Georgia's Tourism Sector

Tourism Market Watch

Georgia | Tourism
Monthly Bulletin
April 2017

Completion of international branded hotels in Georgia is behind schedule. Expected completion dates for 11 of the 26 international branded hotels in our 2016-2018 pipeline *(see our June 2016 tourism report, **Shifting into High Gear**)* have been pushed back by a year. That represents 36.7% of the hotel rooms included in the aforementioned pipeline. The delays vary significantly across regions. For Tbilisi, only two of 14 hotels have been postponed, whereas four of the six in Batumi and five of the six in other regions have been officially delayed by a year. The delays can be largely attributed to the regional instability in 2016, along with currency fluctuation and election year in Georgia. Even so, the international branded hotel stock is expected to increase by 1,203 rooms (+69.9%) in Tbilisi and 224 rooms (+24.1%) in Batumi by the end of 2017. With new hotel projects announced since June 2016, there are now a total of 19 international hotels in the pipeline for Tbilisi, nine in Batumi, and nine in other regions.

The hotel pipeline in Georgian regions outside of Tbilisi and Batumi remains strong, with the Kakheti region attracting a lot of interest. Adjara Group Hospitality has announced plans to enter the Kakheti market with a 40-room farm hotel concept in Sagarejo. A 100-room Golden Tulip in Telavi is expected to be completed by end-2017 and a 120-room Radisson Blu in Tsinandali by end-2018. The Partnership Fund signed a partnership agreement with Lopota Resorts and will invest US$ 5.4mn in the expansion of the resort, which will include the addition of 85 hotel rooms and a 300-person conference room, along with other amenities to the complex.

Two international midscale brands entered the Georgian market in 2017. Maqro construction unveiled its second international midscale brand, Ibis Styles, in Tbilisi, after introducing Mercure Tbilisi Old Town in 2015. The 3-star Ibis Styles opened its doors in April and features 118 rooms. Another international midscale brand, Wyndham Hotel, opened in Batumi in February, adding 146 rooms to the stock of branded hotel rooms. Rooms Hotel and Best Western VIB are also expected to open in Batumi in 2017.

The share of visitors arriving by air to Georgia is increasing. 19.1% of international arrivals came in through the Georgian airports in 4M17, compared to 13.3% in 4M16. The main driver was the Tbilisi airport, with the number of international arrivals up 61.0% y/y to 295,000, while the Kutaisi airport recorded almost 28,000 international visitors (+62.7% y/y) in 4M17. The growing share of air arrivals goes hand in hand with the diversification of direct flight routes out of Georgian airports. Georgia's air connectivity with the Middle East is improving, with a Jordanian low-cost airline, Air Arabia Jordan, now operating flights between Tbilisi and Amman. Connectivity with Russia is expected to increase further, as several Russian carriers have announced plans to expand their offering during the summer season.

Key indicators	
International arrivals, 2016	6,360,503
Tourist arrivals, 2016	2,720,970
Tourism receipts to GDP, 2016	15.1%
Visa-free regime	94 countries
Direct flight routes out of Georgia	53
Carriers servicing Georgia	29
Accommodation units	1,873
Rooms	26,135

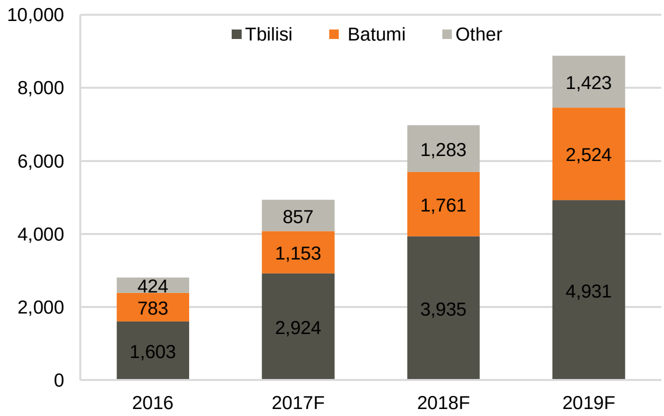
Source: NBG, GNTA, Ministry of Foreign Affairs, Georgian Civil Aviation Agency

Table 1: Visitors by country, '000

Country	4M17	y/y growth
Azerbaijan	481	4.9%
Armenia	384	14.6%
Turkey	330	-15.5%
Russia	272	24.1%
Iran	66	227.3%
Ukraine	49	20.2%
Israel	19	66.8%
India	16	139.8%
Kazakhstan	10	18.1%
Germany	10	43.2%
Poland	9	29.8%
USA	9	16.6%
Uzbekistan	8	190.0%
Philippines	7	31.3%
Belarus	7	28.1%
Others	100	35.1%
Total	1,777	11.1%

