

BAG INDEX

INVESTMENT
SURVEY



საქართველოს ბიზნეს ასოციაცია
BUSINESS ASSOCIATION OF GEORGIA



Leibniz Institute for Economic Research
at the University of Munich



Research

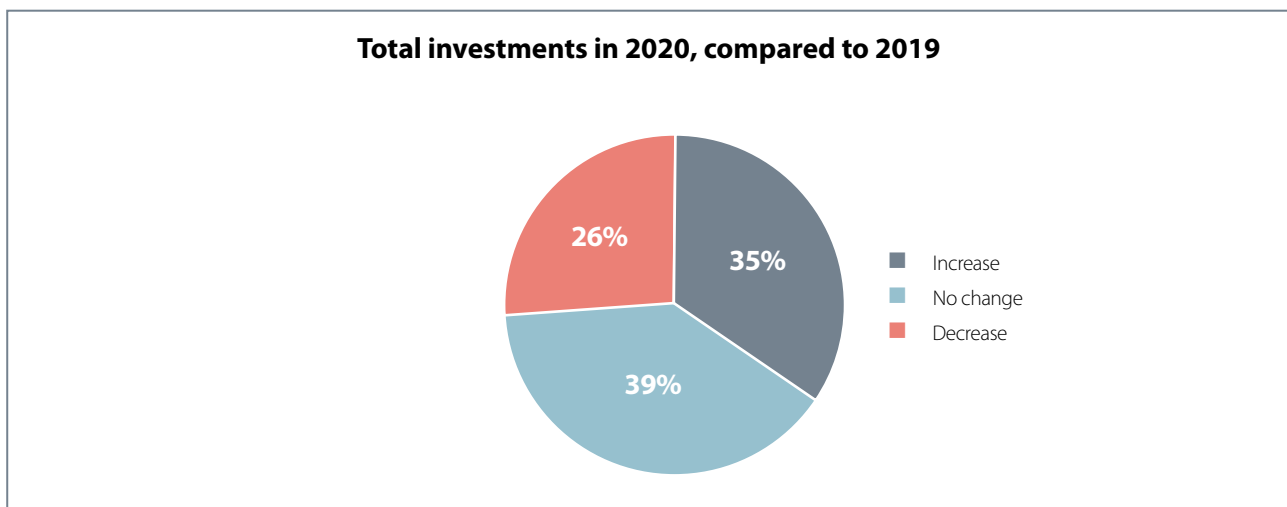
III QUARTER 2021

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 2021 covered investments made by surveyed businesses in 2020 and their plans for 2021.

INVESTMENT ENVIRONMENT IN 2020

Overall, 35% of the surveyed businesses stated that their total investments had increased in 2020, compared to 2019. Meanwhile, 39% of the surveyed companies claimed their total investments were unchanged, while 26% stated their investments had decreased over the same period.



Graph 1: Investment environment in 2020

Only 8% of companies in the manufacturing sector reported a decrease in total investments in 2020, compared to 2019. These figures for trade, service, and construction sectors were 30%, 28%, and 27%, respectively (for detailed information see graphs 3, 4, 5 and 6).

Furthermore, 46% of respondents in the manufacturing sector stated that total investments increased in 2020, compared to 2019. At the same time, 45% of surveyed companies in the construction sector recorded an increase in total investments in this timeframe, while for the trade and service sectors these figures were 35% and 28%.

