



# Georgian Economic Outlook



*Ministry of Economy and Sustainable Development  
of Georgia*

November, 2015

# Country Overview

Area	69 700 sq km
Population	3,7 mln
Life expectancy	72.9 years
Official language	Georgian
Literacy	100%
Currency	Lari (GEL)
GDP: 2014*	US\$ 16.5 billion
GDP - real growth rate 2014	4.6%
GDP - Per Capita 2014	US\$ 4,426.3*
Inflation rate 2014 (average annual; e-o-p)	3.1%; 2.0%
Public External debt to GDP 2014	26.8%



**Resilient Economy**  
**Proved by Sovereign Credit Ratings**

**Fitch**  
**Ratings**

BB- Stable

**STANDARD**  
**& POOR'S**

BB- Stable

**MOODY'S**

Ba3 Positive

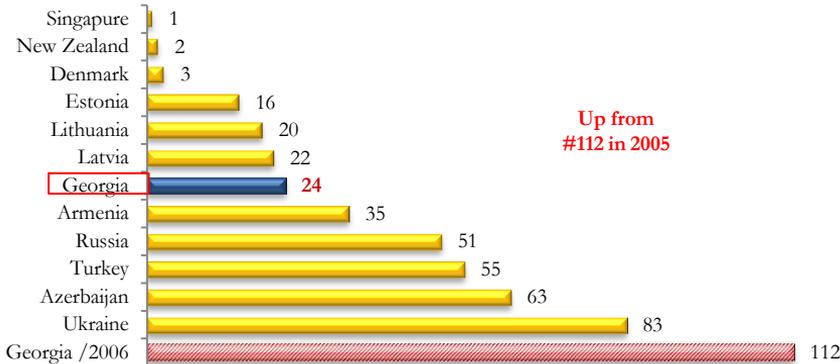
\* Source: GeoStat & MoESD calculation (according to Census, 1<sup>st</sup> January 2015 )



# Georgia in International Ratings



## Doing Business, 2016

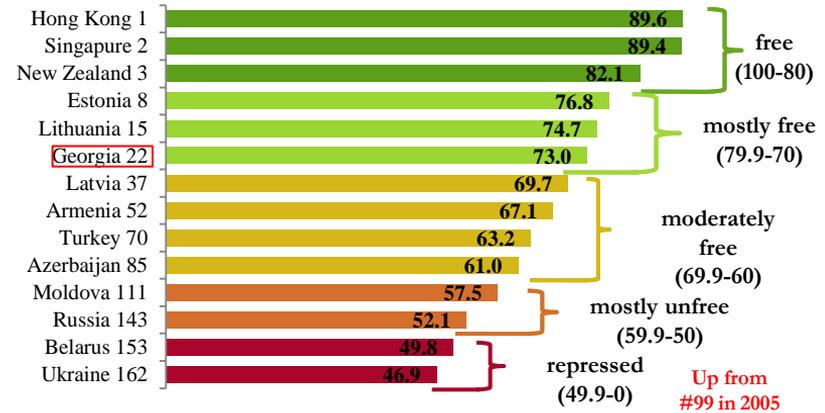


- ✓ “Globally, Georgia improved the most in the areas measured by *Doing Business* over the past 12 years”
- ✓ “Georgia made improvements in all 10 areas included in the aggregate distance to frontier score, through 39 regulatory reforms”
- ✓ “Georgia stands out in Europe and Central Asia for having made big strides toward better and more efficient business regulation”

