

BUSINESS CONFIDENCE INDEX

2.4
INCREASE

Back on track?

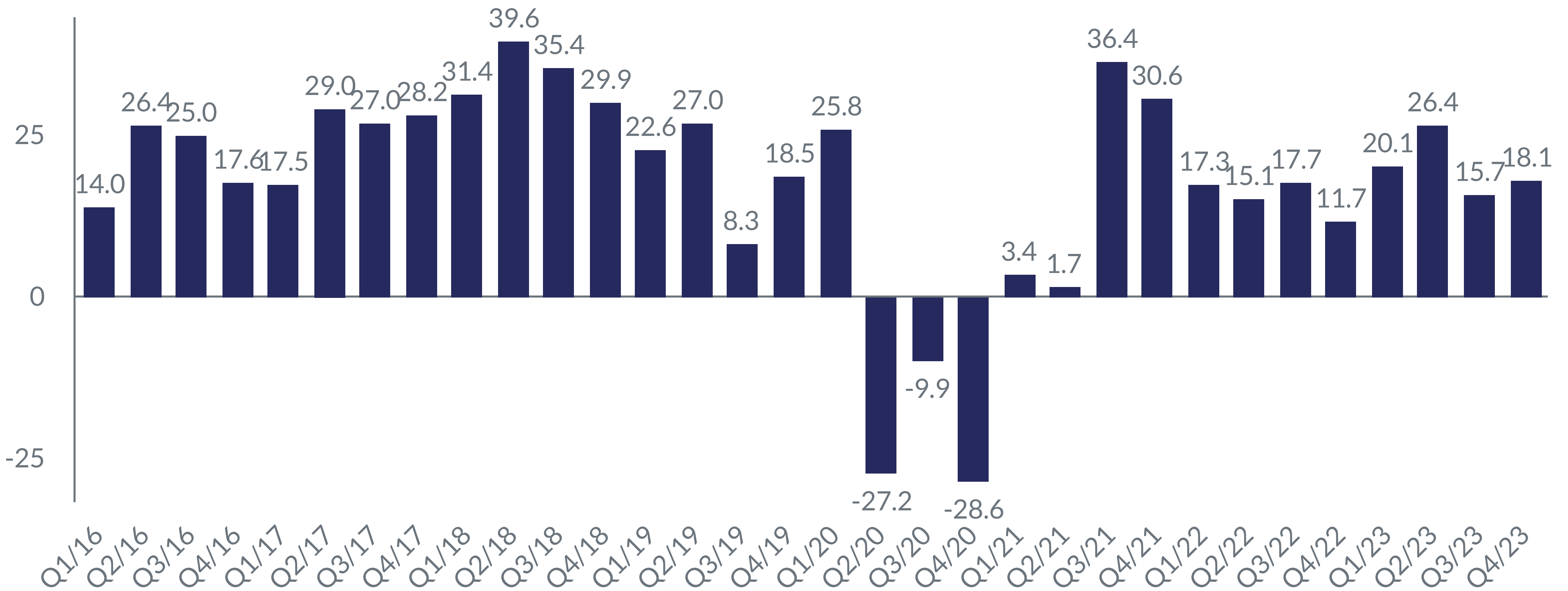
Q4 2023

Participating Companies

Large	SMEs
	
27	108

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the fourth quarter of 2023, business confidence in Georgia increased (by 2.4 index points) and reached 18.1. The highest increase in business confidence is observed in the trade (+21.7) sector. The positive change in BCI for Q4 2023 was driven by improved past performance as well as more optimistic expectations.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, increased by 10.3 points compared to Q3 2023 and reached 23.0 for Q4 2023, with the trade (+40.3) and agriculture (+29.4) sectors showing the greatest improvement.
- Expectations Index, which reflects business optimism, increased, amounting to 36.5 index points. Expectations for Q4 2023 improved significantly for trade (+41.3) and construction (+33.3) sectors.
- The Sales Price Expectations Index increased moderately by 0.3 index points and settled at 17.6, indicating only insignificant increase in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q4 2023, it is worth noting that the lack of qualified labor force has emerged as the most significant limiting factor for large companies. Access to finance comes in second as a hindrance for these large companies. Likewise, both access to finance and the lack of a qualified labor force are the most important obstacles for 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 a significant decrease in the previous quarter, BCI improved compared to Q3 2023 (+2.4), and reached 18.1 index points for Q4 2023. Expectations in the Georgian private sector have also increased by 8.0 index points, reaching 36.5. As for the business performance over the past three months, it improved, reaching 23.0 points, indicating an upturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index has also increased moderately.

Compared to Q3 2023, for Q4 2023 business confidence increased in trade (+21.7) and construction (+11.4) sectors and decreased in financial (-21.2), agriculture (-7.8), manufacturing (-4.8) and service (-1.6) sectors.

BCI by sectors

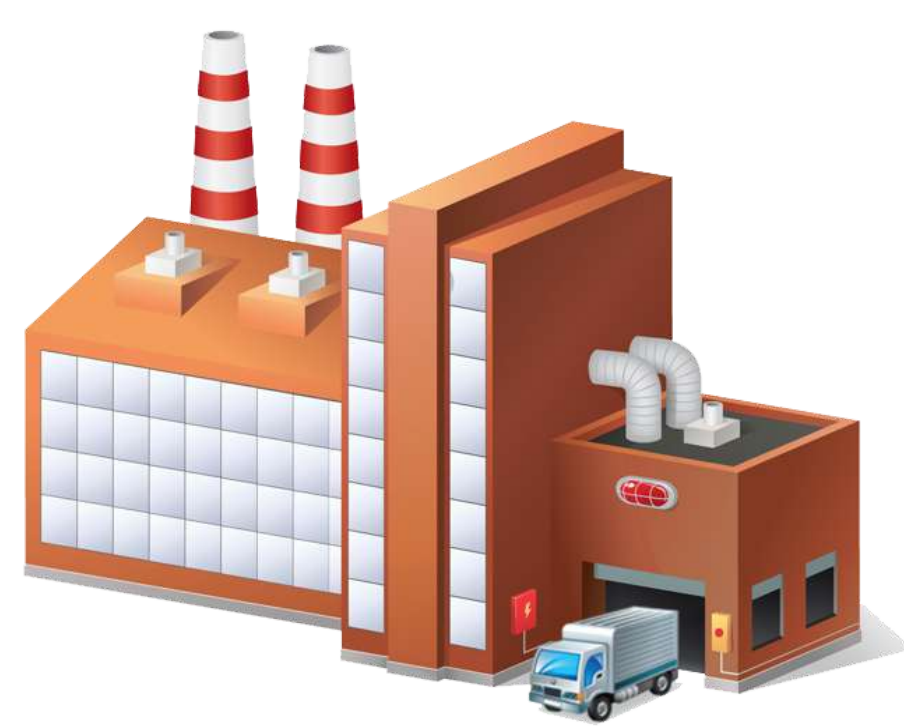
Sectors	Q4/23	Change
Manufacturing	7.1	▼ -4.8
Construction	6.7	▲ 11.4
Trade	39.7	▲ 21.7
Service	23.7	▼ -1.6
Agriculture	-5.5	▼ -7.8
Financial	5.2	▼ -21.2
Other	8.3	▲ 5.0

