

BUSINESS CONFIDENCE INDEX

8.8

DECREASE

(No) Business Confidence

Q1 2025

Participating Companies

Large



27

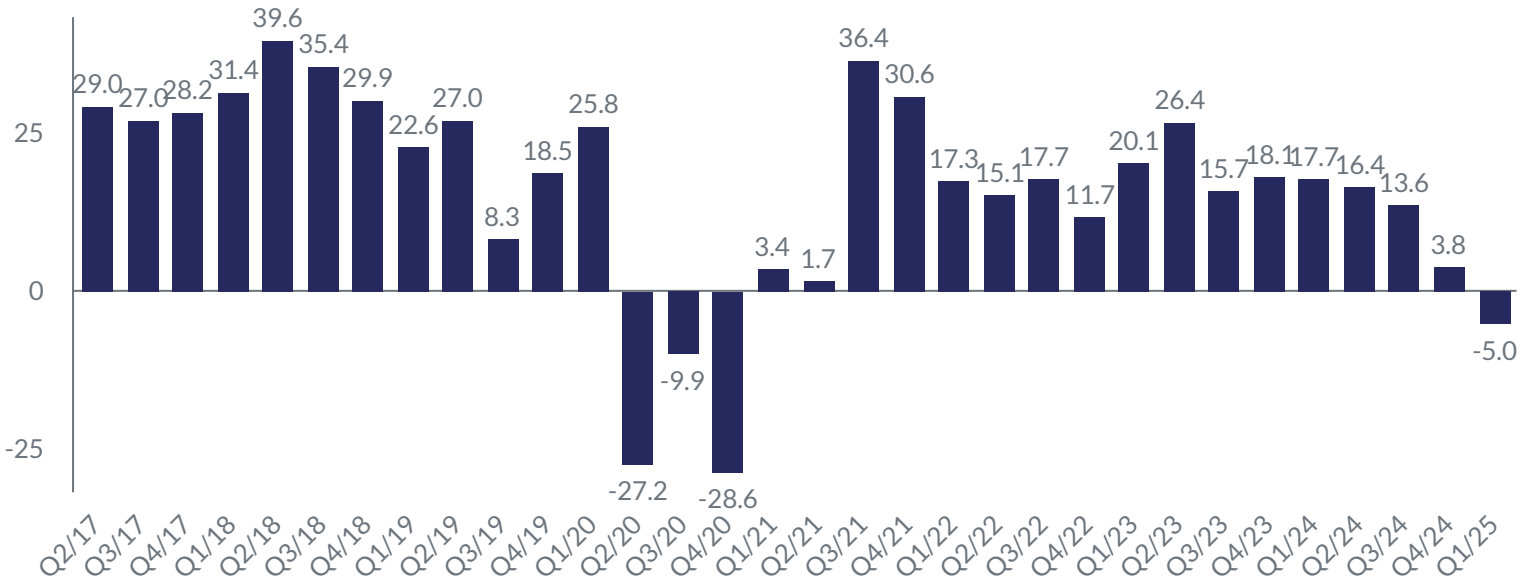
SMEs



92

SURVEY HIGHLIGHTS

Business Confidence Index (BCI)



- For the first quarter of 2025, business confidence in Georgia decreased (by 8.8 index points) and reached -5.0. The highest decrease in business confidence is observed in the service (-21.5) sector. The negative change in BCI for Q1 2025 was driven by decreased past performance as well as pessimistic expectations.
- The Past Performance Index, which considers the business sector's assessment of their own economic performance in the previous quarter, decreases significantly by 22.4 points compared to Q4 2024 and reached -18.6 for Q1 2025, with the agriculture (-50.0) and service (-30.8) sectors showing the biggest deterioration.
- Expectations Index, which reflects business optimism, decreased and settled at -9.9 index points. Expectations for Q1 2025 worsened significantly for agriculture (-50.0) and service (-31.0) sectors.
- The Sales Price Expectations Index increased by 6.9 index points and settled at 20.0, indicating increase in the share of businesses that anticipate charging higher prices on their products over the next three months.
- For Q1 2025, 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 significant downturn in the previous quarter, BCI decreased further compared to Q4 2024 (-8.8), and reached 5.0 index points for Q1 2025. Expectations in the Georgian private sector have also decreased by 16.9 index points, settling at -9.9. Business performance over the past three months, decreased by 22.4 index points, reaching -18.6, indicating downturn in production, turnover, and sales. Compared to the previous quarter, the Sales Price Expectation Index increased by 6.9 index points.

