



Research

Monthly Tourism Update

July 2020

- The number of international travelers declined by 95.6% in July compared to the same period of 2019, while the number of international visitors fell by 94.8% and the number of international tourists fell by 93.5%.
- In July 2020, compared to July 2019, the average prices of 5-star hotels decreased by 23%, which is the highest decline among the categories of the hotels.
- In July 2020, the hotel prices have decreased in 8 regions (out of 11), compared to July 2019. The most hit regions are Guria (-38.1%), Adjara (-26.4%) and Samtskhe-Javakheti (-23.5%).
- Due to distorted price data, the declines in hotel prices illustrated by our analysis are underestimated. Moreover, the analysis in July can be deemed conclusive just for Guria, Adjara and Samtskhe-Javakheti.

Impact of COVID-19 on accommodation prices in Georgia

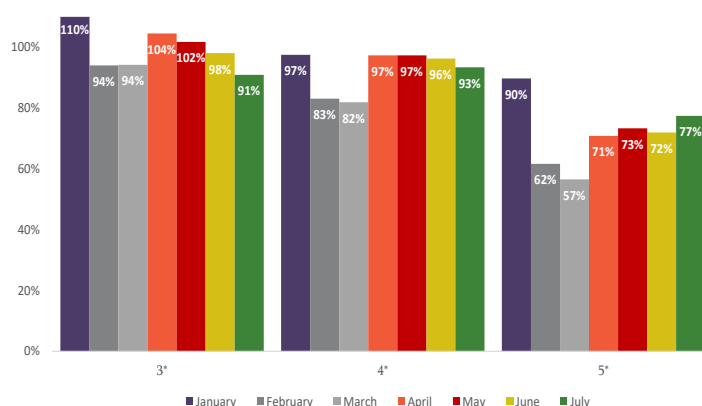
The COVID-19 pandemic brought havoc to the accommodation industry in Georgia, mainly because of the high dependence of the sector on foreign visitors¹. Responses to the shock were different, as some accommodations had to shut down due to lack of demand or new anti-COVID regulations, some chose to reorganize into a quarantine zone under the GNTA's program², while others tried to attract domestic visitors by lowering prices. Because of the different behavior of accommodation facilities, it is extremely challenging to analyze the price dynamics of the sector during the first 7 months of 2020 accurately. Many facilities that were shut down in reality, were reluctant to remove their listings from booking.com, which distorts the price data. Also, the sample size has been decreasing as more facilities are shut down, which in some cases made it impossible to make inferences from the data. In fact, due to inconclusive data, we have restrained from the analysis of the Hotel Price Index from April to June. Even though the same issues remain true for July data, some noteworthy trends emerge, especially when the price data is analyzed in dynamics, or disaggregated in terms of regions.

Based on the analysis of yearly Hotel Price Index data in July 2020, the prices have decreased in 8 out of 11 regions compared to July 2019. The most hit regions are Guria (-38.1%)³, Adjara (-26.4%) and Samtskhe-Javakheti (-23.5%). It is not a coincidence that top 2 regions in terms of price decline are sea tourism regions, as those hotels who stayed in business had to slash prices in order to appeal to domestic tourists. The same is true for Samtskhe-Javakheti, where resorts like Borjomi and Bakuriani attract domestic tourists. For other regions, the price data remains rather inconclusive, as demand for accommodations is minuscule. Tbilisi is a good illustration of this, with yearly index decreasing by a symbolic 11.9%, while the index for guesthouses has increased by 7.9%. Kakheti is another interesting case, as there has been significant demand for domestic tourism in July. Even though half of the hotels in the sample decreased the prices in Kakheti, the data still remains distorted due to a number of facilities placing inadequately high prices.

In addition to Hotel Price Index, the average prices of accommodations were analyzed in 2020 and 2019, and the yearly growth rates for each month and each category of the accommodations have been calculated. There are two main implications from the analysis:

1. The average prices of 5-star hotels decreased the most among the categories. More specifically, they have decreased by 23% in July, while the average prices of 4-star hotels and 3-star hotels have decreased by 7% and 9%, respectively. One reason for this could be that 5-star hotels are mostly dependent on high-paying foreign visitors, thus they had to change their orientation on domestic tourism, slashing the prices by the largest amount in order to attract Georgian visitors.
2. February and March can be considered as the last month when aggregate price data can be deemed accurate. Due to the fact that the shock was initially anticipated as temporary, hotels adjusted to falling demand by decreasing prices in February and March. However, as shock proved to be lengthier, the prices quickly "recovered"⁴ in April and remained at higher levels in the following months. Thus, as the prices are relevant for only few regions and 5-star hotels, the analysis underestimates the degree of the price decline⁵.

