

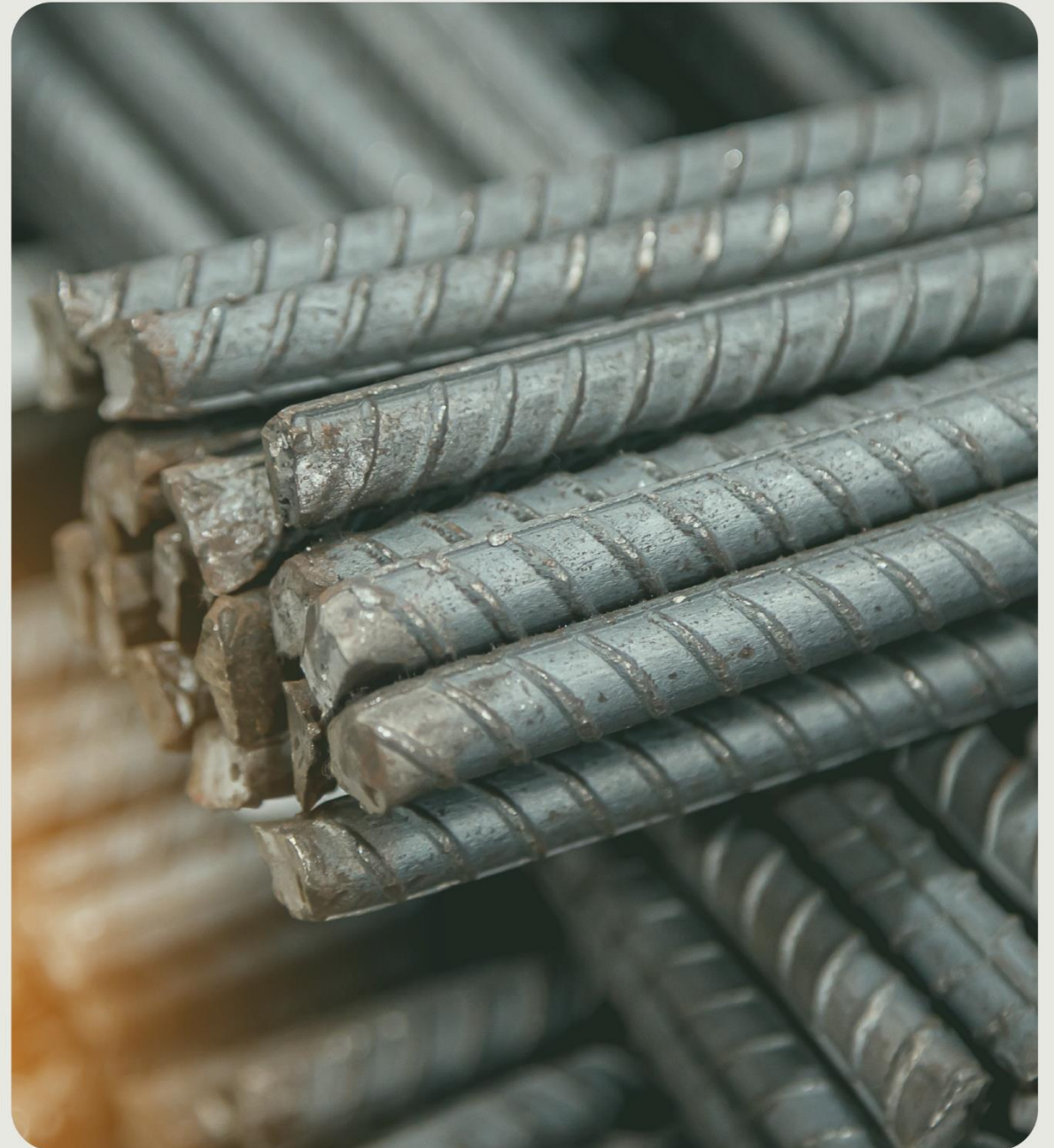


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Construction materials and home improvement sector in Georgia

June 2025

Eva Bochorishvili, Head of Research
Otar Tsukhishvili, Senior Analyst





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CONTENT

SECTOR OVERVIEW

DEMAND DRIVERS

CONSTRUCTION MATERIALS SECTOR

HOME IMPROVEMENT SECTOR



MAIN NUMBERS

- **Covers the \$5.7 billion construction materials and home improvement sector**
- **Focuses on four main sub-sectors: construction materials, renovation materials, household appliances and furniture & lighting**
- **Analyzes the activities of 20,000 companies**
- **Includes analysis of 900 foreign trade products**
- **Reviews audited financial statements of c. 70 medium and large companies**

KEY HIGHLIGHTS



SECTOR TRENDS & DEMAND DRIVERS

- The construction materials & home improvement sector revenue reached US\$ 5.7bn in 2024, with growth surging at a 19.2% CAGR over 2020-24.
- Majority of the construction materials revenue comes from locally produced goods, while the home improvement sector largely depends on imports.
- Due to a heavy reliance on imports, home improvement prices have risen - albeit with fluctuations driven by global factors. In contrast, construction material prices have climbed more steadily, with growth stabilizing since mid-2022.
- Strong construction trends have driven high demand for construction materials and home improvement, with growth expected to continue amid high government capex, record-high construction permits, and solid real estate sales.



CONSTRUCTION MATERIALS

Cement:

- Almost entirely produced in Georgia, with imports accounting for a minor 6% share in total demand as of 2024.
- Cement prices rose sharply since 2021, driven by rising clinker and coal prices.

Concrete:

- Production peaked in 2024, supported by the increased construction activities.
- Prices increased rapidly from 2021, driven by high demand and growth in cement prices - main production material for concrete.

Rebar:

- Rise in imports dropped the domestic rebar production's share to 43.5% in 2024 from 74.7% in 2021.
- Import growth slowed from Russia and Iran in 2025, as a result of government-imposed import tariffs.



HOME IMPROVEMENT

Renovation materials:

- Sector revenue more than doubled over 2019-24, reaching US\$ 2.5bn in 2024.
- Imports are growing faster than local production.

Household appliances:

- Sector revenue grew at a 5.5% CAGR over 2018-24, reaching US\$ 0.6bn in 2024.
- The household appliances sector is almost fully import-dependent.

Furniture & lighting:

- Sector revenue grew at a 7.7% CAGR over 2018-24, reaching US\$ 0.5bn in 2024.
- Sector is highly fragmented, with many small individual traders and manufacturers operating in the sector.



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SECTOR OVERVIEW

SECTOR OVERVIEW

The revenue of the construction materials and home improvement sector reached US\$ 5.7bn in 2024

Construction materials & home improvement sector structure and revenue in Georgia, 2024

SECTOR REVENUE US\$ 5.7bn

CONSTRUCTION MATERIALS (HEAVYSIDE) \$2.1 bn

- Cement
- Concrete
- Asphalt concrete
- Rebar
- STEEL (excl. Rebar)
- Gravel
- Blocks and other products

HOME IMPROVEMENT \$3.6 bn

RENOVATION MATERIALS (LIGHTSIDE) \$2.5 bn

- Tubes, pipes
- Doors and windows
- Cables
- Ceramic tiles
- Working tools
- Bathroom production
- Other products

HOUSEHOLD APPLIANCES \$0.6 bn

- Heating systems
- Cooling systems
- TV
- Ovens
- Refrigerators
- Other products

FURNITURE & LIGHTING \$0.5 bn

- Furniture
- Lighting

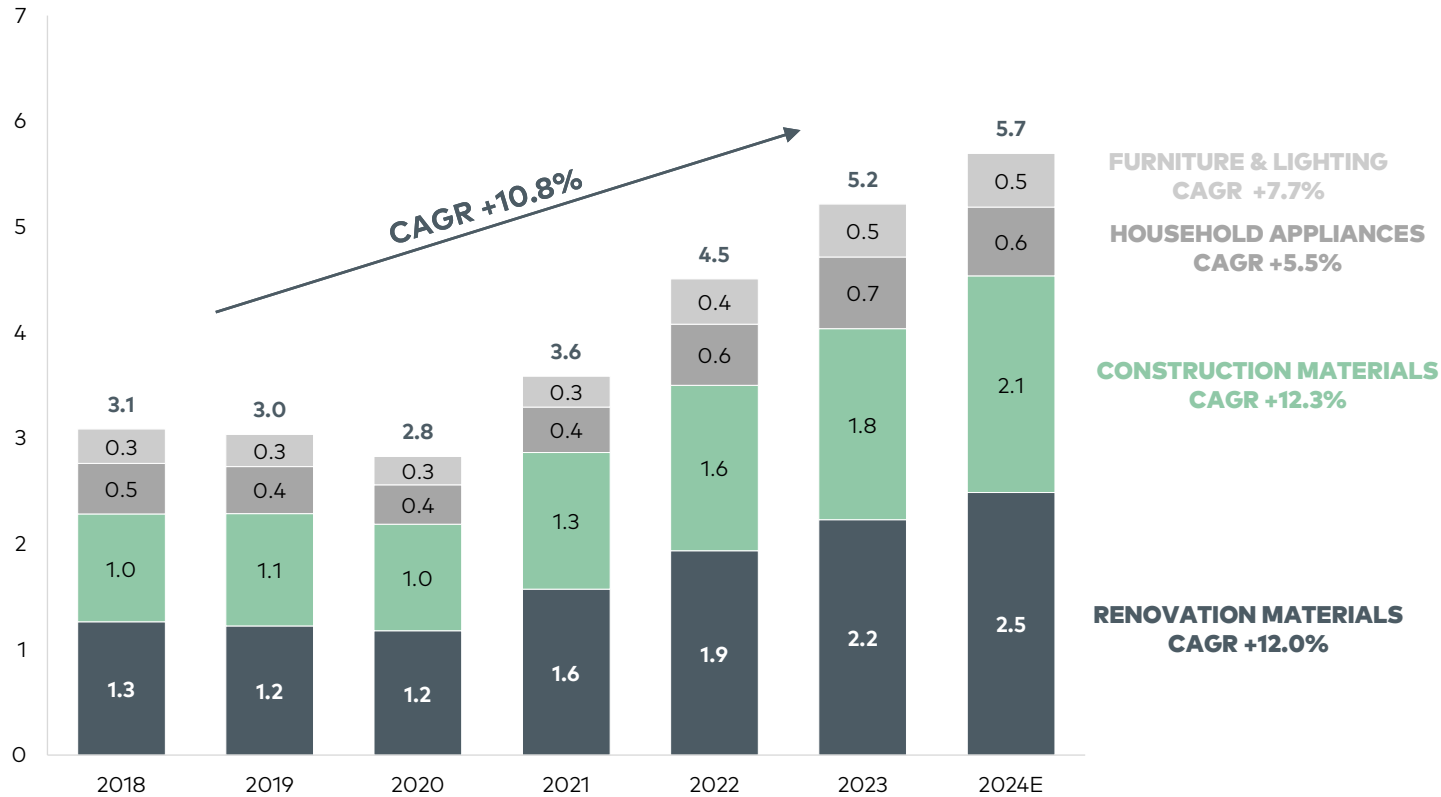
Source: Geostat, SARAS, Galt & Taggart

Note: The household appliances subsector does not include mobile phones, computers and other non-household products

SECTOR OVERVIEW

The sector revenue remained stable pre-pandemic, then surged with a 19.2% CAGR over 2020-24

