

Georgia

This annex refers to the release of the monitoring note of 19 March 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bb
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
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
QS adjustment (notches)		0
Additional considerations (notches)		0
Final rating		BB NEG

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	4.1	4.4	4.7	4.7	4.3	4.4	4.7
Real GDP, % change	2.9	4.8	4.8	5.0	-6.1	4.5	5.5
CPI, % change	2.1	6.0	2.6	4.9	5.2	4.0	3.0
General government balance, % of GDP	-1.5	-0.5	-0.8	-1.8	-9.0	-8.0	-5.0
General government debt, % of GDP	42.4	42.4	38.9	40.4	60.7	60.0	59.0
Current account balance, % of GDP	-12.5	-8.1	-6.8	-5.5	-12.0	-10.0	-9.0
Gross external debt, % of GDP	117.7	111.0	107.0	108.5	-	-	-

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

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Georgia	March 2021	Assessment	Rationale
Peers*	Turkey, Greece		
Domestic economic risk	Growth potential	Strong	Sturdy medium-term growth potential
	Monetary policy framework	Neutral	Strengthened monetary policy framework, track record of manageable inflation, adequate monetary-policy response during current crisis, but monetary policy flexibility is somewhat reduced by high dollarisation
	Macro-economic stability & sustainability	Neutral	Strong pre-crisis FDI inflow and investment due to favourable business environment, but limited economic diversification, low savings, high structural unemployment, and labour concentration in lower-productivity sectors
Public finance risk	Fiscal policy framework	Neutral	Pre-crisis track record of contained fiscal deficits and fiscal prudence, and continued successful engagement with the IMF, but large shadow economy
	Debt sustainability	Neutral	Expected stabilisation in public-debt ratio medium term, but debt trajectory exposed to significant exchange-rate risk
	Debt profile & market access	Neutral	More than two-thirds of government debt owed to official lenders and mostly on concessional terms, track record of sound access to concessional financing, high FX risk, elevated gov't financing needs and market borrowing rates
External economic risk	Current account resilience	Weak	Structurally large current-account deficits, high reliance on tourism revenues weakens export-sector resilience
	External debt structure	Neutral	Large foreign net liability position mitigated by sound record of concessional financing
	Resilience to short-term shocks	Weak	Large external financing needs, defense of currency during periods of exchange-rate volatility weighs on FX reserves
Financial stability risk	Banking sector performance	Neutral	Adequate capitalisation in the banking sector, but asset quality, NPLs and profitability impacted adversely by crisis
	Banking sector oversight	Neutral	Strengthened financial supervision, regulation and safety nets including by applying IMF recommendations
	Financial imbalances	Neutral	Elevated dollarisation with more than half of bank loans and deposits denominated in foreign currency, but dollarisation has moderately declined
ESG risk	Environmental risks	Neutral	Substantial environmental risks such as in relation to air pollution, mitigated by coordinated policy action
	Social risks	Neutral	High, though slowly decreasing poverty rate, skills mismatches, adverse demographics
	Institutional and political risks	Neutral	Improvements in governance, quality and effectiveness of public administration support policy continuity, but elevated present political tensions and outstanding geopolitical risks

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.