

BUSINESS CONFIDENCE INDEX

2.8

DECREASE

Downturn in confidence continues

Q3 2024

Participating Companies

Large



22

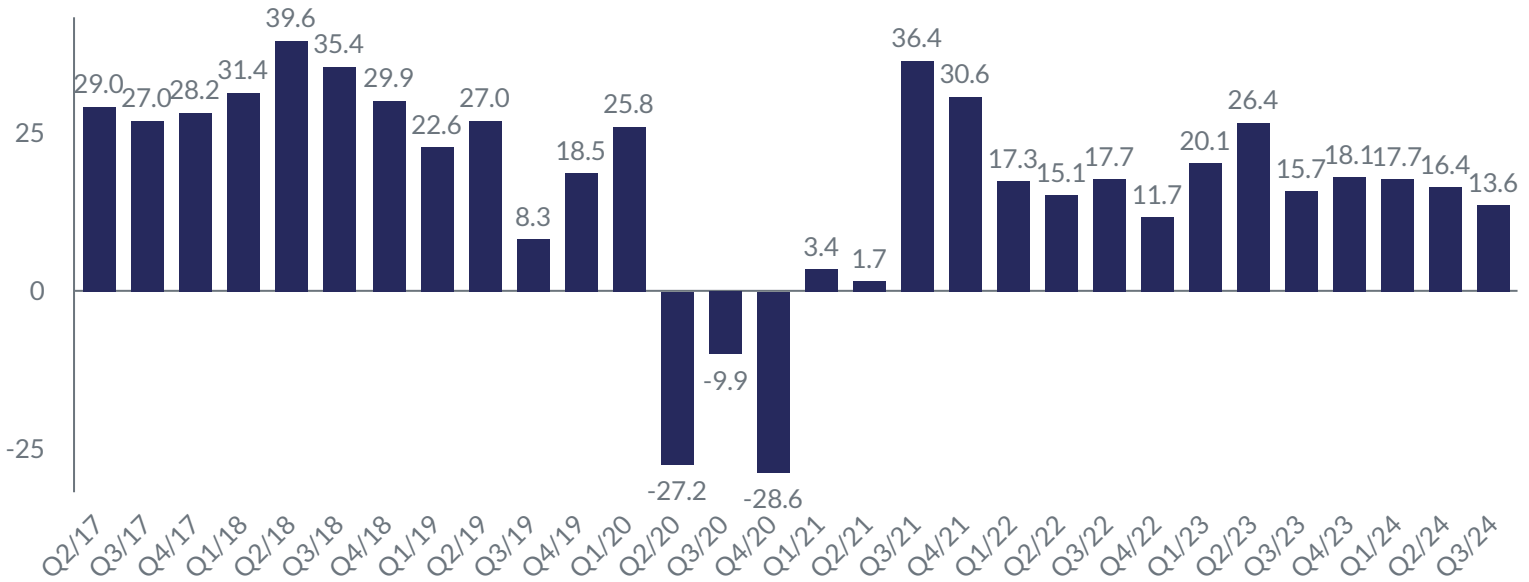
SMEs



90

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the third quarter of 2024, business confidence in Georgia decreased (by 2.8 index points) and reached 13.6. The highest decrease in business confidence is observed in the construction (-12.5) sector. The negative change in BCI for Q3 2024 was driven by less optimistic expectations.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, increased moderately by 3.6 points compared to Q2 2024 and reached 12.8 for Q3 2024, with the construction (18.2) and agriculture (10.0) sectors showing the highest improvement.
- Expectations Index, which reflects business optimism, decreased and settled at 22.5 index points. Expectations for Q3 2024 worsened significantly for construction (-25.0) and service (-23.3) sectors.
- The Sales Price Expectations Index increased slightly by 1.1 index points and reached 20.7, indicating only insignificant increase in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q3 2024, lack of qualified labor force continues to be the most significant limiting factor for large companies. Lack of demand comes in second as a hindrance for these large companies. As for SMEs, lack of demand and access to finance are the most important 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 slight downturn in the previous quarter, BCI decreased further compared to Q2 2024 (-2.8), and reached 13.6 index points for Q3 2024. Expectations in the Georgian private sector have also decreased by 7.1 index points, settling at 22.5. Business performance over the past three months, improved moderately by 3.6 index points, reaching 12.8, indicating upturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index increased slightly by 1.1 index points.

