



Research

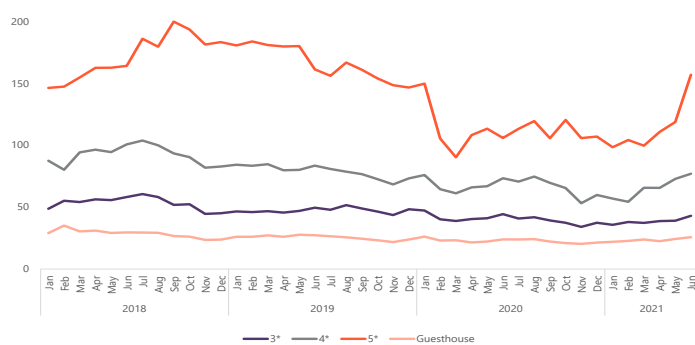
Monthly Tourism Update

June 2021

- The number of international travelers¹ increased by 294.2% in June 2021 compared to the same period of 2020, and declined by 82.1% compared to the same period in 2019. Meanwhile, the number of international visitors² increased by 286.8% (2021/2020) and declined by 79.8% (2021/2019), and the number of international tourists³ increased by 361.6% (2021/2020) and declined by 71.7% (2021/2019).
- In June 2021, the number of visitors from Israel, Ukraine and Kazakhstan recovered to approximately 75% of their June 2019 levels.
- During the period of 2018-2021, average hotel prices in Georgia peaked in 2018, gradually falling in 2019 before plummeting in 2020.
- Prices of 5-star hotels experienced the highest volatility, while the prices of guesthouses were most stable.
- In June 2021, the Hotel Price Index increased by 1.5% compared to the corresponding month of 2019, mainly driven by positive expectations about tourism's recovery, as well as the low base effect due to the shock (Russian flight ban) in June 2019.

Hotel Price Dynamics in Georgia

Average Hotel Prices in USD



Source: PMC Research, author's calculations

In this issue, we provide an overview of the dynamics of hotel prices in Georgia both pre-COVID and during the ongoing pandemic. First, we review the monthly average prices for hotels since January 2018, as calculated in USD, based on prices as advertised on booking.com. The price dynamics differ for 3-star, 4-star, and 5-star hotels, as well as for guesthouses.

The average prices within each category peaked in the summer season (Jun-Sep) of 2018. Due to abrupt shocks in 2019 (Russian flight ban) and 2020 (the outbreak of the COVID-19 pandemic), prices have been experiencing a negative trend since June 2019. While the prices in 2020 and early 2021 are the lowest in the analyzed period, in June 2021 the prices within each category seem to have recovered towards 2019 levels.

Looking category by category, 5-star hotels, which are the most reliant on international tourists, experienced the highest price volatility during the covered period. On the other hand, prices for guesthouses were most stable during the analyzed period.

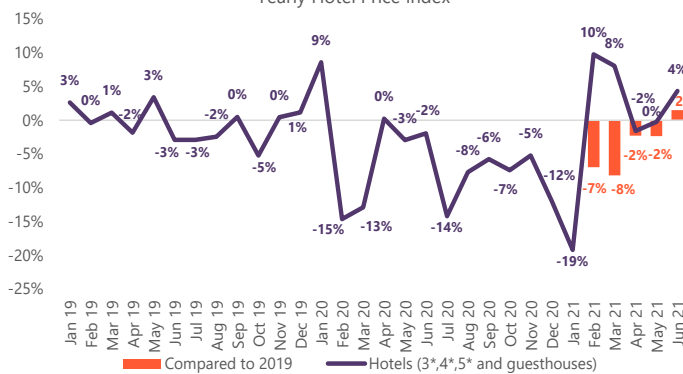
Apart from analyzing the average prices of hotels/guesthouses, PMC Research Center also calculates the Hotel Price Index (HPI) each month. The yearly HPI shows how the prices for hotels have changed compared to previous years, allowing for month-on-month comparison (e.g. June 2020 v. June 2021). As mentioned already, the average prices peaked in 2018, before dropping in 2019 and 2020. This trend is also reflected in the HPI dynamics, registering positive yearly index with only three months in 2019 and one month in 2020 recording an increase compared to the corresponding month of the previous year. The highest drops were reported in February, March, and July of 2020.

It is worth mentioning that because many hotels kept their prices unchanged during the lockdown, the index might understate the magnitude of the fall in prices in 2020.

In January 2021, the yearly HPI was -19%, which was due to the lockdown being enforced at the time, as well as the high base effect (in January 2020 the prices were relatively high). Since February 2021, we have started to produce an alternative yearly HPI, which measures changes in 2021 in relation to 2019 instead of 2020, as we think that the 2019 prices are much more relevant when it comes to tracking the recovery of hotel prices.

In June 2021, the HPI was positive both in comparison to the corresponding month of 2020 and 2019 for the first time since January 2020. This is attributed to the reopening of borders and relative optimism about tourism recovery, as well as the low base effect due to the shock (Russian flight ban) in June 2019.