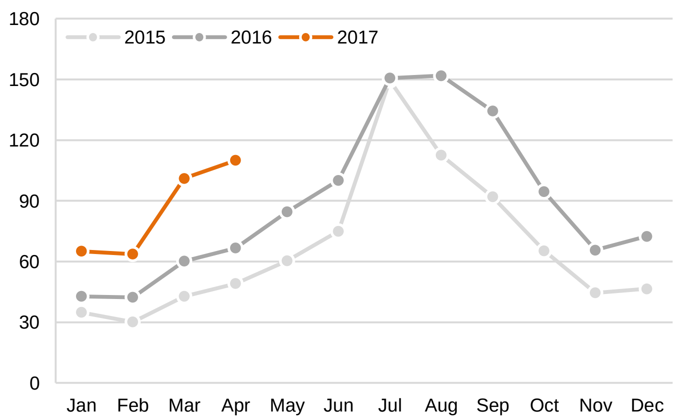
Source: GNTA

Figure 1: Existing supply and pipeline of int'l branded hotel rooms



Source: G&T Research

Figure 2: Int'l visitors at Georgian airports, '000 visitors



Source: GCAA

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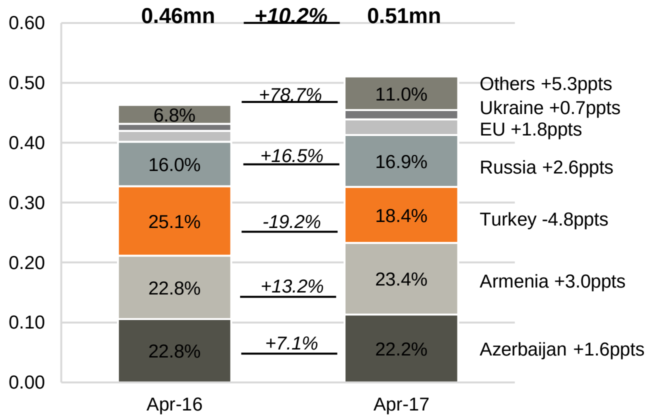
International Arrivals to Georgia

The number of international arrivals was up 10.2% y/y to 0.51mn in April 2017. Out of the top five source markets, there was strong growth from Armenia (+13.2% y/y), Azerbaijan (+7.1% y/y), Russia (+16.5% y/y), and Ukraine (+27.2% y/y). The number of arrivals from Turkey continues to exhibit a downward trend (-19.2% y/y), as border delays persist in Sarpi. Arrivals from the EU were up 44.8% y/y to over 26,000 visitors.

The number of international arrivals was up 11.1% y/y to 1.78mn visitors in 4M17. The number of visitors increased from all major source countries except for Turkey (-15.5% y/y). Armenia (+14.6% y/y) and Russia (+24.1% y/y) were the largest contributors to overall growth, with Ukraine also posting double-digit growth (+20.2% y/y). The number of visitors from Azerbaijan posted a modest increase of 4.9% y/y, but from the high base of 4M16 (+22.9% y/y).

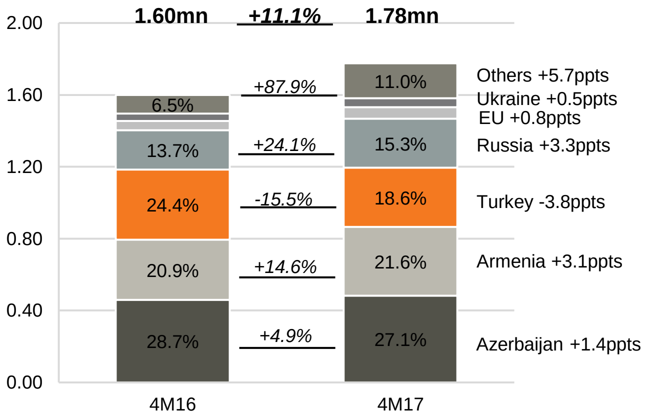
While the top four source markets accounted for 82.6% of international arrivals in 4M17, secondary source markets also posted robust performances. The number of Iranian visitors was up 3.3x to 66,000 visitors in 4M17, mainly due to an inflow from Iran during Novruz Bairam. The number of Indian visitors was up 139.8% y/y to over 16,000, while the number of Israeli visitors increased 66.8% y/y to almost 19,000 visitors. Arrivals from the EU were up 26.3% y/y to over 65,000 visitors in 4M17, with Germany (+43.2% y/y), Poland (+29.8% y/y), and United Kingdom (+26.0% y/y) driving the growth.

