

BAG INDEX

INVESTMENT
SURVEY



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA



Leibniz Institute for Economic Research
at the University of Munich



Research

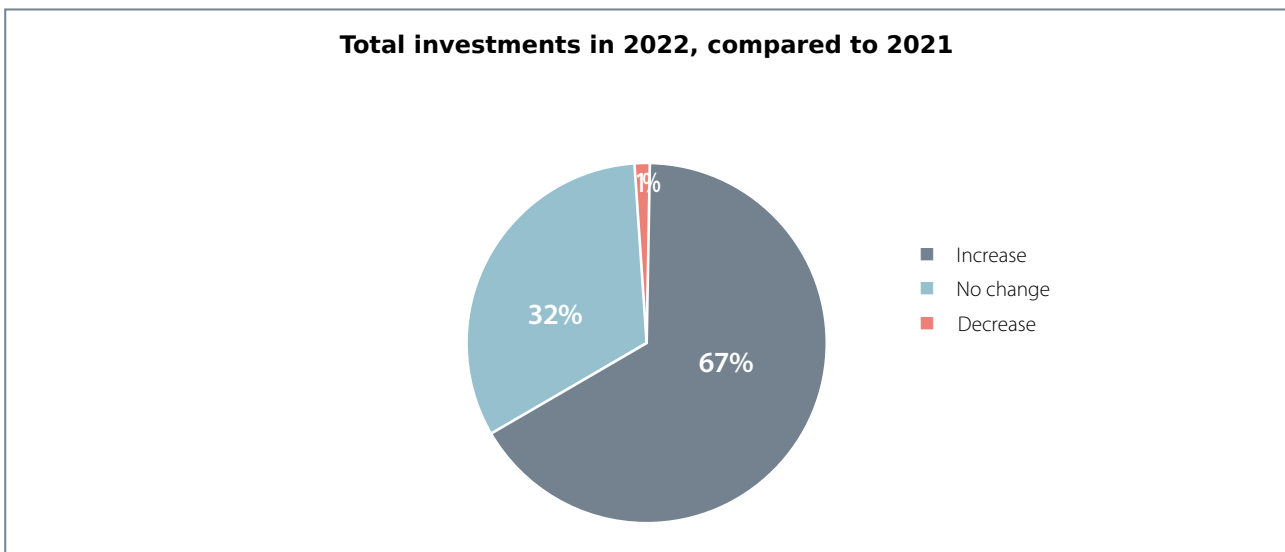
III QUARTER 2023

BAG INVESTMENT SURVEY

As part of an investment survey, which is carried out bi-annually, PMC Research Center collects data on investment trends. For the purposes of this survey, respondents were divided into the following four sectors (similar to the BAG Business Climate): trade, service, manufacturing and construction. The survey conducted in the third quarter of 2023 covered investments made by surveyed businesses in 2022 and their plans for 2023.

INVESTMENT ENVIRONMENT IN 2022

Overall, 67% of the surveyed businesses stated that their total investments had increased in 2022, compared to 2021. Meanwhile, 32% of the surveyed companies claimed their total investments were unchanged and only 1% stated their investments had decreased over the same period.



Graph 1: Investment environment in 2022

It must be mentioned that 3% of the companies in the service sector reported a decrease in total investments in 2022, compared to 2021. While, in the construction, manufacturing, and trade sectors the decline in investments was not recorded (for detailed information see graphs 3, 4, 5 and 6).

Furthermore, 82% of respondents in the construction sector stated that total investments increased in 2022, compared to 2021. At the same time, 70% of surveyed companies in the manufacturing sector recorded an increase in total investments in this timeframe, while for the service and trade sectors these figures were 65% and 61%.

In 2022, the majority of companies recorded an increase in their total investments in equipment (70%) and software and databases (63%). The lowest increase in the volume of total investments was recorded in plants, with 48% of surveyed companies recording growth in this regard.

Looking at things sector by sector, the manufacturing sector recorded the highest percentage share of companies (89%) stating an increase in their total investments in equipment among the four sectors.

