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RESEARCH

Georgia's Tourism Sector

Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
January 17, 2018

International branded hotel projects in Georgia are behind schedule. Out of the 27 international branded hotels in our 2016-2018 pipeline (*see our June 2016 tourism report, **Shifting into High Gear***), only four have been completed, while three projects have been cancelled. Of the remaining 20 projects, only four are expected to be finished on time. Delays are geographically distributed as follows – 10 of 13 hotels in Tbilisi, three of four in Batumi, and all three in other regions. The delays can be largely attributed to regional turbulence, coupled with currency fluctuation, in recent years. Nonetheless, international branded hotel stock is expected to increase by 1,371 rooms (+79.7%) in Tbilisi, 440 rooms (+44.9%) in Batumi, and 706 rooms (+142.3%) in other regions by end-2018. The updated 2018-2020 pipeline now includes 19 projects in Tbilisi, seven in Batumi, and 10 in other regions.

Five international midscale branded hotels were added to the Georgian market in 2017. Notably, only one of them, the 3-star Ibis Styles, was opened in Tbilisi. The 5-star Wyndham Hotel and 4-star Best Western Plus opened in Batumi, while the 4-star Golden Tulip was added to the international hotel stock in Borjomi. The first international branded hotels were opened in Kutaisi and Bakuriani in 2017 – the 3-star Best Western in Kutaisi, with 45 rooms, and the 4-star Best Western Plus in Bakuriani, with 70 rooms. These six hotels added 447 rooms to Georgia's international branded hotel stock, bringing the total to 25 properties with 3,346 rooms.

International travel inflows to Georgia increased 27.0% y/y to US$ 2.75bn in FY17, according to NBG's preliminary estimates. Foreign card operations in Georgia were up 30.3% y/y to GEL 1.9bn in 11M17. Tourism value added was up 11.5% y/y to GEL 1.5bn in 9M17 and accounted for 7.0% of GDP. Accommodation units subsector was the main driver, with 32.6% y/y growth. Travel companies, which account for 31.9% of tourism value added, posted modest 1.1% y/y growth.

Key indicators	
International arrivals, 2017	7,554,936
Tourist arrivals, 2017	3,478,932
Tourism receipts to GDP, 2017*	18.2%
Visa-free regime	98 countries
Direct flight routes out of Georgia	64
Carriers servicing Georgia	33
Accommodation units	1,963
Rooms	27,907

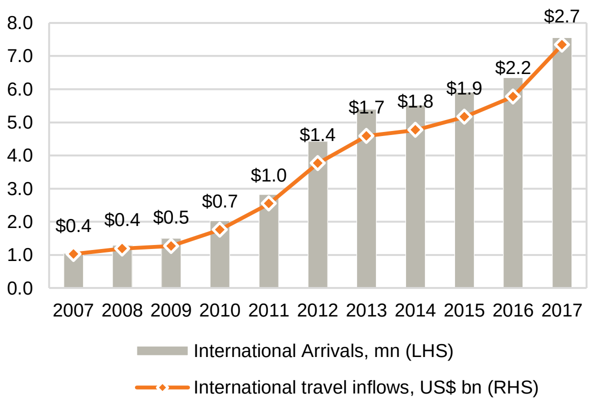
*Source: NBG, GNTA, Ministry of Foreign Affairs, Georgian Civil Aviation Agency, *G&T estimate*

Table 1: Visitors by country, '000

Country	2017	y/y growth
Armenia	1,718	14.8%
Azerbaijan	1,695	11.2%
Russia	1,393	34.1%
Turkey	1,247	-0.8%
Iran	323	118.3%
Ukraine	193	10.4%
Israel	125	35.9%
India	60	64.1%
Kazakhstan	57	16.2%
Saudi Arabia	56	164.6%
Poland	52	17.7%
Germany	51	25.7%
Belarus	48	29.3%
USA	43	24.5%
United Kingdom	27	39.9%
Others	467	34.4%
Total	7,555	18.8%

