

BUSINESS CONFIDENCE INDEX

13.3

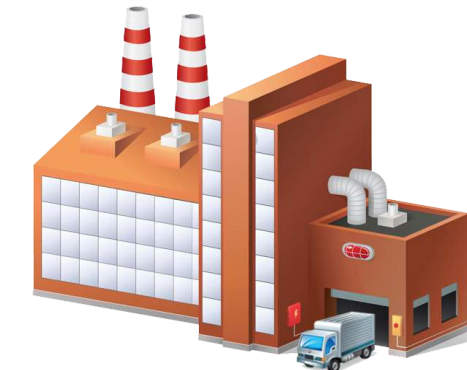
DECREASE

Will the decreasing trend continue?

Q1 2022

Participating Companies

Large



26

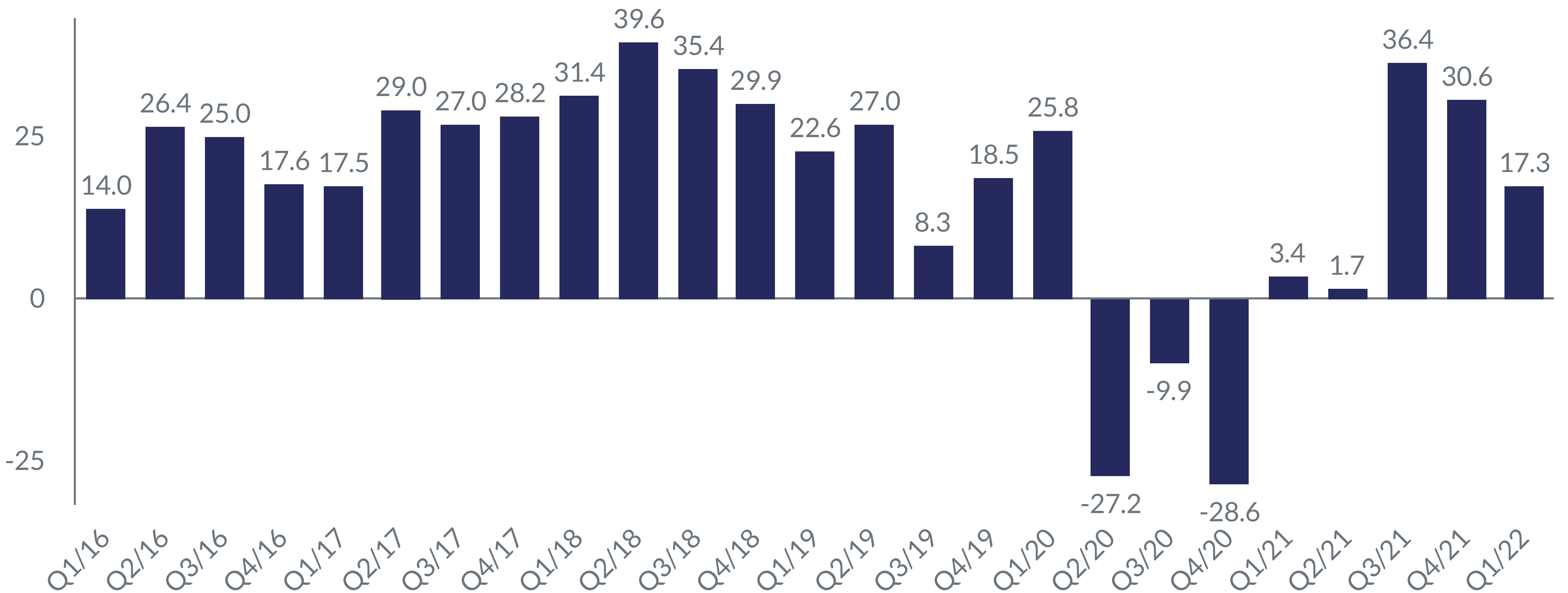
SMEs



156

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the first quarter of 2022, business confidence in Georgia decreased (by 13.3 index points) and reached 17.3. The highest decrease in business confidence is observed in service (-25.8), manufacturing (-20.8), and wholesale and retail trade (-16.1) 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 15.6 points compared to Q4 2021 and reached 13.1 for Q1 2022, with service (-46.7), and manufacturing (-41.6) sectors showing the greatest deterioration.

- Expectations Index, which reflects business optimism, decreased further, amounting to 23.3 index points. Expectations for Q1 2022 decreased for all sectors, except for the construction and agriculture sectors.

- The Sales Price Expectations Index decreased by 13.4 index points and reached 30.7, indicating a decrease in the share of businesses that anticipate charging higher prices on their products over the next three months. The Sales Price Expectations Index has decreased for all sectors except for the service sector.

- Limited access to financing and a lack of demand continue to be the most significant obstacles for SMEs. Meanwhile, limited access to financing and shortage of qualified labour force is indicated as one of the major constraints by large companies.

* 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).

After a slight decrease in the previous quarter, BCI has decreased further by 13.3, compared to Q4 2021, and reached 17.3 index points for Q1 2022. Expectations in the Georgian private sector have decreased by 9.0 index points, reaching 23.3. As for the business performance over the past three months, it decreased significantly, reaching 13.1 points, indicating a downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index has decreased, showing a decline in the market share of business owners who expect higher sales prices over the next three months.

BCI QoQ change by sector

Compared to Q4 2021, BCI increased in construction (+27.3), while it decreased in manufacturing (-20.8), retail and wholesale trade (-16.1), service (-25.8), agriculture (-3.9) and financial sectors (-8.9).

