

# FactCheck



THE FORMER PRIME MINISTER OF  
GEORGIA



**Bidzina  
Ivanishvili:**



The per capita growth of the Georgian economy will be about 46.4% from 2017 to 2021, reaching 14,663 international dollars in 2021 whilst the growth rate will reach 11.9%

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On 30 May 2016, the former Prime Minister of Georgia and founder of the Georgian Dream party, Bidzina Ivanishvili, addressed the population with a letter which gives a comparison of the situation under the rule of the previous and incumbent governments. Mr Ivanishvili believes that the new Government of Georgia has improved the situation in absolutely every aspect listed in his letter. He says: "In 2016, the GDP per capita of Georgia for the first time will exceed 10,000 Int'l \$, marking a 25% growth since 2012. The per capita growth of the Georgian economy will be about 46.4% from 2017 to 2021, reaching 14,663 Int'l \$ in 2021 whilst the growth rate will reach 11.9%. If we manage to keep this kind of growth rate, the GDP will quadruple by 2030, exceeding 40,000 Int'l \$."

FactCheck verified the accuracy of Bidzina Ivanishvili's statements in the letter.

In April 2016, the International Monetary Fund published the revised World Economic Outlook report. According to the report, Georgia's per capita income in 2016 will be 10,015 Int'l \$ which does in fact exceed the numbers of 2012 by 25%. The International Monetary Fund forecasts a \$ 14,663 Int'l \$ per capita income for 2021 which will mark a 46.4% growth as compared to 2016. The GDP per capita is expected to grow by 11.9% in 2021.

Despite the fact that the numbers stated in the letter are absolutely accurate, methodological errors and manipulation with numbers is evident:

It should be pointed out from the very beginning that the per capita income growth depends upon the growth of the country's economy as well as upon the changes in the number of the population living in the country. Georgia's population has been shrinking for 25 consecutive

years which, mathematically, accelerates the growth rate of the GDP per capita. Based upon the 2014 universal census, the International Monetary Fund corrected Georgia's population data in the previous years. The country's population decreased by 159,000 from 2012 to 2016 whilst it will drop even further, by 164,000 people, from 2016 to 2021. The letter says nothing about these facts.

Int'l \$ which is calculated through Purchasing Power Parity depicts the actual purchasing power of the United States dollar in various countries. Given the fact that prices differ from country to country, the purchasing power of the same amount of USD might differ according to the country. The purchasing power of USD 1 in Georgia is 2.6 times greater than it is in the United States of America. This methodology is used to correctly compare the incomes of various countries to each other. Comparing the GDP per capita in Int'l \$ of different countries actually shows which country is better off.

In addition, if we aim to calculate the changes in Georgia's GDP per capita over the years, we should use the tool of the real GDP per capita (minus inflation) in GEL (as GEL is the dominant currency in Georgia) rather than in Int'l \$. This indicator in Int'l \$ might change according to the changes in prices in Georgia and the USA as well as according to the changes in the GEL exchange rate with regard to USD. It does not depend solely upon the economic growth in the country.

The actual per capita income was GEL 3,289 in 2012 whilst it will reach GEL 3,907 by the end of 2016, growing by 19%, according to the International Monetary Fund's forecast.

If the population were not decreasing at the current pace, the actual growth of the GDP per capita in GEL would be 14% instead of 19%. With a 14% growth in four years (without the changes in the number of the population) it would take 20 years

for Georgia's GDP per capita to double and 16 years for it to grow by 19%.

The same approach was used in terms of the forecast data from 2017 to 2021 as well. The per capita income in GEL will be growing by 33% whilst the growth without taking the population drop into account would be 27%. With this rate, it would take 15 years for Georgia's per capita income to double. As for the 11.9% growth of the GDP per capita (in Int'l \$), forecast for 2021, this is also mainly due to the decrease in the population. With the number of the population remaining constant, the growth rate would have been 7.2%.

