



Georgian macro overview

Forward looking statements

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1. Response to COVID-19 outbreak

2. Georgian macro overview

Georgia has managed to effectively deal with the COVID-19

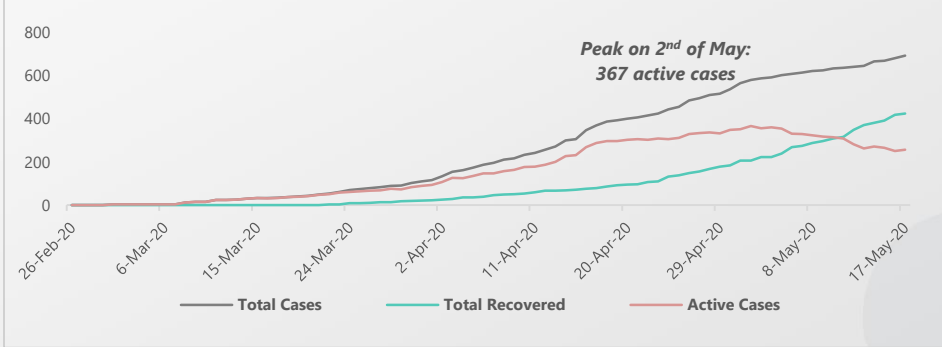
Lowest number of confirmed cases and deaths per capita in the region



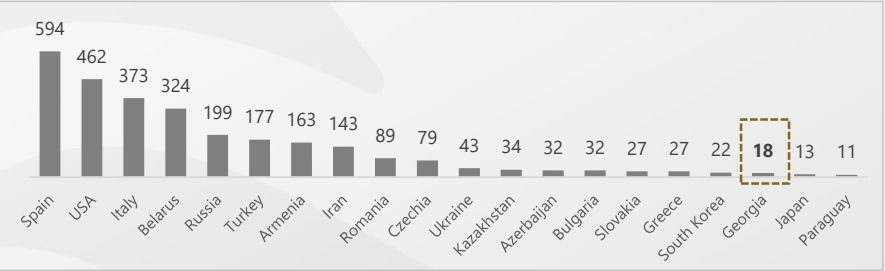
Georgia: COVID-19 response

- Border checks began on 27 February and schools switched to distance learning from 29 February
- Travel restrictions for neighbouring countries were imposed on 5 March, followed by mandatory self-isolation/quarantine since 9 March
- All borders were closed on 18 March and state of emergency was declared on 21 March, which is now in place until 22 May 2020
- Intracity movement was banned by the end of March
- All economic activity was halted, with only a fraction resuming operation after special licenses
- Gradual relaxing of measures (including total ban on cars) announced from 27 April, with a six stage exit plan underway

COVID-19 cases: dynamics in Georgia



COVID-19 cases per 100,000 persons



COVID-19 deaths since the first death case



Total cases	Active cases	Quarantined	Hospitalized
701	257	3,787	337

COVID-19 update | Government measures

US\$ 3 billion funding facility

- US\$ 3b (predominantly loans) from international donors (incl. US\$ 450m from IMF):
 - US\$1.5b intended for the private sector
 - US\$1.5b for the public sector

Monetary policy

- Easing non-price credit conditions (LTV, PTI, etc.);
- Intervening in the FX auctions (US\$ 120m in March-April);
- Monetary policy rate reduced to 8.5% and gradual exit from strict monetary policy announced (April 2020);
- Introducing US\$ 400m currency swap facility for the financial sector to provide GEL liquidity;
- Reduced capital conservation buffer (2.5% of Risk Weighted Assets) and 2/3 of currency induced credit risk buffer total of GEL 1.6b.

Government Economic Plan

- Special support package for the tourism and agriculture sectors, to be followed by construction and education;
 - Tourism: Loan co-financing, income tax deferral and property tax exemption in 2020;
 - Agriculture: Subsidies for intermediate products, fuels and irrigation; loan and insurance co-financing; direct grants to farmers;
 - All farmers should register lands till 2021, as aid package is directly tied to proof of ownership;
- Subsidies for utility bills, basic product prices and construction materials;
- Loan restructuring for all businesses;
- VAT returns and long term funds for banks;
- Extra funding to support business, including a credit guarantee scheme (GEL 2b);
- Tax deferrals for car importers;
- Social aid programs to address job losses;
- Pension indexation from Jan- 21.

Total budget – GEL 3.5 billion

- **Social aid**  **GEL 1.03b**
- **Economic support and business aid**  **GEL 2.1b**
- **Anti-pandemic measures**  **GEL 0.35b**

Six stage lockdown exit strategy

- Six stage exit strategy, beginning from 27 April, already brought forward partially to 11 May, as all types of industry permitted to resume operation;

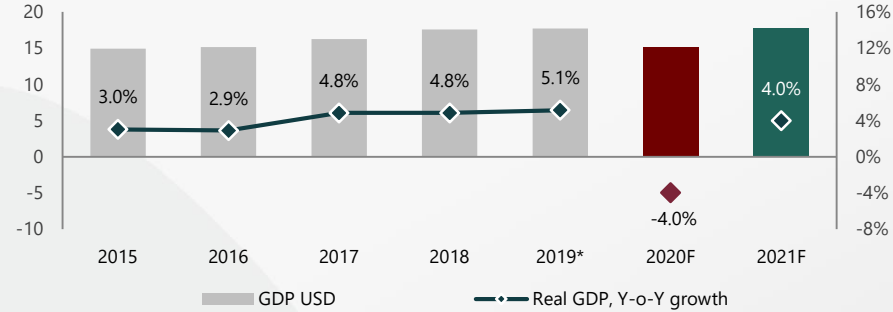
Local tourism to resume from 15 June, while external borders will be opened from 1 July

Macro developments in 1Q20

Gross domestic product

Source: Geostat, IMF

US\$ billions



Real GDP grew by 1.5% in 1Q20, according to rapid estimates. IMF forecasts that real GDP will contract by 4% in 2020, rebounding to 4% in 2021.



Inflation at 6.4% on average in Jan-Apr. IMF forecasts the ave. inflation at 4.7% in 2020.



NBG decreased the monetary policy rate by 50 basis points to 8.5% end of April.



Tourism revenues fell 26% in 1Q20 and 70% in March, as international travel is halted.



Official reserve assets totaled \$3.4 billion by the end of March.



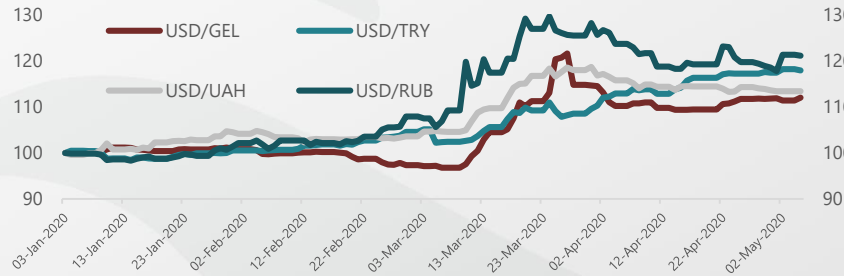
GEL depreciated in March and stabilised around USD/GEL 3.2 from beginning of April.



The fiscal deficit and public debt are expected to rise to around 8.5% and 60% in 2020 respectively, according to IMF.

