

# Georgian Economic Outlook



**Ministry of Economy and Sustainable Development  
of Georgia**

June 2016

# Stable Sovereign Ratings

## STANDARD & POOR'S

### Foreign Currency

Long Term: BB-  
Short Term: B

### Local Currency

Long Term: BB-  
Short Term: B

### Outlook: Stable

## **Fitch**Ratings

### Foreign Currency

Long Term: BB-  
Short Term: B

### Local Currency

Long Term: BB-  
Country Ceiling: BB

### Outlook: Stable

## **MOODY'S** INVESTORS SERVICE

### Foreign Currency

Long Term: Ba3  
Short Term: Not-Prime

### Local Currency

Long Term: Ba3  
Short Term: Not-Prime

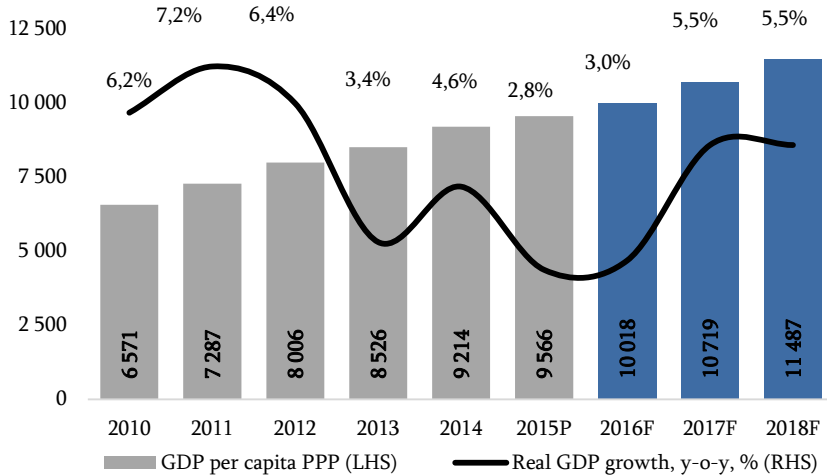
### Outlook: Stable

- ❖ Government's debt burden remains modest and fiscal performance under control;
- ❖ Prudent fiscal policy, sustainable debt level.
- ❖ Long Term Growth potential remains strong;
- ❖ Banking system well capitalized and liquid;
- ❖ Regional competitiveness.
- ❖ Georgia's business environment very favorable with rating peers (easy of doing business);

