

BEST'S COUNTRY RISK REPORT

Georgia CRT-4

August 20, 2020

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Georgia is a CRT-4 country, with a moderate level of political risk and high levels of economic and financial system risk.
- Real GDP growth was 5.1% in 2019 driven by exports and increased domestic demand. GDP is forecast to contract by 4.0% in 2020, before rebounding in 2021 with growth of 3.0%.
- Inflation in 2019 was 4.9% and is expected to remain in the 3.5% -5.0% range over the medium term.



- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Eastern Europe

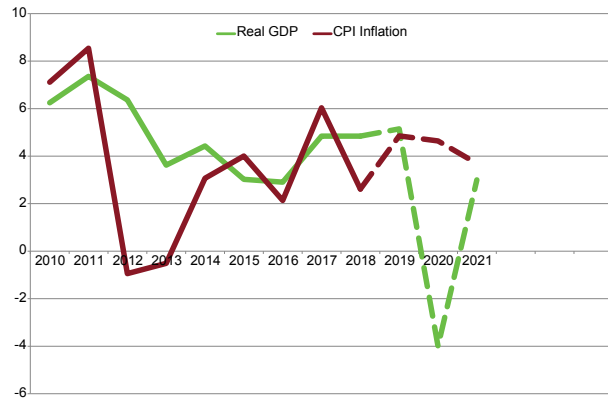
- Eastern Europe's economic growth will contract in 2020. Domestic demand will fall due to higher unemployment and weaker wage growth. Investment activity will also be hindered by low foreign direct investment and heightened uncertainty. Many economies in the region depend on exports to fuel growth, leaving them vulnerable to the global economic slowdown and weakening external demand.
- The region has a great deal of economic potential, as it further integrates with the global markets of the EU, but all of its countries would benefit from more transparent and less cumbersome regulatory environments.
- The Eastern European countries are at different stages of bringing their legal, economic, and political frameworks to be more in line with EU standards.
- Although many Eastern European countries are classified as emerging or frontier markets, reforms have enhanced economic stability and regional political power. The region's standards of living vary greatly by country and are generally lower than in Western Europe.

Vital Statistics 2019		
Nominal GDP	USD bn	15.93
Population	mil	3.7
GDP Per Capita	USD	4,289
Real GDP Growth	%	5.1
Inflation Rate	%	4.9
United Nations Estimates		
Literacy Rate	%	99.6
Urbanization	%	59.5
Dependency Ratio	%	55.0
Life Expectancy	Years	77.0
Median Age	Years	38.6
Insurance Statistics		
Insurance Regulator	Insurance State Supervision Service of Georgia (ISSSG)	
Premiums Written (Life)	USD mil	16
Premiums Written (Non-Life)	USD mil	205
Premiums Growth	%	2.5
Regional Comparison		
	Country Risk Tier	
Georgia	CRT-4	
Serbia	CRT-4	
Kazakhstan	CRT-4	
Turkey	CRT-4	
Ukraine	CRT-5	
Uzbekistan	CRT-5	

Source: IMF, UN, Swiss Re, Axco and AM Best



Economic Growth (%)



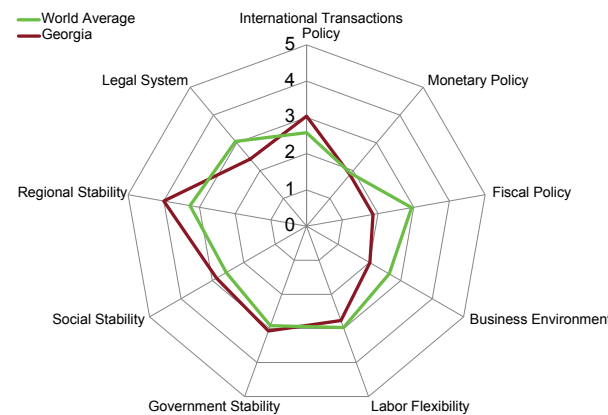
Source: IMF World Economic Outlook and AM Best

Economic Risk: High

- Georgia's economy is driven largely by agricultural production, mining (gold, manganese and copper), and manufacturing. The country imports almost all of its supplies for oil and gas.
- Approximately 35% of economic activity takes place in the shadow economy.
- The government has prioritized improving the business operating environment to help spur economic growth. It hopes to promote entrepreneurship, improve governance, and modernize the tax code.
- During the Soviet era, Georgia was one of the more affluent republics in the Soviet Union. Currently GDP per capita is relatively low at approximately USD 4,300. Poverty rates are especially high in rural areas with limited access to basic healthcare and electricity.
- Georgia reached an agreement with the IMF in April 2020 to increase its support under the pre-existing Extended Fund Facility agreement. Under the expanded agreement, the IMF will provide approximately USD 200 million to help the country mitigate the effects of COVID-19 on the economy.

Political Risk Summary

Score 1 (best) to 5 (worst)

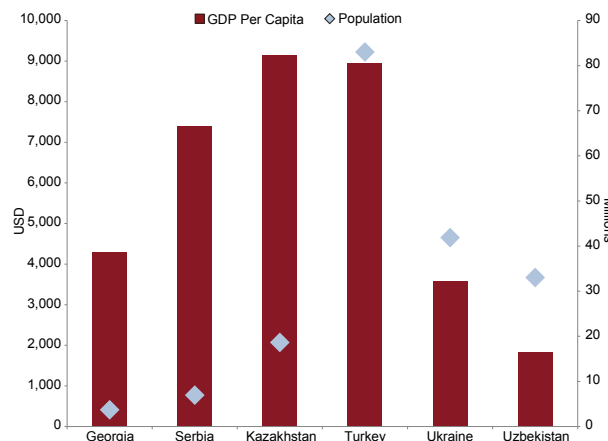


Source: AM Best

Political Risk: Moderate

- Salome Zourabichvili, a member of the Georgian Dream (GD) party, was elected president in November 2018. The prime minister, Giorgi Gakharia, is also a member of GD, was appointed in September 2019. The government also hold a majority in parliament.
- The government's main priorities will include pro-market reform, improving its relationship with Russia, greater integration with both the EU and NATO, and mitigating the effects of COVID-19 on the economy.
- Georgia became a democratic republic with an executive presidency after withdrawing from the former Soviet Union in 1991. Georgia maintains an often contentious relationship with Russia due to Georgia's increasing pro-Western stance over the years. The current administration has normalized trade relations, however diplomatic relations remain strained.
- The government of Georgia has tried to improve the country's business operating environment. In the World Bank's Ease of Doing Business survey, Georgia ranks 7 out of 190 countries, and first in the region. The country scores well on starting a business, registering property, and protecting minority investors.
- Georgia ranked 44 out of 180 countries in Transparency International's latest Corruption Perceptions Index.

GDP Per Capita and Population



Source: IMF and AM Best

Financial System Risk: High

- The Insurance State Supervision Service of Georgia (ISSSG) supervises and regulates the insurance industry.
- The IMF has noted the advancing financial sector reforms will help the economy become more resilient to shocks.