

BAG INDEX

BUSINESS
CLIMATE



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA

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Leibniz Institute for Economic Research
at the University of Munich



Research

IV QUARTER 2025

BAG INDEX



**BUSINESS
CLIMATE**



**EMPLOYMENT
BAROMETER**



**THE NEED FOR
LABOR RESOURCES**

**IV QUARTER
2025**

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The Business Association of Georgia (BAG) Index is a joint product of the Business Association of Georgia, PMC Research Center and the ifo Institute for Economic Research. The BAG Index summarizes the BAG Business Climate, BAG Employment Barometer and BAG Investment Environment, which are calculated according to the assessments of the top managers of BAG member businesses and companies in their corporate group¹. PMC Research Center publishes the BAG Index on a quarterly basis.

BAG BUSINESS CLIMATE

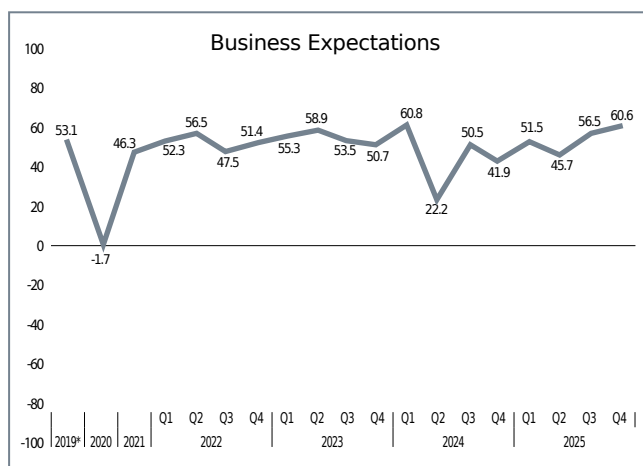
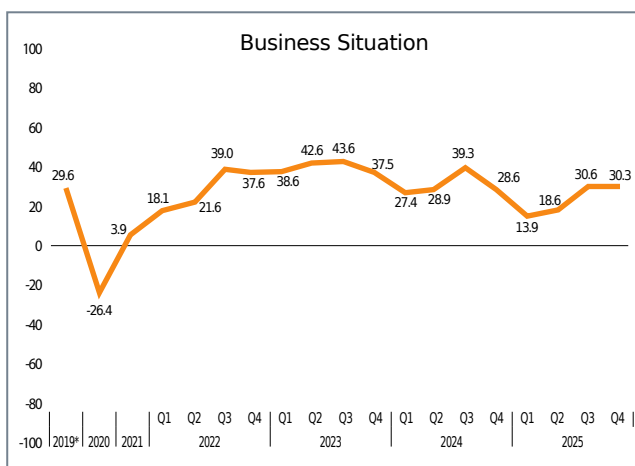
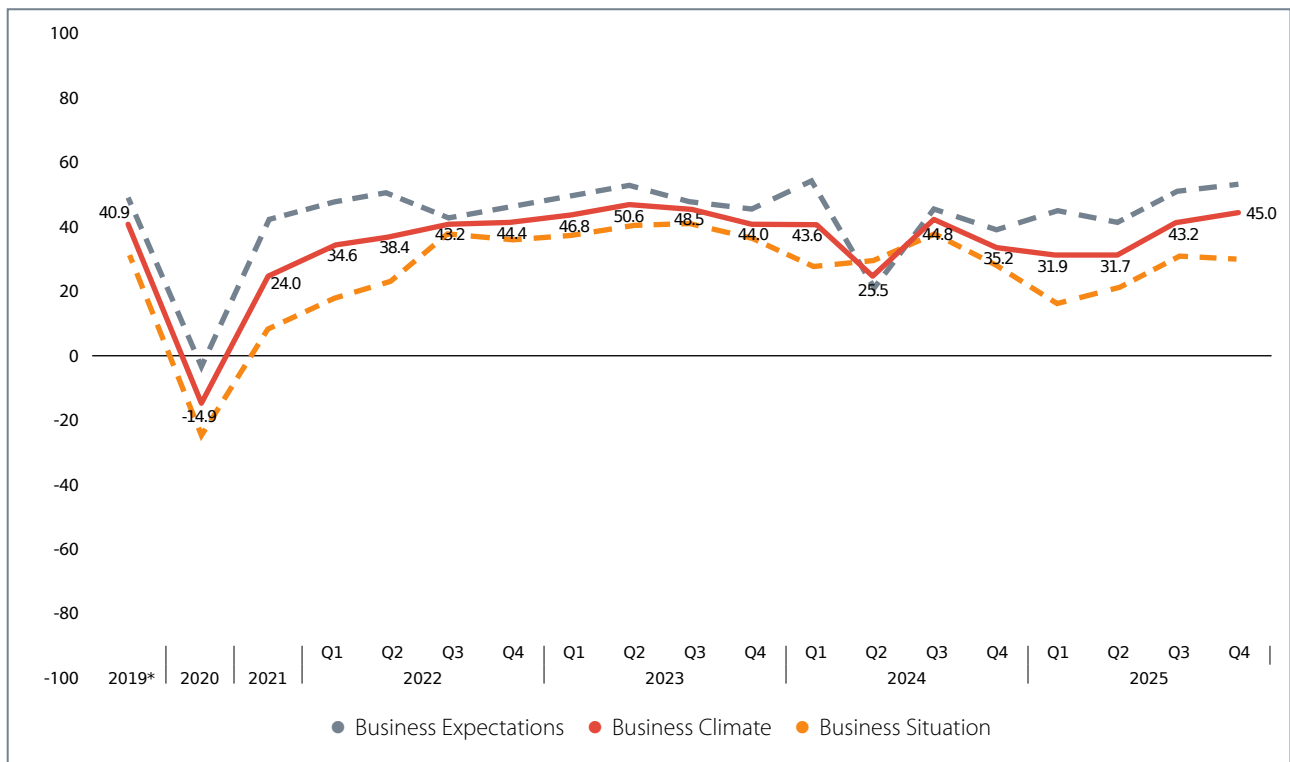
The BAG Business Climate is based on the responses of BAG member businesses and companies in their corporate group. Companies assess their present business situation and outline their expectations for the next six months². Apart from this, businesses are also asked to assess their situation regarding sales, sales prices, and the number of employees for the last quarter, the current quarter, and the next quarter. Moreover, companies are asked questions related to factors hindering their business activity, access to finance, exchange rate expectations, and investment environment. For the purposes of this index, BAG members are divided into the following four sectors: trade, service, manufacturing, and construction. The survey was conducted in Q4 of 2025 in the period 17 November – 2 December.

IN Q4 OF 2025, THE SURVEYED BUSINESSES ASSESS THEIR PRESENT BUSINESS SITUATION AND EXPECTATIONS FOR THE NEXT SIX MONTHS POSITIVELY. THE BAG BUSINESS CLIMATE INDICATOR AMOUNTS TO 45.0 POINTS IN Q4 OF 2025, WITH THE PRESENT BUSINESS SITUATION INDICATOR SITTING AT 30.3, AND THE BUSINESS EXPECTATIONS INDICATOR AT 60.6.

In Q4 of 2025, compared to Q3 of 2025, the BAG Business Climate improved by 1.8 points. Moreover, in this period, the assessment of the business expectations improved by 4.1 points and present business situation decreased by 0.3 points, The BAG Business Climate indicator improved by 9.8 points for Q4 of 2025 compared to Q4 of 2024. In particular, the present business situation indicator increased by 1.7 points, while the business expectations indicator improved by 18.7 points (see graph 1).

¹ In the first quarter of 2021, a change was made in the methodology of the BAG Index. As a result, the number of companies surveyed increased: enterprises that belong to the corporate group of member companies were added to the existing survey respondents.

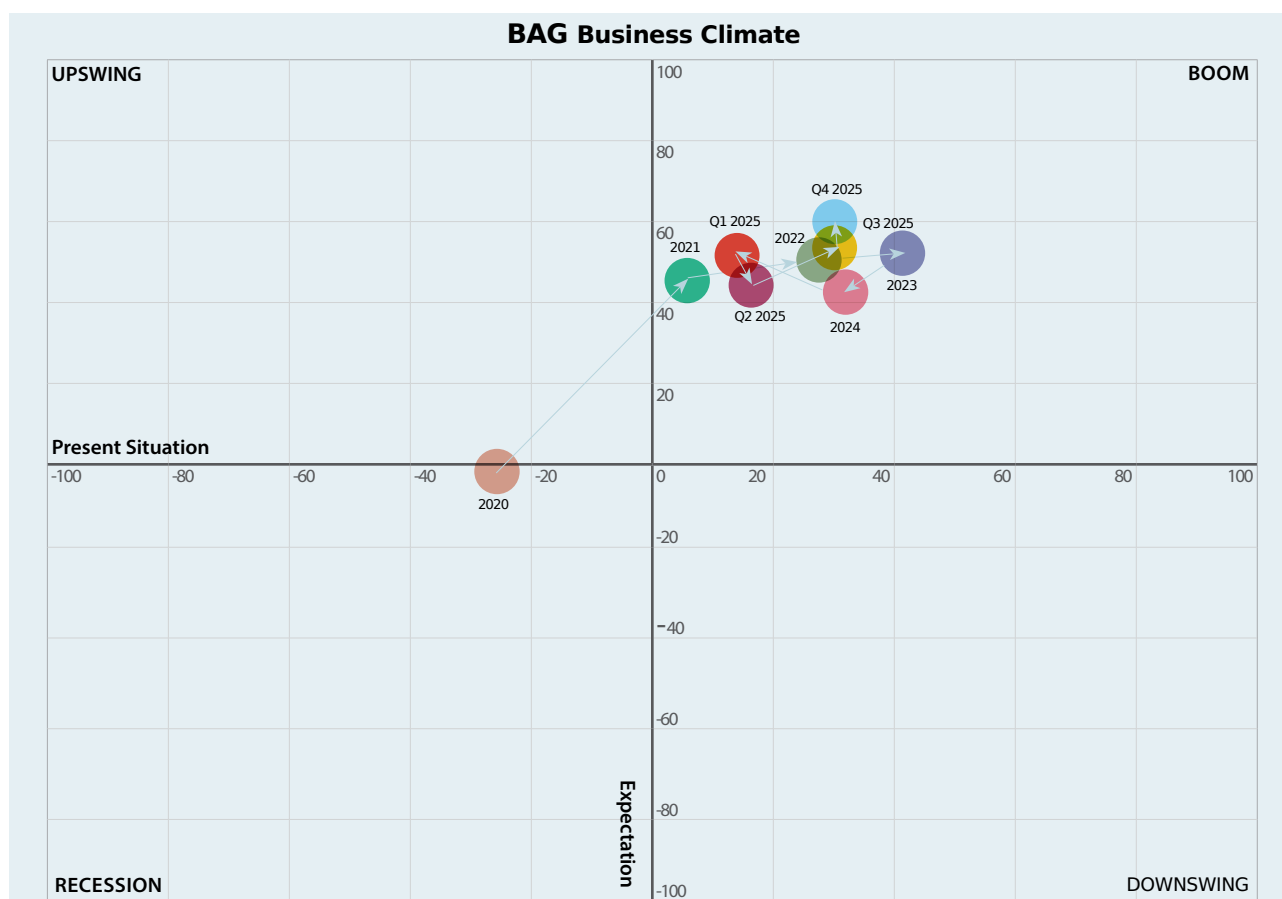
² The balance value for the present business situation is the difference in the percentage shares of the “good” and “bad” responses, and the balance value for the expectations for the next six months is the difference in the percentage shares of the “more favorable” and “less favorable” responses. The BAG Business Climate is a transformed mean of the balance values of the present business situation and the expectations for the next six months. The BAG Business Climate can be between -100 and +100. +100 means that all surveyed businesses assess the business climate positively, while -100 means all surveyed businesses assess the business climate negatively.



Graph 1: BAG Business Climate, Business Expectation, and Present Business Situation³

In Q4 of 2025, the BAG Business Climate Indicator improved compared to the previous quarter and remains in the **boom phase**.

³ 2019* indicates that only data for the Q1 2019 is available, while for 2020-2021, quarterly averages are presented.

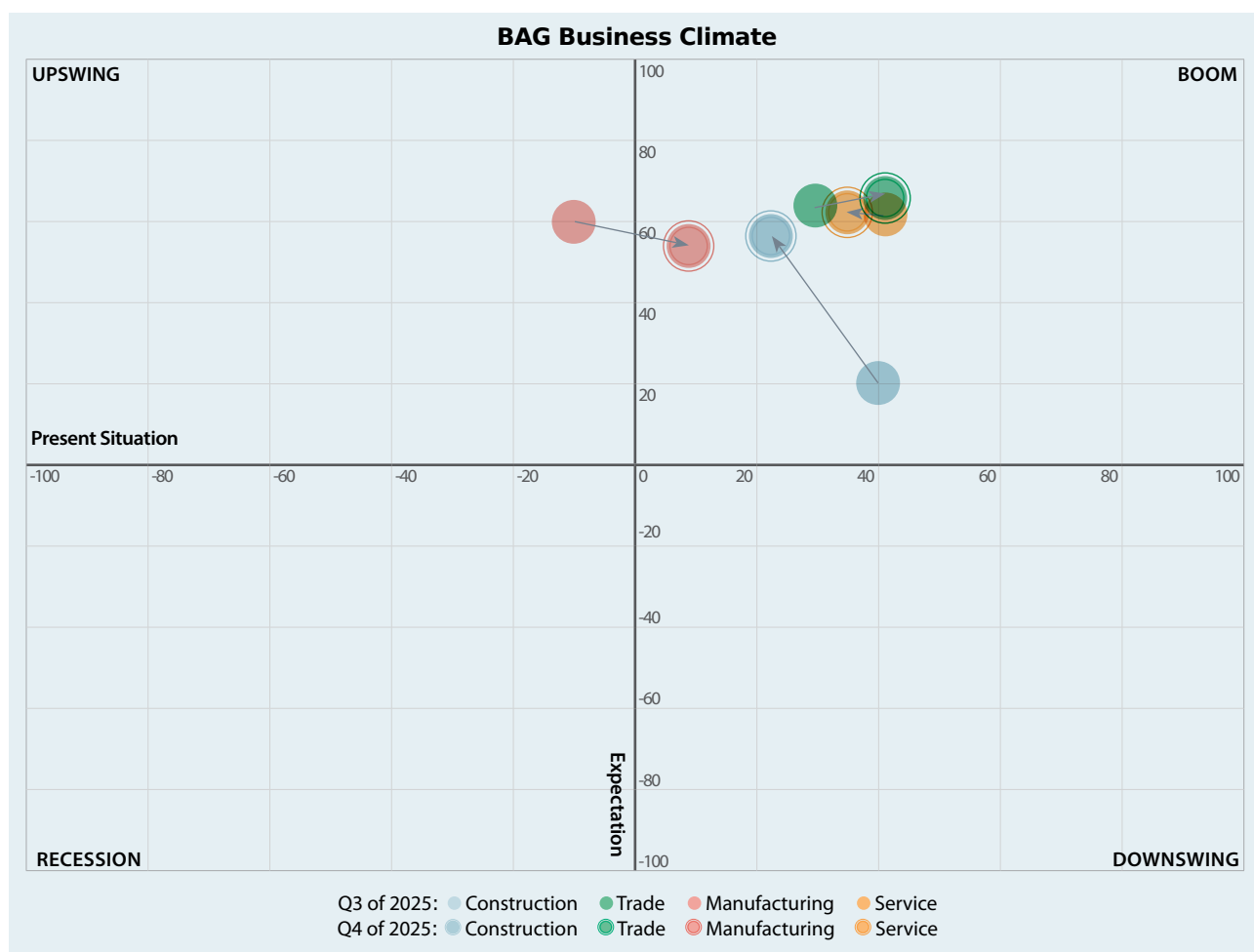


Graph 2: BAG Business Climate⁴

BAG BUSINESS CLIMATE BY SECTORS

In Q4 of 2025, the **business climate indicator** was positive for all sectors. Compared to Q3 of 2025, the indicator improved for all sectors, except the service sector (see Graph 3).

