

BAG

INDEX



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA



Leibniz Institute for Economic Research
at the University of Munich



Research

III QUARTER 2025

BAG INDEX



**BUSINESS
CLIMATE**



**EMPLOYMENT
BAROMETER**



**INVESTMENT
SURVEY**

**III QUARTER
2025**

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The Business Association of Georgia (BAG) Index is a joint product of the Business Association of Georgia, PMC Research Center and the ifo Institute for Economic Research. The BAG Index summarizes the BAG Business Climate, BAG Employment Barometer and BAG Investment Environment, which are calculated according to the assessments of the top managers of BAG member businesses and companies in their corporate group¹. PMC Research Center publishes the BAG Index on a quarterly basis.

BAG BUSINESS CLIMATE

The BAG Business Climate is based on the responses of BAG member businesses and companies in their corporate group. Companies assess their present business situation and outline their expectations for the next six months². Apart from this, businesses are also asked to assess their situation regarding sales, sales prices, and the number of employees for the last quarter, the current quarter, and the next quarter. Moreover, companies are asked questions related to factors hindering their business activity, access to finance, exchange rate expectations, and investment environment. For the purposes of this index, BAG members are divided into the following four sectors: trade, service, manufacturing, and construction. The survey was conducted in Q3 of 2025 in the period 19 August – 11 September.

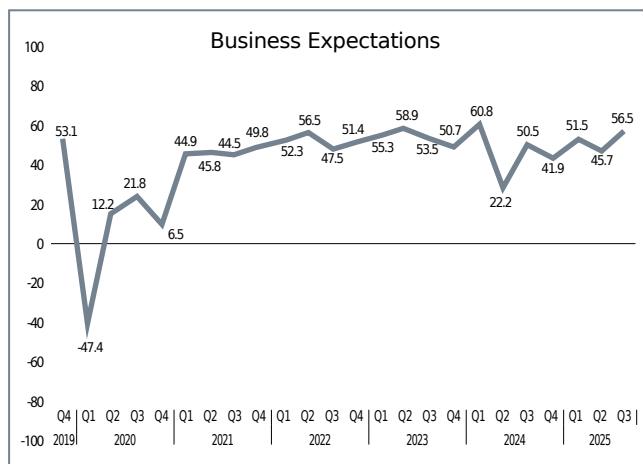
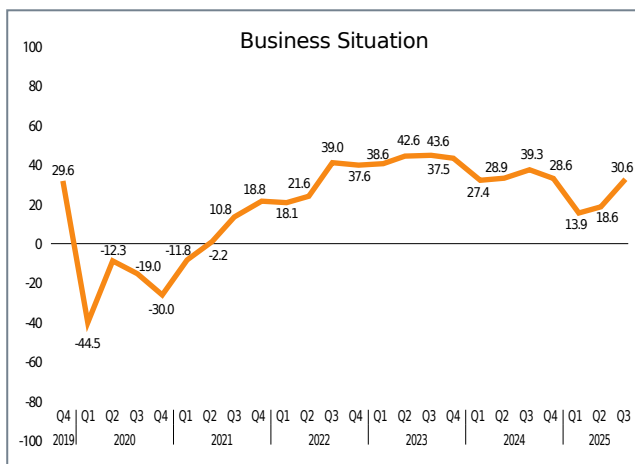
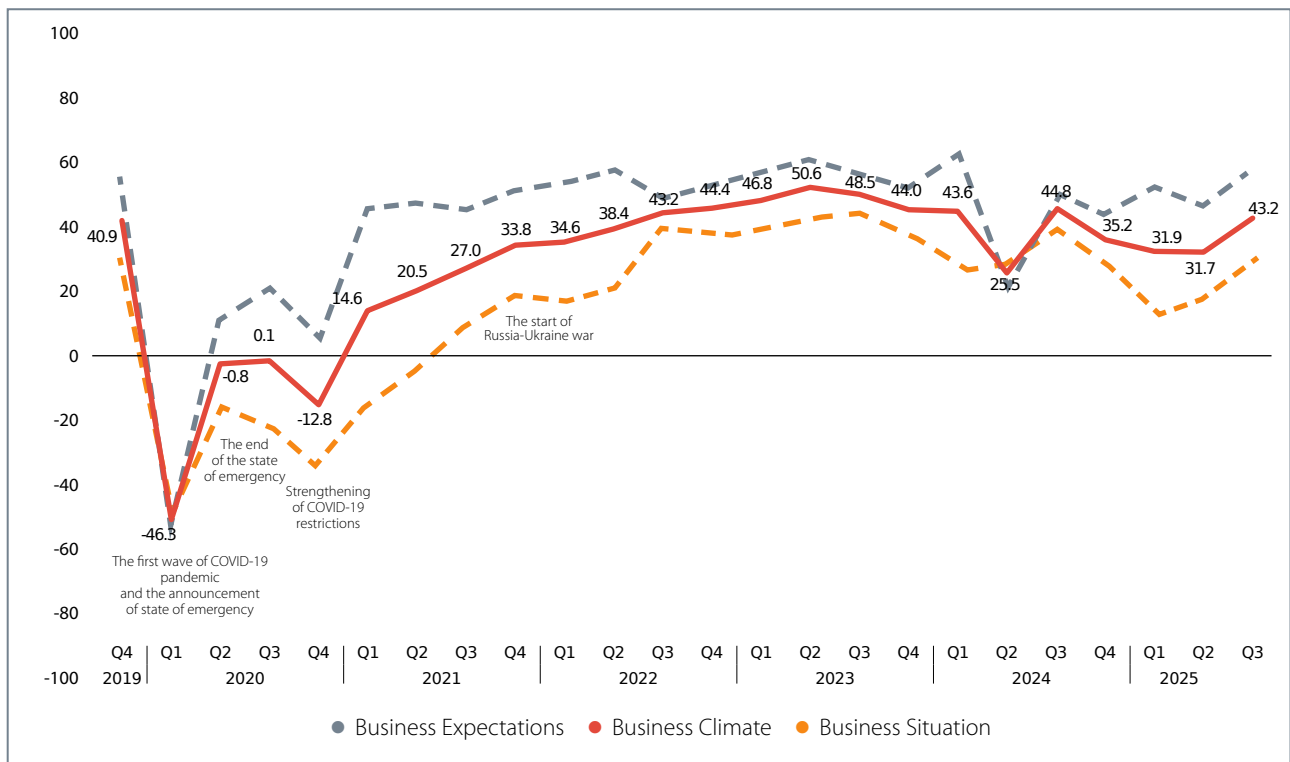
IN Q3 OF 2025, THE SURVEYED BUSINESSES ASSESS THEIR PRESENT BUSINESS SITUATION AND EXPECTATIONS FOR THE NEXT SIX MONTHS **POSITIVELY. THE BAG BUSINESS CLIMATE INDICATOR AMOUNTS TO 43.2 POINTS IN Q3 OF 2025, WITH THE PRESENT BUSINESS SITUATION INDICATOR SITTING AT 30.6, AND THE BUSINESS EXPECTATIONS INDICATOR AT 56.5.**

In Q3 of 2025, compared to Q2 of 2025, the BAG Business Climate improved by 11.5 points. Moreover, in this period, the assessment of the present business situation increased by 12.1 points, and business expectations improved by 10.8 points.

The BAG Business Climate indicator worsened by 1.6 points for Q3 of 2025 compared to Q3 of 2024. In particular, the present business situation indicator decreased by 8.6 points, while the business expectations indicator improved by 6.0 points (see graph 1).

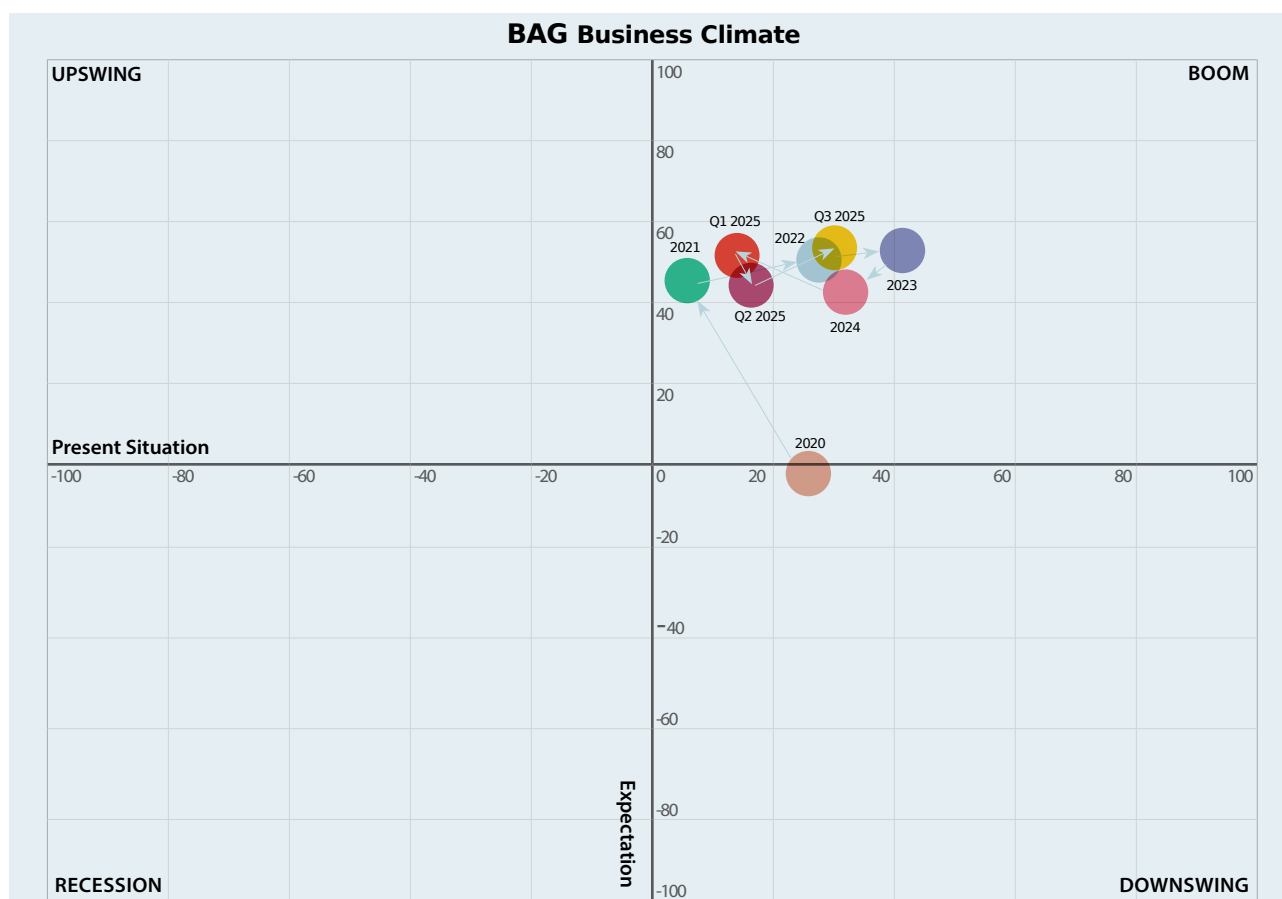
¹ In the first quarter of 2021, a change was made in the methodology of the BAG Index. As a result, the number of companies surveyed increased: enterprises that belong to the corporate group of member companies were added to the existing survey respondents.

² The balance value for the present business situation is the difference in the percentage shares of the “good” and “bad” responses, and the balance value for the expectations for the next six months is the difference in the percentage shares of the “more favorable” and “less favorable” responses. The BAG Business Climate is a transformed mean of the balance values of the present business situation and the expectations for the next six months. The BAG Business Climate can be between -100 and +100. +100 means that all surveyed businesses assess the business climate positively, while -100 means all surveyed businesses assess the business climate negatively.



Graph 1: BAG Business Climate, Business Expectation, and Present Business Situation

In Q3 of 2025, the BAG Business Climate Indicator improved significantly compared to the previous quarter and remains **in the boom phase**.

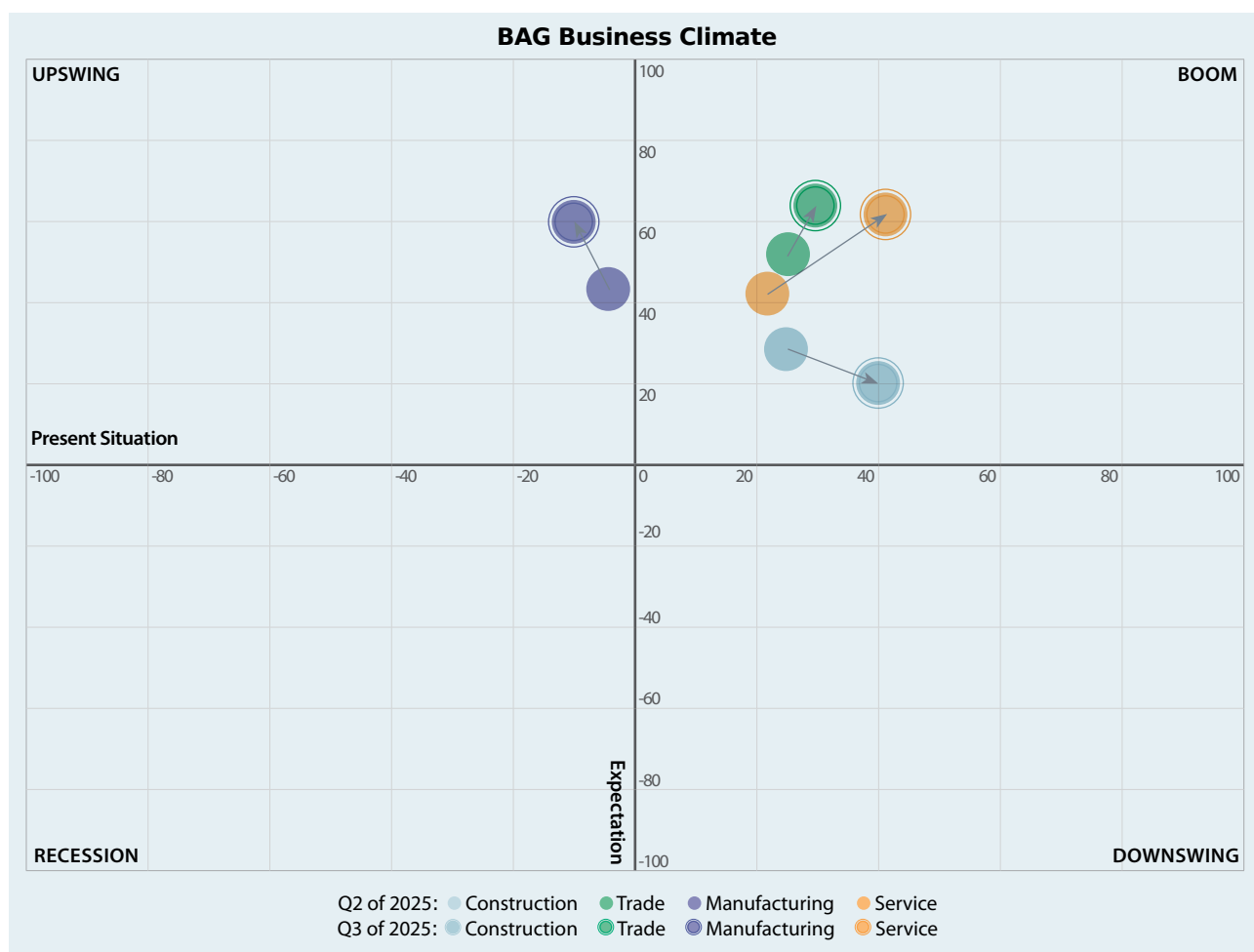


Graph 2: BAG Business Climate³

BAG BUSINESS CLIMATE BY SECTORS

In Q3 of 2025, the **business climate indicator** was positive for all sectors. Compared to Q2 of 2025, the indicator improved for all sectors, with the strongest growth recorded in the service sector (see Graph 3).

