



Georgia's Tourism Sector Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
December 18, 2017

For the second consecutive year, the winter season in Georgia started early. Gudauri, Goderdzi, and Bakuriani ski resorts opened to visitors over December 10-12, thanks to early snow. Tetnuli and Hatsvali resorts opened on December 17th, while Kokhta-Mitarbi will open on December 23rd.

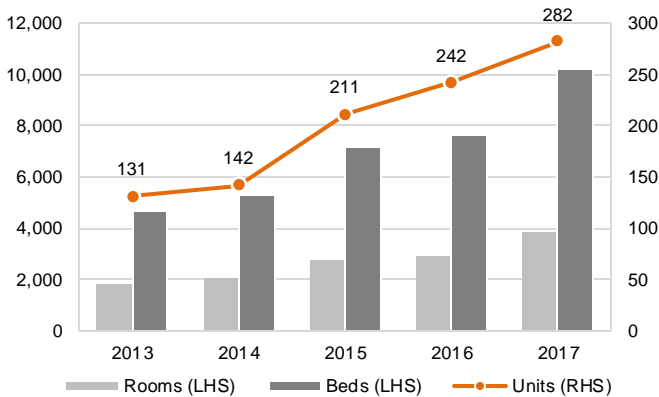
Mountain infrastructure and facilities are becoming more attractive for visitors. The new 1,200m Mestia-Hatsvali chairlift will become operational on December 23rd. The chairlift connects the Hatsvali ski resort with Mestia, eliminating the need to use road transportation to get to the slopes. Furthermore, five shorter ski lifts will be installed in the villages (Mazeri, Etseri, Ushkvanari, Lentekhi, and Ushguli) of Svaneti.

According to the 2018 draft state budget, GEL 60.0mn will be allocated for the Kobi-Gudauri project. The 7.5km Kobi-Gudauri air lift, connecting the Gudauri ski resort with Kazbegi, is expected to be finalized in 2018. In addition, GEL 12.0mn will be allocated for the creation of an artificial lake in Gudauri. The lake will be used for snowmaking purposes, extending the winter season at the resort.

The first international branded hotel in Georgian winter resorts is now open to visitors. Best Western Plus Bakuriani added 70 rooms to the resort's accommodation stock. Radisson Blu in Gudauri and Ramada Resort in Goderdzi are also expected to be completed by end-2018. Adjara Group Hospitality has announced development plans for the Kokhta-Mitarbi resort. A new Rooms Hotel property, with a ski-in ski-out concept, and residential apartments will be built at the base of Kokhta Gora during the first phase of the project in 2018, while the second phase entails developing a tourist zone in Mitarbi. Notably, for the first time, Kokhta and Mitarbi ski areas connected to each other with a new ski piste.

Georgia is aiming to host the first major winter sport event, which will require significant sports infrastructure development. Georgia submitted an application to host the FIS Freestyle Skiing and Snowboarding World Championship in 2023 and will compete with France and Finland. The host country will be selected at the FIS Congress in May 2018.

Figure 1: Accommodation capacity of winter resorts



Source: GNTA
*2017 figures as of 12.12.2017

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

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	79
Carriers servicing Georgia	37
Accommodation units	1,947
Rooms	27,581

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

Table 1: Visitors by country, '000

Country	11M17	y/y growth
Azerbaijan	1,556	10.9%
Armenia	1,531	14.9%
Russia	1,310	33.4%
Turkey	1,136	-3.2%
Iran	308	121.1%
Ukraine	182	11.0%
Israel	121	36.2%
Saudi Arabia	56	165.7%
Kazakhstan	54	16.2%
India	53	66.6%
Poland	51	18.3%
Germany	49	27.4%
Belarus	46	28.4%
USA	40	24.2%
UK	25	39.7%
Others	437	35.1%
Total	6,955	18.4%

