

BUSINESS CONFIDENCE INDEX

2.6

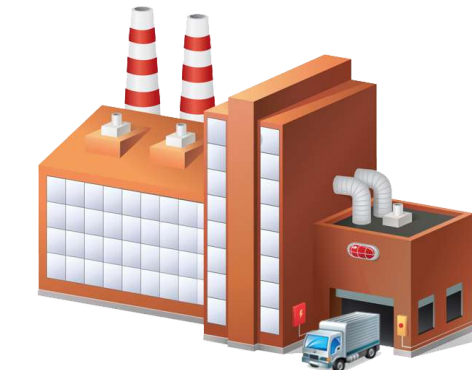
INCREASE

Business confidence -
summer edition

Q3 2022

Participating Companies

Large



26

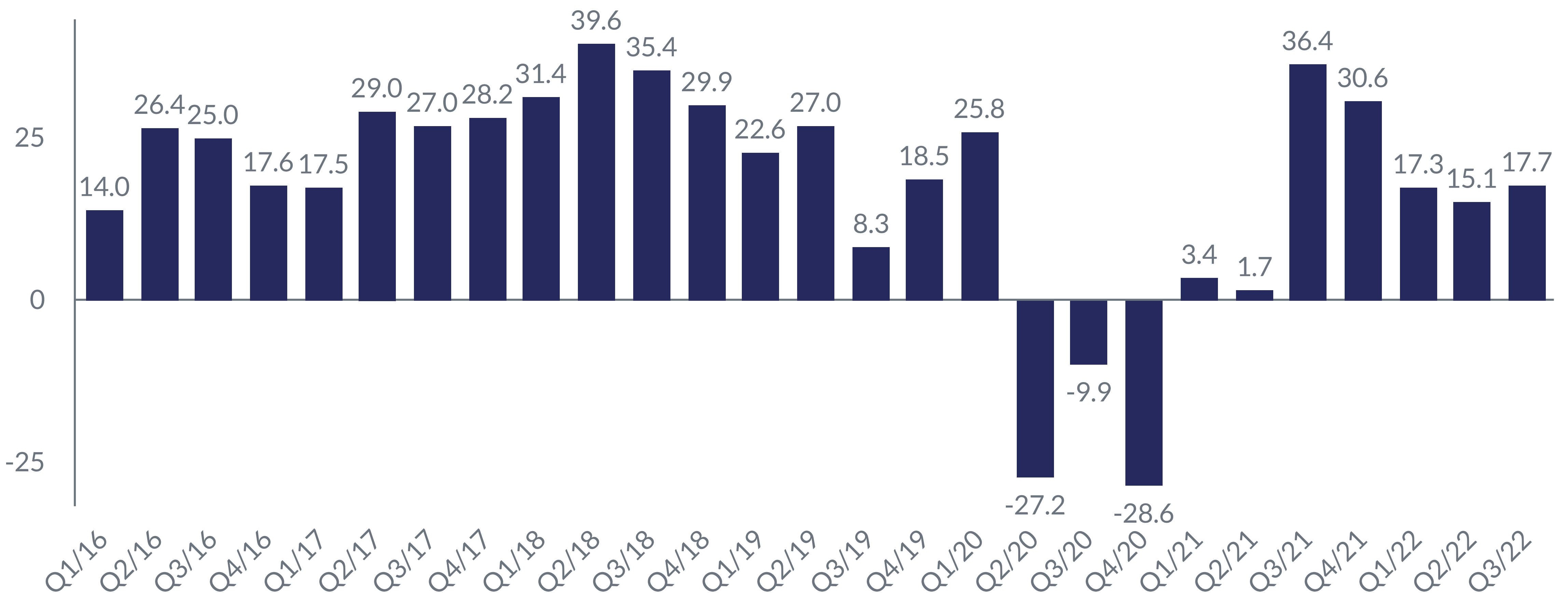
SMEs



134

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the third quarter of 2022, business confidence in Georgia increased (by 2.6 index points) and reached 17.7. The highest increase in business confidence is observed in construction (+13.8) sector. The positive change in BCI for Q3 2022 was driven by significantly improved past performance.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, increased by 16.2 points compared to Q2 2022 and reached 6.7 for Q3 2022, with service (+38.7), and construction (+30.8) sectors showing the greatest improvement.
- Expectations Index, which reflects business optimism, decreased, amounting to 25.6 index points. Expectations for Q3 2022 decreased for all sectors, except for the construction and service sectors.
- The Sales Price Expectations Index decreased by 11.6 index points and settled at 29.8, 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 trade sector.
- Lack of qualified labour force and limited access to financing are the most significant obstacles for large companies. Meanwhile, lack of demand and limited access to financing are indicated as major constraints by SMEs.

* 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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GSMEA

After a decrease in the previous two quarters, BCI has improved moderately by 2.6, compared to Q2 2022, and reached 17.7 index points for Q3 2022. Expectations in the Georgian private sector have decreased by 5.0 index points, reaching 25.6. As for the business performance over the past three months, it increased significantly, reaching 6.7 points, indicating an upturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index has decreased, showing decline in the market share of businesses that expect higher sales prices over the next three months.

BCI QoQ change by sector

Compared to Q2 2022, for Q3 2022 BCI decreased in agriculture (-49.9), financial (-8.4) and manufacturing (-5.6) sectors, while it increased in construction (+13.8), service (+11.9), and trade (+6.2) sectors.

