



# Georgia's Tourism Sector

## Tourism Market Watch

Georgia | Tourism  
Monthly Bulletin  
March 2017

**The first international branded hotel in Kutaisi opened its doors in March 2017.** The 3-star Best Western hotel in Kutaisi features 45 hotel rooms. The midscale brand is already present in the capital, with a 48-room hotel that opened in 2014. There are three more Best Western hotels in the pipeline for 2017 – Executive Residency in Gonio, VIB in Batumi, and Best Western Plus in Bakuriani. Kutaisi, the second biggest city in Georgia, is lacking in accommodation supply, with only 1,065 rooms and 120 accommodation units available, most of which are family hotels and guesthouses. Notably, this year Kutaisi will host the 2017 World Rugby Under 20 Championship, to be held May 31<sup>st</sup> through June 18<sup>th</sup>.

**Georgian Railway has started the construction of a new rail station near the Kutaisi International Airport.** The project entails connecting the Kutaisi International Airport with the main railway line, so passengers can travel by rail from the airport to various parts of the country. There are also several hotel projects planned in the airport's vicinity, which will alleviate the accommodation problem for late night arrivals. The number of international arrivals at the Kutaisi international Airport was up 62.6% y/y in 1Q17 to over 17,000, after 53.7% y/y growth to almost 91,000 international visitors in 2016.

**Travel inflows were up 11.9% y/y to US\$ 2.2bn in 2016, accounting for 15.1% of GDP, up from 13.9% in 2015.** The share of tourism revenues in service exports has been on the rise, reaching 64.7% of service exports in 2016, up from 61.8% in 2015. Foreign card operations of international travelers were up 11.4% y/y to GEL 1.6bn in 2016 and up 33.9% y/y to GEL 293.0mn in 2M17.

**The value added from tourism increased 11.8% y/y to GEL 2.1bn in 2016, accounting for 7.0% of GDP, up from 6.7% in 2015.** The transport segment was the main driver (+22.7% y/y), contributing 5.5ppts to the overall growth and making up 26.5% of tourism-related services. Travel service agencies hold the biggest share (34.1%), but that segment was stagnant (-0.4% y/y) in 2016. In US\$ terms, value added from tourism increased by 7.3% y/y to US\$ 870.5mn. FDI in the hotels and restaurants sector was down 20.2% y/y to US\$ 110.8mn in 2016 and accounted for 6.7% of total FDI.

### Key indicators

International arrivals, 2016	6,350,825
Tourist arrivals, 2016	2,714,773
Tourism receipts to GDP, 2016	15.1%
Visa-free regime	94 countries
Direct flight routes out of Georgia	53
Carriers servicing Georgia	29
Accommodation units	1,820
Rooms	25,236

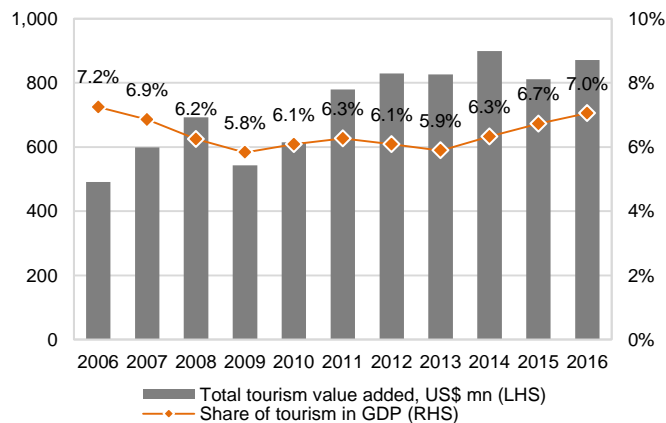
Source: NBG, GNTA, Ministry of Foreign Affairs, Georgian Civil Aviation Agency

Table 1: Visitors by country, '000

Country	1Q17	y/y growth
Azerbaijan	368	4.2%
Armenia	264	15.2%
Turkey	236	-14.0%
Russia	186	28.1%
Iran	56	236.8%
Ukraine	34	17.3%
India	12	151.5%
Israel	8	80.4%
Kazakhstan	8	19.7%
Philippines	6	36.9%
Germany	6	27.5%
USA	6	9.5%
Uzbekistan	5	146.6%
Poland	5	33.8%
Belarus	4	18.3%
Others	64	25.4%
Total	1,266	11.4%

Source: GNTA

Figure 1: Share of tourism in Georgia's GDP



Source: Geostat

Figure 2: International travel inflows



Source: Geostat, NBG

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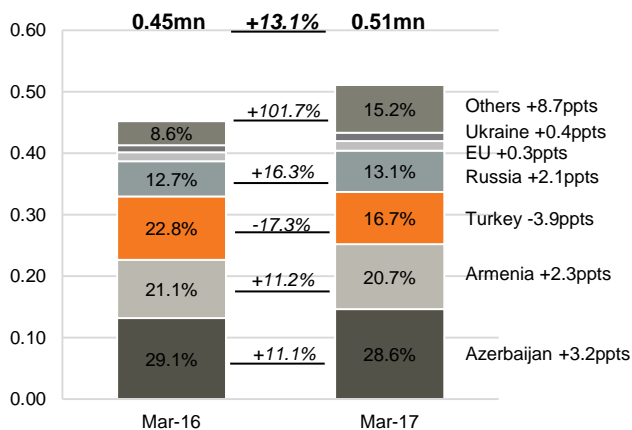
### International Arrivals to Georgia

The number of international arrivals was up 13.1% y/y to 0.51mn in March 2017. Out of the top five source markets, there was strong growth from Armenia (+11.2% y/y), Azerbaijan (+11.1% y/y), Russia (+16.3% y/y), and Ukraine (+16.5% y/y). The number of arrivals from Turkey was down (-17.3% y/y), largely due to the maintenance works at the Sarpi customs clearance, which have led to long delays in crossing the border. Arrivals from the EU were up 9.5% y/y to over 15,000 visitors.

