



Georgia's Tourism Sector Arrivals on the rise

Georgia | Tourism
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Number of international arrivals rising

Georgia's tourism sector has demonstrated significant growth posting an impressive 22% CAGR in international arrivals over 2000-2012. In 2012, Georgia registered 4.4mn arrivals, or 0.9x its current population. As of 1Q13, the number of arrivals reached 0.93mn, up 37% y/y. In April alone, the number was up 20% y/y, with 4M13 figure already at 1.3mn.

The tourist peak season lies ahead. Generally, Georgia attracts approximately 35% of international arrivals from total annual arrival inflow in the third quarter of the year. The arrivals are mostly drawn to seaside and mountain destinations, as well as to the capital – Tbilisi. Neighboring countries account for most of Georgia's international tourism. In 1Q13, most of the arrivals came from Turkey (40%), followed by Azerbaijan (22%), Armenia (18%) and Russia (10%), together making up 90% of international arrivals.

Number of arrivals to outpace our estimates

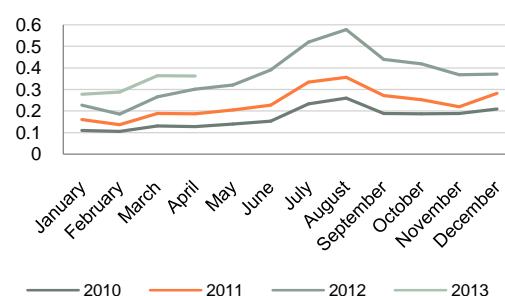
Beating our estimates, the 4M13 figure has already reached 1.3mn arrivals, translating into weighted annualized 5.4mn international arrivals in 2013. We have revised our international arrivals forecast upward to a conservative 5.2mn, thus exceeding our previous estimates of 4.8mn arrivals.

Travel inflow and NBG reserve accumulation

The National Bank of Georgia continues to accumulate gross international reserves to US\$ 2.97bn in 4M13, from US\$ 2.87bn as of YE12, partly as a result of increasing tourism receipts, in our view. The net buying of FX by NBG was around US\$ 195mn as of 4M13. Around US\$ 84.8mn has been used for repayment of foreign liabilities. In total, NBG international reserves increased by US\$ 94.7mn in 4M13 YTD vs. US\$ 54.7mn increase in 2012.

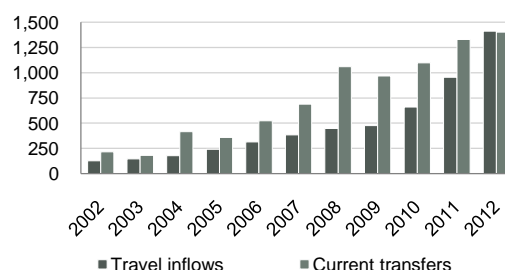
Note: International arrivals – international visitors who cross the national borders of Georgia with foreign passports

International arrivals trend in Georgia, mn



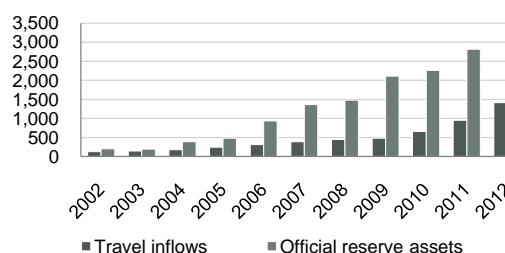
Source: GNTA

Travel inflows and current transfers, US\$ mn



Note: Travel inflows and current transfers as in BOP of Georgia
Source: NBG

Travel inflows and NBG reserves, US\$ mn



Note: Travel inflows as in BOP of Georgia
Source: NBG

International arrivals, forecast

	2012	2013E	2014F	2015F	2016F	2017F	2018F	2019F
Number of international arrivals, mn (based on current forecast)	4.39	5.20	5.67	6.19	6.79	7.36	8.08	8.87
Number of international arrivals, mn (based on previous forecast*)	4.39	4.79	5.22	5.70	6.26	6.78	7.44	8.17
Difference in international arrivals, mn	0.00	0.41	0.45	0.49	0.53	0.58	0.64	0.70

*Please refer to our report on Georgia's tourism sector, "Seize the Opportunity", February 2013
Note: The multiplier growth rates are based on past multiplier growth rates of peer countries
Source: GNTA, BoG Research

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