



# FINANCIAL™



## Assessment of Judicial Reforms in Georgia

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## Only 27% of People Currently Own a Virtual Assistant, But Use of Consumer AI Devices Is Growing, New Survey Finds

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## New Initiative KD4US Offering Shared Office Space

The FINANCIAL

The number of communal workspaces in Tbilisi is set to increase in demand in the following months. In December last year, the King David Business Center joined this trend. KD4US is one such 'Co-working Space', which offers a useful, multifunctional working space for companies, entrepreneurs or outsourced

staff members.

The FINANCIAL talked with Zurab Kenia, Coordinator of the KD4US space to find out more about the initiative.

**Q. What does a co-working space mean to you?**

A. It is a shared workspace, a communal office space which any person can come to and work in.

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## Who Is the Surgeon?

By LIKA  
GODERDZISHVILI AND  
SOPHIKO SKHIRTADZE

ISSET

Riddles are fun; sometimes, though, they teach us more than expected. Consider this riddle, for example. A son and his father get

into a terrible accident; the father dies immediately while the son is rushed to the hospital for an urgent operation. A minute after being called in, a prominent surgeon steps out from the operating room and says "I cannot operate on this boy; he is my son". Who is the surgeon? Take a guess!

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## TBC Bank's statement

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## Millennial life: How young adulthood today compares with prior generations

By KRISTEN BIALIK  
and RICHARD FRY

Over the past 50 years – from the Silent Generation's young adulthood to that of Millennials today – the United States has undergone large cultural and societal shifts. Now that the youngest Millennials are adults, how do they compare with those who

were their age in the generations that came before them?

In general, they're better educated – a factor tied to employment and financial well-being – but there is a sharp divide between the economic fortunes of those who have a college education and those who don't.

Millennials have brought more racial and ethnic diversity to American society. And Millennial women, like Generation X women, are more likely to participate in the nation's

workforce than prior generations.

Compared with previous generations, Millennials – those ages 22 to 37 in 2018 – are delaying or foregoing marriage and have been somewhat slower in forming their own households. They are also more likely to be living at home with their parents, and for longer stretches.

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## People Expect All Industries to Demonstrate Corporate Social Responsibility, But Especially the Tech, Food, and Fashion Industries

The FINANCIAL

Consumers typically associate the food, technology, and fashion industries with corporate social responsibility, according to a study

by Clutch, a leading B2B research, ratings, and reviews firm.

People expect food-related industries, like grocery retailers (70%) and restaurants (62%), to commit to corporate social responsibility, followed by the technology (70%) and fashion (65%) industries.

Since these industries produce things consumers use daily, experts say it's no surprise that consumers expect a higher level of social responsibility from them.

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## Prospects of Marine Segment Development in Georgia

OP-ED by Jaba  
TARIMANASHVILI

All stakeholders agree, that development of marine sector is vital for Georgia. Experts of the field have been working on research to find out most optimal ways for development of industry. As a result, three main directions were identified: education, shipping and maritime services, and introduction of modern innovative technologies.

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	Feb 16	Feb 9
1 USD	2.6413	▲2.6461
1 EUR	2.9791	▲2.9996
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18 FEBRUARY, 2019, GEORGIA



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G-Force Euro Regular 2.35  
Euro Regular 2.29  
G-Force Euro Diesel 2.59  
Euro Diesel 2.49  
CNG 1.49



#### Prices in GEL

Eko Super 2.64  
Eko Premium 2.57  
Eko Diesel 2.63  
Euro Diesel 2.59  
Euro Regular 2.49  
Diesel Energy 2.53



#### Prices in GEL

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Super Ecto 2.55  
Premium Avangard Ecto 2.44  
Euro Regular 2.29  
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#### Prices in GEL

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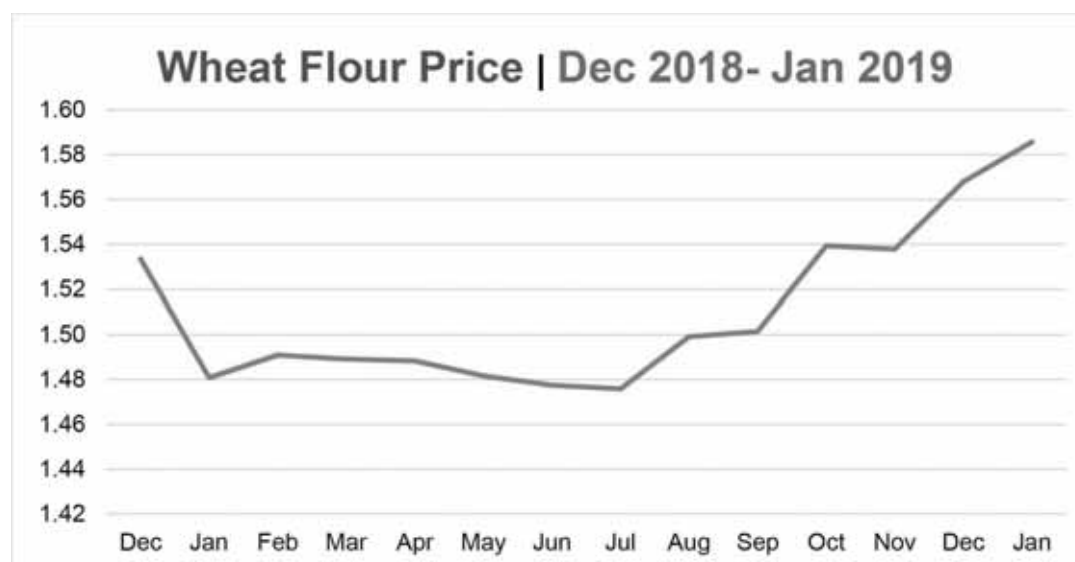
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## WHEAT IS BECOMING MORE EXPENSIVE, AGAIN!

In January 2019, the cost of cooking one standard Imeretian khachapuri decreased comparatively both annual and monthly, ranging between 3.56 GEL (Tbilisi) and 3.70 GEL (Kutaisi), with an average cost of 3.62 GEL. The new average price is 2.5% lower than in January 2018. As for the month-to-month development, the price of khachapuri is 3.5% lower compared to the previous month (December 2018).

The main ingredient in khachapuri is Imeretian cheese, and naturally, its price is the main driver behind fluctuations, and thus has recently pushed prices down. However, in January 2019, the price of flour increased by 1.1% month-on-month (compared to December 2018), and by 7.1% year-on-year (compared to January 2018). It is important to note that we only observe the price of high-quality wheat flour within four Georgian cities.

The results from our data are in line with international wheat price trends. While, FAO also reports increased cereal prices in January 2019, at 7.3% above their January



2018 levels. While the main contributor for this increase is the price of maize and rice, the price of wheat also increased. This increase was derived from rising export quotations around the Black Sea, where the aim was to tighten

availability against steady foreign demand. Similarly, export prices were up in Argentina, caused by excessive rain during the harvest.

For 2019, FAO it is expected that wheat production will increase, indicating major rebounds in the

European Union and the Russian Federation. Therefore, increased wheat production will push prices down across international markets, and we should expect this price decrease to reach domestic markets within the next few months.

# THE ISET ECONOMIST

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# Who Is the Surgeon?

By LIKA GODERDZISHVILI  
and SOPHIKO SKHIRTADZE  
ISET

Riddles are fun; sometimes, though, they teach us more than expected. Consider this riddle, for example. A son and his father get into a terrible accident; the father dies immediately while the son is rushed to the hospital for an urgent operation. A minute after being called in, a prominent surgeon steps out from the operating room and says "I cannot operate on this boy; he is my son". Who is the surgeon? Take a guess!

Hopefully, many of you guessed the quite obvious answer: the surgeon is the boy's mother. The riddle has gained popularity due to the silly responses people give, in some cases suggesting a plot worthy of any of Georgia's favorite soap operas. This is an excellent demonstration of the hidden biases and prejudices that over half of the world's population (i.e. women) have to fight, which can



partially explain persistent low female participation in labor markets globally.

Despite significant progress having been made in the last few

decades, female contribution to economic activity remains far below its potential, but evidence of its social and economic costs is staggering. Recent studies in-

dicate that barriers to women entering the labor force (cultur-

Continued on p. 11





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## financial news

# Prospects of Marine Segment Development in Georgia



OP-ED by Jaba  
TARIMANASHVILI

All stakeholders agree, that development of marine sector is vital for Georgia. Experts of the field have been working on research to find out most optimal ways for development of industry. As a result, three main directions were identified: education, shipping and maritime services, and introduction of modern innovative technologies. For the first time in many years, government of the Georgia: The Prime Minister, Minister of Economy and the Head of the Maritime Transport Agency are actively talking about specific initiatives that will facilitate rapid development of maritime industry, which will have positive impact on economy of Georgia.

Main challenges for in 2019, will be initiatives which will consider best European experience required for legislative changes, in order to promote business activities of do-

mestic and international shipping companies through Georgia, facilitate maritime services development in Georgian territorial waters, optimize ships control and clearance efficiency for vessels arriving to Georgia, reduce the port turnaround time for the vessels in ports, develop digital single window, in order to reduce the physical document turnover and increase speed of ships and cargo handling.

The International Maritime Organization (IMO) has adopted the mandatory requirements for the electronic exchange of information on cargo, crew and passengers as part of a revised and modernized annex to the Convention on Facilitation of International Maritime Traffic (FAL). "Single window" concept, enable all the information required by public authorities in connection with the arrival, stay and departure of ships, persons and cargo, to be submitted via a single portal without duplication.

The active work on restoration of the Georgian merchant fleet began in September 2018.

Negotiations are currently underway with several stakeholders and therefore the optimal model for the country is under development.

Existence of merchant fleet have various benefits for the country: clear vision for maritime segment development, millions of dollars' investment in the Georgian economy, employment growth, expansion of the maritime industry and the various areas of supporting sub-segments (ships technical management, ship repair and related services), employment of seafarers, Georgian flag promotion in international merchant shipping.

The work is quite immense, accordingly in the next two years it is desirable to introduce a digital

single window where the full range of marine services will be added, tax benefits will be introduced for international shipping and ship management companies, new maritime services introduction in Georgian territorial waters, dual degree program implementation in Batumi maritime academy with support of foreign experts.

Based on UNCTAD review of Maritime transport 2018, digitalization has challenges along with opportunities. Technological advances in the shipping industry, such as autonomous ships, drones and various blockchain applications, hold considerable promise for the supply side of shipping. However, there is still uncertainty within the maritime industry regarding possible safety, security and cybersecurity incidents, as well as concern about negative effects on the jobs of seafarers, most of which come from developing countries.

While the development and use of autonomous ships offer numerous benefits, it is still unclear whether this new technology will be fully accepted by Governments, and particularly by the traditionally conservative maritime industry. There are legitimate concerns about the safety and security of operation of autonomous ships and their reliability. The diminishing role of seafarers and ensuing job loss are a particular concern. At present, many blockchain technology initiatives and partnerships have the potential to be used for tracking cargo and providing end-to-end supply chain visibility;

Belt and Road Initiative is promising for the development of the middle corridor passing through Georgia. It is important to develop regular line ferry services. During several years, there was no RoRo/

Ferry services between Georgia and Romania, so in this direction initiatives of the Ministry of Economy of Georgia is appreciated.

