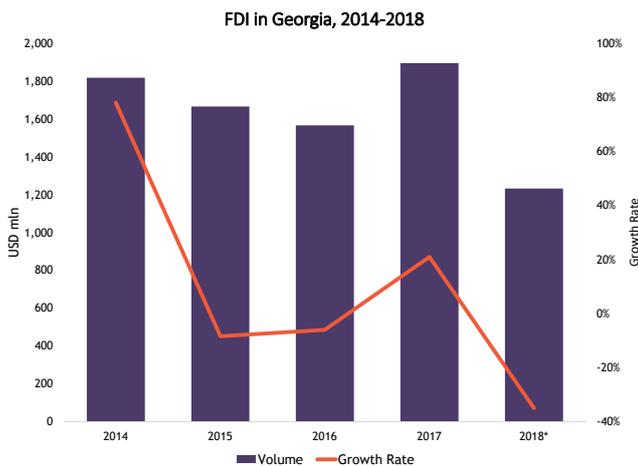
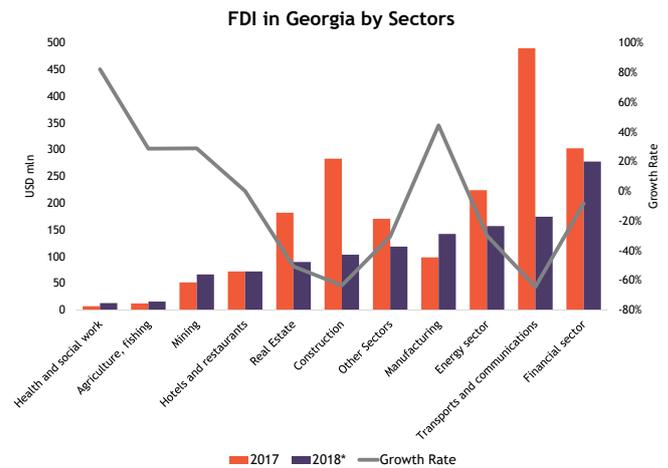


Analysis of FDI into Georgia for 2014-2018 revealed the following general findings:

- In 2018, the financial, transport and communications, and energy sectors attracted the most FDI;
- In 2018, Azerbaijan, the United Kingdom, and the Netherlands were the countries investing most in Georgia;
- Based on the cumulative amounts of FDI for the past five years, transport and communications (28.4%) is the most attractive sector for FDI in Georgia, while the agricultural sector is the least attractive (0.8%);
- Based on the cumulative amounts, countries investing most in Georgia are: Azerbaijan, Netherlands, the United Kingdom, Turkey and USA.
- The shares of FDI from China and the EU in the total FDI into Georgia have been increasing since 2017;
- During 2017-2018, the share of reinvestments in the total FDI into Georgia increased, while the shares of equity and debt instruments decreased.



Source: National Statistics Office of Georgia



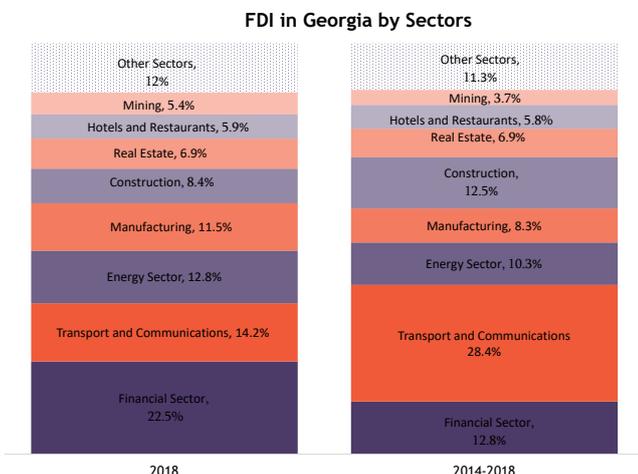
Source: National Statistics Office of Georgia

According to preliminary data, in 2018, FDI into Georgia amounted to US\$1,232 mln, representing a 34.9% (US\$662 mln) drop compared to 2017. According to the National Statistics Office of Georgia, the main reasons behind the decrease in FDI include the completion of a pipeline project, the transfer of ownership in some companies from non-resident to resident units, and a reduction in liabilities to non-resident direct investors.