Compared to Q2 2024, for Q3 2024 business confidence decreased in construction (-12.5), service (-10.3) and agriculture (-4.0) sectors and increased in financial (+15.6) and trade (+1.7) sectors.

BCI by sectors

Sectors	Q3/24	Change
Manufacturing	-1.4	0.0
Construction	0.0	-12.5
Trade	18.9	1.7
Service	13.7	-10.3
Agriculture	10.0	-4.0
Financial	31.2	15.6
Other	34.3	21.6

SME



Q3/24 **Change**
7.9 ▲ **0.4**

Large

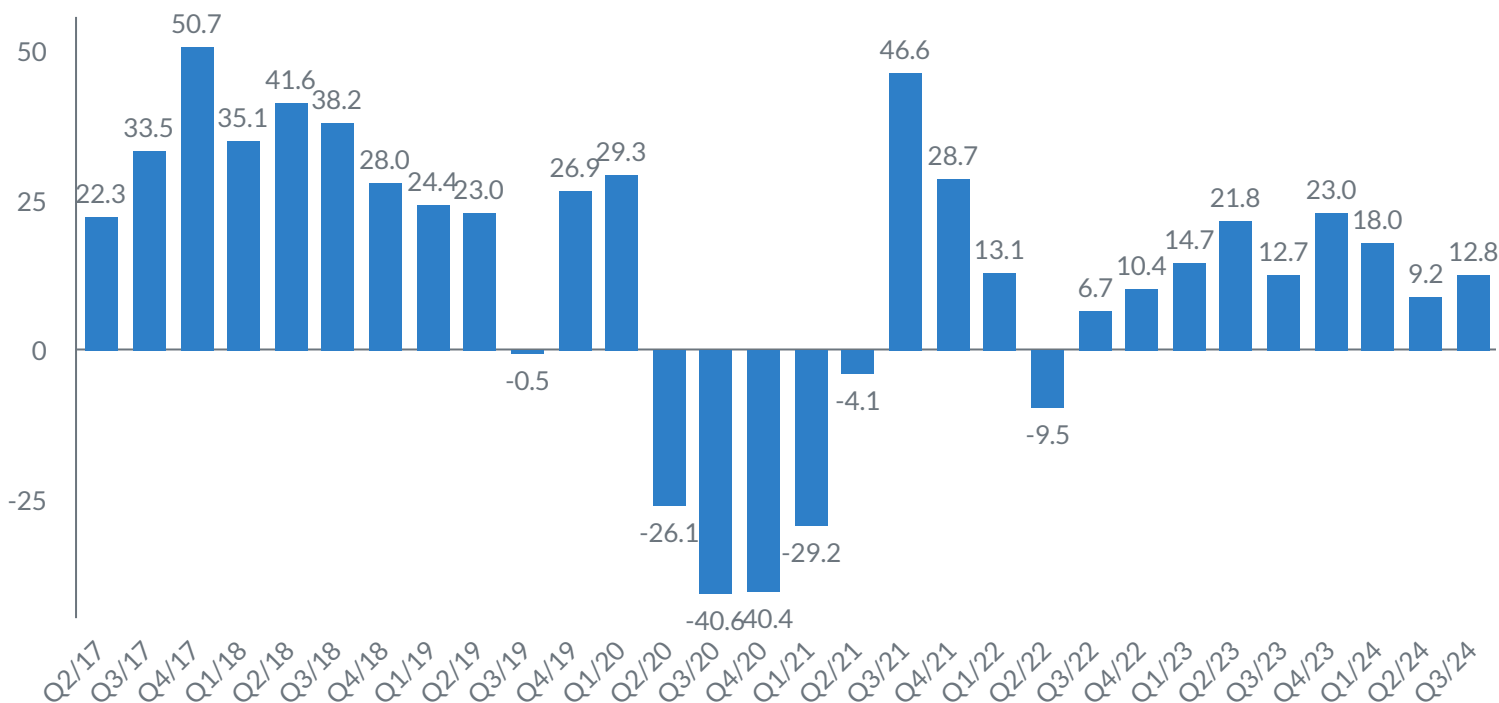


Q3/24 **Change**
31.6 ▼ **-7.9**

Business confidence for the third quarter of 2024 has increased by 0.4 index points for SMEs and decreased by 7.9 points for large companies.

