

# FactCheck

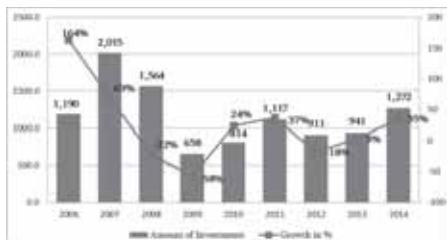


## Irakli Alasania: Free Democrats Party Leader



### The amount of investments has decreased catastrophically and is at its lowest level in the past five-to-six years

Teona ABSANDZE FactCheck Chart 2: Amount of Foreign Direct Investments and Percentage Growth from 2006 to 2014



On 11 June 2015, the Free Democrats held a presentation of their party's economic views. The Party Leader, Irakli Alasania, focused, among other things, upon the amount of investments in the country. "The amount of investments has decreased catastrophically and is at its lowest level in the past five-to-six years," said Mr Alasania.

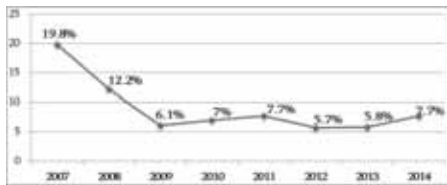
FactCheck took interest in this statement and analysed the dynamics of the influx of foreign investments.

According to the data of the National Statistics Office of Georgia, the amount of foreign direct investments to Georgia amounted to USD 175 million in the first quarter of 2015 which is 34% lower as compared to the same period of the previous year. These numbers also fall significantly short as compared to the data of the same periods from 2011 to 2013. As for the indicators of percentage growth (or decrease), such low numbers have not been recorded in the first quarter of the year since 2009 (the global financial crisis and the aftermath of the 2008 August war).

According to the statistical data from 2006 to 2014, the

highest levels of foreign direct investments were recorded in 2007 and 2008 whilst the highest growth rates were in 2006 and 2007. Even though the amount of investments increased significantly (35%) in 2014 and amounted to USD 1,272 million, it still falls significantly short as compared to the levels of 2007 and 2008. In order to determine the real changes in the amount of investments it is necessary to see the ratio of the foreign direct investments to a country's GDP. In general, the greater a country's GDP, the greater amount of investments it needs to reach a high level of economic growth. The largest ratio of foreign direct investments to Georgia's GDP was recorded in 2007 and 2008.

Chart 3: Ratio of Investment to the GDP from 2007 to 2014



## CONCLUSION

THE AMOUNT OF FOREIGN DIRECT INVESTMENTS IN THE FIRST QUARTER OF 2015 DECREASED BY 34% AS COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR AND AMOUNTED TO USD 175 MILLION. THE AMOUNT OF INVESTMENTS ALSO DECREASED AS COMPARED TO THE SAME PERIODS FROM 2011 TO 2013. IN ADDITION, SUCH A DECREASE IN INVESTMENTS (-34%) HAS NOT BEEN RECORDED SINCE 2009.

THE RATIO OF THE INVESTMENTS TO A COUNTRY'S GDP IS THE BEST MEASURING TOOL FOR THE AMOUNT OF INVESTMENTS. ACCORDING TO THE DATA FROM 2006 TO 2014, THE HIGHEST SHARE OF FOREIGN DIRECT INVESTMENTS IN GEORGIA'S GDP WAS RECORDED IN 2007 - 19.8% AND 2008 - 12.2%. THE RATIO OF INVESTMENTS TO THE GDP DECREASED SIGNIFICANTLY IN THE FOLLOWING YEARS.

HOWEVER, IT SHOULD ALSO BE NOTED THAT THE AMOUNT OF INVESTMENT GREW BY 35% IN 2014 AND AMOUNTED TO USD 1,272 MILLION WHICH WAS THE HIGHEST INDICATOR SINCE 2008. HENCE, FACTCHECK BELIEVES THAT THE ASSESSMENT OF THE LEADER OF THE FREE DEMOCRATS THAT THE AMOUNT OF INVESTMENTS HAS DECREASED "CATASTROPHICALLY" IS EXCESSIVE. FACTCHECK CONCLUDES THAT IRAKLI ALASANIA'S STATEMENT IS MOSTLY TRUE.

**HALF TRUE**

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# Almost a quarter of all UK households renting privately by 2025 and over half of 20-39 year olds



## The FINANCIAL

UK GDP growth is expected to average around 2.6% in 2015, easing slightly to 2.4% in 2016. There will also be a greater number of (mostly older) people than ever before owning their home outright - almost 35% of all households by 2025.

But the total UK owner occupation rate is projected to fall from a peak of nearly 70% before the financial crisis to around 60% of households by 2025.

House price growth projected to moderate to around 5% per annum, but the average UK house could be worth around £360,000 by 2020.