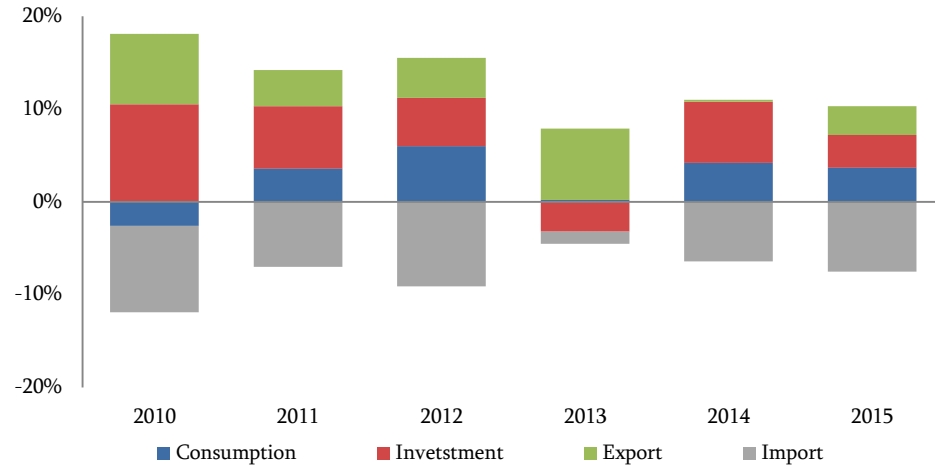


# Economic Growth

## GDP



## GDP Real Growth Decomposition

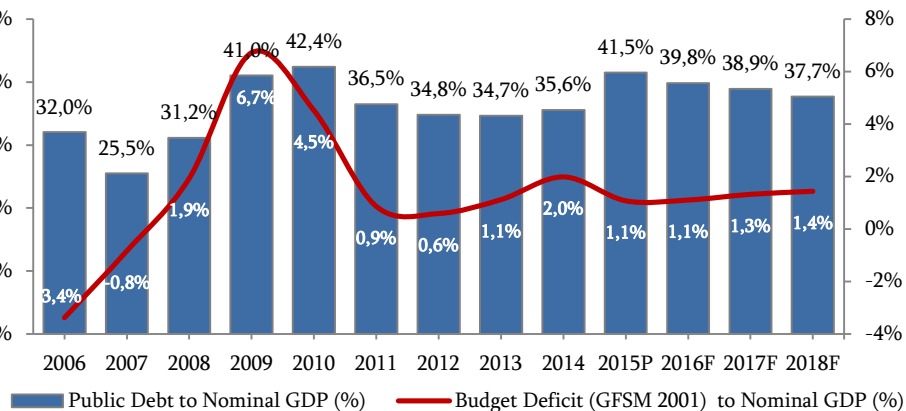


- 5.1% average growth rate from 2010
- Around 5% average growth rate expected over the next years
- GDP per capita has doubled during last decade

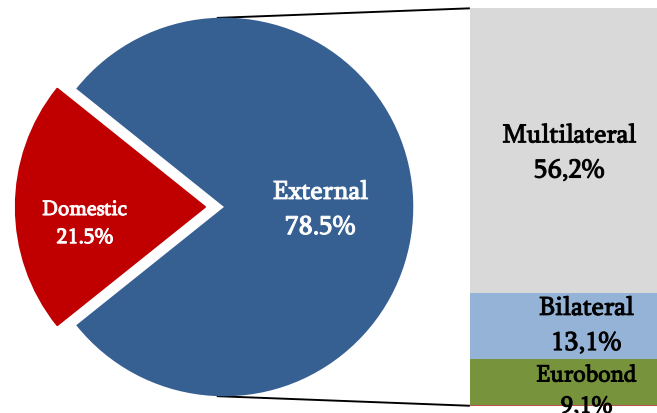


# Fiscal Performance and Public Debt Structure

## Fiscal Performance and Public Debt



## Affordable Public Debt Stock and Very Low Interest Rate on External Public Debt

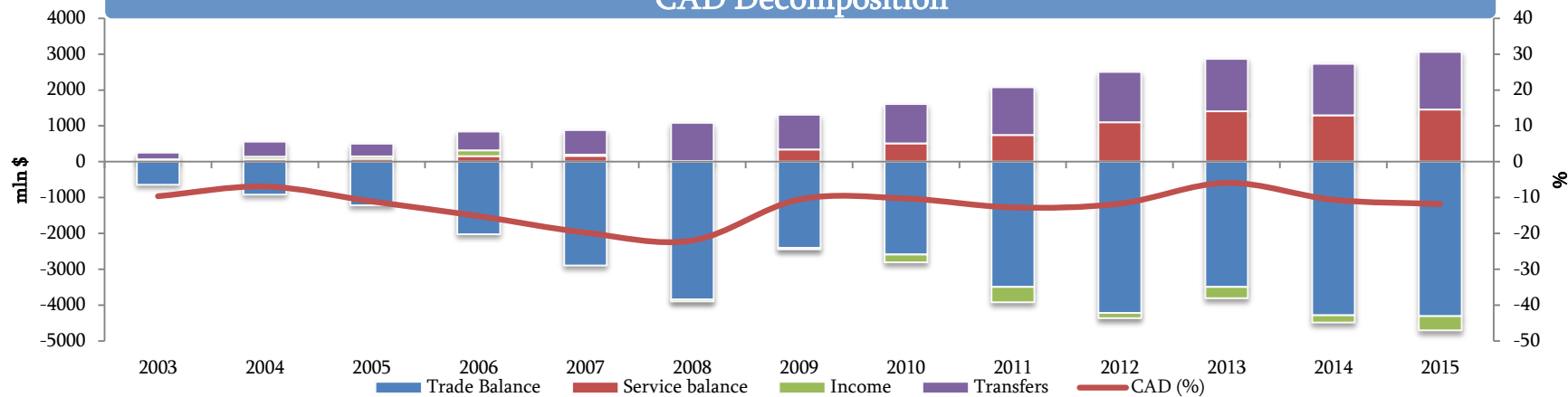


- Low Public Debt c.40% of GDP, well below peers
- External public debt enjoys low (1.94%) average annual interest rate including Eurobond, majority (70%) of loans have fixed interest rate
- Average contractual maturity of 22 years