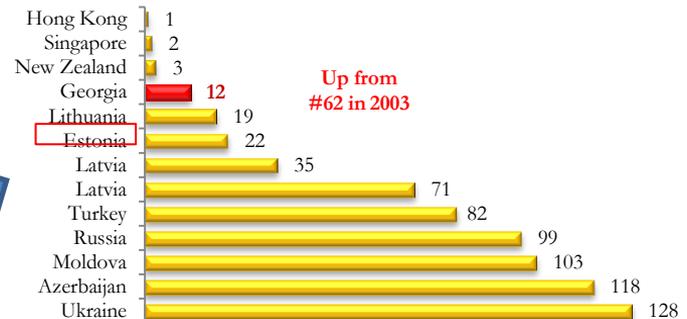
Source: WB

Significantly improved position in Property Rights

## Index of Economic Freedom, 2015 Heritage

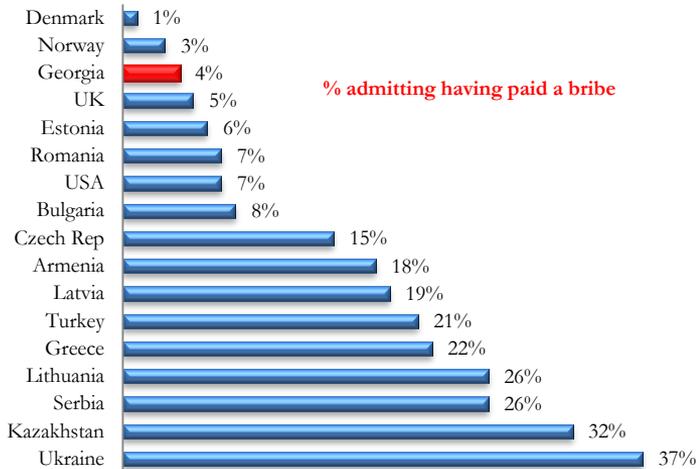


## World Economic Freedom, 2015 Fraser





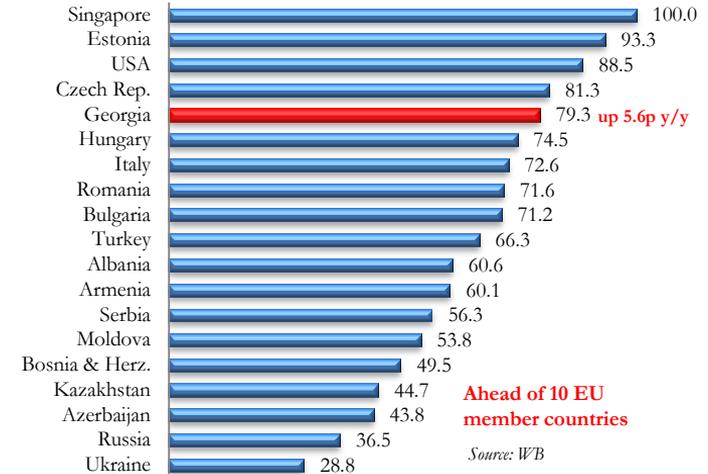
## Global Corruption Barometer 2013



**70%** of surveyed thinks that corruption has been decreased

Source: Transparency International

## World Governance Indicators 2014



### Georgia improved ranking in all 2014 WGI

- ✓ Voice & accountability - up 1.2p y/y to 55.7
- ✓ Political stability - up 3.7p y/y to 35.9
- ✓ Government effectiveness - up 2.2p y/y to 71.6
- ✓ Regulatory quality - up 5.6p y/y to 79.3
- ✓ Rule of law - up 10.8p y/y to 64.4
- ✓ Control of corruption - up 9.5p y/y to 75.5

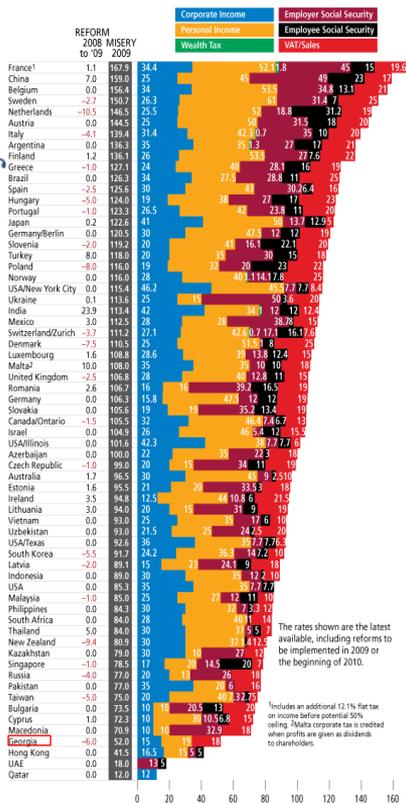


# Simple, Low, Efficient and Fair Tax System



## Tax Misery & Reform Index 2009, Forbes - 4<sup>th</sup> Least Tax Burden Country in the World

Forbes Tax Misery



<sup>1</sup> The rates shown are the latest available, including reforms to be implemented in 2009 or the beginning of 2010.

<sup>2</sup> Includes an additional 12.1% flat tax on income before potential 50% ceiling. Malta corporate tax is credited when profits are given as dividends to shareholders.

