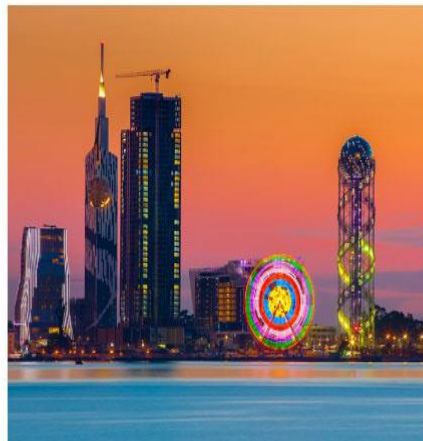




GALT & TAGGART
CREATING OPPORTUNITIES

Tourism in Georgia Monthly Market Watch

■ June 2019



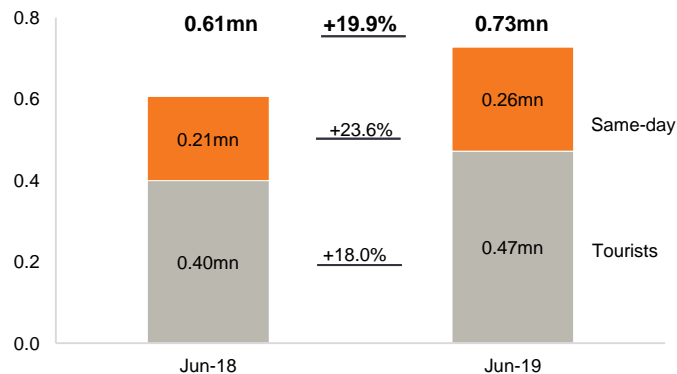
June-19: Tourist arrivals up 18.0% y/y

International visitors (tourists and same-day) by country

	Jun-18	Jun-19	Growth y/y
Russia	116,357	152,155	30.8%
Turkey	90,402	131,814	45.8%
Azerbaijan	114,652	124,780	8.8%
Armenia	96,241	105,582	9.7%
Georgia	35,936	36,445	1.4%
Israel	19,875	20,703	4.2%
Ukraine	16,278	20,311	24.8%
Iran	28,841	13,230	-54.1%
Germany	7,261	12,179	67.7%
Saudi Arabia	4,697	10,697	127.7%
Others	76,252	99,738	30.8%
Total	606,792	727,634	19.9%

