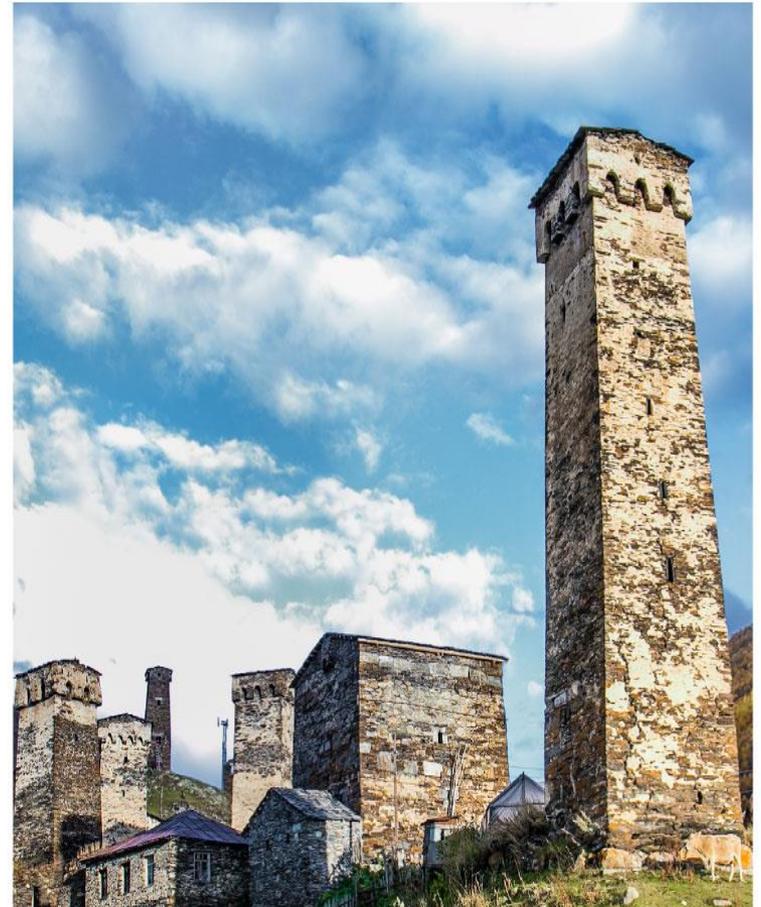




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Tourism in Georgia Monthly Market Watch

■ January 2020 & 2019 full year overview



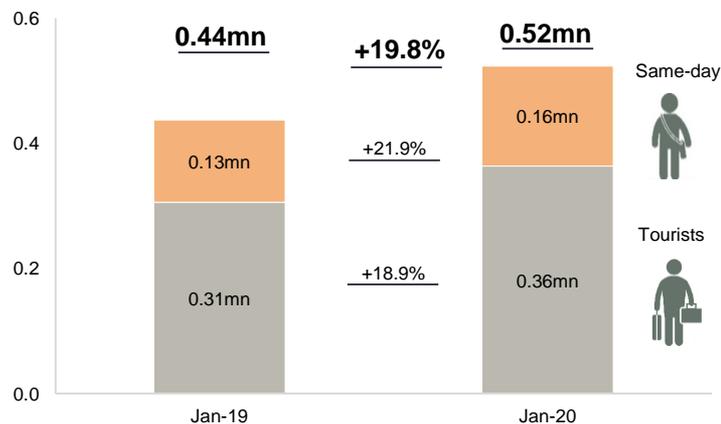
Jan-20: Good start of the year with total arrivals up 19.8% y/y

International visitors (tourists and same-day) by country

Country	Jan-19	Jan-20	Growth y/y
Azerbaijan	92,341	124,534	34.9%
Armenia	77,968	91,580	17.5%
Russia	85,922	86,884	1.1%
Turkey	64,349	75,012	16.6%
Georgia (Nonresident)	44,541	50,522	13.4%
Ukraine	10,453	12,799	22.4%
Israel	7,217	11,351	57.3%
Iran	8,424	9,467	12.4%
Kazakhstan	3,157	4,570	44.8%
Others	42,846	56,970	33.0%
Total	437,218	523,689	19.8%

Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

Key takeaways of January 2020

- Total international visitor (tourists and same-day combined) growth accelerated to 19.8% y/y in Jan-20 after growing 16.3% y/y in Dec-19. Out of total 0.52mn visitors, Georgia hosted 0.36mn tourists (up 18.9% y/y) and 0.16mn same-day visitors (up 21.9% y/y) in Jan-20.
- Tourist arrival growth in Jan-20 was supported by strong arrival growth from neighbors (Azerbaijan, Armenia and Turkey) as well as notable increase of visitors from Israel, Kazakhstan, Ukraine and EU countries, with Poland and Italy driving growth.
- Meanwhile, arrivals from Russia continued growing for the second consecutive month up 1.1% y/y in Jan-20, after 5 consecutive monthly declines since direct flight ban of Jul-19.
- Georgia suspended flights to and from China till Apr-2020 to prevent the spread of the coronavirus. Notably, Georgia's dependence on tourism from China is very limited with just 48K (0.6% of total visitors) Chinese traveling to Georgia in 2019. So direct hit from weaker Chinese tourism on Georgia will be minimal (Chinese spent US\$ 3.8mn in 1Q19 or 0.7% of total revenues), and expected arrival growth from other countries will fully compensate this shortfall. Expectations can change if virus is not contained and willingness to travel globally weakens or many avoid Asia and start traveling to other countries.
- We estimate tourism revenue growth of 14.0% y/y to US\$ 187.5mn in Jan 2020.



Monthly dynamics of visitors and revenues

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	2017	2018	2019
Total int'l visitors, '000	437	389	507	550	619	728	882	1,087	784	665	543	535	524	6,483	7,203	7,726
<i>y/y growth</i>	-0.6%	-1.2%	4.6%	3.7%	14.2%	19.9%	4.3%	4.4%	2.7%	8.8%	11.9%	16.3%	19.8%	20.2%	11.1%	7.3%
o/w tourists, '000	306	248	328	349	425	472	570	754	539	438	339	312	364	4,069	4,757	5,080
<i>y/y growth</i>	5.9%	5.1%	4.3%	4.2%	18.0%	18.0%	1.0%	2.3%	0.6%	7.8%	10.3%	15.5%	18.9%	23.4%	16.9%	6.8%
Tourism revenues, US\$ mn	165	169	245	267	270	340	395	413	319	267	206	217	188	2,704	3,222	3,268
<i>y/y growth</i>	5.0%	4.4%	5.3%	11.8%	10.1%	4.5%	-8.6%	-6.8%	-4.9%	5.1%	7.7%	5.4%	14.0%	28.1%	19.1%	1.4%

Source: GNTA, NBG, Galt & Taggart

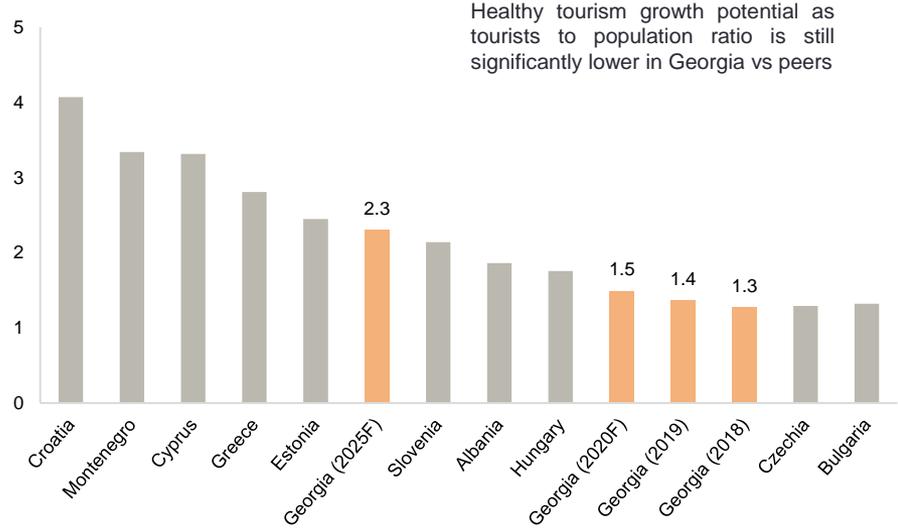
Note 1: Total international visitors combine tourist (overnight stay) and same-day visits; Tourist revenue monthly statistics subject to revisions by NBG

