



Research

Monthly Tourism Update

August 2021

- The number of international travelers¹ increased by 538.3% in August 2021, compared to the same period of 2020, and declined by 77.3% compared to the same period in 2019. Meanwhile, the number of international visitors² increased by 510.5% (2021/2020) and declined by 75.5% (2021/2019), and the number of international tourists³ increased by 615.2% (2021/2020) and declined by 67.2% (2021/2019).
- Tourists coming to Georgia have customarily originated from a small concentrated selection of countries. Specifically, in 2019, 71.4% of all international visitors to Georgia came from its four neighboring countries. However, in August 2021, the corresponding proportion amounted to just 40.8%, mostly due to an increase in the number of visits from Ukraine, Saudi Arabia, Belarus, and Kazakhstan.
- Targeting tourism markets with potential for expansion could be a fruitful approach in Georgia's economic recovery as the pandemic eventually subsides. In particular, China, with an average growth rate in its number of visitors to Georgia of 54% over 2015-2019, and Kazakhstan, with a corresponding indicator at 36%, stand out as promising markets.

Promising target markets for Georgian tourism

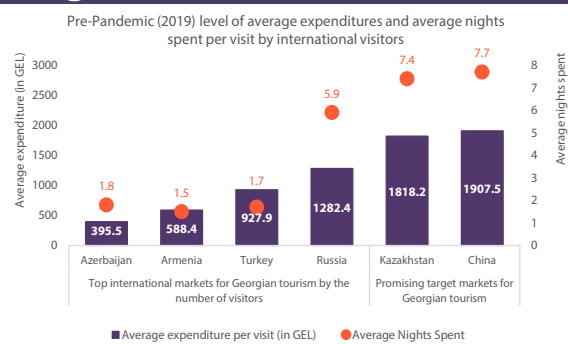
In 2019, before the COVID-19 pandemic struck, total¹ tourism accounted for 26.8% of the GDP¹¹ of Georgia according to the WTTC. However, Georgia's tourism sector at that time was concentrated with 71.4% of all visitors to Georgia coming from its four neighboring countries: Azerbaijan (19.8%), Russia (19.0%), Armenia (17.7%), and Turkey (15.0%). The outbreak of the pandemic has heavily damaged tourism, however, the current crisis and changing behavior of tourists also presents some opportunities to redesign tourism policies to bring greater diversification to the industry. Visitors from the Gulf states, the USA, and some European countries tend to spend considerably more than the average visitor per visit and are already targeted by current marketing campaigns. However, China and Kazakhstan stand out as the markets with most potential in terms of expanding Georgia's tourism sector, yet both are currently receiving limited attention.

In 2019¹¹, the average expenditure per visit of a Chinese visitor to Georgia was 1,908GEL, which means visitors from China spend nearly five times that of the average visitor from the largest source market, namely Azerbaijan (396GEL) and higher compared to all other traditional tourism markets¹⁴ of Georgia. Meanwhile, the average length of visit of Chinese visitors to Georgia was 7.7 nights in 2019, which is also longer than that of Georgia's traditional source markets. As for Kazakhstan, the average expenditure per visit for Kazakh visitors in 2019 was 1818GEL, while their average length of stay was 7.4 nights.

In previous years, the number of Kazakh visitors to Georgia had been persistently growing and reached 103,611 visitors in 2019, representing a leap of 75.7% compared to 2018. Moreover, there is significant potential for further development of the tourism relationship between Georgia and Kazakhstan courtesy of the recent introduction of regular and direct low-budget flights from three cities of Kazakhstan via FlyArystan^V, the easing of entry regulations, and through the general enhancement of economic cooperation between the two countries.

In 2019, the number of visitors from China reached 48,071, displaying a considerable 50.9% year-on-year increase. The majority of Chinese tourists are from low- or middle-income groups who are largely attracted to budget-friendly tourist destinations^{VI}, such as Georgia. Cooperation between the Ministry of Economy and Sustainable Development of Georgia and China's leading travel agencies, accompanied by regular flights being provided by China Southern Airlines, means the situation is promising for the post-pandemic development of tourism from China^{VII}. Considering that China is one of Georgia's largest trading partners, and as Georgia is viewed as part of the Chinese Belt and Road Initiative (BRI), there is great potential for developing business tourism with China as well.

