



**GALT & TAGGART**  
CREATING OPPORTUNITIES

## Georgian Economy: Post-Covid Opportunities

4 June 2020



# Content

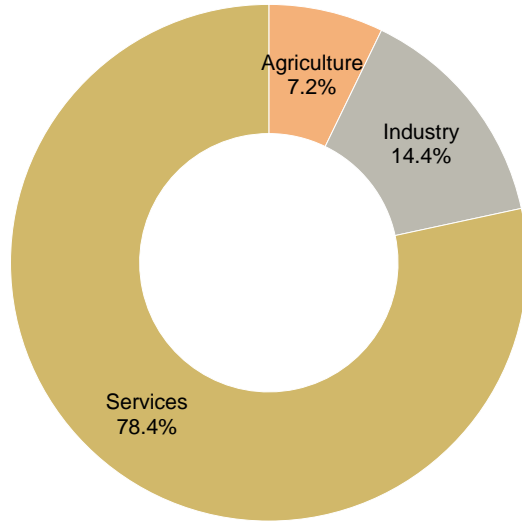
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- 1 Existing economic structure and impact of Covid 19
- 2 Sectors where Georgia has production capacity
- 3 Road map to attract FDI



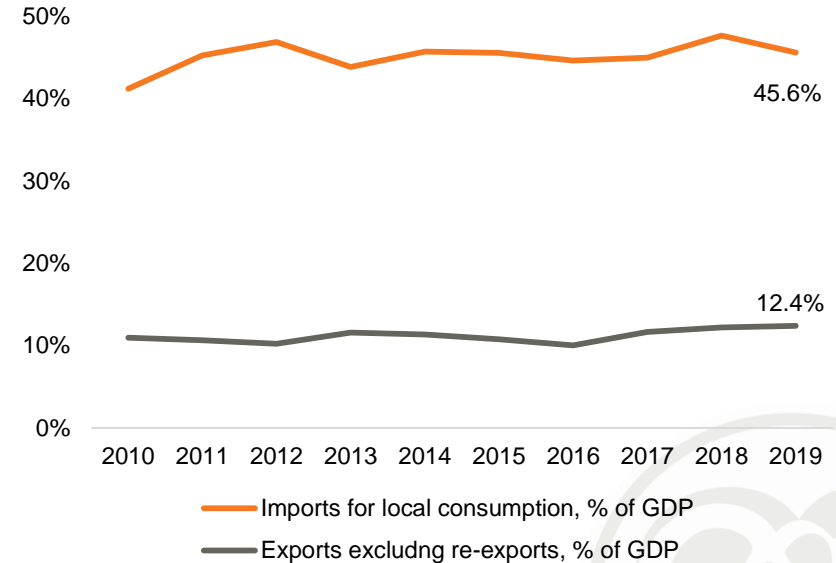
80% of the economy is generated by services.  
Economic activity is import-intensive and export base is very low

GDP by sector, 2019



The economy is heavily dependent on the growth of the services sectors, and the goods export base is low

Exports excl. re-exports and imports for local use



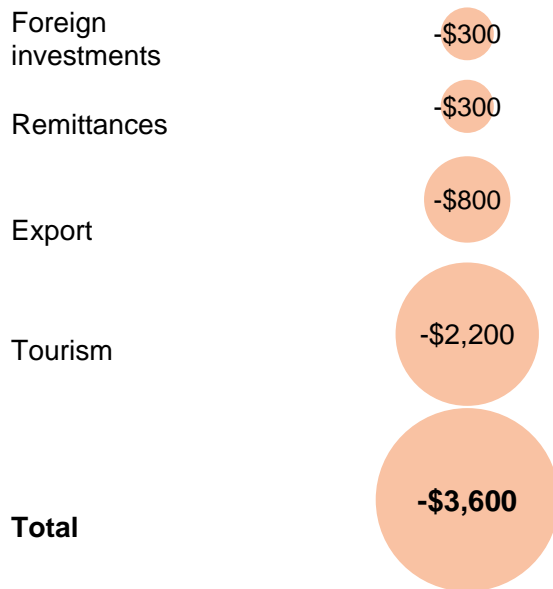
Source: Geostat

Source: Geostat, Galt & Taggart



# COVID – 19: Significant shock for Tourism sector

## Expected Loss in 2020 vs. 2019, US\$ mn



Source: Galt & Taggart

## How to compensate these losses?



**\$2.1bn** reduction in goods imports



**\$0.4bn** Georgians stop traveling abroad



**\$0.3bn** NBG interventions



Minimum **\$1.0bn** external borrowing



# Expected impact of COVID-19 on different sectors of Georgian economy

## Immediate negative effect

Hotels  
Restaurants  
Shopping centers  
Entertainment  
Transport

## Delayed negative effect

Financial sector  
Construction  
Real estate  
Trade  
Manufacturing  
Education