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, improved for Q3 2024 compared to the previous quarter. The highest increase was observed in construction (+18.2) sector, followed by agriculture (+10.0), and trade (+5.5) sectors. Past Performance Index decreased in manufacturing (-15.0), financial (-4.8) and service (-0.4) sectors.

Sectors	Q3/24	Change
Manufacturing	-10.0	▼ -15.0
Construction	18.2	▲ 18.2
Trade	22.7	▲ 5.5
Service	15.6	▼ -0.4
Agriculture	-10.0	▲ 10.0
Financial	9.5	▼ -4.8
Other	28.6	▲ 28.6

SME



Q3/24 **Change**

5.6 ▲ **6.3**

Large

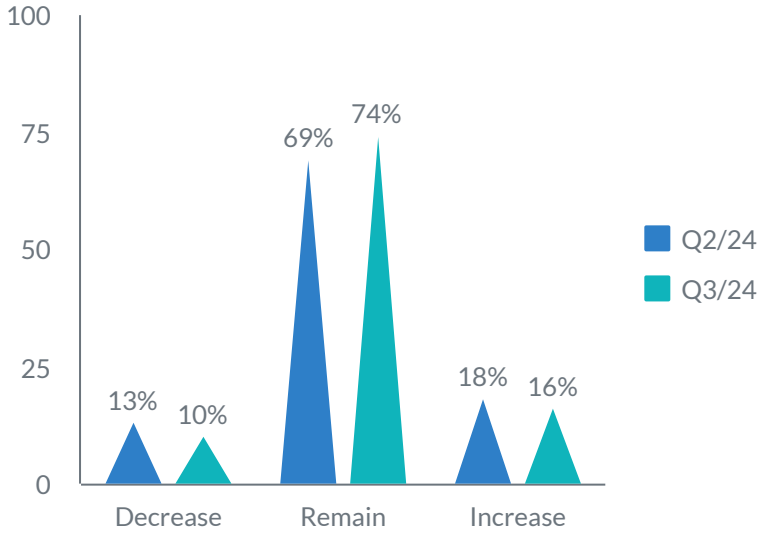


Q3/24 **Change**

38.4 ▲ **4.5**

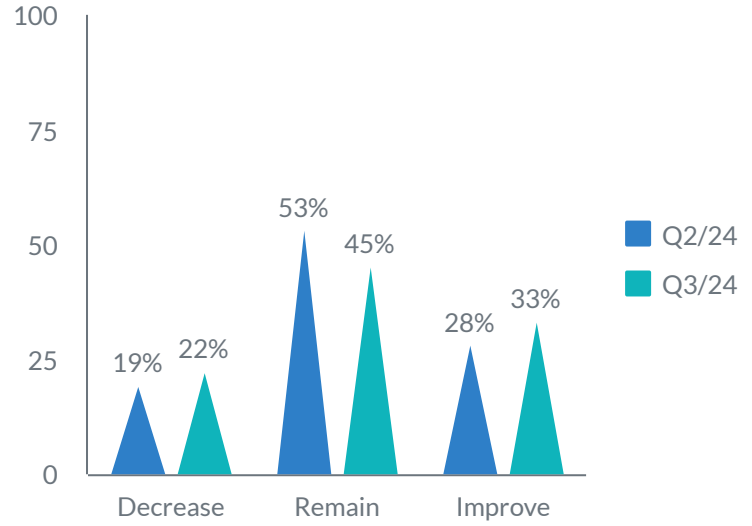
Business activities in the past 3 months have improved both, for SMEs and large businesses. For SMEs, the index increased by 6.3 points and for large firms - by 4.5 points.

