

BUSINESS CONFIDENCE INDEX

9.7

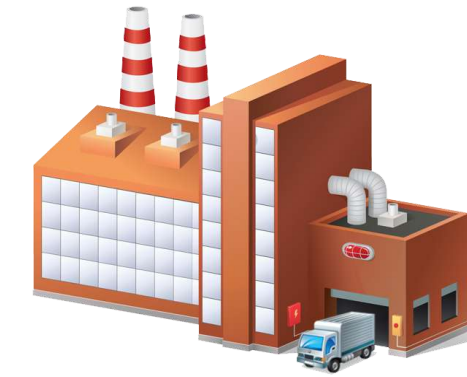
DECREASE

Pessimistic private sector

Q4 2024

Participating Companies

Large



25

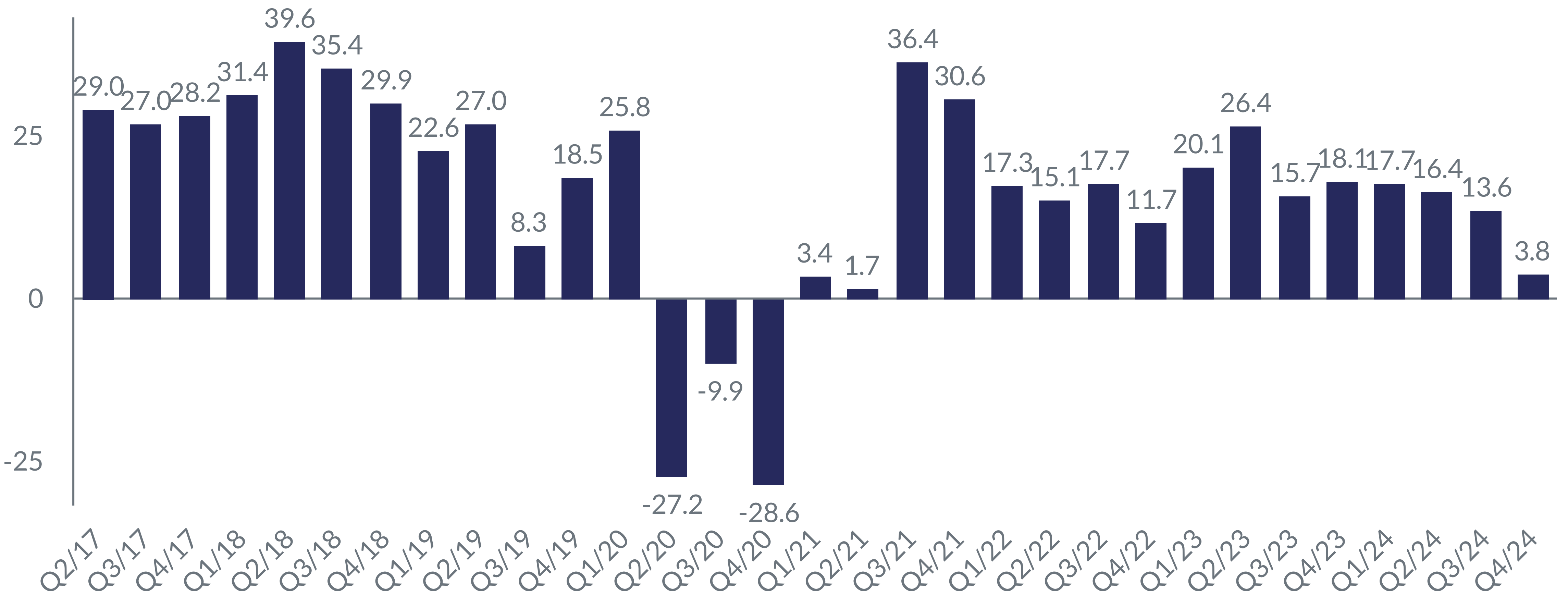
SMEs



67

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the fourth quarter of 2024, business confidence in Georgia decreased (by 9.7 index points) and reached 3.8. The highest decrease in business confidence is observed in the finance (-22.1) sector. The negative change in BCI for Q4 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, also decreases by 9.1 points compared to Q3 2024 and reached 3.8 for Q4 2024, with the construction (-18.2) and trade (-13.6) sectors showing the biggest deterioration.
- Expectations Index, which reflects business optimism, decreased and settled at 7.0 index points. Expectations for Q4 2024 worsened significantly for manufacturing (-40.0) and agriculture (-30.0) sectors.
- The Sales Price Expectations Index decreased by 7.6 index points and settled at 13.1, indicating decrease in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q4 2024, lack of qualified labor force continues to be the most significant limiting factor for large companies. "other" factors comes in second as a hindrance for these large companies. As for SMEs, lack of demand and qualified labor force 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 significantly compared to Q3 2024 (-9.7), and reached 3.8 index points for Q4 2024. Expectations in the Georgian private sector have also decreased by 15.5 index points, settling at 7.0. Business performance over the past three months, decreased by 9.1 index points, reaching 3.8, indicating downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index decreased by 7.6 index points.

Compared to Q3 2024, for Q4 2024 business confidence decreased in all sectors except construction sector. The highest decrease is observed in financial (-22.1) and agriculture (-20.0) sectors, followed by manufacturing (-10.0), trade (-6.8) and service (-3.6) sectors.

BCI by sectors

Sectors	Q4/24	Change
Manufacturing	-11.4	▼ -10.0
Construction	0.0	■ 0.0
Trade	12.1	▼ -6.8
Service	10.1	▼ -3.6
Agriculture	-10.0	▼ -20.0
Financial	9.1	▼ -22.1
Other	-14.0	▼ -48.3

