



Consumer Confidence Index: Consumer confidence continues its upward trend

Leading GDP Indicator: High hopes – autumn turns to “spring” for Georgian economy

Khachapuri Index: Cost of making khachapuri climbs both in monthly terms (2.1%) and year-on-year (2.8%)



## Georgia's Macroeconomy at a Glance

The rapid depreciation of the national currency against US Dollar was one of the highly debated issues recently in Georgia. The GEL/USD exchange rate peaked in the beginning of October 2013, reached its highest point on the 11th of December at 1.7196 GEL/USD. Over this period Lari depreciated by 3.4% against the dollar. After that day the exchange rate started falling slightly (see Chart 1).

While it is too early to determine the precise cause of the recent currency movements, it is worthwhile noting that the short-term fluctuations are quite common in the context of flexible exchange rate regime. In fact, some volatility is welcome, as it helps economy to absorb short-run shocks.

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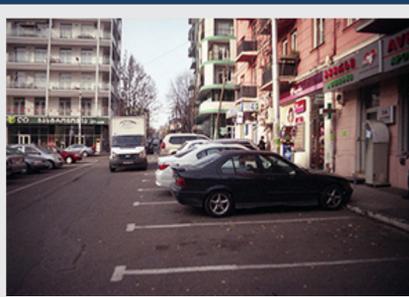
## FROM THE BLOG:



### Language and Economics

In the 1930s, the American linguist Benjamin Lee Whorf put forward the hypothesis that people of different mother tongues perceive the world differently. According to Whorf's theory both the grammatical structure and the vocabulary of a language influence the way people think. Does the language we speak influence our economic behavior as well? Look for some interesting insights in a popular blog by Maka Chitanava.

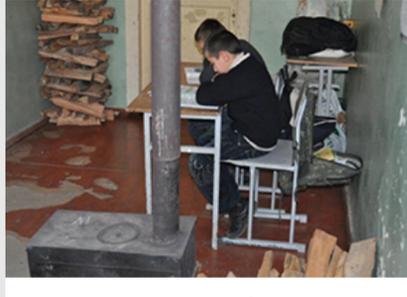
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### Location Games

One or two years ago, a Lavazza's take-away coffee shop opened on the side of Georgia's east-west highway in the area of Zestaponi. Soon afterwards, another coffee bar opened along the road, and surprisingly, it was again set up close to Zestaponi. Today, there are still more take-away coffee points along that road, all clustering around Zestaponi. Are vendors acting irrationally by setting up their shops so close to direct competitors? Nikoloz Pkhakadze and Florian Biermann explore the logic behind this counterintuitive economic behavior.

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### Like Teacher, Like Son

Many of us have been lucky to be taught by great teachers, teachers who did not just teach, but inspired and brought out the best in us. Indeed, it is hard to overestimate the impact (positive and negative) of teachers on the children's minds, their career prospects and aspirations. The collapse of Georgia's state in the early 1990s has left the country's education system in ruins. The social status of teachers declined, and so did the quality of education. Eric Livny and Giorgi Tsutskiridze discuss the policy options to bring the country's education system closer to the international standards.

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### Clean Air is Lifetime

As human beings, we care greatly about the duration and quality of our life. Yet, surprisingly, these topics are largely overlooked in the public policy debate. There are certainly many factors that influence life expectancy, not all of them can or should be controlled by government. Environmental protection, however, could make a crucial difference for the health and wellbeing of the country's population, and can be effectively enforced by appropriate laws. Nino Abashidze and Florian Biermann take up the example of heavy pollution due to car traffic in Tbilisi and consider the policy options to tackle the problem.

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## ONGOING PROJECTS:

### Modernization of Vocational Education and Training (VET) and Extension Systems related to agriculture in Georgia

On December 18, 2013, ISET hosted the second event in a series of discussions on the topic of inclusive growth. This time, the focus was Modernization of Vocational Education and Training (VET) and Extension Systems in Georgia's agriculture. The event opened with a short presentation of the main lessons learned from previous donor-financed VET initiatives in other countries. UNDP representative Sophie Kemkhadze presented the SDC-financed project on VET in agriculture. After the presentation, a panel of experts discussed the role of private sector involvement in the VET projects; the challenges of properly measuring the economic impact of the VET projects; and the importance of the sustainability of the built systems following the projects' implementation.

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### ISET-PI Participating in European Neighborhood Program for Agriculture and Rural Development (ENPARD)

The ISET Policy Institute (ISET-PI) will be collaborating with CARE International in the Caucasus and the Regional Development Association on an upcoming project under the European Commission's European Neighborhood Program for Agriculture and Rural Development (ENPARD) in Georgia. Under the ENPARD project, ISET-PI will be conducting both desk and field research in order to inform programming and analysis about agriculture and rural development in Georgia. ISET-PI will also be launching a system for collecting, analyzing, and distributing market price information to smallholder farmers. The field research will allow for an assessment of economic behavior and organization in the rural economy and how it changes over time with the development of agricultural cooperatives (e.g., farmers' marketing associations).

### ISET-PI in Printed Media

As a new player on the Georgian policy research scene, ISET-PI made a big push in establishing its brand in the Georgian language printing press. Until recently, ISET-PI communicated its research mainly through the website, the ISET Economist blog, and English-language printed media. Currently, our media partners include The Financial (weekly), Georgia Today (weekly), Investor.ge (monthly), as well as the Georgian-language magazine "Sakartvelos Ekonomika" (monthly), where the best pieces of ISET-PI analysis and opinions are published in regular columns. Very recently ISET-PI extended its partnership with two more popular Georgian-language print media: Forbes.ge (monthly) and Kviris Palitra (weekly).

## ISET PI HIGHLIGHTS:



### Levan Akhvediani Shared his Business Experience in Trading with ISETers

On December 5, ISET hosted Levan Akhvediani, General Manager of Kagri Limited, who delivered a seminar on physical commodity trading, which takes place around the world. According to Mr. Akhvediani, being a trader is a very demanding job that carries high risk, but at the same time is very interesting. For any successful trader the key factors are knowing information about the market and understanding market opportunities. The law of trade (as for most businesses) is - "buy low, sell high".

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