

# BUSINESS CONFIDENCE INDEX

## 5.8

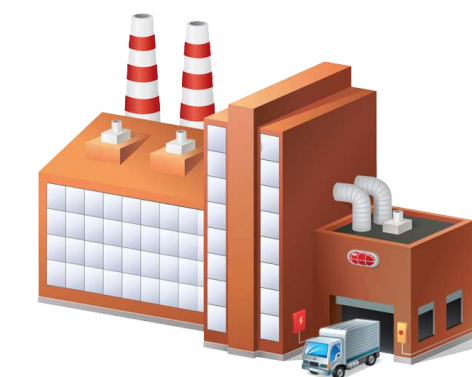
DECREASE

Recovery (Continued)

# Q4 2021

## Participating Companies

Large



37

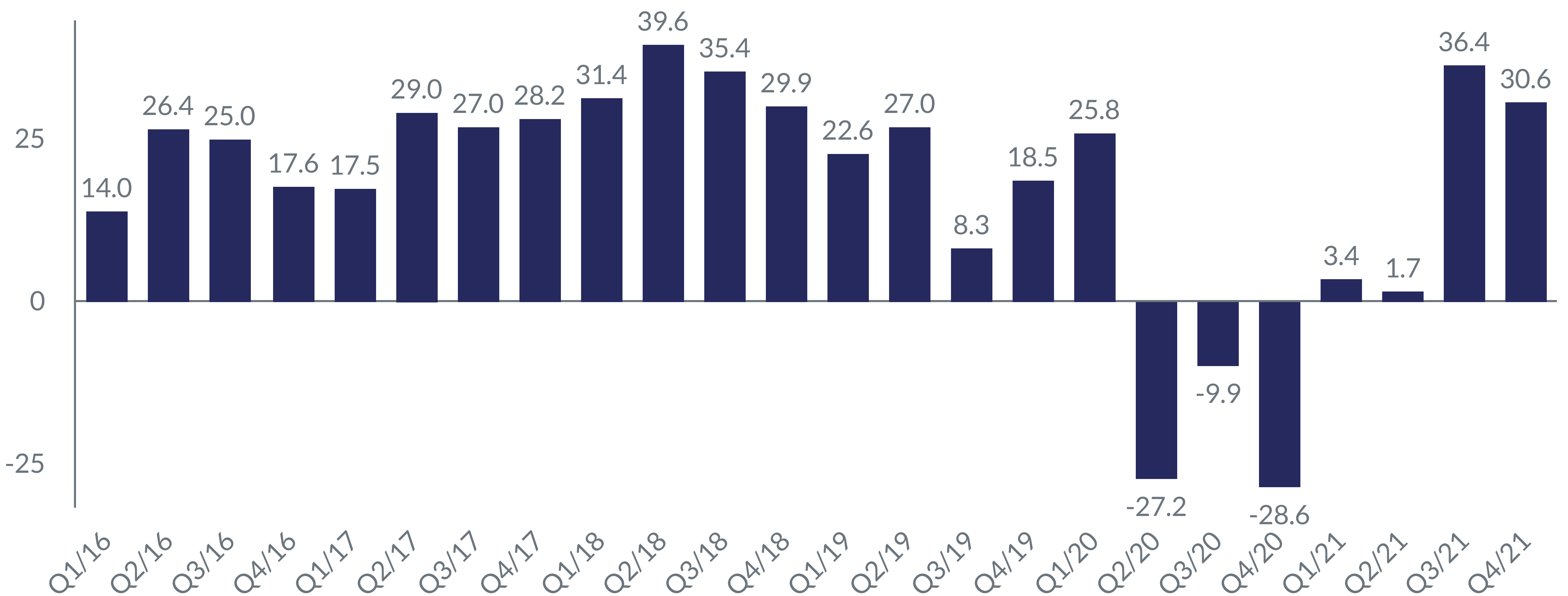
SMEs



132

## SURVEY HIGHLIGHTS

### Business Confidence Index (BCI)



- For the 4th quarter of 2021, business confidence in Georgia decreased slightly (by 5.8 index points) and reached 30.6. The highest decrease in business confidence is observed in construction (-21.0), service (-15.3), and agriculture (-8.8) sectors. Negative change in BCI for Q4 2021 was driven by worsened future expectations and past performance.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, decreased by 17.9 points compared to Q3 2021 and reached 28.7 for Q4 2021, with agriculture (-34.9), and service (-30.2) sectors showing the greatest deterioration.
- Expectations Index, which reflects business optimism, decreased after a sharp increase in Q3 2021, amounting to 32.3 index points. Expectations for Q4 2021 decreased for all sectors, except for retail trade and financial sector.
- The Sales Price Expectations Index increased drastically by 25.7 index points and reached 44.1, indicating an increase in the share of businesses that anticipate charging higher prices on their products. The Sales Price Expectations Index has increased for all sectors.
- Limited access to financing and a lack of demand continues to be one of the key obstacles for both large companies and SMEs. In addition, lack of qualified labour is an important problem for large companies for Q4 2021.

\* The Business Confidence Index is measured on a scale of [-100; 100] points. The size of the index indicates a weighted balance between the respondents giving positive and negative replies. A confidence index of 100 would indicate that all firms in the sample reported a positive outlook. An index of zero would indicate that the weighted balance of positive and negative views reported by firms is about equal or, alternatively, that all firms reported no change in the current business situation (for more details, see the methodological notes).

**ISET**

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**bia**  
Business  
Information  
Agency

**ICC** GEORGIA  
INTERNATIONAL  
CHAMBER OF COMMERCE

**CCI FRANÇAISE**  
EN GEORGIE

**GSMEA**



After significant increase in the previous quarter, BCI has decreased by 5.8, compared to Q3 2021, and reached 30.6 index points for Q4 2021. Expectations in the Georgian private sector have decreased by 12.9 index points, reaching 32.3. As for the business performance over the past three months, it has almost halved, reaching 28.7 points, indicating a downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index has increased significantly, showing growth in the market share of business owners who expect higher sales prices.

Compared to Q3 2021, BCI increased in retail trade (+20.9), manufacturing (+9.8) and financial sectors (+6.7), while it decreased in construction (-21.0), service (-15.3), and agriculture (-8.8) sectors.