SME



Q4/24 **Change**
0.5 **▼ -7.4**

Large

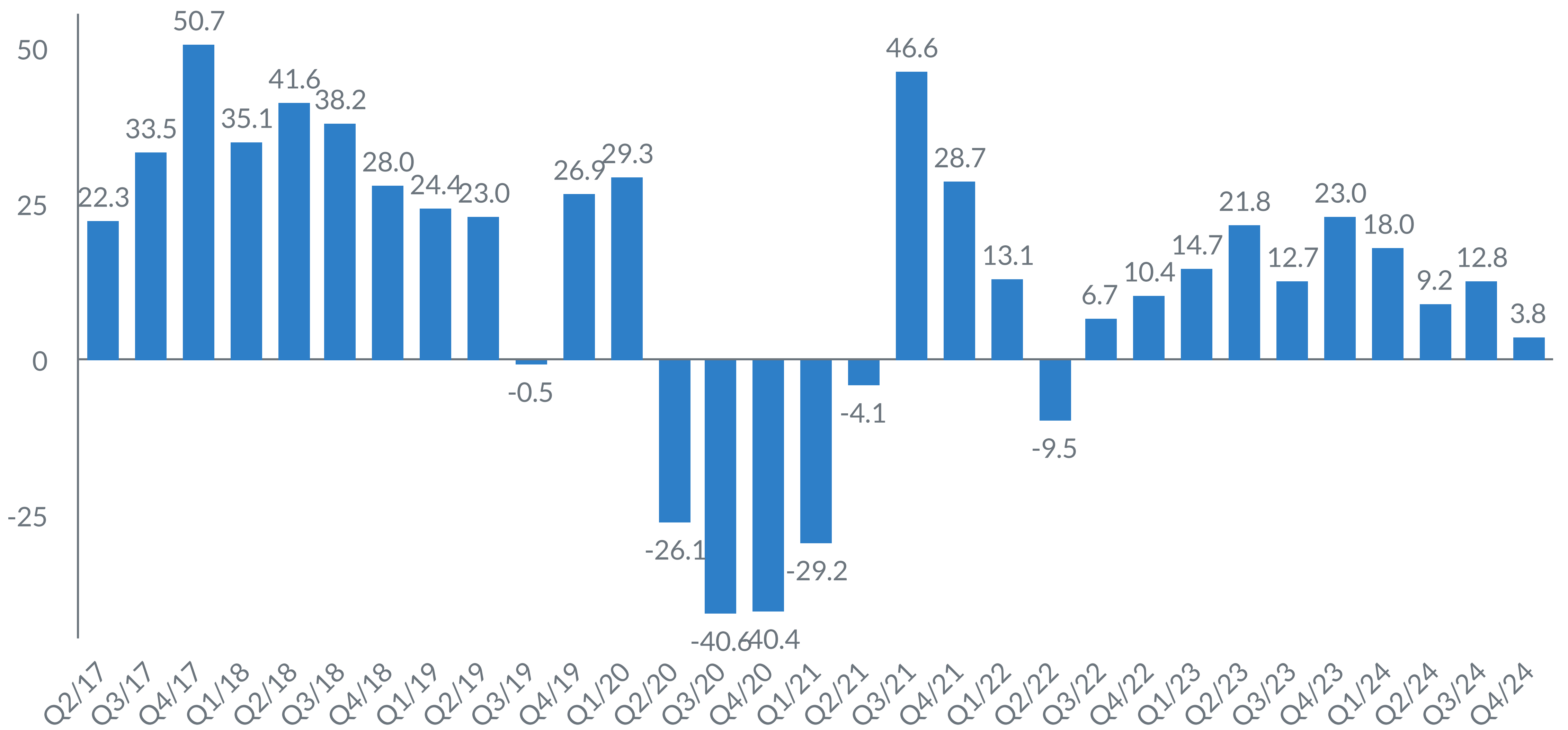


Q4/24 **Change**
15.1 **▼ -16.5**

Business confidence for the fourth quarter of 2024 has decreased by 7.4 index points for SMEs and by 16.5 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



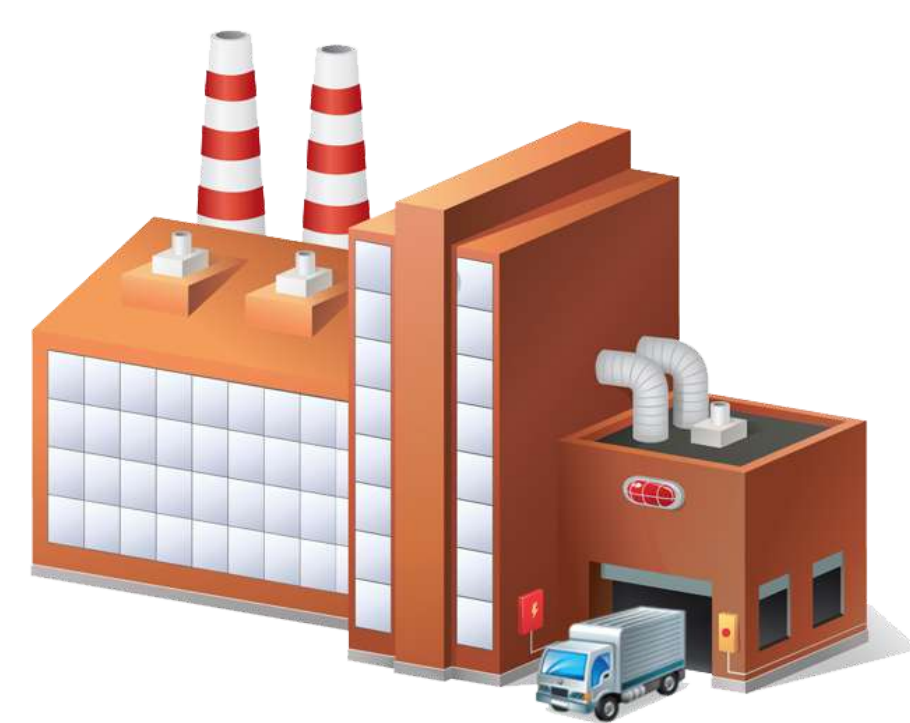
Past Performance by sectors

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, reduced for Q4 2024 compared to the previous quarter. The highest decrease was observed in construction (-18.2) sector, followed by trade (-13.6), financial (-9.5) and service (-8.2) sectors. Past Performance Index increased in manufacturing (+10.0) and agriculture (+10.0) sectors.

Sectors	Q4/24	Change
Manufacturing	0.0	▲ 10.0
Construction	0.0	▼ -18.2
Trade	9.1	▼ -13.6
Service	7.4	▼ -8.2
Agriculture	0.0	▲ 10.0
Financial	0.0	▼ -9.5
Other	-10.0	▼ -38.6



