

BUSINESS CONFIDENCE INDEX

0.4
DECREASE

Slight downturn in confidence

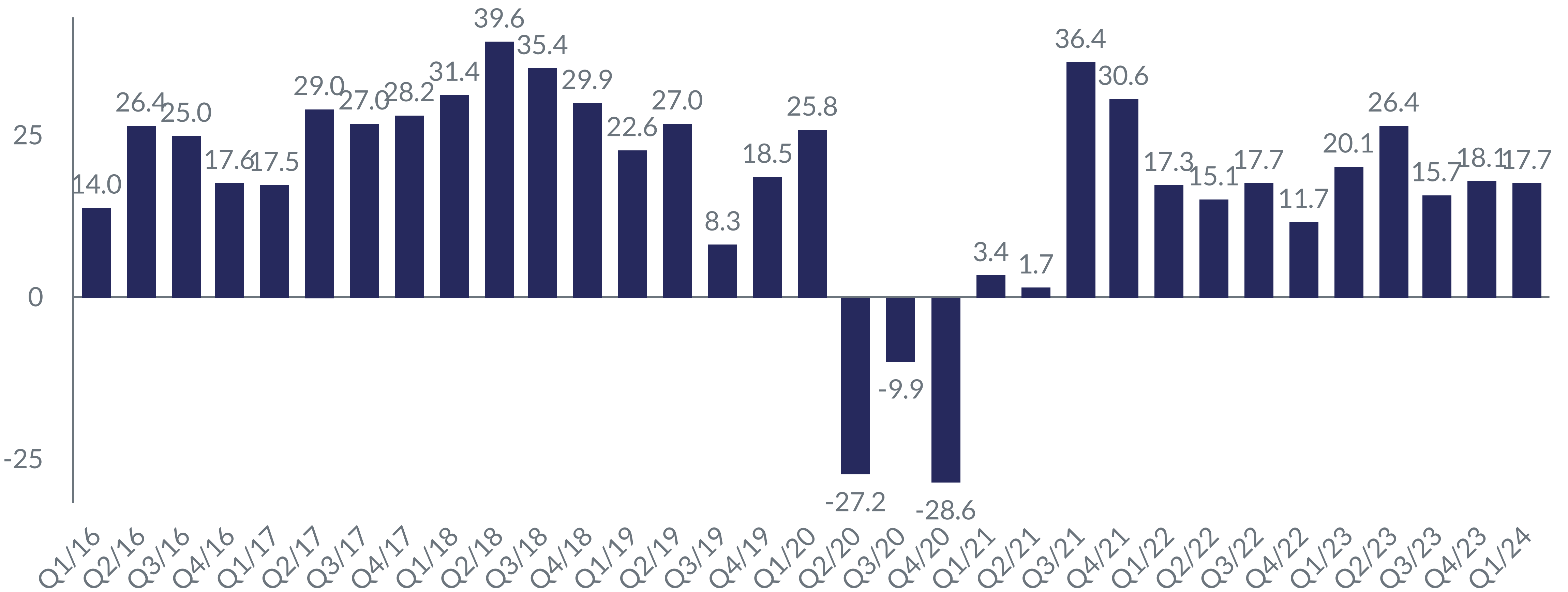
Q1 2024

Participating Companies

Large	SMEs
	
27	101

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the first quarter of 2024, business confidence in Georgia decreased slightly (by 0.4 index points) and reached 17.7. The highest decrease in business confidence is observed in the trade (-15.1) sector. The negative change in BCI for Q1 2024 was driven by decreased 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 5.0 points compared to Q4 2023 and reached 18.0 for Q1 2024, with the trade (-28.6) and manufacturing (-16.3) sectors showing the highest decline.
- Expectations Index, which reflects business optimism, decreased and settled at 34.8 index points. Expectations for Q1 2024 worsened significantly for trade (-23.8) and manufacturing (-8.2) sectors.
- The Sales Price Expectations Index increased moderately by 0.8 index points and reached 18.4, indicating only insignificant increase in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q1 2024, lack of qualified labor force continues to be the most significant limiting factor with large companies. Access to finance coming in second. As for SMEs access to finance and the lack of demand are the critical obstacles.

* 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 moderate increase in the previous quarter, BCI decreased slightly compared to Q4 2024 (-0.4), and reached 17.7 index points for Q1 2024. Expectations in the Georgian private sector have also decreased by 1.8 index points, settling at 34.8. Business performance over the past three months, worsened as well by 5.0 index points, reaching 18.0, indicating downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index increased moderately.

Compared to Q4 2023, for Q1 2024 business confidence decreased in trade (-15.1), manufacturing (-9.3) and construction (-3.6) sectors and increased in financial (+16.0), agriculture (+7.7), and service (+4.0) sectors.

