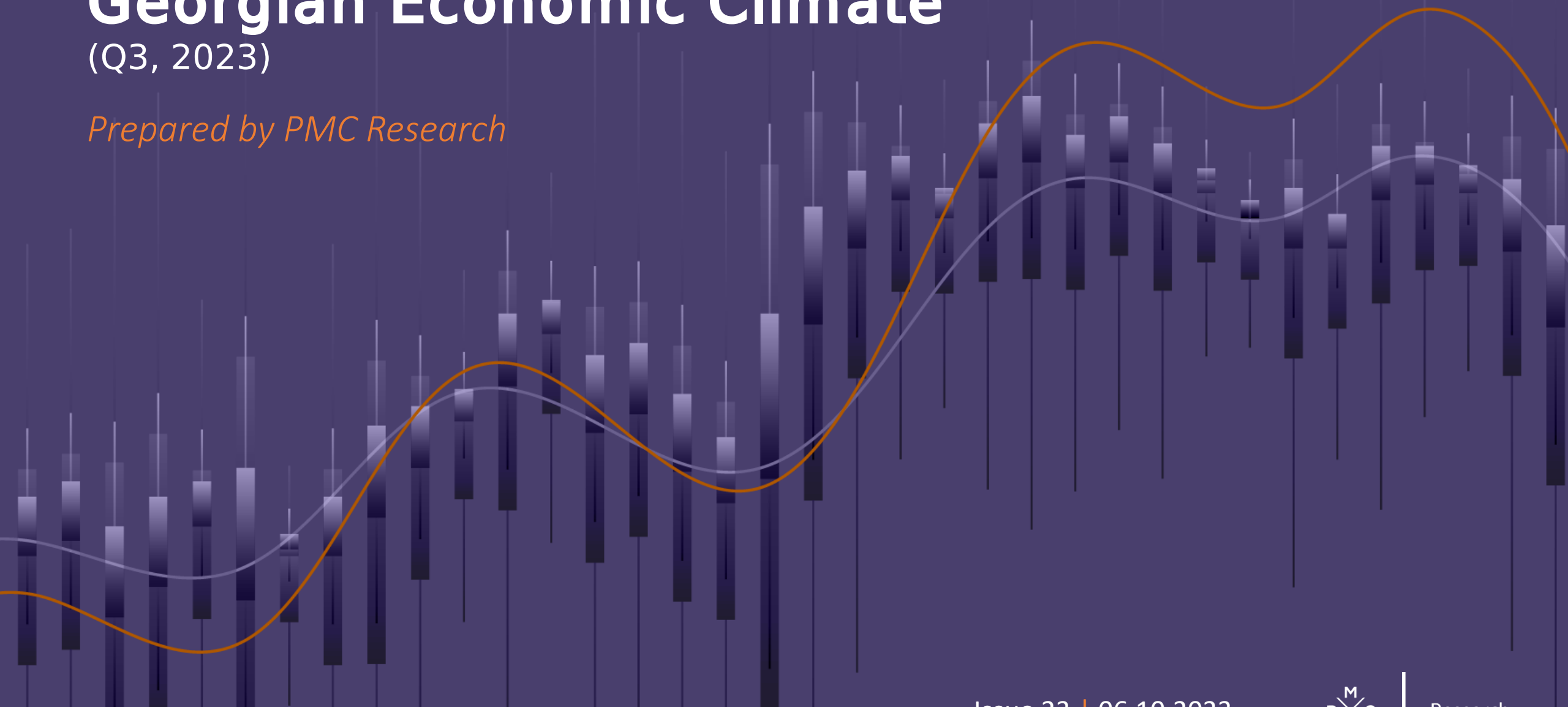


# Georgian Economic Climate

(Q3, 2023)

*Prepared by PMC Research*



“GEORGIAN ECONOMIC CLIMATE” is a product of PMC Research Center (PMC RC).

In this bulletin, which is based on the Ifo Institute’s methodology, we discuss Georgia’s economic climate, informed by the assessments of various Georgian economists.\*

The survey for this particular issue was conducted in September 2023.

