



Georgia's Tourism Sector Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
October 10, 2017

Branded hotel supply outside of Tbilisi is set to increase significantly in coming years.

Adjara Group Hospitality plans to open a 100-room Rooms Hotel in Kokhta-Mitarbi, the mountain resort near Bakuriani, which opened to visitors last season. With locations in Batumi and Sagarejo also in the pipeline, the Rooms brand could potentially have a portfolio of five hotels across Georgia by 2019. An 85-room Holiday Inn, expected to open in Telavi in 2018, has been added to the Kakheti accommodation pipeline, which already includes a Radisson Blu in Tsinandali and a Golden Tulip in Telavi. Branded hotel presence is also set to expand in Kutaisi. Temur Chkonia announced plans to open a five-star, 100-room Courtyard Marriott in 2019. The hotel will be the second international branded hotel in Kutaisi, following Best Western's opening in early 2017.

Turnover in hotels and restaurants increased 17.5% y/y to US\$ 553.8mn in 2016, according to Geostat's annual figures. Turnover reached US\$ 271.7mn in 1H17, as strong visitor growth has boosted hospitality sector revenues. The sector has also posted significant gains in employment, with over 37,000 people employed in the hotel and restaurant industry in 2016. The sector accounted for 5.6% of total business sector employment, up from 3.2% in 2007. Salaries in the sector remain low, 33.2% lower than the business sector average. FDI in hotels and restaurants in 1H17 is already at US\$ 45.1mn, compared to average annual FDI of US\$ 64.0mn in the sector over 2012-2016.

Tourism value added was up 5.9% y/y to GEL 1.0bn in 1H17 and accounted for 6.8% of GDP, compared to 7.1% in 1H16. Accommodation units subsector was the main driver, with 30.0% y/y growth. Travel companies, which account for 32.5% of tourism value added, posted a 2.5% y/y decline. International travel inflows to Georgia increased 31.2% y/y to US\$ 391.0mn in August 2017 and 29.0% y/y to US\$ 1.86bn in 8M17, according to NBG's preliminary estimates. Foreign card operations in Georgia were up 25.0% y/y to GEL 212.0mn in August 2017 and 32.8% y/y to GEL 1.37bn in 8M17.

The Agency of Protected Areas has published visitor statistics for 9M17. The number of visitors to protected areas was up 32.7% y/y to over 856,000 in 9M17 and already surpassed the 2016 annual figure. The number of domestic visitors increased 30.3% y/y to nearly 486,000, while the number of international visitors was up 36.0% y/y to nearly 371,000. Russia (27.9% of international visitors), Israel (11.6%), and Poland (6.9%) were the top drivers of growth. The most popular destinations were Prometheus Cave, Martvili Canyon, and Kazbegi National Park, each hosting over 130,000 visitors.

| 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 | 90 |
| Carriers servicing Georgia | 40 |
| Accommodation units | 1,945 |
| Rooms | 27,366 |

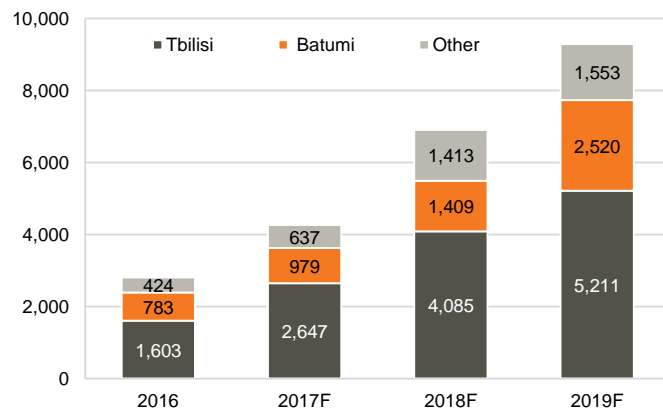
Source: NBG, GNTA, Ministry of Foreign Affairs, Georgian Civil Aviation Agency