Yearly Hotel Price Index



Source: PMC Research, author's calculations

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2021 Jun/2021 May	2021 Jun/2019 Jun	2021 Jun/2021 May	2021 Jun/2019 Jun	2021 Jun/2021 May	2021 Jun/2019 Jun
Kakheti	3.9%	13.9%	5.1%	4.1%	3.4%	16.7%
Imereti	4.7%	2.2%	2.8%	2.1%	6.4%	2.2%
Guria	16.4%	-1.1%	22.4%	-7.2%	0.0%	12.2%
Kvemo Kartli	-5.9%	-	-	-	-11.4%	-
Adjara	26.4%	-2.3%	34.8%	-1.5%	9.9%	-4.2%
Racha	2.6%	-4.8%	-	-	2.6%	-4.8%
Shida Kartli	6.0%	26.1%	-5.2%	14.3%	32.5%	32.5%
Samegrelo-Zemo Svaneti	2.1%	4.7%	0.1%	-3.3%	3.3%	9.3%
Samtskhe-Javakheti	2.0%	-10.5%	7.5%	-23.3%	-5.7%	11.1%
Mtskheta-Mtianeti	3.0%	-0.5%	-0.4%	-3.6%	7.3%	1.9%
Tbilisi	-1.5%	3.1%	-1.5%	4.8%	-2.1%	-10.2%
Overall Price % Change	6.4%	1.5%	8.6%	0.1%	1.7%	-2.8%

Table 1: Percentage change of prices in June 2021 over May 2021 and over June 2019.

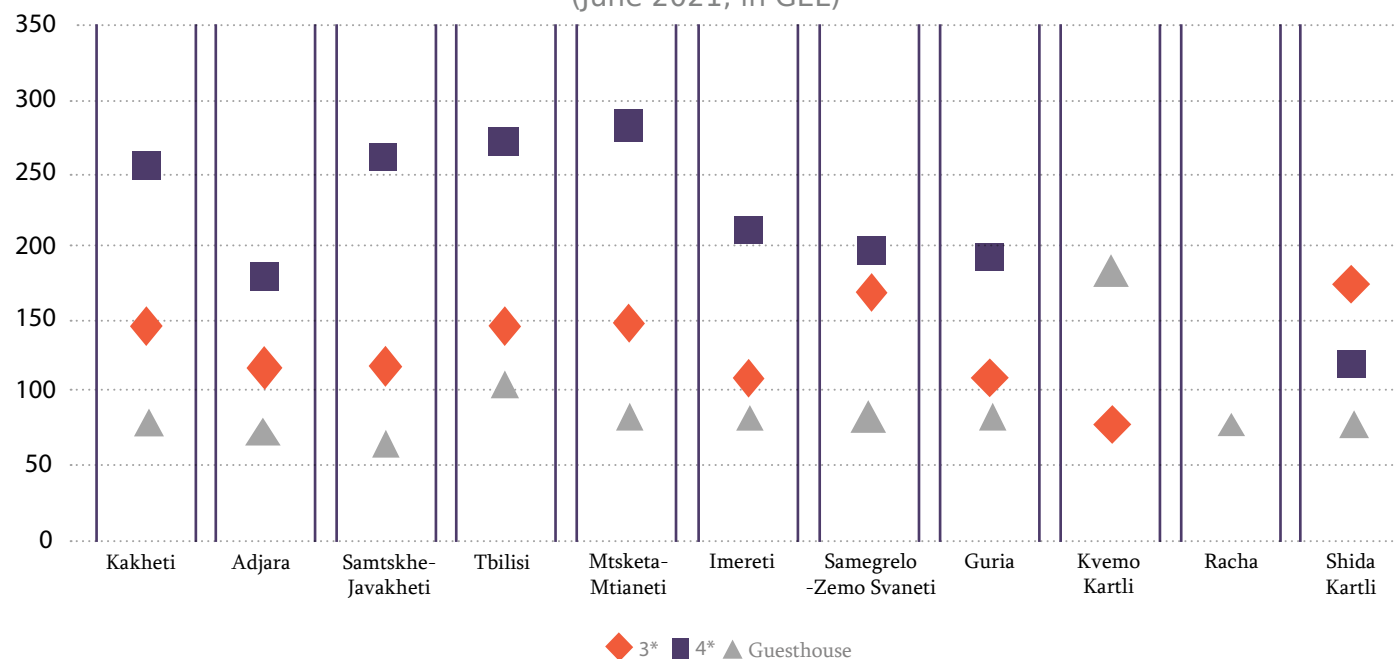
In June 2021, in Georgia the hotel price index⁴ increased by 6.4% compared to May 2021. The 3-star, 4-star and 5-star hotel price index increased by 8.6%, while for guesthouses, the price index increased by 1.7%.

In June 2021, compared to June 2019, hotel prices in Georgia increased by 1.5%. The prices of 3*, 4*, 5* hotels increased by 0.1%, while the prices of guesthouses decreased by 2.8%.

Average Hotel Prices

In Georgia, the average cost of a room⁵ in a 3-star hotel was 136 GEL per night in June 2021, while the average cost of a room in a 4-star hotel in Georgia was 243 GEL per night and the average cost of a room in a guesthouse⁶ was 81 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (June 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 June 2021 was 496 GEL per night. In Guria, the average price was 739 GEL, followed by Tbilisi - 644 GEL, Kakheti - 470 GEL and Adjara - 457 GEL.

Basic Economic Indicators

	2018	III 2019	IV 2019	2019	I 2020	II 2020	III 2020	IV 2020	2020	I 2021	II 2021
1	1800	697	564.2	2 223	427.2*	310.4*	335.8*	247.5*	1320.9*	187.9*	-
2	8679.5	3375.1	2120.4	9357.9	1333.1	114.2	150.3	149.6	1749.3	134.7	351.3
3	4756.8	1863.6	1089.7	5080.5	765.3	82.3	113.6	125.9	1087	116.6	305.8
4	3222.1	1126.8	685.8	3268.7	427.7	28.8	42.5	42.6	541.7	53.6	-
5	524.7	181.6	176.2	657.2	124.1	13.5	20.9	22.0	180.5	19.8	-
6	82.3	36.1	6.6	120.2	15.7*	3.0*	7.9*	-247.4*	-221.5*	2.2*	-

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