Exchange rate indices (1 January=100)

Source: NBG






1. Response to COVID-19 outbreak

2. **Georgian macro overview**

Sovereign ratings with favourable macro fundamentals

Key Ratings Highlights

Rating Agency	Rating	Outlook	Affirmed
	Ba2	Stable	September 2019
	BB	Stable	October 2019
	BB	Negative	April 2020

Georgia is favorably placed among peers

Country	Country Rating	Fitch Rating Outlook
Armenia	BB-	Negative
Azerbaijan	BB+	Negative
Belarus	B	Stable
Czech Republic	AA-	Stable
Georgia	BB	Negative
Kazakhstan	BBB	Stable
Turkey	BB-	Stable
Ukraine	B	Stable

General Facts



Economy

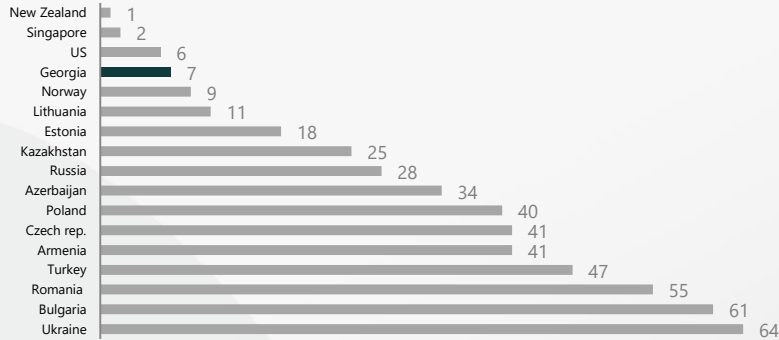
- Nominal GDP (Geostat) 2019: GEL 50 billion (US\$17.7 billion)
- Real GDP growth rate 2019: 5.1%
- Real GDP 2010-2019 annual average growth rate: 4.8%
- GDP per capita 2019 (PPP, international dollar) IMF: 12,227
- Annual inflation 2019: 4.9%
- External public debt to GDP 2019: 32.4%

Georgia's key economic drivers

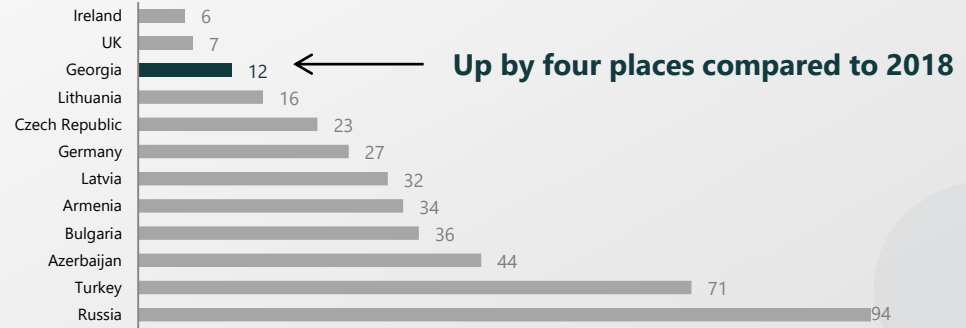
Liberal economic policy	<p>Top performer globally in WB Doing Business over the past 12 years</p> <ul style="list-style-type: none"> Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%; Business friendly environment and low tax regime (attested by favourable international rankings);
Regional logistics and tourism hub	<p>A natural transport and logistics hub, connecting land-locked energy rich countries in the east and European markets in the west</p> <ul style="list-style-type: none"> Access to a market of 2.8 billion customers without customs duties: Free trade agreements with EU, China, Hong Kong, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Israel and India under consideration. Tourism inflows stood at US\$ 3.3 billion in 2019 and international travelers reached 9.4 million in 2019 (up 7.8% y-o-y), out of which tourist arrivals were up 6.8% y-o-y to 5.1 million. Regional energy transit corridor accounting for 1.6% of the world's oil and gas transit volumes.
Strong FDI	<p>An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth</p> <ul style="list-style-type: none"> FDI stood at US\$ 1.3 billion (7.2% of GDP) in 2019. FDI averaged 8.5% of GDP in 2010-2019.
Support from international community	<p>Georgia and the EU signed an Association Agreement and DCFTA in June 2014</p> <ul style="list-style-type: none"> Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free visa entrance to the EU countries from 28 March 2017. Discussions commenced with the USA to drive inward investments and exports. Strong political support from NATO, EU, US, UN and member of WTO since 2000; Substantial support from DFIs, the US and EU.
Electricity transit hub potential	<p>Developed, stable and competitively priced energy sector</p> <ul style="list-style-type: none"> Only 20% of hydropower capacity utilized; 155 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development. Georgia imports natural gas mainly from Azerbaijan. Significantly boosted transmission capacity in recent years, a new 400 kV line to Turkey and 500 kV line to Azerbaijan built, other transmission lines to Armenia and Russia upgraded. Additional 2,000 MW transmission capacity development in the pipeline, facilitating cross-border electricity trade and energy swaps to Eastern Europe.
Political environment stabilised	<ul style="list-style-type: none"> Georgia underscored its commitment to European values by securing a democratic transfer of political power in successive parliamentary, presidential, and local elections and by signing an Association Agreement and free trade agreement with the EU. New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency. Continued economic relationship with Russia, although economic dependence is relatively low. Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians – Russia announced the easing of visa procedures for Georgians citizens effective December 23, 2015. Direct flights between the two countries resumed in January 2010. However, they have been banned again since July 2019 following the decision from Russia. Member of WTO since 2000, allowed Russia's access to WTO; In 2013 trade restored with Russia. In 2019, Russia accounted for 13.2% of Georgia's exports and 10.8% of imports.

Institutional oriented reforms

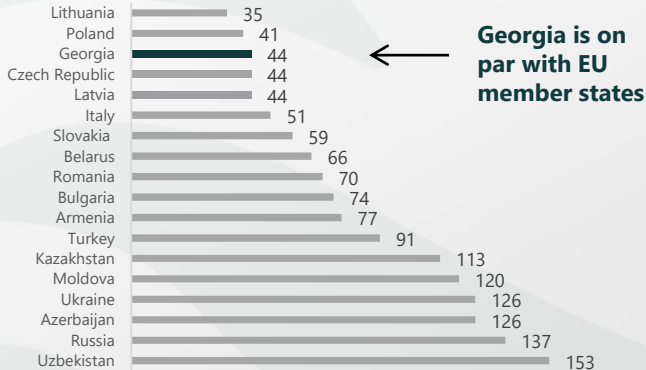
Ease of Doing Business | 2020 (WB Doing Business Report)



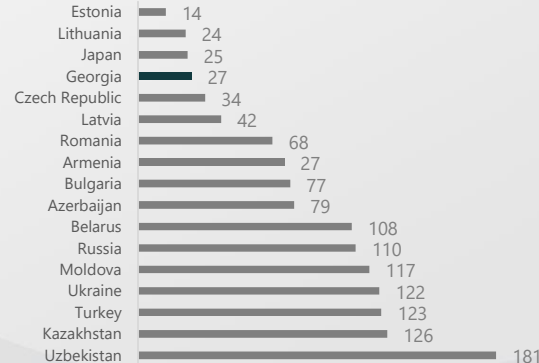
Economic Freedom Index | 2020 (Heritage Foundation)



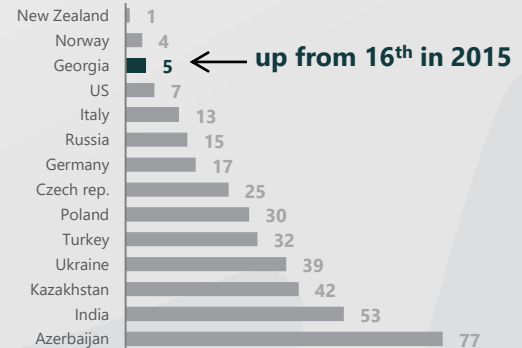
Corruption Perception Index | TI 2019



Business Bribery Risk, 2019 | Trace International



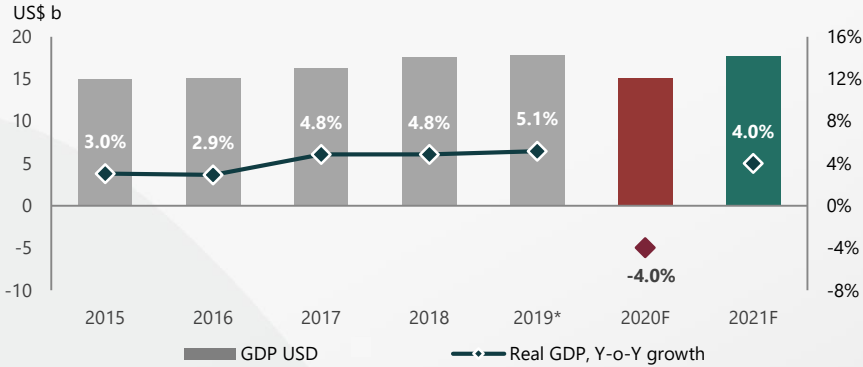
Open Budget Index, 2017 | International Budget Partnership