SME



Q4/23 **Change**
13.1 ▲ **0.9**

Large

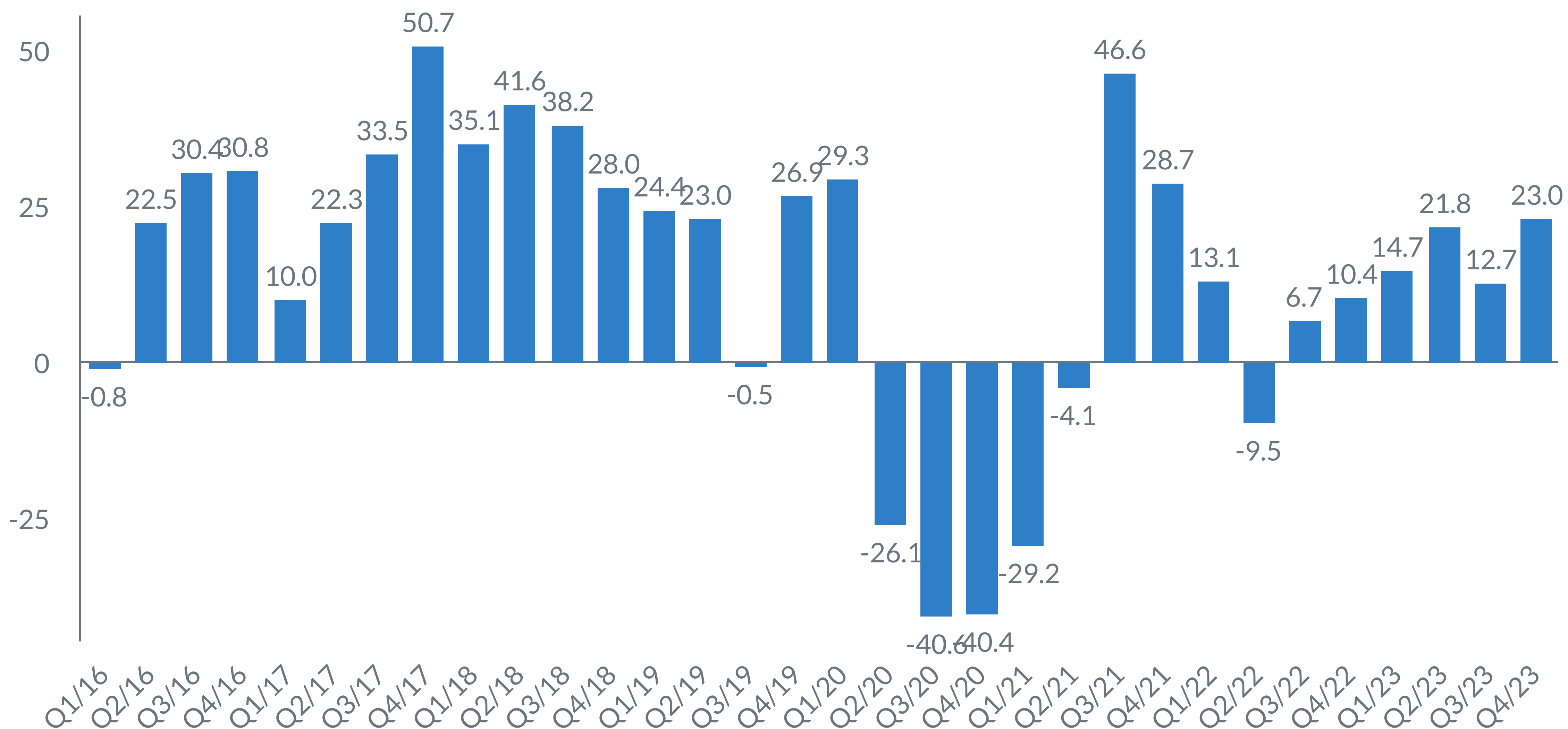


Q4/23 **Change**
38.7 ▲ **4.5**

Business confidence for the fourth quarter of 2023 has increased by 4.5 index points for large companies and by 0.9 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 Performance by sectors

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, increased for Q4 2023 compared to the previous quarter. The biggest improvement was observed in trade (+40.3) sector, followed by agriculture (+29.4), construction (+20.0) and service (+8.4) sectors. Past Performance Index decreased in financial (-39.0) and manufacturing (-12.5) sectors.

Sectors	Q4/23	Change
Manufacturing	12.5	▼ -12.5
Construction	20.0	▲ 20.0
Trade	61.9	▲ 40.3
Service	26.4	▲ 8.4
Agriculture	0.0	▲ 29.4
Financial	-19.0	▼ -39.0
Other	-8.3	▼ -8.3