Expectations for 2020

- We forecast 5.6mn tourists to visit Georgia in 2020, growth of 10.5% y/y

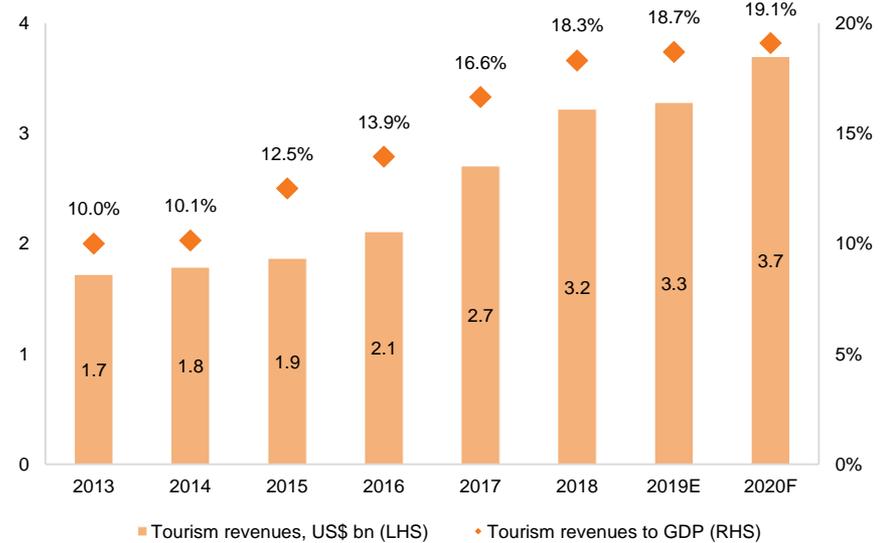
- We forecast US\$ 3.7bn tourism revenues in 2020, growth of 12.3% y/y

Tourists to population ratio, 2018



Source: UNWTO, WB, G&T Research

Tourism revenues in Georgia



Source: NBG, Geostat, G&T Research



Georgia's tourism sector in 2019

#1 year challenge



2019

7.7 mn
INTERNATIONAL VISITORS

5.1 mn
TOURISTS

\$3.3 bn
REVENUES

18.7%
REVENUES to GDP

↑
+0.5mn

↑
+0.3mn

↑
+0.1bn

↑
+0.4ppts

2018

7.2 mn
INTERNATIONAL VISITORS

4.8 mn
TOURISTS

\$3.2 bn
REVENUES

18.3%
REVENUES to GDP

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



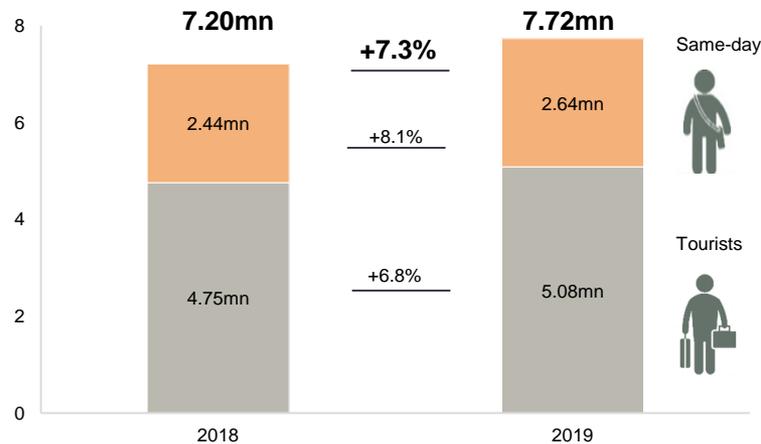
In 2019 tourists increased 6.8% y/y despite Russia's flight ban