COVID-19 impact – IMF forecasts

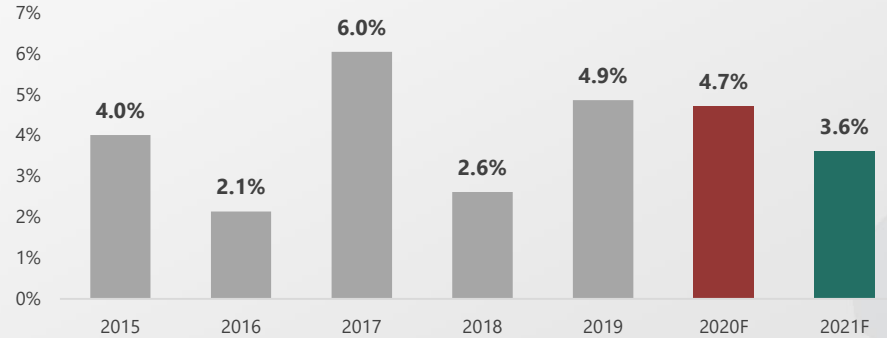
Gross Domestic Product

Source: IMF



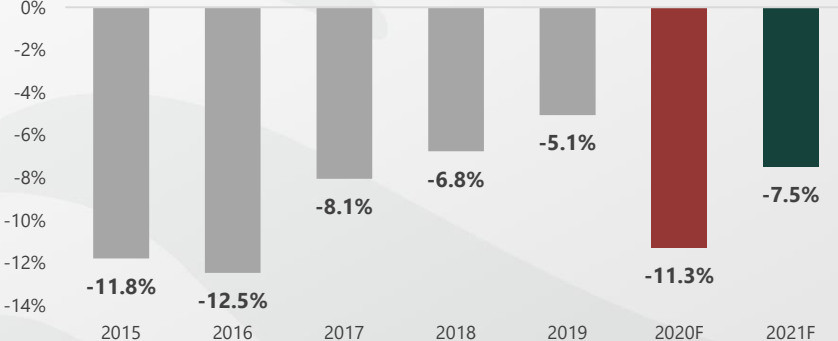
Consumer Price Inflation

Source: IMF



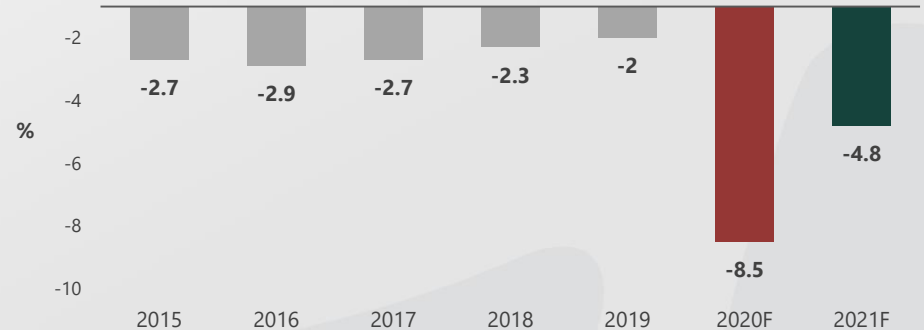
Current Account Balance

Source: IMF



Fiscal Deficit (GFSM 1986, IMF Modified)

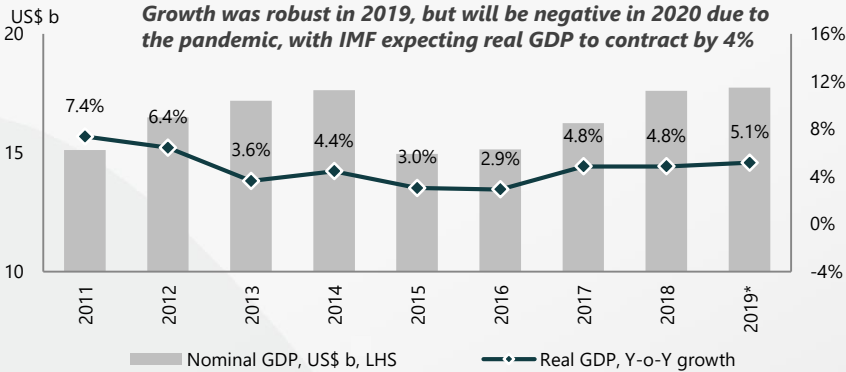
Source: IMF



Diversified resilient economy

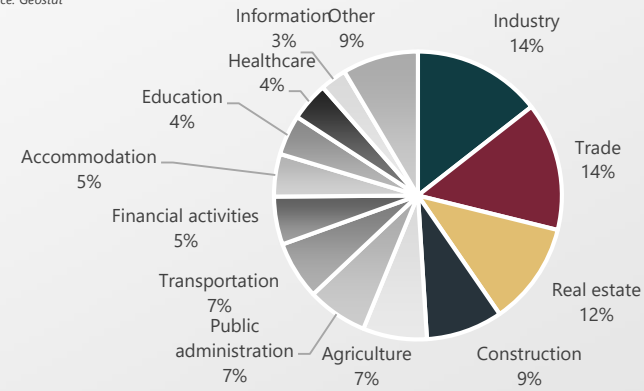
Gross domestic product

Source: Geostat



Diversified nominal GDP structure, 2019

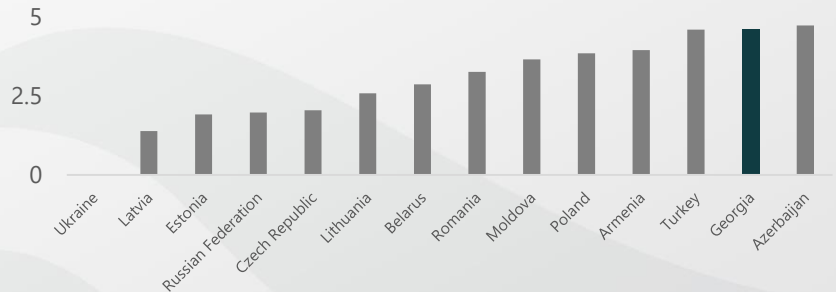
Source: Geostat



One of the Fastest Developing Economies in the Region

Source: IMF

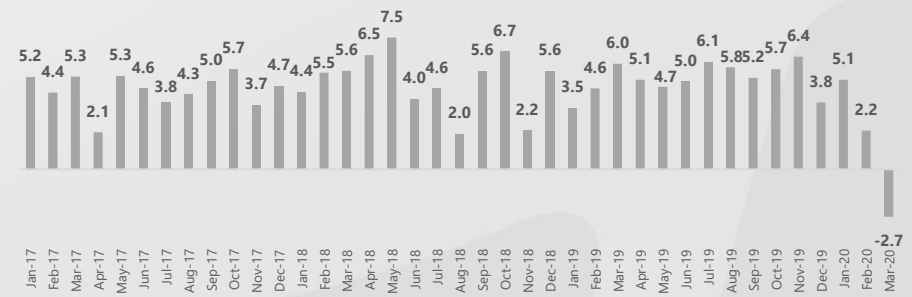
Comparative real GDP growth rates, % (2007-2019 average)



Monthly Economic Activity Estimate, y-o-y growth

Source: Geostat

Economic activity increased by 1.5% in 1Q20

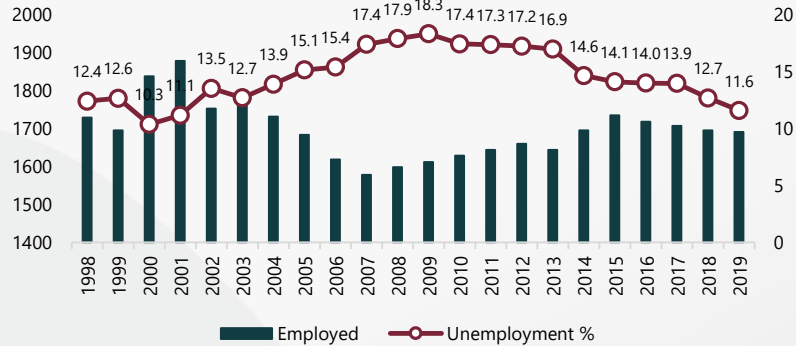


¹ preliminary data

Room for further job creation

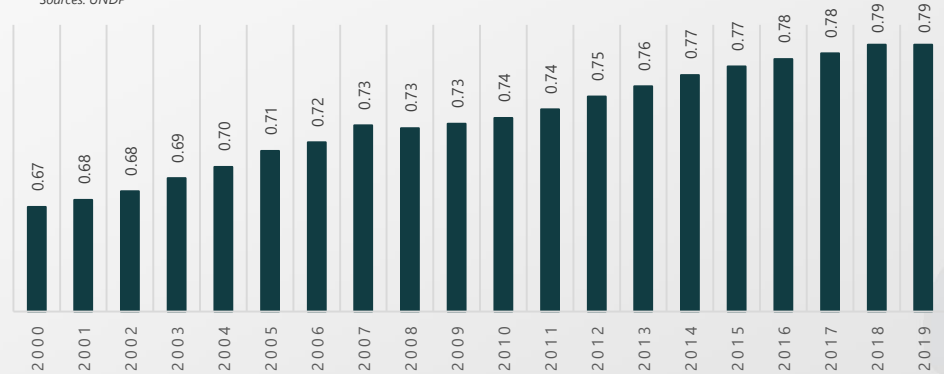
Unemployment rate down 1.1 ppts y-o-y to 11.6% in 2019

