



Research

Georgian Economic Climate (Q4, 2021)

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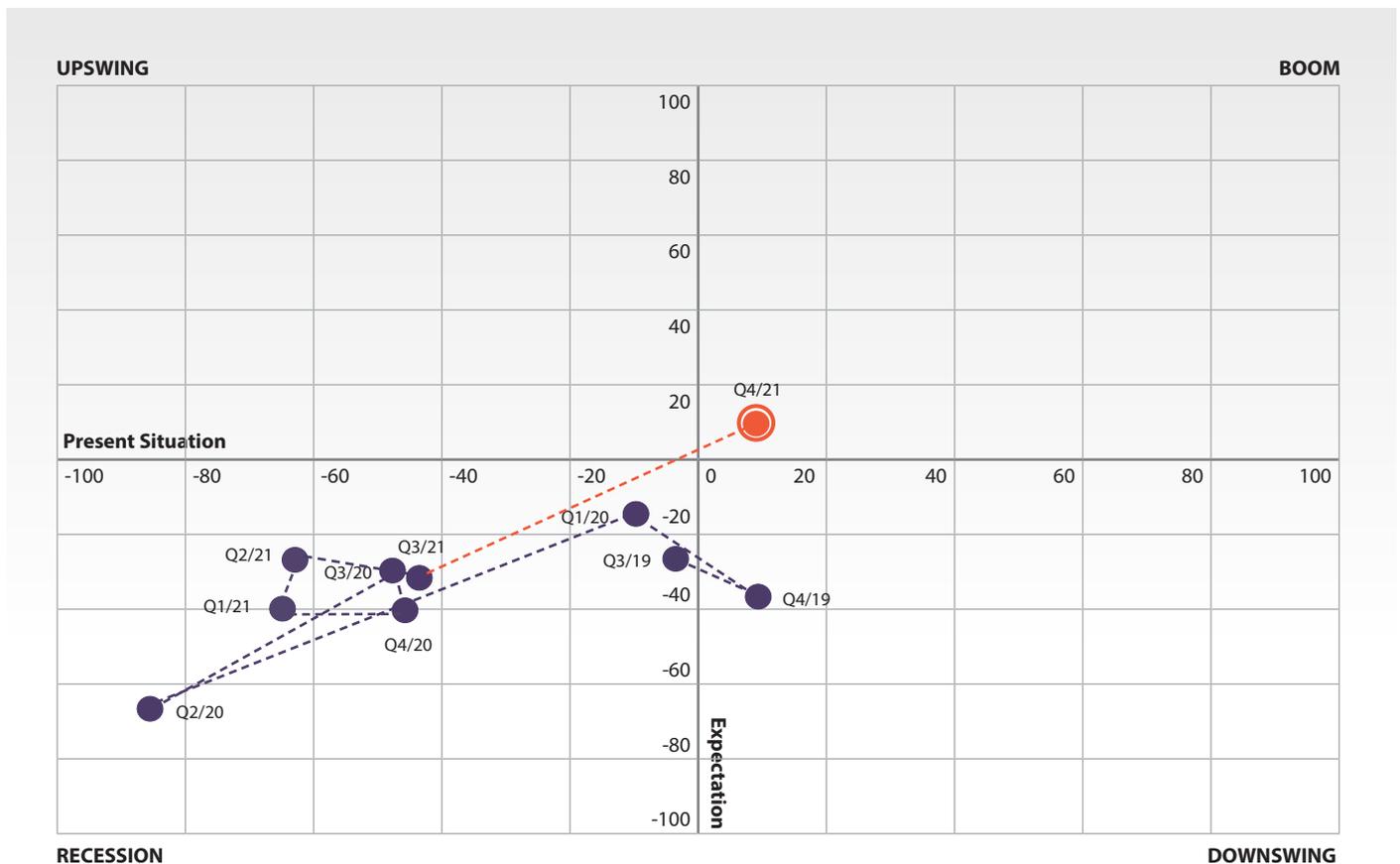
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, which is based on Ifo Institute's methodology, we discuss Georgia's economic climate as assessed by Georgian economists. A total of 60 experts are participating in this initiative, while the survey for this particular issue was conducted in November 2021.

