



# BAG INDEX



საქართველოს ბიზნეს ასოციაცია  
BUSINESS ASSOCIATION OF GEORGIA

**ifo** INSTITUTE

Leibniz Institute for Economic Research  
at the University of Munich



Research

I QUARTER 2025

# BAG INDEX



**BUSINESS  
CLIMATE**



**EMPLOYMENT  
BAROMETER**



**INVESTMENT  
SURVEY**

**I QUARTER  
2025**

# CONTENTS

<b>BAG Index</b> .....	1
<b>BAG Business Climate</b> .....	1
<b>BAG business climate by sector</b> .....	3
Employment, sales and sales prices by sector .....	5
Factors hindering business activity .....	8
Financing .....	13
Exchange rate expectations .....	15
<b>BAG Employment Barometer</b> .....	16
<b>BAG Investment Survey</b> .....	20

The Business Association of Georgia (BAG) Index is a joint product of the Business Association of Georgia, PMC Research Center and the ifo Institute for Economic Research. The BAG Index summarizes the BAG Business Climate, BAG Employment Barometer and BAG Investment Environment, which are calculated according to the assessments of the top managers of BAG member businesses and companies in their corporate group<sup>1</sup>. PMC Research Center publishes the BAG Index on a quarterly basis.

## BAG BUSINESS CLIMATE

The BAG Business Climate is based on the responses of BAG member businesses and companies in their corporate group. Companies assess their present business situation and outline their expectations for the next six months<sup>2</sup>. Apart from this, businesses are also asked to assess their situation regarding sales, sales prices, and the number of employees for the last quarter, the current quarter, and the next quarter. Moreover, companies are asked questions related to factors hindering their business activity, access to finance, exchange rate expectations, and investment environment. For the purposes of this index, BAG members are divided into the following four sectors: trade, service, manufacturing, and construction. The survey was conducted in Q1 of 2025 in the period 17 February – 5 March.

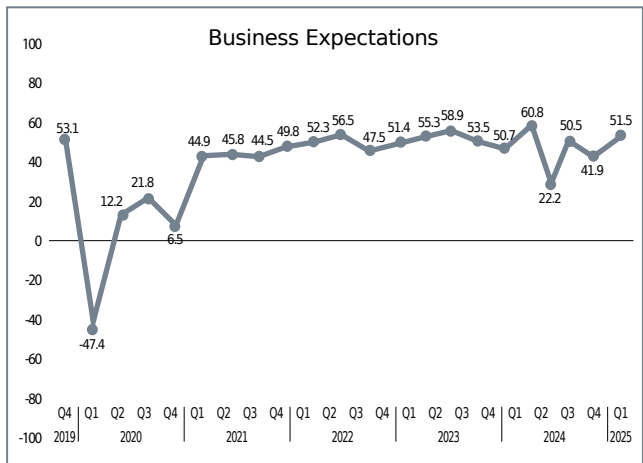
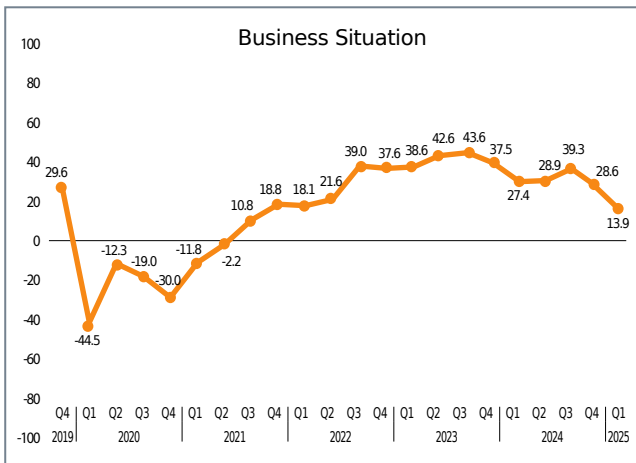
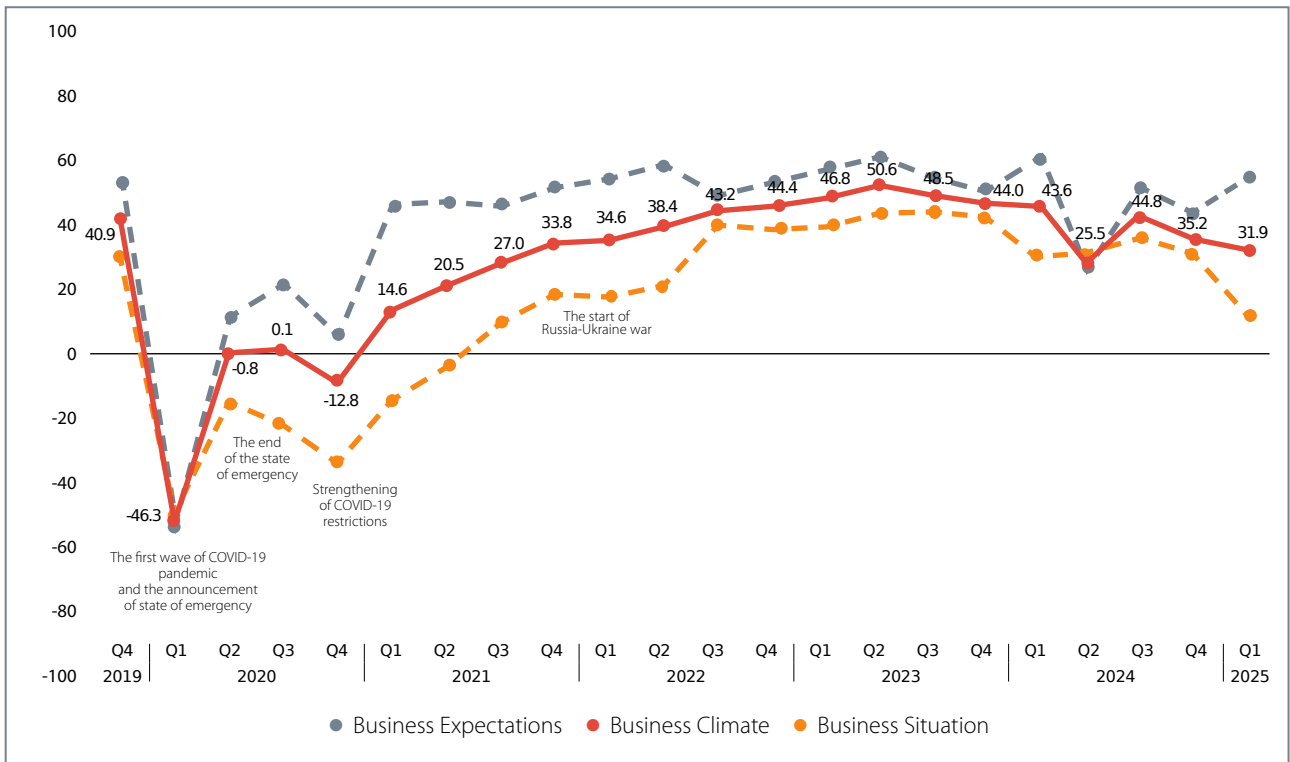
**IN Q1 OF 2025, THE SURVEYED BUSINESSES ASSESS THEIR PRESENT BUSINESS SITUATION AND EXPECTATIONS FOR THE NEXT SIX MONTHS POSITIVELY. THE BAG BUSINESS CLIMATE INDICATOR AMOUNTS TO 31.9 POINTS IN Q1 OF 2025, WITH THE PRESENT BUSINESS SITUATION INDICATOR SITTING AT 13.9, AND THE BUSINESS EXPECTATIONS INDICATOR AT 51.5.**

In Q1 of 2025, compared to Q4 of 2024, the BAG Business Climate decreased by 3.3 points. Moreover, in this period, the assessment of the present business situation worsened by 14.7 points, and business expectations improved by 9.6 points.

The figures for Q1 of 2025 demonstrate a deterioration compared to Q1 of 2024. The BAG Business Climate indicator decreased by 11.6 points, while the present business situation and the business expectations indicators decreased by 13.5 and 9.4 points, respectively (see graph 1).

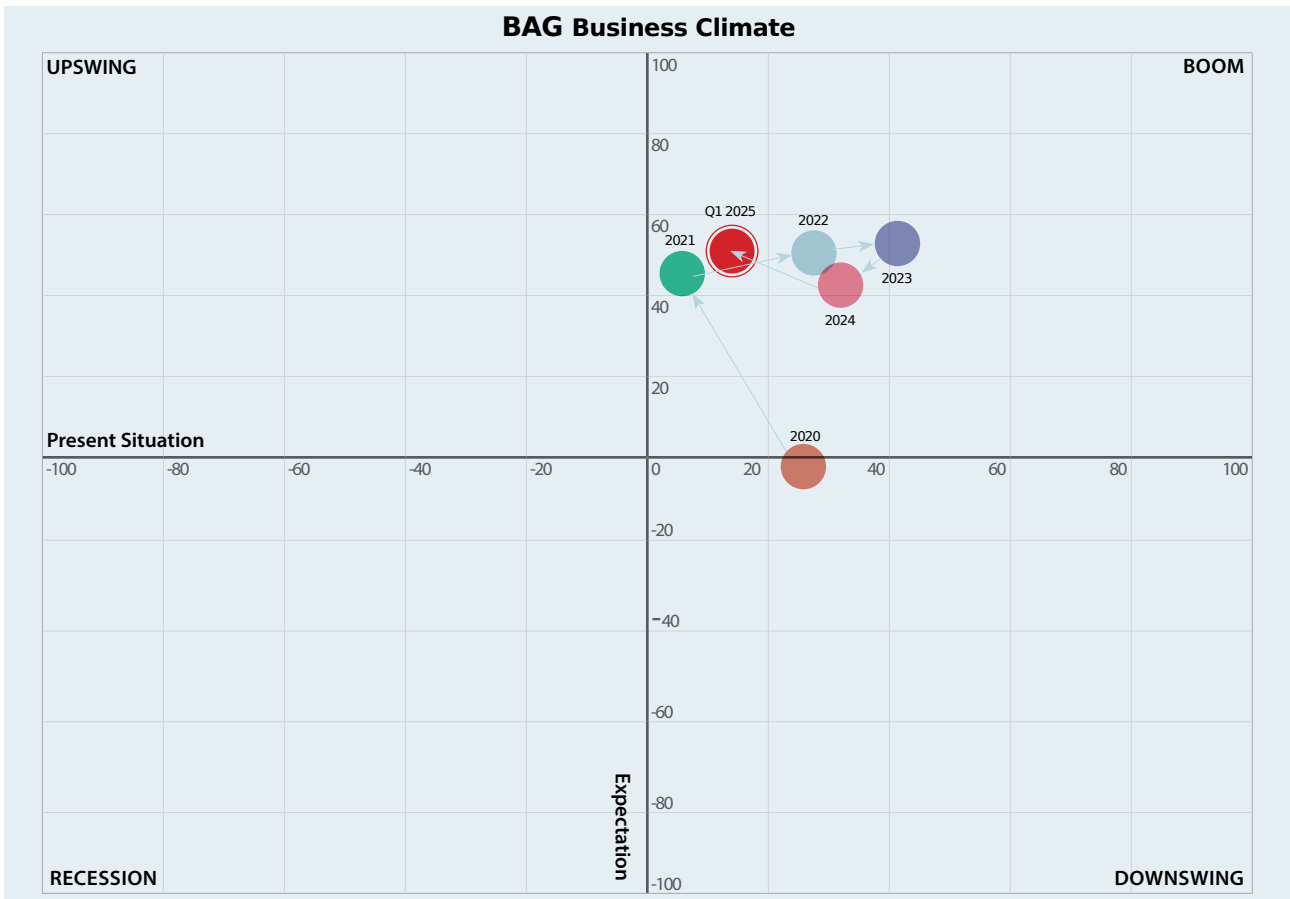
<sup>1</sup> In the first quarter of 2021, a change was made in the methodology of the BAG Index. As a result, the number of companies surveyed increased: enterprises that belong to the corporate group of member companies were added to the existing survey respondents.

<sup>2</sup> The balance value for the present business situation is the difference in the percentage shares of the “good” and “bad” responses, and the balance value for the expectations for the next six months is the difference in the percentage shares of the “more favorable” and “less favorable” responses. The BAG Business Climate is a transformed mean of the balance values of the present business situation and the expectations for the next six months. The BAG Business Climate can be between -100 and +100. +100 means that all surveyed businesses assess the business climate positively, while -100 means all surveyed businesses assess the business climate negatively.



**Graph 1:** BAG Business Climate, Business Expectation, and Present Business Situation

In Q1 of 2025, despite deterioration compared to the previous quarter, the BAG Business Climate Indicator is in the **boom phase**.