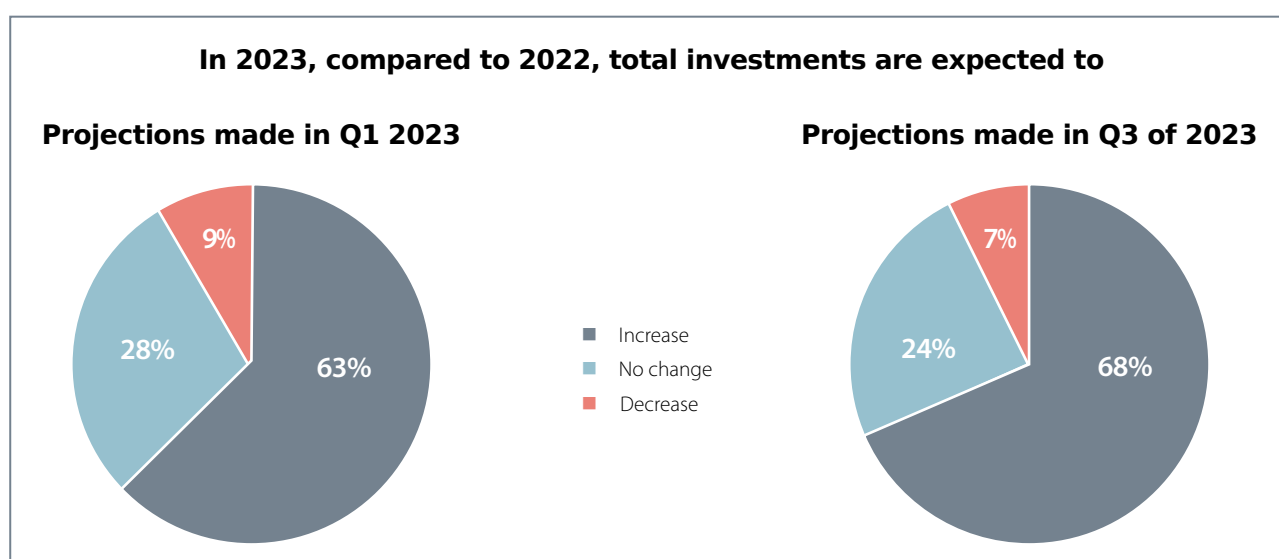
Whereas the highest percentage share of companies stating an increase in total investments in software and databases was observed in the trade sector (75%). Regarding the investment in plants, the manufacturing and construction sectors recorded the highest share (67% and 64%) of businesses stating an increase in their investments in plants in 2022, compared to 2021.

INVESTMENT PLANS FOR 2023

To evaluate the investment plans for 2023, an investment survey was conducted in the first quarter of 2023, and this forecast was updated in the third quarter of 2023.

In Q3 of 2023, 68% of surveyed businesses claimed they will increase their total investments in 2023, compared to 2022. At the same time, 24% of the surveyed companies expect no change in their total investments, while only 7% expect a decrease in total investments.

It should be noted that according to the results of the survey of the third quarter of 2023, compared to projections made in the first quarter of 2023, the expectations of companies had improved. According to the survey conducted in the first quarter of 2023, 63% of the surveyed companies were planning to increase their total investments in 2022, which is 5 percentage points below the result of the latest survey. Meanwhile, the percentage of businesses planning to decrease their total investments is 2 percentage points lower compared to previous expectations (9%). Accordingly, from the first to the third quarter of 2023, companies have positively altered their investment plans for 2023.

