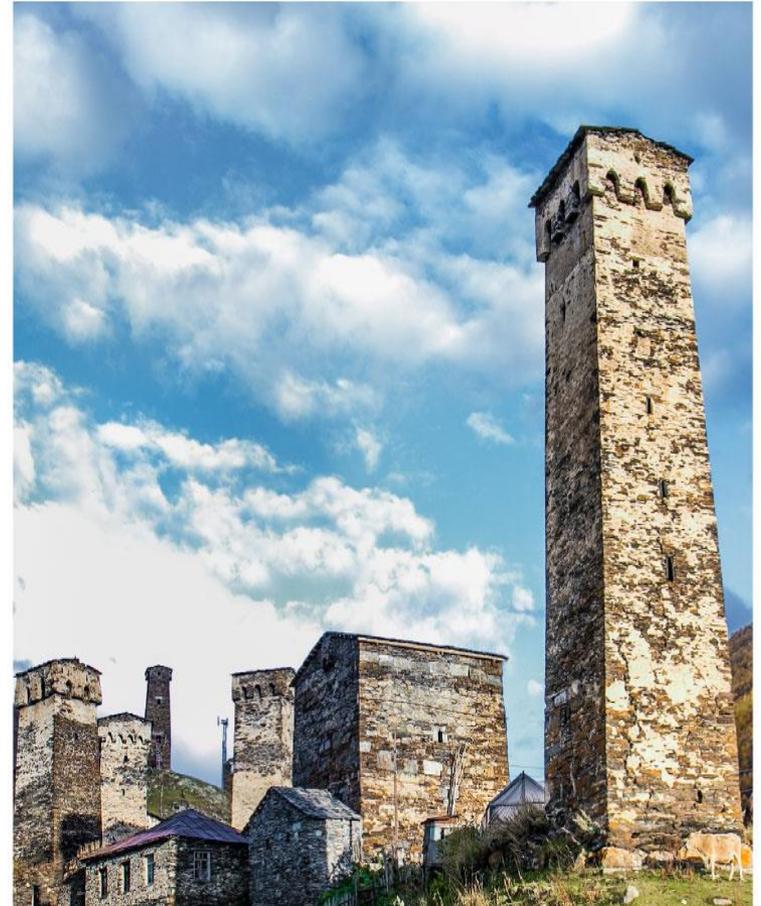




**GALT & TAGGART**  
CREATING OPPORTUNITIES

# Tourism in Georgia Monthly Market Watch

■ August 2019



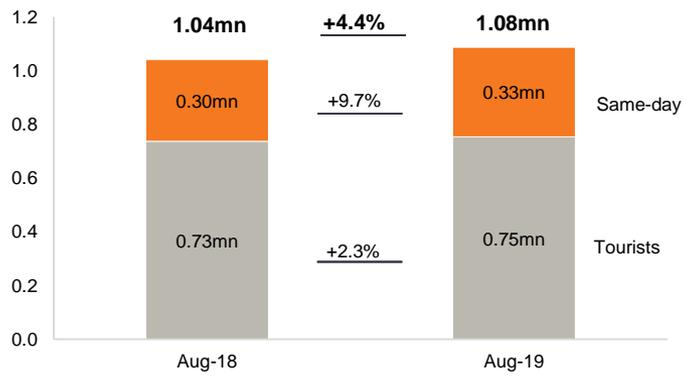
# Aug-19: total arrivals up 4.4% y/y, tourists up 2.3% y/y

## International visitors (tourists and same-day) by country

	Aug-18	Aug-19	Growth y/y
Azerbaijan	200,454	226,133	12.8%
Russia	227,114	207,899	-8.5%
Armenia	183,500	191,817	4.5%
Turkey	144,917	154,834	6.8%
Georgia (Nonresident)	51,326	53,561	4.4%
Ukraine	24,560	28,562	16.3%
Israel	21,447	24,344	13.5%
Saudi Arabia	16,406	21,570	31.5%
Iran	35,571	17,075	-52.0%
Kazakhstan	10,498	16,107	12.8%
Others	124,751	144,694	16.0%
<b>Total</b>	<b>1,040,544</b>	<b>1,086,596</b>	<b>4.4%</b>