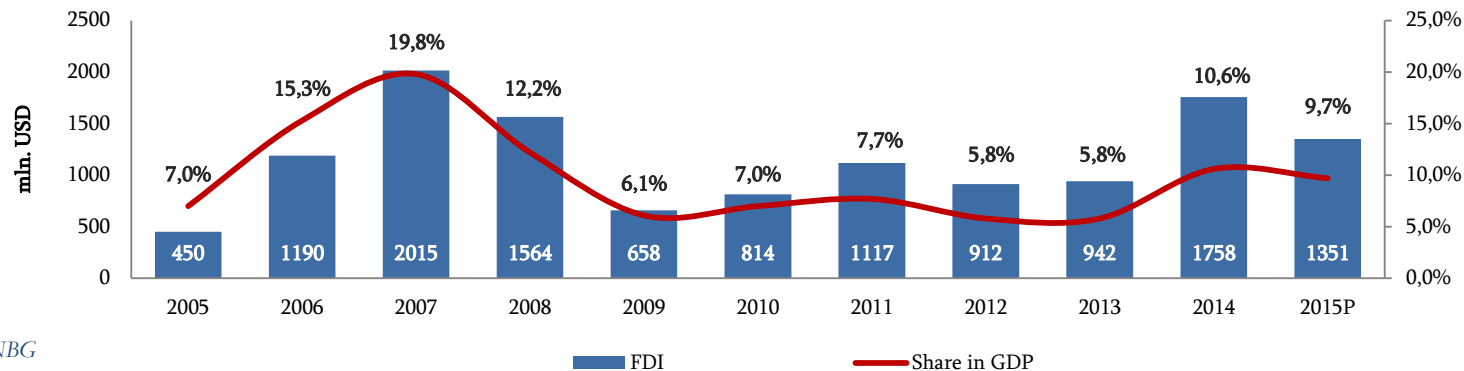


# External Sector

## CAD Decomposition



## Growing FDI Stock



# Duty Free Access to – 900 Million Market

## EU

Almost no custom duty - 80 percent of goods free from import tariffs

Access to 500 mln market

DCFTA

## CIS

Belarus, Azerbaijan, Armenia, Russia, Moldova, Kazakhstan, Tajikistan, Uzbekistan, Turkmenistan, Ukraine

FTA

US, Canada, Japan, Norway, Switzerland

GSP

Turkey

FTA



Finalized FTA with



On-going negotiations on FTA with



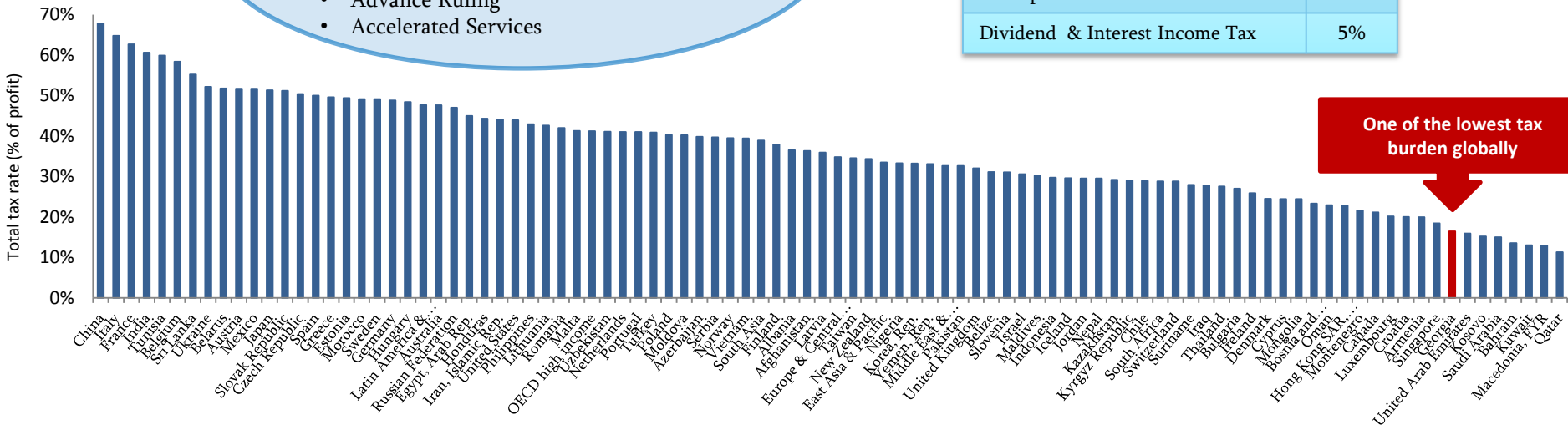
Most Favored Nation (MFN) since 2000



# Investment Friendly Tax Environment

## Streamlined Tax Administration

- Robust e-filing and e-payment systems
- Electronic VAT Invoices
- Risk Based Tax Audit
- Advance Ruling
- Accelerated Services