Another opportunity for Georgia is that IMO (International Maritime Organization) has set a global limit for sulphur in fuel oil used on board ships of 0.50% m/m (mass by mass) from 1 January 2020. Majority of shipping companies are planning to be compliant to reduced sulphur content of 0.50% from present 3.5%. Stricter limits on sulphur (SOx) emission are already in place in Emission Control Areas (ECA's) in Europe and the Americas (0.10%). Till 2020 ship owners and operators could have combination of LSGO (Low sulphur Gasoil 0.10%) and HSFO (High sulphur fuel oil 3.50%) switching between marine fuels, depending on area of navigation, but from beginning of 2020, there will be increased demand for LSGO, because there is no equivalent volume of LSFO (Low sulphur fuel oil max 0.5%) in the world.

Regulations will imply increase in operating costs in a volatile market, because majority of expenditure for ship operation lies on bunker fuel procurement. According to IMO estimates up to 70,000 ships may be affected by the regulation. Some of ship owners are retrofitting vessels to use alternative fuels such as LNG, however LNG bunkering are available only in few major ports and could not cover global operations, therefore can be used by liner vessels at the moment or in particular trades; Some of ship owners are installing scrubber systems which allow them to continue operating on regular HSFO, but due to high investment costs of scrubbers, money in time, and ROI (return on investment) for long range,

still, majority of ship operators may have preference for LSGO.

Georgia with its oil terminals, is transit point for Crude oil and Oil products from oil rich, land locked Caspian Sea countries: Azerbaijan, Kazakhstan, and Turkmenistan. Fortunately, majority Crude oils (Cheleken, Turkmenistan – 0.09%; Kumkol, Kazakhstan 0.11%; Azeri Light 0.15, Shah deniz condensate 0.03%, Azerbaijan), originating from these countries have sulphur content %m much lower than 0.50%. For many years, Georgia is also transit points for LSFO (Low sulphur fuel oil) of Kazakhstan, Turkmenistan, and Azerbaijan origin.

Major traders of Fuel oil in the region (Vitol and Alviri) were using corridor passing through Georgian Black sea terminals for transportation by rail and tankers for accumulating in larger lots, and transship to handy size (30 KT), and aframax (80 KT) tankers, for further trading to international buyers. Global regulatory changes open new opportunities for Georgia.

There is no oil refinery in Georgia. Sourcing low sulphur crude oil, refining, and re-selling oil products to global markets, using preferential trade regimes of Georgia with CIS, EU, USA, and China could be cost efficient for the operators. More over Georgia is almost 100% dependent on imports of clean petroleum products, with annual volume of about 1.5 million tons for domestic market.

Georgia has business friendly environment, accordingly there are positive expectations for the years to come for many new initiatives in the pipeline, back up by the support of Government of Georgia.

Jaba Tarimanashvili is the Director of Maritime services and Cargo forwarding company in Georgia

## An investigation against TBC Bank founders will affect FDI, says TI

The FINANCIAL

An investigation launched by the Prosecutor's Office against Mamuka Khazaradze and Badri Japaridze, the founders of TBC Bank, on a case of alleged money laundering together with other crimes that could be committed 10 years ago and disinformation campaign allegedly orchestrated by the ruling party-backed sponsored social network pages created a logical assumption that the mentioned investigation could be biased, Transparency International Georgia.

"This assumption was further supported by a letter of the National Bank of Georgia sent to TBC Bank on 14 February. The National Bank of Georgia required from the shareholders of TBC Bank to dismiss the Chairperson (Mamuka Khazaradze) and Deputy Chairperson (Badri Japaridze) of the Supervisory Board of the bank. This request seems to be strange when the abovementioned investigation is still ongoing and the founders of TBC Bank have not proved to be guilty. After publication of the mentioned letter of the National Bank of Georgia the prices of TBC Bank's stocks, which are listed at London Stock Exchange, dropped by 6.6%," NGO said in its statement.

"The above-mentioned processes can be motivated by business or/and political interests. In both cases, the main concern is over the building of



Anaklia deep sea port by TBC Holding. This project has both economic and political value for Georgia. This is the largest and most important project that is developed by this business group".

On 22 January 2019, Ross Wilson, the US Ambassador (Chargé d'affaires) to Georgia, stated that he carefully followed the process against Mamuka Khazaradze and Badri Japaridze, because it could have a significant impact on Anaklia project. According to the Ambassador, his interest in this process also stems from the fact that US citizens own some shares of TBC Bank.

"On 11 February, Pascal Meunier, the Ambassador of France to Georgia, also made a comment on this

topic. He stated: "During the last months, certain negative signals have been coming from Georgia in terms of justice... developments around TBC Bank are strange ... perhaps some wrongdoings were committed more than 10 years ago, but it is unexplainable for me why the mentioned issue became interesting now, after so many years and not earlier".

"Ben Hodges, the former head of the US armed forces in Europe, General-Lieutenant, and other analysts working on Caucasian region issues also underlined military and political importance of Anaklia port as a

## TBC Bank's statement:



"TBC Bank has received a letter from the National Bank. Based on this letter, the chairman, as well as vice-chairman of the supervisory board are required to leave the board within two months' time.

Regulatory body's request is related to specific transactions carried out in 2007-2008, which according to the National Bank are recognized as violation of legislation regulating conflict of interests. TBC Bank will continue legal proceedings regarding this matter. TBC Bank will use all possible legal assets to protect Bank's and shareholders' interests.

Mamuka Khazaradze and Badri Japaridze continue their activity on the positions of chairman and vice-chairman of board of directors at TBC Group British Holding TBC Bank Group PLC (TBC Bank owner, parent company).

TBC Bank is a leading public company presented at London Stock Exchange in premium segment (FTSE250 list) and represents interests of investors and shareholders of all five continents of the world in Georgia.

The above-mentioned circumstance will not influence development and strategy of the TBC Bank. The Bank will continue accomplishing set goals. "

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# New Initiative KD4US Offering Shared Office Space

Eva BOLKVADZE  
The FINANCIAL

The number of communal workspaces in Tbilisi is set to increase in demand in the following months. In December last year, the King David Business Center joined this trend. KD4US is one such 'Co-working Space', which offers a useful, multifunctional working space for companies, entrepreneurs or outsourced staff members.

The FINANCIAL talked with Zurab Kenia, Coordinator of the KD4US space to find out more about the initiative.

**Q. What does a co-working space mean to you?**

A. It is a shared workspace, a communal office space which any person can come to and work in. However, it should be taken into consideration that you may have a neighbour working alongside you from a completely different company. Therefore they may be working for the interests of another company to you. This is the charm of it, because people

can be creating different kinds of work in the same space. This is one of the advantages produced when humans gather together in unison. Such spaces have been around for a long time and therefore this is no complete novelty for Georgia.

**Q. What sort of advantages does a co-working space offer compared to a standard office?**

A. This is a business that provides a kind of service. It mainly caters to individuals, small entrepreneurs, start-up companies, or companies for whom a grand, separate office is not required. A similar product generally involves: 1. Readiness for work anytime; 2. Short Term Projects; 3. Standard office infrastructure alternatives.

**Q. Why did you decide to create such a space?**

A. The market has its own segments here and we have started working on these segments. We went down the classic route - offices, residences, minimal infrastructure, but there is a rather large and interesting segment that doesn't require classic infrastructure and needs mobile offices. We have created a product that has been made available for medium and large business, and we have joined members who we want to

develop with, who we want to become a member of our high class business office.

**Q. Who are the customers of KD4US?**

A. People from almost every profession: start-ups; lawyers; developers; programmers; international companies with short-term projects in Georgia - all who prefer to use their money on their work, instead of on office infrastructure.

**Q. How does the design of a co-working space differ from that of a standard office?**

A. The design of an ordinary office must naturally be uniform and standardised, tailored to the tastes of one particular person (the designer or director perhaps), therefore not offering variety to suit all the workers within it. In our case, while working on our design, we decided to have four separate and visually distinct zones. We therefore have 4 season-themed sections: a winter zone; spring zone; summer; and autumn. We are giving customers the opportunity to choose their place of work based on their mood or colour preference. We have taken into account the ergonomics that encompass EU standard lights, its psychological and health norms. KD4US design is oriented purely at customers.

**Q. What advantages can**

**KD4US members enjoy as part of King David?**

A. Being a part of King David means having access to various benefits, meaning access to all services offered by the business centre: parking; catering areas - a standard cafeteria; a Japanese kitchen corner and Italian restaurant; conference rooms; communication with all other companies located in our building. The user is actually a member of a live complex that is in a constant state of development, increasing and enhancing its services, one which will become quite diverse in 2019. Most importantly, the main advantage is the potential to achieve the status of a successful person - it is with this very aim that we are providing everything that we are.

**Q. According to your price policy, how accessible is it to become a member of KD4US for the general populace?**

A. It is completely affordable and therefore accessible to any segment of the population. We do not have one standard service; we have diversified products to suit different requirements and people's ability to pay. For one day's rent of our space, the price is GEL 35. The minimum package starts from GEL 120 per month. This package is intended for people who need office space for a very short

period of time. The main products for everyday stable use start from GEL 400 per month. At this price people get a working place, meeting rooms, internet, sanitary service, use of resting zones, kitchen utilities, and all of this 24 hourly. In terms of additional services, the prices increase accordingly.

**Q. How does one become a member of KD4US?**

A. It takes just 2-3 minutes. You need to register online on our webpage. You can find all the information about our services and how to make a reservation online. After that, all you need to do is turn up and start working. We have deliberately tried to reduce the bureaucracy to a minimum.

**Q. And finally, in your opinion what makes a co-working space successful - is it the design, the people, or both?**

A. Definitely the people. Having the correct staff is followed by having the correct design. Correct staff and design then together attract the correct customers. And it is all of this together that creates a successful environment. This is not just a working space, it's a place of human relationships, where people are changing their knowledge, their experiences, and all we are doing is helping this process along.

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# surveys & analysis



## Assessment of Judicial Reforms in Georgia

ANI LORTKIPANIDZE, GORBI

Last Friday, together with colleagues from France and the Netherlands, we presented very interesting findings from a recently completed data collection initiative that aimed to measure success of ongoing judicial reforms in Georgia. It is obviously important to have a fair and independent judiciary in Georgia that can withstand influence from the government and other elites and at the same time protect rights of both the general public and businesses.

The first generation of GORBI colleagues have several funny and strange stories to tell their younger peers. One is about the presentation of similar surveys in 1999 among top Georgian government officials and the international community. This was the time when the World Bank and the USAID started assisting us in reforming, or to be more precise, in building the judiciary system. The World Bank commissioned a GORBI survey and among several components, the prevalence of corruption in the government sector was measured. The findings were met with great anger from the then prosecutor general who screamed at the presenter that "you deserve to be arrested, there is no way that our government is as corrupted as you are portraying." But thanks to the presence of the international and diplomatic community at

Graph 1. Direction of Judicial Reforms



Source: IPSOS France, GORBI, Georgia Nationwide Survey, 2018 (n=2013 respondents)

the conference, the presenter (Mr. Pachulia of GORBI) was "pardoned" and stayed free.

