



Georgia's Tourism Sector

Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
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The number of direct flight routes and flight frequency is on the rise, in line with the record growth in the number of international visitors to Georgia. The number of direct flight routes peaked in June 2017, as 38 carriers serviced 87 routes with almost 400 weekly flights. The growth in connectivity goes hand in hand with the increasing number of visitors from secondary source countries. As a case in point, the number of visitors from the Middle East was up 94.0% y/y to over 78,000 in 7M17, with Saudi Arabia (+217.5% y/y, +41.6ppts), Jordan (+398.4% y/y, +13.6ppts), and Kuwait (+184.9%, +10.0ppts) driving the growth. According to public announcements by carriers, further additions of direct flight routes to the Middle East and other Asian destinations are expected in the near future. Given the above dynamics, air arrivals are gaining share, with 21.3% of international visitors to Georgia arriving by air in 7M17, compared to 16.1% in 7M16.

Airport capacity in Georgia is being upgraded to service the growth in both inbound and outbound tourism. A second terminal has commenced operations at the Tbilisi International Airport and will be fully functional as of September 2017, increasing the airport's annual capacity to approximately to 4.0mn passengers (previously 2.4mn passengers). Construction of a new terminal in the Kutaisi International Airport is expected to commence in August. On the back of inbound tourism growth and visa liberalization, passenger traffic was up 43.6 % y/y in Tbilisi and 86.5% y/y in Kutaisi in 7M17.

The Georgian government is trying to incentivize domestic air travel. According to the latest amendments to the tax code, domestic flights are exempt from excise and VAT taxes on aviation fuel and flight service, which should increase their affordability. Furthermore, the government has provided a GEL 10.8mn subsidy to ServiceAir, a company operating domestic flights to Batumi, Mestia, and Ambrolauri. ServiceAir is expected to operate domestic flights year-round.

International travel inflows to Georgia increased 27.9% y/y to US\$ 659.0mn in 2Q17, after growing 23.3% y/y in 1Q17. Overall, travel inflows were up 26.0% y/y to almost US\$ 1.1bn in 1H17. The share of travel inflows in service exports reached 61.1% in 1Q17, up from 56.4% in 1Q16. Foreign card operations of international travelers in Georgia were up 34.2% y/y to GEL 165.1mn in June 2017 and 33.5% y/y to GEL 952.3mn in 1H17.

Key indicators	
International arrivals, 2016	6,360,503
Tourist arrivals, 2016	2,720,970
Tourism receipts to GDP, 2016	15.1%
Visa-free regime	98 countries
Direct flight routes out of Georgia	87
Carriers servicing Georgia	38
Accommodation units	1,927
Rooms	26,859

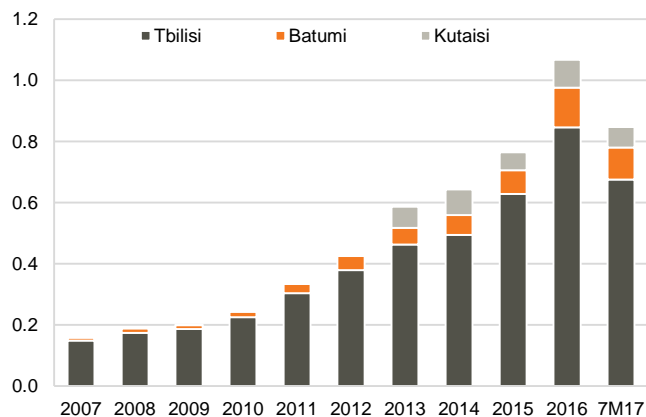
Source: NBG, GNTA, Ministry of Foreign Affairs, Georgian Civil Aviation Agency

Table 1: Visitors by country, '000

Country	7M17	y/y growth
Azerbaijan	928	8.7%
Armenia	852	18.3%
Russia	726	35.9%
Turkey	672	-12.9%
Iran	166	169.5%
Ukraine	110	18.2%
Israel	66	43.1%
Kazakhstan	32	18.7%
India	31	100.9%
Poland	28	19.8%
Germany	27	32.4%
USA	25	28.5%
Belarus	25	32.1%
Saudi Arabia	25	217.5%
United Kingdom	14	29.4%
Others	251	37.9%
Total	3,979	16.8%

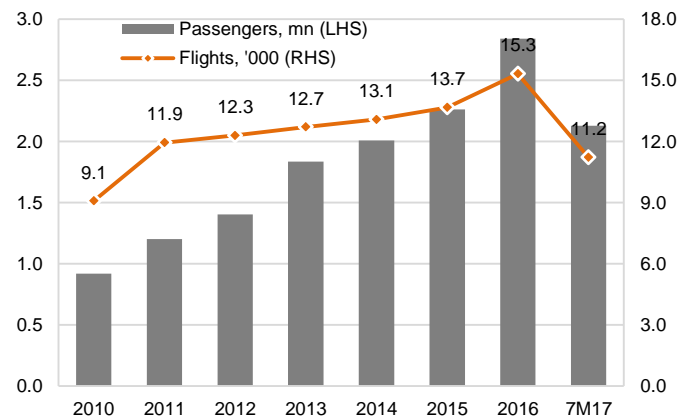
Source: GNTA

Figure 1: Breakdown of international visitors by airport, mn



Source: GNTA

Figure 2: Passenger traffic and flights in Georgian airports



Source: GCAA

Nino Papava
Head of Investment Research | n.papava@gt.ge | +995 322 401 111 ext.4693
Kakhaber Samkurashvili
Analyst | ksamkurashvili@gt.ge | +995 322 401 111 ext.4298



