



TOURISM SECTOR IN GEORGIA

APRIL 16, 2024





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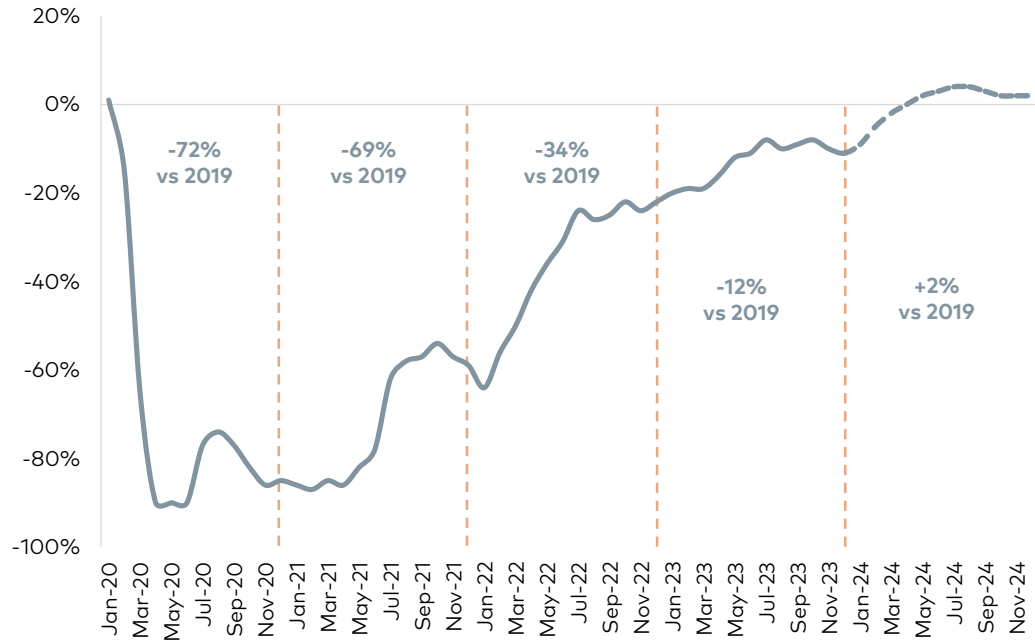
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TOURISM SECTOR RECOVERY

TOURISM SECTOR RECOVERY

Tourist numbers recovered in a few countries in 2023

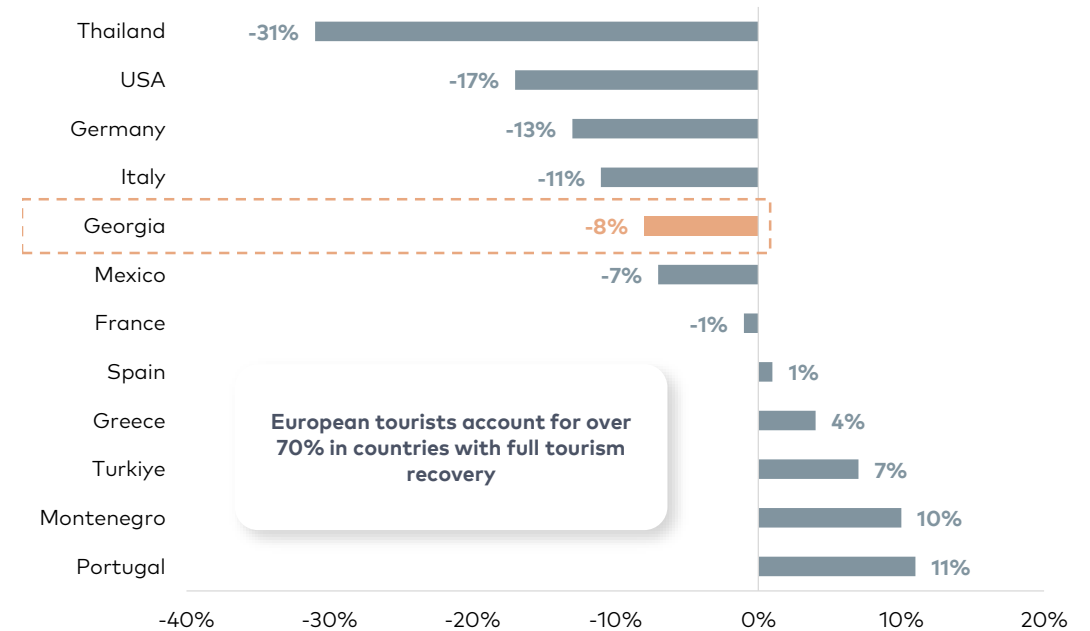
Recovery of tourist arrivals globally, compared to 2019



In 2023, international tourist arrivals globally were 12% below 2019 level. However, UN Tourism forecasts a full recovery in tourist arrivals in 2024.

Source: UN Tourism, GNTA

Recovery of tourist arrivals by country, compared to 2019

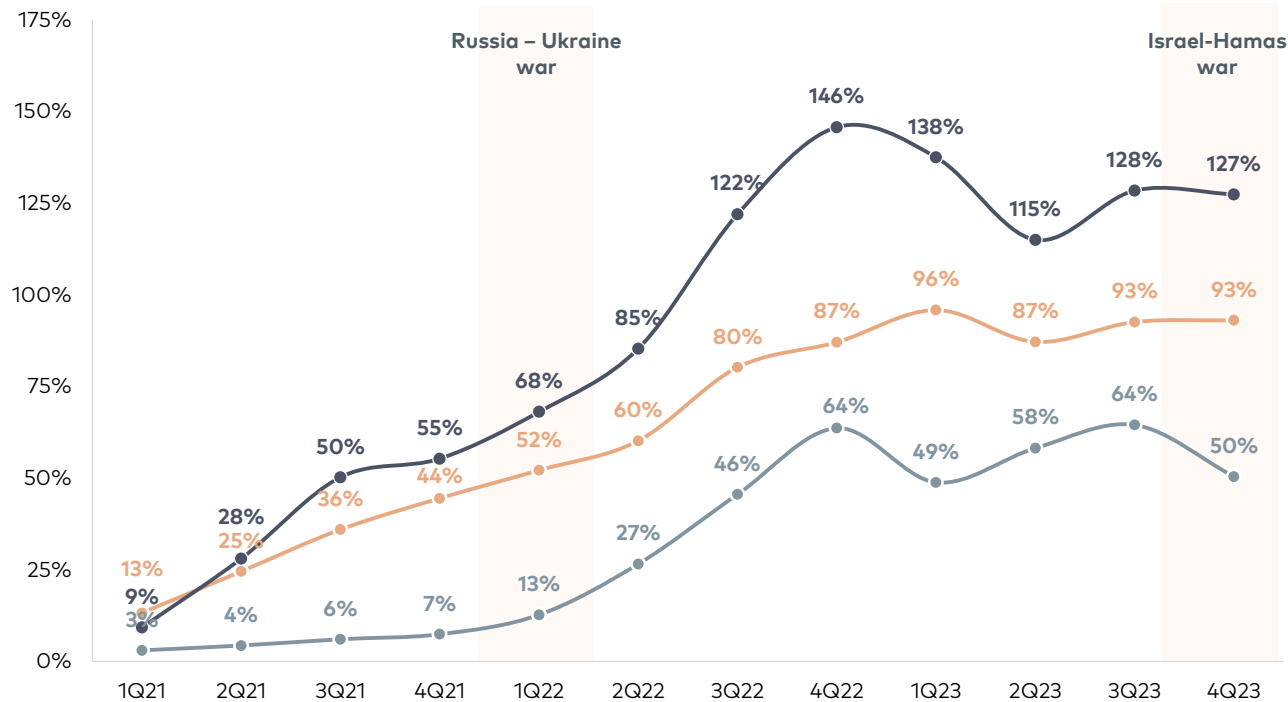


International tourist arrivals in Georgia were 8% lower in 2023 compared to 2019 levels.