BCI by sectors

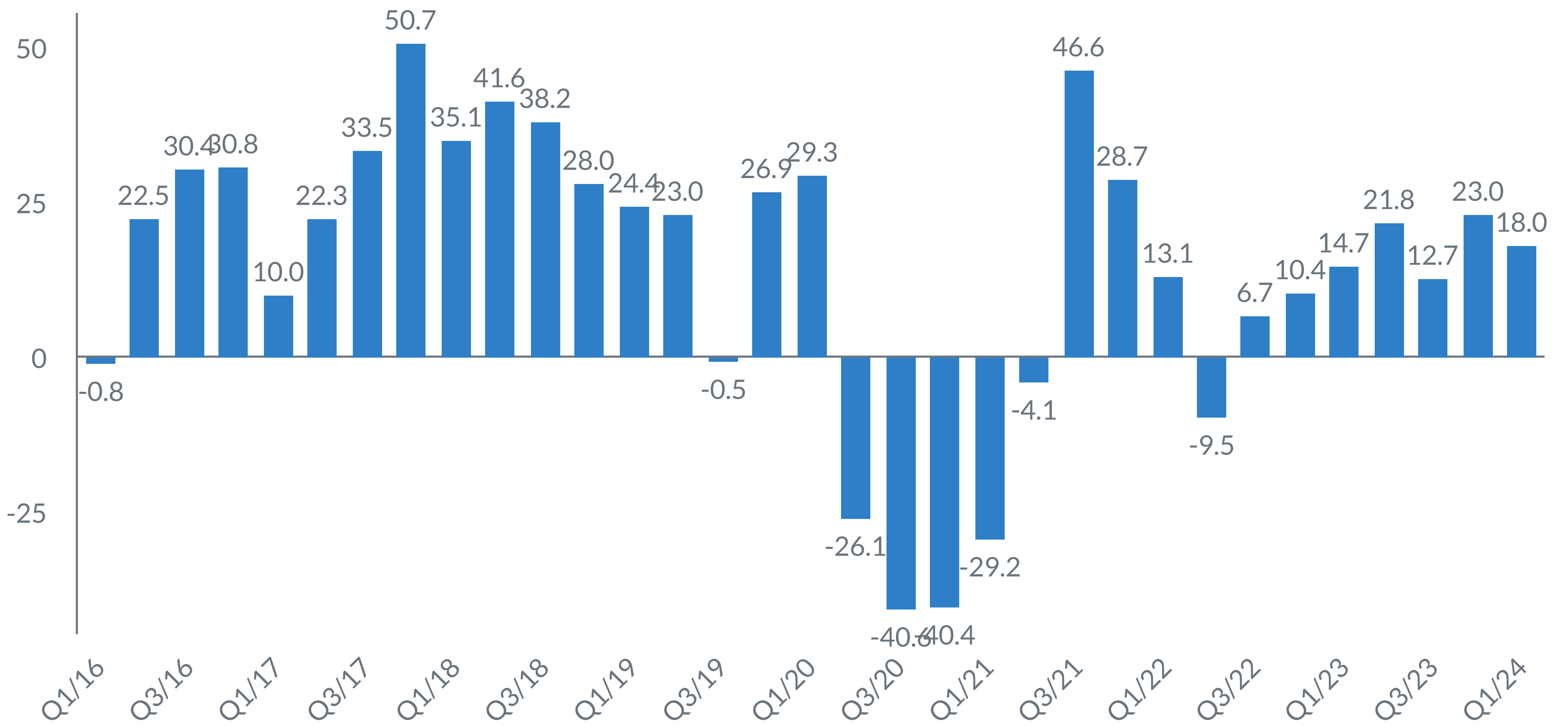
Sectors	Q1/24	Change
Manufacturing	-2.2	▼ -9.3
Construction	3.1	▼ -3.6
Trade	24.6	▼ -15.1
Service	27.7	▲ 4.0
Agriculture	2.2	▲ 7.7
Financial	21.2	▲ 16.0
Other	18.5	▲ 10.1



Business confidence for the first quarter of 2024 has decreased by 10.5 index points for large companies and increased by 1.4 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, worsened for Q1 2024 compared to the previous quarter. The highest decrease was observed in trade (-28.6) sector, followed by manufacturing (-16.3), construction (-12.3) and agriculture (-11.1) sectors. Past Performance Index increased in financial (11.6) and service (+6.2) sectors.

Sectors	Q1/24	Change
Manufacturing	-3.8	▼ -16.3
Construction	7.7	▼ -12.3
Trade	33.3	▼ -28.6
Service	32.7	▲ 6.2
Agriculture	-11.1	▼ -11.1
Financial	-7.4	▲ 11.6
Other	15.4	▲ 23.7