Compared to Q4 2024, for Q1 2025 business confidence decreased in all sectors except financial and manufacturing sectors. The highest decrease is observed in service (-21.5) and agriculture (-13.3) sectors, followed by trade (-10.4) and construction (-7.7) sectors. BCI increased in financial (17.4) and manufacturing (11.4) sectors.

BCI by sectors

Sectors	Q1/25	Change
Manufacturing	0.0	▲ 11.4
Construction	-7.7	▼ -7.7
Trade	1.8	▼ -10.4
Service	-11.4	▼ -21.5
Agriculture	-23.3	▼ -13.3
Financial	26.4	▲ 17.4
Other	-11.1	▲ 2.9

SME



Q1/25 **Change**
-7.5 **▼ -8.1**

Large

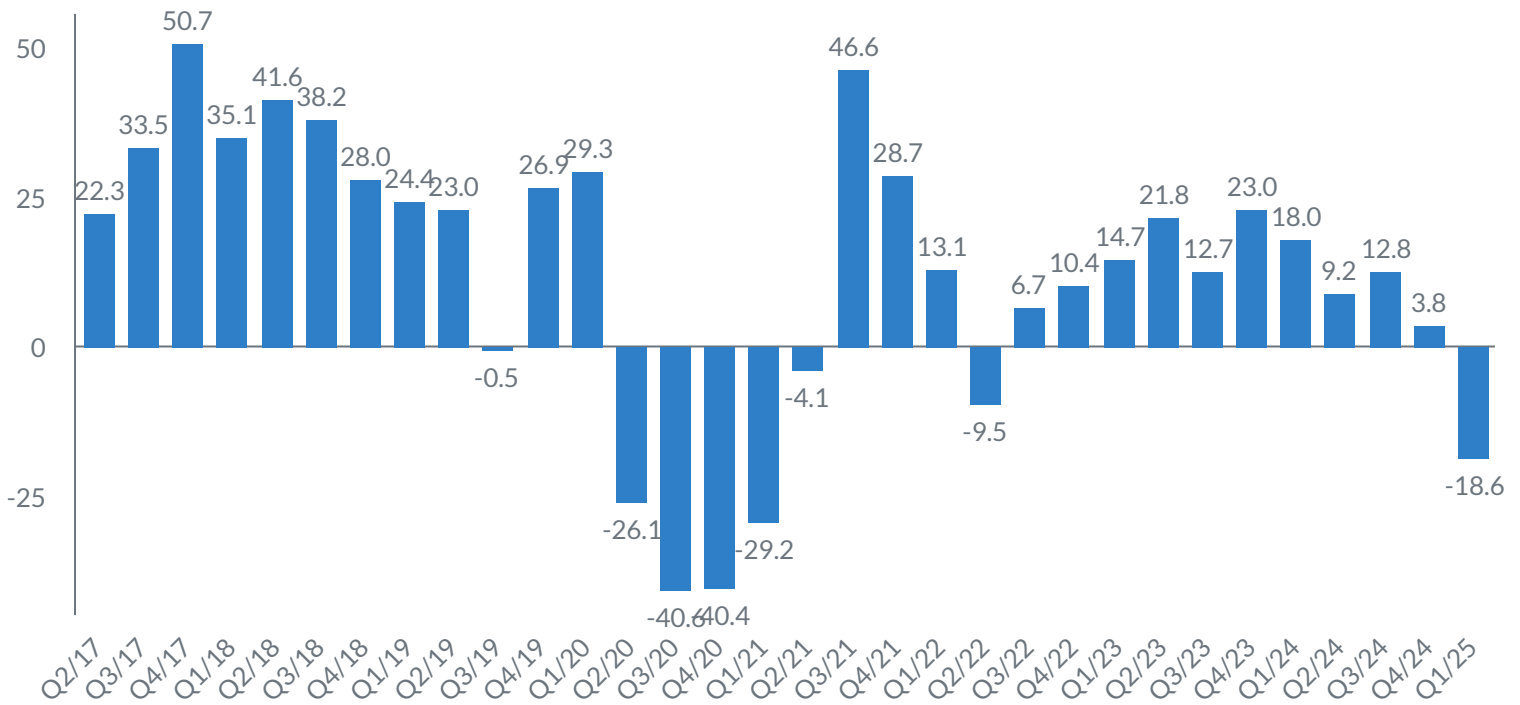


Q1/25 **Change**
7.3 **▼ -7.8**

Business confidence for the first quarter of 2025 has decreased by 8.1 index points for SMEs and by 7.8 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

Sectors	Q1/25	Change
Manufacturing	-16.7	▼ -16.7