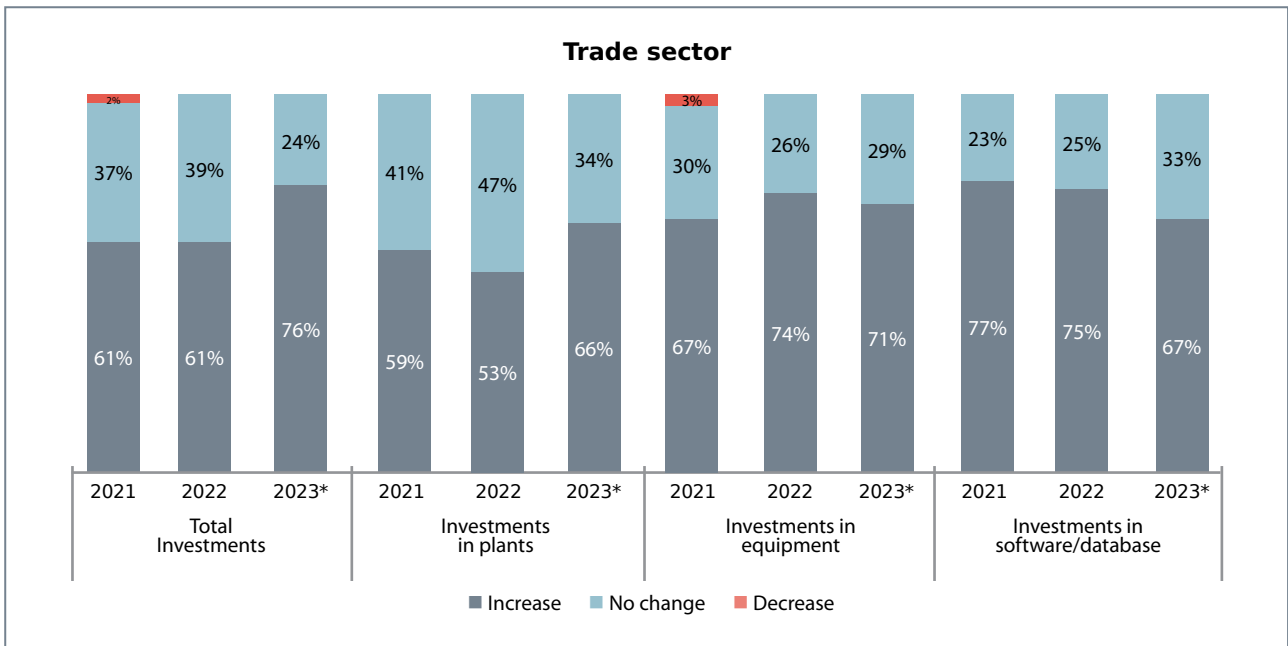


Graph 2: Investment plans of companies for 2023

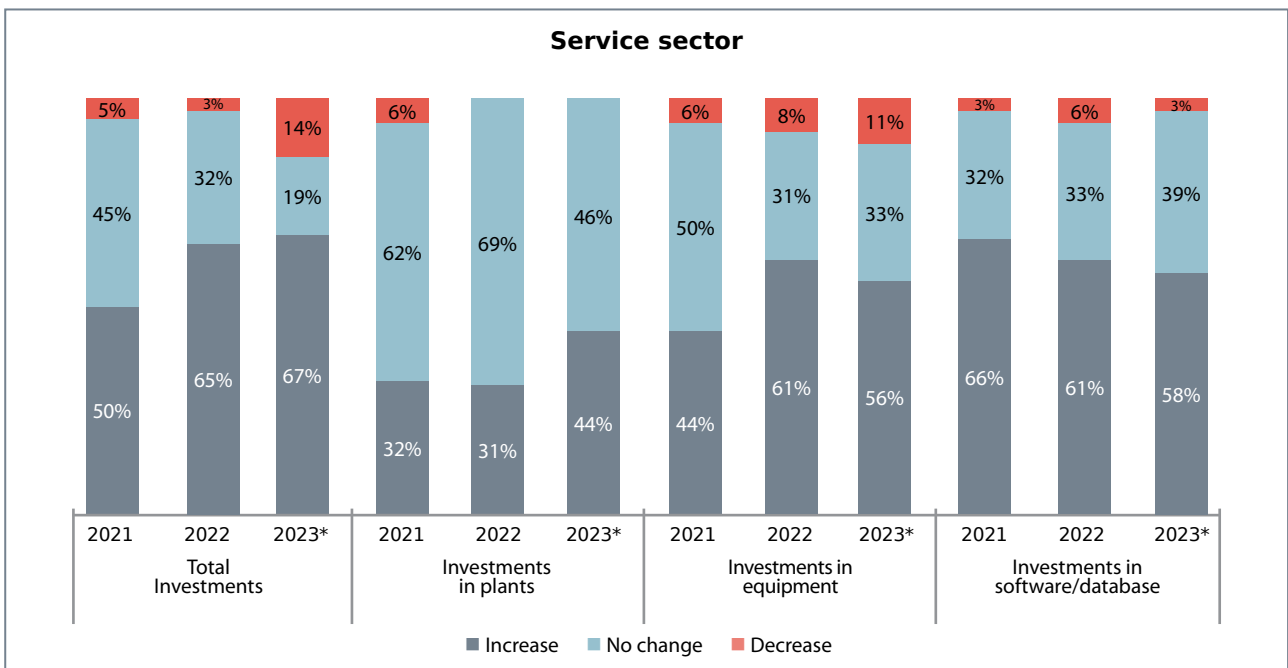
Amongst all four sectors, the trade sector conveyed the most optimistic expectations in direction of investment for 2023. 76% of companies in the trade sector claimed that they will increase their total investment in 2023, compared to 2022. Similar expectations are reported in the service and construction sectors with 67% and 64% of companies planning to increase their total investments, meanwhile, for the manufacturing sector the same figure is equal to 50%.