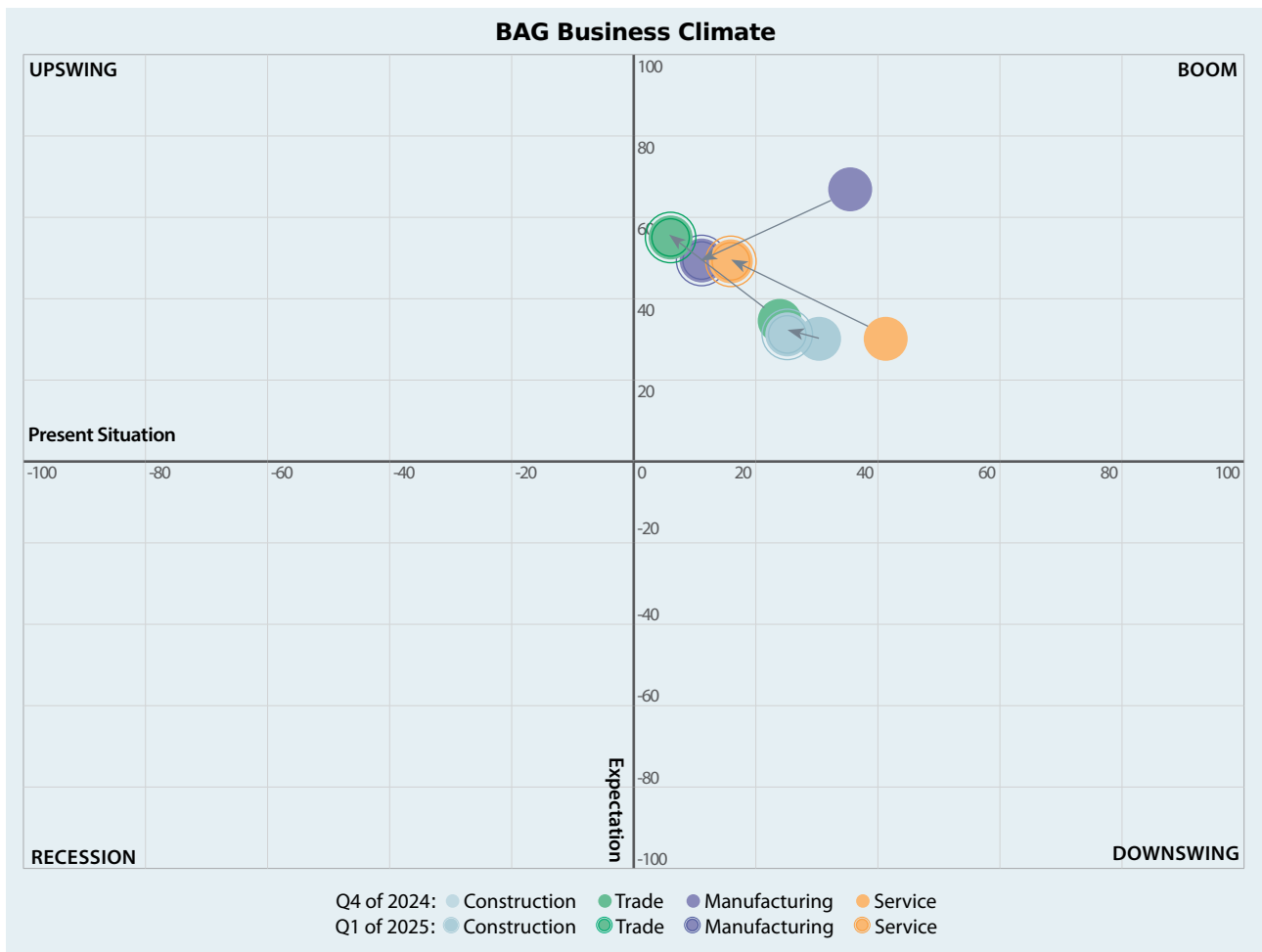


Graph 2: BAG Business Climate<sup>3</sup>

### BAG BUSINESS CLIMATE BY SECTORS

In Q1 of 2025, the **business climate indicator** was positive for all sectors. Compared to Q4 of 2024, in Q1 of 2024, the indicator worsened for all sectors, except the trade sector. (see Graph 3).

<sup>3</sup> The Graph 2 depicts the relationship between the present business situation and business expectations for the next six months in a four-quadrant diagram. If survey participants assess the present business situation negatively but have positive business expectations for the next six months, then the BAG business climate indicator falls in the “upswing” quadrant. If both business situation and expectations are assessed positively, indicator resides in “boom” quadrant. If surveyed businesses assess present business situation positively, but have negative expectations, business climate indicator is in “downswing”. If both business situation and expectations are assessed negatively, indicator is placed in “recession” quadrant. The graph shows average quarterly figures for 2020-2024.



**Graph 3:** Business climate by sector in Q4 of 2024 and Q1 of 2025

In Q1 of 2025, compared to Q4 of 2024, the **present business situation indicator** worsened in the manufacturing sector by 19.5 points, in the trade sector by 15.7 points, in the service sector by 14.1 points, and in the construction sector by 1.7 points. The indicator slightly improved in the manufacturing sector by 0.1 points. In Q4 of 2024, the **business expectations indicator** improved in the trade sector by 21.1 points, in the service sector by 10.8 points, and in the construction sector by 2.5. Meanwhile, expectations worsened in the manufacturing sector by 13.8 points.

It is worth noting that in Q1 of 2025, the present business situation indicator was highest in the construction sector and lowest in the trade sector. Among the sectors, the most positive business expectations were recorded in the trade sector, while the most negative expectations were observed in the construction sector (see Table 1).

**Table 1:** Balance values by sector in Q1 of 2025

Sector	Business Climate	Present Business Situation	Business Expectation
Trade Sector	30.8	6.5	58.1
Service Sector	33.7	17.1	51.4
Manufacturing Sector	31.4	11.8	52.9
Construction Sector	29.1	25.0	33.3
All Sectors	31.9	13.9	51.5

In Q1 of 2025, compared to Q1 of 2024, the business climate indicator declined in all four sectors. Namely, the business climate indicator declined in the construction sector by 34.2 points, in the trade sector by 22.2 points, in the manufacturing sector by 15.8 points, and in the service sector by 3.9 points. Notably, in the construction sector, a decrease in business climate indicators is associated with deteriorated business expectations (by 46.7 points), while in the trade sector, the decline is associated with deteriorated assessments of present business situation (by 35.9 points).



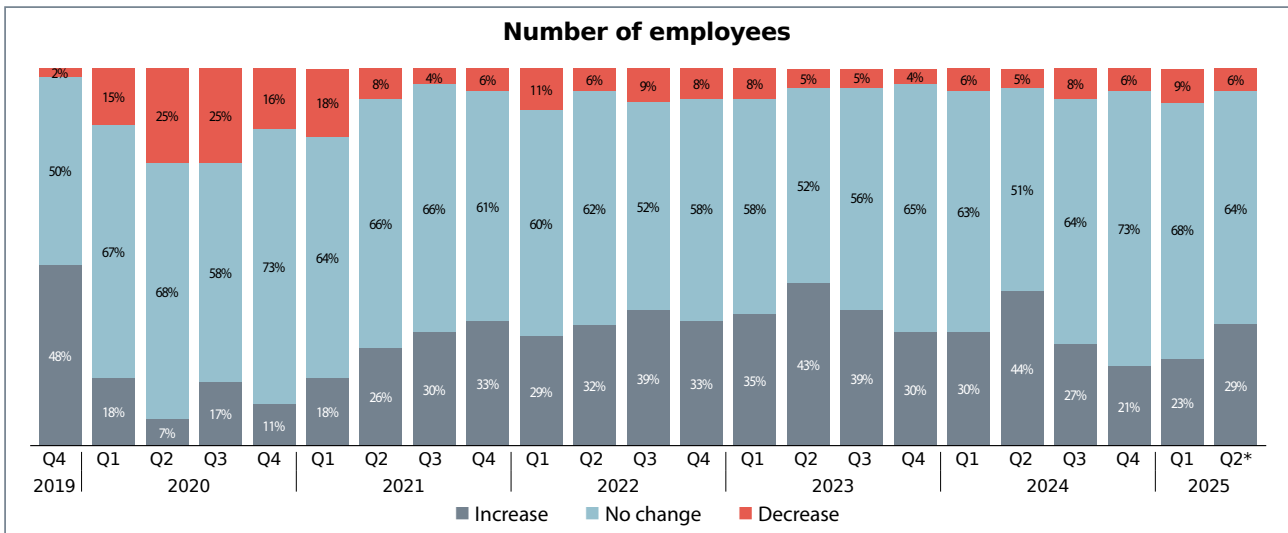
**Graph 4:** Business Climate, Business Expectation, and Present Business Situation in trade, service, manufacturing and construction sectors

## EMPLOYMENT, SALES, AND SALES PRICES BY SECTOR

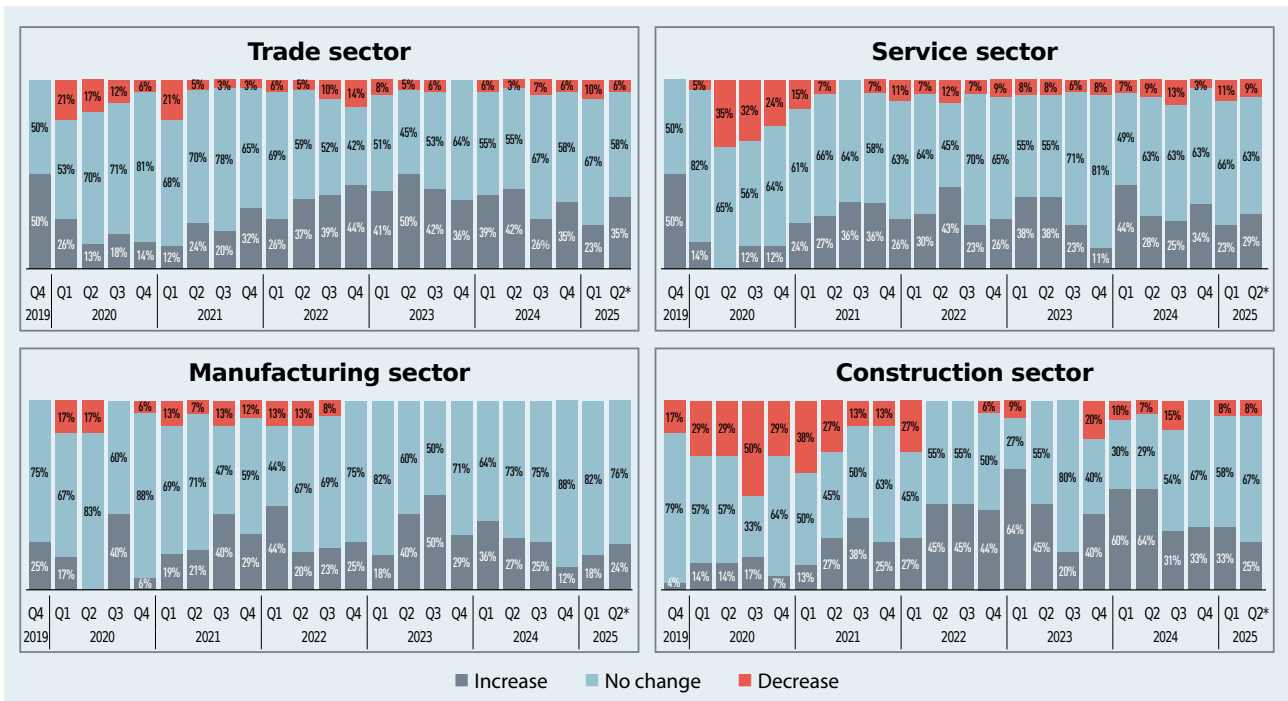
### Employment

- ✘ 23% of surveyed companies stated that the number of employees increased in Q1 of 2025. As for the expectations for Q2 of 2025, 29% expect the number of employees to increase, however, 64% do not plan to increase the number of employees. (see Graph 5).
- ✘ Across the sectors covered, the situation regarding employment in Q1 of 2025 is most positively assessed in the construction sector. Additionally, the expectations for Q2 of 2025 are most positively assessed in the trade sector. (see Graph 6).





Graph 5: Number of employees in BAG member businesses and companies in their corporate group<sup>4</sup>



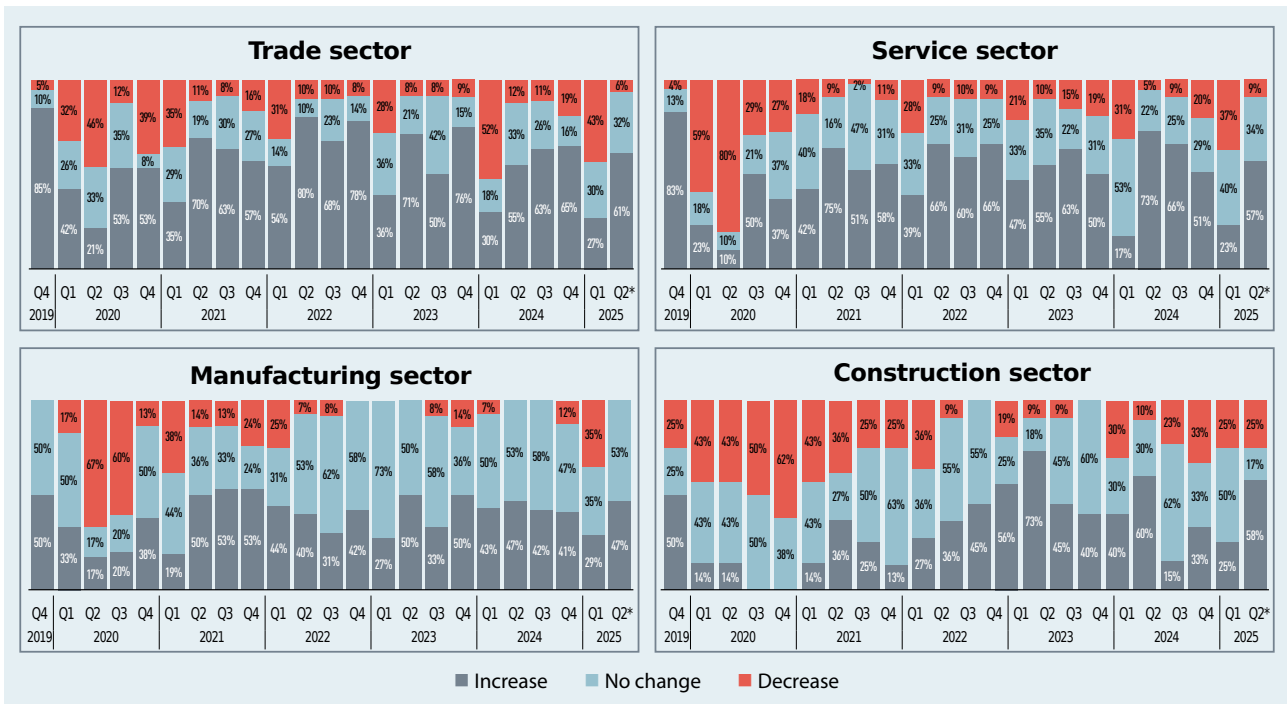
Graph 6: The number of employees in the trade, service, manufacturing and construction sectors

### Sales/demand/domestic production

- ✗ The situation in Q1 of 2025 regarding sales was assessed almost equally positively in all sectors (23-29%). In addition, a high share of companies in the trade, services and manufacturing sectors (35-43%) report a decrease in sales in Q1 of 2025. Nevertheless, companies have positive expectations for Q2 of 2025. Among them, the most positive expectations are recorded in the trade sector (see Graph 7).

<sup>4</sup> Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.

