



Georgia's Tourism Sector Tourism Market Watch

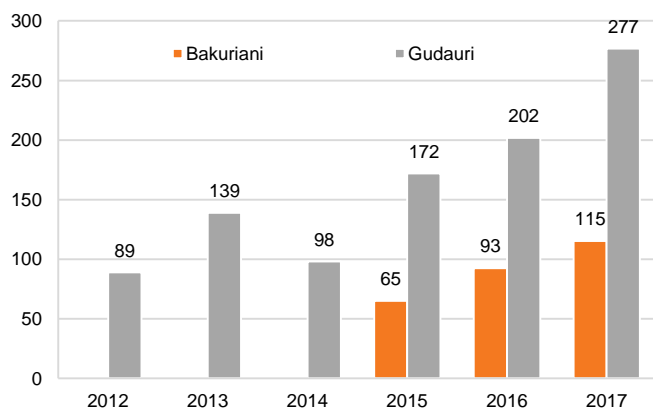
Georgia | Tourism
Monthly Bulletin
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The number of visitors at Georgia's mountain resorts reached a historical high during the 2016-2017 season. Mountain Resorts Development Company (MRDC), the managing entity of Georgian winter resorts, has released a summary of the season. Thanks to favorable weather conditions, the season opened early in December in Gudauri and by the end of the year, all winter resorts were receiving guests. The early start provided a welcome boost, as the total number of visitors to Georgia's winter resorts exceeded 400,000 (+37.0% y/y) during the season. Notably, according to MRDC, only about 20% of the visitors were foreign visitors, leaving significant upside potential.

Gudauri remains the most popular ski resort, hosting more than 276,000 visitors during the season, up 37.1% y/y. The number of visitors to Gudauri has increased more than three-fold from almost 89,000 visitors during the 2011-2012 season. The resort's proximity to the Russian border makes it especially attractive for Russian skiers. Currently Gudauri features 10 ski lifts, with combined tracks of approximately 70km, and visitors can enjoy skiing, snowboarding, paragliding, and heli-skiing. MRDC and the Ministry of Regional Development and Infrastructure are currently working on a 7.5km Kobi-Gudauri ski lift, which will connect Gudauri with Kazbegi. The project is expected to be finished by end-2018 and will be the longest lift in the Caucasus. Other projects include an artificial lake for snowmaking purposes, which would prolong the winter season in Gudauri.

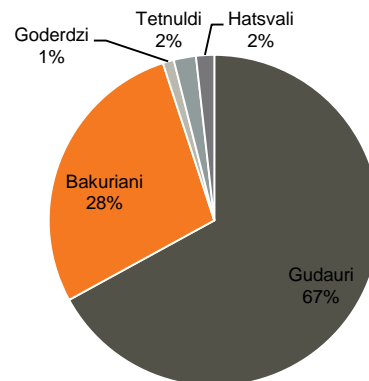
Real Estate Development Company (Red-co) will invest US\$ 150mn in Gudauri. The company presented a four-phase project that was prepared according to the 2015 master plan for further development of the Gudauri resort, created by Ecosign Mountain Planners LTD, a Canadian company. Red-co acquired 50 hectares of land to implement its plans. The company currently operates with four apart-hotels, featuring approximately 350 rooms, in New Gudauri. The massive project envisages the construction of 26 buildings and will provide an additional 4,200 beds in hotels, apart-hotels, townhouses, and villas. The master plan also includes entertainment facilities, such as restaurants, spa centers, sports grounds, and a casino. During each phase of the project, Red-Co plans to introduce an international branded hotel. A 170-room Radisson Blu is expected to be completed in 2018 and the company has also received preliminary approval from Starwood Hotels and Resorts to open Sheraton and Four Points by Sheraton hotels in the future.

Figure 1: Visitors at winter resorts, '000



Source: MRDC
Note: Bakuriani data is not available before 2015.
Years indicate ending year of the season. 2017 stands for 2016-2017 season.