### BCI QoQ change by sector

Sectors	Q4/21		Change
<b>Manufacturing</b>	<b>23.5</b>	▲	<b>+9.8</b>
<b>Construction</b>	<b>-6.9</b>	▼	<b>-21.0</b>
<b>Retail Trade</b>	<b>44.9</b>	▲	<b>+20.9</b>
<b>Service</b>	<b>34.4</b>	▼	<b>-15.3</b>
<b>Agriculture</b>	<b>33.4</b>	▼	<b>-8.8</b>
<b>Financial</b>	<b>27.3</b>	▲	<b>+6.7</b>
<b>Other</b>	<b>14.8</b>	▼	<b>-50.0</b>

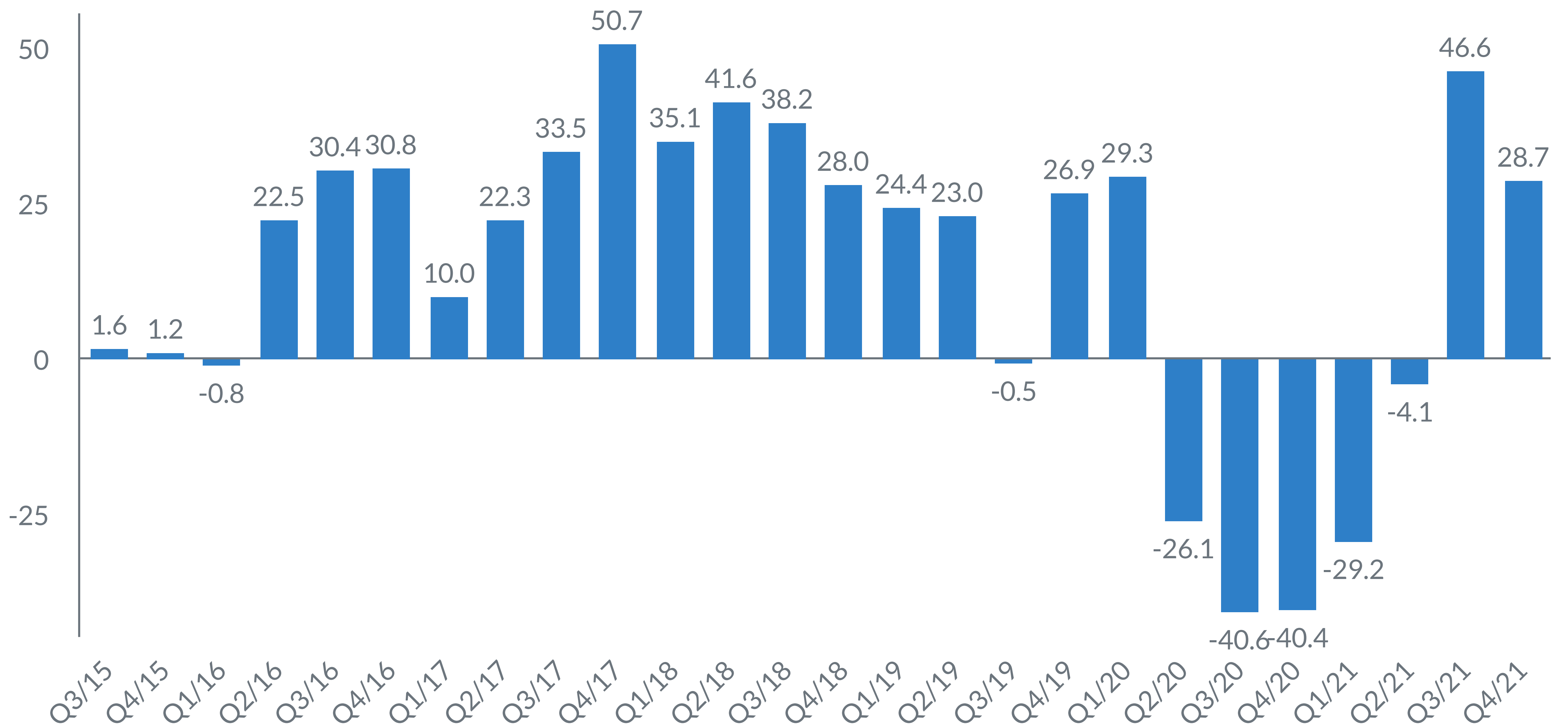


Business confidence for the 4th quarter of 2021 has decreased by 6.9 index points for large companies and by 0.2 for SMEs.

It should be noted that the BCI results presented here may be overestimated, as the survey only covers businesses currently operating and not those that have already exited the market. Firms, which exited the market are, to some extent, more likely to demonstrate a negative outlook.



## Past Performance Index



Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, decreased significantly compared to Q3 of 2021 and reached 28.7 for Q4 2021. It should be noted that until Q3 2021, the Past Performance Index remained negative for 5 consecutive quarters. The biggest deterioration for Q4 2021 was observed in agriculture (-34.9) sector, followed by the service (-30.2), manufacturing (-20.0), and financial (-3.7) sectors.

### Past 3 Months QoQ change by sector

Sectors	Q4/21	Change
<b>Manufacturing</b>	<b>22.2</b>	<b>▼ -20.0</b>
<b>Construction</b>	<b>-3.9</b>	<b>▲ +0.5</b>
<b>Retail Trade</b>	<b>42.7</b>	<b>▲ +18.8</b>
<b>Service</b>	<b>38.9</b>	<b>▼ -30.2</b>
<b>Agriculture</b>	<b>10.9</b>	<b>▼ -34.9</b>
<b>Financial</b>	<b>6.3</b>	<b>▼ -3.7</b>
<b>Other</b>	<b>-1.8</b>	<b>▼ -77.8</b>