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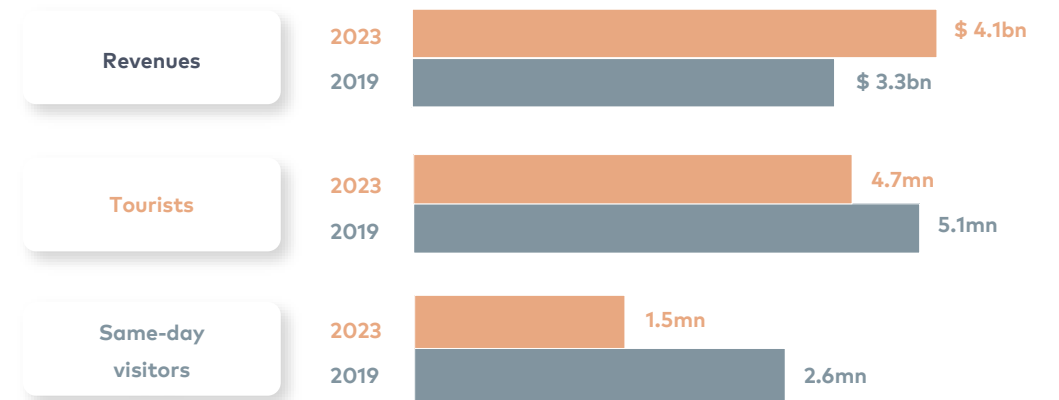
Tourist numbers recovered by 92.1%, while tourism revenues surpassed 2019 figures in 2023

Tourism sector recovery, as % of 2019



Tourist arrivals almost fully recovered in 2023, but same-day arrivals lagged behind the 2019 figures due to the closed border with Azerbaijan.

Key tourism sector metrics: 2023 vs. 2019

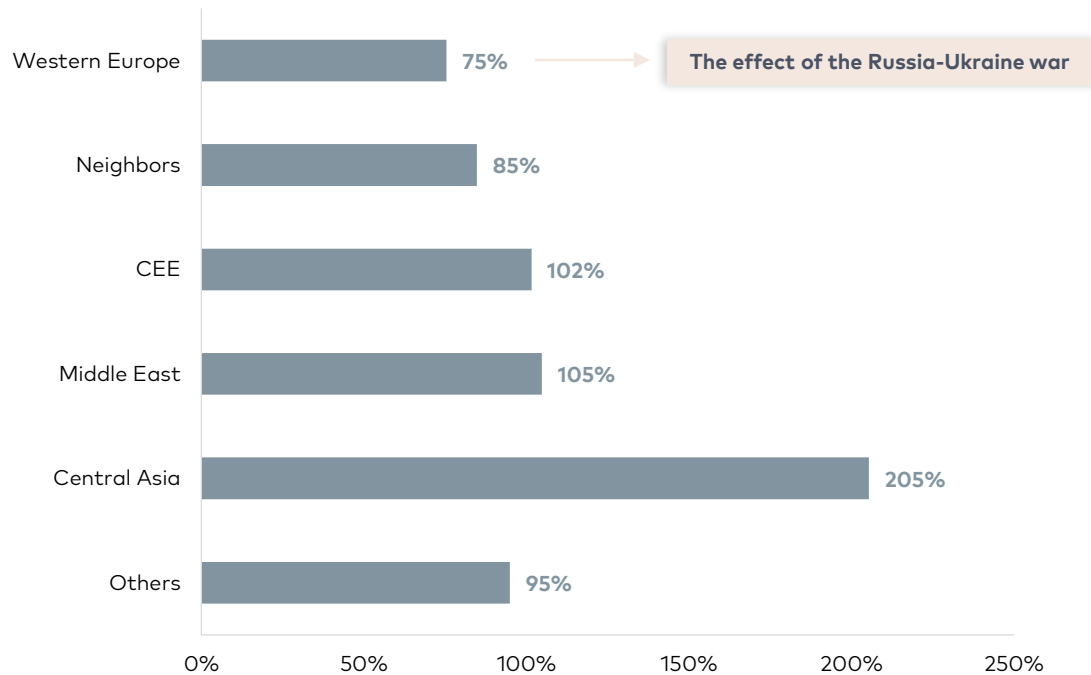


The full recovery in tourism revenues can be attributed to: faster recovery in tourist numbers over same-day visitors, the migrant effect and inflation.

TOURISM SECTOR RECOVERY

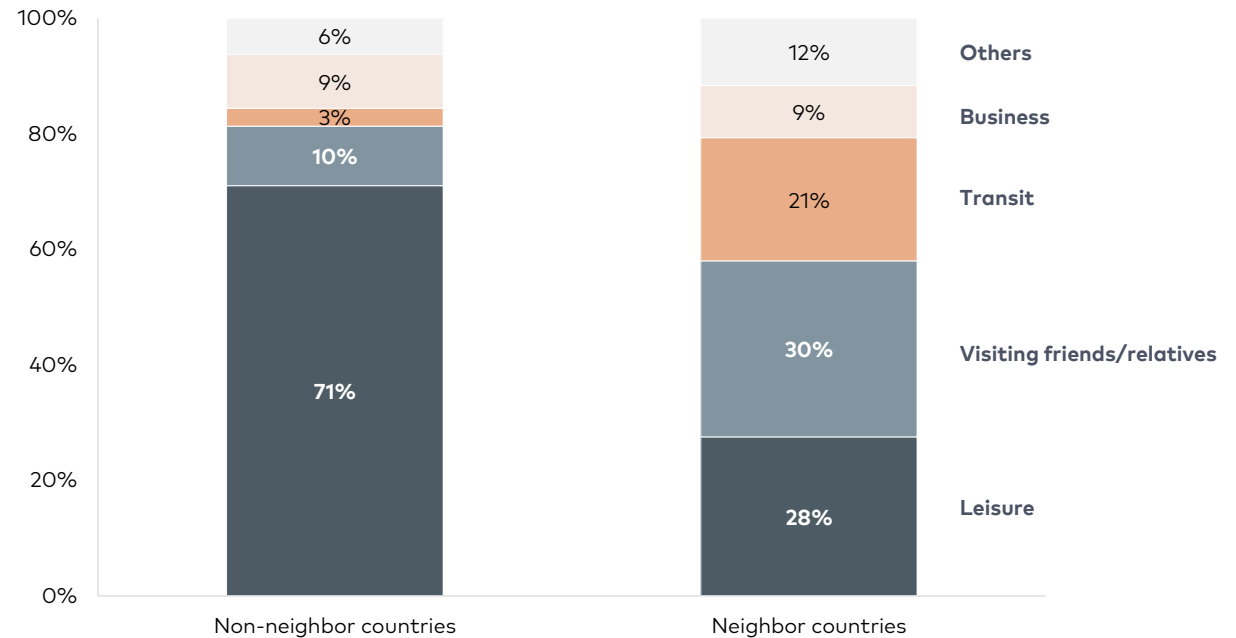
Tourist number growth was weaker from Western Europe and neighboring countries in 2023

Tourist arrival recovery by regions in 2023, as % of 2019



Tourist arrivals from Western Europe and neighboring countries did not fully recover in 2023, but visits from other regions surpassed 2019 levels.

Purpose of visits to Georgia from neighboring and non-neighboring countries, 2023

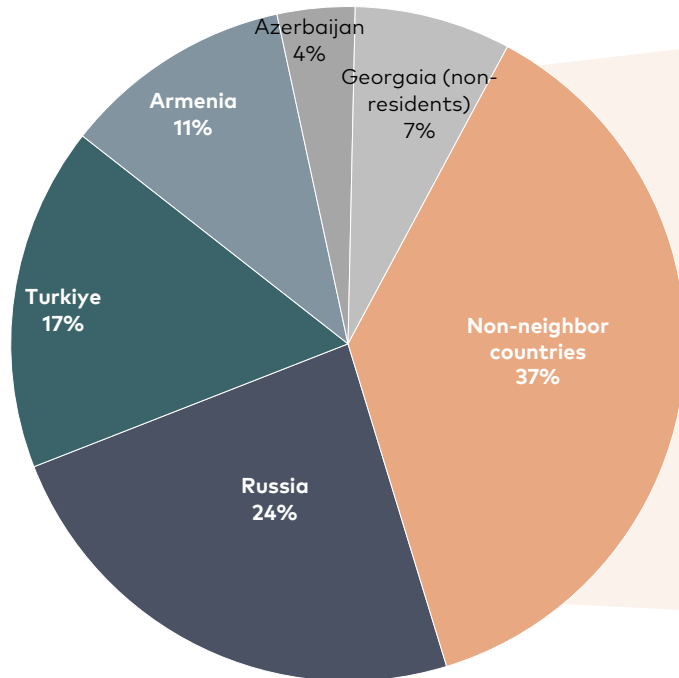


Majority of visitors from non-neighboring countries arrived primarily for tourism purposes in 2023, while only 28% of visitors from neighboring countries visited for leisure.

