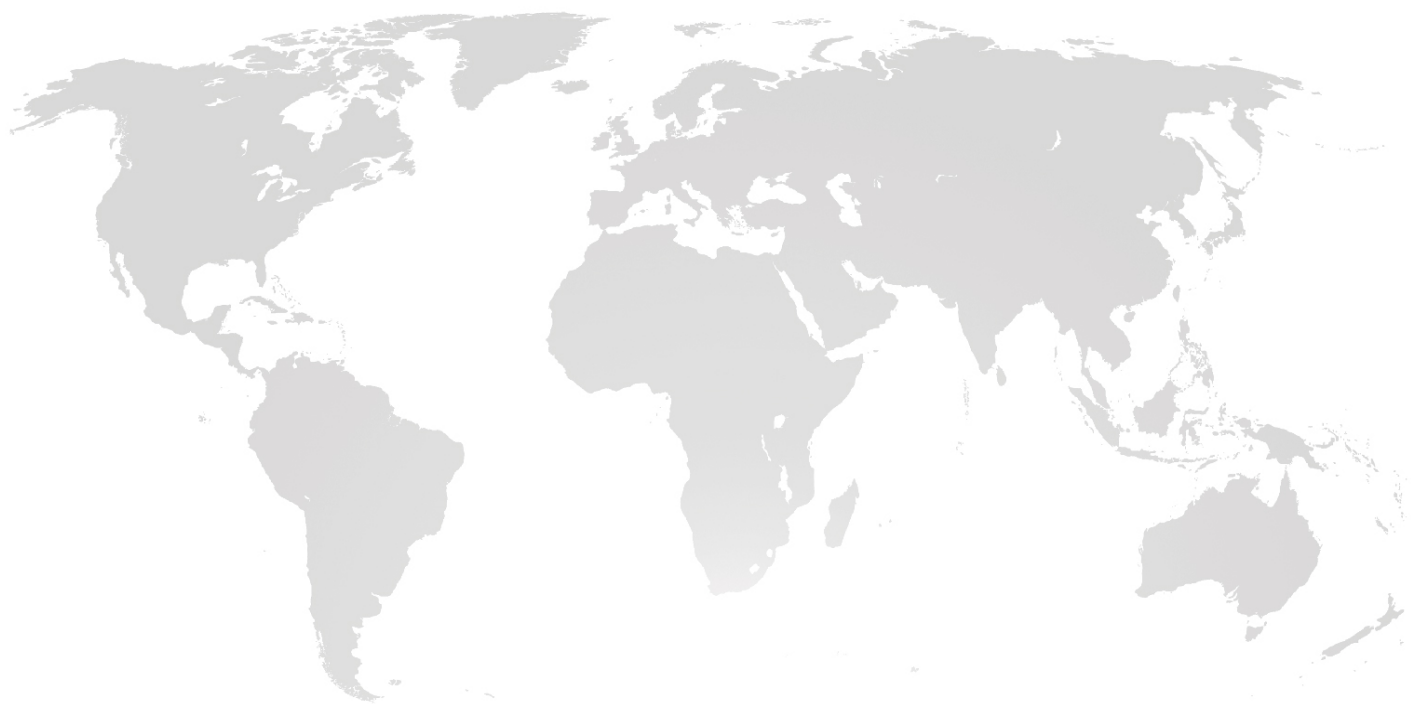




D&B Country Insight Snapshot: Georgia

June 2015



Written 05 June 2015



Overview

Overall Country Risk Rating: DB5d



High risk : Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.

Rating Outlook: Stable →

Core Outlook

- + There is an abundance of skilled and unskilled workers available in Georgia, often at low cost.
- Unemployment is high at 10.0% in 2014.
- At least 30% of the population is believed to live on less than USD2 a day.
- Attempts at employment creation in rural parts of Georgia have not been particularly successful.

Key Development

Private and government consumption drive solid quarterly growth, and the overall short-term outlook for Georgia’s risk environment remains stable.

Credit Environment Outlook

Key Development has had a positive impact on the outlook.

Supply Environment Outlook

Key Development has had a neutral impact on the outlook.