#### SME



**Q4/21** **Change**  
**-6.1** ▼ **-3.5**

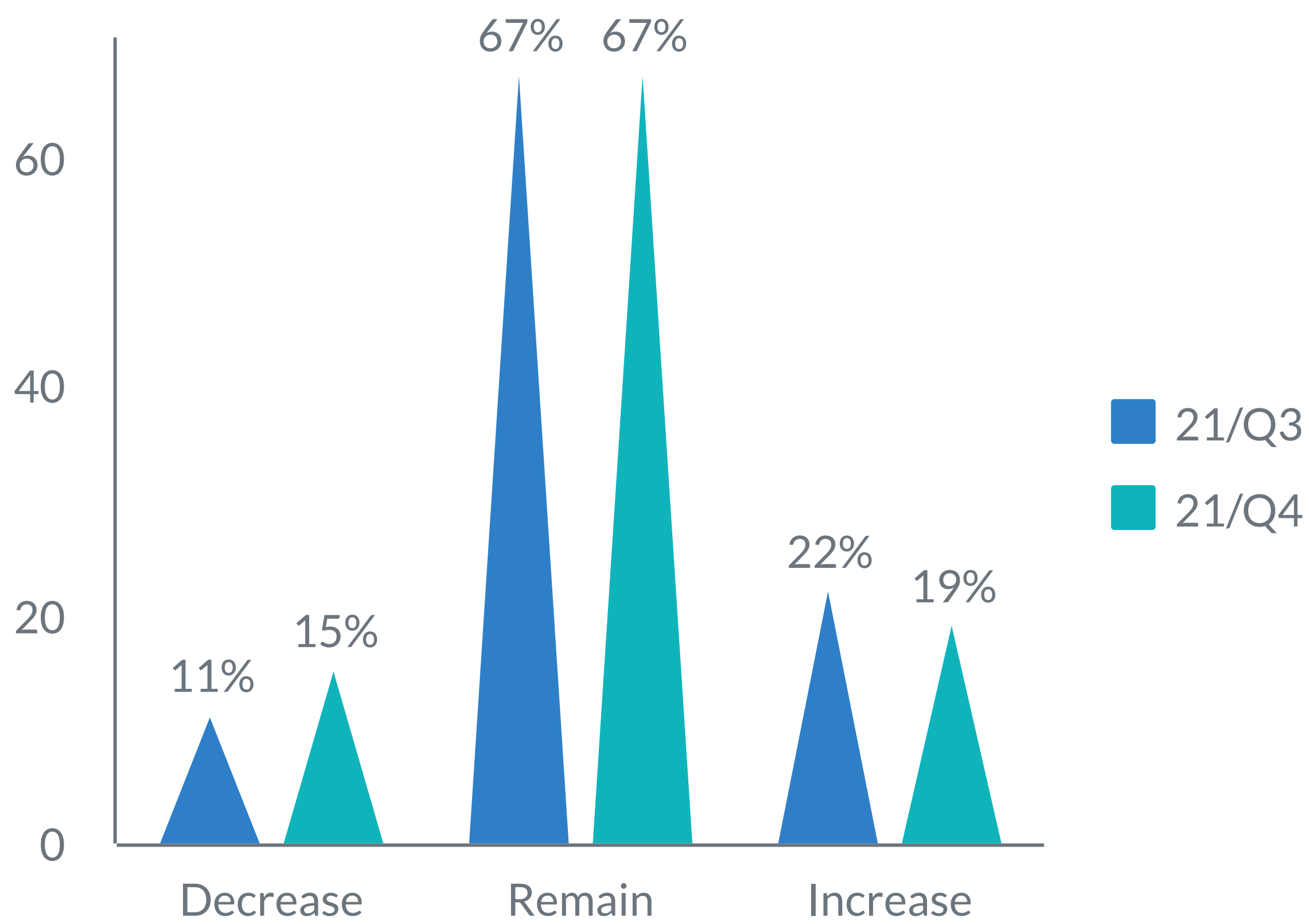
#### Large



**Q4/21** **Change**  
**35.9** ▼ **-20.4**

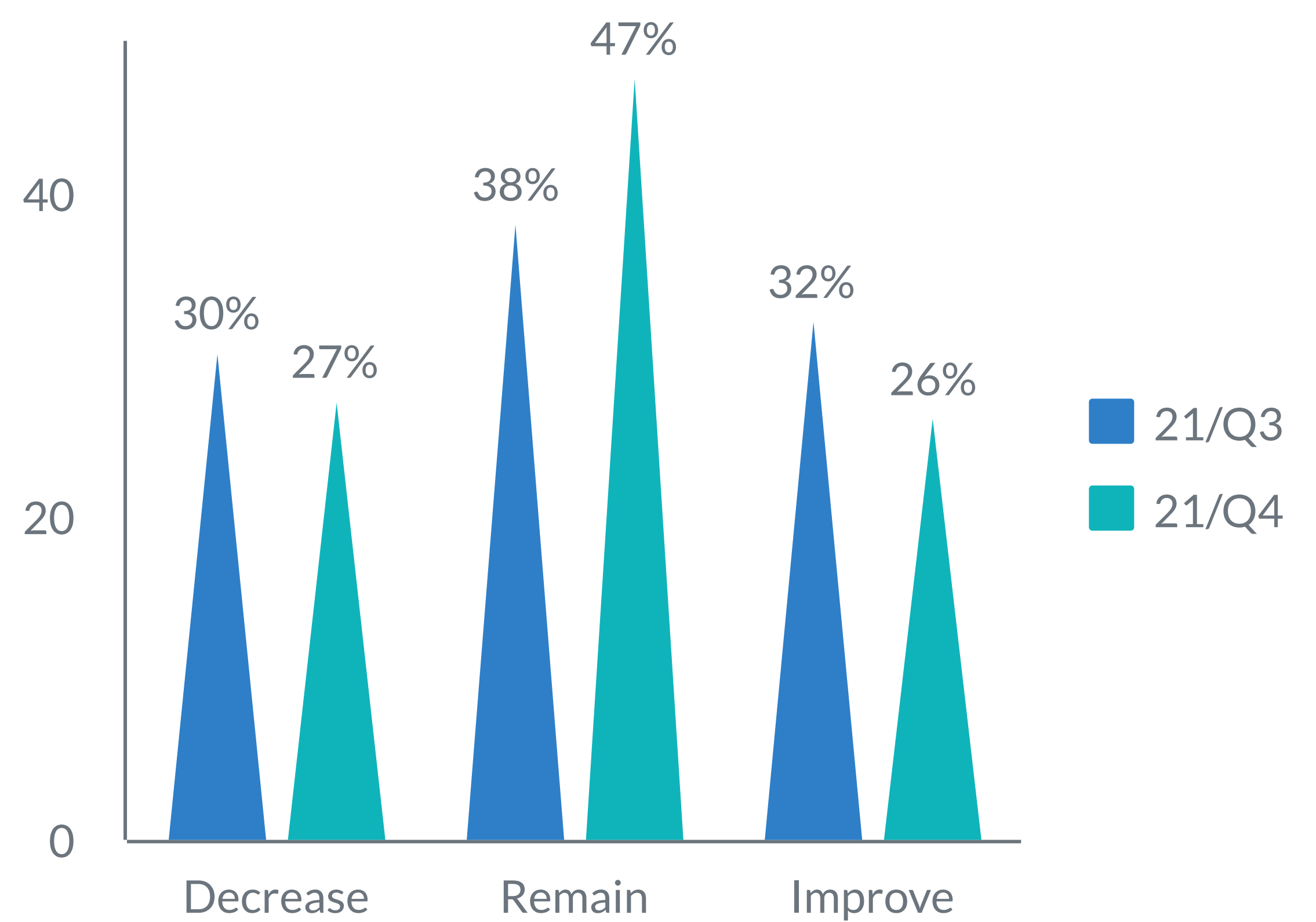
Business activities in past 3 months have deteriorated for both, large businesses and SMEs. For large firms, the index decreased by 20.4 points and reached 35.9. For SMEs, the same indicator decreased by 3.5 and settled at -6.1 index points.

