



Research

Monthly Tourism Update

December 2020

- Tourism across the world in 2020 was decimated by the COVID-19 pandemic. Since March 2020, the industry has been all but sidelined by various lockdowns including severe restrictions to international travel. To counter these difficulties, businesses in tourism-related industries were provided different support measures throughout 2020, and many of these have been extended into 2021.
- The number of international travelers declined by 92.4% in December compared to the same period of 2019, while the number of international visitors fell by 90.8% and the number of international tourists fell by 86.3%.
- The price changes in Adjara and Guria are the most representative of tourism's decline. In December 2020, the year over year Hotel Price Index decreased by 41% in Guria, by 39% in Adjara and by 31.3% in Samtskhe-Javakheti.

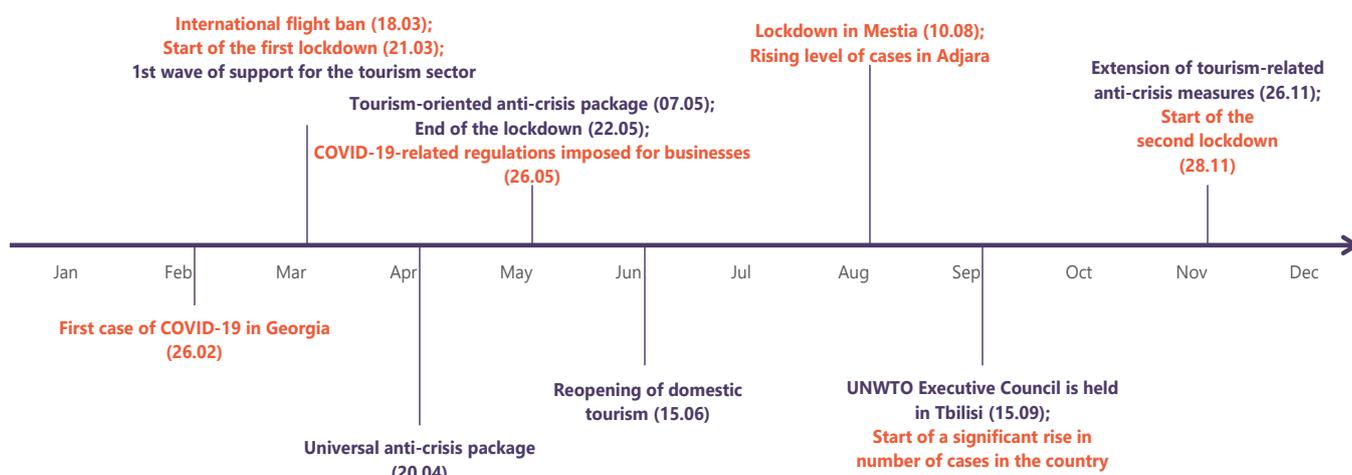
Tourism and COVID-19 in 2020 - an Overview

The COVID-19 pandemic has disrupted tourism all over the world, with Georgia no exception in this regard. With travel between countries massively restricted, the country received a paltry number of international visitors in 2020. In our May update, we provided an overview of the first lockdown (March-May 2020) and the corresponding first wave of support measures afforded to the tourism sector. In this update, we provide an overview of how the tourism sector in Georgia fared for the remainder of 2020.

After the first lockdown ended on May 22, businesses in the tourism industry in Georgia started to prepare for the summer season. On June 15, domestic tourism reopened, albeit with mandatory COVID-related safety requirements in place. Meanwhile, regular international flights were initially supposed to resume from July 1. However, this resumption was subsequently postponed several times, and such flights did not return on intended scale for the rest of the year. According to the latest announcement, regular international flights are now to resume from February 2021. These frequent changes in plans have added even more uncertainty to the troubled tourism sector.

Thus, the summer tourist season comprised exclusively domestic tourists, which inevitably failed to compensate for the loss of international visitors. From September, the epidemiological situation in the country began to worsen alarmingly. In order to keep the number of COVID-19 cases down, the GoG announced a second 2-month-long lockdown on November 28, with slightly less stringent measures than were applied in the first lockdown. During this period, hotels in winter resorts were only allowed to function as COVID-19 quarantine centers, and the operation of ski lifts was suspended, resulting in a completely lost winter season for Georgian tourism.