Construction	-15.4	▼ -15.4
Trade	-15.8	▼ -24.9
Service	-23.5	▼ -30.8
Agriculture	-50.0	▼ -50.0
Financial	27.3	▲ 27.3
Other	-33.3	▼ -23.3

Businesses' Past Performance Index, which shows the development of businesses' production, turnover, and sales in the past 3 months, reduced for Q1 2025 compared to the previous quarter. The highest decrease was observed in agriculture (-50.0) sector, followed by service (-30.8), trade (-24.9), manufacturing (-16.7) and construction (-15.4) sectors. Past Performance Index increased in financial (+27.3) sector.



SME

Q1/25 Change
-23.9 ▼ -27.0

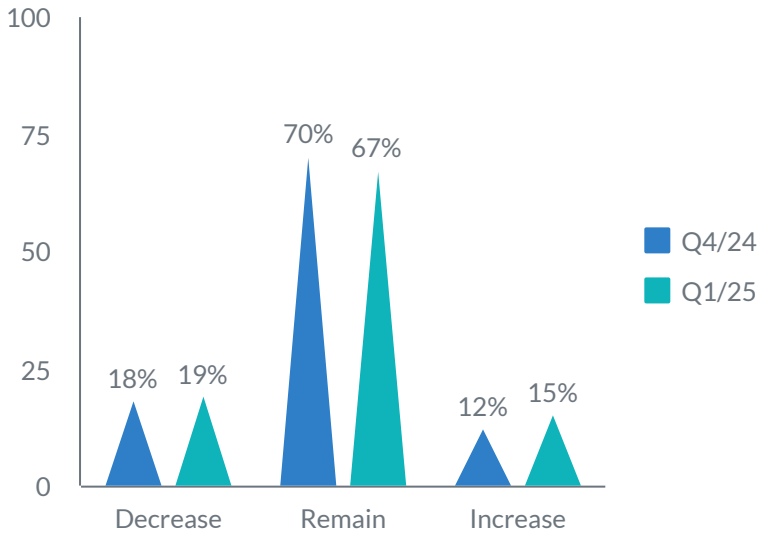


Large

Q1/25 Change
2.0 ▼ -6.2

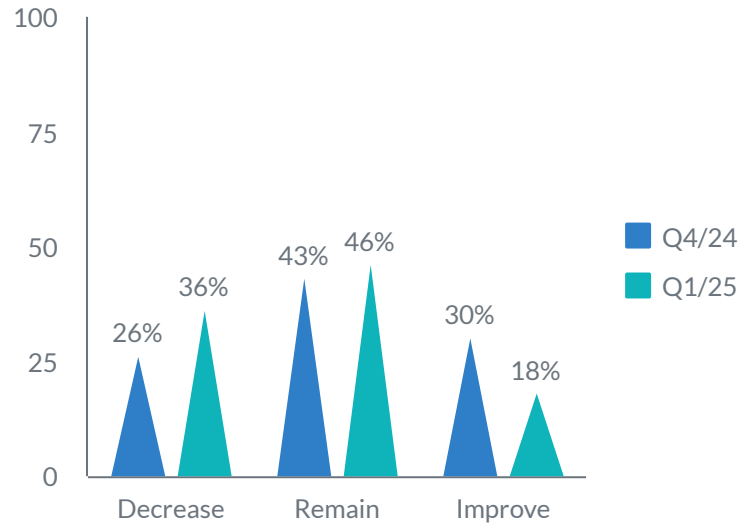
Business activities in the past 3 months have deteriorated both, for SMEs and large businesses. For SMEs, the index decreased by 27.0 points and for large firms - by 6.2 points.