## How has your firm's total employment changed over the past 3 months?



For Q4 2021, 15% of surveyed firms stated that employment had decreased over the past three months; 19% reported an increase, and 67% no changes in employment.

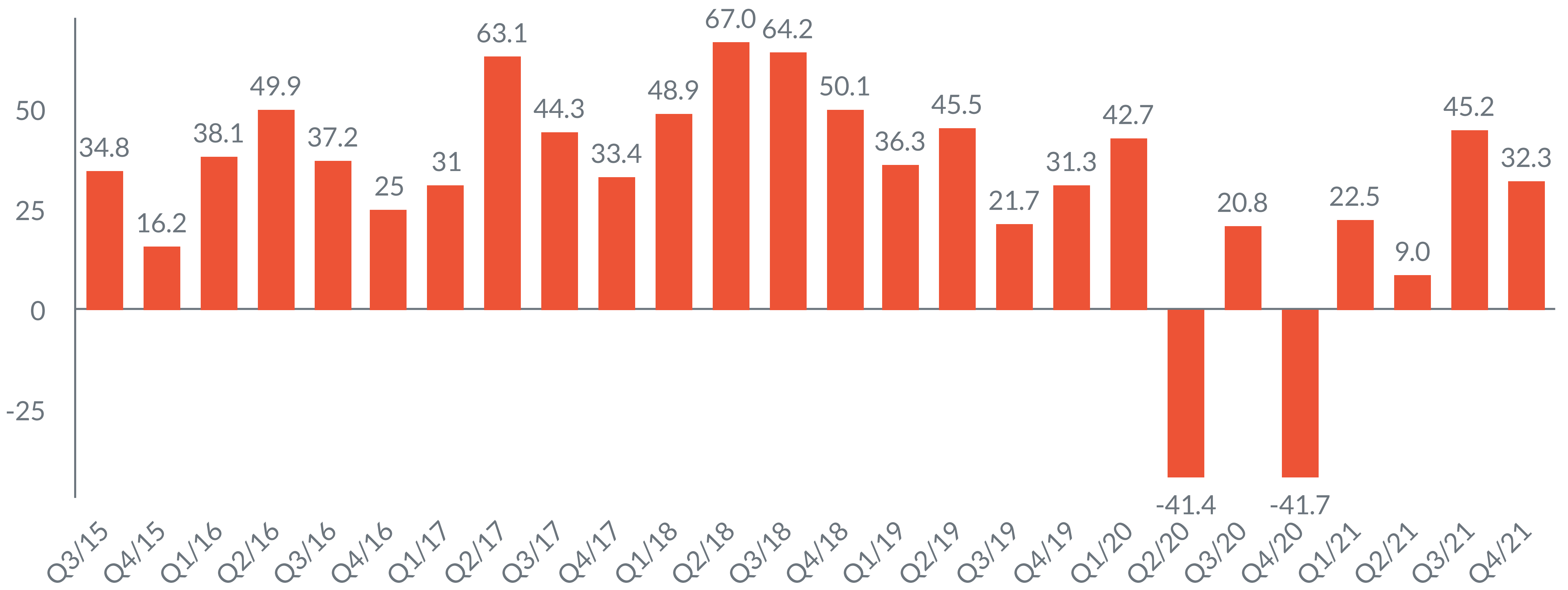
## How has your business activity developed over the past 3 months?



Compared to the previous quarter, a smaller share of firms (26%) claimed that their business activity improved over the past three months; 47% of firms stated that their business activities remained unchanged and 27% reported a deterioration.



# Expectations Index



## Expectations QoQ change by sector

The Expectations Index decreased by 12.9 index points for Q4 2021 and settled at 32.3. Prospects for the next three months have worsened for all sectors except for the financial (+27.5) and retail trade (+14.4) sectors. The highest decrease is observed in construction (-57.4), and agriculture (-42.5) sectors.

Sectors	Q4/21	Change
<b>Manufacturing</b>	<b>45.4</b>	<b>-2.2</b>
<b>Construction</b>	<b>-27.2</b>	<b>-57.4</b>
<b>Retail Trade</b>	<b>53.4</b>	<b>+14.4</b>
<b>Service</b>	<b>36.6</b>	<b>-16.6</b>
<b>Agriculture</b>	<b>17.2</b>	<b>-42.5</b>
<b>Financial</b>	<b>27.5</b>	<b>+27.5</b>
<b>Other</b>	<b>0.0</b>	<b>-88.9</b>

