



MONTHLY TOURISM UPDATE

August 2023

Georgia

Hotel Price Dynamics in Georgia



Research



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Summary

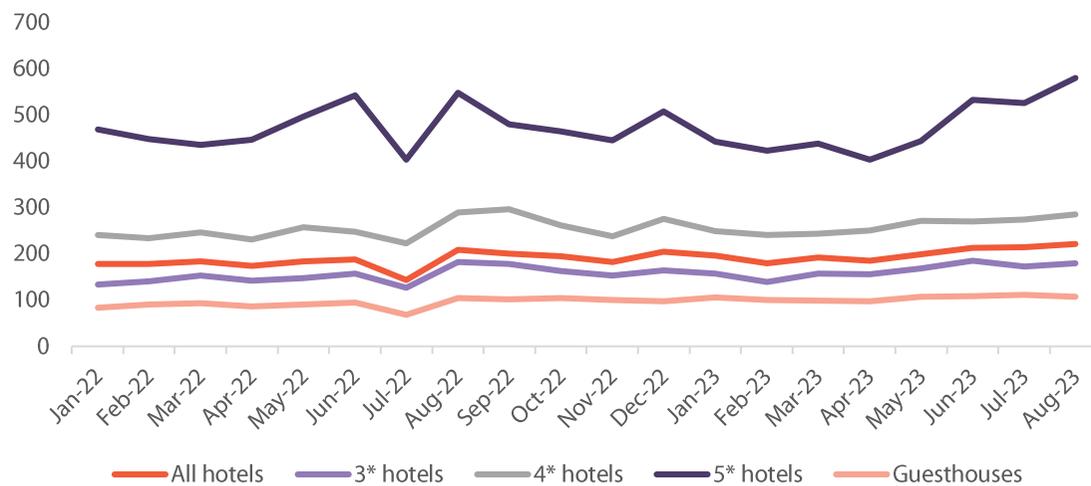
- Since the beginning of 2023, the tourism sector in Georgia has been showing **signs of significant recovery**. Therefore, with this background, it is interesting to analyze the latest hotel price dynamics in Georgia.
- In August 2023, compared to August 2022, **the Hotel Price Index (HPI)** in Georgia decreased by 5.1% attributed to a significant decline in Tbilisi (-12.6%). Meanwhile, compared to July 2023, HPI increased slightly by 1.3% with a higher monthly increase in guesthouses (5.5%).
- Since the beginning of 2023, **the year-on-year (YoY) Hotel Price Index (HPI) in Georgia has experienced notable fluctuations**, with a significant decline in the summer months. That drop was mainly attributed to the YoY price decrease for guesthouses.
- To provide a better understanding of the latest price changes of hotels, the regional analysis is crucial. In the summer months of 2023, **the YoY HPI in Adjara** was positive and significant for all categories of hotels (16%) in June, followed by a decline in July (-2.8%) and August (-0.2%). This could partially be attributed to the relatively low demand in seaside locations, in some instances due to visitors' sea safety concerns.
- Meanwhile, **in Tbilisi, declining tendencies are more apparent, significantly affecting the overall HPI for Georgia**. In the summer months of 2023, the YoY HPI is negative in Tbilisi, averaging at -11%. This could be attributed to a higher supply of accommodation than it was in 2019, even though the number of international visitors has not yet fully recovered to the pre-pandemic level.