Revenue of construction materials and home improvement sector, US\$ bn



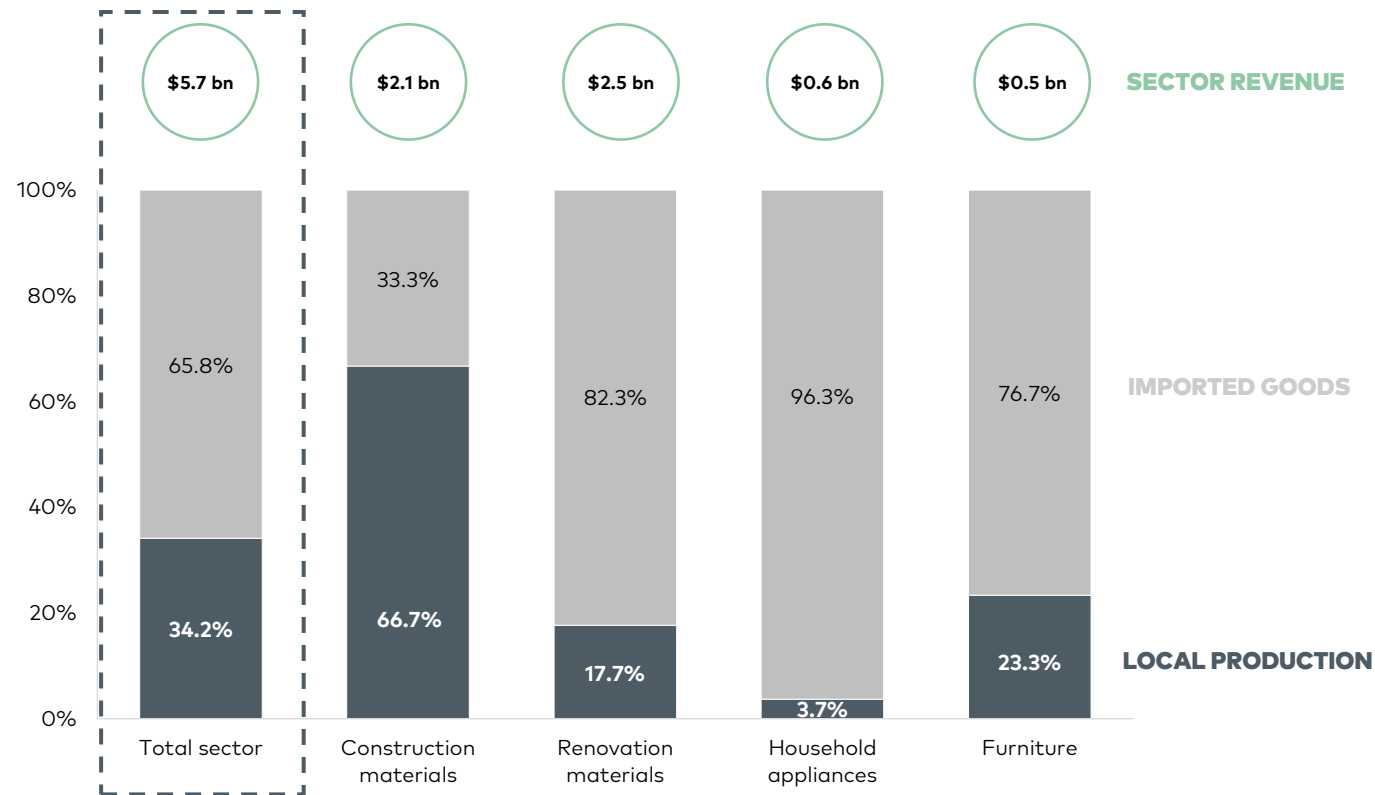
The construction materials and home improvement sector's revenue growth over 2020–2024 was driven by two main factors: price growth and increased demand, supported by:

- High infrastructure spending;
- Record-high issuance of construction permits;
- Post-pandemic surge in real estate demand.

SECTOR OVERVIEW

Almost two-thirds of revenue in construction materials and home improvement sector comes from imported goods

Local production and import breakdown by sector in 2024



While the sector is import-dependent overall, the reliance on imports varies significantly across sub-sectors:

Construction materials: Local production accounts for 66.7% of the sector revenue, supported by a strong local industry and the difficulty and cost of transportation, discouraging imports;

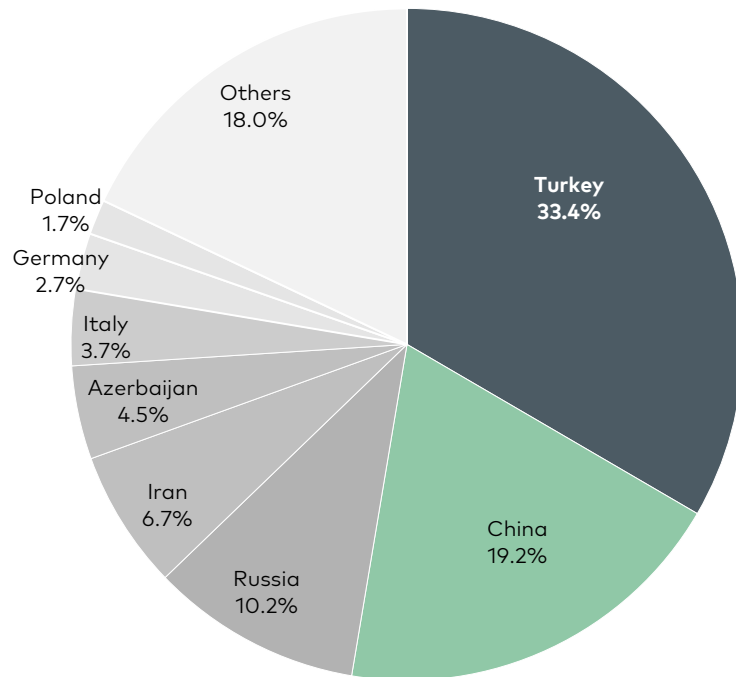
Renovation materials & furniture: In both sub-sectors, the majority of revenue is generated from imports, with local production limited to a few niche segments;

Household appliances: This sub-sector is almost entirely import-dependent; the only locally produced items are water heaters, which are mostly exported.

SECTOR OVERVIEW

Turkey and China are main source markets, accounting for over 50% of total import value in 2024

The value of imported construction materials & home improvement products by country, 2024

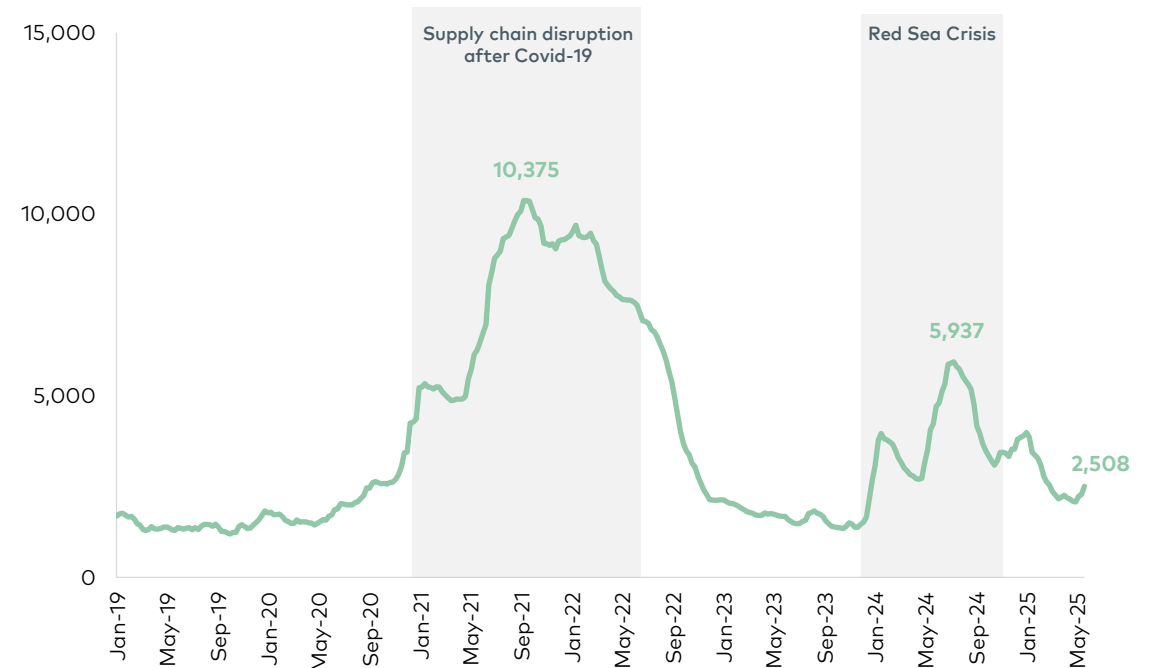


Turkey is Georgia's top trading partner, benefiting from its developed manufacturing sector and geographic proximity, which helps keep transportation costs low. China ranks second, primarily supplying steel and plastic products.

Source: Geostat, Galt & Taggart, Drewry

Note: FEU – forty foot equivalent unit

Drewry Global Container Shipping Index, \$/FEU*

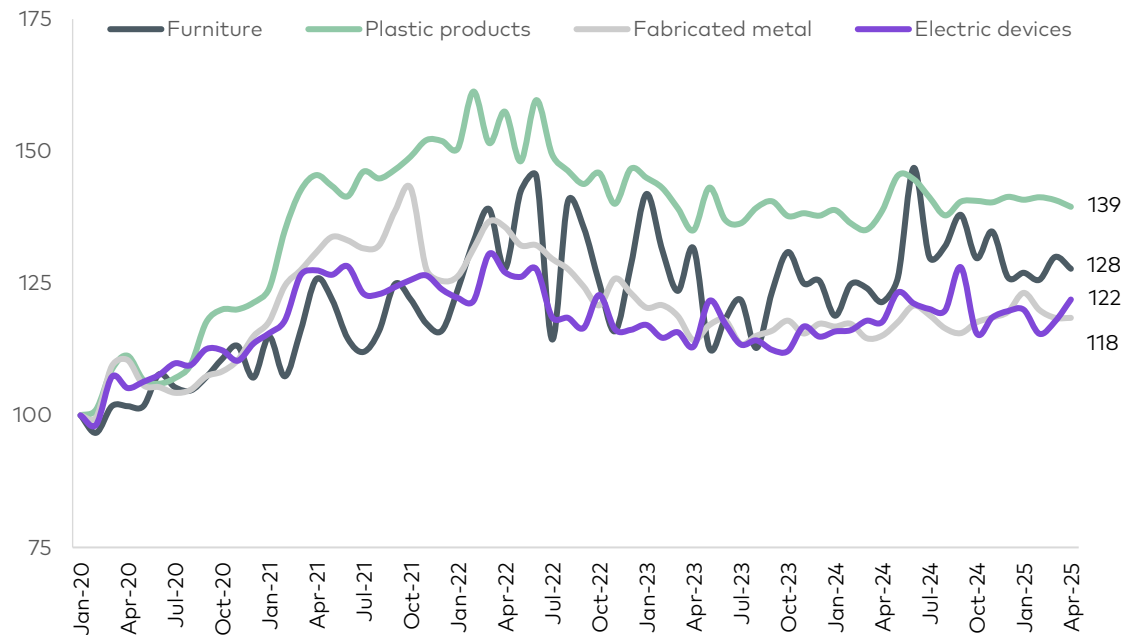


Transportation costs—an important component of import expenses—first surged during the pandemic, peaking in 2021 due to global supply chain disruptions. A second spike occurred in 2024, driven by the Red Sea crisis, which disrupted shipping routes and increased freight costs. However, the 2024 increase had a more limited impact on material prices compared to 2021.