SME



Large

Q4/24 Change

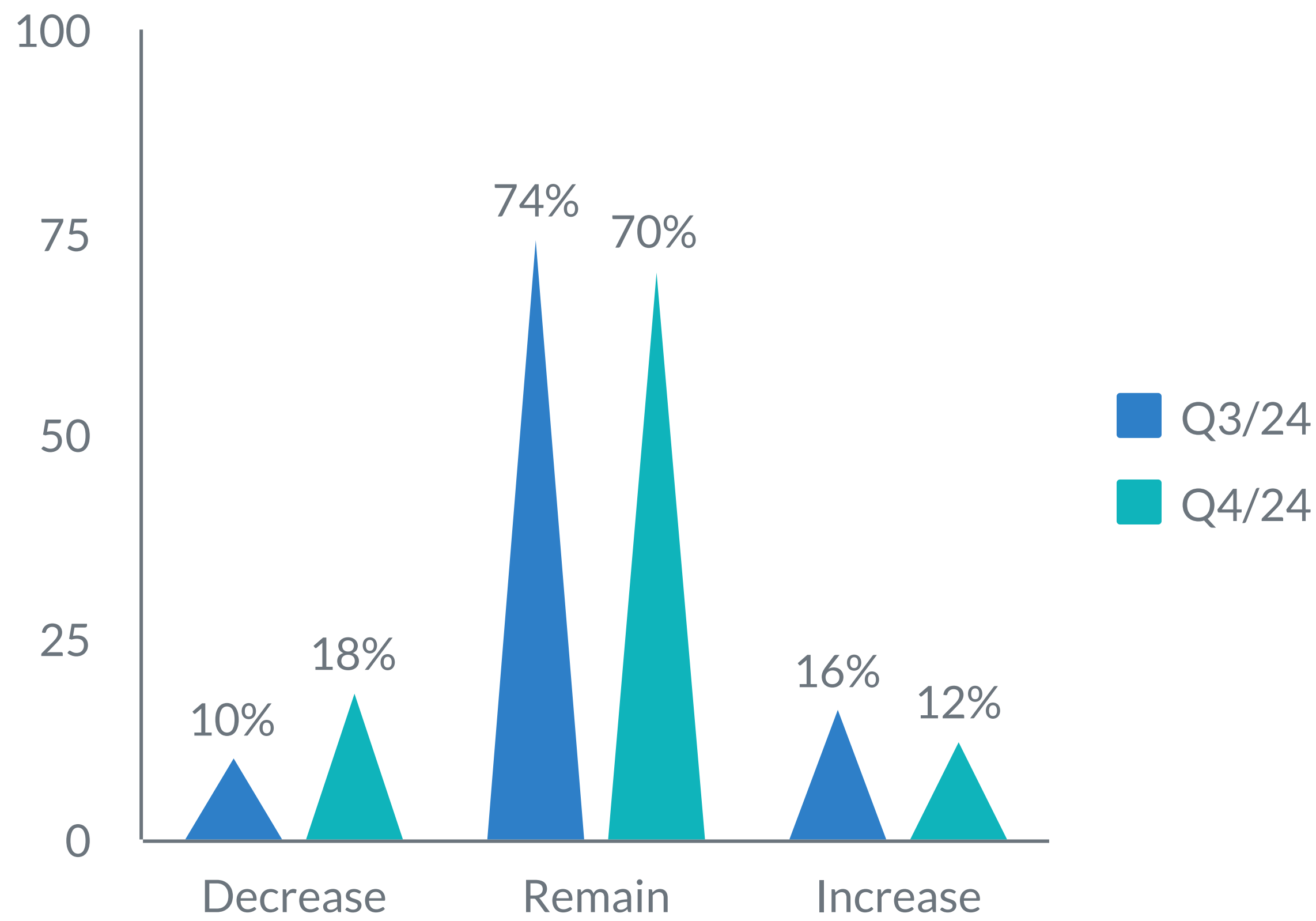
3.1 ▼ -2.5

Q4/24 Change

8.2 ▼ -30.2

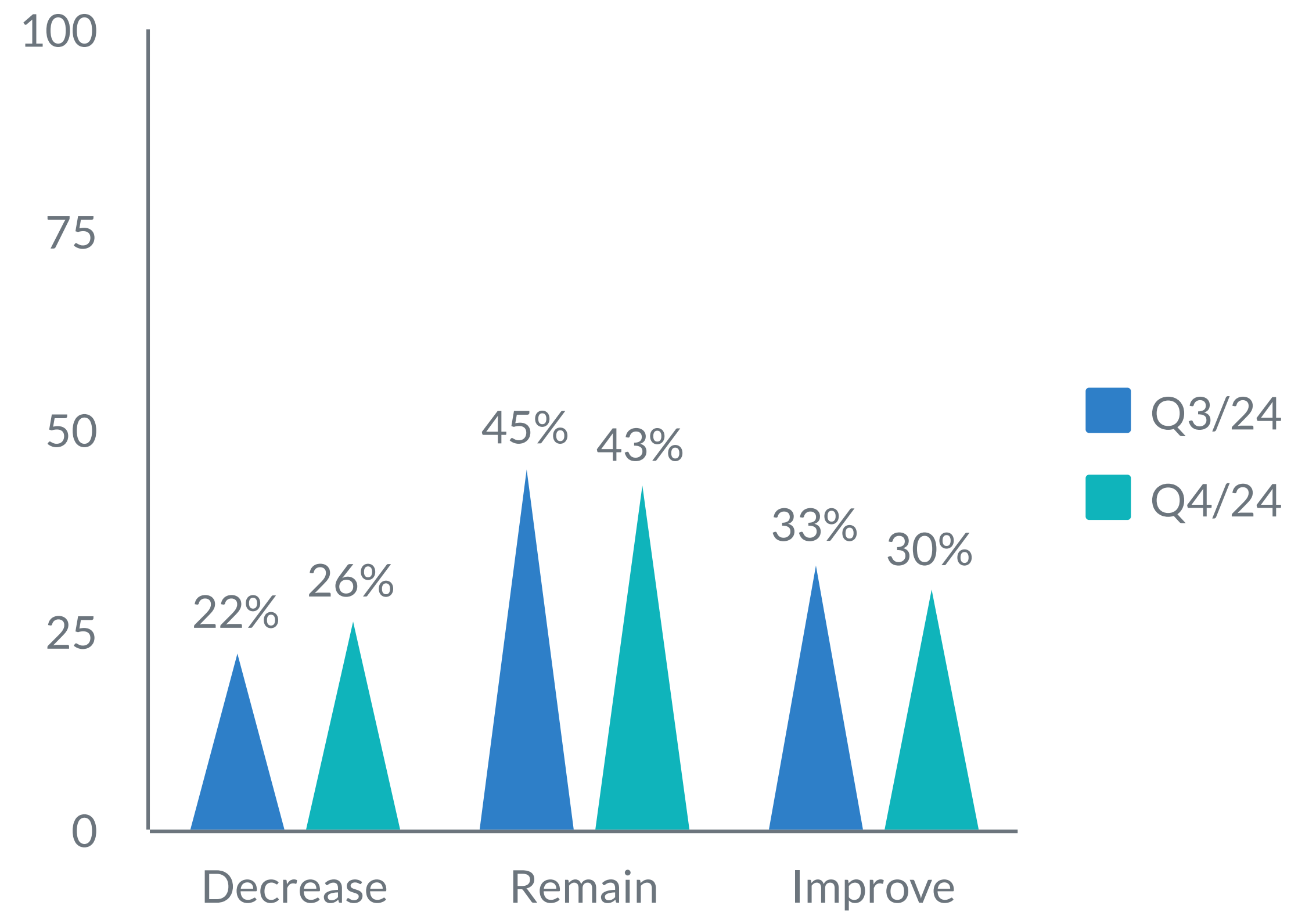
Business activities in the past 3 months have deteriorated both, for SMEs and large businesses. For SMEs, the index decreased by 2.5 points and for large firms - by 30.2 points.