⁴ The Graph 2 depicts the relationship between the present business situation and business expectations for the next six months in a four-quadrant diagram. If survey participants assess the present business situation negatively but have positive business expectations for the next six months, then the BAG business climate indicator falls in the "upswing" quadrant. If both business situation and expectations are assessed positively, indicator resides in "boom" quadrant. If surveyed businesses assess present business situation positively, but have negative expectations, business climate indicator is in "downswing". If both business situation and expectations are assessed negatively, indicator is placed in "recession" quadrant. The graph shows average quarterly figures for 2020-2024.



Graph 3: Business climate by sector in Q3 and Q4 of 2025

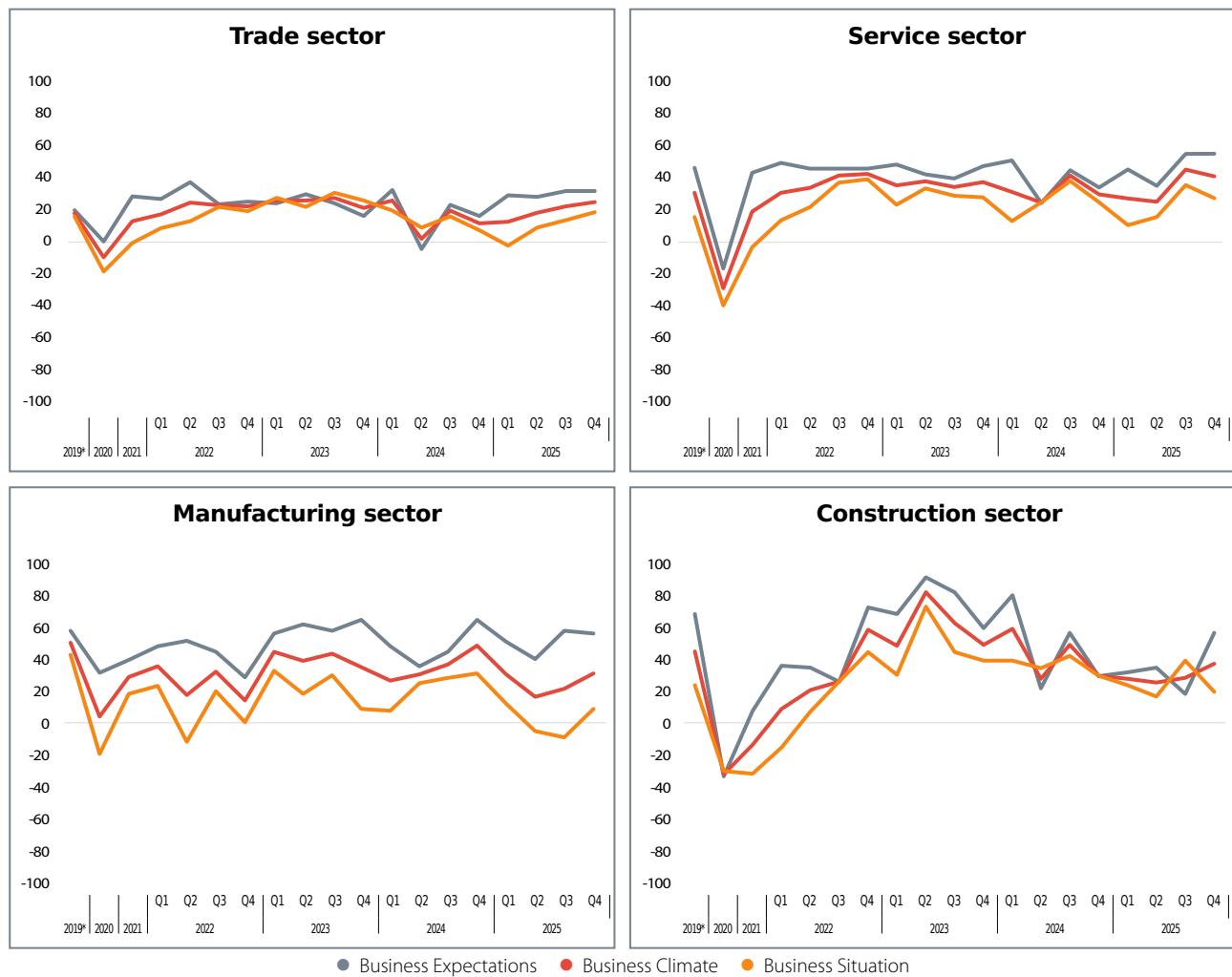
In Q4 of 2025, compared to Q3 of 2025, the **present business situation indicator** improved in the manufacturing sector by 18.3 points and in the trade sector by 8.1 points. Meanwhile, the indicator declined in the construction sector by 18.6 points and in service sector by 8.5 points. As for the **business expectations indicator**, it increased in the construction sector by 37.1 points, and slightly in the service sector by 0.2 points, while it worsened in the manufacturing sector by 1.7 points and did not change for trade sector.

It is worth noting that in Q4 of 2025, the present business situation indicator was highest in the trade sector and lowest in the manufacturing sector. Among the sectors, the most positive business expectations were recorded also in the trade sector (see Table 1).

Table 1: Balance values by sector in Q4 of 2025

Sector	Business Climate	Present Business Situation	Business Expectation
Trade Sector	51.1	40.5	62.2
Service Sector	46.9	33.3	61.3
Manufacturing Sector	32.0	8.3	58.3
Construction Sector	38.6	21.4	57.1
All Sectors	45.0	30.3	60.6

In Q4 of 2025, compared to Q4 of 2024, the business climate indicator improved in the trade sector by 21.6 points, in the service sector by 11.0, and in the construction sector by 7.8 points. Meanwhile, the business climate indicator decreased in the manufacturing sector by 17.5 points.

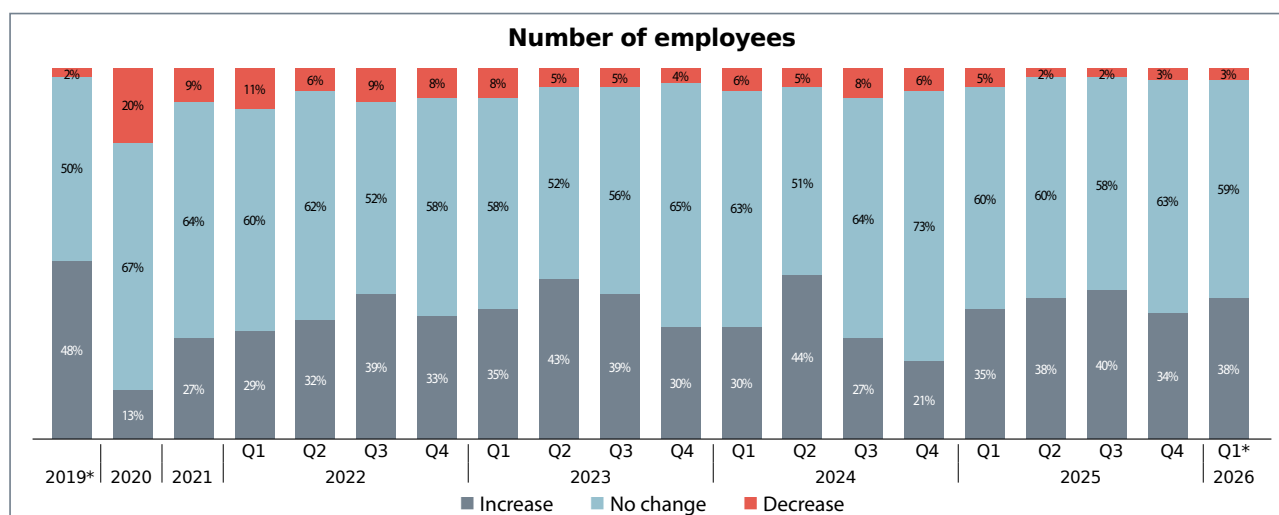


Graph 4: Business Climate, Business Expectation, and Present Business Situation in trade, service, manufacturing and construction sectors

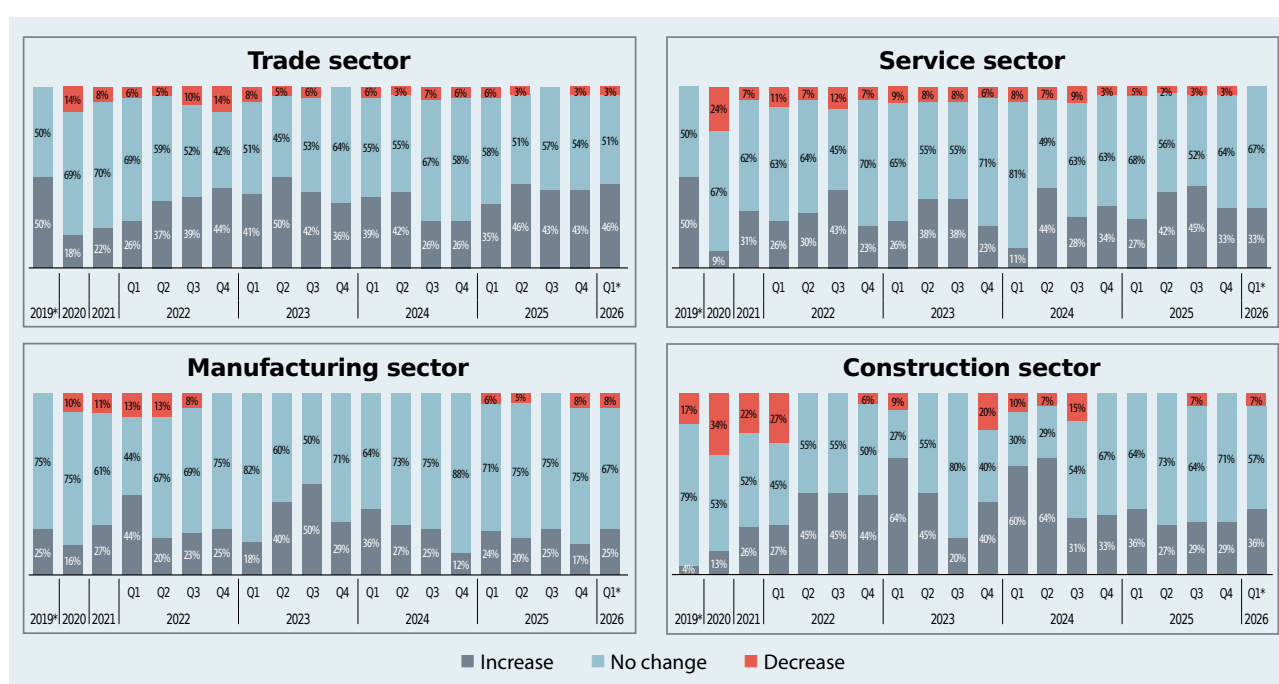
EMPLOYMENT, SALES, AND SALES PRICES BY SECTOR

Employment

- ✖ 34% of surveyed companies stated that the number of employees increased in Q4 of 2025. As for the expectations for Q1 of 2026, 38% expect the number of employees to increase, while 59% do not plan to change the number of employees (see Graph 5).
- ✖ Across the sectors covered, the situation regarding employment in Q4 of 2025 is most positively assessed in the trade sector. Similarly, the expectations for Q1 of 2026 are most positively assessed also in the trade sector (see Graph 6).



Graph 5: Number of employees in BAG member businesses and companies in their corporate group⁵



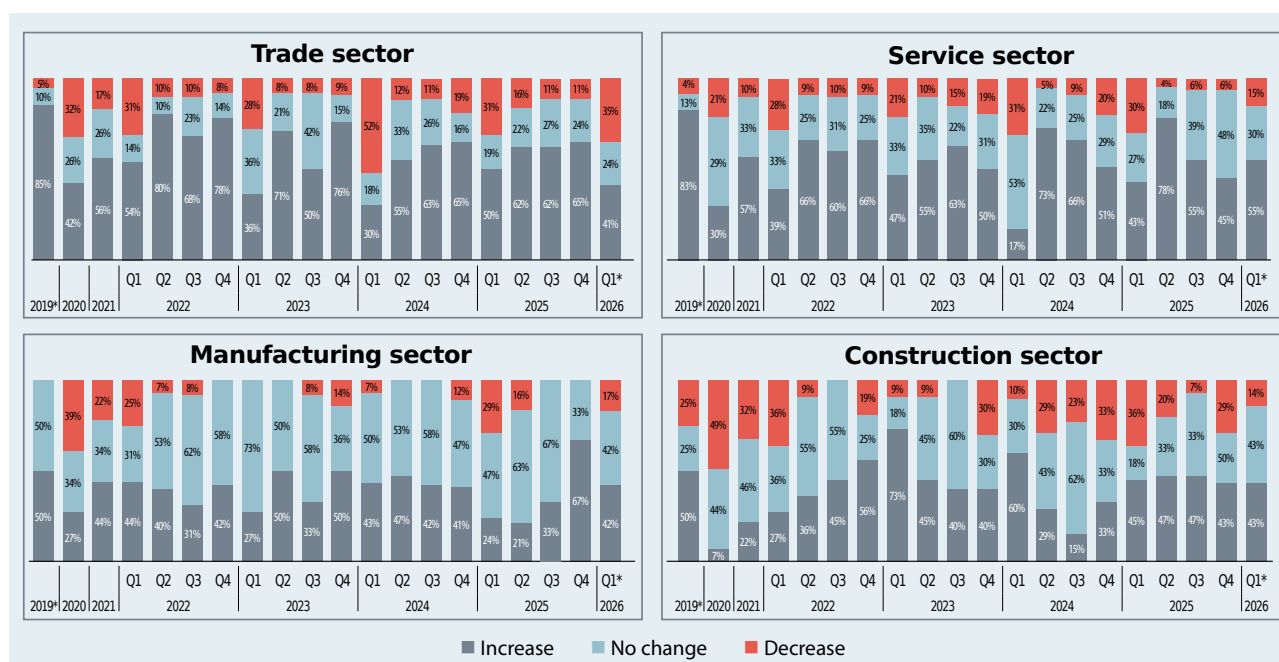
Graph 6: The number of employees in the trade, service, manufacturing and construction sectors

Sales/demand/domestic production

- ✖ In Q4 of 2025, 51% of surveyed companies reported an increase in sales, while 10% reported a decrease. As for expectations for Q1 2026, 46% of surveyed companies project an increase in demand, while 23% expect a decrease.
- ✖ The situation regarding sales was assessed most positively in the manufacturing (67%) and trade sectors (65%). The construction sector received the least positive assessment (14%) in Q4 of 2025. The most positive expectations for Q1 2026 are recorded in the services sector (55%) (see Graph 7).

⁵ Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

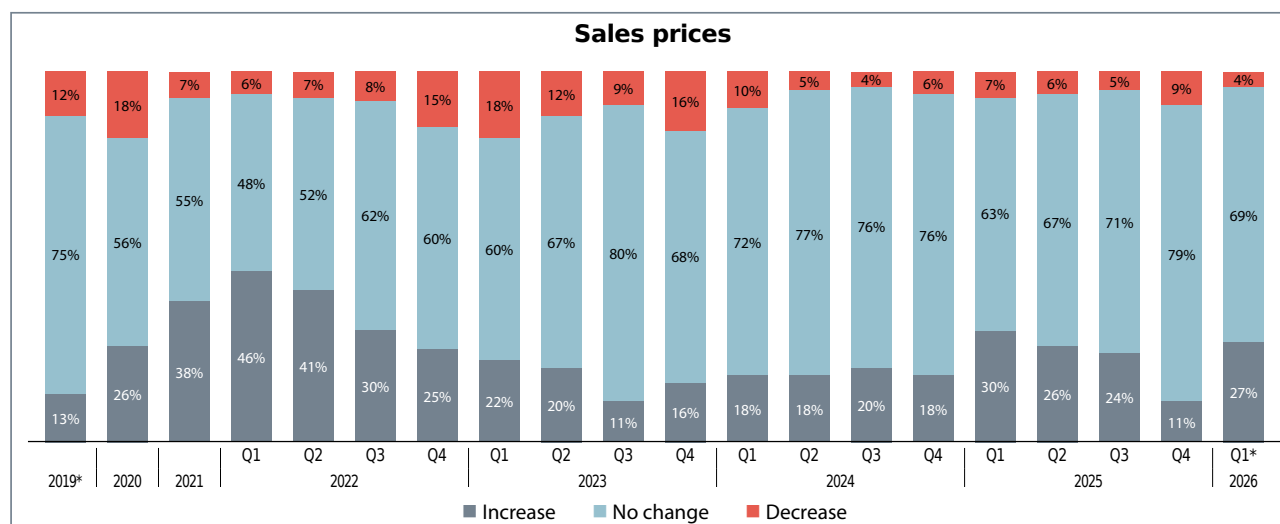
* Expectation.



