

# FactCheck



## Nodar Khaduri:

Minister of Finance of Georgia

“Despite the fact that wages are being increased in the public sector, they still fall short of the private sector wages.”

Mariam CHACHUA  
FactCheck

On 7 October 2014, Minister of Finance of Georgia, Nodar Khaduri, stated that the private sector is competing with the public sector in the field of wages. He also pointed out that the wages in the public sector are lower as compared to the private sector and the growth of wages is necessary in order to attract and maintain qualified personnel.

In 2013, the majority of the employed people (61%) were self-employed whilst the remaining 39% were hired employees (658 thousand people). Up to 81% of the hired employees were engaged in the business (private) sector and the remaining 19% were

employed in the public sector. The number of people employed in the public sector decreased after 2010 whilst the number of those employed in the private sector increased. In addition, the differences between the average wages in the public and the private sectors decreased. For example, the average wage in the private sector was 40.2% higher than that of the public sector in 2007 whilst in 2014 this difference is down to 7.6%.

The table below depicts the public and the private sector wage differences by their economic profile.

As the table makes clear, the wages in the majority of the public sector jobs are lower as compared to the private sector; however, the average wages in the public sector in the mining industry and financial companies are much higher than

those of the private sector. It should be noted that high wages are typically paid by large businesses in the private sector. Hence, we can say that the public sector is in competition with large businesses. As for medium and small businesses, their wages are significantly lower than those of the public sector (see Table 2). Considering the fact that the public sector is in need of qualified personnel and they are mostly employed in large businesses, we can say that the state is in competition with large businesses whilst the competition with medium and small businesses is not overly serious.

Table 2 also shows that there was a trend of the average wage increase in the public sector in recent years. The wages in this sector were 37% higher in 2013 than in 2010.

Table 1: Public and Private Sector Wage Differences in 2013

Type of Economic Activity	Public Sector	Private Sector	Difference
<b>Average Wage</b>	<b>738.7</b>	<b>795.1</b>	<b>-7.6%</b>
Agriculture	527.5	484.3	9%
Mining Industry	2,431.2	842.1	189%
Processing Industry	692.6	682.7	1%
Construction	749.2	872.9	-14%
Transport and Communications	936.3	1,149.8	-19%
Finances	3,037.5	1,486.6	104%
Real Estate Operations	646.7	917.6	-30%
Education	410.6	485.2	-15%
Healthcare	607.3	684.3	-11%

Source: National Statistics Office of Georgia

Table 2: Amount of Average Wage by the Size of the Business

	Public Sector	Large Businesses	Medium Businesses	Small Businesses
2010	539.1	755.2	395	312.9
2011	589.1	820.7	451	283.1
2012	656.1	928.1	528.1	338.1
2013	738.7	969.9	565.8	372.2

Source: National Statistics Office of Georgia

## CONCLUSION

The role of the public sector in employment reduced after 2010 whilst the average wages increased. In spite of the reduction in the pay-gap between the private and the public sectors, the wages in most of the fields of the public sector are still significantly lower than those of the private sector. FactCheck concludes that Nodar Khaduri's statement: "Despite the fact that wages are being increased in the public sector, they still fall short of the private sector wages," is TRUE.

TRUE

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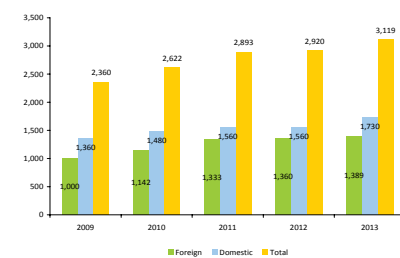
## MARKET PULSE Tallin, Estonia

Tallinn, the capital of Estonia, occupies an area of 159.2 km<sup>2</sup> and has a population of about 435,000. It is situated on the northern coast of the country, on the shore of the Gulf of Finland, 80 km south of Helsinki, east of Stockholm and west of Saint Petersburg. Tallinn is internationally renowned as a tourist destination, receiving more than 1.5 million visitors annually. The number of visitors has been growing steadily over the past decade. About 3 million tourists stayed in Estonian accommodation establishments in 2013 and 52% of them stayed in Tallinn. The city benefits from a high level of economic freedom, liberal economic policy, and has a highly diversified economy with particular strengths in information technology, tourism, and logistics. Currently, over half of the Estonian GDP is created in Tallinn.

### Visitation

The following figure outlines the growth in visitation of both domestic and international visitors to all tourist establishments from 2009 to 2013.