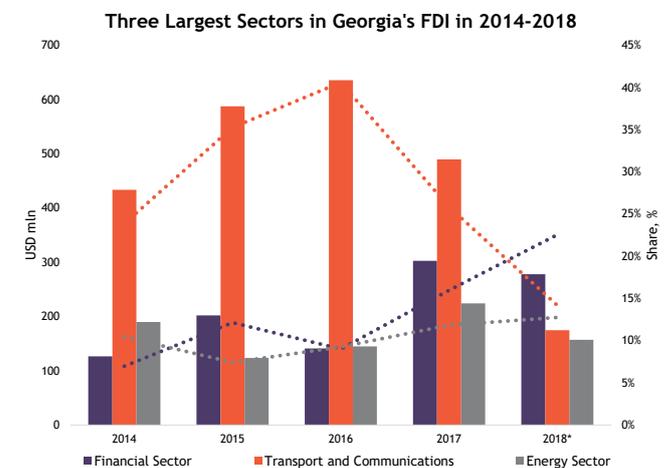
Since 2015, every year has been characterized by a decreasing tendency in terms of FDI into Georgia, with the exception of 2017. In 2017, compared to 2016, FDI into Georgia increased by 21% and amounted to US\$1,894 mln. While the annual FDI over the last five years may have peaked in 2017, it sunk to its lowest point for that period in 2018.

Sectoral analysis shows that in 2018, compared to 2017, the 34.9% decrease in FDI into Georgia included decreases in FDI in the transport and communications sector (-64.3%; -US\$315 mln), the construction sector (-63.4%; -US\$179 mln), the real estate sector (-50.6%; -US\$92 mln), the energy sector (-29.9%; -US\$67 mln), and the financial sector (-8.2%; -US\$25 mln).

In 2018, compared to 2017, the highest growth rate in terms of FDI was recorded in the health and social work sector (82.1%; US\$6 mln). Moreover, significant increases were recorded in the manufacturing sector (44.3%; US\$44 mln), the mining sector (28.9%; US\$15 mln), and the agricultural sector (28.7%; US\$4 mln).



Source: National Statistics Office of Georgia



Source: National Statistics Office of Georgia

In 2018, the largest volume of FDI per sector was received by the financial sector and amounted to US\$277.9 mln (22.5% of total FDI into Georgia). The sector receiving the second highest volume of FDI was the transport and communications sector, which received a total of US\$174.7 mln (14.2% of total FDI into Georgia). The energy sector was the third highest recipient in terms of FDI volume with

The cumulative amounts for the period of 2014–2018 suggest that transport and communications, which received US\$2.321 mln in FDI (28.4% of the cumulative FDI amount) in the said period, can be considered the most attractive sector for FDI in Georgia. Meanwhile, the agricultural sector can be considered the least attractive sector for FDI in Georgia (US\$67 mln; 0.8% of the cumulative FDI amount).

### Georgia's Three Largest Investors, 2014-2018

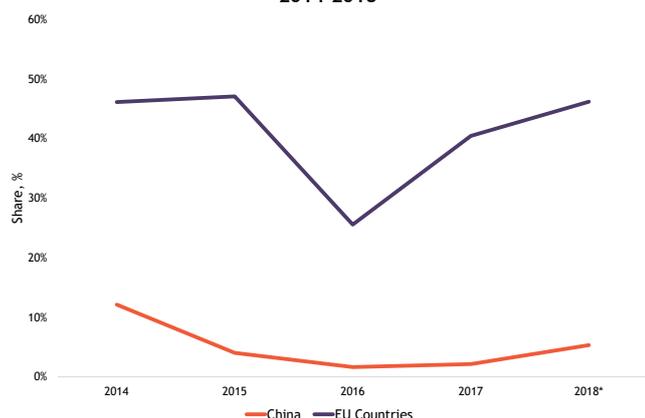
2014	2015	2016	2017	2018*
NLD, 20.7%	AZE, 34.9%	AZE, 35.7%	AZE, 24.5%	AZE, 19.5%
AZE, 18.7%	GBR, 23.9%	TUR, 13.4%	NLD, 18.8%	GBR, 16.5%
CHN, 12.1%	NLD, 9.5%	GBR, 6.7%	TUR, 15.2%	NLD, 13.6%

Source: National Statistics Office of Georgia

In 2018, the country investing most in Georgia was Azerbaijan (US\$240 mln; 19.5% of total FDI into Georgia). In the same year, the United Kingdom and the Netherlands were the second and third biggest investors in terms of countries with US\$203.6 mln (16.5% of total FDI in to Georgia) and US\$167.8 mln (13.6%), respectively. Since 2014, Azerbaijan has always been one of the top three countries investing in Georgia.