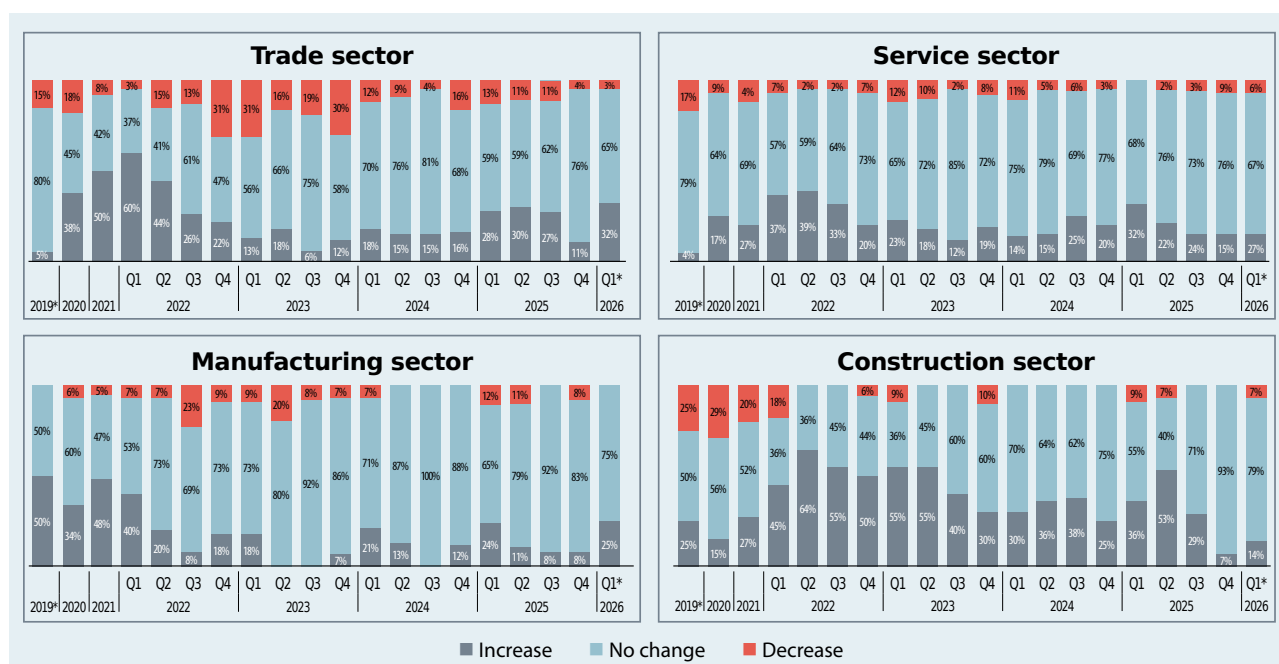
Graph 7: Sales, demand and domestic production in trade, service, manufacturing, and construction sectors

Sales Prices

- ✗ In Q4 of 2025, 11% of surveyed companies increased sales prices, and 27% of the companies expect the prices to rise in Q1 of 2026 (see Graph 8).
- ✗ Among sectors, in Q4 of 2025, the share of the companies that are increasing sales prices is the highest for the service sector (15%). Similarly, as for the expectations for Q1 of 2026, the highest share of companies predicting sales prices to increase was recorded also in the trade sector (32%) (see Graph 9).



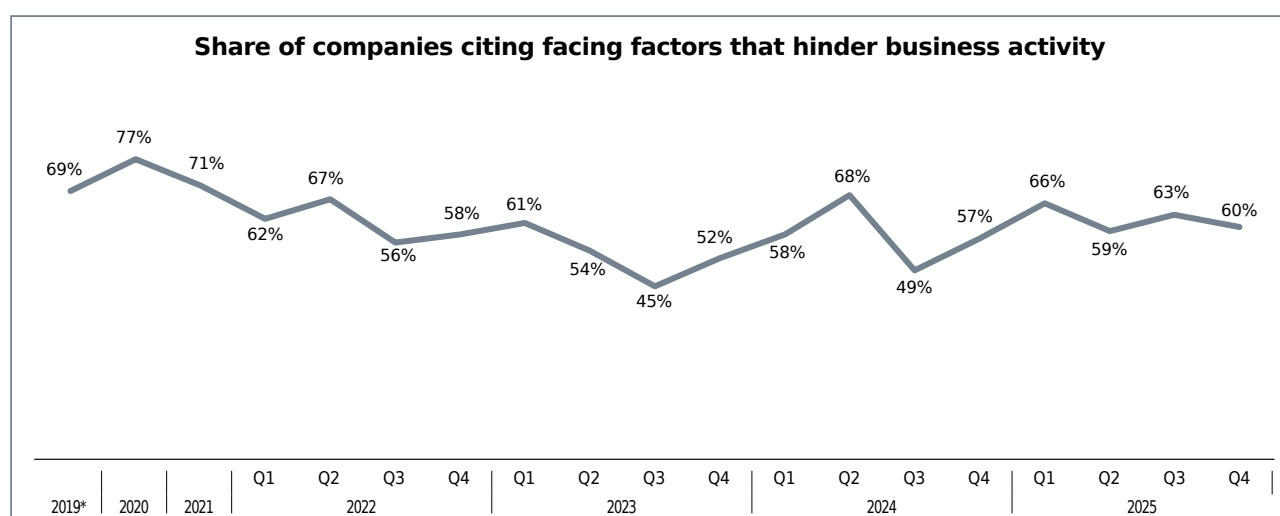
Graph 8: Sales prices in BAG member businesses and companies in their corporate group



Graph 9: Sales prices in trade, service, manufacturing, and construction sectors

FACTORS HINDERING BUSINESS ACTIVITY

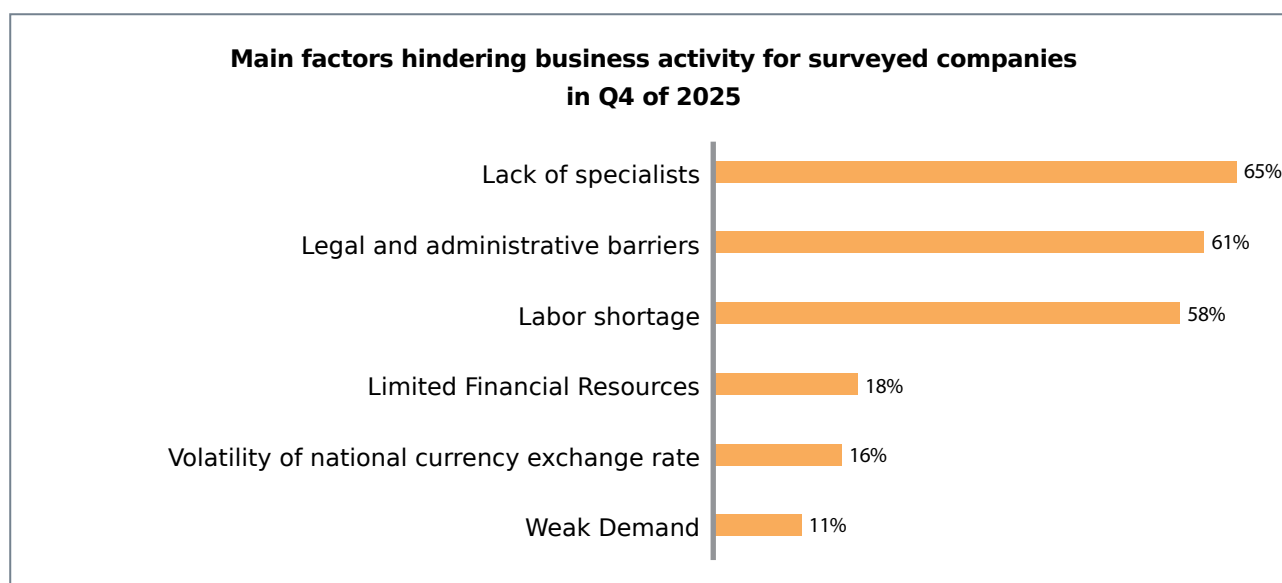
In Q4 of 2025, compared to Q3 of 2025, the share of surveyed companies claiming that there are factors hindering their business activity decreased by 3 percentage points.



Graph 10: Existence of factors hindering business activity

In Q4 of 2025, the following five factors were emphasized to be hindering for business activity: lack of specialists, legal and administrative barriers, labor shortage, limited financial resources and volatility of national currency exchange rate⁶ (see Graph 11).

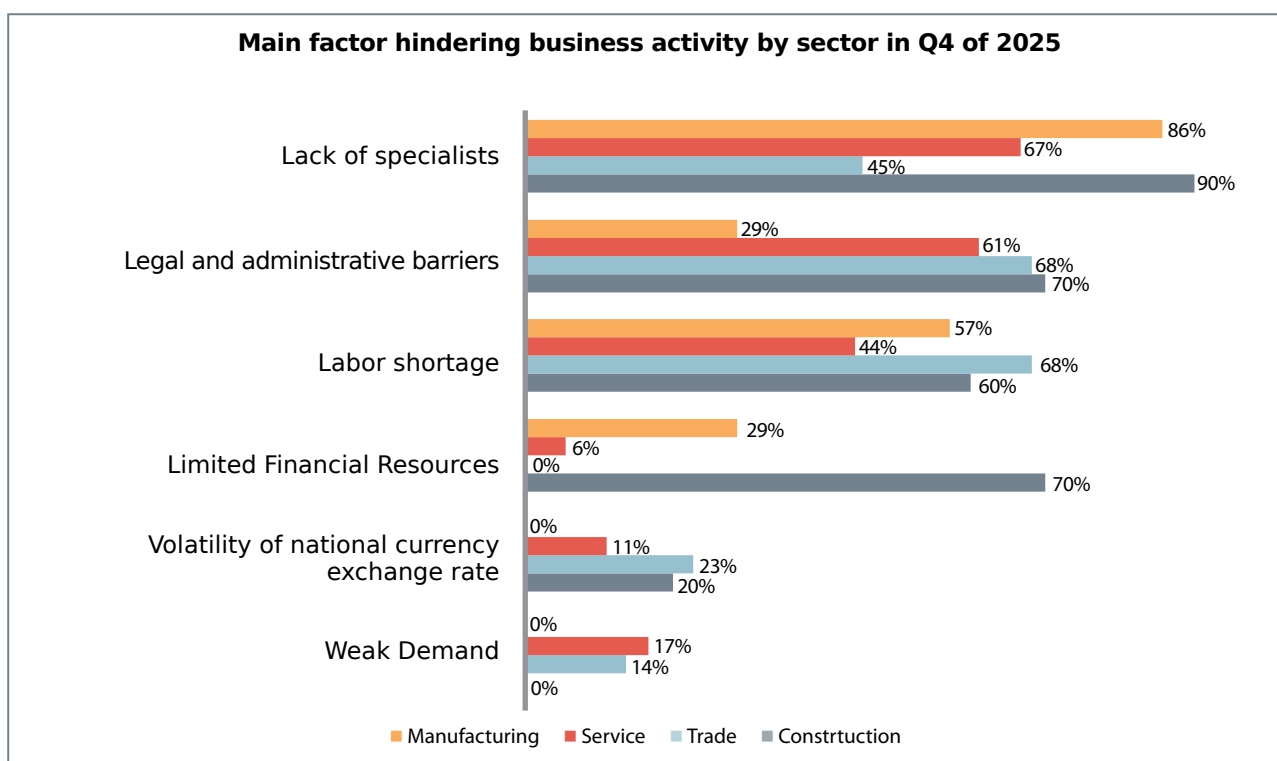
⁶ The instability of the national currency exchange rate, as one of the hindering factors for business, was added to the existing questionnaire on factors hindering business activity in the Q4 2021.



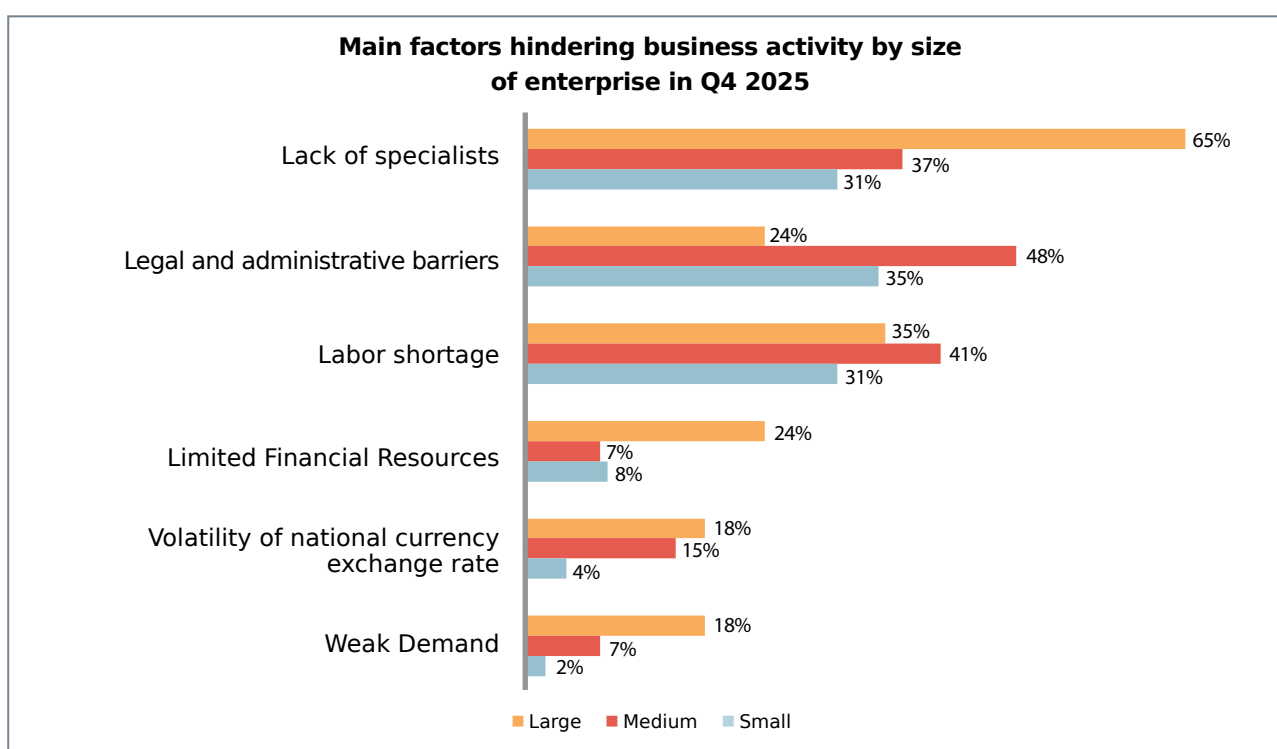
Graph 11: Main factors hindering business activity for surveyed companies in Q4 of 2025

By sector and enterprise size, in the Q4 of 2025:

- ✖ **The lack of specialists** is most hindering in the construction sector (90%) and small-sized companies (65%).
- ✖ **Legal and administrative barriers** are most burdensome for medium-sized companies (48%), with particularly strong impact observed in the construction sector (70%).
- ✖ **The lack of labor force** is most acute in the trade sector (68%) and constitute a significant challenge across enterprises of all sizes.
- ✖ **Limited financial resources** are a major constraining factor primarily for the construction sector (70%), while this constraint is not observed in the trade sector. By firm size, limited financial resources are most prevalent among small-sized enterprises (24%).
- ✖ **The volatility of the national currency exchange rate** is especially problematic in the trade sector (23%) and affects small (18%) and medium-sized businesses (15%) almost equally.