International visitors (tourists and same-day) by country



Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

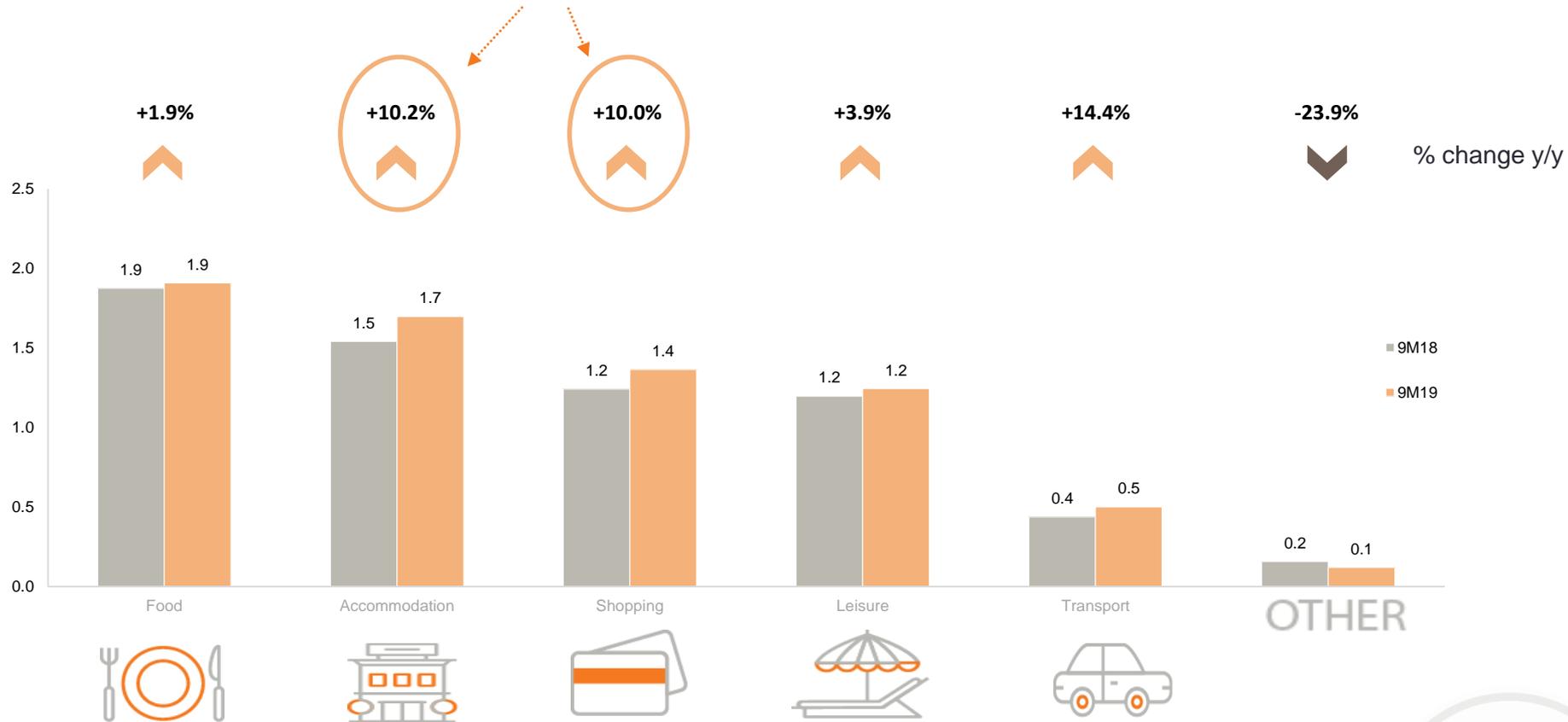
Key takeaways of 2019

- 2019 was a bumpy year for Georgia's tourism industry - started with seasonal flu fears with modest 1.1% y/y visitor growth in 1Q19. However, visitor growth accelerated in 2Q19 (+13.0% y/y) as Russian visitors surged (+37.5% y/y). Russia's direct flight ban since Jul-19 slowed overall visitor growth (+3.9% y/y) in 3Q19, before visitors rebounded strongly in 4Q19 (+12.0% y/y).
- Overall, total international arrivals (tourists and same-day) stood at 7.7mn (+7.3% y/y) in 2019. Notably, tourists reached 5.1mn, up 6.8% y/y, higher than expected after flight ban.
- Importantly, strong growth of arrivals from Kazakhstan, Israel, Ukraine, EU and neighbors (Armenia, Azerbaijan, Turkey) fully compensated reduced Russian visitors in 2H19 (Russian arrivals fell 11.1% y/y and other arrivals increased 11.7% y/y in 2H, bringing total arrival growth at 6.9% y/y in 2H19).
- The share of EU visitors in total arrivals increased to 6.3% in 2019 (+1.0ppts y/y).
- Tourism revenues reached US\$ 3.3bn in 2019 (up 1.4% y/y).

Visitors spend most on food, but other categories are driving spending growth – 9M19 survey results

Visitors' spending in 9M19, GEL bn

Visitor spending was up 6.0% y/y to GEL 6.8bn in 9M19 with spending on accommodation and shopping growing most.