Meanwhile, Turkey, which had been among the top three countries investing in Georgia during 2016-2017, dropped significantly in 2018 with a net outflow of US\$11.2 mln. Partially, this can be explained by Turkcell, its leading mobile network operator (MNO) selling its 41.5% share of a major MNO in Georgia, namely Geocell, in January 2018. This transaction also partially explains the 307.7% decrease (US\$35.2 mln net outflow) in FDI in the communications sector in 2018 compared to 2017.

EU Member States' and China's share in Total FDI, 2014-2018



Source: National Statistics Office of Georgia

With free trade agreements in place with China and the EU, FDI inflows from both are worth highlighting. During 2015-2016, FDI from both China and the EU had been characterized by negative growth (averaging -66% and -28%, respectively). Since 2017, FDI from China has been increasing and in 2018, compared to 2017, this increased by 62%. In 2017, compared to 2016, FDI from EU countries to Georgia increased significantly (by 92%), while in 2018, compared to 2017, it decreased by 26%. In 2018, China's FDI into Georgia amounted to US\$65.4 mln, while EU countries' FDI into Georgia amounted to US\$569.2 mln.

In terms of their shares in Georgia's total FDI received, in 2018 China's FDI share amounted to 5.3%, while the EU's amounted to 46.2%. It has to be noted that the share of China's as well as the EU's FDI in Georgia's total FDI received has been increasing since 2017.

### Reinvestment and Its Share in Total FDI, 2014-2018

	2014	2015	2016	2017	2018*
Reinvestment (US\$ mln)	322.8	157.6	334	657.5	558.8
Share in Total FDI	18%	9%	21%	35%	45%

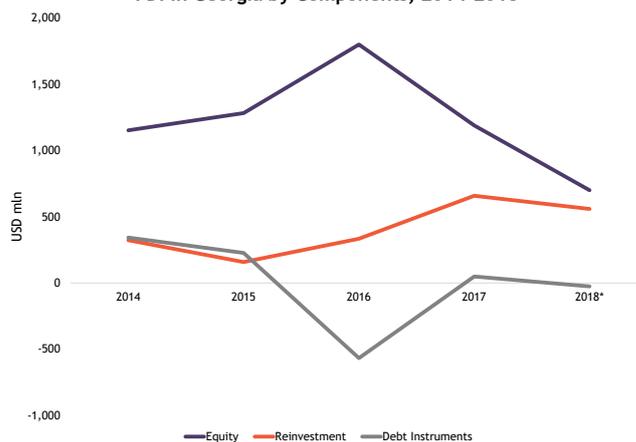
Source: National Statistics Office of Georgia

Considering the 2016 tax reform (entered into force in January 2017) which exempted reinvestments from profit tax, it is important to analyze the component parts of FDI in Georgia.

Reinvestments were characterized by an increasing tendency during 2016-2017. Meanwhile, in 2018, compared to 2017, reinvestments decreased by 15% and amounted to US\$558.8 mln. In 2018, compared to 2017, the volume of equity and debt instruments decreased by 41% and 153.4%, respectively.

In 2018, the share of reinvestments in total FDI amounted to 45%, while the share of equity amounted to 57% (the volume of debt instruments was negative). Since 2016, the share of reinvestments in total FDI has been increasing, while for equity and debt instruments the shares have been decreasing since 2017.

FDI in Georgia by Components, 2014-2018



Source: National Statistics Office of Georgia

Basic Economic Indicators	2014	2015	2016	2017	2018
Nominal GDP (mln USD)	16507.8	13988.1	14377.9	15086.5	16207.1*
GDP per Capita (USD)	4438.3	3754.9	3857.3	4046.8	4345.5*
GDP Real Growth (%)	4.6%	2.9%	2.8%	4.8%	4.7%*
Inflation	3.1%	4.0%	2.1%	6.0%	2.6%
FDI (mln USD)	1,817.7	1,665.6	1,565.8	1,894.5	1,232.4*
Unemployment Rate (%)	14.6%	14.1%	14.0%	13.9%	12.7%
External Debt (mln USD)	4,199.8	4,314.9	4,515.7	5,177.4	5,434
Poverty Rate (relative)	21.4%	20.2%	21.0%	22.3%	-

\*Preliminary data