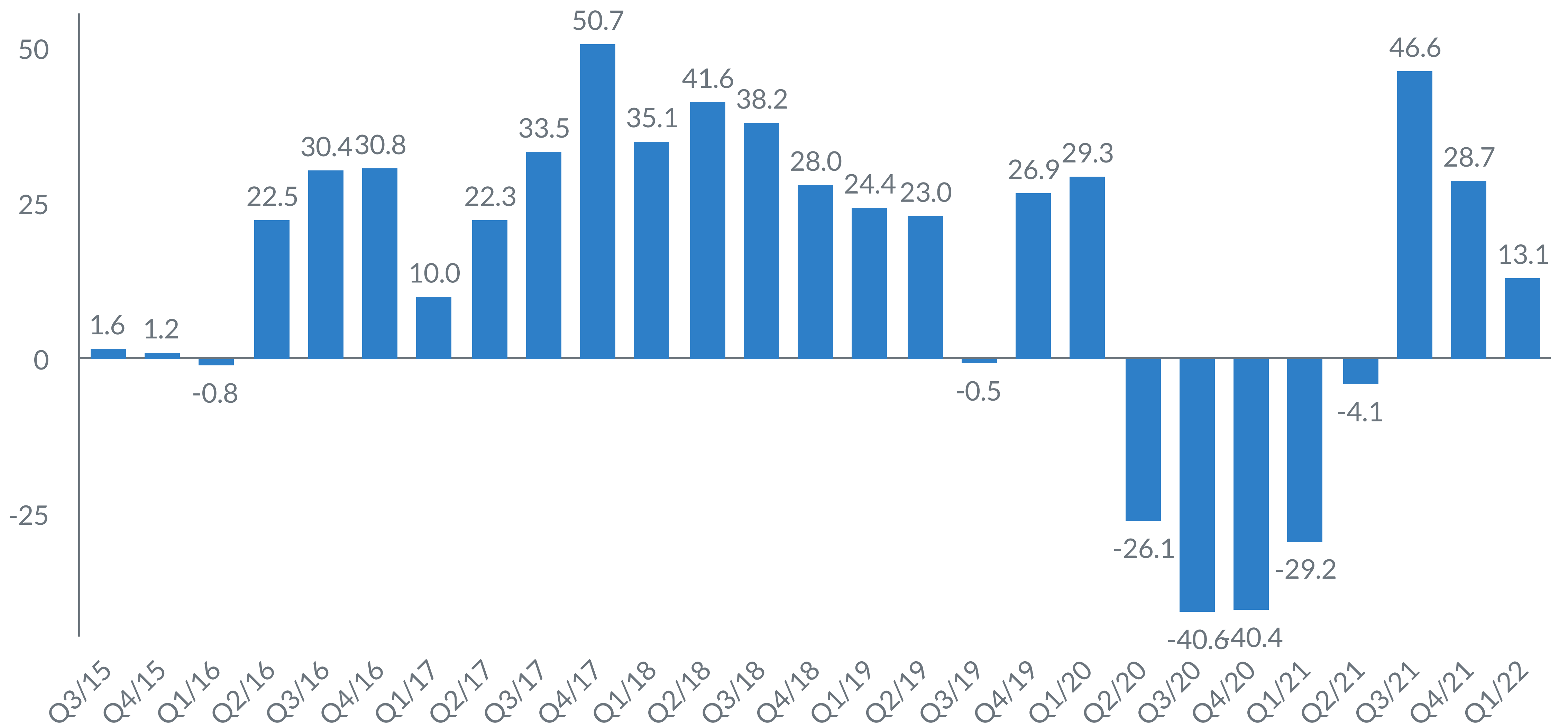
Sectors	Q1/22		Change
Manufacturing	2.6	▼	-20.8
Construction	20.5	▲	+27.3
Trade	28.8	▼	-16.1
Service	8.5	▼	-25.8
Agriculture	29.5	▼	-3.9
Financial	18.4	▼	-8.9



Business confidence for the 1st quarter of 2022 has decreased by 19 index points for large companies and increased by 7.1 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



Past 3 Months QoQ change by sector

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, decreased significantly compared to Q4 of 2021 and reached 13.1 for Q1 2022. The biggest deterioration for Q1 2022 was observed in the service sector (-46.7), followed by the manufacturing (-41.6), trade (-11.2), and agriculture (-5.7) sectors. Past Performance Index increased for construction (+52.5) and financial (+18.2) sectors.

Sectors	Q1/22	Change
Manufacturing	-19.4	-41.6
Construction	48.7	+52.5
Trade	31.5	-11.2
Service	-7.9	-46.7
Agriculture	5.3	-5.7
Financial	24.2	+18.2