### SME



**Q4/21**

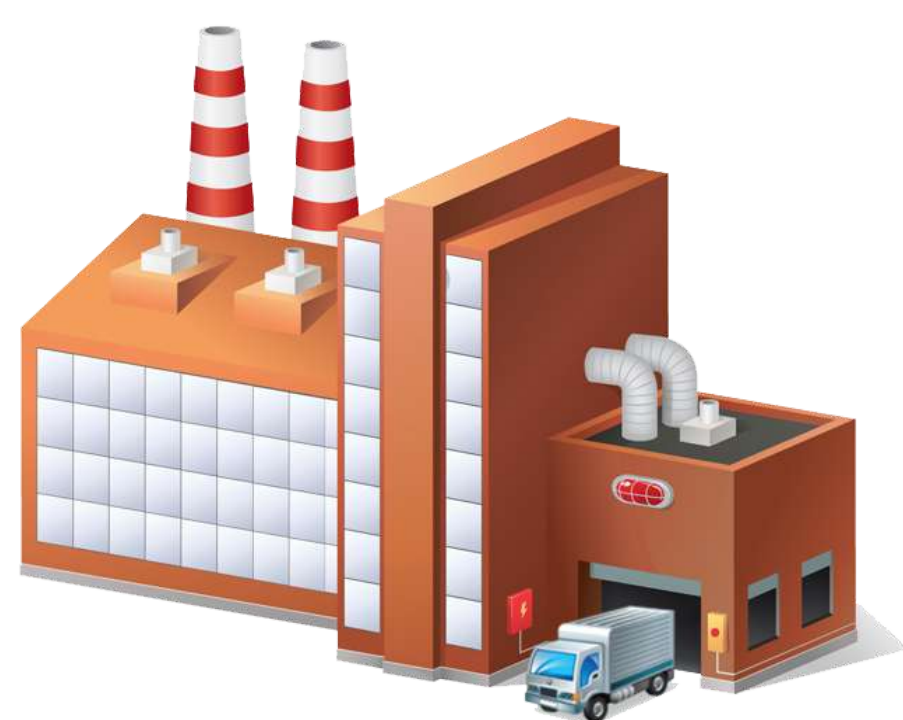
**21.4**



**Change**

**+4.6**

### Large



**Q4/21**

**34.8**

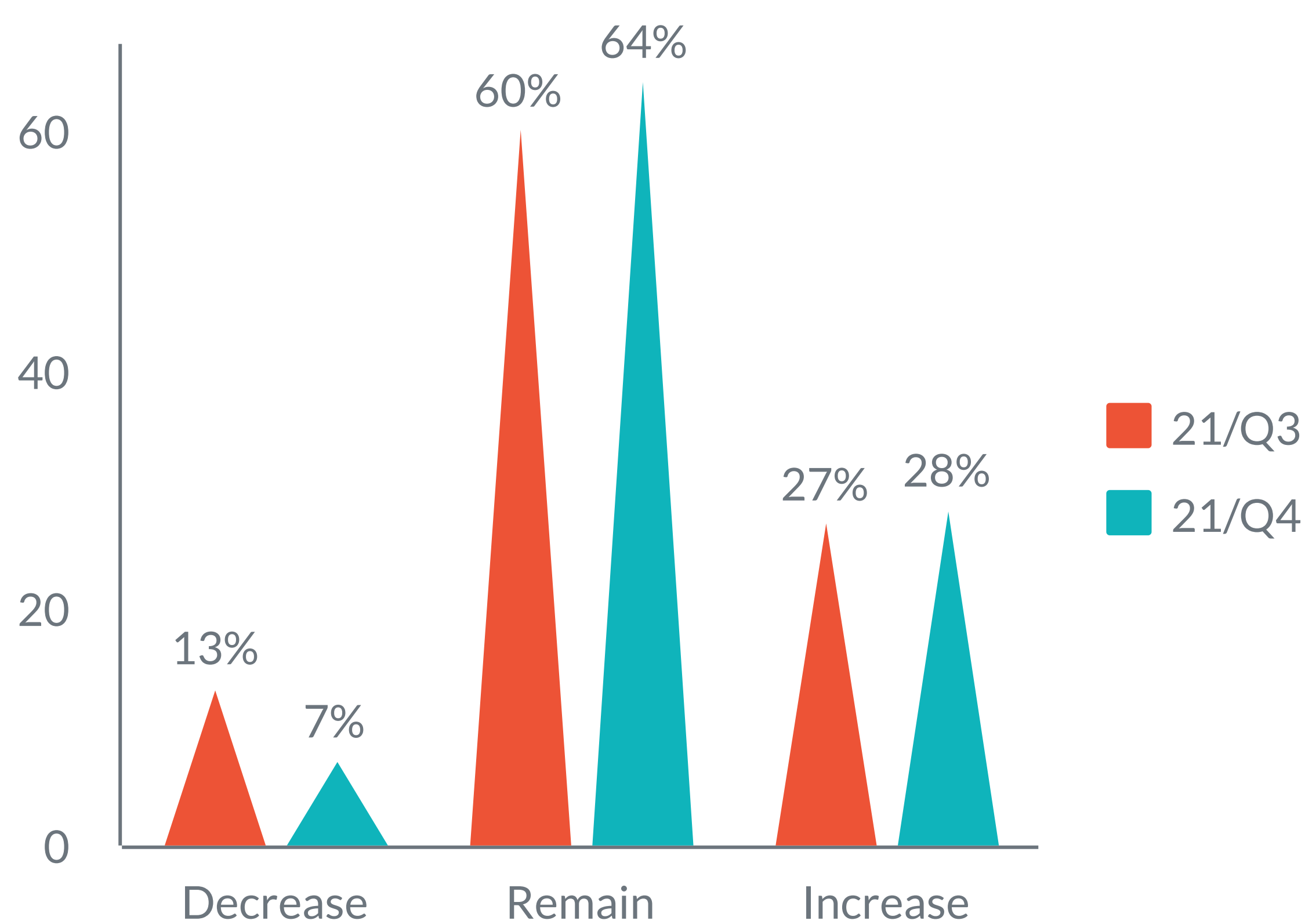


**Change**

**-16.3**

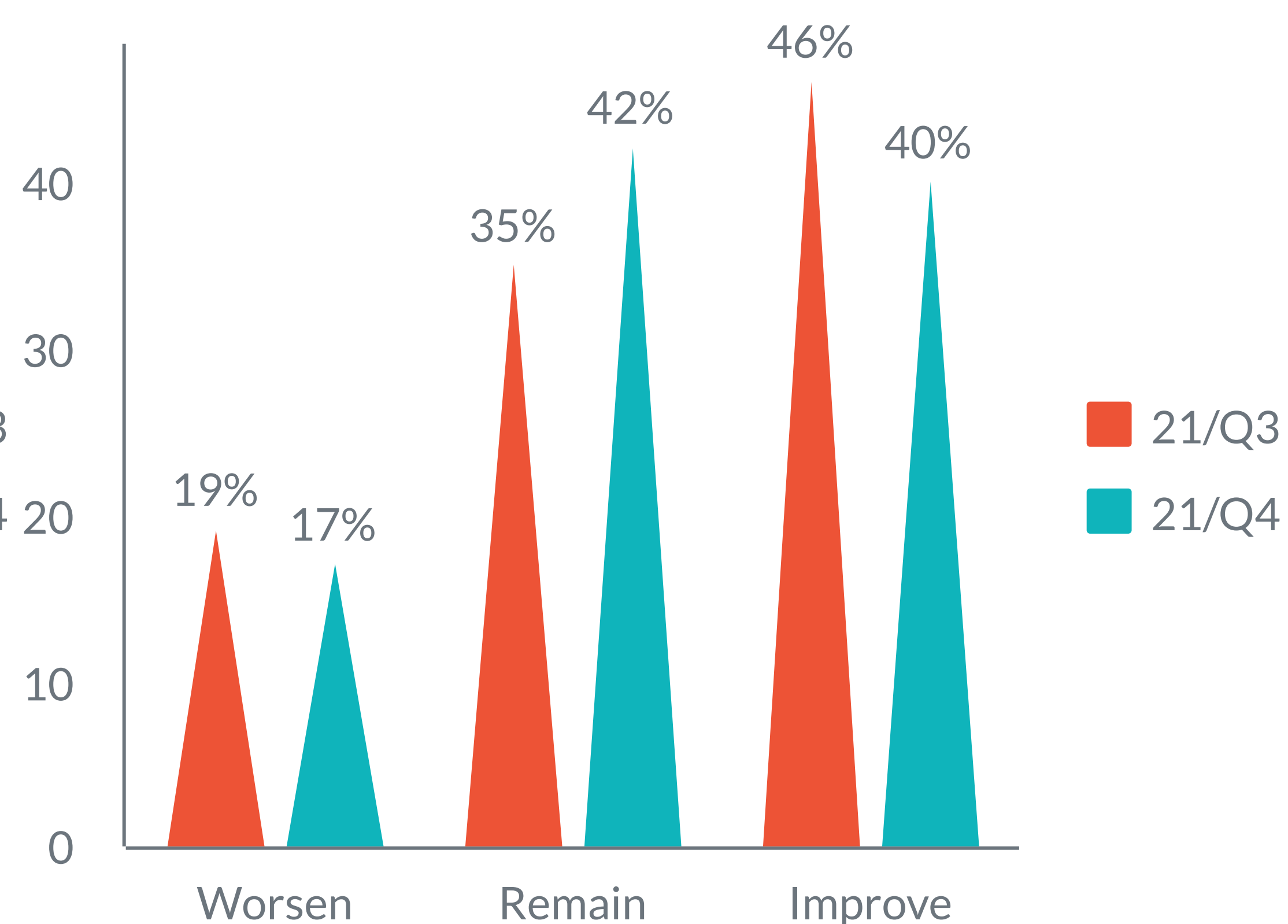
Business expectations have deteriorated for large firms (-16.3) and improved for SMEs (+4.6).