As house prices have risen much faster than earnings and social housing supply remains constrained, the number of households in the private rented sector has more than doubled since 2001, and this trend is predicted to continue with an additional 1.8 million households becoming private renters by 2025. This would take the total to 7.2 million households - almost one in four of the UK total in 2025. The trend is particularly strong in the 20-39 'Generation Rent' age group where more than half will be renting privately by 2025, according to PwC analysis in its latest UK Economic Outlook report.

Also by 2025, PwC analysis finds that there could be slightly more people renting

privately than owning with a mortgage. The number of households who own their home with a mortgage fell from around 10 million in 2001 to only around 8 million in 2014. This is projected to decline further to just under 7.2 million by 2025 as limited housing supply and mortgage availability make it harder for first time buyers to get on the housing ladder.

The good news is that there will also be record numbers of people owning their own home outright. This accounts now for 8.4 million households and PwC projects this will rise to 10.6 million households by 2025, around 35% of the total. A key driver is the rising proportion of over 60 year olds in the UK, who are far more likely to have paid off their mortgages.

"Driven by a decade of soaring house prices pre-crisis and lower loan-to-value ratios post-crisis, the deposits needed by first time buyers have risen significantly. As a result, a generation of private renters have emerged and this will increasingly be the norm for the 20-39 age group", Richard Snook, senior economist at PwC, said.

"There is also a rising dichotomy in the market between those (mostly older) households who own outright and those (mostly younger) households who still have a mortgage or rent to pay.

"Overall, we project that the proportion of owner occupiers, with or without a mortgage, will decline from

its peak of around 70% in the mid-2000s to only around 60% in 2025. The long rise in the UK owner occupation rate in the post-war years seems to have gone into reverse."

"In the long run, a large and sustained increase in affordable housing supply will be required to meet the needs of a UK population that is growing relatively rapidly by European standards. This could involve a range of measures including further planning reform, action to address skills shortages in the housebuilding sector and enhanced financial incentives to build more homes. But cuts to social rents announced in the Budget will tend to work against this for local authorities and housing associations, while private developers may be cautious about expanding too rapidly," John Hawksworth, chief economist at PwC, added.

"So we expect housing supply shortages to persist for at least the next decade and realistically expect to see a continuing rise in Generation Rent until at least 2025."

UK house price growth has moderated since last summer, particularly in London. But persistent lack of supply means that medium-term UK house price growth is projected by PwC to average just over 5% per annum over the period to 2020. This implies that the average residential property in the UK could be worth around £279,000 in 2015, rising to around £360,000 by 2020.

## Convenient new service in ProCredit Bank's 24/7 Zones

ProCredit Bank has recently added convenient new drop-boxes to its 24/7 Zones. The boxes enable our clients to deposit money into their current accounts quickly and safely, and the deposit is automatically credited to the account upon completion of the operation.

The drop-boxes are especially convenient for our business clients, because they can have representatives of the company as well as third persons (distributors, dealers) deposit large sums of money into their accounts in a comfortable environ-

ment 24 hours a day.

The drop-boxes are easy to use. You simply put the desired sum in a special package, select the account into which you wish to deposit the money on the device screen, enter the amount on screen and put the package into the drop-box. The sum will automatically be credited to the indicated account.

The drop-boxes are available at 10 branches. Detailed information on how to use them is available in brochures at our branches and on our website.

"We hope that this new

service will be useful for our business clients, who often have to deposit money on their accounts several times per day. We know how precious their time is, so our new equipment was designed to fit their needs: The drop-boxes are fast, flexible, convenient and of course safe. Our 24/7 Zones now offer more functions, but we're not stopping there. We are working on innovations to make the remote transaction channels more perfect, comfortable and flexible," explains Asmus Rotne, the General Director of ProCredit Bank.

# Electricity Tariff Hike in Regions

An employee of Energo-Pro Georgia, power distributor company in the regions, installs electricity meter. Photo from the company's website

Over one million customers of Energo-Pro Georgia power distributor company will see electricity tariff increase by 3.95 tetri (about 1.75 U.S. cents) per kWh starting from August 1, prompting the government to consider subsidies for socially vulnerable households.

Energo-Pro Georgia, which is part of the private Czech group Energo-Pro, is the largest electricity distributor in the country with 63% of market share, supplying electricity to customers in the regions, except of Kakheti.

The Energy and Water Supply Regulatory Commission approved tariff hike for Energo-Pro at a session on July 23, but the new tariff falls short of the increase requested by the company, which was citing its surging expenses caused by depreciation of the Georgian currency lari.

