



Delivering Progress

# Georgian Economic Climate (Q1, 2019)

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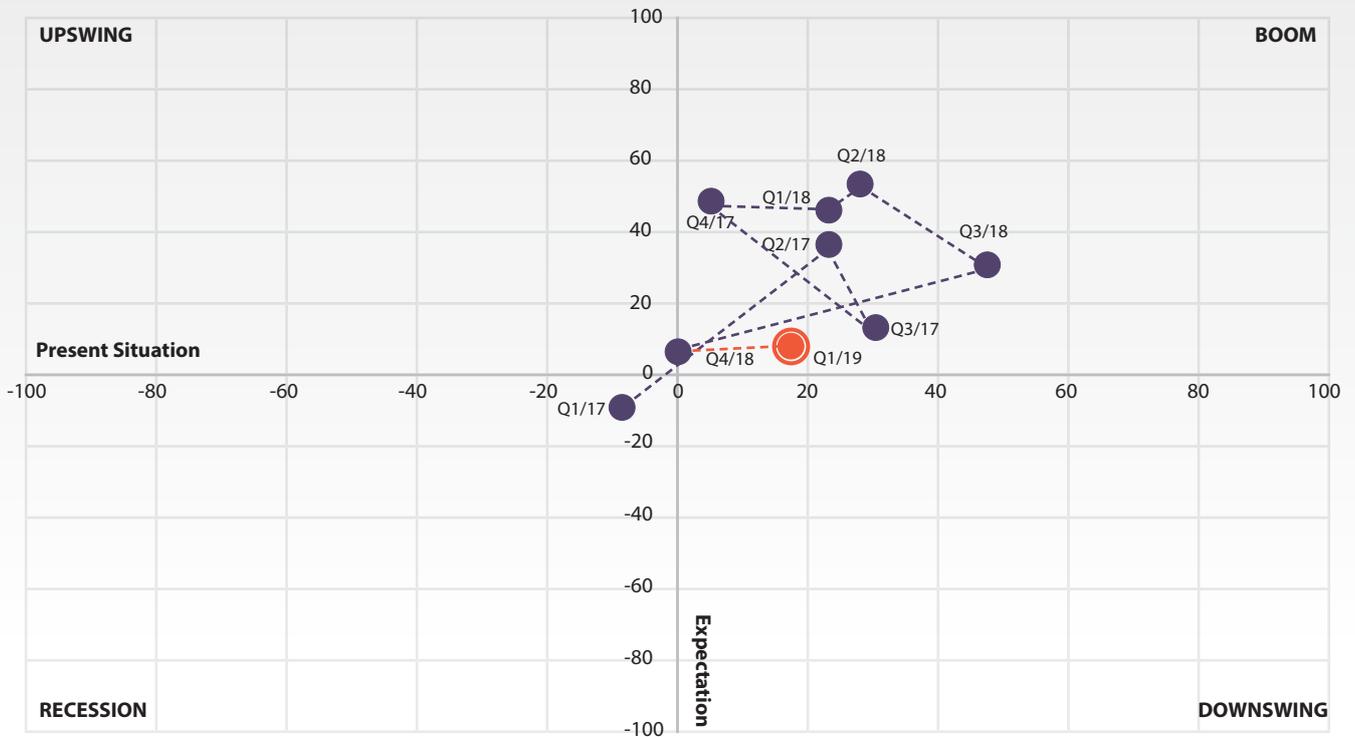
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Georgian Economic Climate is a joint product of PMC Research Center and the ifo Institute for Economic Research. In this bulletin, we discuss Georgia's economic climate as assessed by Georgian economists. PMC Research Center is a regional partner of 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 January 2019, assessing January - June 2019 period.

In the first quarter of 2019, Georgian economic climate slightly improved. In this period, Georgian economists assessed Georgia's present economic situation positively. The assessment of present economic situation in this quarter has deteriorated compared with the first quarter of 2018; However, it has improved compared to the fourth quarter of 2018.

In the first quarter of 2019, Georgian economists assessed Georgia's expected economic situation in the next six months as about the same. In this quarter, compared to the Q4 2018 the expectations are about the same; notwithstanding, it has deteriorated compared to the first quarter of 2018.

### Georgian Economic Climate, Q1, 2019



In addition, experts predicted the following main economic indicators for Georgia:



### Inflation

- Inflation rate is **expected to increase** in the next six months, on the year-on-year bases;
- In 2019 the inflation rate is expected to be **4.0%**;
- In 2024 the inflation rate is expected to be **5.1%**.



### Exchange rates

- The Georgian Lari is currently **undervalued** against the US Dollar, **about the same** against the Euro, **overvalued** against the British pound and Yen.



### 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.

## SPECIAL QUESTION

The Paris Agreement that came into force on 4th of November 2016 builds upon the Convention and brings all nations into a common cause to make the efforts to tackle climate change and adapt to its effects, with a greater focus on assisting developing countries to do so. As such, it builds upon a new course on the global climate effort. Georgia signed the agreement in April 2016.

In this quarter, experts assessed the significance of “energy transition<sup>1</sup>” as an aspect of Georgia’s current energy policy. The majority of experts think that since the Paris Agreement on climate change the energy transition in Georgia has stalled.

Experts’ opinions divide while evaluating the effects of current energy “transition policy” on Georgia’s economy. Some of the experts think that the current energy “transition policy” had a positive influence on the Georgian economy while others emphasise its negative effects. The significant number of experts reported that the energy “transition policy” did not affect the country’s economy.

A greater number of Georgian experts believe that it is likely that the governments in a sufficient number of countries will take action to reduce climate change.

## 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 I	2018 II	2018 III
Nominal GDP (mIn USD)	16507.8	13988.1	14377.9	15086.5	3651.6*	4155.8*	4185.3*
GDP Per Capita (USD)	4438.3	3754.9	3857.3	4046.8	979.1*	1114.3*	1122.2*
GDP real growth (%)	4.6%	2.9%	2.8%	4.8%	5.2%	5.6%	3.7%
Consumer Price Index (annual average)	3.1%	4.0%	2.1%	6%			
Foreign Direct Investment (mIn USD)	1817.7	1665.6	1565.8	1894.5	287*	389.1*	322.6*
Unemployment Rate	14.6%	14.1%	14%	13.9%			
External Public Debt (mIn USD)	3997	4315	4515	5177	5298	5186	5140

<sup>1</sup>The switch from fossil fuels and nuclear power (non-renewable energy) to renewable energies and energy saving.