FIGURE 1: DOMESTIC AND FOREIGN ARRIVALS AT ALL ESTABLISHMENTS, 2009-13 (000S)



Total arrivals at all establishments recorded a compound annual growth rate of 7.2% over the 5-year period from 2009 to 2013, primarily driven by foreign tourism which recorded a healthy compound annual growth rate of 8.6%. Domestic arrivals recorded a compound annual growth rate of 6.2% for the same period.

### Hotel Supply

The majority of accommodation establishments in Tallinn are guest apartments, bed and breakfast and guesthouses.

FIGURE 2: ALL ACCOMMODATED ESTABLISHMENTS, 2009-13

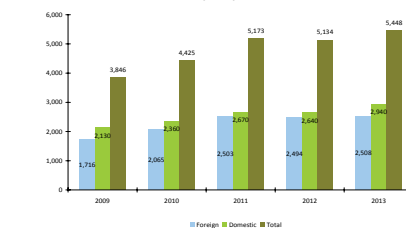
	2009	2010	2011	2012	2013
<b>Number of Units</b>					
All, excluding Hotels	285	305	300	296	269
Hotels	57	58	58	57	55
<b>Total</b>	<b>342</b>	<b>363</b>	<b>358</b>	<b>353</b>	<b>324</b>
<b>Number of Rooms</b>					
All, excluding Hotels	7,540	7,607	7,577	7,561	7,334
Hotels	6,495	6,533	6,513	6,523	6,363
<b>Total</b>	<b>14,035</b>	<b>14,140</b>	<b>14,090</b>	<b>14,084</b>	<b>13,697</b>
<b>Number of Beds</b>					
Beds in all establishments	15,250	15,378	15,377	15,040	14,914

Source: Tallinn City Tourist Office & Convention Bureau

### Demand for Hotel Accommodation

In 2013, there was an increase in the total overnight stays compared to 2012 by 6.1%, primarily driven by foreign tourism which recorded a remarkable compound annual growth rate of 10% over the 5-year period

FIGURE 3: DOMESTIC AND FOREIGN ACCOMMODATED BEDNIGHTS AT ALL ESTABLISHMENTS, 2009-13 (000S)

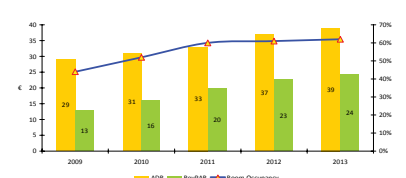


from 2009 to 2013. Domestic accommodated bednights recorded a healthy compound annual growth rate of 8.4% for the same period. The average length of stay was 1.8 days for foreign travellers, while for domestic travellers it was registered at 1.7 days. Total overnights for Tallinn posted a healthy compound annual growth rate of more than 9%.

### National Lodging Performance

The average daily rate (ADR) rose by 5.3% to €39 in 2013, the highest figure for the last five years, recording a positive compound annual growth rate of nearly 8% from 2009 to 2013. ADR, as well as occupancy, caused Revenue per Available Room (RevPAR) to record a robust compound annual growth rate of over 17% for the same period. The room occupancy at all establishments averaged 56% for the last five years.

FIGURE 4: NATIONAL ADR AND REVPAR, 2009-13



HVS Global Hospitality Services, Consulting firm

## Sexting, Cyberbullying and When Online and Offline Worlds Clash

The FINANCIAL

The researchers find that children are listening to adult advice, and indeed tend to welcome parental support, but this does not always mean that the advice is followed through. While children have learned that parents are fearful of the notion of meeting strangers online, for example, a number of them had still been in touch with someone they had not met offline. The hypocrisies between the online and offline world also do not go unnoticed by children.

"Children have learnt to call sexual content 'inappropriate' following warnings from their parents and often expressed concern that younger siblings should be protected from sexual content" the researchers state. "However, even the youngest interviewed were aware that similar images often existed to sell products and could be seen in the press and elsewhere in their daily environment offline. They therefore found it puzzling that online sexual images generated such strong warnings from parents."

This confusion was also raised when discussing parental concerns over bad language, with children questioning why bad language was a focus of parental anxiety about the internet when swearing could commonly be heard offline.

There are a whole set of practices related to the internet that would not usually be termed 'risks' parents but which were of concern to children. This may mean that there is a gap between the advice that parents are giving, and the issues that children really need help with managing.

The trickiest online risks for children, for example, are posed not by strangers but by peers, the report argues. Furthermore, while cyberbullying and online aggression do trouble children, many of the online concerns raised might not be classified as risks in adult terms, for example issues of drama and rumour, where communications inappropriately distort or share information, according to London School of Economy.

