



Research

Transportation and Logistics Sector in Georgia

Sector Snapshots

Issue 11

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SUMMARY

- **Transportation and logistics sector in Georgia:** The sector in Georgia is a vital pillar of the economy, facilitating domestic and international trade. Notably, Georgia's strategic location along the Middle Corridor enhances its significance as a key transit hub connecting Europe and Asia.
- **Sector output:** In 2023, Georgia's transportation and storage sector experienced moderate growth, with its contribution to GDP increasing by 5.1% despite facing challenges like disruptions in trade with Russia. Although the sector's share of total gross output declined slightly (-0.8 percentage points, YoY), it remains vital, contributing 6.5% to the national economy's overall output.
- **Employment:** The transportation and storage sector in Georgia underwent a significant decline in employment in 2023, with an 8.5% decrease, indicating a drop in demand for labor. However, despite this reduction, wages within the sector increased notably by 25.5%, surpassing average remuneration nationally.
- **Rail Transport:** In 2023, Georgia recorded a decrease in its railway transportation volume. While, overall, there was a decline in the volume of goods transported across various modes, imported goods enjoyed a 3.7% increase. Transit remains dominant in Georgia's railway system, while outgoing goods are relatively diverse. At the same time, incoming goods are primarily from Russia and Azerbaijan, with petroleum and petroleum oil imports being significant contributors thereto.
- **Air transport:** The volume of freight and mail carried through the airports of Georgia recorded a 10% YoY increase in 2023, nearing pre-pandemic levels after years of decline.
- **Sea transport:** In 2023, the volume of freight carried through the ports and terminals of Georgia slightly decreased (YoY - 7%), continuing the negative trend reported in the previous year. Meanwhile, the number of containers carried through the ports and terminals of Georgia increased notably (YoY +45%) in 2023, and the number of ships entering Georgia's ports and terminals remained almost unchanged compared to 2022.
- **Trade in transport services:** Imports of transport services in Georgia were higher than exports in 2023. In Q1-Q3 2023, both imports and exports of transport services grew (YoY +28% and YoY +14%, respectively). The highest YoY growth here was recorded in the imports of air transport and sea transport services (42% respectively) followed closely by exports of air transport services (39%).
- **Outlook:** Looking ahead, Georgia's transportation and logistics sector is expecting further growth and development. Despite recent challenges, the sector's strategic location along the Middle Corridor presents promising opportunities for expansion. With ongoing efforts to enhance infrastructure and connectivity, Georgia is well-positioned to strengthen its role as a key transit hub between Europe and Asia.

GEORGIA: TRANSPORT NETWORK MAP

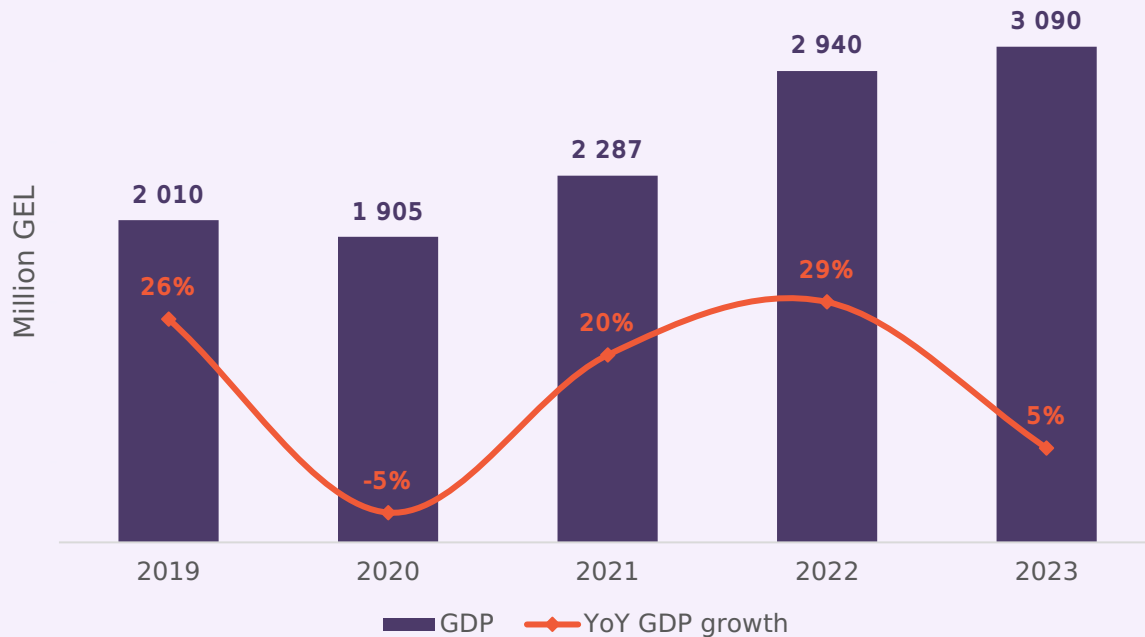


- Railway
- Baku-Tbilisi-Kars Railway
- International Highway
- Highway (Under Construction)
- Railway Station
- Border Crossing Point
- International Airport
- Sea Port
- Oil Terminal

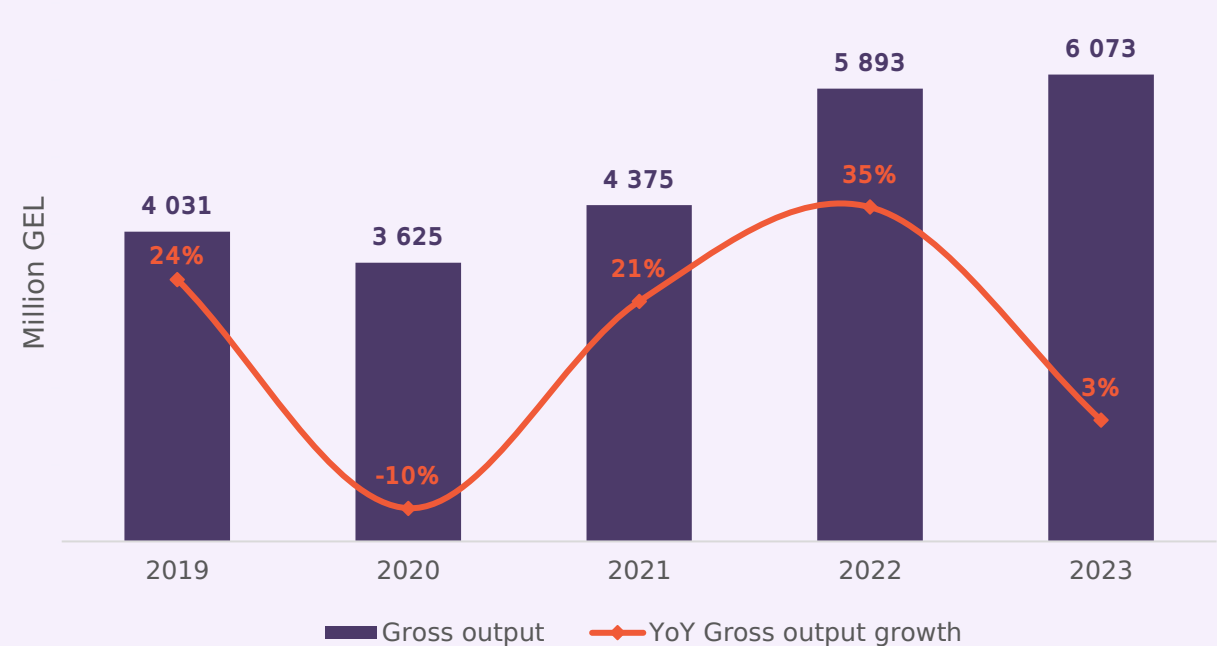
SECTOR OVERVIEW

- **The transportation and storage sector grew moderately in 2023.** Of note, its GDP contribution increased by 5.1% YoY in 2023. This rise materialized despite a high base effect, after countries had to switch from the 'northern route' to avoid trading through or with Russia after its invasion of Ukraine in 2022.
- **The transportation and storage sector remains vital to the Georgian economy.** In 2023, the sector's gross output amounted to 6.5% of the national total, though it experienced a slight YoY decline in this regard (-0.8 percentage points).