Source: GNTA

International visitors (tourists and same-day) by type



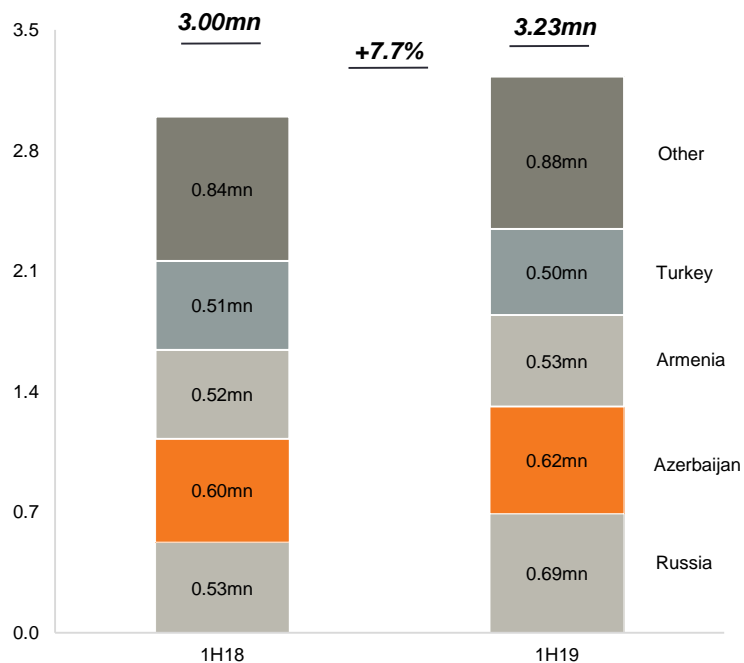
Source: GNTA

- International visitors (tourists and same-day combined) surged 19.9% y/y to 0.7mn persons in June-19 after 14.2% y/y growth in May-19.
- This growth was mostly driven by 18.0% y/y increase in tourist arrivals, while same-day arrivals also posted strong growth of 23.6% y/y.
- Turkey contributed most to total growth, as arrivals surged in June-19 (+45.8% y/y), after continued decline from Sep-18 to May-19. Turkish visitors were main reason of same-day arrival growth in June-19.
- Arrivals from Russia remained largest source market, growing 30.8% y/y – mostly reflected in tourist growth figures.
- Visitors from the EU were up 29.3% y/y to nearly 52k visitors, with Germany (+67.7% y/y) and Poland (+17.4% y/y) driving growth.
- Visitors were also pronounced from Ukraine, Saudi Arabia and Kazakhstan, while arrivals from Iran more than halved (down since Jun-18 with the exception of Nov-18).
- Tourism generated US\$ 379mn revenues in June-19 by our estimates, up 16.5% y/y bringing 1H19 revenues at US\$ 1.5bn, up 11.4% y/y.
- We revise our tourism 2019 growth projection taking into account temporary travel restrictions on flights from Russia to Georgia starting on 8 July 2019 (**for more information see our note of 25 June 2019 – Every Cloud Has a Silver Lining**).
- We expect tourism revenues to be flat y/y in 2H19 at US\$ 1.9bn as we estimate tourism revenue loss of US\$ 200mn in 2019 from reduced Russian arrivals. Therefore, we revise tourism revenues forecast for the full 2019 year at US\$ 3.4bn from our initial projection of US\$ 3.6bn.



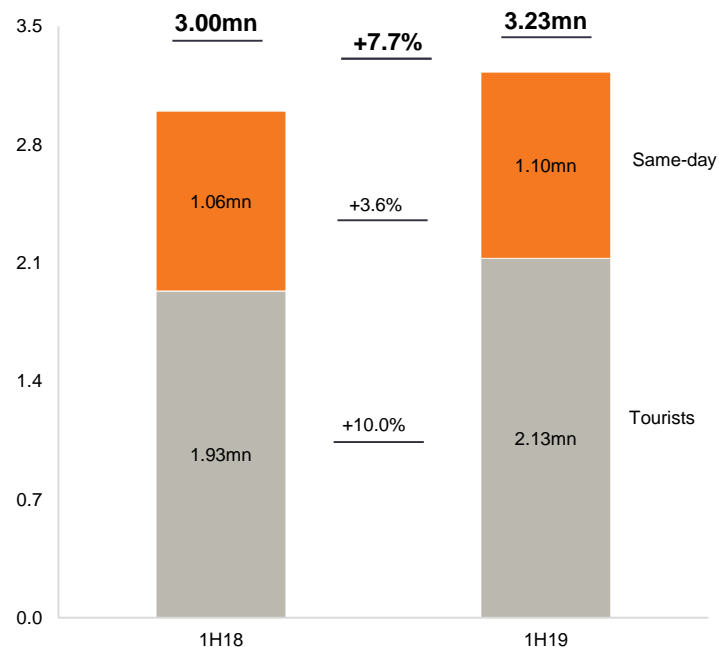
1H19: Tourist arrivals up 10.0% y/y

International visitors (tourists and same-day) by country



Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

Total international visitors stood at 3.2 mn (+7.7% y/y) persons in 1H19:

- From top markets, Russia was the largest contributor to arrival growth, followed by Azerbaijan and Israel
- Visitors from EU increased 26.6% y/y to over 184k persons

In 1H19:

- Tourist trips increased 10.0% y/y, accounting for 65.9% of total arrivals, up 1.4ppts y/y
- Same-day arrivals up 3.6% y/y