SECTOR OVERVIEW

Home improvement prices are trending upward - with fluctuations driven by import dependency - while construction material prices are increasing steadily

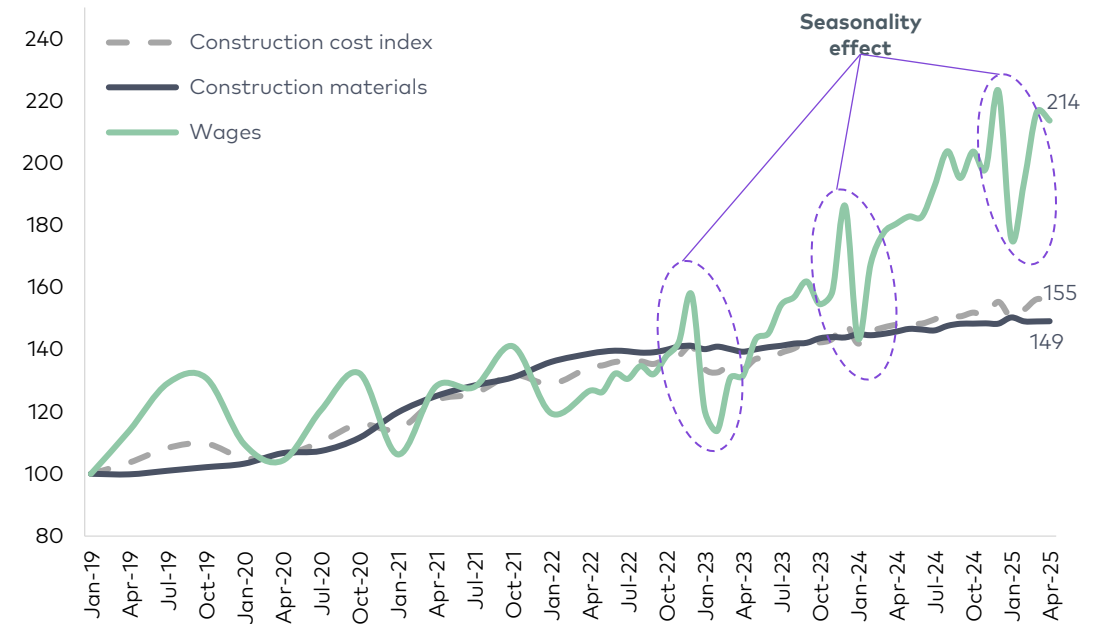
Import price index for selected products in Georgia in GEL, Jan-2020=100



High import dependency makes the home improvement sector vulnerable to global factors. Consequently, rising transportation and commodity costs, coupled with the GEL depreciation in 2021-22 and a further spike in transportation costs due to the Red Sea crisis in 2024, drove up import prices for home improvement materials. However, the impact of the Red Sea crisis has eased in 2025.

Source: Geostat, Galt & Taggart

Construction cost index in GEL, Jan-2019=100



Prices of construction materials, which are predominantly locally produced have fluctuated less, but grew significantly in 2021-22, driving up the construction costs. Price growth has slowed since mid-2022, but the construction cost index continued to increase, reflecting wage growth. Notably, construction materials and wages account for over 80% of total construction costs.



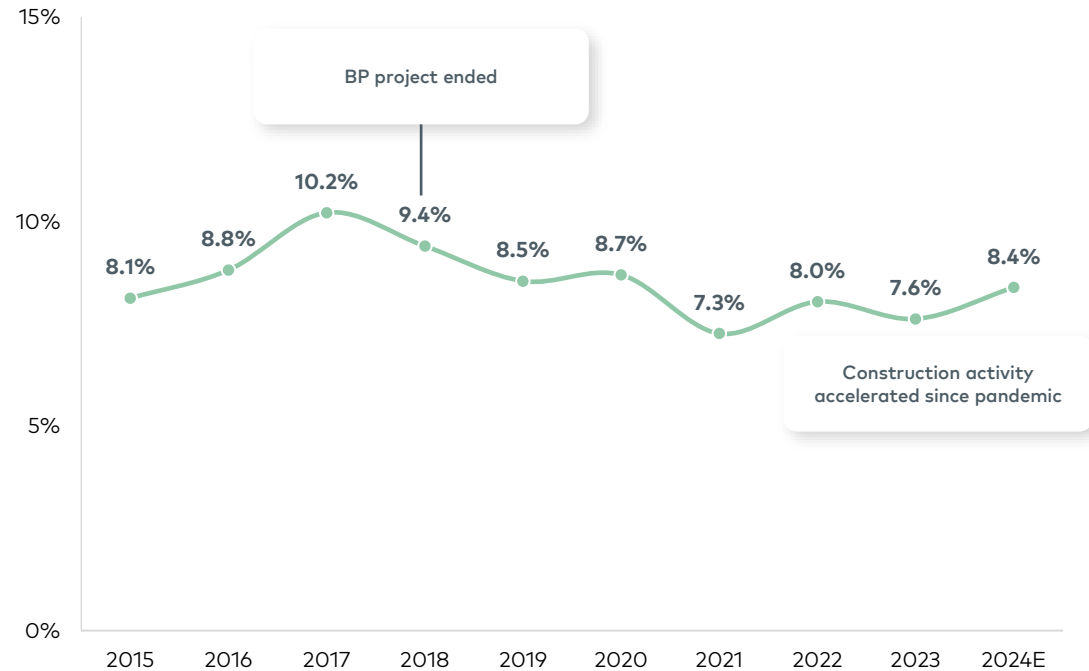
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DEMAND DRIVERS

DEMAND DRIVERS

Construction is one of the key drivers of Georgia's economy, generating strong demand for construction materials and home improvement sectors

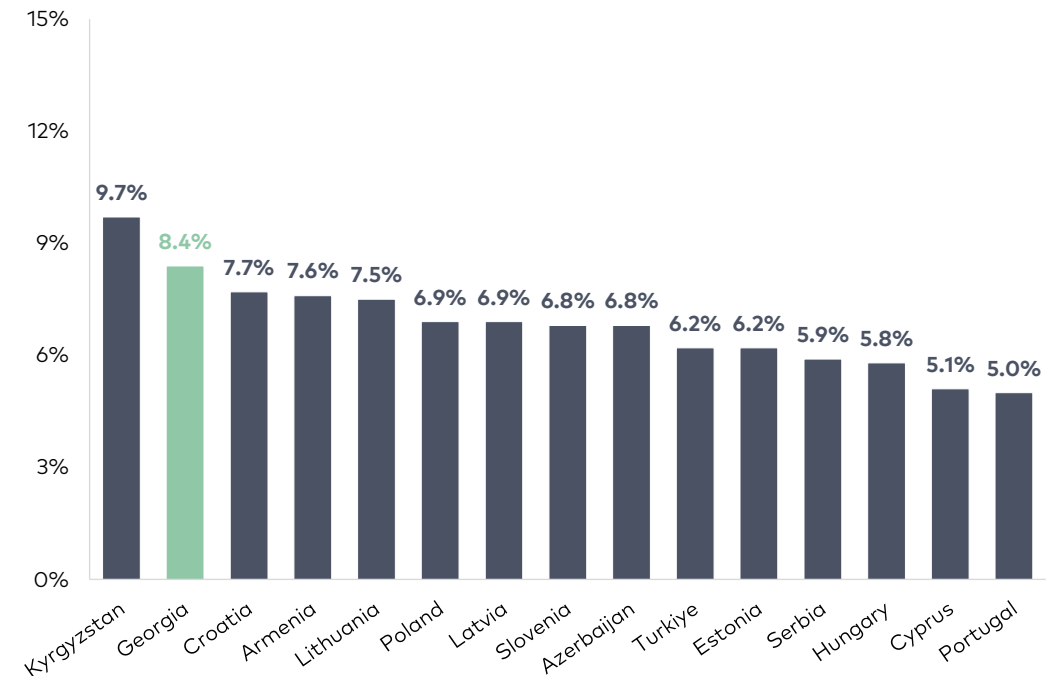
Construction sector share in GDP of Georgia, %



Georgia's construction sector, which includes both public infrastructure investment and private residential and non-residential activity, has been among the key drivers of economic growth. The sector's contribution to GDP has fluctuated between 8–10% over 2015-24, and is expected to remain high.

Source: Geostat, UNDCDC

Construction sector share in GDP by country, 2024

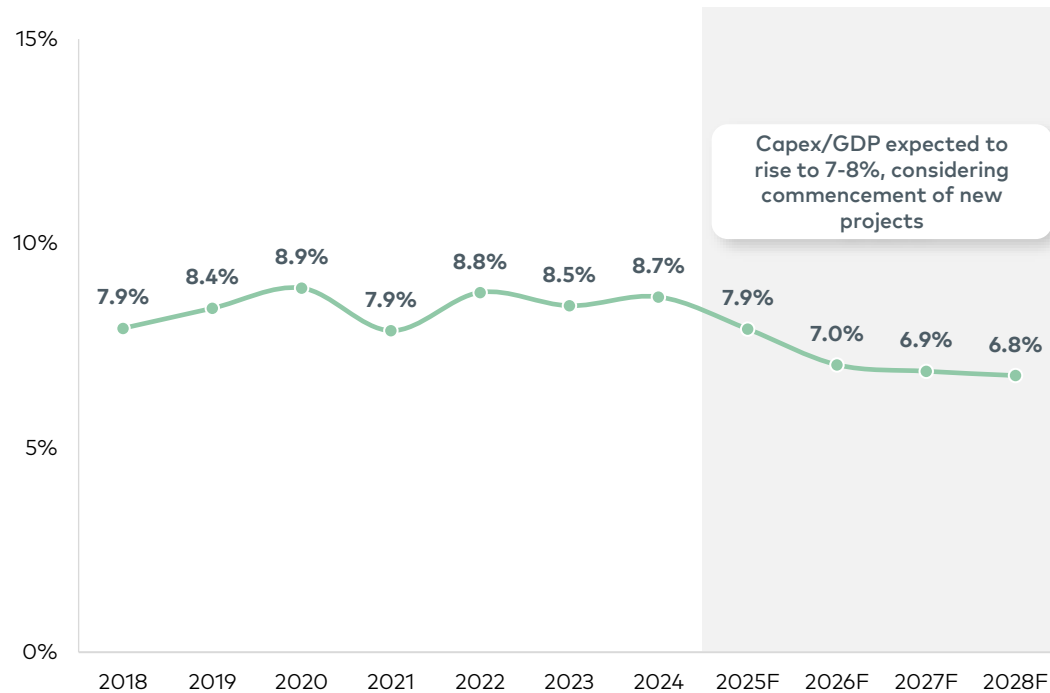


In 2024, construction accounted for 8.4% of Georgia's GDP - the highest share in the region and one of the highest compared to peer countries.

