



Research

Monthly Tourism Update

May 2020

- The Government of Georgia introduced various support measures in order to alleviate the burden of the COVID-19 crisis on tourism industry in the period between March and May of 2020.
- The Government of Georgia, namely GNTA, operated 84 hotels during the lockdown, which served 19 002 Georgian citizens as a quarantine zone. The total cost of providing quarantine zones from the budget amounted 32.5 mln GEL.
- The Government of Georgia, developed mandatory recommendations for prevention of the spread of COVID-19 on June 5th.
- In May 2020, hotel prices do not provide an accurate guidance of the situation in accommodation market due to the fact that the market for accommodations is non-existent due to COVID-19 pandemic.

Government actions against COVID-19 pandemic in Georgia

The government of Georgia has acknowledged the vulnerability of the tourism sector to the COVID-19 crisis from the very start of the pandemic. The first anti-crisis measures, discussed in our March update, were directed exclusively to the tourism sector. These measures included: *Income tax deferral for four months*, which was used by 5 715 entities, as of March 18¹ (the mechanism was modified and extended to the end of the year on May 7th) and *co-funding of interest payments for 6 months for hotels*, for which 3 000 entities applied for as of May 1st (according to the the Minister of Economy and Sustainable Development, Natia Turnava)(entry requirements for the programme was modified on May 7th).

The economy-wide anti-crisis package introduced on April 24² included measures such as *200 GEL monthly assistance to the newly unemployed for six months; one-time 300 GEL assistance to the self-employed; full exemption of income tax for workers with salaries under 750 GEL for six months; and doubled VAT returns to the firms*. These measures alleviated burden of the crisis on the firms operating in all industries, including tourism.

On 7th of May the government started a series of presentations about the sector-specific anti-crisis plans with tourism industry³. The budget of the program amounted 200 million GEL and it also provided approximate dates of reopening of the tourism industry, with the domestic tourism and foreign tourism scheduled to re-start on June 15 and July 1, respectively. Apart from the extension and modification of two support mechanisms mentioned above, the anti-crisis measures included: *Credit guarantee schemes for accommodations and food facilities, which offers to co-finance payments on 30% of existing loans and 90% of new loans in the process of restructuring bank loans; Support in introduction and implementation of UNWTO safety recommendations⁴; Subsidy for travel agencies and guides on co-participation fees on tourism fairs and international travel, aimed to promote Georgia as a travel destination; Property tax exemption in 2020 for firms operating in tourism sector*.

According to the survey conducted by PMCG in June 2020⁵, despite the range of measures taken by the government, only 18% and 11% of surveyed accommodation and food facilities, respectively, think that the anti-crisis measures are sufficient for their business.

During the lockdown, Georgian government used a number of hotels as quarantine zones, which partially helped these facilities to overcome the crisis. According to the Government Report to the parliament⁶, GNTA fully operated 84 hotels solely with the purpose of quarantining Georgian citizens who were in the risk-group of having contracted the virus. In total, 19 002 such citizens were served in these facilities as of 22nd of May, employing all necessary safety standards. The government had to pay a standard price of 59 GEL (VAT included, 3 meals per day included) per room to the participating hotels during the lockdown period, and the total expenditure on quarantine zones from the budget amounted to 32.5 mln GEL.

In order to prevent spread of the virus in tourism-related facilities, the Ministry of Labour, Health and Social Affairs developed mandatory recommendations⁷, which include requirements for accommodations in terms of *workplace of the administration, hotel catering facilities, cleaning and disinfection, hand washing of dishes, hygienic regime of bed linen, operation of dispensaries, swimming pool and other sports and entertainment centers and requirements for employers*. Requirements for food facilities are concerned with *security and reservation system, placement of tables, chairs and customers, hand washing of dishes, hygienic regime of tablecloths and napkins, cleaning and disinfection, requirements for employers*. All requirements imply keeping the safe social distance of 2 meters.

A vast majority, namely, 81% of surveyed accommodations and 74% of food facilities, plan to continue their operations despite the regulations. A majority of surveyed accommodation and food facilities in Georgia expect to operate under these regulations for at least one year.

In terms of communication of the requirements, 62% and 74% of surveyed accommodations and food facilities, respectively, state that they have detailed information about the regulations in their sector, while 30% and 21%, respectively, state that they have partial information.

1 https://www.rs.ge/Default.aspx?sec_id=4845&lang=1&newsid=5882

2 http://gov.ge/index.php?lang_id=GE0&sec_id=541&info_id=75972

3 http://www.economy.ge/uploads/files/2017/news/2020/final_tourism_presentation.pdf

4 <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-05/UNWTO-Global-Guidelines-to-Restart-Tourism.pdf>

5 PMCG conducted a survey of accommodation and food facilities in Georgia; Number of observations: 116

6 http://gov.ge/files/76339_76339_444796_COVID-19angarisht...pdf

7 Please see the detailed regulations of different sectors in Georgian on the link: https://www.moh.gov.ge/ka/news/5096/?fbclid=IwAR2HwjEPLizWb_NrprbbKH3qGt5jPZn8hWfCUvy5xAT8LbA33leO3av68#

