

# BUSINESS CONFIDENCE INDEX

**10.7**  
DECREASE

Turning Point?

## Q3 2023

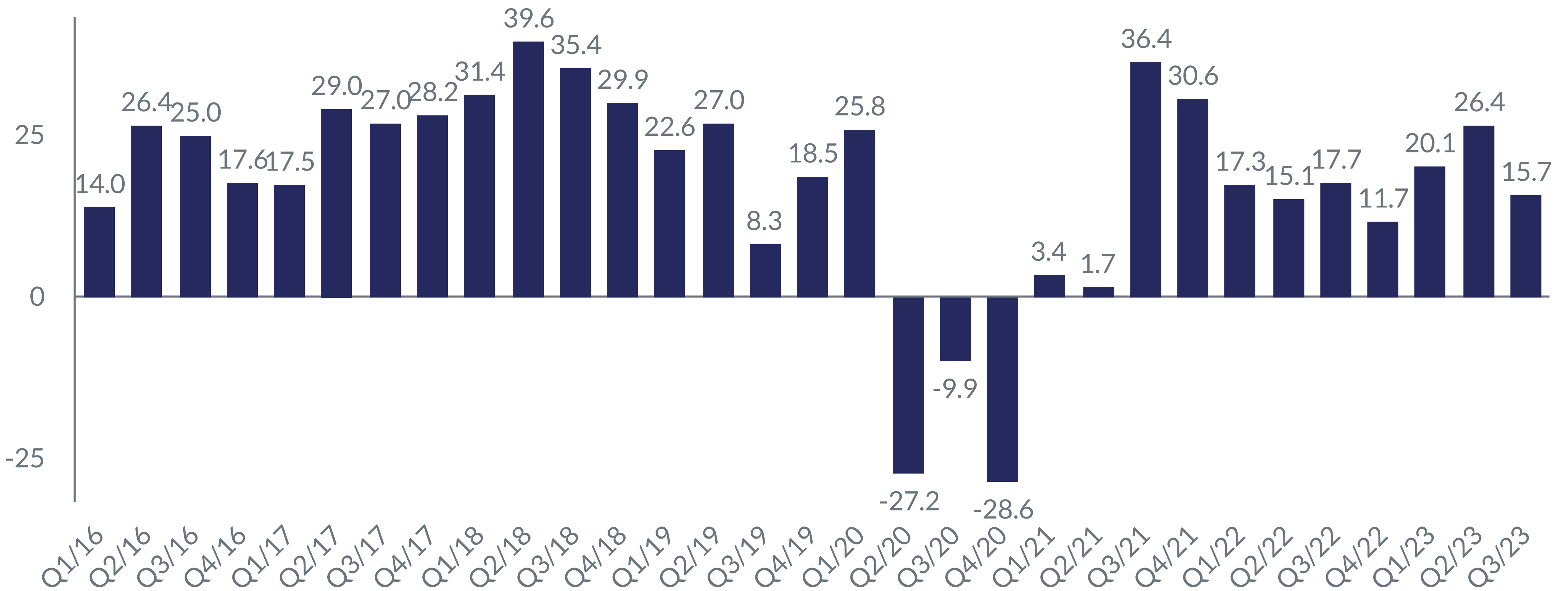
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**Participating Companies**

<b>Large</b>	<b>SMEs</b>
	
<b>32</b>	<b>141</b>

## SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the third quarter of 2023, business confidence in Georgia decreased (by 10.7 index points) and reached 15.7. The highest business confidence is observed in the financial (26.4) sector. The negative change in BCI for Q3 2023 was driven by worsened past performance as well as less optimistic expectations.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, decreased by 9.1 points compared to Q2 2023 and reached 12.7 for Q3 2023, with the manufacturing (25.0) sector showing the strongest past performance.
- Expectations Index, which reflects business optimism, decreased significantly, amounting to 28.5 index points. Expectations for Q3 2023 were highest in the manufacturing sector (50.0).
- The Sales Price Expectations Index decreased by 11.0 index points and settled at 17.3, indicating a decrease in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q3 2023 lack of a qualified labor force and lack of demand 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).



After an increase in the previous quarter, BCI deteriorated compared to Q2 2023 (-10.7), and reached 15.7 index points for Q3 2023. Expectations in the Georgian private sector have decreased significantly by 20.0 index points, reaching 28.5. As for the business performance over the past three months, it also decreased, reaching 12.7 points, indicating a downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index has also decreased.

### BCI by sectors

For Q3 2023, the business confidence is strongest in the financial (26.4) and service (25.3) sectors, while the lowest confidence is observed in the construction sector (-4.7).

Sectors	Q3/23
<b>Manufacturing</b>	<b>11.9</b>
<b>Construction</b>	<b>-4.7</b>
<b>Trade</b>	<b>18.0</b>
<b>Service</b>	<b>25.3</b>
<b>Agriculture</b>	<b>2.4</b>
<b>Financial</b>	<b>26.4</b>
<b>Other</b>	<b>3.3</b>