Figure 2: Visitor breakdown by winter resort, 2017



Source: MRDC

Key indicators	
International arrivals, 2016	6,360,503
Tourist arrivals, 2016	2,720,970
Tourism receipts to GDP, 2016	15.1%
Visa-free regime	94 countries
Direct flight routes out of Georgia	60
Carriers servicing Georgia	33
Accommodation units	1,876
Rooms	26,385

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

Table 1: Visitors by country, '000

Country	5M17	y/y growth
Azerbaijan	603	5.6%
Armenia	504	13.2%
Turkey	432	-17.8%
Russia	371	22.1%
Iran	83	224.0%
Ukraine	65	20.2%
Israel	32	54.9%
India	21	122.7%
Germany	15	26.7%
Kazakhstan	14	18.5%
Poland	13	21.4%
USA	12	12.1%
Uzbekistan	10	192.4%
Belarus	9	17.2%
Philippines	8	23.9%
Others	137	31.8%
Total	2,330	9.7%

Source: GNTA

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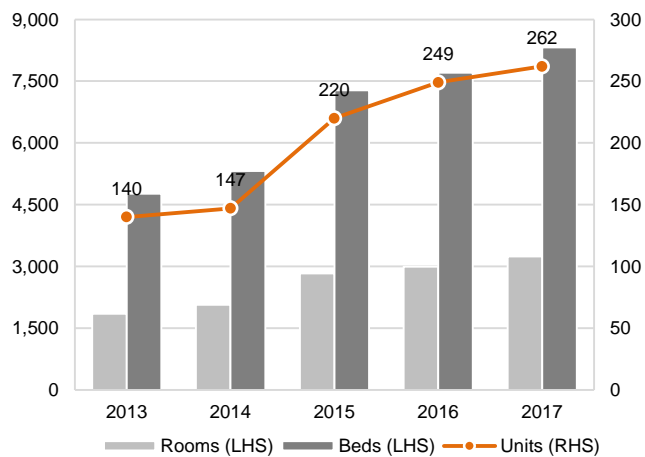


Major development is in the works for Bakuriani, which hosted over 115,000 visitors in the 2016-2017 season, up 24.6% y/y. The coming years will see Olympic infrastructure development at the resort, with a biathlon track, ski jumping hills, and an ice hockey rink in the pipeline. Furthermore, Georgian Reconstruction and Development Company (GRDC), in a PPP with the Georgian government, plans to invest GEL 100mn in the development of the Kokhta-Mitarbi resort, adjacent to Bakuriani. The resort will be developed according to a master plan prepared by the industry leader, Geode. The first phase of the development will feature a 100-room hotel, set to open by end-2017, and a 500-unit apartment complex, part of which is also expected to be completed by the 2017-2018 season.

Winter resorts in Svaneti and Adjara regions also have strong development potential. Tetruldi, which opened at the end of 2016, hosted nearly 9,000 visitors this season, while the nearby Hatsvali received over 7,300 visitors. Development plans include new 1.8km and 3.5km ski lifts connecting Mestia to Hatsvali and Tetruldi, respectively, which will considerably improve access to the resorts year-round. The number of visitors at the Goderdzi resort was down 34.3% y/y to slightly less than 4,500. The unrealized potential of this resort, largely due to a severe shortage of accommodation units, has been recognized as an opportunity by investors. Alliance Group announced plans to open a 4-star, 100-room Ramada Resorts hotel in Goderdzi in 2018, while Metro Atlas Georgia is planning to open a 5-star Metro Sky Tower by end-2018. Both hotels will feature casinos.

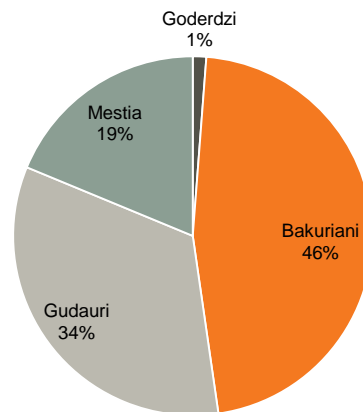
Tbilisi hosted the 3rd Euro-Asian Mountain Resorts Conference. The conference was organized by the government of Georgia and MRDC under the title, Innovative Strategies for Sustainable Mountain Tourism Development. Government officials, international experts, and industry-leading companies gathered in Tbilisi and discussed the challenges and opportunities of Georgian mountain tourism.