*\*The pool of economists who receive our quarterly survey consists of total 60 experts.*

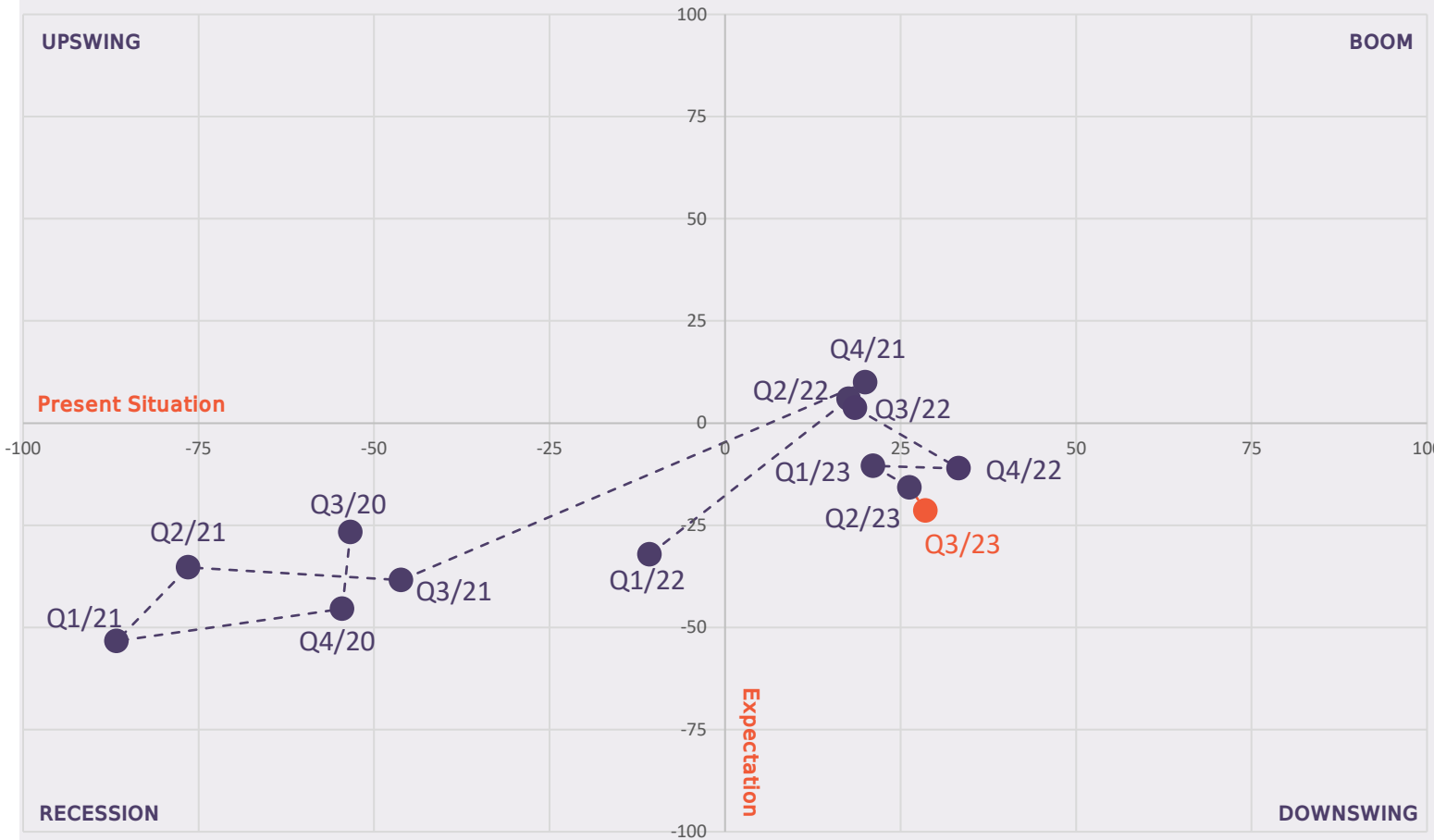
The **main findings** of a survey of Georgian economists conducted in Q3 of 2023 are:

- ❑ The surveyed Georgian economists assess Georgia's **present economic situation as positive**.
- ❑ Their predictions for Georgia's **economic situation for the next six months** are **negative**.
- ❑ On average, the surveyed Georgian economist **predict real GDP growth for 2023** of **6.2%**.
- ❑ They **expect the inflation rate** (year-on-year) to **decrease** over the next six months.
- ❑ On average, the surveyed Georgian economists **expect the rate of inflation (year-on-year) for 2023** to be **4.2%**.
- ❑ A **labor shortage** was deemed a high or very high threat to the Georgian economy by 93% of the surveyed economists.
- ❑ Almost 78% of the surveyed economists named **a high emigration rate** as a high or very high threat.
- ❑ With Turkish Lira hitting a record low, 78% of the surveyed economists think that **the decreasing competitiveness of domestic products against cheaper imports from Turkey** will have at least a high impact on the Georgian economy.
- ❑ Overall, 64% of respondents named **gloeconomic fragmentation** as a high or very high threat to Georgia's economic growth.
- ❑ When asked to assess the importance of different factors contributing to economic growth in Georgia, most of the respondents highlighted **tourism** (86%) and **remittance inflows** (72%) as important.

