



Research

Monthly Tourism Update

June 2020

- Using various assumptions, in Q3 of 2020, the maximum capacity of domestic tourism expenditures is to replace 33% of revenues from international tourism.
- Using various assumptions, total revenues generated from tourism (both, domestic and international) in 2020 could amount to \$1730 mln, which is 44.1% of the corresponding figure in 2019.
- Domestic tourism in Georgia reopened on June 15th, while the reopening of borders is postponed to the near future.
- The number of international travelers declined by 94.6% in May compared to the same period of 2019, while the number of international visitors fell by 94.1% and the number of international tourists fell by 93.8%.
- In June 2020, hotel prices do not provide an accurate guidance of the situation in accommodation market due to the fact that the market for accommodations is just starting to recover from the COVID-19-induced crisis.

Capacity of domestic tourism in Georgia

The COVID-19 pandemic induced massive lockdowns all over the world, including in Georgia. According to the anti-crisis plan of GoG, which is discussed in details in our May update, until 15th of June, accommodation facilities could not operate due to the strict lockdown rules, and while the initial plan was to open up the borders for foreign visitors on July the 1st, due to the epidemiologic situation in potential partner countries (e.g. Israel), it was postponed to the nearest future, reportedly, to August the 1st.

This makes domestic tourism a major, if not the only source of revenues in tourism sector in 2020. The government has already started campaigns¹ to promote domestic tourism. More importantly, according to the survey conducted by PMCG in June 2020², 63% of surveyed accommodation facilities and 50% of surveyed food facilities state that stimulating domestic tourism will have a either positive or partially positive impact on their business. However, the dependence of Georgian tourism sector on international visitors is very high: 45% of accommodation facilities report that the share of foreign visitors in their total visitors is in the range of 81-100%. While the dependence is not so pronounced in food sector, 51% of them state that the share of foreign visitors is more than 41%.

With the substantial share of international visitors in Georgian tourism sector, it is highly unlikely that domestic tourism will compensate for total revenues generated from tourism (both, domestic and international) completely. By looking at the dynamics of Georgian domestic tourism in the past, and by combining the analysis of the expenditures of Georgian visitors abroad, it is possible to estimate maximum capacity of domestic tourism to compensate for total revenues from tourism, with the assumption that every Georgian who spent their vacations abroad would opt for Georgia in 2020 and that they would spend the same amount of money here as they spent abroad. The second part of the assumption is quite optimistic, however, in combination with a more pessimistic assumption of no foreign visitors for the rest of 2020, it is still useful for the analysis.

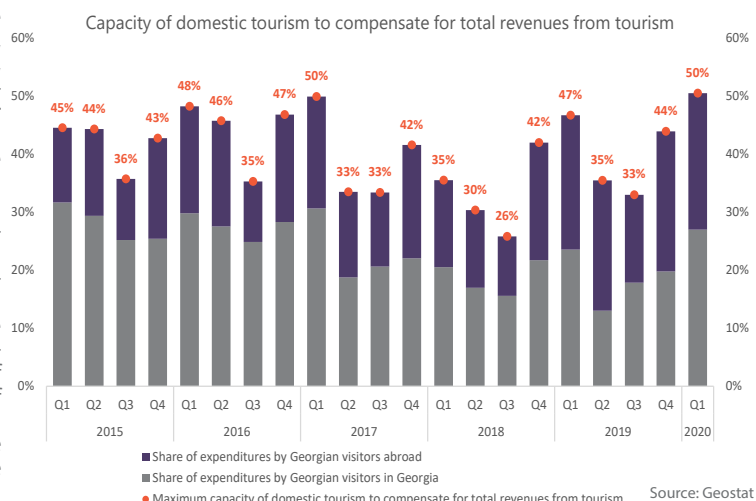
A closer look at the indicator of maximum capacity in Q3 of 2020, which is of interest at the moment, reveals that if Georgian visitors (both, domestic and those who traveled abroad) replicate the pattern of 2019, just 33% of revenues from total tourism will be generated from domestic tourism, while in the case where they replicate the average pattern of past 5 years, the figure will again amount to 33%. A significant seasonal pattern of the indicator is also worth noting, as it has the lowest values in Q3, the season with the most international visitors, and the lowest in Q1.