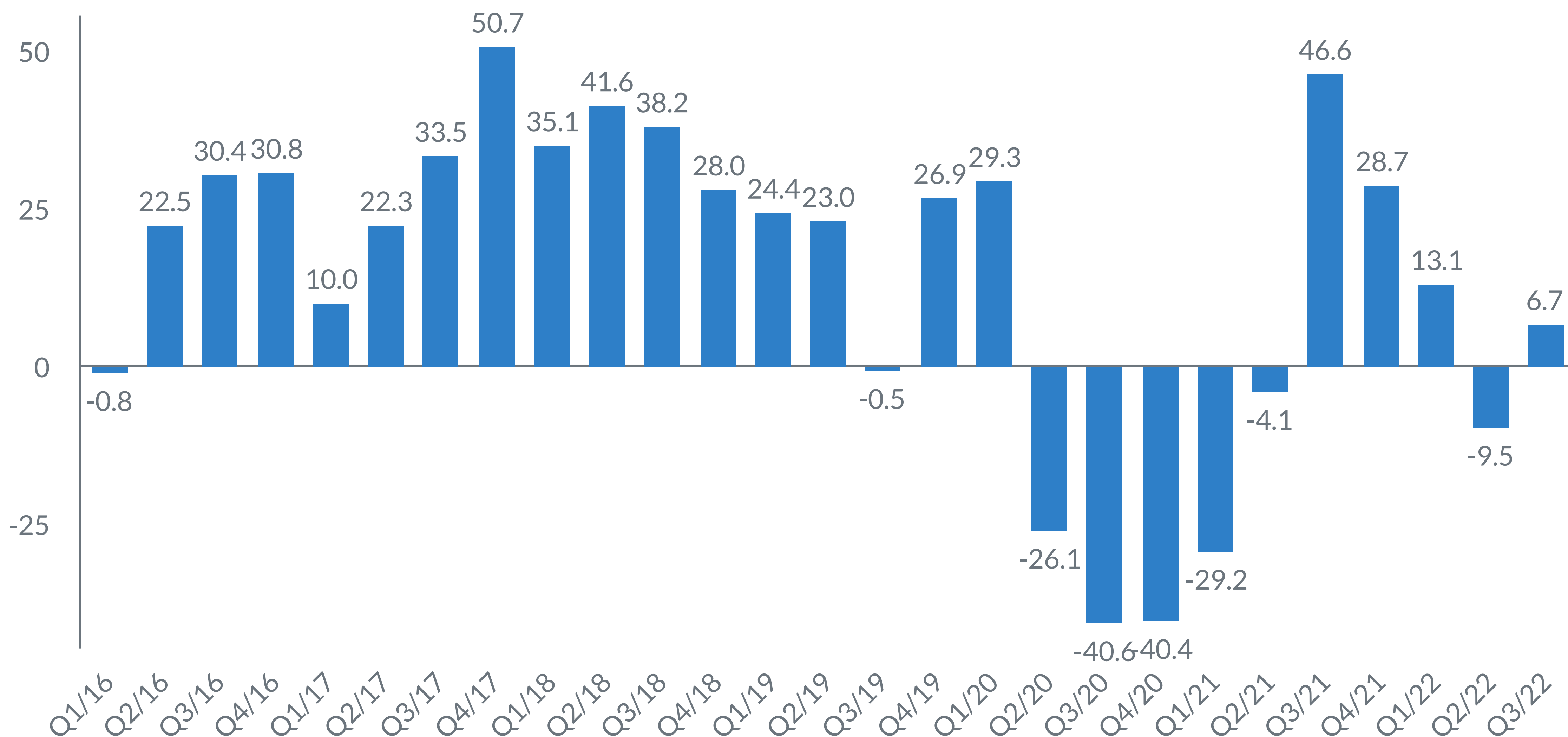
Sectors	Q3/22		Change
Manufacturing	10.3	▼	-5.6
Construction	4.6	▲	13.8
Trade	27.5	▲	6.2
Service	24.3	▲	11.9
Agriculture	2.2	▼	-49.9
Financial	23.3	▼	-8.4
Other	0	▲	6.7



Business confidence for the third quarter of 2022 has increased by 17.9 index points for large companies and by 5.8 points 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, increased significantly compared to Q2 of 2022 and reached 6.7 for Q3 2022. The biggest improvement for Q3 2022 was observed in the service (+38.7), followed by construction (+30.8) and trade (+16.5) sectors. Past Performance Index decreased for agriculture (-72.4), followed by the manufacturing (-4.7) and financial (-2.9) sectors.

Sectors	Q3/22	Change
Manufacturing	13.9	-4.7
Construction	-7.7	30.8
Trade	2.7	16.5
Service	25.0	38.7
Agriculture	-44.4	-72.4
Financial	10.4	-2.9
Other	-15.4	22.3

