

# BUSINESS CONFIDENCE INDEX

## 8.4

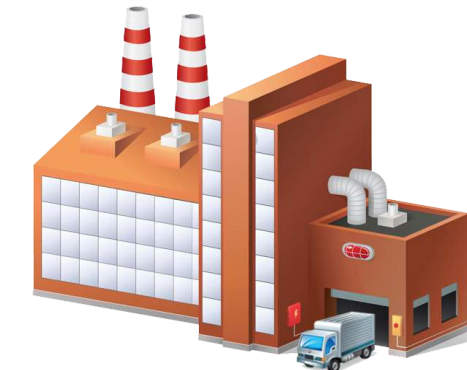
INCREASE

New year, new expectations

# Q1 2023

## Participating Companies

Large



33

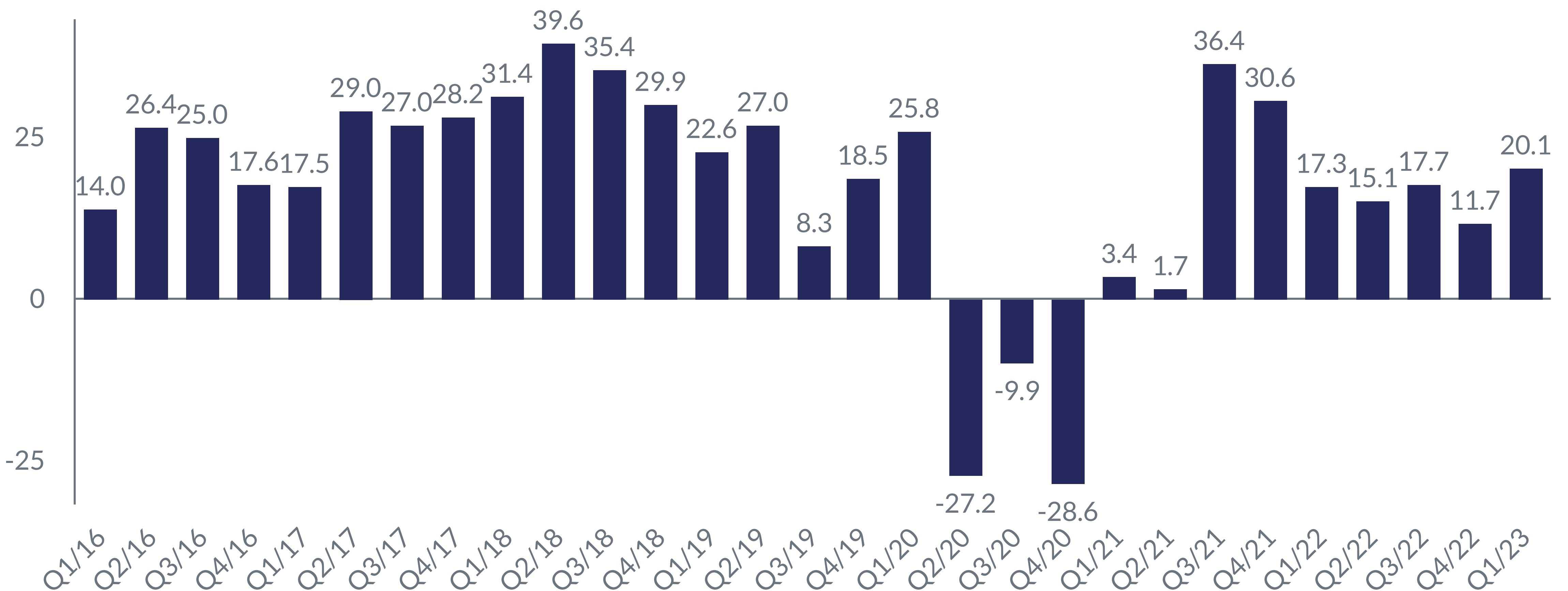
SMEs



139

## SURVEY HIGHLIGHTS

### Business Confidence Index (BCI)



- For the first quarter of 2023, business confidence in Georgia increased (by 8.4 index points) and reached 20.1. The highest business confidence is observed in the financial (35.6) sector. The positive change in BCI for Q1 2023 was driven by improved past performance and expectations.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, increased by 4.3 points compared to Q4 2022 and reached 14.7 for Q1 2023, with the manufacturing (37.6) sector showing the highest past performance.
- Expectations Index, which reflects business optimism, increased significantly, amounting to 34.9 index points. Expectations for Q1 2023 were highest in the manufacturing sector (62.5).
- The Sales Price Expectations Index decreased by 5.6 index points and settled at 22.3, indicating a decrease in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q1 2023 lack of a qualified labor force and limited access to financing are the most significant obstacles for large companies. Meanwhile, limited access to financing and lack of demand 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**

International School of Economics at TSU  
Policy Institute





After a decrease in the previous quarter, BCI has improved compared to Q4 2022 (+8.4), and reached 20.1 index points for Q1 2023. Expectations in the Georgian private sector have increased significantly by 16.3 index points, reaching 34.9. As for the business performance over the past three months, it also increased, reaching 14.7 points, indicating an upturn 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 businesses that expect higher sales prices over the next three months.

## BCI by sectors

For Q1 2023, the highest business confidence is presented in the financial (35.6), service (26.5) and agriculture (20.0) sectors, while the lowest business confidence is observed in the construction (6.7) sector.