Table 1: Visitors by country, '000

| Country | 9M17 | y/y growth |
|--------------|-------|------------|
| Azerbaijan | 1,300 | 11.0% |
| Armenia | 1,248 | 16.2% |
| Russia | 1,113 | 33.6% |
| Turkey | 933 | -4.7% |
| Iran | 273 | 127.0% |
| Ukraine | 156 | 13.0% |
| Israel | 100 | 34.9% |
| Saudi Arabia | 53 | 175.9% |
| Kazakhstan | 48 | 16.5% |
| Poland | 46 | 20.9% |
| India | 42 | 73.1% |
| Germany | 42 | 32.1% |
| Belarus | 41 | 30.3% |
| USA | 35 | 26.4% |
| UK | 20 | 32.6% |
| Others | 374 | 39.1% |
| Total | 5,823 | 19.2% |

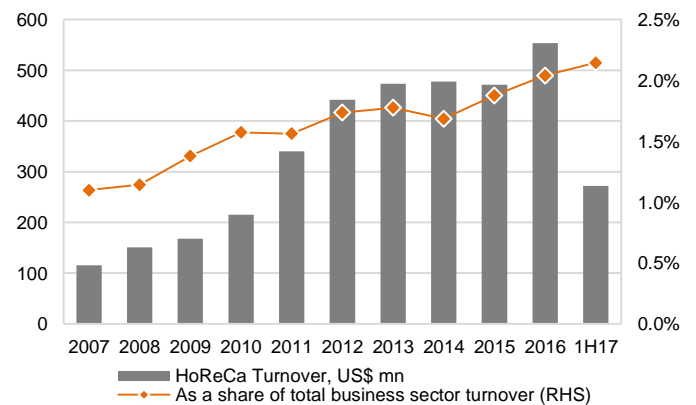
Source: GNTA

Figure 1: Existing and upcoming supply of int'l branded hotel rooms



Source: G&T Research

Figure 2: Turnover in hotels and restaurants



Source: Geostat

Nino Papava

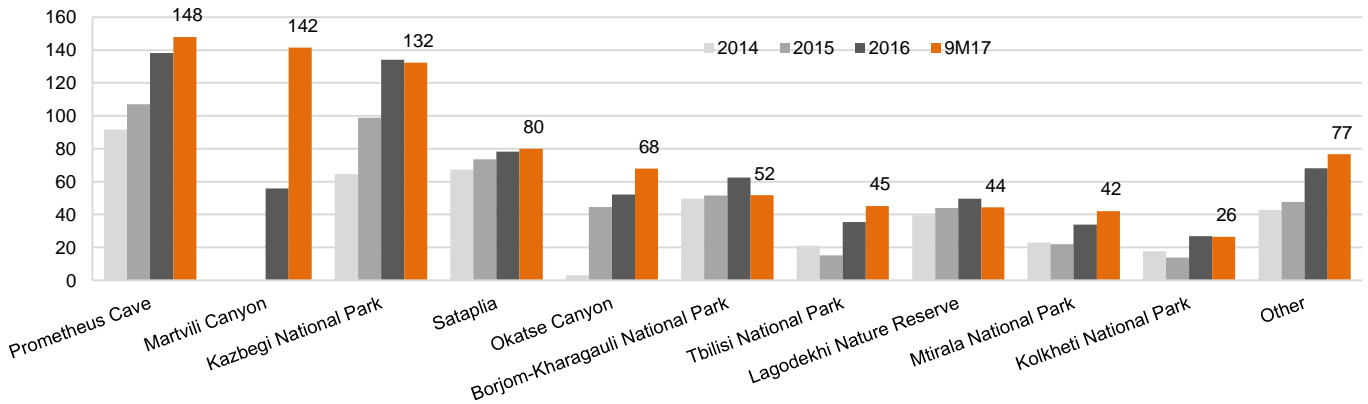
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Figure 3: Visitors to protected areas, '000 persons



