

FactCheck



Irakli Gharibashvili:

Prime Minister of Georgia



“About a hundred new hotels have been opened in Georgia since our government assumed office.”

Giorgi GATENASHVILI
FactCheck

At the opening ceremony of the Mercure Tbilisi Old Town hotel, the Prime Minister of Georgia, Irakli Gharibashvili, stated that about a hundred new hotels have been opened in Georgia since the Georgian Dream coalition government assumed office.

FactCheck took interest in the accuracy of Mr Gharibashvili's statement and looked into it.

In order to determine the number of hotels in operation, we addressed the National Statistics Office of Georgia, requesting information about the number of opened hotels and hotel-type facilities from 2010 to 2015. A total of 367 hotels were opened from 2010 to 2013, 33 of which were built with the participation of a foreign investor. In these years, the largest number of hotels (117, ten with the participation of a foreign investor) was opened in 2011 whilst the lowest number was opened (78, six with the participation of a foreign investor) in 2010. A total of 88 hotels were opened in 2012 (seven with the participation of a foreign investor) and 84 in 2013 (ten with the participation of a foreign investor).

As we can see, the chart does not reflect the number of hotels opened in 2014 and 2015. The National Statistics

Office of Georgia explained that this information is not yet available as it is currently being processed. However, the National Statistics Office managed to provide us with the number of finished hotel constructions. Hence, the statistics shown in Chart 2 reflect the number of finished hotel constructions and not the number of those actually opened. According to the data of the National Statistics Office of Georgia, the construction of a total of 204 hotels was concluded from 2010 to July 2015, comprising a total area of 462,578 square me-

tres. Of these particular years, the largest number of hotel constructions was finished in 2014 (61) whilst the lowest amount was finished in 2010 (15). These numbers were 30 and 32 for 2011 and 2012, respectively, and 49 in 2013. The construction of 17 hotels was finished from January to June 2015.

The National Statistics Office does not yet possess information about how many of the constructed hotels were actually opened. Hence, the number of finished hotel constructions and the number of opened hotels are different.

Chart 1: Number of Opened Hotels and Hotel-Type Facilities by Years

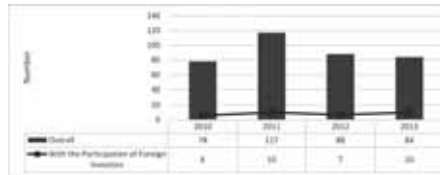
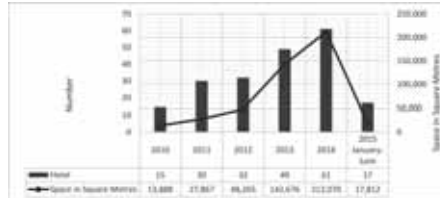


Chart 2: Number of Finished Hotel Constructions from 2012 to 2015



CONCLUSION

AT THE OPENING CEREMONY OF THE MERCURE TBILISI OLD TOWN HOTEL, THE PRIME MINISTER OF GEORGIA, IRAKLI GHARIBASHVILI, STATED THAT ABOUT A HUNDRED NEW HOTELS HAVE BEEN OPENED IN GEORGIA SINCE THE GEORGIAN DREAM COALITION GOVERNMENT ASSUMED OFFICE. STATISTICAL DATA SHOW THAT A TOTAL OF 283 HOTELS WERE OPENED FROM 2010 TO 2012 (2010 – 78, 2011 – 117 AND 2012 – 88). A TOTAL OF 84 HOTELS WERE OPENED IN 2013. AS FOR 2014 AND 2015, THE STATISTICS OF OPENED HOTELS FOR THESE YEARS HAVE NOT YET BEEN COMPILED AND THE NATIONAL STATISTICS OFFICE WAS ONLY ABLE TO PROVIDE US WITH THE NUMBER OF COMPLETED HOTEL CONSTRUCTIONS. ACCORDING TO THE NATIONAL STATISTICS OFFICE, THE CONSTRUCTION OF A TOTAL OF 78 HOTELS WAS FINISHED IN 2014 AND 2015.

FACTCHECK CONCLUDES THAT IRAKLI GHARIBASHVILI'S STATEMENT IS TRUE.

