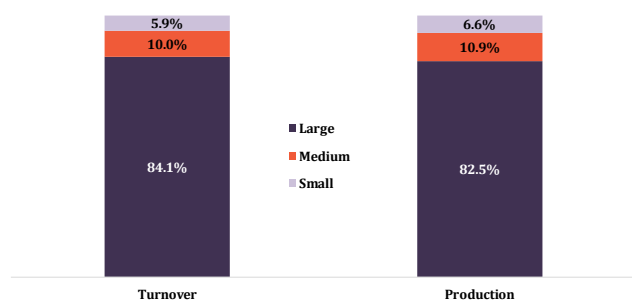


According to the first three quarters of 2016, compared to the corresponding period of 2015:

- The volume of production in the construction sector increased by 41.2% and reached 4.2 bln GEL;
- Foreign direct investment (FDI) in construction increased by 21.8% and reached US\$106 bln;
- The number of people employed in the construction sector increased by 3.1% and amounted to 60.1 thousands of people;
- The average monthly remuneration of employees in the sector is 1,415 GEL.

The Volume of Production and Turnover in the Construction Sector by the Size of the Firm, I-III Q 2016



	Turnover (Mln GEL)	Production (Mln GEL)
2014 (I-III)	2210.4	2438.0
2015 (I-III)	2892.3	2961.4
2016 (I-III)	3938.3	4383.2

Source: National Statistics Office of Georgia

In the first three quarters of 2016, the share of FDI in construction is the fourth largest sector in total FDI with 8.2% (US\$106 mln) after transport and communication (40%), financial (13%) and energy sectors (10%).

The volume of FDI in the construction sector increased in all of the first three quarters of 2016 by 6%, 64%, and 19% respectively. According to the data of 2016, the share of the construction sector in GDP is 11.4%.

According to the data of 2016, the share of the construction sector in GDP is 7.3%. In the first quarter of 2016, the share of construction in GDP increased by 1.2 percentage points and reached 6.8%, while in the second quarter it grew by 0.5 percentage points and equaled 6.7%, in the third quarter the share remained the same and equaled 8.2%.

In the first three quarters of 2016, the volume of production in construction increased by 41.2% (1.2 bln GEL) and amounted to 4.2 bln GEL. Growth was recorded in the first quarter (44.6%), second quarter (44.3%) and the third quarter (36.7%).

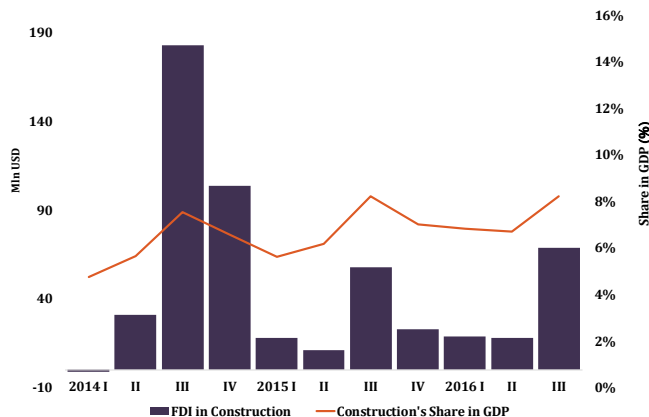
The structure of the production output of the construction sector according to the size of the enterprise is as follows: large* - 82.5%, medium** - 10.9% and small*** - 6.6%.

In the first three quarters of 2016, the volume of turnover in the construction sector also increased (36.2%, 1.2 bln GEL) and reached 3.9 bln GEL. This indicator increased in all three quarters (35.8%; 42.3%; 31.6% respectively).

According to the National statistics office of Georgia:

- *Industry where the average number of workers exceeds 100 people in a year or average yearly turnover exceeds 1.5 mln GEL.
- **Industry where the average number of workers ranges from 20-100 persons a year and average yearly turnover ranging from 0.5-1.5 mln GEL.
- ***Industry where the average number of workers does not exceed 20 people in a year and average yearly turnover does not exceed 0.5 mln GEL.

