

CONSTRUCTION SECTOR OF GEORGIA IN THE CONDITIONS OF THE PANDEMIC

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Abstract

The article reflects the situation in the construction sector of Georgia in the conditions of the COVID-19 pandemic. Current processes and trends in the field are discussed, as well as some future forecasts are made.

Keywords: Business confidence index, rental property price index, construction cost index

JEL Classification: L70, L74, N60

I. INTRODUCTION

The coronavirus has caused three world economic shocks - demand, supply and financial. (McKbbin & Roshen, 2020; Chanona et al, 2020; Baller et al, 2020; Bekaert et al, 2020). Specific estimates of demand shocks vary by country, and the speed and quality of recovery depends on the effectiveness of national economic policies. Delivery shock is characterized by greater similarity and in-depth results by country. The financial shock is particularly acute for all countries and is one of the key components of a possible harm reduction policy for the government concerned.

The worldwide COVID-19 pandemic has had a serious impact on the economies of countries, in its specific fields. For example, studies in the United Kingdom have identified financial (with clients, banks) and logistical problems in the supply of pandemics as negative factors in the construction sector. (Abdussalam Shibani, 2020).

As a result of the pandemic developed in Georgia, a process of stagnation was observed in many sectors of the economy. However, in one area, namely in the construction business, the growing dynamics of turnover starting from 2013 was maintained in 2019 and stopped at one level in 2020-2021.

II. RESULTS AND DATA ANALYSIS



According to the National Statistics Office of Georgia, the turnover in the construction sector increased from

3.2 billion GEL in 2013 to 8.4 billion GEL in 2021, or 2.6 times. The average monthly wage was GEL 869.8 in 2013 and GEL 1972.5 in 2021, an increase of 2.2 times. [1] According to the bulletins of the same service, the construction cost index in the fourth quarter of 2021 increased by 4.8% compared to the previous quarter, and by 13.6% compared to the corresponding quarter of the previous year, which is mainly due to 17.4% of prices for construction materials. Jan growth. (www.geostat.com)

Despite such statistics, according to a survey conducted by ISET (International School of Economics at TSU Policy Institute), the Business Confidence Index (BCI) was volatile from the first quarter of 2020 to the first quarter of 2022 and had a more pessimistic focus. The businessmen mainly appealed to the low level of demand in the real estate market, the scarcity of financial resources and the outflow of qualified personnel. Actually, according to the Statistics Office, in 2018-2020, the number of Georgian citizens who immigrated from Georgia increased from 47.9 thousand to 66.4 thousand. Also, compared to the same period in 2020, the

Residential Real Estate Price Index (RPPI) decreased from 113.2 in the first quarter of 2021 to 101.2 in the fourth quarter of 2021. [ISET,2021]

In 2020, PricewaterhouseCoopers Georgia LLC surveyed 1938 companies operating in the Georgian market (including small, medium and large enterprises in the construction sector). The survey found that 65% of respondents considered the reduction of demand problematic, 40% - the deterioration of the GEL exchange rate, 33% - delays in the supply chain, 28% - possible closure of borders, 26% - complicating the process of receiving funds from clients, and 12% - unpaid leave. The need to run 79% of respondents need additional funding, mainly to provide working capital. (Kirk Williams, PricewaterhouseCoopers Georgia LLC, 2020)

The activation of the sector could not be affected by the "Subsidized Mortgage Loan" program launched by the government in 2021. (www.matsne.gov.ge)

In order to overcome the difficulties, in a PwC Georgia survey, 48% of businessmen consider temporary suspension of business activities, 24% - transfer of employees to online mode, and 21% - release on unpaid leave. (Kirk Williams, PricewaterhouseCoopers Georgia LLC, 2020).

According to some experts, the existence of pandemic factors and the high risk of their occurrence in the future, makes the digitalization of the economy more relevant. (Bedianashvili, 2021). Some construction firms began digitizing a number of organizational processes (sales, procurement, document management, construction information modeling, personnel management, etc.) and transferring relevant employees remotely. This will reduce business costs to some extent.

According to the Action Plan of the Government of Georgia for 2021-2024 "European State Building", during this period it is planned to build quite capital infrastructure facilities throughout the country, so the construction sector will have a solid financial flow through budget procurement. (Government Program, 2021-2024).

III. CONCLUSION

Both the government and the private sector should jointly develop a strategy to overcome and /or minimize the problems created by pandemic-induced shocks (demand, supply and finance). The government should provide an environment where financial resources become more accessible to businesses; Soften the tax regime (e.g., restructuring of tax liabilities, etc.); Act as an active mediator between educational institutions and businesses to provide qualified private sector staff. For its part, the private sector needs to be more flexible in managing such significant costs of the sector as the cost of construction materials and their logistics, labor costs, energy resources. The process of digitalization and digitization of the field should also be continued and deepened.

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