Sources: GeoStat



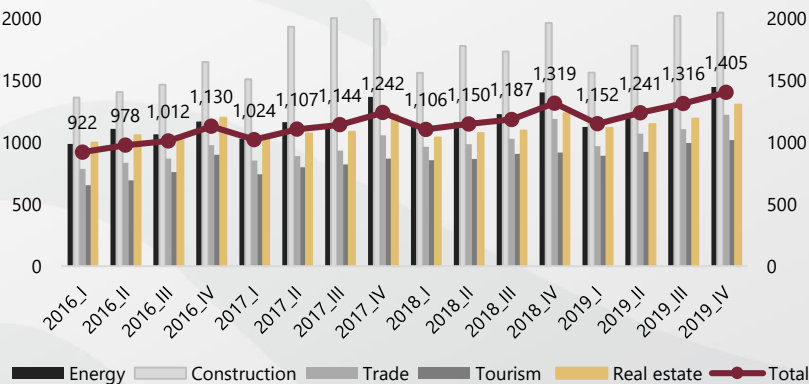
UNDP Human Development Index

Sources: UNDP



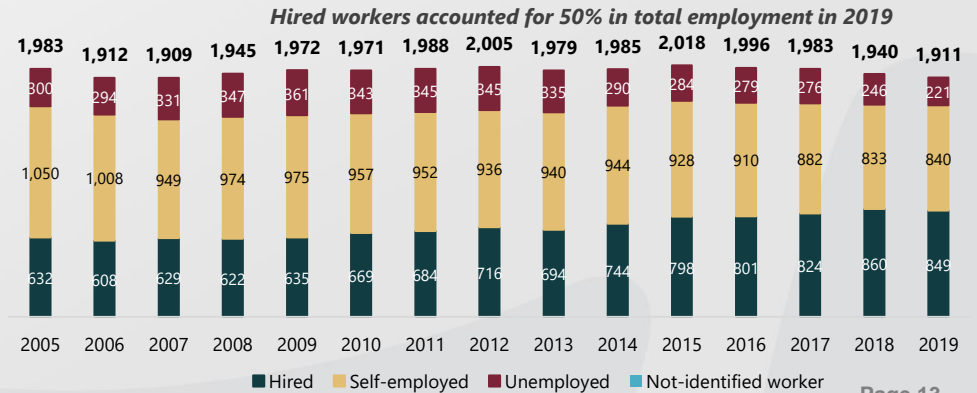
Average monthly nominal earnings in business sector

Sources: GeoStat



Labor force decomposition

Sources: GeoStat

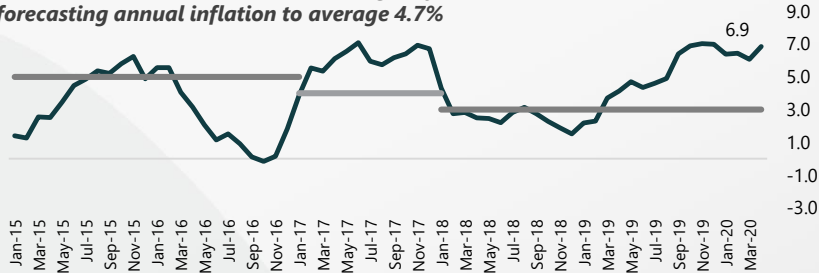


Inflation targeting since 2009

Inflation y-o-y vs. inflation target

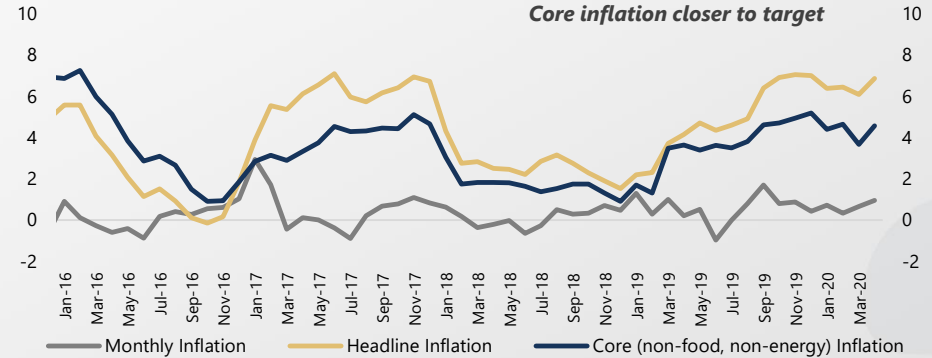
Sources: NBG, GeoStat

As demand and supply shocks stemming from the pandemic move inflation in different directions, we expect the demand side to prevail with time and inflation to decelerate towards the target by the end of 2020, with IMF forecasting annual inflation to average 4.7%



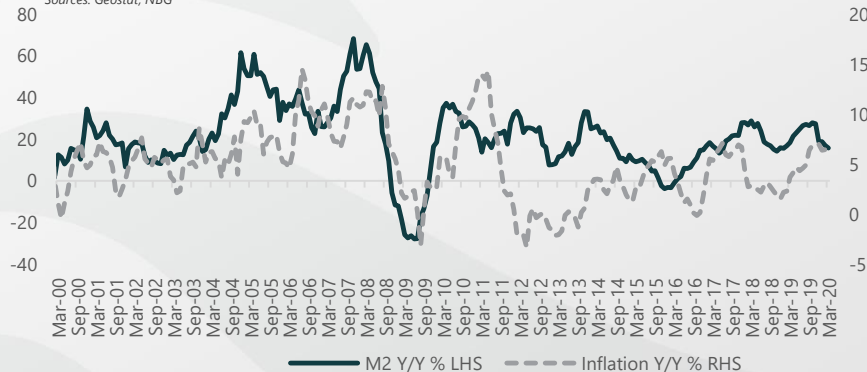
Inflation y-o-y

Source: GeoStat



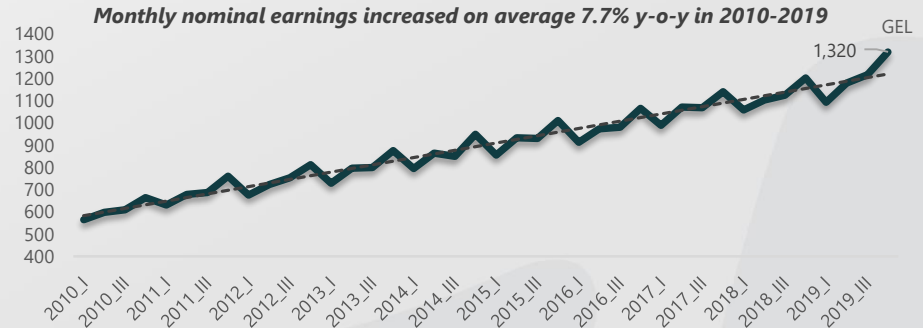
M2 vs. inflation, y-o-y, %

Sources: Geostat, NBG



Average monthly nominal earnings

Source: Geostat

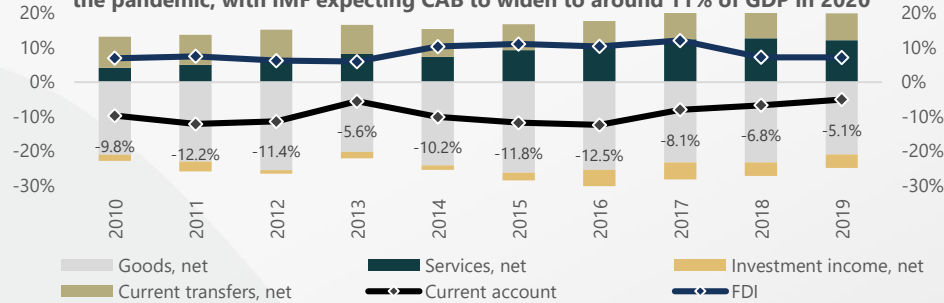


Current account deficit down to historic lows

Current account balance (% of nominal GDP)