Graph 1: GDP at current prices: transportation and storage (9M)



Graph 2: Gross output at current prices: transportation and storage (9M)

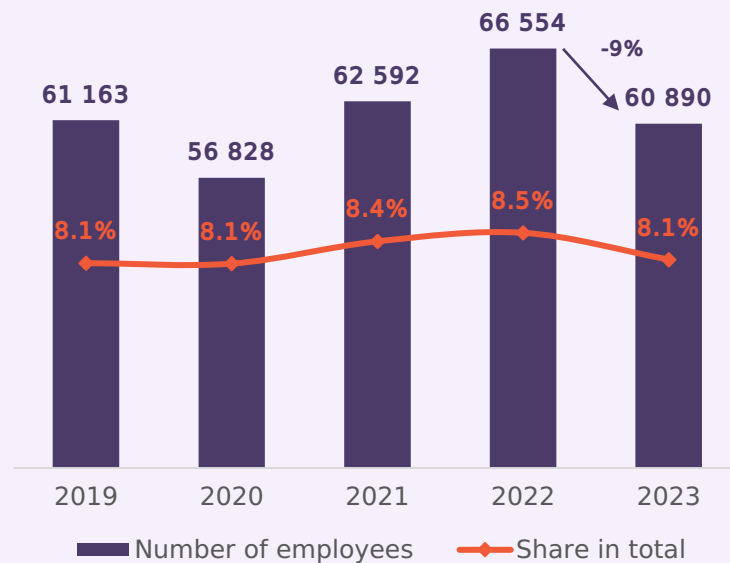


EMPLOYMENT

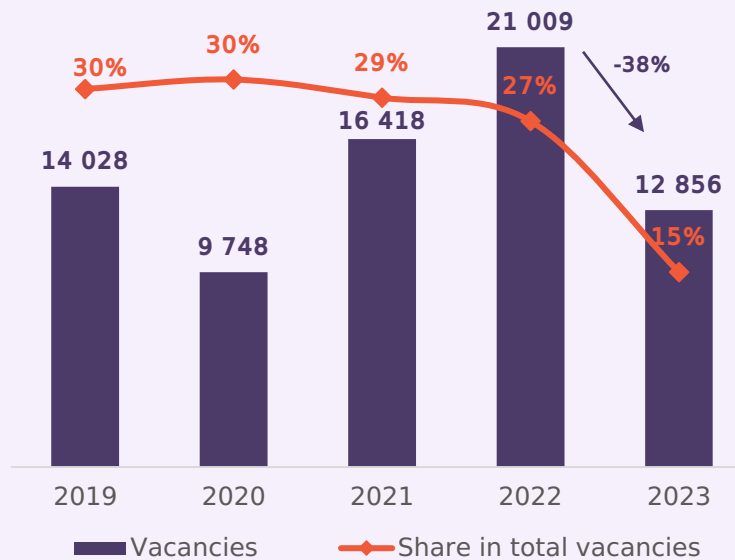
- **The transportation and storage sector plays a significant role in employment in Georgia.** The sector reported an 8.5% YoY decline in employment in 2023, following a surge in the previous year in the number of employees due to economic growth spurred by the onset of Russia’s war on Ukraine. As this growth stabilized in 2023, the number of vacancies decreased and so did the number of employed individuals, suggesting a drop in demand for labor within the sector.

Remuneration has increased in the transportation and storage sector. Despite a decrease in labor demand, wages within the transportation and storage sector experienced a notable increase in 2023 (+25.5%, YoY), surpassing the national average. This upward trend in 2023 indicates resilience within the industry, although it could also potentially be influenced by a skills shortage.

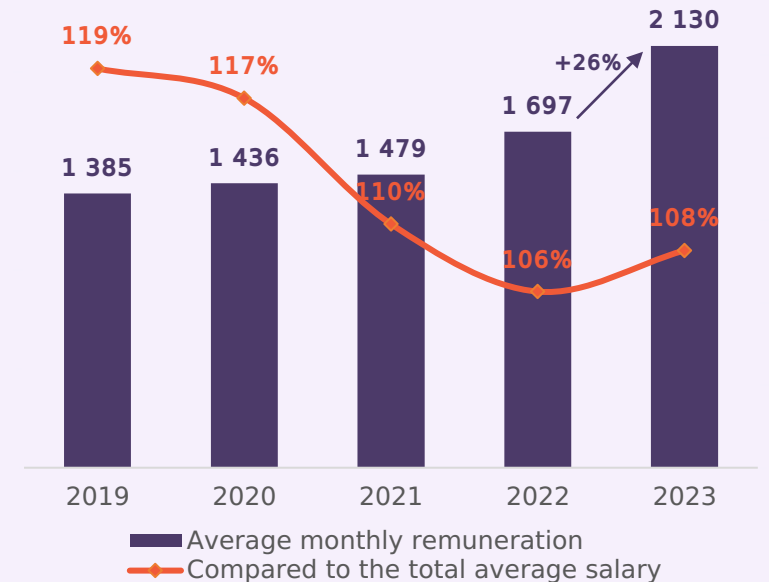
Graph 3: Number of employees in the sector



Graph 4: Number of vacancies in the sector



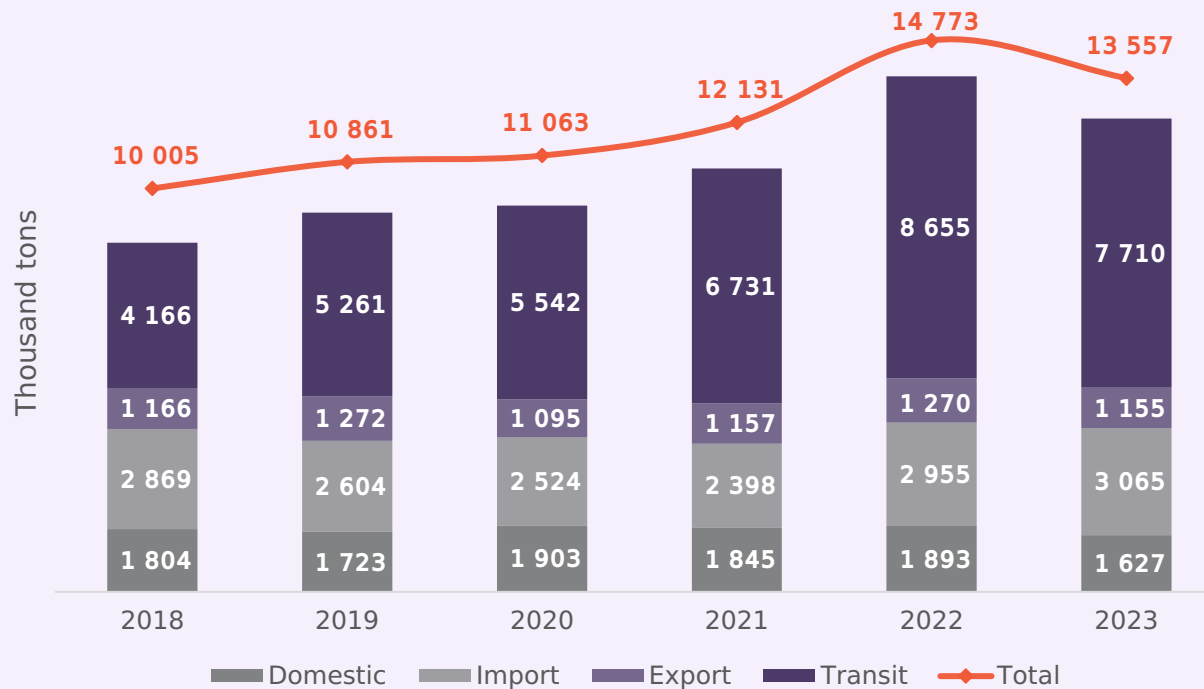
Graph 5: Monthly remuneration in the sector