SME



Q3/22

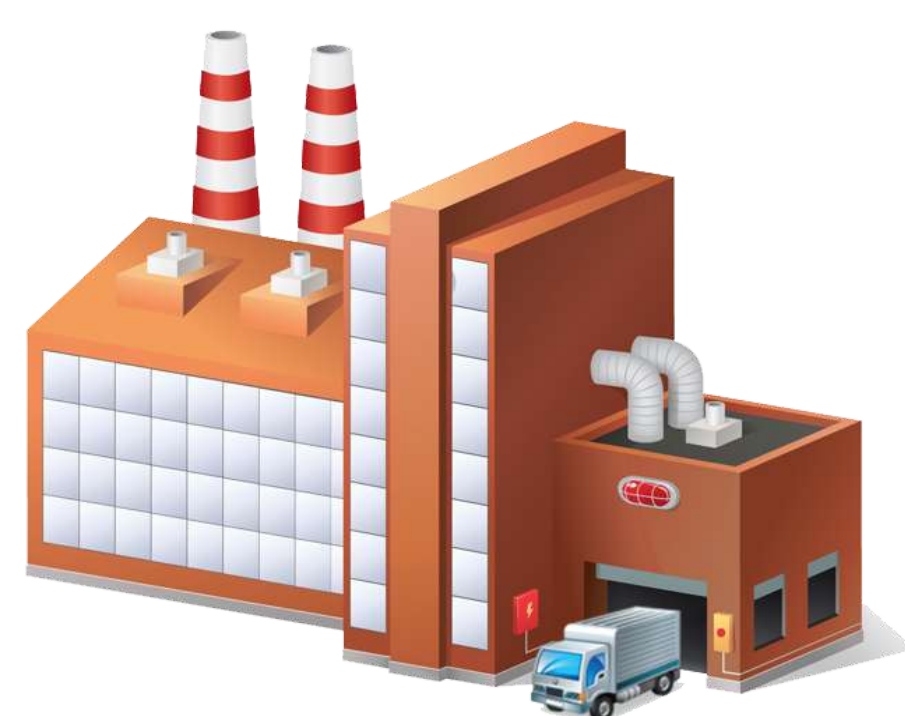
3.0

Change



26.5

Large



Q3/22

41.4

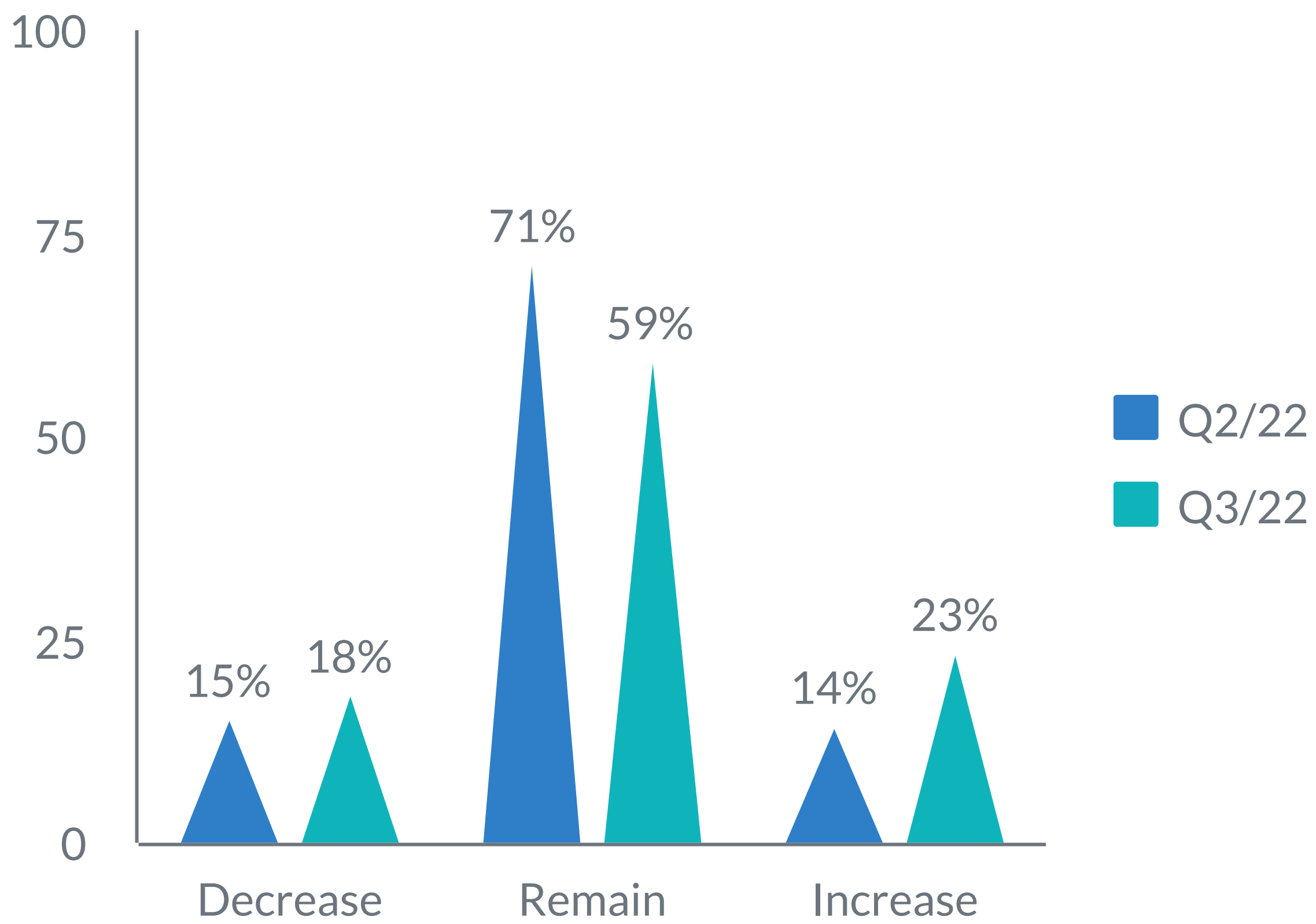
Change



38.0

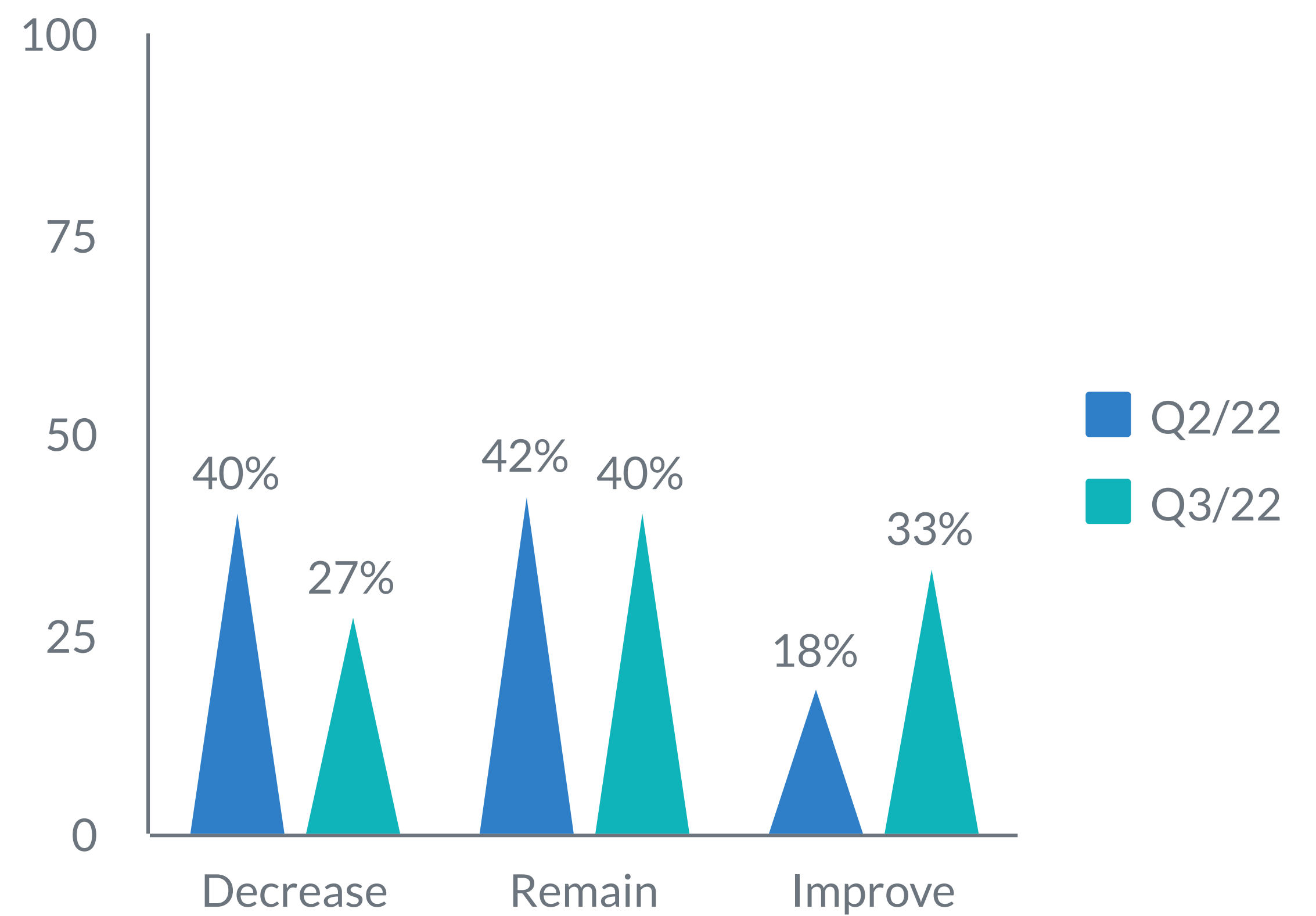
Business activities in the past 3 months have improved for both, large businesses and SMEs. For large firms, the index increased by 38.0 points and settled at 41.4. For SMEs, the same indicator increased by 26.5 and reached 3.0 index points.