A Tbilisi electricity distributor Telasi, in which Russia's state-controlled power trader Inter RAO holds 75.1% of shares, has followed suit and filed a request with the regulator on July 23 also asking for a tariff increase for its customers in the capital city. It too has cited the depreciation of the GEL as the need for the hike. The GEL has lost over 28% of its value against U.S.

dollar since November, 2014. A three-step electricity tariff scheme is in force in Georgia and rates depend on how much electricity is consumed by customers per month.

Georgia's electricity tariff was last revised in January, 2013, when the rate for some category of households were reduced, which was one of the pre-election campaign promises of the Georgian Dream ruling coalition.

After the energy regulator agency's July 23 decision, the first-step tariff for Energo-Pro customers, applying to households which consume less than 101 kWh electricity per month, will go up from current 9 tetri (about 4 U.S. cents as of July 23) to 12.95 tetri (about 5.75 cents). This first-step tariff also applies to those households, who have no individual meters and are connected to common electricity meters. With this increase the first-step tariff will now go back to its pre-2013 level when it stood at 12.98 tetri.

The second-step tariff, applying to customers who consume between 101 and 301 kWh electricity per month, will be 16.93 tetri per kWh instead of current 12.98 tetri. The increased tariff is slightly more than pre-2013 tariff of 16.52 tetri.

The third-step tariff, applying to customers who consume more than 301 kWh of electricity per month, will increase from current 17.5 to 21.45 tetri per kWh. Tar-

iff decrease did not apply to this category of consumers in 2013.

"This is a fair tariff, which will guarantee uninterrupted and reliable electricity supply to customers," said Irina Milorava, chairperson of the Energy and Water Supply Regulatory Commission.

She added that the tariff increase was caused by a hike in distributor company's expenses for purchasing imported electricity and electricity generated by gas-fired power station, attributed to depreciation of lari.

In a separate decision on July 22, the regulatory commission authorized tariff increase on electricity generated by gas-fired power plants, operated by three companies, one of which is Energo-Pro's subsidiary. Energo-Pro Georgia also operates about dozen of small and medium-sized hydro power plants.

Speaking at a government session earlier on July 23, PM Irakli Garibashvili said: "If the tariff is changed and increased, the government will do everything in order to ease burden for the people and there definitely will be subsidies for socially vulnerable families, for those who need it most."

The government has yet to elaborate a detailed scheme on how the increased tariff will be subsidized and how much funding it will require from the state budget.

Source: Civil.ge



## Otar Danelia:

Minister of Agriculture of Georgia



"The export of wine decreased. However, without a market diversification, we could have had much worse indicators."

Veriko SUKHIASHVILI  
FactCheck

The Minister of Agriculture of Georgia, Otar Danelia, emphasized the growth of the volume of processed grapes and stated: "The amount of export equals 8 million in 2015. This is less than the number registered in the same period of the previous year. However, we could have been in a much greater catastrophic situation if not for the policy which we conduct and encourage. This policy is market diversification"

FactCheck addressed the Ministry of Agriculture and requested the respective information.

As illustrated in the table, the volume of processed grapes for industrial purposes has risen sharply. As compared to 2009 (23,000 tonnes) the amount of processed grapes in 2014 (124,606 tonnes) has registered an almost five-fold increase. Additionally, to take the year 2012, as named by the Minister himself and compare it to 2014, we shall see that the amount of processed grapes more than doubled from 54,000 tonnes to 124,606 tonnes.

According to the decision of the Government of Georgia, wine companies are given subsidies as a means of supporting grape farmers to sell their produce. The amounts were as follows for 2013: GEL 0.4 per 1 kilo of Rkatsiteli and Kakhuri Mtsvane grapes and GEL 0.15 per 1 kilo of Saperavi grapes. In 2014, the subsidies for white wine grapes decreased slightly and dropped to GEL 0.35 for Rkatsiteli grapes and Kakhuri Mtsvane grapes whilst the subsidy for red wine grapes remained the same at GEL 0.15 per 1 kilo. There were no subsidies for Aleksandrouli and Mujuretuli

(Racha grape types) in 2013-2014 because these particular grapes already have a high market price.

To study the issue even further, FactCheck looked into wine export as well. According to the data of the Georgian National Wine Agency, the amount of export to 46 different countries of the world in 2014 comprised 59,067,335 bottles (one bottle is equal to 0.75 litre in volume) which constitutes a 26% increase as compared to 2013. The export income from wine in 2014 amounted to USD 184,927,801 which is 30% more than the number registered in 2013. In the first quarter of 2015, the amount of wine export comprised 5,100,184 bottles which constitutes a 67% decrease as compared to the same period (15,455,103 bottles) of 2014.