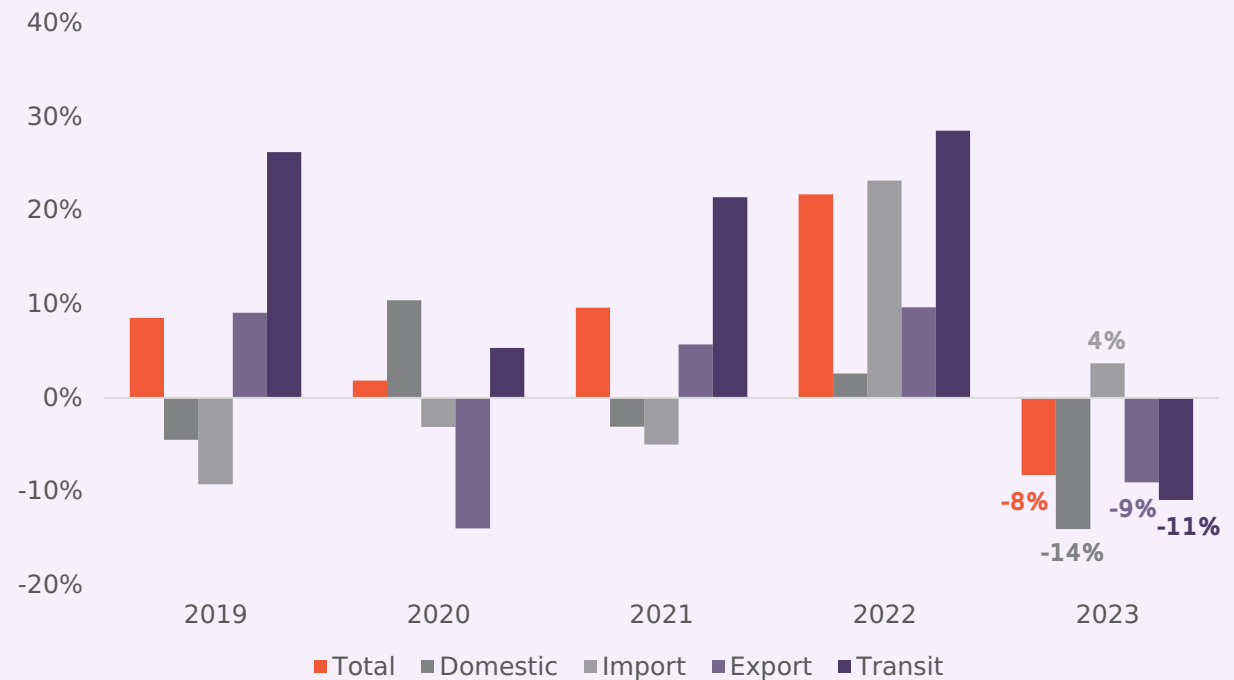
Rail Transport

- **The volume of goods transported by rail has decreased.** In 2023, a drop of 8.2% was recorded in tons of goods transported by rail in Georgia compared to 2022. Most of that decline was caused by a decrease in the transportation of transit goods, which usually account for a significant portion of the goods transported in or through Georgia, possibly indicating underutilization of the Middle Corridor.
- **The volume of goods transported decreased in most modes of transport.** The growth of exported, domestic, and transit goods transported slowed considerably in 2023, but still increased by 3.7% YoY.

Graph 6: Goods transported by type of transport



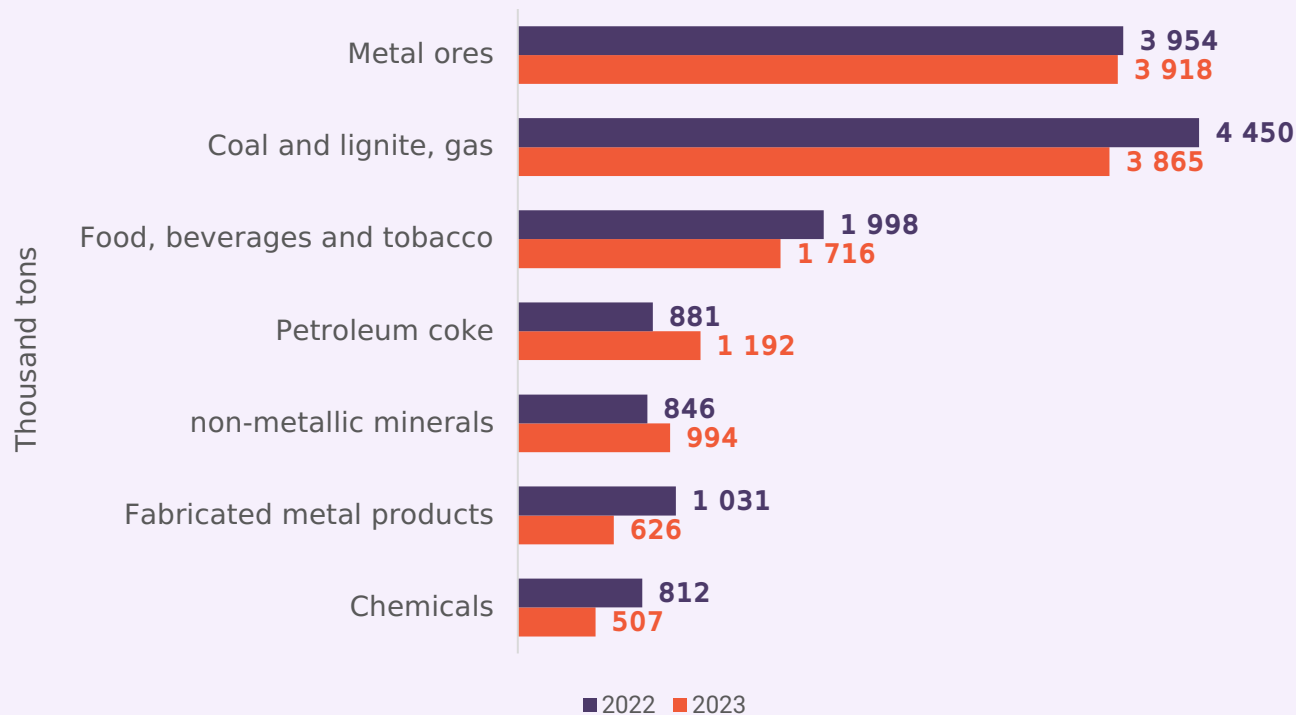
Graph 7: Growth of goods transported by type of transport, YoY