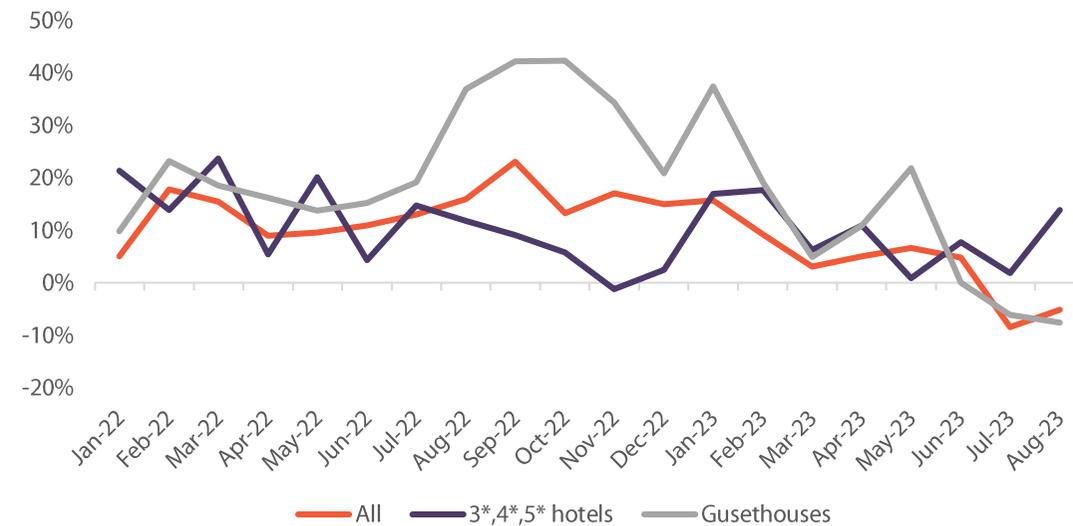
HOTEL PRICES IN GEORGIA

- Since the beginning of 2023, the tourism sector in Georgia has been showing signs of significant recovery. In particular, in the first half of 2023, the number of overnight international tourist visits reached 90.8% of the pre-pandemic (2019) figure. Moreover, an even greater degree of recovery is anticipated in the third quarter of 2023. Therefore, with this background, it is interesting to analyze the latest hotel price dynamics in Georgia.
- For the period of January to August 2023, average hotel prices* increased in all categories. From a seasonal perspective, the average hotel price in winter months amounted to GEL 187, which is 5% higher compared to the January-February average of 2022. In the spring of 2023, average price was equal to GEL 191 (6% YoY increase), and in the summer it reached 216 GEL (20% YoY increase).

Average price dynamics of hotels in Georgia (2022 - Aug 2023)



Hotel Price Index dynamics in Georgia (2022 - Aug 2023)



Source: Booking.com, PMC RC

- Since the beginning of 2023, the year-on-year (YoY) Hotel Price Index (HPI) in Georgia has experienced notable fluctuations, with a significant decline in the summer months. However, it must be noted that from August 2022 to January 2023, the HPI for all types of hotels showed a significant increase compared to the previous year. This increase was especially high for guesthouses, for which HPI plateaued at an average of 17% at that period of time. This high base effect could be one of the factors contributing to the declining trend of HPI of all types of hotels, specifically explaining the YoY drop in HPI for guesthouses (-5%) in the summer of 2023.

*Note, that the average hotel prices are calculated for an aggregated sample and describe the average change, meanwhile hotel price index takes individual hotel price change dynamics into consideration. Therefore, the direction of change of those two indicators may differ case by case.