Source: GNTA



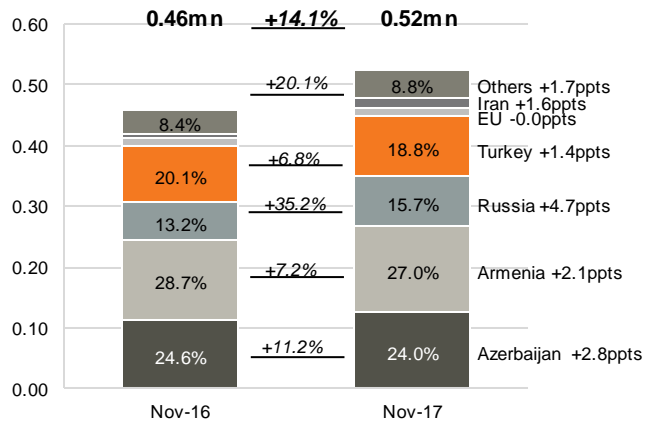
International Arrivals to Georgia

The number of international arrivals was up 14.1% y/y to 0.52mn in November 2017. Out of the top four source markets, Russia was the top performer (+35.2% y/y), while Armenia (+7.2% y/y) and Azerbaijan (+11.2% y/y) also posted solid growth. The number of visitors from Turkey also increased (+6.8% y/y) for the fifth consecutive month. Arrivals from the EU were down 1.0% y/y to over 14,000 visitors.

The number of international arrivals was up 18.4% y/y to 6.95mn visitors in 11M17. The number of visitors increased from all major source countries except Turkey (-3.2% y/y). The largest individual contributor to overall growth was Russia (+33.4% y/y), while Armenia and Azerbaijan also posted double-digit increases. The number of Iranian visitors was up 2.2x to over 307,000 visitors and surpassed the number of Ukrainian visitors (181,801) in 11M17.

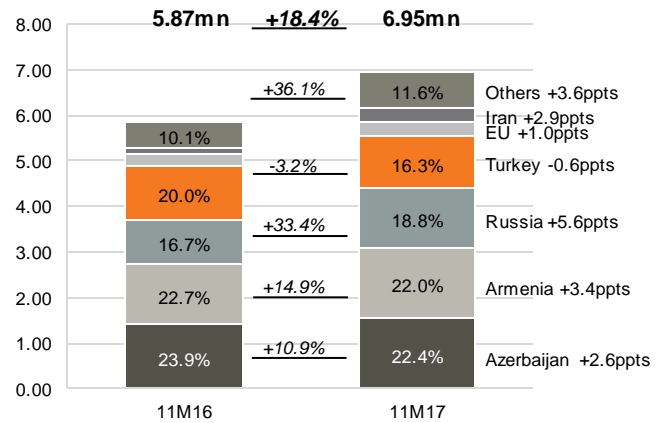
Secondary source markets also posted robust performances in 11M17. Arrival growth from secondary (non-EU) source markets contributed 3.6ppts to the overall growth of 18.4% y/y. The number of Israeli visitors increased 36.2% y/y to over 121,000 visitors, while the number of visitors from Saudi Arabia was up 165.7% y/y to almost 56,000. Arrivals from the EU were up 22.6% y/y to over 307,000 visitors in 11M17, with Germany, Poland, and UK accounting for a third of the growth.

Figure 2: Visitors by country in November 2017, mn



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

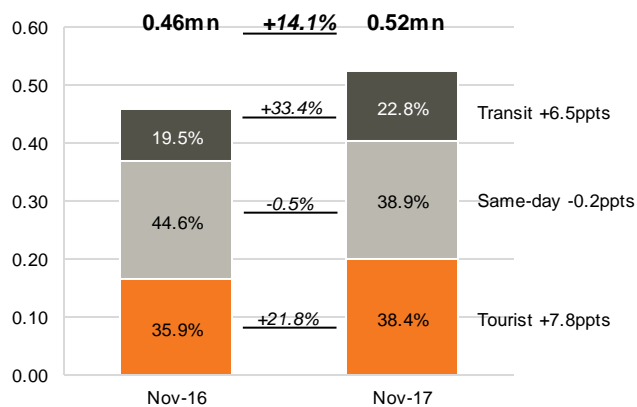
Figure 3: Visitors by country in 11M17, mn



