Country Overview

Area: 69,700 sq km
Population: 4.5 million
Life expectancy: 75.2 years
Official language: Georgian
Literacy: 100%
Currency: Lari (GEL)
GDP: 2013 - US$ 16.1 billion
GDP - real growth rate 2013: 3.3%
GDP - Per Capita 2013: US$ 3,600
Inflation rate 2013: -0.5%; 2.4%
Public External debt to GDP 2013: 27%
Economic Growth

Nominal GDP and Real Growth

Nominal GDP Per Capita

Fastest Growing Sectors 2013

- Agriculture: 11.3%
- Real Estate: 9.6%
- Manufacturing: 8.6%
- Financial Activities: 7.0%
- Processing of products by households: 6.8%
- Trade: 5.4%
- Electricity, gas and water supply: 5.1%
- Hotels and Restaurants: 4.6%
- Transport: 3.2%
- Real estate: 3.1%

Components of Nominal GDP 2013

Source: GEOSTAT

Ministry of Economy and Sustainable Development of Georgia
Inflation

**Inflation 2013**

- End of period – **2.4%**
- Average annual – **-0.5%**

**Monthly Inflation**

Source: GEOSTAT

**Inflation Trend 2004 - 2013**

- Average annual
- End of Period

**Monthly Inflation**

- CPI to the previous month
- CPI to the same month of previous year
- CPI 12 months average over the previous 12 month average

Ministry of Economy and Sustainable Development of Georgia
Social Statistics

Subsistence Minimum, 2013

- For working age male – 149,0 GEL
- For average consumer – 132,0 GEL
- For average family – 250,0 GEL

Poverty Threshold, 2013

- Beneficiaries of subsistence allowance – 437 238 person
  Change - 0.3%
- Share of population under the poverty threshold – 9.7%

Inequality Indicators, 2013
Share of population under 60 percent of the median consumption (%)

- Georgia = 21.4%
- Urban – 15.4%
- Rural – 27.1%

Source: GEOSTAT

Ministry of Economy and Sustainable Development of Georgia
Ministry of Economy and Sustainable Development of Georgia

Unemployment Rate, 2013

Unemployment rate – 14.6%
- Employed population – 1,712.1 thousand
  - hired – 658.2 thousand
  - self employed – 1,043.8 thousand
- Unemployed population – 291.8 thousand

Monthly Nominal Salaries, 2013

- Average – 773.1 GEL, growth 8.5%
- State Sector – 795.1 GEL, growth 6.2%
- Non-state Sector – 738.7 GEL, growth 12.6%
- Business Sector – 760.1 GEL, growth 6.4%
- Non-business Sector – 794.3 GEL, growth 12.0%

Source: GEOSTAT

Unemployment Rate

Unemployment Rate of Employed in State and Non-state Sectors, 2013

Source: GEOSTAT
Foreign Trade

Foreign Trade 2013

Total Trade Turnover – 10,793 mln. USD (5.0% Growth)

- Export – 2,908 mln. USD (22.4% growth)
- Import – 7,885 mln. USD (0.2% decline)
- Balance – -4,977 mln. USD (10.0% decline)

Foreign Trade – Turnover, Export, Import

Source: GEOSTAT
Foreign Trade Structure 2013

Georgian Exports by Country

- Azerbaijan: 26.3%
- Armenia: 10.9%
- Ukraine: 24.4%
- Russia: 2.8%
- Turkey: 6.5%
- Bulgaria: 5.2%
- USA: 3.7%
- Kazakhstan: 4.7%
- Italy: 2.5%
- Canada: 2.1%
- Others: 6.6%

Georgian Imports by Country

- Turkey: 32.6%
- Azerbaijan: 8.1%
- Ukraine: 7.6%
- Russia: 7.5%
- China: 7.2%
- Georgia: 5.7%
- Italy: 4.1%
- Canada: 4.1%
- Japan: 3.2%
- USA: 2.8%
- Others: 3.6%

Georgian Exports by Commodity Group

- Motor cars: 24.2%
- Ferro-alloys: 36.0%
- Nuts: 2.1%
- Copper ores: 3.7%
- Wheat: 4.5%
- Spirituous beverages: 4.4%
- Gold: 5.6%
- Mineral waters: 5.6%
- Wine: 6.3%
- Others: 6.5%