Figure 3: Visitors by country, mn



Source: GNTA

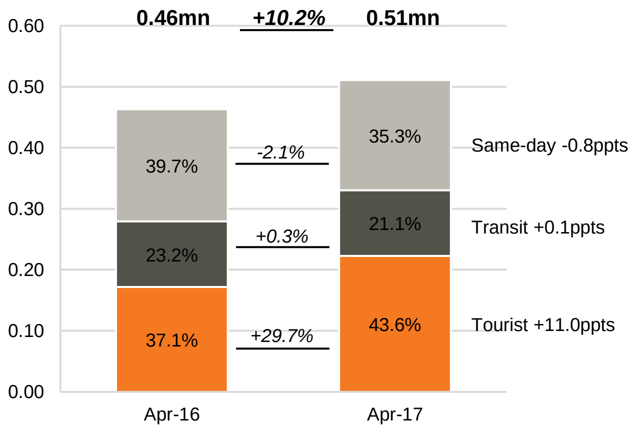
Figure 4: Visitors by country, mn



Source: GNTA

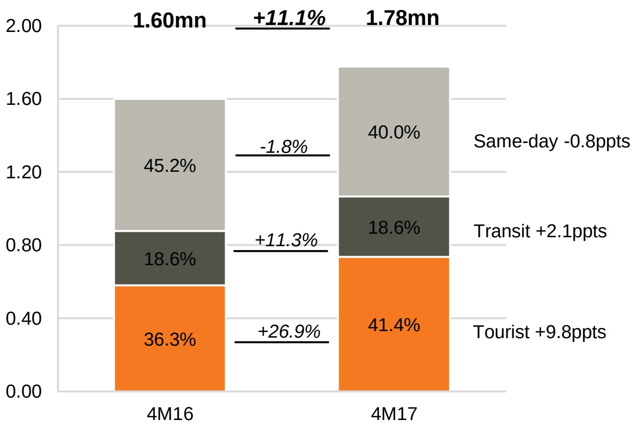
The tourist category continues to drive arrival growth in April 2017. The number of overnight visitors ('tourist' category) was up 29.7% y/y and accounted for 43.6% of international arrivals. Same-day arrivals were down 2.1% y/y, while the number of transit visitors was flat. The number of tourist arrivals is up 26.9% y/y to 0.74mn in 4M17, while the number of same-day visitors is down 1.8% y/y and the number of transit visitors up 11.3% y/y.

Figure 5: Visitors by type, mn



Source: GNTA

Figure 6: Visitors by type, mn



Source: GNTA

Table 2: Key tourism indicators

	2012	2013	2014	2015	2016
Tourism receipts, US$ mn	1,410.9	1,719.7	1,787.1	1,935.9	2,166.3
International visitors	4,428,221	5,392,303	5,515,559	5,901,094	6,360,503
by type:					
Tourists	*1,789,592*	*2,065,296*	*2,229,094*	*2,281,971*	*2,720,970*
Transit	*754,959*	*1,188,791*	*1,114,036*	*1,400,835*	*1,321,344*
Same-day	*1,883,670*	*2,138,216*	*2,172,429*	*2,218,288*	*2,318,189*
by country:					
Azerbaijan	*931,933*	*1,075,857*	*1,283,214*	*1,393,257*	*1,523,703*
Armenia	*921,929*	*1,291,838*	*1,325,635*	*1,468,888*	*1,496,437*
Turkey	*1,533,236*	*1,597,438*	*1,442,695*	*1,391,721*	*1,256,561*
Russia	*513,930*	*767,396*	*811,621*	*926,144*	*1,038,750*
Other	*527,193*	*659,774*	*652,394*	*721,084*	*1,045,052*
Airport arrivals	429,364	585,716	643,088	764,588	1,066,378
of which,					
Tbilisi	*378,947*	*462,173*	*493,895*	*627,903*	*845,830*
Kutaisi	*46,272*	*54,975*	*65,528*	*77,490*	*129,551*
Batumi	*4,145*	*68,568*	*83,665*	*59,195*	*90,997*
Accommodation units	826	940	1,035	1,374	1,742
Accommodation rooms	13,123	15,781	17,303	21,429	24,854
Accommodation beds	30,857	37,159	40,809	51,165	59,636

Source: GNTA, GCAA, NBG

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