But much time has passed since then and the Georgian Judiciary has evolved to a different level. Those issues that we were studying two decades ago are now almost forgotten. For example, courts are located in proper offices, judges have decent salaries and few talks about corrupt practices. But this in no way means that the Georgian judiciary is now a role model. It still requires hard work, more targeted reforms and overall consensus among political elites, civil society and those who are tasked to deliver fair judgment.

In this column I will only focus on one key question – the population's perception of the

direction of reforms.

Based on the population survey, over three out of five respondents have heard about the following reforms that took place in Georgia's Judicial system since 2013: disciplinary liability of judges (68%), lifelong appointment of judges (65%), selection of judges (65%), jury trials (64%), and publicity of court hearings (61%). Out of those who have heard of at least one reform, 37% think that these reforms are moving the judicial system in the right direction, compared to 16% who think that these reforms are going in the wrong direction.

It is noteworthy that younger respondents are even more optimistic towards judicial reforms with 41% of those under 35 years old stating that

Chart 1. Breakdown of individuals, who think that judicial reforms are moving judicial system in the right direction by Age, Household Income and Party Affiliation.

By Age		Right Direction (%)
Less than 35 Years Old		41
35 to 54 Years Old		36
55 Years Old and Older		34
By Monthly Household Income		
300 GEL and Less		31
301 to 500 GEL		35
501 to 1000 GEL		42
1001 GEL and more		44
By Party Support		
Georgian Dream		72
United National Movement		14
Other Party		38
No Preference		34

Source: IPSOS France, GORBI, Georgia Nationwide Survey, 2018 (n=2013 respondents)

these reforms are moving the judicial system in the right direction. Income also appears to be an important influencer of how people perceive judicial reforms, with affluent respondents perceiving these reforms more positively. Not surprisingly (especially for those readers who are familiar with the Georgian political landscape) party affiliation is an important indicator of how people view judicial reforms.

72% of respondents who view themselves as supporters of Georgian Dream have indicated that these reforms are moving the judicial system in the right direction, compared to only 14% of respondents who view themselves as United National Movement supporters. Even though these numbers indicate that atti-

tude towards these reforms are highly influenced by party affiliation, it should be noted that in general, a majority of population does not view itself as a supporter of any political party. Only 10% say that they are supporters of Georgian Dream and 6% state that they are supporters of the United National Movement.

The survey also demonstrated that 41% of the population agrees that all people are treated equally by the courts in Georgia. In addition, more than half of those surveyed (51%) highly rate the justice system in Georgia in terms of the independence of courts and judges.

It is interesting to note that the majority of the population (56%) think that judges in Georgia are in general tough-

er in their sentencing than the respondents would have been. This is very interesting when combined with the idea that the majority of the population (57%) also thinks that courts in Georgia are severe enough against the offender.

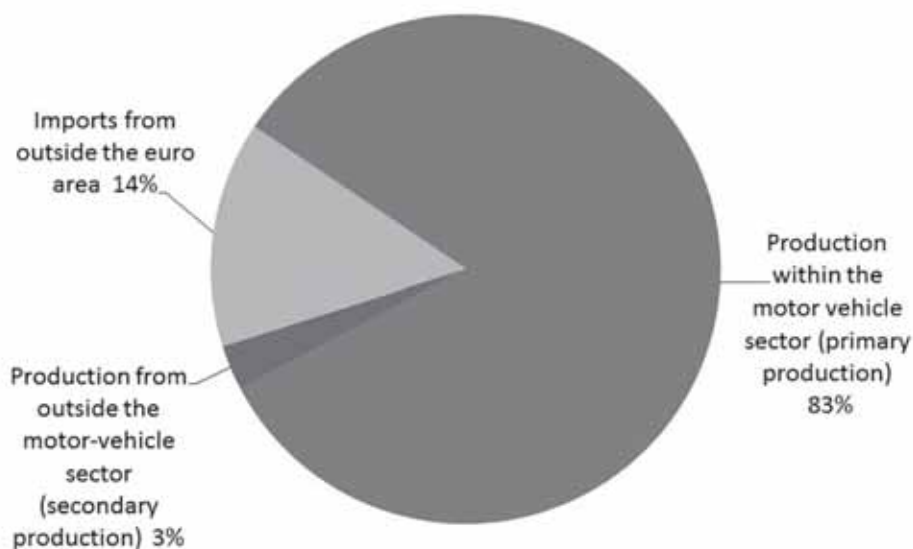
Overall, a majority of Georgians agree that the courts in Georgia are: slow (67%), expensive for common citizens (66%), severe enough against the offender (57%), respect the rights of victims (57%), modern (56%), fair (55%), respect the rights of offenders (55%), efficient (53%), trustworthy (52%) and democratic (50%).

NB. The survey on the assessment of judicial reforms in Georgia was conducted by a consortium including IPSOS France, Amicus Curiae, Prof. Jan van Dijk, and GORBI in 2018 on behalf of the Ministry of Justice of Georgia. The research covered only the first, second and third waves of judicial reforms, as well as reforms of the Juvenile Justice Code. It is also worth mentioning here that the current controversy regarding the appointment of some judges may have a negative impact on the general public's perceptions if the data collection was conducted today.

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

## Supply and use tables: cars in the euro area

Car production (supply side) in the euro area, 2017 (% share of value)



ec.europa.eu/eurostat

The FINANCIAL -- Supply and use tables are used for macro-economic analyses of the the European Union (EU) and euro area economies. They give an annual snapshot of overall production and use for different categories of

goods and services in the EU, including cars.

Of the €700 billion worth of cars produced in 2017 in the euro area, 14 % was imported from outside the euro area. Domestic production of cars in the euro area represented

86 % of the car supply: 83 % was produced by the euro area car industry itself (primary production). The remaining 3 % of the car supply was from other industries, for example car radios, tyres and upholstery (secondary production).

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## financial news

# Only 27% of People Currently Own a Virtual Assistant, But Use of Consumer AI Devices Is Growing, New Survey Finds

The FINANCIAL – Slightly more than one-fourth of people (27%) own an AI-powered virtual assistant such as an Amazon Echo or Google Home, according to new research from Clutch, the leading B2B ratings and reviews site.

People use virtual assistants for simple tasks and commands, mostly playing music or podcasts (66%), setting alarms or reminders (56%), and receiving updates about news, weather, or sports (48%).

## How People Use Virtual Assistants

These primary uses for virtual assistants indicate that people are comfortable using voice commands to accomplish simple tasks.

## People Value Easy Access to Information Through Virtual Assistants

The biggest benefit nearly half of people (44%) experience from owning and using a virtual assistant is easy access to information such as health data, notifications, and updates.



The tasks people use virtual assistants to accomplish influence the benefits and challenges they experience when using AI-powered devices.

Because most people claim virtual assistants are helpful for simple tasks, more than two-thirds (35%) claim they do not experience challenges with their virtual assistants. Connectivity is the most common challenge people experience (20%).

As people use virtual assistants and AI-powered devices for more complex tasks, the challenges they encounter will likely become more

complex.

As virtual assistants enter more homes, more people will use voice commands to access information.

When people issue voice commands, they expect their virtual assistants to understand context.

"The biggest challenge is people would expect this kind of device assistant to understand natural language and the context," said Max Gladys, co-founder of BotsCrew, an AI development company in Lviv, Ukraine.

As a result, companies need to optimize their website content for user

intent: Create content that responds directly to the information people search for online.

Amazon is the most popular brand of virtual assistant.

Two-thirds of people (66%) of people with a virtual assistant own an Amazon Echo, ahead of 40% who own a Google Home.

Google and Apple are catching up with Amazon, though. Google, for example, has its assistant embedded in over a billion devices.

Connecting Virtual Assistants to Other Devices Will Lead to More Complex Uses

Only 6% of people connect their virtual assistants to other connected devices, compared to over three-fourths (77%) who connect their virtual assistants to smartphones.

This trend is shifting, however. The easier it is to connect virtual assistants to other devices, the more people will experiment with advanced uses such as controlling home appliances.

Apple HomeKit, for example, now allows people to connect devices simply by scanning a barcode.

Clutch's survey included 503 people who own a connected device.

# 8 facts about love and marriage in America

By ABIGAIL GEIGER AND  
GRETCHEN LIVINGSTON  
PewResearch

The landscape of relationships in America has shifted dramatically in recent decades. From cohabitation to same-sex marriage to interracial and interethnic marriage, here are eight facts about love and marriage in the United States.

1 - Half of Americans ages 18 and older were married in 2017, a share that has remained relatively stable in recent years but is down 8 percentage points since 1990. One factor driving this change is that Americans are staying single longer. The median age at first marriage had reached its highest point on record: 30 years for men and 28 years for women in 2018, according to the U.S. Census Bureau.

As the U.S. marriage rate has declined, divorce rates have increased among older Americans. In 2015, for every 1,000 married adults ages 50 and older, 10 had divorced – up from five in 1990. Among those ages 65 and older, the divorce rate roughly tripled since 1990.

2 - Why get married? Love tops the list of Americans' reasons to marry. About nine-in-ten Americans (88%) cited love as a very important reason to get married, ahead of making a lifelong commitment (81%) and companion-

ship (76%), according to a 2013 Pew Research Center survey. Fewer said having their relationship recognized in a religious ceremony (30%), financial stability (28%) or legal rights and benefits (23%) were very important reasons to marry.

However, being a good financial provider was seen as particularly important for men to be a good husband or partner, according to a 2017 survey by the Center. About seven-in-ten adults (71%) said it was very important for a man to be able to support a family financially to be a good husband or partner, while just 32% said the same for a woman to be a good wife or partner.

As far as what helps people stay married, married adults said in a 2015 survey that having shared interests (64%) and a satisfying sexual relationship (61%) were very important to a successful marriage. More than half (56%) also named sharing household chores.

3 - The number of U.S. adults cohabiting with a partner is on the rise. In addition to the half of U.S. adults who were married, 7% were cohabiting in 2016. The number of Americans living with an unmarried partner reached about 18 million in 2016, up 29% since 2007. Roughly half of cohabiters are younger than 35 – but cohabitation is rising most quickly among Americans ages 50 and older.

Large majorities of Genera-

tion Zers, Millennials, Generation Xers and Baby Boomers say couples living together without being married doesn't make a difference for our society, according to a 2019 Pew Research Center report. While 54% of those in the Silent Generation say cohabitation doesn't make a difference in society, about four-in-ten (41%) say it is a bad thing, compared with much smaller shares among younger generations.

4 - Four-in-ten new marriages involve remarriage. Remarriage is on the rise. In 2013, 23% of married people had been married before, compared with just 13% in 1960. Four-in-ten new marriages in 2013 included a spouse who had said "I do" (at least) once before, and in 20% of new marriages both spouses had been married at least once before.

Remarriage is more common among men than women. Among previously married men (those who were ever divorced or widowed), 64% took a second walk down the aisle, compared with 52% of previously married women, according to a Pew Research Center analysis of 2013 Census Bureau data. One possible reason for this disparity is that women are less interested than men in remarriage. Among previously married women, 54% said in a 2014 Pew Research Center survey that they did not want to marry again, compared with 30% of men.