Reminder that the survey for the Q3 2023 issue of Georgian Economic Climate was conducted in September 2023, before a high-profile [developments](#) surrounding the National Bank of Georgia, which might have negatively affected some respondent's assessments and predictions regarding the Georgian economy.



## Georgian Economic Climate, Q3 2023



- ❑ In a survey of Georgian economists conducted in Q3 of 2023, Georgia's **present economic situation** was assessed **positively**. Their assessment of the present economic situation has improved compared to both - Q2 of 2023 as well as Q3 of 2022.
- ❑ The surveyed economists' predictions for Georgia's **economic situation for the next six months** are **negative**. Their expectations in this regard have slightly worsened even compared to the already negative predictions they made in Q2 of 2023 and have significantly worsened compared to the positive expectations recorded in Q3 of 2022.



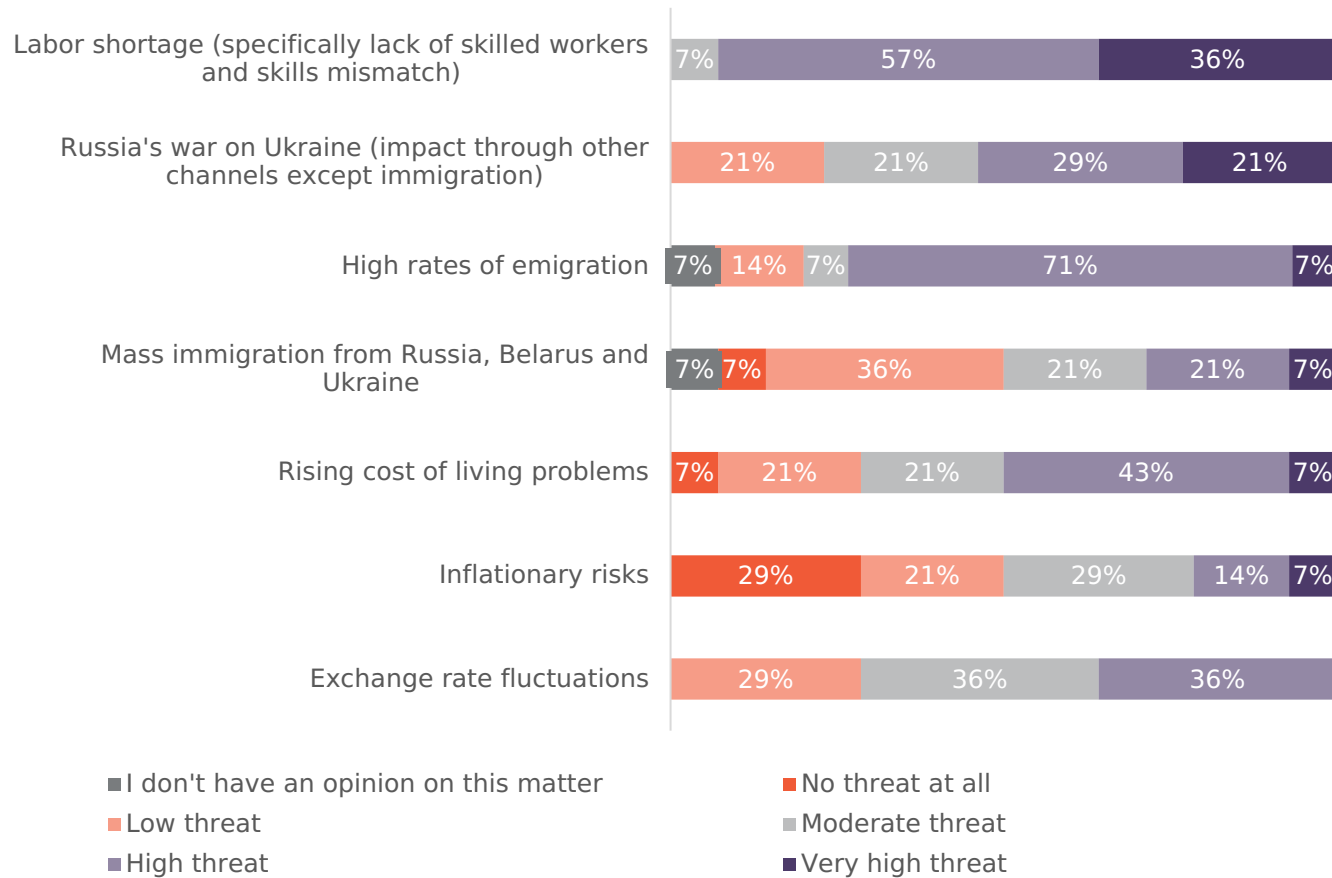
# PREDICTIONS FOR GEORGIA'S GDP, INFLATION RATE, EXCHANGE RATE AND TRADE

In addition to assessing the current economic situation and gathering expectations for the next six months, the surveyed experts also made predictions with regard to Georgia's main economic indicators. According to the results of the survey:

- ❑ The **expected real GDP growth for 2023**, on average, is **6.2%**. Interestingly, the assessments remained almost unchanged since the previous survey made during the last quarter (Q2 of 2023), when the surveyed economists expected real GDP growth of 6.1% for the year.
- ❑ The **inflation rate** (year-on-year) is **expected to decrease** for the next six months, with the **expected rate of inflation for 2023** being **4.2%**.
- ❑ By the end of the next 6 months, compared to the corresponding period of the previous year, the Georgian Lari is expected to be **appreciated** against the US Dollar, Euro, Russian Rouble and the Turkish Lira.
- ❑ The **volume of exports** is **expected to increase** in the coming six months, compared to the corresponding period of the previous year; and
- ❑ The **volume of imports** is also **expected to increase** in the coming six months, compared to the corresponding period of the previous year.



Assess from 1 (no threat at all) to 5 (very high threat) which threats do you consider of the highest importance to the Georgian economy over Q3 of 2023