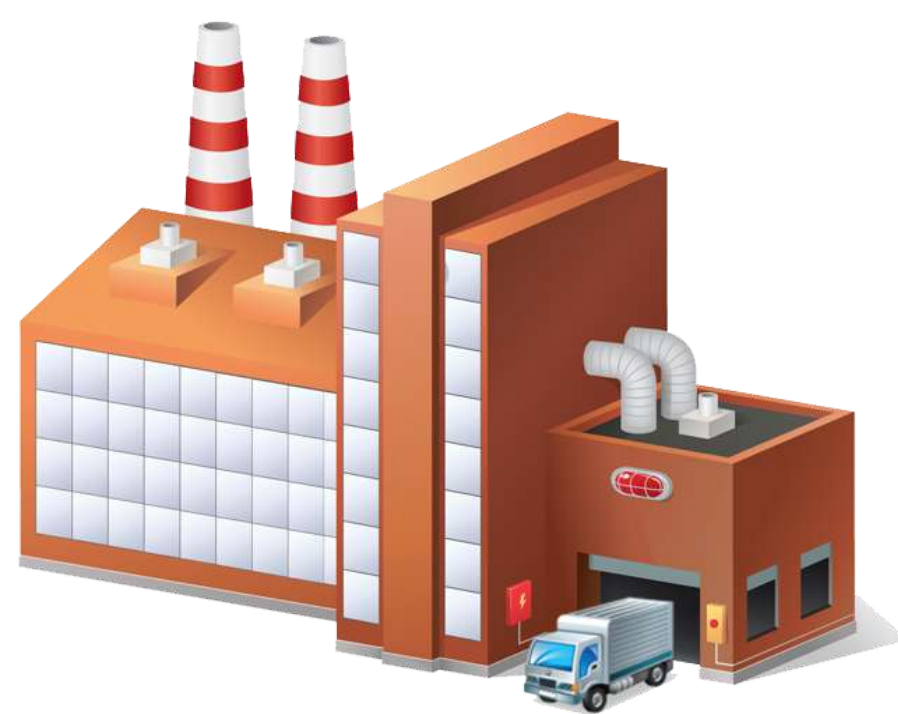
SME



Q1/24 **Change**

16.0 **▼ -0.3**

Large

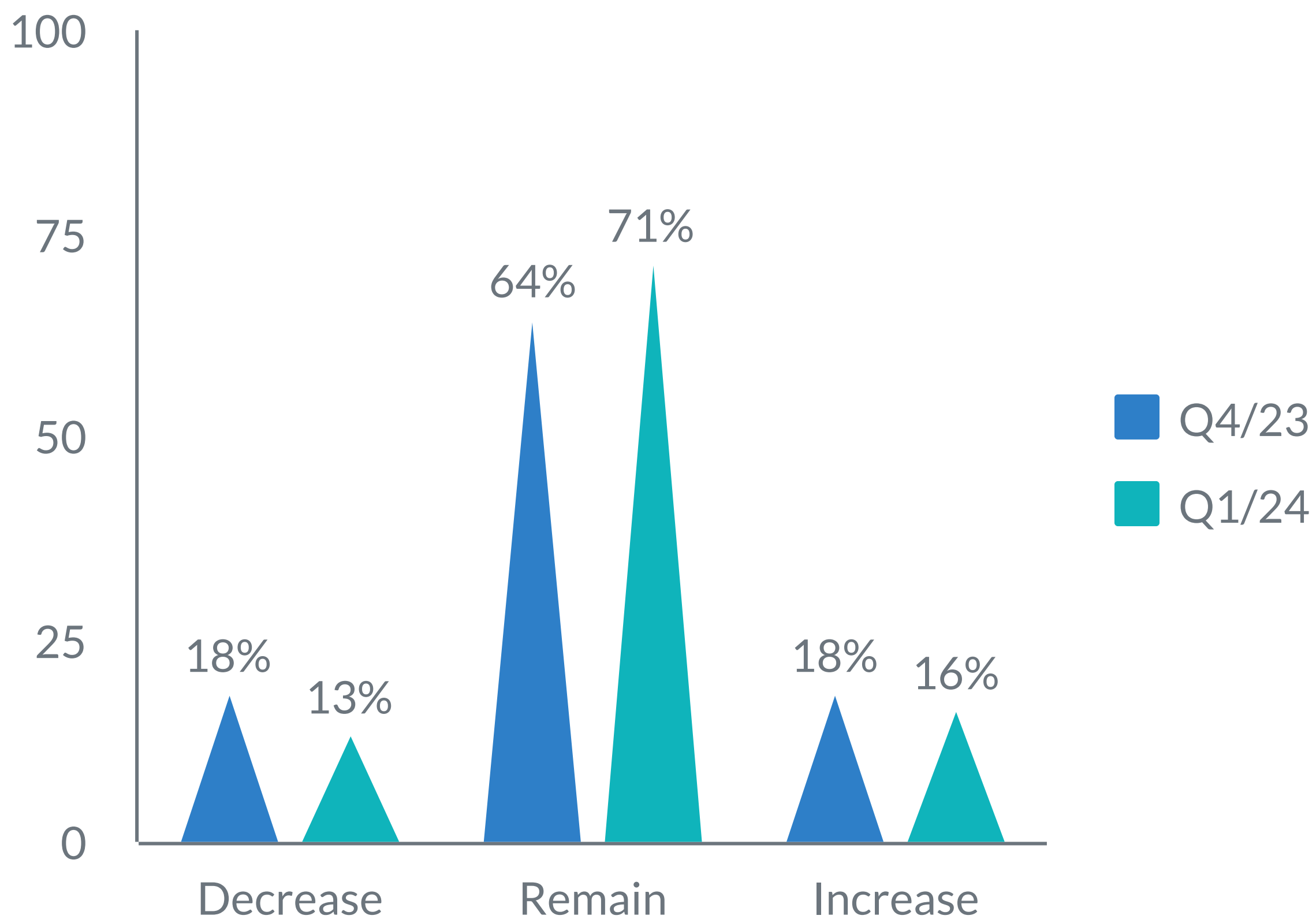


Q1/24 **Change**

30.8 **▼ -18.1**

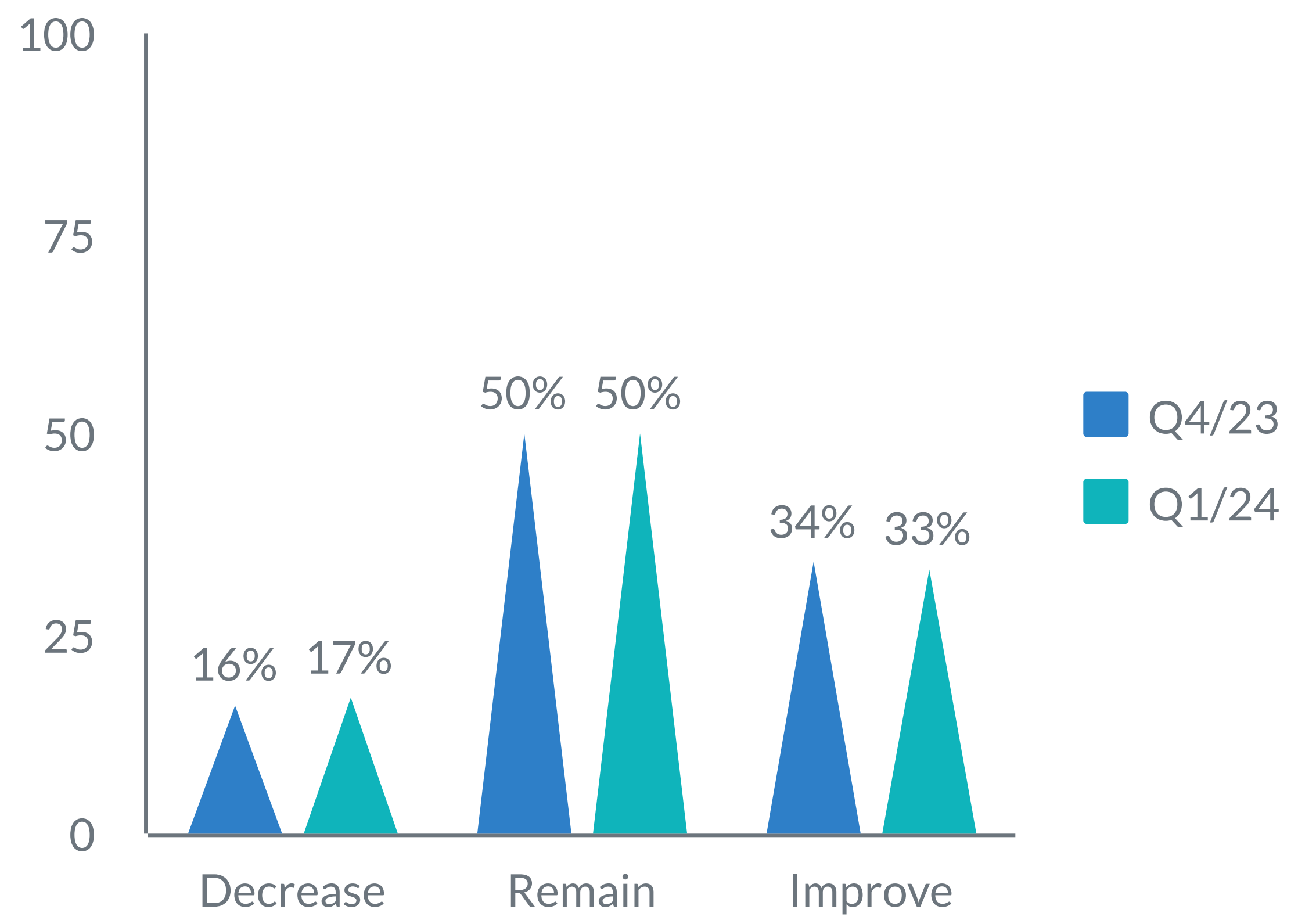
Business activities in the past 3 months have declined for both, large businesses and SMEs. For large firms, the index decreased by 18.1 points and for SMEs - by 0.3 points.