According to a survey of Georgian economists, the **economic climate** in the country in the fourth quarter of 2021 **has improved** compared to the third quarter of the same year, as well as compared to the fourth quarter of 2020.

Meanwhile, with respect to the current situation, the Georgian economists' appraisal was again positive and has improved compared to both: the previous quarter this year and the corresponding quarter of the last year.

The economists' predictions for Georgia's economic situation for the next six months were also positive. Indeed, their expectations for this period were much higher compared to their predictions in the third quarter of 2021 and the forecasts they made in the fourth quarter of 2020.

Georgian Economic Climate



Apart from 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 conducted in the fourth quarter of 2021, the **expected real GDP growth for 2021 is 8.6%**. Meanwhile, forecasts for the other main economic indicators were as follows:



Inflation

- The inflation rate is expected to **decrease** for the next six months, on a year-on-year basis;



Exchange rates

- The Georgian Lari is currently at an **appropriate level** to the Euro, Russian Rouble, and Turkish Lira and **undervalued** against the US Dollar;



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; and
- The export volume is **expected to increase more sharply** than the import volume, resulting in a **improved trade balance** in the next six months, compared to the last six months.

SPECIAL QUESTIONS

In the survey conducted in the second quarter of 2021, Georgian economists were surveyed about various topics impacting the performance of the Georgian economy, including remittances, foreign direct investments, monetary policy, and inflation. When asked to assess the relevance of different factors behind the increased inflows of remittances in the first nine months of 2021 (up 28% from 2020), 60% of respondents claimed that Georgians working abroad not being able to bring money into the country physically was somewhat irrelevant in this case. Overall, the half of the economists considered it highly relevant that people had changed their pre-pandemic habits and started to use online platforms to sending remittances more often.

The surveyed economists were also asked to assess the relevance of the factors hindering the attraction of large FDI flows into Georgia, despite its high rankings for ease of doing business and openness to investments. Political instability was considered a most relevant factor by 60% of respondents, half of the economists emphasized the lack of a competent workforce, exchange rate volatility and investors' lack of confidence in the competence and independence of the judiciary sector was highlighted by 40% of those surveyed.

In total, 60% of the surveyed economists agreed with the decision of the National Bank of Georgia (NBG), (announced on 27 October, 2021) to keep its tight monetary policy in place and leave the policy rate unchanged at 10%. At the same time, 80% thought that the NBG's expectation that inflation will start to return to targeted levels from the second quarter of 2022 was partially or completely realistic.

The economists were also asked to express their expectations about the likelihood of the main risk-factors defined by the Government of Georgia affecting the performance of key economic and financial indicators for 2022-2025. All in all, half of the respondents thought that the decrease of global consumer demand was least likely to materialize. 40% of those surveyed thought that the worsening of the COVID-19 pandemic was the most probable factor compared to the other risk-factors. Regional risks (including low level of economic diversification, frozen conflicts, internal political problems and instability, and political unrest in the Middle East) taken as a whole was rated as the factor most likely to materialize by 40% of the surveyed economists.

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	2018	2019	2020	2021 Q1	2021 Q2
Nominal GDP (mIn USD)	17 596.6	17 470.7	15 888.1*	3 400*	4 782.7*
GDP per Capita (USD)	4 722.0	4 696.2	4 274.6*	912.5*	1 282.7*
GDP Real Growth (%)	4.8%	5.1%	-6.2%*	-4.5%*	29.9%*
Inflation	2.6%	4.9%	5.2%	4.5%	8.3%
FDI (mIn USD)	1 306.3	1 310.8	616.9*	125.4*	234.2*
Unemployment Rate (%)	19.2%	17.6%	18.5%	21.9%	22.1%
External Debt (mIn USD)	5 434	5 741	7 535	7 721	8 017
Poverty Rate (relative)	22.3%	20.5%	19.7%	-	-

* Preliminary data