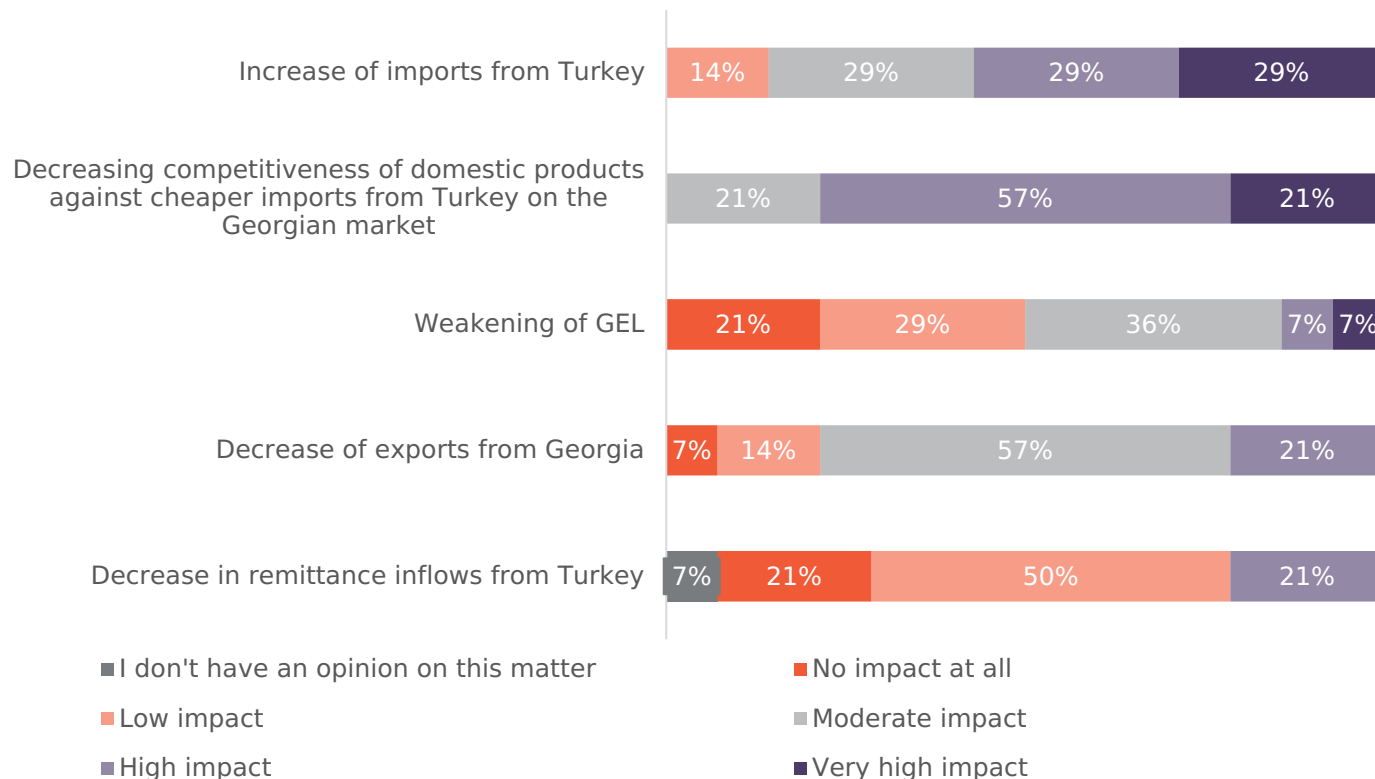


The surveyed economists were asked to identify which factors they considered to currently pose **the greatest threat to the Georgian economy**.

- ❑ A **labor shortage** was assessed as a very high threat to the Georgian economy by 36% of respondents and as a high threat by 57%. Thus, in total, 93% of the surveyed economists see a labor shortage as a high or very high threat.
- ❑ Nearly 78% of surveyed economists cited the **high emigration rate** as a high or very high threat.
- ❑ **Russia's war on Ukraine** was also highlighted as a high or very high threat to the Georgian economy by half of the surveyed economists (50%).
- ❑ Half of the surveyed economists named **rising cost of living** as a high or very high threat to the Georgian economy.
- ❑ **Inflationary risks** were considered as a low threat or no threat at all by 50% of the surveyed economists.
- ❑ Nearly one-third (29%) of the respondents assessed **exchange rate fluctuations** as a low threat.



Assess from 1 (no impact at all) to 5 (very high impact), through which channels do you expect the record-high weakening of the Turkish Lira to have a considerable impact on the Georgian economy