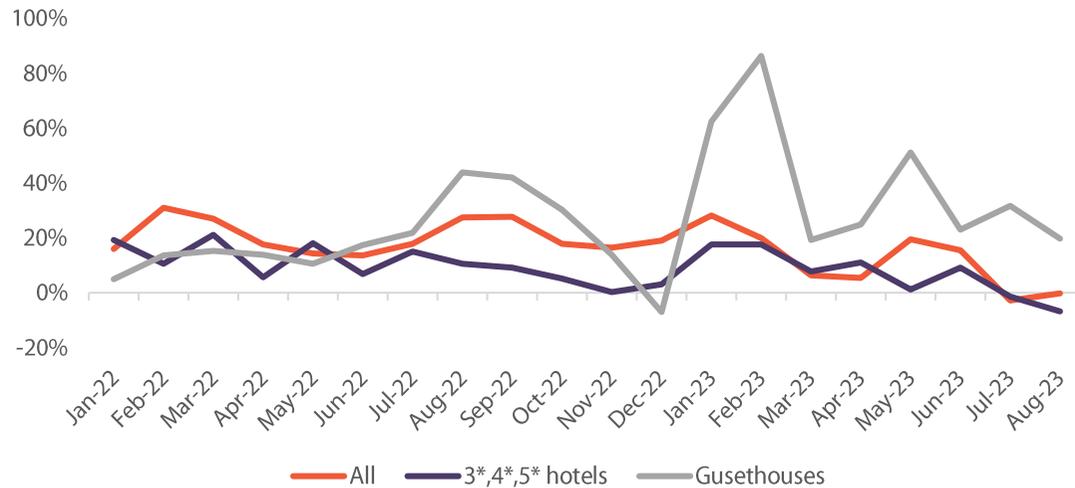


HOTEL PRICE INDEX IN ADJARA AND TBILISI

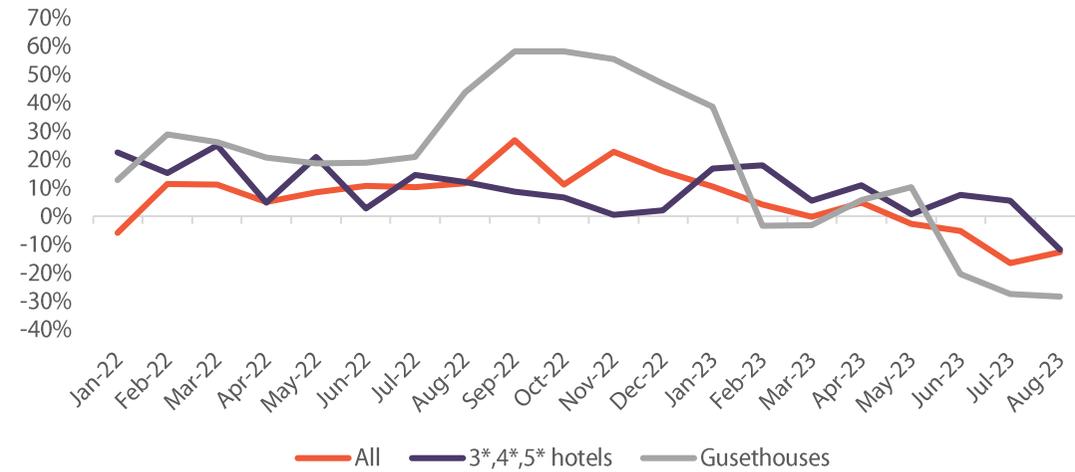
To provide a more nuanced understanding of the latest price changes for hotels, it is crucial to examine the situation from a regional viewpoint. Specifically, an observation of HPI by region since the beginning of 2023, revealed striking trends with respect to hotel prices in the region of Adjara and Georgia's capital city, Tbilisi.

In the course of the past year (August 2022 to August 2023), **the YoY HPI in Adjara peaked in August 2022, reaching 28%, followed by a declining trend**, particularly in 3-star, 4-star, and 5-star hotels. In the same period, the HPI demonstrated significant fluctuations for guesthouses, which could be attributed to distortions in long and short-term accommodation due to the inflow of migrants since the beginning of the Russia-Ukraine war. In summer of 2023, the YoY HPI in Adjara was positive and significant for all categories of hotels in June (16%), followed by a decline in July (-2.8%) and August (-0.2%). This could partially be attributed to the relatively low demand in seaside locations, in some instances due to visitors' sea safety concerns.

Hotel Price Index in Adjara (2022 - Aug 2023)



Hotel Price Index in Tbilisi (2022 - Aug 2023)



Source: Booking.com, PMC RC

Meanwhile, **in Tbilisi, declining tendencies are more apparent**, significantly affecting the overall HPI for Georgia. Similar to Adjara, there has been a higher level of fluctuation in the prices for guesthouses than for hotels. In the summer months of 2023, the YoY HPI was equal to -11% (for guesthouses it averaged at -25%, and for 3-star, 4-star, and 5-star hotels it stood at 0%).