## Neutral/positive effect

Healthcare  
Pharmacy  
E-commerce  
Agriculture  
Communications  
Local tourism



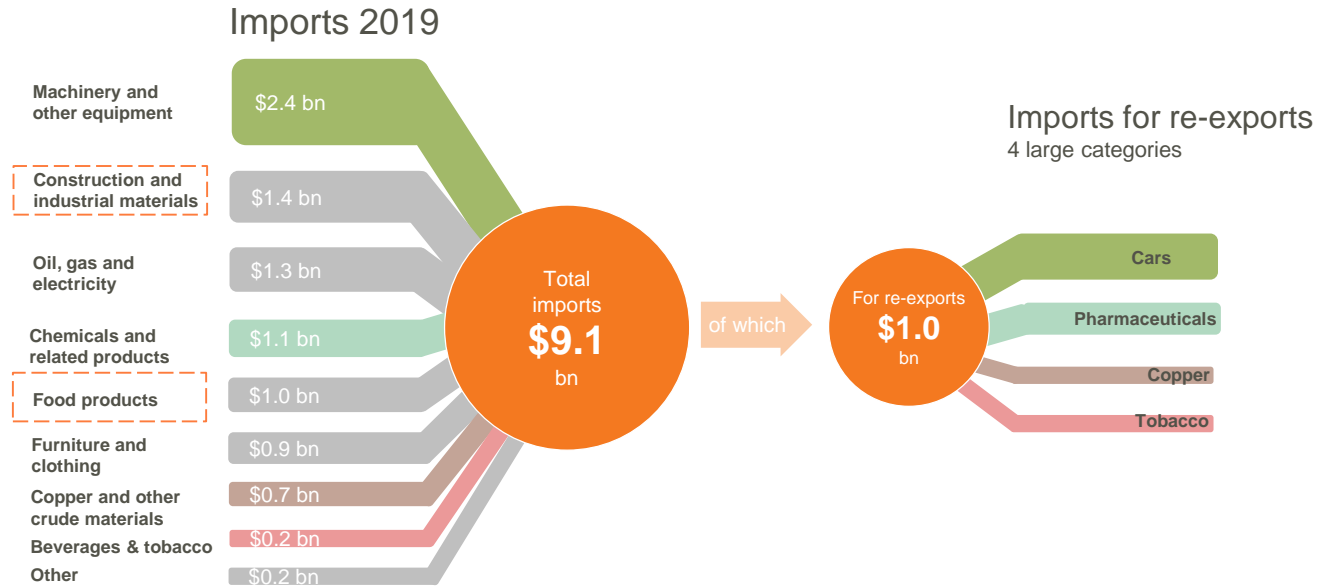
# Current crisis presenting new possibilities?

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**Continue with existing economic growth model**  
**or**  
**Enhance production capacity and diversify further?**



# We see production capacity in construction materials and food products from import/local demand trends



Source: Geostat, Galt & Taggart

- Georgia continues to export raw materials and import ready made products
- We estimate that **\$450mn worth of construction materials can be produced locally**, which currently meets only 25% of total demand
- We estimate that **additional \$410mn worth of food products can be produced locally**, through enhanced primary production and food processing



# Georgia has competitive advantages to attract FDI from different sectors

## Competitive advantages of Georgia

- Access to 2.3bn markets without customs duty
- Low taxes
- Low energy and labor costs
- Low corruption level
- Favorable business environment
- Free industrial zones
- Strategic location



Considering global value chain relocation & competitive advantages of Georgia, we have identified the following sectors to be targeted for FDI:



Textile, apparel and leather manufacturing



Manufacturing of automobiles & auto parts



Production of pharmaceuticals and other chemical products



Manufacturing of home electronics (white and brown goods)



Transport and logistics



Business process outsourcing





# Road Map to target FDI

## Road Map

Identify international success stories

Identify industries where Georgia has potential to attract FDI

Identify list of target international companies

Prepare sector focused investment proposals

Set ambitious and targeted communication strategy



# Thank you

See more at [www.gt.ge](http://www.gt.ge)