It would be highly incorrect to assume that Georgia's per capita income will have the trend of an 11.9% annual growth in Int'l \$ from 2022 to 2030, thereby exceeding 40,000 Int'l \$. The International Monetary Fund has made its forecasts only until 2021. Keeping the growth of 2021 until 2030 is Mr Ivanishvili's assumption in his letter. The per capita income in Int'l \$ grew by an average of 10% from 2010 to 2012. This went down to an average of 6% from 2013 to 2015 whilst the average growth will be 7% from 2016 to 2021 according to the forecasts. It should also be taken into account that the greater the GDP and the GDP per capita of the country are, the harder it becomes to maintain a high growth rate if the number of the population does not continue to decrease.

As already pointed out above, the changes in Georgia's GDP per capita are mainly due to the country's economic growth rate as well as the number of the population. The average economic growth rate from 2012 to 2016 (which is the actual source of income growth for the population) was 3.3% whilst the forecast from 2017 to 2021 is 4.9%. If the number of the population does not decrease further, it will take 14 years for the real income to double and 28 years for it to quadruple.

Table 1: Employment in Terms of Institutional Sectors (thousand men)

	2010	2011	2012	2013	2014	2015	2016	2021
Economic Growth %	6.2	7.2	6.4	3.4	4.6	2.8	2.5	5.0
Real GDP Per Capita in GEL	2,806	3,050	3,289	3,449	3,660	3,794	3,907	5,196
GDP Per Capita in Int'l \$	6,568	7,287	8,002	8,527	9,198	9,630	10,015	14,663
Population, Million	3.944	3.89	3.837	3.783	3.73	3.697	3.678	3.514

Source: International Monetary Fund

## CONCLUSION

FACTCHECK CONCLUDES THAT BIDZINA IVANISHVILI'S STATEMENT IS **MANIPULATION WITH NUMBERS**



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STRENGTHENING TRANSATLANTIC COOPERATION



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## PASHA Bank funds a training for socially vulnerable and successful students



PASHA Bank sponsored a one-day training organized by Tbilisi Hippo Fund and International School of Intellect and Education (ISIE). The training was arranged for the socially vulnerable students and those with high academic performance. The training was held near Tbilisi in a specially selected casual atmosphere, so that the participants could freely communicate, share opinions and gain basic knowledge about the various subjects.

The participants were chosen based on their applica-

tions and motivation letters.

Specially invited speakers Maka Asatiani (Unicard, Marketing Director), Bidzina Kumsiashvili (Founder at Tbilisi Hippo Fund, lecturer at Pennsylvania University), Jemal Arjevanidze (Specialist at Tbilisi European Youth Center) and Tornike Chargeishvili (Peace Corps Regional Coordinator) presented the following topics: Writing projects, marketing and effective communication, volunteering and informal education. The project was supported by Tbilisi City Hall, Wehelp.ge, Generations for peace and Tbilisi life.

"PASHA Bank happily agreed to support this project as we think that the experience would benefit the students in a variety of ways. It has become something of a tradition for PASHA Bank to sponsor educational projects, as we believe in the effectiveness and importance of such initiatives. We strive to contribute to the growth and development of the Georgian and regional economy and business with quality education being an absolute pre-requisite," said Anano Korkia, Head of PR and Marketing at PASHA Bank.

## ProCredit Bank Georgia hosts Summer ProRhythm

On 25th of June, ProCredit Bank had surprises in store for the people of Batumi, its clients, and its employees.

A ceremony was held to mark the opening of a new and innovative 24/7 Zone in Batumi. In this self-service area, business clients have access to a wide range of banking services twenty-four hours a day, seven days a week. This ground-breaking business development enables business clients to save significant amounts of time as well as financial resources – all in a safe and comfortable environment. The services provided are so unique, due to the multi-functional machines made available at these locations. The concept of the Batumi branch and its innovative and modern 24/7 Zone is underlined by its unique interior. The predominantly



green 24/7 Zone is a synthesis of business, art and nature. Modern equipment, which allows clients to make deposits, withdrawals, and transfers around the clock, aims to provide clients with the most comfortable banking experience.

Later on that same evening, ProCredit Bank held its "Sum-

mer ProRhythm" event at the seaside adjacent to the Alphabetic Tower. The Sukhishvili National Ballet Ensemble performed for an enthusiastic audience. The show ended with spectacular musical fireworks display. This was the first time that a musical fireworks display of this scale was put on in Georgia.