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



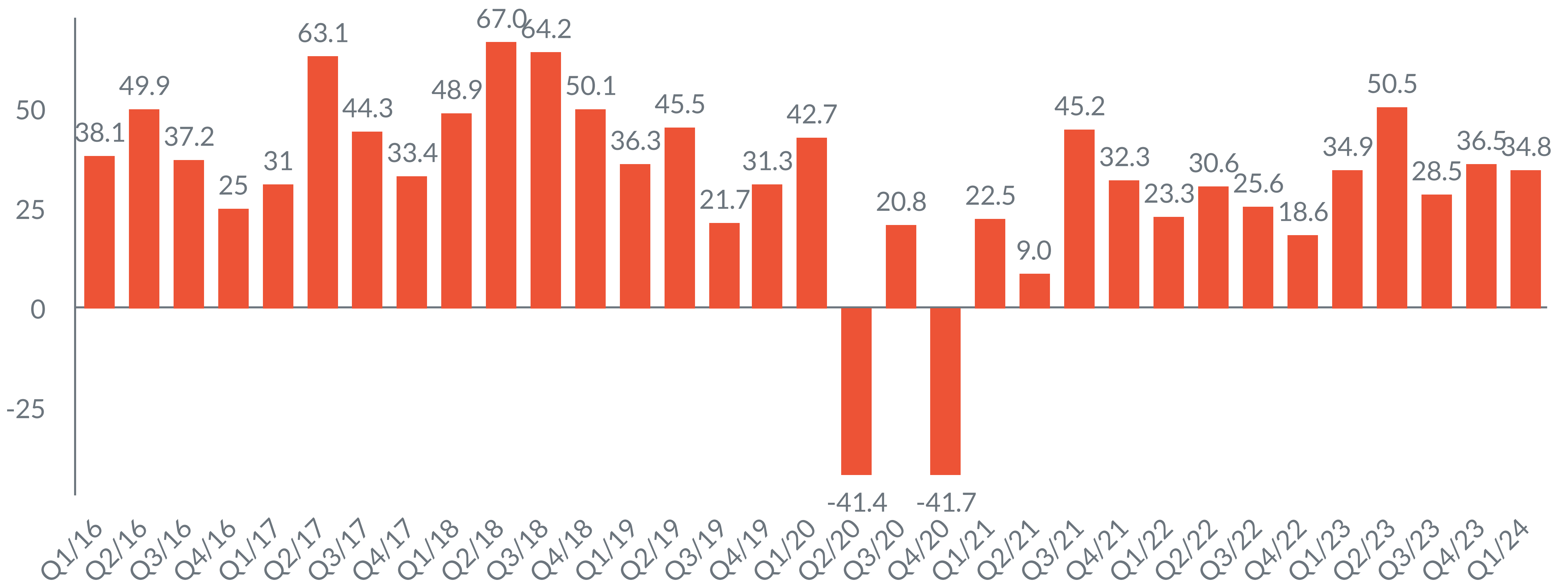
For Q1 2024, 13% of surveyed firms stated that employment had decreased over the past three months; 16% reported an increase, and 71% reported no changes in employment.

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



For Q1 2024, 17% of the companies reported a deterioration in their business activities over the past three months, 33% reported improvement and 50% of firms stated that their business activities remained unchanged.

Expectations Index



Expectations by sectors

The Expectations Index decreased for Q1 2024 and amounted to 34.8 index points. Prospects for the next three months declined for trade (-23.8), manufacturing (-8.2), agriculture (-7.1) and construction (-2.6) sectors and improved for financial (+28.6) and service (+4.8) sectors.

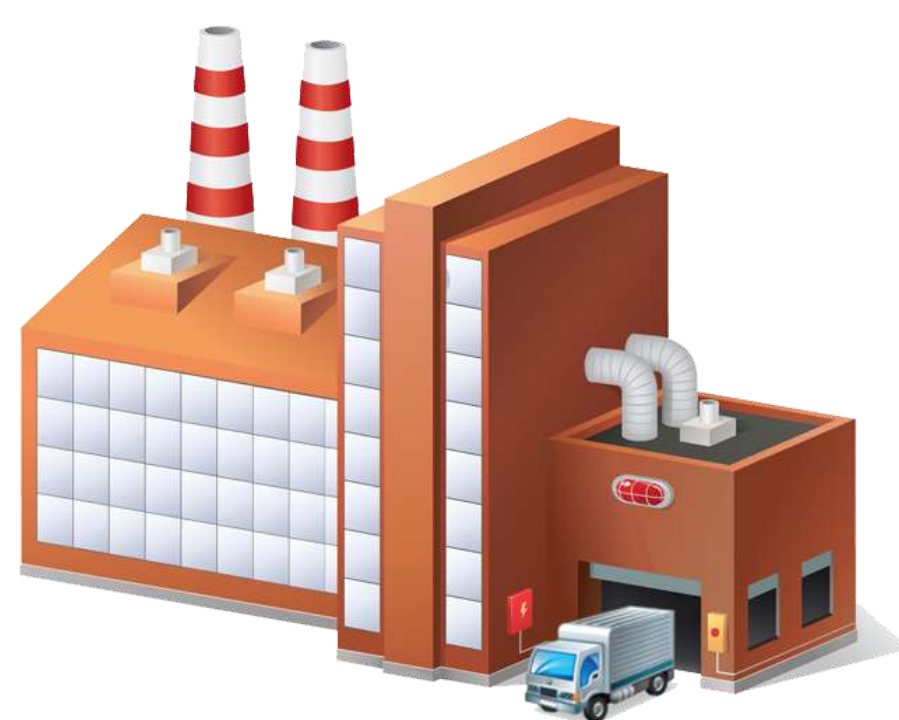
Sectors	Q1/24	Change
Manufacturing	23.1	▼ -8.2
Construction	30.8	▼ -2.6
Trade	40.5	▼ -23.8
Service	38.8	▲ 4.8
Agriculture	11.1	▼ -7.1
Financial	50.0	▲ 28.6
Other	30.8	▲ 5.8