Sectors	Q1/23
<b>Manufacturing</b>	<b>19.6</b>
<b>Construction</b>	<b>6.7</b>
<b>Trade</b>	<b>17.9</b>
<b>Service</b>	<b>26.5</b>
<b>Agriculture</b>	<b>20.0</b>
<b>Financial</b>	<b>35.6</b>
<b>Other</b>	<b>-3.1</b>

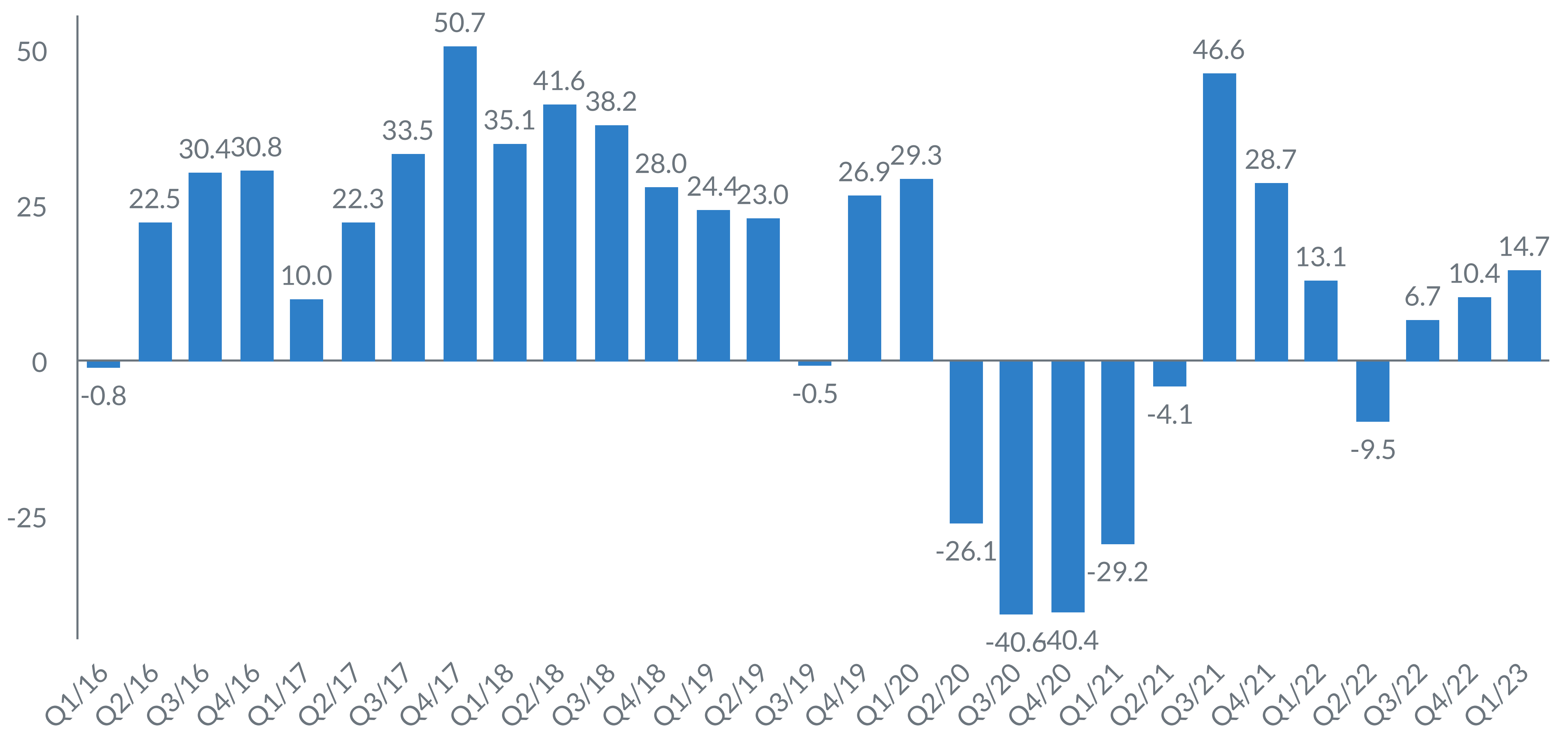


Business confidence for the first quarter of 2023 amounted to 38.5 for large companies and to 15.8 for SMEs.

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 Performance by sectors

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, increased for Q1 2023 compared to the previous quarter. Index was highest in the manufacturing (37.6), agriculture (30.0) and financial (27.8) sectors. The lowest past performance index was observed in construction (-5.6) sector.

Sectors	Q1/23
<b>Manufacturing</b>	<b>37.6</b>
<b>Construction</b>	<b>-5.6</b>
<b>Trade</b>	<b>7.3</b>
<b>Service</b>	<b>13.9</b>
<b>Agriculture</b>	<b>30.0</b>
<b>Financial</b>	<b>27.8</b>
<b>Other</b>	<b>7.7</b>

