

GEORGIA

Georgia's economic freedom score is 71.8, making its economy the 26th freest in the 2022 *Index*. Georgia is ranked 18th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Over the past five years, Georgia's economic growth was strong through 2019, turned negative in 2020, and recovered in 2021. Georgia's enviable track record of expanding economic freedom during the past half-decade has come to a halt. Depressed by weaker **fiscal health** and reduced **business freedom**, Georgia has recorded a 4.2-point overall loss of economic freedom since 2017 and has fallen to the bottom half of the "Mostly Free" category. Scores for **trade freedom** and **tax burden** remain solid, but **judicial effectiveness** and **labor freedom** need improvement.

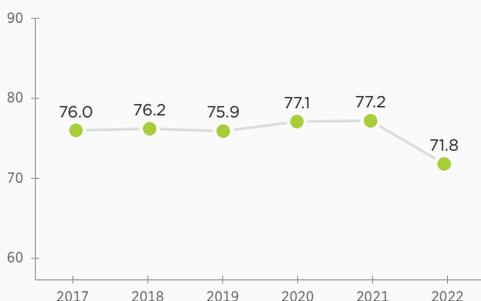
IMPACT OF COVID-19: As of December 1, 2021, 12,119 deaths had been attributed to the pandemic in Georgia, and the government's response to the crisis ranked 69th among the countries included in this *Index* in terms of its stringency. The economy contracted by 6.1 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +27.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.7 million

GDP (PPP):
\$55.3 billion
-6.1% growth
in 2020
5-year compound
annual growth 2.3%
\$14,918 per capita

UNEMPLOYMENT:
12.1%

INFLATION (CPI):
5.2%

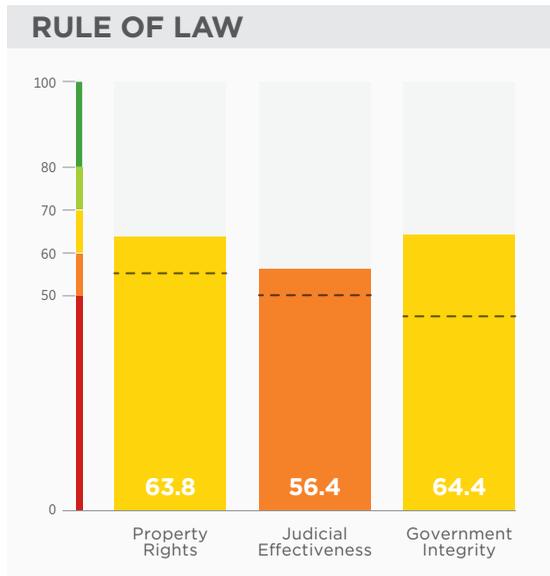
FDI INFLOW:
\$617.0 million

PUBLIC DEBT:
60.6% of GDP

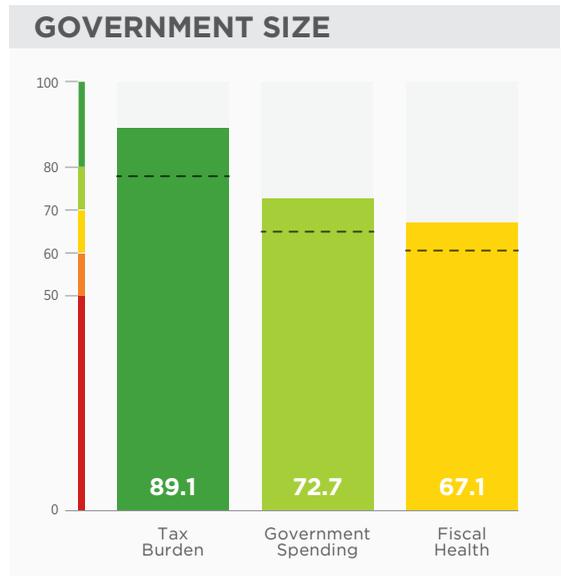
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Georgia is located in the South Caucasus region on the coast of the Black Sea. Russia invaded the country in 2008 and continues to occupy the South Ossetia and Abkhazia regions, which account for approximately 20 percent of Georgia's territory. Giorgi Gakharia, elected prime minister in 2019, resigned in February 2021 because of disagreements over the detention of Nika Melia, leader of the opposition United National Movement (UNM). Irakli Garibashvili, a member of the ruling Georgian Dream party and former prime minister, was chosen to replace Gakharia. Georgia's economy was improving noticeably until the onset of the COVID-19 pandemic. Agriculture and related industries employ more than half of the workforce. Georgia remains an official aspirant for NATO membership.