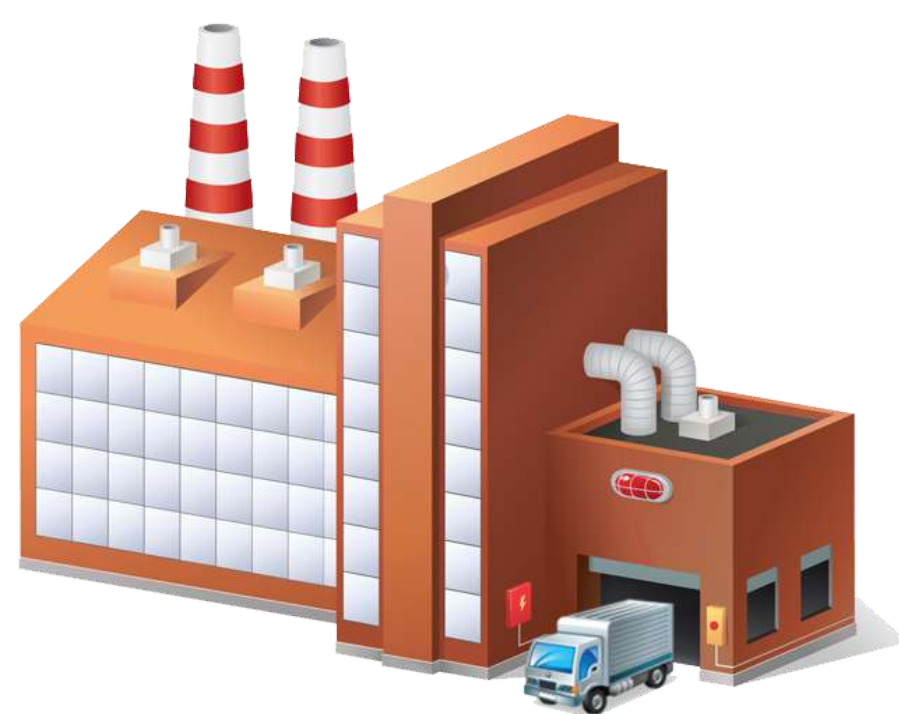
#### SME



**Q3/23**

**12.1**

#### Large



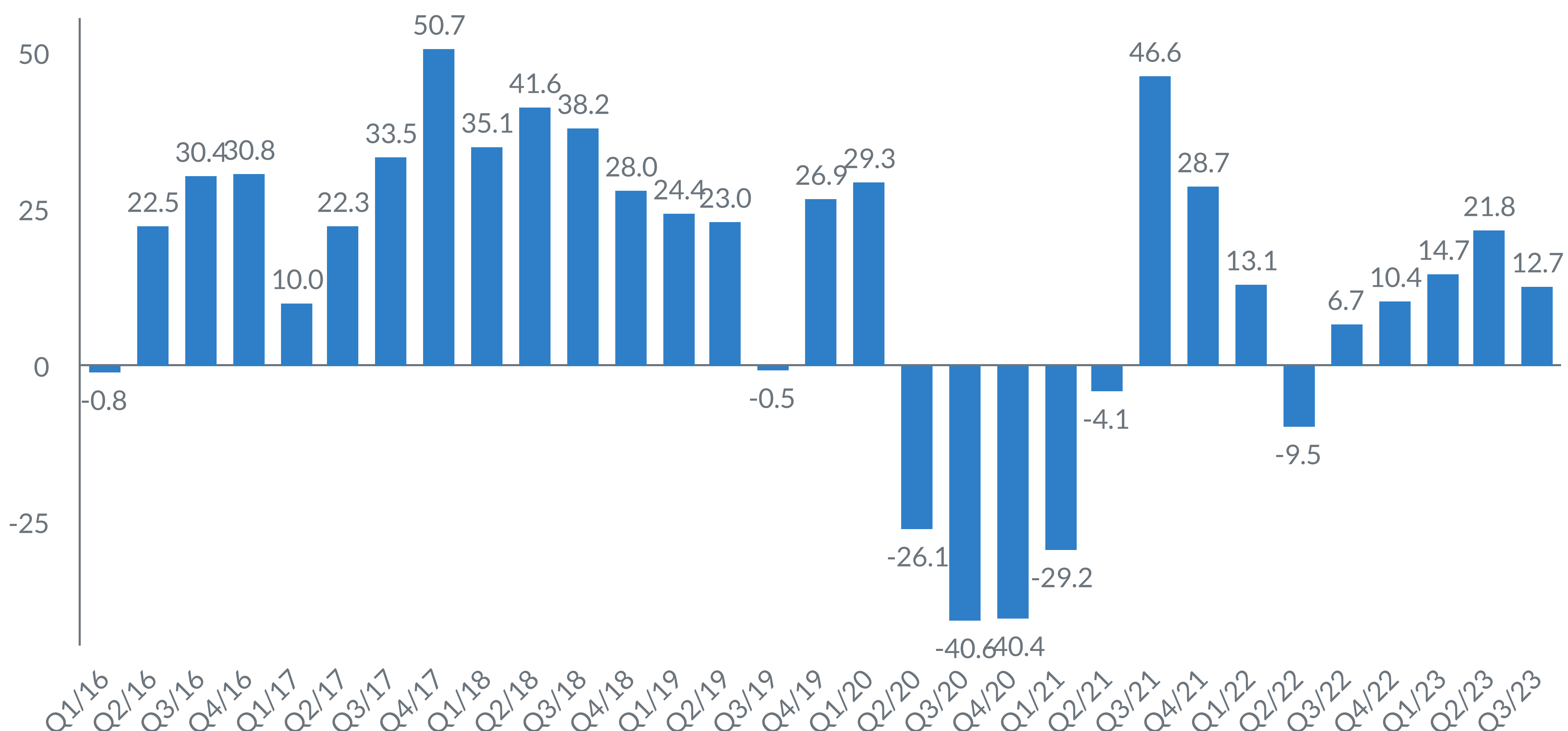
**Q3/23**

**34.2**

Business confidence for the third quarter of 2023 amounted to 34.2 for large companies and to 12.1 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 Performance by sectors

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, decreased for Q3 2023 compared to the previous quarter. Index was highest in the manufacturing (25.0), trade (21.6) and financial (20.0) sectors. The lowest past performance index was observed in agriculture sector (-29.4).