DEMAND DRIVERS

Construction permit issuance peaked in 2024 and public capital expenditures to GDP remained high

Government capital expenditures to GDP, %

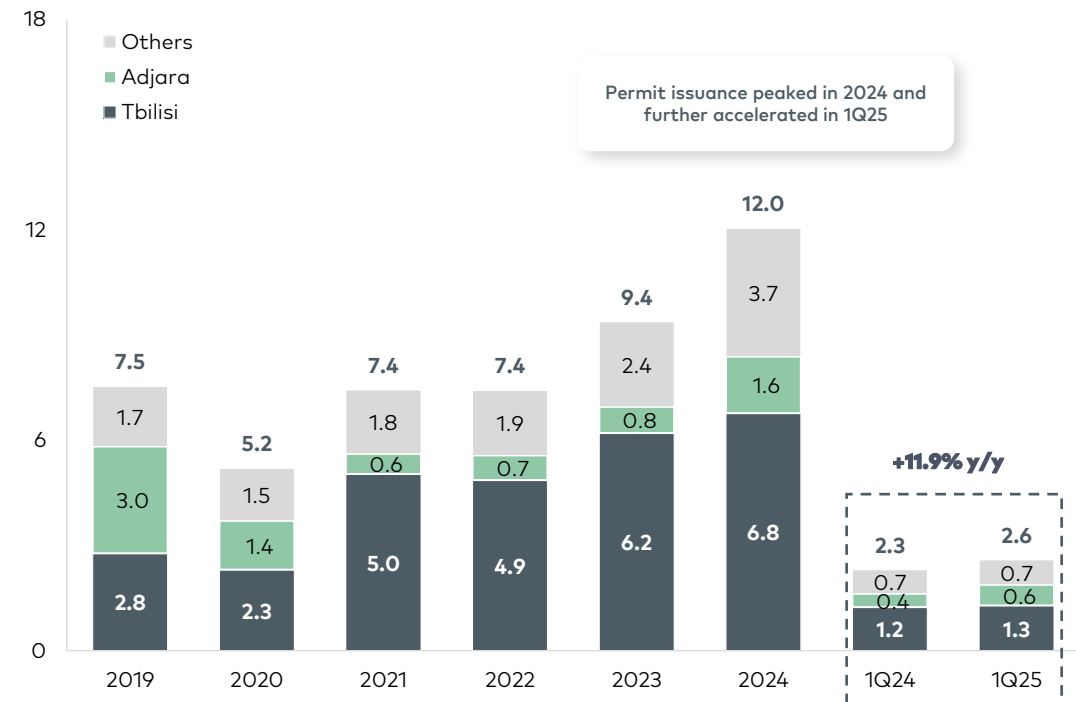


Public capex stood at GEL 7.9bn or 8.7% of GDP in 2024. The ratio of infrastructure spending to GDP in Georgia is higher compared to other developing countries where this ratio ranges between 4-7%.

Source: Geostat, Ministry of Finance, Galt & Taggart

Note: Based on consolidated budget

Construction permit issuance in Georgia, mn sq.m.

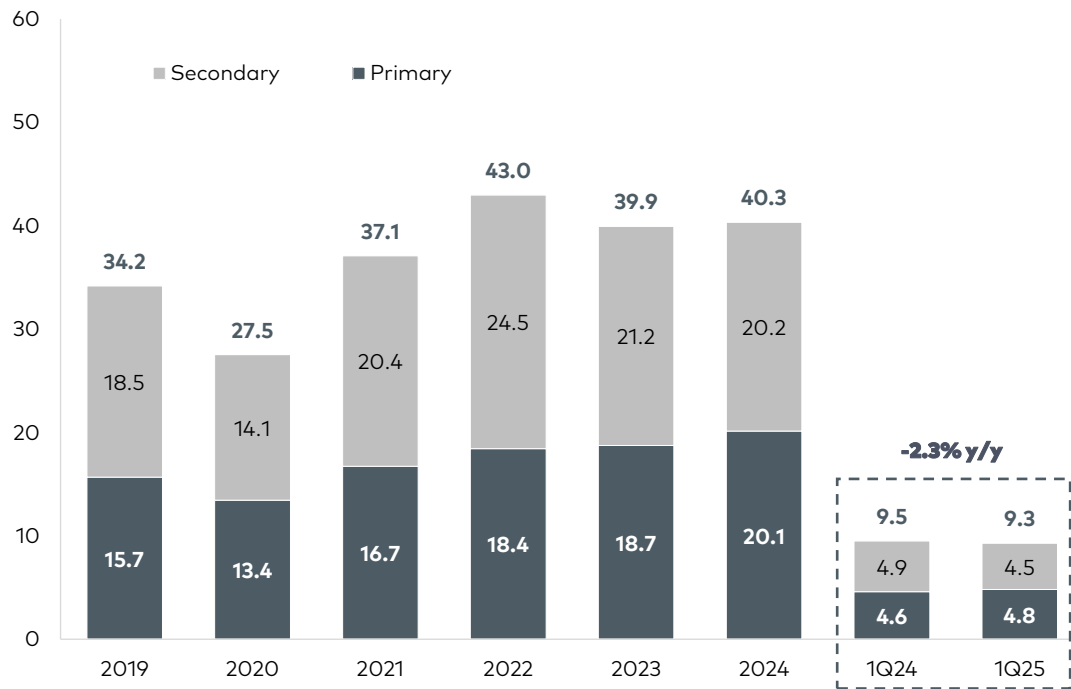


Construction permits have been on an upward trajectory since 2020, with the issuances peaking in 2024, suggesting the high demand for construction materials & home improvement products in coming years.

DEMAND DRIVERS

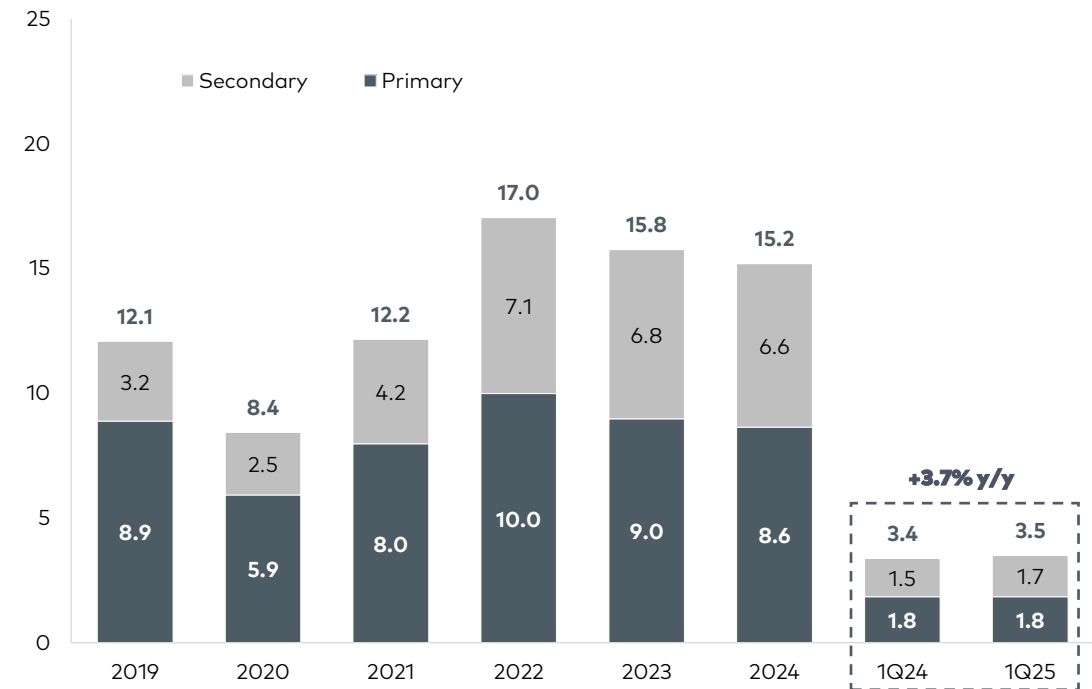
High apartment sales support demand for home improvement products

Number of apartments sold in Tbilisi, '000 units



After the record 2022, apartment sales in 2023-24 slightly slowed down in Tbilisi. However, sales are increasing in the primary market, creating demand for home improvement products, furniture and household appliances.

Number of apartments sold in Batumi, '000 units



The similar trend is observed in Batumi, with real estate sales stabilizing in 2023-24 after the record high base in 2022. Notably, the number of sold apartments was up 3.7% y/y in 1Q25.



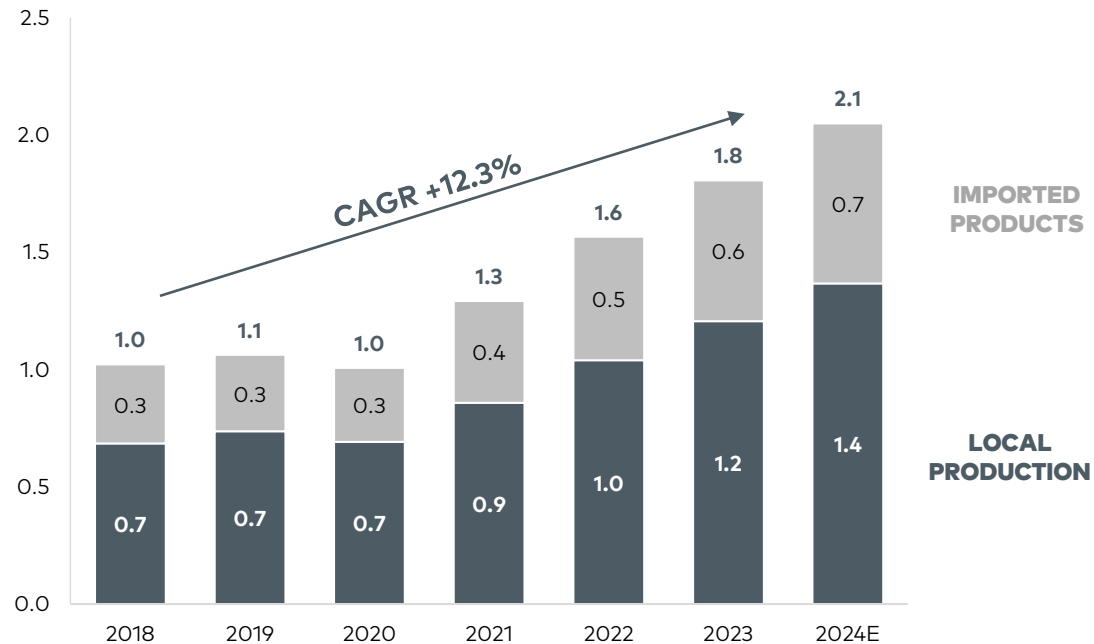
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CONSTRUCTION MATERIALS SECTOR

CONSTRUCTION MATERIALS SECTOR

Construction materials are mainly produced locally

Revenue of construction materials sector, US\$ bn

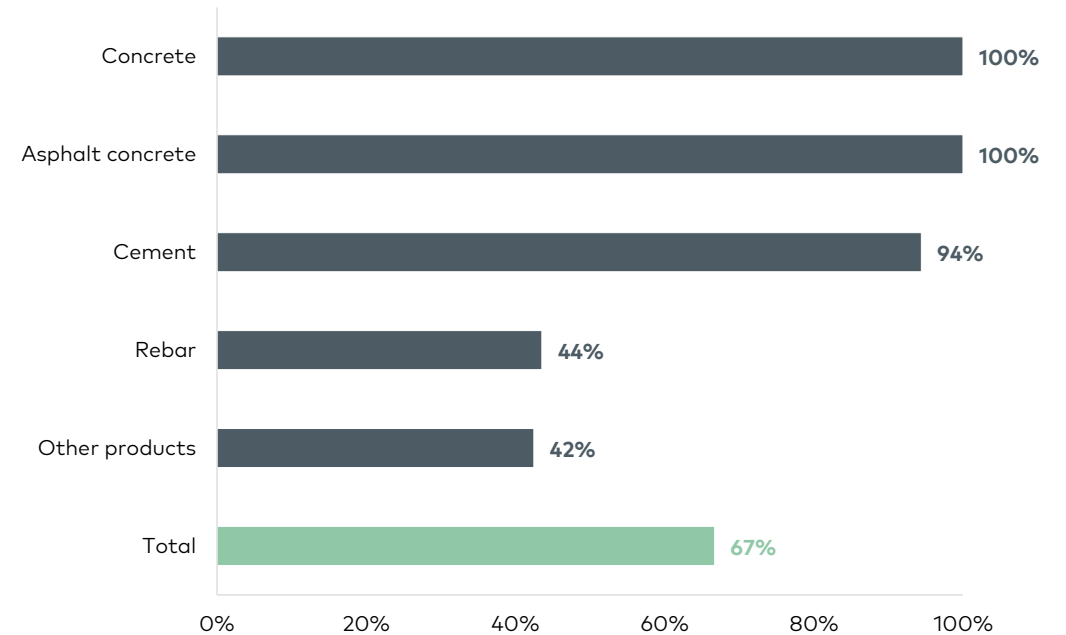


The construction materials sector revenue more than doubled in 2024 compared to 2020. This increase was driven by the price growth as well as a rapid demand recovery in construction sector, following the pandemic.