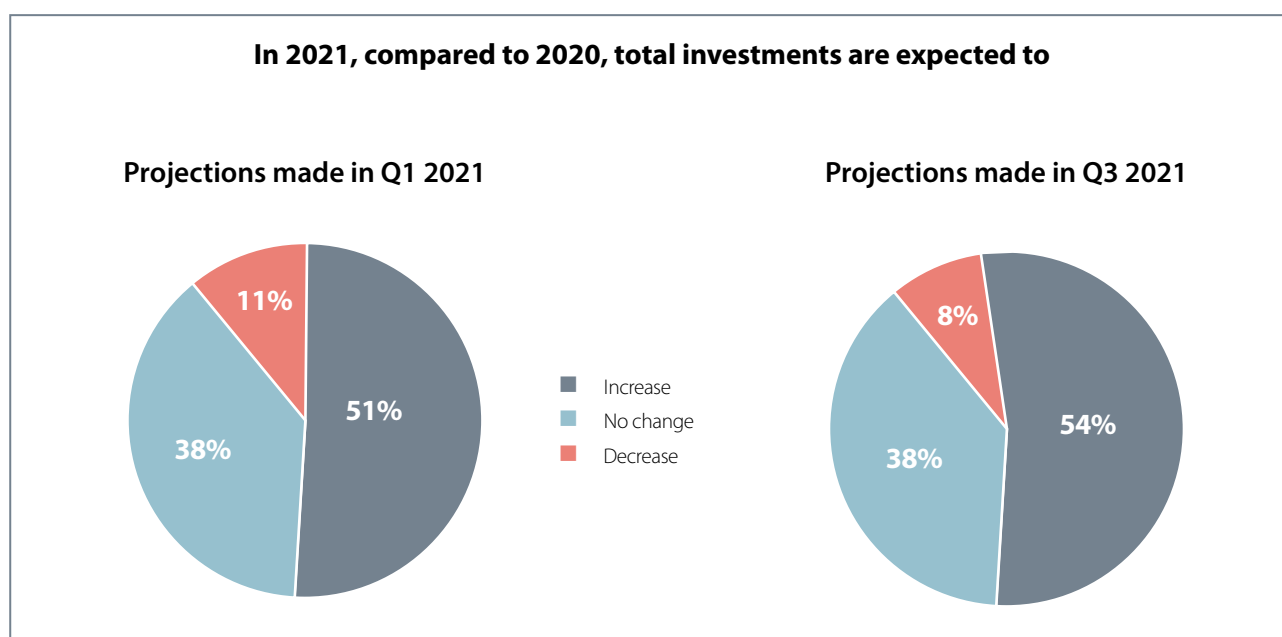
This section discusses where investments were made by companies during 2020. In 2020, the majority of companies recorded an increase in their total investments in software and databases (40%) and equipment (39%). The lowest increase in the volume of total investments was recorded in plants, with 27% of surveyed companies recording growth in this regard.

Looking at things sector by sector, the trade sector recorded the highest percentage share of companies (47%) stating an increase in their total investments in software/databases amongst the four sectors. Whereas the highest percentage share of companies stating an increase in total investments in equipment was observed in the manufacturing sector (55%). The manufacturing sector also recorded the highest percentage share of businesses stating an increase in their investments in plants in 2020, compared to 2019 (36%).

INVESTMENT PLANS FOR 2021

To evaluate the investment plans for 2021, an investment survey was conducted in the first quarter of 2021, and this forecast was updated in the third quarter of 2021. In the third quarter of 2021, 54% of surveyed businesses claimed they will increase their total investments in 2021, compared to 2020. At the same time, 38% of the surveyed companies expect no change in their total investments, while only 8% expect a decrease in total investments.