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



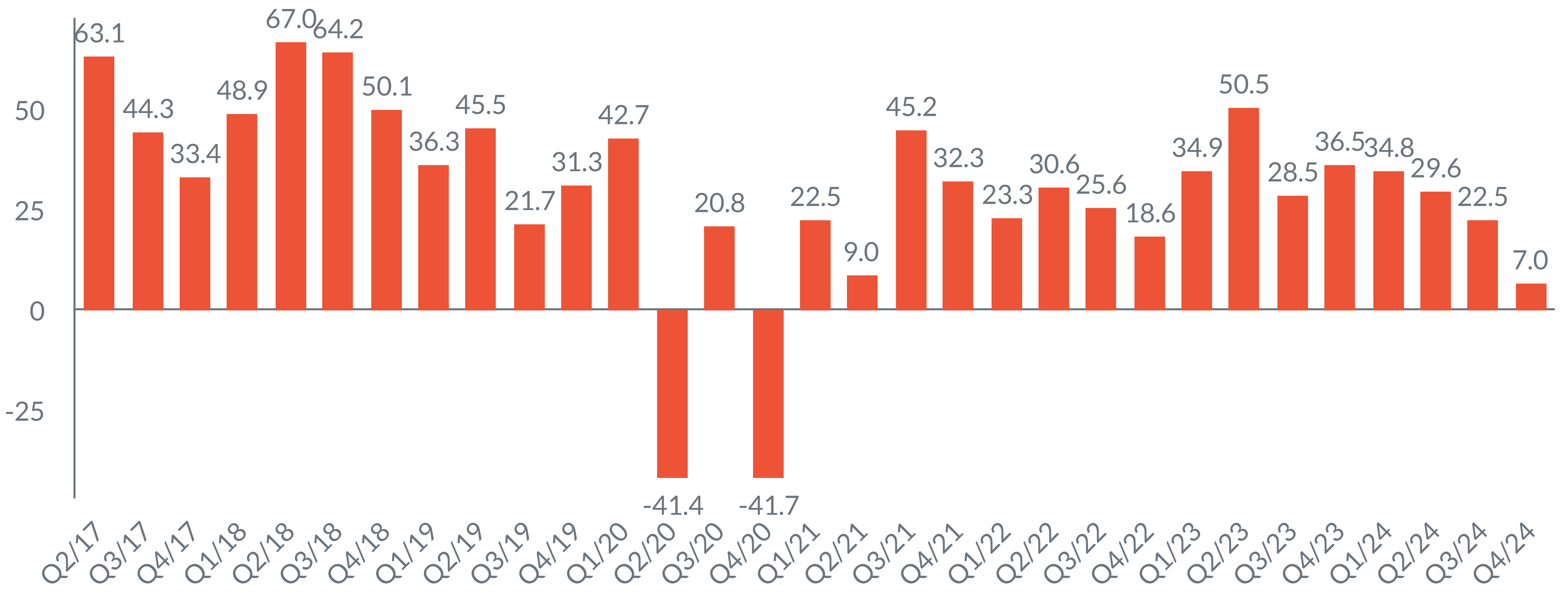
For Q4 2024, 18% of surveyed firms stated that employment had decreased over the past three months; 12% reported an increase, and 70% reported no changes in employment.

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



For Q4 2024, 26% of the companies reported a deterioration in their business activities over the past three months, 30% reported improvement and 43% of firms stated that their business activities remained unchanged.

Expectations Index



The Expectations Index decreased for Q4 2024 and amounted to 7.0 index points. Prospects for the next three months declined for all sectors, except construction sector. The highest decrease is observed in manufacturing (-40.0) sector, followed by agriculture (-30.0), financial (-21.4), trade (-18.2) and service (-2.0) sectors.

Expectations by sectors

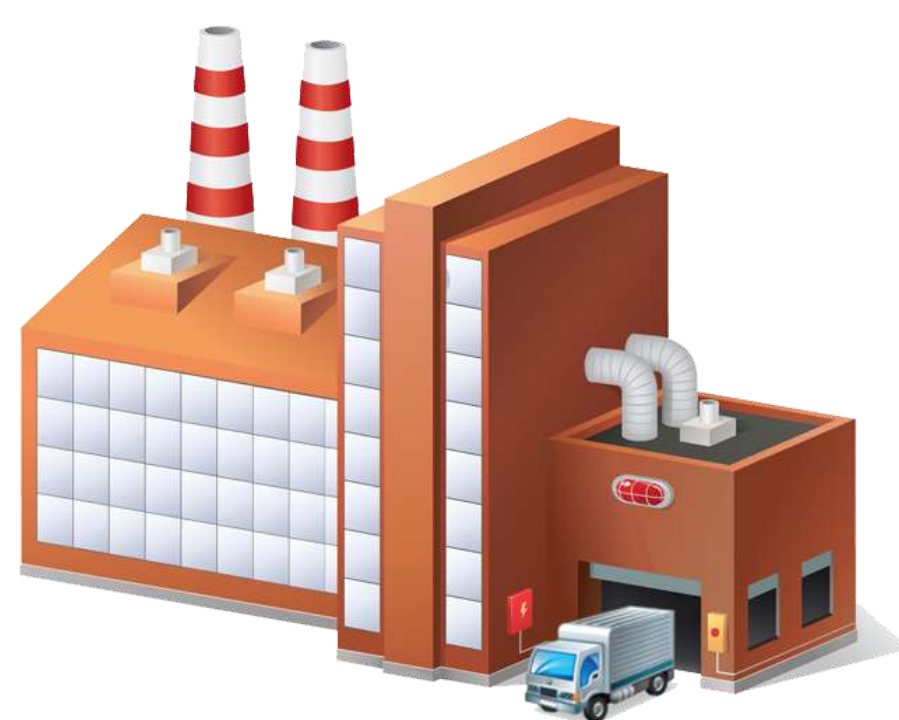
Sectors	Q4/24	Change
Manufacturing	0.0	▼ -40.0
Construction	0.0	■ 0.0
Trade	9.1	▼ -18.2
Service	14.7	▼ -2.0
Agriculture	0.0	▼ -30.0
Financial	7.1	▼ -21.4
Other	-10.0	▼ -52.9