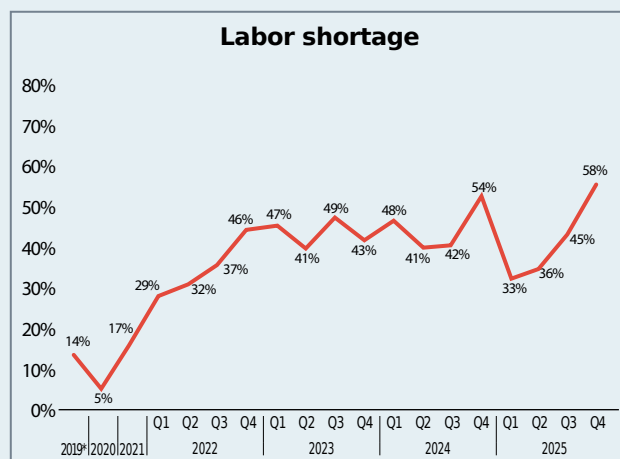
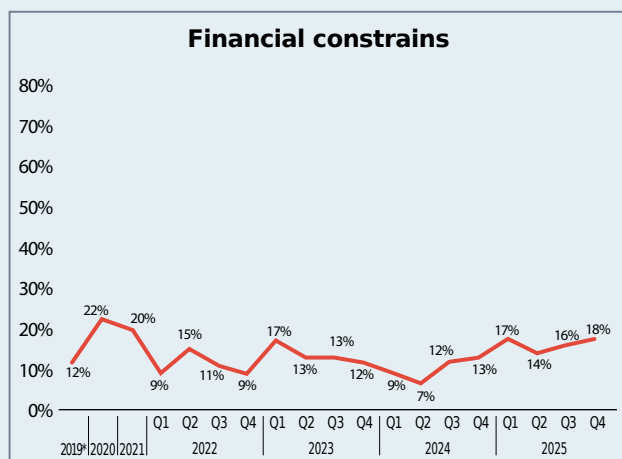
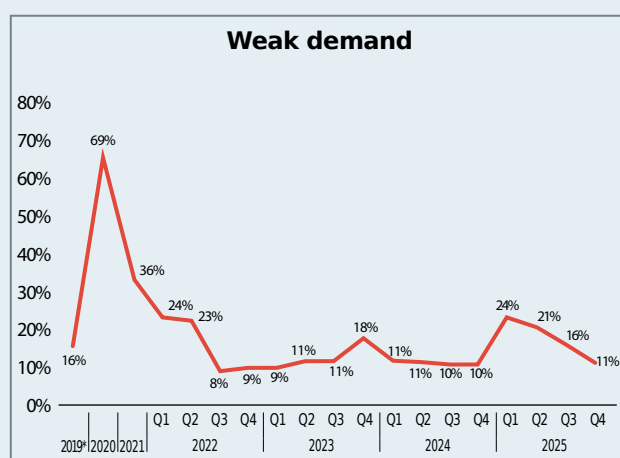
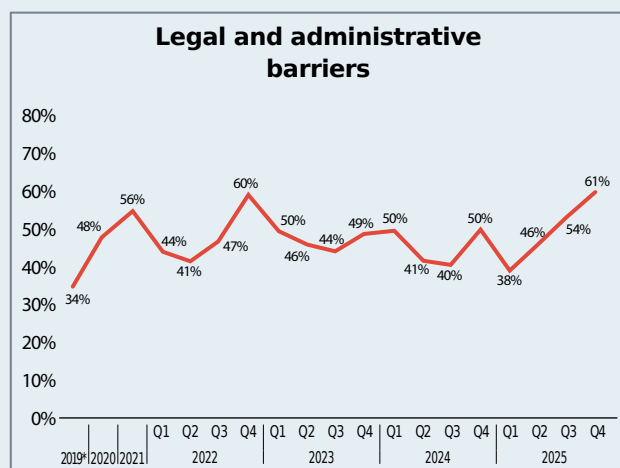
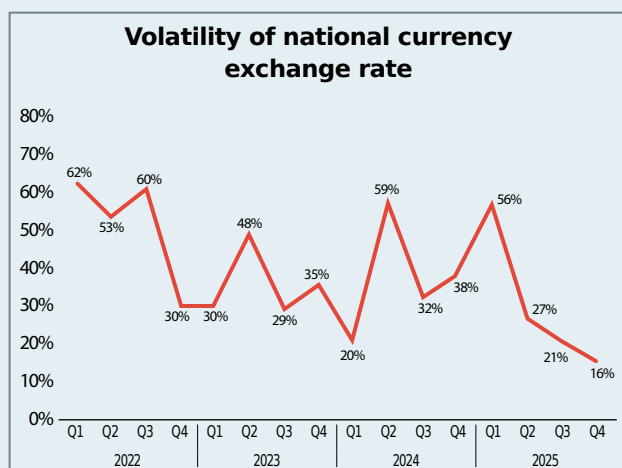
Graph 12: Main factors hindering business activity by sectors in Q4 of 2025



Graph 13: Main factors hindering business activity by the size of the enterprise in Q4 of 2025

In Q4 of 2025, compared to the previous quarter, among the factors hindering business activity, the share of companies citing the labor shortage increased the most (by 13 percentage points). Meanwhile, the share of companies citing the volatility of national currency exchange rate and weak demand decreased the most (by 5-5 percentage points) (See Graph 14).

Hindering factors for business activity Q4 2019 - Q4 2025



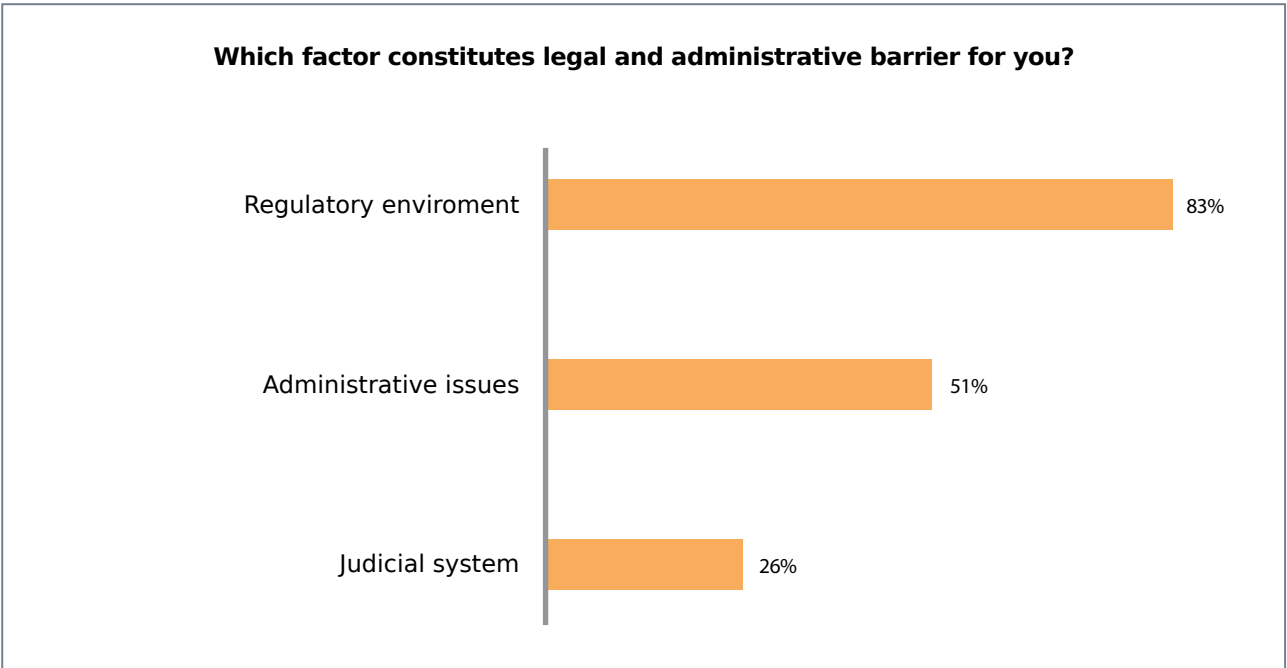
Graph 14: Main hindering factors for surveyed companies

The main factors determining legal and administrative barriers for business

In Q4 of 2025, the **regulatory framework** has been considered the main element of legal and administrative barriers hindering business activity. Looking from a sector-by-sector view, the regulatory framework was the most cited as a hindering factor in the trade sector, and least cited in the manufacturing sector.

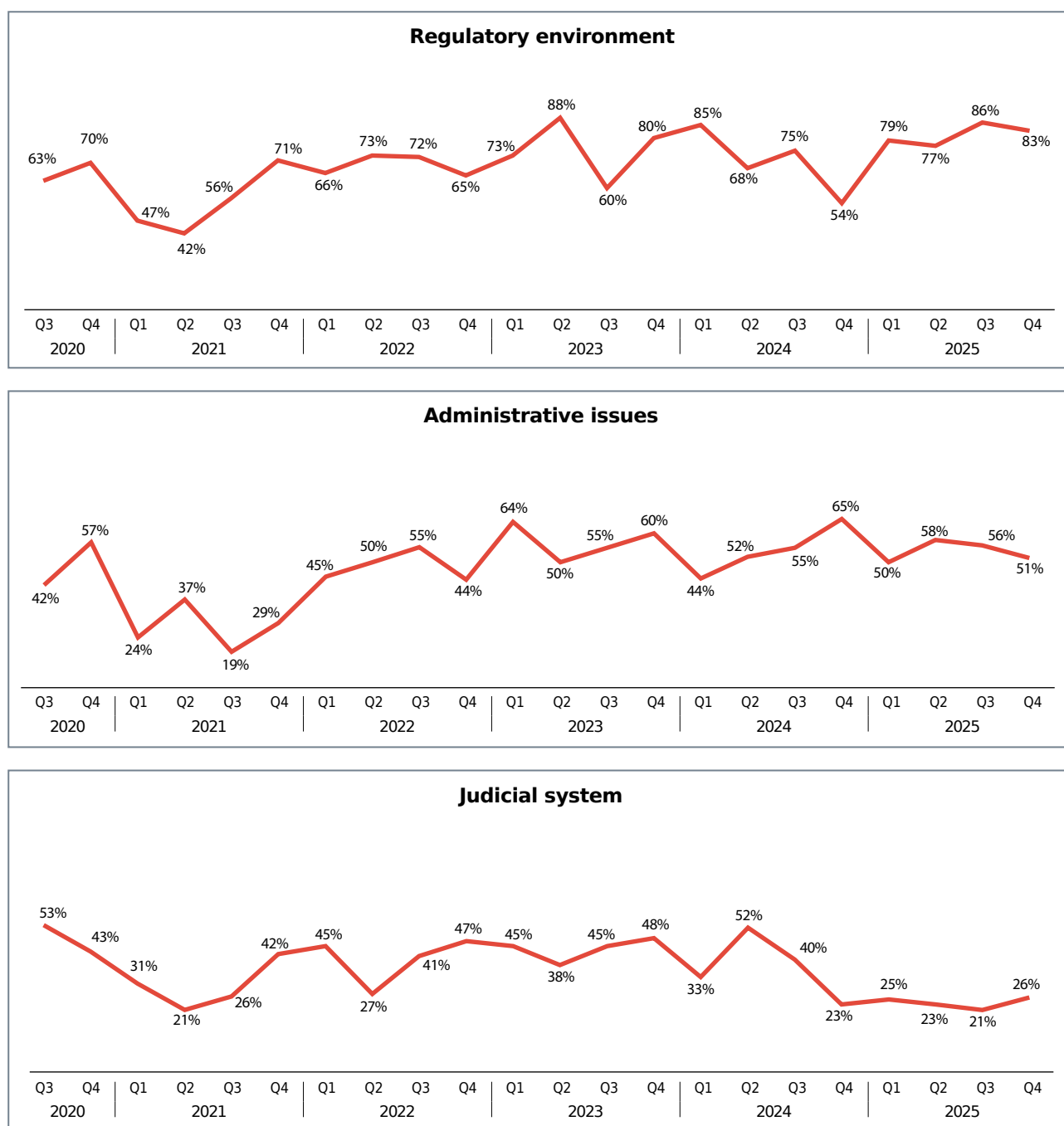
Among legal and administrative barriers, **administrative issues** were the second-most cited hindering factor. This was deemed the most hindering in the construction and trade sectors, while the least hindering for the manufacturing sector.

Meanwhile, the **judicial system** was the most cited as a hindering factor under legal and administrative barriers in the service sector, while the least hindering in the construction and manufacturing sectors.



Graph 15: Main legal and administrative hindering factors for surveyed companies

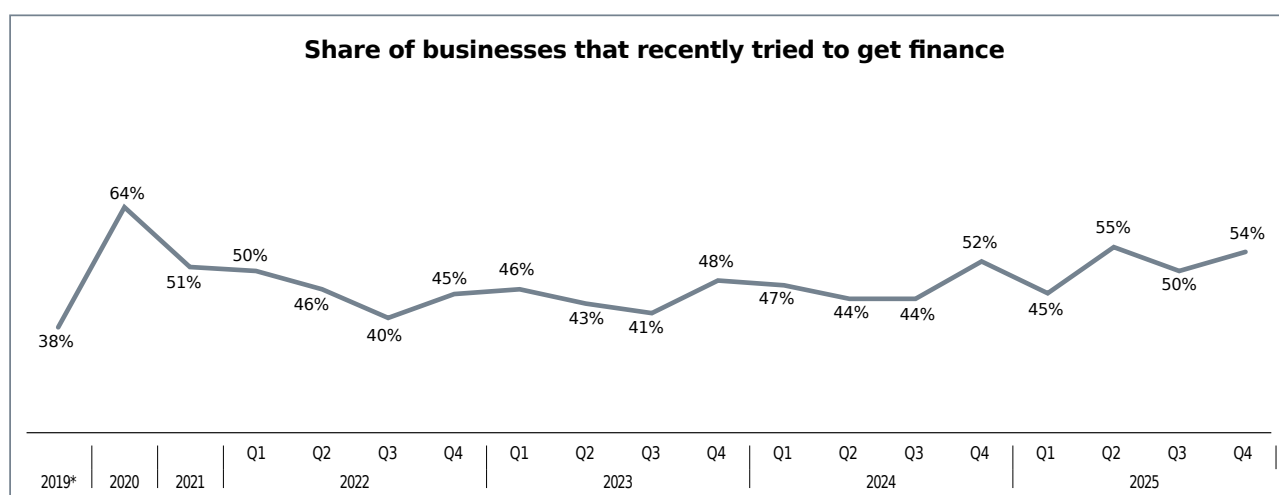
In summary, in Q4 of 2025, compared to the previous quarter, the share of companies to cite judicial system as hindering factors increased (by 5 percentage points). Meanwhile, the share of companies to cite administrative issues and regulatory environment as hindering factors decreased (by 3-5 percentage points).