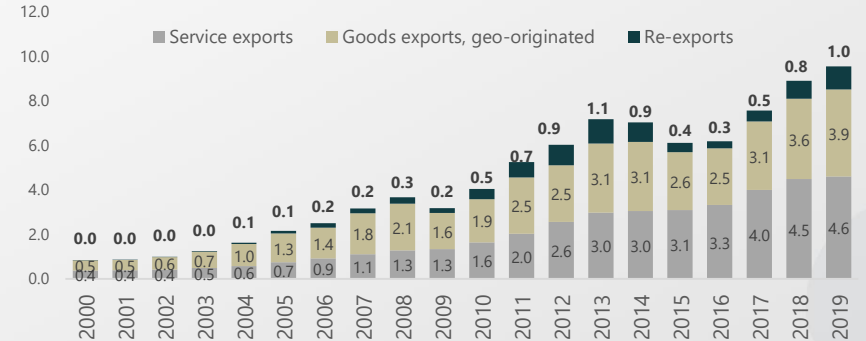
Sources: NBG

Double digit shrinking in the trade deficit helped current account balance (CAB) to improve to a historic low of 5.1% in 2019, providing a strong position to withstand the pandemic, with IMF expecting CAB to widen to around 11% of GDP in 2020



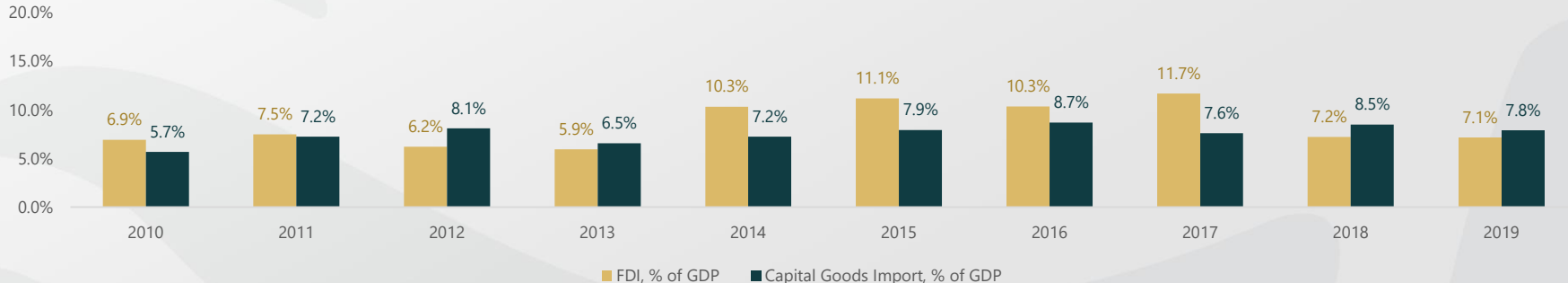
Exports and Re-exports, US\$ billion

Source: NBG



FDI and capital goods import

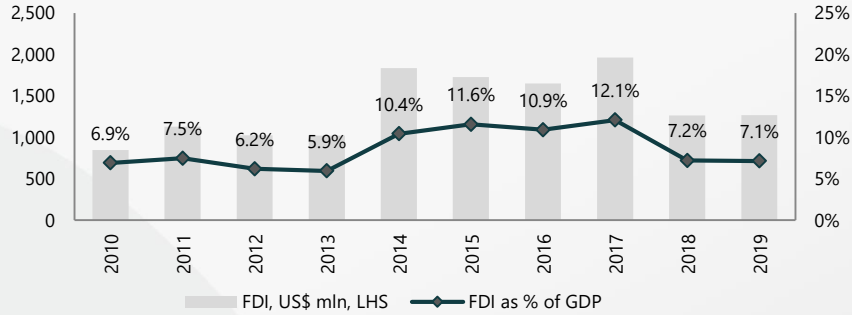
Source: GeoStat



Diversified sources of capital

Strong foreign investor interest

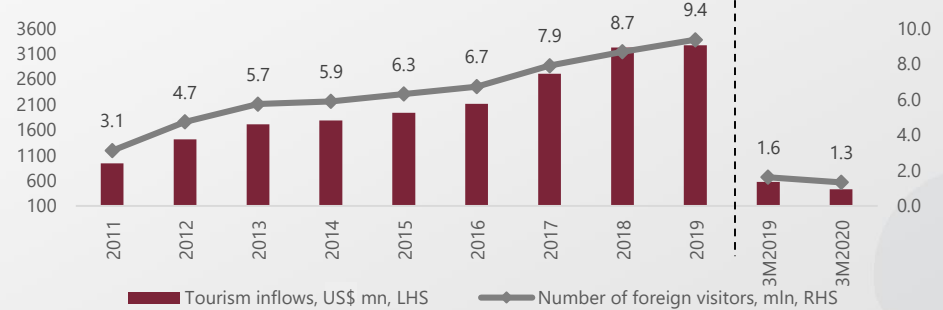
Sources: GeoStat



Visitors and tourism revenues

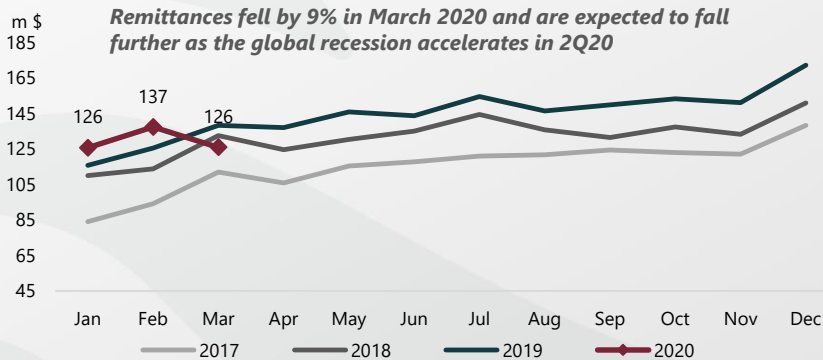
Sources: GNTA, NBG

Tourism revenues fell by 70% in March, while 1Q20 was down by 26%



Remittances

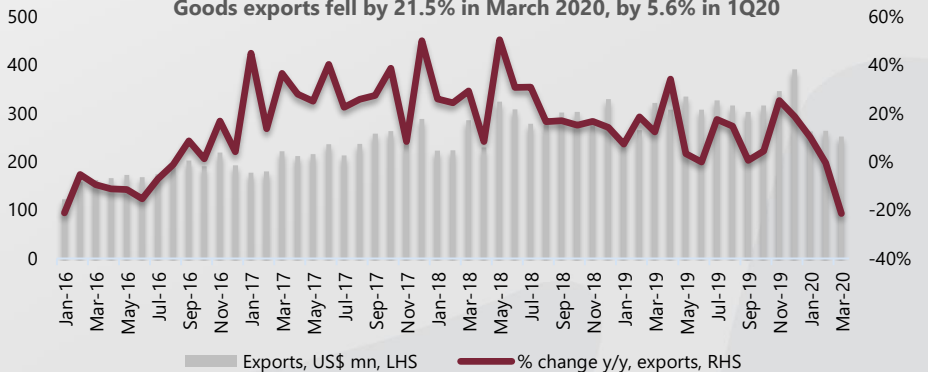
Source: NBG



Merchandise exports

Source: Geostat

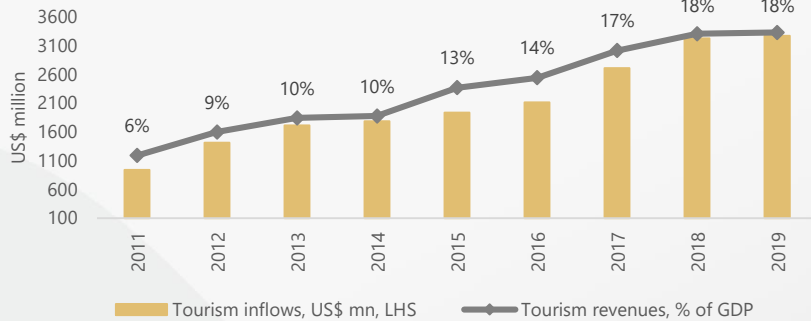
Goods exports fell by 21.5% in March 2020, by 5.6% in 1Q20