Source: Geostat, SARAS, Galt & Taggart

Note: The estimated value of imported products includes the retail margin

Share of local production in the construction materials sector in Georgia, 2024

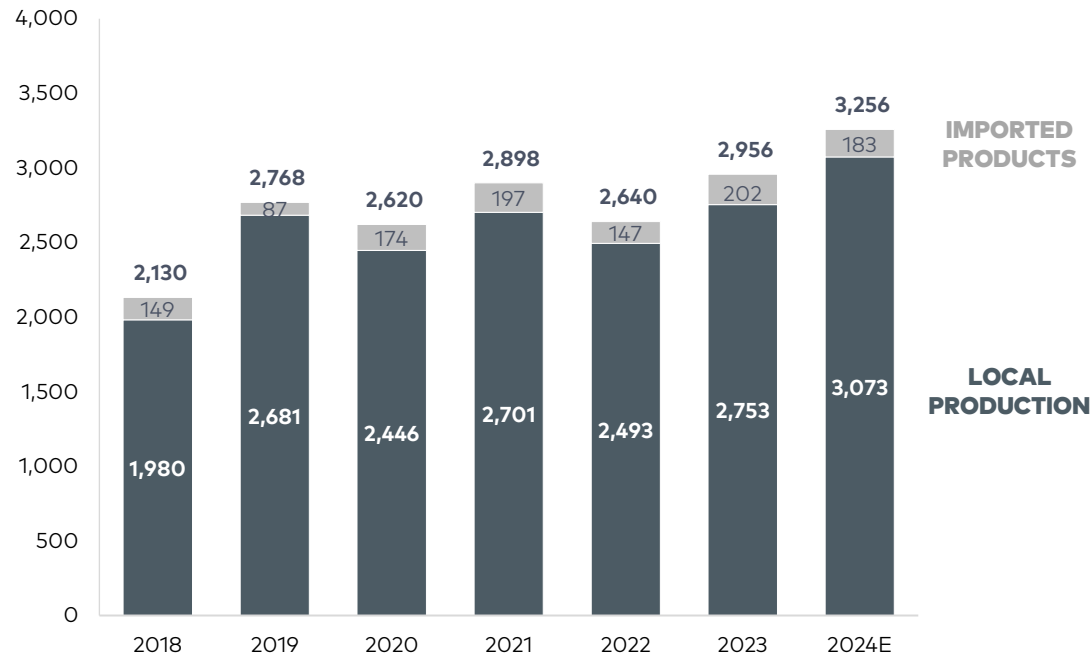


A large portion of construction materials, such as concrete, asphalt concrete, and cement, is produced locally, while rebar and other steel products are mostly imported.

CONSTRUCTION MATERIALS - CEMENT

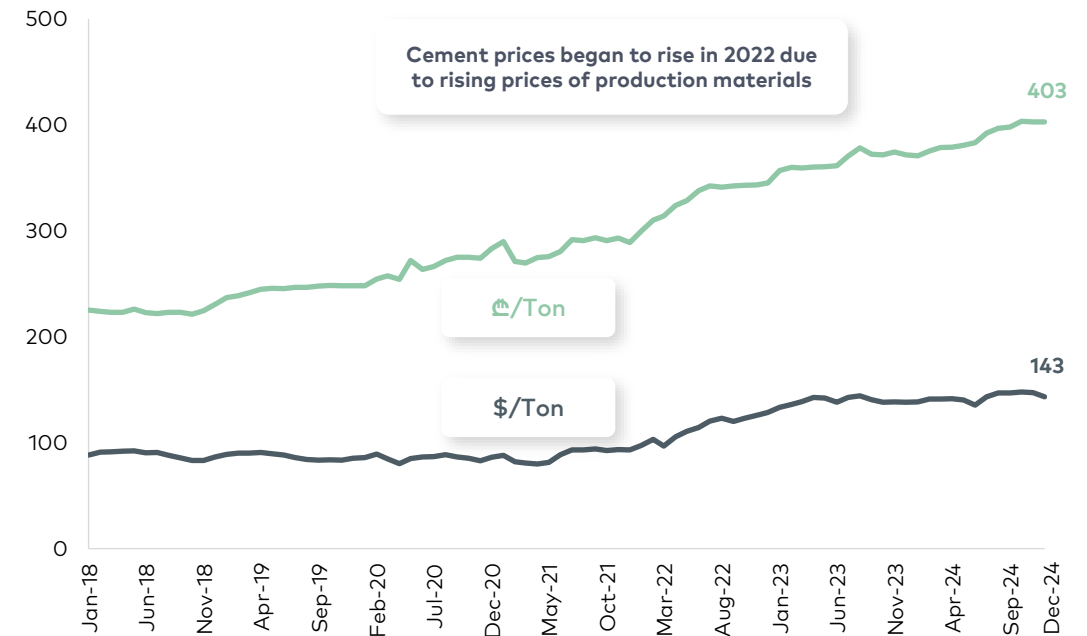
Cement, a key construction material, is almost fully sourced from domestic production

Cement production and foreign trade in Georgia, '000 tons



Cement consumption is mainly met by local production, while small volumes of cement were imported from Turkey (75.1% of total imports) and Azerbaijan (24.9%) in 2024.

Cement retail price in Georgia

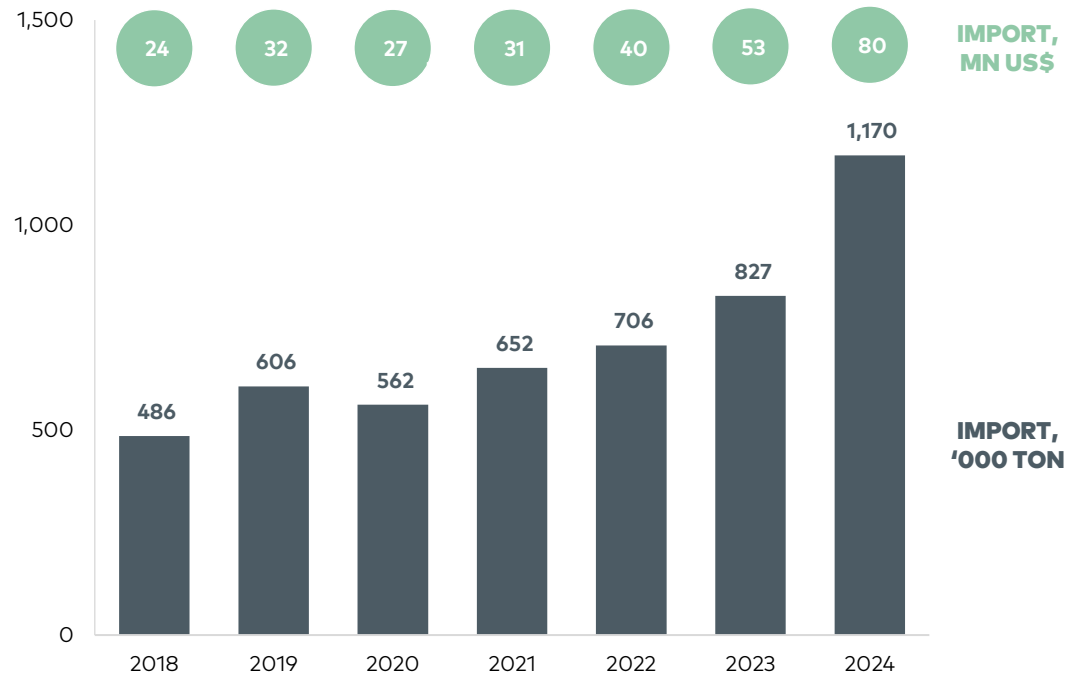


Cement prices were mostly stable before 2021, but started to rise rapidly since then, due to increase in the price of production materials - clinker and coal.

CONSTRUCTION MATERIALS - CEMENT

Cement prices have been rising since 2021, largely due to increased costs for clinker - the main production material

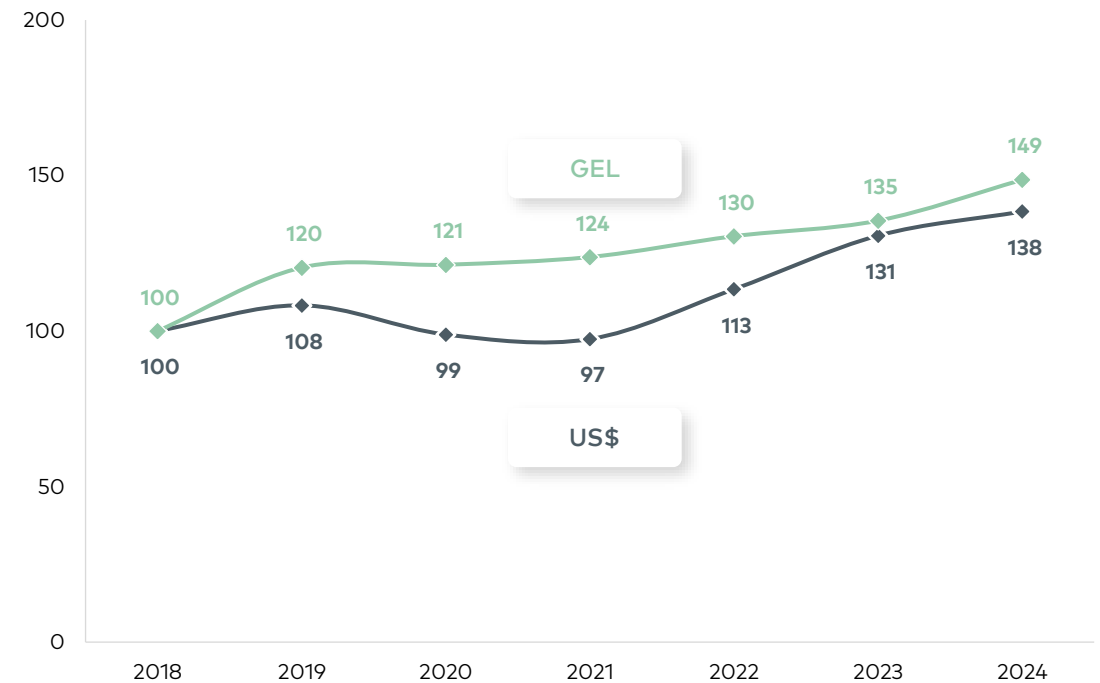
Clinker import in Georgia



Clinker imports have increased 15.8% CAGR over 2018-24, driven by the growth in local cement production and limited clinker output domestically. In 2024, Azerbaijan supplied 68.8% of Georgia's clinker imports and Turkey accounted for the remaining 31.2%.