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



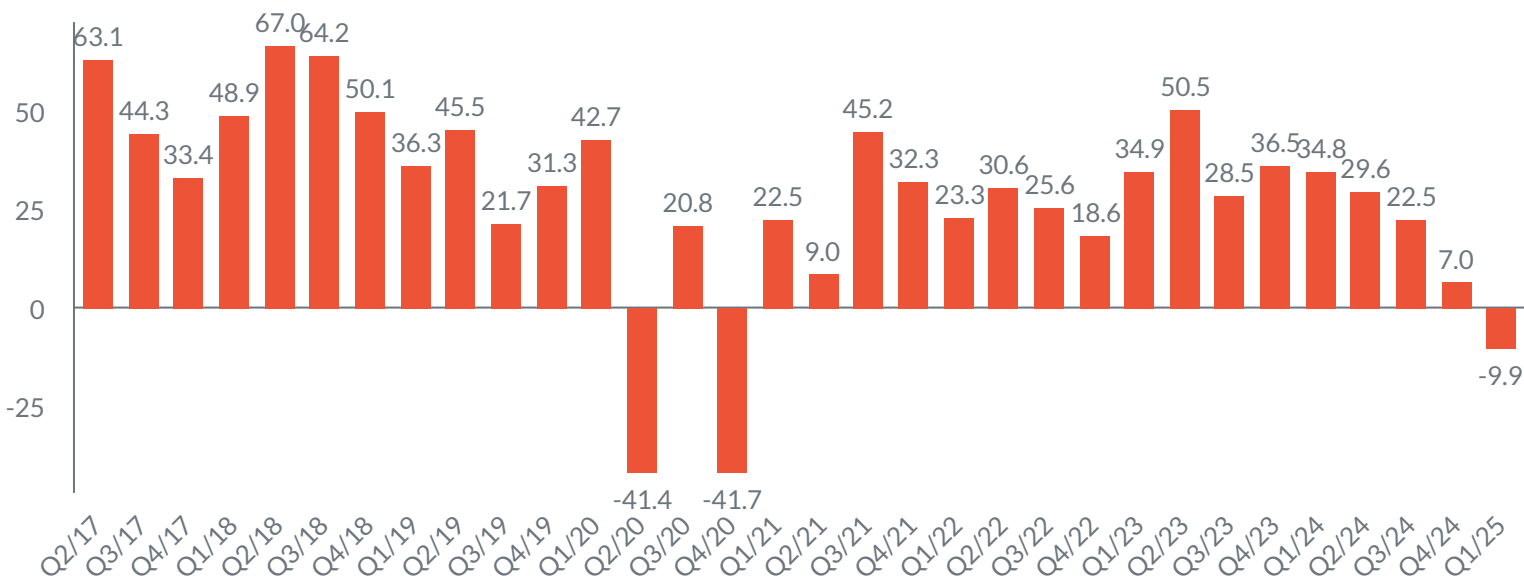
For Q1 2025, 19% of surveyed firms stated that employment had decreased over the past three months; 15% reported an increase, and 67% reported no changes in employment.

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



For Q1 2025, 36% of the companies reported a deterioration in their business activities over the past three months, 18% reported improvement and 46% of firms stated that their business activities remained unchanged.

Expectations Index



The Expectations Index decreased for Q1 2025 and amounted to -9.9 index points. Prospects for the next three months declined for all sectors, except manufacturing and construction sectors. The highest decrease is observed in agriculture (-50.0) sector, followed by service (-31.0), financial (-16.2) and trade (-14.4) sectors. The expectations index increased in manufacturing (+25.0) sector.