^I - Total contribution is the sum of direct and indirect contributions of Travel and Tourism to GDP; ^{II} Source: World Travel & Tourism Council (WTTC) - Georgia, Annual Research: Key Highlights (2021); ^{III} - The data from 2019 (pre-pandemic) is used as a proxy to assess the post-pandemic behaviour of international visitors; ^{IV} - Traditional tourism markets of Georgia here are defined as top four countries with the largest number of international visitors in Georgia: Azerbaijan, Russia, Armenia, Turkey; ^V - Source: <http://www.newpress.ge/yazaxurma-dabalbujetanma-aviakompania-flyarystan-ma-sagartveloshi-pirveli-reisi-shearsula>; ^{VI} - Source: Ipsos Survey - Market Research Report on Chinese Outbound Tourist (City) Consumption (2015); ^{VII} - Source: <http://www.economy.ge/?page=news&nw=1329&s=natia-turmava-chinurt-turistuli-saagento-ctripis-warmomadgenlebs-shevdxa>



Source: Georgian National Tourism Administration

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2021 Aug/ 2021 Jul	2021 Aug/ 2019 Aug	2021 Aug/ 2021 Jul	2021 Aug/ 2019 Aug	2021 Aug/ 2021 Jul	2021 Aug/ 2019 Aug
Kakheti	-0.1%	16.9%	3.4%	29.4%	-1.6%	13.5%
Imereti	-2.8%	13.4%	-4.8%	9.8%	-1.5%	16.2%
Guria	-4.1%	4.9%	-0.1%	-7.6%	-6.7%	11.9%
Kvemo Kartli	-4.0%	12.4%	0.0%	12.4%	-11.4%	-
Adjara	0.6%	-4.0%	-0.8%	-0.2%	3.7%	-9.9%
Racha	0.0%	-19.8%	0.0%	0.0%	0.0%	-19.8%
Shida Kartli	-1.4%	32.8%	0.0%	25.9%	-2.3%	35.2%
Samegrelo-Zemo Svaneti	2.4%	4.0%	-3.1%	-7.4%	5.9%	7.7%
Samtskhe-Javakheti	0.5%	-9.0%	2.9%	-28.3%	-1.8%	8.3%
Mtskheta-Mtianeti	3.6%	16.4%	6.7%	1.0%	1.1%	26.3%
Tbilisi	-2.2%	4.7%	-1.5%	8.2%	-6.1%	-10.6%
Overall Price % Change	-0.9%	3.2%	-0.5%	3.6%	-2.5%	-5.0%

Table 1: Percentage change of prices in August 2021 over July 2021 and over August 2019.