³ The Graph 2 depicts the relationship between the present business situation and business expectations for the next six months in a four-quadrant diagram. If survey participants assess the present business situation negatively but have positive business expectations for the next six months, then the BAG business climate indicator falls in the "upswing" quadrant. If both business situation and expectations are assessed positively, indicator resides in "boom" quadrant. If surveyed businesses assess present business situation positively, but have negative expectations, business climate indicator is in "downswing". If both business situation and expectations are assessed negatively, indicator is placed in "recession" quadrant. The graph shows average quarterly figures for 2020-2024.



Graph 3: Business climate by sector in Q2 and Q3 of 2025

In Q3 of 2025, compared to Q2 of 2025, the **present business situation indicator** improved in the construction sector by 21.8 points, in the service sector by 19.6 points, and in the trade sector by 7.4 points. Meanwhile, the indicator declined in the manufacturing sector by 4.1 points. As for the **business expectations indicator**, it increased in the service sector by 19.5 points, in the manufacturing sector by 17.9 points, and in the trade sector by 5.9 points, while it worsened in the construction sector by 16.4 points.

It is worth noting that in Q3 of 2025, the present business situation indicator was highest in the service sector and lowest in the manufacturing sector, where the indicator remained below zero. Among the sectors, the most positive business expectations were recorded in the trade sector, while the most negative expectations were observed in the construction sector (see Table 1).

Table 1: Balance values by sector in Q3 of 2025

Sector	Business Climate	Present Business Situation	Business Expectation
Trade Sector	46.9	32.4	62.2
Service Sector	51.3	41.8	61.1
Manufacturing Sector	22.3	-10.0	60.0
Construction Sector	29.8	40.0	20.0
All Sectors	43.2	30.6	56.5

In Q3 of 2025, compared to Q3 of 2024, the business climate indicator declined in the construction sector by 20.1 points and in the manufacturing sector by 15.2 points. Meanwhile, the business climate indicator increased in the trade sector by 4.5 points, and in the service sector by 3.7 points.

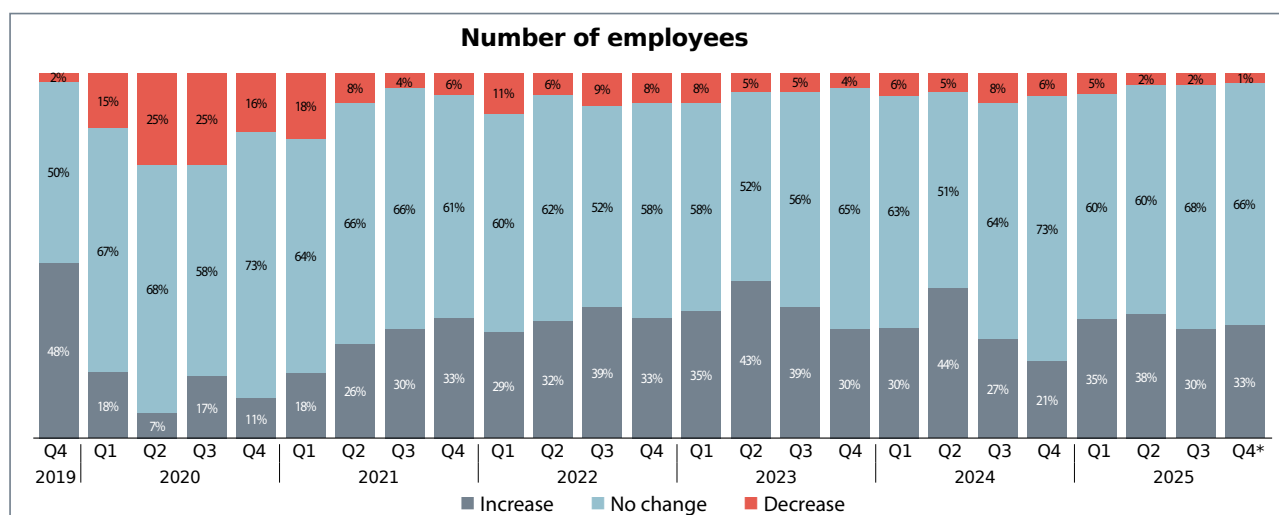


Graph 4: Business Climate, Business Expectation, and Present Business Situation in trade, service, manufacturing and construction sectors

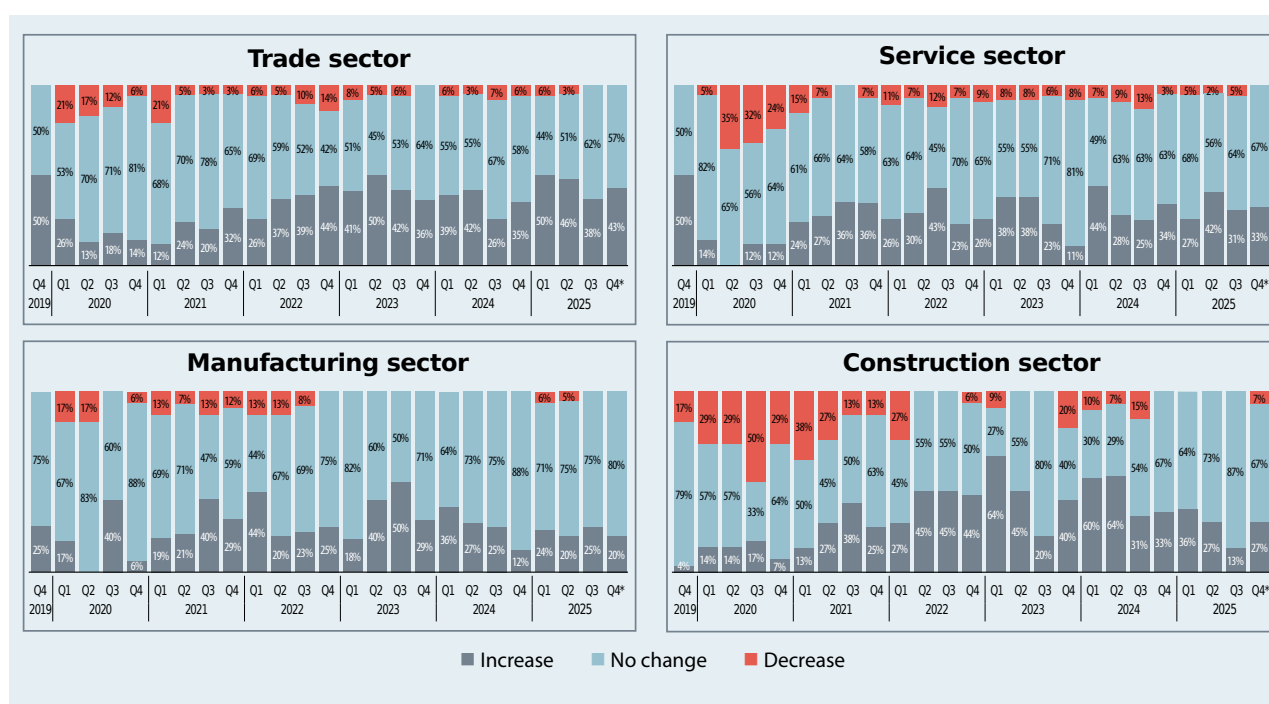
EMPLOYMENT, SALES, AND SALES PRICES BY SECTOR

Employment

- ✖ 30% of surveyed companies stated that the number of employees increased in Q3 of 2025. As for the expectations for Q4 of 2025, 33% expect the number of employees to increase, while 66% do not plan to increase the number of employees. (see Graph 5).
- ✖ Across the sectors covered, the situation regarding employment in Q3 of 2025 is most positively assessed in the trade sector. Similarly, the expectations for Q4 of 2025 are most positively assessed also in the trade sector. (see Graph 6).



Graph 5: Number of employees in BAG member businesses and companies in their corporate group⁴



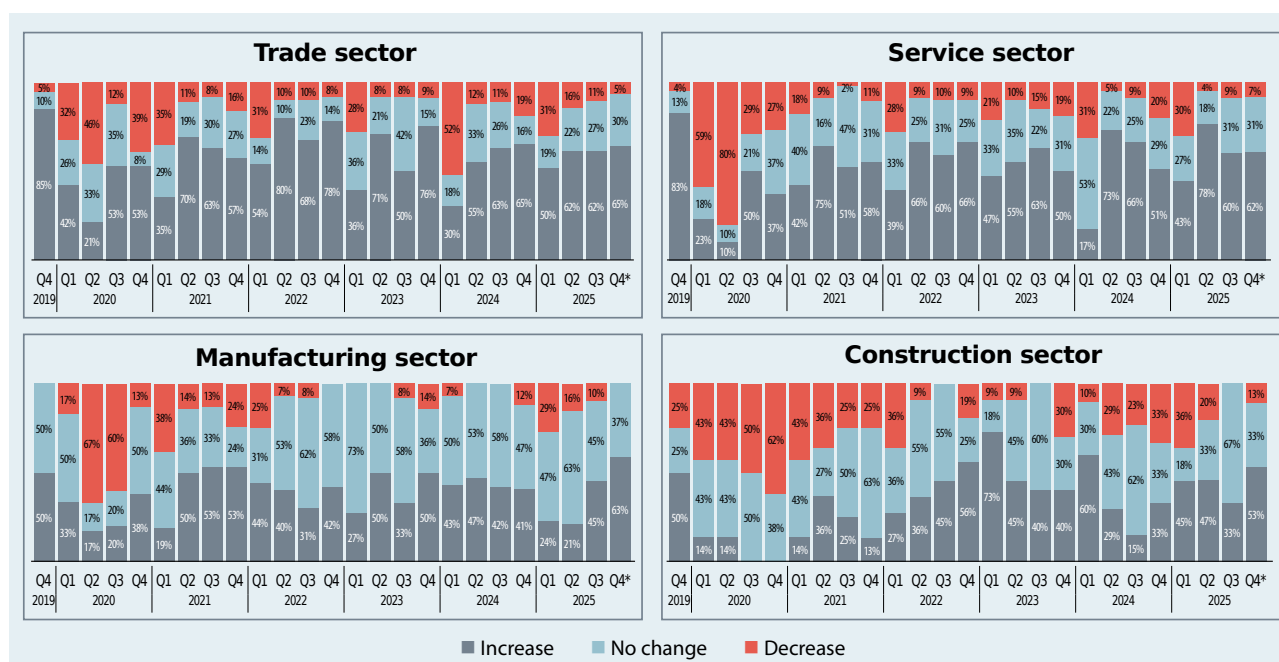
Graph 6: The number of employees in the trade, service, manufacturing and construction sectors

Sales/demand/domestic production

- ✖ In Q3 2025, 55% of surveyed companies reported an increase in sales. As for expectations for Q4 2025, 62% of surveyed companies project an increase in sales, while 32% do not expect any change in this regard.
- ✖ The situation regarding sales was assessed most positively in the trade (62%) and service sectors (60%). The construction sector received the least positive assessment (33%) in Q3 of 2025. Nevertheless, the most positive expectations for Q4 of 2025 were recorded in the trade sector (65%) (see Graph 7).

⁴ Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

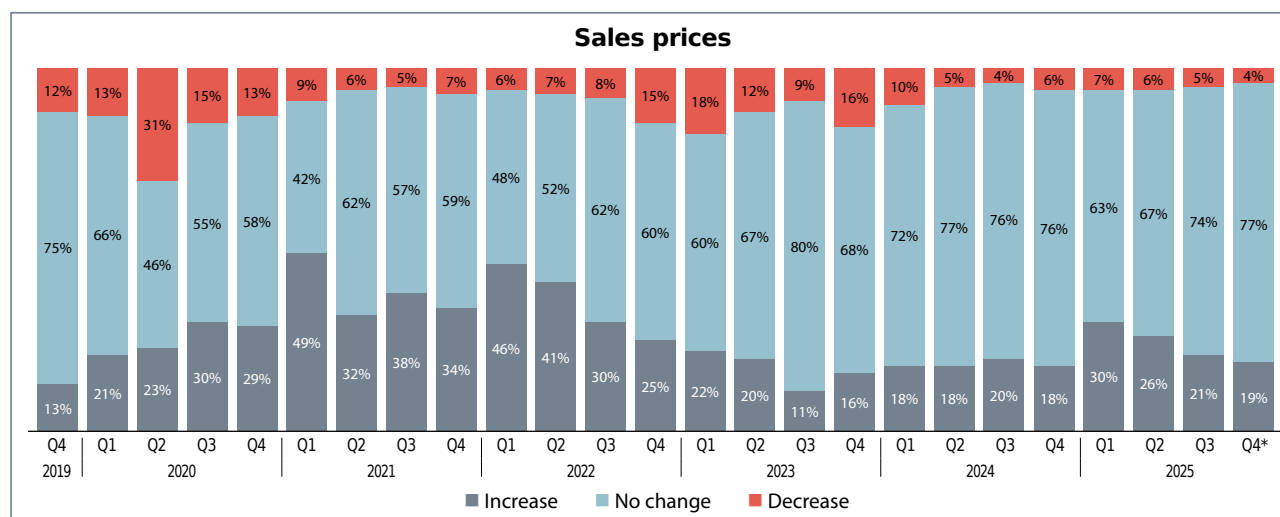
* Expectation.