Figure 3: Accommodation capacity of winter resorts



Source: GNTA

Figure 4: Bed capacity breakdown by winter resort, 2017



Source: GNTA



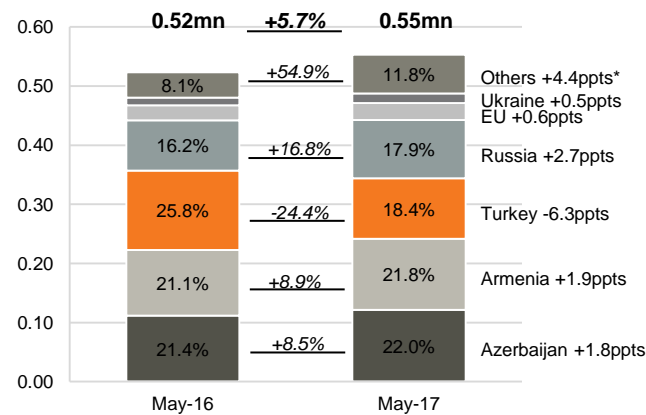
International Arrivals to Georgia

The number of international arrivals was up 5.7% y/y to 0.55mn in May 2017. Out of the top four source markets, there was strong growth from Armenia (+8.9% y/y), Azerbaijan (+8.5% y/y) and Russia (+16.8% y/y). A 24.4% y/y decrease in arrivals from Turkey, in line with the downward trend of the last few months, was the main drag on growth in the total number of visitors. Arrivals from the EU were up 13.0% y/y to over 28,000 visitors, while Ukraine also posted solid growth (+20.2% y/y).

The number of international arrivals was up 9.7% y/y to 2.33mn visitors in 5M17. The number of visitors increased from all major source countries except for Turkey (-17.8% y/y). The largest individual contributors to overall growth were Armenia (+13.2% y/y, +2.8ppts) and Russia (+22.1% y/y, +3.2ppts), while Azerbaijan contributed 1.5 percentage points, as the number of visitors from Azerbaijan posted a modest increase of 5.6% y/y from the high base of 5M16 (+22.1% y/y).

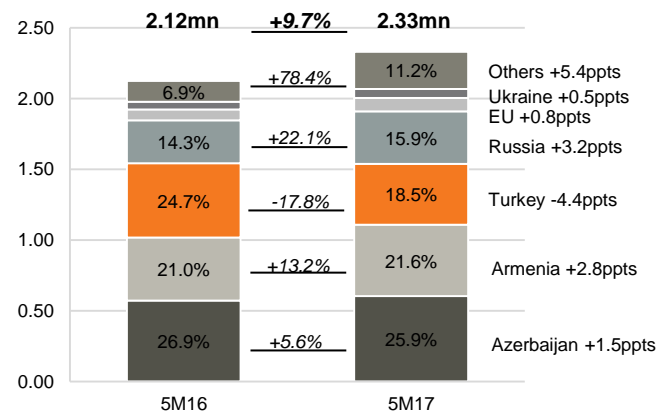
While the top four source markets accounted for 82.0% of international arrivals in 5M17, secondary source markets also posted robust performances. Arrival growth from secondary (non-EU) source markets contributed 5.4ppts to the overall growth of 9.7% y/y. The number of Iranian visitors was up 3.2x to nearly 83,000 visitors. The number of Indian visitors was up 122.7% y/y to over 21,000, while the number of Israeli visitors increased 54.9% y/y to almost 32,000 visitors. Arrivals from the EU were up 21.9% y/y to over 93,000 visitors in 5M17, with Germany (+26.7% y/y), Poland (+21.4% y/y), and UK (+22.1% y/y) driving the growth.