Number of Taxes	6 Flat decreased form 21
VAT	18%
Personal Income Tax	20%
Property Tax	Up to 1%
Import	0%, 5%, 12%
Corporate Profit Tax	15%
Excise	Varies
Dividend and Interest Tax	5%

## Double Taxation Avoidance Treaties with 49 countries

No

- Payroll Tax
- Social insurance Tax
- Capital gains Tax
- Wealth Tax

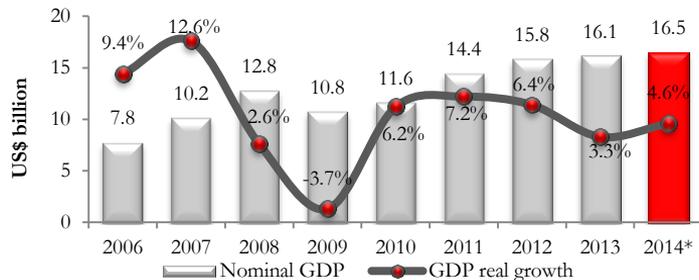
- Foreign source income of individuals fully exempted
- Accelerated depreciation on capital assets
- Loss carry forward for corporate profit Tax purposes (10 years)
- No restrictions on currency convertibility or repatriation of capital & profit
- Double Taxation avoidance treaties with 47 countries



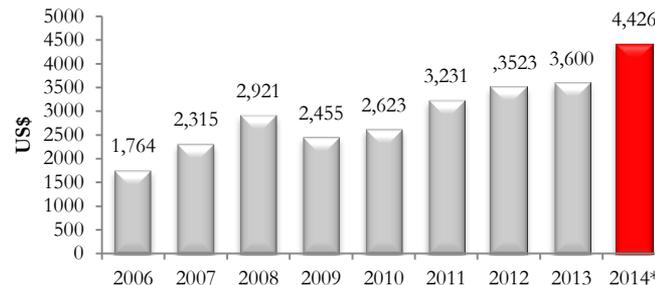
# Growing & Diversified Economy



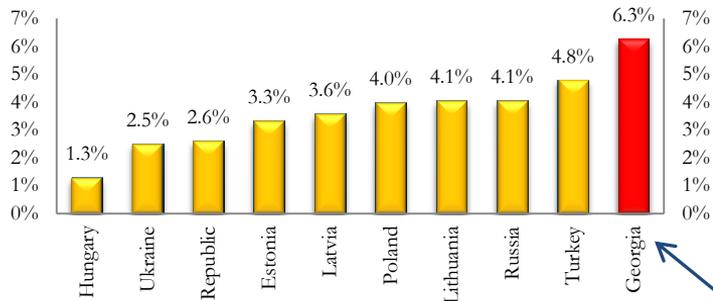
## Nominal GDP and Real Growth



## Growing GDP Per Capita



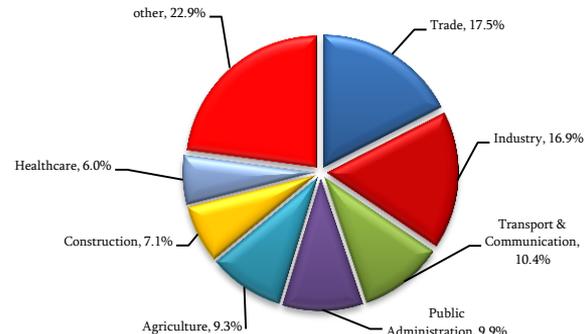
## Average real GDP growth (2003-2014)



**Top performer in the region**

Source: IMF, GeoStat

## Diversified Economy GDP 2014\*



Source: GeoStat



# Foreign Direct Investment



**In 2014**, FDI to Georgia amounted to 1,758.4 mln USD which is not only **86,7% increase** compared to 2013, but also the **highest yearly indicator** over the last 6 years.