& Did you know?

The FINANCIAL is read by nearly 75 % of  
Top Financial Decision-makers in Georgia.  
It reaches more CEO's than all Georgian newspapers combined.

Source: Global Idea





## Brexit cuts UK 2016 IT spending forecast by 10%

The FINANCIAL -- Canals expects the uncertain future of the trading relationship between the UK and the EU will hit UK IT spending immediately. Unemployment and inflation in the UK are low, and the economic outlook was positive.

The decision to leave changes this outlook, resulting in a range of short- and longer-term implications, the extent of which will be unclear for months, if not years, as it is expected to take at least two years for the UK and the EU to negotiate exit and new trading terms. 'Canals' IT spending forecast, based on the UK remaining in the EU, was in the range of US\$90 billion to US\$100 billion in the UK. Canals now expects this to fall by up to 10% in 2016, based on the public sector and businesses cutting expenditure to reduce risk,' said Matthew Ball, Principal Analyst. 'The outlook for 2017 could be even worse, with up to a 15%

decline as IT budgets are set lower on the prediction of a tough year ahead and ongoing uncertainty.'

Some effects are more imminent than others. Sterling's fall has added to its continuing volatility against the US dollar, which has been an issue since the start of the year. It could feasibly drop below the US\$1.20 mark if confidence deteriorates further and capital continues to flow to safer assets. 'This will be a key issue for the IT sector, as technology prices rise due to higher import costs,' said Matthew Ball, Principal Analyst. 'In the short term, contracts will have to be renegotiated and proposals requested due to the strong shift in value. Any new activity will be suspended until rates stabilize,' Ball added. 'International businesses will have to assess their Sterling cash position and level of exposure, as their assets will be worth less if not adequately hedged against.'

'Trade disruption, political

instability, recession, stagflation, talent pool reduction and the collapse of the EU are all potential outcomes that need consideration,' said Research Analyst, Claudio Stahnke. 'The UK is taking a big gamble on its future. The unprecedented nature of the move to leave makes the true extent of the outcome an unknown. Though there are a number of different scenarios that could play out, what is certain is that we are only at the very start of defining the UK's new relationship with the EU.'

Financial markets will be volatile for at least the next six months, as different data points emerge and prominent business and political leaders pass judgment. The UK is in danger of moving into recession, as organizations and consumers look to reduce risk by delaying spending and placing an immediate suspension on all high-value transactions until the situation stabilizes.

**O**n June 29th ROOMS Hotel Tbilisi hosted the fifth meeting of Business Café - a project initiated by Insource, Executive Search & Consulting Company and exclusively being supported by PASHA Bank from day one. The session hosted the representatives of top management of the leading companies with a special guest - Giorgi Kadagidze, former President of National Bank of Georgia, who presented the topic for discussion "Innovation Management".

The first meeting of Business Café was held in October, 2015 and since has significantly grown in popularity as it is a format that covers the topics of high relevance to the business community. Insource and PASHA Bank plan to organize three more meetings till the end of the year.

It is the first time for this kind of meetings to be held in Georgia and they serve as a place for discussions on the current processes and news from different fields of business. The



meetings host up to 20 participants and are moderated by a special guest who engages the attendees into experience-sharing.

Among the moderators of the Business Café meetings were: David Gogichaishvili, Alexander Jejelava (currently Minister of Education of Georgia), Andro Dgebuadze and Papuna Toliashvili.

Topics discussed at Business Café meetings are rather diverse: 'management of human resources', 'organizational corporate culture', 'Management 3.0 or MBA Books in Mirror' and 'Circular Organizational Structures'.

"We believe that the rising interest in Business Café among the top management of leading Georgian companies is due to the carefully selected topics and the prominence of invited special moderators. Listening to Giorgi Kadagidze deliver an interactive presentation on Innovation Management was extremely interesting and duly appreciated by our guests. I also need to emphasize that partnership with Insource on this project is outstandingly productive and pleasant," said Anano Korkia, Head of PR and Marketing Department at PASHA Bank.



PRIME MINISTER OF GEORGIA

**Giorgi Kvirikashvili:**



"Foreign direct investments (FDI) showed an unprecedented growth in the first quarter of 2016."

