been a decrease in some of them as compared to the same months of the previous year. However, this has not been the first instance as stated by the MP. The same trend was recorded in 2008 and 2009 as well when the number of visitors decreased during five months as compared to the same months of the previous years.

FactCheck concludes that Zurab Japaridze's statement: "The number of visitors [to Georgia] decreased for the first time this year," is **HALF TRUE.**

HALF TRUE