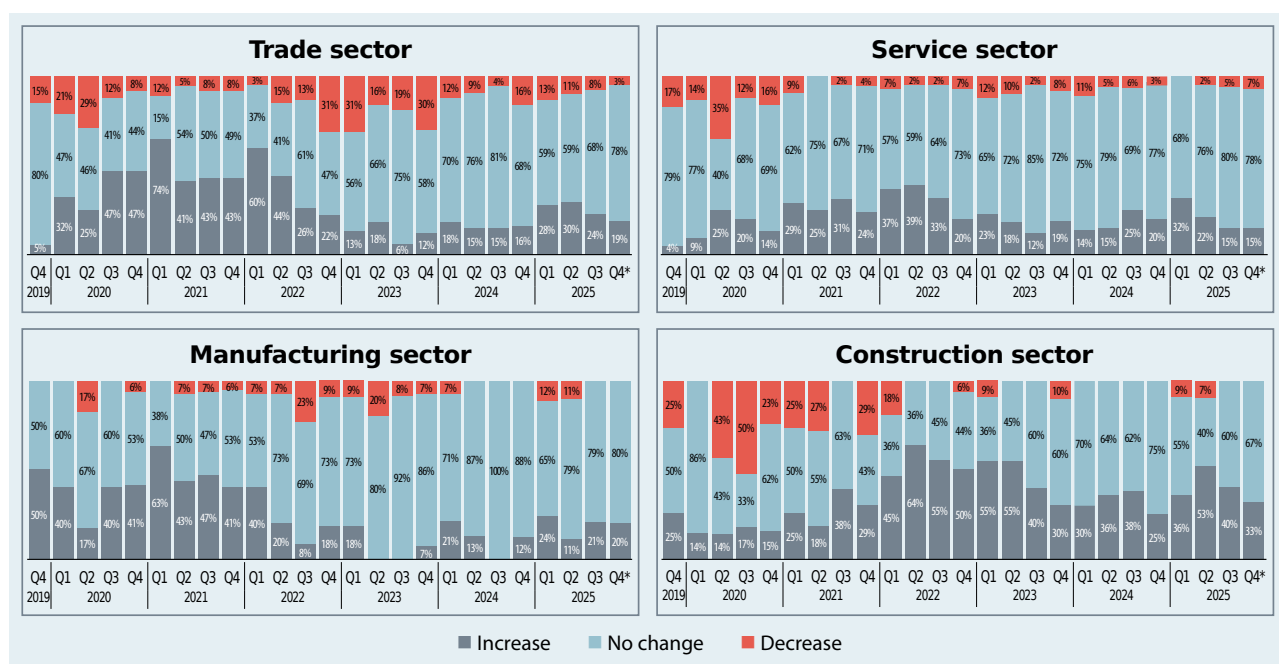
Graph 7: Sales, demand and domestic production in trade, service, manufacturing, and construction sectors

Sales Prices

- ✗ In Q3 of 2025, 21% of surveyed companies increased sales prices, and 19% of the companies expect the prices to rise in Q4 of 2025 (see Graph 8).
- ✗ Among sectors, in Q3 of 2025, the share of the companies that are increasing sales prices is the highest for the construction sector (40%). Similarly, as for the expectations for Q4 of 2025, the highest share of companies predicting sales prices to increase was recorded also in the construction sector (32%) (see Graph 9).



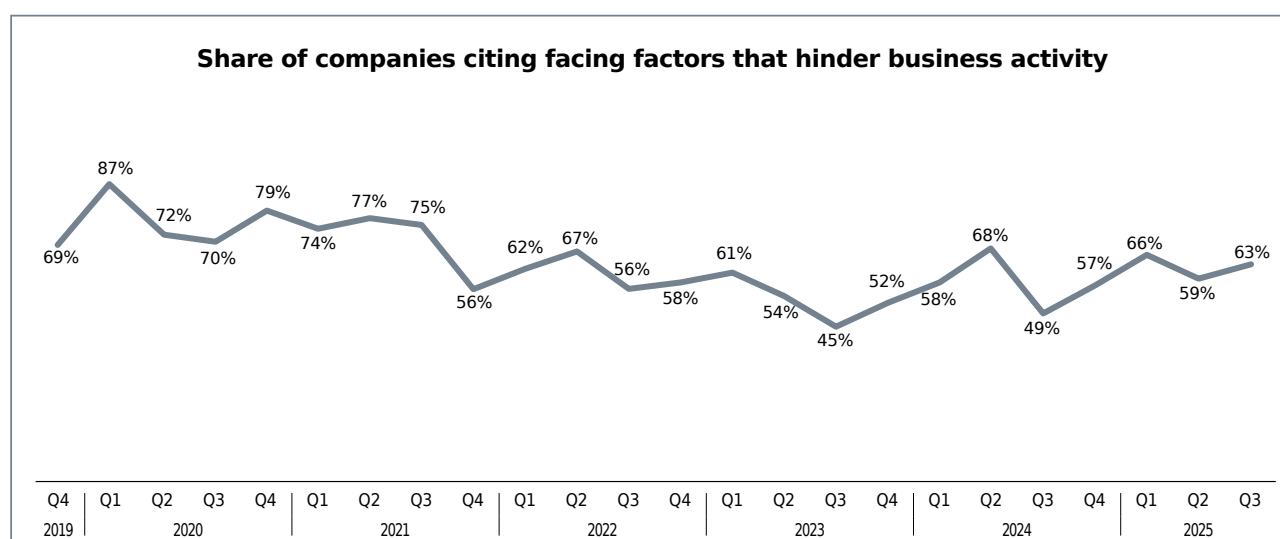
Graph 8: Sales prices in BAG member businesses and companies in their corporate group



Graph 9: Sales prices in trade, service, manufacturing, and construction sectors

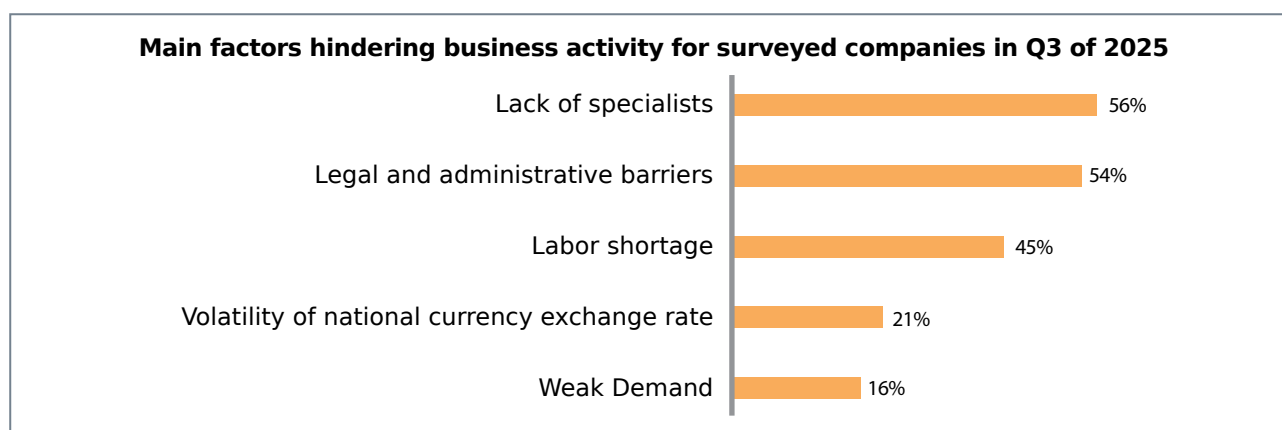
FACTORS HINDERING BUSINESS ACTIVITY

In Q3 of 2025, compared to Q2 of 2025, the share of surveyed companies claiming that there are factors hindering their business activity increased by 4 percentage points.



Graph 10: Existence of factors hindering business activity

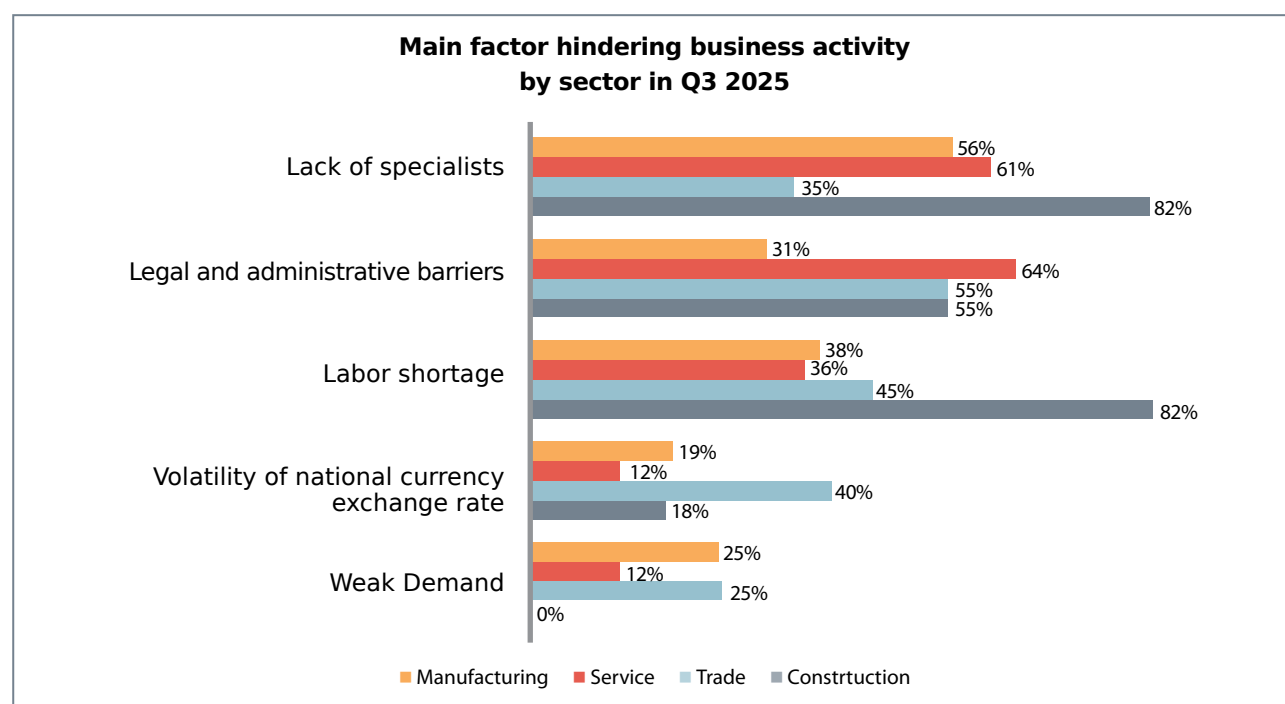
In Q3 of 2025, the following five factors were emphasized as the most hindering for business activity: lack of specialists, legal and administrative barriers, labor shortage, volatility of national currency exchange rate, and weak demand (see Graph 11).



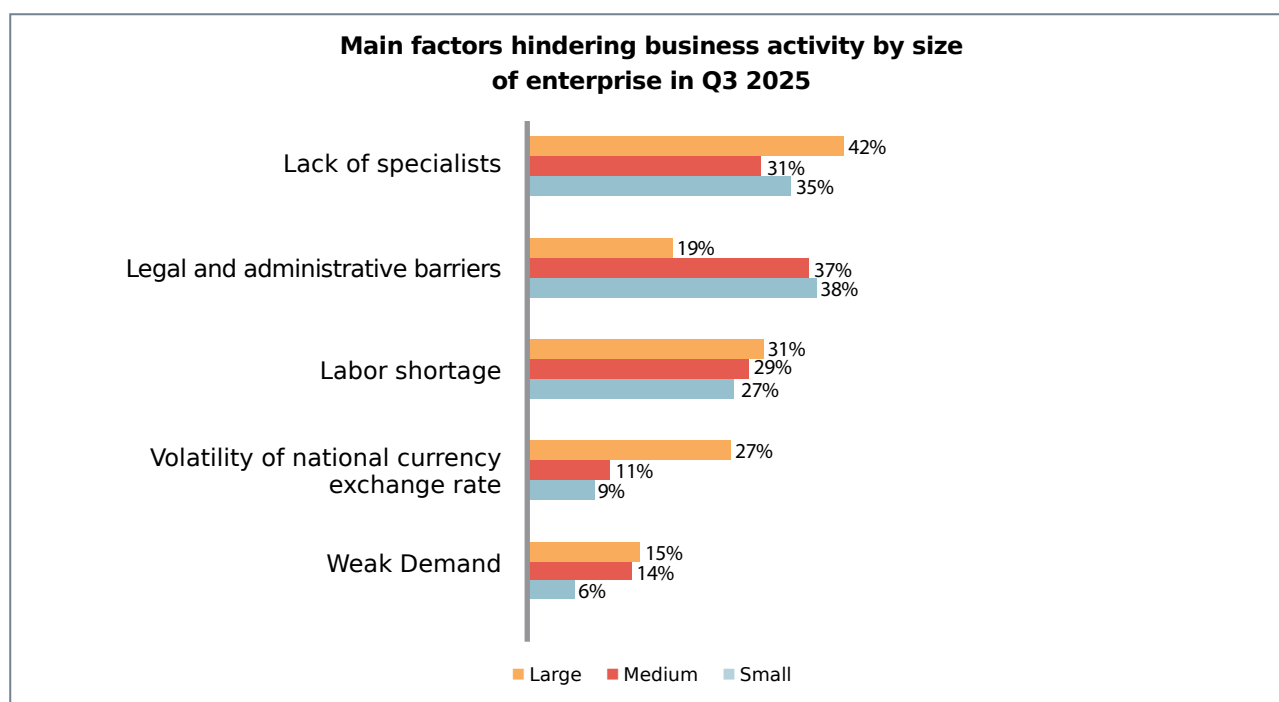
Graph 11: Main factors hindering business activity for surveyed companies in Q3 2025

By sector and enterprise size, in the third quarter of 2025:

- ✖ **The lack of specialists** is most hindering in the construction sector (82%) and small-sized companies (42%).
- ✖ **Legal and administrative barriers** almost equally affect large (38%) and medium (37%) companies, especially the service sector (64%).
- ✖ **The lack of labor force** is most acute in the construction sector (82%) and is equally problematic for companies of all size.
- ✖ **The volatility of the national currency exchange rate** is especially problematic in the trade sector (40%) and for small businesses (27%).
- ✖ **The lack of demand** is equally hindering for the manufacturing sector and trade sectors (25%-25%), although this problem is not observed at all in the construction sector.