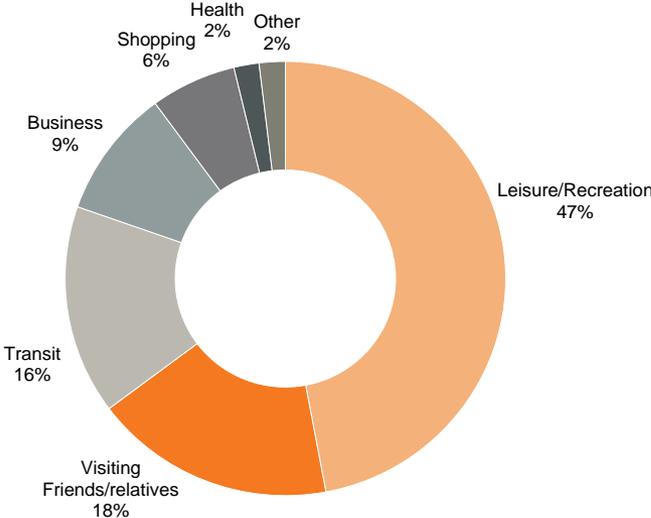
Source: Geostat Visitor Survey



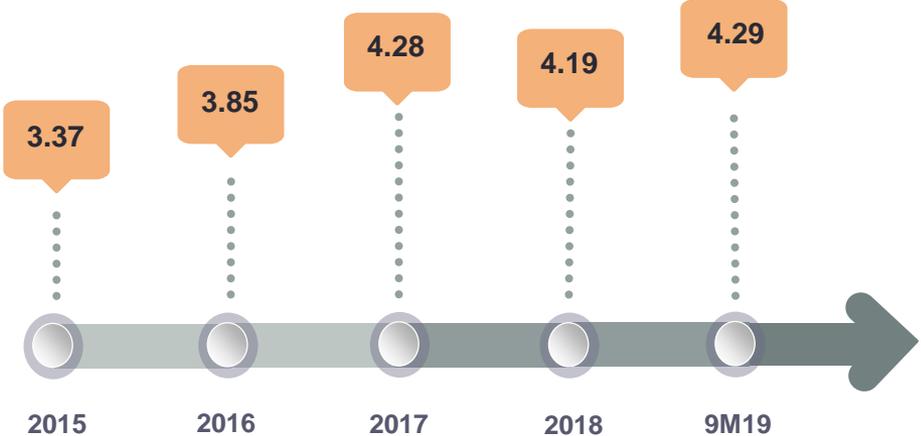
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Georgia becoming holiday destination – survey results

Visitors by the purpose of visit, 9M19



Average length of stay, nights



Source: Geostat Visitor Survey

Source: Geostat Visitor Survey

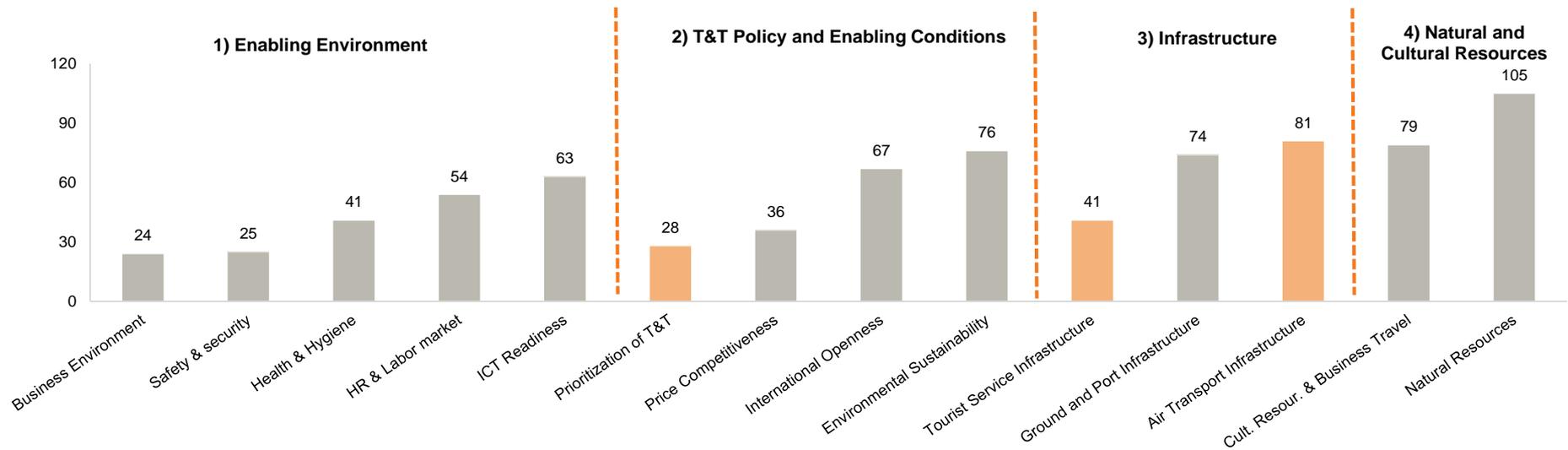
- Almost half of visitors (47.1% of total) traveled for leisure/recreation in 9M19 up from 33.4% of total since records started in 9M15