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



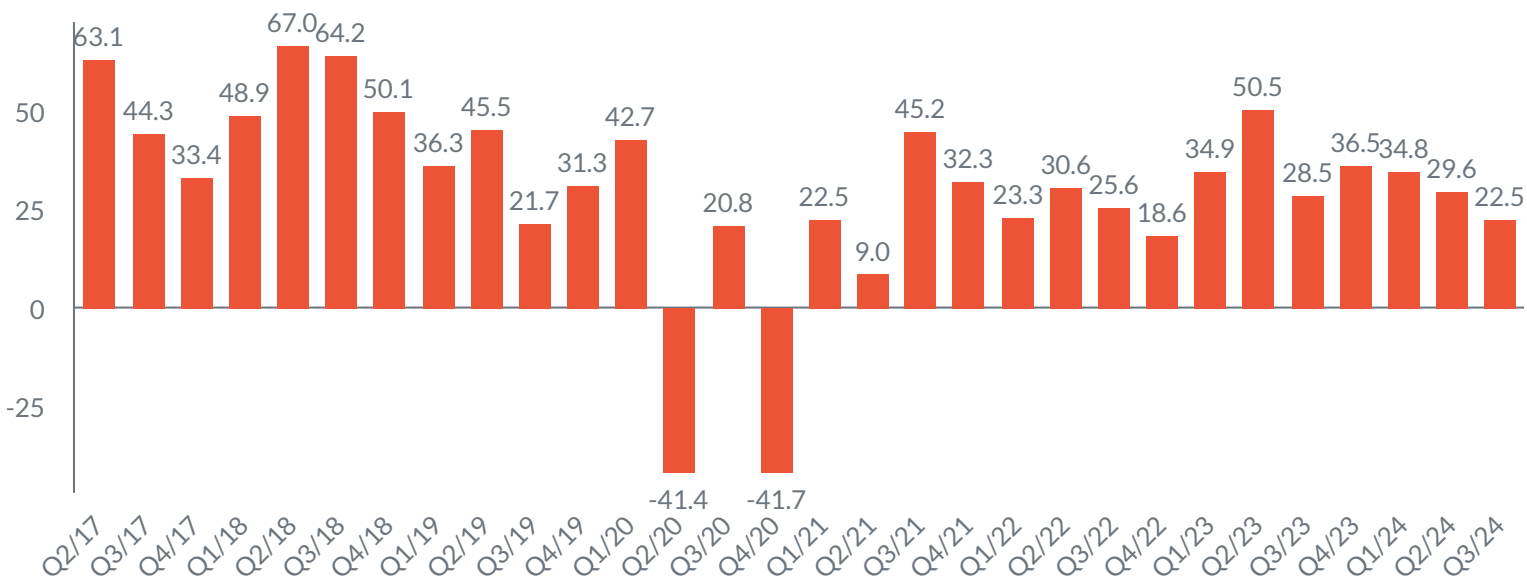
For Q3 2024, 10% of surveyed firms stated that employment had decreased over the past three months; 16% reported an increase, and 74% reported no changes in employment.

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



For Q3 2024, 22% 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



The Expectations Index decreased for Q3 2024 and amounted to 22.5 index points. Prospects for the next three months declined for construction (-25.0), service (-23.3), and trade (-2.0) sectors and improved for financial (+35.7), and manufacturing (+10.0) sectors.

Expectations by sectors

Sectors	Q3/24	Change
Manufacturing	40.0	▲ 10.0
Construction	0.0	▼ -25.0
Trade	27.3	▼ -2.0
Service	16.7	▼ -23.3
Agriculture	30.0	■ 0.0
Financial	28.6	▲ 35.7
Other	42.9	▲ 15.6