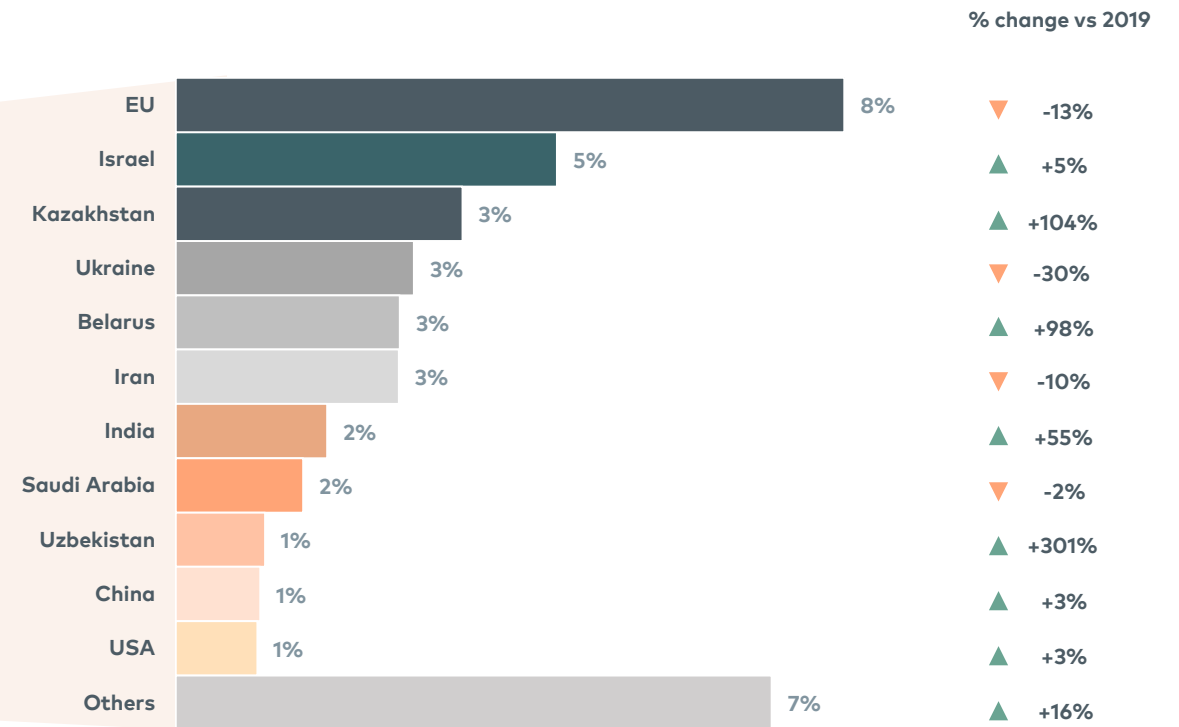
TOURISM SECTOR RECOVERY

Tourist numbers increased from almost all non-neighboring countries, except the EU

Tourists arrivals by country, 2023



Tourists from neighboring countries and Georgian non-residents collectively accounted for 63% of total tourist arrivals in 2023.

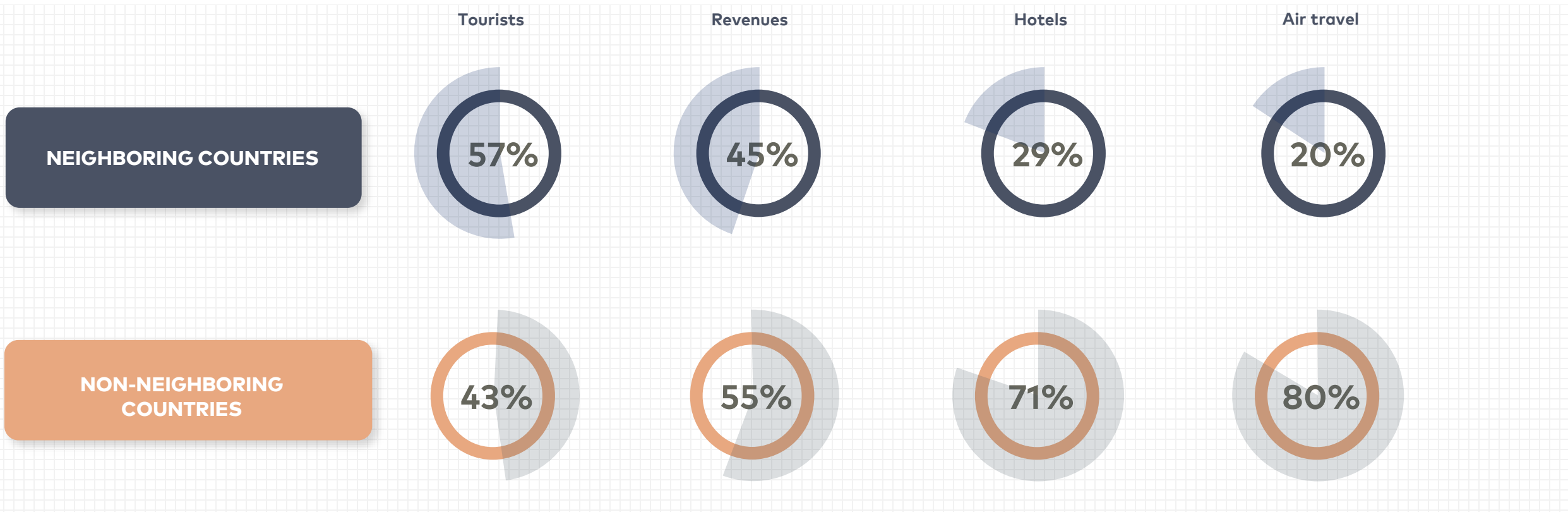


Despite being the largest tourism market among non-neighboring countries, recovery from EU was one of the slowest compared to 2019 in 2023.

TOURISM SECTOR RECOVERY

Neighboring countries make a relatively small contribution to the hotel industry

Contribution of neighboring and non-neighboring countries to tourism, average of 2018-2023



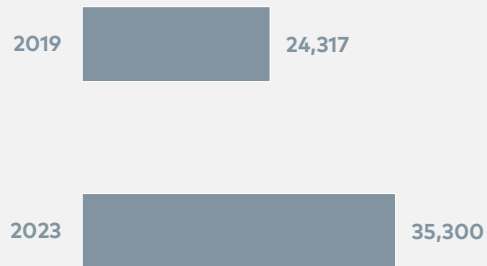


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Hotel industry over 2019-23

HOTEL ROOMS, UNITS



+45%

11,000 new hotel rooms added to the supply.

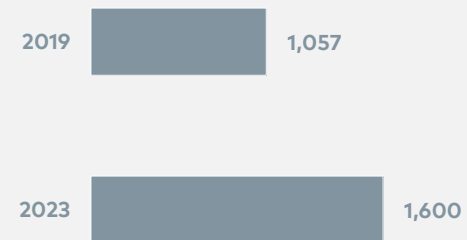
HOTEL PRICE INDEX IN GEL



+16%

Due to the demand/supply imbalance, prices rose slower than general inflation.

AVERAGE SALARIES IN HOTELS, GEL



+51%

Salaries increased in the sector, due to high inflation in the economy.

AVERAGE EBITDA MARGIN



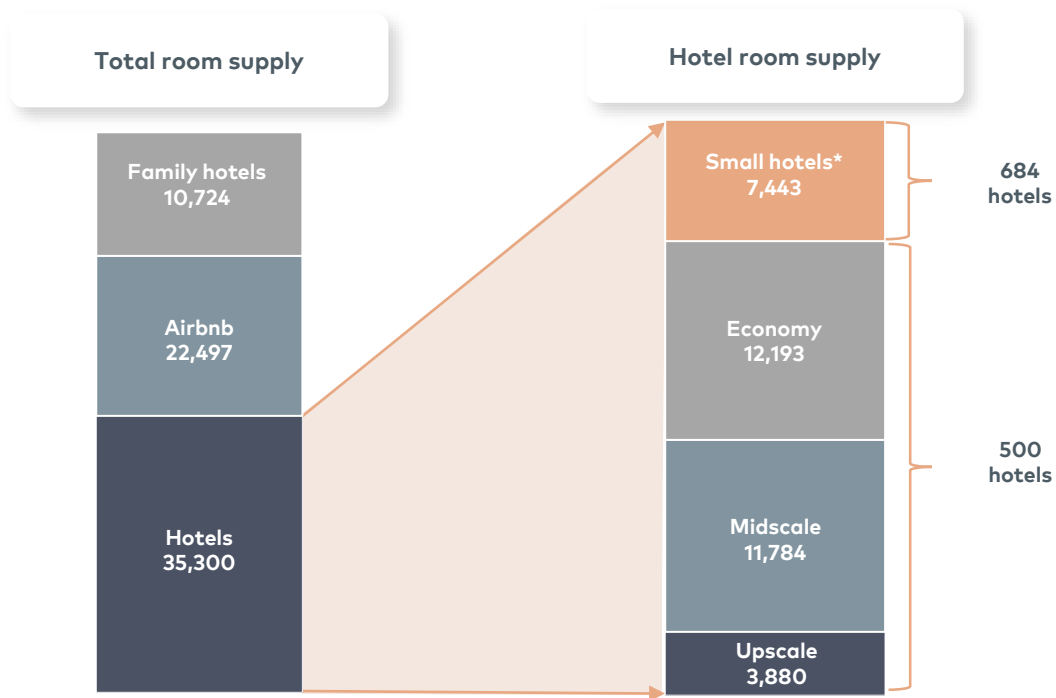
-6ppts

Profitability declined due to weakened demand and rising operating costs.