Sectors	Q3/23
<b>Manufacturing</b>	<b>25.0</b>
<b>Construction</b>	<b>0.0</b>
<b>Trade</b>	<b>21.6</b>
<b>Service</b>	<b>18.0</b>
<b>Agriculture</b>	<b>-29.4</b>
<b>Financial</b>	<b>20.0</b>
<b>Other</b>	<b>0</b>

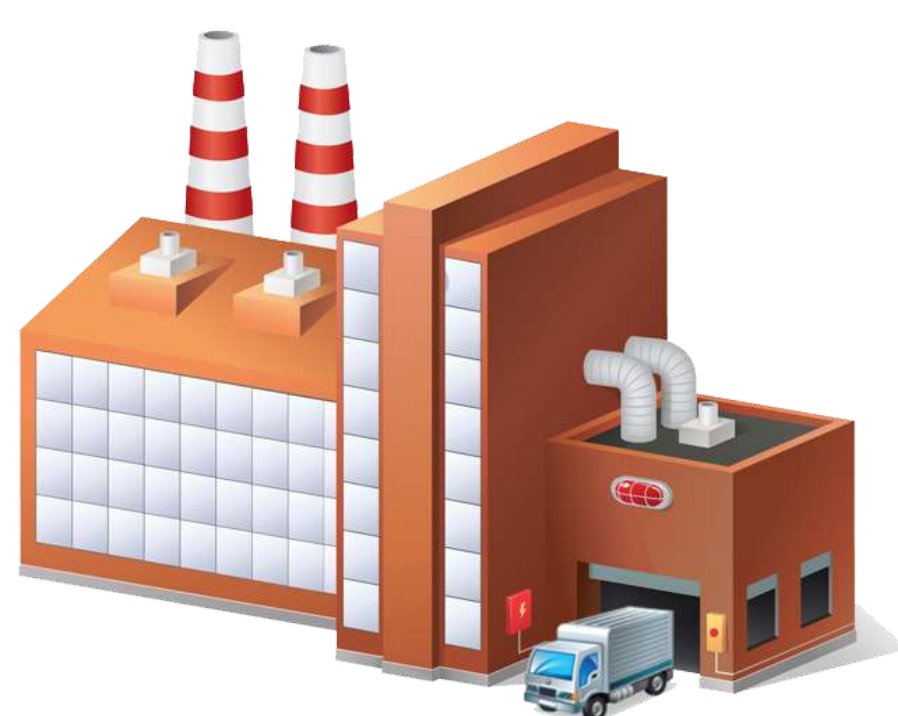
### SME



**Q3/23**

**7.1**

### Large



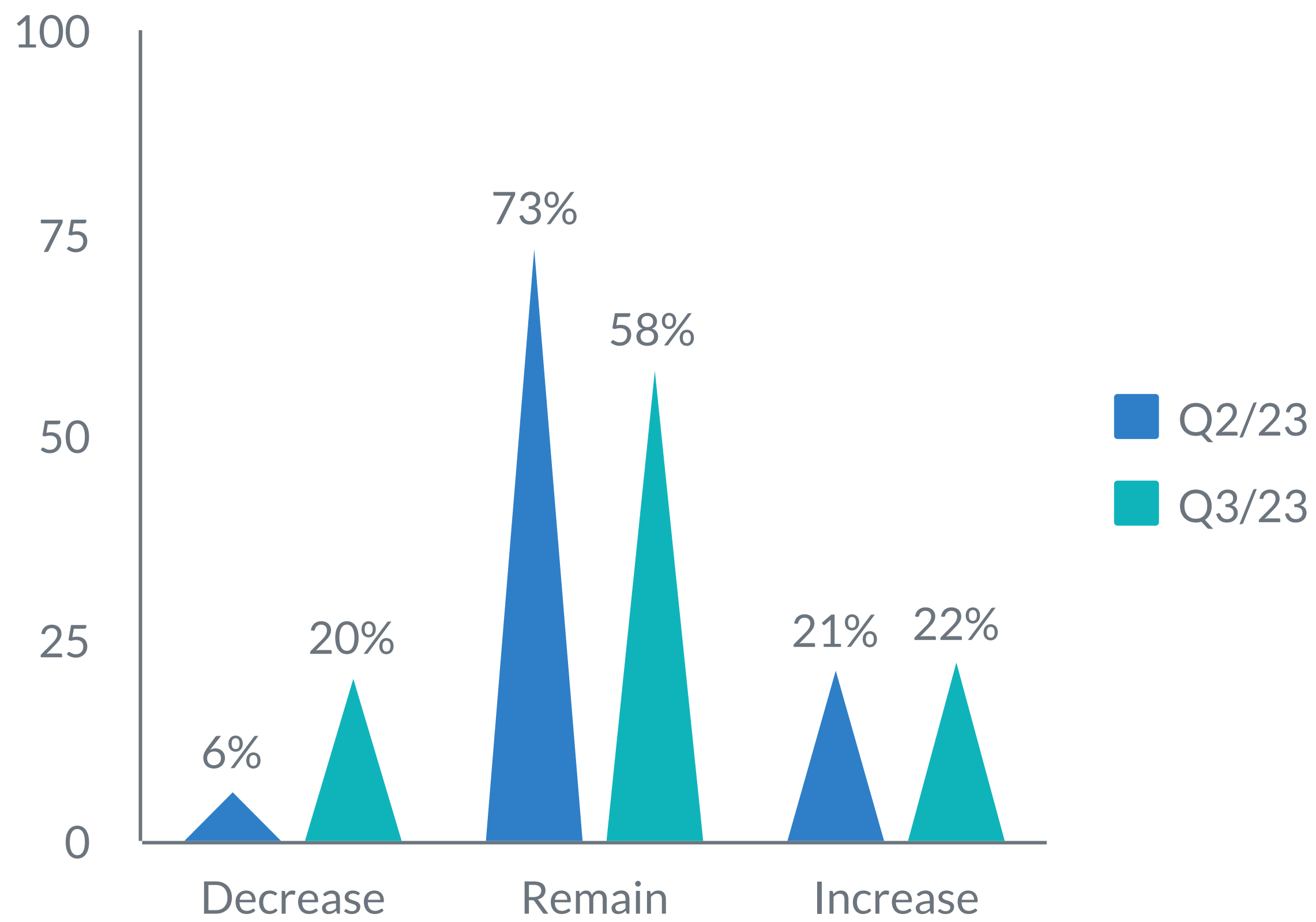
**Q3/23**

**46.4**

For large firms, the past performance index for Q3 2023 amounted to 46.4. The same indicator for SMEs reached 7.1 index points.