Source: Geostat, Galt & Taggart

Clinker import price index, 2018=100

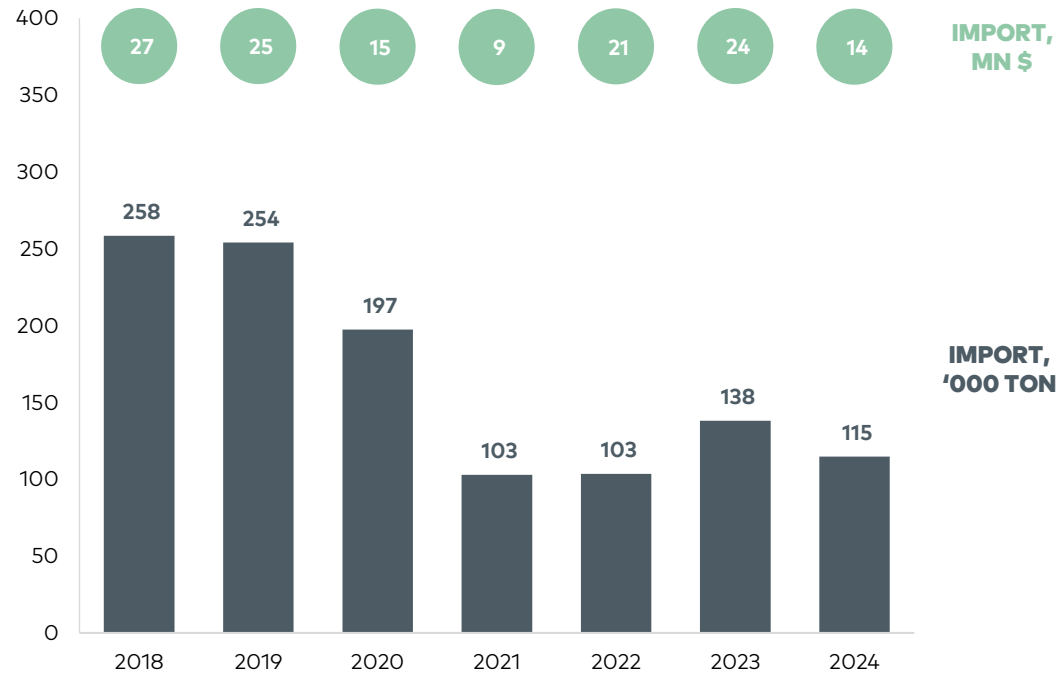


The price of clinker has been on an upward trajectory since 2021, rising by 42.1% in US\$ terms and 20.1% in GEL over 2021-24.

CONSTRUCTION MATERIALS - CEMENT

The rising cost of coal - another key input in cement production - has further driven up cement prices, shifting local producers to locally produced coal

Coal import in Georgia



The rising global prices for coal in 2021–22 reduced imports, prompting a shift to domestic alternatives. Local coal remains the main source for cement production in Georgia, despite the price subsidization globally. Notably, local coal production has ranged between 140–146k tons over 2021–23, up from 80k tons in 2020.

Source: Geostat, Bloomberg

Coal price, \$/metric ton

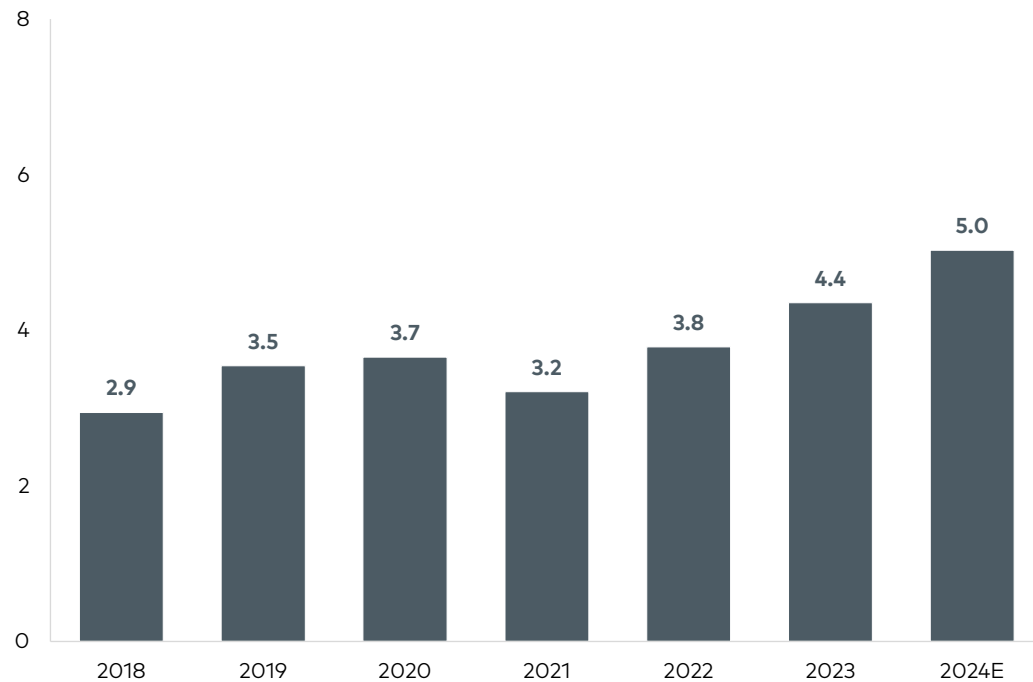


Starting from 2021, global coal prices have peaked caused by the supply-demand imbalance and rising gas prices. The Russia-Ukraine war further intensified the price surge, though figures began to decline at the end of 2022. Most recently, reduced demand from China has contributed to lower coal prices in 2025.

CONSTRUCTION MATERIALS - CONCRETE

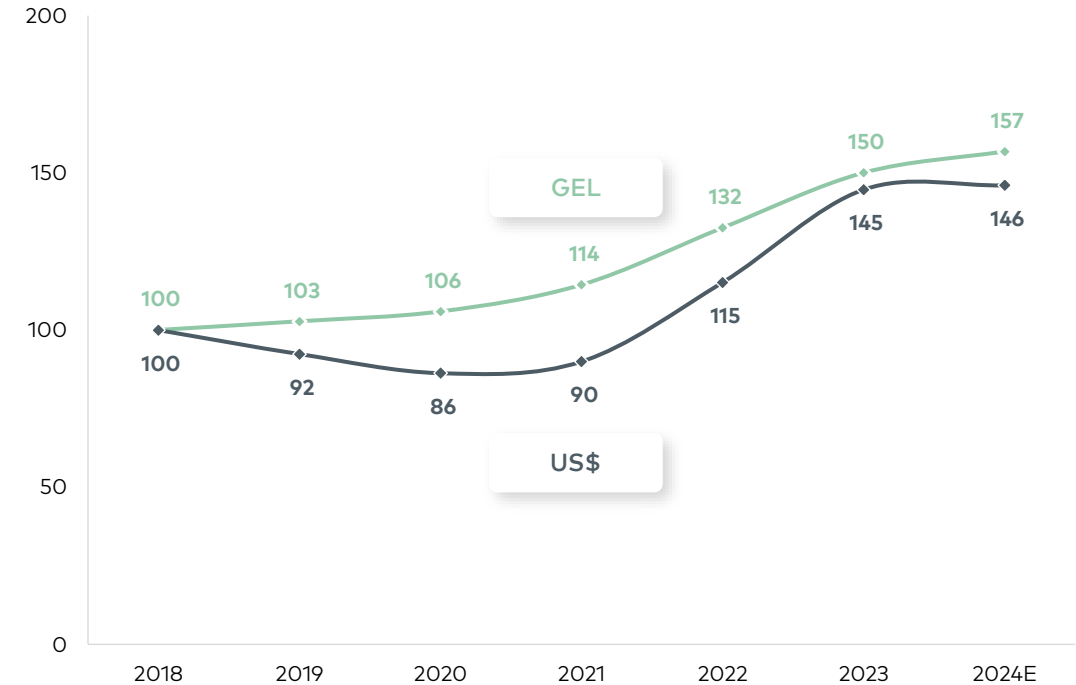
Concrete production and price peaked in Georgia in 2024

Concrete production in Georgia, mn cubic meters



Concrete production rose by 15.4% y/y to a record 5.0mn cubic meters in 2024, driven by infrastructure projects and increased residential construction activity.

Concrete price index, 2018=100

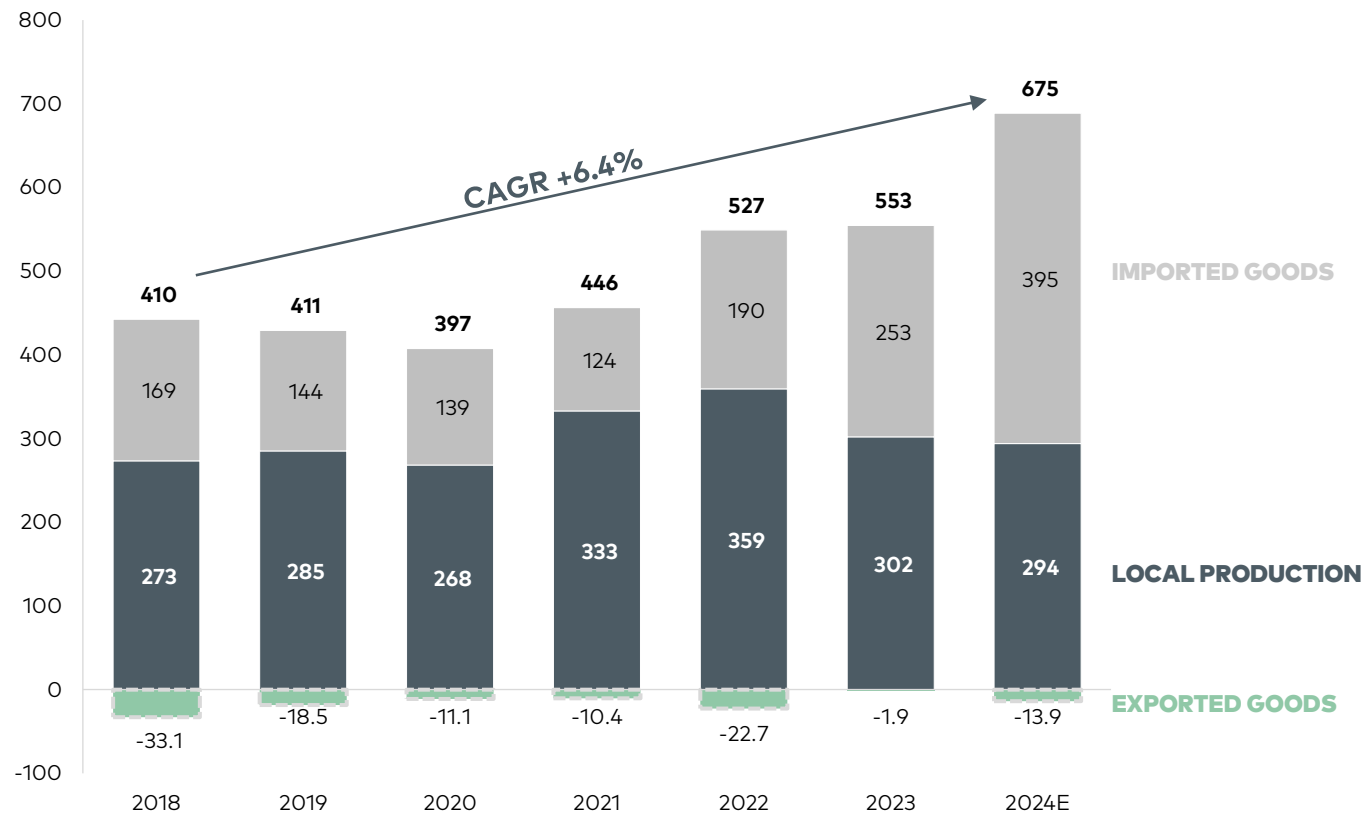


The concrete prices increased rapidly from 2021, driven by high demand and growth in cement prices, which is the main production material for concrete.

CONSTRUCTION MATERIALS - REBAR

While rebar has mainly been produced in Georgia, a recent rise in imports dropped the domestic production's share to 43.5% in 2024 from 74.7% in 2021

Rebar production and foreign trade in Georgia, '000 tons



Rebar consumption in Georgia increased by an average of 8.7% in 2018-24, reaching 674,889 tons in 2024.

