



Research

Monthly Tourism Update

August 2020

- The number of international travelers declined by 96.4% in August compared to the same period of 2019, while the number of international visitors fell by 96% and the number of international tourists fell by 95.4%.
- In the first 8 months of 2020, revenues from travel amounted to \$483 mln, which is 78% lower than the same period in 2019.
- In Q2 2020, compared to Q2 2019, turnover of accommodations declined by 66%, and turnover of food facilities declined by 37%.
- In August 2020, compared to August 2019, yearly Hotel Price Index decreased by 32.1% in Guria and 21.7% in Adjara.
- In August 2020, compared to August 2019, the average price of guesthouses in Guria decreased by 58%, while the average price of 3-star hotels decreased by 35%.
- In August 2020, compared to August 2019, the average price of 4-star hotels decreased by 38%, while the average price of 5-star hotels decreased by 25%. The average prices of guesthouses and 3-star hotels registered a more modest decline.

August dynamics of hotel prices in Adjara and Guria

July's edition of the issue featured an overview of accommodation prices in Georgia overall, while in our August update, we focus our attention specifically on Adjara and Guria, two prominent seaside destinations of Georgia and arguably, two of the most in-demand regions in August. As regular flights are still restricted and the number of countries whose citizens can enter the country is still limited, Georgia hosted only 34 567 foreign tourists this year in August, which has been a month with the highest number of visitors for more than a decade, registering 1.4 mln arrivals in 2019. Even though domestic tourism is not enough to compensate for such a high number, given that those Georgians who were planning to spend their summer abroad turn to Georgian resorts, the number of potential tourists is significant. In fact, our estimates suggest that the number of domestic visitors in Adjara in Q3 will amount to approximately 40-55% of the same figure in 2019. Thus, seaside hotels have faced substantial demand even in the face of the pandemic, however, as Georgians tend to have less purchasing power than foreigners, and as the number of visitors will not be fully compensated by domestic tourists, hotels had to lower their prices in order to attract domestic visitors.

The analysis of the yearly Hotel Price Index implies that hotels in Guria (-32.1%) and Adjara (-21.7%) decreased their prices the most, followed by Samtskhe-Javakheti (-20.1%), Racha (-12.5%) and Mtskheta-Mtianeti (-12.2%). The YoY decline was even higher for 3, 4 and 5-star hotels compared to the decline in the prices of guesthouses: in Guria, the prices for 3, 4 and 5-star hotels declined by 39.4%, while the hotels decreased their prices by 30.1% in Samtskhe-Javakheti and by 28% in Adjara.

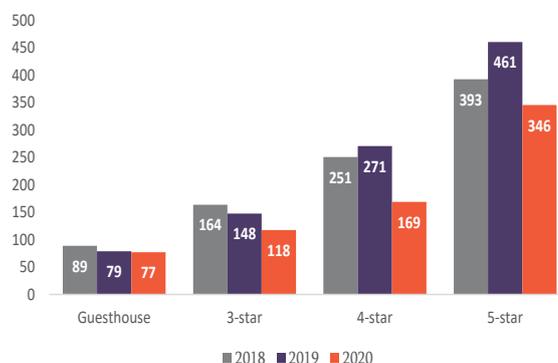
In addition to Hotel Price Index, the average prices of accommodations in the two regions were analyzed in August 2020, 2019 and 2018. In Guria, average prices for both, guesthouses and 3-star hotels increased in 2019 compared to 2018, by 17% and 23% respectively. In August 2020, both types of accommodations suffered a major drop compared to 2019, with the average prices of the guesthouses declining from GEL 161 to GEL 67 (-58%) and the average prices of the 3-star hotels declining from 185 to 120 (-35%).

Average prices of accommodations in August in Guria, 2019-2020



In Adjara, the average prices of 3-star hotels and guesthouses have been declining for past two years. Average price of guesthouses in August decreased by 11% in 2019 compared to 2018, and by 2% in 2020 compared to 2019. As for the average price of 3-star hotels, it declined by 10% in 2019 compared to 2018, and by 20% in 2020 compared to 2019. In Batumi, the average prices of guesthouses decreased by 4% in August 2020 compared to 2019, while the corresponding figure for 3-star hotels was 24%, which is significantly larger decline than in Adjara overall.

Average prices of accommodations in August in Adjara, 2019-2020



The picture is quite different for 4 and 5-star hotels in Adjara. The average prices of both grew in August 2019 compared to August 2018, by 8% and 17% respectively, and they both suffered a major drop in August 2020 compared to August 2019. The prices of the 4-star hotels declined the most in 2020 compared to 2019 (by 38% on average), while the prices for 5-star hotels declined by 25% on average. In Batumi, the average prices of 4-star hotels decreased by 34% in August 2020 compared to 2019, while the corresponding figure for 5-star hotels was 13%, which is significantly smaller decline than in Adjara overall.

In August, Georgian seaside hotels adopted the strategy of lowering the prices and kept their facilities relatively occupied, not stopping their activities. Whether this strategy pays off or not largely depends on the future of the pandemic.

¹ <https://www.interpressnews.ge/ka/article/617524-giorgi-kakaurize-8-tvis-monacemebit-turizmidan-migebuli-shemosavlebi-78-it-aris-shemcirebu-li-rac-daaxloebit-18-miliard-dolarian-klebas-nishnav/>
² Due to small sample sizes, 4 and 5-star hotels in Guria are excluded from this particular analysis.