TRUE



EUROPEAN
ENDOWMENT & DEMOCRACY



The German Marshall Fund
of the United States



Kingdom of the Netherlands

STRENGTHENING TRANSATLANTIC COOPERATION

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Small Business Owners Say Growth Is Their Top Priority



The FINANCIAL -- A large majority (72%) of small business owners are prioritizing growth according to the inaugural American Express OPEN Small Business Growth Pulse, a survey of 1,000 small businesses with \$250,000 or more in annual revenues. Roughly two-thirds of surveyed small business owners (65%) created a formal plan for growing their business.

However, growth itself has both positive and negative connotations for small business owners, as almost half (49%) say that generating ideas for growing their business "keeps them up at night," followed closely (36%) by concerns about cash flow issues. An overwhelming majority (93%) say they are confident they can access the funding they need to grow their business.

"Access to working capital becomes critically important as small businesses look to pursue both expected and unexpected opportunities to grow their business," said Janey Whiteside, SVP & GM Customer Marketing & Relationship Management, American Express OPEN. "When consid-

ering options to help fund their business, surveyed small business owners reported that low fees and interest are the most important factor, followed by trust and security of the provider and easy access to funds."

SLOW AND STEADY WINS THE RACE

While small businesses are prioritizing growth, the approach they take to pursue it varies. The most popular approach is a cautious one where "slow and steady wins the race" (63%). One quarter (25%) take an aggressive approach and "take the bull by the horns" as they look to develop their business.

Nearly half (48%) of all business owners say they have grown their business "significantly" since its inception. Among those who have experienced growth, four in ten (41%) say the majority of their growth has been planned, while less than three in ten say their growth was organic or spontaneous (27%).

Increasing Customers Is Key; New Markets & Diversifying Products and Services Are Top Growth Opportunities

Business owners recognize that customers are a vital ingredient in their recipe for growth with 26% of survey respondents saying that increasing customers is the most important aspect of business growth, followed closely by increasing revenue (24%) and increasing profits (23%).

When looking at avenues to pursue growth, one-third cite expansion into new markets (33%) and diversifying products and services (33%) as their largest growth opportunities.

As business owners take initiative and seek out opportunities for growth, they look to their peers for advice. Roughly half (49%) reported proactively seeking out opportunities for growth by networking with like-minded small business owners and business experts. In fact, 41% indicated networking yields the greatest return for growth compared to marketing or advertising activity.

FOR SALE

9,8 ha non-agricultural, privately owned parcel for industrial use (cadaster code # 01.19.26.004.088) located next to Tbilisi Airport

Address: Airport settlement, Samgori district, Tbilisi
Tel: +995 599 529 529
info@cei.ge



Invitation to Participate in the Sales Procedures Announced by the Embassy of the Republic of France in Georgia on the Sale of 3933 sq/m Land Plot Located in the Center of Tbilisi

The Embassy of the Republic of France in Georgia has announced a Sales Procedures on the sale of land plot located adjacent to the Rustaveli Avenue at 4 Khazina St., Tbilisi, Georgia. The land plot has the following characteristics: cadastral code – 01.15.04.007.010; total area of the land plot - 3933 sq/m. The land plot qualifies as type 2 recreational zone with the following coefficients: K1=[0,2], K2=[undefined] and K3=[Undefined].

Please, take into account that the Sales Procedures will be conducted in accordance with the Rules for Submission of Offers available on the web-page of the Embassy: ambafrance-ge.org, or by e-mail request at contact.tbilissi-amba@diplomatie.gouv.fr. The interested Parties shall submit their Expression of Interest in a form and to the addressee(s) envisaged in the Rules for Submission of Offers..

In case of additional questions, please, contact [the consul or his representative] at the following e-mail [contact.tbilissi-amba@diplomatie.gouv.fr] or call at [(00 995 32) 272 14 90] from Monday to Friday from 9:30 AM till 12:30 PM.

The Expression of Interest shall be submitted to the Contact Person indicated above no later than 15th of October 2015.

Annual growth in labour costs down to 1.6% in euro area

The FINANCIAL

Hourly labour costs rose by 1.6% in the euro area (EA19) and by 1.9% in the EU28 in the second quarter of 2015, compared with the same quarter of the previous year. In the first quarter of 2015, hourly labour costs increased by 1.9% in the euro area and by 2.3% in the EU28. These figures are published by Eurostat, the statistical office of the European Union.