SME



Q1/22 **Change**
-2.6 ▲ **+3.5**

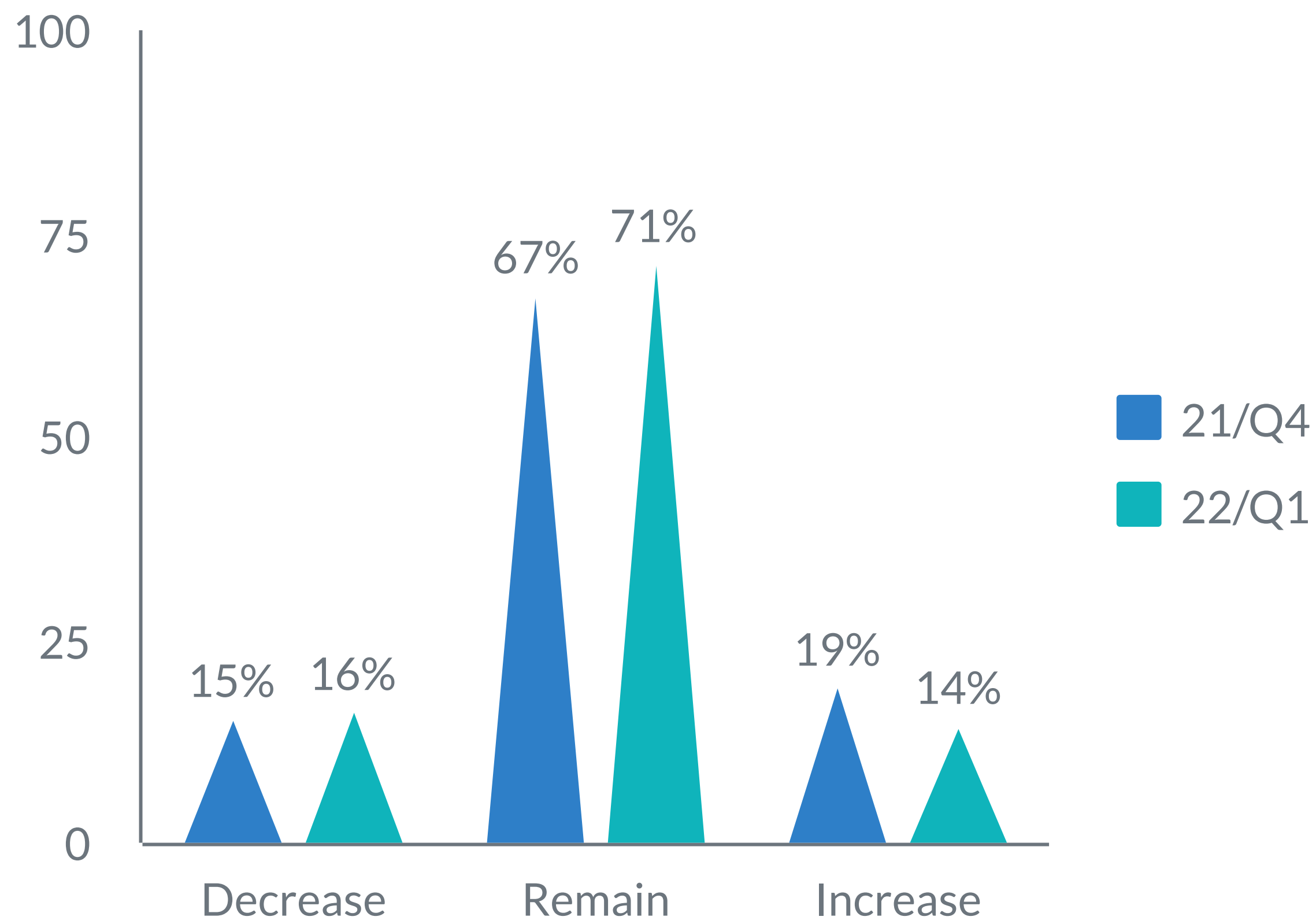
Large



Q1/22 **Change**
21.8 ▼ **-14.1**

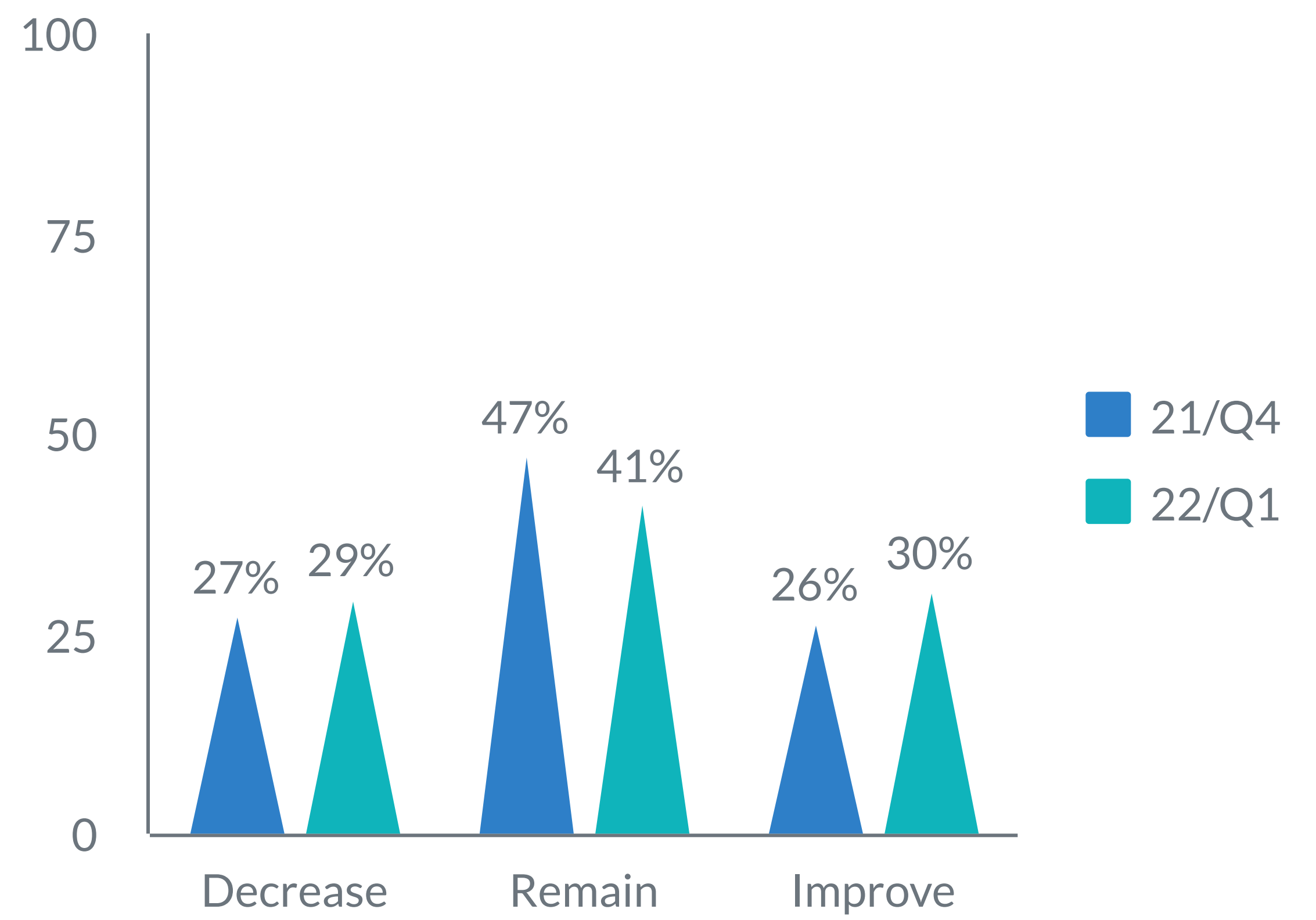
Business activities in the past 3 months have deteriorated for large businesses and improved for SMEs. For large firms, the index decreased by 14.1 points and settled at 21.8. For SMEs, the same indicator increased by 3.5 and reached -2.6 index points.