SME



Q4/24 **Change**
1.1 **▼ -12.7**

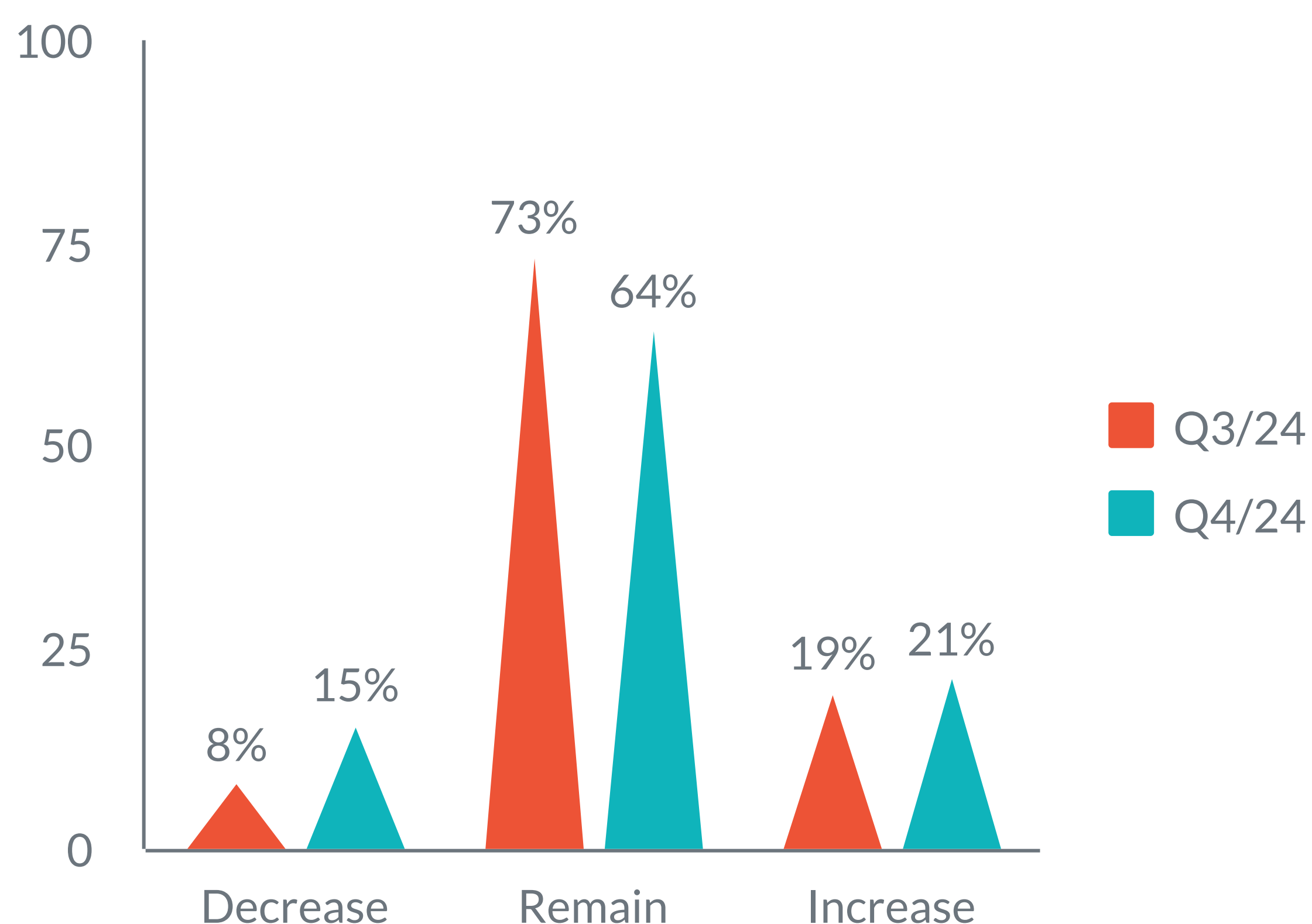
Large



Q4/24 **Change**
28.2 **▼ -21.3**

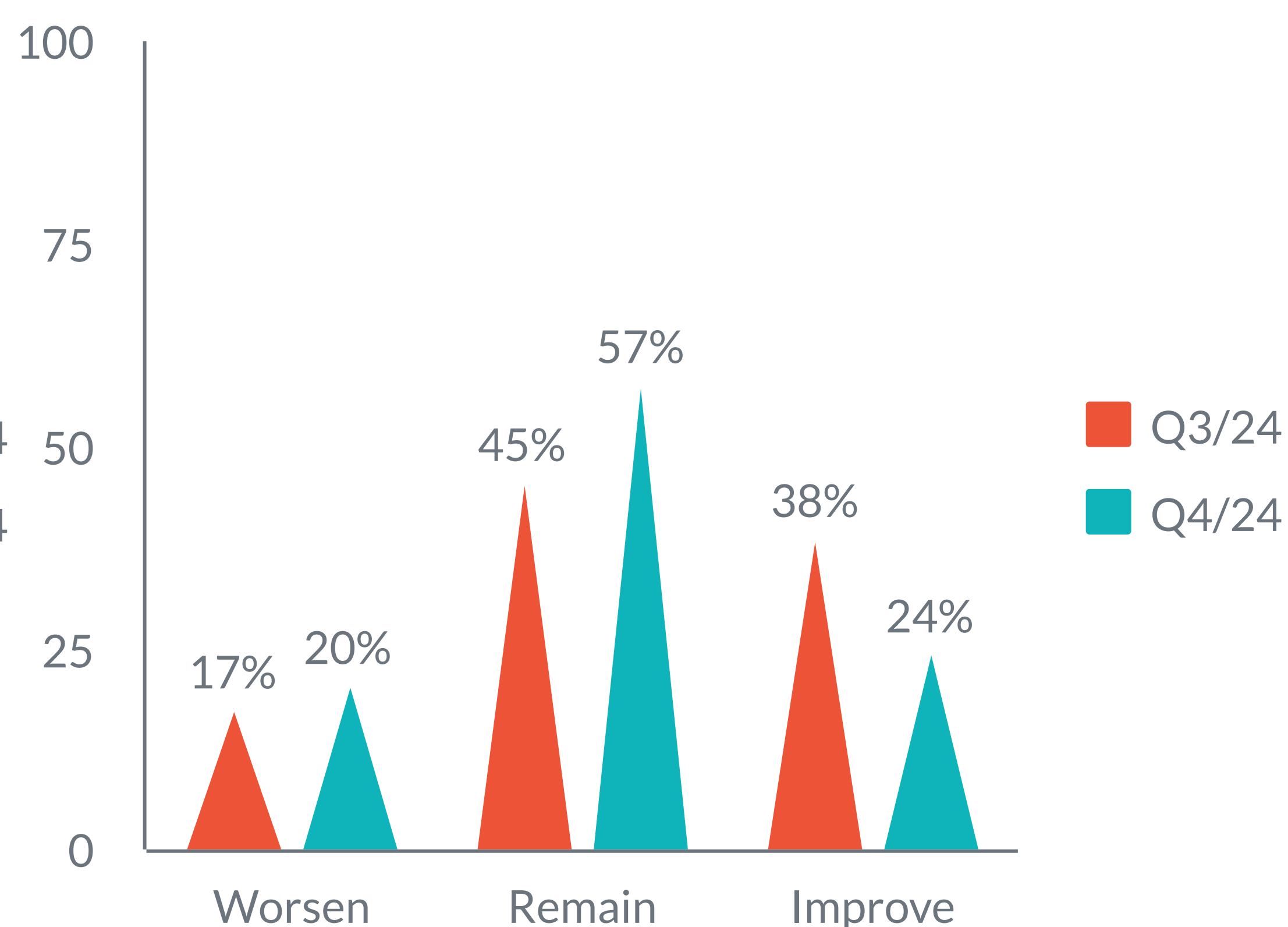
The expectations index has decreased both, for SMEs and large companies. For SMEs, the index decreased by 12.7 points and for large firms - by 21.3 points.

