



Research

Monthly Tourism Update Georgia

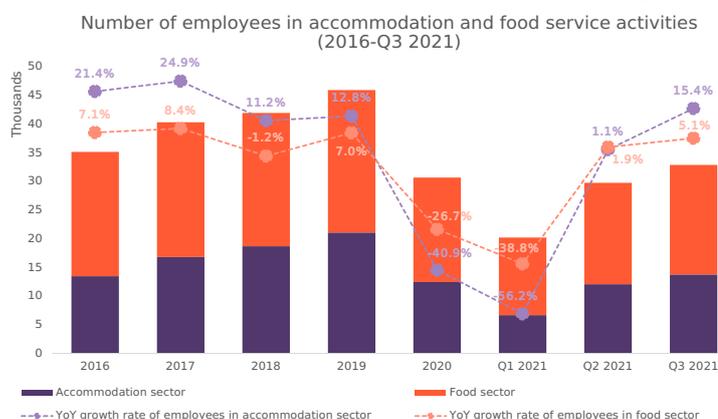
January 2022

- The number of international travelers¹ increased by 471.2% in January 2022, compared to the same period of 2021, and declined by 62.3% compared to the same period in 2019. Meanwhile, the number of international visitors² increased by 424.4% (2022/2021) and declined by 59.5% (2022/2019), and the number of international tourists³ increased by 455.7% (2022/2021) and declined by 46.5% (2022/2019).
- In January 2022, the Hotel Price Index (HPI) showed a significant 5.3% increase in prices compared to 2021, with the highest price increases recorded in Samtskhe-Javakheti (32.8%) and Mtskheta-Mtianeti (20.6%) regions.
- The number of employees in the HORECA industry¹ increased steadily from 2016 to 2019 with an average annual growth rate of 10.1%. However, in 2020 the number of employees dropped by 33.2%. Even though some positive trends have emerged since Q2 of 2021, the number of employees in the industry is still well below pre-pandemic levels.
- The nominal average monthly salaries of employees in the HORECA industry also increased steadily throughout the 2016-2019 period. Since the pandemic began, salaries have been declining significantly. However, since Q2 2021, salaries recorded a considerable YoY increase, which can be explained by the high inflation rate, partial alleviation of restrictions, and higher demand in the HORECA industry.

Employment and Salaries in the HORECA Industry

Considering that the hospitality sector contributes significantly to the Georgian economy^{II}, it is pertinent to analyze the employment trends in the HORECA industry. In particular, in this issue we will evaluate changes in the main indicators before and after the pandemic hit.

The number of employees^{III} in the HORECA industry increased steadily from 2016 to 2019, with an average annual growth rate of 10.1%, with the average growth rate even higher in the accommodation sector (17.6%) but somewhat lower in the food sector (5.3%). There were also changes in the distribution of the employees in the HORECA industry over the same period. In particular, from 2016 to 2019, the share of employees in the accommodation sector increased by 7.6 percentage points, reaching 45.9% of total employees in the HORECA industry.



The number of people employed in the HORECA industry declined sharply in 2020, with a 33.2% YoY drop. In 2020, the drop in the number of employees was significantly higher in the accommodation sector (40.9% decrease), compared to the number employed in the food sector (26.7%), which can be explained by the food sector being less dependent on international visitors and being able to adjust to the pandemic-related regulations more swiftly (by providing delivery services).

In Q1 of 2021, the YoY decline in the number of employees in the HORECA industry was even more notable, reaching 45.9% (a 56.2% drop for accommodation, and a 38.8% drop for the food sector). Since Q2 of 2021, the number of employees has risen in both sub-sectors compared to the corresponding period of the previous year, reaching YoY growth of 9.2% in Q3 of 2021, which could be explained by the low base and the partial alleviation of restrictions on the industry, albeit staying well below pre-pandemic levels (16.3% lower compared to Q3 2019).

While discussing employment in the HORECA industry, it is also worth analyzing the nominal monthly average remuneration of those employed in the accommodation and food sub-sectors. The average monthly salary of employees in the HORECA industry has been increasing steadily with slight fluctuations, mainly due to the seasonality of the industry. From 2016 to 2019, the nominal average monthly salary peaked in Q4 of 2019 for both sub-sectors, reaching 1 321 GEL for accommodation and 821 GEL for the food sector, while the average monthly salary over the same period for the HORECA industry as a whole amounted to 1 019 GEL, with a YoY growth rate of 11.0%.