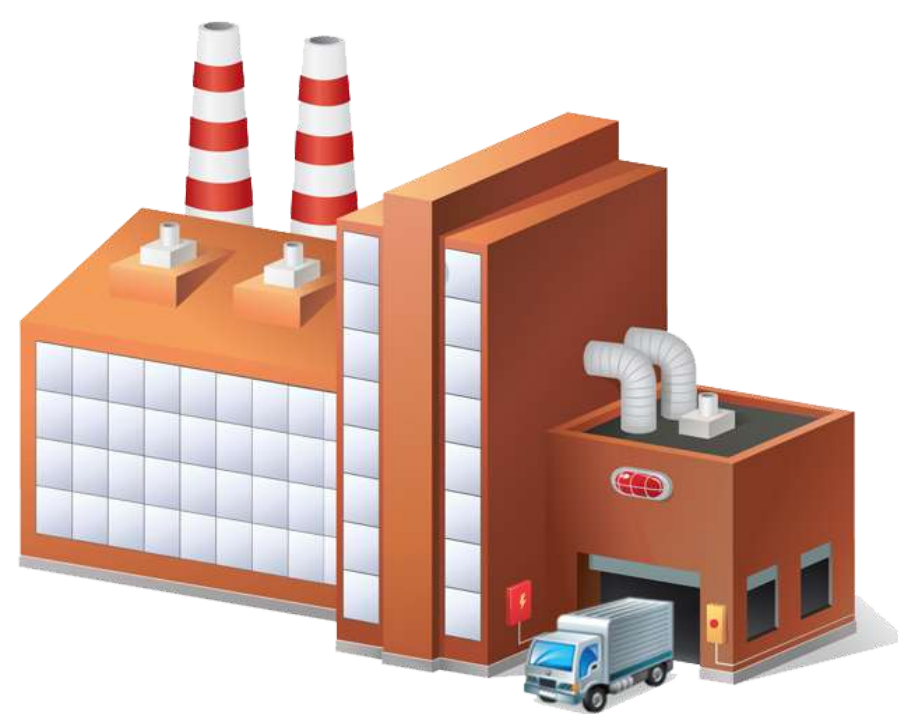
SME



Q4/23 **Change**

16.4 ▲ **9.3**

Large

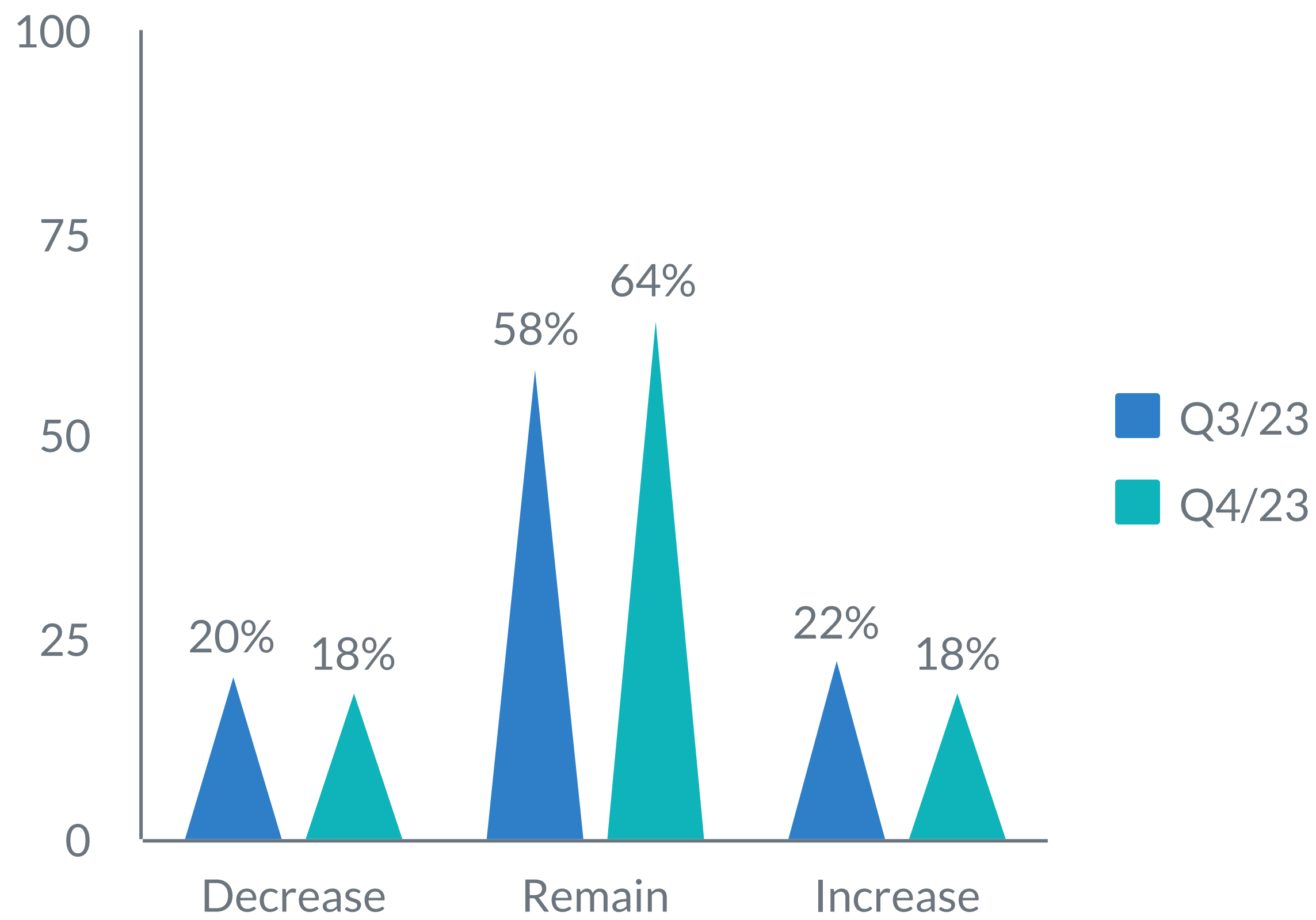


Q4/23 **Change**

48.9 ▲ **2.5**

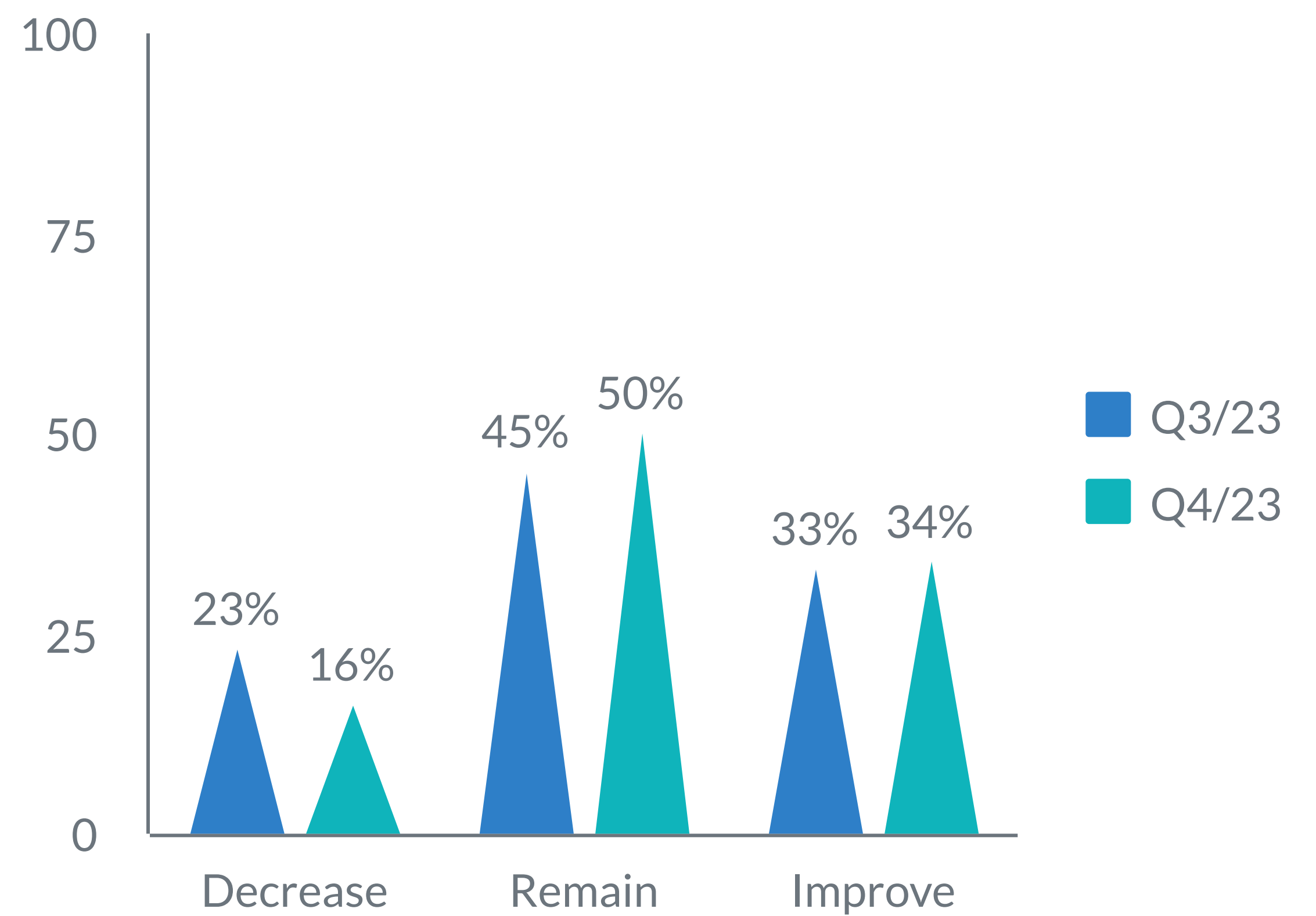
Business activities in the past 3 months have improved for both, large businesses and SMEs. For large firms, the index increased by 2.5 points and for SMEs - by 9.3 points.

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



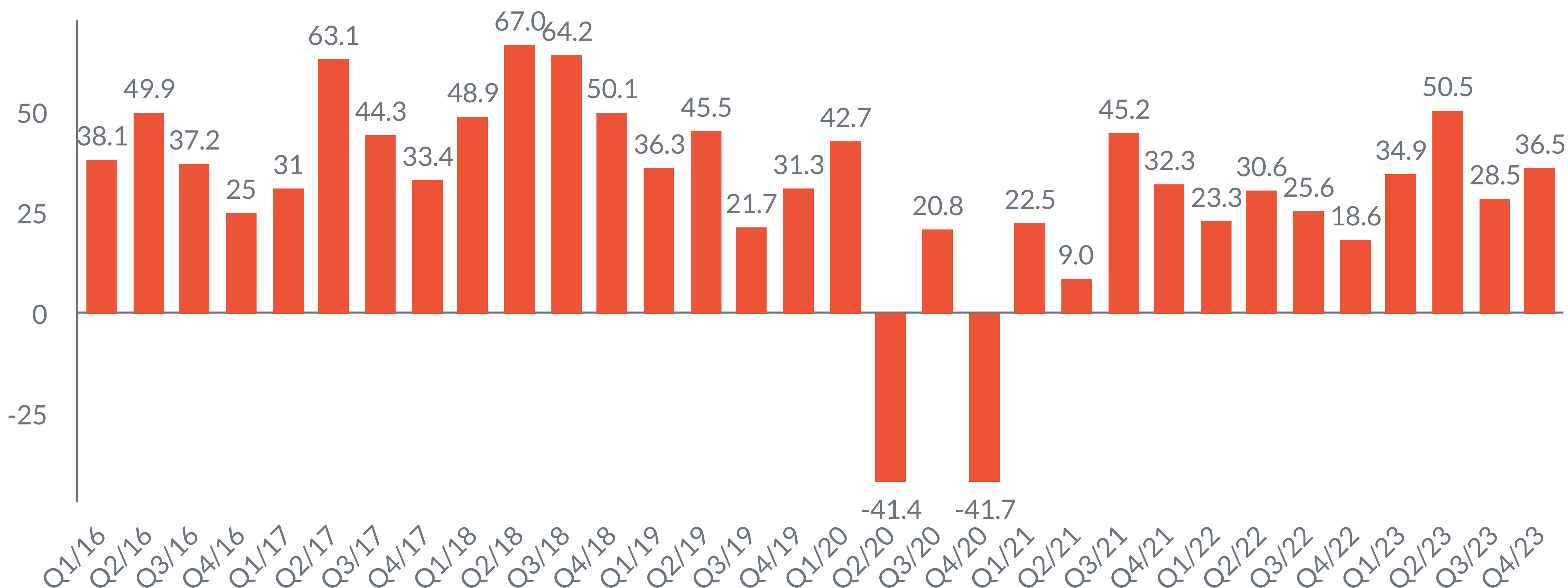
For Q4 2023, 18% of surveyed firms stated that employment had decreased over the past three months; 18% reported an increase, and 64% reported no changes in employment.

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



For Q4 2023, 16% of the companies reported a deterioration in their business activities over the past three months, 34% reported improvement and 50% of firms stated that their business activities remained unchanged.

Expectations Index



Expectations by sectors

The Expectations Index increased for Q4 2023 and amounted to 36.5 index points. Prospects for the next three months increased for trade (+41.3), construction (+33.3) and financial (+1.4) sectors and decreased for manufacturing (-18.8), agriculture (-11.2) and service (-6.2) sectors.