As illustrated by the data, wine export has been growing annually since 2010 and reached its maximum in 2014. In 2014, there were 37,615,052 bottles of wine exported to Russia's market which constituted 63% of the total wine export. However, in the first quarter of 2015, wine export registered a 67% decline as compared to the same

period of the previous year. The amount of Georgian wine export to Russia and Ukraine decreased by 83% and 63%, respectively, in 2015 as compared to the same period of the previous year.

In the period 2010-2014, Georgian wine was exported to 61 different countries in total. In 2013-2014, after the abolition of the Russian embargo on Georgian wine, Russia moved to the first place with a great margin: it imported 22,997,170 bottles (49% of Georgia's total wine export) in 2013 and 37,615,052 bottles (63% of Georgia's total wine export) in 2014. The other top four countries are the same: Ukraine, Kazakhstan, Belarus and Poland. According to the information of the Georgian National Wine Agency, Russia's share in Georgia's wine export constituted 71% in the first quarter of 2014. At the end of the year, a decrease in Russia's share occurred as a result of export market diversification and the growth of wine export to other countries. As of the first quarter of 2014, Georgian wines were exported to 23 different countries whilst the number reached 46 by the end of the year.

Table 1: Volume of Processed Grapes for Industrial Purposes in 2009-2014

Year	2009	2010	2011	2012	2013	2014
Volume of Processed Grapes (tonnes)	23,000	23,000	43,500	54,000	92,773	124,606

Table 2: Price of Red and White Grapes for Wine Factories in 2010-2014 (GEL)

Year	2010	2011	2012	2013	2014
White	0.60	0.70	1	1	1
Red	0.80	1	1	1.30	1.95
Racha (Red)	3	3	4	8	8

Table 3: Wine Export in 2010-Quarter I of 2015 (1 bottle = 0.75 litre)

Year	2010	2011	2012	2013	2014	2015 IQ
Wine Export (bottles)	15 million	19 million	23 million	46 million	59 million	5 million

# Georgia has Second Highest Unemployment Rate out of Post-Soviet States

Continued from p. 4

- 4,500 units. Big companies such as Silknet, TBC Bank, Telasi, Rustavi Azoti, Sokar, Goodwill and etc. were listed as well.

Bank of Georgia, one of the leading Georgian banks, also regularly publishes new vacancies on its private career webpage: jobs.bog. ge. Currently there are 21

job positions offered by the Bank: Junior Sales Manager (Zugdidi); Sales Consultant; Credit Expert (Zestafoni); Senior Credit Expert (Zestafoni); Security Administrator/Watchman (Batumi, Zestaponi, Tkibuli, Zugdidi, Poti, Marneuli); PHP Developer; Junior Sales Manager; Expert-Estimator (Batumi, Zugdidi); SOLO Lounge Manager; Security Administrator; SOLO Banker (Batumi); Ju-

nior SOLO Banker (Batumi); Express Teller-Operator (Batumi, Kobuleti, Shukavei, Rustavi, Bolnisi, Marneuli, Khashuri, Zestaponi, Abasha, Chkhorotsku); Quantitative Developer (Tbilisi); Sales Consultant; Express Teller-Operator (Tbilisi); Leading Corporate Banker (Tbilisi); SOLO Banker (Tbilisi); Corporate Banker (Tbilisi); Junior SOLO Banker (Tbilisi); and Sector Head (Tbilisi).

# PASHA Bank - General Sponsor of International Chess Festival "Nana Aleksandria Cup"

Poti hosted 10<sup>th</sup> International Chess Festival with General Sponsorship of PASHA Bank. The festival is held annually under the auspices of Ms. Nana Aleksandria, a world chess legend, two times world vice-champion, 12 times winner of world chess Olympics.

PASHA Bank has been sponsoring the chess festival for two years in a row. The festival has been organized since 2006 by Poti Local Municipality. It consists of tournaments in 10 different categories between juniors

as well as adult professional chess players.

The festival is the biggest in Caucasus by volume and the most important one considering the caliber participants - many top rated male and female chess players. The festival is listed in the annual calendar of world chess federation FIDE. The chess games are transmitted live via internet enabling chess aficionados world-wide to watch them in real time.

"One of the main characteristics of our business approach is the fact that we are oriented on long-term part-

nerships. PASHA Bank has been operating in Georgia since 2013 and it is the second year in row that we are the General Sponsor of the chess festival. This sport has always been popular in Georgia and there are world-class Georgian chess players who have achieved international recognition and ultimate success. We hope that this tradition will continue and festivals like this will encourage and motivate young people to develop their skills in chess and beyond," commented the CEO of PASHA Bank, Mr. Shahin Mammadov.

## CONCLUSION

FACTCHECK CONCLUDES THAT THE STATEMENT OF THE MINISTER OF AGRICULTURE OF GEORGIA IS MOSTLY TRUE.

MOSTLY TRUE



EUROPEAN ENDOWMENT FOR DEMOCRACY

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



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