The two main components of labour costs are wages & salaries and non-wage costs.

In the euro area, wages & salaries per hour worked grew by 1.9% and the non-wage component by 0.4%, in the second quarter of 2015 compared with the same quarter of the previous year. In the first quarter of 2015, the annual changes were +2.0% for wages & salaries and +1.4% for non-wage costs. In the EU28, hourly wages & salaries rose by 2.1% and the non-wage component by 1.1% in the second quarter of 2015. In the first quarter of 2015, annual changes were +2.4% and +2.1% respectively.

In the second quarter of 2015 compared with the same quarter of the previous year,

hourly labour costs in the euro area rose by 2.0% in industry, by 1.1% in construction, by 1.5% in services and by 1.4% in the (mainly) non-business economy. In the EU28, labour costs per hour grew by 2.1% in industry, by 1.9% in construction, by 2.0% in services and by 1.6% in the (mainly) non-business economy.

In the second quarter of 2015, the highest annual increases in hourly labour costs for the whole economy were registered in Latvia (+7.9%), Romania (+7.7%), Bulgaria (+6.8%), Estonia (+5.5%) and Lithuania (+4.3%). Decreases were recorded in Greece (-2.9%), Cyprus (-1.2%) and Italy (-0.4%).

Subsidiaries of the VTB Group Concluded International Factoring Deal

Subsidiaries of the VTB Group concluded a deal, with the two-factors factoring model, where VTB Bank (Georgia) granted one of the leading Georgian wine manufacturer, "Marniskari" a 1,200,000 GEL limit, and the VTB Factoring took upon itself risks of debtors.

Factoring is a financial instrument, where the basis for the financing is purchasing of Client's (Seller's) accounts receivable by the Factor (the Bank).

Factoring service grants the buyer opportunity of deferred payment when purchasing goods or services, and the seller can receive remuneration for supplied goods and delivered services immediately upon their provision.

Moreover, factoring is a complex service. Besides financing, it also envisages insuring of non-payment risk, as well as information gathering and analyzing services.

CEO of the VTB Bank (Georgia), Archil Kontselidze, noted:

"For Georgian companies, International factoring is an effective instrument for minimizing risks, as well as an instrument for unsecured financing. Conclusion of the deal was made possible thanks to efficiently fine-tuned cooperation scheme within the VTB Group."

"Our company exports goods to Turkey, Ukraine, Belorussia, Estonia, Kazakhstan, Canada and other countries.

We were one of the first companies to supply wine to Russia after removal of limitations in 2013. Russian market is strategically important for us. I am sure, using immense possibilities of the VTB Group will give us opportunity to strengthen our positions on the Russian market and will promote enlarging capacities of the business" – stated the head of "Marniskari", when commenting conclusion of the deal.

CEO of the VTB Factoring, Anton Musatov, commented the following: "Georgian wine is considered one of the best in the world. By supporting Georgian winemakers and Russian retailers, we promote supply of the highest quality wine to the international market."



Giorgi Kvirikashvili:

"What we see now with respect to GEL is the result of agiotage."

Beso NAMCHAVADZE
FactCheck

On 25 August 2015, at the session of the Government of Georgia, the Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili, said the following with regard to the depreciation of GEL: "We have all the reasons to assume that everything that we have seen in the last couple of days with respect to GEL is solely the result of agiotage."

Factcheck verified the accuracy of Giorgi Kvirikashvili's statement.

The GEL exchange rate is affected by the incoming and outgoing influx of USD, the amount of GEL in circulation and the level of demand for GEL. Besides the economic processes (the need for USD or GEL), the expectation of the population also determines which currency will be more in demand. If the population expects the depreciation of GEL, they will purchase USD and in this manner further encourage the depreciation of GEL. This practise is referred to as agiotage when there is no immediate danger of a significant depreciation of a currency due to economic processes but the currency continues to rapidly depreciate because of a high demand on foreign currency owing to pessimistic expectations.

The amount of incoming and outgoing USD is reflected in a country's current account balance. At the present moment, only the data of the first quarter of 2015 are available which indicate that the amount of USD having entered Georgia from January to March 2015 was USD 185 million less than the amount of USD which left Georgia.