Some of the plausible reasons behind the declining hotel prices in Tbilisi, compared to the previous year, include the **increase in supply, with more accommodation providers than necessary to meet the existing demand**, especially in summer months. Indeed, tourism service representatives often mention that, currently, the supply of accommodation is higher in Tbilisi than it was in 2019, even though the number of international visitors has not yet fully recovered to the pre-pandemic level.



HOTEL PRICE INDEX IN GEORGIA

In August 2023, in Georgia the hotel price index¹ increased by 1.3% compared to July 2023. The 3-star, 4-star, and 5-star hotel price index increased by 2.2%, while for guesthouses, the price index increased by 5.5%.

The monthly HPI was the highest in Mtskheta-Mtianeti (7%) and lowest in Racha (-6.9%).

In August 2023, compared to August 2022, hotel prices in Georgia decreased by 5.1%. The prices of 3*, 4*, 5* hotels decreased by 6% and the prices of guesthouses decreased by 9.6%.

The yearly HPI was the highest in Guria (11.9%) and lowest in Tbilisi (-12.6%).

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2023 Aug/ 2023 Jul	2023 Aug/ 2022 Aug	2023 Aug/ 2023 Jul	2023 Aug/ 2022 Aug	2023 Aug/ 2023 Jul	2023 Aug/ 2022 Aug
Kakheti	2.8%	7.3%	16.5%	12.3%	-2.3%	4.8%
Imereti	-1.5%	4.0%	7.5%	6.1%	-11.3%	2.2%
Guria	1.4%	11.9%	16.4%	21.4%	-23.1%	-5.1%
Kvemo Kartli	4.3%	0.0%	0.0%	0.0%	13.3%	-
Adjara	1.3%	-0.2%	1.1%	-6.6%	-1.2%	19.9%
Racha	-6.9%	-9.5%	-	-	-6.9%	-9.5%
Shida Kartli	3.5%	11.5%	0.0%	12.5%	5.3%	10.8%
Samegrelo-Zemo Svaneti	3.5%	8.0%	9.2%	7.1%	0.1%	8.9%
Samtskhe-Javakheti	1.5%	3.9%	1.0%	0.3%	2.1%	7.2%
Mtskheta-Mtianeti	7.0%	3.3%	13.2%	7.0%	-3.2%	-1.5%
Tbilisi	0.7%	-12.6%	-0.2%	-11.7%	13.1%	-28.4%
Overall Price % Change	1.3%	-5.1%	2.2%	-6.0%	5.5%	-9.6%

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). Note, that for the selected regions, the sample size is relatively low compared to other regions (ex. Shida Kartli, Racha). Therefore, the calculations of Hotel Price Indices for those regions the HPI may

stand for changes in the prices for only a small number of enterprises, therefore lacking the ability to show the general pattern of the hotel price change in these regions.