Expectations by sectors

Sectors	Q1/25	Change
Manufacturing	25.0	▲ 25.0
Construction	0.0	■ 0.0
Trade	-5.3	▼ -14.4
Service	-16.3	▼ -31.0
Agriculture	-50.0	▼ -50.0
Financial	-9.1	▼ -16.2
Other	-22.2	▼ -12.2

SME



Q1/25 **Change**
-8.8 ▼ **-9.9**

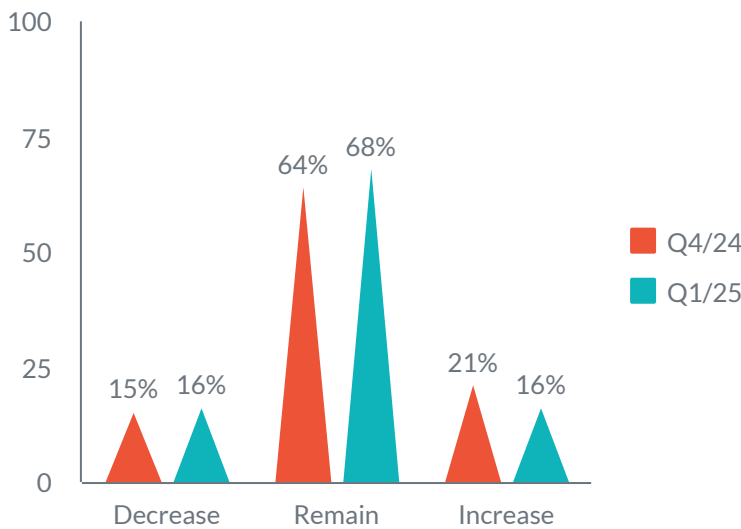
Large



Q1/25 **Change**
3.5 ▼ **-24.7**

The expectations index has decreased both, for SMEs and large companies. For SMEs, the index decreased by 9.9 points and for large firms - by 24.7 points.

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



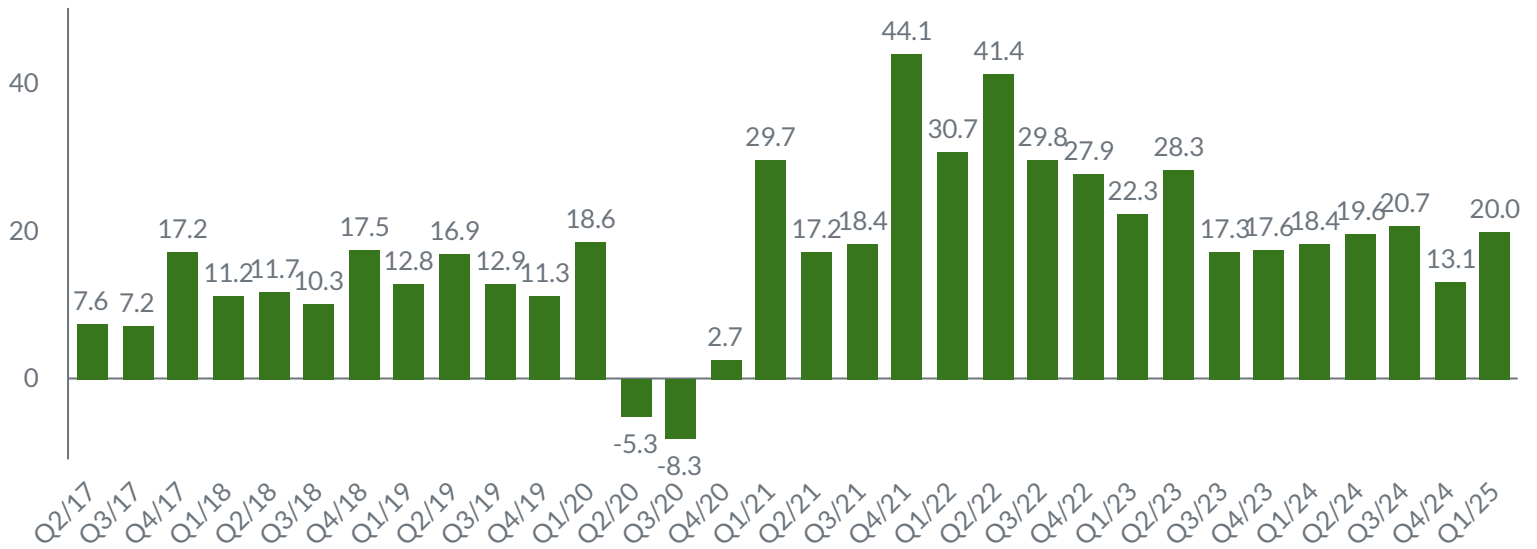
For Q1 2025, 16% of firms stated that they would hire fewer employees in the future, 16% think that they would hire more and 68% of the surveyed businesses do not expect any changes in employment over the next three months.