**ONLY 6 FLAT TAXES TODAY**

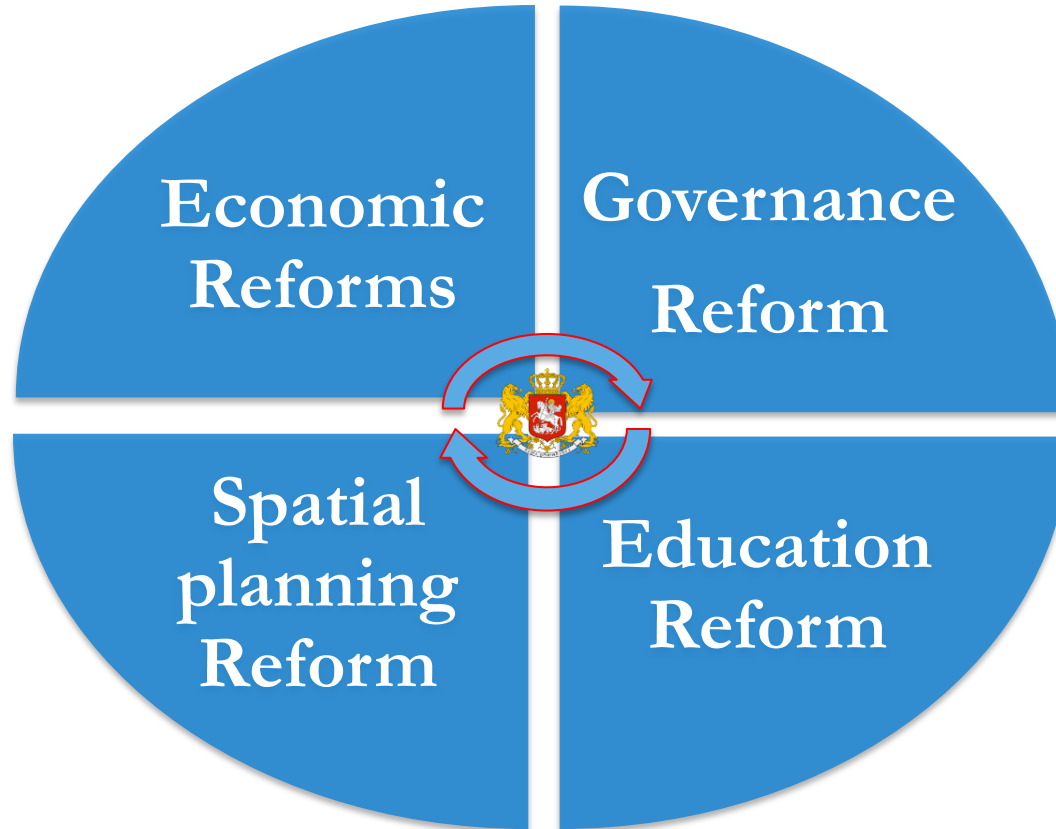
**NO**

Payroll Tax or social insurance Tax  
Capital gains Tax  
Wealth Tax

- Foreign source income of individuals **fully exempted**
- **No restrictions on currency convertibility** or repatriation of capital & profit
- **Dividend Tax 5%**
- **Double Taxation avoidance** treaties with **52 countries**
- More opportunities offered by special zones: **Free Industrial Zones, Free Tourism Zones**



# Compelling Reforms Agenda





# Economic Reforms

## ✓ Tax Reform

- Corporate income tax reform
- Enhancing easiness of tax compliance

## ✓ Pension Reform

- Introduction of private pension system

## ✓ Capital Market Reform

- Boosting stock exchange activities
- Development of local bond market

## ✓ Deposit Insurance

- Boosting private savings
- Enhancing trust to financial system

## ✓ Dedolarization Reform

- Attractiveness of GEL Lending
- Currency Exchange Vulnerability Decrease

## ✓ Accounting Reform

- Increased transparency and financial accountability
- Enhanced protection of shareholder rights