Monthly dynamics of visitors and revenues

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	2016	2017	2018
Total int'l visitors, '000	394	485	530	542	607	846	1,041	764	611	485	460	437	389	507	550	619	728	5,393	6,483	7,203
y/y growth	24.4%	14.6%	18.7%	9.0%	14.2%	10.7%	10.7%	5.7%	8.5%	5.8%	0.2%	-0.6%	-1.2%	4.6%	3.7%	14.2%	19.9%	2.6%	20.2%	11.1%
o/w tourists, '000	236	315	335	360	400	565	737	536	407	307	270	306	248	328	349	425	472	3,297	4,069	4,757
y/y growth	27.2%	24.5%	24.9%	16.1%	20.7%	15.0%	13.9%	9.1%	15.1%	14.0%	11.6%	5.9%	5.1%	4.3%	4.2%	18.0%	18.0%	9.5%	23.4%	16.9%
Tourism revenues, US\$ mn	162	232	239	246	325	433	443	335	254	191	206	165	169	245	277	281	379	2,111	2,704	3,222
y/y growth	30.2%	31.9%	33.3%	25.2%	27.8%	14.5%	12.4%	9.2%	17.8%	13.5%	10.5%	5.0%	4.4%	5.3%	16.1%	14.2%	16.5%	13.0%	28.1%	19.1%
Per visitor spending, US\$	411	479	451	454	536	511	426	439	416	394	448	376	434	482	504	454	521	391.4	417.2	447.3
y/y growth	4.7%	15.1%	12.3%	14.9%	11.9%	3.4%	1.6%	3.2%	8.5%	7.3%	10.2%	5.7%	5.8%	0.8%	11.9%	0.0%	-2.9%	10.1%	6.6%	7.2%

Source: GNTA, NBG, G&T research

Note: Total international visitors combine tourist (overnight stay) and same-day visits; Tourist revenue monthly statistics subject to revisions

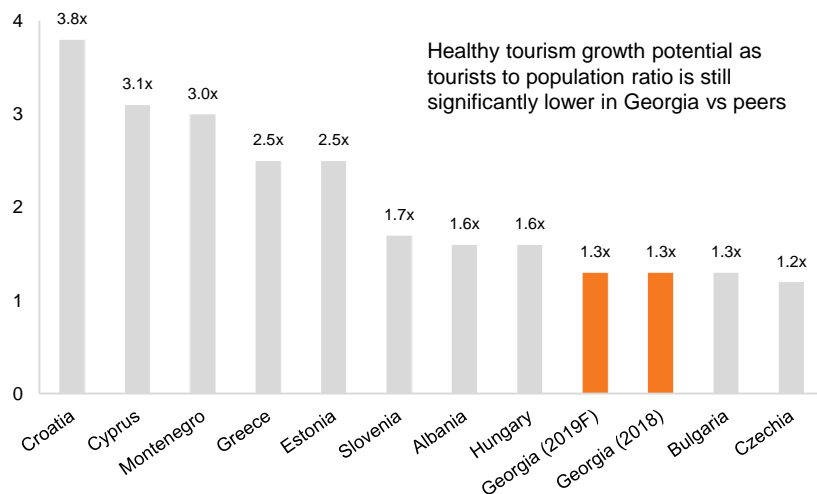
Expectations for 2019 – revised in Jun-19

- **We forecast 4.9mn (+3.5% y/y) tourists to visit Georgia in 2019 vs. our initial forecast of 5.3mn (+11.4% y/y) tourists**

- **We forecast tourism revenues at US\$ 3.4n (+6.9% y/y) in 2019 vs. our initial forecast of US\$ 3.6bn (+12.3% y/y)**