### SME



**Q1/23**

**9.3**

### Large

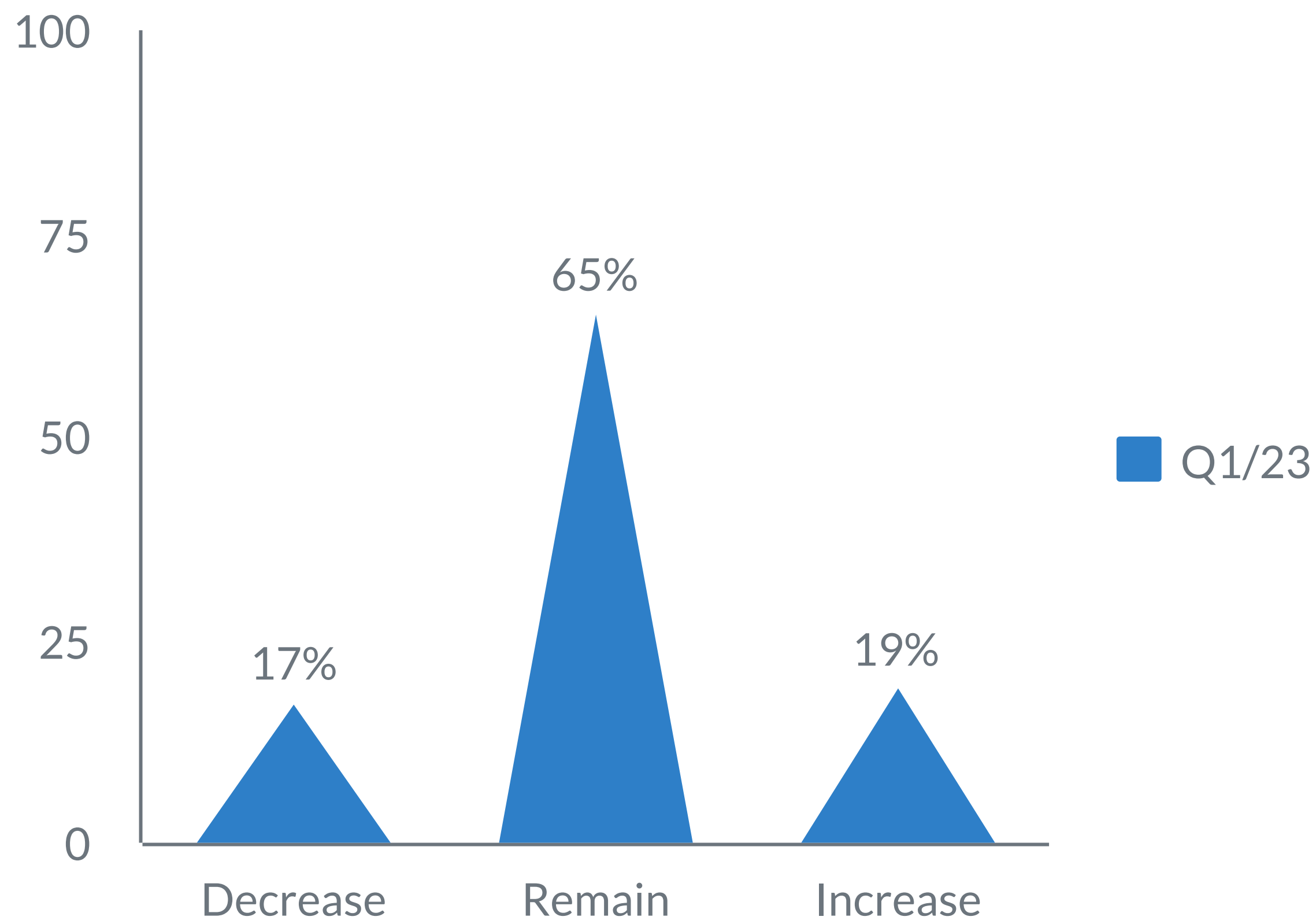


**Q1/23**

**41.2**

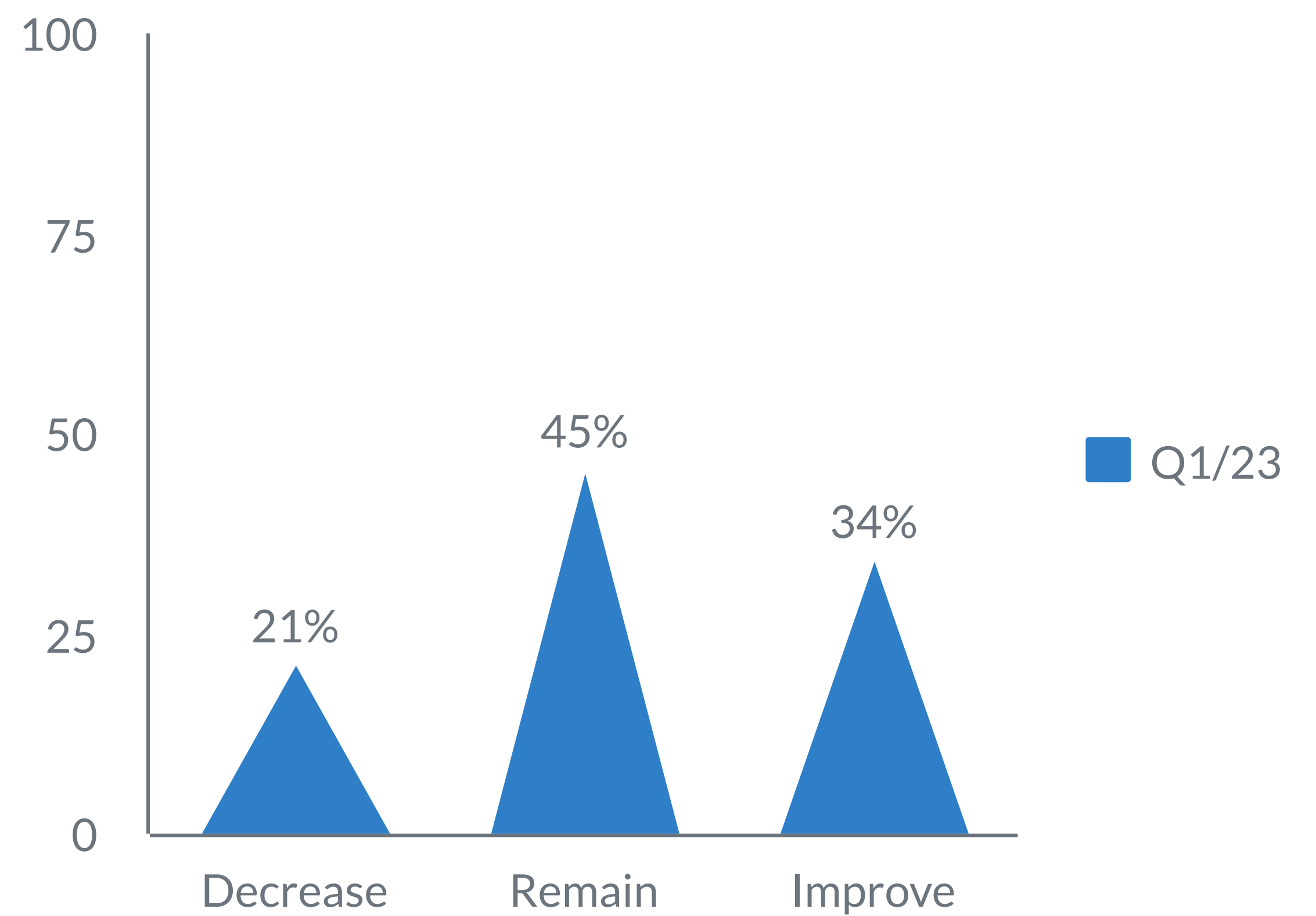
For large firms, the past performance index for Q1 2023 amounted to 41.2. The same indicator for SMEs reached 9.3 index points.