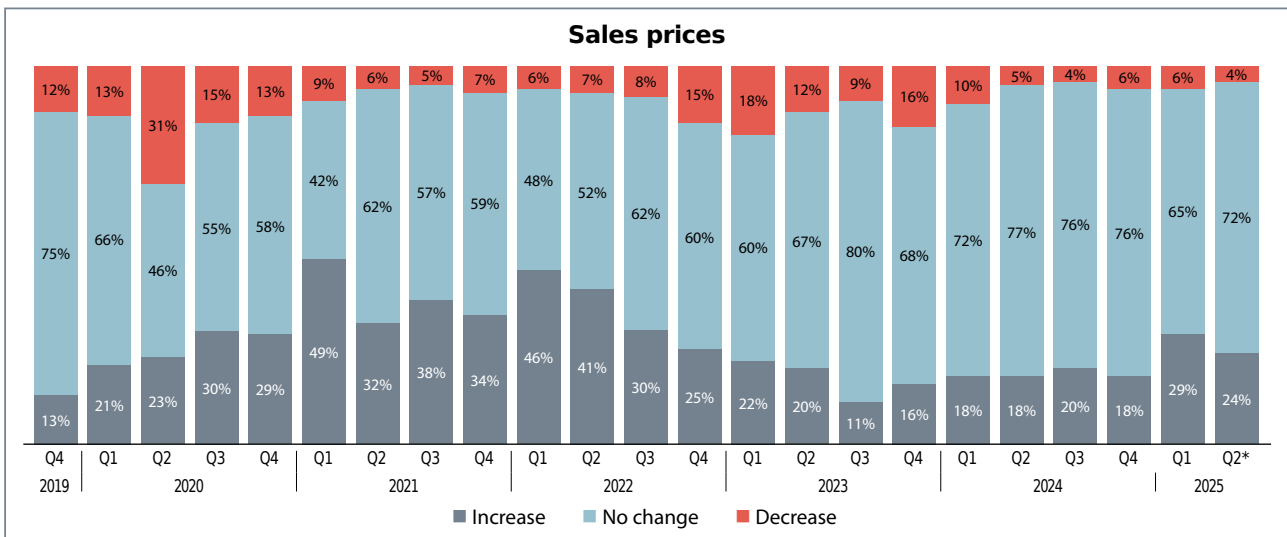
\* Expectation.



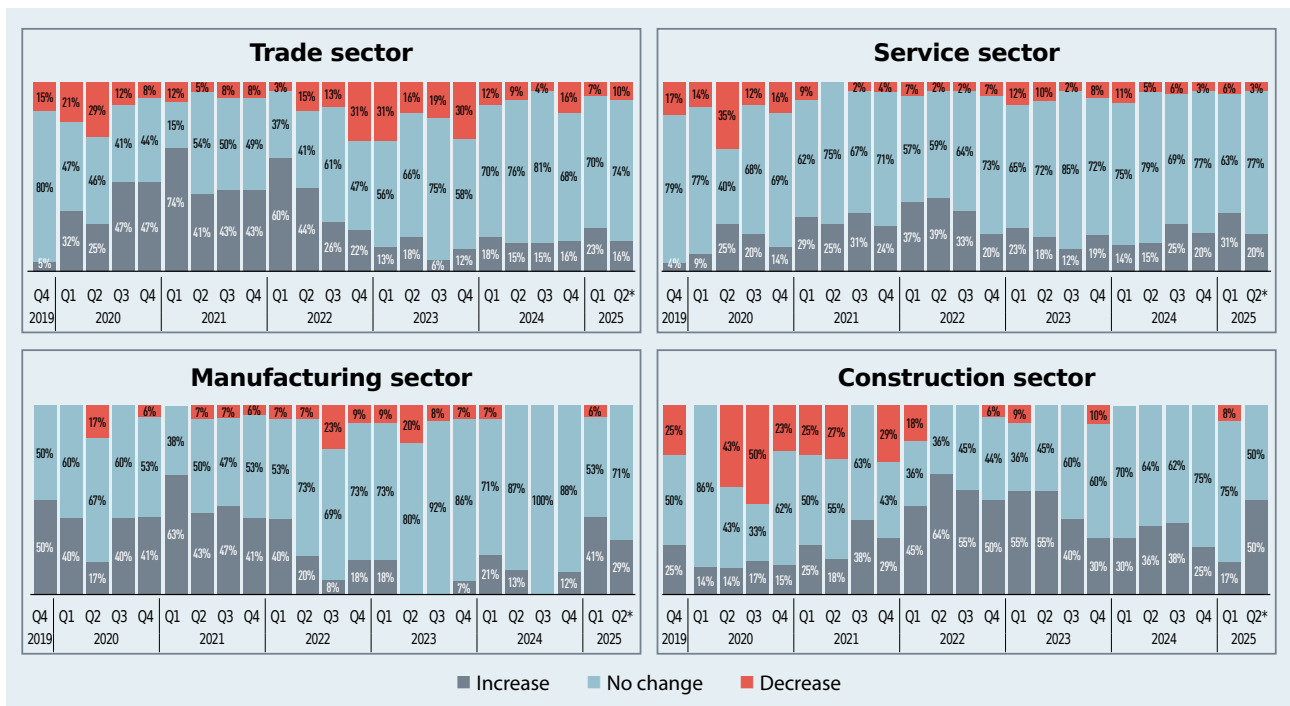
**Graph 7:** Sales, demand and domestic production in trade, service, manufacturing, and construction sectors

**Sales Prices**

- ✘ In Q1 of 2025, 29% of surveyed companies increased sales prices, and 24% of the companies expect the prices to rise in Q2 of 2025 (see Graph 8).
- ✘ Among sectors, in Q1 of 2025, the share of the companies that are increasing sales prices is the highest for the manufacturing sector. Additionally, as for the expectations for Q2 of 2025, the highest share of companies predicting sales prices to increase was recorded in the construction sector (see Graph 9).



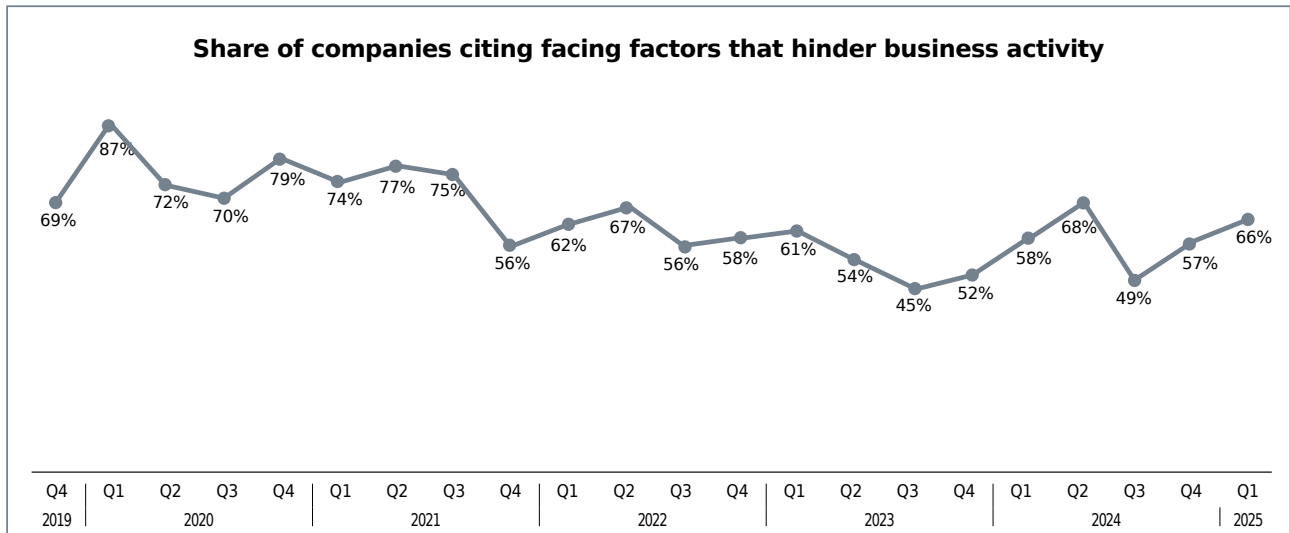
**Graph 8:** Sales prices in BAG member businesses and companies in their corporate group



Graph 9: Sales prices in trade, service, manufacturing, and construction sectors

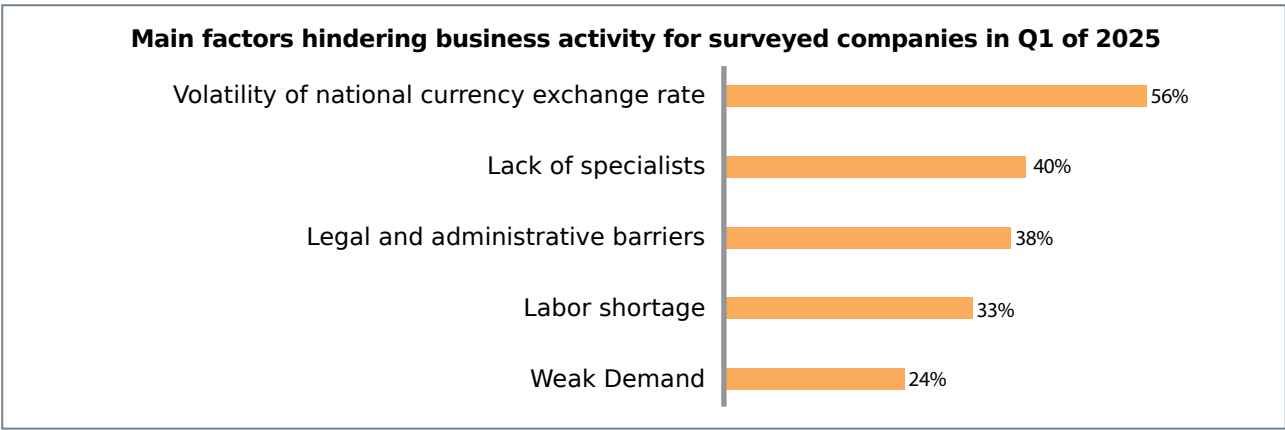
## FACTORS HINDERING BUSINESS ACTIVITY

In Q1 of 2025, compared to Q4 of 2024, the share of surveyed companies claiming that there are factors hindering their business activity increased by 9 percentage points.



Graph 10: Existence of factors hindering business activity

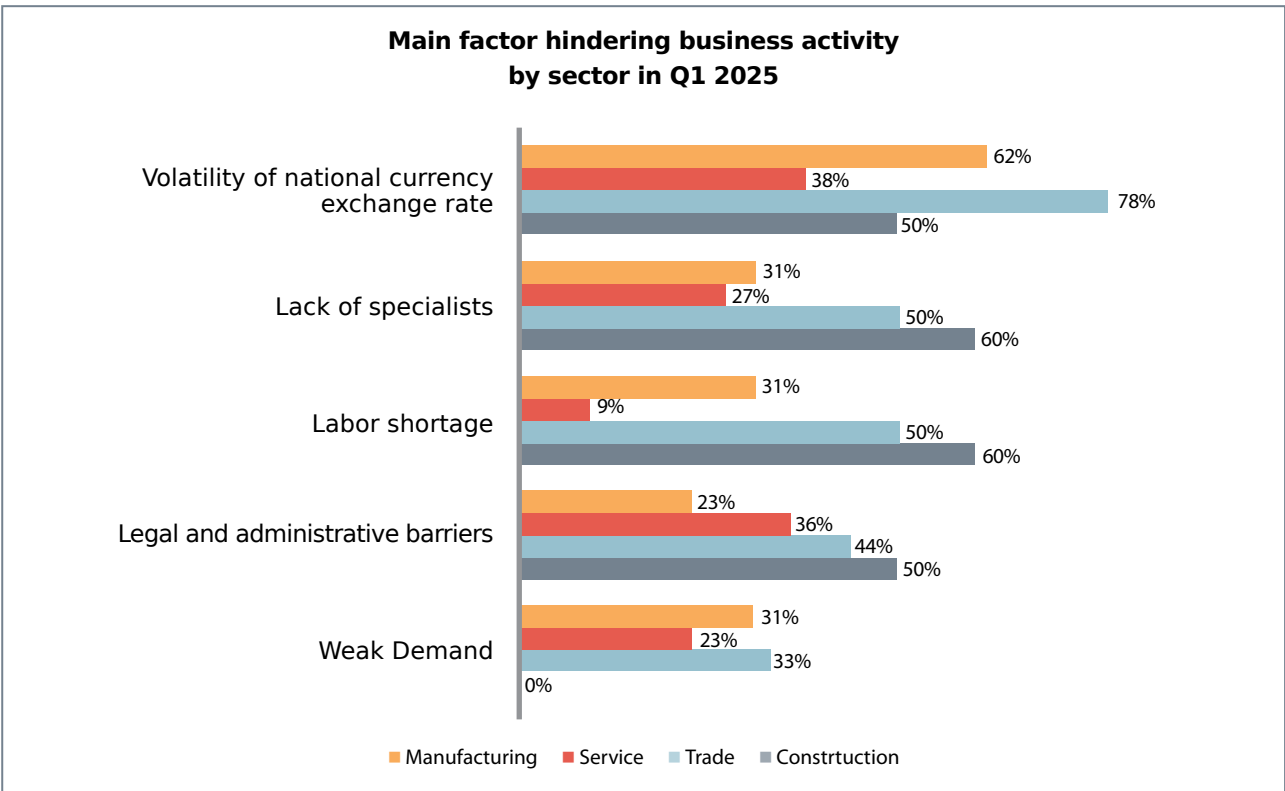
In Q1 of 2025, the following five factors were emphasized as the most hindering for business activity: volatility of national currency exchange rate, lack of specialists, legal and administrative barriers, labor shortage, and weak demand (see Graph 11).