Source: GNTA

## International visitors (tourists and same-day) by type



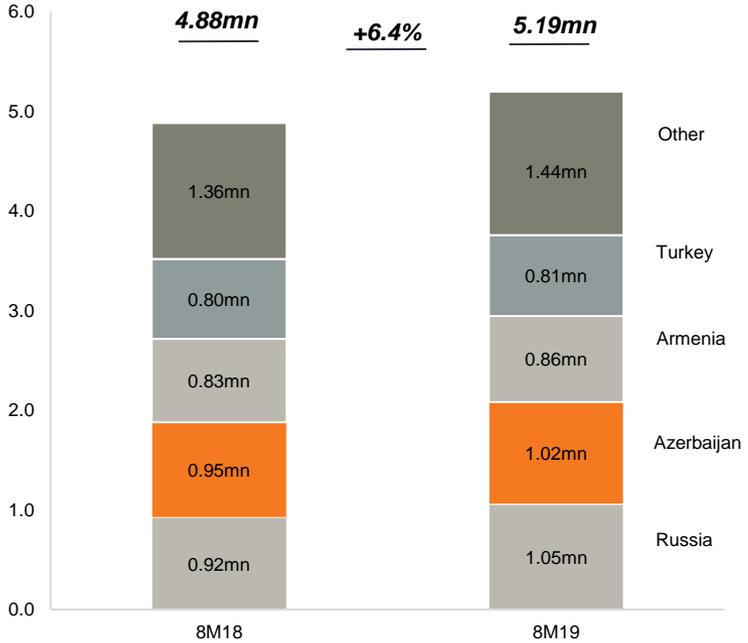
Source: GNTA

- International visitors continued growing in Aug-19 despite Russia’s ban on direct flights. Importantly, growth levels of total arrivals as well as tourist arrivals strengthened slightly compared to previous month. In Aug-19, total international visitors (tourists and same-day combined) were up 4.4% y/y to 1.1mn, of which tourists reached 0.8mn persons, up 2.3% y/y. Pick up in same-day arrivals (+9.7% y/y) is explained by strong arrival growth from neighbors: Azerbaijan, Armenia and Turkey. Notably, arrivals from Turkey are growing for the 3<sup>rd</sup> consecutive month after falling from Sep-18 to May-19.
- Slow arrival growth is explained by reduced arrivals from Russia and Iran in August like in July, as arrivals are growing strongly from rest of the countries. Notably, drop in Russian arrivals is slower than expected (down 8.5% y/y in August, after 6.4% y/y reduction in Jul-19), while arrivals from Iran continue sharp reduction (-52.0% y/y in August) since June 2018.
- Visitors from EU, Ukraine, Israel, Saudi Arabia and Kazakhstan continue growing strongly. Notably, visitors from the EU were up 23.4% y/y to over 73k visitors, with Netherlands (43.7% y/y) Germany (+27.1% y/y) and Poland (+31.6% y/y) driving growth.
- Tourism generated US\$ 396mn (-10.6% y/y) revenues in Aug-19 according to NBG estimates and revenues stood at US\$ 2.2bn in 8M19, flat y/y.
- Our view on tourism sector is provided in *our note of 25 June 2019* – [Every Cloud Has a Silver Lining](#).



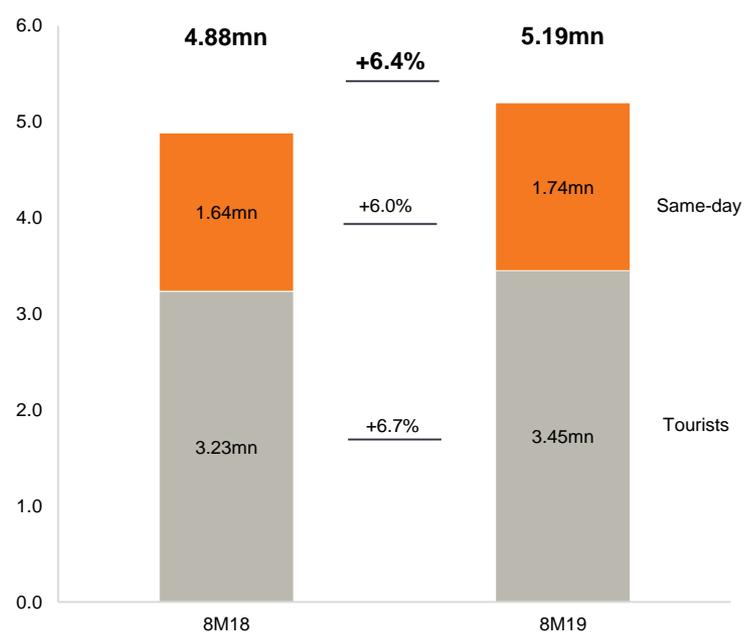
# 8M19: Tourist arrivals up 6.7% y/y

## International visitors (tourists and same-day) by country



Source: GNTA

## International visitors (tourists and same-day) by type



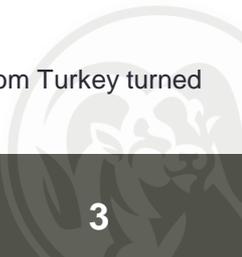
Source: GNTA

### Total international visitors stood at 5.2 mn (+6.4% y/y) persons in 8M19:

- From top markets, Russia was the largest contributor to arrival growth (due to strong growth in 1H19), followed by Azerbaijan and Armenia
- Visitors from EU increased 23.5% y/y to over 313k persons