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



For Q1 2023, 17% of surveyed firms stated that employment had decreased over the past three months; 19% reported an increase, and 65% reported no changes in employment.

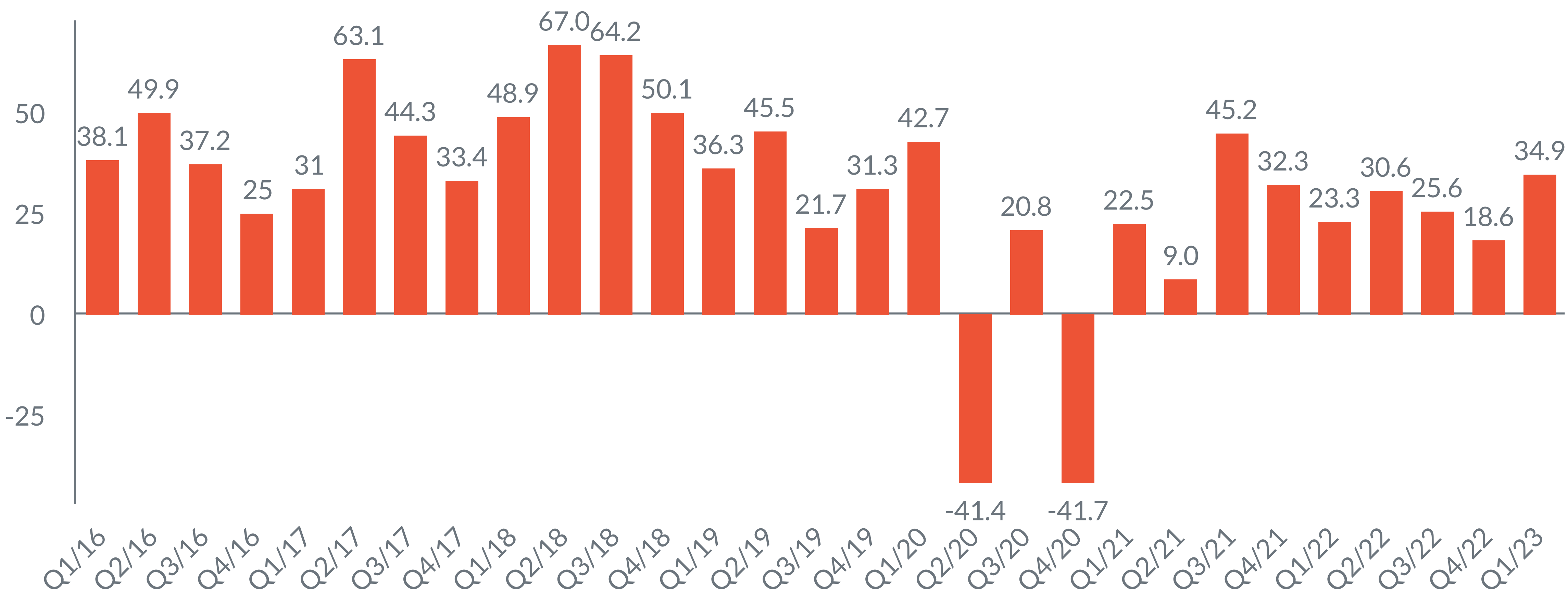
## How has your business activity developed over the past 3 months?



For Q1 2023, 34% of the companies claimed that their business activity improved over the past three months; 45% of firms stated that their business activities remained unchanged and 21% reported a deterioration.



# Expectations Index



## Expectations by sectors

The Expectations Index increased significantly for Q1 2023 and settled at 34.9. Prospects for the next three months are highest for the manufacturing (62.5), agriculture (50.0) and service (40.2) sectors. The construction sector shows the lowest expectations index (22.2) for Q1 2023.