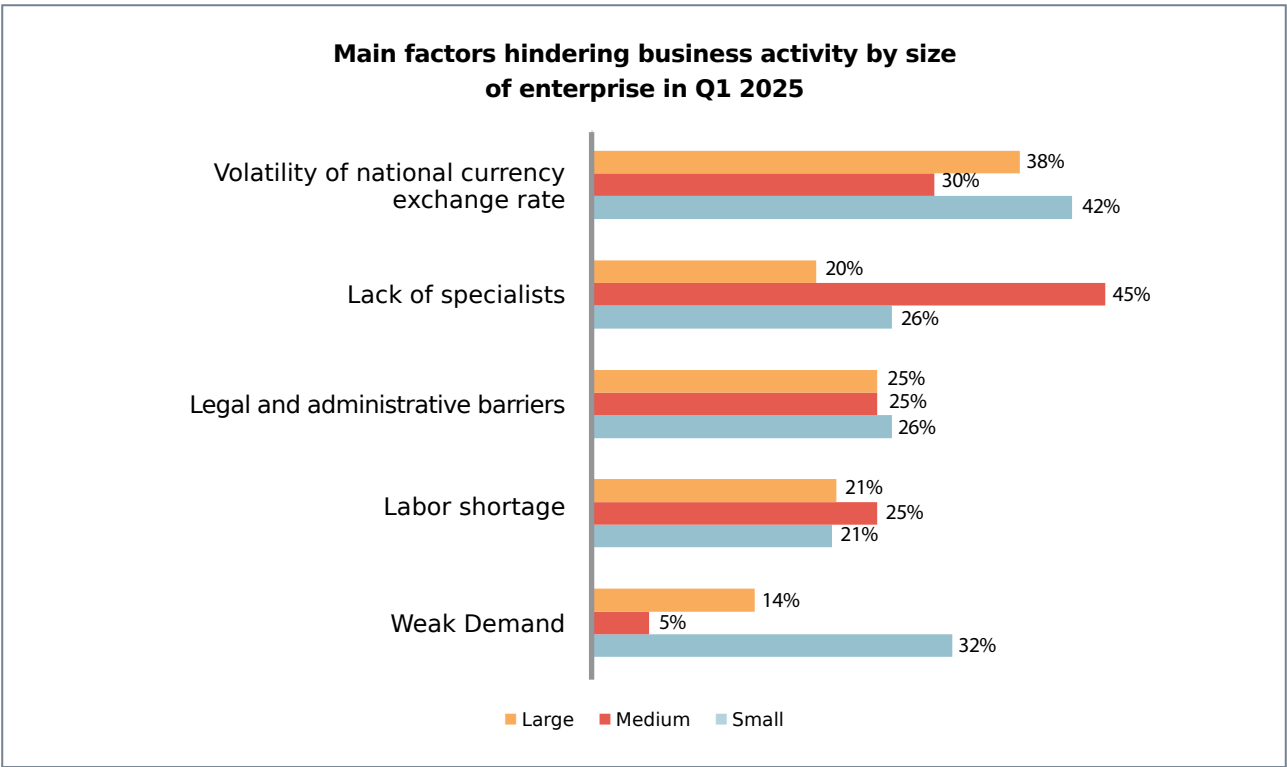
**Graph 11:** Main factors hindering business activity for surveyed companies in Q1 2025

By sector and enterprise size, in the first quarter of 2025:

- ✘ **The volatility of the national currency exchange rate** is especially problematic in the trade sector (78%) and for small businesses (42%).
- ✘ **The lack of specialists** is most hindering in the construction sector (60%) and medium-sized companies (45%).
- ✘ **Legal and administrative barriers** almost equally affect companies of all sizes, especially the construction sector (50%)
- ✘ **The lack of labor force** is most acute in the construction sector (60%), and is equally problematic for small and large companies (21-21%).
- ✘ **The lack of demand** is most hindering in the trade sector (33%), although this problem is not observed at all in the construction sector.



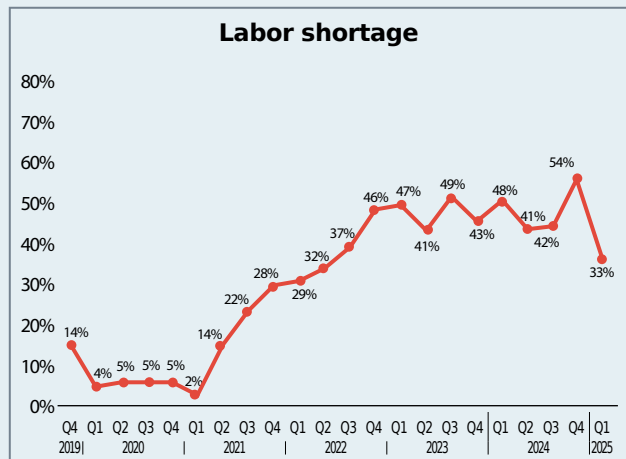
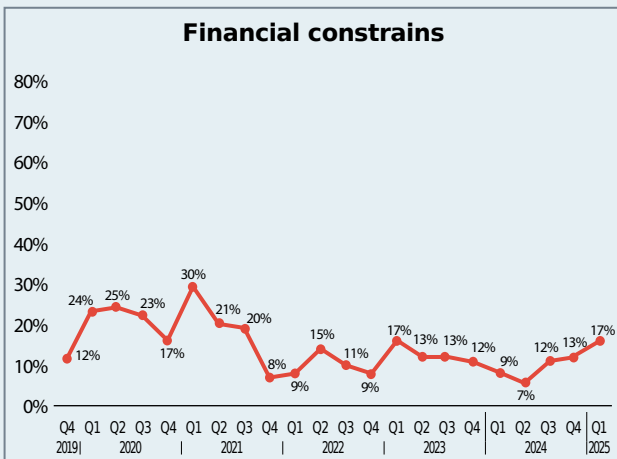
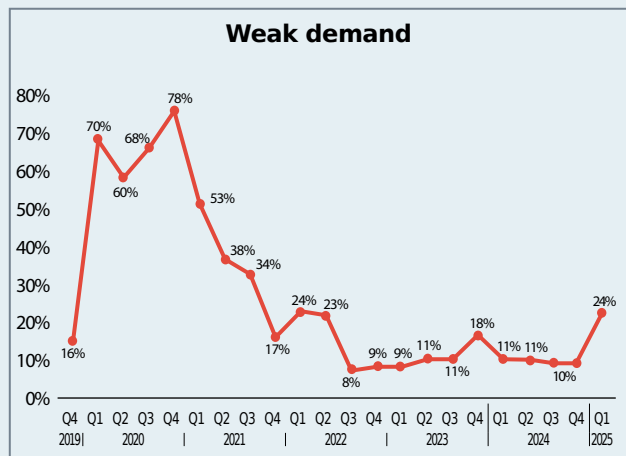
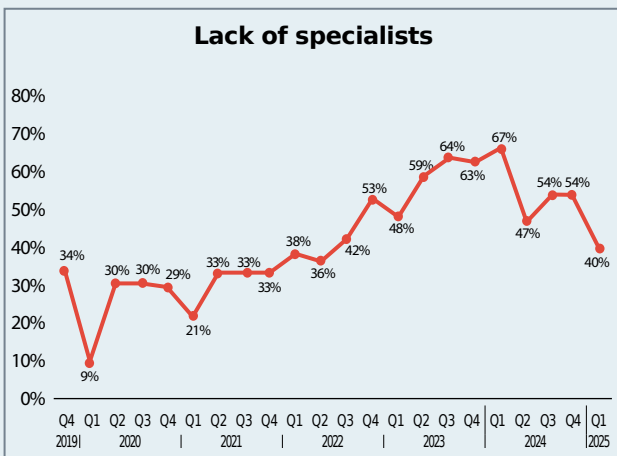
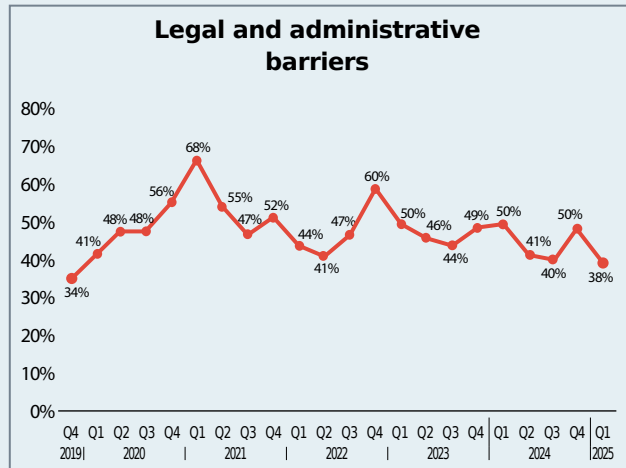
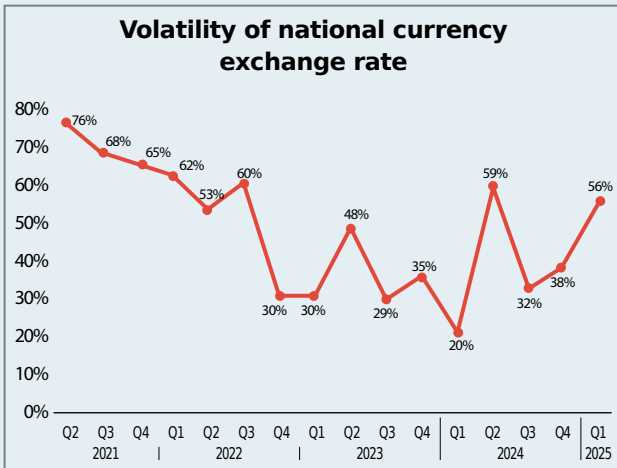
**Graph 12:** Main factors hindering business activity by sectors in Q1 2025



**Graph 13:** Main factors hindering business activity by the size of the enterprise in Q1 2025

In Q1 of 2025, compared to the previous quarter, among the factors hindering business activity, the share of companies citing the volatility of national currency exchange rate as a hindrance increased the most (by 18 percentage points). Meanwhile, the share of companies citing labor shortage decreased the most (by 21 percentage points) (See Graph 14). In addition, in Q1 of 2025, the share of companies citing weak demand as a hindering factor increased by 14 percentage points, making this factor one of the five most important factors hindering business activity.

## Hindering factors for business activity Q4 2019-Q1 2025



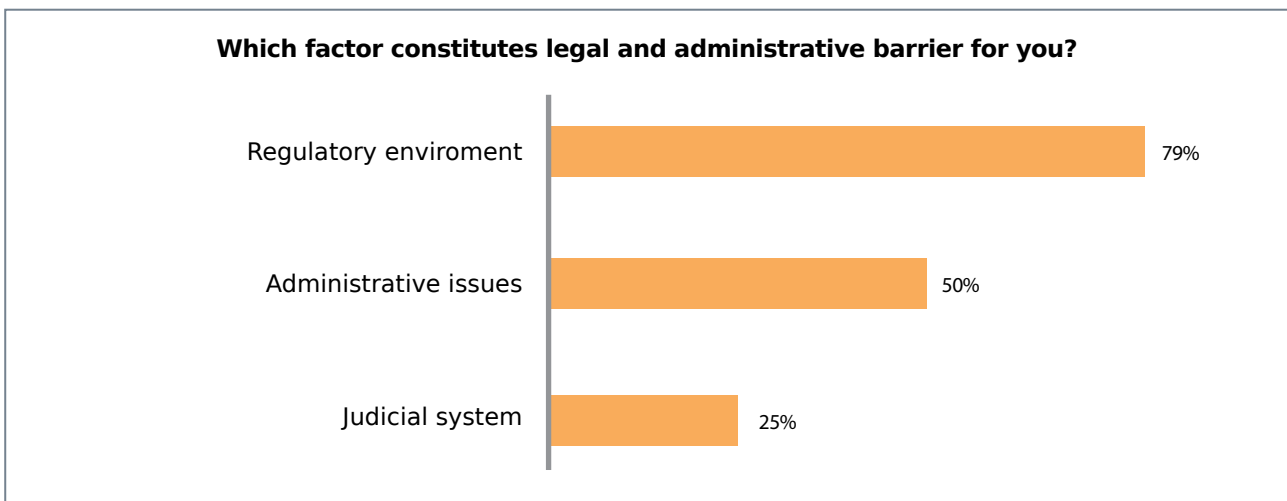
Graph 14: Main hindering factors for surveyed companies

## The main factors determining legal and administrative barriers for business

In Q1 of 2025, the **regulatory framework** has been considered the main element of legal and administrative barriers hindering business activity. Looking from a sector-by-sector view, the regulatory framework was most cited as a hindering factor in the trade sector, and least cited in the manufacturing.

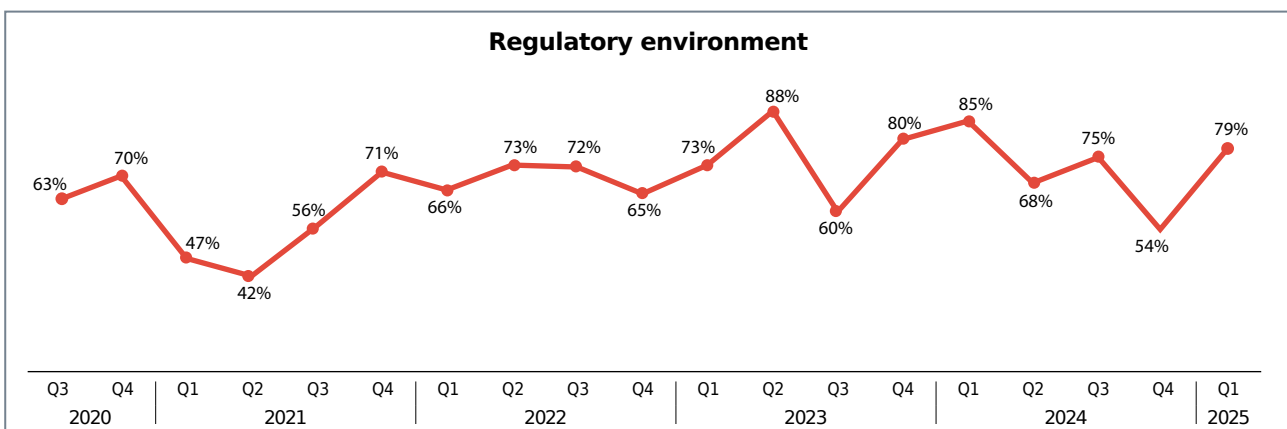
Among legal and administrative barriers, **administrative issues** were the second-most cited hindering factor. This was deemed the most hindering in the construction and the service sectors, while the least hindering for the manufacturing sector.

