

**Georgia**

This annex refers to the release of the rating announcement of 3 September 2021

 Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

<b>Implied rating of core variable scorecard (CVS)</b>		<b>bb</b>
<b>Reserve currency adjustment</b>		<b>0</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term issuer ratings</b>	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Neutral
<b>QS adjustment (notches)</b>		<b>0</b>
<b>Additional considerations (notches)</b>		<b>0</b>
<b>Final rating</b>		<b>BB STA</b>

## Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
<b>GDP per capita (USD '000s)</b>	4.1	4.4	4.7	4.7	4.3	4.7	5.1
<b>Real GDP, % change</b>	2.9	4.8	4.8	5.0	-6.2	8.0	5.5
<b>Unemployment rate, %</b>	21.7	21.6	19.2	17.6	18.5	21.0	19.0
<b>CPI, % change</b>	2.1	6.0	2.6	4.9	5.2	9.0	5.0
<b>Policy rate, %, EOP*</b>	6.50	7.25	7.00	9.00	8.00	10.00	-
<b>Fiscal balance, % of GDP</b>	-1.5	-0.5	-0.8	-1.8	-9.3	-6.8	-4.2
<b>Government debt, % of GDP, EOP</b>	40.3	38.6	37.5	40.4	60.0	57.0	55.0
<b>Current account balance, % of GDP</b>	-12.5	-8.1	-6.8	-5.5	-12.5	-10.0	-8.0

Yearly averages except where stated otherwise; \*National Bank of Georgia's refinancing rate

Source: Macrobond, IMF, National Bank of Georgia, GEOSTAT, Scope Ratings GmbH

## Annex III: Economic development indicator

 IMF Development Classification<sup>2</sup>

EMDE

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)
<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Georgia	September 2021	Assessment	Rationale
Peers*	Greece		
Domestic economic risk	Growth potential	Strong	Sturdy medium-term growth potential of around 5% annually
	Monetary policy framework	Neutral	Strengthened monetary policy framework, pre-pandemic track record of controlled inflation, adequate monetary-policy response during Covid crisis, but monetary policy flexibility is reduced by high dollarisation
	Macro-economic stability & sustainability	Neutral	Strong FDI inflows and investment due to favourable business environment, but limited economic diversification, low domestic savings, high structural unemployment and labour-market concentration in low-productivity sectors
Public finance risk	Fiscal policy framework	Neutral	Track record of pre-pandemic contained fiscal deficits and fiscal prudence underpinned by continued successful engagement with the IMF, but large shadow economy
	Debt sustainability	Neutral	Expected stabilisation and gradual decline in debt levels medium term, but debt trajectory is exposed to significant exchange rate risk
	Debt profile & market access	Neutral	Almost three-quarters of government debt in the form of concessional multilateral and bilateral loans, track record of sound access to donor financing
External economic risk	Current account resilience	Weak	Wide structural current-account deficits, high reliance upon tourism revenues weakens export-sector resilience
	External debt structure	Neutral	Large net international liability position mitigated by sound record of donor financing
	Resilience to short-term shocks	Weak	Narrow export base, large external financing needs and elevated exchange rate volatility weigh on foreign-currency reserves
Financial stability risk	Banking sector performance	Neutral	Adequate capitalisation of banking sector, but asset quality and profitability materially impacted by pandemic
	Banking sector oversight	Neutral	Strengthened financial supervision and regulatory framework including via application of IMF advice
	Financial imbalances	Neutral	Elevated dollarisation levels with more than half of bank loans and deposits denominated in foreign currency – the levels have moderately declined supported by central bank efforts
ESG risk	Environmental risks	Neutral	Substantial environmental risks such as with relation to air pollution, but mitigated by coordinated policy measures
	Social risks	Neutral	High, though gradually decreasing poverty rate, skills mismatches, adverse demographics, very high unemployment rate
	Institutional and political risks	Neutral	Track record of significant improvement of governance as well as quality and effectiveness of public administration support policy continuity, but high political tension and geopolitical risk given unresolved conflicts with Russia

\* Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard after the reserve-currency adjustment.