5 - One-in-six newlyweds

(17%) were married to someone of a different race or ethnicity in 2015. This reflects a steady increase in intermarriage since 1967, when just 3% of newlyweds were intermarried, according to a 2017 Pew Research Center analysis.

While Asian (29%) and Hispanic (27%) newlyweds are most likely to intermarry in the U.S., the most dramatic increases in intermarriage have occurred among black newlyweds, 18% of whom married someone of a different race or ethnicity, up from 5% in 1980. About one-in-ten white newlyweds (11%) are married to someone of a different race or ethnicity.

Among both Gen Zers and Millennials, 53% say people of different races marrying each other is a good thing for our society, compared with 41% of Gen Xers, 30% of Boomers and 20% of those in the Silent Generation, according to the Center's 2019 report.

6 - Support for the legalization of same-sex marriage has grown in the past 10 years. In 2007, Americans opposed legalizing same-sex marriage by a margin of 54% to 37%. In 2017, more favored (62%) than opposed (32%) allowing gays and lesbians to marry legally.

Surveys conducted by Gallup found that about one-in-ten LGBT Americans (10%) were married to a same-sex spouse in 2017. Now, a majority (61%) of all same-sex couples who live to-

gether are married.

7 - About half of Gen Zers and Millennials say same-sex marriage, interracial marriage are good for society. Millennials and Generation Z have been at the vanguard of changing views on same-sex marriage. About half of Gen Zers and Millennials say gay and lesbian couples being allowed to marry is a good thing for our society, while 33% of Gen Xers, 27% of Boomers and 18% of Silents say the same, according to the 2019 report.

8 - Sizable minorities of married people are members of a different religious group than their partner, but marriages and partnerships across political party lines are relatively rare. About four-in-ten Americans who have married since 2010 (39%) have a spouse who is in a different religious group, compared with only 19% of those who wed before 1960, according to a 2014 Pew Research Center survey. Many of these interfaith marriages are between Christians and those who are religiously unaffiliated.

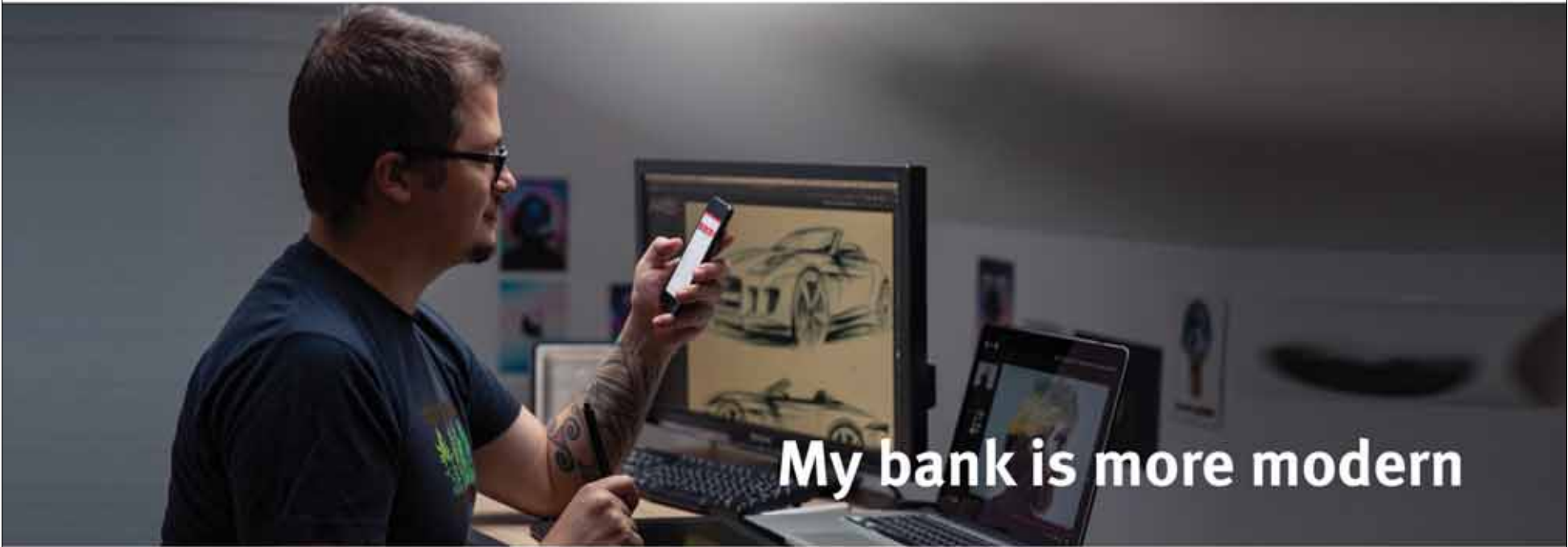
When it comes to politics, a 2016 Pew Research Center survey found 77% of both Republicans and Democrats who were married or living with a partner said their spouse or partner was in the same party.

*Abigail Geiger is an associate digital producer and writer for Pew Research Center.*



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# FactCheck



**Irakli  
Petriashvili:**

President of the Georgian Trade  
Unions Confederation (GTUC)



## “Georgia is obliged to introduce unemployment benefits before 2021. This is envisioned by the Association Agreement.”

**Mariam KVATADZE**  
FactCheck

**VERDICT:**  
FACTCHECK CONCLUDES  
THAT IRAKLI PETRIASHVILI'S  
STATEMENT IS A LIE.

### RESUME:

The EU-Georgia Association Agreement highlights employee labour rights in two sections: in the part of the directives proposed in the 14<sup>th</sup> Chapter of the Title VI and in the part of the Deep and Comprehensive Free Trade Agreement (DCFTA).

The 14<sup>th</sup> Chapter of the Title VI attaches importance to a decent work agenda, employment policy, social dialogue and social protection. However, a specific directive about the obligation to introduce unemployment benefits cannot be found.

In regard to the DCFTA part, it requires the implementation of standards envisioned by the International Labour Organization (ILO) conventions into Georgia's legislation and legal practice. As a part of the DCFTA, Georgia is obliged to ratify and enter into force 18 ILO conventions. Georgia already joined the ILO with 16 of the aforementioned 18 conventions. Passages about unemployment benefits are given in the 168<sup>th</sup> and 102<sup>nd</sup> ILO conventions, of which Georgia is not a part, with the DCFTA not requiring Georgia to join these conventions.

Although the EU-Georgia Association Agreement particularly emphasises the significance of trade unions in the labour rights component and obliges Georgia to make certain actions (effective labour inspection, liquidation of all forms of discrimination in the workplace, improving the Labour Code) to ensure social equality, any passage about the mandatory introduction of unemployment benefits cannot be found.

### ANALYSIS

Head of the Georgian Trade Unions Confederation, Irakli Petriashvili, stated on air on Radio Palitra: “Georgia is obliged to introduce unemployment benefits before 2021. This is envisioned by the Association Agreement.”

FactCheck took interest in the accuracy of the statement.

In June 2014, the EU and Georgia signed an Association Agreement (AA) which entered into force on 1 July 2016. The agreement aims to facilitate political and economic integration between the parties which will be built on shared values and close ties. Among other things, this includes increased Georgian involvement in EU policy, programmes and agencies.

Issues of employment, social policy and equal opportunities are governed by the 14<sup>th</sup> Chapter of the Title VI of the Association Agreement. The aforementioned section particularly emphasises the importance of a decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality, anti-discrimination and corporate social responsibility. Therefore, EU-Georgia cooperation in this regard should include the promotion of active measures for labour market and efficient employment services, employment policy oriented at a better workplace and decent work conditions, inclusive labour markets and social policy focused on the enhancement of social security and social protection systems (in terms of equality, affordability and financial sustainability). However, the latter does not include a specific directive about the introduction of unemployment benefits.

Apart from the aforementioned, directives about employee labour right protection policy are given in the Deep and Comprehensive Free

Trade Agreement (DCFTA) component of the EU-Georgia Association Agreement. As the research study conducted in regard to employee labour rights envisioned in the Association Agreement concludes, as a part of the trade and sustainable policy goals, the only requirement for Georgia is to implement the standards defined by the International Labour Organization's (ILO) conventions in its legislation and legal practice. Georgia has committed itself to join/ratify 18 ILO conventions. Of these conventions, 16 were ratified in the period of 1994-2004. From 2004 to 2014, however, Georgia has not joined any other ILO conventions. In the DCFTA part of the EU-Georgia Association Agreement, the ILO's 87<sup>th</sup>, 98<sup>th</sup>, 29<sup>th</sup>, 105<sup>th</sup>, 138<sup>th</sup>, 182<sup>nd</sup>, 100<sup>th</sup> and 111<sup>th</sup> conventions are recognised as fundamental conventions and all of them have been ratified by Georgia. The 122<sup>nd</sup>, 144<sup>th</sup>, 81<sup>st</sup> and 129<sup>th</sup> conventions are given priority status and Georgia has ratified the first two of them. In regard to unemployment benefits, this is envisioned by the 168<sup>th</sup> and 102<sup>nd</sup> ILO conventions of which Georgia is not a signatory. These conventions also do not belong to the ILO fundamental conventions category and, therefore, it is not mandatory for Georgia to be a part of them.

The EU-Georgia Association Agenda does not mention any obligation to introduce unemployment benefits. In the part dedicated to trade unions and employees, emphasis is made on the necessity to establish labour inspection. As a part of the medium-term priorities, the EU-Georgia Association Agenda names implementing and bringing the Labour Code in line with ILO standards, the continuation of work to establish an effective labour inspection and improving social dialogue through cooperation with the ILO.

## UK wages could still be four times higher than wages in India by 2040, despite faster relative wage growth in emerging economies

The FINANCIAL

Rising real wages in emerging markets will make them increasingly attractive for UK exporters in the decades after Brexit. India is projected to see the fastest real wage growth of the major economies, up by more than 200% in US dollar terms by 2040.

Although emerging markets are likely to experience faster wage growth, UK real wages are projected to grow by almost 30% by 2040, assuming a reasonably smooth Brexit.

While wages in emerging markets will continue to converge with those in the UK over the next two decades, a significant gap will remain for most emerging economies, according to new analysis by PwC. In 2040, UK real wages could still be more than twice as high as in Malaysia and four times as high as in India.

In the UK, average monthly wages are projected to rise by 29% to around \$3,900 (in constant 2017 US dollars) by 2040, up from around \$3,000 in 2017, assuming a reasonably smooth Brexit. This is within the same broad range as projected cumulative real wage increases in other advanced economies such as France (21%), the US (22%) and Germany (41%).

A more pronounced catch-

Projected cumulative increase in average monthly real wages (US dollar terms, 2017-40)

India	222%
Malaysia	184%
Indonesia	176%
China	145%
Poland	141%
Philippines	121%
Mexico	110%
Brazil	73%
Advanced economies	
Germany	41%
UK	29%
US	22%
France	21%

Source: PwC analysis

up in wages in economies such as China and Poland relative to the UK could result in UK companies choosing to reshore some activities to the UK, or to adopt other strategies such as increased automation where appropriate.