### In 8M19:

- Tourist trips increased 6.7% y/y, accounting for 66.4% of total arrivals, up 0.1ppts y/y
- Same-day arrivals were up 6.0% y/y, as arrivals from Turkey turned positive after falling during Sep-18 to May-19



# Monthly dynamics of visitors and revenues

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	2016	2017	2018
Total int'l visitors, '000	542	607	846	1,041	764	611	485	460	437	389	507	550	619	728	882	1,087	5,393	6,483	7,203
y/y growth	9.0%	14.2%	10.7%	10.7%	5.7%	8.5%	5.8%	0.2%	-0.6%	-1.2%	4.6%	3.7%	14.2%	19.9%	4.3%	4.4%	2.6%	20.2%	11.1%
o/w tourists, '000	360	400	565	737	536	407	307	270	306	248	328	349	425	472	570	754	3,297	4,069	4,757
y/y growth	16.1%	20.7%	15.0%	13.9%	9.1%	15.1%	14.0%	11.6%	5.9%	5.1%	4.3%	4.2%	18.0%	18.0%	1.0%	2.3%	9.5%	23.4%	16.9%
Tourism revenues, US\$ mn	246	325	433	443	335	254	191	206	165	169	245	267	270	340	375	396	2,111	2,704	3,222
y/y growth	25.2%	27.8%	14.5%	12.4%	9.2%	17.8%	13.5%	10.5%	5.0%	4.4%	5.3%	11.8%	10.1%	4.5%	-13.4%	-10.6%	13.0%	28.1%	19.1%
Per visitor spending, US\$	454	536	511	426	439	416	394	448	376	434	482	486	437	467	425	365	391.4	417.2	447.3
y/y growth	14.9%	11.9%	3.4%	1.6%	3.2%	8.5%	7.3%	10.2%	5.7%	5.8%	0.8%	7.8%	-3.6%	-12.8%	-17.0%	-14.4%	10.1%	6.6%	7.2%

Source: GNTA, NBG, G&T research

Note 1: Total international visitors combine tourist (overnight stay) and same-day visits; Tourist revenue monthly statistics subject to revisions by NBG

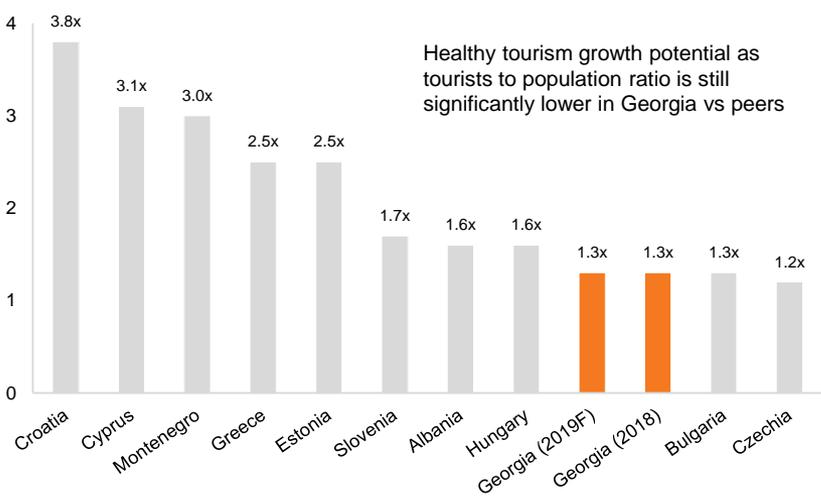
# Expectations for 2019

- We forecast 4.9mn (+3.5% y/y) tourists to visit Georgia in 2019 vs. our initial forecast of 5.3mn (+11.4% y/y) tourists

- We forecast tourism revenues at US\$ 3.4n (+6.9% y/y) in 2019 vs. our initial forecast of US\$ 3.6bn (+12.3% y/y)

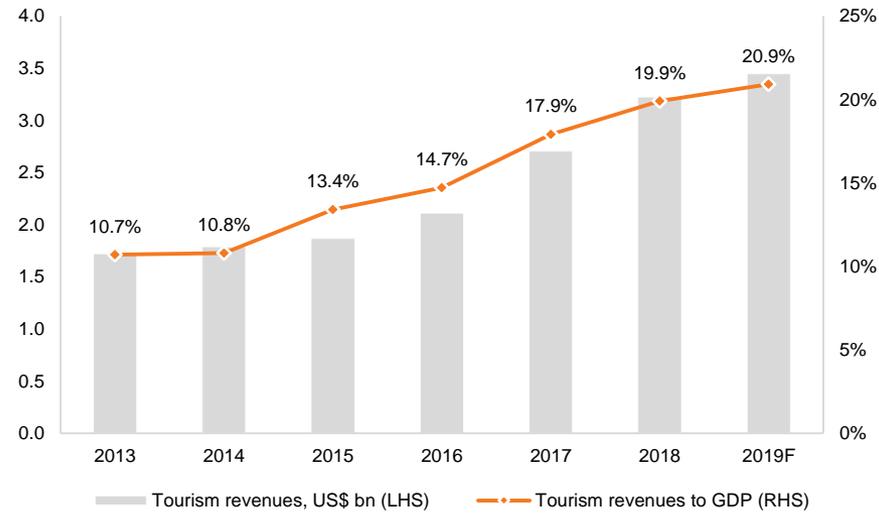
Note: 2019 growth projection were revised in June 2019 due to Russia's direct flight ban