Source: Agency of protected areas

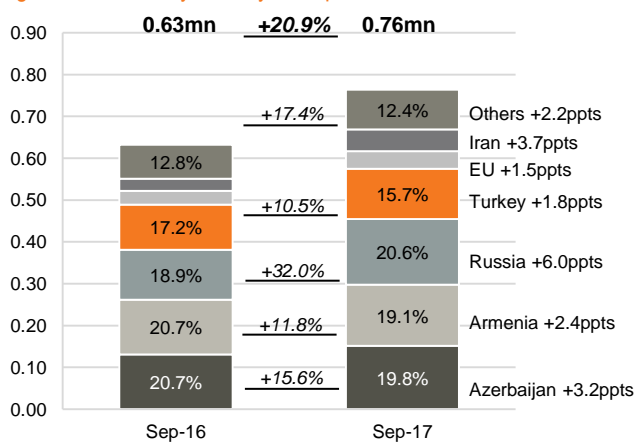
International Arrivals to Georgia

The number of international arrivals was up 20.9% y/y to 0.76mn in September 2017. Out of the top four source markets, there was strong growth from Armenia (+11.8% y/y), Azerbaijan (+15.6% y/y), and Russia (+32.0% y/y). The number of visitors from Turkey also increased (+10.5% y/y) for the third consecutive month. Arrivals from the EU were up 28.0% y/y to over 42,000 visitors.

The number of international arrivals was up 19.2% y/y to 5.82mn visitors in 9M17. The number of visitors increased from all major source countries except for Turkey (-4.7% y/y). The largest individual contributor to overall growth was Russia (+33.6% y/y), while Armenia and Azerbaijan also posted double-digit increases. The number of Iranian visitors was up 2.3x to almost 273,000 visitors, overtaking Ukraine as the fifth-largest source market.

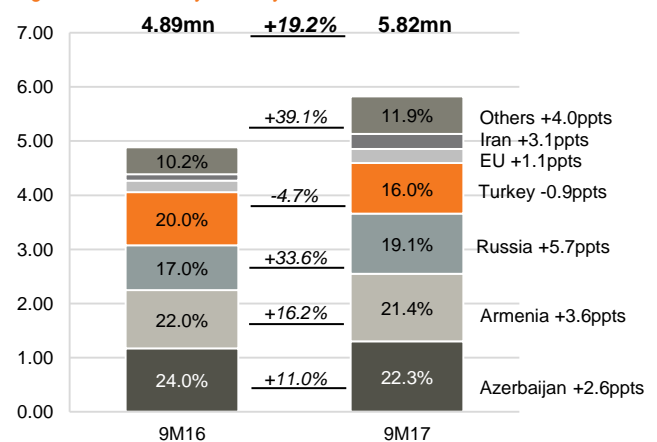
The share of the top four source markets in total international arrivals was at 78.9% in 9M17, as secondary sources continue to post robust performances. Arrival growth from secondary (non-EU) source markets contributed 4.0ppts to the overall growth of 19.2% y/y. The number of Israeli visitors increased 34.9% y/y to almost 100,000, while the number of visitors from Saudi Arabia was up 175.9% y/y to over 53,000. Arrivals from the EU were up 24.8% y/y to almost 264,000 visitors, with Germany, Poland, and UK accounting for a third of the growth.

Figure 4: Visitors by country in September 2017, mn



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

Figure 5: Visitors by country in 9M17, mn

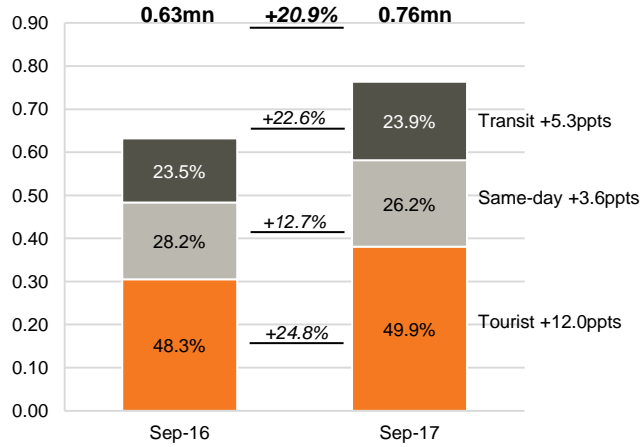


Note: ppts - percentage point contribution to total growth in the number of visitors
Source: GNTA