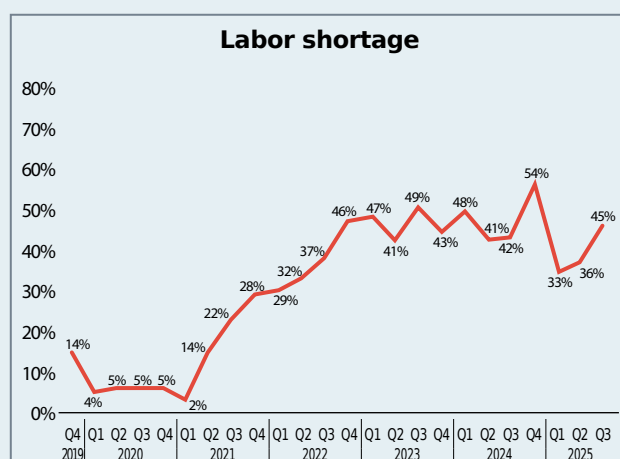
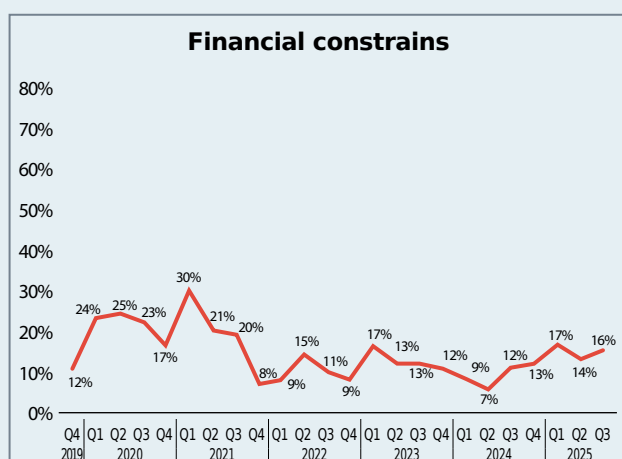
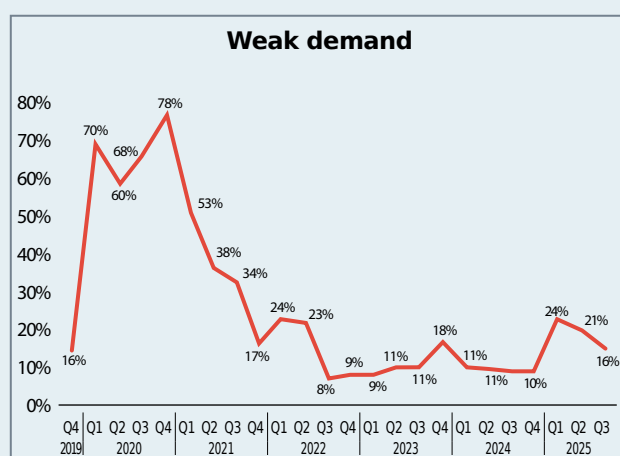
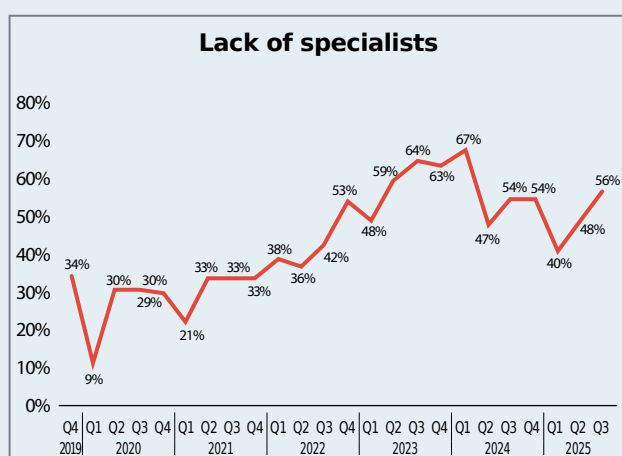
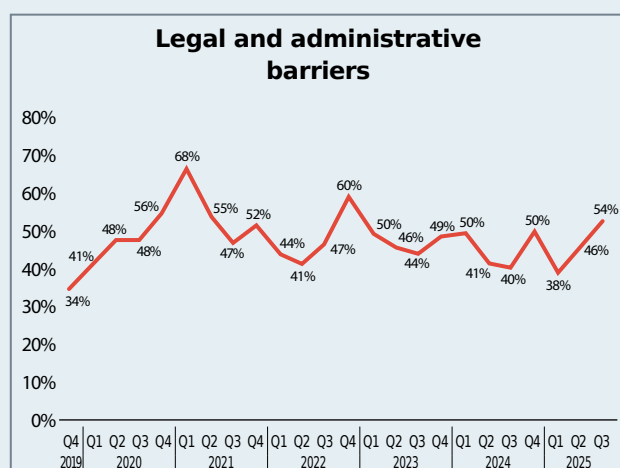
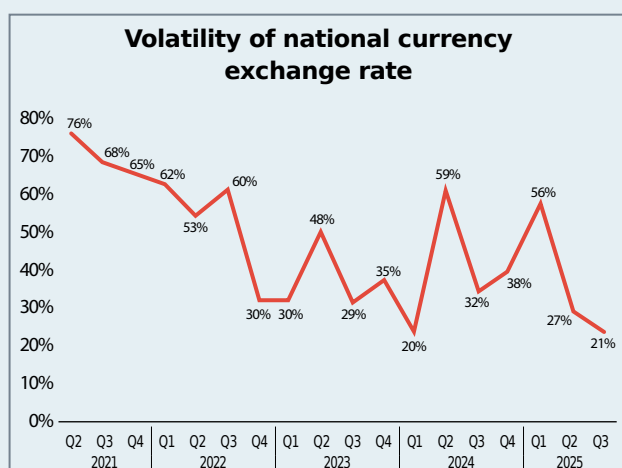
Graph 12: Main factors hindering business activity by sectors in Q3 2025



Graph 13: Main factors hindering business activity by the size of the enterprise in Q3 2025

In Q3 of 2025, compared to the previous quarter, among the factors hindering business activity, the share of companies citing the labor shortage increased the most (by 9 percentage points). Meanwhile, the share of companies citing the volatility of national currency exchange rate decreased the most (by 6 percentage points) (See Graph 14).

Hindering factors for business activity Q4 2019 - Q3 2025



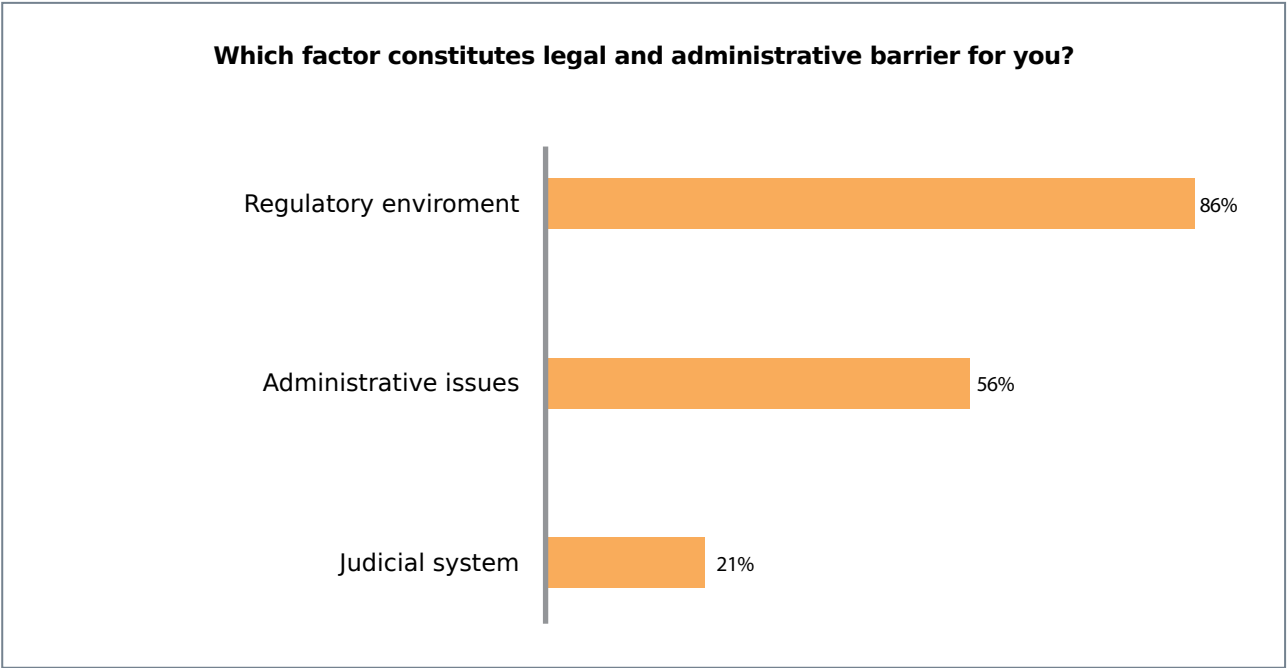
Graph 14: Main hindering factors for surveyed companies

The main factors determining legal and administrative barriers for business

In Q3 of 2025, the **regulatory framework** has been considered the main element of legal and administrative barriers hindering business activity. Looking from a sector-by-sector view, the regulatory framework was the most cited as a hindering factor in the construction sector, and least cited in the service sector.

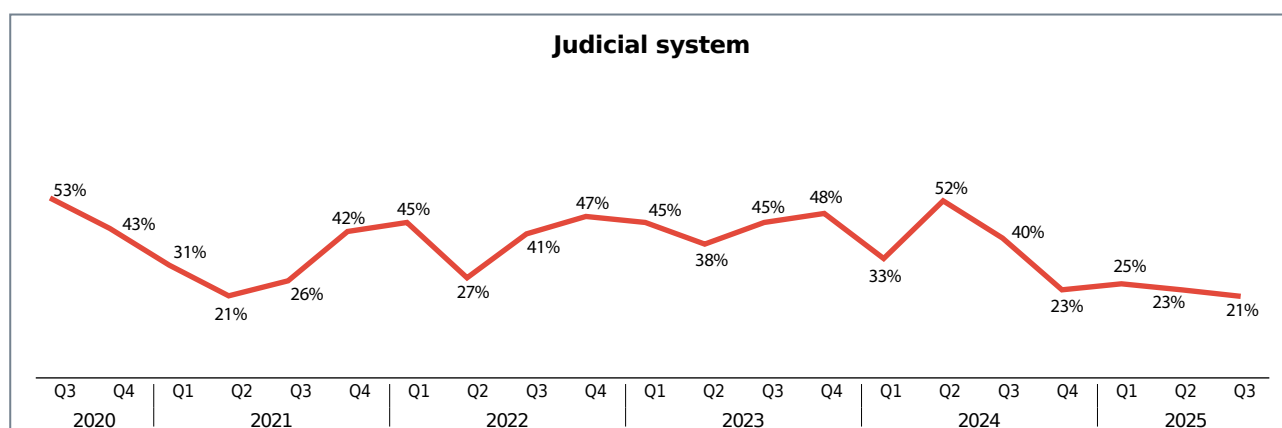
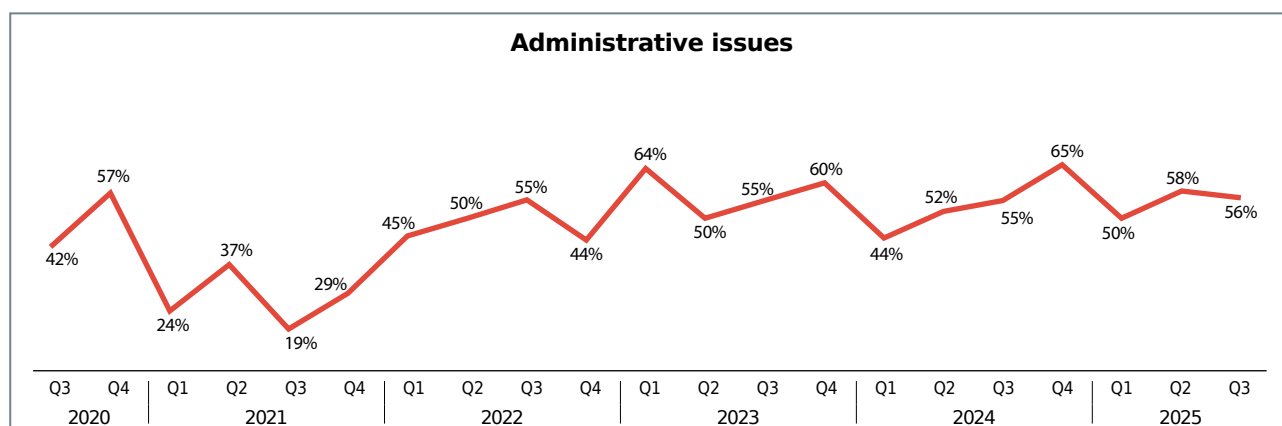
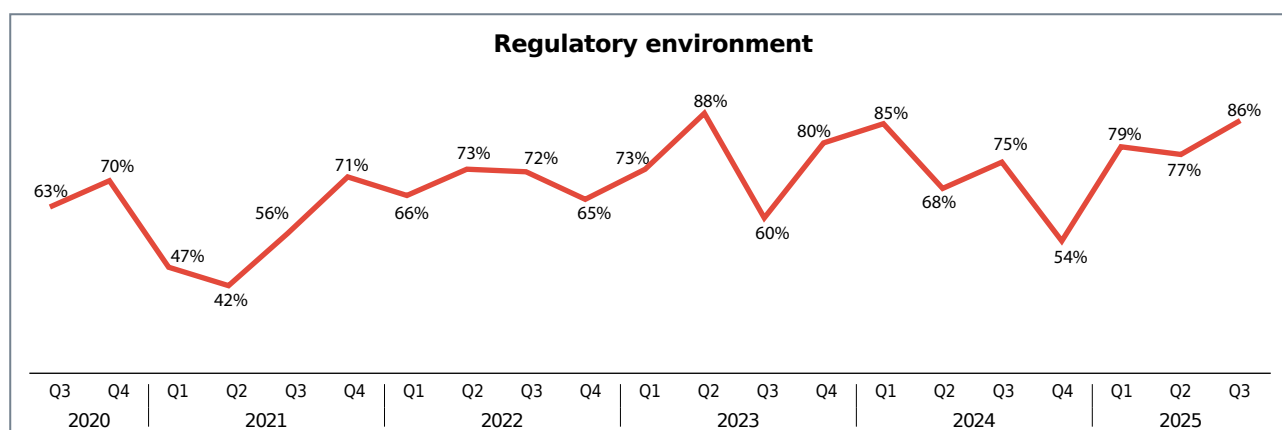
Among legal and administrative barriers, **administrative issues** were the second-most cited hindering factor. This was deemed the most hindering in the construction sector, while the least hindering for the trade sector.