Average annual growth in real wages for emerging economies such as India, Malaysia and Indonesia could exceed 4% in the years to 2040, implying cumulative growth of over 200% in the case of In-

dia as the table below shows. In advanced economies, real wages are projected to grow more slowly given they are starting from a higher level of economic development. The UK's projected performance implies cumulative real wage growth of just under 30% between 2017 and 2040, somewhat lower than Germany, where productivity growth is projected to be higher, but somewhat higher than in the US or France.

## People Expect All Industries to Demonstrate Corporate Social Responsibility, But Especially the Tech, Food, and Fashion Industries

The FINANCIAL

Consumers typically associate the food, technology, and fashion industries with corporate social responsibility, according to a study by Clutch, a leading B2B research, ratings, and reviews firm.

People expect food-related industries, like grocery retailers (70%) and restaurants (62%), to commit to corporate social responsibility, followed by the technology (70%) and fashion (65%) industries.

Since these industries produce things consumers use daily, experts say it's no surprise that consumers expect a higher level of social responsibility from them.

“With food, you're putting those things in your body,” said Jen Bemisderfer, managing director of RH Strategic, a public relations agency in Seattle. “With clothing, you're wearing it on your body or next to your body. It might seem that technology wouldn't fit along these lines, but we treat smartphones today as an extension of ourselves.”

Consumers expect businesses in these industries to

act in different ways depending on how they're naturally positioned to support the wellbeing of individuals, local communities, and the global community.

### Technology Users Expect Privacy and Data Protection

Among people that expect the technology industry to commit to corporate social responsibility, 72% of those people say technology companies should focus on data and privacy.

Michael Gargiulo, CEO of VPN.com, said businesses need to improve security and protect their customers' data. Businesses also need to be transparent about security breaches when they happen so people are informed. People primarily want grocery retailers (67%) and restaurants (71%) to address local food insecurity by feeding those in need.

### People Want to Know How the Fashion Industry Sources Its Materials

People want to know how the fashion industry manufactures its products and more than half of people (58%) want the fashion industry to use ethically-sourced materials.

Overall, the report suggests that consumers place greater emphasis on how businesses support individuals, local populations, and the global community.

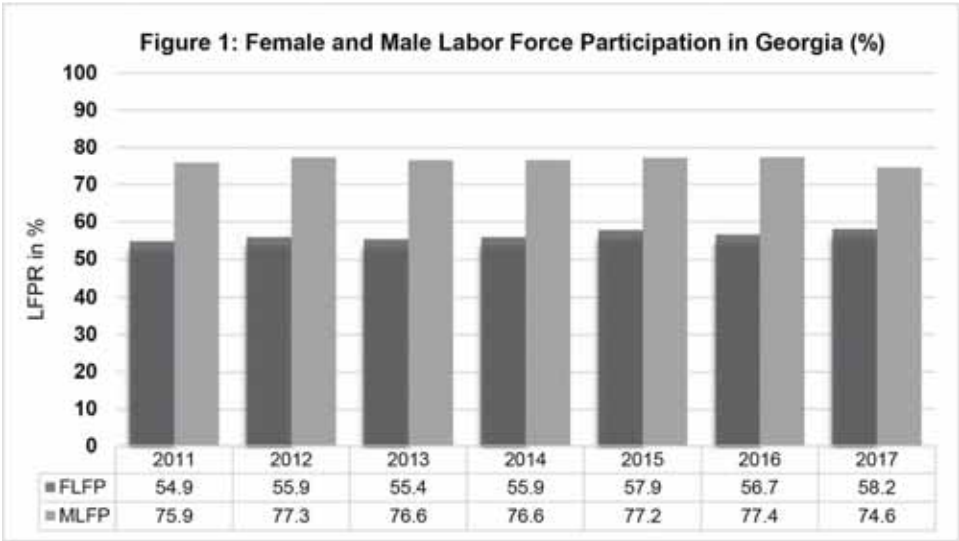
“In recent years, we have seen increasing interest from consumers in understanding how and where their products are sourced and in supporting companies that use business for positive social change,” said Beth Gerstein, co-founder and co-CEO of Brilliant Earth.

Clutch's 2019 PR and Corporate Social Responsibility Survey included 420 U.S. consumers who made a purchase within the last six months.



THE ISET ECONOMIST  
A BLOG ABOUT ECONOMICS AND THE SOUTH CAUCASUS  
www.iset-pl.ge/blog

Who Is the Surgeon?



Source: Geostat

Continued from p. 2

al and societal norms, lack of decent childcare facilities, etc.) are costlier than previous research has suggested and the benefits of closing gender gaps are even larger than previously thought. According to the 2015 McKinsey Global Institute report, advancing women's equality can add up to \$12 trillion to global Gross Domestic Product (GDP) by 2025, which is roughly equal to the size of the US and Chinese economies combined.

According to the World Development Indicators published by the World Bank, in 2017 average Female Labor Force Participation (FLFP), the proportion of the female population aged 15 and older that is economically active (employed, self-employed, or actively looking for a job), stood at 52% in the countries of Europe and Central Asia, compared to 67% Male Labor Force Participation (MLFP). In Georgia specifically, the gap between male and female participation is even more pronounced. Figure 1 shows these differences; despite significant steps towards adopting legislative and policy reforms to encourage gender participation and activity in the labor market, this trend is not reflected in women's activity in the labor market. FLFP remains approximately 17 percentage points below MLFP in Georgia.

A recent International Monetary Fund (IMF) study from 2018 provided even more insight into how and to what extent low FLFP affects countries' macroeconomic development, building on well-established microeconomic evidence that female and male workers bring different skillsets and attitudes to the labor market. However, these differences between male and female workers have largely been ignored in macroeconomic models that study determinants of economic growth in the long term. In conventional macroeconomic models, male and female labor are treated as perfect substitutes, but the 2018 IMF study based on a number of alternative data

sources (World Bank macroeconomic data, The Penn World Tables data, The OECD Labor Force Database, and a firm-level dataset from Chinese Annual Surveys) shows that there is a strong complementarity between women and men in production. In other words, increasing the female labor force when it is in short supply, is shown to bring greater benefits than an equal increase in the number of male workers unless female productivity is significantly lower. Models that fail to account for this complementarity between the male and female labor forces underestimate the impact of gender diversity on growth, incorrectly attributing some of it to technological changes.

Generalizing these results, closing the gender gap has the potential to increase a country's GDP by 10-80 percent, conditional on initial FLFP. One channel of this impact is through the increased labor supply: more employees, in the longer term, are expected to produce more output. The second channel is through the impact of gender diversity on productivity. Increased female participation increases total labor productivity; that is, male workers also benefit from more gender diversity. The cost of barriers to female participation is even higher on the path of development to a service-based economy, which tends to be more gender-equal. Barriers to female participation slow down this process and lead to even higher output and welfare losses.

The study once again demonstrates the value of more gender equality in the labor market, and finds new evidence of welfare gains stemming from labor diversity. Moreover, considering the complementarity of women and men, greater gender diversity is thought to have value not only for women but for men as well. Realizing these benefits cannot be a magic bullet to overcoming the obstacles that prevent women in the labor force from contributing to economic growth. The remedy lies in tackling gender inequality in education and healthcare, endorsing laws

for equal rights to property ownership and credit access, childcare facilities, and properly designed family benefits. For example, Sweden's success in having one of the highest rates of female participation in the world is mostly believed to be a result of investments in childcare and early education, as well as promotion of flexible work schedules for women and parental leave policies.

More recent investigations into the causes of low female presence in the labor force or in top positions reveal that oftentimes it is a lack of confidence rather than competence that holds women back. For instance, in a forthcoming study Buser and Yuan (2019) show that despite scoring equal points, more girls than boys stop competing in the Math Olympiad in the Netherlands after losing in the first round. Estes and Felker (2012) show in a controlled lab experiment that with a slight manipulation in confidence levels, which provokes all participants to tackle each and every task on an assignment, females' overall performance matches that of males; without this manipulation, female participants tended to give up without attempting the task, reducing their overall performance compared to men. Lisa Damour, a clinical psychologist, provides an interesting conjecture in a recent New York Times article that the observed disparity in attitudes can be explained to some degree by schooling that praises and encourages "inefficient overwork" mainly by girls, since they seem to be the ones who are more self-disciplined. This, on one hand, builds the competence of girls, so they usually outperform boys at any level of education; on the other hand, it paves the way to perfectionism, manifested in lack of competence in the later stages of their lives.

These recent findings, coupled with well-established conventional knowledge on the costs of an uneven playing field for female and male labor, call for immediate action so that no aspiring female surgeon is discouraged from entering and competing in the labor market.



**Zurab Tchiaberashvili:**  
President of the Georgian Trade Unions Confederation (GTUC)



“Under the accumulated pension plan, a 40-year-old female teacher, who has a GEL 500 salary, will receive a pension equal to the current purchasing power of GEL 85.”

**Valeri KVARATSKHELIA**  
FactChek

**VERDICT:**  
FACTCHECK CONCLUDES THAT ZURAB TCHIABERASHVILI'S STATEMENT IS MOSTLY TRUE.

**RESUME:**  
In accordance with the Pension Agency's estimates, a 40-year-old individual who retires in 20 years with a gross salary of GEL 500 will receive a pension in the amount of GEL 104 under the accumulated pension plan. Given the inflation (increase in consumer prices) rate, GEL 104 in 2039 will have the same purchasing parity as GEL 46-73 has in 2019. These figures are in line with Zurab Tchiaberashvili's numbers.<sup>1</sup> However, the MP leaves unnoticed the fact that the total amount of a pension also includes a social pension in addition to the money he is supposed to receive from the accumulated pension plan.

In accordance with the existing information, the amount of social pension will be calculated on the basis of its current value (GEL 200) and will increase in line with inflation (indexation). In other words, the social pension's purchasing power will be kept at the GEL 200 level in current prices. Therefore, the aforementioned retired individual, given the possible scenario of events, will receive GEL 390-560 as a nominal pension in 2039. With this amount of money, a pensioner will be able to purchase the same amount of goods in 2039 as it is possible to buy with GEL 246-273 today. However, without indexation, the purchasing power of the total pension which a retired individual is supposed to receive in 20 years will be in the margins of GEL 134-213.

**ANALYSIS**  
European Georgia – Movement for Freedom MP, Zurab Tchiaberashvili, whilst speaking about the accumulated pension, stated that upon retirement at the age of 60, the purchasing power of the pension, which a 40-year-old woman with a GEL 500 salary is supposed to receive, will be GEL 85.

The Parliament of Georgia adopted the Law on Accumulated Pension on 18 July 2018 and it entered into force on 1 January 2019. In accordance with the law,

joining the accumulated pension plan is mandatory for all employees who have a salary income and are younger than 60 (in the case of women, younger than 55) before 1 January 2019. For other employees (including self-employed), participation in the pension plan is also mandatory. At the same time, if an employee who had turned 40 before this law entered into force does not wish to be a pension plan participant, he is allowed to address the Pension Agency and withdraw from the pension plan after five months from joining.

In regard to pension payments, 2% of an employee's taxable income is transferred to an employee's individual pension account and an additional 2% is transferred by the employer from his own funds. Different from a hired employee, a self-employed individual makes a pension payment in the amount of 4% of his annual income (share of employee and employer). If a pension plan participant's (both hired employee and self-employed) annual taxable income is less than 2%, then the state transfers an additional 2% to the participant's pension account. In the case when an employee's income is between GEL 24,000 and GEL 60,000, the state transfers 1% whilst in the case of employees with an annual income higher than GEL 60,000, the state is no longer a contributor. In addition to the pension which will be given as a part of these accumulated funds, the social pension component will also be kept and currently amounts to GEL 200.