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



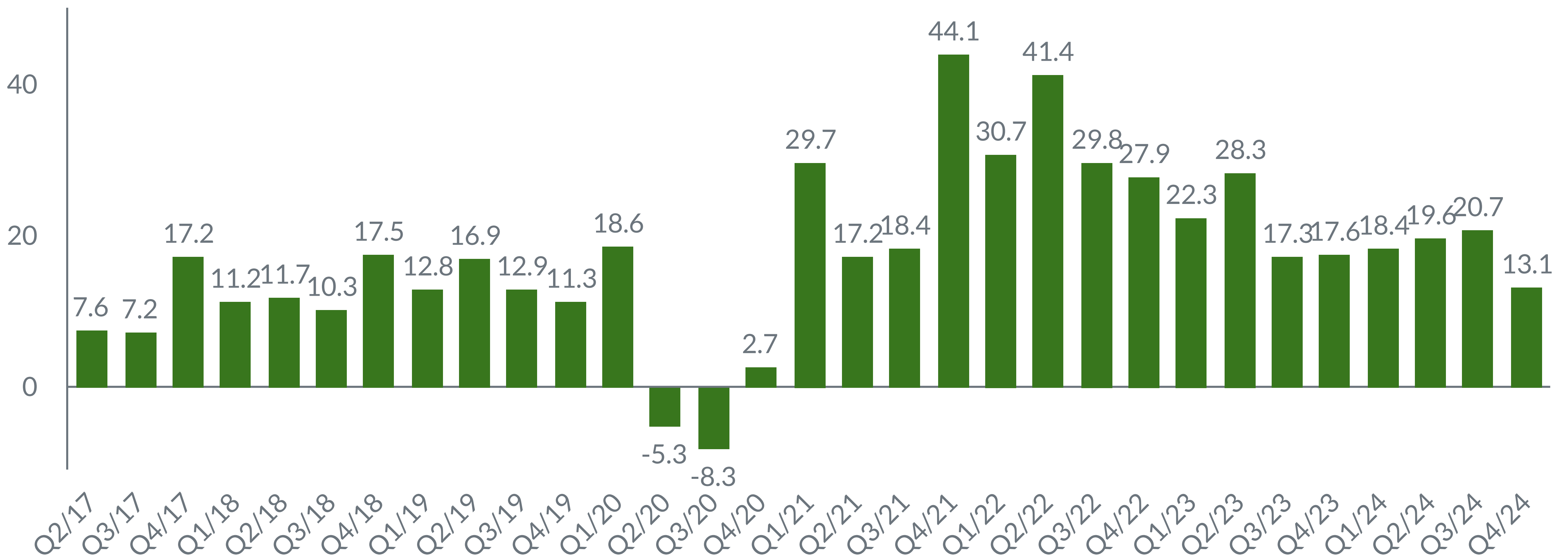
For Q4 2024, 15% of firms stated that they would hire fewer employees in the future, 21% think that they would hire more and 64% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 20% of the firms surveyed expect the economic condition of their businesses to worsen over the next three months, 24% of businesses believe their business conditions will improve and 57% do not predict any changes.