Meanwhile, the **judicial system** was the most cited as a hindering factor under legal and administrative barriers in the service sector, while the least hindering in the construction sector.



Graph 15: Main legal and administrative hindering factors for surveyed companies

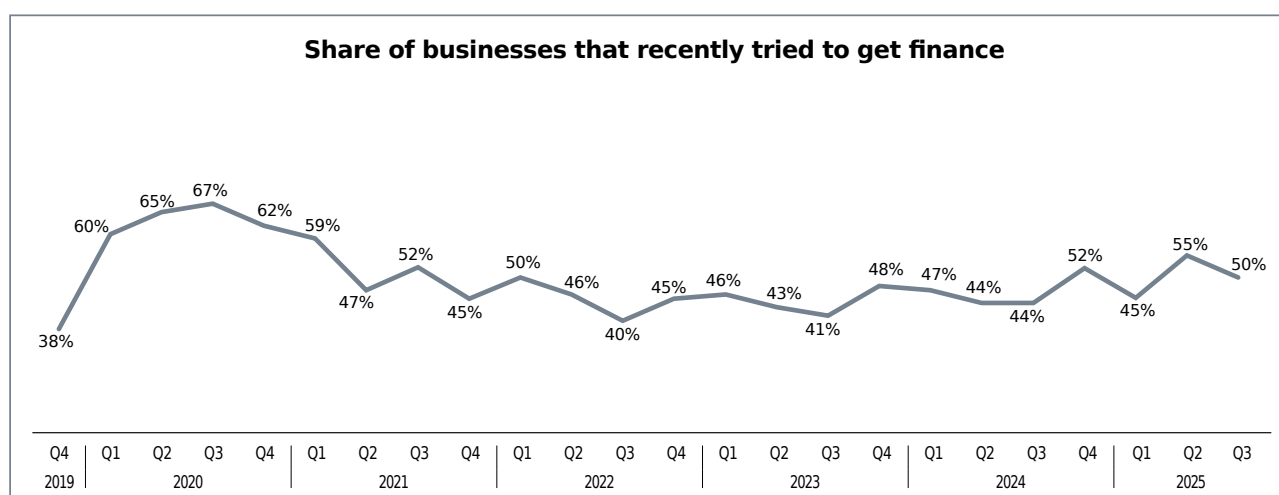
In summary, in Q3 of 2025, compared to the previous quarter, the share of companies to cite regulatory environment as hindering factors increased (by 9 percentage points). Meanwhile, the share of companies to cite administrative issues and judicial system as hindering factors decreased (by 2-2 percentage points).



Graph 16: Main legal and administrative hindering factors for surveyed companies

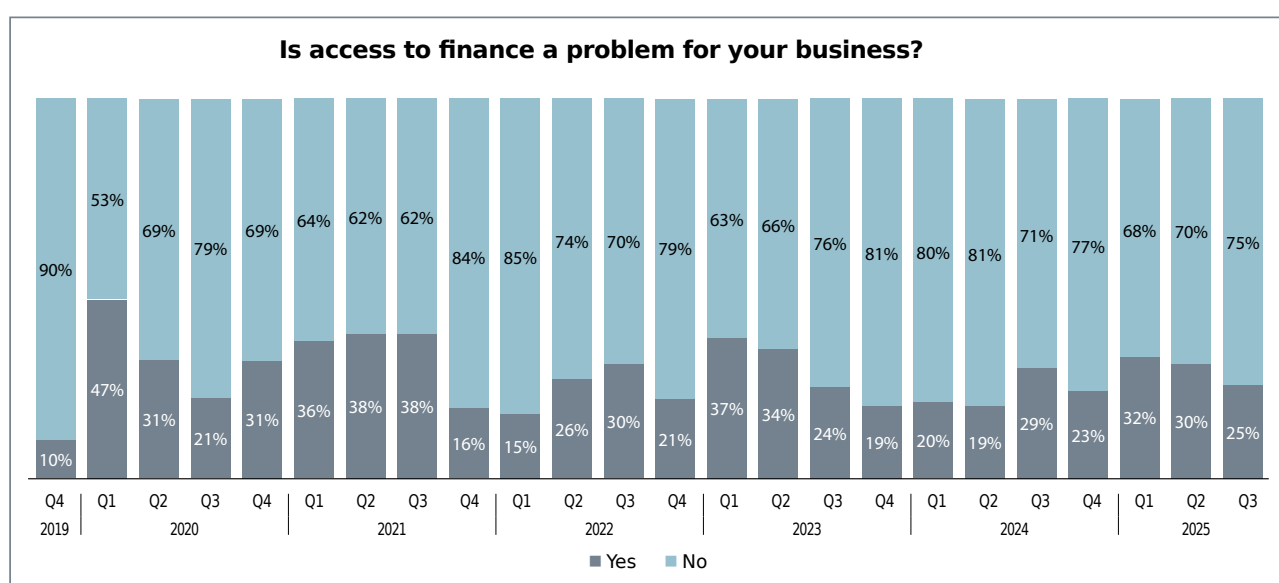
FINANCING

In Q3 of 2025, 50% of surveyed companies claimed to have recently tried to obtain finance, which is 5 percentage points lower than the figure recorded in the previous quarter (see Graph 17). By enterprise size, large (55%) and medium (49%) enterprises tried to get finance more often than small enterprises (41%).



Graph 17: Businesses that recently tried to get finance

In Q3 of 2025, 25% of those companies that recently tried to access finance also noted that access to finance was a problem for their business. This figure is lower (by 5 percentage points) than that of the previous quarter (see Graph 18). The problem of accessing finance was observed more frequently in small enterprises (45% of those that tried to obtain finance) and relatively less in large (23%) and medium (18%) enterprises.

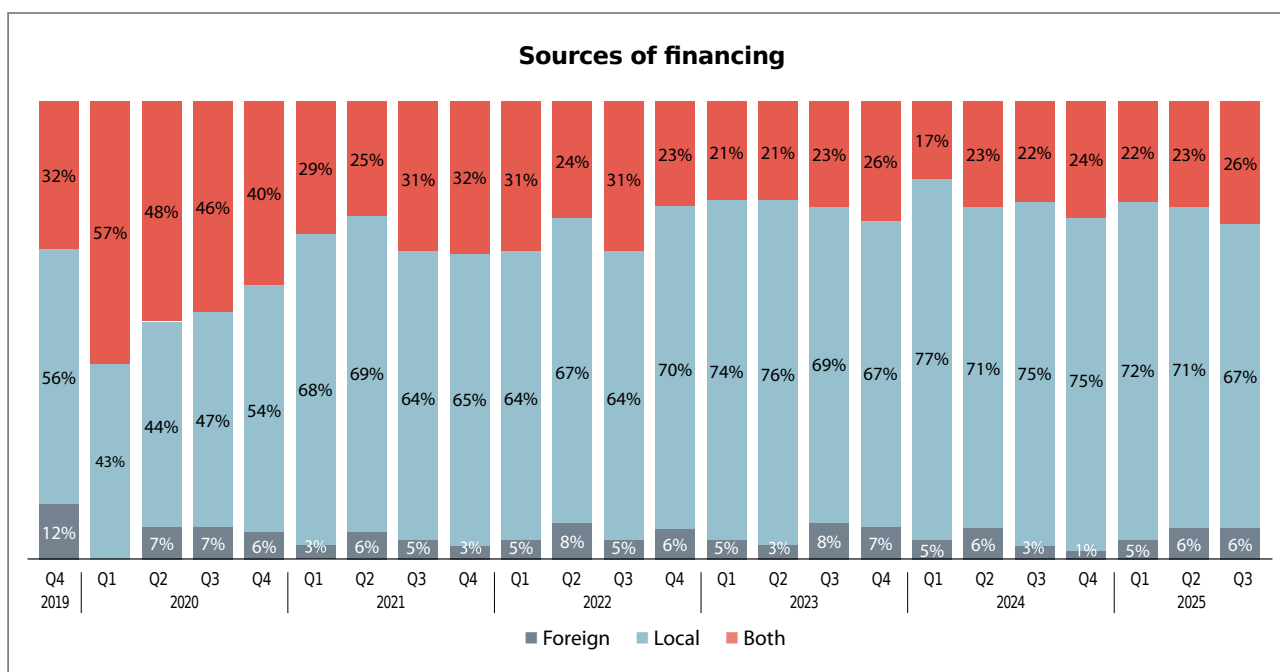


Graph 18: Access to finance⁵

Regarding sources of financing⁶, in Q3 of 2025, the majority of surveyed companies stated that they were financed by local sources (67%). The share of companies stating that they were financed by both domestic and foreign sources increased by 3 percentage points in Q3 of 2025, compared to the previous quarter, and reached 26%.

⁵ The question was only answered by those companies that stated they had recently sought finance.

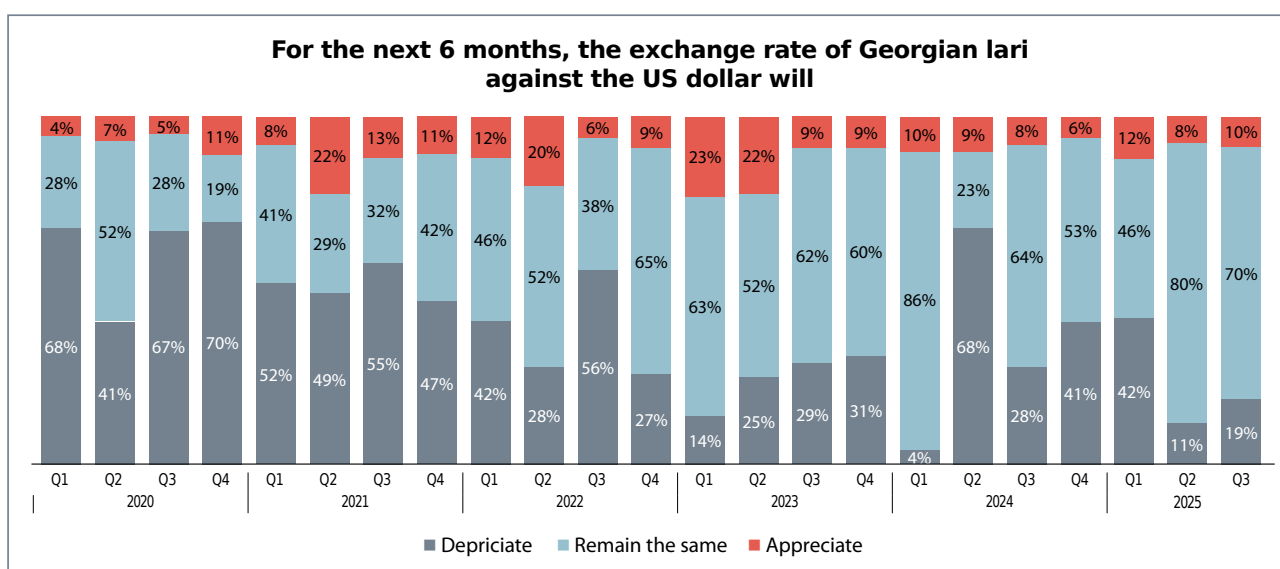
⁶ The change in methodology in Q1 of 2021 (the increase in the number of surveyed companies) altered the financing structure. This methodological change did not affect significantly any other indicators.



Graph 19: Sources of financing

EXCHANGE RATE EXPECTATIONS

In Q3 of 2025, most of the surveyed companies (70%) do not expect any change in the exchange rate of the national currency against the US Dollar over the next 6 months. Meanwhile, 19% of companies expect the national currency to depreciate, and 10% expect it to appreciate. In Q3 of 2025, compared to Q2 of 2025, the share of companies expecting that the national currency exchange rate would remain the same throughout the next 6 months decreased (by 10 percentage points), while the share of companies expecting that the national currency would depreciate against the US Dollar increased by 8 percentage points.

