



February 2020

- In February 2020 compared to February 2019, International visitor trips decreased by 0.6%. Among them, the number of tourists increased by 4%.
- On January 29th, Georgia suspended direct flights from China due to COVID-19, as a result, in February 2020, number of visitors from China decreased by 59.5% compared to February 2019.
- In February 2020, compared to January 2020, hotel price index decreased by 23.2%.
- In February 2020, compared to the same period of 2019, hotel price index decreased by 14.6%. In terms of regions, the prices decreased the most in Adjara (-28.8%), followed by Guria (-25.5%), Samtskhe-Javakheti (-16.9%) and Tbilisi (-11.6%).

Winter Tourism dynamics in Georgia

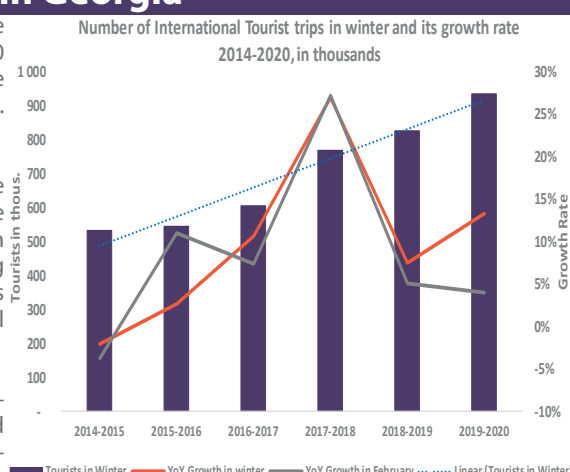
Each year between the period of 2015-2019, February has been the month when the number of tourists hit the lowest point during the year. It seems that February 2020 will not be an exception to this seasonal pattern, as compared to January 2020, the number of international tourists decreased by 29% (106 thousand), which is 13 p.p. higher than the average fall from January to February between 2015-2019 (16%).

Excluding 2020, the YoY growth of tourists in February has been keeping up with the YoY growth rate of tourists in the winter period (December, January, February). The number of tourists in winter has been growing steadily in the years 2015-2020, with the average YoY growth rate being 10%, while the same figure for corresponding summer period was just 1 p.p. higher (11%). Furthermore, the linear trend analysis of the years 2015-2019 indicates that if the current trend is maintained, Georgia will gain 86 thousand visitors in winter each year.

In February 2019, the number of tourists has increased by 4%. This increase, according to GNTA, is due to increased spending in promotional campaigns in selected countries (US, Gulf region, Western Europe, Scandinavia, Israel and Poland). Correspondingly, the number of international visitors from these selected countries grew by 41% compared to February 2019.

The new COVID-19 virus potentially poses threats to tourism industry in Georgia and worldwide. According to worldometers.info, China, Italy and Iran are the three leading countries in terms of the number of COVID-19 infections. The analysis of the dynamics of change of the international visitor trips from January to February of the three countries between 2015-2020 shows, that if the pattern shown in this period was retained in 2020, the amount of visitor trips from China should have *increased* by 22.4% in February 2020 compared to January 2020, while it *decreased* by 68.8% instead. For Iran and Italy these figures are less dramatic: If the trend was followed, the fall in number of visitor trips would have been 2.1% in Iran and 1% in Italy, while in reality the number of visitor trips from the two countries decreased by 27.2% and 29% respectively. It is unlikely that Georgian economy will have significant losses due to decrease of international visitor trips from these three countries, as their total share of international visitor trips was just 2.7% in 2019.

However, with the number of cases growing worldwide every day, and Georgia being no exception, it is hard to quantify possible adverse impact of the virus. Moreover, in February 2020, the number of visitors entering Georgia by air decreased by 10.3% compared to February 2019, and by 18.2% compared to January 2020. Further developments in the following months will reveal more about the impact of the COVID-19 on Georgian tourism and hospitality industries.



Graph 1: Incoming Tourists in Winter, 2015-2020
Source: Georgian National Tourism Administration.

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 Feb/ 2020 Jan	2020 Feb/ 2019 Feb	2020 Feb/ 2020 Jan	2020 Feb/ 2019 Feb	2020 Feb/ 2020 Jan	2020 Feb/ 2019 Feb
Kakheti	-0,7%	2,4%	1,5%	-5,5%	-1,5%	5,7%
Imereti	6,2%	-2,2%	18,8%	0,5%	2,1%	-4,3%
Guria		-25,5%		-0,7%		-51,6%
Shida Kartli	30,7%	11,1%	22,5%	-10,0%	39,4%	20,9%
Adjara	-34,4%	-28,8%	-33,8%	-34,2%	-35,6%	-17,4%
Racha	-21,5%	9,5%	-41,9%		-13,3%	9,5%
Kvemo Kartli	-14,8%	2,2%	12,5%	0,8%	-20,5%	5,2%
Samegrelo-Zemo Svaneti	-15,8%	1,1%	-8,0%	-0,9%	-17,6%	2,1%
Samtskhe-Javakheti	-17,6%	-16,9%	-15,8%	-20,9%	-18,9%	-14,7%
Mtskheta-Mtianeti	-2,2%	-7,3%	18,4%	-7,7%	-21,8%	-6,9%
Tbilisi	-24,1%	-11,6%	-21,2%	-9,5%	-35,1%	-20,0%
Overall Price % Change	-23,2%	-14,6%	-19,7%	-15,4%	-30,2%	-16,3%

Table 1 : Percentage change of prices in February 2020 over January 2020 and over February 2019.

In February 2020, the hotel price index³ in Georgia decreased by 23.2% compared to January 2020. The 3-star, 4-star and 5-star hotel price index decreased by 19.7%, while for guesthouses, the price index decreased by 30.2%. Along with other factors, this may be due to the reaction to the adverse expectations about the number of tourists created by the threat of the COVID-19.

In February 2020, compared to February 2019, hotel prices in Georgia decreased by 14.6%. The prices of 3*, 4*, 5* hotels decreased by 15.4%, while the prices of guesthouses decreased by 16.3%. In terms of regions, the prices decreased the most in Adjara (-28.8%), followed by Guria (-25.5%), Samtskhe-Javakheti (-16.9%) and Tbilisi (-11.6%).

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 115 GEL per night in February 2020. While the average cost of a room in a 4-star hotel in Georgia was 184 GEL per night and the average cost of a room in a guesthouse² was 66 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions
(February 2020, 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 February 2020 was 301 GEL per night. In Mtkheta-Mtianeti, the average price was 779 GEL, followed by Tbilisi - 444 GEL, Samtskhe-Javakheti – 339 GEL and Guria - 331 GEL.

Basic Economic Indicators

	I 2018	II 2018	III 2018	IV 2018	2018	I 2019	II 2019	III 2019	IV 2019	2019
1	751.6	859.8	1104.9	968.8	3721.1	880.7	1030.5	1252.1	-	-
2	1582.4	1979.6	3226.4	1891.1	8679.5	1617.5	2244.8	3375.1	2120.4	9357.9
3	839.5	1094.2	1838.3	984.7	4756.8	882.1	1245	1863.6	1089.7	5080.5
4	550.7	810	1210.6	650.8	3222.1	578.4	877.6	1126.8	-	-
5	105.9	126.4	149.9	142.4	524.7	131.3	167.9	181.62	-	-
6	25.3	-8.2	44.9	15.7	77.8	66.2*	28.8*	45.7*	16,4*	157,5*

1	Value Added from Accommodation and Food Service activities (mln)	2	Number of International Travelers (thousand persons)	3	Number of Tourists (thousand persons)
4	Revenue from 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 contact-

ing 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