In 2023, more positive expectations with regard to investments were recorded in equipment, while less positive expectations were recorded with regard to investments in plants and software/databases. 63% of the surveyed companies expect to increase their investments in equipment in 2023, compared to 2022, while 59% of businesses have the same expectation for investments in software and databases. Moreover, 57% claim that their investments in plants will increase in 2023, compared to 2022.

It must be noted that, among the covered sectors, the most positive expectations with regard to investments in equipment and software/databases are conveyed in trade sector. In particular, 71% of the companies in trade sector plan to increase investment in equipment, while 67% of the companies plan to increase their investments in software/databases. Regarding the investment in plants, the most positive expectations are recorded in the construction sector with 82% of surveyed companies planning to increase investments. The most negative expectations are recorded in the manufacturing sector, where 25% of the surveyed companies plan to decrease investment in plants and equipment in 2023, compared to 2022.



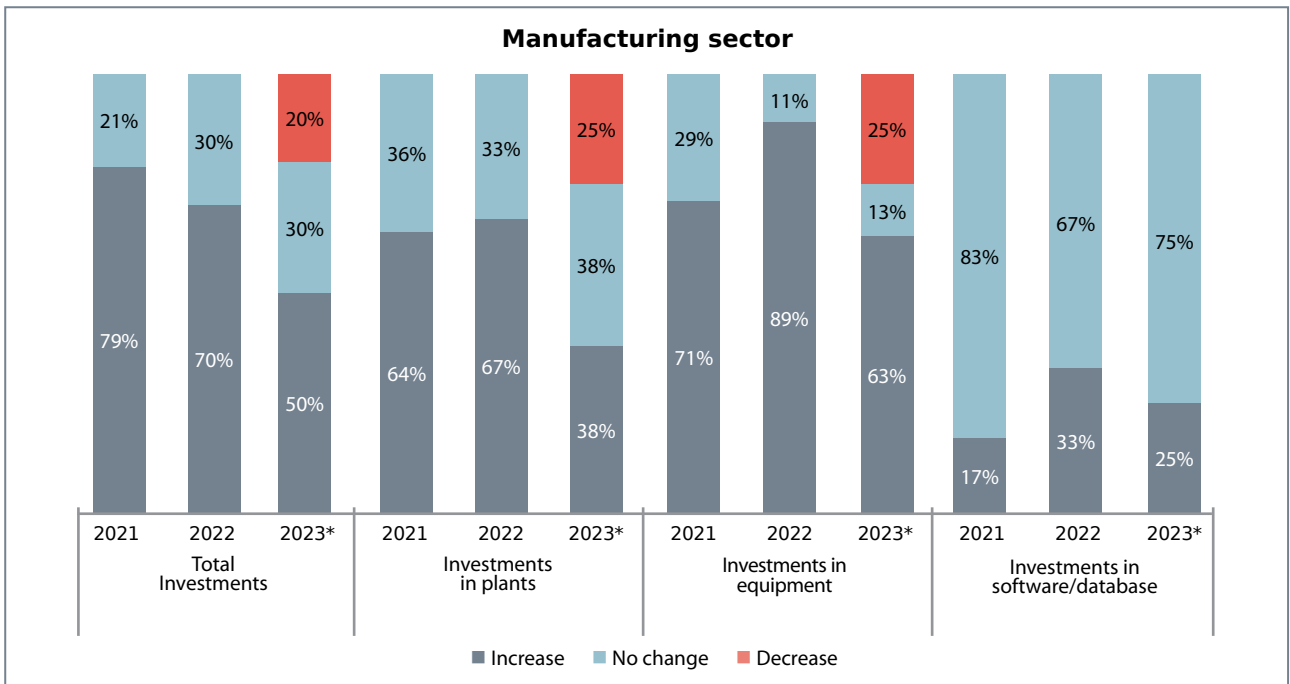
Graph 3: Investment environment in 2021 and 2022 and investment plans for 2023 in the trade sector (change compared to the previous year)¹