Using 3 assumptions³, given that domestic tourism is fully utilized, anticipated revenues from tourism in 2020 is \$1 730 mln, which is just 44.1% of total revenues from travel in 2019 (\$3 922 mln). This figure further emphasizes the extent of Georgia's dependence on international tourism.

1 <https://bm.ge/ka/article/turizmis-administraci-am-kampania-agmoachine-is-rac-shenia-imogzaure-saqartveloshi-daiwyo/59406/>

2 PMCG conducted a survey of accommodation and food facilities in Georgia; Number of observations: 116

3 1. 2020 will be a replication of 2019 in terms of domestic tourism 2. All Georgians previously going abroad for vacations spend the corresponding amount of money in Georgia 3. Georgia will not have foreign visitors in 2020



Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 Jun/ 2020 May	2020 Jun/ 2019 Jun	2020 Jun/ 2020 May	2020 Jun/ 2019 Jun	2020 Jun/ 2020 May	2020 Jun/ 2019 Jun
Kakheti	-2.9%	3.1%	-11.2%	0.5%	-0.3%	3.7%
Imereti	1.6%	-1.6%	0.4%	-0.7%	2.2%	-2.1%
Guria	13.1%	-26.7%	25.9%	-31.2%	1.6%	-20.2%
Shida Kartli	0.0%	0.9%	0.0%	-7.1%	0.0%	5.1%
Adjara	12.6%	-17.3%	12.6%	-20.1%	12.6%	-11.6%
Racha	0.0%	-2.7%			0.0%	-1.7%
Kvemo Kartli	1.5%	7.6%	-3.7%	-0.3%	3.3%	20.8%
Samegrelo-Zemo Svaneti	-0.2%	1.1%	1.3%	-4.4%	-0.8%	3.5%
Samtskhe-Javakheti	-12.8%	-6.8%	-4.1%	-3.3%	-16.1%	-8.8%
Mtskheta-Mtianeti	0.5%	-11.6%	0.5%	-22.0%	0.6%	-5.4%
Tbilisi	2.4%	8.6%	0.1%	8.6%	15.8%	-18.7%
Overall Price % Change	3.4%	-1.1%	2.4%	-2.4%	9.9%	-13.1%

Table 1 : Percentage change of prices in June 2020 over May 2020 and over June 2019.

In June 2020, in Georgia the hotel price index³ increased by 3.4% compared to May 2020. The 3-star, 4-star and 5-star hotel price index increased by 2.4%, while for guesthouses, the price index increased by 9.9%.

In June 2020, compared to June 2019, hotel prices in Georgia decreased by 1.1%. The prices of 3*, 4*, 5* hotels decreased by 2.4%, while the prices of guesthouses decreased by 13.1%.

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 135 GEL per night in June 2020. While the average cost of a room in a 4-star hotel in Georgia was 223 GEL per night and the average cost of a room in a guesthouse² was 73 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (June 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 June 2020 was 322 GEL per night. In Tbilisi, the average price was 471 GEL, followed by Kakheti - 327 GEL, Samtskhe-Javakheti - 279 GEL and Adjara - 273 GEL.

Basic Economic Indicators

	I 2018	II 2018	III 2018	IV 2018	2018	I 2019	II 2019	III 2019	IV 2019	2019	I 2020
1	363.6	433.3	534.5	468.6	1800	426	498.5	605.7	541.9	2072.1	-
2	1582.4	1979.6	3226.4	1891.1	8679.5	1617.5	2244.8	3375.1	2120.4	9357.9	1333.1
3	839.5	1094.2	1838.3	984.7	4756.8	882.1	1245	1863.6	1089.7	5080.5	765.3
4	550.7	810	1210.6	650.8	3222.1	578.4	877.6	1126.8	685.8	3 268.7	427.7
5	105.9	126.4	149.9	142.4	524.7	131.3	167.9	181.6	176.2	657.2	124.1
6	25.3	-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