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



As for the business condition, 30% 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 45% do not predict any changes.

Sales Price Expectations Index



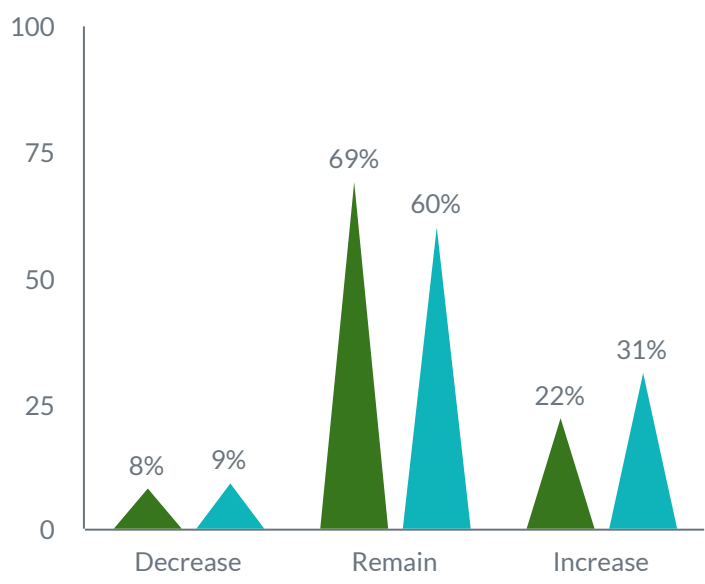
Sales Price Expectations by sectors

The Sales Price Expectations Index increased for Q1 2025 and reached 20.0 index points. The index increased for manufacturing (+45.0) and service (+6.6) sectors and decreased for construction (-14.4) and trade (-1.7) sectors.

For Q1 2025, index increased by 11.6 points for large companies and by 5.4 points for SMEs.

Sectors	Q1/25	Change
Manufacturing	25.0	▲ 45.0
Construction	23.1	▼ -14.4
Trade	21.1	▼ -1.7
Service	18.4	▲ 6.6
Agriculture	33.3	■ 0.0
other	22.2	▲ 32.2

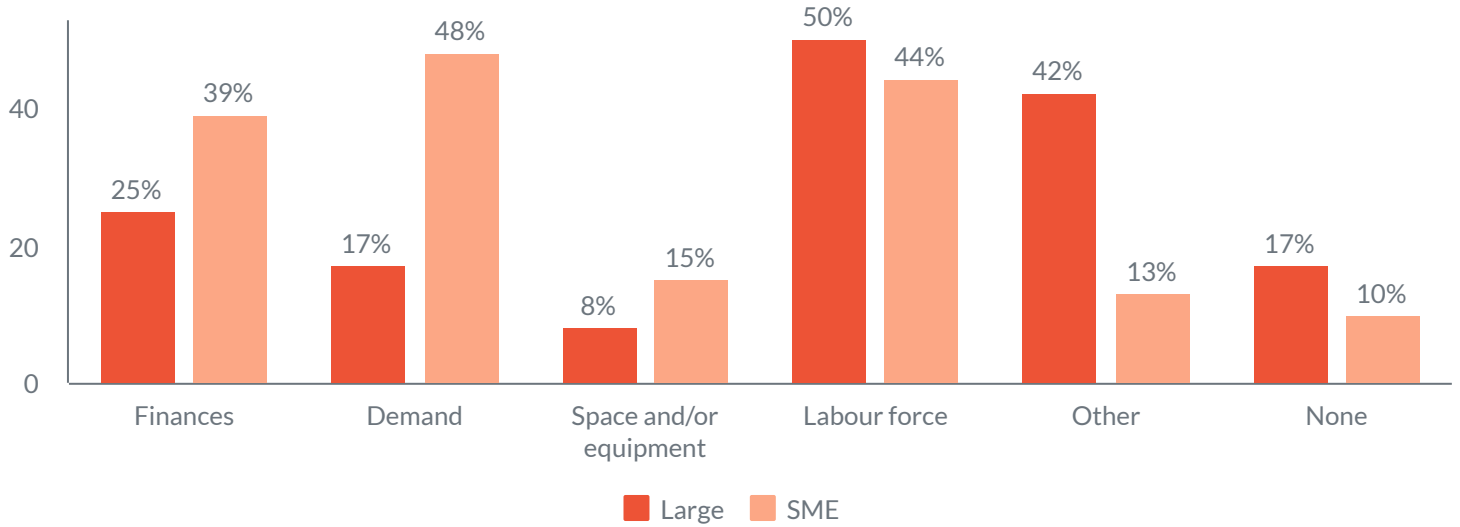
How do you expect the prices you charge to change over the next 3 months?