Tourism sector

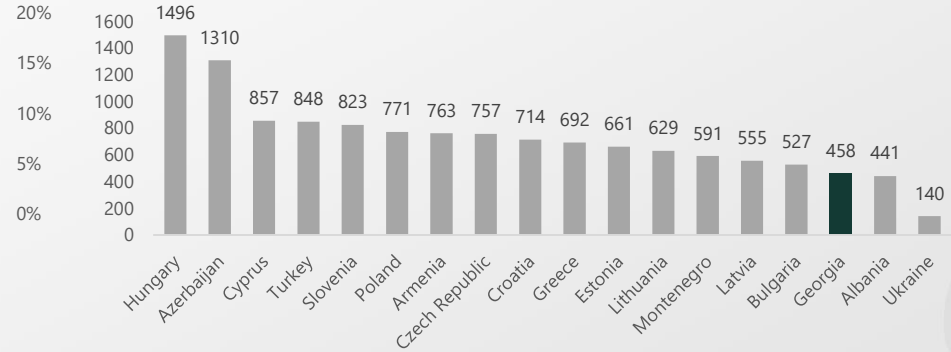
Tourism revenues to GDP

Sources: NBG, Geostat



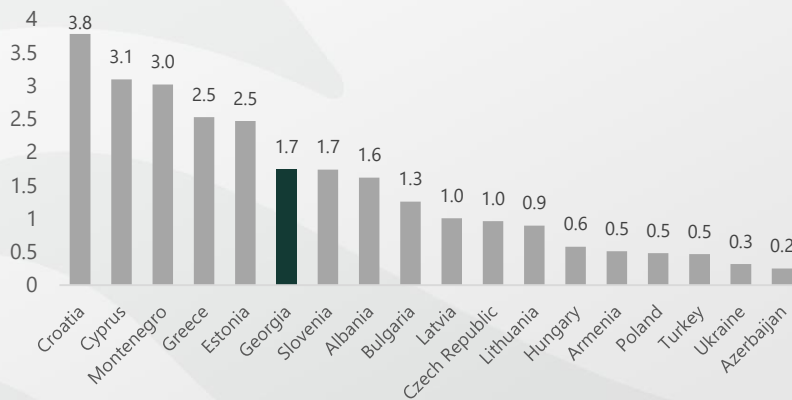
Spending per arrival, 2017

Source: WDI



Arrivals to country's population, 2017

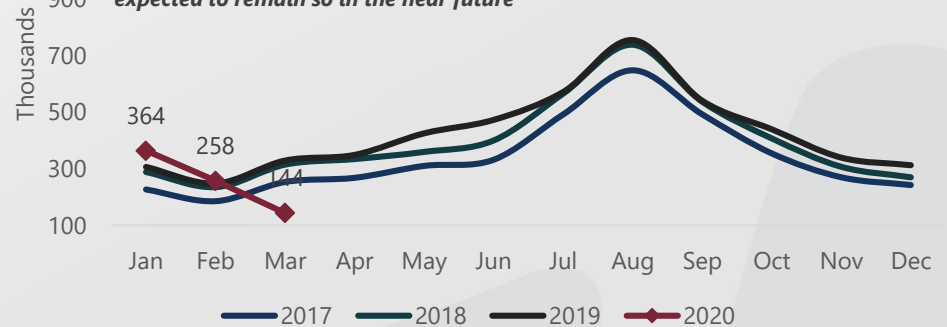
Source: WDI



Number of Tourists (overnight visitors)

Source: GNTA

In March 2020, the number of tourists fell 2.2 times y-o-y, with borders closed and expected to remain so in the near future

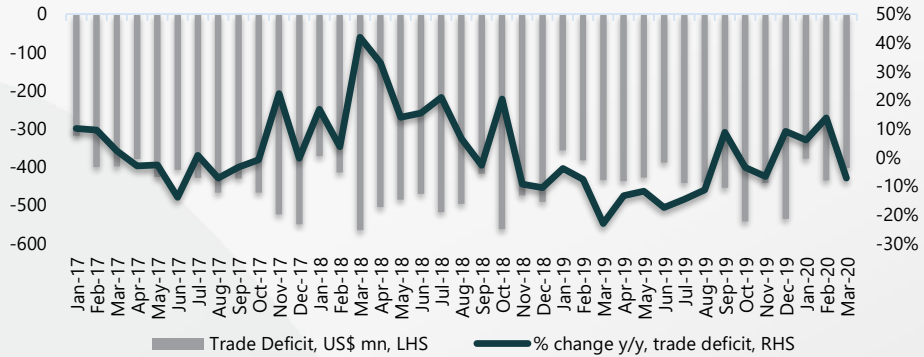


Diversified foreign trade

Goods' Trade Deficit

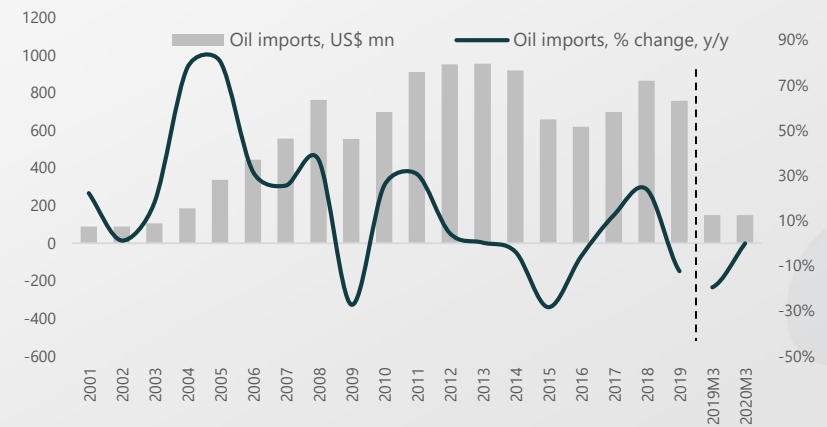
Source: GeoStat

In March 2020, the trade deficit fell by 7.3%, as exports were cut by 21.5% and imports contracted by 13.5% on the back of the pandemic



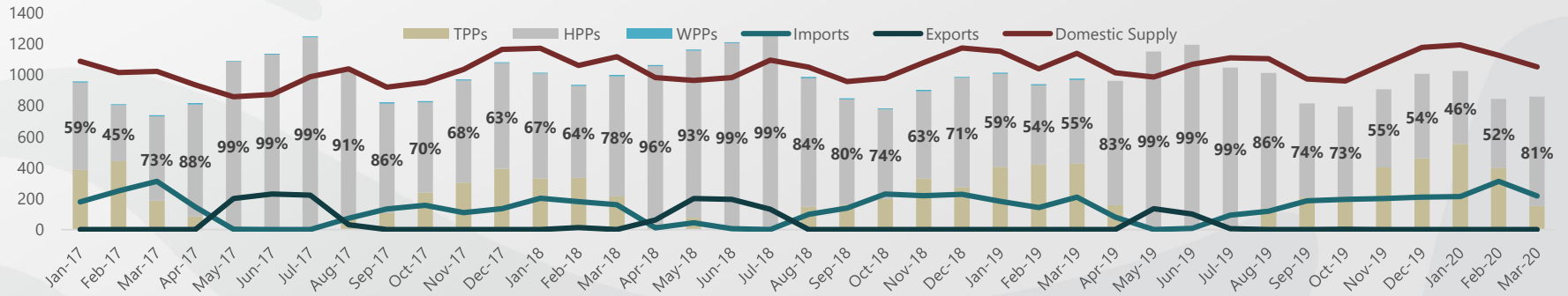
Oil imports

Source: GeoStat



Electricity generation and trade, GWH

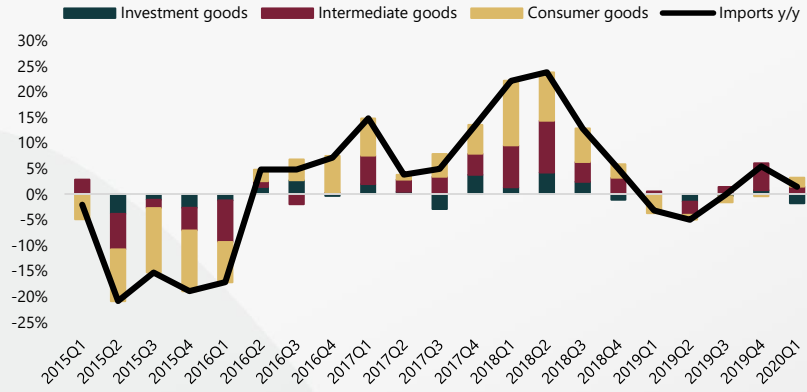
Source: ESCO



Diversified foreign trade

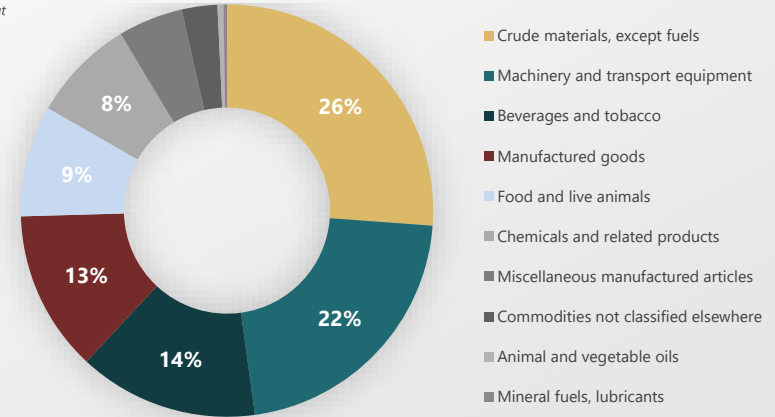
Imports of Goods, contribution to growth

