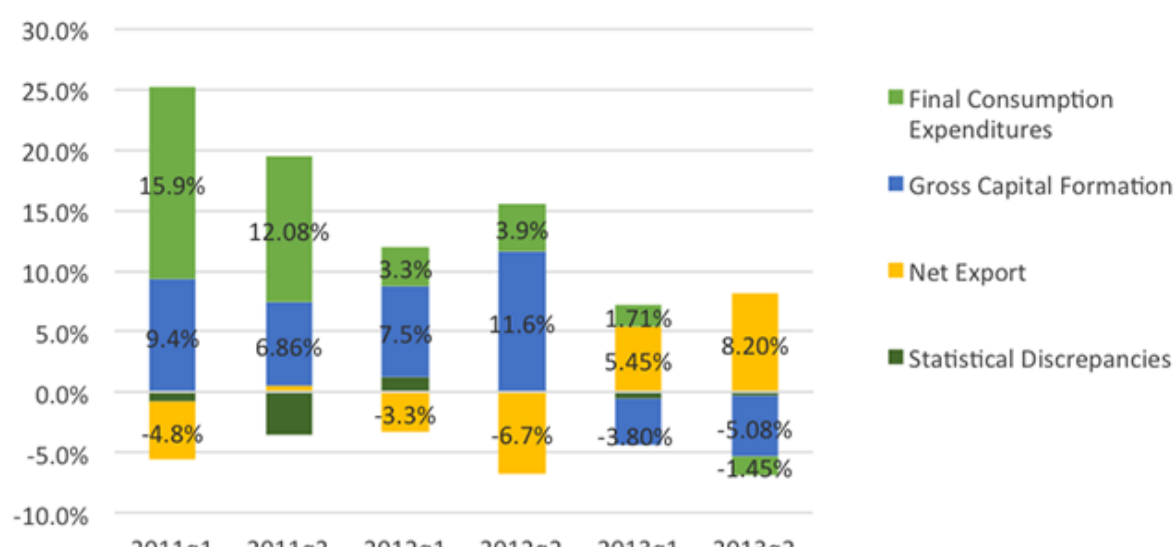


Consumer Confidence Index: Georgian consumer confidence is rising again

Leading GDP Indicator: New estimates of Georgia's GDP growth: 4.5% in the 4th quarter, 2.4% annual

Khachapuri Index: Cost of making khachapuri climbs both in monthly terms (13.7%) and year-on-year (2.6%)



Georgia's Macroeconomy at a Glance, November 2013

In the first issue of the Macroeconomic Review since the presidential elections in Georgia, we would like to provide a more in depth look at the economic trends that affected the country's economy during the 'cohabitation' period.

First, we will consider which categories of GDP were responsible for the sharp drop in the GDP growth rate after the election 2012. Chart 1 shows the contribution of different expenditure categories to the nominal GDP growth rate in the first two quarters of every year, starting from 2011.

The decrease in final consumption expenditure and gross capital formation were the two main driving forces behind the decrease in GDP growth rates, while positive developments in the external sector have played crucial role in supporting the real economy growth. If we suppose that the decreases in final consumption expenditure and gross capital formation were mainly due to the reduced consumer/investor confidence stemming from the policy uncertainty of the post-election period, then we might expect some progress in the GDP growth once the political transition has been fully achieved.

Considering the growth of GDP by sectors (see Chart 2), one can see that in the first two quarters of 2013, the construction sector had the most significant negative impact (0.9 percentage points) on the average total growth rate. The chart allows us to see that while the average slowdown in growth rate during the first two quarters of 2013 was 5.6%, 2.9 percentage points (i.e. 43.5% of total drop) came from the drop in the construction sector.

[read](#)

FROM THE BLOG:



Travel and Tourism to Georgia: Making Sense of Definitions and Numbers

In recent years, the Georgian government has been on a mission to promote Georgia as a tourist destination. With tourism being one of the fastest growing service industries worldwide, Georgian economy is hoping to catch the wave of global travel enthusiasm. And yet, who are the people that matter so much for the national economy? As it turns out, the 'tourist' is not an easy concept to define. The article makes sense of the various definitions and numbers that are floating around. Who are "tourists" as opposed to "travelers" and "visitors"? Are border crossing statistics a reliable indicator of tourism dynamics? What other data are available to us and what can we tell based on these data?

[read](#)


Georgia's Democratic Challenge

After the dissolution of the Soviet Union, most of the newly established independent countries started moving towards liberal and democratic governance. Yet, as the 2012 Freedom report finds, after 22 years, only three out of 15 former-soviet countries managed to fully establish liberal democracies. Eight out of the 15 countries are considered "consolidated authoritarian regimes" and the remaining four are currently in limbo between authoritarianism and democracy. Where does Georgia stand on the road to Democracy? Read Ia Vardishvili's article to find out.

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Fresh Capital for the Georgian Economy

Last year, Prime Minister Bidzina Ivanishvili announced his plans to set up a so-called Co-Investment fund. It took a year for this idea to mature, but finally a group of financially potent investors endowed the fund with 6 billion USD. The fund's public launch, however, was greeted with a plethora of criticism. Was the criticism sound from an economic standpoint? Find out in the ISET Economist blog article, which discusses both challenges and opportunities arising from the existence of such a fund.

[read](#)


The Georgian Solution to the Tragedy of the Commons

In economics, it is the truth universally acknowledged that a piece of land without well-defined ownership will be over-exploited by its 'common' owners. Georgian common pasture lands, however, seem to have avoided this fate for many centuries. Maka Chitanava tells the story of the ages-old economic ingenuity: the property rights to the common lands were assigned to the gods, and the early codes of law were myths, passed from generation to generation of village-dwellers.

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ONGOING PROJECTS:



ISET Policy Institute a Pioneer in CGE Modeling for Georgia

On November 13, 2013, ISET hosted the first presentation of the project entitled "Support in Policy Modelling in Georgia". The project started in December 2012 with the financial and technical support of GIZ's Private Sector Development in the South Caucasus. The aim of the event was to communicate the preliminary findings of the policy papers to main stakeholders.

[read](#)


ISET Business Confidence Index (BCI)

In November 2013, ISET Policy Institute, working in partnership with some of the largest business organizations in Georgia, will pilot the Business Confidence Survey. The Index will provide a real time measurement of the business community's reaction to changes in the business environment. If your company is not yet committed to filling in our monthly survey questionnaire but would like to contribute your point of view, please, [follow the link](#).

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ISET Economist in Georgian

Since October, 2013 ISET Economist blog started to function in the Georgian language. About 30 blog articles have already been translated, resulting in a huge traffic of the Georgian-language readers. Eventually, all the best English-language blogs will be readily available for the Georgian public.

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ISET PI HIGHLIGHTS:

feature photo

Land Ownership of Agricultural Land: Political Stability and Social Cohesion vs. Economic Efficiency

On November 8, 2013, ISET hosted the first event in a series of discussions on the topic of inclusive growth. The topic of the event was Land ownership of agricultural land: political stability and social cohesion vs. economic efficiency. The presentation opened with a short video prepared especially for the dialogue and was followed by a short discussion about the sector.

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