HOTEL INDUSTRY

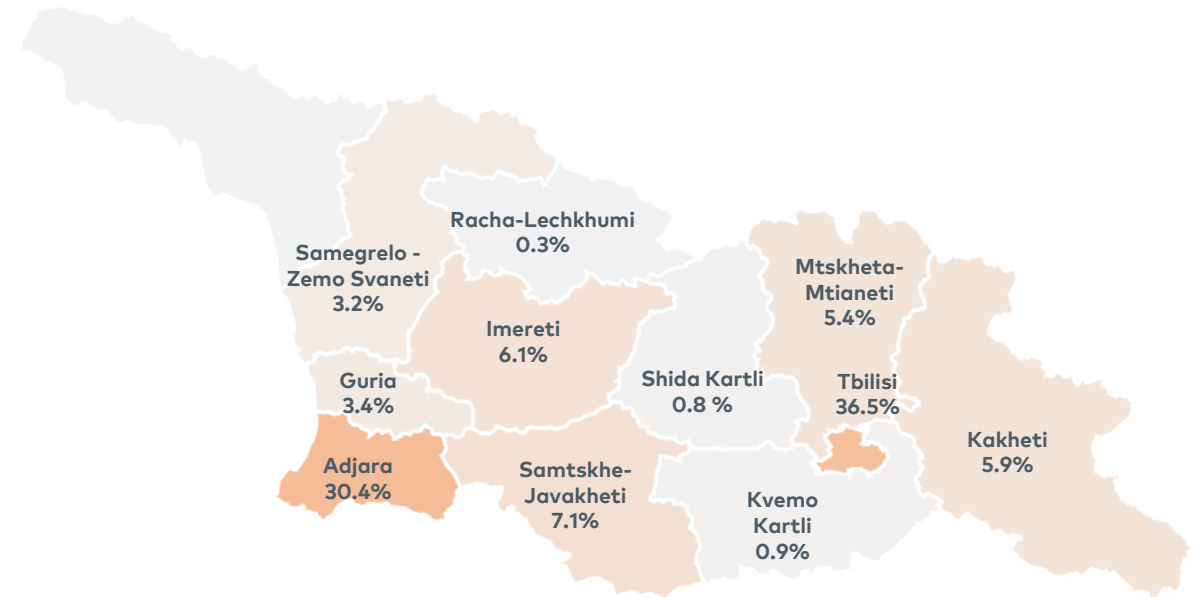
Hotel room supply exceeded 35,000 units in Georgia in 2023

Accommodation room supply breakdown by category, 2023



The total accommodation supply amounted to 68,521 rooms in 2023. Hotels made up more than half of the supply, followed by Airbnb and family hotels.

Hotel room supply by region, 2023



Almost 70% of hotel rooms are located in Tbilisi and Adjara. The room supply is relatively higher in Samtskhe-Javakheti, Kakheti and Mtskheta-Mtianeti, partially due to high domestic tourism activity in these regions.