Georgian Imports by Commodity Group

- Petroleum: 12.1%
- Motor cars: 9.0%
- Petroleum gases: 3.8%
- Medicaments: 3.6%
- Wheats: 3.6%
- Telephone sets: 2.3%
- Copper ores: 1.9%
- Cigarettes: 1.4%
- Autom. data proc. machines: 1.2%
- Motor vehicles: 1.0%
- Others: 1.1%

Source: GEOSTAT
Ministry of Economy and Sustainable Development of Georgia

Trade Policy

Competitive Trade Regimes

- **Free Trade Regime** – with CIS countries and Turkey (since 2008)
- **Most Favored Nation Regime (MFN)** – with World Trade Organization (WTO) member countries
- **Preferential Regime (GSP)** – with USA, Canada, Japan, Switzerland, Norway
- **Preferential Regime (GSP+)** – with EU (7200 items) since 2005

Main Features of Georgian Trade Policy

- Low import tariffs
- Few export/import licenses and permits
- No quantitative restrictions on import and export
- No customs tariff on export and re-export
- No VAT on export
- Simplified export and import procedures

*Georgia has bilateral treaties on investment promotion and protection with 32 countries*

*Georgia has concluded double taxation treaties with 46 countries*
Negotiation on Association Agreement (AA) with its integral part – Agreement on Deep and Comprehensive Free Trade Area (DCFTA) successfully finalized in July 2013

AA was initialed at Eastern Partnership Vilnius Summit in November 2013

**DCFTA provides**

- Liberalization of trade with the EU
- Free movement of goods, services and capital
- Growth of export potential
- Growth of investment potential & opportunities
FDI 2013 – 941.9 mln. USD
- growth – 3.3%
- share in GDP – 5.8%

FDI 2012 – 911.6 mln. USD

FDI by Sectors 2013

FDI by Countries

Source: GEOSTAT
Fiscal and Monetary Performance

Tax Revenue Performance

- **NBG's Gross FX Reserves**

- **Exchange Rate Evolution**

Source: National Bank of Georgia

Source: National Bank of Georgia

Ministry of Economy and Sustainable Development of Georgia
Tax Policy

- Reduced number of taxes from 21 to 6 (2004-2008)
- Reduced tax rates

**Taxes/Rates**

- Personal Income Tax – 20%
- Corporate Income Tax – 15%
- VAT – 18%
- Excise Tax – **Varies**
- Import Tax – 0%, 5% or 12%
- Property tax – 1% on the self-assessed value of property

**Special/preferential tax treatment for Micro and Small Enterprises**

- **Micro Business** (turnover no more 30 000 GEL) – exempted from taxes
- **Small Business** (turnover no more 100 000 GEL) – pays 3% or 5% of taxed income
Current Account Balance

Source: National Bank of Georgia
Public External Debt

Long-term external funding boosting the economy in short and long-term future

- Public External Debt, 2013 – 4,086.4 US$ mln

### Public External Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>External Debt (US$ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,592</td>
</tr>
<tr>
<td>2005</td>
<td>1,502</td>
</tr>
<tr>
<td>2006</td>
<td>1,461</td>
</tr>
<tr>
<td>2007</td>
<td>1,541</td>
</tr>
<tr>
<td>2008</td>
<td>2,226</td>
</tr>
<tr>
<td>2009</td>
<td>2,694</td>
</tr>
<tr>
<td>2010</td>
<td>3,284</td>
</tr>
<tr>
<td>2011</td>
<td>3,608</td>
</tr>
<tr>
<td>2012</td>
<td>3,997</td>
</tr>
<tr>
<td>2013</td>
<td>4,086</td>
</tr>
</tbody>
</table>

#### Share of Public External Debt in GDP

- **2013**: 27.2%
- **2012**: 27.6%
- **2011**: 28.8%
- **2010**: 33.6%
- **2009**: 31.7%
- **2008**: 23.5%
- **2007**: 16.8%
- **2006**: 21.1%
- **2005**: 26.8%
- **2004**: 34.5%

