



Research

Georgian Economic Climate (Q2, 2021)

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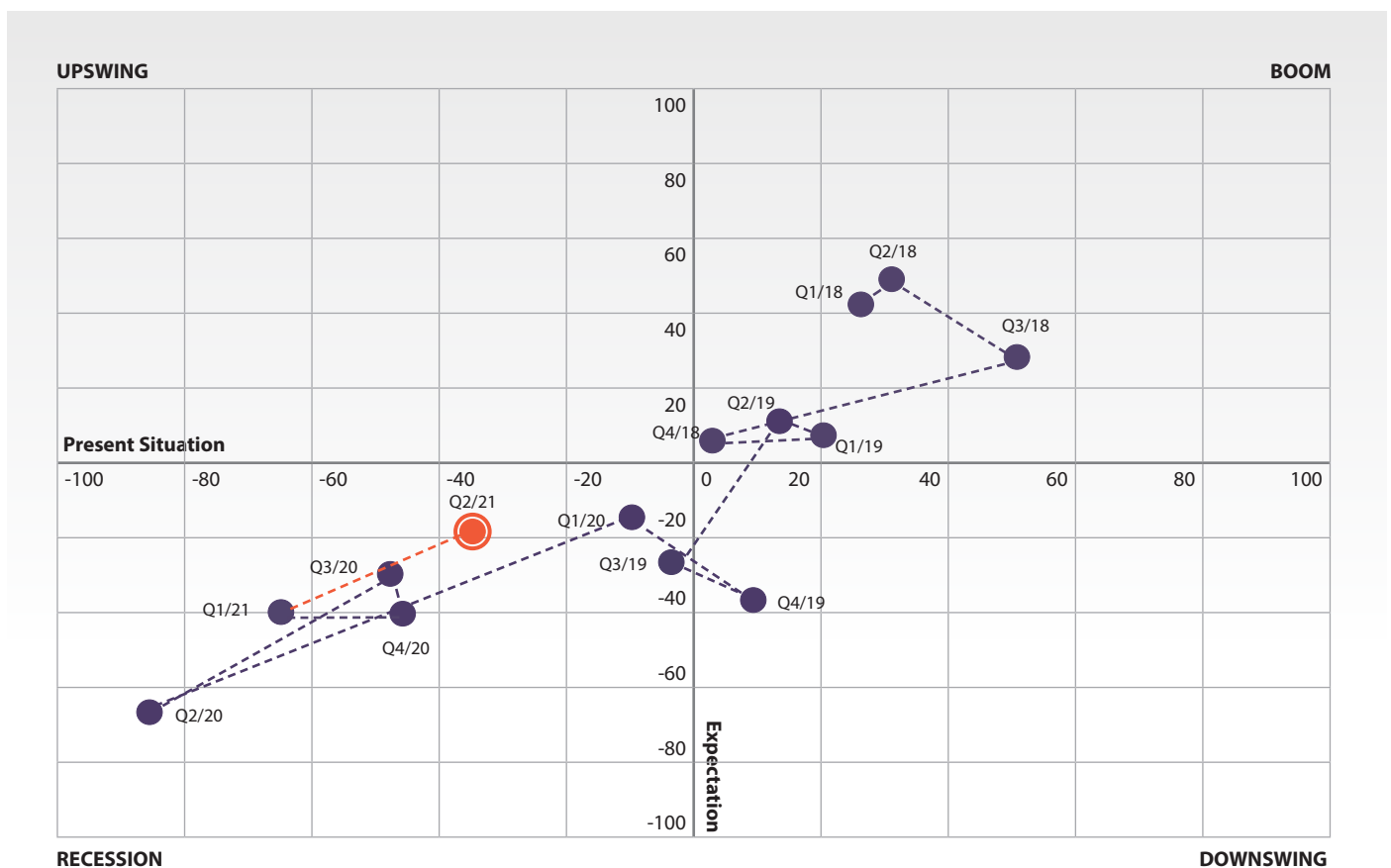
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 60 experts are participating in this initiative from Georgia. The survey was conducted in May 2021.

According to this survey of Georgian economists, the economic climate in the country in the second quarter of 2021 is better than the first quarter of the same year.

Georgian economists' assessment of the current situation has improved, compared to the previous quarter and corresponding quarter of 2020, but nevertheless remained negative.

The economists' predictions for Georgia's economic situation for the next six months were also negative. Their expectations for this period improved though, compared to their predictions in the first quarter of 2021, and were considerably more optimistic than the forecasts they made at the same time last year.

Georgian Economic Climate



Apart from assessing the current economic situation and gathering expectations for the next six months, the experts also predicted Georgia's main economic indicators. According to the results of the survey conducted in the second quarter of 2021, the expected real GDP growth for 2021 is **3.3%**. 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 and Euro, and **overvalued** against the Russian Rouble and Turkish Lira.



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 QUESTIONS

Under the survey conducted in the second quarter of 2021, Georgian economists assessed the impact of COVID-19 on the Georgian economy and the country's prospects for economic recovery.

Experts were asked to predict the real GDP growth rate for 2021 in the event of additional restrictions being imposed. Overall, 29.4% of respondents stated that they expected GDP growth in the range of 0-1% under this scenario, while 23.5% of surveyed economists foresaw that real GDP growth would amount to 1-2%.

The surveyed economists assessed the National Bank of Georgia's decision to increase the key refinancing rate on a scale from 1 (completely disagree) to 5 (completely agree). It is worth noting that 58.8% of the respondents stated "4" or "5" on this scale. Moreover, none of the respondents stated that they completely disagreed with the decision.

Moreover, 41.2% of surveyed economists stated that they expect the key refinancing rate by the end of 2021 to range between 9.01-9.50%, while 29.4% of them predicted that it would be in the range of 8.50-9.00%.

The surveyed economists were also asked to rank economic sectors by order of vaccination priority. In total, 47% of respondents stated that accommodation and food service activities was the most important sector when it comes to having personnel vaccinated. It is also worth noting that nearly one quarter of respondents (23.5%) ranked construction the lowest in this respect.

Elsewhere, 47.1% of respondents predicted that revenues from tourism would recover by 21-40% in 2021, compared to the pre-pandemic level of 2019, while 23.5% predicted a recovery of 41-60%.

In addition, surveyed economists were asked to highlight countries that needed to be targeted by Georgian tourism marketing campaigns in 2021. Interestingly, 87.5% of experts named Israel as the top target, while 62.5% of respondents also named EU countries.

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
Nominal GDP (mln USD)	16248.5	17596.6	17470.7	15888.1*
GDP per Capita (USD)	4358.5	4722.0	4696.2	4274.6*
GDP Real Growth (%)	4.8%	4.8%	5.1%	-6.2%*
Inflation	6.0%	2.6%	4.9%	5.2%
FDI (mln USD)	1978.3	1306.3	1310.8	616.9*
Unemployment Rate (%)	21.6%	19.2%	17.6%	18.5%
External Debt (mln USD)	5177.4	5434	5741	7535
Poverty Rate (relative)	21.0%	22.3%	20.5%	-

* Preliminary data