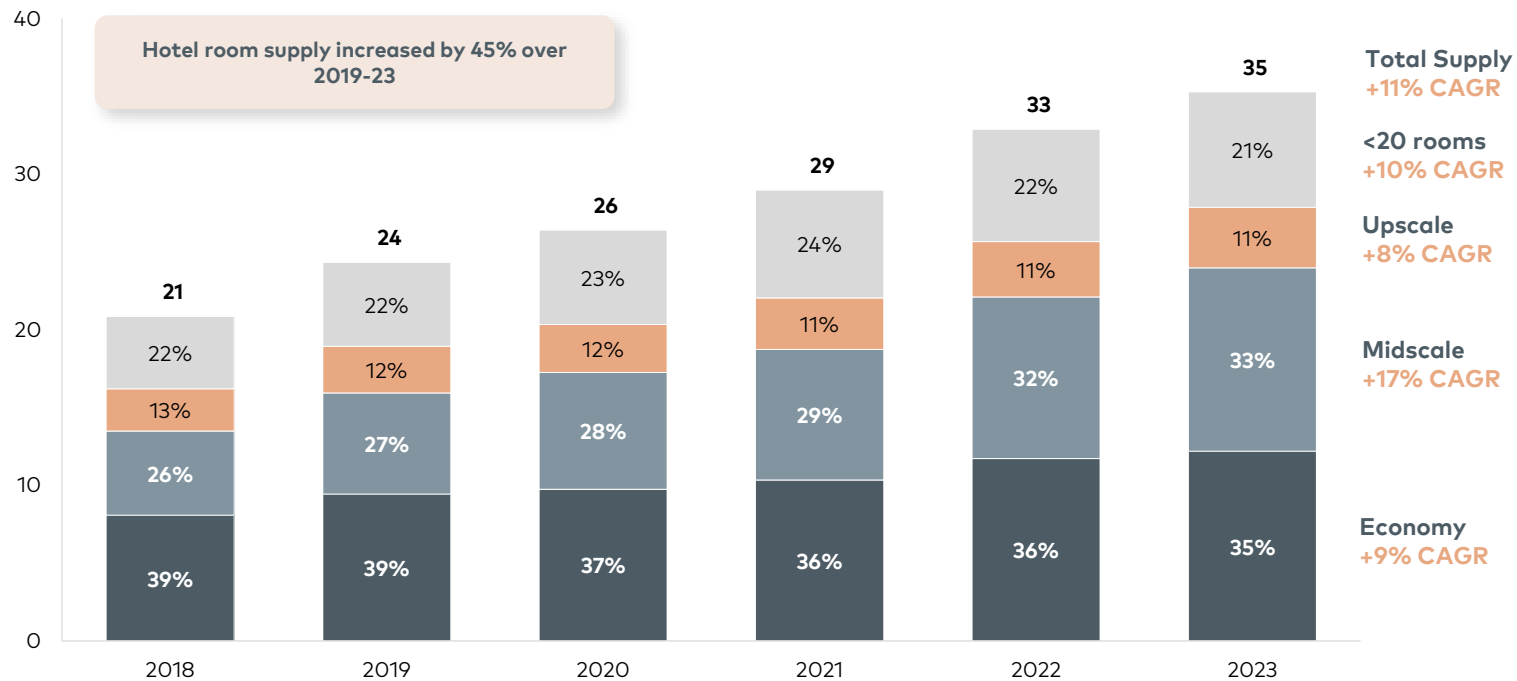
Source: GNTA, Airdna, Galt & Taggart

Note: Small hotel is a hotel with less than 20 rooms

HOTEL INDUSTRY

Hotel supply grew rapidly over 2019-23 driven by the pre-pandemic tourism boom

Hotel room supply by segment, '000 rooms

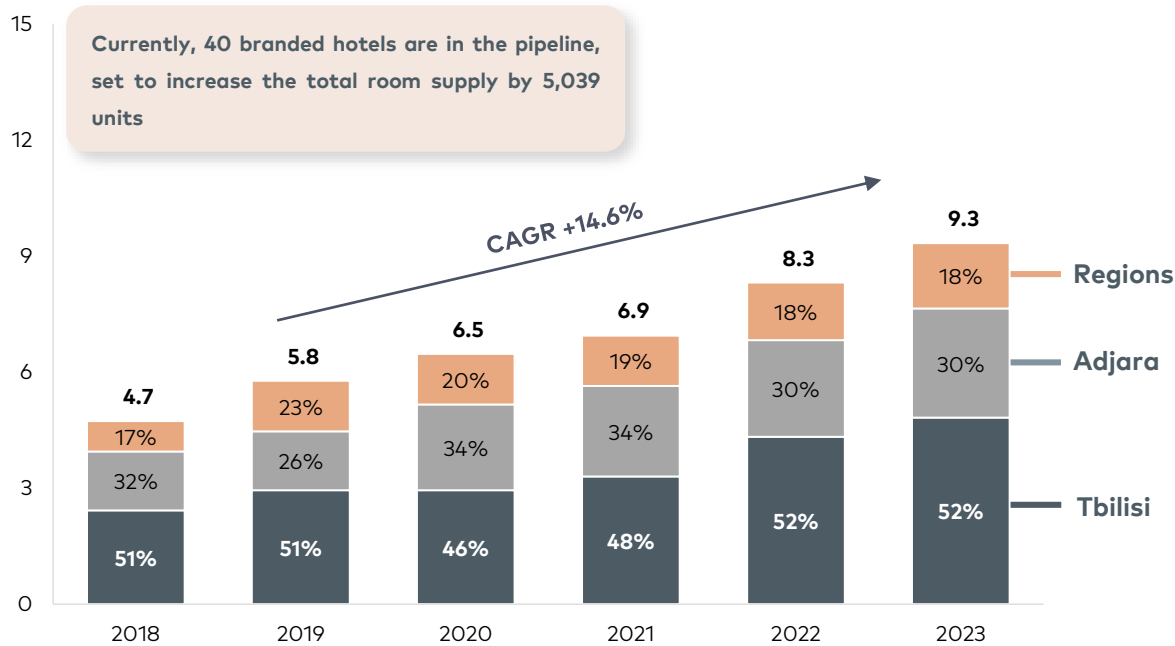


Hotel room supply increased by c. 11,000 units over 2019-23. Notably, the midscale segment supply increased the most during this period.

HOTEL INDUSTRY

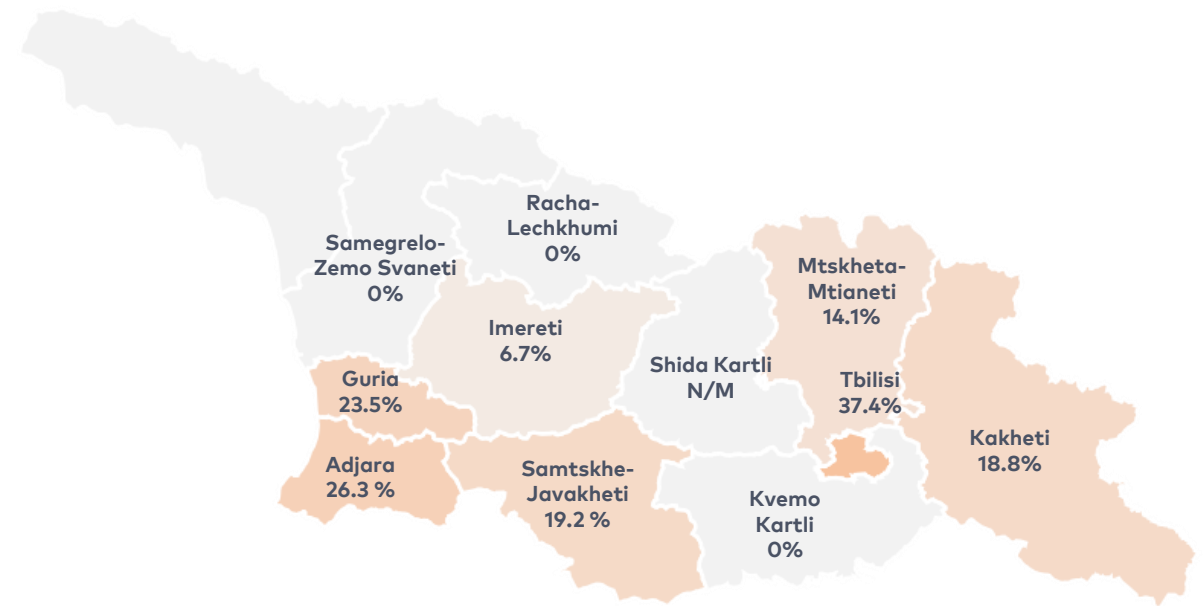
Tbilisi and Adjara are primary locations for branded hotels

Branded hotel room supply in Georgia, '000 units



Branded hotel supply is mainly concentrated in Tbilisi and Adjara.

Branded hotel supply share in total room supply by region, 2023

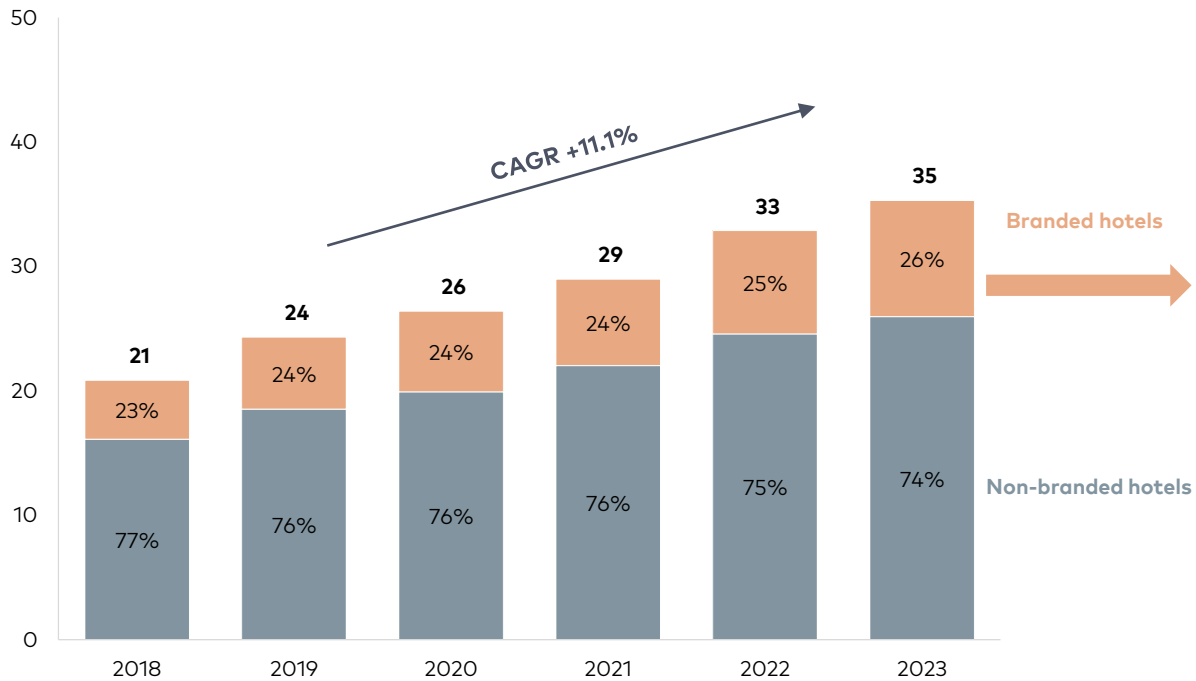


Branded hotel prevalence is high in Tbilisi and Adjara, while remaining low in other regions. Importantly, several regions currently have no branded hotels.

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Share of branded hotels increased

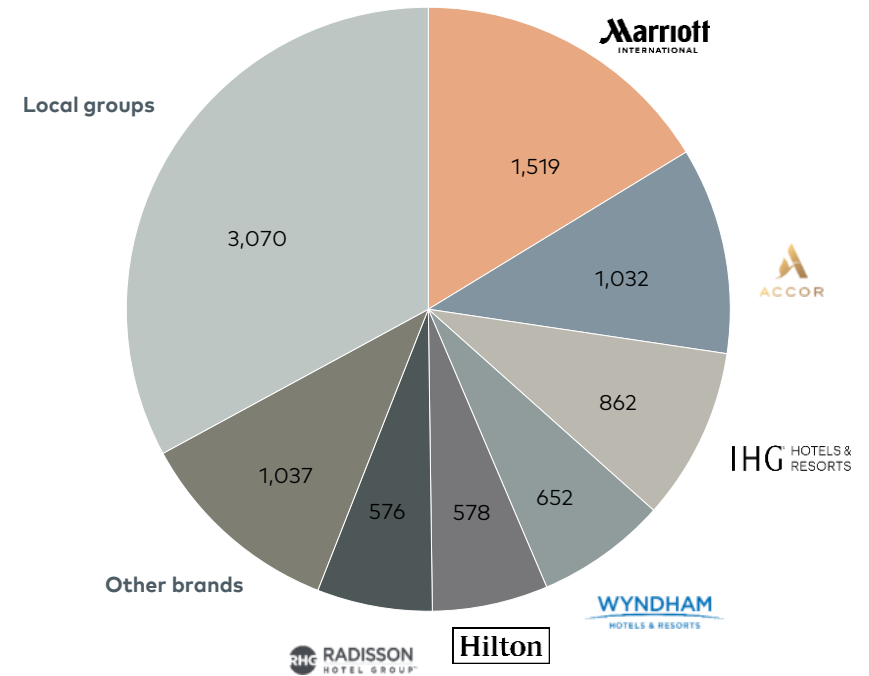
Supply of hotel rooms, '000



The share of branded hotels on the market is gradually increasing and will reach 26% in 2023.