### PED breakdown by origin (million USD)

<table>
<thead>
<tr>
<th>Origin</th>
<th>Amount (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4,086.4</td>
</tr>
<tr>
<td>Multilateral</td>
<td>2,789.9</td>
</tr>
<tr>
<td>WB-IDA</td>
<td>1,347.3</td>
</tr>
<tr>
<td>WB-IBRD</td>
<td>396.8</td>
</tr>
<tr>
<td>IFAD</td>
<td>261.0</td>
</tr>
<tr>
<td>IMF</td>
<td>243.1</td>
</tr>
<tr>
<td>EBRD</td>
<td>106.3</td>
</tr>
<tr>
<td>European Investment Bank (EIB)</td>
<td>197.2</td>
</tr>
<tr>
<td>Asian Development Bank (ADB)</td>
<td>472.9</td>
</tr>
<tr>
<td>Bilateral</td>
<td>793.4</td>
</tr>
<tr>
<td>United States</td>
<td>30.5</td>
</tr>
<tr>
<td>Austria</td>
<td>15.0</td>
</tr>
<tr>
<td>France</td>
<td>74.1</td>
</tr>
<tr>
<td>Azerbaijani</td>
<td>12.3</td>
</tr>
<tr>
<td>Government Bonds</td>
<td>500.0</td>
</tr>
<tr>
<td>Eurobonds</td>
<td>500.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>23.5</td>
</tr>
<tr>
<td>External Guaranteed</td>
<td>3.0</td>
</tr>
<tr>
<td>Iran</td>
<td>9.6</td>
</tr>
<tr>
<td>Government Guaranteed</td>
<td>3.0</td>
</tr>
<tr>
<td>Russia Federation</td>
<td>100.4</td>
</tr>
<tr>
<td>IMF</td>
<td>115.7</td>
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<tr>
<td>Ukraine</td>
<td>0.3</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>27.8</td>
</tr>
<tr>
<td>China</td>
<td>4.5</td>
</tr>
<tr>
<td>Germany</td>
<td>347.7</td>
</tr>
<tr>
<td>Kuwait</td>
<td>21.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.0</td>
</tr>
<tr>
<td>Japan</td>
<td>109.5</td>
</tr>
</tbody>
</table>

**Source:** Ministry of Finance of Georgia
Dynamics of Brussels Pledge ($4.5 billion) Implementation

Brussels Pledge Update - Public & Estimated Private Sectors

PLEDGED & COMMITTED $4.5 Billion

DISBURSED $2.5 Billion

Commitments (signed) so far by Donors, Public Sector Operations

Implemention/disbursement shall last until 2015, providing low-cost stimulus to the economy and allowing to retain policy/fiscal space.

Ministry of Economy and Sustainable Development of Georgia
Robust Banking Sector

- Entirely private owned since 1996
- No restrictions on foreign ownership of banks

In 2013 Georgia’s banking sector is represented by **21 commercial banks**:

- Foreign capital performance in equity – 20 banks
- Branch of foreign bank – 2 banks

*Source: National Bank of Georgia*
Deposits and loans in 2013

- **Deposits – 10 287,9 mln.GEL**
  - National currency – 4 099,4 mln. GEL
  - Foreign currency – 6 188,5 mln. GEL

- **Growth – by 25.4%**

- **Loan – 10 569,8 mln.GEL**
  - Sectors – 5 405,2 mln. GEL
  - Households – 4 710,0 mln. GEL

- **Growth – 20.0%**

**FDI in Financial Sector**

- In 2013 FDI in financial sector - 166.4 mln. USD
- 17.7% of total FDI

Source: National Bank of Georgia
Tourism sector is characterized with growing tendency during last years

- In 2013, number of visitors to Georgia amounted to 5,392,303 persons and increased by 21.8% compared to the same period of the previous year.

### Arrivals of Non-resident Visitors

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>4,225,635</td>
<td>5,168,046</td>
</tr>
<tr>
<td>AMERICAS</td>
<td>33,898</td>
<td>32,593</td>
</tr>
<tr>
<td>EAST ASIA/PACIFIC</td>
<td>123,987</td>
<td>121,649</td>
</tr>
<tr>
<td>MIDDLE EAST</td>
<td>17,141</td>
<td>63,063</td>
</tr>
<tr>
<td>AFRICA</td>
<td>7,110</td>
<td>5,024</td>
</tr>
<tr>
<td>OTHERS</td>
<td>20,450</td>
<td>1,928</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,428,221</strong></td>
<td><strong>5,392,303</strong></td>
</tr>
</tbody>
</table>

*Source: Georgian National Tourism Administration*
Ministry of Economy and Sustainable Development of Georgia