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of 2016 which is 103% more than in the same period of the previous year.

Investments was also recorded in 2016.

**D**uring the meeting of the Cabinet on 13 June 2016, the Prime Minister of Georgia, Giorgi Kvirikashvili, stated: "Foreign direct investments (FDI) showed an unprecedented growth in the first quarter of 2016. We have reached record high numbers since 2008 - USD 376 million."

According to the data of the National Statistics Office of Georgia, the amount of foreign direct investments in Georgia reached USD 376 million in the first quarter

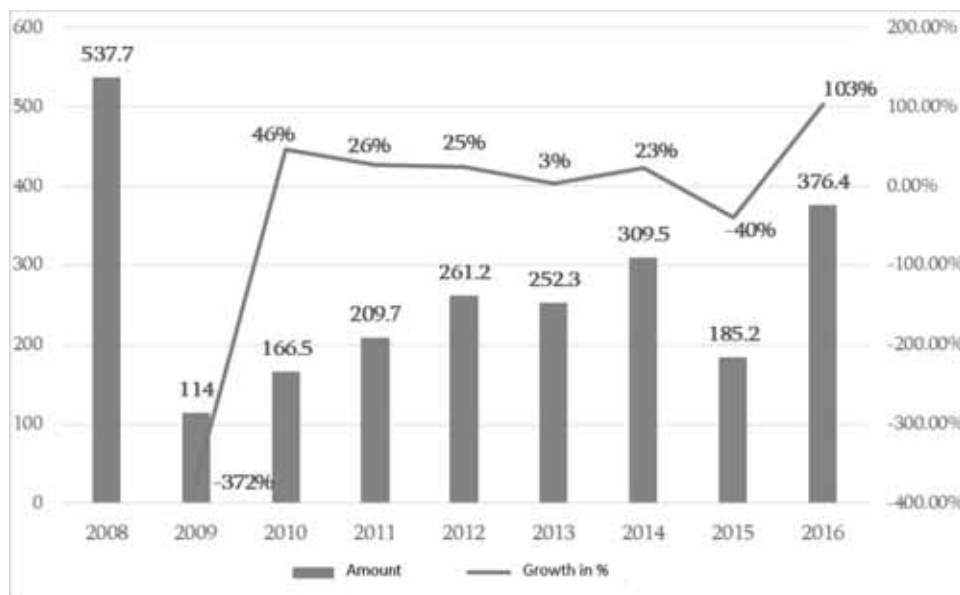
Investment data must be compared with the data of the same periods of the previous years in order to make a proper analysis. Hence, we compared the data of the first quarters from 2008 to 2016 in order to determine whether or not the amount of foreign direct investments in the first quarter of 2016 is truly unprecedented (see Chart 1).

A look at the data for the first quarters from 2009 to 2016 indicates that the largest amount of foreign direct investments did indeed enter Georgia in 2016. In addition, the largest growth rate of in-

It should be pointed out that the largest share of investments in the first quarter of 2016 was recorded in the fields of transport and telecommunications, equalling USD 200 million which is 53% of the overall FDI share. The financial sector came second with 15% whilst the energy sector was third with 13%.

The largest amount of money invested in Georgia in the first quarter of 2016 came from Azerbaijan. Turkey and the United Kingdom hold the second and the third places, respectively, in the list of Georgia's large investor countries.

Chart 1: Foreign Direct Investments from 2008 to 2016 (First Quarters)



## CONCLUSION

A TOTAL OF USD 376 MILLION IN FOREIGN DIRECT INVESTMENTS ENTERED GEORGIA IN THE FIRST QUARTER OF 2016 WHICH IS 103% MORE THAN IN THE SAME PERIOD OF THE PREVIOUS YEAR. THE LARGEST AMOUNT OF FDI IN THE FIRST QUARTER OF THE YEAR SINCE 2008 WAS RECORDED IN 2016. THE HIGHEST GROWTH RATE OF INVESTMENTS WAS ALSO OBSERVED IN 2016. **FACTCHECK CONCLUDES THAT THE PRIME MINISTER'S STATEMENT IS TRUE.**

TRUE



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