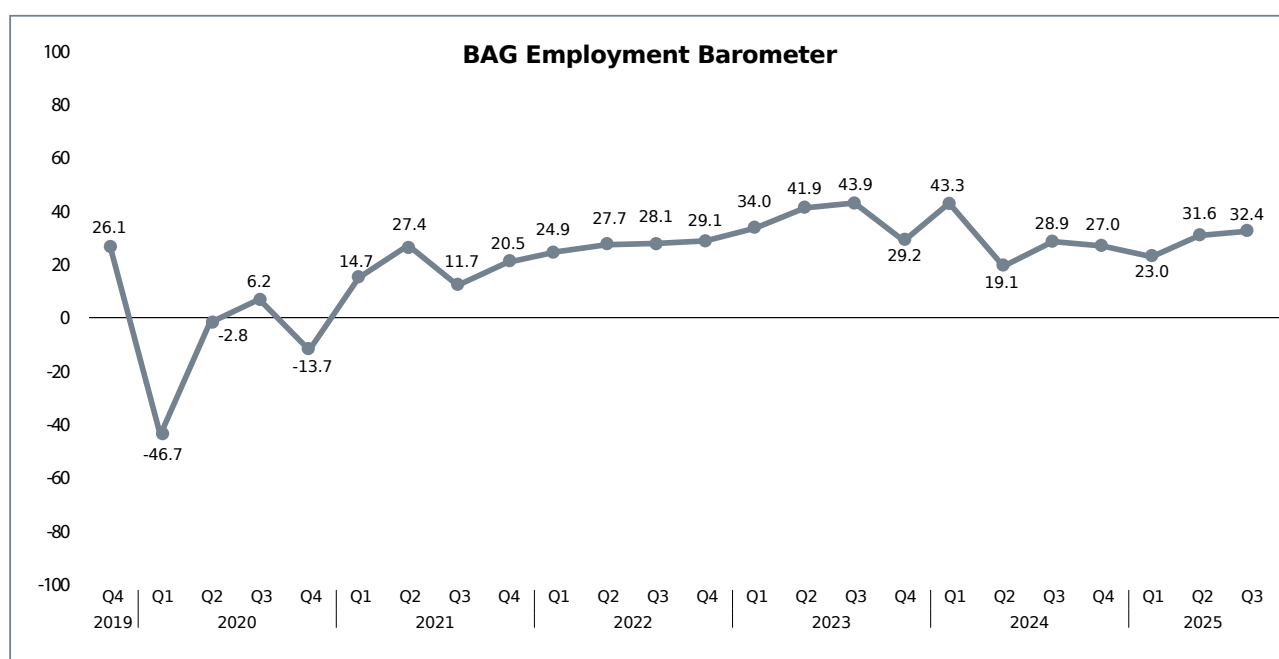


Graph 20: The exchange rate of the Georgian Lari against the US Dollar

BAG EMPLOYMENT BAROMETER

The BAG Employment Barometer reflects companies' expectations regarding changes in employment in the next three months.⁷

IN Q3 OF 2025, THE SURVEYED BUSINESSES GENERALLY HAD A POSITIVE OUTLOOK REGARDING EMPLOYMENT FOR THE NEXT THREE MONTHS. THE BAG EMPLOYMENT BAROMETER AMOUNTED TO 32.4 POINTS, MARKING AN INCREASE OF 0.8 POINTS COMPARED TO Q2 OF 2025 AND 3.5 POINTS COMPARED TO Q3 OF 2024.



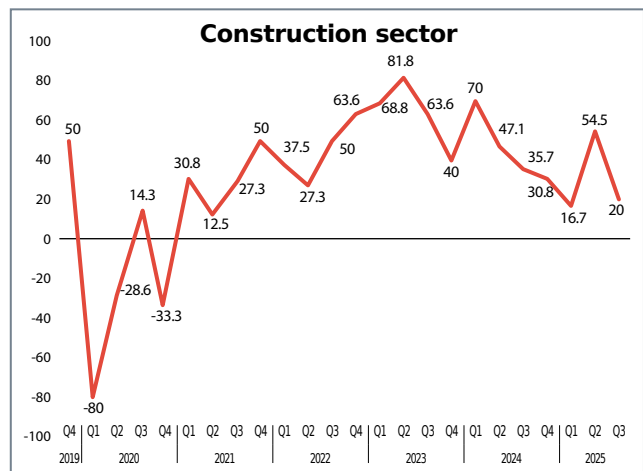
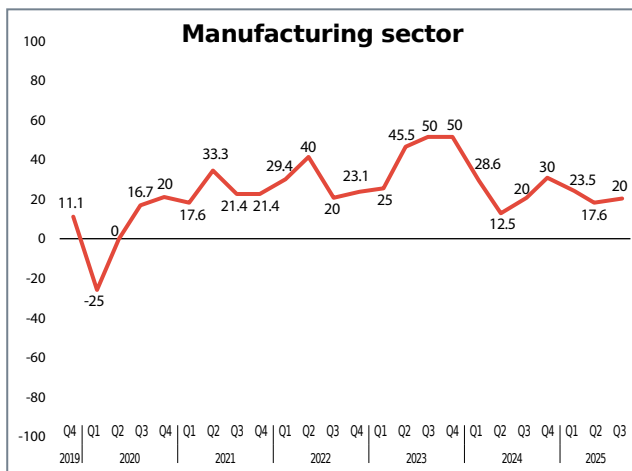
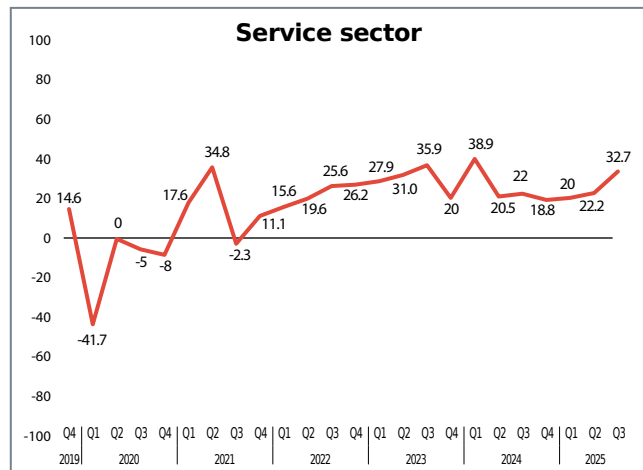
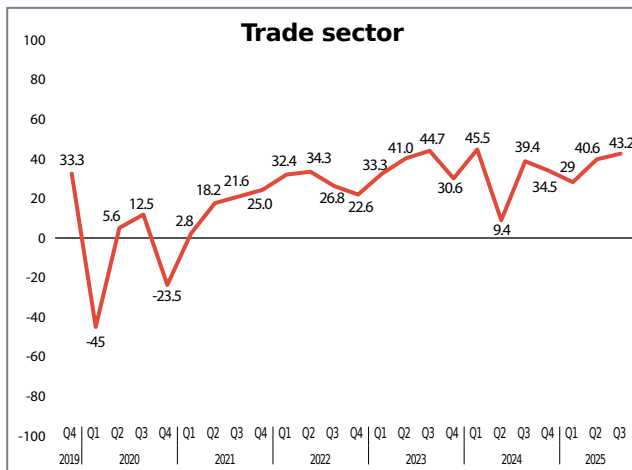
Graph 21: BAG Employment Barometer

In Q3 of 2025, the BAG Employment Barometer was positive for all sectors. In Q3 of 2025, compared to Q2 of 2025, the employment barometer indicator increased in service (by 10.5 points), trade (by 2.6 points) and manufacturing (by 2.4 points) sectors, but decreased in the construction sector (by 34.5 points) (see graph 22).

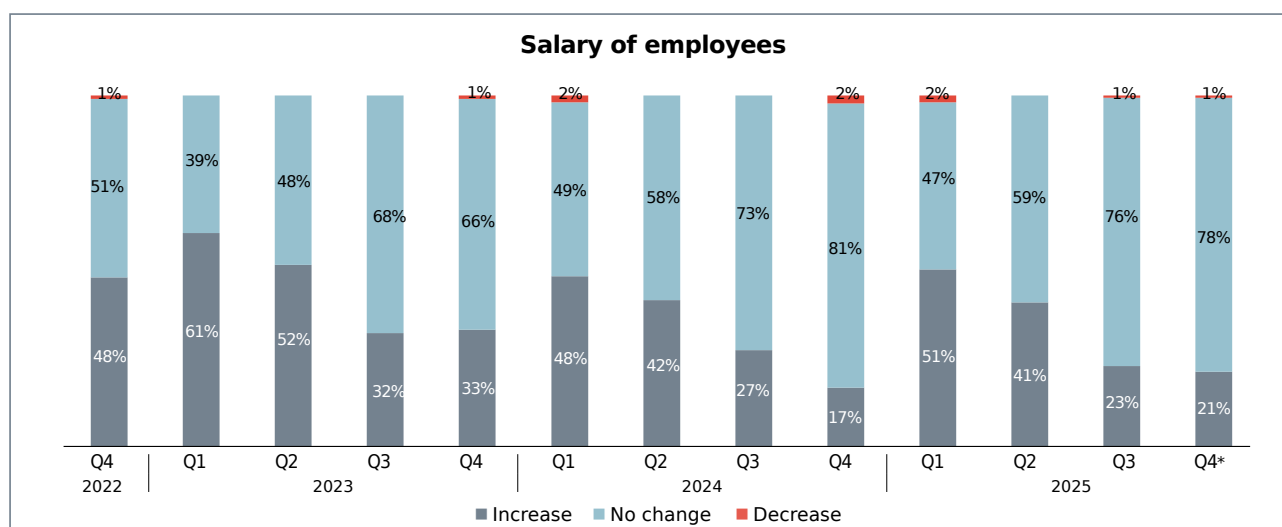
⁷ Respondents could describe their plans regarding the number of employees for the next three months as "increasing," "stable," or "decreasing". The balance value of these plans is the difference in the percentage shares of the "increasing" and "decreasing" responses. The BAG Employment Barometer is a weighted mean of the balances in different sectors. The BAG Employment Barometer can be between -100 and +100. -100 means all surveyed businesses expect employment to decrease in the next three months, while +100 means all surveyed businesses expect employment to increase in the next three months.

Table 2: Employment Barometer. Balance values by sector

Sector	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Trade	33.3	-45	5.6	12.5	-23.5	2.8	18.2	21.6	25.0	32.4	34.3	26.8	22.6	33.3	41.0	44.7	30.6	45.5	9.4	39.4	34.5	29.0	40.6	43.2
Service	14.6	-41.7	0	-5	-8	17.6	34.8	-2.3	11.1	15.6	19.6	25.6	26.2	27.9	31.0	35.9	20.0	38.9	20.5	22.0	18.8	20.0	22.2	32.7
Manufacturing	11.1	-25	0	16.7	20	17.6	33.3	21.4	21.4	29.4	40.0	20	23.1	25.0	45.5	50.0	50.0	28.6	12.5	20.0	30.0	23.5	17.6	20.0
Construction	50	-80	-28.6	14.3	-33.3	30.8	12.5	27.3	50.0	37.5	27.3	50	63.6	68.8	81.8	63.6	40.0	70.0	47.1	35.7	30.8	16.7	54.5	20.0
BAG	26.1	-46.7	-2.8	6.2	-13.7	14.7	27.4	11.7	20.5	24.9	27.7	28.1	29.1	34.0	41.9	43.9	29.2	43.3	19.1	28.9	27.0	23.0	31.6	32.4

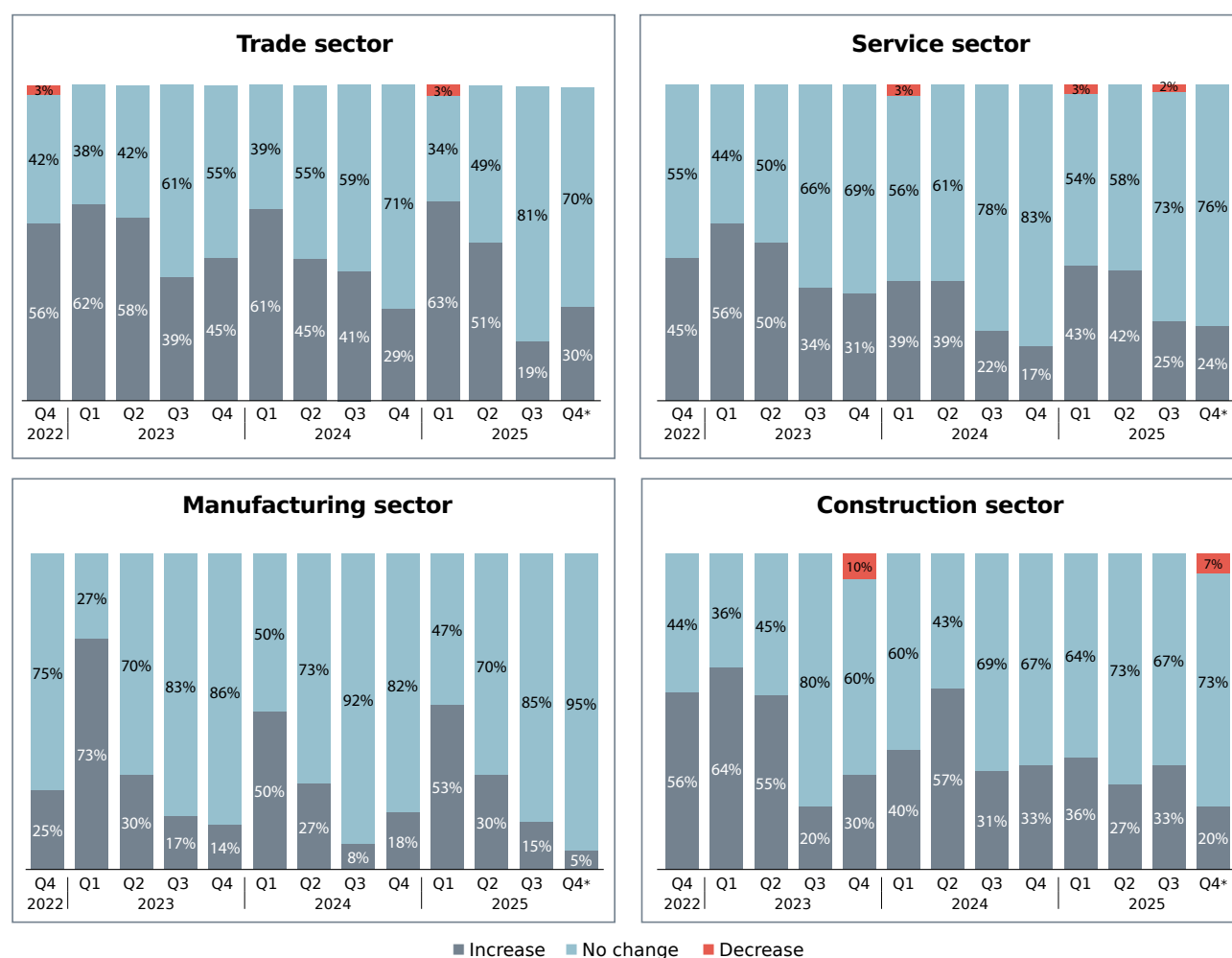
**Graph 22:** BAG Employment Barometer by sector

When examining employment, it is imperative to analyze the employee compensation dynamics in the process. The survey results revealed that 23% of companies raised employees' salaries in Q3 of 2025, which is lower compared to the previous quarter and the corresponding quarter of the previous year. In Q4 of 2025, 21% of companies plan to increase employees' salaries. (see graph 23).