Sectors	Q1/23
<b>Manufacturing</b>	<b>62.5</b>
<b>Construction</b>	<b>22.2</b>
<b>Trade</b>	<b>29.3</b>
<b>Service</b>	<b>40.2</b>
<b>Agriculture</b>	<b>50.0</b>
<b>Financial</b>	<b>25.0</b>
<b>Other</b>	<b>-7.7</b>

### SME



**Q1/23**

**28.4**

### Large

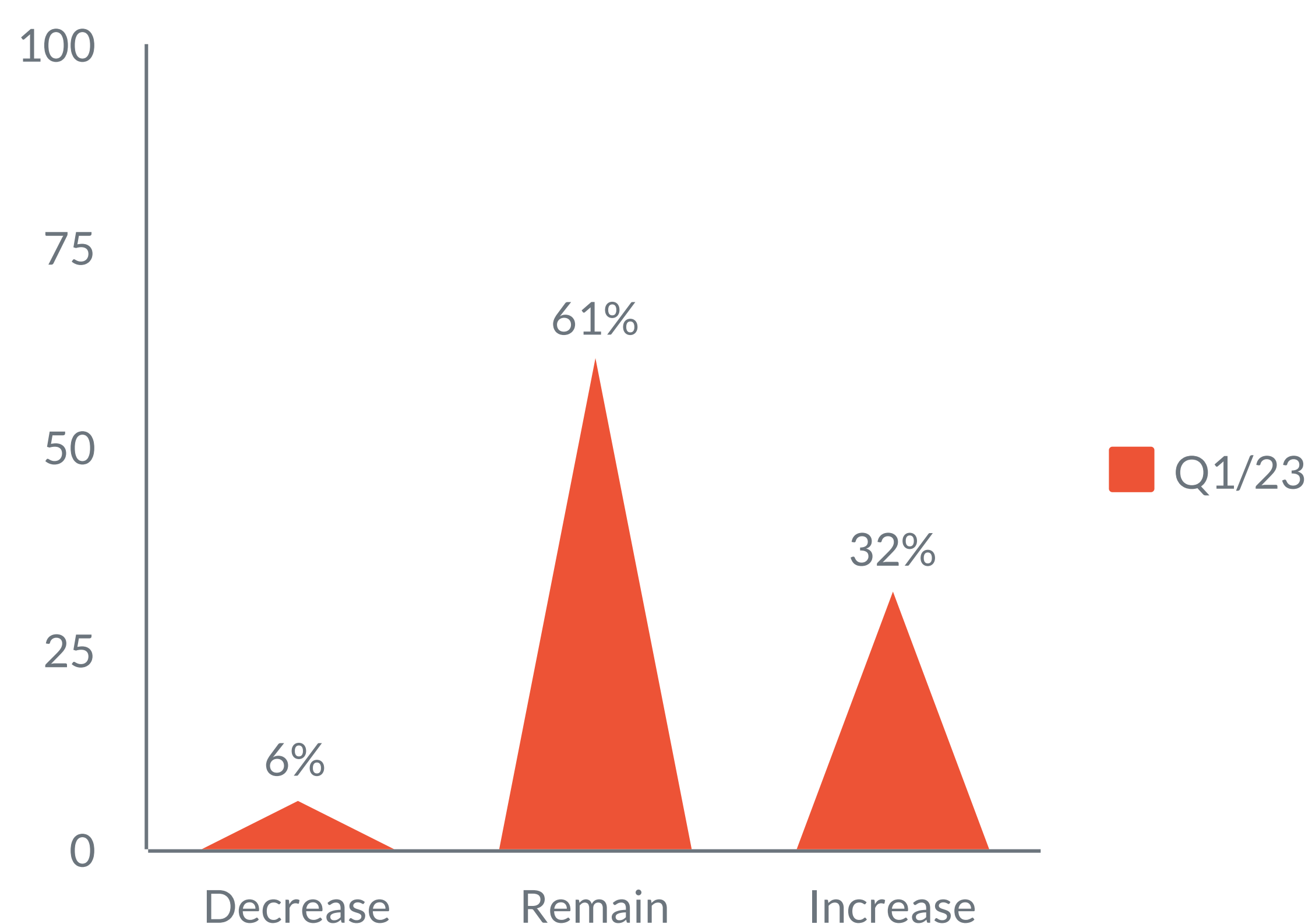


**Q1/23**

**61.7**

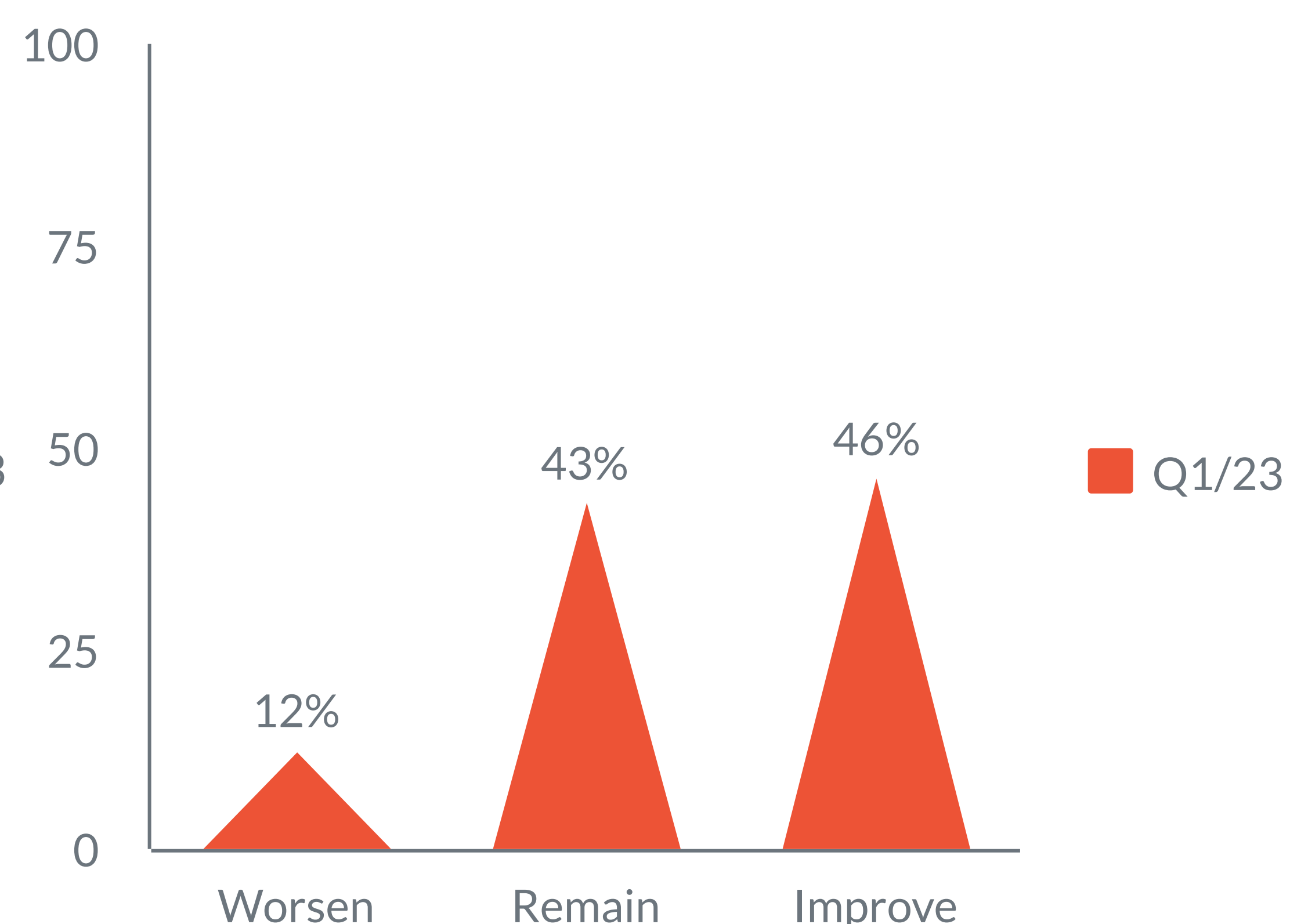
The expectations index reached 61.7 points for large companies, while the index amounted to 28.4 for SMEs.

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