The number of international arrivals was up 11.4% y/y to 1.27mn visitors in 1Q17. The number of visitors increased from all major countries except for Turkey (-14.0% y/y). Armenia (+15.2% y/y) and Russia (+28.1% y/y) were the largest contributors to overall growth, with Ukraine also posting double-digit growth (+17.3% y/y). The number of visitors from Azerbaijan posted a modest increase of 4.2% y/y from the high base of 1Q16 (+24.6% y/y).

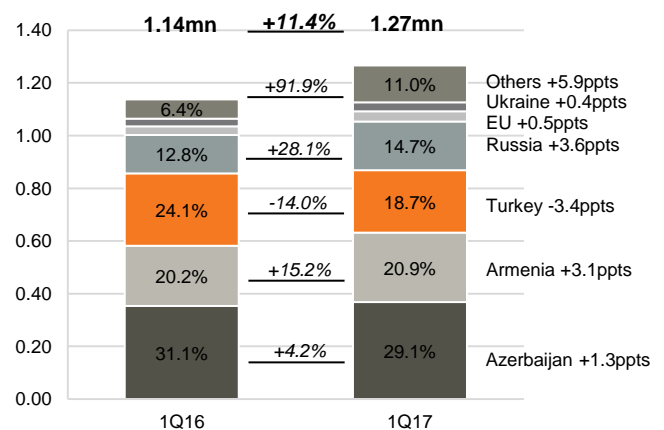
While the top four source markets accounted for 83.2% of international arrivals in 1Q17, secondary source markets also posted robust performances. The number of Indian visitors was up 2.5x to almost 12,000, while the number of Israeli visitors increased 80.4% y/y to over 8,000 visitors. Arrivals from the EU were up 16.2% y/y in 1Q17 to almost 39,000 visitors, with Germany (+27.5% y/y), Poland (+33.8% y/y), and United Kingdom (+16.3% y/y) driving the growth. After an almost six-fold increase in the number of Iranian visitors in 2016, solid growth persisted into March 2017, with a 194.8% y/y increase to more than 40,000 arrivals. 129 chartered flights were added by Georgian and Iranian carriers March 17<sup>th</sup> through April 4<sup>th</sup>, as Iranian visitors celebrated Novruz Bairam in Georgia.

Figure 3: Visitors by country, mn



Source: GNTA

Figure 4: Visitors by country, mn

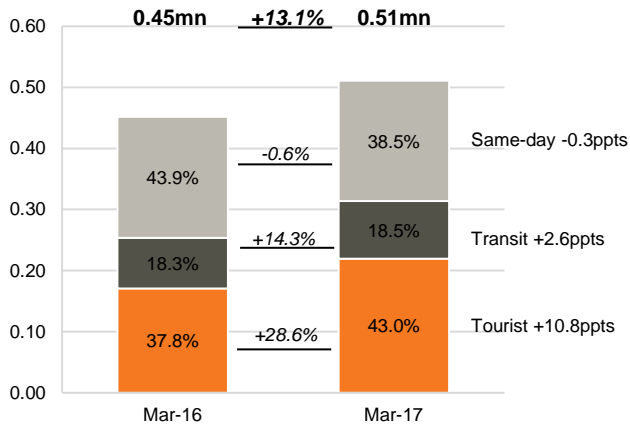


Source: GNTA



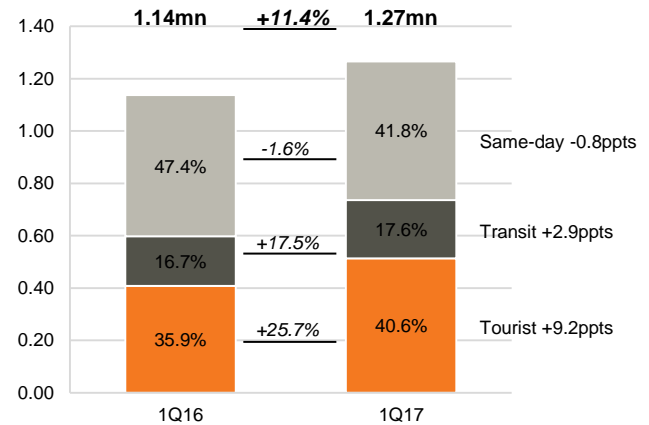
**The tourist category continues to drive arrival growth in March 2017.** The number of overnight visitors ('tourist' category) was up 28.6% y/y and accounted for 43.0% of total international arrivals. Same-day arrivals were down 0.6% y/y, while the number of transit visitors was up 14.3% y/y in March 2017. The number of tourist arrivals is up 25.7% y/y to 0.51mn in 1Q17, compared to 0.41mn in 1Q16. The number of same-day visitors is down 1.6% y/y, while the number of transit visitors is up 17.5% y/y in 1Q17.

Figure 5: Visitors by type, mn



Source: GNTA

Figure 6: Visitors by type, mn



Source: GNTA



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