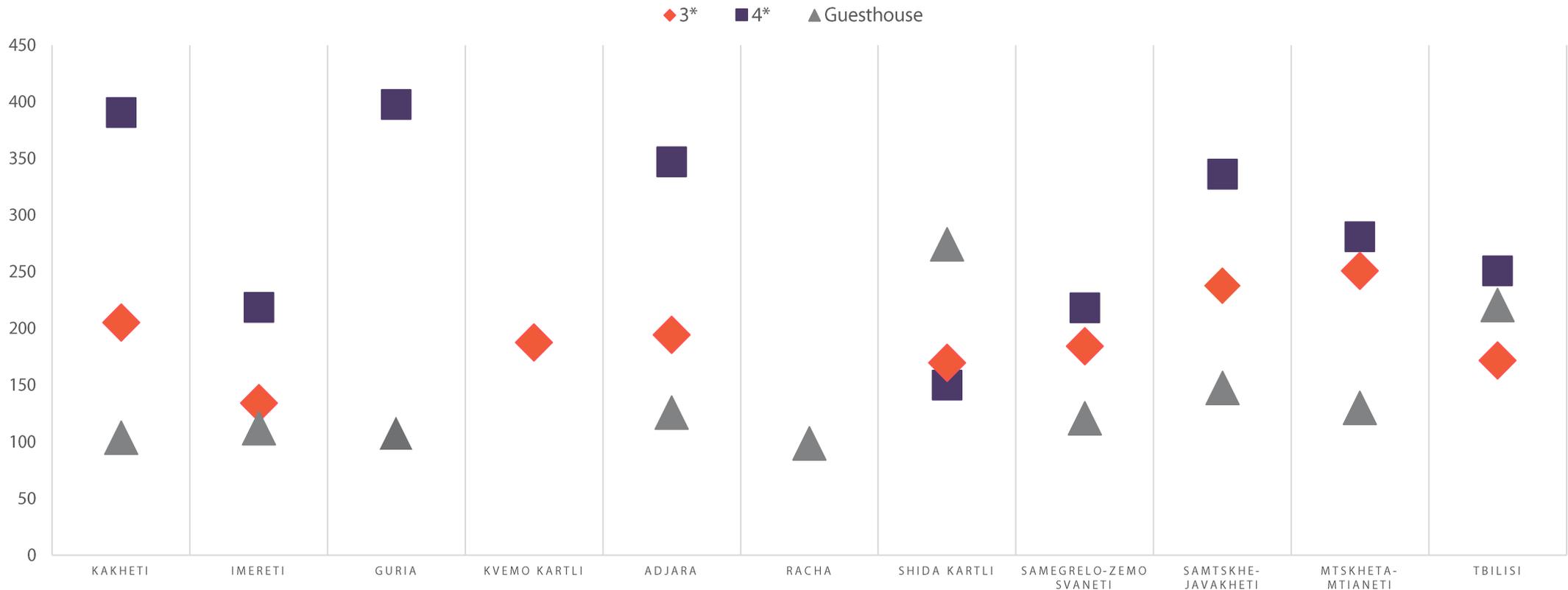


THE AVERAGE HOTEL PRICES IN GEORGIA

In Georgia, the average cost of a room² in a 3-star hotel was **181 GEL** per night in August 2023, while the average cost of a room in a 4-star hotel in Georgia was **278 GEL** per night and the average cost of a room in a guesthouse³ was **130 GEL** per night.

The average cost of a room in a 5-star hotel in Georgia in August 2023 was **542 GEL** per night. In Guria, the average price was **1055 GEL**, followed by Adjara – **515 GEL**, Tbilisi – **515 GEL**, and Kakheti – **837 GEL**.

THE AVERAGE PRICES OF 3*, 4* STAR HOTELS AND GUESTHOUSES BY REGIONS (AUGUST 2023, IN GEL)



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.



BASIC ECONOMIC INDICATORS IN GEORGIA

	2018	2019	2020	2021	I 2022	II 2022	III 2022	IV 2022	2022	I 2023	II 2023
GDP in current prices for Accommodation and Food Service Activities (mln)	1800.0	2223.0	1204.5	1783.6	360.9*	536.2*	831.1*	646.2*	2374.5*	436.8*	-
Number of International Travelers (thousand persons)	8679.5	9357.9	1747.1	1881.3	576.5	1049.4	2266.7	1534.3	5426.9	1208.5	1651.70
Number of Tourists (thousand persons)	4756.8	5080.5	1087.0	1577.5	456.0	749.3	2082.6	948.8	3652.9	845.3	1085.2
Revenue from International Travel (mln USD)	3222.1	3268.7	541.7	1244.9	393.7*	748.8*	1374.7*	999.5*	3516.6*	795.4*	1009.1*
The Expenditures of Georgian Travelers Abroad (mln USD)	524.7	657.2	180.5	184.7	72.2*	103.5*	118.6*	114.3*	408.6*	105.0*	-
Foreign Direct Investment in Hotels and Restaurants Sector (mln USD)	106.0	119.3	-247.2	-7.4	21.0	15.5	24.0	6.6	67.1	30.2*	-0.92*

* Preliminary data



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