## How do you expect your firm's total employment to change over the next 3 months?



64% of the surveyed businesses do not expect any changes in employment over the next three months, 7% of firms stated that they would hire fewer employees in the future, and 28% think that they would hire more.

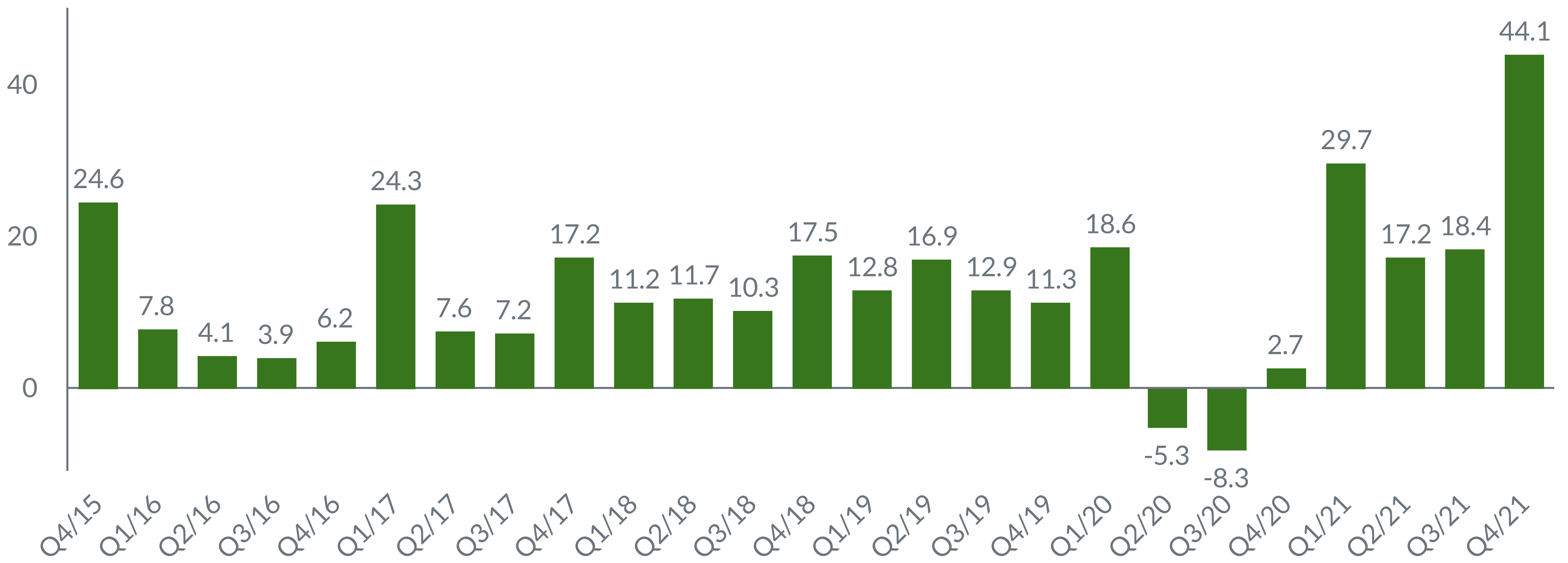
## How do you expect your business condition to change over the next 3 months?



40% of the firms surveyed expect the economic condition of their businesses to improve over the next three months. 42% do not predict any changes, and 17% of businesses believe their business conditions will worsen.