SME



Q1/24 **Change**
30.5 ▲ **2.0**

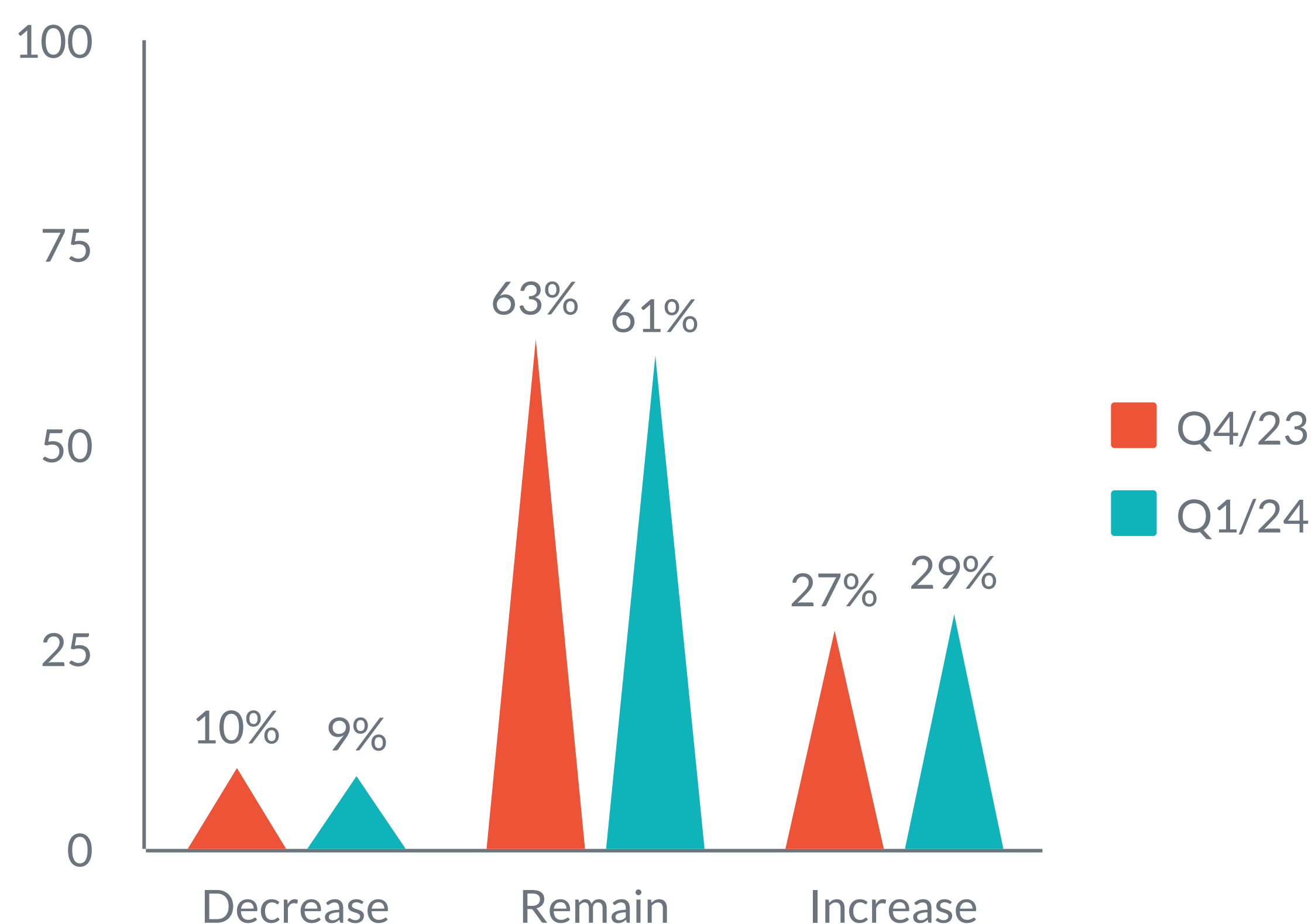
Large



Q1/24 **Change**
43.3 ▼ **-23.3**

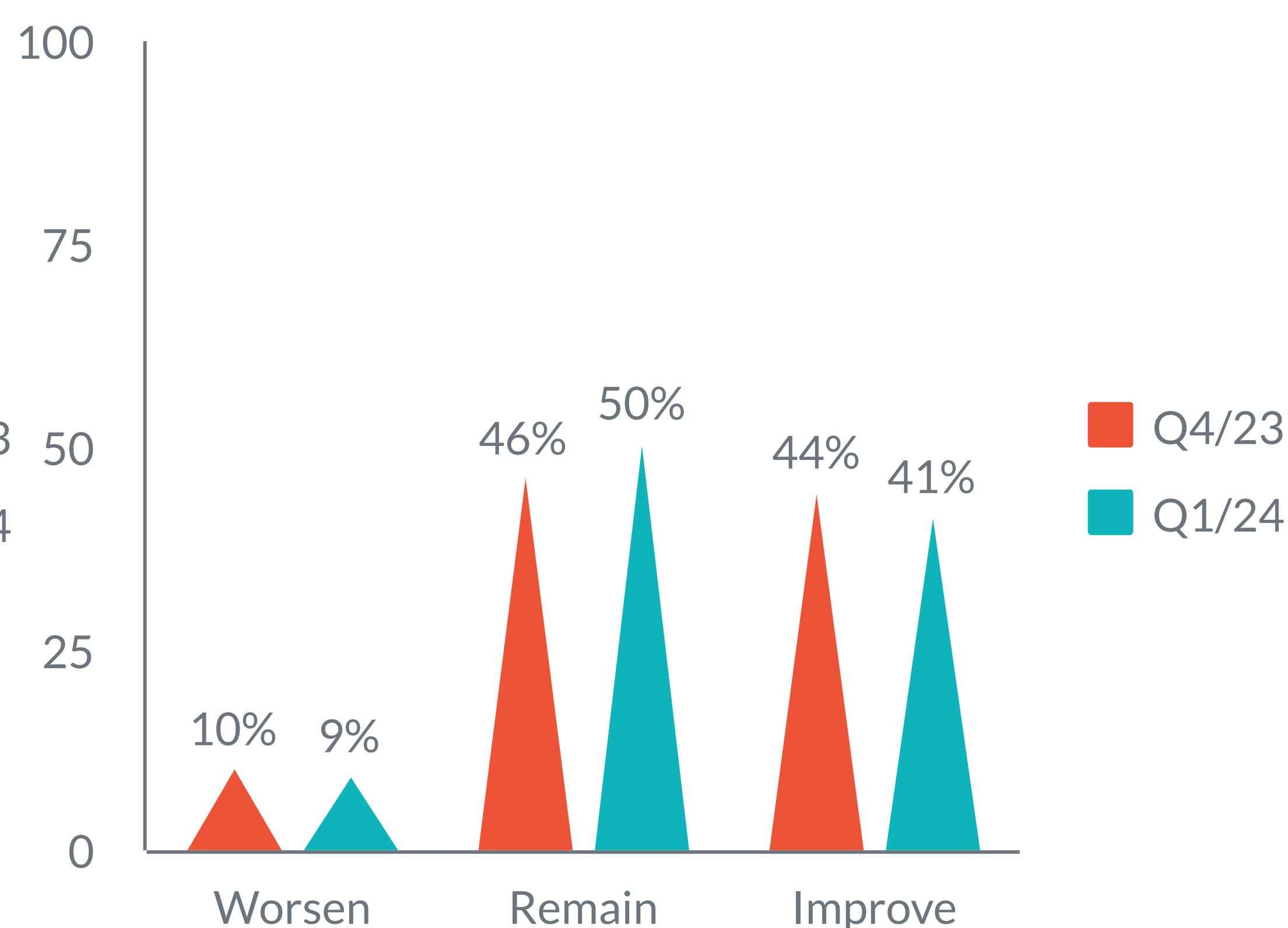
The expectations index has decreased for large businesses and improved moderately for SMEs. For large firms, the index decreased by -23.3 points, as for SMEs it increased by 2.0 points.

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