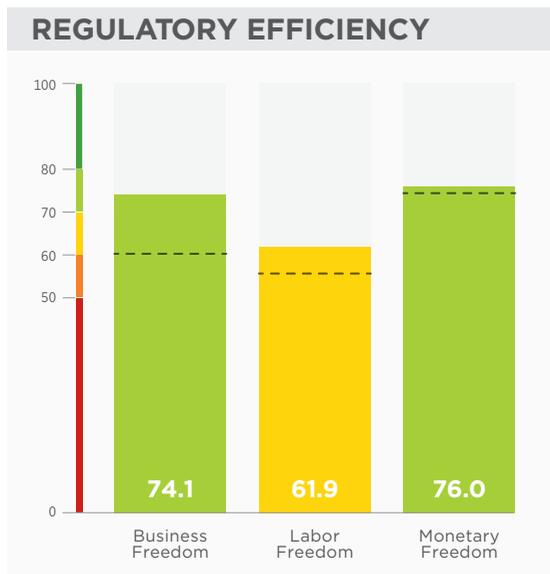
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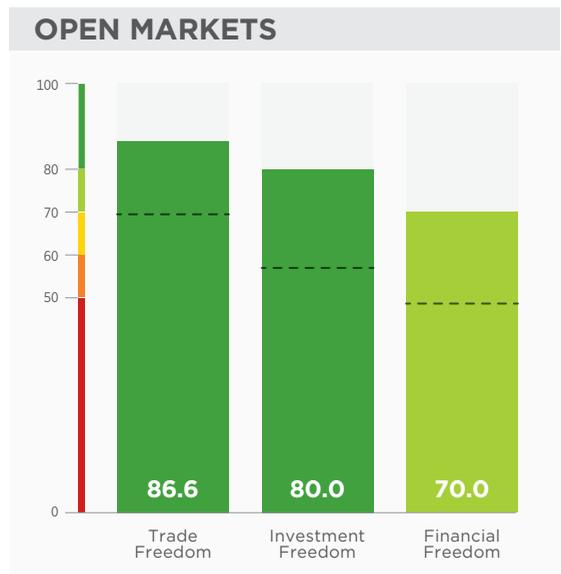
Property rights are recognized but weakly enforced, and unclear or unregistered titling can hamper investment. Political interference undermines the independence of the judicial system. Many judges lack the ability to adjudicate commercial cases independently or quickly. Transparency International cites “elite” corruption in Georgia: high-level officials exploiting legal loopholes for personal enrichment, status, or retribution.



The flat individual income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax. The overall tax burden equals 22.2 percent of total domestic income. Government spending has amounted to 30.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.0 percent of GDP. Public debt is equivalent to 60.6 percent of GDP.



The regulatory environment is sound, but business disputes can languish in the court system for years. Labor costs are low. In 2020, Georgia changed how it calculates unemployment. Subsistence farmers are no longer categorized as employed, and this raises the official unemployment rate. A fast recovery in domestic demand and external factors such as high oil prices caused consumer prices to increase significantly in 2021.



Georgia has 14 preferential trade agreements in force. The trade-weighted average tariff rate is 1.7 percent, and 67 nontariff measures are in effect. Foreign and domestic investments receive equal treatment, but transparency is an issue. With the banking sector growing, access to financing has improved. The stock exchange is small and underdeveloped. No restrictive measures have been implemented in the financial sector during the past year.