SME



Q3/24 **Change**
13.8 **▼ -7.8**

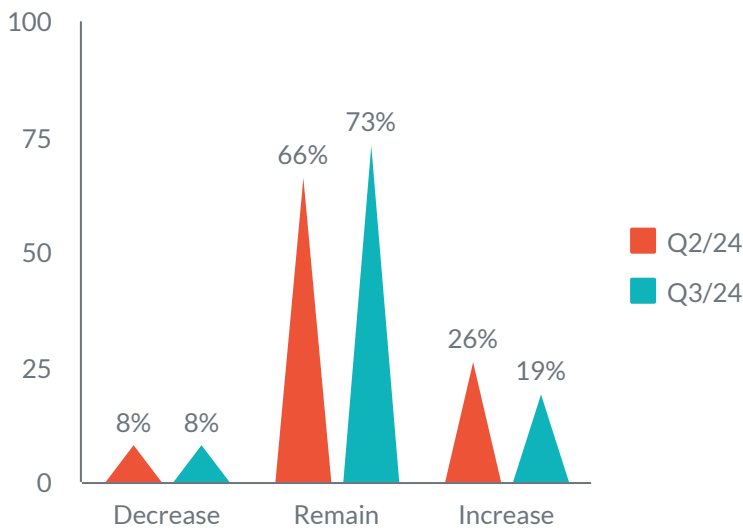
Large



Q3/24 **Change**
49.5 **▼ -1.5**

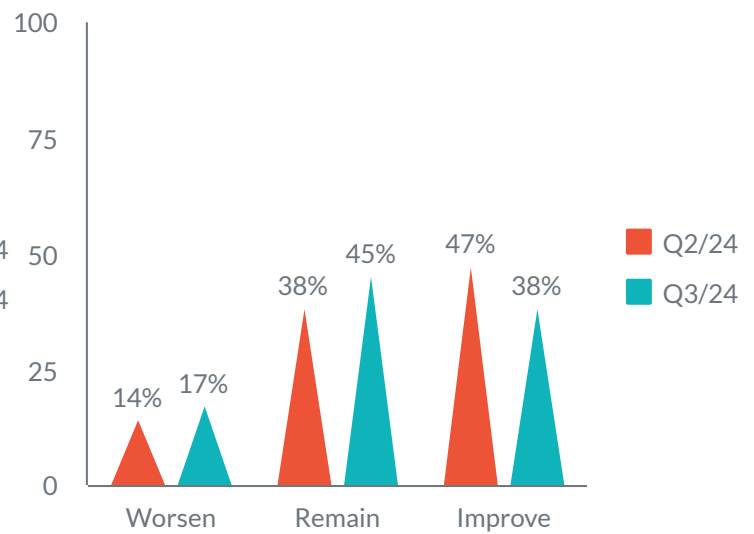
The expectations index has decreased both, for SMEs and large companies. For SMEs, the index decreased by -7.8 points and for large firms - by 1.5 points.

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



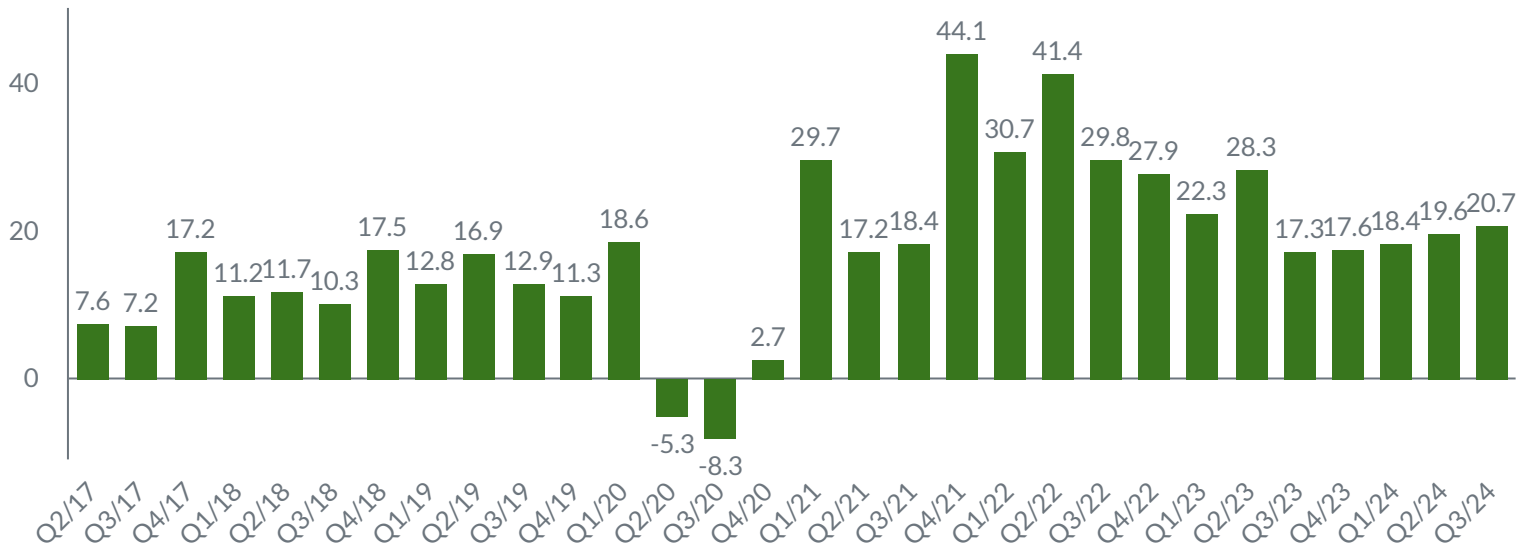
For Q3 2024, 8% of firms stated that they would hire fewer employees in the future, 19% think that they would hire more and 73% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 17% of the firms surveyed expect the economic condition of their businesses to worsen over the next three months, 38% of businesses believe their business conditions will improve and 45% do not predict any changes.