"While social drama always exists among young people (as well as adults)" the report says, "it can be amplified when online." This can lead to increased anxiety, with children feeling they need to repair interactions offline because of what has taken place online.

"Provided children are not given to think that their internet access might be either removed or intrusively monitored, it seemed to us that they are broadly accepting that their online activities will be subject to adult advice, supervision and support" the authors write. "It is particularly encouraging that the youngest children welcome adult support and intervention. This indicates that if adults intervene and guide children when they first go online, their advice will be more accepted as children age, rather than if first offered to them as teenagers."

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# Eurozone GDP Growth to Pick Up to 1.2% in 2015 from 0.8% in 2014

The FINANCIAL

The eurozone will enjoy stronger export demand in 2015 — accelerating from 3.4% in 2014 to 3.7% in 2015 and then about 4% on average in 2016-18 — as the US and UK recoveries continue and a weaker euro offers relief to less competitive economies in the euro area. Furthermore, with the European Central Bank (ECB) asset quality review (AQR) helping to restore confidence in the banking sector, together with complementary measures from the ECB to boost liquidity, rising business confidence should be met with more readily available finance from 2015 onwards.

Despite the prospect of stronger growth in 2015, the legacy of the crisis means that the recovery will be slower than in previous rebounds. Households, businesses and governments in almost all countries will need to restrain spending growth in order to reduce debt levels. The pace of eurozone growth in 2016-18 will be more than half a percentage point slower than in the decade up to 2007, when GDP growth averaged 2.3% a year.

More worryingly, policymakers have much-diminished weaponry to tackle any further shocks. With eight eurozone Member States' public debt above 90% of GDP and six of these above 100%, governments have minimal room for fiscal stimulus. And in the event that inflation fails to pick up as fast as anticipated in the coming years, it is unclear whether a large-scale sovereign bond purchase program would be as powerful as it might have been a year or two ago, according to EY.

"Greater certainty in the banking sector, a weaker euro and falling energy costs are all supportive factors for a better economic outlook in the eurozone in 2015 than has been the case for some years. But it will be some time before wage

growth rebounds to 'normal' rates, while high debt stocks mean governments need to exercise ongoing spending restraint. Both will constrain the rate of growth in the years to come," Tom Rogers, Senior Economic Adviser to the EY Eurozone Forecast said.

"Even given divergences among countries, we think that 2015 holds a lot of promise for the eurozone as a whole. The effects of a weakening euro should be more substantial next year and exports should rise as a result. Despite this positive sentiment, the news of strong growth in some of the periphery is undercut by very high unemployment — a main concern for the eurozone and a problem that will not disappear overnight," Mark Otty, EY's Area Managing Partner for Europe, Middle East, India and Africa, said.

## INVESTMENT SET TO RECOVER AS BANKS' FEARS EASE

With financing more readily available and demand conditions improving steadily, total fixed eurozone investment growth is estimated to pick up from zero in 2014 to 0.9% in 2015 and 2.7% in 2016, before settling around 2.5% thereafter. Moreover, with the ECB also aiming to reinvigorate the market for asset-backed securities — enabling banks to sell on loans and make further room for lending on their balance sheets — there is potential for an upside scenario.

It is also worth considering the potential for an upside risk from inward foreign direct investment (FDI). Some countries, Spain and Ireland in particular, have already benefited substantially from increased FDI inflows in recent years, thanks to much improved cost competitiveness and business environ-

ments. A depreciating euro should make inward FDI more attractive to firms outside the eurozone, as would reform efforts to boost underlying growth, according to EY.

## HOUSEHOLDS BUOYED BY CHEAPER ENERGY AND A RECOVERING LABOR MARKET

After 15 consecutive quarters of oil prices above US\$100 a barrel, consumers are experiencing an unexpected windfall as a range of supply and demand-side factors have pushed the oil price down to below US\$80 a barrel. This factor alone should boost real household incomes by at least 0.3 percentage points in 2015 compared with our September forecast.

Furthermore, as exports continue to rebound and business investment gathers pace, the labor market will continue to heal, building on the progress made in 2014. That said, as public sector payrolls are rationalized further in a number of countries, overall employment is likely to grow only gradually, at around 0.4% a year through the forecast period. Moreover, with labor force participation recovering thanks to a combination of improved job prospects and reform efforts the unemployment rate will only fall modestly — from 11.5% in October 2014 to just over 11% by the end of 2016 and about 10.5% by the end of 2018.