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 Aug/2020 Jul	2020 Aug/2019 Aug	2020 Aug/2020 Jul	2020 Aug/2019 Aug	2020 Aug/2020 Jul	2020 Aug/2019 Aug
Kakheti	-1.2%	5.4%	-1.5%	2.3%	-1.1%	6.0%
Imereti	-0.1%	6.4%	-0.4%	7.7%	0.1%	5.5%
Guria	-3.0%	-32.1%	5.5%	-39.4%	-18.1%	-26.0%
Shida Kartli	0.0%	-0.9%	0.0%	-3.7%	0.0%	-0.3%
Adjara	1.4%	-21.7%	-1.8%	-28.0%	7.4%	-9.0%
Racha	1.3%	-12.5%	9.6%		0.0%	-12.5%
Kvemo Kartli	2.8%	13.5%	0.0%	2.2%	4.6%	40.0%
Samegrelo-Zemo Svaneti	1.9%	-8.3%	1.5%	-1.3%	2.1%	-9.6%
Samtskhe-Javakheti	4.4%	-20.1%	1.7%	-30.1%	6.5%	-12.8%
Mtskheta-Mtianeti	-2.9%	-12.2%	2.0%	-10.0%	-6.1%	-12.8%
Tbilisi	1.0%	-0.7%	1.4%	-0.9%	-7.0%	1.4%
Overall Price % Change	0.9%	-7.7%	0.5%	-10.3%	-1.9%	-2.8%

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

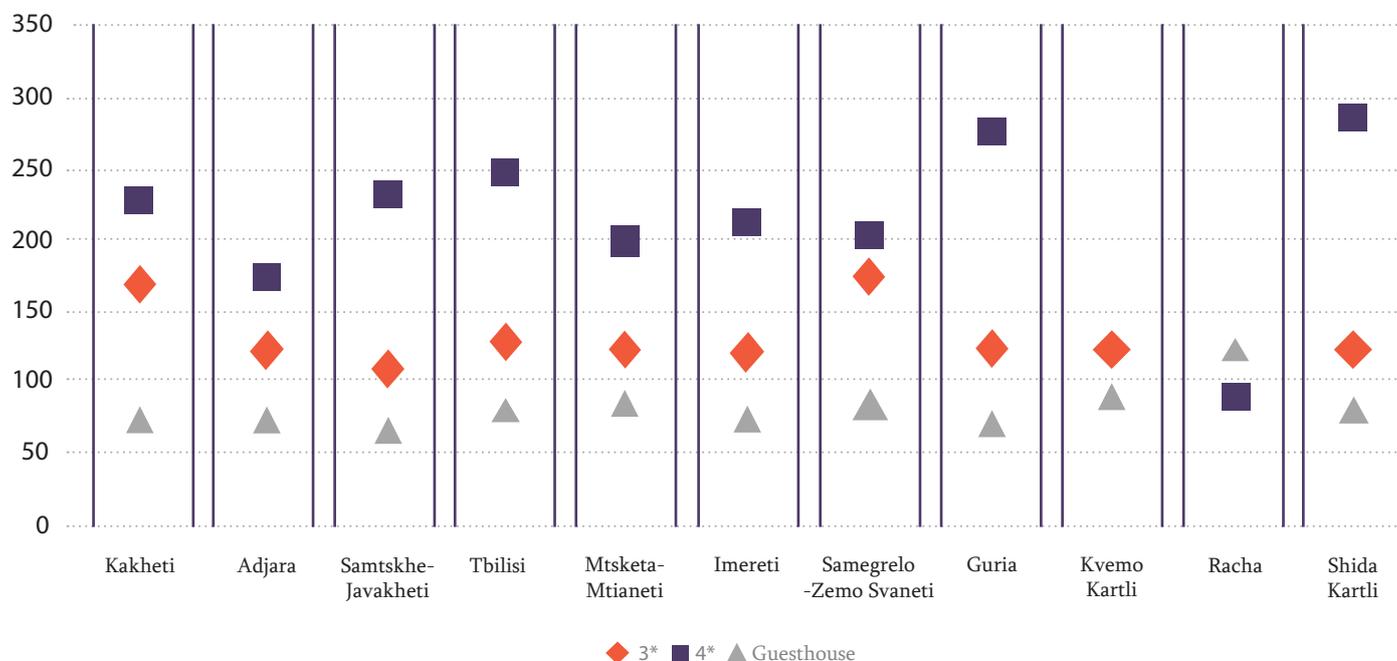
In August 2020, in Georgia the hotel price index³ increased by 0.9% compared to July 2020. The 3-star, 4-star and 5-star hotel price index increased by 0.5%, while for guesthouses, the price index decreased by 1.9%.

In August 2020, compared to August 2019, hotel prices in Georgia decreased by 7.7%. The prices of 3*, 4*, 5* hotels decreased by 10.3%, while the prices of guesthouses decreased by 2.8%

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 128 GEL per night in August 2020. While the average cost of a room in a 4-star hotel in Georgia was 229 GEL per night and the average cost of a room in a guesthouse² was 74 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (August 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