FDI in Construction Sector and the Share of Construction Sector in GDP, 2014-16



Source: National Statistics Office of Georgia

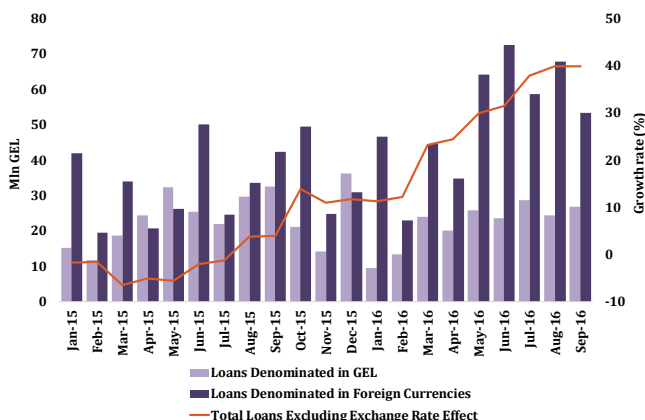
In the first three quarters of 2016, loans in GEL amounted to 30% of total loans to the construction sector, and in September its volume was 26.8 mln GEL. Loans in foreign currency amounted to 70% of total loans to construction, and in September it amounted to 53.4 mln GEL.

In the first quarter of 2016, compared to the corresponding period of 2015, the volume of loans in GEL increased (3%, 0.4 mln GEL), but declined in the second and third quarters by 15% (-4.2 mln GEL) and 5% (-1.4 mln GEL) respectively.

The volume of loans denominated in foreign currency increased in all of the first three quarters of 2016 by 20% (6.2 mln GEL), 77% (24.8 mln GEL) and 79% (26.5 mln GEL) respectively.

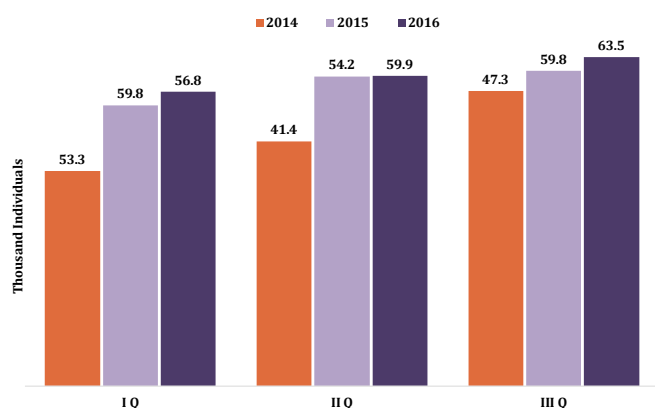
Total loans, excluding exchange rate effect, has been increasing since August 2015. In September 2016, total loans, excluding exchange rate effect, increased by 39.9%.

The Dynamics of the Loans Flow to the Construction Sector, 2015-16



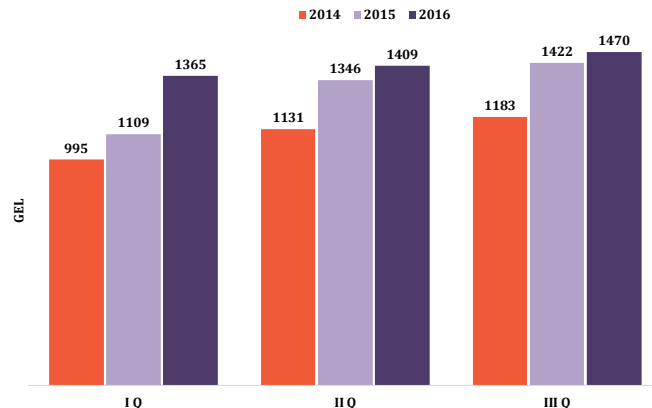
Source: National Bank of Georgia

The Number of Employed Individuals in the Construction Sector, 2014-16



Source: National Statistics Office of Georgia

Average Monthly Remuneration of the Employed Individuals in the Construction Sector, 2014-16



Source: National Statistics Office of Georgia

According to the first three quarters of 2016, the number of individuals employed in the construction sector was 60,100, on average, which is greater than the same period of last year by 3.1%. The share of individuals employed in construction made up 10% of total employees in the business sector.