Value added from tourism was roughly flat y/y at GEL 480.1mn in 1Q17 and accounted for 6.8% of GDP, compared to 7.4% in 1Q16. Value added was up 36.2% y/y (+4.8ppts) in the accommodation units and 5.5% y/y (+1.3ppts) in the food establishments categories, while value added was down 8.5% y/y (-2.4ppts) in the transport segment and 8.3% y/y (-2.9ppts) in the travel companies category.

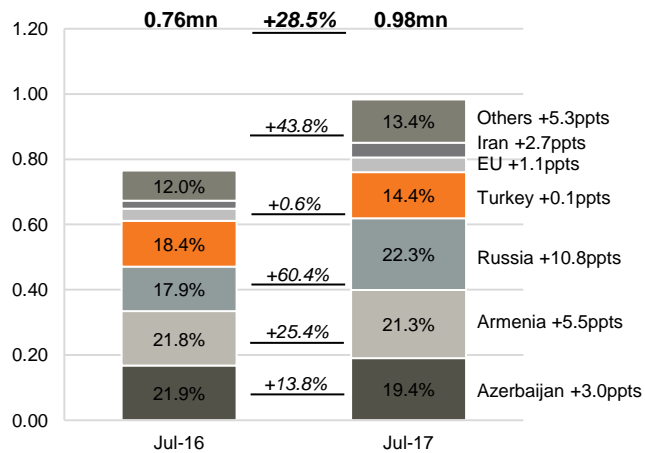
International Arrivals to Georgia

The number of international arrivals was up 28.5% y/y to 0.98mn in July 2017. Out of the top four source markets, there was very strong growth from Armenia (+25.4% y/y), Azerbaijan (+13.8% y/y), and Russia (+60.4% y/y). For the first time in 2017, the number of visitors from Turkey was up, albeit slightly (+0.6% y/y). Arrivals from the EU were up 21.4% y/y to over 45,000 visitors.

The number of international arrivals was up 16.8% y/y to 3.98mn visitors in 7M17. The number of visitors increased from all major source countries except for Turkey (-12.9% y/y). The largest individual contributors to overall growth were Armenia (+18.3% y/y, +3.9ppts) and Russia (+35.9% y/y, +5.6ppts). Azerbaijan contributed 2.2 percentage points, as the number of visitors from Azerbaijan posted a solid increase of 8.7% y/y despite the high base of 7M16 (+15.2% y/y). The number of Iranian visitors was up 2.7x to almost 166,000 visitors and surpassed the number of Ukrainian visitors (110,275, +18.2% y/y) in 7M17.

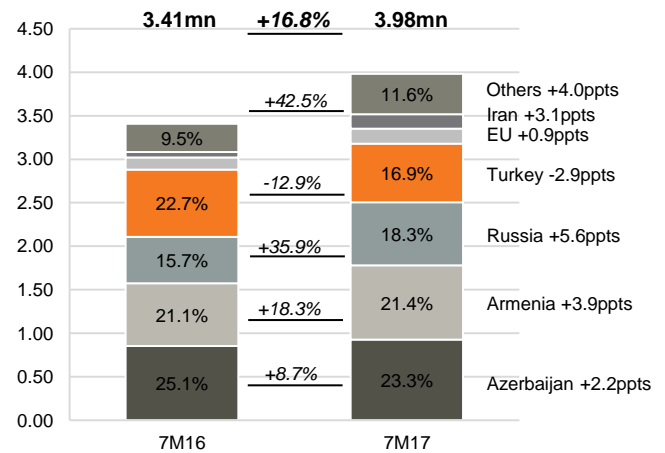
The share of the top four source markets in total international arrivals was below 80.0% (at 79.9%) in 7M17, as secondary sources continue to post robust performances. Arrival growth from secondary (non-EU) source markets contributed 4.0ppts to the overall growth of 16.8% y/y. The number of Israeli visitors increased 43.1% y/y to over 66,000, while the number of Indian visitors was up 100.9% y/y to over 31,000 in 7M17. Arrivals from the EU were up 22.8% y/y to almost 174,000 visitors in 7M17, with Germany (+4.7ppts), Poland (+3.3ppts), and UK (+2.2ppts) driving the growth.