Market Environment Outlook

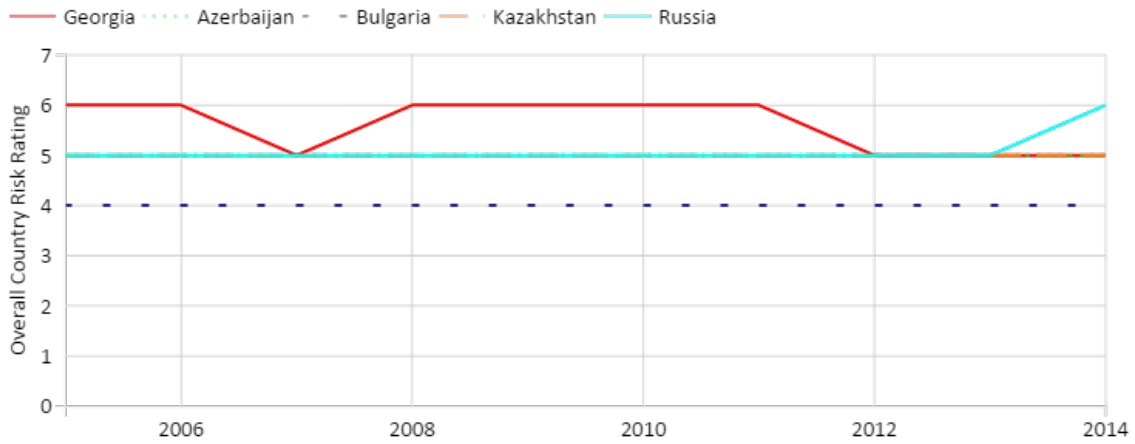
Key Development has had a neutral impact on the outlook.

Political Environment Outlook

Key Development has had a neutral impact on the outlook.

Key Indicators

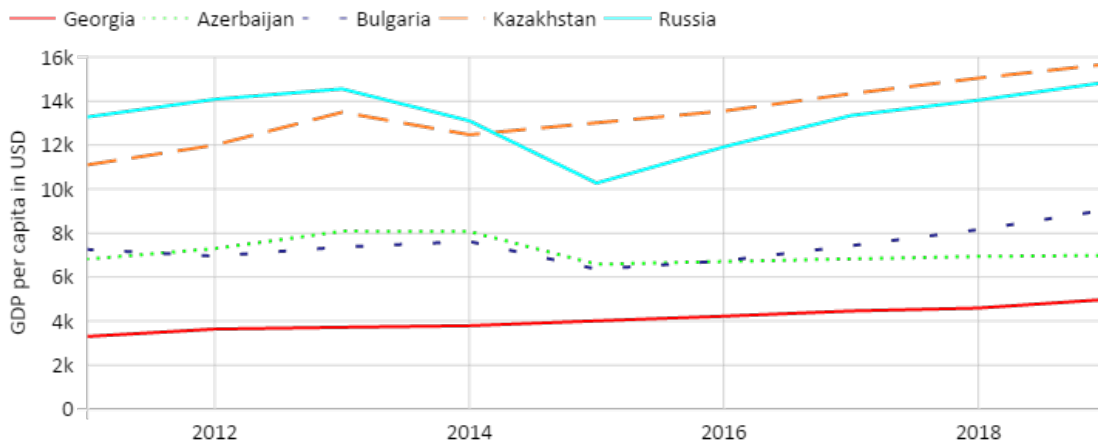
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Quarterly)



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-11.7	-5.7	-9.8	-6.7	-4.6	-2.7	-1.1	0.6
Govt balance, % GDP	-0.6	-1.1	-3.5	-2.9	-2.5	-2.2	-2.0	-1.7
Inflation, annual avge %	-0.9	-0.5	3.1	4.4	3.7	4.0	4.7	4.7
Real GDP Growth, %	6.2	1.6	4.7	3.0	4.0	4.0	3.2	3.2
Unemployment, %	15.0	14.3	10.0	9.5	9.0	8.8	8.5	8.5

Source : Haver Analytics/D&B

Trade and Commercial Environment

Gross international FX reserves stood at USD2.23bn in April 2015, marginally down from USD2.24bn in March. Commercial risks have receded amid the economic recovery. In particular, business performance is showing signs of strengthening. Another positive element is that the banking sector emerged from the global financial and economic crisis in a relatively healthy state. Nevertheless, commercial risk is elevated, reflecting the fact that, despite the many market-friendly reforms that have been implemented in recent years, the country still has some way to go before it can claim to have established a fully-functioning market economy. It also continues to be exposed to unfavourable regional developments, in particular the crisis in Ukraine and economic problems in Russia.