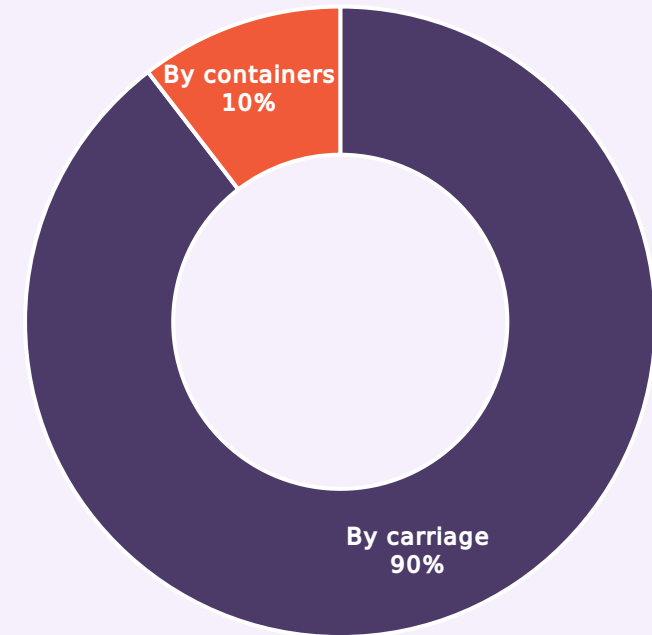
Rail Transport

- **Slight changes were observed in the types of goods transported by rail.** In 2023, the main categories of goods transported by rail were metal ores, and coal and ignites & gas, which experienced moderate declines. These two categories collectively accounted for 57.4% of the total goods transported by rail in 2023, highlighting of the limited diversity in the types of goods transported by rail.
- **Most of the goods are transported by carriage on Georgian railways.** In 2023, 90% of goods transported by rail in Georgia were transported by carriage. This percentage remains consistent across different types of transport units, although the share of containers increased to 15% for transit goods.

Graph 8: TOP goods transported by type of goods



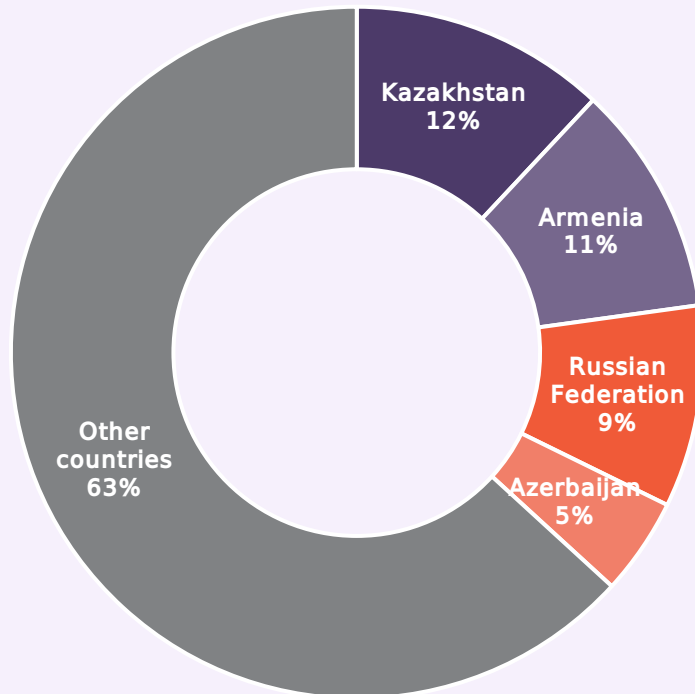
Graph 9: Goods transported by type of transport unit, 2023



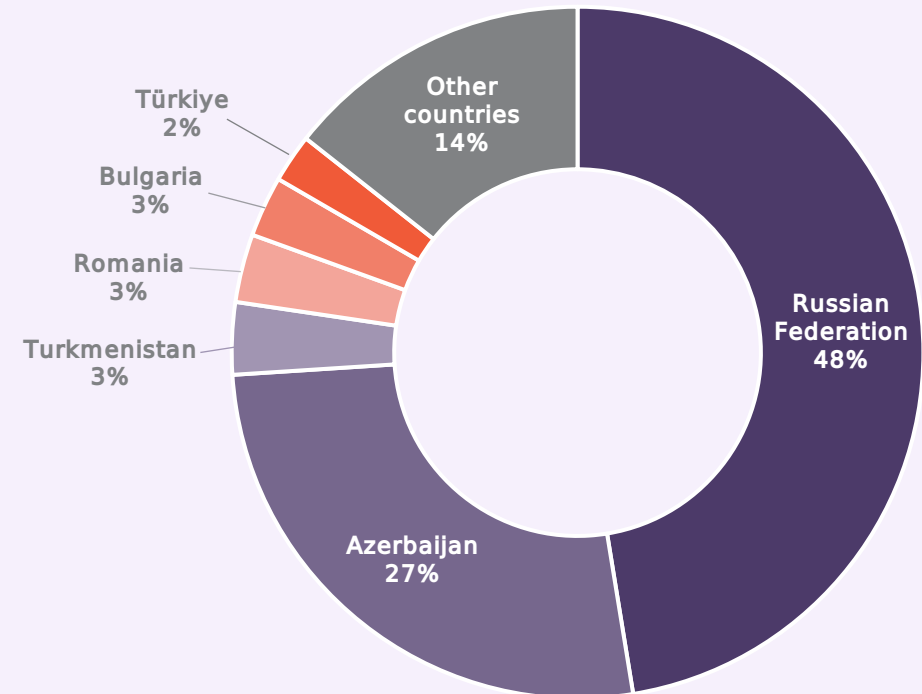
Rail Transport

- **In terms of outgoing goods, final destination countries are reasonably diverse.** In 2023, the share of the four leading final destination countries for goods leaving Georgia amounted to 37%. Kazakhstan accounted for the largest share, followed closely by Armenia and Russia.
- **Incoming goods transported by rail are primarily from Russia.** In 2023, most incoming goods (48%) were from Russia, mainly comprising petroleum and petroleum oil imports. Meanwhile, Azerbaijan accounted for 27% of the total incoming goods transported by rail to Georgia.

