



Georgia's Tourism Sector Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
November 2016

The share of air travel in arrivals to Georgia is increasing. Road travel remains the leading form of arrival transportation, as most of the visitors come from neighboring countries. However, the share of visitors travelling by car decreased from 85.0% in 11M15 to 81.4% in 11M16, while the share of visitors arriving by air has increased from 13.2% in 11M15 to 17.0% in 11M16, reaching 1.0mn visitors. The majority of arrivals (78.9%) in 11M16 came in through the Tbilisi International Airport, while Batumi and Kutaisi accounted for a further 12.7% and 8.4%, respectively. All three airports posted strong growth, with air arrivals up 25.3% y/y in Tbilisi, 70.5% y/y in Batumi, and 47.3% y/y in Kutaisi in 11M16. Seasonal flights from Batumi to Aktau, Saint-Petersburg, Moscow, Dnipropetrovsk, Minsk, Kiev, Tehran, and Sharjah were the main drivers of growth in arrivals to Batumi, while the launch of new direct routes from Kutaisi to Berlin Schonefeld, Munich Memmingen, Dortmund, Milan Bergamo, Lamaca, and Sofia drove 98.5% y/y growth in arrivals to Kutaisi September through November.

Tbilisi and Kutaisi international airports are increasing their capacity to receive passengers. TAV Georgia has started the construction of a second terminal at the Tbilisi International Airport, with an estimated investment of US\$ 60.0mn. The new terminal, expected to be operational by end-2017, will increase the capacity of the Tbilisi International Airport to 4.0mn passengers. According to the 2017 state budget draft, GEL 30.0mn will be allocated for the construction of an additional terminal at the Kutaisi International Airport. The government is also working on the development of domestic airports. The Ambrolauri Airport is expected to be completed by end-2016 and construction of the Omalo Airport will commence in the near future.

For the first time in recent history, the winter season in Georgia opened early. Thanks to favorable weather conditions, Gudauri and Goderdzi sky resorts opened doors to visitors on December 10th, while the season will open in Bakuriani on December 17th. The brand new Tetuldi ski resort will open on December 24th, followed by the Kokhta-Mitarbi resort on December 25th. Development of winter resorts saw the addition of three new ski lifts to Gudauri, adding to the seven lifts already in operation, while four new lifts will be opened in Tetuldi and three in Mitarbi.

According to the 2017 state budget draft, GEL 111.0mn will be allocated for winter resort development. Over half of that amount (GEL 60.0mn) will be spent on the construction of a 7.5km Kobi-Gudauri ski zone, while GEL 25.0mn will be allocated for the creation of an artificial lake in Bakuriani. Furthermore, GEL 20.0mn will be invested in the construction of a Mestia-Hatsvali ski lift.

Key indicators

International arrivals, 2015	5,901,094
Tourist arrivals, 2015	2,278,562
Tourism receipts to GDP, 2015	13.9%
Visa-free regime	94 countries
Direct flight routes out of Georgia	57
Carriers servicing Georgia	30
Accommodation units	1,749
Rooms	24,157

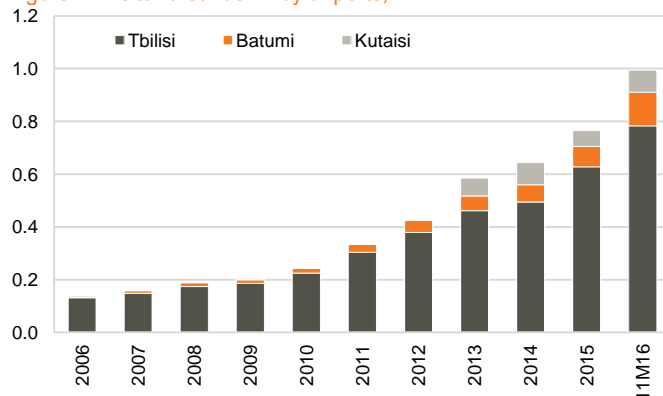
Source: Official data

Table 1: Visitors by country, '000

Country	11M16	y/y growth
Azerbaijan	1,403	9.8%
Armenia	1,332	1.0%
Turkey	1,171	-9.4%
Russia	981	13.0%
Ukraine	162	22.4%
Iran	139	494.0%
Israel	89	56.7%
Kazakhstan	46	33.8%
Poland	43	6.5%
Germany	39	9.4%
Belarus	36	29.7%
USA	32	10.0%
India	31	216.3%
Saudi Arabia	21	117.5%
Greece	19	3.9%
Others	320	22.8%
Total	5,865	7.9%