Sales Price Expectations Index



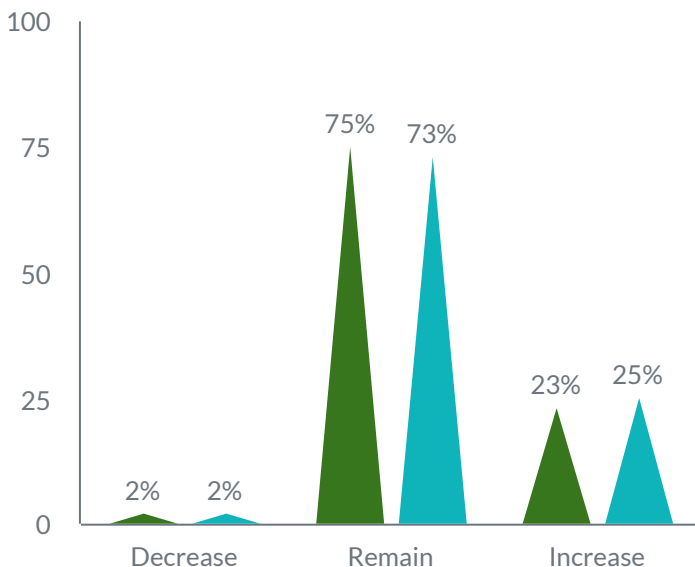
Sales Price Expectations by sectors

The Sales Price Expectations Index increased slightly to 20.7 points for Q3 2024. The index increased for trade (+12.4) and manufacturing (+10.0) sectors and decreased for agriculture (-10.0), construction (-6.8) and service (-6.0) sectors.

For Q3 2024, index decreased for large companies (-4.6) and increased for SMEs (+3.5).

Sectors	Q3/24	Change
Manufacturing	20.0	▲ 10.0
Construction	18.2	▼ -6.8
Trade	22.7	▲ 12.4
Service	20.0	▼ -6.0
Agriculture	30.0	▼ -10.0
other	42.9	▲ 24.7

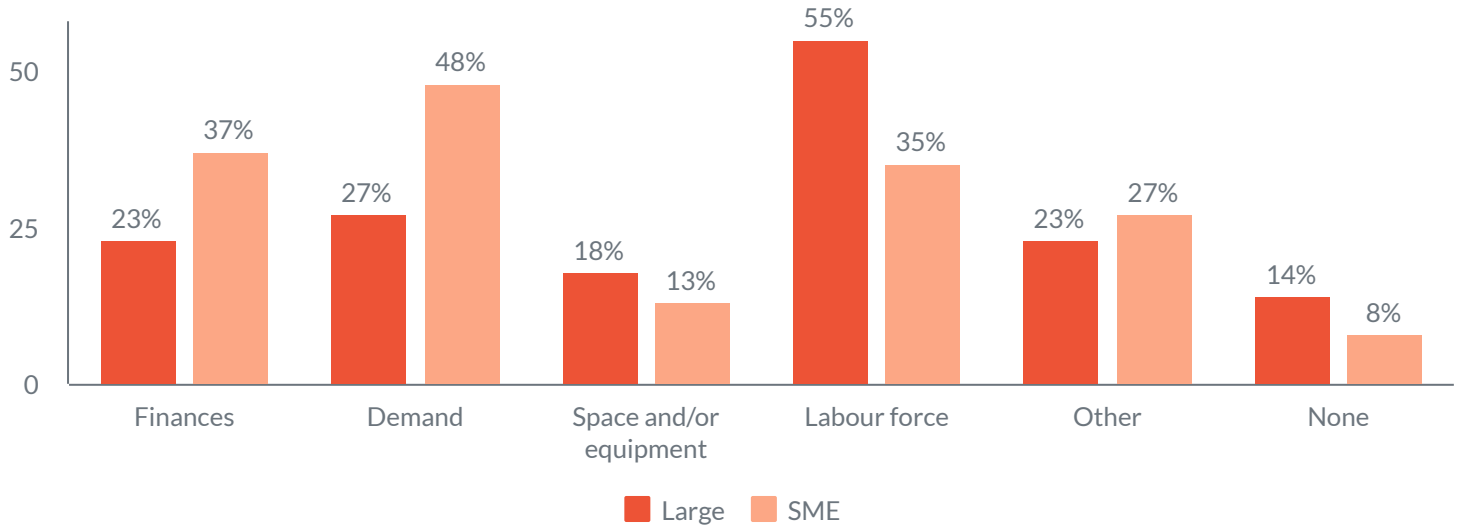
How do you expect the prices you charge to change over the next 3 months?