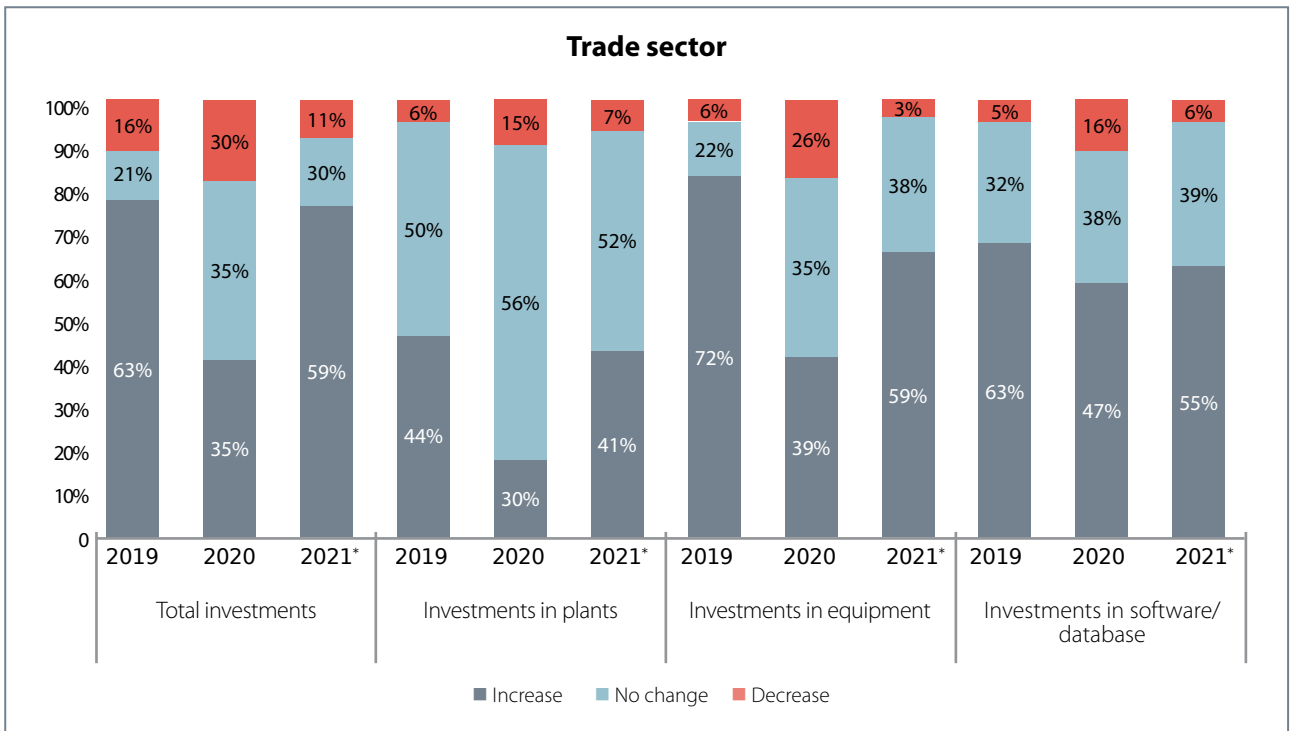
It should be noted that according to the results of the survey of the third quarter of 2021, compared to projections made in the first quarter of 2021, expectations of companies had improved. According to the survey conducted in the first quarter of 2021, 51% of the surveyed companies were planning to increase their total investments in 2021, which is 3 percentage points below the result of the latest survey. Meanwhile, the percentage of businesses planning to decrease their total investments is 3 percentage points lower compared to previous expectations (11%). Accordingly, from the first to the third quarter of 2021 companies have positively altered their investment plans for 2021.



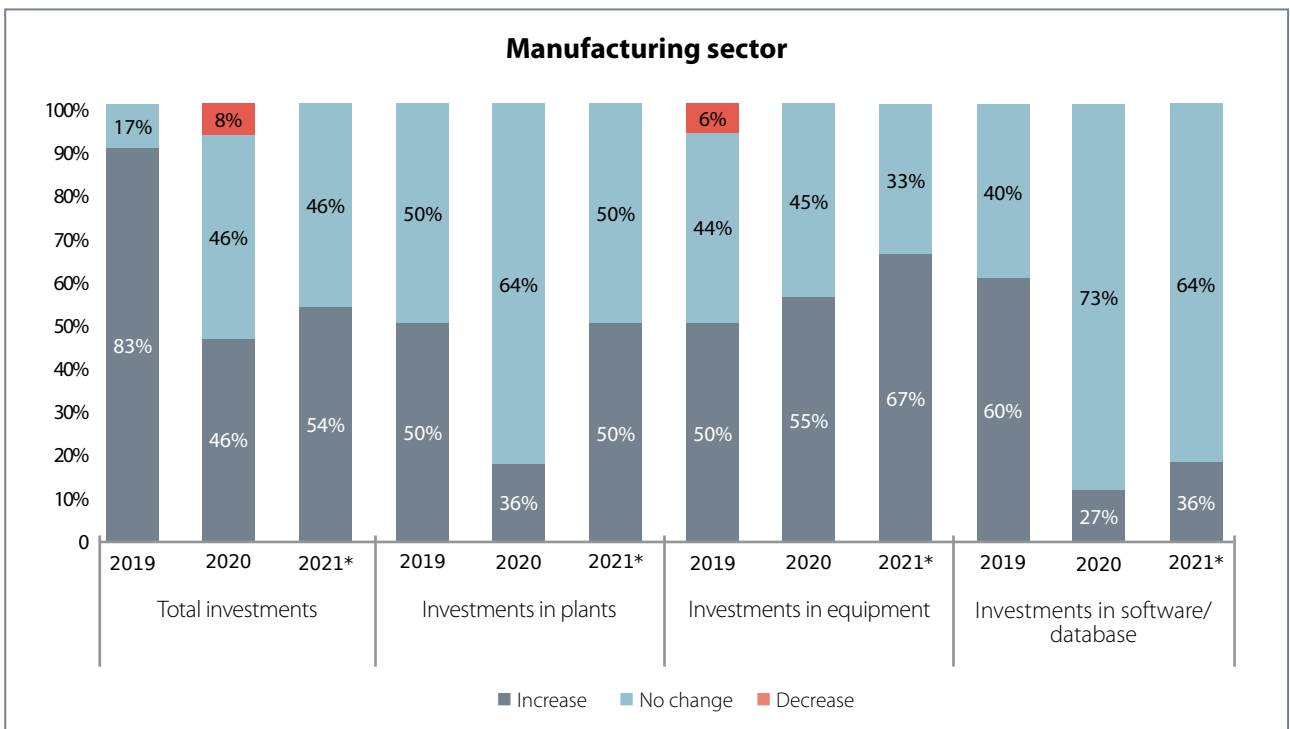
Graph 2: Investment plans of companies in 2021 according to the predictions done in Q1 of 2021 and in Q3 of 2021