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



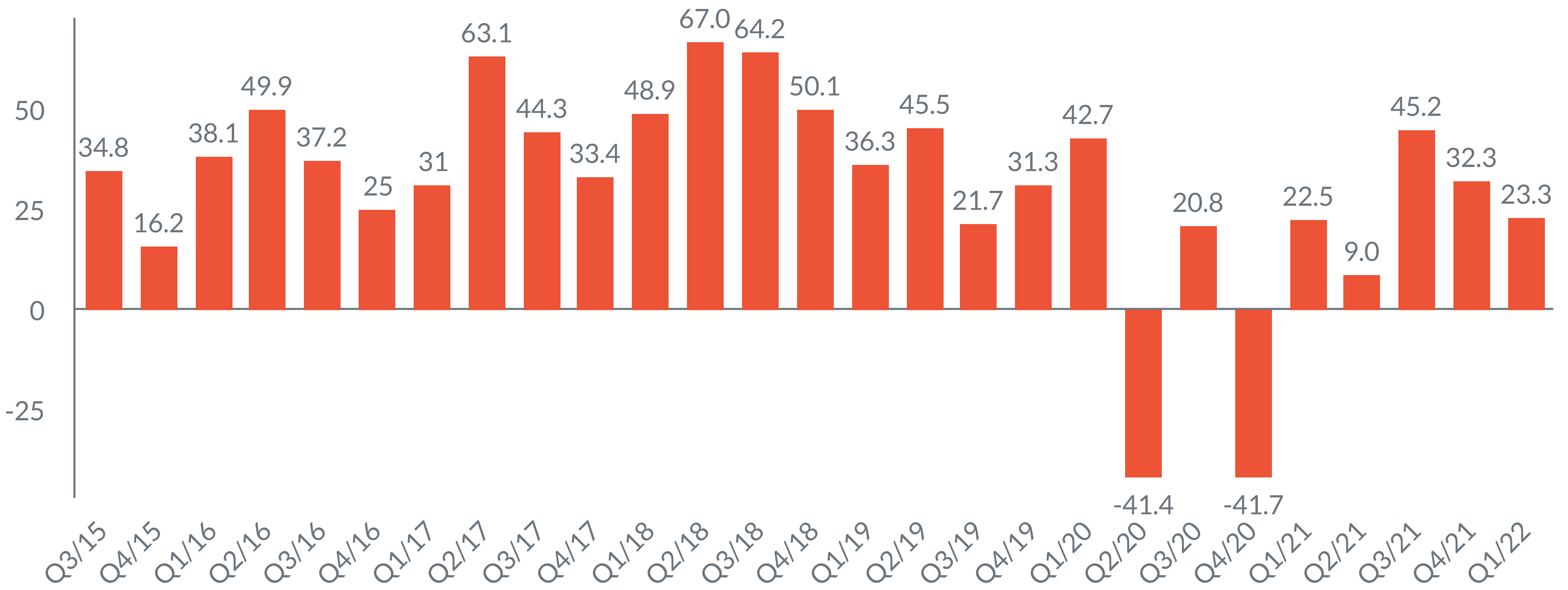
For Q1 2022, 16% of surveyed firms stated that employment had decreased over the past three months; 14% reported an increase, and 61% reported no changes in employment.

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



Compared to the previous quarter, a slightly larger share of firms (30%) claimed that their business activity improved over the past three months; 41% of firms stated that their business activities remained unchanged and 29% reported a deterioration.

Expectations Index



Expectations QoQ change by sector

The Expectations Index decreased by 9.0 index points for Q1 2022 and settled at 23.3. Prospects for the next three months have worsened for all sectors except for the construction (+60.5) and agriculture (+24.9) sectors. The highest decrease is observed in the financial (-45.3), and manufacturing (-35.7) sectors.

Sectors	Q1/22	Change
Manufacturing	9.9	-35.7
Construction	33.3	+60.5
Trade	33.8	-19.6
Service	17.7	-18.9
Agriculture	42.1	+24.9
Financial	-17.8	-45.3