Graph 10: Outgoing goods by country of final destination, 2023



Graph 11: Incoming goods by sender country, 2023

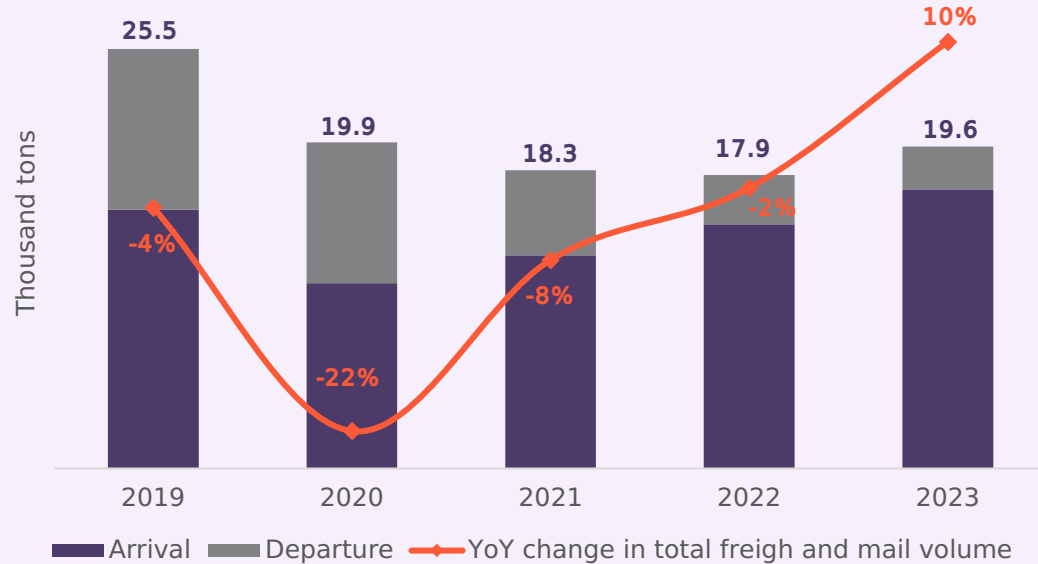


AIR TRANSPORT

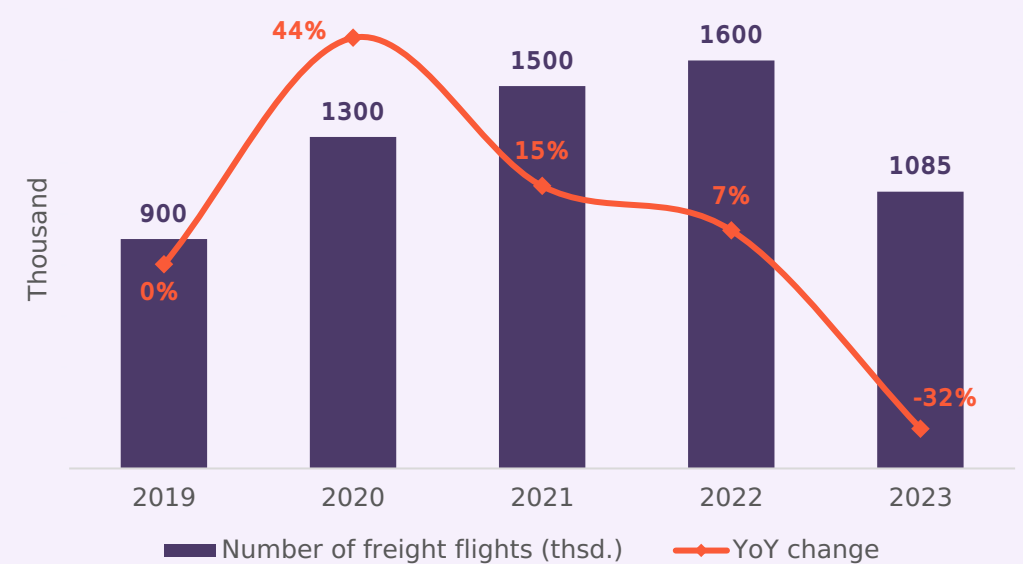
- **The volume of freight and mail carried through Georgia’s airports increased by 10% YoY in 2023, beginning to stabilize to pre-pandemic levels.** Affected heavily by the COVID-19 pandemic, the volume of freight carried through the airports of Georgia decreased by 22% YoY in 2020. That declining trend continued in 2021 and 2022. However, in 2023, the volume of freight experienced growth, indicating a recovery in economic conditions after the significant disruption of global supply chains caused by the pandemic

- **The number of freight flights declined by 32% YoY in 2023.** This reduction could be interpreted as another sign of stabilization after a spike caused by pandemic-related disruptions. During the pandemic, many airlines reduced or suspended passenger flights. As a result, the available belly cargo (*cargo that is carried in the lower deck of a passenger aircraft*) space in passenger aircraft diminished significantly and volume of freight carried declined as shown by the previous graph. To compensate for that, shippers turned to dedicated freight aircraft and charter flights to meet their transportation needs, driving up the number of freight flights.

Graph 12: Volume of freight and mail carried through Georgia’s airports



Graph 13: Number of freight flights going through Georgia’s airports

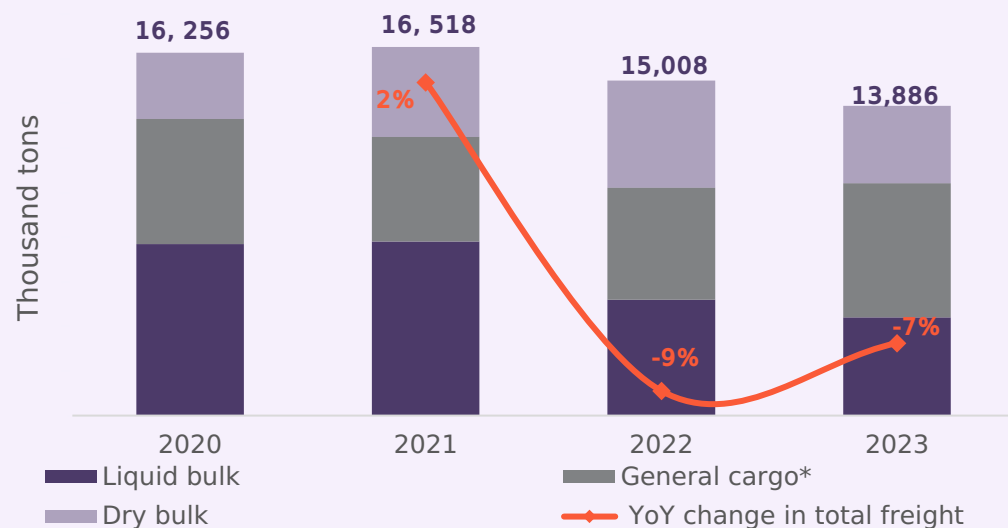


SEA TRANSPORT

- **The volume of freight carried through Georgia's ports and terminals slightly decreased (YoY -7%) in 2023**, continuing the negative trend recorded in the previous year. This decline was largely attributed to a fall in the volume of dry bulk freight (YoY -28%) and liquid bulk freight (YoY -15%). Meanwhile, the volume of freight transported via general cargo, which includes the weight of containers, increased by 20% YoY, reaching 6.014 million tons, the highest total for several years.
- **The number of containers carried through the ports and terminals of Georgia also increased by 45% YoY in 2023** and amounted to 693,976 twenty-foot equivalent unit (TEU) containers.

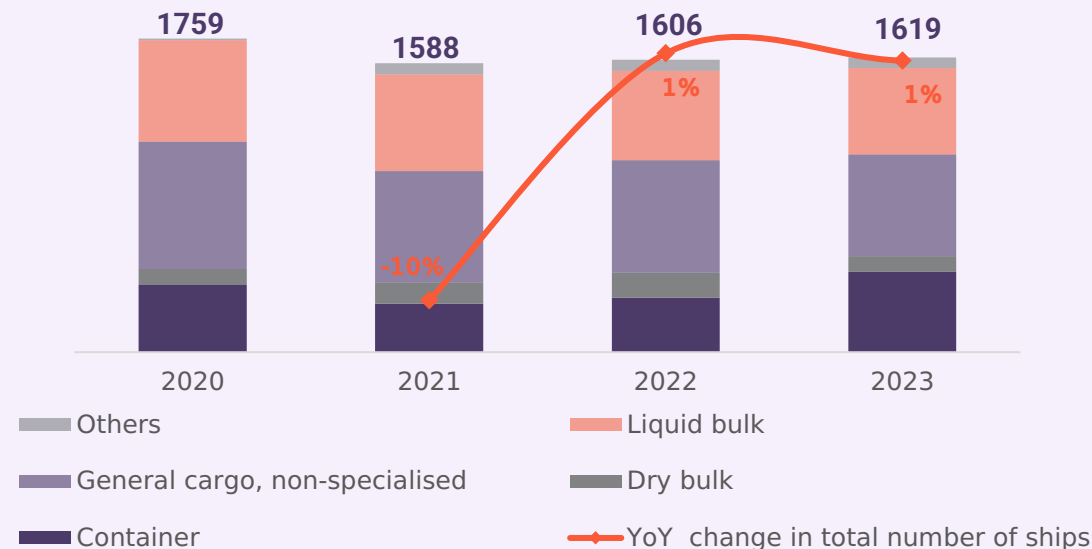
- The increase in the volume of general cargo freight and the number of containers can be attributed to the redirection of container shipments to Georgia in lights of Russo-Ukrainian war and sanctions imposed on Russian shipments.
- **Meanwhile, the number of ships entering Georgia's ports and terminals remained almost unchanged in 2023 compared to 2022.** Ultimately, it appears that less freight was carried but by a similar number of ships. According to data on the volume of freight carried, the number of container ships increased by 48% (reaching a total of 440), while entries of all other types of ship declined in 2023 (the highest decline was recorded in the number of dry bulk ships (YoY -37%)).