Trade Terms and Transfer Situation

Minimum Terms: CLC

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

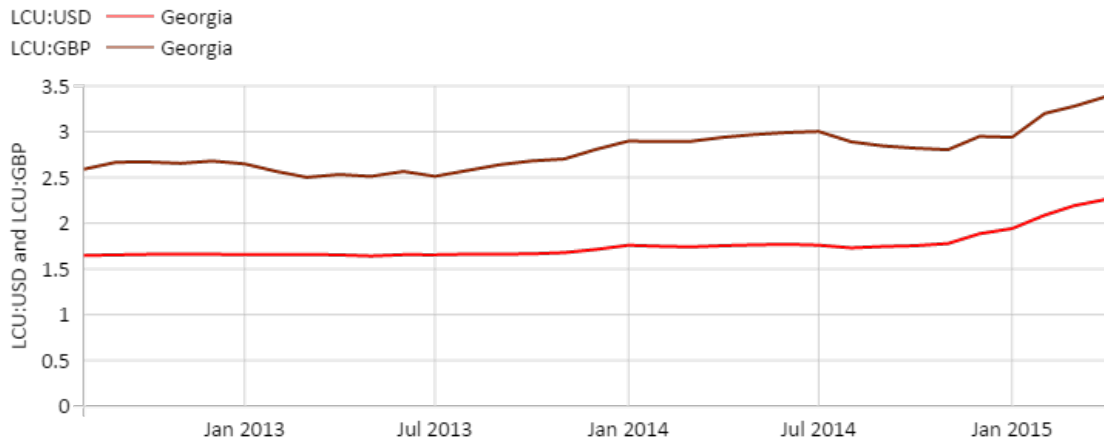
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-3 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



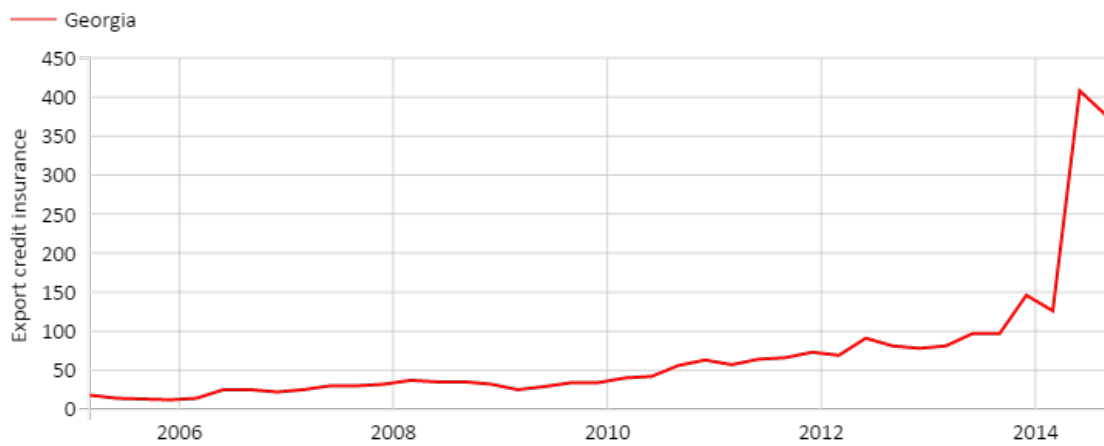
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

Quarterly growth rebounds

The short-term outlook for Georgia's risk environment remains stable this month on the back of encouraging recent economic data. The latest figures show that real GDP increased by a solid 3.2% y/y in Q1; growth in March was stronger at 4.3% y/y. Given the various external economic and socio-political regional difficulties faced by Georgia, the result for the first three months was surprising but welcome. Although not yet confirmed, the main sources of growth appear to have come from private and government consumption.

Despite the Q1 performance, downside economic risks persist. Perhaps most important is the recent slide in the value of the currency, which has weakened by around 25% against the US dollar during the last six months, mostly reflecting regional economic concerns. The official response has been mixed. The central bank raised its benchmark interest rate from 4.50% to 5.00% in early May in an effort to halt the lari's slide. However, the bank has faced criticism from the government for allegedly not doing enough to protect the lari's value. The bank will be wary of choking off growth that could result from the increasing the cost of borrowing. Meanwhile, the government is trying to tighten public expenditure in an effort to support monetary policy. This has led to a budget surplus, with Dun & Bradstreet forecasting a narrowing in the consolidated budget deficit this year to 2.9% of GDP from 3.5% of GDP in 2014. Nevertheless, the only factor that is likely to put a permanent halt to the lari's decline is an improvement in regional stability. In the meantime, we have raised our inflation forecast this year to 4.4% (from 3.8% previously).