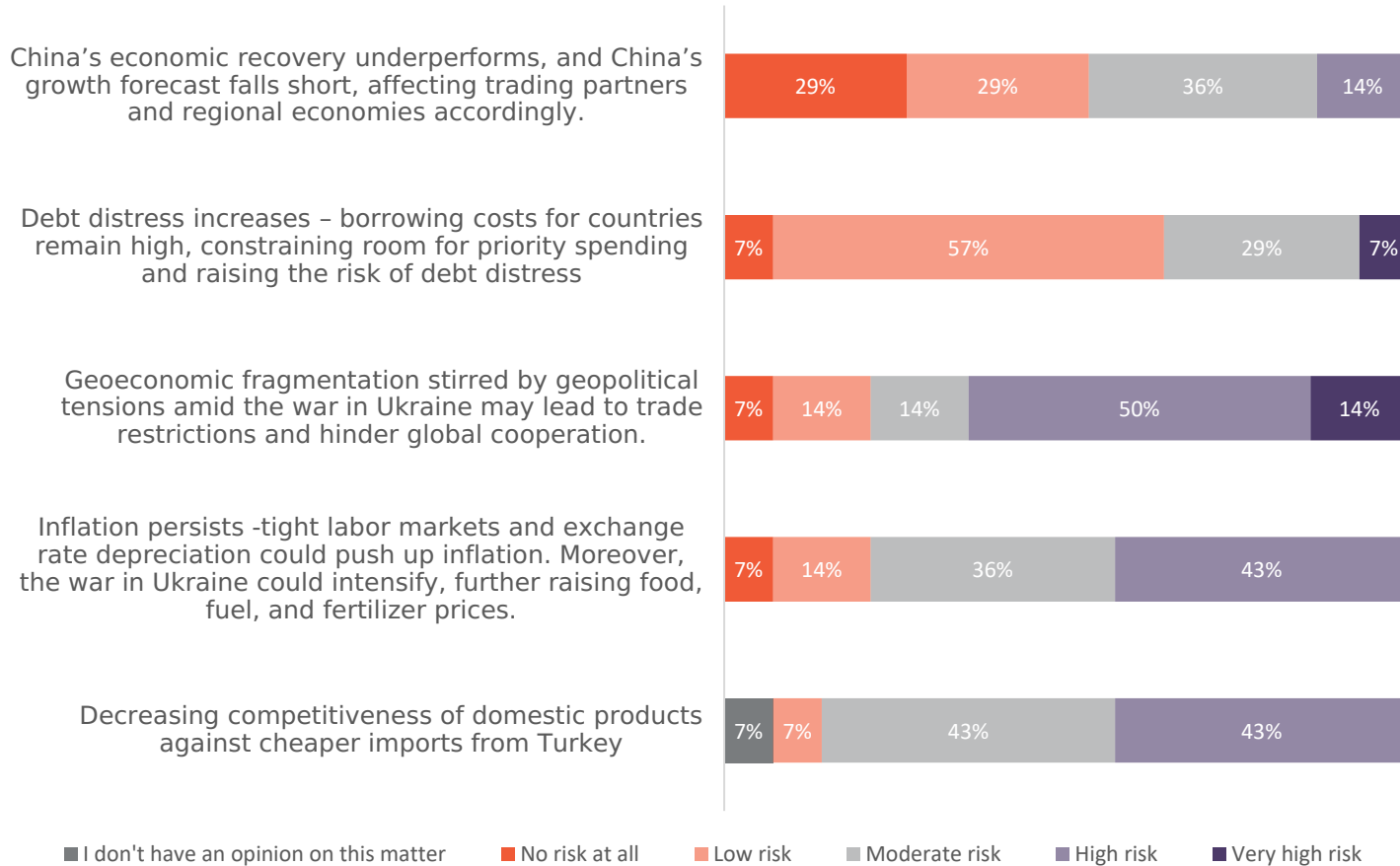


Against the background of the Turkish Lira falling to a record low, the surveyed economists were asked to assess the impact of that on different aspects of the Georgian economy.

- ❑ More than three quarters (78%) of the surveyed economists think that the decreasing competitiveness of domestic products against cheaper imports from Turkey will have at least a high impact on the Georgian economy.
- ❑ Over half (58%) of respondents expect an increase in imports from Turkey to have a high or very high impact.
- ❑ A decrease in exports from Georgia will have a moderate impact on the Georgian economy according to 57% of the surveyed economists.
- ❑ A reduction in remittances from Turkey is expected to have a low impact on the Georgian economy by 50% of respondents.



Assess from 1 (no risk at all) to 5 (very high risk) which factors do you consider to be the strongest downside risks in particular for the growth of the Georgian economy in 2023, which according to IMF's latest forecast is going to be 4%