Graph 14: Volume of freight carried through the ports and terminals of Georgia by type



*General cargo includes the weight of Containers

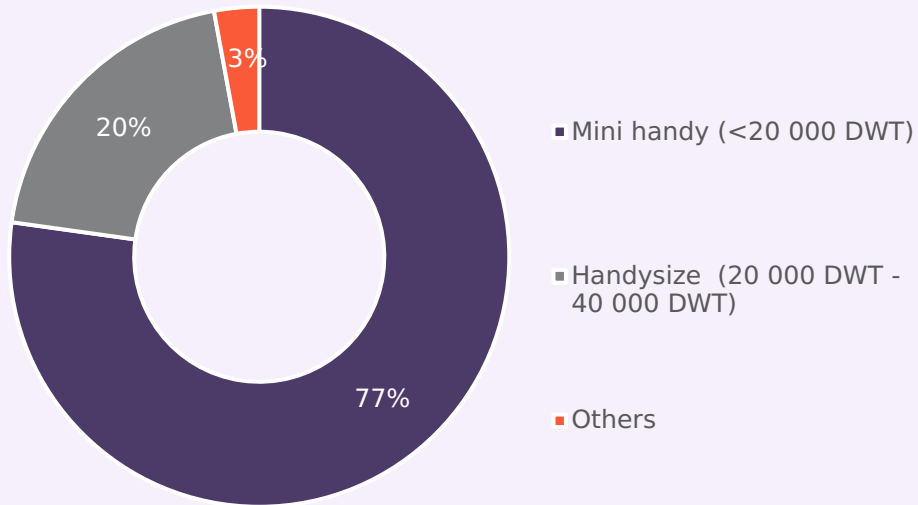
Graph 15: Number of ships entering the ports and terminals of Georgia by type



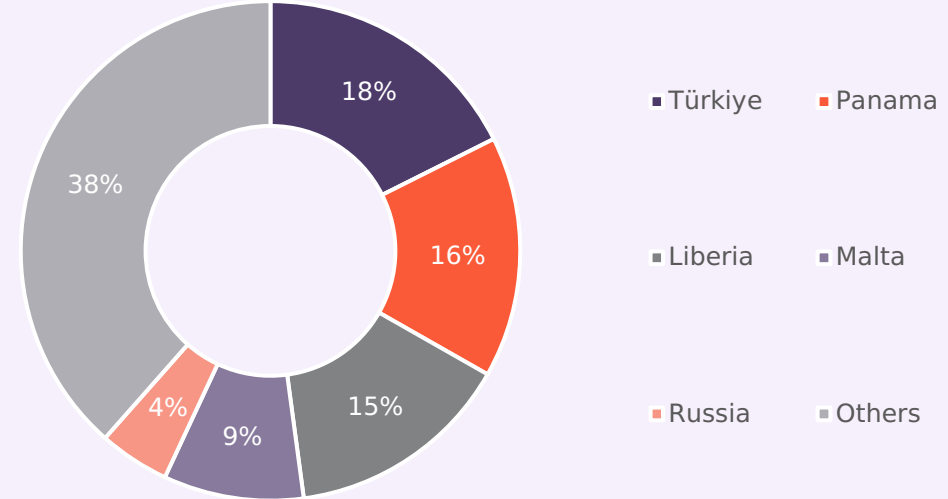
SEA TRANSPORT

- **Most of ships (77%) entering Georgian ports and terminals in 2023 were less than 20 000 deadweight tonnage (DWT)*, and thus classified as “mini handy ships.”** Most of the other ships entering Georgia’s ports and terminals are classified as “handysize” (10 000 – 40 000 DWT), with very few ships of a larger size in 2023. The latter fact is largely due to Georgia not having a deep-sea port.
- **The number of ships coming from Russia decreased by 67% YoY in 2023**, which is likely due to the impact of its ongoing war on Ukraine. Previously, 14% of ships entering Georgia in 2022 were from Russia
- **More than half of the ships entering Georgian ports and terminals in 2023 came from four countries: Türkiye (18%), Panama (16%), Liberia (16%) and Malta (15%).** Türkiye is one of the main trading partners of Georgia, while large number of ships are entering from Panama, Liberia and Malta due to the benefits provided to ship owners by these countries in terms of regulations, taxation, and convenience. Thus, many ships are registered in these countries.

Graph 16: Number of ships entering Georgian ports and terminals by ship size (DWT) in 2023



Graph 17: Number of ships entering Georgian ports and terminals by country in 2023

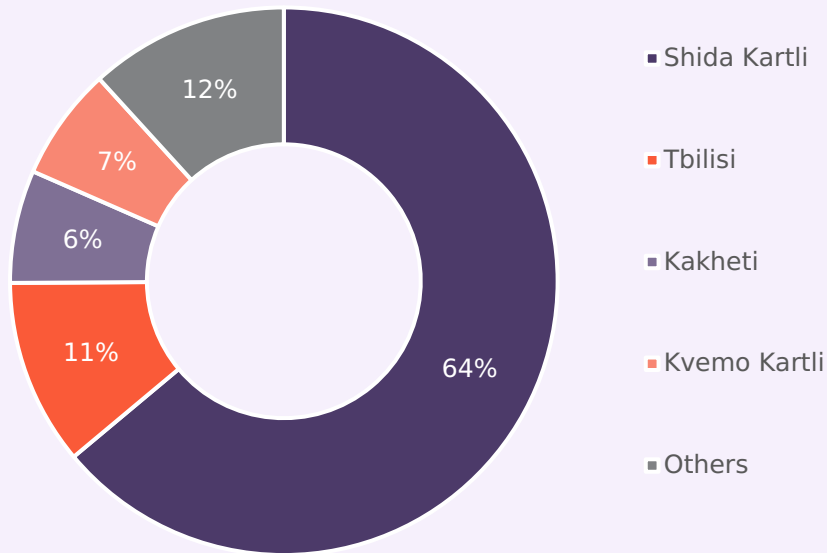


*DWT is calculated by subtracting a ship's lightweight (the weight of the vessel when it's empty, including its hull, machinery, and equipment) from its loaded weight when fully loaded with cargo, fuel, and other supplies. The result is the deadweight tonnage, representing the maximum weight the ship can carry.