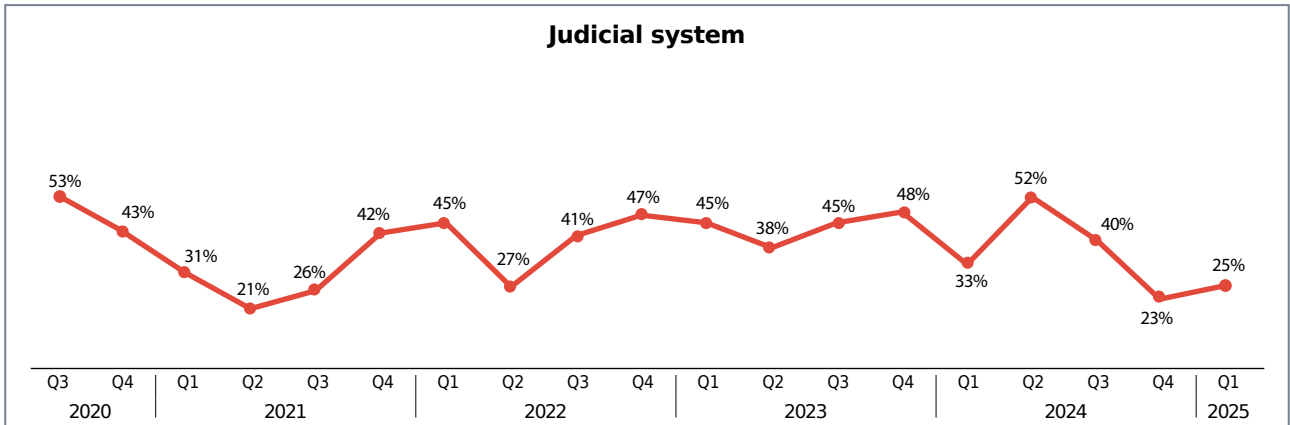
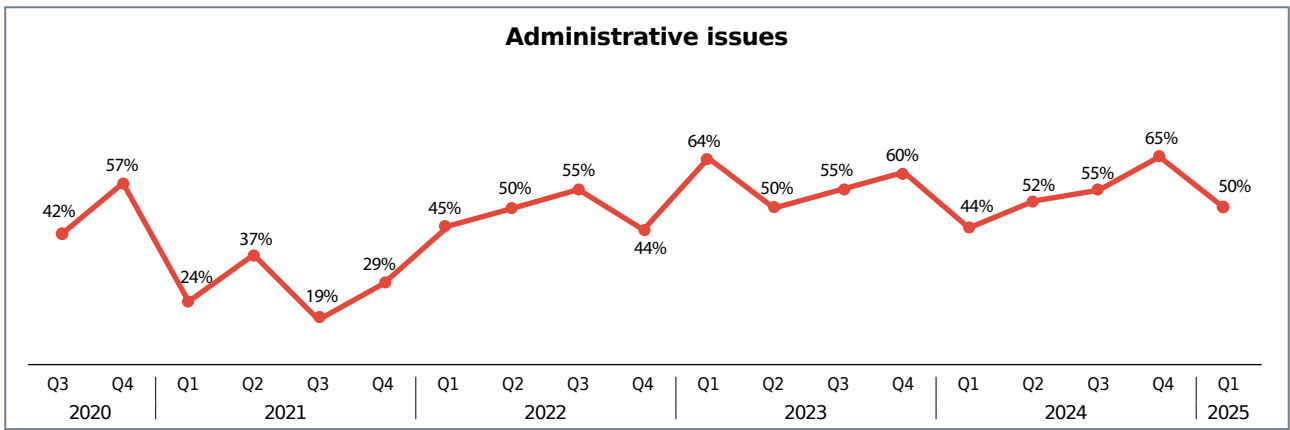
Meanwhile, the **judicial system** was again the most cited as a hindering factor under legal and administrative barriers in the service and the manufacturing sectors, while none of the surveyed companies identified it as a hindrance in the manufacturing sector.



**Graph 15:** Main legal and administrative hindering factors for surveyed companies

In summary, in Q1 of 2025, compared to the previous quarter, the share of companies to cite regulatory framework as hindering factors increased (by 25 percentage points). Meanwhile, the share of companies to cite administrative issues as hindering factors decreased (by 15 percentage points).

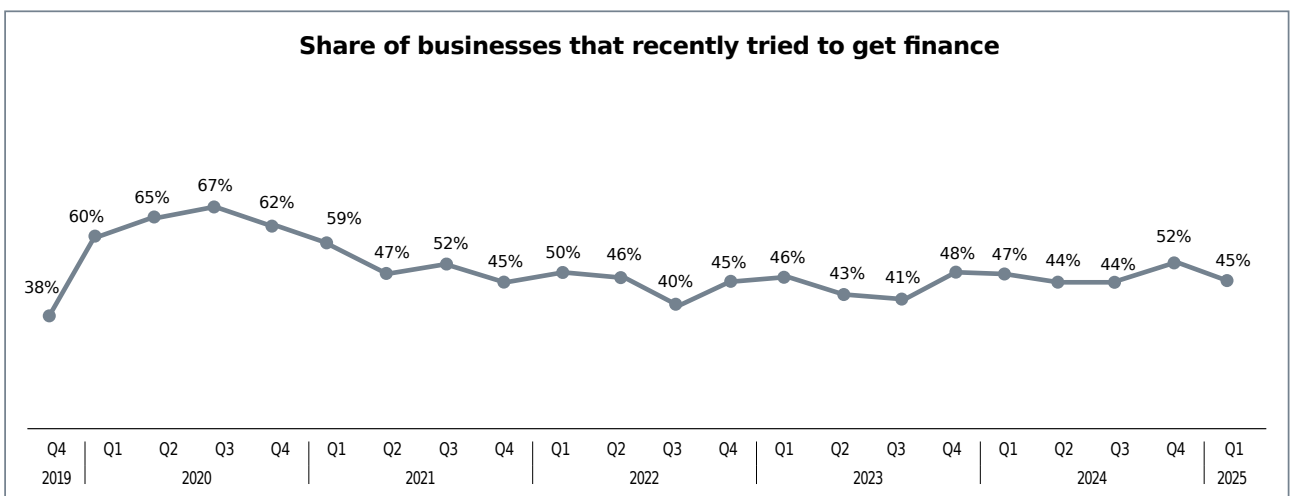




**Graph 16:** Main legal and administrative hindering factors for surveyed companies

## FINANCING

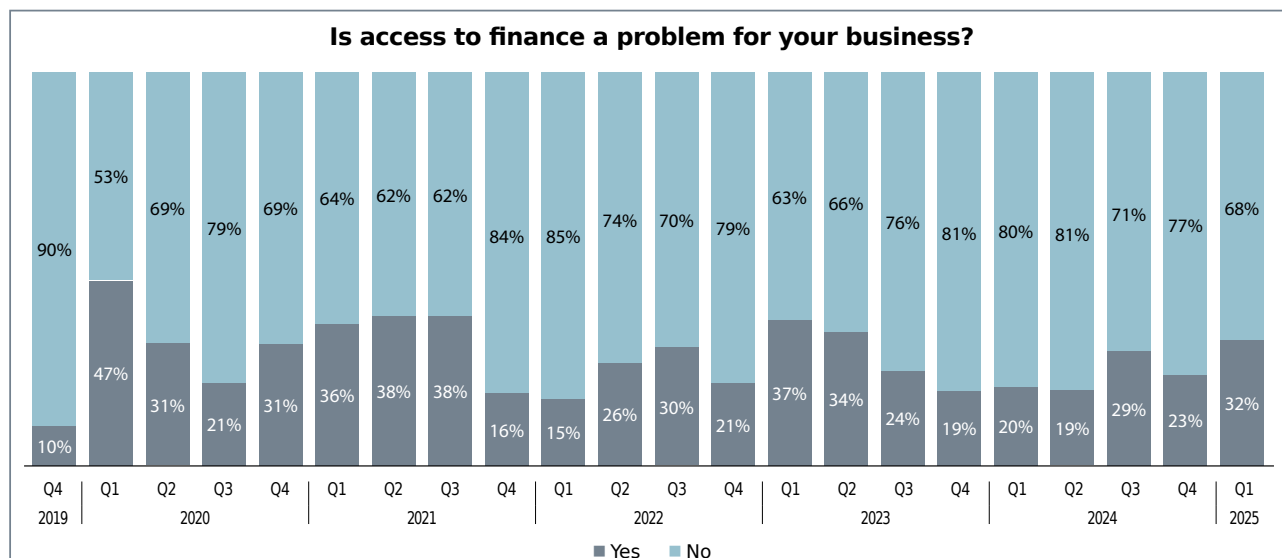
In Q1 of 2025, 45% of surveyed companies claimed to have recently tried to obtain finance, which is 7 percentage points lower than the figure recorded in the previous quarter (see Graph 17). By enterprise size, medium (55%) and large (46%) enterprises tried to get finance more often than small enterprises (32%).



**Graph 17:** Businesses that recently tried to get finance

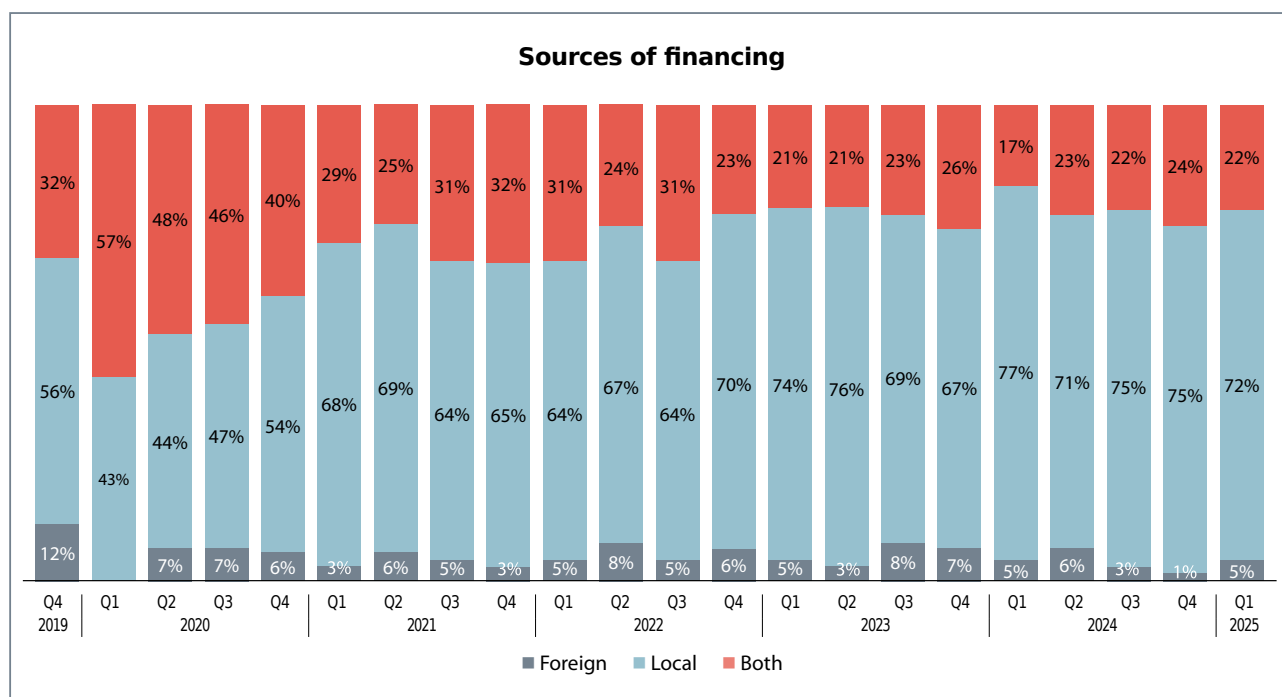


In Q1 of 2025, 32% of those companies that recently tried to access finance also noted that access to finance was a problem for their business. This figure is higher (by 9 percentage points) than that of the previous quarter (see Graph 18). The problem of accessing finance was observed more frequently in large enterprises (35% of those that tried to obtain finance) and relatively less in small (33%) and medium (27%) enterprises.



Graph 18: Access to finance<sup>5</sup>

Regarding sources of financing<sup>6</sup>, in Q1 of 2025, similar to previous quarters, the majority of surveyed companies stated that they were financed by local sources (72%). The share of companies stating that they were financed by foreign sources increased by 4 percentage points in Q1 of 2025, compared to the previous quarter, and reached 5%.



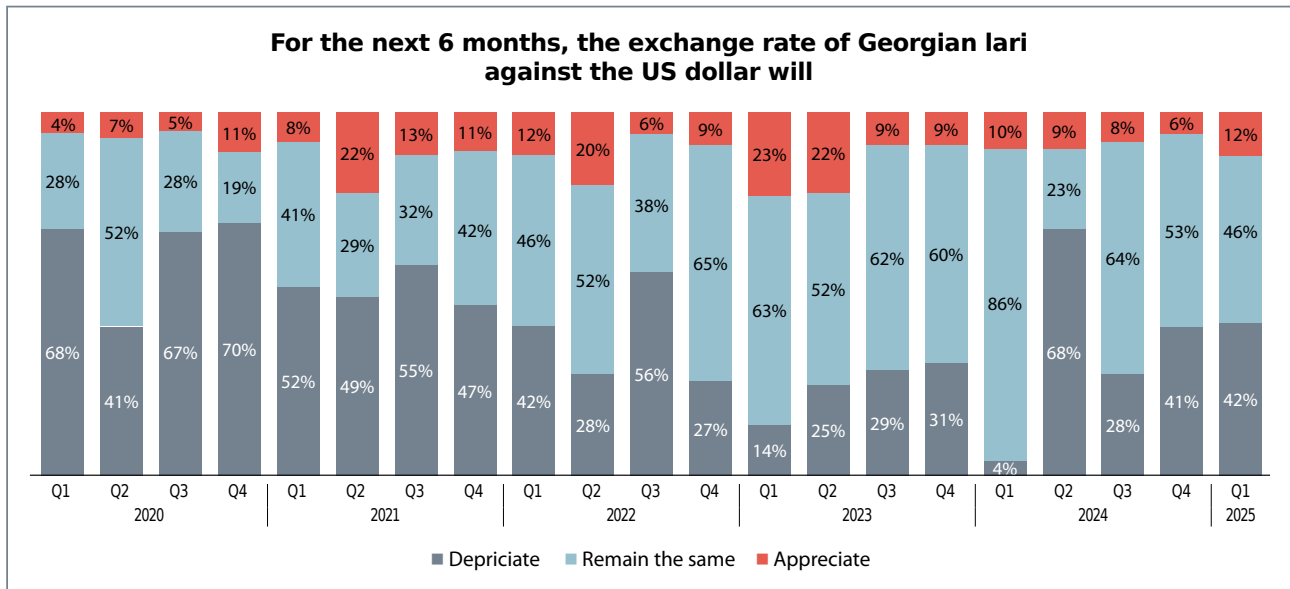
Graph 19: Sources of financing

<sup>5</sup> The question was only answered by those companies that stated they had recently sought finance.