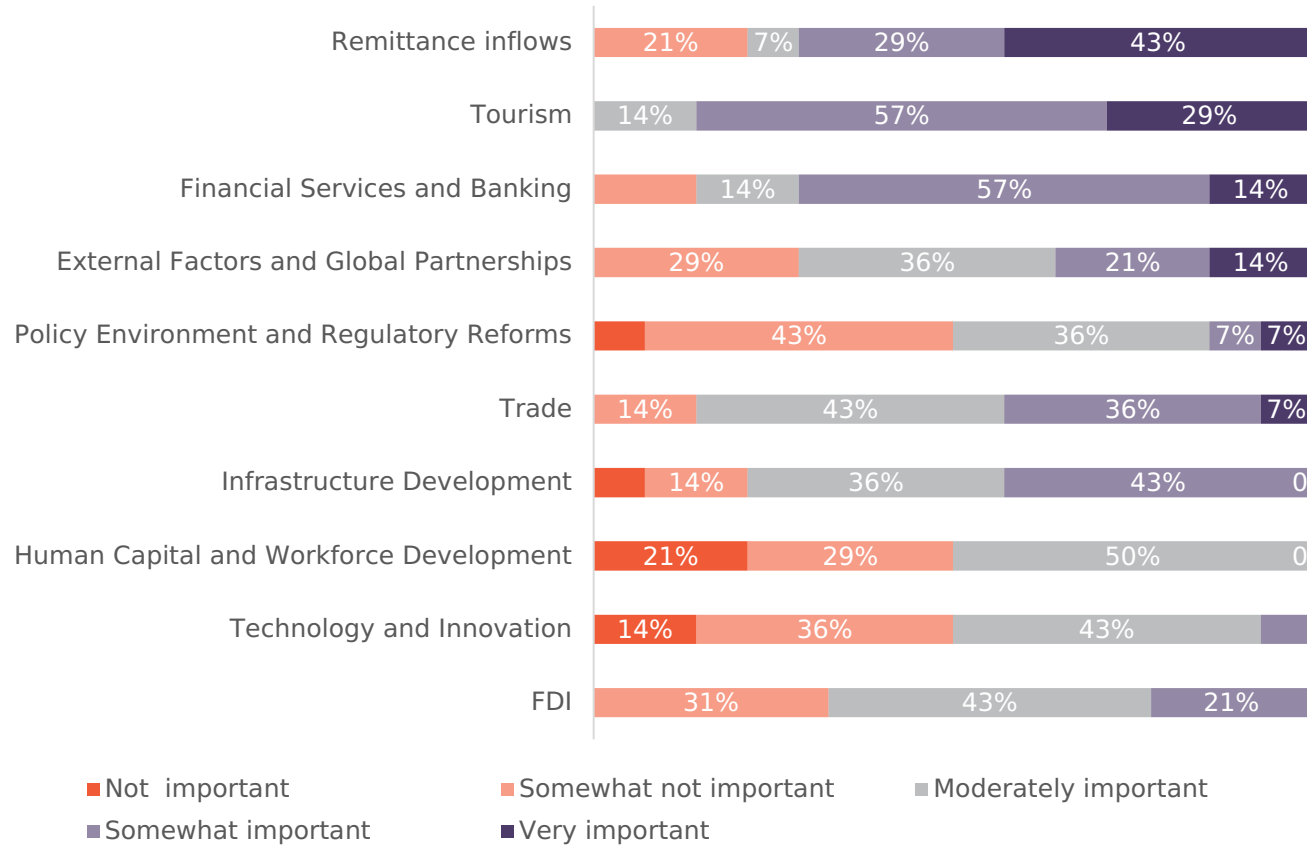
The IMF forecasts global economic growth of 3.5% for 2023, albeit in its July update of the World Economic Outlook certain downside risks were highlighted. With that in mind, the surveyed economists were asked to identify which downside risks they deemed to pose a threat to the Georgian economy, for which the IMF forecasts growth of 4%.

- Nearly two-thirds (64%) of respondents named **geoeconomic fragmentation** as a high or very high risk factor with respect to Georgia's economic growth.
- Overall, 86% of the surveyed economists think that **the decreasing competitiveness of domestic products in relation to cheaper imports from Turkey** poses a moderate or high risk.
- More than half (57%) of surveyed economists deem increased **debt distress** as a low risk to Georgia's economic growth.





Assess from 1 (not important) contributor for economic growth to 5 (very important) contributor for economic growth what do you see as the primary drivers of economic growth in Georgia today



The surveyed economists were also asked to assess the importance of different factors contributing to economic growth in Georgia.

- ❑ **Tourism** was cited by 86% of respondents as a somewhat important or very important contributor to Georgia's economic growth.