For Q1 2023, 61% of the surveyed businesses do not expect any changes in employment over the next three months, 6% of firms stated that they would hire fewer employees in the future, and 32% think that they would hire more.

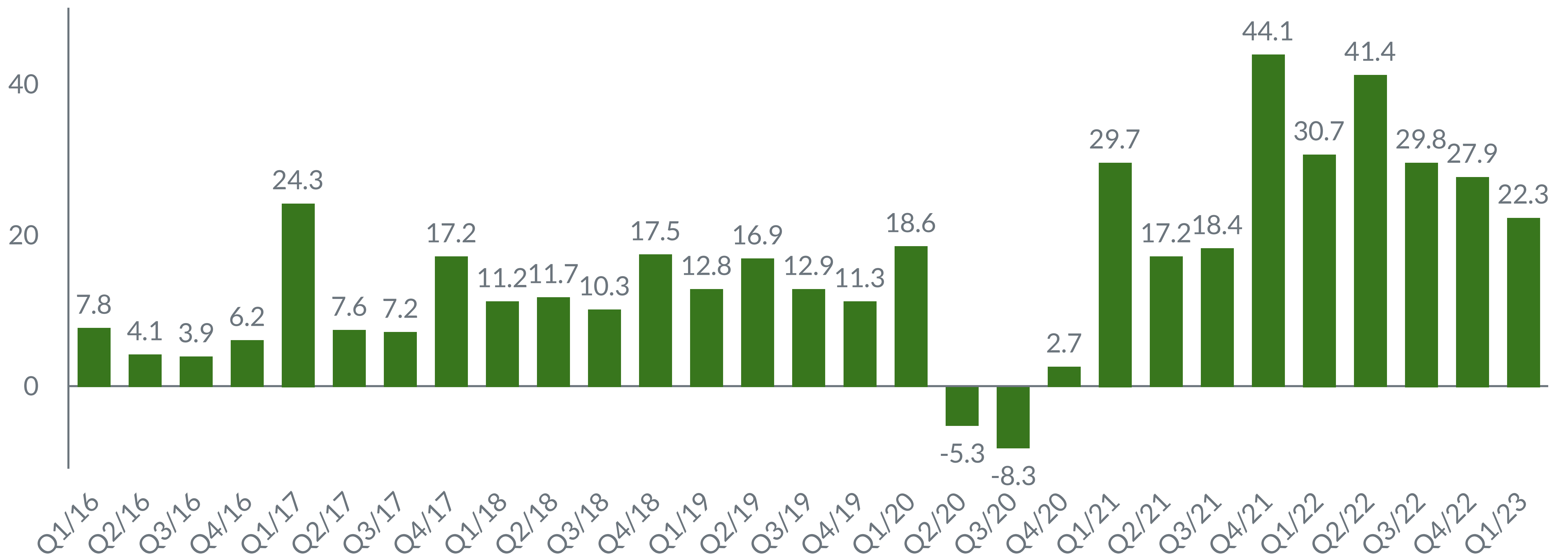
## How do you expect your business condition to change over the next 3 months?



As for the business condition, 46% of the firms surveyed expect the economic condition of their businesses to improve over the next three months, 43% do not predict any changes, and 12% of businesses believe their business conditions will worsen.