On November 26, the GoG extended some of the support measures for the tourism industry into 2021 and modified some of the measures for the rest of 2020. Specifically, a concession of the originally deferred property tax was made for firms in tourism-related industries (GEL 45 mln), as well as a tax write-off of the previously deferred 4-month income tax payments from 2020 (GEL 20 mln). Moreover, interest subsidies for bank loans of hotels were extended for a further six months.



Hotel Price Index

| Region | Hotel | | 3*, 4*, 5* | | Guesthouse | |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 Dec/ 2020 Nov | 2020 Dec/ 2019 Dec | 2020 Dec/ 2020 Nov | 2020 Dec/ 2019 Dec | 2020 Dec/ 2020 Nov | 2020 Dec/ 2019 Dec |
| Kakheti | 1.8% | 21.0% | -2.2% | -2.6% | 3.3% | 28.5% |
| Imereti | -0.7% | 12.6% | 0.9% | 17.9% | -2.0% | 8.8% |
| Guria | 2.6% | -41.0% | 4.4% | -55.0% | 0.0% | -22.7% |
| Kvemo Kartli | -5.0% | | -5.0% | | | |
| Adjara | 3.2% | -39.0% | 2.8% | -43.8% | 3.9% | -23.7% |
| Racha | -0.4% | -22.4% | | | -0.4% | -22.4% |
| Shida Kartli | 0.0% | -6.8% | 0.0% | 8.3% | 0.0% | -11.4% |
| Samegrelo-Zemo Svaneti | 3.0% | -11.6% | 8.1% | -4.8% | 0.0% | -13.0% |
| Samtskhe-Javakheti | -0.9% | -31.3% | -11.3% | -40.3% | 10.7% | -15.1% |
| Mtskheta-Mtianeti | 8.4% | 4.8% | 18.7% | 1.8% | -6.7% | 6.8% |
| Tbilisi | 7.4% | -4.0% | 7.1% | -1.0% | 13.4% | -19.4% |
| Overall Price % Change | 4.9% | -12.0% | 4.2% | -13.6% | 7.4% | -15.9% |

Table 1: Percentage change of prices in December 2020 over November 2020 and over December 2019.

In December 2020, in Georgia the hotel price index¹ increased by 4.9% compared to November 2020. The 3-star, 4-star and 5-star hotel price index increased by 4.2%, while for guesthouses, the price index increased by 7.4%.

In December 2020, compared to December 2019, hotel prices in Georgia decreased by 12%. The prices of 3*, 4*, 5* hotels decreased by 13.6%, while the prices of guesthouses decreased by 15.9%.

Average Hotel Prices

In Georgia, the average cost of a room² in a 3-star hotel was 123 GEL per night in December 2020, while the average cost of a room in a 4-star hotel in Georgia was 197 GEL per night and the average cost of a room in a guesthouse³ was 70 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (December 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 December 2020 was 352 GEL per night. In Guria, the average price was 440 GEL, followed by Tbilisi - 410 GEL, Kakheti - 397 GEL and Samtskhe-Javakheti - 377 GEL.

Basic Economic Indicators

| | 2018 | I 2019 | II 2019 | III 2019 | IV 2019 | 2019 | I 2020 | II 2020 | III 2020 | IV 2020 | 2020 |
|---|--------|--------|---------|----------|---------|--------|--------|---------|----------|---------|--------|
| 1 | 1800 | 424.4 | 537.4 | 697 | 564.2 | 2 223 | 427.2* | 310.4* | 335.8* | - | - |
| 2 | 8679.5 | 1617.5 | 2244.8 | 3375.1 | 2120.4 | 9357.9 | 1333.1 | 114.2 | 150.3 | 149.6 | 1749.3 |
| 3 | 4756.8 | 882.1 | 1245 | 1863.6 | 1089.7 | 5080.5 | 765.3 | 82.3 | 113.6 | 125.9 | 1087 |
| 4 | 3222.1 | 578.4 | 877.6 | 1126.8 | 685.8 | 3268.7 | 427.7 | 28.8 | 42.5 | 42.6 | 541.8 |
| 5 | 524.7 | 131.3 | 167.9 | 181.6 | 176.2 | 657.2 | 124.1 | 13.5 | 20.9 | - | - |
| 6 | 82.3 | 57.8 | 19.7 | 36.1 | 6.6 | 120.2 | 15.7* | 3.0* | 7.9* | - | - |

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 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 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.

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