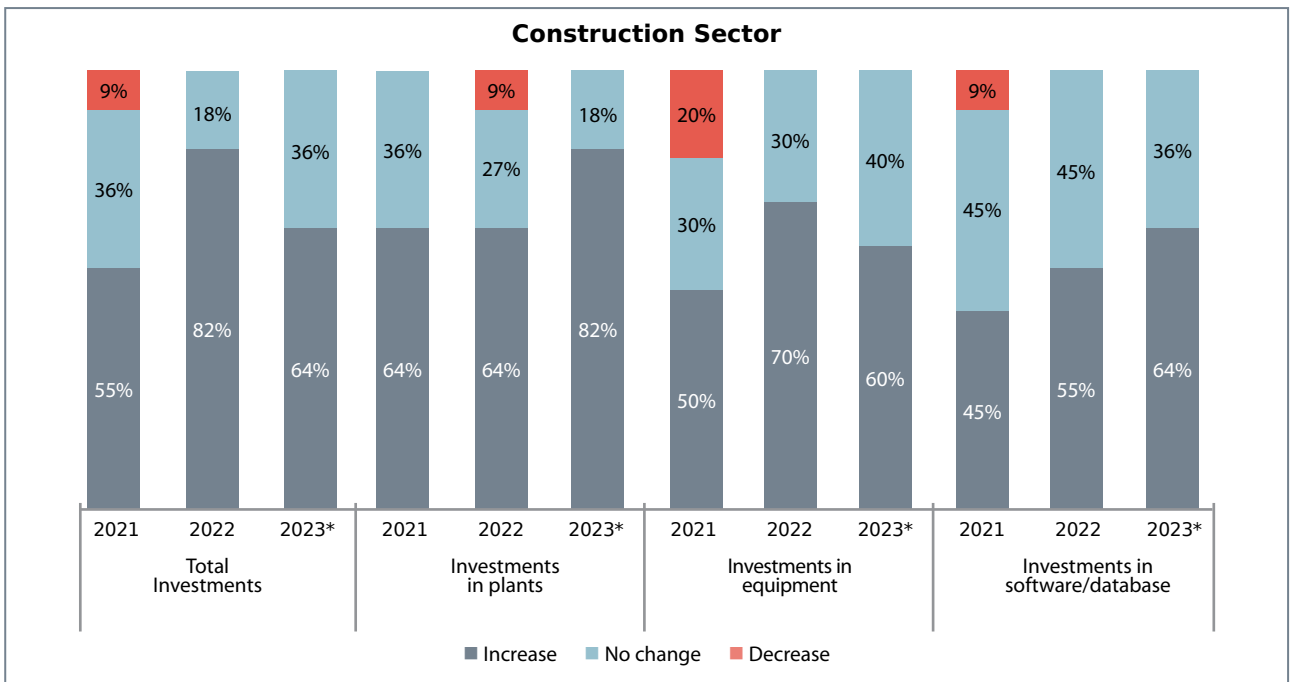
Graph 4: Investment environment in 2021 and 2022 and investment plans for 2023 in the service sector (change compared to the previous year)