Source: GNTA, Galt & Taggart

Number of rooms in branded hotels

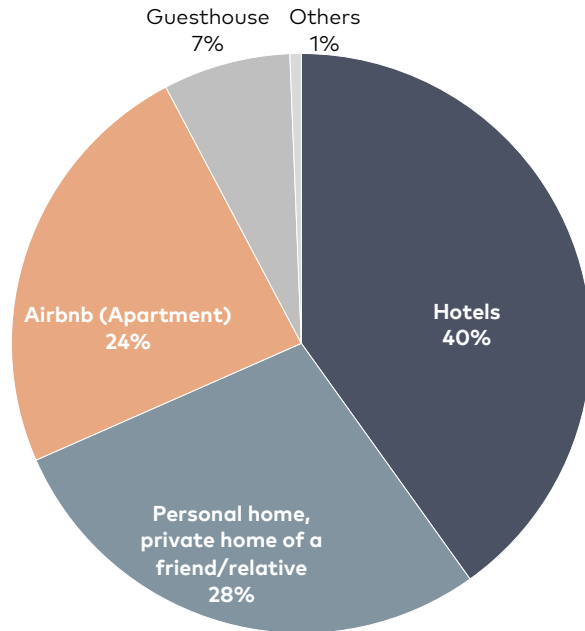


As of 2023, Marriott International was the most widely represented on the Georgian hotel market.

HOTEL INDUSTRY

Airbnb meets around one-third of the demand

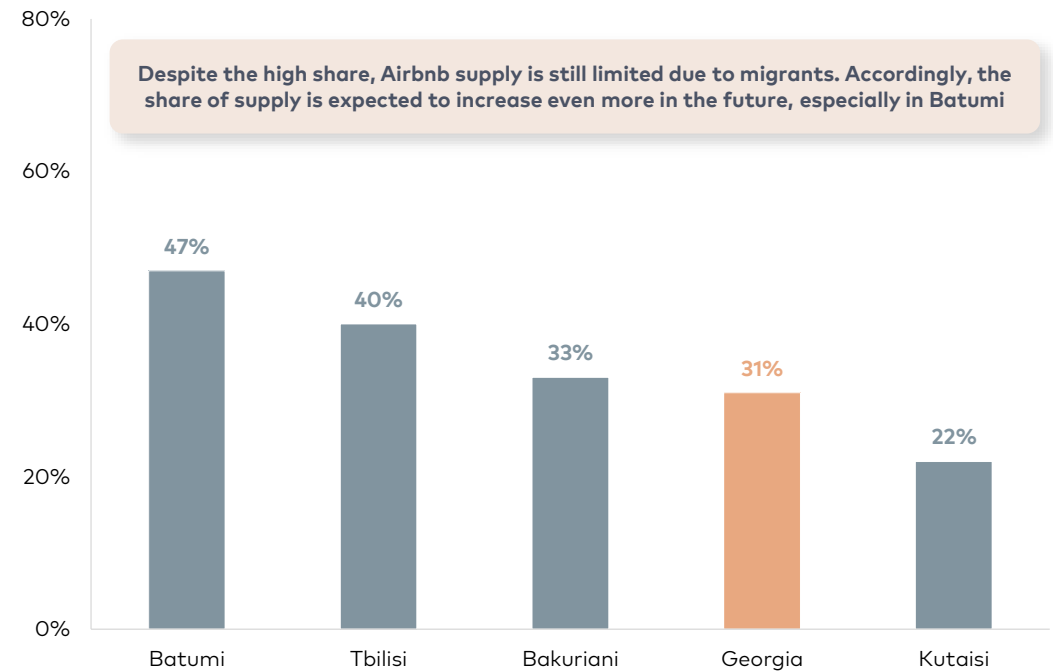
Distribution of tourists by accommodation types, 2023



About 40% of tourists spend nights at hotels, while the share of Airbnb is about 24%.

Source: Airdna, GNTA, Galt & Taggart

Share of Airbnb in total supply, 2023

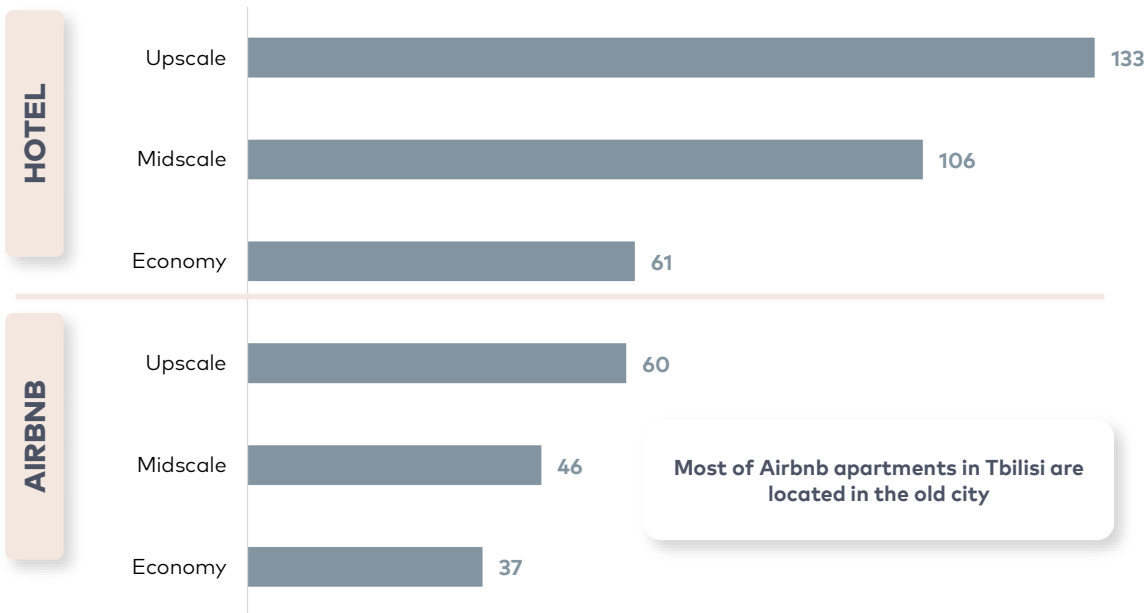


Airbnb holds the largest market share in Batumi, due to high prevalence of apartment-type accommodations. In Georgia, the share of Airbnb in the total supply is 31% and is slightly higher than the EU average of 30%.

HOTEL INDUSTRY

Demand for Airbnb is largely driven by consumer preferences

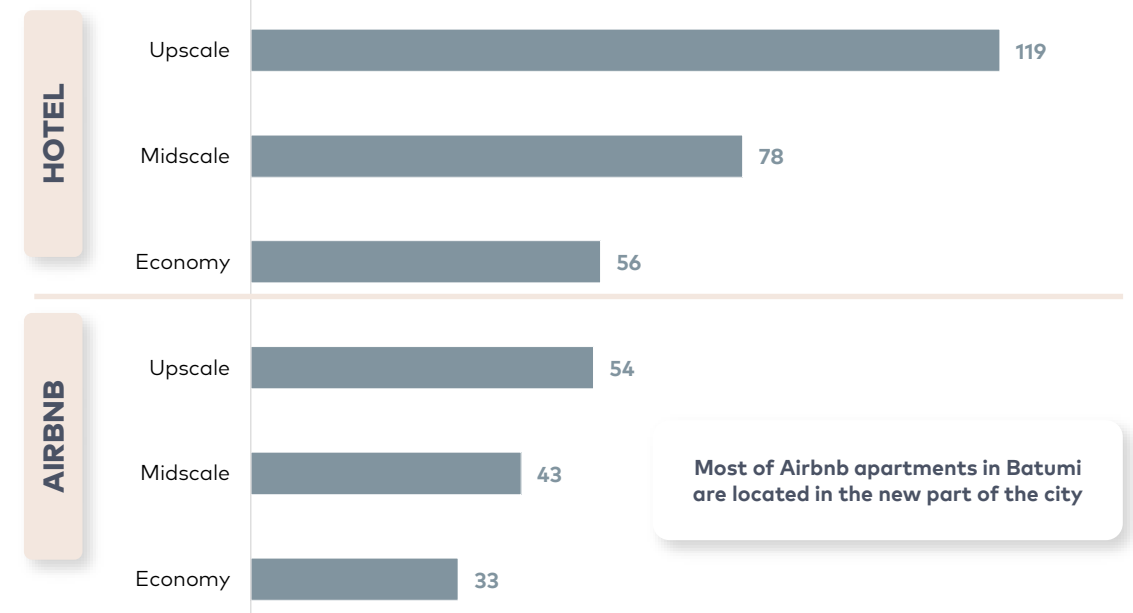
Average price (ADR) in Tbilisi hotels and on Airbnb in 2023, US\$



In Tbilisi, Airbnb prices are much lower compared to hotels, which probably indicates that the consumers make a choice based on the format rather than the price.