Sales Price Expectations Index



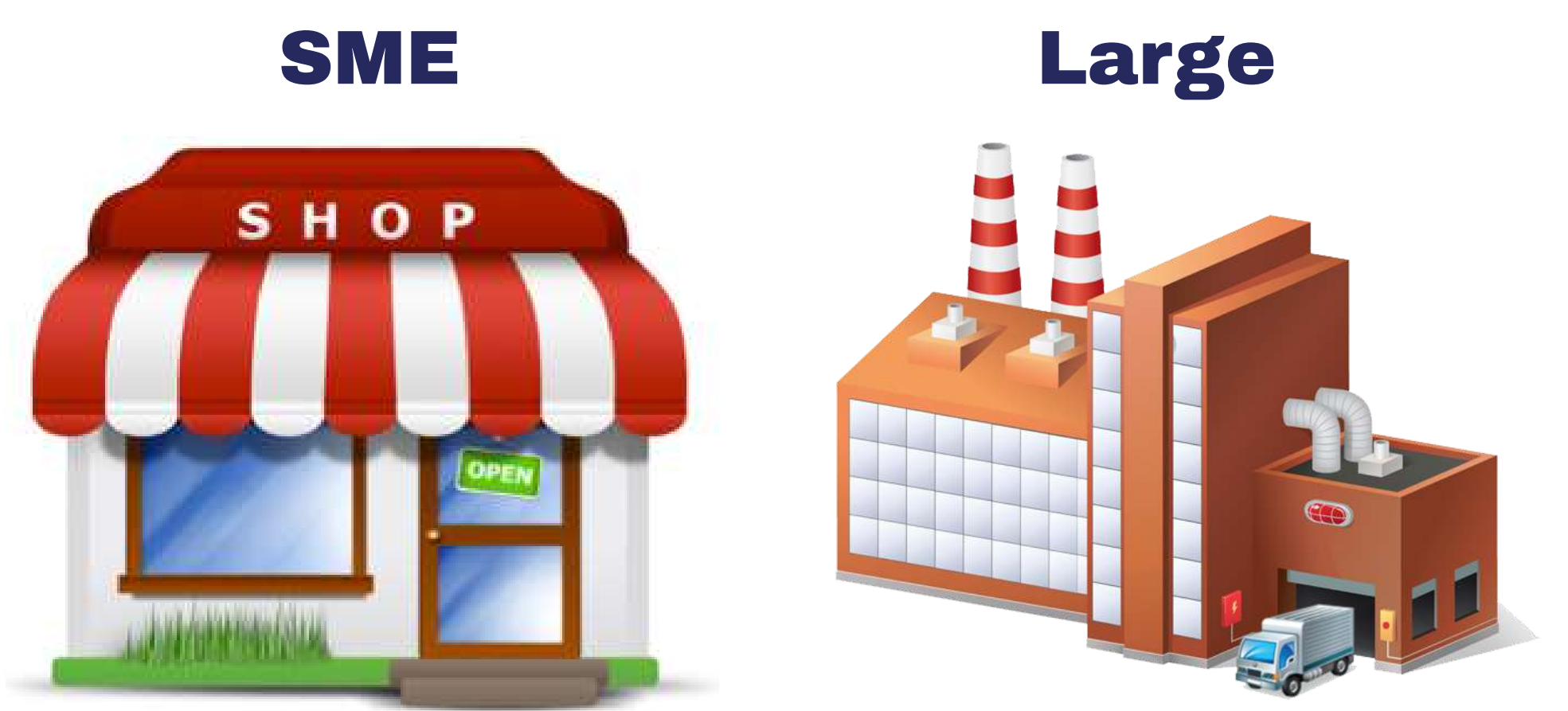
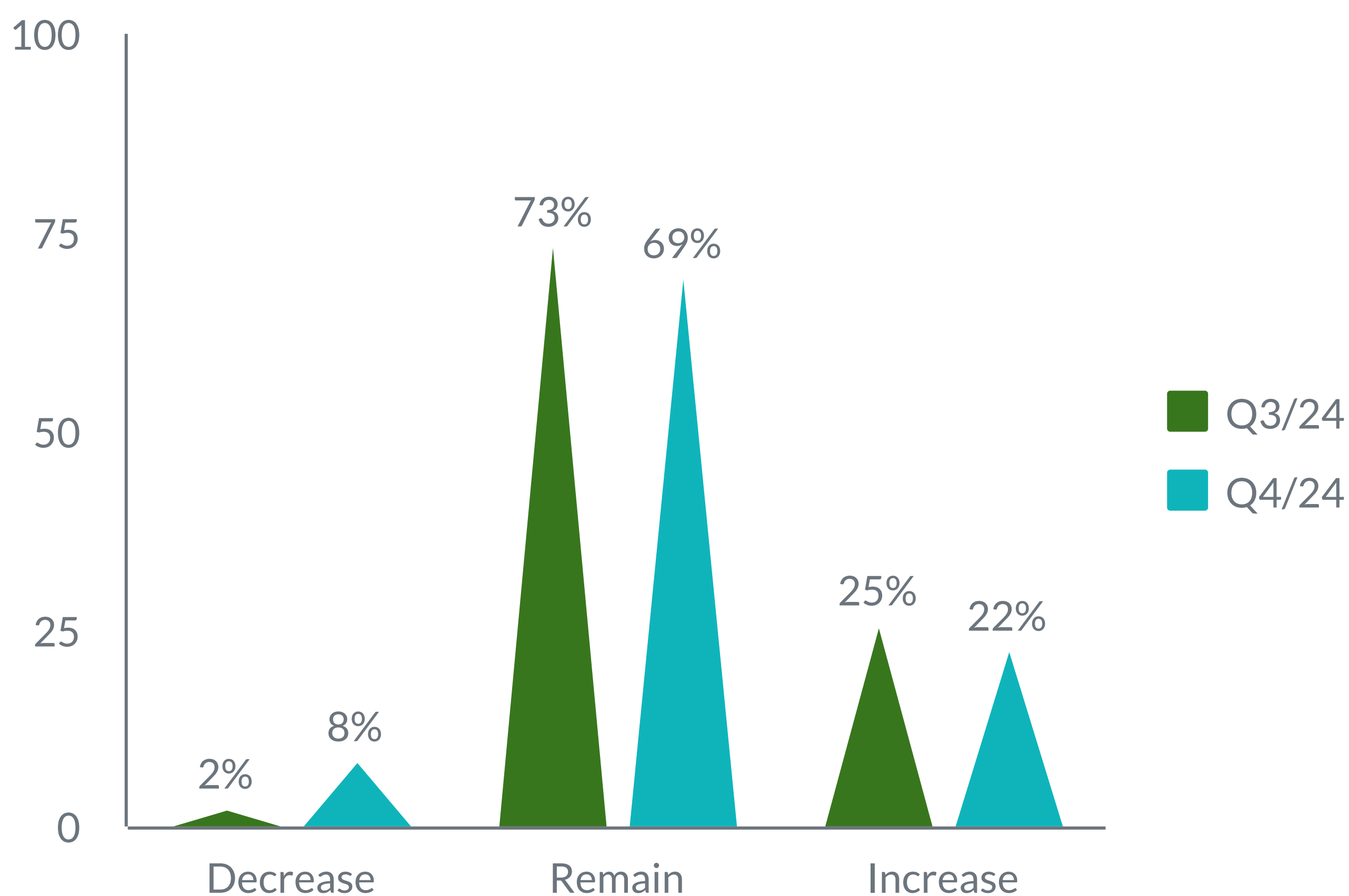
Sales Price Expectations by sectors

The Sales Price Expectations Index decreased for Q4 2024 and settled at 13.1 index points. The index decreased for manufacturing (-40.0) and service (-8.2) sectors and increased for construction (+19.3) and agriculture (+3.3) sectors.

For Q4 2024, index decreased by 16.5 points for large companies and by 6.6 points for SMEs.