Figure 3: Visitors by country in July 2017, mn



Note: ppts - percentage point contribution to total growth in the number of visitors
Source: GNTA

Figure 4: Visitors by country in 7M17, mn

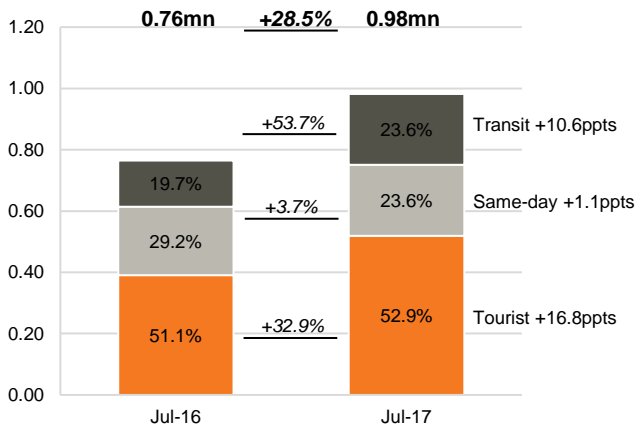


Note: ppts - percentage point contribution to total growth in the number of visitors
Source: GNTA



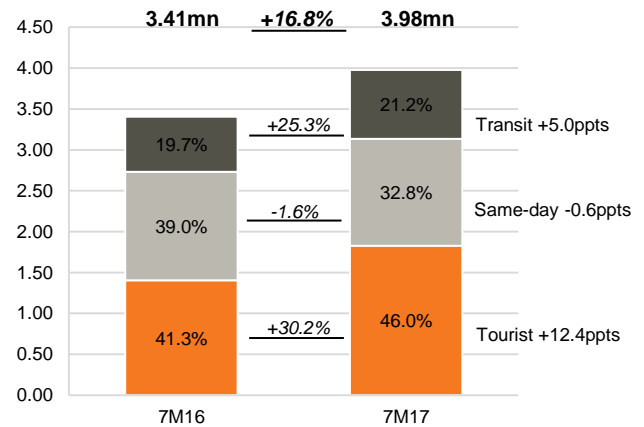
The tourist category continues to drive arrival growth in July 2017. The number of overnight visitors ('tourist' category) was up 32.9% y/y – after the largest y/y growth on record in July 2017 – and accounted for 52.9% of international arrivals. Same-day arrivals were roughly flat, while transit visitors posted an outsized 53.7% y/y growth rate. The number of tourist arrivals is up 30.2% y/y to 1.83mn in 7M17, while the number of same-day visitors is down 1.6% y/y and the number of transit visitors is up 25.3% y/y.

Figure 5: Visitors by type in July 2017, mn



Note: ppts - percentage point contribution to total growth in the number of visitors
Source: GNTA

Figure 6: Visitors by type in 7M17, mn



Note: ppts - percentage point contribution to total growth in the number of visitors
Source: GNTA



Table 2: Key tourism indicators

	2012	2013	2014	2015	2016	7M17
Tourism receipts, US\$ mn	1,410	1,719	1,787	1,935	2,166	1,093*
International visitors	4,428,221	5,392,303	5,515,559	5,901,094	6,360,503	3,978,657
by type:						
Tourists	1,789,592	2,065,296	2,229,094	2,281,971	2,720,970	1,829,331
Transit	754,959	1,188,791	1,114,036	1,400,835	1,321,344	842,691
Same-day	1,883,670	2,138,216	2,172,429	2,218,288	2,318,189	1,306,635
by country:						
Azerbaijan	931,933	1,075,857	1,283,214	1,393,257	1,523,703	928,170
Armenia	921,929	1,291,838	1,325,635	1,468,888	1,496,437	851,759
Turkey	1,533,236	1,597,438	1,442,695	1,391,721	1,256,561	672,363
Russia	513,930	767,396	811,621	926,144	1,038,750	726,214
Other	527,193	659,774	652,394	721,084	1,045,052	800,151
Airport arrivals	429,364	585,716	643,088	764,588	1,066,378	847,183
of which,						
Tbilisi	378,947	462,173	493,895	627,903	845,830	674,678
Kutaisi	46,272	54,975	65,528	77,490	129,551	67,198
Batumi	4,145	68,568	83,665	59,195	90,997	105,307
Accommodation units	826	940	1,035	1,374	1,742	1,927
Accommodation rooms	13,123	15,781	17,303	21,429	24,854	26,869
Accommodation beds	30,857	37,159	40,809	51,165	59,636	65,124

*1H Figure

Source: GNTA, GCAA, NBG



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Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge

Head of Investment Research

Nino Papava | n.papava@gt.ge

Economist

Eva Bochorishvili | evabochorishvili@gt.ge

Economist

Lasha Kavtaradze | lashakavtaradze@gt.ge

Head of Analytics Unit

Giorgi Iremashvili | giremashvili@gt.ge

Analyst

Ioseb Kumsishvili | ikumsishvili@gt.ge

Analyst

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Analyst

Kakhaber Samkurashvili | ksamkurashvili@gt.ge

Analyst

Bachana Shengelia | bshengelia@gt.ge