<sup>6</sup> The change in methodology in Q1 of 2021 (the increase in the number of surveyed companies) altered the financing structure. This methodological change did not affect significantly any other indicators.

## EXCHANGE RATE EXPECTATIONS

In Q1 of 2025, most of the surveyed companies (46%) do not expect any change in the exchange rate of the national currency against the US Dollar over the next 6 months. Meanwhile, 42% of companies expect the national currency to depreciate, and 6% expect it to appreciate. In Q1 of 2025, compared to Q4 of 2024, the share of companies expecting that the national currency exchange rate would remain the same throughout the next 6 months decreased (by 7 percentage points), while the share of companies expecting that the national currency would depreciate against the US Dollar increased by 1 percentage points.

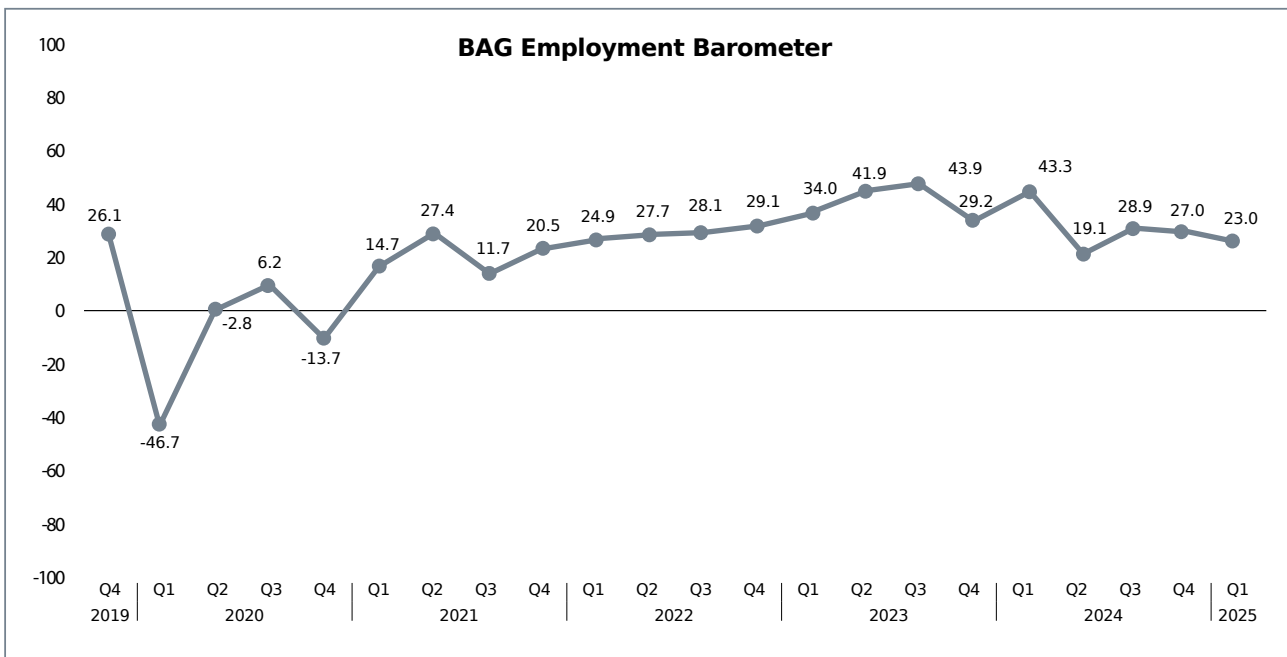


**Graph 20:** The exchange rate of the Georgian Lari against the US Dollar

## BAG EMPLOYMENT BAROMETER

The BAG Employment Barometer reflects companies' expectations regarding changes in employment in the next three months.<sup>7</sup>

IN Q1 OF 2025, THE SURVEYED BUSINESSES GENERALLY HAD A POSITIVE OUTLOOK REGARDING EMPLOYMENT FOR THE NEXT THREE MONTHS. THE BAG EMPLOYMENT BAROMETER AMOUNTED TO 23.0 POINTS, MARKING A DECREASE OF 4.0 POINTS COMPARED TO Q4 OF 2024 AND 20.3 POINTS COMPARED TO Q1 OF 2024.



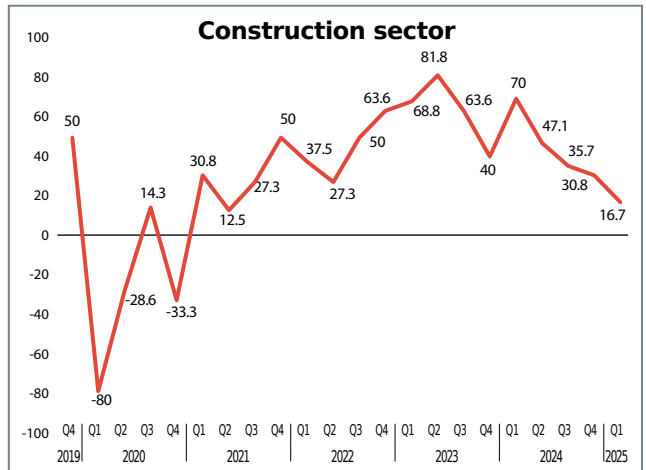
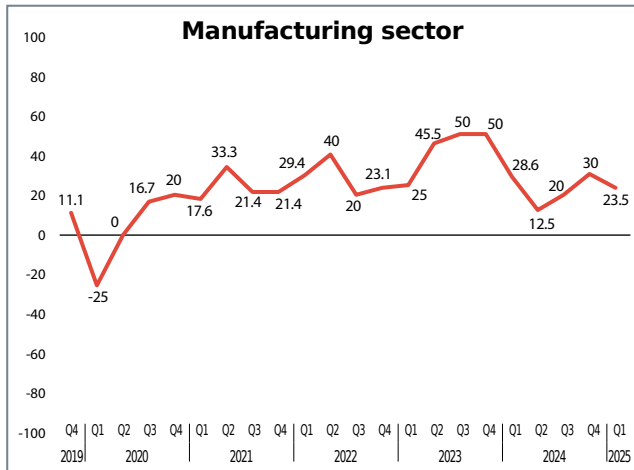
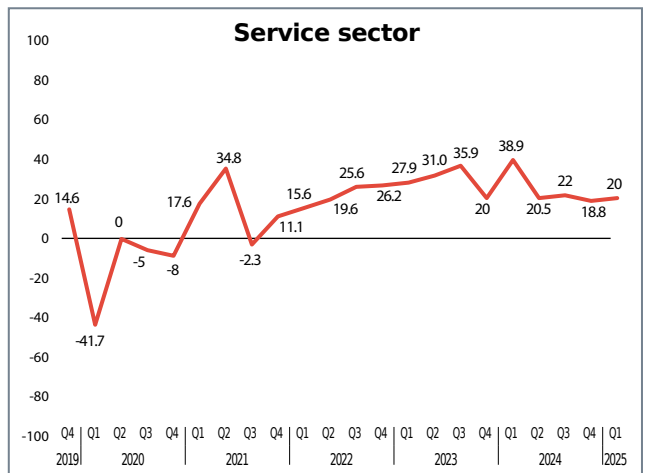
**Graph 21:** BAG Employment Barometer

In Q1 of 2025, the BAG Employment Barometer was positive for all sectors. In Q1 of 2025, compared to Q4 of 2024, the employment barometer indicator decreased in construction (by 14.1 points), manufacturing (by 6.5 points) and trade (by 5.5 points) sectors, but increased slightly in the service sector (by 1.3 points) (see graph 22).

<sup>7</sup> Respondents could describe their plans regarding the number of employees for the next three months as "increasing," "stable," or "decreasing". The balance value of these plans is the difference in the percentage shares of the "increasing" and "decreasing" responses. The BAG Employment Barometer is a weighted mean of the balances in different sectors. The BAG Employment Barometer can be between -100 and +100. -100 means all surveyed businesses expect employment to decrease in the next three months, while +100 means all surveyed businesses expect employment to increase in the next three months.

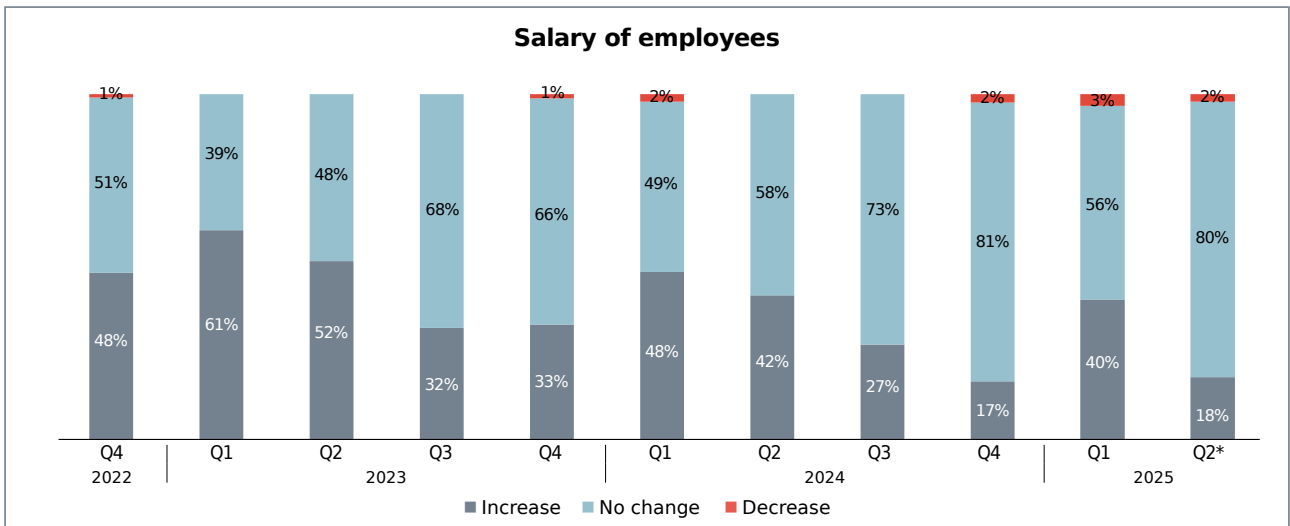
**Table 2:** Employment Barometer. Balance values by sector

Sector	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Trade	33.3	-45	5.6	12.5	-23.5	2.8	18.2	21.6	25.0	32.4	34.3	26.8	22.6	33.3	41.0	44.7	30.6	45.5	9.4	39.4	34.5	29.0
Service	14.6	-41.7	0	-5	-8	17.6	34.8	-2.3	11.1	15.6	19.6	25.6	26.2	27.9	31.0	35.9	20.0	38.9	20.5	22.0	18.8	20.0
Manufacturing	11.1	-25	0	16.7	20	17.6	33.3	21.4	21.4	29.4	40.0	20	23.1	25.0	45.5	50.0	50.0	28.6	12.5	20.0	30.0	23.5
Construction	50	-80	-28.6	14.3	-33.3	30.8	12.5	27.3	50.0	37.5	27.3	50	63.6	68.8	81.8	63.6	40.0	70.0	47.1	35.7	30.8	16.7
BAG	26.1	-46.7	-2.8	6.2	-13.7	14.7	27.4	11.7	20.5	24.9	27.7	28.1	29.1	34.0	41.9	43.9	29.2	43.3	19.1	28.9	27.0	23.0



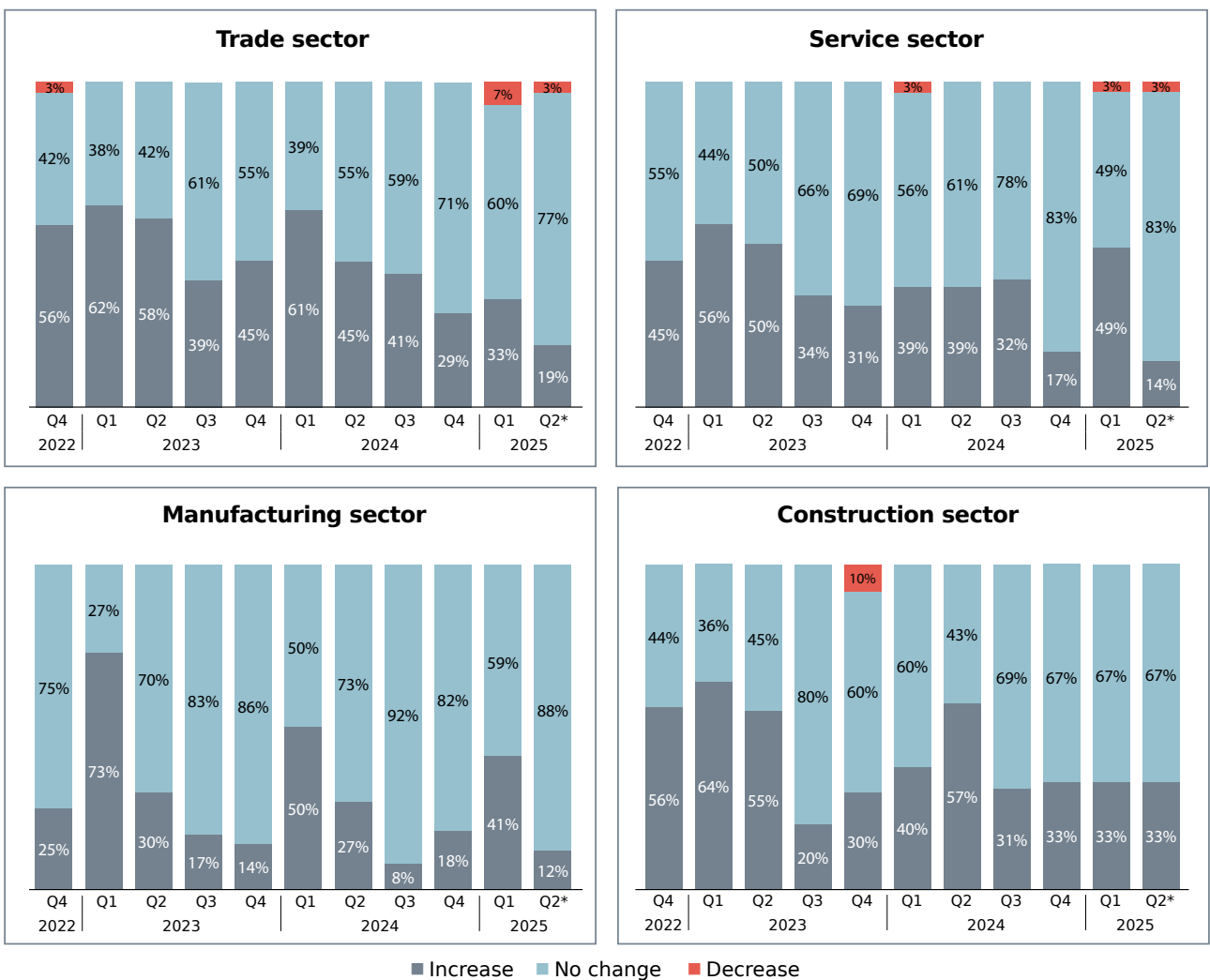
**Graph 22:** BAG Employment Barometer by sector

When examining employment, it is imperative to analyze the employee compensation dynamics in the process. The survey results revealed that 40% of companies raised employees' salaries in Q1 of 2025, which is significantly higher compared to the previous quarter but lower compared to the corresponding quarter of the previous year. In Q2 of 2025, 18% of companies plan to increase employees' salaries. (see graph 23).