In accordance with the Pension Agency's estimates, a 4% annual growth of an employee's salary is expected. At the same time, the earnings from funds accumulated in the pension account will be an annual 7%. Taking these assumptions into account, a 40-year-old woman with a GEL 500 gross (taxable) salary who is assumed to retire at the age of 60 (in 2039) and stops accumulating funds will have GEL 21,273 in her account. Given the fact that the average life-expectancy for females is more than 77 years in Georgia, rough estimates for an average woman to be on pension is 17 years. Therefore, the nominal monthly pension will be GEL 104.3 in 2039 (without the social component). At the same time, it needs to be taken into account that price levels have a growth tendency. Therefore, the purchasing power of GEL 104 in 2039 will be less as compared to the current

purchasing power of GEL 104. In other words, one will be able to buy fewer products with GEL 104 in 20 years than is possible today. Hence, in order to have a precise understanding of the amount of income, it is necessary to adjust the nominal income in line with the inflation rate.

To make these calculations, we have to know what the inflation rate will look like in the upcoming years although it is impossible to have precise estimates. Therefore, in this case too, calculations have to be based upon assumption. In the nearest future, the expected inflation rate for Georgia is 3% in the case of a basic scenario, 1.8% in the case of a pessimistic scenario and 4.2% in the case of an optimistic scenario. Table 1 shows the current purchasing power of the monthly nominal pension in 2039 in the case of alternative scenarios of price increases.

As seen in the table, if the nominal pension is GEL 104 (only accumulated funds without the social pension), it will be possible to purchase the same amount of products in 2039 that we can purchase with GEL 58 today in the case of a basic scenario (an inflation rate of 3%). Given the alternative estimates of price growth, the figure for 2039 fluctuates from GEL 46 to GEL 73. The MP referred to the accumulated pension and left the amount of social pension unnoticed. Theoretically, it is possible to keep the social pension unaltered at its existing value (GEL 200) or index it which is a more likely alternative. In regard to the total pension (the total sum of earnings from the accumulated pension plan and the social pension), the nominal pension will be within the margins of GEL 390 to GEL 560 in 2039 in the case of an indexation of the social pension in line with inflation whilst its purchasing power will fluctuate from GEL 246 to GEL 273. In other words, with the income a pensioner receives as the sum of the accumulated and social pensions, he will be able to purchase the same amount of products in 20 years that is possible to purchase with GEL 246-273 today.

Of necessary note is that the aforementioned calculations are based upon the assumption that salary income will increase by 4% annually and the Pension Agency will be able to receive annual earnings of 7% and transfer the money deposited to the individual pension accounts once their owners retire.

Table 1: Current Purchasing Power of Estimated Nominal Pension in 2039 (GEL)

	Pessimistic Scenario (Inflation = 1.8%)		Basic Scenario (Inflation = 3%)		Optimistic Scenario (Inflation = 4.2%)	
	Real	Nominal	Real	Nominal	Real	Nominal
Excluding Social Pension	73	104	58	104	46	104
Including Social Pension <sup>2</sup>	213	304	168	304	134	304
Including Indexed Social Pension <sup>3</sup>	273	390	258	466	246	560

Source: Pension Agency, Ministry of Finance, author's calculations

1 Certain differences in figures can be caused by selecting a different value for inflation estimates or/and a different expected duration of an individual's pension payroll which does not change the general picture.  
2 Total sum of the accumulated pension plan and the social pension provided that the current social pension (GEL 200) is kept unaltered.  
3 Total sum of the accumulated pension and the social pension provided that the social pension increases in line with annual inflation.



## financial News

# An investigation against TBC Bank founders will affect FDI, says TI

Continued from p. 4

positive factor for Georgia's security and integration into NATO and EU.

"The EU also expressed its high interest in the development of Anaklia port. In the framework of Eastern Partnership, € 223 million

resign. Ivanishvili also criticized TBC Bank and blamed Mamuka Khazaradze for his ingratitude".

"In such reality, when we see the actualization of 10 years old case by the Prosecutor's Office against the management of Anaklia Development Consortium, it can decrease the Con-

the Prosecutor's Office is used as a punishment tool by the Government".

"We believe, it is important to proceed this issue without hampering work of TBC Bank and Anaklia Development Consortium. Moreover, the orchestrated attacks by the Government and their affiliate disin-

## FADY ASLY, PRESIDENT OF INTERNATIONAL CHAMBER OF COMMERCE IN GEORGIA SAID THE PROSECUTOR'S OFFICE IS DISCREDITING NATIONAL BANK OF GEORGIA

will be spent for construction of Anaklia port.

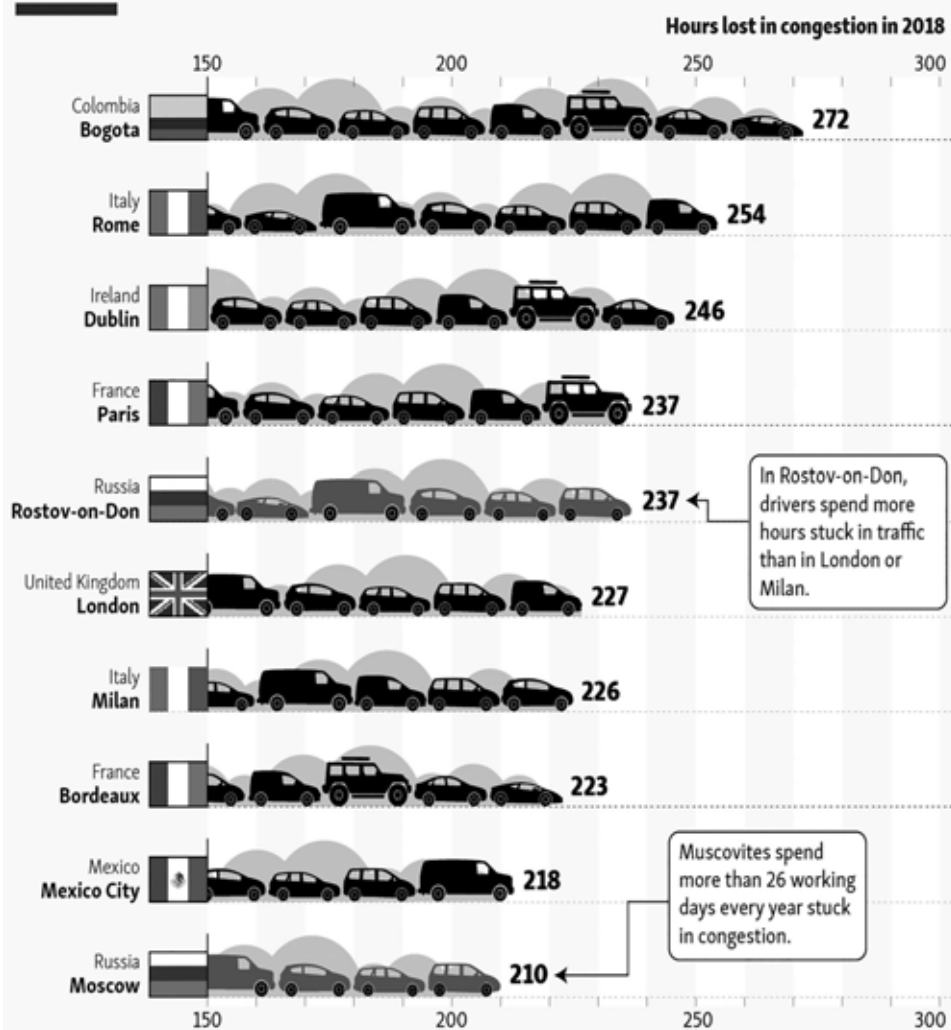
"Anaklia Development Consortium won a tender for development of the port in 2016 when the Prime Minister was Giorgi Kvirikashvili, who expressed its support to the project. Last summer, when Bidzina Ivanishvili officially returned to politics, he harshly criticized Giorgi Kvirikashvili after he had to

sortium's ability to attract investments needed for the project. Moreover, such actions decrease confidence in the Georgian banking sector. The Government is incapable to justify why this case became relevant now and why it has not been investigated earlier. Therefore, legitimate questions raise whether this issue is politically motivated and

formation social network pages should be immediately stopped in order to avoid damaging state interests, hampering the development of the port of high economic and political importance and work of one of the leading Georgian banks. So many unanswered questions cast doubt on the impartiality of justice in Georgia".

## Lost In Congestion

In Bogota, the capital of Colombia, you can spend 272 hours a year stuck in traffic. That is equivalent to 34 working days. These are the world's most congested cities.



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C. Coelho. Source: INRIX Global Traffic Scorecard, 2018

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Weekly Market Watch

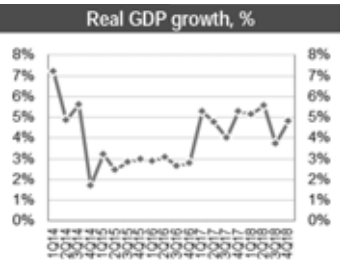


ECONOMY

Exports up 7.2% y/y in January 2019
In January 2019, exports increased 7.2% y/y to US\$ 238.8mn, imports were down 1.1% y/y to US\$ 588.0mn and the trade deficit decreased 6.1% y/y to US\$ 349.2mn according to Geostat's preliminary figures.

Table with 4 columns: Key macro indicators, 2018, 2017, 2016. Rows include GDP (% change), GDP per capita (PPP), GDP per capita (US\$), Population (mn), Inflation (exp), Gross reserves (US\$ bn), CAD (% of GDP), Fiscal deficit (% of GDP), and Total public debt (% of GDP).

Source: Official data, IMF
1) As of 9M18
2) Preliminary estimate



Source: Geostat
Note: Rapid estimate for 4Q18



Source: Rating agencies

International ranking, 2018-19
Ease of Doing Business # 6 (Top 10)
Economic Freedom Index # 16 (mostly free)
Global Competitiveness Index # 66 (improving trend)
Source: World Bank, Heritage Foundation and World Economic Forum

Money transfers up

5.1% y/y in January 2019

In January 2019, money transfers increased 5.1% y/y to US\$ 115.7mn after growing

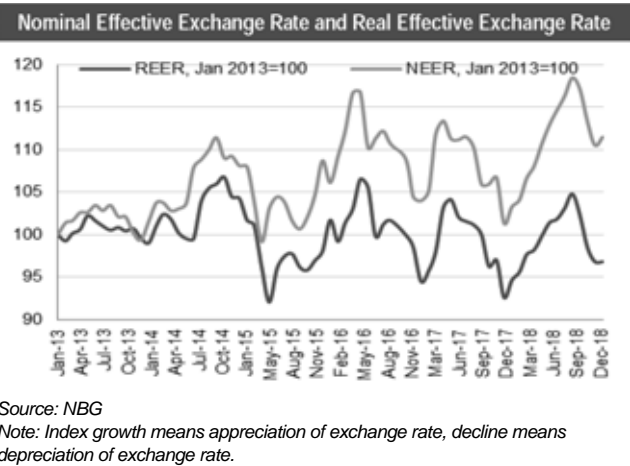
9.1% y/y in previous month, according to NBG. Money transfers were up from the

most remitting countries: Italy (+27.5% y/y, 15.2% of total), Greece (+7.5% y/y,

11.6% of total), Israel (+5.2% y/y, 10.7% of total) and US (+14.8% y/y, 10.6% of total). Meanwhile, remittances were down from Russia (-10.8% y/y, 23.9% of total) and Turkey (-22.2% y/y, 5.9% of total).



