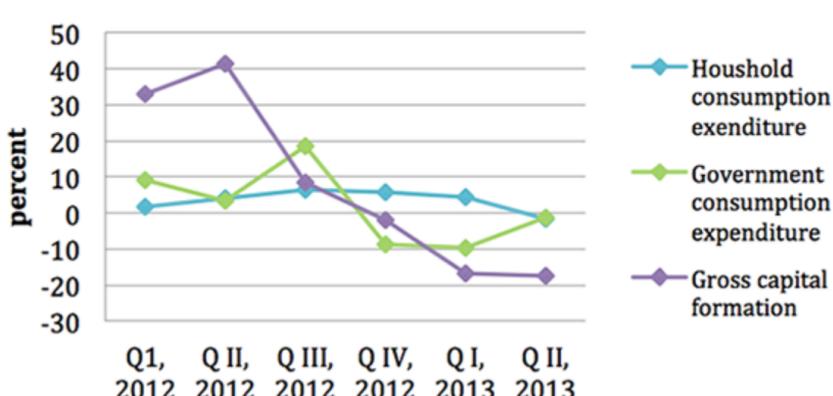


Consumer Confidence Index: Consumer morale gets a boost prior to the elections

Leading GDP Indicator: Georgian economy: time to wake the "sleeping beauty"?

Khachapuri Index: up in monthly terms (0.8%), but down compared to last year (-6.3%)

### Domestic consumption and investment categories in current prices, Percent change from the same period last year



#### Georgia's Macroeconomy at a Glance, October 2013

The macroeconomic situation in Georgia, weighed down by political uncertainty since the October 2012 elections, has shown tentative signs of improvement in the recent months.

Despite the internal political uncertainty and a host of unfavorable external factors, the real activity in agriculture has picked up in the second quarter of 2013. Such important sectors as trade and manufacturing also posted small growth gains.

Sluggish aggregate demand has been one of the culprits of the general growth slowdown. The falling prices and weak import growth since the beginning of the year have pointed towards the overall weakening demand conditions, with both consumers and businesses reluctant to spend and invest.

For example, in the second quarter of 2013, household consumption dropped by 1.7% compared to the same period last year, while gross capital formation (which includes investment expenditure by both private and government entities) dropped by 17.6%.

Government expenditures also declined in the second quarter, but mostly due to a decrease in collective spending (public administration, defense, social security and safety). At the same time, the government expenditure on personal services (such as health and education) has increased in the second quarter relative to the same period last year.

The aggregate demand weakness appears to have eased somewhat between August and September, possibly due to seasonal factors, such as the traditional grape harvest ("rtveli"). In particular, consumer sentiment seems to have picked up. According to the ISET Consumer Confidence Index (CCI), the monthly change in consumer sentiment was mainly due to a sharp improvement in peoples' expectations about the future, while the annual gains in CCI are mainly associated with a rise in the Present Situation Index.

[read](#)

#### FROM THE BLOG:



#### "You Merchants Are Cowards" ...

In the very first Principles of Economics class we teach students about the benefits of trade. Perhaps paradoxically, however, despite the many social and economic benefits of trade, merchants (i.e. professional traders), rarely enjoy social esteem.

[read](#)



#### Erekle II. – The Tragedy of an Enlightened King

Erekle II (1720-1798) is best remembered for handing over his kingdom of Kakheti and Kartli to the Russians. Unfortunately, the Georgian society knows little about Erekle's farsighted reforms seeking to strengthen the Georgian economy and secure the country's independence.

[read](#)



#### The Two Faces of Foreign Direct Investment

Recently, the Georgian media abounded with alarming reports about a slowdown of foreign direct investments (FDI) in Georgia. FDI is generally considered a good thing, facilitating technological modernization and economic growth. But there is often a second, quite ugly face to FDI. Nikoloz Pkhakadze explores both.

[read](#)



#### Dear Police: There is a Bomb. Please Find It!

Evacuation has been one of the most frequently used words in Georgian TV in the latest weeks, arguably due to the proliferation of fiber bomb warnings. Rustavi 2, Imedi, the Parliament, the airport, bank offices and schools – all were targeted by these macabre hoaxes. Florian Biermann and Robizon Khubulashvili discuss the economics of bomb hoaxes.

[read](#)

#### ONGOING PROJECTS:



#### ISET Policy Institute Implements Excel Training for ProCredit Bank Employees

Having piloted a successful MS Excel-focused training course for ProCredit Bank Georgia, ISET-PI is rolling out a much larger training program at the central office of the ProCredit Bank in Tbilisi.

[read](#)



#### Financial Soundness Indicators for Investment Climate Assessment

Asian Development Bank (ADB) is extending its cooperation with ISET-PI related to the topic of financial soundness. As part of the second phase of this project, ISET PI will develop a real estate price index and study interest rate spreads and regulatory policies as potential binding constraint to Georgia's growth.

[read](#)



#### ISET establishes a platform for Inclusive Growth Dialogues

In early November, ISET-PI will be hosting the first in a series of Inclusive Growth Dialogues supported by the Swiss Development Cooperation (SDC). This first dialogue will be devoted to the question of access to land which is crucial for the modernization of Georgia's economy.

[read](#)

#### ISET PI HIGHLIGHTS:

##### feature photo

#### New Human Resources Concentration and the Head of the National Examinations Center (NAEC) at ISET

Every day at ISET is devoted to teaching and studying, but October 15, 2013 was a day especially dedicated to education issues. ISET introduced its new Human Resources (HR) concentration and hosted Maia Miminoshvili, the Director of the National Examinations Center, in a joint event.

[read](#)

#### ISET Policy Institute

16 Zandukeli Street  
Tbilisi 0108, Georgia

Phone: (995 32) 250 71 77  
Fax: (995 32) 299 86 44  
www.iset-pi.ge

All rights reserved. ©2012 ISET Policy Institute.

Follow us on Facebook  
Visit our Blog - The ISET Economist  
Read the Khachapuri Index