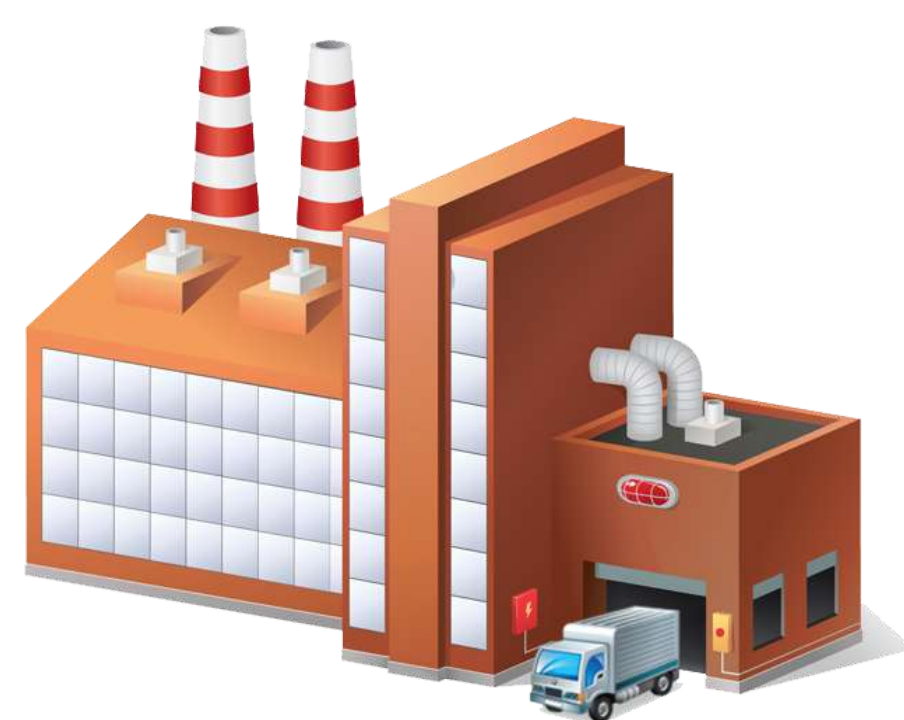
Sectors	Q4/23	Change
Manufacturing	31.3	▼ -18.8
Construction	33.3	▲ 33.3
Trade	64.3	▲ 41.3
Service	34.0	▼ -6.2
Agriculture	18.2	▼ -11.2
Financial	21.4	▲ 1.4
Other	25.0	▲ 16.7