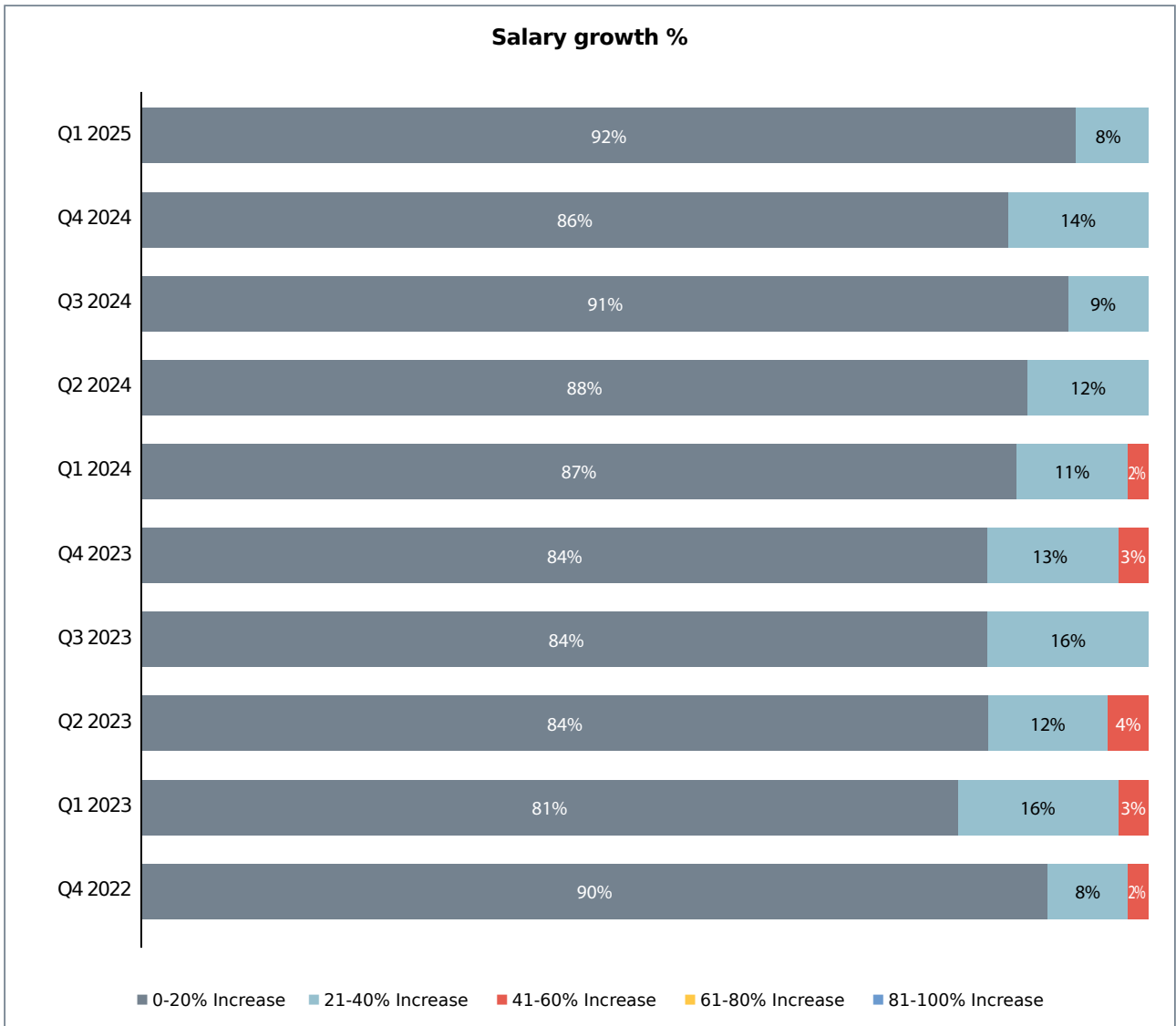
**Graph 23:** Salary of employees

By sector, in Q1 of 2025, the largest share of companies in the service sector (49%) recorded an increase in the salaries of employees. In Q2 of 2025, the largest share of companies planning to increase the wages of employees was recorded in the construction sector (33%) (see Graph 24).



**Graph 24:** Salary of employees in trade, service, manufacturing, and construction sectors

In Q1 of 2025 most surveyed companies (92%), who increased the salaries of their employees, increased the salaries of their employees by 0-20%. Meanwhile, 8% of the surveyed companies increased the salaries of their employees by 20-40%.



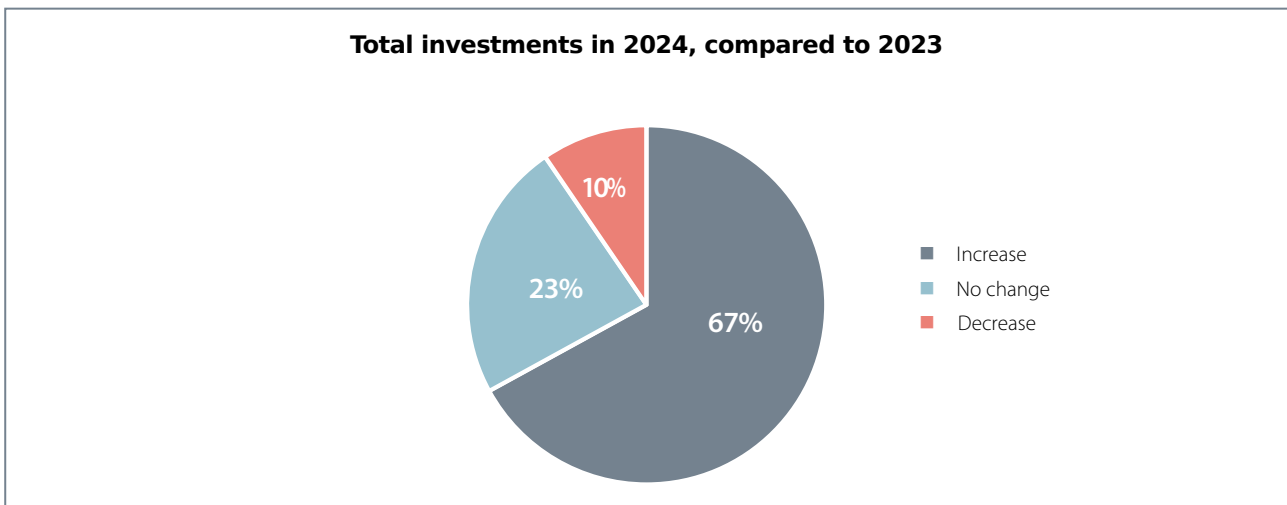
**Graph 25:** Growth (%) of salary of employees

## 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 first quarter of 2025 covered investments made by surveyed businesses in 2024 and their plans for 2025.

### INVESTMENT ENVIRONMENT IN 2024

Overall, 67% of the surveyed businesses stated that their total investments had increased in 2024, compared to 2023. Meanwhile, 23% of the surveyed companies claimed their total investments were unchanged, while 10% stated their investments had decreased over the same period.



**Graph 26:** Investment environment in 2024

It must be mentioned that 92% of the companies in the construction sector reported an increase in total investments in 2024, compared to 2023, which is the highest figure among the sectors. Investment growth was reported by 69% of companies in the service sector, 65% in the trade sector, and 50% in the manufacturing sector (for detailed information see graphs 28, 29, 30 and 31).

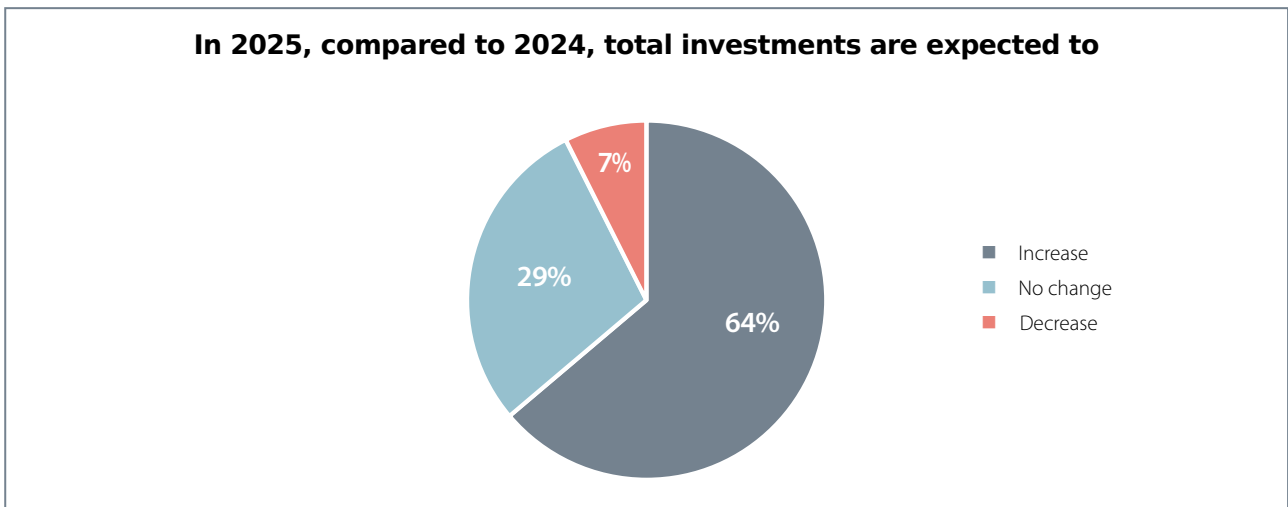
Furthermore, 25% of respondents in the manufacturing sector stated that total investments decreased in 2024, compared to 2023. Similarly, 10% of surveyed companies in the trade sector and 6% in the service sector recorded a decline in investments during this period. In contrast, none of the surveyed companies in the construction sector reported a decrease in total investments.

In 2024, a nearly equal proportion of companies increased their total investments in equipment (73%), software and databases (72%), and plants (71%).

Looking at things sector by sector, the trade sector recorded the highest percentage share of companies stating an increase in their total investments in equipment (74%), software/databases (72%), and plants (64%).

## INVESTMENT PLANS FOR 2025

In Q1 of 2025, 64% of surveyed businesses are planning to increase their total investments in 2025, compared to 2024. At the same time, 29% of the surveyed companies expect no change in their total investments, while only 7% expect a decrease in total investments.



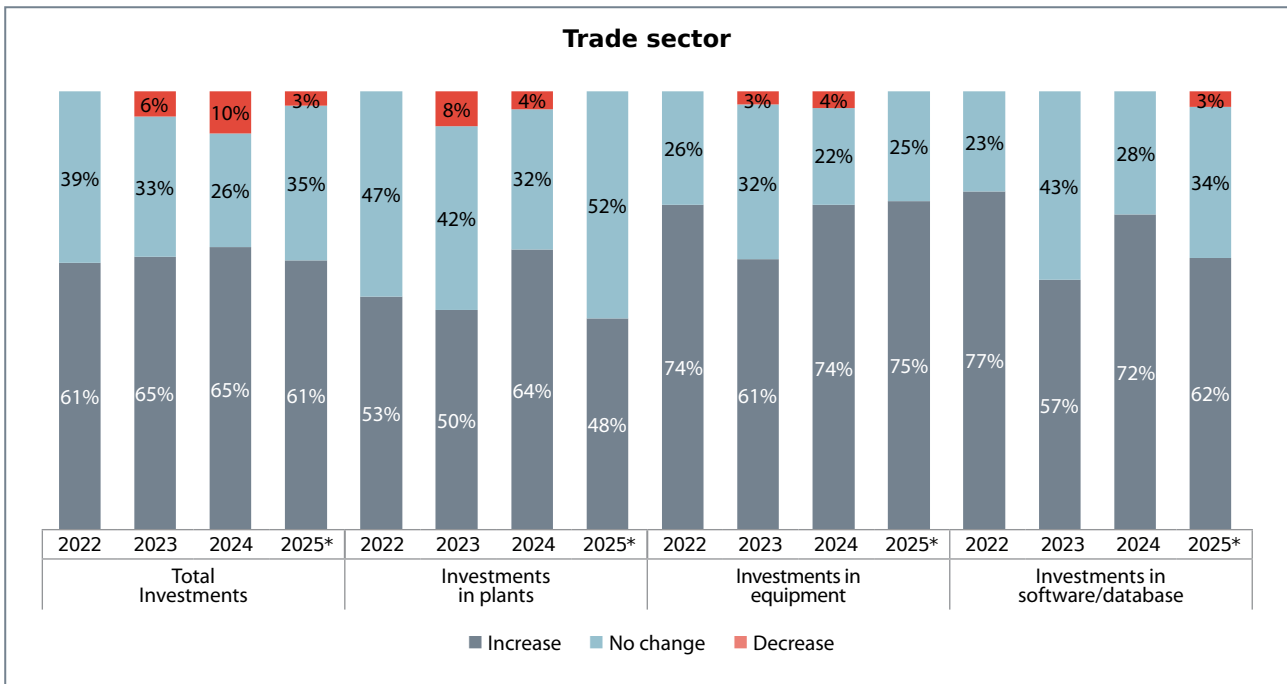
**Graph 27:** Investment plans of companies for 2025

Amongst all four sectors, the construction service sectors conveyed the most optimistic expectations in the direction of investment for 2024. 67% of companies in the construction sector and 66% in the service sector claimed that they will increase their total investment in 2025, compared to 2024. In the trade sector, similar expectations are reported by 61% of the companies, while in the manufacturing sector, this figure is equal to 63%.