Graph 16: Main legal and administrative hindering factors for surveyed companies

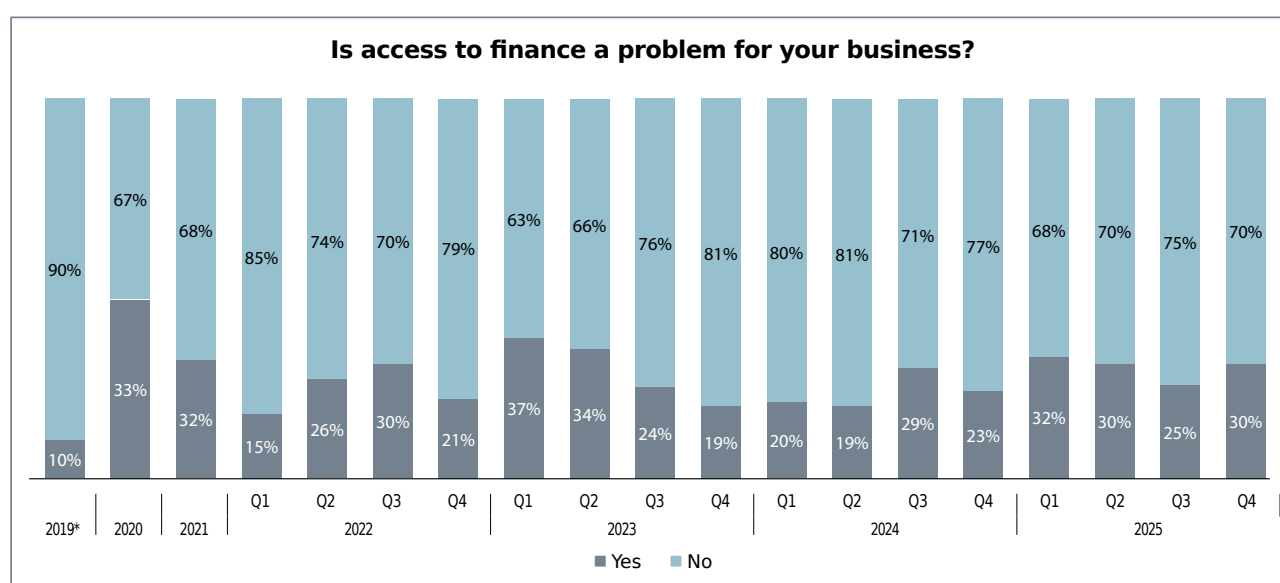
FINANCING

In Q4 of 2025, 54% of surveyed companies claimed to have recently tried to obtain finance, which is 4 percentage points higher than the figure recorded in the previous quarter (see Graph 17). By enterprise size, large enterprises (57%) were more likely to seek financing than medium-sized (48%) and small-sized (47%) enterprises.



Graph 17: Businesses that recently tried to get finance

In Q4 of 2025, 30% of those companies that recently tried to access finance also noted that access to finance was a problem for their business. This figure is higher (by 5 percentage points) than that of the previous quarter (see Graph 18). The problem of accessing finance was observed more frequently in small enterprises (56% of those that tried to obtain finance) and relatively less in large-sized (25%) and medium-sized (23%) enterprises.

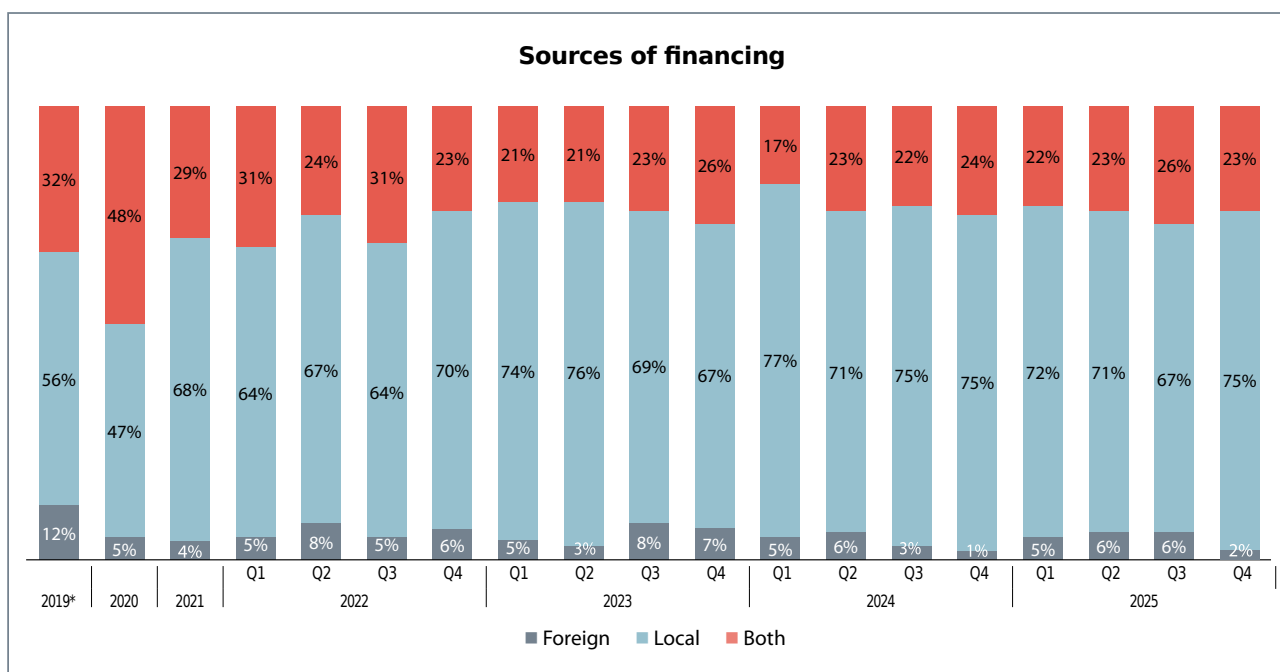


Graph 18: Access to finance⁷

Regarding sources of financing⁸, in Q4 of 2025, the majority of surveyed companies stated that they were financed by local sources (75%). The share of companies stating that they were financed by both domestic and foreign sources decreased by 3 percentage points in Q4 of 2025, compared to the previous quarter, and reached 23%.

⁷ The question was only answered by those companies that stated they had recently sought finance.

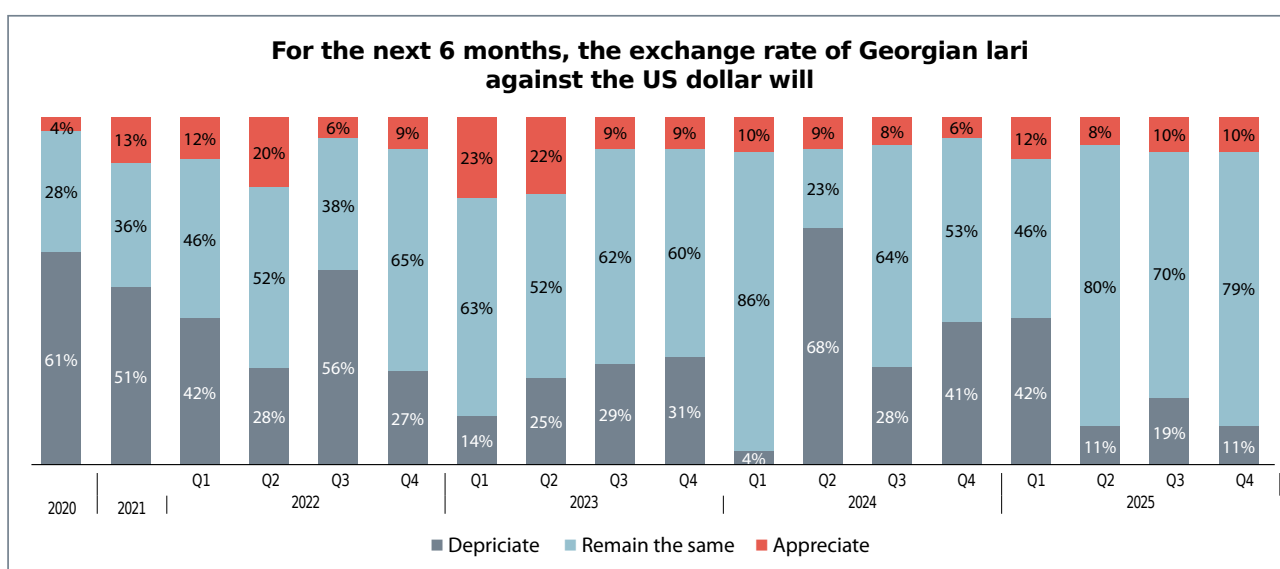
⁸ The change in methodology in Q1 of 2021 (the increase in the number of surveyed companies) altered the financing structure. This methodological change did not affect significantly any other indicators.



Graph 19: Sources of financing

EXCHANGE RATE EXPECTATIONS

In Q4 of 2025, most of the surveyed companies (79%) do not expect any change in the exchange rate of the national currency against the US Dollar over the next 6 months. Meanwhile, 11% of companies expect the national currency to depreciate, and 10% expect it to appreciate. In Q4 of 2025, compared to Q3 of 2025, the share of companies expecting that the national currency exchange rate would remain the same throughout the next 6 months increased (by 9 percentage points), while the share of companies expecting that the national currency would depreciate against the US Dollar decreased by 8 percentage points.

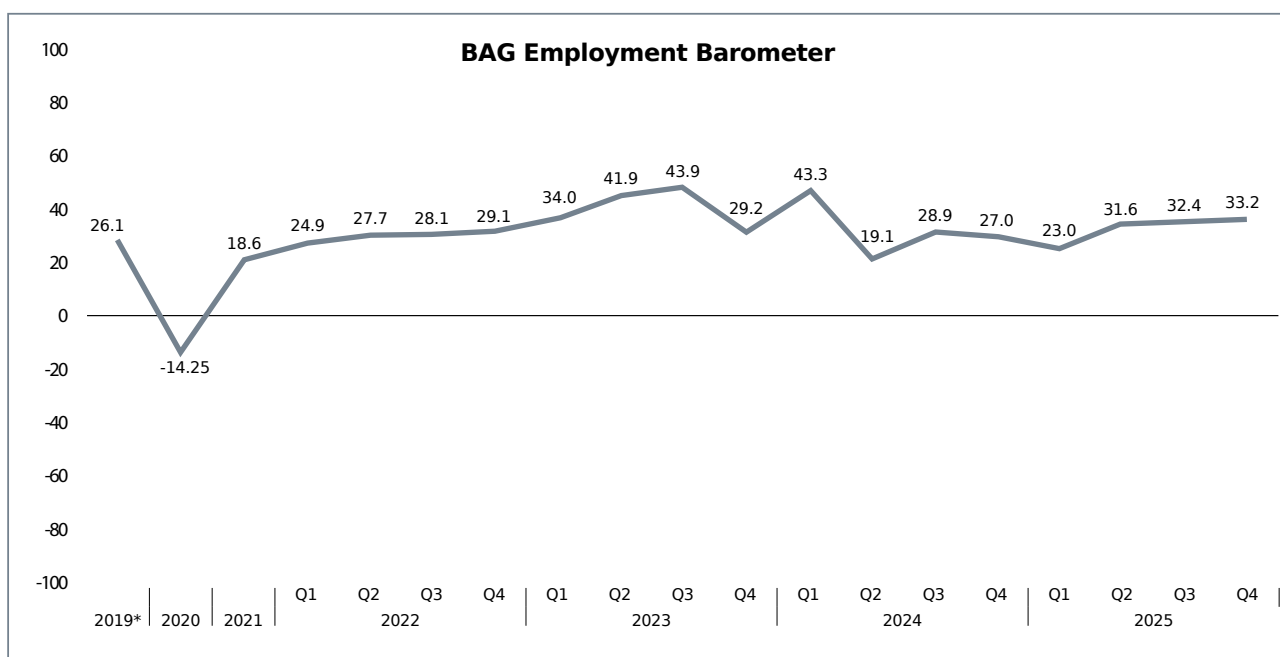


Graph 20: The exchange rate of the Georgian Lari against the US Dollar

BAG EMPLOYMENT BAROMETER

The BAG Employment Barometer reflects companies' expectations regarding changes in employment in the next three months.⁹

IN Q4 OF 2025, THE SURVEYED BUSINESSES GENERALLY HAD A POSITIVE OUTLOOK REGARDING EMPLOYMENT FOR THE NEXT THREE MONTHS. THE BAG EMPLOYMENT BAROMETER AMOUNTED TO 33.2 POINTS, MARKING AN INCREASE OF 0.8 POINTS COMPARED TO Q3 OF 2025 AND 6.2 POINTS COMPARED TO Q4 OF 2024.



Graph 21: BAG Employment Barometer¹⁰

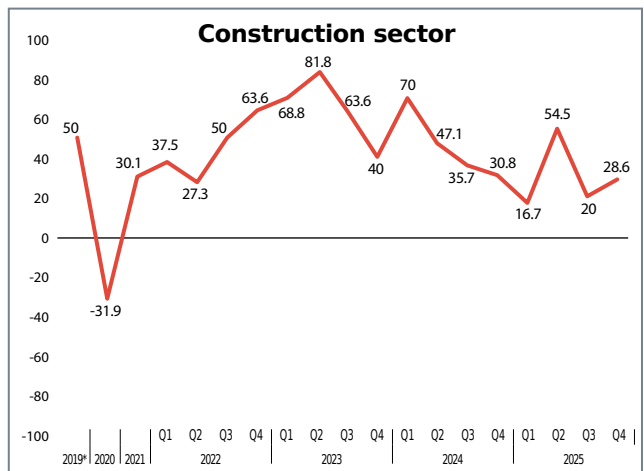
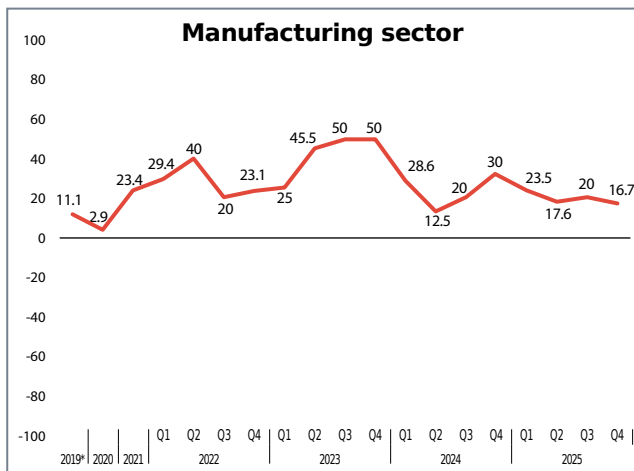
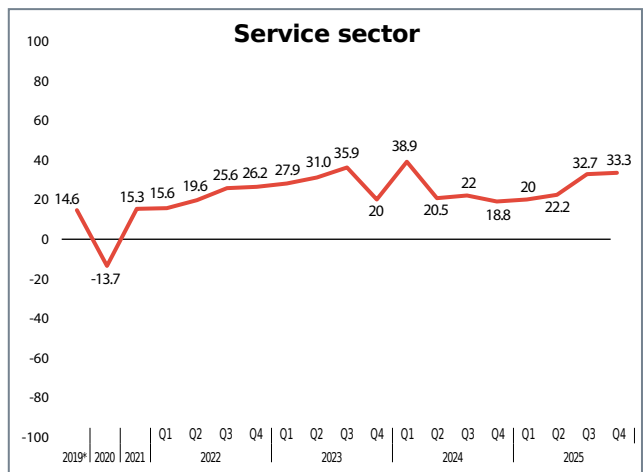
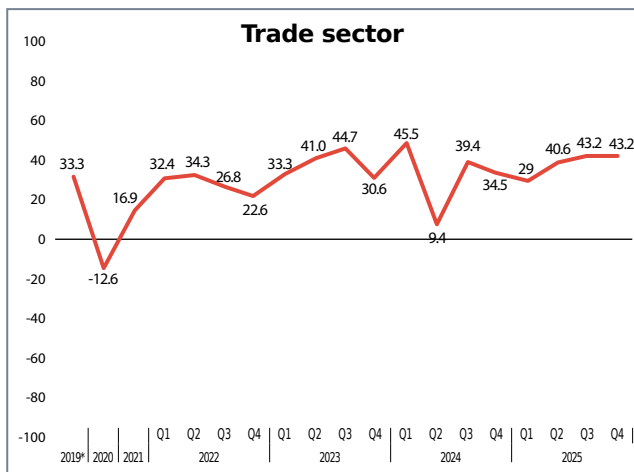
In Q4 of 2025, the BAG Employment Barometer was positive across all sectors. In Q4 of 2025, compared to Q3 of 2025, the employment barometer indicator increased in the construction (by 8.6 points) and the service (by 0.6 points) sectors, declined in the manufacturing sector (by 3.3 points), and remained unchanged in the trade sector (see graph 22).