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2020 May/ 2020 Apr	2020 May/ 2019 May	2020 May/ 2020 Apr	2020 May/ 2019 May	2020 May/ 2020 Apr	2020 May/ 2019 May
Kakheti	1.5%	4.6%	2.6%	19.4%	1.2%	1.8%
Imereti	2.9%	-3.0%	1.0%	1.1%	4.0%	-4.9%
Guria	15.3%	-10.1%	8.6%	7.8%	22.5%	-37.5%
Shida Kartli	0.0%	2.6%	0.0%	-20.8%	0.0%	5.3%
Adjara	7.6%	-31.3%	8.9%	-25.5%	6.0%	-38.1%
Racha	5.8%	-2.7%			5.8%	-2.7%
Kvemo Kartli	3.1%	-5.3%	26.5%	-2.8%	-2.1%	-12.5%
Samegrelo-Zemo Svaneti	2.4%	1.6%	3.7%	3.2%	2.0%	1.0%
Samtskhe-Javakheti	4.8%	-5.0%	14.9%	-19.1%	2.6%	-0.9%
Mtskheta-Mtianeti	0.5%	8.0%	-6.5%	35.9%	7.5%	-2.9%
Tbilisi	4.2%	9.1%	4.7%	12.8%	-0.1%	-22.0%
Overall Price % Change	4.8%	-2.9%	5.4%	1.6%	2.5%	-21.2%

Table 1 : Percentage change of prices in May 2020 over April 2020 and over May 2019.

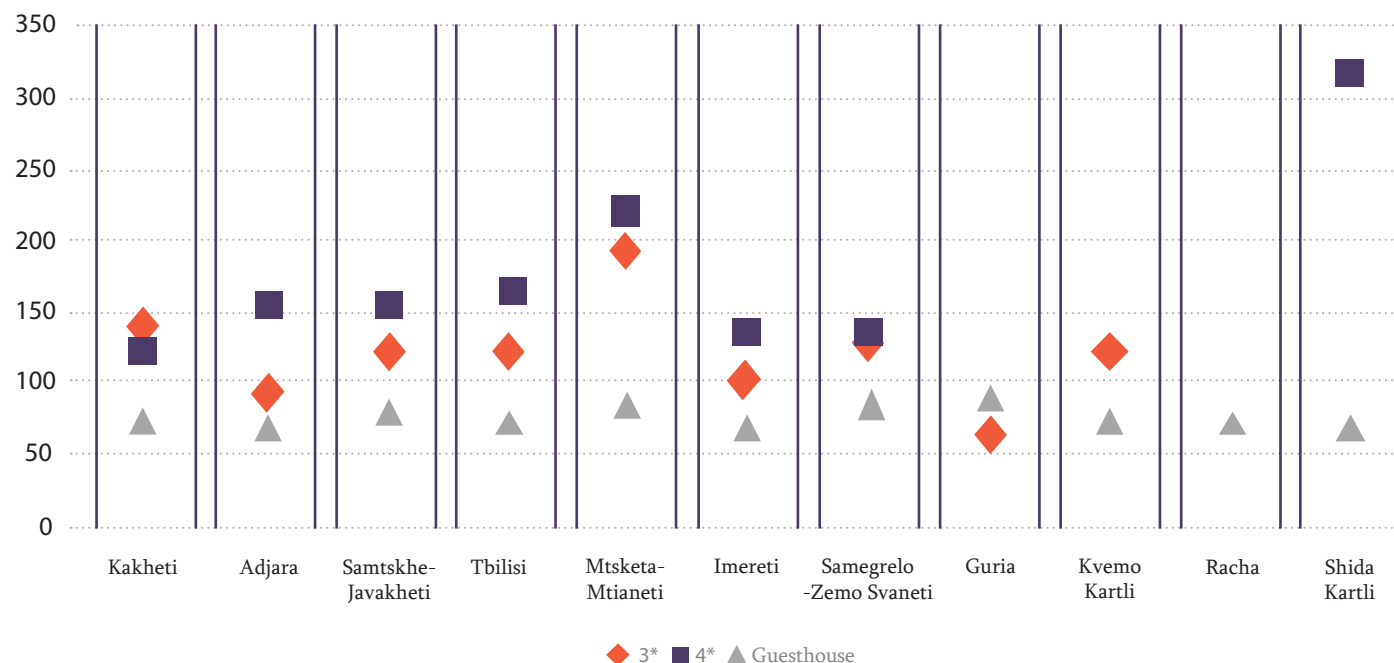
In May 2020, in Georgia the hotel price index³ increased by 4.8% compared to April 2020. The 3-star, 4-star and 5-star hotel price index increased by 5.4%, while for guesthouses, the price index increased by 2.5%.

In May 2020, compared to May 2019, hotel prices in Georgia decreased by 2.9%. The prices of 3*, 4*, 5* hotels increased by 1.6%, while the prices of guesthouses decreased by 21.2%.

Average Hotel Prices

In Georgia, the average cost of a room¹ in a 3-star hotel was 126 GEL per night in May 2020. While the average cost of a room in a 4-star hotel in Georgia was 214 GEL per night and the average cost of a room in a guesthouse² was 71 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (May 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 May 2020 was 362 GEL per night. In Tbilisi, the average price was 534 GEL followed by Kakheti - 325 GEL and Imereti - 95 GEL.

Basic Economic Indicators

	I 2018	II 2018	III 2018	IV 2018	2018	I 2019	II 2019	III 2019	IV 2019	2019	I 2020
1	363.6	433.3	534.5	468.6	1800	426	498.5	605.7	541.9	2072.1	-
2	1582.4	1979.6	3226.4	1891.1	8679.5	1617.5	2244.8	3375.1	2120.4	9357.9	1333.1
3	839.5	1094.2	1838.3	984.7	4756.8	882.1	1245	1863.6	1089.7	5080.5	765.3
4	550.7	810	1210.6	650.8	3222.1	578.4	877.6	1126.8	685.8	3 268.7	427.7
5	105.9	126.4	149.9	142.4	524.7	131.3	167.9	181.6	176.2	657.2	-
6	25.3	-8.2	44.9	15.7	77.8	66.2*	28.8*	45.7*	16.4 *	157.5*	15.8*

1 GDP in current prices 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