Sectors	Q4/24	Change
Manufacturing	-20.0	▼ -40.0
Construction	37.5	▲ 19.3
Trade	22.7	■ 0.0
Service	11.8	▼ -8.2
Agriculture	33.3	▲ 3.3
other	-10.0	▼ -52.9

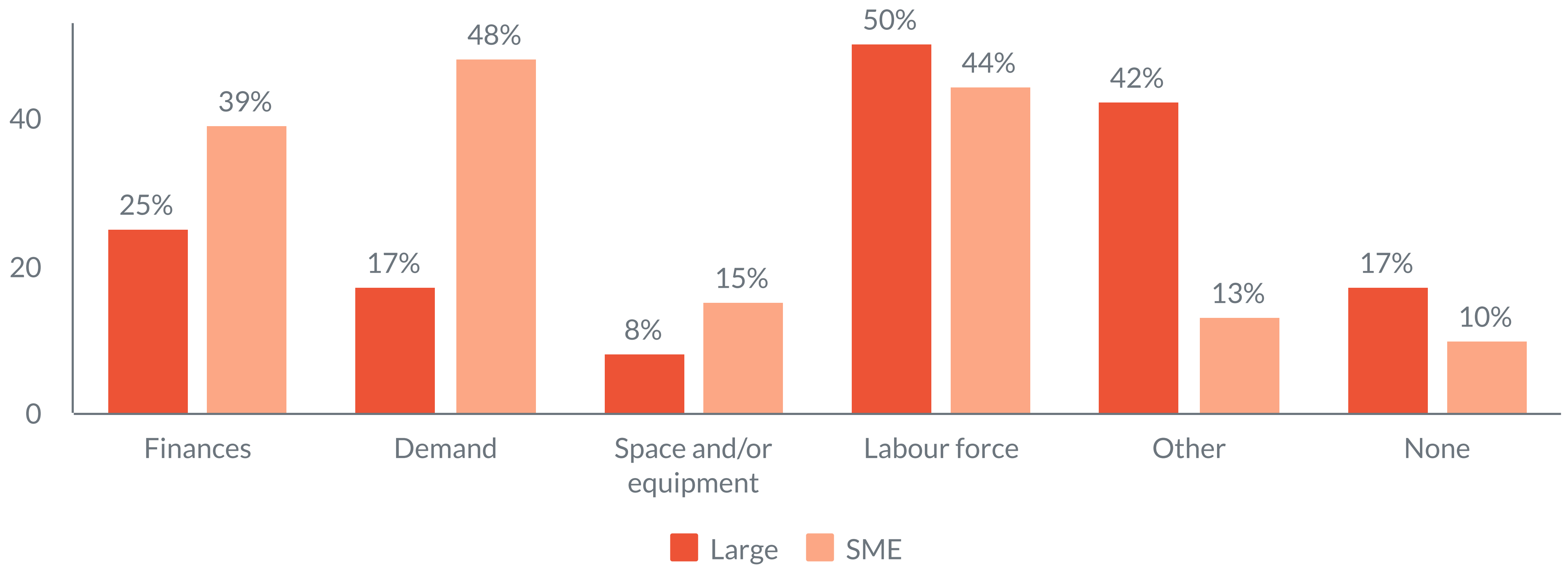
How do you expect the prices you charge to change over the next 3 months?



Q4/24	Change	Q4/24	Change
13.2	▼ -6.6	10.3	▼ -16.5

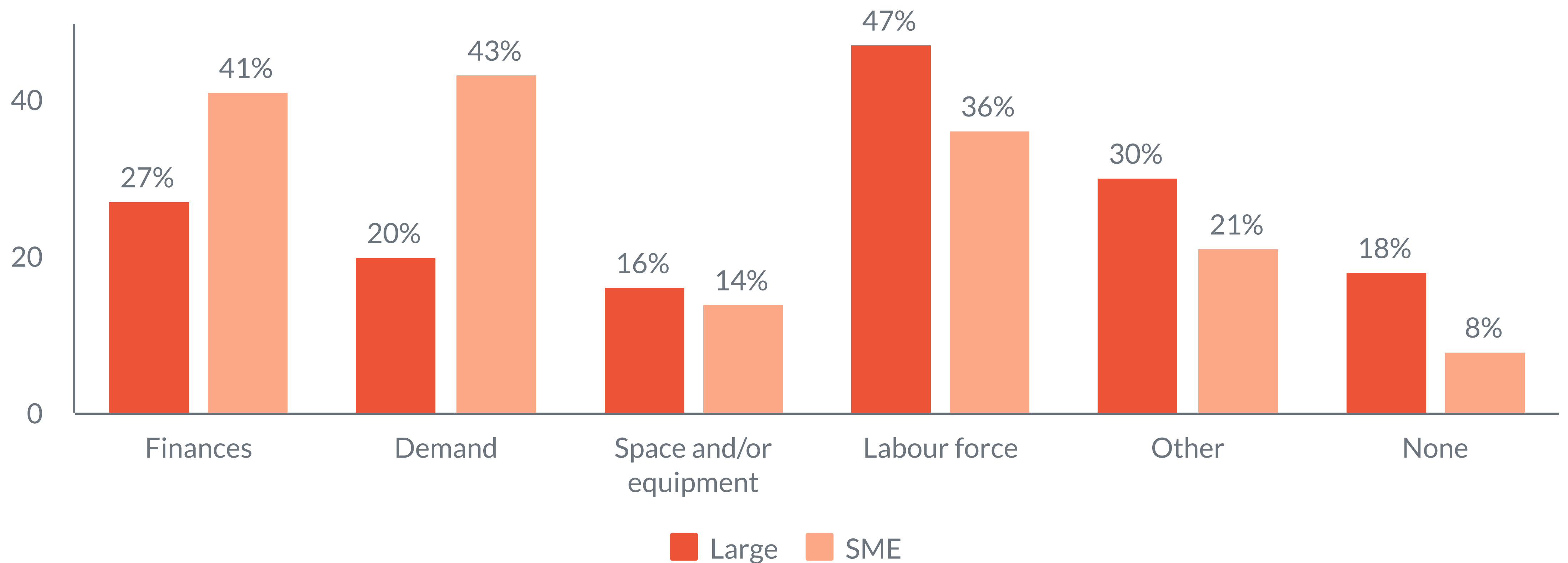
Around 8% of all firms surveyed intend to decrease their prices over the next three months, 22% predict an increase in their prices and the remaining 69% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q4, 2024



For Q4 2024, lack of qualified labor force continues to be the most significant limiting factor for large companies. "Other" factors comes in second as a hindrance for these large companies. As for SMEs, lack of demand and qualified labor force are the most important obstacles.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? (FOUR QUARTER AVERAGE Q1 2024 - Q4 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.

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/Q4	24/Q4
Manufacturing	5	5%
Construction	8	9%
Trade	22	24%
Service	34	37%
Agriculture	6	7%
Financial	7	8%
Other	10	11%
Source: BCI Survey Data	92	% 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/Q4	
	Large	SME
Manufacturing	2	3
Construction	1	7
Trade	5	17
Service	9	25
Agriculture	2	4
Financial	1	6
Other	5	5
Source: BCI Survey Data	25	67

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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