Source: NBG



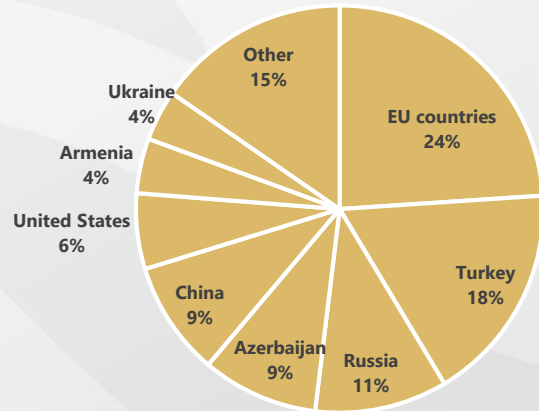
Foreign Demand, 1Q20

Source: Geostat



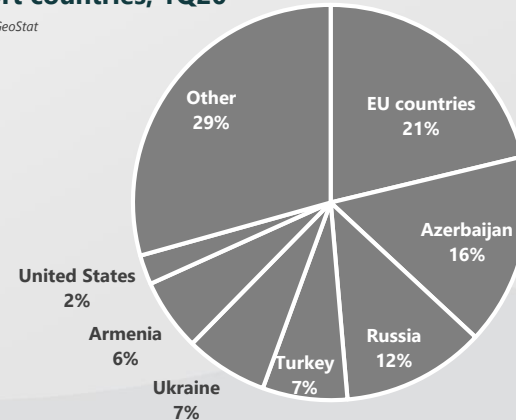
Import countries, 1Q20

Sources: GeoStat



Export countries, 1Q20

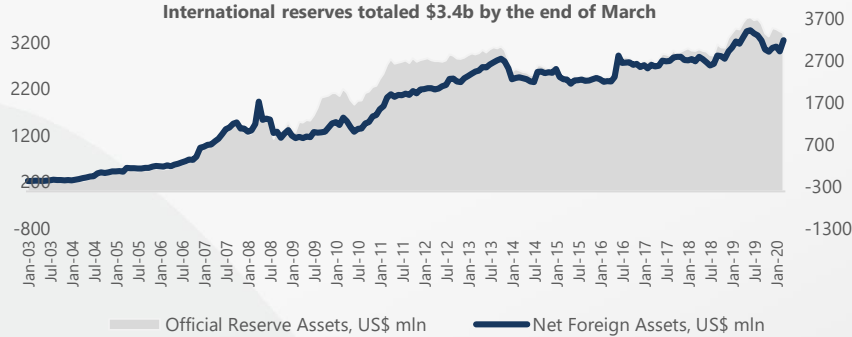
Sources: GeoStat



Prudent monetary policy ensures macro-financial stability

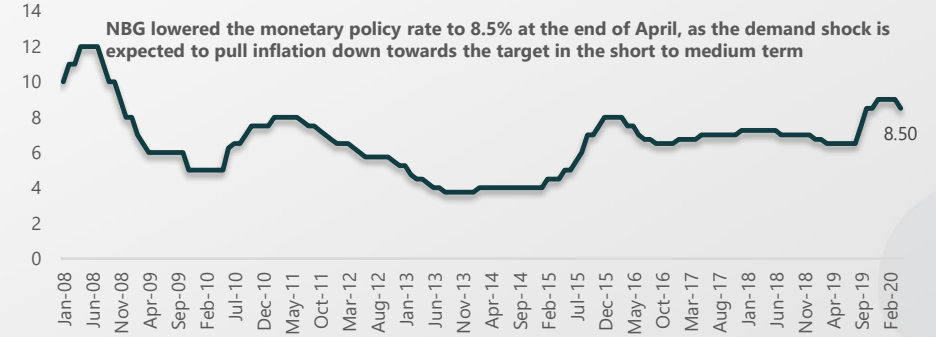
International reserves

Sources: NBG



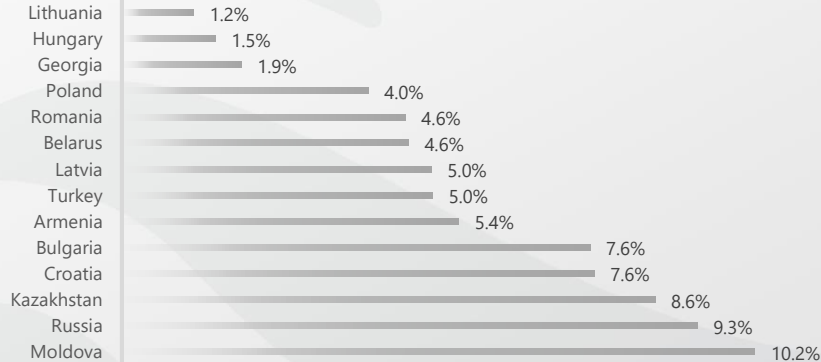
Monetary policy rate

Sources: NBG



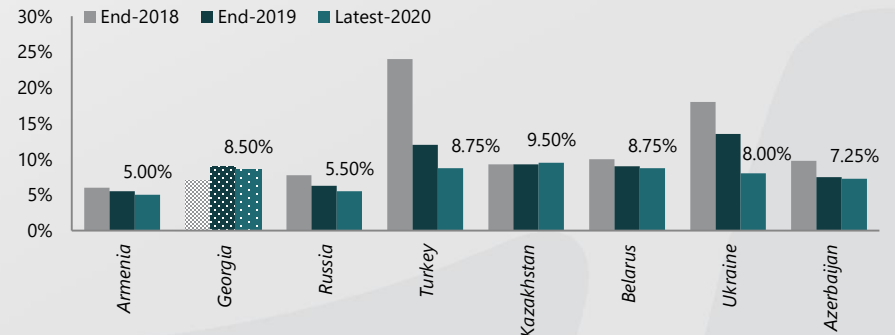
Nonperforming loans to total gross loans, latest 2020

Sources: IMF



Monetary policy rate vs. peers

Sources: Central banks

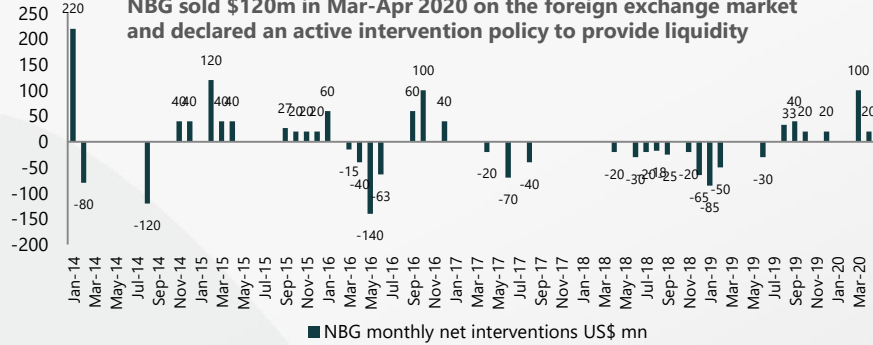


Floating exchange rate - policy priority

Central Bank's interventions

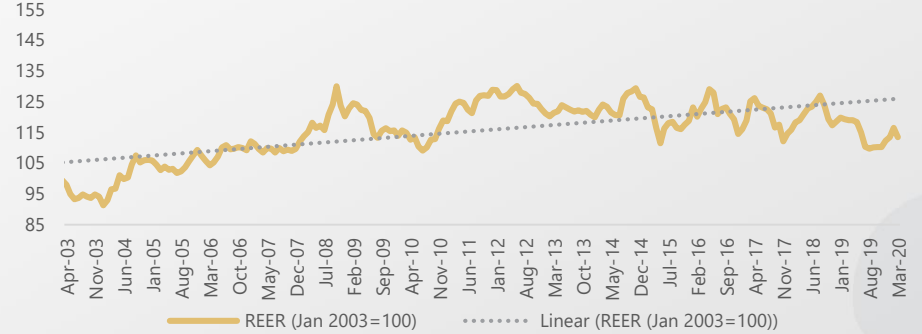
Sources: NBG

NBG sold \$120m in Mar-Apr 2020 on the foreign exchange market and declared an active intervention policy to provide liquidity