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



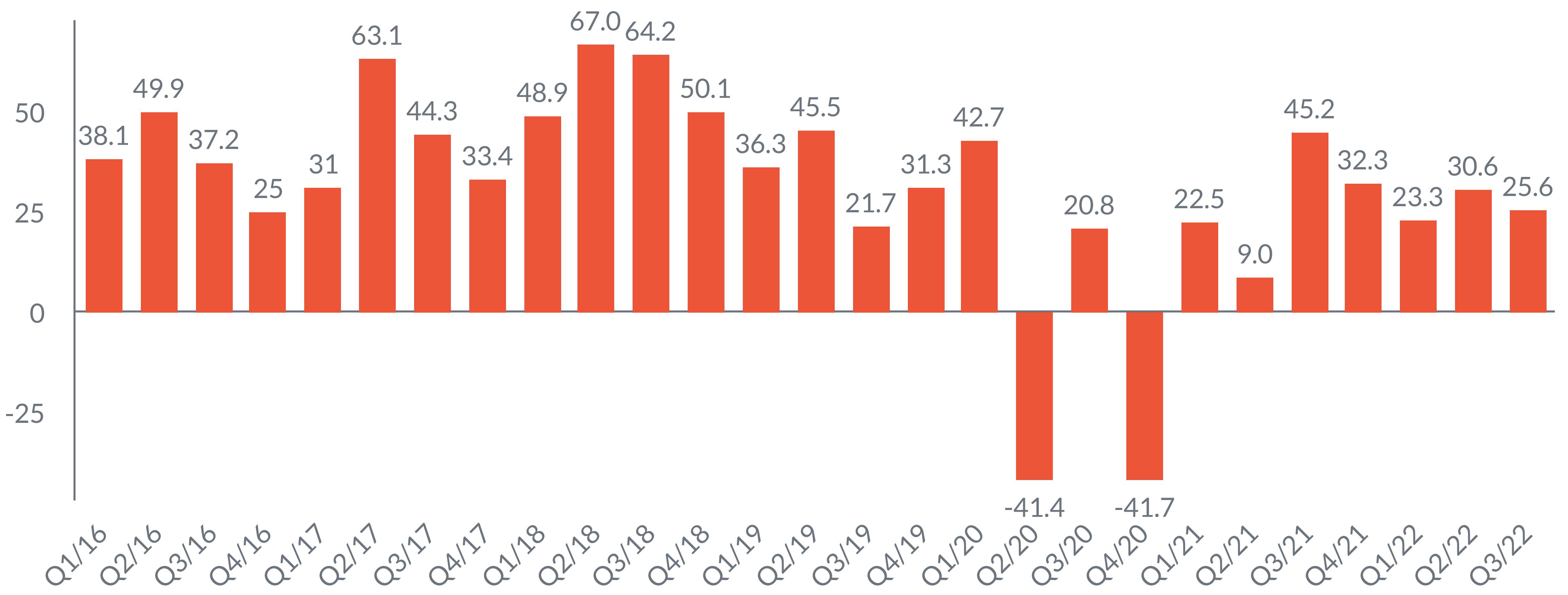
For Q3 2022, 18% of surveyed firms stated that employment had decreased over the past three months; 23% reported an increase, and 59% reported no changes in employment.

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



Compared to the previous quarter, a larger share of firms (33%) claimed that their business activity improved over the past three months; 40% 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 5.0 index points for Q3 2022 and settled at 25.6. Prospects for the next three months have deteriorated for all sectors except for the construction (+15.4) and service (+8.5) sectors. The highest decrease is observed in the agriculture (-63.3), followed by manufacturing (-46.2), financial (-3.0), and trade (-0.5) sectors.

Sectors	Q3/22	Change
Manufacturing	44.4	-46.2
Construction	23.1	15.4
Trade	31.1	-0.5
Service	29.6	8.5
Agriculture	0	-63.3
Financial	15.6	-3.0
Other	0	-1.4