Amongst all four sectors, the trade sector conveyed the most optimistic expectations in direction of investment for 2021. 59% of companies in the trade sector claimed that they will increase their total investment in 2021, compared to 2020. Similar expectations are reported in the manufacturing and service sectors with 54% and 52% of companies planning to increase their total investments, meanwhile, for the construction sector the same figure is equal to 45%.

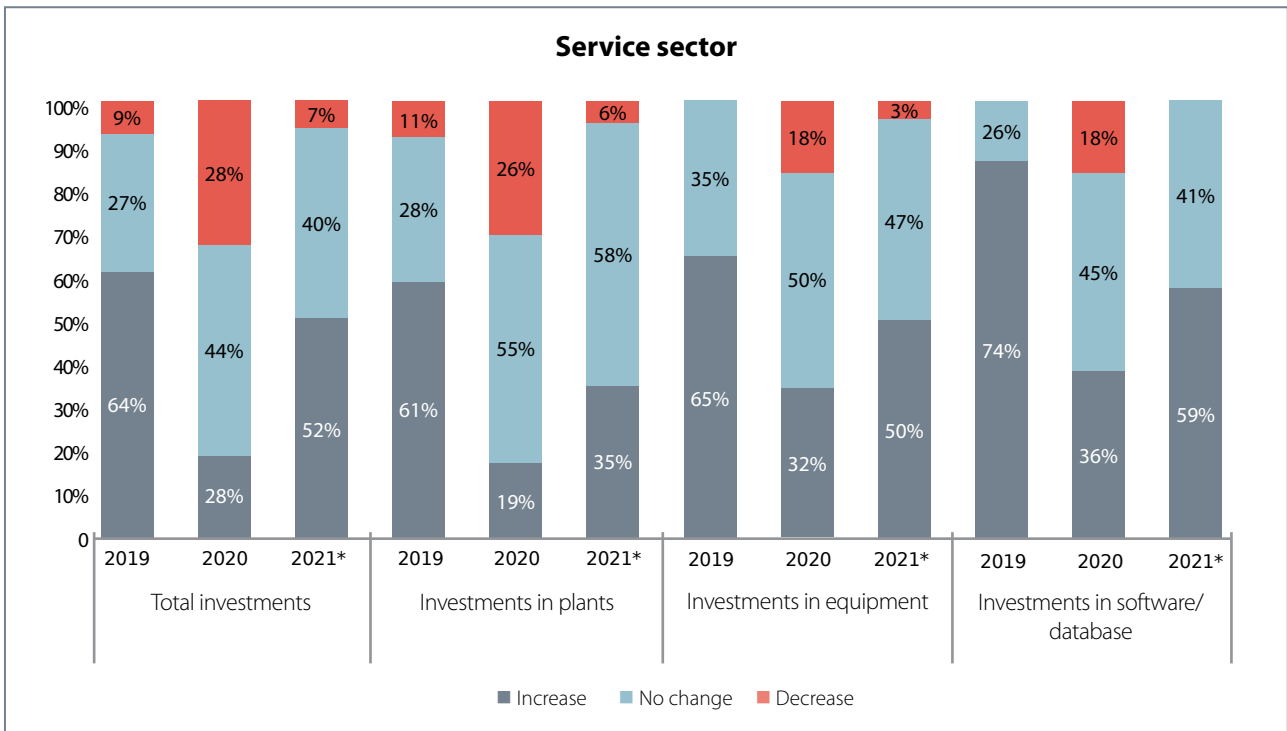
In 2021, more positive expectations with regard to investments were recorded in equipment and software/databases, while less positive expectations were recorded with regard to investments in plants. 52.3% of the surveyed companies expect to increase their investments in equipment in 2021, compared to 2020, while 52.2% of businesses have the same expectation for investments in software/databases. Moreover, 38.8% claim that their investments in plants will increase in 2021, compared to 2020.