# Sales Price Expectations Index

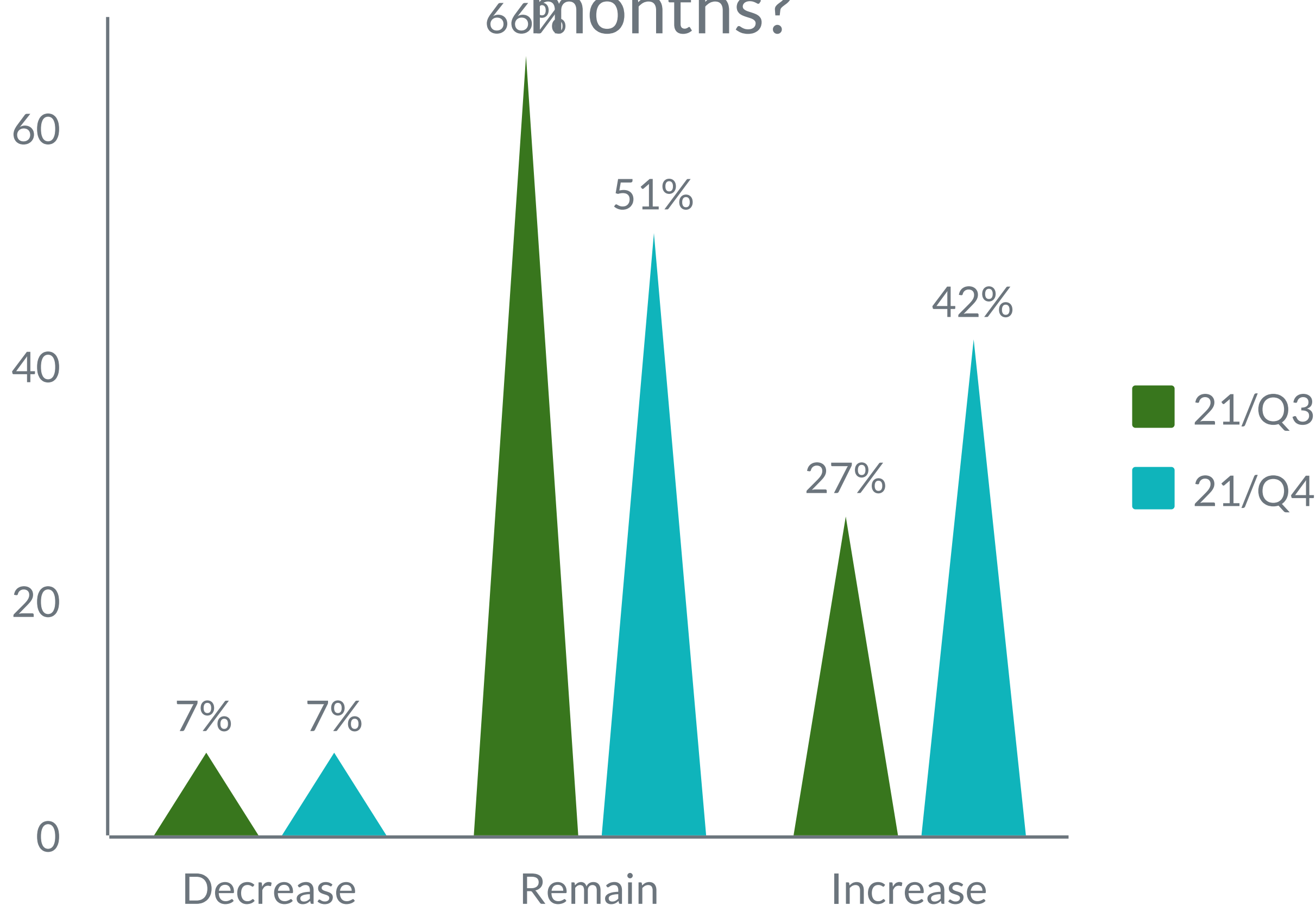


## Sales price QoQ change by sector

Sectors	Q4/21	Change
<b>Manufacturing</b>	<b>68.3</b>	<b>+16.1</b>
<b>Construction</b>	<b>64.4</b>	<b>+32.7</b>
<b>Retail Trade</b>	<b>67.6</b>	<b>+56.0</b>
<b>Service</b>	<b>30.3</b>	<b>+17.1</b>
<b>Agriculture</b>	<b>64.0</b>	<b>+27.2</b>
<b>Other</b>	<b>81.5</b>	<b>+79.7</b>

The Sales Price Expectations Index increased significantly from 18.4 points (in Q3 2021) to 44.1 points for Q4 2021. The index increased for all sectors, with biggest change in retail trade (+56.0) and construction (+32.7) sectors. The overall Sales Price Expectations Index has increased for both large companies and SMEs.

How do you expect the prices you charge to change over the next 3 months?