The current account balance of the first two quarters will be published at the end of September whilst the results of the three quarters will be published in September. Therefore, it is impossible to thoroughly calculate the amount of incoming and outgoing USD in the period of January-August. However, the

data with regard to two very important money sources, namely, foreign trade and remittances, are published upon a monthly basis and are available, including July's data.

Georgia's current account balance is usually negative. After the decrease in exports since August 2014, the situation has become even worse. It has already been a year since the Georgian economy started to decrease. In the first seven months of 2015, the volume of export decreased by USD 397 million whilst imports dropped by USD 511 million. In total, the current account balance for the first seven months of 2015 improved by GEL 114 million and equalled minus USD 3,036 million.

The amount of remittances started to decline from October 2014 and dropped by USD 270 million in total, including July 2015 (10 months). Of this, a USD 202 million decrease was registered in the first seven months of 2015.

In January-July, the total income from privatisation reached GEL 46 million which is approximately USD 20 million. At the end of February 2015, Mr Kvirikashvili stated that the government had a plan of specific measures which would have resulted in USD 250-300 million in the nearest future.

To see a bigger picture of the situation in the country with regard to the incoming and outgoing influxes of USD in addition to the current account balance and remittances indicators, we need to analyse the information on revenues gained from tourism together with investment and loan capital. Information on the investment and loan capital will be calculated and published in a few months. According to the data of the first quarter of 2015, foreign direct investments dropped by 43%. In the first quarter of 2014 the amount of revenue from tourism was USD 10 million less as compared to the first quarter of 2014.

In regard to the amount of GEL in circulation, reserve money decreased by 8.2% as compared to December 2014. Reserve money is cash emitted

by the National Bank of Georgia. If we look at the M2 monetary aggregate (total sum of cash and deposits outside the banks) of the national currency decreased by 3.4% as compared to December 2014. Naturally, it was possible to decrease the amount of GEL in circulation even further but, in this case, a recession in the Georgian economy was inevitable – at least for a certain period of time – and the artificial appreciation of GEL would not have resulted in a decrease in the negative current account balance.

The state budget also had an impact upon the GEL exchange rate in August. In the last month, GEL 90 million was spent from the budget balance to fund the state budget deficit. This means that budgetary expenditures have considerably increased the amount of GEL in circulation.

The GEL exchange rate was characterised by the trend of depreciation in August and it peaked (2.42) on 26 August 2015. Panic and agiotage do indeed also play a role in the case of such a rapid depreciation of a currency. However, to repeatedly bring agiotage as the reason behind the depreciation is wrong because it is a rational and natural reaction of the population. The reasons behind the depreciation are the ones which cause agiotage as well.

There was a positive expectation among the population that during the tourist season (July-August) the GEL exchange rate would have appreciated. However, that did not happen and positive expectations were replaced by negative ones. The expectations are forged by the statement and actions of politicians together with the economic processes themselves. The policy of confrontation with the National Bank of Georgia, the failure to fulfil the promise of slashing budget expenses and a practically unchanged process as concerns privatisation presumably have negatively affected expectations. This was further aggravated by the resumption of the depreciation trend of the currencies of Georgia's neighbours which also has a negative impact on the GEL exchange rate.

CONCLUSION

THE GEL EXCHANGE RATE DEPRECIATED AGAINST USD BY GEL 0.07 IN AUGUST 2015. THE EXCHANGE RATE PEAKED (2.42) ON AUGUST 26. GIORGI KVIRIKASHVILI BLAMED THE AGIOTAGE OF THE POPULATION AS THE REASON BEHIND THE CHANGES IN THE EXCHANGE RATE. HOWEVER, IT MUST BE NOTED THAT LATER, ON 3 SEPTEMBER 2015, ON AIR ON THE TALK SHOW, POLITART, MR KVIRIKASHVILI NAMED THE CURRENT ACCOUNT BALANCE; THAT IS, THE DECREASE IN THE INFLUX OF USD TO GEORGIA, AS ONE OF THE REASONS BEHIND THE DEPRECIATION OF GEL. FACTCHECK CONCLUDES THAT GIORGI KVIRIKASHVILI'S STATEMENT IS MOSTLY FALSE.

HALF TRUE



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