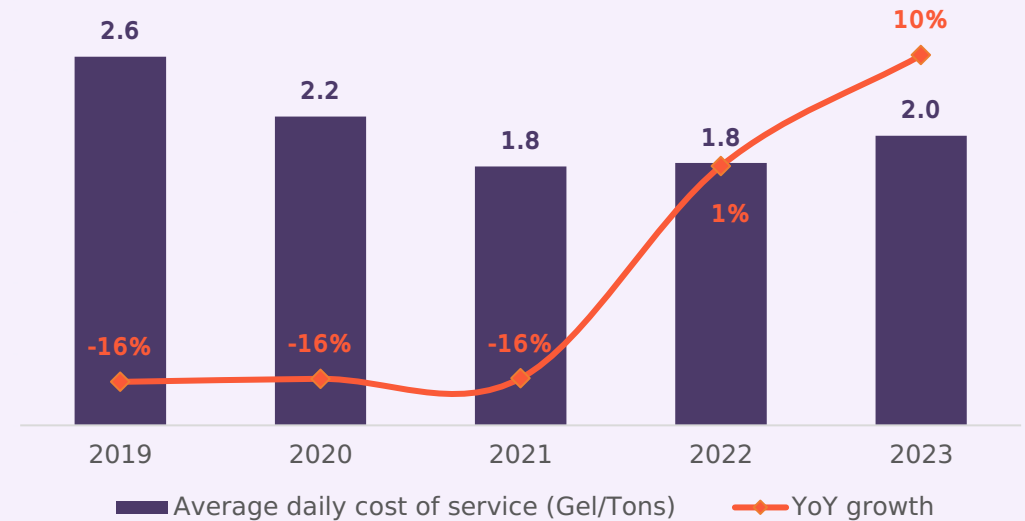
STORAGE

- The total volume of goods kept in cold storage in Georgia was **311,141 tons in 2023**, representing a 9.9% rise compared to the previous year.
- Of the total of 256 cold storage facilities across Georgia, **nearly two-thirds (64%) are registered in Shida Kartli region.**
- The average daily cost of cold storage facility services increased **by 10% in 2023** compared to the previous year and reached GEL 2 per ton.

Graph 18: Active cold storage facilities in Georgia by regions, Q4 2023



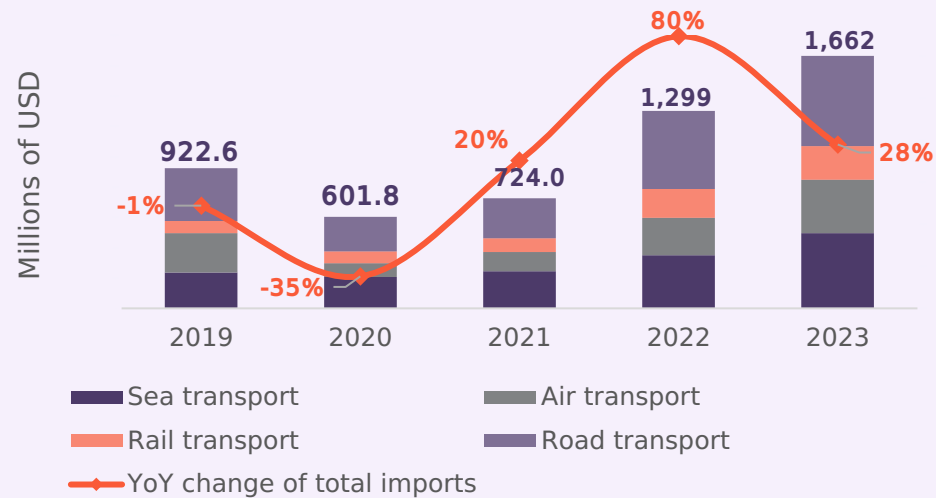
Graph 19: Average daily fee of cold storage facility services



TRADE IN TRANSPORT SERVICES

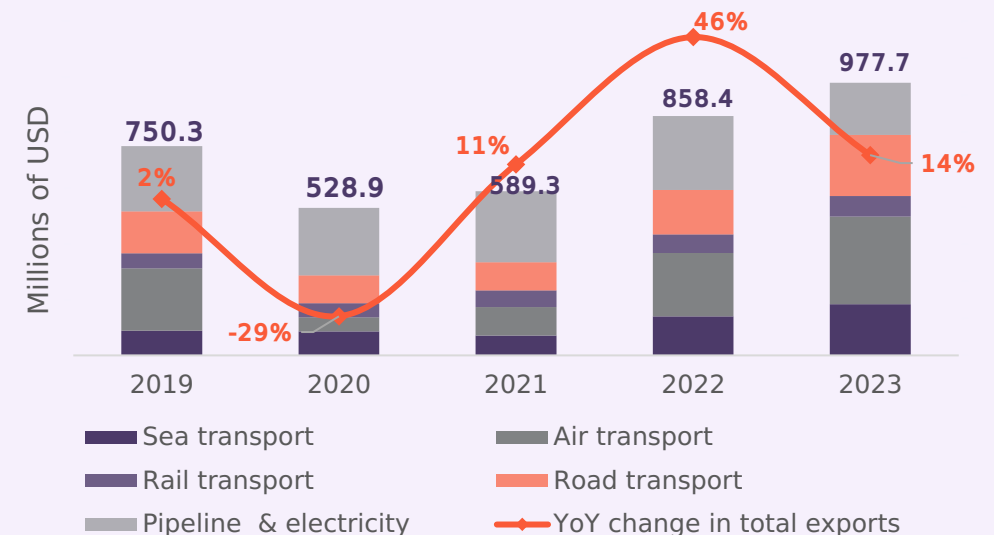
- The data on trade in transport services captures the value of services provided by one country to another in the transport sector.
- The imports of transport services in Georgia exceeded exports in 2023.** Overall, trade in transport services recorded a deficit of USD 684.5 million in the first three quarters (Q1-Q3) of 2023.
- In Q1-Q3 2023, both imports and exports of transport services recorded growth (28% YoY and 14% YoY respectively).** The highest YoY growth was recorded in the imports of air transport and sea transport services (42% each) and exports of air transport services (39%).
- In terms of volume, the largest share of imports of transport services to Georgia by type was road transport services (36%), while the largest share of exports belonged to air transport services (29%).
- Pipeline & electricity holds high share in exports of transport services to Georgia due to **several important gas pipelines passing through Georgia.** The classification of gas transit as export does not mean that Georgia is producing or exporting natural gas though. Instead, it reflects the role of Georgia as a transit country facilitating the transportation of gas from producing countries to consuming countries.

Graph 20: Imports of transport services to Georgia*



*The data for each year shows sum of first three quarters of the year

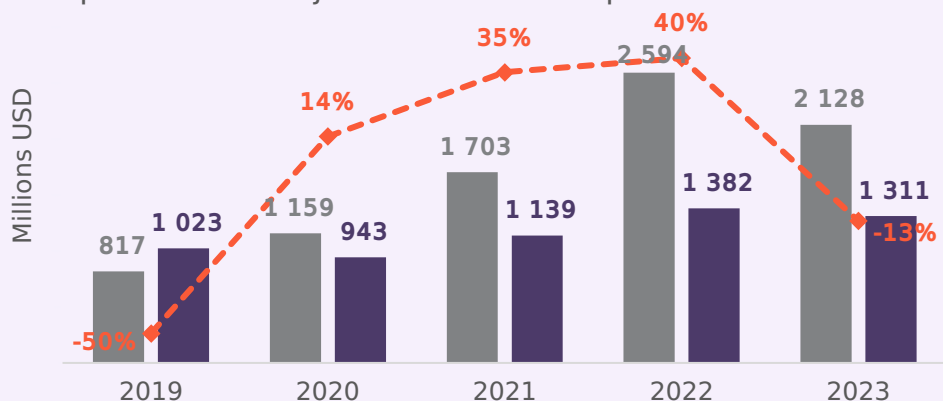
Graph 21: Exports of transport services from Georgia*