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

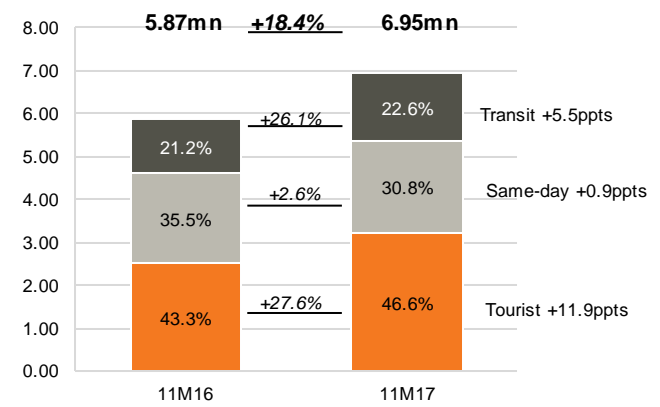
The tourist category continues to drive arrival growth in November 2017. The number of overnight visitors ('tourist' category) was up 21.8% y/y and accounted for 38.4% of international arrivals. The transit category was also a major contributor (+33.4% y/y), while the number of same-day arrivals was roughly flat. The number of tourist arrivals in 11M17 is up 27.6% y/y to 3.2mn, already surpassing the annual figure for 2016 by 0.5mn tourists.

Figure 4: Visitors by type in November 2017, mn



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

Figure 5: Visitors by type in 11M17, 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	11M17
Tourism receipts, US\$ mn	1,410	1,719	1,787	1,935	2,166	2,552*
International visitors	4,428,221	5,392,303	5,515,559	5,901,094	6,360,503	6,954,932
by type:						
Tourists	1,789,592	2,065,296	2,229,094	2,281,971	2,720,970	3,243,963
Transit	754,959	1,188,791	1,114,036	1,400,835	1,321,344	1,571,107
Same-day	1,883,670	2,138,216	2,172,429	2,218,288	2,318,189	2,139,862
by country:						
Azerbaijan	931,933	1,075,857	1,283,214	1,393,257	1,523,703	1,556,498
Armenia	921,929	1,291,838	1,325,635	1,468,888	1,496,437	1,530,864
Russia	513,930	767,396	811,621	926,144	1,038,750	1,309,893
Turkey	1,533,236	1,597,438	1,442,695	1,391,721	1,256,561	1,135,830
Other	527,193	659,774	652,394	721,084	1,045,052	1,421,847
Airport arrivals	429,364	585,716	643,088	764,588	1,066,378	1,470,814
of which,						
Tbilisi	378,947	462,173	493,895	627,903	845,830	1,161,252
Batumi	46,272	54,975	65,528	77,490	129,551	204,853
Kutaisi	4,145	68,568	83,665	59,195	90,997	104,709
Accommodation units	826	940	1,035	1,374	1,742	1,947
Accommodation rooms	13,123	15,781	17,303	21,429	24,854	27,581
Accommodation beds	30,857	37,159	40,809	51,165	59,636	66,614

*Preliminary Figure
Source: GNTA, GCAA, NBG



Disclaimer

This document is strictly confidential and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of BGEO group plc ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

This document is confidential to clients of Galt & Taggart. Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

Head of Analytics Unit

Giorgi Iremashvili | giremashvili@gt.ge

Analyst

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Analyst

Bachana Shengelia | bshengelia@gt.ge

Analyst

Kakhaber Samkurashvili | ksamkurashvili@gt.ge

Analyst

Ana Nachkebia | ananachkebia@gt.ge

Chief Economist

Eva Bochorishvili | evabochorishvili@gt.ge

Economist

Lasha Kavtaradze | lashakavtaradze@gt.ge

Analyst

Ioseb Kumsishvili | ikumsishvili@gt.ge