SME



Q1/22

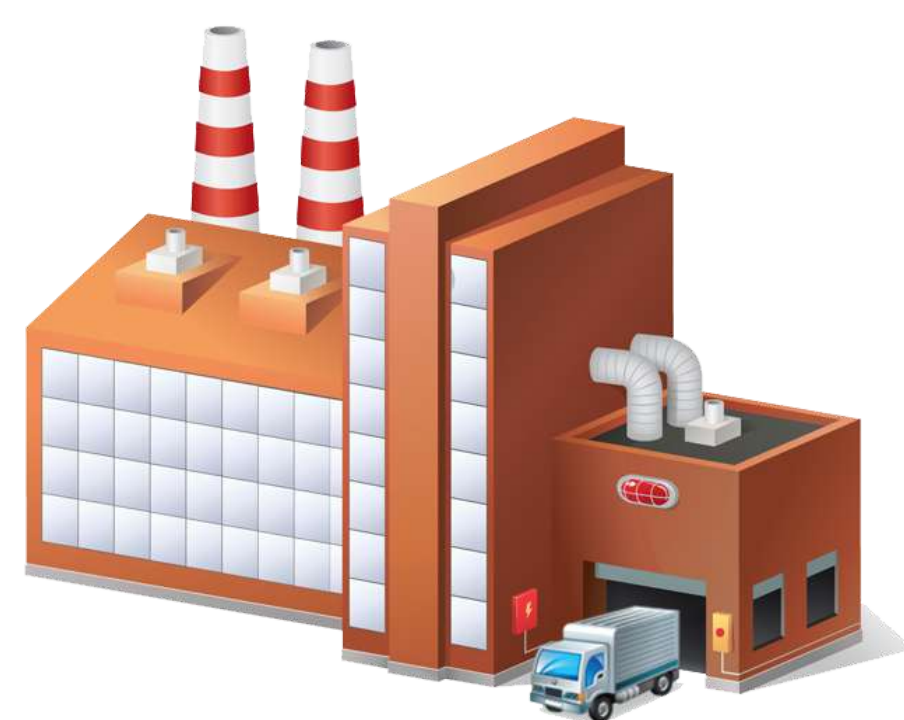
31.3



Change

+9.9

Large



Q1/22

16.9

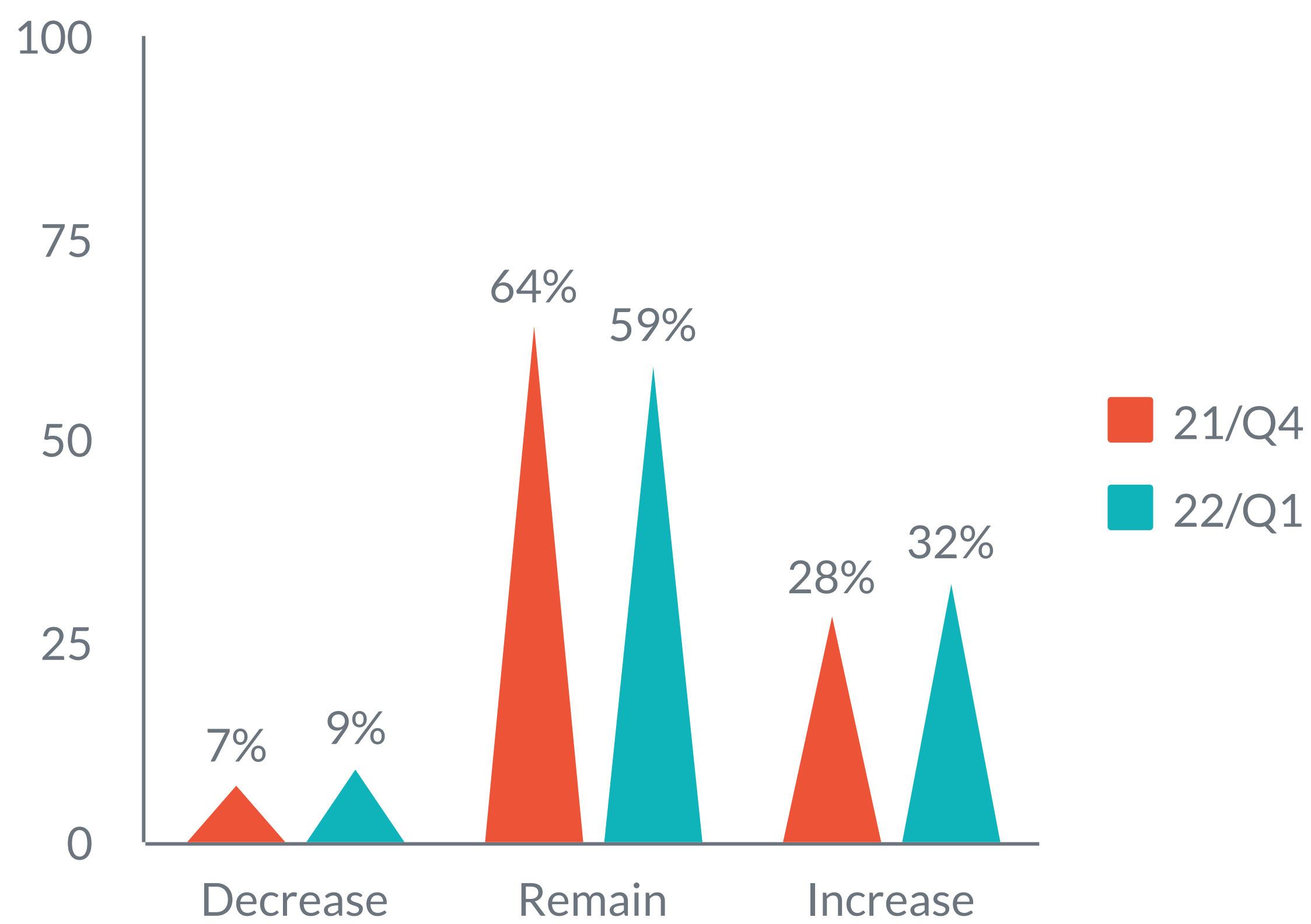


Change

-17.9

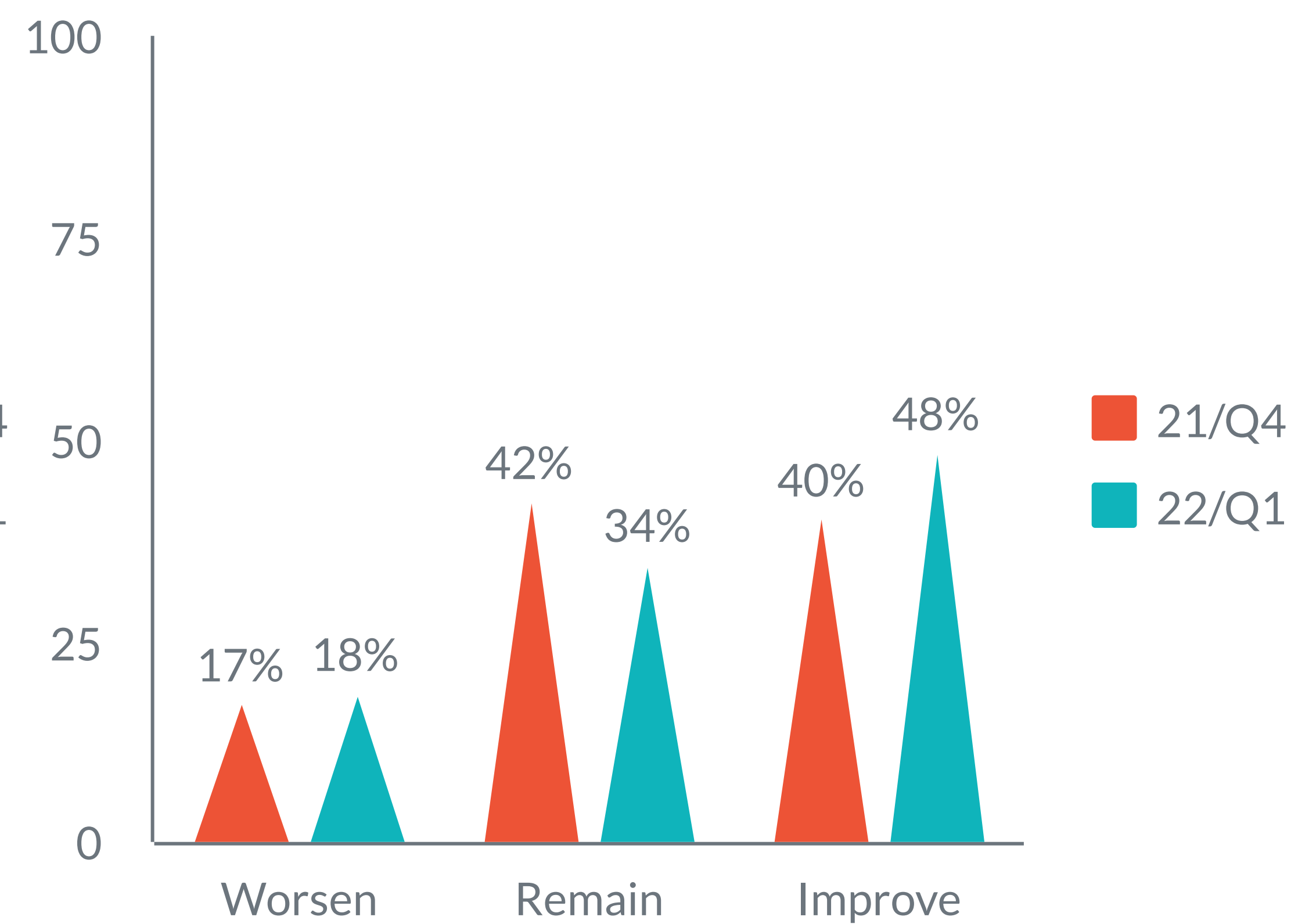
Business expectations have deteriorated for large firms (-17.9) and improved for SMEs (+9.9).