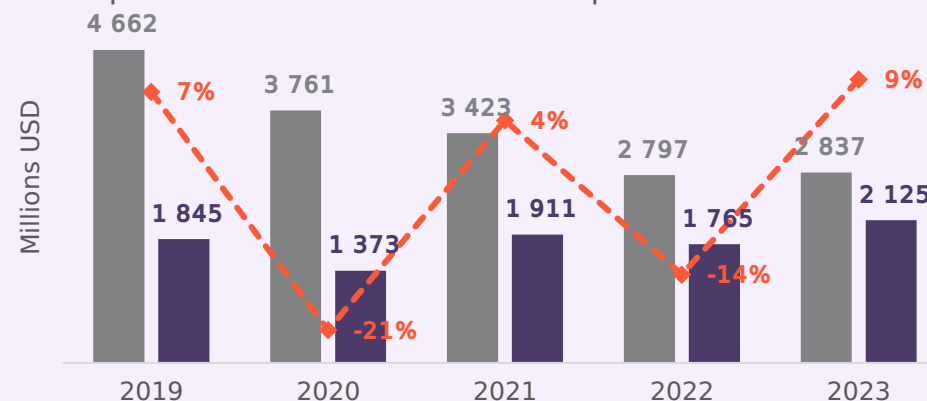
REGIONAL TRADE IN TRANSPORT SERVICES

- Among the countries neighbouring Georgia, Azerbaijan, Türkiye and Ukraine are mainly exporters of transport services, while Armenia, like Georgia, mainly acts as importers.
- Notably, Ukraine's trade in transport services increased by 9% YoY in 2023, after declining by 14% YoY in 2022 due to the Russian invasion.
- Other countries in the region except Ukraine experienced high growth in the trade of transport services in 2022 which can be attributed to the redirection of transport routes away from Ukraine and Russia towards neighbouring countries.

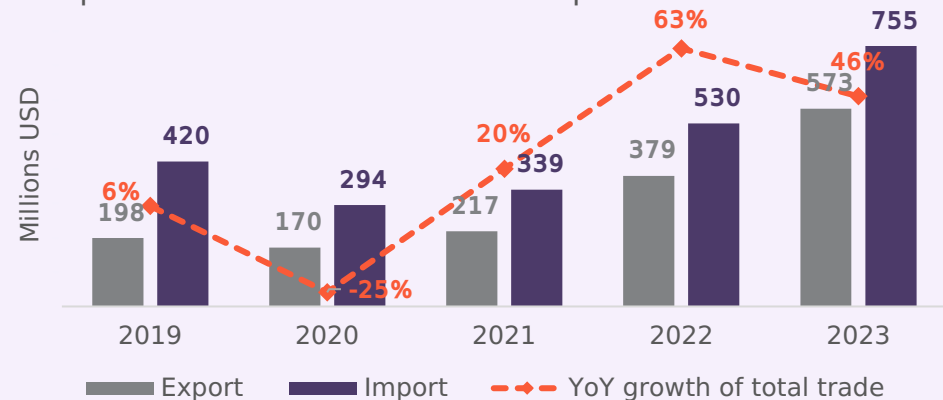
Graph 22: Azerbaijan's trade in transport services



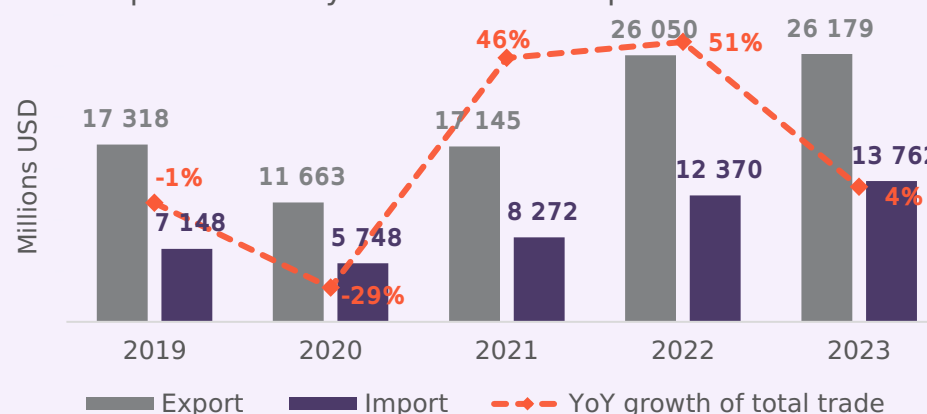
Graph 24: Ukraine's trade in transport services



Graph 23: Armenia's trade in transport services



Graph 25: Türkiye's trade in transport services



SWOT ANALYSIS

STRENGTHS

- Geographic location – access to the Black Sea and part of Middle Corridor.
- Large number of Georgia’s regional and international trade agreements
- Georgian Railway (GR), Azerbaijan Railways (ADY), and Kazakhstan Railways (KTZ), are highly interoperable with a common gauge and other similar characteristics that were inherited from the old Soviet railway system. This positions the railway system well to offer attractive freight services.
- Re-direction of shipments from war-affected ports in Black Sea to Georgian ports.
- Georgia being “safe route” for international shipments in terms of security and absence of sanctions.
- Stable growth of Georgia’s transport and logistics sector, as well as increasing investments in this sector.

OPPORTUNITIES

- Increased importance of Middle Corridor since Russia’s invasion of Ukraine, opening up trade route diversification and enhanced connectivity.
- In November 2022, a so-called “roadmap” was signed between Azerbaijan, Georgia, Kazakhstan, and Türkiye detailing priority investments and actions needed to improve the Middle Corridor.
- In June 2023, Azerbaijan, Georgia, and Kazakhstan agreed on the creation of a joint logistics operator.
- World Bank, the EU, the EBRD, the ADB, and other multilateral development banks (MDBs) and bilateral partners have expressed their support for and interest in providing technical assistance and investment.
- Renewed plans to build a deep-sea port in Anaklia, Georgia.
- The Poti port expansion project led by APM Terminals.
- The newly-established Black Sea submarine cable project.
- Investments and other opportunities from Georgia’s EU candidate status.
- The imminent completion of the East-West Highway in Georgia.

WEAKNESSES

- Poor infrastructure:
 - Absence of deep-sea port in Georgia and whole eastern coast of the Black Sea.
 - Capacity constraints in infrastructure, equipment, and operational practices of railway system.
- High port tariffs for containers (currently the highest tariffs in the whole Black Sea and higher compared to some of the World’s best ports).
- Relatively high dwell time of containers through Georgia’s ports, mainly due to the poor connection between the ports and the highways/railway stations and lack of coordination between ports, railway and customs.
- Lack of Middle Corridor coordination and management between countries. Lack of ferries in Black and Caspian seas, lack of locomotives.
- Lack of data on road transport in Georgia.

THREATS

- The Middle Corridor remains mostly a regional corridor, with transcontinental trade representing a small fraction of the volumes transported through it due to the availability of other more attractive connectivity options for intercontinental trade, especially deep-sea shipping between Asia and Europe.
- Inability to harmonize diverging policies and legal and governance frameworks that create barriers and hinder operations across the Middle Corridor.
- Inability to train workers with demanded skills and thereby, failure to employ enough skilled workers to ensure sector’s continuous growth
- The possibility Russian aggression compromising Georgia’s security.
- Continued lack of investments into development of transport and logistics infrastructure in Georgia and middle corridor.

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