¹ Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

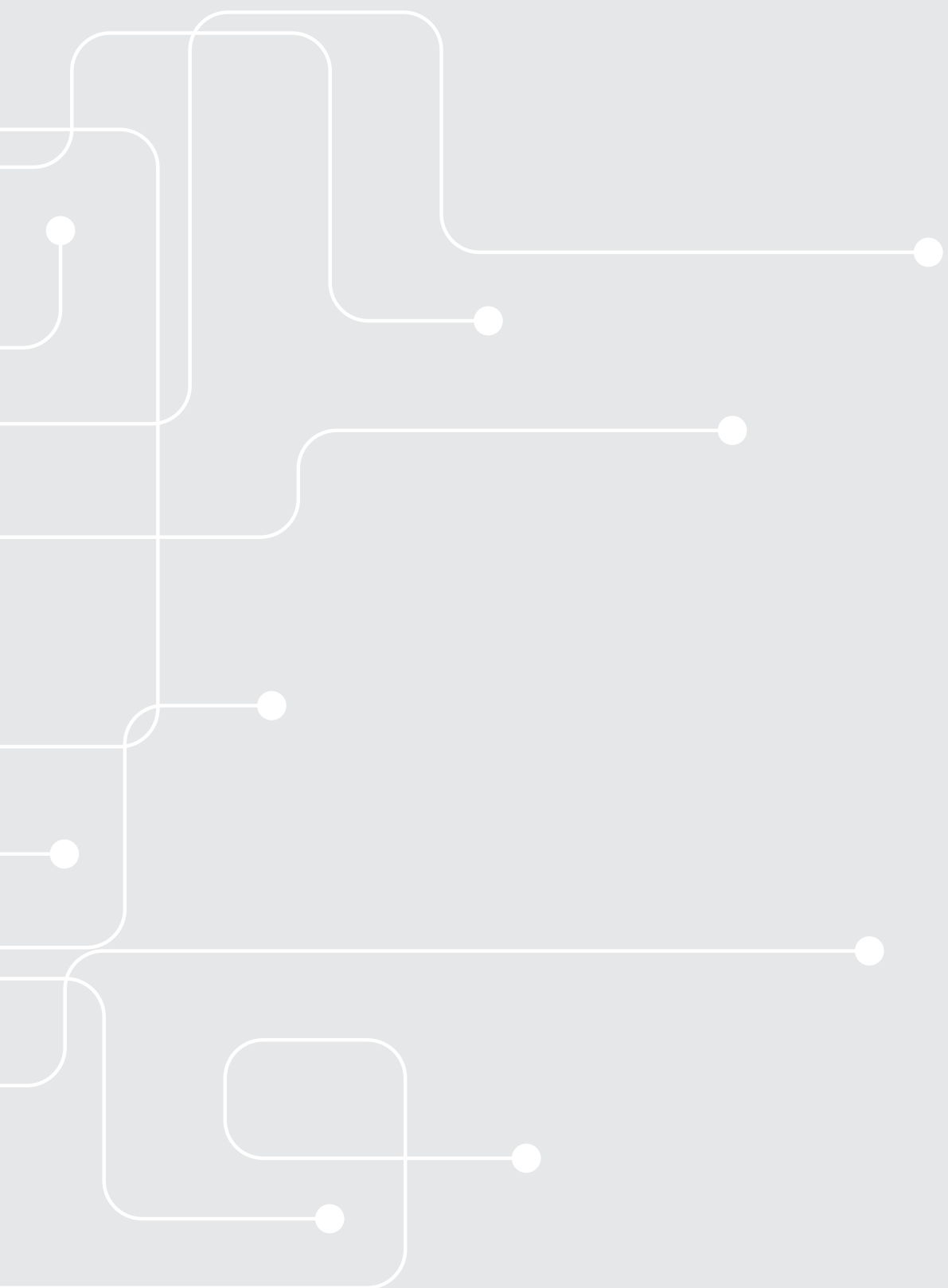
* Expectation.



Graph 5: Investment environment in 2021 and 2022 and investment plans for 2023 in the manufacturing sector (change compared to the previous year)



Graph 6: Investment environment in 2021 and 2022 and investment plans for 2023 in the construction sector (change compared to the previous year)



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