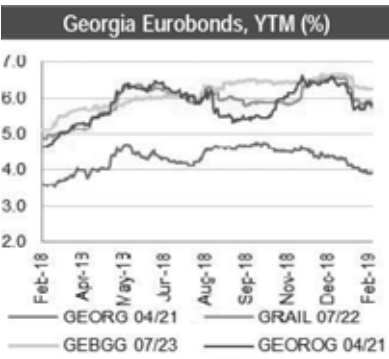
Source: NBG



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 6.3% yield, trading at 98.9 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.5 (-1.0 w/w), yielding 10.5%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.5 (+0.2% w/w), yielding 8.2%.
GEOG Eurobonds (GEOG) were trading at 101.9 (+0.1% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (+0.4% w/w), yielding 5.8%.
Georgian Sovereign Eurobonds (GEOG) closed at 106.1 (-0.1% w/w) at 3.9% yield to maturity.



Source: Bloomberg

Table with 2 main sections: Local bonds and Eurobonds. Columns include Amount, US\$ mn, Issue date, Maturity date, Coupon, %, Fitch/S&P/Moody's, Mid price, US\$, Mid yield, %, and Z-spread, bps.

\* 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

Table titled 'Eastern European sovereign 10-year bond performance' with columns: Issuer, Amount, US\$ mn, Coupon, %, Maturity date, Ratings (Fitch/S&P/Moody), and Mid yield, %.

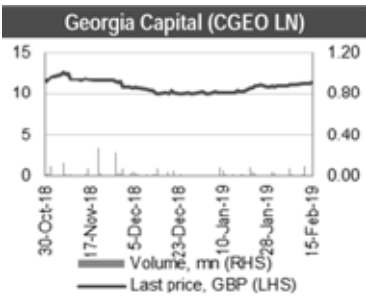
Source: Bloomberg

EQUITIES



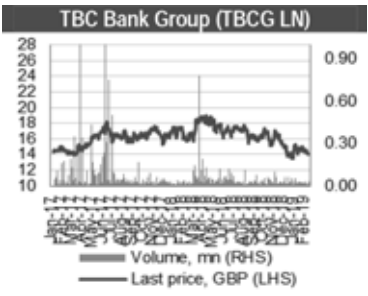
Source: Bloomberg

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.79/share (+5.93% w/w and +7.46% m/m). More than 208k shares traded in the range of GBP 15.81 - 16.90/share. Average daily traded volume was 53k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.85% w/w and 3.08% m/m. The volume of BGEO shares



Source: Bloomberg

traded was at 0.42% of its capitalization. Georgia Capital (CGEO LN) shares closed at GBP 11.30/share (+1.45% w/w and +11.02% m/m). More than 141k shares traded in the range of GBP 11.02 - 11.34/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% of its capitalization. TBC Bank Group (TBCG LN) closed the week at GBP 13.16 (-6.53% w/w and -9.49% m/m). More than 150k shares changed hands in the range of GBP 13.00

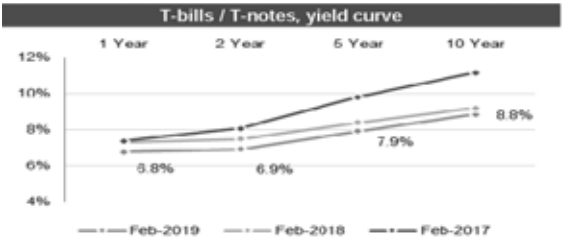


Source: Bloomberg

- 14.52/share. Average daily traded volume was 19k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization. Georgia Healthcare Group (GHG LN) shares closed at GBP 2.32/share (+1.28% w/w and +16.29% m/m). More than 147k shares were traded in the range of GBP 2.22 - 2.59/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.11% of its capitalization.

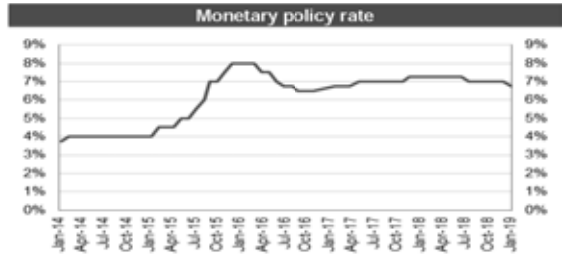
MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 340mn (US\$ 128.6mn).
Ministry of Finance Benchmark Bonds: 2-year GEL 40.0mn (US\$ 15.1mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG



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

on February 12, 2019. The weighted average yield was fixed at 7.032%. The nearest treasury security auction is scheduled for February 26, 2019, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.
Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 7.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 12, 2019. The weighted average yield was fixed at 6.757%.



Source: NBG

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

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# financial News

## Unmet child needs medical 2017

The FINANCIAL --The highest share of children with unmet medical needs was reported in Belgium (8.7%) and Romania (7.4%), followed by Sweden (4.3%), Finland (3.3%) and Czechia (2.7%).

In contrast, the lowest share was reported in Austria (close to 0.0%), Germany (0.1%), and Hungary (0.2%), followed by Spain (0.3%), Croatia (0.4%), Malta (0.5%), Slovakia (0.6%) and Portugal (0.9%).

In 2017, 2.3% of children below 16 did not receive dental care that they needed.

The highest share of children with unmet needs for dental care was reported in Latvia (7.3%), followed by Portugal (6.0%), Spain and Romania (both 5.7%).

However, in seven Member States this rate dropped to less than 1%, namely in Hungary (0.3%), Croatia (0.4%), Germany (0.5%), Luxembourg (0.7%), France, Austria and Slovakia (all 0.9%).

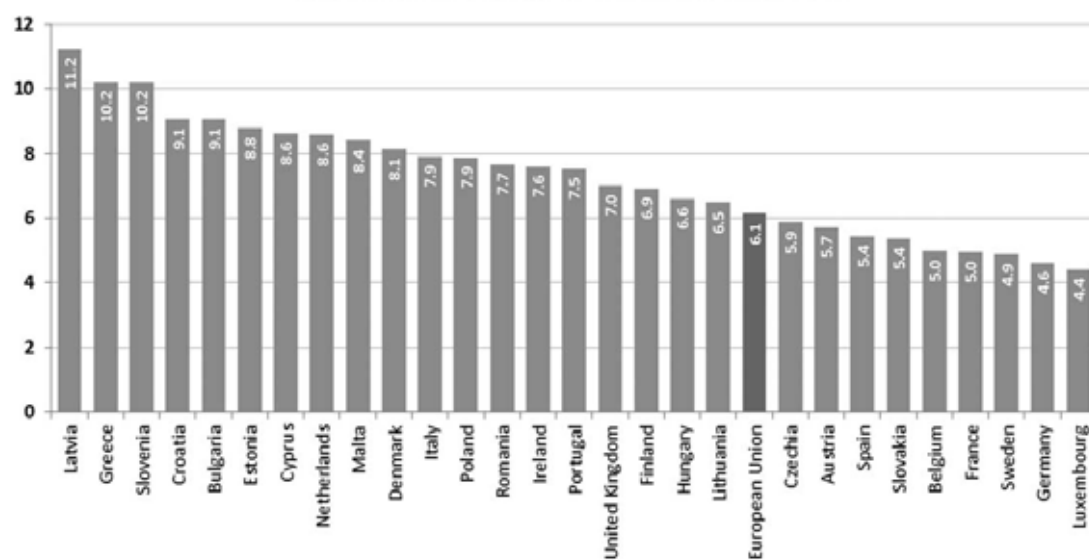
## Which EU countries have the highest marriage rates?

The FINANCIAL -- In 2017, the European Union (EU) countries with the highest number of marriages relative to the population were Lithuania (7.5 marriages per 1,000 inhabitants) and Romania (7.3). These were followed by Cyprus and Latvia (both 6.8) and Malta (6.3).

In contrast, the lowest marriage rates were around 3 marriages per 1,000 inhabitants, which were reported in Slovenia (3.1), Italy and Luxembourg (both 3.2) and Portugal (3.3).

# Environmental taxes in the EU: countries compared

Share of environmental taxes in the EU Member States, 2017  
(as a % of total revenues from taxes and social contributions)



ec.europa.eu/eurostat

The FINANCIAL -- Government revenues from environmental taxes amounted to €369 billion in 2017 in the European Union (EU), compared with €264 billion in 2002. Over the same period, the share of environmental taxes in total government revenues from taxes and social contributions<sup>1</sup> decreased from 6.8 % in 2002 to 6.1 % in 2017.

Taxes on energy accounted for more than three-quarters of the total revenues from environmental taxes (77 % of the total), well ahead of taxes on transport (20 %) and those

on pollution and resources (3 %).

## Highest share of environmental taxes in Latvia, lowest in Luxembourg

The proportion of environmental taxes in total revenues from taxes

and social contributions varied significantly across the EU Member States. In 2017, Latvia had the highest share of environmental taxes (11.2 %), ahead of four other EU Member States with a share of at least 9 %: Slovenia and Greece (both 10.2 %), Croatia and Bulgaria (both 9.1 %).

At the opposite end of the scale, Luxembourg (4.4 %), Germany (4.6 %) and Sweden (4.9 %) recorded the lowest shares of environmental taxes, followed by France and Belgium (both 5.0 %).

## DEG: new business reaches record high of EUR 1.9 billion

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH committed a new record level of EUR 1.9 billion for financing private investments in developing and emerging markets countries (2017: EUR 1.6 billion). DEG's commitments in 2018 enable entrepreneurial investments totalling EUR 9.8 billion to be made. The DEG portfolio grew to EUR 8.4 billion.

Financing for small and medium-sized enterprises, at EUR 967 million, was once again a focus in 2018. In this way, DEG helped to improve the inadequate supply of long-term financing for SMEs in many developing countries. German companies are also an important customer group. Overall new business stood at EUR 456 million, at the same high level as the previous year (EUR 465 million). In addition to loans and equity investments for German companies, this figure also includes financing for local companies acquiring German components, for example. In addition, funds were mobilised through third parties, such as German institutional investors.

DEG has further expanded its service for German companies and their local trading partners, the "German Desk - Financial Support and Solutions", which was initiated in 2017 with local partner banks and chambers of commerce abroad. In 2018 it opened a German Desk in Bangladesh, followed by one in Ghana on 11 February 2019. "The response has been encouraging at all locations. Around 60 financing arrangements have been realised so far," said Laibach.



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# Millennial life: How young adulthood today compares with prior generations

By KRISTEN BIALIK and  
RICHARD FRY

Over the past 50 years – from the Silent Generation's young adulthood to that of Millennials today – the United States has undergone large cultural and societal shifts. Now that the youngest Millennials are adults, how do they compare with those who were their age in the generations that came before them?