In the first three quarters of 2016, average monthly remuneration equaled 1,415 GEL, which is greater than the same indicator in the first three quarters of 2015 by 112 GEL (9.5%). Monthly remuneration was increasing in all three quarters (23%, 5%, and 3% respectively).

According to the first three quarters of 2016 there were six major infrastructural costs: road infrastructure improvement (335.9 mln GEL), rehabilitation of regional and municipal infrastructure (132.9 mln GEL), restoration and rehabilitation of water supply infrastructure (100.6 mln GEL), development of infrastructure of educational and scientific institutions (66.3 mln GEL), development of defense infrastructure (12.7 mln GEL) and energy infrastructure rehabilitation (6.7 mln GEL).

According to the state budget approved on 14 December 2016 by the parliament of Georgia, major infrastructural goals in 2017 are the following:

2016 / 2017 Years Plan	Road Infrastructure Improvement 2016 / 2017	Rehabilitation of Regional and Municipal Infrastructure 2016 / 2017	Restoration and Rehabilitation of Water Supply Infrastructure 2016 / 2017	Development of Infrastructure of Educational and Scientific Institutions 2016 / 2017	Development of Defense Infrastructure 2016 / 2017	Energy Infrastructure Rehabilitation 2016 / 2017
State budget infrastructural allocations, 2017 year plan (Mln GEL)	526.6 / 849.2	235.1 / 176.2	170.6 / 184.0	94.4 / 116.0	17.4 / 32.1	3.0 / 12.1
% Increase compared to the 2016 Plan	61.3%	-25.1%	7.9%	22.8%	84.1%	303.3%
% Share in the 2017 budget costs	7.4%	1.5%	1.6%	1.0%	0.3%	0.1%

Source: Ministry of Finance of Georgia

According to the state budget of 2017, there are plans to spend 849.2 mln GEL on road infrastructure improvement, which is 7.4% of the total budget. Of this, 58% will be financed from budgetary funds (494.8 mln GEL), 1% (11.3 mln GEL) from grants, and 40% (343.1 mln GEL) from credit. Here, compared to the plan of 2016, costs will be increased by 61% (322.6 mln GEL).

According to the state budget of 2017, there are plans to spend 184 mln GEL on restoring and rehabilitating water supply infrastructure, which makes up 1.6% of the total budget. Of this, 23% will be financed from budgetary funds (42.5 mln GEL), 5% (9.2 mln GEL) from grants, and 72% (132.4 mln GEL) from credit. In this direction, compared to the plan of 2016, costs will be increased by 8% (13.4 mln GEL).

According to the state budget of 2017, there are plans to spend 176.2 mln GEL on the rehabilitation of regional and municipal infrastructure, which makes up 1.5% of the total budget. Of this, 30% will be financed from budgetary funds (53.1 mln GEL), 1% (1.0 mln GEL) from grants, and 69% (122.1 mln GEL) from credit. In this direction, compared to the plan of 2016, costs will be decreased by 25% (-58.9 mln GEL).

Basic Economic Indicators	2014	I 2015	II 2015	III 2015	IV 2015	2015	I 2016	II 2016	III 2016
Nominal GDP (Mln USD)	16528.5	3325.0*	3407.6*	3545.0*	6682.3*	13959.9*	3018.8*	3642.6*	3767.3*
Per Capita GDP (USD)	3680.8	884.5*	913.4*	950.5*	994.7*	3743.1*	811.4*	979.1*	1012.6*
GDP Real Growth (%)	4.8%	3.2%*	2.5%*	2.5%*	2.9%*	2.8%*	2.6%*	3.0%*	2.3*
Inflation	3.1%					4.0%			
Foreign Direct Investment (Mln USD/0)	1 758.4	175.3*	354.7*	489.0*	267.9*	1 351.1*	388.6*	445.3	463.3*
Unemployment Rate (%)	12.4%					12%			
External Public Debt (Mln USD)	4200	3989	4181	4195	4315	4315	4396	4404	4461
Poverty Level (Relative)	21.4%					20.1%			

Source: National Statistics Office of Georgia
National Bank of Georgia
Ministry of Finance of Georgia

Forecasted*