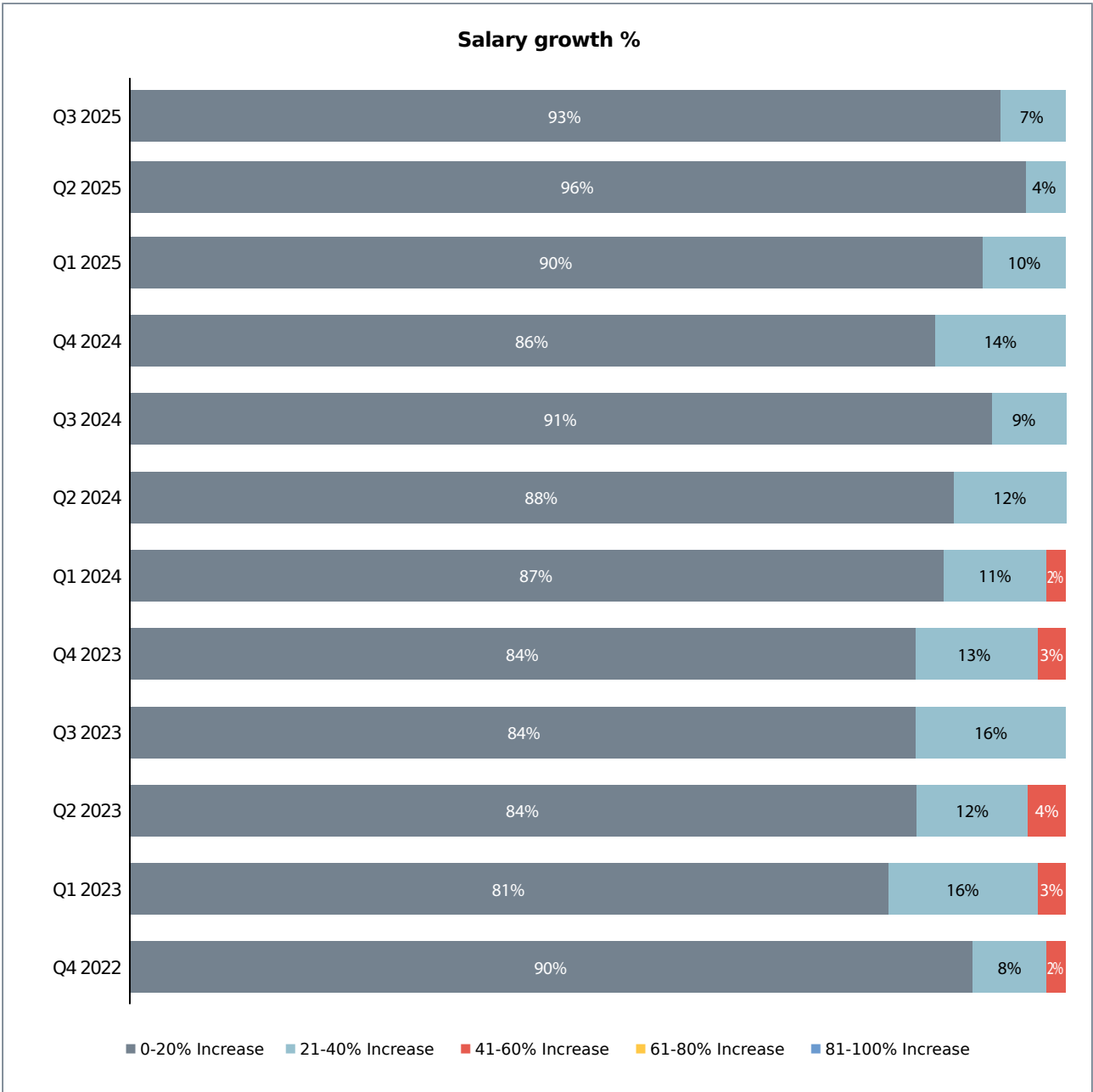
Graph 23: Salary of employees

By sector, in Q3 of 2025, the largest share of companies in the construction sector (33%) recorded an increase in the salaries of employees. In Q4 of 2025, the largest share of companies planning to increase the wages of employees was recorded in the trade sector (30%) (see Graph 24).



Graph 24: Salary of employees in trade, service, manufacturing, and construction sectors

In Q3 of 2025 most surveyed companies (93%), who increased the salaries of their employees, increased the salaries of their employees by 0-20%. Meanwhile, 7% of the surveyed companies increased the salaries of their employees by 21-40%.



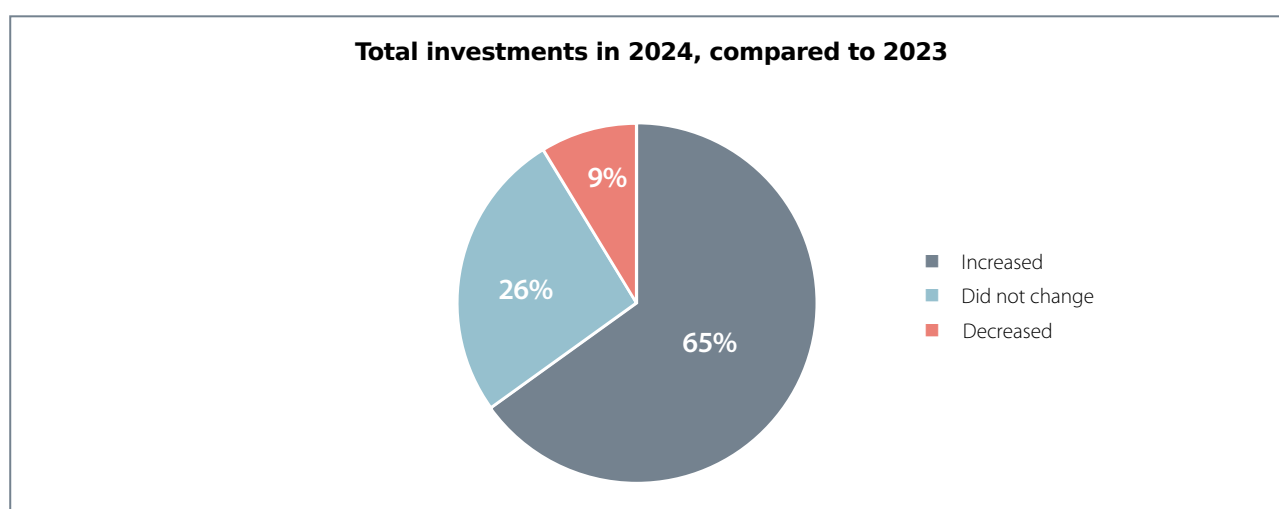
Graph 25: Growth (%) of salary of employees

BAG INVESTMENT SURVEY

As part of an investment survey, which is carried out bi-annually, PMC Research Center collects data on investment trends. For the purposes of this survey, respondents were divided into the following four sectors (similar to the BAG Business Climate): trade, service, manufacturing and construction. The survey conducted in the third quarter of 2025 covered investments made by surveyed businesses in 2024 and their plans for 2025.

INVESTMENT ENVIRONMENT IN 2024

Overall, 65% of the surveyed businesses stated that their total investments had increased in 2024, compared to 2023. Meanwhile, 26% of the surveyed companies claimed their total investments were unchanged, while 9% stated their investments had decreased over the same period.



Graph 26: Investment environment in 2024

It must be mentioned that 76% of the companies in the service sector reported an increase in total investments in 2024, compared to 2023. In the given period, 61% of companies reported an increase in total investment in the trade sector, 53% in the construction sector, and 44% in the manufacturing sector.

Furthermore, 19% of respondents in the manufacturing sector stated that total investments decreased in 2024, compared to 2023. At the same time, 11% of surveyed companies in the trade sector recorded a decrease in total investments in this timeframe, while for the service sector this figure was 5%. It must be noted that none of the surveyed companies in the construction sector recorded a decrease in total investments. (for detailed information see graphs 28, 29, 30 and 31).

In 2024, the majority of companies recorded an increase in their total investments in equipment (64%). The increase in investments in software and databases (59%) and plants (47%) was recorded in a relatively smaller share of the surveyed companies.

By sector, the service sector recorded the highest percentage share of companies stating an increase in equipment (69%). Notably, the service sector also stood out for the growth of investments in software/databases (73%) and in plants (55%).

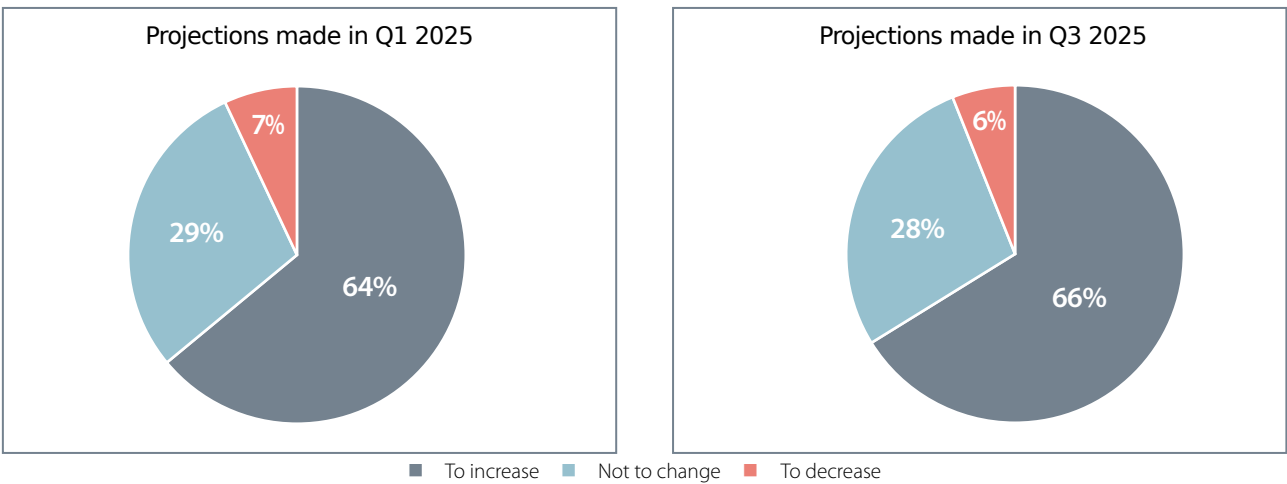
INVESTMENT PLANS FOR 2025

To evaluate the investment plans for 2025, an investment survey was conducted in the first quarter of 2025, and this forecast was updated in the third quarter of 2025.

In Q3 of 2025, 66% of surveyed businesses claimed they will increase their total investments in 2025, compared to 2024. At the same time, 28% of the surveyed companies expect no change in their total investments, while only 6% expect a decrease in total investments.

It should be noted that according to the results of the survey of the third quarter of 2025, compared to projections made in the first quarter of 2025, the expectations of companies had slightly improved. According to the survey conducted in the first quarter of 2025, 64% of the surveyed companies were planning to increase their total investments in 2025, while now 66% of companies are planning to increase their total investments. By sector, the trade sector saw the largest increase (7 percentage points) in investment forecasts. In the first quarter of 2025, 61% of companies expected their investments to increase, but by the third quarter, 68% held this view in trade sector.