## ✓ PPP reform

- Introduction of transparent and efficient PPP framework

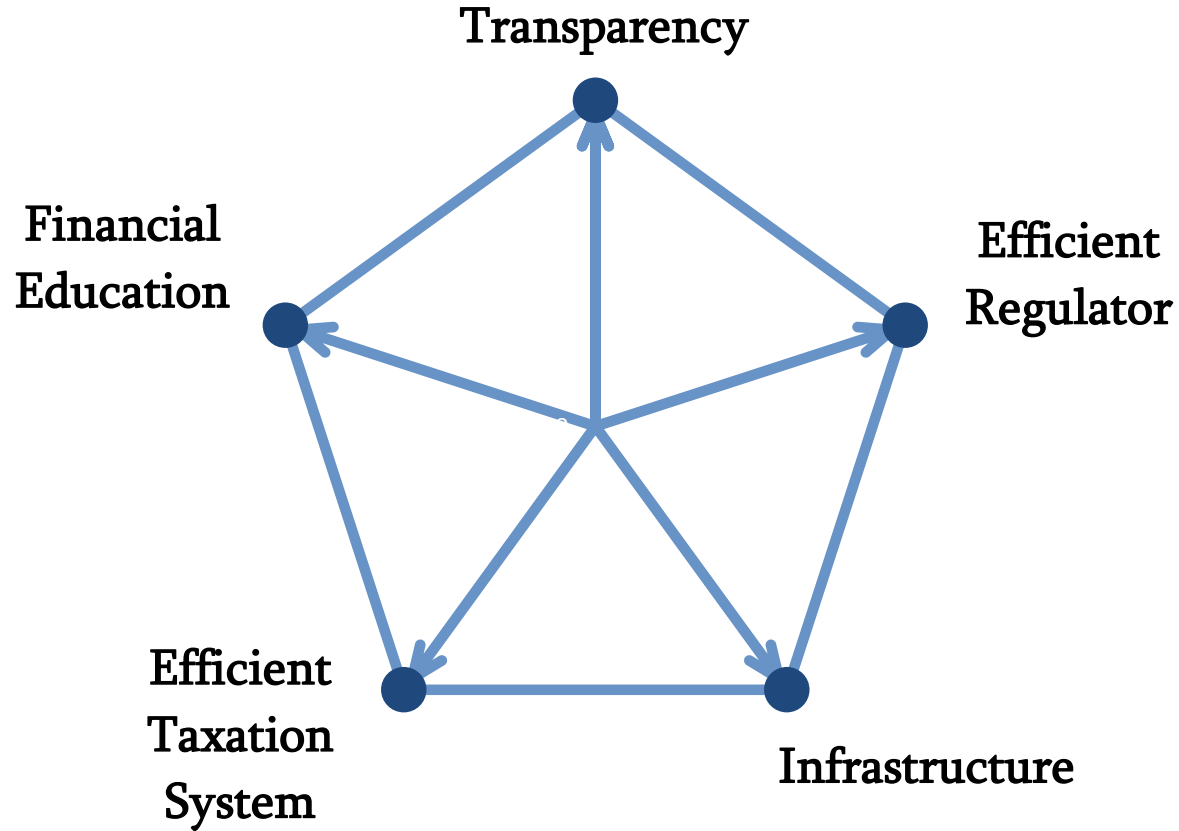
## ✓ Open Governance Reform

## ✓ Public Investment Management Framework

- Improved efficiency of state projects



# Capital Market



## - **Transparency**

- Ensure Standardized disclosure;
- Ensure transparency in Financial Sector interlinkages;
- Incentives for improved Corporate Governance and Strengthening disclosure rules;
- Integration of Transparency Ensuring Mechanism to Reduce Information Asymmetry and Information Costs;
- Government Assistance for businesses to comply with Corporate governance Standards;
- Encourage and Support the entry of Rating Agencies;
- Efficient oversight and checks and balances



## - **Efficient Regulator**

- Ensuring Independence;
- Harmonization with EU directives;
- Conduct IOSCO self-assessment principles;

## - **Infrastructure**

- Modernization of Infrastructure;
- Ensuring Business Continuity;
- Cost Efficient Methods of Infrastructure Development;
- Encourage Entry of Global Settlement Service Providers (Clearstream, Euroclear)



## - **Efficient Taxation System**

- lower barriers for cross-border financial flows;
- Straightforward Taxation System;
- Ensure that Investors have minimal tax compliance burden;
- Ensure Level Playing field between investment instruments.

## - **Financial Education**

- Common Responsibility Framework;
- Conducting Information Campaign Based on best International Practices;
- Support Potential Issuers in Compliance with transparency standards;
- Specific Projects for Small and Individual Investor Financial Education.



## Capital Market Development Support Actions

- Government Debt Management Strategy Government Bond Market;
- External Audit Profession Quality;
- Improvement of Legal Base (Legislation on investment Fund, Securities, derivatives etc.;
- De-dollarization Programs;
- Pension Reform;
- Development of Institutional Investor Sector;
- Increase Gov't presence on the Market;
- Etc.



**Thank you for your attention**

**Ministry of Economy and Sustainable Development  
of Georgia**