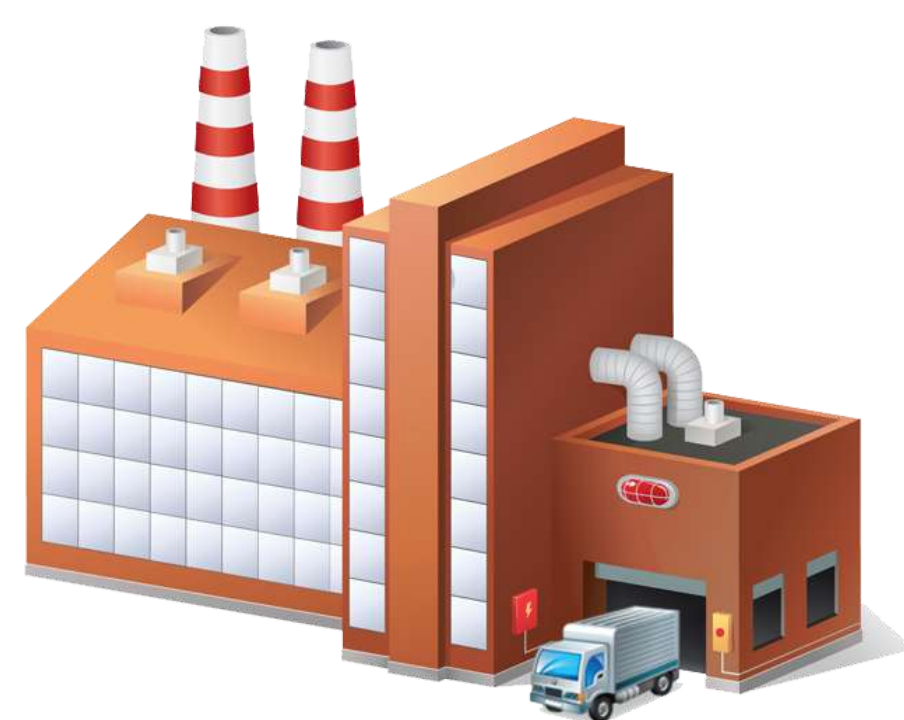
SME



Q3/22
21.9

Change
-0.8

Large

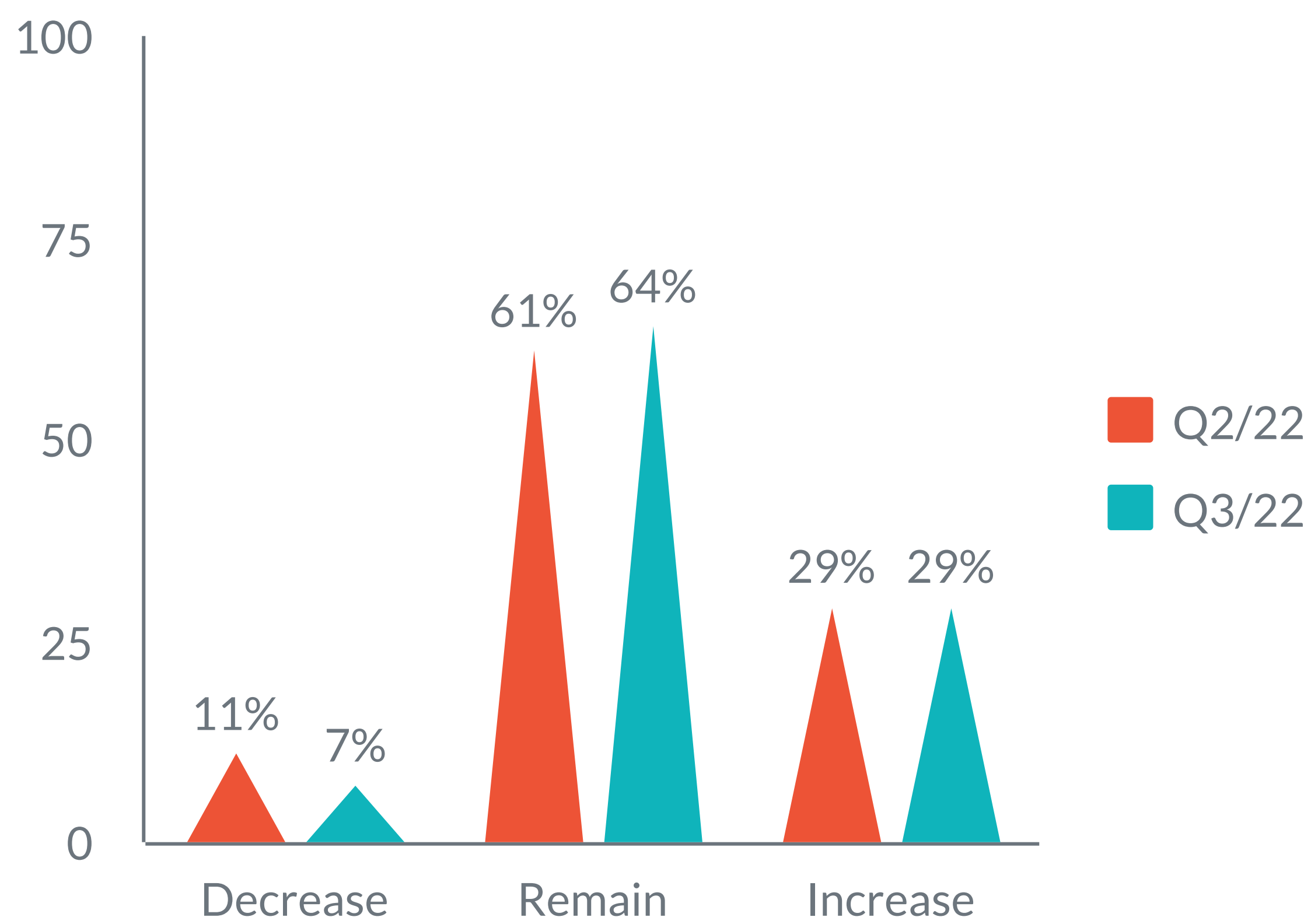


Q3/22
47.3

Change
12.7

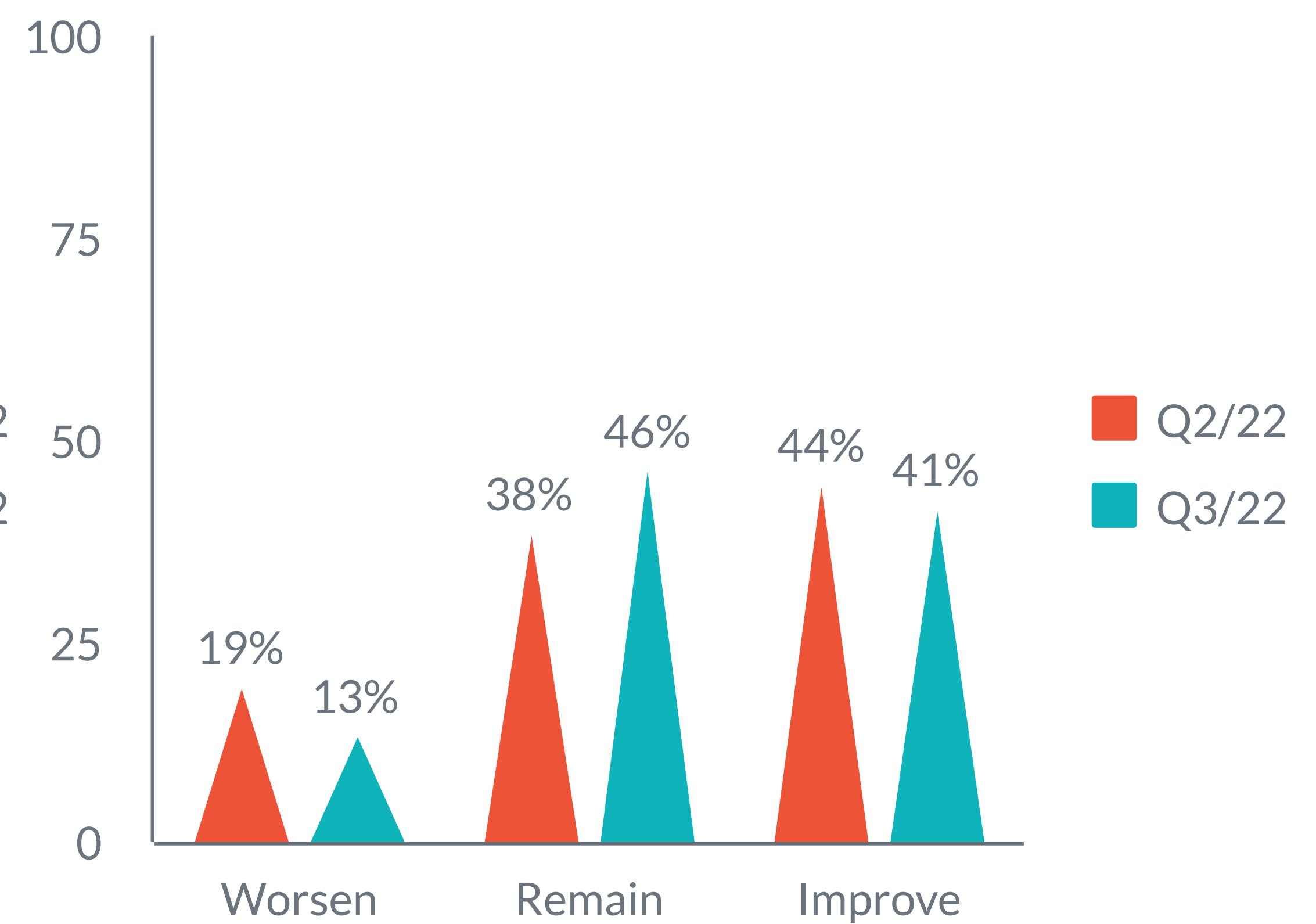
Business expectations have improved for large firms (+12.7) and deteriorated moderately for SMEs (-0.8).