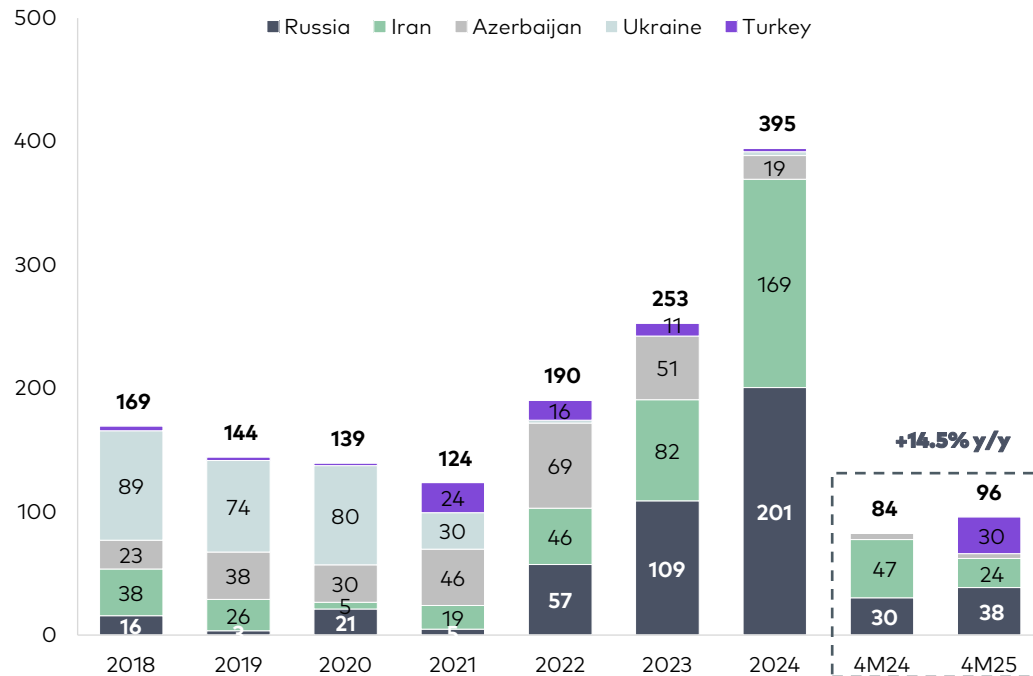
Geosteel and Rustavi Steel, the two largest companies, produce over 90% of rebar in Georgia.

Rebar imports surged in 2022-24, driven by low prices from two key source markets. To support local producers, the government has set a fee of 420 GEL per ton on imports, effective from January to September 2025 (with a possible extension), excluding rebar from countries with EUR.1 certification.

CONSTRUCTION MATERIALS - REBAR

The growth in rebar imports was driven by the low prices on rebar sourced from Russia and Iran

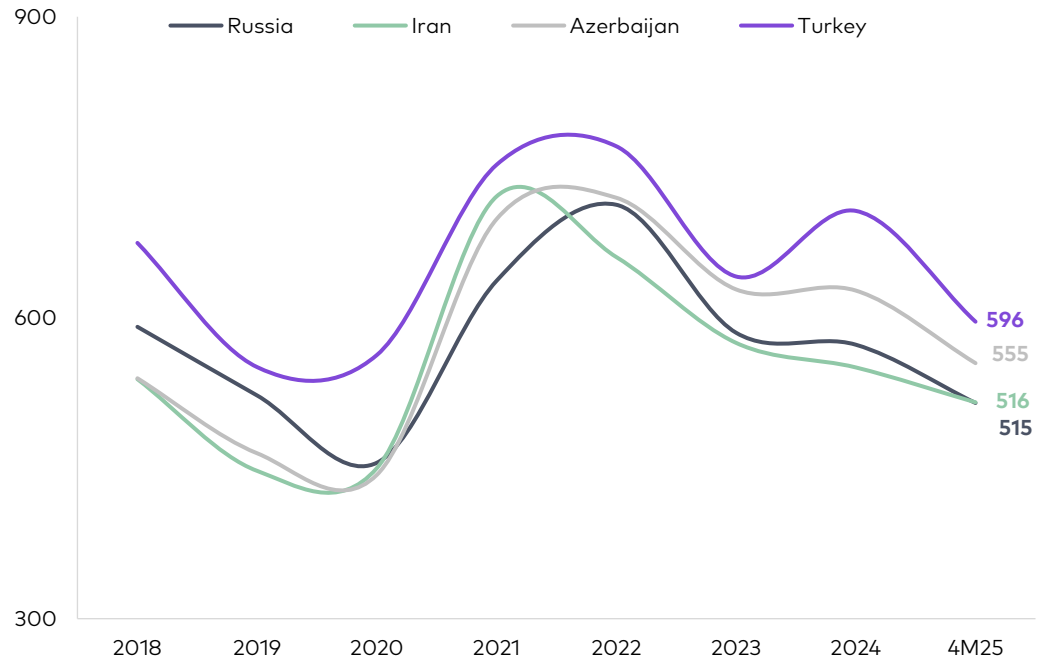
Rebar import by country in Georgia, '000 tons



Rebar imports doubled over 2021-24 due to significantly increased flows from Russia and Iran. Imports from these countries are expected to decline, given the government's imposed tariffs from Jan-25 (see previous slide). Meanwhile, the rise in rebar imports in 4M25, was driven by the rising shipments from Turkey, which are exempt from the tariff.

Source: Geostat, Galt & Taggart

The average import price of rebar by country excluding tariffs, \$/ton

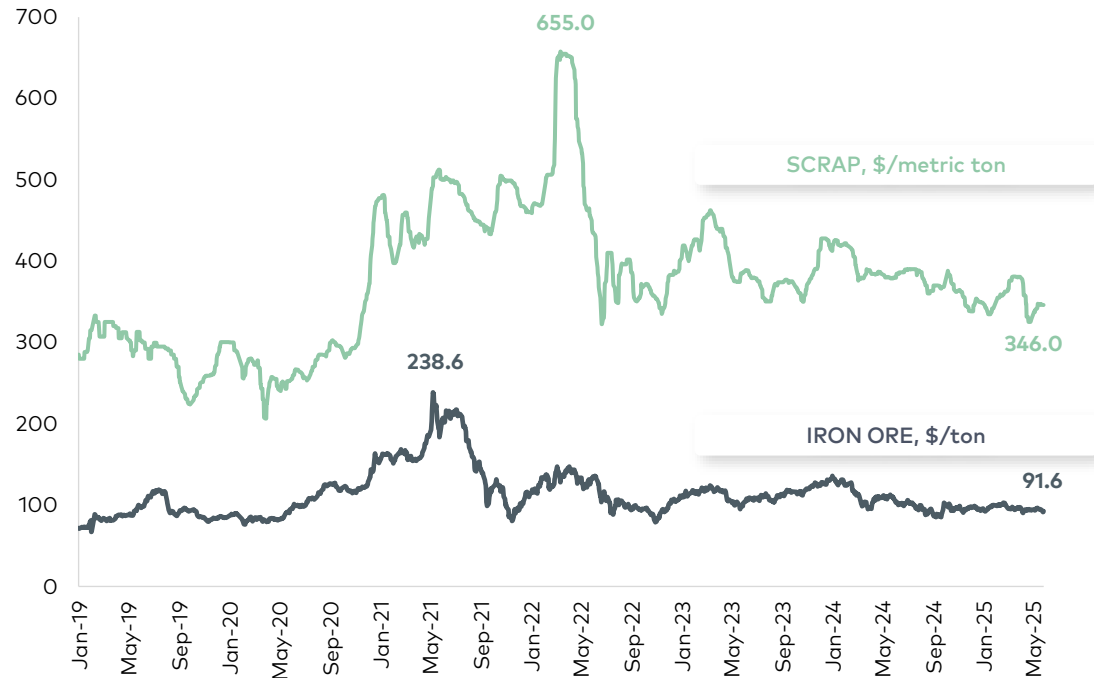


The tariffs are expected to increase imported rebar prices from affected countries by c. \$150, according to our estimates.

CONSTRUCTION MATERIALS - REBAR

Factors affecting rebar and steel prices have largely stabilized since 2023

Iron ore and scrap prices



Scrap and iron ore are the two main input materials for rebar production. Their prices have fluctuated significantly since 2020, driven by supply chain disruptions and the Russia-Ukraine war. The decrease of iron ore and scrap prices is linked to the real estate crisis in China, which reduced demand for steel. The US tariff plans have introduced uncertainty in the market, creating volatility in rebar price expectations.

Source: Bloomberg

Note: HRC – Hot Rolled Coil

Black Sea HRC* price, \$/metric ton



After two years of volatility, Black Sea steel prices have stabilized over the past year. With weak demand from China, demand and prices are expected to remain steady. Modest stimulus measures announced by the Chinese government may support steel demand, but the effect is expected to be limited given subdued market conditions.



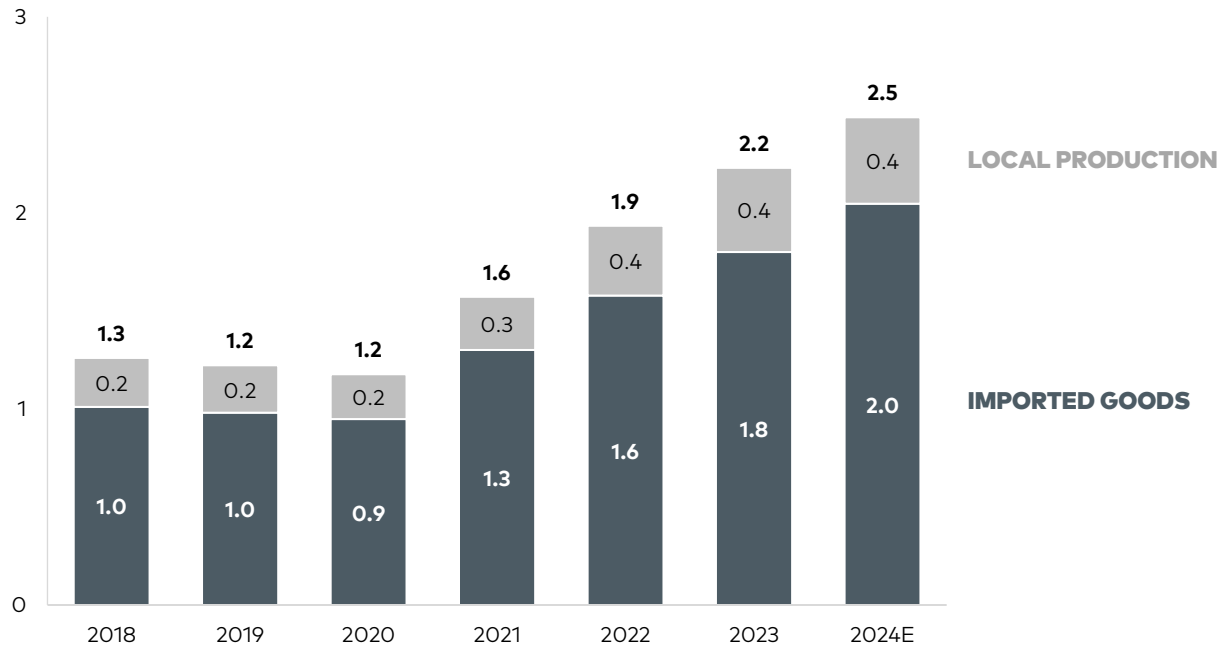
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HOME IMPROVEMENT SECTOR