Category	Q3/24	Change
SME	19.8	▲ 3.5
Large	26.8	▼ -4.6

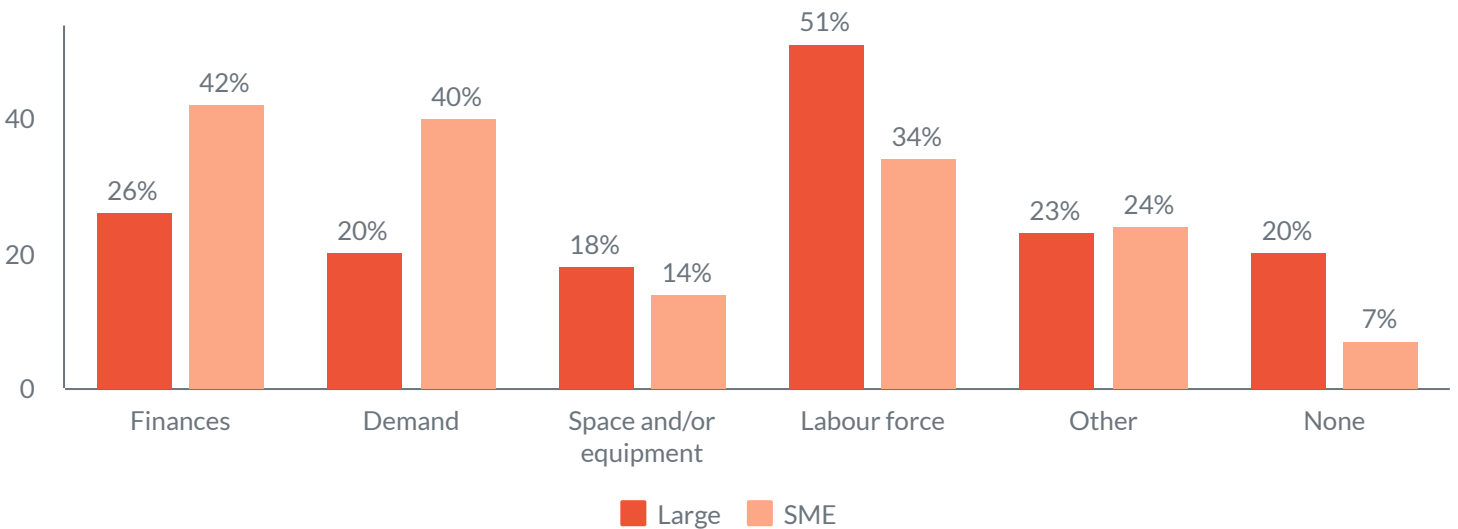
Around 2% of all firms surveyed intend to decrease their prices over the next three months, 25% predict an increase in their prices and the remaining 73% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q3, 2024



For Q3 2024, lack of qualified labor force continues to be the most significant limiting factor for large companies. Lack of demand comes in second as a hindrance for these large companies. As for SMEs, lack of demand and access to finance are the most important obstacles.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? (FOUR QUARTER AVERAGE Q4 2023 - Q3 2024)



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
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	24/Q3	24/Q3
Manufacturing	10	9%
Construction	11	10%
Trade	22	20%
Service	45	40%
Agriculture	10	9%
Financial	7	6%
Other	7	6%
Source: BCI Survey Data	112	% 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	Large	24/Q3	SME
Manufacturing	2		8
Construction	3		8
Trade	6		16
Service	8		37
Agriculture	1		9
Financial	0		7
Other	2		5
Source: BCI Survey Data	22		90

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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