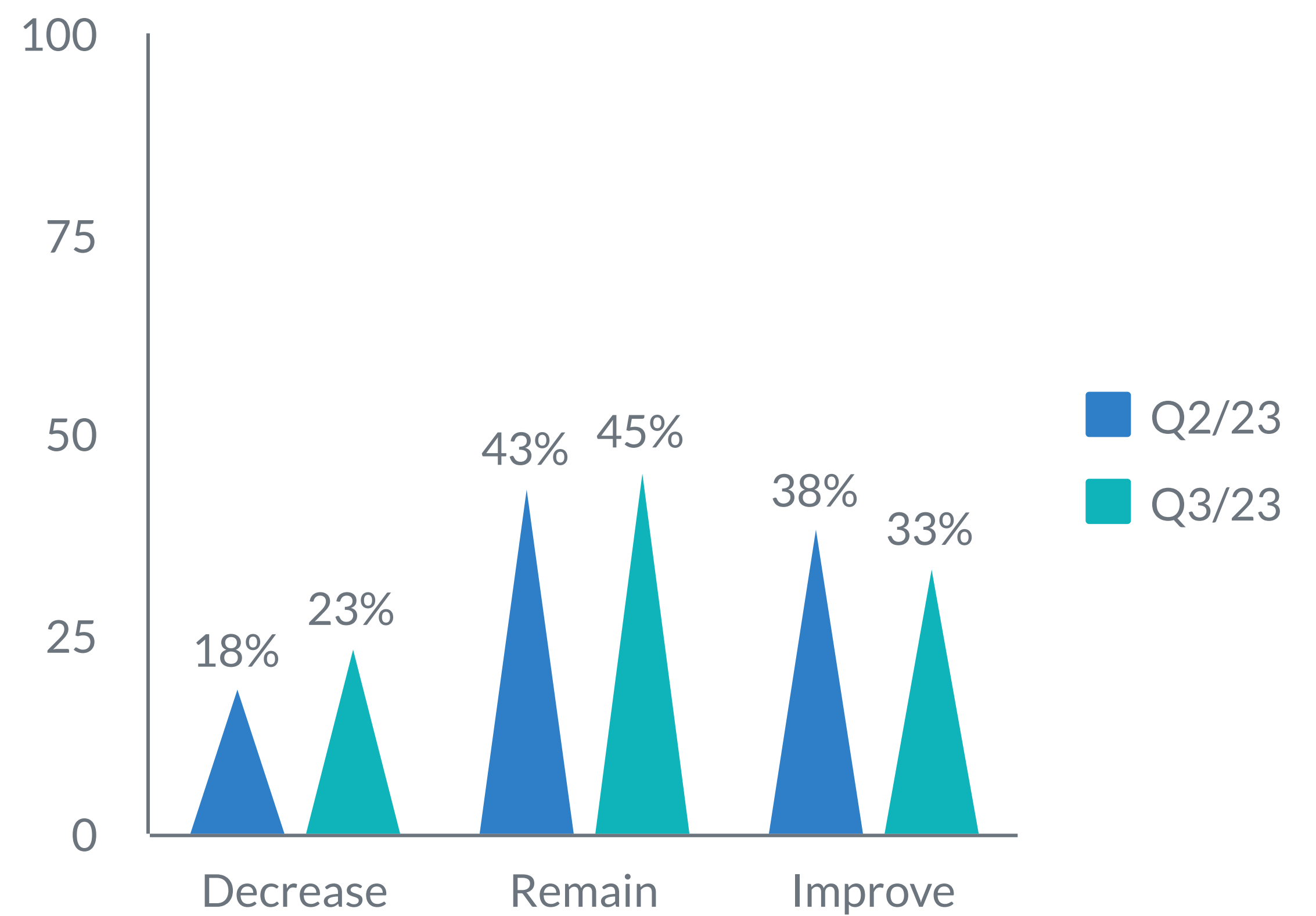


## How has your firm's total employment changed over the past 3 months?



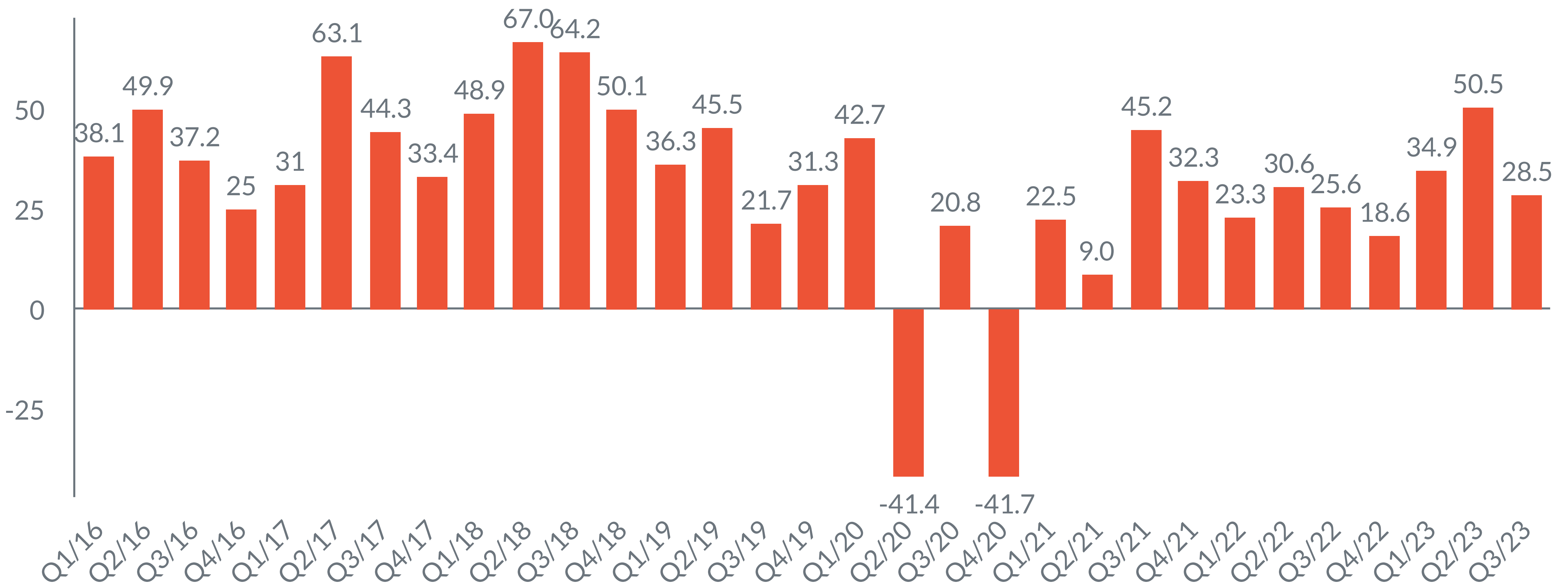
For Q3 2023, 20% of surveyed firms stated that employment had decreased over the past three months; 22% reported an increase, and 58% reported no changes in employment.