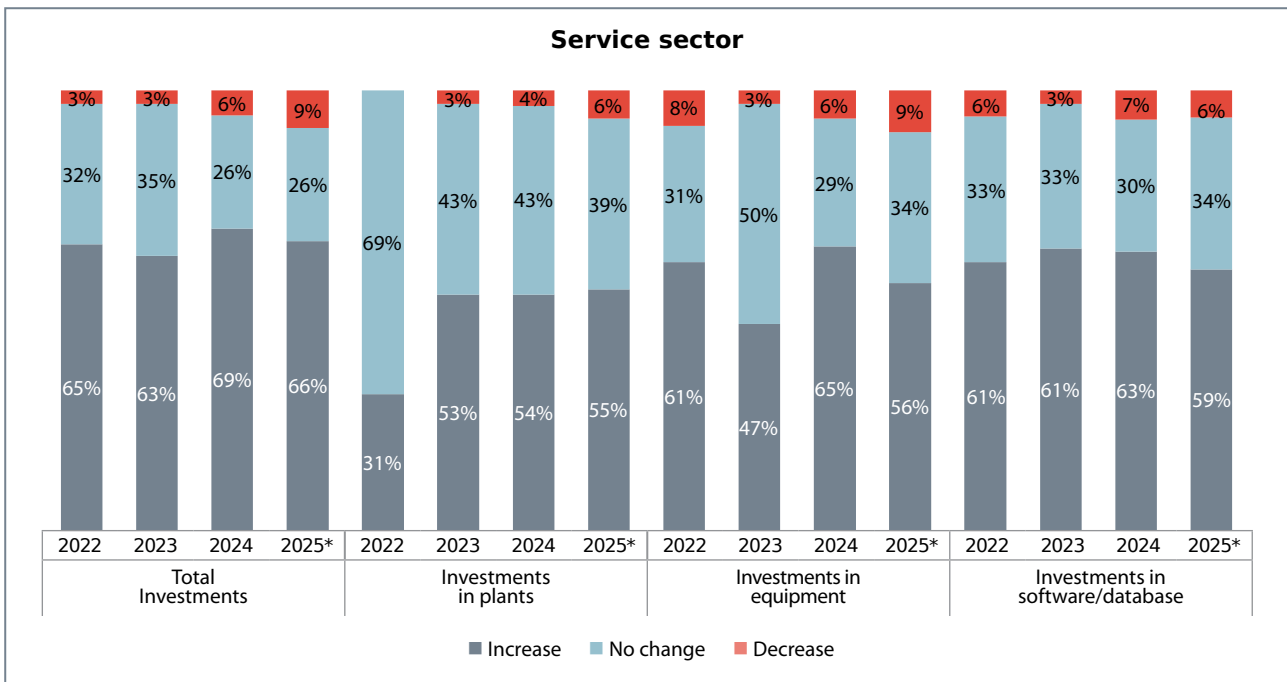
In 2025, more positive expectations with regard to investments were recorded in equipment, while less positive expectations were recorded with regard to investments in software/databases and plants. 71% of the surveyed companies expect to increase their investments in equipment in 2025, compared to 2024. Meanwhile, 59% of the businesses have the same expectations for investments in plants. Moreover, 57% claim that their investments in software/databases will increase in 2025, compared to 2024.

It must be noted that, among the covered sectors, the most positive expectation with regard to investments in equipment and software/databases is conveyed in trade sector. In particular, 75% of the companies in trade sector plan to increase investment in equipment, while 62% plan to invest more in software/databases. Regarding the investments in plants, the most positive expectations are recorded in service sector with 55% of the companies planning to increase investments.



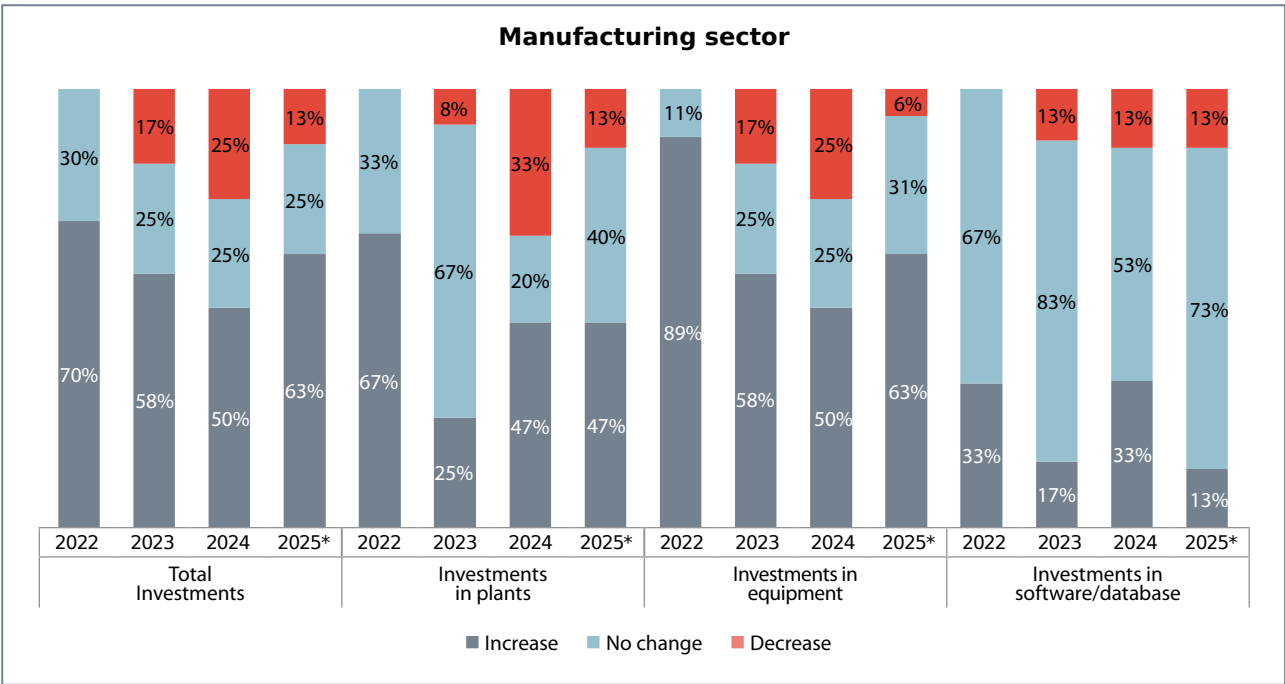


**Graph 28:** Investment environment in 2022-2024 and investment plans for 2025 in the trade sector (change compared to the previous year)<sup>8</sup>

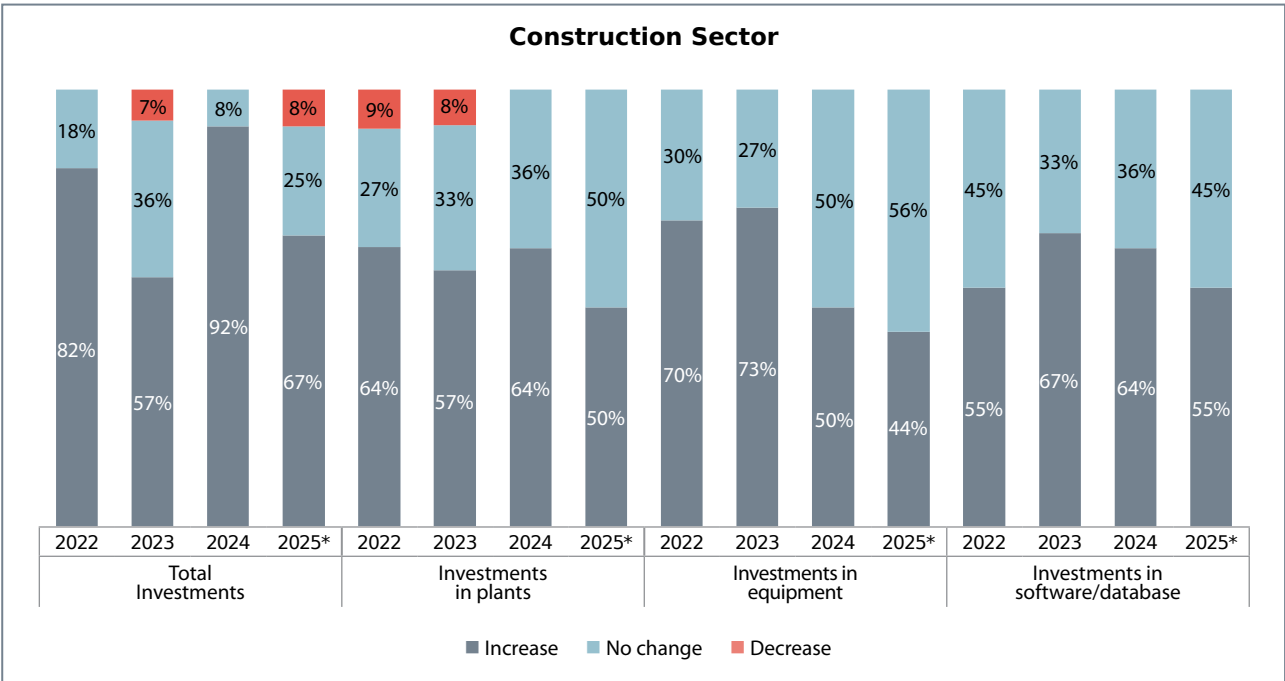


**Graph 29:** Investment environment in 2022-2024 and investment plans for 2025 in the service sector (change compared to the previous year)

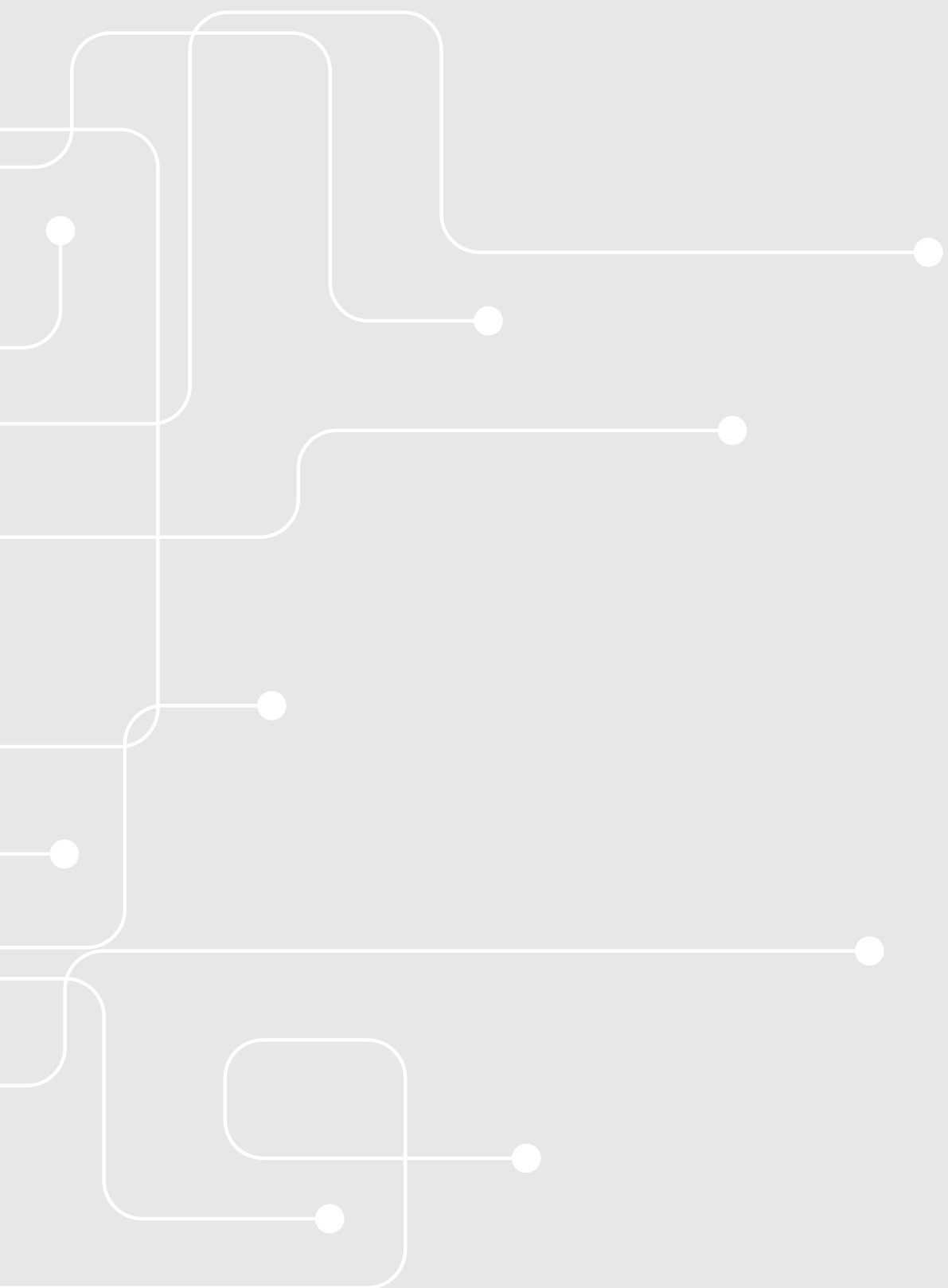
<sup>8</sup> Due to the rounding of number, in some graphs the sum of the data does not always equal 100%.  
 \* Expectation.



**Graph 30:** Investment environment in 2022-2024 and investment plans for 2025 in the manufacturing sector (change compared to the previous year)



**Graph 31:** Investment environment in 2022-2024 and investment plans for 2025 in the construction sector (change compared to the previous year)



## CONTACT:

2 Leonidze Street, Tbilisi, Georgia

☎ +995 32 2 202-215

✉ info@bag.ge

f Business Association of Georgia

[www.bag.ge](http://www.bag.ge)