In 2025, compared to 2024, total investments are expected

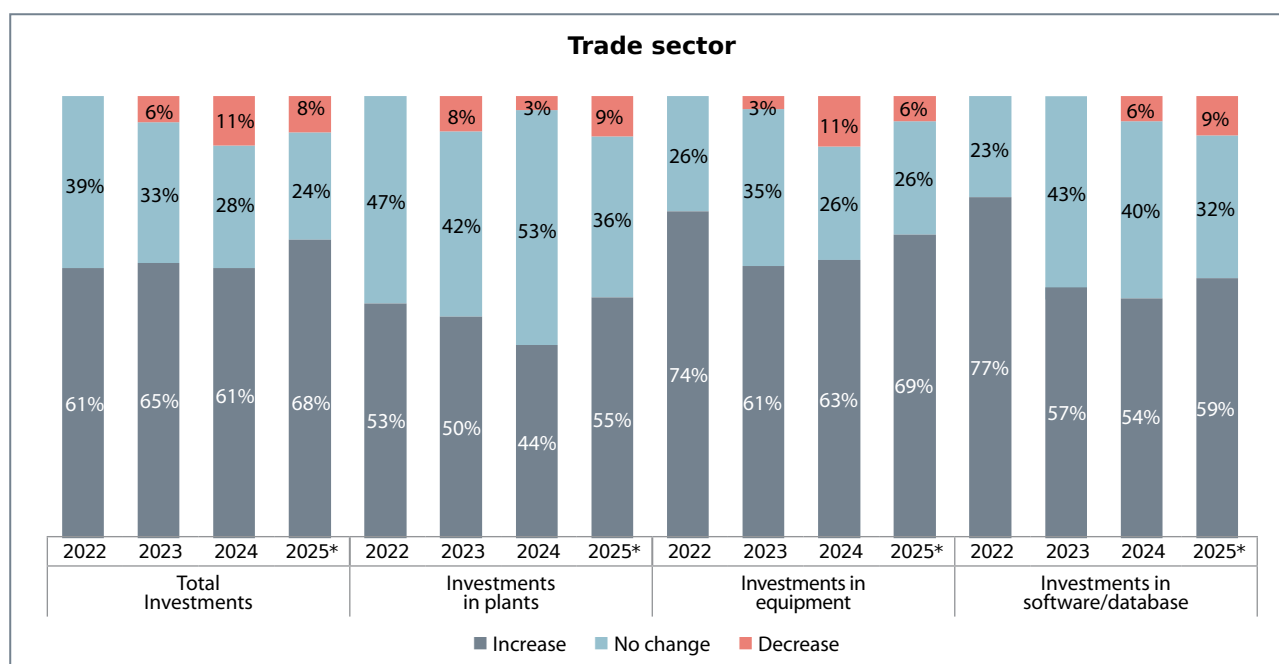


Graph 27: Investment plans of companies for 2025

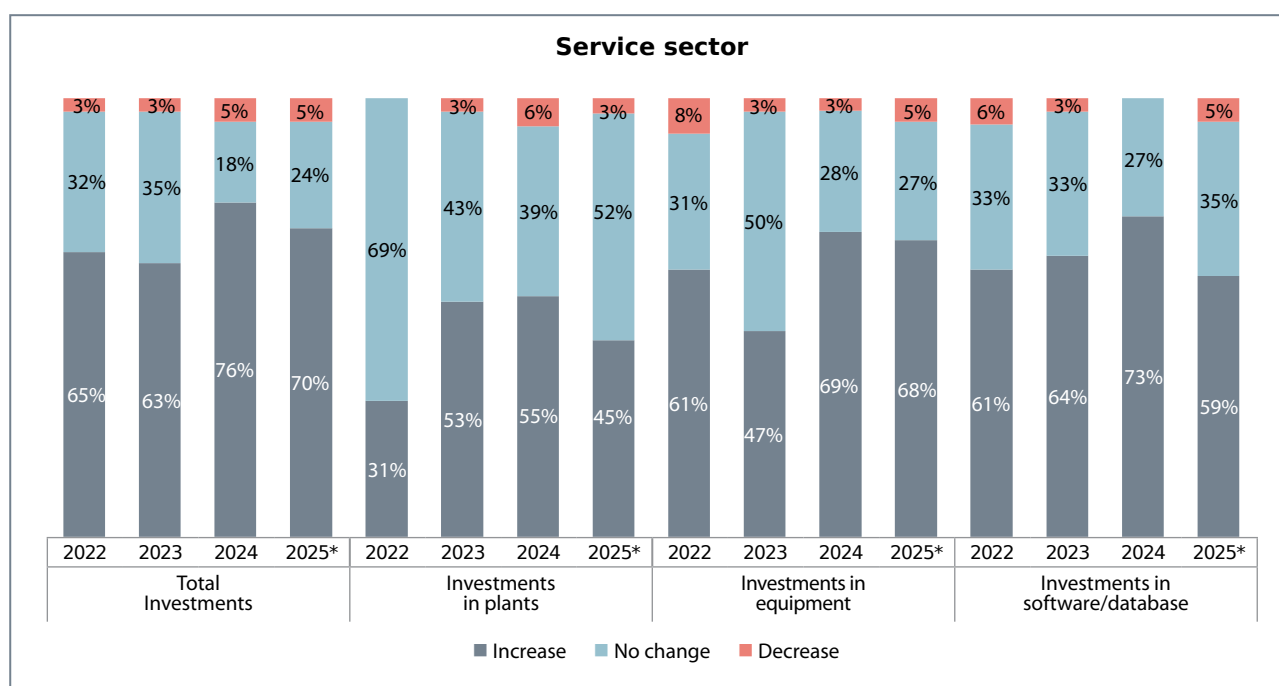
Amongst all four sectors, the service and trade sectors conveyed the most optimistic expectations in direction of investment for 2025. 70% of companies in the service sector expect an increase in total investments, while 68% of companies in the trade sector report similar expectations in 2025, compared to 2024. Moreover, 47% of companies in the manufacturing sector and 40% in the construction sector plan to increase their total investments.

In 2025, more positive expectations with regard to investments were recorded in equipment, while less positive expectations were recorded with regard to investments in plants and software/databases. 66% of the surveyed companies expect to increase their investments in equipment in 2025, compared to 2024, while 60% of businesses have the same expectation for investments in software and databases. Moreover, 50% claim that their investments in plants will increase in 2025, compared to 2024.

It must be noted that, among the covered sectors, the most positive expectations regarding investments in equipment and software/databases are conveyed in trade and service sectors. In particular, 69% of the companies in the trade sector and 68% of the companies in service sector plan to increase investment in equipment. Regarding the investment in software/databases, 59% of companies in both the trade and service sectors are planning to increase investments. Regarding the investment in plants, the most positive expectations are recorded in the trade sector with 55% of surveyed companies planning to increase investments.



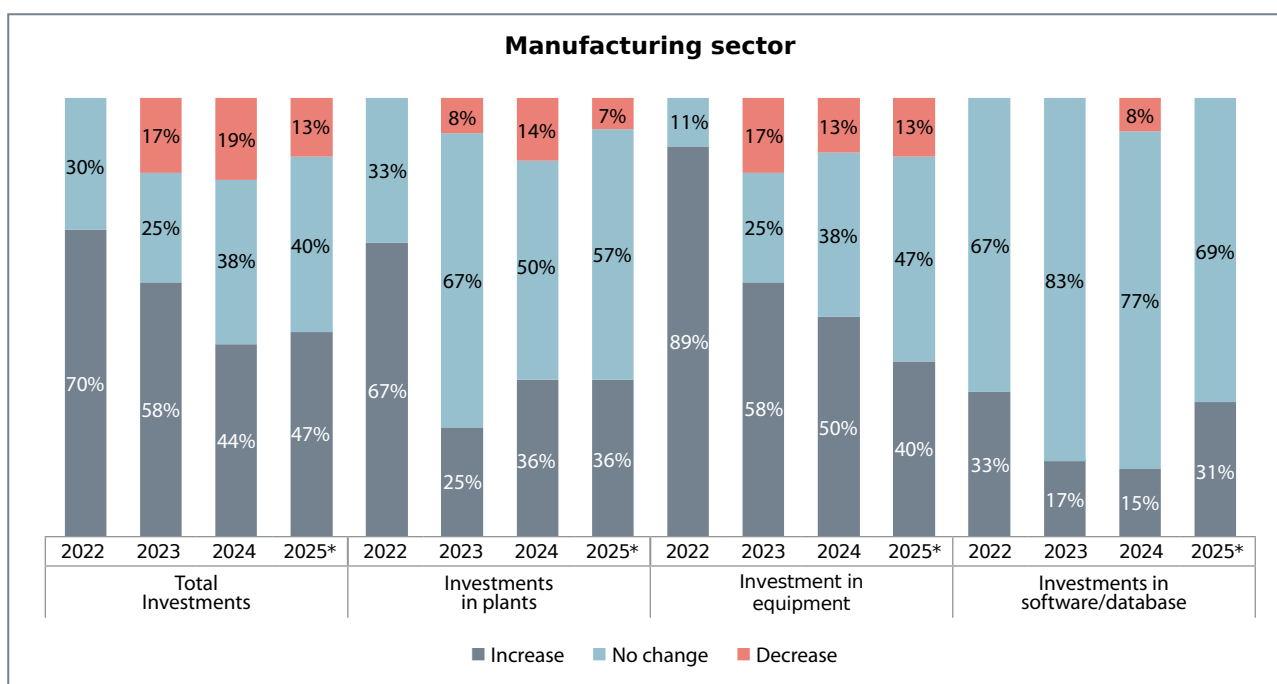
Graph 28: Investment environment in 2022-2024 and investment plans for 2025 in the trade sector (change compared to the previous year)⁸



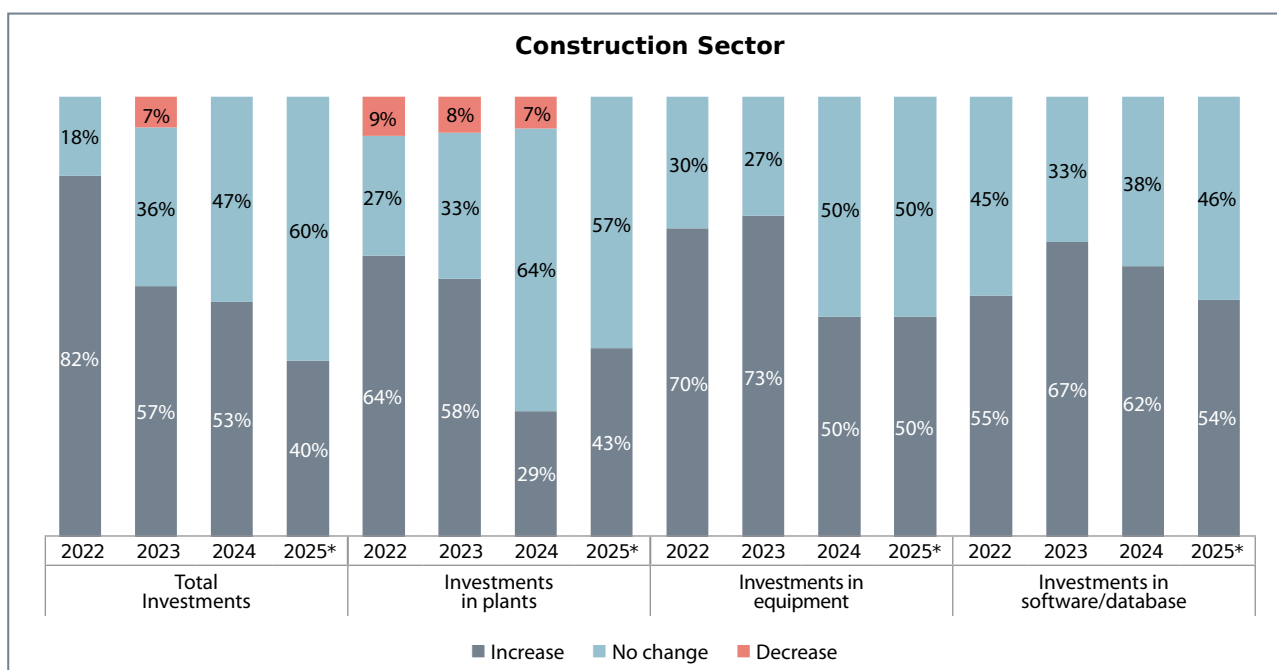
Graph 29: Investment environment in 2022-2024 and investment plans for 2025 in the service sector (change compared to the previous year)

⁸ Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

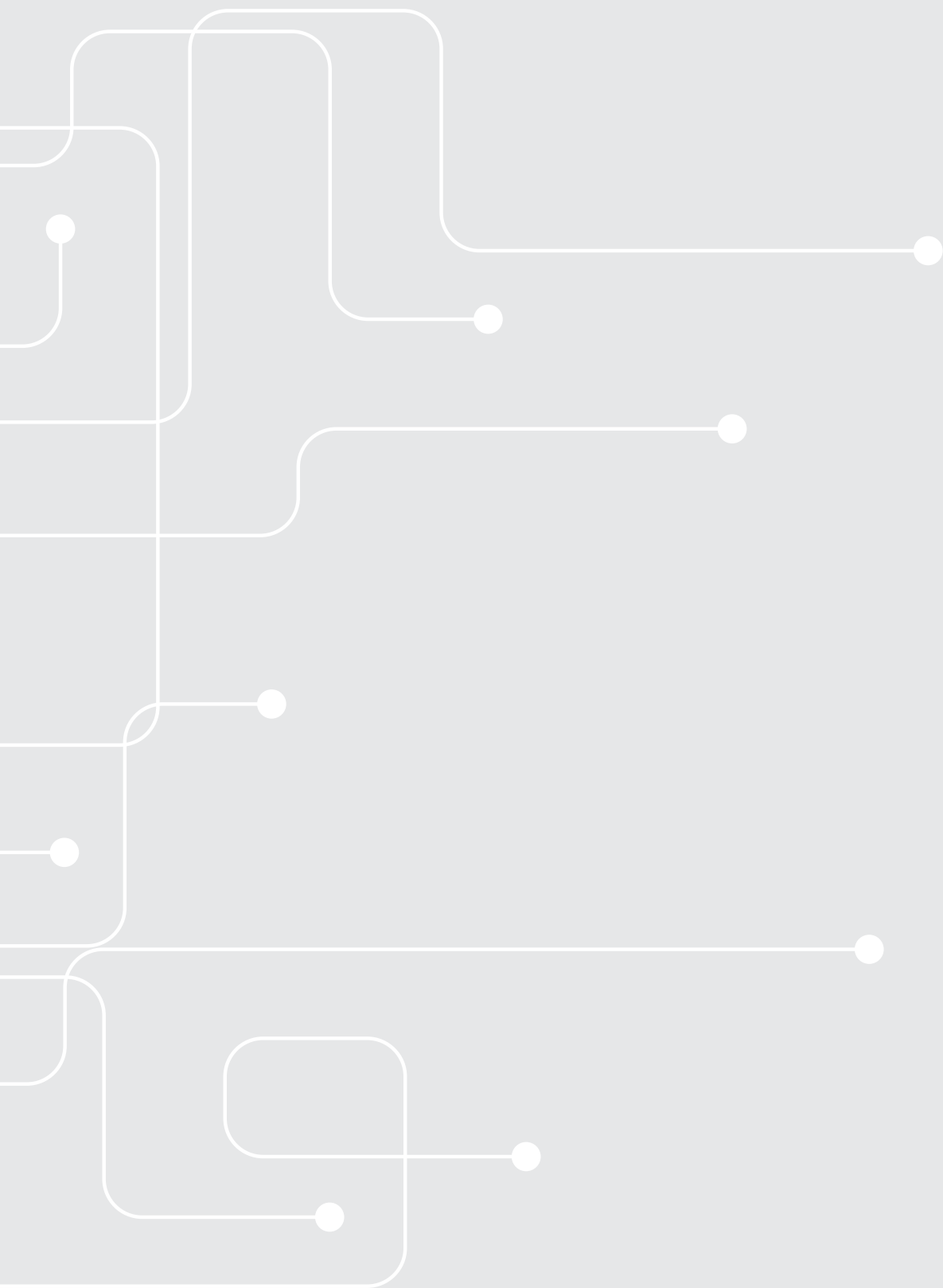
* Expectation.



Graph 30: Investment environment in 2022-2024 and investment plans for 2025 in the manufacturing sector (change compared to the previous year)



Graph 31: Investment environment in 2022-2024 and investment plans for 2025 in the construction sector (change compared to the previous year)



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