## Tourists to population ratio, 2017



Source: UNWTO, WB, G&T Research

## Tourism revenues in Georgia



Source: NBG, Geostat, G&T Research

# Key figures

	2013	2014	2015	2016	2017	2018	8M19
<b>Tourism revenues, US\$ mn</b>	<b>1,720</b>	<b>1,787</b>	<b>1,868</b>	<b>2,111</b>	<b>2,704</b>	<b>3,222</b>	<b>2,226</b>
<i>As % of GDP</i>	10.7%	10.8%	13.4%	14.7%	17.9%	19.9%	
<b>International visitors, persons</b>	<b>4,954,448</b>	<b>5,004,331</b>	<b>5,255,999</b>	<b>5,392,816</b>	<b>6,482,830</b>	<b>7,203,350</b>	<b>5,198,531</b>
<i>by type*:</i>							
Tourists	2,884,295	2,938,892	3,011,663	3,297,275	4,069,354	4,756,820	3,451,272
Same-day	2,070,153	2,065,439	2,244,336	2,095,541	2,413,476	2,446,530	1,747,259
<i>by country:</i>							
Russia	606,668	651,282	763,019	849,265	1,135,057	1,404,757	1,058,549
Azerbaijan	940,129	1,103,408	1,156,183	1,075,820	1,301,556	1,424,610	1,024,349
Armenia	1,049,911	1,065,970	1,191,777	1,152,234	1,287,168	1,268,886	864,474
Turkey	1,292,275	1,136,703	1,074,065	988,312	1,007,276	1,098,555	810,602
Georgia (Nonresident)	499,132	482,038	441,260	429,343	456,132	476,389	323,677
Ukraine	115,281	131,951	127,344	151,630	169,862	177,058	136,594
Israel	36,683	38,646	55,439	85,398	115,040	156,922	124,156
Iran	67,944	33,803	22,019	129,933	282,549	291,070	91,859
Other	346,425	360,530	424,893	530,881	728,190	905,103	764,271
<b>Airport arrivals</b>	<b>584,601</b>	<b>639,919</b>	<b>737,660</b>	<b>998,762</b>	<b>1,439,689</b>	<b>1,788,417</b>	<b>1,284,368</b>
<i>of which:</i>							
Tbilisi	460,587	489,803	597,907	786,094	1,133,811	1,402,157	826,608
Batumi	56,031	67,423	78,900	120,763	193,699	239,251	177,204
Kutaisi	67,983	82,693	60,853	91,905	112,179	147,009	132,229
<b>Accommodation units</b>	<b>875</b>	<b>1004</b>	<b>1,383</b>	<b>1,727</b>	<b>1,963</b>	<b>2,390</b>	<b>2,473</b>
<b>Accommodation rooms</b>	<b>14,491</b>	<b>16,547</b>	<b>21,511</b>	<b>24,640</b>	<b>27,907</b>	<b>34,608</b>	<b>36,463</b>
<b>Accommodation beds</b>	<b>34,194</b>	<b>39,055</b>	<b>51,517</b>	<b>59,236</b>	<b>67,660</b>	<b>85,314</b>	<b>89,181</b>

Source: GNTA, GCAA, NBG, G&T research

\*A visitor is classified as a tourist if his/her trip includes an overnight stay, while a same-day visitor (or excursionist) trip does not include an overnight stay

Note: Tourism revenues in 2019 subject to monthly revisions

# Georgia's tourism sector at a glance

## #5yearschallenge



2018

**7.2 mn**  
INTERNATIONAL VISITORS

**4.8 mn**  
TOURISTS

**\$3.2 bn**  
REVENUES

**19.9%**  
REVENUES to GDP

↑  
+2.2mn

↑  
+1.9mn

↑  
+1.4bn

↑  
+9.1ppts

2014

**5.0 mn**  
INTERNATIONAL VISITORS

**2.9 mn**  
TOURISTS

**\$1.8 bn**  
REVENUES

**10.8%**  
REVENUES to GDP

Source: GNTA, NBG, Geostat, G&T research



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