- ❑ **Remittance inflows** are considered a somewhat important or very important contributor by 72% of the surveyed economists.
- ❑ **Foreign direct investment (FDI)** is classified as a moderately important contributor by 43% of respondents.
- ❑ **Financial services and banking** is also deemed at least somewhat important contributor to economic growth according to 71% of the surveyed economists.
- ❑ Significant proportions of the surveyed economists think that **human capital** (50%) and **technology and innovation** (43%) carry only moderate importance. These contributors are deemed not at all important by 21% and 14% of the surveyed economists, respectively.



# BASIC ECONOMIC INDICATORS IN GEORGIA

	2019	2020	2021	2022	2023 Q1*	2023 Q2*
Nominal GDP (mln USD)	17 470.7	15 842.9	18 629.4	24610.2*	6247.1*	7535.8*
GDP per Capita (USD)	4 696.2	4 255.7	5 023.2	6671.9*	1,672.0*	2 016.9*
GDP Real Growth (%)	5.0%	-6.8%	10.5%	10.1%*	7.7%*	7.5%*
Inflation	4.9%	5.2%	9.6%	11.9%	7.6%	1.6%
FDI (mln USD)	1 352.2	589.0	1 241.8	2 000.0*	566.4*	505.7*
Unemployment Rate (%)	17.6%	18.5%	20.6%	17.3%	18.0%	16.7%
External Debt (mln USD)	5 741	7 535	8 205	8 435	8 473	8 510
Poverty Rate (relative)	19.5%	21.3%	17.5%	15.6%	-	-

\* Preliminary data

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