



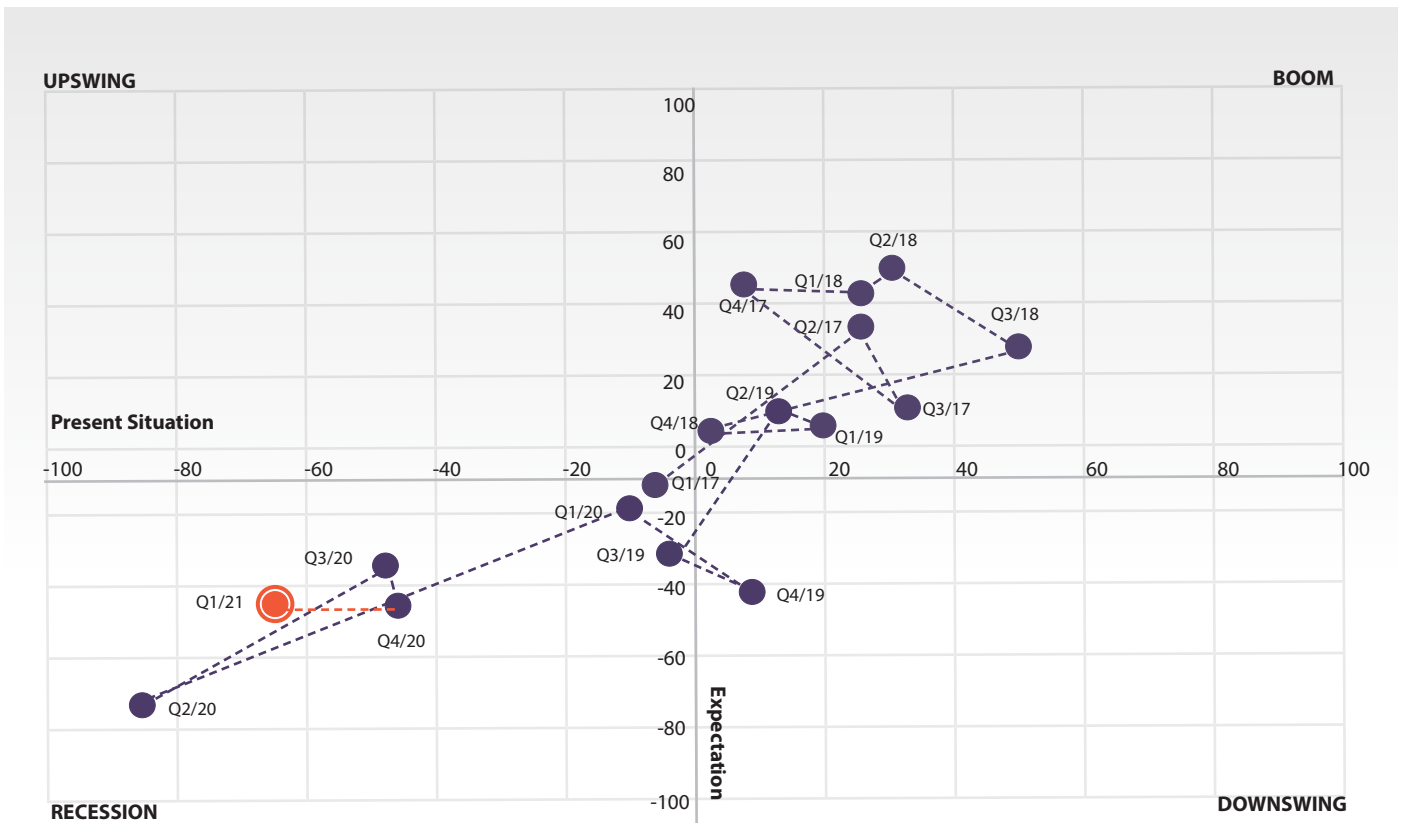
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 60 experts are participating in this initiative from Georgia. The survey was conducted in February 2020.