**FDI Share in GDP** – up from 6.1% to 10.6% in 2014

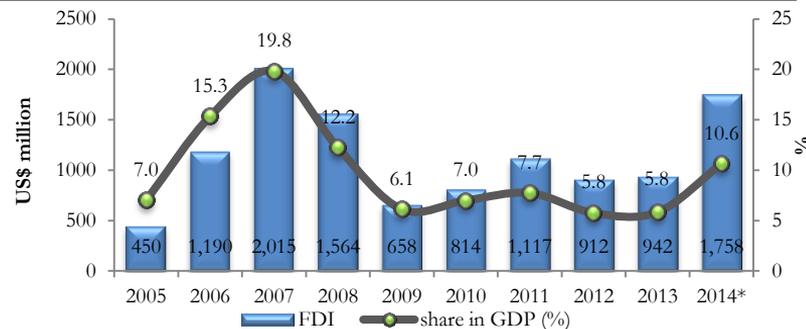
## Georgia

- has Bilateral Investment Treaties (BIT's) with the 29 countries
  - (negotiations launched with 2 countries)
- is member of ICSID Convention (since 1992)

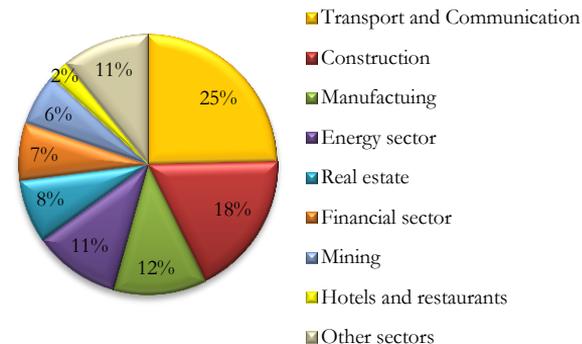
### Largest Investor Countries 2014\*

Netherlands	21%
Azerbaijan	19%
China	12%
USA	10%
Luxemburg	6%
United Kingdom	6%
Russian Federation	5%

### FDI inflows



### FDI Breakdown by Sectors 2014



# Liberal Trade Regimes



EU

Duty Free access to 500 mln market

Since September 2014



CIS



US, Canada,  
Japan,  
Norway,  
Switzerland



Turkey



Most Favored  
Nation (MFN)  
since 2000

FTA with EFTA – ongoing negotiations  
Duty Free access to additional 14 mln market

FTA with China – negotiations will  
start in nearest future  
Access to additional 1.5 bln market

Access to ~ 900 Million market without duty



- ✓ Simple, transparent & business oriented customs procedures
- ✓ Efficient tax administration
- ✓ No quantitative restrictions and tariff barriers
- ✓ Average Customs Clearance ~ 15 minutes

- ✓ 0% of customs duties over 80% of imports
- ✓ 0% customs duty on export
- ✓ 0% of VAT on export
- ✓ Maximum customs duty on imports – 5-12%



# Well Developed Infrastructure



Existing

## Sea Ports

### Poti Sea Port

- Port has **15 berths**
- Total Capacity - **10 million tones** annually
- Capacity of the container terminal - **500 000 TEU cont.** annually
- Owned/Operated by APM Terminals

### Batumi Sea Port

- Port has **11 berths**
- Total Capacity **17 million tones** annually
- Capacity of the container terminal -**100 000 TEU** annually
- Operated by JSC KazTransOil

### Kulevi Sea Port

- Port has **2 berths**
- Annual capacity **5 mln tones** annually
- Owned/operated by SOCAR (Azerbaijan)

## Supsa Terminal

Capacity: **5 mln tones** annually Operated by BP

## Road & Railway

### Rail

- **2 344 km** (100% electrified)
- **7,400 rolling stock**, 144 locos

### Road

- **1,500 km** international road
- **20,000 km** internal and local roads
- **East-west highway project**



## International Airports

### Tbilisi International Airport

- **1.5 mln. passengers** (Capacity - ~ 3 mln.)
- **Serving 32 destinations**

### Batumi International Airport

- **210,000 passengers** (Capacity – 600 thsd.)
- **Serving 11 destinations**

### Kutaisi International Airport

- **218,000 passengers** (Capacity – 600 thsd.)
- **Serving 9 destinations**

Planned

## Poti Sea Port

- Poti Port has a potential to increase its cargo- handling capacity up to **25 million tons** of cargo per annum.