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



For Q3 2023, 23% of the companies reported a deterioration in their business activities over the past three months, 33% reported improvement and 45% of firms stated that their business activities remained unchanged.

# Expectations Index



## Expectations by sectors

The Expectations Index decreased significantly for Q3 2023 and settled at 28.5. Prospects for the next three months are highest for the manufacturing (50.0) and service (40.2) sectors. The construction sector shows the lowest expectations index (0.0) for Q3 2023.

Sectors	Q3/23
<b>Manufacturing</b>	<b>50.0</b>
<b>Construction</b>	<b>0.0</b>
<b>Trade</b>	<b>23.0</b>
<b>Service</b>	<b>40.2</b>
<b>Agriculture</b>	<b>29.4</b>
<b>Financial</b>	<b>20.0</b>
<b>Other</b>	<b>8.3</b>

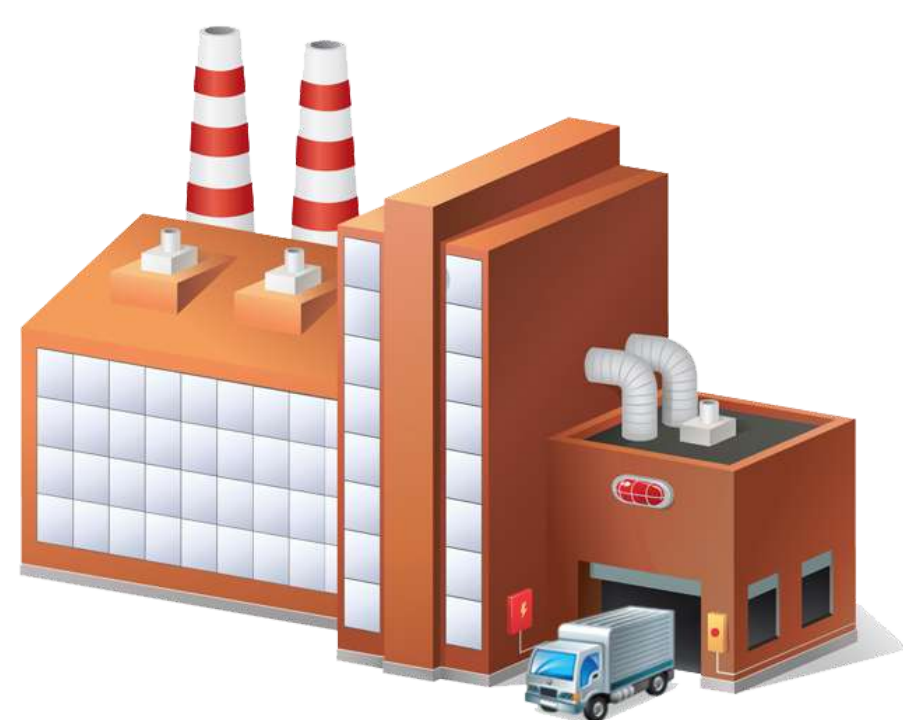
### SME



**Q3/23**

**23.1**

### Large



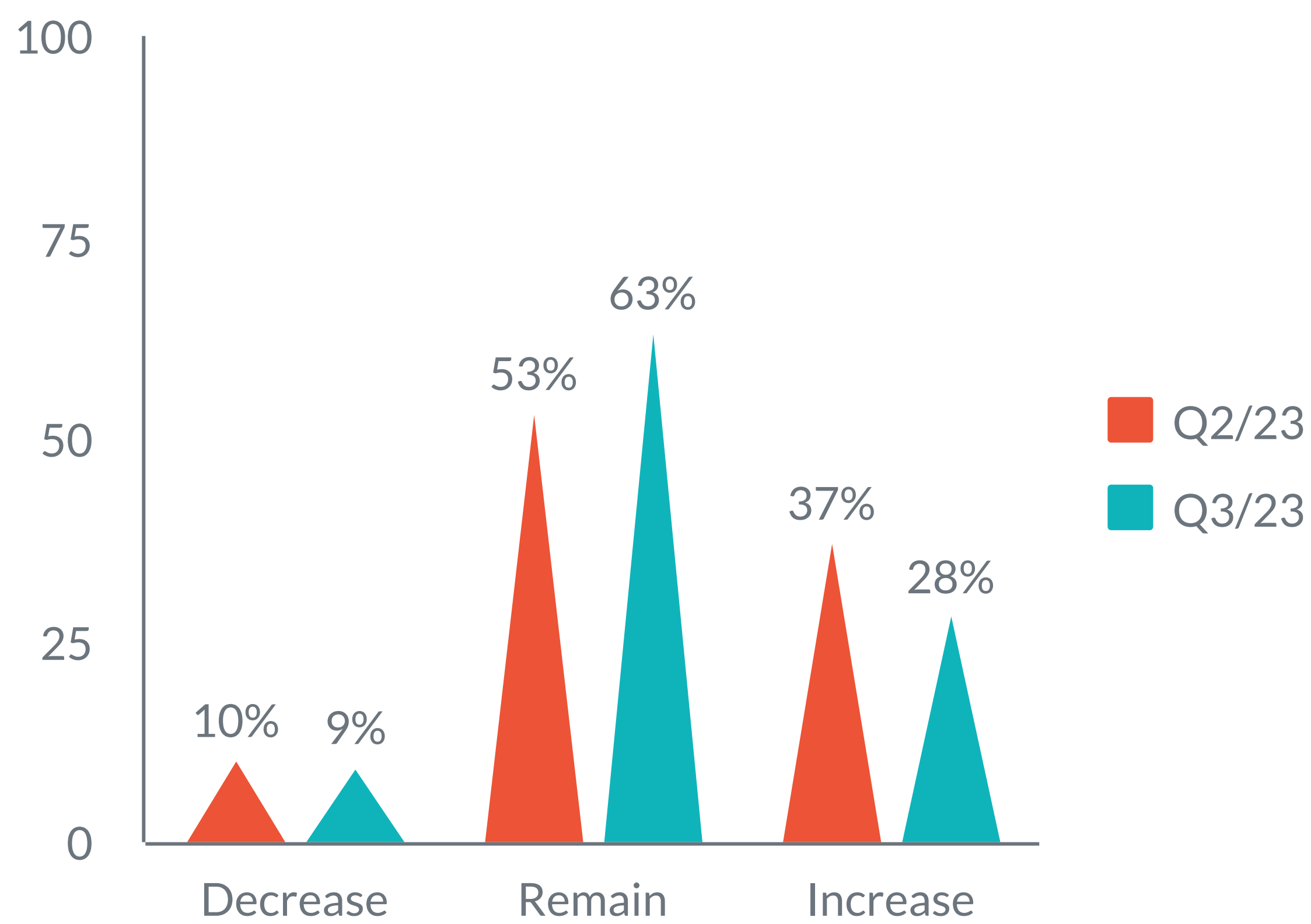
**Q3/23**

**55.7**

The expectations index reached 55.7 points for large companies, while the index amounted to 23.1 for SMEs.