HOME IMPROVEMENT SECTOR - RENOVATION MATERIALS

Renovation materials sector revenue more than doubled over 2019-24

Renovation materials sector revenue in Georgia, US\$ bn

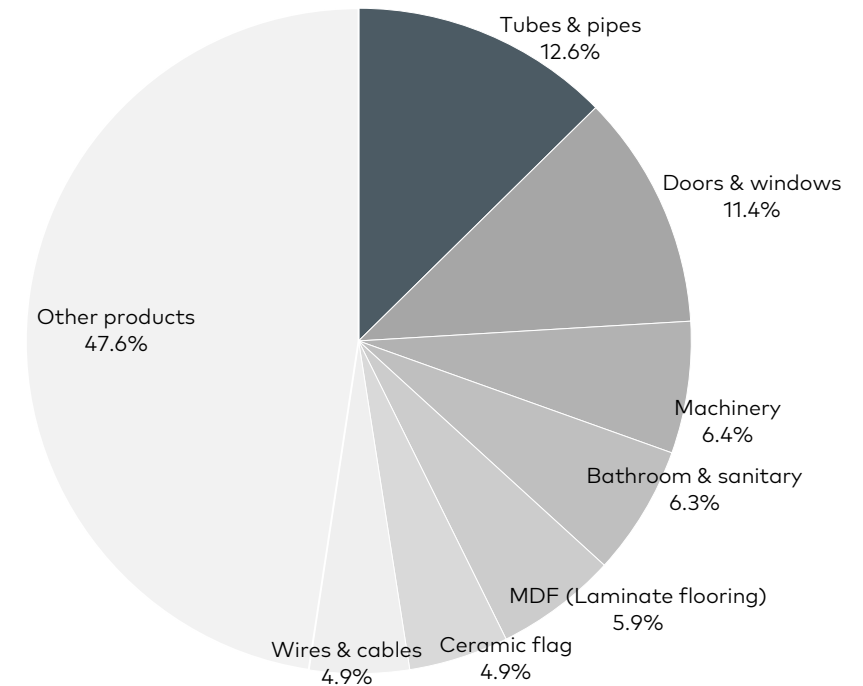


Revenue from the repair materials sector in Georgia grew by an average of 12.0% over 2018-24, reaching \$2.5bn in 2024.

Source: Geostat, SARAS, Galt & Taggart

Note: The estimated value of imported products includes the retail margin

Import of renovation materials by category, 2024

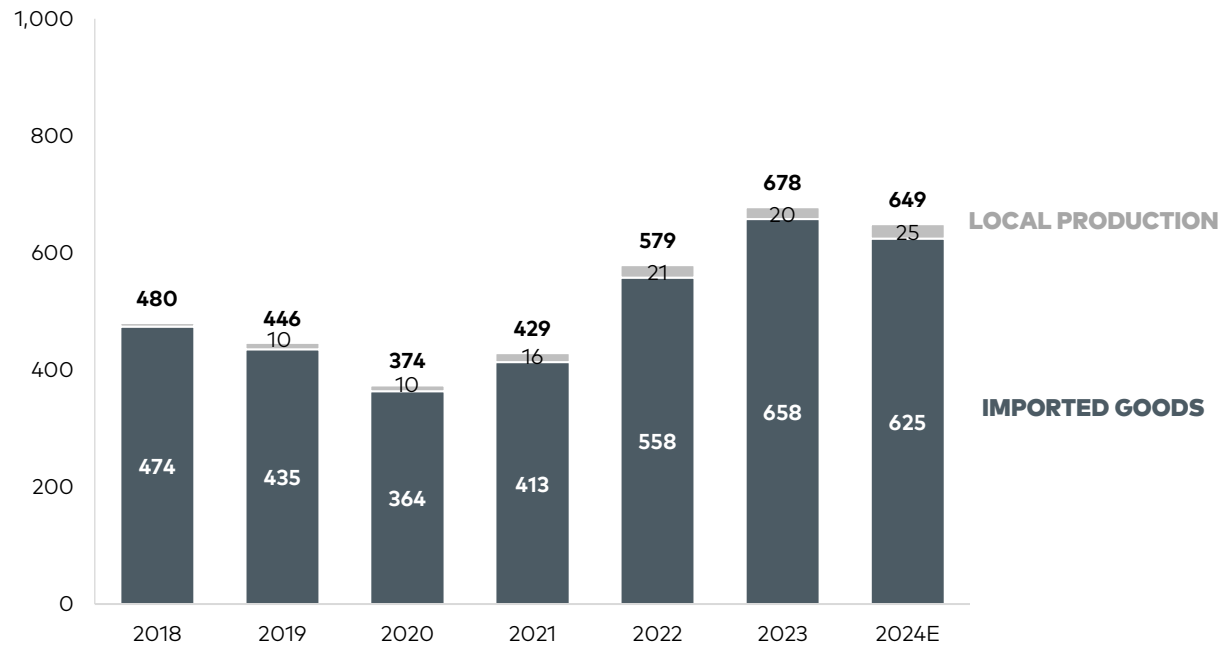


Imports of renovation materials span a broad array of product categories. Turkey is the main import source market with a 42.6% share in 2024.

HOME IMPROVEMENT SECTOR - HOUSEHOLD APPLIANCES

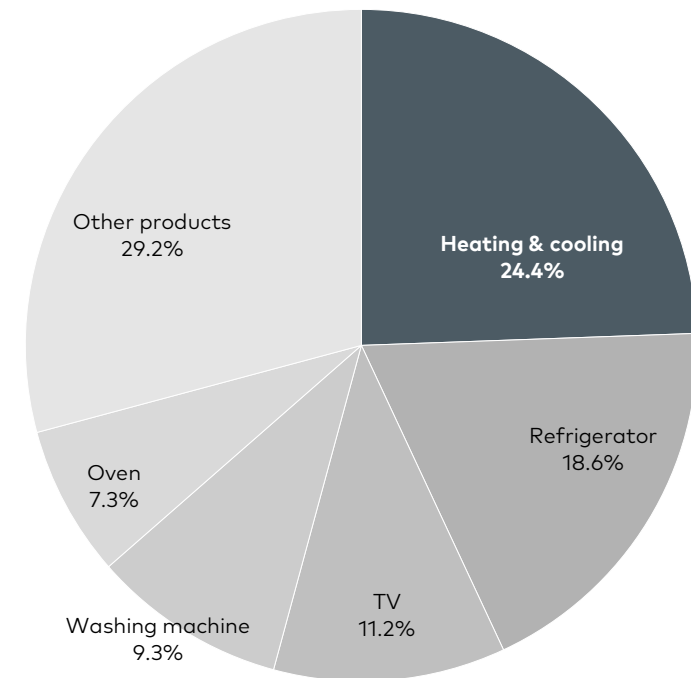
Household appliances sector is entirely dependent on imports

Household appliances sector revenue in Georgia, US\$ mn



The household appliances sector generated US\$662mn in revenue in 2024, marking a modest 3.8% y/y decline after a strong growth base in 2023.

Import of household appliances by category, 2024

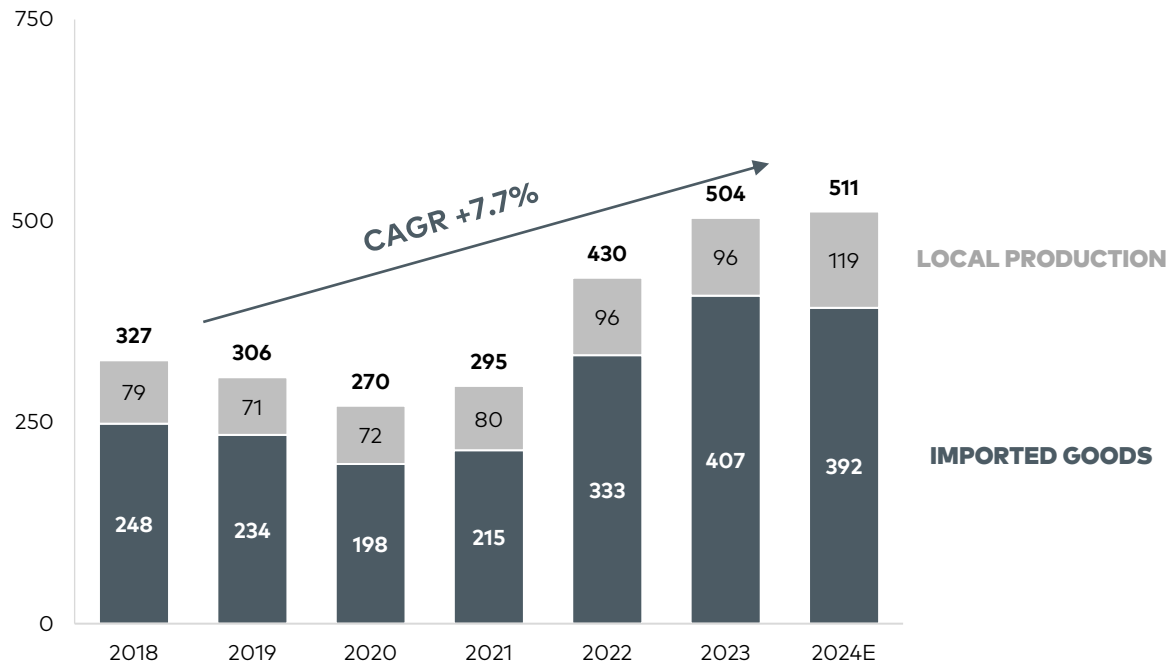


In 2024, China and Turkey were the primary sources of household appliance imports to Georgia, contributing 36.4% and 23.4% of the total, respectively.

HOME IMPROVEMENT SECTOR - FURNITURE & LIGHTING

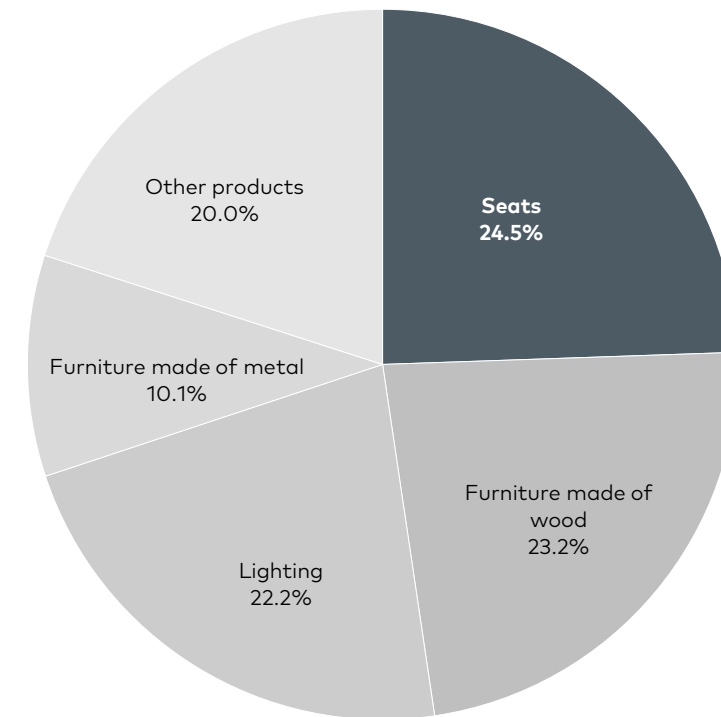
The furniture sector is characterized by many small, independent traders and manufacturers

Furniture & lighting sector revenue in Georgia, US\$ mn



Furniture & lighting sector revenue reached US\$ 511mn in 2024, recording a growth of 7.7% CAGR over 2018-24.

Import of furniture & lighting by category, 2024



Furniture and lighting imports span a wide array of products. In 2024, 31.8% of imported furniture was from Turkey, followed by China with 30.1% share.



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Head of Research

Eva Bochorishvili

evabochorishvili@gt.ge

Senior Analyst

Otar Tsukhishvili

otsukhishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi, 0105, Georgia

Tel: + (995) 32 2401 111

E-mail: research@gt.ge

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