⁹ Respondents could describe their plans regarding the number of employees for the next three months as "increasing," "stable," or "decreasing". The balance value of these plans is the difference in the percentage shares of the "increasing" and "decreasing" responses. The BAG Employment Barometer is a weighted mean of the balances in different sectors. The BAG Employment Barometer can be between -100 and +100. -100 means all surveyed businesses expect employment to decrease in the next three months, while +100 means all surveyed businesses expect employment to increase in the next three months.

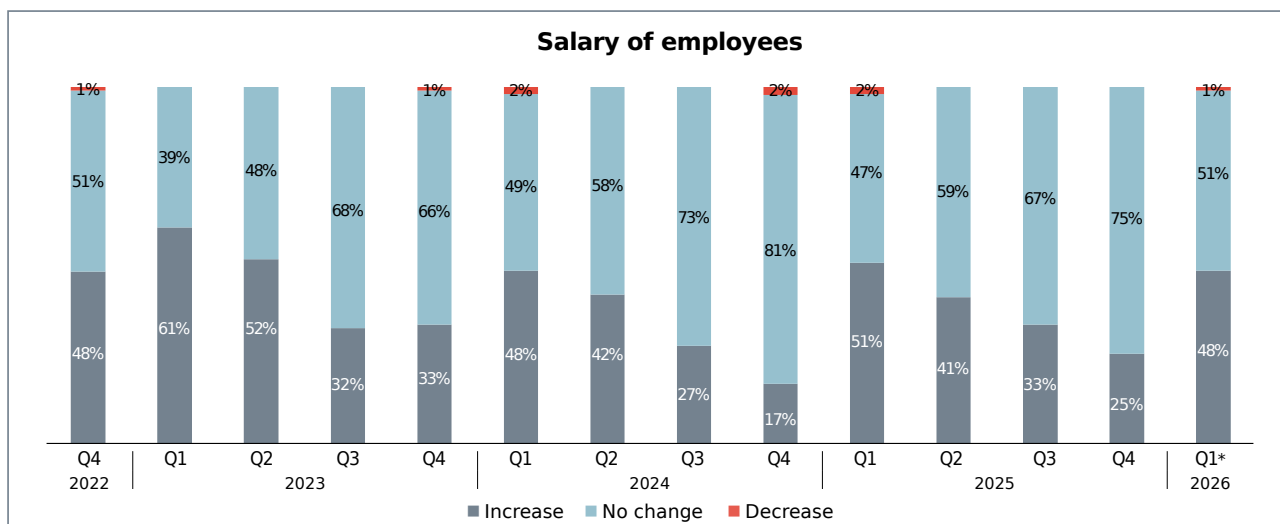
¹⁰ 2019* indicates that only data for the fourth quarter of 2019 is available, while for 2020-2021, quarterly averages are presented.

Table 2: Employment Barometer. Balance values by sector

Sector	2019*	2020	2021	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Trade	33.3	-12.6	16.9	32.4	34.3	26.8	22.6	33.3	41.0	44.7	30.6	45.5	9.4	39.4	34.5	29.0	40.6	43.2	43.2
Service	14.6	-13.7	15.3	15.6	19.6	25.6	26.2	27.9	31.0	35.9	20.0	38.9	20.5	22.0	18.8	20.0	22.2	32.7	33.3
Manufacturing	11.1	2.9	23.4	29.4	40.0	20	23.1	25.0	45.5	50.0	50.0	28.6	12.5	20.0	30.0	23.5	17.6	20.0	16.7
Construction	50	-31.9	30.1	37.5	27.3	50	63.6	68.8	81.8	63.6	40.0	70.0	47.1	35.7	30.8	16.7	54.5	20.0	28.6
BAG	26.1	-14.3	18.6	24.9	27.7	28.1	29.1	34.0	41.9	43.9	29.2	43.3	19.1	28.9	27.0	23.0	31.6	32.4	33.2

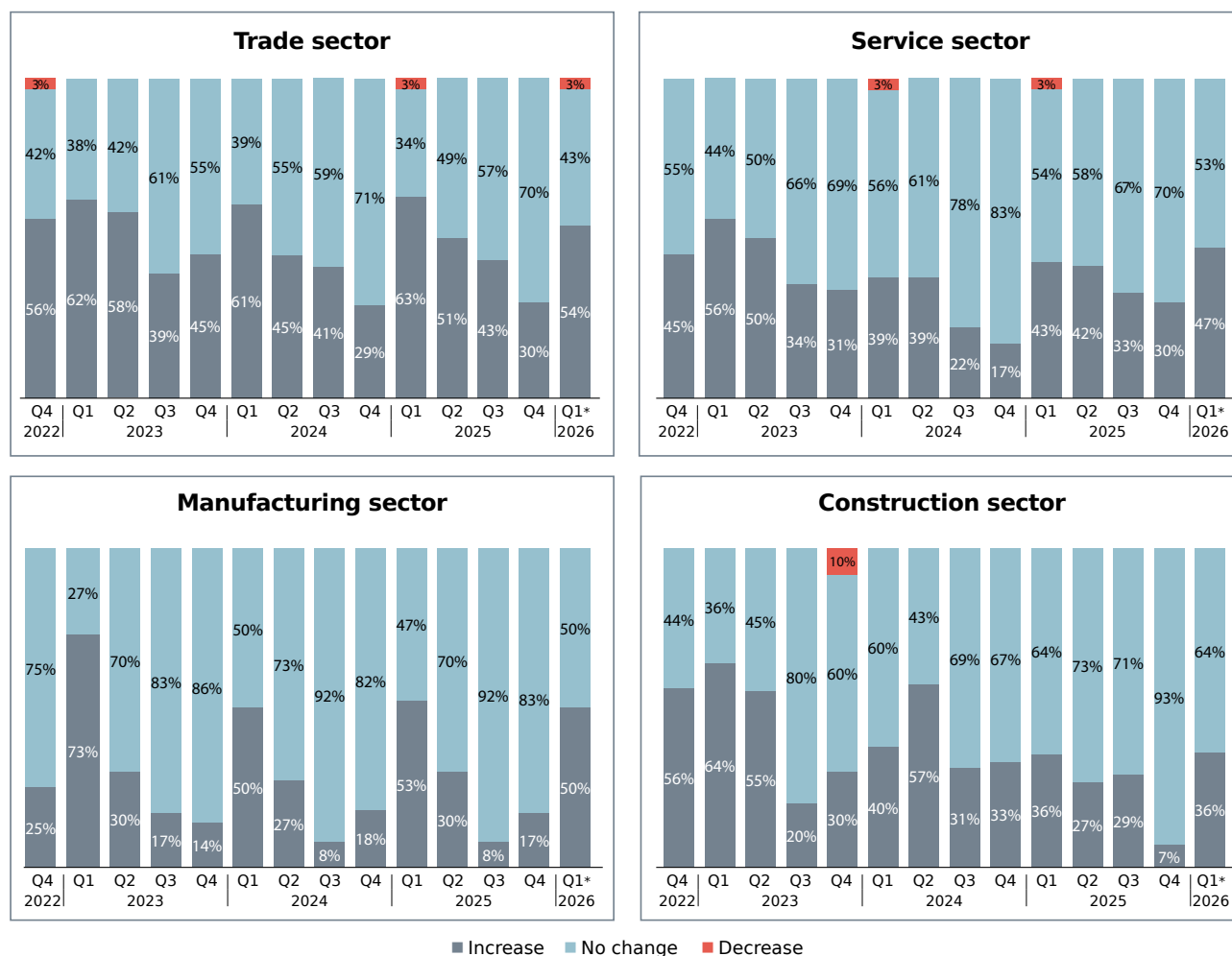
**Graph 22:** BAG Employment Barometer by sector

When examining employment, it is imperative to analyze the employee compensation dynamics in the process. The survey results revealed that 25% of companies raised employees' salaries in Q4 of 2025, which is lower compared to the previous quarter, however higher than in the same quarter of the previous year. In Q1 of 2026, 48% of companies plan to increase employees' salaries. (see graph 23).



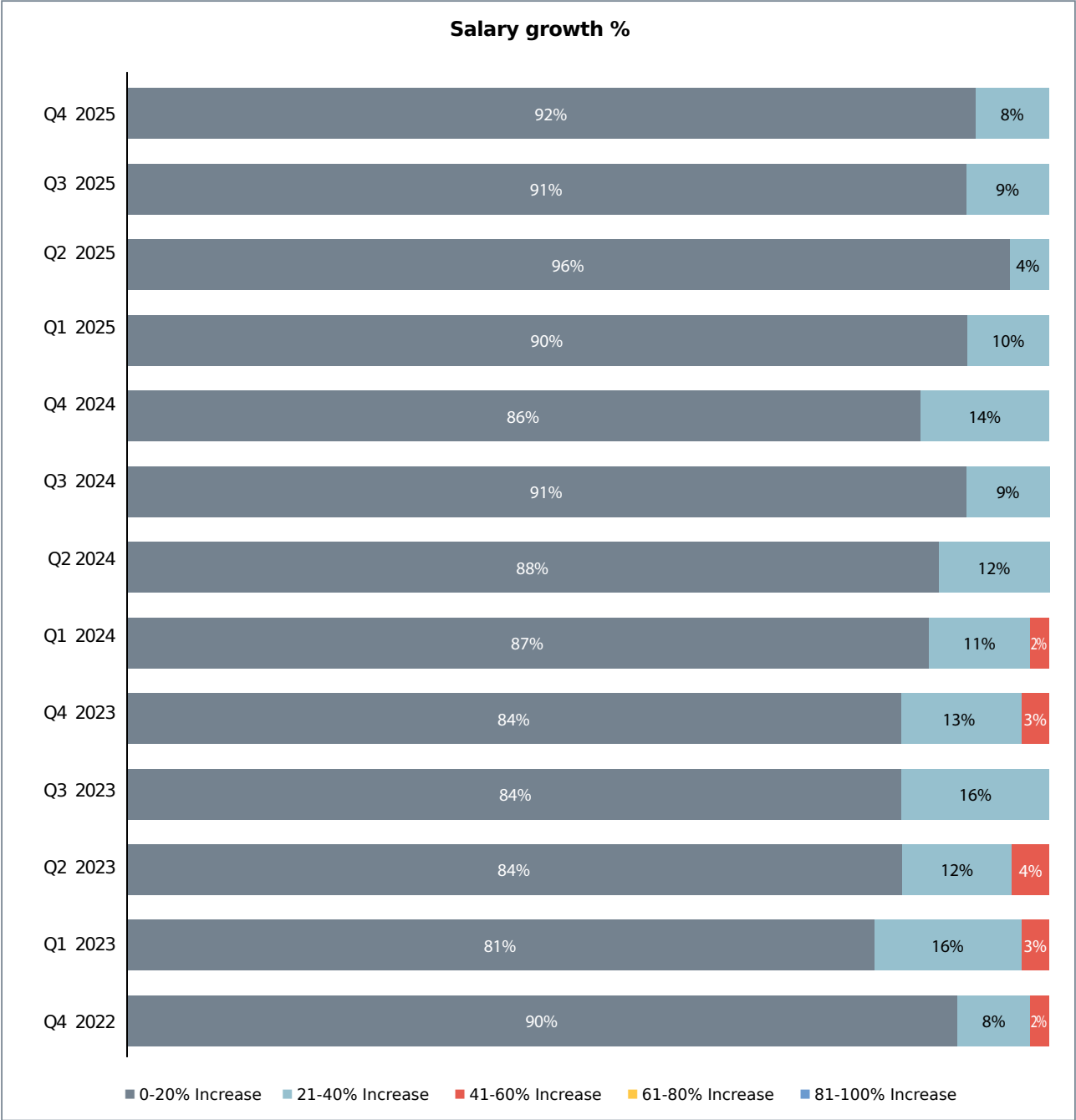
Graph 23: Salary of employees

By sector, in Q4 of 2025, the largest share of companies in the service and trade sectors (30-30%) recorded an increase in the salaries of employees. In Q1 of 2026, the largest share of companies planning to increase the wages of employees was recorded in the trade sector (54%) (see Graph 24).



Graph 24: Salary of employees in trade, service, manufacturing, and construction sectors

In Q4 of 2025 most surveyed companies (92%), who increased the salaries of their employees, increased the salaries of their employees by 0-20%. Meanwhile, 8% of the surveyed companies increased the salaries of their employees by 21-40%.



Graph 25: Growth (%) of salary of employees

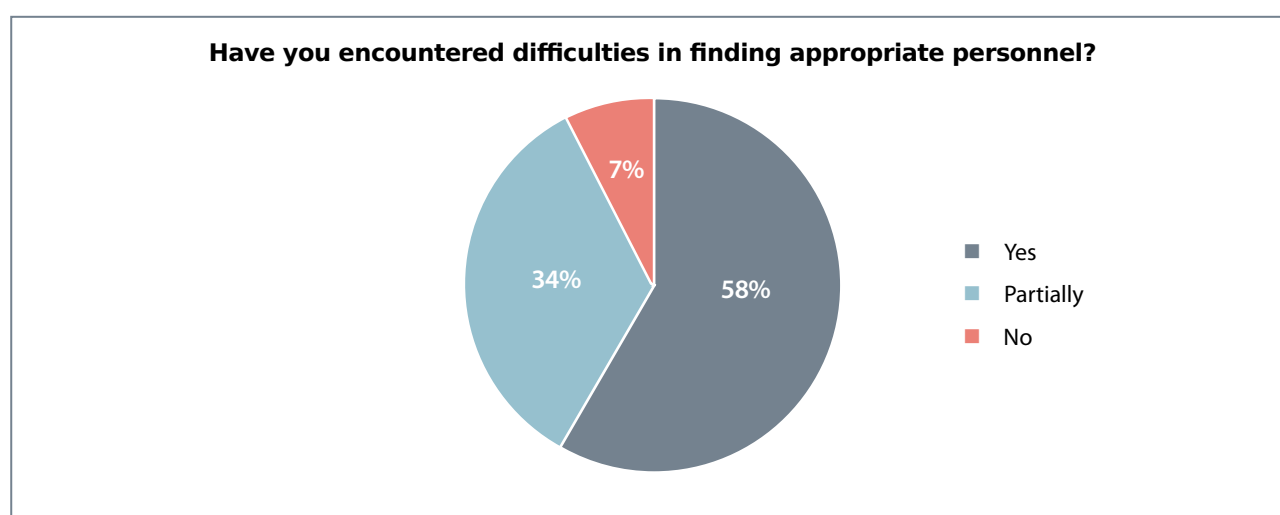
THE NEED FOR LABOR RESOURCES

In the report of the Q4 of 2025, to assess the need for labor resources and the difficulties in finding appropriate personnel, some additional questions were integrated into the BAG index survey. For the purposes of this research, BAG members are divided into the following four sectors: trade, service, manufacturing and construction. The detailed results of the need for labor resources survey are given in the appendix.

FINDING PERSONNEL

In the survey conducted in Q4 of 2025, the majority of the surveyed companies (58%) said they encountered difficulties in finding appropriate personnel. The problem of finding appropriate personnel has eased by 7 percentage points compared to Q4 of 2023¹¹.

In Q4 of 2025, for 34% of the surveyed companies, this process had some partial complications. Of the surveyed companies, 7% had not encountered any difficulties in finding appropriate personnel, which is higher compared to the survey results of Q4 of 2023 (2%).