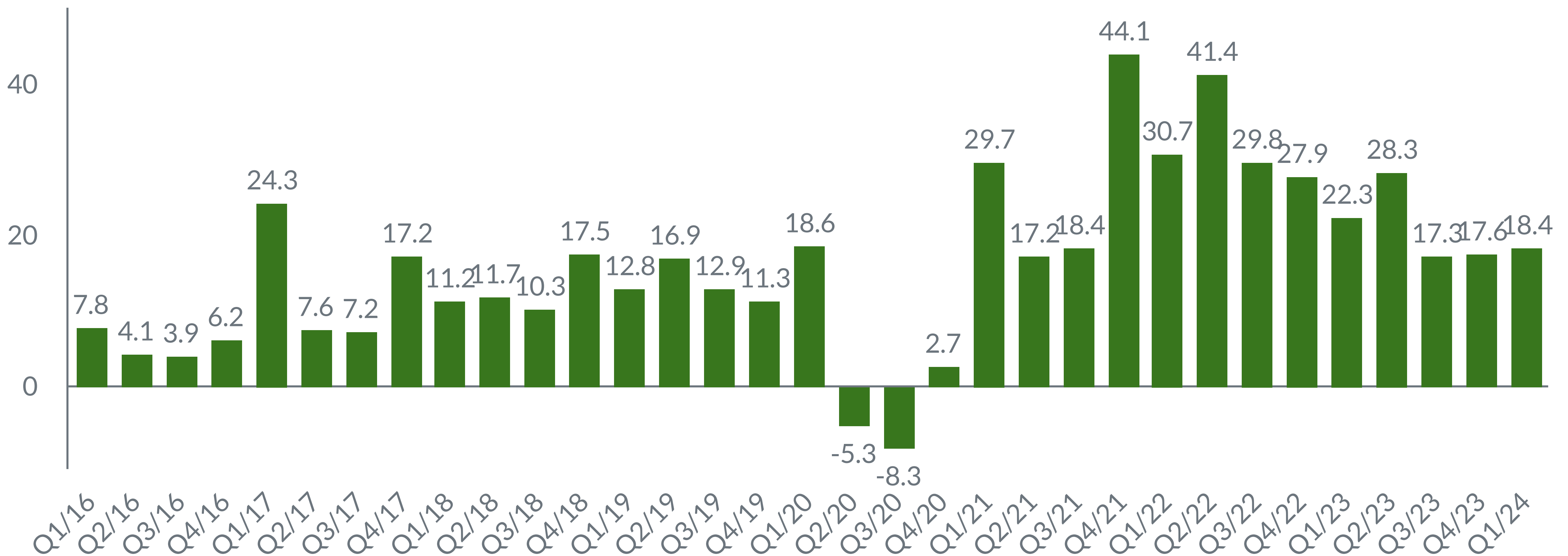
For Q1 2024, 9% of firms stated that they would hire fewer employees in the future, 29% think that they would hire more and 61% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 9% of the firms surveyed expect the economic condition of their businesses to worsen over the next three months, 41% of businesses believe their business conditions will improve and 50% do not predict any changes.

