

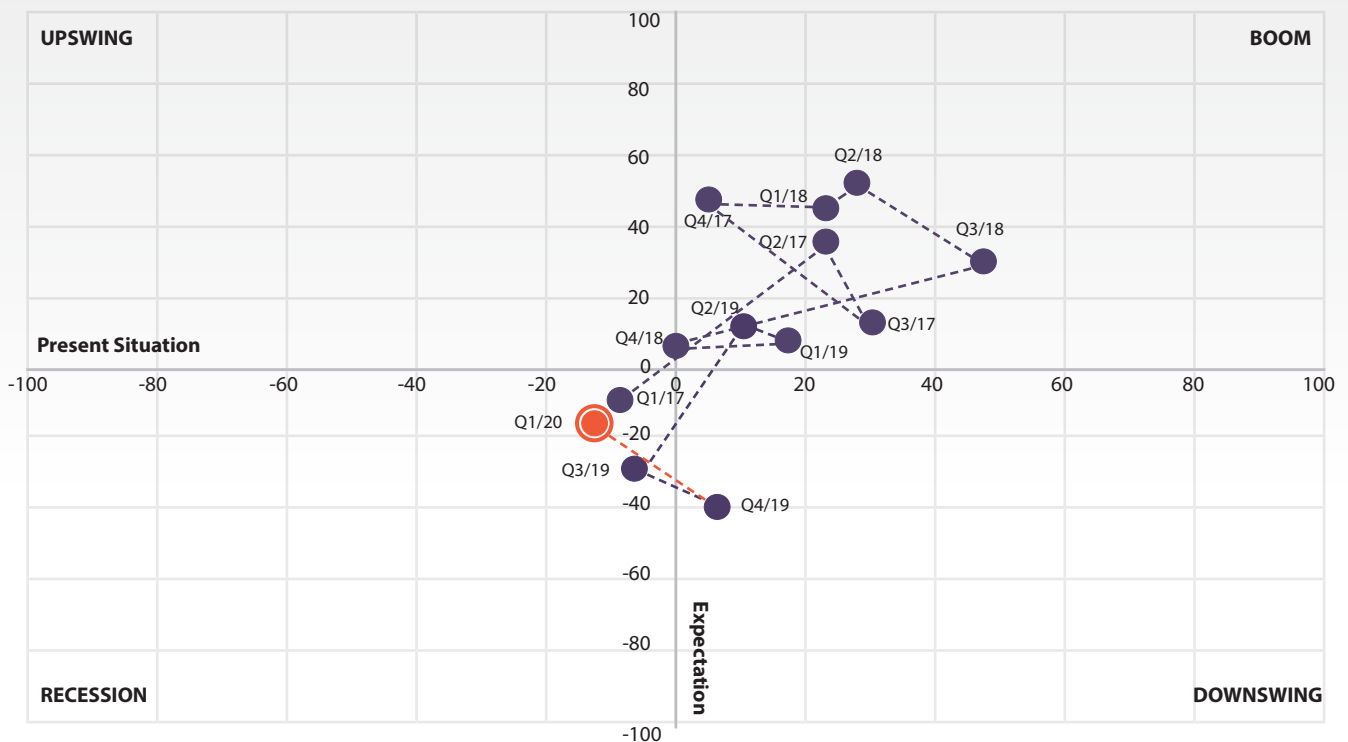
Georgian Economic Climate is a product of PMC Research Center. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. The bulletin is based on Ifo institute's methodology. 40 experts are participating in this initiative from Georgia. The survey was conducted in January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

In the first quarter of 2020, Georgian economic climate has slightly 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 compared to the fourth quarter of 2019 and the first quarter of 2019.

In the first quarter of 2020, Georgia's economic situation in the next six months has been assessed negatively by Georgian economists. However, in this quarter, expectations in six months have improved compared with Q4 of 2019, while it deteriorated rapidly in relation to Q1 of 2019.

Georgian Economic Climate, Q1, 2020



According to the semi-annual assessment of Georgian economic challenges, the Georgian economy currently faces the following four major problems:

1. Lack of skilled labour;
2. Lack of innovation;
3. Lack of confidence in government's economic policy;
4. Political instability.

In addition, experts consider there to be least severe challenges faced in the following areas:

1. Trade barriers to exports;
2. Legal and administrative barriers for business;
3. Inefficient debt management;
4. Widening income inequality.

In addition, experts predict Georgia's main economic indicators. According to the results, the **expected real GDP growth in 2020 is 4.3%**. Other main economic indicators are forecasted as follows:



Inflation

- Inflation rate is **expected to decrease** 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, **overvalued** against the Turkish Lira and **undervalued** against the Russian Ruble.



Trade volume

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

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(I)	2019(II)	2019(III)
Nominal GDP (mIn USD)	13988.1	14377.9	15086.5	17596.6	3823.0	4398.8	4606.0
GDP per Capita (USD)	3754.9	3857.3	4046.8	4722.0	1026.7	1179.0	1237.0
GDP Real Growth (%)	2.9%	2.8%	4.8%	4.8%	5.0%	4.6%	5.8%
Inflation	4.0%	2.1%	6.0%	6.4%	-	-	-
FDI (mIn USD)	1729.1	1650.3	1962.6	1 265.2	287.5	204.1	417.3
Unemployment Rate (%)	14.1%	14.0%	13.9%	12.7%	-	-	-
External Debt (mIn USD)	4,314.9	4,515.7	5,177.4	5,434	5,388	5,438	5,355.6
Poverty Rate (relative)	20.2%	21.0%	22.3%	20.5%	-	-	-