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



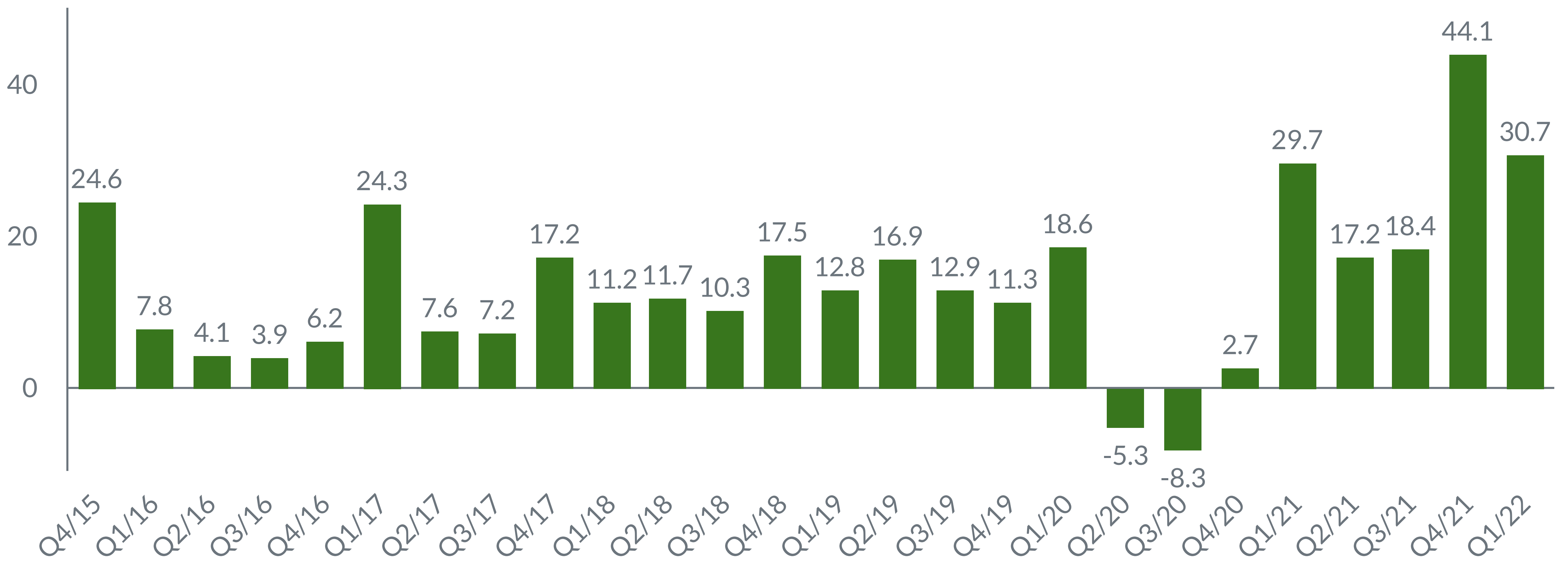
59% of the surveyed businesses do not expect any changes in employment over the next three months, 9% of firms stated that they would hire fewer employees in the future, and 32% think that they would hire more.

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



48% of the firms surveyed expect the economic condition of their businesses to improve over the next three months. 34% do not predict any changes, and 18% of businesses believe their business conditions will worsen.