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



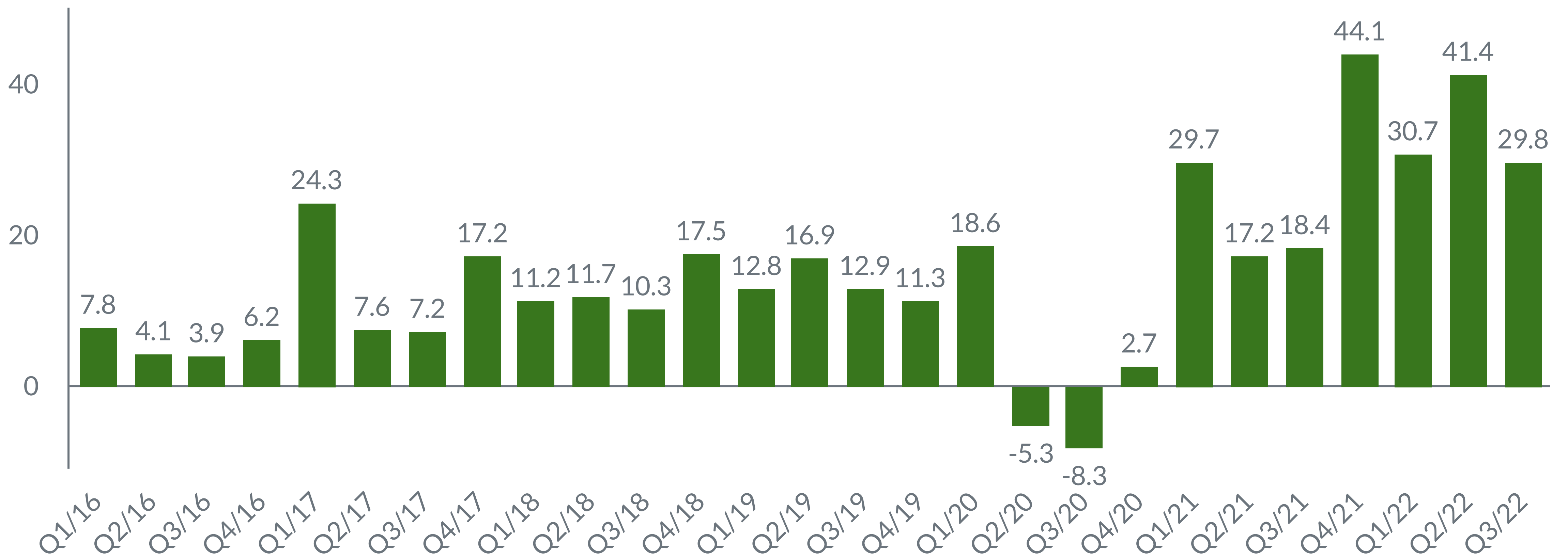
64% of the surveyed businesses do not expect any changes in employment over the next three months, 7% of firms stated that they would hire fewer employees in the future, and 29% think that they would hire more.

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



41% of the firms surveyed expect the economic condition of their businesses to improve over the next three months, 46% do not predict any changes, and 13% of businesses believe their business conditions will worsen.