Insecurity/Civil Disorder Risk

Opposition mounts against the government

Finally, internal stability could be undermined by the emergence of popular opposition to the government. This was highlighted in March when thousands of government opponents held a rally in Tbilisi to protest against the official handling of the economy. In fact, the march was organised by the United National Movement, the party of ex-president Mikhail Saakashvili, who has been living in exile. The protestors demanded the government's impeachment, but this seems unlikely under current circumstances and especially after growth improved in Q1. Meanwhile, in a surprise move, Saakashvili was appointed governor of Odessa in Ukraine in May after being granted Ukrainian citizenship. It is unclear what motivated this. However, Saakashvili indicated that he had turned down the post of first vice-prime minister of Ukraine as it would have meant him giving up his Georgian citizenship, the possible implication being that he may be holding out for a return one day to Georgia.

Country Profile and Statistics

Overview

Situated in the southern part of the Caucasus, on the eastern shore of the Black Sea, Georgia borders Russia to the north, Turkey and Armenia to the south, and Azerbaijan to the east.

Georgia attained its present-day borders when it became a constituent republic of the Soviet Union in 1936, and independence came with the latter's collapse in 1991. There have been bitter disputes over the status of Abkhazia and South Ossetia, two pro-Russian separatist regions, since. In what came to be known as the 'Rose Revolution', public protests at the end of 2003 brought the reformist, pro-Western President Mikheil Saakashvili to power. While reviving Georgia's post-Soviet transformation, this has strained relations with Russia. A military escalation between the two countries in August 2008 and the fallout from the global economic and financial downturn threaten many of the achievements of thorough economic and political reform under Saakashvili.

Low value-added goods such as basic metals, beverages and agricultural products dominate Georgia's exports.

Key Facts

Key Fact	Detail
Head of state	President Giorgi MARGVELASHVILI
Capital	Tbilisi
Timezone	GMT +04-00
Official language	Georgian
Population (millions)	4.3
GDP (USD billions)	16.4
GDP per capita (USD)	3,791
Life expectancy (years)	74
Literacy (% of adult pop.)	99.9
Surface area (sq km)	69,700

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	6.25	7.2	6.18	1.6	4.7
Nominal GDP in USDbn	11.64	14.43	15.85	16.14	16.39
Nominal GDP in local currency (bn)	21	24	26	27	29
GDP per Capita in USD	2,652	3,300	3,636	3,718	3,791
Population (year-end, m)	4.39	4.37	4.36	4.34	4.32
Exchange rate (yr avge, USD-LCU)	1.78	1.69	1.65	1.66	1.77
Current Account in USDbn	-1.2	-1.84	-1.85	-0.93	-0.64
Current Account (% of GDP)	-10.28	-12.75	-11.68	-5.74	-3.93
FX reserves (year-end, USDbn)	2.26	2.82	2.87	2.82	2.7
Import Cover (months)	4.44	4.23	3.78	3.66	3.25
Inflation (annual avge, %)	7.1	8.5	-0.9	-0.5	3.1
Govt Balance (% GDP)	-4.5	-0.9	-0.6	-1.1	-3.5

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	3	4	4	3.2	3.2
Nominal GDP in USDbn	17.3	18.1	19	19.5	21
Nominal GDP in local currency (bn)	31.08	33.47	36.15	39	42.08
GDP per Capita in USD	4,010	4,221	4,459	4,593	4,981
Population (year-end, m)	4.3	4.3	4.3	4.2	4.2
Exchange rate (yr avge, USD-LCU)	1.8	1.9	1.9	2	2
Current Account in USDbn	-1.2	-0.8	-0.5	-0.2	0.1
Current Account (% of GDP)	-6.7	-4.57	-2.73	-1.08	0.58
FX reserves (year-end, USDbn)	2.9	3.2	3.5	3.8	4.2
Import Cover (months)	3.46	3.66	3.87	4.1	4.34
Inflation (annual avge, %)	4.4	3.7	4	4.7	4.7
Govt Balance (% GDP)	-2.9	-2.5	-2.2	-2	-1.7

Source : D&B

Comparative Market Indicators

Indicator	Georgia	Azerbaijan	Bulgaria	Kazakhstan	Russia
Income per Capita (USD)	3,791	8,075	7,620	12,474	13,103
Country Population (m)	4.3	9.1	7.2	16.6	142.5
Internet users (% of population)	43.1	58.7	53.1	54	61.4
Real GDP Growth (% p.a., 2015 - 2024)	5 - 7	3 - 10	1.4 - 4.5	5 - 8	1.5 - 3

Source : D&B

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