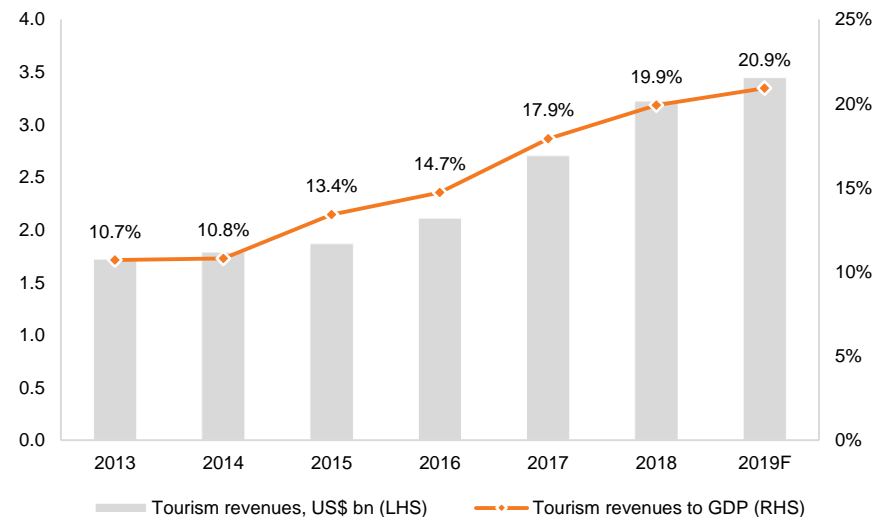
Note: Revised 2019 forecast incorporates effect of Russian ban on Flights to Georgia, with expected 47% y/y reduction in Russian arrivals to Georgia in 2H19 and growth in other international arrivals by 15% y/y in 2H19.

Tourists to population ratio, 2017



Source: UNWTO, WB, G&T Research

Tourism revenues in Georgia



Source: NBG, Geostat, G&T Research



Key figures

	2013	2014	2015	2016	2017	2018	1H19
Tourism revenues, US\$ mn	1,720	1,787	1,868	2,111	2,704	3,222	1,529
<i>As % of GDP</i>	10.7%	10.8%	13.4%	14.7%	17.9%	19.9%	
International visitors, persons	4,954,448	5,004,331	5,255,999	5,392,816	6,482,830	7,203,350	3,229,604
<i>by type*:</i>							
Tourists	2,884,295	2,938,892	3,011,663	3,297,275	4,069,354	4,756,820	2,127,142
Same-day	2,070,153	2,065,439	2,244,336	2,095,541	2,413,476	2,446,530	1,102,462
<i>by country:</i>							
Russia	606,668	651,282	763,019	849,265	1,135,057	1,404,757	691,587
Azerbaijan	940,129	1,103,408	1,156,183	1,075,820	1,301,556	1,424,610	622,717
Armenia	1,049,911	1,065,970	1,191,777	1,152,234	1,287,168	1,268,886	530,994
Turkey	1,292,275	1,136,703	1,074,065	988,312	1,007,276	1,098,555	499,632
Georgia (Nonresident)	499,132	482,038	441,260	429,343	456,132	476,389	229,776
Ukraine	115,281	131,951	127,344	151,630	169,862	177,058	82,811
Israel	36,683	38,646	55,439	85,398	115,040	156,922	77,125
Iran	67,944	33,803	22,019	129,933	282,549	291,070	61,347
Other	346,425	360,530	424,893	530,881	728,190	905,103	433,615
Airport arrivals	584,601	639,919	737,660	998,762	1,439,689	1,788,417	881,234
<i>of which:</i>							
Tbilisi	460,587	489,803	597,907	786,094	1,133,811	1,402,157	697,148
Kutaisi	67,983	82,693	60,853	91,905	112,179	147,009	100,393
Batumi	56,031	67,423	78,900	120,763	193,699	239,251	83,693
Accommodation units	875	1004	1,383	1,727	1,963	2,390	2,401
Accommodation rooms	14,491	16,547	21,511	24,640	27,907	34,608	35,571
Accommodation beds	34,194	39,055	51,517	59,236	67,660	85,314	87,144

Source: GNTA, GCAA, NBG, G&T research

*A visitor is classified as a tourist if his/her trip includes an overnight stay, while a same-day visitor (or excursionist) trip does not include an overnight stay

Note: Tourism revenues in 2019 subject to monthly revisions

Georgia's tourism sector at a glance

#5yearschallenge



2018

7.2 mn
INTERNATIONAL VISITORS

4.8 mn
TOURISTS

\$3.2 bn
REVENUES

19.9%
REVENUES to GDP

↑
+2.2mn

↑
+1.9mn

↑
+1.4bn

↑
+9.1ppts

2014

5.0 mn
INTERNATIONAL VISITORS

2.9 mn
TOURISTS

\$1.8 bn
REVENUES

10.8%
REVENUES to GDP

Source: GNTA, NBG, Geostat, G&T research



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