## Sales Price Expectations Index



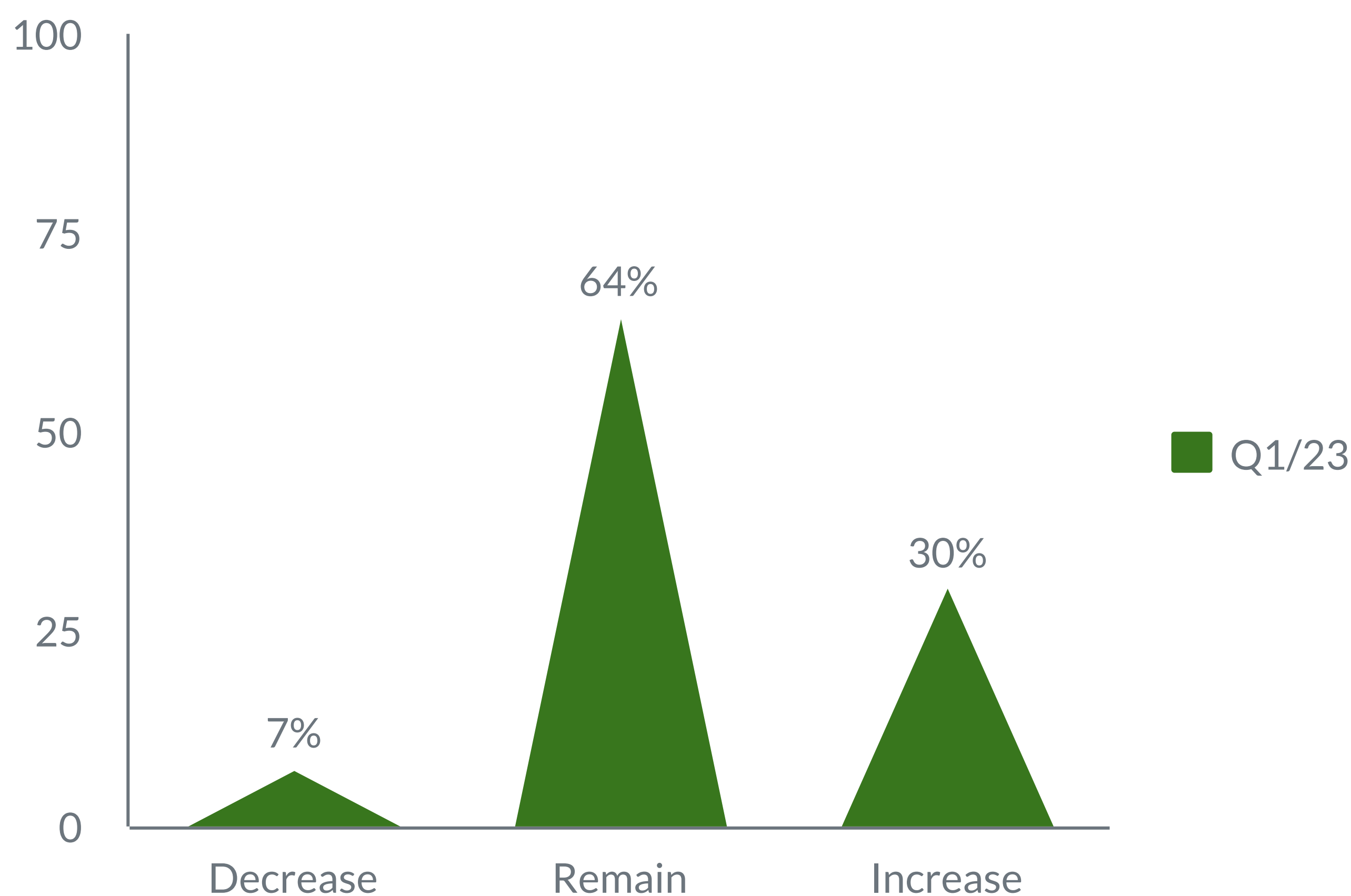
## Sales Price Expectations by sectors

The Sales Price Expectations Index decreased to 22.3 points for Q1 2023. The index was highest in the construction (38.9) and service (37.7) sectors, while the retail and wholesale trade (2.4) sector depicted the lowest sales price expectation index.

For Q1 2023, index amounted to 26.9 for large companies and 20.9 points for SMEs.

Sectors	Q1/23
<b>Manufacturing</b>	<b>18.8</b>
<b>Construction</b>	<b>38.9</b>
<b>Trade</b>	<b>2.4</b>
<b>Service</b>	<b>37.7</b>
<b>Agriculture</b>	<b>10.0</b>
<b>other</b>	<b>7.7</b>