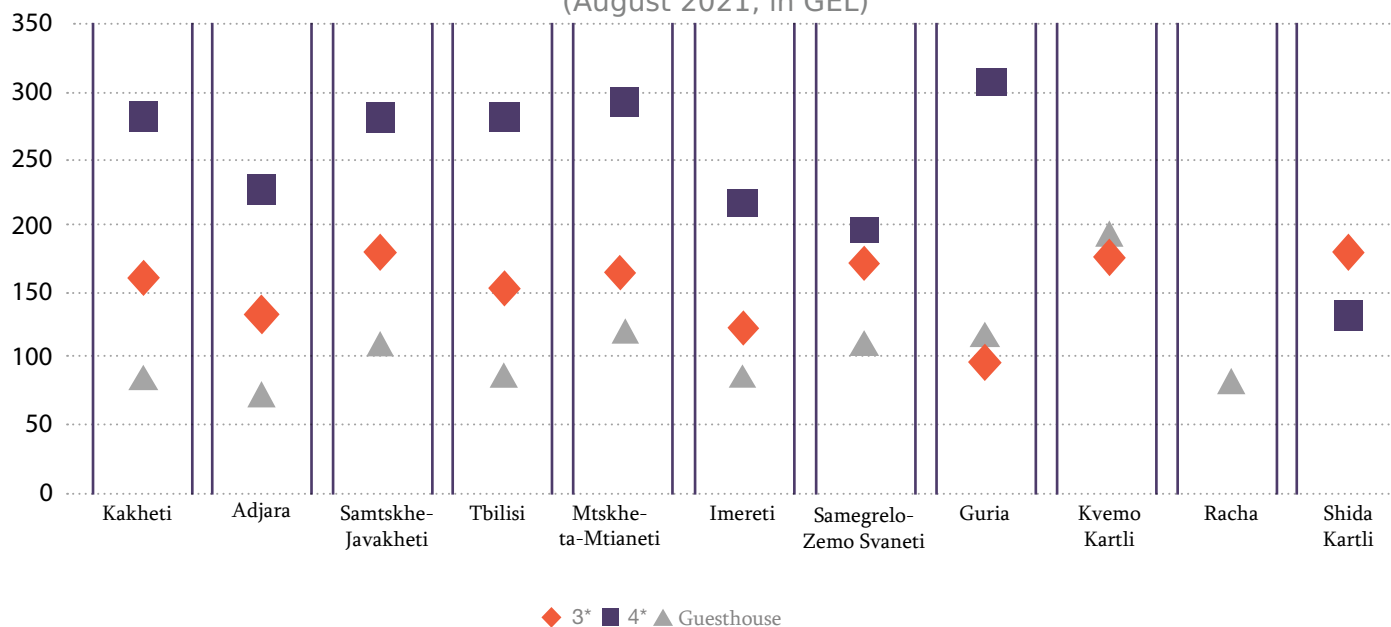
In August 2021, in Georgia the hotel price index⁴ decreased by 0.9% compared to July 2021. The 3-star, 4-star and 5-star hotel price index decreased by 0.5%, while for guesthouses, the price index decreased by 2.5%.

In August 2021, compared to August 2019, hotel prices in Georgia increased by 3.2%. The prices of 3*, 4*, 5* hotels increased by 3.6% and the prices of guesthouses decreased by 5%.

Average Hotel Prices

In Georgia, the average cost of a room⁵ in a 3-star hotel was 151 GEL per night in August 2021, while the average cost of a room in a 4-star hotel in Georgia was 268 GEL per night and the average cost of a room in a guesthouse⁶ was 95 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (August 2021, 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 August 2021 was 514 GEL per night. In Guria, the average price was 807 GEL, followed by Tbilisi - 604 GEL, Adjara - 570 GEL and Kakheti - 546 GEL.

Basic Economic Indicators

	2016	2017	2018	2019	I 2020	II 2020	III 2020	IV 2020	2020	I 2021	II 2021
1	1054.1	1437.5	1800.0	2 223.0	427.2*	310.4*	335.8*	247.5*	1320.9*	187.9*	-
2	6720.0	7902.5	8679.5	9357.9	1333.1	114.2	150.3	149.6	1749.3	134.7	351.3
3	3297.3	4069.4	4756.8	5080.5	765.3	82.3	113.6	125.9	1087.0	116.6	305.8
4	2110.7	2704.3	3222.1	3268.7	427.7	28.8	42.5	42.6	541.7	53.6	-
5	386.3	463.6	524.7	657.2	124.1	13.5	20.9	22.0	180.5	19.8	-
6	120.0	109.5	82.3	123.4	7.4	-6.0	1.5	-252.4	-249.5	-0.5*	-2.3*

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 travel (mln USD)	5	The Expenditures of Georgian travelers Abroad (mln USD)	6	Foreign Direct Investment in Hotels and Restaurants Sector (mln USD)

1 An international traveler is someone who moves between different geographic locations for any purpose and any duration. This excludes foreign citizens who are Georgian residents and includes Georgian citizens who are foreign residents.

2 An international visitor is a traveler taking a trip to a main destination outside his/her usual environment, for less than a year, for any purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. The usual environment of an individual, a key concept in tourism, is defined as the geographical area within which an individual conducts his/her regular life routines. For the

purposes of defining "usual environment" in Georgia, travelers conducting 8 or more trips are excluded from the data.

3 A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor) if his/her trip includes an overnight stay.

4 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)).

5 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 contacting hotels individually, while the prices of guesthouses were taken from booking.com. The average prices are arithmetic mean of standard double hotel room prices.

6 Guesthouse: a type of accommodation that is characterized by having a small number of rooms and services are usually offered by the resident family.

* Preliminary results