Sales Price Expectations Index



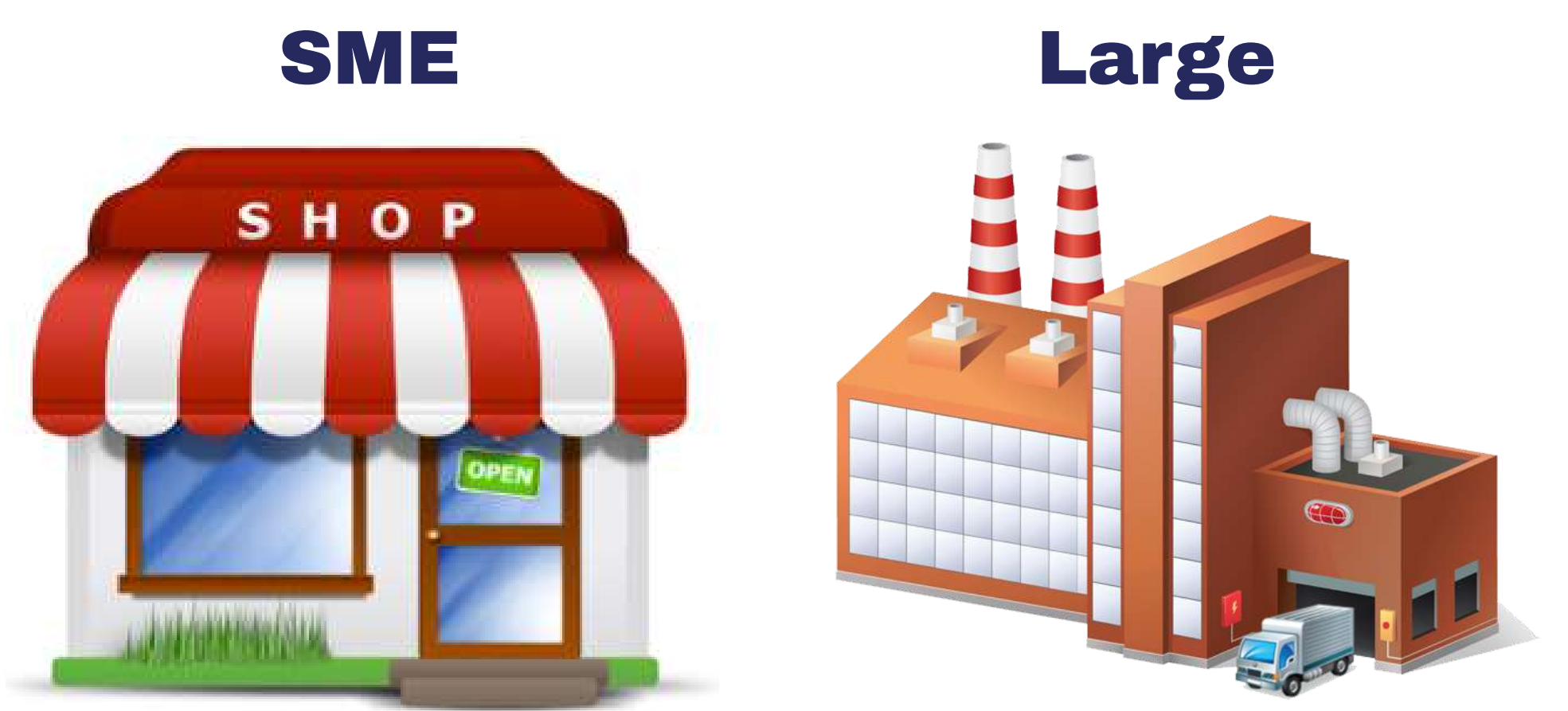
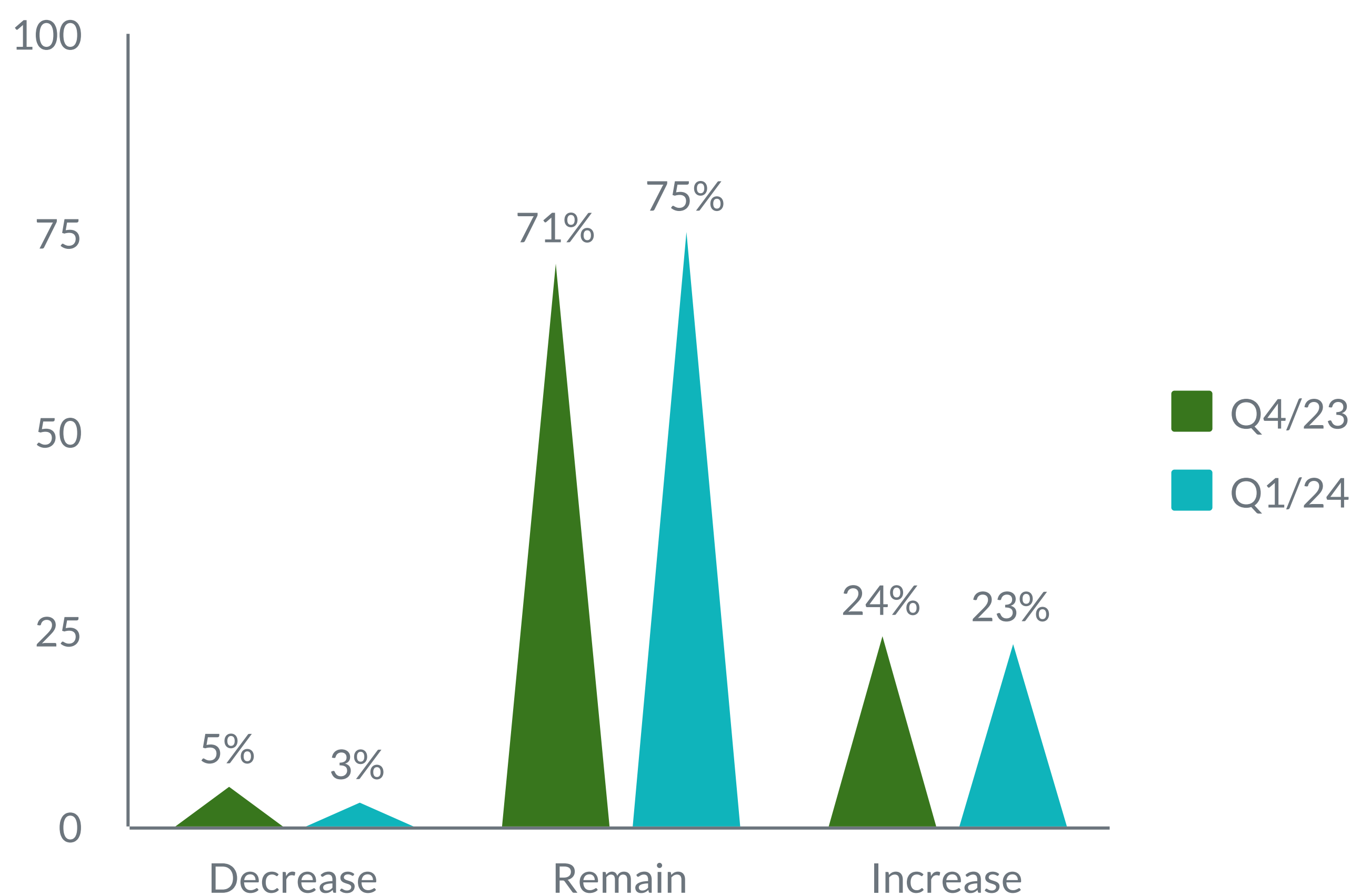
Sales Price Expectations by sectors