SME



Q4/23 **Change**
28.5 ▲ **5.3**

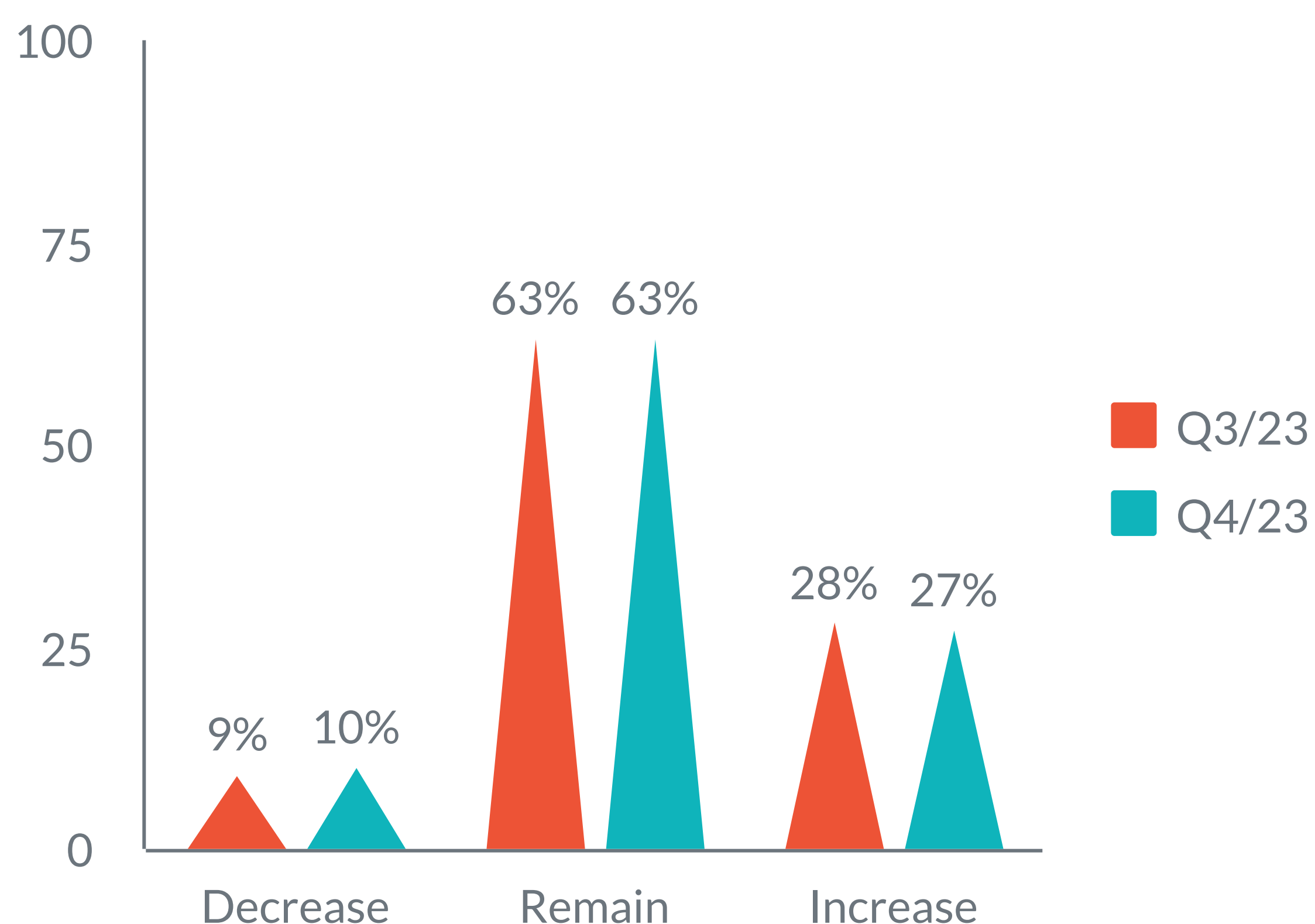
Large



Q4/23 **Change**
66.6 ▲ **11.0**

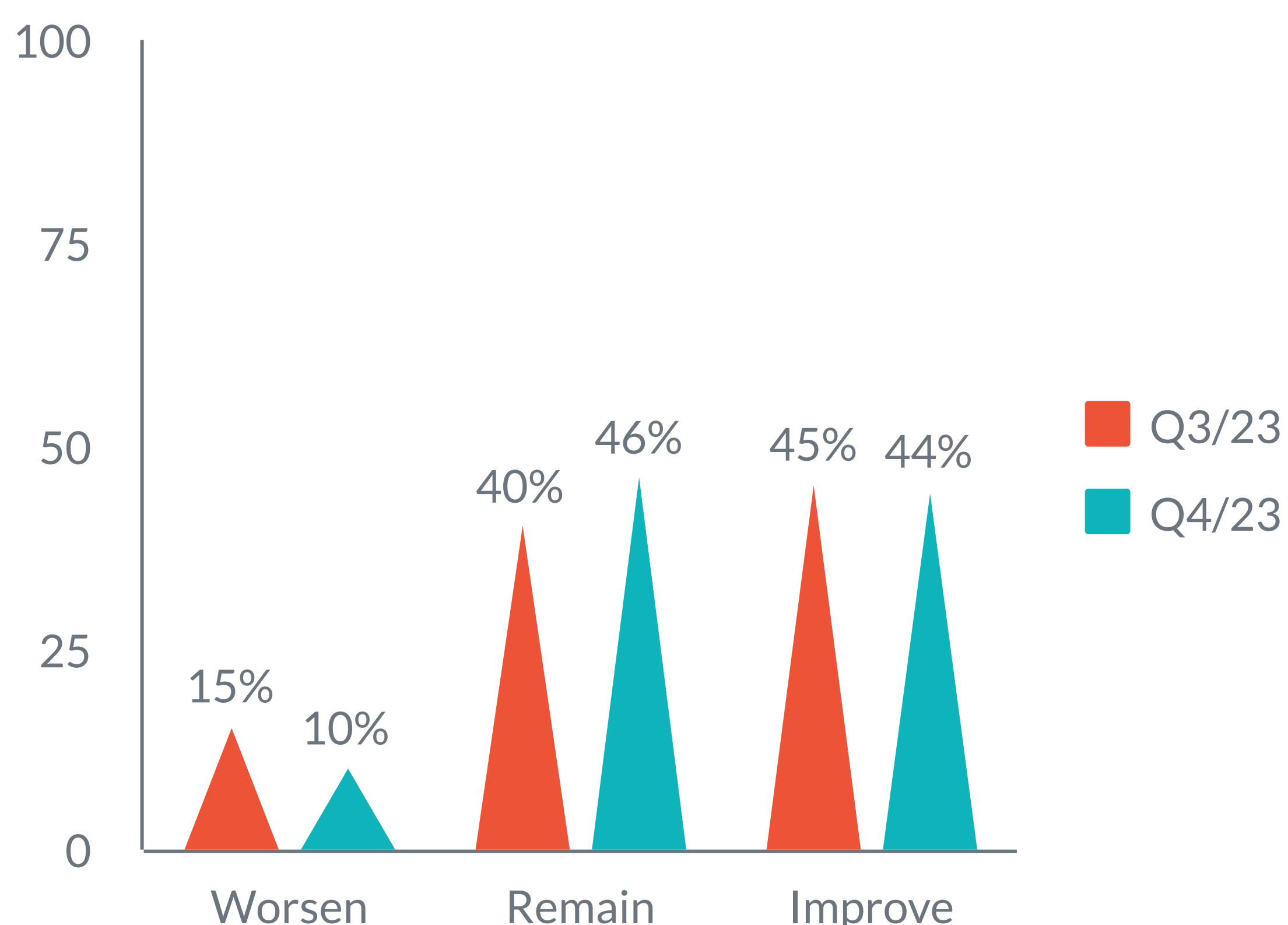
The expectations index has improved for both, large businesses and SMEs. For large firms, the index increased by 11.0 points and for SMEs - by 5.3 points.

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



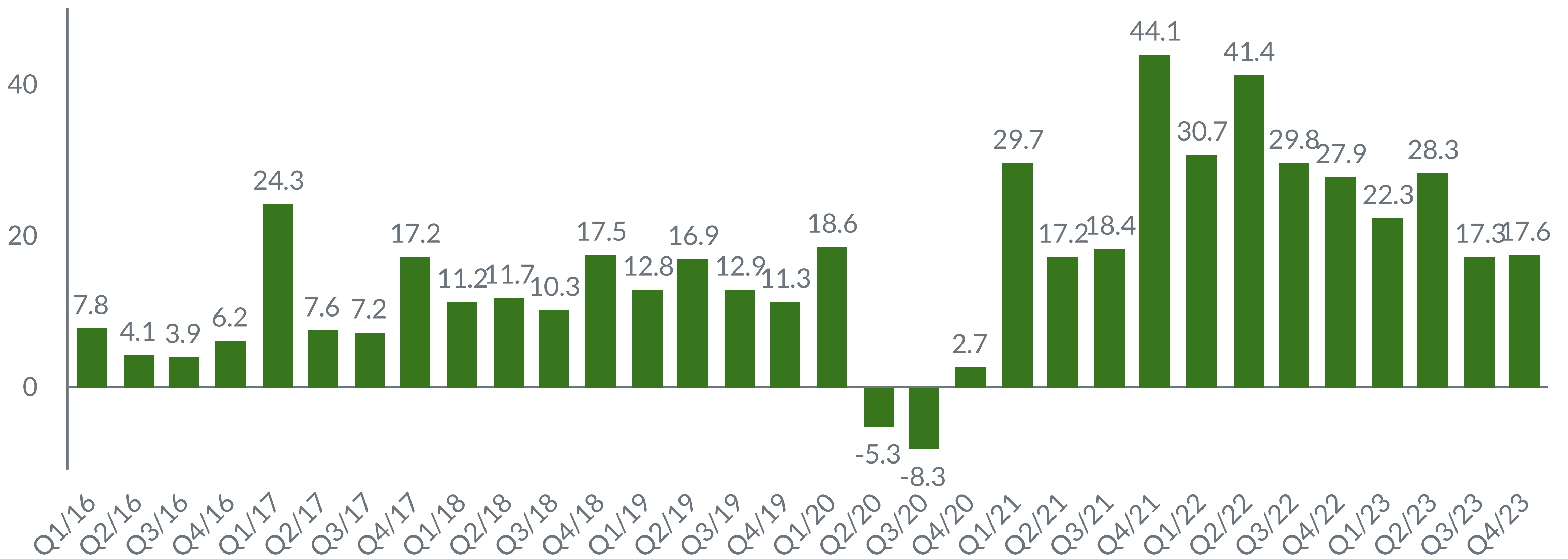
For Q4 2023, 10% of firms stated that they would hire fewer employees in the future, 27% think that they would hire more and 63% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 10% of the firms surveyed expect the economic condition of their businesses to worsen over the next three months, 44% of businesses believe their business conditions will improve and 46% do not predict any changes.

