



Research

Monthly Tourism Update

September 2020

- The number of international travelers declined by 94.2% in September compared to the same period of 2019, while the number of international visitors fell by 93.6% and the number of international tourists fell by 92.2%. Georgia experienced a fall of more than 90% in the number of foreign arrivals every month since April, compared to the corresponding period of 2019.
- In the first three quarters of 2020, revenues from international travel amounted to US\$499 mln, which is 81% lower than for the same period of 2019.
- The price changes in Adjara, Guria, and Samtskhe-Javakheti are the most representative of tourism's decline. In September 2020, the year over year Hotel Price Index decreased by 39.2% in Guria, 33.4% in Adjara, and 24.3% in Samtskhe-Javakheti.
- Looking at countries that have reopened tourism quickly with no restrictions, some have managed to recover a sizable portion of their arrivals, such as Albania, while others, like North Macedonia and Serbia, have not been so successful. Indeed, the decrease in the number of arrivals to the latter two countries has been comparable to that in Georgia, which has maintained significant travel restrictions.

The case for reopening tourism: International comparison

The COVID-19 pandemic has hindered tourism all over the world. Such a downturn was especially visible in April and May, since which some countries have reopened tourism fully, while others have continued to impose tight restrictions. Georgia falls into the latter category here, but with international travel revenues contributing significantly to its GDP (18.4% in 2019), there is widespread debate about whether Georgia should loosen its restrictions and, if so, to what extent. In this issue, we will try to address this quandary by analyzing case studies of countries to have quickly reopened their tourism sector without significant restrictions and regulations.

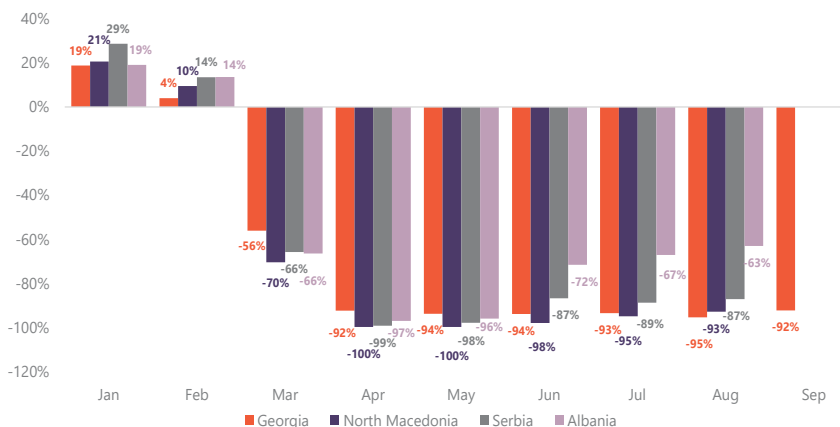
Specifically, we have selected three Southeastern European countries for the analysis, each of which reopened without any testing and quarantine requirements: North Macedonia; Serbia; and Albania. In April and May, each of the countries had severe lockdown measures in place and subsequently registered a fall in the number of visitors close to 100%, compared to the corresponding period of 2019. In June, the first signs of recovery became visible for Serbia and Albania, however the Serbian numbers stagnated at around a 90% fall for the ensuing months. The number of foreign visitors to Georgia and North Macedonia decreased by more than 90% in every month after April. Albania, meanwhile, managed more of a recovery, with its number of foreign visitors at -72% for June 2020 (compared to June 2019), and then -67% for July, and -63% for August.

The case of Albania could be considered a success story, especially as the spread of the virus has remained more or less in line with the average for Eastern European and Central Asian countries in terms of number of cases per million people. However, there are several factors to bear in mind that have made it possible for Albania to recover its tourism sector to a greater extent than its neighbors (North Macedonia and Serbia). One of the most important factors was that the epidemiological situation in its neighboring countries was relatively similar. In August, 56% of foreign visitors to Albania came from its neighboring countries.

In the case of Georgia, it would be impossible to significantly recover the number of visitors from its neighboring countries without risking the uncontrolled spread of the virus, as each of Georgia's neighbors has experienced a relatively high infection rate. In 2019, visitors from its four neighboring countries accounted for 71% of total visitors. This means that while reopening flights with safer countries would compensate for some of the decline in tourism, it would not have a sizable impact on the number of total visitors and would thus draw limited revenues as well.