Sales Price Expectations Index



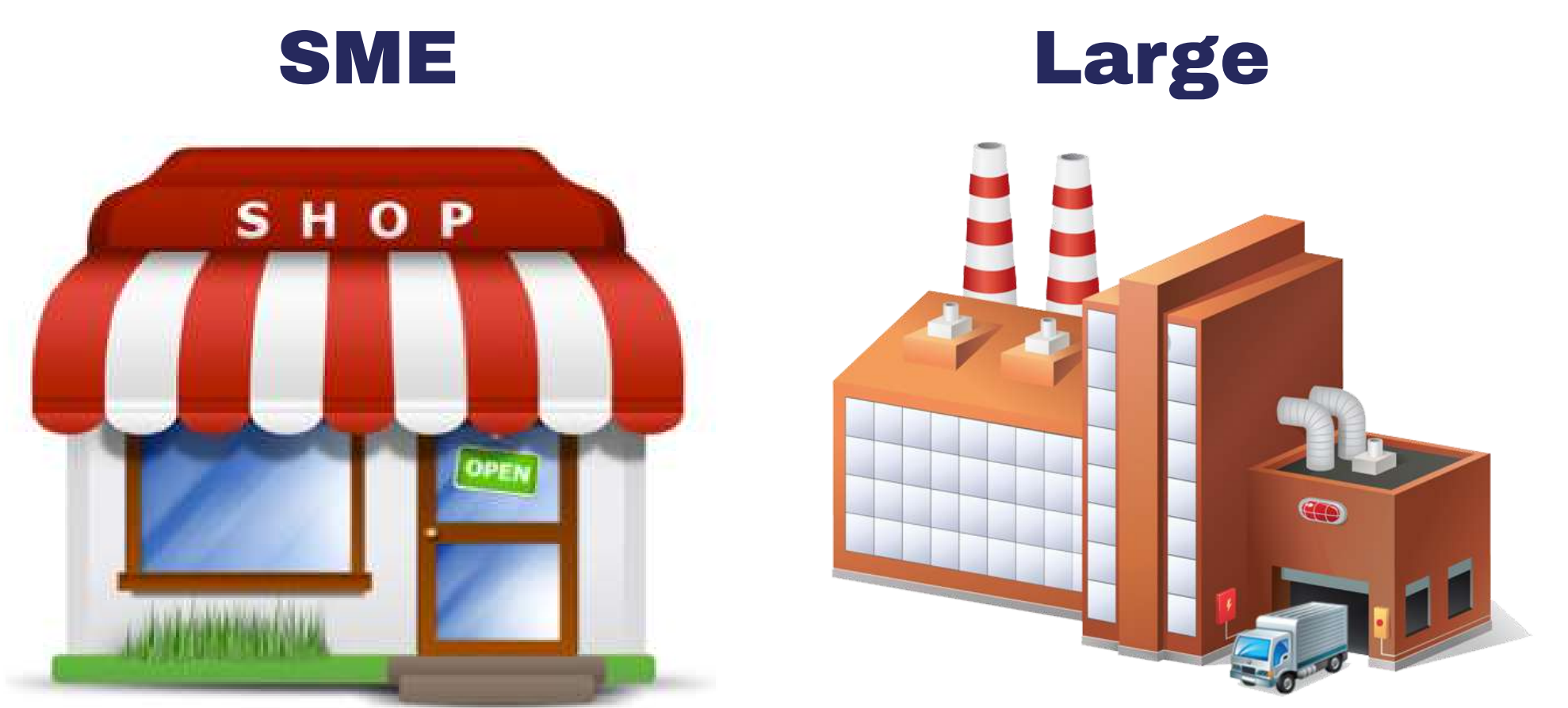
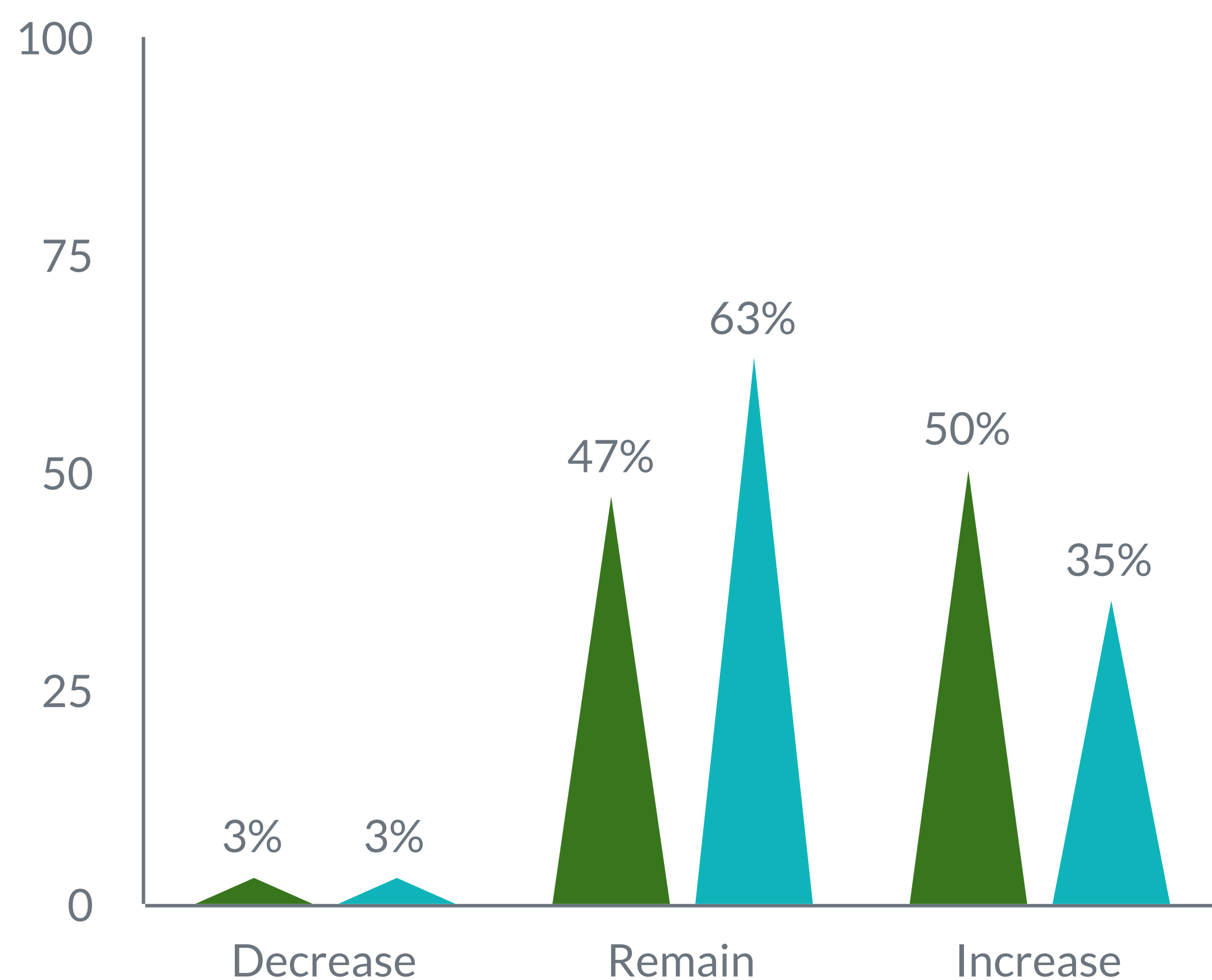
The Sales Price Expectations Index decreased to 29.8 points for Q3 2022. The index decreased for all sectors, except for the trade (+0.03) sector, with the biggest decrease in agriculture (-37.1), manufacturing (-18.5), construction (-15.4), and service (-11.4) sectors.

The overall Sales Price Expectations Index has decreased for both large companies and SMEs.