According to a survey of Georgian economists, the economic climate in the country for the first quarter of 2021 has been and will continue to be worse than the last quarter of 2020.

Their assessment of the current situation was also significantly worse than the corresponding quarter of the previous year.

The economists' predictions for Georgia's economic situation for the next six months were also negative. Specifically, their expectations for this period remain similarly bleak to those stated in the final quarter of 2020, and were considerably more pessimistic than the forecasts they made at the same time last year.

## Georgian Economic Climate



In addition, experts predicted Georgia's main economic indicators. According to the results, in the first quarter of 2021, the **expected real GDP growth for 2021 is 3.7%**. Other main economic indicators are forecasted as follows:



### Inflation

- Inflation rate is **expected to increase** in the next six months, on the year-on-year bases.



## Exchange rates

- The Georgian Lari is currently **undervalued** against the US Dollar, Euro, Turkish Lira and **overvalued** against the Russian Rouble.



## Trade volume

- The export volume is **expected to increase** in the coming six months, compared with the past six months;
- The import volume is **expected to increase** in the coming six months, compared with the past six months;
- The export volume is **expected to increase** less than the import volume, resulting in a **worsened** trade balance in the next six months, compared with the past six months.

## SPECIAL QUESTION

Georgian economists were asked to assess the impact of COVID-19 on the Georgian economy, the country's prospects of economic recovery, and the government measures.

The majority of surveyed economists (60%) stated that the measures introduced by the Georgian government on 28th November 2020 were "too stringent" while only 6.7% of experts stated that the measures were "not stringent enough." Otherwise, 26.7% considered the measures to be "adequate" and 6.7% had no opinion.

At the same time, 26.7% of the surveyed economists stated that the fiscal stimulus package provided by the Georgian government was sufficient, while 33.3% claimed that more should have been done. Meanwhile, 20% noted that the fiscal stimulus package was more than what was needed, and another 20% stated that a lot more government support needs to be done needs to be done.

The economists were also asked whether they agreed or not with the different interventions of the Georgian government during the pandemic. The majority of respondents (60%) agreed with the Government's decision to assist those who lost their jobs during the pandemic (200 GEL monthly support for 6 months) and those employed in facilities whose operations have been suspended due to the pandemic (300 GEL). More than a quarter of respondents (26.6%) disagreed with the income tax concession.

Surveyed economists were also asked to predict when the number of tourists in Georgia would return to pre-pandemic levels. The majority (53.3%) predicted that this would happen by 2023, while 26.7% expect this to be the case by 2024. Moreover, respondents were asked to forecast how revenues from tourism will recover in 2021, compared to its 2019 level. Overall, three in every five respondents stated that they expect revenues to reach 21-40% of its 2019 prepandemic level, but no respondents anticipate a recovery of 60% or higher of 2019 level in 2021.

### Methodology

The ECI is based on quarterly expert assessments of the present economic situation as well as expectations for the next six months. The scale ranges from -100 points to +100 points. An index of -100 means that all experts assess the economic situation as deteriorating (negative), while an index of +100 indicates improvement (positive), and 0 means neutral/no change.

Basic Economic Indicators	2017	2018	2019	2020 (Q1)	2020 (Q2)	2020 (Q3)
Nominal GDP (mIn USD)	16248.5	17596.6	17470.7	3777.3*	3572.5*	4297.5*
GDP per Capita (USD)	4358.5	4722.0	4696.2	1017.1*	961*	1156.2*
GDP Real Growth (%)	4.8%	4.8%	5.1%	2.2%*	-12.3%*	-5.6%*
Inflation	6.0%	2.6%	4.9%	-	-	-
FDI (mIn USD)	1978.3	1306.3	1310.8*	174.7*	241.6*	302.6*
Unemployment Rate (%)	21.6%	19.2%	17.6%	18.3%	18.3%	17.0%
External Debt (mIn USD)	5177.4	5434	5741	5688	6143	6762

\* Preliminary data