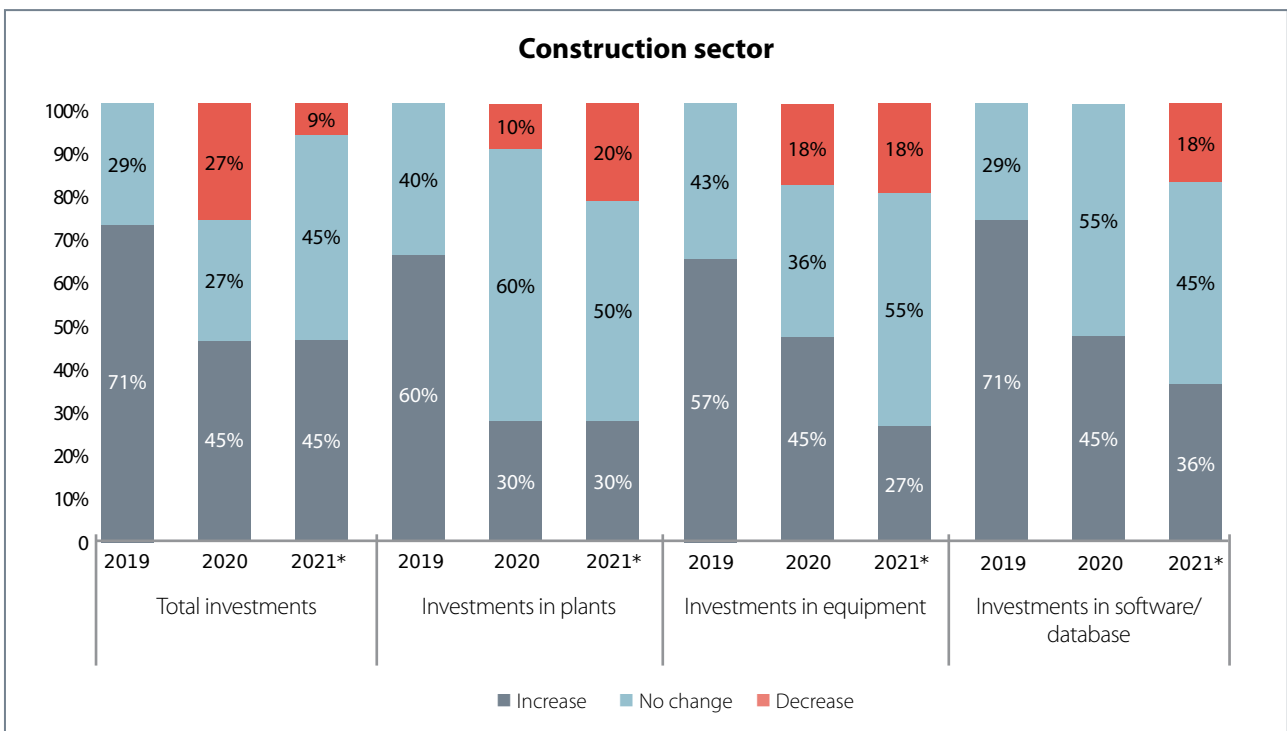
Graph 3: Investment environment in 2019 and 2020 and investment plans for 2021 in the trade sector (annual percentage change)