**SME**

**Q4/21**  
**23.1**

**Change**  
**+5.2**

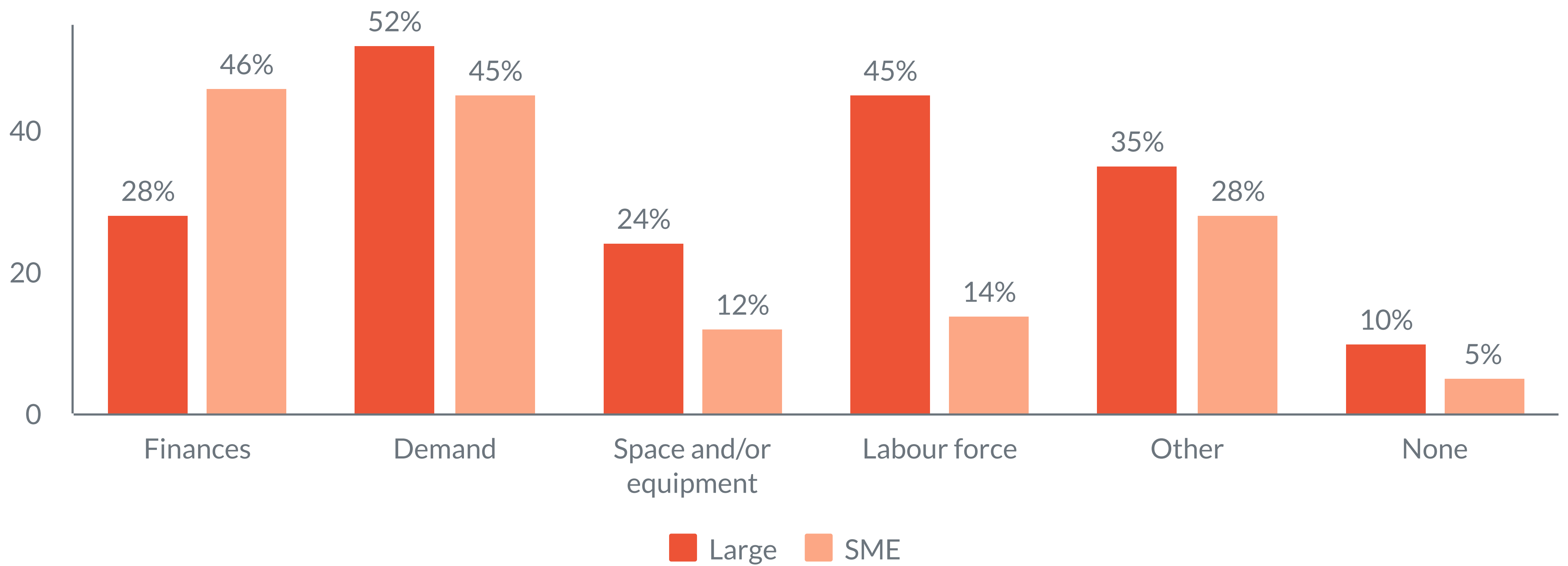
**Large**

**Q4/21**  
**48.3**

**Change**  
**+30.1**

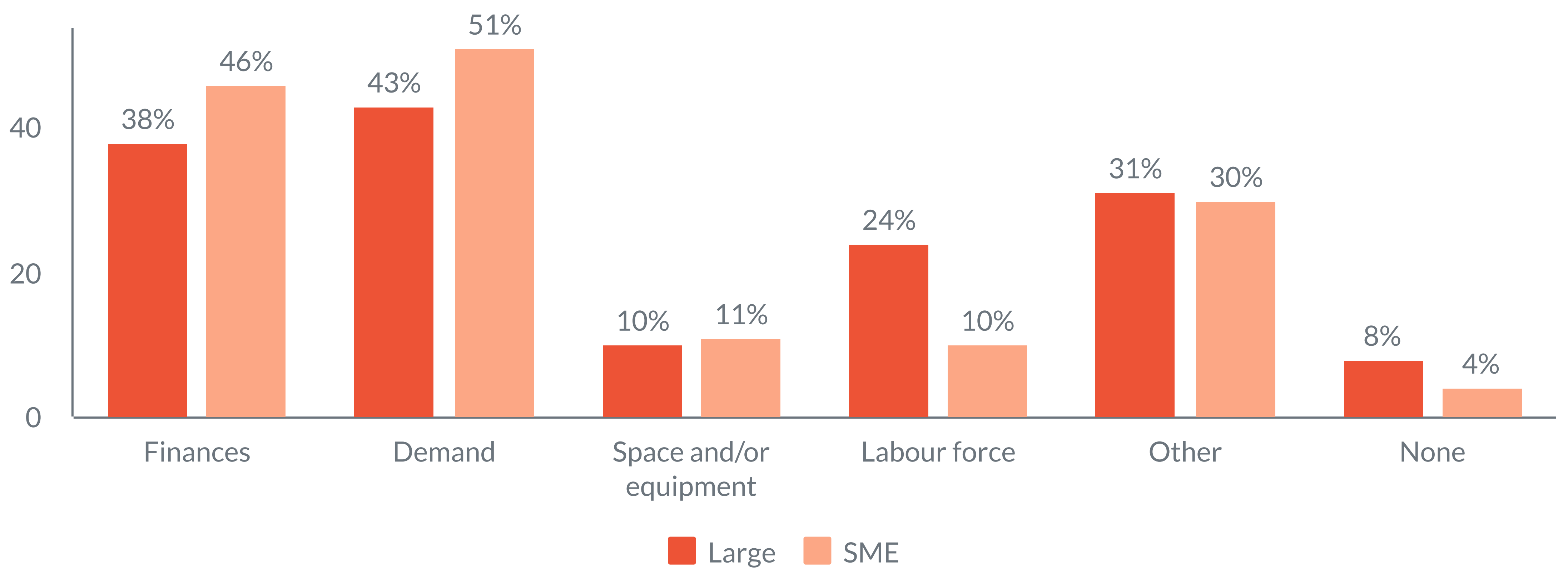
Around 42% of all firms surveyed intend to increase their prices over the next three months. 7% of firms expect to decrease prices, and the remaining 51% will not change their prices in the near future.

## WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q4, 2021



For Q4 2021, limited access to financing and a lack of demand continue to be most significant obstacles for SMEs. Meanwhile, together with the lack of demand, shortage of qualified labour force is indicated as a major constraint by large companies.

## WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q4 2020-Q3 2021 (average)





## Methodology

The ISET Policy Institute, working in partnership with the BIA (Business Information Agency) and the International Chamber of Commerce in Georgia (ICC), implemented the Business Confidence Survey beginning in December 2013 and publishes the Business Confidence Index (BCI) on a quarterly basis. Business confidence for Georgia is measured by seven sector-specific indices focusing on 1) services, 2) retail trade, 3) agriculture, 4) manufacturing industry, 5) financial services 6) construction and 7) other sectors. For each sector, confidence is measured through a simple survey instrument targeted at top business executives.

Answers obtained from the surveys are aggregated in the form of “balances.” Balances are constructed as the difference between the percentage of respondents giving positive and negative replies.

Using this method, a confidence index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all survey respondents were much less confident about future prospects.

**Variable**                      **Value**

Variable	Value
Positive	+1
Neutral	0
Negative	-1

The methodology for compiling the indices is based on the Joint Harmonised EU Programme of Business and Consumer Surveys.

## DEFINITIONS

- The Business Confidence Index is calculated as a weighted average of the balances deduced from all answers about production/sales/turnover, competition, order books, volume of stock, demand evaluation, operation costs, profit, employment, and sales price setting.

- The Expectations Index is calculated based on two questions: production/sales/turnover for the next three months, and employment plans for the next three months.

- A large\*\*\* firm is one with a yearly average of over 100 people employed, or a yearly average turnover exceeding 1.5 million GEL.

- Small firms are those with an average of fewer than 20 people employed for over a year and an annual average turnover of less than 0.5 million GEL.

- Medium firms are those that are neither large nor small.

For the BCI Methodology, click [here](#)

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\*\*\* The size of the company is defined according to the Main Indicators' Calculation Methodology of Business Statistics ([http://geostat.ge/cms/site\\_images/\\_files/georgian/methodology/business/BS\\_metodologia.pdf](http://geostat.ge/cms/site_images/_files/georgian/methodology/business/BS_metodologia.pdf)).

# Distribution of Participating Firms by Sector and Size

Table 1 - Distribution of firms participating in the BCI survey

Sectors - Number of firms	21/Q3	21/Q3	21/Q4	21/Q4
Manufacturing	8	6%	16	9%
Construction	19	15%	18	11%
Retail Trade	29	23%	39	23%
Service	41	32%	53	31%
Agriculture	12	9%	14	8%
Financial	7	5%	16	9%
Other	12	9%	13	8%
Source: BCI Survey Data	<b>128</b>	<b>% share</b>	<b>169</b>	<b>% share</b>

Table 2 - Distribution of industries by turnover

Sectors	% in total turnover
Manufacturing	10%
Construction	8%
Retail Trade	17%
Service	47%
Agriculture	7%
Financial	9%
Other	3%
Source: GeoStat	

Sectors - Number of firms by size	21/Q4	
	Large	SME
Manufacturing	4	12
Construction	3	15
Retail Trade	7	32
Service	9	44
Agriculture	4	10
Financial	8	8
Other	2	11
Source: BCI Survey Data	<b>37</b>	<b>132</b>

Maximum number of firms participating in the survey

**2016 Q2**

Large	SME
104	266

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Business Confidence Index

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