In Q2 of 2020, the average monthly salary showed a significant 10.9% YoY drop, with a higher decline in the accommodation sub-sector (20.1%) compared to the food sub-sector (2.8%). The trend of annually declining salaries continued until Q1 of 2021. In Q2 of 2021, the average monthly salary demonstrated significant YoY growth of 14.3%. In Q3 of 2021, nominal salaries continued to grow, going beyond pre-pandemic (2019) levels for both sub-sectors, reaching 1 358 GEL for accommodation and 873 GEL for food, while the average monthly salary for the HORECA industry as a whole amounted to 1 062 GEL (with a 6.5% YoY growth rate), which can be explained by a combination of factors, such as the significant inflation rate, the partial alleviation of restrictions, and a relative increase in demand in the HORECA industry.

I The term is a syllabic abbreviation of the words Hotel/Restaurant/Catering, covering accommodation and food service activities.
II According to the WTTC, direct and indirect contributions of travel and tourism to GDP equated to 26.8%

III Note that a substantial amount of employment in the HORECA industry is unobserved and not fully reflected by the official statistics, thus the employment numbers and the impact of the pandemic on them may be considerably understated.

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2022 Jan/ 2021 Dec	2022 Jan/ 2021 Jan	2022 Jan/ 2021 Dec	2022 Jan/ 2021 Jan	2022 Jan/ 2021 Dec	2022 Jan/ 2021 Jan
Kakheti	-9.9%	8.1%	-2.4%	22.3%	-15.4%	-1.9%
Imereti	-16.0%	19.0%	-11.0%	22.0%	-20.0%	17.1%
Guria	-24.0%	-8.5%	-24.0%	-8.5%	-	-
Kvemo Kartli	10.7%	0.0%	28.6%	0.0%	-4.8%	-
Adjara	-19.4%	15.9%	-18.9%	21.9%	-18.5%	4.9%
Racha	-4.2%	5.0%	-	-	-4.2%	5.0%
Shida Kartli	18.0%	-5.6%	-	5.9%	18.0%	-15.8%
Samegrelo-Zemo Svaneti	0.3%	-3.3%	-0.2%	-0.7%	0.6%	-5.9%
Samtskhe-Javakheti	3.5%	32.8%	23.9%	32.7%	-8.1%	33.3%
Mtskheta-Mtianeti	0.3%	20.6%	-0.4%	16.4%	1.4%	24.9%
Tbilisi	-2.8%	-5.8%	-2.8%	-8.4%	-3.1%	12.8%
Overall Price % Change	-7.2%	5.3%	-5.2%	5.9%	-9.6%	9.4%

Table 1: Percentage change of prices in January 2022 over December 2021 and over January 2021.

In January 2022, in Georgia the hotel price index⁴ decreased by 7.2% compared to December 2021. The 3-star, 4-star and 5-star hotel price index decreased by 5.2%, while for guesthouses, the price index decreased by 9.6%.

In January 2022, compared to January 2021, hotel prices in Georgia increased by 5.3%. The prices of 3*, 4*, 5* hotels increased by 5.9% and the prices of guesthouses increased by 9.4%.

Average Hotel Prices

In Georgia, the average cost of a room⁵ in a 3-star hotel was 132 GEL per night in January 2022, while the average cost of a room in a 4-star hotel in Georgia was 237 GEL per night and the average cost of a room in a guesthouse⁶ was 107 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (January 2022, 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 below.

The average cost of a room in a 5-star hotel in Georgia in January 2022 was 441 GEL per night. In Kakheti, the average price was 567 GEL, followed by Tbilisi - 524 GEL, Samtskhe-Javakheti - 487 GEL and Adjara - 362 GEL.

Basic Economic Indicators

	2016	2017	2018	2019	I 2020	II 2020	III 2020	IV 2020	2020	I 2021	II 2021	III 2021	IV 2021
1	1054.1	1437.5	1800.0	2 223.0	404.7	216.5	340.6	242.6	1204.5	197.8*	452.2*	602.3*	-
2	6720.0	7902.5	8679.5	9357.9	1333.1	114.2	150.3	149.6	1749.3	134.7	351.3	815.4	579.8
3	3297.3	4069.4	4756.8	5080.5	765.3	82.3	113.6	125.9	1087.0	116.6	305.8	670.4	484.7
4	2110.7	2704.3	3222.1	3268.7	427.7	28.8	42.5	42.6	541.7	53.6	246.1	566.0	-
5	386.3	463.6	524.7	657.2	124.1	13.5	20.9	22.0	180.5	19.8	37.1	62.6	-
6	120.0	109.5	82.3	123.4	7.4	-6.0	1.5	-252.4	-249.5	-0.8*	-1.5*	6.9*	-

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