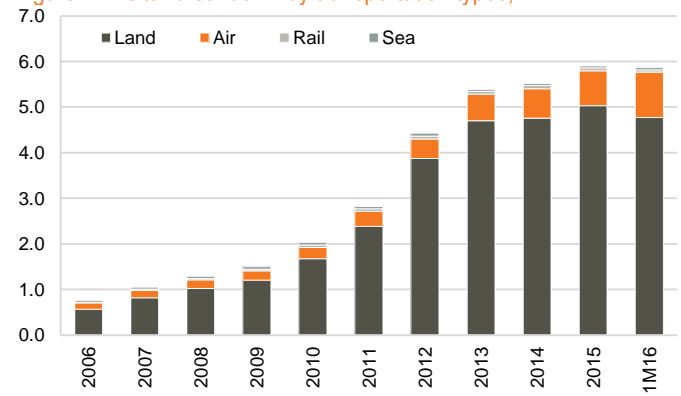
Source: GNTA

Figure 1: Visitor breakdown by airports, mn



Source: GNTA

Figure 2: Visitor breakdown by transportation types, mn



Source: GNTA

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Government of Georgia announced the planned development of winter sport infrastructure in Bakuriani. Design works have commenced for an Olympic standard biathlon track in Bakuriani, with the involvement of Georgian and French experts, which will allow the resort to host international sporting competitions in the near future. GEL 10.0mn will be spent on the biathlon track project, which will include a rifle range and a stadium for spectators. Furthermore, an ice hockey, curling, and speed skating rink, with the capacity of 1000 spectators, along with the reconstruction of ski-jumping hill infrastructure over 2017-2019, are also in the pipeline for the Olympic standard infrastructure development at the resort.

The first stage of the Kokhta-Mitarbi project has been completed and the new resort is ready to host visitors. The Kokhta-Mitarbi resort is a public private partnership (PPP) between the state-owned Mountain Resorts Development Company and Georgian Reconstruction and Development Company. The government finalized the construction of new ski lines and three new ski lifts, while GRDC took on the responsibility to invest US\$ 10.0mn at the initial stage of the project in a complex that will feature 600 apartments. The complex will be ready to host the first guests by the end of 2017, while the new ski lines are already open to visitors in the upcoming 2016-2017 season. The next stage of the project entails preparing a general plan for the development of the new resort over the next 10-15 years, with the involvement of leading European companies in mountain resort planning.

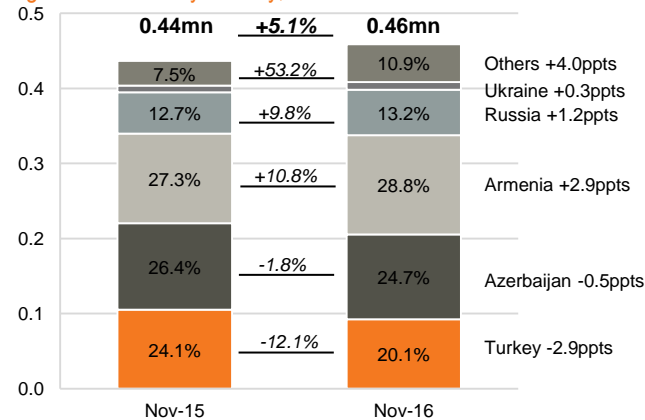
International Arrivals to Georgia

The number of international arrivals was up 5.1% y/y to 0.46mn in November 2016. Out of the top five source markets, there was strong growth from Armenia (+10.8% y/y), Russia (+9.8% y/y), and Ukraine (+15.9% y/y), while arrivals were down from Azerbaijan (-1.8% y/y) and Turkey (-12.1% y/y). Arrivals from the EU were up 26.0% y/y to over 14,000 visitors.

The number of international arrivals is up 7.9% y/y to 5.86mn visitors in 11M16. The number of visitors increased from all major countries except for Turkey in 11M16. Russia and Ukraine posted double-digit growth rates, while Azerbaijan (+9.8%) was the single largest contributor to overall growth. The number of Turkish visitors has been on the decline for six consecutive months, starting in June 2016, largely due to political unrest in the country, resulting in a 9.4% y/y drop in visitors in 11M16.