## Anaklia Deep Sea Port

- Capable of accommodating **Panamax size cargo vessels**
- **High capacity – up to 100 mln. tons turnover** annually

## Rail

- **Baku-Tbilisi-Kars new railroad line Modernization**
- **Tbilisi Railway Bypass**

## Road

- **East-west highway**
- **Rehabilitation of existing infrastructure**

## Tbilisi International Airport

- **2nd runway** to be constructed
- **International Cargo terminal**

## Kutaisi International Airport

- **Runaway extension**
- **Cargo Terminal**



# Energy Sustainability & Potential

## Diversified energy supply sources

- ✓ One of the top countries in the world by the water resources per capita
- ✓ Second in the Europe by the water reserves amount
- ✓ 300 rivers out of total 26,000 for electricity generation
- ✓ Currently, only 20% of hydro potential is utilized
- ✓ Hydro Potential for development - 40 TWh
- ✓ Well developed electricity transmission infrastructure
- ✓ Increasing demand on electricity in neighboring countries

## Net electricity exporter since 2008

### International Investors



Installed Capacity – 2,790 MW

Already Licensed  
3,528 MW

10 years perspective – 6,318 MW

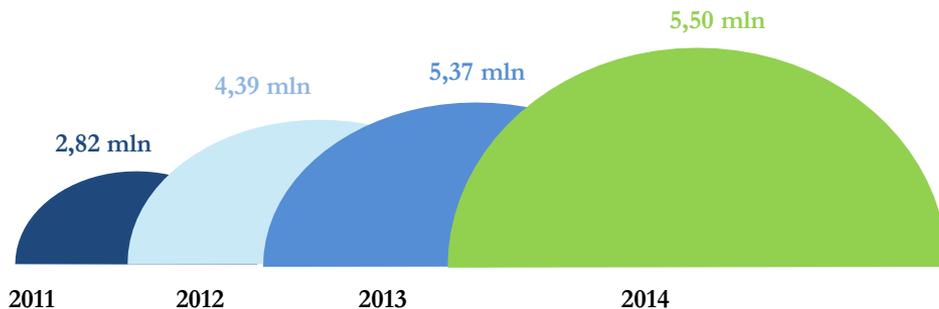
Up to USD 700 mln FDI per year

Up to USD 7 bln FDI in 10 years

# Tourism Growing



Growing International Arrivals - 95 % increase in number of tourists since 2011



The New York Times ranked Georgia 6-th among 52 best countries for the tourism destination

- ❖ 12 000 historical and cultural monuments
- ❖ 2400 spring of mineral waters

- ❖ 103 resorts and 182 resort areas;
- ❖ 84 protected areas
- ❖ UNESCO heritage cites

- ❖ Youth Olympics in 2015
- ❖ Tbilisi Silk Road Forum in 2015
- ❖ UEFA Super Cup in 2015



# Tourism Prospects



## SUN-BEACH" RESORTS

Expansion of summer "sun and beach" franchise focusing on high-end segment

New master resort development  
All inclusive summer resorts

Batumi, Anaklia, Kobuleti,  
Other Black Sea locations



## MEDICAL & SPA RESORTS

Development of Spa Resorts

Include hotels, Different types of Clinics, fitness, Outdoor activities

Tskaltubo, Akhtala, Borjomi,  
Abastumani, Other locations

## WINTER SKI RESORTS

Master development of winter resorts with unique profile equivalent to the Alps

Government is fully committed to provision of basic infrastructure

Main Locations: Mestia,  
Gudauri, Bakuriani, Goderdzi

## FOUR SEASON RESORTS

Majestic landscapes allowing for a wide range of summer tourism activities such as trekking, horse riding, bird watching and river racing

Mestia, Gudauri, Bakuriani,  
Goderdzi, Kazbegi and other locations

## GAMING INDUSTRY

Development of the Gaming Industry to Serve regional markets.

Gambling Industry is prohibited in neighboring countries.

Around 70% of international visitors are nationals of gambling prohibited countries.

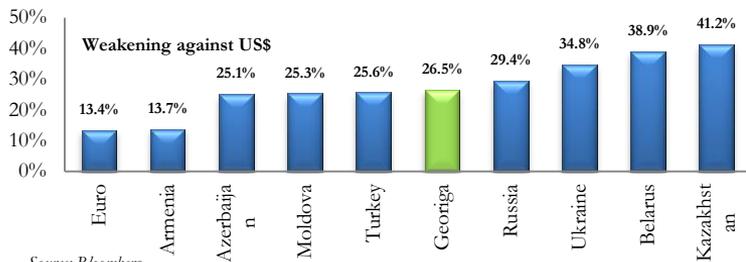
Include hotels, casino entertainment, family Services and shopping