Sales price QoQ change by sector

Sectors	Q3/22	Change
Manufacturing	16.7	▼ -18.5
Construction	38.5	▼ -15.4
Trade	40.5	▲ 0.03
Service	27.8	▼ -11.4
Agriculture	55.6	▼ -37.1
other	23.1	▼ -11.7

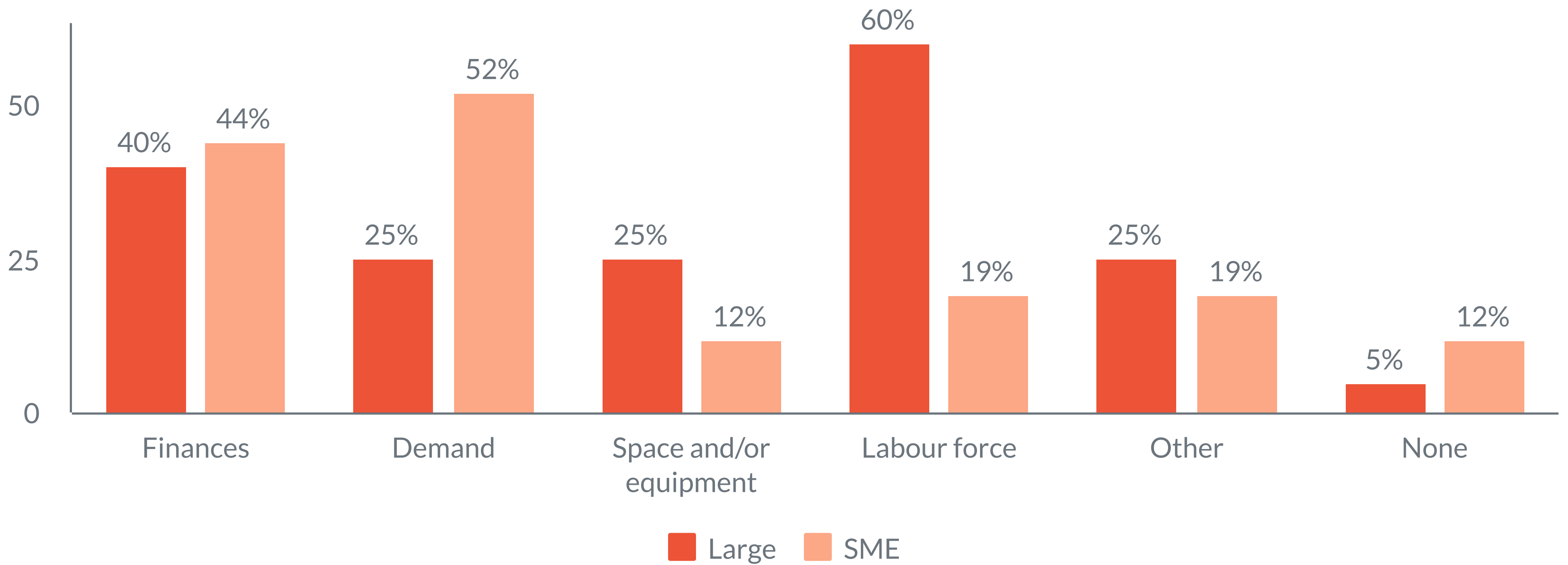
How do you expect the prices you charge to change over the next 3 months?



Q3/22	Change	Q3/22	Change
29.9	▼ -15.8	29.7	▼ -2.5

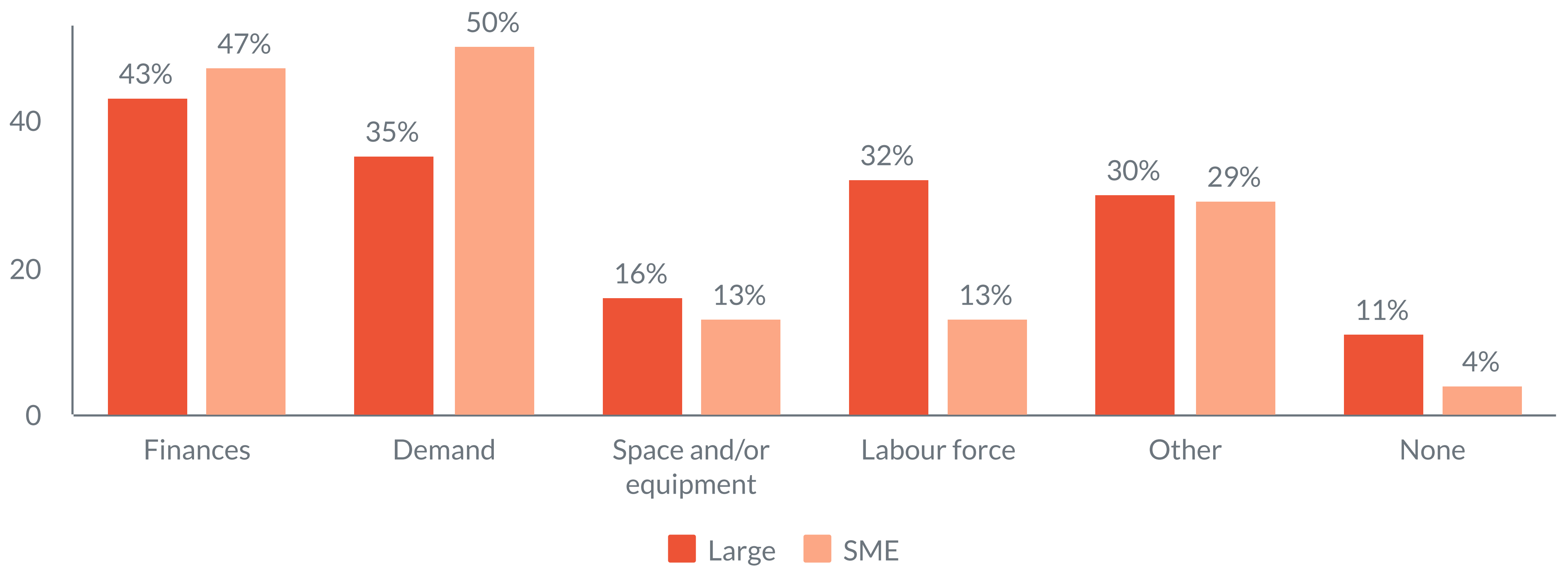
Around 35% of all firms surveyed intend to increase their prices over the next three months. 3% of firms expect to decrease prices, and the remaining 63% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q3, 2022



For Q3 2022, lack of qualified labour force and limited access to financing are the most significant obstacles for large companies. Meanwhile, lack of demand and limited access to financing are indicated as major constraints by SMEs.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q3 2021-Q2 2022 (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.

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.
- 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/Q2	22/Q2	22/Q3	22/Q3
Manufacturing	15	11%	18	11%
Construction	13	9%	13	8%
Trade	34	24%	37	23%
Service	49	35%	54	34%
Agriculture	8	6%	9	6%
Financial	9	6%	16	10%
Other	13	9%	13	8%
Source: BCI Survey Data	141	% share	160	% 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/Q2	
	Large	SME
Manufacturing	2	16
Construction	1	12
Trade	3	34
Service	9	45
Agriculture	3	6
Financial	6	10
Other	2	11
Source: BCI Survey Data	26	134

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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