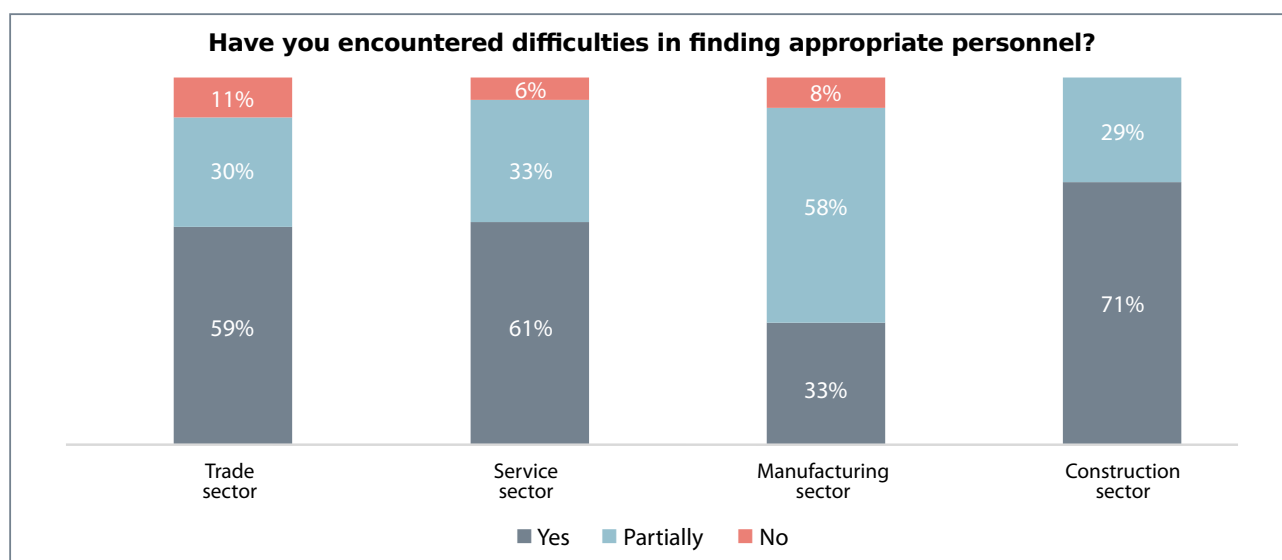


Graph 26: The existence of difficulties in finding appropriate personnel in Q4 of 2025¹²

Notably, by sectors, the issue of finding appropriate personnel is most evident in the construction, service, and trade sectors - respectively, 71%, 61%, and 59% of the surveyed companies encountered difficulties in finding appropriate personnel (see Graph 27). This issue was relatively less intense for the manufacturing sector, where 33% of the surveyed companies had difficulties in finding appropriate personnel. Moreover, it must be mentioned that this indicator is lower compared to Q4 of 2023 (42%).

¹¹ The last survey on the need for labor resources was conducted in Q4 of 2023.

¹² Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

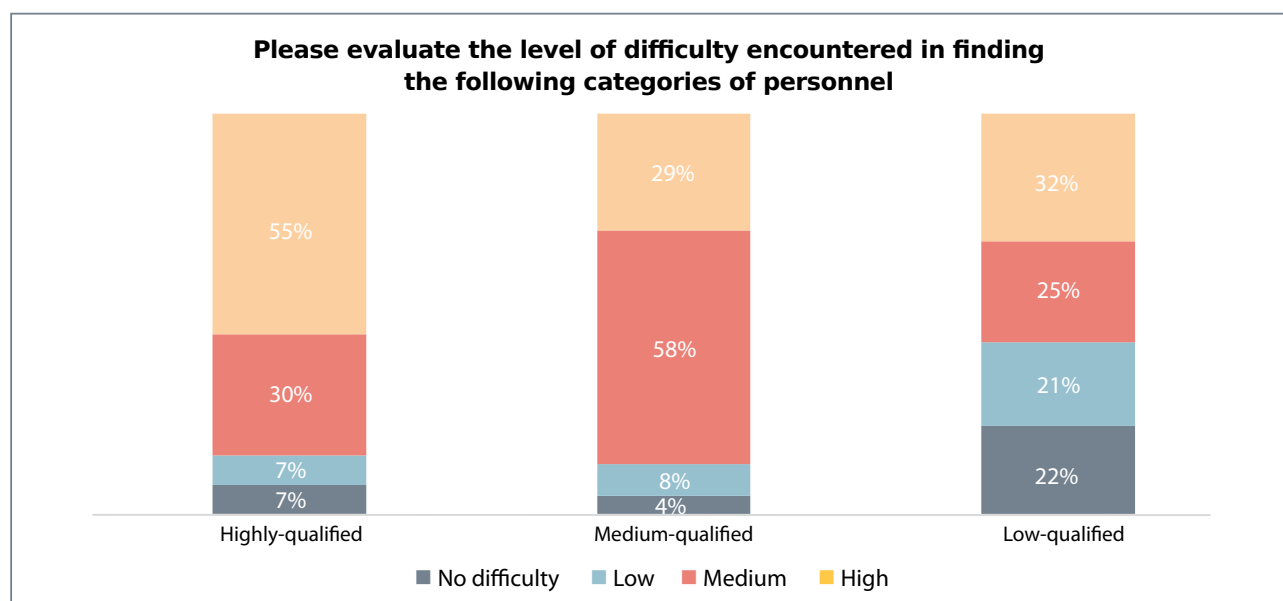


Graph 27: The existence of difficulties in finding appropriate personnel by sectors in Q4 of 2025

Of the different categories of personnel, surveyed companies found the process of finding highly-qualified personnel most difficult. Overall, 55% of surveyed companies assessed the level of difficulty encountered in finding highly-qualified personnel as high. This number is lower (by 9 percentage points) compared to the same indicator in Q4 of 2023.

The process of finding medium-qualified personnel was assessed as moderately hard by most of the companies (58%), while 29% of the companies stated that it is difficult to find such category of personnel.

Among the different categories of personnel, finding low-qualified personnel is assessed to be relatively less difficult. 22% of the surveyed companies state that they have no difficulty in finding low-qualified personnel, while for 21% the level of difficulty is low, which is similar to the survey results of Q4 of 2023. However, it should be noted that compared to the survey results of Q4 of 2023, it has become more difficult for companies to find low-qualified personnel (the share of companies facing high difficulty in finding low-qualified personnel rose by 7 percentage points).



Graph 28: Level of difficulty encountered in finding different categories of personnel in Q4 of 2025

Among the sectors, finding high-qualified personnel is hardest for the service and construction sectors (in both sectors significant share of the companies state that finding high-qualified personnel is very difficult: in the service sector - 67%, in the construction sector - 64%).

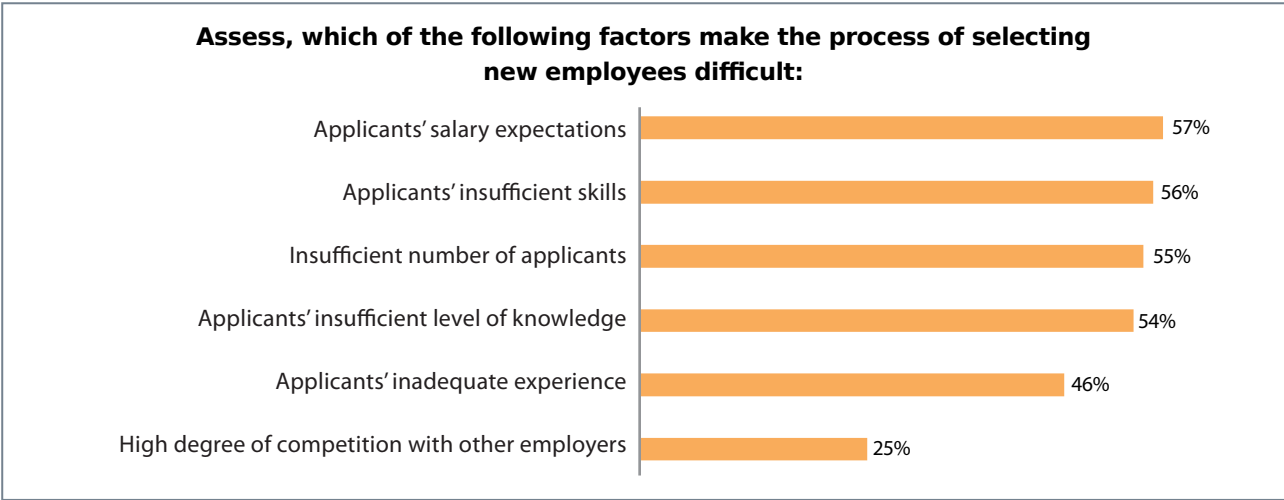
Finding medium-qualified personnel is assessed as moderately difficult by the majority of surveyed companies in trade, service, and manufacturing sectors, and by 46% of companies in the construction sector.

Meanwhile, finding low-qualified personnel is hard for manufacturing (42% of surveyed companies state that finding such personnel is very difficult), trade (37%), construction (29%), and service (23%) sectors (see Appendix, Graph 2).

FACTORS CONTRIBUTING TO DIFFICULTIES ASSOCIATED WITH THE SELECTION OF NEW EMPLOYEES

The companies surveyed in Q4 of 2025, when asked which factors made it difficult to find appropriate personnel, most often named the following three factors: applicants' salary expectations (57%), applicants' insufficient skills (56%), and insufficient number of applicants (55%). In Q4 of 2025, high competition with other employers was least often stated as a hindering factor for selecting new employees, similar to Q4 of 2023 (See Appendix, Graph 3).

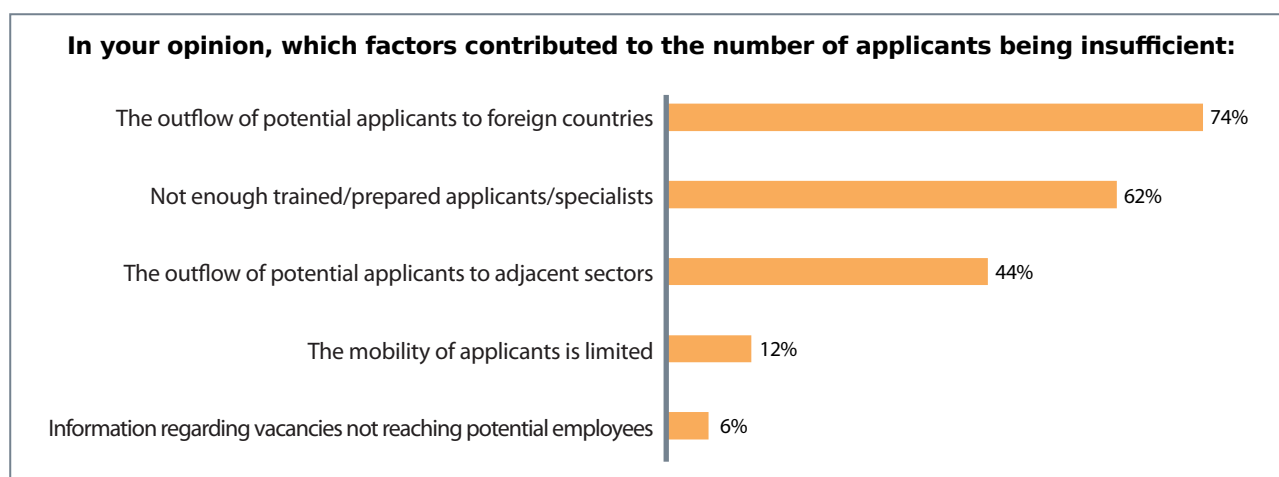
For the manufacturing and service sectors, the most frequently cited factor was applicants' salary expectations (82% and 61%, respectively). In the service sector, alongside salary expectations, applicants' insufficient level of knowledge was also identified as a determining factor (61%). In the construction sector, applicants' insufficient skills were most often cited (71%), while in the trade sector, the insufficient number of applicants was the most frequently mentioned factor (63%).



Graph 29: The factors contributing to difficulties associated with the selection of new employees in Q4 of 2025

In Q4 of 2025, overall, 74% of the surveyed companies that named the insufficient number of applicants as a problem believed that this was caused by the outflow of potential applicants to foreign countries. It must be noted that this indicator decreased compared to Q4 of 2023. Additionally, the share of companies that state the following factors: not enough trained/prepared applicants/specialists, the outflow of potential applicants to adjacent sectors, and limited applicant mobility among the hindering factors also decreased (see Appendix, Graph 4).

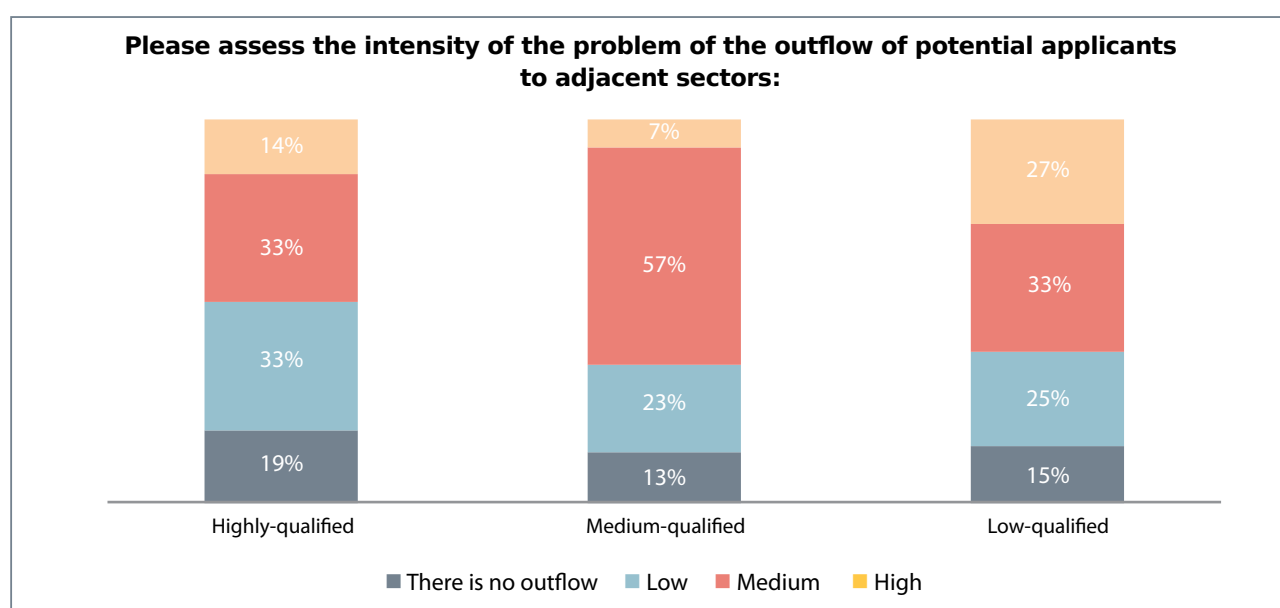
Notably, the outflow of potential applicants to foreign countries is most frequently cited as a reason for insufficient number of applicants in the manufacturing (86%) and trade (85%) sectors. Meanwhile, in the service and construction sectors, the majority of companies (80% and 70%, respectively) believe that the insufficient number of applicants is primarily driven by the lack of adequately trained/prepared applicants/specialists.



Graph 30: Factors contributing to the number of applicants being insufficient in Q4 of 2025

Within the survey, the companies also assessed the intensity of the problem of the outflow of potential applicants to other sectors. The problem of outflow was evaluated for highly-qualified, medium-qualified, and low-qualified applicants (see Graph 31).