Figure 5: Visitors by country in May 2017, mn



Source: GNTA
*percentage point contribution to total growth in the number of visitors

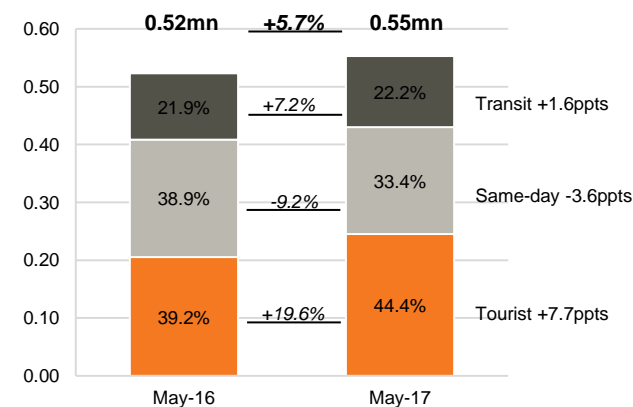
Figure 6: Visitors by country in 5M17, mn



Source: GNTA
*percentage point contribution to total growth in the number of visitors

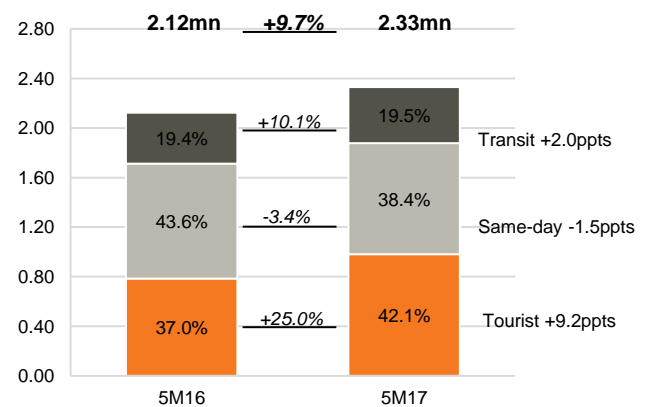
The tourist category continues to drive arrival growth in May 2017. The number of overnight visitors ('tourist' category) was up 19.6% y/y and accounted for 44.4% of international arrivals. Same-day arrivals were down 9.2% y/y, while the number of transit visitors increased 7.2% y/y. The number of tourist arrivals is up 25.0% y/y to 0.98mn in 5M17, while the number of same-day visitors is down 3.4% y/y and the number of transit visitors is up 10.1% y/y.

Figure 7: Visitors by type in May 2017, mn



Source: GNTA
*percentage point contribution to total growth in the number of visitors

Figure 8: Visitors by type in 5M17, mn



Source: GNTA
*percentage point contribution to total growth in the number of visitors



Table 2: Key tourism indicators

	2012	2013	2014	2015	2016	5M17
Tourism receipts, US\$ mn	1,410	1,719	1,787	1,935	2,166	435*
International visitors	4,428,221	5,392,303	5,515,559	5,901,094	6,360,503	2,329,677
by type:						
Tourists	1,789,592	2,065,296	2,229,094	2,281,971	2,720,970	981,668
Transit	754,959	1,188,791	1,114,036	1,400,835	1,321,344	453,128
Same-day	1,883,670	2,138,216	2,172,429	2,218,288	2,318,189	894,881
by country:						
Azerbaijan	931,933	1,075,857	1,283,214	1,393,257	1,523,703	602,840
Armenia	921,929	1,291,838	1,325,635	1,468,888	1,496,437	504,112
Turkey	1,533,236	1,597,438	1,442,695	1,391,721	1,256,561	431,833
Russia	513,930	767,396	811,621	926,144	1,038,750	371,102
Other	527,193	659,774	652,394	721,084	1,045,052	419,790
Airport arrivals	429,364	585,716	643,088	764,588	1,066,378	461,563
of which,						
Tbilisi	378,947	462,173	493,895	627,903	845,830	394,461
Kutaisi	46,272	54,975	65,528	77,490	129,551	38,266
Batumi	4,145	68,568	83,665	59,195	90,997	28,836
Accommodation units	826	940	1,035	1,374	1,742	1,876
Accommodation rooms	13,123	15,781	17,303	21,429	24,854	26,385
Accommodation beds	30,857	37,159	40,809	51,165	59,636	63,570

Source: GNTA, GCAA, NBG
*1Q17 preliminary figure



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