Sales Price Expectations Index

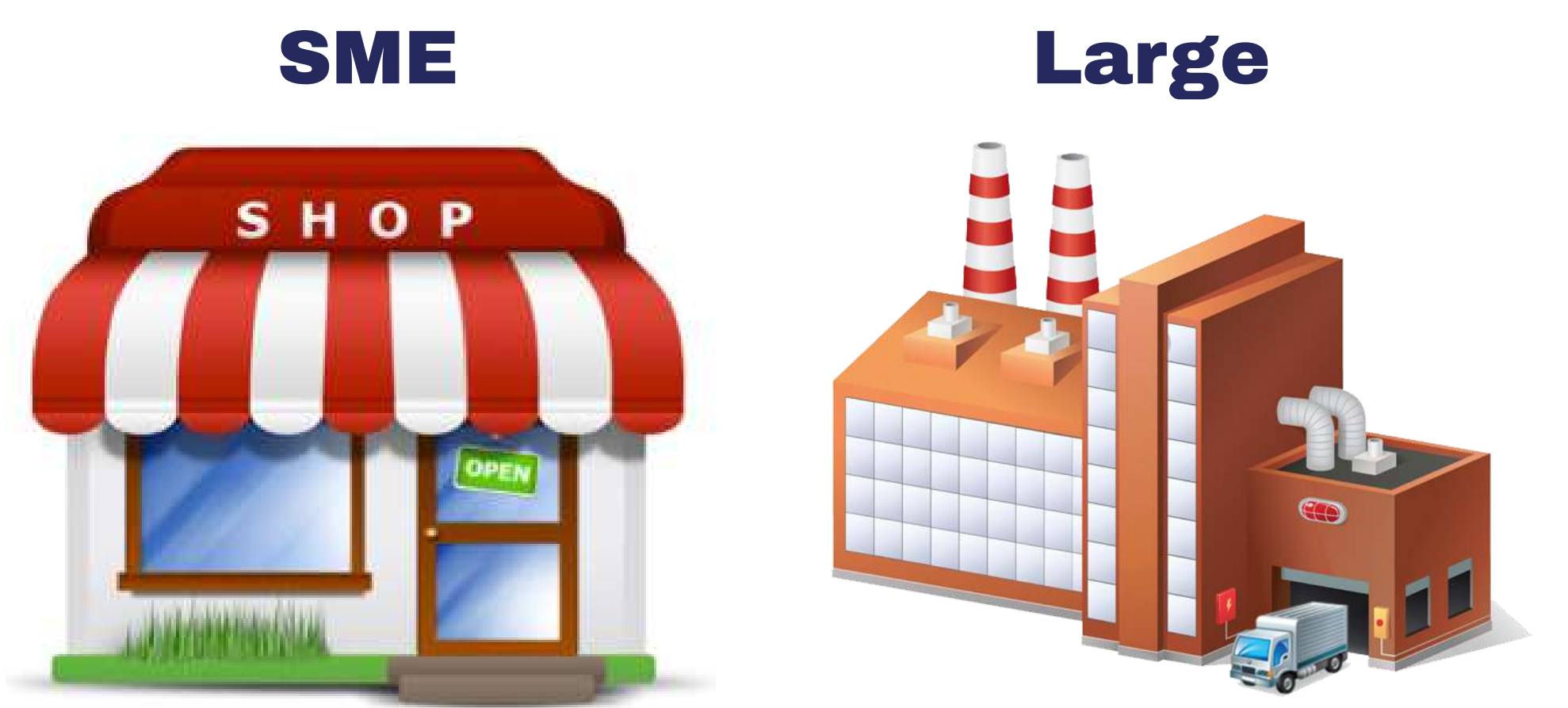
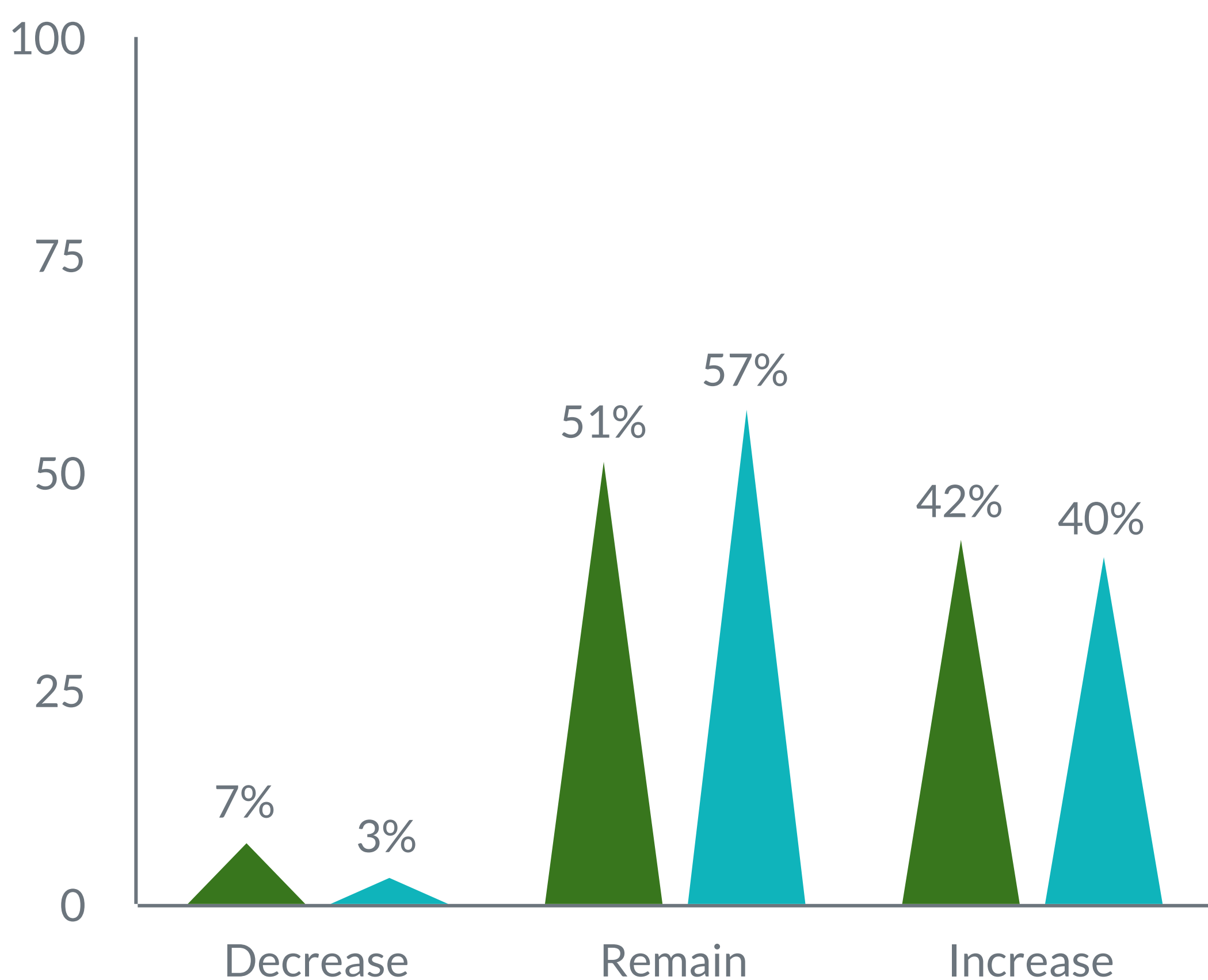


The Sales Price Expectations Index decreased from 44.1 points (for Q4 2021) to 30.7 points for Q1 2022. The index decreased for all sectors, except for the service (+2.8) sector, with the biggest decline in construction (-46.4), retail and wholesale trade (-39.7), and manufacturing (-22.5) sectors. The overall Sales Price Expectations Index has decreased for large companies and increased for SMEs.

Sales price QoQ change by sector

Sectors	Q1/22	Change
Manufacturing	45.8	-22.5
Construction	18	-46.4
Trade	27.9	-39.7
Service	33.1	+2.8
Agriculture	57.9	-6.2