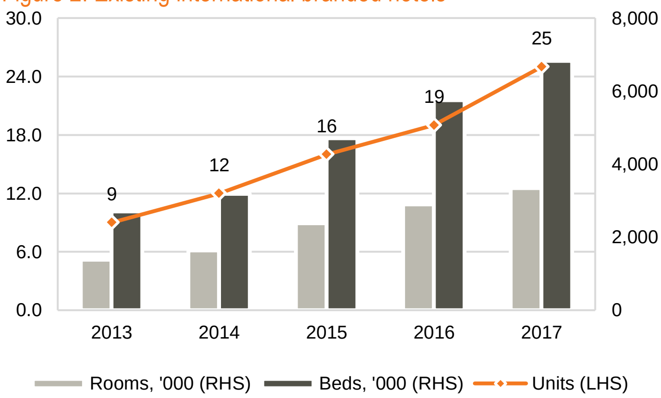
Source: GNTA

Figure 1: International travel inflows to Georgia



Source: GNTA, NBG

Figure 2: Existing international branded hotels



Source: G&T Research

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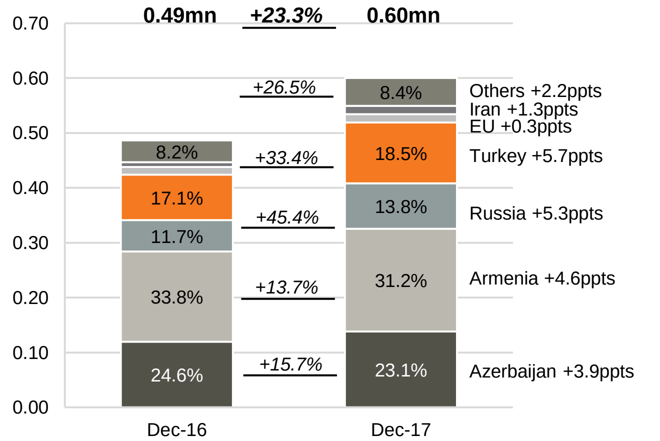
International Arrivals to Georgia

The number of international arrivals was up 23.3% y/y to 0.6mn in December 2017. Out of the top four source markets, Russia was the top performer (+45.4% y/y), while Armenia (+13.7% y/y) and Azerbaijan (+15.7% y/y) also posted double-digit growth rates. The number of visitors from Turkey has been on the rise for six consecutive months, with growth in December coming in at 33.4% y/y. Arrivals from the EU were up 9.6% y/y to nearly 15,000 visitors.

The number of international arrivals was up 18.8% y/y to 7.6mn visitors in FY17. The number of visitors increased from all major source countries, except Turkey (-0.8% y/y). The largest individual contributor to overall growth was Russia (+34.1% y/y), while Armenia and Azerbaijan also posted double-digit increases. The number of Iranian visitors was up 2.2x to nearly 323,000 visitors and surpassed the number of Ukrainian visitors (193,002) in FY17.

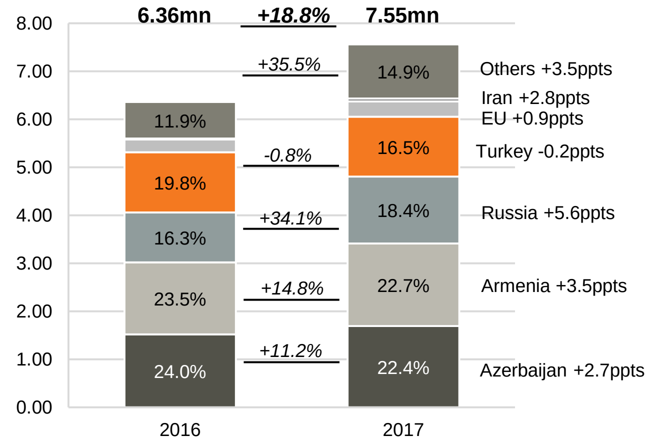
Secondary source markets also posted robust performances in FY17. Arrival growth from secondary (non-EU) source markets contributed 3.5ppts to the overall growth of 18.8% y/y. The number of Israeli visitors increased 35.9% y/y to over 125,000 visitors, while the number of visitors from Saudi Arabia was up 164.6% y/y to over 56,000. Arrivals from the EU were up 21.9% y/y to over 322,000 visitors in FY17, with Germany, Poland, and UK accounting for a third of the growth.