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



**SME**

**Q1/23**

**20.9**

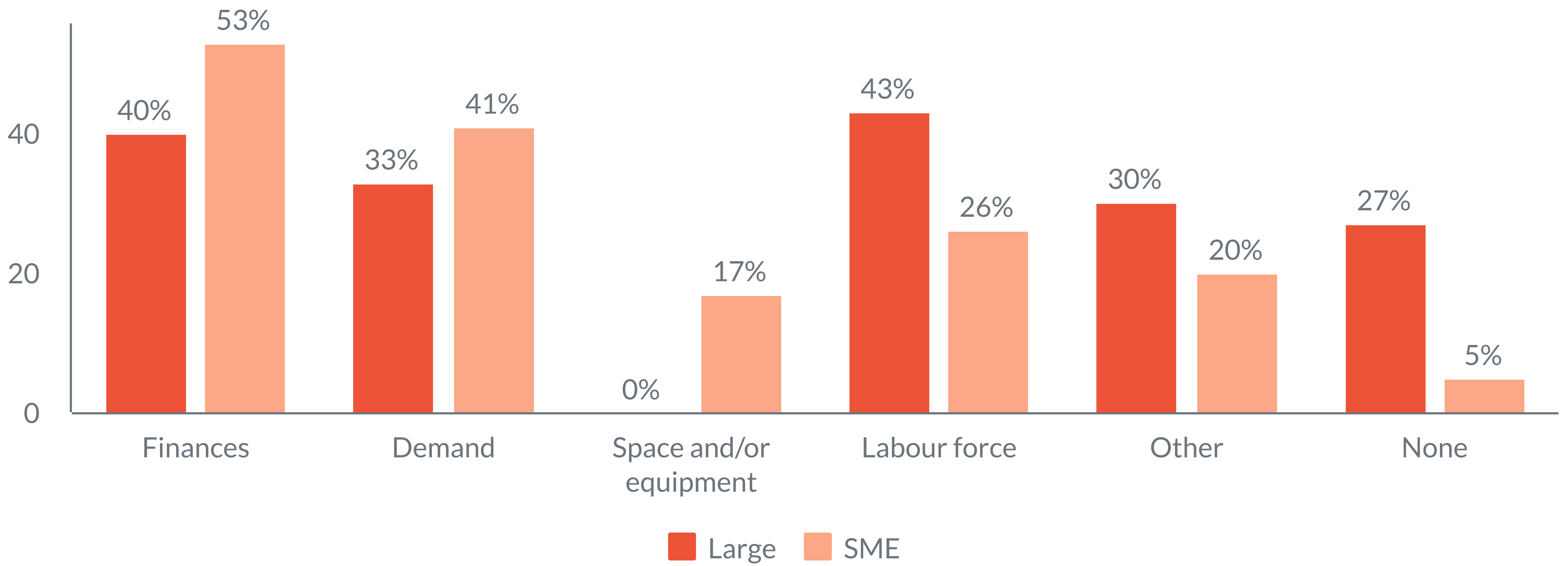
**Large**

**Q1/23**

**26.9**

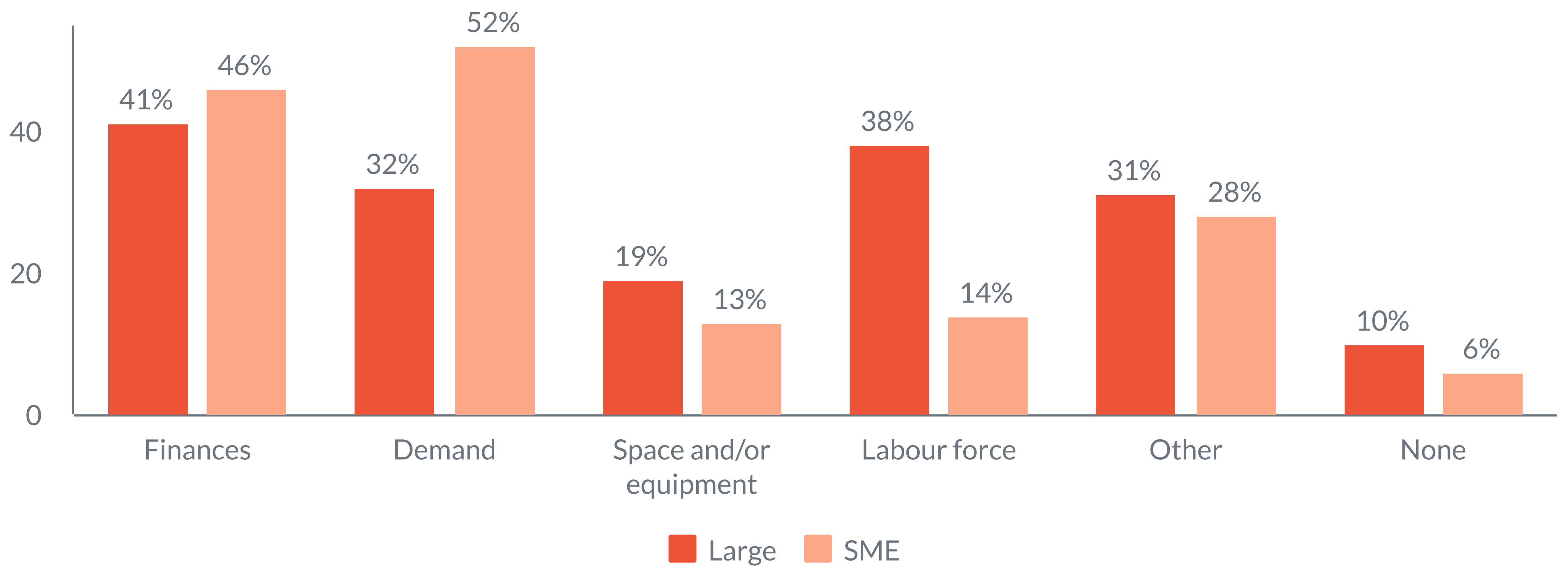
Around 30% of all firms surveyed intend to increase their prices over the next three months. 7% of firms expect to decrease prices, and the remaining 64% are not planning to change their prices in the near future.

## WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1, 2023



For Q1 2023 lack of qualified labour force and limited access to financing are the most significant obstacles for large companies. Meanwhile, limited access to financing and lack of demand are indicated as major constraints by SMEs.

## WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1 2022-Q4 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](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	23/Q1	23/Q1
Manufacturing	16	9%
Construction	18	10%
Trade	42	24%
Service	61	35%
Agriculture	10	6%
Financial	12	7%
Other	13	8%
Source: BCI Survey Data	172	% 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	23/Q1	
	Large	SME
Manufacturing	2	14
Construction	5	13
Trade	6	36
Service	12	49
Agriculture	2	8
Financial	3	9
Other	3	10
Source: BCI Survey Data	33	139

Maximum number of firms participating in the survey	
<b>2016</b>	<b>Q2</b>
<b>Large</b>	<b>SME</b>
<b>104</b>	<b>266</b>

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Business Confidence Index

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