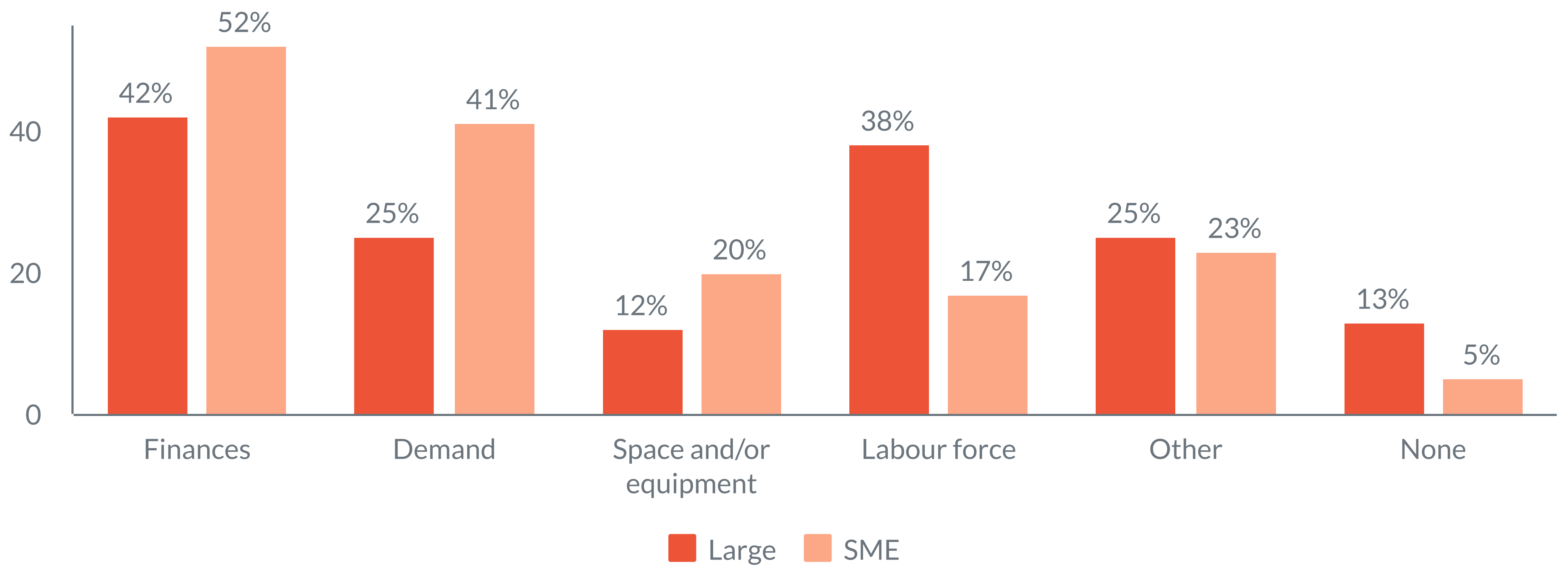
How do you expect the prices you charge to change over the next 3 months?



Q1/22	Change	Q1/22	Change
32.9	+9.8	24	-24.3

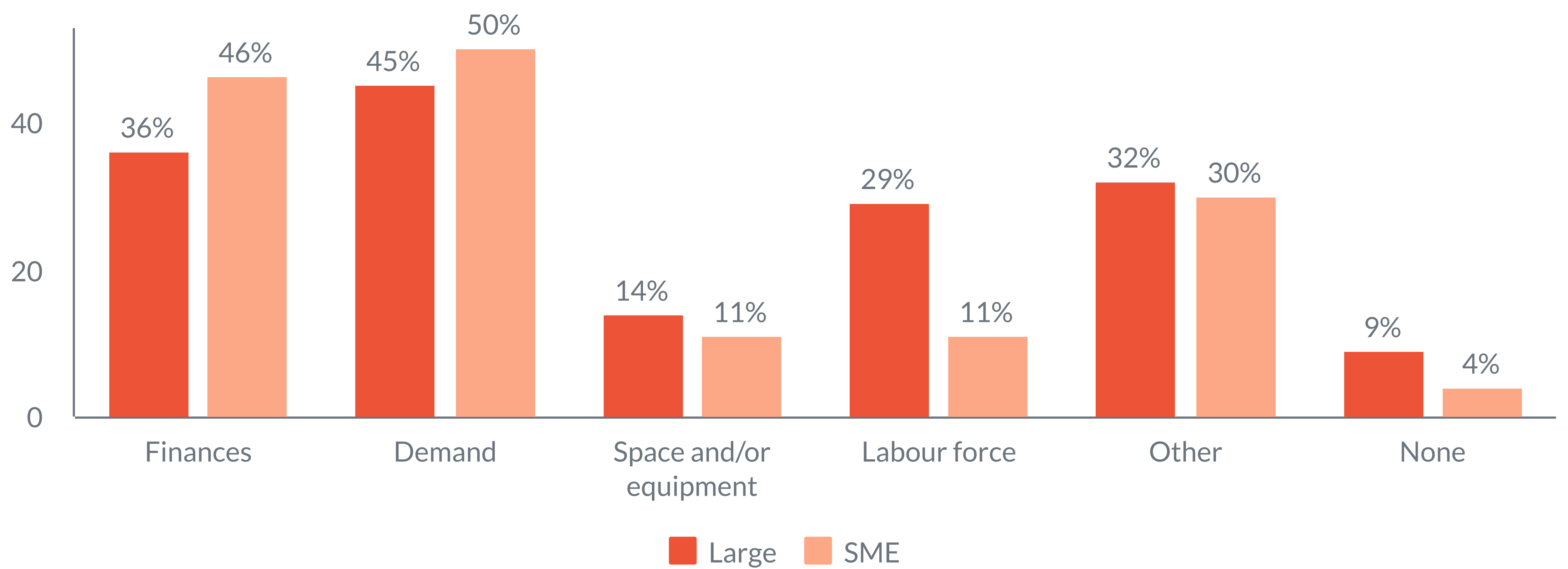
Around 40% of all firms surveyed intend to increase their prices over the next three months. 3% of firms expect to decrease prices, and the remaining 57% will not change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1, 2022



For Q1 2022, limited access to financing and a lack of demand continue to be the most significant obstacles for SMEs. Meanwhile, limited access to financing and shortage of qualified labour force is indicated as major constraints by large companies.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1 2021-Q4 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) 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.

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

Variable	Value
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Positive	+1
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Neutral	0
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Negative	-1
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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.
- All firms with an average of fewer than 50 people employed for over a year and an annual average turnover of less than 12 million GEL are considered as SMEs
- Rest of the firms are considered as large firms.

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

*** 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).

Distribution of Participating Firms by Sector and Size

Table 1 - Distribution of firms participating in the BCI survey

Sectors - Number of firms	22/Q1	22/Q1	21/Q4	21/Q4
Manufacturing	20	11%	16	9%
Construction	18	10%	18	11%
Trade	48	26%	39	23%
Service	53	29%	53	31%
Agriculture	19	10%	14	8%
Financial	11	6%	16	9%
Other	13	7%	13	8%
Source: BCI Survey Data	182	% share	169	% share

Table 2 - Distribution of industries by value added

Sectors	% in Value Added
Manufacturing	11%
Construction	13%
Trade	19%
Service	36%
Agriculture	7%
Financial	8%
Other	6%
Source: GeoStat	

Sectors - Number of firms by size	22/Q1	
	Large	SME
Manufacturing	4	16
Construction	3	15
Trade	6	42
Service	8	45
Agriculture	0	19
Financial	2	9
Other	3	10
Source: BCI Survey Data	26	156

Maximum number of firms participating in the survey	
2016 Q2	
Large	SME
104	266

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Business Confidence Index

Published: 25 March 2022