Source: Airdna, Galt & Taggart

Average price (ADR) in Batumi hotels and on Airbnb in 2023, US\$



The competition between hotels and Airbnb in Batumi is expected to intensify as the supply of apartments in the new part of the city increases rapidly.



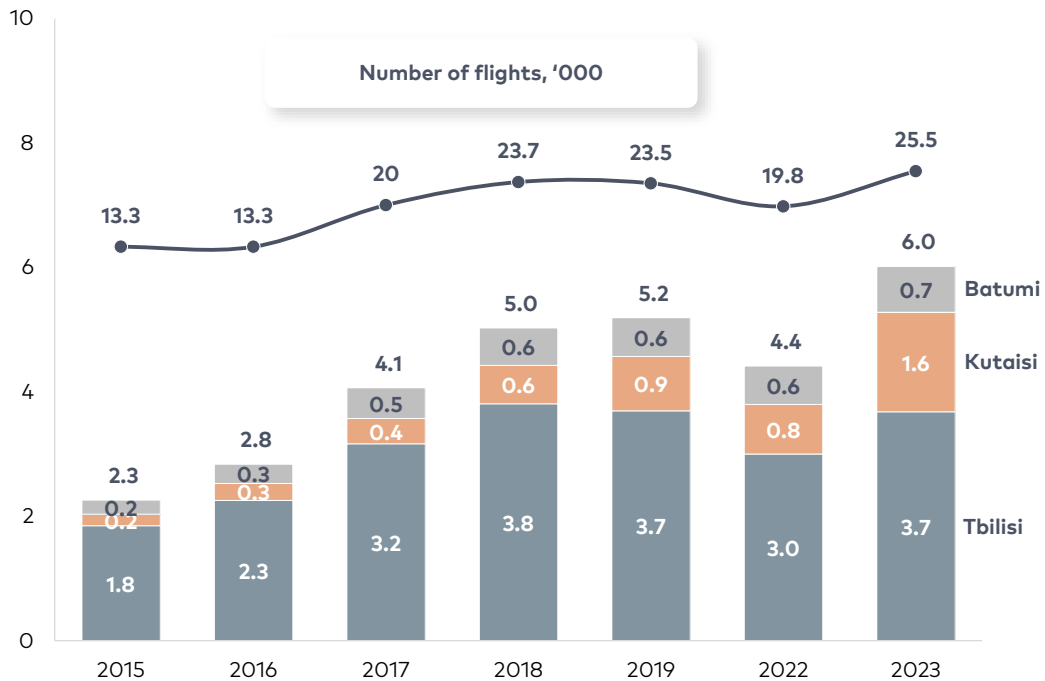
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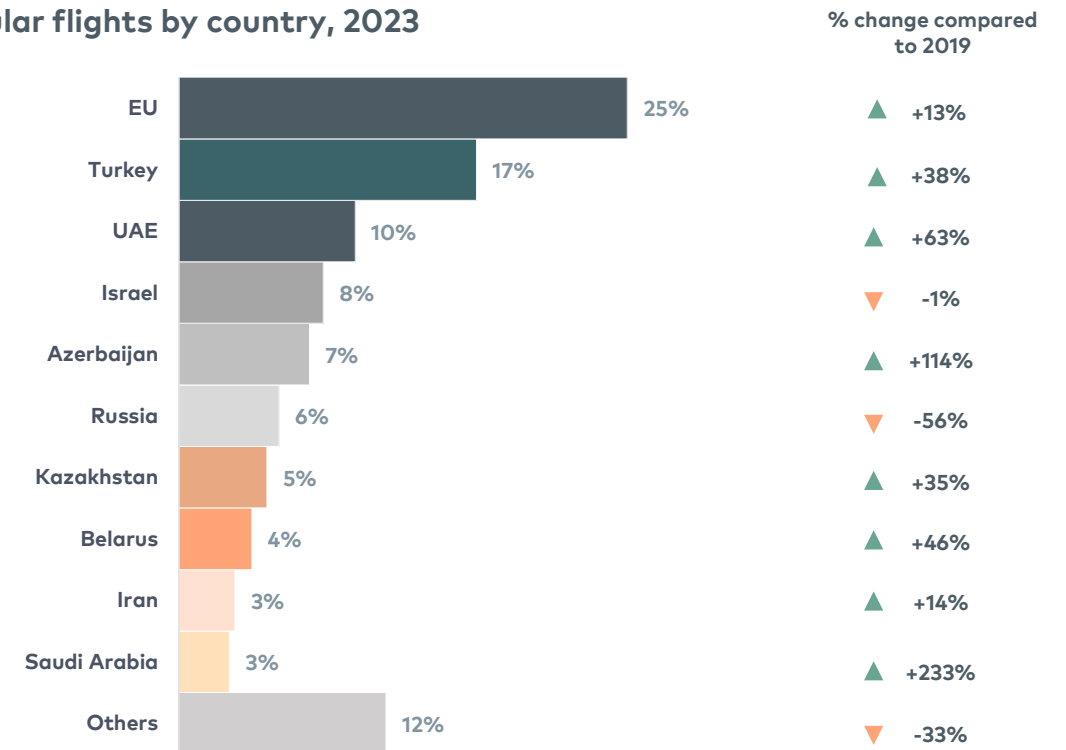
Passengers traffic at airports has increased, however there is need for more direct flights, especially from Tbilisi to EU

Passenger traffic by airports, mn



The number of flights in 2023 exceeded the 2019 level. The share of Georgian passengers stood at 33% in Tbilisi, 48% in Kutaisi, and 18% in Batumi in 2023.

Regular flights by country, 2023

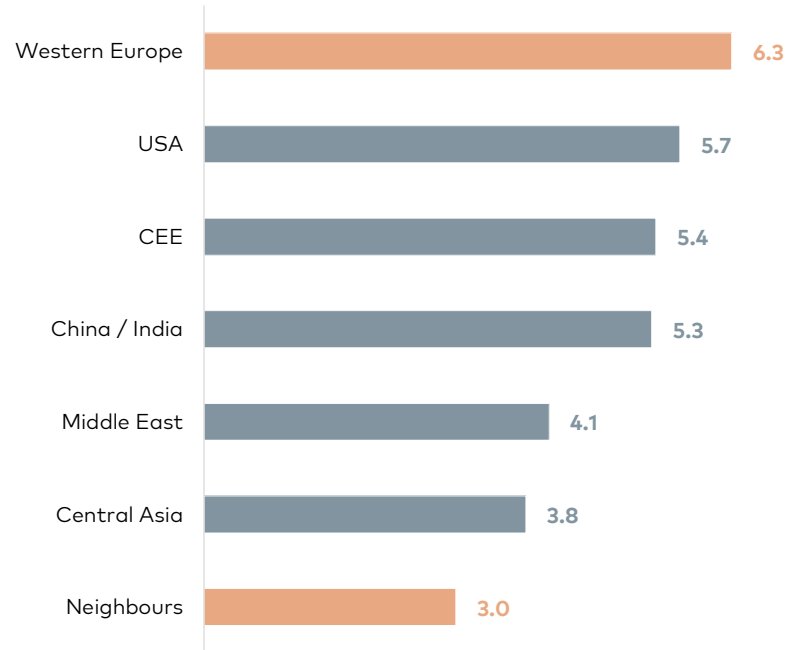


The increased flights to the EU are mainly driven by the frequency of flights from Kutaisi, although these flights are mostly used by locals. On the other hand, high shares of Turkiye and the UAE indicate a lack of direct flights.