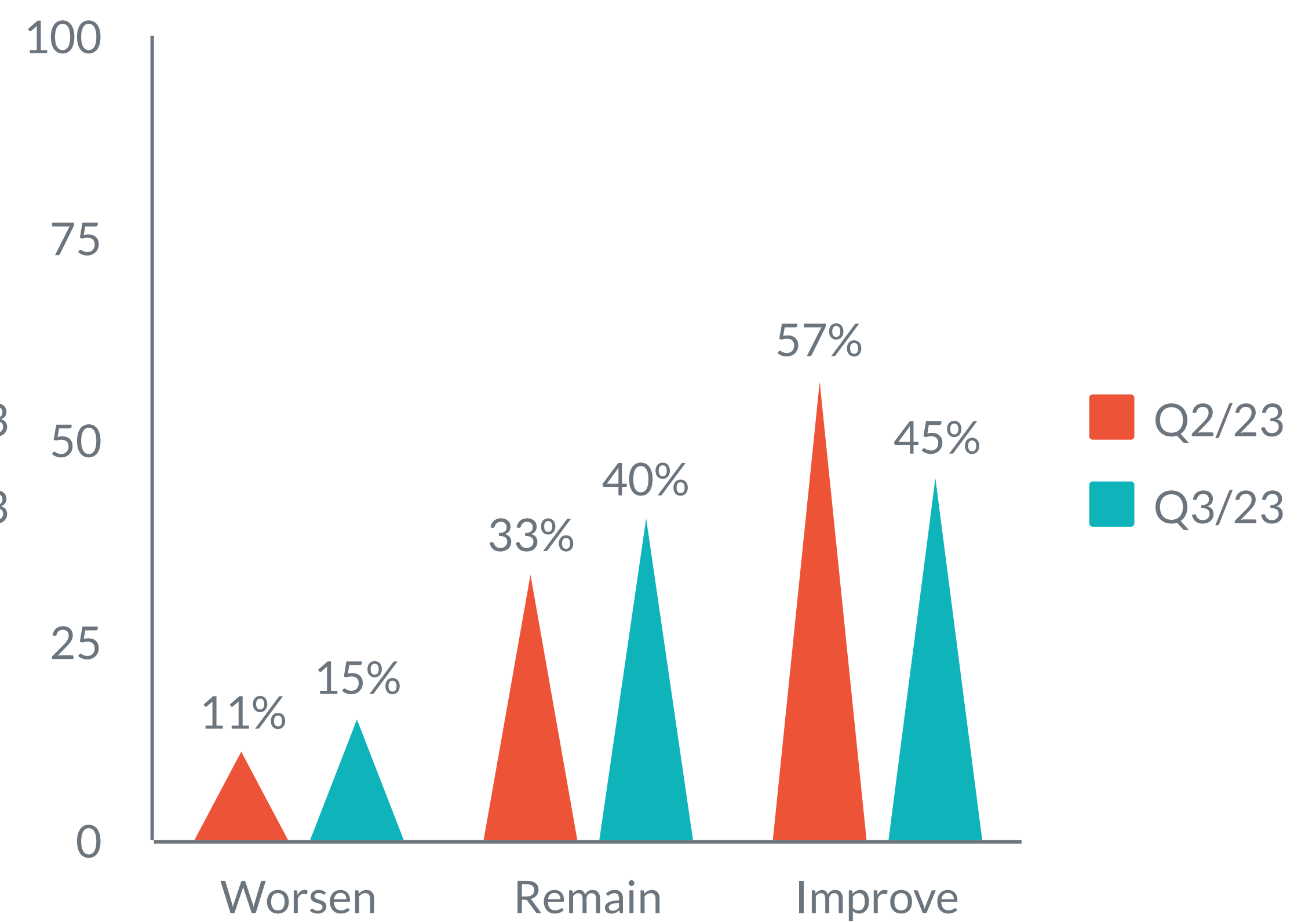


## How do you expect your firm's total employment to change over the next 3 months?



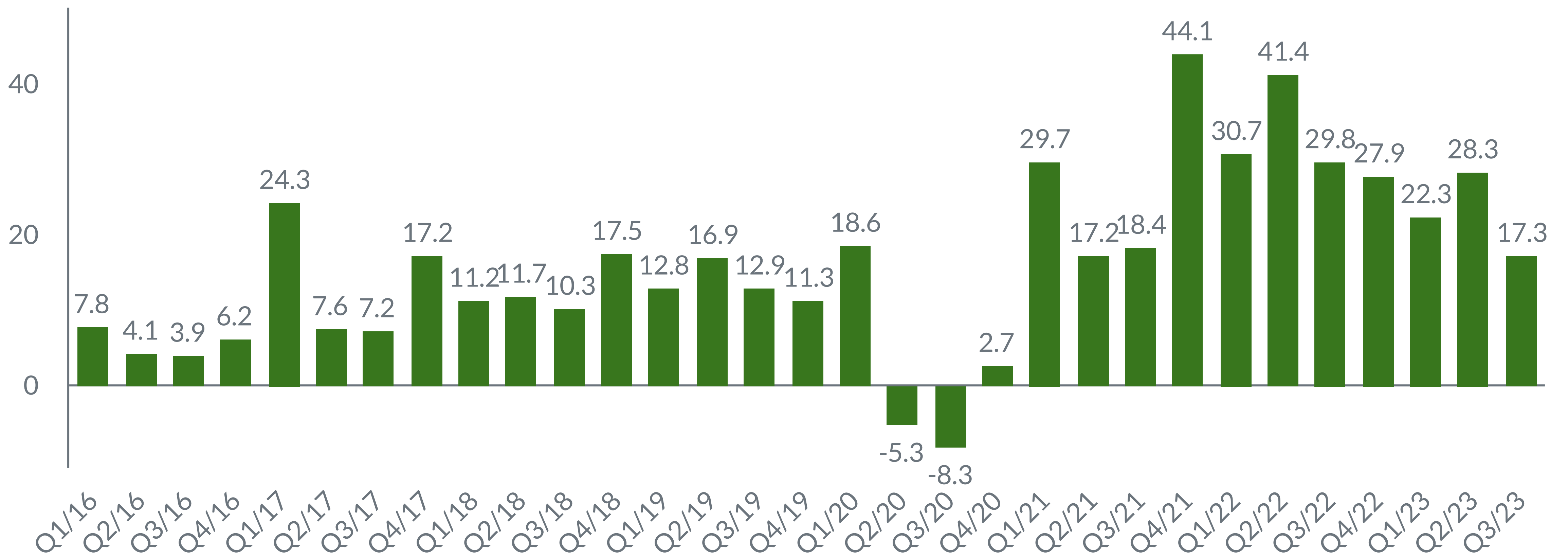
For Q3 2023, 9% of firms stated that they would hire fewer employees in the future, 28% think that they would hire more and 63% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 15% of the firms surveyed expect the economic condition of their businesses to worsen over the next three months, 45% of businesses believe their business conditions will improve and 40% do not predict any changes.

