



- After GDP recalculation based on 2008 system done by the National Statistic Office of Georgia, Share of non-observed economy in the total economy has increased from 8.3% to 13%, while share of non-observed part in Hotels and Restaurants sector has increased from 9.2% to 54.3%;
- According to revised GDP, since 2010 hotels and restaurants sector has increased by 369%, outperforming other sectors twofold;
- Largest share of tourist expenditures (31.5%) is spent on foods and drinks, while only 24.6% is spent on accommodation;
- In October 2019, compared to september 2019, average prices for hotels have decreased by 5.9%;
- In October 2019, compared to the same period of 2018, average prices for hotels have decreased by 5.2%;
- In the third quarter of 2019, compared to the same period of 2018, total tourist expenditure has increased by 4.1%;
- In spite the ban on the Russian flights in July of this year, in August 30% more Russians visited Georgia compared to the previous month. Compared to August, in October 43.1% less Russians have visited Georgia.

Role of Tourism in GDP Recalculation

Recently, National Statistics Office of Georgia has introduced new system of national accounts (SNA 2008). There are multiple methodological differences between the current and previous systems, which makes more precise assessment of the GDP possible.

Revised GDP of Georgia in 2018 has increased from 41.1 billion Lari to 44.6 billion (8.6% increase), which puts the GDP per capita at 11968 lari. Out of the 8.6% increase, 3% was due to change in methodologies and the rest 5.6% due to improved statistical sources. Shadow (non-observed) economy has expanded considerably – previously thought to be 8.3% now makes up 13% of the total economy.

After the revision, structure of GDP has also changed: hotels and restaurants now contribute 4.6% to the GDP structure. Role of this sector in the economy of Georgia has become one of the fastest growing: since 2010 the sector has increased by 369%, while average growth was only 146%. One of the reasons for such high growth (especially after recalculation of GDP) is the following: previously, while calculating the GDP 9.2% of Hotels and Restaurants were considered to be non-observed. Surveys, which were conducted to assess share of non-observed economy in hotels and restaurants, agriculture, construction show that the share of non-observed activity for hotels and restaurants is significantly higher at 54.3%.



Graph 1: GDP of Hotels and Restaurants sector from 2011 till 2018
Source: National Statistics Office of Georgia

According to the National Statistics Office of Georgia visitors have spent 3.3 billion lari in Georgia in the third quarter of 2019. Biggest share in the expenditures are foods and drinks, while 24.6% of visitors total expenditures are spend on accommodation (290.3 Lari on average). As the expenditures spent by visitors in Georgia are expected to increase, the sector will become even more vital for the economy in the future.

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2019 Oct/ 2019 Sep	2019 Oct/ 2018 Oct	2019 Oct/ 2019 Sep	2019 Oct/ 2018 Oct	2019 Oct/ 2019 Sep	2019 Oct/ 2018 Oct
Kvemo Kartli	-10.2%	-23.6%	-16.4%	-37.5%	-0.0%	-18.4%
Shida Kartli	-4.1%	-0.2%			-4.1%	-0.2%
Guria	-8.0%	15.8%	-10.2%	36.1%	-6.4%	1.2%
Mtskheta-Mtianeti	-7.3%	6.8%	-4.8%	15.3%	-9.9%	-1.5%
Adjara	-4.2%	7.7%	-3.6%	7.6%	-4.9%	7.9%
Tbilisi	-6.5%	-13.9%	-6.7%	-16.6%	-5.8%	-4.9%
Samtskhe-Javakheti	-8.3%	-6.4%	-4.8%	-5.5%	-10.6%	-7.0%
Samegrelo-Zemo Svaneti	-9.2%	3.6%	-3.7%	-14.5%	-10.6%	8.9%
Imereti	-4.3%	-3.4%	-4.3%	0.9%	-4.3%	-4.8%
Kakheti	-2.4%	2.6%	-1.2%	-3.2%	-2.7%	4.1%
Racha	-3.8%	14.2%			-3.8%	14.2%
Overall Price % Change	-5.9%	-5.2%	-5.9%	-6.7%	-6.2%	-1.2%

Table 1: : Percentage change of prices in October 2019 over September 2019 and over October 2018.

In October 2019, in Georgia the hotel price index³ decreased by 5.9% compared to September 2019. The 3-star, 4-star and 5-star hotel price index decreased by 5.9%, while for guesthouses, the price index decreased by 6.2%.

In October 2019, compared to October 2018, hotel prices in Georgia decreased by 5.2%. The prices of 3*, 4*, 5* hotels decreased by 6.7%, while the prices of guesthouses decreased by 1.2%.

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 138 GEL per night in October 2019. While the average cost of a room in a 4-star hotel in Georgia was 215 GEL per night and the average cost of a room in a guesthouse² was 69 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (October 2019, 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 September 2019 was 456 GEL per night. In Tbilisi, the average price was 548 GEL, followed by Adjara – 431 GEL, and Kakheti - 390 GEL and Samtskhe-Javakheti - 360 GEL.

Basic Economic Indicators

	III 2017	IV 2017	2017	I 2018	II 2018	III 2018	IV 2018	2018	I 2019	II 2019
1	642.6	569.8	2206.7	522.9	642.5	781.9	734.5	2681.8	600.6	794
2	2969.9	1797.5	7902.5	1582.4	1979.6	3226.4	1891.1	8679.5	1617.5	2244.8
3	1629.9	865.7	4069.4	839.5	1094.2	1838.3	984.7	4756.8	882.1	1245
4	1078.3	570.5	2704.3	550.7	810	1210.6	650.8	3222.1	578.4	877.6
5	152	120.7	463.6	105.9	126.4	149.9	142.4	524.7	131.3	167.9
6	65.5	21.6	106.8	25.3	-8.2	44.9	15.7	77.8	58.5*	28*

1	Total Tourism Value Added (mln)	2	Number of International Travelers (thousand persons)	3	Number of Tourists (thousand persons)
4	Revenue form International Tourism (mln USD)	5	The Expenditures of Georgian tourists 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