- Average length of stay increased to 4.29 in 9M19 from 3.55 nights since records started in 9M15, as tourists from non-traditional markets spend more days in Georgia



Georgia ranks 68 out of 140 countries in TTCI 2019

Ranking of Georgia in travel and tourism competitiveness index (TTCI) by sub-pillar



Source: World Economic Forum
Note: Lower rank is the better

Georgia ranks 68th out of 140 countries in the Travel & Tourism Competitiveness Index (TTCI) 2019. In the previous edition of 2017, Georgia ranked 70th among 136 countries.

Georgia's most notable improvement compared to the 2017 edition was moving up in:

- 1. Prioritization of Travel & Tourism component (up by 13 positions)** – driven by improved country brand strategy and effectiveness of marketing
- 2. Tourist Service Infrastructure (up by 29 positions)** – driven by improved quality of tourism infrastructure and increased presence of major car rental companies
- 3. Air transport infrastructure (up by 9 positions)** – driven by improved quality of infrastructure and increased number of airlines operating in Georgi



Key figures

	2013	2014	2015	2016	2017	2018	2019
Tourism revenues, US\$ mn	1,720	1,787	1,868	2,111	2,704	3,222	3,268
<i>As % of GDP</i>	10.0%	10.1%	12.5%	13.9%	16.6%	18.3%	18.7%
International visitors, persons	4,954,448	5,004,331	5,255,999	5,392,816	6,482,830	7,203,350	7,725,774
<i>by type*:</i>							
Tourists	2,884,295	2,938,892	3,011,663	3,297,275	4,069,354	4,756,820	5,080,478
Same-day	2,070,153	2,065,439	2,244,336	2,095,541	2,413,476	2,446,530	2,645,296
<i>by country:</i>							
Azerbaijan	940,129	1,103,408	1,156,183	1,075,820	1,301,556	1,424,610	1,526,619
Russia	606,668	651,282	763,019	849,265	1,135,057	1,404,757	1,471,558
Armenia	1,049,911	1,065,970	1,191,777	1,152,234	1,287,168	1,268,886	1,365,048
Turkey	1,292,275	1,136,703	1,074,065	988,312	1,007,276	1,098,555	1,156,513
Georgia (Nonresident)	499,132	482,038	441,260	429,343	456,132	476,389	488,841
Ukraine	115,281	131,951	127,344	151,630	169,862	177,058	207,667
Israel	36,683	38,646	55,439	85,398	115,040	156,922	205,051
Iran	67,944	33,803	22,019	129,933	282,549	291,070	141,997
Other	346,425	360,530	424,893	530,881	728,190	905,103	1,162,480
Airport arrivals	584,601	639,919	737,660	998,762	1,439,689	1,788,417	1,829,341
<i>of which:</i>							
Tbilisi	460,587	489,803	597,907	786,094	1,133,811	1,402,157	1,355,626
Batumi	56,031	67,423	78,900	120,763	193,699	239,251	258,159
Kutaisi	67,983	82,693	60,853	91,905	112,179	147,009	215,556
Accommodation units	875	1004	1,383	1,727	1,963	2,390	2,474
Accommodation rooms	14,491	16,547	21,511	24,640	27,907	34,608	36,613
Accommodation beds	34,194	39,055	51,517	59,236	67,660	85,314	89,481

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

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