Sales Price Expectations Index



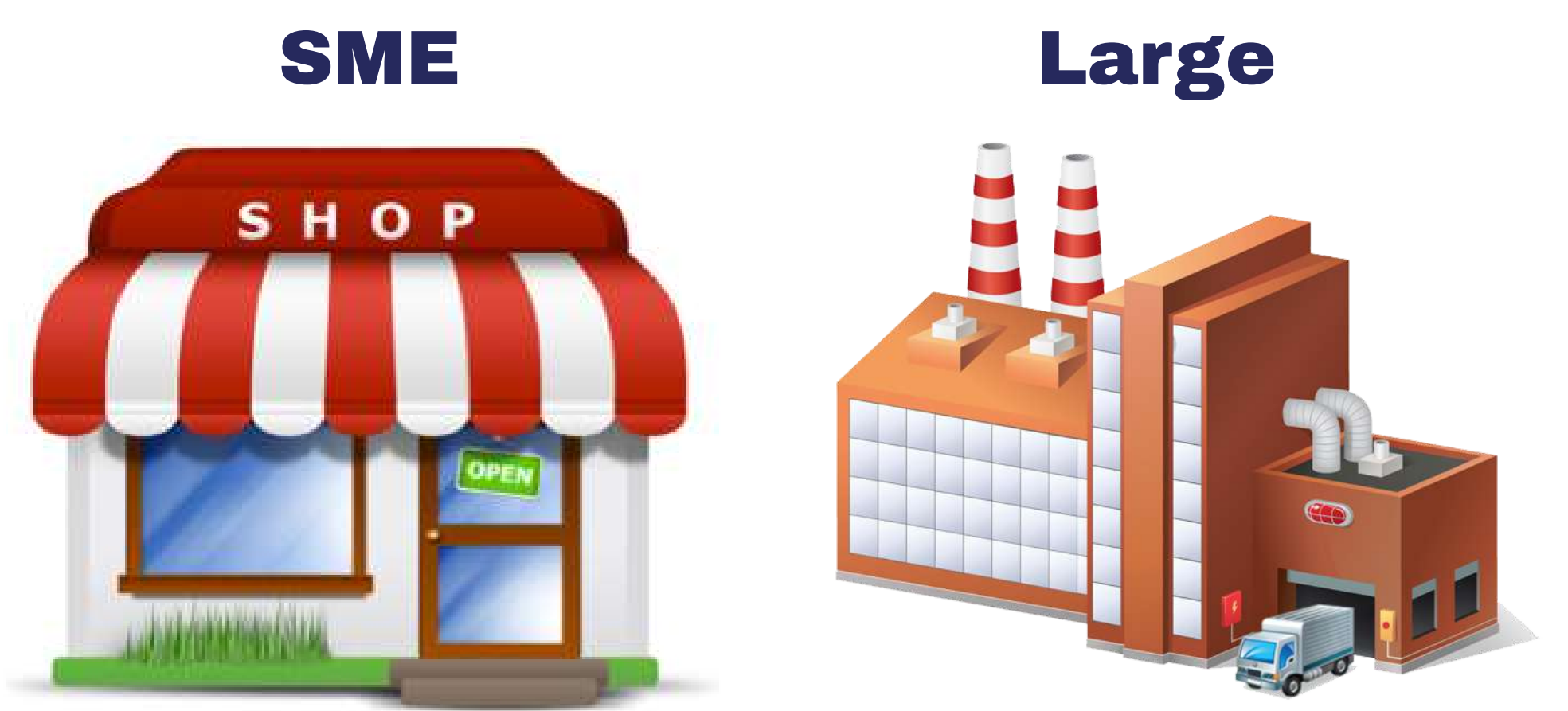
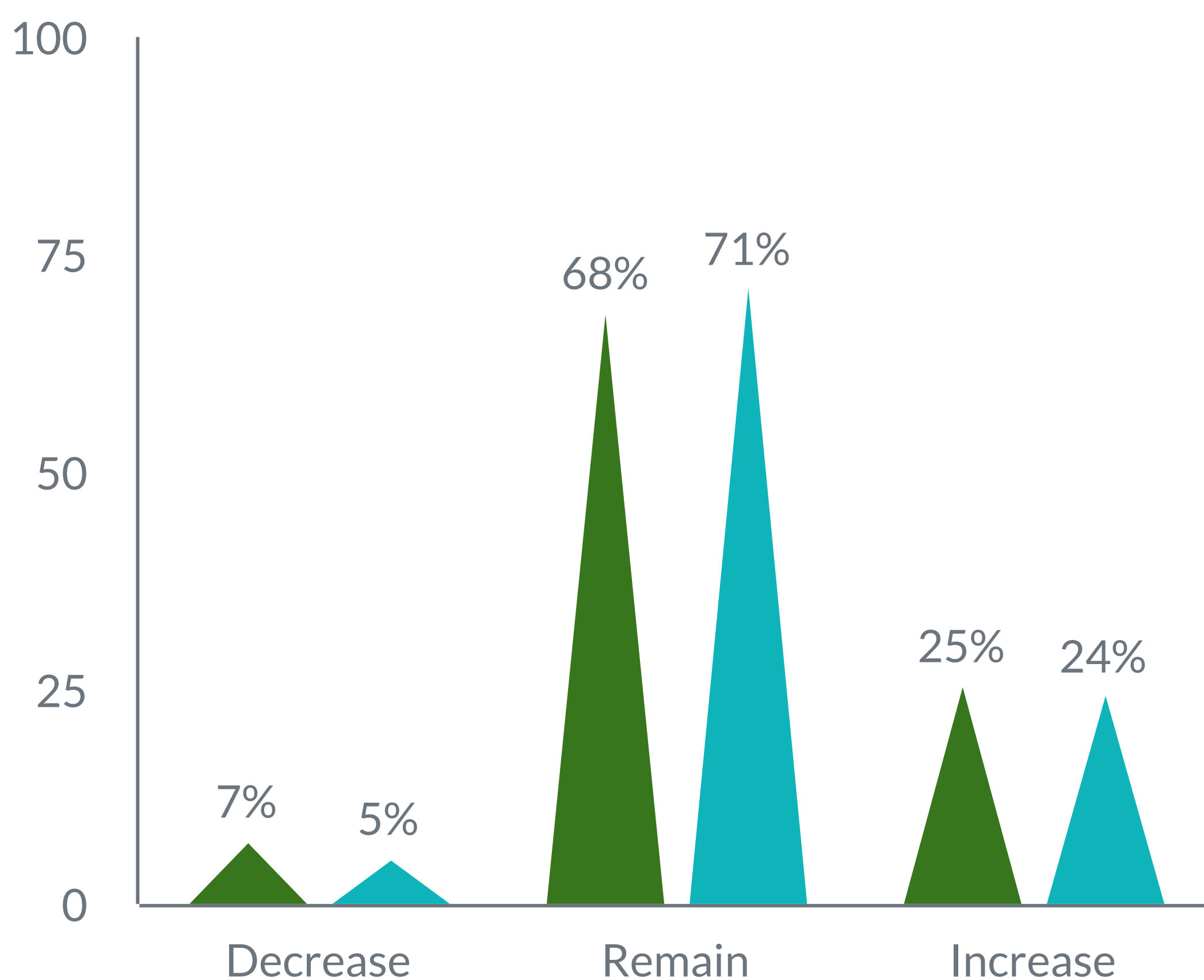
Sales Price Expectations by sectors

