



Research

Georgian Economic Climate (Q3, 2020)

prepared by PMC Research

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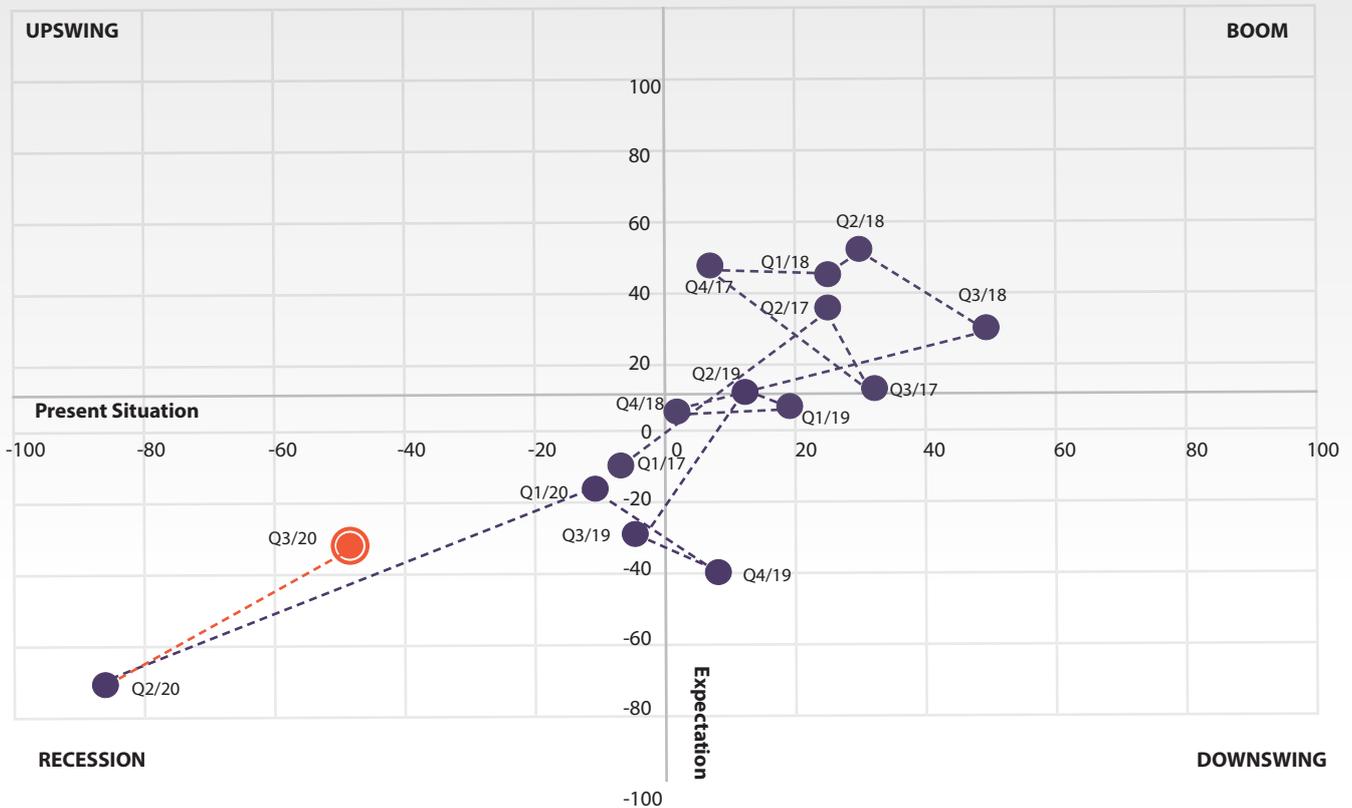
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 50 experts are participating in this initiative from Georgia. The survey was conducted in July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

In the third quarter of 2020, Georgian economic climate has slightly improved.

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

In the third quarter of 2020, Georgia's economic situation for the next six months has also been assessed negatively by Georgian economists. Furthermore, expectations for the next six months have enhanced compared with second quarter of 2020, but deteriorated slightly compared with the third quarter of 2019.

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In addition, experts predicted Georgia's main economic indicators. According to the results, in the third quarter of 2020, the **expected real GDP growth for 2020 is -5%**. 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 **overvalued** against the US Dollar, Euro and Turkish Lira and **undervalued** against the Russian Rouble.



Trade volume

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

SPECIAL QUESTION

In the third quarter of 2020, Georgian experts assessed the post-pandemic recovery phase in Georgian economy.

Majority of experts (60%) implied that economy will need 12-18 months to reach its pre-pandemic state. Moreover, economists were asked to identify the sectors of economy that are most vulnerable to the spread of virus. Accommodation and Food Service Activities were emphasized by 93% of experts, while Retail by 67%.

It is worth to note that 47% of Georgian economists assessed government's support to businesses as "partially sufficient", while 20% assessed the support positively and 33% negatively. Furthermore, government's support to population (both hired and self-employed individuals) was assessed as "partially sufficient" by 40% of experts, 33% view the support positively, while 27% - negatively.

Based on the fact that government debt is growing significantly, economists were also asked to specify tools to lower government debt. All of them indicated as necessary to cut a number of public servants, 47% emphasized the better debt management, while cutting investment projects and reducing public wages were chosen by 20% and 33%, respectively.

60% of economists stated that the average unemployment rate in 2020 would increase to range 15-20% (average unemployment rate in 2019 was 11.6%). In addition, experts were asked to assess the change of total revenue from tourism (both local and foreign). 47% stated that revenue will decrease by 60-80%, 27% expected a decrease by 40-60%, while decrease by 80-100% and 20-40% was expected by 13% and 7%, respectively.

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) |
|---------------------------|---------|---------|---------|----------|----------|
| Nominal GDP (mIn USD) | 14377.9 | 15086.5 | 17596.6 | 17736.6* | 3780.3* |
| GDP per Capita (USD) | 3857.3 | 4046.8 | 4722.0 | 4763.5* | 1017.1* |
| GDP Real Growth (%) | 2.8% | 4.8% | 4.8% | 5.1%* | 2.2%* |
| Inflation | 2.1% | 6.0% | 2.6% | 4.9% | - |
| FDI (mIn USD) | 1565.8 | 1894.5 | 1265.2 | 1267.7* | 165.4* |
| Unemployment Rate (%) | 14.0% | 13.9% | 12.7% | 11.6% | 11.9% |
| External Debt (mIn USD) | 4515.7 | 5177.4 | 5434 | 5741 | 5689 |

* Preliminary data