

Georgia's Tourism Sector Targeting Diversification

Georgia | Tourism
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Annual international arrivals to Georgia posted strong growth at 21% y/y in 2013, even though growth slowed against recent record rates. This slower growth is more sustainable, in our view; compared to the 57%, 39%, 35% annual rises in the last three years. Armenia and Russia made the largest contributions to growth in 2013, and Turkey, Armenia, and Azerbaijan continue to hold the largest shares at 30%, 24%, and 20%, respectively. Turkey disappointed last year, partly as a result of the weaker Lira and political uncertainty. In 2014, we expect a rebound in visitors from Turkey. Overall, ex-Turkey growth came in at 30% in 2013 vs. 39% in both 2012 and 2011.

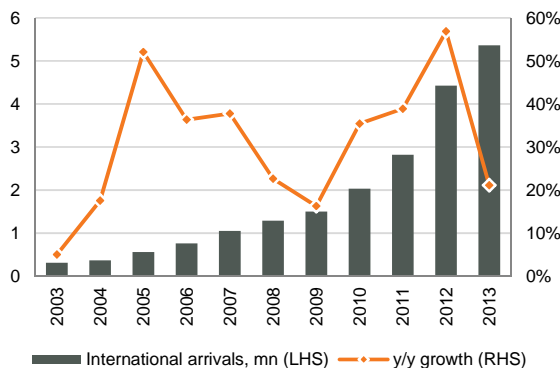
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Visitor arrivals grow 21% y/y, in-line with expectations

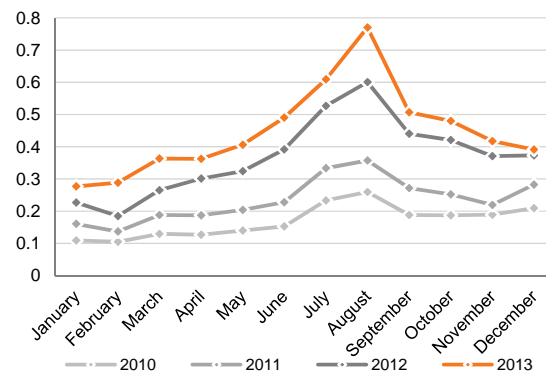
The number of international arrivals to Georgia continued to grow in 2013, up 21% y/y to 5.4mn, in-line with our November 2013 forecast of 5.5mn. The growth rate slowed on an annual basis, especially in the last 4 months of the year, dropping to 13% and 5% in November and December, respectively. Snow (or rather a lack of snow) was the main driver. Generally, tourism starts to rise in March, and the peak season from April to October accounts for 67% of all foreign arrivals.

Figure 1: Total international arrivals by year



Source: GNTA

Figure 2: International arrivals trend in Georgia, mn



Source: GNTA

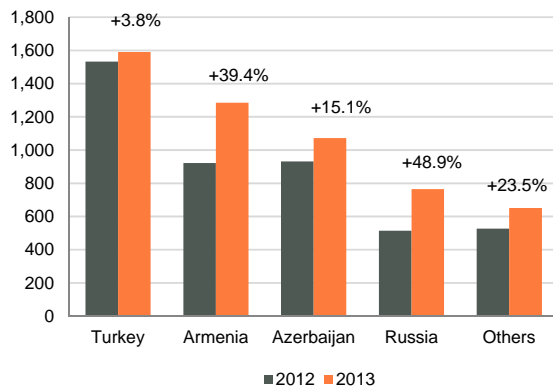
Growth to stabilize to 8% annually until 2019

We expect growth rates to come down from the record highs of the past few years to around 13% in 2014 or 6.1mn international arrivals. Until 2019, we forecast an average annual growth rate of 8% and maintain our forecast of 8.9mn international visitors in 2019.

Turkey disappoints, but ex-Turkey growth is solid

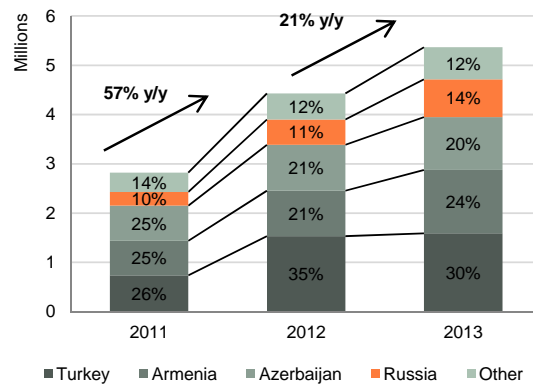
Excluding Turkish visitors, the total number of visitors increased 30% in 2013 compared to 39% in 2012. In 2014, the stats for arrivals from Turkey will be driven by the low base of 2013, the strength of Turkish Lira and Turkey's domestic growth. Overall, Turkish holidaymakers still make up the largest proportion of tourist arrivals in Georgia, followed by Armenians (24% in 2013), Azerbaijanis (20%) and Russians (14%).

Figure 3: Number of visitors by country and growth, '000



Source: GNTA

Figure 4: Shares of International arrivals, mn



Source: GNTA

Government launches targeted campaigns to diversify tourism

The government's marketing campaign aimed at Ukraine, Azerbaijan, Latvia, Lithuania, and other countries should help diversify and boost inflows. The government is also pushing to boost tourism through ad campaigns aimed at Germany, Russia, and Israel. The National Tourism Administration expects to triple annual spending on tourism campaigns to GEL 9mn (US\$ 5mn) in 2014. In addition, the upcoming Association Agreement with the EU should also benefit Georgian trade and tourism.

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