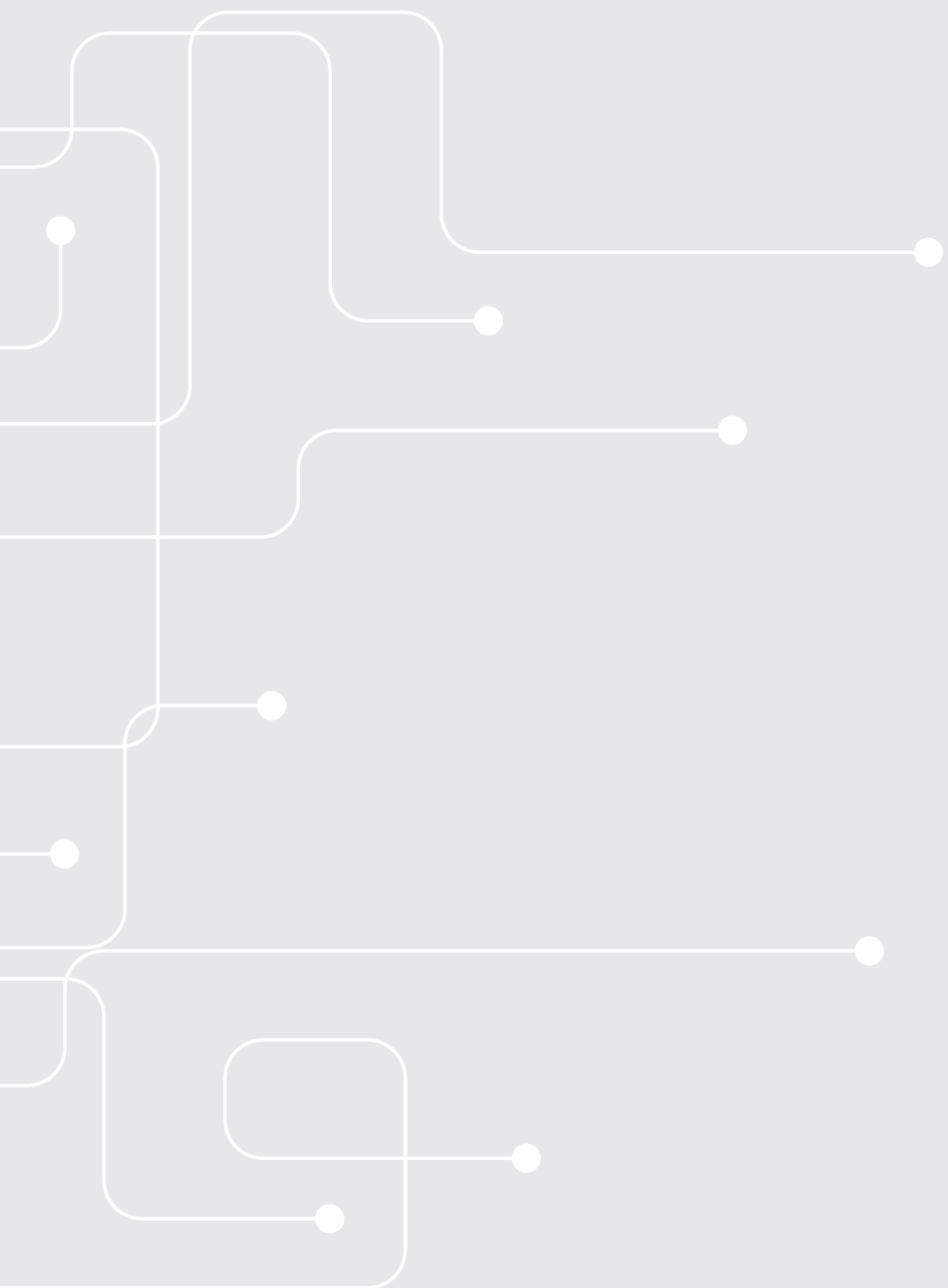
Graph 4: Investment environment in 2019 and 2020 and investment plans for 2021 in the manufacturing sector (annual percentage change)



Graph 5: Investment environment in 2019 and 2020 and investment plans for 2021 in the service sector (annual percentage change)



Graph 6: Investment environment in 2019 and 2020 and investment plans for 2021 in the construction sector (annual percentage change)



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