



Research Georgian Economic Climate (Q4, 2020)

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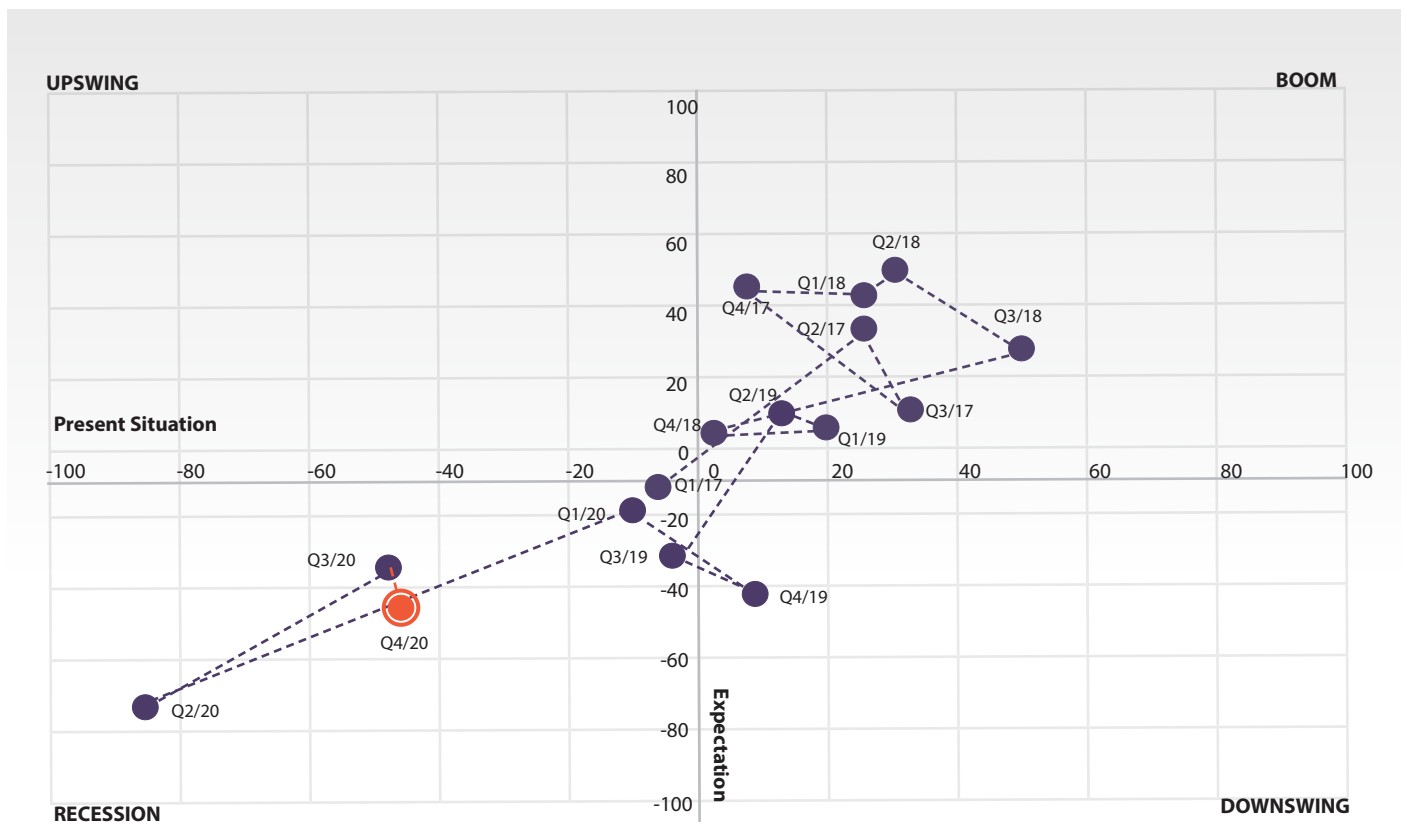
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 50 experts are participating in this initiative from Georgia. The survey was conducted in October 2020.

In the fourth quarter of 2020, Georgian economic climate did not change significantly, compared to the previous quarter.

In this period, Georgian economists assessed Georgia's present economic situation negatively. The assessment of present economic situation in this quarter slightly improved compared to the third quarter of 2020, but worsened compared to the fourth quarter of 2019.

In the fourth quarter of 2020, Georgia's economic situation for the next six months was also assessed negatively by Georgian economists. Furthermore, expectations for the next six months deteriorated slightly compared to both the third quarter of 2020 and the fourth quarter of 2020.

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In addition, experts predicted Georgia's main economic indicators. According to the results, in the fourth quarter of 2020, the **expected real GDP growth for 2020 is -2.7%**. Other main economic indicators are forecasted as follows:



Inflation

- Inflation rate is **expected to remain the same** 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 the Russian Rouble.



Trade volume

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

SPECIAL QUESTION

In the fourth quarter of 2020, Georgian experts assessed the COVID-19 impact on Georgian economy, economic recovery and government's actions.

Majority of experts (82%) implied that the long-run economic recovery of Georgia will depend on the recovery of global economy. Moreover, dependence of the recovery of Georgian economy on the recovery in Russia and Turkey were each emphasized by 64% of experts.

Economists were also asked to assess on a scale from 1 (not problematic at all) to 5 (very problematic) particular issues for companies in the context of pandemic. It is worth noting that 36% of respondents identified foreign sales market as "very problematic", while 18% of respondents stated that financing/liquidity is "not problematic at all".

Furthermore, experts assessed risk of insolvency of companies in different sectors of Georgian economy. Accommodation and food service activities was the only sector where the majority of experts (36%) assessed the risk of insolvency as "very high". It is worth noting that 18% of respondents stated that the risk of insolvency of companies in financial and insurance activities was "very low".

46% of surveyed economists stated that fiscal stimulus package imposed by the government was sufficient, while 54% implied that more could have been done.

In addition, experts were asked to identify government initiatives that should be extended in 2021. 91% of economists stated that provision of liquid funds by National Bank of Georgia should be continued. Accelerated VAT refunds and tax deferrals for businesses were each selected by 64% of experts.

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	2016	2017	2018	2019	2020 (Q1)	2020 (Q2)
Nominal GDP (mIn USD)	14377.9	15086.5	17596.6	17736.6*	3780.3*	3572.5*
GDP per Capita (USD)	3857.3	4046.8	4722.0	4763.5*	1017.1*	961*
GDP Real Growth (%)	2.8%	4.8%	4.8%	5.1%*	2.2%*	-12.3%*
Inflation	2.1%	6.0%	2.6%	4.9%	-	-
FDI (mIn USD)	1565.8	1894.5	1265.2	1267.7*	165.4*	237.8*
Unemployment Rate (%)	14.0%	13.9%	12.7%	11.6%	11.9%	12.3%
External Debt (mIn USD)	4515.7	5177.4	5434	5741	5688	6143

* Preliminary data