To conclude, it is not probable that making flights available without restrictions in place would lead to a significant increase in the number of foreign visitors to Georgia. Moreover, if the epidemiological situation in the country worsens, domestic tourism would suffer as well. With this in mind, it is crucial to support businesses and households engaged in, and dependent on, tourism. They are being stripped of their main source of income and will need help to ready themselves for the post-pandemic recovery, whenever that may begin.

Growth rate of foreign tourist arrivals in 2020, compared to corresponding period of 2019



Sources: GNTA; Statistical Office of the Republic of Serbia; Republic of North Macedonia State Statistical Office; Albanian Institute of Statistics

¹ UNWTO World Tourism Barometer - August/September 2020
² European Center for Disease Prevention and Control; Ourworldindata.org; PMC RC's calculations

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 Sep/2020 Aug	2020 Sep/2019 Sep	2020 Sep/2020 Aug	2020 Sep/2019 Sep	2020 Sep/2020 Aug	2020 Sep/2019 Sep
Kakheti	2.0%	8.7%	-0.3%	0.9%	2.7%	10.3%
Imereti	-3.4%	7.6%	-6.1%	5.9%	-1.3%	8.6%
Guria	-16.2%	-39.2%	-32.0%	-36.8%	3.2%	-40.0%
Shida Kartli	-2.7%	-1.3%	0.0%	-3.7%	-4.0%	-0.9%
Adjara	-18.4%	-33.4%	-16.6%	-39.9%	-21.1%	-24.1%
Racha	-6.2%	0.3%	-49.1%		1.2%	0.3%
Kvemo Kartli*	0.0%		0.0%		0.0%	
Samegrelo-Zemo Svaneti	-6.1%	-14.5%	-9.3%	-23.0%	-4.6%	-12.4%
Samtskhe-Javakheti	-3.1%	-24.3%	-2.8%	-27.2%	-3.3%	-21.3%
Mtskheta-Mtianeti	-1.5%	-14.2%	-3.4%	-25.9%	-0.7%	-9.4%
Tbilisi	4.3%	8.3%	5.2%	8.3%	-6.0%	8.8%
Overall Price % Change	-2.9%	-5.8%	-2.7%	-8.6%	-8.3%	-3.0%

Table 1 : Percentage change of prices in September 2020 over August 2020 and over September 2019.

In September 2020, in Georgia the hotel price index³ decreased by 2.9% compared to August 2020. The 3-star, 4-star and 5-star hotel price index decreased by 2.7%, while for guesthouses, the price index decreased by 8.3%.

In September 2020, compared to September 2019, hotel prices in Georgia decreased by 5.8%. The prices of 3*, 4*, 5* hotels decreased by 8.6%, while the prices of guesthouses decreased by 3%.

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 124 GEL per night in September 2020, while the average cost of a room in a 4-star hotel in Georgia was 221 GEL per night and the average cost of a room in a guesthouse² was 70 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (September 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 September 2020 was 335 GEL per night. In Samtskhe-Javakheti, the average price was 440 GEL, followed by Guria - 433 GEL, Tbilisi - 430 GEL and Kakheti - 345 GEL.

Basic Economic Indicators

	III 2018	IV 2018	2018	I 2019	II 2019	III 2019	IV 2019	2019	I 2020	II 2020	III 2020
1	534.5	468.6	1800	426*	498.5*	605.7*	541.9*	2072.1*	451.9*	278.4*	-
2	3226.4	1891.1	8679.5	1617.5	2244.8	3375.1	2120.4	9357.9	1333.1	114.2	150.3
3	1838.3	984.7	4756.8	882.1	1245	1863.6	1089.7	5080.5	765.3	82.3	113.6
4	1210.6	650.8	3222.1	578.4	877.6	1126.8	685.8	3268.7	427.7	28.8	42.6
5	149.9	142.4	524.7	131.3	167.9	181.6	176.2	657.2	124.1	13.5	-
6	44.9	15.7	77.8	66.2*	28.8*	45.7*	16.4*	157.5*	15.8*	2.4*	-

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