The change in average prices of hotels in 2020, compared to the average prices in the corresponding months in 2019



¹This topic is discussed more thoroughly in our June update 2 <https://bm.ge/ka/article/quotasaxelwifo-mzadaa-kontraqti-gaiformos-yvela-im-sastumrostan-romelic-sakarantino-sivrcs-minimalur-kriteriumebs-akmayoflebs-/61682/>
²The yearly index in Guria were calculated for just 6 accommodation facilities, thus this figure could be not representative
³Recovered is used figuratively, as prices may have recovered to the previous levels, however this was did not imply a real recovery for the sector, as the market for accommodations practically disappeared in March
⁴The analysis for guesthouses were not displayed here as there were no significant changes. More specifically, the average prices for guesthouses in 2020 increased by 8% in January and fell by 4-7% in each month after January

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 Jul/ 2020 Jun	2020 Jul/ 2019 Jul	2020 Jul/ 2020 Jun	2020 Jul/ 2019 Jul	2020 Jul/ 2020 Jun	2020 Jul/ 2019 Jul
Kakheti	-1.0%	7.8%	1.2%	1.1%	-1.5%	9.3%
Imereti	2.4%	10.9%	4.5%	4.8%	0.8%	14.9%
Guria	10.7%	-38.1%	7.6%	3.6%	14.0%	-63.0%
Shida Kartli	0.0%	-1.3%	0.0%	-10.8%	0.0%	2.1%
Adjara	1.6%	-26.4%	0.6%	-29.3%	3.7%	-21.6%
Racha	12.0%	31.5%	18.8%	285.0% ¹	11.2%	15.0%
Kvemo Kartli	-2.4%	-4.0%	0.0%	-6.0%	-3.7%	0.0%
Samegrelo-Zemo Svaneti	-2.0%	-8.5%	-3.9%	-20.5%	-0.7%	-3.6%
Samtskhe-Javakheti	4.9%	-23.5%	14.7%	-26.6%	2.4%	-23.0%
Mtskheta-Mtianeti	-4.8%	-5.3%	-9.9%	-17.7%	-1.4%	2.1%
Tbilisi	-6.7%	-11.9%	-7.3%	-12.8%	11.2%	7.9%
Overall Price % Change	-2.7%	-14.2%	-2.6%	-15.7%	6.8%	-2.7%

Table 1 : Percentage change of prices in July 2020 over June 2020 and over July 2019.

¹ a 285% increase in Racha year over year is explained by the fact that there is just 1 hotel of this type in the region.

In July 2020, in Georgia the hotel price index³ decreased by 2.7% compared to June 2020. The 3-star, 4-star and 5-star hotel price index decreased by 2.6%, while for guesthouses, the price index increased by 6.8%.

In July 2020, compared to July 2019, hotel prices in Georgia decreased by 14.2%. The prices of 3*, 4*, 5* hotels decreased by 15.7%, while the prices of guesthouses decreased by 2.7%. Hotel prices have decreased in 8 regions (out of 11) in July 2020 compared to July 2019.

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 125 GEL per night in July 2020. While the average cost of a room in a 4-star hotel in Georgia was 216 GEL per night and the average cost of a room in a guesthouse² was 73 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (July 2020, in GEL)



Graph 2: In the graph, average prices for standard double rooms in 3 and 4-star hotels and guesthouses are given by region. 5-star hotel prices are provided above.

The average cost of a room in a 5-star hotel in Georgia in July 2020 was 347 GEL per night. In Tbilisi, the average price was 435 GEL, followed by Kakheti - 357 GEL, Adjara - 321 GEL and Mtskheta-Mtianeti - 202 GEL.

Basic Economic Indicators

	II 2018	III 2018	IV 2018	2018	I 2019	II 2019	III 2019	IV 2019	2019	I 2020	II 2020
1	433.3	534.5	468.6	1800	426	498.5	605.7	541.9	2072.1	451.9	-
2	1979.6	3226.4	1891.1	8679.5	1617.5	2244.8	3375.1	2120.4	9357.9	1333.1	114.2
3	1094.2	1838.3	984.7	4756.8	882.1	1245	1863.6	1089.7	5080.5	765.3	82.3
4	810	1210.6	650.8	3222.1	578.4	877.6	1126.8	685.8	3268.7	427.7	28.8
5	126.4	149.9	142.4	524.7	131.3	167.9	181.6	176.2	657.2	124.1	-
6	-8.2	44.9	15.7	77.8	66.2*	28.8*	45.7*	16.4*	157.5*	15.8*	-

1	GDP in current prices from Accommodation and Food Service activities (mln)	2	Number of International Travelers (thousand persons)	3	Number of Tourists (thousand persons)
4	Revenue from International Tourism (mln USD)	5	The Expenditures of Georgian tourists Abroad (mln USD)	6	Foreign Direct Investment in Hotels and Restaurants Sector (mln USD)

1 The calculation of the hotel price index is based on the recommendations given by the International Monetary Fund (IMF). The elementary aggregate price index is calculated by Jevons index (Consumer Price Index Manual-Theory and Practice (2004), Practical Guide to Producing Consumer Price Indices (2009)). 2 The results are based on the surveying of

standard double hotel room prices of 3, 4, 5-star hotels and guesthouses in 10 regions of Georgia. Hotels were chosen arbitrarily according to random sampling principle. The study contains 71% (312) of all 3, 4 and 5-star hotels and 25% (456 guesthouses) of all guesthouses registered on www.booking.com The 3, 4 and 5-star hotel price data was collected by contact-

ing hotels individually, while the prices of guesthouses were taken from booking.com. The average prices are arithmetic mean of standard double hotel room prices. 3 Guesthouse: a type of accommodation that is characterized by having a small number of rooms and services are usually offered by the resident family. 4 * Preliminary results