The Sales Price Expectations Index increased moderately to 17.6 points for Q4 2023. The index increased for all sectors, except for the agriculture (-53.3) and construction (-22.7) sectors. The biggest increase was observed in manufacturing (+36.8) sector, followed by trade (+10.9) and service (+2.1) sectors.

For Q4 2023, index improved for large (+8.8) companies and worsened for SMEs (-1.4).

Sectors	Q4/23	Change
Manufacturing	31.3	▲ 36.8
Construction	6.7	▼ -22.7
Trade	19.0	▲ 10.9
Service	28.3	▲ 2.1
Agriculture	-18.2	▼ -53.5
other	16.7	▲ 8.3

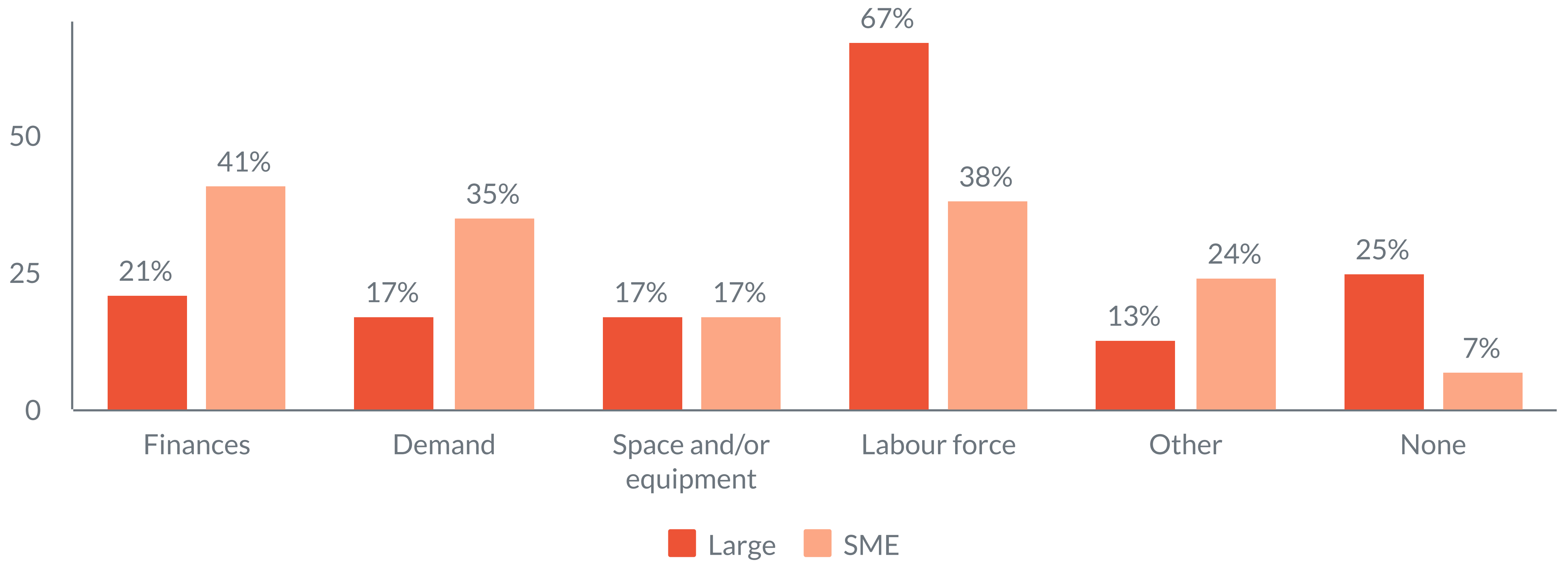
How do you expect the prices you charge to change over the next 3 months?



Q4/23	Change	Q4/23	Change
17.8	▲ -1.4	14.1	▲ 8.8

Around 5% of all firms surveyed intend to decrease their prices over the next three months, 24% predict an increase in their prices and the remaining 71% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q4, 2023



For Q4 2023, it is worth noting that the lack of qualified labor force has emerged as the most significant limiting factor for large companies. Access to finance comes in second as a hindrance for these large companies. Likewise, both access to finance and the lack of a qualified labor force are the most important obstacles for 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).

Distribution of Participating Firms by Sector and Size

Table 1 - Distribution of firms participating in the BCI survey

Sectors - Number of firms	23/Q4	23/Q4
Manufacturing	16	12%
Construction	15	11%
Trade	21	16%
Service	53	39%
Agriculture	11	8%
Financial	7	5%
Other	12	9%
Source: BCI Survey Data	135	% 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/Q4	
	Large	SME
Manufacturing	3	13
Construction	2	13
Trade	6	15
Service	8	45
Agriculture	1	10
Financial	3	4
Other	4	8
Source: BCI Survey Data	27	108

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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