Figure 3: Visitors by country in December 2017, mn



Source: GNTA

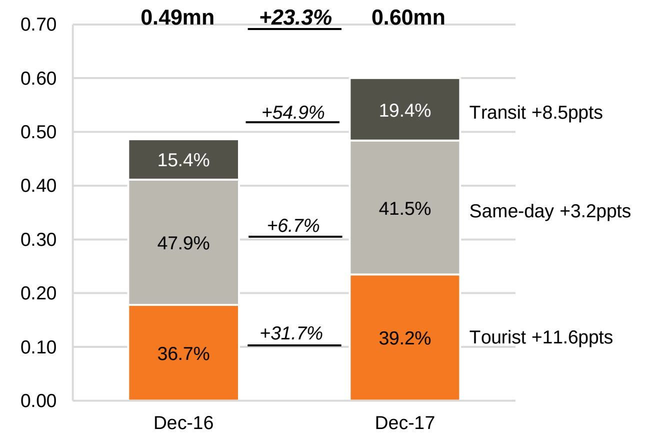
Figure 4: Visitors by country in 2017, mn



Source: GNTA

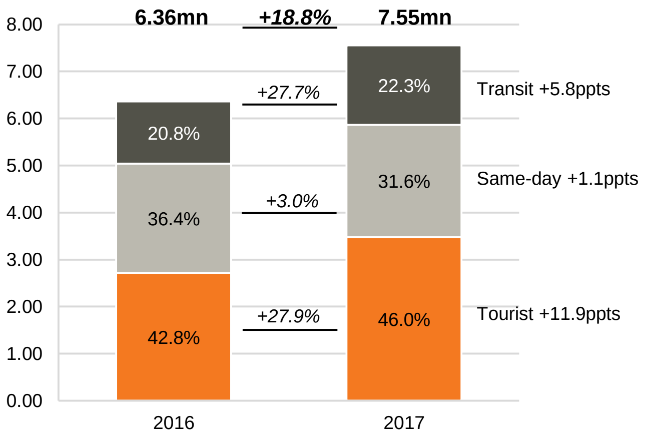
The tourist category continues to drive arrival growth in December 2017. The number of overnight visitors ('tourist' category) was up 31.7% y/y and accounted for 39.2% of international arrivals. The transit category was also a major contributor (+54.9% y/y), while the number of same-day arrivals was up 6.7% y/y. The number of tourist arrivals in FY17 is up 27.9% y/y to 3.5mn, surpassing the annual figure for FY16 by 0.8mn tourists.

Figure 5: Visitors by type in December 2017, mn



Source: GNTA

Figure 6: Visitors by type in 2017, mn



Source: GNTA

Table 2: Key tourism indicators

	2012	2013	2014	2015	2016	2017
Tourism receipts, US$ mn	1,410	1,719	1,787	1,935	2,166	2,750*
International visitors	4,428,221	5,392,303	5,515,559	5,901,094	6,360,503	7,554,936
by type:						
Tourists	*1,789,592*	*2,065,296*	*2,229,094*	*2,281,971*	*2,720,970*	*3,478,932*
Same-day	*1,883,670*	*2,138,216*	*2,172,429*	*2,218,288*	*2,318,189*	*2,388,715*
Transit	*754,959*	*1,188,791*	*1,114,036*	*1,400,835*	*1,321,344*	*1,687,289*
by country:						
Armenia	*921,929*	*1,291,838*	*1,325,635*	*1,468,888*	*1,496,437*	*1,718,016*
Azerbaijan	*931,933*	*1,075,857*	*1,283,214*	*1,393,257*	*1,523,703*	*1,694,998*
Russia	*513,930*	*767,396*	*811,621*	*926,144*	*1,038,750*	*1,392,610*
Turkey	*1,533,236*	*1,597,438*	*1,442,695*	*1,391,721*	*1,256,561*	*1,246,745*
Other	*527,193*	*659,774*	*652,394*	*721,084*	*1,045,052*	*1,502,567*
Airport arrivals	429,364	585,716	643,088	764,588	1,066,378	1,565,264
of which,						
Tbilisi	*378,947*	*462,173*	*493,895*	*627,903*	*845,830*	*1,247,605*
Batumi	*46,272*	*54,975*	*65,528*	*77,490*	*129,551*	*208,845*
Kutaisi	*4,145*	*68,568*	*83,665*	*59,195*	*90,997*	*108,814*
Accommodation units	826	940	1,035	1,374	1,742	1,963
Accommodation rooms	13,123	15,781	17,303	21,429	24,854	27,907
Accommodation beds	30,857	37,159	40,809	51,165	59,636	67,660

**Preliminary Figure*
Source: GNTA, GCAA, NBG

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