# Georgia – Resilient Economy



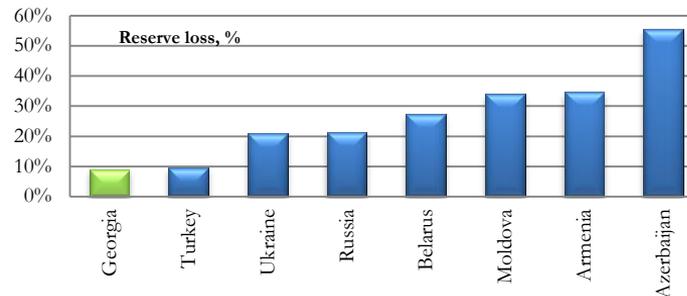
## Influence of global & domestic factors on regional currencies



Source: Bloomberg

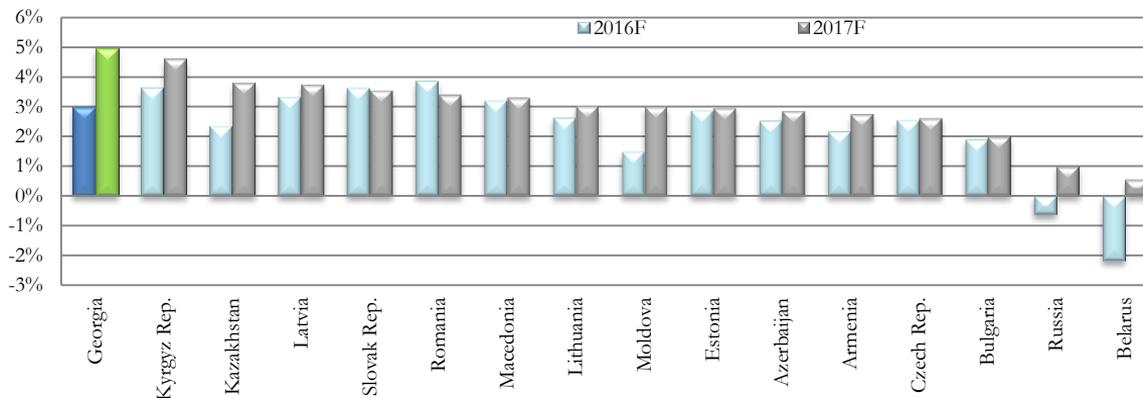
Note: US\$ per unit of national currency; 9 Nov 2014 - 9 Nov 2015

## Georgia used less reserves to support GEL compared to peers



Source: IMF

## Georgia: Strong GDP growth forecast by IMF



Source: IMF, WEO October 2015





## GoG's Guiding Principles

Support to development of free private sector driving economic growth  
*through*

- ✓ Transparent, efficient & optimal government
- ✓ Free market economy, based on fair competition, absolute respect for property rights and independent judiciary system
- ✓ Optimal model of smart regulations

## Some of the Important Reforms & Projects

### DCFTA Reforms

For effective realization of DCFTA reforms are ongoing and GoG is committed to follow DCFTA Reform Agenda

### Digital Forecasting

Transition from analogue to digital broadcasting in very short time. Licensing requirement for broadcasters was abolished

### Internetization

Internetization of rural regions of Georgia is ongoing

### Cadastre

- Inventorizaion process of state owned property
- Land registration throughout Georgia

For full inclusion of still inactive property in economic activities



# Large Scale Investment Projects



- ✓ Strategic location
- ✓ Capacity of accommodating Panamax type cargo vessels
- ✓ All round year transportation
- ✓ High capacity – up to 100 mln. tons turnover annually
- ✓ Up to **USD 1 bln** for first phase (out of 9) in Georgia



## Expansion of the South Caucasus Pipeline through Azerbaijan and Georgia

- ✓ Additional **USD 2 bln** FDI in Georgia
- ✓ 16 billion cubic meters of new natural gas to Europe and Turkey.



## Construction of civil airplanes composite parts' manufacturing plant

- ✓ Additional **USD 85 mln** FDI in Georgia
- ✓ Supply of Boeing, Airbus, Bombardier and others



## Construction HPP Nenskra

- ✓ Investors: K-Water, EBRD, ADB
- ✓ Additional **USD 1 bln** investment in Georgia
- ✓ Additional 280 MW installed capacity





*Thank you for your attention*

*Ministry of Economy and Sustainable Development  
of Georgia*