Taking these supports to household income into account, EY expects the pace of consumer spending growth to pick up from 0.7% in 2014 to 1.3% in 2015. However, there is likely to be only minimal acceleration thereafter, to 1.4% annually in 2016-18, according to EY.



# Tinatin Bokuchava:

Parliamentary Minority MP

“As of today, tourism is the only sector in our economy showing growth.”

Mariam CHACHUA  
FactCheck

On 12 November 2014, during a discussion of the amendments to the Bill on Foreigners and Persons without Citizenship, Tinatin Bokuchava stated that should the aforementioned Bill become a law, it would hinder the development of tourism which is the only sector in the Georgian economy showing growth as of today.

FactCheck took interest in the role of tourism in the economy of Georgia and whether or not it really is the only sector showing growth. According to the data of the National Statistics Office of Georgia, the overall real value of the tourism sector production in 2013 was equal to GEL 1,052 million, constituting 7% of the real GDP. Tourism was one of the fastest growing sectors of the economy from 2010 to 2012; however, in 2013 the overall value of the domestic production in the tourism sector decreased by

3.4% as compared to the previous year. The MP pointed out that tourism is the only sector showing growth. Accordingly, we decided to look into the development of other sectors of the economy. According to the data of the first two quarters of 2014, there was an 11.9% growth in tourism; however, it was not the only sector showing growth. A significant increase was recorded in the fields of the processing industry (10.5%), construction (15.4%) and finances (9.5%).

Table 1: Growth in the Various Sectors of Economy (First Two Quarters from 2010 to 2014)

	2010	2011	2012	2013	2014
Tourism	8.1	9	7.3	-3.4	11.9
Agriculture	-4.1	8.5	-3.7	11.3	1.2
Processing Industry	18.6	13.4	13.2	8.6	10.5
Production of Water, Electricity and Gas	3.5	7.1	0.7	5.1	-4.4
Processing of Production by Household Industries	-4.9	8.5	-2.6	6.8	2.6
Construction	4.4	3.9	18.2	-10.5	15.4
Trade	12.8	5.2	7.1	5.4	9.5
Communications	10.8	8.1	10.1	0.9	7.7
Finances	13.4	24.3	14.8	7	9.5
Real Estate Operations	10.4	12.4	5.3	9.6	5.8

Source: National Statistics Office of Georgia

# PASHA Bank Awarded the Winner of the Georgian Panorama

PASHA Bank, a full service corporate bank, sponsor of Georgian Panorama, on 15th Tbilisi International Film Festival, awarded "I am Beso" by Lasha Tskhvritidze as the winner of the Georgian National Competition. The 15th TIFFF took place during the first week of December. Supporting the development of film industry in Georgia was the main motivator for the bank for sponsoring one of the most important cultural events in Tbilisi.

TIFFF awards were distributed in two categories — In-

ternational Competition and Georgian Panorama. The producer and director of the best Georgian film received special gifts from PASHA Bank a trip to the Berlin International Film Festival.

"We are glad that we had the opportunity to support Georgian cinematography via Tbilisi International Film Festival, specifically Georgian Panorama. We look forward to witnessing development of this industry in your country," said Shahin Mammadov, CEO at PASHA Bank Georgia.

"Georgian cinematography has a long history. In Soviet

times Georgian cinema was known across as being vibrant and creative. The Italian director Federico Fellini once described it as "a strange phenomenon, special, philosophically light, sophisticated, and at the same time, childishly pure." But the economic breakdown which followed Georgian independence has made it very difficult to make films, although recently, the quality and frequency of Georgian filmmaking is becoming more and more promising and the films that we saw on this festival is one more proof of that," Mammadov told.

## CONCLUSION

Tourism was one of the fields with a high level of growth from 2010 to 2012; however, in 2013 the growth rate fell and the overall value of the domestic production in the tourism sector decreased by 3.4% as compared to that of 2012. According to the data of the National Statistics Office of Georgia, the share of the domestic production in the tourism sector increased by 11.9% in the first two quarters of 2014 as compared to the same period of the previous year. The MP is not accurate when stating that tourism is the only sector in the Georgian economy showing growth. As our study revealed, a significant increase was recorded in the fields of the processing industry (10.5%), construction (15.4%) and finances (9.5%) as well. FactCheck concludes that Tinatin Bokuchava's statement: "As of today, tourism is the only sector in our economy showing growth," is FALSE.

FALSE

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