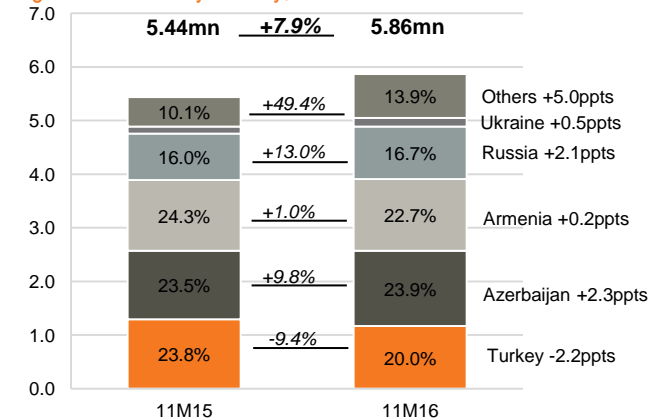
While the top four source markets accounted for 83.3% of international arrivals in 11M16, secondary source markets also posted robust performances. Georgia has benefited from visa-free travel reinstatement for Iranian citizens in February 2016, with the number of Iranian visitors increasing at triple-digit rates, compared to last year. The number of Iranian visitors in 11M16 is up almost 6.0x to 139,000. The number of Israeli visitors during the same period is up 1.5x to nearly 89,000 visitors. Ukraine, the 5th largest source market, posted a 22.4% y/y increase in 11M16, more than compensating for the 2015 drop in the number of Ukrainian visitors caused by political tension in the country.

Figure 3: Visitors by country, mn



Source: GNTA

Figure 4: Visitors by country, mn

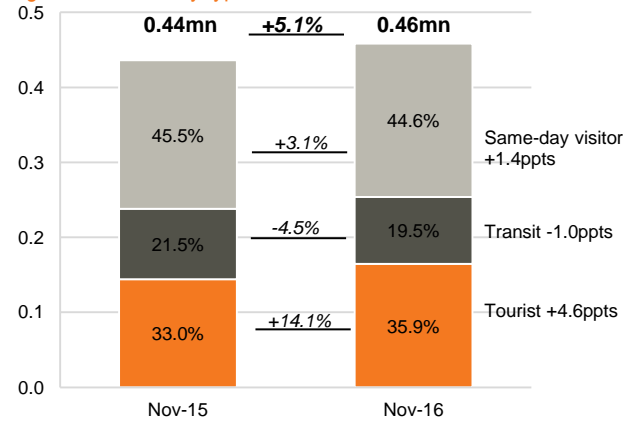


Source: GNTA



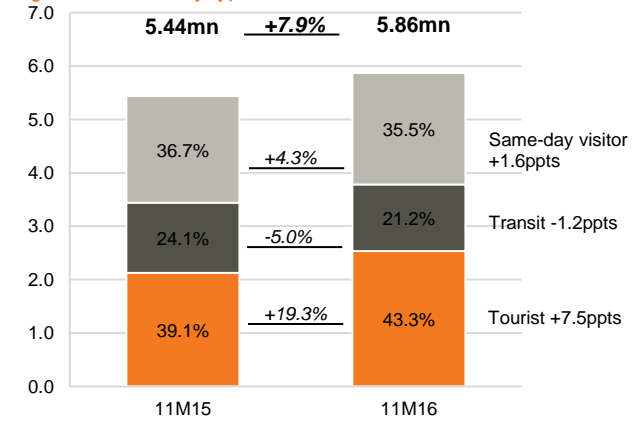
Tourist arrivals continue to be the driver of growth in November 2016. The number of overnight visitors ('tourist' category) was up 14.1% y/y and accounted for 35.9% of total international arrivals. Same-day arrivals posted modest growth of 3.1% y/y, while the number of transit visitors decreased 4.5% y/y. The number of tourist arrivals is up 19.3% y/y in 11M16 to 2.54mn, compared to 2.13mn in 11M15. The number of same-day visitors is up 4.3% y/y in 11M16, while the number of transit visitors is down 5.0% y/y.

Figure 5: Visitors by type, mn



Source: GNTA

Figure 6: Visitors by type, mn



Source: GNTA



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