



# Georgian Economic Climate (Q3, 2019)

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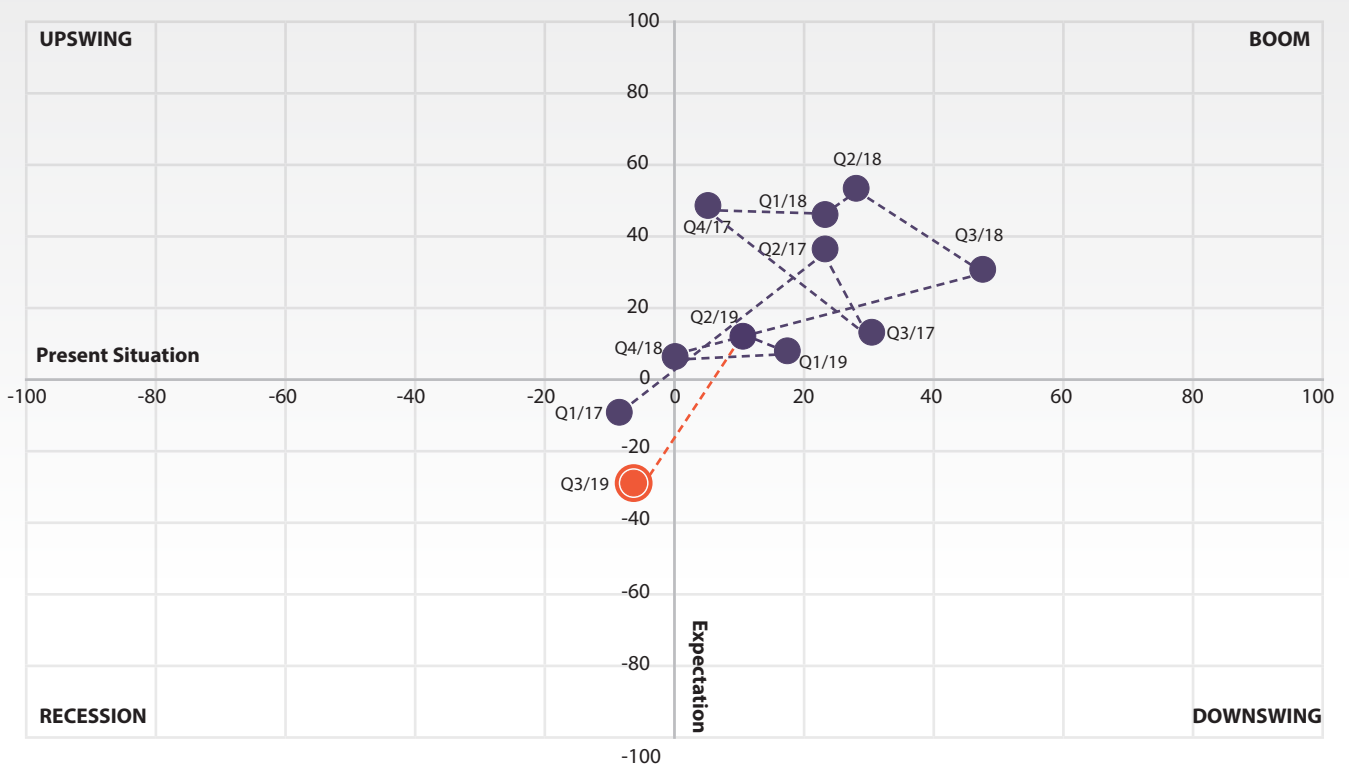
Georgian Economic Climate is a joint product of PMC Research Center and the ifo Institute for Economic Research. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. PMC Research Center is a regional partner of the ifo Institute, one of the leading economic research institutes in Europe, specializing in applied economic research, policy advising and other services for governments, businesses, researchers and the public. The ifo Institute publishes the World Economic Survey (WES) on a quarterly basis, accurately presenting the current economic situation and forecasts for industrial, emerging and developing economies. 30 experts are participating in this initiative from Georgia. The survey was conducted in July 2019, assessing July-December 2019 period.

In the third quarter of 2019, Georgian economic climate has **worsened rapidly**.

In this period, Georgian economists assessed Georgia's present economic situation negatively; Moreover, the assessment of present economic situation in this quarter has deteriorated compared to both the previous quarter (Q2) of 2019 and the same time last year (Q3 of 2018).

In the third quarter of 2019, Georgia's economic situation in the next six months has also been assessed negatively by Georgian economists. In this quarter, expectations in six months has worsened compared to both, the second quarter of 2019 and the third quarter of 2018.

### Georgian Economic Climate, Q3, 2019



In addition, experts predict Georgia's main economic indicators. In the third quarter of 2019, the main economic indicators are forecasted as follows:

	<ul style="list-style-type: none"> <li>Inflation rate is <b>expected to increase</b> in the next six months, on the year-on-year bases;</li> <li>In 2019 the inflation rate is expected to be <b>4.6%</b>;</li> <li>In 2024 the inflation rate is expected to be <b>4.1%</b>.</li> </ul>
	<ul style="list-style-type: none"> <li>The Georgian Lari is currently <b>undervalued</b> against the US Dollar, the Euro, British pound and the Yen. Compared to the other currencies, Georgian Lari is undervalued against the US Dollar the most.</li> </ul>
	<ul style="list-style-type: none"> <li>The export volume is <b>expected to decrease</b> in the coming six months;</li> <li>The import volume is <b>expected to decrease</b> in the coming six months;</li> <li>The import volume is expected to decrease more than the export volume, resulting in an <b>improved trade balance</b> in the next six months.</li> </ul>

### The semi-annual question

In this quarter, Georgian experts were asked whether the supply of bank credit to firms in Georgia is constrained by bank-specific factors (for example, banks' health or banking regulation). **77% of Georgian economists** reported that the supply of bank credit to firms is moderately or strongly constrained by the bank-specific factors.

### 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	2014	2015	2016	2017	2018
Nominal GDP (mIn USD)	16507.8	13988.1	14377.9	15086.5	16207.1*
GDP per Capita (USD)	4438.3	3754.9	3857.3	4046.8	4345.5*
GDP Real Growth (%)	4.6%	2.9%	2.8%	4.8%	4.7%*
Inflation	3.1%	4.0%	2.1%	6.0%	2.6%
FDI (mIn USD)	1,817.7	1,665.6	1,565.8	1,894.5	1,232.4*
Unemployment Rate (%)	14.6%	14.1%	14.0%	13.9%	12.7%
External Debt (mIn USD)	4,199.8	4,314.9	4,515.7	5,177.4	5,434
Poverty Rate (relative)	21.4%	20.2%	21.0%	22.3%	20.5%

\* Preliminary data