The Sales Price Expectations Index increased moderately to 18.4 points for Q1 2024. The index increased for agriculture (+40.4) and construction (+8.7) sectors and decreased for manufacturing (-8.2) and service (-7.9) sectors.

For Q1 2024, index improved for large (+23.6) companies and worsened for SMEs (-2.7).

Sectors	Q1/24	Change
Manufacturing	23.1	-8.2
Construction	15.4	8.7
Trade	19.0	0.0
Service	20.4	-7.9
Agriculture	22.2	40.4
other	23.1	6.4

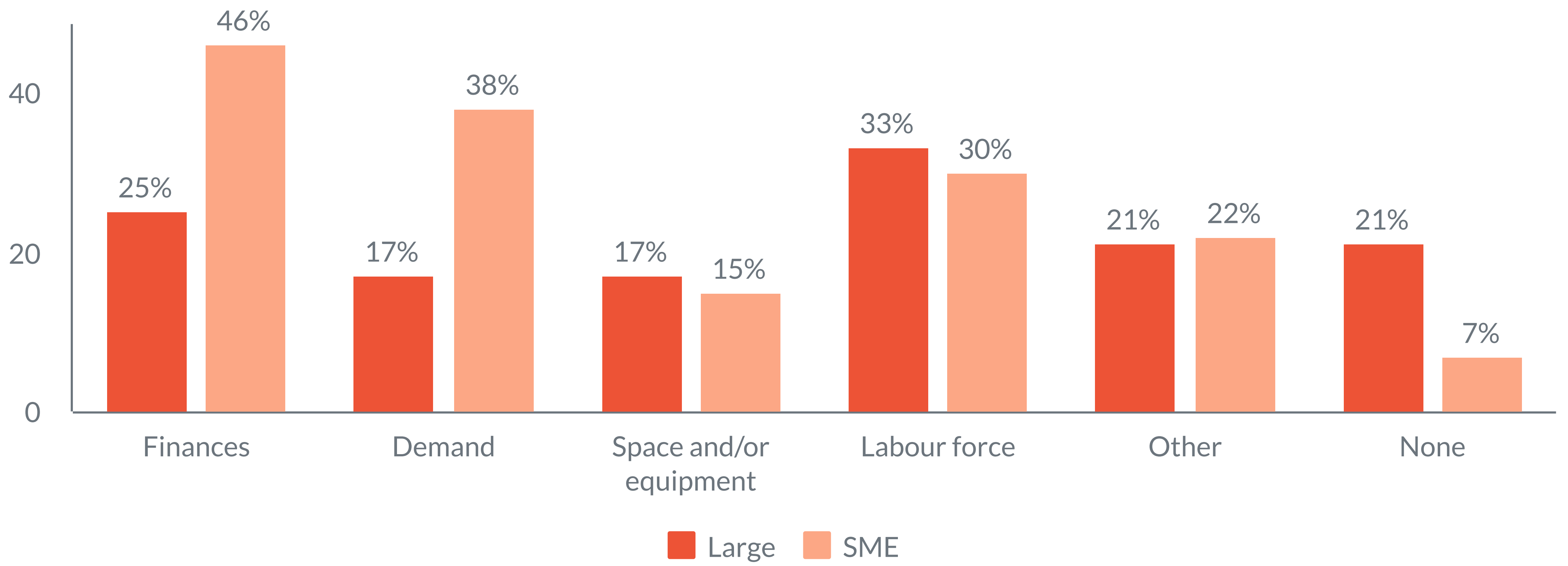
How do you expect the prices you charge to change over the next 3 months?



Q1/24	Change	Q1/24	Change
15.1	-2.7	37.8	23.6

Around 3% of all firms surveyed intend to decrease their prices over the next three months, 23% predict an increase in their prices and the remaining 75% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1, 2024



For Q1 2024, lack of qualified labor force continues to be the most significant limiting factor for large companies. Access to finance comes in second as a hindrance for these large companies. As for SMEs, access to finance and the lack of demand are the most important obstacles.

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	24/Q1	24/Q1
Manufacturing	13	10%
Construction	13	10%
Trade	22	17%
Service	49	38%
Agriculture	9	7%
Financial	9	7%
Other	13	10%
Source: BCI Survey Data	128	% 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	24/Q1	
	Large	SME
Manufacturing	1	12
Construction	2	11
Trade	6	16
Service	8	41
Agriculture	2	7
Financial	2	7
Other	6	7
Source: BCI Survey Data	27	101

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

Contact person:

Mariam Katsadze

ISET Policy Institute
 Email: m.katsadze@iset.ge
 Tel: +995 322 507 177 (ext. 220)

Business Confidence Index

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