Category	Q1/25	Change
SME	18.6	▲ 5.4
Large	21.9	▲ 11.6

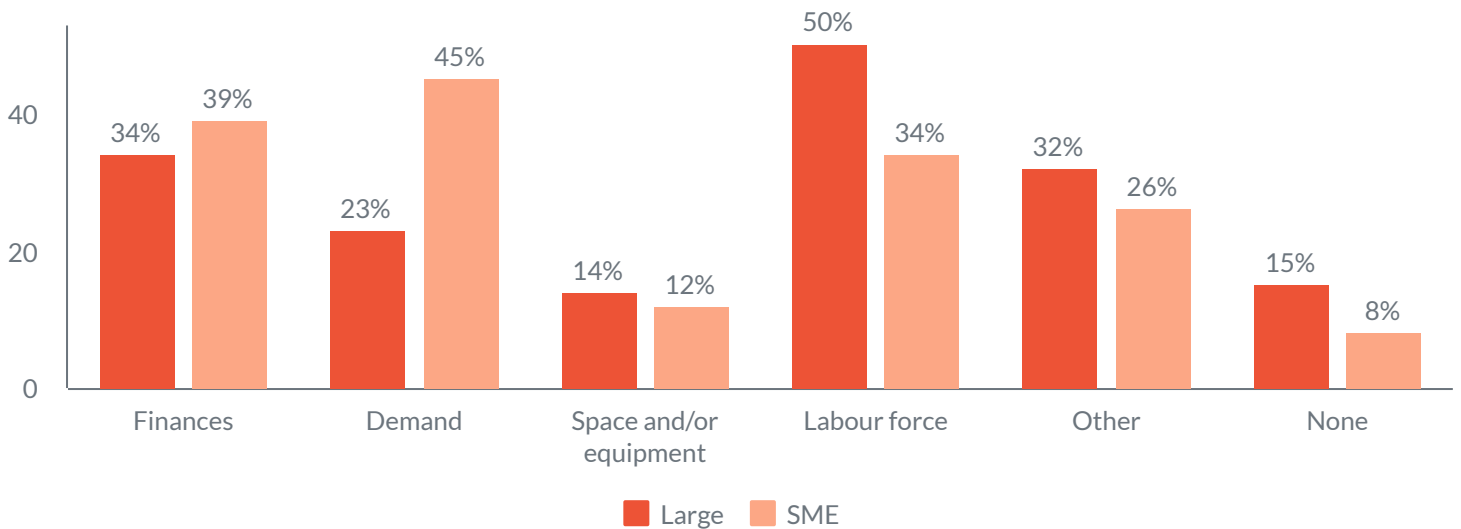
Around 9% of all firms surveyed intend to decrease their prices over the next three months, 31% predict an increase in their prices and the remaining 60% are not planning to change their prices in the near future.

WHAT ARE THE MAIN FACTORS CURRENTLY LIMITING YOUR BUSINESS? Q1, 2025



For Q1 2025, 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 Q2 2024 - Q1 2025)



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	25/Q1	25/Q1
Manufacturing	12	10%
Construction	13	11%
Trade	19	16%
Service	49	41%
Agriculture	6	5%
Financial	11	9%
Other	9	8%
Source: BCI Survey Data	119	% 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	25/Q1	SME
Manufacturing	4		8
Construction	3		10
Trade	2		17
Service	11		38
Agriculture	1		5
Financial	2		9
Other	4		5
Source: BCI Survey Data	27		92

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

Published: January 2025