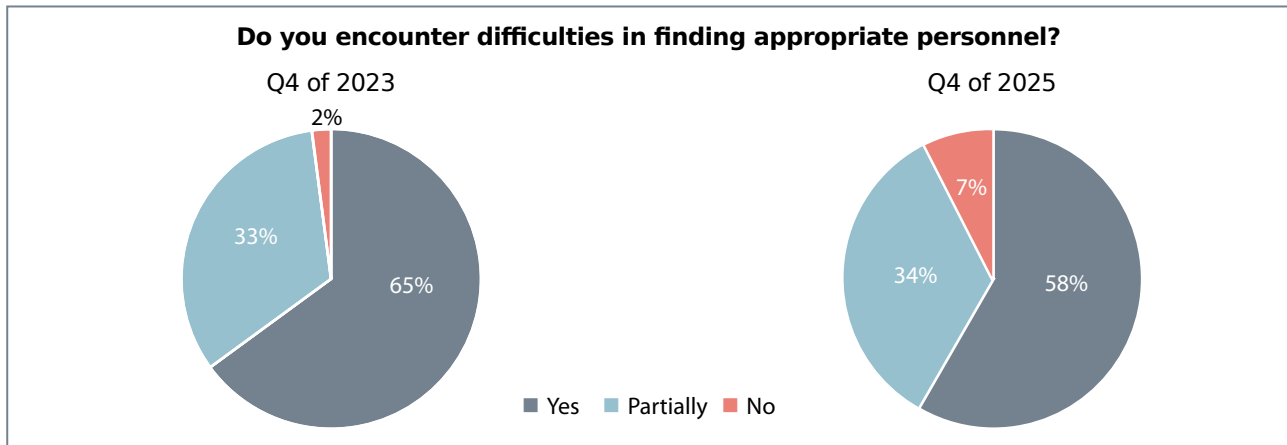
It must be noted that, in Q4 of 2025, compared to Q4 of 2023, the share of companies stating the high level of severity of the outflow of medium-qualified personnel to adjacent sectors declined (by 10 percentage points).



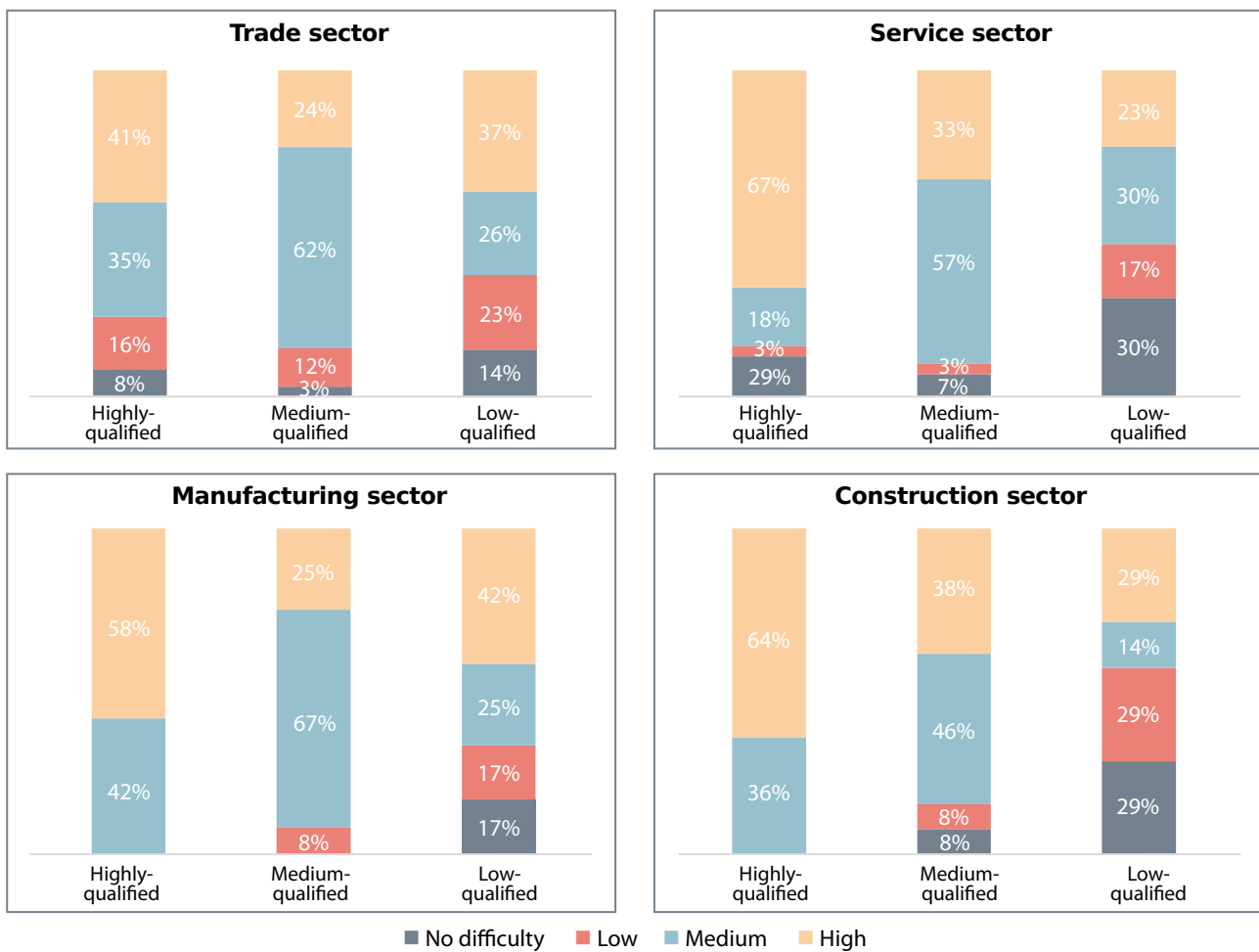
Graph 31: The scale of the outflow of potential applicants to adjacent sectors in Q4 of 2025

Among sectors, the problem of the outflow of low-qualified applicants to other sectors is most evident in the service sector, where this issue is very severe for 41% of surveyed companies. The problem of the outflow of highly-qualified personnel is most evident in the service and construction sectors, where 20% and 17%, respectively, of the surveyed companies assess this issue as very acute. Meanwhile, the problem of the outflow of medium-qualified personnel to adjacent sectors is most acute in the service and manufacturing sector (this issue is very acute for 14% and 13%, respectively, of surveyed companies).

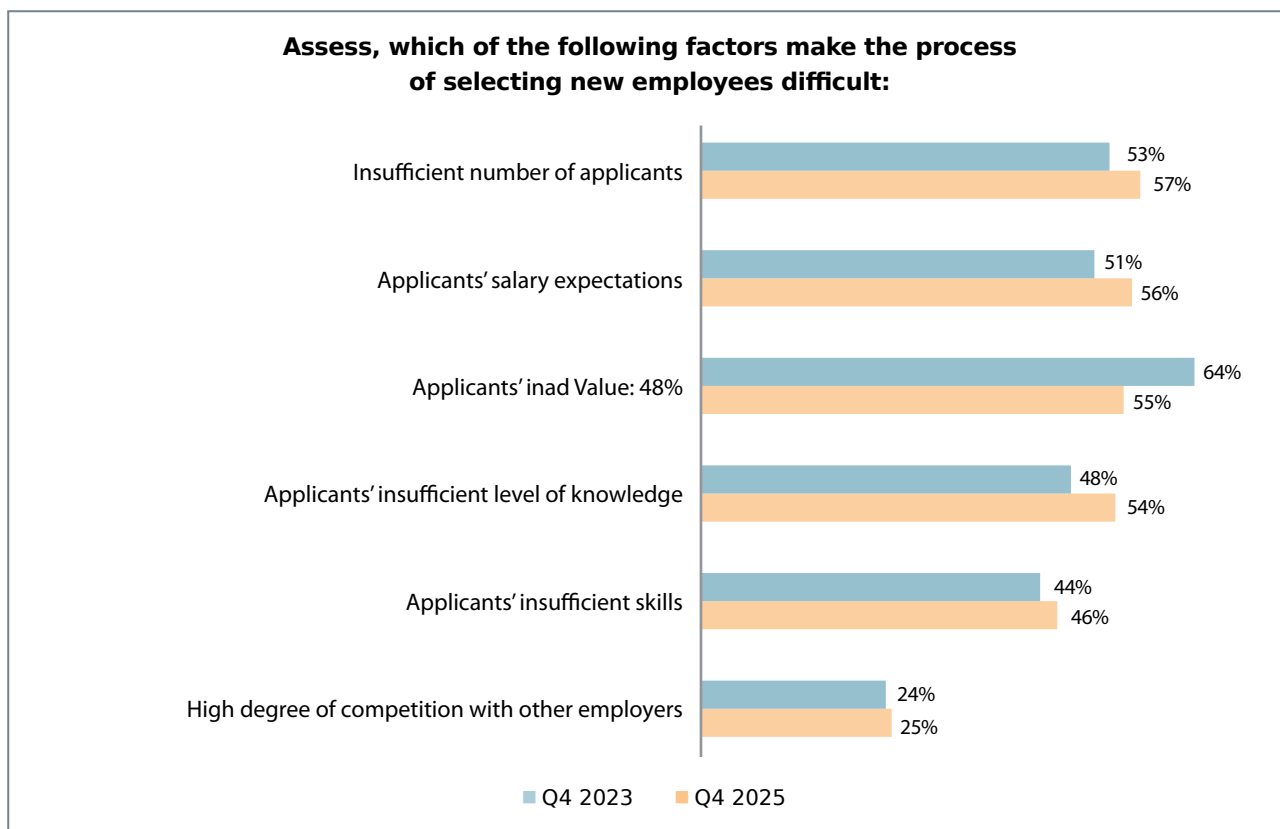
APPENDIX



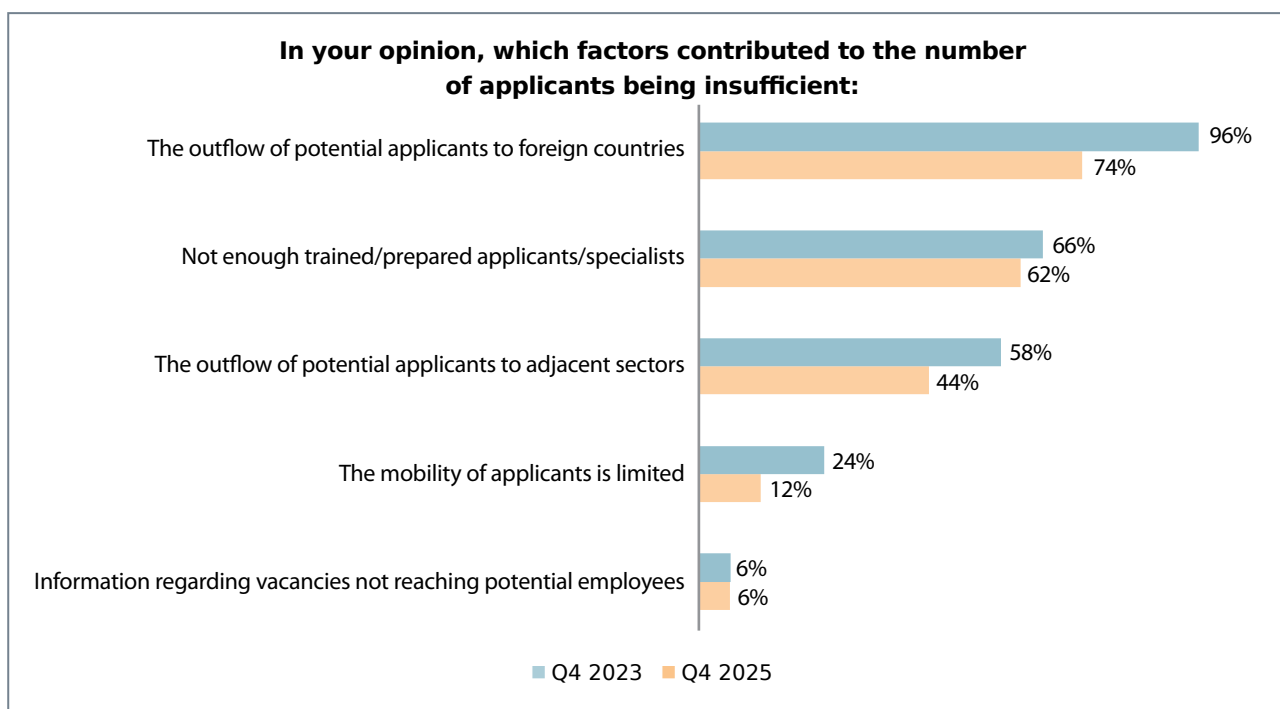
Graph 1: The existence of difficulties in finding appropriate personnel in Q4 of 2023 and Q4 of 2025



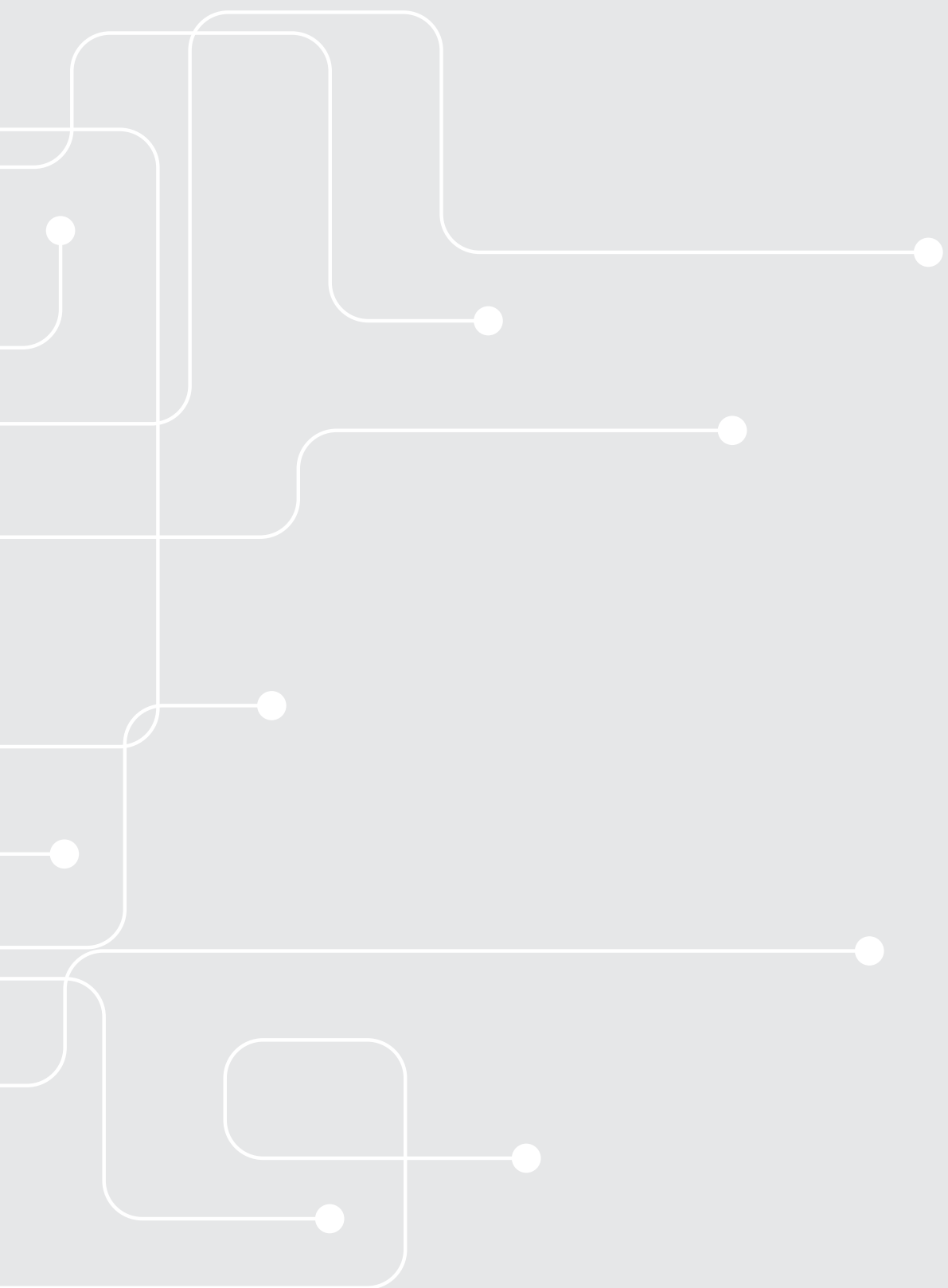
Graph 2: Level of difficulty encountered in finding different categories of personnel by sectors in Q4 of 2025



Graph 3: The factors contributing to difficulties associated with the selection of new employees in Q4 of 2023 and Q4 of 2025



Graph 4: Factors contributing to the number of applicants being insufficient in Q4 of 2023 and Q4 of 2025



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