Enterprises Statistics

2013

- **Turnover** – 44,327.9 mln. GEL (increased by 5.4%)
- **Output** – 23,553.6 mln. GEL (increased by 2.0%)
- **Salaries** – 760.1 GEL
- **Employment** – 550,885 persons

**Turnover (2006 - 2013)**

**Output (2006 - 2013)**

Source: GEOSTAT
2013

- **Turnover** – 8 041,3 mln.GEL (increased by 8.0%)
- **Output** – 7 299,2 mln.GEL (increased by 6.3%)

**Industry in GDP**

Real Growth – 7,5%

- **Manufacturing** – 2 468.5 mln. GEL (real growth - 8.6%)
- **Processing of products by households** – 658.4 mln. GEL (real growth - 6.8%)
- **Electricity, gas and water supply** – 699.8 mln. GEL (real growth - 5.1%)
- **Mining and Quarrying** – 210.3 mln. GEL (real growth – 2.8%)

*Source: GEOSTAT*
“Doing Business 2015” (WB & IFC) – 15th place (14th place in 2014)

Top Improver since 2005 in EE&CA and globally with 37 institutional reforms

Georgia is among TOP 10 countries in following areas:

- Registering Property - 1st place
- Dealing with Construction Permits – 3rd place
- Starting a Business – 5th place
- Getting Credit – 7th place
Georgia in International Ratings

“Index of Economic Freedom 2014” (Heritage Foundation) – 22nd place – Mostly Free

- 12th place in Europe (out of 43 countries in region)

Improved scores in:
- Freedom from Corruption – up by 1.8 points
- Labor Freedom – up by 0.1 points
- Government Spending – up by 0.8 points
- Monetary Freedom – up by 5.8 points
- Investment Freedom – up by 5 points

“Economic Freedom of the World 2014” (Fraser Institute) – 16th place (73rd place in 2004)

Improved scores in:
- Size of Government – 7.11 (up by 0.35 points)
- Legal System & Property Rights – 5.77 (up by 0.09 points)
- Sound Money – 9.17 (up by 0.14 points)
- Regulation – 8.15 (up by 0.07 points)
“Corruption Perception Index 2013” (Transparency International) – 55th place (up from 133rd in 2004)

Improved positions because of:

• Highly effective reforms in earning public confidence

• Highly effective steps in improving country’s international image

• Fallen off petty corruption
Georgia in International Ratings

“Global Enabling Trade Index 2014” (World Economic Forum) – 36th place amongst 138 countries (up from 38 in 2012)

- Market Access – 13rd position
- Border Administration – 35th position
- Infrastructure – 71th position
- Operating environment – 48th position

“Best Countries for Business 2014” (Forbes) - 50th place out of 145 countries (50th place in 2012)

- Trade Freedom – 5th place
- Monetary Freedom – 102nd place
- Property Rights – 110th place
- Innovation – 123rd place
- Technology – 66th place

- Red Tape – 8th place
- Investor Protection – 16th place
- Corruption – 49th place
- Personal Freedom – 69th place
- Tax Burden – 27th place

Global Enabling Trade, 2014
“Bertelsmann Transformation 2014” (Bertelsmann Foundation)

Status Index – 48th place (up from 58th in 2012)
- Political Transformation – 52nd place
- Economic Transformation – 57th place

Management Index, 2014

Taiwan
Estonia
Lithuania
Latvia
Turkey
Moldova
Georgia
Ukraine
Armenia
Russia
Azerbaijan

Status Index, 2014

- Management Index – 41st place (up from 53rd place in 2012)
Georgia in International Ratings

Georgia’s Sovereign Ratings

- **“Fitch Ratings 2014”**
  - Long-term foreign and local currency Issuer Default Ratings (IDRs) – “BB-“ upgraded from “B+”
  - Short-term foreign currency IDR – “B”
  - Country Ceiling – “BB”
  - Unsecured debt - “BB-“ (In 2010 - “B+”)
  - Outlook - **Positive**

- **“Standard and Poor’s Ratings 2013”**
  - Long-term foreign and local currency Issuer Default Rating (IDR) – “BB-“ upgraded from “B+”
  - Short-Term Sovereign credit ratings – ‘B’
  - Transfer & Convertibility assessment – ‘BB’
  - Outlook - **Stable**

- **“Moody’s Investors Service 2014”**
  - Not-Prime foreign and local currency issuer rating (affirmed) – **Ba3**
  - Outlook - **Positive**
End of Presentation