



Research Georgian Economic Climate (Q2, 2020)

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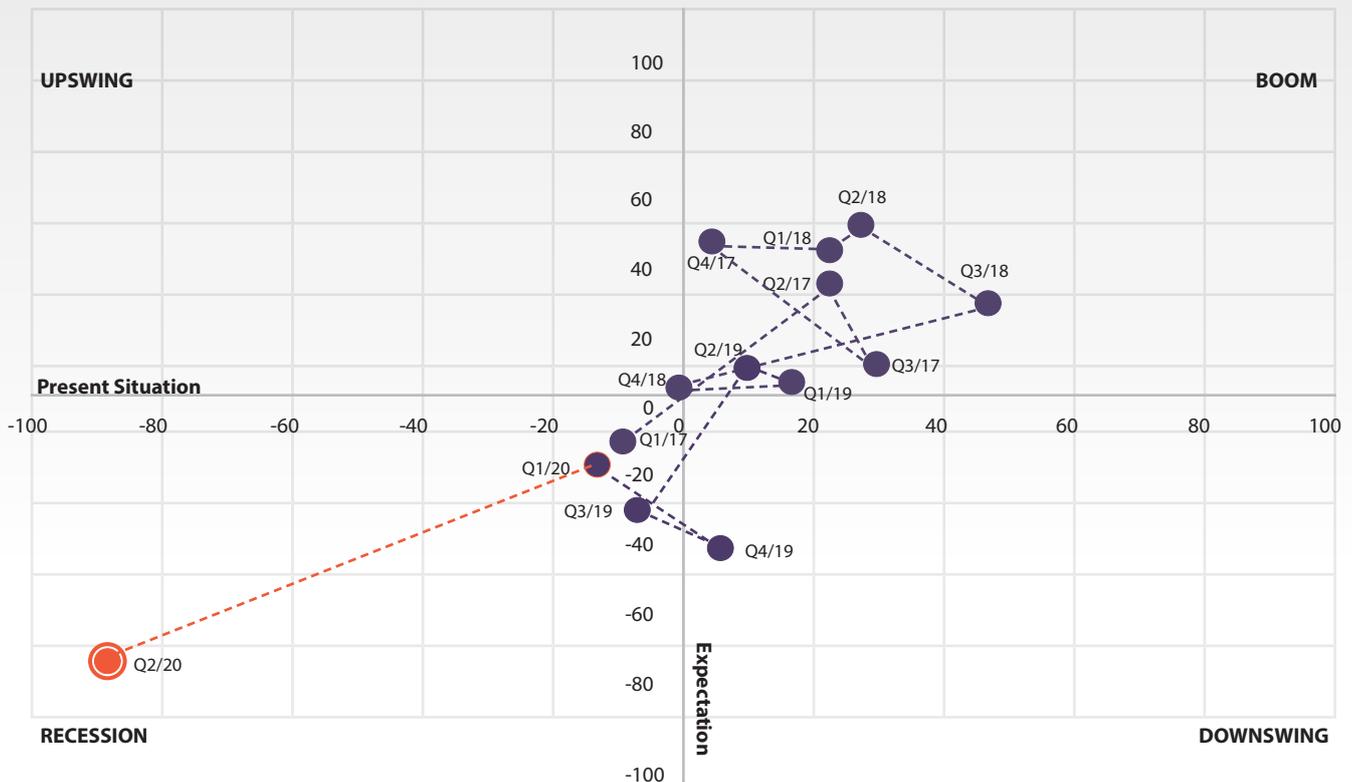
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 40 experts are participating in this initiative from Georgia. The survey was conducted in April 2020.

In the second quarter of 2020, Georgian economic climate has significantly worsened.

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

In the second quarter of 2020, Georgia's economic situation in the next six months has also been assessed negatively by Georgian economists. Furthermore, expectations in the next six months have deteriorated rapidly compared with both, first quarter of 2020 and second quarter of 2019.

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In addition, experts predicted Georgia's main economic indicators. According to the results, in the second quarter of 2020, the **expected real GDP growth for 2020 is -2.9%**. 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 the Euro, **about the same** against the Russian Rouble and **overvalued** against the Turkish Lira.



Trade volume

- The export volume is **expected to decrease** in the coming six months;
- The import volume is **expected to decrease** in the coming 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.

SPECIAL QUESTION

In the second quarter of 2020, Georgian experts assessed the impact of COVID-19 pandemic on Georgian economy. Economists agreed that the spread of the coronavirus will have a significant effect on the economy.

36% of experts think that government's strategy to minimize the impact of the virus needs to be overall economic stimulation. Other 36% suggest a different approach by focusing on the most vulnerable social groups and vulnerable businesses. 21% of economists see social groups as the only priority target for the government, while a minority (7%) suggests to have a combination of all those three strategies.

Moreover, economists emphasized three following ways of support to businesses from various options:

- Tax exemptions;
- Co-financing interest payments on existing credit liabilities;
- Subsidy of salaries.

Majority of experts (50%) implied that economy will need 12-18 months to reach its pre-pandemic state.

It is worth to note that Georgian economists disagreed on how will decreased oil prices affect the economy. An equal amount of 43% stated that a decrease in oil prices will have a negative or positive effect. Furthermore, the vast majority (71%) responded that current account deficit will increase.

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	2015	2016	2017	2018	2019
Nominal GDP (mIn USD)	13988.1	14377.9	15086.5	17596.6	17736.6*
GDP per Capita (USD)	3754.9	3857.3	4046.8	4722.0	4763.5*
GDP Real Growth (%)	2.9%	2.8%	4.8%	4.8%	5.1%*
Inflation	4.0%	2.1%	6.0%	2.6%	4.9%
FDI (mIn USD)	1,665.6	1,565.8	1,894.5	1,265.2	1,267.7*
Unemployment Rate (%)	14.1%	14.0%	13.9%	12.7%	11.6%
External Debt (mIn USD)	4,314.9	4,515.7	5,177.4	5,434	5,741

* Preliminary data