In general, they're better educated – a factor tied to employment and financial well-being – but there is a sharp divide between the economic fortunes of those who have a college education and those who don't.

Millennials have brought more racial and ethnic diversity to American society. And Millennial women, like Generation X women, are more likely to participate in the nation's workforce than prior generations.

Compared with previous generations, Millennials – those ages 22 to 37 in 2018 – are delaying or foregoing marriage and have been somewhat slower in forming their own households. They are also more likely to be living at home with their parents, and for longer stretches.

And Millennials are now the second-largest generation in the U.S. electorate (after Baby Boomers), a fact that continues to shape the country's politics given their Democratic leanings when compared with older generations.

Those are some of the broad strokes that have emerged from Pew Research Center's work on Millennials over the past few years. Now that the youngest Millennials are in their 20s, we have done a comprehensive update of our prior demographic work on generations. Here are the details.

## Education

Today's young adults are much better educated than their grandparents, as the share of young adults with a bachelor's degree or higher has steadily climbed since 1968. Among Millennials, around four-in-ten (39%) of those ages 25 to 37 have a bachelor's degree or higher, compared with just 15% of the Silent Generation, roughly a quarter of Baby Boomers and about three-in-ten Gen Xers (29%) when they were the same age.

## Millennials are better educated than prior generations

Gains in educational attainment have been especially steep for young women. Among women of the Silent Generation, only 11% had obtained at least a bachelor's degree when they were young (ages 25 to 37 in 1968). Millennial women are about four times (43%) as likely as their Silent predecessors to have completed as much education at the same age. Millennial men are also better educated than their predecessors. About one-third of Millennial men (36%) have at least a bachelor's degree, nearly double the share of Silent Generation men (19%) when they were ages 25 to 37.

## Among Millennials, women outpacing men in college completion

While educational attainment has steadily increased for men and women over the past five decades, the share of Millennial women with a bachelor's degree is now higher than that of men – a reversal from the Silent Generation and Boomers. Gen X women were the first to outpace men in terms of education, with a 3-percentage-point advantage over Gen X men in 2001. Before that, late Boomer men in 1989 had a 2-point advantage over Boomer women.

## Employment

From Boomers on, most young adult women have worked. Boomer women surged into the workforce as young adults, setting the stage for more Gen X and Millennial women to follow suit. In 1966, when Silent Generation women were ages 22 through 37, a majority (58%) were not participating in the labor force while 40% were employed. For Millennial women today, 72% are employed while just a quarter are not in the labor force. Boomer women were the turning point. As early as 1985, more young Boomer women were employed (66%) than were not in the labor force (28%).

## Earnings of young adults have only increased for the college-educated

And despite a reputation for job hopping, Millennial workers are just as likely to stick with their employers as Gen X workers were when they were the same age. Roughly eight-in-ten each of Millennials ages 22 to 37 in 2018 (79%) and Gen Xers the same age in 2002 (77%) reported working for their current employer at least 13 months. About half of both groups said they'd been with their employer for at least five years.

Of course, the economy varied for each generation. While the Great Recession affected Americans broadly, it created a particularly challenging job market for Millennials entering the workforce. The unemployment rate was especially high for America's youngest adults in the years just after the recession, a reality that would impact Millennials' future earnings and wealth.

## Income and wealth

The financial well-being of Millennials is complicated. The individual earnings for young workers have remained mostly flat over the past 50 years. But this belies

a notably large gap in earnings between Millennials who have a college education and those who don't. Similarly, the household income trends for young adults markedly diverge by education. As far as household wealth, Millennials appear to have accumulated slightly less than older generations had at the same age.

Millennials with a bachelor's degree or more and a full-time job had median annual earnings valued at \$56,000 in 2018, roughly equal to those of college-educated Generation X workers in 2001. But for Millennials with some college or less, annual earnings were lower than their counterparts in prior generations. For example, Millennial workers with some college education reported making \$36,000, lower than the \$38,900 early Baby Boomer workers made at the same age in 1982. The pattern is similar for those young adults who never attended college.

Millennials in 2018 had a median household income of roughly \$71,400, similar to that of Gen X young adults (\$70,700) in 2001. (This analysis is in 2017 dollars and is adjusted for household size. Additionally, household income includes the earnings of the young adult, as well as the income of anyone else living in the household.)

For Millennials and Gen Xers, large education gaps in typical household income. The growing gap by education is even more apparent when looking at annual household income. For households headed by Millennials ages 25 to 37 in 2018, the median adjusted household income was about \$105,300 for those with a bachelor's degree or higher, roughly \$56,000 greater than that of households headed by high school graduates. The median household income difference by education for prior generations ranged from \$41,200 for late Boomers to \$19,700 for the Silent Generation when they were young.

While young adults in general do not have much accumulated wealth, Millennials have slightly less wealth than Boomers did at the same age. The median net worth of households headed by Millennials (ages 20 to 35 in 2016) was about \$12,500 in 2016, compared with \$20,700 for households headed by Boomers the same age in 1983. Median net worth of Gen X households at the same age was about \$15,100.

This modest difference in wealth can be partly attributed to differences in debt by generation. Compared with earlier generations, more Millennials have outstanding student debt, and the amount of it they owe tends to be greater. The share of young adult households with any student debt doubled from 1998 (when Gen Xers were ages 20 to 35) to 2016 (when Millennials were that age). In addition, the median amount of debt was nearly 50% greater for Millennials with outstanding student debt (\$19,000) than for Gen X debt holders when they were young (\$12,800).

## Housing

Millennials without a bachelor's degree more likely to still be living with parents. Millennials, hit hard by the Great Recession, have been somewhat slower in forming their own households than previous generations. They're more likely to live in their parents' home and also more likely to be at home for longer stretches. In 2018, 15% of Millennials (ages 25 to 37) were

living in their parents' home. This is nearly double the share of early Boomers and Silents (8% each) and 6 percentage points higher than Gen Xers who did so when they were the same age.

The rise in young adults living at home is especially prominent among those with lower education. Millennials who never attended college were twice as likely as those with a bachelor's degree or more to live with their parents (20% vs. 10%). This gap was narrower or nonexistent in previous generations. Roughly equal shares of Silents (about 7% each) lived in their parents' home when they were ages 25 to 37, regardless of educational attainment.

Millennials are also moving significantly less than earlier generations of young adults. About one-in-six Millennials ages 25 to 37 (16%) have moved in the past year. For previous generations at the same age, roughly a quarter had.

## Family

Millennials less likely to be married than previous generations at same age. On the whole, Millennials are starting families later than their counterparts in prior generations. Just under half (46%) of Millennials ages 25 to 37 are married, a steep drop from the 83% of Silents who were married in 1968. The share of 25- to 37-year-olds who were married steadily dropped for each succeeding generation, from 67% of early Boomers to 57% of Gen Xers. This in part reflects broader societal shifts toward marrying later in life. In 1968, the typical American woman first married at age 21 and the typical American man first wed at 23. Today, those figures have climbed to 28 for women and 30 for men.

But it's not all about delayed marriage. The share of adults who have never married is increasing with each successive generation. If current patterns continue, an estimated one-in-four of today's young adults will have never married by the time they reach their mid-40s to early 50s – a record high share.

Marriage rate has fallen the most among those with less education. In prior generations, those ages 25 to 37 whose highest level of education was a high school diploma were more likely than those with a bachelor's degree or higher to be married. Gen Xers reversed this trend, and the divide widened among Millennials. Four-in-ten Millennials with just a high school diploma (40%) are currently married, compared with 53% of Millennials with at least a bachelor's degree. In comparison, 86% of Silent Generation high school graduates were married in 1968 versus 81% of Silents with a bachelor's degree or more.

Millennial women are also waiting longer to become parents than prior generations did. In 2016, 48% of Millennial women (ages 20 to 35 at the time) were moms. When Generation X women were the same age in 2000, 57% were already mothers, similar to the share of Boomer women (58%) in 1984. Still, Millennial women now account for the vast majority of annual U.S. births, and more than 17 million Millennial women have become mothers.

## Voting

Younger generations (Generation X, Millennials and Genera-

tion Z) now make up a clear majority of America's voting-eligible population. As of November 2018, nearly six-in-ten adults eligible to vote (59%) were from one of these three generations, with Boomers and older generations making up the other 41%.

Gen Xers and younger generations are the clear majority of eligible voters. However, young adults have historically been less likely to vote than their older counterparts, and these younger generations have followed that same pattern, turning out to vote at lower rates than older generations in recent elections.

In the 2016 election, Millennials and Gen Xers cast more votes than Boomers and older generations, giving the younger generations a slight majority of total votes cast. However, higher shares of Silent/Greatest generation eligible voters (70%) and Boomers (69%) reported voting in the 2016 election compared with Gen X (63%) and Millennial (51%) eligible voters. Going forward, Millennial turnout may increase as this generation grows older.

Generational differences in political attitudes and partisan affiliation are as wide as they have been in decades. Among registered voters, 59% of Millennials affiliate with the Democratic Party or lean Democratic, compared with about half of Boomers and Gen Xers (48% each) and 43% of the Silent Generation. With this divide comes generational differences on specific issue areas, from views of racial discrimination and immigration to foreign policy and the scope of government.

## Population change and the future

By 2019, Millennials are projected to number 73 million, overtaking Baby Boomers as the largest living adult generation. Although a greater number of births underlie the Baby Boom generation, Millennials will outnumber Boomers in part because immigration has been boosting their numbers.

Millennials are also bringing more racial and ethnic diversity. When the Silent Generation was young (ages 22 to 37), 84% were non-Hispanic white. For Millennials, the share is just 55%. This change is driven partly by the growing number of Hispanic and Asian immigrants, whose ranks have increased since the Boomer generation. The increased prevalence of interracial marriage and differences in fertility patterns have also contributed to the country's shifting racial and ethnic makeup.

Looking ahead at the next generation, early benchmarks show Generation Z (those ages 6 to 21 in 2018) is on track to be the nation's most diverse and best-educated generation yet. Nearly half (48%) are racial or ethnic minorities. And while most are still in K-12 schools, the oldest Gen Zers are enrolling in college at a higher rate than even Millennials were at their age. Early indications are that their opinions on issues are similar to those of Millennials.

Of course, Gen Z is still very young and may be shaped by future unknown events. But Pew Research Center looks forward to spending the next few years studying life for this new generation as it enters adulthood.



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It's my pleasure to welcome participants of the 5th CSR Forum organized by The FINANCIAL. Corporate Social Responsibility has become one of the standard business practices in Europe and United States which ensures sustainable development of companies, communities and the environment they work and live in. It is important for this standard to be set soon in Georgia. The aim is to achieve a positive impact on society as a whole while maximising the creation of shared value for the owners of the business, its employees, shareholders and stakeholders. The dialogue and cooperation between interested parties and stakeholders have a great importance for reaching these goals. To reach these goals, dialogue and cooperation between interested parties is of great importance. Society should be informed about the impact that business can have on its wider environment. And the CSR Forum is the best platform for such discussions.\*

Salome Zurabishvili  
President of Georgia

Unofficial translation. Original message was written in Georgian.