TOURISM SECTOR PROSPECTS

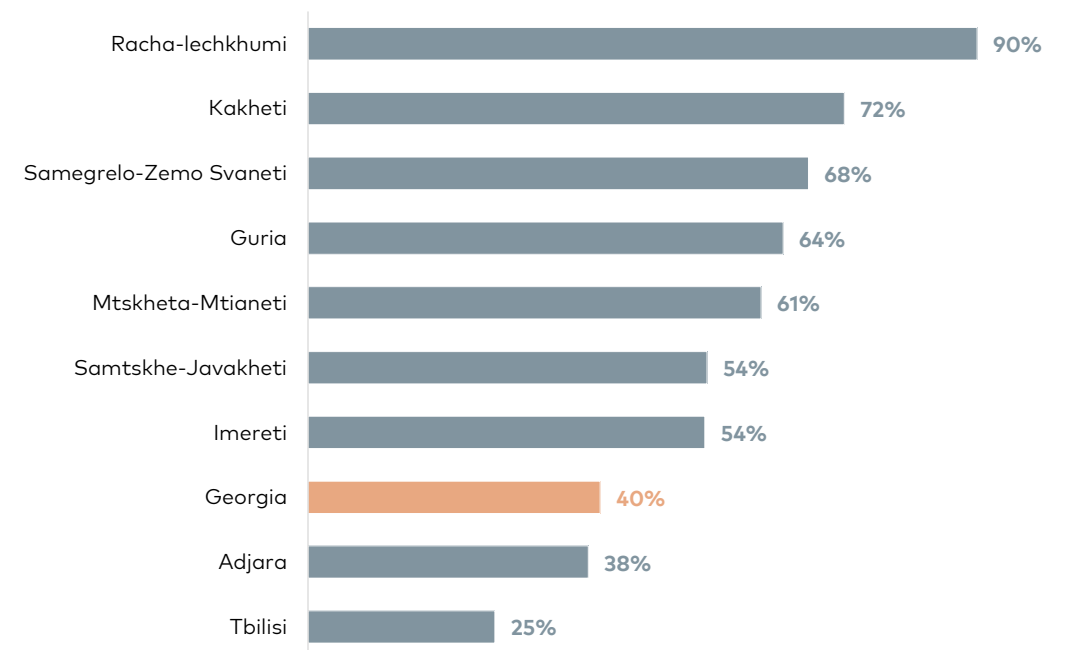
High spender tourists are highly interested to visit the regions of Georgia

Average number of visited regions, 2023



High-spending tourists are interested in the regions of Georgia, which emphasizes the need for infrastructure development.

Share of domestic tourists in hotels by region, 2022

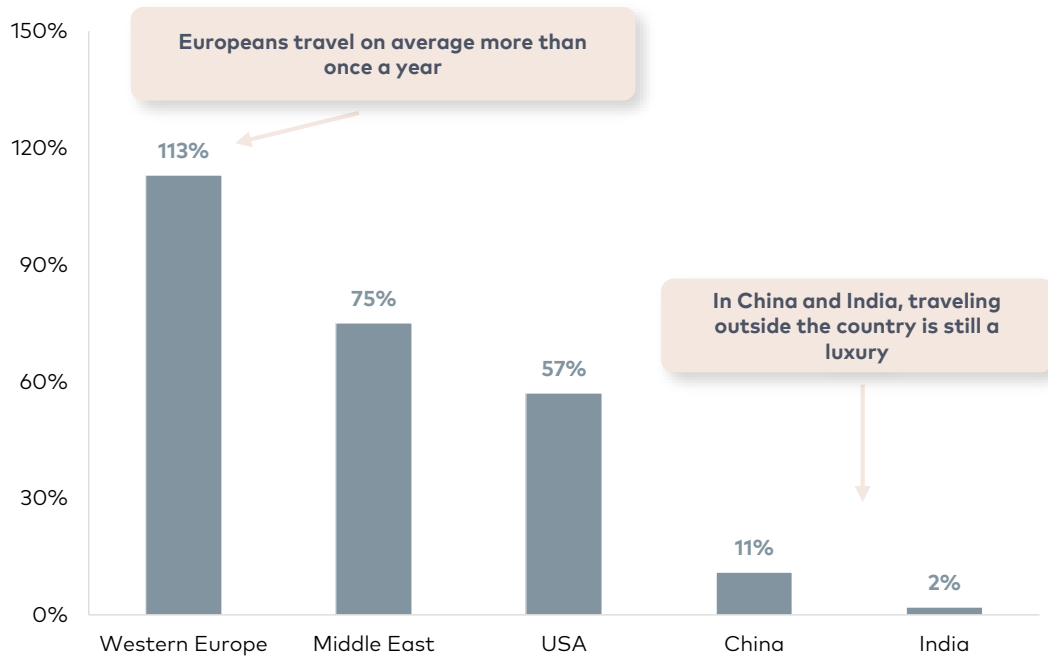


The share of domestic tourists is high in the regions where the lack of the hotel supply is significant.

TOURISM SECTOR PROSPECTS

Europeans travel the most and spend much per visit

Outbound tourist departures to population



Western Europeans travel the most. However, travellers from developing countries tend to be upper-middle-class.

Expenditures per departure by region, US\$

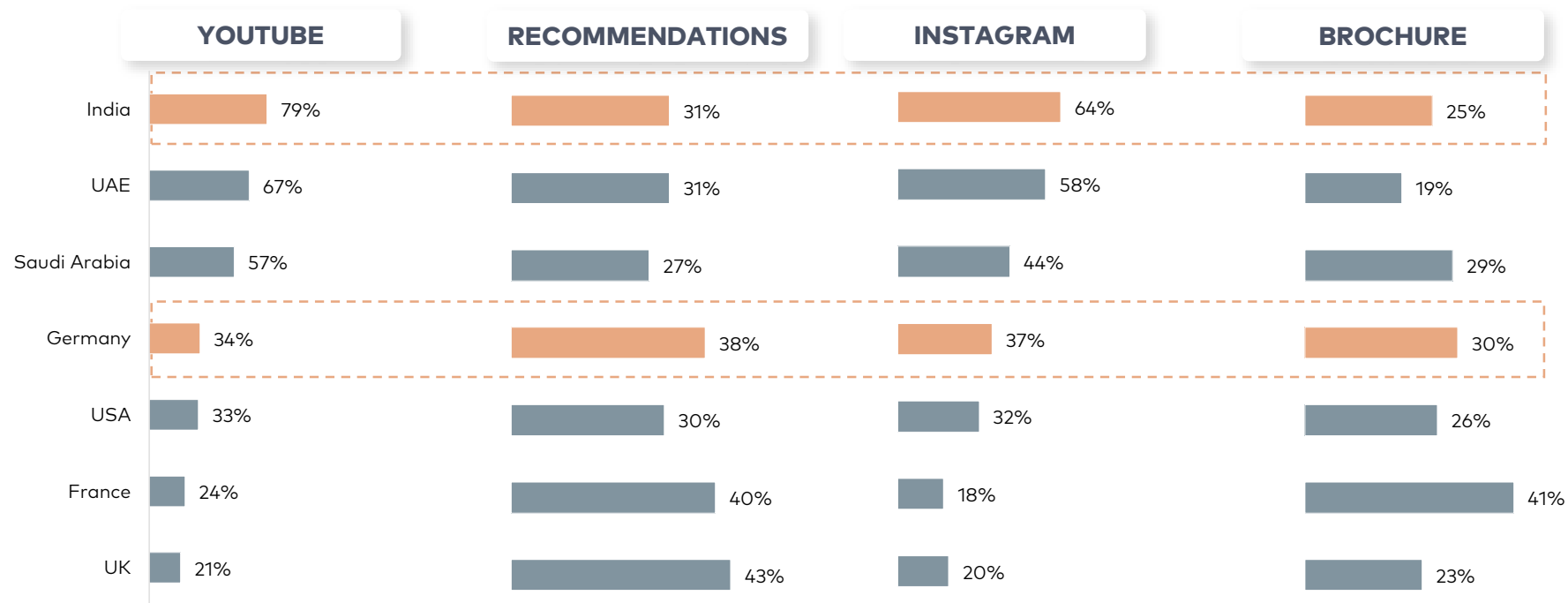


Chinese tourists are high-spenders. Significantly, the average expenditure per visit to Georgia is about 800 US\$.

TOURISM SECTOR PROSPECTS

Decisions are shaped by recommendations for European travelers and by social media for Asians

Sources of travel inspiration by country



For European and American tourists, the most important thing for choosing a travel destination is the recommendation of friends (word of mouth), indicating the need to improve the quality of service. Asian markets choose their travel destination mostly through social networks.



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