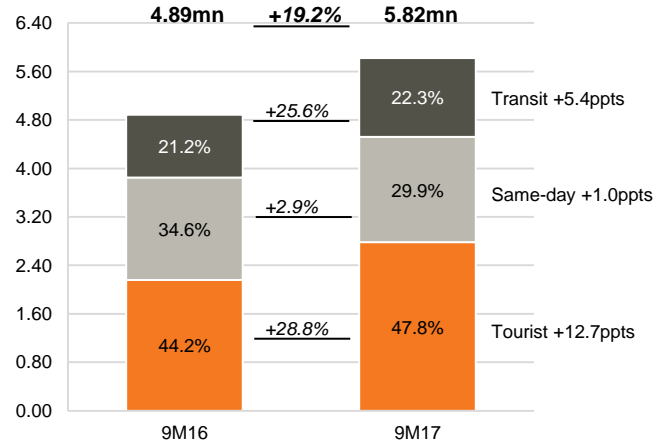
The tourist category continues to drive arrival growth in September 2017. The number of overnight visitors ('tourist' category) was up 24.8% y/y and accounted for 49.9% of international arrivals. Same-day arrivals and transit visitors posted 12.7% y/y and 22.6% y/y growth rates, respectively. The number of tourist arrivals in 9M17 is up 28.8% y/y to 2.78mn, already higher than the number of tourists in Georgia in all of 2016.

Figure 6: Visitors by type in September 2017, mn



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

Figure 7: Visitors by type in 9M17, 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 | 9M17 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Tourism receipts, US\$ mn | 1,410 | 1,719 | 1,787 | 1,935 | 2,166 | 1,859.0* |
| International visitors | 4,428,221 | 5,392,303 | 5,515,559 | 5,901,094 | 6,360,503 | 5,822,835 |
| by type: | | | | | | |
| <i>Tourists</i> | 1,789,592 | 2,065,296 | 2,229,094 | 2,281,971 | 2,720,970 | 2,783,594 |
| <i>Transit</i> | 754,959 | 1,188,791 | 1,114,036 | 1,400,835 | 1,321,344 | 1,299,925 |
| <i>Same-day</i> | 1,883,670 | 2,138,216 | 2,172,429 | 2,218,288 | 2,318,189 | 1,739,316 |
| by country: | | | | | | |
| <i>Azerbaijan</i> | 931,933 | 1,075,857 | 1,283,214 | 1,393,257 | 1,523,703 | 1,299,789 |
| <i>Armenia</i> | 921,929 | 1,291,838 | 1,325,635 | 1,468,888 | 1,496,437 | 1,112,793 |
| <i>Turkey</i> | 1,533,236 | 1,597,438 | 1,442,695 | 1,391,721 | 1,256,561 | 932,906 |
| <i>Russia</i> | 513,930 | 767,396 | 811,621 | 926,144 | 1,038,750 | 1,247,708 |
| <i>Other</i> | 527,193 | 659,774 | 652,394 | 721,084 | 1,045,052 | 1,229,639 |
| Airport arrivals | 429,364 | 585,716 | 643,088 | 764,588 | 1,066,378 | 1,254,752 |
| of which, | | | | | | |
| <i>Tbilisi</i> | 378,947 | 462,173 | 493,895 | 627,903 | 845,830 | 976,919 |
| <i>Kutaisi</i> | 46,272 | 54,975 | 65,528 | 77,490 | 129,551 | 184,297 |
| <i>Batumi</i> | 4,145 | 68,568 | 83,665 | 59,195 | 90,997 | 93,536 |
| Accommodation units | 826 | 940 | 1,035 | 1,374 | 1,742 | 1,945 |
| Accommodation rooms | 13,123 | 15,781 | 17,303 | 21,429 | 24,854 | 27,366 |
| Accommodation beds | 30,857 | 37,159 | 40,809 | 51,165 | 59,636 | 66,184 |

*8M Figure
Source: GNTA, GCAA, NBG



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