## Sales Price Expectations Index



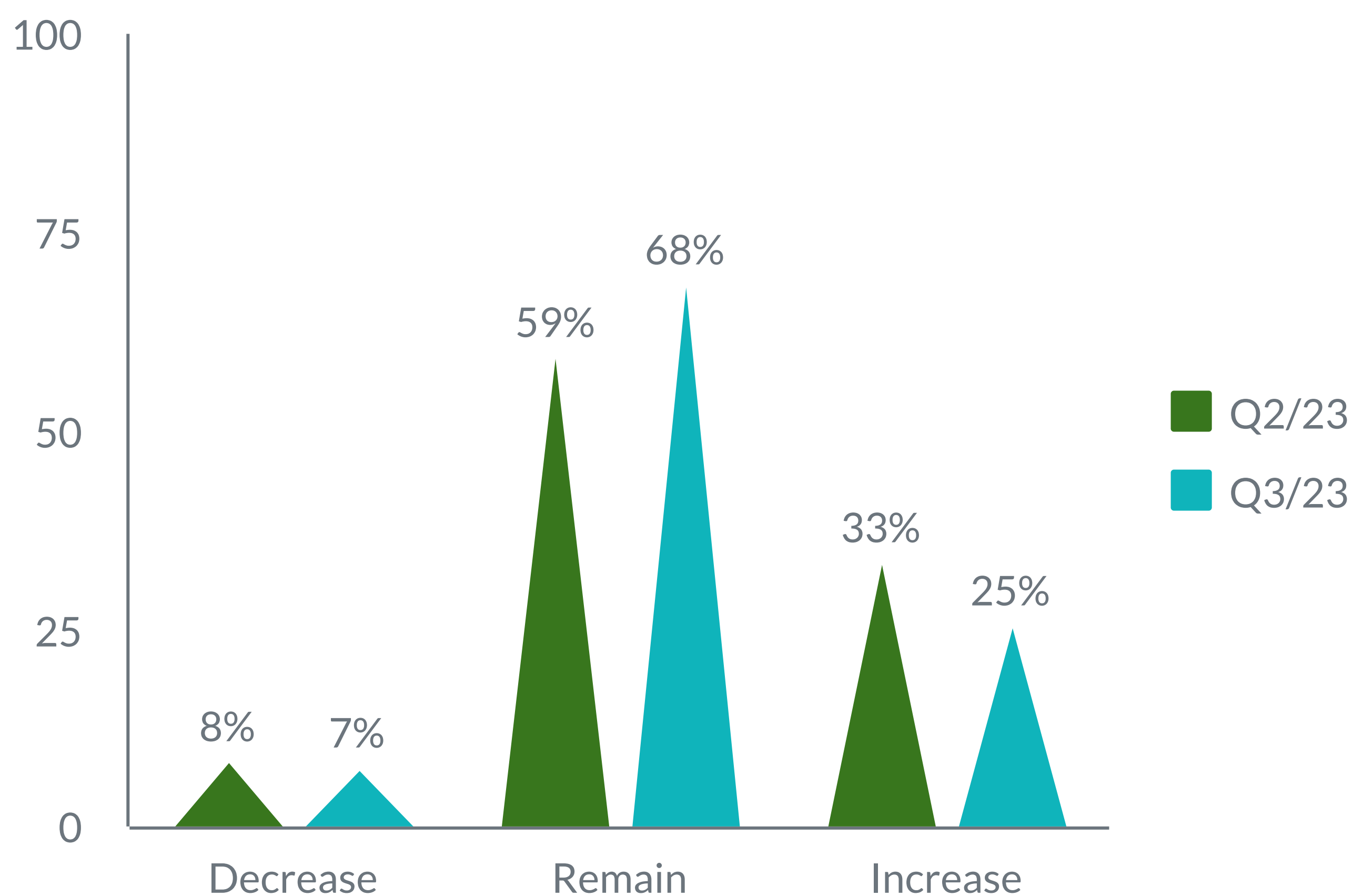
## Sales Price Expectations by sectors

The Sales Price Expectations Index decreased to 17.3 points for Q3 2023. The index was highest in the agriculture (35.3) and construction (29.4) sectors, while the manufacturing sector depicted the negative sales price expectation index, indicating that businesses anticipate charging lower prices on their products over the next three months.

For Q3 2023, index amounted to 5.4 for large companies and 19.2 points for SMEs.

Sectors	Q3/23
<b>Manufacturing</b>	<b>-5.6</b>
<b>Construction</b>	<b>29.4</b>
<b>Trade</b>	<b>8.1</b>
<b>Service</b>	<b>26.2</b>
<b>Agriculture</b>	<b>35.3</b>
<b>other</b>	<b>8.3</b>

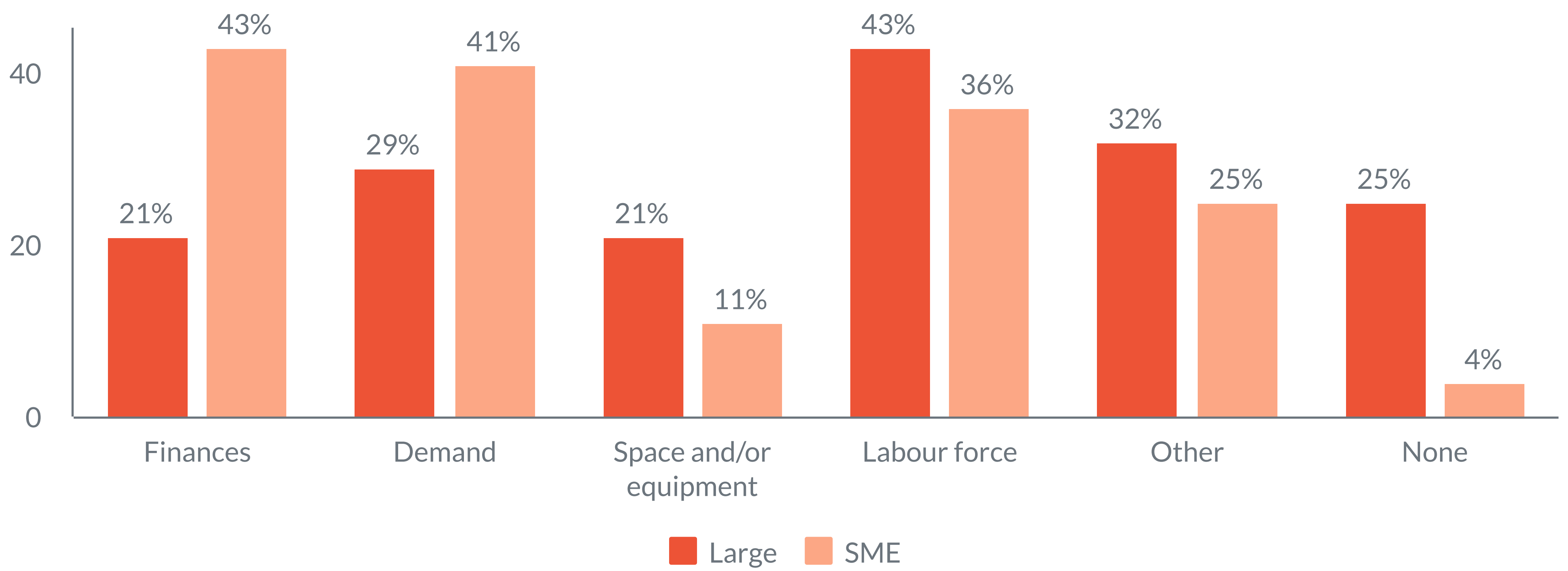
How do you expect the prices you charge to change over the next 3 months?



Around 7% of all firms surveyed intend to decrease their prices over the next three months, 25% predict an increase in their prices and the remaining 68% are not planning to change their prices in the near future.



## WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q3, 2023



For Q3 2023 lack of qualified labour force and demand are the most significant obstacles for large companies. Meanwhile, limited access to financing and lack of demand are indicated as major constraints by SMEs.



## 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
Positive	+1
Neutral	0
Negative	-1

## 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/Q3	23/Q3
<b>Manufacturing</b>	<b>18</b>	<b>10%</b>
<b>Construction</b>	<b>17</b>	<b>10%</b>
<b>Trade</b>	<b>38</b>	<b>22%</b>
<b>Service</b>	<b>61</b>	<b>35%</b>
<b>Agriculture</b>	<b>17</b>	<b>10%</b>
<b>Financial</b>	<b>10</b>	<b>6%</b>
<b>Other</b>	<b>12</b>	<b>7%</b>
<i>Source: BCI Survey Data</i>	<b>173</b>	<b>% share</b>

Table 2 - Distribution of industries by value added

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

Sectors - Number of firms by size	23/Q3	
	Large	SME
<b>Manufacturing</b>	<b>2</b>	<b>16</b>
<b>Construction</b>	<b>1</b>	<b>16</b>
<b>Trade</b>	<b>9</b>	<b>29</b>
<b>Service</b>	<b>10</b>	<b>51</b>
<b>Agriculture</b>	<b>3</b>	<b>14</b>
<b>Financial</b>	<b>4</b>	<b>6</b>
<b>Other</b>	<b>3</b>	<b>9</b>
<i>Source: BCI Survey Data</i>	<b>32</b>	<b>141</b>

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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