Real effective exchange rate (REER)

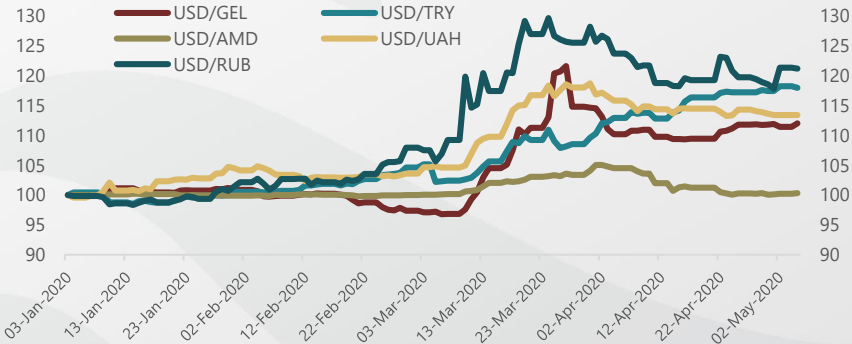
Sources: NBG



Exchange rate indices (1 January = 100)

Sources: NBG

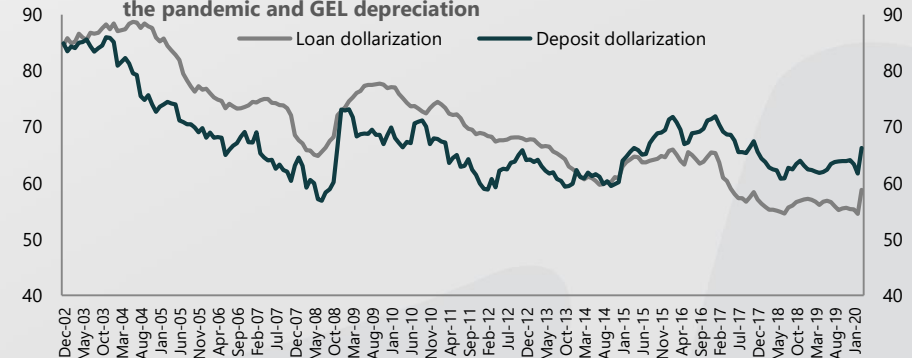
Flexible exchange rate regime plays a role as a shock-absorber



Dollarization ratios

Source: NBG

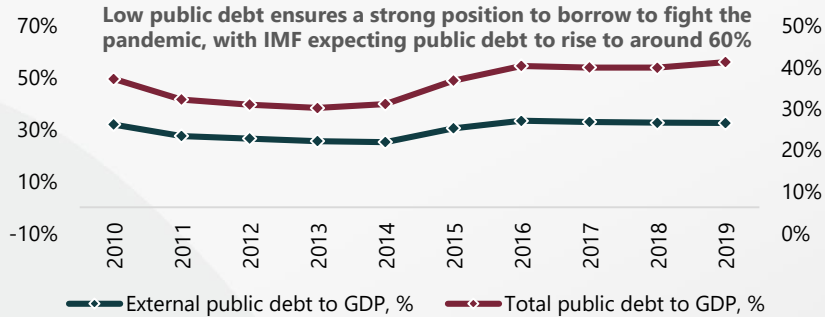
Both deposit and loan dollarization jumped in March on the back of the pandemic and GEL depreciation



Low public debt

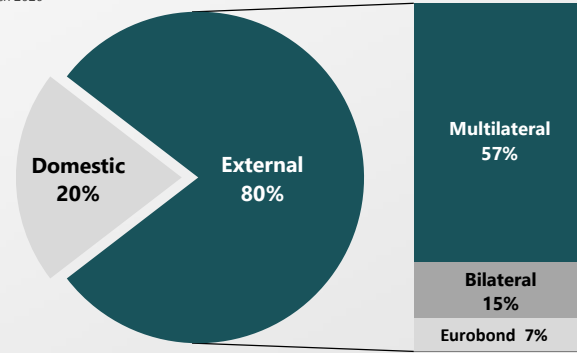
Public debt

Sources: MOF



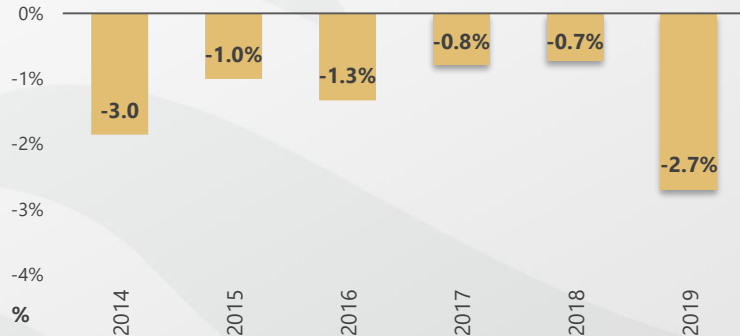
Breakdown of public debt

Source: MOF, as of 31 March 2020



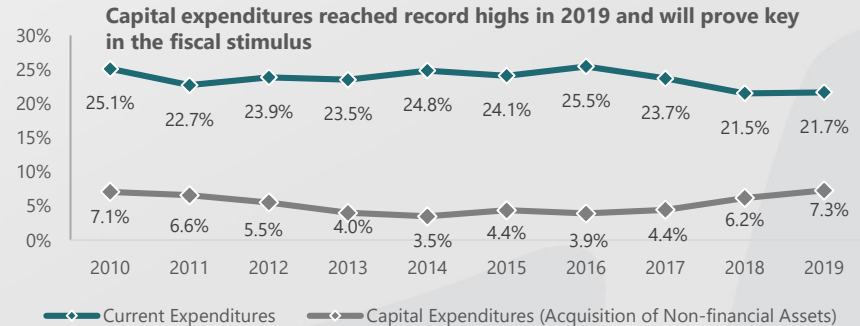
Overall Balance, % of GDP (GFSM 2001)

Source: MOF



Current vs Capital Expenditure, % of GDP

Source: MOF



Growth-oriented government reforms (2019-2020)

1 Structural Reforms

- **Tax Reform**
 - Favorable tax rates for SME development
 - Special tax regimes for regional offices of multinational companies
 - Enhancing easiness of tax compliance
- **Capital Market Reform**
 - Boosting stock exchange activities
 - Development of local bond market
- **Pension Reform**
 - Introduction of private pension system
- **PPP Reform**
 - Introduction of transparent and efficient PPP framework
- **Public Investment Management Framework**
 - Improved efficiency of state projects
- **Law of Georgia on Entrepreneurs**
 - New law will be drafted reflecting requirements of Association Agreement between EU and Georgia
- **Responsible Lending**
 - Regulatory actions to support responsible lending
 - Decrease household over indebtedness
- **Maximizing Government Effectiveness**
 - Modification of government support programs based on performance
- **Association Agreement Agenda**

2 Promoting Transit & Tourism Hub

- **Roads**
 - Plan to finish all spinal projects by 2020 – East-West Highway, other supporting infrastructure
- **Rail**
 - Baku – Tbilisi Kars new railroad line
 - Railway modernization and integration in international transport systems

3 Education

- **General Education Reform**
 - Maximising quality of teaching in secondary schools
- **Fundamental Reform of Higher Education**
 - Based on the comprehensive research of the labour market needs
- **Improvement of Vocational Education**
 - Increase involvement of the private sector in the professional education

Company information



Georgia Capital PLC

Registered Address
84 Brook Street
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www.georgiacapital.ge

Registered under number 10852406 in England and Wales

Stock Listing

London Stock Exchange PLC's Main Market for listed securities

Ticker: "CGEO.LN"

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.

Investor Centre Web Address - www.investorcentre.co.uk.

Investor Centre Shareholder Helpline - + 44 (0) 370 702 0176

Share price information

Shareholders can access both the latest and historical prices via the website

www.georgiacapital.ge

